Q4 2023 Vehicle Pricing Index

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1 Executive Overview

Foreword

In an innovative shift, our TransUnion SA Vehicle Pricing Index (VPI) now zeroes in on the trends of financed vehicles, integrating data on vehicle sales with borrowing behaviours. Despite the relevance of outright purchases, this adjustment emphasises our commitment to providing robust, relevant and actionable insights into the automotive industry. This fresh perspective allows for a deeper analysis of market dynamics and future trends, serving as a dependable gauge for stakeholders like manufacturers, dealerships, financiers, OEMs, insurers and consumers. This targeted focus is intended to better prepare our affiliates for manoeuvring through the multifaceted auto arena.

Economic landscape

The South African automotive sector is wrestling with economic challenges, leading to persistently low but gradually recovering business and consumer confidence. An increase in fuel prices contributed to a 5% inflation rate, placing additional strain on the market. Rand instability exacerbates this situation, influencing import costs and overall market equilibrium. Although we've seen reductions in power outages, their historical frequency continues to leave a mark on sectors, including vehicle sales and servicing. Rising delinquency rates indicate increased financial pressure on individuals and businesses, while the repo rate holds steady at a 14-year peak, further affecting loan costs and auto finance. With current conditions expected to extend into the 2024 election year, consumers may postpone long-term commitments until there's more political and economic clarity.

Market dynamics in vehicle sales

According to Naamsa, the South African vehicle market recently experienced a 4% drop in vehicle financing and 6.3% decrease in new passenger vehicle sales from Q4 2022 to Q4 2023. These trends mirror changes in consumer behaviours and impact the broader automotive industry, affecting manufacturing and dealership operations. Such market contraction is anticipated to persist, potentially leading to further declines in upcoming months. This downturn emphasises the need for strategic flexibility and adaptability among market participants.

The industry's ability and willingness to adapt to innovations in financial inclusion and new mobility trends are key to navigating current challenges and driving sustainable growth.

Trends in consumer purchasing

The average financed amount for vehicles rose to R396,000 in Q4 2023 from R386,000 the previous year, reflecting a growing market trend. (That's 2.5% vs. 5.5% vs. 6.3%, loan growth, CPI and new vehicle price increases, respectively during this period). There was also a reduction in new accounts opened in the last two years, further highlighting the erosion of purchasing power and decline in volumes. The adjustment in the ratio of financed used-to-new vehicles (from 1.9 in Q4 2022 to 1.2 in Q4 2023) marks a significant shift in consumer behaviour – potentially driven by increased confidence, vehicle availability, and the financial practicality of opting for new over used vehicles in the current economy.

Analysis of market affordability

Our analysis for the last quarter highlights a movement toward more budget-friendly transportation options among economically burdened consumers. The income distribution of new financial agreements had minor changes with lower-income consumers unable to enter the market. As consumer financing dynamics evolve, we anticipate no change in the risk distribution of new open accounts – which further spotlights affordability concerns. To deal with this decline, we foresee the market segmented into new ownership models, such as subscription-based and 'vehicle on demand', rental, station-based car sharing, free-floating car sharing, micro-mobility services, as well as mobility on demand like ridesharing and ride-hailing. This in turn may drive financial inclusion and economic empowerment while stimulating economic growth.

Concluding thoughts

The South African vehicle market is navigating challenges predominantly rooted in a tough economic environment characterised by escalating inflation, higher fuel costs and currency fluctuations. These factors contributed to a noticeable decline in vehicle sales, marked by more than a 4% decrease in financed vehicles and 6.3% reduction in new passenger vehicle sales. Economic constraints led many consumers to increasingly opt for more cost-effective mobility options, including older, less expensive, used vehicles and alternative financing models. This trend is evident in the changing demographics of vehicle financing – marked by a decrease. Nonetheless, the market is witnessing a glimmer of hope as manufacturers introduce discounts and incentives, potentially facilitating market recovery and growth despite prevailing economic adversities.

Unpacking the Q4 2023 Vehicle Pricing Index

2 Q4 2023 VPI Results

	Q4 2023	Q4 2022	Q3 2023
New VPI	6.3%	7.0%	6.5%
Used VPI	6.4%	9.1%	8.0%
CPI	5.5%	7.4%	5.0%

Figure 1.1

New Price Index (Figures 1.1 and 1.2)
New vehicle price increases are above inflation although a number of OEMs are offering incentives and discounts.

