The Dealers’ Outlook

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National Automobile Dealers Association

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Federal Reserve Bank of Chicago
New Light-Vehicle Sales over 14 Million Units Expected for 2012 by NADA

12.7 Million Units in 2011, 14.4 Million Estimated for 2012

Source: NADA Industry Analysis
Vehicle Sales Growth in 4-months 2012 compared to 2011

Faster Pace for Light Vehicle Sales Expected in 2012

Over 14 Million Likely for 2012

Source: Ward's Automotive, Graphics by NADA Industry Analysis, Paul Taylor, Chief Economist
<table>
<thead>
<tr>
<th>State of the U.S. Economy: Q1 2012 and Beyond</th>
<th>Change</th>
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<tbody>
<tr>
<td>Performance of existing U.S. housing prices (FHFA index: year over / first quarter 2012)</td>
<td>+0.5%</td>
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<tr>
<td>Negative growth expected in Eurozone, 1st-quarter 2012: Germany, 1st-quarter 2012 GDP growth: U.S., 1st-quarter 2012 real GDP growth (estimated):</td>
<td>Estimated to be Flat +0.5% +2.2%</td>
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<td>Lack of control of U.S. spending (U.S. elected officials, a long- and short-term concern)</td>
<td>Very modest progress</td>
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<td>Lack of light-vehicle inventory, first-quarter 2012</td>
<td>Significant progress expected overall</td>
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<td>Interest rates for light vehicles</td>
<td>Will Remain low during 2012</td>
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<td>Consumer Confidence Index (Conference Board)</td>
<td>Increase to 64.5 in December 2011 (1985=100), 44.2 in August 2011, 68.7 in April dropping to 64.9 in May 2012</td>
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<tr>
<td>Unemployment rate</td>
<td>December 2011 rate was 8.5%, versus 8.1% in April, 2012</td>
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First Quarter, 2012
Housing Prices Find a Bottom in Most States

Four-Quarter Price Change by State: Purchase-Only Index (Seasonally Adjusted)

US Four-Quarter Appreciation = 0.5% (2011Q1 - 2012Q1)

Map showing housing price changes by state, with color coding for percentage changes. States showing the highest appreciation are in blue, while those showing the highest depreciation are in red.
## New Car Dealership Performance Improves in Slow-growth Economy

(Q1 2012 compared to 2011 for typical dealership)

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<th>First Quarter: 2011</th>
<th>2012</th>
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<tr>
<td>Total sales</td>
<td>$8,318,022</td>
<td>$9,158,600</td>
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<tr>
<td>Net pretax profit</td>
<td>2.4%</td>
<td>2.6%</td>
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<tr>
<td>Floorplan expense per new retail unit sold at retail</td>
<td>-$67</td>
<td>-$27</td>
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<tr>
<td>Net debt-to-equity ratio</td>
<td>0.99</td>
<td>0.95</td>
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<tr>
<td>Current ratio</td>
<td>1.35</td>
<td>1.36</td>
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<tr>
<td>Service &amp; parts absorption</td>
<td>58.5%</td>
<td>56.1%</td>
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<tr>
<td>Return on equity</td>
<td>29.3%</td>
<td>32.6%</td>
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Short-term and Long-term Issues for the U.S. Economy

• Interest rates remain low and will stay low through 2012-13. Government gridlock and the corrosive impact of government debt restrains economic growth, price recovery of the housing market and employment growth.

• Downgrade in the credit ratings in Europe, the U.S. and various states and cities slows U.S. economic recovery only slightly.

• Europe’s Economy and the Euro currency are a concern to the U.S. through our trade accounts. Dollar rising versus the Euro eventually hurts exports from the U.S.

Source: NADA Industry Analysis
Supply of 1- to 2-Year-Old Vehicles:
Down Significantly as a Result of Recession,
Short Duration Leases Expected during 2012

Returning used supply: Vehicle age 12-24 months
3-month moving average
Higher Used Car Average “AuctionNet” Prices by Segment support New Car Sales
1- to 5-Year-Old Used Vehicles, 2005-2011

Average AuctionNet segment price 1- to 5-Year old vehicles

Source: AuctionNet®  ©Copyright 2011 NADA Used Car Guide
Used Vehicle Prices

Strong demand, declining supply, and positive new market symbiosis have pressured used vehicle prices to historic highs.

AuctionNet Wholesale Market Index
Price change relative to January 2007.

Vehicles aged 2-to-5 years. Adjusted for mileage and mix.
Short-term and Long-term Issues: Part 2

• Stabilizing prices of residential real estate assists consumer confidence on expenditures on big-ticket items as a price bottom occurs for housing prices in most states. Stable home prices help new car sales. Home prices increase in some states. Pacific states home prices mostly falling.

• Gasoline prices favorable to light-vehicle sales but international concerns for future crude oil prices remain. Recession in Europe should moderate oil prices, but concern focuses on Iran and Syria.

• Low interest rates, moderate gasoline prices and high values for used cars all support higher new-car sales ahead.

Source: NADA Industry Analysis