

November 2024

Future used car market overview

Welcome to the latest version of our overview. Our aim is to bring you the best content and layout, making it easy to identify new and revised information. As always, any customer feedback 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 2024/25

1. Forecast changes

New model ranges added to our forecasts:

Abarth 600e, Audi A3, Audi Q6 e-Tron Sportback, BMW 2 Series Gran Coupe, Cupra Terramar, Jaecoo 7, Lamborghini Temerario, Mini Cooper Convertible, Renault 5, Vauxhall Mokka, Volkswagen California.

Model ranges to which new derivatives have been added:

Audi A6 e-Tron, Bentley Continental GT, BMW 1 Series, BMW 5 Series, Fiat 600e, Fiat 500e, Ford Capri, Ford Explorer, Hyundai I30, Jeep Avenger, KGM Korando, Land Rover Defender, Land Rover Range Rover Evoque, Land Rover Range Rover Velar, Lexus RX, Mercedes-Benz AMG GT, Polestar 2, Polestar 3, Tesla Model 3, Vauxhall Corsa, Volkswagen Golf, Volkswagen ID.3, Volkswagen ID.4, Volkswagen ID.5.

The overall average change in new car forecasts between October and November is approximately -0.98% 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, there no changes to our deflation assumptions for the MPV sector. For Lower Medium there were slight adjustments to the phasing of deflation: all fuel types saw a decrease in deflation of +0.5% in year 1, offset by increases in deflation of -0.5% in year 2 and -0.5% in year 3. Forecast impact is +0.5% at 12/20, neutral at 24/40 and -0.5% at 36/60 and beyond.

At this review we have again removed a series of positive adjustments which were previously applied at 48 and 60 months where a donor vehicle had been used. These adjustments were differentiated by sector and fuel type and were originally applied due to the observed change in new model premium after 36 months; the premium continued to decrease but became a larger proportion of the used value of the donor vehicle. In a previous review cycle, many of these adjustments were reduced, but we now consider them to be unnecessary and the major cause of this is partly that IDs are now staying current for shorter periods, but also because the magnitude of new model premiums has increased. The impact is for forecast reductions of between -2% and -3% for some vehicles at 48 and/or 60 months. Average combined forecast movements at 36/60 are displayed in the table below.

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SECTOR & FUEL TYPE	UNDERLYING FORECAST CHANGE	SEASONAL ELEMENT	OBSERVED CHANGE OCT TO NOV
Lower Medium Diesel	-3.5%	-1.2%	-4.7%
Lower Medium Electric (BEV)	-1.8%	-1.2%	-3.0%
Lower Medium Hybrid (HEV)	+0.9%	-1.2%	-0.3%
Lower Medium Petrol	-1.9%	-1.2%	-3.1%
Lower Med Plug-In Hybrid (PHEV)	-2.4%	-1.2%	-3.6%
MPV Diesel	-0.7%	-1.5%	-2.2%
MPV Electric (BEV)	-3.0%	-1.8%	-4.8%
MPV Hybrid (HEV)	-1.3%	-1.8%	-3.1%
MPV Petrol	+0.3%	-1.8%	-1.5%
MPV Plug-In Hybrid (PHEV)	-0.3%	-1.8%	-2.1%
Overall Average	-1.6%	-1.5%	-3.1%

It should be noted that although there has been an upward movement for Lower Medium Hybrids (HEV), there are now just 3 of these ranges in the Lower Medium Sector and the average is somewhat distorted by the range with the largest number of current vehicle IDs (Toyota Corolla (18-) Hybrid). Also, diesel forecast decrease for Lower Medium is less than that for BEVs, but many of the Lower Medium electric models had previously been reduced via Interproduct analysis since the last review.

The following profile generations have seen mileage profile changes and have moved this month into the generic high mileage profile (labelled as Supercar Diesel in gold book iQ). The forecast impact is for increases at lower mileage which increase in magnitude as mileage decreases and incremental reductions at higher mileage as mileage increases. Underlying forecasts at benchmark mileage are not impacted.

HYUNDAI I30 (17-)
 RENAULT MEGANE (16-21) DIESEL
 SEAT LEON (13-20) DIESEL
 VOLKSWAGEN GOLF (13-21)

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 have retained our view at 36 months. This month, around 120 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.

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Interproduct Changes

ALFA ROMEO STELVIO (17-) DIESEL	MERCEDES-BENZ AMG GLC COUPE (24-)	SUBARU OUTBACK (21-)
ASTON MARTIN VANTAGE (24-)	MERCEDES-BENZ AMG SL (22-)	SUBARU SOLTERRA (22-) Electric
AUDI Q5 SPORTBACK (21-) Petrol Hybrid	MERCEDES-BENZ EQE ESTATE (23-) Electric	SUZUKI SWIFT (23-)
BENTLEY BENTAYGA (15-)	MERCEDES-BENZ EQS ESTATE (22-) Electric	TOYOTA YARIS GR (20-)
GENESIS GV70 (22-) Electric	MG MOTOR UK HS (19-)	VAUXHALL CORSA (19-)
HONDA E NY1 (23-) Electric	MG MOTOR UK MG 3 (24-) Hybrid	VAUXHALL MOKKA (20-)
LOTUS ELETRE (22-) Electric	MINI COOPER (24-)	VOLKSWAGEN T-ROC CABRIOLET (20-)
MASERATI GRANTURISMO (23-)	PORSCHE 911 [992] GT (21-)	VOLVO EX30 (23-) Electric
MCLAREN 765LT SPIDER (21-)	RENAULT CAPTUR (19-)	VOLVO S90/V90 (17-)
MCLAREN ARTURA (21-)	SEAT ATECA (16-)	VOLVO XC90 (15-)
MCLAREN GTS (24-)	SMART FORFOUR (20-) Electric	CITROEN C3 (16-24) DIESEL
MERCEDES-BENZ AMG GLC COUPE (23-) Hybrid		

