February 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:

Citroen Berlingo, Citroen Berlingo Multispace, Citroen Space Tourer, Ford Mustang Convertible, Ford Puma, Ford Transit Custom, McLaren GTS, Mercedes-Benz AMG CLE Coupe, Peugeot Traveller, Peugeot Rifter, Renault Rafale, Toyota Proace City Verso, Vauxhall Combo Life, Vauxhall Vivaro Life, Volkswagen Passat

Model ranges to which new derivatives have been added:

Audi E-Tron GT, Bentley Bentayga, Bentley Continental GT, Bentley Continental GTC, Bentley Flying Spur, Hyundai i10, Hyundai i20, Jeep Compass, Mercedes-Benz E Class, Peugeot 2008, Renault Scenic, Seat Arona, Seat Ibiza, Skoda Fabia, Toyota Yaris Cross, Volkswagen ID.3, Volkswagen ID.4, Volkswagen ID.5, Volkswagen ID.7, Volkswagen Polo, Volkswagen Taigo, Volkswagen T-Cross, Volkswagen T-Roc, Volkswagen Tiguan, Volkswagen Touran.

The overall average change in new car forecasts between January and February is approximately -0.72% 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 partially reflects both the above average reductions at this month's sector reviews and the relatively large number of Interproduct changes.

Sector reforecasts

This month, we publish new reforecasts for the Convertible, Coupe Cabriolet, Sports and Supercar 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 Convertible and Coupe Cabriolet, all fuel types see year 1 improve by approximately +1%, years 2 and 3 both worsen by -0.5% each, resulting in a +1% forecast increase at 12 months, approximately 0.5% increase at 24 months and no significant change from 36 months onwards.

For Sports, there are no changes to the assumptions – all fuels retain the deflation relationships from the previous sector review.

For Supercar, year 1 improves by approximately +1.5%, year 2 worsens by -0.8% and year 3 worsens by -1%, resulting in a +1.5% forecast increase at 12 months, approximately 0.7% increase at 24 months and around -0.2% decrease from 36 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, but also take into account the declining volumes, market share and reducing number of available models in these sectors.

Average forecast movements are displayed in the table below.

SIZE & FUEL TYPE	UNDERLYING FORECAST CHANGE	SEASONAL ELEMENT	OBSERVED CHANGE JANUARY TO FEBRUARY
Convertible Diesel	-6.7%	-0.1%	-6.8%
Convertible Electric (BEV)	+0.0%	+0.0%	+0.0%
Convertible Petrol	-2.7%	+0.0%	-2.7%
Sports Diesel	-2.4%	+0.8%	-1.6%
Sports Petrol	-2.5%	-0.1%	-2.6%
Sports PHEV	+0.0%	-0.1%	-0.1%
Supercar Petrol	-1.3%	-0.2%	-1.5%
Supercar PHEV	-2.9%	-0.2%	-3.1%
Overall Average	-2.5 %	-0.1%	-2.6%

It should be noted that these sectors are relatively small and the sector/fuel averages are easily distorted by the low number of models involved. For example, there are only 2 diesel convertibles and only 4 BEVs.

There are a number of models, particularly in the convertible sector, 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 used car price inflation over the next year.

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

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, 75 current ranges were considered, but in 17 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. 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 February 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 a similar number of ranges will need to be reviewed next month, but will be likely to result in a lower volume of forecast value changes.

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

ABARTH 500/595/695 (09-)
ASTON MARTIN DBX (19-)
AUDI A7 Petrol (19-) Hybrid
AUDI Q4 E-TRON ESTATE (21-)
BENTLEY FLYING SPUR (22-) Hybrid
BMW iX3-E (21-) Electric
BMW X2 (18-23)
BMW X2 (20-23) Petrol Hybrid
CITROEN AMI (22-) Electric
CITROEN C4X (23-)
CITROEN C5 AIRCROSS (19-) Hybrid
CITROEN C5 X (21-) Hybrid
CUPRA BORN (21-) ELECTRIC
DS DS3 CROSSBACK (19-) Diesel
DS DS3 CROSSBACK / DS3 (19-) Electric
DS DS7 CROSSBACK (19-) Hybrid
FIAT 500X (18-)
GENESIS GV60 (22-) Electric
HYUNDAI TUCSON (20-) Hybrid
JAGUAR E-PACE (17-)
JAGUAR E-PACE (20-) Hybrid
JAGUAR I-PACE (18-)
JEEP RENEGADE (18-)
KIA E-NIRO (22-) Electric
LAND ROVER DISCOVERY (16-) DIESEL
LAND ROVER RANGE ROVER VELAR (17-)
LEXUS RZ (22-) Electric
LEXUS UX (20-) Electric
MAZDA CX-60 (22-) Hybrid
MERCEDES-BENZ EQE (22-) Electric
MERCEDES-BENZ EQS (21-) Electric
MERCEDES-BENZ GLA (20-) DIESEL
MERCEDES-BENZ GLB (20-)
MERCEDES-BENZ GLB (20-) Diesel
MERCEDES-BENZ GLE (18-)
MG MOTOR UK ZS (19-) Electric
MINI COOPER (19-) Electric
NISSAN JUKE (22-) Hybrid
NISSAN X-TRAIL (22-) Hybrid
PEUGEOT 208 (19-)
PEUGEOT 208 (19-) DIESEL
PEUGEOT 508 (19-) Petrol Hybrid
PORSCHE CAYENNE (17-)
PORSCHE CAYENNE COUPE (19-)
PORSCHE MACAN (18-)
PORSCHE TAYCAN (19-) Electric
RENAULT ARKANA (21-) Hybrid
RENAULT CAPTUR (20-) Hybrid
RENAULT CLIO (20-) Hybrid
SSANGYONG TIVOLI (19-)
TOYOTA BZ4X (21-) Electric
VAUXHALL ASTRA (21-)
VAUXHALL CORSA (19-)
VAUXHALL GRANDLAND X (17-) DIESEL
VAUXHALL MOKKA (20-)
VAUXHALL MOKKA (20-) Electric
VOLKSWAGEN ID.3 (20-) Electric
VOLKSWAGEN ID.4 (21-) Electric

