

Federal Reserve Bank of Chicago

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2006 Economic Industry Outlook

- Global economic expansion continues, triggering higher oil prices and interest rates
- Global vehicle sales up 4% through April; three of four regions are on record paces. Mix / Revenue growth in some markets is below expectations
- Forecast for 2006 global vehicle sales is a record 66.5 million units, 1.5 million units higher than 2005

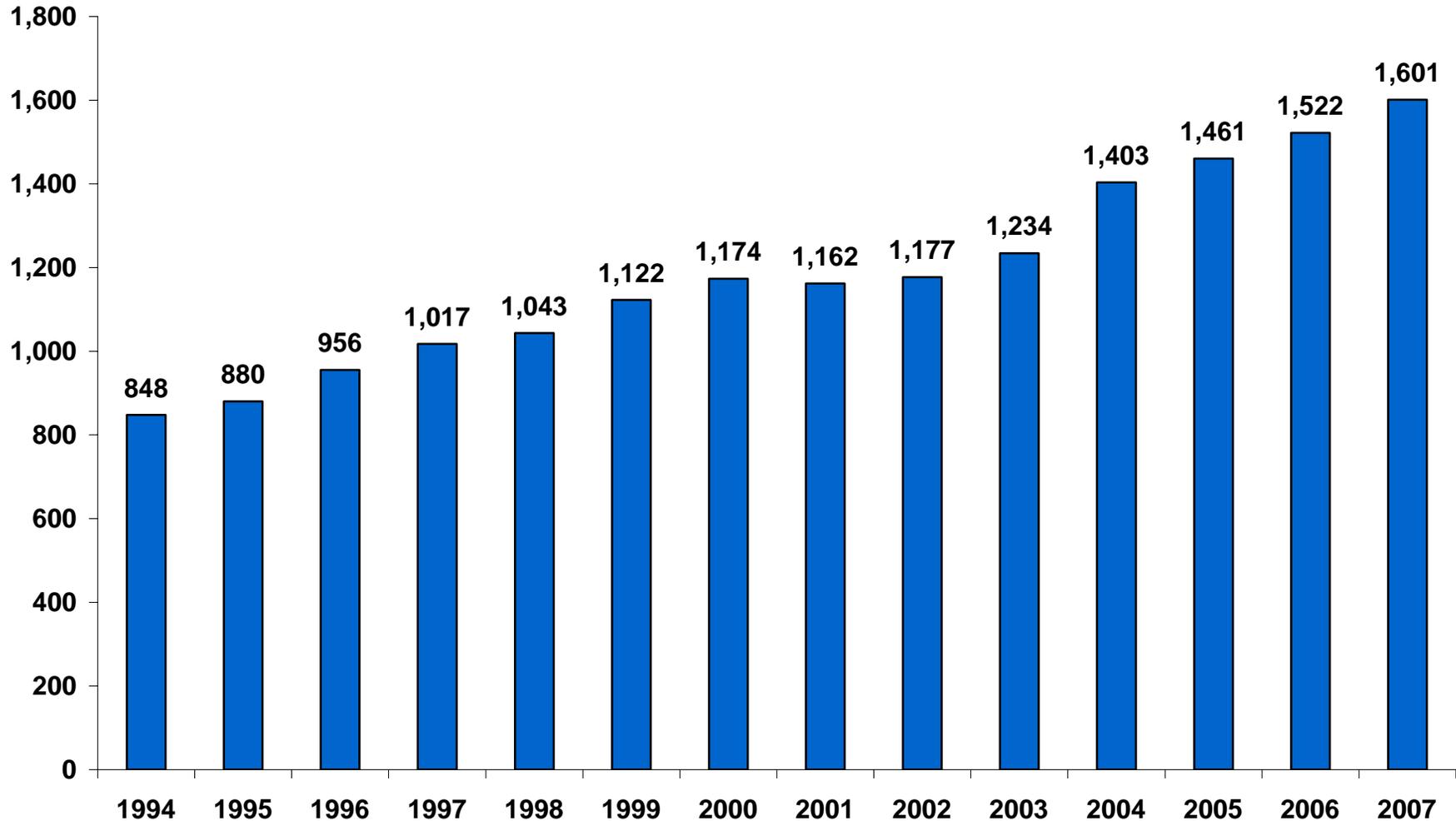
Global Industry Summary

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Global Industry Volume (000s)	57,311	56,987	57,588	58,991	62,431	64,796	66,533
Global Revenue (\$B)	\$1,043	\$1,021	\$1,031	\$1,234	\$1,403	\$1,460	\$1,522
Revenue / Unit	\$18,200	\$17,900	\$17,900	\$18,300	\$19,300	\$19,600	\$20,037

