



The U.S. Automobile Industry Outlook

**FTA Conference
Charleston, West Virginia
October 17, 2011**

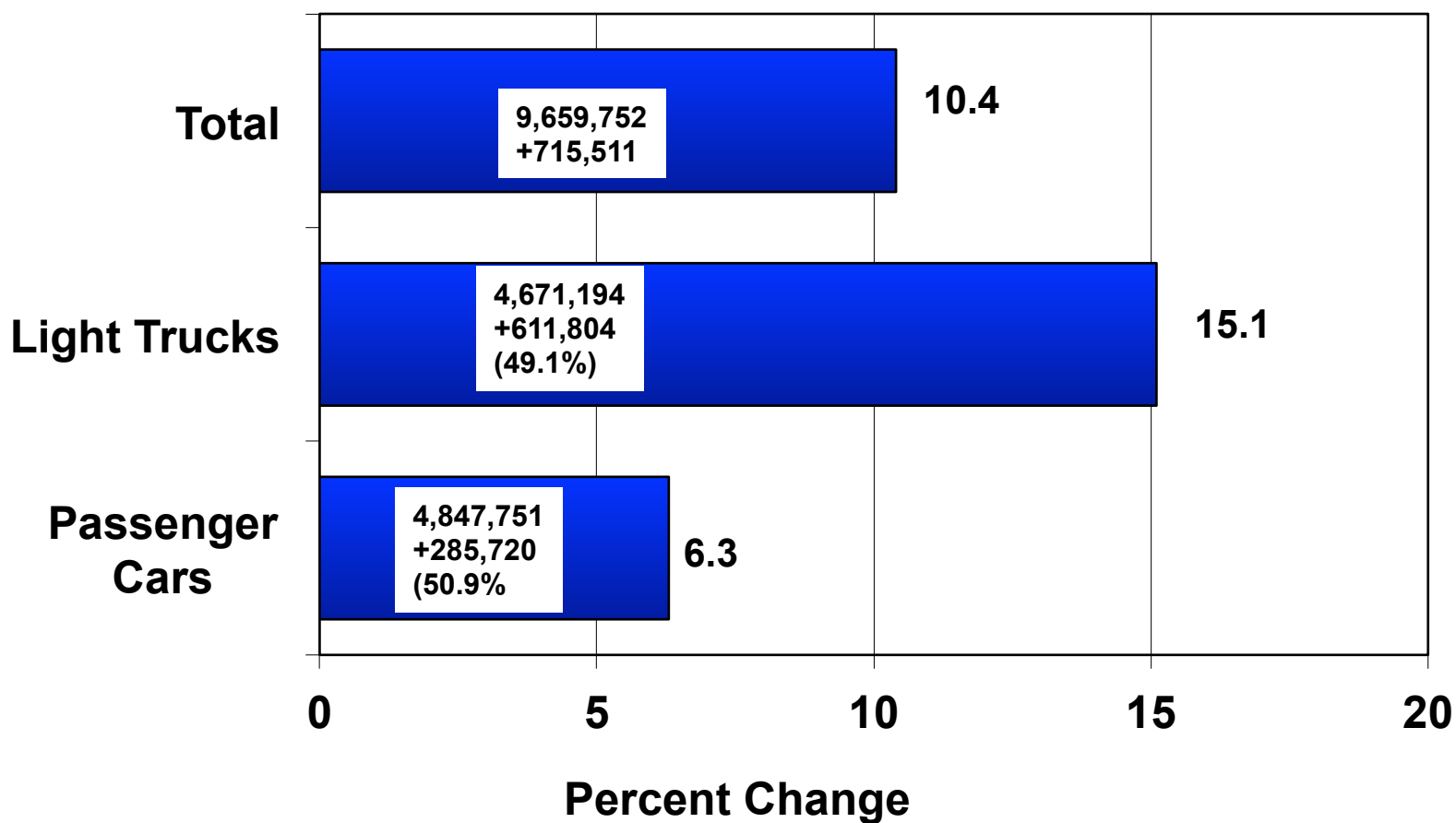
Kim Hill
Group Director
Associate Director, Research
Center for Automotive Research

Sales in U.S.
(where are they?)

