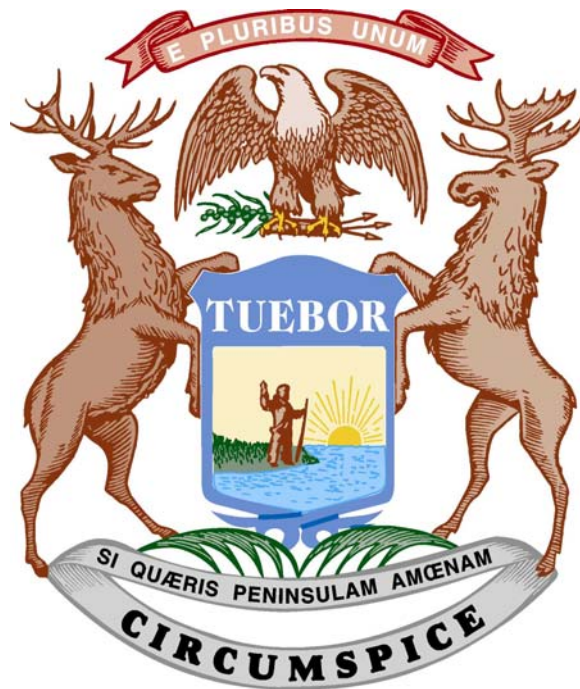


Motor Vehicle Outlook

FTA Revenue Estimating Conference

September 30, 2002



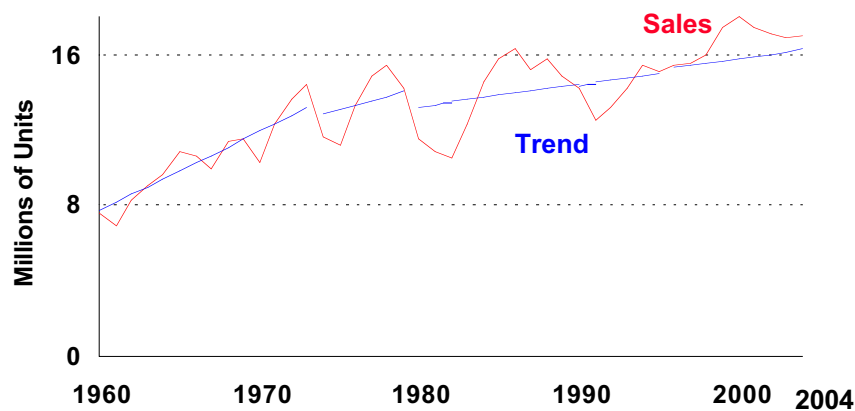
Mark Haas, Director
Andrew Lockwood, Economist
Office of Revenue and Tax Analysis
Department of Treasury
State of Michigan

U.S Auto Industry in Perspective

- U.S. Auto Related Employment - 6.6 million (4.9% of Total)
- U.S. Auto Related Compensation - \$243 billion (5.6% of total)
- Zero Percent Financing Lowered U.S. Unemployment Rate 1 Percent
- 7.5 Jobs Created for Each Autoworker's Job



