# Q2 2024 Vehicle Pricing Index

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# 1 Executive Overview

## Introduction

As South Africa continues to face economic challenges, the TransUnion SA Vehicle Pricing Index (VPI) provides essential insights into the automotive market. By focusing on financed vehicle trends, we offer actionable intelligence for manufacturers, dealers, financiers, OEMs, insurers and consumers.

Amid evolving economic conditions, industry stakeholders must stay flexible and responsive to changes in the market.

## Economic challenges and opportunities

In Q2 2023, South Africa experienced modest growth (0.4%) driven by post-pandemic recovery. However, by Q2 2024, the economy had contracted 0.1%, with significant declines in manufacturing (-1.4%), mining (-2.3%) and construction (-3.1%). These disruptions delayed production and halted projects throughout the economy.

Vehicle sales and production remained stable in Q2 2023, but by Q2 2024, new vehicle sales dropped 6% quarter over quarter (QoQ), highlighting a more challenging economic environment.

In July 2024, the South African Chamber of Commerce and Industry (SACCI) Business Confidence Index rose slightly to 109, up from 108.5 in Q2 2023, due to a stronger rand. Though down from 6.3% in Q2 2023, inflation remained high at 5.2% for Q2 2024, while interest rates have stayed unchanged since June 2023. Amid affordability pressures, many consumers delayed new vehicle purchases or opted for used vehicles.

## Trends in vehicle sales and financing

With new vehicle prices rising 4.4% in Q2 2024, vehicle sales continued shifting toward used cars whose prices only increased 0.6%. The ratio of used-to-new vehicles financed moved to 1.44 compared to 1.8 in Q2 2023, reflecting affordability issues.

The vehicle asset finance (VAF) market contracted further with quarter-on-quarter (QoQ) and year-on-year (YoY) declines in Q2 2024. Financed vehicle sales dropped 3.7% and 6.1%, respectively, resulting in 7,320 fewer financed vehicles than last year. This marks the fifth consecutive YoY decline in VAF accounts, with new accounts at their lowest since Q2 2020. However, the total account balance for VAF has grown 16% since Q2 2020, driven by larger loan amounts due to higher interest rates.

This created dual pressure for consumers: While fewer buyers entered the market, those who did took out larger loans.

The recent interest rate cut may help boost the market, and if more cuts occur later this year, financing activity could recover, particularly in the new vehicle market. Until then, the dominance of used vehicles will likely continue, though some industry players are introducing creative and affordable financing solutions to help consumers.

## Market affordability and financial inclusion

The vehicle market's affordability crisis deepened in Q2 2024 as consumers faced ongoing pressures from high interest rates, inflation and stagnant wages. Data showed little change in income bands of vehicle purchasers between Q2 2023 and Q2 2024, highlighting financial strains on households.

The average loan value for financed vehicles increased to R400,000 in Q2 2024 from R391,000 in Q2 2023 (a 2.3% rise), though this trailed vehicle price inflation and the Consumer Price Index (CPI). Many consumers were priced out of the new vehicle market, increasing reliance on used cars.

Despite these challenges, vehicle asset finance delinquency rates remained stable at 4% for those three plus months overdue, unchanged from Q2 2023. This suggests consumers are managing debt effectively despite financial pressures.

To help ease affordability issues, the market saw increased adoption of subscription-based vehicle models and pay-as-you-drive services. Companies like FlexClub gained traction by offering flexible payment structures that reduce the long-term financial burden of ownership. We expect these alternative models to continue growing as consumers seek more cost-effective vehicle access options.

## Consumer trends and outlook

In Q2 2024, consumer behaviours continued to evolve as economic conditions shaped purchasing decisions. A key trend was the rising influence of Gen Z whose share of new VAF agreements grew from 7.9% in Q2 2023 to 10.9% in Q2 2024. Meanwhile, Baby Boomers' share dropped from 8.3% to 7%, reflecting a generational shift in vehicle financing.

Gen Z's growing presence in the market is reshaping how the industry operates as these consumers prioritise digital-first solutions and flexibility. Subscription-based models and pay-as-you-drive services, which allow for more short-term financial commitments, particularly appeal to this demographic.

