Q1 2024 Vehicle Pricing Index

TransUnion

Q1 2024 Vehicle Pricing Index

1 Executive Overview

Introduction

In a continued effort to provide relevant and actionable insights into the automotive market, our TransUnion SA Vehicle Pricing Index (VPI) remains focused on financed vehicle trends, integrating sales data with borrowing patterns. This approach underscores our commitment to evaluating market dynamics and future trajectories, establishing a reliable barometer for stakeholders, including manufacturers, dealers, financiers, OEMs, insurers and consumers. As the landscape of mobility and digital transformation evolves, this targeted focus aims to better equip our partners for navigating a complex market.

Economic landscape – current and forecast

The South African automotive sector continues to face significant macroeconomic challenges with no change in interest rates and persistent low GDP growth. Consumer and business confidence remains low, further exacerbated by various factors which have led many to defer long-term financial commitments, including vehicle purchases. This cautious sentiment is expected to persist, maintaining pressure on the vehicle market as consumers await economic clarity before making major asset purchases. Consumers who purchased vehicles post-2021 have not yet reached a point where their loan balances can be offset by the trade values of their vehicles, and consumers who held high balloon payment financing, adding to financial hesitation. Consequently, we forecast vehicle sales will continue to be suppressed until greater economic stability and consumer confidence returns.

Market dynamics in vehicle sales – current and forecast

In Q1 2024, the South African vehicle market exhibited notable changes. According to Naamsa, new passenger vehicle sales and total vehicles financed decreased by 8.4% and 10.6%, respectively compared to Q1 2023. This decline reflects the ongoing economic pressures and high interest rates that continue to deter consumers from purchasing new vehicles. The used-to-new ratio of financed vehicles adjusted from 1.86 in Q1 2023 to 1.15 in Q1 2024. Consumers who have equity in their vehicles need to be tempted by dealers through incentive schemes. And for those who choose not to enter the market, banks should assess their books to look at customers seeking to refinance their current vehicles.

Trends in consumer purchasing – current and forecast

The Q1 2024 VPI showed new vehicle prices increased 4.7% and used vehicle prices 2.1%. By comparison, the VPI for Q1 2023 recorded increases of 6.3% for new vehicles and 8.1% for used vehicles. The significant slowdown in used vehicle price inflation, combined with relatively lower new vehicle price increases and manufacturer incentives, is making new vehicles increasingly attractive to buyers entering the market. Consumer behaviour has changed significantly. Households prefer one multipurpose vehicle over two vehicles, and substituting their ride demands with ride hailing services like Bolt and Uber. We forecast the trend of preferring used vehicles may stabilise – with potential increases in new vehicle sales as economic conditions improve and dealer incentives continue to play a pivotal role. Insurers should reassess the values of their customers' vehicles with this slowdown in pricing to manage risk.

Market affordability and financial inclusion – current and forecast

The average loan value for financed vehicles in Q1 2024 rose to R391,000, up from R387,000 in Q1 2023. However, this increase remains below the inflation rate for both new and used vehicle prices and the Consumer Price Index (CPI). This indicates while nominal loan amounts have grown, they're not keeping pace with rising vehicle costs, reflecting diminishing disposable income or spending power among consumers. This trend suggests consumers are becoming more cautious with their spending on vehicles, and this is likely to continue unless there's significant improvement in disposable incomes or a decrease in vehicle prices. We forecast the growth in average loan values will remain moderate, constrained by consumers' financial pressures and the economic environment.

Our analysis for Q1 2024 highlights ongoing opportunities for financial inclusion among individuals previously excluded from credit markets. This trend presents an opportunity to leverage inclusive finance strategies to expand credit access to underserved markets. By adopting innovative financial products tailored to these consumers, the industry can potentially increase financing volumes and stimulate market growth. We forecast use of subscription services will assist consumers who've been financially excluded from longer-term traditional finance.

