



Q3 2023 Vehicle Pricing Index



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1 Introduction

In a pivotal move, our TransUnion SA Vehicle Pricing Index (VPI) now focuses on financed vehicle trends, synchronising vehicle sales data with borrowing patterns. While cash purchases remained significant, this shift underscores our dedication to delivering pertinent and actionable insights into the vehicle market. This new lens offers a critical evaluation of market dynamics and future trajectories, establishing a reliable barometer for industry players, such as manufacturers, dealers, financiers, OEMs, insurers and consumers. We believe this refined focus will better equip our partners in navigating a complex market.

2 Executive Summary

Macroeconomic Outlook

As the South African vehicle market contends with macroeconomic challenges, business and consumer confidence remained low yet slowly improving. Boosted by a rise in fuel prices, inflation increased to 5.4% and added pressure to the market. The Rand's volatility further complicated matters, impacting import costs and market stability. While electric power cuts lessened, their prior frequency had lasting effects on various sectors, including vehicle sales and services. Concurrently, delinquency rates rose, signalling heightened financial strain on consumers and businesses. The repo rate remained at its 14-year high (unchanged from last quarter) and continued to negatively influence borrowing costs and the vehicle finance sector.

Vehicle Sales

The South African vehicle market experienced a notable downturn in recent times as evidenced by a more than 8.4% decrease in vehicles financed between Q3 2022 and Q3 2023. Naamsa reported a 9.1% decline in new passenger vehicle sales over the same period. This reduction reflects broader market trends beyond consumer behaviours and affects the entire automotive sector, including manufacturing and dealership operations. These figures underscore a contraction in the vehicle market, highlighting the need for strategic agility and adaptability among industry stakeholders.

Consumer Buying Trends

A significant current market trend was the notable increase in the average loan amount for financed vehicles. In Q3 2023, the average loan value increased to R359,000, up from R317,000 in Q3 2022. This increase reflected not only rising prices but also a combination of changing consumer preferences and shift toward more premium vehicle segments for some buyers.

Another critical trend was the shifting used-to-new vehicle financing ratio. This ratio, which provides insight into consumer preferences for used versus new vehicles, moved from 2.05 in Q3 2022 to 1.41 in Q3 2023. This significant change (denoting fewer used vehicles financed than new ones) suggests a pronounced shift in the market – potentially influenced by various factors, including vehicle availability, consumer confidence, and the economic feasibility of purchasing new versus used vehicles in the current market.

Market Analysis (consumer affordability)

Our Q3 market analysis underscored a trend where financially distressed consumers increasingly gravitated toward more affordable mobility options. Lower-income individuals now make up a smaller portion of total vehicles financed, reflecting the economic constraints this demographic is under. The distribution of vehicle financing also revealed a gender split of approximately 60% male and 40% female purchasers. Changing dynamics of consumer auto finance caused banks to make minor adjustments to their risk tolerances, shifting the credit score band distribution slightly upward for total vehicles financed.

Summary

Challenges in the South African vehicle market – largely stemming from a macroeconomic context marked by rising inflation, increased fuel prices and currency volatility – have led to lower consumer disposable incomes. These economic pressures resulted in a noticeable downturn in vehicle sales, including a more than 8.4% drop in vehicles financed and 9.1% decrease in new passenger vehicle sales. Financially stressed consumers increasingly turned to more affordable mobility options, including older, lower-cost used vehicles and alternative financing solutions. This shift was evident in the changing demographics of vehicle financing, with a notable decrease among lower-income individuals. However, a positive development was emerging as manufacturers offer discounts and incentives, aiding consumers in entering or re-entering the market – suggesting a path toward potential market stabilisation and growth despite current economic headwinds.

Unpacking the Q3 2023 Vehicle Pricing Index

3 Q3 2023 VPI Results

New VPI	6.5%	5.8%	6.7%
Used VPI	8.0%	9.0%	9.8%
CPI	5.0%	7.5%	6.3%
	Q3 2023	Q3 2022	Q1 2023

New Price Index (Figures 1.1 and 1.2)

New Vehicle price increases, after discounts, are below inflation although this is forecasted to increase in the upcoming months.

Used Price Index (Figures 1.1 and 1.2)

Used vehicle prices have increased as used quality vehicle supply becomes scarcer.

Used vehicle price has increased whilst the supply of used vehicles Mid SUVs becomes scarcer.

