



10th Annual Automotive Outlook Symposium

Federal Reserve Bank of Chicago and
J.D. Power and Associates

A Supplier Perspective

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Key Points on Current Situation

- U.S. economy starts from scratch with Iraq War over
- No April/May rush from pent-up demand
- Deflation risk getting bigger on the radar screen
- Oil prices and stocks have moved favorably, but erratically
- Mixed data:

STRONG (to expectations)	WEAK (to expectations)
> Consumer Sentiment	>GDP
> Unemployment claims	>Employment
> Factory Orders	>Retail Sales
> Euro	>Industrial Production

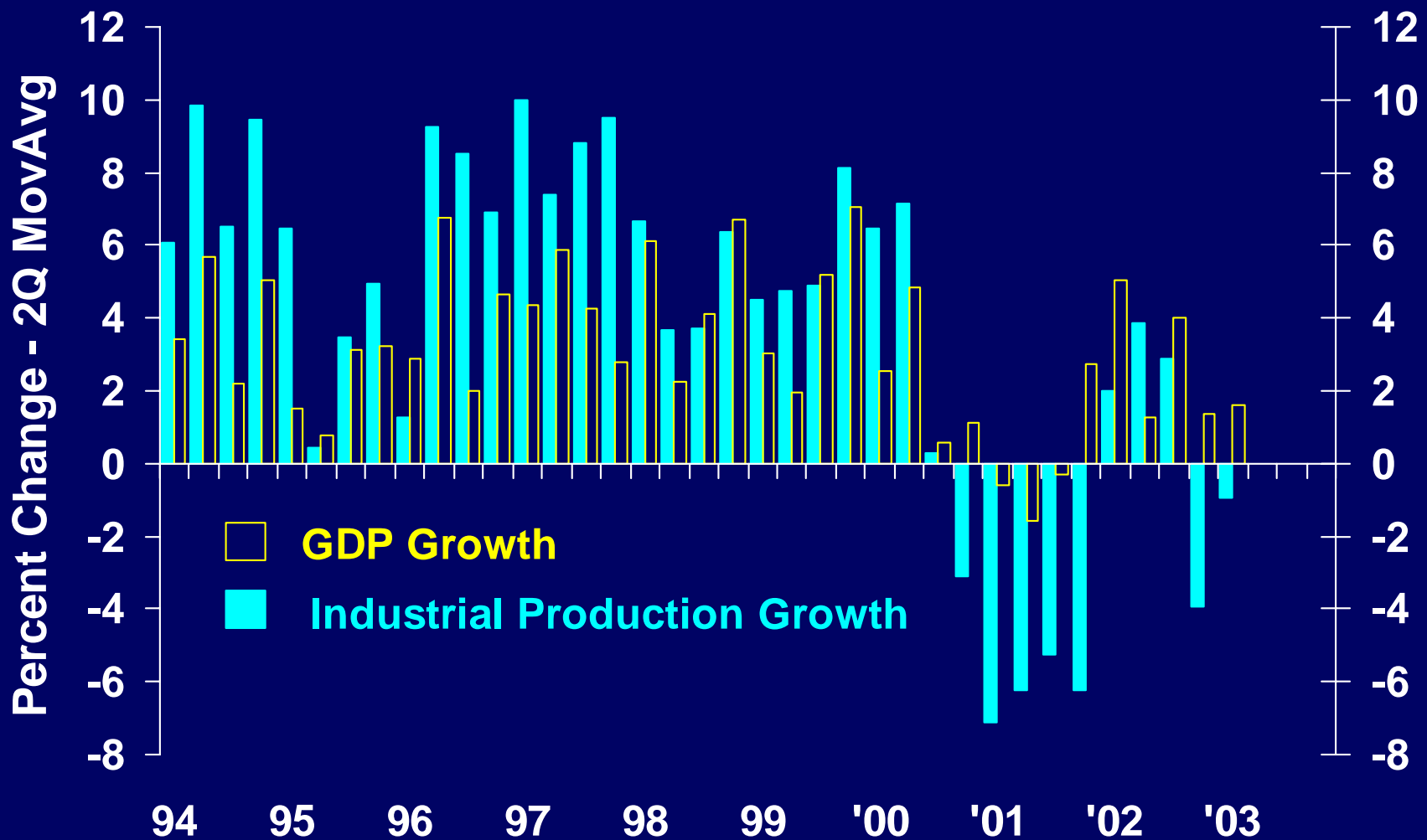
U.S. Economic Forecast

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
GDP	0.3	2.4	2.6	3.5
Industrial Production	-4.1	-1.0	0.4	4.8
90 Day Treasury Rates (%)	3.5	1.6	1.2	2.2
30 Year Treasury Rates (%)	5.5	5.3	4.9	5.1
Crude Oil Prices (\$/bbl)	\$23	\$24	\$26	\$23
New Car & LT Sales (mil)	17.1	16.8	16.4	17.0
Housing Starts (mil)	1.60	1.71	1.68	1.63

Percent Growth Unless Indicated Otherwise



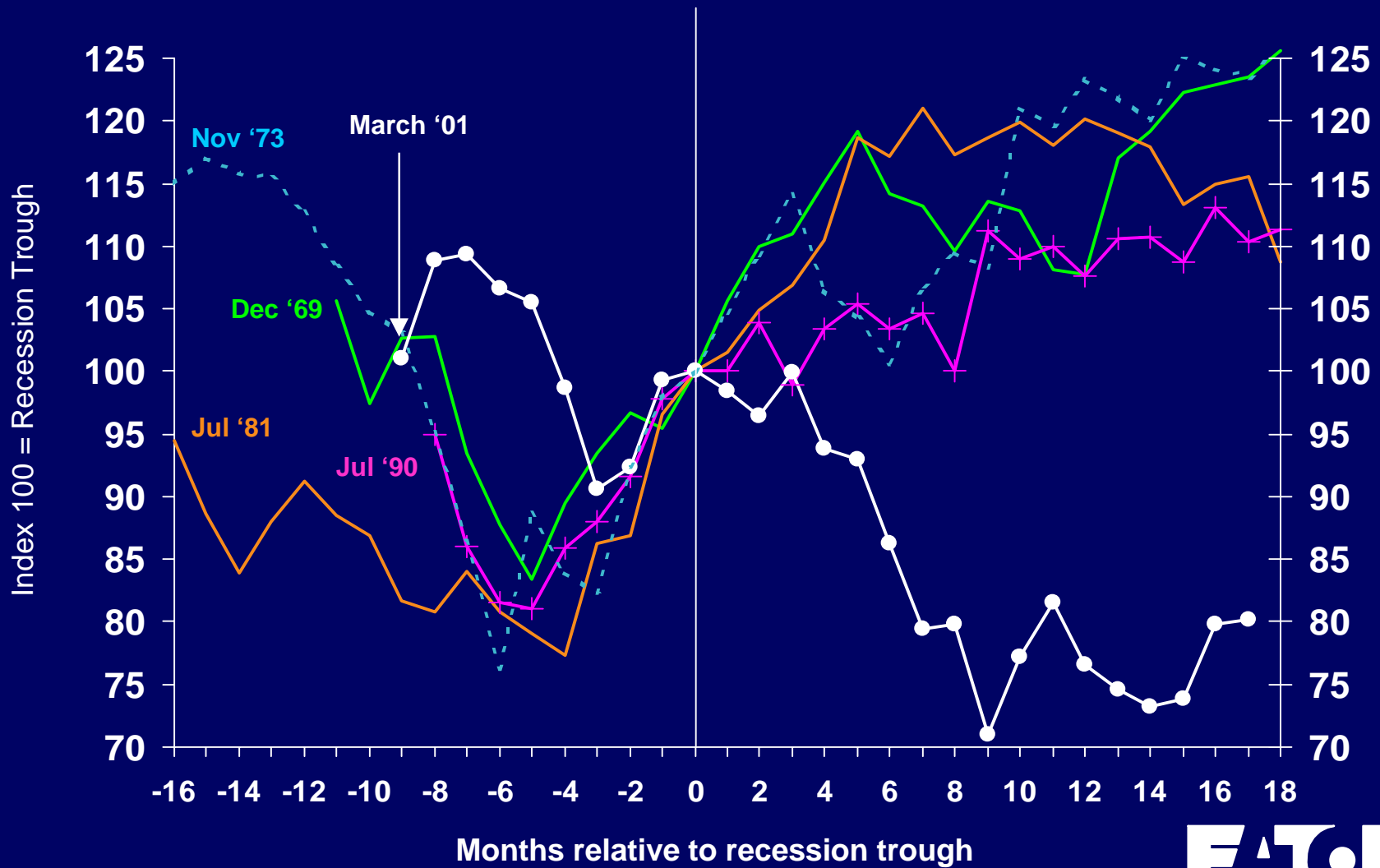
U.S. GDP & Industrial Production 1994 to 2003



