

QAR

Quarterly Automotive Report

Issue 3 | Q3 2024

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Key insights

Seasonality returns

Q3 represented a return to normality with seasonal patterns for supply and clearance rates for the first time in four years.

Record sales again

Q3 set another new post-COVID used car sales record, representing a gain of over 40 per cent year-on-year and the highest volume in over four years.

Repossessions climb again

Volume of repossessed vehicles continues to climb, contrasting with the same period in 2023, but remains significantly lower than pre-COVID.

Values normalise

Overall used vehicle values are returning to the predicted post-COVID new normal, but there have been some surprises among vehicle categories.

EV values falling

EV values have been trending downward since the end of Q1, as more supply enters the market.

Other potential EV value issues loom

New car pricing and end-of-lease supply volumes could drive used EV values further down.

On the plus side for EVs

As EV volume grows, the proportion being sold to end users is escalating even faster, and they're generally becoming more affordable at the same time.

Pickles

Who we are

Pickles is Australia's leading used asset marketplace and largest auction group. Since 1964, we have been unlocking value for vendors while providing powerful purchasing experiences for buyers.

Where we are going

At Pickles, we're dedicated to shaping the future. Our vision is to be the first choice for anyone when buying and selling used assets in our market. Our purpose is to power trusted marketplaces where everybody wins. Our mission is to win customers for life by making their experience awesome.



Data source: Datium Insights

With strength comes insight

It's fair to say we've finally put COVID-related challenges behind us, with market behaviour not seen for four years returning in the third quarter (July - September) of 2024.

Looking beyond record sales results and greater diversity of electrified models available than ever, Pickles data reveals broader macroeconomic insights that reflect patterns in the Australian and global economies and hint at what's to come.

Following such a strong first half of 2024 and the 2023 results before it, the third quarter shows a lot of promise, yet also highlights some adjustments across categories of vehicles.

As Australia's leader in asset remarketing across cars, trucks, industrial, and salvage, Pickles continues to bring clients the most insightful market intelligence and deep data analytics.

“We've seen a broader normalising of used vehicle supply and market behaviour in general, with a growth in clearance rates signifying strong demand at the end of the third quarter.”

