



TransUnion Vehicle Pricing Index Q2 2020

Executive Summary

The TransUnion SA Vehicle Pricing Index (VPI) measures year-on-year price increases for new and used vehicles from a basket of passenger vehicles of the 15 top manufacturers by volume. The index is created from vehicle sales data collated from across the industry.

The VPI has increased in the new and used passenger market, with vehicle pricing trending above inflation for the first time since Q2 2017. Compared to Q2 2019, the VPI for new vehicles rose to 6.5% from 3.1%, while used vehicle pricing saw an uplift to 1.6% from 1%.

The macroeconomic outlook has been challenging, with latest IMF figures reflecting -3% real GDP growth globally for April 2020. Consumer confidence continues its decline and business confidence is at an all-time low since first tracked in 1975. As the world economy navigates the effects of the COVID-19 pandemic, GDP in South Africa, USA and the UK dropped further to -5.8%, -5.9% and -6.5%, respectively.

The South African motor industry was closed during April, operated at minimal capacity in May, and only resumed full operation in June. With negative sentiment on the rise, the auto industry hasn't been able to recoup sales lost in April and auto dealers are facing a difficult 2020 – as higher prices and growing financial strain take their toll on consumers.

Total financial agreement volumes in the new and used passenger market have dropped by a staggering 71% YoY from Q2 2019. This hefty decline can be ascribed to minimal trading by dealers and a depressed economy.

The used-to-new ratio has been trending upward after lockdown to an average of 2.31 in Q2 2020 vs. 2.16 in 2019. In the used vehicle market, 33% of vehicles sold are under two years old – an ongoing trend for Q2 2020. Demo models financed made up 6% of used financed deals, indicating consumers are choosing older vehicles as pressure on disposable income increases. According to the National Association of Automobile Manufacturers of South Africa (NAAMSA), there's been a YoY decline of 65% in new passenger vehicle sales in Q2 2020 (vs Q2 2019), with a YoY decline of almost 100% in April 2020 because of lockdown.

There's more movement in new and used car financing in the following price brackets: below R200K, between R200K and R300k, and over R300K. Where consumer purchasing power appeared to be growing throughout 2019, this has been pushed back with a shift to financing new and used vehicles under R200K over the past quarter. We expect this trend to continue during 2020 as market sentiment continues to decline, while increases in vehicle pricing are likely to cause a drop in vehicle finance in the over R300k price bracket.

Business and consumer confidence levels are at a record low, reflecting uncertainty over the financial impact of the pandemic and a rise to 30% in unemployment. While many consumers choose to forgo vehicle purchases, there may be still be opportunities for first-time buyers, those looking to move from public transport, and those seeking to buy down. This is a tough time for dealers, but there are some post-lockdown positives – with total cost of ownership declining and rising demand for after-market parts as vehicles sales slow down.

Overall, the global automotive industry had its most challenging quarter due to global lockdowns and

temporary closures. South Africa saw a quarter of record lows in confidence, sales and economic activity. The automotive industry is striving to rapidly adjust to a 'new normal' where consumer demand has waned, but there are some opportunities.

An ageing South African car parc, along with low vehicle sales, will create opportunities for vehicle maintenance, while limited contact with customers spurs on the need to build out a sound digital retailing platform. As consumers adjust to personal situations during these unprecedented times, all industries will need to acquire relevant information to develop strategies to remain competitive.

1. Q2 2020 VPI Results

New Pricing Index (Figure 1.1 and 1.2)

New vehicle price increases are above inflation, and we expect this to rise further in the upcoming months.

Used Price Index (Figure 1.1 and 1.2)

Used vehicle price increases have also moved up to 1.6%, although we expect this to grow marginally as new vehicle prices rise.

| | Q2 2020 | Q2 2019 | Q1 2020 |
|----------|-------------|---------|---------|
| New VPI | 6.5% | 3.1% | 4.0% |
| Used VPI | 1.6% | 1.0% | 1.4% |
| CPI | 3.0% | 4.4% | 4.6% |