- Vehicle Sales up 16% since CY 2000
- Vehicle Revenue up 45% since CY 2000

Total Global Vehicle Sales Revenue Forecast

Billion US\$



U.S. Economic/Industry Overview

- Expansion is expected to continue, albeit with some moderation in growth
- Volatile energy prices, rising interest rates, and soft housing market fundamentals remain key risks to the outlook
 - Economic growth expected to moderate during the second half of this year
- U.S. vehicle sales expected to be slightly below CY 2005
 - Revenue growth slightly below expected levels
- Competitive pressures will remain intense – both in terms of pricing and emphasis on fuel economy

Economic Performance Since 2002

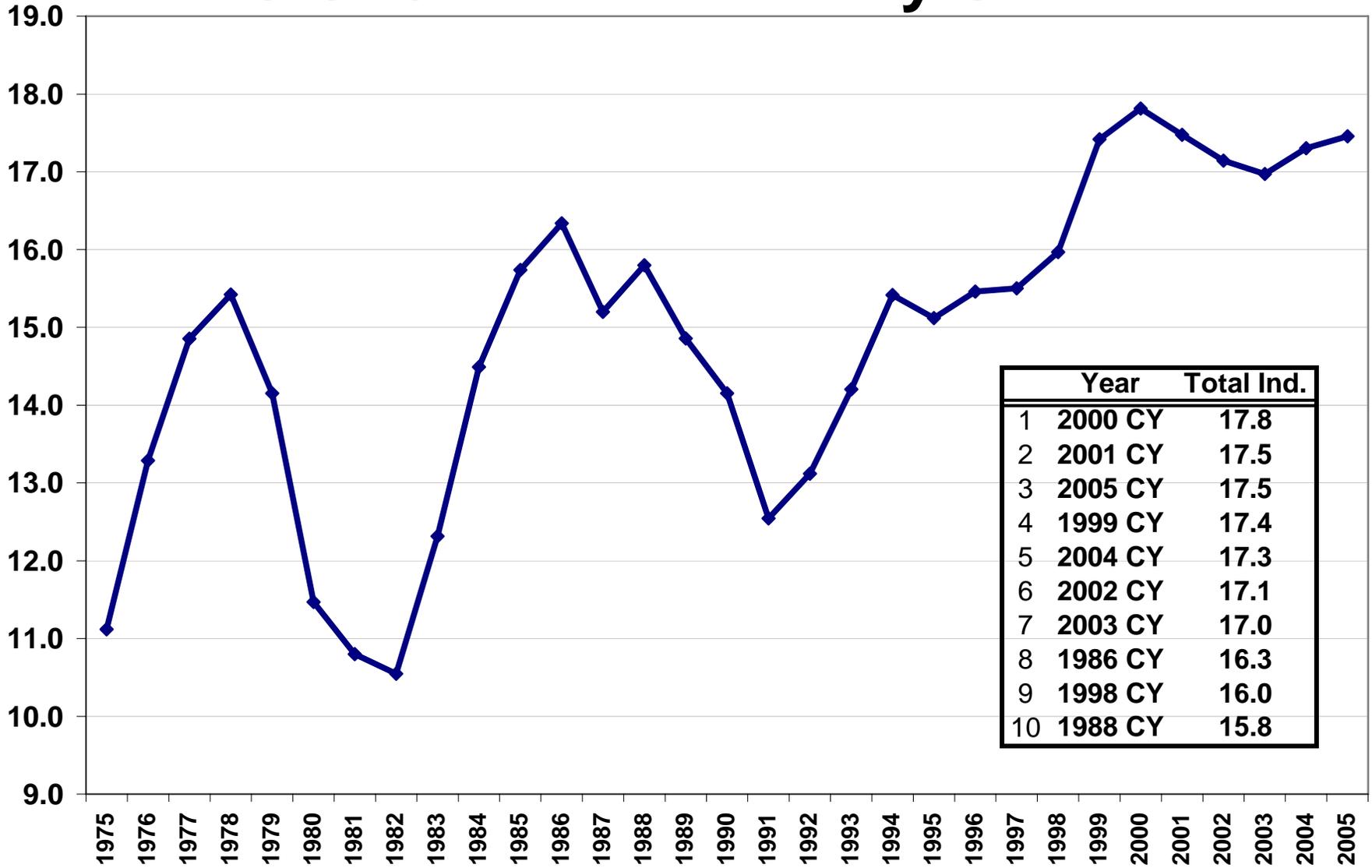
- Payroll Employment Increase: 3.8%; +4.9m jobs
- Average Annualized GDP Growth (Real \$): 3.8%
- Nominal GDP Growth: 22.9%; +\$2.4 trillion
- Consumer Spending Growth (Real \$): 12.4%; +\$884 billion
- Average Mortgage Rate: 5.89%
- Median Home Prices (Existing Homes): 25.8%
- Household Assets: 34.3%; +\$16.3 trillion
- Homeownership from 68.2% to 68.9%