– **Tanim Ahmed,**
Head of Business Intelligence
& Product

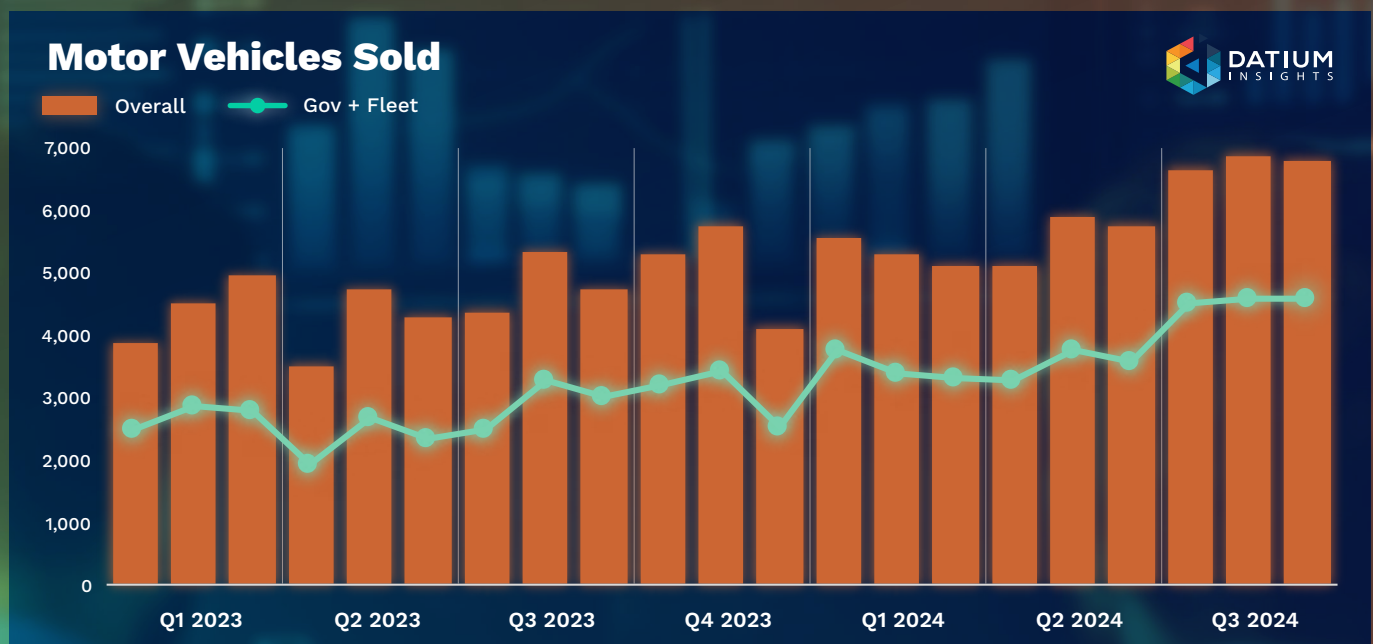


Pickles sales growth and seasonality

All numbers point to a very near return to pre-COVID behaviour, but there's even more valuable insights within these numbers.

Traditional seasonality has returned – to a degree – for the first time since 2019, with a June dip in vehicle sales followed by a resurgence in the third quarter.

Pickles also saw the customary seasonal dropoff in clearance rates (percentage of vehicles that sell on their first pass at auction) through the winter period (June - August), but clearance rates have rebounded from mid-August to the end of September that marks the end of the third quarter.



According to Pickles Head of Business Intelligence & Product, Tanim Ahmed, “This points to a broader normalising of used vehicle supply and market behaviour in general, with the growth in clearance rates signifying strong demand at the end of the third quarter (July - September).”

The outright scale of Pickles vehicle sales in the third quarter followed the first and second quarters in representing yet another new record for the post-COVID era, with a total outflow of over 20,000 vehicles.

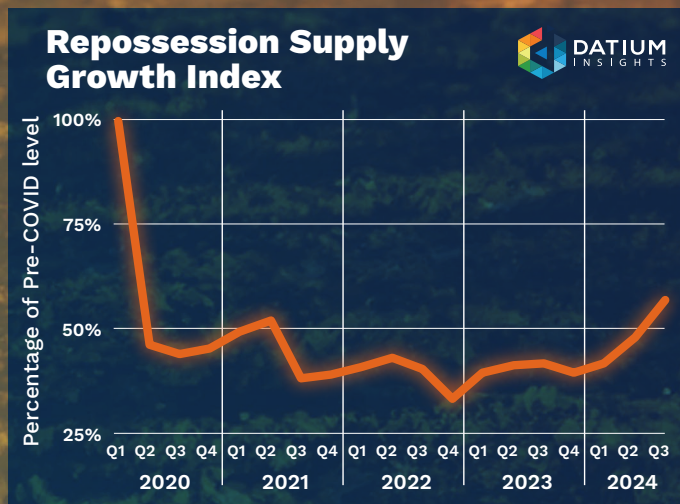
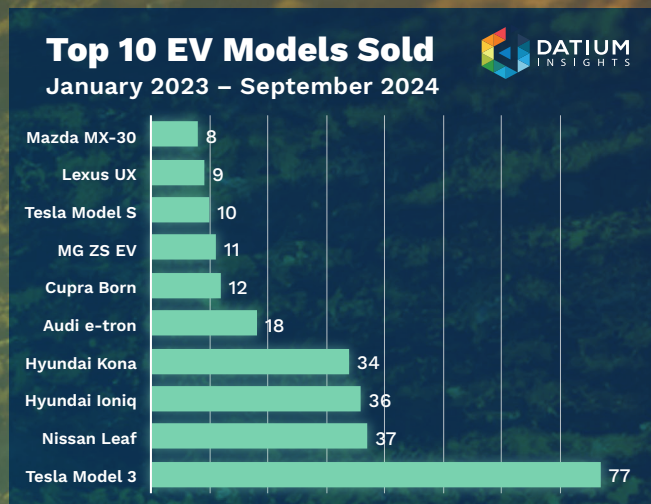
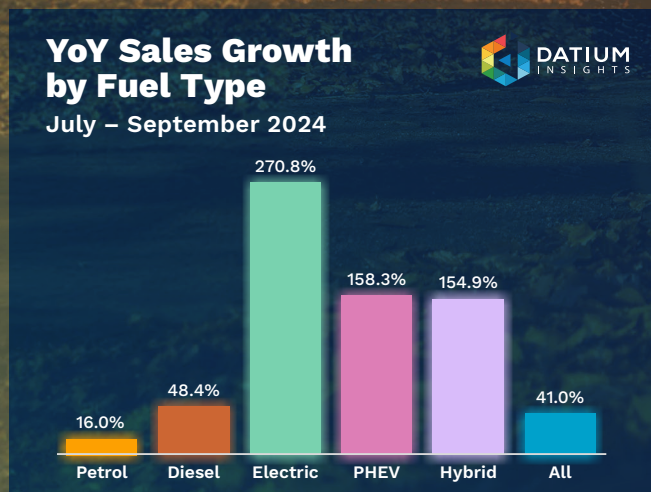
This represents a third quarter gain of over 40 per cent year-on-year, the highest volume in 4.5 years, and very close to the pre-COVID volume of vehicles sold per month.

