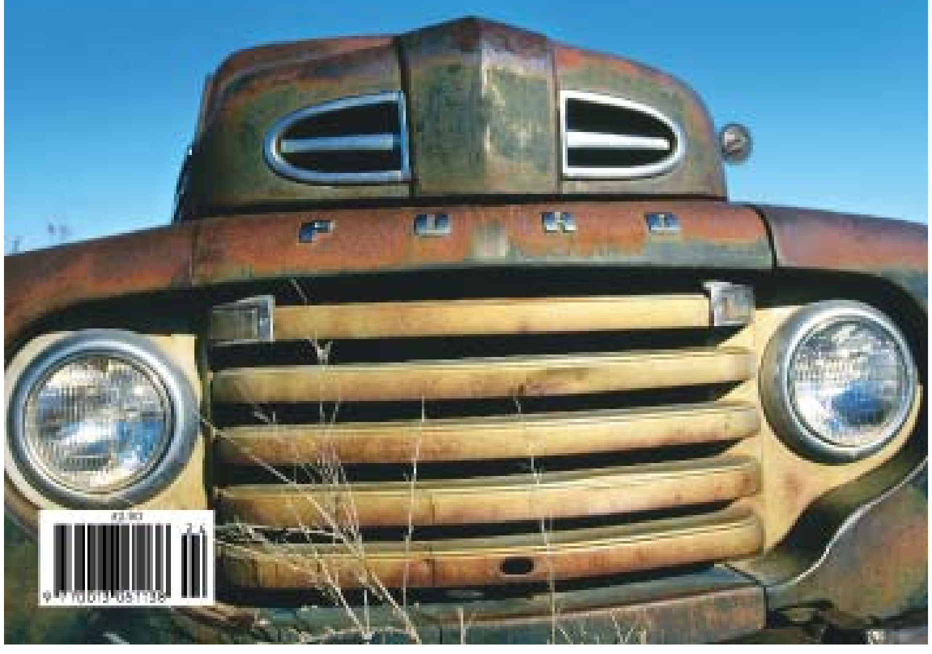
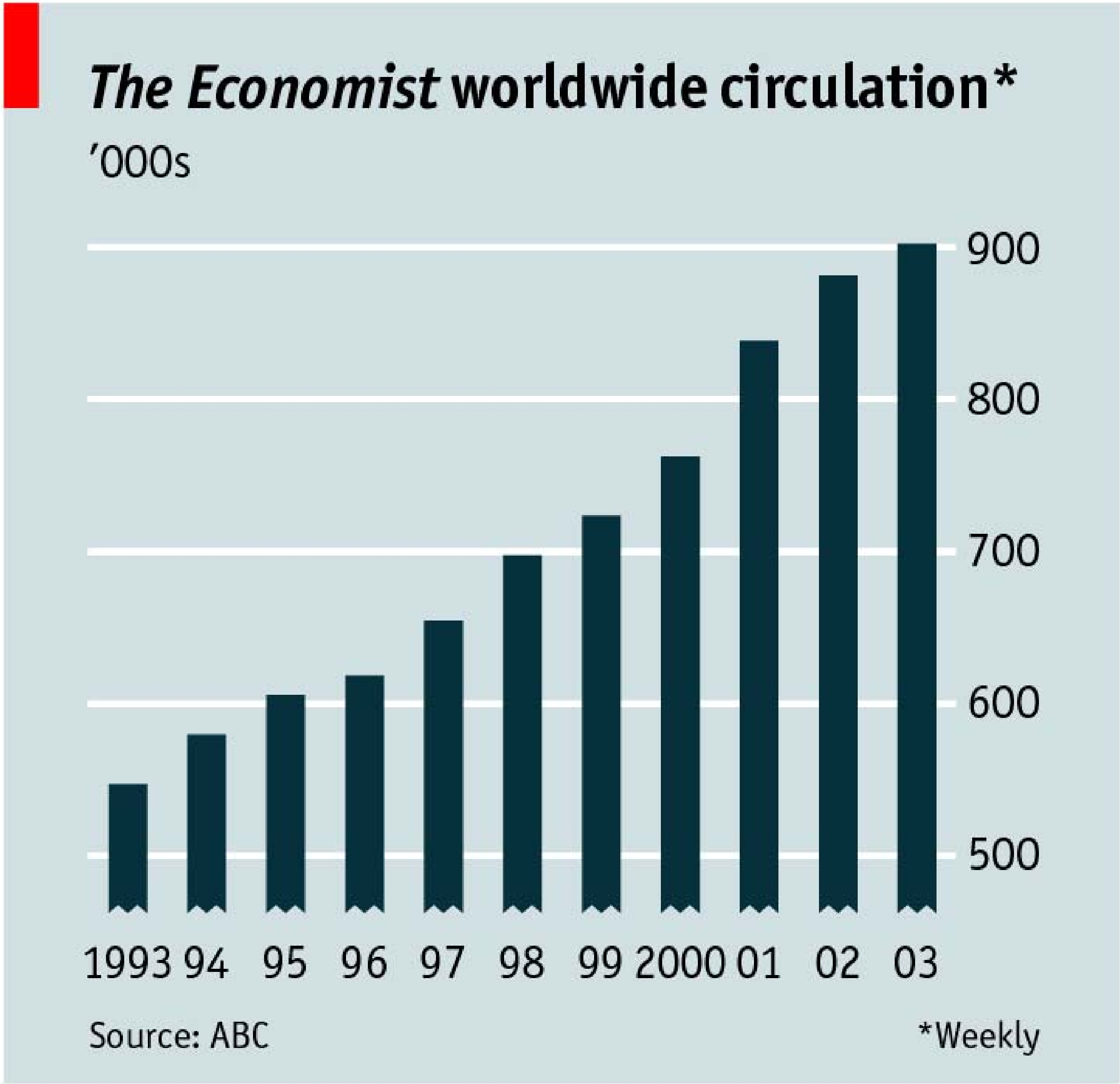
The Economist

