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THE MOTOR DEALER REPORT FROM AUSWILD & CO
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2024: THE YEAR AHEAD

2023 – What a year that was. A total of 1,216,780 vehicles were delivered during the year, and in doing so, the Australian automotive market achieved an unprecedented milestone, breaking all-time records for new vehicle sales. This number represents a 12.5 per cent increase on 2023 sales and eclipses the previous highest sales result of 1,189,116, achieved in 2017 by almost 28,000 units.

In his media release, FCAI CEO, Tony Weber, said this record-breaking achievement underscores the dynamic and competitive nature of Australia's automotive landscape, providing consumers with an extensive array of choices across various price brackets.

"This extraordinary result is a testament to the adaptability and resilience of both industry players and consumers alike. Despite the supply chain disruptions faced in recent times, consumers now have greater access to a broad range of choices, fostering increased accessibility in the market," said Mr Weber.

Toyota was the top selling car brand with 17.7 per cent of the market (215,240 units) – more than doubling second placed Mazda's 100,008 sales (8.2%). This was Toyota's 21st win in a row and remains the only car company to have sold more than 200,000 vehicles in a calendar year.

Ford with a 7.2% market share, pushed Kia into 4th place (6.3%) which again outperformed its stablemate, Hyundai (6.2%). Rounding off the top ten positions were Mitsubishi (5.2%); MG (4.8%); Tesla (3.8%); Subaru (3.8%) and Isuzu Ute (3.7%).

Of all the Chinese imports, MG has been the star performer. It continues to outshine its compatriots and has grown faster than any other car brand in recent times – keeping in mind that when introduced to the market in 2018, it ended up being ranked 30th with just 3,000 sales.

The top selling vehicle in 2023 was the Ford Ranger (63,356 units). SUVs and light commercials accounted for 78.4 per cent of sales and comprise all the top 10 vehicles sold in 2023.

Battery electric vehicles accounted for 7.2 per cent of sales with combined battery electric, plug-in hybrid and hybrid vehicles achieving 196,868 sales or 16.2 per cent of new vehicle sales.

The financial year ended 30 June 2023 again saw most **Auswild** dealerships continue to achieve strong profit levels albeit slightly less than the year before.

So, where to for 2024?

Looking ahead, Mr Weber expressed optimism about the industry's future in 2024 while acknowledging potential challenges.

"This is a tremendously exciting time for the industry. Consumers have a wide choice of vehicles available to meet their work, recreation and family needs that come equipped with the latest advancements in engine technology, safety features and advanced driving, navigation and entertainment aids.

As we celebrate this historic achievement, we recognise that the automotive sector will face challenges in the coming months. Cost-of-living pressures and increased interest rates will impact the market, and we anticipate a challenging 2024."

As most dealers are aware, inventory supply is increasing as manufacturers ramp up vehicle production and shipments to Australia. With the interest rate rises over the past twelve months, dealers need to recognise the increased cost of carrying too much stock.

Whilst dealers are still carrying large order banks, new vehicle profitability will continue to remain strong. This has given dealers the upper-hand in the sales negotiation process and retaining gross but now that the supply chain has been improving and dealers are starting to build up inventory levels, time will tell whether they will revert to their bad habits of cutting grosses on vehicles. It will also be interesting to see how salespersons cope with having to "sell" instead of just taking orders.

The current trading market for used vehicles has seen used car prices continue to fall from its peak in March 2023 when used cars retained 76 per cent of their original value, reaching a low of 67 per cent by the end of 2023. Now that the global supply chain bottlenecks for new vehicles have been resolved, the influx of new vehicles has had a marked effect on the second-hand market.

It is noted that **Moody's Analytics** is forecasting that used car prices will stabilise in 2024 (albeit at higher than pre-pandemic levels). However, if inflation and interest rates continue to rise, demand could soften for new and used cars, which will see prices fall faster than the current forecast.

For the record, **AutoTeam Australia Consulting's** full year industry forecast for 2024 is 1,150,000 units – slightly less than that achieved in 2023. This volume forecast not only reflects a catch-up of vehicles ordered but not yet delivered but also recognises the continuing impact of interest rate rises and higher inflation.

At the recent **NADA Show** in Las Vegas, the recurring themes in conversations, discussion panels and the press were rising interest rates, vehicle affordability, the economy, volatility in the used car market, EVs and AI. Sound familiar?

But there is reason to panic, according to Dean Mercer, author of the "Dealership of Tomorrow: 2024 Update." The auto industry has faced relentless threats for decades – but nothing has derailed the sale of new autos yet, said Mercer in his presentation. "And every year a new threat emerges that people worry will wreck the industry. But it still survives, and there are still about 18,000 rooftops. We get sort of trapped in this eternal present where we forget everything we've been through in the past, and today always looks like it's more extreme than it has ever been. It's OK for retailers to relax – at least a little – but pay attention."

We suspect that there will continue to be a few buy-sells happening during 2024. The lack of succession plans for some "older" dealers and the demands placed on dealers by some manufacturers/importers for costly facility upgrades would be the catalyst for dealerships changing hands.

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 2024 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.

Australians will continue to buy new cars in 2024 – over one million vehicles, it is forecasted – just make sure that when they do buy, they end up buying from you and not another dealer!

For additional information, please contact your
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