

Bad news for prospective car buyers in South Africa

New data collected from TransUnion reveals that new vehicle prices rose by almost three times the current inflation rate in the first quarter of 2021, and is expected to continue to increase in the coming months. At the same time, the prices of used vehicles increased in real terms for the first time since 2010, which suggests ongoing hardship for consumers and a motor industry struggling to recover from the financial effects of the Covid-19 pandemic.



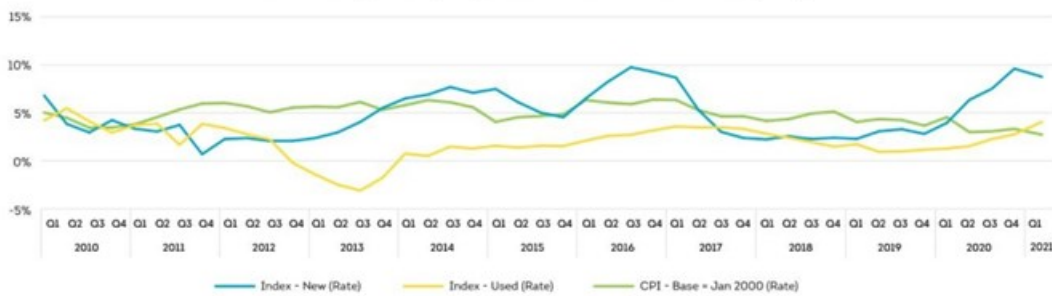
Photo by Obi Onyeador on Unsplash

According to the latest [TransUnion SA Vehicle Pricing Index \(VPI\)](#), total financial agreement volumes in the passenger vehicle market increased marginally (3%) in Q1 2021 over the same period in 2020, with new vehicle finance deals down 5% and used vehicles up by 7.4%. At the same time, vehicle prices rose for a fourth successive quarter, with the VPI for new vehicles moving to 8.8% in Q1 2021 from 4% in Q1 2020. The used vehicle VPI rose to 3.7%, from 1.4% a year ago.

The VPI measures the relationship between the increase in vehicle pricing for new and used vehicles from a basket of passenger vehicles that incorporates 15 top volume manufacturers. The index is created using vehicle sales data from across the industry.

VPI Q1 2021 – RESULTS

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



Kriben Reddy, vice president of auto information solutions at TransUnion Africa, said the combination of low interest rates and low inflation was not enough to lure consumers into new vehicle purchases, with demand for quality used vehicles remaining high. As a result, the supply of quality used vehicles came under sustained pressure, which is expected to continue to push prices of used vehicles up for the foreseeable future.

“Overall, the automotive industry has had another challenging quarter, with unemployment rate increases, negative exchange impact, negative annualised GDP growth rate and further pressure on disposable income resulting in low consumer confidence. This is a tough time for dealers, but we do expect consumers to start re-entering the new vehicle market once the industry adopts ‘right to repair’ laws later this year,” said Reddy.

Under the new consumer rights framework (Right to Repair), the costs for service and maintenance plans and value-added products must be disclosed separately to the new list price of a vehicle, and the consumer given the opportunity to decline it if they wish.

The used-to-new vehicle ratio in Q1 2021 remained largely consistent, at 2.4. This means that for every new vehicle financed, 2.4 used vehicles are financed. The make-up of used vehicle sales shows that 38% of vehicles financed are under two years old, with demo models making up 6% of used financed deals, which indicates an ongoing preference for older vehicles while pressure on disposable income remains.

USED-TO-NEW RATIO: **2.41 : 1**



The used-to-new ratio is based on finance deals registered in the past quarter. It indicates finance houses are financing 2.41 used vehicles for every 1 new vehicle, and we expect this to continue to rise over upcoming quarters.

The percentage of cars - new and used - being financed below R200,000, R200,000 to R300,000 and over R300,000 saw a clear movement towards vehicles in the R200,0100 - R300,000 bracket. This suggests that while volumes have declined, consumer purchasing power is slowly increasing.

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