COX AUTOMOTIVE

# FOUR-WARNED IS FOREARMED

## FUEL-TYPE FORECAST 2024-2027

PHILIP NOTHARD, INSIGHT DIRECTOR

- **Cox Automotive publishes industry-first four-year market forecast by fuel-type**
- **Used market predicted to grow by 11% by 2028**
- **ICE share of registrations will contract to 38% - diesel will drop to 3%**
- **Volume of ICE vehicles joining the used car parc by 2028 set to decline 69%**
- **Change comes on top of 3.1 million cars lost since 2020**

Used car dealers should look beyond the headlines to ensure they're ready to adapt to dynamics impacting the used market this year and beyond. That's the message Cox Automotive Insight Director Philip Nothard drove home at Car Dealer Live on 7th March.

Philip made the case that while stories about the growth of the new car market, rising numbers of EV registrations and price volatility in the used EV market have rightly dominated news feeds recently, they risk diverting attention from changes below the surface that will have a continued impact on the used car sector over the next decade.

At the event, Philip also shared Cox Automotive's industry-first four-year forecast, which predicts registration volumes by fuel type. The forecast indicates that in the period 2024-27, EV share of registrations will grow 160% vs 2020-23 volumes to 2.3 million units or 28% of sales. Hybrid will represent 25% of registrations, with two million units sold. This growth comes at a significant cost for diesel and petrol derivatives. Diesel share over the four-years will shrink to just 3%, with 62K units registered in 2027, while petrol, with 3.5 million registrations over the four-years will fall 12% to just a 35% share by 2028.

**"The registration of the millionth EV in the UK is an important milestone in the transition to zero-emission motoring,"** Philip said. **"But with two in every five new cars joining the UK car parc this year forecast to be EV or hybrid, and with that proportion destined to grow rapidly in future years, used car dealers need to prepare now for changes in market dynamics that arguably rival those experienced during the pandemic in terms of complexity and impact.**

**"Multiple factors, not least legislative direction, have seen the proportion of petrol and diesel car registrations decline year-on-year with increasing velocity and a level of consequence that I don't think has been widely appreciated."**

Cox Automotive analysis completed exclusively for Car Dealer Live shows how the UK car parc has changed in the four years since the pandemic and forecasts the likely scenario in four years' time. That projection includes fuel-type breakdowns for the first time.

The new car market contracted by almost a third in the four years between January 2020 and December 2023, when compared to the equivalent period 2016-19, a loss of 3.1 million vehicles. Some 3.9 million fewer used car transactions took place in 2020-23 versus the previous four-year period.

The composition of the UK car parc has also changed. The growth of EV has been well-publicised and the percentage growth is huge thanks to the low starting point; EV claimed just 0.4% share in 2016 and hybrid took 3%. By 2019, this had risen to 1.6% and 6% respectively and by the end of 2023, their share had each shot up to 17% and 20%.

### NEW & USED CAR MARKET - 2016-19 VS 2020-23

| | 2016-2019 | | 2020-2023 | | 4-year impact (vs.2016-19) | |
|---|---|---|---|---|---|---|
| | | % share | | % share | +/- | +/- % |
| **Global production (cars)** | 379,700,557 | | 330,351,528 | | -49,349,029 | -13% |
| **New car registrations** | 9,911,690 | 2.6% | 6,795,362 | 2.1% | -3,116.328 | -31% |
| **Diesel/MHEV** | 3,716,937 | 38% | 855,009 | 13% | -2,861,928 | -77% |
| **Petrol/MHEV** | 5,673,700 | 57% | 3,951,121 | 58% | -1,722,579 | -30% |
| **BEV** | 77,185 | 0.8% | 880,823 | 13% | 803,638 | 1041% |
| **PHEV/HEV** | 443,868 | 4.5% | 1,108,409 | 16% | 664,541 | 150% |
| **Used transactions** | 32,193,249 | | 28,328,693 | | -3,864,556 | -12% |
| **Used parc** | 129,606,427 | | 132,652,428 | | 3,046,001 | 2.4% |

## A BATTLE FOR THE BEST STOCK

The opposite can be said for petrol and diesel cars. In the period 2016-19, ICE cars made up 95% of new car registrations. That number fell to 71% in the period 2020-23, a loss of 4.6 million cars. The ICE decline accelerated throughout this period, dropping from 83% market share in 2020 to 64% in 2023. Cox Automotive forecasts a further drop of 35% between now and the end of 2027, meaning just 784,000 new ICE vehicles will hit the road in 2027, versus the 1.2 million recorded in 2023.

Diesel has experienced the most dramatic decline, from a 38% share in 2016-19, to 13% in 2020-23. In fact, by 2023, diesel vehicles – including mild-hybrid variants – represented just 8% of new registrations. Cox Automotive projects that this share will have declined to 3% by 2028, a loss of a further 488,000 vehicles over four years, in addition to the 2.9 million lost since 2020.

