June 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:

Aston Martin DBX, BYD E6, Hyundai Ioniq 5, Hyundai i30, Maserati Grancabrio, Mercedes-Benz AMG GT, Mercedes-Benz CLE Coupe, Mercedes-Benz G Wagon, MINI Aceman, Skoda Kodiaq, Skoda Superb, Toyota Land Cruiser

Model ranges to which new derivatives have been added:

Alfa Romeo Giulia, Alfa Romeo Stelvio, Audi Q6 E-Tron, Bentley Continental GT, Bentley Continental GTC, BMW I4, Citroen AMI, Fiat 600, Land Rover Defender, Land Rover Discovery, Maserati Granturismo, Mercedes-Benz C Class, Mercedes-Benz AMG C Class, Mercedes-Benz EQS Estate, Mercedes-Benz S Class, Nissan X-Trail, Polestar 3, Porsche Cayenne Coupe, Renault Rafale, Skoda Octavia, Tesla Model 3, Vauxhall Mokka, Volkswagen ID.3, Volkswagen Caddy California, Volkswagen Caddy Life

The overall average change in new car forecasts between May and June is approximately -2.06% 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.

Sector reforecasts

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

At this review, our deflation assumptions were amended to reflect the progression through time and expectation of changes to supply. For Lower Medium, all fuel types improve by +1% in year 1 and then worsen slightly in each of the next 3 years. The net effect is a decrease in deflation of 1% in year 1, a very slight improvement in year 2 and negligible changes thereafter. For MPV, all fuel types improve by +1.5% in year 1 and then see increases in deflation of -1% in year 2 and -0.5% in year 3. The net effect is a decrease in deflation of 1.5% in year 1, a decrease of 0.5% in year 2 and negligible changes thereafter.

Average forecast movements are displayed in the table below.

SIZE & FUEL TYPE	UNDERLYING FORECAST CHANGE	SEASONAL ELEMENT	OBSERVED CHANGE MAY TO JUNE
Lower Medium Diesel	-3.7%	-1.4%	-5.1%
Lower Medium Electric (BEV)	-3.9%	-1.7%	-5.6%
Lower Medium Hybrid (HEV)	-0.0%	-1.7%	-1.7%
Lower Medium Petrol	-1.4%	-1.7%	-3.1%
Lower Med Plug-In Hybrid (PHEV)	-2.8%	-1.7%	-4.5%
MPV Diesel	-2.2%	-1.8%	-4.0%
MPV Electric (BEV)	-5.3%	-2.0%	-7.3%
MPV Hybrid (HEV)	-1.2%	-2.0%	-3.2%
MPV Petrol	-0.3%	-2.0%	-2.3%
MPV Plug-In Hybrid (PHEV)	-1.2%	-2.0%	-3.2%
Overall Average	-2.3%	-1.8%	-4.1%

Average reductions in these sectors clearly vary by fuel type and reflect the fragmented nature of the used market seen in recent months for both of these sectors. BEVs see the biggest reduction in each sector, although for Lower Medium the change is very similar to diesel. Lower Medium hybrids and MPV petrol are virtually unchanged. There is also considerable variation behind the BEV averages: Lower Medium BEV changes to underlying forecasts range from 0% to -8.9% and electric MPVs change by between 0% and -8.2%.

There are a number of models where we have applied positive adjustments in our forecasts, as we believe some level of recovery in used values is likely following very large reductions in used values in recent weeks and months. In some of these cases, our 12-month forecast position implies values to be flat over the next year.

The following generations had their mileage profiles changed to the generic low mileage profile this month (labelled in gold book iQ as “Luxury Executive Diesel”) and now align with their main competitors (and previous generations for the Transit Custom):

CITROEN HOLIDAYS (24-) Diesel
FORD TRANSIT CUSTOM (24-) Diesel

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, although there are also some petrol generations which have seen an increase this month following positive used value performance. This month, 130 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 increases in used values in the near future. We also chose to postpone the majority of flagged Convertible, Sports and Supercar ranges until next month’s sector review. There are still a couple 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 June 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 (or both).

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 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 Reporting Changes

