January 2024

Future new 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 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 & Products
5. Sector Reforecast Schedule 2024

1. Forecast changes

New model ranges added to our forecasts:

Ford Mustang, Ford Kuga, GWM Ora 3, KGM Korando, KGM Rexton, KGM Tivoli, KGM Torres, KGM Torres EVX, Mazda2, Mercedes-Benz EQB, Mercedes-Benz AMG GLC Coupe, Mercedes-Benz AMG GT, Omoda 5, Porsche Panamera, Smart Hashtag 3, Suzuki Swift, Toyota Proace Verso. [Note: KGM Korando/Rexton/Tivoli ranges are renamed versions of existing Ssangyong models]

Model ranges to which new derivatives have been added:

DS DS 4, Fisker Ocean, Kia Ceed, Kia Niro, Kia E-Niro, Kia EV6, Kia Pro Ceed, Kia Xceed, Land Rover Discovery Sport, Maserati Grecale, Mercedes-Benz GLC Coupe, Skoda Enyaq, Skoda Enyaq Coupe, Smart Hashtag 1, Toyota RAV4, Toyota C-HR, Volkswagen T-Cross, Volvo XC60, Volvo XC90.

The overall average change in new car forecasts between December and January is approximately -0.47% at 36/60, which is a more negative reduction than the normal expectation of the seasonal change for full year forecasts at this time of year and reflects both the above average reductions at this month’s sector reviews and the relatively large number of Interproduct changes. The monthly movement includes the change in registration plate from 2023 73 to 2024 73.

Sector reforecasts

This month, we publish new reforecasts for the Lower Medium and MPV sectors.

At this review, there were some minor changes to our deflation assumptions, involving changes to the phasing of deflation, which are similar to those actioned for other sectors over recent months.

For Lower Medium, all fuel types see year 1 worsen by approximately -0.5%, year 2 worsen by -1% and year 3 worsen by around -0.5%, resulting in a -0.5% forecast decrease at 12 months, -1.5% decrease at 24 months and -2% from 36 months onwards.

For MPV, all fuel types see year 1 worsen by approximately -1% and year 2 worsen by around -1%, resulting in an approximate -1% forecast decrease at 12 months and -2% from 24 months onwards.

These changes partially reflect the fact that we are moving through time and are aligned to the overall expectations for the used market published elsewhere in this document and discussed in our customer webinars.

Average forecast movements are displayed in the table below.

SIZE & FUEL TYPE	UNDERLYING FORECAST CHANGE	SEASONAL ELEMENT	OBSERVED CHANGE DECEMBER TO JANUARY
Lower Medium Diesel	-4.3%	+0.4%	-3.9%
Lower Medium Electric (BEV)	-5.7%	+0.4%	-5.3%
Lower Medium Hybrid (HEV)	-2.3%	+0.4%	-1.9%
Lower Medium Petrol	-4.8%	+0.4%	-4.4%
Lower Med Plug-In Hybrid (PHEV)	-4.3%	+0.4%	-3.9%
MPV Diesel	-3.6%	+2.5%	-1.1%
MPV Electric (BEV)	-5.6%	+2.5%	-3.1%
MPV Hybrid (HEV)	-0.7%	+2.5%	+1.8%
MPV Petrol	-2.7%	+2.5%	-0.2%
MPV Plug-In Hybrid (PHEV)	-3.0%	+2.5%	-0.5%
Overall Average	-4.4%	+1.0%	-3.4%

Despite the fact that trade values for battery electric vehicles have now performed better than traditional fuel types in the past four months, forecasts have reduced by more than other fuel types. This is partly a reflection of reducing retail margins and also in some cases the offers available on new cars which are expected to put further pressure on used values. For the BEV models in these sectors where we are able to draw comparisons with an ICE equivalent, trade values for two thirds of them are currently below their ICE equivalent. Our default assumption is still that a small premium over ICE is deserved, primarily due to TCO benefits, but in many cases we are unable to reflect this, due to the magnitude of positive adjustments required being prohibitive. Conversely, reduced ICE used volumes in future are expected to prevent the level of reductions in petrol/diesel values required in many cases to reinstate the expected relationships.

It should also be noted that there are some BEV models where we retain significant negative adjustments in our forecasts as we believe they still have some way to fall, whilst there are a handful of others where we have applied a positive adjustment following extreme falls in used values (in some cases >50% over the past 12 months).

There were no changes to mileage profiles this month for current ranges.

Forecast changes this month

The focus of our Interproduct reporting has remained on those ranges where our forecasts were now above the latest used value position. This month, 141 ranges were considered, but in just a handful of cases it was decided to make no changes to the forecasts. There are still a handful of ranges where the forecasts were marginally above used values at our monthly deadline, mainly due to used value reductions right at the end of the month, with limited time available for them to be completed in time for January publication. Some of the ranges below were also reforecast during last month's analysis, but we were forced to take further action as a result of changes in either trade or retail data. We expect that a much smaller number of ranges will need to be reviewed next month.

Car future editorial

By cap hpi

Almost all of the examples below involved changes at all ages of the forecast. In some cases, we have not applied adjustments to reflect the most recent used value reductions, as we expect some of them to be short term in nature and values to stabilise to some extent. There have been further disturbances to logical relationships and we are also closely monitoring retail data for signs of which elements are likely to be continued and which ones are likely to revert back to something more in line with normal expectations.

