

January 2025

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 2025/26

1. Forecast changes

New model ranges added to our forecasts:

Alpine A290, BYD Sealion 7, DS No8, GWM Ora 03, GWM Haval Jolion Pro, KGM Actyon, MG 3, Porsche 911 [992] GT, Subaru Forester, Vauxhall Grandland, Volkswagen Tayron.

Model ranges to which new derivatives have been added:

Audi Q5, Audi SQ5, DS DS3, DS DS4, MG 4, Peugeot 308, Porsche Taycan, Renault 5, Rolls-Royce Ghost, Skoda Kamiq, Skoda Kodiaq, Skoda Superb, Smart Hashtag 1, Toyota Aygo X, Vauxhall Frontera, Volkswagen Passat.

The overall average change in new car forecasts between December and January is approximately +1.03% at 36/60, which is broadly in line with the normal expectation of the seasonal change for full year forecasts at this time of year and also reflects the impact of moving from the 2024 74 plate to the 2025 74 plate.

Sector reforecasts

This month, we publish new reforecasts for the Convertible, Coupe Cabriolet, Sports and Supercar sectors.

At this review, there were differing changes to the phasing of our deflation assumptions for these sectors.

Convertible and Coupe Cabriolet saw a decrease in deflation of +0.5% in year 4 and +1% in year 5, reflecting the reducing levels of new car registrations and decreasing numbers of available models. Forecast impact is approximately +0.5% at 48 months and +1.5% at 60 months.

Petrol Sports cars saw a decrease in deflation of +0.5% in year 1, offset by increases in deflation of -1% in both year 2 and year 3. Diesel Sports cars saw a decrease in deflation of +1% in year 1, offset by increases in deflation of -1% in both year 2 and year 3 and increases of -0.5% in years 4 and 5, reflecting the expectation of reducing demand for this fuel type in this sector. Approximate forecast impact is displayed below:

	12	24	36	48	60
Petrol	+0.5%	-0.5%	-1.4%	-1.3%	-1.3%
Diesel	+0.5%	-0.0%	-0.9%	-1.3%	-1.7%

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Supercars saw an increase in deflation of -1% in year 3 and -0.5% in year 4, approximate forecast impact is -1% at 36 months and slightly less than -1.5% at 48 and 60 months. Deflation assumption remains for much smaller price reductions than for most other sectors.

Average combined forecast movements at 36/60 are displayed in the table below.

SIZE & FUEL TYPE	UNDERLYING FORECAST CHANGE	SEASONAL ELEMENT	OBSERVED CHANGE DEC TO JAN
Convertible Diesel	+0.1%	+1.7%	+1.8%
Convertible Electric (BEV)	+0.6%	+1.6%	+2.2%
Convertible Hybrid (HEV)	+0.1%	+1.6%	+1.7%
Convertible Petrol	+0.4%	+1.6%	+2.0%
Convertible Plug-In Hybrid	+0.3%	+1.6%	+1.9%
Coupe Cabriolet Electric (BEV)	+0.0%	+1.4%	+1.4%
Coupe Cabriolet Petrol	-2.0%	+1.4%	-0.6%
Sports Diesel	-0.5%	+1.5%	+1.0%
Sports Electric (BEV)	+0.1%	+0.8%	+0.9%
Sports Hybrid (HEV)	+0.1%	+0.8%	+0.9%
Sports Petrol	-0.9%	+0.8%	-0.1%
Sports PHEV	+0.0%	+0.8%	-0.8%
Supercar Petrol	-1.5%	+1.1%	-0.4%
Supercar PHEV	-1.5%	+1.1%	-0.4%
Overall Average	-0.4%	+1.2%	+0.8%

In general, many of the underlying forecast changes were in line with typical depreciation and aging patterns. However, the sector/fuel combinations above can be misleading due to the limited number of models represented and the number of derivatives currently available in each range. The overall average reduction of -0.4% is largely driven by Sports Petrol which contains a much larger number of derivatives than most of the other groupings.

The following ranges had their mileage profiles changed to the generic low mileage profile (labelled as Luxury Executive Diesel in gold book iQ) and now align with their main competitors and previous generations (where appropriate):

ASTON MARTIN VANQUISH (24-)
BENTLEY CONTINENTAL GTC CONVERTIBLE (24-) Hybrid
MASERATI GRANCABRIO (24-)
MASERATI GRANCABRIO (24-) Electric
MASERATI GRANTURISMO (24-) Electric

Forecast changes this month

The focus of our Interproduct reporting has remained as a combination of two different elements. There are those ranges where our forecasts were now above the latest used value position, there are also an increasing number of generations which have seen an increase this month (particularly at the 12-month point) following positive used value performance leading to high levels of implicit deflation. In some cases, the 12-month position has improved, but we

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have retained our view at 36 months. This month, more than 100 current ranges were considered in total, but in some cases, it was decided to make no changes to the forecasts; some of these are flagged for review of walk-up relationships and others appear likely to see changes in used values in the near future. 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 (or both).

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 either stabilise to some extent, or to fall back where we have seen considerable recent increases. There have been further significant 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 Changes

ALFA ROMEO STELVIO QUADRIFOGLIO (18-)	HONDA ZR-V (23-) Hybrid	PEUGEOT 308 (21-) DIESEL
AUDI A5 SPORTBACK (19-) DIESEL	JAGUAR E-PACE (17-) DIESEL	PEUGEOT 408 (22-) PETROL
AUDI A8 (17-)	JEEP AVENGER (22-) Electric	PEUGEOT RIFTER (18-) Diesel
AUDI Q3 (18-)	KIA EV6 (21-) Electric	PEUGEOT RIFTER (21-) Electric
AUDI Q3 (18-) DIESEL	LEXUS ES (18-) Petrol Hybrid	POLESTAR 2 (19-) Electric
AUDI Q5 (16-) DIESEL	LEXUS LC COUPE (17-)	PORSCHE PANAMERA (23-)
BMW 3 SERIES (19-) HYBRID	LEXUS LM (23-) HYBRID	PORSCHE PANAMERA (23-) HYBRID
BMW 7 SERIES (22-) HYBRID	MERCEDES-BENZ AMG GT COUPE (22-) Hybrid	SKODA ENYAQ COUPE (22-) Electric
BMW I5 (23-) Electric	MERCEDES-BENZ CLA (20-) Hybrid	SMART HASHTAG 1 (23-) Electric
CITROEN SPACE TOURER (20-) Electric	MERCEDES-BENZ EQA (21-) Electric	SUBARU OUTBACK (21-)
CUPRA FORMENTOR (20-) Hybrid	MERCEDES-BENZ EQE ESTATE (23-) Electric	SUBARU SOLTERRA (22-) Electric
DACIA DUSTER (18-)	MERCEDES-BENZ EQS (21-) Electric	VAUXHALL ASTRA (21-) Hybrid
DACIA JOGGER (22-)	MERCEDES-BENZ GLA CLASS (20-) Hybrid	VAUXHALL ASTRA (23-) Electric
DACIA JOGGER (22-) Hybrid	MERCEDES-BENZ S CLASS (20-) DIESEL	VAUXHALL GRANDLAND X (17-)
DACIA SPRING (24-) Electric	MERCEDES-BENZ S CLASS (21-) HYBRID	VOLKSWAGEN ID.5 (22-) Electric
DS DS4 (21-) Hybrid	OMODA 5 (24-) Electric	VOLVO EX30 (23-) Electric
FIAT 500 (20-) Electric	PEUGEOT 208 (19-) Electric	VOLVO XC40 (17-)
FORD TOURNEO CONNECT (22-)	PEUGEOT 3008 (23-) Electric	VOLVO XC40 (20-) Electric
GENESIS G80 (22-) Electric	PEUGEOT 308 (21-)	VOLVO XC90 (14-) HYBRID
HONDA E NY1 (23-) Electric		