Petrol's slice of the pie has remained steady (57% in 2016-19 vs 58% in 2020-23). Still, Cox Automotive foresees a steady decline over the next four years, with its share of all registrations dropping to 51% by the end of this year and to 35% by 2028, as petrol models are phased out in favour of hybrid and EV alternatives. This equates to a loss of 2.3 million petrol-powered vehicles aged 0-8 years from the used market by the end of 2027.

On the forecast, Philip comments: **"Our forecast is based on today's knowns, but we accept the trajectory could change as technology evolves, governments change, and the impact of the Chinese OEMs' "volume at all costs" strategy becomes known. Potential scenarios are a steeper acceleration of EV penetration than anticipated and the advancement of hybrid technology resulting in a greater emphasis on this fuel type within the mix, or even throwing petrol a longer lifeline via mild hybrid improvements."**

### NEW & USED CAR MARKET FORECAST 2024 - 2027

| | 2024 | | 2025 | | 2026 | | 2027 | | 4-year impact (vs. 2020-23) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | % share | | % share | | % share | | % share | +/- | +/- % |
| **Global production (cars & LCV)** | 89,318,574 | | 90,211,760 | | 91,294,301 | | 91,750,773 | | 32,223,881 | 10% |
| **New car registrations** | 2,020,050 | 2.3% | 2,029,765 | 2.3% | 2,054,122 | 2.3% | 2,064,392 | 2.3% | 1,372,967 | 20% |
| **Diesel/MHEV** | 121,203 | 6.0% | 101,488 | 5.0% | 82,165 | 4.0% | 61,932 | 3.0% | -488,221 | -57% |
| **Petrol/MHEV** | 1,030,226 | 51% | 913,394 | 45% | 801,107 | 39% | 722,537 | 35% | -483,856 | -12% |
| **BEV** | 424,211 | 21% | 527,739 | 26% | 636,778 | 31% | 701,893 | 34% | 1,409,798 | 160% |
| **PHEV/HEV** | 444,411 | 22% | 487,144 | 24% | 534,072 | 26% | 578,030 | 28% | 935,247 | 84% |
| **Used transactions** | 7,350,205 | | 7,948,639 | | 8,052,157 | | 8,092,418 | | 3,114,726 | 11% |
| **Used parc** | 33,553,670 | | 33,048,970 | | 32,544,270 | | 32,053,669 | | -1,451,850 | -1.1% |

Philip explains: **"It's almost impossible to overstate the shift in the UK car parc over the past four years and how that change will continue to accelerate over the next four years and beyond. Today's market for cars aged 0-4 years differs significantly from 2020 and will contrast even more so in 2028. Manufacturers will continue to be driven by legislation rather than consumer demand and ICE will be all but gone from the UK new car market long before the 2035 deadline. For dealers, this means a battle for the best stock, for consumers it means diminishing choice and above-inflation price increases.**

**"The story began with the loss of more than three million new cars in the four years 2000 to 2023. Due to lockdowns, the parts supply crisis and strategic decisions by OEMs to rationalise product line-ups and prioritise certain markets, these vehicles never rolled off production lines and will never appear on a dealer forecourt or website. This created a short-term boost for the used market, with used car transactions in the period 2020-23 remaining only 12% below the 2016-19 average, despite a two-thirds reduction in the overall car parc growth rate."**

## A PROFOUND CHANGE TO THE VEHICLE PARC

**"But a twist in the tale now comes from the rapid pivot away from ICE towards hybrid and EV derivatives. Quite simply, diesel variants are currently drawing their last breath, while petrol is having a last hurrah before its inevitable extermination as a mainstream fuel choice. This profound change to the composition of the vehicle parc will see competition for young ICE models escalate as supply dwindles, driving wholesale and retail prices skywards. The 0–4-year-old diesel market has been decimated since 2020, meaning buyers in that space are quickly running out of options. Petrol buyers have a little more time, but that gap will close as EVs continue to replace them in manufacturers' new car lineups.**

**"The market is accustomed to there always being an equivalent replacement waiting in the wings for every vehicle sold. Those days are gone. The fundamental make-up of the new market has changed and will continue to change, not just by fuel type, but by segment type as OEMs prioritise more profitable models. The influence of this on the used sector is inevitable."**

Cox Automotive cautions as to whether consumer demand for used EV will reflect the pace of EV registrations in the medium term. Philip believes we will experience an increasing oversupply of EVs into the used market, at least until values become less volatile and consumer confidence grows.

