

Trends in New Zealand's automotive market



A Finder report
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Key statistics

1 in 8 Kiwis has had a car loan in the past 3 years



17% of car loans were acquired online



1 in 2 car loan holders doesn't think they are getting good value for money



45% of Kiwis would consider buying an electric car



Cost (72%), battery lifespan concerns (58%) and lack of charging stations (47%) are the biggest deterrents to buying an electric car



Electric car sales have grown **178%** between 2020 and 2021 thus far



Second hand car prices increased **9%** between October 2020 and March 2021



Introduction

New Zealand is a country of car lovers. With 4.4 million light vehicles across the nation, the average licence holder owns more than one vehicle. In fact, New Zealand has one of the highest rates of vehicle ownership per 1,000 people in the world.¹ Its automotive industry is also undergoing major changes.

Over the past 2 years, COVID-19 has led to vast changes in consumer behaviour, including changing transportation patterns. As a result of supply chain disruptions and a mismatch between supply and demand, new car shortages have led to a boom in the second-hand car market.

At the same time, demand for electric vehicles is slowly but surely ramping up, thanks in part to new subsidy measures that reduce up-front costs. The country is well-placed to benefit greatly from the shift away from petrol.

In this report, we delve into 3 major trends shaping New Zealand's automotive industry: the changing vehicle finance landscape, the rise of electric cars and the impact of the COVID-19 pandemic on the automotive market.

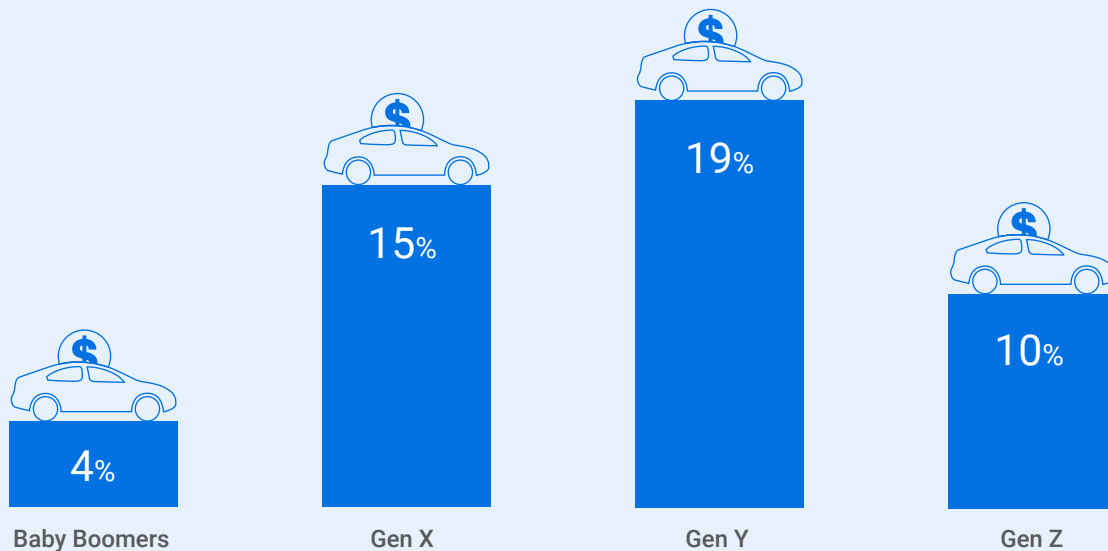


Car loans

Kiwis are no strangers to vehicle finance. Finder's data shows 13% of Kiwis have had a car loan within the past 3 years – equivalent to more than 470,000 people across the country.² Millennials (19%) are the most likely

generation to have had a car loan, followed by gen X (15%) and gen Z (10%). Just 4% of baby boomers have had a car loan over that period.

Percentage of Kiwis who have had a car loan within the past 3 years



Source: Finder survey of 2,076 Kiwis, June 2021

While the concept of car loans is not going anywhere, the lending landscape is changing and vehicle finance lenders will need to keep up.

