TechnoMetrica Auto Demand Index

July 2016

TechnoMetrica
MARKET INTELLIGENCE

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About Us

- TechnoMetrica, founded in 1992, is a full-service Market Research consultancy that helps businesses identify, develop and capitalize on growth opportunities. Spotting trends and synthesizing insights that are well-defined, accurate, and forward-thinking is our passion. Research is the foundation for all our endeavors.

- TechnoMetrica is a thinkery. We harness the power of creative thinking in everything we do: to develop study designs that best answer research objectives; to communicate research findings with impact; to develop effective marketing strategies and new product development. Our creations are the true testimonies that reflect our depth of thinking. Our clients are our ambassadors of our reputation.

- In 1996, TechnoMetrica founded TIPP – the TechnoMetrica Institute of Policy and Politics. Shortly thereafter, TIPP joined forces with Investor's Business Daily (1996 to present) – the nation's fastest-growing financial publication – to produce their highly respected IBD/TIPP Economic Optimism Index.

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I. Methodology

Methodology

- TechnoMetrica's Auto Demand Index is a forward looking early (monthly) indicator of consumers' intent to purchase or lease a new vehicle within the next 6 months. The index has been set to an initial value of 100 based on demand levels between February 2007 and April 2007.
- The Auto Demand Index is based on the responses Americans give to the question:
  – *How likely is it that you will buy or lease a new vehicle within the next 6 months? Would you say very likely, somewhat likely, not very likely or not at all likely?*
- We express purchase intent as an index score that varies as a linear function of the percentage of consumers who are either "very" or "somewhat" likely to purchase or lease a new vehicle within the next 6 months.
- Higher index readings correspond to greater demand or intent to purchase/lease new automobiles.
- The index and its movement is projectable to the national market for new automobiles, which consists of over 100 million U.S. households with drivers.
- Each month, TechnoMetrica uses a monthly Random Digit Dial (RDD) telephone survey to collect the survey data, with a sample size of around 900 respondents. The margin of error is +/- 3.2 percentage points. The July Survey was conducted between June 24th and June 29th , 2016.

II. Auto Demand Index, Purchase Outlook

A. Auto Demand Index (Overall)

B. By Region

C. By Area Type

D. By Age

E. By Gender and Marital Status

F. By Parental Status and Race/Ethnicity

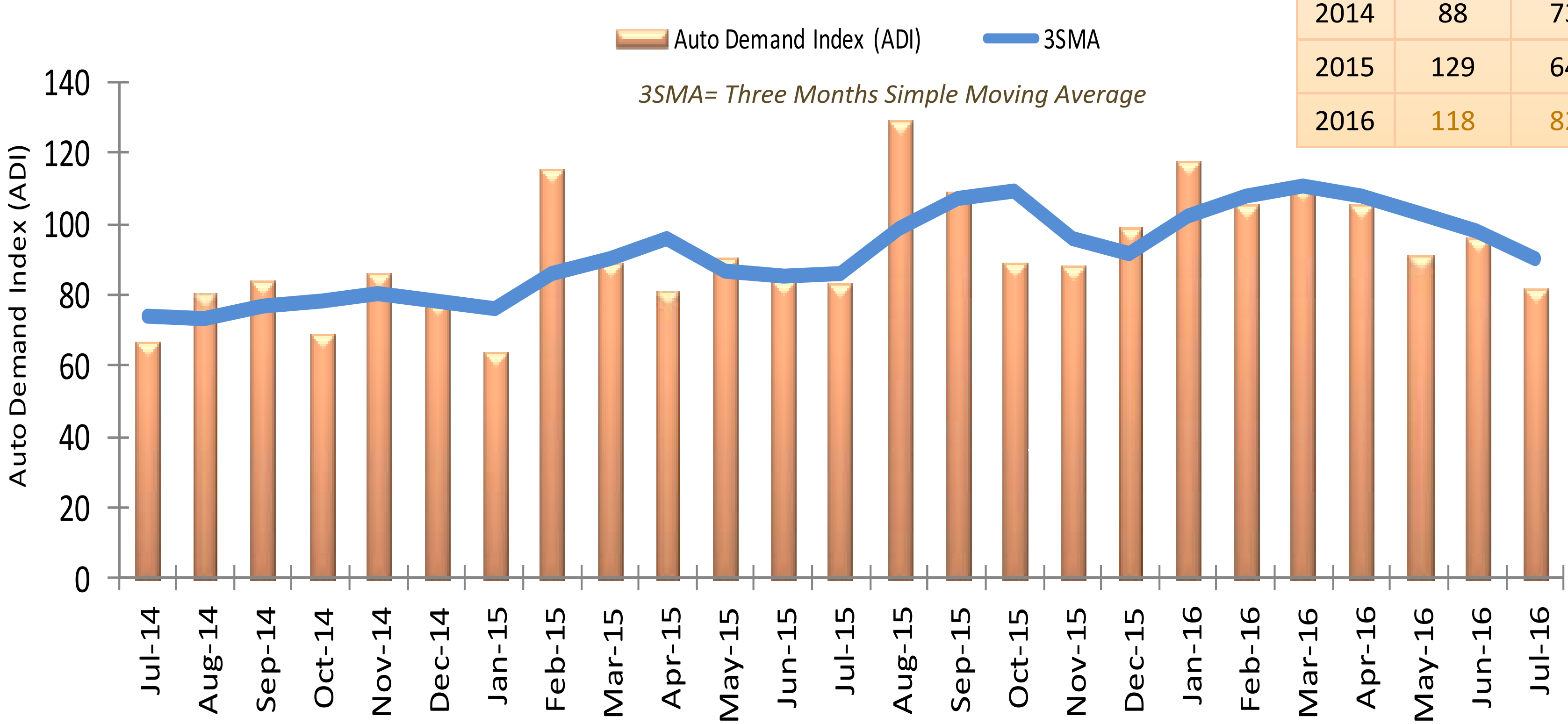
G. By Household Income

Auto Demand Index (Overall)

According to the latest Auto Demand Index study, Americans' intent to acquire new vehicles has weakened significantly, due to the economic uncertainties triggered by the recent Brexit vote, along with consumers' concerns regarding the economy's persistently slow rate of growth. In July, the Auto Demand Index level plunged 14 points to a score of 82, its lowest reading since April 2015.

Base = All Respondents

	High	Low
2010	97	56
2011	94	49
2012	105	49
2013	86	64
2014	88	73
2015	129	64
2016	118	82



Auto Demand Index Moving Averages

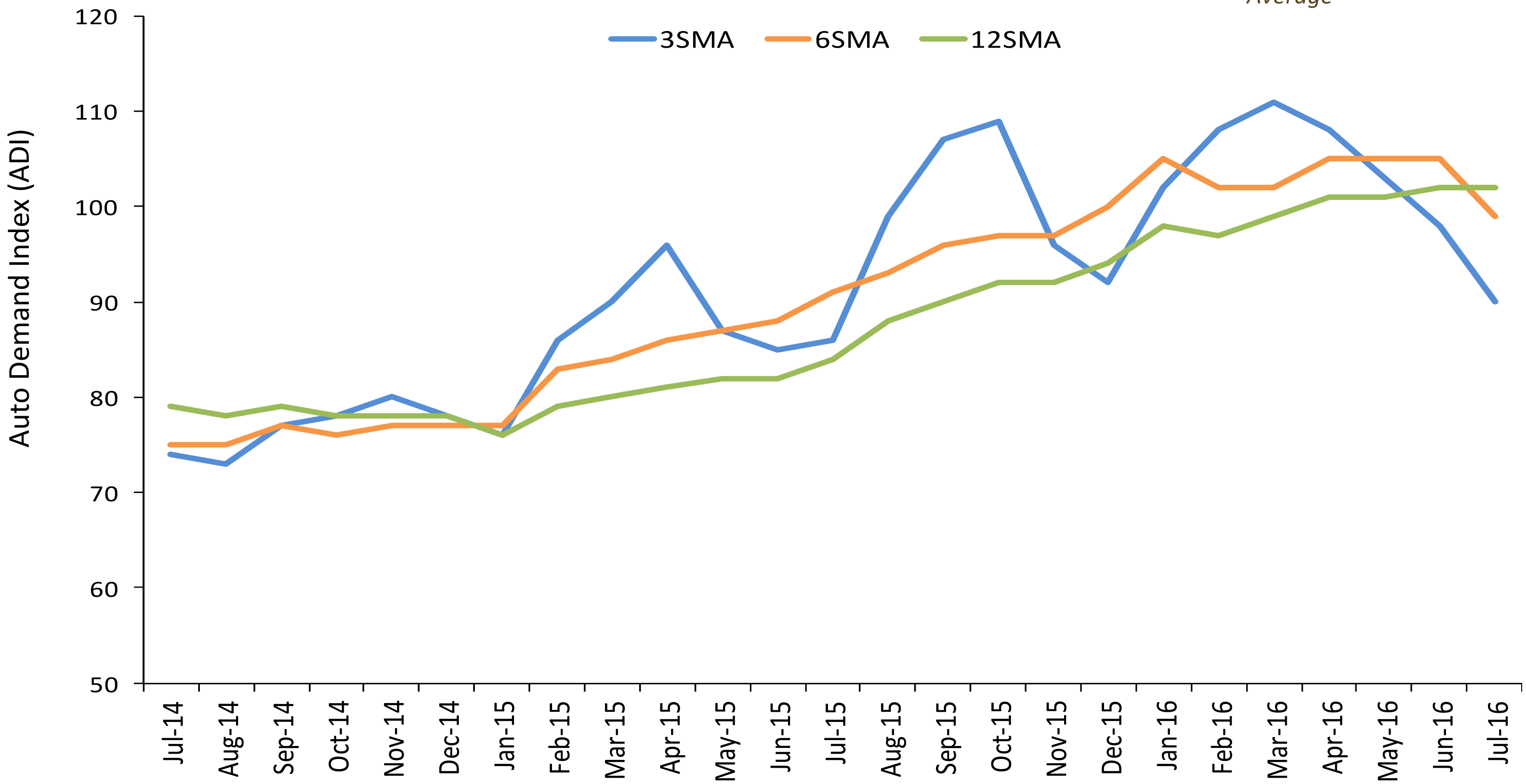
Base = All Respondents

The steep deceleration in purchase intent is even more evident when one measures the Index against its short and long-term moving averages. July's ADI is 20 points below its 12-month moving average of 102, and eight points behind the 3-month moving average (90). Further, the 3-month moving average declined for the fourth straight month in July.

3SMA= Three Months Simple Moving Average

6SMA = Six Months Simple Moving Average

12SMA = Twelve Months Simple Moving Average

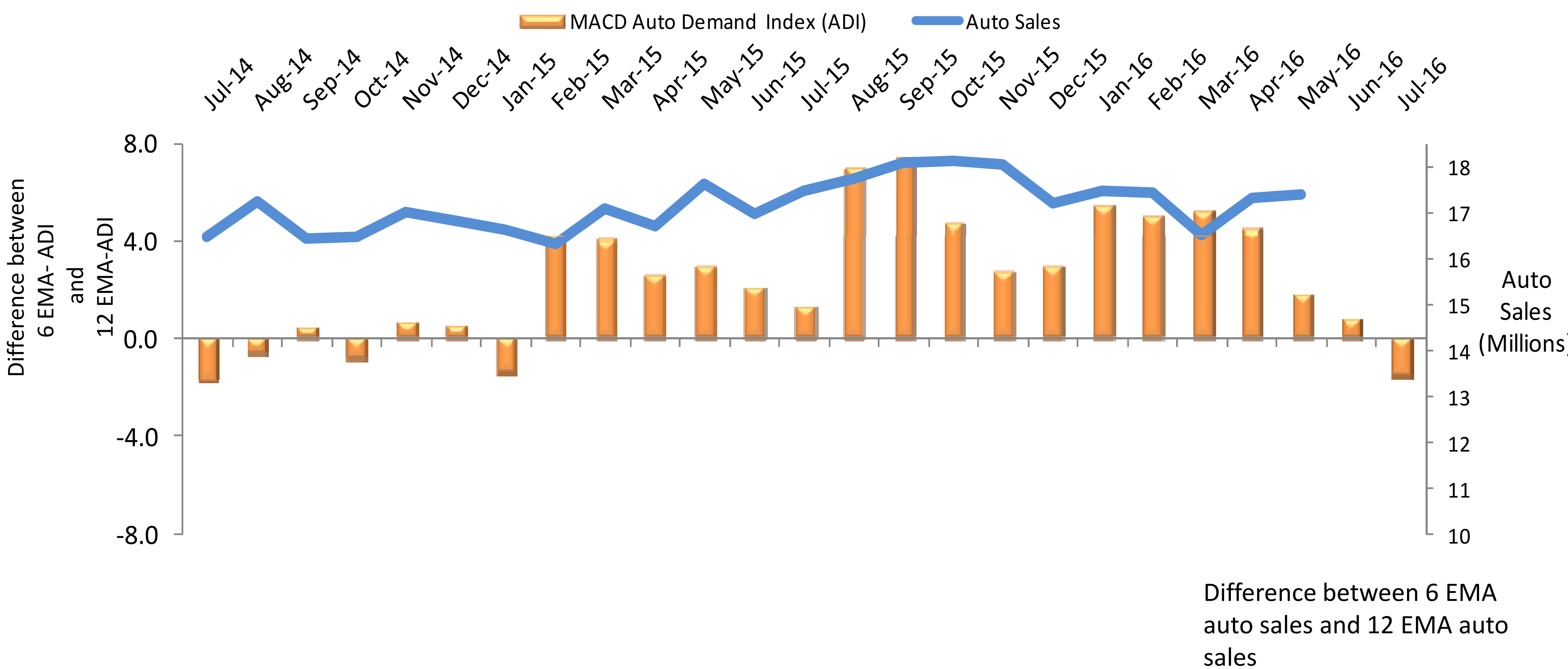


Momentum: Moving Average Convergence Divergence

Momentum= Fast Average (6-month exponential moving average) minus Slow Average (12-month exponential moving average)

