

Outlook for the Auto Industry

*Federal Reserve
Economic Outlook Symposium
June 1, 2007*

Ability To Buy

	<u>May '06</u>	<u>May '07</u>
Disposable Income	Green	Green
Household Debt	Green	Red
Yield Curve	Yellow	Red
Inflation	<u>Yellow</u>	<u>Yellow</u>
Composite	Green	Red

Consumer Debt Payments

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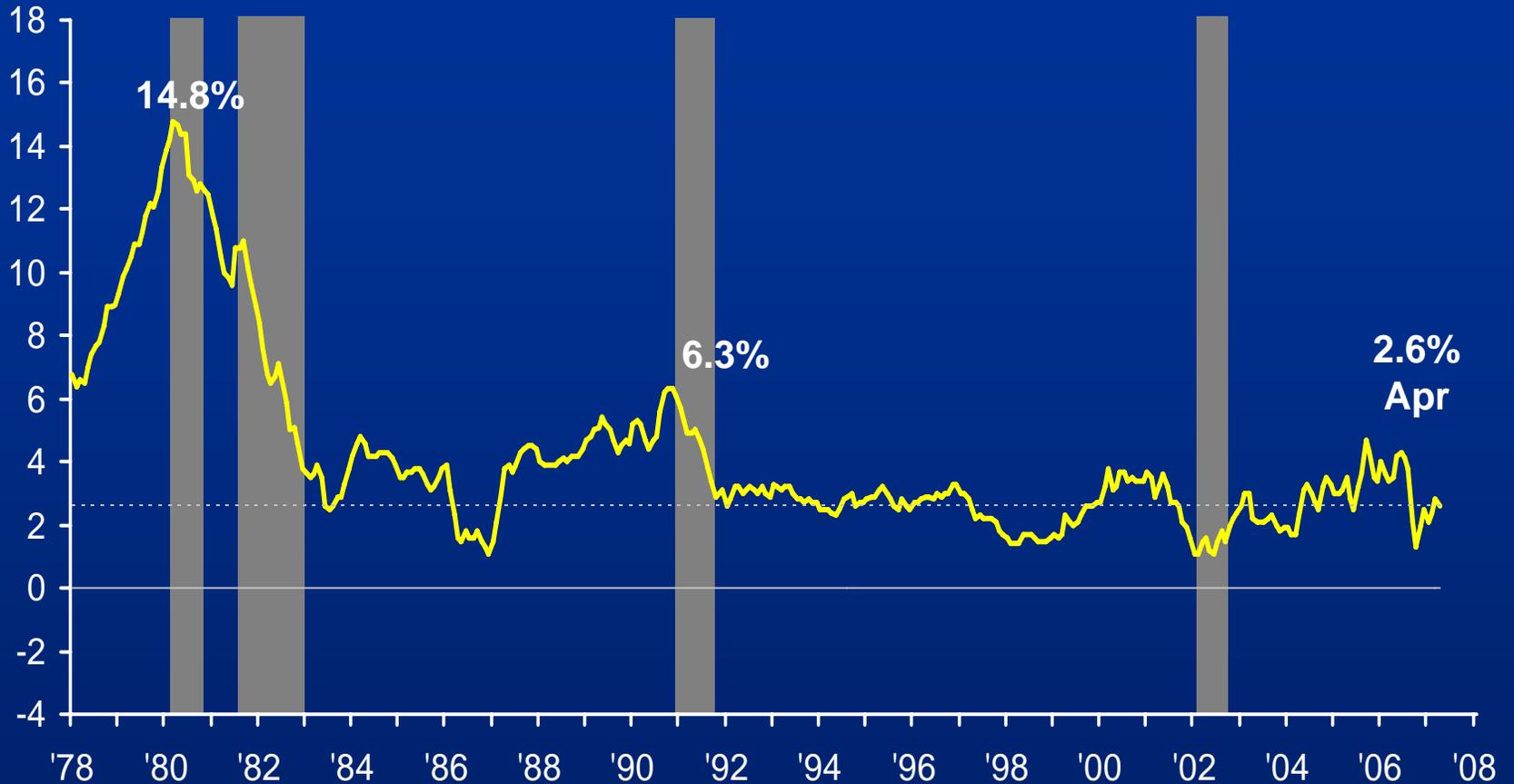
Installment, Mortgage & Auto Leases

% of Disposable
Personal Income



All Items, Not Seasonally Adjusted

% Change
Yr/Yr



Consumer Prices: Core Inflation

All Items Less Food & Energy, NSA

% Change
Yr/Yr



Willingness to Buy

	<u>May '06</u>	<u>May '07</u>
Consumer Attitudes	Yellow	Yellow
Unemployment Claims	Green	Green
Workweek	Green	Green
Stock Market	<u>Green</u>	<u>Green</u>
Composite	Green	Green