It's All About Product

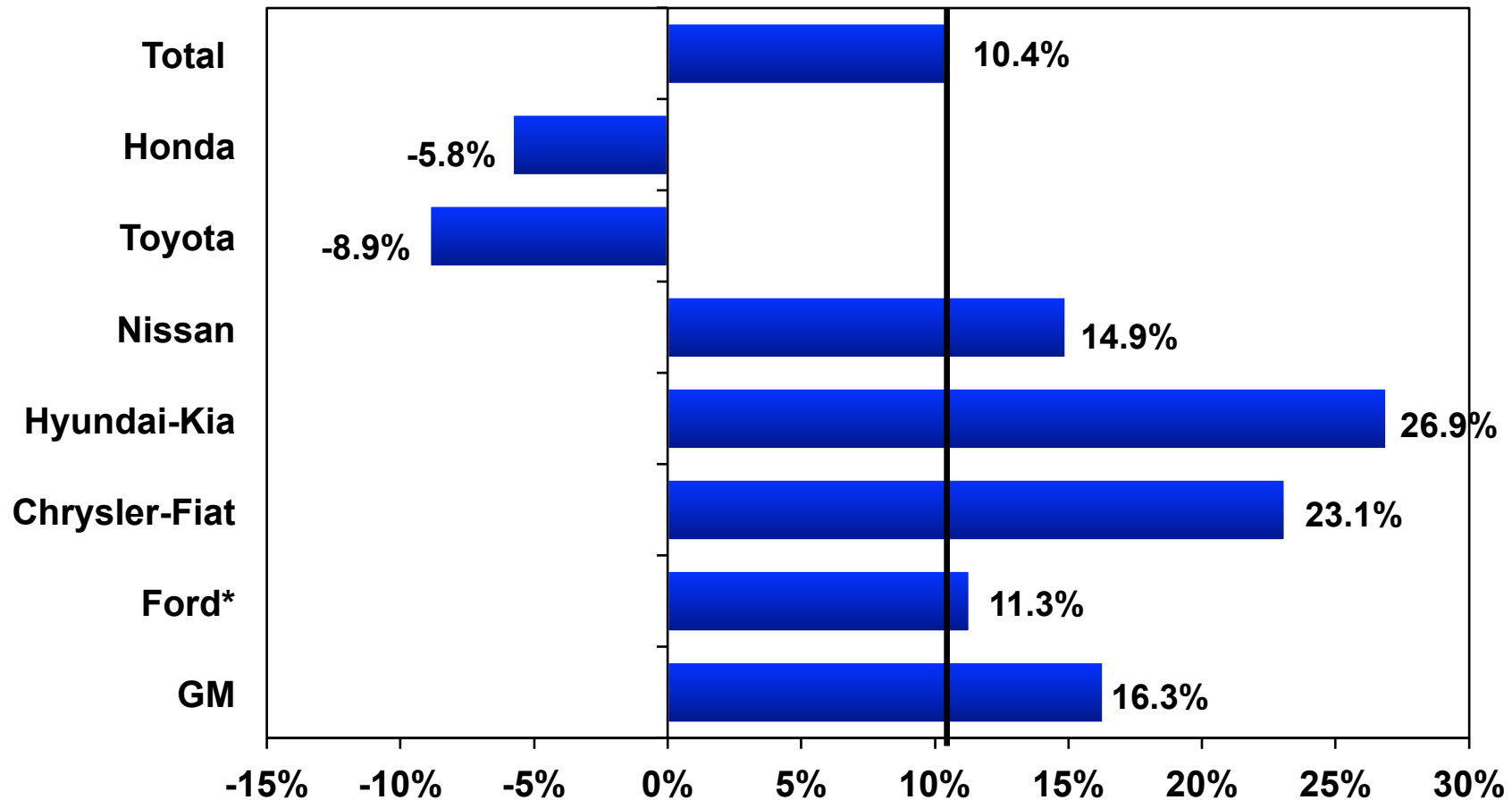


**U.S. Light Vehicle Sales
Percent Change
YTD Through September: 2011 vs. 2010**



Source: Automotive News

Percent Change in Sales of Light Vehicles Per OEM: YTD Through September: 2011 vs. 2010