As Gen Z continues to play a more prominent role, manufacturers and financiers must offer flexible financing models that leverage technology to meet their needs. Understanding and adapting to the behaviours of younger consumers will be essential to capturing future growth in the South African automotive market.

 

## The road ahead

Globally, electric vehicle (EV) adoption is gaining momentum – with countries like Norway seeing EV penetration rates above 80%. In contrast, South Africa's EV market remains small, accounting for less than 1% of total vehicle sales. However, Naamsa reported a 5% increase in EV and hybrid sales in Q2 2024 compared to Q2 2023.

Several factors are slowing EV adoption in South Africa. High import duties (reaching 25%) make EVs unaffordable for many consumers, while the lack of widespread charging infrastructure – particularly in rural areas – limits confidence in making the switch. Range anxiety and unfamiliarity with EV maintenance are also hurdles. To accelerate EV adoption, industry players must focus on expanding charging networks, reducing import duties and making EV models more affordable.

## Closing remarks

South Africa's automotive industry faces significant challenges from economic contraction, high interest rates and rising vehicle prices. The vehicle asset finance market is contracting as more buyers opt for used vehicles. Despite these pressures, delinquency rates remained stable, indicating consumers manage their debt under difficult conditions.

At the same time, new opportunities are emerging. Subscription-based ownership models and pay-as-you-drive options are gaining traction, while EV and hybrid sales continue to grow. Addressing the high costs of EVs, improving charging infrastructure and educating consumers will be key to increasing EV adoption.

For the industry to succeed, flexibility is essential. By focusing on innovative financing options, supporting EV infrastructure and meeting Gen Z's sustainability preferences, the automotive sector can position itself for long-term growth.

 

# Unpacking the Q2 2024 Vehicle Pricing Index

## 2 Q2 2024 VPI Results

| | Q2 2024 | Q2 2023 | Q1 2024 |
|---|---|---|---|
| New VPI | 4.4% | 6.7% | 4.7% |
| Used VPI | 0.6% | 9.8% | 2.1% |
| CPI | 5.2% | 6.3% | 5.3% |

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 stabilised and will likely remain slow for upcoming quarters.

