

U.S. Auto Sales Likely to Decline As Consumer Purchase Intent Decelerates

As Americans grow increasingly more cautious regarding the outlook for the U.S. economy, due primarily to concerns over the slow growth displayed by the overall economy, rising gas prices, and a recent weakening in hiring, they are becoming more restrained in their vehicle purchasing plans. According to the June edition of the TechnoMetrica Auto Demand Index, purchase intent among consumers has continued to decelerate, indicating that new vehicle sales have entered a period of exhaustion, and will decline in the coming months.

Ramsey, NJ ([PRWEB](#)) June 24, 2016 -- The illustrious poet Walt Whitman once wrote that “the future is no more uncertain than the present.” However, as the U.S. economy continues to grow at a slow rate, and as a recent slowdown in hiring has consumers growing more concerned over the outlook for the labor market, Americans are indeed becoming increasingly more worried over what they view as an uncertain future awaiting the nation’s economy. Due to these concerns, new vehicle sales will likely undergo a negative shift in momentum in the near future, and enter a period of decline, according to June’s reading of the Auto Demand Index.

TechnoMetrica Market Intelligence developed the Auto Demand Index, or ADI, as a way to measure the intent of consumers to buy or lease a new vehicle within the next six months. Raghavan Mayur, president of TechnoMetrica, explained that the ADI, which is conducted monthly, is based on the response to a key question posed to more than 900 adult Americans: How likely is it that you will buy or lease a new vehicle within the next 6 months?

After falling fifteen points in May, the Auto Demand Index improved by five points, or 5.5%, this month, attaining a score of 96. However, measuring the overall Index score against its short- and long-term moving averages reveals that purchase intent among consumers has continued to weaken and will decelerate further in the coming months. June’s ADI score is six points below its 12-month moving average of 102, and two points behind the 3-month moving average, which had declined five points to a rate of 98. Further, the Index score also trails the 6-month moving average (105) by nine points. Thus, as Americans’ intent to acquire new vehicles continues to dampen, and as momentum for the ADI persists in a slowdown, TechnoMetrica anticipates that new vehicle sales, after having finally reached its peak, will decline in the coming months.

The weakening in purchase intent is the result of various economic developments and concerns. For instance, Americans remain cautious in their outlook for the future state of the U.S. economy, especially regarding the conditions of the U.S. labor market. After a deceleration in hiring last month, in which the job market posted its weakest gain since September 2010, there are increasing concerns over a potential weakening in job growth.

In addition, Americans are also becoming more concerned over their personal finances, as TechnoMetrica’s Personal Financial Outlook Index, which gauges how consumers foresee their own financial situation in the next six months, declined 3.4 points in June. This can be attributed to the recent rise in the cost of living in the U.S., due in large part to rising rents, increases in gas prices, and the growing cost of medical care. According to the Labor Department, overall prices increased for the third straight month in May, rising 0.2%. These anxieties, along with the unease consumers feel over the slow growth of the U.S. economy, appear to be discouraging consumers from purchasing expensive items, such as automobiles.

“As consumers grow increasingly more concerned over the outlook for the U.S. economy in the near future,

primarily due to the persistently slow growth in the overall economy and the weakening in hiring last month, they are exercising more caution in terms of their shopping habits, especially regarding higher priced items. As illustrated by the Auto Demand Index, this caution has even extended to Americans' vehicle purchasing plans, dampening purchase intent among prospective buyers," said Raghavan Mayur, president of TechnoMetrica. "Therefore, it appears that new vehicle sales are in an exhaustion phase, and will likely decline in the near future."

Aside from uncovering Americans' vehicle purchasing plans through the Auto Demand Index, TechnoMetrica also measures consumer confidence regarding economic conditions in the country by producing the monthly Investor's Business Daily/TIPP Economic Optimism Index. This month, the Index fell by half of a point, or 1.0%, from May, registering a reading of 48.2. Regarding sentiment toward the state of the overall economy, most consumers (59%) believe that the economy is no longer experiencing a recession. Still, nearly half of Americans (49%) believe that the U.S. economy is not improving.

Beyond gauging purchasing intent among Americans, the Auto Demand Index survey also provides insights into other key areas of consumers' vehicle shopping plans, including brand preference among prospective buyers. In June, Toyota and Ford shared the top spot as the most desired brands among consumers who are planning to acquire a new vehicle, as each garnered a share of 14%. Compared to the previous month's data, preference for Toyota grew two points, while the share of prospective buyers planning to acquire a Ford, May's top brand, declined by one point. Chevrolet, chosen by 12% of likely buyers, dropped one position to seize third place this month, followed by Honda, which was the preferred brand among just under one in ten drivers (9%).

Another important element of consumer preference that is monitored by the Index concerns the types of vehicles that likely buyers plan to acquire for their next auto purchase. In June, the mid-size vehicle maintained its position as the most popular vehicle type among potential buyers. Just over one in five respondents (21%) preferred this type of vehicle for their next purchase, a share that is unchanged from last month. Desire for small SUVs improved slightly this month, as the percentage of consumers planning to acquire this vehicle type increased by one point from May, to 17%. Meanwhile, compact vehicles were chosen by 13% of prospective buyers, followed close behind by full-size vehicles, with a share of 12%. The number of respondents who plan to acquire pickup trucks declined somewhat in June, dropping one point to a rate of 11%.

Analyzing the data demographically reveals that Americans residing in the Western U.S. and seniors aged 65 and older were the sole segments that displayed any growth in purchase intent this month. Among Western Americans, the Auto Demand Index grew by 18 points in June, to register a reading of 108. Meanwhile, Americans 65 years old and older posted a four-point bounce in the ADI, attaining a score of 71. The most significant decline in the Index was shown among Americans residing in the Midwest, followed by parents and those earning an income between \$30K and \$50K.

Finally, for the first time since June of last year, preference for Asian brands has surpassed that for American-made vehicles. Nearly two in five likely buyers (39%) intend to acquire Asian autos, while 38% prefer vehicles made in America.

Each month, TechnoMetrica uses Random Digit Dial telephone methodology to conduct live interviews with more than 900 respondents, using both landlines and cell phones. The margin of error for the survey is +/- 3.2 percentage points. In addition, recent statistical analysis has shown a strong correlation between the Auto Demand Index and actual U.S. vehicle sales. The correlation is 0.76.



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