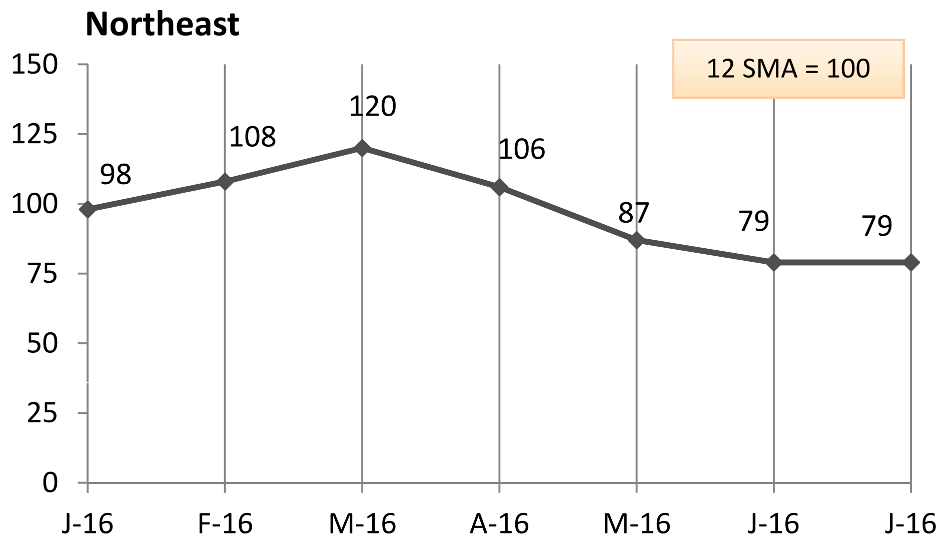
Base = All Respondents

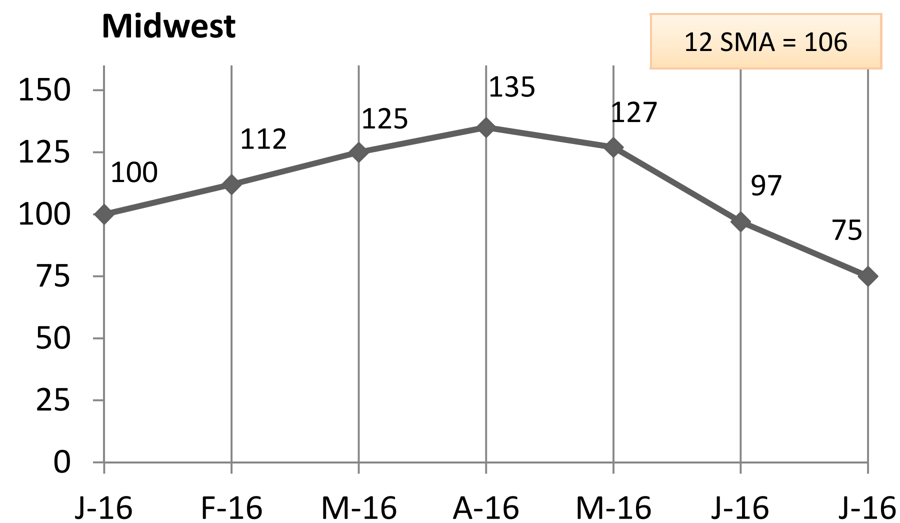
This month, our momentum indicator (MACD) entered into negative territory for the first time since January 2015, declining by a total of 2.4 points to a reading of -1.6. Thus, the Auto Demand Index will enter a period of negative momentum in the near future. Consequently, TechnoMetrica anticipates that new vehicle sales, which may have already reached peak performance, will fall precipitously in the coming months.

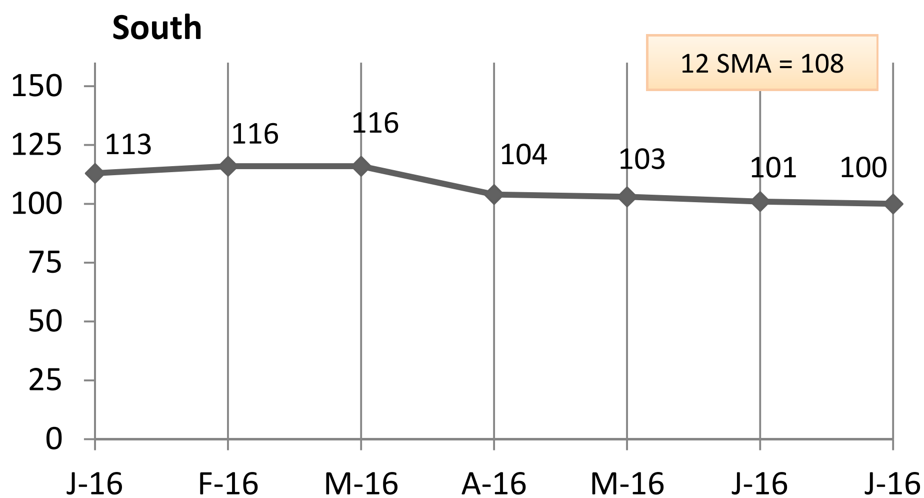


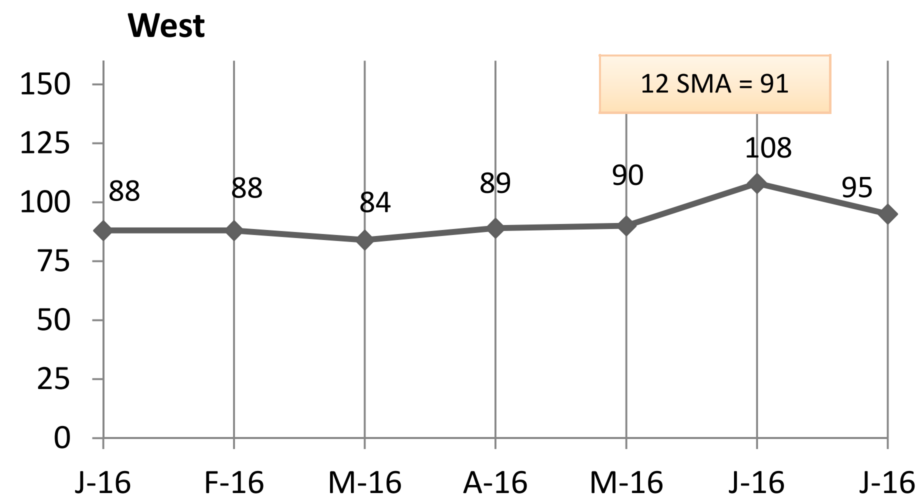
By Region 3 SMA

Base = All Respondents





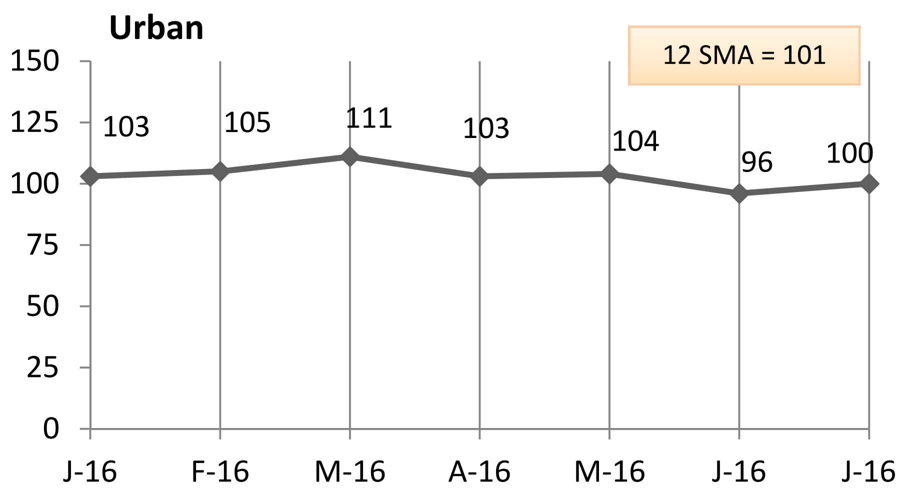


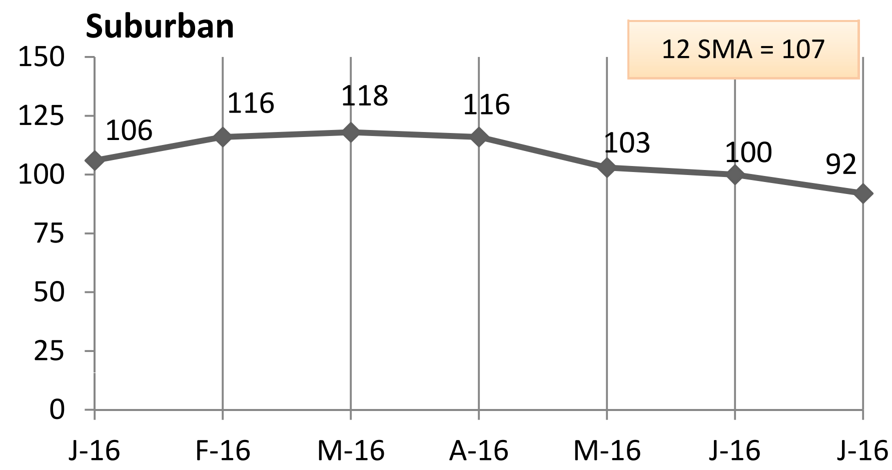


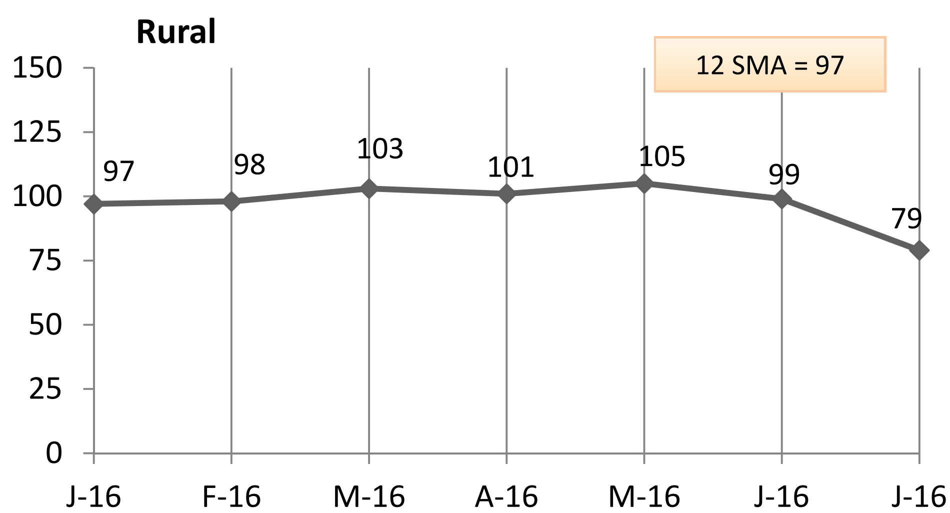
Q. How likely is it that you will buy or lease a new vehicle within the next 6 months?