Average of U of M & Conference Board



Buying Conditions for Vehicles

During Next 12 Months



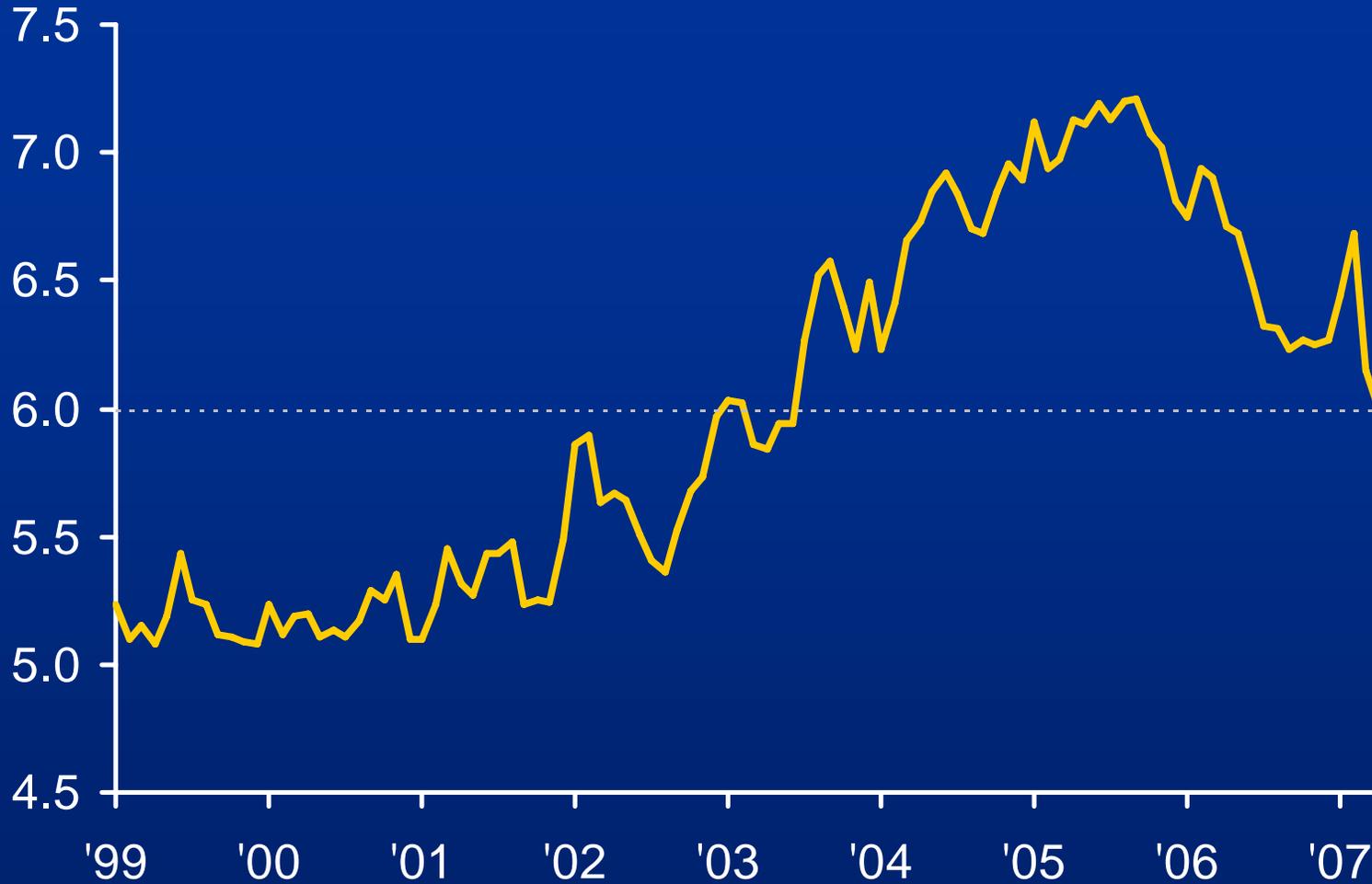
* Preliminary

Housing and the Sub Prime Market



Existing Home Sales

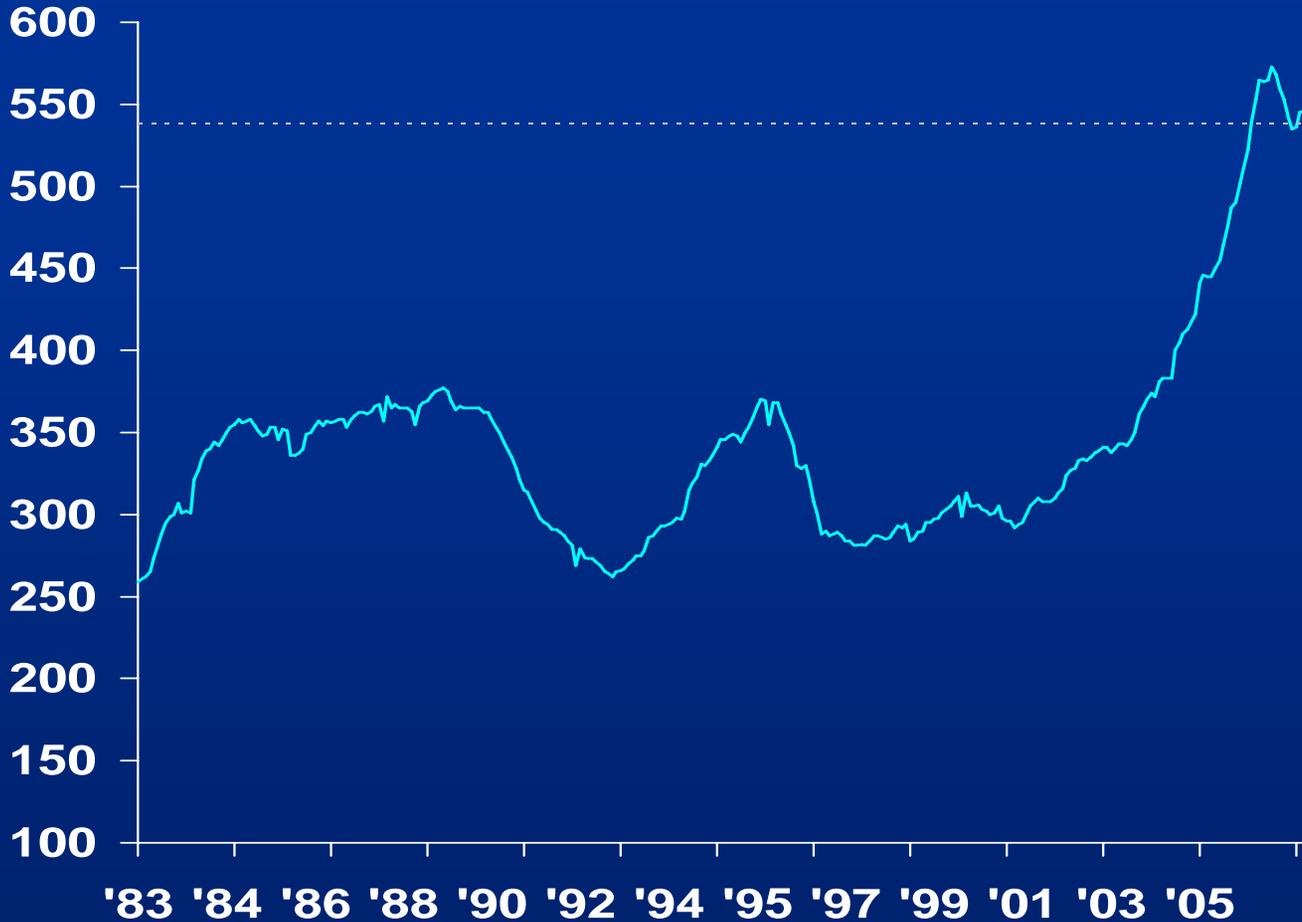