Conclusion

The South African vehicle market continued to navigate economic uncertainties – with modest shifts in consumer behaviour and market dynamics. The macroeconomic challenges, including unchanged interest rates, low GDP growth and low consumer and business confidence, caused a deferral of long-term financial commitments. This environment is expected to persist, keeping vehicle sales suppressed until post-election stability is achieved and confidence is restored.

Overall, the ability to innovate in financial inclusion and adapt to the evolving mobility landscape remains crucial for achieving sustainable growth amid ongoing challenges. The industry's focus should be on leveraging these opportunities to navigate the current economic landscape and prepare for a more stable and prosperous future.

Unpacking the Q1 2024 Vehicle Pricing Index

2 Q1 2024 VPI Results

	Q1 2024	Q1 2023	Q4 2023
New VPI	4.7%	6.3%	6.3%
Used VPI	2.1%	8.1%	6.4%
CPI	5.3%	7.0%	5.5%

Figure 1.1

New Price Index (Figures 1.1 and 1.2)
New vehicle price increases were below inflation, and numerous OEMs are offering incentives and discounts.

Used Price Index (Figures 1.1 and 1.2)
Used vehicle price increases are stabilising and the forecast is for slower increases in the coming quarter.

Vehicle Price Increases

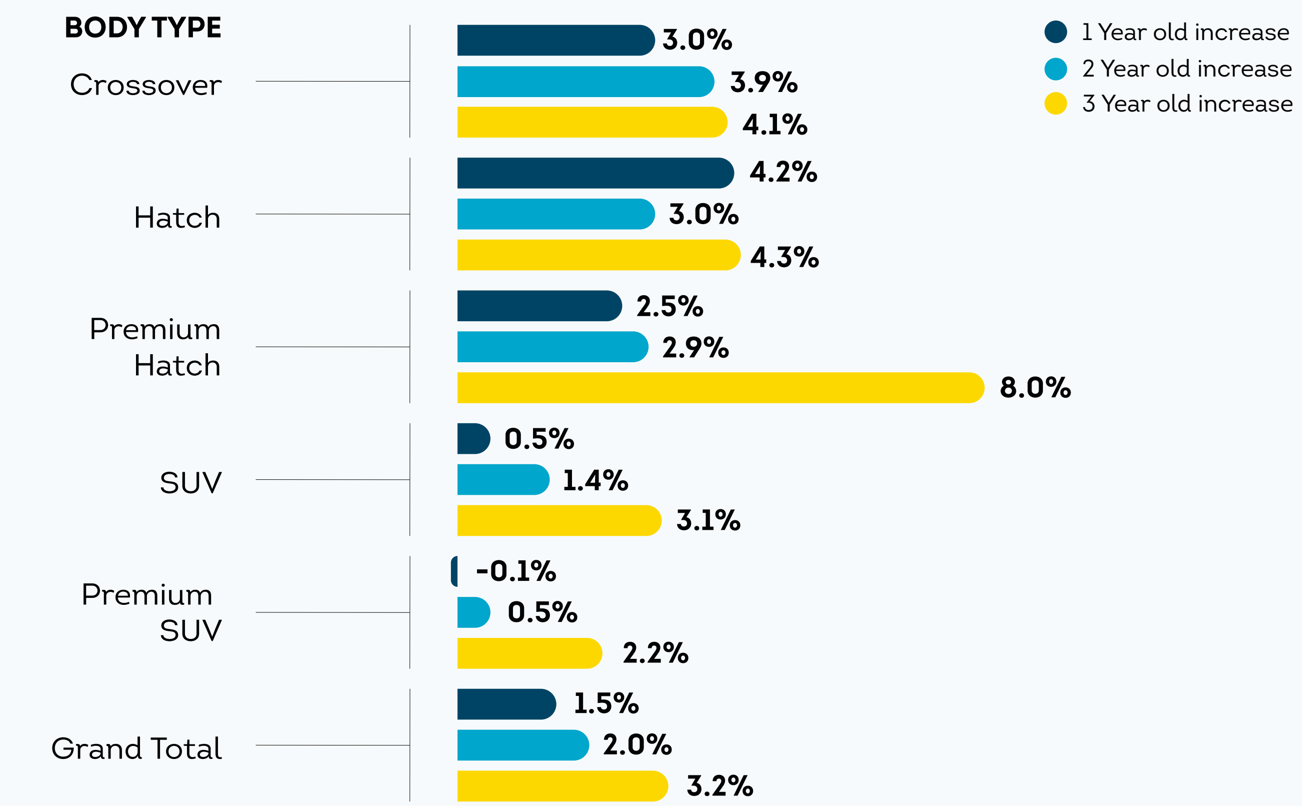


Figure 1.1.1

TransUnion

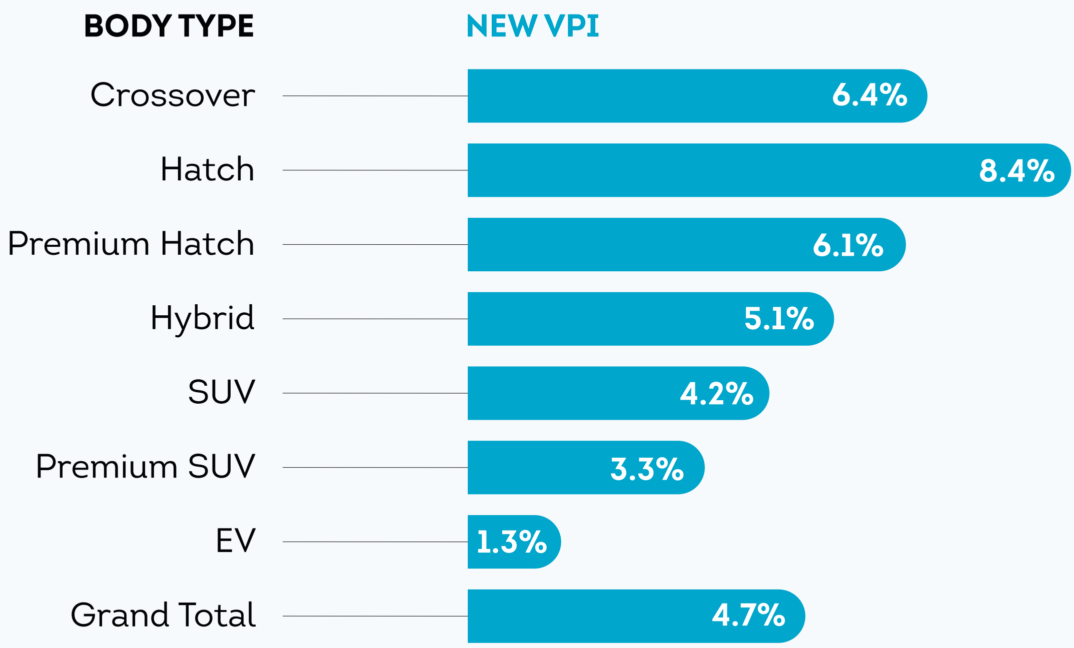


Figure 1.1.2

Vehicle Pricing Index (VPI) and Consumer Price Index (CPI)

