

ANALYSIS

JANUARY 2025

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Australia Fourth-Quarter Used-Vehicle Price Report: A Bump in the Road

- » Australian used-vehicle prices finished 2024 with the first quarterly rise since prices peaked in mid-2022.
- » The Datium Insights-Moody's Analytics Used-Vehicle Price Index grew 1.3% between the September and December quarters but was still down 2.9% year on year.
- » Relative to their peak in May 2022, sale prices for used vehicles were down 16.1% in the month of December. Still, sale prices remain 40.8% higher than in December 2019.
- » By segment, used utes, SUVs and vans advanced 1.8% quarter on quarter in the December quarter, while used sedans and hatchbacks increased 0.7%.
- » Retention values rose a more subdued 0.6% from the September stanza and fell 5.2% from a year earlier.
- » Moody's Analytics expects further declines in 2025, although they will be more moderate than in 2024. This is largely due to the expectation of stronger vehicle demand as interest rates fall. Used-vehicle sale prices are expected to fall 3.3% in 2025 compared with the 5.3% decline in 2024.

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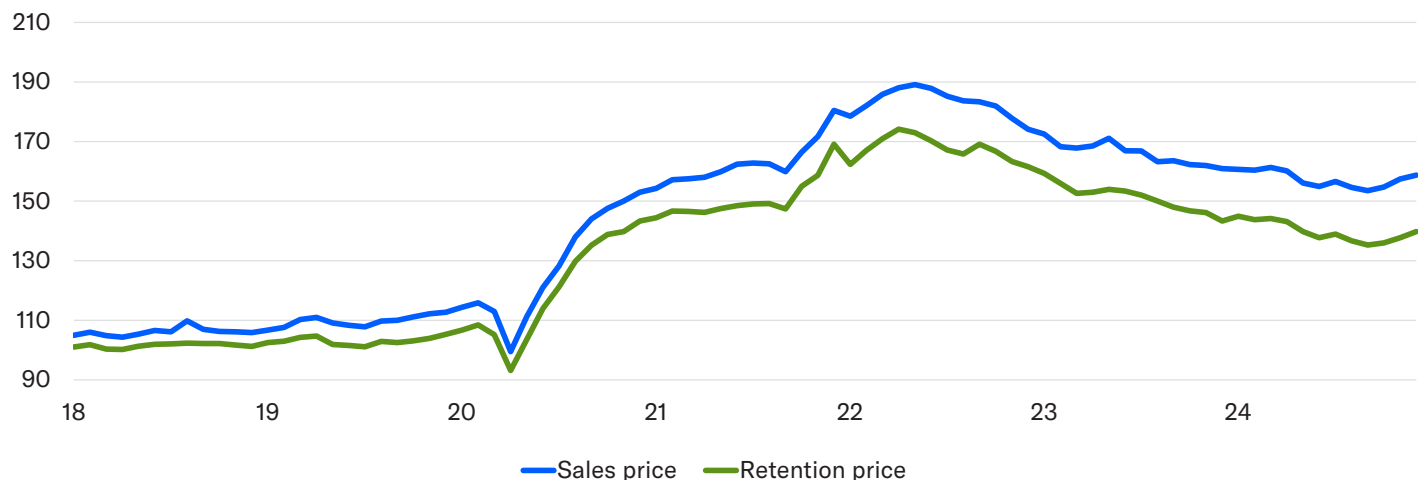
BY SHANNON NICOLL

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Australian wholesale used-vehicle prices jumped throughout 2024's final quarter, with the Datium Insights-Moody's Analytics Used-Vehicle Price Index capturing a 1.3% rise from the September quarter. This marked the first quarterly price rise since the middle of 2022, when prices peaked, and followed a 1.4% quarter-on-quarter retreat in the September quarter. Despite the rise, prices for used vehicles are still 2.9% lower than the same time a year earlier. Relative to their peak in May 2022, prices were down 16.1% in the month of December. Still, prices remain elevated, sitting 40.8% higher than in December 2019 (see Chart 1).

