U.S. Automotive Outlook

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Presentation Overview

• U.S. Economic Outlook
  – U.S. Economic Overview
  – Key U.S. Indicators
  – U.S. Real GDP Forecast
  – Challenges to the U.S. Economic Outlook

• Vehicle Industry Outlook
  – State of the Automotive Industry
  – Key Vehicle Market Indicators
  – Key Macroeconomic Indicators
  – Short-term Industry Outlook

• Summary
U.S. Economic Overview

• U.S. economy is currently working its way through a “soft patch”
  – U.S. economy grew at a 2.8% annualized rate in Q2, down from the 4.5% pace in Q1. Personal consumption grew at a 1.6% annual rate as spending on durable goods was flat for the quarter
  – Consumer spending rebounded in July, rising 0.8% m-o-m

• Business sector activity – capital spending, manufacturing, and housing
  – is providing underlying support to the economic expansion
  – During Q2, the business sector – on a combined basis – contributed 2.7 points to real GDP growth

• Economy likely to face major challenges from
  – Transition from policy-led growth
  – High and volatile energy prices
  – Geopolitical tensions
# Key U.S. Economic Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Recession¹</th>
<th>1 Year Following Recession²</th>
<th>Previous Year³</th>
<th>Latest Data⁴</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Real GDP</strong></td>
<td>-0.2%</td>
<td>2.5%</td>
<td>4.7%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Average Q/Q% @ AR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Real Consumption</strong></td>
<td>1.5%</td>
<td>3.6%</td>
<td>3.6%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Average Q/Q% @ AR</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Index of Consumer Sentiment</strong></td>
<td>88.2</td>
<td>89.8</td>
<td>94.2</td>
<td>95.9</td>
</tr>
<tr>
<td>Average Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Corporate Profits</strong></td>
<td>-1.5%</td>
<td>21.7%</td>
<td>22.7%</td>
<td>17.9%</td>
</tr>
<tr>
<td>Average Y/Y% Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>ISM-Manufacturing Index</strong></td>
<td>44.3</td>
<td>51.9</td>
<td>60.9</td>
<td>59.0</td>
</tr>
<tr>
<td>Average Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Home Sales</strong></td>
<td>6,181</td>
<td>6,524</td>
<td>7,642</td>
<td>7,854</td>
</tr>
<tr>
<td>Average, Thousands</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>West Texas Intermediate</strong></td>
<td>25.67</td>
<td>25.26</td>
<td>35.69</td>
<td>44.94</td>
</tr>
<tr>
<td>Average $/Bbl</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CPI Inflation</strong></td>
<td>2.8%</td>
<td>1.5%</td>
<td>2.3%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Average Y/Y% Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Fed Funds Rate</strong></td>
<td>3.5%</td>
<td>1.7%</td>
<td>1.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Average %</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**

⁴ Latest quarter or month.
## U.S. Economic Outlook

### Year-Over-Year Percentage Change

<table>
<thead>
<tr>
<th>Source</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Motors (September 2004)</td>
<td>4.2%</td>
<td>3.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>BAK-Oxford (September 2004)</td>
<td>4.3%</td>
<td>3.7%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Blue Chip (September 10, 2004)</td>
<td>4.3% (4.4%)</td>
<td>3.6% (3.7%)</td>
<td>NA</td>
</tr>
<tr>
<td>Economist Intelligence Unit (August 2004)</td>
<td>4.2% (4.3%)</td>
<td>3.1% (3.5%)</td>
<td>NA</td>
</tr>
<tr>
<td>Economy.com (August 2004)</td>
<td>4.3% (4.4%)</td>
<td>3.4% (3.5%)</td>
<td>3.4%</td>
</tr>
<tr>
<td>Macroeconomic Advisers (August 2004)</td>
<td>4.3% (4.4%)</td>
<td>3.9%</td>
<td>3.7%</td>
</tr>
<tr>
<td>RSQE (August 2004)</td>
<td>4.3% (4.6%)</td>
<td>3.3% (4.1%)</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

