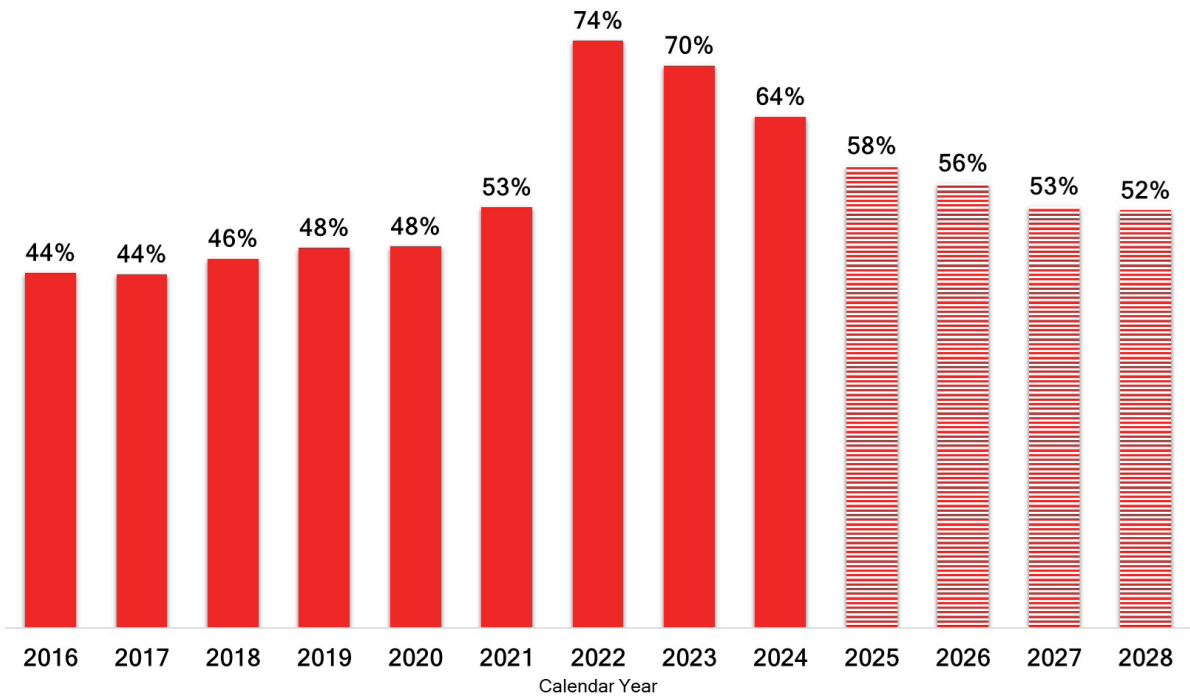


May 2024 Residual Values Forecast

Welcome to the premier edition of Canadian Black Book’s RV Newsletter, where we continue our tradition of scrutinizing the “input variables” that shape the automotive market. Before the pandemic, average retention values remained quite consistent. Then, in CY 2022, the market experienced an unusual surge in values—a consequence of the pandemic-induced supply shortages. Now, we foresee these retention values slowly reverting to their pre-pandemic levels. This shift is mainly due to the stabilization of vehicle supply, paired with reduced market demand led by consumer unaffordability. The persistent rise in new car MSRPs and interest rates has outpaced vehicle improvements. This imbalance suggests that retention values could continue to trend downward. For a more detailed analysis and the latest updates in the auto industry, please see our Weekly Market Update Report, which offers week-to-week insights.