By Area Type 3 SMA

Base = All Respondents



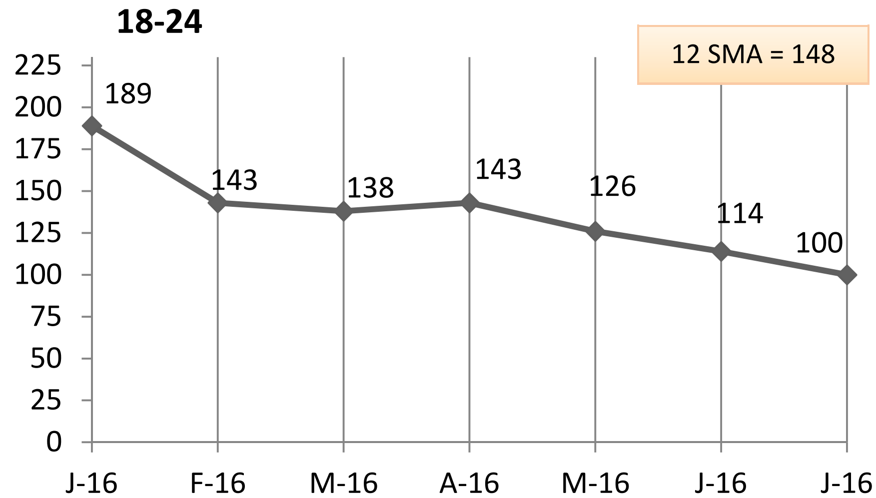


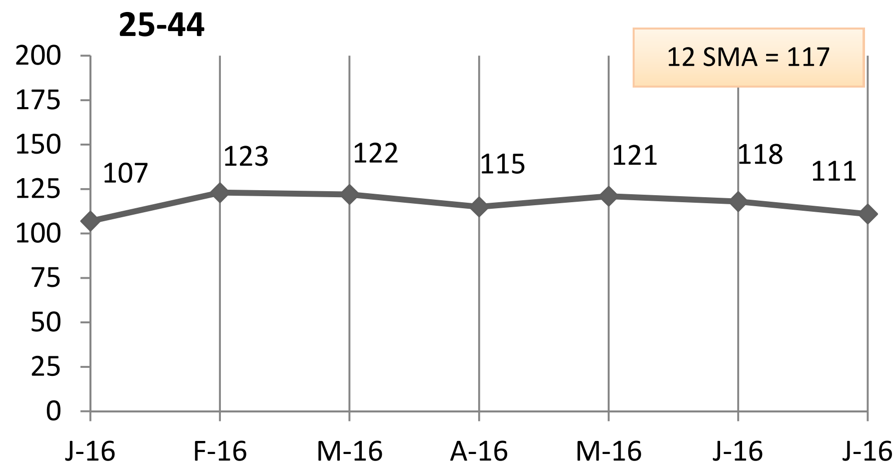


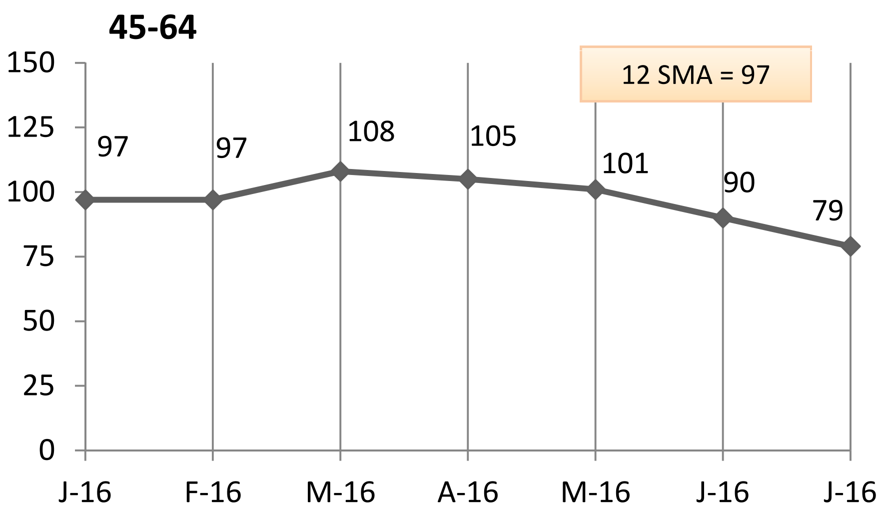
Q. How likely is it that you will buy or lease a new vehicle within the next 6 months?

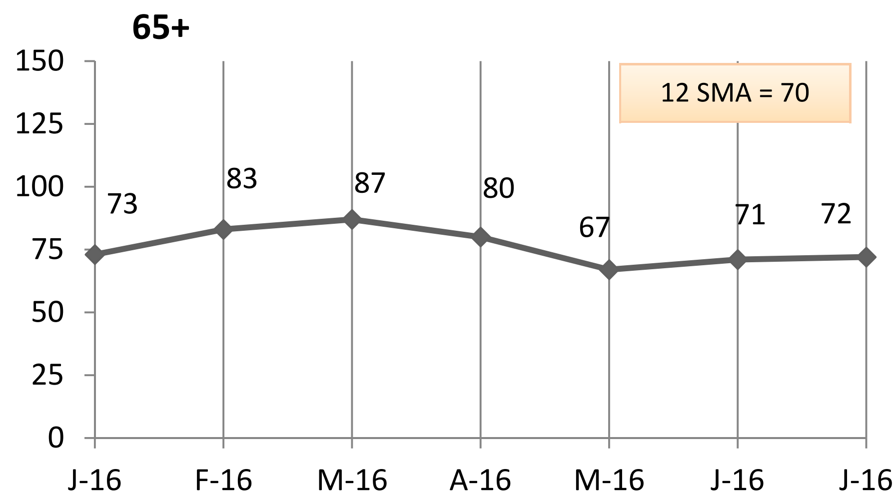
By Age 3 SMA

Base = All Respondents





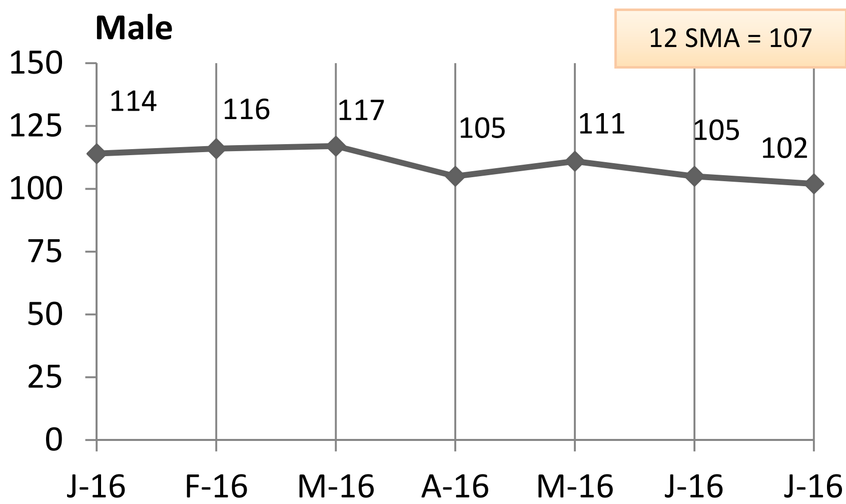


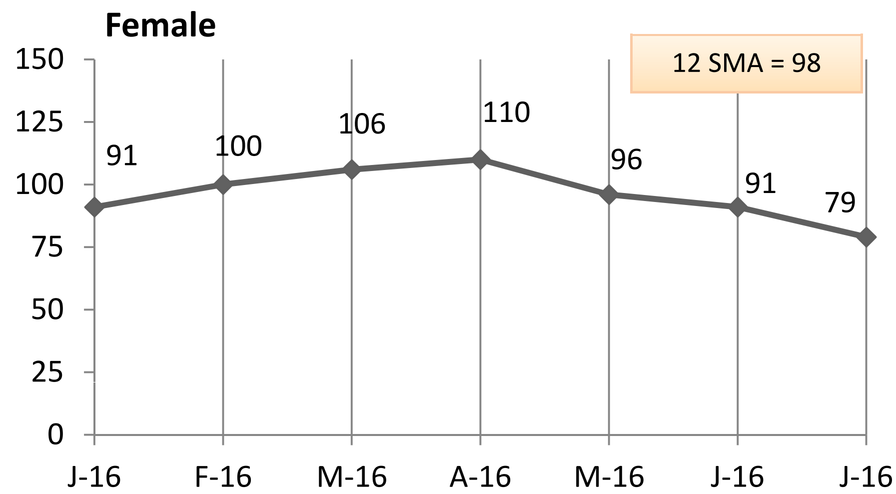


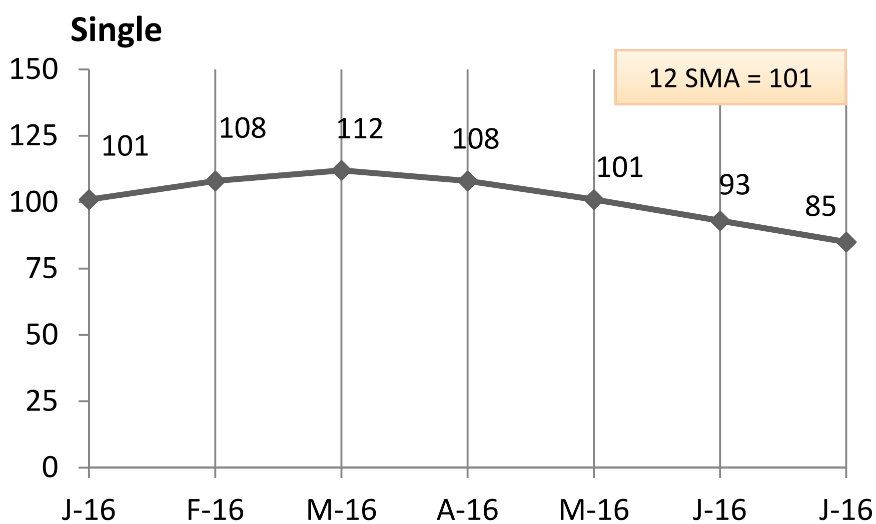
Q. How likely is it that you will buy or lease a new vehicle within the next 6 months?

