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US - Light Vehicle Outlook

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



Euro Zone Crisis

Governments Scrambling to Solve Crisis – No Success Yet

- Of the 27 European Union nations, 26 nations agree to the principles of the new treaty – coordinated fiscal policy with oversight. The United Kingdom won't agree.
- The European Central Bank cut its interest rates and buying bonds to supply liquidity, but major problems remain – ECB won't commit to buying “troubled” government bonds.
- Euro Zone is in a recession and the UK is not far behind.
- Greece continues to miss its fiscal targets and will soon run out of room to maneuver – borrowing at 32% interest rates. Baseline forecast incorporates a Greek sovereign debt default in February 2012 or sooner (60% probability).
- Italy is better situated to withstand its crisis but yields are now 6% to 7%. Probability of Italian default is 15% to 20%. Spain yields are also at unsustainable levels.
- Doomsday scenario – Euro Zone melt down, financial crisis, euro falls to parity with dollar, US recession (25%-30% probability).
- Impact on global economy unknown. Asia is impacted by lower trade and less credit. US could see only limited impact – US banks are flush with cash.

Bottom Line – Europe is in a recession, but Doomsday is avoided



US Economy – Remains on a Slow Recovery Path

- Amid global storm clouds, the US economy will grow at a modest pace.
- Business equipment investment and consumer durables, supported by replacement demand, are driving near-term growth.
- Strained household finances will limit real consumption gains to about 2%.
- Confidence in U.S. policy-making has hit new lows, after the debt-ceiling debacle
- There is no meaningful fiscal resolve until after the election, but there is a QE3 in early 2012
- Fiscal policies will tighten, although the timing and scope is uncertain.
- A recovery in housing markets is key to more robust economic growth in 2013-15.
- The Eurozone sovereign-debt crisis is the biggest threat to growth; we see a 25% - 30% risk of another US recession in 2012.

U.S. Economy

-Probability of a Recession is now 30%

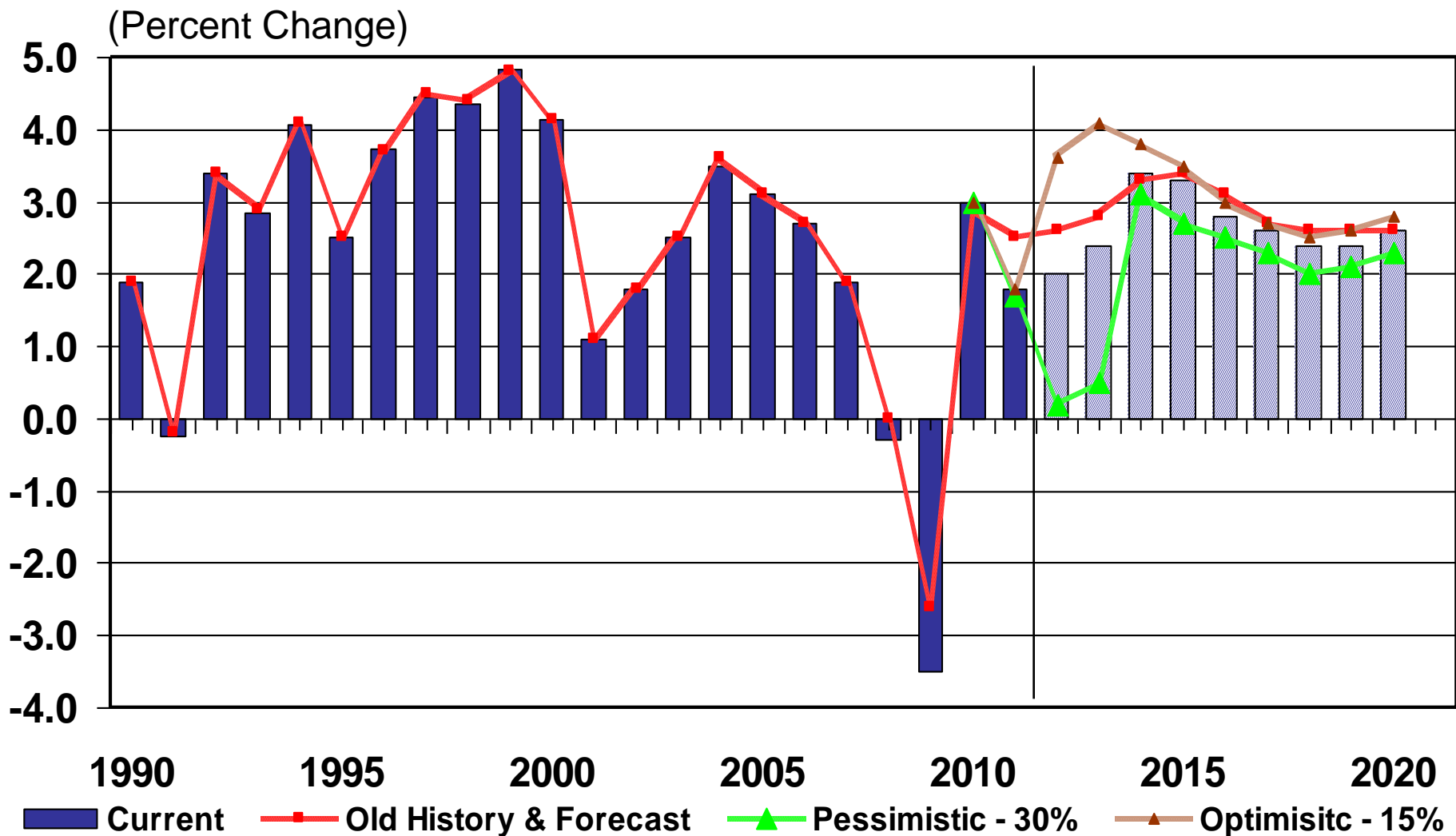


(Percent unless otherwise noted / January 2012)

	2009	2010	2011	2012
Real GDP Growth	-3.5	3.0	1.8	2.0
Employment Growth	-4.3	-0.7	1.0	1.2
CPI Inflation	-0.3	1.6	3.1	1.5
Oil Prices (WTI, US\$/bbl)	61.8	79.4	95.0	91.0
Housing Starts - mm	0.55	0.59	0.61	0.73
Federal Funds Rate	0.2	0.2	0.1	0.1
Dollar (Major Trading 2005=1)	0.93	0.90	0.85	0.88

