













INDUSTRY OUTLOOK

Industry Outlook Survey – H1 2023

Research conducted online in May/June 2023 with 113 senior BVRLA member contacts

Headline Findings

At a glance: These are difficult times, but businesses are coping with challenges around supply shortages, the economic environment, recruitment, and new legislation. We have not turned the corner yet, but an improving environment is on the horizon.

-  29% expect the economy to improve over the next six months.
-  21% expect the economy to deteriorate over the same period.
-  51% suggest their staffing levels have increased in the last 12 months
-  53% expect staffing levels to increase over the next 12 months.
-  56% are struggling to recruit new staff.
-  36% say that the average age of their fleet is now more than 12 months older than it was in 2019
For some of our core products:
 -  29% are seeing a stronger demand for PCH
 -  60% are seeing a stronger demand for daily car rental.
 -  66% are seeing a stronger demand for salary sacrifice.
-  One quarter of businesses have seen an increase in the number of customers contacting them because they are having payment difficulties since January 2023.

Outlook for H2

Sales transactions and staffing levels are comparable to this time last year. However, the outlook is far more optimistic than in August 22.

Over the next six months.....



29% expect the **economy to improve** (7% in August 22)



58% expect to see **growth in their fleet size** (39% in August 22)

44% expect the **rental sector to improve** (21% in August 22)



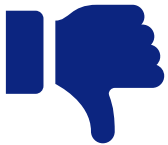
34% expect the **leasing industry to improve** (10% in August 22)

...and...



59% saw **better sales transactions in Q1 2023** than in Q1 2022 (61% Q2 2022 to Q2 2021)

95% Expect staffing levels to remain the same or increase over the next 12 months (94% in August 2022)



However...



56% Suggest that their business is struggling to recruit new staff (54% in August 2022)

Selected Verbatims

Working through the challenges ahead.....

“Lack of availabilities, long lead times and increasing costs will continue to be some of the biggest challenges over the next 12 months.”

“The outlook is positive for our business, new supply is returning, used car values are coming back to normal and our fleet is growing.”

“Our fleet size will remain the same this year not as a result of wider economic conditions but from the strangulation of our sector by the vehicle manufacturers.”

“Providing customer value whilst maintaining profit margins is the biggest challenge, with inflated supply prices and rising cost of funds damaging profits from individual sales. “

“Tough economic conditions driven by continuous increases in interest rates.”

“2023 will continue to remain challenging, as the costs of operating business's continues to increase, and private individuals struggle with the cost of living.”

“We expect significant growth in 2023 and beyond.”

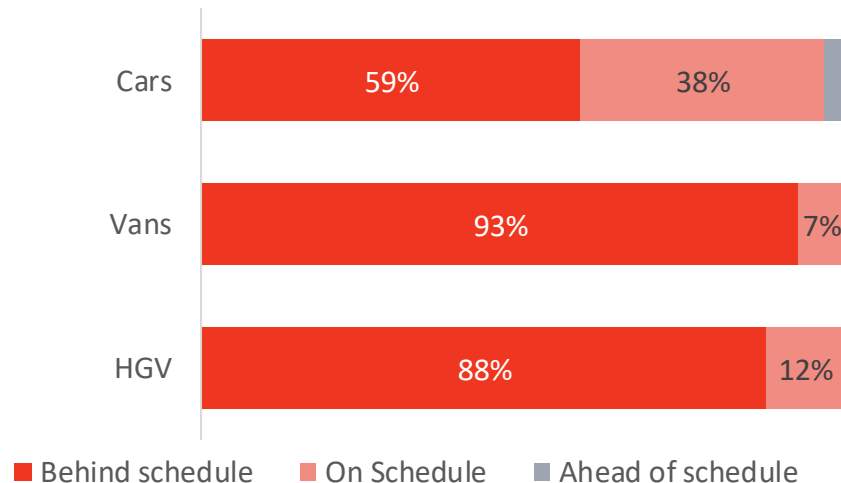
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EV Adoption

The industry believes that we are still behind the curve in meeting Government EV objectives.