Used Interproduct Changes

LAND ROVER DISCOVERY SPORT (14-20) DIESEL

Other Forecast Changes

ALFA ROMEO STELVIO (17-)

Complete review of trim relationships, resulting in varied forecast impact.

ALFA ROMEO STELVIO (17-) DIESEL

Complete review of trim relationships, resulting in varied forecast impact.

AUDI Q8 E-TRON SPORTBACK (22-) ELECTRIC

Premium for 55 114 kWh [408] battery decreased from £4,000 to £3,400 at 36/60 and additional premium of £800 at 36/60 applied over that powertrain for 114 kWh [503] battery, resulting in varied forecast impact.

BMW 2 SERIES CONVERTIBLE (14-21) DIESEL

Penalty for manual transmission increased from -£500 to -£1,000 resulting in forecast decreases.

CITROEN BERLINGO MULTISPACE (18-)

Full walk-up review resulting in varied forecast impact.

CITROEN BERLINGO MULTISPACE (18-) DIESEL

Full walk-up review resulting in varied forecast impact.

FIKER OCEAN (23-) ELECTRIC

Full review of trim and battery relationships – forecasts for some IDs had become unrealistic following considerable reductions in master vehicle forecast values and pound note adjustments needed to change.

KIA SPORTAGE (21-)

Full review of trim relationships, resulting in varied forecast impact. Premium for automatic transmission increased from £600 to £900 at 36/60, resulting in forecast increases.

LAND ROVER RANGE ROVER VELAR (17-)

Full walk-up review resulting in varied forecast impact.

LAND ROVER RANGE ROVER VELAR (17-) DIESEL

Full walk-up review resulting in varied forecast impact.

LAND ROVER RANGE ROVER VELAR (20-) HYBRID

Full walk-up review resulting in varied forecast impact.

MG MOTOR UK HS (19-)

Premium for automatic transmission increased from £600 to £1,000 at 36/60, resulting in forecast increases.

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NISSAN JUKE (10-20)

Full walk-up review resulting in varied forecast impact.

PORSCHE TAYCAN (19-) ELECTRIC

Full walk-up review resulting in varied forecast impact.

SMART FORFOUR (20-) ELECTRIC

Premium for Exclusive and Prime Exclusive trim reduced from £375 to £275 at 36/60, resulting in forecast decreases.

TOYOTA BZ4X (21-) ELECTRIC

Penalty for Pure trim decreased from -£1,550 to -£875 at 36/60, resulting in forecast increases. Premium for Vision trim decreased from £975 to £725 and premium for Premiere Edition decreased from £1,425 to £1,075, resulting in forecast reductions.

VAUXHALL GRANDLAND X (17-)

Premium for automatic increased from £900 to £1,200 at 36/60, resulting in forecast increases.

The following profile generations have seen mileage profile changes and have moved this month from SUV Petrol into SUV Diesel. The general forecast impact is for modest increases at lower mileage which increase in magnitude as mileage decreases and modest incremental reductions at higher mileage as mileage increases, although this is not the same at all age and mileage points. Underlying forecasts at benchmark mileage are not impacted by this change.

MAZDA MX-30 (23-) HYBRID

The following profile generations have seen mileage profile changes and have moved this month into the generic high mileage profile (labelled as Supercar Diesel in gold book iQ). The forecast impact is for increases at lower mileage which increase in magnitude as mileage decreases and incremental reductions at higher mileage as mileage increases. Underlying forecasts at benchmark mileage are not impacted.

LAND ROVER DISCOVERY SPORT (14-20) DIESEL

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 October was for the strength in the market to start to ease, as used volume started to increase again slightly, but with movements continuing to be favourable to typically seasonality. Total change at 36/60 was expected to be an overall decrease of -0.8%. After around three weeks, the overall movement was looking roughly on target, but renewed weakness in the final week meant that the last week saw greater reductions in used values and the final monthly movement came in at -1.1% overall. The variation by fuel type was continued from last month and although plug-in hybrids fared relatively worse overall than last month, the positivity in electric vehicles at 36/60 persisted; petrol fell by -1.4%, diesel by -1.0% and plug-in hybrids by -1.1%, but hybrid cars only fell by -0.6% and electric cars increased again, this time by +0.3%; all better than the average for the time of year and certainly encouraging to see alternative fuels retaining the positive momentum.

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Vendor feedback on BEVs has continued to improve from most sellers, with variation still a feature this month within the BEV average; we have seen a whole host of models increasing by +3% to +5% in the month, while some models experienced renewed weakness, although fewer models decreased compared to last month.