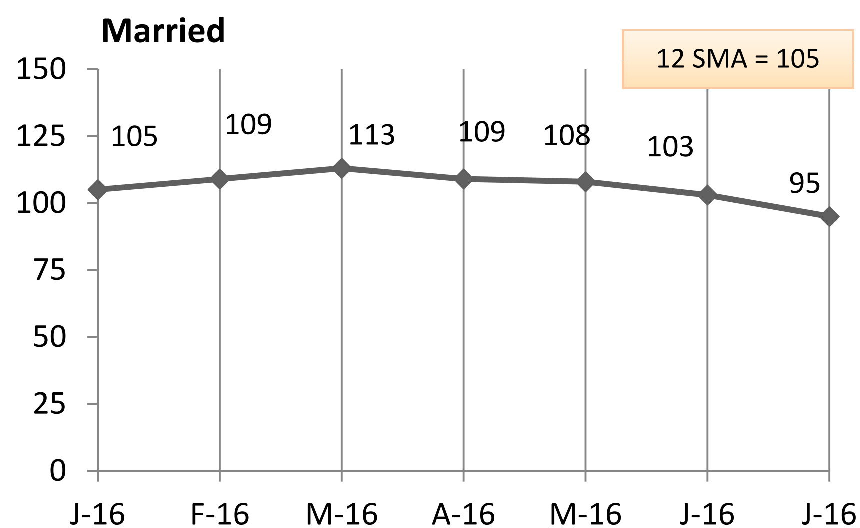
By Gender and Marital Status 3 SMA

Base = All Respondents





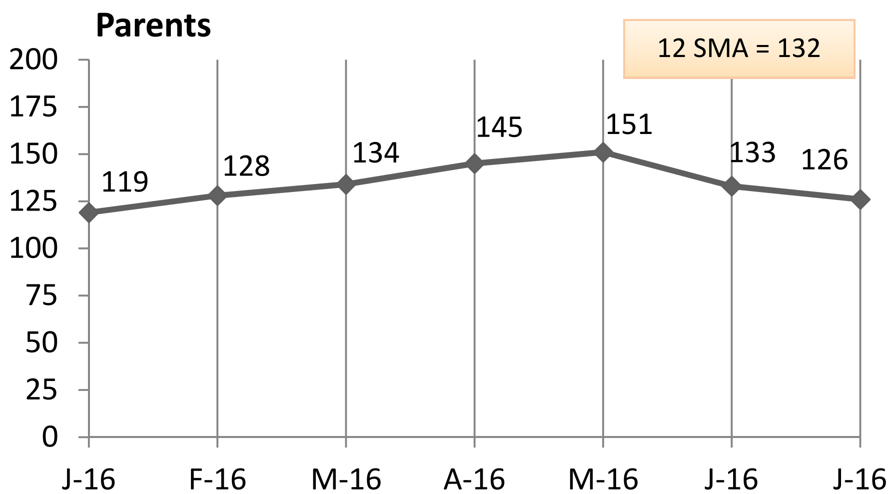


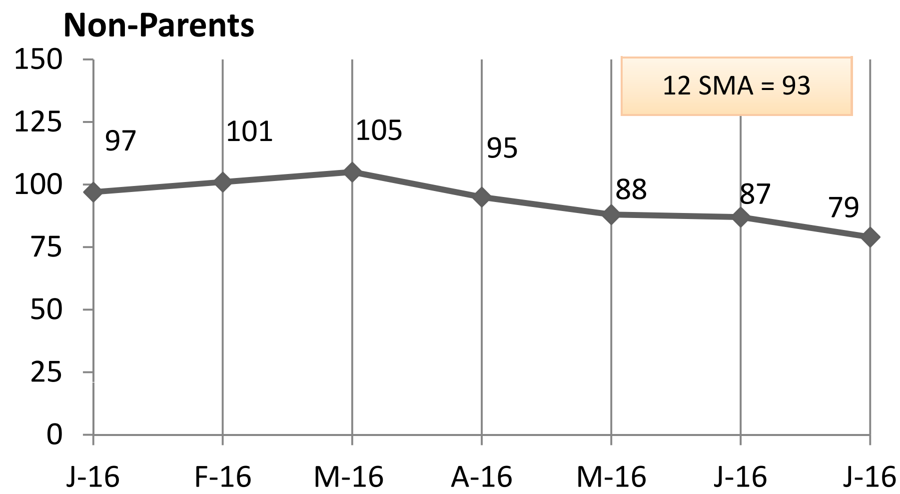


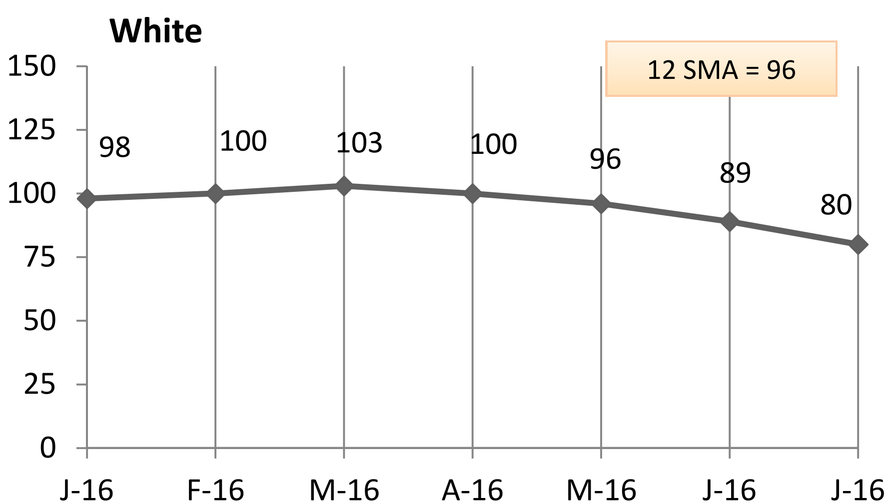
Q. How likely is it that you will buy or lease a new vehicle within the next 6 months?

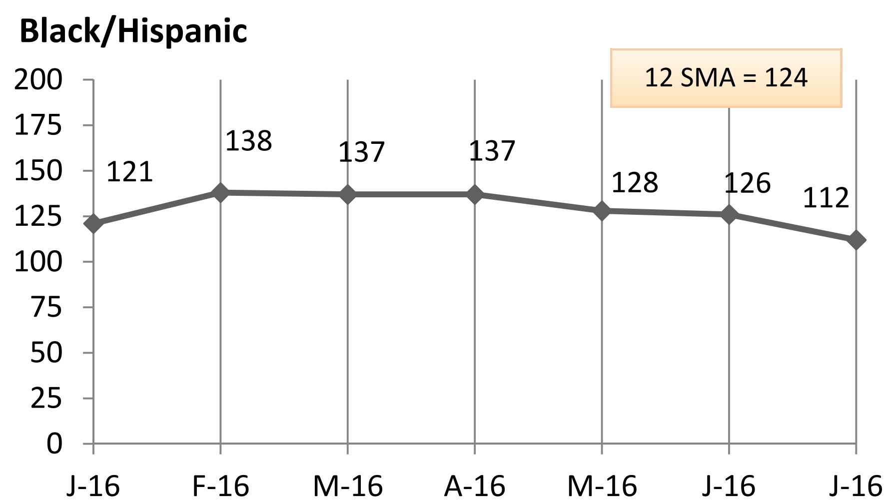
By Parental Status and Race/Ethnicity 3 SMA

Base = All Respondents





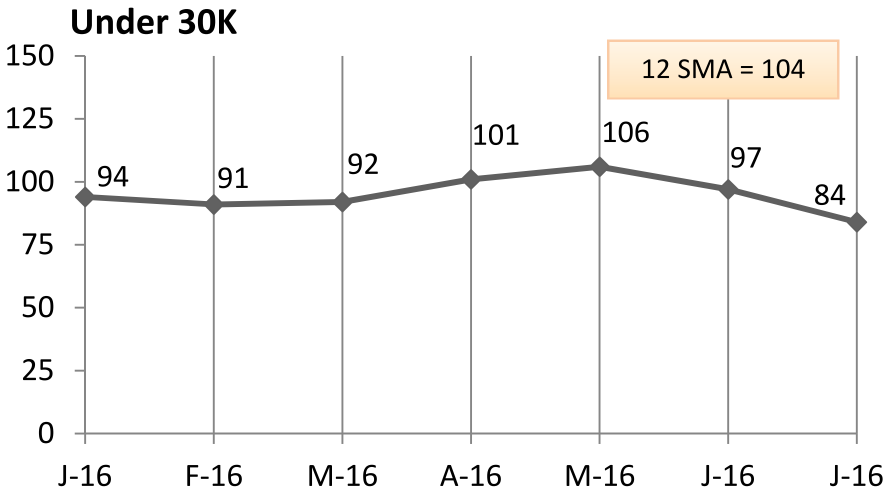


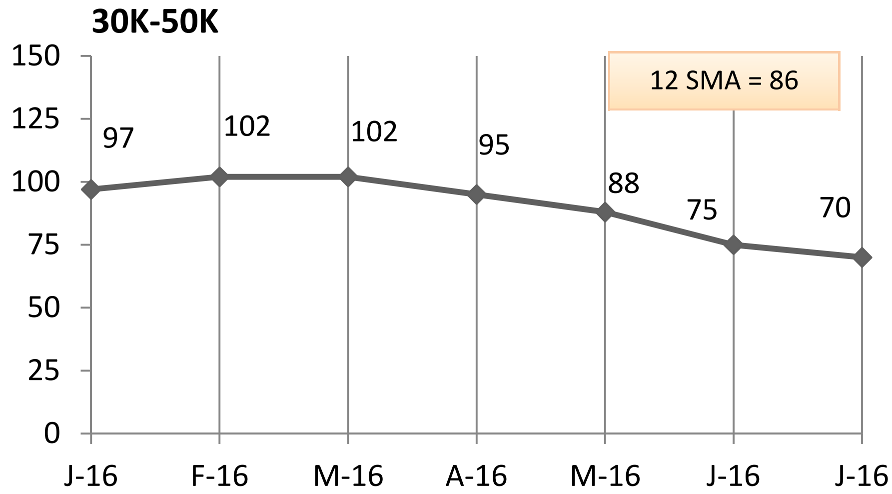


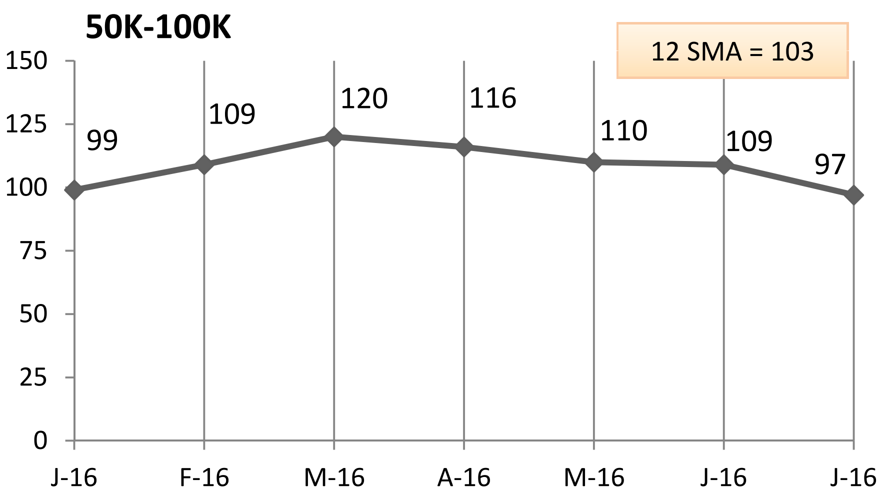
Q. How likely is it that you will buy or lease a new vehicle within the next 6 months?

