

Used-car sales outperform new car sales

Consumers are still looking for bargains at both used-car showrooms and auction houses, taking full advantage of the declining prices.

Trevor Browse, head of finance at Imperial Bank, said yesterday the used-car market remained fairly buoyant, contrasting markedly with the depressed new car market.

Browse said Imperial Bank, which holds 25% of market share in used-car financing, had experienced stable lending for nearly 18 months.

He said even Auto Pedigree, the used-car dealer with about 65 branches nationally, which is part of the Imperial Holdings stable, had recorded strong growth in volumes.

TransUnion Auto Information Solutions said last week declining prices had helped shore up demand for used cars. "Used car sales fared better than new car sales largely because of declining prices, a result of dealers anxiety to move stock off their floors, and because consumers themselves are having to 'buy down'," said TransUnion Auto CEO Mike von Höne, citing the vehicle pricing index.

Von Höne said used-car prices continued to decline this year, a trend that was also prevalent last year.

Used-car inflation, he said, fell to 0,75% last year, down from 1,07% the previous year, while new car price inflation rose 7,82%, up from 3,53%. New-car price hikes made the cars look less attractive for indebted consumers, who were only now getting some relief from interest rate cuts.

High new-car prices worsened the slump in new car sales. New passenger car sales fell 23,4% year on year to 21282 last month, according to the National Association of Automobile Manufacturers of SA.

Car manufacturers, under pressure from the weak rand, seem to have no choice but to keep raising prices. Toyota SA spokesman Ferdi de Vos said the company had to sell new cars at reasonable prices. "We cannot sell cars at a loss," said De Vos.

These price increases reflect cost increases, which are predominantly driven by the sickly rand. Imported cars bear the brunt of the rand's depreciation. Last year, for instance, the local currency lost 41% against the yen.

Von Höne said new car price inflation mirrored the extreme pressure experienced in the motor industry last year as a result of high interest rates, ballooning inflation and fuel price hikes, which reduced consumer purchasing power.

“Rising new car prices did little to assist the industry,” he said. Used-car sales remained in a favourable position during the course of this year as new car sales would only gradually improve towards the end of the year.

Meanwhile, car repossessions would likely keep supplying the used car market with ample stock.

Browse said used-car dealers, which traditionally line up at auction houses owing to the appeal of trade prices, were competing with the man in the street.

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