Demand for online financing is growing

Like many industries, car financing is rapidly moving to the online world. A vehicle finance report from Fair Isaac Corporation (FICO) shows 17% of car loan holders acquired their loan online in 2018, up from just 4% in 2017.³

When asked how they would choose to acquire a future loan, nearly half of respondents (44%) chose online channels over dealerships (30%) or lenders (26%). Of the 9 countries surveyed across the Americas, Europe and Oceania, New Zealand exhibited the fastest shift towards online car financing.⁴ These figures demonstrate just how important online channels are to the future of lending.



Kiwis aren't happy with their car loans

Finding a car loan online, rather than at the bank or with a dealer, typically gives consumers more choice and ability to compare providers. Currently, more than half (51%) of car loan holders considered only a single lender before selecting their loan, likely reducing their odds of receiving market competitive rates.⁵

FICO's study also revealed Kiwis were the least likely of the 9 countries to negotiate on their car loan, with 21% of customers not negotiating at all and a further 9% not knowing they could negotiate.⁶

Even after choosing their loan, consumers are not switching as frequently as their dissatisfaction would suggest they should. According to Finder's research, 54% of those with a car loan are not convinced they are getting good value for money. Of those, 98% have not switched providers in the past 6 months.⁷

Shifting the lending landscape can increase competition in the market and improve consumer product awareness. Comparison websites provide the incentive for consumers to switch providers to get a better deal on a car loan – something a dealer may be reluctant to do.

Finder tips on getting a good car loan deal

Opt for flexibility

To give yourself the option to repay your loan early and reduce the amount of interest you pay in the long run, make sure you choose a loan that doesn't charge you extra for making additional repayments.

Be wary of fees

Sometimes the lowest interest rate loan isn't actually the cheapest option – you also need to factor in monthly fees and establishment fees. For instance, on a \$25,000 loan over a 5-year term, an 8% interest rate with \$20 monthly fees ends up being more expensive in the long run than a 9% interest rate with no fees.

Reduce your loan term

A longer loan term can reduce your monthly payments, but will increase the total amount of interest you pay and take you longer to repay your debt. Keep your loan term as short as possible without breaking your budget.

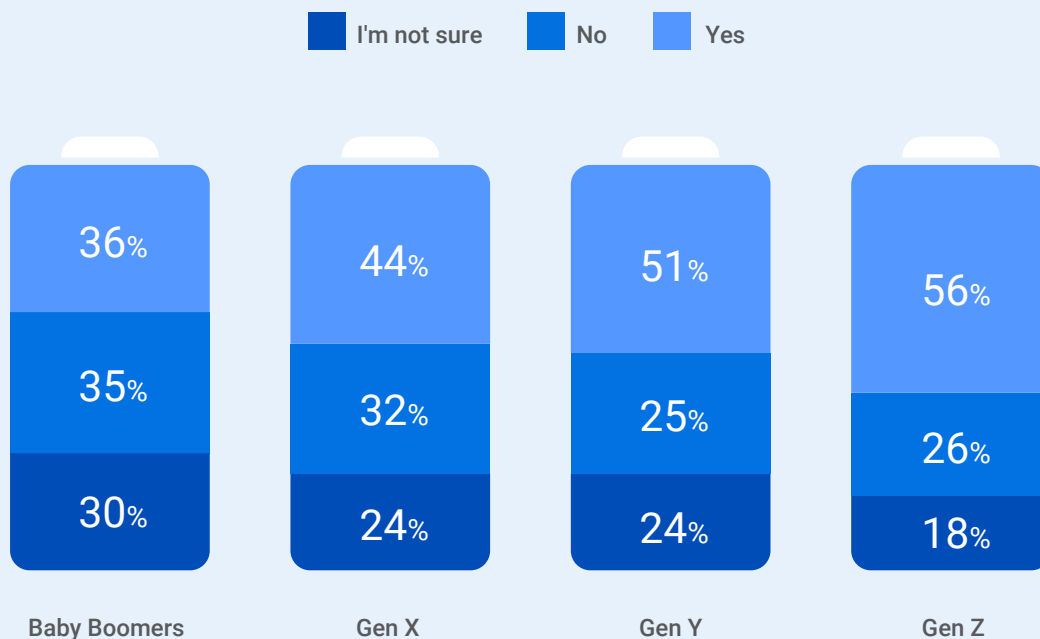


Electric vehicles

Electric vehicles are cars that rely solely on electricity, reducing reliance on fossil fuels. According to Ecotricity, electric vehicles have 7-10 times more carbon efficiency than petrol or diesel cars over their lifetime.⁸ They are also quickly growing in popularity. Once an option only for the very climate-conscious, Finder's data shows more and more Kiwis are considering battery-powered cars.