Pickles expects this growth in volume to continue until the end of 2024 at least, given there are still significant backlogs of new vehicle orders with fleet, government and corporate partners to be fulfilled.

Within this overall volume growth and normalising of behaviour, the supply of repossessed vehicles continues to climb, but remains significantly lower than what was seen pre-COVID.

This trend has continued through the second and third quarters, and Pickles attributes this to two key contributing factors.

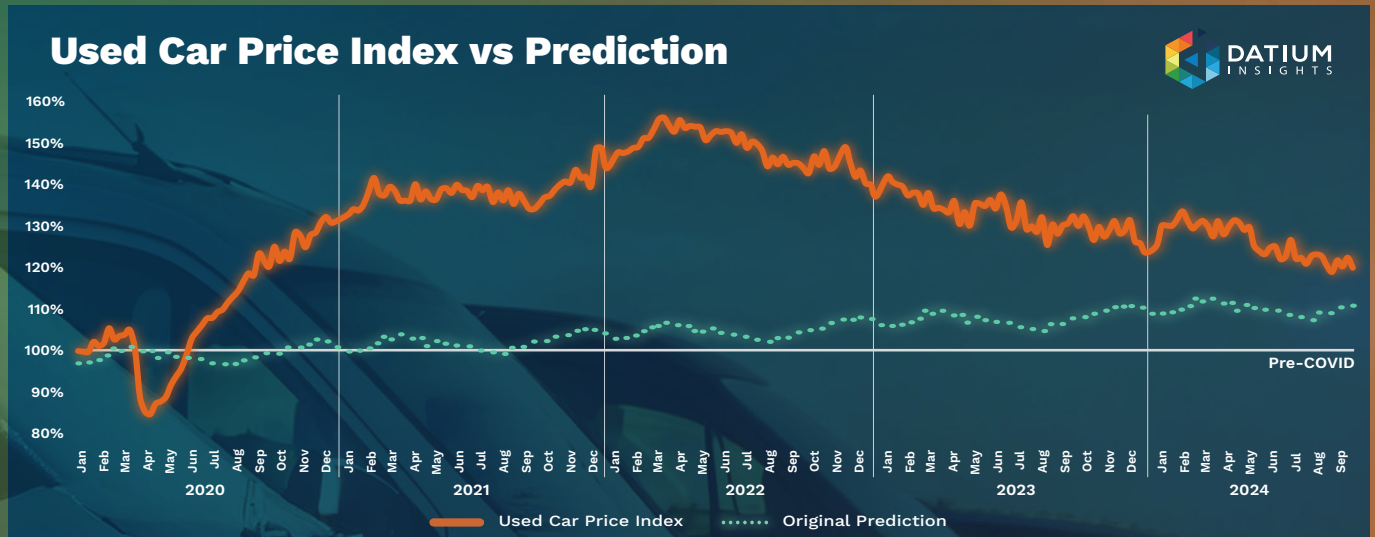
Ongoing cost-of-living pressures – relating to high CPI inflation and interest rates – is considered to be the primary driver, along with owners’ ability to refinance diminishing as vehicle values generally decline, which contrasts with the booming used values prior to the second quarter of 2022.