Figure 1.1

Vehicle Price Increases

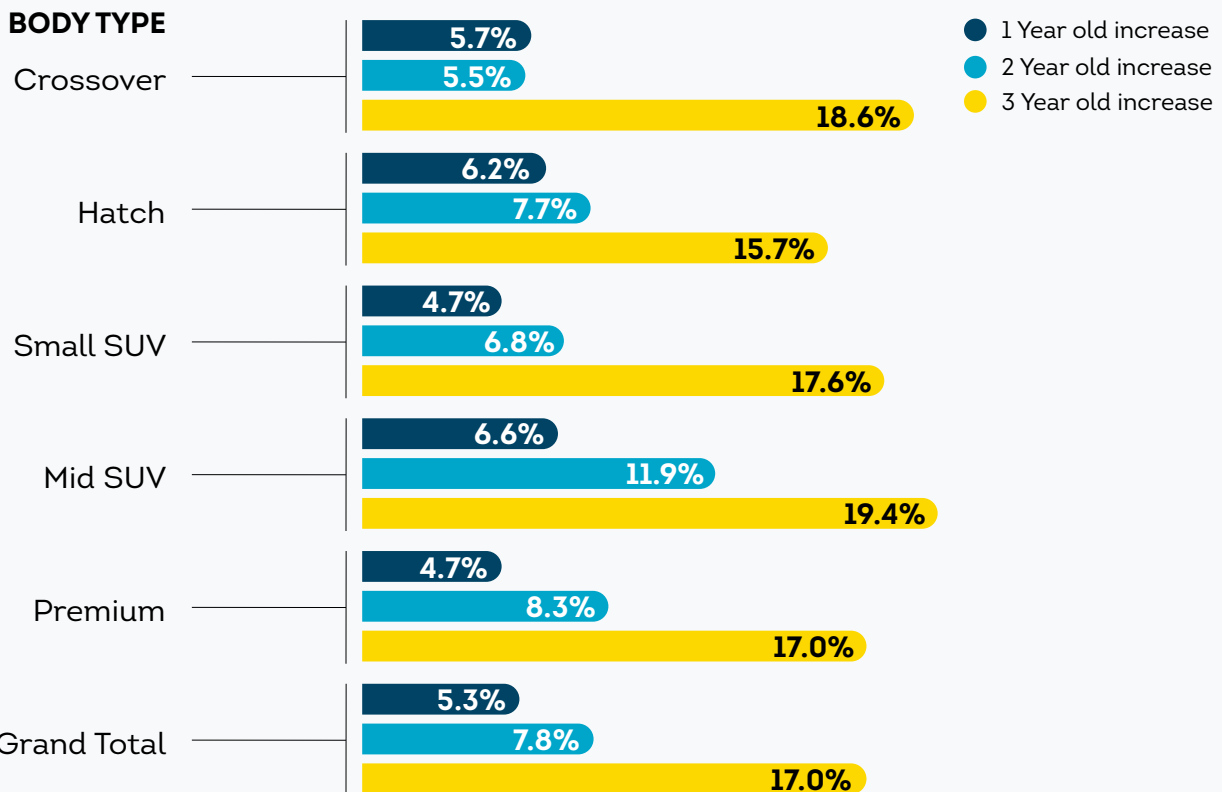


Figure 1.1.1

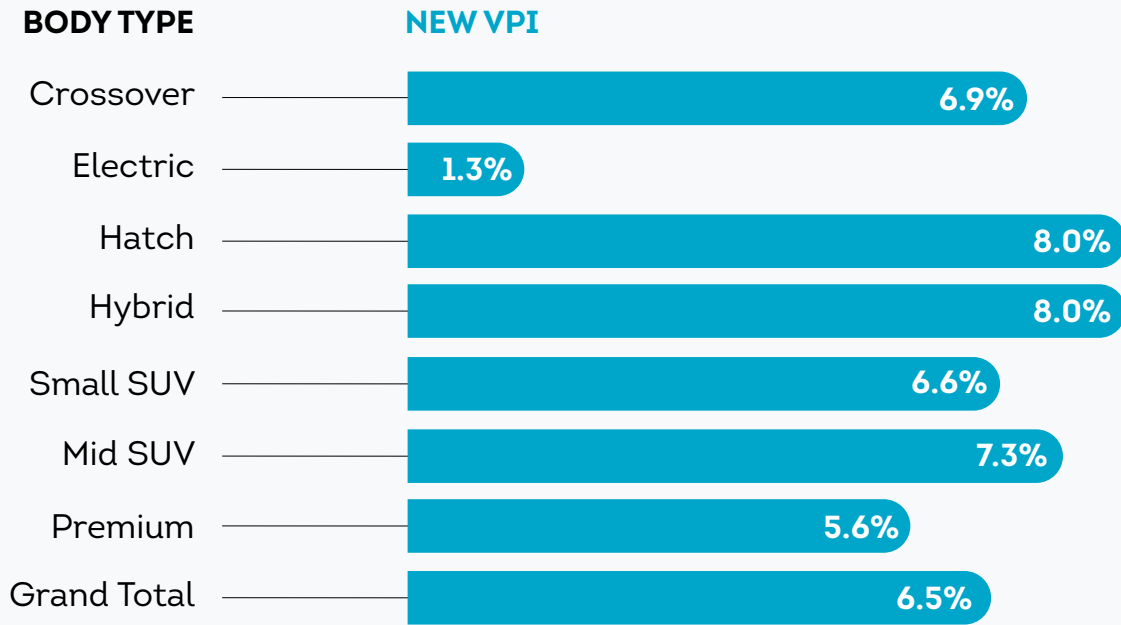


Figure 1.1.2