Other Forecast Changes

BMW 3 SERIES (18-)
Walk up review of trim, engine and body style relationships, with varying forecast impact.
BMW 3 SERIES (18-) DIESEL
Walk up review of trim, engine, transmission and body style relationships, with varying forecast impact.
BMW 3 SERIES (19-) HYBRID
Walk up review of trim and body style relationships, with varying forecast impact.
FIAT 500X (18-)
Penalty for manual transmission increased from -£475 to -£775 at 36/60, resulting in forecast reductions.
FORD MUSTANG (23-)
Walk up correction. Dark Horse trim premium increased from +£4,550 to +£6,125 at 36/60 following review of information supplied by the manufacturer, resulting in forecast increases.
JAGUAR I-PACE (18-)
Walk up review of trim and facelift relationships, with varying forecast impact.
JEEP COMPASS (17-)
Walk up review of trim and engine relationships, with varying forecast impact.
LAND ROVER RANGE ROVER EVOQUE (18-)
Walk up review of trim and engine relationships, with varying forecast impact.
LAND ROVER RANGE ROVER EVOQUE (18-) DIESEL
Walk up review of trim and engine relationships, with varying forecast impact.
LAND ROVER RANGE ROVER EVOQUE (20-) HYBRID
Walk up review of trim relationships, with varying forecast impact.
MINI COOPER (19-) ELECTRIC
Walk up review of trim relationships, with varying forecast impact.
PEUGEOT 3008 (16-)
Walk up review of trim engine and face lift relationships, with varying forecast impact.

PEUGEOT 3008 (16-) DIESEL
Walk up review of trim, engine, transmission and facelift relationships, with varying forecast impact.
PEUGEOT 3008 (19-) PETROL HYBRID
Walk up review performed, resulting in realignment of facelift relationship from £525 to £1,025, to align closer to latest used market analysis.
SSANGYONG TIVOLI (19-)
Walk up review of trim, body style and facelift relationships, with varying forecast impact.
VOLKSWAGEN TIGUAN (20-) HYBRID
Penalty for Life trim increased from -£875 to -£1,400 in line with other fuel types, resulting in forecast reductions.
VOLVO XC40 (17-)
Walk up review of trim and engine relationships, with varying forecast impact.

Mileage changes:

LEXUS LM (23-) HYBRID
Changed to generic low mileage profile (labelled as "Luxury Executive Diesel"), resulting in incremental forecast reductions at lower than benchmark mileage and improvements in forecast values above benchmark mileage, which increase as mileage increases. Corrects original default profile applied in error.

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

Our expectation for January was that we would see an increase in retail activity resulting in more dealers buying stock, but that any scope for price increases would be limited by volumes of nearly new used cars generated from forced registration activity at the end of 2024. It turned out that OEMs didn't push as hard as expected in the new car market in December and there may also have been some impact from shipment delays from vessels rerouted from the Suez Canal. Trade demand has been strong and clearly increasing as we have progressed through the month, with the final movement into February book likely to be a slight reduction of around -0.1%; still a reduction, but far healthier than the -1.9% we had predicted. Although it is easy to get carried away with a short-term improvement, there is likely to be a brief hiatus once the current flurry of stock replacement eases off. However, we have improved our forecast for the next two months to a flat market in February and a slight increase in March before any plate uplift is applied.

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 continue to ease as we move through the first quarter 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.

Car future editorial

By cap hpi

Used car price reductions during fourth quarter

The reductions in used values were less extreme in December than in the previous two months. Remarketing performance was also reasonably consistent through the month and certainly an improvement on November, leading us to predict a level of stabilisation in early 2024. 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 of 2023 saw used value changes very close to the prediction we made in our customer webinar at the beginning of November: November was -4.2% against our estimate of -3.9% and December came in at -2.1% compared to our forecast of -1.9%.

