

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

Market Report | 2024-02-17 | 80 pages | Mordor Intelligence

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Report description:

The Nigeria used car market is valued at USD 1.14 billion and is anticipated to surpass a net valuation of USD 1.74 billion, registering a CAGR growth of 8.9% during the forecast period.

Key Highlights

- Consumers' preference towards availing imported used cars, namely, "Tokunbos," the emergence of online auto platforms, and increasing new vehicle prices serve as the major determinants for the growth of the used car market in Nigeria. The prices of new cars shot up extensively as of July 2023 because of the devaluation of the domestic currency, the naira, and the increase in exchange rates for clearing imports, which has had approximately a 15% impact on the prices of new cars.
- The spike in new vehicle prices deters some of the customers from purchasing brand-new vehicles, subsequently leading to the surging demand for used cars in Nigeria. Further, consumers' growing concerns about high inflation, which rose to 24.08% in July 2023 compared to 22.79% in June 2023 owing to the decline in GDP due to falling oil production, is also acting as a catalyst for the falling demand for new cars in Nigeria.
- One of the major challenges faced by the used car market is the increasing used car prices across Nigeria, attributed to the hike in tariff by the Nigerian Customs Service in 2022. It is estimated that the price of Tokunbo cars has increased by almost 100% in the Nigerian used car market as of July 2023.
- Cars like the Toyota Corolla, Camry, and Honda Accord were priced over Naira 1 million (USD 1,325) higher than their old prices before the customs duty for importing used cars in Nigeria was increased. The Nigeria Customs Service (NCS) in June 2023 further increased the import duty on vehicles from 39.45% to 39.62% to reduce the dependency on imported cars while promoting the domestic manufacturing sector.
- Following the announcement, it was estimated that a 2005 model of the Toyota Corolla that sold for an average price of Naira 1.9 million (USD 2,519) in 2021 was being sold at Naira 4 million (USD 5,305) in June 2023, while a 2004 Honda Accord of Naira 1.6

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million (USD 2,122) on an average was being sold at an average price of Naira 2.9 million (USD 3,846).

-The government's aggressive strategy to promote the electrification of vehicle fleets to promote the reduction in carbon emissions will aid the demand for used cars across Nigeria during the forecast period. Consumers who are willing to purchase cheaper alternatives to new-energy vehicles are increasingly adopting the purchase of used vehicles for convenience in mobility. For instance, in August 2023, Nigeria's Ministry of Transportation announced its ambitious plan to acquire a fleet of electric cars to improve transportation effectiveness and address rising concerns about fuel costs.

-The strategy aims to help lower the high transportation costs that have resulted from the removal of fuel subsidies. Even with the aggressive stance of the Nigerian government to promote the adoption of EVs, the higher cost of electric vehicles adds to the financial burden of the consumer attributed to its excessive battery cost, thereby, in turn, making consumers opt for used cars in the coming years.

Nigeria Used Car Market Trends

Rising Adoption of Digital Technologies Will Foster the Growth of the Target Market

- The adoption of advanced technology by tech-savvy young individuals, the emergence of e-commerce marketplaces, and the aggressive strategies employed by various companies to invest in online advertisements are driving the demand for used cars sold through online platforms. These platforms assist consumers in making informed decisions since comprehensive information about vehicles, such as make, model, kilometers driven, engine capacity, condition, etc., is readily available.

- Furthermore, the increasing internet penetration rates and rising urbanization rates across Nigeria contribute to the development of an efficient ecosystem in which vehicle owners can connect with buyers from different regions and facilitate a seamless online sales process without the need for physical visits.

- As of January 2022, the internet penetration rate in Nigeria stood at 51.0%, marking an increase from the 50.0% rate in 2021. According to the World Bank, the urbanization rate in Nigeria reached 53.52% in 2022, up from 50.34% in 2018. These consumers are highly tech-savvy, and most of them possess the financial means to make informed decisions when purchasing a vehicle for their mobility. Due to these factors, the online used car market in Nigeria is expected to experience significant growth in the coming years.