Million Units
SAAR



New Homes for Sale

At End of Month, SA

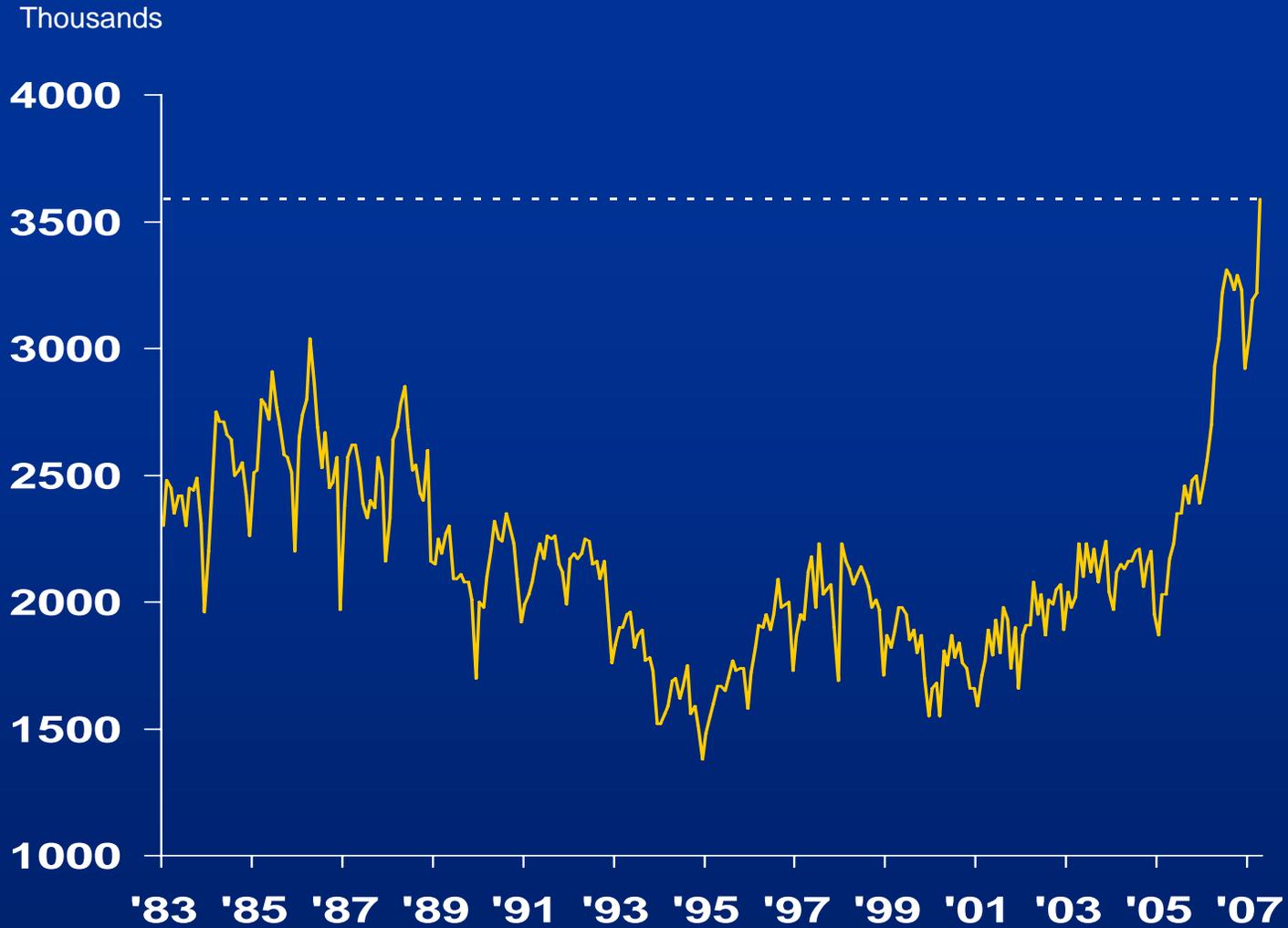
Thousands



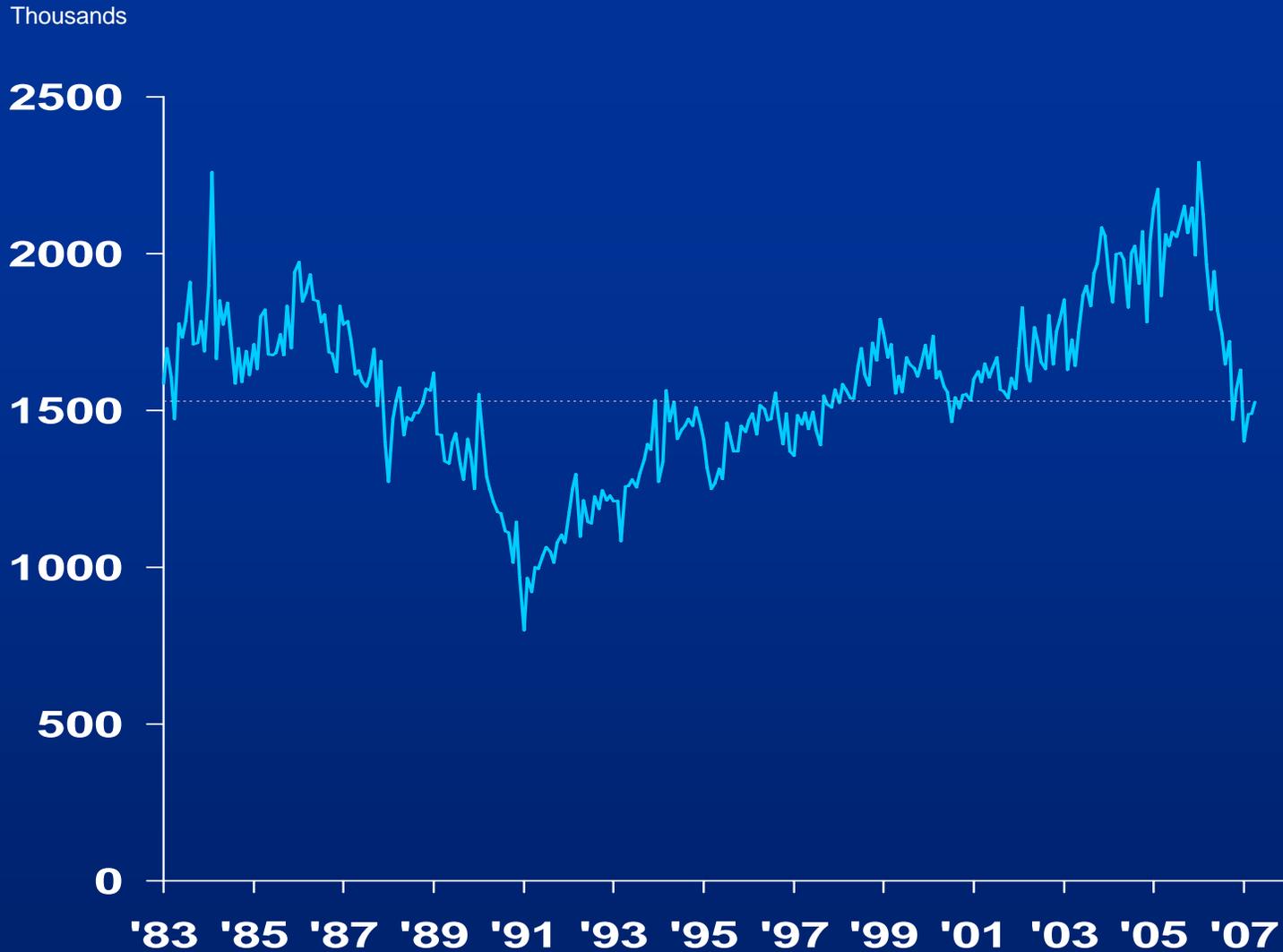
Existing Homes for Sale

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NSA