Chart 1: Drifting Off Course

Used-vehicles, Jan 2010=100, SA



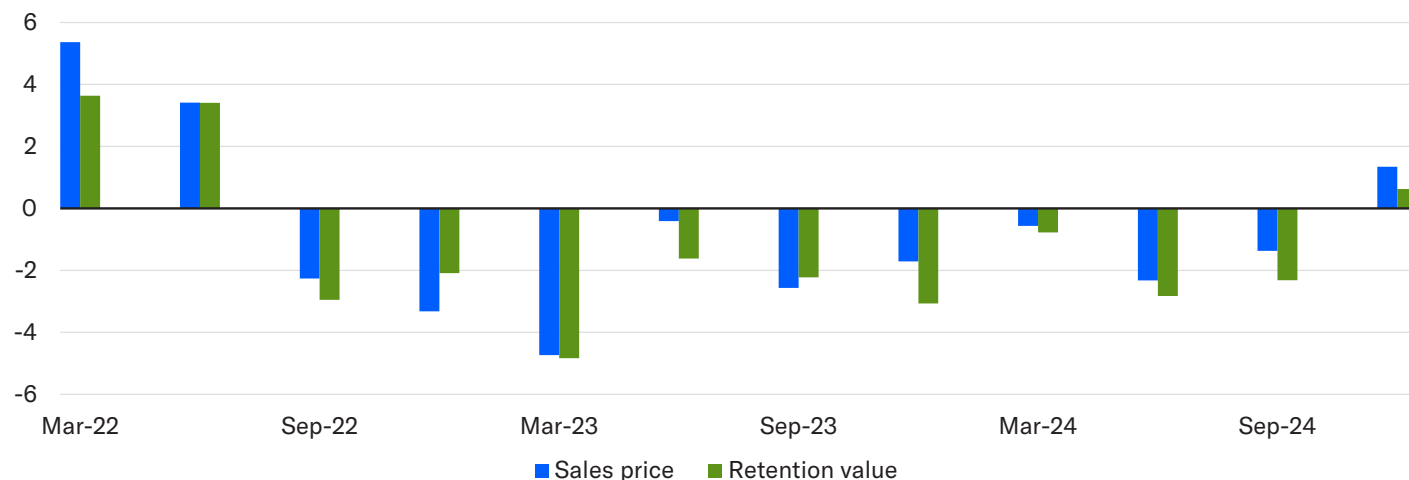
Sources: Datium Insights, Moody's Analytics

Both major segments saw growth through the quarter. Used-vehicle prices for utes, sports utility vehicles, and vans rose 1.8% quarter on quarter across the final three months of the year, outpacing the 0.7% growth in the used sedans and hatchbacks segment.

Across 2024's final quarter, the retention value index, which tracks the portion of the manufacturer's suggested retail price maintained at the time of sale, trended in the same direction as sale prices. The index rose 0.6% quarter on quarter after falling 2.3% in the previous quarter (see Chart 2). Retention values fell 5.2% in the final quarter on a year-ago basis, following an 8.7% decline.

Chart 2: A Defiant Jump

Used-vehicles, Jan 2010=100, SA



Sources: Datium Insights, Moody's Analytics

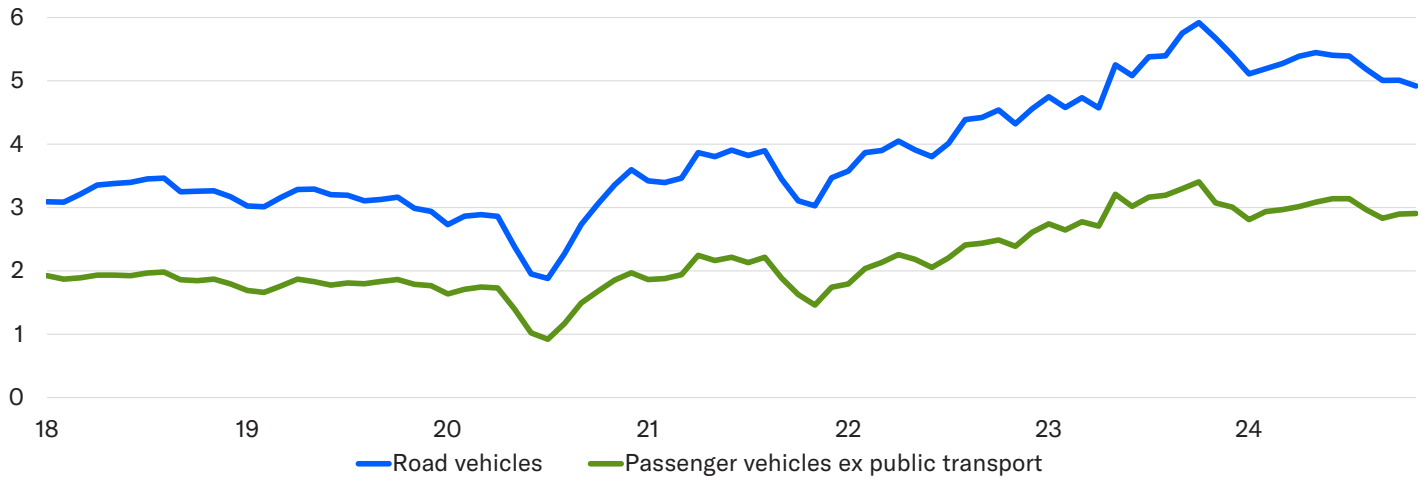
Wholesale used-vehicle prices have trended lower since mid-2022 due to improved supply and weak consumer demand. On the supply side, new- and used-vehicle inventory has lifted following the constraints during the last two years. At the same time, high borrowing costs and inflation have eroded household purchasing power, denting demand for big-ticket items such as vehicles. More recently, consumer headwinds have moderated as inflation eases. Similarly, slower growth in vehicle availability has tempered downward price pressures.