Figure 1.1

VPI and CPI

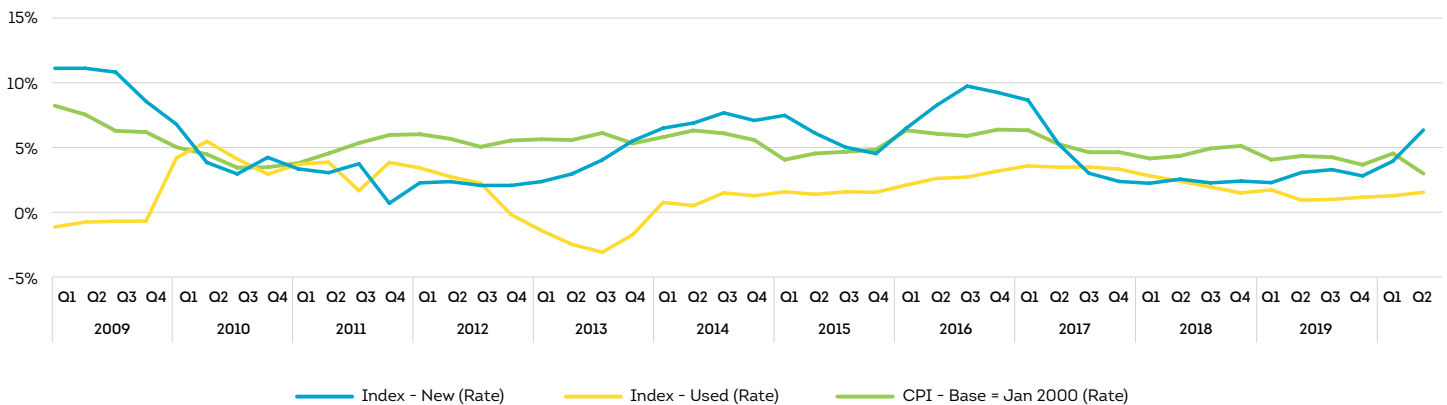


Figure 1.2

2. Q2 2020 Used-to-New Ratio

Used-to-New Ratio (Figure 1.3 and 1.4)

The used-to-new ratio is based on finance deals registered in the last quarter. The ratio indicates finance houses are financing 2.31 used vehicles for every 1 new vehicle – the highest since Q3 2017.



Figure 1.3

Used-to-New Ratio

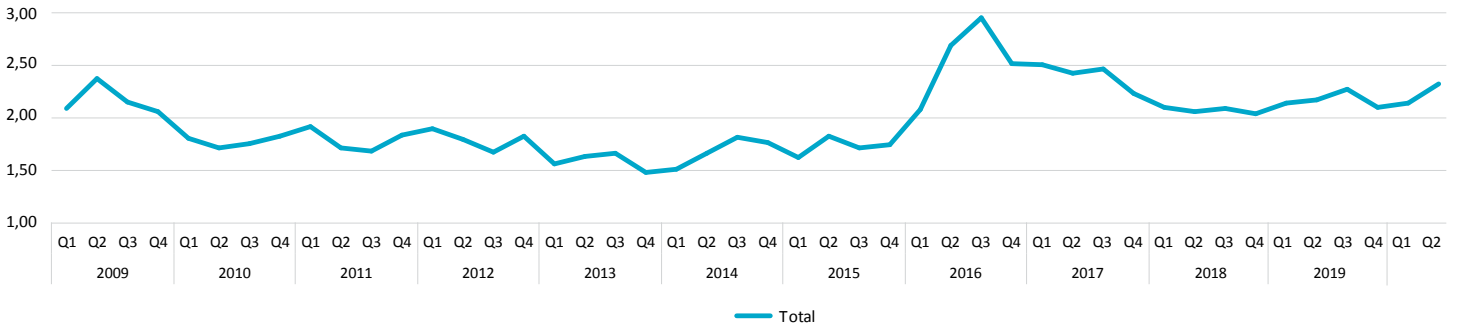


Figure 1.4

3. Q2 2020 Vehicle Asset Finance Results

Vehicle Asset Finance (Figure 1.5 and 1.6)

This shows consumers' purchasing power and ability to buy more expensive vehicles has not increased, and we expect this to remain consistent in the upcoming months as new vehicle prices increase.

