21st Annual Automotive Outlook Symposium
Federal Reserve Bank of Chicago-Detroit Branch

Detroit, MI
May 30, 2014

US Economic and Vehicle Market Outlook

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Overview

- **Global economic developments highly unsynchronized – creating uncertainty regarding the pace of the outlook**

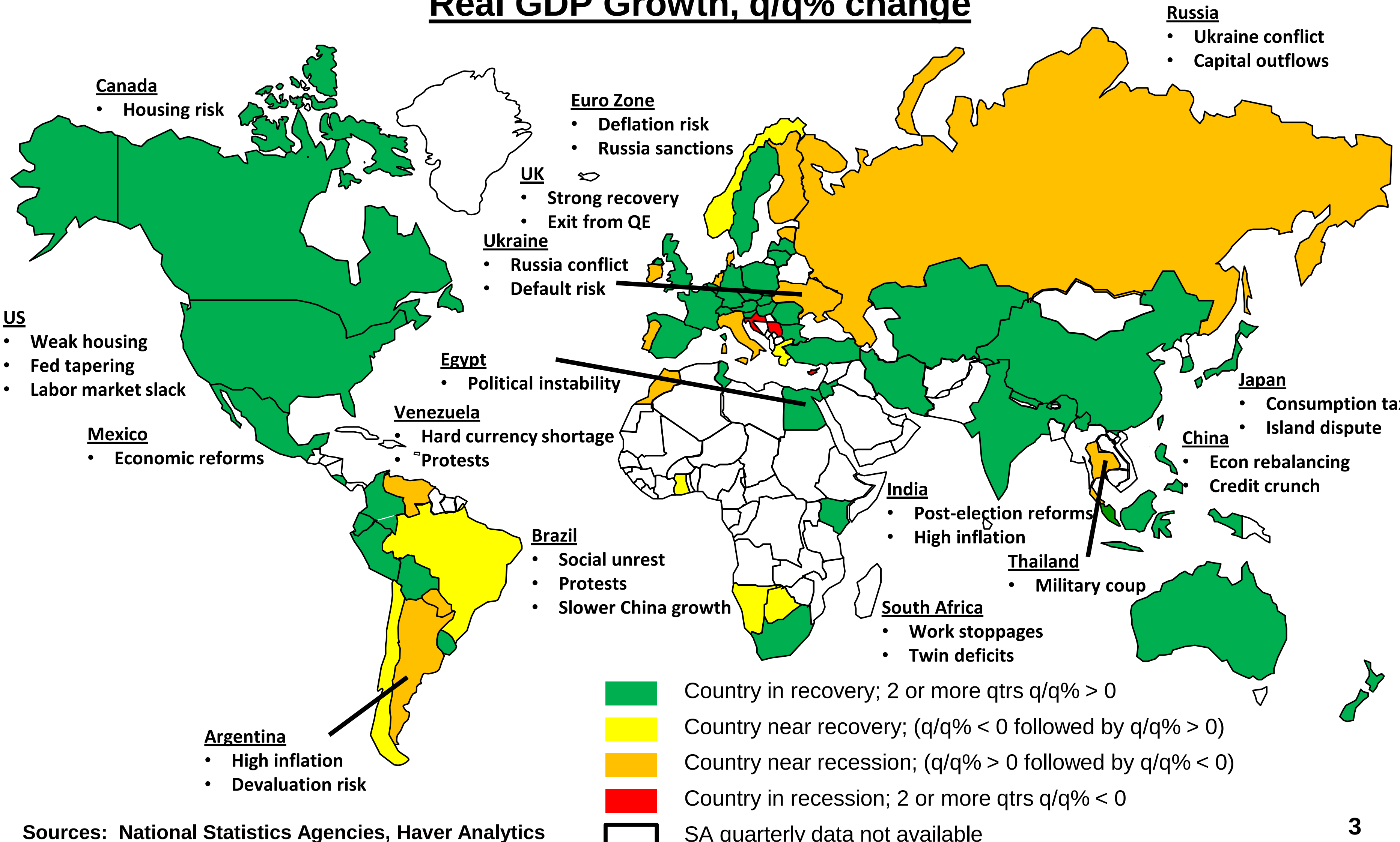
- **US economy still emerging from the Global Financial Crisis, with Fed policy, housing sector, and the labor market being the major factors influencing the strength of the expansion**

- **US vehicle demand fundamentals generally favorable – supporting a gradually improving sales outlook**

Global economic recovery largely uneven

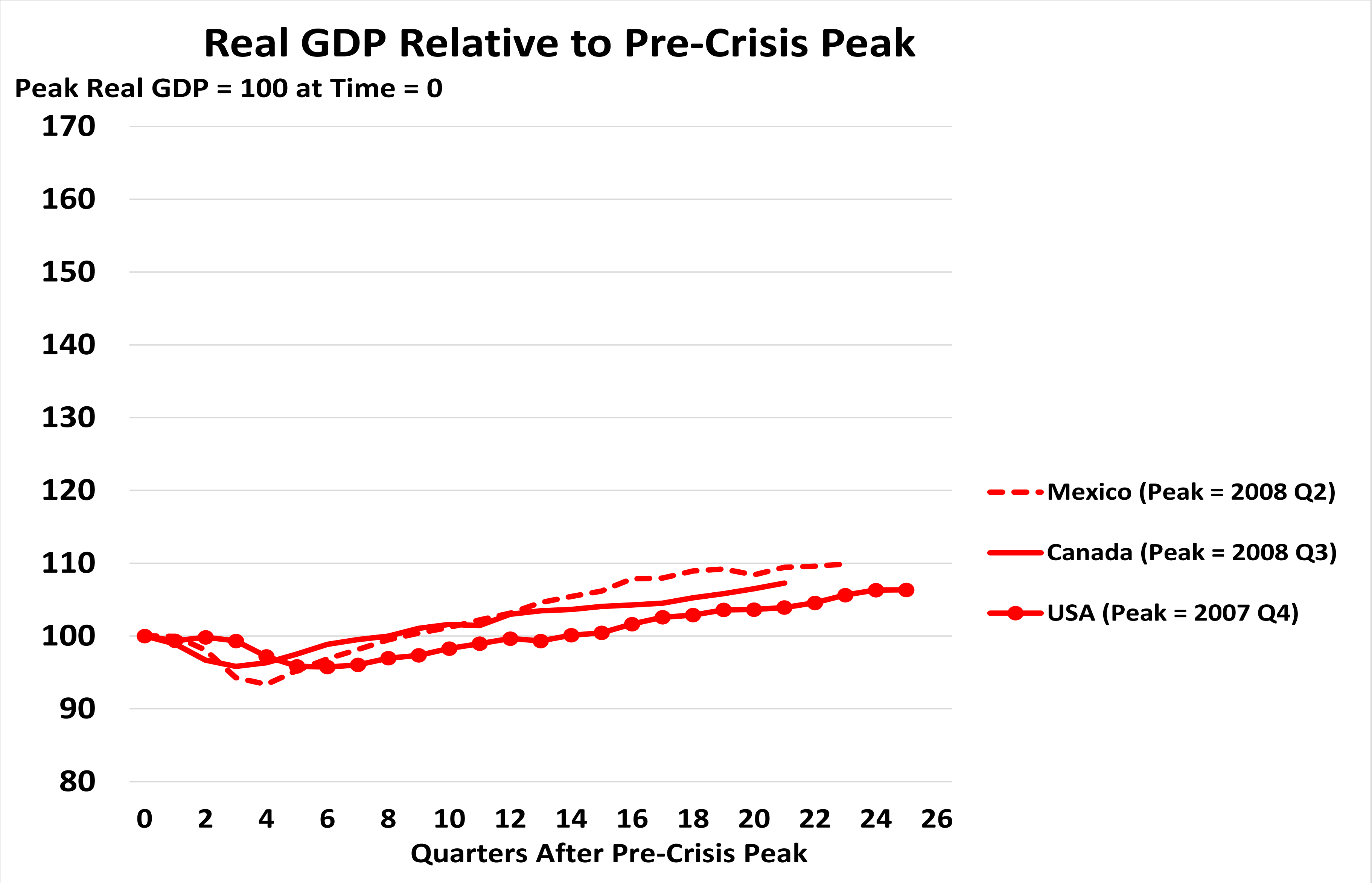
- Economic and political conditions consistent with modest global growth outlook
- North American region reflects generally positive growth prospects; albeit, the outlook for the US, Canada, and Mexico are not without risks

Real GDP Growth, q/q% change



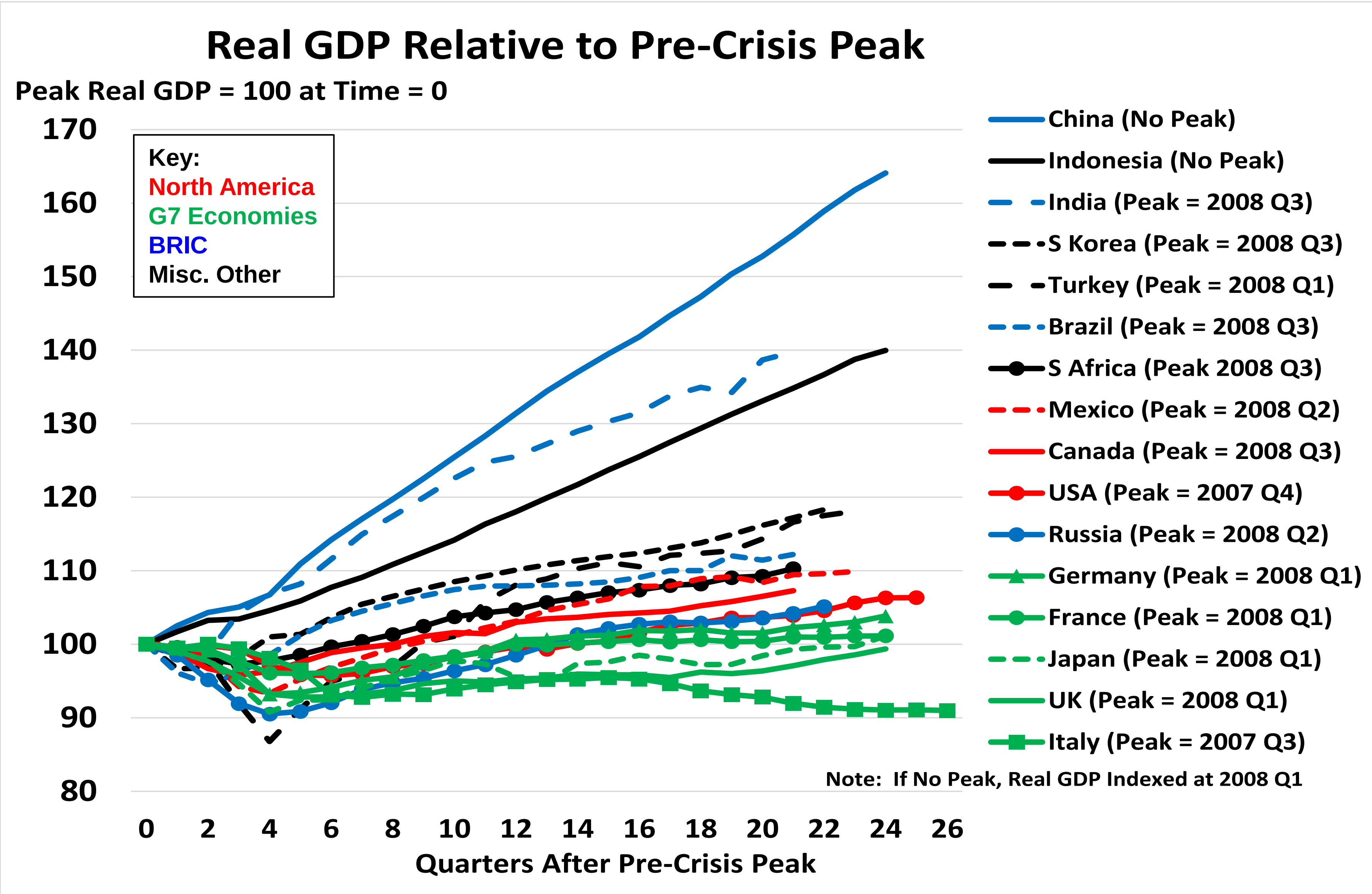
Sources: National Statistics Agencies, Haver Analytics

Based on the latest data, the economies of the US, Canada, and Mexico are less than 10% above their pre-crisis peak