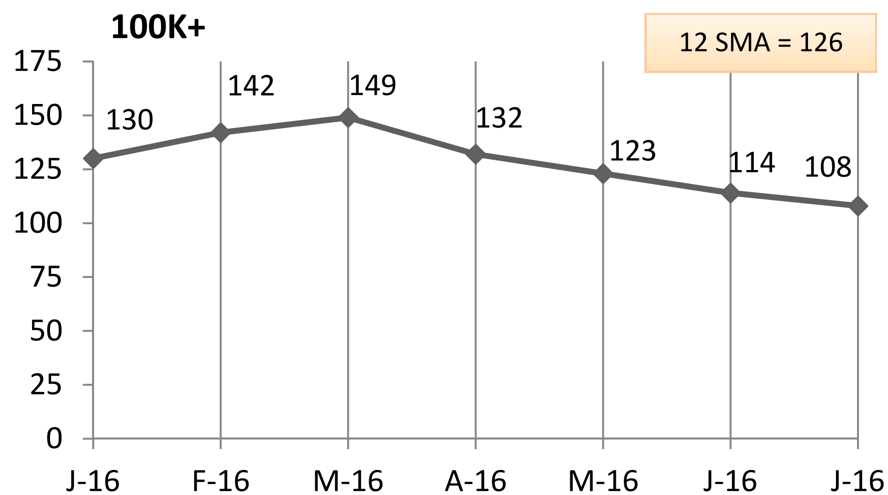
By Household Income 3 SMA

Base = All Respondents









Q. How likely is it that you will buy or lease a new vehicle within the next 6 months?

III. Demand For New Autos

A. Vehicle Purchase/Lease Plans: Overall

B. Vehicle Purchase Plans: Purchase Likelihood Over Time

C. New Vehicle Purchase/Lease Time Frame

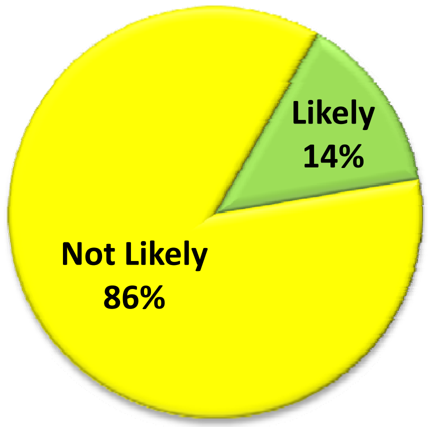
D. Vehicle Types Momentum

E. Preferred Vehicle Types 3 SMA

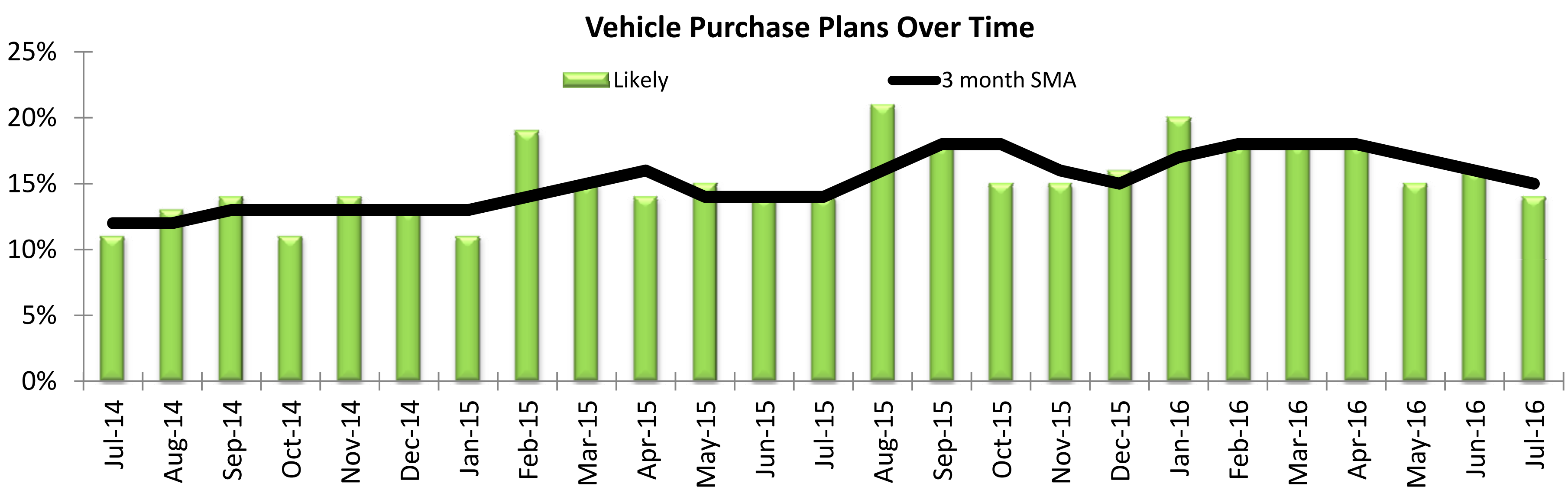
Vehicle Purchase Plans

July 2016

Base = All Respondents



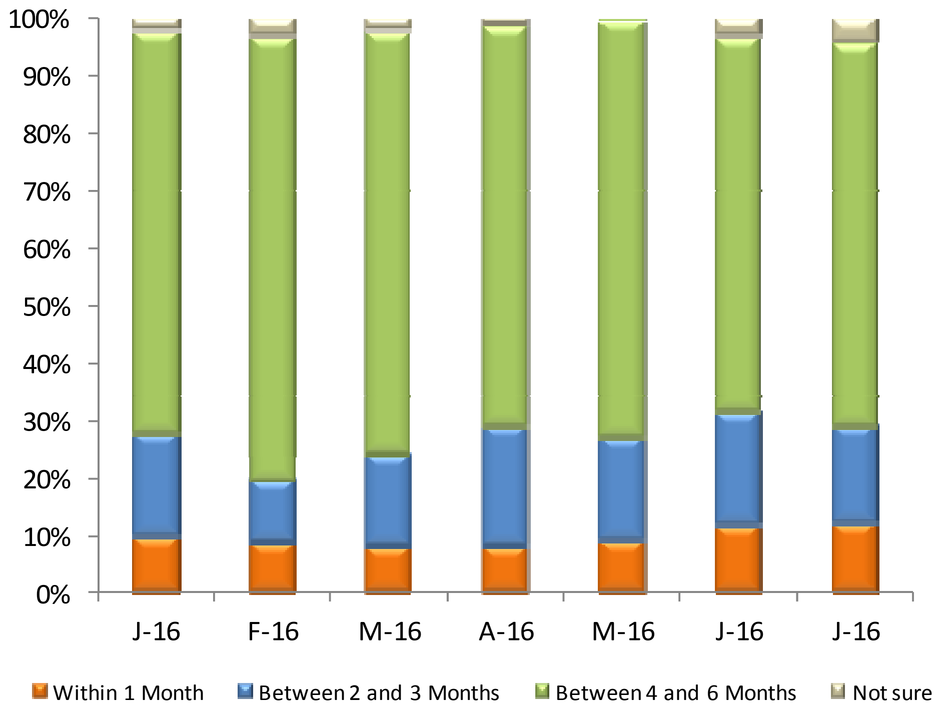
This month, the share of Americans who say they are likely to purchase or lease a new vehicle within the next six months decreased by two points from June, to a rate of 14%. This represents the lowest percentage of Americans planning to acquire a new vehicle since July of last year.



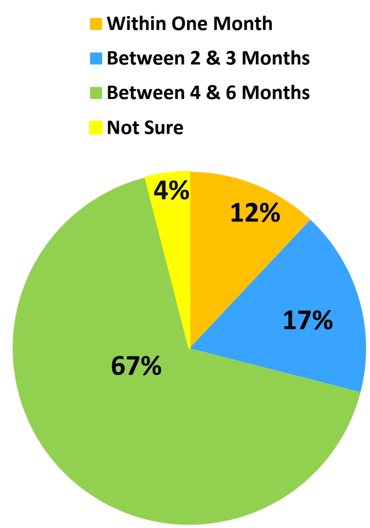
Vehicle Purchase/Lease Time Frame

July 2016

Base = Potential Buyers



	Average Time Frame (Months)
Jan-16	4.16
Feb-16	4.35
Mar-16	4.25
Apr-16	4.15
May-16	4.21
Jun-16	4.00
Jul-16	4.06



In July, the share of likely vehicle buyers planning to purchase or lease a new vehicle within one month remained unchanged from the previous month, at 12%.

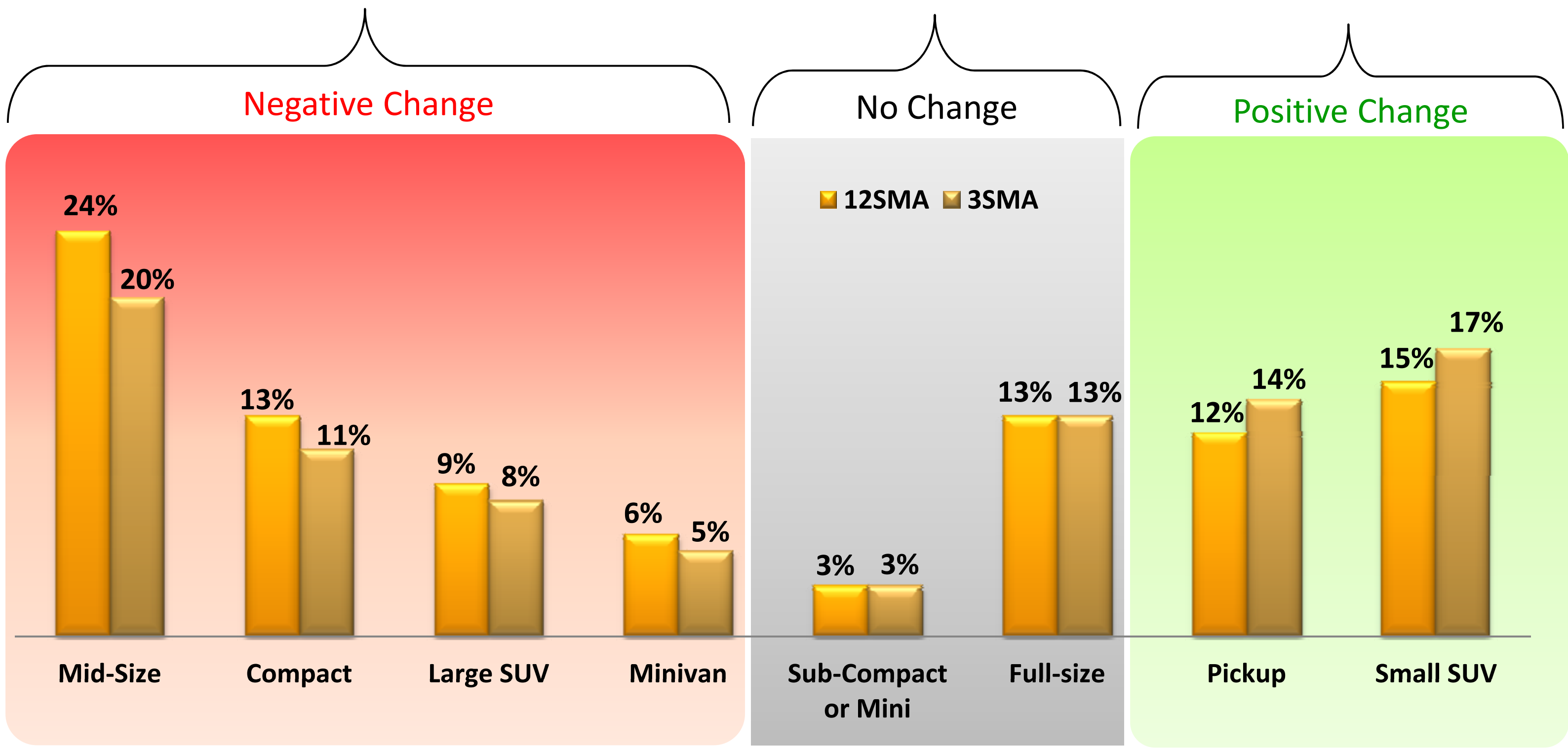
More than one in ten drivers who are likely to acquire a new vehicle (12%) report that they will do so within one month, a rate unchanged from June. Meanwhile, 17% of likely buyers say they will make a purchase within the next 2 to 3 months, with more than two-thirds (67%) reporting that they plan to do so further out (within 4 to 6 months).

Q. Will you make your purchase within the next month, 2 to 3 months, or in 4 to 6 months?

Vehicle Type Momentum

July 2016

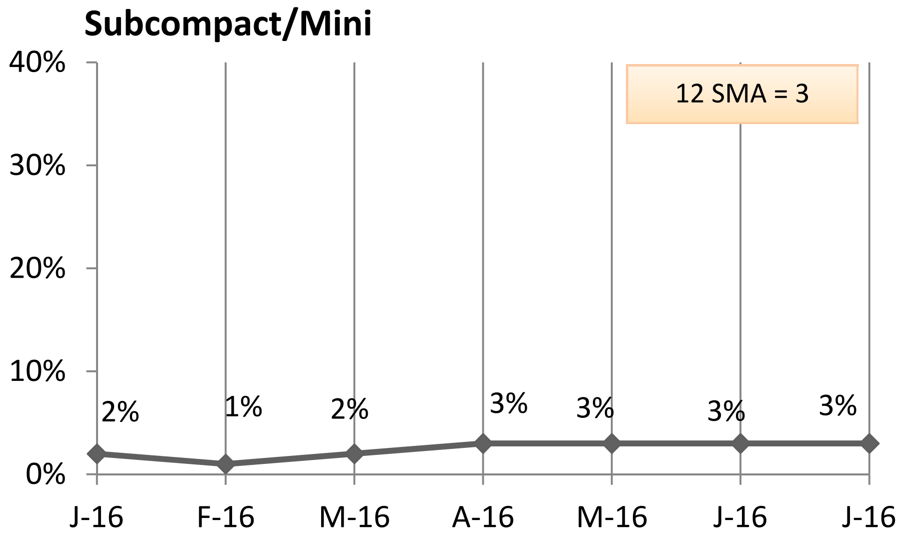
Base = Potential Buyers

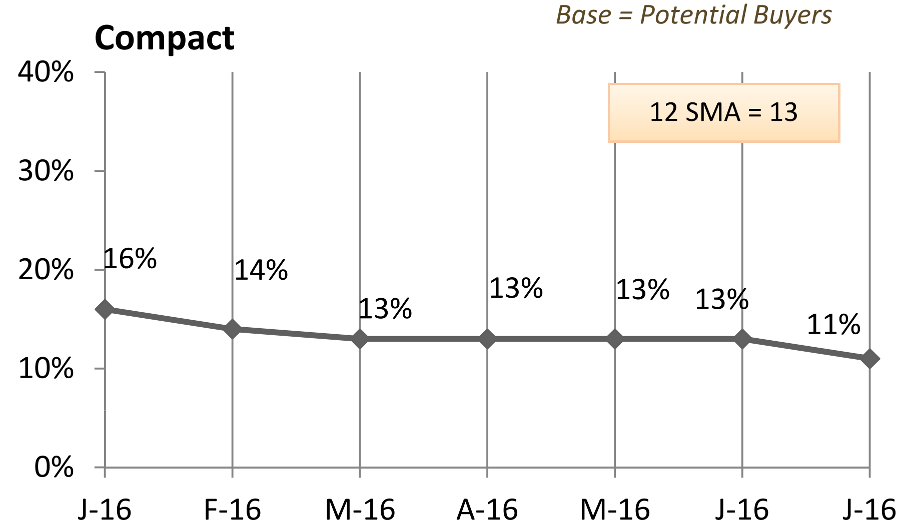


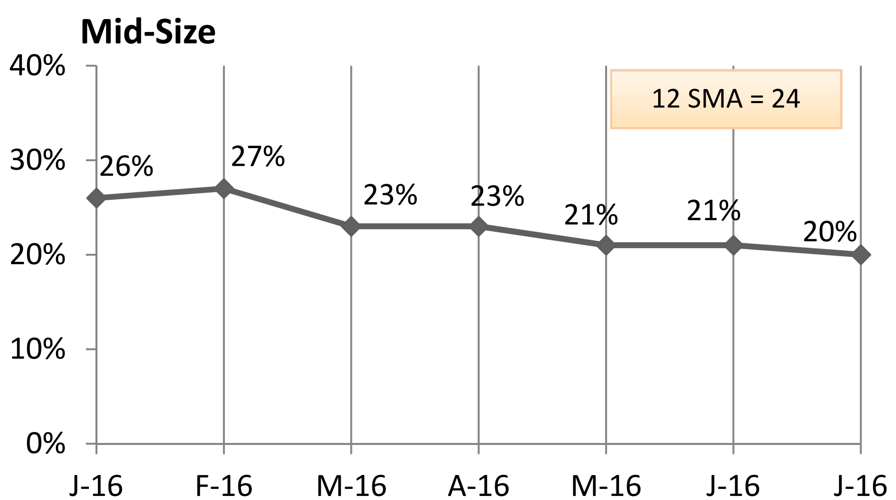
Q. What type of vehicle are you most likely to buy or lease?