data thru 2003:Q1



S&P 500 Index during periods of recession and recovery



University of Michigan Consumer Sentiment Index

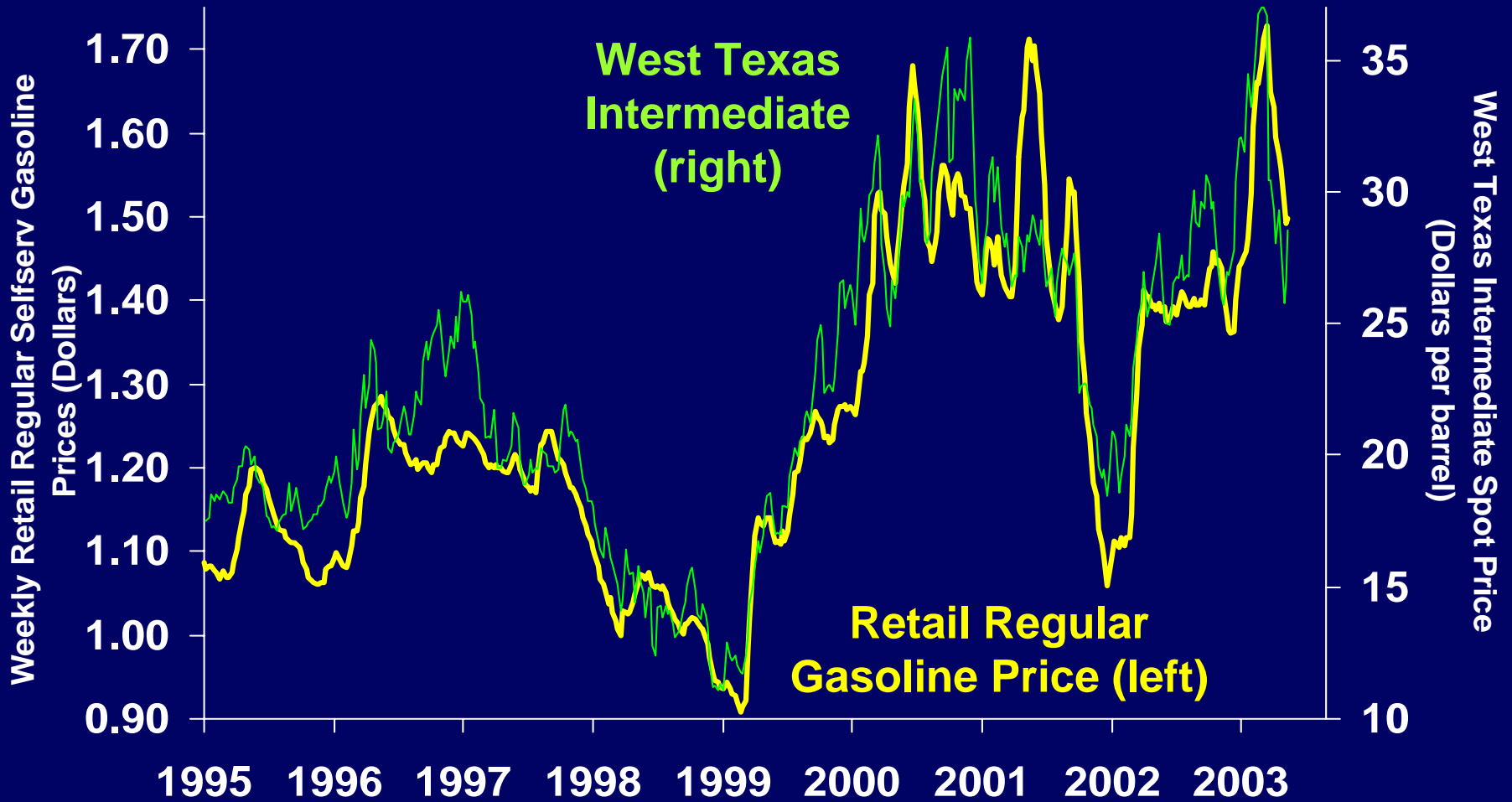


Source: University of Michigan

Data thru April 2003



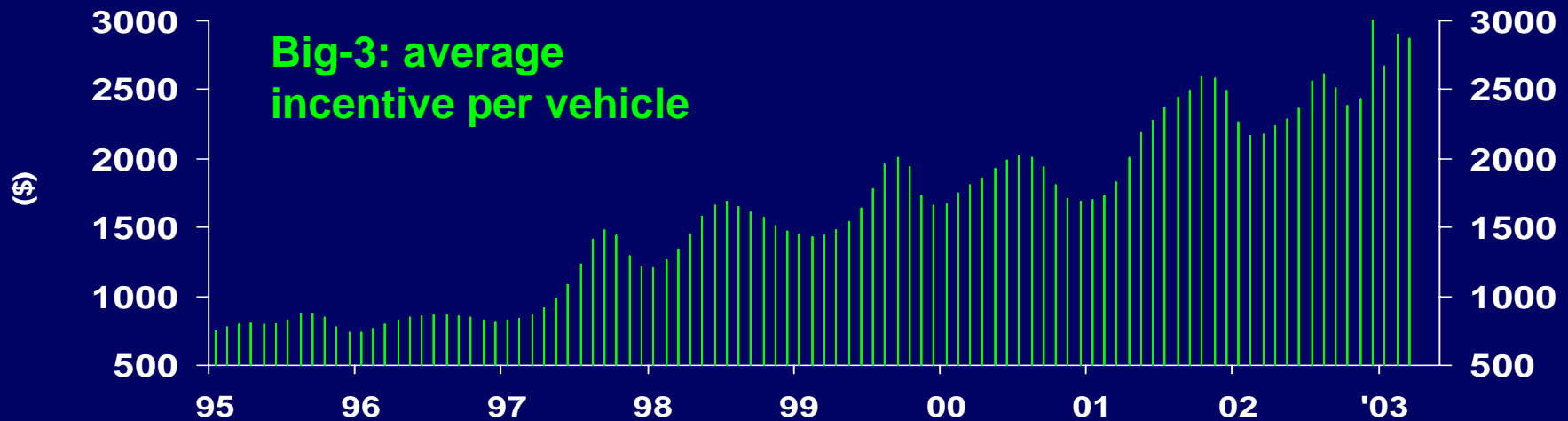
Crude Oil and Gasoline Prices 1995 to 2003



Data thru May 19, 2003



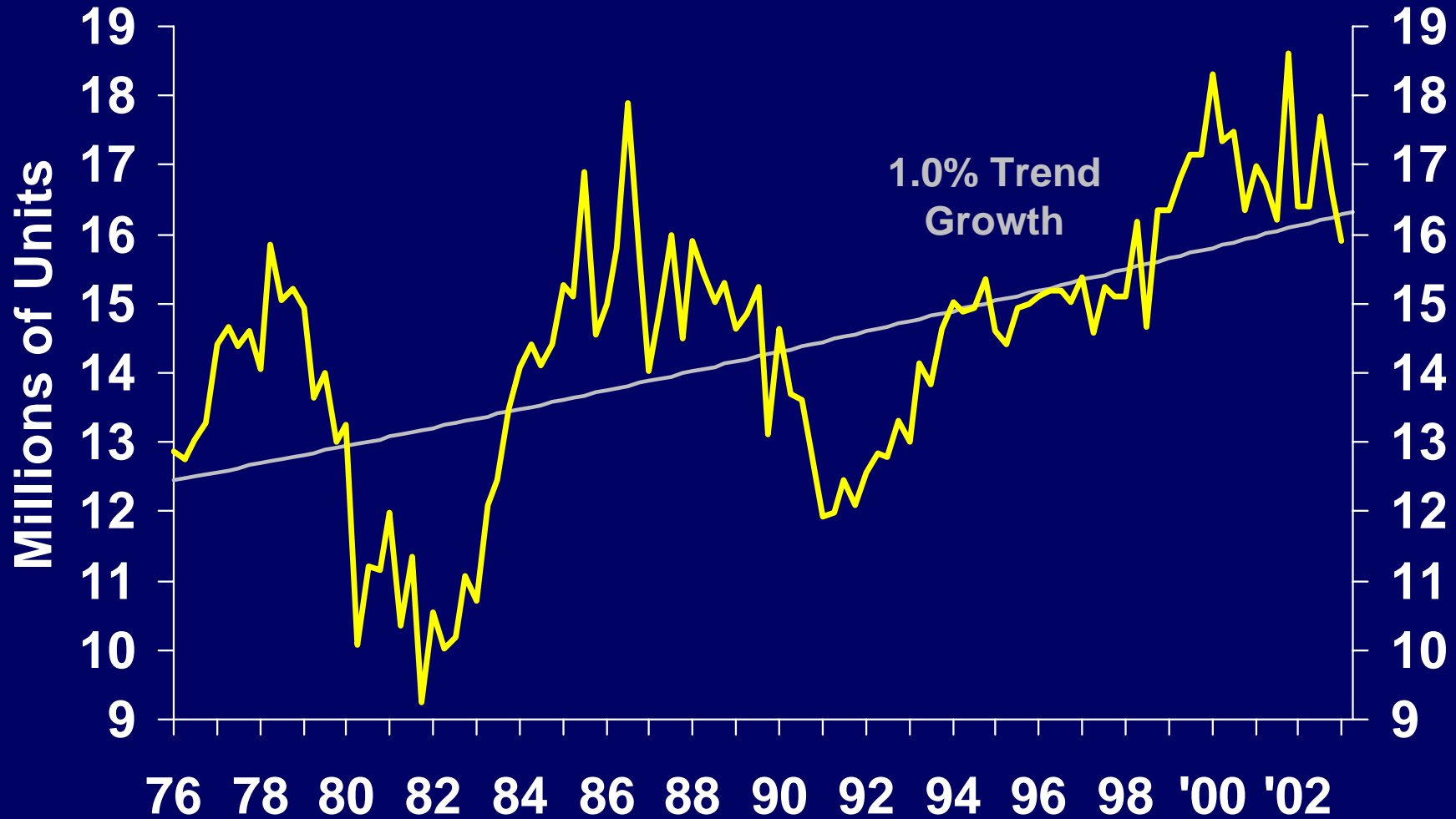
U.S. Light Vehicle Retail Sales 1995 to 2003