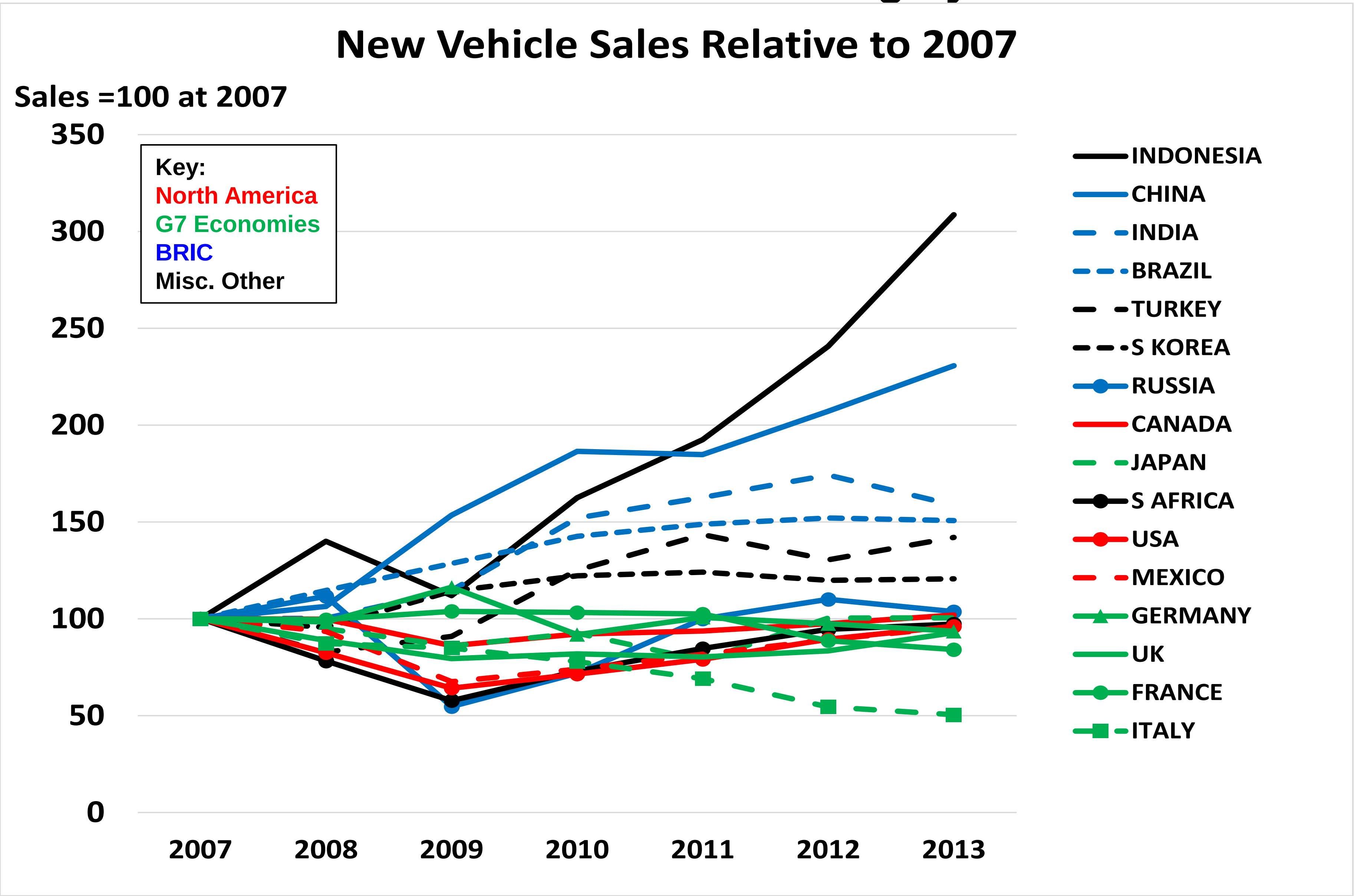
Sources: National Statistics Agencies, Haver Analytics; Calculations: General Motors Company

Multi-speed recovery with emerging markets generally outperforming developed markets



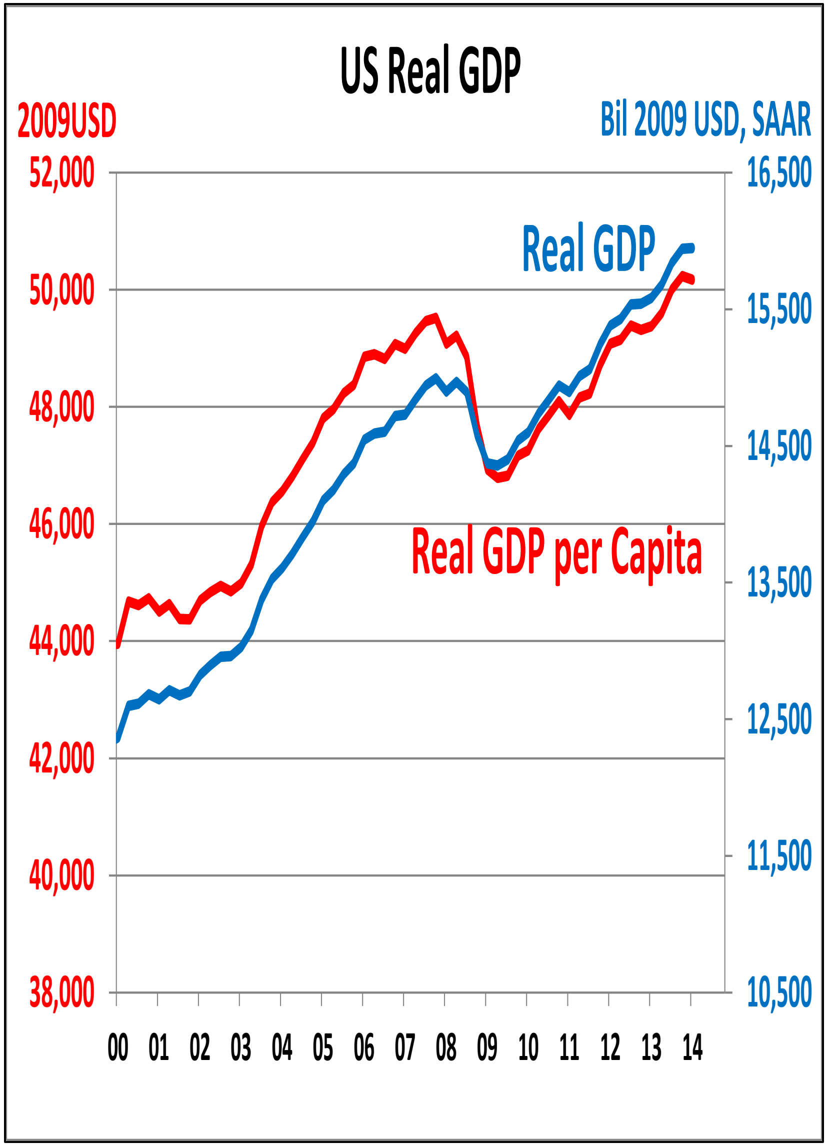
Sources: National Statistics Agencies, Haver Analytics; Calculations: General Motors Company

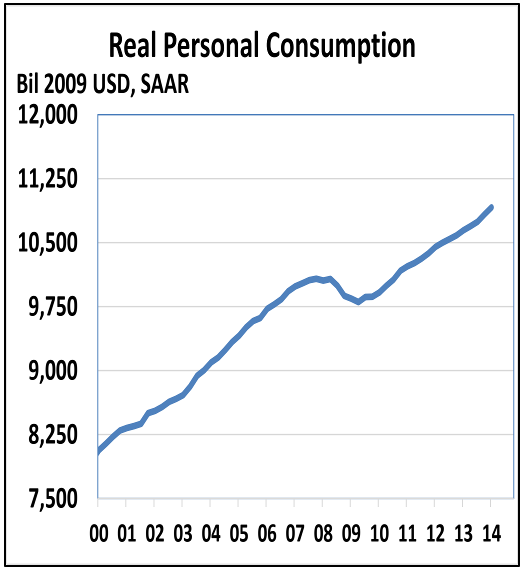
In line with the post-crisis real GDP development, new vehicle sales since 2007 have been largely uneven

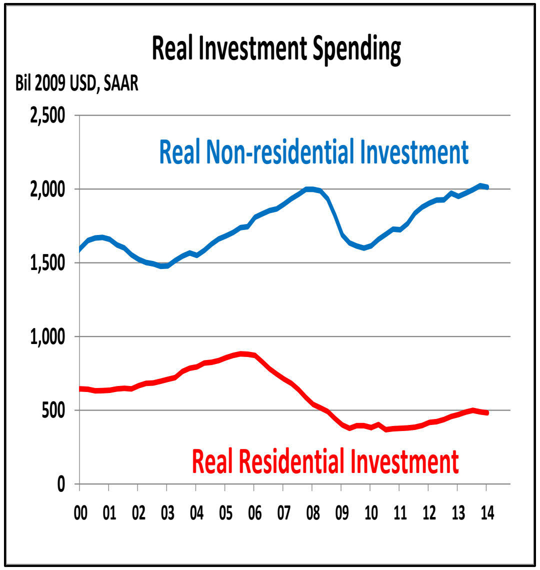


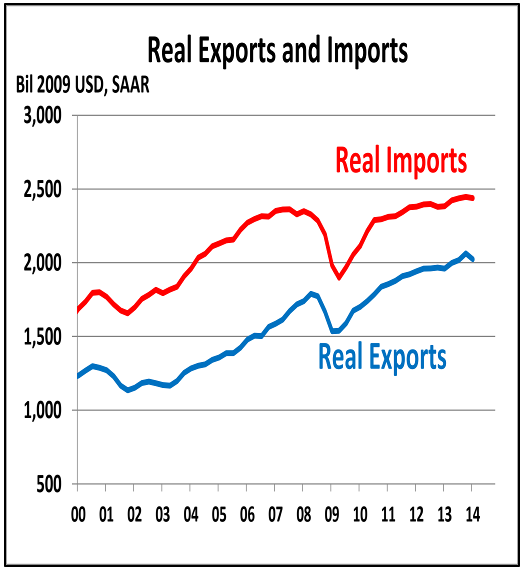
Source: Polk; Calculations: General Motors Company

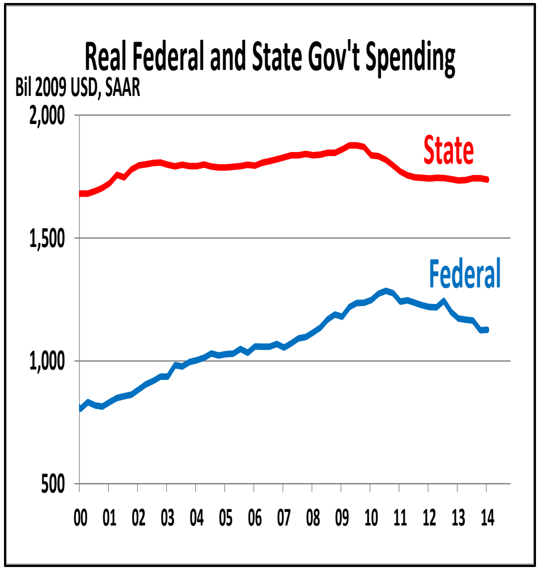
For the US, strong growth in personal consumption was the key factor behind the economy exceeding its pre-crisis peak