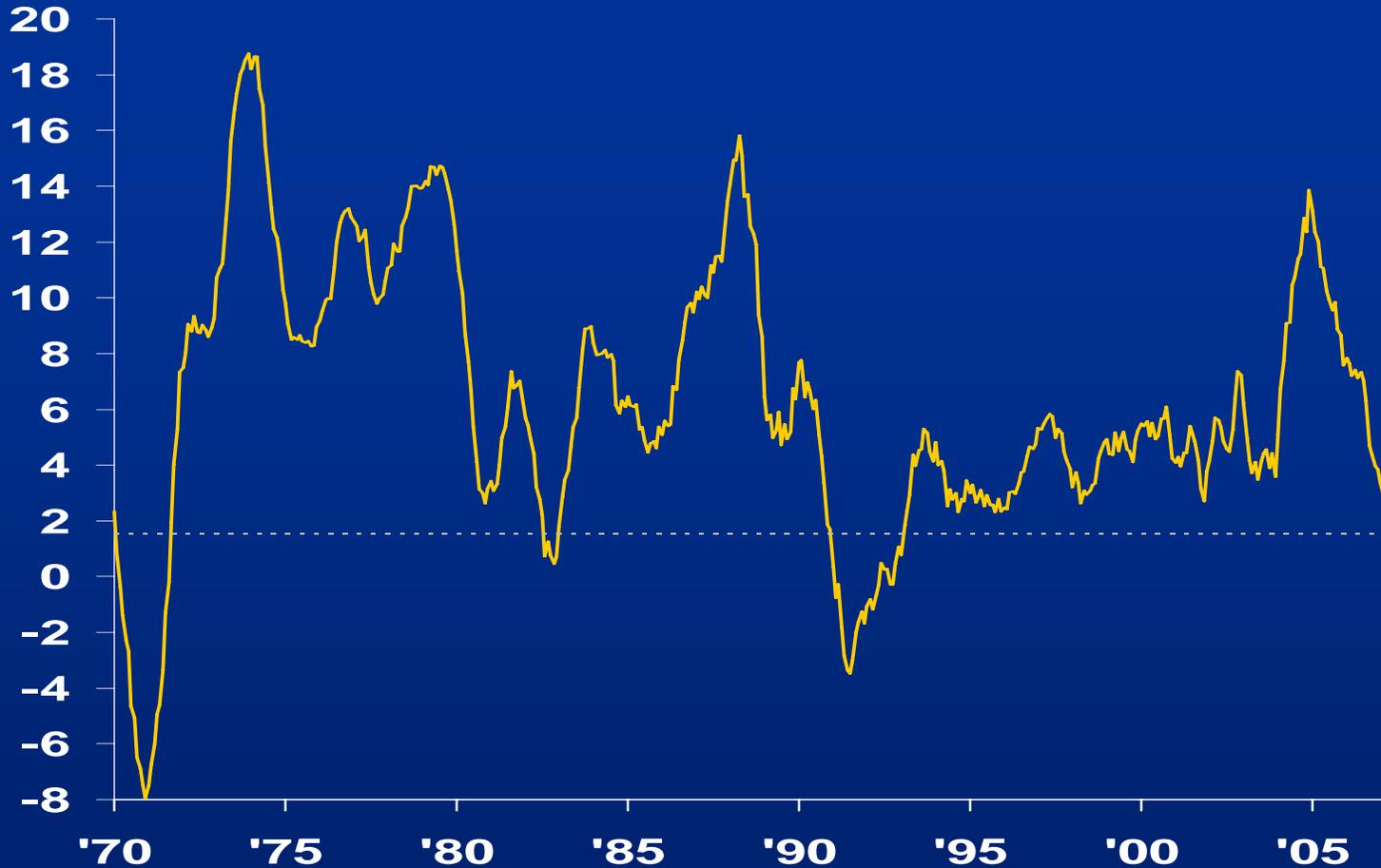
New Housing Units



Median New Home Prices

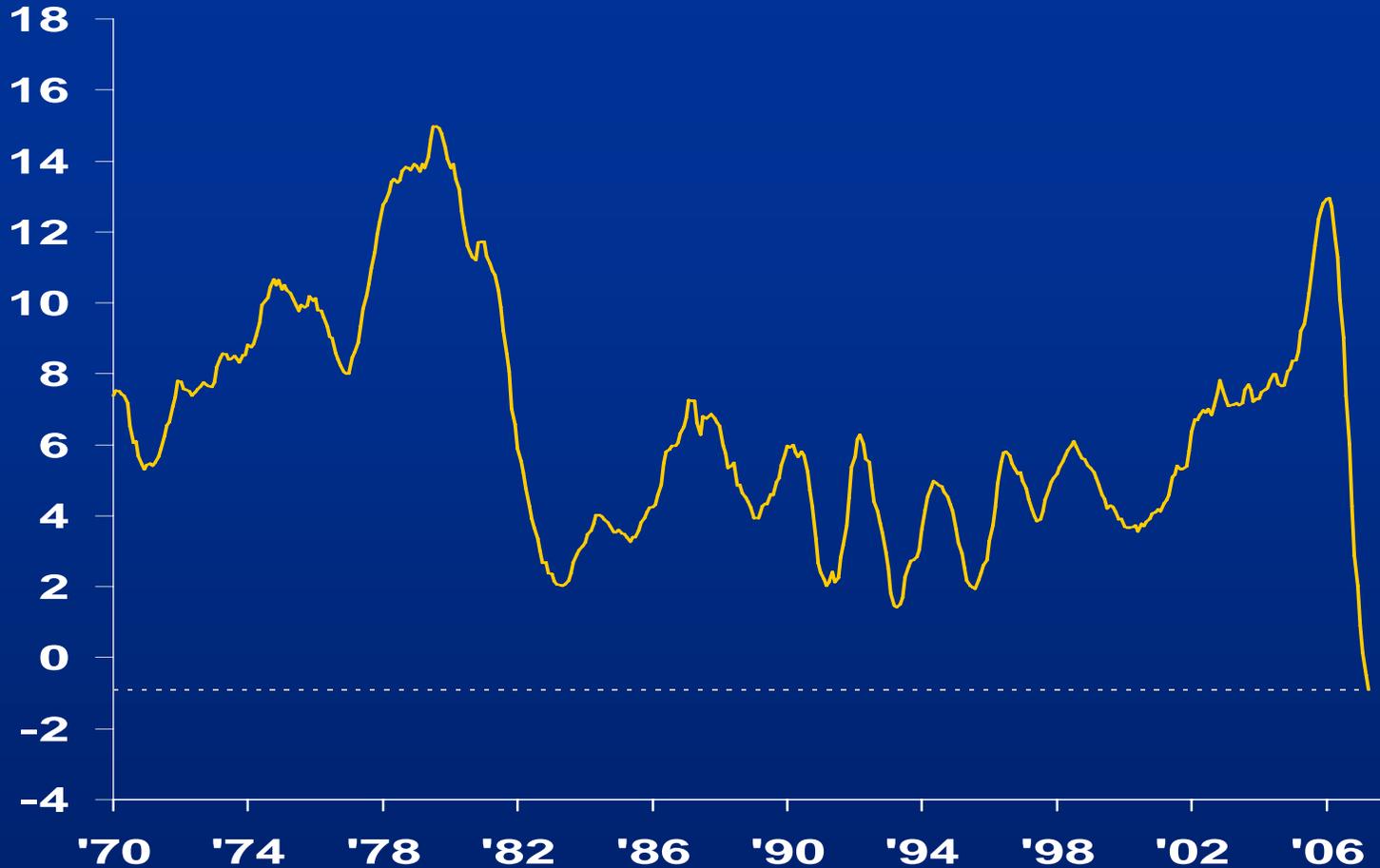
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Yearly % Change, 12 Month Moving Average