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.

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 -33% Year Over Year at 36/60; a slight improvement from the -36% in September and likely to continue to ameliorate. 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 early 2024 values for BEVs (and plug-in hybrids) have dropped by around -1.8% at 36/60, with the rest of the market flat, despite the fact that it remains the fastest selling fuel type on dealer forecourts.

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 -8.5% at 48/40 (down from -11% a couple of months earlier) 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 at the end of 2023.

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.

Although there are significant new car discounts available on a number of models, the used values have fallen to such an extent that there is limited pressure on used car prices from the lower new car purchase prices, although in some cases differential interest rates may act to narrow the monthly payment gap.

Remainder of the market

Interest rates are continuing to limit retail consumer demand due to the cost of borrowing; a few 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 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.

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. 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 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. Container prices and shipping costs remain well below their previous highs, but 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 fuel and energy costs – petrol and diesel prices in the UK continue to fall after a short spike in September and are now at their lowest levels since October 2021.

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 and in these cases, values are expected to increase slightly over the next 12 months.

- The used car market in February is expected to perform very close to typical seasonal movements, with overall prices expected to remain largely unchanged. 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 start 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.

- 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 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.

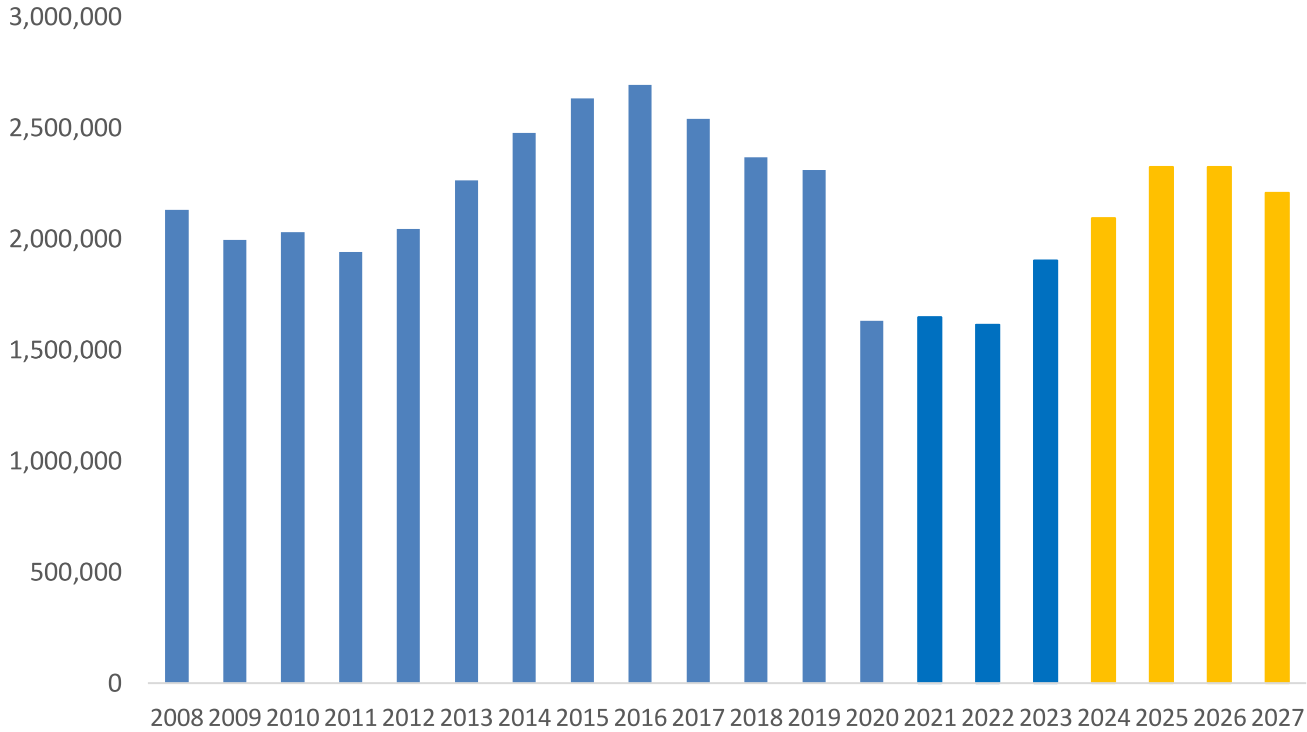
- As we move through 2024, we will start to see the positive impact of reduced used car supply as a result of around 2.45 million fewer cars registered through the course of the pandemic, particularly from fleets (approximately two thirds of the shortfall).

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.