The price rise across the December quarter is somewhat of an anomaly and not reflective of the current trend in the used-vehicle market. The exceptional volatility of new-vehicle sales between 2020 and 2022 introduced more unstable contributions to supply, leading to vehicles joining the used market at unpredictable intervals. This makes some price rises possible in a given quarter, as seen in December. Additionally, since the shutdown of Australian auto manufacturing in late 2017, virtually every sale of a new vehicle has been of an imported car. As such, vehicle supply is determined by import trends and foreign industrial production. Through much of the second half of 2024, import values of motor vehicles softened (see Chart 3). Weaker imports of new vehicles cause upward price pressures on used-vehicle prices as new vehicles become less competitive in price.

Sales in the used-vehicle market continue to trend upward. Some of the demand in the second-hand market stems from cost-conscious consumers turning to this alternative.

Chart 3: Flagging Imports

Australian road vehicle imports, A\$ bil, 3-mo MA



Sources: Australian Bureau of Statistics, Moody's Analytics

While demand is set to firm up even more this year, strong supply will likely prevent further quarterly gains in 2025.

A STRONGER YEAR AHEAD

Australian households have been feeling the pinch. Economic growth remains low, and in per capita terms, it has declined for seven consecutive quarters. High borrowing costs and inflation have sapped disposable incomes, keeping household sentiment depressed.

Recent developments suggest the worst of the pain is over. Real wages are inching higher as inflation eases and the tight labour market offers support. In turn, while still pessimistic, consumer sentiment is improving (see Chart 4).

Monetary policy remains a key headwind. High interest rates are keeping vehicle financing undesirable for many, tempering activity in the market. Meanwhile, much of the recent progress on inflation has come from electricity rebates and other cost-of-living relief measures implemented by Australia's federal and state governments. The Reserve Bank of Australia has since been taking its cues from core inflationary measures instead. Trimmed mean inflation is nearing the top of the target band, but the central bank remains skittish about the tightness of the labour market. Because of this, interest rates are set to hold steady until May. Once monetary policy settings ease, discretionary demand will rise further, adding some upward price pressure to the second-hand vehicle market through 2025.

EYES ON EVS

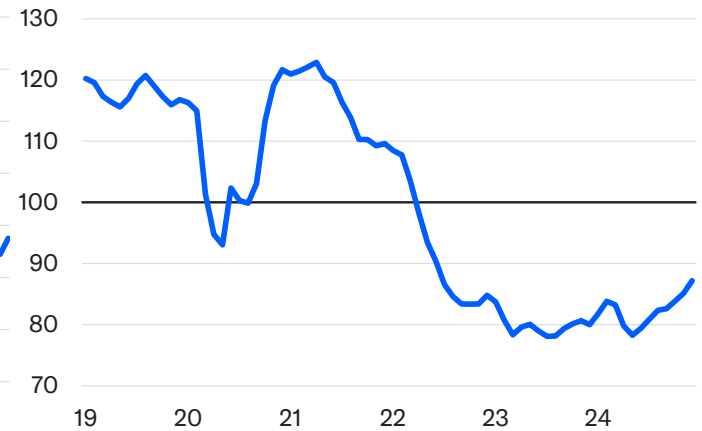
Australia's rapidly growing electric-vehicle market continues to draw attention from policymakers. According to the Electric Vehicle Council, the number of EV models available in the Australian market increased from 91 in 2023 to 122 in 2024. Several policy incentives are aiding this goal. The Fringe Benefits Tax exemption for EVs will encourage uptake with employers, although this

Chart 4: Beginning to Turn

Real wages, 2019=100



Time to buy a major household item, 100=neutral



Sources: Australian Bureau of Statistics, Westpac, Melbourne Institute, Moody's Analytics

ends for plug-in hybrid electric vehicles in April. The Driving the Nation Fund will also invest in rapid infrastructure by supplying 117 fast charging stations along key routes, supporting consumer uptake.