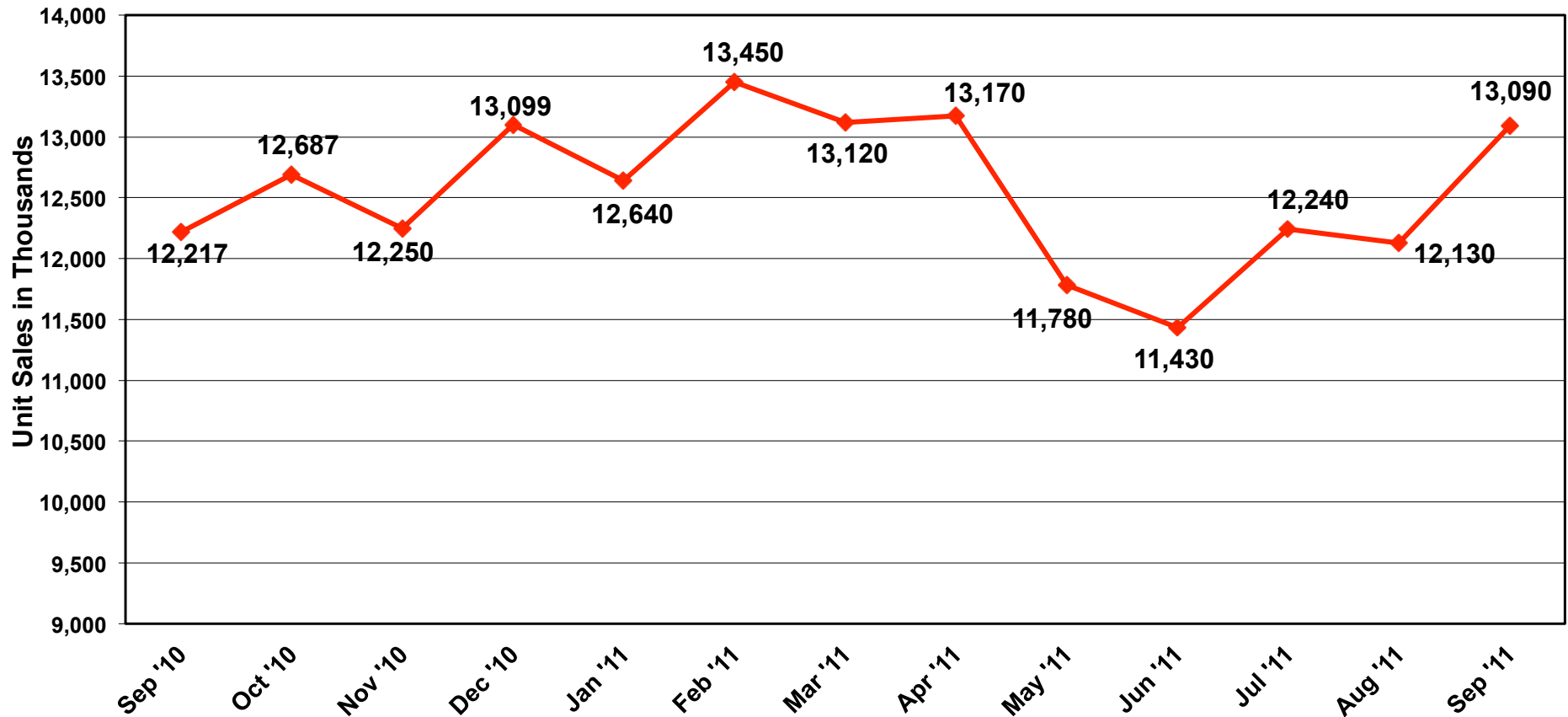


Source: Automotive News

*Ford = Ford, Lincoln, & Mercury divisions only

SAAR Up Last Month

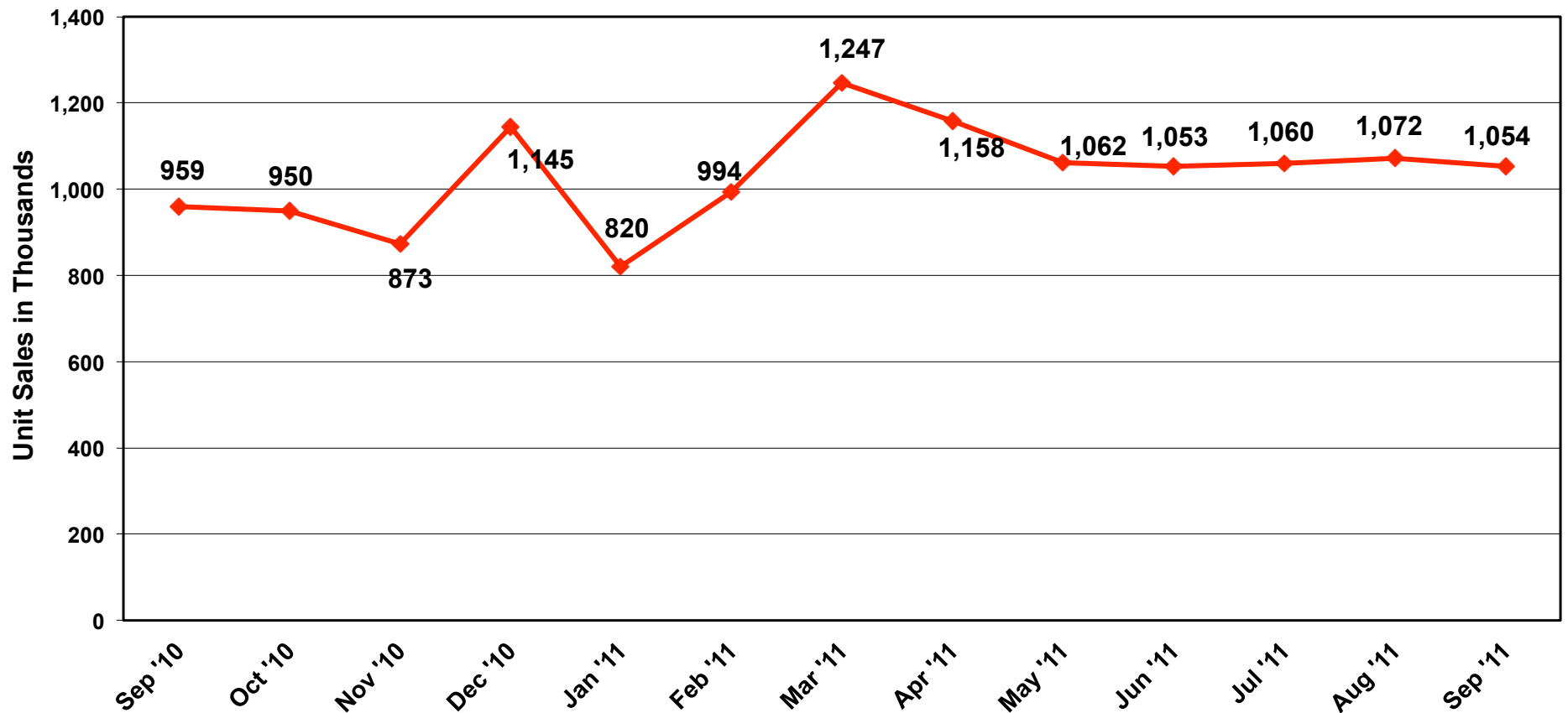
U.S. Light Vehicle Sales Monthly SAAR: September 2010 Through September 2011



Source: Automotive News Data Center

But Not Sales . . .

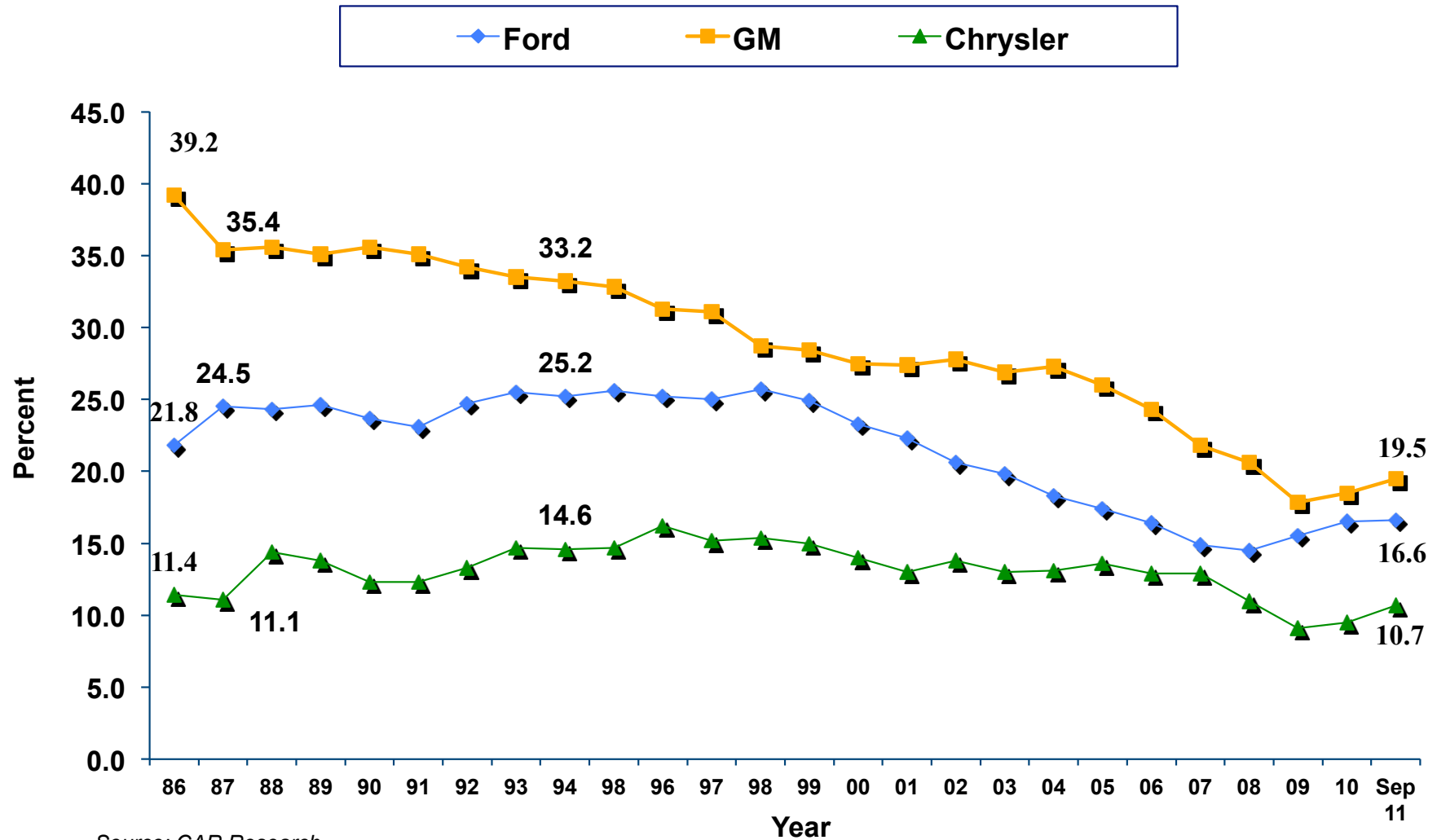
U.S. Light Vehicle Sales by Month: September 2010 Through September 2011