Other Forecast Changes

ALPINA B3 (20-)

Uses Sports Petrol deflation assumption and so decreases by -1.5% at 36/60 in line with sector review change outlined above.

ASTON MARTIN DBX (19-)

Full walk-up review, resulting in some forecast decreases.

BMW iX (21-) Electric

Penalty for 70 kWh 326 battery decreased from £12,875 to £10,325 at 36/60 following customer query, resulting in forecast increases.

CITROEN C3 AIRCROSS (17-)

Review of model trim relationships, resulting in some forecast increases.

KGM KORANDO (23-)

Walk-up correction. K35 trim, increased from £500 above K30 variant, to £1,400 above K30 variant, after additional specification information was provided from the manufacturer, resulting in forecast increases.

KIA SORENTO (20-) Hybrid

Premium for [248] and [261] bhp PHEV powertrains increased from £800 to £2,250 at 36/60, resulting in forecast decreases.

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MASERATI GRECALE (22-)

Review of trim relationships, resulting in some forecast decreases.

VOLVO XC60 (17-)

Premium for Ultimate Dark, Ultra Bright and Ultra Dark decreased from £2,400 to £1,600 at 36/60, resulting in some forecast decreases.

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 market remains healthy for the time of year

Our expectation for December was for the strength in the market to resume, with used volume remaining fairly steady, as used volume continued to increase slightly, but with a number of businesses out buying stock to ensure they are in a position to get off to a good start in 2025. However, there were far fewer buyers active in the market than we had expected and the total change at 36/60 is expected to be an overall decrease of -1.5%, about -1% more than we had predicted. The variation by fuel type was much less this month and the relative positivity in electric vehicles at 36/60 still exists but is much reduced, reducing by -1.4%. Petrol saw the biggest fall, moving by -1.8%, diesel and hybrids were the best performers with -1.2% and plug-in hybrids were down by -1.6%, these movements are all broadly in line with the average for the time of year.

Vendor feedback on BEVs continues to improve from most sellers, with variation still a feature this month within the BEV average; the majority of models saw decreases in the month, but fewer models saw large decreases again compared to last month, just over a third were unchanged and just a handful of models experienced a level of strength. We are now seeing evidence of an increasing number of dealers coming back to the BEV market, finally recognising the profit opportunity these cars are now generating.

In the end, it appeared that caution won out in December (exactly as it did last year), with many buyers easing off and seeming unwilling to bear stock holding costs until the end of the calendar year. As a result, many businesses will be needing to very active in early January. As a result, we have revised our estimate for January and we now expect the used value movement to be a small increase in the order of +0.5%. There will be plenty of volume around, some vendors having held back their best stock from the lukewarm December market, but demand is expected to be strong enough to cope with it and resulting in a similar situation to that seen in January 2024.

As previously explained, we are continuing to see 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

The government have now announced a "fast track consultation" with the industry following job losses at Ford and Vauxhall and multiple pronouncements from manufacturers and trade bodies, but at the time of writing we still do not know what form this will take or when it will be completed. Although there has still been no formal announcement, the clear indication is that the deadline for new ICE sales will be brought forward to 2030, but there is no detail regarding how this is intended to be achieved. Moving the deadline in itself is expected to have minimal impact unless the existing ZEV % targets by year are amended, apart from a short-term boost in consumer interest at the time of any formal announcement, similar and in reverse of the short blip in demand experienced when the deadline was pushed out to 2035 (without changing the mandate targets). As stated previously, we would expect this to have little or no impact on trade values. The situation regarding hybrids remains uncertain - there have been hints that 'some hybrids'

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may still be allowed to be sold as new cars until 2035 and it is unclear whether this is within the scope of the imminent consultation exercise. OEMs were required to meet a nominal minimum proportion of 22% BEV this year. It should be noted that there are detailed 'flexibilities' available to manufacturers and some had already indicated to us that they were planning to avail themselves of various options, as they already knew they would not meet the mandated proportion this year. Despite this, many manufacturers remained focussed on maximising BEV sales this year and this has resulted in excessively large new car price discounts in some cases – those models where large discounts and differential interest rates have combined to make new cars cheaper than used have (not surprisingly) resulted in significant reductions in used values. Many manufacturer groups are already thought to be where they need to be in terms of the ZEV Mandate for this year when 'credits' for lower average CO2 this year (compared to the 2021 baseline) are factored in, although at least 3 groups appear to be in negotiations to purchase credits from manufacturers with a much stronger (or 100%) BEV mix.

The biggest issue that we expect from the ZEV Mandate is when the targets ramp up from 38% in 2027 to 52% in 2028. In a flat market this would imply an increase in the number of BEVs registered of +34% (in comparison to 2024 being a +15% increase on 2023). It is hard to see how this can be possible without either significant government incentives or the discontinuation of a significant proportion of ICE models in the UK.

Battery electric vehicles

The used market for BEVs is likely to remain extremely complex for the foreseeable future. The high prices which were fuelled by extremely strong demand in the middle section of 2022 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 two years ago, with cumulative used value reductions on average for BEVs of over -60% between September 2022 and September 2024. BEVs are now down -15.01% Year Over Year at 36/60; another improvement compared to last month, far better than the -36% in September 2023 and expected to continue to improve. It was not a surprise that values came down in 2022/23. If anything, the most surprising element was just how long values had remained strong during 2022, but the speed of reduction when it came was brutal. Many models continued to stabilise or increase slightly in value towards the end of 2023 as the used market for BEVs outperformed other fuel types, but this year we have seen renewed falls, although performance over the last two months gives further credence to our previous view that we may be moving into another period of relative stability. Variation by model is expected to continue to be a feature of the market and some models which appeared to have settled are now seeing renewed pressure, whilst others are unchanged and some have seen a relatively dramatic recovery. Battery electric vehicles are still selling quicker than other fuel types on dealer forecourts at three to five years old – dealer demand remains less strong than consumer demand, with some still steering clear of BEVs due to catching a cold when values dropped and the vast majority of independents still not stocking BEVs at all. There is clearly capacity for the used market to cope with plenty more BEVs and more franchised dealers and car supermarkets are continuing to return to the market.