Used Price Index (Figures 1.1 and 1.2)
Used vehicle price increases are stabilising and will be forecasted for slower increases in the upcoming quarter.

Vehicle Price Increases

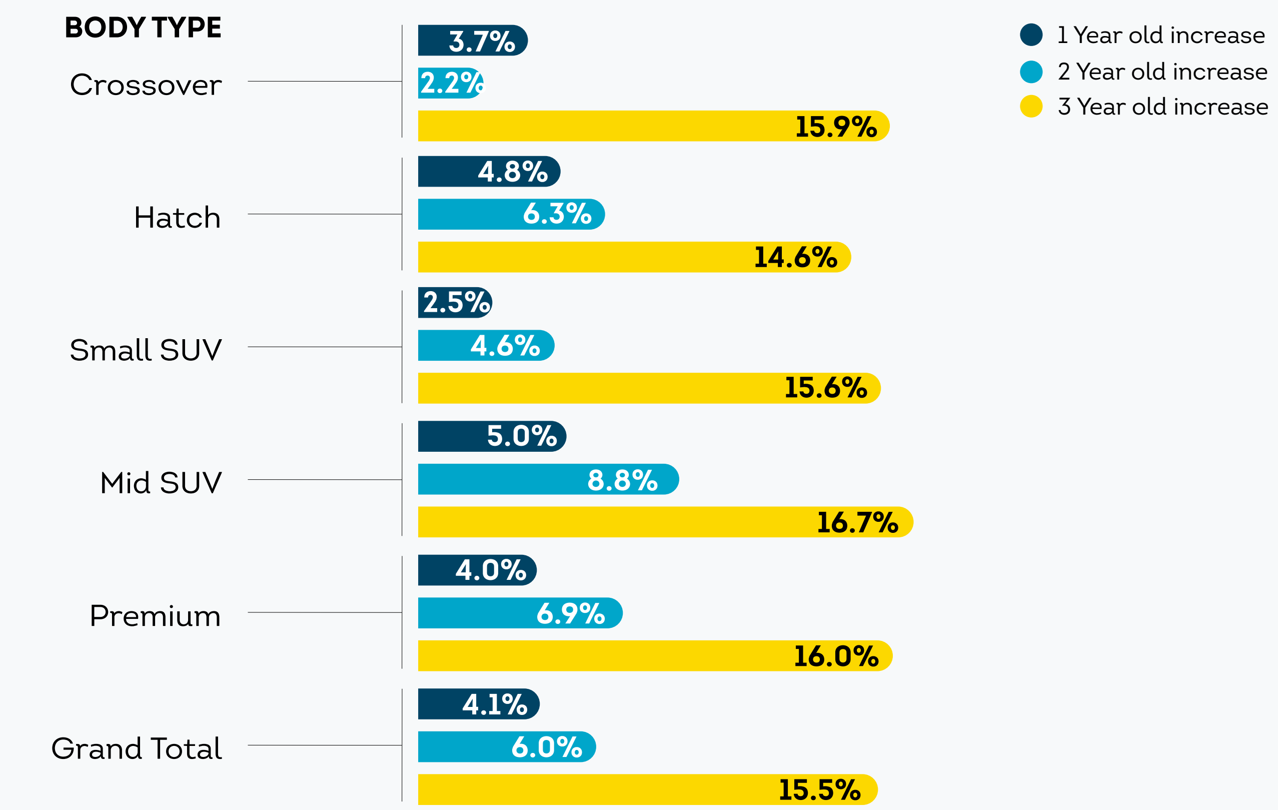

Figure 1.1.1

