

November 2021

Future used car market overview

Welcome to the latest version of our overview. Our aim is to bring you the best content and layout, making it easy to identify new and revised information. As always, any customer feedback on this format would be appreciated: e-mail dylan.setterfield@cap-hpi.com

The content is structured as follows:

1. Forecast Changes
2. Market Conditions
3. Historic Forecast Accuracy
4. Forecast Methodology
5. Sector Reforecast Schedule 2021

1. Forecast Changes

The overall average change in new car forecasts for ALL cars between October and November is approximately +2.3 % at 36/60, which is approximately +3.2% higher than the normal expectation of the seasonal change for full year forecasts at this time of year. This is again a reflection of the large number of ranges reforecast through a combination of sector reviews and Interproduct reporting and also the average increases in forecast values for those vehicles (see below).

Details of all 36/60k forecast values revised by $\pm 5\%$ can be found via the following link: [Monthly Reports](#)

Sector reforecasts

This month, we publish new reforecasts for the Upper Medium, Executive, Large Executive and Luxury Executive sectors. (As mentioned previously, Electric Vehicles are now reforecast in conjunction with their associated body style sectors).

Similar to the reviews over the past few months, the recent extreme increases in used values have prompted us to increase the deflation expectation over the next 12 months, as the strength seen this year is not expected to be repeated. This is now offset by a more positive outlook for the second year of the forecast, with increasing inflation in the third year (as lower new car registrations in 2020-21 result in significantly lower used car volumes from September 2023 onwards). As we move through time, the 24-month period now is expected to see the first real impacts of lower used car supply. The overall impact across all sectors reviewed is an approximate increase in deflation of -2%, all loaded into the first 12 months, with an increase of around -4% to -5% offset by improvements in later years.

Average forecasts for Upper Medium, Executive and Large Executive see an improvement of approximately +4.5% for 3-year-old vehicles, with Luxury Executive increasing by +3.0.

There are differences in the relative changes by fuel type in each sector. However, in contrast to previous months, hybrids are generally moving in line with ICE vehicles. There are again smaller average increases for BEVs.

The overall impact of the changes to forecasts for this sector at 36/60k is shown below:

SIZE & FUEL TYPE	UNDERLYING FORECAST CHANGE	SEASONAL ELEMENT	OBSERVED CHANGE OCTOBER TO NOVEMBER
Upper Medium Diesel	3.4%	-1.1%	2.3%
Upper Medium Electric (BEV)	1.4%	-0.9%	0.5%
Upper Medium Hybrid (HEV)	4.5%	-0.9%	3.6%
Upper Medium Petrol	4.4%	-0.9%	3.5%
Upper Med Plug-In Hybrid (PHEV)	3.5%	-0.9%	2.6%
Executive Diesel	4.3%	-1.4%	2.9%
Executive Hybrid (HEV)	4.4%	-0.4%	4.0%
Executive Petrol	4.3%	-0.4%	3.9%
Executive Plug-In Hybrid (PHEV)	4.6%	-0.4%	4.2%
Large Exec Diesel	4.8%	-1.4%	3.4%
Large Exec Electric (BEV)	2.4%	-0.8%	1.6%
Large Exec Hybrid (HEV)	1.8%	-0.8%	1.0%
Large Exec Petrol	3.8%	-0.8%	3.0%
Large Exec Plug-In Hybrid (PHEV)	4.5%	-0.8%	3.7%
Luxury Executive Petrol	3.0%	-1.4%	1.6%
Overall Average	3.9%	-0.9%	3.0%

Forecast changes this month

Once again we have renewed our extensive Interproduct review this month. Approximately 300 ranges (around 45% of current ranges) were considered, but in a small number of cases it was decided to make no changes to the forecasts.

Some of these ranges were already reforecast as part of the Interproduct exercise in recent months, but required re-assessing due to the magnitude of continued used value movements. In some of these cases there were no further changes to the 36-month position, but increases were made to the 12-month position in recognition of further strength in used values that is not expected to be sustainable beyond the 12-month point.