Volume of BEVs will continue to increase through 2025, but many models already appear extremely attractively priced following the previous reductions. Buyer demand in the used marketplace is back to previous levels and is continuing to increase. Although a small number of trade 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 again at all ages and by an average of -£2,775 at 36/30 and as much as -21.4% at 60/50 (all ages showing a very slight improvement compared to last month) and this has now filtered through into retail prices; analysis a few months ago showed retail adverts prices for BEVs to be -9.5% cheaper at 3 years old and -15% cheaper at 4 years old. At the younger age spectrum, current electric models being offered with significant new car price discounts (or very cheap leasing/PCP offers) are continuing to make the nearly new used market for these models highly unattractive, especially where differential interest rates are acting to make the monthly payment for used greater than new. There are several models where previously registered cars with delivery mileage are also putting pressure on used values for cars from 18 to 24 months old. At the beginning of 2025, we expect a number of models to have list prices realigned and discounts to reduce accordingly – we have already seen this in several cases in recent months.

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

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seen to date in our Interproduct reforecasts. Nearly new used values for almost all BEVs are now back well below cost new. 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. There is still the prospect of new clean air zones (such as the ones implemented through 2024 in Scotland) and updates and extensions to the existing schemes, further fuelling demand for lower emission vehicles. There are further signs that retail prices are now reflecting some of the long-term 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

Despite the -0.25% reduction in base rates at the beginning of November, interest rates are continuing to constrain retail consumer demand due to the cost of borrowing; several 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 since improved. These will continue to improve with CPI inflation remaining close to target and expectations for lower future rates across the board (although the trajectory for rate reductions is now expected to be slower due to inflationary measures implemented in the recent Budget which now appear to have started to impact CPI). 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 continue to very slowly reduce over the medium term, the situation is expected to improve, but this improvement will be very gradual.

We expect the re-pricing of aged stock to continue and growth in demand to continue to be limited by the cost-of-living squeeze – reductions in CPI do not signal improvements in household disposable income unless wages have already increased in line with inflation or are expected rise by above the current rate in the very near future. 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.

There are ongoing constraints across the supply chain and global supply chains remain fragile. Continuing instability in the Middle East is a cause for concern, but overall impact on the automotive supply chain is likely to be minimal, even if the situation escalates. Semi-conductor supply remains constrained, but availability for all manufacturers has improved significantly and is expected to continue to result in improved new car registration performance into 2025. 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 within the next couple of years. Further supply disruption of some form 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 to four years.

With Donald Trump winning the US Presidential Election, there are concerns that a full-blown trade war with China now looks more likely than it did before. It remains to be seen whether the UK and EU authorities are able to negotiate a way through the forthcoming difficulties and avoid detrimental impacts from future global trade actions.

Although prices had continued to soften for many of the elements which had been driving inflation in recent months, we now have the highest inflation rate in eight months, with CPI increasing to 2.6% in November (from 2.3% in October and 1.7% in September) and mainly driven by energy prices and continuing increases in costs in the service sector (although the rate of increase appears to have stabilised). Wider geopolitical concerns remain and it is hoped that lower year on year prices will continue to feed through into wider food prices over the coming months. The unfortunate timing of OFGEM's most recent price cap announcement resulted in a smaller increase than was originally predicted; although wholesale electricity costs increased by 14% in the first half of November, they have (at the time of writing) once again returned to levels seen at the end of October and are now about -7% lower year over year. CPI is expected to remain relatively close to target, although the recent Budget has provided additional pressure and the Bank of England remain concerned about future increases, especially from the services sector. Container prices and shipping costs remain well below their previous highs, but the ongoing piracy risks in the Red Sea have continued to keep transport costs high as many vessels continue to be diverted around the Cape of Good Hope. The global inflation outlook remains complex. Previous increases in base rates from central banks, including the Bank of

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England, are widely thought to be unlikely to have had any significant impact on inflation and appear to have had more potential to limit growth.

In summary, our view is that:

- Numerous battery electric models have stabilised following very large decreases in used values in the past, whereas a few ranges 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. The vast majority of models where a comparison can be made are now looking excellent value compared to ICE equivalents or competitors and although there is potential for some to increase further 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 and, in these cases, values are expected to increase slightly over the next 12 months. Sizeable new car discounts may continue to put pressure on individual models where used values have not already been impacted.
- The used car market in January is expected to be very healthy, with movements favourable to typical seasonal patterns, with overall price change expected to be an increase of around +0.5% overall at 36/60. Condition continues to be key, with parts availability and refurb capacity continuing to reduce while costs inevitably increase 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, even if rates reduce again early in 2025. Used car volumes are now predicted to remain similar to the last couple of months, staying low compared to historic levels as we expected, with used values expected to remain relatively robust into next year. Battery electric models are all still frequently re-assessed on an individual basis for short term forecast, but a handful are now allocated standard sector movements.
- Although the UK did not enter a technical recession, we remain in an environment of sluggish growth. As mentioned in our customer webinars, the negative economic impact of any slowdown 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.
- There are still a significant and increasing 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 severe used value reductions at the end of last year and the partial recovery this year. It is extremely hard to predict how retail demand will progress through 2025, especially given the complex economic situation, but in general continued stability is expected as CPI inflation continues to be relatively close to target, with the potential for improvements once interest rates finally come down.
- As we move through 2025, we will continue to see the positive impact of reduced used car supply as a result of almost 2.8 million fewer cars registered through the course of the pandemic, particularly from fleets (approximately two thirds of the shortfall). However, this will reduce through the year, become close to normal in 2026 and then we will start to see increases in used car volume by 2027 and into 2028.