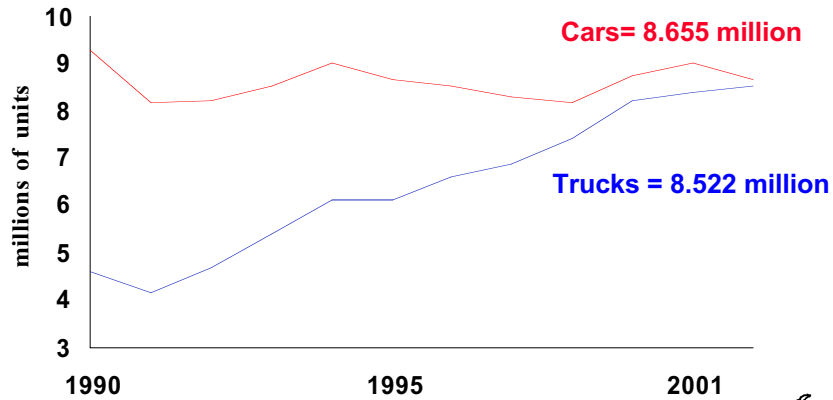
U.S. Vehicle Sales Trend



Source: Michigan Department of Treasury



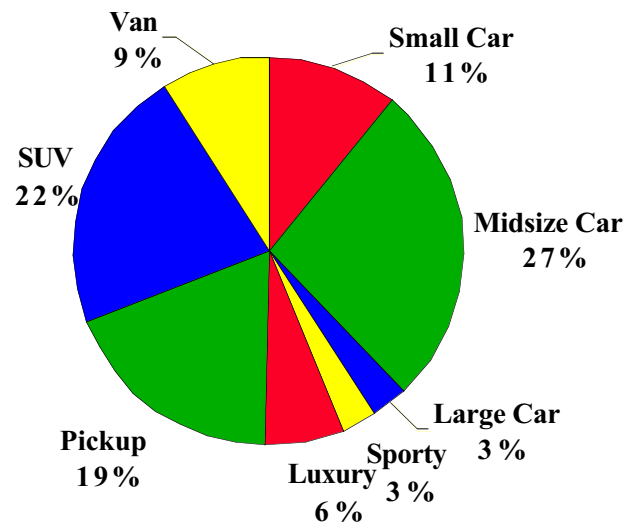
U.S. Car & Light Truck Sales



Source: Automotive News, Market Data Book 2002



2001 Vehicle Market Segments



U. S. Automotive Outlook

- Ability to Buy
- Willingness to Buy
- Sales Trend
- Sales Outlook
- Production Outlook

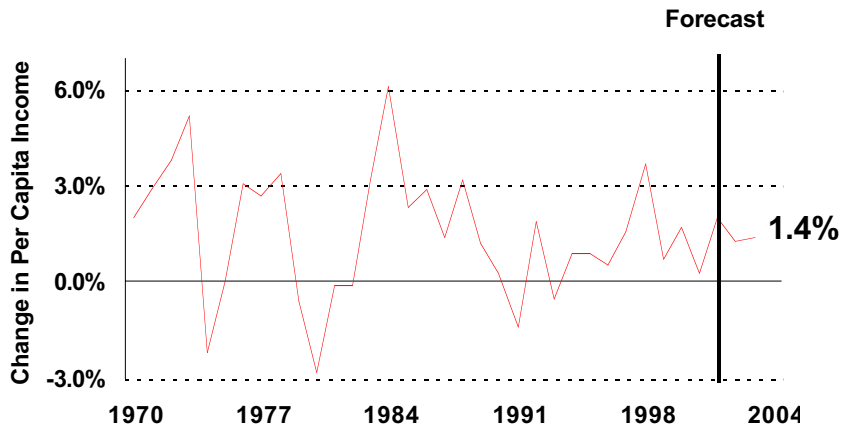


Factors Affecting Auto Sales Ability to Buy

| | <u>2002</u> | <u>2003</u> |
|-------------------|-------------|-------------|
| Disposable Income | Red | Red |
| Vehicle Prices | Green | Yellow |
| Interest Rates | Green | Green |
| Affordability | Green | Green |
| Household Debt | Red | Red |