### Vehicle Price Increases

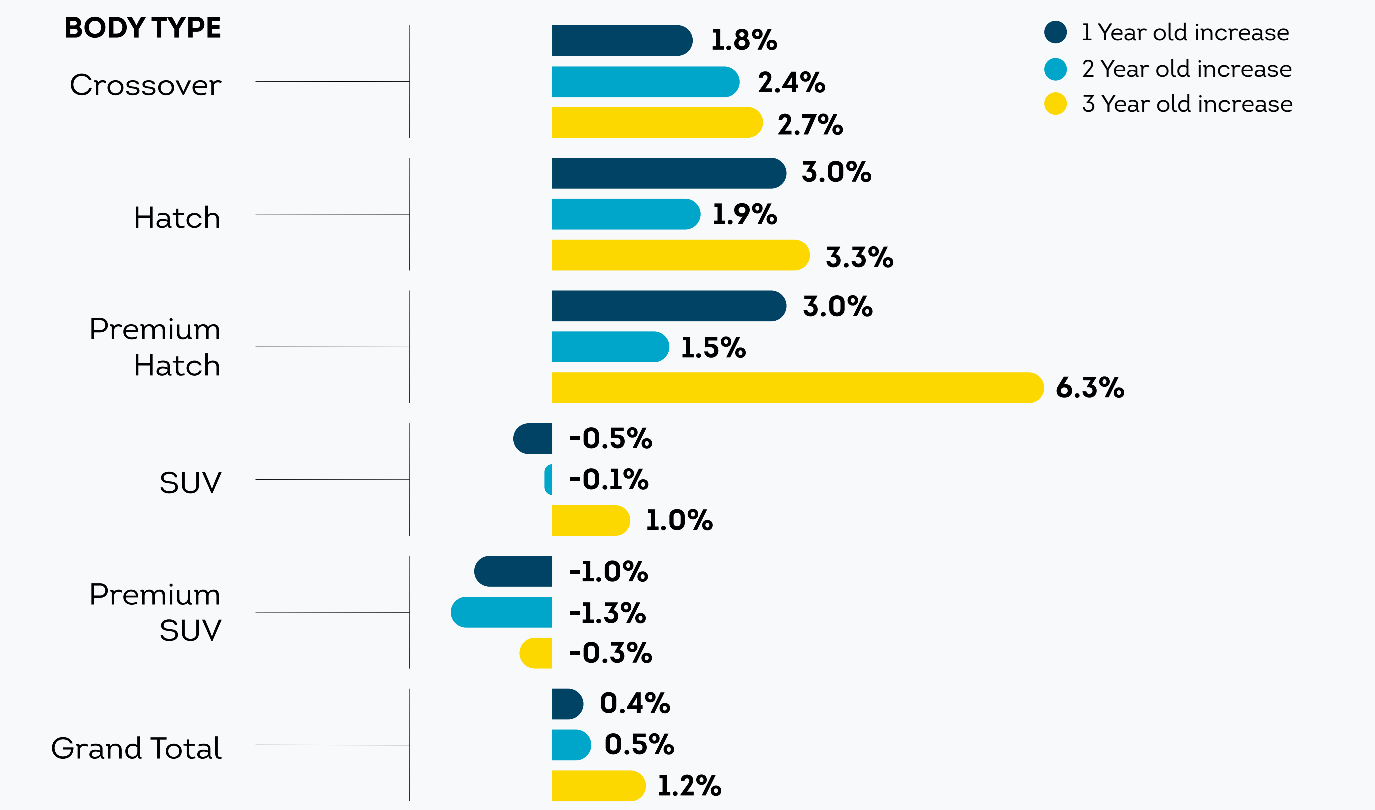


Figure 1.1.1

 

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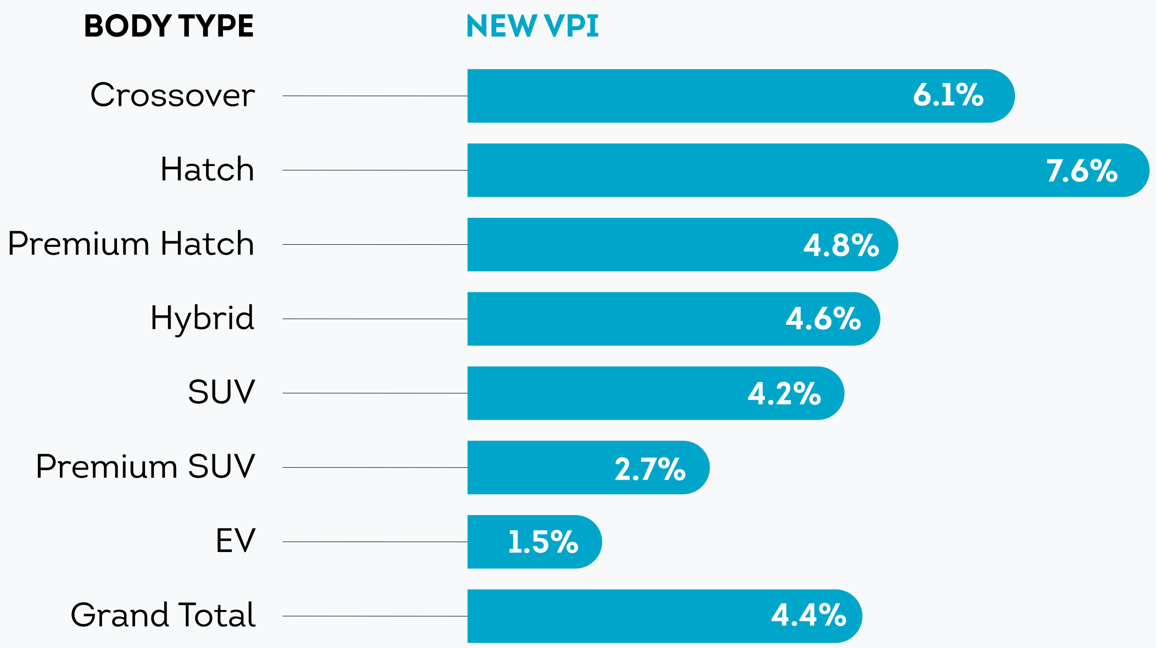