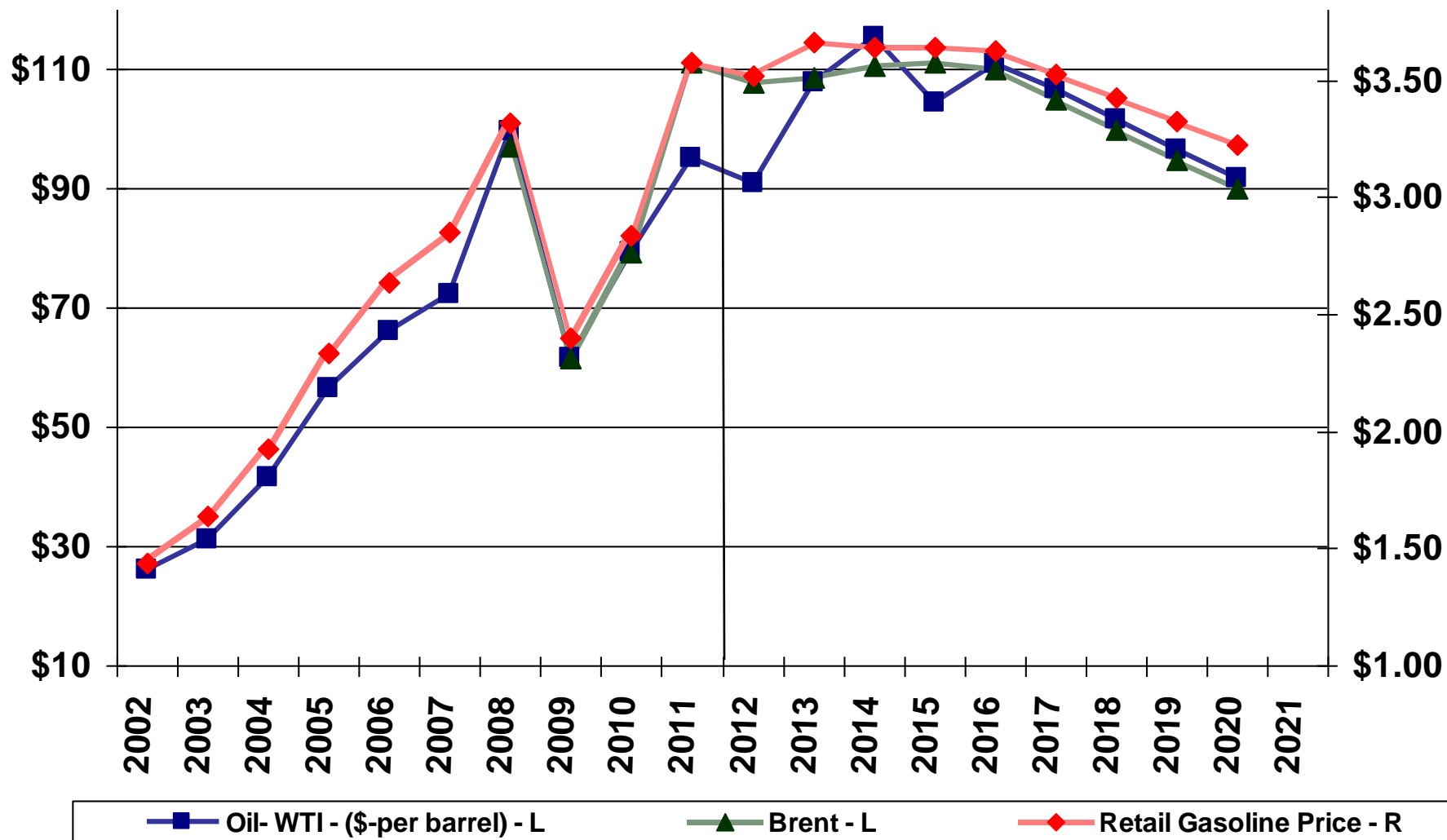


Real Gross Domestic Product (GDP) Growth



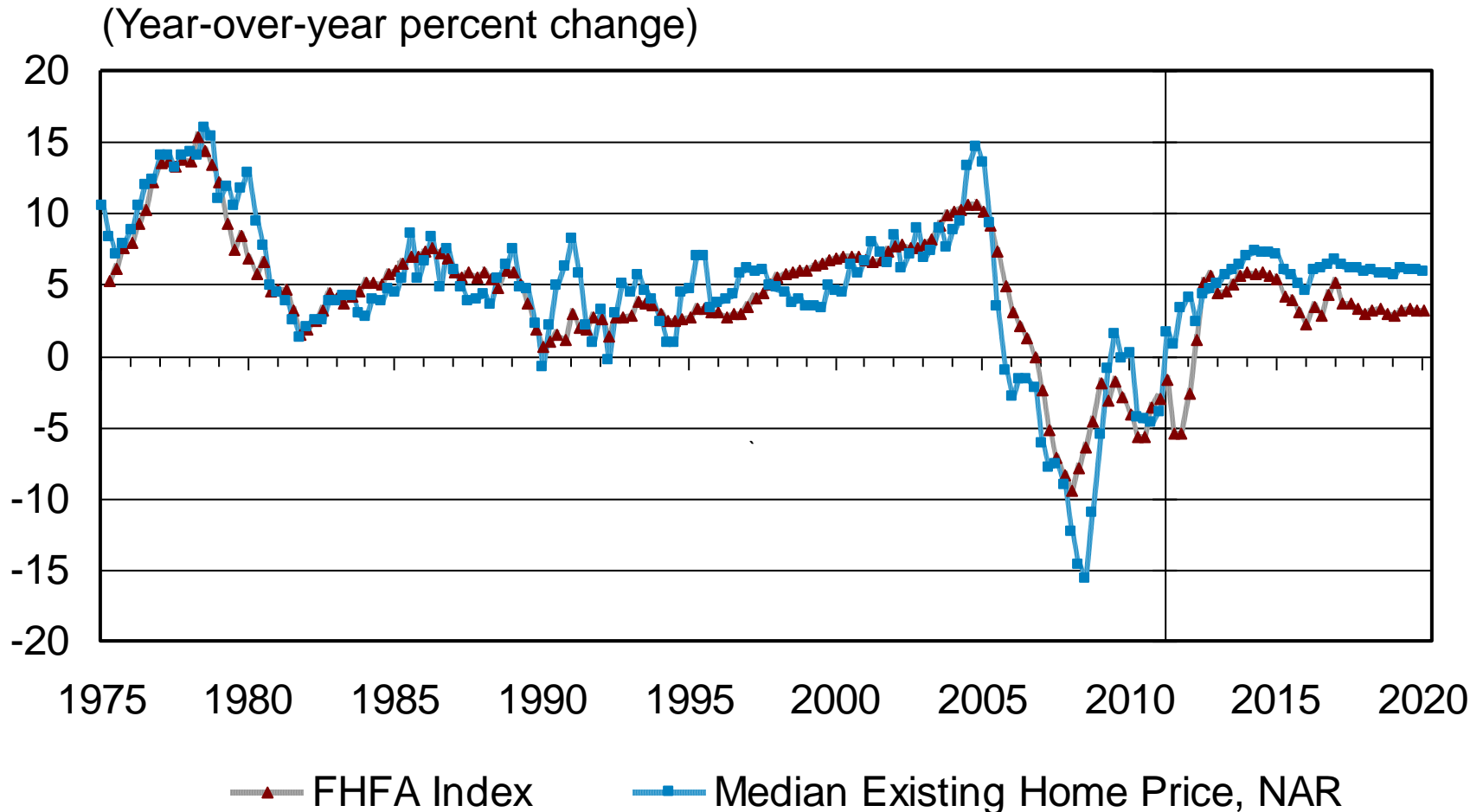


Crude Oil Price vs. Gasoline Price



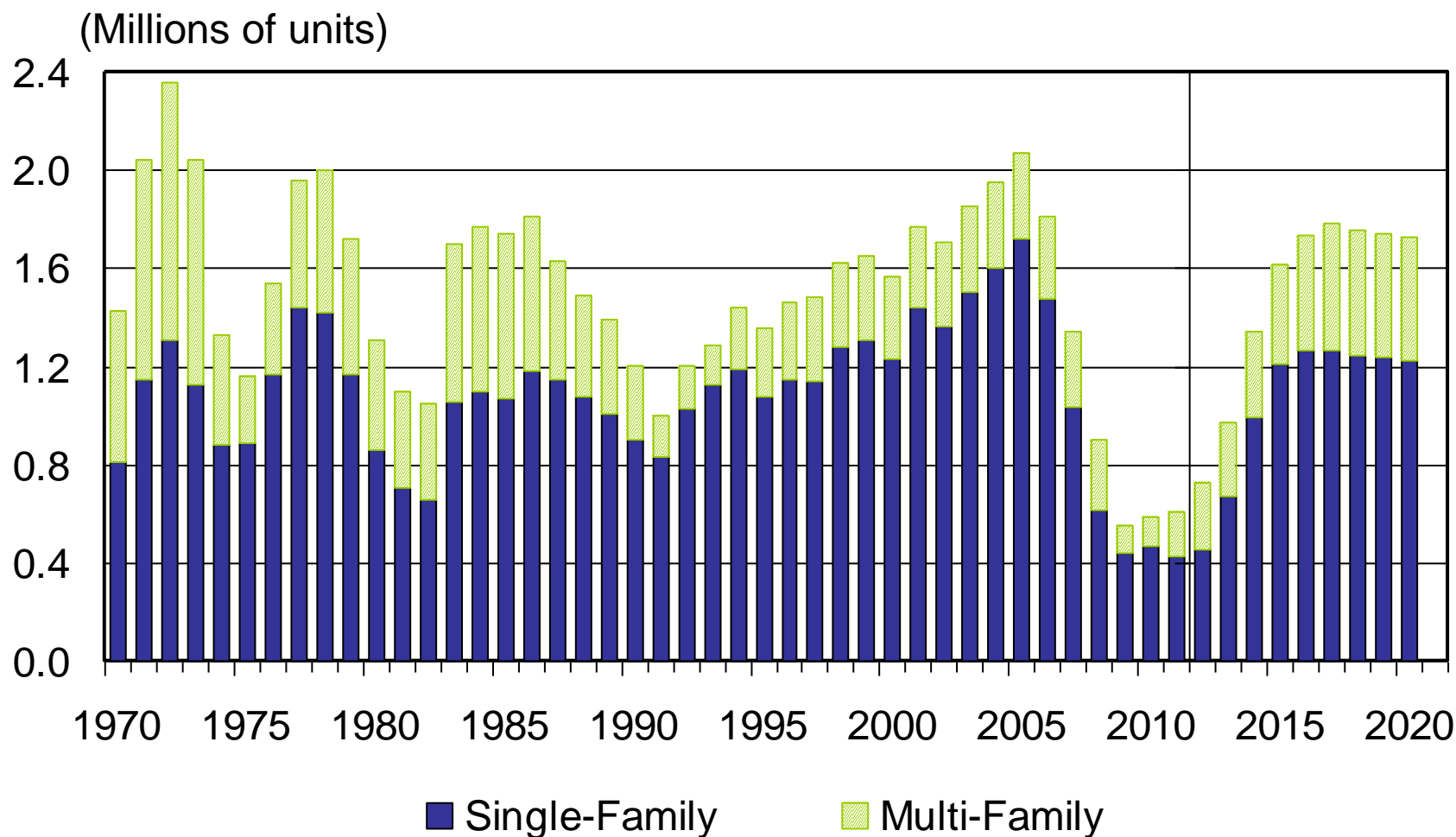


A Double Dip for Home Prices



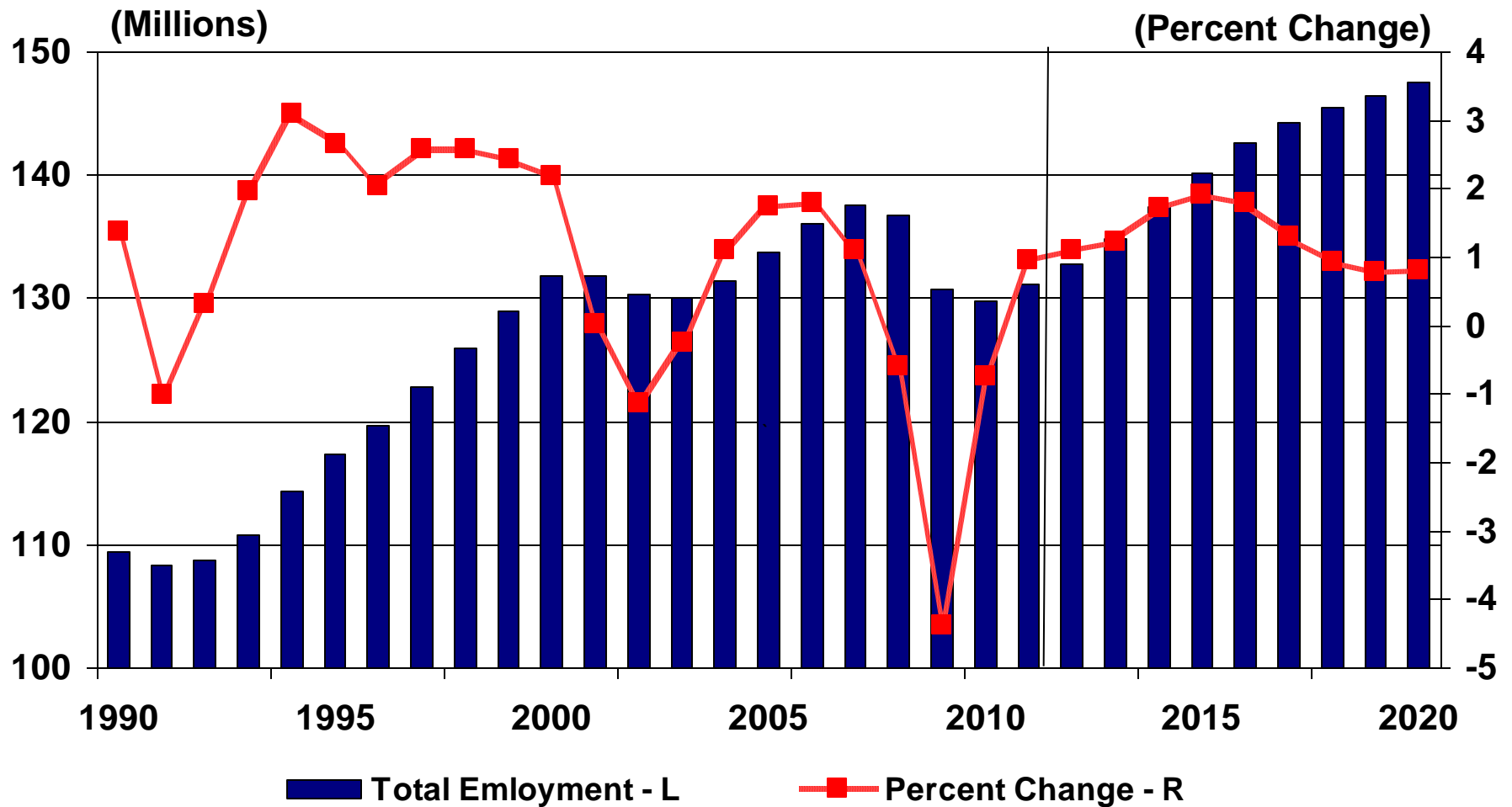


Housing Starts Will Not Rebound Until 2013



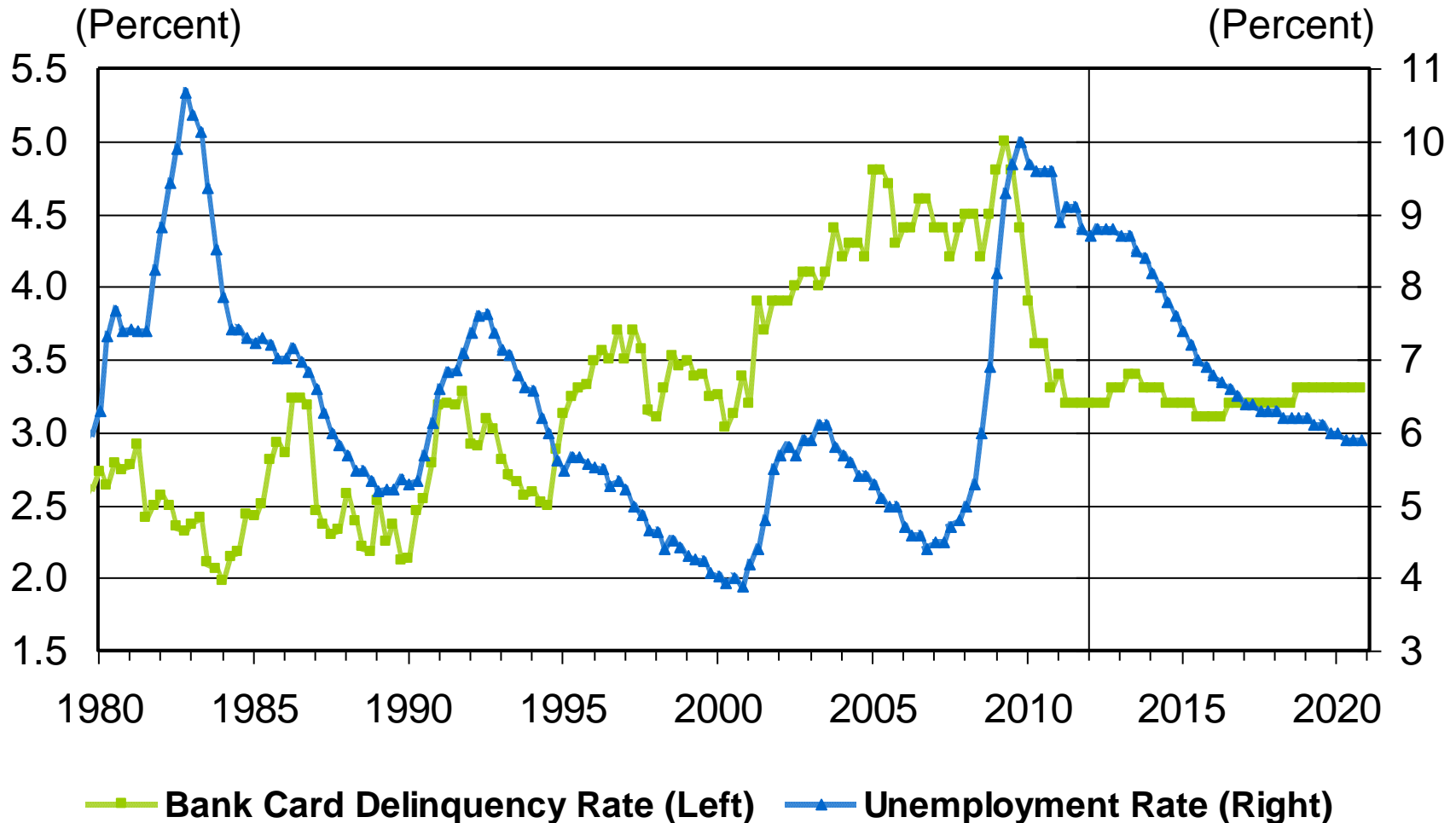


Payroll Employment



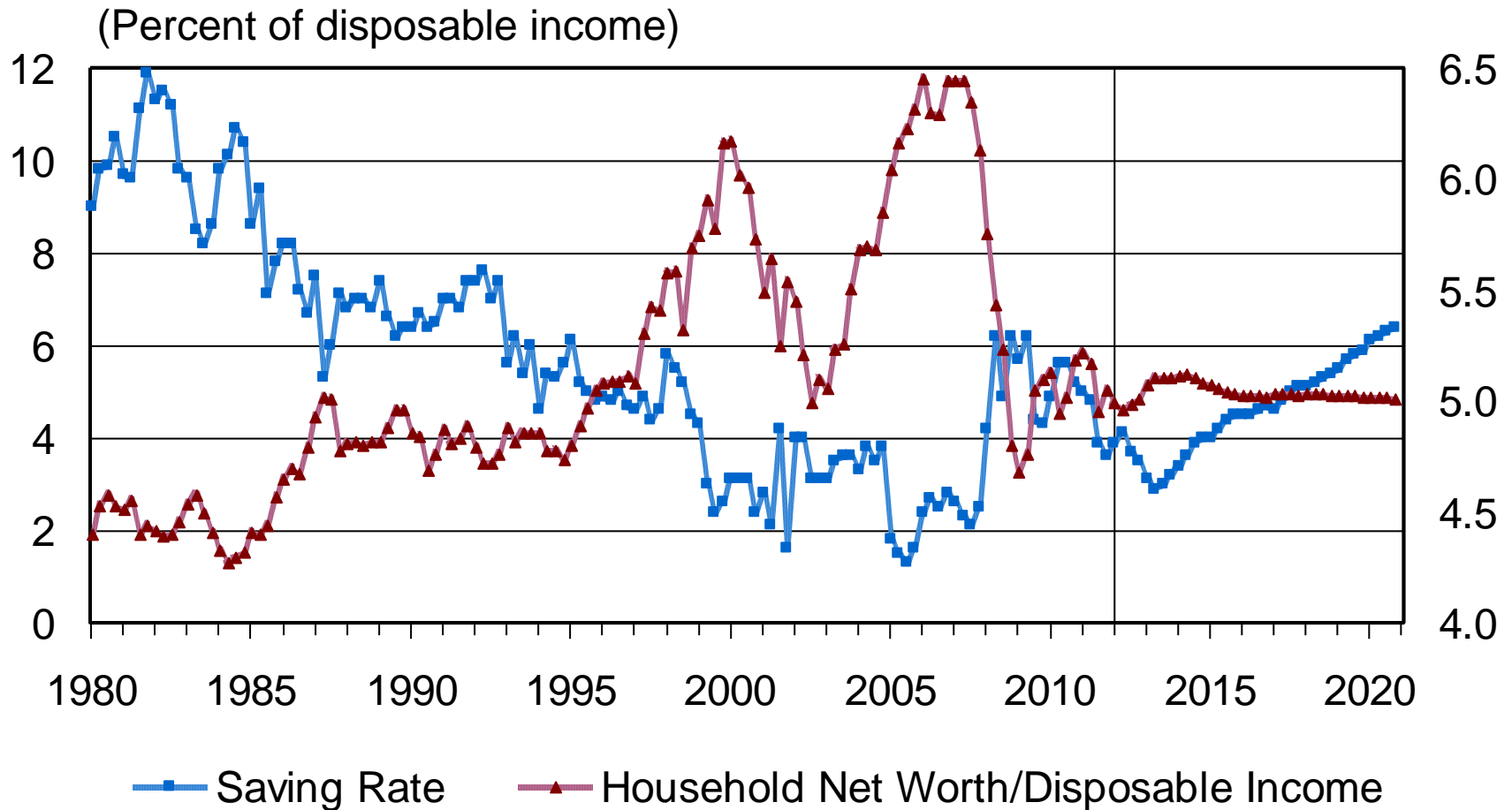


Rising Unemployment Puts Pressure on Consumers' Balance Sheet





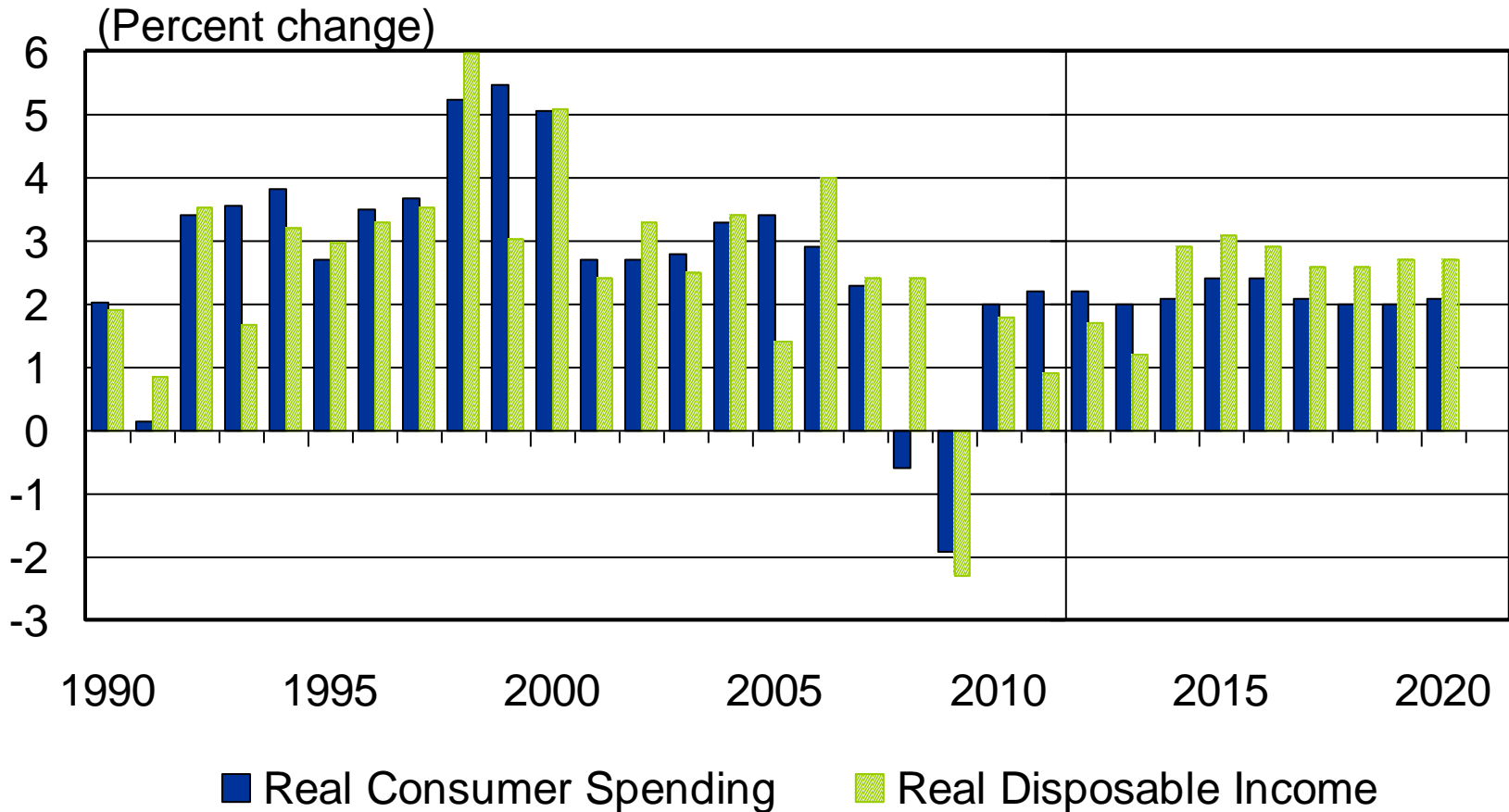
Households will Save More in the Future





Real Consumer Spending and Income Growth

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





