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THE MOTOR DEALER REPORT FROM AUSWILD & CO
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2025: THE YEAR AHEAD

2024 – another record year for automotive sales in Australia, albeit only just! With a 0.3 per cent increase (or in numbers, 3,827 more units), a total of 1,220,607 vehicles were delivered during the year, and in doing so, the automotive market achieved an unprecedented milestone, breaking all-time records for new vehicle sales in Australia. However, the industry's reaction to this new record for vehicle sales was fairly subdued as consumers face a tough start to 2025 caused by economic and political challenges.

In his media release, **FCAI** CEO, Tony Weber, said that while very strong sales in the first half of 2024 set up the full-year result, the momentum in the market was lost as the year progressed and interest rates and general cost of living pressures impacted Australian families.

Toyota was again the top selling car brand with 19.8 per cent of the market (241,296 units) – more than doubling second placed Ford's 100,170 sales (8.2%) and exceeding both Ford's and third placed Mazda's (95,987 units at 7.9%) combined sales numbers. This was Toyota's 22nd consecutive win and it is the only car company to have sold more than 200,000 vehicles in a calendar year.

Fourth placed Kia (6.7%) again outperformed its sixth placed stablemate, Hyundai (5.9%). Rounding off the top ten positions were fifth placed Mitsubishi (6.1%); MG (4.1%); Isuzu Ute (3.9%), Nissan (3.7%) and GWM (3.5%).

Of all the Chinese imports, MG was again the star performer. It continues to outshine its compatriots but is now joined in the top ten name plates by GWM.

The top selling vehicle in 2024 was the Ford Ranger (62,593 units). SUVs and light commercials accounted for 79.1 per cent of sales and comprise nine of the top 10 vehicles sold in 2024.

Battery electric vehicles accounted for 6.1 per cent of sales with combined battery electric, plug-in hybrid and hybrid vehicles achieving 270,471 sales or 22.1 per cent of new vehicle sales. The lower than expected sales results for battery electric vehicles were being replicated in a number of major markets around the world.

"Governments around the world have set regulations that are ahead of available zero emissions technologies and this is impacting both car makers and consumers. Manufacturers in the UK, Europe and the USA are under pressure because they have made huge investments to manufacture EVs, but customers are not buying them in the numbers needed to meet emission targets and to provide a return on investment," said Mr Weber.

The financial year ended 30 June 2024 again saw most **Auswild** dealerships continue to achieve respectable profit levels albeit slightly less than the year before.

So, where to for 2025?

New vehicle sales for the first month of 2025 of 86,804 were down 3.3 per cent on the result for the same period last year demonstrating that the market remains flat following a weak second half of 2024.

Whilst acknowledging that current economic conditions remained a major consideration for consumers in all market segments, Mr Weber said that new car buyers could also look forward to an increasing range of vehicles with advanced specifications and technologies in 2025. Prospective new car buyers battling cost-of-living pressures can also expect more affordable choices in 2025, with incentives and discounting from manufacturers expected to ramp up again this year.

As most dealers would be aware, inventory levels at their dealerships have been increasing in recent months as a consequence of increased manufacturer stock availability and decreasing retail sales. This has impacted dealer profitability and with higher interest rates and increased inventory levels, dealers need to recognise and take into account the cost of carrying too much stock.

According to ***AutoTeam Australia Consulting's*** Tony Lemmo, the average dealer is paying approximately \$300 in incremental floorplan costs compared to the same time two years back. This represents a significant dent in dealer profitability as productivity improvements to cover this cost may be difficult to achieve. Further, the average dealer gross per vehicle sold has come down marginally over recent months but the real concern for the average dealer is that operating costs (personnel, floorplan, utilities, etc.) have increased substantially – over the last three years, about \$700 per vehicle sold. To maintain profitability dealers will need to find productivity improvements.

Used vehicle prices are likely to tumble this year as Australia grapples with an oversupply of used models. The used vehicle oversupply is attributed to freer flowing stock of new cars after the increased wait times and short stock brought about by the pandemic and the semi-conductor shortage. While the used vehicle market prices are expected to fall drastically in 2025, it remains to be seen if they will revert to pre-COVID levels.

Fixed operations have been the back-bone of many successful dealerships over the years and will remain as the dealership's largest profit contributor. However, the shortage of technicians will continue to be a critical challenge for dealers. An efficient and well-run fixed operations department should cover at least 55% of any dealership's fixed expenses.

The ATAC benchmark for net profit before tax has been reduced to 3.5% from the previous high of 5%. As inventory pressures impact on dealership profitability, we would not be surprised if profits continue to slide.

We suspect that there will continue to be a few buy-sells happening during 2025. It is no big secret that Toyota dealerships are highly desirable for purchasers, not only here but also in the US. However, well run and highly profitable dealerships with other franchises will continue to be attractive to a buyer and command a premium for the seller.

We say it every year and we will say it again – your ability to prosper in 2025 is entirely in your hands and that of your managers. It takes commitment from you, the dealer, to create a positive mindset, train, train and train your salespeople, hold them accountable and stick to the basic game plan. Get back to basics!

Australians will continue to buy over one million new cars in 2025 –just make sure that when they do buy, they end up buying from you and not another dealer!

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