Figure 1.1.2

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

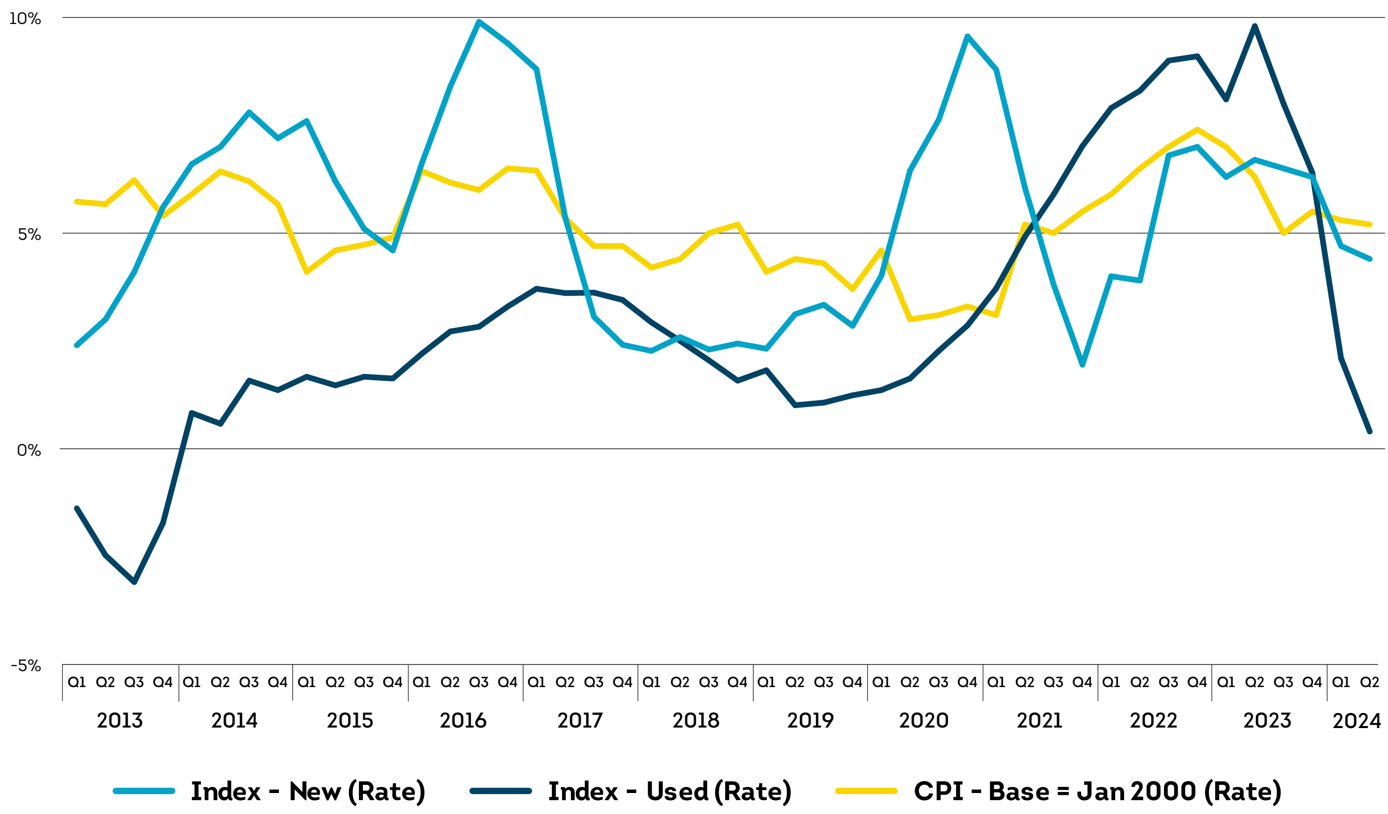



Figure 1.2

## 3 Q2 2024 Used-to-New Ratio

| | Q2 2024 | Q2 2023 | Q1 2024 |
|---|---|---|---|
| **Ratio** | 1.44 | 1.80 | 1.15 |

Figure 1.3

**Used-to-New Ratio** (Figures 1.3 and 1.4)
The ratio indicates finance houses financed 1.4 used vehicles for every 1 new vehicle. This should remain consistent in upcoming quarters.