He added: **"We must remember that in 2023, 94% of used cars sold were ICE and many consumers will likely remain loyal to this fuel type for as long as they can. The average used car buyer is often seeking to replace their existing car with something comparable that's affordable and fits their lifestyle. They may not yet be ready to make the leap into EV for financial, infrastructure or use-case reasons.**

**"And while the market for used EVs will now establish itself as volumes come on stream, it faces competition from manufacturers and dealers chasing new registration volume via compelling deals and finance offers. And it remains the case that many potential used buyers are cautious about longer-term EV values, their comparably high outright purchase cost and the risk of technological obsolescence. That isn't to say EVs don't represent good value on the used market or will sit on forecourts unsold - in fact, there's evidence that shows the contrary is happening. However, there is also plenty of evidence pointing to reticence on the part of private buyers while volumes in the used market are currently too small to draw meaningful conclusions."**

### USED VEHICLE PARC FORECAST 2024 - 2027

| | 2024 | | 2025 | | 2026 | | 2027 | | 4-year impact (vs. 2020-23) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | % share | | % share | | % share | | % share | +/- | +/- % |
| **Diesel/MHEV** | 11,232,846 | 33% | 10,644,846 | 32% | 10,056,846 | 31% | 9,482,846 | 30% | -6,738,801 | -14% |
| **Petrol/MHEV** | 20,598,957 | 61% | 20,332,257 | 62% | 20,065,557 | 62% | 19,798,957 | 62% | -169,402 | -0.2% |
| **BEV** | 1,126,172 | 3.4% | 1,376,172 | 4.2% | 1,626,172 | 5.0% | 1,876,172 | 5.9% | 3,892,762 | 184% |
| **PHEV/HEV** | 595,694 | 1.8% | 695,694 | 2.1% | 795,694 | 2.4% | 895,694 | 2.8% | 1,563,589 | 110% |
| **Total** | 33,553,670 | | 33,048,970 | | 32,544,270 | | 32,053,669 | | -1,451,850 | -1.1% |

## PRICE PERFORMANCE - A CAUTIONARY TALE

Further data analysis by Cox Automotive shows the reality of used car price inflation since 2020. Comparing a basket of established ICE vehicles and their trade values since 2019 shows that in many cases, today's used buyer will need to either spend considerably more or accept a higher mileage and older age for the same budget they had in 2019.

For example, a trade buyer with £12,700 to spend in September 2019 could have snapped up a six-month-old Ford Fiesta 1.0 EcoBoost Titanium with 7,267 miles on the clock. Today, that same car would cost them £12,050 despite being five years older.

Philip said: **"The price performance of ICE vehicles has been startling over the past four years and despite the recent market realignment, prices remain high versus their historical average. With supply of ICE vehicles into the overall car parc reducing year-on-year, our view is that this will remain the case. Dealers can naturally still find margin in these vehicles, but consumers increasingly need to understand that their budget today will not see them drive away the same standard, age or condition of car that they would have pre-pandemic. A drop in values over the medium to long term is unlikely. Some will be able to suck it up, some will turn to finance, others may well choose to stick with what they already have and delay changing altogether."**

Cox Automotive believes price parity between EV and ICE is as likely to be driven by ICE values rising as by EV prices dropping.

## DEALERS - BE PREPARED

Philip concluded: **"This is by no means a picture of doom for the used car sector, but it would be naive to think the so-called new normal has yet been established. The overall used market is forecast to rise modestly, albeit its composition by 2028 will differ from what we're used to today.**

**"Dealers will always sell what's available and the majority are adept at their trade, agile at attracting customers and more than capable of carving out a good living. But the numbers cannot be ignored and dealers who are today dependent on a healthy turnover of ICE vehicles must be alert to the stock squeeze that's coming down the line and the increased need to manage customers' cost of ownership expectations, and prepare accordingly. Equally, consumers sat on the fence about buying a petrol or diesel vehicle now would be wise to act.**

**"If you're a dealer looking now at a forecourt that's 90% ICE vehicles, consider how that will look 12 months from now, and another year on from then, knowing that the availability of ICE vehicles is shrinking at a rate of 10-16% a year going forward. Can you sustain that stock profile? Are you prepared for an influx of EV product? Could hybrid be a stepping stone for your customers? What can you do now to ensure you're best placed to help customers with the transition? And are you maximising the margin opportunity on sub one-year-old diesel stock now?"**

## SIX TAKEAWAYS FOR USED CAR DEALERS

01

**Thaw point:** ICE car parc is ageing YoY, impacting availability and choice in the 0-4 year-old bracket. They'll be long gone before 2035 deadline. Rethink your stock profile strategy?

02

**Diesel decline:** Its new car market share will plummet to 3% by 2028. Time to embrace the EV wave and unlock new profit potential?

03

**Volatility persists:** Unstable used EV prices not helped by OEM new market tactics that will leave second-hand EVs vulnerable to retail competition.

04

**Hybrid gateway:** Availability, not preference, will drive many buyers to choose hybrid. Training and greater tech know-how a must?

05

**Follow the traffic:** EV and ICE price parity is as likely to stem from rising ICE prices than falling EV.

06

**Narrowing choice:** Consumers considering ICE will have to act soon due to decreasing options and rising prices. Educate buyers, make their decisions easier.