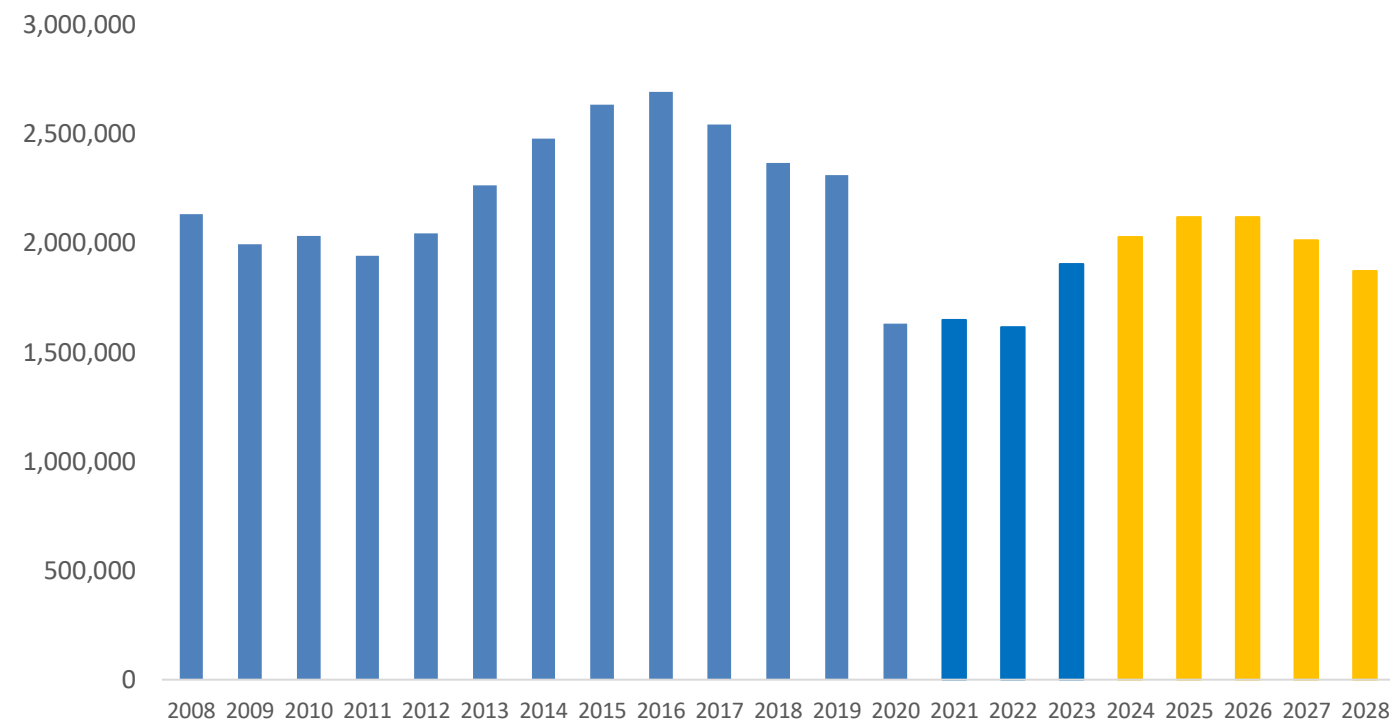
Supply side factors

Our initial forecast for 2024 was for a further improvement to 2.09mm (up around +10% on 2023 but -9.4% down on 2019), but in August we revised this down to 2.026mm (up 6.5% on 2023, but down -12.3% on 2019). The annual run rate was around 1.97mm a couple of months ago, but has weakened considerably in recent weeks and is likely to come in well below our prediction. The situation in December is very difficult to judge; there is potential for significant forced registrations in the month from manufacturing groups who are still short of ZEV Mandate target or are under pressure to maximise sales in the calendar year, while others may be holding cars back to register in 2025 (either ICE cars if the required ZEV Mandate position has not yet been reached, or BEVs if the target is already secure). We are expecting a higher level of forced registrations at the end of 2024 in comparison to 2023, when these were much

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lower than had been anticipated and considerably lower than normal. Our new car registration forecasts for future years are under review and much will depend on the outcome of the imminent consultation exercise, but we do not envisage the market returning to the peaks seen between 2014 and 2018 and still expect to be below pre-pandemic levels. We have been expecting to see a reduction in registration levels from 2027 as increasing number of ICE models are discontinued as an unintended consequence of the ZEV Mandate (Vehicle Emissions Trading Scheme), but this may well happen earlier than originally thought.

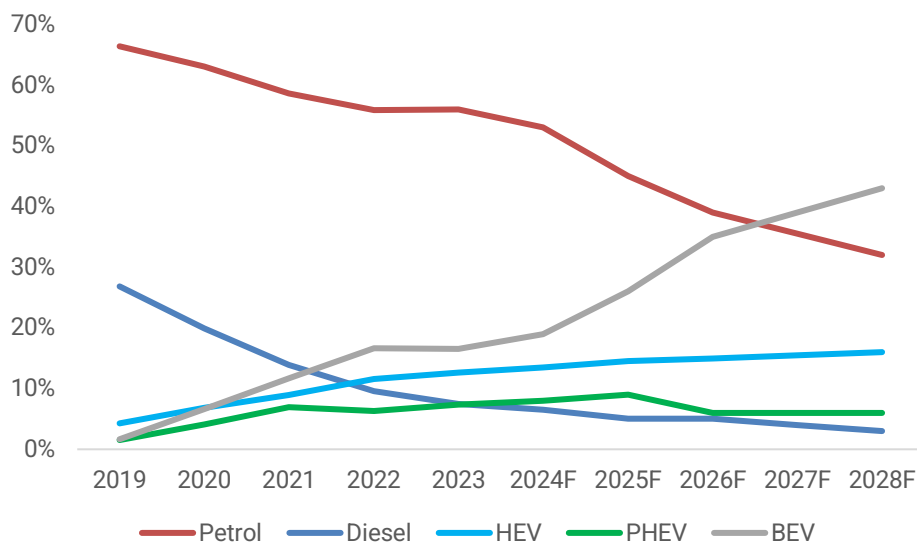


The chart below shows our latest forecast market share split by fuel type. Petrol and diesel volumes include mild hybrids. The decline in diesel will continue but is likely to slow down since it will remain the right choice for a hard-core minority of drivers and use cases. The timing of the eventual 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 updated below but remains under review. BEV share in 2023 remained flat, but this was significantly impacted by manufacturers holding off on a proportion of BEV registrations until 2024 (due to the implementation of the Zero Emission Vehicle Mandate) and also by Tesla registrations being around -66% down on the previous December (and -56% down in the final quarter). The likelihood of forced registrations of BEVs this year is still likely to vary significantly by OEM and there are a number of manufacturers who will need to take full advantage of the “flexibilities” available to them, as they will not achieve the 22% mandated level in 2024. Despite the increase in BEV share, we are still showing 2028 at 43% (well below ZEV Mandate levels of 52%) and our view is that the targeted share can only be achieved through the early discontinuation of a significant proportion of ICE models in the UK and lower overall levels of new car registrations.

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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 during 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 2030 will also be part of this increase, provided enough vehicle supply is made available and investment in charging infrastructure keeps pace with demand.