ALFA ROMEO GIULIETTA (10-) DIESEL	BMW 2 SERIES ACTIVE TOURER (15-) PETROL HYBRID	DACIA SANDERO (20-) DIESEL	JAGUAR F-PACE (20-) Hybrid
ALFA ROMEO STELVIO (17-)	BMW 2 SERIES COUPE (13-)	DS D57 CROSSBACK (17-)	JEEP COMPASS (17-)
ALFA ROMEO STELVIO (17-) DIESEL	BMW 2 SERIES GRAN COUPE (19-)	DS D57 CROSSBACK (17-) Diesel	JEEP COMPASS (17-) DIESEL
ALFA ROMEO STELVIO QUADRIFOGLIO (18-)	BMW 2 SERIES GRAN COUPE (19-) Diesel	DS D57 CROSSBACK (19-) Hybrid	JEEP RENEGADE (18-)
AUDI A3 (20-)	BMW 2 SERIES GRAN TOURER (15-)	FIAT 500X (18-)	JEEP RENEGADE (20-) Hybrid
AUDI A3 (20-) HYBRID	BMW 2 SERIES GRAN TOURER (15-) DIESEL	FIAT TIPO (16-)	JEEP WRANGLER (18-)
AUDI Q2 (16-)	BMW I3 (13-)	FORD ECOSPORT (17-)	JEEP WRANGLER (18-) DIESEL
AUDI Q2 (16-) DIESEL	BMW X1 (19-)	FORD FOCUS (18-)	KIA CEED (18-)
AUDI Q3 (18-)	BMW X1 (19-) DIESEL	FORD FOCUS (18-) DIESEL	KIA CEED (18-) DIESEL
AUDI Q3 (18-) DIESEL	BMW X1 (20-) Hybrid	FORD GALAXY (19-) DIESEL	KIA CEED (20-) Hybrid
AUDI Q3 (21-) Petrol Hybrid	BMW X2 (18-)	FORD GALAXY (21-) Hybrid	KIA E-NIRO (18-) Electric
AUDI Q3 SPORTBACK (19-)	BMW X2 (20-) Petrol Hybrid	FORD GRAND TOURNEO CONNECT (13-) DIESEL	KIA NIRO (19-)
AUDI Q3 SPORTBACK (19-) Diesel	BMW X3 (17-)	FORD KUGA (19-)	KIA PICANTO (17-)
AUDI Q3 SPORTBACK (21-) Petrol Hybrid	BMW X3 (17-) DIESEL	FORD KUGA (19-) DIESEL	KIA PRO CEED (18-)
AUDI Q5 (16-)	BMW X3 (19-) Petrol Hybrid	FORD KUGA (19-) Hybrid	KIA SOUL (19-) ELECTRIC
AUDI Q5 (16-) DIESEL	BMW X4 (18-)	FORD PUMA (19-)	KIA SPORTAGE (15-) DIESEL
AUDI Q5 (19-) Petrol Hybrid	BMW X4 (18-) DIESEL	FORD S-MAX (19-) DIESEL	KIA STONIC (17-)
AUDI Q5 SPORTBACK (20-) Diesel	BMW X5 (18-)	FORD S-MAX (21-) Hybrid	KIA XCEED (19-)
AUDI Q5 SPORTBACK (20-) Petrol	BMW X5 (18-) DIESEL	FORD TOURNEO CONNECT (13-) DIESEL	LAMBORGHINI URUS (18-)
AUDI Q7 (19-) DIESEL	BMW X5 (19-) PETROL HYBRID	HONDA CIVIC (16-)	LAND ROVER DEFENDER (19-)
AUDI Q7 (20-) Petrol Hybrid	CITROEN BERLINGO MULTISPACE (18-)	HONDA CR-V (18-) Hybrid	LAND ROVER DEFENDER (19-) Diesel
AUDI Q8 (18-) DIESEL	CITROEN BERLINGO MULTISPACE (18-) DIESEL	HONDA HR-V (18-)	LAND ROVER DEFENDER (20-) Hybrid
AUDI Q8 (20-) Hybrid	CITROEN C3 (16-)	HONDA HR-V (19-) DIESEL	LAND ROVER DISCOVERY (16-)
AUDI RS Q8 (19-)	CITROEN C3 (16-) DIESEL	HYUNDAI I30 (17-) DIESEL	LAND ROVER DISCOVERY (16-) DIESEL
AUDI RSQ3 (19-)	CITROEN C3 AIRCROSS (17-)	HYUNDAI IONIQ (19-) HYBRID	LAND ROVER DISCOVERY SPORT (19-)
AUDI RSQ3 SPORTBACK (19-)	CITROEN C5 AIRCROSS (18-)	HYUNDAI KONA (17-)	LAND ROVER DISCOVERY SPORT (19-) DIESEL
AUDI SQ2 (19-)	CITROEN C5 AIRCROSS (18-) Diesel	HYUNDAI KONA (19-) Hybrid	LAND ROVER DISCOVERY SPORT (20-) Hybrid
AUDI SQ5 (19-) Diesel	CITROEN C5 AIRCROSS (19-) Hybrid	HYUNDAI SANTA FE (18-) DIESEL	LAND ROVER RANGE ROVER (17-) DIESEL
AUDI SQ5 SPORTBACK (20-) Diesel	CITROEN GRAND C4 SPACE TOURER (18-)	HYUNDAI TUCSON (18-)	LAND ROVER RANGE ROVER (17-) Hybrid
BENTLEY BENTAYGA (15-)	CITROEN GRAND C4 SPACE TOURER (18-) Diesel	HYUNDAI TUCSON (18-) DIESEL	LAND ROVER RANGE ROVER EVOQUE (18-)
BENTLEY BENTAYGA (19-) Hybrid	CITROEN SPACE TOURER (16-) DIESEL	HYUNDAI TUCSON (20-)	LAND ROVER RANGE ROVER EVOQUE (18-) DIESEL
BMW 1 SERIES (19-)	CUPRA ATECA (18-)	JAGUAR E-PACE (17-)	LAND ROVER RANGE ROVER EVOQUE (20-) Hybrid
BMW 1 SERIES (19-) DIESEL	CUPRA FORMENTOR (20-)	JAGUAR E-PACE (20-) Hybrid	LAND ROVER RANGE ROVER SPORT (17-)
BMW 2 SERIES ACTIVE TOURER (14-)	DACIA DUSTER (18-)	JAGUAR F-PACE (20-)	LAND ROVER RANGE ROVER SPORT (17-) DIESEL
BMW 2 SERIES ACTIVE TOURER (14-) DIESEL	DACIA DUSTER (18-) DIESEL	JAGUAR F-PACE (20-) DIESEL	LAND ROVER RANGE ROVER SPORT (17-) Petrol Hybrid
LAND ROVER RANGE ROVER VELAR (17-)	MERCEDES-BENZ GLE COUPE (19-) DIESEL	PORSCHE CAYENNE (17-)	VAUXHALL ASTRA (19-)