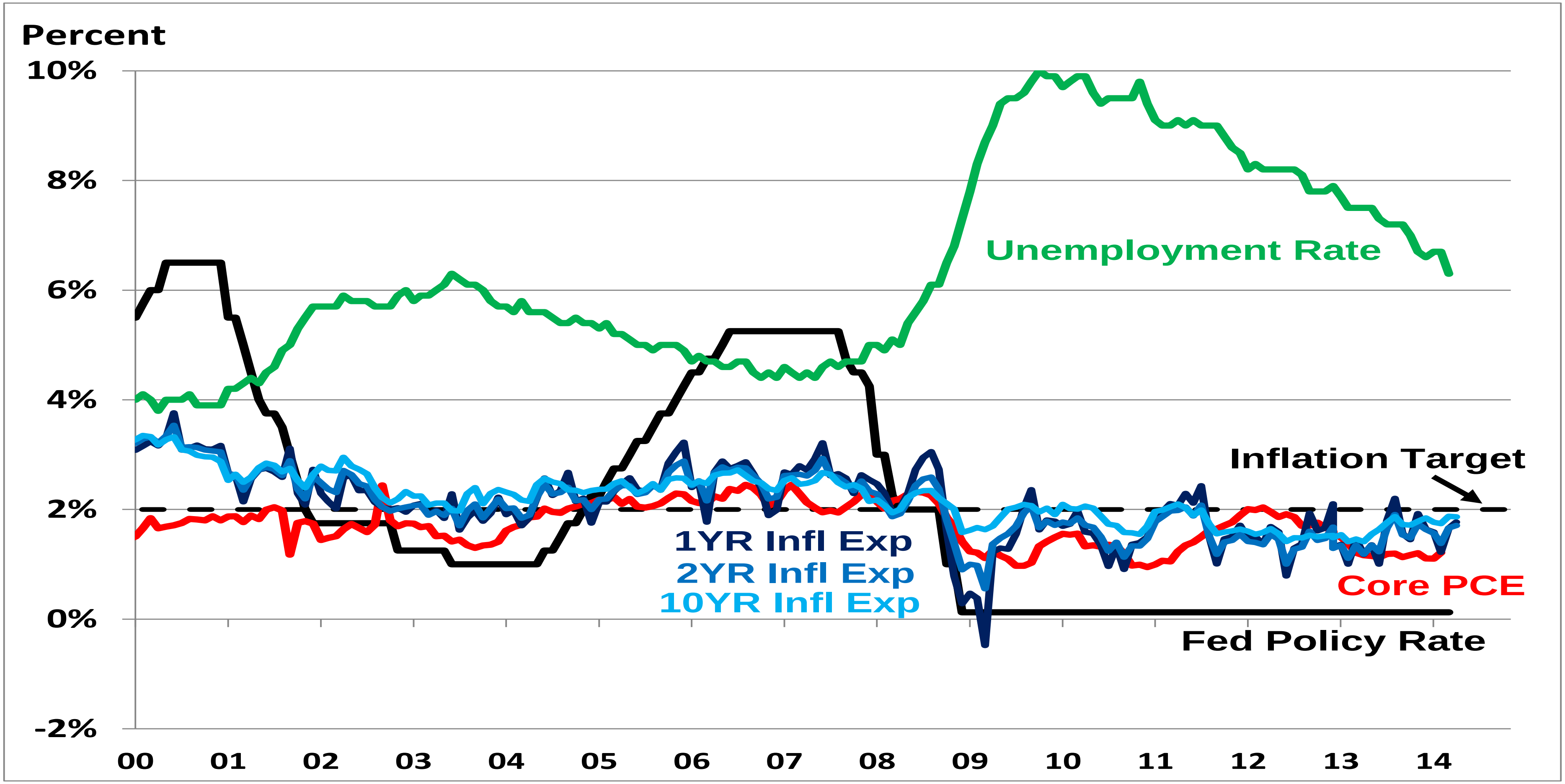




Core PCE inflation is largely contained; albeit, long-term inflation expectations are rising

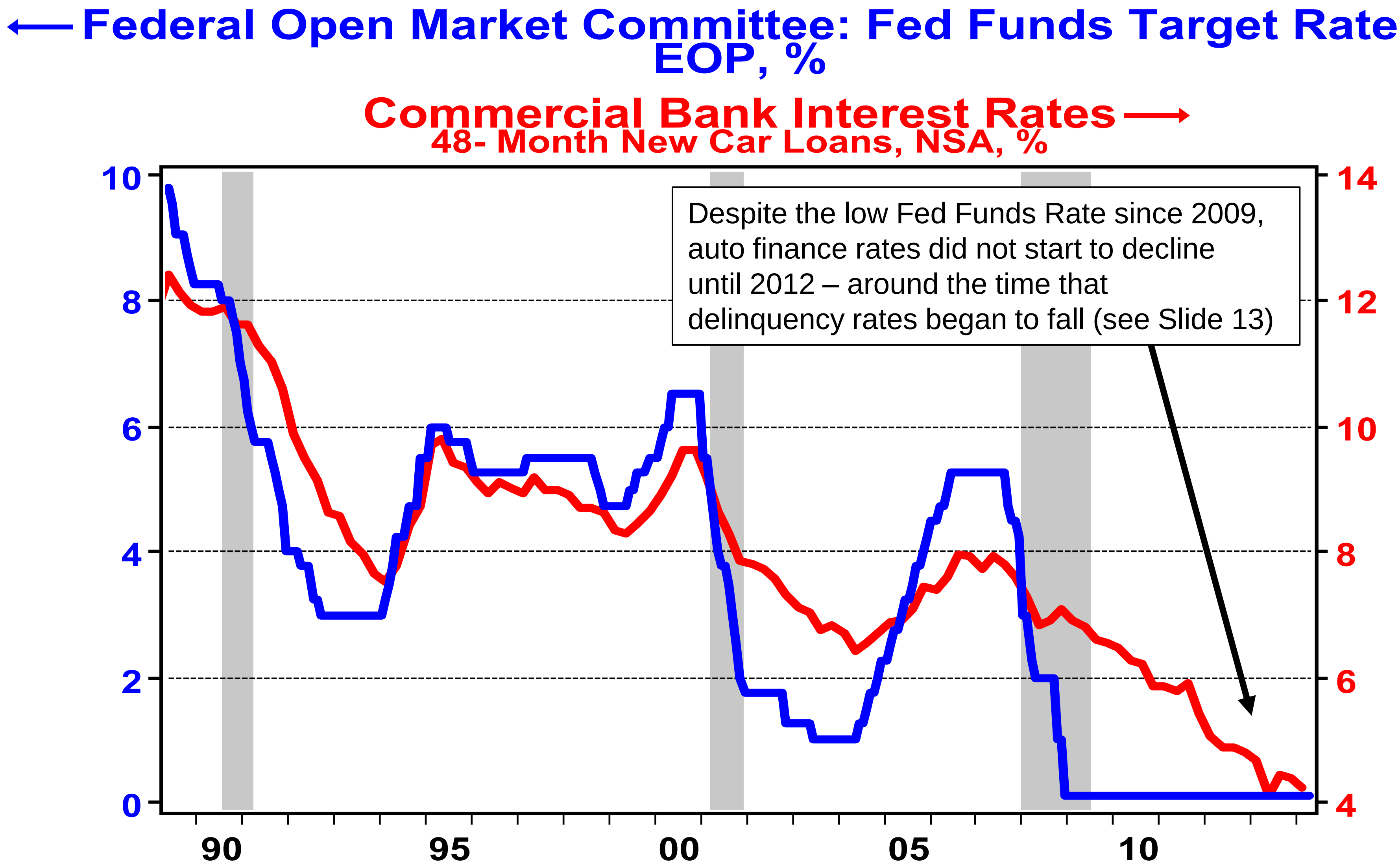
- Higher Core PCE inflation generally follows rising inflation expectations
- Policy rates tend to rise as inflation expectations exceed 2%

Federal Reserve Policy Rate versus Inflation and Unemployment Rates



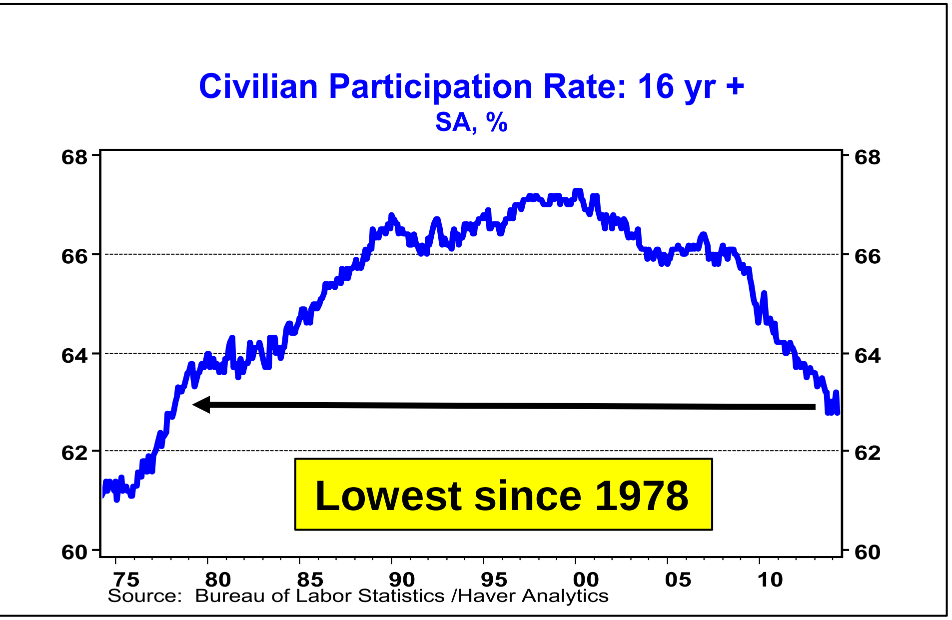
Sources: Federal Reserve Board, Bureau of Labor Statistics, Bureau of Economic Analysis, Federal Reserve Bank of Cleveland, Haver Analytics

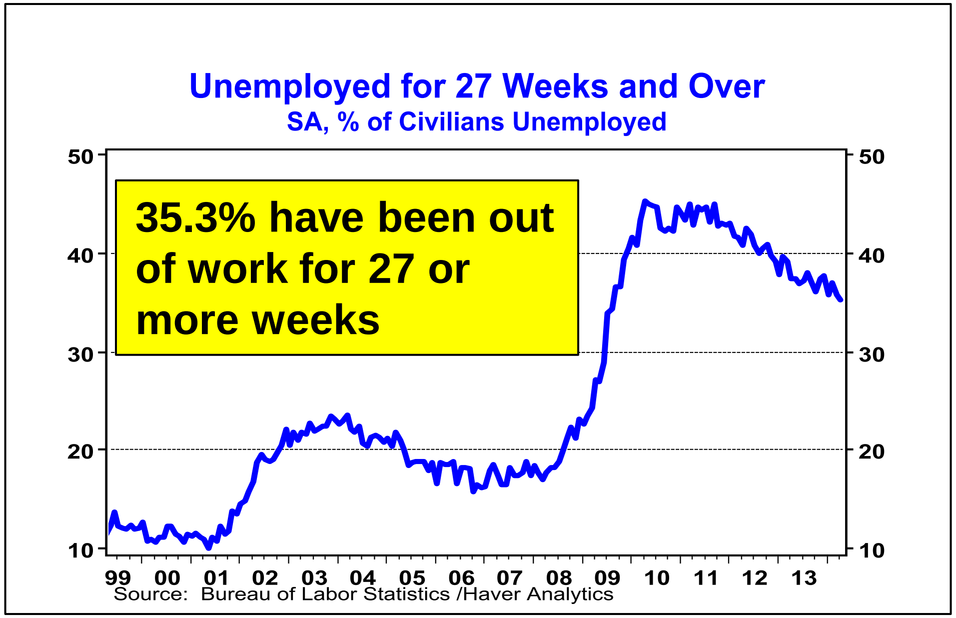
Low Fed Funds Rate currently supporting low auto finance rates



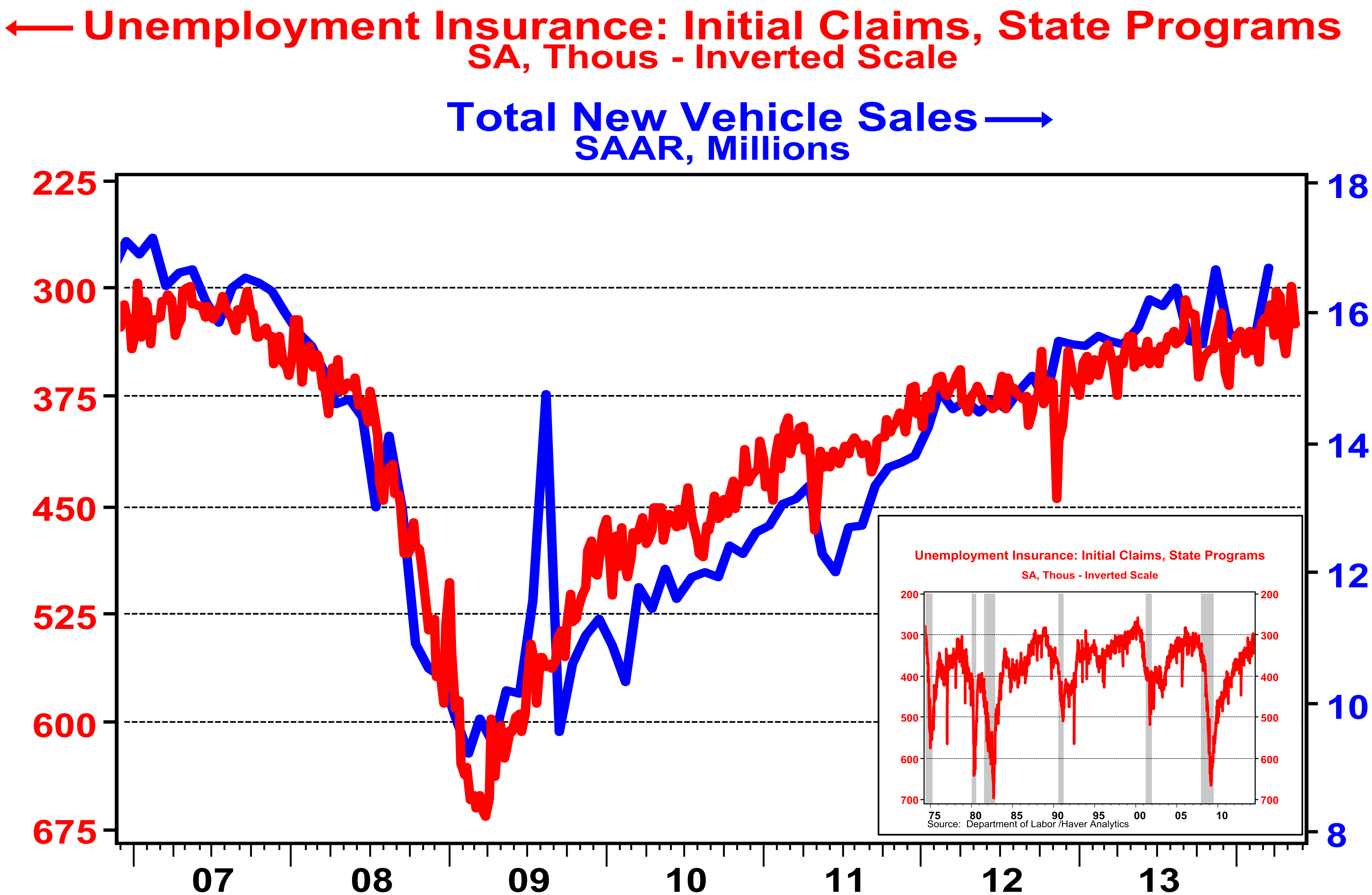
Source: Federal Reserve Board /Haver Analytics