The government is taking action to tackle climate change and decarbonise the UK's fleet of vehicles. It plans to end the sale of all new petrol and diesel cars and vans by 2030, and for all new cars and vans to be zero emission at the tailpipe by 2035. HGVs less than or equal to 26 tonnes will need to be zero emission from 2035 and, from 2040, all new HGVs.

Where are we on meeting this objective?



Issues around the charging network, vehicle range and used BEV take up will all have been considerations.

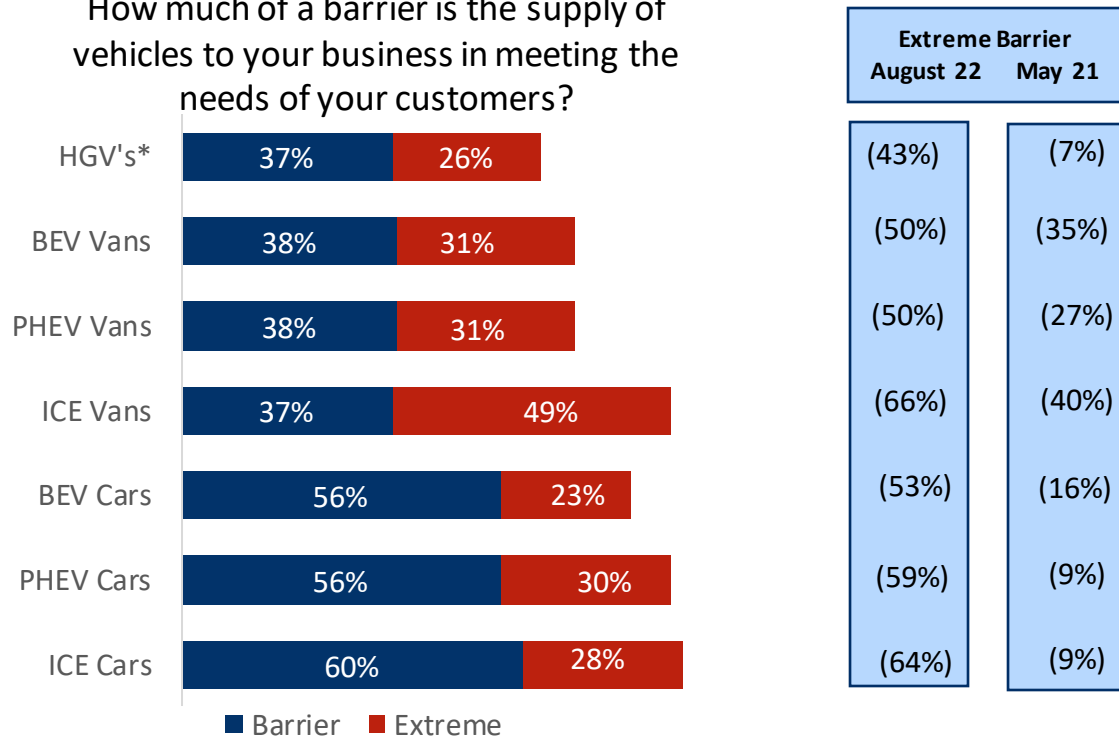
Almost three quarters of the rental community think we are behind schedule compared to just over half for the other sectors. (Leasing, Brokers and Service providers.)