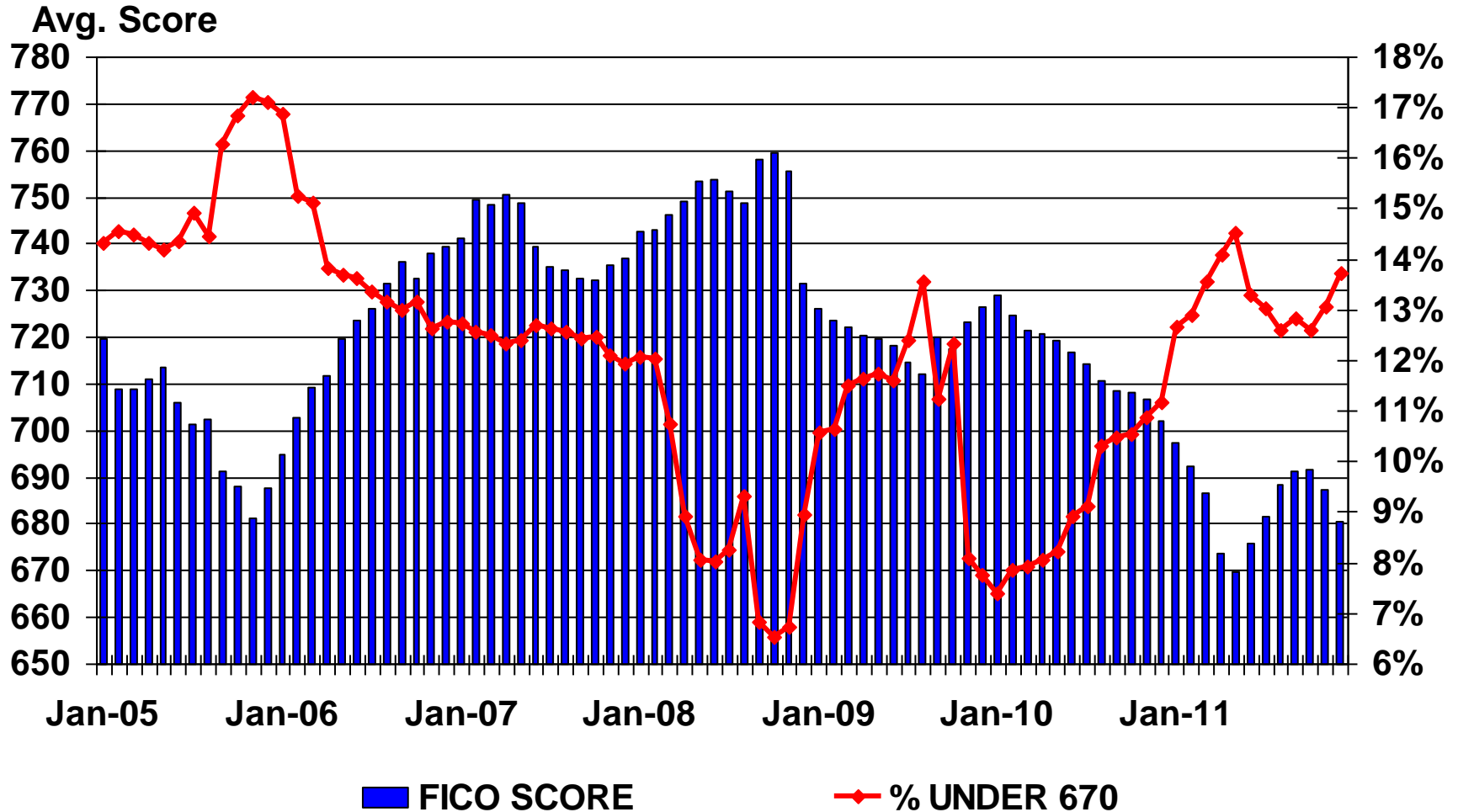
US - Auto Market Overview

- Pent – Up demand is driving the auto recovery
- Consumer confidence has plunged, but it appears as if the consumer attitude to new vehicle purchases remains favorable
- The recent sales numbers have exceeded expectations
- Retail, rather than fleet, remains the main driver
- Sales have improved, as Japanese cars return to the showrooms, but there are still some issues of availability
- Incentive spending has risen modestly, as inventories rebuild
- There has been an increase in lease activity
- Auto credit availability is improving
- 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