Source: Automotive News Data Center

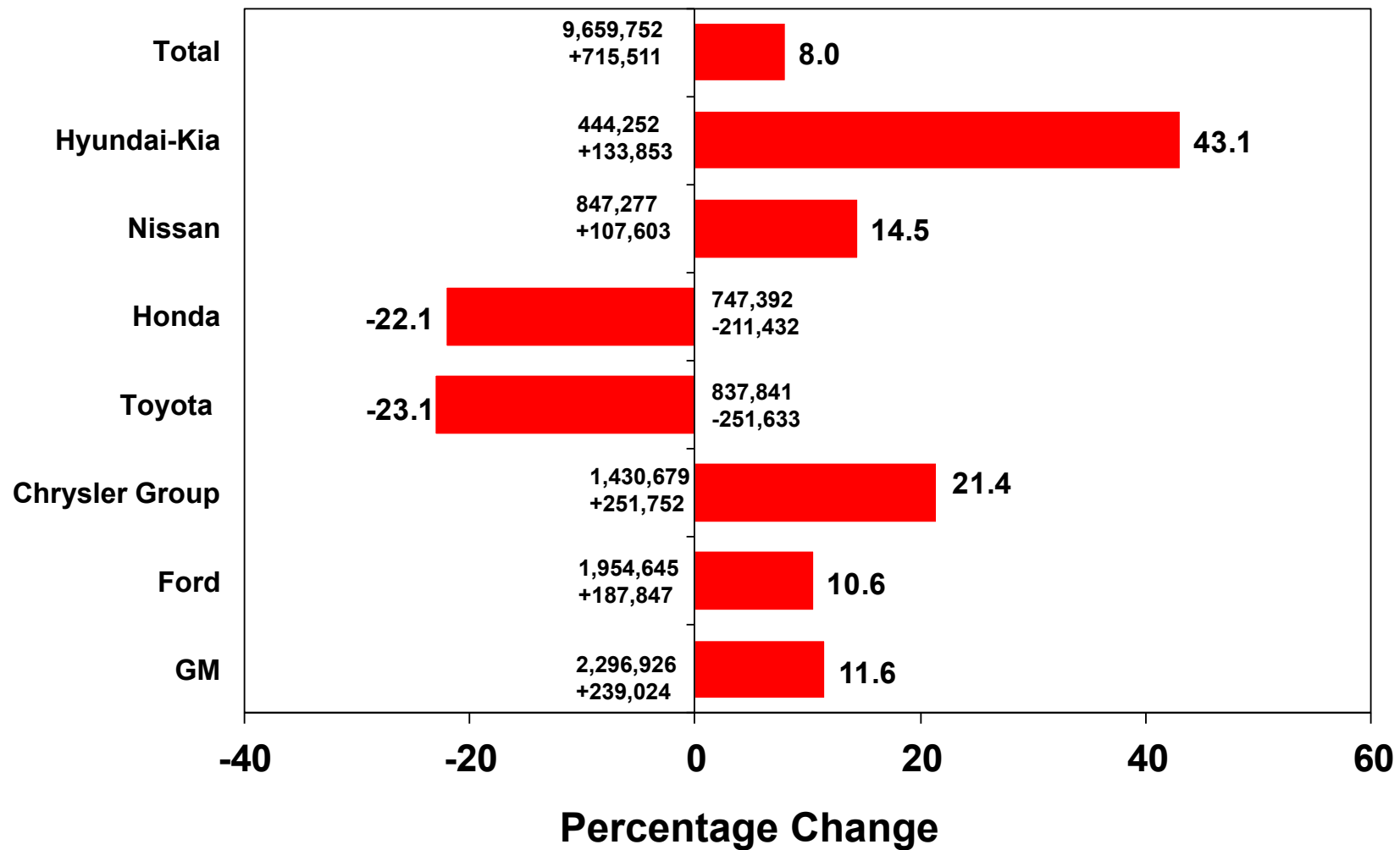
Down Below 50%: “Detroit 3” U.S. Market Share 1986 – September 2011

(Sales of Detroit 3 N. American “owned” production)