Interproduct Reporting Changes

ALFA ROMEO STELVIO QUADRIFOGLIO (18-)
ALFA ROMEO TONALE (22-)
ASTON MARTIN DBS Convertible (19-)
AUDI Q2 (16-)
AUDI Q4 E-TRON SPORTBACK (21-) Electric
AUDI Q5 (16-)
AUDI Q5 (16-) DIESEL
AUDI Q5 (19-) Petrol Hybrid
AUDI Q8 (19-)
AUDI RS5 (19-)
AUDI SQ2 (19-)
AUDI TT (18-)
BENTLEY BENTAYGA (15-)
BMW 4 SERIES CONVERTIBLE (20-)
BMW iX (21-) Electric
BMW iX1 (22-) Electric
BMW iX3-E (21-) Electric
BMW M8 COUPE (19-)
BMW X2 (20-23) Petrol Hybrid
BMW XM (22-) Hybrid
BMW Z4 ROADSTER (18-)
CITROEN C3 (16-)
CITROEN C3 (16-) DIESEL
CITROEN C3 AIRCROSS (17-)
CITROEN C3 AIRCROSS (17-) DIESEL
CITROEN C5 AIRCROSS (18-)
CITROEN C5 AIRCROSS (18-) Diesel
CITROEN C5 AIRCROSS (19-) Hybrid
CUPRA FORMENTOR (20-)
CUPRA FORMENTOR (20-) Hybrid
DACIA DUSTER (18-)
DS DS3 CROSSBACK (19-) Diesel
DS DS3 CROSSBACK / DS3 (19-)
DS DS3 CROSSBACK / DS3 (19-) Electric
DS DS7 CROSSBACK (19-) Hybrid
FIAT 500C (09-)
FIAT 500X (18-)
FORD KUGA (19-) Hybrid
FORD PUMA (19-)
HONDA e (20-)
HONDA HR-V (21-) Hybrid
HYUNDAI BAYON (21-)
HYUNDAI IONIQ 5 (21-) Electric
HYUNDAI KONA (18-) Electric
HYUNDAI KONA (19-) Hybrid
HYUNDAI TUCSON (20-)
HYUNDAI TUCSON (20-) Hybrid
JAGUAR E-PACE (17-) DIESEL
JAGUAR F-PACE (20-) DIESEL
JAGUAR F-PACE (20-) Hybrid
JAGUAR F-TYPE (19-)
JAGUAR XF (15-)
KIA E-NIRO (22-) Electric
KIA EV6 (21-) Electric
KIA STONIC (17-)
LAND ROVER DISCOVERY (16-)
LAND ROVER DISCOVERY (16-) DIESEL
LAND ROVER DISCOVERY SPORT (20-) Hybrid
LAND ROVER RANGE ROVER EVOQUE (18-)
LAND ROVER RANGE ROVER EVOQUE (18-) DIESEL
LAND ROVER RANGE ROVER EVOQUE (20-) Hybrid
LEXUS RX (22-) HYBRID
LOTUS EMIRA (21-)
MAZDA CX-30 (19-)
MAZDA CX-5 (17-)
MAZDA CX-60 (22-) Hybrid
MAZDA MX-30 (20-) Electric
MERCEDES-BENZ AMG C CLASS CABRIOLET (18-)
MERCEDES-BENZ AMG E CLASS (16-)
MERCEDES-BENZ AMG GLE (19-)
MERCEDES-BENZ EQA (21-) Electric
MERCEDES-BENZ EQB (21-) Electric
MERCEDES-BENZ EQC (19-) Electric
MERCEDES-BENZ EQS (21-) Electric
MERCEDES-BENZ GLA CLASS (20-) Hybrid
MERCEDES-BENZ GLB (20-)
MERCEDES-BENZ GLE (18-)
MERCEDES-BENZ GLE (18-) DIESEL
MERCEDES-BENZ GLE COUPE (19-) DIESEL
MG 3 (18-)
MG MOTOR UK HS (20-) Hybrid
NISSAN ARIYA (21-) Electric
NISSAN JUKE (19-)
NISSAN QASHQAI (21-)
NISSAN QASHQAI (22-) Hybrid
PEUGEOT 3008 (16-)
PEUGEOT 3008 (16-) DIESEL
PEUGEOT 3008 (19-) Petrol Hybrid
PEUGEOT 5008 (17-)
PEUGEOT 508 (19-) Petrol Hybrid
POLESTAR 2 (19-) Electric
PORSCHE 911 [992] (18-)
PORSCHE 911 [992] TURBO (20-)
PORSCHE CAYENNE COUPE (19-) Hybrid
RENAULT ARKANA (21-) Hybrid
RENAULT CAPTUR (20-) Hybrid
RENAULT CLIO (19-)
ROLLS-ROYCE CULLINAN (18-)
SEAT ATECA (16-)
SKODA KAROQ (17-)
SKODA KAROQ (17-) Diesel
SKODA KODIAQ (16-)
SUZUKI ACROSS (20-) Hybrid
SUZUKI S CROSS (21-)
SUZUKI VITARA (18-)
SUZUKI VITARA (21-) Hybrid
TESLA MODEL 3
TOYOTA C-HR (19-) HYBRID
TOYOTA RAV4 (18-) HYBRID
VAUXHALL CORSA (19-)
VAUXHALL CORSA (19-) ELECTRIC
VAUXHALL CROSSLAND X (17-)
VAUXHALL CROSSLAND X (17-) DIESEL
VAUXHALL MOKKA (20-) DIESEL
VAUXHALL MOKKA (20-) Electric
VOLKSWAGEN PASSAT (19-) PETROL HYBRID
VOLKSWAGEN TIGUAN (16-) DIESEL
VOLKSWAGEN TIGUAN (20-) Hybrid
VOLVO V60 (19-) PETROL HYBRID
VOLVO XC40 (19-) Hybrid
VOLVO XC60 (17-)
VOLVO XC60 (17-) DIESEL
VOLVO XC60 (17-) HYBRID
VOLVO XC90 (14-) DIESEL

Other Forecast Changes

ABARTH 500/595/695 (09-)
Walk up review of 595 to 695 relationship, resulting in forecast increase of £200 to 695.
FORD MUSTANG (15-)
Walk up review of trim and engine relationships, with varying forecast impact.
KIA SOUL (19-) ELECTRIC
Walk up review of trim relationships, with varying forecast impact.

LAND ROVER DEFENDER (19-)
Walk up review of trim, engine and feature relationships, with varying forecast impact
LAND ROVER DEFENDER (19-) Diesel
Walk up review of trim and feature relationships, with varying forecast impact.
LAND ROVER DEFENDER (20-) Hybrid
Walk up review of trim, engine and feature relationships, with varying forecast impact
POLESTAR 4 (23-) ELECTRIC
Reassessed following vehicle drive. Underlying forecast for the master vehicle at 36/60 increases by £4,550.
TESLA MODEL 3 ELECTRIC
Premium for Long Range trim reduced from £1,125 to £925 and premium for Long Range RWD trim reduced from £1,100 to £925 resulting in forecast reductions.

Seasonality changes

In line with our gold book methodology, all other model ranges outside of the other changes listed above, have had their forecasts moved forward from month to month by seasonal factors which are differentiated by sector and fuel type and are based on analysis of historical used value movements.

2. Market changes

Used car price reductions during fourth quarter

The market realignment has continued this month, although, as we predicted, the reductions in used values have been less extreme than those in the previous two months. Remarketing performance was reasonably consistent through the month and certainly better than November, which indicates that some level of stabilisation is on the way: feedback from some larger vendors is again less negative than at the same time last month. As mentioned in our customer webinars, we expected for some time that used value reductions through the final quarter of the year would be heavier than normal seasonal movements. The last two months have actually seen used value changes very close to the prediction we made in our customer webinar at the beginning of November: last month was -4.2% against our estimate of -3.9% and this month's depreciation looks to have come in at -2.1% compared to our forecast of -1.9%. We are again expecting -1.9% in January as demand improves, but supply remains relatively strong. Some models have fallen so far in a matter of weeks that some level of stabilisation is expected, whereas any models which see increased volume coming to market are likely to see further drops in value, especially where new car volumes are being forced by manufacturers. Behaviour of retailers is also likely to determine which vehicles have further to fall – some dealers are setting retail prices in line with what is being advertised, while others are simply applying a standard margin to the lower prices that cars have recently been bought for. As previously explained, we are now most of the way through a period where bulging order banks at the largest fleets are being fulfilled, resulting in a short-term glut of used volume. This is likely to ease as we enter 2024 and the further the year progresses, the more the market will feel the benefit of reduced new car registrations through the pandemic; translating into lower levels of used car supply and subsequent improvements in used values.

The ban on sales of new ICE cars and LCVs from 2035

In September, the UK government unexpectedly pushed the date for the phasing out of new petrol and diesel vehicles by five years to 2035. Although this action came as a surprise, we had already assumed that this would happen after the next general election, with the next government blaming the current administration for not doing enough to make 2030 a realistic proposition. Ultimately, we do not expect this to have any unanticipated impact on the used market for either BEVs or ICE vehicles, especially since the Zero Emission Mandate is being implemented as originally planned from the 1st January 2024, requiring OEMs to meet a minimum proportion of 22% BEV. It should be noted that there are detailed 'flexibilities' available to manufacturers and some have already indicated to us that they are planning to avail themselves of different options as they will not meet the required proportion in 2024.