Median Existing Home Prices

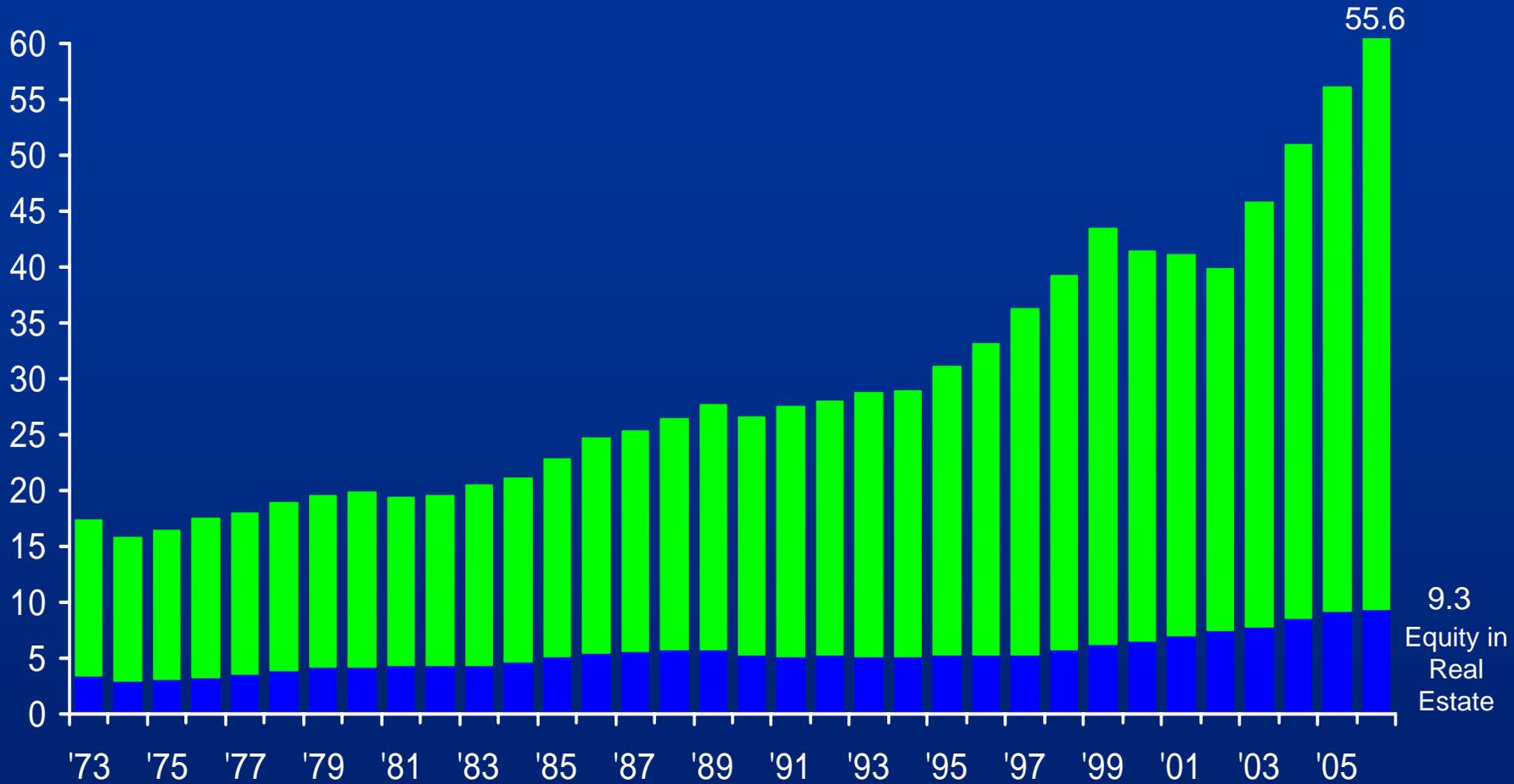
Yearly % Change, 12 Month Moving Average