Note - Sales thru April; Incentives thru March, from Lehman Brothers



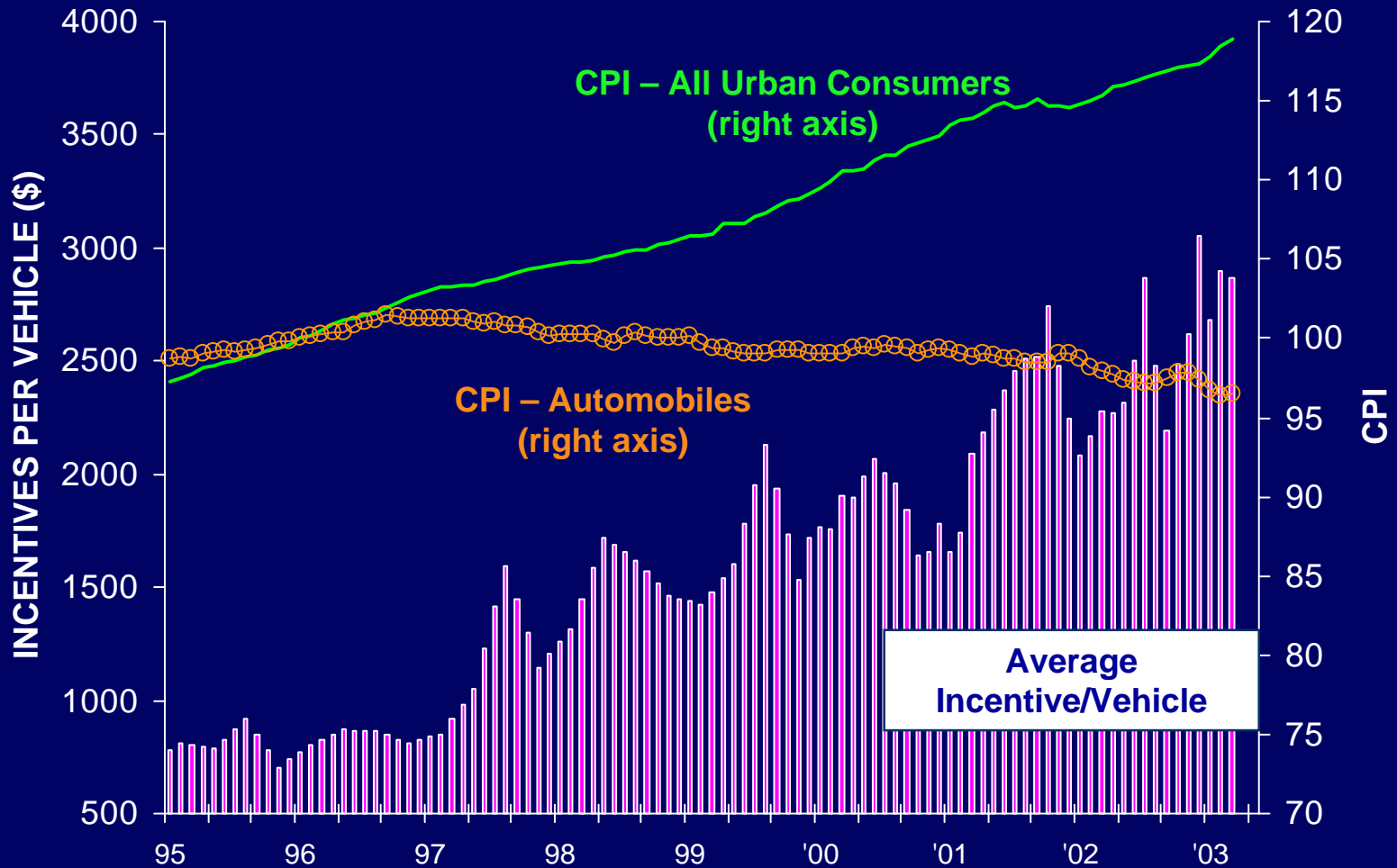
U.S. Light Motor Vehicle Retail Sales 1976 to 2003