JUNE 14TH–20TH 2003 www.economist.com

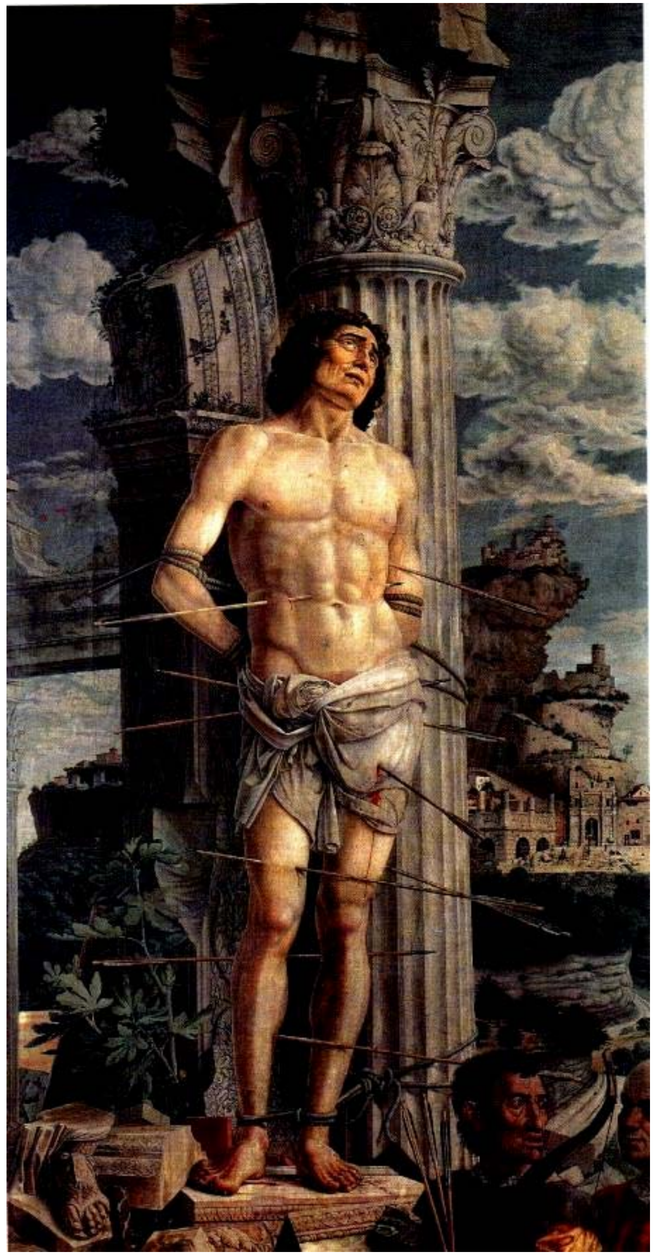
Extinction of the car giants





The Economist worldwide circulation*
'000s
900
800
700
600
500
1993 94 95 96 97 98 99 2000 01 02 03
Source: ABC
*Weekly

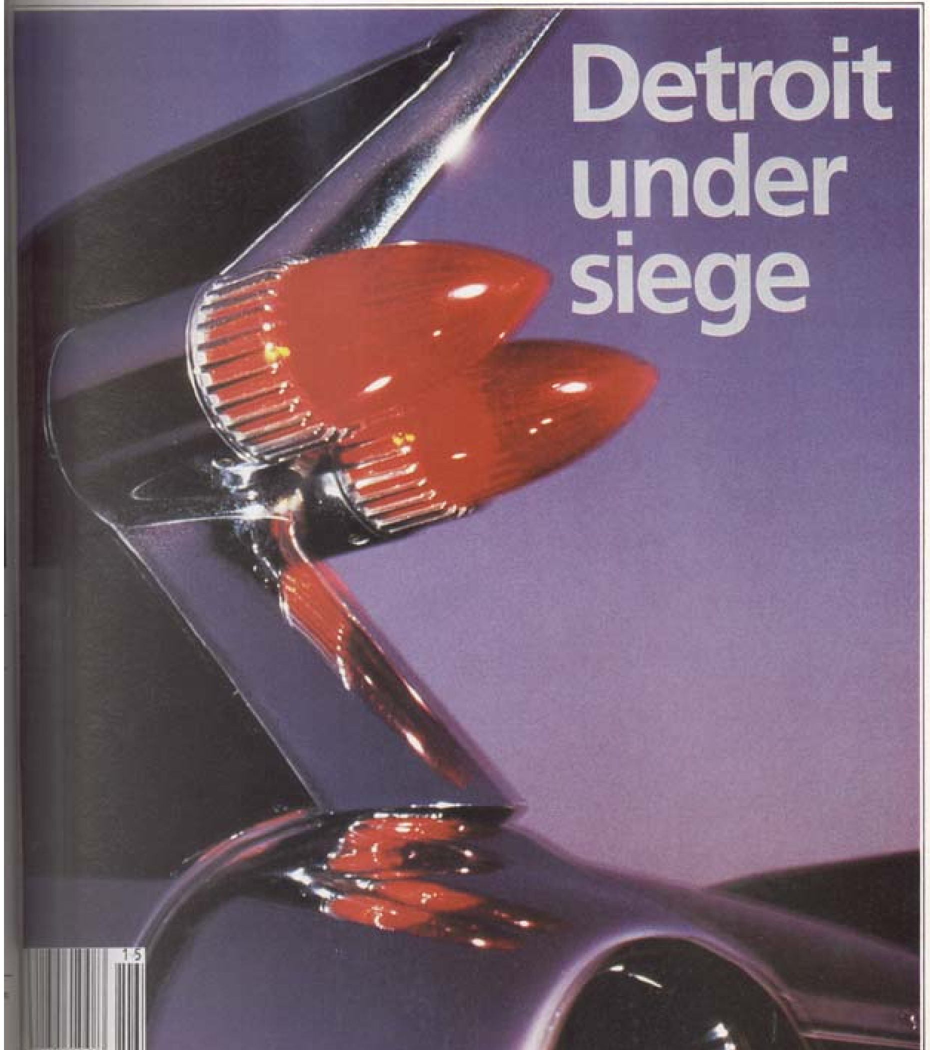

The Economist N. America circulation*
'000s
450
400
350
300
250
200
1993
94
95
96
97
98
99
2000
01
02
03
Source: ABC
*Weekly



