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US –Light Vehicle Outlook

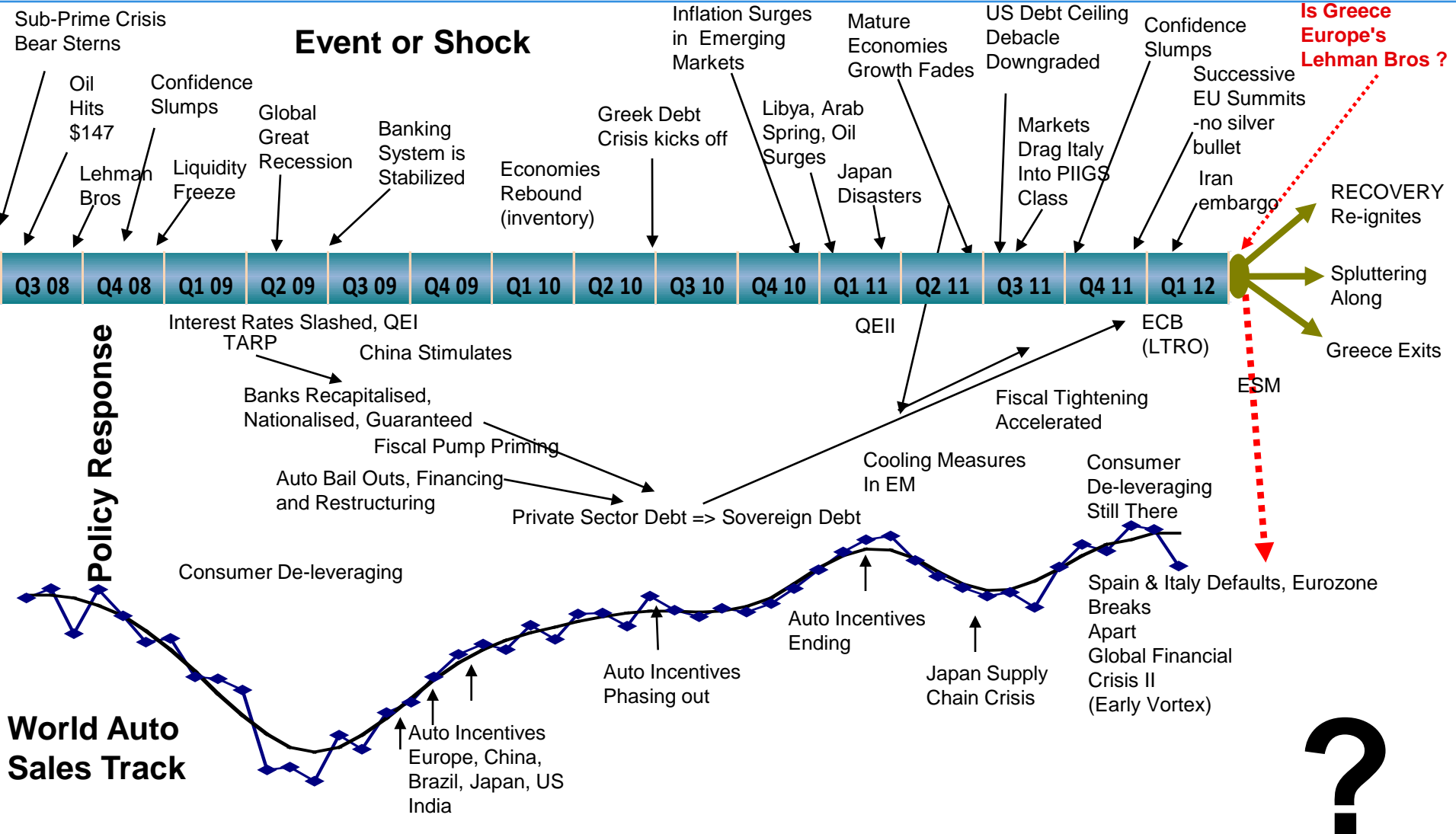
George Magliano
Senior Principal Auto Economist – Americas, HIS
May 31, 2012



The combined collective expertise of
CSM | Worldwide and IHS Global Insight's
Automotive Group.



External Shocks to The Global Auto Industry - A Critical Timeline



U.S. Economy

-Probability of a Recession is now 20%

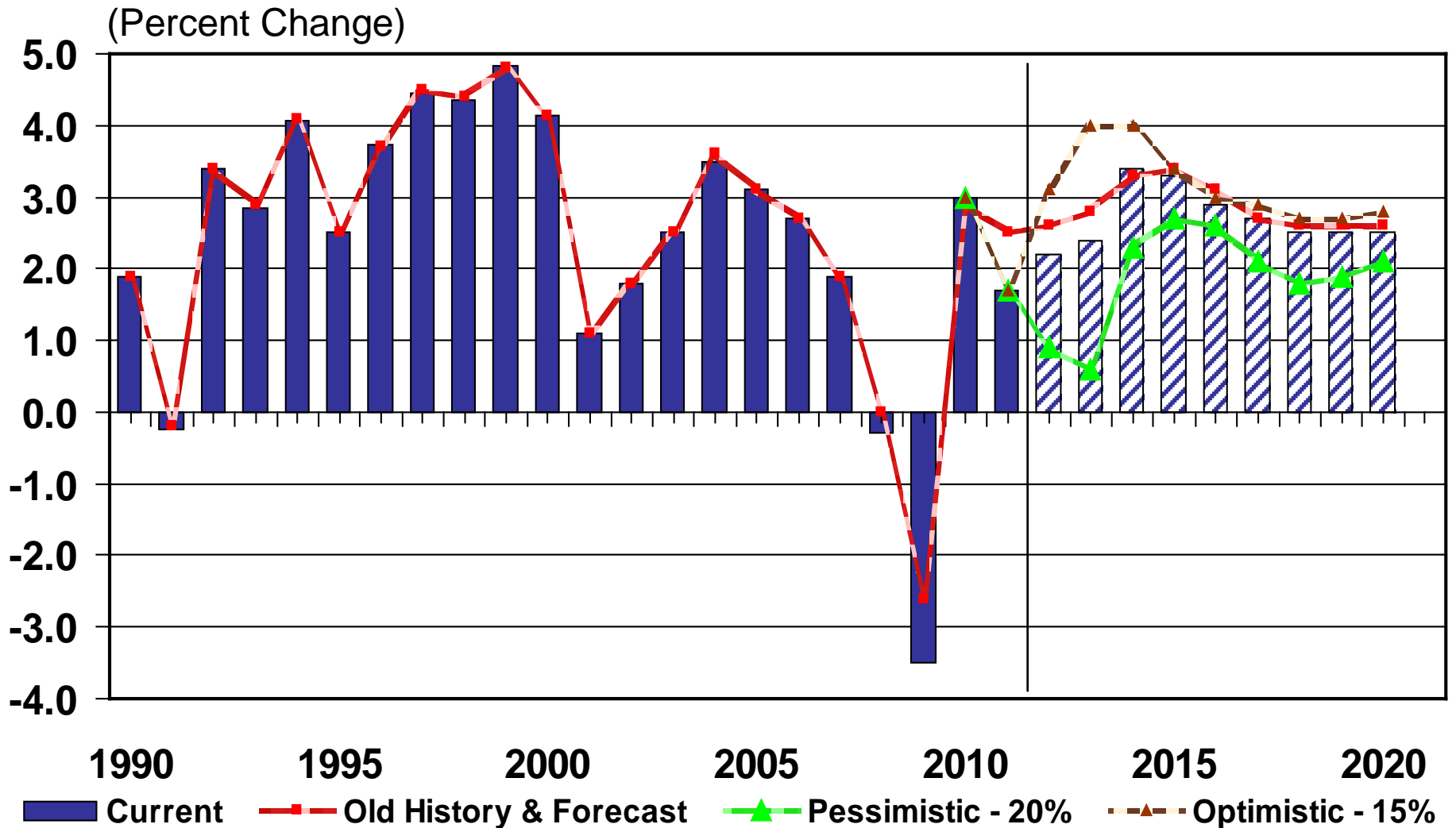


(Percent unless otherwise noted / May 2012)

	2010	2011	2012	2013
Real GDP Growth	3.0	1.7	2.2	2.4
Employment Growth	-0.7	1.2	1.6	1.7
CPI Inflation	1.6	3.1	2.2	1.7
Oil Prices (WTI, US\$/bbl)	79.4	95.1	103.9	114.8
Housing Starts - mm	0.59	0.61	0.74	1.01
Federal Funds Rate	0.2	0.1	0.1	0.1
Dollar (Major Trading 2005=1)	0.90	0.85	0.87	0.88