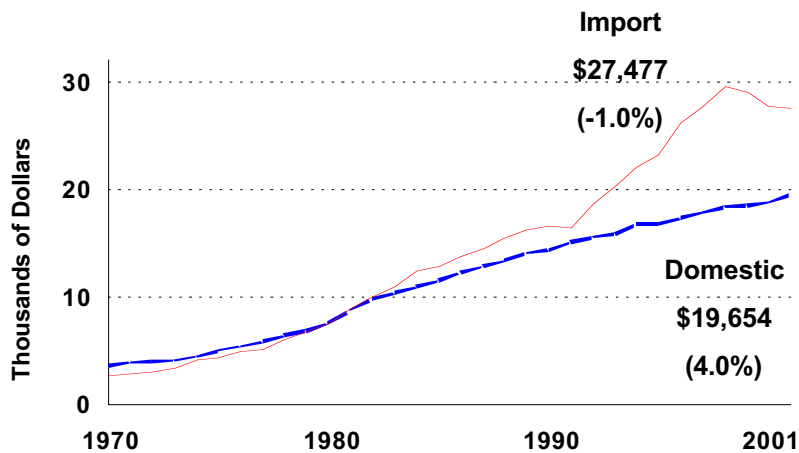
Real Disposable Income Growth



Source: U.S. Bureau of Economic Analysis, RSQE August 2002



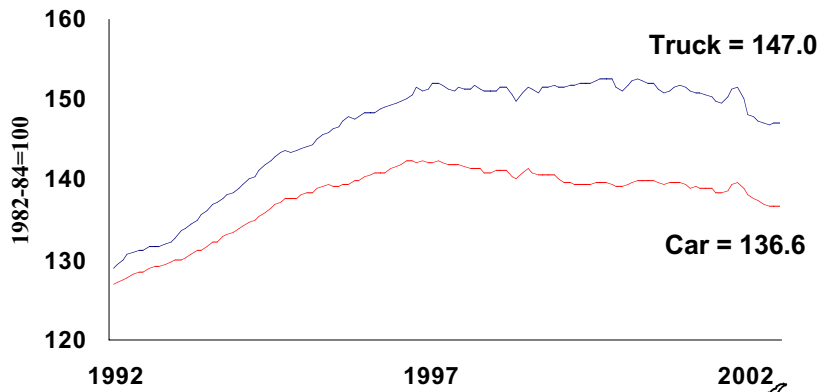
Sticker Prices Remain Strong



Sources: AAMA & Automotive News, Market Data Book 2002



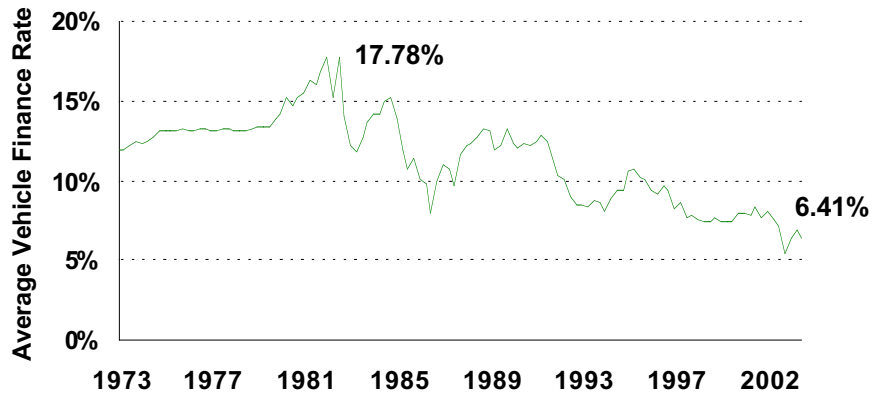
Real Vehicle Prices Lower New Car and Truck CPI