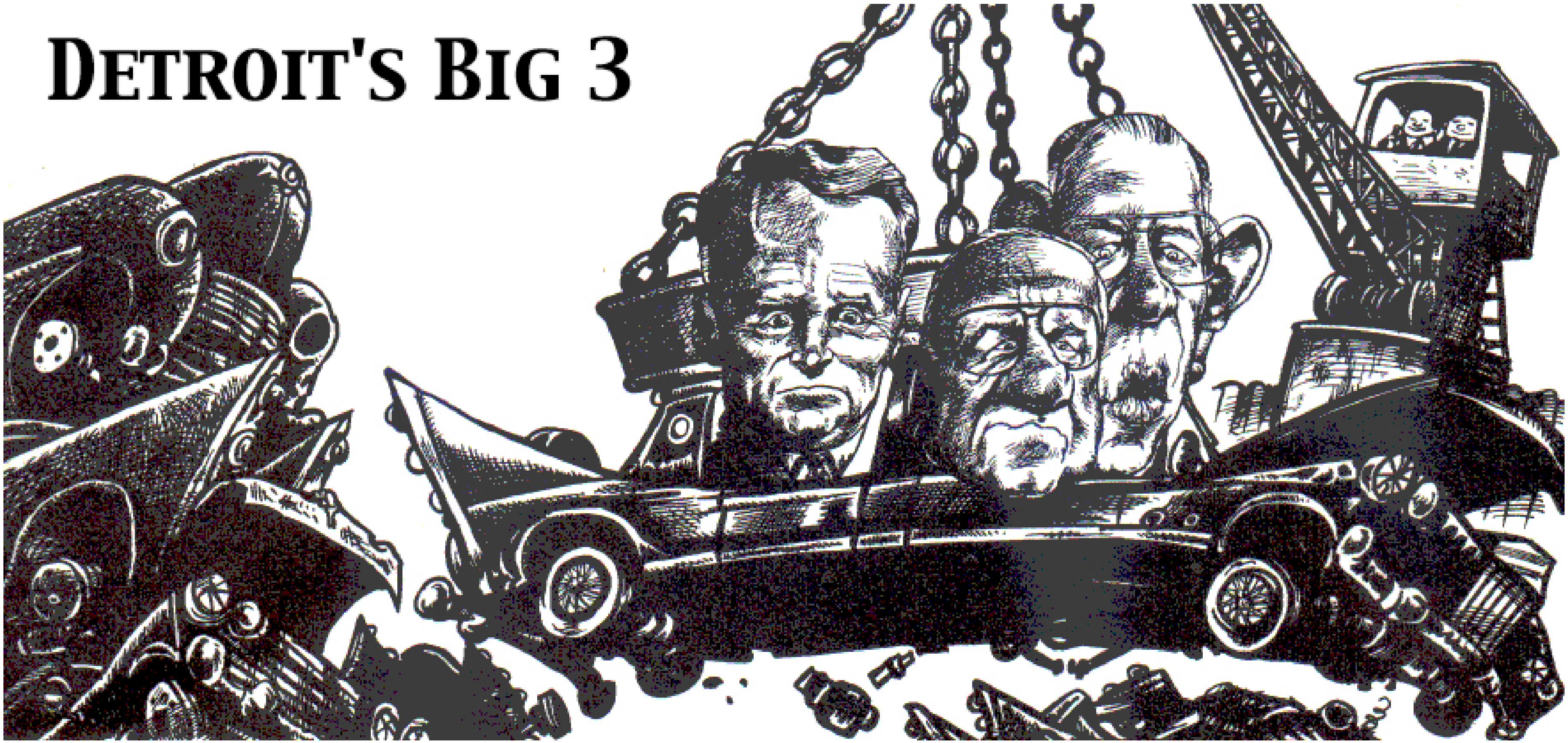
The Economist

UK£1.50 · USA$3.00 · IR£2.10 · FF21 · DM8.00 · Lire5,500
Nkr24 · Skr25 · ASch50 · SFr6.20 · Pts425 · Drs480 · FiM17 · Esc475 · Naira20