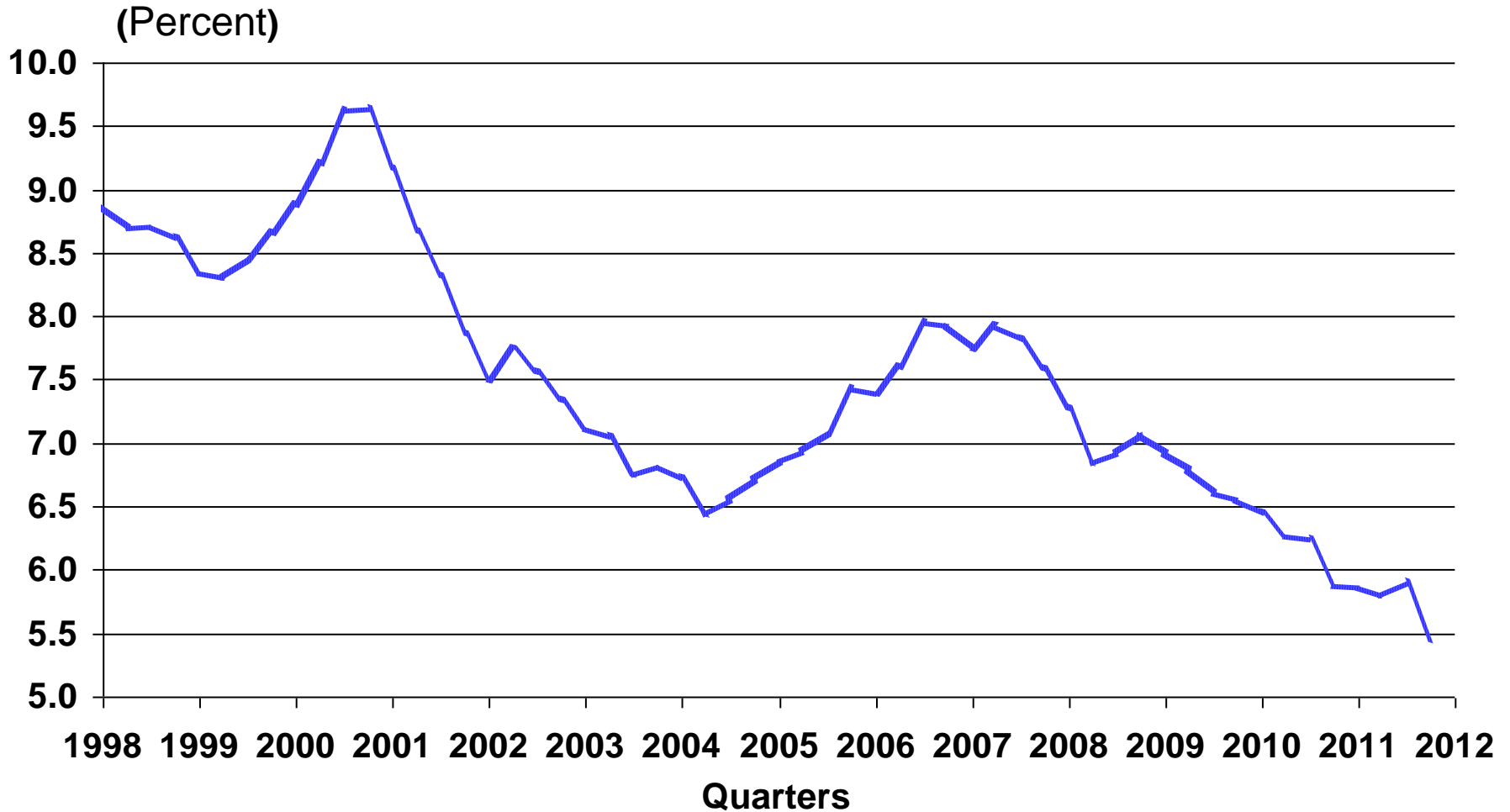
New Vehicle Buyers Average Credit Score



Source: CNW Marketing



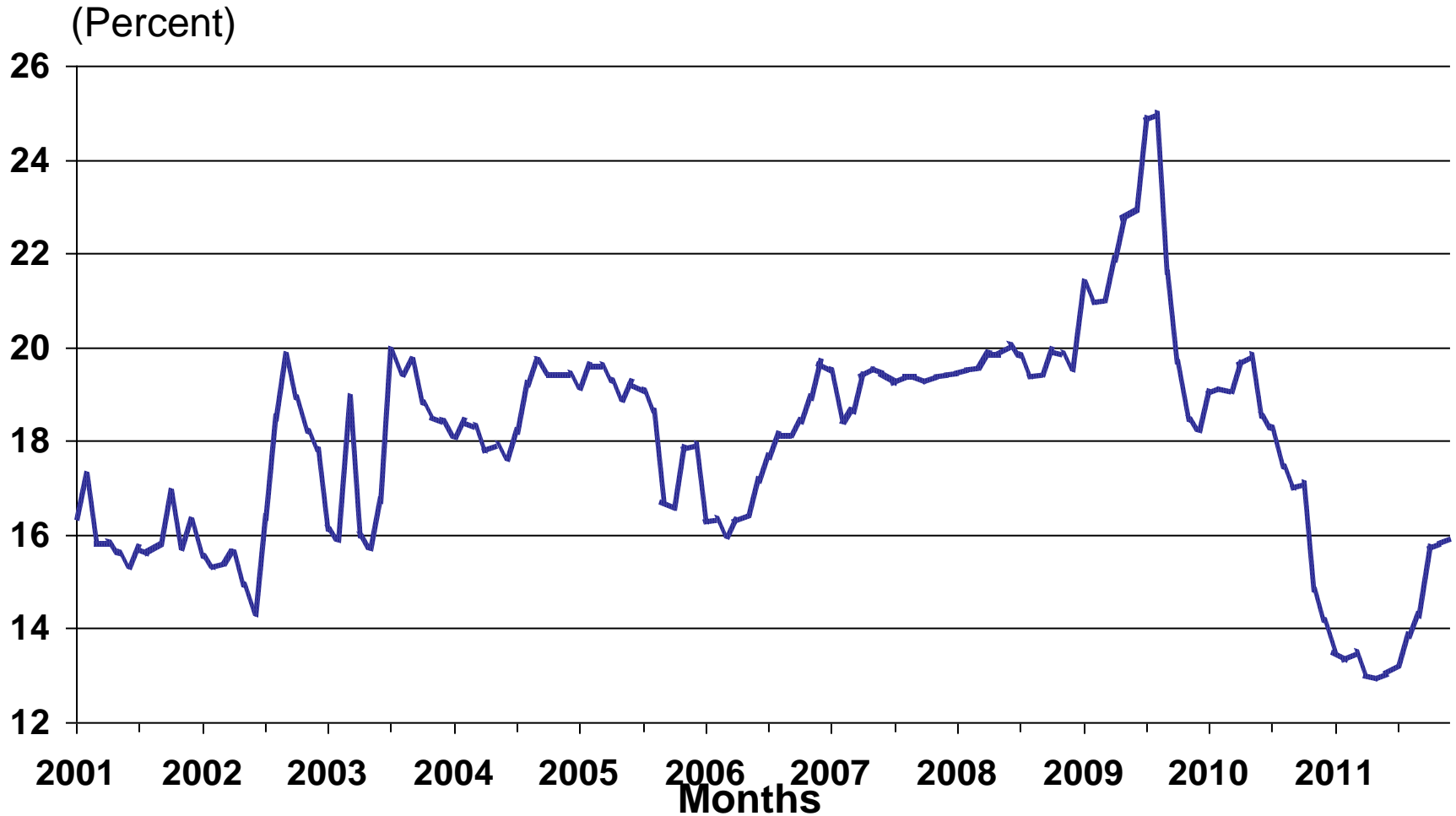
New Auto Loan Rates – Commercial Banks



Federal Reserve Board



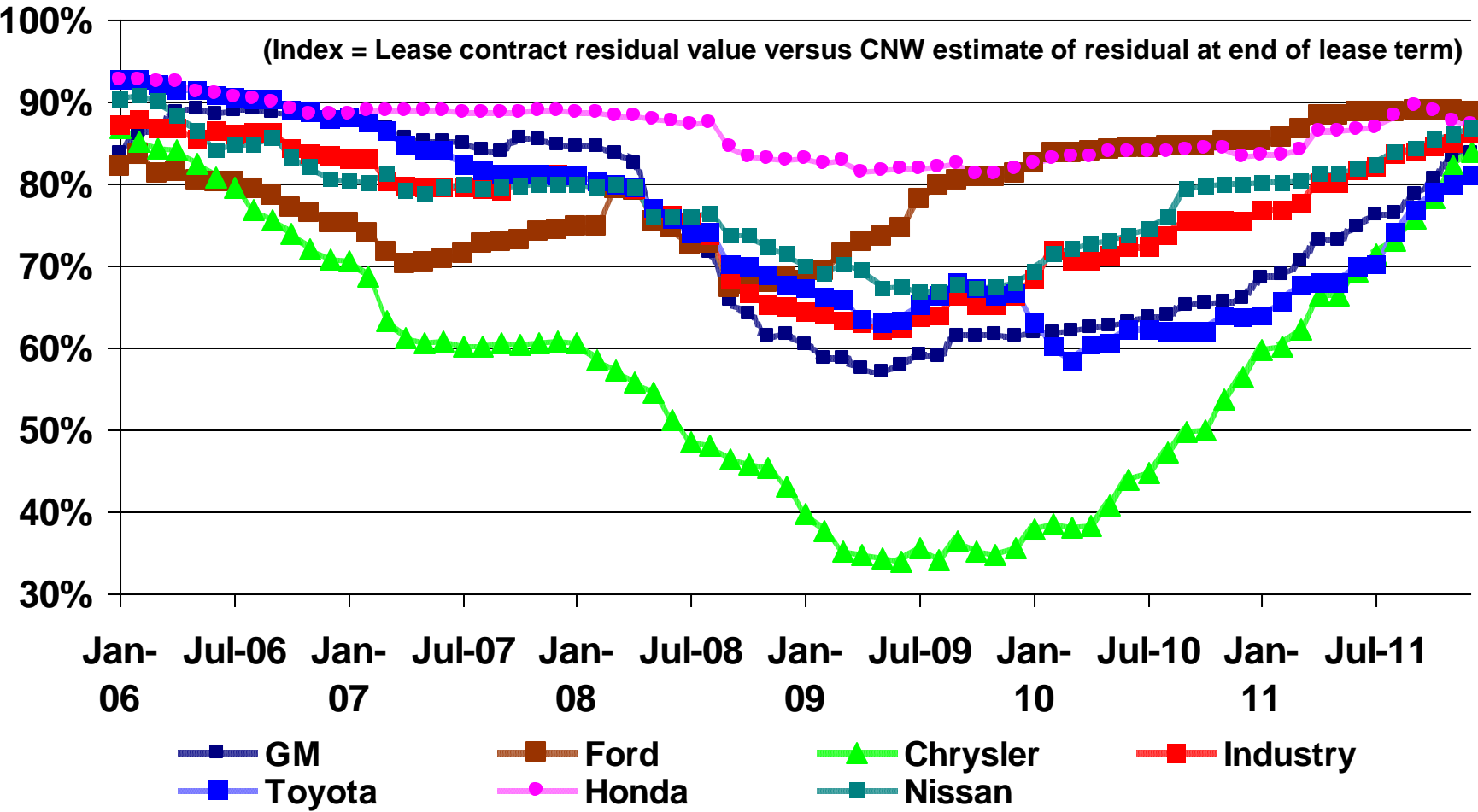