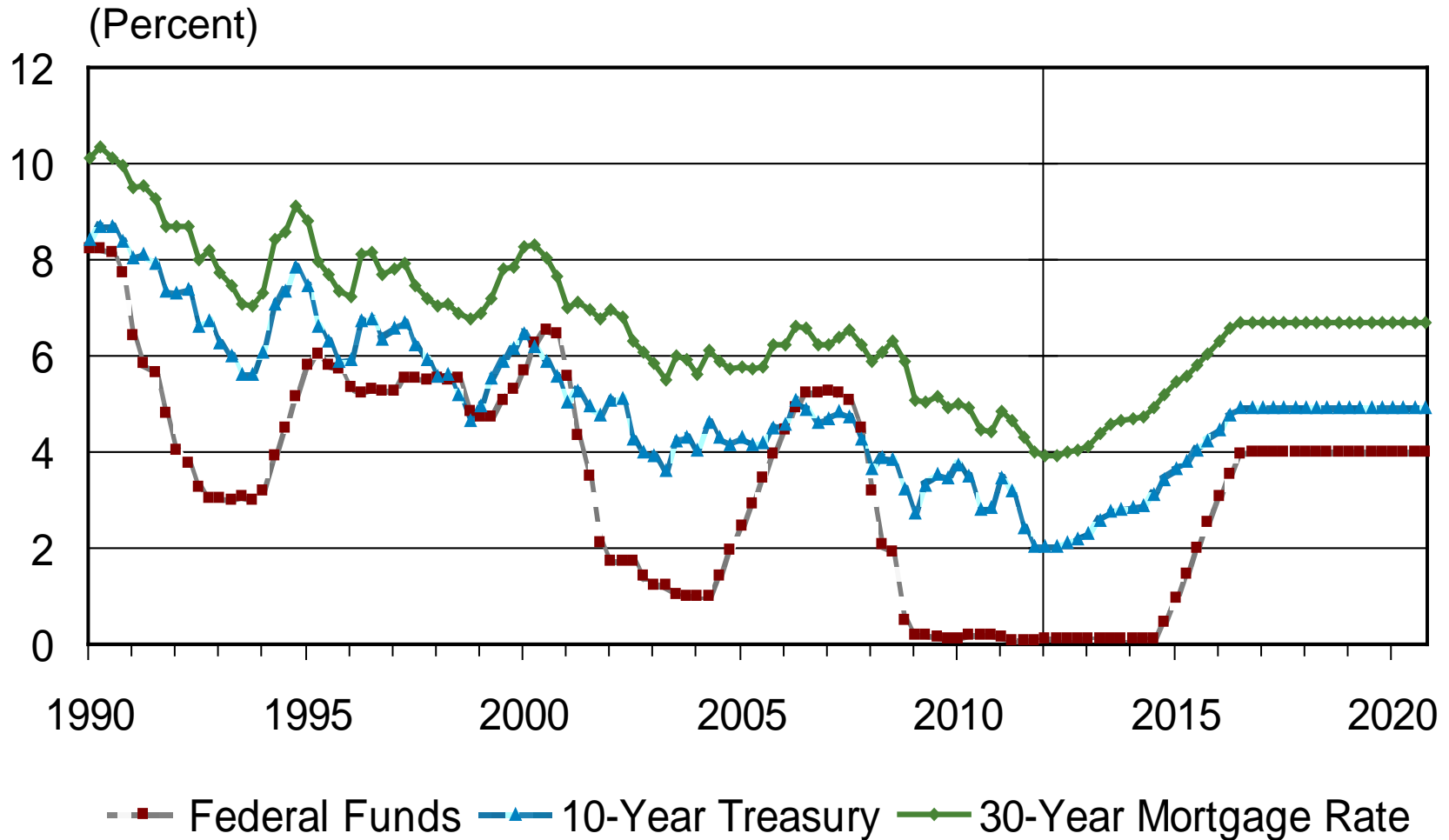


Real Gross Domestic Product (GDP) Growth

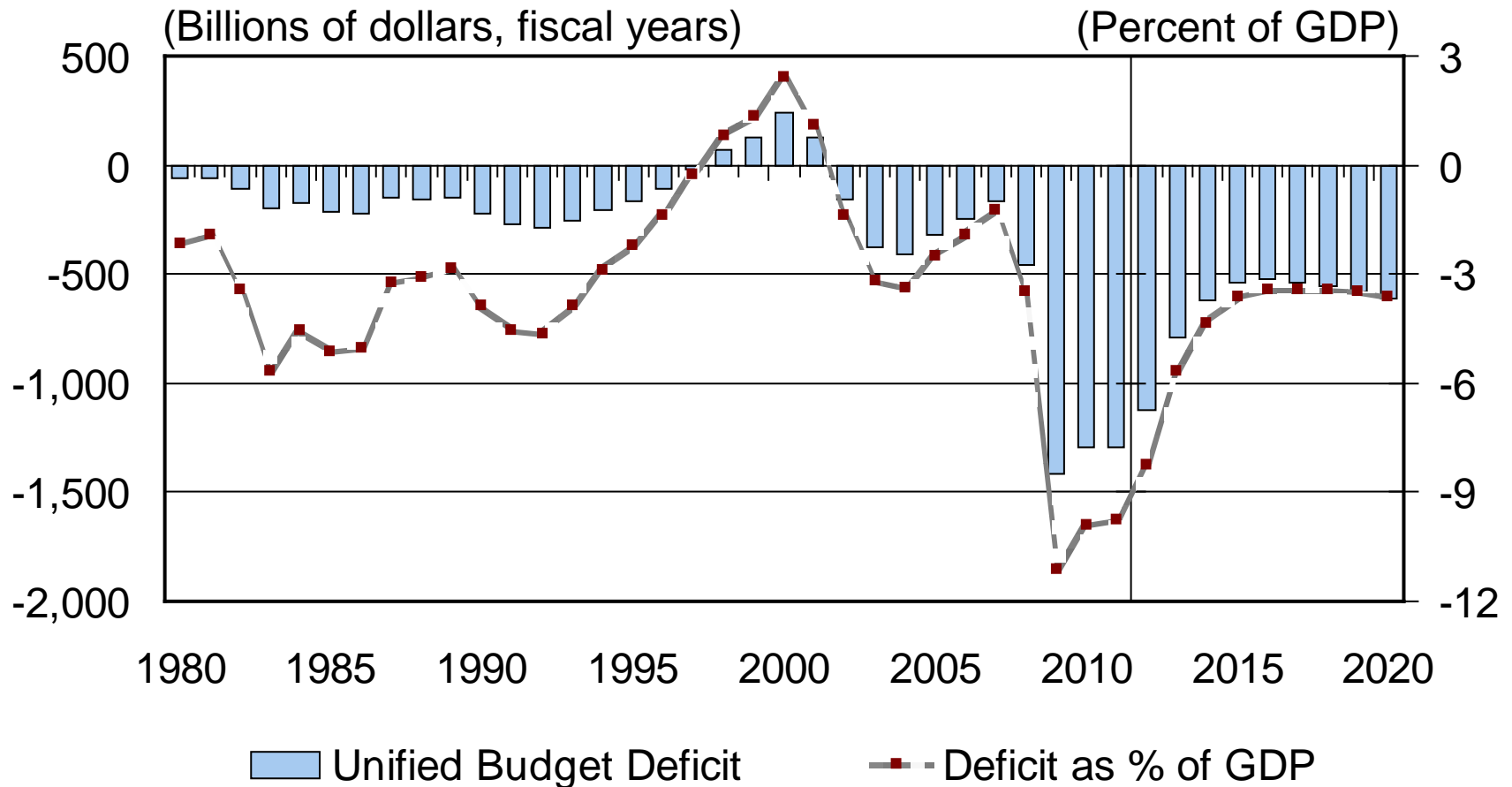




The Federal Reserve Will Keep Short Term Interest Rates Low Through 2014

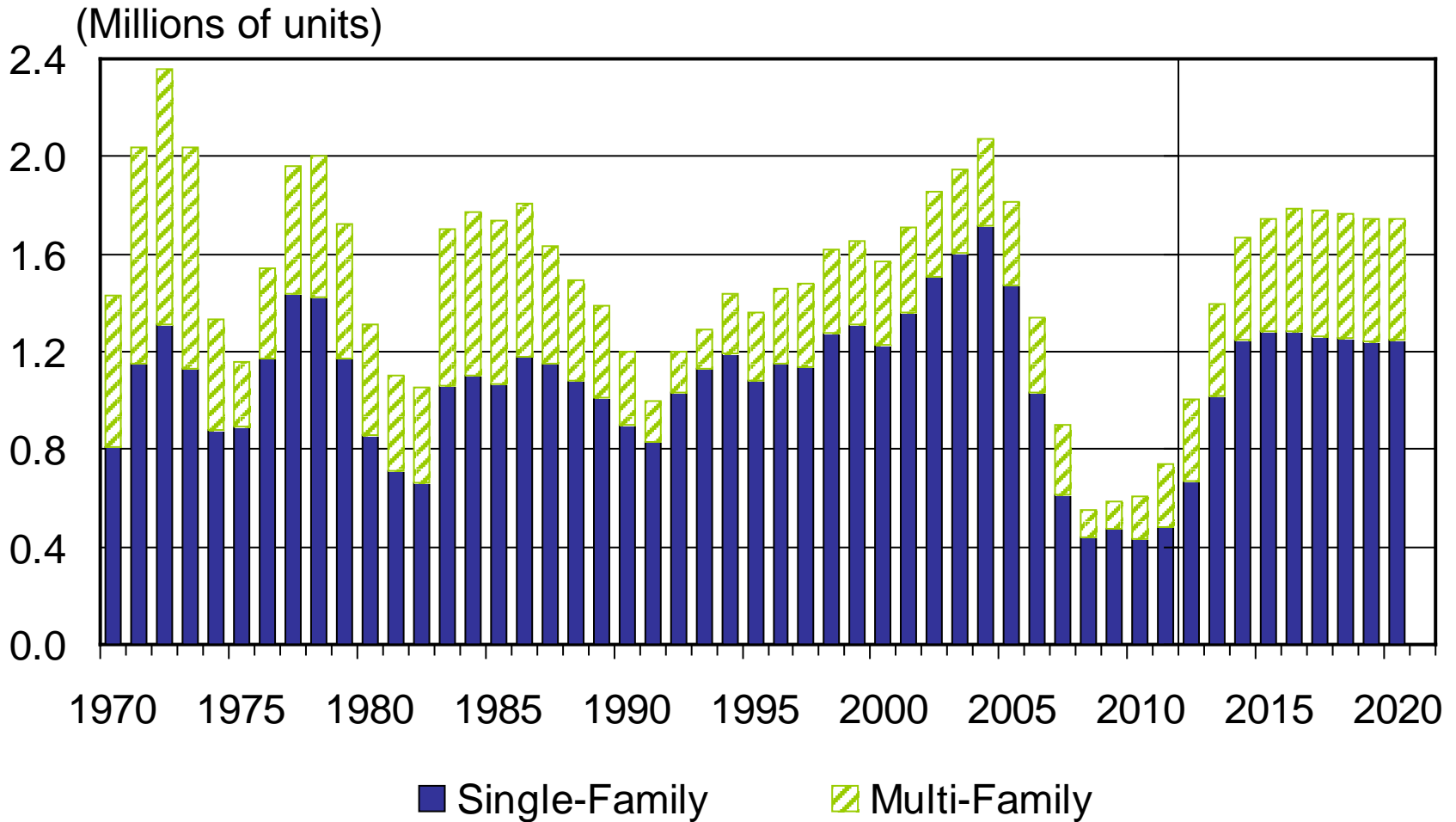


Long Term a Massive Fiscal Adjustment is Needed



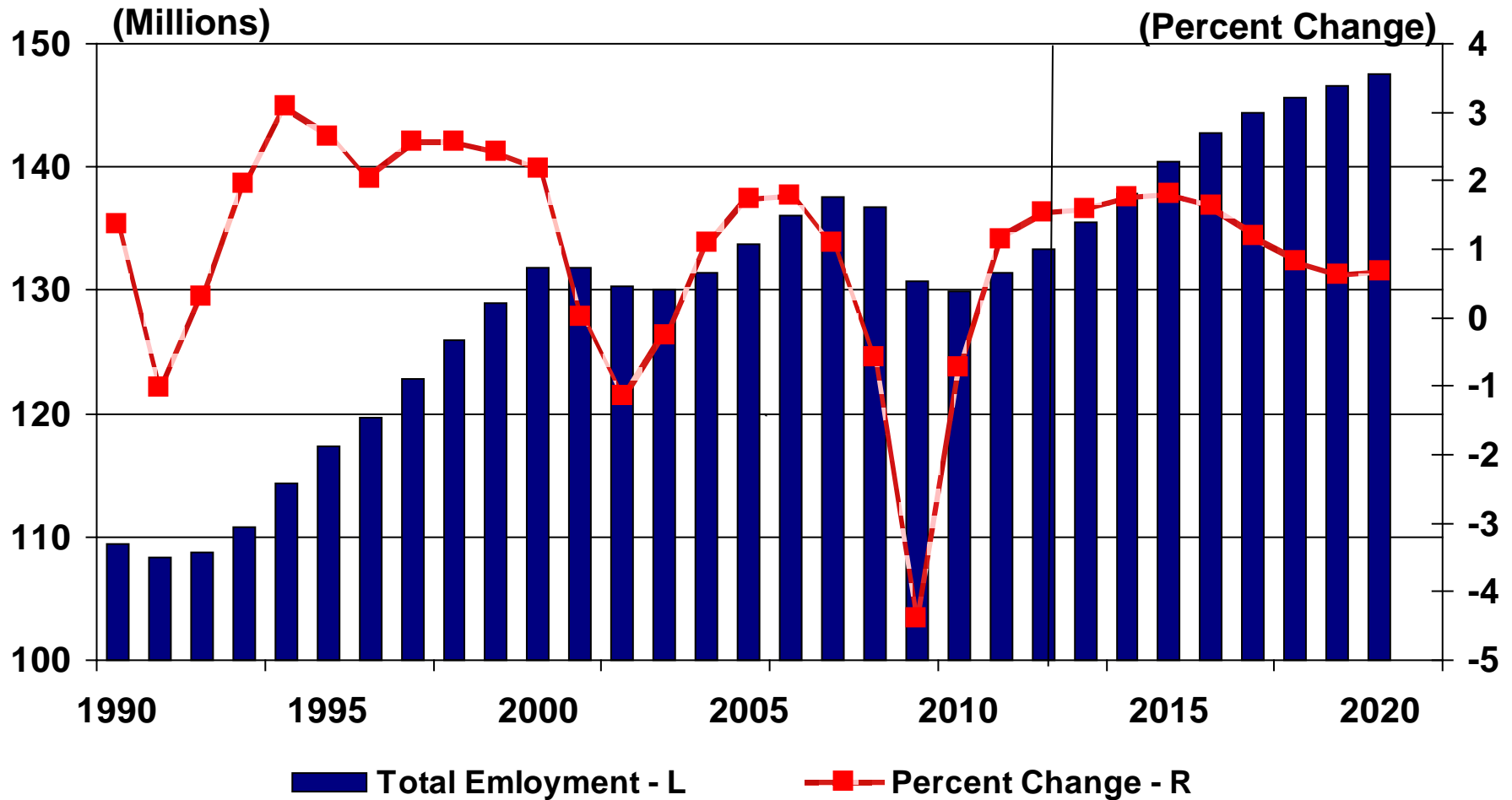


Housing Starts Will Not Rebound Until 2014



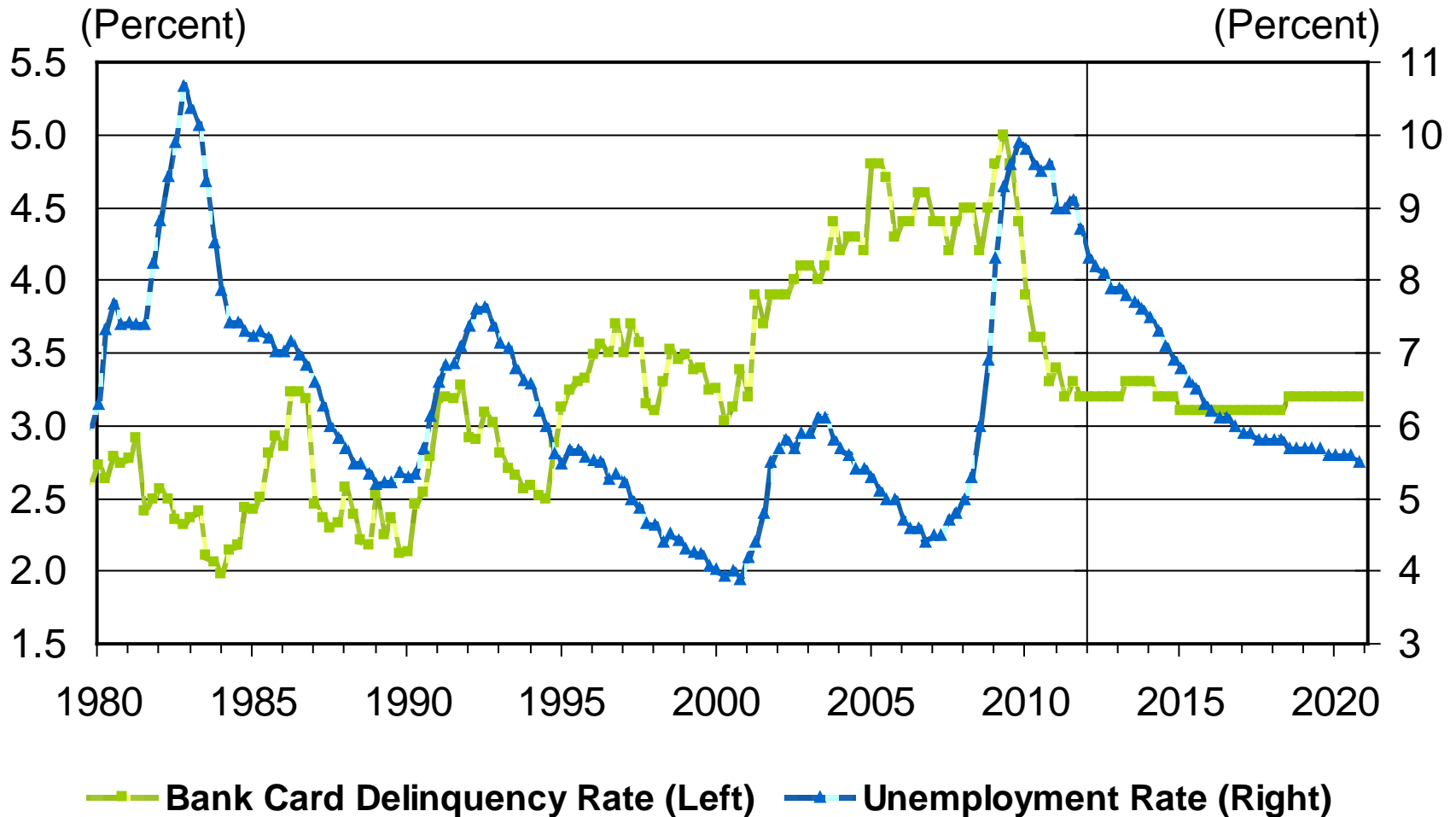


Payroll Employment



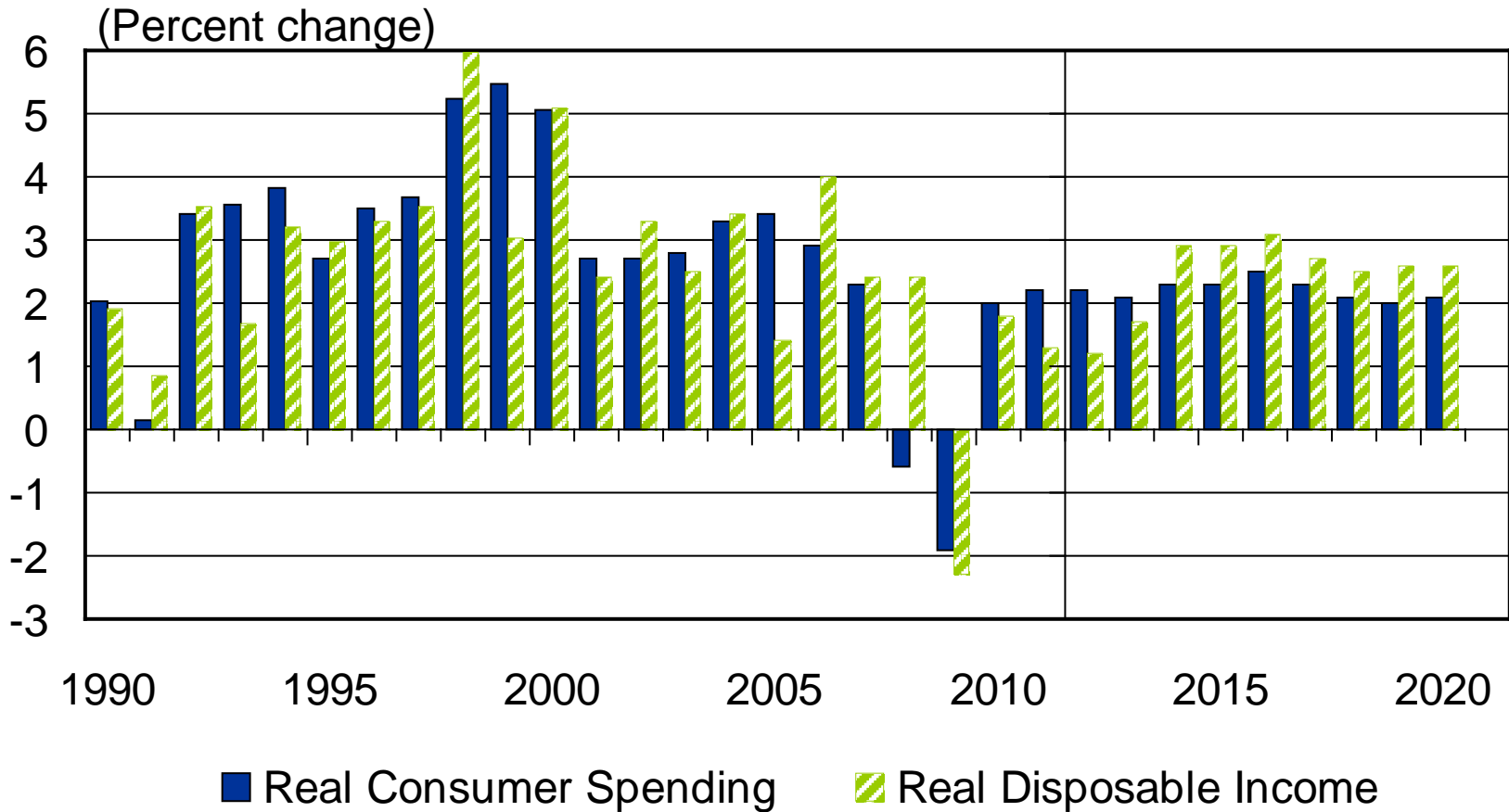


Rising Unemployment Puts Pressure on Consumers' Balance Sheet



Real Consumer Spending and Income Growth

New long-term trend for consumption is 2% not 3%





US - Auto Market Overview

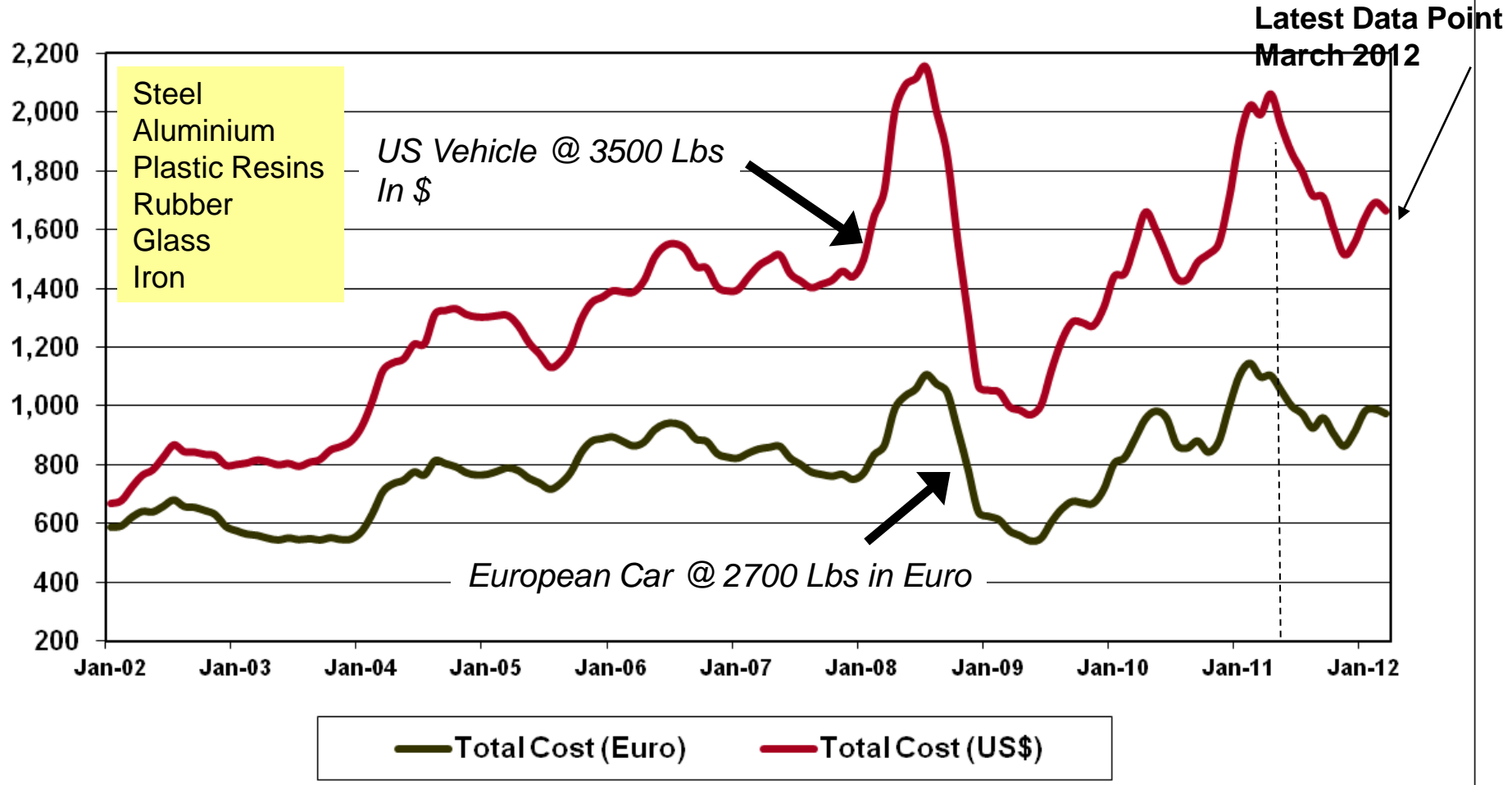
- Pent – Up demand is driving the auto recovery
- The recent sales numbers have exceeded expectations, the first quarter (the high point for the year) was outstanding but unsustainable