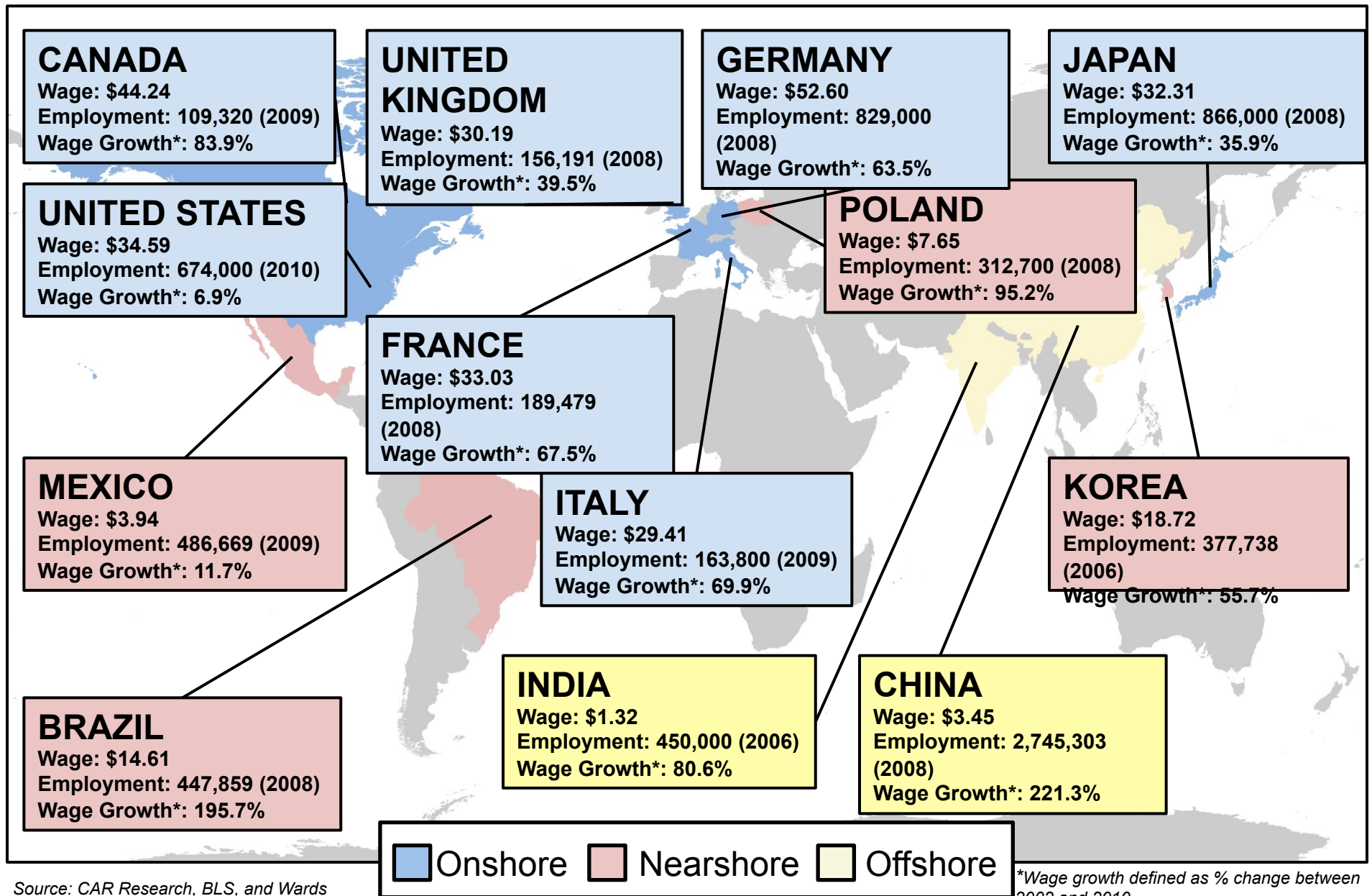


Source: CAR Research

N.A. Light Vehicle Production Percent Change YTD Through September 2011 vs. 2010



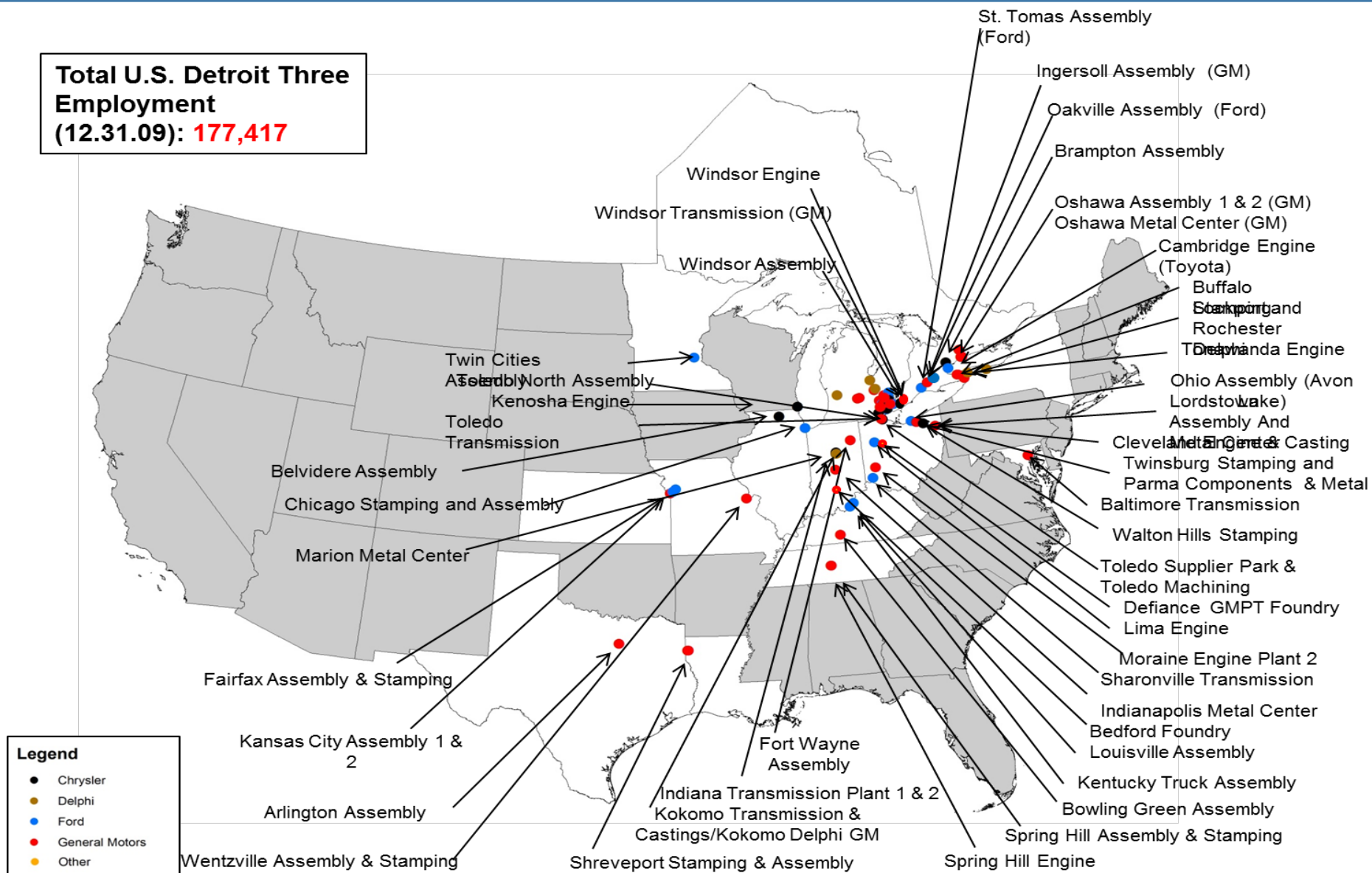
Automotive Manufacturing Labor Compensation, Employment, and Compensation Growth by Country, 2010