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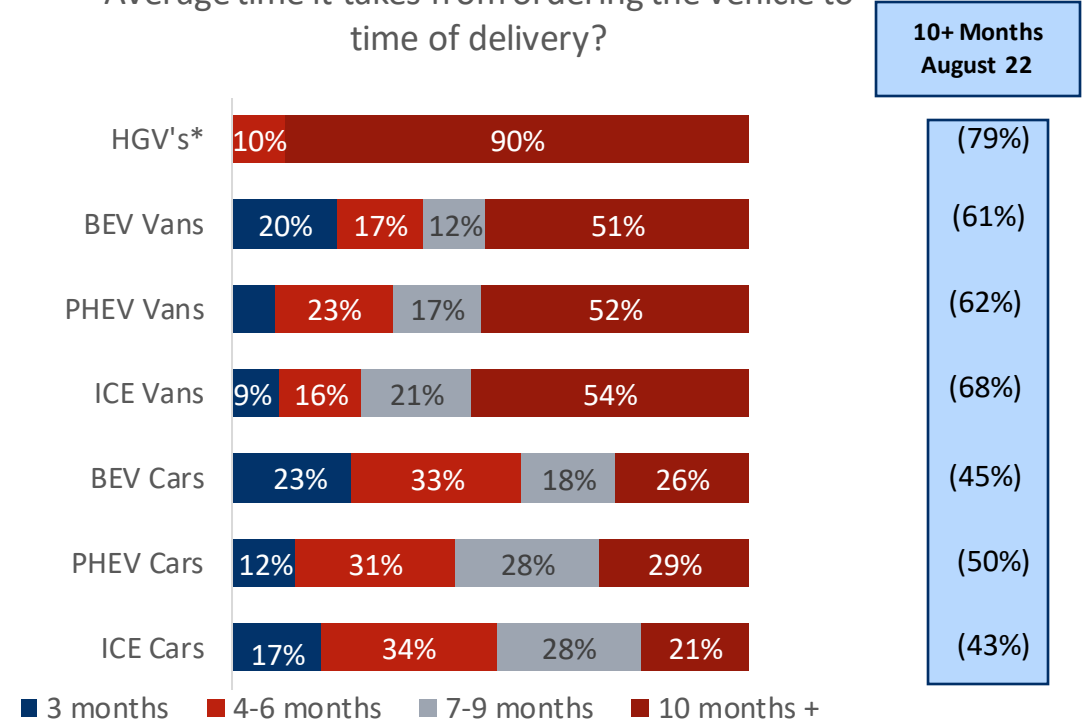
Supply

Vehicle supply, challenges persist but are posing less of an issue for members. Delivery waiting times in excess of 10 months for CV's remains a reality although waiting times for cars do appear to be reducing.

How much of a barrier is the supply of vehicles to your business in meeting the needs of your customers?



Average time it takes from ordering the vehicle to time of delivery?



89% - advise their fleet is older than seen in 2019 with **30%** saying it is more than 12 months older.

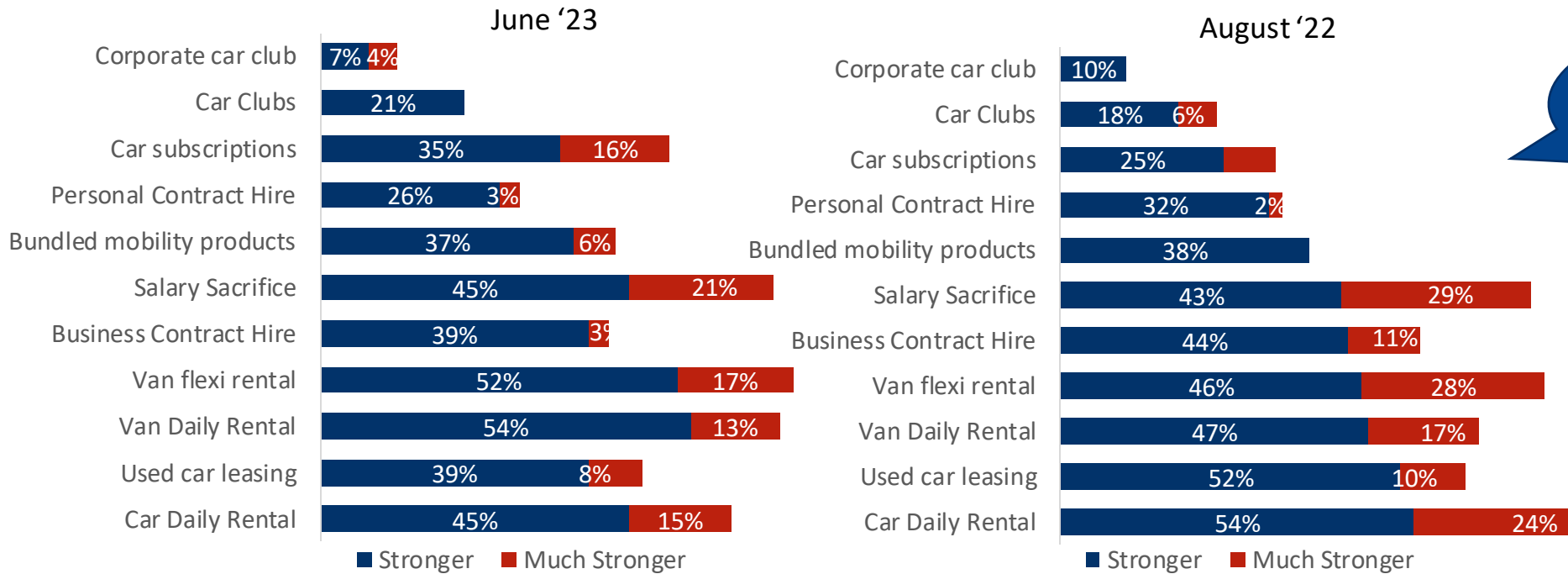
62% - suggest order bank is up 10% or more and **25%** think it is double that of the norm seen in 2019.