Source: U.S. Bureau of Labor Statistics



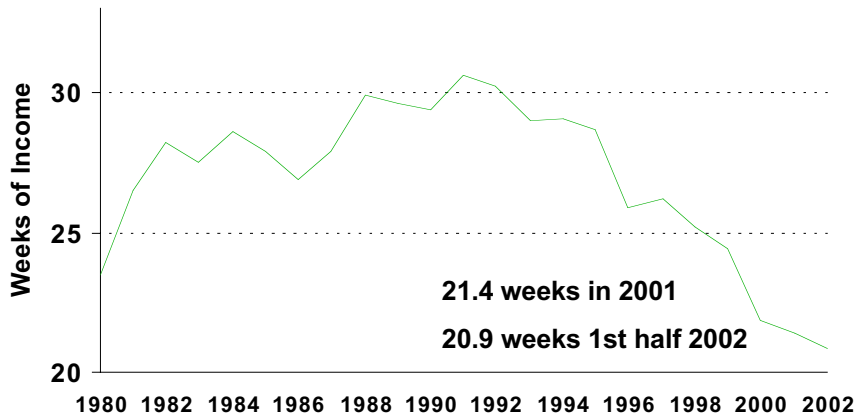
Low Interest Rates Help Sales



Source: Comerica Bank Economics Department



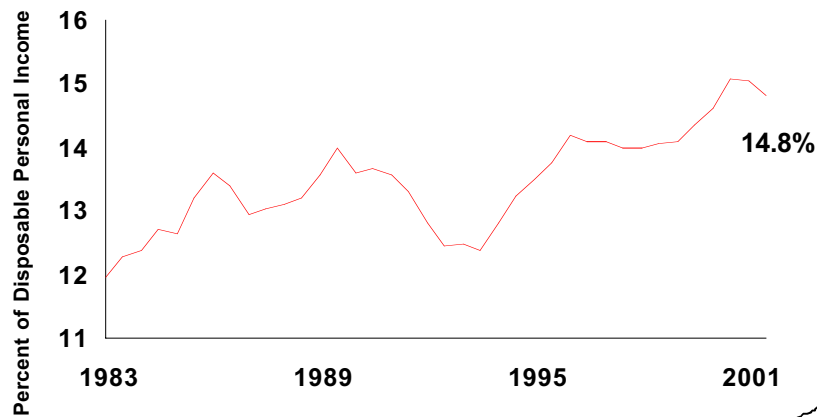
Vehicles More Affordable



Source: Comerica Bank Economics Department



Consumer Debt Payments Installment, Mortgage & Auto Leases



Source: Michigan Department of Treasury



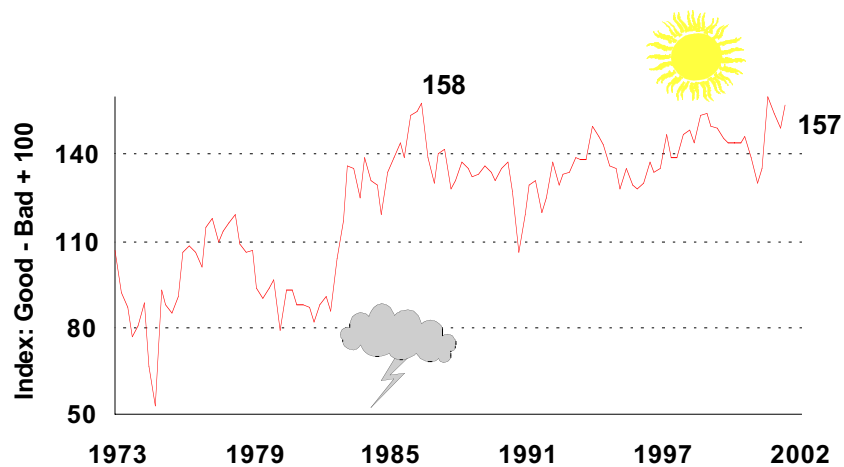
Factors Affecting Auto Sales Willingness to Buy

| | <u>2002</u> | <u>2003</u> |
|---------------------|-------------|-------------|
| Consumer Attitudes | Green | Yellow |
| Unemployment Claims | Yellow | Yellow |
| Age of Vehicle | Yellow | Yellow |
| Oil Prices | Yellow | Green |
| Stock Market | Red | Yellow |