LAND ROVER RANGE ROVER VELAR (17-) DIESEL	MERCEDES-BENZ GLS (20-)	PORSCHE CAYENNE (18-) HYBRID	VAUXHALL COMBO LIFE (18-)
LAND ROVER RANGE ROVER VELAR (20-) Hybrid	MERCEDES-BENZ V CLASS (19-) DIESEL	PORSCHE CAYENNE COUPE (19-)	VAUXHALL COMBO LIFE (18-) Diesel
MAZDA CX-5 (17-)	MG MOTOR UK HS (19-)	PORSCHE CAYENNE COUPE (19-) Hybrid	VAUXHALL CROSSLAND X (17-)
MAZDA CX-5 (17-) DIESEL	MG MOTOR UK MG 5 (20-) Electric	PORSCHE MACAN (18-)	VAUXHALL CROSSLAND X (17-) DIESEL
MERCEDES-BENZ A CLASS (18-)	MG MOTOR UK ZS (17-)	RENAULT CAPTUR (19-)	VAUXHALL GRANDLAND X (17-)
MERCEDES-BENZ A CLASS (18-) DIESEL	MG MOTOR UK ZS (19-) Electric	RENAULT CAPTUR (20-) Hybrid	VAUXHALL GRANDLAND X (17-) DIESEL
MERCEDES-BENZ A CLASS (19-) Hybrid	MINI COOPER (18-)	RENAULT KADJAR (18-)	VAUXHALL VIVARO LIFE (18-) DIESEL
MERCEDES-BENZ AMG CLA CLASS (19-)	MINI COOPER CLUBMAN (19-)	RENAULT MEGANE (16-)	VOLKSWAGEN CADDY LIFE (20-)
MERCEDES-BENZ AMG G CLASS (18-)	MINI COUNTRYMAN (17-)	RENAULT MEGANE (16-) DIESEL	VOLKSWAGEN CALIFORNIA (19-) DIESEL
MERCEDES-BENZ AMG GLA CLASS (20-)	MINI COUNTRYMAN (17-) HYBRID	SEAT ARONA (17-)	VOLKSWAGEN GOLF (20-)
MERCEDES-BENZ AMG GLB (20-)	MITSUBISHI ASX (19-)	SEAT ATECA (16-)	VOLKSWAGEN GOLF (20-) HYBRID
MERCEDES-BENZ AMG GLC (19-)	MITSUBISHI ECLIPSE (17-)	SEAT ATECA (16-) DIESEL	VOLKSWAGEN GOLF GTI (20-)
MERCEDES-BENZ AMG GLE (19-)	MITSUBISHI OUTLANDER (18-)	SEAT IBIZA (17-)	VOLKSWAGEN ID.3 (20-) Electric
MERCEDES-BENZ AMG GLE COUPE (19-)	MITSUBISHI OUTLANDER (18-) HYBRID	SEAT LEON (20-)	VOLKSWAGEN ID.4 (21-) Electric
MERCEDES-BENZ B CLASS (19-)	MITSUBISHI SHOGUN SPORT (17-) DIESEL	SEAT TARRACO (18-)	VOLKSWAGEN SHARAN (10-)
MERCEDES-BENZ B CLASS (19-) DIESEL	NISSAN JUKE (19-)	SEAT TARRACO (18-) Diesel	VOLKSWAGEN T-CROSS (19-)
MERCEDES-BENZ B CLASS (19-) Hybrid	NISSAN LEAF (17-)	SKODA FABIA (18-)	VOLKSWAGEN TIGUAN (16-)
MERCEDES-BENZ GLA CLASS (20-) Hybrid	NISSAN MICRA (16-)	SKODA KAMIQ (19-)	VOLKSWAGEN TIGUAN (16-) DIESEL
MERCEDES-BENZ GLB (20-) Diesel	NISSAN QASHQAI (18-)	SKODA KAROO (17-)	VOLKSWAGEN TIGUAN ALLSPACE (17-)
MERCEDES-BENZ GLC (19-)	NISSAN X-TRAIL (19-)	SKODA KAROO (17-) Diesel	VOLKSWAGEN TIGUAN ALLSPACE (17-) DIESEL
MERCEDES-BENZ GLC (19-) Hybrid	NISSAN X-TRAIL (19-) DIESEL	SKODA KODIAQ (16-)	VOLKSWAGEN TOUAREG (18-) DIESEL
MERCEDES-BENZ GLC COUPE (19-)	PEUGEOT 2008 (19-)	SKODA KODIAQ (16-) DIESEL	VOLKSWAGEN TOUAREG (21-) HYBRID
MERCEDES-BENZ GLC COUPE (19-) DIESEL	PEUGEOT 2008 (19-) DIESEL	SKODA SCALA (19-)	VOLKSWAGEN TOURAN (15-)
MERCEDES-BENZ GLC COUPE (20-) Diesel Hybrid	PEUGEOT 2008 (19-) Electric	SUZUKI IGNIS (16-)	VOLKSWAGEN TOURAN (15-) DIESEL
MERCEDES-BENZ GLC COUPE (20-) Hybrid	PEUGEOT 3008 (16-)	SUZUKI S CROSS (13-)	VOLKSWAGEN T-ROC (17-)
MERCEDES-BENZ GLC COUPE (20-) Hybrid	PEUGEOT 3008 (16-) DIESEL	SUZUKI S CROSS (13-) DIESEL	VOLKSWAGEN T-ROC (17-) Diesel
MERCEDES-BENZ GLC COUPE (20-) Hybrid	PEUGEOT 3008 (19-) Petrol Hybrid	SUZUKI SWIFT (17-)	VOLKSWAGEN T-ROC (17-) Diesel
MERCEDES-BENZ GLC COUPE (20-) Hybrid	PEUGEOT 308 (13-)	SUZUKI VITARA (18-)	VOLKSWAGEN UP (12-)
MERCEDES-BENZ GLC COUPE (20-) Hybrid	PEUGEOT 308 (13-) DIESEL	TESLA MODEL X (19-)	VOLVO XC40 (17-)
MERCEDES-BENZ GLC COUPE (20-) Hybrid	PEUGEOT 5008 (17-)	TOYOTA AYGO (18-)	VOLVO XC40 (19-) Hybrid
MERCEDES-BENZ GLC COUPE (20-) Hybrid	PEUGEOT 5008 (17-) DIESEL	TOYOTA C-HR (19-) HYBRID	VOLVO XC40 (20-) Electric
MERCEDES-BENZ GLE (18-)	PEUGEOT 5008 (17-) DIESEL	TOYOTA COROLLA (18-) Hybrid	VOLVO XC60 (17-)
MERCEDES-BENZ GLE (18-) DIESEL	PEUGEOT RIFTER (18-) Diesel	TOYOTA HIGHLANDER (20-) Hybrid	VOLVO XC60 (17-) DIESEL
MERCEDES-BENZ GLE (19-) DIESEL	PEUGEOT RIFTER (18-) Petrol	TOYOTA PRIUS (14-) HYBRID	VOLVO XC90 (14-) DIESEL
MERCEDES-BENZ GLE (19-) Diesel Hybrid	PEUGEOT TRAVELLER (16-) DIESEL	TOYOTA RAV4 (18-) HYBRID	VOLVO XC90 (15-)