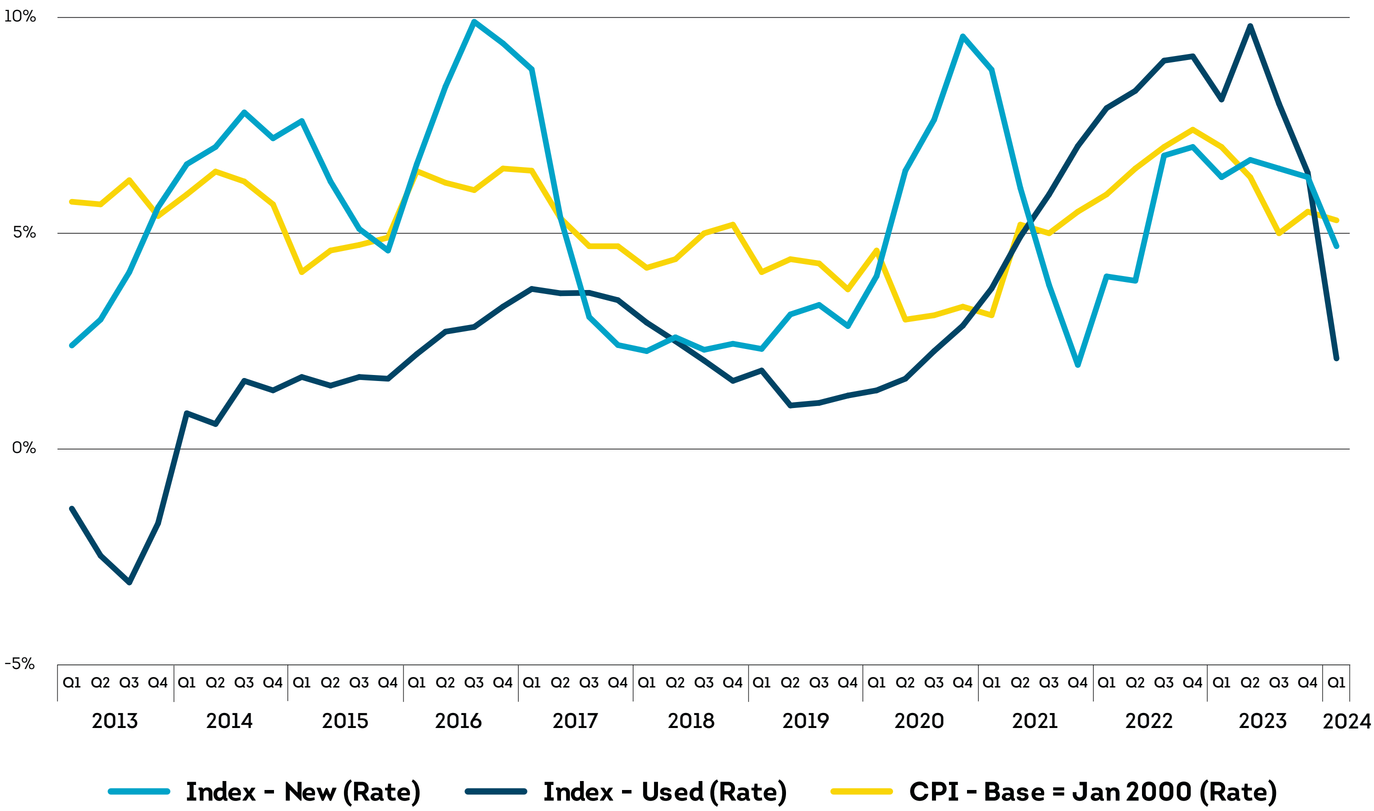


Figure 1.2

 |

TransUnion

3 Q1 2024 Used-to-New Ratio

	Q1 2024	Q1 2023	Q4 2023
Ratio	1.15	1.86	1.23

Figure 1.3

Used-to-New Ratio (Figures 1.3 and 1.4)
The ratio indicates finance houses are financing 1.2 used vehicles for every 1 new vehicle, which should remain consistent in coming quarters.