Source: Michigan Department of Treasury



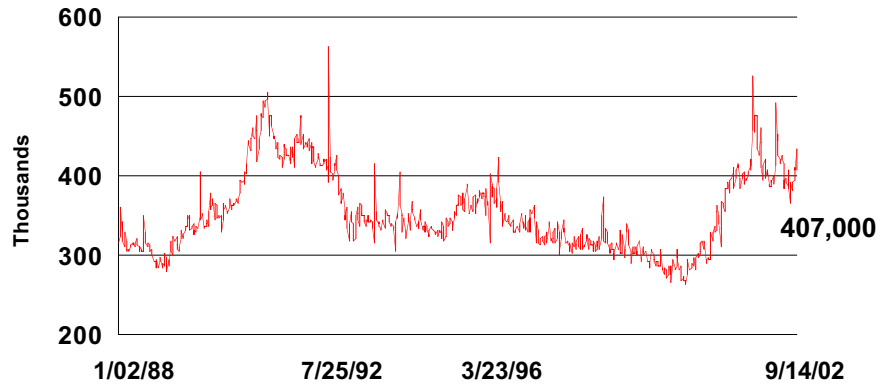
Consumer Car Buying Attitudes



Source: University of Michigan, Survey Research Center, September 2002



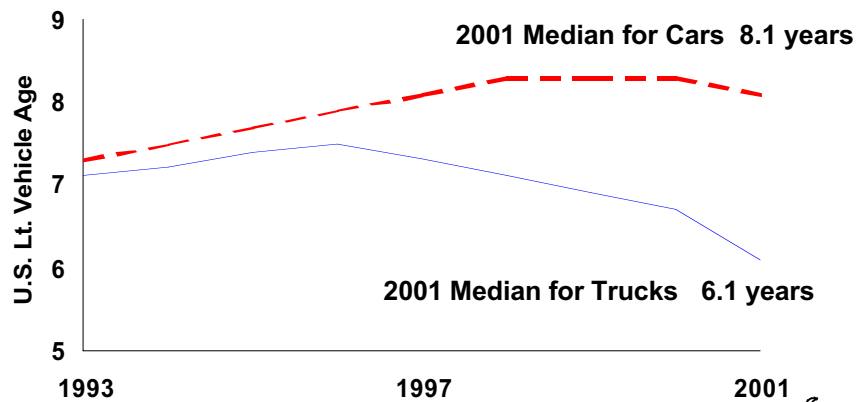
Weekly Initial Unemployment Claims



Source: U.S. Department of Labor



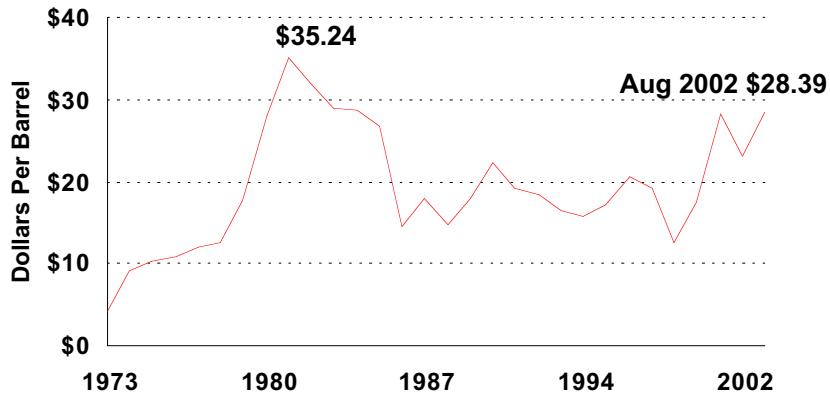
Vehicle Age Declining



Source: Automotive News, 2002 Market Data Book



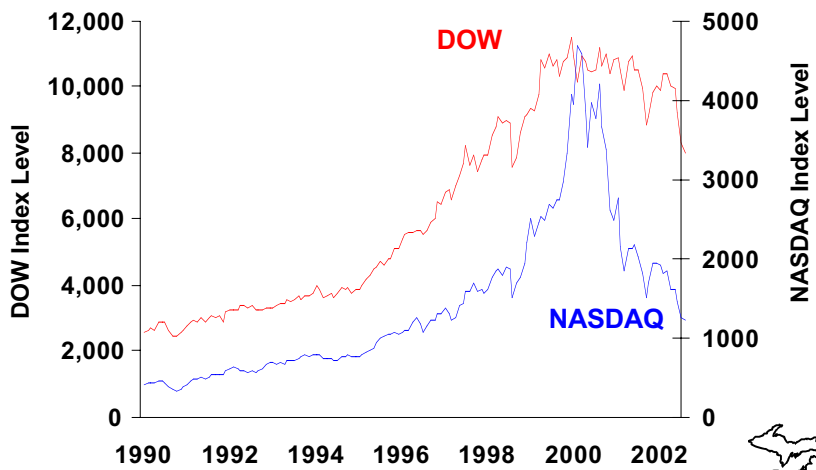
Oil Prices Rising Recently



Source: Monthly Energy Review



Stock Market Correction Reduces Consumer Wealth



Source: Wall Street Journal



Sales Outlook

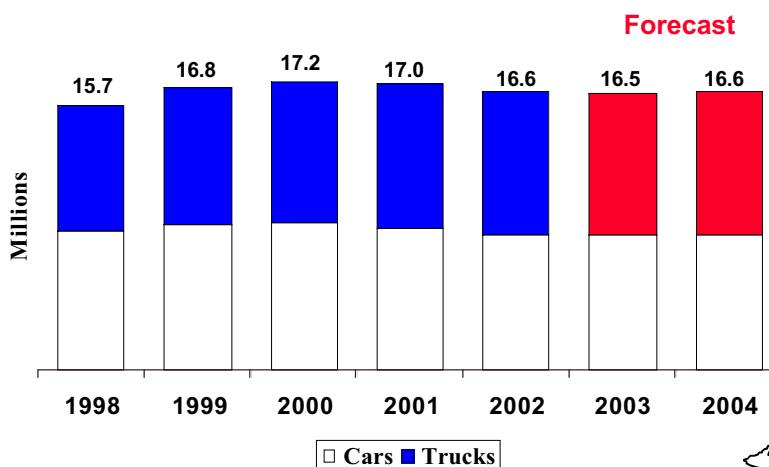
- Record incentives for now . . .
. . . 0% Financing and Rebates
- Low interest rates . . .
. . . (but record debt)