Car future editorial

By cap hpi

Battery electric vehicles

The used market for BEVs is likely to remain extremely complex for some time. The high prices which were fuelled by extremely strong demand in the middle section of last year are a distant memory; increased used volume and a multitude of issues impacting demand combined to bring the ‘perfect storm’, resulting in the eye-watering decreases in used values which started over a year ago, with several models falling in value by more than -40% and a handful more than -50%. BEVs are down -35% Year Over Year at 36/60 but this has been virtually unchanged since September. It was not a surprise that values came down. If anything, the most surprising element was just how long values had remained strong during 2022, but the speed of reduction this time last year was brutal. In the previous four months, however, many models have continued to stabilise or increase slightly in value as the used market for BEVs has outperformed other fuel types – overall, price reductions for BEVs in November were again slightly favourable to both petrol and diesel, September’s advantage was +1.0%, October’s was +1.9% and November was +0.9%. This month, trade value movements for electric vehicles were broadly in line with the overall market (-0.2%).

Volume of BEVs will continue to increase in the coming months, but many models already appear very attractively priced following the previous reductions and we expect the rate of used car price falls to continue to slow. Buyer demand in the used marketplace is back to previous levels and although a small number of buyers remain selective, demand is considerably higher than it was a few months ago and is expected to remain robust, especially for models at the lower end of the price spectrum. On average, trade prices for the majority of battery electric models remain below conventionally fuelled versions of the same model (where both fuel types are available). This is the case across all ages and by an average of -11% at 48/40 and this has now filtered through into retail prices. Extreme variation in remarketing performance persists; it is still fairly common for performance of individual BEV models against clean to vary between 80% and 120%, although this is much less than the variation seen for many volume petrol and diesel models in the past couple of months.

Following the downward movement in prices, nearly new used values for almost all BEVs are now back below cost new but some models still appear to have further to fall, as indicated by our continuing negative editorial adjustments in our forecasts. However, in some cases we have now applied small positive adjustments in the expectation of a modest recovery in values and a realignment against ICE equivalents, or we have not applied the full used value reductions seen to date in our Interproduct reforecasts. Supply and demand for BEVs will continue to wax and wane over the longer term, but consumers retain the desire to reduce emissions and even in the minority of cases where there is a higher capital outlay, the cost of ownership situation will remain favourable under any sensible charging regime. Despite criticisms of the expansion of the ULEZ in London, there is still the prospect of new clean air zones (for example in Glasgow) and updates and extensions to the existing schemes, further fuelling demand for lower emission vehicles. There are signs that retail prices are now reflecting some of the reductions in trade prices as aged stock is disposed of and these cheaper prices are also likely to further stimulate consumer demand.

Remainder of the market

Interest rates are continuing to limit retail consumer demand due to the cost of borrowing; a couple of months ago used car customers were increasingly tending to be cash buyers, having secured cheaper funding outside of the retail network, but some of the least competitive APR deals have now improved slightly. These will continue to improve with the reductions in CPI inflation lowering expectations for future rates across the board. Those dealers who are offering deposit contributions, combined with relatively low APR rates, are seeing the benefit and we expect this trend to continue. Interest rates are also having an impact on dealer profitability due to increased holding costs and many are expected to continue to run at stock levels considerably lower than they would have been historically, with vehicle values also remaining higher. With base rates expected to stay level for the next few months, the situation is certainly not expected to deteriorate in the near future. In general, we did not see car supermarkets and the bigger groups out buying large volumes of stock in December, but many will need to be active in January to meet their requirements for sales events through the month.

We expect the re-pricing of aged stock to continue and growth in demand to be limited by the cost-of-living squeeze. Increasingly, we expect dealers to be disposing of overage cars, either through auction or within the trade, as they cut their losses and focus on current market opportunities. It is currently very difficult to determine where the market will be in 12 months’ time, due to the increases in used car volume being delayed to such an extent that they start to merge into the period of reduced supply from lower new car registrations through the pandemic – we are now more than three and a half years on from the first UK impacts of Covid-19.

There are ongoing constraints all across the supply chain and global supply chains remain fragile. Semi-conductor supply remains constrained, but availability for all manufacturers has improved significantly and is expected to result in continued improved new car registration performance through 2024. Longer term concerns regarding security of water and power supplies in Taiwan, plus the potential for invasion by China, result in an outlook where chips in general remain in relatively short supply until additional manufacturing capacity comes on stream. Further supply disruption seems inevitable and the timing of that disruption and location of the countries impacted is likely to be impossible to predict, but the level of disruption is expected to be less than seen over the past three years.

Prices have continued to soften for many of the elements which had been driving inflation, including fuel, gas and electricity (although we saw slight increases in all three last month, mainly as a result of events in the Middle East) and it is hoped that lower year on year prices will continue to feed through into food prices over the coming months; CPI is expected to continue to reduce from the peak. Container prices and shipping costs remain well below their previous highs, but the global inflation outlook remains complex and recent oil price increases have slowed reductions in inflation across the globe. Increases in base rates from central banks, including the Bank of England, are thought to be unlikely to have any significant impact on inflation and appear to have potential to limit growth. We expect continued reductions in inflation in the coming months to be a (direct or indirect) result of lower fuel and energy costs – despite increases in the past month or so, petrol and diesel prices in the UK remain significantly below where they were last year.

In summary, our view is that:

- Numerous battery electric models have now stabilised following very large decreases in used values in recent months, whereas a small number remain very weak and appear to still have some way to fall, with no common denominator or central theme governing how individual ranges are performing. Many models are now looking excellent value compared to ICE equivalents or competitors and although there is potential for some to increase from their current used value position, we have generally assumed that we will see further deflation in future and have applied negative editorial or future trends adjustments in most cases. There are small positive adjustments for the handful of models which have seen the heaviest falls.

- The used car market in January is expected to continue to perform slightly worse than typical seasonal movements, but prices are not expected to fall in the way they did in October and November, with expected depreciation similar to that seen in December. Condition continues to be key, with parts availability and refurb capacity continuing to reduce and the cleanest vehicles are generally expected to continue to perform well. Retail demand will remain constrained over the short term as the reality of the cost-of-living squeeze continues to make itself felt and concerns remain over the impact of current interest rates on mortgage costs. Used car volumes will start to reduce in the coming months, as long overdue vehicles start to disappear from fleet order banks. For most sectors, our short-term forecasts show negative movements for the next three months, still slightly unfavourable to typical seasonality, although dealers are expected to continue paying good money for the best condition cars and for those at an attractive price point for a quick retail sale. Battery electric models are all still frequently re-assessed on an individual basis for short term forecast, but some are now allocated standard sector movements.

- As mentioned in our customer webinars, the negative economic impact of any potential recession is expected to be outweighed by the reduction in used car supply already guaranteed by the lower new car registrations from the start of the pandemic onwards. Used car prices are not generally correlated with GDP growth, partly because there is a substantial element of core “needs purchases” and also because reductions in consumer confidence and disposable income result in changes of used car buying, rather than preventing it; buyers may turn to older/smaller/higher mileage cars or turn to the used market instead of buying new.