U.S.: Leading Indicators for Vehicle Sales

2006 : H1

Vehicle-Buying Attitudes	Y
Real Disposable Income	Y
Payroll Employment	G
Wilshire 5000	Y
Consumer Credit	Y
Yield Curve	Y
Oil Prices	R
New Orders for Consumer Durables	Y
Composite	Y

U.S. CY Total Industry Sales

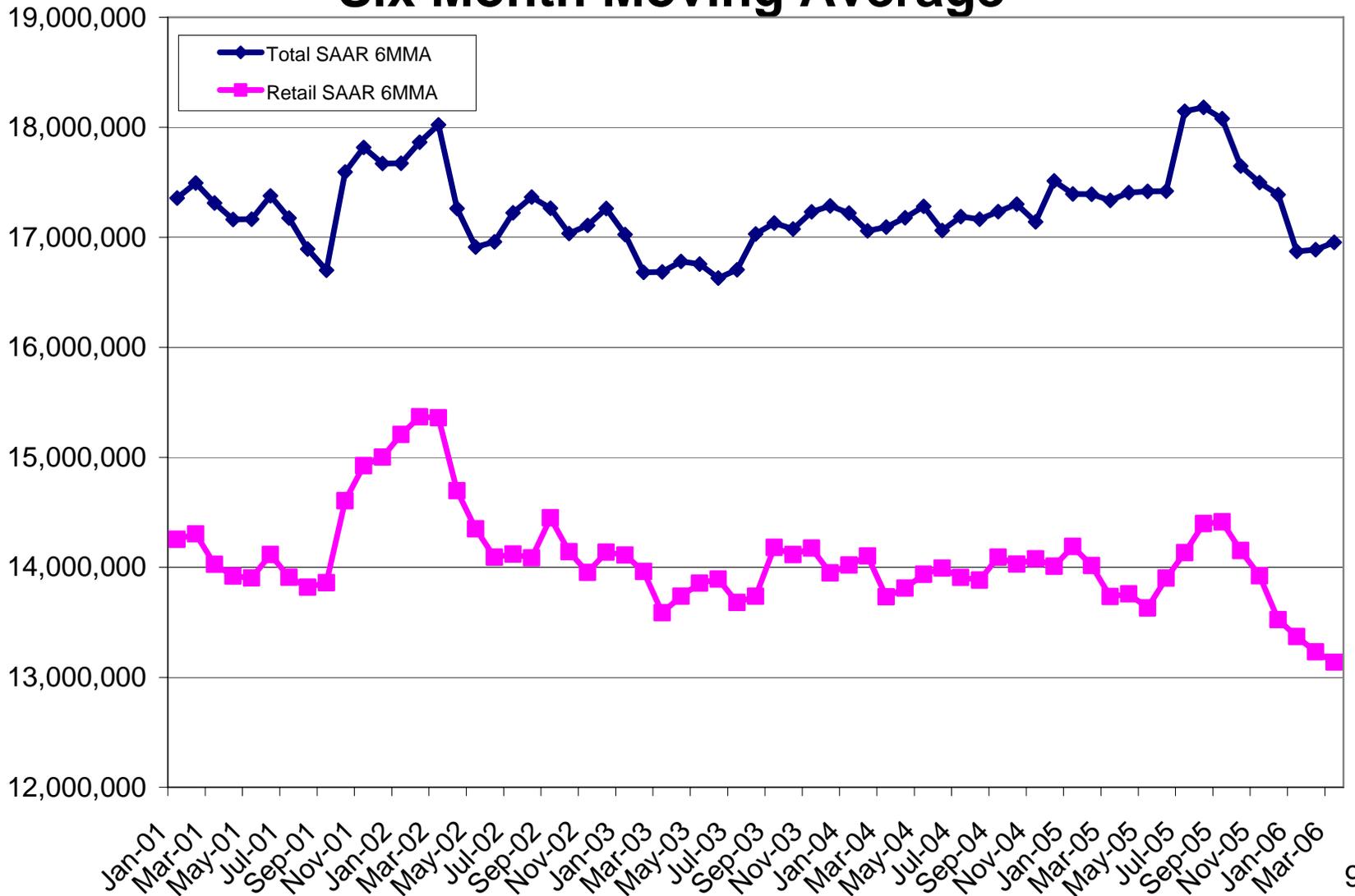


	Year	Total Ind.
1	2000 CY	17.8
2	2001 CY	17.5
3	2005 CY	17.5
4	1999 CY	17.4
5	2004 CY	17.3
6	2002 CY	17.1
7	2003 CY	17.0
8	1986 CY	16.3
9	1998 CY	16.0
10	1988 CY	15.8

