

Economic Concerns Likely to Drive Down U.S. Auto Sales

Americans' concerns regarding the state of the national economy, driven by such factors as rising gas prices, the slow pace of growth displayed by the economy, and the anxieties inherent in the anticipation of electing a new president, are expected to quell the positive momentum that new vehicle sales have demonstrated over the past year, at least for the near future, according to May's reading of the TechnoMetrica Auto Demand Index.

Ramsey, NJ ([PRWEB](#)) May 31, 2016 -- The Auto Demand Index registered a sharp decline in May, falling 15 points from last month to a score of 91. This marks the second straight month in which the study has recorded a drop in the Index. Meanwhile, the ADI's 3-month moving average also fell for the second month in a row, indicating a continued deceleration in momentum for vehicle purchase intent among American consumers. In addition, the share of Americans who plan to purchase or lease a new vehicle within the next six months declined three points from April, to 15%.

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?

The weakening in purchase intent is further demonstrated as we measure the Index against the long and short term tracking rates. May's ADI score of 91 is ten points below the 12-month moving average of 101, and trails the 6-month moving average (105) by 14 points. Thus, analysts at TechnoMetrica anticipate that new vehicle sales will decrease significantly in the coming months.

A number of factors are contributing to the decline in the share of Americans who plan to acquire a new vehicle in the near future. For instance, in April, the cost of living in America rose at its highest rate in three years, according to a recent report from the Labor Department. As the price of gasoline continues to rise, climbing 8.1% in April, and the cost of rent and medical care grows, consumers seem to be exercising caution in their spending habits. As a result, at least for the short term, Americans are less likely to purchase higher priced items, such as automobiles. In addition, as they observe the slow growth in the U.S. economy, there is increased concern among Americans over the future state of the overall economy.

The ongoing presidential campaign season is also having an influence on Americans' spending plans. The prospect of electing a new president tends to create a sense of unease and uncertainty among consumers, who may be concerned about the impact a new president's policies could potentially have on the national economy.

"With the economy growing at a slow rate, the stock market still under pressure, and gas prices continuing to climb at a steady pace, there is a rising concern among consumers regarding the future outlook of the American economy. These anxieties are encouraging consumers to reassess their purchasing plans, especially regarding more expensive goods and services. Thus, we expect that new vehicle sales will decelerate over the coming months," said Raghavan Mayur, president of TechnoMetrica.

Along with gaining insight into consumers' 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. In May, the Index gained 2.4 points, or 5.2%, from the previous month, registering a reading of 48.7. However, Americans continue to be divided regarding the state of the overall economy, as half of consumers assert that the U.S. economy has not been improving, while 47% say that it is improving.

The Auto Demand Index survey also inquires into various other aspects of consumers' vehicle shopping plans, such as which brands prospective buyers are most likely to acquire. This month, Ford maintained its position as the most preferred brand among consumers who are planning to acquire a new vehicle, with a share of 15%. Chevrolet, chosen by 13% of likely buyers, moved into second place in May, overtaking Toyota, which captured a 12% share of consumers. Meanwhile, nearly one in ten prospective buyers (9%) are likely to acquire a Honda for their next vehicle purchase, a decline of two points from the previous month.

Regarding the types of vehicles consumers prefer, mid-size vehicles remain the most popular selection among likely buyers, as just over one in five respondents (21%) chose this vehicle type, a decline of two points from April. Small SUVs were named by 16% of likely buyers as their preferred vehicle type, a rate unchanged from last month. Similar shares of consumers (13%) identified compact and full-size vehicles as the type of vehicles that they would most likely purchase as their next vehicle. Rounding out the top five, pickup trucks were chosen by 12% of likely buyers, a gain of one-point from last month.

In terms of demographics, parents, male adult drivers, and Americans aged 25 to 44 showed the greatest increase in purchase intent this month. In each of the three segments, the ADI levels grew by six percentage points, to 151, 111, and 121, respectively. The most significant drop in purchase intent was shown among Americans residing in the Northeast, who displayed a 19-point decline from April, along with drivers aged 18 to 24, whose ADI score decreased by 17 points. Respondents living in suburban areas, and those aged 65 and over also reported sharp declines in intention to acquire a new vehicle.

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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