

## **U.S. Auto Sales Outlook Grim As Consumer Confidence Dims**

*Ongoing concerns regarding the state of economic conditions in the country, which have been further heightened by the recent Brexit decision, are significantly weakening Americans' intent to purchase new vehicles, according to this month's edition of the TechnoMetrica Auto Demand Index. In July, purchase intent among American drivers fell to its lowest rate in fifteen months, indicating that auto sales may have already peaked, and will decelerate precipitously in the near future.*

Ramsey, NJ ([PRWEB](#)) July 14, 2016 -- The growing uncertainty among Americans regarding the outlook for the U.S. economy, driven by the nation's persistently slow rate of economic growth and exacerbated by Great Britain's recent decision to leave the European Union, appears to have significantly dampened Americans' plans to acquire new vehicles, and will continue to bring the formerly skyrocketing performance of auto sales back down to earth. These are among the key findings of this month's reading of the Auto Demand Index, which reveals that purchase intent has declined precipitously since June, providing further indication that new vehicle sales have finally peaked, and will decrease considerably in the coming months.

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?

In July, the Auto Demand Index decreased by 14 points, or 15%, to a score of 82, marking the lowest reading in the measure since April 2015. The steep deceleration in the Index is further demonstrated when measuring this month's score against its long- and short-term moving averages. July's ADI score is 20 points below its 12-month moving average of 102, and eight points behind the 3-month moving average (90), which itself declined for the fourth month in a row. The Index also trails the 6-month moving average by 17 points. In addition, momentum for the Index continued to weaken this month, and has entered negative territory. The MACD, our indicator for momentum, declined by 2.4 points, to a score of -1.6, its lowest reading since January 2015.

These results indicate that consumers' intent to acquire new vehicles will decelerate dramatically in the near future. Thus, after experiencing a long period of robust growth, new vehicle sales, which have reached an exhaustion phase, will slow significantly in the months ahead, and will enter a period of steep decline.

This month's weakening in purchase intent among consumers was driven by a variety of economic factors that have increased Americans' uncertainty regarding the outlook for the overall economy and their own personal finances. Recently, the Brexit vote, along with the heavy losses that gripped the stock market in its wake, delivered a significant blow to consumers' economic outlook and intention to acquire new vehicles. The immediate shock of the event, and the uncertainty over the vote's potential impact on the U.S. economy have also heightened consumers' concerns regarding the future state of economic conditions. Therefore, as Great Britain's decision to leave the EU could potentially have significant implications for both Europe and North America, consumers are more likely to exercise caution and restraint when it comes to their personal finances and shopping plans. Accordingly, at least for now, most consumers will forgo purchases of goods such as vehicles until they are more confident in economic and political conditions.

However, the deceleration in Americans' demand for new vehicles is also the result of other, more long-standing economic and political issues which indicate the likelihood of a long-term slowdown in purchase intent. For instance, consumers remain concerned over the continual slow rate of growth displayed by the economy. In the first quarter of 2016, the economy grew at a seasonally adjusted rate of 0.8%, compared to the 1.4% rate of the previous year's fourth quarter.

In addition, with the presidential campaign season in full swing, Americans are faced with the prospect of electing a new president, which typically creates a sense of uncertainty among consumers who may be concerned about the potential impact that a new administration's policies could have on the nation's economy.

Due to these various concerns, Americans are displaying less confidence in the overall economy, and are growing more insecure regarding their personal finances. According to our Investor's Business Daily/TIPP Economic Optimism Index, a monthly measure of consumer confidence, Americans' confidence in the national economy has dropped to its lowest level since November 2015. In July, the Economic Optimism Index declined by 2.7 points, or 5.6%, to a reading of 45.5, marking the second straight month in which the reading has decreased. Additionally, half of Americans (50%) believe that the economy is not improving, an increase of one point from June. Finally, the Personal Financial Outlook indicator, which gauges how consumers foresee their financial situation in the next six months, fell by a half of a point this month, to a reading of 57.2. Consumers are growing more cautious about their financial situation as the overall cost of living continues to rise, and incomes grow at a slow rate.

“Amid concerns regarding the persistently slow rate of growth displayed by the U.S. economy, and the economic uncertainties triggered by the recent Brexit vote, Americans have become less optimistic in their outlook for the overall economy. Therefore, consumers are more likely to exercise restraint when it comes to their shopping plans, including big budget items such as automobiles,” said Raghavan Mayur, president of TechnoMetrica.

The decline in purchase intent and a forecasted deceleration in new vehicle sales provide further indication that auto sales have entered an exhaustion phase, an inevitable result of the methods employed by automakers over the past year to guarantee record numbers. In 2015, the year manufacturers set a record in car sales, a number of forces drove shoppers into the market en masse, including the generous incentives offered by auto makers, the increased availability of auto loans, and the high average age of vehicles on the road. However, in ensuring a high rate of new vehicle sales, auto makers also guaranteed an eventual exhaustion in purchase intent.

“Car sales were very robust last year, fueled in part by low gasoline prices and accelerated by the desire of car companies to hit a record sales year. This led to increased incentives and pulled sales forward. We are now beginning to hit payback time, when the natural demand is just exhausted having been prematurely harvested at the end of last year and early this year,” says Robert Austin, a marketing consultant who has previously held senior management positions with Rolls-Royce Motor Cars and Volvo. “People who had been putting off buying new cars for years went out and bought them. Now, they don't intend to buy another vehicle for some time.”

Aside from measuring Americans' vehicle purchasing intent, the Auto Demand Index study also gains insight into the brand preferences among prospective buyers. This month, Chevrolet and Toyota were the most popular brands among Americans who intend to acquire a new vehicle, with each garnering a 15% share of likely buyers. Preference for Chevrolet brand vehicles increased by three points from the previous month, while the percentage of likely buyers intending to purchase a Toyota improved by one point. Meanwhile, the desire for

Ford vehicles declined by two points this month to 12%, as the brand dropped from the top spot to seize third place in July. Honda was the preferred brand of 8% of likely buyers, a slight decrease of one point from June. Rounding out the top five of most desired brands were three makes that were chosen by equal shares of respondents (4%): BMW, Dodge, and Nissan.

Concerning the types of vehicles consumers intend to purchase in the near future, mid-size vehicles remain the most preferred choice among likely buyers. In July, one in five respondents (20%) indicated that they plan to acquire a mid-size vehicle for their next new auto purchase. While preference for small SUVs was unchanged from June, at 17%, the share of consumers wishing to purchase a pickup truck grew by three points to 14%, allowing the vehicle type to gain third place. Following close behind were full size vehicles, chosen by 13% of drivers, a one point improvement from last month. Finally, preference for compact vehicles declined by two points in July, to a share of 11%.

Every month, the Auto Demand Index study also provides insight into the rate of purchase intent among key demographic groups in the U.S. In July, respondents identifying themselves as parents were among the most likely to acquire a new vehicle, with an ADI score of 126, followed by African Americans and Hispanics (112), and Americans aged 25 to 44 (111). At the same time, the only groups to display a growth in purchase intent this month were drivers residing in urban areas and respondents aged 65 and over. Meanwhile, the steepest declines in purchase intent this month were displayed among Americans residing in the Midwest region of the U.S., and those living in rural areas, as the segments' Index scores fell 22 points and 20 points, respectively.

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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