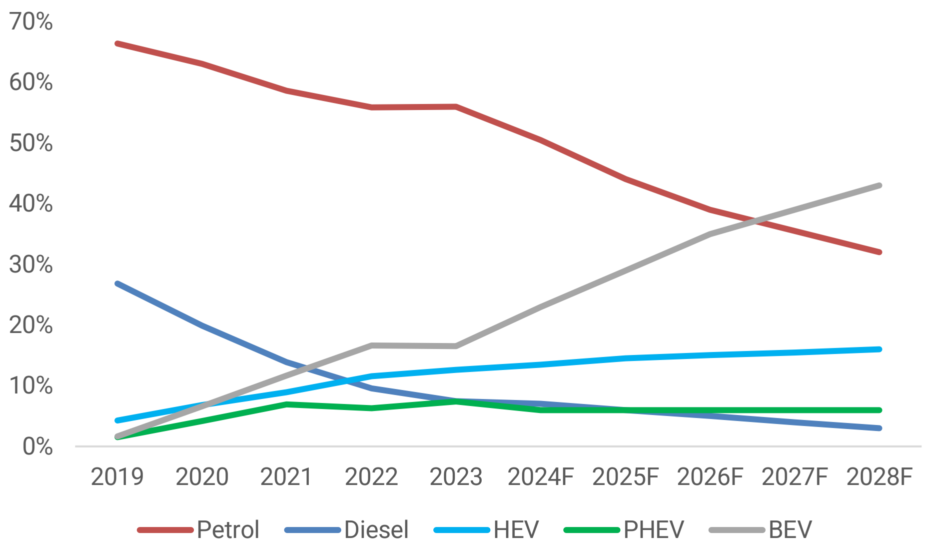
Car future editorial

By cap hpi



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 -40% down on the previous year. 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 58%) and our view is that the targeted share can only be achieved through the discontinuation of a significant proportion of ICE models and lower overall levels of new car registrations.



Car future editorial

By cap hpi

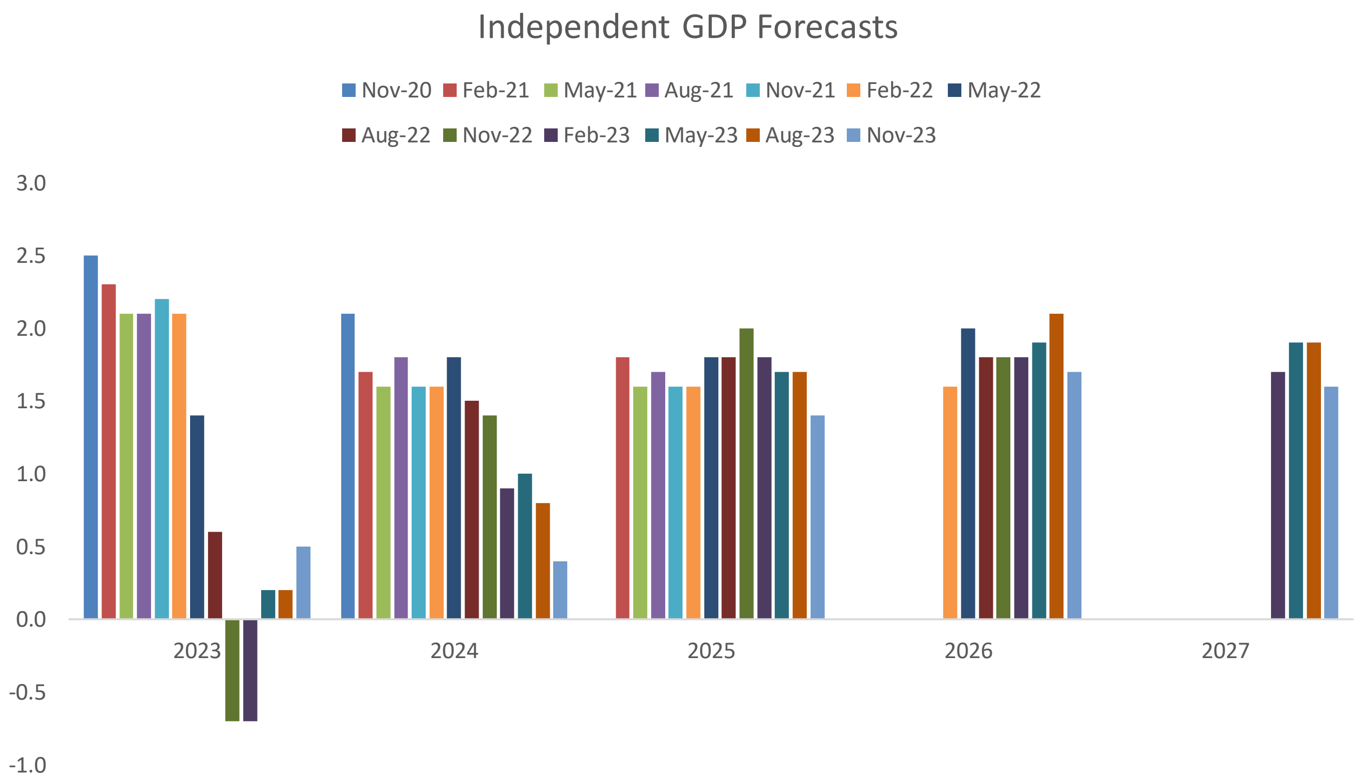
Growth will continue to be led by battery electric vehicles (BEVs) which became the dominant AFV type towards the end of 2022 as we expected and is forecast to be the largest fuel type in the market during 2027. Post-Covid driving patterns (shorter and fewer journeys due to the increase of home working 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 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 increasing slightly this month from +3.9% to +4.0% (and from a peak of +11.1%), it is still considered to be on a downward trajectory and it needs to be remembered that the previous month's decrease (from 4.6%) was larger than expected. Electricity wholesale prices are now at their lowest level since May 2021 and are approaching historic levels, despite the impact of seasonal demand and UK fuel prices are at their lowest since