Source: BEA, data thru 1Q03



CPI: New Light Motor Vehicles 1995 to 2003



Source: BLS, BEA, Autodata, DCX, Lehman Brothers,
Data thru March, 2003



Interest Rate on New Vehicle Loan



Source: FRB thru March 2003



Import Share of LMV Market

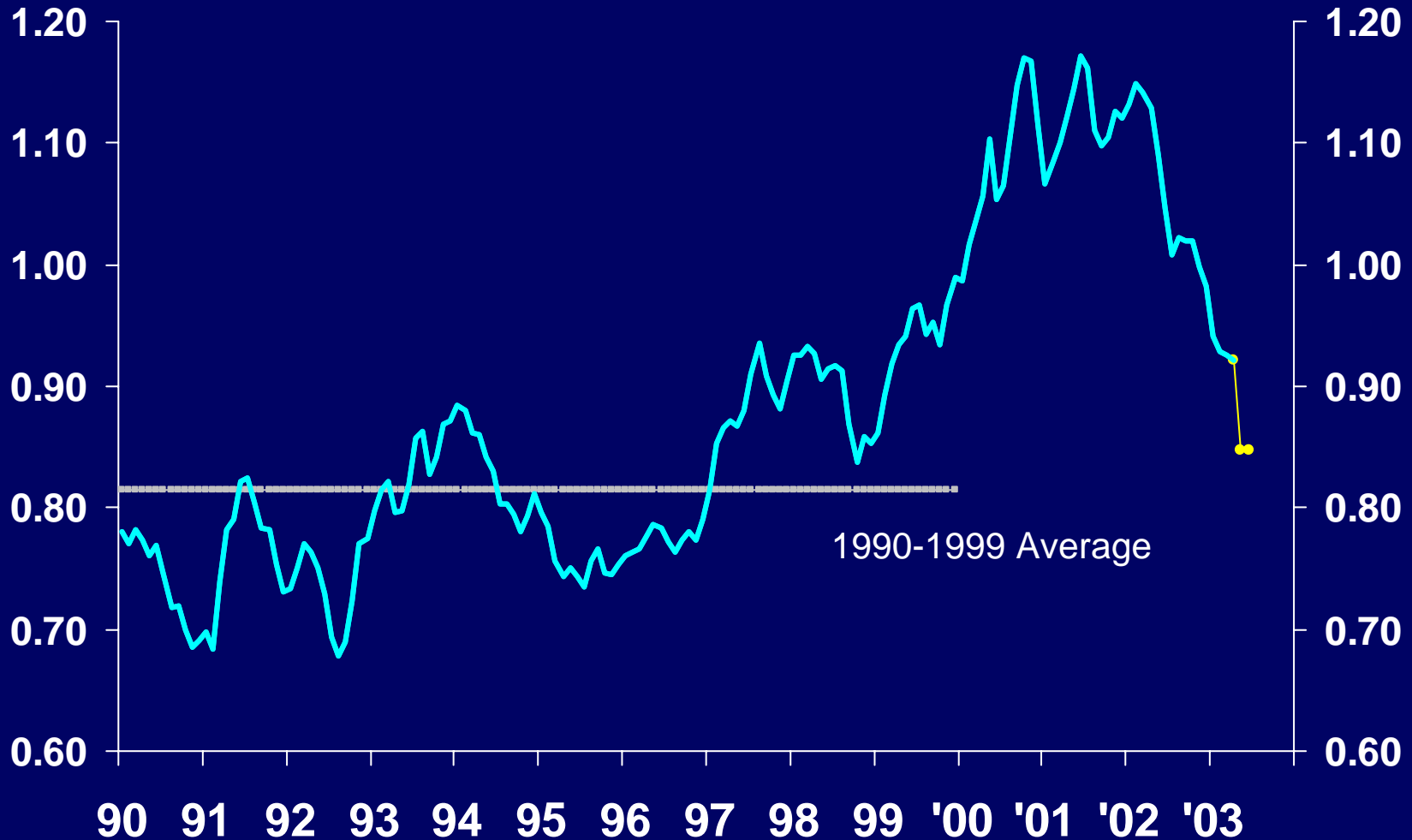


Source: Wards

Data thru April 2003



Euro/U.S. \$ Exchange Rate 1990 to 2003



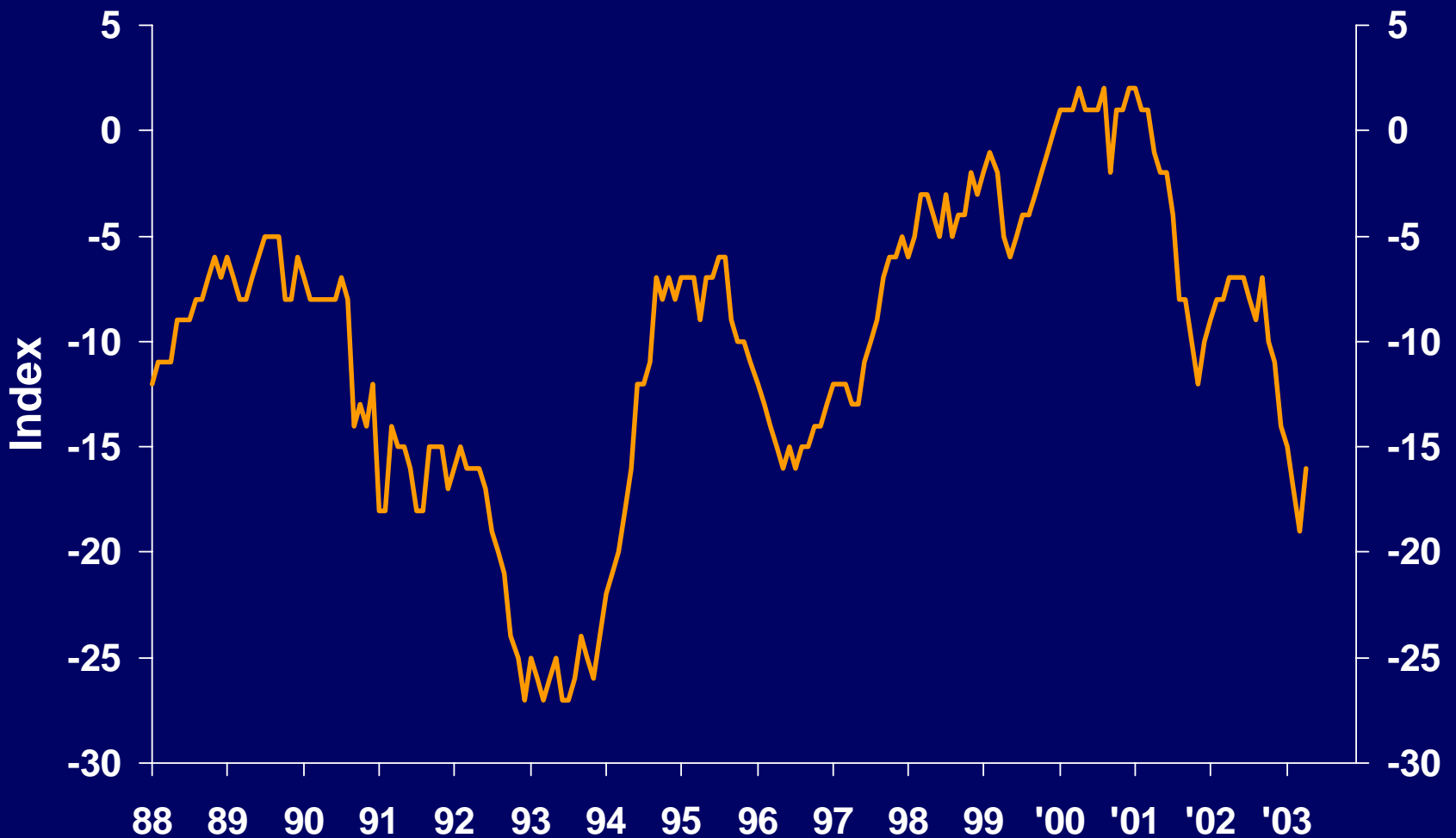
Data thru April, 2003, May-June shown at 1.18\$/€



Europe

- Surprisingly strong performance given economic uncertainty
- Aggressive pricing, favorable financing
- “Profitless Prosperity” here also
- Increasing Japanese presence
- Production migrating, high-cost west to low-cost east

