

Car future editorial

By cap hpi

March 2025

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 2025/26

1. Forecast changes

The overall average change in used car forecasts between February and March is approximately -0.5% for a 1 year old car at 36 months and final mileage of 80,000, which is slightly worse than the normal expectation of the seasonal change for full year forecasts at this time of year. This as a result of both increased forecast reductions via Interproduct analysis and the forecast changes at the sector reviews being slightly larger than those expected from typical model aging.

Sector reforecasts

This month, we publish new reforecasts for the Upper Medium, Executive, Large Executive and Luxury Executive sectors.

At this review, there were further minor changes to the phasing of our deflation assumptions for these sectors and the changes at each future year are summarised in the table below. Please note that these are the TOTAL changes at each duration and are NOT additive. For example, the assumption for Upper Medium Diesel after 4 years is for -2% more deflation compared to the previous assumption and the assumption for 5 years is also -2% more deflation than before; this amount is as a result of -1.5% more deflation in year 2 and a further -0.5% deflation in year 3.

Please refer to the explanatory notes above.

	Year 1	Year 2	Year 3	Year 4	Year 5
Upper Medium D	0.0%	-1.5%	-2.0%	-2.0%	-2.0%
Upper Medium P	0.0%	-1.5%	-2.0%	-2.0%	-2.0%
Executive D	+1.0%	-1.0%	-2.0%	-2.0%	-2.0%
Executive P	+1.0%	-1.0%	-2.0%	-2.0%	-2.0%
Large Executive D	-0.5%	-1.5%	-2.5%	-2.5%	-2.5%
Large Executive P	-0.5%	-1.5%	-2.5%	-2.5%	-2.5%
Luxury Executive P	0.0%	-2.0%	-2.5%	-2.5%	-2.5%

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 FEB TO MAR
Upper Medium Diesel	-1.9%	+2.4%	+0.5%
Upper Medium Electric (BEV)	-4.3%	+3.0%	-1.3%
Upper Medium Petrol	-1.7%	+3.0%	+1.3%
Upper Med Plug-In Hybrid (PHEV)	-3.6%	+3.0%	-0.6%
Executive Diesel	-0.7%	+2.7%	+2.0%
Executive Electric (BEV)	-2.3%	+2.5%	+0.2%
Executive Hybrid (HEV)	-0.1%	+2.5%	+2.4%
Executive Petrol	-1.6%	+2.5%	+0.9%
Executive Plug-In Hybrid (PHEV)	-1.0%	+2.5%	+1.5%
Large Exec Diesel	+0.3%	+3.5%	+3.8%
Large Exec Electric (BEV)	-4.3%	+2.8%	-1.5%
Large Exec Hybrid (HEV)	-2.6%	+2.8%	+0.2%
Large Exec Petrol	-1.5%	+2.8%	+1.3%
Large Exec Plug-In Hybrid (PHEV)	-1.2%	+2.8%	+1.6%
Luxury Executive Electric (BEV)	-6.3%	+2.3%	-4.0%
Luxury Executive Petrol	-3.6%	+2.3%	-1.3%
Luxury Exec Plug-In Hybrid (PHEV)	-0.9%	+2.3%	+1.4%
Overall Average	-2.1%	+2.7%	+0.6%

It should be noted that some of the sector/fuel combinations above can be misleading due to the limited number of models represented and the number of derivatives currently available in each range. For example, there is only one cap ID in Luxury Executive Electric (Rolls Royce Spectre) and only 4 IDs in Executive Hybrid (HEV) (Lexus ES and LC). In each sector, the largest forecast reductions on average were for electric vehicles, but there was considerable variation across the board.

Mileage Changes

The following ranges all had their mileage profile changed to the generic high mileage profile, labelled as "Supercar Diesel" in gold book iQ. This has the impact of increasing forecasts at lower than benchmark mileage and incremental reductions to forecasts at higher than benchmark mileage.

ALFA ROMEO GIULIA (16-21) DIESEL
JAGUAR XE (19-24) DIESEL
MERCEDES-BENZ E CLASS (16-24) DIESEL
VOLKSWAGEN PASSAT (19-24) DIESEL
VOLKSWAGEN PASSAT (19-24) PETROL HYBRID

Forecast changes this month

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

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have retained our view at 36 months. This month, over 100 current ranges were considered in total, but in some cases, it was decided to make no changes to the forecasts; some of these are flagged for review of walk-up relationships and others appear likely to see changes in used values in the near future. Some of the ranges below were also reforecast during last month's analysis, but we were forced to take further action as a result of changes in either trade or retail data (or both).

In some cases, we have not applied adjustments to reflect the most recent used value reductions, as we expect some of them to be short term in nature and values to either stabilise to some extent, or to fall back where we have seen considerable recent increases. There have been further significant disturbances to logical relationships and we are also closely monitoring retail data for signs of which elements are likely to be continued and which ones are likely to revert back to something more in line with normal expectations.

Interproduct Changes

ASTON MARTIN DBS (18-)	MASERATI GHIBLI (13-)	PEUGEOT 3008 (19-) Petrol Hybrid
BMW 2 SERIES ACTIVE TOURER (22-) Hybrid	MASERATI GRANTURISMO (23-)	PEUGEOT 3008 (23-) Electric
BMW iX2 (23-) Electric	MAZDA MX-5 (15-)	PEUGEOT TRAVELLER (20-) Electric
BMW iX3-E (21-) Electric	MAZDA MX-5 RF (16-)	PORSCHE CAYENNE (18-) HYBRID
BMW XM (22-) Hybrid	MERCEDES-BENZ AMG C CLASS (23-) Hybrid	PORSCHE CAYENNE COUPE (19-) Hybrid
CUPRA FORMENTOR (20-) Hybrid	MERCEDES-BENZ AMG CLE CABRIOLET (24-)	RENAULT ARKANA (21-) Hybrid
FORD MUSTANG MACH-E (20-) Electric	MERCEDES-BENZ B CLASS (19-) DIESEL	RENAULT SCENIC (23-) Electric
GENESIS GV70 (22-) Electric	MERCEDES-BENZ EQS ESTATE (22-) Electric	SUBARU SOLTERRA (22-) Electric
HONDA ZR-V (23-) Hybrid	MERCEDES-BENZ G CLASS (19-) DIESEL	TOYOTA BZ4X (21-) Electric
HYUNDAI TUCSON (20-) Hybrid	MERCEDES-BENZ GLE COUPE (23-) Hybrid	VAUXHALL COMBO LIFE (21-) Electric
INEOS GRENADIER (22-)	MERCEDES-BENZ GLS (19-) DIESEL	VAUXHALL GRANDLAND (24-)
JAGUAR I-PACE (18-)	MINI ACEMAN (24-) Electric	VAUXHALL GRANDLAND (24-) Electric
JEEP AVENGER (22-) Electric	MINI COOPER (23-) Electric	VAUXHALL GRANDLAND X (17-)
LEXUS LBX (23-) Petrol Hybrid	MINI COUNTRYMAN (23-) Electric	VOLKSWAGEN TOURAN (15-)
LEXUS RZ (22-) Electric	NISSAN QASHQAI (22-) Hybrid	