U.S. Household Net Worth

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Trillions of
2000 \$



9.3
Equity in
Real
Estate

Existing Homes



Buying Conditions for Houses

During Next 12 Months



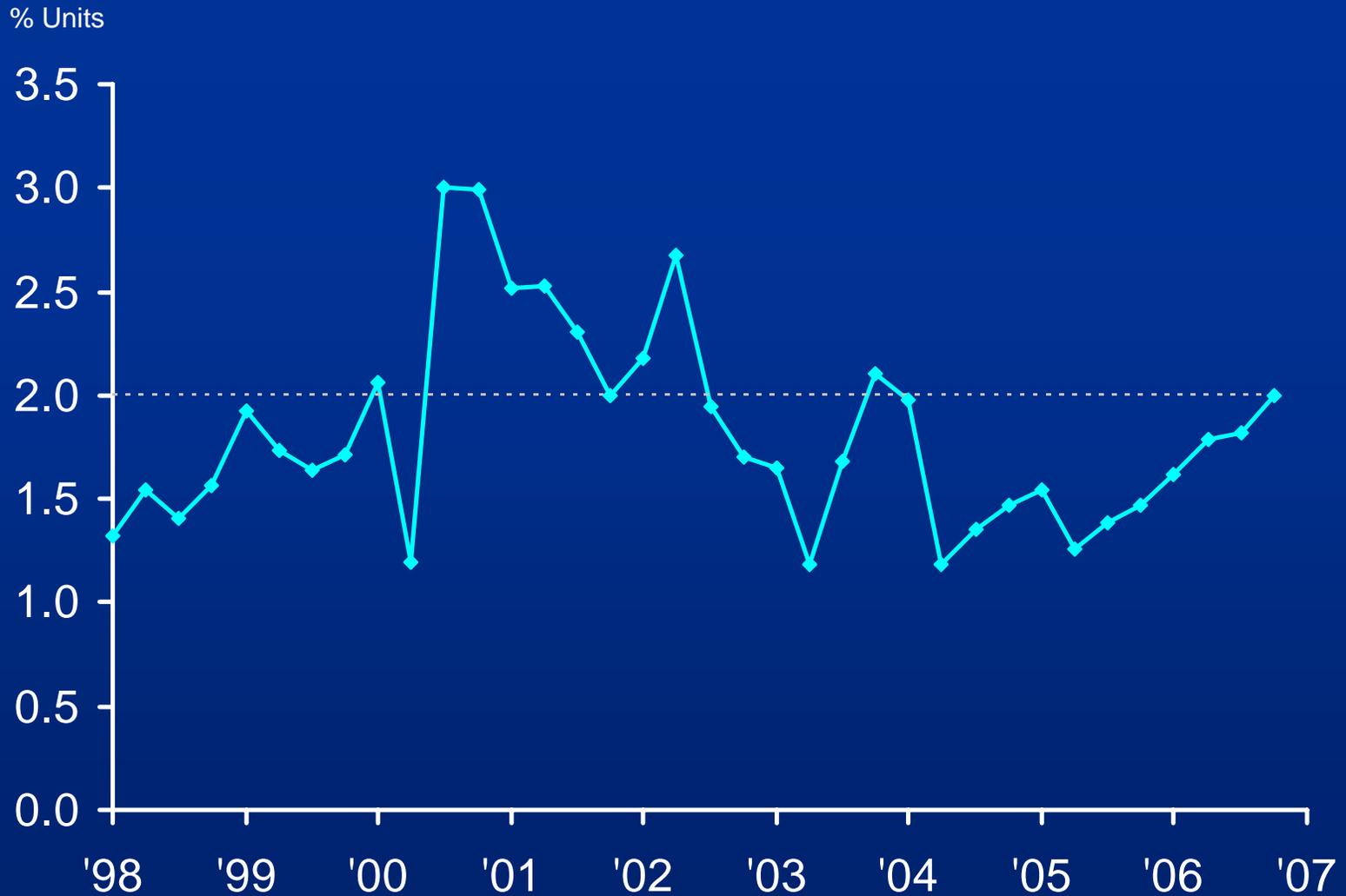
Mortgage Delinquencies

Total Loans with Installments Past Due, SA



Subprime Foreclosures

Started During Quarter, SA



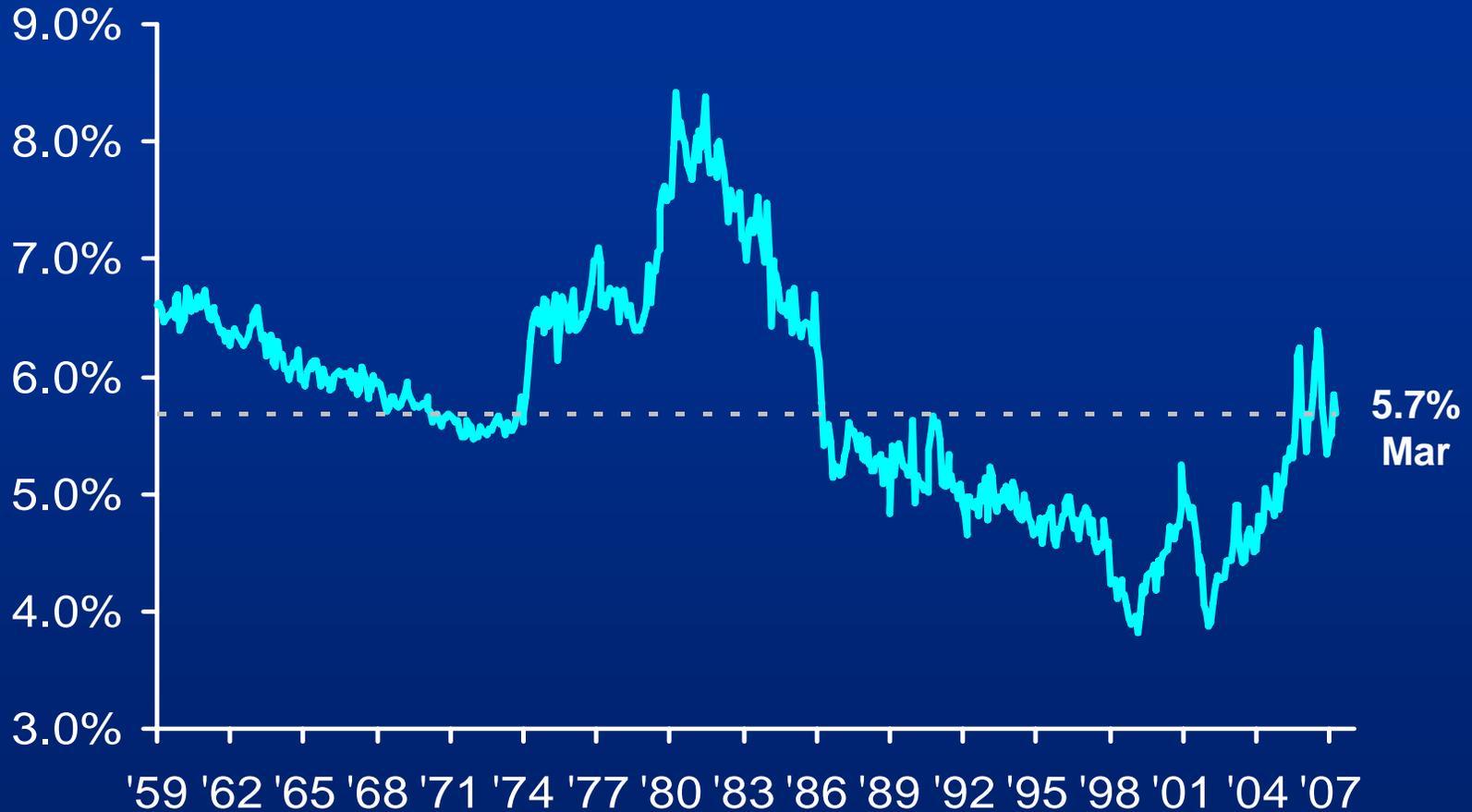
The Effect of Gas Prices on Auto Sales

Dollars/Barrel

	Actual		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
West Texas Intermediate	\$ 41	\$ 56	\$ 66

Energy Goods & Services

% of
Disposable Income



U.S. Auto Industry New Light Vehicles



* EPA Combined Weighting

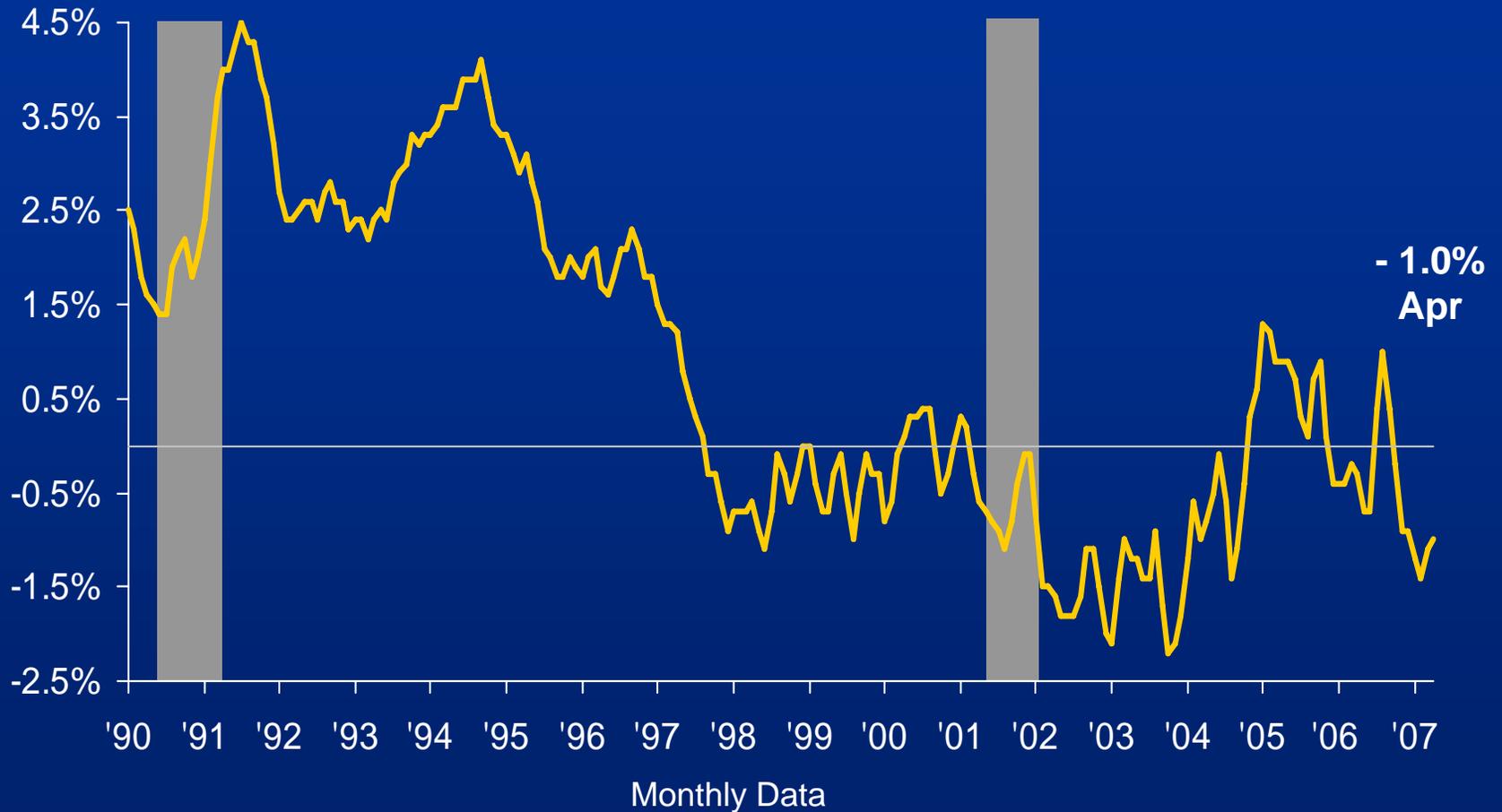
	<u><i>Ranking</i></u>
1980	4th
2001	22nd
2002	19th
2003	13th
2004	11th
2005*	9th
2006	4th