ALFA ROMEO STELVIO (17-)
ALFA ROMEO STELVIO (17-) DIESEL
AUDI A8 (19-) HYBRID
AUDI E-TRON GT (21-) Electric
AUDI Q4 E-TRON ESTATE (21-)
AUDI Q4 E-TRON SPORTBACK (21-) Electric
AUDI Q5 SPORTBACK (21-) Petrol Hybrid
AUDI Q8 E-TRON (22-) Electric
AUDI Q8 E-TRON SPORTBACK (22-) Electric
BENTLEY BENTAYGA (15-)
BMW 3 SERIES (18-)
BMW 7 SERIES (22-) HYBRID
BMW M4 CONVERTIBLE (21-)
BMW M8 CONVERTIBLE (19-)
BMW X3 (17-) DIESEL
BYD ATTO 3 (23-) Electric
CITROEN AMI (22-) Electric
CITROEN C3 (16-) DIESEL
DACIA DUSTER (18-) DIESEL
DS DS3 CROSSBACK / DS3 (19-) Electric
FIAT 500C (20-) Electric
FISKER OCEAN (23-) Electric
GENESIS GV60 (22-) Electric
HONDA e (20-)
HONDA ZR-V (23-) Hybrid
HYUNDAI IONIQ 5 (21-) Electric
HYUNDAI IONIQ 6 (22-) Electric
HYUNDAI KONA (23-) Electric
INEOS GRENADIER (22-)
JAGUAR E-PACE (20-) Hybrid
JEEP COMPASS (21-) Hybrid
KIA EV6 (21-) Electric
LAND ROVER DEFENDER (20-) Hybrid
LAND ROVER DISCOVERY SPORT (19-)
LAND ROVER RANGE ROVER (22-) Hybrid
LAND ROVER RANGE ROVER EVOQUE (18-)
LAND ROVER RANGE ROVER SPORT (22-) Petrol Hybrid
LAND ROVER RANGE ROVER VELAR (20-) Hybrid
LEXUS RZ (22-) Electric
LEXUS UX (18-) Petrol Hybrid
MERCEDES-BENZ AMG GLC COUPE (19-)
MERCEDES-BENZ AMG GLE (19-)
MERCEDES-BENZ EQE ESTATE (23-) Electric
MERCEDES-BENZ GLB (20-)
MERCEDES-BENZ GLB (20-) Diesel
MG MOTOR UK ZS (17-)
NISSAN ARIYA (21-) Electric
NISSAN X-TRAIL (22-) Hybrid
PEUGEOT 208 (19-) DIESEL
PEUGEOT 208 (19-) Electric
PEUGEOT 5008 (17-)
POLESTAR 2 (19-) Electric
PORSCHE CAYENNE (17-)
PORSCHE PANAMERA (16-) HYBRID
RENAULT SCENIC (23-)
SEAT ATECA (16-)
SKODA ENYAQ (20-) Electric
SKODA KAMIQ (19-)
SKODA KODIAQ (16-)
SKODA KODIAQ (16-) DIESEL
SSANGYONG KORANDO (19-)
SSANGYONG KORANDO (21-) Electric
SSANGYONG REXTON (17-) DIESEL
SUBARU XV (19-) Hybrid
SUZUKI ACROSS (20-) Hybrid
SUZUKI S-CROSS (22-) Hybrid
TESLA MODEL 3
VAUXHALL MOKKA (20-)
VOLKSWAGEN ID.4 (21-) Electric
VOLKSWAGEN T-CROSS (19-)
VOLKSWAGEN TOUAREG (18-) DIESEL
VOLVO XC40 (19-) Hybrid
VOLVO XC90 (14-) HYBRID

Other Forecast Changes

BMW I7 (22-) Electric
Walk-up review of trim and engine relationships, with varying forecast impact.
CUPRA LEON (20-)
Walk-up review of trim and engine relationships, with varying forecast impact.
JAGUAR F-PACE (20-)
Walk-up review of trim and engine relationships, with varying forecast impact.
JAGUAR F-PACE (20-) DIESEL
Walk-up review of trim and engine relationships, with varying forecast impact.
JAGUAR F-PACE (20-) Hybrid
Walk-up review of trim relationships, with varying forecast impact.
JAGUAR F-TYPE (19-)
Premium for ZP Edition trim increased from £2,275 to £2,525, reversing the change made last month and resulting in forecast increases
JAGUAR I-PACE (18-)
Increase in penalty for HSE, R-Dynamic S, SE and S variants resulting in realignment of trims relationships, with varying forecast impact.

JAGUAR XF (15-) DIESEL
Changed the mileage profile to the generic high mileage profile this month (labelled in gold book iQ as "Supercar Diesel"), resulting in increases in forecast value below benchmark mileage and reductions in forecasts at mileages higher than benchmark mileage
MAZDA CX-5 (17-)
Walk-up review of trim and face lift relationships, with varying forecast impact. Range also reforecast following customer query, resulting in forecast increase of £500 at 36/60.
MAZDA CX-5 (17-) DIESEL
Walk-up review of trim, engine and face lift relationships, with varying forecast impact.
RENAULT RAFALE (24-) Hybrid
Reforecast following test drive (previously not available to drive)
SEAT ARONA (17-)
Walk-up review of trim relationships, resulting in forecast increases.
SKODA ENYAQ (19-) Electric
Walk-up review of battery relationships, resulting in varying forecast increases to all vehicles other than the master vehicle battery.
TESLA MODEL 3
Walk-up review of trim relationships, with varying forecast impact.

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

Strong start to 2024 begins to soften

Our initial expectation for May was for used car price reductions similar to those seen in April (-1.5%). For the first couple of weeks, it looked like this was going to be an accurate prediction, but the last 10-14 days have seen somewhat stronger performance in some areas of the market. It looks like the final movement will now be a decrease of around -0.9%. The variation by fuel type has continued, with petrol continuing to show remarkable strength (-0.4%), diesel, hybrid and plug-ins close to the market average (all approx. -1%) and electric cars once again struggling with another -3.6% movement (following -3.7% last month).

However, there is (predictably) significant variation within the BEV average; a handful of models have seen incredibly weak performance, with BYD Atto 3, Fisker Ocean and GWM Ora Funky Cat/03 all seeing considerable decreases.

In June, we expect further depreciation similar, but slightly favourable to, typically seasonality and somewhere between the movements seen over the past 2 months.

As previously explained, we are now past the period where bulging order banks at the largest fleets have been fulfilled, resulting in a short-term glut of used volume. This is now starting to ease; 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

The Zero Emission Mandate is being implemented as originally planned from the 3rd January 2024, nominally requiring OEMs to meet a minimum proportion of 22% BEV this year. 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 various different options, as they already know they will not meet the mandated proportion in 2024. Despite this, many manufacturers are still 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.

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 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 around 18 months ago, with several models falling in value by more than -40% and a handful more than -50%. BEVs are now down -20.8% Year Over Year at 36/60; continuing the improvement from the -36% in September and expected to continue to ameliorate significantly. 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 in January 2024 values for BEVs (and plug-in hybrids) dropped by around -1.8% at 36/60, with the rest of the market flat. In February BEVs dropped by -1.7% (with PHEVs one percent better at -0.7%) compared to the small positive movements for other fuel types and March was -2.3% against a market that was broadly flat. Last month saw a fall of -3.6% (following a reduction of -3.7% the previous month), but variation by model has certainly increased and some models which appeared to have settled are now seeing renewed pressure, whilst others are unchanged. However, battery electric vehicles are still selling as quickly as other fuel types on dealer forecourts – 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.

