

Auto Industry: Young People Will Buy Cars Again

Dee-Ann Durbin, Tom Krisher, AP Auto Writers

TRAVERSE CITY, Mich. (AP) — The auto industry says people under 34 are gradually starting to buy cars again as their economic circumstances improve.

After the Great Recession, sales of cars to young people dropped significantly. Fewer of them even bothered to get drivers licenses. Some experts surmised that the group lost interest in cars because of the prevalence of social media.

Data presented at a big industry conference in Northern Michigan on Tuesday show that young cars buyers are making a slow, if uneven, return to the market.

People age 18 to 34 accounted for more than 14 percent of the U.S. new car market just five years ago, but that plunged to 10.5 percent in 2011, to according to registration data collected by the Polk auto research firm. The figure grew to 12.3 percent last year.

Licensing rates led some industry analysts to conclude that young people, who meet constantly on Facebook and other social media, have less need to travel and aren't interested in buying cars — even when they grow older. In 1984, nearly 80 percent of people ages 16-24 had driver's licenses, but that fell to only 68 percent in 2010. In the next-oldest demographic group, 25- to 34-year-olds, 95 percent had licenses in 1984, but that dropped to 88 percent in 2010.

But industry executives at Tuesday's conference had a different take.

"I don't see any evidence that young people are actually losing interest in cars," Mustafa Mohatarem, General Motors' chief economist, said Tuesday at the Center for Automotive Research Management Briefing Seminars, an auto industry confab near Traverse City, Mich.

Mohatarem and others at the conference said young people put off getting licenses because they've had trouble getting jobs and have been living with their parents. They also didn't buy cars due to rising car prices and higher costs to own cars, such as insurance and gasoline. Also, more enrolled in to college, where they either can't afford cars or don't need them, the analysts said.

In May, the unemployment rate for 16 to 19-year-olds was 24.5 percent, more than three times the national rate. It was 13.2 percent for people 20-24, according to GM. Without jobs, it's difficult for younger people to buy cars, the analysts said. In addition, Federal Reserve data show that people age 18 to 34 lost 44 percent of their net worth between 2001 and 2010, yet their aggregate student loan balances have nearly doubled to a total of \$1 trillion, the analysts said.

"The younger buyer is broke," said Anthony Pratt, vice president of Americas

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forecasting for Polk. "This demographic has been the hardest hit, from unemployment, from net worth, from income — all factors that would influence demand for high-priced consumer goods like an automobile."

Pratt said he's not sure exactly when young people will start buying cars in big numbers again, but he's confident they will.

Statistics show that as people age, they get jobs, get married and eventually have families and buy cars, Mohatarem said. "It's not because their preferences have changed. It's because of their needs. The income isn't there. The jobs aren't there. They grow older, that changes."

Tim Tremonte, 22, of Somerville, Mass., seems to back up what the industry is saying. Of his group of eight friends, seven have bought or leased new cars, while one bought a 2-year-old car. All had to make big down payments in order to get decent interest rates for first-time buyers, he said.

"We all consider our cars as investments, even though they are a depreciating asset, and we plan to keep them for some years," said Tremonte, who works for a Jeep dealership. He recently signed a three-year lease on a new Nissan Sentra.

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