TESLA MODEL 3 (2019-----) Correction to previous Interproduct review – changes made last month did not sufficiently account for current position against list price – change resulted in forecast decreases.

Seasonality changes

In line with our gold book methodology, all other model ranges which are outside of the sector reforecasts, have had their used forecasts moved forward from month to month by seasonal factors (without plate effect) which are differentiated by sector and fuel type and are based on analysis of historical used value movements.

2. Market Conditions

At the time of writing, the rate of used car price increases appears to finally have slowed. There are signs that consumer demand has reverted to something much closer to normal levels, but we have still seen increases in value at a time of year when we would normally expect them to decrease.

The continuing strength in used values has been astonishing. We expected the market to be strong when dealers re-opened in April, but not as strong as when they re-opened last year, simply because dealers had been able to trade online in much greater volumes than during the first lockdown and pent-up demand was expected to be lower. Indeed, the market was slightly slower to pick up in early April than we had expected. The prevalence of the 'accidental saver' resulted in extremely strong consumer demand, which has stayed strong for 6 months.

We are now in a situation where retail prices for many used cars are priced above cost new and there are even cases where the trade value significantly exceeds list price. Retail prices have been increasing, but much more slowly than the trade, resulting in pricing headaches for dealers, especially for those cars already over cost new.

Several supply issues had already extended new car delivery lead times and new car supply problems (often referred to as "the semi-conductor shortage", but in reality a whole host of different issues) suddenly got a lot worse in early September. This was partly (but not exclusively) due to a Covid-19 breakout in several Asia-Pacific countries in July and August. This is likely to have a knock-on effect for several months to come, although additional capacity from new chip manufacturing plants now open in Germany and Austria will mitigate the impact at some stage.

The shortage of new car supply, combined with fewer trade-in vehicles and delayed fleet replacements have contributed to the record strength in values, as many drivers and fleet managers are also running cars for longer due to lower mileage through the pandemic. The government's additional support for business has now come to an end, but the anticipated negative economic impacts have undoubtedly been reduced by the multiple extensions to the various schemes. Further lockdowns now seem unlikely, although concerns remain regarding new variants (in particular, the "AY3" and "AY4.2" versions of the Delta variant, which may be more vaccine resistant and more transmissible respectively than the current dominant Delta variant).

In summary, our view is that:

- Although we still expect the current strength in the overall used market to last for several more weeks and possibly to the end of the year, the magnitude of the increases has now begun to slow down. Retail days to sell appear now to be closer to what would be expected in a 'normal' market, reflecting a slowdown in demand, but still at a healthy level for the time of year. For most sectors, our short-term forecast continues to show positive movements in each of the next 3 months of decreasing magnitude, but some sectors are expected to decrease, albeit by less than would be normal during these months.
- There are still plenty of cases where logical relationships have been broken and where nearly new used values are above list prices. These will resolve themselves in time, but values are not expected to go down as fast as they have increased. Clearly this may be accelerated if retail demand reduces further and consumer confidence drops. Even if this is the case, however, we would still expect a gradual market adjustment over the next 12 months or so, rather than a 'mirrored' fall.

- The used value increases on some models have effectively set a new market and may not return to previous levels, but even in these cases we have tended to apply significant negative editorial adjustments during our Interproduct reviews. Although there has been an improvement in retail pricing in recent months, some dealers still have not increased prices on aged stock and the 'two tier' retail market on some models makes it very challenging to determine how sustainable values are likely to be.
- The effects of the new car supply issues (including the semi-conductor shortage) are many and varied and seem to be changing every week. In many cases, the news from OEMs changes every time we have the discussion and even those who were not expecting any significant impact a couple of months ago now seem to be significantly affected. In many cases there are derivative specific impacts within the same model, with complex decisions regarding production allocation being reviewed on a daily basis. There are multiple supply issues exacerbating the situation and predictions from individual brands for the remainder of the year still vary considerably and some are changing on an almost weekly basis.
- A significant factor currently contributing to lower levels of fleet returns is still fleet managers and drivers running cars for longer, due to lower mileage during the pandemic. These cars will return to the used market at some stage and we are factoring this into the phasing of our deflation assumptions for sector reviews.
- One-year-old vehicles will remain in relatively short supply for the foreseeable future, and the longer the current new car supply issues persist, the longer there will be a shortage. However, once leadtimes for the majority of models reduce, it is expected that consumers will once again hold out for the new car. However, despite the prolonged shortages of nearly new stock, the trend for some time has been for 3-year-old cars outperforming the 1-year-old market and they have not increased by as large a proportion and therefore adjustments are expected to be slightly less than for 3-year-old cars once the market settles. This is reflected in our recent forecasts.
- After the deflationary low point at the end of 2022, values will recover over the next couple of years as the economy and consumer confidence improves, and used supply starts to reduce (helped significantly by the shortfall in new car registrations that we have been seeing over the past 18 months or so).

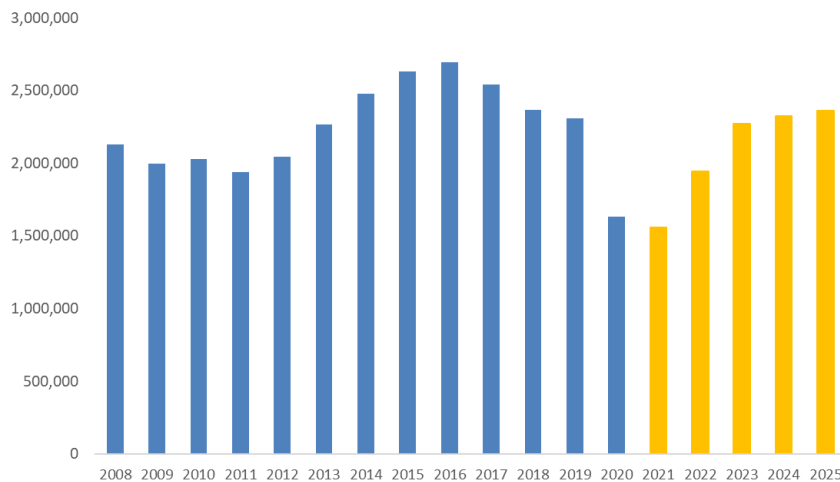
There will still be variations by sector and fuel type. Convertibles are expected to fall as we head towards winter, as dealer demand turns to other vehicles. Similarly, many Sports models have increased by so much that any further softening of consumer demand is likely to result in decreases in used values by more than the market average.