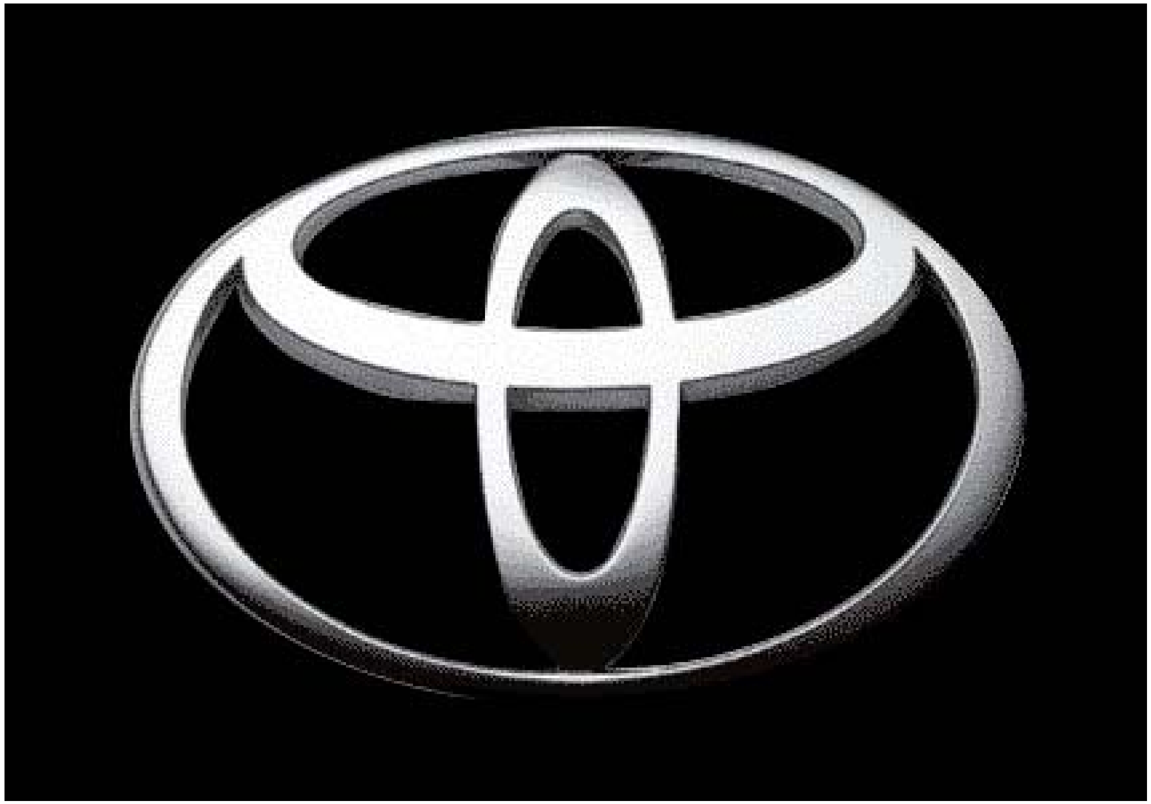
Detroit under siege



Detroit's Big 3



NISSAN

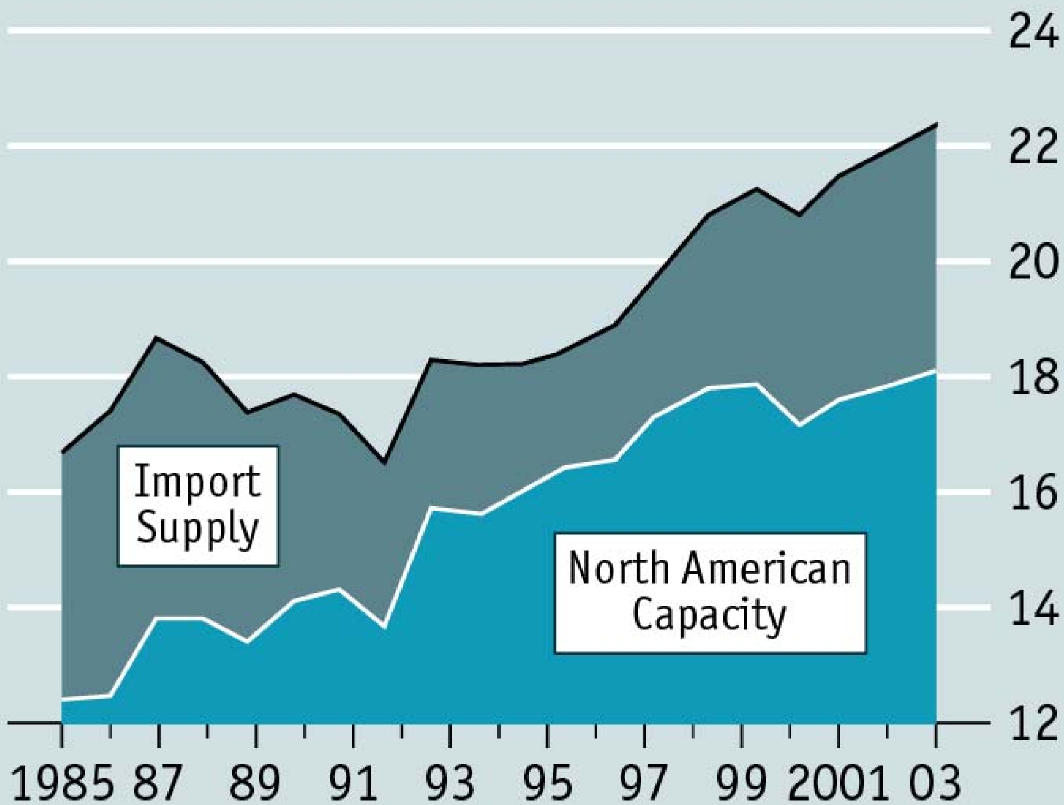


BMW