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Mobility Services

Vehicle supply issues continue to impact demand in different ways. Car subscription demand has seen a very positive improvement over the last 12 months. Business contract hire and used car leasing have fared less well.

Changes in the demand for mobility products and services



Availability and new vehicle pricing / discounts

Lack of stock

With high purchase costs the demand for leasing has increased. Flexi hire is attractive where long term contracts are not viable.

Availability, Product Choice, Flexibility, Recruitment & retention

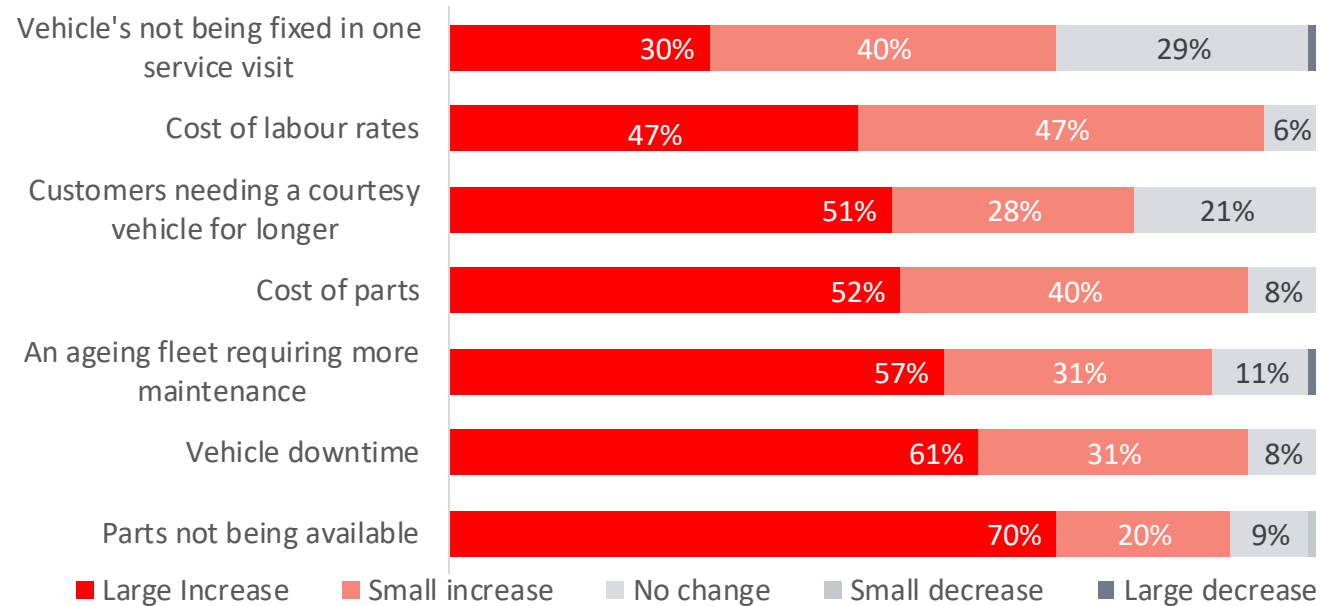
Q. Is your business seeing a change in the demand for different products and services? And why?