Supply side factors

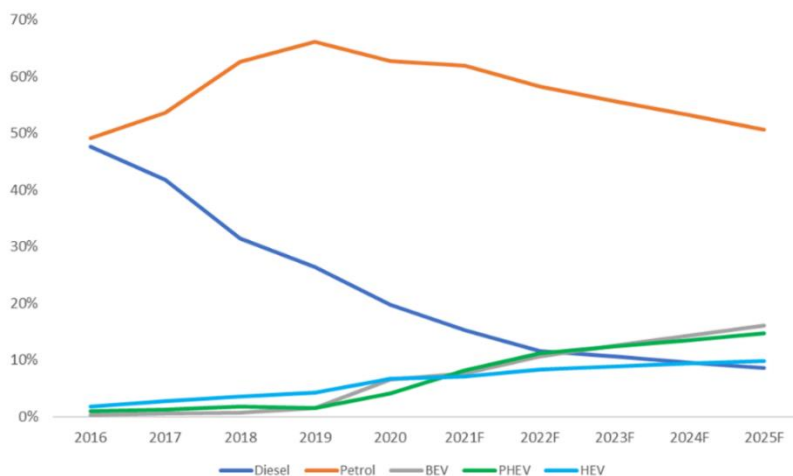
New forecast for new car registrations from the SMMT was updated in July from 1.83 million to 1.820mm and a further downgrade is imminent. The chart below displays our own forecasts: 2021 1.902mm, 2022 2.162mm, 2023 2.270. Our forecast was revised down from 1.965mm once it was clear that dealerships would not be opening during March and remains under review, but the 12-month rolling total in June increased to 1.88mm and appeared on track to meet our estimate. New car supply issues impacted the July & August totals by more than expected and so our forecast was reviewed again.

After the publication of September sales data, we have revised our forecast for the current calendar year to 1.560mm, -4.4% down vs.2020 and -32.5% vs.2019. 2020 and 2021 combined will now represent a shortfall of around 1.5 million cars compared to 2019 registration levels. Supply issues will continue to subdue the new car market early in 2022, but will ease during the year and there should be a strong recovery in the second half. We expect that

registrations will gradually increase to a level above 2.3 million registrations a year, but not reaching the peaks seen in 2016.



The chart below shows the forecast market share split by fuel type. Petrol and Diesel volumes include mild hybrids. The decline in diesel will continue but slow down since it will remain the right choice for a minority of drivers.



Growth will be led by battery electric vehicles (BEVs) which we expect to become the dominant AFV type by 2023. Post-Covid driving patterns (shorter and few journeys due to the increase of home working and online meetings) are likely to add to demand. The government's proposal to ban new ICE cars from 2030 will also be part of this increase, provided enough vehicle supply is made available and investment in charging infrastructure keep pace with demand.

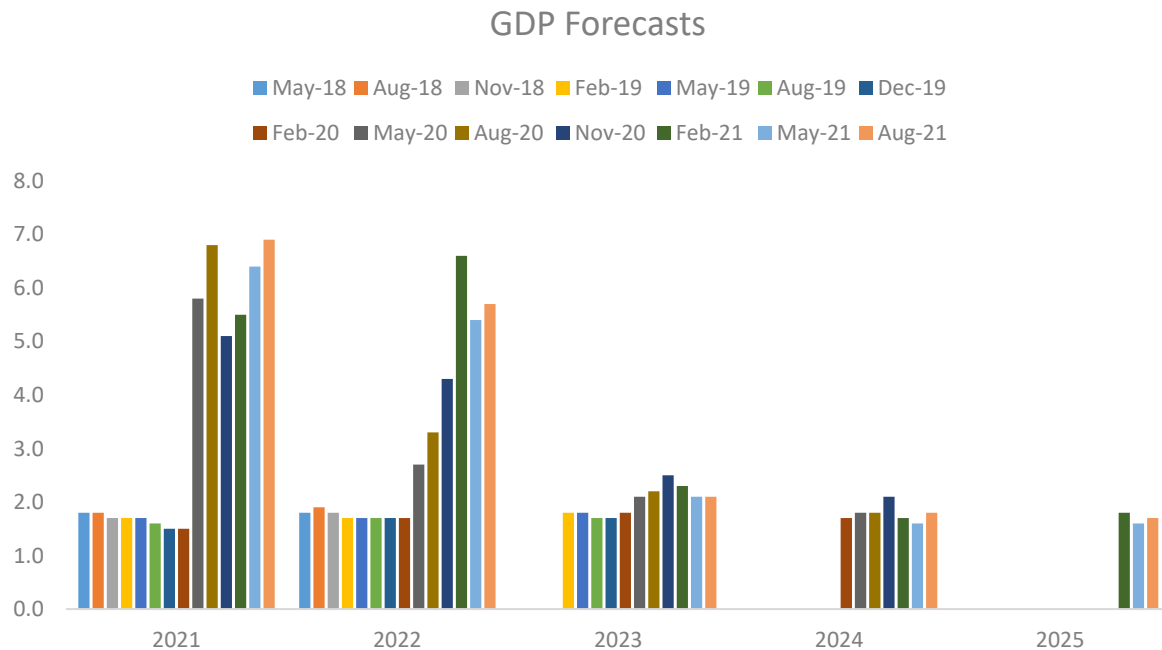
Demand side factors

Latest independent forecasts for the UK economy were published on 25th August and show some minor improvement to forecasts for GDP this year, but with the average of +6.9% (vs. 6.4% in May) remaining slightly below the Bank of England estimate of +7.2%. The 2022/3 estimates remain unchanged and longer-term GDP recovery remains subdued, despite increases of +0.1% for 2024/5 compared to the May forecasts.