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 slow again. 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 from 24 months onwards and by an average of -14% at 48/40 (an increase on last month, equivalent to more than £2,400 and approaching the highest it has been) and this has now filtered through into retail prices. At 12 months old, BEVs have reverted to an average penalty of -1.9% (just over £750) below ICE equivalents. This is partly due to newer models being offered with significant new car price discounts (or very cheap leasing/PCP offers) and making 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. Later in the year, we expect a number of models to have list prices realigned and discounts to reduce accordingly – we have seen this in a couple of cases recently.

Extreme variation in remarketing performance persists; it is still 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 current market.

Following the downward movement in prices, nearly new used values for almost all BEVs are now back well 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. 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. A short-term increase in fuel prices will also provide a temporary boost in levels of BEV interest. There are further 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 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 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 at least the next couple of months, the situation is certainly not expected to deteriorate in the near future and should see a marked improvement once the first reduction in base rates occurs.

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. 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 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 to four years.

Prices have continued to soften for many of the elements which had been driving inflation, including fuel, gas and electricity although geopolitical concerns remain 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 and is now approaching target. Container prices and shipping costs remain well below their previous highs, but the piracy risks in the Red Sea have continued to keep transport costs high as many vessels are diverted around the Cape of Good Hope. The global inflation outlook remains complex. Increases in base rates from central banks, including the Bank of England, are thought to be unlikely to have had any significant impact on inflation and appear to have more potential to limit growth. We expect continued reductions in inflation in the coming months to be a (direct or indirect) result of lower energy costs. Petrol and diesel prices in the UK had increased slightly in the past couple of months, but appear to have peaked around 6 weeks ago and are now expected to continue to slowly reduce. Even at their recent high point, they remained around -5% below the spike last September and nearly -22% below the peak in the summer of 2022.

In summary, our view is that:

- Numerous battery electric models have stabilised following very large decreases in used values in the past 12 months, whereas some 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. 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 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 June is expected to continue to soften in line with typical seasonal patterns, with overall price reductions expected to be close to seasonal averages. 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. Used car volumes will continue to reduce in the coming months, as long overdue vehicles start to disappear from fleet order banks. 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.

- Although the UK may or may not still be in a technical recession (subject to revisions to GDP data), we remain in an environment of sluggish growth. 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.

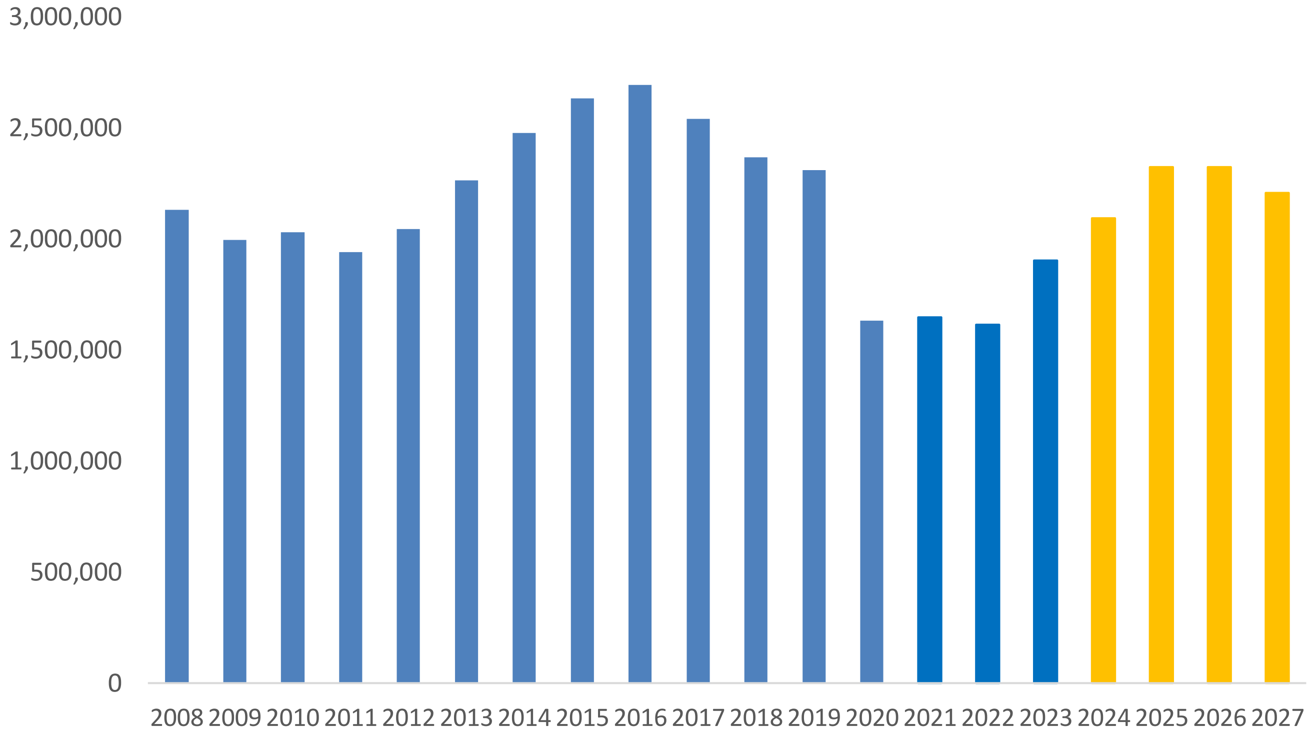
- There are still a significant and increasing number of cases where logical relationships have been broken and an increasingly smaller number of cases where nearly new used values are above list prices. These are expected to resolve themselves in time, but not before further distortion from the severe used value reductions at the end of last year and the partial recovery at the beginning of this year. It is extremely hard to predict how retail demand will progress through the second half of 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 further through 2024, we will start to see the positive impact of reduced used car supply as a result of around 2.6 million fewer cars registered through the course of the pandemic, particularly from fleets (approximately two thirds of the shortfall).