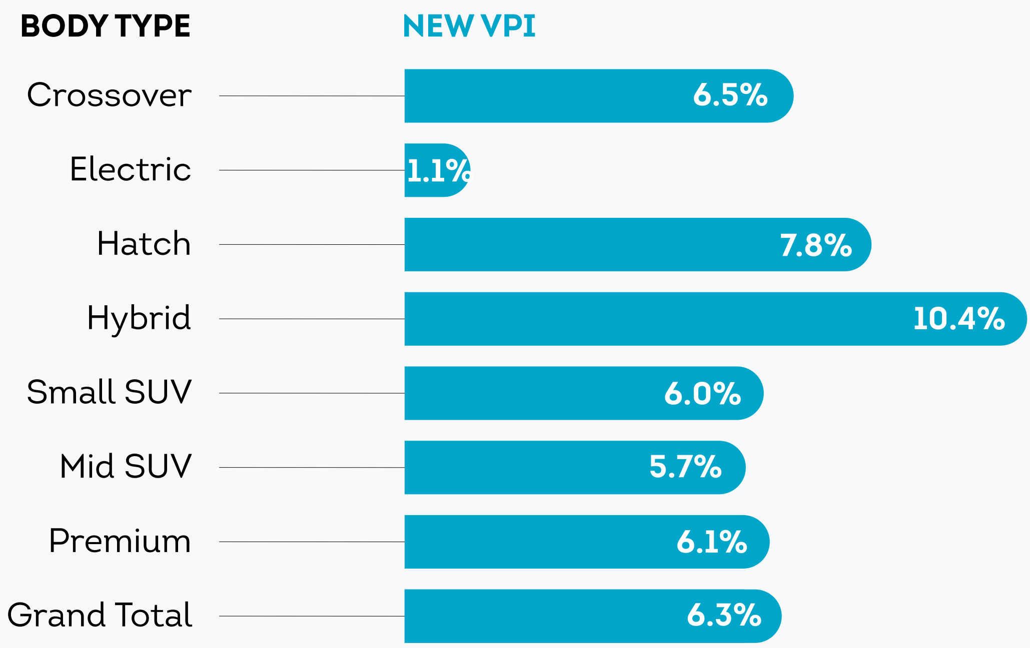

Figure 1.1.2

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

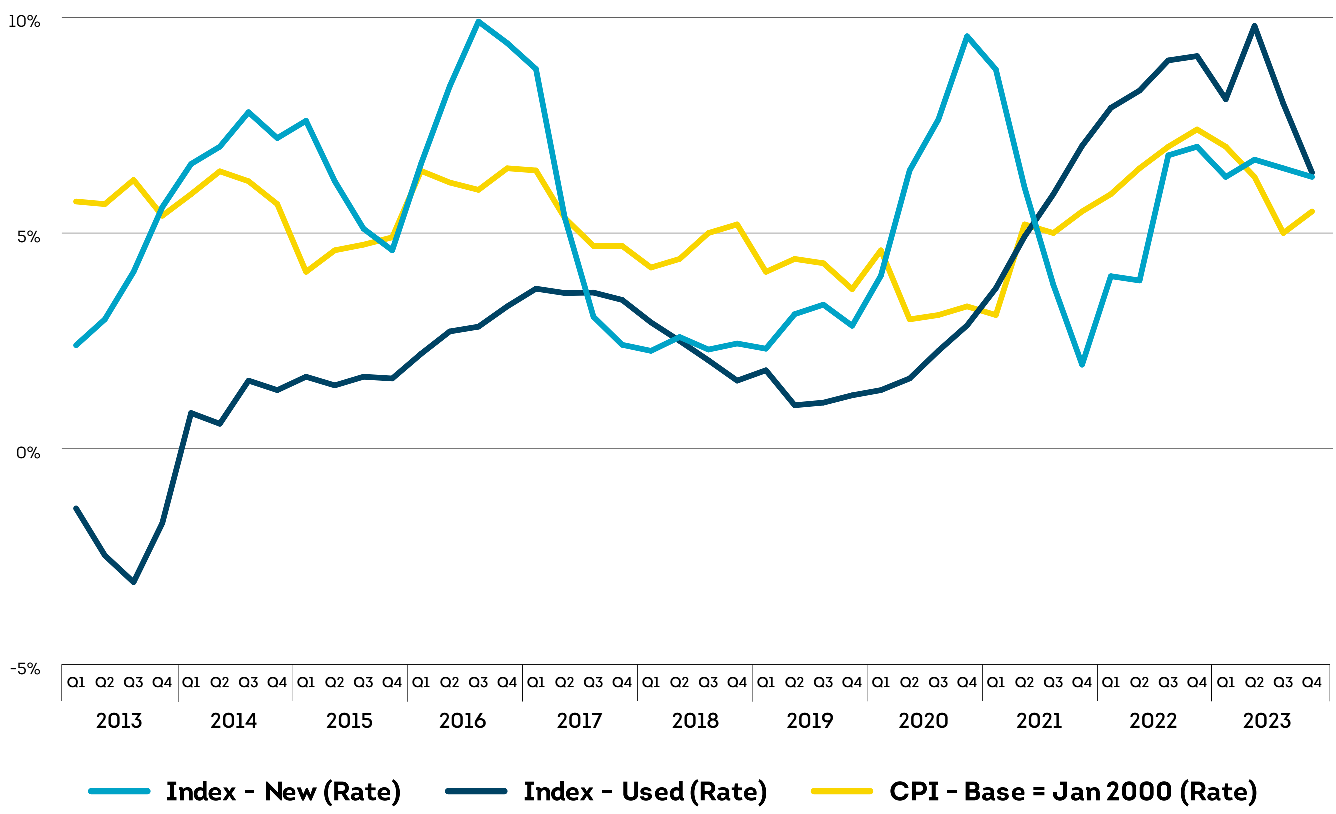

Figure 1.2

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3 Q4 2023 Used-to-New Ratio

	Q4 2023	Q4 2022	Q3 2023