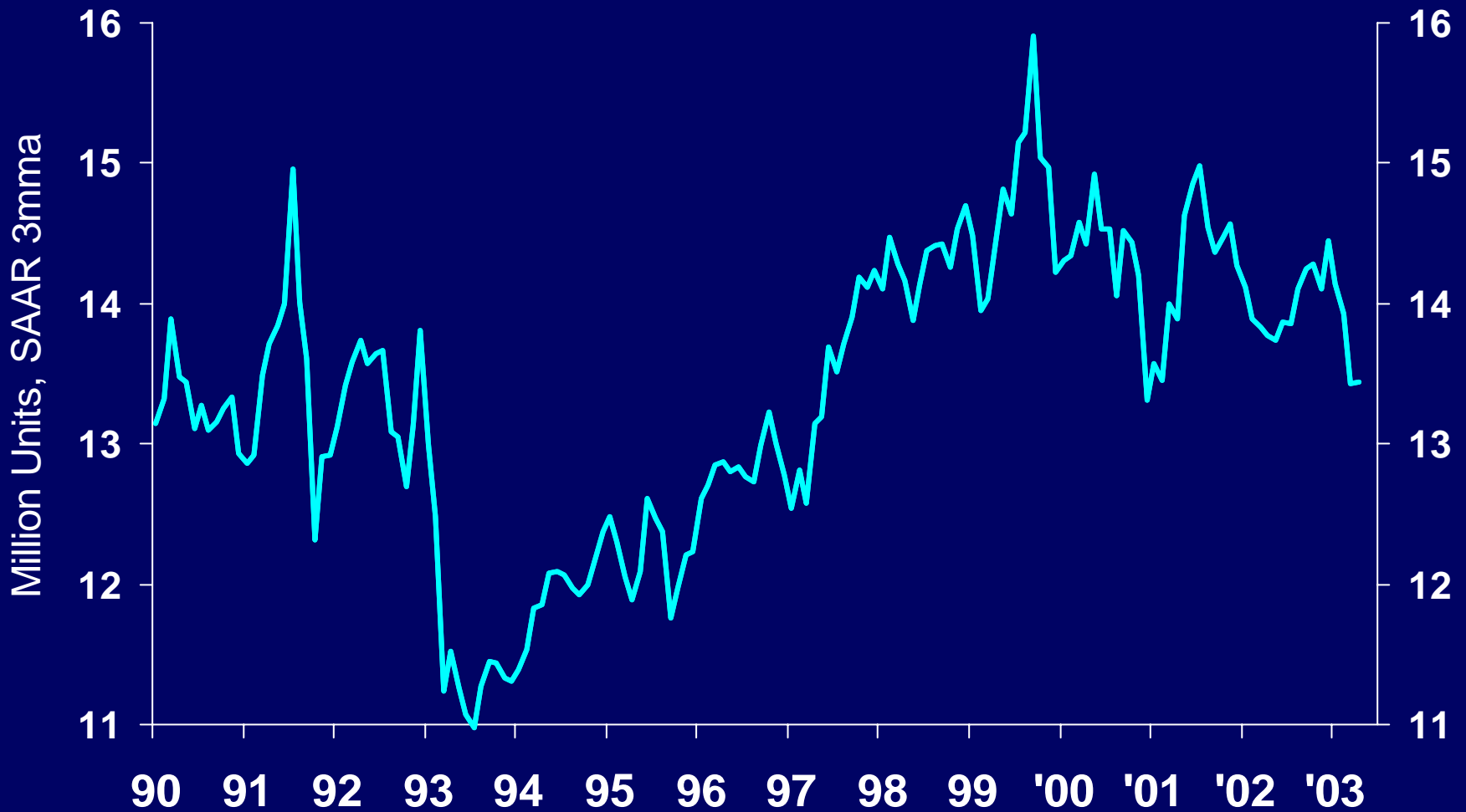
EU Consumer Confidence 1988 to 2003



Source: European Commission, data thru April 2003



European Union - New Car Registrations 1990 to 2003



Source: ACEA Data thru April 2003



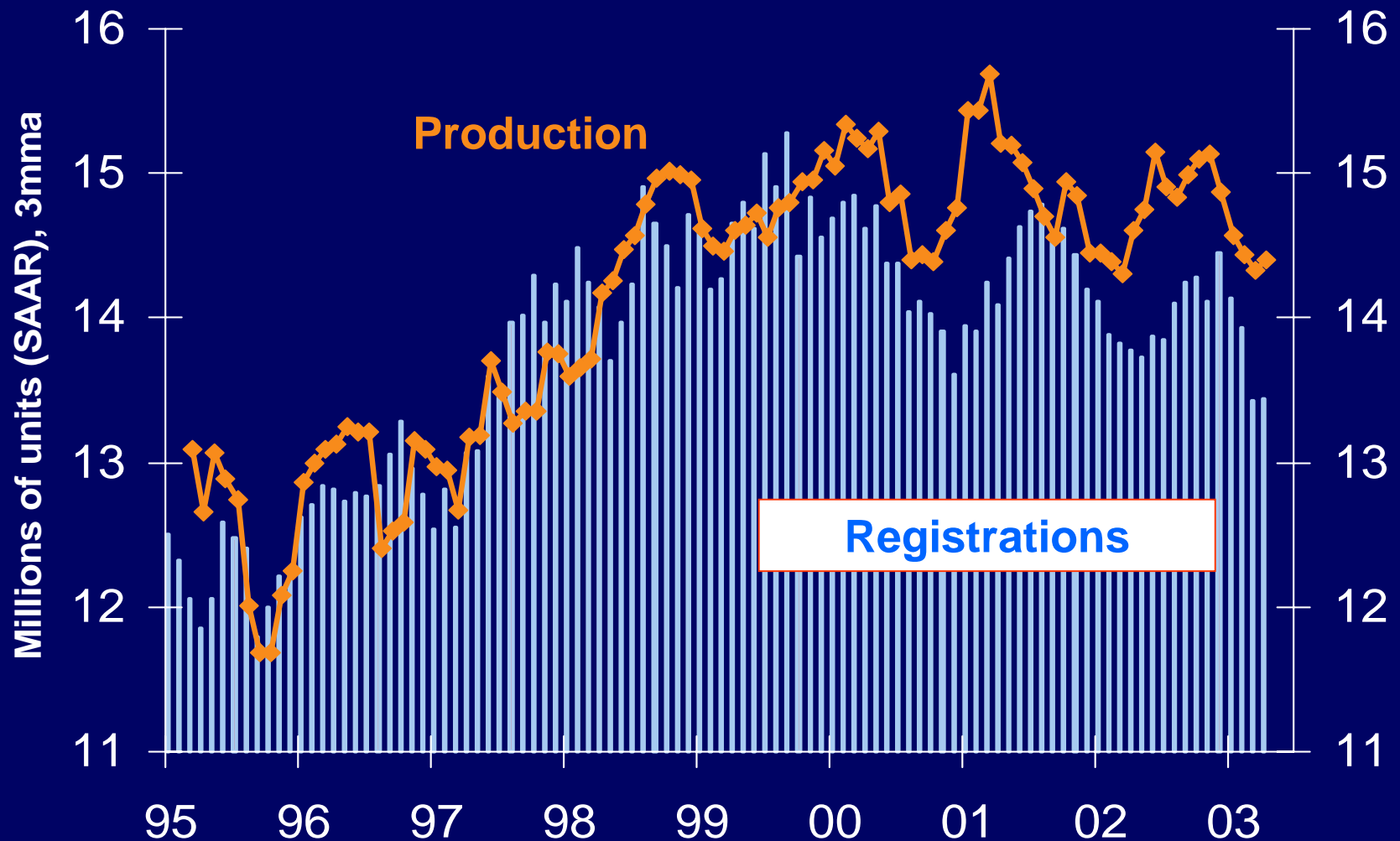
Western Europe Real Vehicle Prices 1995 to 2003



Source: Eurostat, data thru March 2003



EU-15: New Car Registrations & Production 1995 to 2003



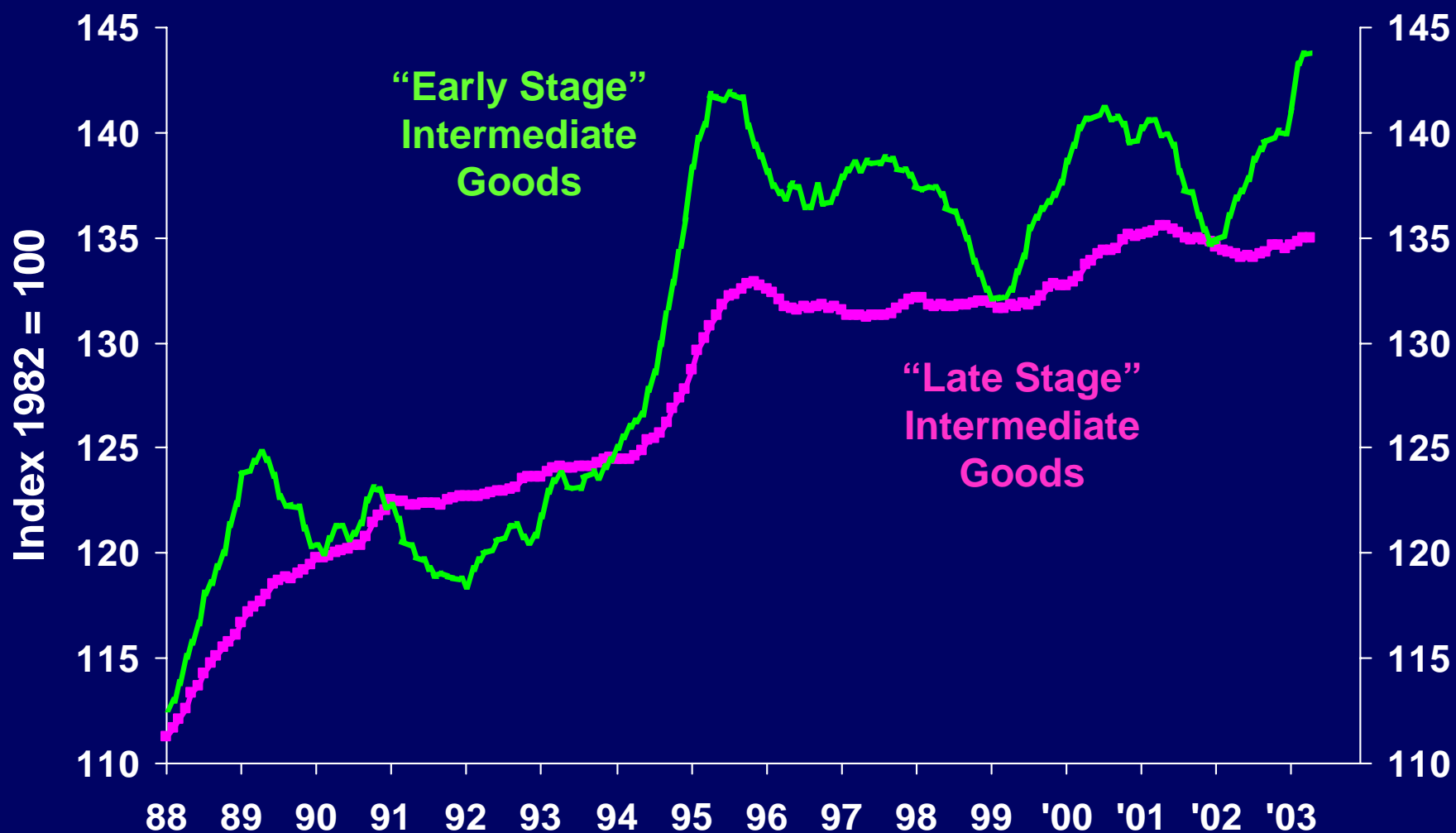
Source: Global Insight, ACEA
Data thru April 2003



Long Term Issues

- How long can suppliers be squeezed in the current challenging business environment?
- How long can global capacity be added without adding to equity shareholder value?
- Will role of motor vehicles & supporting infrastructure be able to improve transportation productivity, in a 'point a-to-b' sense?

