

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

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Report description:

The Sri Lanka used car market was valued at USD 202.13 million, and it is expected to reach USD 294.26 million, projecting a CAGR of 7.8% during the forecast period.

Key Highlights

- Consumers' growing preference towards availing private transportation mediums owing to the increase in household disposable income, 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 Sri Lanka, followed by a period of stagnation between 2020 and 2022 due to the economic crisis in the country. As of June 2023, the household disposable income in Sri Lanka stood at USD 55.10 billion, witnessing a Y-o-Y growth of 0.6% compared to 2021.
- With the increasing financial stability, consumers prefer private transportation mediums to enhance their convenience for personal mobility. However, the spike in new vehicle prices deters some of these customers from purchasing brand-new vehicles, subsequently leading to the surging demand for used cars in Sri Lanka. For instance, the majority of the cars sold in 2022 were priced above LKR 50 Lakhs (USD 15,628) in the Sri Lankan market. Further, Ikman, an online car platform in Sri Lanka, reported that 44% of both new and used car listings on their website were priced above USD 15,628 in 2022, showcasing a massive price surge persisting due to the economic crisis in the country. Consumers growing concerns about high inflation, which dropped to 6.3% in August 2023, a single-digit figure for the first time in two years, owing to the economic and political crisis in Sri Lanka, also acted as a catalyst for the falling demand for new cars in Sri Lanka since 2020.
- Sri Lanka's lack of efficient public transportation infrastructure fuels the need for private mobility options among consumers, thereby positively impacting the demand for used cars in the market. However, due to the socio-economic crisis in the country, the Sri Lankan used as well as the new car market recorded a stagnation between 2020 and 2022. This has led to the creation of pent-up demand among consumers. Therefore, with the gradual recovery of the economy and falling used car prices, there will

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exist a massive demand for used vehicles in the coming years.

-One of the major challenges faced by the used car market is the increasing used car prices across Sri Lanka since 2020, owing to the rising inflation due to the economic crisis and the government's ban on the imports of new and used vehicles to keep a check on the outflow of foreign currency. With the looming crisis in the country, consumers witnessed a massive surge in non-essential commodity prices, such as used cars, due to the unavailability of new cars in the market owing to the import ban, and high inflation persistent in the economy. However, with the gradual improvement in the political condition of the country, the used car prices were witnessed to be falling since the beginning of 2023. It was estimated that in January 2023, the average price of a 2015 Alto model stood at INR 27 lakhs (USD 32,648), compared to the same month in 2022, portraying a drop of 20.6%. Similarly, the average price of a 2018 Vitz model stood at INR 60 lakhs (USD 72,551) in January 2023, compared to INR 80 lakhs (USD 96,735) in January 2022. Even though the Sri Lankan market is witnessing a drop in used car prices, it has not been able to achieve the price rate pre-2020, which is negatively impacting the demand for used cars.

-The government's aggressive strategy to promote the electrification of vehicle fleet to promote the reduction in carbon emissions will aid the demand for used cars across Sri Lanka 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, the Sri Lankan Ministry of Finance announced its strategy to allow the importation of electric vehicles (EVs) in the country from September 2023. Further, the Sri Lankan Ministry of Transport announced the formulation of a strategic plan for the importation and gradual usage of EVs in the transportation ecosystem in Sri Lanka. Even with the aggressive stance of the Sri Lankan 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.

Sri Lanka 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 various companies' aggressive strategies to spend on online advertisements are boosting the demand for used cars sold through online platforms. These platforms assist consumers in making informed decisions as end-end information on vehicles is already listed, such as vehicle make, model, kilometers driven, engine capacity, condition, etc.

- Moreover, increasing internet penetration rates and an increasing urbanization rate across Sri Lanka contribute to developing an efficient ecosystem wherein vehicle owners can reach out to buyers from different parts of a region and initiate a smooth online sales process without any need to visit a physical location.

- The Internet penetration rate in Sri Lanka stood at 67% in 2022, a substantial increase from 2018, wherein the internet penetration rate stood at only 47%. Although the urban population in Sri Lanka is one of the lowest in the South Asian region, which has stagnated in recent years, with the gradual revival of the economy, the urban population in Sri Lanka is expected to grow. As of 2022, the urban population merely contributed to a share of 19% of the overall population, witnessing an increase from 2018, wherein the urban population in Sri Lanka stood at 18%. These consumers are highly tech-savvy, and most of them have the financial capability to make an informed decision to purchase a vehicle for their mobility. Owing to these factors, the online used car market in Sri Lanka is expected to showcase positive growth in the coming years.