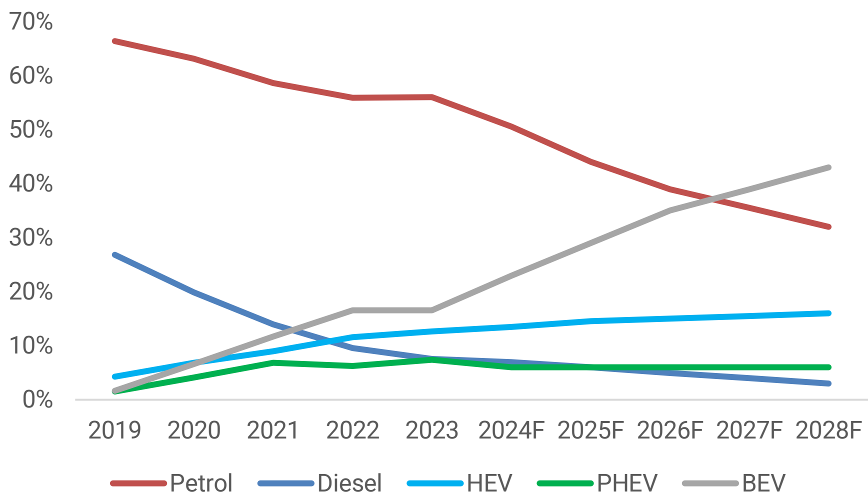
Supply side factors

Our forecast for 2023 increased in the first half of the year from 1.86mm to 1.88mm and the final registration total came in at 1.90mm (up +16.5% vs. 2022, but still -18.7% down on 2019). Our initial forecast for 2024 is for a further improvement to 2.09mm (up around +10% on 2023 but -9.4% down on 2019). We expect that registrations will gradually increase to a pre-pandemic level of around 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. We also expect to see a reduction in registration levels from 2027 as increasing number of ICE models are discontinued as a result of the Zero Emission Vehicles Mandate.



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.



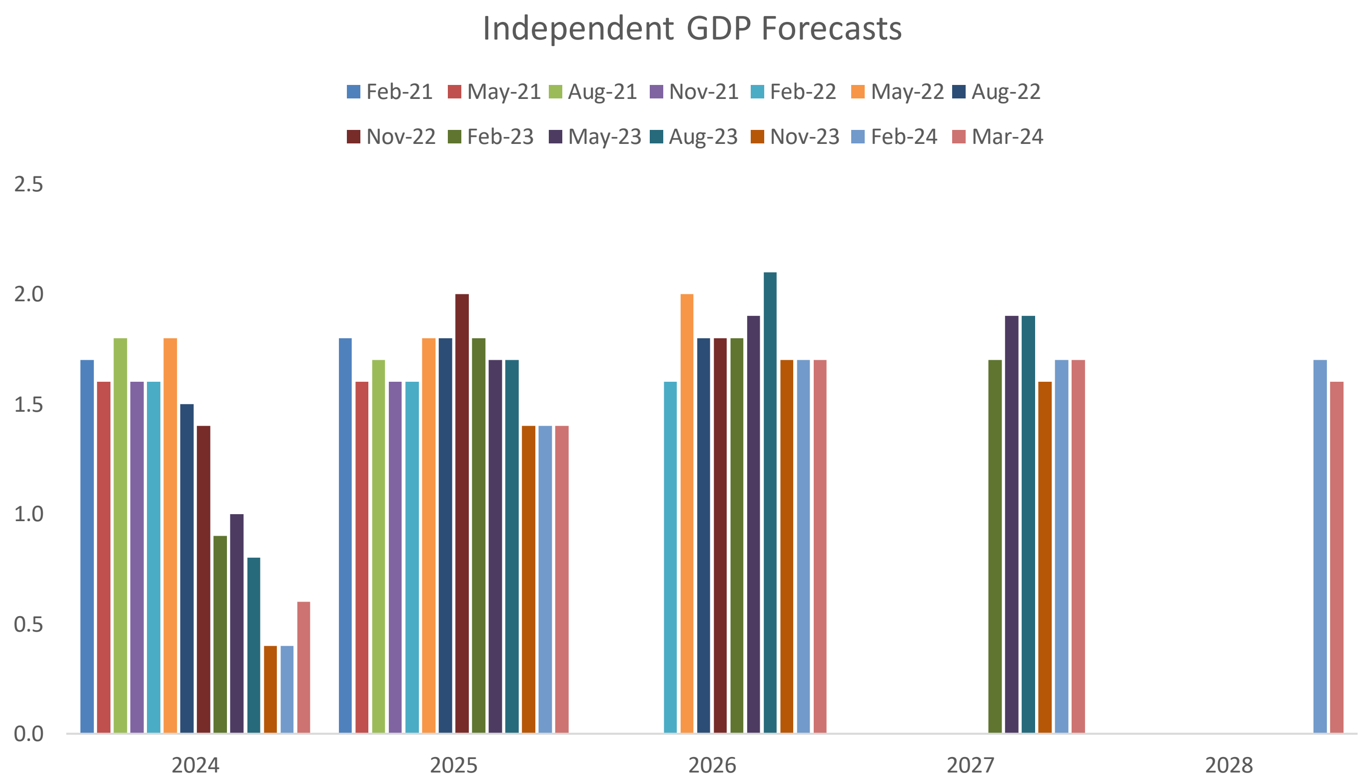
Growth will continue to be led by battery electric vehicles (BEVs) which became the dominant AFV type towards the end of 2022 as we expected and is forecast to be the largest fuel type in the market during 2027. Post-Covid driving patterns (shorter and fewer journeys due to the increase of home working and online meetings) are likely to add to demand. The government's proposal to ban new ICE cars from 2035 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 May and the new forecasts see an upgrade in expected growth for this year from +0.4% to +0.6%, but are unchanged in their outlook for GDP for 2025 to 2027, with a slight deterioration in outlook for 2028 from +1.7% to +1.6%. The last forecast published by the OBR was worse than the previous outlook but favourable in comparison to the independent forecasts, especially in the outer years.