- Retail, rather than fleet, remains the main driver, although February saw more fleet volume
- Sales have improved, as Japanese cars return to the showrooms, but there are still some issues of availability
- High gasoline prices actually helped sales (trade-in gas guzzlers)
- Incentive spending has risen modestly, as inventories rebuild, but there is more pricing discipline today
- Auto credit availability is improving
- Supply constraints are becoming a concern
- The used car and truck market remains very strong
- Cost pressures will return but industry profits are good

Bottom Line – A weak economy will hurt the release of pent up demand, slowing not derailing, the auto market recovery

Pure Raw Material Cost in a Car – Debt Crisis Lowers Input Costs



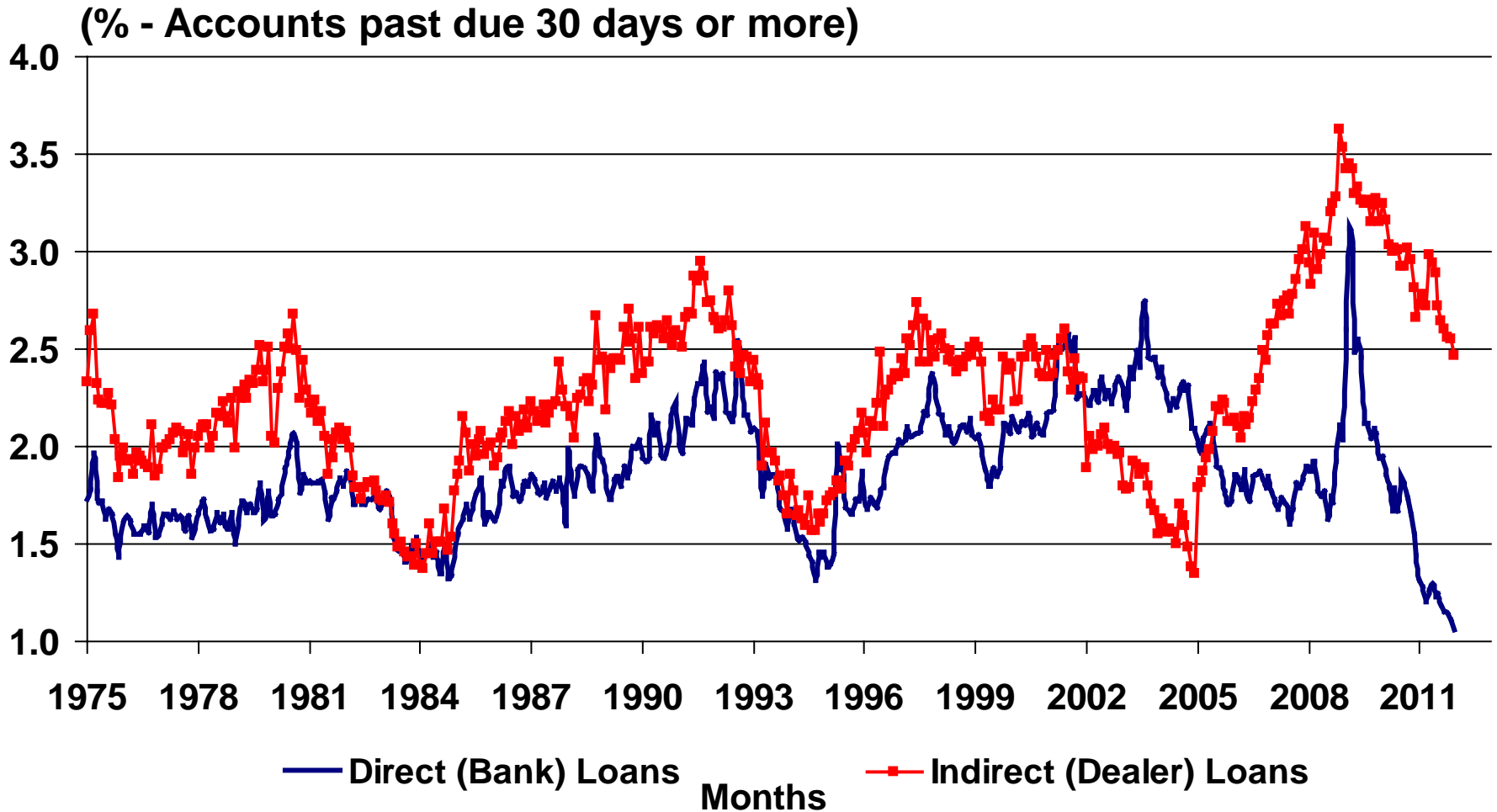
Total Raw Material Cost in a Car



(Excludes Fuel, Processing and Transportation costs)