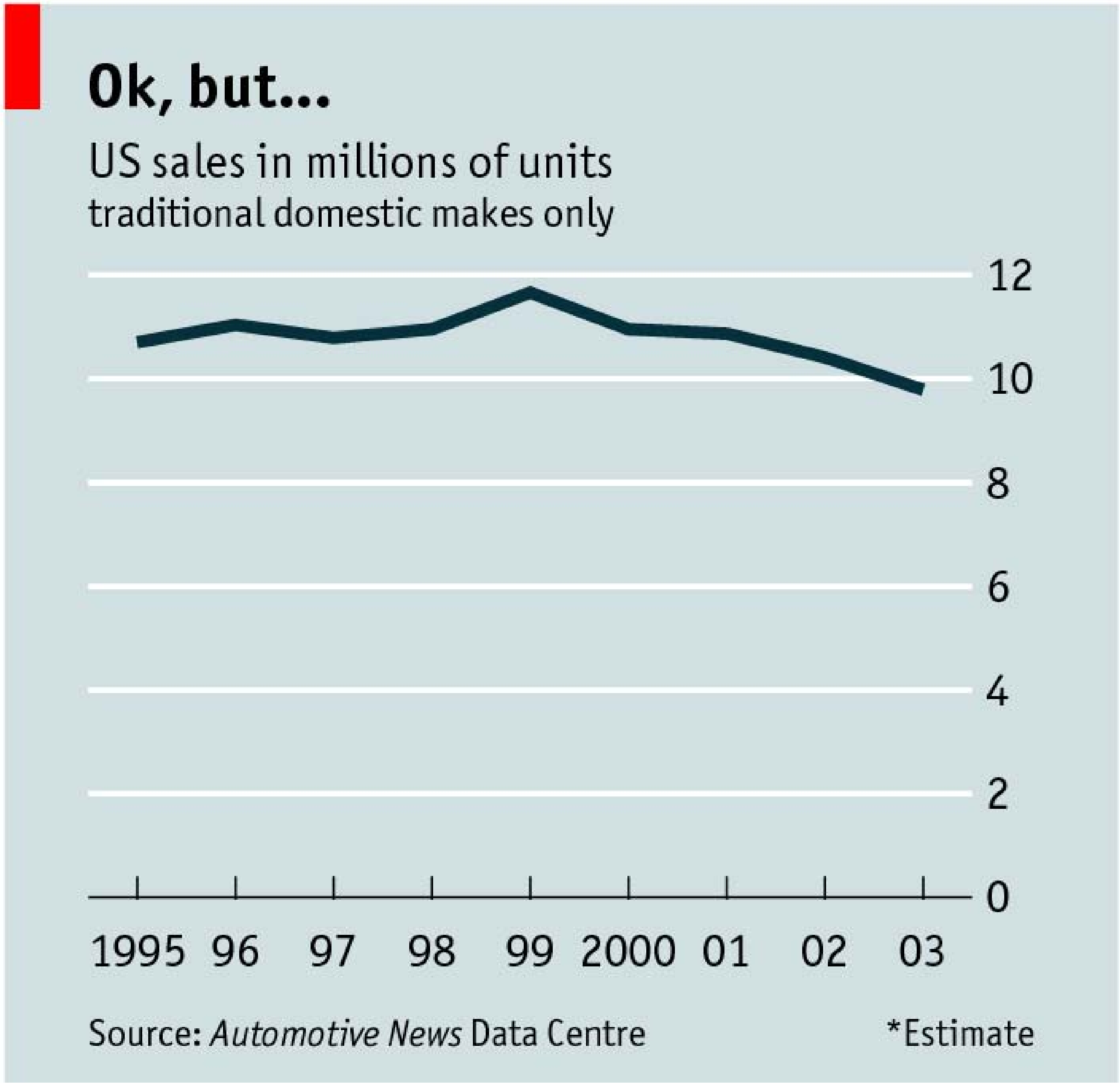
Building a problem

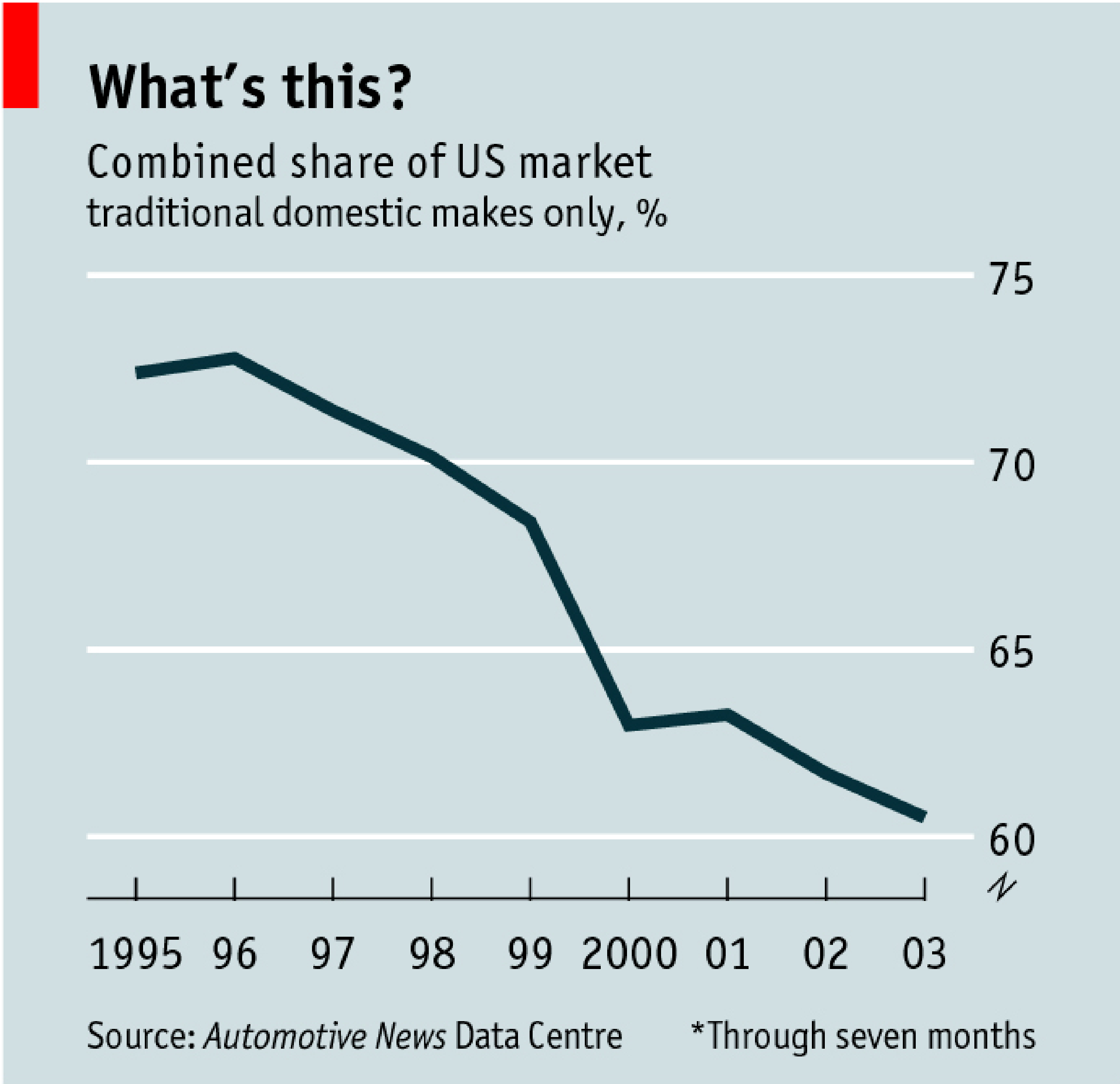
Supply in the North American vehicle market