**Notes:**
- Prior Month's forecast in parenthesis.
- (--) indicates no change.
Challenges to the U.S. Economic Outlook

- Spiking oil prices
- Gradual removal of monetary stimulus
  - Could potentially bring EOP fed funds rate to 2.25% for 2004 and 4.25% for 2005 if Fed continues with measured pace of policy tightening
- Diminishing tax stimulus
  - Real disposable income on y-o-y basis down sharply in July
  - Investment tax incentives expire at the end of 2004
- Sluggish employment growth providing minimal support to wage gains
  - Following 8.1% m-o-m increase in July, layoff announcements up 6.6% m-o-m in August
  - Impact from hurricanes likely to be reflected in subsequent employment reports
- Growth in real debt outstanding slightly outpacing growth in disposable income
- Mortgage refinancing activity down 34% from peak in March
  - Expected slowdown in home price appreciation could further limit refinancing activity
West Texas Intermediate Crude Oil Price
Average Monthly Price Per Barrel, in 2000 Dollars

Decade Averages
- 1974-79 $40.44
- 1980-89 $45.66
- 1990-99 $22.88
- 2000-03 $27.41

During the Gulf Crisis, real oil prices peaked in Oct 1990 at $46.37 per barrel.

Latest data as of September 13:
- $39.76 Real
- $43.88 Nominal

• After reaching a peak $48.70/bbl on August 19, the price of oil has fallen by roughly $5/bbl.
  - Still, strong demand combined with constrained supply will likely provide underlying support to oil prices.

Sources: BLS, Department of Energy
Calculations: General Motors
Fed Funds Rate: Projected vs Prior Rate Hikes
Percent

1994 versus 2004 Forecasted Rate Hikes

Source: Federal Reserve
The slowing growth in real disposable incomes reflects the diminishing influence of recent tax stimulus whereas the slow recovery in wages mirrors the weak job market gains since the recession.
Real Wages vs Payroll Employment

< All Employees: Total Nonfarm
Difference - Period to Period  SA, Thous

Real Wages and Salary Disbursements >
% Change - Year to Year

Sources: BEA, BLS, Haver
Real Income vs Consumer Debt

Sources: BEA, Federal Reserve, Haver
Real Income vs Mortgage Refinancing

Real Disposable Personal Income

% Change - Year to Year

MBA: Total Loans: Percent of Number of Refinancing Loans

Sources: BEA, MBA /Haver
Vehicle Industry Outlook

- Vehicle Industry Outlook
  - State of the Automotive Industry
  - Key Vehicle Market Indicators
  - Key Macroeconomic Indicators
  - Short-term Industry Forecast
State of Vehicle Industry Since 2001 Recession

• Moderation in vehicle sales from record levels
  • Compared to prior recessions, industry adjustment came from price rather than volume
• Underlying purchase patterns persist despite cyclical ups and downs
  • Moderate overall vehicle demand growth
  • Luxury segments/trucks continue to dominate
  • Competitive pressures from used vehicles
U.S. Industry Vehicle Sales
Including Deviation of Trough from Trend
Millions

Source and Calculations: General Motors
Vehicle Sales Comparison During Business Cycles

Vehicle Sales At Business Cycle Peak = 100

2001 Recession

Source: BEA
Calculations: General Motors
• Compared to the post-1991 recovery, pricing pressures since the 2001 recession remain intensely competitive.

Source: BLS
Calculations: General Motors
New Vehicle Affordability
Payment as a Percentage of Disposable Income per Household

Data Sources:
Bureau of Economic Analysis, Census Bureau, PIN (All Sales Types), Haver Analytics

Calculations:
General Motors

June 2004 = 6.04%
• On a y-o-y basis, used vehicle prices in July fell 9.3% and 12.0% in nominal and real terms, respectively.

Source: BLS
CPI Comparison – Selected Consumer Goods
Indexed to 1997

Source: BLS
Calculations: General Motors

Education
Cable Television
Medical Care
Telephone Services: Local Charges
Motor Vehicle Maintenance & Repair
Food
New Vehicles
Apparel
Household Appliances
Telephone Services: Long Distance Charges
Toys
Cellular Telephone Services
Computer Software and Accessories
TV Sets
Other Video Equipment
Personal Computers & Peripheral Eqpt
<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car</td>
<td>163</td>
<td>222</td>
</tr>
<tr>
<td>Truck</td>
<td>96</td>
<td>155</td>
</tr>
<tr>
<td>Total</td>
<td>259</td>
<td>377</td>
</tr>
<tr>
<td>Memo: Utilities</td>
<td>54</td>
<td>88</td>
</tr>
</tbody>
</table>
Inventories – Light Vehicles
Millions – Not Seasonally Adjusted

