

# Cars set for auction as new vehicle sales slow

As predicted by the National Association of Automobile Manufacturers of SA earlier this year, vehicle sales are beginning to slow down.

This has been attributed to a combination of economic factors including the effect of the interest rate cycle, a weak rand and various other constraints to economic growth and disposable income. "In terms of the interest rate, two aspects come into play," says Park Village auctioneer Clive Lazarus.

"The first is that the positive effects of the interest rate cutting cycle leading up to 2012 have worn off; the second is that January's interest rate hike is now beginning to bite. The vehicle sector is particularly sensitive to interest rate moves given the credit dependency of many vehicle buyers."

## Significant price rises

The price of new cars has increased significantly of late. This has been attributed in large part to a sustained bout of rand weakness, which is affecting the cost of imported vehicles and components.

"While it is estimated that the cost of new cars will increase between 8% and 11% this year, the price of some imported models has already risen as much as 14% - far above the current inflation rate of 6%."

Lazarus says other constraints include a decline in real disposable income growth and the advent of e-tolls, which is affecting consumers both directly and indirectly.

"The nature of the vehicle market is cyclical. It experiences ups and downs, and right now it's cooling off somewhat. In terms of current auction trends, bidders are definitely leaning towards affordable, fuel-efficient cars, which is a sign of the times," he said.

"The luxury car market is holding up remarkably well. We continue to be commissioned with cars across the board and are still fielding large numbers at our auctions."

Park Village will bring a large variety of repossessed cars to market on Wednesday at 10.30am.

It is thought that the cost of new cars will increase between 8% and 11% this year

Source: *Business Day*, via I-Net Bridge



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