Several indicators suggest that significant labor market slack still exists



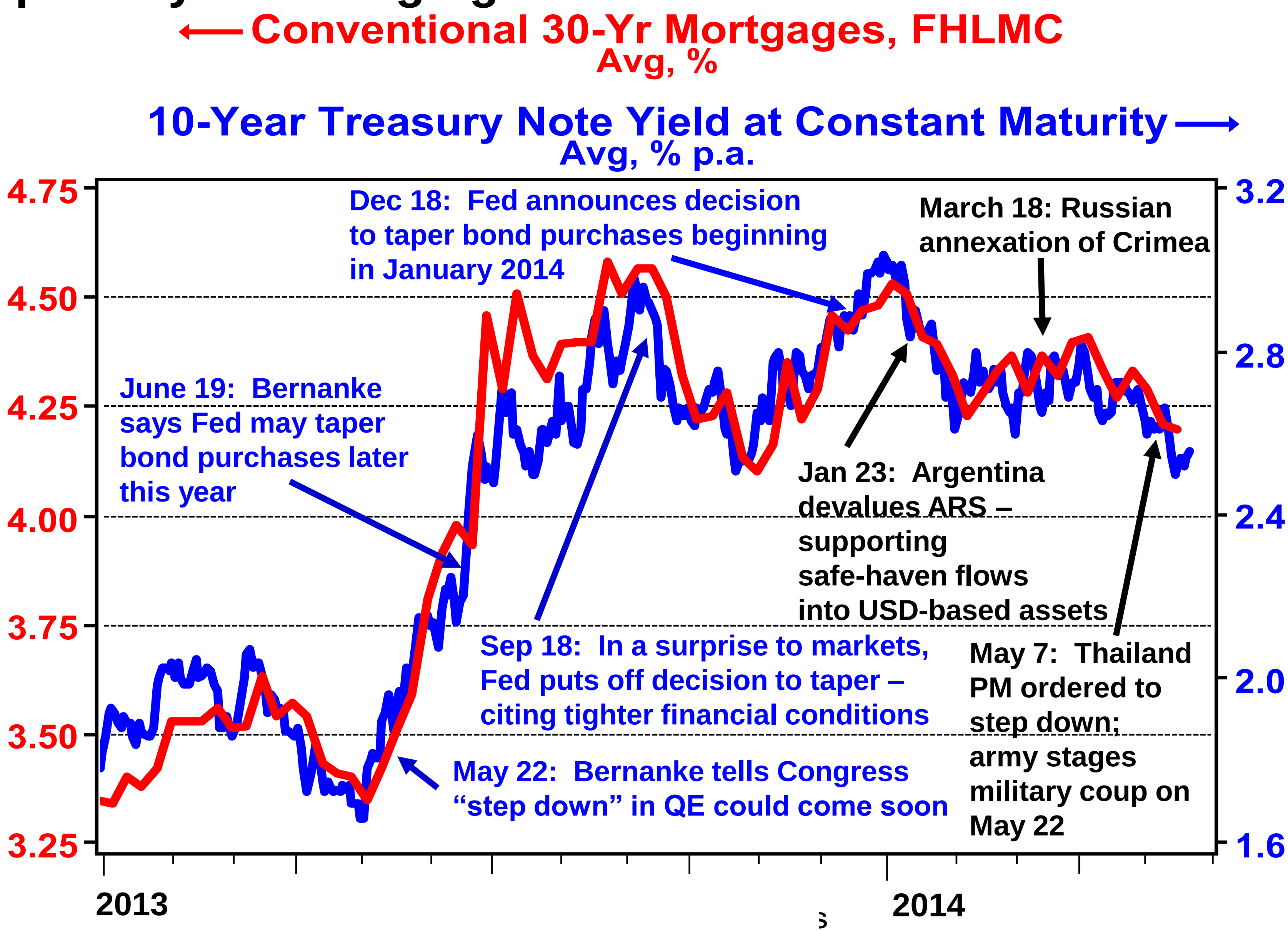


Initial unemployment claims have fallen to a level consistent with previous expansions, and are consistent with total new vehicle sales



Source: Haver Analytics

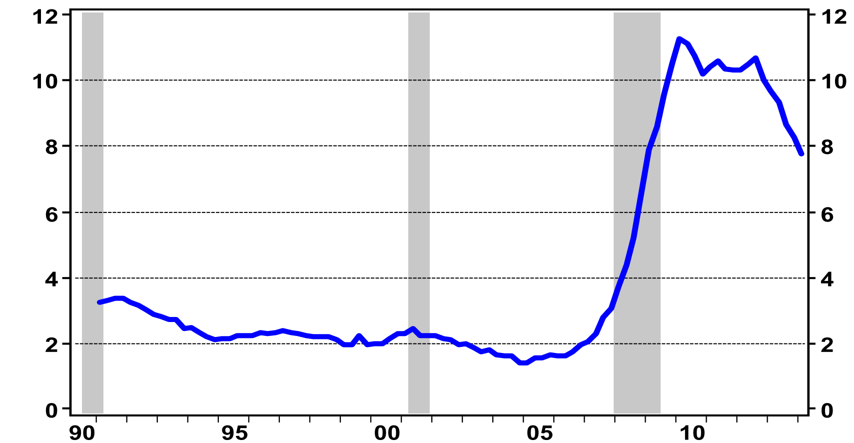
Despite Fed tapering, 10-year bond yields have declined – especially as emerging market risks have increased



Sources: Federal Reserve Board, Haver Analytics

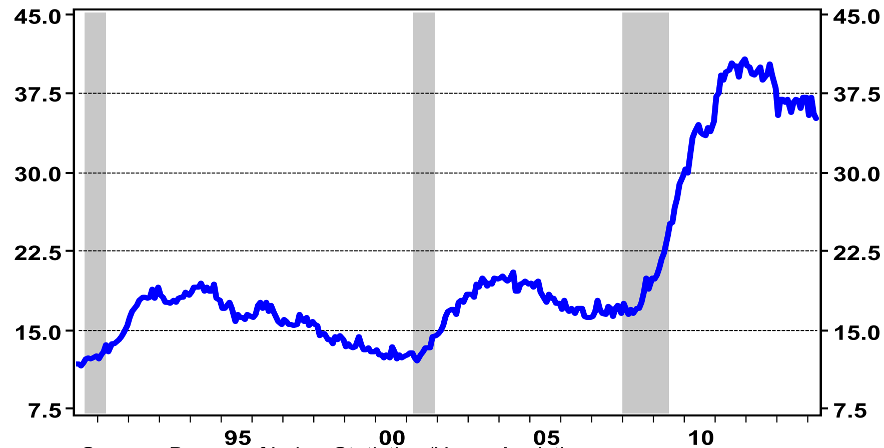
The collapse of the housing market has had a broad negative impact on lending, labor mobility, construction, and household wealth – thus reflecting the broad influence the sector has on the overall economy

Delinquency Rate: Residential Real Estate Loans
All Commercial Banks, SA,%



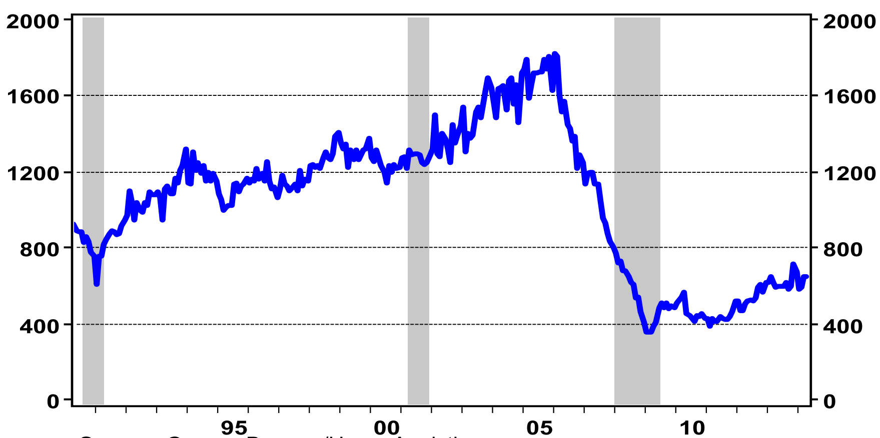
Source: Federal Reserve Board /Haver Analytics

Average {Mean} Duration of Unemployment
SA, Weeks



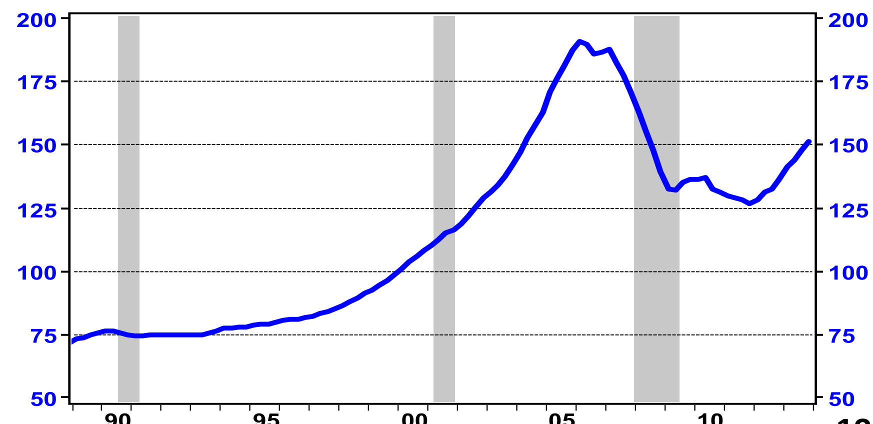
Source: Bureau of Labor Statistics /Haver Analytics