According to a Finder survey in June, nearly half (45%) of Kiwis would consider an electric vehicle for their next car. The research found men (47%) are more likely to consider an electric car than women (42%), and gen Z (56%) are the most likely generation to do so.⁹

Would you consider an electric vehicle for your next car?



Source: Finder survey of 2,076 Kiwis, June 2021

Among those who wouldn't consider buying an electric car or weren't sure, the biggest reason was cost (72%). Battery lifespan concerns (58%) came in as the second largest deterrent to buying an electric vehicle, followed by lack of charging stations (47%).¹⁰

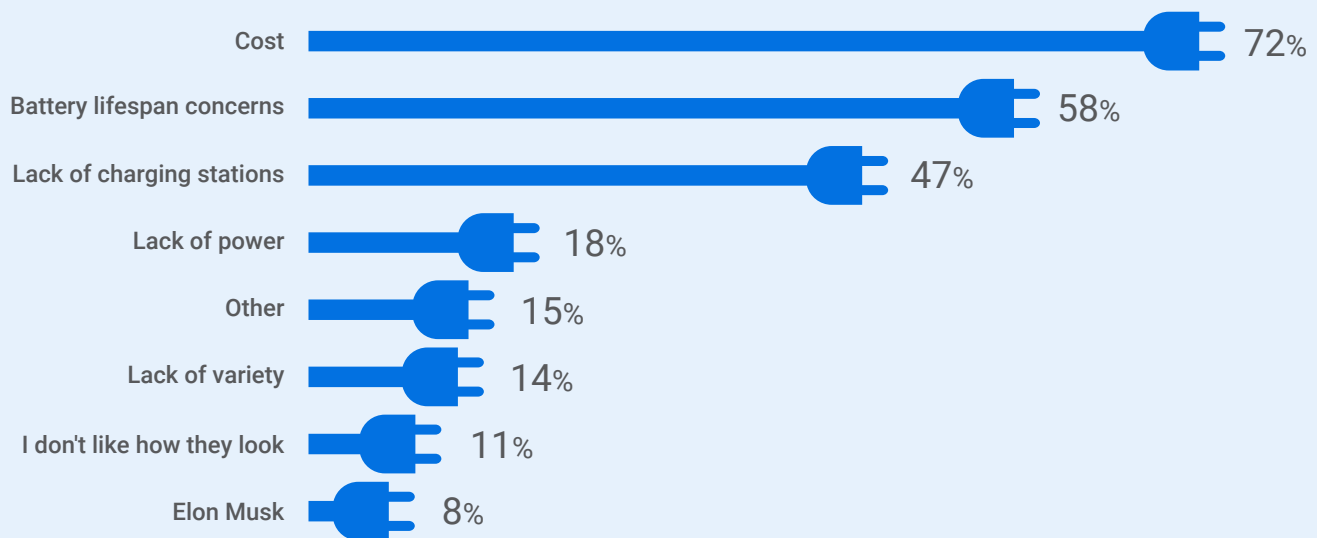
Nearly 1 in 5 (18%) would like to see electric vehicles have more power, while a further 14% would like more options before they go electric. Interestingly 8% of Kiwis said Elon Musk put them off buying an EV.¹¹



58%

of Kiwis say battery lifespan is a deterrent to buying an electric car.

What would put you off buying an electric car?



Includes only respondents who answered "No" or "I'm not sure" when asked if they would consider buying an electric car. Respondents could select more than one answer.