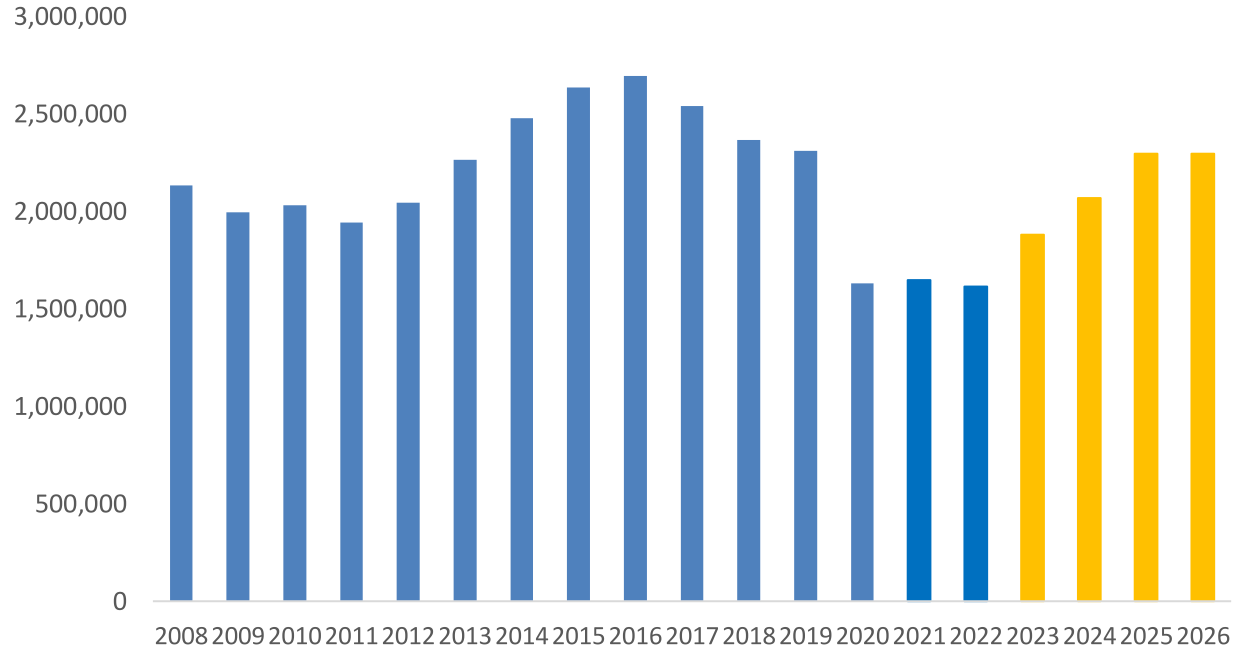
- Although increased new and used car activity is expected to increase in January, there is limited scope for any improvement in used values. We expect a significant amount of forced registration activity at the end of 2023, complicated by the contrasting considerations of 2023 CAFE fines and the forthcoming Zero Emission Vehicle Mandate from 1st January 2024. Many of these vehicles will undoubtedly find their way into the used market in early 2024 and we are likely to be into March before we start to see a much more benign used market.

- There are still a significant number of cases where logical relationships have been broken and an increasingly smaller number of cases where nearly new used values are above list prices. These are expected to resolve themselves in time, but not before further distortion from the latest used value reductions. It is extremely hard to predict how retail demand will progress through 2024, especially given the complex economic situation, but in general an improvement is expected as CPI inflation continues to decrease and is likely to accelerate once interest rates start to come down again.

- New car supply issues have eased significantly for the vast majority of OEMs, but there remain an isolated number of cases of derivative-specific impacts within model ranges, or individual options which continue to be difficult to obtain.
- As we move into 2024, we will start to see the positive impact of reduced used car supply as a result of around 2.44 million fewer cars registered through the course of the pandemic, particularly from fleets (approximately two thirds of the shortfall).

Supply side factors

Our forecast for 2023 increased in the first half of the year from 1.856mm to 1.880mm (up +16.5% vs. 2022, but still -18.7% down on 2019). Our initial forecast for 2024 is for a further improvement to 2.068mm (up around +9% on 2023 but -10.5% down on 2019). We expect that registrations will gradually increase to a pre-pandemic level of just under 2.3 million registrations by 2025 (a year later than previously expected), but not returning to the peaks seen between 2014 and 2018 and still just below pre-pandemic levels.

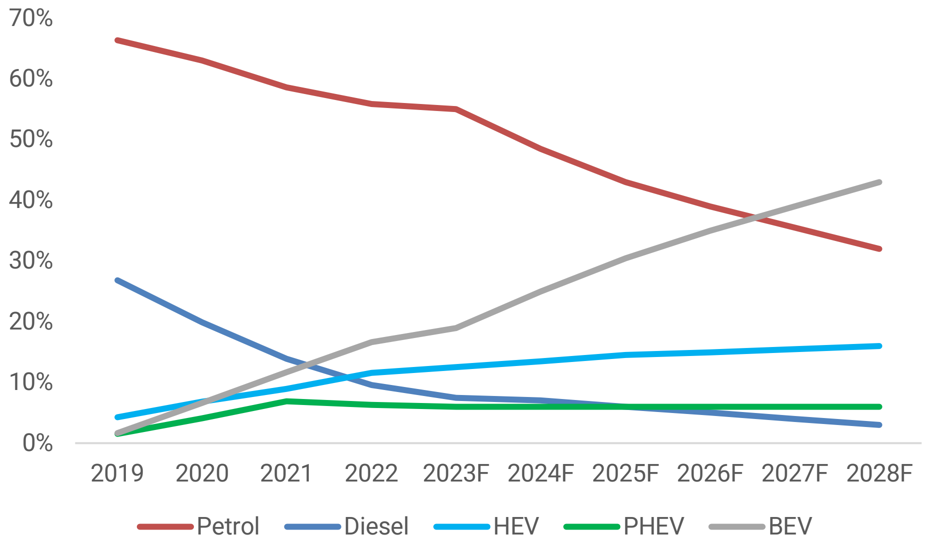


The chart below shows our latest forecast market share split by fuel type. Petrol and diesel volumes include mild hybrids. The decline in diesel will continue but is likely to slow down since it will remain the right choice for a hard-core minority of drivers and use cases. The timing of the eventual disappearance of diesel from the new car market will depend on when manufacturers cease to make individual models available to the UK market.

Our share split progression is also currently under review, with the main consideration being whether the BEV share needs to be reduced slightly based on the current year's registration data, although the likelihood of forced registrations of BEVs this year is going to vary by OEM, with electric-only brands likely to maximise volume and others delaying BEVs until 2024 due to the ZEV mandate.