In November we expect to see used car demand in the used market continue to soften, as used volume increases again slightly, but with movements continuing to be favourable to typically seasonality. Total change at 36/60 is expected to be an overall decrease of around -1.4%. However, we are expecting December to be very different from last year – many buyers were extremely wary in December 2023 following the steep falls in used values in the previous months, but this year we expect many more buyers to be out in the market, actively buying stock to ensure a healthy start to trading in 2025. We then expect a typically healthy start to the year in January.

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 continued to make references to restoring the deadline for new ICE sales to 2030, we would consider this have minimal impact unless the existing ZEV % targets by year are amended, apart from a short term boost in consumer interest, 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. There has still been no official announcement, although a DfT source has confirmed to a trade journalist that they will 'restore the 2030 phase out date in due course' and there have also been hints that 'some hybrids' may still be allowed to be sold as new cars until 2035. OEMs are 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 have already indicated to us that they are planning to avail themselves of various 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. 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 2019 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.

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% since September 2022. BEVs are now down -17.8% Year Over Year at 36/60; another improvement compared to last month, far better than the -36% in September 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 seem to be continuing to return to the market.

Volume of BEVs will continue to increase in the coming months, 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

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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 -£3,050 at 36/30 and as much as -22.4% at 60/50 (36/30 showing a slight improvement compared to last month, following the positive used value movements, but 60/50 continuing to worsen) and this has now filtered through into retail prices; analysis a couple of 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. Towards the end of the year (or potentially 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.

Despite the upward movement in prices this month, 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. 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 earlier this year 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 August, 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 (markets are assuming an 88% likelihood of a further reduction of -0.25% in November, but at least one of the Monetary Policy Committee has already signalled her opposition to another rate cut). 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 next few months, the situation is expected to improve soon, but this improvement will be 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.

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Although prices had continued to soften for many of the elements which had been driving inflation, overall food prices increased for the first time since March and the most recent reduction in CPI to 1.7% (from 2.2% the previous month) was mainly driven by petrol and airline prices. Wider geopolitical concerns remain and it is hoped that lower year on year prices will once again feed through into wider food prices over the coming months, although household energy bills are set to increase by 10% following the unfortunate timing of OFGEM's most recent price cap announcement; CPI is expected to remain relatively stable and close to target, although 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 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:

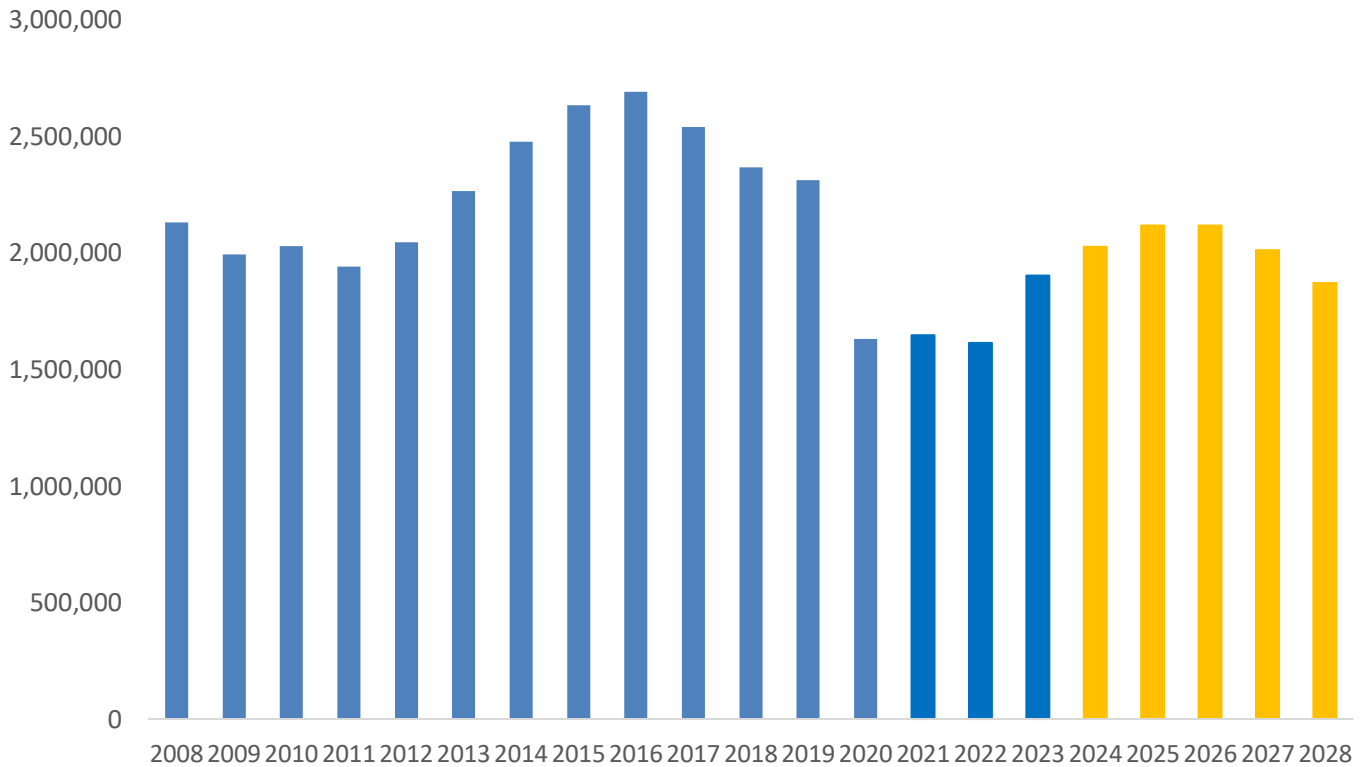
- Numerous battery electric models have stabilised following very large decreases in used values in the past, whereas a few ranges remain very weak and appear to still have some way to fall, with no common denominator or central theme governing how individual ranges are performing. The vast majority 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 November is expected to remain robust, with movements favourable to typical seasonal patterns, with overall price change expected to be a reduction of around -1.4% 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 next month. Although used car volumes will be higher than in the last couple of months, they are continuing to reduce compared to historic levels as we expected, with used values expected to remain relatively robust for the remainder of the 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 into 2025, especially given the complex economic situation, but in general continued stability is expected as CPI inflation continues to be close to target, with the potential for improvements once interest rates finally come down.
- New car supply issues have eased significantly for almost all 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 continue to move through 2024 into 2025, we will 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 next year, become close to normal in 2026 and then we will start to see increases in used car volume by 2027.

