

Increased demand for used vehicles, report shows

Released by TransUnion, provider of global information solutions for assessing and managing risk, The latest *Vehicle Price Index* (VPI) report shows the effect of continued economic pressure on the pockets of consumers.



Vichaya Kiatying-Angsulee via
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Used car price inflation showed an increase of 2.41% in Q2 2015, up from 0.58% on a year-on-year basis, while new car price inflation has softened from 7.01% to 5.35% in Q2 2015. This trend highlights the increasing demand for used cars and is further evidenced by the ratio of new to use vehicles financed. The vehicle financial registration data analysed by TransUnion revealed that the ratio of new to used vehicles financed has widened from 1.65 (one new vehicle to every 1.65 used vehicles financed) to 1.78 on a year-on-year basis.

Consumer confidence is at an all-time low

"Price inflation on used cars typically tracks price inflation of new cars, a trend that has remained consistent over the past few quarters. However, in the current quarter, this trend has changed and pricing is beginning to converge. Typically this means that new car price inflation is softening or increasing at a lesser rate while the price inflation of used cars is increasing at an accelerated pace. The last time this trend was observed was in the third quarter of 2013. It is clearly indicative of reduced consumer confidence and buying power as a result of on-going economic pressure," says Kriben Reddy, director product Development at TransUnion Auto Information Solutions.

According to the latest *Bureau for Economic Research Consumer Confidence Index*, consumer confidence is at an all-time low, with declines the like of which were last seen at the turn of the millennium in 2000. Consumers are under continued pressure as a result of factors such as increased fuel prices, rising electricity costs, an unstable exchange rate and increases to the cost of living as a result. These pressures mean that consumers are left with less disposable income, directly impacting their buying decisions on all purchases, particularly those as large and significant as a vehicle.

Weakening Rand drives increase in new vehicle prices

WesBank, the market leader in vehicle finance, has data that echoes this. Demand for used vehicles, as measured by the number of finance applications received, increased 10%, year-on-year, in the first half of 2015. Conversely, the number of new vehicle finance applications only increased 3%, year-on-year, for the same period. This is explained by the widening price gap between a new vehicle and comparable used vehicle. Over the last 12 to 18 months this price difference has grown, mainly as a result of the continued weakening of the rand, which has forced manufacturers to effect new vehicle price increases that are well above CPI rates.

"Household debt remains at high levels, and this has affected consumer credit profiles to the point where the new, stricter amendments to the NCA have resulted in more declined applications," says Rudolf Mahoney, head of brand and communications at WesBank. "This will, no doubt, drive more buyers to seek more affordable vehicles, of which there is an abundance in the used market."

"The impact of these macroeconomic factors is clearly evident in the latest VPI and we expect the demand for used vehicles to continue," Reddy added.

The VPI, published on a quarterly basis by TransUnion for the past 15 years, offers a consistent measurement of year-on-year (YOY) price inflation on new and used vehicles. The report is compiled from data on monthly sales returns from thousands of dealers throughout the country, as well as vehicle financing registrations from all of the major banks and vehicle finance houses.

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