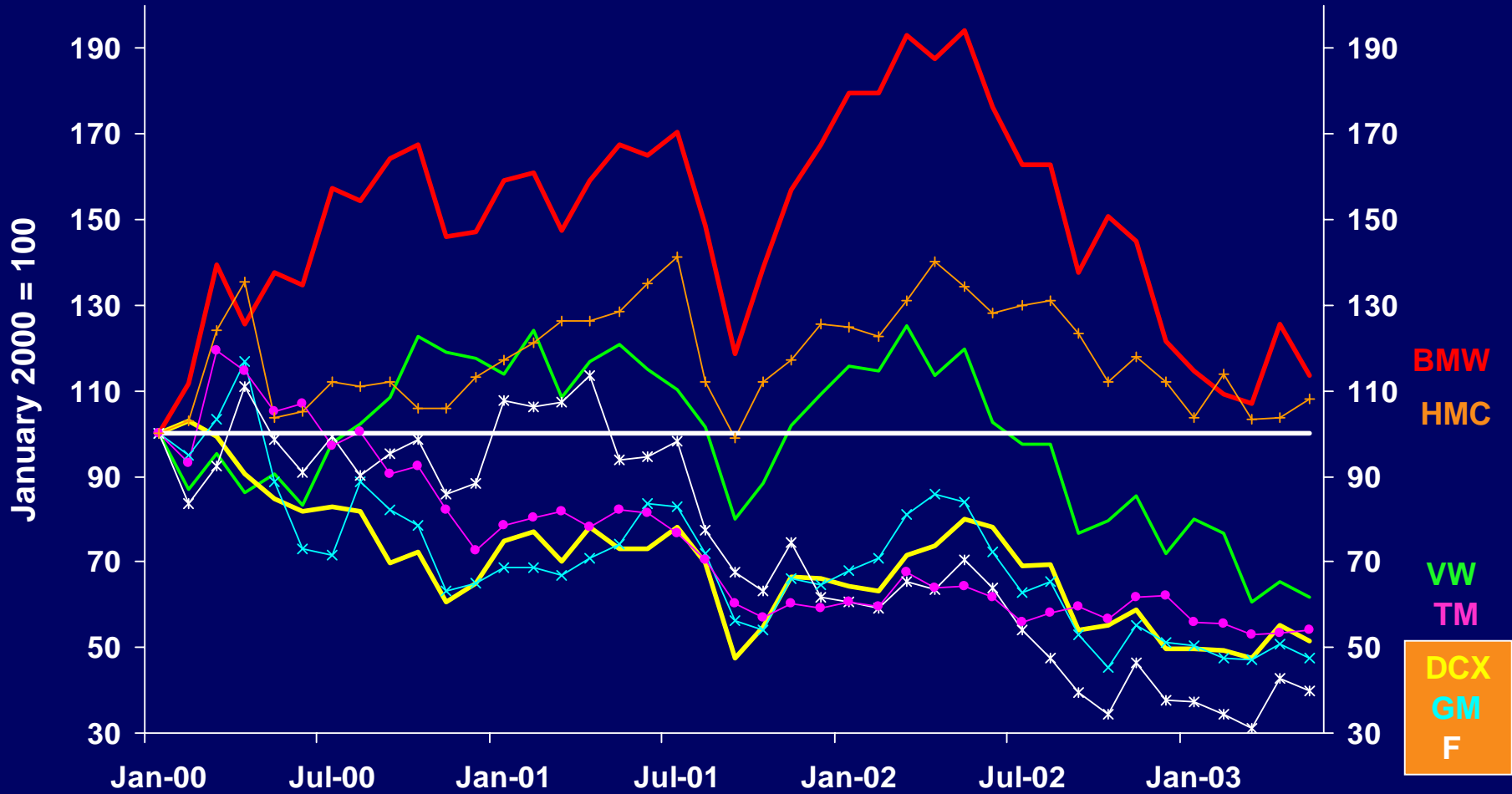
PPI Intermediate Goods (ex Food & Energy) 1988 to 2003



data thru April 2003

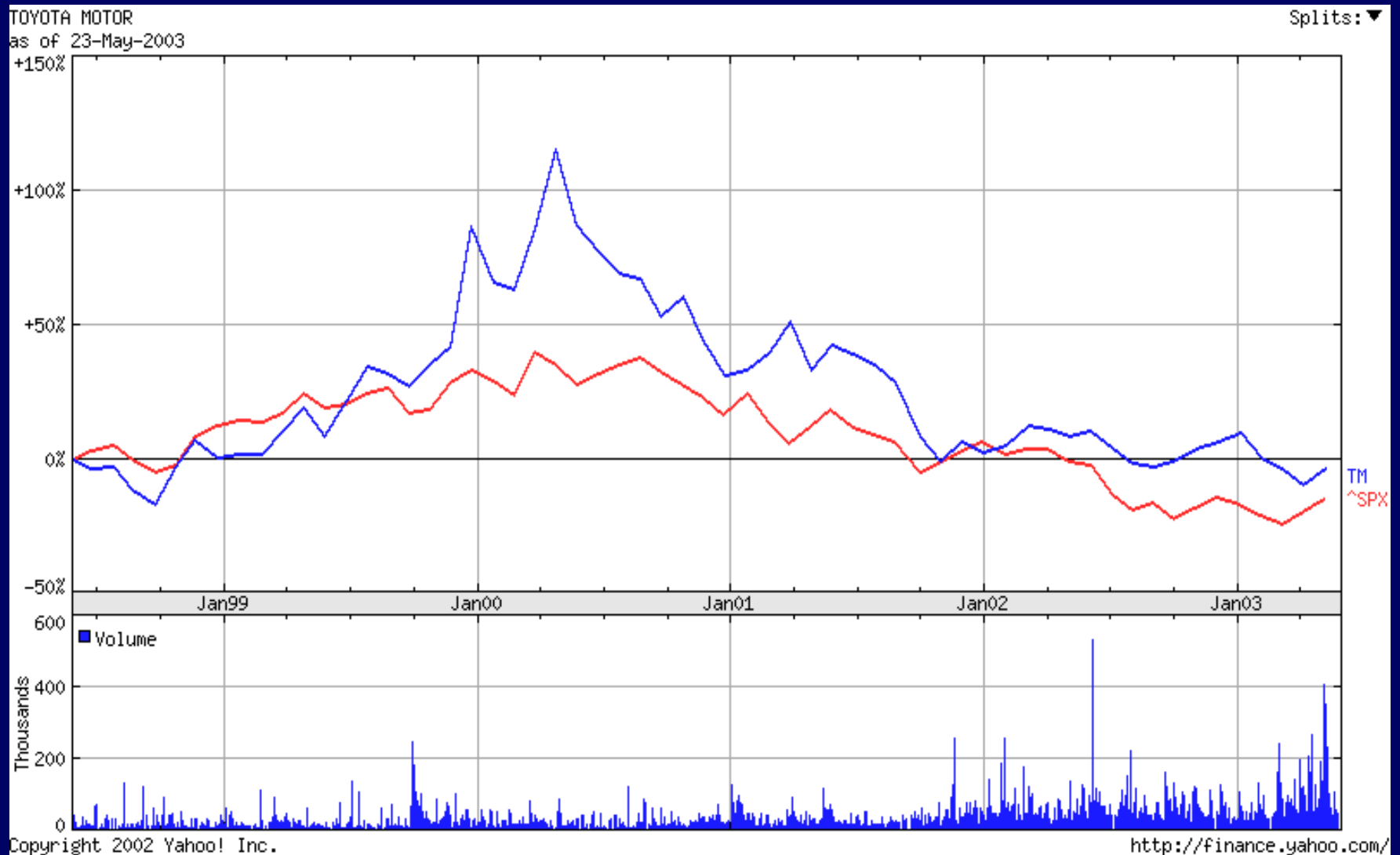


Global OEM Stock Performance 2000-Present



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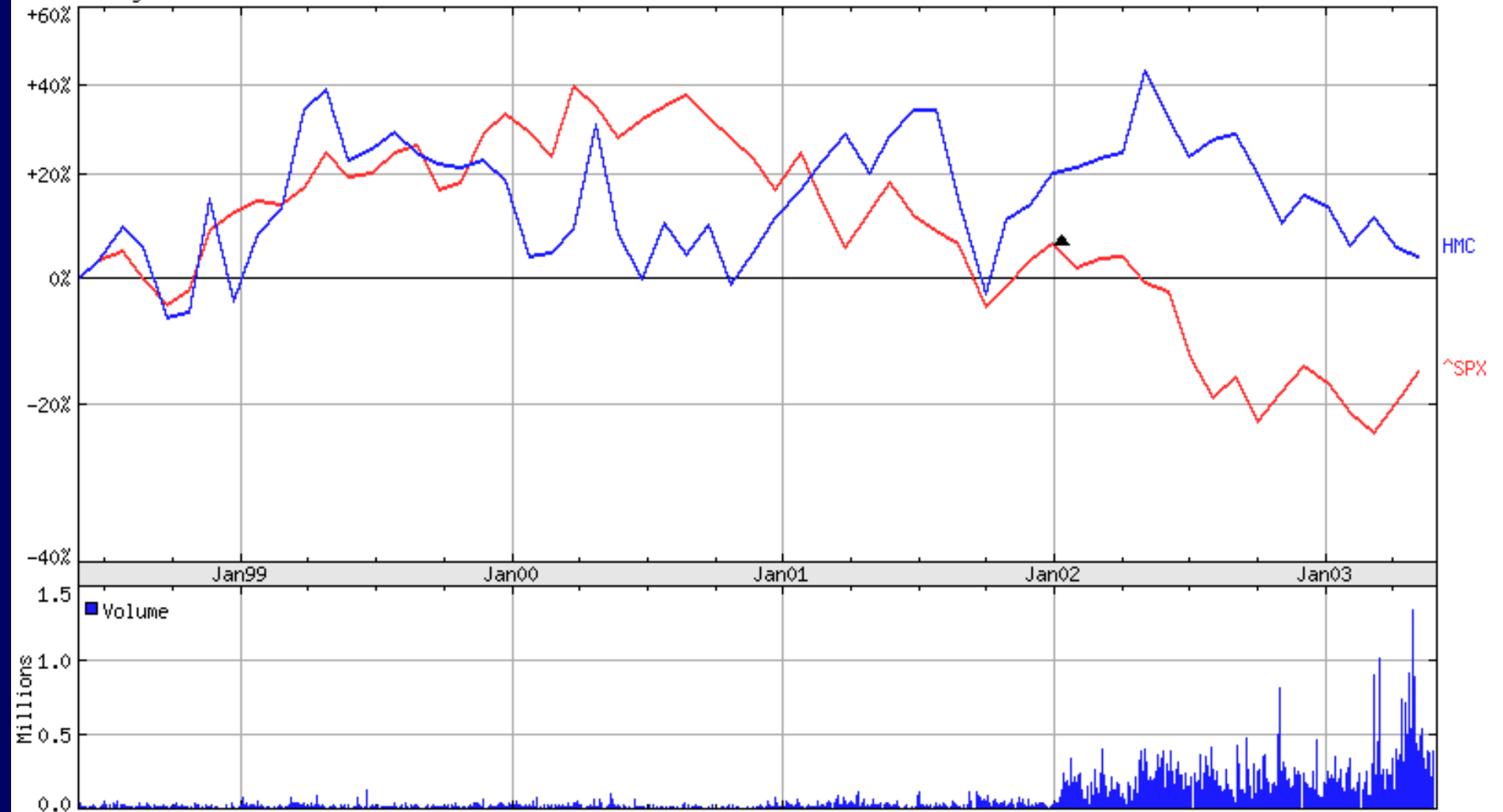
Toyota 5 Year Stock Price