Source: Finder survey of 1,152 Kiwis, June 2021

New Zealand is in a unique position for mass electric vehicle adoption

Since July 2021, Kiwis buying electric vehicles have been eligible for a discount of up to \$8,625 on new vehicles as part of the government's Clean Car Discount scheme. The program is aimed at incentivising drivers to buy cleaner cars. The scheme allows discounts to be applied to cars priced at up to \$80,000 based on their emissions.¹²

Because more than 80% of New Zealand's energy is renewable, the uptake of electric cars has the potential to drastically reduce the nation's carbon footprint. In fact, the shift to an electric vehicle fleet would reduce greenhouse gas emissions by 80% more than in other countries.¹³

New Zealand also has enough renewable energy supply for electric vehicle adoption to be scaled up. The Ministry of Transport predicts that even if every light passenger vehicle in the country was electric, enough energy can be generated to charge all cars, provided the majority are charged at off-peak times.¹⁴

While battery concerns are valid, charging station data from PlugShare shows there are more than 500 electric vehicle charging stations in New Zealand.¹⁵ The paid stations typically cost up to \$10 per 100km, depending on the charging station, while pricier stations can charge a car within 30 minutes. There are also free stations available.

Electric vehicle ownership is growing

Electric vehicle sales have seen marked growth over the past few years. Between 2018 and 2019, the number of electric cars sold in New Zealand increased by 145%. September 2021 saw a record number of sales, with 1,505 electric cars sold. While 2020 saw a temporary decrease in demand, the number of EVs sold in the first 9 months of 2021 is 178% higher than the number of sales in all of 2020 combined.¹⁶

Electric vehicle sales in New Zealand (2017-2021)