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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 a couple of months ago we revised this down to 2.026mm (up 6.5% on 2023, but down -12.3% on 2019). Current annual run rate is at around 1.97mm and we are expecting a much higher level of forced registrations at the end of this year in comparison to last year, when these were much lower than had been anticipated. We expect that new car registrations will gradually increase to a pre-pandemic level of around 2.12 million registrations by 2025, 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 an unintended consequence of the Zero Emission Vehicles Mandate (Vehicle Emissions Trading Scheme).

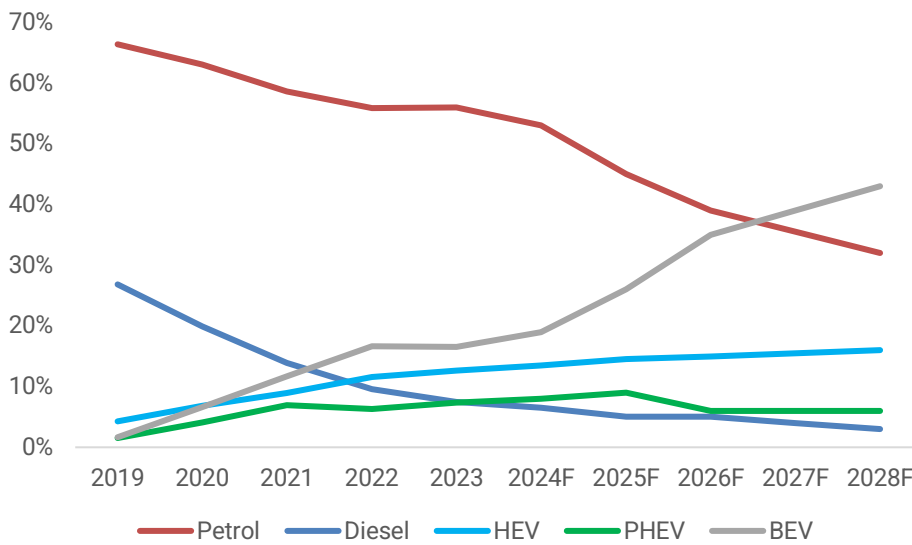


The chart below shows our latest forecast market share split by fuel type. Petrol and diesel volumes include mild hybrids. The decline in diesel will continue but is likely to slow down since it will remain the right choice for a hard-core minority of drivers and use cases. The timing of the eventual 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 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 August and the new forecasts see an upgrade in expected growth for this year from +0.6% to +1.1%, but a worsening in their outlook for GDP for 2026 to 2028. The last forecast published by the OBR was in line with the previous outlook but remains favourable in comparison to the independent forecasts, especially in the outer years.