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

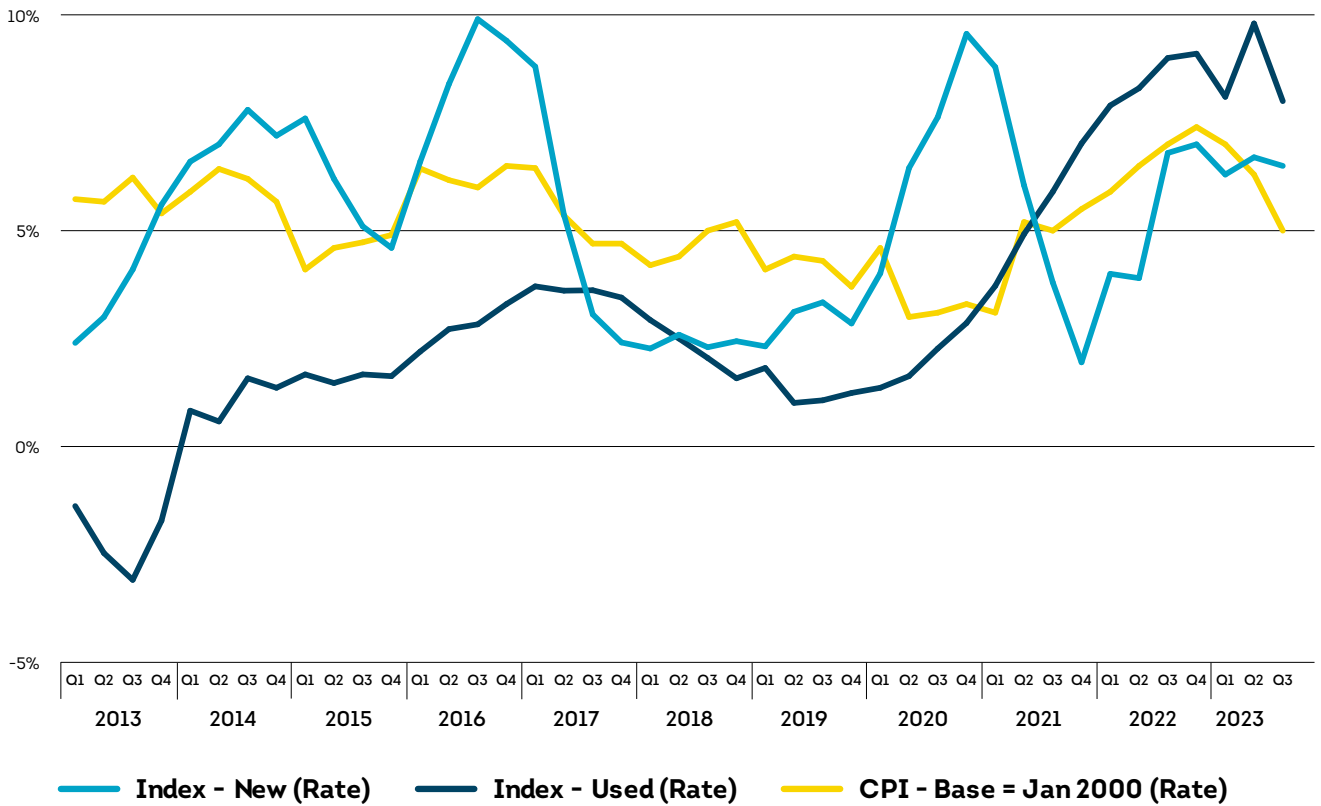
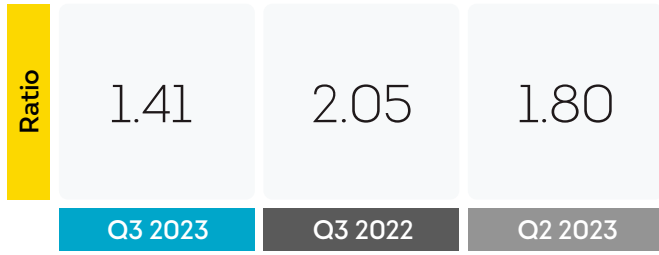