Although the forecast for GDP has decreased for 2021, the BoE view is now that there are "two-sided risks" in the medium term (previously they were "heavily skewed to the

downside"). The outlook remains "uncertain", with their 'fan charts' as widely spaced as they have ever been.

The chart below shows the latest GDP forecasts for 2020-2025, alongside previous forecasts.



The latest unemployment forecasts continue to show a longer, flatter curve, with unemployment expected to peak at 5.4% over the next two years (rather than peaking this year); then taking several years to return close to pre-Covid-19 levels. This clearly reflects the impact of the extension to the government measures to support businesses in general and the furlough scheme in particular.

Inflation is now set to peak at 4.5% in 2022 (although our expectation has been for it to be higher) and the BoE do not now expect it to come back below target until at least 2023. Base rates are forecast to remain low, but our conclusion is that consumer confidence and willingness to pay for big ticket items such as replacement cars, may be limited in the medium term due to the reduced growth and increased unemployment. A significant proportion of consumers have built up considerable savings, but many will be cautious about their future economic stability and others have reduced financial circumstances as a result of the pandemic. The BoE's surveys suggest that only 10% of accumulated savings will be spent and 75% of households do not intend to spend any at all.

3. Historic Forecast Accuracy

Since the introduction of gold book at the end of 2013, we have been able to track the accuracy of historic forecasts against current (black book) values. This tracking is longest for 12-month forecasts (tracked since January 2015) and shortest for 60-month forecasts (tracked since January 2019).

Overall, we are satisfied that accuracy results are generally been within the +/- 5% target agreed with customers but recognise that results were affected by the unexpected strength of petrol values, which started in 2017 as a result of anti-diesel press, but which fell away since late 2018, as we had always predicted. Diesel forecast accuracy has generally been

within target, while petrol forecast accuracy fell outside of target during the period of strong values.

In the past 12 months, our historic forecast accuracy was impacted by the strength of the used market after dealerships re-opened after the first COVID lockdown. The pausing of the market followed by significant strength on resumption (at a time when we would normally expect to see depreciation in each month) resulted in a significant short-term shift in accuracy.

Therefore, the tracking charts below all show the same general patterns, with the difference to target being less for 12-month forecasts (reforecast most recently); and being more for longer term forecasts (reforecast less recently).

Clearly, the current unprecedented strength in the used car market is also resulting in further short-term deterioration in accuracy.

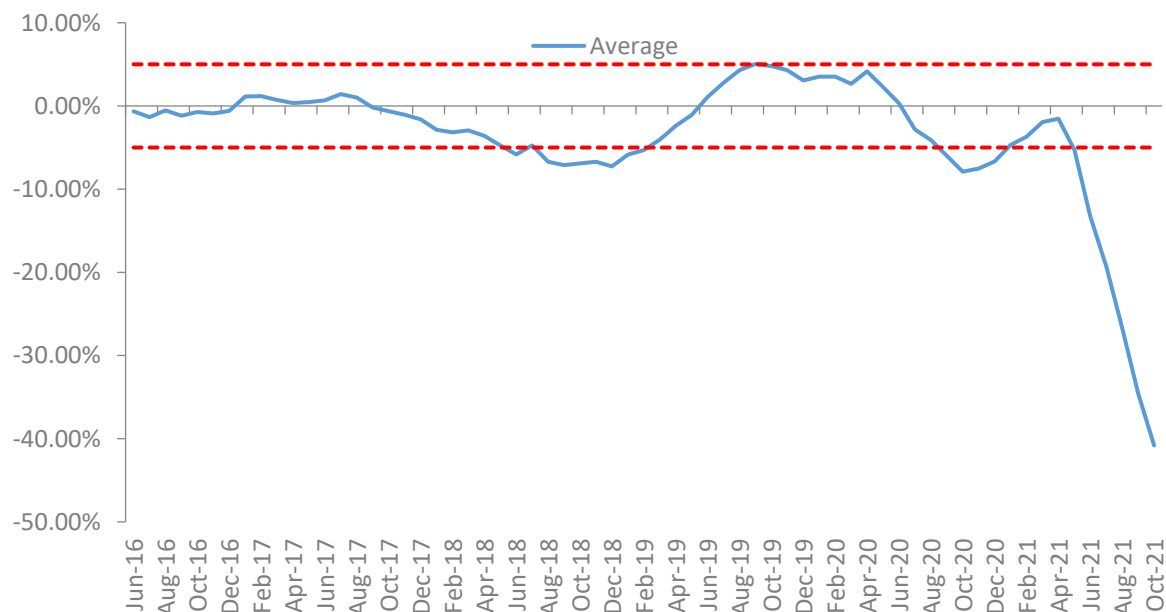
Details are shown below for 12 and 36 months, but all details are available on request.