### Used-to-New Ratio

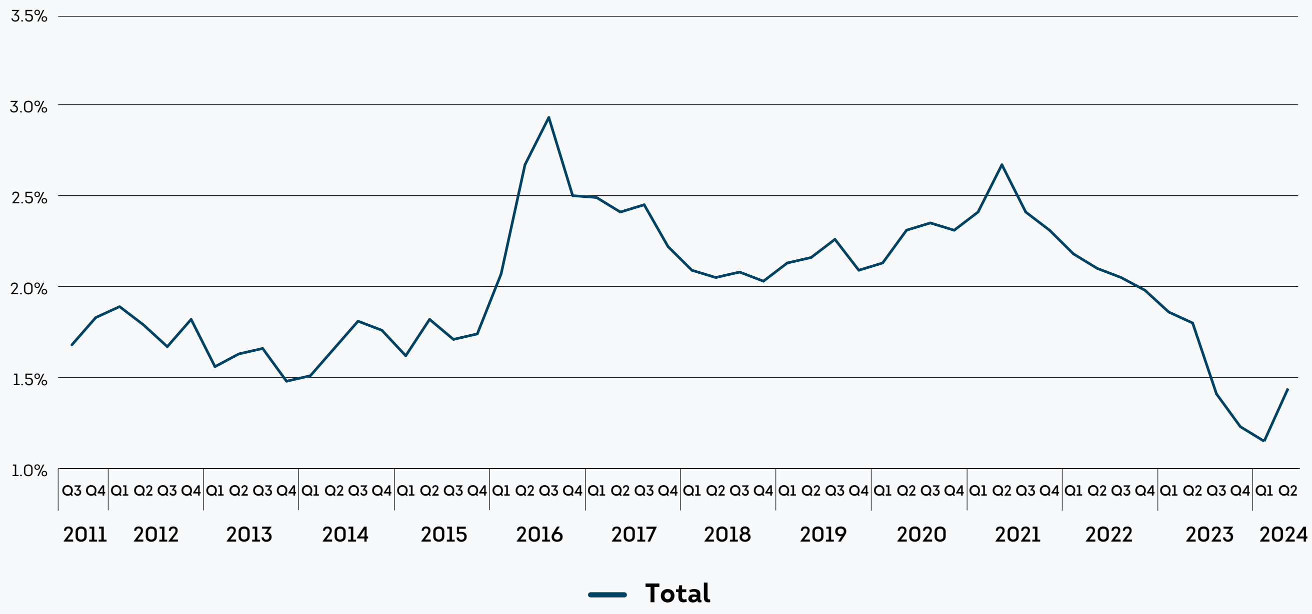



Figure 1.4

# Q2 2024 Vehicle Asset Finance Results

**Vehicle Asset Finance** (Figure 1.5)
The over **R300K** band reached the highest since we started tracking in 2011, which is indicative of ongoing price increases.