Ratio	1.23	1.98	1.41

Figure 1.3

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

Used-to-New Ratio

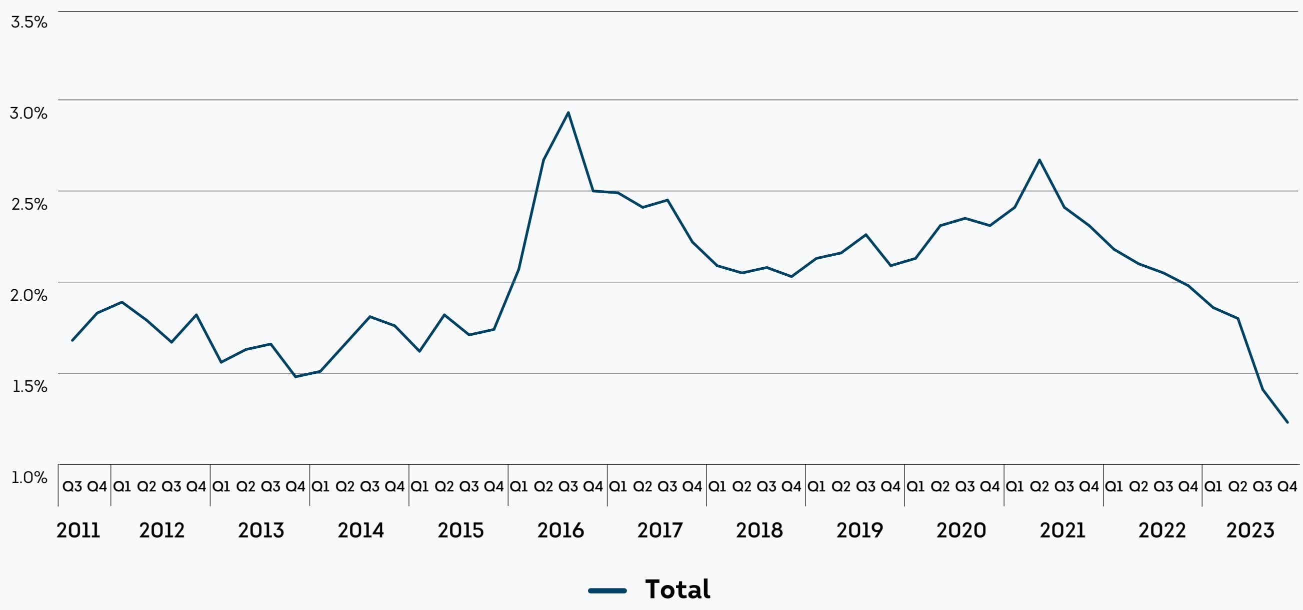

Figure 1.4

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4 Q4 2023 Vehicle Asset Finance Results