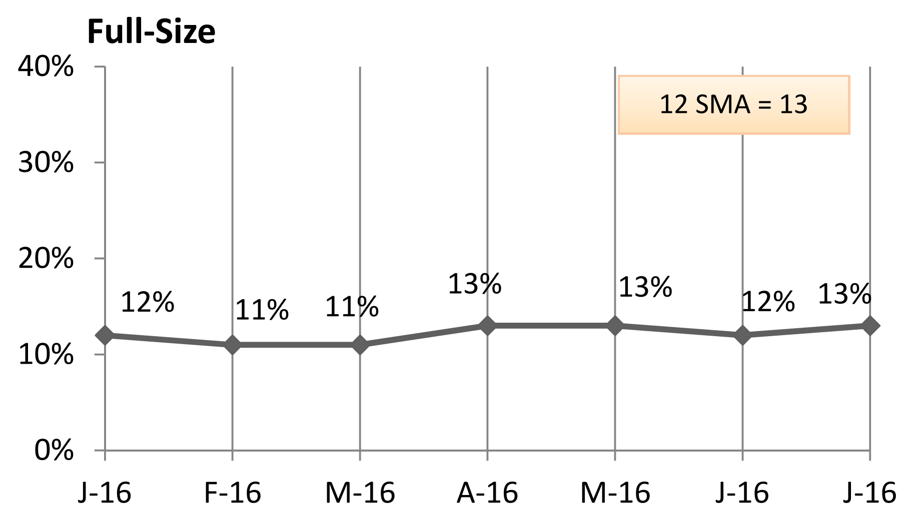
Preferred Vehicle Types Over Time - 3 SMA

Base = Potential Buyers



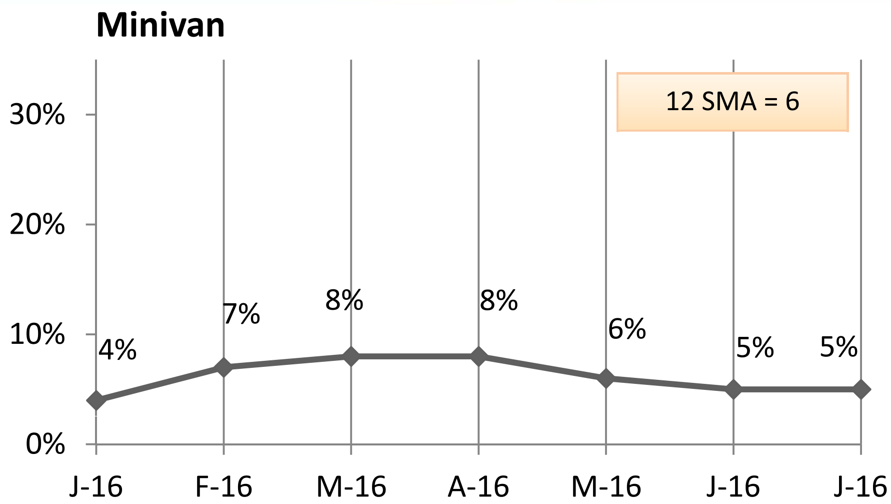


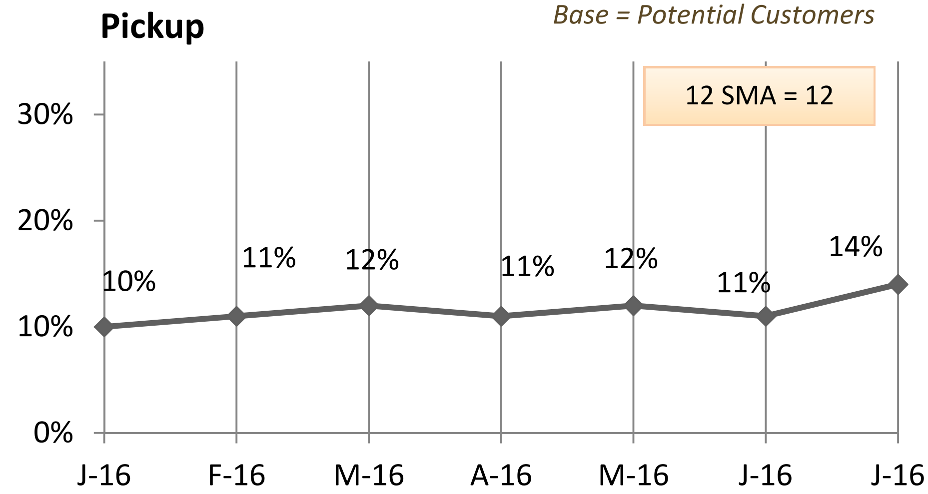


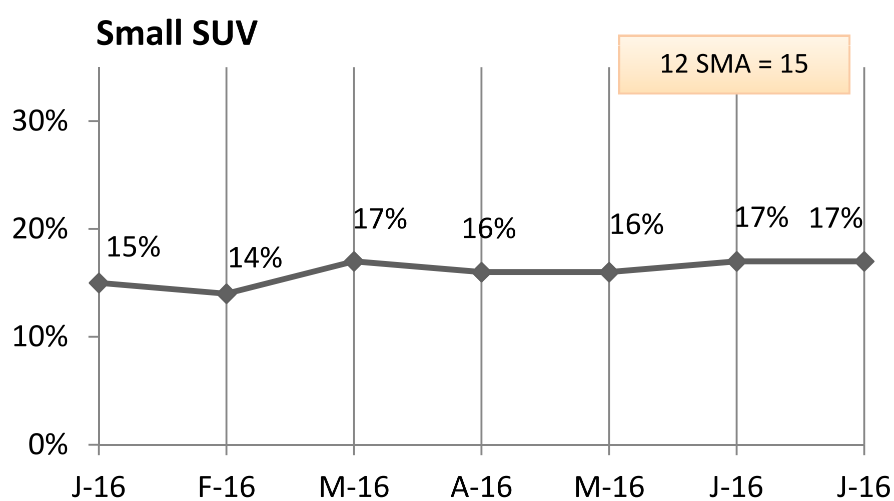


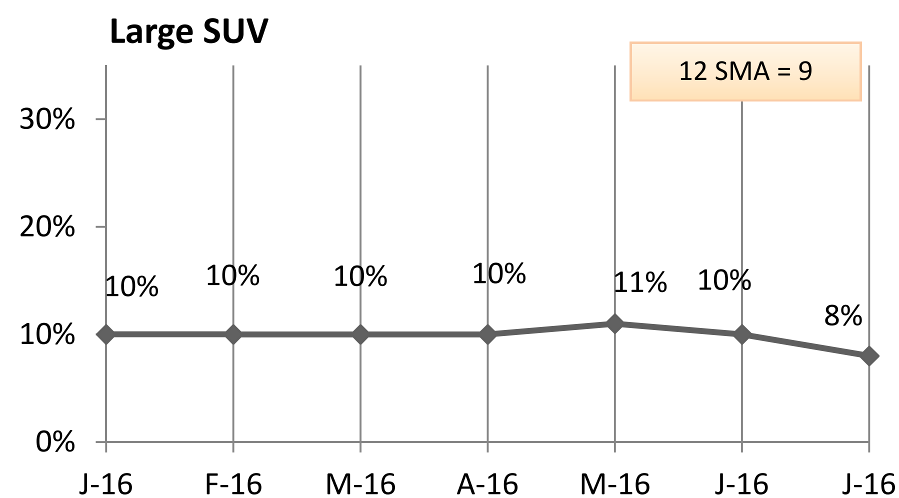
Preferred Vehicle Types Over Time - 3 SMA