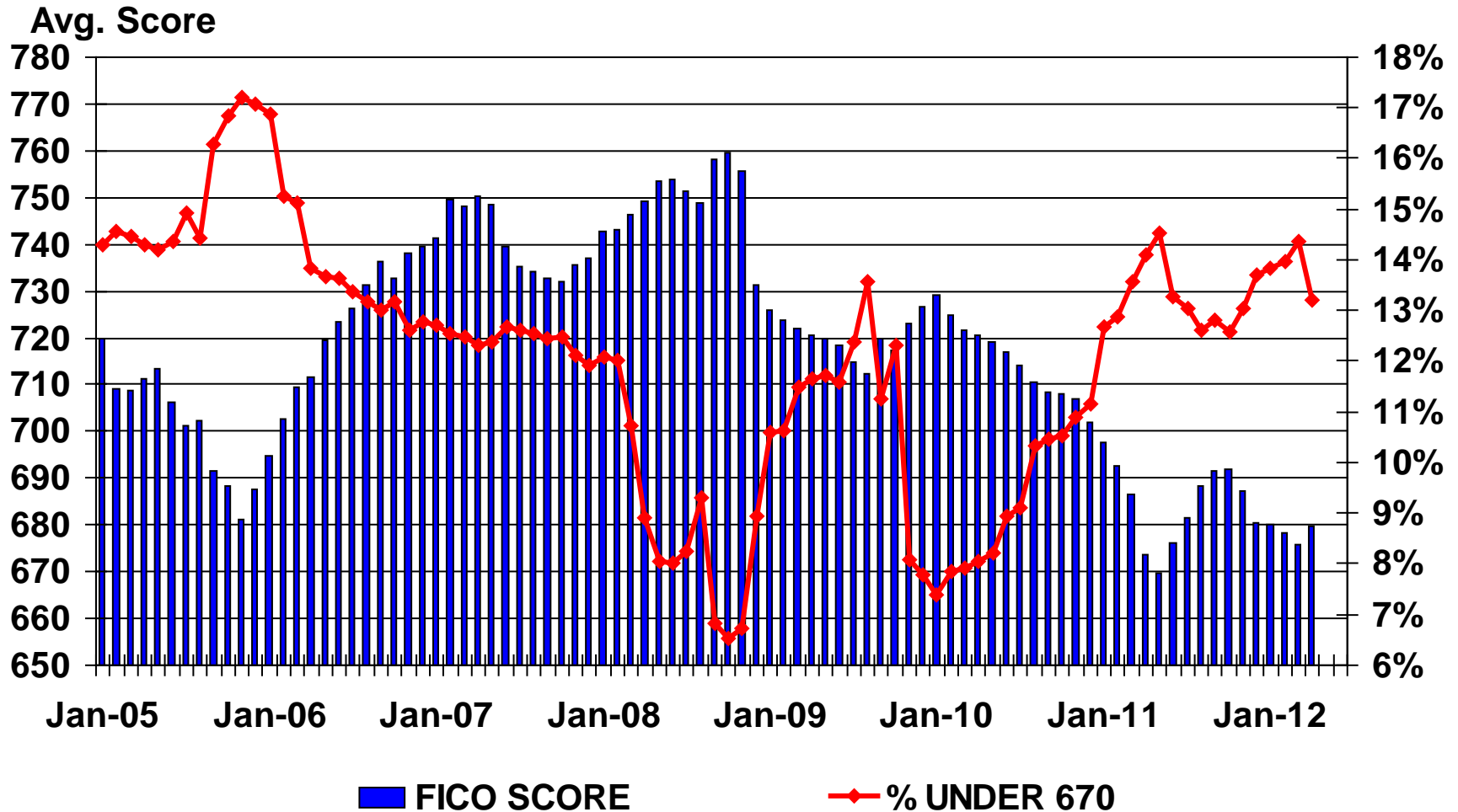
New Auto Loans — Delinquency Rates



Source: American Bankers Association



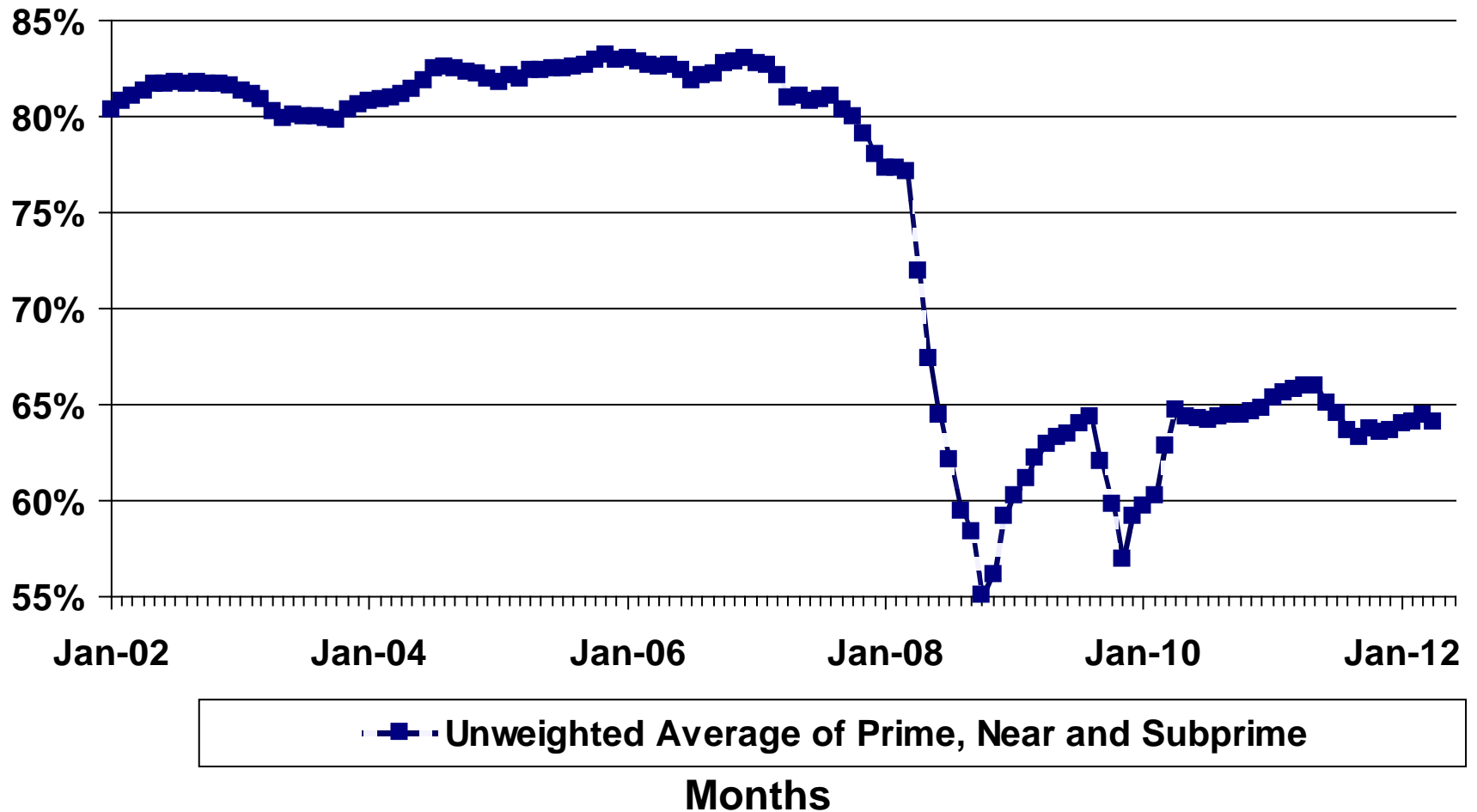
New Vehicle Buyers Average Credit Score



Source: CNW Marketing

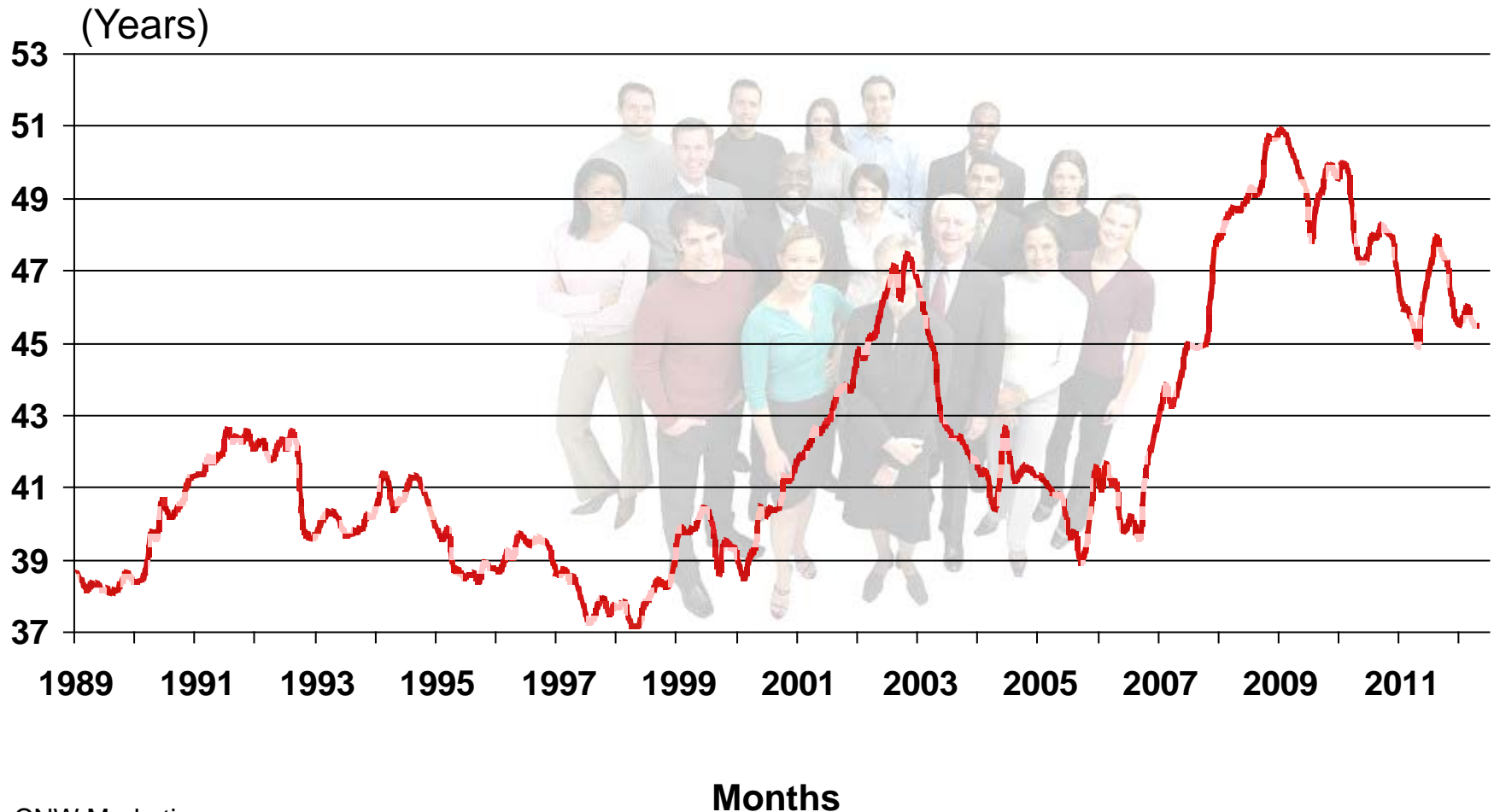


New Auto Loan Application Approvals



Source: CNW Marketing

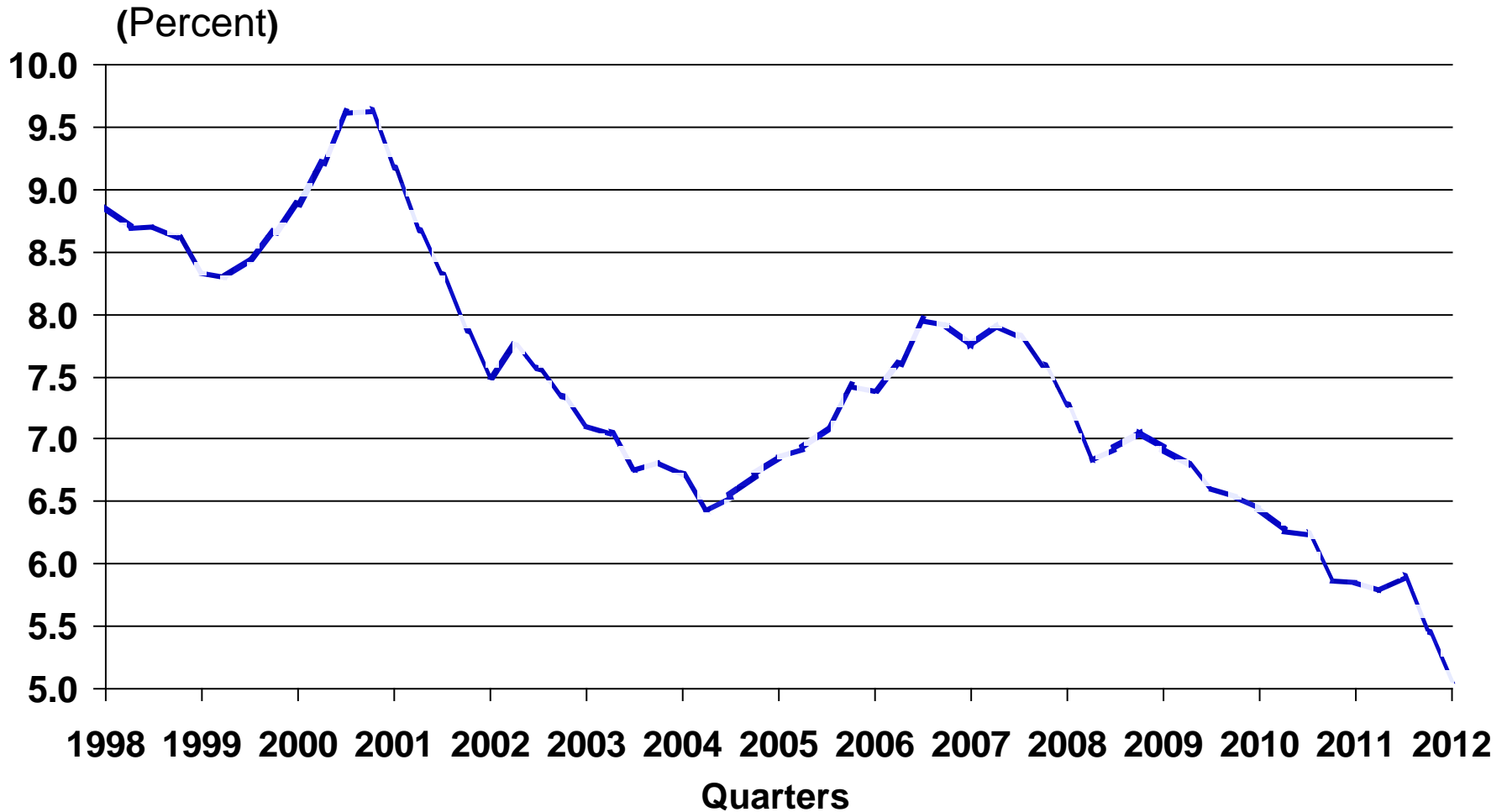