Source: CAR Research, BLS, and Wards

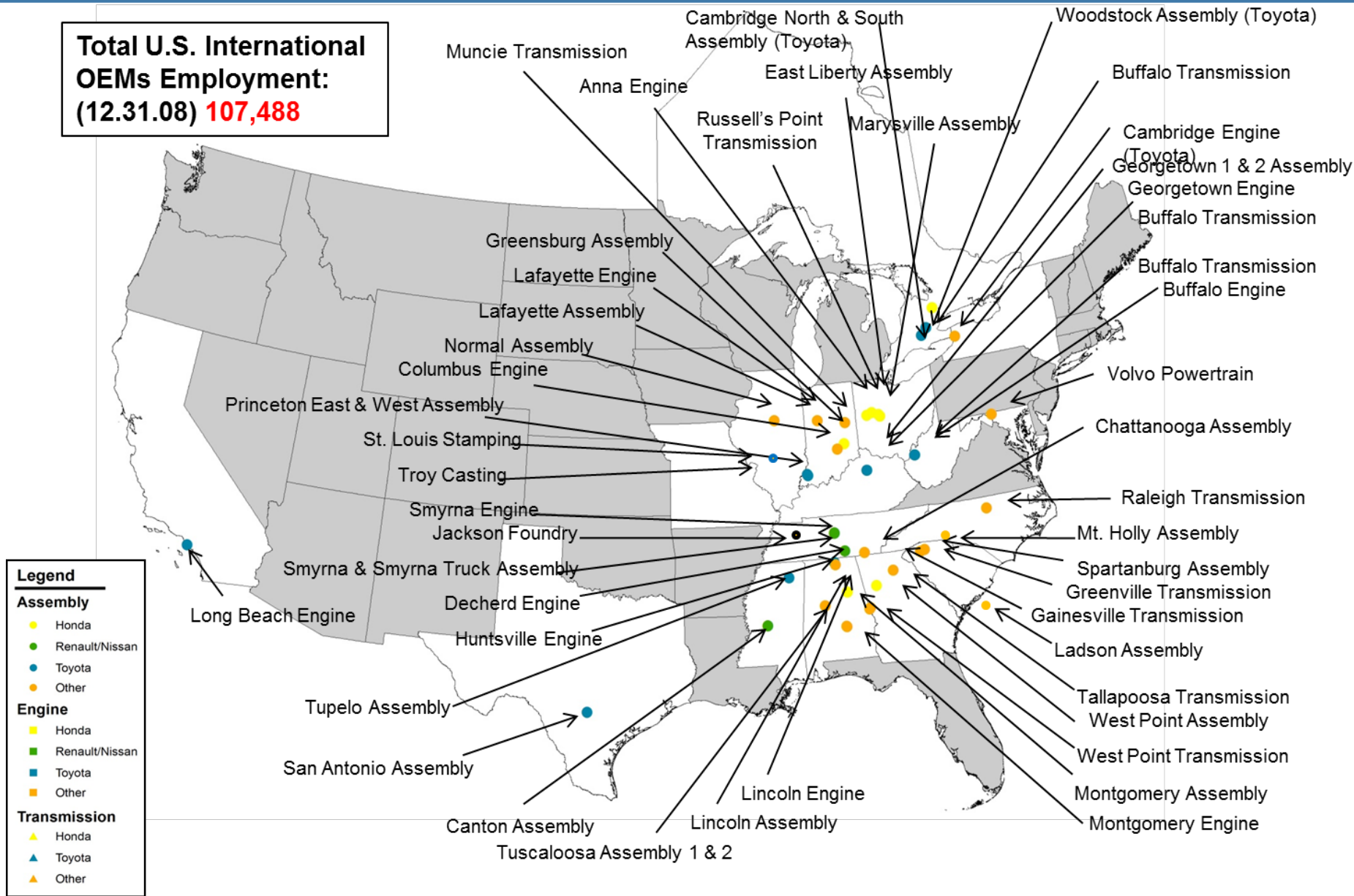
Detroit Three Manufacturing Plants

**Total U.S. Detroit Three
Employment
(12.31.09): 177,417**

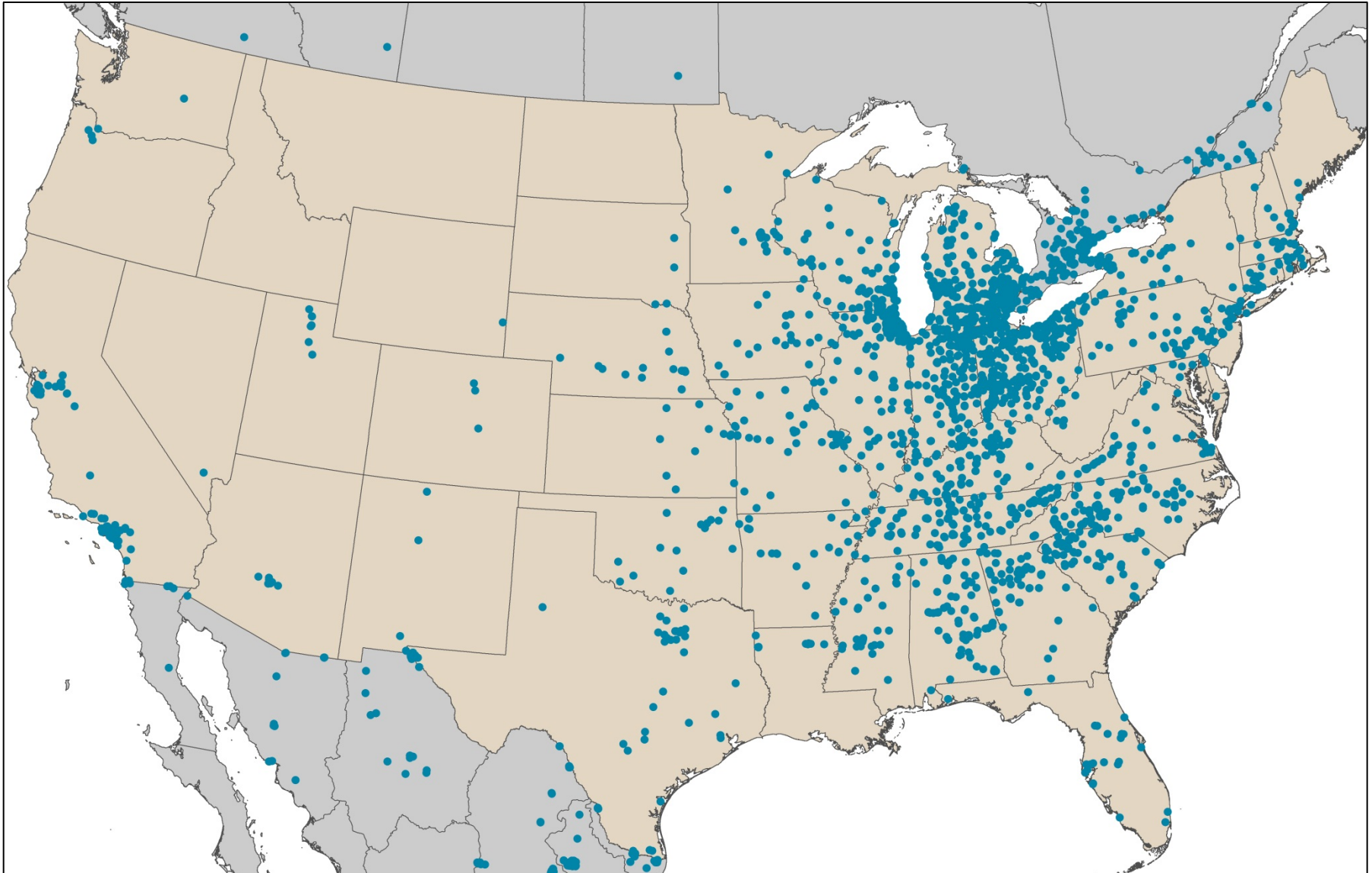


International Automotive Manufacturing Plants

**Total U.S. International
OEMs Employment:**
(12.31.08) **107,488**

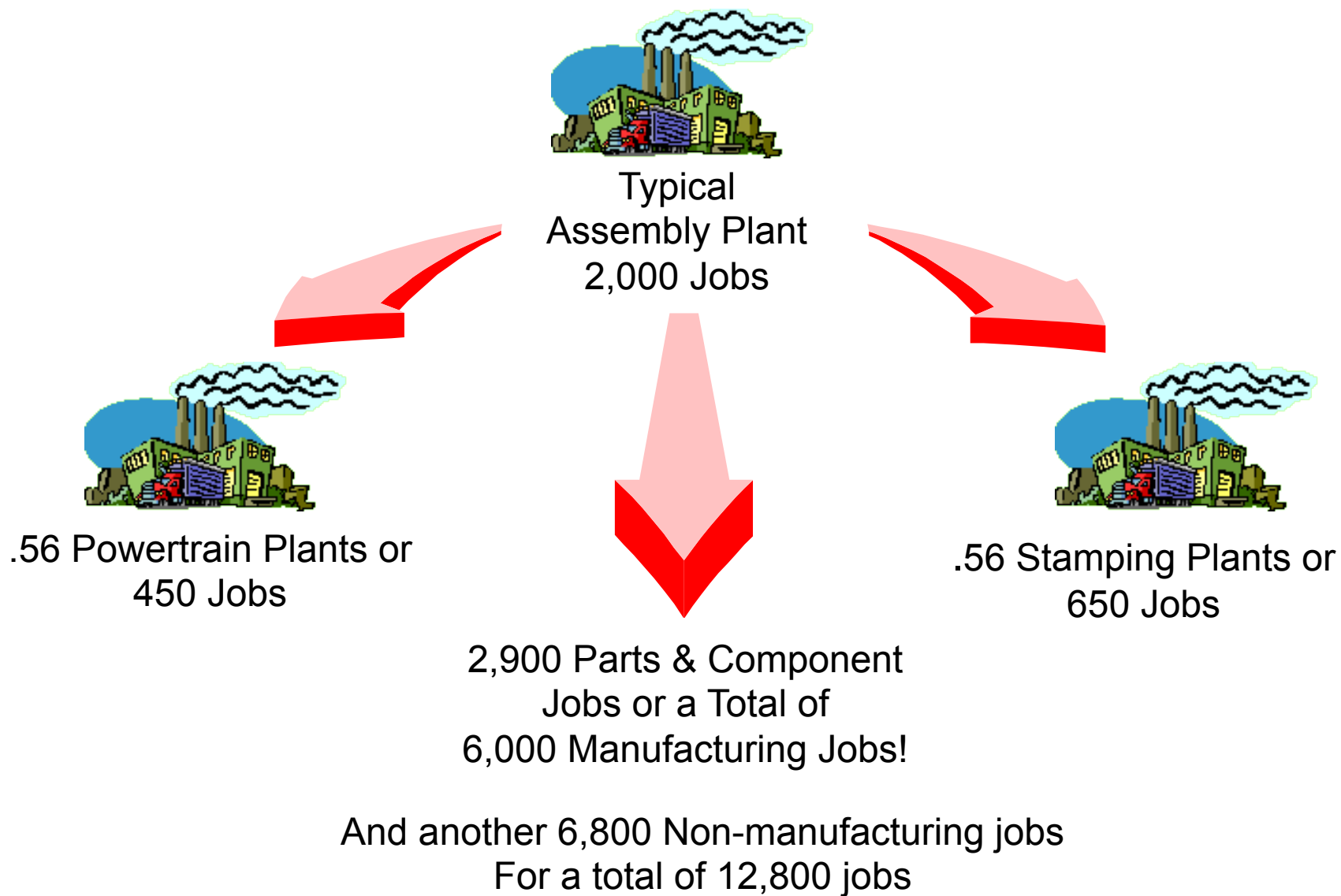