October 2021. The BoE do not expect CPI inflation 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.
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.

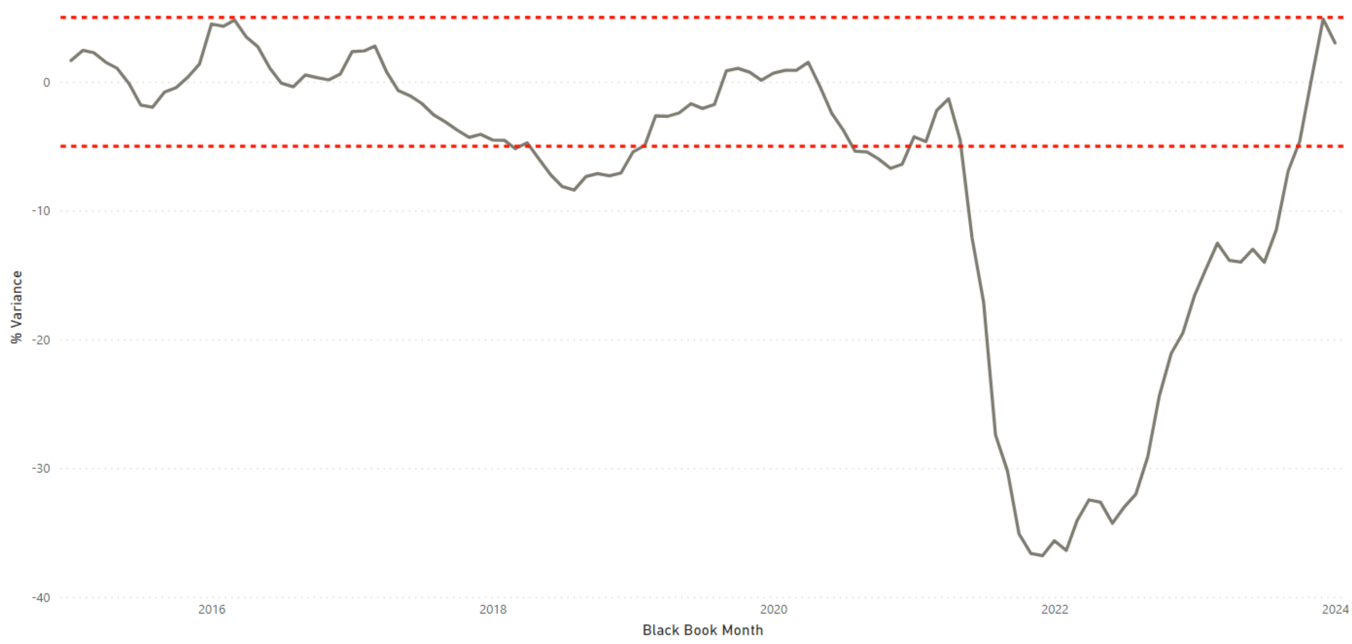
12-month results

Since measurement began our 12-month forecasts have averaged -7.4% less than used values across all vehicle ids, and the most recent results show January 2023 12/20 forecasts being +3.0% more than January 2024 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).