Median Age – New Vehicle Buyer



CNW Marketing



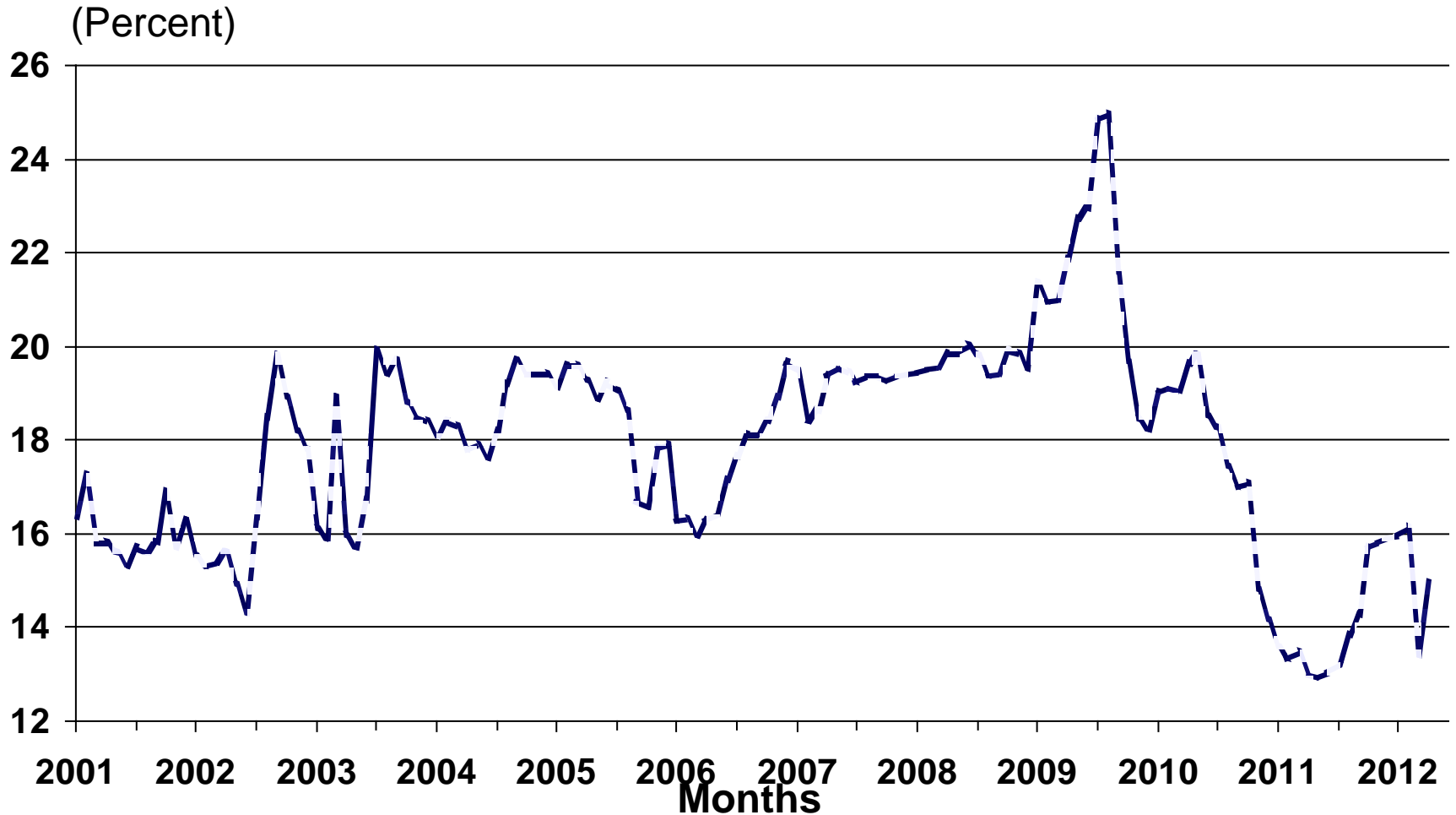
New Auto Loan Rates – Commercial Banks



Federal Reserve Board



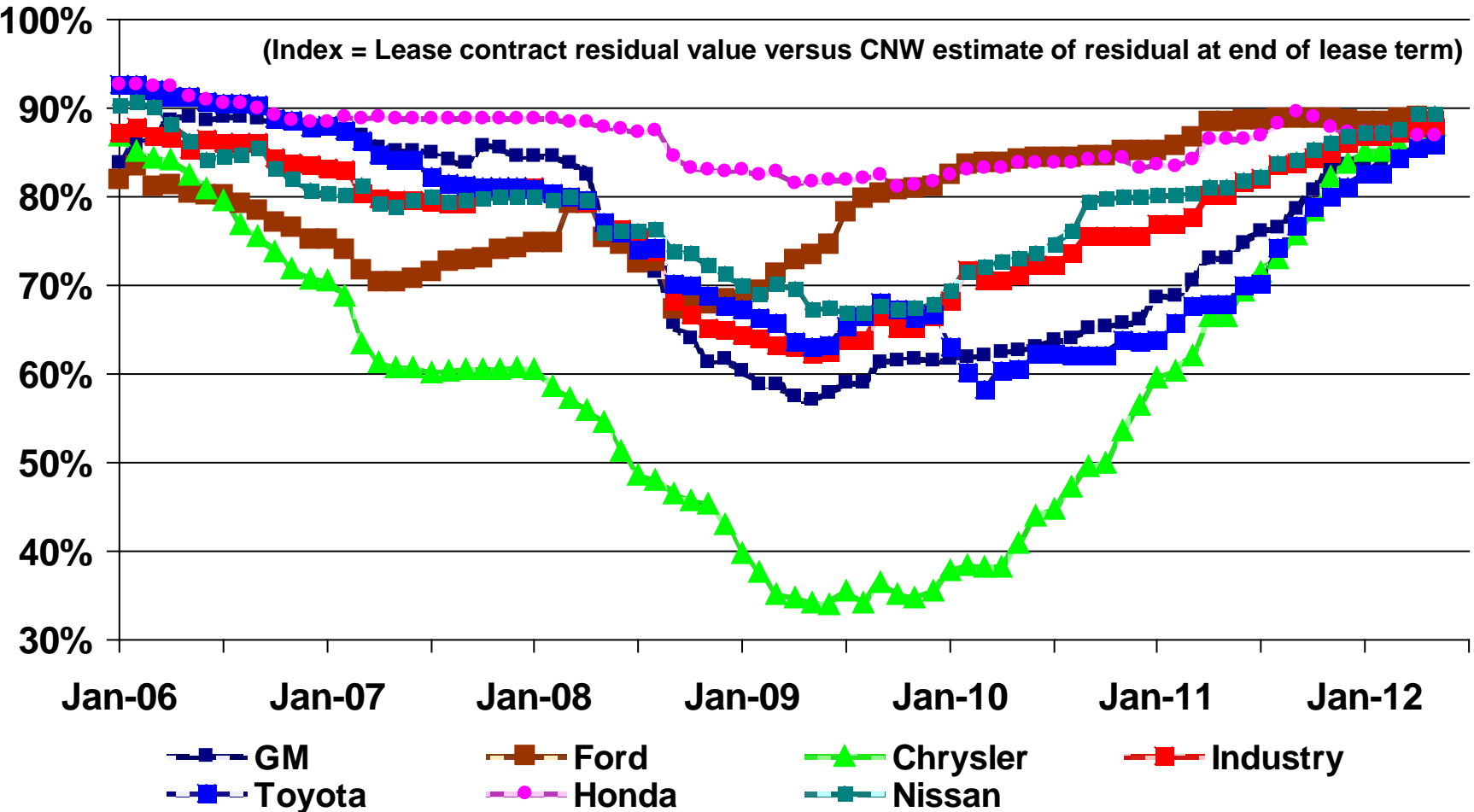
Incentives to MSRP





Residual Value Index

(Index = Lease contract residual value versus CNW estimate of residual at end of lease term)