The damage done by successive interest rate rises from the Bank of England seems to have finally been recognised by the Monetary Policy Committee and base rates are expected to remain 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 3.6% by the end of 2025.

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



The latest independent unemployment forecasts have now reverted back to show unemployment rates fairly flat throughout the period and no longer expecting an increase to 4.9% in 2028 – broadly similar to the previous May forecast.

CPI inflation is still considered to be on a downward trajectory (now 2.3% from a peak of 11.1%) and is expected to come back below the Bank of England's 2% target soon. Electricity wholesale prices increased in March and early April, but peaked at the same time as oil prices and are now on their way back down., with OFGEM having already announced a further reduction in the price cap from 1st July. Over the next couple of months, wholesale electricity prices are likely to resume their previous downward trajectory and approach historic levels later this year. The BoE continue to be wary of "second order effects", in particular the levels of wage awards, with a view that CPI will only briefly remain on 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. Thankfully, base rates are expected to remain level again for at least another month and although indications from the BoE 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 significantly in the immediate future. The Bank of England also retain concerns around service costs fuelling further inflation, (partly due to the impact of wage settlements), although 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 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.
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.

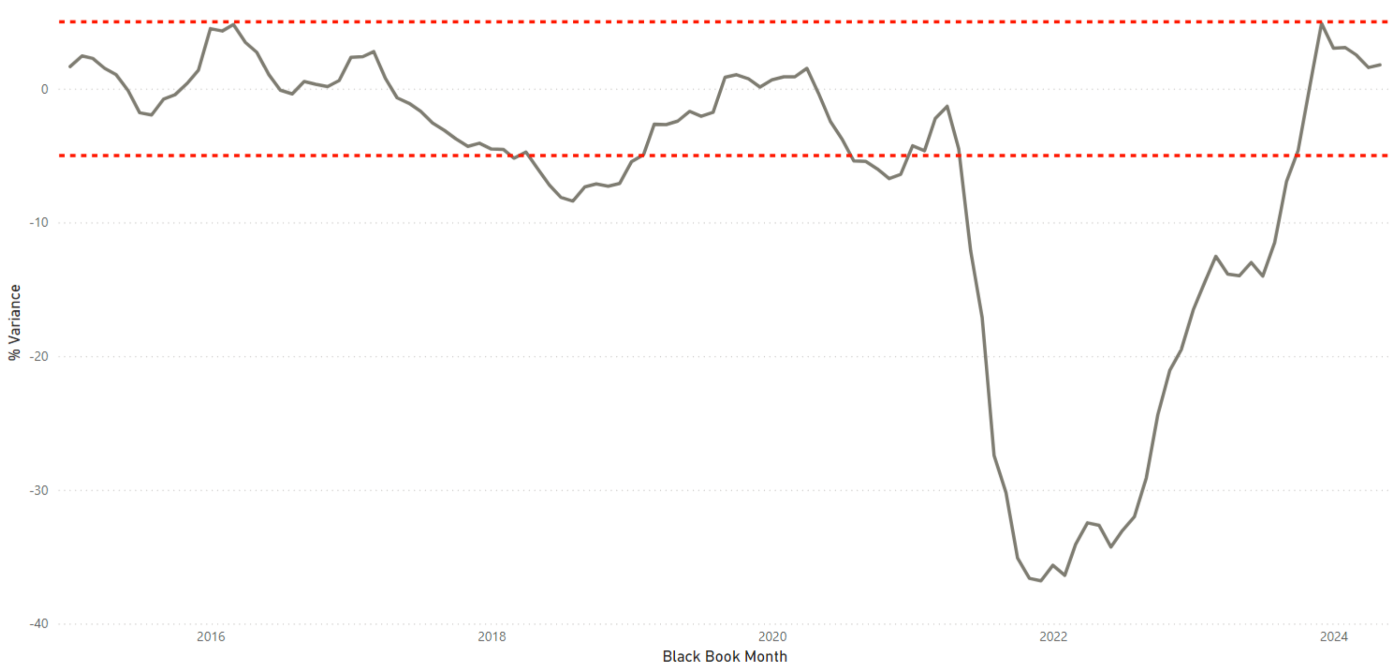
12-month results

Since measurement began our 12-month forecasts have averaged -7.1% less than used values across all vehicle ids, and the most recent results show May 2023 12/20 forecasts being +1.8% more than May 2024 12/20 used values, with all major sectors on or very close to target (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).