Automotive Suppliers



Source: ELM 2009

Vehicle Assembly is Huge Driver of Economy



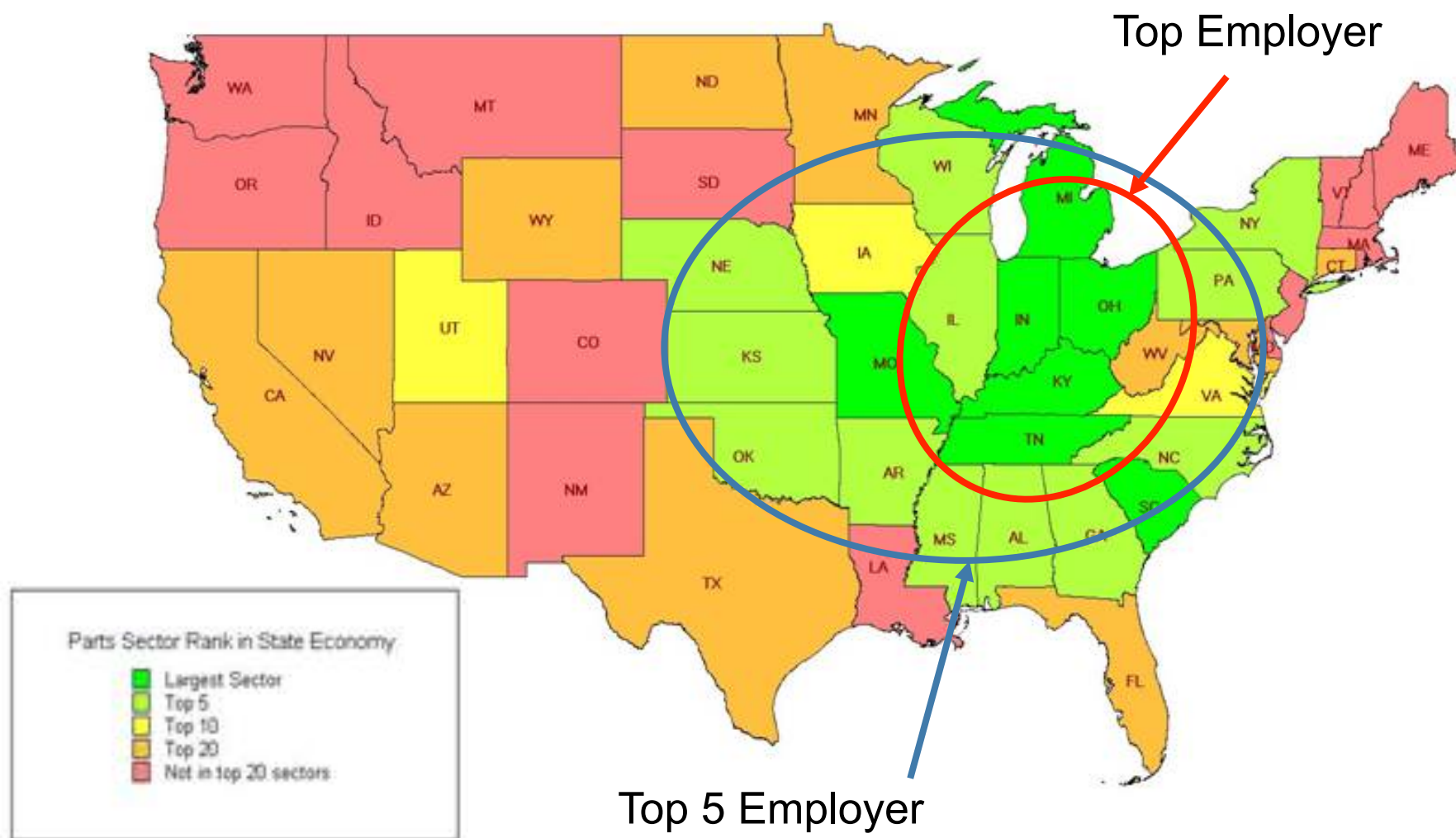
Estimated Total Employment Impacts

The 1.7 million direct jobs in the automotive industry's **total U.S. automotive operations:***

- support **8 million total private sector jobs,**
- contributing more than **\$500 billion** in annual compensation