Incentives to MSRP





Residual Value Index

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

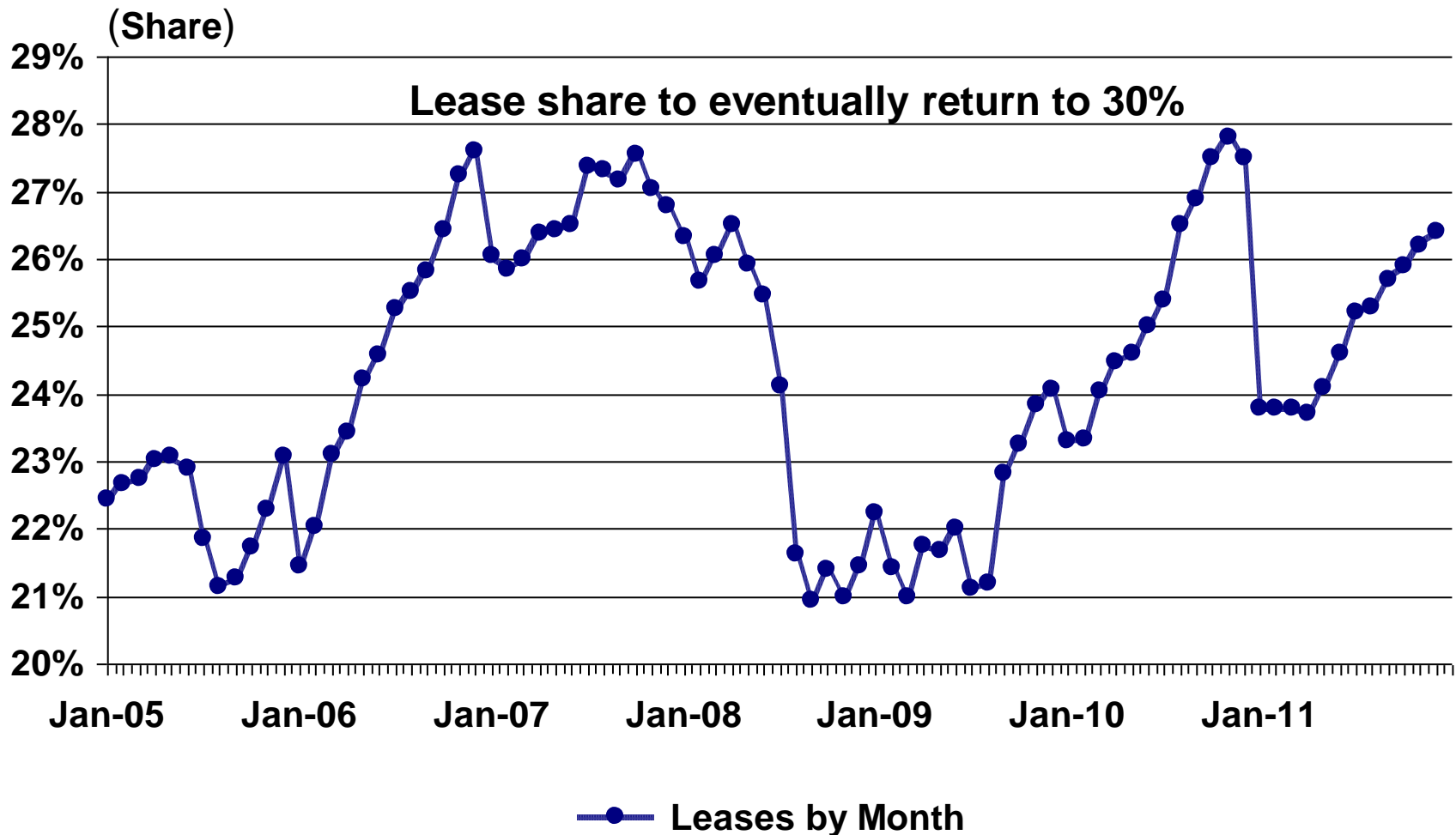


Source: CNW Marketing

Months



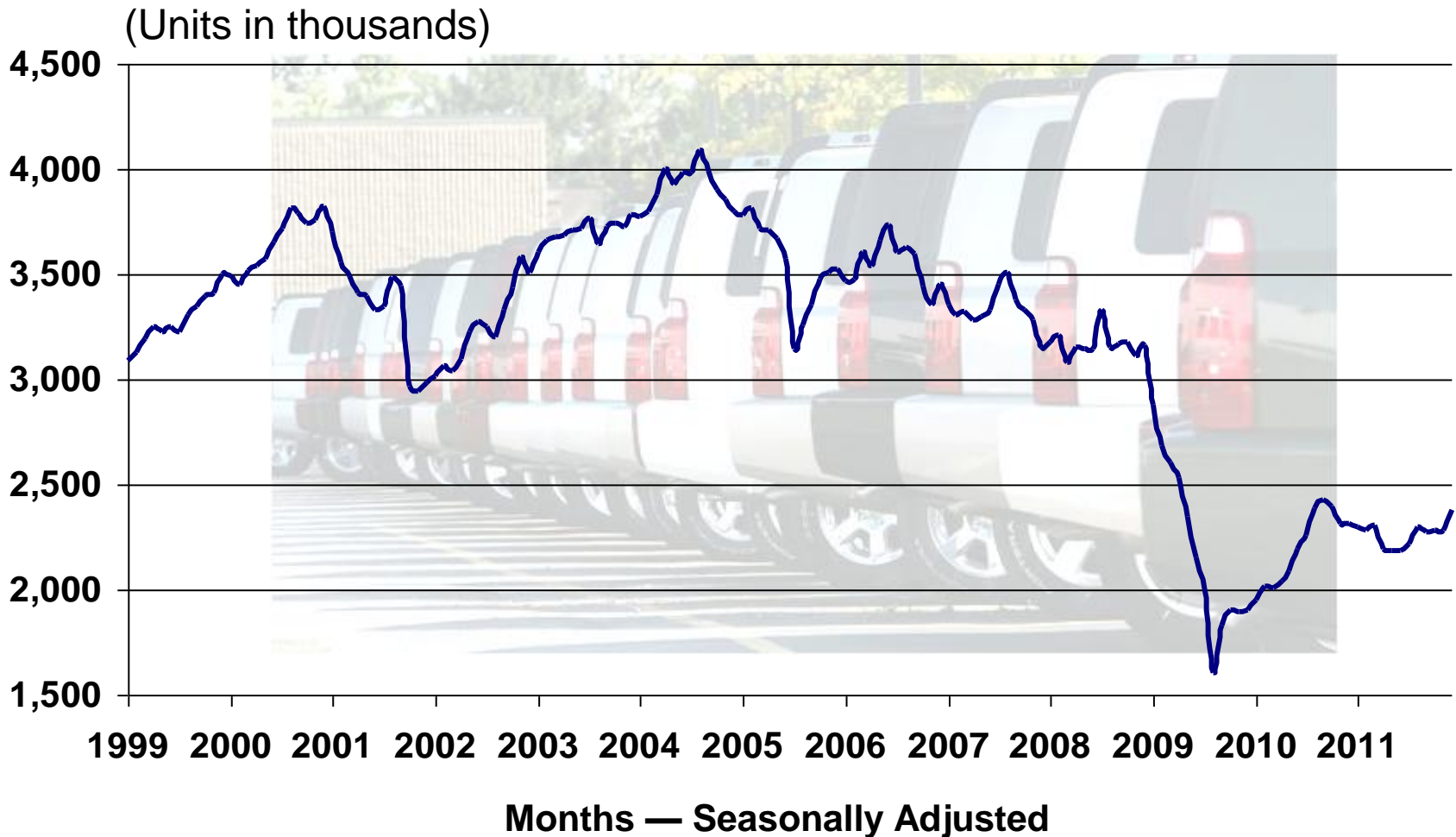
U.S. Light Vehicle Sales — Lease Penetration



