



New car sales recorded a modest increase last month relative to the same period last year.

This presents a slightly more encouraging sign of consumer sentiment relative to the first half of the year.

Indeed, there have been slightly fewer new car sales during the first 7 months of this year relative to the corresponding period in 2014.

This suggests that consumer confidence remains fairly fragile despite the recent record lows in inflation, due primarily to falling food and energy prices.

The latter has significantly boosted household's disposable incomes. Meanwhile the steady rise in petrol and diesel forecourt prices since February will not have escaped the notice of motorists.

The good news is we are likely to see this trend go into reverse. The fall in the price of Brent crude oil should feed through into lower petrol & diesel prices in the weeks ahead.

In turn, this will boost consumers disposable incomes. However, this boost to consumer confidence will be countered by a number of factors. These include: significant public spending cuts, caps on public sector pay rises, cuts in welfare benefits and potential interest rate rises.

As a result, consumer confidence is likely to remain fragile for the foreseeable future. Therefore any growth in new car sales in the months ahead is likely to be modest and stuck in the slow lane.

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