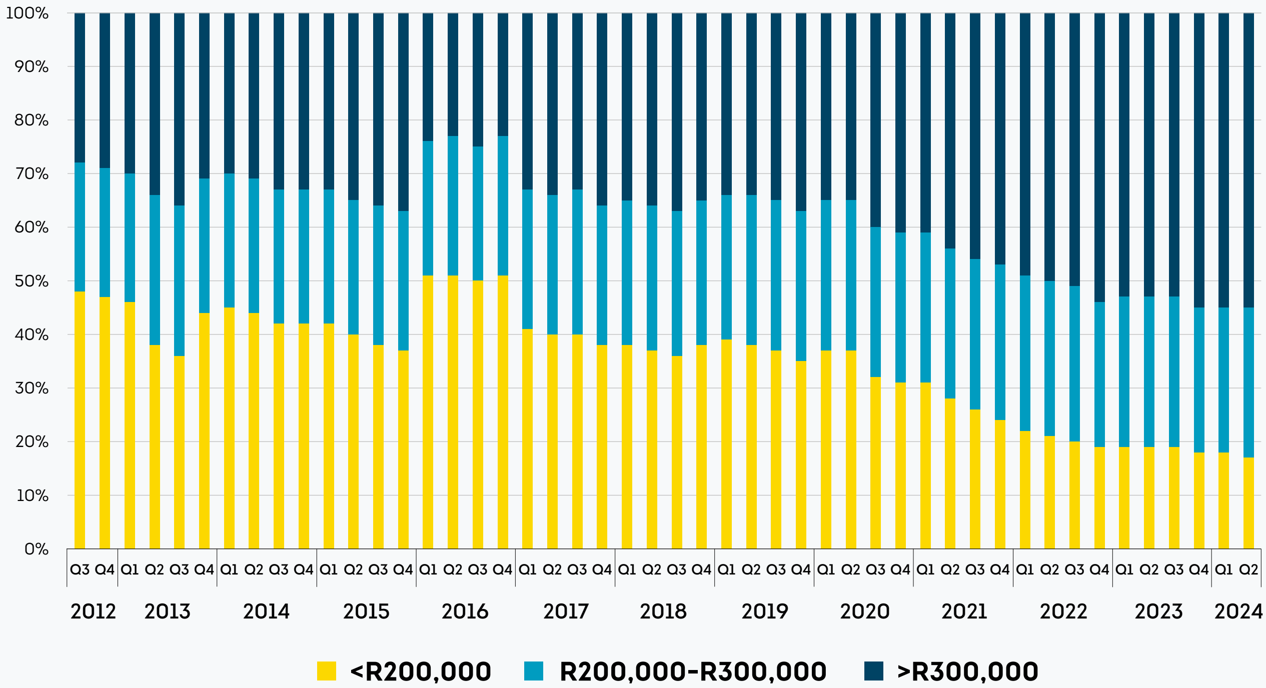
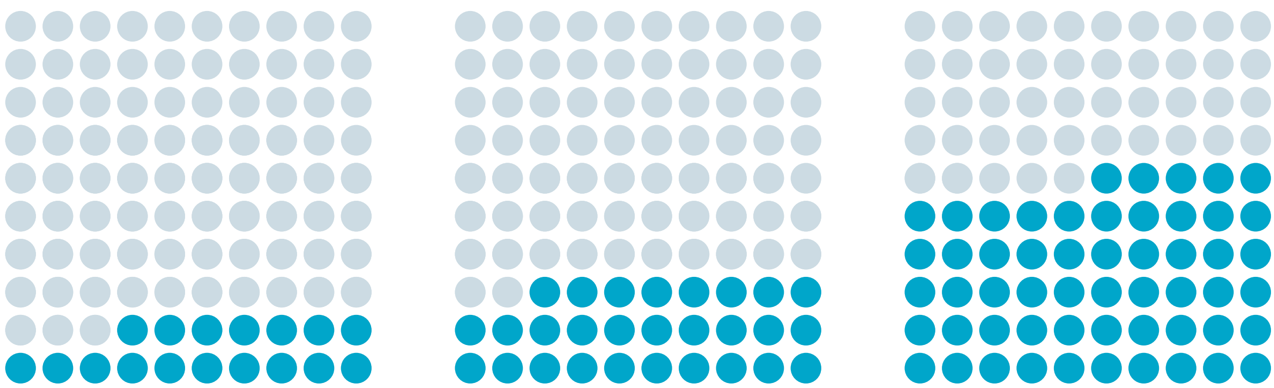



Figure 1.5.1

## Q2 2024 Finance Bands

**<R200,000** | **R200,000-R300,000** | **>R300,000**



**17%**
**19%** Q2 2023
**18%** Q1 2024

**28%**
**28%** Q2 2023
**27%** Q1 2024

**55%**
**53%** Q2 2023
**55%** Q1 2024

Figure 1.5.2

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# Q2 2024 Vehicle Pricing Index

## Contact us

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## 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