

Automotive Financing Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 90 pages | Mordor Intelligence

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Report description:

Currently, the Automotive Financing Market is valued at USD 220 billion, and it is expected to reach USD 320 billion, registering a CAGR of around 6% during the forecast period.

Amid the COVID-19 pandemic, the global demand for new vehicles and used vehicles witnessed a significant slump in 2020, as manufacturing and sales activities were halted for several months in the first half of the year. This trend hampered the automotive financing market in 2020. However, since the latter half of the year, the demand for vehicles has witnessed significant growth, which has fueled the automotive financing market and is expected to continue to fuel the market during the forecast period. The COVID-19 pandemic also augmented the growth of online and digital channels for business-to-consumer purchases. Owing to these trends, OEMs and industry players have started to virtualize their dealerships or agreements and operate remotely. For instance,

Key Highlights

In November 2022, Euler Motors partnered with Shriram Transport Finance Company Limited (STFC) to provide retail financing for the Eulers Hiload EV. The partnership aims to deploy the company's Eulers HiLoad EVs across India, with lower interest rates and a high loan-to-value for retail customers.

Over the long term, excessive investments in autonomous vehicles, as well as prompt financing from dealers, banks, and credit unions, will likely contribute to the automotive financing market's growth. The growing practise of switching to newer models of automobile, which boosts auto sales and consumer preference for a shorter vehicle cycle, creates opportunities for car financiers. Car dealership buyback programs and OEM warranty programs that may necessitate refinancing will likely open up new

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opportunities in the automotive financing market.

The Asia-Pacific region is expected to lead the market, followed by North America and Europe. The region is expected to provide several growth opportunities for market vendors during the forecast period. As a result, the market may witness significant growth. Increased consumer preference for owning a car over using public transportation is another important factor affecting the region's used car market. The possession of a car, which was once a status symbol, has recently become a necessity. Since its inception, the automotive industry has experienced exponential growth. Electric vehicle growth in Asia-Pacific countries is expected to remain a major market driver.

Key Highlights

In October 2022, Kinetic Green Energy and Power Solutions Limited, a leading EV manufacturer, partnered with IndusInd Bank to provide customers with easy and affordable financing for their Kinetic Green dealerships across India.

Automotive Financing Market Trends

Banks Across the World to Gain Significant Prominence During Forecast Period

The provision of car finance, usually by banks, allows consumers to pay the dealer or manufacturer even if they do not have the money. In other words, car finance allows the consumer to buy a car by borrowing money to pay the seller.

Banks are leading the source-type segment of the automotive financing market as they provide lower interest rates to their customers. Auto financing penetration in passenger vehicles increased from 75% at the beginning of 2020 to around 80% in 2021 due to many options available from banks to use cash for cars. According to auto financiers and dealers, the current trend is driven by bank aggression. However, the increase is limited to passenger vehicles and excludes two-wheelers or commercial vehicles.

Due to the rising interest rates and auto prices, an increasing number of car buyers in the United States are opting for monthly loan payments of USD 1,000 or more. According to Edmunds, 14.3% of consumers who financed a new vehicle in the third quarter committed to payments at or above the mentioned amount, up from 8.3% the previous year. This figure is 26% for electric vehicle purchasers and 24% for hybrid purchasers.

Car financing penetration across banks has also improved in the last two quarters, with improved turnaround time and a decrease in the rejection rate of loans.

Asia-Pacific is Expected to Lead the Automotive Financing Market

In the Asia-Pacific region, the automotive financing market is already matured. The growth of electric vehicles in Asia-Pacific countries is also expected to remain a major driving factor for the market's growth. For example, in 2021, sales of battery electric vehicles in China were 2.9 million units, a significant increase from the 1.1 million units sold in 2020. To encourage the adoption of electric vehicles, governing bodies throughout Asia-Pacific are focusing on the ease of financing availability, which may aid the market during the forecast period.

Over the forecast period, Asia-Pacific is expected to be the fastest-growing regional market. The increasing number of favorable government initiatives in economies such as India, Japan, and China to promote the automotive industry's growth and maintain consumer interest is expected to create opportunities for the growth of the regional market. For instance,

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In August 2022, the Japanese government announced the provision of unprecedented subsidies to help popularise electric vehicles (EVs). For the fiscal year ending in March 2024 (FY 2023), the Ministry of Economy, Trade, and Industry will develop a budget request of approximately JPY 41 billion to support electrified vehicles and the charging infrastructure business, which is expected to be double the initial budget for FY 2022.

Automotive Financing Market Competitor Analysis

The automotive financing market is fragmented and is in the growth phase. Competition is expected to intensify by the end of the forecast period due to the lucrative opportunities available to various players in the market. The key market players, such as banks, are focusing on strategic partnerships to increase their market share and expand their regional base.

In October 2022, the National Bank of Oman (NBO) invited its partner dealerships and both new and used auto dealers from across Oman to learn more about the bank's car financing options. NBO offers competitive financing starting at just 4.75%, as the bank goes above and beyond to provide hassle-free, competitive financial solutions.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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