* Pre-Katrina/Rita

New Vehicle Consumer Prices

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% Change
Year/Year



West Texas Intermediate, Dollars/Barrel

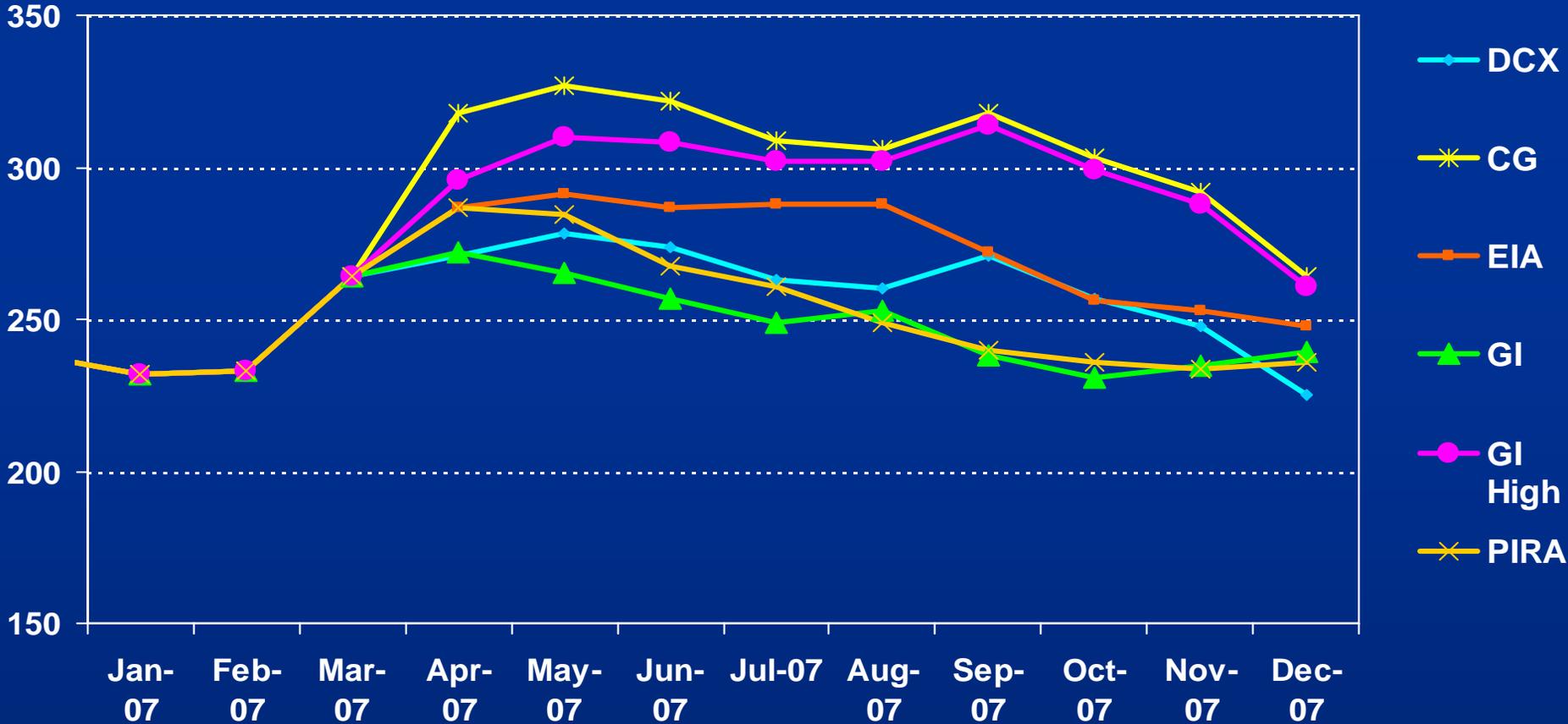
	<u>Actual</u>			<u>Forecast *</u>	
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Analysts Average	\$ 41	\$ 56	\$ 66	\$ 63	\$ 63
EIA				64	64
DaimlerChrysler				63	60

Analysts: PIRA, Global Insight, MacroAdvisors

* April/May '07

2007 Gasoline Price Forecast Comparison, Retail Prices All Grades

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Annual Average:	DCX:	\$2.56/gal	
	CG:	\$2.91/gal	assumption for 2007 planning volumes
	EIA:	\$2.66/gal	
	GI:	\$2.48/gal*	
	GI High:	\$2.84/gal*	assumes \$75/bbl to \$77.50/bbl oil through end of year
	PIRA:	\$2.52/gal	

Gasoline Scenarios, Calendar Year

Chrysler Forecast

Gasoline \$/Gallon

2007	\$2.54	\$3.00	\$3.50
2008	2.46	2.85	3.30

Million Units

2007	17.2	17.0	16.8
2008	17.4	17.2	17.0

Every 10 Cent increase in gasoline price equates to 40,000 fewer vehicle sales.