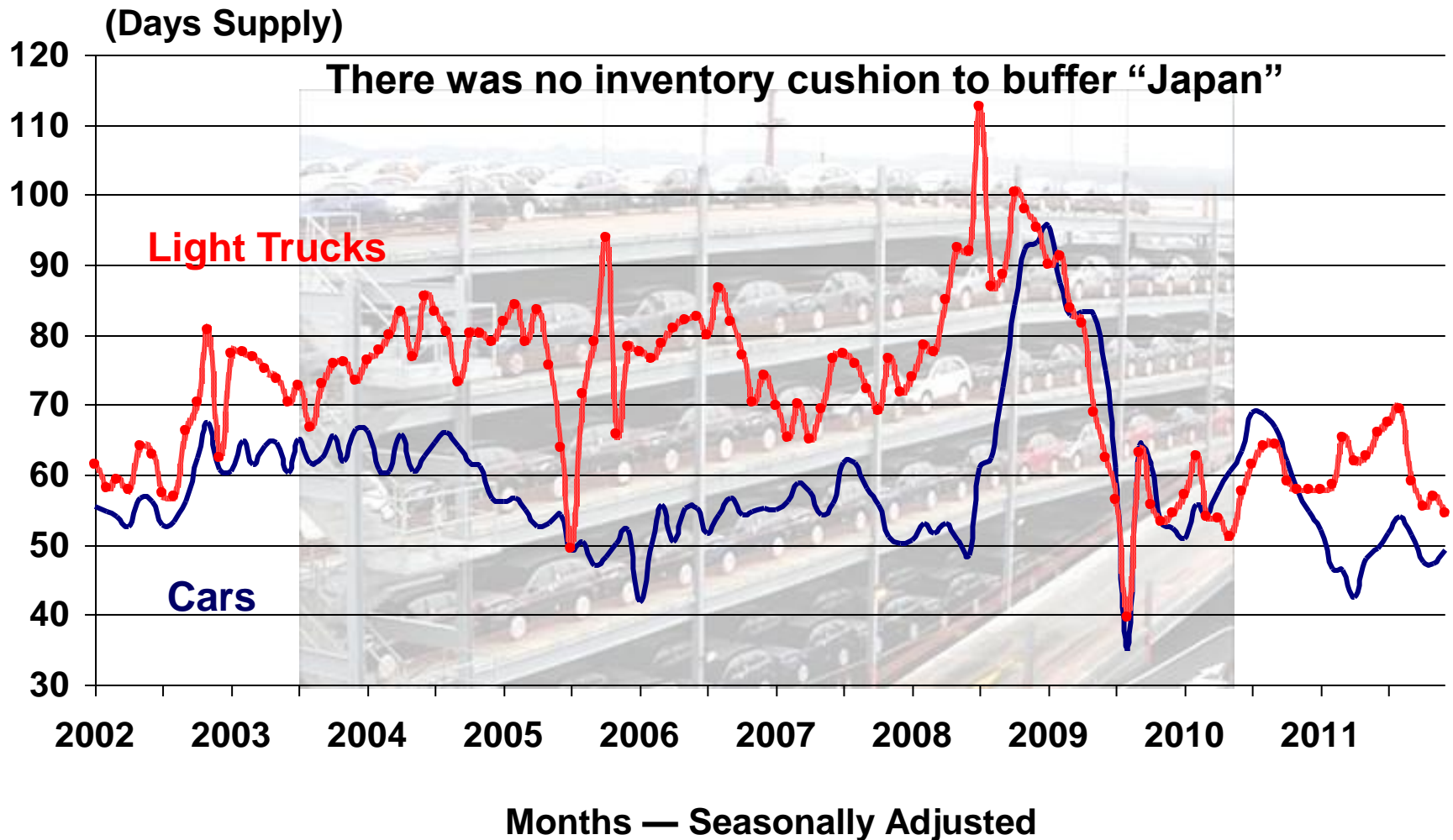
Source: CNW Marketing



U.S. Light Vehicle Inventory — Units

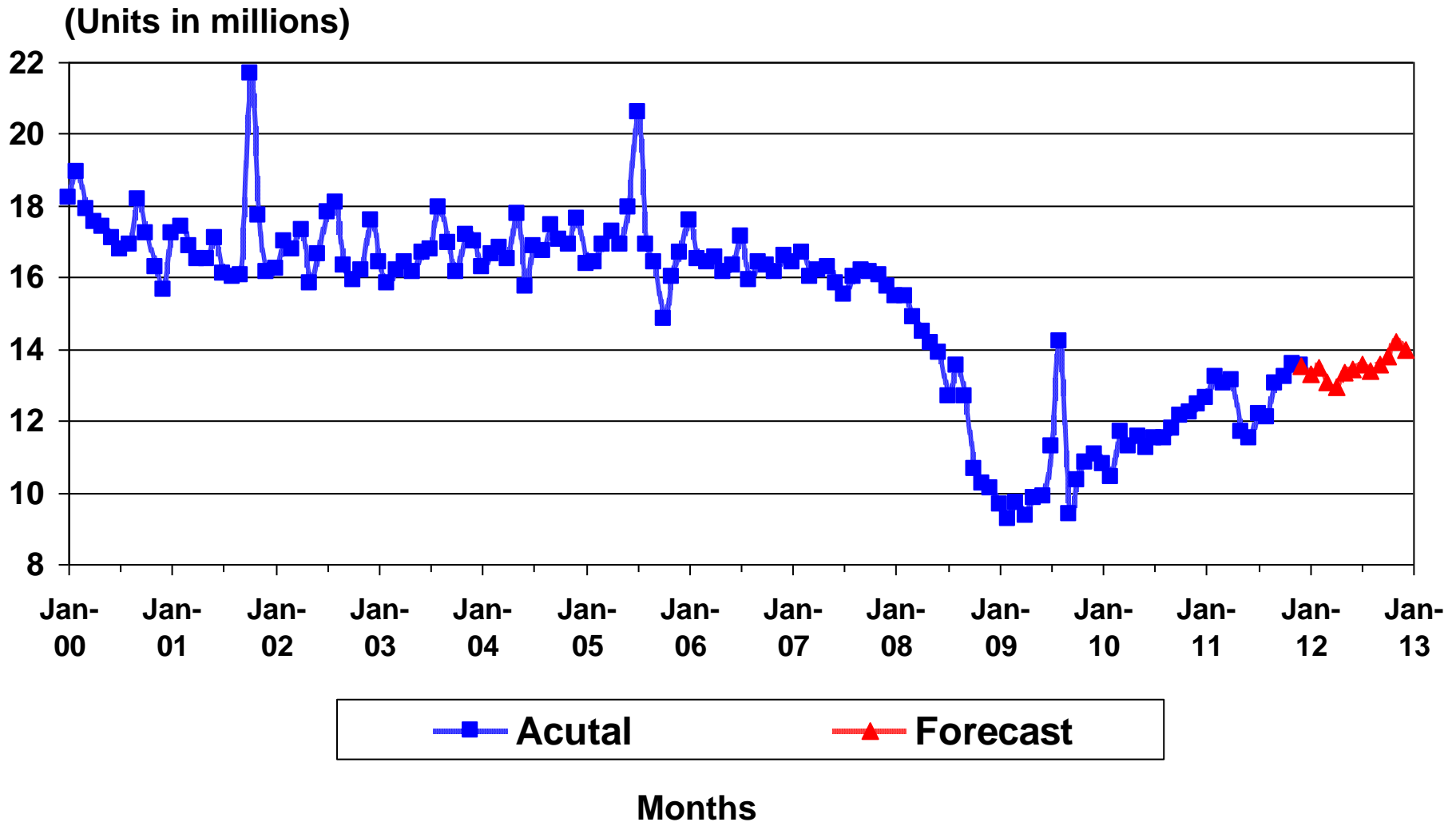


U.S. Light Vehicle Inventory — Days Supply



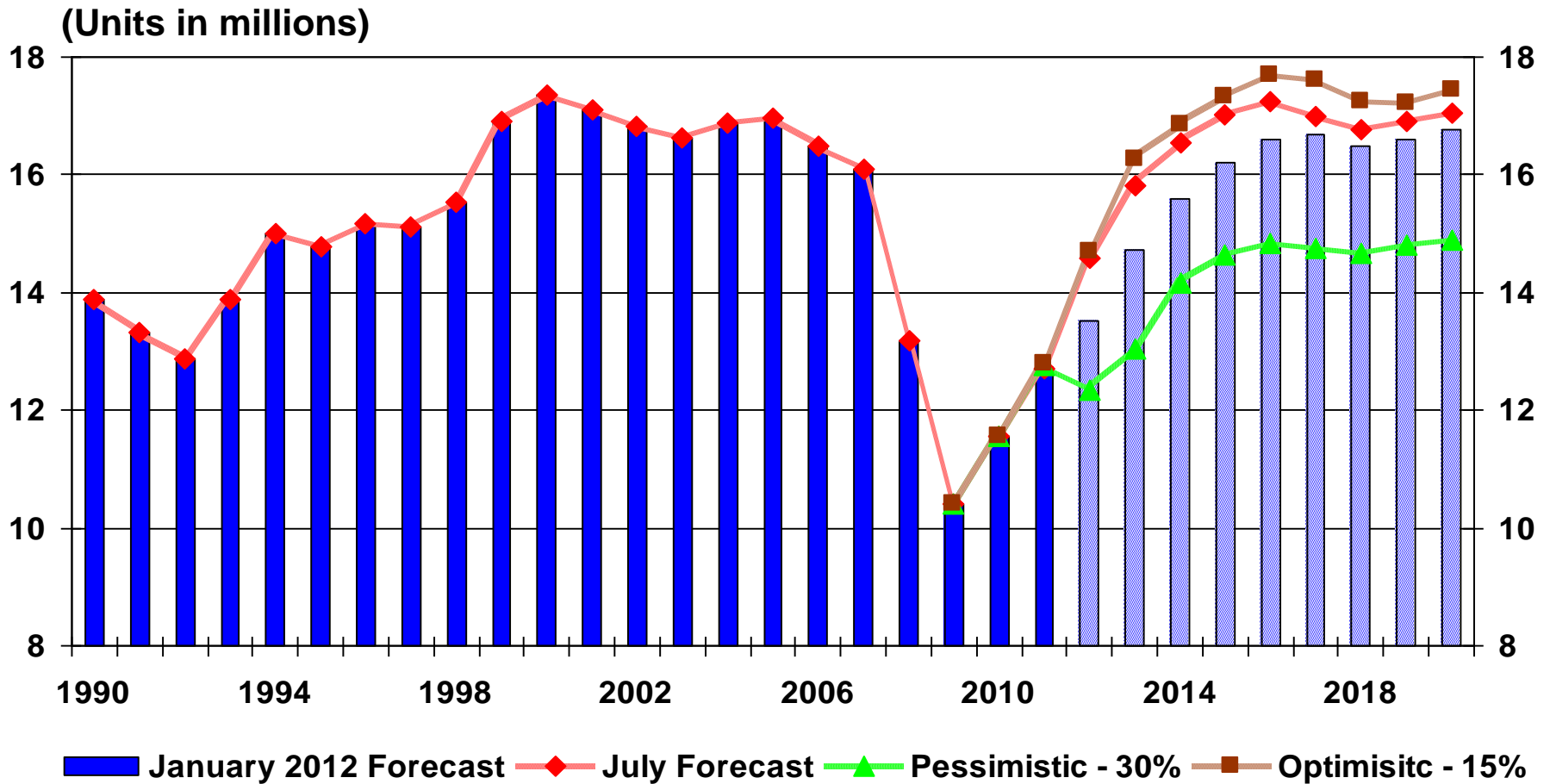


United States — Car & Truck Sales, SAAR



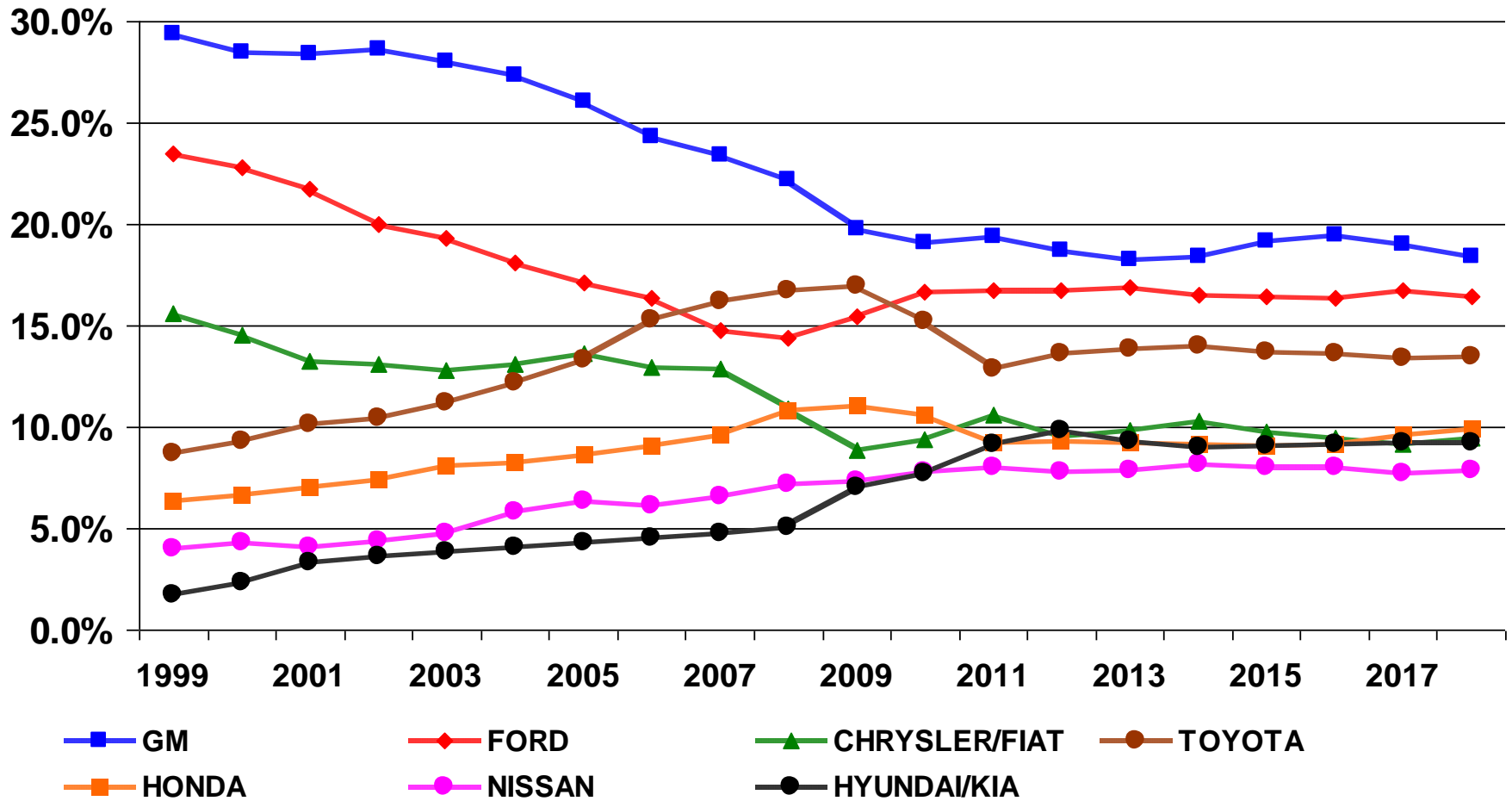
U.S. Light Vehicle Sales

2008: 13.2M units
 2009: 10.4M units
 2010: 11.6M units
 2011: 12.7M units
 2012: 13.5M units
 2013: 14.7M units
 2014: 15.6M units
 2015: 16.2M units