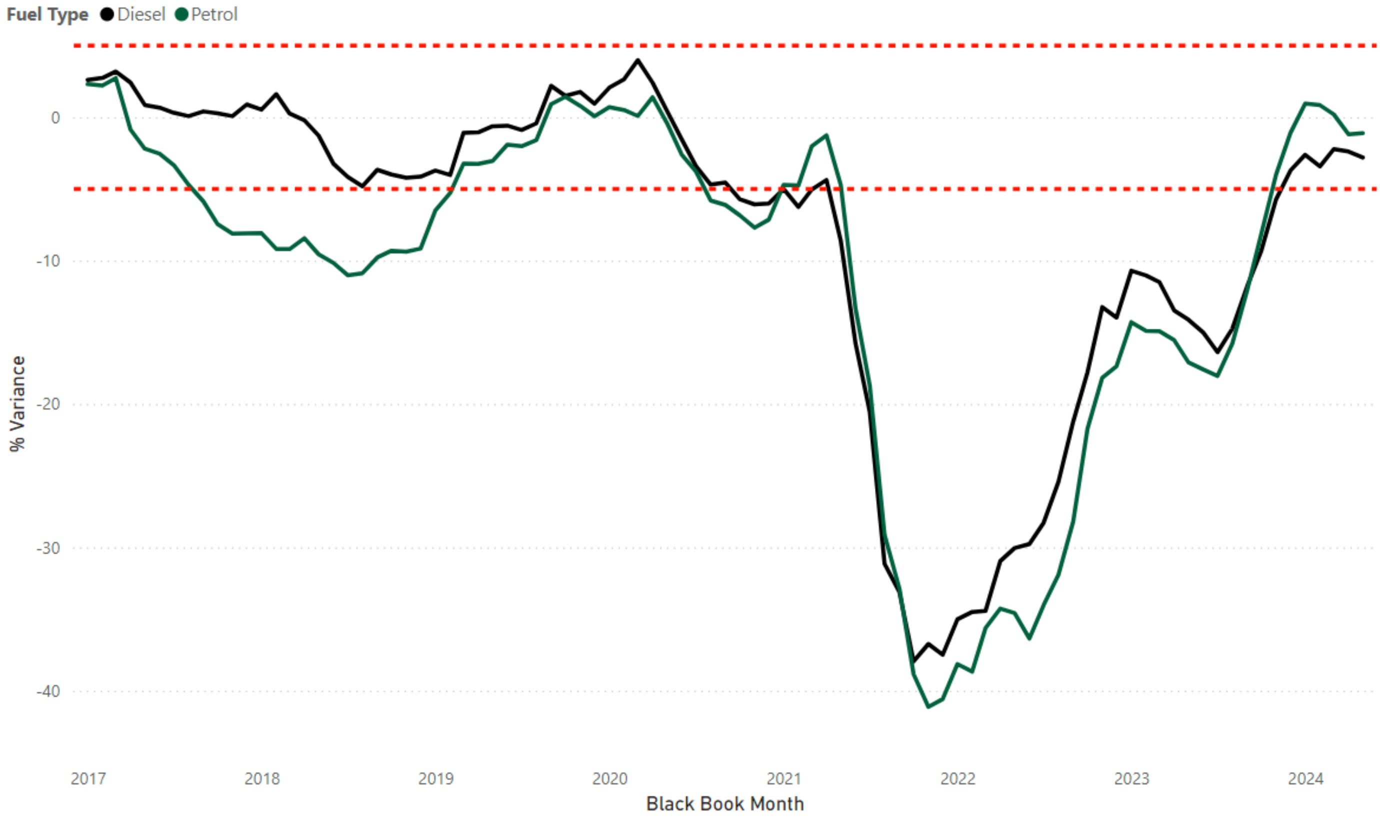
Car future editorial

By cap hpi

Overall results



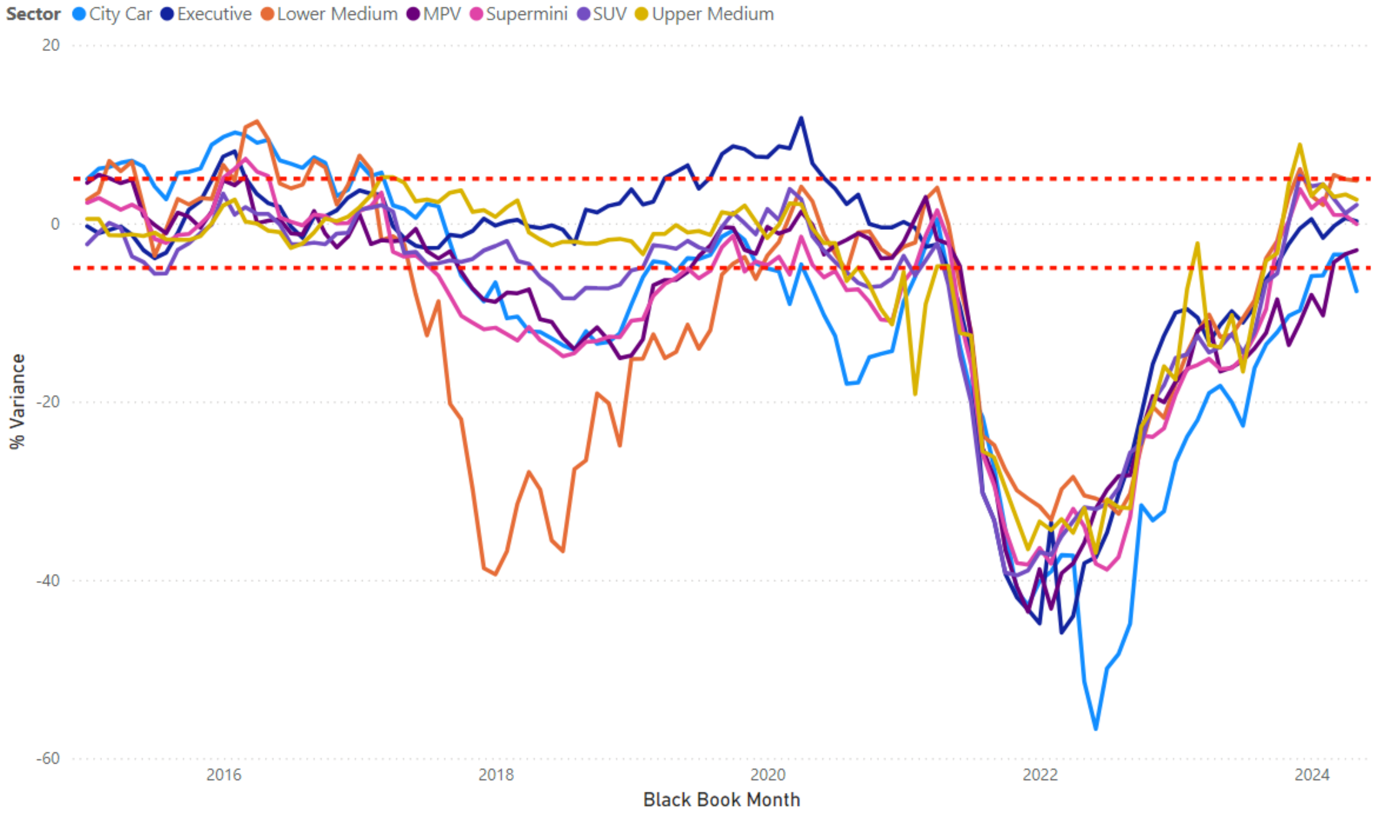
Fuel type results:



Car future editorial

By cap hpi

Sector results



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

May 24	Average of Diff (%)
City Car	-7.6%
Executive	+0.2%
Lower Medium	+4.8%
MPV	-3.0%
Supermini	-0.1%
SUV	+2.1%
Upper Medium	+2.7%
Grand Total	**+1.8%**

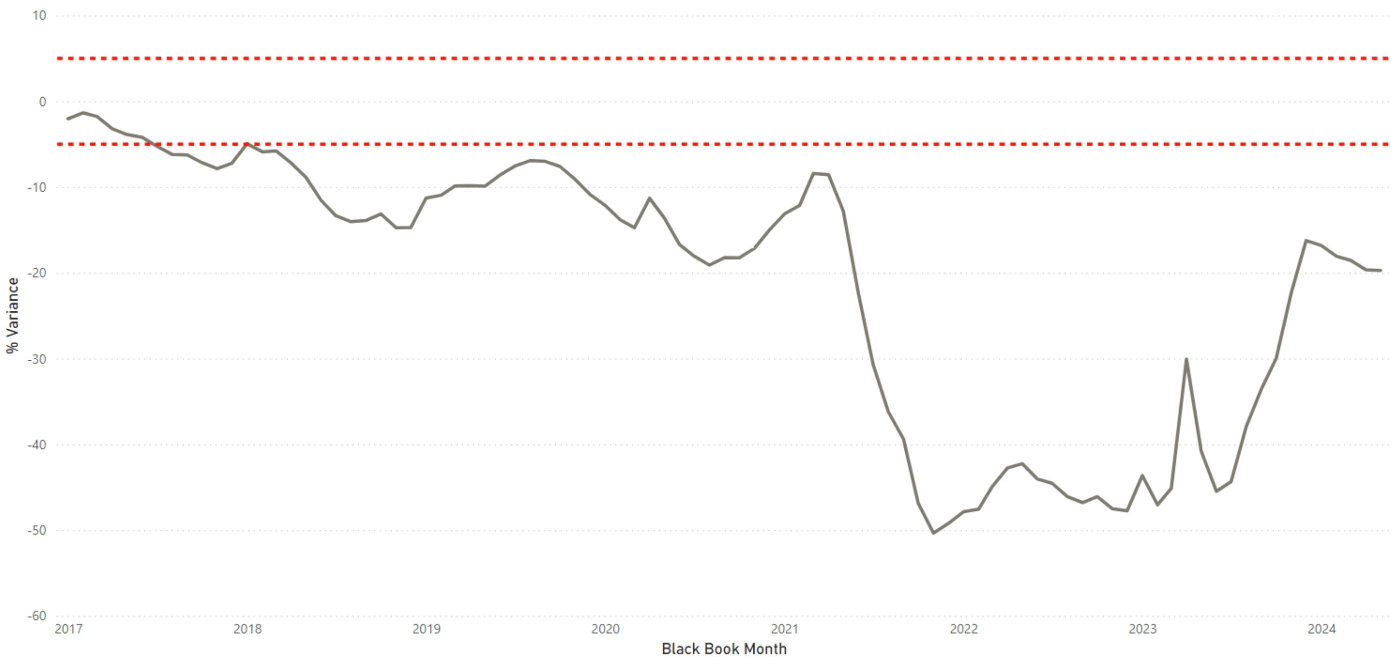
36-month results

Since measurement started our 36-month forecasts have averaged -21.2% less than used values across all vehicle ids (with the average skewed by recent results). The most recent results show May 2021 36/60 forecasts being -19.7% less than May 2024 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.

