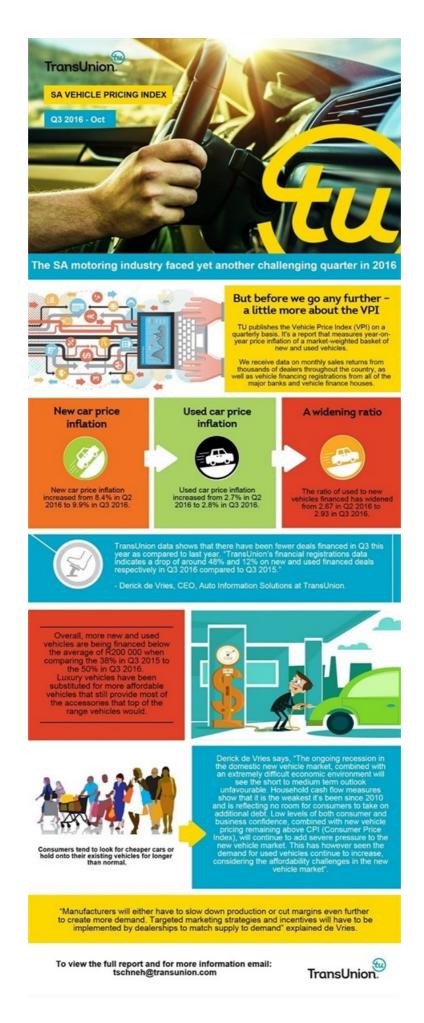


SA car prices continue to rise

According to the TransUnion SA Vehicle Pricing Index (VPI) Q3 2016 for used and new vehicle sales, the South African motoring industry faced another challenging quarter. The VPI found the rate of used an new vehicle pricing increased to 9.9% and 2.8% in Q3 2016 from 8.4% and 2.7% in Q2 2016 respectively. This suggests used car sales volumes will continue to rise.



The VPI measures the relationship between the year-on-year increase in vehicle pricing for used and new vehicles from a basket of passenger vehicles which incorporates the top 15 volume manufacturers. Vehicle sales data collated from across the industry was used to create the Index.

Severe pressure to the new vehicle market

According to the VPI report, the further increase of new vehicles can be attributed to a delayed reaction to the rand weakness and ongoing poor economic conditions.

"The ongoing recession in the domestic new vehicle market, combined with an extremely difficult economic environment points to an unfavourable short to medium term outlook," said Derick de Vries, CEO: Auto Information Solutions at TransUnion. "Household cash flow measures show that it is the weakest it's been since 2010 and is reflecting no room for consumers to take on additional debt. Low levels of both consumer and business confidence combined with new vehicle pricing remaining above CPI (Consumer Price Index) will continue to add severe pressure to the new vehicle market. This has however seen the demand for used vehicles continue to increase considering the affordability challenges in the new vehicle market.

"Consumers tend to look for cheaper cars or hold on to their existing vehicles for longer than normal. This yearly trend continues with a new to used vehicle ratio of 2.93 in Q3 2016 as compared to 1.71 in Q3 2015. This means that for every one new vehicle financed, there were 2.93 used vehicles financed."

A drop in deals

TransUnion data also show that there have been fewer deals financed in Q3 this year as compared to last year. TransUnion's financial registrations data indicates a drop of around 48% and 12% on new and used financed deals respectively in Q3 2016 compared to Q3 2015. Overall, more new and used vehicles are being financed below the average of R200,000 when comparing the 38% in Q3 2015 to the 50% in Q3 2016. Luxury vehicles have been substituted for more affordable vehicles that still provide most of the accessories that top of the range vehicles would.

Manufacturers have to slow down production

Aggregated new vehicle sales figures from the National Association of Automobile Manufacturers South Africa (NAAMSA) has shown a year to date decline of 12.4% in the passenger market, an 8.9% decline in light commercial vehicles and an overall decline of 11.3% in the auto industry. "Manufacturers will either have to slow down production or cut margins even further to create more demand. Targeted marketing strategies and incentives will have to be implemented by dealerships to match supply to demand," explained de Vries.

De Vries adds that VW has been doing well in both areas and currently sits on top for both new and used vehicles. "Toyota seems to have captured more than 15% of the new car market with Hyundai trailing behind them with 10.5%. Toyota definitely seems to be the market leader in light commercial vehicles, however, Ford and Nissan have closed-in in both the new and used market."

"Overall, the current economic conditions have slightly improved the used car market as year to date volumes have increased, although the new car market has suffered. We predict that the market will show some growth within the next 12-