

Automotive Finance Market Assessment, By Provider Type [Banks, NBFCs, OEMs, Others], By Vehicle Type [Passenger Vehicle, Commercial Vehicle], By Vehicle Condition [New Vehicle, Old/ Used], By Purpose Type [Loan, Lease, Others], By Finance Type [Direct, Indirect], By Region, Opportunities and Forecast, 2017-2031F

Market Report | 2024-06-10 | 229 pages | Market Xcel - Markets and Data

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Report description:

Global automotive finance market is projected to witness a CAGR of 7.54% during the forecast period 2024-2031, growing from USD 276.85 billion in 2023 to USD 495.13 billion in 2031. Global automotive finance market is a vital market in the realm of the automotive industry and consumer loans industry, facilitating vehicle ownership through a diverse range of products and services. Global automotive finance market is flooded with multiple players, such as Banks, Financial Institutions, NBFCs, and vehicle manufacturing companies, serving a large and diverse consumer base through loan advances and financing facilities. The market is pivotal in enabling individuals, businesses, and organizations to access vehicles by offering flexible financing options tailored to diverse needs and preferences. Automotive finance encompasses a range of solutions, including auto loans, vehicle leases, dealer financing, manufacturer-backed financing, and commercial fleet financing.

In recent years, the global automotive finance market has experienced significant growth and evolution, driven by various factors such as constantly increasing sales and demand for vehicles in all corners of the globe, fueled by urbanization, changing lifestyles, and, most importantly, rising disposable incomes. As the global middle-class population continues to expand, the demand for passenger vehicles will continue to increase, and simultaneously, the global automotive finance market will grow and serve more customers. As consumers seek affordable and accessible ways to purchase or lease vehicles, automotive finance offers a practical solution by allowing them to spread the cost of ownership over time through installment payments.

Technology has played a fair share in the development and changing of the landscape of the global automotive finance market with digital innovations and products transforming the way customers interact with the finance provider. Loan or finance applications have become digital where every part of the process from loan applications to approvals has been digitalized with no paperwork required.

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Constant Growth in Vehicle Demand and Loans Distribution

Year after year, sales and demand for various vehicles worldwide constantly grow, subsequently driving the global automotive finance market. The growing demand for both new and used vehicles worldwide drives the need for automotive financing. Consumers seek financing solutions to acquire vehicles that meet their preferences for style, features, and reliability, contributing to overall market growth.

Globally, automobile prices are increasing due to the high inflation rate and higher vehicle demand than vehicle supply. On the deeper dive, there is constantly increasing demand for hybrid vehicles and EVs, which are already available at comparatively higher prices than petrol or diesel vehicles. As consumers consider transitioning to electric or hybrid models, automotive finance becomes essential in making these vehicles more financially accessible. Financing options help to spread the higher purchase price over manageable monthly payments.

In 2023, global vehicle sales were more than 92 million, surpassing pre-COVID-19 levels. Passenger sales accounted for more than 65 million. Global new-car sales increased by about 10% after maintaining constant revenue in 2022. EU new-car sales increased by over 14%, reaching 10.5 million units. Japanese and United States automobile sales showed substantial increases, growing by over 16% and more than 14%, respectively.

Vehicle Affordability Driving Global Automotive Finance Market

Vehicle affordability is a fundamental driver of the global automotive finance market, influencing consumer behavior and shaping the demand for financing solutions. As vehicle costs continue to rise, automotive finance plays a crucial role in making vehicle ownership accessible to a broader population. Rising vehicle prices, driven by factors such as advanced technology and safety features, make purchasing a vehicle outright financially challenging for many consumers.

Automotive finance allows individuals and businesses to spread the cost of a vehicle over time through manageable monthly payments, reducing the upfront financial burden. Automotive finance provides flexibility in payment options, allowing consumers to choose loan terms and down payment amounts that align with their budget and financial situation. Longer loan terms and lower down payments enable individuals to afford higher-priced vehicles without compromising their financial stability.