Housing Starts: 1 Unit
SAAR, Thous.Units



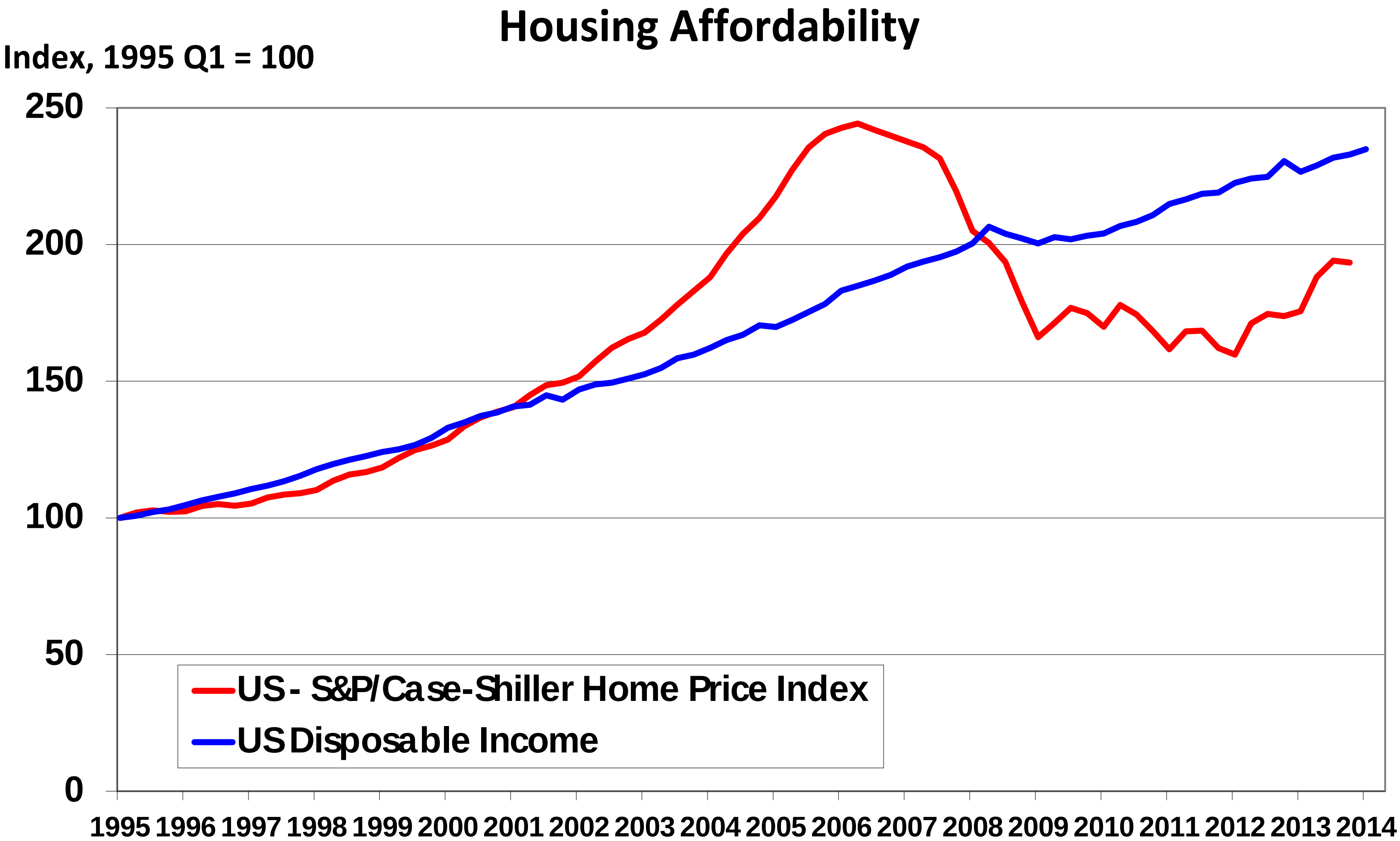
Source: Census Bureau /Haver Analytics

S&P/Case-Shiller Home Price Index: U.S.
SA, Q1-00=100



Source: Standard & Poor's /Haver Analytics

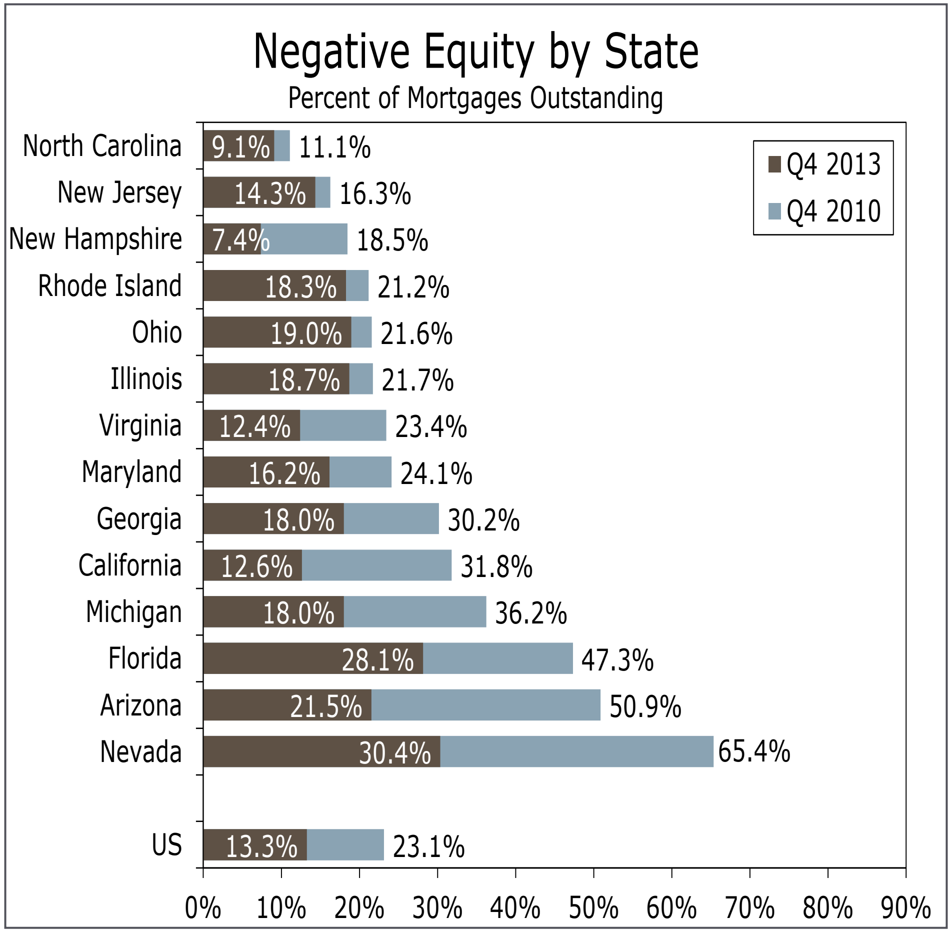
Despite rising prices, home ownership remains affordable



Source: Standard and Poor's, Bureau of Economic Analysis, Haver Analytics; Calculations: General Motors Company

While rising prices pose a risk to home purchases, it will continue to help those current owners who are under water on their mortgages

- To the extent that negative equity has restricted labor mobility, rising home prices may help relax some of those constraints



Source: CoreLogic and Wells Fargo Securities, LLC

LIGHT VEHICLE SALES BY STATE

		2013	% Change 2010 - 2013
1	CALIFORNIA	1,713,829	55%
2	TEXAS	1,424,648	56%
3	FLORIDA	1,101,613	36%
4	NEW YORK	929,679	24%
5	OKLAHOMA	699,555	7%
6	PENNSYLVANIA	622,954	23%
7	ILLINOIS	612,287	24%
8	OHIO	571,719	31%
9	NEW JERSEY	546,205	18%
10	MICHIGAN	540,852	26%
11	GEORGIA	435,444	33%
12	NORTH CAROLINA	402,380	33%
13	VIRGINIA	375,649	24%
14	ARIZONA	356,536	64%
15	MASSACHUSETTS	333,012	24%
	TOTAL LIGHT VEHICLE SALES	15,402,924	
	TOP 15 AS A % OF TOTAL	69.2%	

Red text denotes states with high negative equity

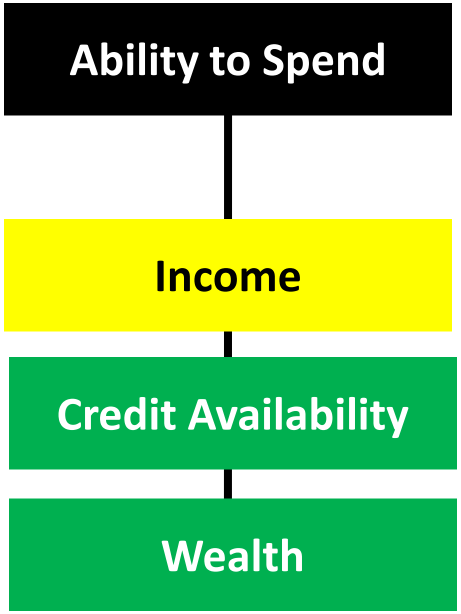
Source: Polk; Calculations: General Motors Company

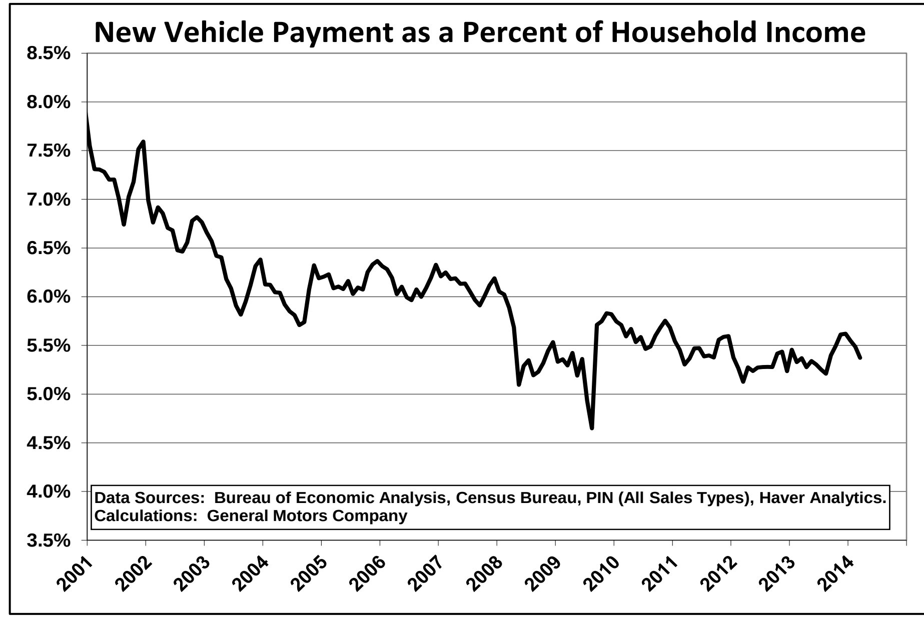
Expanded Katona Paradigm for Explaining Consumer Spending

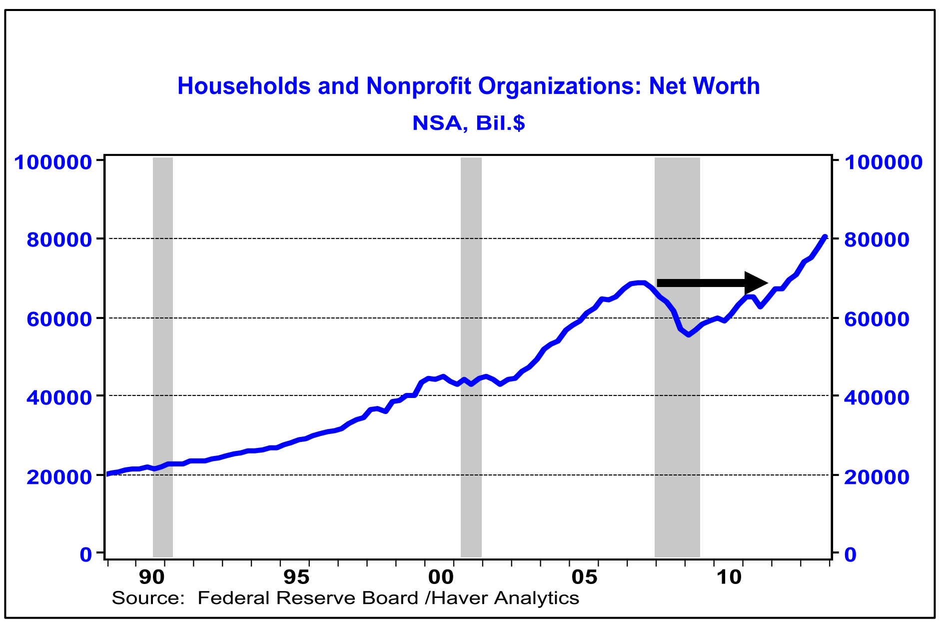
- **Consumer Spending**
  - **Ability to Spend**
    - Income
    - Credit Availability
    - Wealth
  - **Willingness to Spend**
    - Confidence
  - **Need to Spend**
    - New demand
    - Replacement Demand
    - Complementary Spending
    - Gift Buying
  - **Opportunity to Spend**
    - Seasonal Demand
    - Incentives
    - New Model / Technology
    - Pent-up Demand

Source: Adapted from Michael P. Niemira

Households' Ability to Spend strongly supported by favorable credit conditions and rising household wealth, while income gains have been generally modest