Used-to-New Ratio

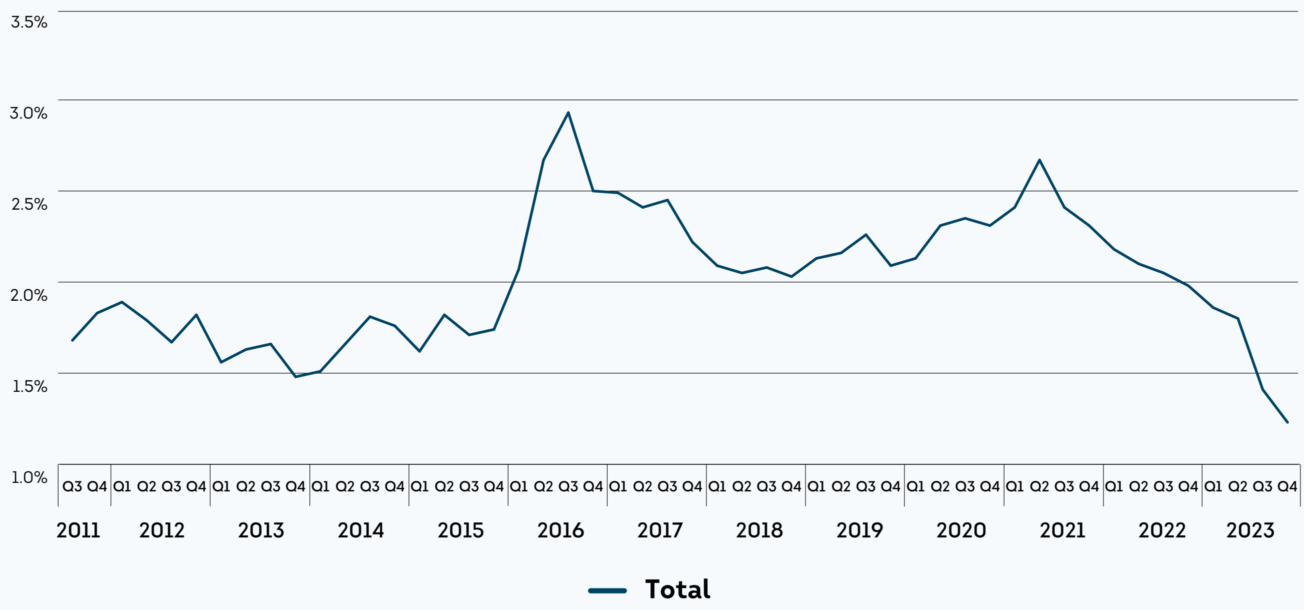


Figure 1.4

4 Q1 2024 Vehicle Asset Finance Results

Vehicle Asset Finance (Figure 1.5)
The over **300k** band reached the highest since we started tracking in 2011, which is indicative of ongoing price increases.