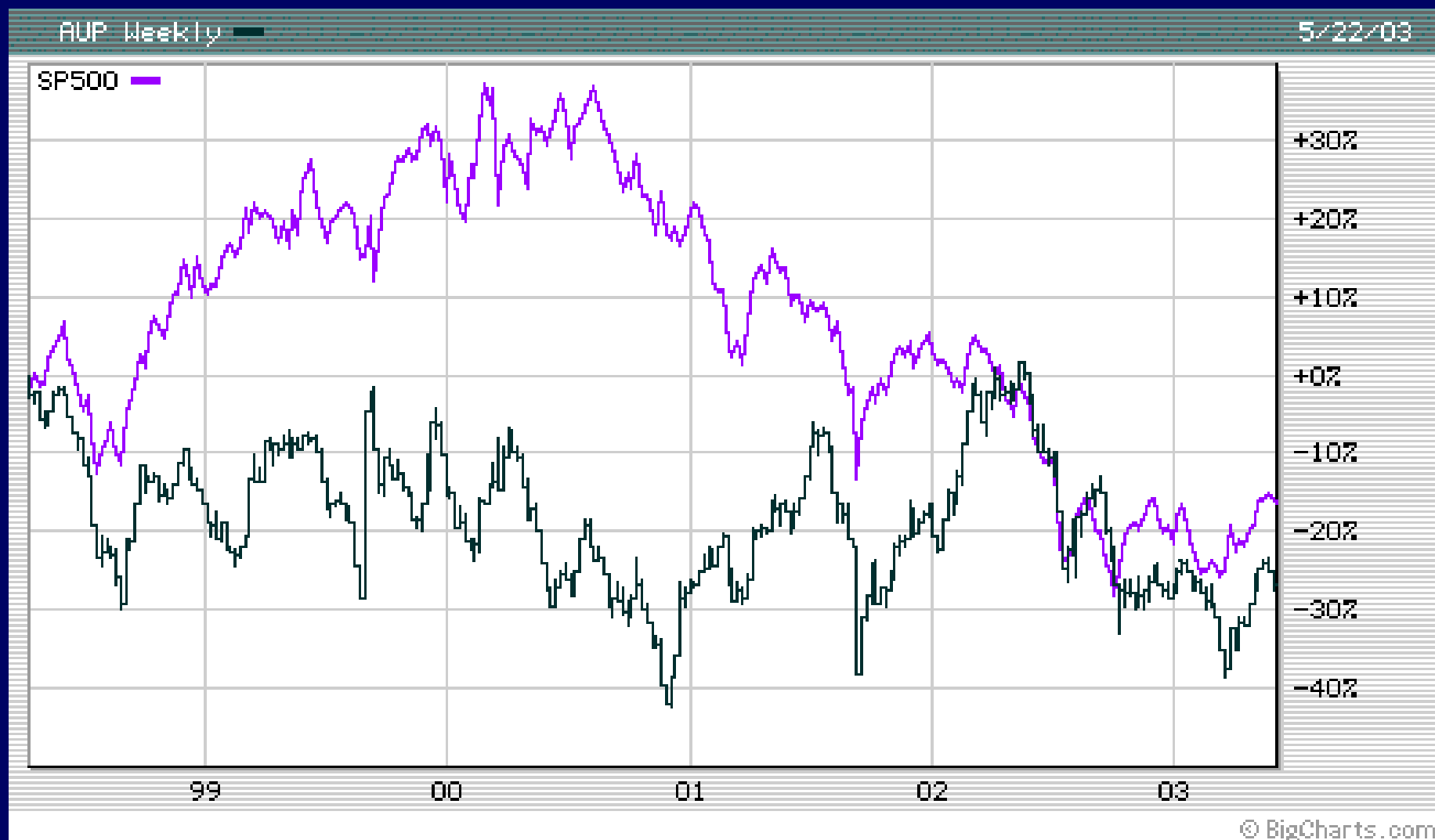
Honda 5 Year Stock Price

HONDA MOTOR CO
as of 23-May-2003

Splits: ▼

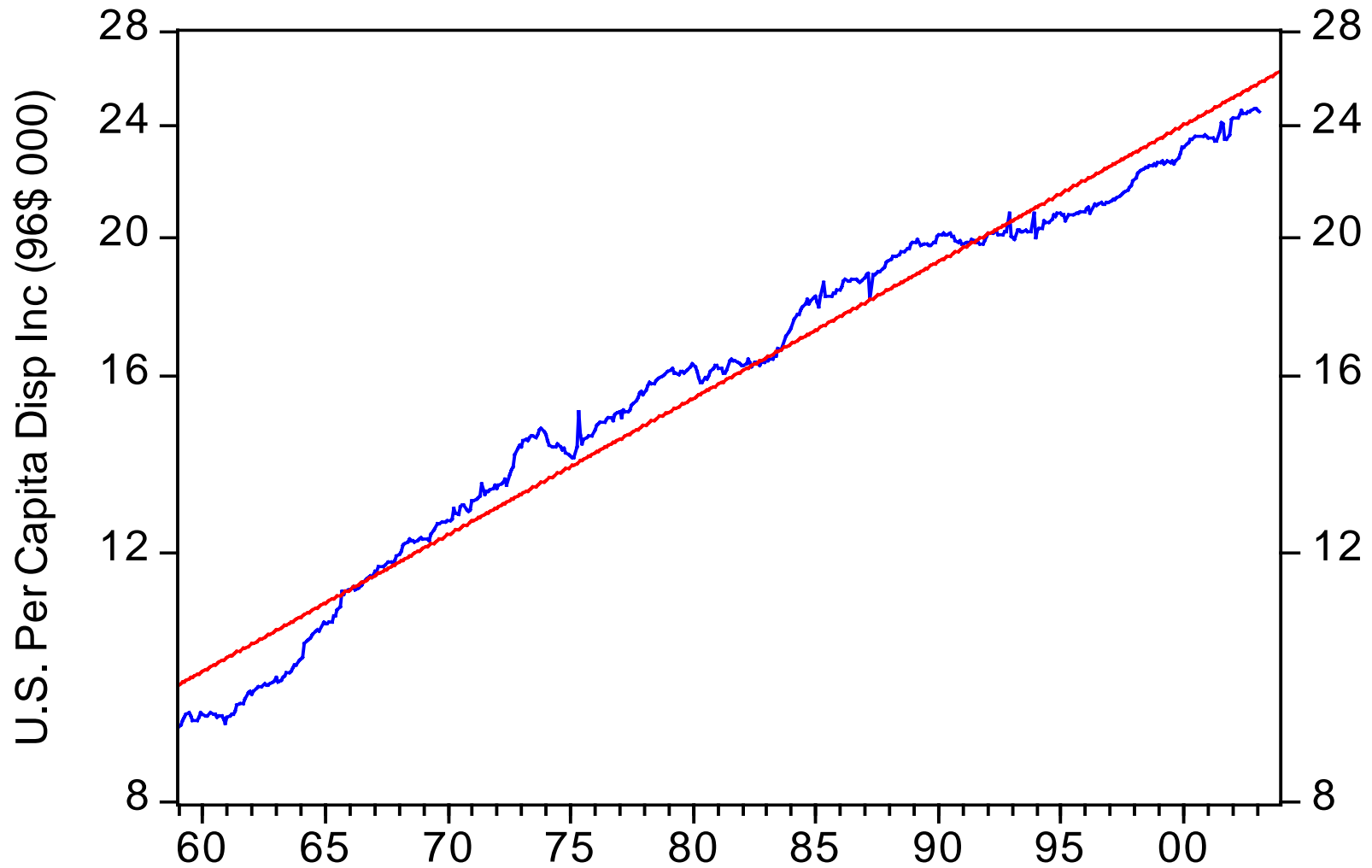


Dow Jones U.S.Auto Parts Stock Price Index 5 Years (75 companies)