Used Interproduct Changes

NISSAN JUKE (10-20)
VOLKSWAGEN TIGUAN (16-24) DIESEL

Other Forecast Changes

ABARTH 500/595/695/ (09-)

Full walk-up review, with varied forecast impact.

DACIA DUSTER (24-) HYBRID

Reforecast as part of the process of adding the Dacia Bigster. Forecast reduction of -£650 at 36/60 on the master vehicle following reassessment of hybrid premium over petrol.

FORD KUGA (19-)

Facelift premium changed from £750 at 36/60 to £1,200

FORD KUGA (19-) HYBRID

Full walk-up review, with varied forecast impact.

FORD TRANSIT CUSTOM (24-) DIESEL

Walk up correction: Id 104863 was tagged with 2.0 EcoBlue [150] engine variant and has now been tagged with 2.0 EcoBlue [170] engine variant, resulting in a forecast increase of £325 at 36/60.

JAGUAR E-PACE (17-24) DIESEL

2020 facelift premium increased from £2,400 to £3,600, resulting in forecast reductions on pre-facelift cars.

JAGUAR XF (15-24) DIESEL

Penalty for manual transmission increased from -£800 to -£1,325 at 36/60, resulting in forecast decreases.

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LAND ROVER RANGE ROVER VELAR (17-)

Engine walk-up review, with varied forecast impact.

MERCEDES CLA (20-) HYBRID

Premium for "Premium Plus" pack increased from £1,125 to £1,700 at 36/60 and premium for "Premium Plus (2023)" decreased from £2,375 to £2,000.

MERCEDES CLA CLASS COUPE (19-)

Premium for "Premium Plus" pack increased from £1,125 to £1,700 at 36/60 and premium for "Premium Plus (2023)" decreased from £2,375 to £2,000.

MERCEDES CLA CLASS COUPE (19-) DIESEL

Premium for "Premium Plus" pack increased from £1,125 to £1,700 at 36/60 and premium for "Premium Plus (2023)" decreased from £2,375 to £2,000.

MERCEDES EQA (21-) ELECTRIC

Walk-up correction: All EQA 250 Plus variants have now been tagged with 70.5 kWh [190] powertrain tag, resulting in a forecast increase of £550 at 36/60.

250 66.5 kWh [190] variants reduced from -£300 to -£425 behind 300 66.5 kWh [228]; 300 66.5 kWh [292] reduced from £575 to £350 above 300 66.5 kWh [228] and 4Matic tag premium reduced from £750 to £500.

VAUXHALL CROSSLAND X (17-)

Engine walk-up review, with varied forecast impact.

VOLKSWAGEN GOLF (20-)

Model trim walk-up review, with varied forecast impact.

VOLKSWAGEN GOLF (20-) DIESEL

Model trim and engine walk-up review, with varied 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

Used market remains healthy for the time of year

Our expectation for February was for the market to continue to strengthen, with retail demand remaining pretty strong and buyers expected to compete for stock, due to the majority carrying stock levels which were far lower than normal for the time of year. Although prices swiftly increased by +0.2% in the days after last month's deadline and the anecdotal feedback was that the market was strong, we didn't see it translate into further increases in values at 36/60. The final monthly movement into March book was just +0.3% at 36/60, well below our estimate of +1.5% and slightly lower than normal for the time of year. However, the market appears to have been very sensitive to price levels and 10 year old cars increased by +1.7% and cars under £1.9k increasing by +1.9%. The variation by fuel type continued this month, with electric vehicles falling by -1.6% at 36/60 (despite positive feedback from some quarters), PHEV dropping by a marginal -0.1% and petrol and hybrid (HEV) seeing small positive movements broadly in line with the average for the time of year. Diesel increased by less at +0.2%.

Vendor feedback on BEVs now seems to be very model specific and has varied on individual models through the month, with some models (such as Tesla Model 3) seeing very different results each week and also significant variation by age. Variation was once again a major feature this month within the BEV average; less than half of

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models actually saw decreases in the month, with just under 10% of models increasing. We are continuing to see evidence of an increasing number of dealers coming back to the BEV market, finally recognising the profit opportunity these cars are now generating.

The smaller car sectors recovered somewhat following the unexpected weakness in the previous month, with both sectors out-performing the overall market. City Cars and Superminis generally represent affordable, easy to retail stock and new car volumes have been decreasing in recent years. Small SUV was slightly less strong, but was still better than the overall average.

We expect the market to remain pretty robust into March. Retail demand remains steady and stock levels for many remain far lower than normal for the time of year, even in the post-Covid years. Our estimate for March is for an overall used value decrease of -0.2%, very similar to last year (-0.1%) and also in line with the average monthly movement since the launch of cap Live and excluding 2020/2021. Used volume is expected to increase slightly, but with strong competition still expected for the best quality stock.

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 2030

The government "fast track consultation" with the industry has now closed and we await the publication of the conclusions. Moving the deadline from 2035 to 2030 in itself is expected to have minimal impact on used values unless the existing ZEV % targets by year are amended (which would appear unlikely). This time we don't even expect to see a short-term boost in consumer interest as the formal announcement has been so long and drawn out, in contrast with the short blip in demand experienced when the deadline was originally pushed out to 2035 (without changing the mandate targets). As stated previously, we would expect this to have little or no impact on trade values. The situation regarding hybrids remains uncertain - there have been hints that 'some hybrids' may still be allowed to be sold as new cars until 2035 and it is unclear whether this is within the scope of the current consultation exercise. OEMs were required to meet a nominal minimum proportion of 22% BEV last year. There were several detailed 'flexibilities' available to manufacturers and some had already indicated to us that they were planning to avail themselves of various options, as they already knew they would not meet the mandated proportion for 2024. In any case, the focus on maximising BEV sales last year 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 were above, or close to, required levels of BEVs when 'credits' for lower average CO2 last year (compared to the 2021 baseline) were factored in. Those still below the target face the prospect of either 'borrowing from the future', effectively gambling on much improved performance in the coming years or purchasing credits from their competitors with high or 100% proportions of BEVs.