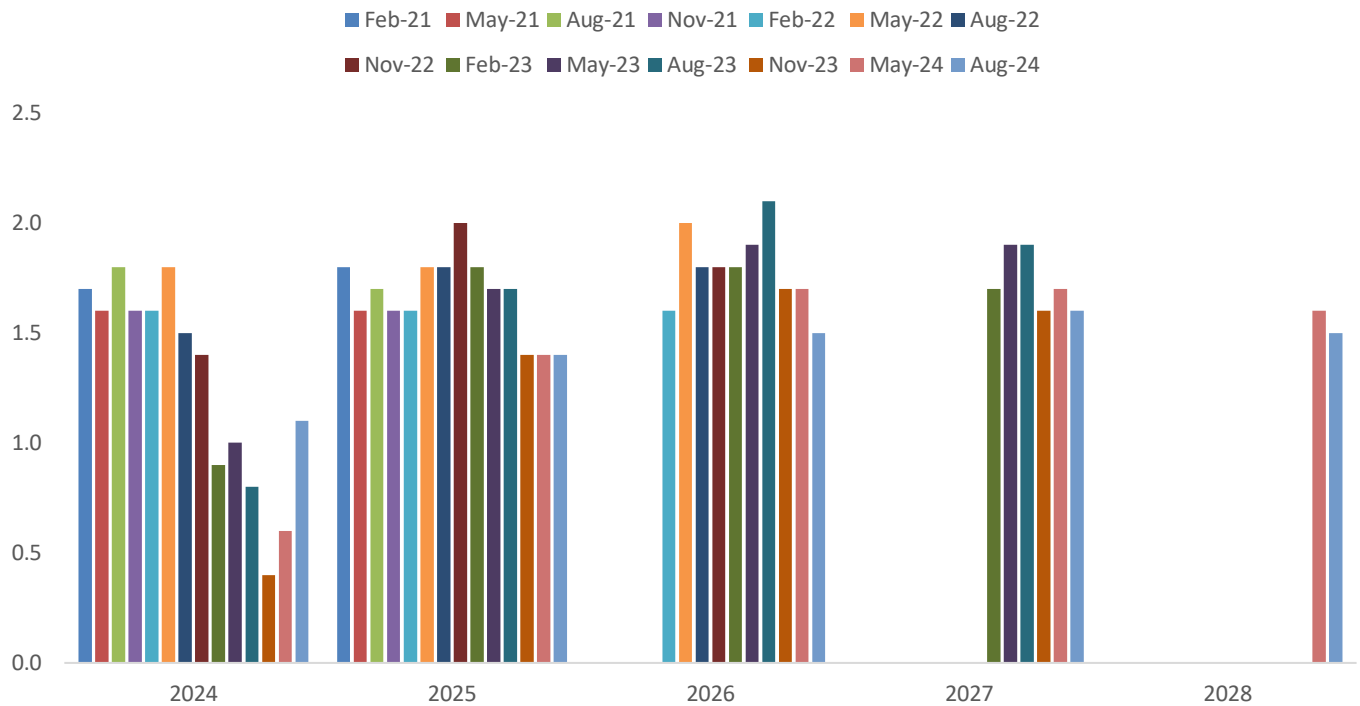
The damage done by successive interest rate rises from the Bank of England seems to have finally been recognised by the Monetary Policy Committee and base rates are expected to continue to reduce in the near future. The average independent forecast for the next 12 months is for interest rates to remain at the current level of 5.0% until the end of 2024, then down to 4.1% by the end of 2025 and 3.6% by the end of 2025. Recent pronouncements from the new government on the state of the public finances and the forthcoming budget have already served to reduce consumer confidence (down -7% on the previous month), but this change may well be short-term and some recovery may be seen once the budget has been delivered.

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

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Independent GDP Forecasts



The latest independent unemployment forecasts have now reverted 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 remains close to target (now 1.7%, down from 2.2% the previous month and well below the peak of 11.1%). Electricity wholesale prices increased though late July and early August, prompting Ofgem to announce an increase in the price cap from 1st October, but then decreased relatively sharply and had reduced back down to where they were in April, although they have increased again slightly in recent weeks. Over the next couple of months, wholesale electricity prices are likely to remain relatively stable and unless there are further shocks then they may approach historic levels next year. 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).

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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.

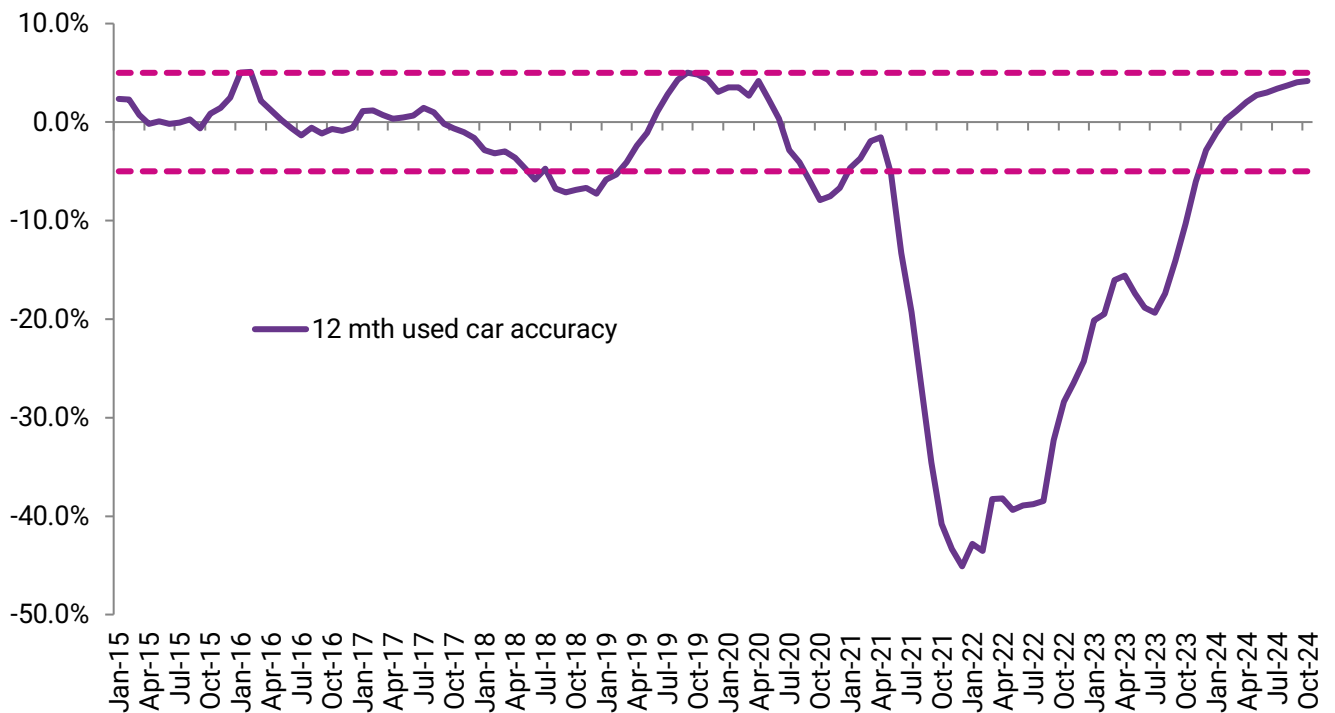
There was a brief deterioration in accuracy in 2020 when business resumed after the first lockdown and values benefitted from the release of pent-up demand, but we were back on target as the market readjusted. In 2021, our historic forecast accuracy was severely impacted by the strength of the used market 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 started our 12 month used forecasts have averaged -7.4% less than used values across all vehicle ids (clearly skewed by the record-breaking used value increases in 2021), and the most recent results show October 2023 12/20 forecasts being +4.2% higher than October 2024 12/20 used values