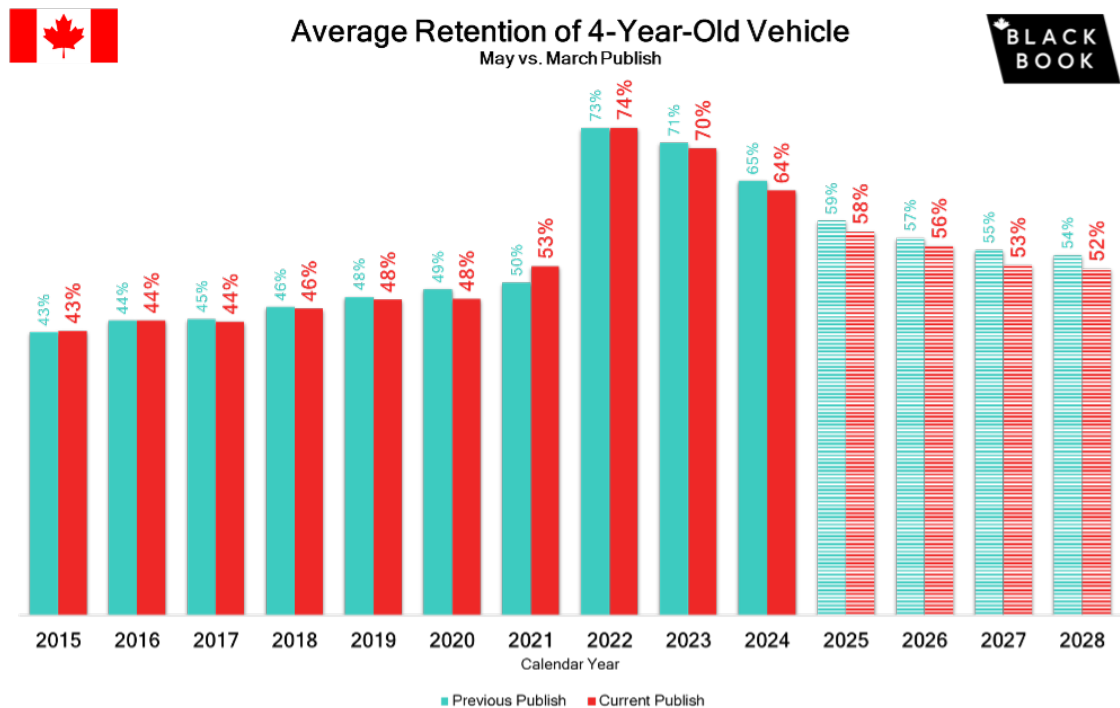


Average Retention of 4-Year-Old Vehicle
May Publish



Changes In the Forecast Since Last Publish

Although this is the first edition of our RV Newsletter, Canadian Black Book has a long history of monitoring and analyzing various factors that influence our residual outlook. In this section, we will outline any changes in our forecast and how these developments impact our projected residual values.



Changes In the Inputs Variables

Current Wholesale Environment

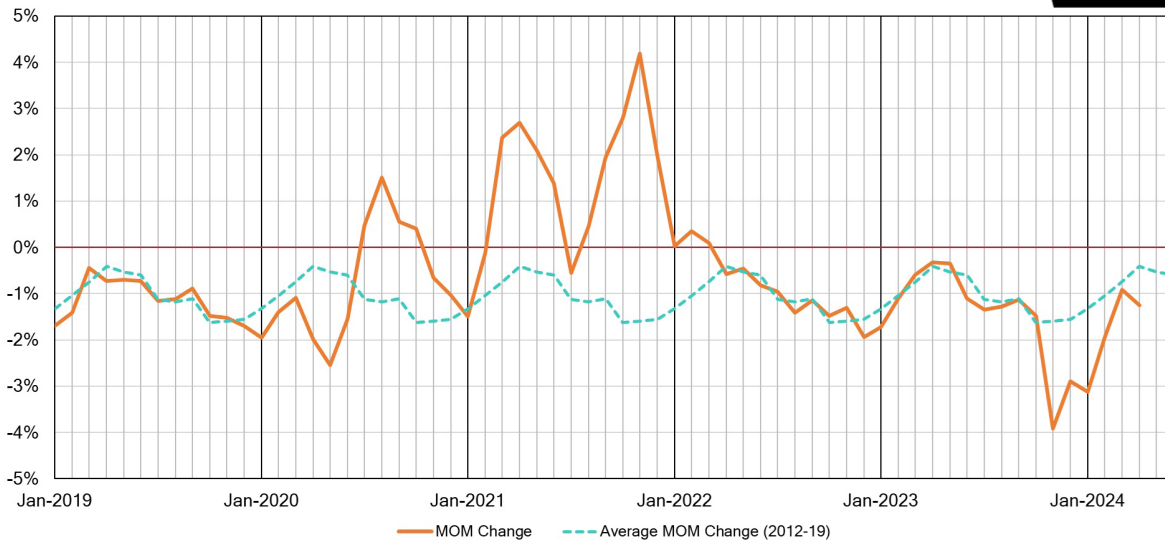
Since our last publish in March, the average Residual Value from model years 2018 to 2024 dropped by 2% at the 48 and 60 month terms. Longer term residual values are less impacted by changes in the Wholesale market, which, as shown in the chart below, declined sharply, starting in Q4 2023.

Wholesale Values have declined 2.7% overall with trucks falling 1.9% and cars 3.8%. Segments with the largest wholesale decline were Sub-Compact Car (-7.7%), Compact Car (-7.1%) and Prestige Luxury Car (-4.4%).

While the decline in SUV values accelerated in Q4 2023, car values were more stable. However, car values have begun to decline over the past 3 months.