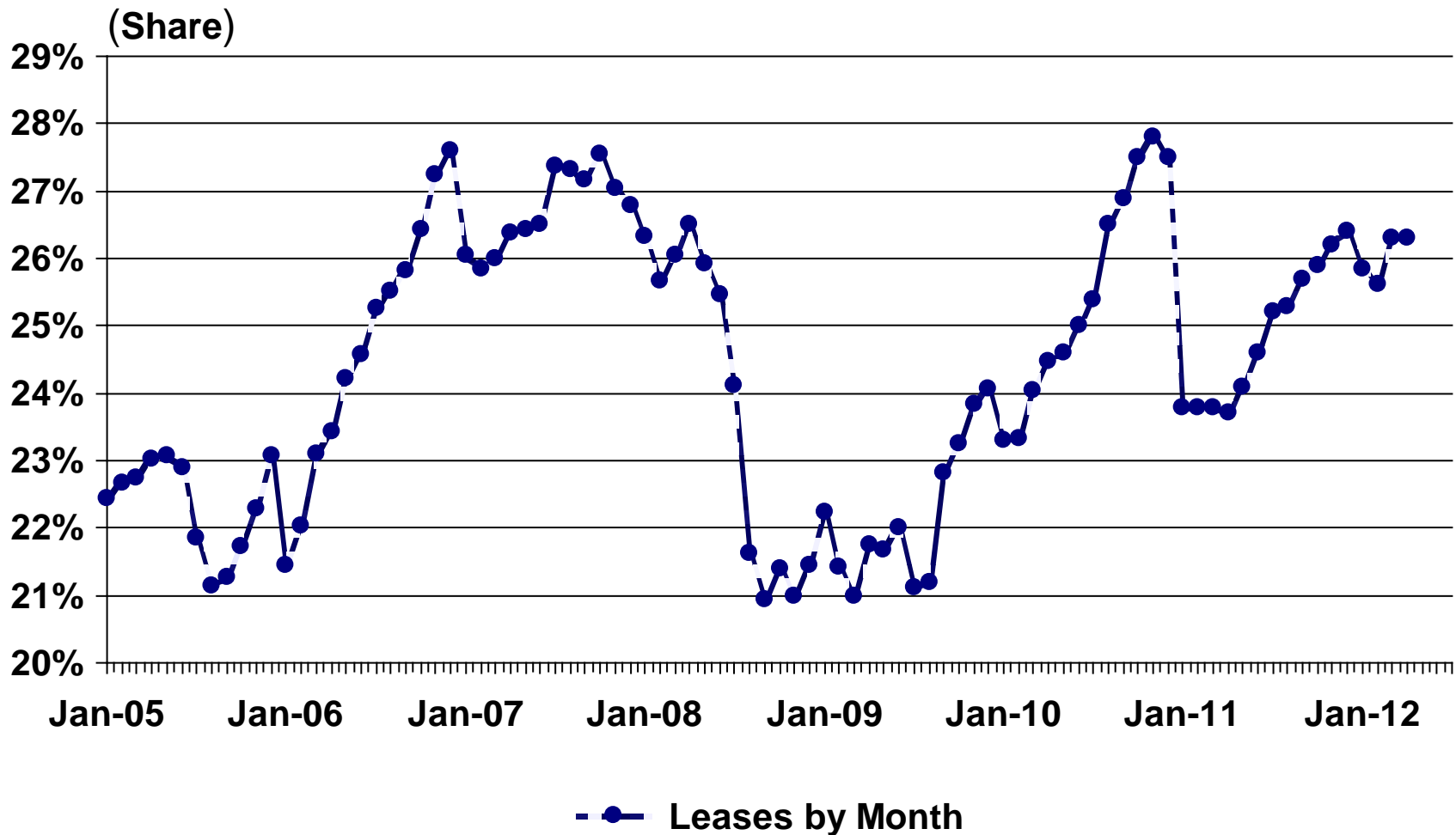


Source: CNW Marketing

Months



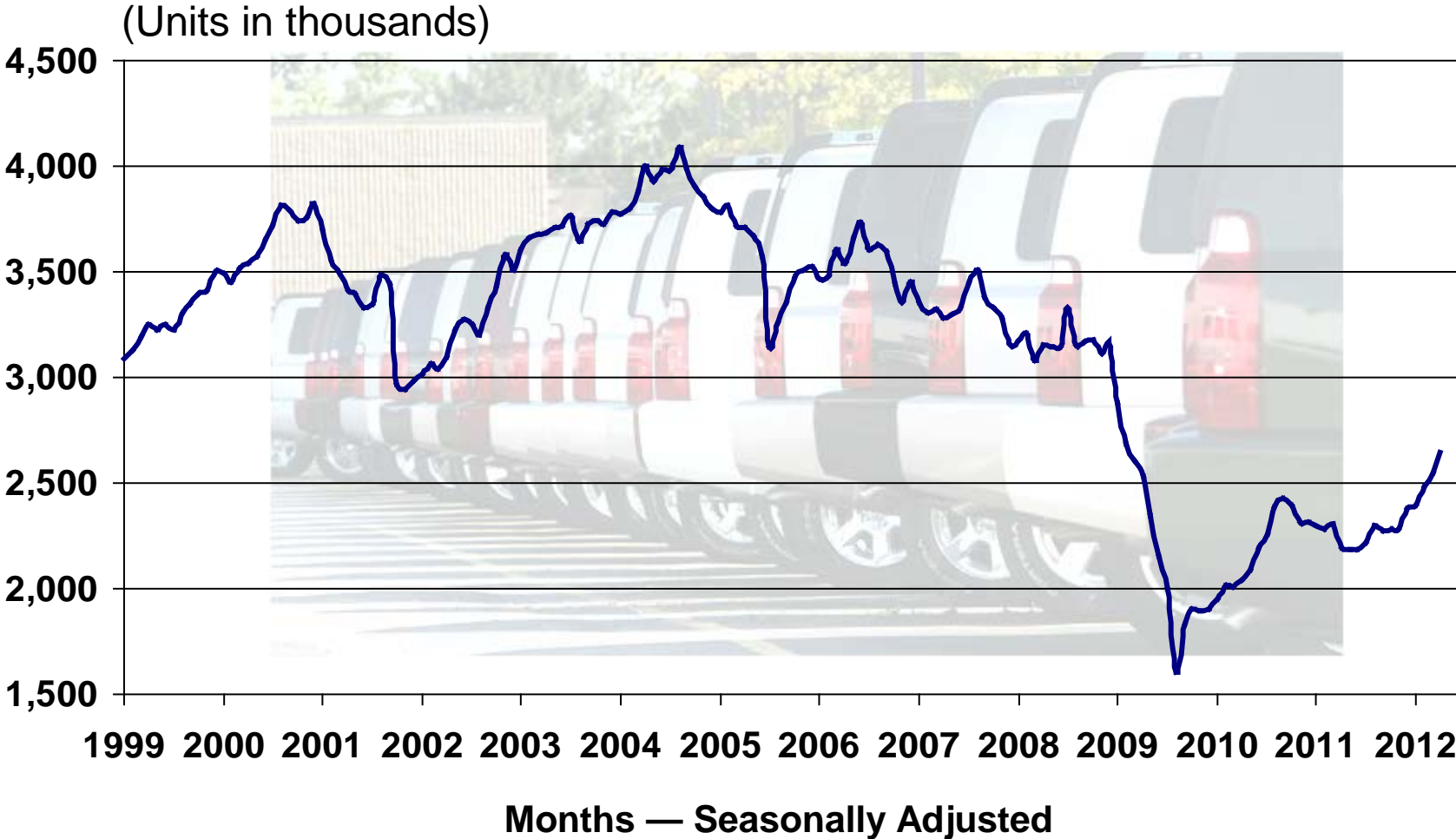
U.S. Light Vehicle Sales — Lease Penetration



