Topics Today

- Fundamentals for Vehicle Buying
- Housing and Autos Decoupled
- Vehicle Stock and Scrappage Rates
- Outlook Summary
Vehicle Buying Fundamentals
Key Points

• Most Factors are Positive for Vehicle Buying
  — Income Growth at 3+%  
  — Attractive Values for Buyers  
  — Interest Rates are Low

• Gas Prices are a Negative
U.S. GDP Growth

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>GDP Growth*</td>
<td>4.4%</td>
<td>3.3%</td>
<td>3%</td>
</tr>
<tr>
<td>Inflation*</td>
<td>2.7%</td>
<td>3%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Federal Funds Rate**</td>
<td>2.25%</td>
<td>3.75%</td>
<td>4.5%</td>
</tr>
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</table>

* % Change From Prior Year
** Period End
U.S. Employment

Monthly Change (L. Scale)  % Change From Prior Year (R. Scale)
Real After-Tax Income and Private Employment Compensation

% Change Over Year Ago

After-Tax Personal Income

Wages and Salaries

April 3.3

-0.6
Inflation-Adjusted Vehicle Prices

% Change Over Year Ago

New

Used

00 01 02 03 04 05
Sources: Federal Reserve and Ford Corporate Economics
Used Compact Car and Gas Prices

Source: Compact car prices are Manheim auction data
Used Full Size SUV and Gas Prices

Source: SUV prices are Manheim auction data
U.S. Industry Sales

6-Month Moving Average (SAAR Mil.)

Memo:
FY Sales  17.8  17.5  17.1  17.0  17.3  17.2 Fcst.

Heavy
Light 16.9
Housing and Autos
Decoupled
Spending on Housing and Autos

Single Family Residential Construction

Vehicle Spending

Source: Bureau of Economic Analysis. Based on Current Dollars

64% ↑
7% ↑
Spending on Housing and Autos

% Change Over Year Ago

Source: Bureau of Economic Analysis. Based on Current Dollars
Ratio of Spending on Autos to Spending on Single Family Housing

$1.23 of Vehicle Spending per $1 Spent on Housing

Source: Bureau of Economic Analysis. Based on Current Dollars
Housing and Auto Ownership Rates

Source: U.S. Department of Transportation, U.S. Census Bureau

% per Household

Vehicles

Housing

Source: U.S. Department of Transportation, U.S. Census Bureau
Mortgage and Auto Loan Interest Rates

- 30-Year Fixed Mortgage
- Auto Loans at Captive Finance Companies

Interest Rates:
- 30-Year Fixed Mortgage: 4.35%
- Auto Loans at Captive Finance Companies: 5.77%
Housing and Autos Loan-to-Value Ratios

[Graph showing the loan-to-value ratios for Vehicles and Housing over years 1980 to 2004. The graph indicates fluctuations in the ratios with peaks and troughs.]
2004 Home Prices and Vehicle Registrations

% Change Over Year Ago
Home Prices

Registrations

U.S. Average

NV

OK
2000-2004 Home Prices and Vehicle Registrations

Average Annual % Change

Home Prices

Registrations

U.S. Average
Household Balance Sheets

Delinquent Loans as % Loans Outstanding

Interest Payments as % Disposable Income

Interest Payments

Delinquency Rate

Household Net Wealth $ 2004 Trillions

Other

Equity

Housing

26.7

43.9

44.4
Vehicle Stock and Scrappage Rates
U.S. Vehicle Stock

Log Scale

Source: Polk Data, Ford Corporate Economics Estimates
U.S. Vehicle Stock and Population Growth

Annual % Change

Vehicle Stock

Source: Polk Data, U.S. Census Bureau
U.S. Vehicle Scrappage Estimates

Source: Polk Data, U.S. Census Bureau
Median Age of Vehicle Stock

Source: Ford Corporate Economics Estimates
Estimated Vehicles Above Median Age

102 MM Vehicles that are Model Years 1986-1996

MM

49

146
Cumulative 5-Year New Vehicle Sales

For 2001-2005 Est.
Nearly 86 MM New Vehicles Have Been Sold
### Business Outlook

<table>
<thead>
<tr>
<th>Country</th>
<th>Real GDP % Change From Prior Year</th>
<th>Inflation % Change From Prior Year</th>
<th>Vehicle Sales Millions of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>4.4</td>
<td>3.3</td>
<td>2.7</td>
</tr>
<tr>
<td>Euro Area</td>
<td>1.8</td>
<td>1.8</td>
<td>2.1</td>
</tr>
<tr>
<td>UK</td>
<td>3.1</td>
<td>2.4</td>
<td>1.3</td>
</tr>
<tr>
<td>China</td>
<td>9.5</td>
<td>8.5</td>
<td>3.9</td>
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