Month Over Month Wholesale Price Changes

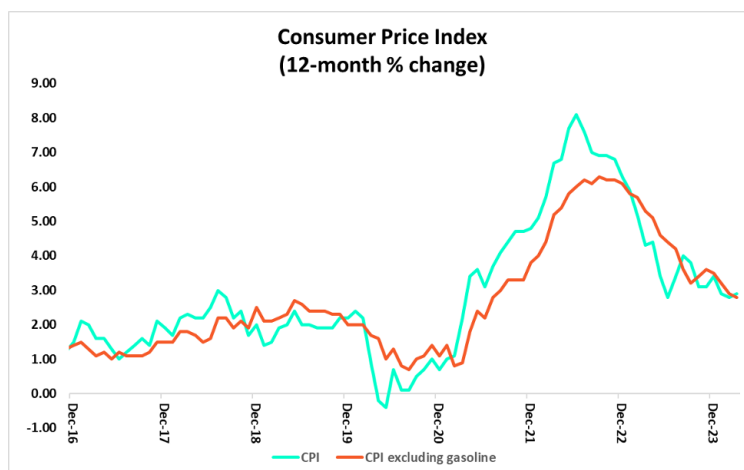
2-6-year-old vehicles



Macroeconomic Variables

Q4 2023 GDP registered growth at an annualized pace of 1% according to data from Statistics Canada. This compared to a 0.5% drop in Q3 and indicates that Canada avoided recording two consecutive quarters of decline thereby missing what economists refer to as a “technical recession”. However, behind the somewhat rosy data are concerns that the economy is not keeping pace with a growing population. Inflation data from March showed a slight increase from February at 2.9%, but still within reach of the Bank of Canada’s 2% target. This has increased the likelihood of interest rate cuts later in the year, perhaps starting as soon as June.

The chart below, from Statistics Canada, shows the dramatic increase in consumer prices since 2020, peaking in mid-June of 2022 and slowly declining since. The Bank of Canada anticipates that inflation will ease to below its 2% target in late 2024 allowing a gradual easing of interest rates to occur.



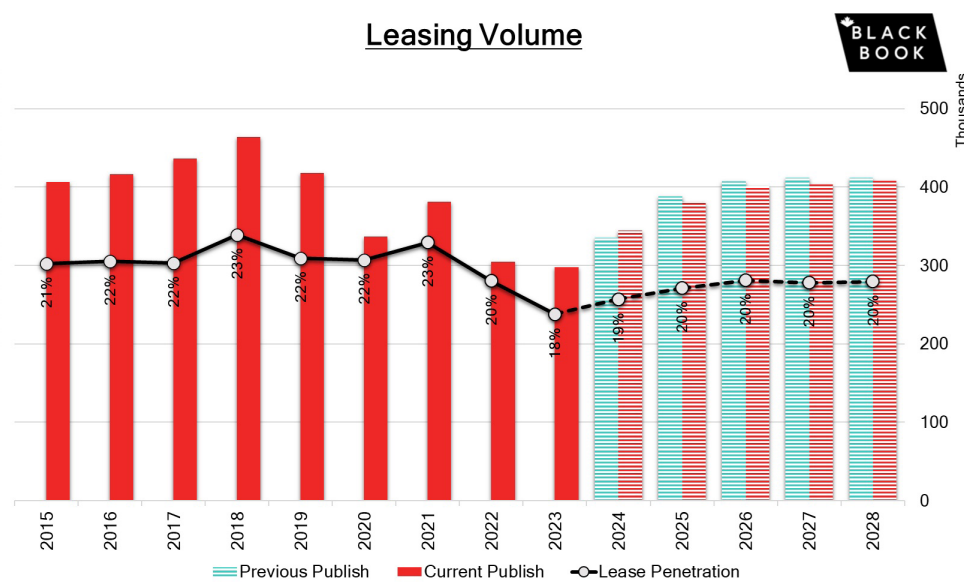
New Sales

Our sales forecast for May 2024 increased to 1.8 million units. The resolution of the microchip shortage and stabilization of global supply chains suggest a return in new car volume from the pandemic-induced lows. Yet, the lingering aftershocks of pandemic shortages will likely be felt for many years, with fewer used vehicles re-entering the market from lease returns and rental fleet renewals than in pre-pandemic times. This dip in used vehicle supply may shift consumer behavior, driving some towards older used vehicles and others towards new that may have previously only considered used. With the continued rise in new vehicle prices and persistently high interest rates, new vehicle sales are expected to remain subdued compared to pre-pandemic figures.



Lease Penetration

We have revised our leasing forecast up for 2024, 2025 and 2026, primarily due to a return of OEM’s offering lease subvention programs as consumers search for more affordable monthly payments.



About Canadian Black Book

For 60 years, Canadian Black Book has been the trusted and unbiased Canadian automotive industry source for vehicle values. Today the company has grown into a leading data provider of vehicle valuations, residual value forecast solutions, and VIN decoding. Canadian Black Book tools and information are considered 'The Authority' for vehicle values not only by car dealers and manufacturers but also the leasing, finance, insurance, and wholesale sectors. In 2020 Canadian Black Book brought to market its Enhance Vehicle Matching (EVM) solution, which will allow the industry to decode more consistently 17 digits VINs down to a specific trim package allowing a more precise vehicle valuation.

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