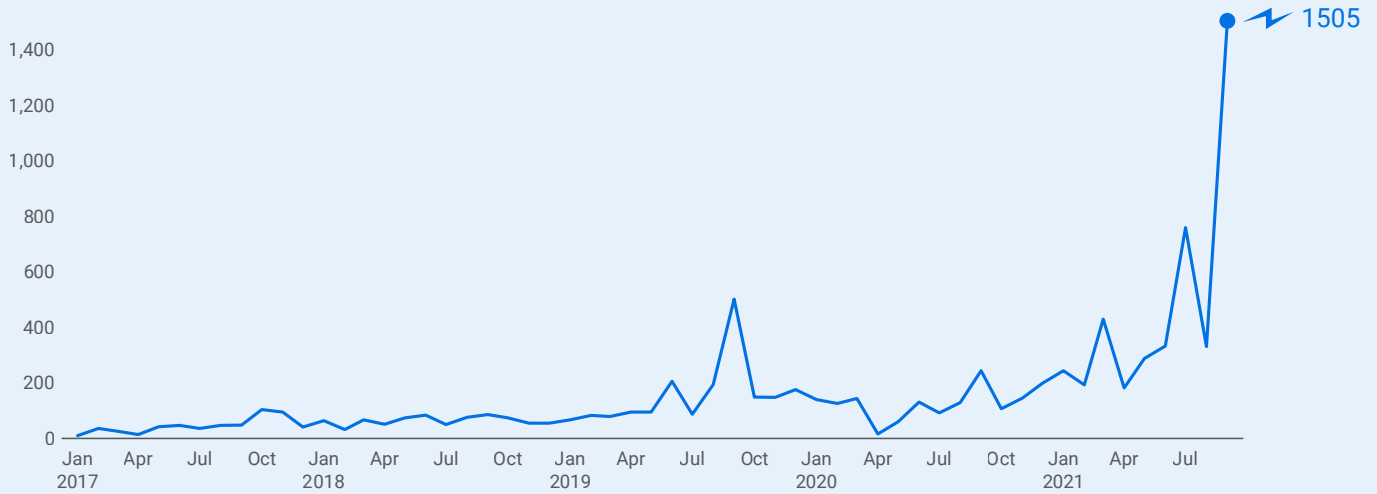


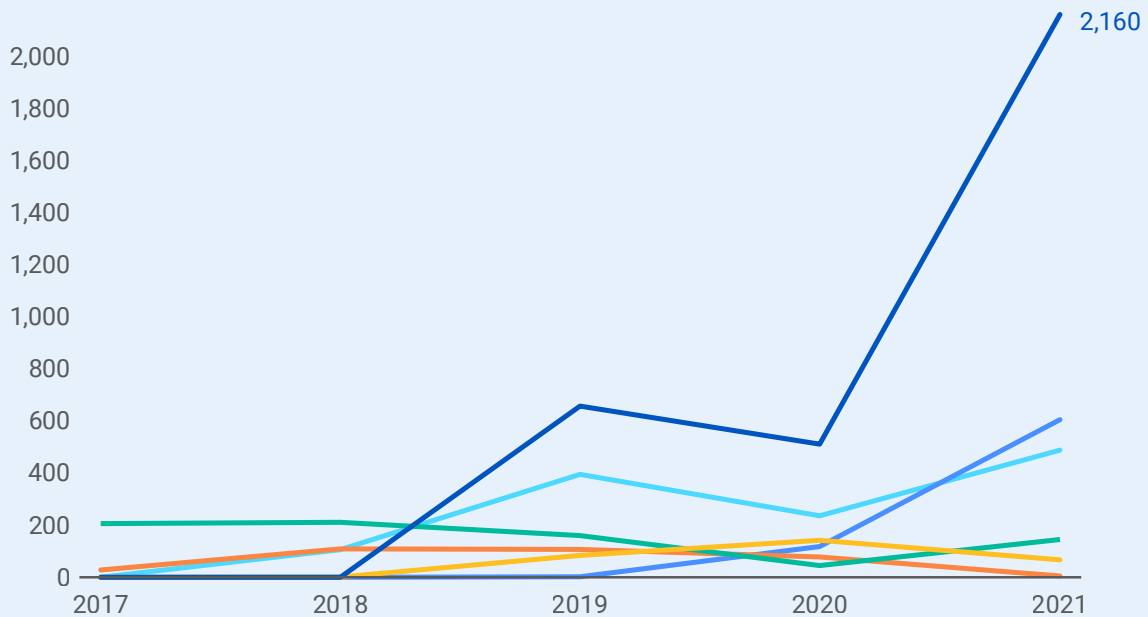
Chart: Finder • Source: Motor Industry Association

The Tesla Model 3 remains by far the most popular electric car model. With 2,160 cars sold up to September 2021, it claims 51% market share for the year to date.

This is followed by the MG ZS and the Hyundai Kona, with 605 and 488 sales over the same period (14% and 11% market share respectively).¹⁷

Electric vehicle sales in New Zealand by model (2017-2021)

■ Volkswagen Golf
 ■ Nissan Leaf
 ■ Hyundai Ioniq
 ■ Hyundai Kona
 ■ MG ZS EV
 ■ Tesla Model 3



Data for 2021 includes January to September only.

Chart: Finder • Source: Motor Industry Association

Electric vehicle prices are falling

Electric cars remain more expensive than petrol cars in New Zealand on average. Analysis from the Motor Industry Association puts the average electric vehicle price at \$70,000, while Stats NZ estimates the average medium-sized car in the country sits at \$25,000, with large cars averaging \$40,000.^{18,19}

However, prices will continue to drop over time as battery costs decrease and demand grows. Between 2010 and 2020 battery costs have fallen 89%.²⁰ Recent analysis from BloombergNEF estimates electric vehicles will be the same price as petrol cars by 2026, and will become cheaper to manufacture by 2027.²¹

It is also important to take into account running costs. Research has found that when purchase price, depreciation, fuel cost, repair and maintenance cost, and resale value are taken into account, used electric vehicles are the cheapest option available. Over a 12-year ownership period, the cost of a used electric car is 24.3c/km. This is compared to 29.1c/km for a used petrol-fuelled car, 38.8c/km for a new petrol-fuelled car and 45.6c/km for a new electric car. When looking at fuel only, electric vehicles are more than 3 times cheaper than their petrol counterparts.²²

Estimated vehicle ownership costs over a 12-year period (c/km)