This year, the target for zero emission registrations increases from 22% to 28%. This represents a nominal increase of +27% in BEV registrations in a flat new car market and is likely to prove a bigger challenge than 2024. We expect significant new car discounts to persist and will continue to monitor the situation closely. There is still the prospect of the government aligning VAT between public and domestic charging and they have already committed to reviewing the imposition of the VED Expensive Car Supplement (for BEVs costing over £40,000 from April this year) at a "future fiscal event" when "conditions allow", although this is unlikely to feature in the Spring Statement at the end of March.

The biggest issue that we expect from the ZEV Mandate is when the targets ramp up from 38% in 2027 to 52% in 2028. In a flat market this would imply an increase in the number of BEVs registered of +34% (in comparison to 2024 being a +15% increase on 2023). It also needs to be highlighted that CO2 credits are only allowable until 2026. It is hard to see how level of penetration can be possible without either significant government incentives or the discontinuation of a significant proportion of ICE models in the UK, especially at the point of the adoption curve when serious inroads will need to be made with those who are unable to charge at home.

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

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and a multitude of issues impacting demand combined to bring the 'perfect storm', resulting in the eye-watering decreases in used values which started over two years ago, with cumulative used value reductions on average for BEVs of over -60% between September 2022 and September 2024. BEVs are now down -12.04% Year Over Year at 36/60; virtually unchanged compared to last month, but far better than the -36% in September 2023 and expected to continue to improve. It was not a surprise that values came down in 2022/23. If anything, the most surprising element was just how long values had remained strong during 2022, but the speed of reduction when it came was brutal. Many models continued to stabilise or increase slightly in value towards the end of 2023 as the used market for BEVs outperformed other fuel types, but this year we have seen renewed falls, although performance over the last two months gives further credence to our previous view that we may be moving into another period of relative stability. Variation by model is expected to continue to be a feature of the market and some models which appeared to have settled are now seeing renewed pressure, whilst others are unchanged and some have seen a relatively dramatic recovery. Battery electric vehicles are still selling quicker than other fuel types on dealer forecourts at three to five years old – dealer demand remains less strong than consumer demand, with some still steering clear of BEVs due to catching a cold when values dropped and the vast majority of independents still not stocking BEVs at all. There is clearly capacity for the used market to cope with plenty more BEVs and more franchised dealers and car supermarkets are continuing to return to the market.

Volume of BEVs will continue to increase through 2025, but many models already appear extremely attractively priced following the previous reductions. Buyer demand in the used marketplace is back to previous levels and is continuing to increase. Although a small number of trade buyers remain selective, demand is considerably higher than it was a few months ago and is expected to remain robust, especially for models at the lower end of the price spectrum. On average, trade prices for the majority of battery electric models remain below conventionally fuelled versions of the same model (where both fuel types are available). This is the case again at all ages and by an average of -£3,174 at 36/30 and as much as -19% at 60/50 and this has now filtered through into retail prices; analysis several months ago showed retail adverts prices for BEVs to be -9.5% cheaper at 3 years old and -15% cheaper at 4 years old. At the younger age spectrum, current electric models being offered with significant new car price discounts (or very cheap leasing/PCP offers) are continuing to make the nearly new used market for these models highly unattractive, especially where differential interest rates are acting to make the monthly payment for used greater than new. There are several models where previously registered cars with delivery mileage are also putting pressure on used values for cars from 18 to 24 months old. During the first quarter of this year, we expect a number of models to have list prices realigned and discounts to reduce accordingly – we have already seen this in several cases in recent months.

Some models still appear to have further to fall, as indicated by our continuing negative editorial adjustments in our forecasts. However, in some cases we have now applied small positive adjustments in the expectation of a modest recovery in values and a realignment against ICE equivalents, or we have not applied the full used value reductions 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 during 2024 in Scotland) and updates and extensions to the existing schemes, further fuelling demand for lower emission vehicles. There are further signs that retail prices are now reflecting some of the long-term reductions in trade prices as aged stock is disposed of and these cheaper prices are also likely to further stimulate consumer demand.

Remainder of the market

Despite the latest -0.25% reduction in base rates during February, 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 relatively close to target and expectations for lower future rates across the board, although the trajectory for rate reductions is now expected to be slower due to inflationary measures implemented in last year's Budget which already appear to have started to impact CPI, even before the increased costs to business of National Insurance contributions and increases in National Living Wage have crystallised. 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

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expected to continue to very slowly reduce over the medium term, the situation is expected to improve, but this improvement will be very gradual.

We expect the re-pricing of aged stock to continue and growth in demand to continue to be limited by the cost-of-living squeeze – reductions in CPI do not signal improvements in household disposable income unless wages have already increased in line with inflation or are expected rise by above the current rate in the very near future. Increasingly, we expect dealers to be disposing of overage cars, either through auction or within the trade, as they cut their losses and focus on current market opportunities.

There are ongoing constraints across the supply chain and global supply chains remain fragile. Semi-conductor supply remains constrained, but availability for all manufacturers has improved significantly and is expected to continue to result in improved new car registration performance into 2025. Longer term concerns regarding security of water and power supplies in Taiwan, plus the potential for invasion by China, result in an outlook where chips in general remain in relatively short supply until additional manufacturing capacity comes on stream within the next couple of years. Further supply disruption of some form seems inevitable and the timing of that disruption and location of the countries impacted is likely to be impossible to predict, but the level of disruption is expected to be less than seen over the past three to four years.

With Donald Trump taking office for his second term as US President, there are increasing concerns that a full-blown trade war with China now looks likely. However, there is also potential for this to result in reduced demand for shipping containers from current levels and could act to limit inflation if it results on lower global shipping costs. It remains to be seen whether the UK and EU authorities are able to negotiate a way through the forthcoming difficulties and avoid detrimental impacts from future global trade actions.