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SMR

A notable increase in the lack of parts availability is having a notable knock-on effect for members. Not only are parts prices increasing but vehicle downtime and the age of the fleet have both increased.

Changes in SMR



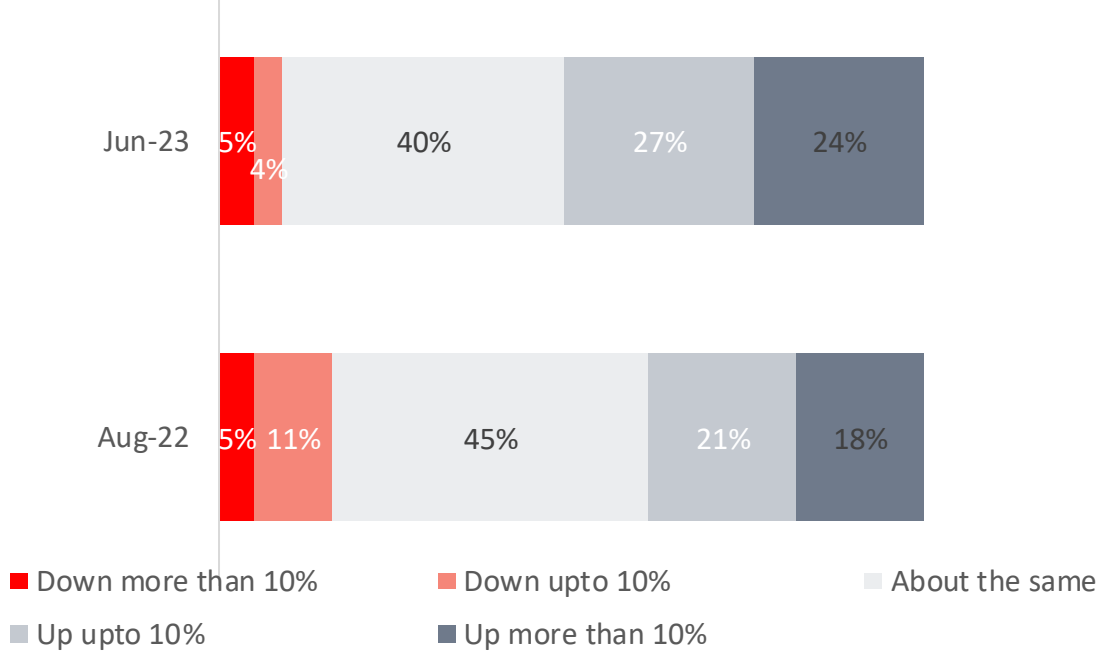
Q. How have issues relating to SMR changed over the last 12 months?

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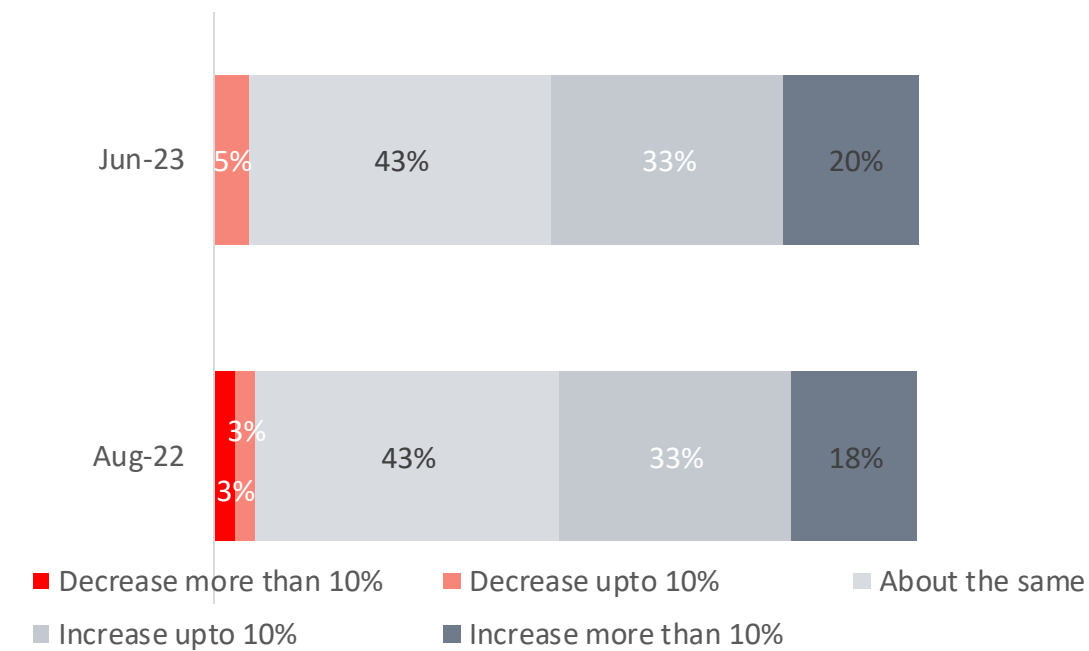
Staffing Levels

