This report looks at the following areas:

- The impact of the current cost of living crisis on the demand for new and used cars since it began to become an issue in late 2021.
- Wider developments affecting the car market such as shifts in preferences for particular vehicle categories and preferences towards cars using different fuels.
- The key drivers that are currently affecting the sale of cars and main the channels that are used for their sale.
- Recent developments in the performance of car manufacturers and specific vehicles in both new and used markets.
- Consumer research profiling car ownership and current demand for new and used vehicles, car purchasing intentions over the next three years, preferences from potential buyers towards cars using different fuels as well as current interest in the main methods available for purchasing.

While 2022 saw continuing difficulties for the car market it is the shift between purchasing used as opposed to a new car where the most dramatic shifts are being seen currently. Young adults aged 17-34 are a group whose appetite for buying a used car has risen dramatically in the last 12 months. Interest from women in this age group has risen 14 percentage points to 54% while for men there has been a more spectacular 19 percentage point increase in interest to 49%.

The current cost of living crisis is delaying any recovery in demand for cars following the difficulties for the market during and immediately after the pandemic. A squeeze on consumer incomes has not only limited the appetite of buyers but impacted specifically on the important new car market. Many have switched to the purchasing in the used sector although here increased demand and low supply has inflated prices presenting additional difficulties for sellers. Recent sluggish sales for new cars are also a problem for the used sector. Strong consumer demand and issues with the availability of new cars led to used prices increasing sharply during 2022. While prices are now showing signs

“Car purchases stumbled during 2022 as the impact of cost of living pressures affected consumer demand. While the situation is expected to improve during 2023, sellers will still be dealing with a largely cautious customer base.”

– Neil Mason, Retail Category Director

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of softening, helped by cost of living pressures tempering demand, affordability and attracting buyers to this sector will continue to be a challenge. Online is a major opportunity for the car market both for specialist sellers and traditional dealers. Mintel’s research in November 2022, suggests that 6% of recent car purchases were made online with this double that which was reported two years previously. Focusing on those already comfortable in using online should deliver good short-term opportunities for sellers. Here young adults and ethnic minorities are two target groups.
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