Although prices had continued to soften for many of the elements which had been driving inflation in recent months, January saw the highest inflation rate in ten months, with CPI increasing to 3.0% (from 2.3% in October and 1.7% in September) and mainly driven by food, fuel and energy prices. The surprise reduction in CPI to 2.5% in December was expected to be reversed and the mild inflationary trend is expected to continue. 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. CPI is expected to remain relatively close to target, although the last Budget provided additional pressure and the Bank of England remain concerned about future increases, especially from the services sector. Container prices and shipping costs remain well below their previous highs and the piracy risks in the Red Sea seem to have reduced in recent weeks, with fewer vessels being diverted around the Cape of Good Hope and more traffic through the Suez Canal, which may lead to further reductions in global shipping costs. 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 many 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 March is expected to be relatively healthy, with movements marginally favourable to typical seasonal patterns, with overall price change expected to be a decrease of around -0.2% 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 in the first half of this year (the next Bank of England Monetary Policy Committee meeting is in March, but no change in base rates is expected). Used car volumes are now predicted to remain relatively similar to the last few months, staying

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low compared to historic levels as we expected, with used values expected to remain relatively robust through much of this 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.

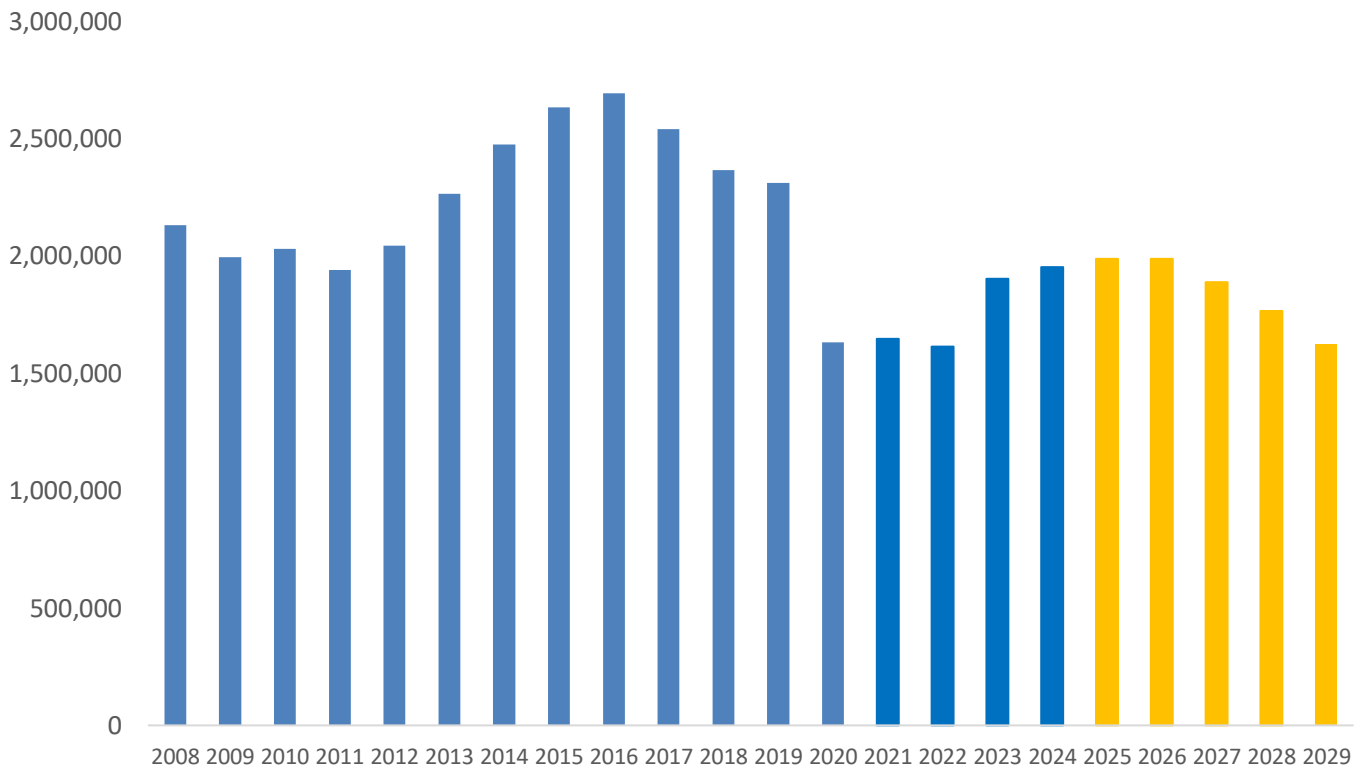
- Although the UK has not entered a technical recession, we remain in an environment of sluggish growth and the final quarter of 2024 could well see negative GDP once again when the first estimates are revised (nominal GDP was +1.1% but GDP per head fell by -0.1%). As mentioned in our customer webinars, 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 2023 and the partial recovery through 2024. It is extremely hard to predict how retail demand will progress through this year, especially given the complex economic situation, but in general continued stability is expected as CPI inflation continues to be relatively close to target, with the potential for improvements once interest rates finally come down.
- As we move through 2025, we will continue to see the positive impact of reduced used car supply as a result of more than 2.8 million fewer cars registered through the course of the pandemic, particularly from fleets (approximately two thirds of the shortfall). However, this will reduce through the year, become close to normal in 2026 and then we will start to see increases in used car volume by 2027 and into 2028.

Supply side factors

Our initial forecast for 2024 was for a further improvement to 2.09mm (up around +10% on 2023 but -9.4% down on 2019), but in August we revised this down to 2.026mm (up 6.5% on 2023, but down -12.3% on 2019). The annual run rate was around 1.97mm at one stage, but weakened considerably in the final months of the year and came in at 1.952, some way below our previous prediction. December saw considerable variation in the data: significant forced registrations from manufacturing groups short of ZEV Mandate target (or under pressure to maximise sales in the calendar year), others holding cars back to register in 2025 (either ICE cars if the required ZEV Mandate position had not yet been reached, or BEVs if the target was already secure). We were expecting a higher level of forced registrations at the end of 2024 in comparison to 2023, but again they seem to have been considerably lower than had been anticipated. Our latest new car registration forecasts for future years are displayed below, although much will depend on the outcome of the imminent consultation exercise, but we do not envisage the market returning to the peaks seen between 2014 and 2018 and still expect to be below pre-pandemic levels. We have been expecting to see a reduction in registration levels from 2027 as increasing number of ICE models are discontinued as an unintended consequence of the ZEV Mandate (Vehicle Emissions Trading Scheme), but this may well happen earlier than originally thought.