Base = Potential Customers









IV. Brand Preferences

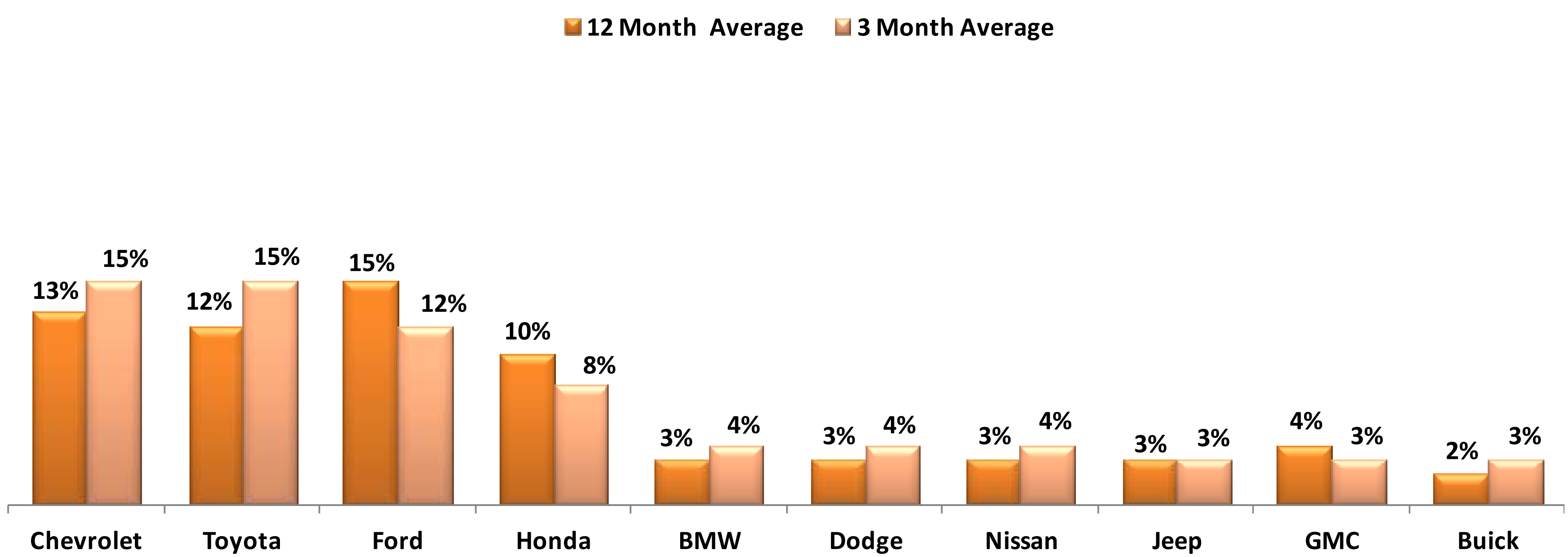
A. Top Ten Brands Consumers Would Buy

B. Brand Preference Over Time 3 SMA (Top Ten Brands)

Top Ten Brands Consumers Would Buy Today

July 2016

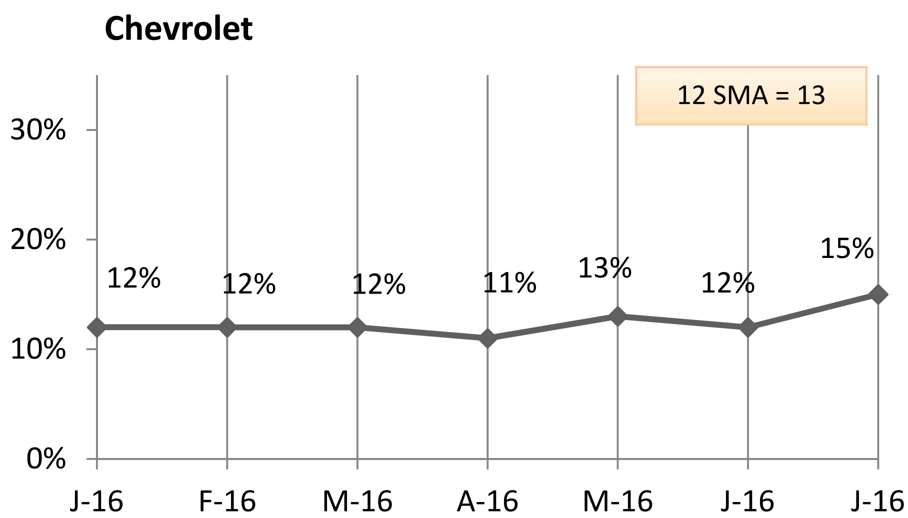
Base = Likely Buyers

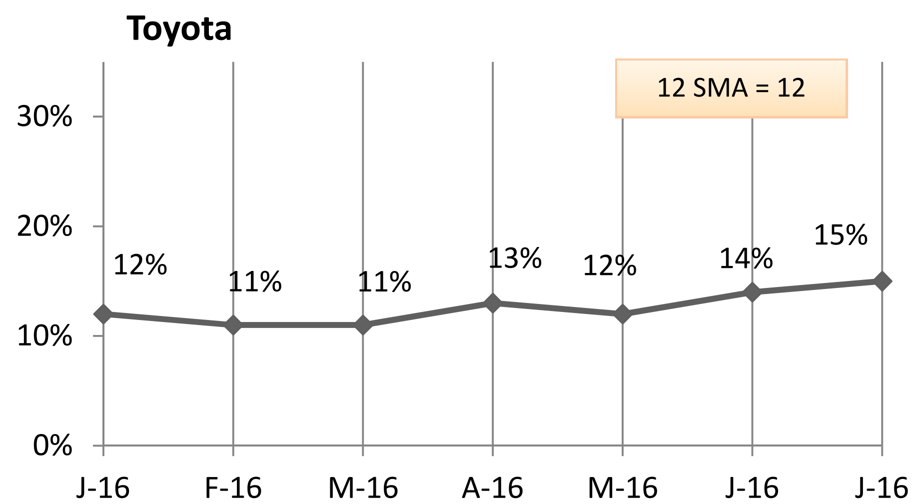


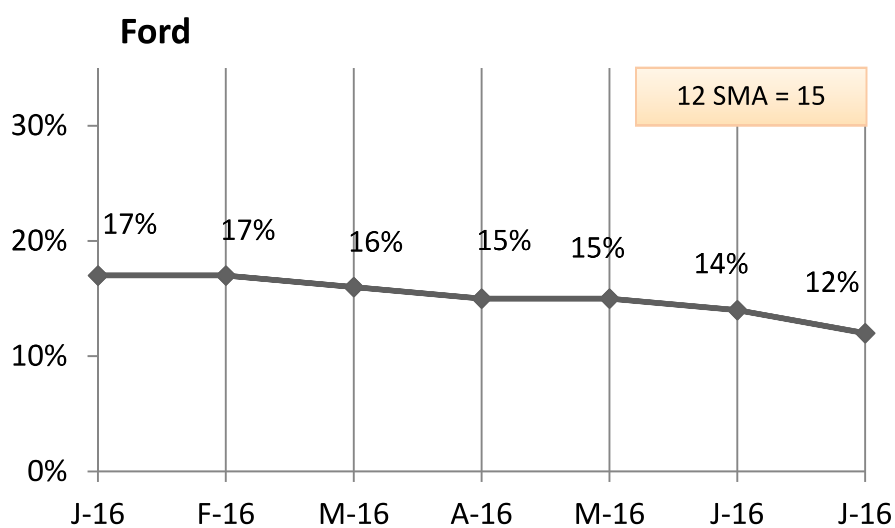
*Sorted by 3SMA

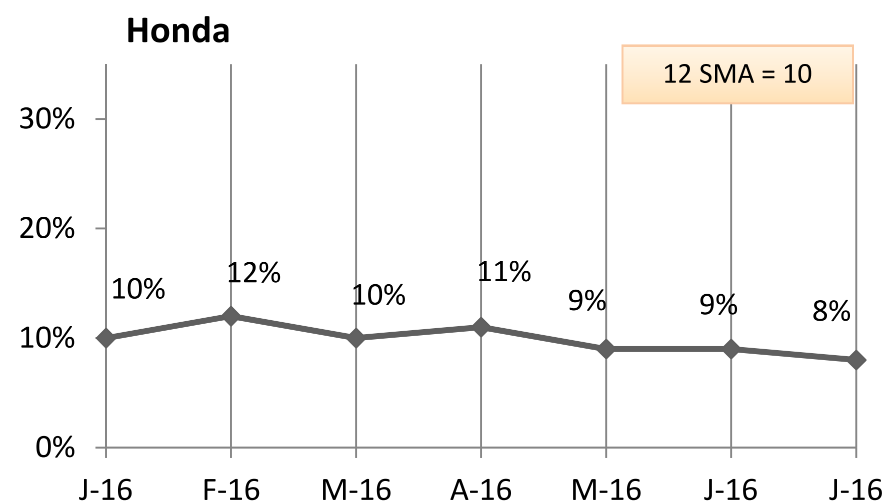
Brand Preference Over Time 3 SMA (Top 4 Brands)

Base = Likely Buyers



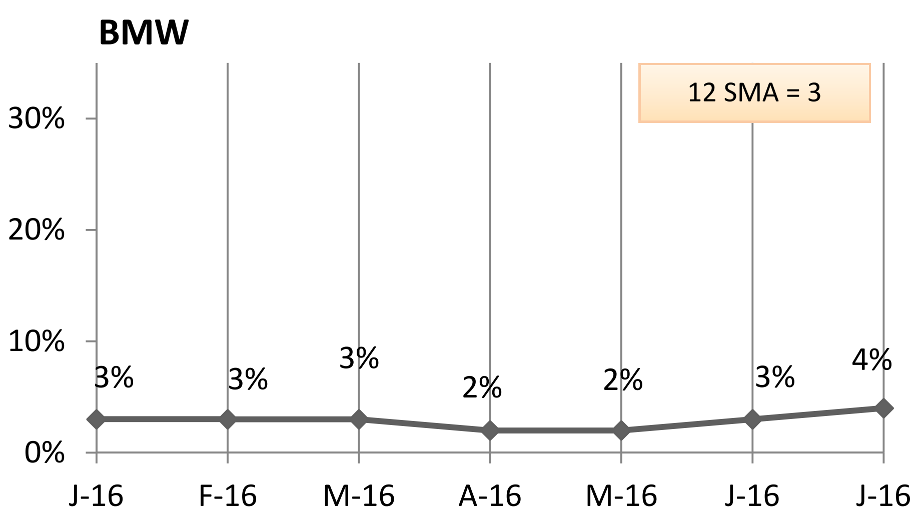


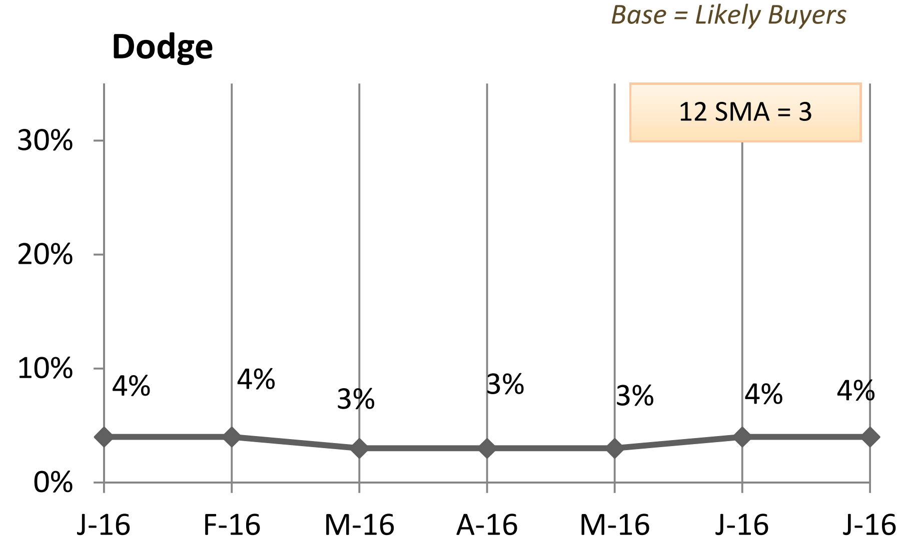


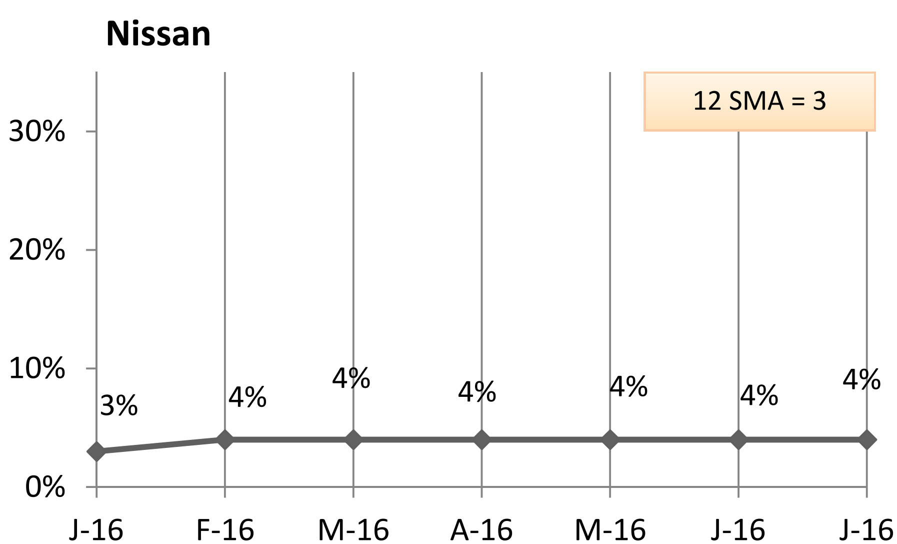


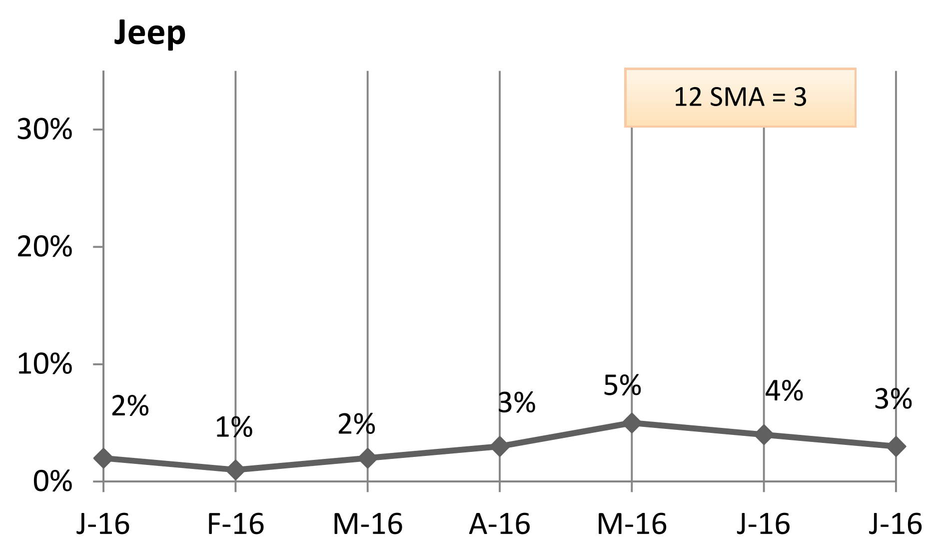
Brand Preference Over Time 3 SMA (Brands 5 to 8)

Base = Likely Buyers



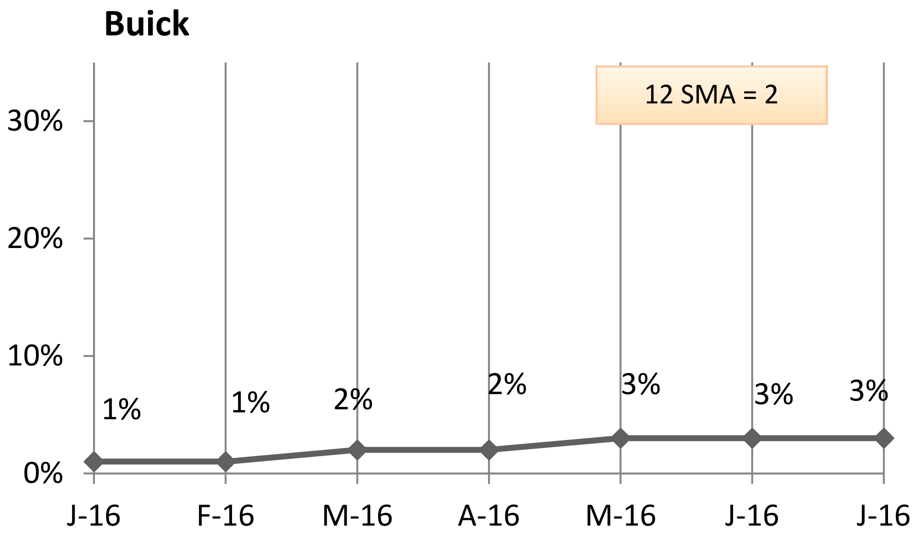


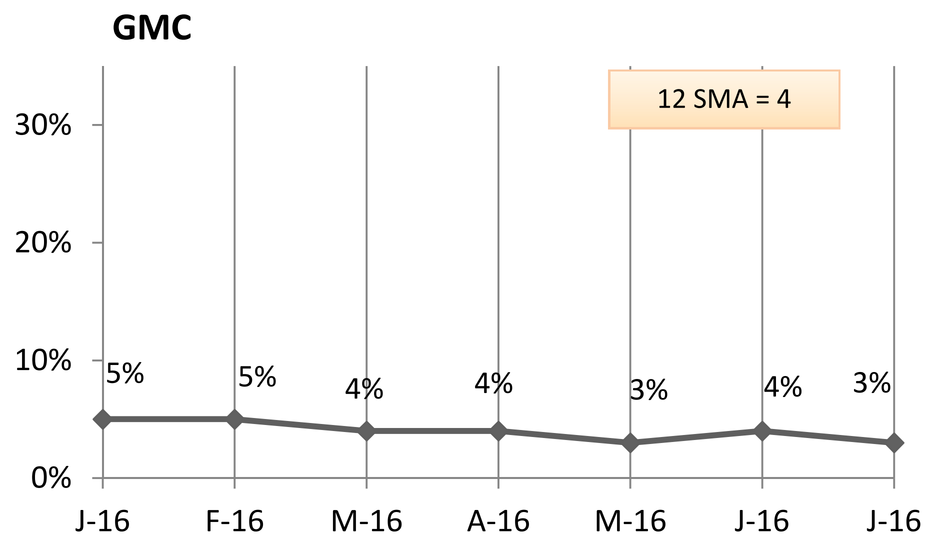




Brand Preference Over Time 3 SMA (Brands 9 & 10)