U.S. Sales — Major Manufacturers Market Share

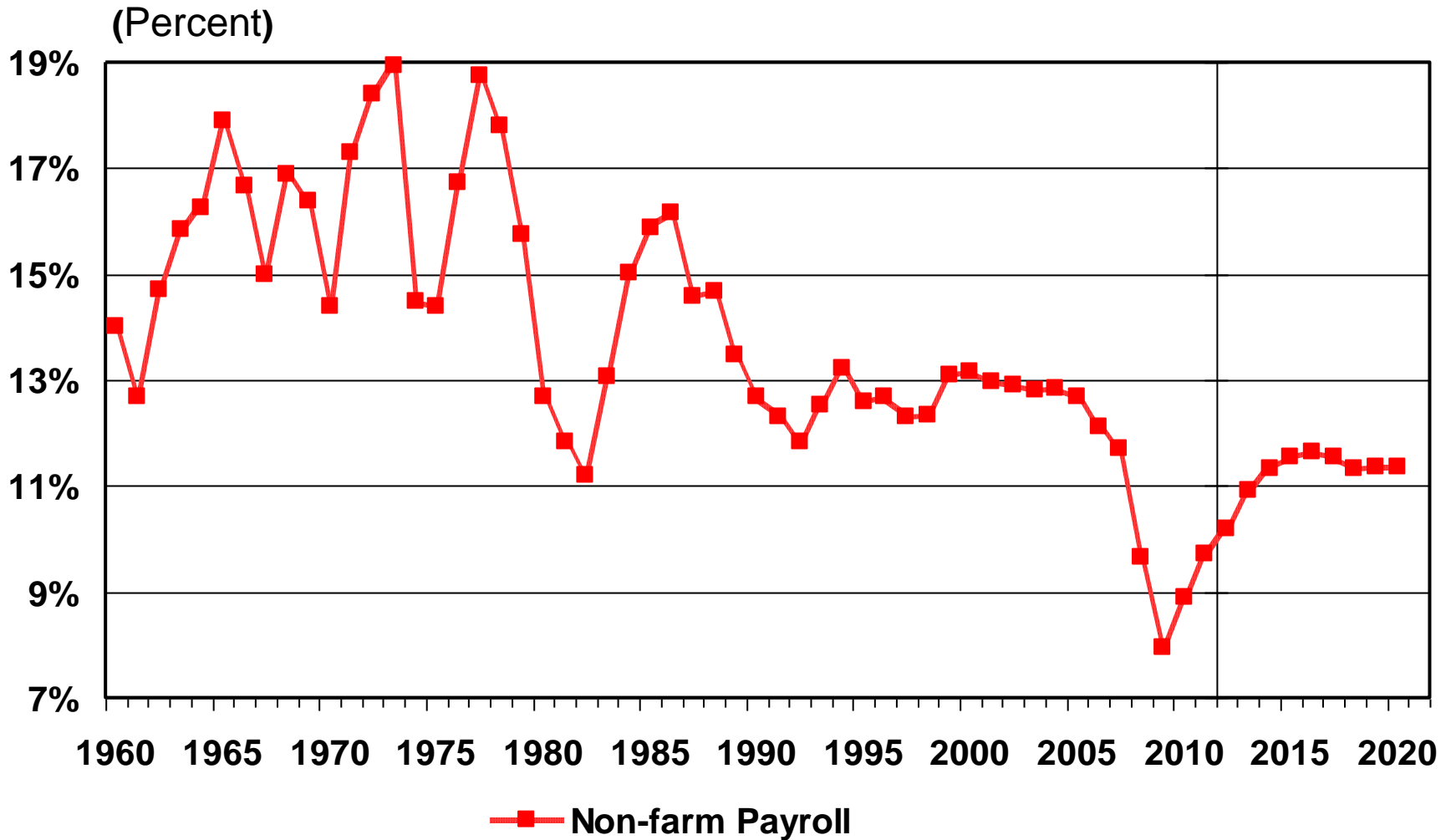




Auto Market – Forecast Drivers 2011 - 2016

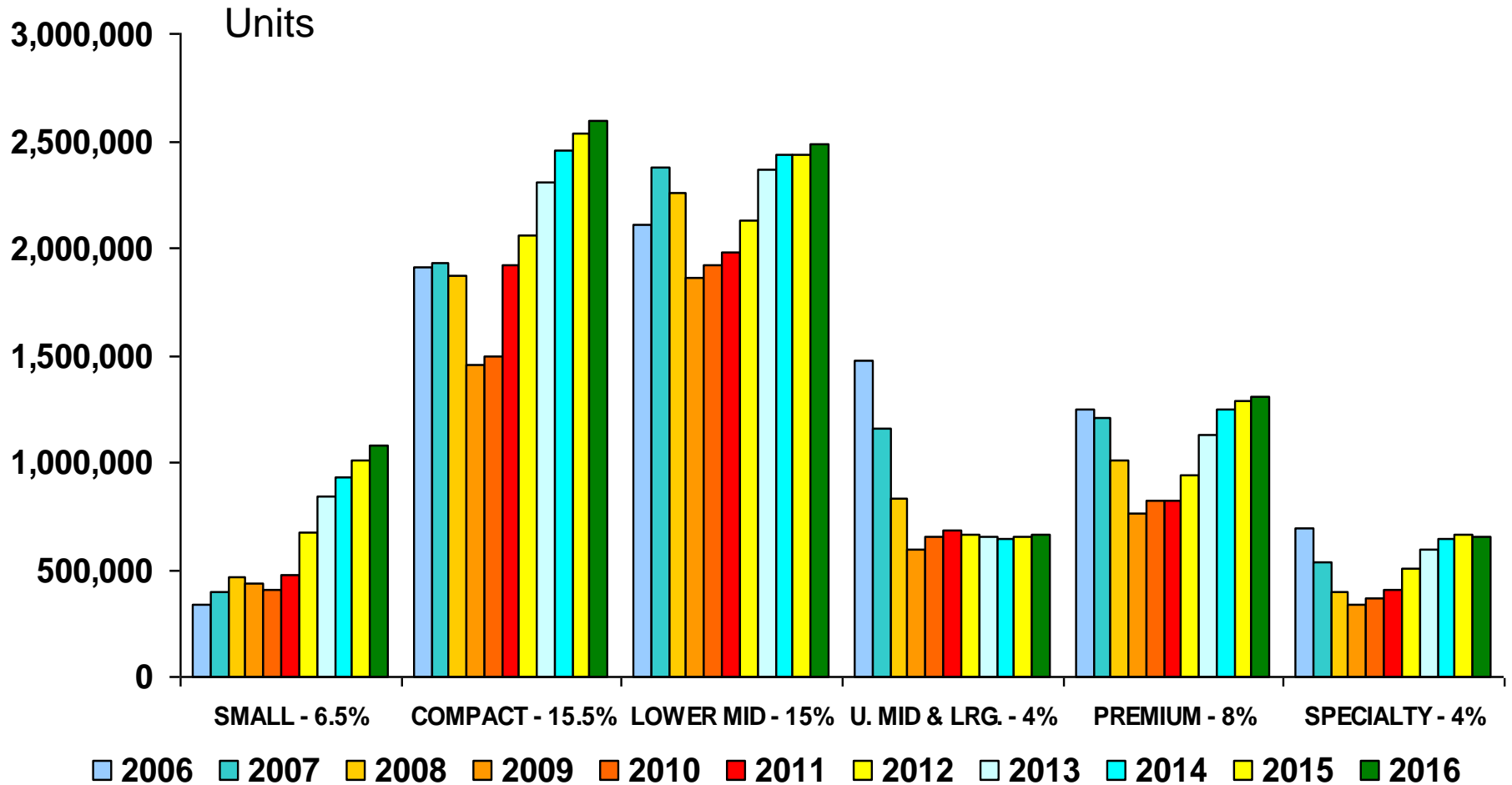
- Average Real GDP growth from 2011-2013 of 1.8% per year, was 2.6% in July forecast
- Economy does not start adding more than 2.0 million jobs per year until 2014
- Recovery in housing bounces along the bottom through 2012, starts eventually return to 1.7 a year by 2016
- Gradual easing of credit
- Consumer returns but not to past historical levels – real consumption stubborn at 2.0% per annum, higher savings, premium on value
- Recovery slowly releases pent-up demand; high level of replacement demand in medium term
- Outbound household formation and growth in driving age population sustain sales
- Long-term Gen Y becomes a big driver as the job market returns

U.S. Light Vehicle Sales: Relative to Employment



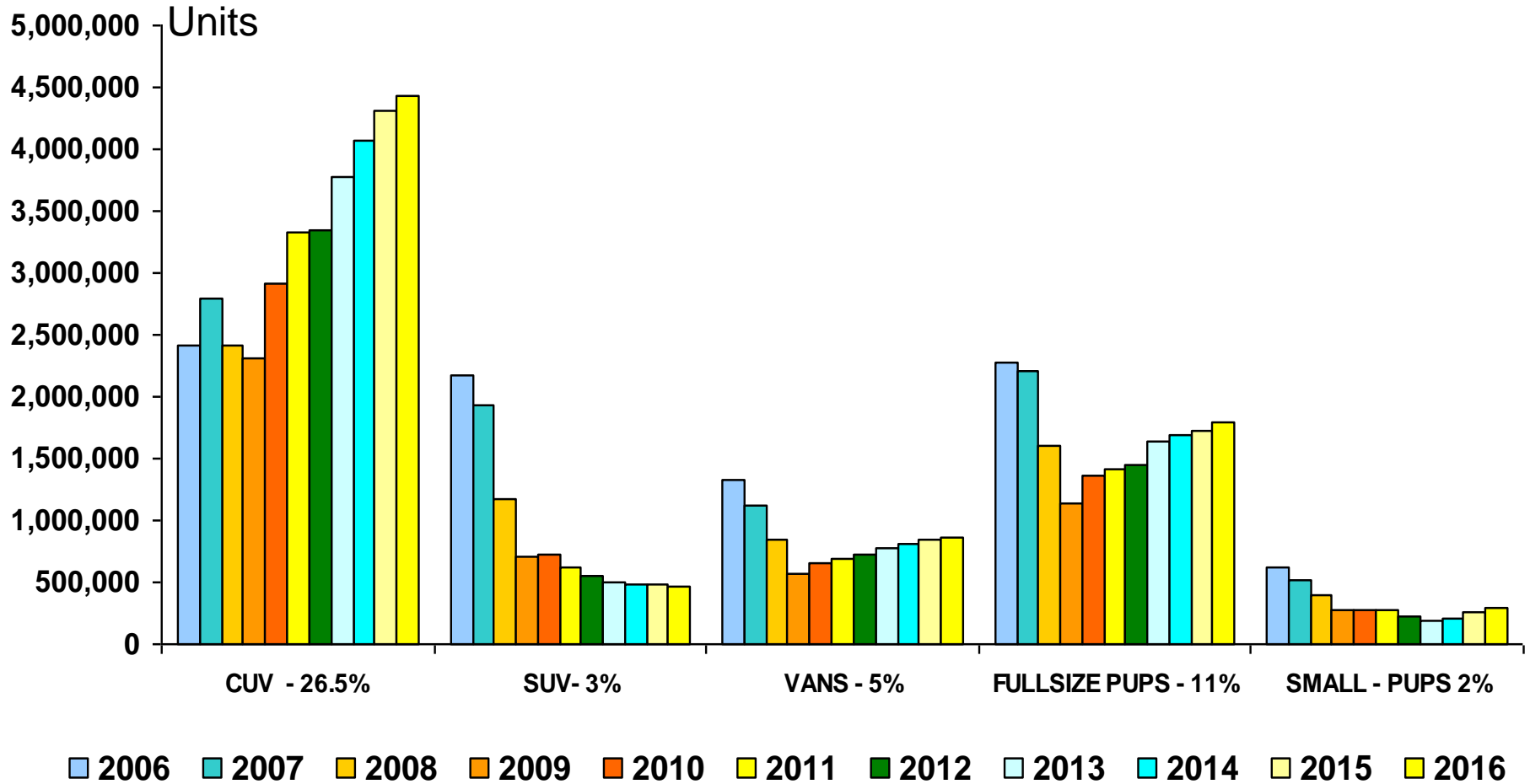


U.S. Light Vehicle Sales — Car Segments (54%)

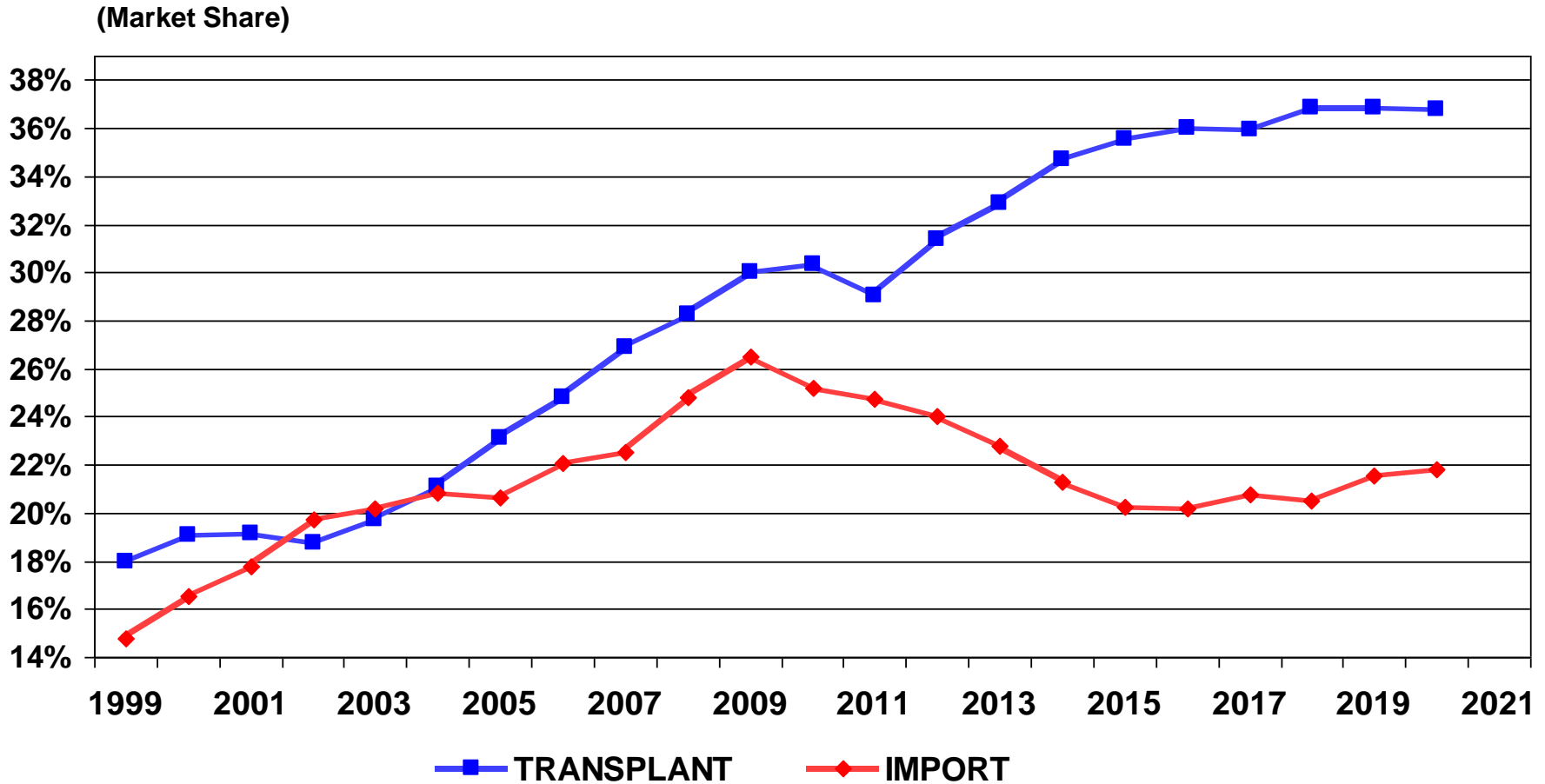


U.S. Light Vehicle Sales

— Light Truck Segments (46%)