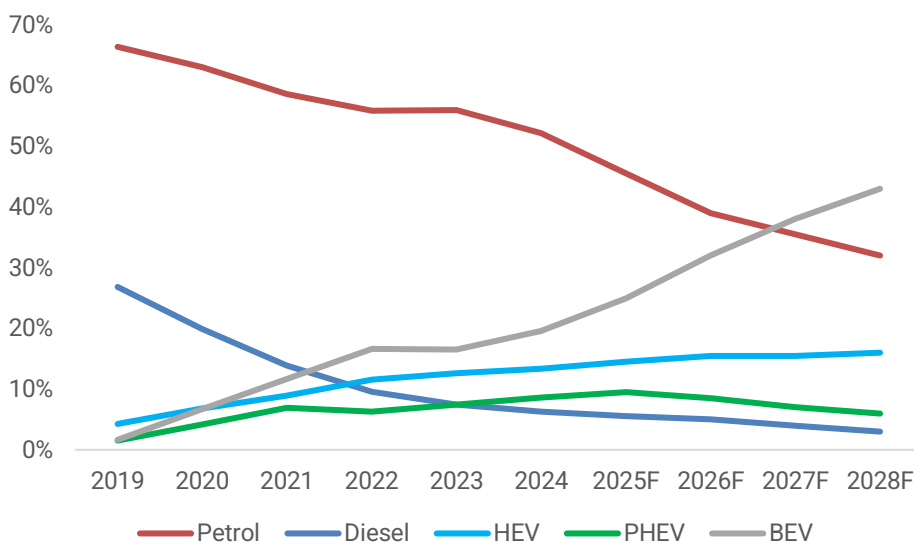
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The chart below shows our latest forecast market share split by fuel type. Petrol and diesel volumes include mild hybrids. The decline in diesel will continue but is likely to slow down since it will remain the right choice for a hard-core minority 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 latest estimate of future share split progression is detailed below. 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). In 2024, we saw overall BEV share climb from 16.5% to 19.6% (compared our forecast of 19%), with the record share in December of 31% being a function of the various year end activities and not a genuine indicator of renewed strength. We are showing 2028 BEV share at 43% (well below ZEV Mandate levels of 52%) and our view is that the targeted share could only be achieved through the early discontinuation of a significant proportion of ICE models in the UK and lower overall levels of new car registrations.



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Growth will continue to be led by battery electric vehicles (BEVs) which became the dominant AFV type towards the end of 2022 as we expected and is forecast to be the largest fuel type in the market during 2027. Post-Covid driving patterns (shorter and fewer journeys due to the increase of home working and online meetings) are likely to add to demand. The government's proposal to ban new ICE cars from 2030 will also be part of this increase, provided enough vehicle supply is made available and investment in charging infrastructure keeps pace with demand.

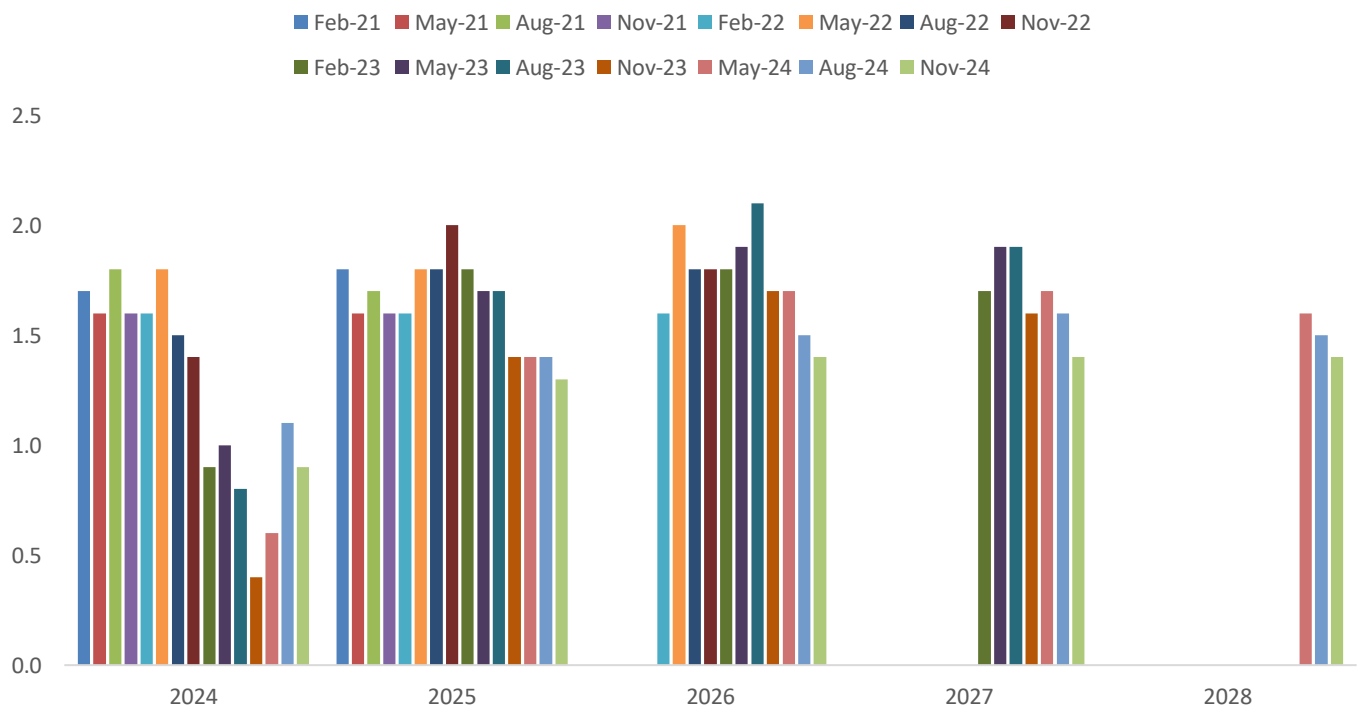
Demand side factors

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

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

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

Independent GDP Forecasts



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

CPI inflation remains above target (up to 3.0% from 2.5% the previous month, but well below the previous peak of 11.1%). Electricity wholesale prices remain relatively volatile (although much lower than in recent years) and timing of OFEGM announcements is likely to continue to be a significant factor in whether prices go up or down for consumers

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and businesses. The BoE continue to be wary of “second order effects”, in particular the levels of wage awards, especially within the services sector, with a view that CPI will only briefly remain close to target before increasing again. The previous increases were driven by a combination of increased fuel and energy costs, everyday household goods, food and clothing, and ongoing labour market imbalances. Although indications from the BoE are that rates are now decreasing from the peak, they have been at pains to point out that base rates will come down much slower than they went up. Concerns remain that rates were raised too far and too fast, damaging UK growth, but the central bank are currently in no mood to lower rates significantly in the immediate future. Thankfully the dangers of secondary effects that are harmful to growth going forward also now appear to have been recognised.