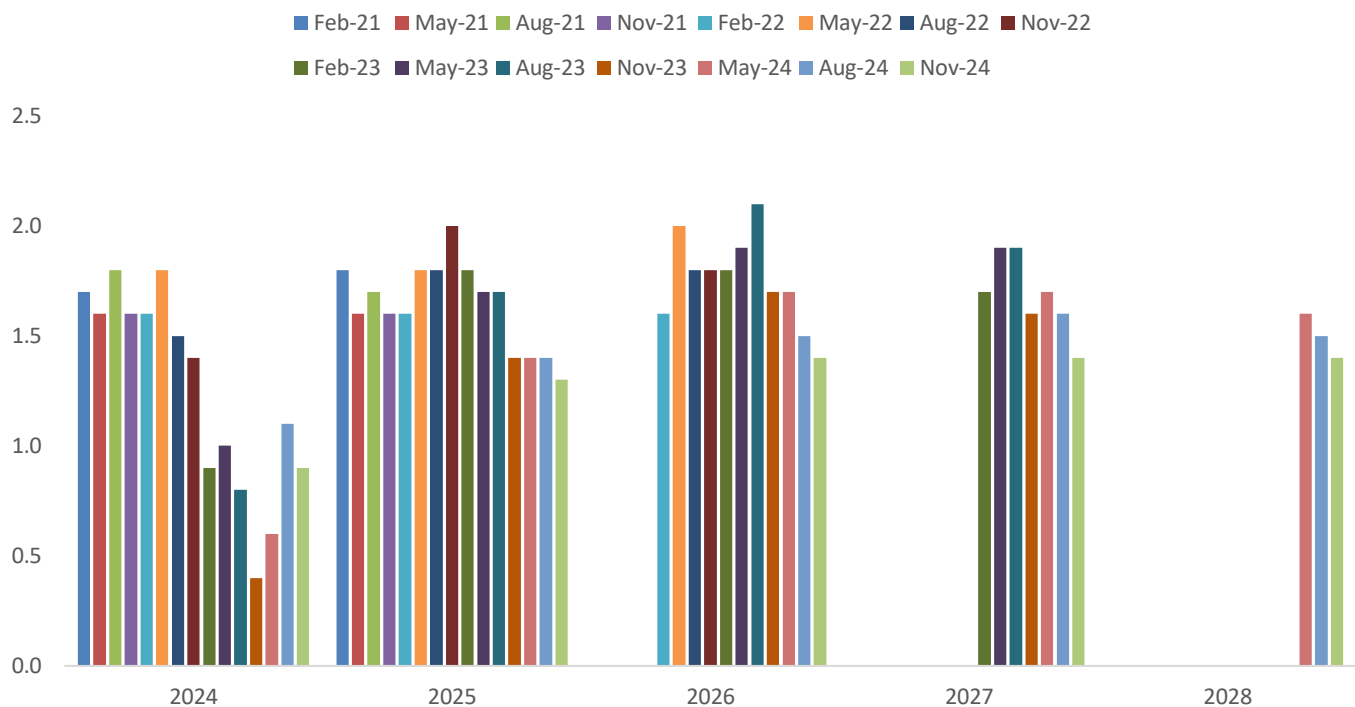
Demand side factors

Latest medium-term independent forecasts for the UK economy were published in November and the new forecasts see a downgrade in expected growth for every year following the recent budget. Most years reduce by -0.1%, but this year and 2026 both reduce by -0.2%. The general opinion of the markets is that the recent Budget does not do enough to generate growth, has inflationary elements to it and will result in interest rates coming down slower, with reducing investment. The last forecast published by the OBR was in line with the previous outlook, but remains very favourable in comparison to the independent forecasts, especially in the outer years.

Base rates are expected to continue to reduce through 2025. The average independent forecast for the next 12 months is for interest rates to remain at the current level of 4.75% until the end of 2024, then down to 4.1% by the end of 2025 and 3.7% by the end of 2026. Initial pronouncements from the government on the state of the public finances and the implications of the budget certainly served to reduce consumer confidence (down -7% in a single month), but this change may well be short-term and some recovery may be seen as we move into 2025, especially if the overall budget impact is viewed by the consumer as less severe than initially perceived.

The following chart shows the latest GDP forecasts to 2028, alongside previous forecasts.

Independent GDP Forecasts



The latest independent unemployment forecasts have now reverted to show unemployment rates fairly flat but increasing throughout the period – broadly similar to the previous August forecast.

CPI inflation has increased above target (now 2.6%, up from 1.7% two months earlier but well below the previous peak of 11.1%). Electricity wholesale prices remain relatively volatile (although much lower than in recent years) and timing of OFEGM announcements is likely to continue to be a significant factor in whether prices go up or down for consumers and businesses. There is potential for prices to approach historic levels next year, with the latest increase having now reversed once again. The BoE continue to be wary of “second order effects”, in particular the levels of wage awards, especially within the services sector, with a view that CPI will only briefly remain close to target before increasing again. 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. Although indications from the BoE are that rates are now decreasing from the peak, they have been at pains to point out that base rates will come down much slower than they went up. Concerns remain that rates were raised too far and too fast, damaging UK growth, but the central bank are currently in no mood to lower rates significantly in the immediate future. Thankfully 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 now to have been spent to fend off the cost-of-living situation, although there are also some indicators that some households have started saving again.

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

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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. 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.

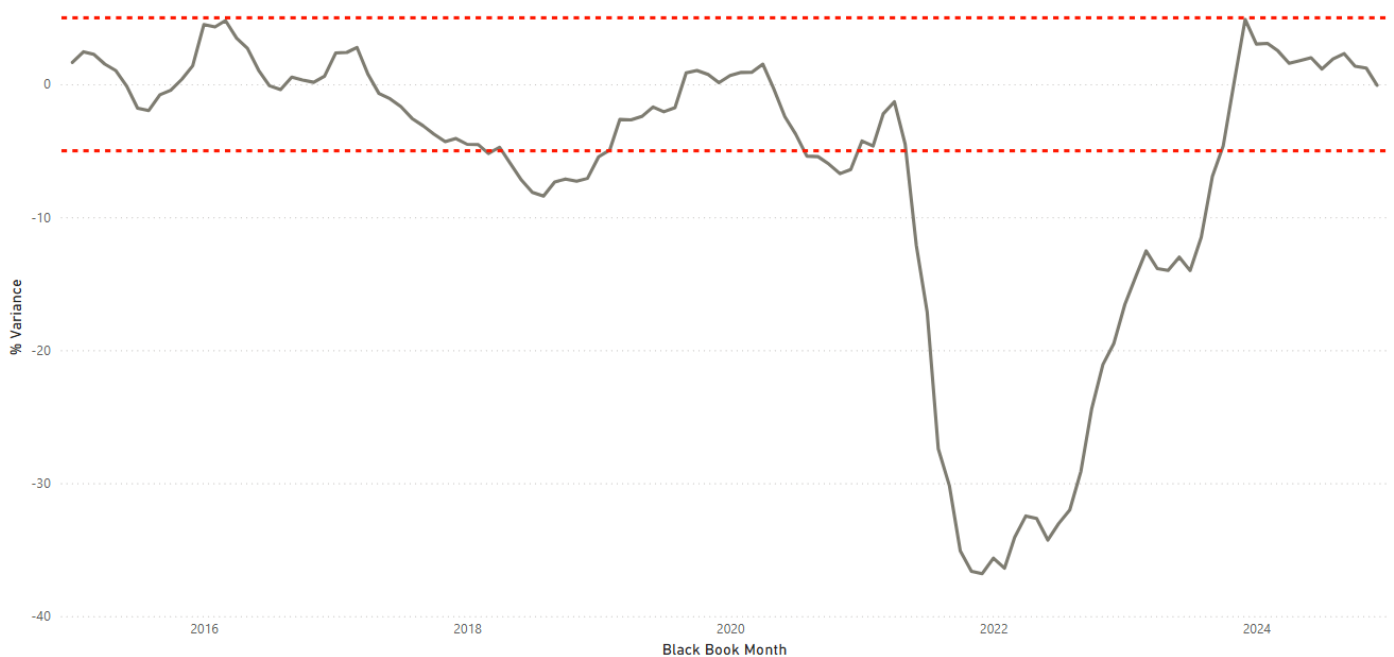
Therefore, the tracking charts below all show the same general patterns, with the difference to target being less for 12-month forecasts (reforecast most recently); and being more for longer term forecasts (reforecast less recently).