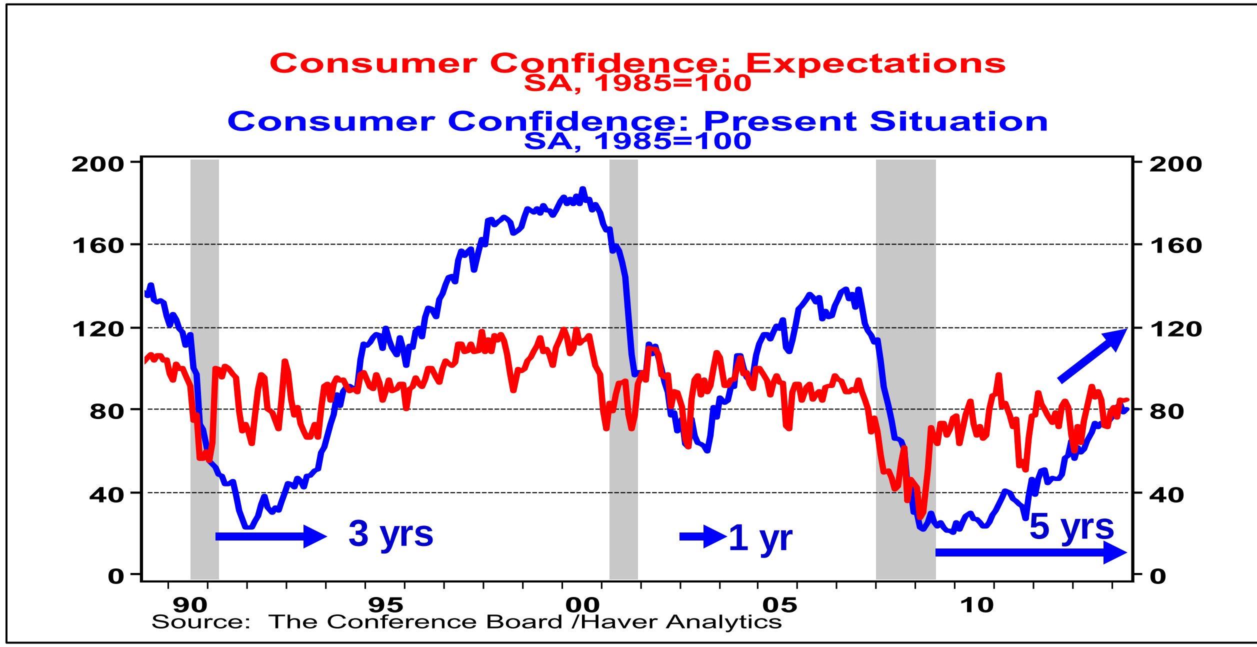


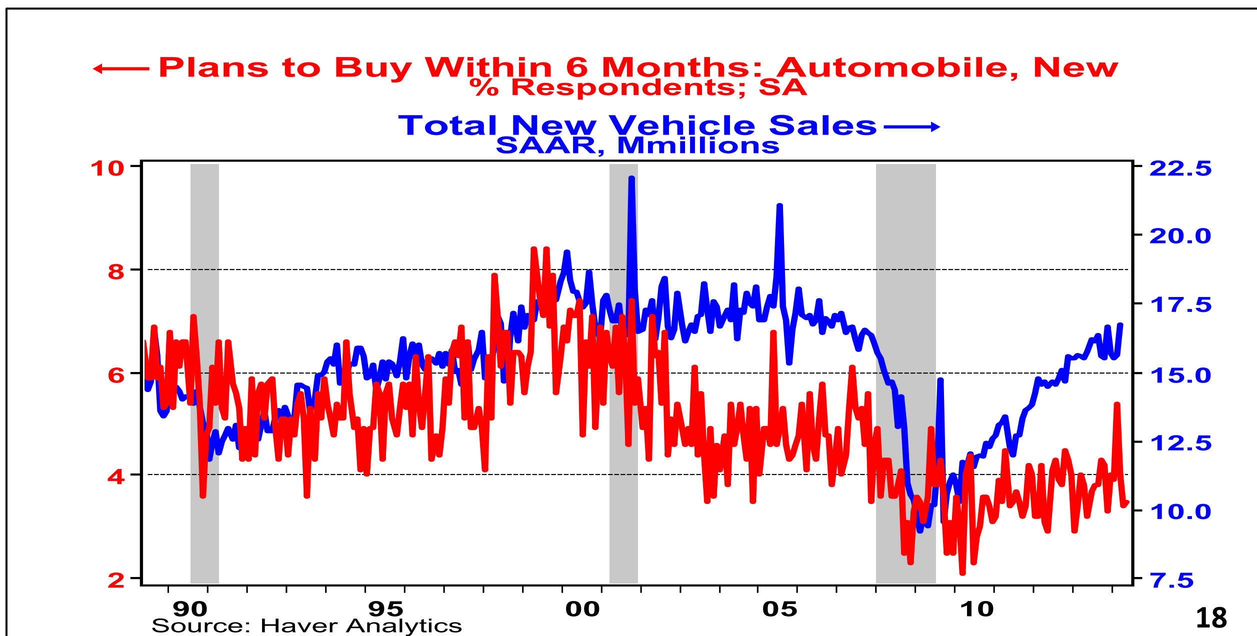
Consumer Confidence still has upside in this cycle

Willingness to Spend

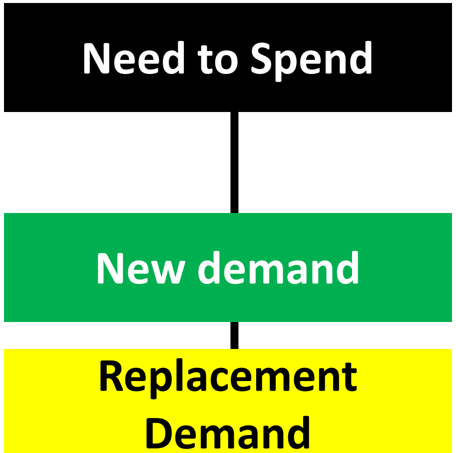
Confidence

- In the current cycle, it has taken longer for households to feel better about the present situation relative to future conditions
- Further upside regarding the present situation should favorably spill over into improving conditions for new vehicle purchases

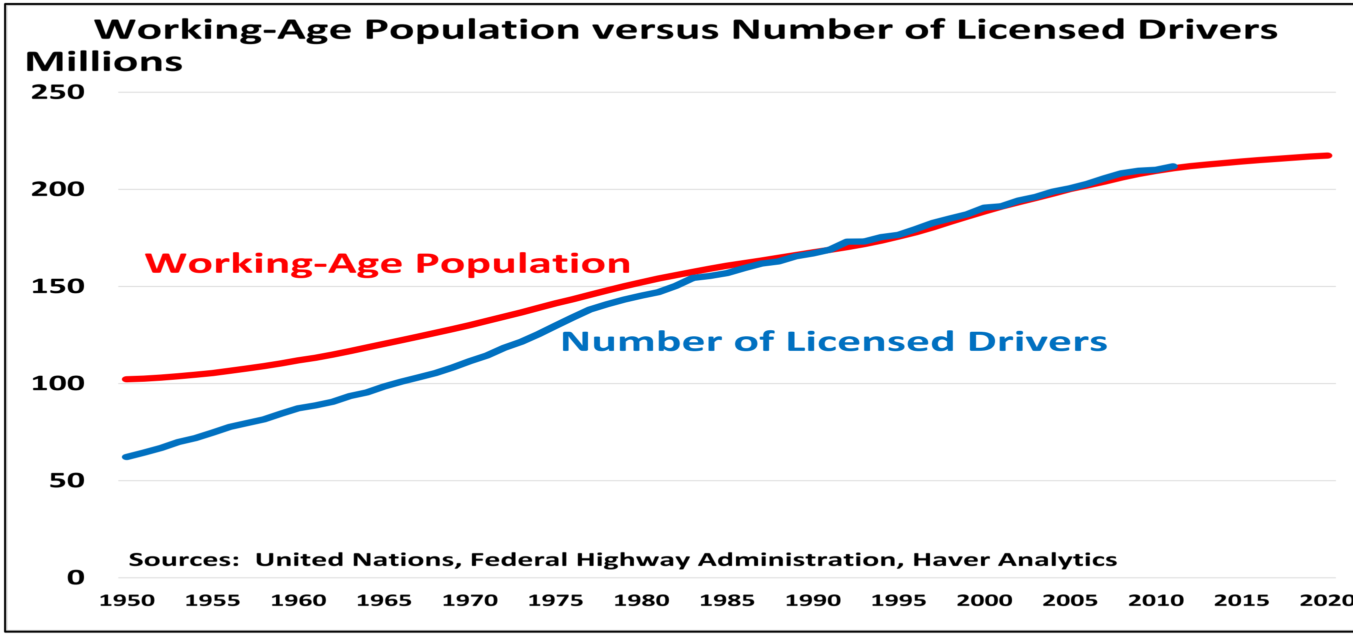


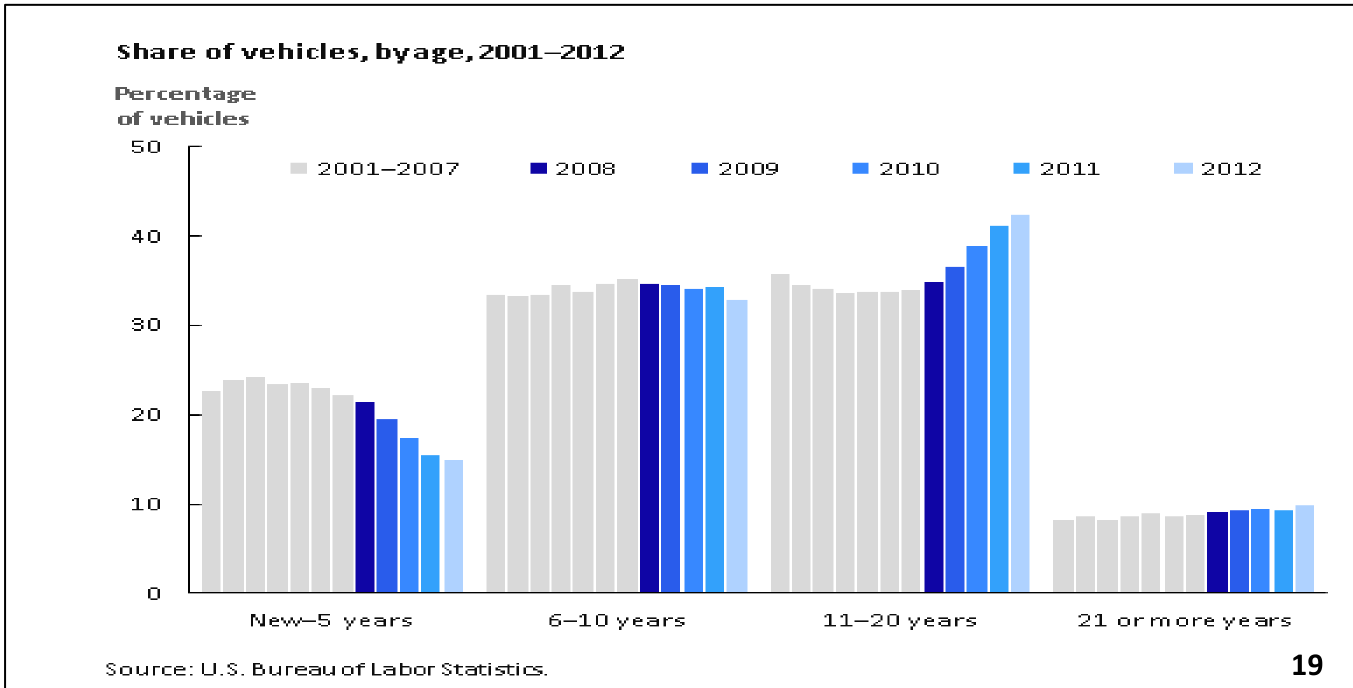


On net, Need to Spend is favorable to the vehicle sales outlook



- Rising working-age population supports growth in new licensed drivers
- Age of vehicle parc supports Need to Spend; albeit, some of the increase could be structural
- Given current slack in the labor market, further declines in the unemployment rate could likely support cyclical scrappage





The weather was mentioned 119 times in the March 5, 2014 release of the Beige Book