The Bank of England survey had previously shown a continued trend for precautionary saving, but they are now factoring in lower level of household saving than had previously been assumed, with amounts built up during the pandemic assumed now to have been spent to fend off the cost-of-living situation, although there are also some indicators that some households have started saving again.

3. Historic forecast accuracy

Since the introduction of gold book at the end of 2013, we have been able to track the accuracy of historic forecasts against current (black book) values. This tracking is longest for 12-month forecasts (tracked since January 2015) and shortest for 60-month forecasts (tracked since January 2019).

Overall, we are satisfied that accuracy results have generally been within the +/- 5% target agreed with customers, but recognise that results were affected by the unexpected strength of petrol values, which started in 2017 as a result of 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.

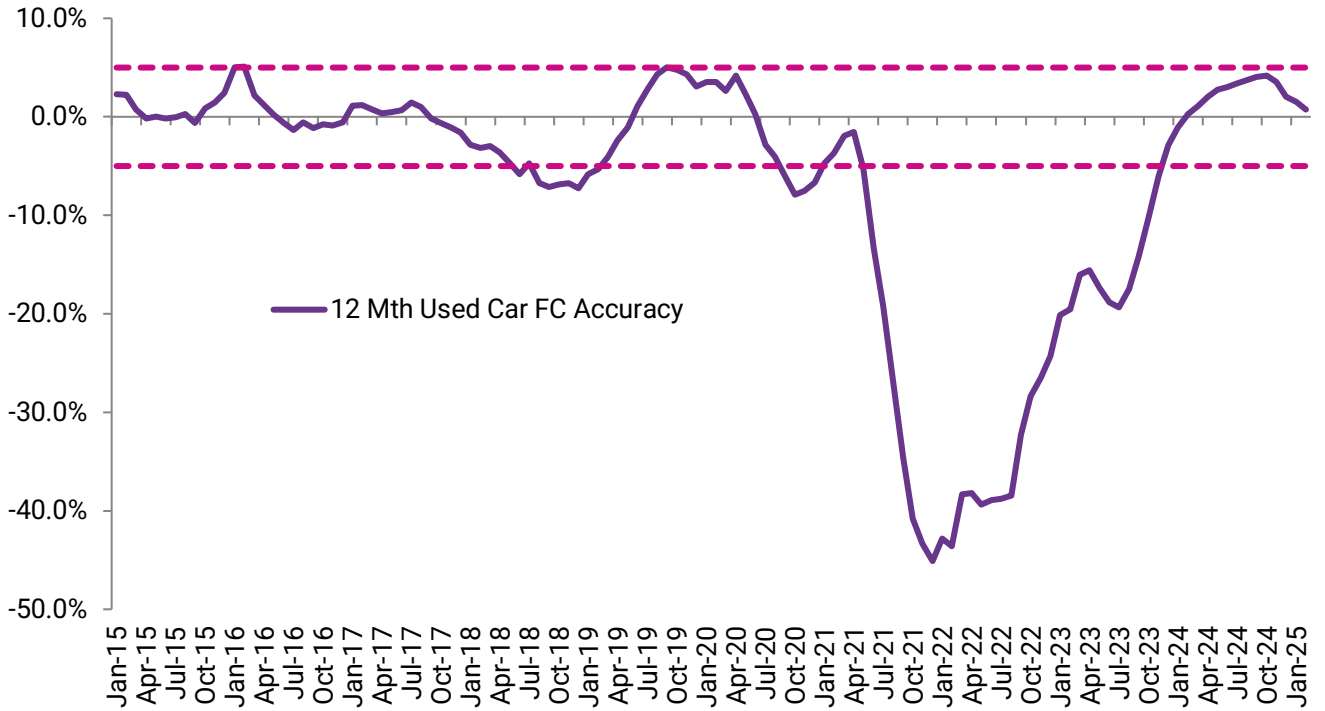
12-month results

Since measurement started our 12 month used forecasts have averaged -7.2% 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 February 2024 12 month forecasts being +0.7% higher than February 2025 used values, with all major sectors still on target.

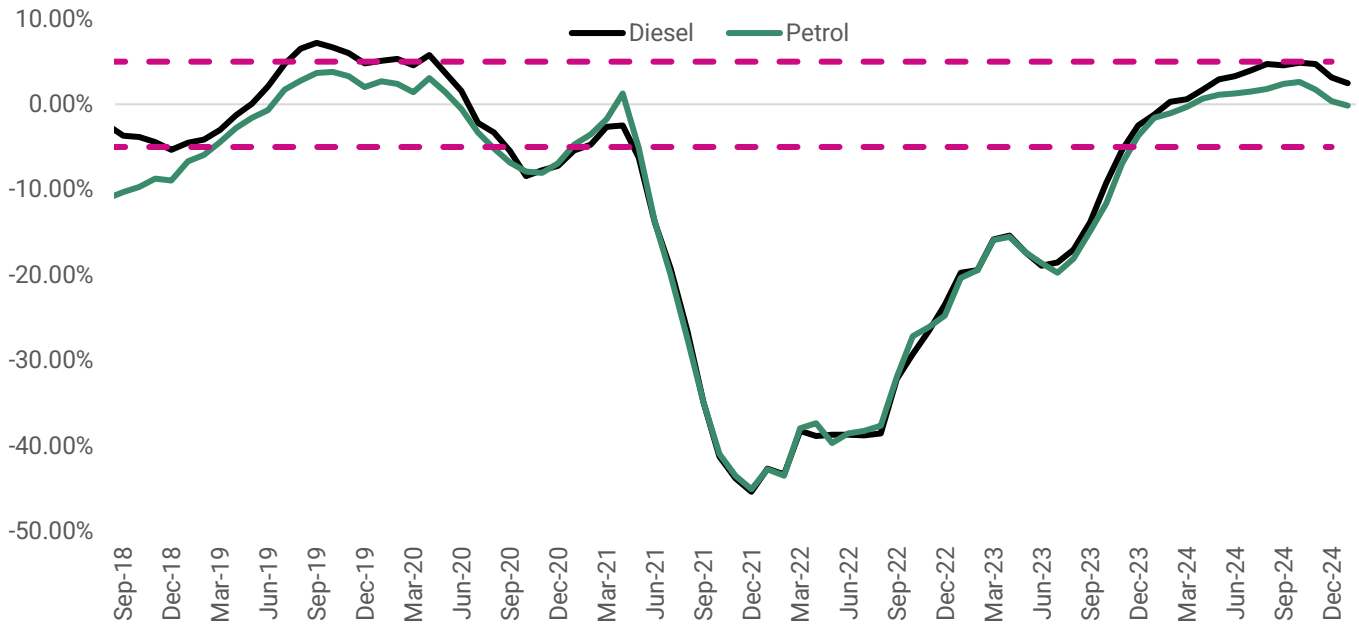
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Overall results