12-month results

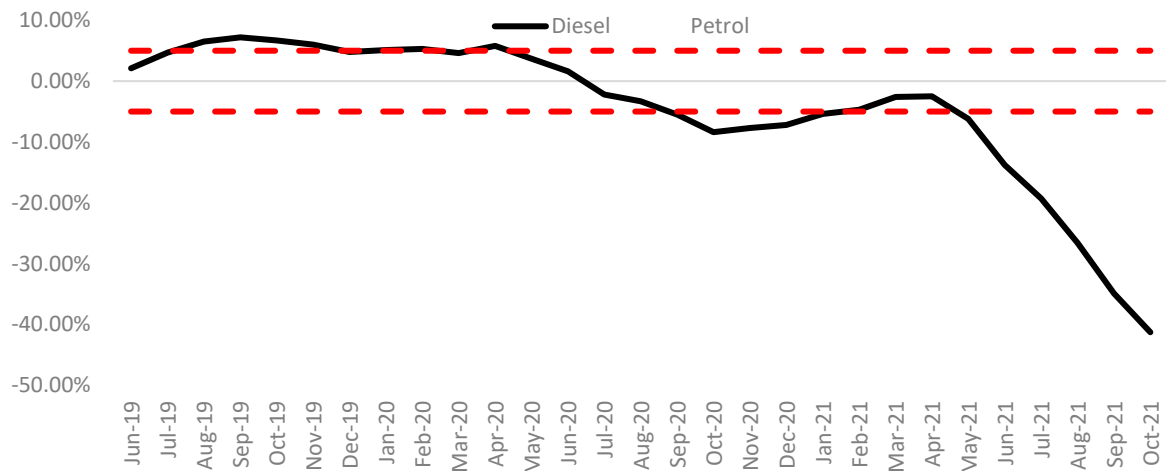
Since measurement started our 12 month used forecasts have averaged -2.6% less than used values across all vehicle ids, and the most recent results show October 2020 12/20 gold book forecasts being -40.8% less than October

2021 12/20 used values (unsurprising following record breaking used value increases in recent months).

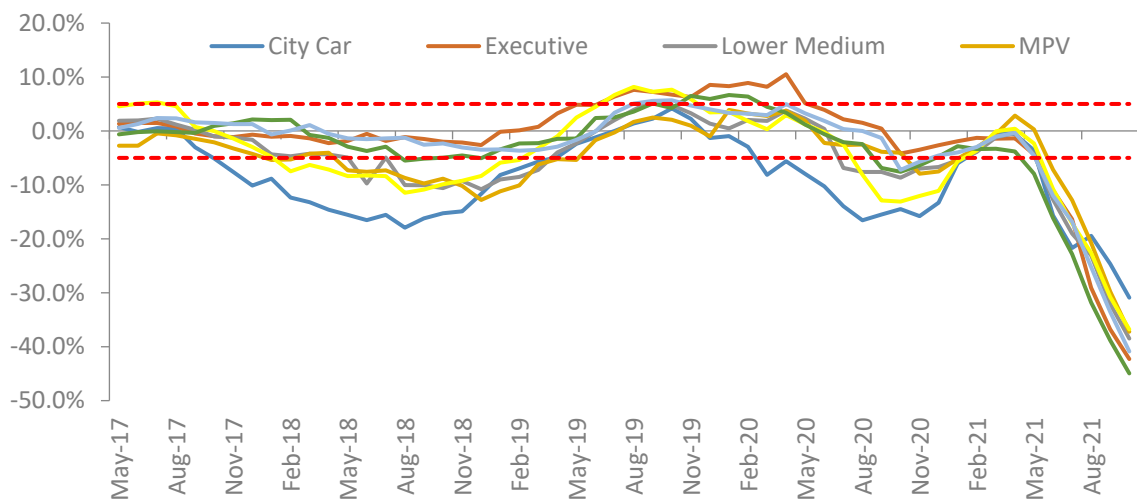
Overall results:



Fuel Type Results:



Sector Results:



The most recent results for the main sectors are as follows:

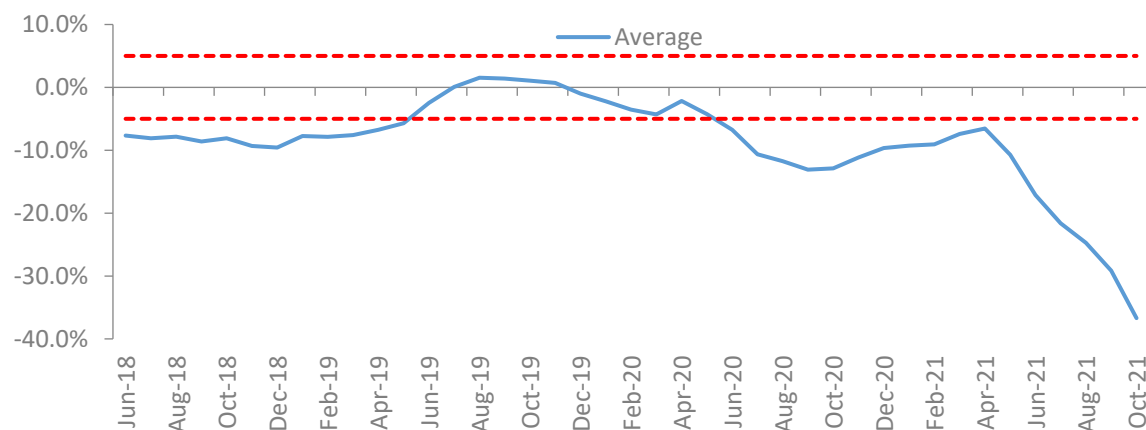
Oct 21	Average of Diff (%)
City Car	-30.9%
Executive	-42.3%
Lower Medium	-38.5%
MPV	-37.2%
Supermini	-36.8%
SUV	-44.9%
Upper Medium	-40.9%

Grand Total	-40.8%
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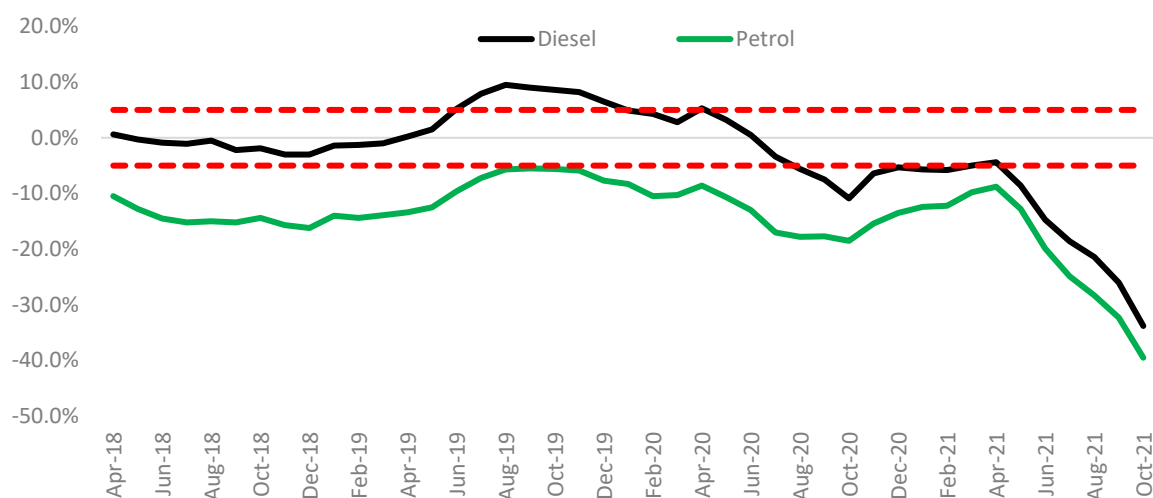
36-month results