U.S. Vehicle Industry

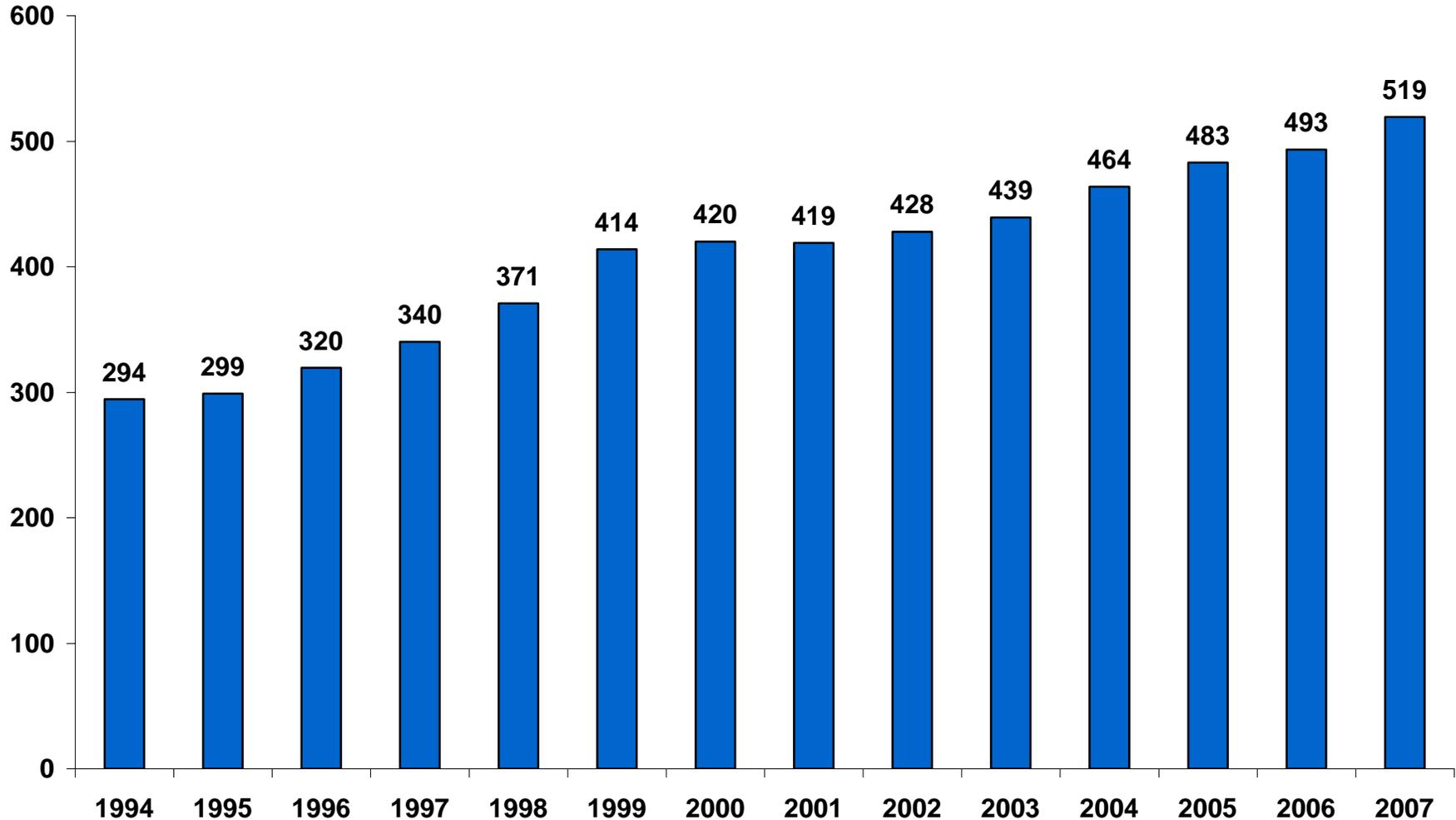
Seasonally Adjusted Annual Rates

Six Month Moving Average



Total U.S. Vehicle Sales Revenue Forecast

Billion US\$

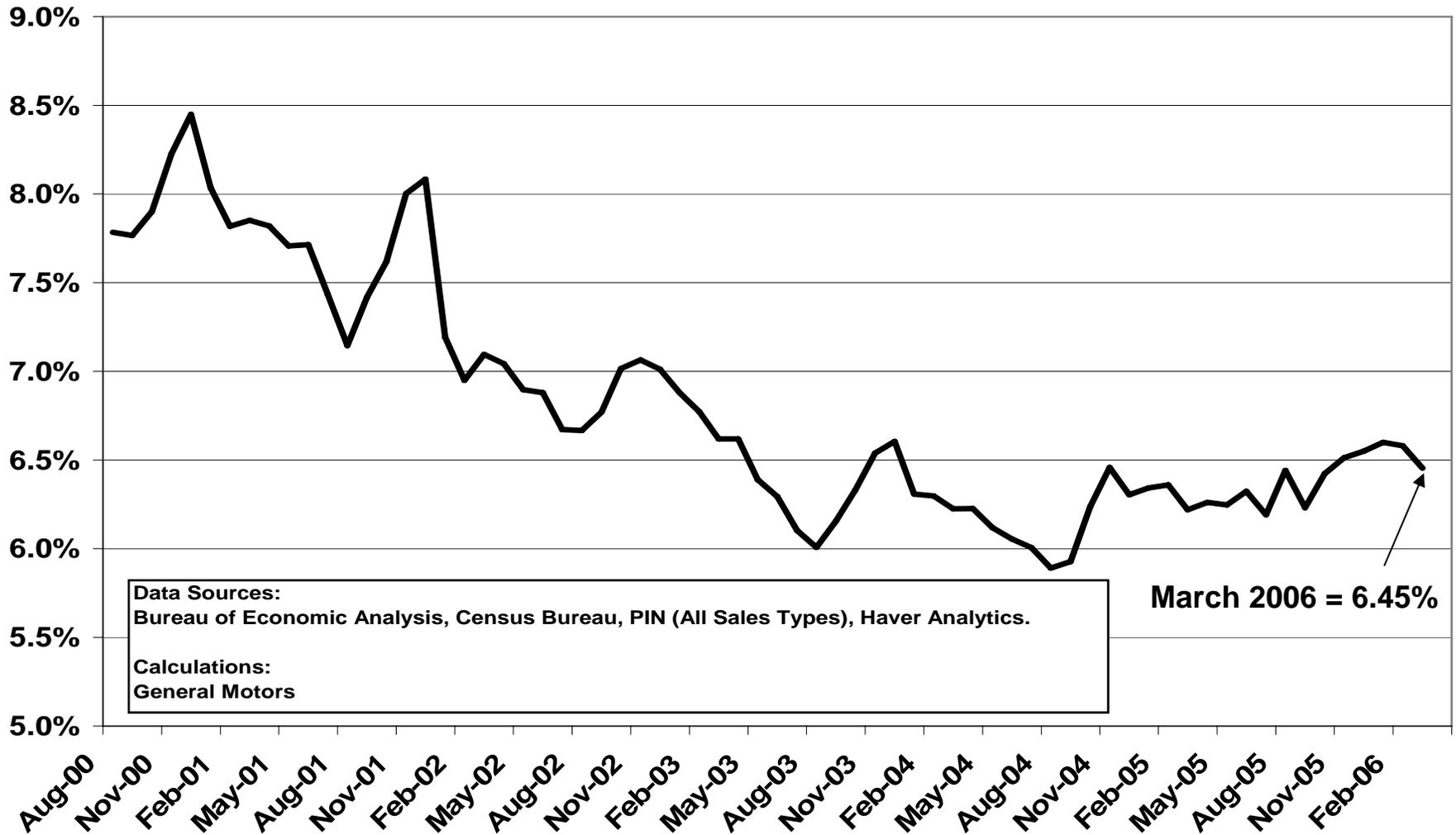


Challenges for Manufacturers are currently two fold:

1. Developing viable business model against intense price pressures
2. Addressing challenge from external shocks – oil prices – and corresponding impact on consumer behavior