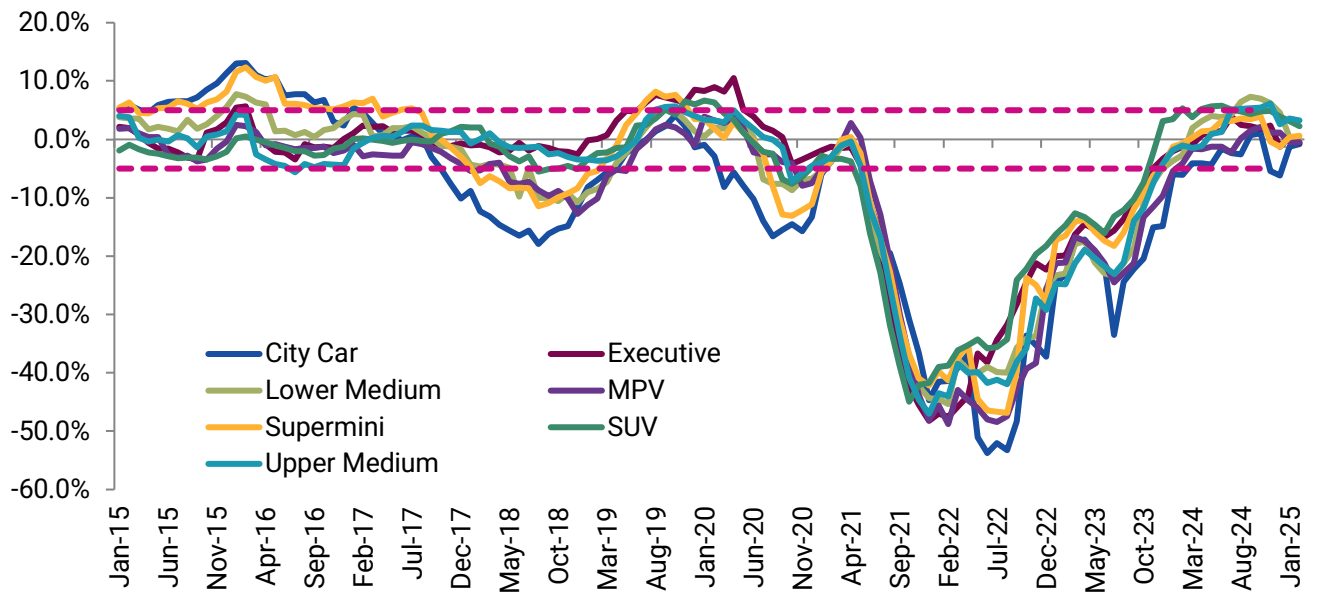
Fuel type results



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Sector results



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

February 2025	Average of Diff (%)
City Car	-0.8%
Executive	-0.5%
Lower Medium	0.0%
MPV	-0.5%
Supermini	+0.6%
SUV	+2.3%
Upper Medium	+3.3%
Grand Total	+0.7%

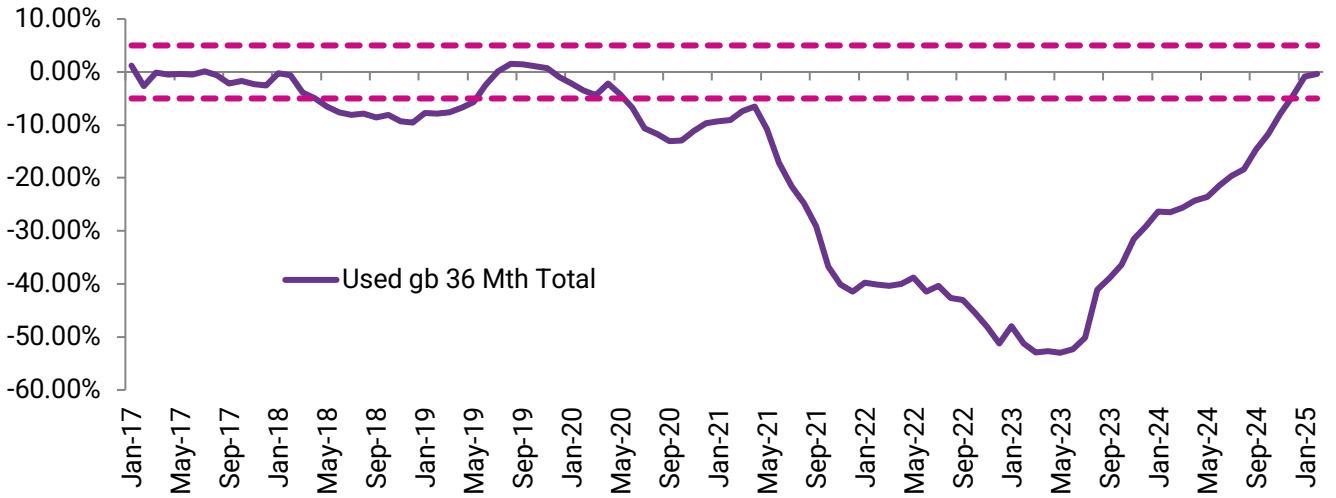
36-month results:

Since measurement started our 36 month used forecasts have averaged -17.8% 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 February 2022 36 month forecasts remain on target overall at -0.4% lower than February 2025 36 month used values, with the majority of major sectors remaining on target (apart from MPV -7.7%, SUV +6.8% and City Car -16.9%).