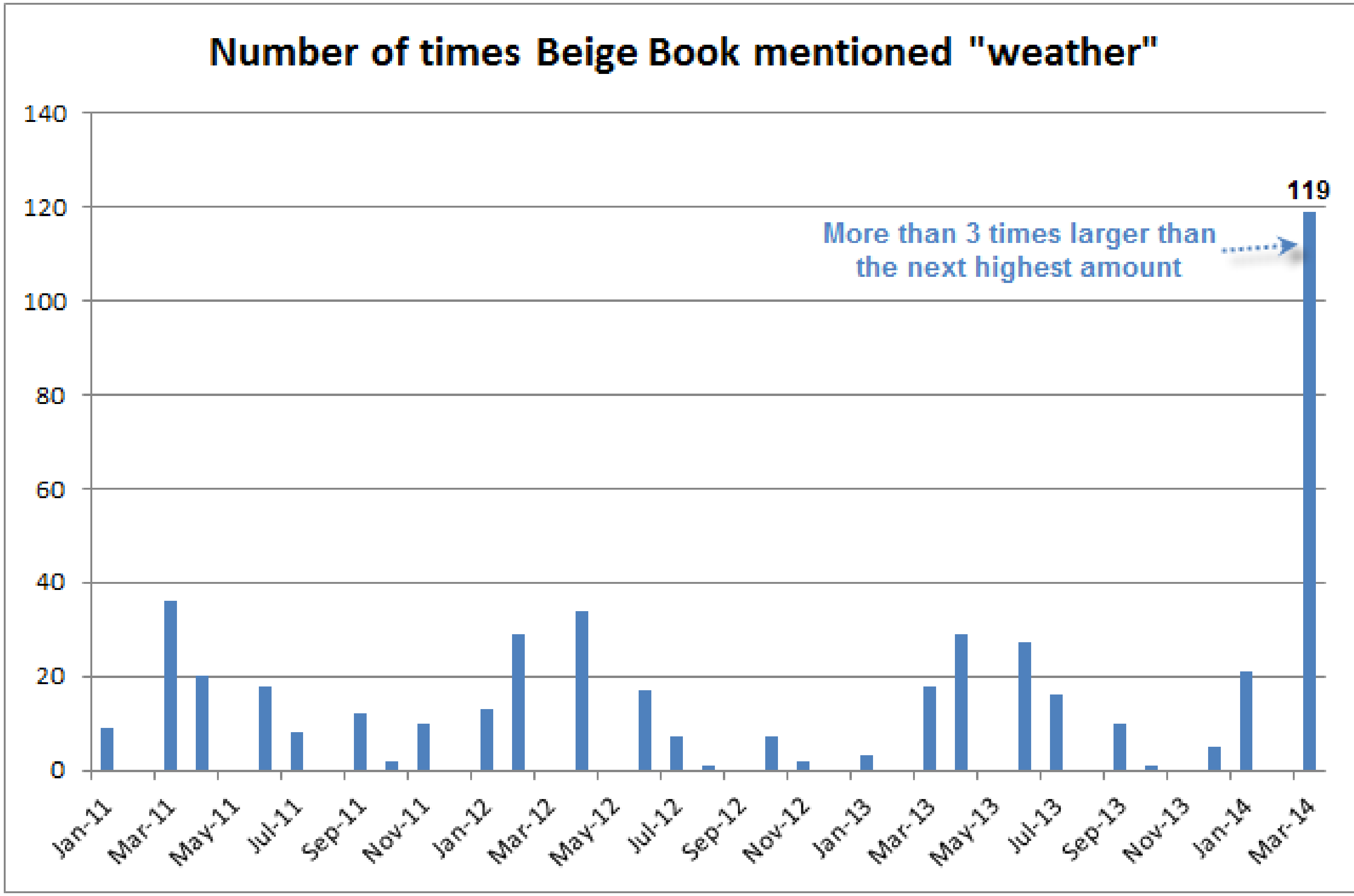
Opportunity to Spend*

Seasonal Demand

Incentives

New Model / Technology

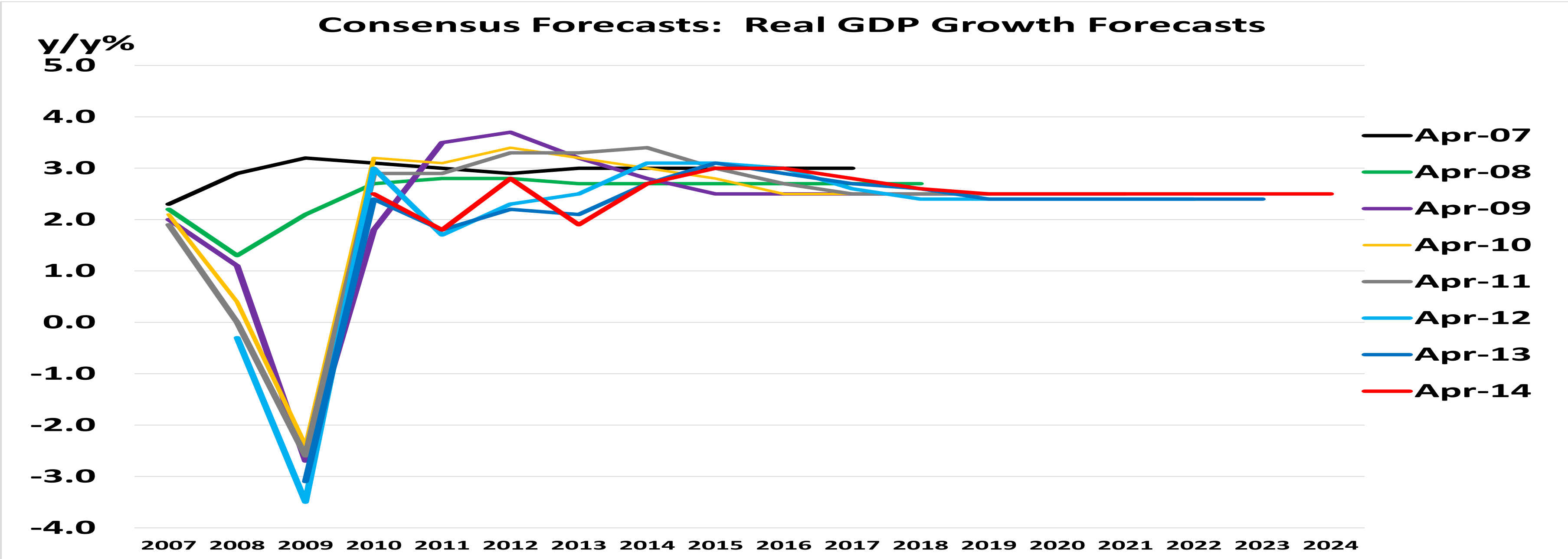
Pent-up Demand



Sources: Federal Reserve, FOREX.com

* Likely provides a better explanation of near-term developments rather than longer term drivers of vehicle sales

Consensus long-term US real GDP growth outlook has been downgraded; albeit, the 2015-17 economic forecast surveyed in April 2014 reflects a gradual return to optimism since the years immediately following the April 2007 survey



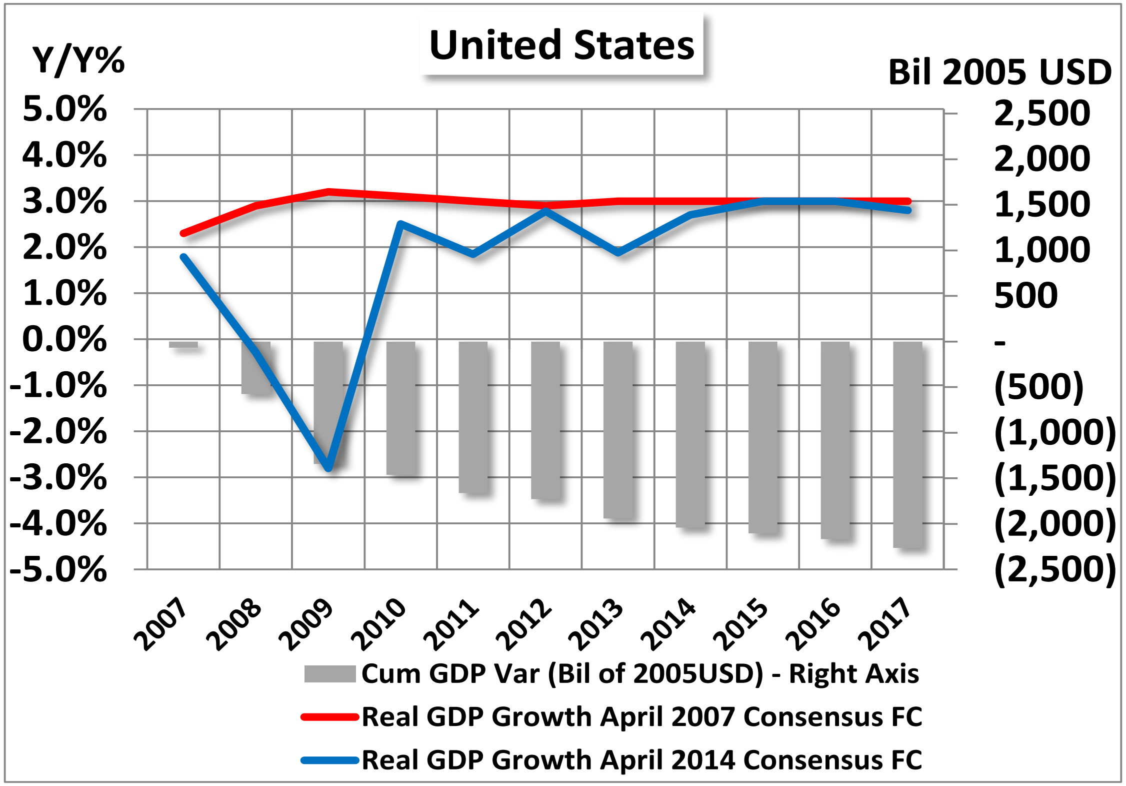
United States: Real GDP Growth

Date of Consensus Forecast	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Apr-07	2.3	2.9	3.2	3.1	3.0	2.9	3.0	3.0	3.0	3.0	3.0							
Apr-08	2.2	1.3	2.1	2.7	2.8	2.8	2.7	2.7	2.7	2.7	2.7	2.7						
Apr-09	2.0	1.1	-2.7	1.8	3.5	3.7	3.2	2.8	2.5	2.5	2.5	2.5	2.5					
Apr-10	2.1	0.4	-2.4	3.2	3.1	3.4	3.2	3.0	2.8	2.5	2.5	2.5	2.5	2.5				
Apr-11	1.9	0.0	-2.6	2.9	2.9	3.3	3.3	3.4	3.0	2.7	2.5	2.5	2.5	2.5	2.5			
Apr-12		-0.3	-3.5	3.0	1.7	2.3	2.5	3.1	3.1	3.0	2.6	2.4	2.4	2.4	2.4	2.4		
Apr-13			-3.1	2.4	1.8	2.2	2.1	2.7	3.1	2.9	2.7	2.6	2.4	2.4	2.4	2.4	2.4	
Apr-14				2.5	1.8	2.8	1.9	2.7	3.0	3.0	2.8	2.6	2.5	2.5	2.5	2.5	2.5	2.5

Source: Consensus Economics (various issues)

The downgrading of the real GDP growth outlook from the April 2007 Consensus Forecast to the April 2014 Consensus Forecast results in a cumulative loss of real GDP of nearly USD2.3 trillion from 2007 to 2017