Values normalise, but categories surprise

Despite the strong demand for used vehicles suggested by rebounding clearance rates in the latter two months (August - September), the strength of vehicle supply coupled with broader economic pressures has seen used car values trend downwards in the third quarter after demonstrating resilience in the first half of 2024.

Overall vehicle values now sit just 10 per cent higher than what had been predicted for this period pre-COVID, suggesting they are returning to a new normal which had been more recently anticipated to arrive before the end of 2024.



Distinctions among categories and fuel types of vehicles continue however, with passenger vehicles remaining stronger than SUV or light commercials (predominantly utes) but the former has trended downwards in the third quarter compared to the latter.

In terms of fuel types, hybrid vehicles distinctly retain leadership above petrol, with diesel an even clearer margin beneath, with each trending very similarly this most recent quarter.

EVs have fallen well beneath diesel, now clearly trending downwards since the end of the first quarter (January - March), mirroring the global softening of demand for new EVs, and highlights that broader adoption of electrification won't be a linear transition.

Plug-in hybrids actually saw an uptick in the last two months of the second quarter (April - June), but represented less than 0.2 per cent of Pickles supply.

The volume of used EVs in the secondary market continues to grow, and while not

linear, we expect this growth in volume and availability to continue.

One of the major drivers of new EV sales has been the Federal Government's Fringe Benefits Tax (FBT) exemption for EVs and plug-in hybrids, which reaches its third anniversary in June 2025.

While this program is set to be ongoing for EVs despite plug-in hybrids losing eligibility in April 2025, we expect to see an increase in used EVs becoming available in the secondary market, as many of these lease agreements mature.