Base = Likely Buyers

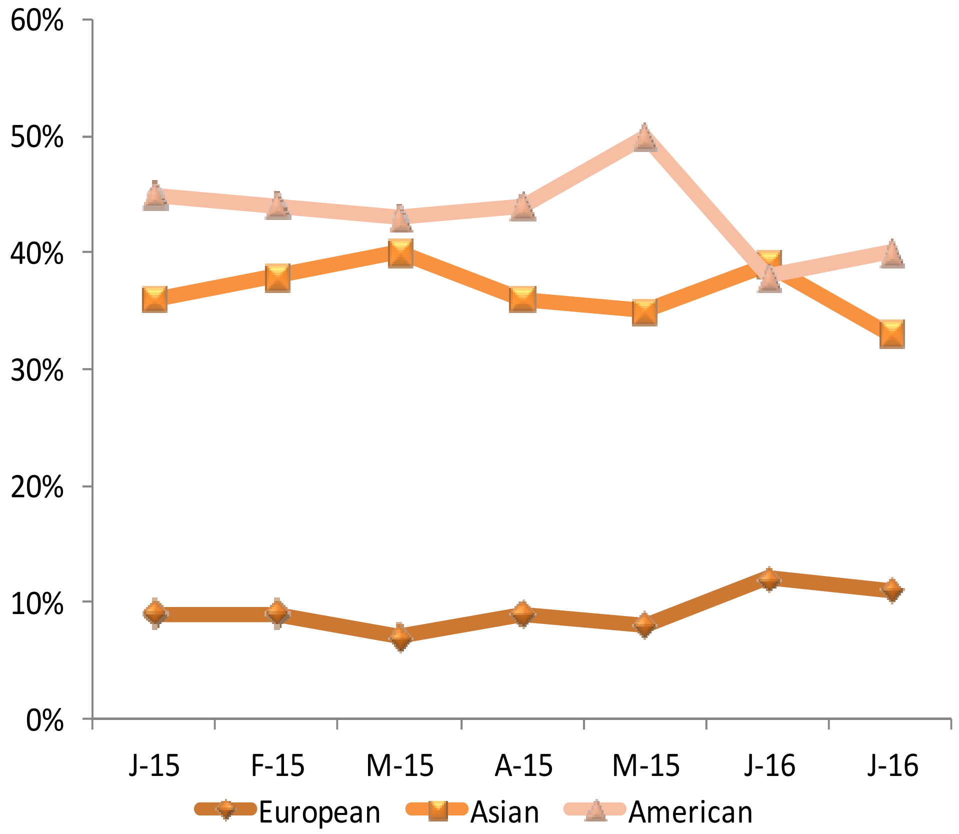


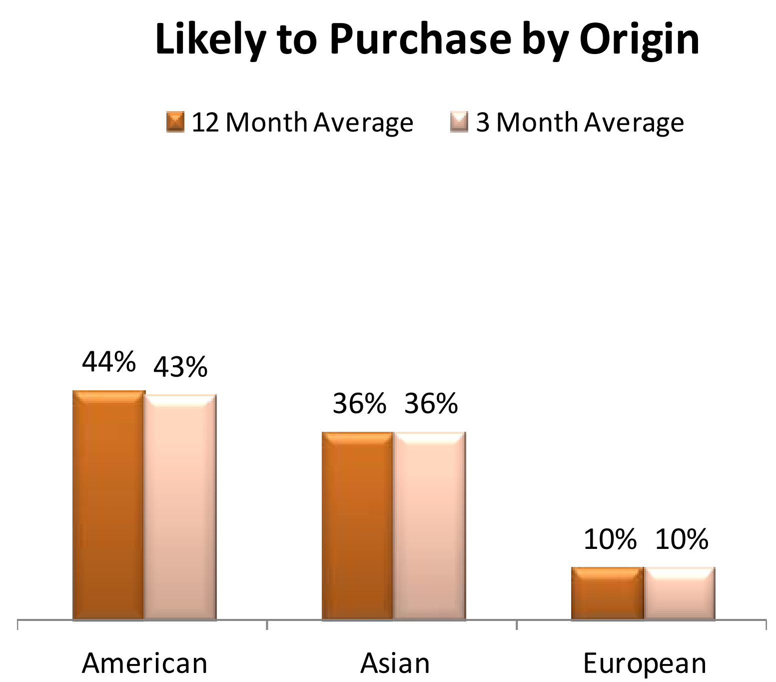


By Vehicle Origin

July 2016

Base = Likely Buyers



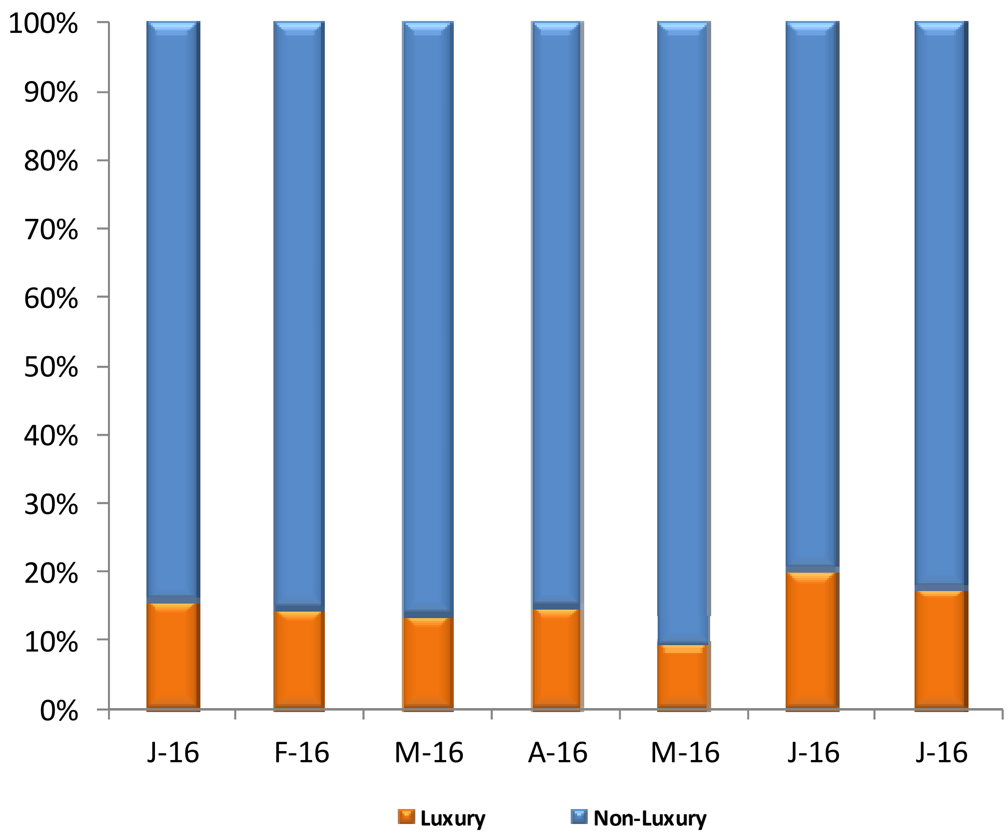


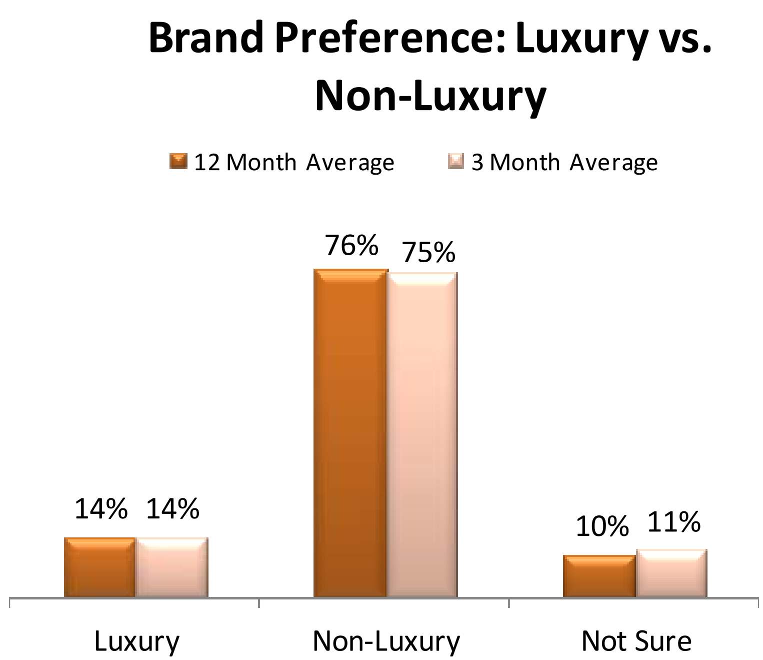
Q. If you were to buy a vehicle today, what brand would you buy?

Luxury vs. Non-Luxury

July 2016

Base = Likely Buyers





Q. If you were to buy a vehicle today, what brand would you buy?

Conclusions

- Due to Americans' concerns regarding the possible ramifications of the Brexit decision for the U.S. economy, and uncertainty over the future state of economic conditions in the country, vehicle purchase intent declined precipitously this month. In July, the Auto Demand Index level dropped 14 points to a score of 82, its lowest reading since April 2015.

- Measuring the Index reading against its short- and long-term moving averages reveals that the ADI will continue to decelerate in the months ahead. July's ADI is 20 points below its 12-month moving average of 102, and eight points behind the 3-month moving average (90), while trailing the 6-month moving average by 17 points. Further, the 3-month moving average declined for the fourth straight month in July.

- Momentum for the Index weakened considerably in July, and has entered negative territory. Our momentum indicator declined by 2.4 points to -1.6, its lowest score since January 2015. Thus, we anticipate that new vehicle sales, which may have already reached an exhaustion phase, will fall significantly in the coming months.

- In terms of demographics, the steepest declines in purchase intent this month were displayed among Americans residing in the Midwest region of the U.S., and those living in rural areas, as the segments' ADI scores fell 22 points and 20 points, respectively. In addition, Millennials aged 18 to 24, as well as African Americans and Hispanics both exhibited a 14-point drop in purchase intent. Meanwhile, drivers residing in urban areas and respondents aged 65 and over, represented the only groups to display a growth in purchase intent this month.

- In July, the share of consumers who indicated that they were likely to acquire a new vehicle in the next six months decreased by two points from June, to a rate of 14%. This represents the lowest percentage of Americans planning to purchase a new vehicle since last July. Regarding vehicle preference, mid-size vehicles and small SUVs were the most desirable vehicle types among likely buyers. Preference for pickup trucks is also displaying accelerated growth among consumers.

- This month, Chevrolet and Toyota were the most popular brands among Americans intending to acquire a new vehicle, with each garnering a 15% share of likely buyers. Meanwhile, preference for Ford vehicles declined by two points this month to 12%, as the brand seized third place. Regarding the land of origin of the vehicles that consumers intend to purchase, American-made vehicles regained the top spot in consumer preference, gaining two points to a share of 40%.

Contact Information

To request a full data set or for any questions, please contact us.

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