- How many cars can you buy?

However

- Negative wealth effect
- Income and Job Uncertainty



U.S. Motor Vehicle Outlook Car and Light Truck Sales



Source: University of Michigan, RSQE, August 2002



2002 Forecast Accuracy

| | Aug 2001 Forecast | Sept 2002 Forecast |
|-------------------|----------------------|-----------------------|
| DRI - WEFA | 16.0 | 16.6 |
| Univ. of Michigan | 16.0 | 16.6 |
| Blue Chip | 16.1 | 16.4 |

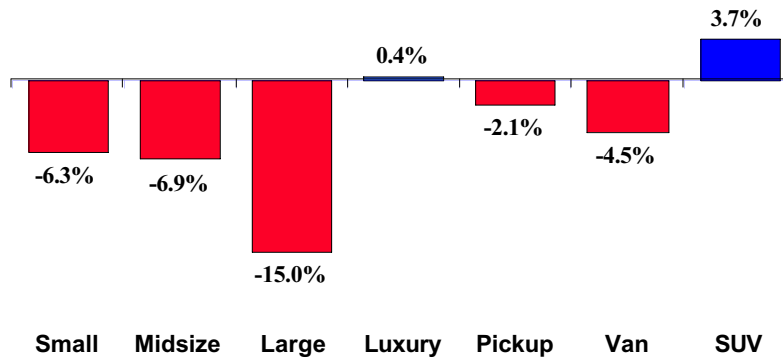


Light Vehicle Forecasts

| | 2003 | 2004 |
|-----------------------------|------|------|
| DRI – WEFA September | 17.2 | 17.5 |
| Univ. of Michigan August | 16.5 | 16.6 |
| Blue Chip September | 16.4 | N/A |



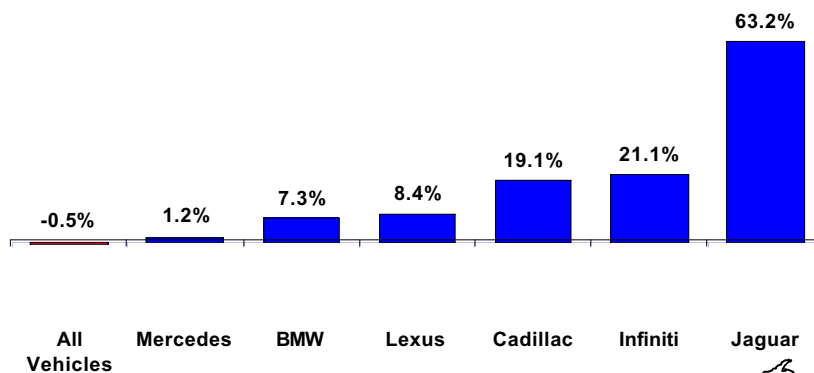
Vehicle Market Segments Important Growth January through June 2002