U.S. New Vehicle Payment as a Percentage of Disposable Income per Household

Data Through March 2006

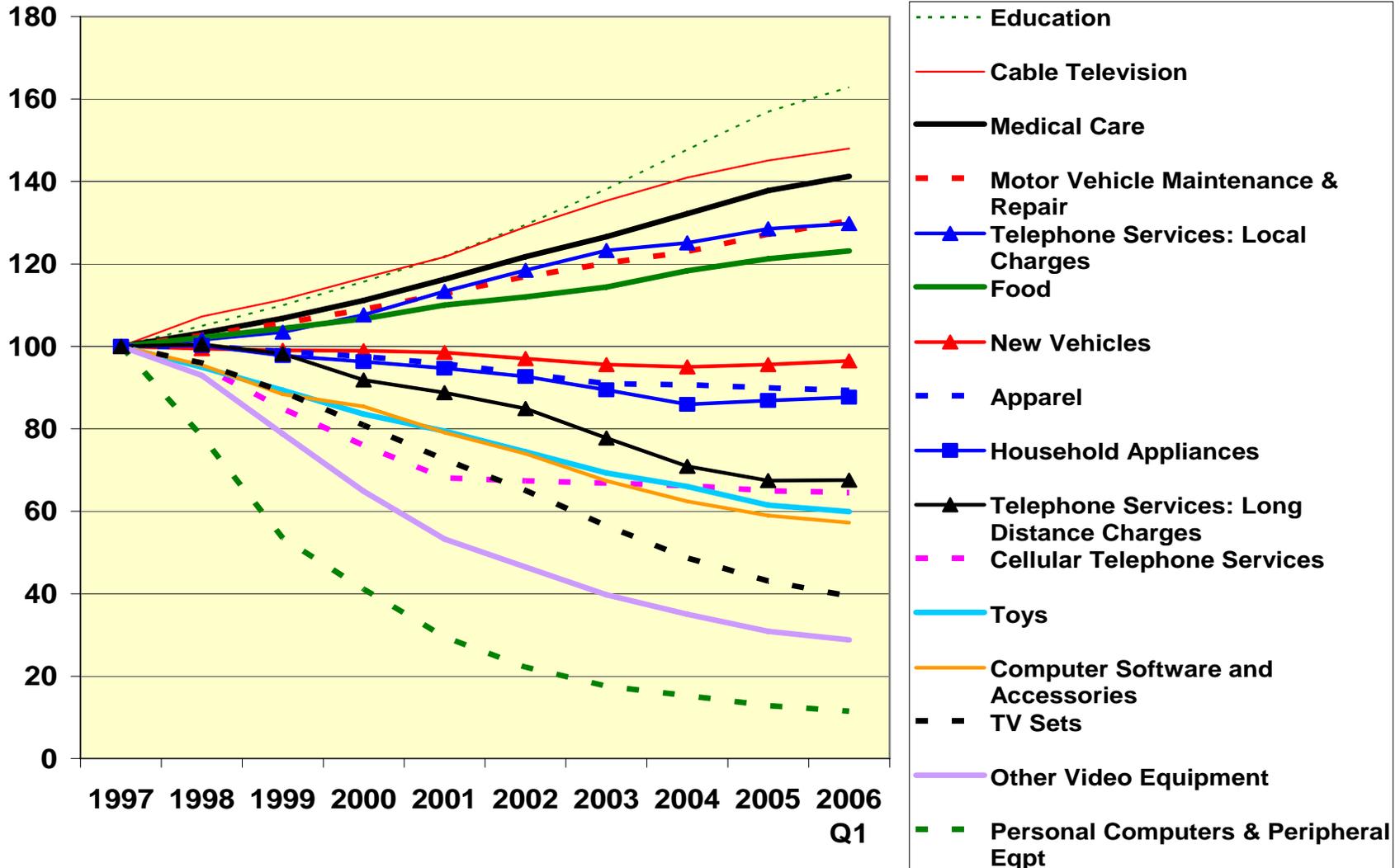


Total Incentive Spending by Model Year

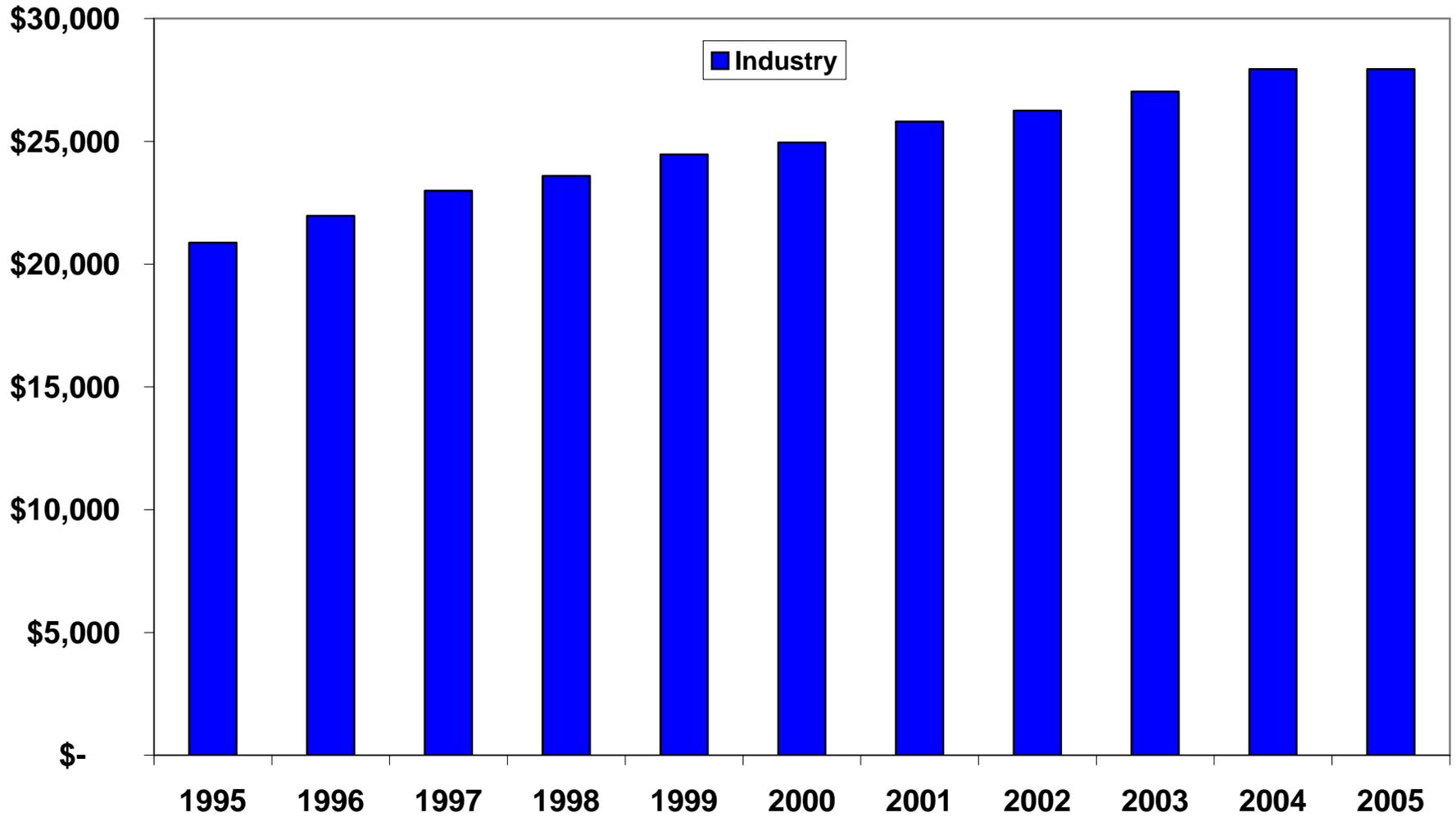
<u>All MY</u>	<u>CYTD 2006</u>	<u>CYTD 2005</u>	CYTD 2006 O/(U) CYTD 2005
Industry	\$2,244	\$2,332	(\$87)
GM	\$2,732	\$4,022	(\$1,290)
Ford	\$3,528	\$2,990	\$538
DCX	\$3,999	\$3,565	\$434
Toyota	\$623	\$668	(\$45)
Honda	\$624	\$622	\$2
Nissan	\$2,277	\$1,783	\$493

Source: J D Power PIN Incentive Spending (May Mid Month Report)

CPI Comparison – Selected Consumer Goods Indexed to 1997



Average Vehicle Transaction Price - U.S.