- To gain a competitive edge in the lucrative online used car market, numerous players across Nigeria are actively exploring cross-border sales opportunities, with a strong focus on importing Japanese and European used cars.

- With the increasing internet penetration and the use of online classified platforms for purchasing decisions, consumers can now buy second-hand cars from neighboring countries, which allows them to secure better prices for used car models. Nigerian companies also have the opportunity to expand their business presence by offering cross-border sales services to countries like Chad, Cameroon, etc., which can significantly enhance their business performance.

- Moreover, improved offerings, such as a vast number of photos and videos of used vehicles available on online platforms and easy access to online instant finance, insurance, and warranty services, are expected to further drive the demand for used cars in Nigeria in the years to come.

Used Sedan Cars to Remain the Preferred Vehicle Type in Nigeria

- Based on vehicle type, used sedan vehicles remained the preferred choice of consumers willing to purchase used cars in the Nigerian market, attributed to their lower price compared to their sports utility vehicles (SUVs) and multi-purpose vehicles (MPVs) counterparts. Some of the top-selling used sedan models in Nigeria were the Toyota Corolla, Toyota Camry, and Honda Accord, among others, as of June 2023. Japanese, South Korean, and European make used sedan cars were the top choice of consumers in

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Nigeria.

- Rising petrol prices in Nigeria serve as a major catalyst for the growing demand for used sedan cars, as these types of vehicles offer better mileage performance than their SUV and MPV counterparts.
- According to Nigeria's National Bureau of Statistics, petrol prices per liter in Nigeria expanded with a CAGR of 2.6% between May 2022 and September 2022. In the first quarter of 2022. Moreover, it was reported that in the first quarter of 2022, the import of diesel or semi-diesel engines was valued at Naira 72.32 billion (USD 9.3 million), Naira 96.76 billion (USD 123.1 million) in the second, Naira 90.77 billion (USD 115.5 million) in the third quarter, and Naira 65.19 billion (USD 8.2 million) in the fourth quarter of last year, totaling Naira 325.05 billion (USD 413.8 million).
- Increasing import duty hike on vehicles, as announced by the Nigerian government in June 2023, impacts consumers' preference of purchasing used cars, which are as expensive as luxurious or high-end cars, which in turn would positively impact the demand for used sedan cars during the forecast period.

Nigeria Used Car Industry Overview

The market exhibits a high degree of fragmentation and intense competition, characterized by the presence of numerous used car dealerships and online platforms operating throughout Nigeria. Among the prominent industry players are Jiji, Carmart, OList, Autochek Africa, Betacar, BuyCars.ng, Auto Auction Mall, Najiauto, Tokunbocars.ng, CarXus, Cars.ng, and Cheapcars.ng, among others. These players engage in competitive dynamics based on several factors, including used car pricing, online presence, value-added services such as warranties and financing options, commission structures, the volume of listings on their platforms, and the availability of comprehensive information about the performance and condition of used vehicles on their websites.

Various companies within this ecosystem are actively working to strengthen their brand presence by forging strategic partnerships to expand their operations across Nigeria. For instance,

In July 2023, Jiji and Cars45, the leading platforms for used and new car marketplaces in Nigeria, entered into a partnership with Suzuki to broaden their used and new car businesses across the country. This collaboration enables Suzuki to leverage the collective expertise, technology, and resources of Cars45 and Jiji, both renowned leaders in the Nigerian automotive and e-commerce marketplace sectors. The objective is to expedite the growth and advancement of the industry by offering Nigerian customers access to both used and brand-new cars through this dynamic partnership.

Furthermore, in May 2023, Jiji and Cars45 announced an additional partnership, this time with GAC Motor Nigeria, aimed at reshaping the automotive industry landscape. Through this alliance, Nigerian car users gain unprecedented access to both brand-new and used GAC Motor vehicles, representing a significant shift in the options available to them within the Nigerian market.

Additional Benefits:

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

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