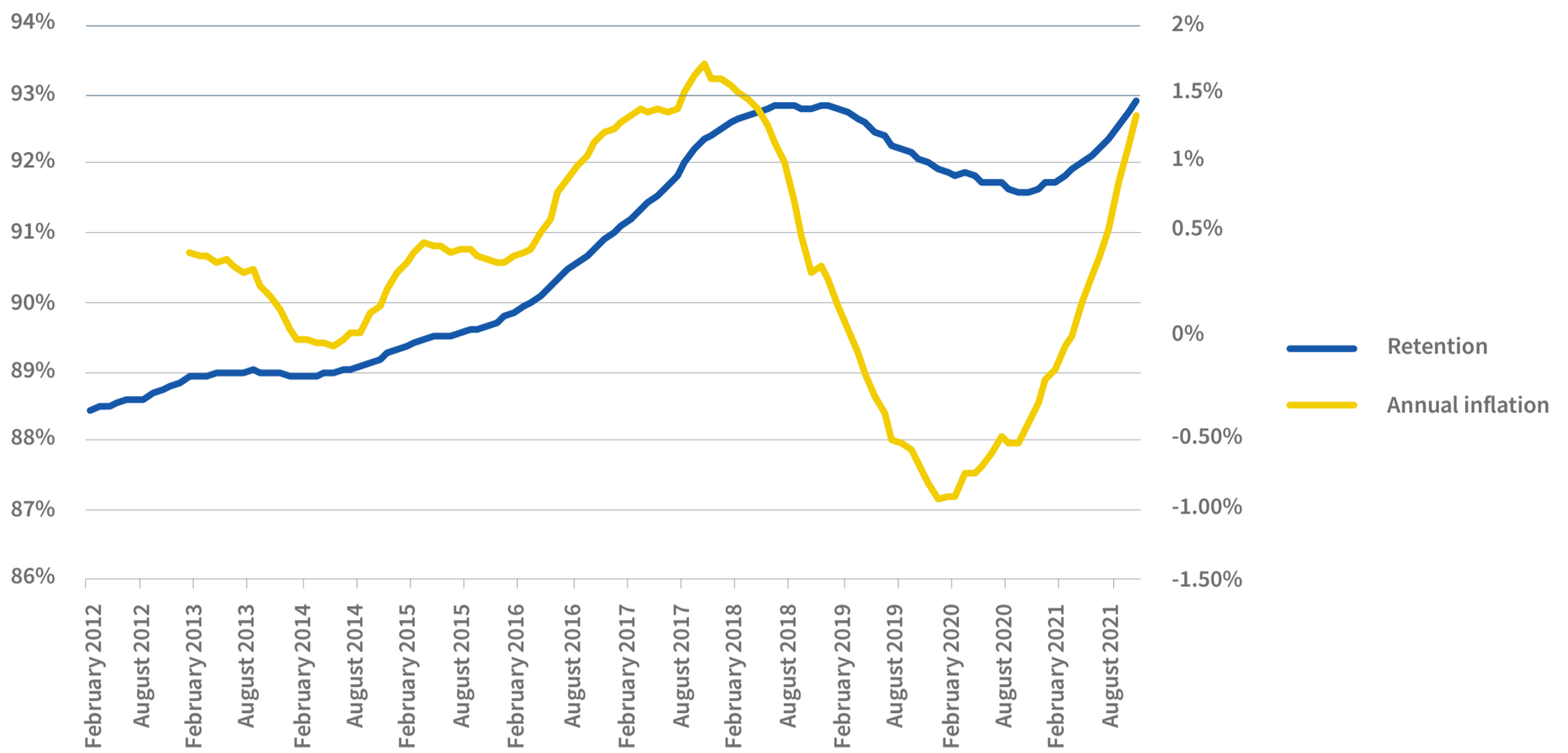




Used vehicles holding their value, for longer

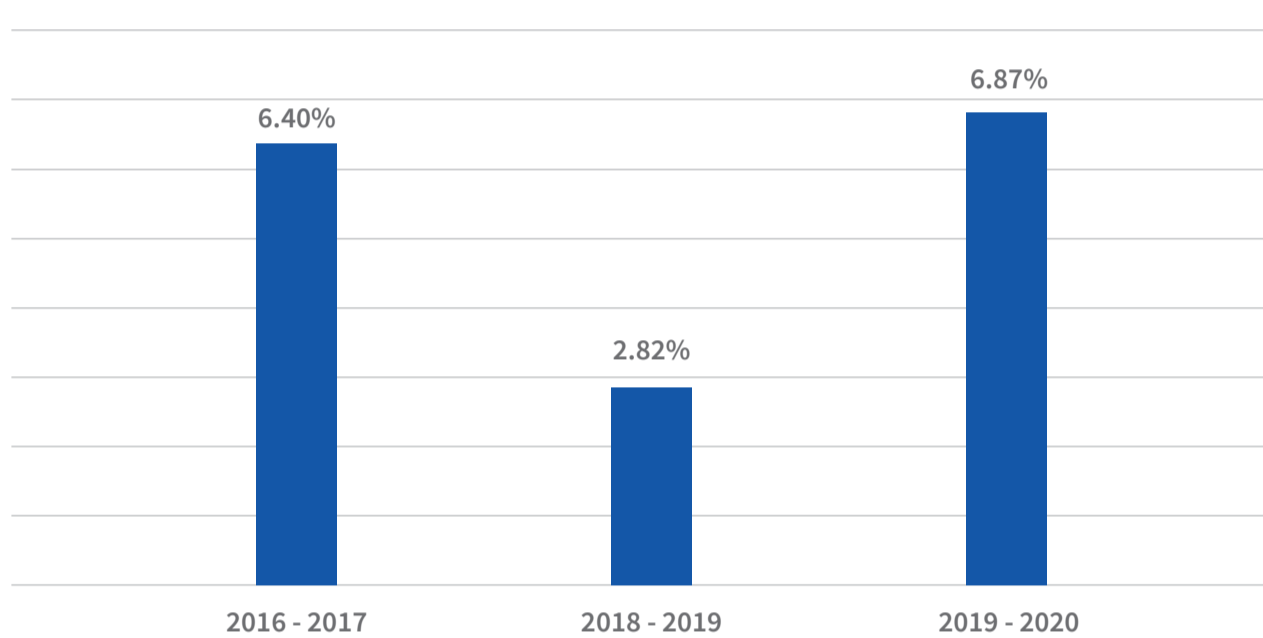
The value retention rate for one-year-old and four-year-old used passenger vehicles has been on an upward trajectory since 2012 and the Lightstone Used Vehicle Value Retention Index reached an all-time high for one-year-old vehicles in October 2021 at 92.91%.

Retention rate over time (vehicle age = 1)