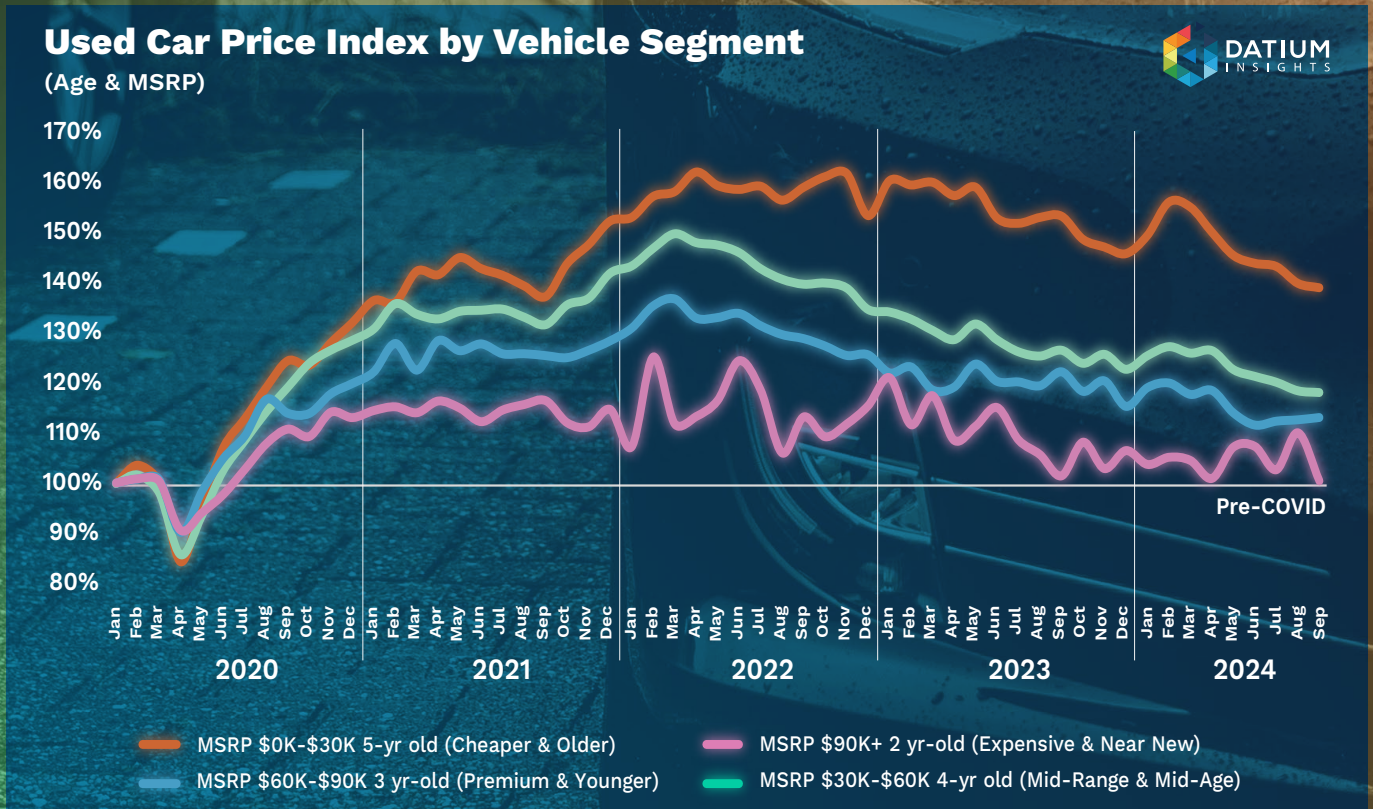
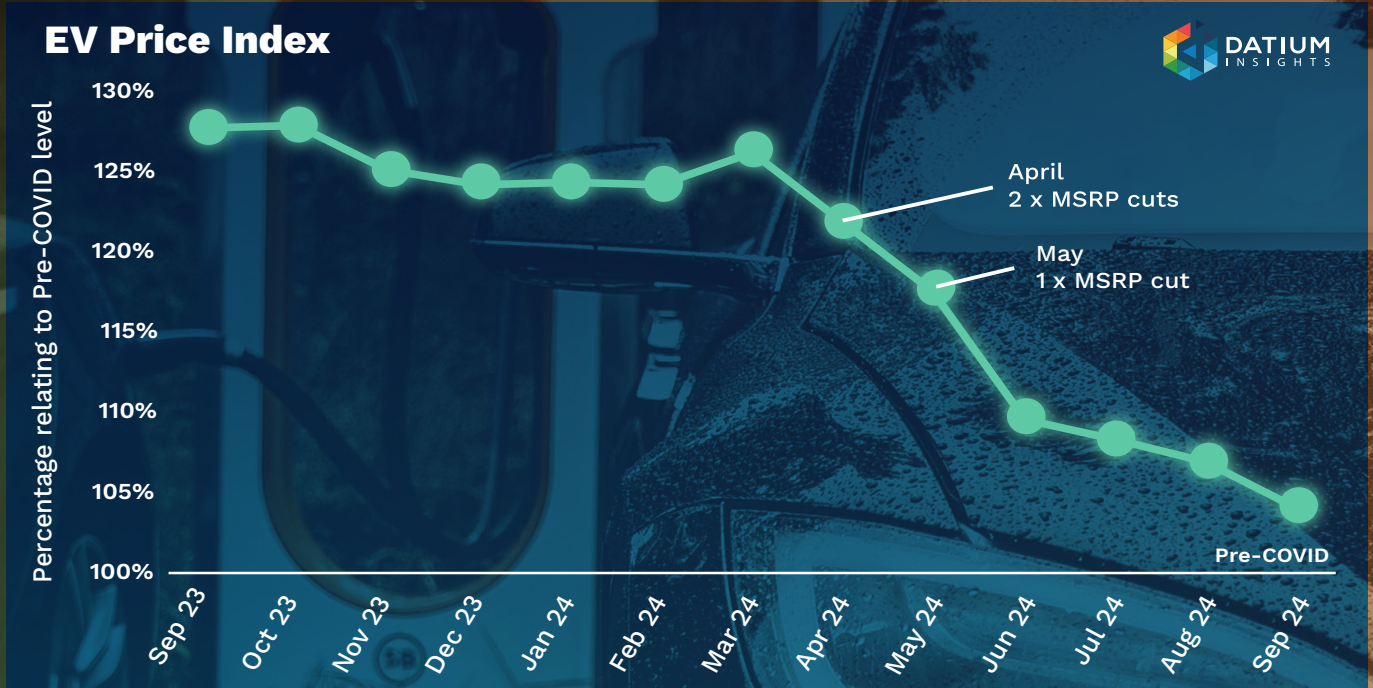
This increase in used EVs, we expect, will continue to put further downward pressure on the value of used EVs, while creating more opportunity for buyers to source a used EV.