Car future editorial

By cap hpi



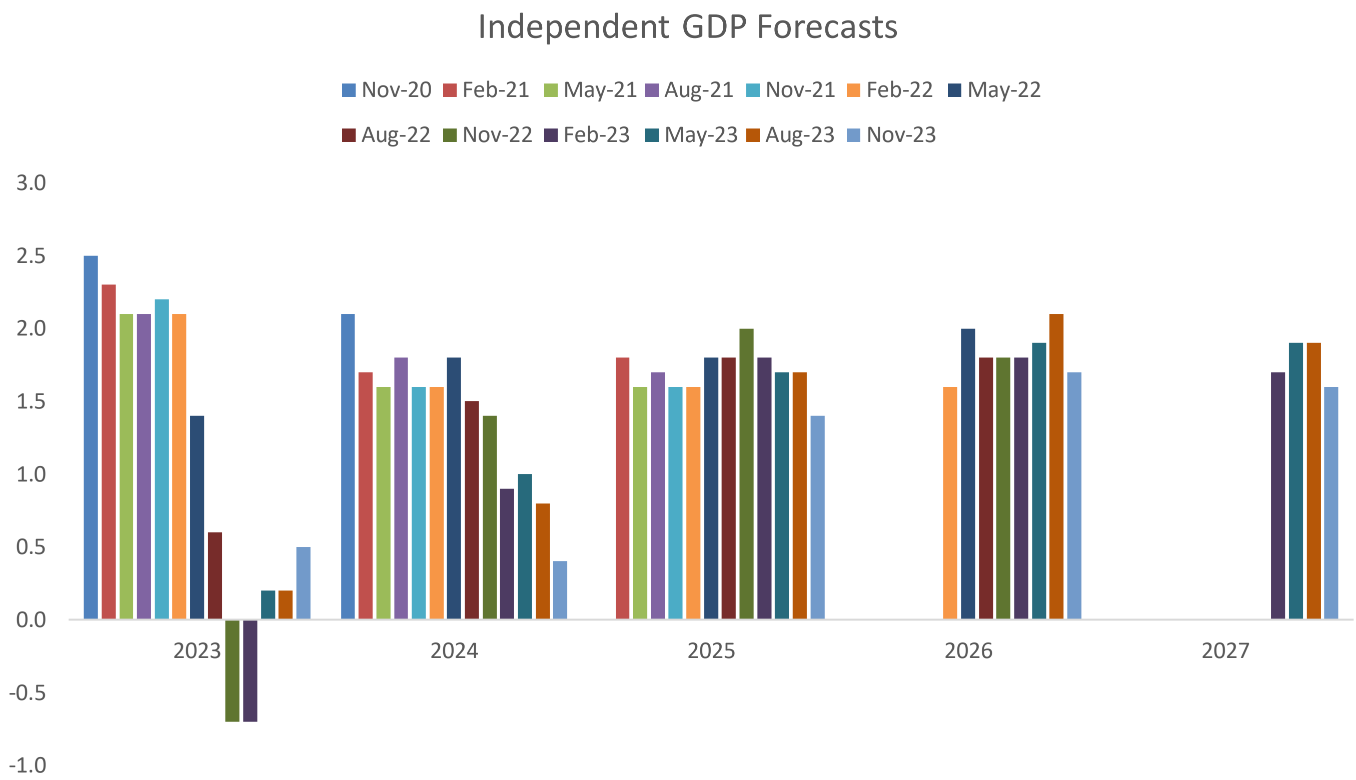
Growth will continue to be led by battery electric vehicles (BEVs) which became the dominant AFV type towards the end of 2022 as we expected and is forecast to be the largest fuel type in the market by the end of 2027. Post-Covid driving patterns (shorter and fewer journeys due to the increase of home working and online meetings) are likely to add to demand. The government's proposal to ban new ICE cars from 2035 will also be part of this increase, provided enough vehicle supply is made available and investment in charging infrastructure keeps pace with demand. BEV penetration is slightly lower this year than previously assumed (but above YTD share due to registration activity in December) and the higher than originally assumed in 2024 due to the introduction of the ZEV Mandate.

Demand side factors

Latest medium-term independent forecasts for the UK economy were published in November and the new forecasts saw an upgrade in the outlook for GDP for 2023 (from +0.2% to +0.5%). There was a further worsening for the view of 2024 (from +0.8% to +0.4%), and further downgrades for 2025, 2026 and 2027 (changes of -0.3%, -0.4% and -0.3% respectively). The recent forecast published by the OBR is worse than the previous outlook but favourable in comparison to the independent forecasts.

The worsening economic forecasts reflect the damage done by successive interest rate rises from the Bank of England and are likely to contribute to base rates remaining at their current level in the short term, before slowly reducing. The average independent forecast for the next 12 months is for interest rates to reduce from the current level of 5.25% down to 4.7% and then down to 3.86% by the end of 2025.

The chart below shows the latest GDP forecasts to 2027, alongside previous forecasts.



There has been a significant shift in views on the future employment situation. The latest independent unemployment forecasts now show unemployment rates increasing throughout the period to 4.8% in 2027 – the May forecasts had been reasonably flat for the next few years and peaking at 4.2% in 2024.

Despite CPI inflation resuming the downward trend, reducing this month from +4.6% to +3.9% (and from a peak of +11.1%), the BoE do not expect it to come back below target until 2025. The previous increases were driven by a combination of increased fuel and energy costs, everyday household goods, food and clothing, and ongoing labour market imbalances. Thankfully, base rates are expected to remain level again in the coming months and although indications from the BoE may imply we are now at the peak, they have been at pains to point out that they will come down slower than they went up. Concerns remain that rates have been raised too far and too fast, damaging UK growth, but it is clear that the central bank are currently in no mood to lower rates in the short term. Although the Bank of England retain concerns around ongoing wage settlements and service costs fuelling further inflation, the dangers of secondary effects that are harmful to growth going forward also now appear to have been recognised.

The Bank of England survey had previously shown a continued trend for precautionary saving, but they are now factoring in lower level of household saving than had previously been assumed, with amounts built up during the pandemic assumed to now be being spent to fend off the cost-of-living situation.

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 have 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 predicted. Diesel forecast accuracy has historically been within target, while petrol forecast accuracy fell outside of target during this period of strong values.

Car future editorial

By cap hpi

There was a brief deterioration in accuracy in 2020 when business resumed after the first lockdown and values benefitted from the release of pent-up demand, but we were back on target as the market readjusted. In 2021, our historic forecast accuracy was severely impacted by the strength of the used market after dealerships re-opened in April as COVID restrictions started to be lifted. The record-breaking strength in used values on resumption of business (at a time when we would normally expect to see depreciation in each month) resulted in a significant shift in accuracy. For longer forecast durations, this will have an impact for a long time to come.