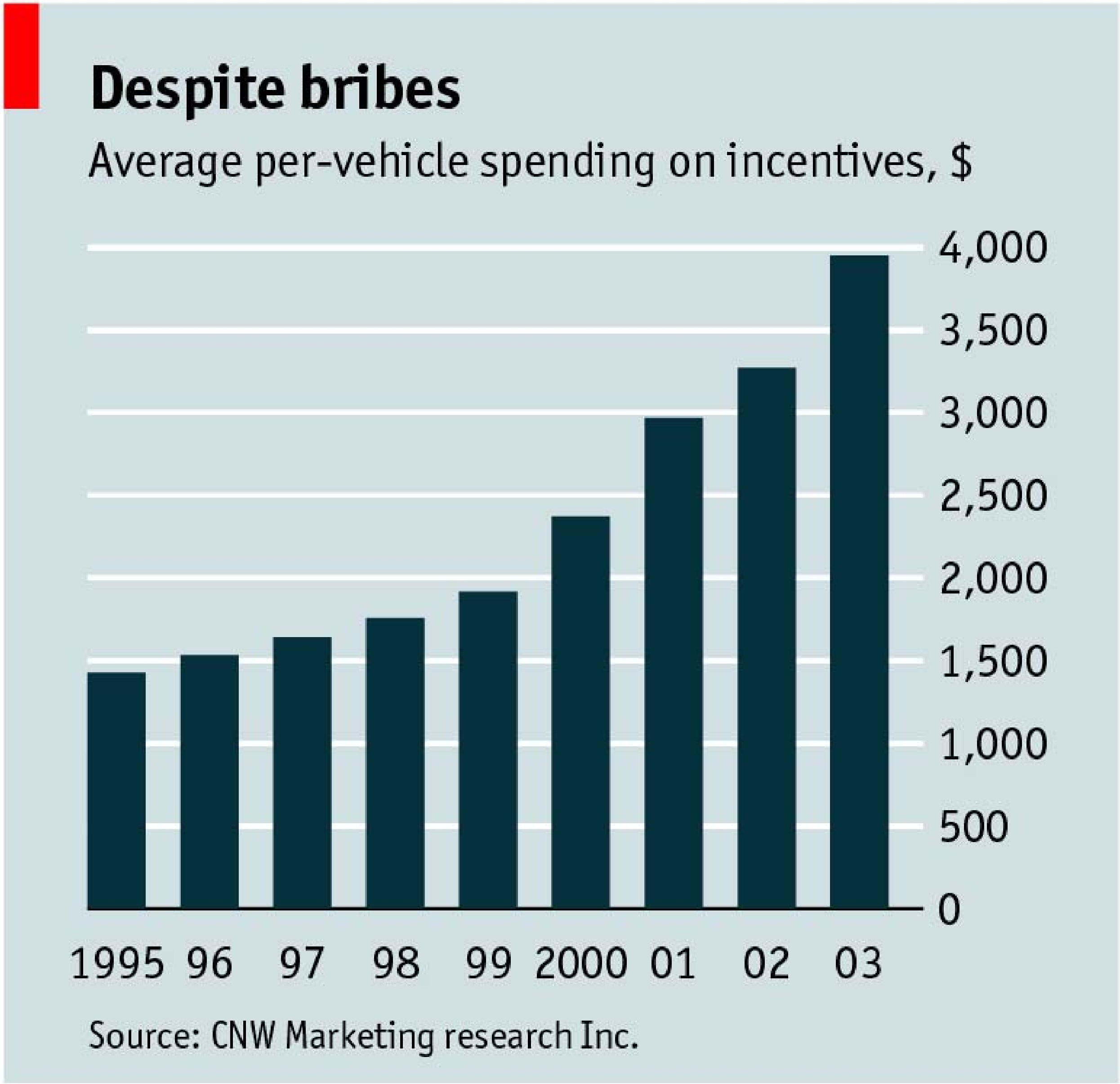
millions of vehicles



Sources: *Ward's Auomotive*; Goldman Sachs Research estimates


Ok, but...
US sales in millions of units
traditional domestic makes only
12
10
8
6
4
2
0
1995
96
97
98
99
2000
01
02
03
Source: *Automotive News* Data Centre
*Estimate


What's this?
Combined share of US market
traditional domestic makes only, %
75
70
65
60
1995
96
97
98
99
2000
01
02
03
Source: *Automotive News* Data Centre
*Through seven months


Despite bribes
Average per-vehicle spending on incentives, $
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
1995
96
97
98
99
2000
01
02
03
Source: CNW Marketing research Inc.

