

U.S. Auto Sales Poised to Rebound As Consumer Confidence Brightens

Growing consumer confidence regarding the overall state of the U.S. economy, driven by such recent positive developments as lower gas prices and an improving labor market, has significantly bolstered Americans' intent to acquire new vehicles this month. After posting a steep decline in July, TechnoMetrica's Auto Demand Index level increased sharply this month to attain its highest reading since August 2015, indicating that new vehicle sales will accelerate in the coming months.

Ramsey, NJ ([PRWEB](#)) August 22, 2016 -- Buoyed by an array of recent positive developments in the U.S. economy, such as a steady growth in hiring, declining gas prices, and strong gains in the stock market, Americans' intent to acquire new vehicles accelerated sharply in August, indicating that momentum for new vehicle sales will hit the gas pedal and grow significantly in the near future, according to this month'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 posting a sharp decline of 14 points in July, due in large part to the global uncertainties triggered by the Brexit decision, the Auto Demand Index climbed 41 points this month, or 50%, to attain a score of 123, its highest reading since August 2015. In further indication of the growing momentum in purchase intent among Americans, the ADI surpassed each of its short- and long-term moving averages this month. The Index topped both its 12-month and 6-month moving averages (102) by 21 points, while eclipsing its 3-month average of 101 by 22 points. In addition, the MACD score, our indicator for momentum in the Index, gained 3.9 points in August and returned to positive territory with a reading of 2.3.

These figures suggest that vehicle purchase intent among American consumers will grow sharply in the near future. Consequently, TechnoMetrica anticipates that new vehicle sales, which rose at a relatively flat rate of 0.7% in July, will regain momentum and increase significantly in the months ahead.

This month's sharp rise in purchase intent was driven by recent progress in various sectors of the U.S. economy. Consumers have been encouraged by signs of an improving labor market, as a result of recent jobs gains and stronger wage growth. The July jobs report revealed that the U.S. economy added a better than expected 255,000 new positions last month, with wages growing by 2.6%, compared to 2.2% the previous year. Further, falling gas prices are providing consumers with another key impetus to acquire a new vehicle. According to statistics from the American Automobile Association (AAA), over the past month, the national average has dropped from \$2.25 per gallon to \$2.12 per gallon. Also, as fears over the Brexit vote have waned, the stock market has recovered from heavy losses to reach record highs recently, adding more fuel to growing economic optimism among Americans.

Additionally, prospective buyers continue to be enticed by low interest rates, as well as the generous incentives being offered by automakers. In fact, in order to guarantee a high sales rate each month, manufacturers have continued to increase incentive spending. According to Kelley Blue Book, average incentives per vehicle have

risen 12.5% from last year.

Americans' growing optimism for the overall economy and their own personal finances is further adding to the favorable conditions that are allowing for the rise in purchase intent. As revealed in our monthly Investor's Business Daily/TIPP Economic Optimism Index, consumer confidence regarding economic conditions in the country improved in August. After declining significantly in July amid Brexit fears, the Economic Optimism Index gained 2.9 points this month to attain a score of 48.4, its highest reading since May. Even more, the 6-Month Economic Outlook component of the Index, which measures Americans' sentiment concerning the condition of the U.S. economy in the next six months, posted a sharp eight-point gain in August, registering a score of 44.7.

Besides displaying greater optimism for the overall economy, consumers also showed increased confidence in the outlook for their personal finances this month. Ending two straight months of declines, the Index's Personal Financial Outlook component increased by 0.8 point in August to a score of 58.0.

"After weakening last month amid economic concerns over the Brexit vote, Americans' confidence in the U.S. economy improved significantly in August, due to such positive signs as lower gas prices and recent jobs gains. As a result of these developments, along with the enticement of generous incentives from automakers, more consumers are planning to acquire new vehicles in the near future," said Raghavan Mayur, president of TechnoMetrica.

Along with a shift in consumers' intent to purchase a new vehicle, August also saw changes in brand preferences among prospective buyers. Toyota reclaimed sole possession of the top spot in brand choice, garnering a 15% share of likely buyers, a rate unchanged from July. Meanwhile, Ford, the choice brand of 12% of prospective buyers, improved one position to claim second place. Preference for Chevrolet vehicles (11%) declined by four points in August, as the brand fell from the top position to third place. Rounding out the top five of most sought after brands were Honda, preferred by 9% of likely buyers, followed by Nissan, which improved two positions with a 5% share of vehicle shoppers.

Regarding the types of vehicles consumers prefer, mid-size vehicles continue to reign as the most desired selection among prospective buyers. This month, just over one in five respondents (21%) would choose a mid-size vehicle for their next auto purchase, a one-point gain from July. Small SUVs represented the desired vehicle types among 17% of likely buyers, a similar rate as the previous month. Preference for full size cars (14%) improved by one percentage point in August, while pickups claimed a 12% share of prospective vehicle buyers, a decline of two points from July.

The Auto Demand Index also allows us to gain insight into the levels of purchase intent among a variety of key demographic groups. This month, parents remained the segment with the highest likelihood of acquiring a new vehicle, registering an Index score of 138. Purchase intent was also strong among Millennials between the ages of 18 and 24 (126), as well as among the African American and Hispanic demographic (125). Overall, twenty-one of the 23 segments that TechnoMetrica tracks on a monthly basis displayed growth in the Index this month. Americans aged 18 to 24 and the female demographic posted the largest increases in purchase intent this month, as the groups' ADI scores gained 26 points and 24 points, respectively. Consumers earning less than \$30K in annual income also showed significant improvement in their Intention to acquire a new vehicle, as the segment registered an eighteen point climb in the Index.

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.

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