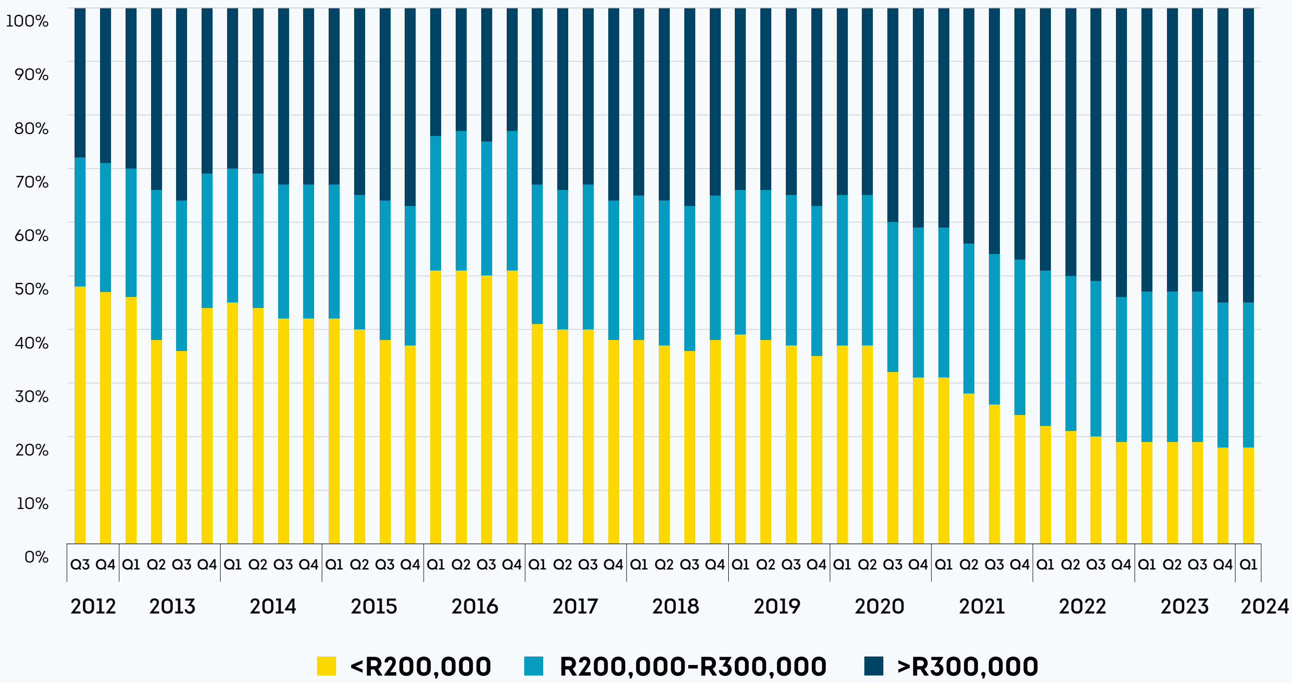
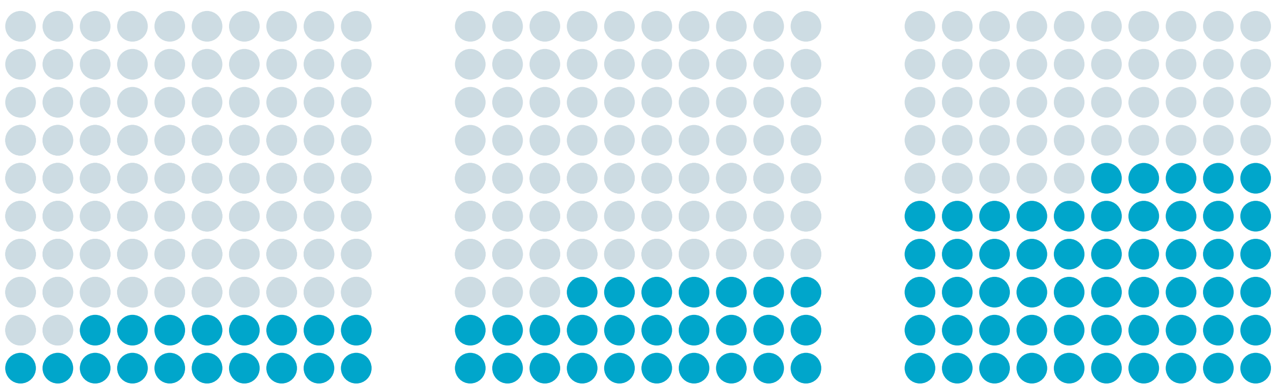


Figure 1.5.1

Q1 2024 Finance Bands



<R200,000	**R200,000-R300,000**	**>R300,000**
18%	27%	55%
20% Q1 2023	**28%** Q1 2023	**53%** Q1 2023
18% Q4 2023	**27%** Q4 2023	**55%** Q4 2023

Figure 1.5.2

Q1 2024 Vehicle Pricing Index

Contact us

TransUnion SA Vehicle Pricing Index queries can be directed to:

Amy Beck

SA_MkrtComms@transunion.com

+ 27 11 214 6000

Want to know more?

We can help you gain a more granular view of your operating environment with our Business Intelligence Reports. With access to extensive data and predictive insights you can identify, segment and effectively target prospective customers amid tough economic pressures.

Sources: Figure 1.1 and 1.2 - Industry Sales Data, Figure 1.3 to 1.5 - New Financed Vehicle Sales Data

TransUnion