- To gain a competitive advantage in the lucrative online used car market, various players from neighboring countries are actively engaging in integrating into the cross-border sales opportunity with a high focus on marketing, as Sri Lanka is highly dependent on vehicle importation. With the increasing internet penetration and usage of online classified platforms for making purchasing decisions, consumers can buy second-hand cars from their neighboring countries, which helps them get a better price for used car models. Further, Sri Lankan companies also have an opportunity to form effective partnerships with online used car platforms from neighboring countries such as India to gain access to the cross-border market, which will help its citizens purchase second-hand cars at competitive prices.

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- Further, improved offerings such as an enormous number of photos and videos of the used vehicles being sold through online platforms and easy online instant finance, insurance, and warranty service are expected to fuel the demand for used cars in Sri Lanka in the coming years.

Hatchbacks to Remain the Preferred Used Vehicle Type in Sri Lanka

- Based on vehicle type, hatchbacks remained the preferred choice of consumers willing to purchase used cars in the Sri Lankan market, attributed to the lower prices compared to their counterparts. Ikman, a leading online used car platform in Sri Lanka, estimated that listings of hatchback-type models contributed to a majority share of 35% of the overall listings on their website in November 2022. Saloon and SUV car types made up 32% and 17% of the total car ads, respectively, followed by station wagons (4%) and Multi-Purpose Vehicles (MPV, 1%) during the same period. The rest of the car types amounted to 11% of the car listings on the Ikman car marketplace. Hatchback models from Toyota, Suzuki, Nissan, Honda, Mitsubishi, and Micro were the most popular vehicle types in Sri Lanka. In November 2022, Ikman noted that around 28% of the car listings on their platform were of Toyota make, followed by Suzuki with a 17% share and Nissan with an 11% share.

- The majority of the vehicles in Sri Lanka operating as of August 2023 were of European or Japanese origin. The new as well as the used car market of the country is heavily dependent on the import market, limiting the growth prospect of the used car market in Sri Lanka. It is estimated that Sri Lanka had around 5.6 million vehicles in operation (cumulative registrations are higher at over eight million) as of June 2022. Further, the vehicle-person ratio stood at approximately 1:4, or precisely 26 vehicles per 100 people. Consumer sentiment in Sri Lanka is driven by necessity rather than luxury when it comes to the purchase of vehicles. Therefore, these customers prefer to avail of a lower-priced used hatchback model rather than expensive sports utility vehicle (SUV) models. Further, consumers in the country are also wary of high import taxes that is factored in while importing vehicles from other country.

- Moreover, diesel/petrol-operated hatchback cars will cease to remain the popular choice among consumers in the short term till the new EV market reaches its optimal growth stage. The electric vehicle (EV) market in Sri Lanka is currently in its nascent phase, with limited prospects even in the import market due to the lack of EV infrastructure in the country. As the EV market reaches its maturity phase in the country, there will exist a massive use of EV models in the coming years. The used EV market will further witness expansion as the government of Sri Lanka implements strict regulations on the sales of petrol/diesel-operated vehicles during the forecast period.

Sri Lanka Used Car Industry Overview

The market is moderately fragmented and competitive, with the presence of various domestic used car dealerships and online used car platforms operating across Sri Lanka. Some of the major players include Ikman, Riyasewana, Careka.lk, Autodirect.lk, Patpat.lk, AutoLanka.lk, AutoMe.lk, Automachan, OLX, SaleMe.lk, and Riyahub.lk, among others. These players compete based on various parameters such as used car prices, online presence, value-added offerings such as warranty and financing options, commissions charged, number of listings on their platform, and ready information about the performance and condition of used vehicles, among others. Various companies operating in the ecosystem are actively engaging in enhancing their brand presence to expand their business capability across Sri Lanka. For instance,

In July 2023, Ikman, a leading online classified used car platform in Sri Lanka, announced the launch of the CarsGuide informative platform to provide users with a wide range of rich content to make informed decisions and acquire essential vehicle-related knowledge and know-how. This informative platform aims to assist a vehicle owner or seller with information on current trends in the used and new car industry, along with providing a comparison tool for ease of convenience.

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In December 2022, Patpat.lk, a Sri Lanka-based e-commerce platform offering buying and selling options of used vehicles, among other products, was awarded the "Online Brand of the Year - Bronze" at the 21st SLIM Brand Excellence Awards 2022 to mark its contribution in enhancing the digital experience of consumers by constantly adding new innovative features on their platform for ease of convenience.

Further, in October 2021, Patpat.lk upgraded its website services and offerings to enhance customers's convenience in the journey of online shopping. The company also introduced a financial assistance option to help consumers make informed financial decisions before buying a product such as a used vehicle. With the help of this feature, users can easily apply for vehicle leases, property loans, educational loans, personal loans, and credit cards via the platform.

Additional Benefits:

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

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