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 -6.6% less than used values across all vehicle ids, and the most recent results show December 2023 12/20 forecasts being just -0.1% less than December 2024 12/20 used values, with all major sectors still on target apart from City Car (-8.9%) 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. Forecasts have now been on target on average for the past 16 months.

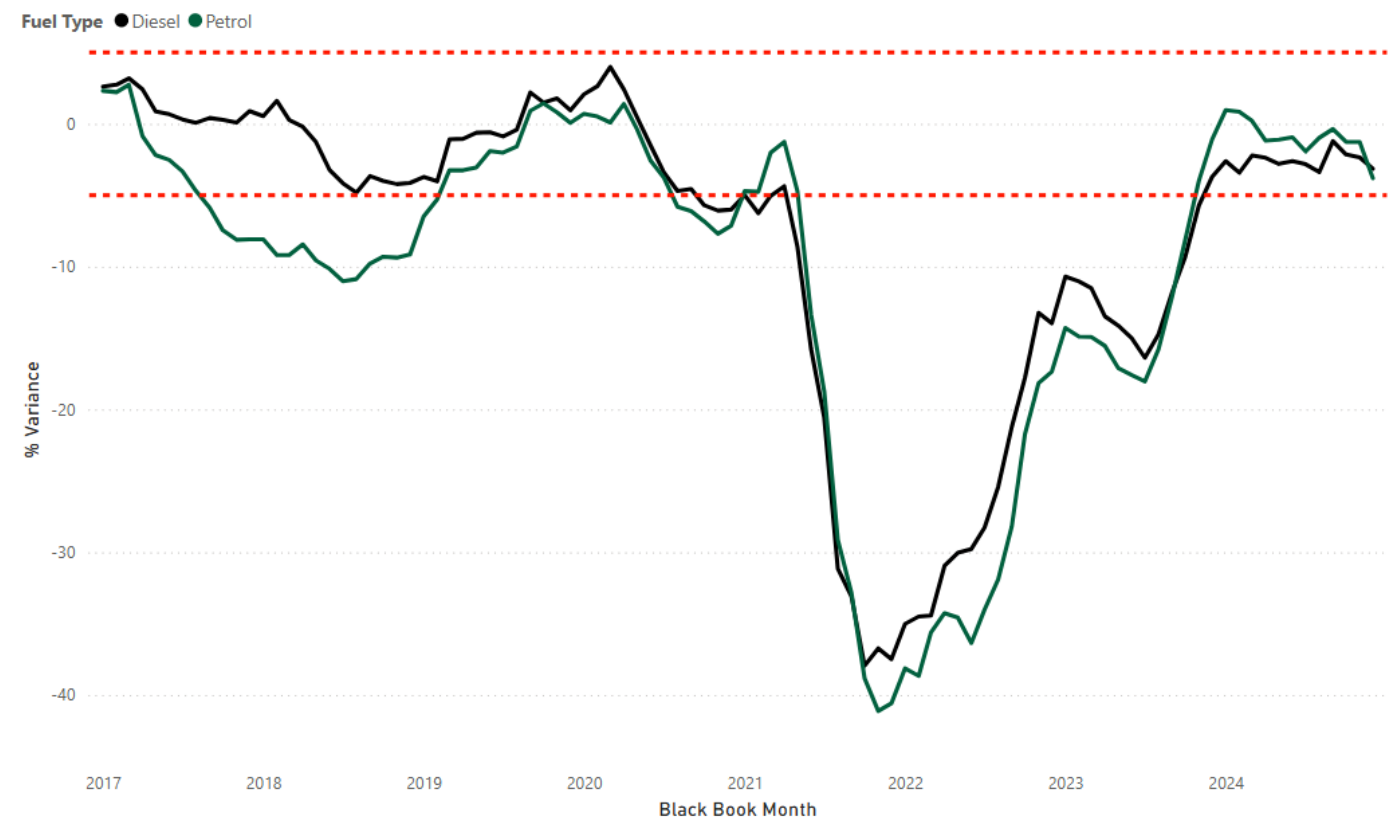
Overall results



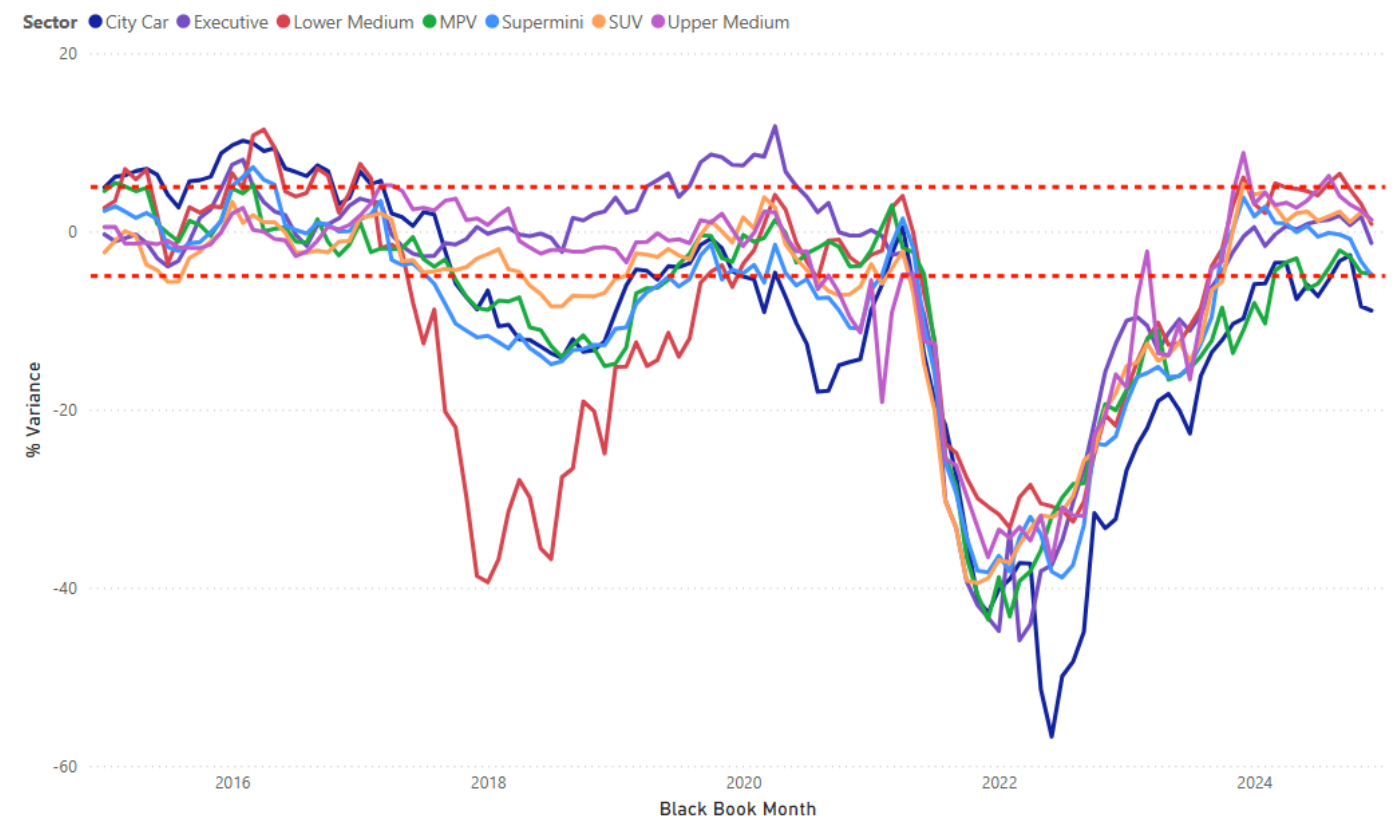
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Fuel type results:



Sector results



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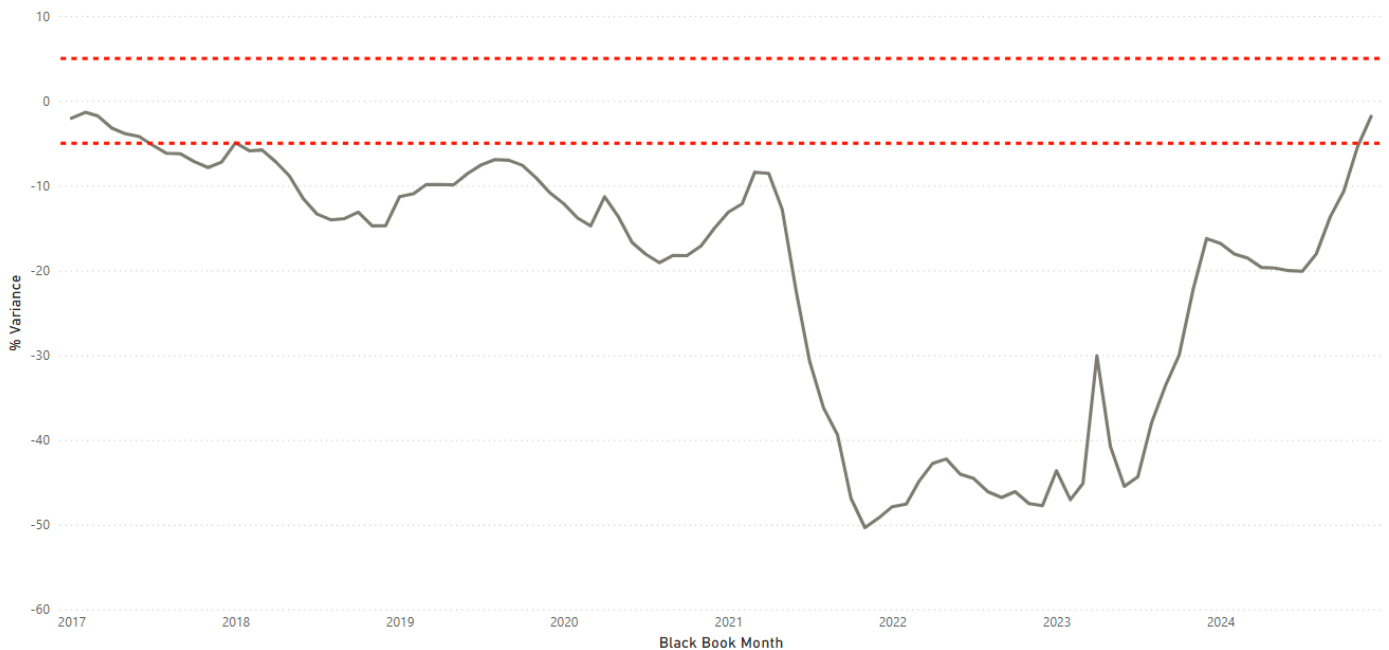
The most recent results for the main sectors are as follows:

December 2024	Average of Diff (%)
City Car	-8.9%
Executive	-1.3%
Lower Medium	+0.9%
MPV	-4.8%
Supermini	-4.9%
SUV	+1.3%
Upper Medium	+1.3%
Grand Total	-0.1%

36-month results

Since measurement started our 36-month forecasts have averaged -20.6% less than used values across all vehicle ids (with the average skewed by the record-breaking used value increases in 2021). The most recent results show December 2021 36/60 forecasts being back on target at -1.8% less than December 2024 36/60 used values. Used value increases peaked at around +40% early in 2022 and it has taken some time for the historic three-year forecasts to track closer to current used values. The apparent spike in April 2023 is a reporting error which we are unable to correct retrospectively.