Light Vehicles, Million Units

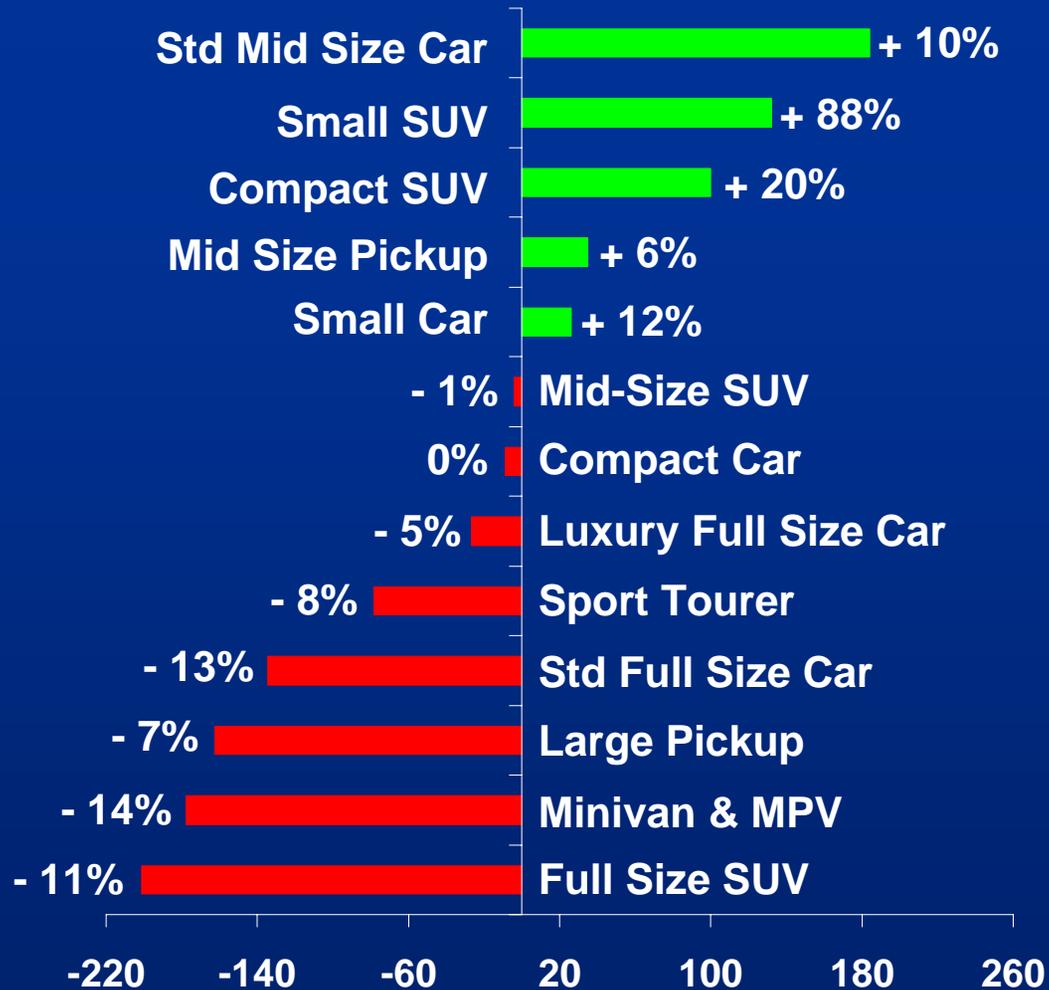
	<i>Actual</i>		<i>Forecast</i>	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
U.S.	17.4	17.1	17.0	17.2
Canada	1.6	1.7	1.6	1.6
Mexico	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>
Total NAFTA	20.2	19.9	19.8	20.0

U.S. Auto Industry Sales Forecasts

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April 2007 Forecast H/(L) June 2006

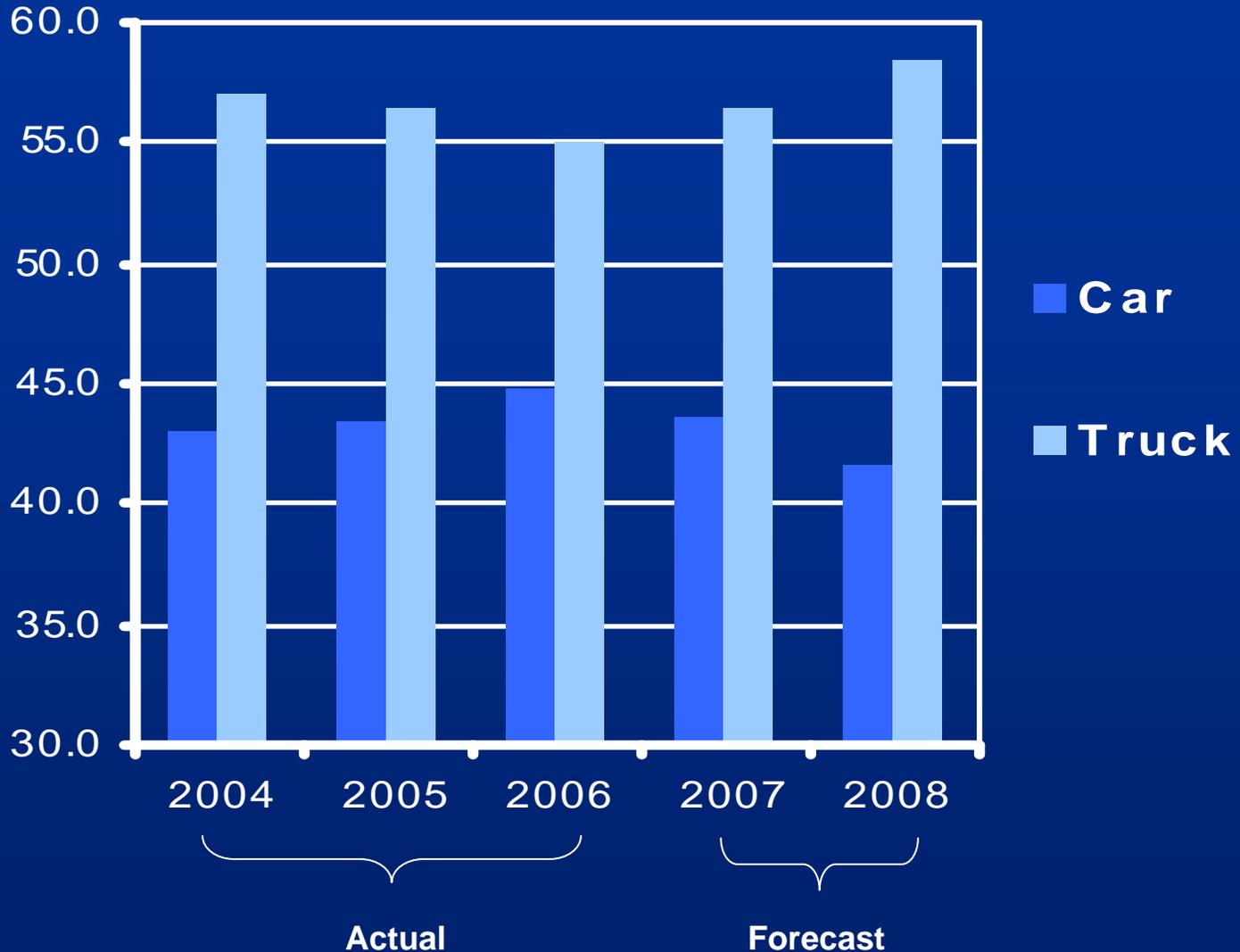
Million Units



U.S. Industry Car/Truck Mix

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% of Total Industry



Stock and Days Supply

	<u>Stock (000s)</u>	<u>Days Supply</u>
Chrysler Group	483	60
General Motors	1,028	80
Ford Motor Co.	566	63

Industry, NAFTA

(in 000)	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
2005	3,965	4,138	3,731	3,919	15,753
2006	4,129	4,114	3,399	3,609	15,252
2007	3,823	4,028	3,636	3,758	15,245
2008	3,987	4,108	3,847	3,883	15,825

% Change Yr/Yr

'06/'05	+ 4.1%	- 0.6%	- 8.9%	- 7.9%	- 3.2%
'07/'06	- 7.4%	- 2.1%	+ 7.0%	+ 4.1%	0.0%
'08/'07	+ 4.3%	+ 2.0%	+ 5.8%	+ 3.3%	+ 3.8%

- The U.S. economy has slowed following interest rate increases by the Federal Reserve of 425 basis points in two years.
- Higher rates clearly have contributed to the popping of the housing bubble.
- The subprime meltdown appears to have caused another down leg in housing. The housing drag will end this year unless regulators overreact.
- Households appear to be in pretty good shape in spite of worrying debt levels.
- Most analysts think seasonal peak in gas prices is now.
- Our current planning assumptions include \$3.00 + gas through the summer.
- The death of trucks and especially SUV's has been greatly exaggerated.