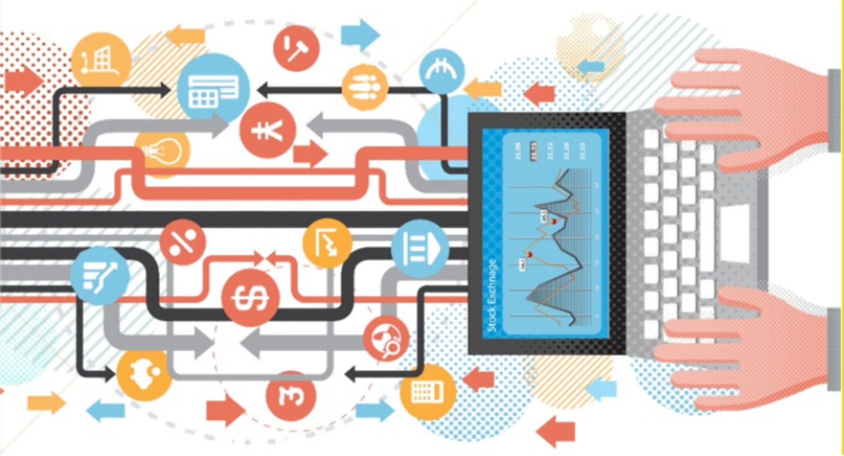
TransUnion

# SA VEHICLE PRICING INDEX

## Q3 2016 - Oct

## The SA motoring industry faced yet another challenging quarter in 2016



### But before we go any further – a little more about the VPI

TU publishes the Vehicle Price Index (VPI) on a quarterly basis. It's a report that measures year-on-year price inflation of a market-weighted basket of new and used vehicles.

We receive 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.

### New car price inflation

New car price inflation increased from 8.4% in Q2 2016 to 9.9% in Q3 2016.

### Used car price inflation

Used car price inflation increased from 2.7% in Q2 2016 to 2.8% in Q3 2016.

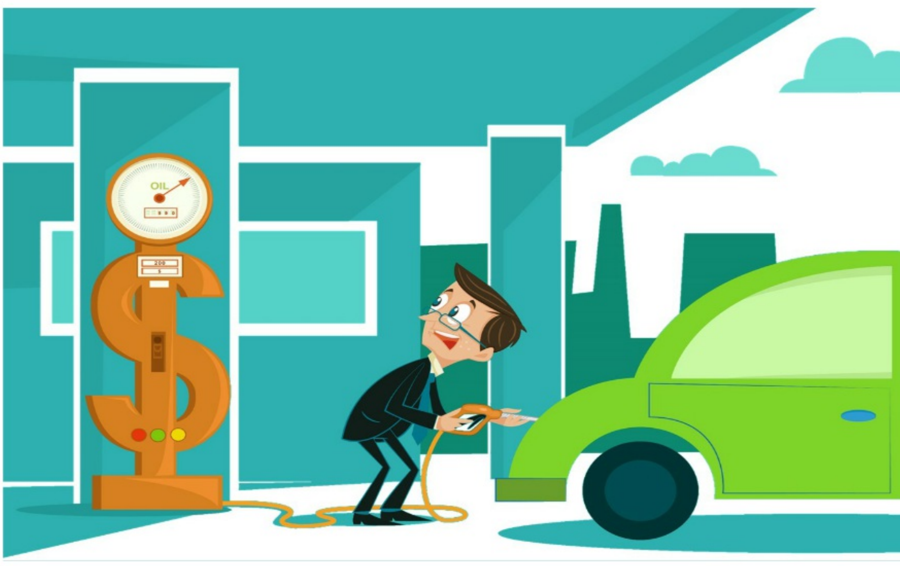
### A widening ratio

The ratio of used to new vehicles financed has widened from 2.67 in Q2 2016 to 2.93 in Q3 2016.

TransUnion data shows 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."

- Derick de Vries, CEO, Auto Information Solutions at TransUnion.

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.



**Consumers tend to look for cheaper cars or hold onto their existing vehicles for longer than normal.**

Derick de Vries says, "The ongoing recession in the domestic new vehicle market, combined with an extremely difficult economic environment will see the short to medium term outlook unfavourable. 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".

"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.

**To view the full report and for more information email: tschneh@transunion.com**

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