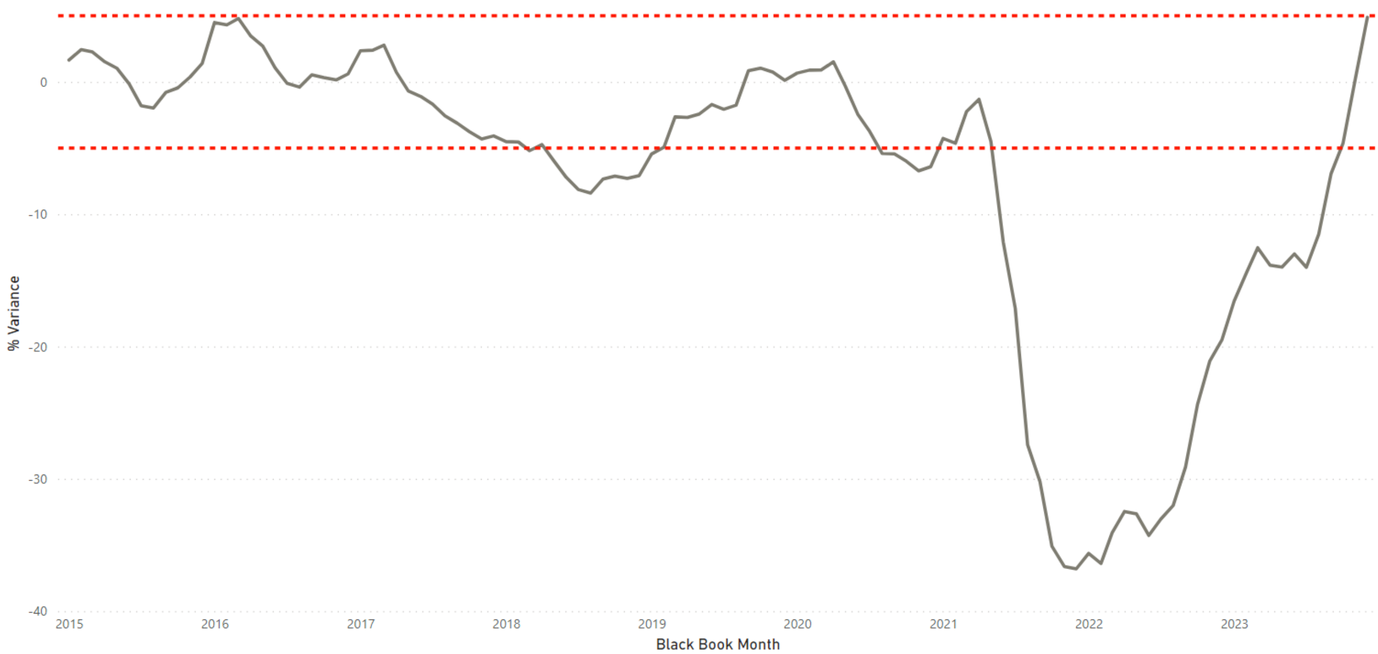
Therefore, the tracking charts below all show the same general patterns, with the difference to target being less for 12-month forecasts (reforecast most recently); and being more for longer term forecasts (reforecast less recently).

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

12-month results

Since measurement began our 12-month forecasts have averaged -7.5% less than used values across all vehicle ids, and the most recent results show December 2022 12/20 forecasts being +4.9% more than December 2023 12/20 used values (the considerable reduction in accuracy in 2022 was as a result of record breaking used value increases of over +30% within six months in 2021).