Perhaps most notably, the New Vehicle Efficiency Standard, which took effect on 1 January, will incentivise stronger EV uptake. As of July, tailpipe emissions will be monitored, with manufacturers receiving emissions scores based on their vehicles' mass and CO² emissions. Models with an emissions score lower than the target for a given year will earn emissions credits. In contrast, higher-emissions models must purchase other credits to offset emissions or face penalties.

The policy's most prominent impact will be the compositional changes to the used-vehicle market. As manufacturers are encouraged to produce a larger share of low-emissions internal combustion engine models and EVs, the market share of these vehicles will grow. That said, the policy could put upward pressure on new-vehicle prices as some manufacturers pass on emissions fees or the cost of rapid design modifications. This will ultimately push some consumers towards the second-hand market, adding to demand pressures. That said, the changes will be slow. Manufacturers that do not meet the target in a given year will have two years to bring their emissions score to zero, with penalties to be issued as of February 2028.

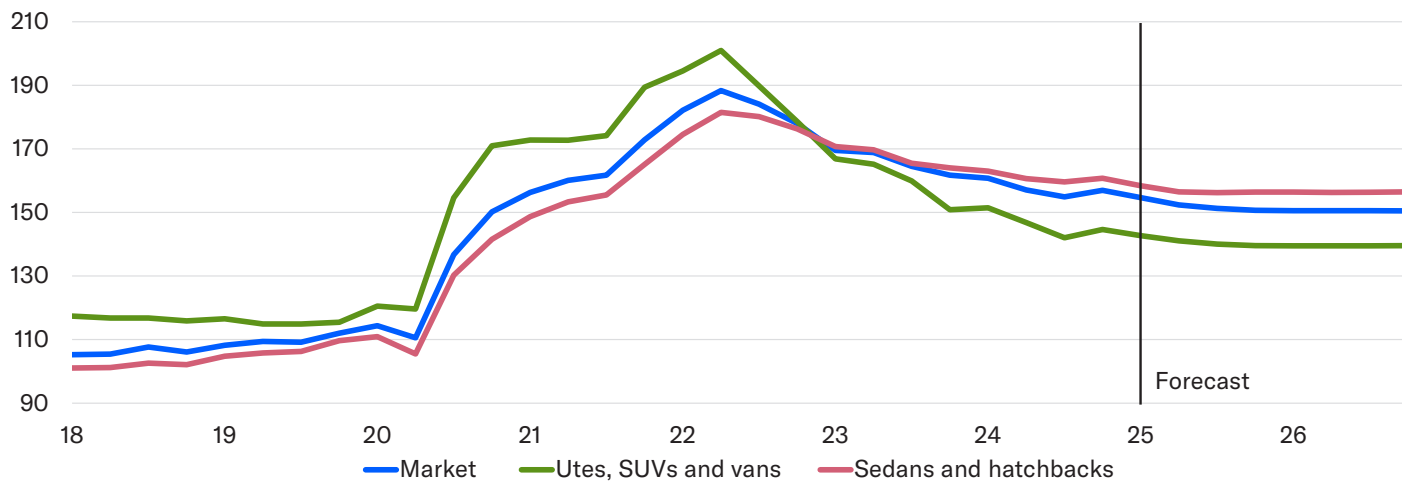
THE OUTLOOK

Used-vehicle prices have further to fall, with prices set to drop 3.3% in 2025 (see Chart 5). Growing vehicle availability will outstrip comparatively stronger demand. This will precede a price fall of 1.1% in 2026.

While the base case is for prices to fall again this year, the outlook is uncertain. Stronger-than-expected demand spurred by population growth, a tight labour market, and real wage growth could propel prices in 2025. That could occur while disruptions along supply routes

Chart 5: Declines to Moderate

Used-vehicle prices, Jan 2010=100, SA



Sources: Datium Insights, Moody's Analytics

or geopolitical instability limit supply. The opposite could also be true. Weaker demand than anticipated due to lingering high interest rates or more substantial global production and imports into the Australian market could drag prices lower than forecast this year. On balance, upside risks are more dominant.

ABOUT THE AUTHOR

Shannon Nicoll is an associate economist with Moody's Analytics. Based in Sydney, he provides analysis for countries across the Asia-Pacific region, particularly New Zealand. Shannon holds a bachelor's degree in economics and finance from the University of Wollongong. Prior to joining Moody's Analytics, he worked at the NSW Department of Planning and Environment.

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