The car finance branch of China's state-owned automaker FAW Group has established a no-downpayment lending scheme, making it one of the first lenders to do so since the elimination of government-mandated minimum payments. The move aims to maximally relieve customers' car purchase pressure.

Partnerships with Dealerships and Automakers to Drive the Market Growth

Partnerships with dealerships and automakers, also known as direct finance, play a crucial role in driving the global automotive finance market, fostering collaboration between automotive finance providers, dealers, and manufacturers to streamline the vehicle purchasing process and enhance customer experience. These partnerships between the automakers and the automotive financial services providers help the customers by providing a seamless and syndicated service and help the global automobile finance market as well. Through this collaboration, the finance providers get direct customers who are buying a vehicle and provide an overall boost to the market.

Also, partnerships enable dealerships to offer competitive financing rates and promotions to customers through preferred finance providers. It incentivizes consumers to finance their vehicle purchases at the point of sale, leveraging attractive financing terms negotiated by the dealership. Time and again, dealerships and automakers provide various financing options for customers, whether at low interest rates or through offers where customers don't have to pay a downpayment.

In 2023, With the launch of its new 84-month auto loan option, Tesla is offering its American clients up to seven years of financing for purchasing a new vehicle. The change extends Tesla's previously offered finance options by one year. Due in large part to rising interest rates, Tesla has expanded its financing options to include a 96-month loan in Canada in addition to the 84-month option available in the United States.

Regional Analysis of Global Automotive Finance Market

Global automotive finance market is a resilient market with demand from every part of the globe. As of now China, the United States, and Europe are the largest automotive markets in the world, more automobiles with the requirement of automotive insurance has been increasing. More automobiles will be sold in developing countries such as India, China, Brazil, Indonesia, and South Africa, creating the opportunities in the global automotive finance market.

The rising middle-class populations, urbanization, and increasing disposable incomes drive demand for vehicles in the developing

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world. Macroeconomic factors impact automotive sales and financing trends, including GDP growth, employment rates, and consumer confidence. Economic stability and growth contribute to increased vehicle purchases and financing activity. These factors align perfectly with the developing economies, witnessing the growth potential in Asia, South America, and Africa, for which more automotive finance companies will enter the markets.

India maintained its position as the third-largest country in the world automobile market for the second year in a row in 2023 with new car sales of 5,079,985 units, up by 7% from the previous year.

Future Market Scenario (2024 - 2031F)

-□The ongoing developments in the automotive industry will have an impact on the global automotive finance market. The increasing adoption of electric vehicles (EVs) and autonomous vehicles (AVs) will reshape automotive finance. Finance providers will develop specialized financing options tailored to EVs, including incentives for green vehicles and partnerships with charging infrastructure providers.

-□Digitalization will accelerate in the automotive finance sector, with a focus on enhancing customer experience, streamlining processes, and leveraging data analytics. Digital platforms and mobile apps will enable seamless loan applications, real-time approvals, and personalized financing offers, improving efficiency and accessibility for consumers.

-□In the foreseeable future, constant innovation in automobile financing options is certain. In recent times, automakers and financing companies have launched new financing models, such as zero downpayment and longer loan periods. The market will witness more financing models that will make automobiles more accessible and desirable.

Key Players Landscape and Outlook

The outlook for global automotive finance market is highly positive; it is expected to grow and expand in the forecasted years. As long as the automotive industry grows, the global automotive finance market will certainly grow. Changing customer behavior, technological advancements, and sustainability will drive the financing market.

Rising automobile prices and attractive financing options put the automotive finance market in the bright spot, as these factors will be supported by constantly growing automobile sales. Emerging economies of Asia, such as India, China, Vietnam, Indonesia, and the Philippines, and of South America, such as Brazil, will contribute more to the global automotive finance market due to growing middle-class populations and rising disposable incomes. In the forecast years, digitalization will further shape the customer experience.

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