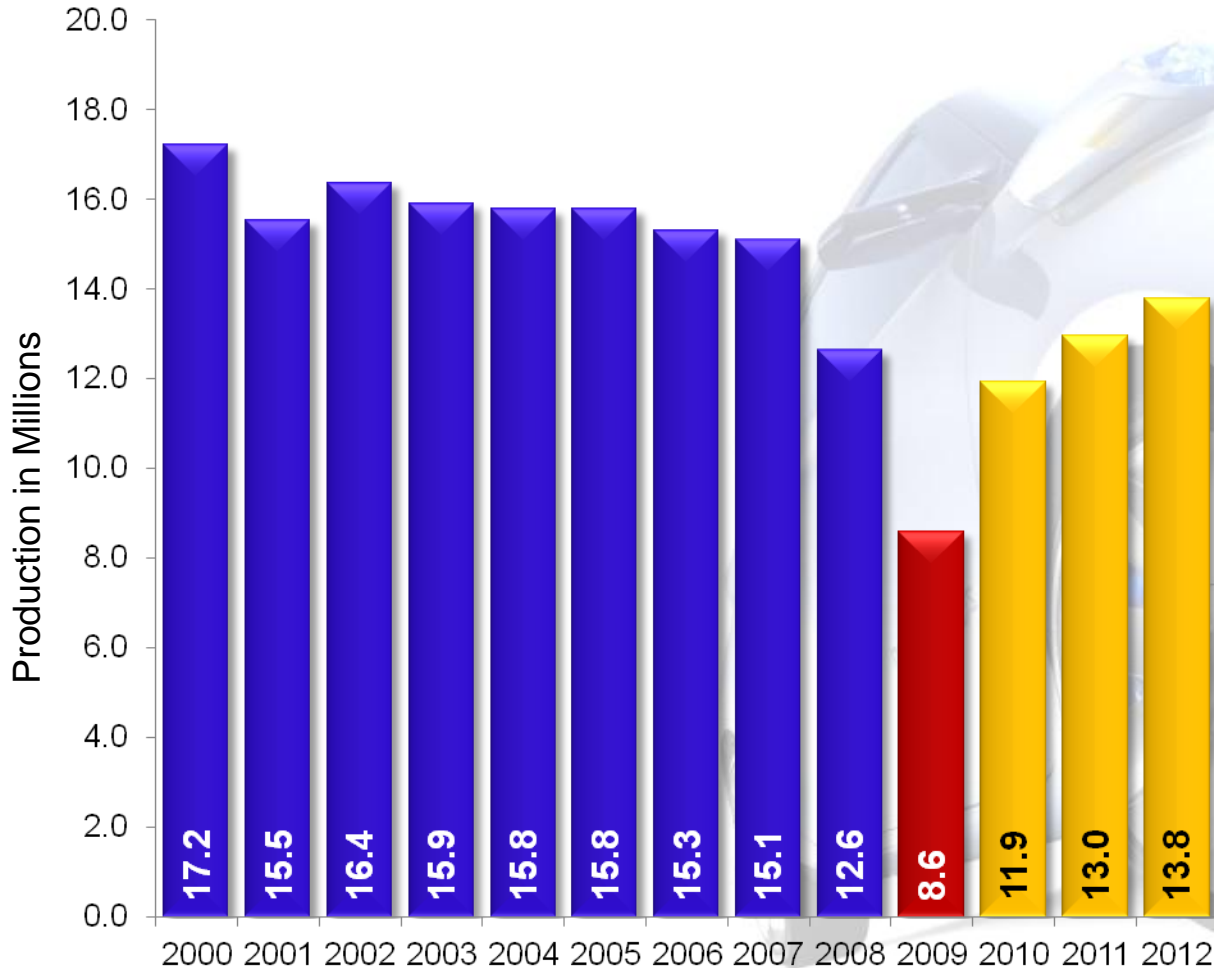


Foreign Manufacturers: Share of U.S. Market — Sales



Short-Term Outlook

North American Light Vehicle Production



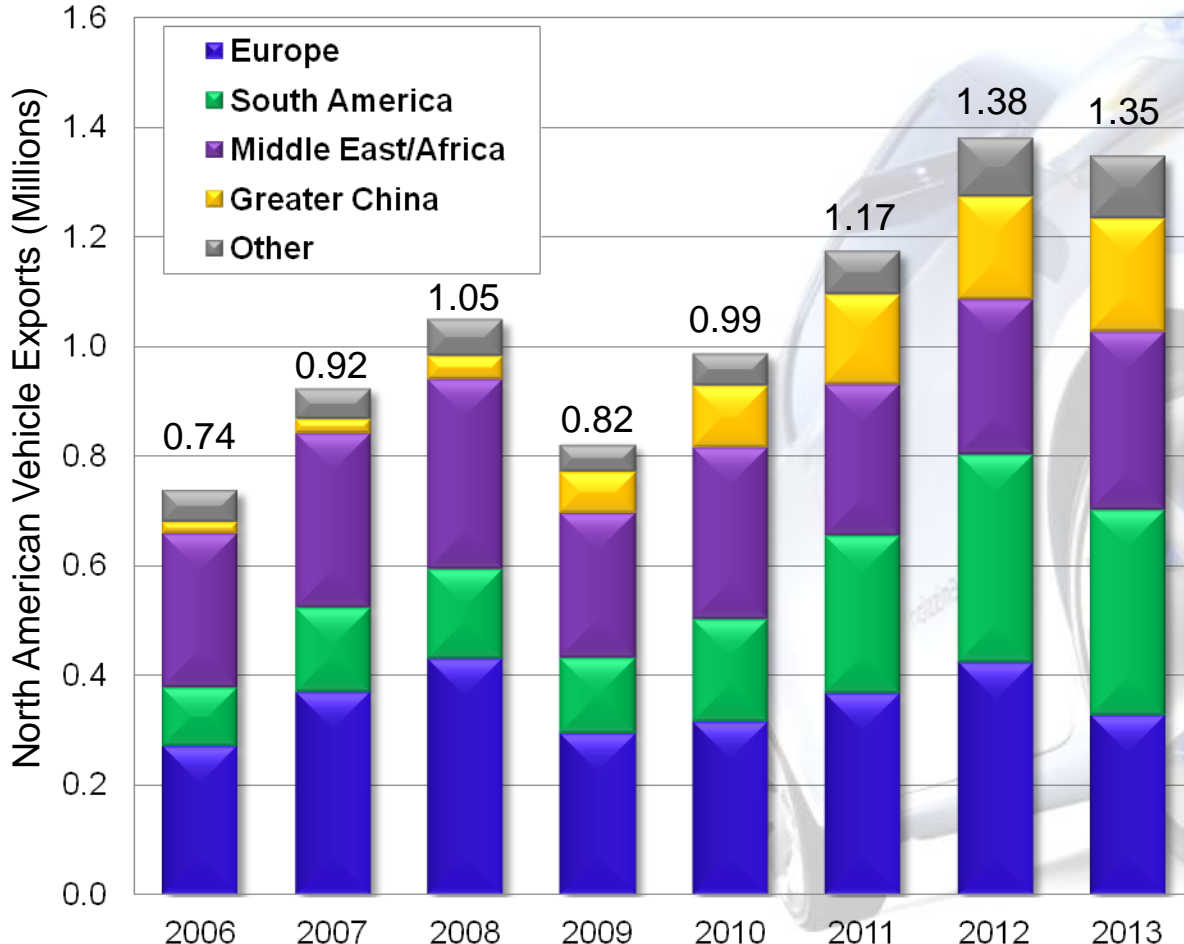
- Lost volume due to Japan & Thailand disasters temper growth in 2011
- Broader market volatility creates some downside risk in 2012
- Mixed signals from some fundamentals
- Low growth outlook
- Lean inventory
- Fleet volume to ease
- Production localization efforts bearing fruit

Production Outlook

North American Produced Vehicle Exports Bolster Prospects



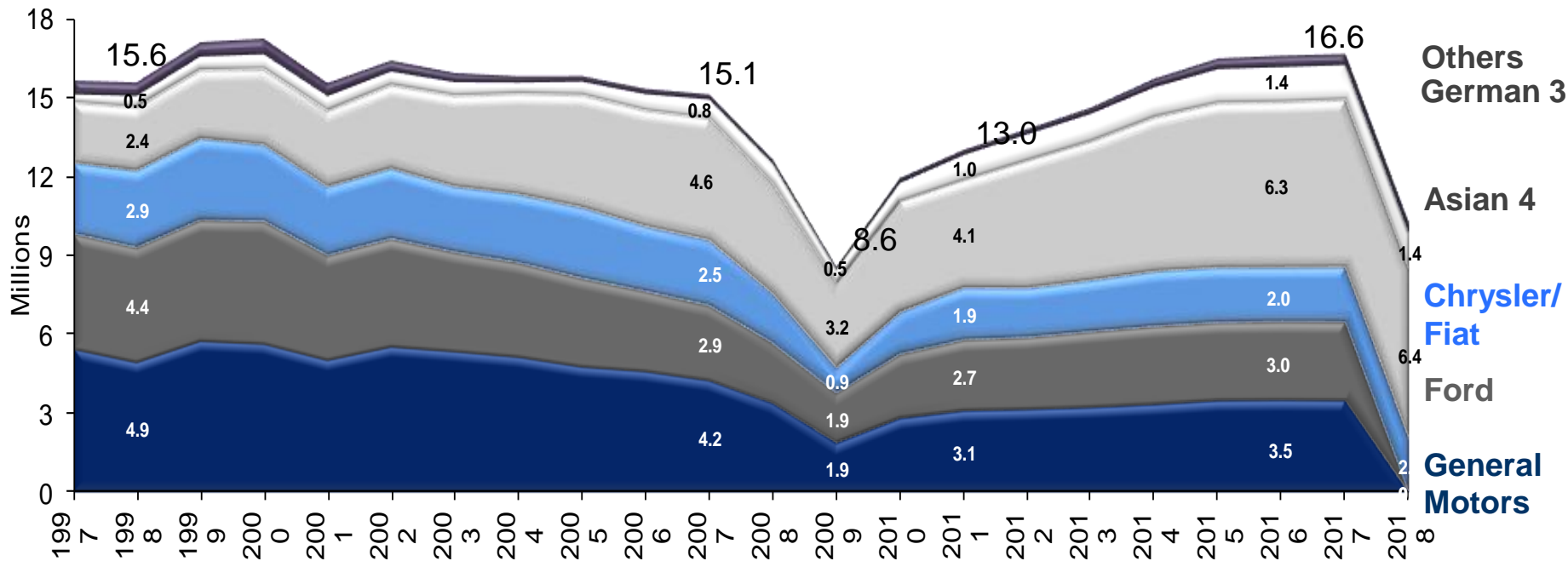
North American Vehicle Exports by Region



- Greater use of global platforms allows for more “export ready” product
- Free trade agreements have made Mexico a particularly strong export player
- European sovereign debt crisis poses a headwind to export growth, although other regions are growing (e.g. South America)
- Economic downgrade tempers export prospects

Production Outlook

North American Light Vehicle Production by OEM



- Downward revisions to production outlook, yet inventory position and export activity offset some of the impact
- BMW, Hyundai, VW, Toyota & Honda drive additional capacity expansion
- Ford tweaks sourcing – on GM’s heels; Chrysler/Fiat potential, yet hurdles remain



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
- Forecast assumes one vehicle per diver, two per household
- 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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