Source: GMIA, TCE Buyer Behavior

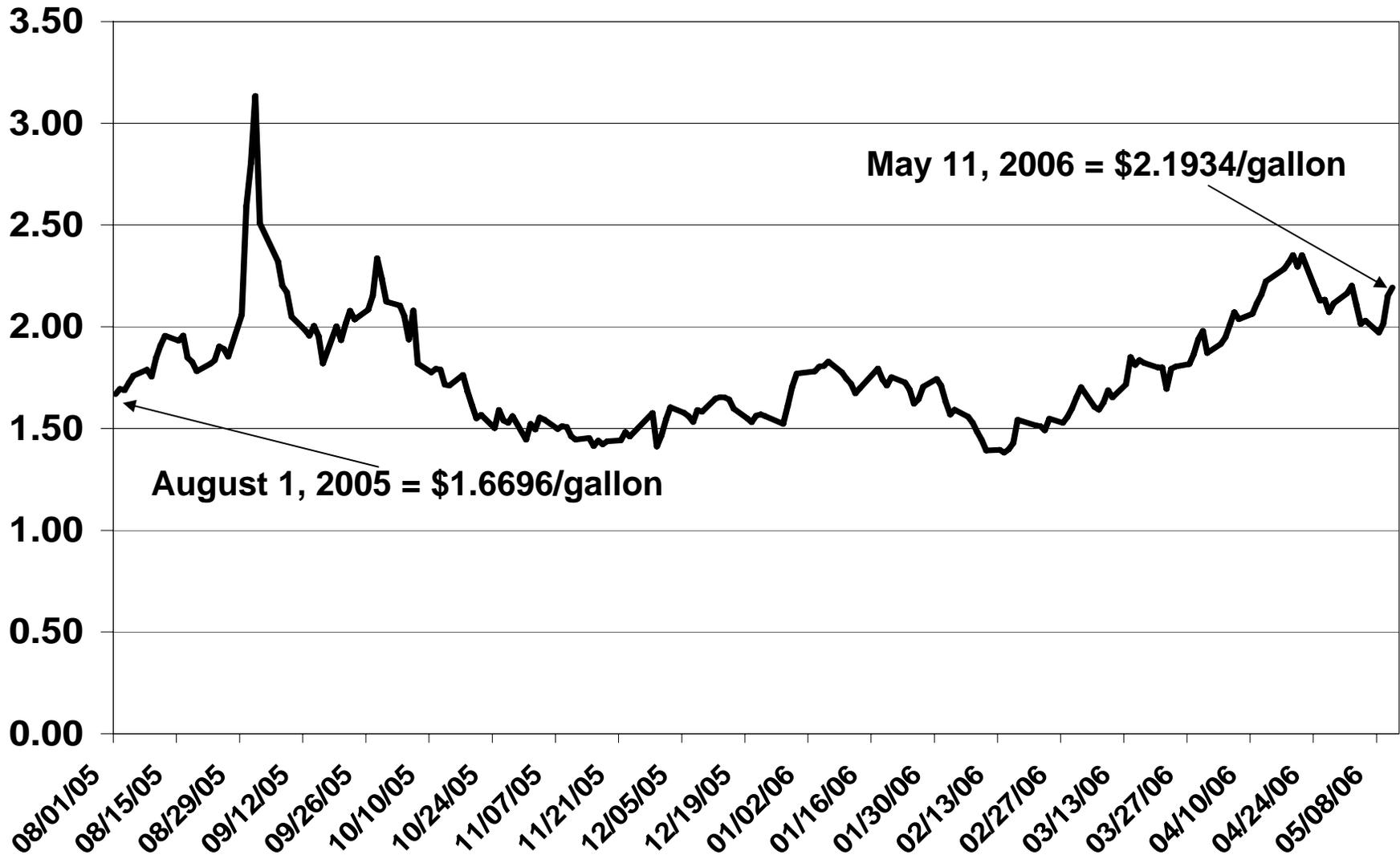
Share of U.S. Industry by Price (\$30K, \$35K, \$40K)

	2002	2003	2004	2005	2006 CYTD
>\$30K	24.2%	26.4%	28.0%	28.5%	30.4%
>\$35K	12.5%	14.5%	15.3%	16.1%	17.8%
>\$40K	6.0%	7.7%	8.2%	9.2%	10.4%

Source: GMIA, J.D. Power PIN, R.L. Polk Super Registrations through March 2006

Wholesale Gasoline Prices (U.S.)

Unleaded Regular, Non-Oxygenated \$/Gallon



U.S. Industry Retail Mix

	CYTD 2006	CYTD '06 o(u) Jan-May '05	Score
Car	47.4%	1.9	G
Truck	52.6%	(1.9)	R
Small Car	12.9%	0.9	G
Small Utility	11.0%	0.7	G
Luxury Car	9.2%	0.5	G
Upper Mid	13.9%	0.5	G
Mid Car	5.3%	0.4	G
Entry Luxury Utility	0.6%	0.3	G
Economy	1.4%	0.3	G
Small Specialty	2.8%	0.2	G
Sport Car	2.9%	0.0	Y
Medium Luxury Utility	2.8%	0.0	Y
Medium Utility Crossover	3.8%	(0.0)	Y
Large Luxury Utility	1.0%	(0.1)	R
Large Van	0.5%	(0.1)	R
Medium Pickup	4.0%	(0.2)	R
Large Utility	3.9%	(0.3)	R
Medium Van	5.4%	(0.8)	R
Large Pickup	13.2%	(1.0)	R
Medium Utility Traditional	5.6%	(1.2)	R

Source: PIN data through 5-21-06

U.S. Competitive Indicators

Year	# of Makes	# of Models	Big Three Market Share
1965	33	96	90%
1975	42	185	81%
1985	54	245	73%
1995	61	287	72%
2003	60	322	63%
2006	61	340	57%*

* 2006 Big Three Market Share reflects CYTD through April

Summation

- Global industry sales continue to exceed expectations – CY 2006 shaping up as another record year
- Mix has been extremely favorable since CY 2000 – a number of markets are currently underperforming due to market pressures
- Competitive pressure remains intense and oil prices/interest rates are headwinds