Import brands enjoy a price premium over the big three

$ price per vehicle*

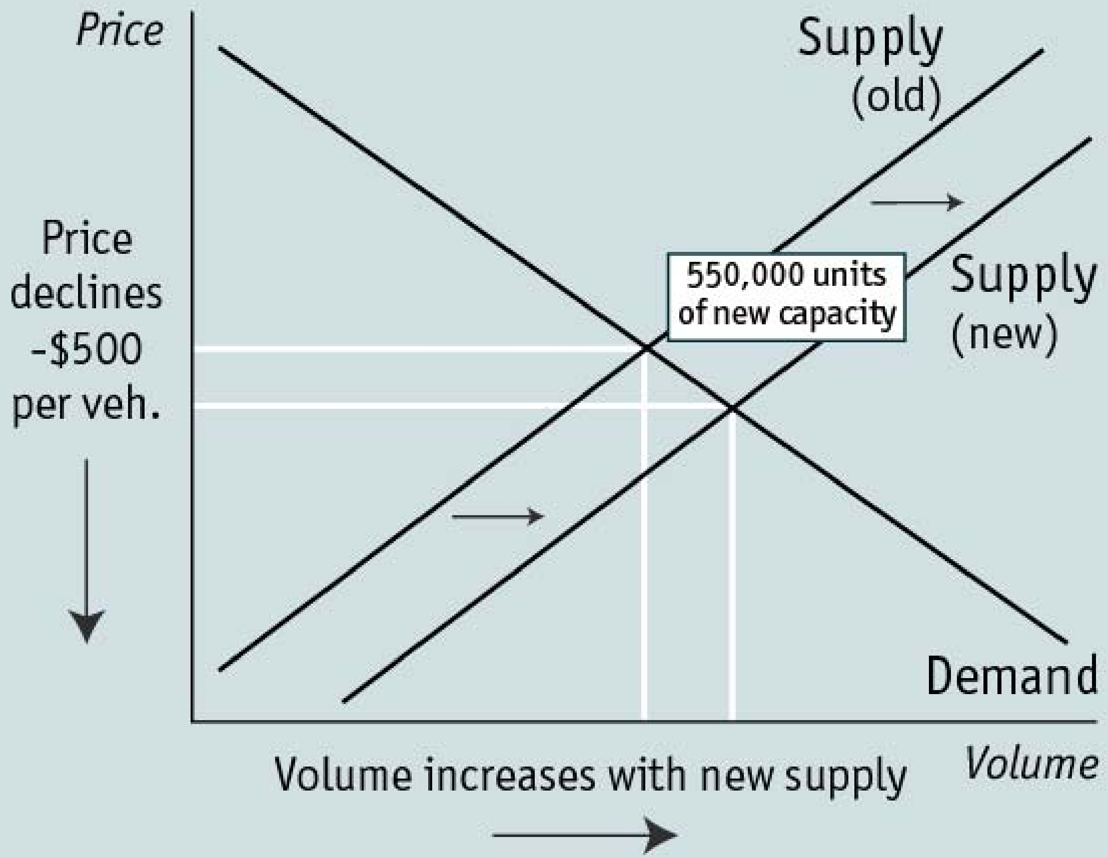
	Upper middle car				Entry Luxury and specialty utility / van			
	Honda Accord	Toyota Camry	Chevrolet Impala	Ford Taurus	Acura MDX	Buick Rendezvous	Chrysler Town and country	Mercury Mountaineer
Average transaction price†	$23,441	$24,169	$20,564	$20,386	na	na	na	na
Incentive per vehicle	1,243	886	2,805	3,186	0	2,000	2,500	1,500
Vehicle demand quotient‡	4.0	2.6	1.2	1.1	7.8	2.8	1.7	1.6

*except VDQ †Model year 2003, average transaction price for vehicle segment, not specific model
‡Ratio of active shoppers to retail sales; high number indicates high demand versus supply