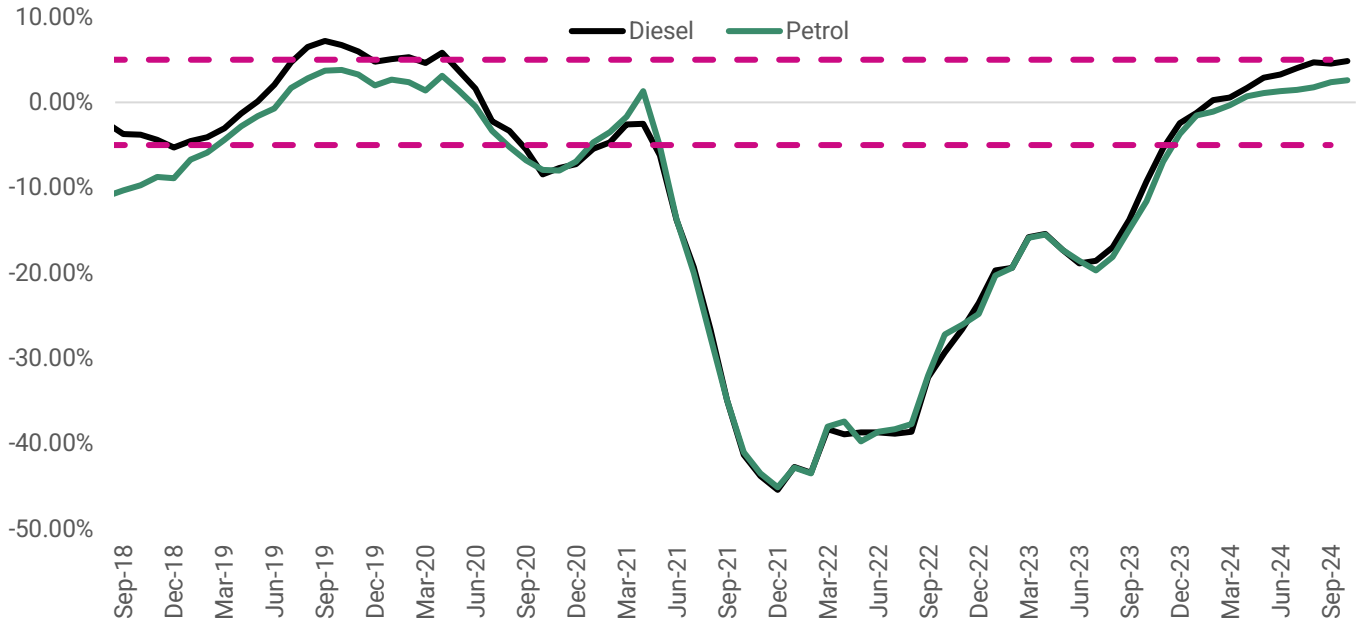
Overall results



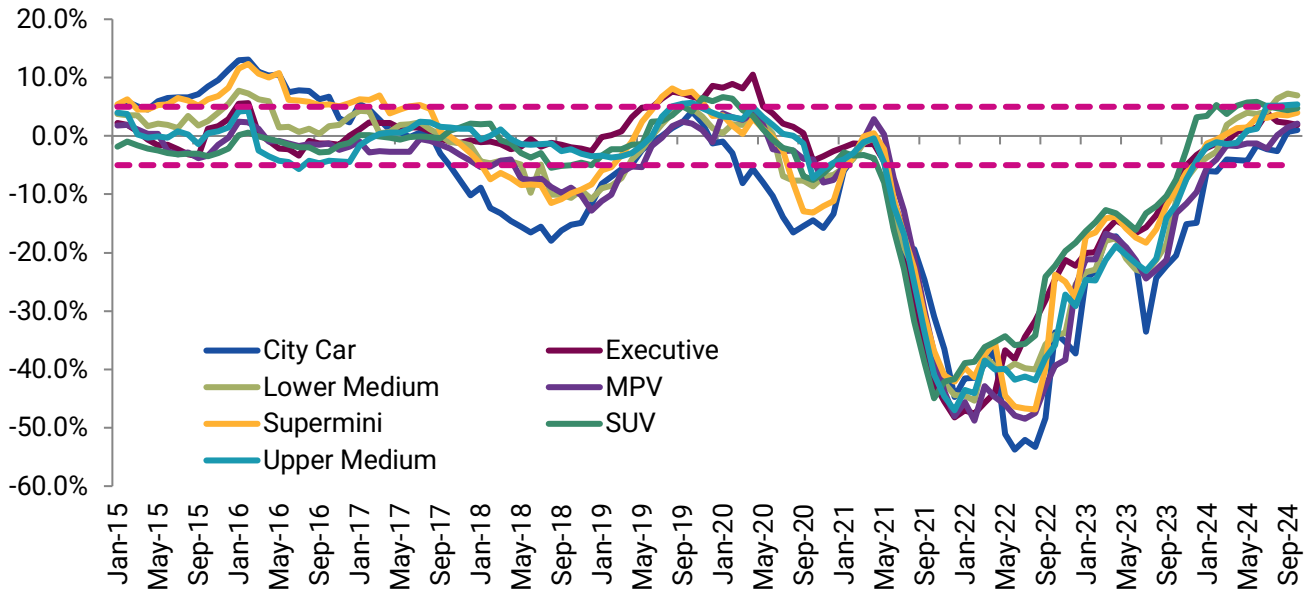
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Fuel type results



Sector results



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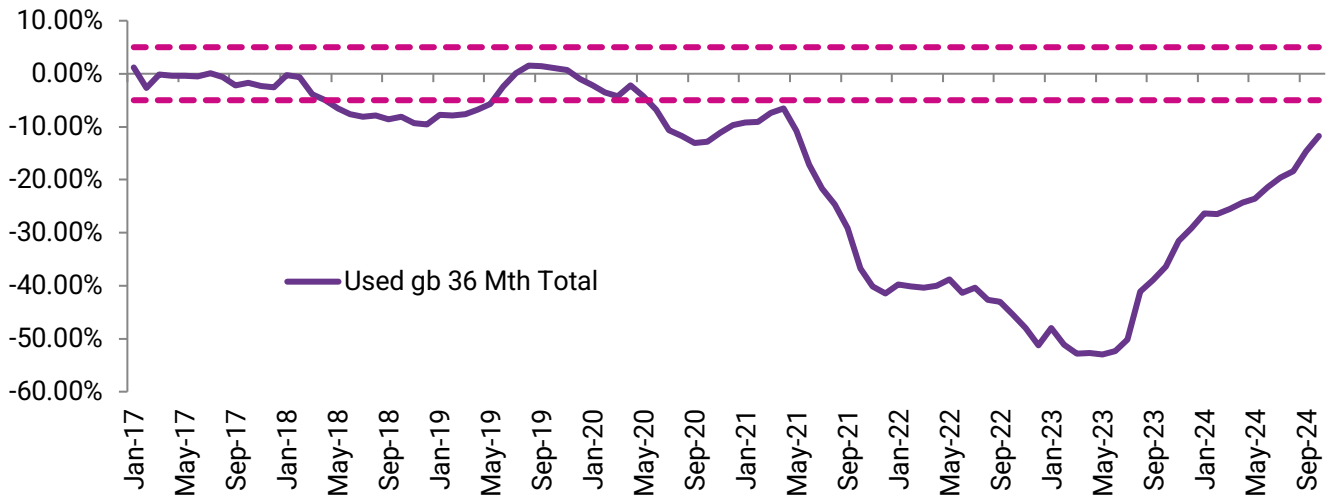
The most recent results for the main sectors are as follows:

October 2024	Average of Diff (%)
City Car	+1.1%
Executive	+1.9%
Lower Medium	+7.0%
MPV	+2.2%
Supermini	+3.5%
SUV	+3.9%
Upper Medium	+4.7%
Grand Total	+4.2%

36-month results

Since measurement started our 36 month used forecasts have averaged -18.4% less than used values across all vehicle ids (clearly distorted by the record-breaking increases in used values in 2021), and the most recent results show October 2021 36/60 forecasts being -11.7% lower than October 2024 36/60 used values.

