

UK Car Review - UK - February 2017

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“The UK car market continues to develop and evolve. Sales are put above 10 million units for the first time in 2016 evidence of the continuing popularity of car ownership. Within the market, buyers are increasingly looking for vehicles that match their lifestyles with compact, multi-purpose and executive models currently benefiting from especially strong demand.”

– Neil Mason, Head of Retail Research

This report looks at the following areas:

- New car sales suffer from slowdown in expansion
- What future for diesel?
- Can growth in hybrid and electric cars be maintained?

The UK car market has benefitted recently from strong sales with Mintel's latest research noting that new and used volumes surpassed the 10 million mark in 2016 for the first time. Growth has been largely consistent since the difficulties the sector faced during the economic slowdown in 2008. Not only have car sales, and new sales in particular, been on an upward curve there have been further developments within the car sector. These include fragmentation in the market which has seen the rise in popularity of a number of vehicle categories as well as manufacturers. Equally there are changes taking place in the fuels used to power cars with vehicles using hybrid or electric power beginning to become a realistic alternative to those using diesel or petrol.

Yet at the same time that the market has seen growth it is also entering a period of uncertainty. This is partly a result of the potential impact of the UK leaving the EU following the Brexit vote in June 2016. Already depreciation in Sterling has led to increases in the cost of fuel with this ultimately set to increase the cost of vehicles imported into the UK. Taken with the new car sector already suffering from a slowdown as it reaches a peak in its current cycle the short-to-medium prospects for the sector are for sluggish sales and ultimately a downturn.

Internally the market is expected to remain focused on smaller vehicles although recent new car purchases have boosted interest in SUVs (Sports Utility Vehicles) as well as renewed interest in executive cars. Mintel expects progress made by AFV (Alternative Fuelled Vehicles) to continue, with diesel - increasingly associated with air pollution - set to be the main casualty. As for buyers, the process of trading up by some, as well as seeking out value by others, is set to continue with the latter possibly benefitting more depending on the future performance of the UK economy.

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DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

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The Market – What You Need to Know

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- Small and medium-sized vehicles are popular
- Petrol is the most popular fuel
- Commuting and shopping dominate key uses for a car
- Drivers are looking for improvements rather than innovation

Car Ownership

- 7 out of 10 adults currently own a car
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Improvements to existing engines dominate over other demands

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