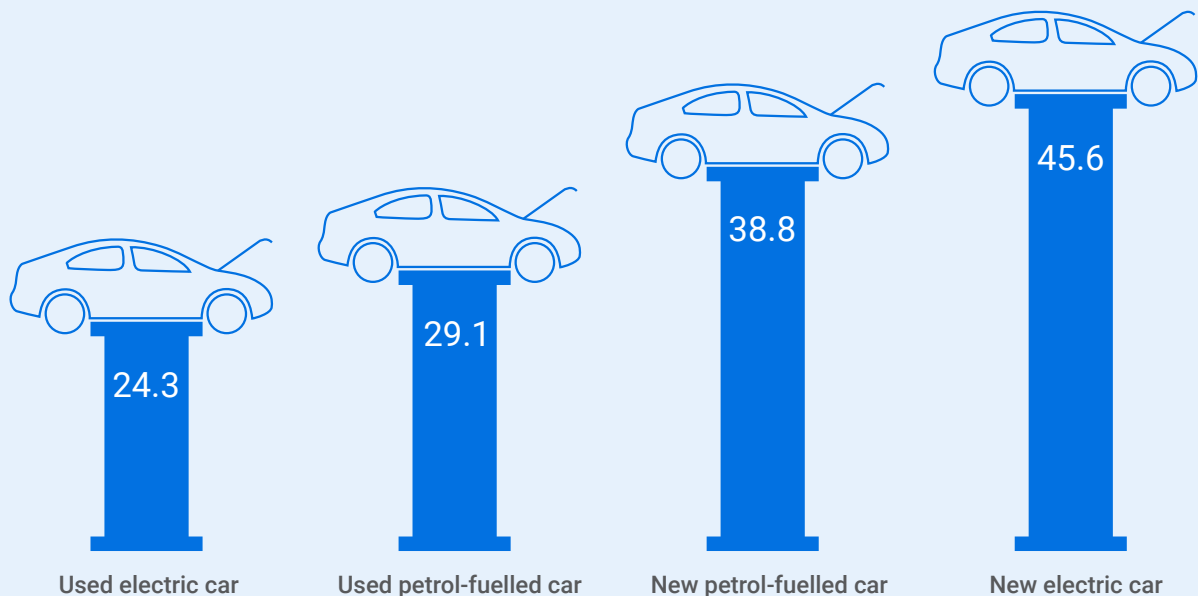


Chart: Finder • Source: Hasan et al., Costs and emissions: Comparing electric and petrol-powered cars in New Zealand, January 2021.

The number of options available to consumers is increasing too. There is a growing number of fully electric and hybrid models on the market, with more affordable options like the Nissan Leaf and Kia Soul. In 2017, there were just 7 light passenger EV models available; in 2021 that figure has more than tripled to 22.²³ Electric vehicles are becoming more commercially available, and government incentives will likely increase demand for battery-fuelled vehicles.

Importantly, electric cars are not necessarily any more expensive to insure than petrol-fuelled cars, with premiums more dependent on the cost of the car, how old it is, where it is parked and the owner's driving record.

The effects of COVID-19 on transport

COVID-19 has had a significant impact on the automotive industry, in more ways than one. When the pandemic first struck New Zealand, nationwide lockdowns resulted in restricted movement and Kiwis were driving much less frequently as a result.

The chart below indicates how many days per week Kiwis were driving their cars between April and November 2020. During the initial stages of the pandemic, the majority of Kiwis were either not driving at all or driving just 1-2 days per week. As restrictions were relaxed and the country eased back into normalcy, the number of people driving 5-6 or 7 days per week increased notably.²⁴

Number of days per week Kiwis drive passenger cars (2020)