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

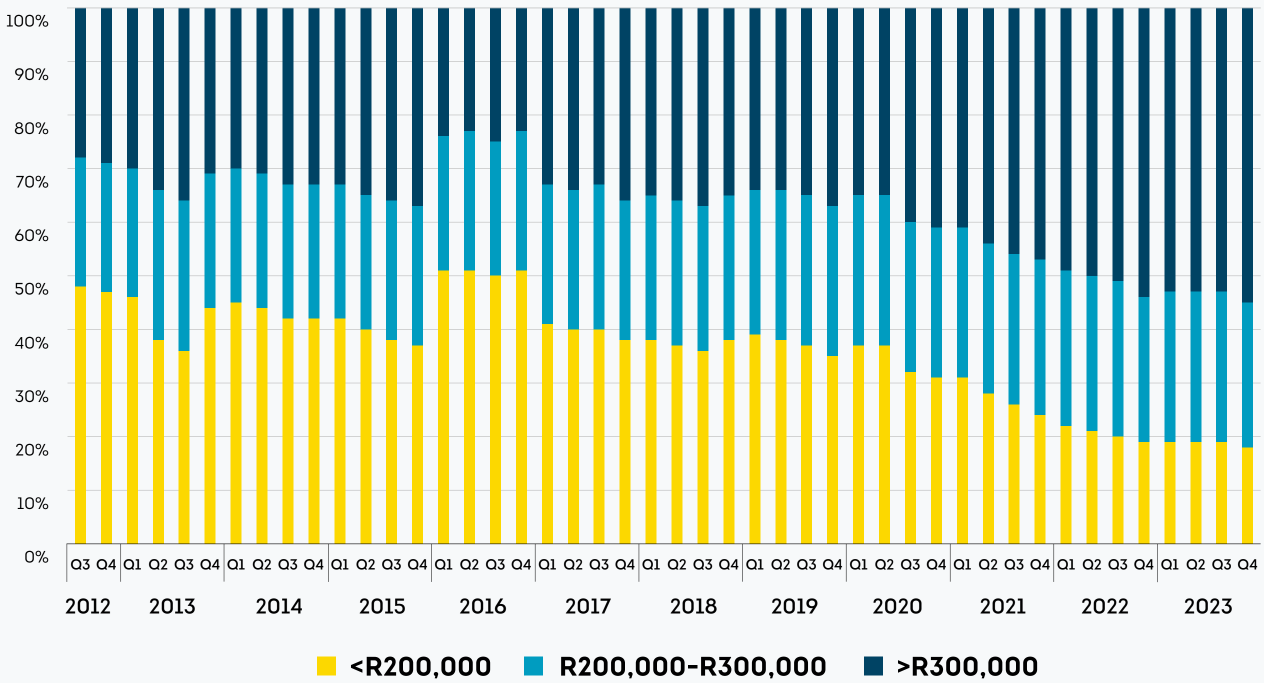
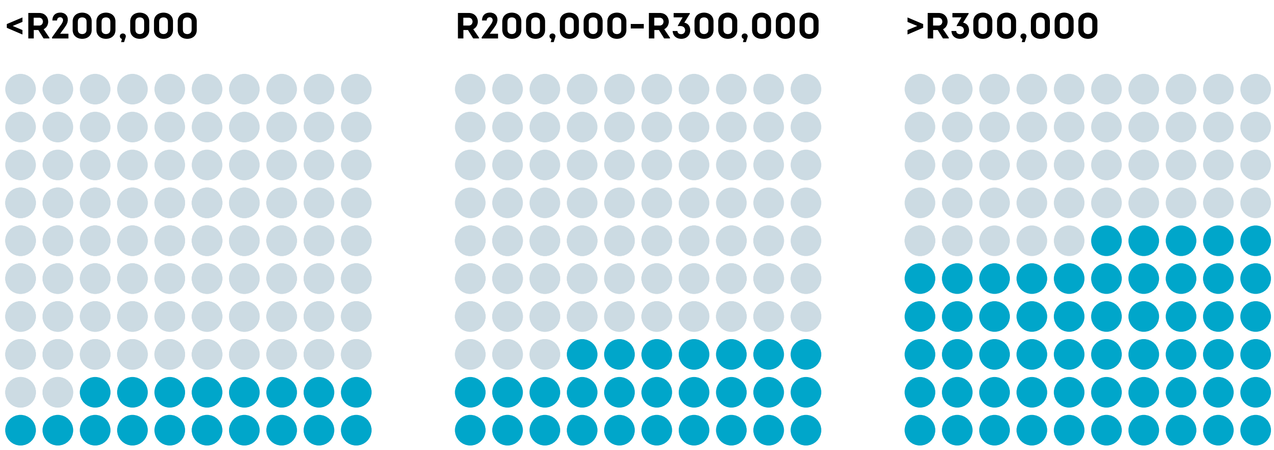


Figure 1.5.1

Q4 2023 Finance Bands



<R200,000	R200,000-R300,000	>R300,000
18%	27%	55%
19% Q4 2022	**27%** Q4 2022	**54%** Q4 2022
19% Q3 2023	**28%** Q3 2023	**53%** Q3 2023

Figure 1.5.2

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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

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