

Kenya Used Car - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts 2019 - 2029

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Report description:

Kenya's used car market is valued at USD 1.23 billion and is expected to surpass the market value of USD 1.39 billion by the end of the forecast period by registering a CAGR of 2%.

Key Highlights

- Kenya is one of the largest and wealthiest economies in East Africa and plays an important regional role in the target market. Kenya's sizeable middle class, progressive business environment, regional market access, and history of automotive assembly positions in the country, as well as a potential East African automotive hub.
- Kenya is historically one of the world's top importers of used vehicles. According to official data, Japan accounted for 94.3% of the 62,495 used cars exported to Kenya in the 12 months to June 2023
- Existing trade data precludes the analysis of used vehicle imports on a global scale because many countries do not differentiate between new and used vehicles. The Kenya Revenue Authority (KRA) hit used car importers with a new tax increase after capping the maximum depreciation rate from 70% to 65% of the traditional vehicle price.
- In the first week of September 2023, the Deputy Director of Customs and Border Protection issued a directive to Kenyan Revenue Authority (KRA) officials, instructing them to implement a revised depreciation rate for vehicles. This directive mandates a tax increase of 14% or higher for vehicles manufactured in 2016. Notably, the majority of these vehicles are currently being imported by dealers, as Kenya's regulations limit the importation of used vehicles to those within an eight-year age range.
- A car's value will decrease over time due to natural wear and tear from the time of manufacture, reducing its tax liability for up to 8 years. For example, an importer of a Toyota Premio with a current retail selling price (CRSP) of 3.27 million lise would have paid taxes on an estimated 1.096 billion lise as of Friday, compared to his 939,221 lise to date.
- Excluding the import declaration fee and railway development tax, this translates into an increase in import duties, excise duty, and VAT of 156,537 shillings, or almost 14.29%. Dealers say the extra cost will probably be passed on to the buyer. The above

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values assume a vehicle displacement of 1800cc. Excise duty is 20-35% of customs value and import duty, depending on engine size.

-The rise in imports took place despite soaring prices of imported cars due to supply hitches caused by coronavirus. Kenya's biggest source of imported cars is Japan, and it accounts for more than 80% of the overall used car market share. The overall car ownership in Kenya is approximately 35 for every 1,000 inhabitants. Kenya's used car to new car ratio lies on the cusp of moving from infancy to the growth stage, thereby signifying the start of a new era for the used car industry.

-However, the gap that exists in correlation to some developed and developing nations is indicative of the high growth potential of both the used car and new car sectors in Kenya. The market for used cars in Kenya is continuously expanding. Moreover, the Kenya market is dominated by unorganized players who do not own inventory but rather thrive on their platform for C2C sales. They make revenue through commissions earned by facilitating the sale of used cars on their online platforms. However, the organized and semi-organized sectors are steadily catching up and are expected to play a significant role toward the end of the forecast period.

Kenya Used Car Market Trends

Governmental Importation Taxes on Used Cars is Likely to Boost Local Automobile Market-

- The imposition of higher importation taxes on used cars by the Kenyan government is expected to provide a notable boost to the local used and newly manufactured cars market. This policy change is likely to encourage consumers to consider purchasing locally manufactured cars, as they would now represent a more cost-effective alternative compared to the pricier imported used cars. Consequently, this shift in consumer behaviors is poised to stimulate demand for domestic automotive products and promote the growth of the locally modified cars industry. For instance,

- In July 2023, Kenyan car consumers are facing a substantial 35% increase in import duties as part of the recent East African Community (EAC) agreement. The adjustment, sanctioned by the EAC Council of Ministers, is poised to lead to significant price hikes for imported cars, reaching double-digit percentages. Moreover, to assist the domestically used auto sector, the Kenyan government has recently made efforts to regulate the importation of pre-owned cars. For instance, limiting the importing age for automobiles to 8 years.

- The goal is to keep lowering the restriction with a strategy to switch to a 5-year limit, which would be cars from 2018 to the present, then a 3-year limit, or cars from 2020 to 2023, and lastly to brand-new or zero-mileage cars.

- With the government's support for the local auto industry through reduced value-added taxes and excise taxes, Kenyan automotive players have invested in advanced technology and modern manufacturing processes, resulting in vehicles that are increasingly comparable in quality to their foreign counterparts.

- As a result, it is expected to see an increase in the competitiveness of locally produced used cars. Owing to such factors, the demand for used cars will remain in a growth trajectory over the coming years and will have a subsequent positive impact on the used car market.

Several Players Investing in the Market is Likely to Strengthen the Demand Trajectory for Used Car Market in the Kenya-

- Since used cars account for all vehicles sold in Kenya, the population of Kenya prefers to purchase used cars. The Kenyan auto industry relies heavily on Japanese vehicles. Kenya imports a significant number of used cars from Japan. Consumers in the country have been strongly drawn to these used cars due to an uptick in their purchasing power and a rise in their average disposable income in recent times.

- However, the organized sector of the used car market remains somewhat fragmented, primarily because there are only a

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handful of retailers and distributors who deal in cars from all segments at a larger scale. Many players in the market employ diverse business strategies, with some actively investing in expanding their sales channels and often utilizing various approaches to harness the potential of this burgeoning industry.

- For instance, in June 2023, Peach Cars, a Kenyan Used car marketplace, announced that it had raised USD 5 million in a seed funding round led by Japan-based University of Tokyo Edge Capital Partners (UTEC). Peach Cars aims to address the challenges faced by buyers and sellers in the used car market by providing a transparent, efficient, and trustworthy online platform. With a focus on enhancing the customer experience and streamlining the car purchasing process, the startup intends to disrupt the industry and create a new standard of excellence in the Kenyan automotive market.

- In Kenya, 80% of passenger car imports come from Japan, with the United Kingdom and South Africa following closely behind at 8% and 4%, respectively. With up to 50% of the market share, Toyota dominates the used cars industry in Kenya. With a 12% market share, it is in third place after Isuzu (40%) and Mitsubishi (25%) in the commercial vehicle industry. Japan holds a 50% market share for commercial vehicles, followed by South Africa (16%), China (10%), and India (7%).

- Additionally, increased investment often leads to higher marketing and promotional activities, raising awareness about the benefits of buying used cars. As a result, the cumulative effect of these investments is likely to create positive momentum, attracting more buyers and ultimately strengthening the demand for used cars in Kenya.

Kenya Used Car Industry Overview

The Kenyan used car market displays a moderate level of fragmentation, with several noteworthy players, including PeachCars, Jiji Kenya, PigiaMe, Gigi Motors Limited, Autopax, Simba Corp, and others. The demand for used vehicles is steadily rising in Kenya, and the market is currently witnessing a surge in importation.

As of August 2023, official data indicates that Japan dominated the market by contributing to a substantial 94.3 percent of the 62,495 used vehicles imported into Kenya within the 12-month period leading up to June 2023. This statistic solidifies Japan's position as the dominant supplier of both commercial and private used cars in the local market.

In April 2022, Toyota Kenya announced its decision to rebrand as CFAO Motors Kenya Limited. Furthermore, the company disclosed its intention to establish a collaborative partnership with Automark, a subsidiary specializing in certified used vehicles. This strategic move underscores the evolving dynamics within the Kenyan used car market.

Additional Benefits:

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

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