



TWO WHEELERS. There has been a rise in alternative modes of transport owing to the high prices of new vehicles in the SA market. Picture: iStock

SA sees drop in sales of new vehicles

REASON: MANY CAN'T AFFORD FINANCING

→ **Cost of borrowing for car financing is simply unaffordable for millions who are struggling.**

About 1.9 million people qualify for car financing but do not use it because they can simply not afford it.

There are about 12 million registered motor vehicles in South Africa, but when you exclude light and heavy delivery trucks, taxis and motorcycles, fewer than one in five adults has a personal vehicle.

There are roughly eight million motor cars and station wagons, but not all are owned by private individuals.

The National Association of Automobile Manufacturers of South Africa says new passenger vehicle sales have been declining with 2023 showing 347 695 units sold, a drop of 4.4% compared with 2022 when 363 692 units were sold, a difference of nearly 16 000 cars.

This continued into 2024 with year-to-date new passenger vehicle sales in June down by nearly 7% from a year ago.

Eighty20, an SA consumer insights and data science firm, provides interesting insights into the decline in passenger vehicle sales. The analysis includes various sources and highlights how sales have been impacted by:

- ▶ The state of the economy and shrinking disposable income;
- ▶ Inflation (and supply chain issues) adding to the cost of new cars;
- ▶ The cost of borrowing for vehicle asset finance; and
- ▶ Alternative transport options.

The Marketing All Products Survey, a nationally representative survey of 20 000 people conducted by the Marketing Research Foundation and the General Household Survey, a Statistics SA survey

of 21 000 households, found that roughly 30% of households own a working vehicle.

The average household income for car owners is R35 000 a month.

But for those who bought a model built in the past two years, household incomes averaged about R47 000.

With only 16% of households nationally earning R30 000 or more, the demand for new vehicles is shrinking, Andrew Fulton, director at Eighty20, says.

For high earners who qualify for vehicle asset finance, the cost of borrowing has surged over the past three years.

Since mid-2021, there have been 10 consecutive interest rate hikes, increasing the prime lending rate from 7% to 11.75% in 18 months where it has been for the past few months.

Fulton says to illustrate the impact on a new car buyer, consider one of SA's most popular vehicles, the Toyota Hilux, which sold over 3 300 units last year.

Someone who bought the new 2.8 GD-6 RB Legend X-Cab model for R574 900 in 2021 on a 72-month lease with no deposit and no balloon payment would have had monthly instalments of about R10 500.

By early 2023, those monthly payments would have increased by nearly R1 200.

He says for many consumers, vehicle inflation also made new cars unaffordable.

The Hilux in the example retails for R701 800, which is about R125 000 (22%) more than in 2021.

"This requires a monthly instalment of more than R14 000 a month.

Top Auto recently found that 73% of all new cars in South Africa cost over half a million rand (requiring a minimum of R10 000 a month financing).

"This is one reason why the number of people with vehicle asset finance (1.9 million), has not increased since 2019," Fulton says.

He adds that this trend significantly affected the middle class, which holds about 30% of all car loans.