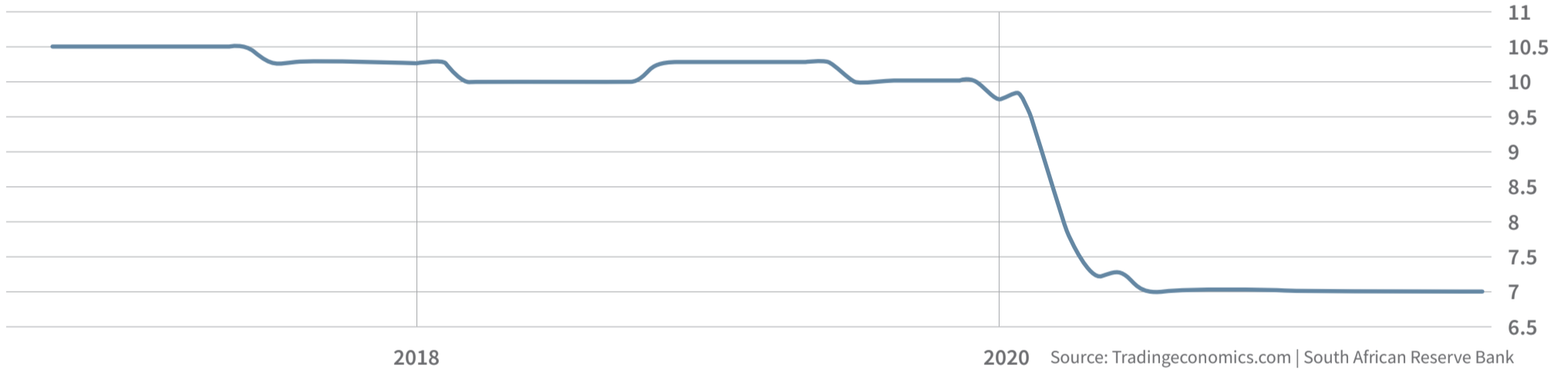


The Value Retention Rate of one-year-old vehicles increased sharply from 2015 to 2018 (see above graph) and peaked in December 2018 at 92.86%. New vehicle price inflation was extremely high during this period due to significant depreciation of the Rand. The graph below shows the average New Vehicle Price Inflation over six years, in two-year clusters.