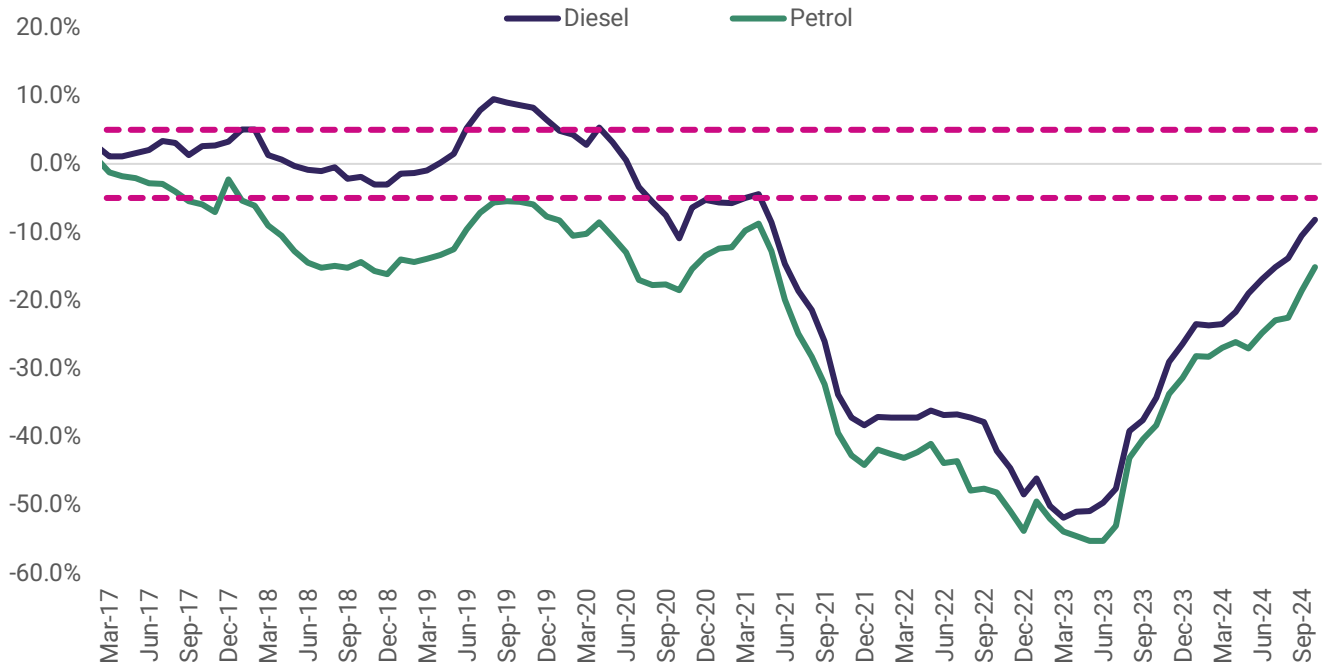
Overall results:



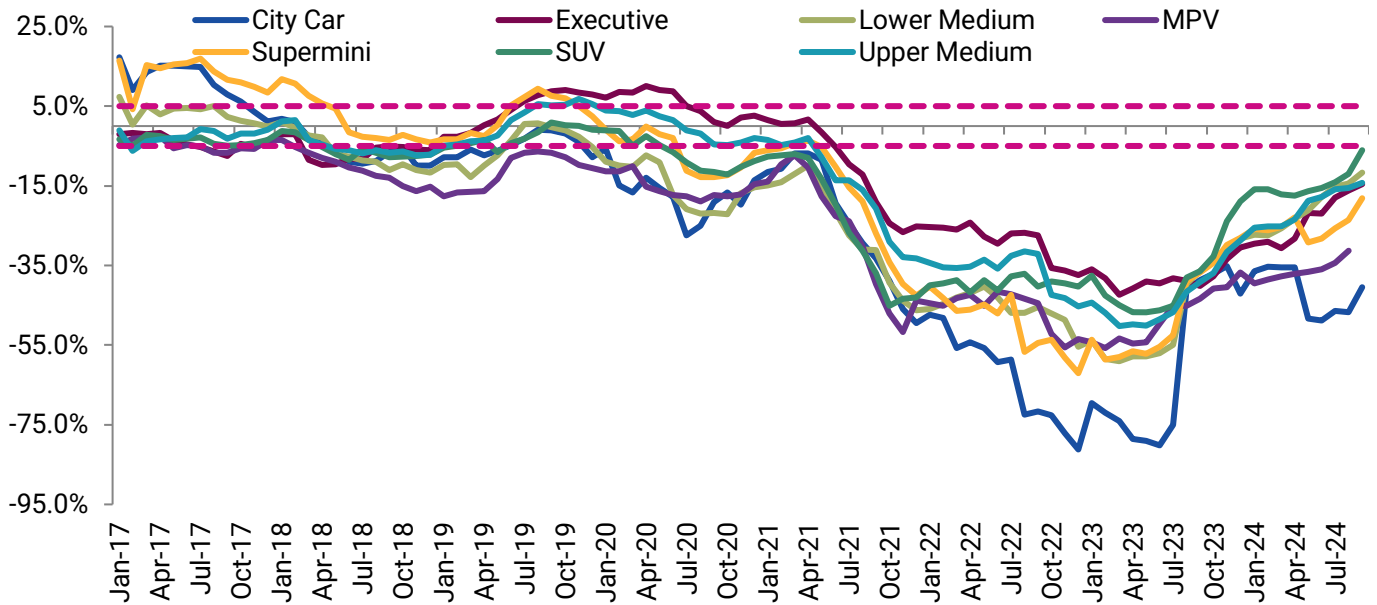
Car future editorial

By cap hpi

Fuel type results:



Sector results:



Car future editorial

By cap hpi

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

October 2024	Average of Diff (%)
City Car	-31.4%
Executive	-11.5%
Lower Medium	-10.7%
MPV	-26.1%
Supermini	-9.6%
SUV	-4.4%
Upper Medium	-12.7%
Grand Total	-11.7%

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.

Car future editorial

By cap hpi

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

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

Monthly Product	Sector 1	Sector 2	Sector 3	Sector 4
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			
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			