Members have generally maintained or increased staffing levels over the last 12 months and are confident that they will not reduce over the next twelve. Issues around staff recruitment appear to be growing.

How do your staffing levels compare with that of the same month a year ago?



What do you think will happen to staffing levels in the next 12 months?



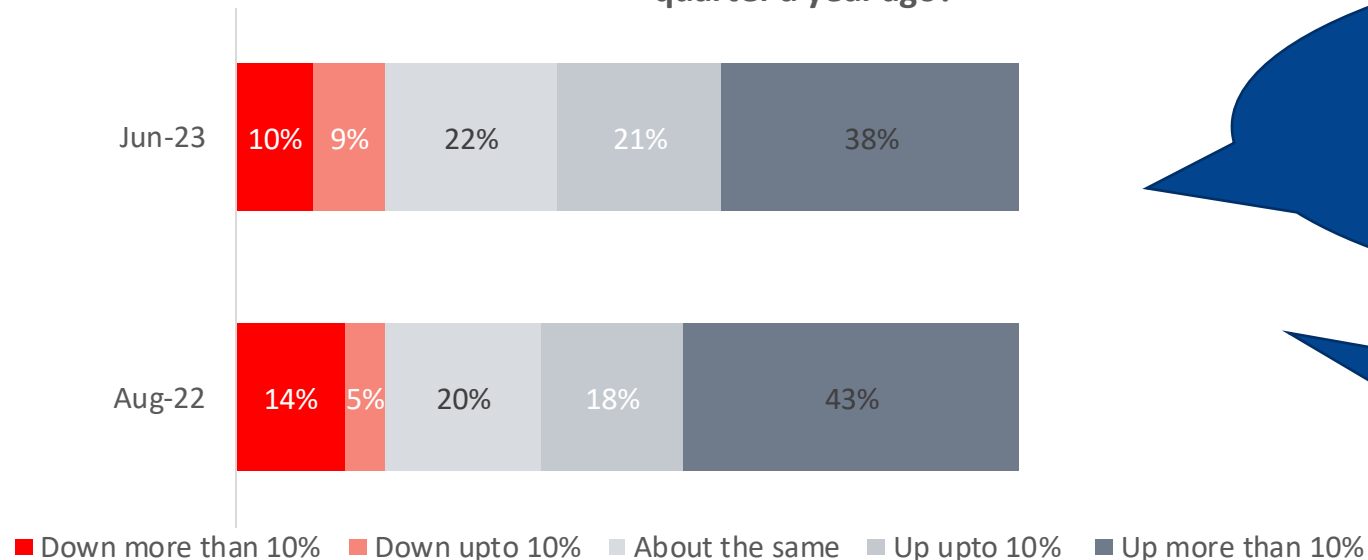
Is your business struggling with the recruitment of new staff?		
	August 22	June 23
Yes	54%	56%

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Sales Transactions

The number of sales transactions remains positive, although a decline in the number seeing growth above 10% is down on both the March and October 21 figure.

How do your sales transaction for this quarter compare with that of the same quarter a year ago?



We are focusing on delivering better value for our Licensees and supply partners. We are expecting the trading environment to become tougher, but the market is big enough to deliver growth through better service delivery.

I expect demand to increase with the improving supply situation, which will mean that OEMs will gradually increase discounts thus making rentals more affordable.