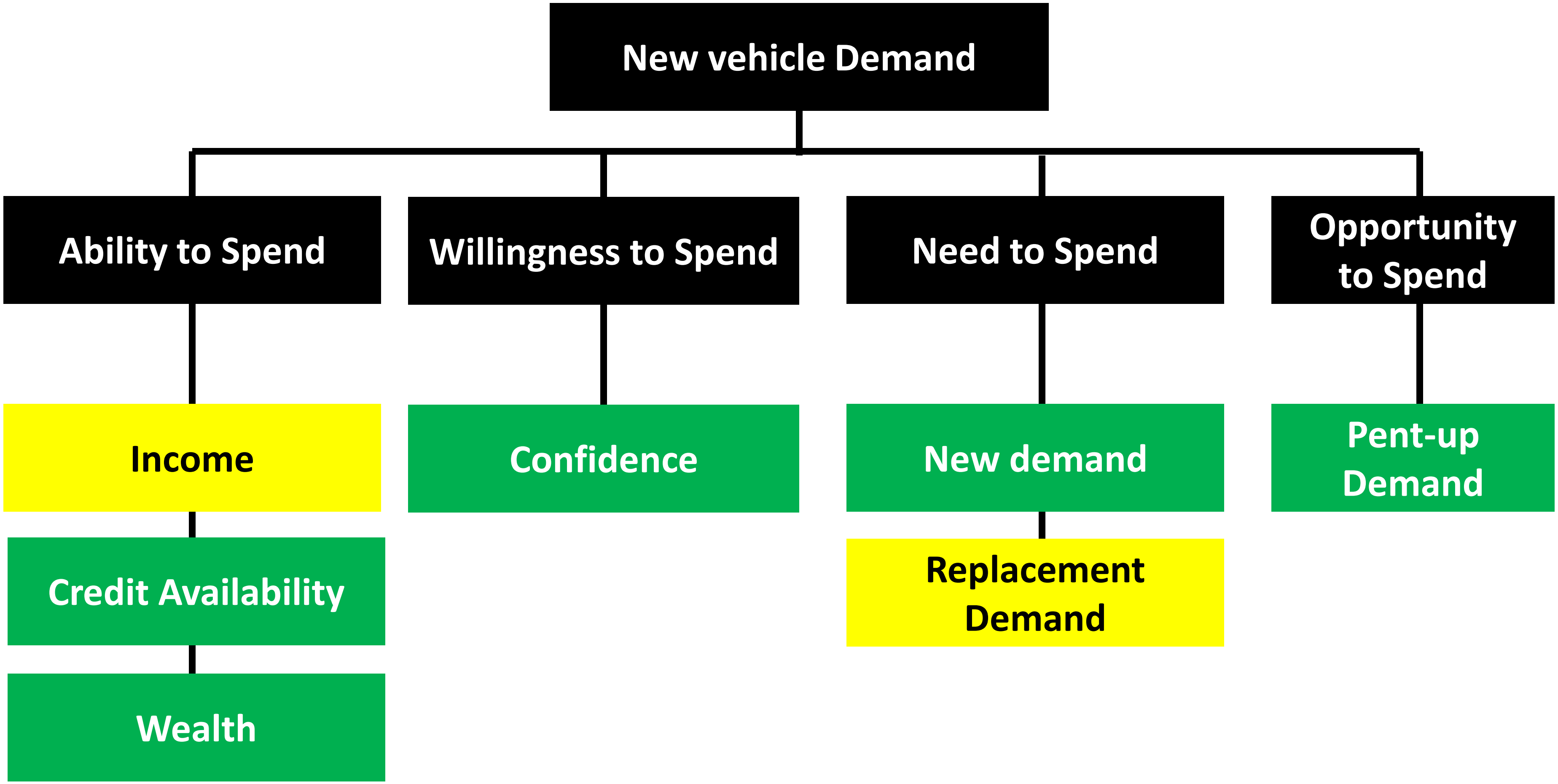
- Absent "catch-up" growth, short-term economic risks can have long-term permanent negative consequences on real GDP
- "Loss" of real GDP reflects, in part, significant pent-up demand yet to be released



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Real GDP Growth April 2007 CF - Left Axis	2.3%	2.9%	3.2%	3.1%	3.0%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Real GDP Growth April 2014 CF - Left Axis	1.8%	-0.3%	-2.8%	2.5%	1.8%	2.8%	1.9%	2.7%	3.0%	3.0%	2.8%
Cum GDP Var (Bil of 2005USD) - Right Axis	(69)	(576)	(1,342)	(1,463)	(1,663)	(1,728)	(1,940)	(2,041)	(2,103)	(2,166)	(2,262)

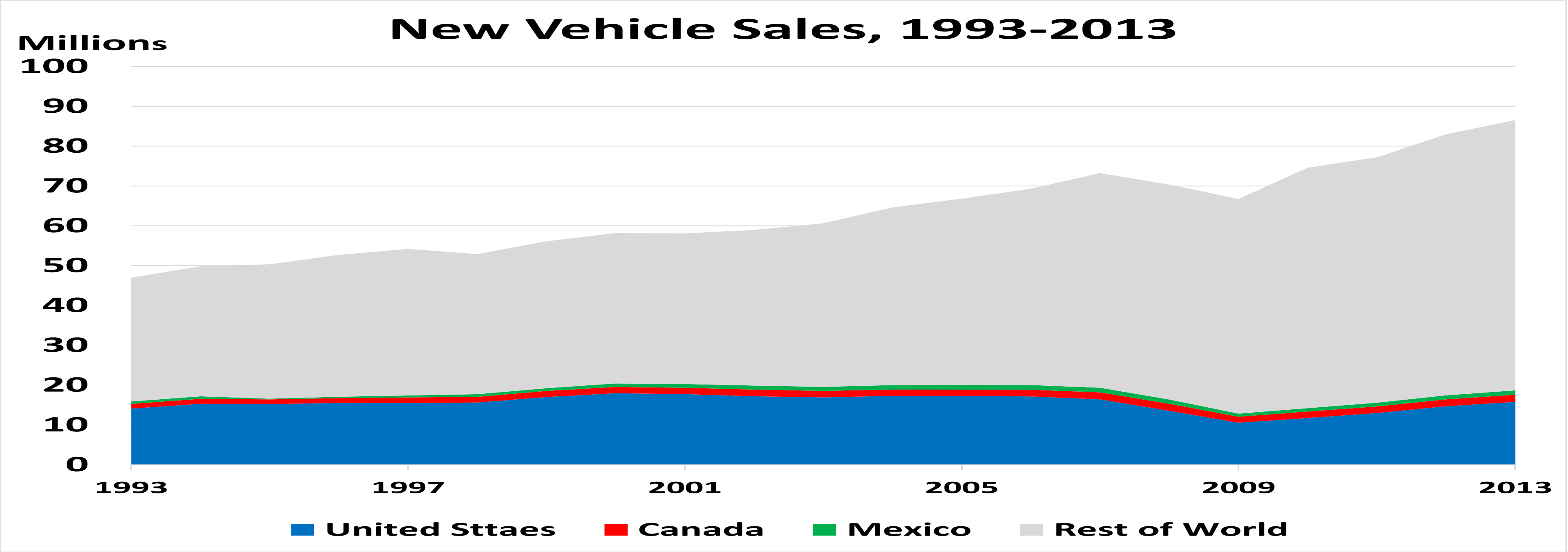
Sources: World Bank, Haver Analytics, Consensus Economics (various issues)
Calculations: General Motors Company

US New Vehicle Sales Outlook



Source: Adapted from Michael P. Niemira

New vehicle sales among NAFTA countries accounts for roughly one-fifth of global vehicle sales; upside potential remains

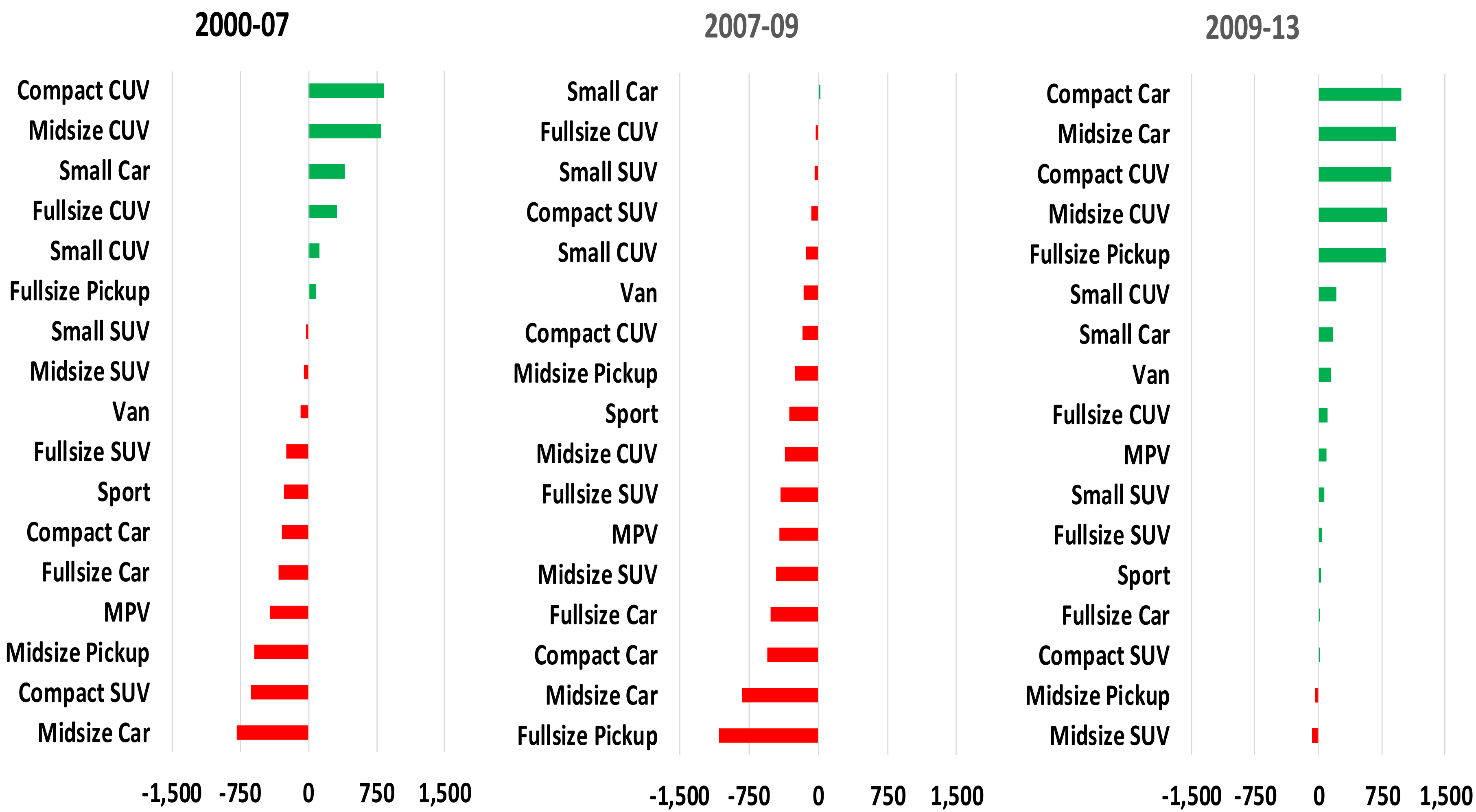


		1993			2007			2009			2013
1	USA	14,087	1	USA	16,406	1	CHINA	14,191	1	CHINA	21,331
2	JAPAN	6,467	2	CHINA	9,245	2	USA	10,536	2	USA	15,768
3	GERMANY	3,455	3	JAPAN	5,350	3	JAPAN	4,604	3	JAPAN	5,376
4	FRANCE	2,007	4	GERMANY	3,482	4	GERMANY	4,049	4	BRAZIL	3,760
5	UNITED KINGDOM	1,975	5	UNITED KINGDOM	2,796	5	BRAZIL	3,208	5	GERMANY	3,258
6	ITALY	1,833	6	RUSSIA	2,794	6	FRANCE	2,685	6	INDIA	3,139
7	SOUTH KOREA	1,436	7	ITALY	2,776	7	ITALY	2,358	7	RUSSIA	2,898
8	CANADA	1,187	8	FRANCE	2,585	8	INDIA	2,267	8	UNITED KINGDOM	2,596
9	BRAZIL	1,147	9	BRAZIL	2,495	9	UNITED KINGDOM	2,220	9	FRANCE	2,173
10	RUSSIA	1,135	10	INDIA	1,977	10	RUSSIA	1,527	10	CANADA	1,797
			12	CANADA	1,764	11	CANADA	1,518			
13	MEXICO	608	14	MEXICO	1,149	16	MEXICO	776	17	MEXICO	1,099
	WORLD TOTAL	46,975		WORLD TOTAL	73,226		WORLD TOTAL	66,729		WORLD TOTAL	86,548
	TOP 10% OF TOTAL	73.9%		TOP 10% OF TOTAL	68.2%		TOP 10% OF TOTAL	71.4%		TOP 10% OF TOTAL	71.7%
	NAFTA % OF TOTAL	33.8%		NAFTA % OF TOTAL	16.6%		NAFTA % OF TOTAL	19.2%		NAFTA % OF TOTAL	21.6%

Source: Polk; Calculations: General Motors Company

Segment shifts in 2009-13 reflect stronger preferences for increased fuel economy and affordability. Increase in Fullsize Pickups reflects partial recovery from the recession and gradually improving housing market

Segment Changes, Thousands



Source: IHS Automotive; Calculations: General Motors Company

Summary

- **Global backdrop reflects significant downside risks**

- **US economy still transitioning from crisis**
  - Global risks are muting the impact of the Federal Reserve's tapering
  - Rising inflation expectations – to the extent they are sustained – likely supports rate hikes in 2015; policy rate normalization should be balanced against still-persistent labor market slack
    - Improving credit conditions and bank balance sheets could limit the impact of policy rate normalization on auto finance rates
  - Housing market still correcting from past imbalances; with the sector's outlook biased toward the upside, its strong multiplier effect is expected to provide underlying support to the broader economy

- **US vehicle demand fundamentals are generally favorable; absent a negative shock, economic drivers point toward a sideways to upward new vehicle sales forecast trajectory**
  - Consensus Forecasts reflect gradually improving medium-term outlook
  - Improving fundamentals should help release pent-up demand

Thank You for Your Attention!

Back-up Chart

Components of New Vehicle Payments as a % of HH Income