Another market force impacting used EV values is the widespread and significant price reductions applied to new EVs in recent months, with market-leader Tesla taking the most significant measures in Australia.

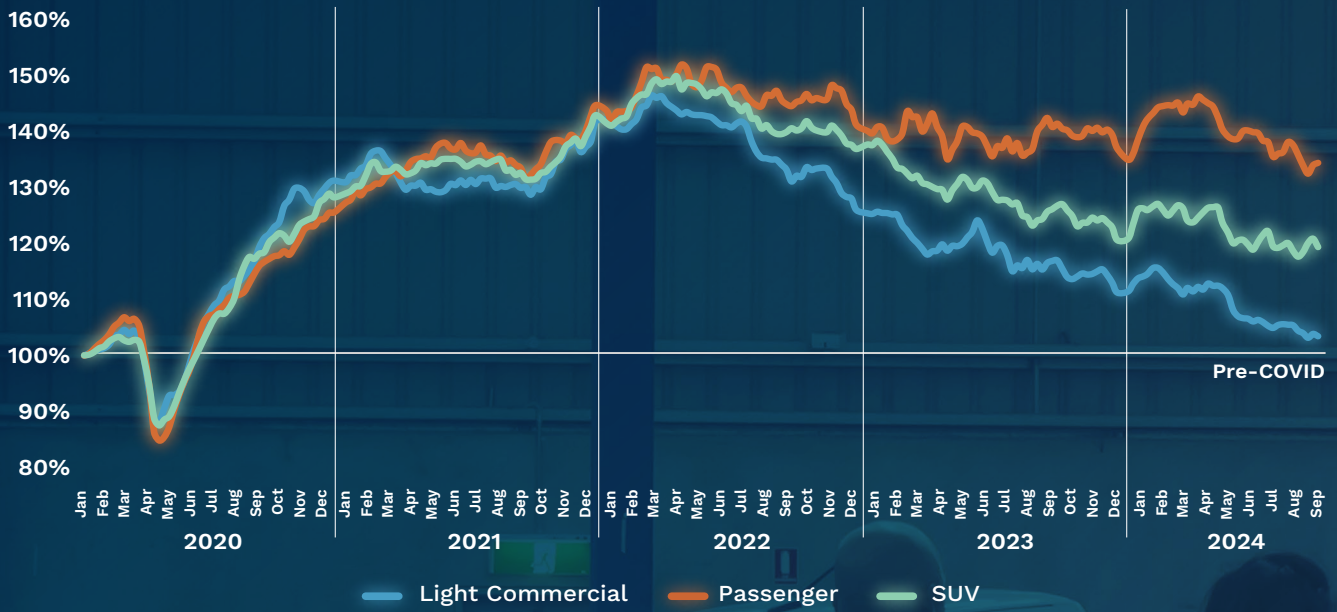
The US EV brand made three rounds of price reductions within two months before the end of May, with the cheapest version of the top-selling Model Y SUV having almost AU\$9,500 or 14.5 per cent wiped off its MSRP across that period.

These price cuts followed earlier reductions, making the entry Model Y a full AU\$16,400 or nearly 23 per cent cheaper than it was 18 months prior.