Figure 1.2

4 Q3 2023 Used-to-New Ratio



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

The ratio indicates the finance houses are financing 1.4 used vehicles for every 1 new vehicle and should remain consistent in the upcoming quarters.

Figure 1.3

Used-to-New Ratio

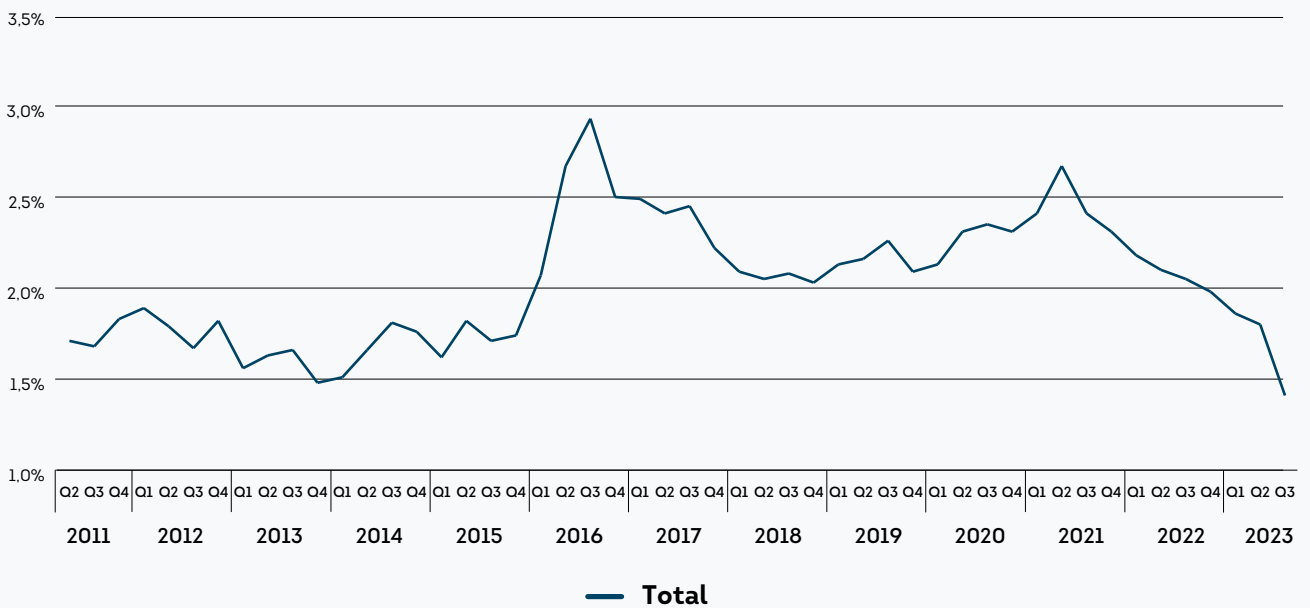


Figure 1.4



5 Q3 2023 Vehicle Asset Finance Results

Vehicle Asset Finance (Figure 1.5)

The under **300k** band remain the lowest since we started tracking in 2011 which is indicative of the ongoing price increases from the used vehicle space.