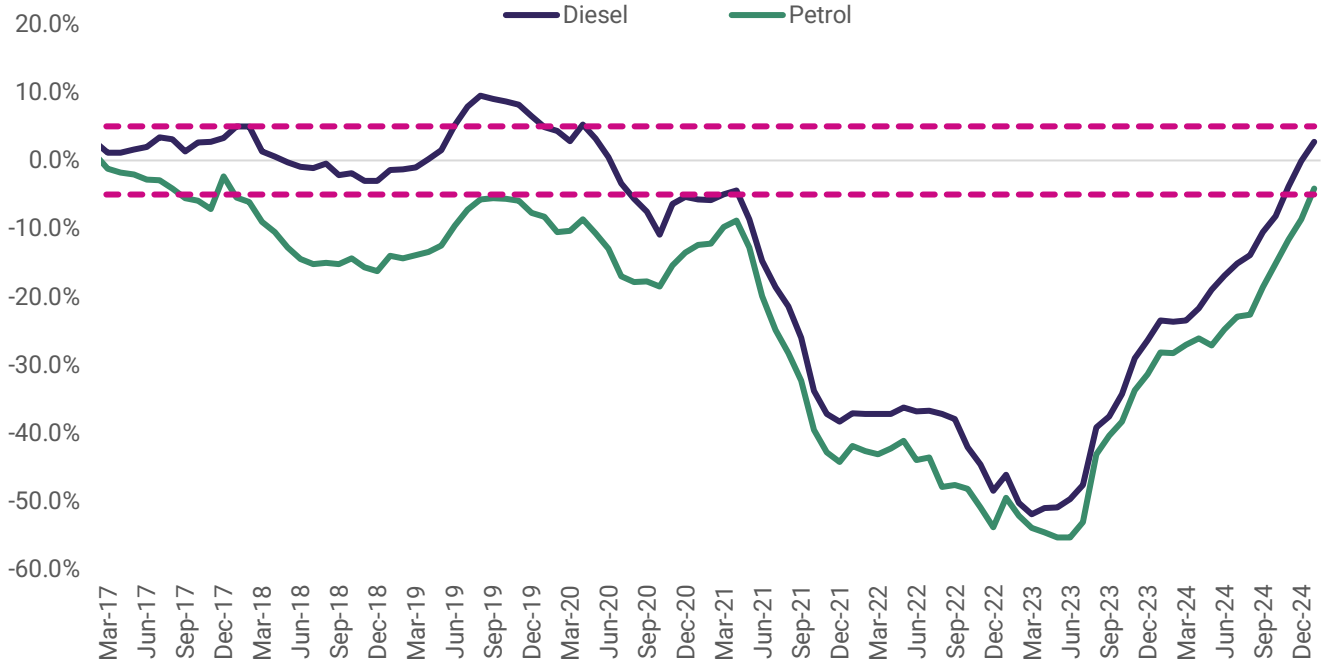
Car future editorial

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Overall result



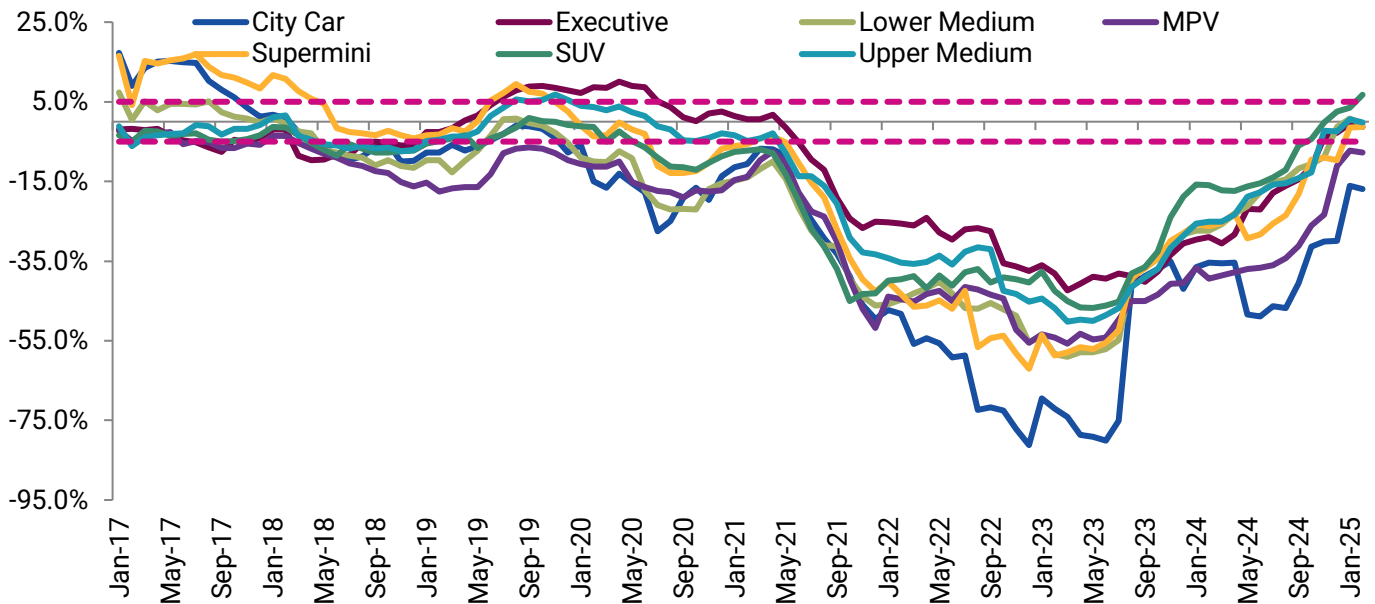
Fuel type results:



Car future editorial

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Sector results:



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

February 2025	Average of Diff (%)
City Car	-16.9%
Executive	-1.4%
Lower Medium	-0.4%
MPV	-7.7%
Supermini	-1.3%
SUV	+6.8%
Upper Medium	-0.3%
Grand Total	-0.4%

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.

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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 2025/26

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