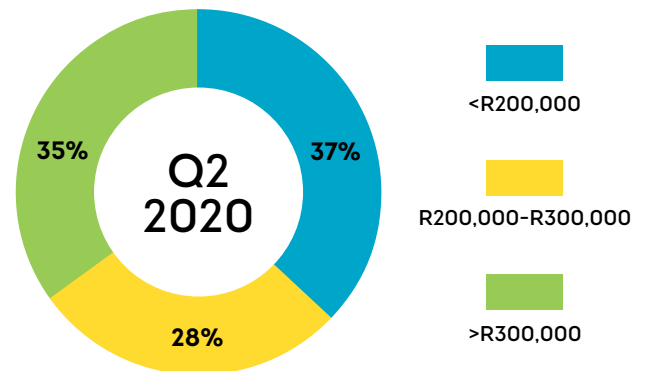


Figure 1.5

Vehicle Asset Finance Bands

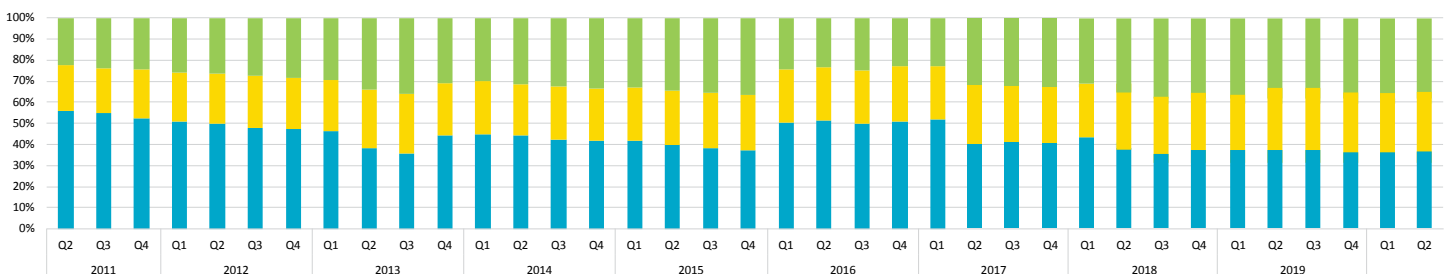


Figure 1.6

4. Q2 2020 Top Manufacturers by Sales Volume – Passenger

Manufacturers by Financed Sales Volumes (Figure 1.7 and 1.8)

Toyota and VW performed well in both areas, sharing the two highest spots in new and used passenger sales volumes – capturing more than 40% of all financed sales.

Used Passenger Vehicle Sales

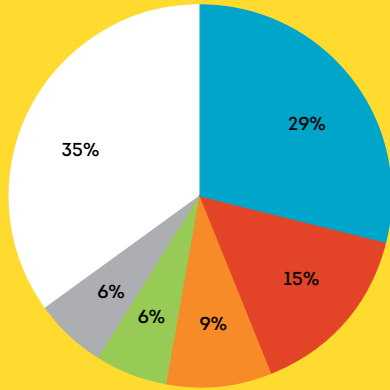


Figure 1.7

New Passenger Vehicle Sales

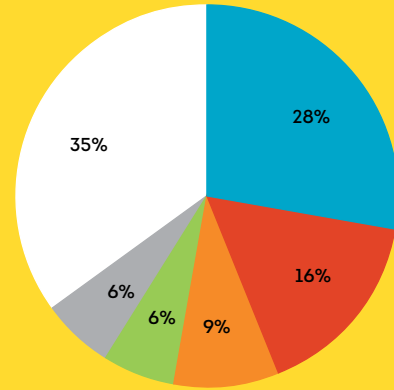


Figure 1.8

5. Q2 2020 Top Manufacturers by Sales Volume - Light Commercial

Manufacturers by Financed Sales Volumes (Figure 1.9 and 1.10)

Toyota and Ford had an exceptional quarter considering lockdown rules. The two manufacturers made up more than 70% in both new and used financed sales of light commercial vehicles.

Used Light Commercial Vehicle Sales

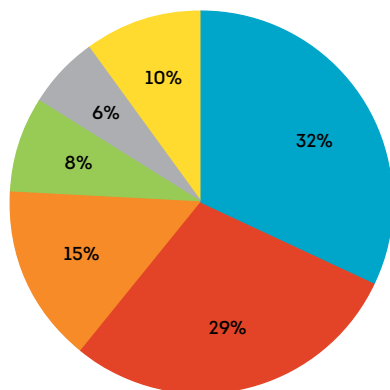


Figure 1.9

New Light Commercial Vehicle Sales

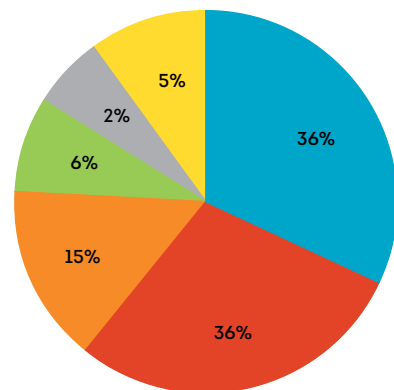


Figure 1.10



Contact us

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Sources: Figure 1.1 and 1.2 – Industry Sales Data, Figure 1.3 to 1.10 – New Financed Vehicle Sales Data, Figure 1.11 – NAAMSA

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