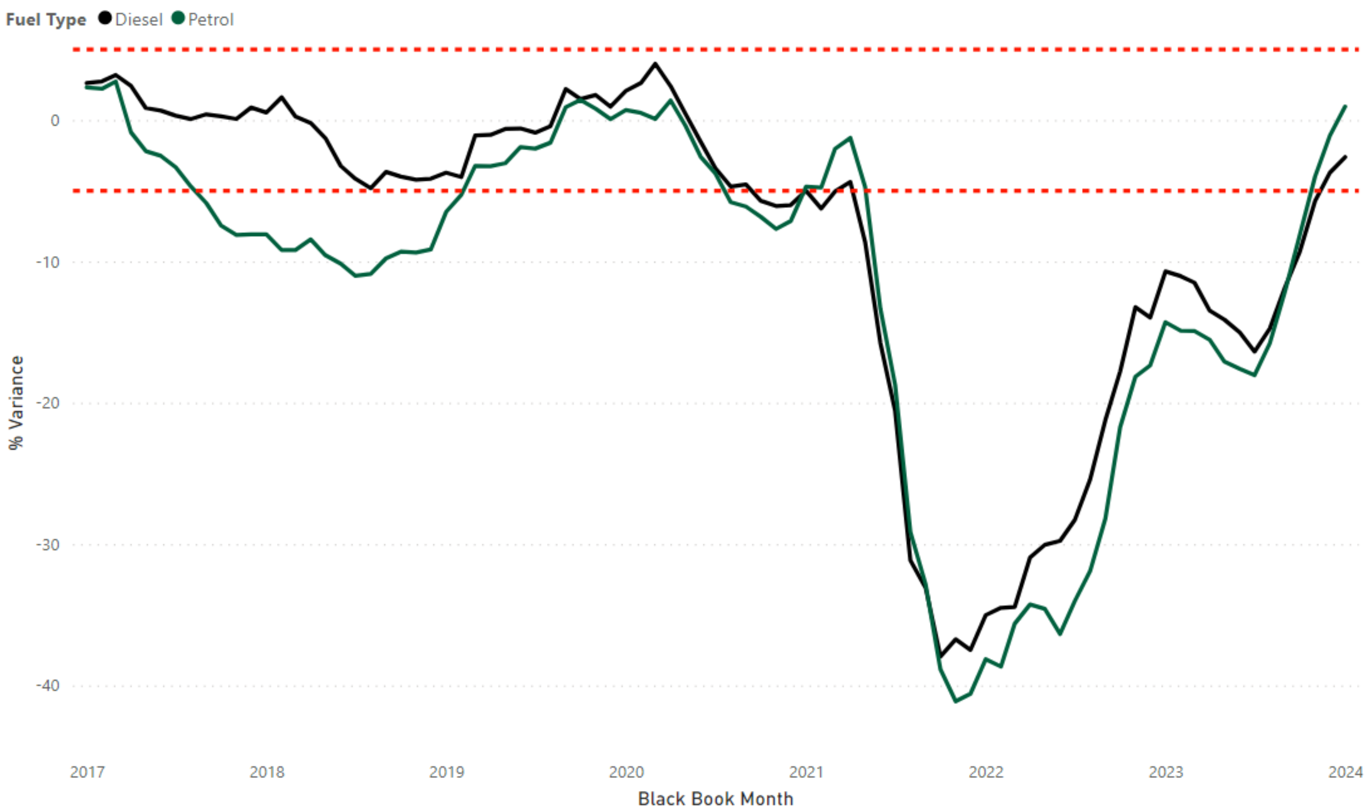
Car future editorial

By cap hpi

Overall results



Fuel type results:



Car future editorial

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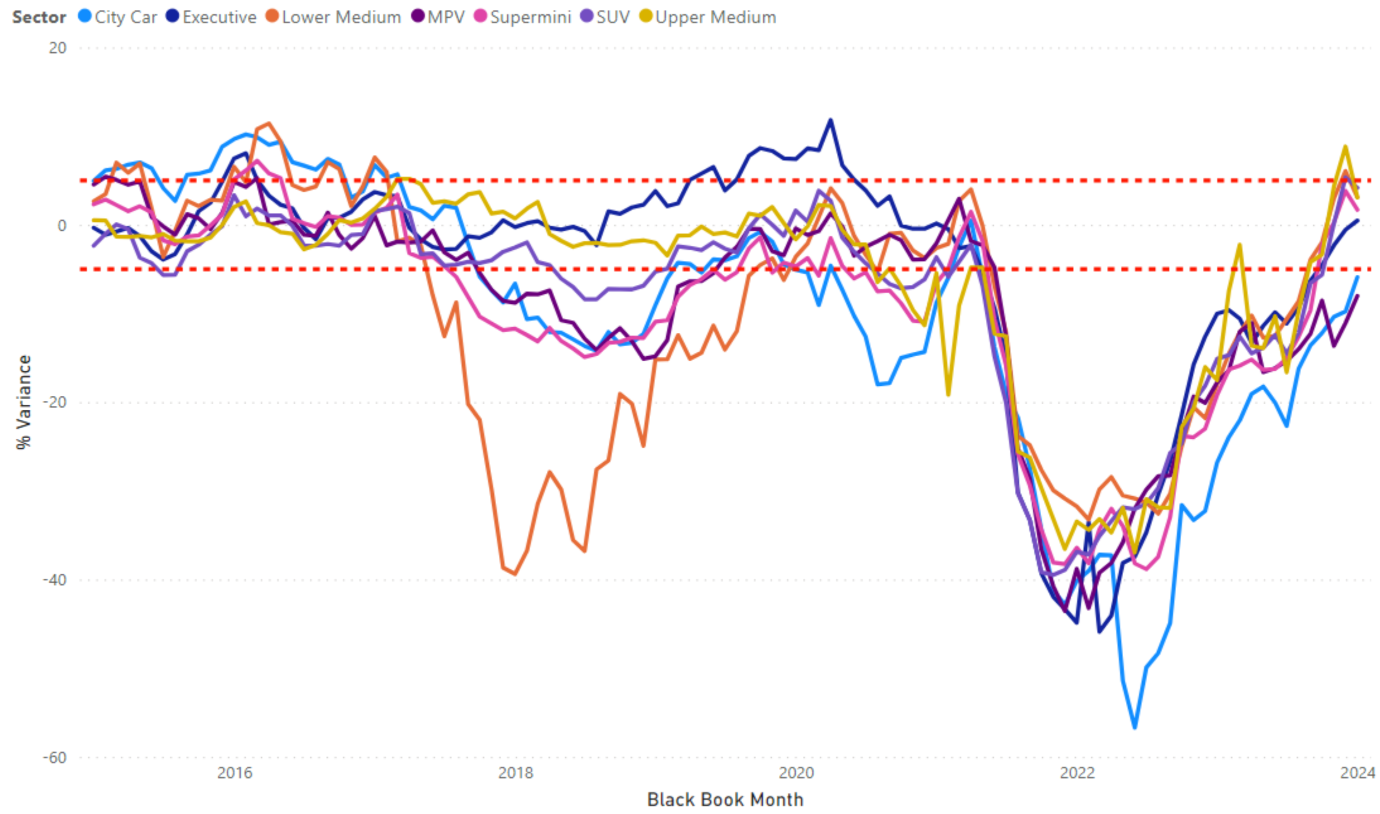
Sector results



