Car Dealers Anticipate Tough Sales Year

Provided by: **RS Risk Solutions Ltd**

The inflated cost of living continues to affect several industries, and the motor trade is no exception. In fact, 40% of consumers say their approach to motoring has been affected by the current cost-of-living crisis, according to research by online marketplace carwow. Moreover, 27% of consumers are considering selling or exchanging their cars to save money. These changes in consumer behaviour could make it difficult for car dealers to predict and protect their finances, particularly as the economic climate remains uncertain.

Compounding inflation concerns, dealers are still recovering from the difficulties faced by the industry during the COVID-19 pandemic. The trade has lost production of 46 million new vehicles over the past three years due to supply chain disruptions stemming from the effects of the pandemic, according to Cox Automotive. Though supply chain constraints have begun to ease, the market’s growth potential may be hampered by current economic pressures.

Amid these trends, Cox Automotive has recently released its 2023 used car forecast. The company’s baseline forecast has proved to be one of the most accurate available. Indeed, its 2022 baseline forecast was 99.8% accurate when compared to the Society of Motor Manufacturers and Traders’ actual used car transactions data.

Cox Automotive’s forecast predicts an uplift of just 3.2% in used car sales this year, with 7,096,932 used car transactions anticipated. However, the gains in the first quarter are expected to be marginal. In contrast, the worst-case scenario outlook predicts a 0.1% gain on 2022’s performance, with a 6.6% decrease on the average figures for 2001-2019.

While Cox Automotive’s forecasts are not a certainty, they do point to the possibility of a tough sales year for car dealers in 2023. While replenished stock levels and renewed fleet utilisation will contribute to a more favourable outlook, economic pressures may hold organisations back from achieving their true sales potential. Consequently, it may be prudent for car dealers to plan for worst-case scenarios and consider creative ways to bolster their finances over the next 12 months.

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