Average new vehicle price inflation per two year clusters



Stagnant economic growth coupled with relatively high interest in 2019 (see graph below) led to a decrease in the financing of vehicles. Dealerships responded by incentivising the sale of used vehicles through more competitive prices and this reflected in a decline in the Used Vehicle Value Retention Rate from March 2019.

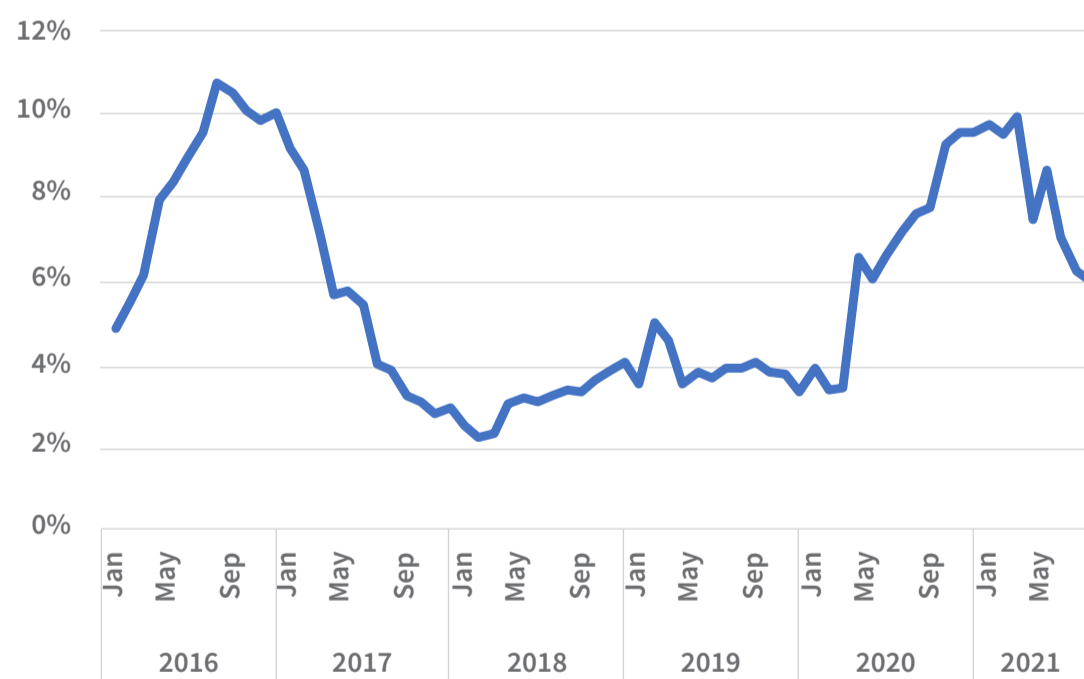


Covid-19 struck in March 2020, and this kept the Annual Inflation of the Value Retention Rate negative into 2021.

The semi-conductor shortage has wreaked havoc on global vehicle production. As of October 2021, the effect on new vehicle sales in South Africa has not been as keenly felt as in other parts of the world perhaps because the current product offerings in South Africa are less complicated than those in developed economies. This means there is a reduced demand for semi-conductors on vehicles being used in the South African market, although it is inevitable that the impact will be felt at some point.

Nevertheless, new vehicle price inflation has increased dramatically in 2021 and this has fuelled demand for used vehicles last seen in the 2015 to 2018 period.

Lightstone New Vehicle Price Inflation (NVPI) - 2016 to 2021



The same trend is evident for four-year-old vehicles, but with more pronounced swings up and down. Annual inflation of the Value Retention Rate for four-year-old vehicles (the rate of change of the value retention rate) is currently at 4.75% while the annual inflation for one year old vehicles is currently only 1.43%.

Retention rate over time (vehicle age = 4)