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

January 24	Average of Diff (%)
City Car	-5.9%
Executive	+0.5%
Lower Medium	+3.1%
MPV	-8.0%
Supermini	+1.7%
SUV	+4.2%
Upper Medium	+3.1%
Grand Total	**3.1%**

36-month results

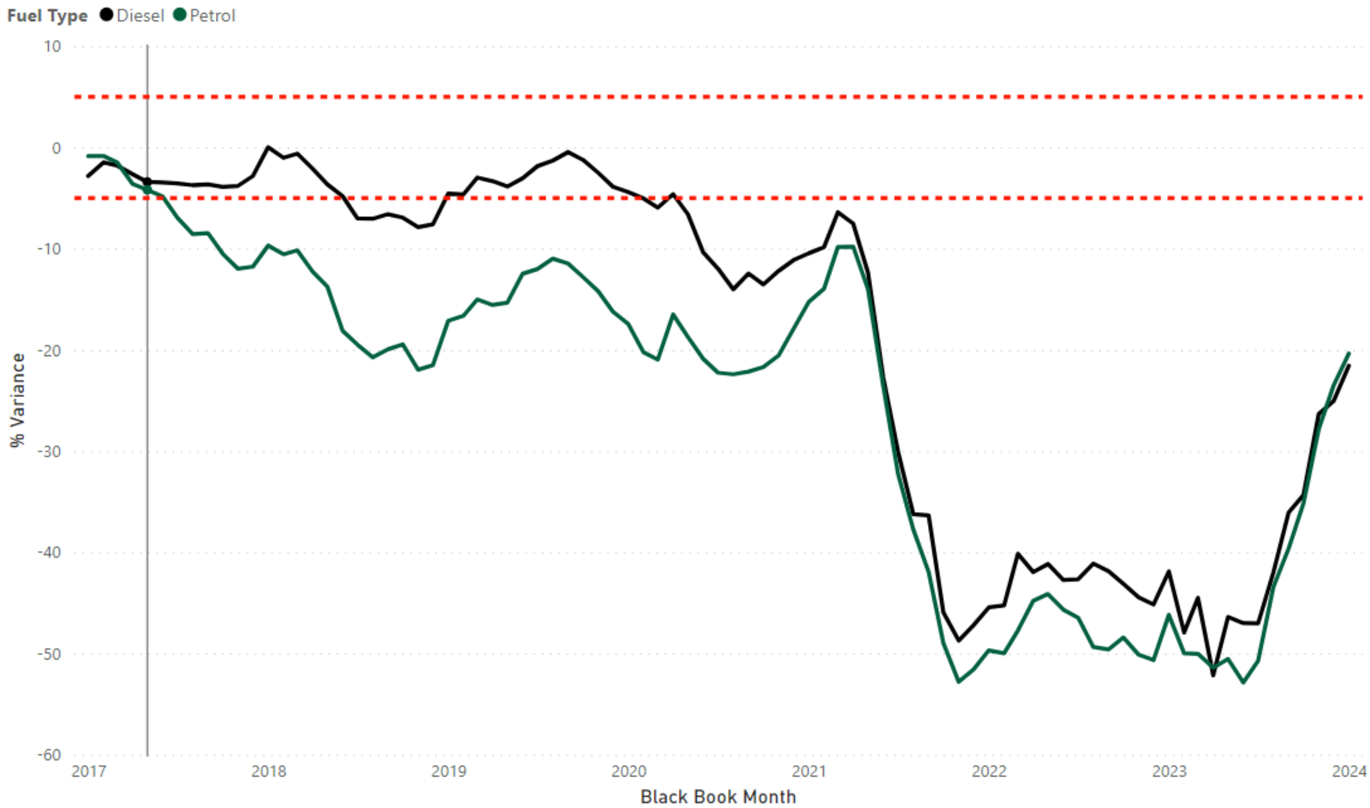
Since measurement started our 36-month forecasts have averaged -21.3% less than used values across all vehicle ids (with the average skewed by recent results). The most recent results show January 2021 36/60 forecasts being -16.8% less than January 2024 36/60 used values. Since used value increases peaked 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