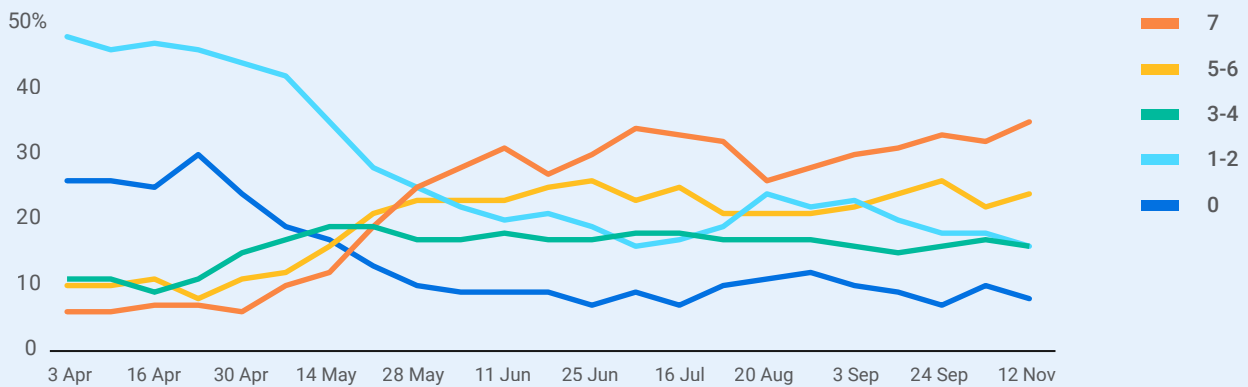


Chart: Finder • Source: Waka Kotahi NZ Transport Agency

At the same time, COVID-19 led to a shift in attitudes when it comes to transportation. A survey conducted by the New Zealand Transport Agency measured consumer sentiment towards different modes of transport between April and November 2020. The research found

passenger cars were perceived by Kiwis to be not only the most convenient and reliable form of transport, but also the most pandemic-appropriate, with regards to hygiene and social distancing.

Consumer perceptions of different transport modes (April - November 2020)

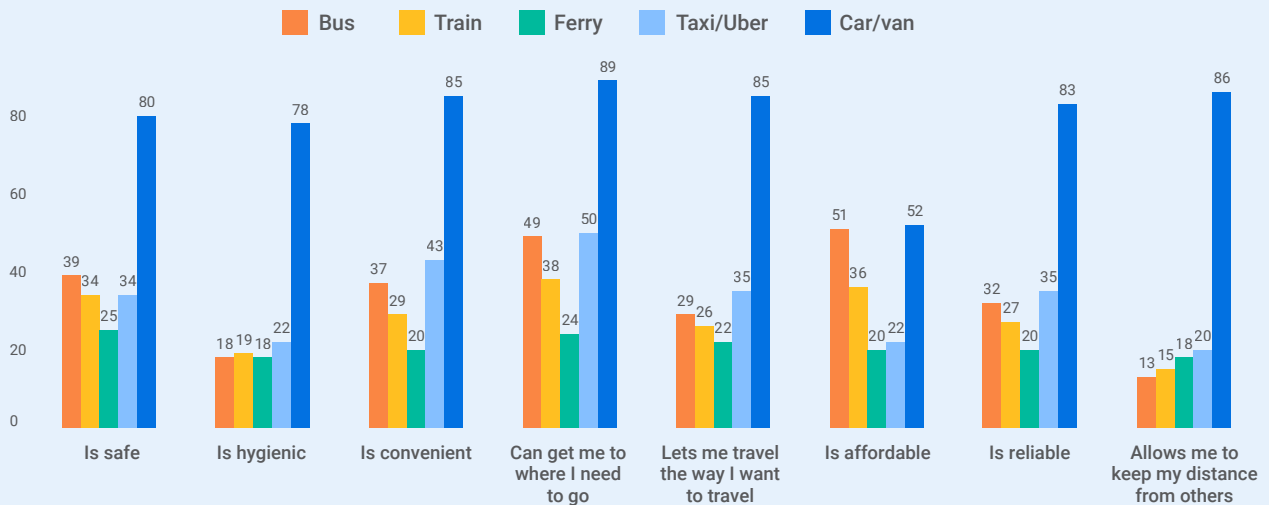


Chart: Finder • Source: Waka Kotahi NZ Transport Agency

The used car market

One of the largest global economic impacts of the pandemic has been on supply chains. Through 2020, supply chains in most sectors were disrupted in some way, and passenger vehicles were no exception.

Excluding the lockdowns beginning in August 2021, COVID-19 restrictions had eased by mid-2020 in New Zealand. Demand for cars was re-emerging by June, bolstered by the sentiment that cars are more reliable and hygienic than other forms of transport. With supply chain disruptions and a shortage of computer chips resulting in a limited supply of new cars, demand for second-hand cars was exacerbated.