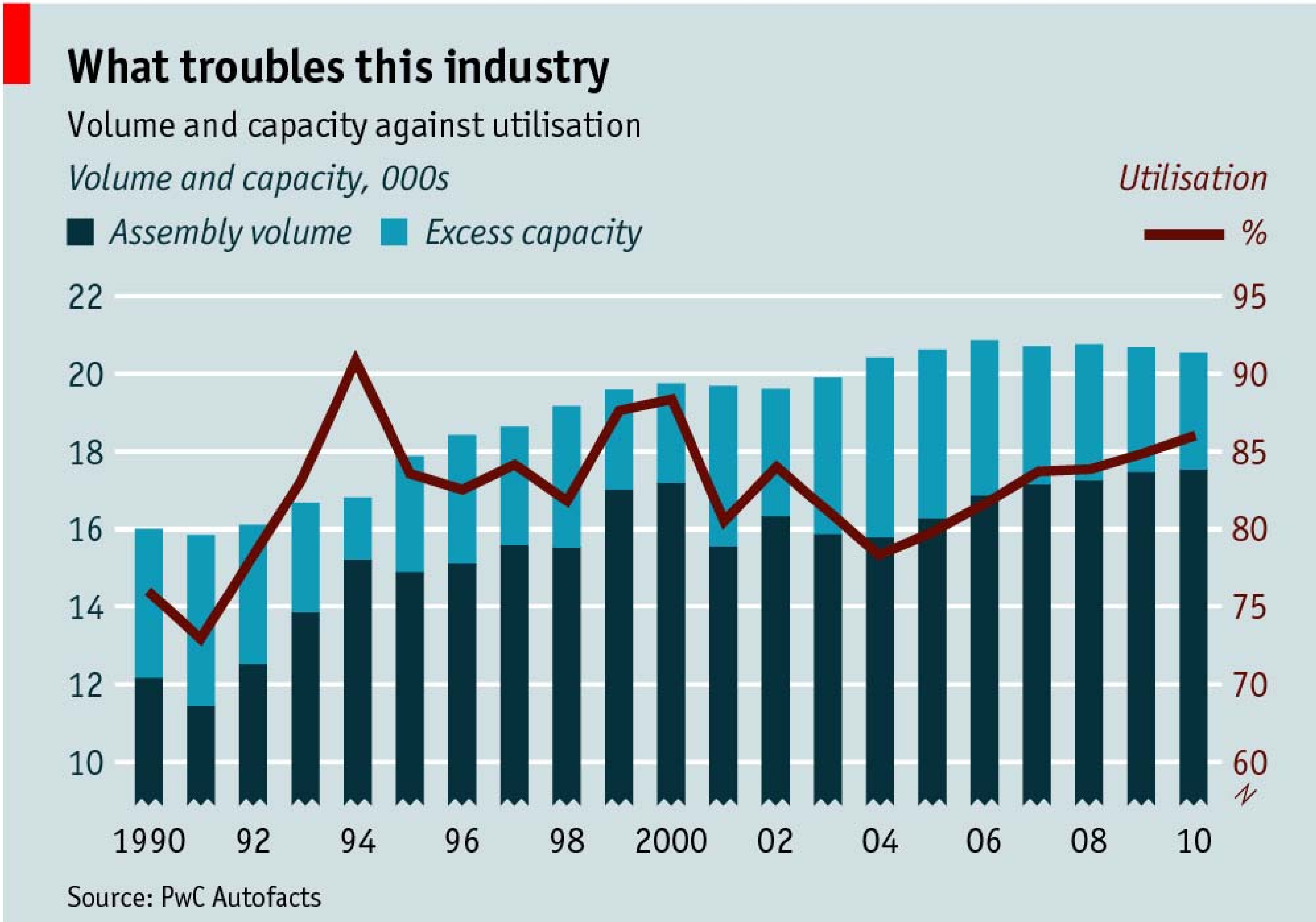
Sources: Compete, Inc.; J D Power; Autodata; Goldman Sachs Research estimates

Supply and demand

Increased supply lowers prices



Sources: Goldman Sachs Research estimates


What troubles this industry
Volume and capacity against utilisation
Volume and capacity, 000s
Utilisation
Assembly volume
Excess capacity
%
22
20
18
16
14
12
10
95
90
85
80
75
70
60
1990
92
94
96
98
2000
02
04
06
08
10
Source: PwC Autofacts

Whoops

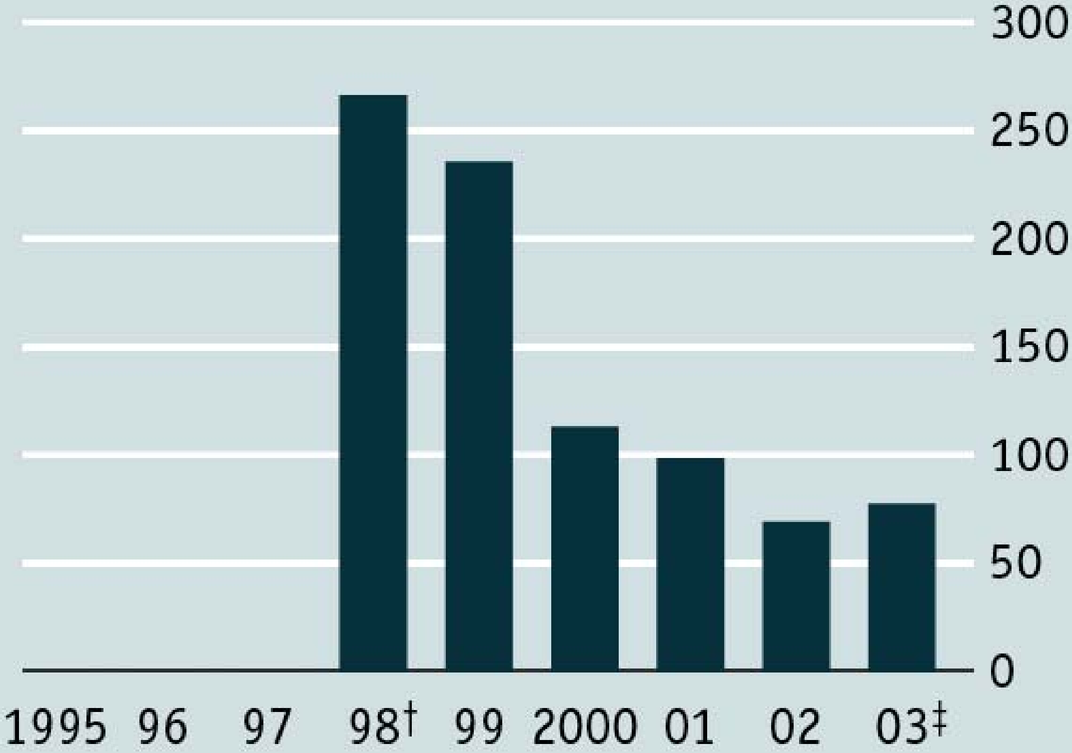
Combined pretax profit from auto operations*, $m

*Ford Motor Co., General Motors, Chrysler Group

Sources: Companies; *Automotive News*

Decline and fall

Combined market value* in, $bn



*Ford Motor Co., General Motors, DaimlerChrysler AG
†First Year for DCX ‡On July 31

Sources: Merrill Lynch; *Automotive News*

Southern discomfort