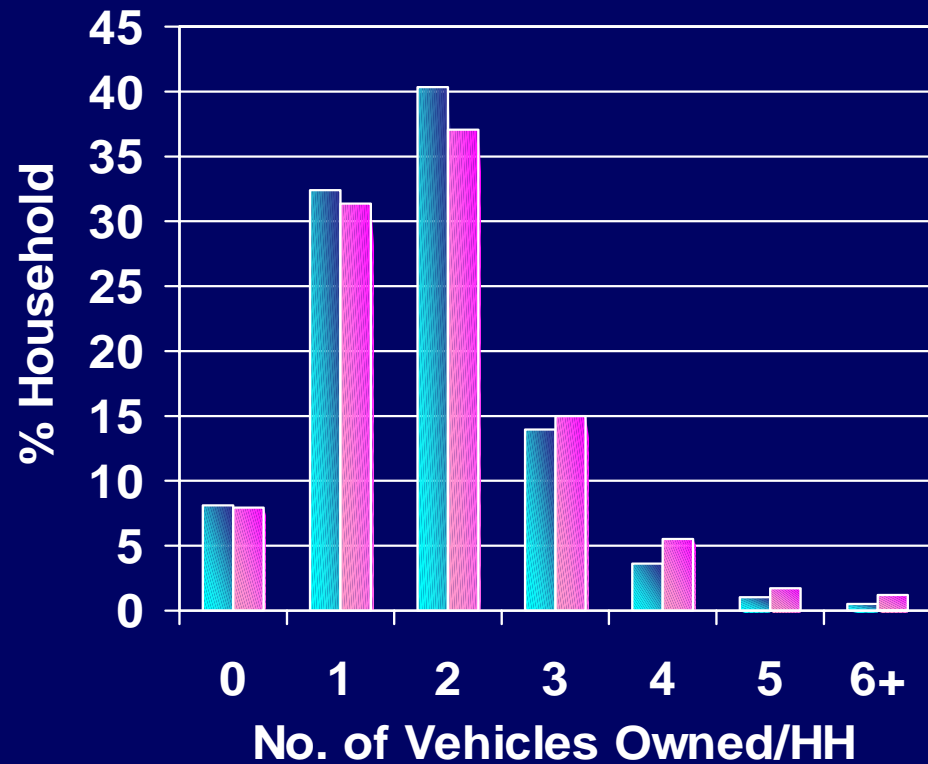
Per Capita Disposable Income

4% Per annum growth



How many vehicles does a typical household own?

- % of households without a vehicle decreased marginally, though the number of households without a vehicle increased - from 8 million households in 1995 to 8.5 million in 2001.
- Shift from 1-2 vehicle households to 3+ vehicle households.
- Vehicle-owning households owned an average of 1.93 vehicles in 1995, compared to 2.06 in 2001.



■ 1995 ■ 2001

Data from Hu, "Americans and Their Vehicles"
2001 National Household Travel Survey website
<http://nhts.ornl.gov/2001/trb/americanVehicles.ppt>

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Miles/Driver stable since 1990

Demographic Indicators 1969—2001

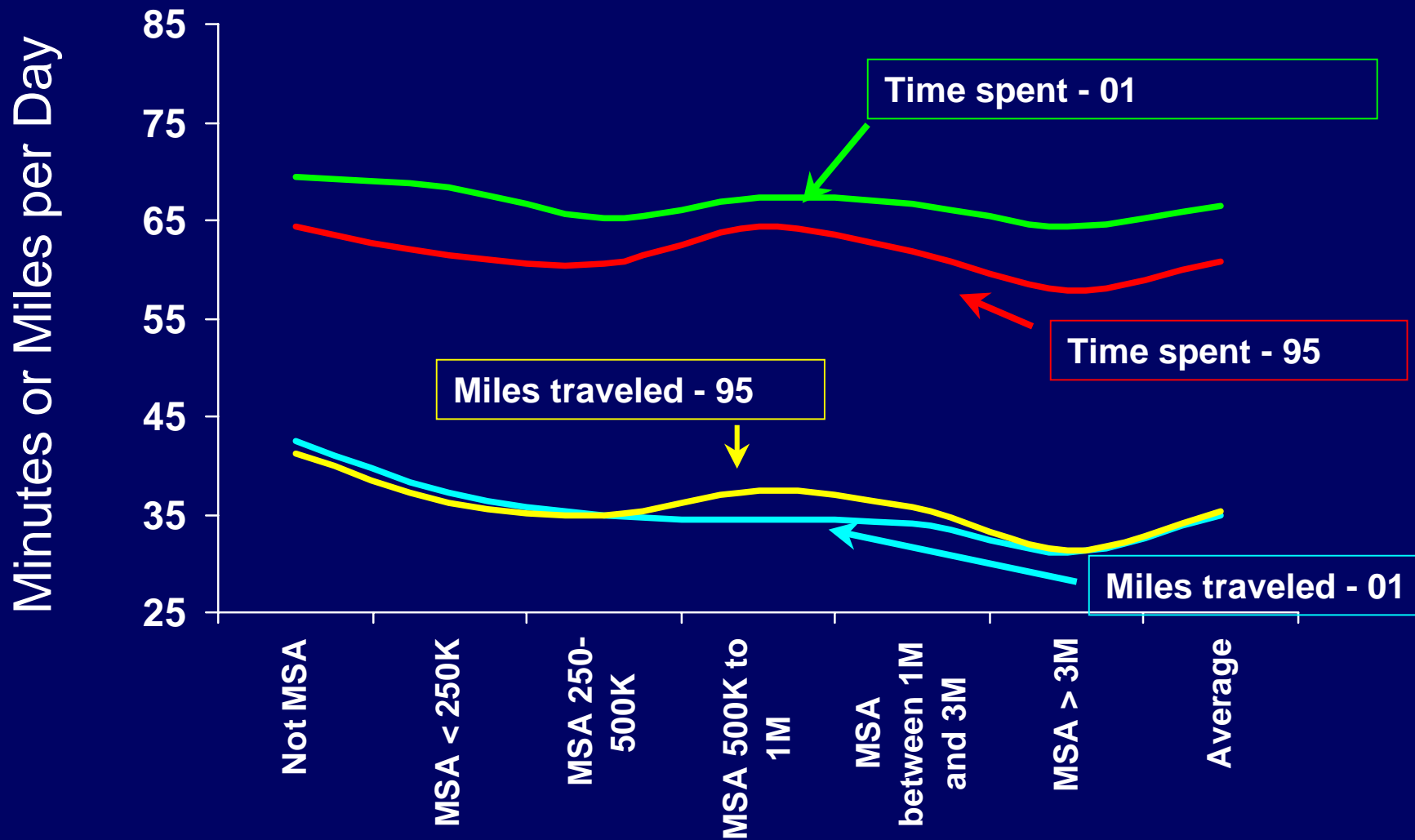
	1969	1977	1983	1990	1995	2001
<i>Persons/HH</i>	3.16	2.83	2.69	2.56	2.63	2.58
<i>Vehicles/HH</i>	1.16	1.59	1.68	1.77	1.78	1.90
<i>Vehicles/Driver</i>	0.70	0.94	0.98	1.01	1.00	1.07
<i>Workers/Person</i>	0.38	0.44	0.45	0.49	0.51	0.52
<i>Annual Miles/Driver</i>	8,685	10,006	10,536	13,125	13,476	13,836

Data from 2001 National Household Travel Survey

<http://nhts.ornl.gov/2001/trb/inklings1.pdf>



Daily Time and Miles in a Vehicle, 1995 and 2001



Data from Hu, "Americans and Their Vehicles"
 2001 National Household Travel Survey website
<http://nhts.ornl.gov/2001/trb/americanVehicles.ppt>



Long Term Summary

- The industry (OEM and supplier) cannot add global capacity indefinitely in the face of equity value declines
- There have been partial solutions
 - Increases in vehicle ownership in industrialized/OECD countries
 - Developing country growth
- Challenge is to improve transportation productivity for the end user before a competing technology emerges to do it
- It's the way-out-of-the-box for suppliers