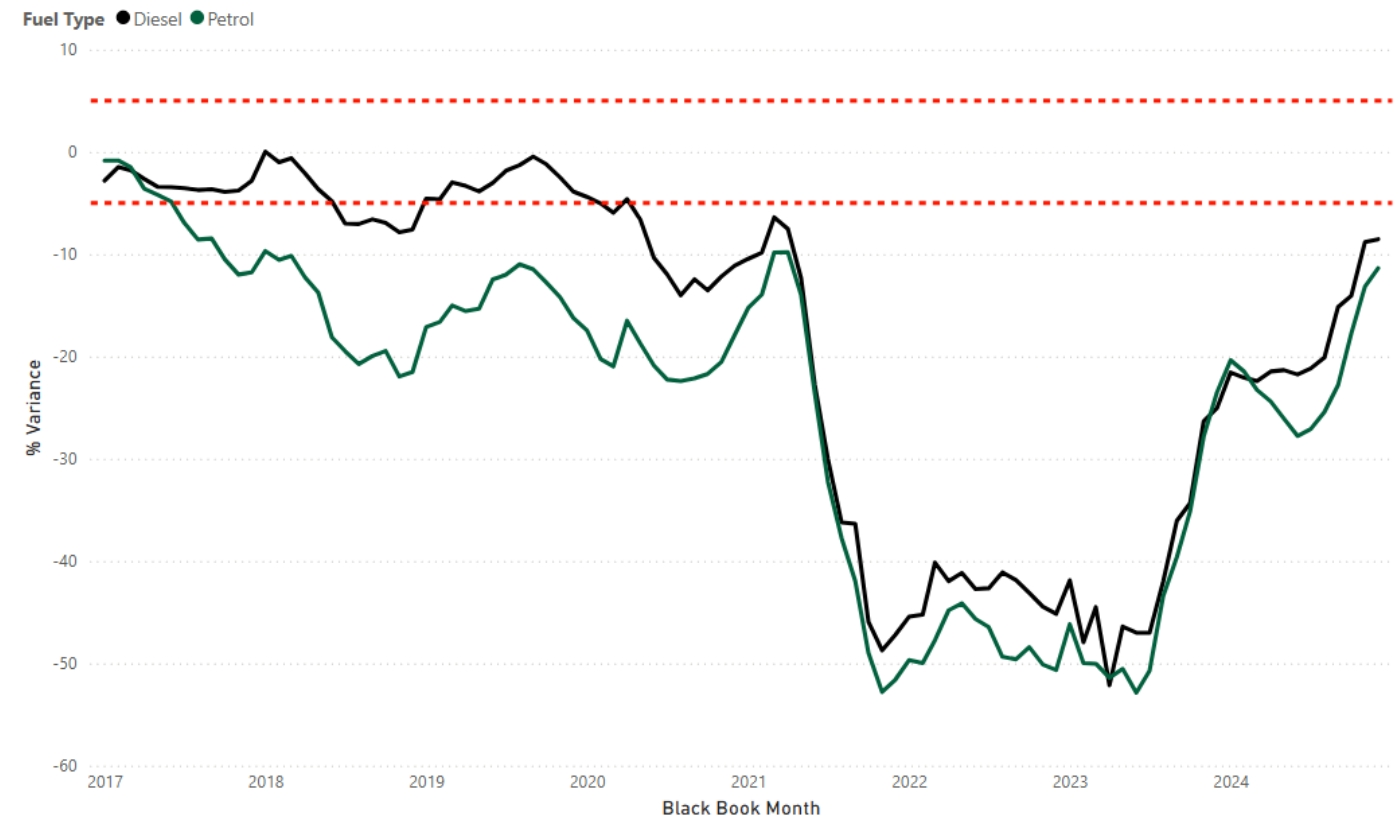
Overall results:



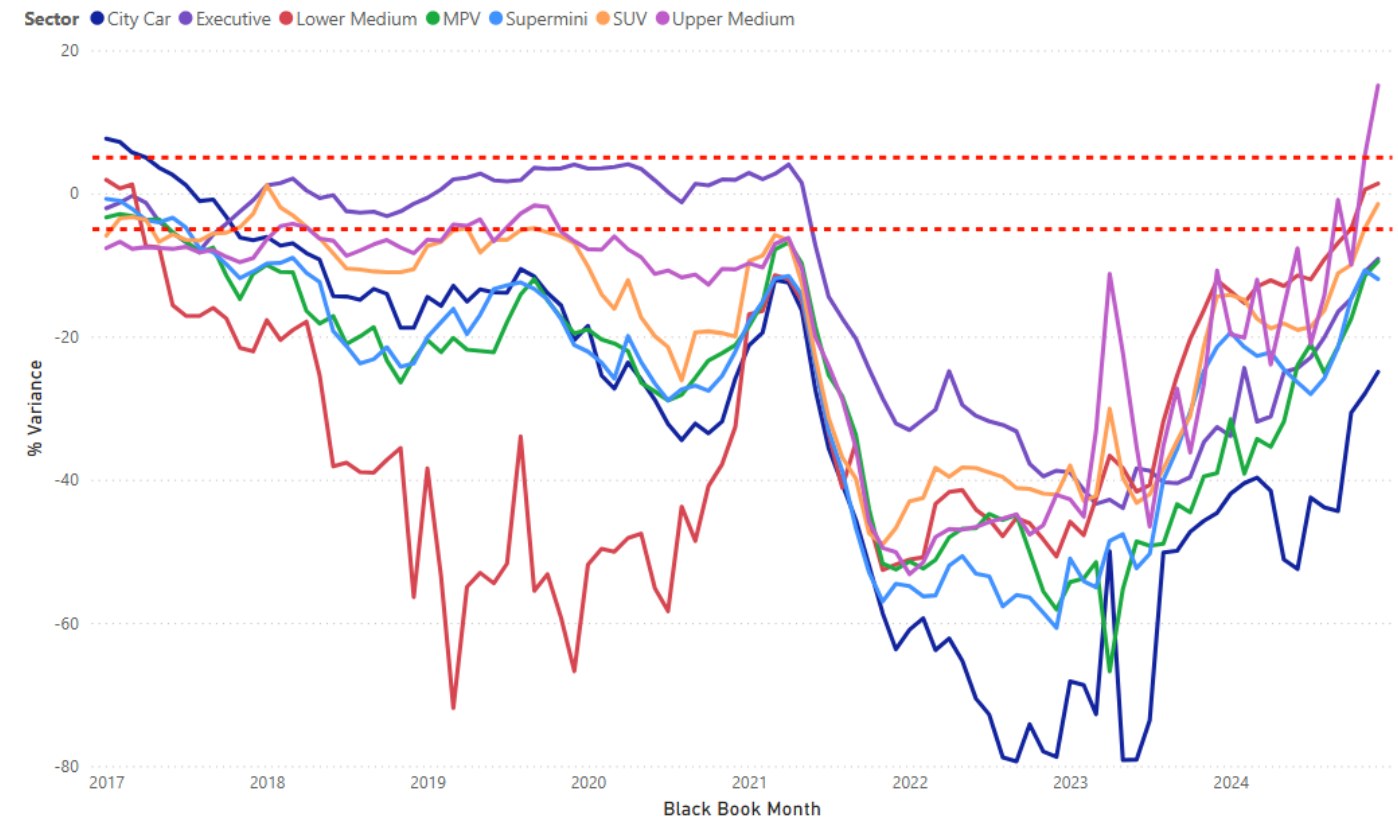
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Fuel type results:



Sector results



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

December 2024	Average of Diff (%)
City Car	-24.9%
Executive	-9.1%
Lower Medium	+1.4%
MPV	-9.5%
Supermini	-12.0%
SUV	-1.5%
Upper Medium	+15.1%
Grand Total	-1.8%

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

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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 2025/26

The table below shows our future schedule of sector reforecasts:

Monthly Product	Sector 1	Sector 2	Sector 3	Sector 4
Feb-25	City Car	Supermini		
Mar-25	Upper Medium	Executive	Large Executive	Luxury Executive
Apr-25	Lower Medium	MPV		
May-25	Convertible	Sports	Supercar	
Jun-25	SUV			
Jul-25	City Car	Supermini		
Aug-25	Upper Medium	Executive	Large Executive	Luxury Executive
Sep-25	Lower Medium	MPV		
Oct-25	Convertible	Sports	Supercar	
Nov-25	SUV			
Dec-25	City Car	Supermini		
Jan-26	Upper Medium	Executive	Large Executive	Luxury Executive

Please note that the Nov-24 SUV sector review was brought forward by one month due to the practical difficulties of completing it during the month of December (fewer working days due to Christmas holidays). The original schedule is resumed from Feb-25 onwards.