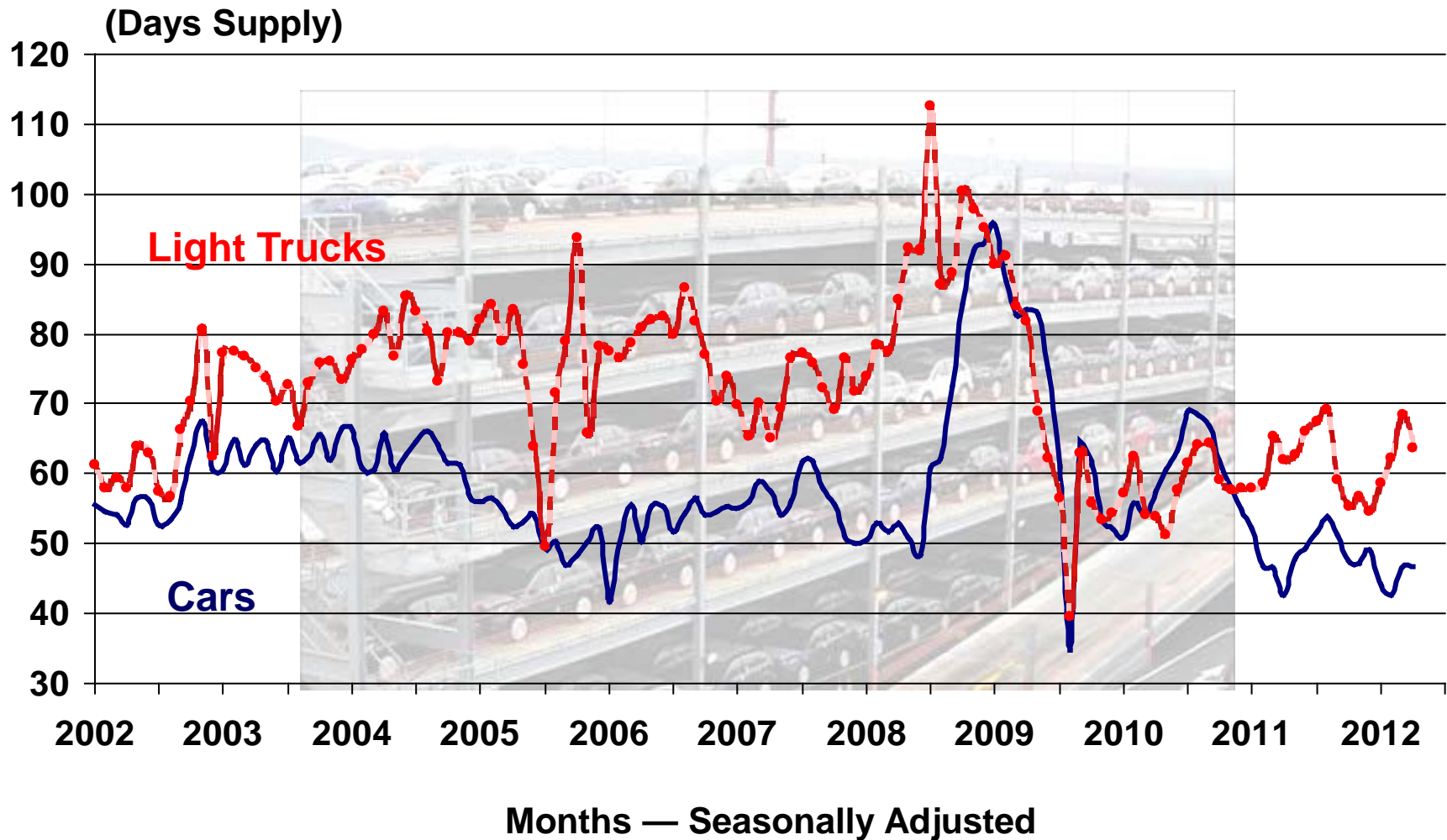
Source: CNW Marketing



U.S. Light Vehicle Inventory — Units

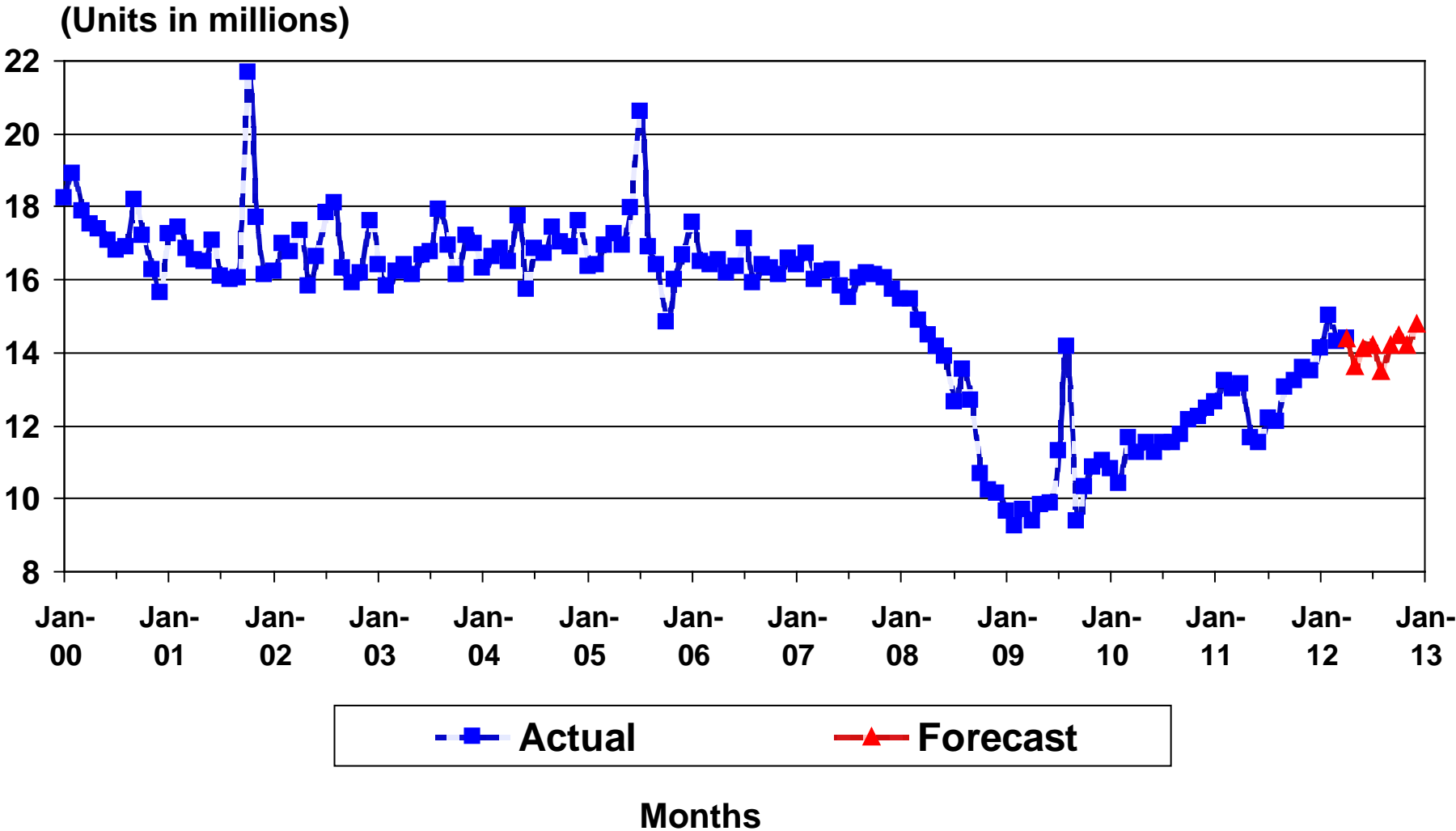


U.S. Light Vehicle Inventory — Days Supply



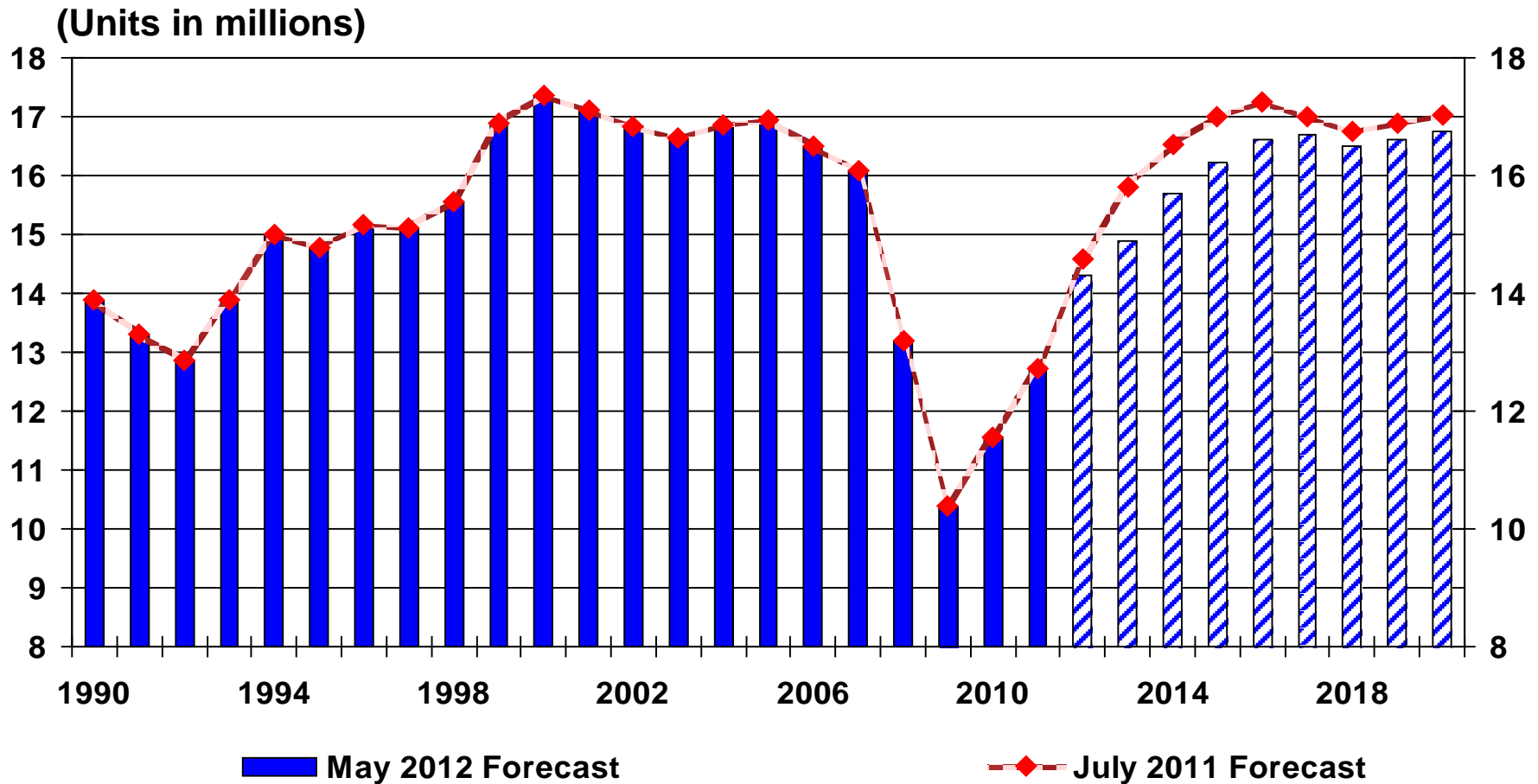


United States — Car & Truck Sales, SAAR



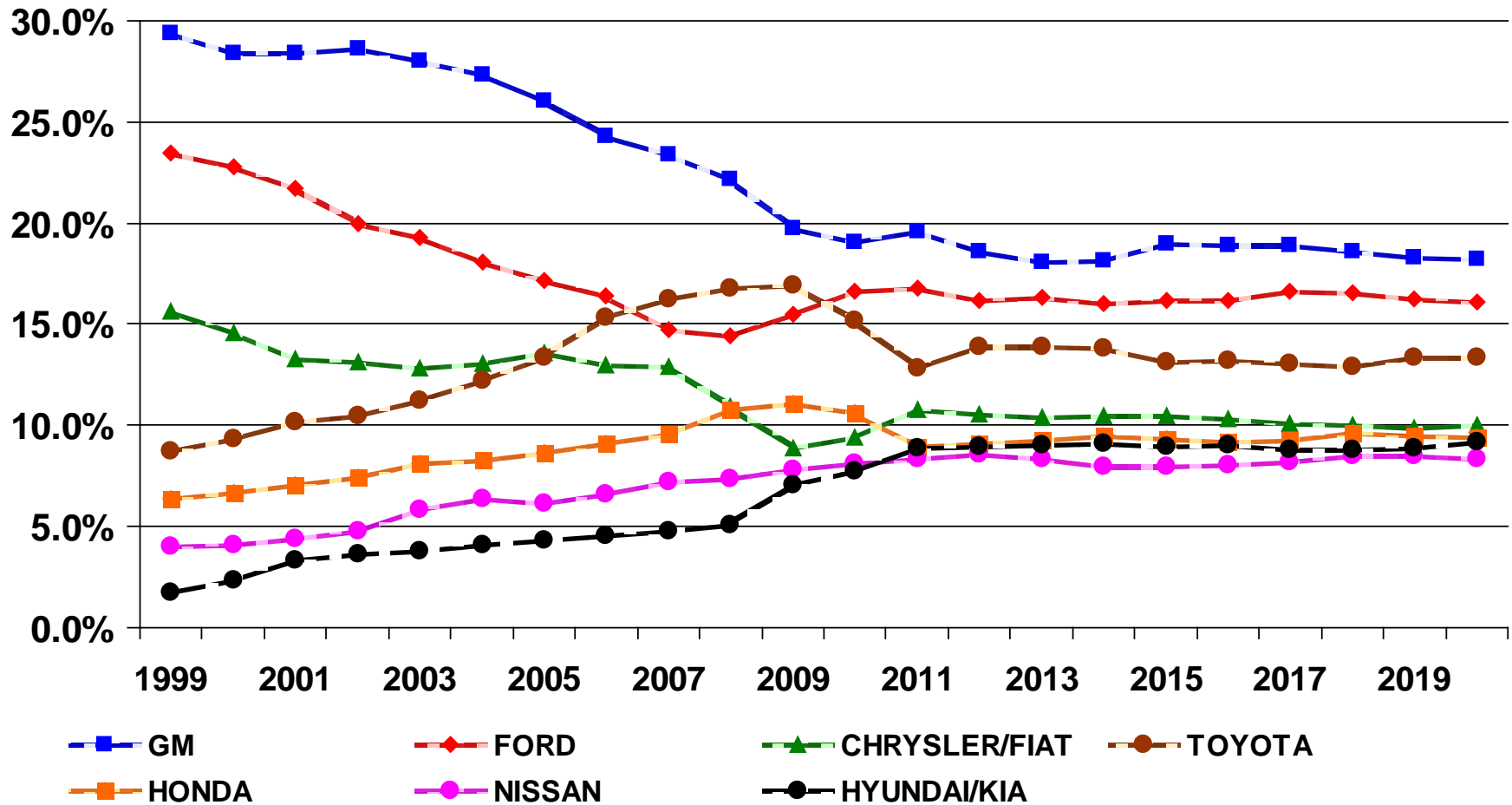
U.S. Light Vehicle Sales

2008: 13.2M units
 2009: 10.4M units
 2010: 11.6M units
 2011: 12.7M units
 2012: 14.3M units
 2013: 14.9M units
 2014: 15.7M units
 2015: 16.2M units