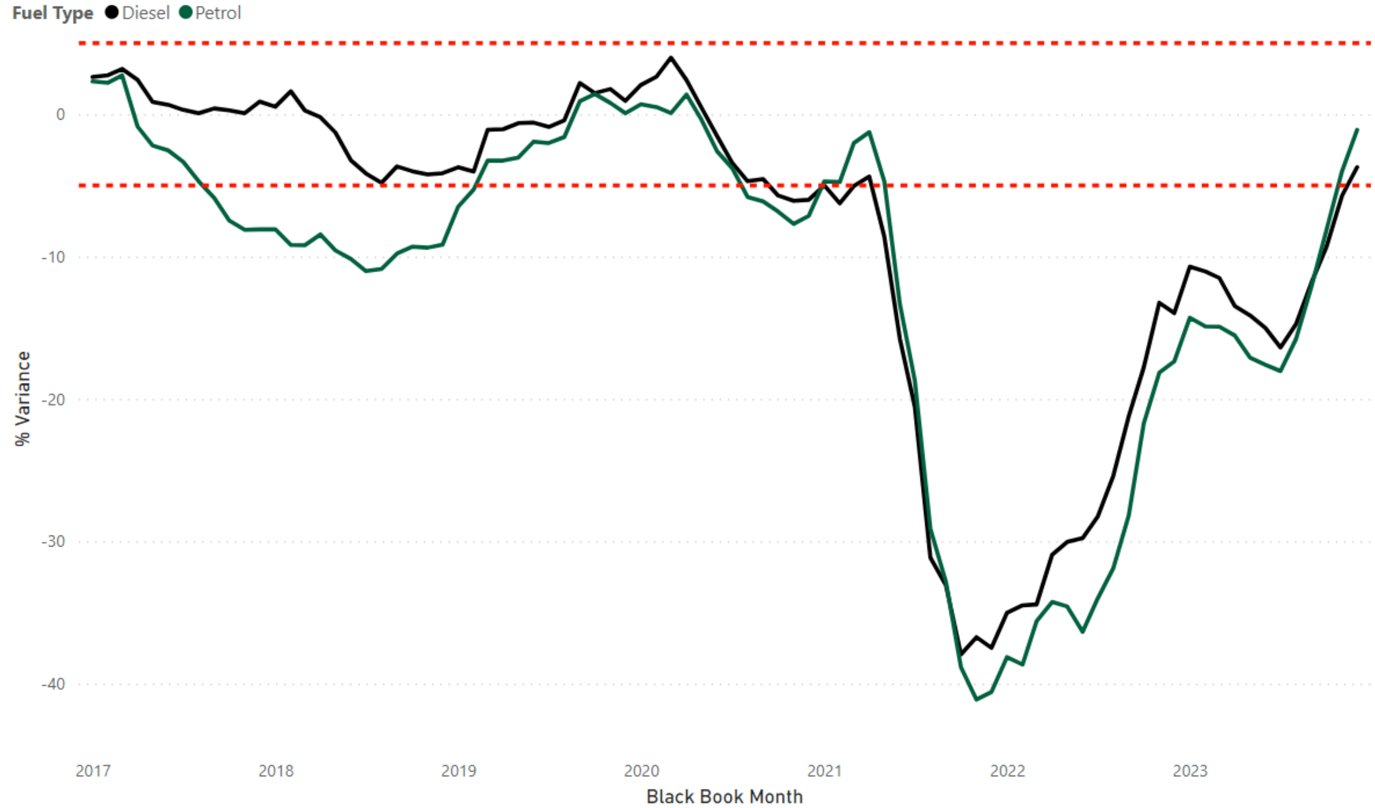
Overall results



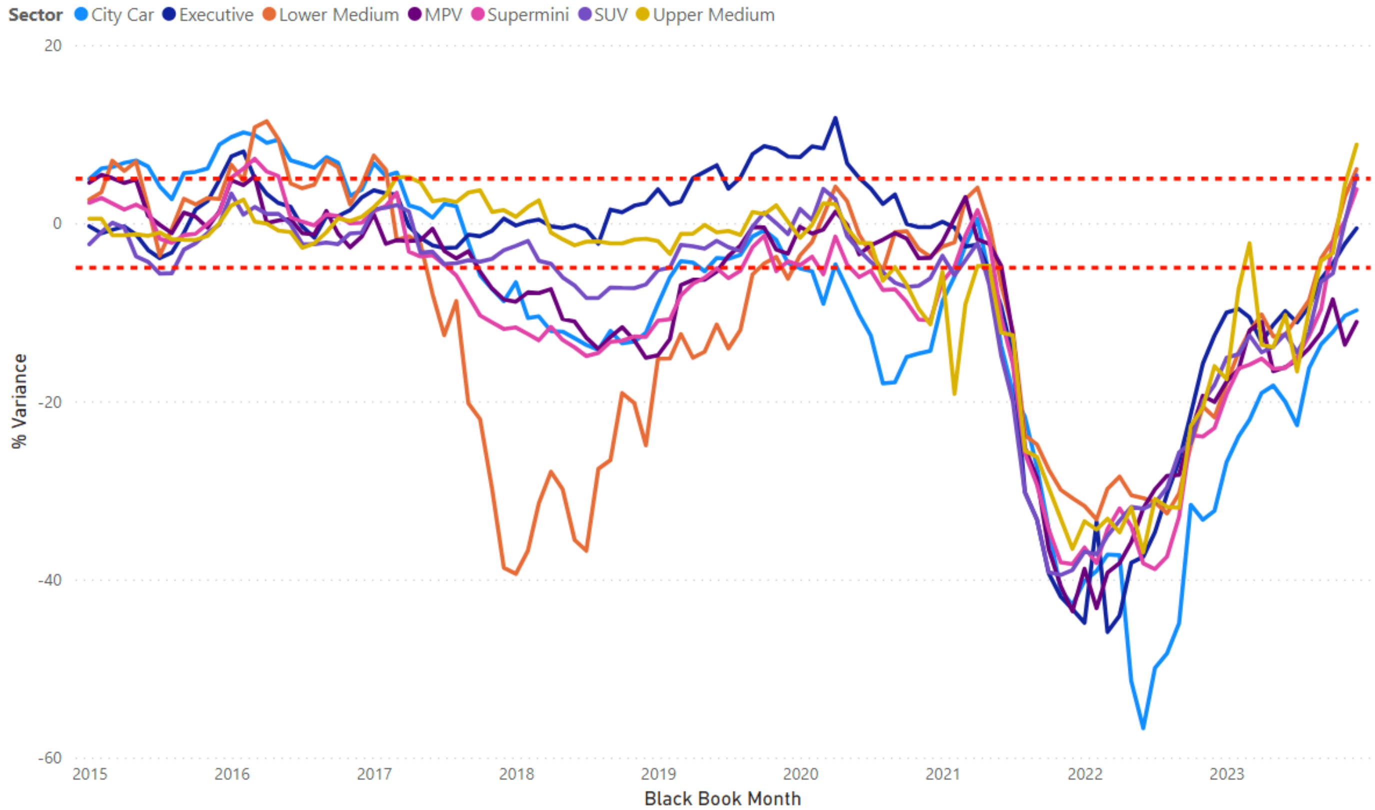
Car future editorial

By cap hpi

Fuel type results:



Sector results



Car future editorial

By cap hpi

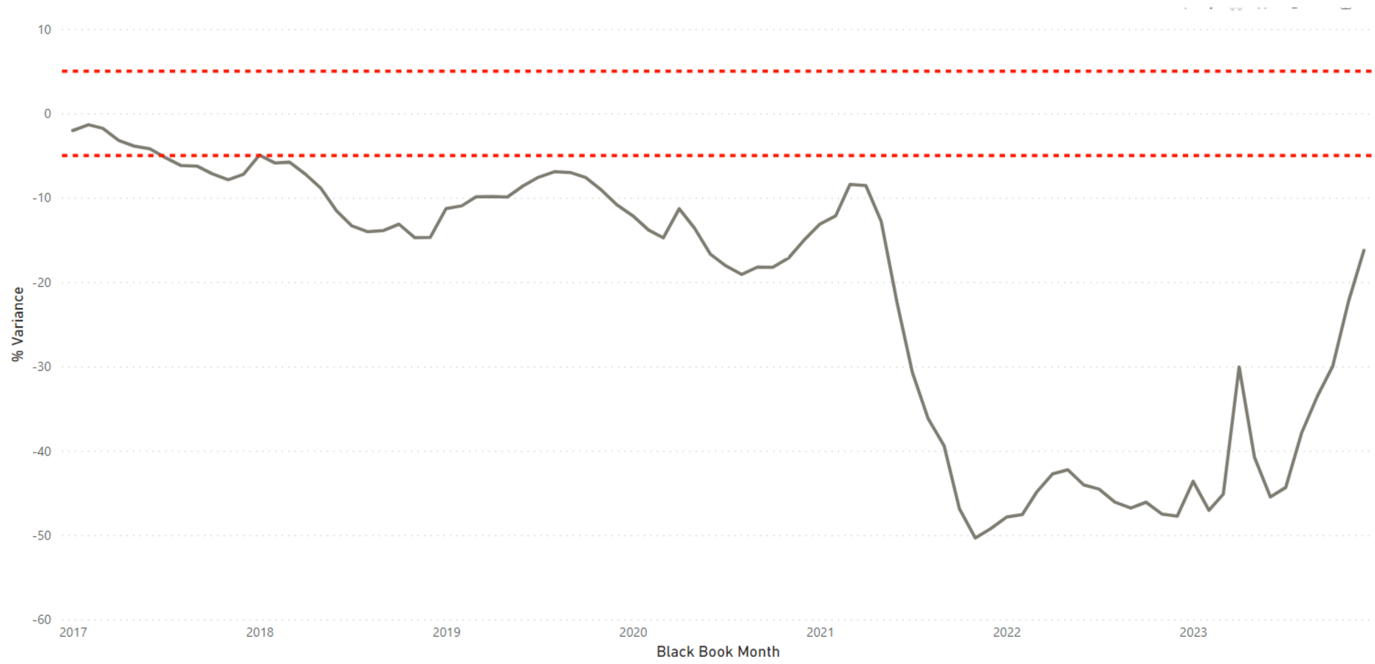
The most recent results for the main sectors are as follows:

December 23	Average of Diff (%)
City Car	-9.7%
Executive	-0.6%
Lower Medium	+6.1%
MPV	-11.1%
Supermini	+3.8%
SUV	+5.4%
Upper Medium	+8.8%
Grand Total	**-0.3%**

36-month results

Since measurement started our 36-month forecasts have averaged -24.7% less than used values across all vehicle ids (with the average skewed by recent results). The most recent results show December 2020 36/60 forecasts being -16.2% less than December 2023 36/60 used values. Since used value increases peaked at around +40% early in 2022 and values are not expected to fall by anywhere near that (peak YOY deflation now expected to be around -5%), the historic three-year forecasts will continue to track well below used values for a long time to come. The apparent spike in April 2023 is a reporting error which we are unable to correct retrospectively.

