

Used car prices drop by 2,5%

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Used-car prices declined by 2.5% year-on-year (y/y) in the second quarter of the year, vehicle risk intelligence company TransUnion said on Wednesday (3 July).



That was its highest y/y deflation rate since the third quarter of 2006, when used car prices fell by 2.9% y/y.

Used-car prices have now decreased y/y for three consecutive quarters.

By contrast, new car prices rose by 3.0% y/y in the second quarter after a 2.4% y/y rise in the first quarter.

The rand's 16% depreciation against the US dollar since the start of the year is likely to result in a further rise in new car prices in the coming months.

The price indices are calculated from data received by TransUnion 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.

The used passenger vehicle market last experienced multiple consecutive deflationary quarters in 2008-09.

TransUnion Auto senior vice-president Mike von Höne said the slight increase in new-vehicle inflation had come about despite some manufacturers having introduced replacement models at lower prices than previous models.

Competition

In some instances, this was done to enhance the competitiveness of certain models against others in their categories.

"Despite the relatively good growth in the market volumes for new cars so far this year, affordability appears to be playing a greater role in consumers' buying decisions," Von Höne said.

"With the continued low interest rates and excellent incentives manufacturers are offering on new vehicles, demand remains buoyant. However, consumers appear to be buying down with the vast majority of transactions happening at the lower end of the market. Affordability is equally important in the used-car market. The absolute demand for used cars has also

remained good and despite some pressure on used-car prices and dealer margins, there has been an increase in demand for used cars in recent months," he said.

The ratio of used to new cars financed appeared to be swinging back in favour of used vehicles. After dropping from 1.75 used cars for every new car financed in 2012, to 1.56 in the first quarter, the used to new ratio moved back to 1.70 in the second quarter.

"With the increasing gap between new and used vehicle prices, we would expect to see improving relative value in used vehicles," Von Höne said. "The trend of increasing relative demand for used vehicles over new vehicles is likely to continue for the remainder of the year and could be exacerbated by any further deterioration in consumer credit health," he said.

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