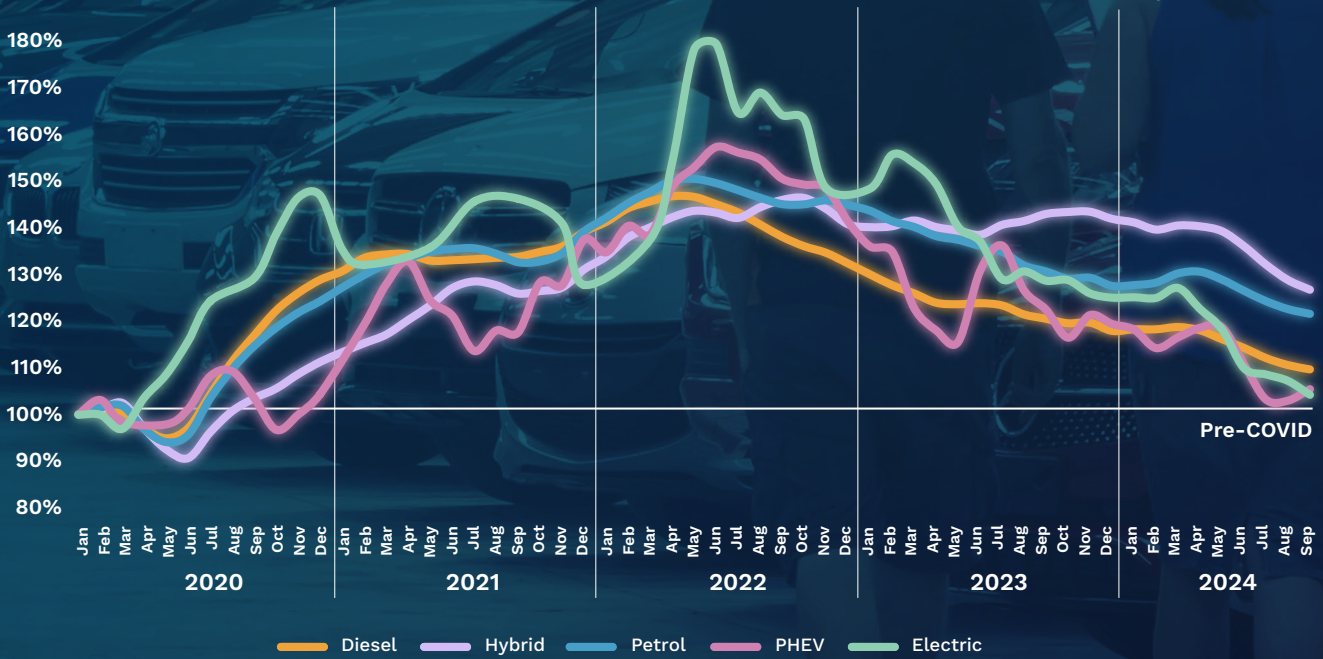
The impact of these price cuts can be seen in used values, with Pickles data showing sudden and significant downturns that align with the timing of these key announcements.



Used Car Price Index by VFACTS class



Price Index by Fuel Type



On the plus side for EVs

Despite the apparent challenges and potential long-term ramifications facing the used EV market, there's still plenty of third quarter (July - September) positivity from within Pickles relating to electric vehicles.

Within the record post-COVID overall vehicle sales in the third quarter detailed above, EVs also climbed to new heights, recording 89 units.

While this represents more of a stabilisation than the massive jump seen in the second quarter (April - June), it still represents year-on-year growth of over 270 per cent and underlines Pickles' growing status as the place to buy a used EV.

The variety of EV models supplied to Pickles also continues to expand, in line with the ongoing diversification of the new market, and non-Tesla models now represent over 70 per cent of Pickles' electric car sales year to date.

Of these EVs sold, 60 per cent are now being sold to end users, representing a significant jump from the already notable almost-50 per cent in the second quarter.

Therefore EV volume is growing and the proportion being sold to end users is escalating even faster, while generally becoming more affordable at the same time.

As Pickles is a leading reseller of EVs in the Australian market, such data has a wider relevance to the broader Australian electric vehicle industry than any other organisation.

This reinforces Pickles' perception that end-user buyers of EVs are well researched, knowledgeable, and very comfortable buying online.

Beyond this, Pickles still considers the Australian Federal Government's upcoming New Vehicle Efficiency Standard (NVES) will be good news for EV buyers, fostering new EV model availability, supply and adoption.

Pickles looking forward

In the months to come, Pickles expects the return of seasonal market behaviour to continue, along with further supply growth through to late November or early December before the traditional seasonal slowdown kicks in.

This supply growth will be driven by order backlogs being fulfilled, and the used market catching up with the boom in new EV sales in recent years.

Despite the near-return to pre-COVID market behaviour, Australia's cost-of-living pressures related to high inflation and interest rates are expected to last beyond the next 12 months at least.

This could well increase the flight to value from new to used cars, increasing demand for used cars in general.

Data source: Datium Insights

Get revved up with more insights!

Join Pickles auto specialist, Chris Shaw, as he motors through QAR content.



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