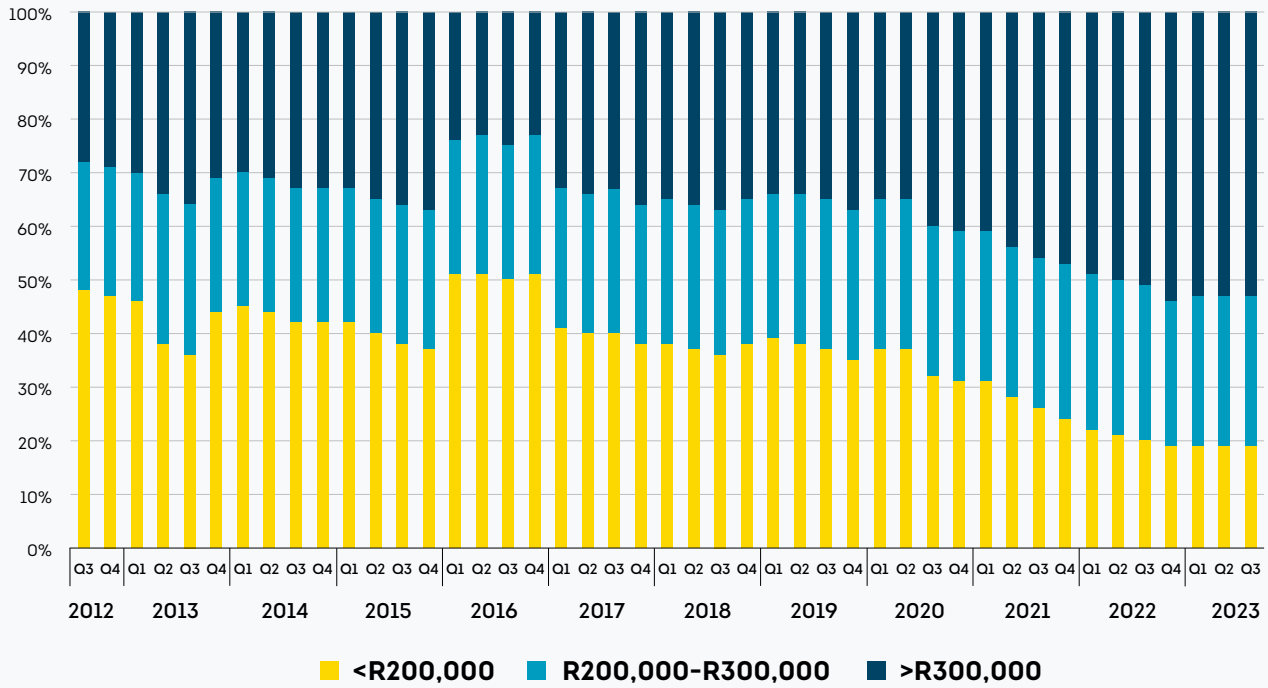
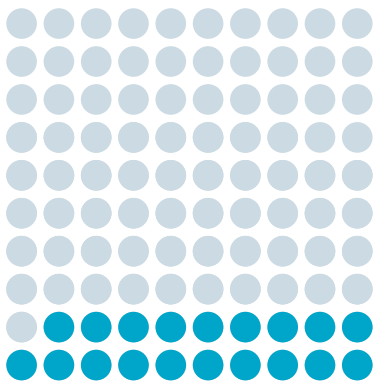


Figure 1.5.1

Q3 2023 Finance Bands

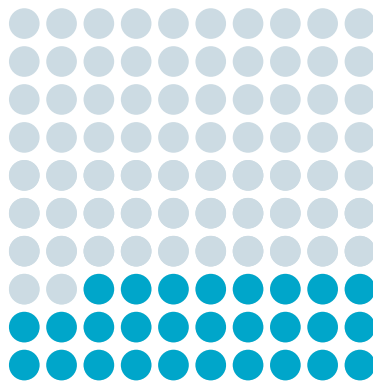
<R200,000



19%

20% Q3 2022
19% Q1 2023

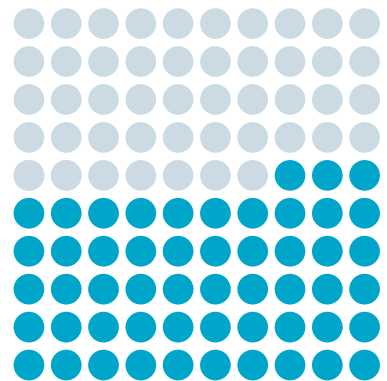
R200,000-R300,000



28%

29% Q3 2022
28% Q1 2023

>R300,000



53%

51% Q3 2022
53% Q1 2023

Figure 1.5.2





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Contact us

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

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