Source: Wards Automotive Reports



Luxury Sales Outpace Other Sales Growth January through August 2002



Source: Automotive News



Entry-Level Drives Luxury Sales

| <u>Make</u> | <u>Best Seller(s)</u> | <u>% Sales Growth</u> | <u>Base Price</u> |
|-------------|-----------------------|-----------------------|-------------------|
| Audi | A4 | +20.4% | \$24,443 |
| BMW | 3-Series Sedan | +8.5% | \$27,270 |
| Cadillac | DeVille Sedan | -14.2% | \$41,707 |
| Jaguar | X-Type | New | \$28,744 |
| Lexus | ES 300 | +86.8% | \$30,353 |
| Mercedes | C-Class Sedan | +46.6% | \$24,315 |



Near Luxury Vehicle Production

| <u>Make</u> | <u>Model</u> | <u>Production Location</u> | <u>Sales 2002 YTD</u> |
|-------------|--------------|----------------------------|-----------------------|
| BMW | 3-Series | S. Carolina and Germany | 77,011 |
| Cadillac | Deville | Michigan | 56,320 |
| Jaguar | X-Type | England | 24,650 |
| Lexus | ES-300 | Japan | 49,166 |
| Mercedes | C-Class | Germany | 44,188 |

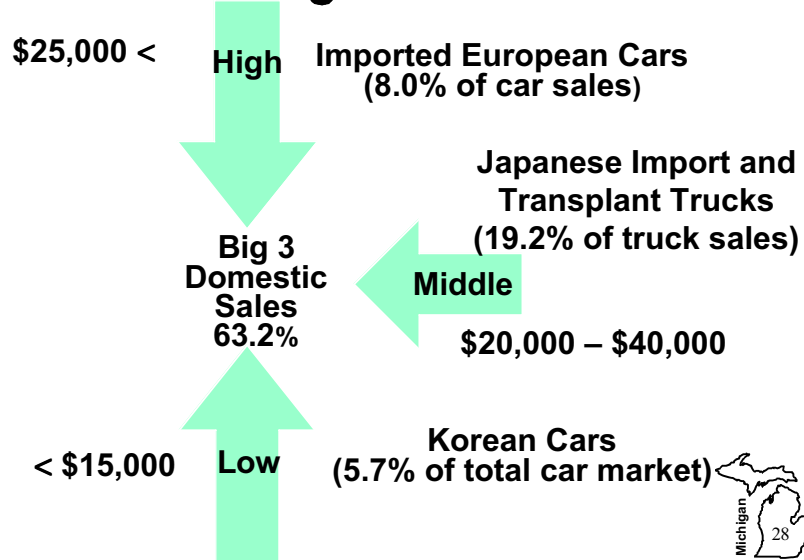


U.S. Auto Industry Trends

- Big 3 sales squeezed by competitors in all market segments
- Transplant capacity added in North America - light truck segment
- Production growing in the South (non-union areas)



The Big Squeeze

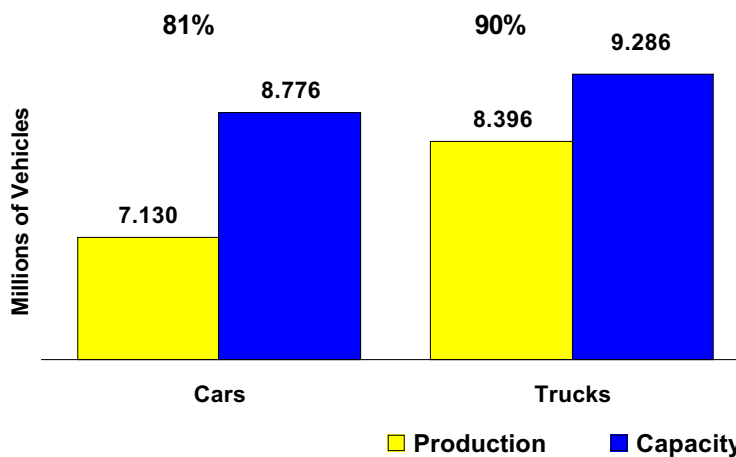


U.S. Motor Vehicle Production

- Capacity Utilization
- Production Costs
- Inventory Levels
- Worker Bonuses
- Increasing Transplant Production



