

TransUnion releases Vehicle Price Index report

TransUnion released Q1 of the Vehicle Price Index 2017 today. The VPI report examines the link between the year-on-year increase in vehicle pricing for new and used vehicles.



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The South African motoring industry's first quarter of 2017 was characterised by a slight strengthening in the performance of the rand. Yet the positive benefits of a sturdier currency were short-lived, according to the VPI.

Furthermore, it is expected that the industry will fall short of WesBank's 2017 prediction at the "Car of the Year Event" of a 1.7% (557,000) increase in total sales.

Increase in pricing for new vehicles

The VPI report revealed an increase in pricing for new vehicles to 8.8% up from 6.6% in Q1 2016, while used vehicles prices have risen from 2.2% in Q1 2016 to 3.7% in Q1 2017. A slight surge is evident in vehicle sales in this quarter and, according to National Association of Automobile Manufacturers South Africa (NAAMSA), there has been a yearly increase of 2.1% in passenger vehicles and a marginal 1.1% increase on light commercial vehicles sales.

Volkswagen and Toyota have captured more than 50% of the new car market, and lead the used car market as well, although there is not much difference separating the top tier from Ford, Hyundai and Mercedes-Benz.

Junk status - no impact on vehicle pricing yet

The impact of the recent announcement that SA has been downgraded to junk status has not had an impact on vehicle pricing yet. However, with the possibility of a recession looming, should the rand depreciate to R16-R17 against the dollar, this will have an extremely negative effect on vehicle index for new cars.

Manufacturers may be forced to pass on the higher pricing to consumers which will result in a contraction of vehicle sales, as more than 70% of vehicles are imported and subject to currency volatility.

Furthermore, an underperforming GDP growth rate and economic instability has led to consumers enduring increases at a rate above CPI (Consumer Price Index) for the last five quarters - a trend that will continue throughout the year.

"With the recent ratings downgrade to junk status we are expecting to see lower access to credit, a weakening currency, rising inflation and even higher interest rates. Consumers will have even less disposable income which will force individuals to hold onto their vehicles for longer instead of replacing them," said Derick de Vries, CEO, Auto Information Solutions at TransUnion.



What junk status means for car owners

13 Apr 2017



New passenger finance deals

New passenger finance deals have increased by 27% and the ratio between new and used vehicles financed has decreased from 2.50% to 2.49% from Q4 2016 to Q1 2017. This means that for every new vehicle, 2.49 used vehicles are financed.

Another trend is that the percentage of cars, both new and used, being financed under R200,000 remains constant from last quarter which shows that consumers are 'buying down' and looking for more value for their money.

Upswing in consumer interest for used vehicles

Financial registration data has shown an upswing in consumer interest for used vehicles, with an increase of 26% in new finance deals this quarter.

"However, this consumer shift opens up new possibilities for the industry in terms of used vehicles and it is worth noting that 40% of all used vehicles that were financed in this quarter were less than two years old. This 40% can be further broken down into 25% of vehicles that are under a year old, while 15% are under two years. But as the demand for used vehicles increases and supply comes under pressure this is likely to push the price up on used vehicles further and a shift back to the new car market," De Vries clarified.

"It's difficult not to have a negative outlook for the medium- to long-term future, given our current economic reality. This might be an opportune time for consumers to consider fixed interest rates when taking out new loans, to have security in knowing that their monthly payments won't rise should interest rates increase," De Vries concluded.

For more information and a copy of the full VPI report email mvanren@transunion.com.

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