As a result, the second-hand car market has experienced a boom, with used vehicles not depreciating at the same rate they typically would. According to Stats NZ, the final quarter of 2020 saw the largest increase in used car prices in more than 10 years. Between the third and fourth quarters of 2020, the consumer price index for used cars increased by 4.6%, and then by another 4.4% in the first quarter of 2021. Second-hand car prices are at an all-time high.²⁵

Quarterly Consumer Price Index for second-hand vehicles (2011-2021)



Chart: Finder • Source: Stats NZ

Second-hand car market is growing.



New car sales are booming

Even with limited supply, new car sales are booming, with sales data from the Motor Industry Association showing September 2021 saw the highest number of monthly vehicle registration figures since 2019.²⁶ Vehicle imports are also hitting historical highs, with

\$526 million worth of passenger vehicles imported in March this year – up 229% from a record-low month in May 2020.²⁷ The data indicates an over-correction of the market as a result of dampened import figures through 2020.

Monthly passenger vehicle registrations in New Zealand (2019-2021)



Chart: Finder • Motor Industry Association

Monthly passenger vehicle imports in New Zealand (2019-2021) (\$NZD)

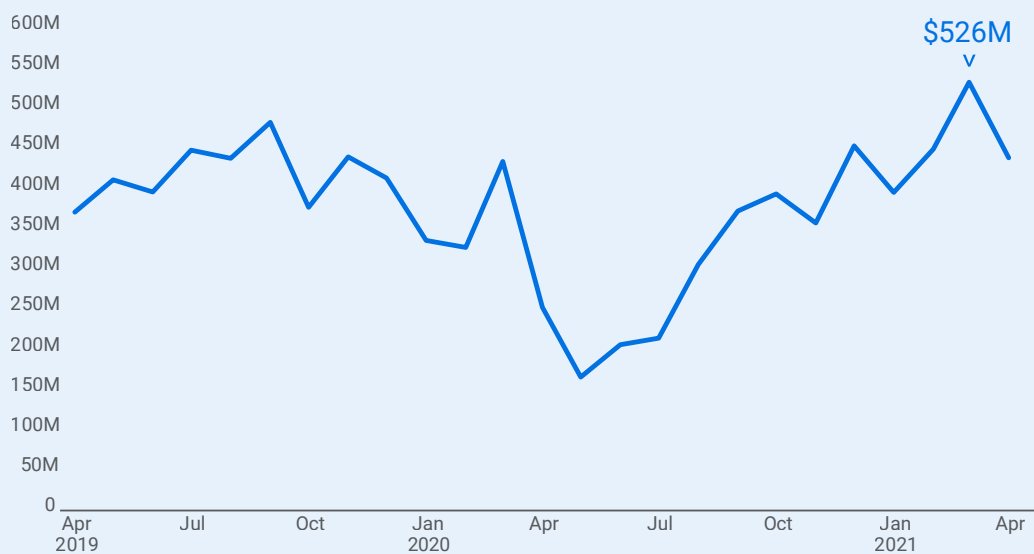


Chart: Finder • Source: Stats NZ

Insights from Finder's experts



Taylor Blackburn
Media Relations Lead

From vehicle finance to electric car adoption, New Zealand's automotive market is undoubtedly undergoing some changes. Kiwis are some of the least satisfied car loan customers in the world, but with demand for online finance booming there is potential for competition to ramp up in this space. Make sure you're getting the best bang for your buck by comparing loans and keeping an eye out for additional fees.

The research also shows nearly half of Kiwis are open to buying an electric car. New Zealand is a global leader when it comes to clean energy, and the rapid increase in electric vehicle adoption will have a powerful impact on our future carbon footprints. The good news is that electric cars are soon predicted to be no more expensive than petrol-fuelled cars, and the research shows their running costs are already cheaper. Remember that buying an electric car doesn't have to mean buying the most expensive Tesla – a cheaper second-hand model might do the same job at half the price and rebates have never been better.

Finally, the global supply chain crisis is seeing used cars being sold for more than they were bought for. These impacts are temporary, but it's important to stay savvy when car shopping. While used cars are still cheaper than new cars overall, they might give you less value for money if the price doesn't reflect how much it has depreciated. On the other hand, new cars tend to drop in value more quickly and are more expensive to insure. While the choice between new and used comes down to personal circumstance, if you're not shopping around or negotiating with the seller, you're almost definitely paying more than you need to.



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