Sources: BEA, Ward’s Communications
### Key U.S. Vehicle Sales Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Recession(^1)</th>
<th>1 Year Following Recession(^2)</th>
<th>Previous Year(^3)</th>
<th>Latest Data(^4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonfarm Payroll Employment Thousands</td>
<td>-1,636</td>
<td>-566</td>
<td>1,686</td>
<td>144</td>
</tr>
<tr>
<td>Real Disposable Income Average Y/Y% Change</td>
<td>1.8%</td>
<td>3.0%</td>
<td>3.6%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Real New Vehicle Prices Average Y/Y% Change</td>
<td>-3.4%</td>
<td>-2.8%</td>
<td>-3.3%</td>
<td>-3.5%</td>
</tr>
<tr>
<td>Real Fed Funds Rate Average %</td>
<td>0.7%</td>
<td>0.2%</td>
<td>-1.2%</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Gasoline Prices Average $/Gallon</td>
<td>1.46</td>
<td>1.32</td>
<td>1.73</td>
<td>1.88</td>
</tr>
<tr>
<td>Vehicle-Buying Attitudes Average % &quot;Bad Time to Buy&quot;</td>
<td>24.4</td>
<td>16.4</td>
<td>20.4</td>
<td>23</td>
</tr>
<tr>
<td>New Orders for Consumer Durables Average Y/Y% Change</td>
<td>-5.1%</td>
<td>5.6%</td>
<td>5.0%</td>
<td>-3.2%</td>
</tr>
</tbody>
</table>

**Notes:**

4. Latest quarter or month.
Impact of Rising Gasoline Prices During the Past Eight Months

### Passenger Cars

<table>
<thead>
<tr>
<th>As of:</th>
<th>$/Gallon²</th>
<th>Per Week</th>
<th>Per Month</th>
<th>Per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2003</td>
<td>1.48</td>
<td>15.66</td>
<td>67.86</td>
<td>814.38</td>
</tr>
<tr>
<td>August 30, 2004</td>
<td>1.87</td>
<td>19.77</td>
<td>85.68</td>
<td>1,028.17</td>
</tr>
<tr>
<td>Net Change</td>
<td>0.39</td>
<td>4.11</td>
<td>17.82</td>
<td>213.79</td>
</tr>
</tbody>
</table>

Notes:
1. Based on average annual per car fuel consumption of 551 gallons as of 2002 (the latest data available).
   

### Light Trucks

<table>
<thead>
<tr>
<th>As of:</th>
<th>$/Gallon²</th>
<th>Per Week</th>
<th>Per Month</th>
<th>Per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2003</td>
<td>1.48</td>
<td>18.33</td>
<td>79.44</td>
<td>953.31</td>
</tr>
<tr>
<td>August 30, 2004</td>
<td>1.87</td>
<td>23.15</td>
<td>100.30</td>
<td>1,203.57</td>
</tr>
<tr>
<td>Net Change</td>
<td>0.39</td>
<td>4.82</td>
<td>20.86</td>
<td>250.26</td>
</tr>
</tbody>
</table>

Notes:
1. Assumes average annual per light truck fuel consumption of 645 gallons as of 2002 (the latest data available).
   

2. U.S. Retail Gasoline Price - All Formulations. Source: Department of Energy
U.S. Vehicle Industry Outlook

• Supported by still-low interest rates and competitive pricing, new vehicle-buying fundamentals remain generally favorable
  – Drag from high gasoline prices not likely to have a material impact on sales, but continues to be closely monitored

• Industry mix patterns are largely unchanged – growth in luxury and in trucks expected to continue

• Key concern is whether current “soft patch” evolves into a more prolonged slowdown
Summary

• Economy transitioning from policy-led growth
  – As a result of key imbalances, downside risks dominate

• U.S. vehicle sales expected to moderate toward trend
  – New vehicle affordability is providing underlying support to the industry

• Industry dynamics suggest persistent competitive pressures
  – Downward price pressures
  – New product entries
  – Used vehicles