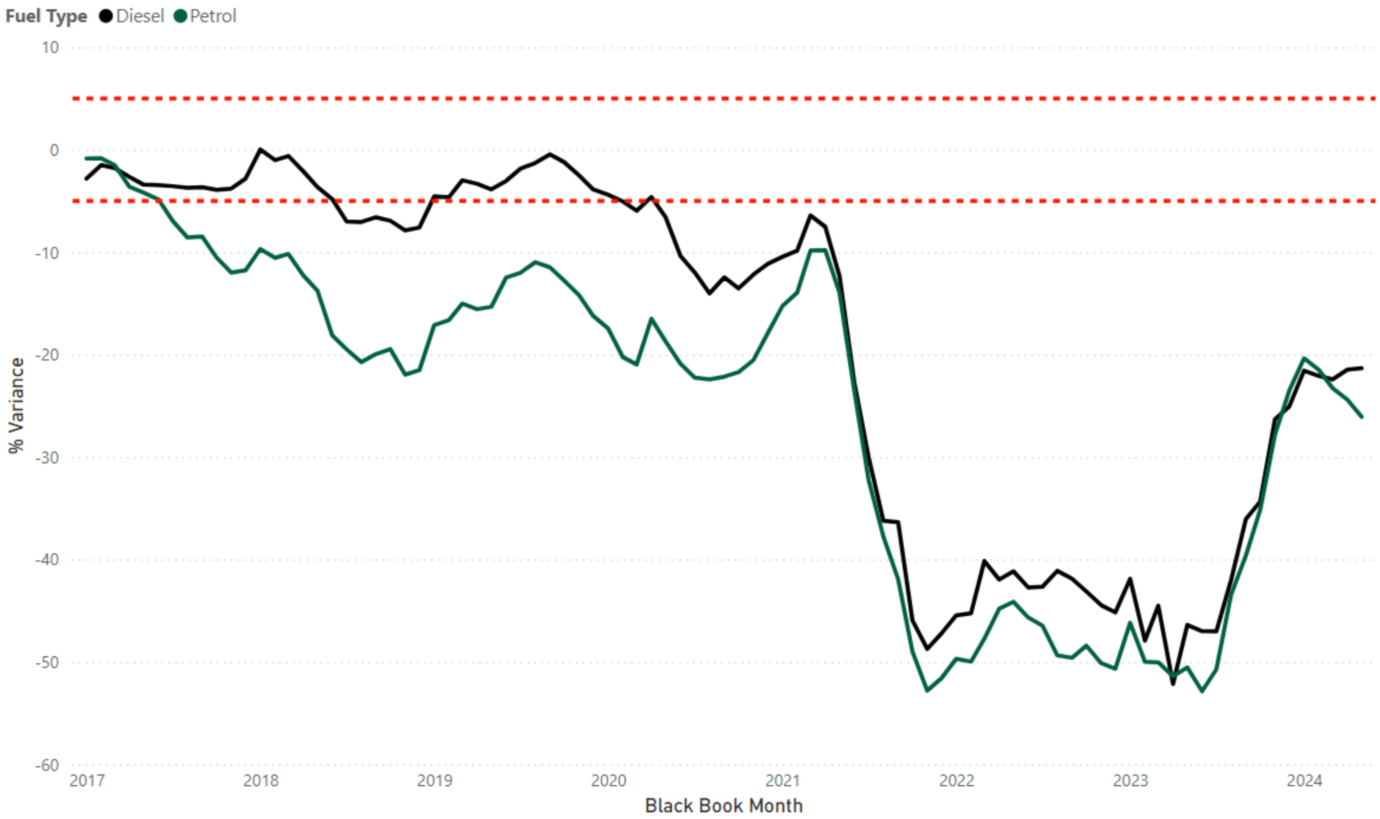
Car future editorial

By cap hpi

Overall results:



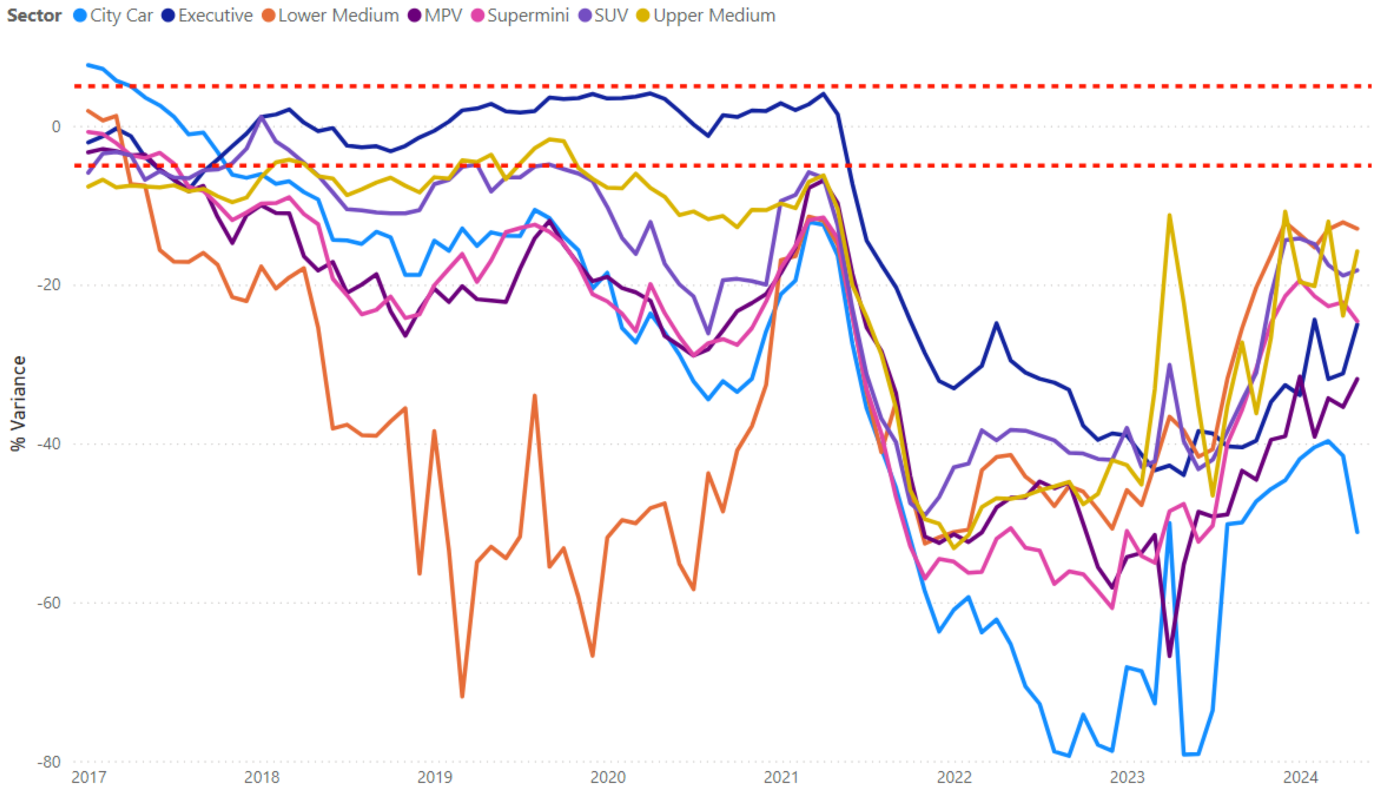
Fuel type results:



Car future editorial

By cap hpi

Sector results



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

May 24	Average of Diff (%)
City Car	-51.2%
Executive	-25.0%
Lower Medium	-12.9%
MPV	-31.9%
Supermini	-24.6%
SUV	-18.2%
Upper Medium	-15.8%
Grand Total	**-19.7%**

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
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	
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			