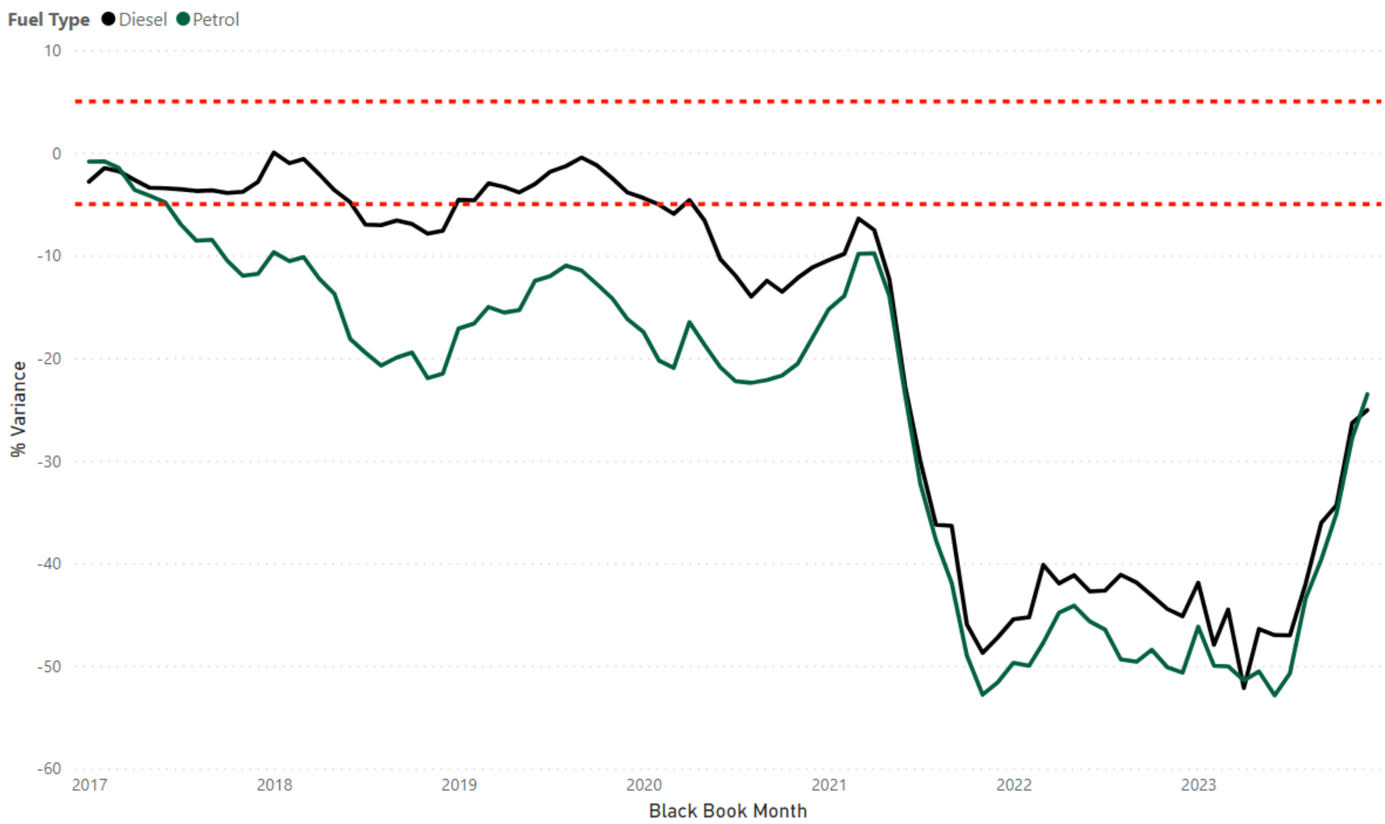
Overall results:



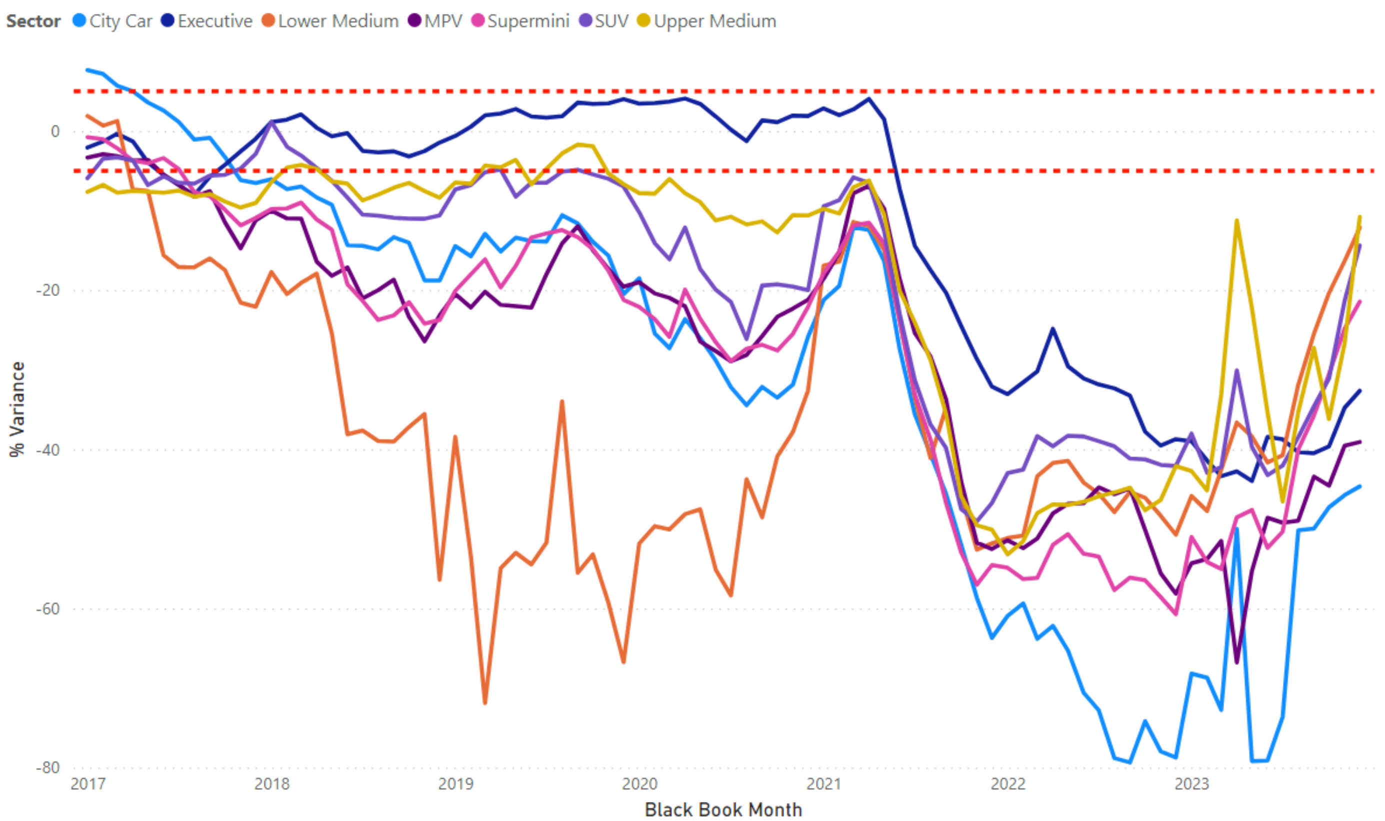
Car future editorial

By cap hpi

Fuel type results:



Sector results



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

December 23	Average of Diff (%)
City Car	-44.7%
Executive	-32.6%
Lower Medium	-12.1%
MPV	-39.1%
Supermini	-21.4%
SUV	-14.4%
Upper Medium	-10.8%
Grand Total	**-16.2%**

4. Forecast methodology and products

Overview and 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 Interproduct 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. Values are for a "naked" vehicle and do not reflect any added option content.

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 2024/25

The table below shows our future schedule of sector reforecasts:

Monthly Product	Sector 1	Sector 2	Sector 3	Sector 4
Feb-24	Convertible	Sports	Supercar	
Mar-24	SUV			
Apr-24	City Car	Supermini		
May-24	Upper Medium	Executive	Large Executive	Luxury Executive
Jun-24	Lower Medium	MPV		
Jul-24	Convertible	Sports	Supercar	
Aug-24	SUV			
Sep-24	City car	Supermini		
Oct-24	Upper Medium	Executive	Large Executive	Luxury Executive
Nov-24	Lower Medium	MPV		
Dec-24	SUV			
Jan-25	Convertible	Sports	Supercar	