Since measurement started our 36 month used forecasts have averaged -6.7% less than used values across all vehicle ids, and the most recent results show October 2018 36/60 gold book forecasts being -36.7% less than October 2021 36/60 used values.

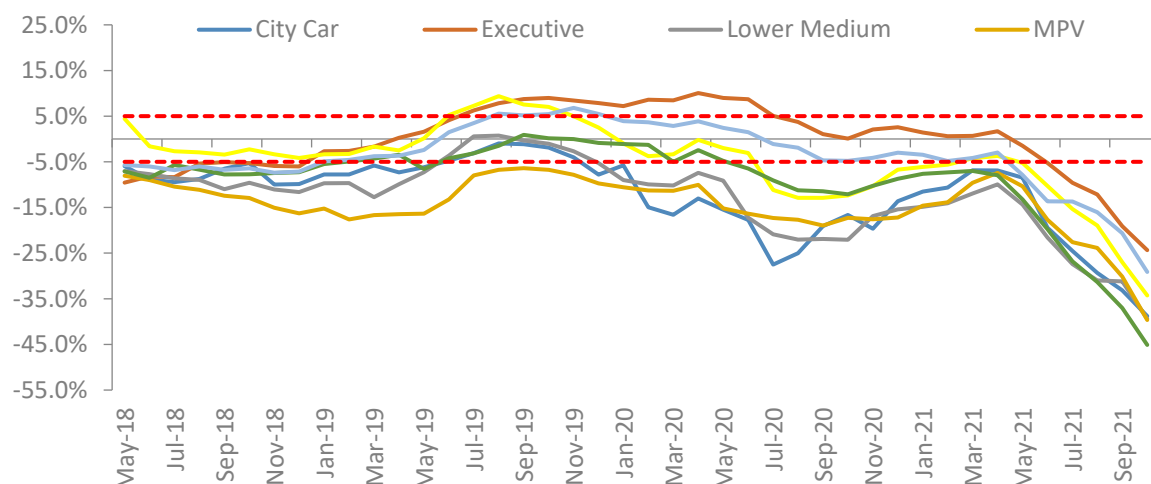
Overall Results:



Fuel Type Results:



Sector Results:



The most recent results for the main sectors are as follows:

Oct 21	Average of Diff (%)
City Car	-38.8%
Executive	-24.4%
Lower Medium	-39.4%
MPV	-39.7%
Supermini	-34.3%
SUV	-45.1%
Upper Medium	-29.1%

Grand Total	36.7%
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4. Forecast Methodology & Products

Overview & gold book iQ

Our values take current month used values as a starting point (uplifted for model changes where necessary), are moved forward according to age/sector/fuel specific year on year deflation assumptions regarding future used car price movements and are then subjected to additional adjustments by the Editorial Team. Finally, the values are moved forward by the next month's seasonality adjustments which are differentiated by sector and fuel type and are based on analysis of historical used value movements.

All these assumptions and adjustments are available for scrutiny to our customers through our gold book iQ product: complete transparency in automotive forecasting. Changes may be actioned wherever there is reason to do so outside of the sector reforecast process and we continue our monthly inter-product analysis with our used value colleagues exactly as before.

Short Term Forecast (0-12 months)

Our short-term forecast product, (covering 0-12 months) was launched in 2014. This is a live, researched product with a dedicated editor and filled a gap in our historical forecast coverage.

Forecast Daily Feed

In December 2017 we introduced a daily feed of forecasts for new models launched onto the market, so that customers do not have to wait until the next month to receive these forecasts.

Forecast Output

Individual forecasts are provided in pounds and percentage of list price for periods of twelve to sixty months with mileage calculations up to 200,000. Each forecast is shown in grid format with specific time and mileage bands highlighted for ease of use.

All forecast values include VAT and relate to a cap hpi clean condition and in a desirable colour. All new car prices in forecast data include VAT and delivery.

Parallel Imports

Particular care must be taken when valuing parallel imports. Vehicles are often described as full UK specification when the reality is somewhat different. These vehicles should be inspected to ensure that the vehicle specification is correct for the UK. Parallel imports that are full UK specification and first registered in the UK can be valued the same as a UK-sourced vehicle.

Grey Imports

cap hpi gold book does not include valuations for any grey import vehicles, (i.e., those not available on an official UK price list).

5. Reforecast Calendar 2021/22

We previously accelerated our calendar of sector reforecasts, to ensure that forecasts for all sectors incorporate the latest views of the future market in this fast-changing environment. The table below shows our revised future schedule of sector reforecasts:

Monthly Product	Sector 1	Sector 2	Sector 3	Sector 4
Nov-21	Upper Medium	Executive	Large Executive	Luxury Executive
Dec-21	Lower Medium	MPV		
Jan-22	Convertible	Coupe Cabriolet	Sports	Supercar
Feb-22	SUV			
Mar-22	City Car	Supermini		
Apr-22	Upper Medium	Executive	Large Executive	Luxury Executive
May-22	Lower Medium	MPV		
Jun-22	Convertible	Sports	Supercar	
Jul-22	SUV			
Aug-22	City Car	Supermini		
Sep-22	Upper Medium	Executive	Large Executive	Luxury Executive
Oct-22	Lower Medium	MPV		