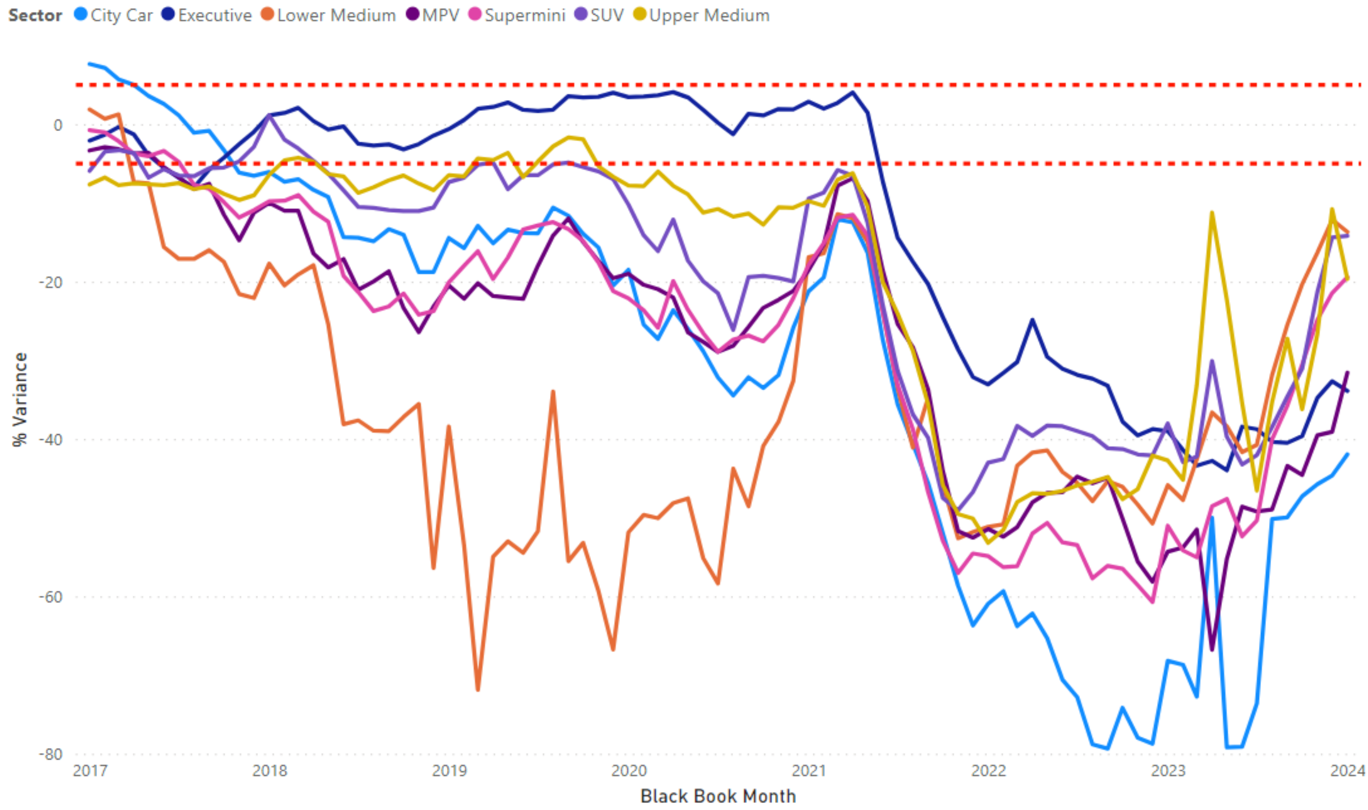
By cap hpi

Overall results:

Fuel type results:



Sector results



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

January 24	Average of Diff (%)
City Car	-42.0%
Executive	-33.9%
Lower Medium	-13.7%
MPV	-31.6%
Supermini	-19.4%
SUV	-14.2%
Upper Medium	-19.7%
Grand Total	**-21.3%**

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
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	
Feb-25	City Car	Supermini		