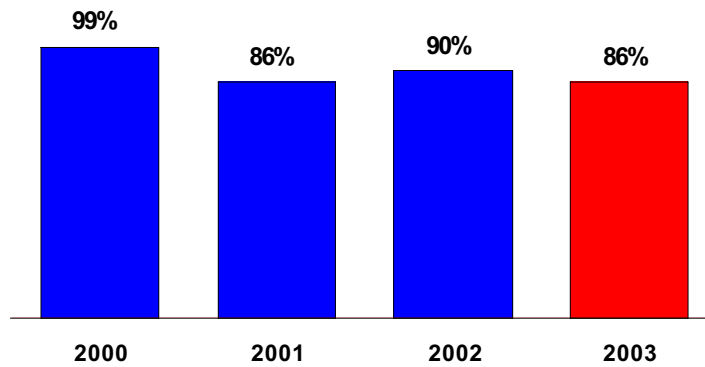
2001 Production and Capacity North America



Source: DRI-WEFA, August 2002



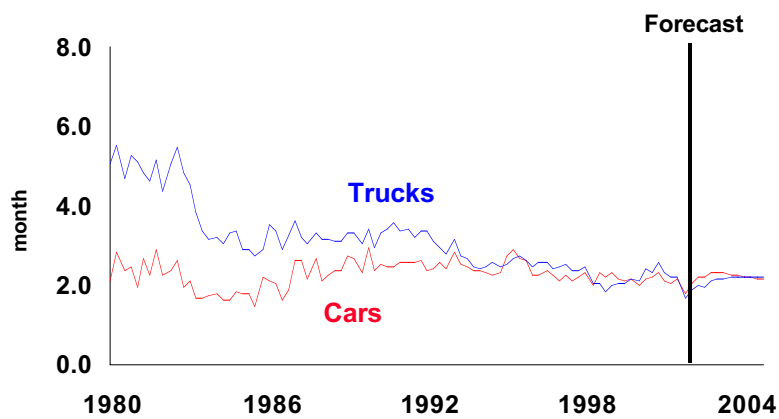
2003 Capacity Utilization Forecast for North America



Source: DRI-WEFA, August 2002



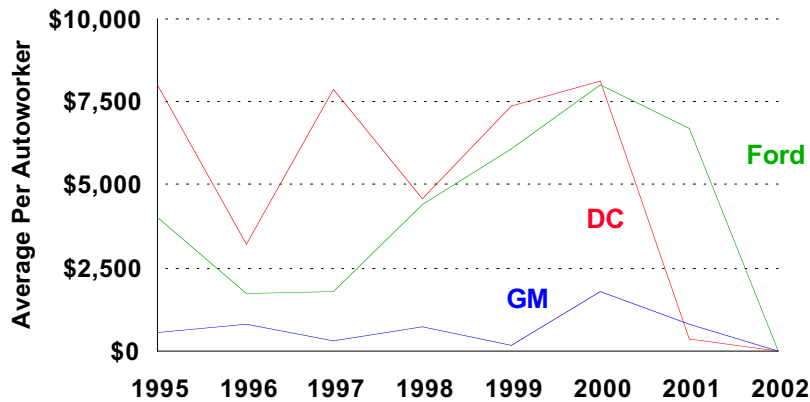
Stock-Sales Ratio



Source: University of Michigan, RSQE, August 2002



No Big 3 Profit Sharing Checks For 2002



Source: Ward's Automotive Reports



U. S. Motor Vehicle Outlook Summary

- Sales Stronger than Expected
- Price Incentives Driving Sales
- Jobs, Attitudes and Affordability Key to Sales
- Increased Competition from Foreign Nameplates



Motor Vehicle Outlook

FTA Revenue Estimating Conference

September 30, 2002



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State of Michigan