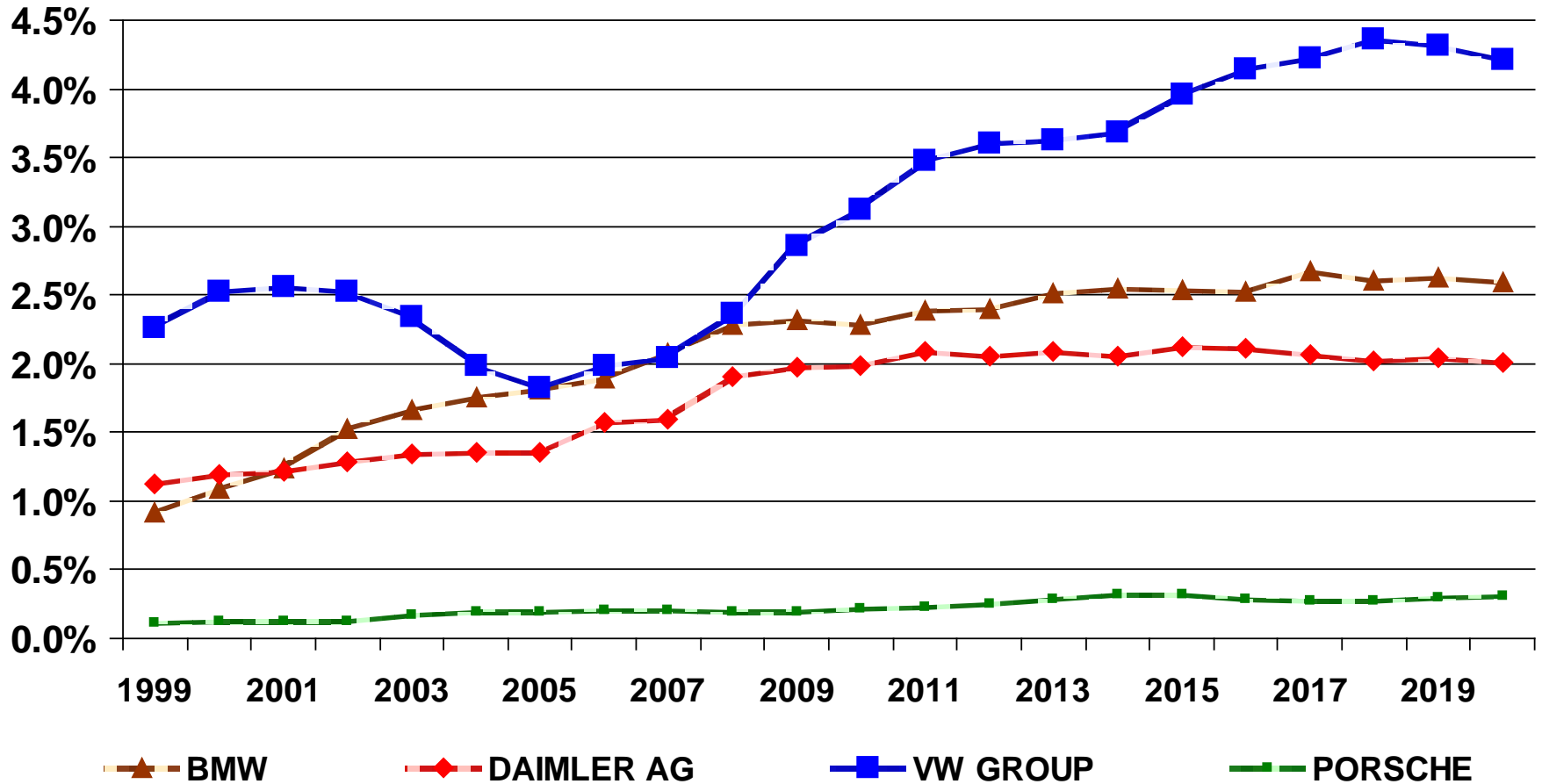


U.S. Sales — Major Manufacturers Market Share

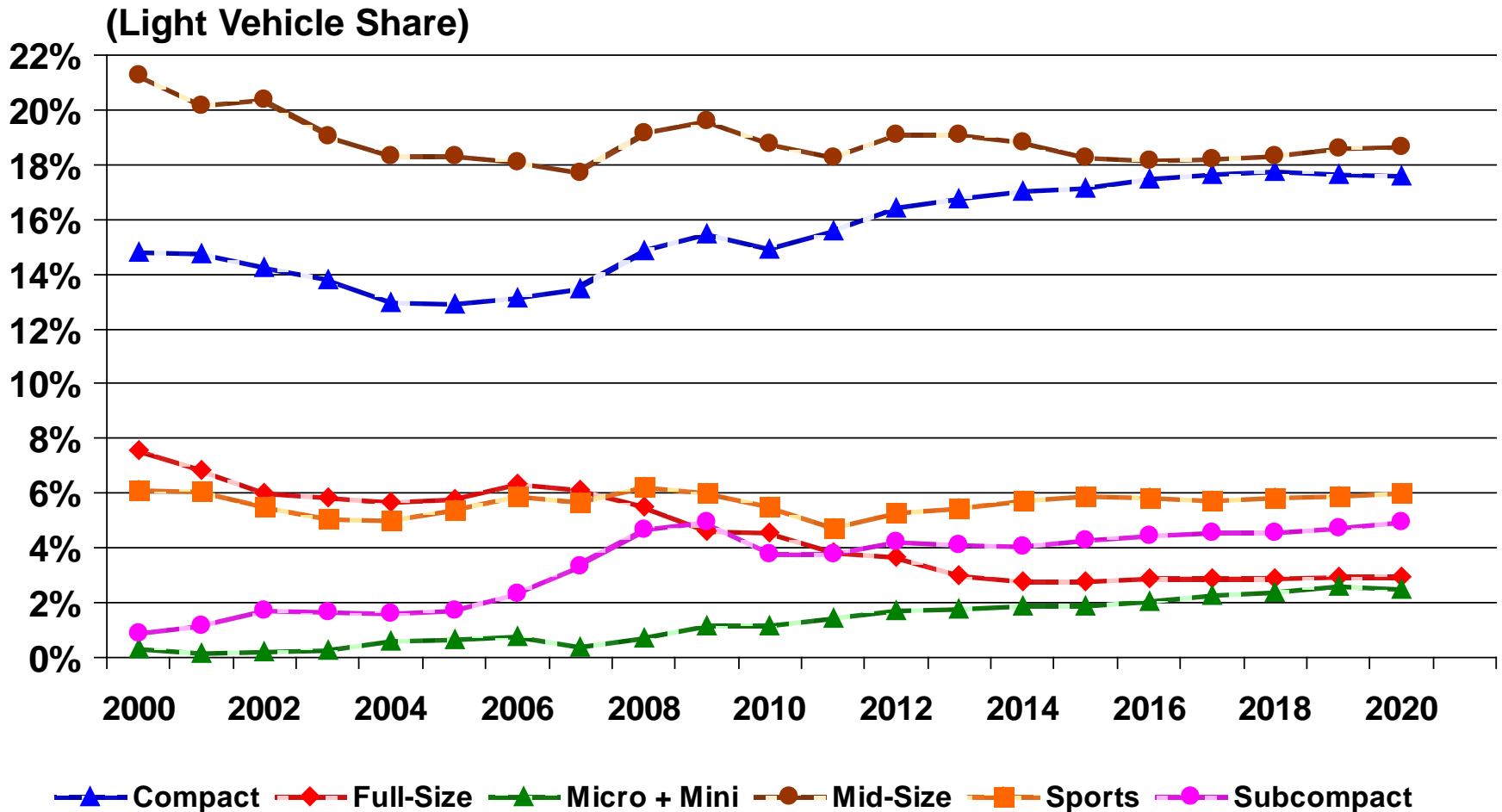




U.S. Sales — European Manufacturers Market Share

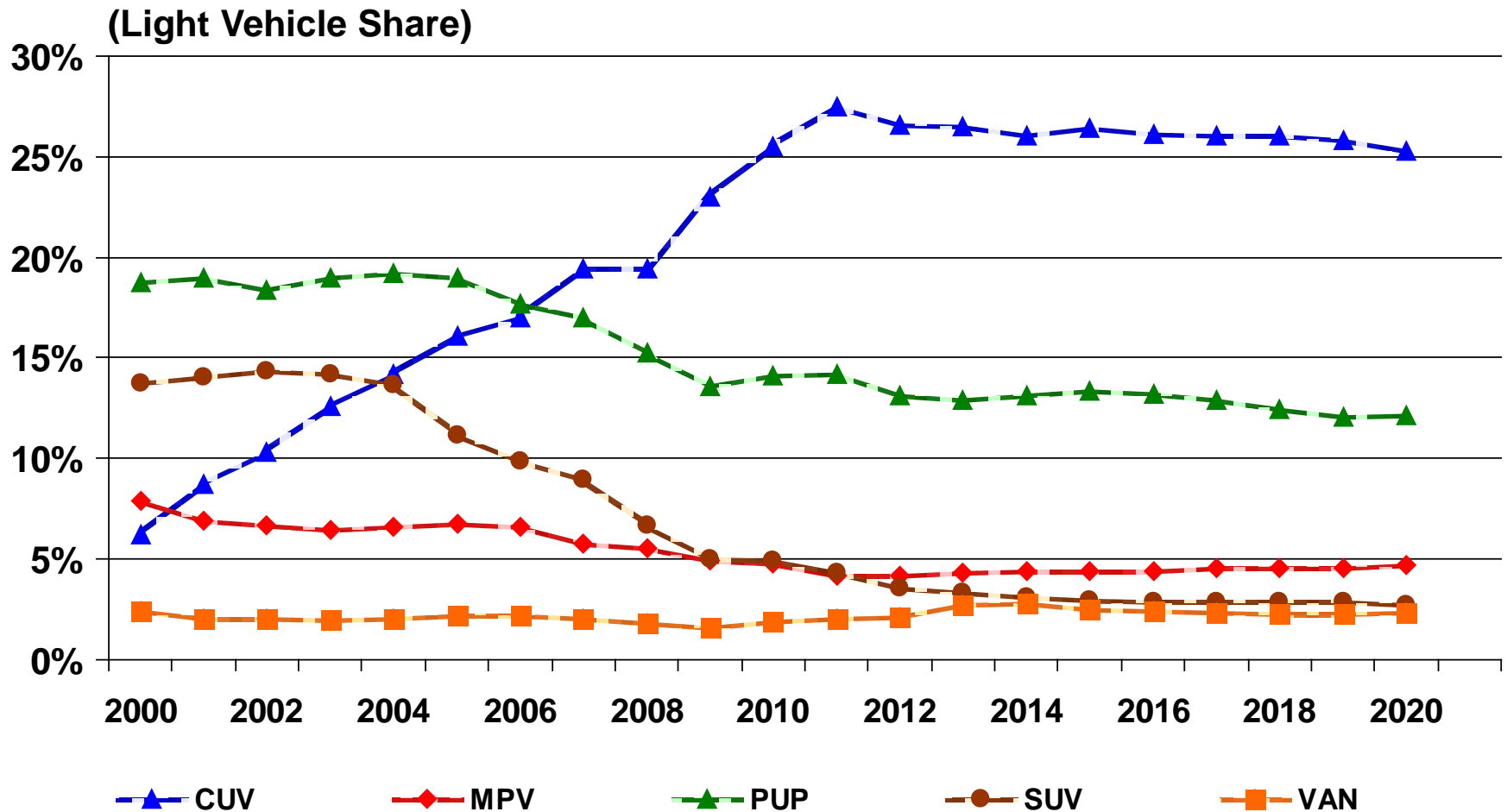


U.S. Sales — By Car Segment (52.7%)

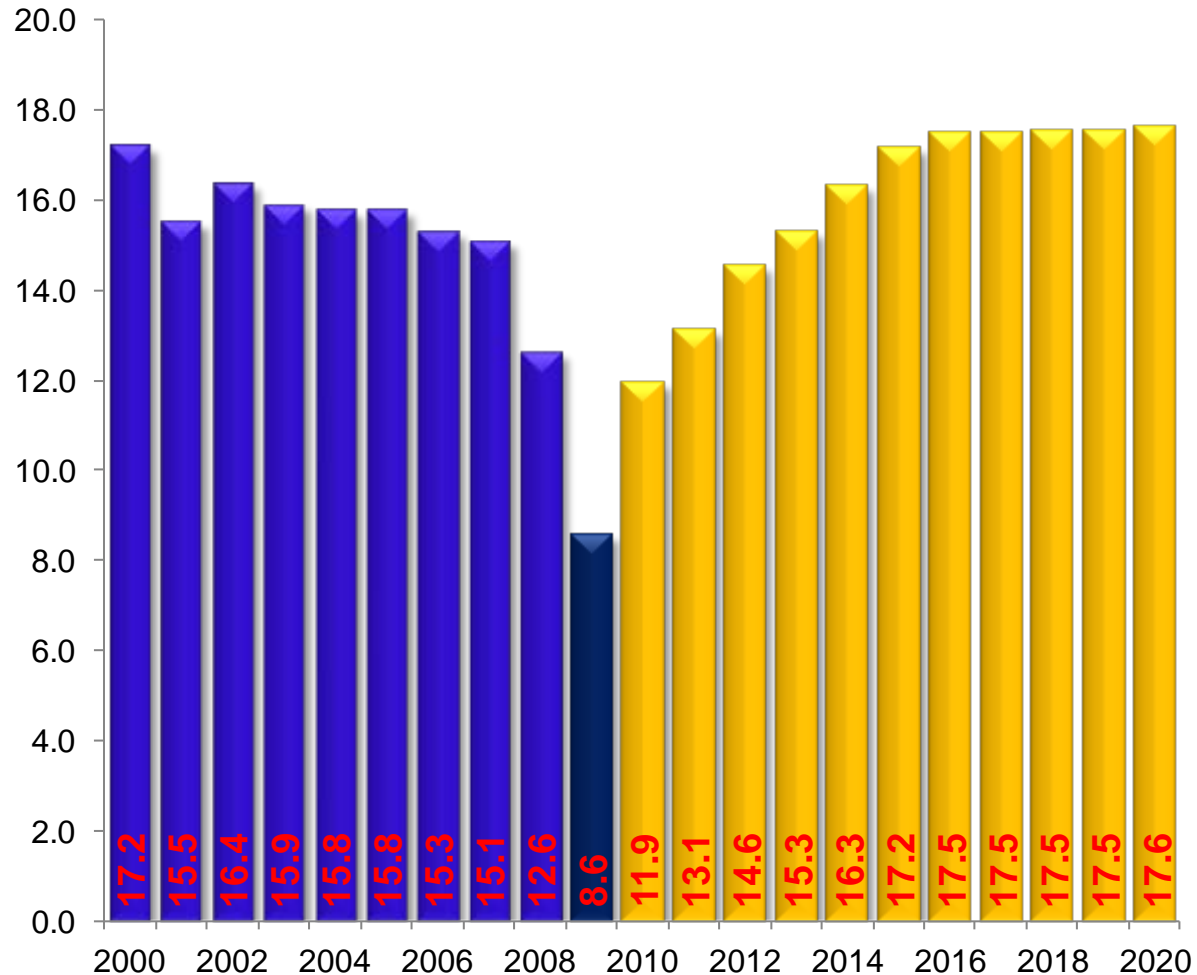




U.S. Sales — By Light Truck (47.3%)



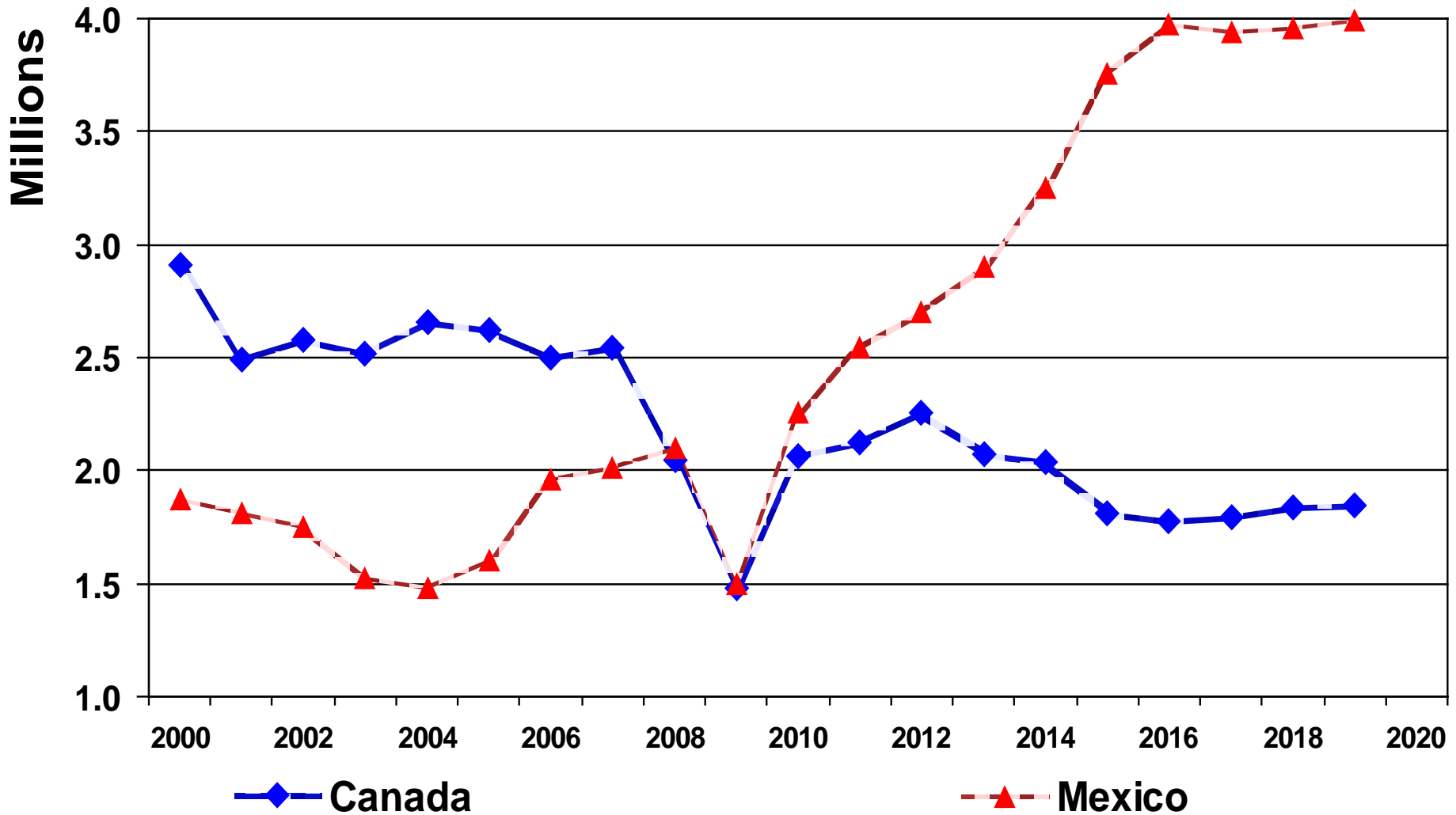
North American Light Vehicle Production



- Lost volume due to Japan & Thailand disasters tempered growth in 2011, made up in 2012
- Demand strengthening
- Inventory rebuilding
- Production localization efforts bearing fruit, more NAFTA sourcing
- NA becoming an export hub, greater use of global platforms allows for more “export ready” product
- BMW, Hyundai, VW, Toyota & Honda drive additional capacity expansion
- Ford tweaks sourcing – on GM’s heels; Chrysler/Fiat potential, yet hurdles remain



Light Vehicle Production - Americas





Autos - The Bottom Line

- The auto industry is in its best shape to withstand economic adversity
- Auto credit quality is outstanding, availability will improve this year
- Industry pricing power will continue to improve
- Leasing is on the way back
- Small cars will gain market share but crossovers will remain very popular
- Higher fuel economy standards are the next big challenge (opportunity)
- The industry has done a great job reducing capacity and cost, but we can't rest on our laurels
- Initially replacement demand drives volume, longer term demographics sustain sales
- Eventually the economy will support volume levels that are more normal for the auto industry
- The industry has become more profitable and once volume returns, it will become even more so



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Thank You for Your Participation!

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The combined collective expertise of
CSM | Worldwide and IHS Global Insight's
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