- and nearly **\$70 billion in personal tax revenues.**

**These jobs include new vehicle development and production, parts manufacturing, and the sales and service of new vehicles.*

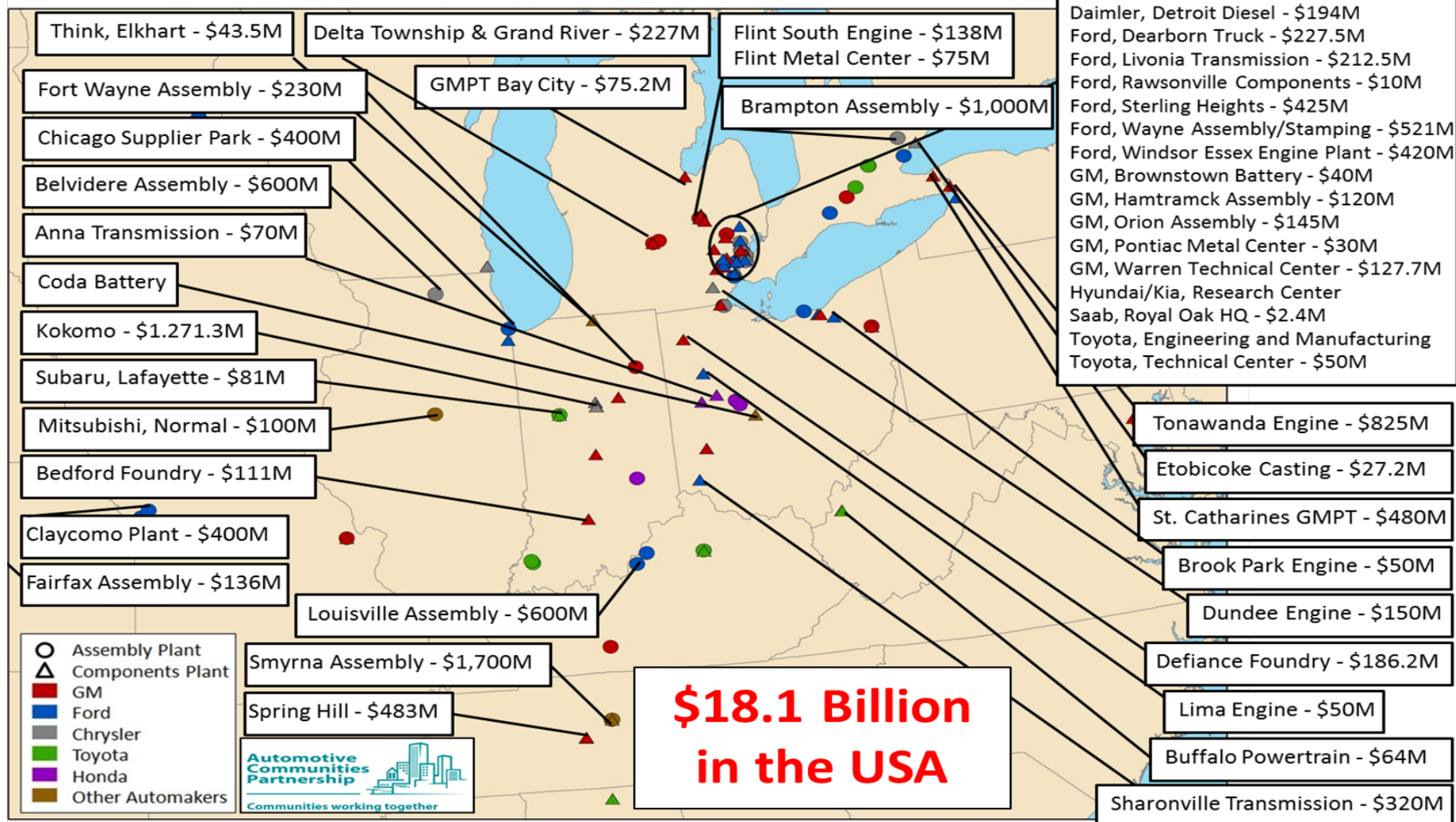
Parts Suppliers Are Top Employer in 7 States, Top 5 employer in 12 Other States



(Ranked by Size Compared to Other Industries in State)

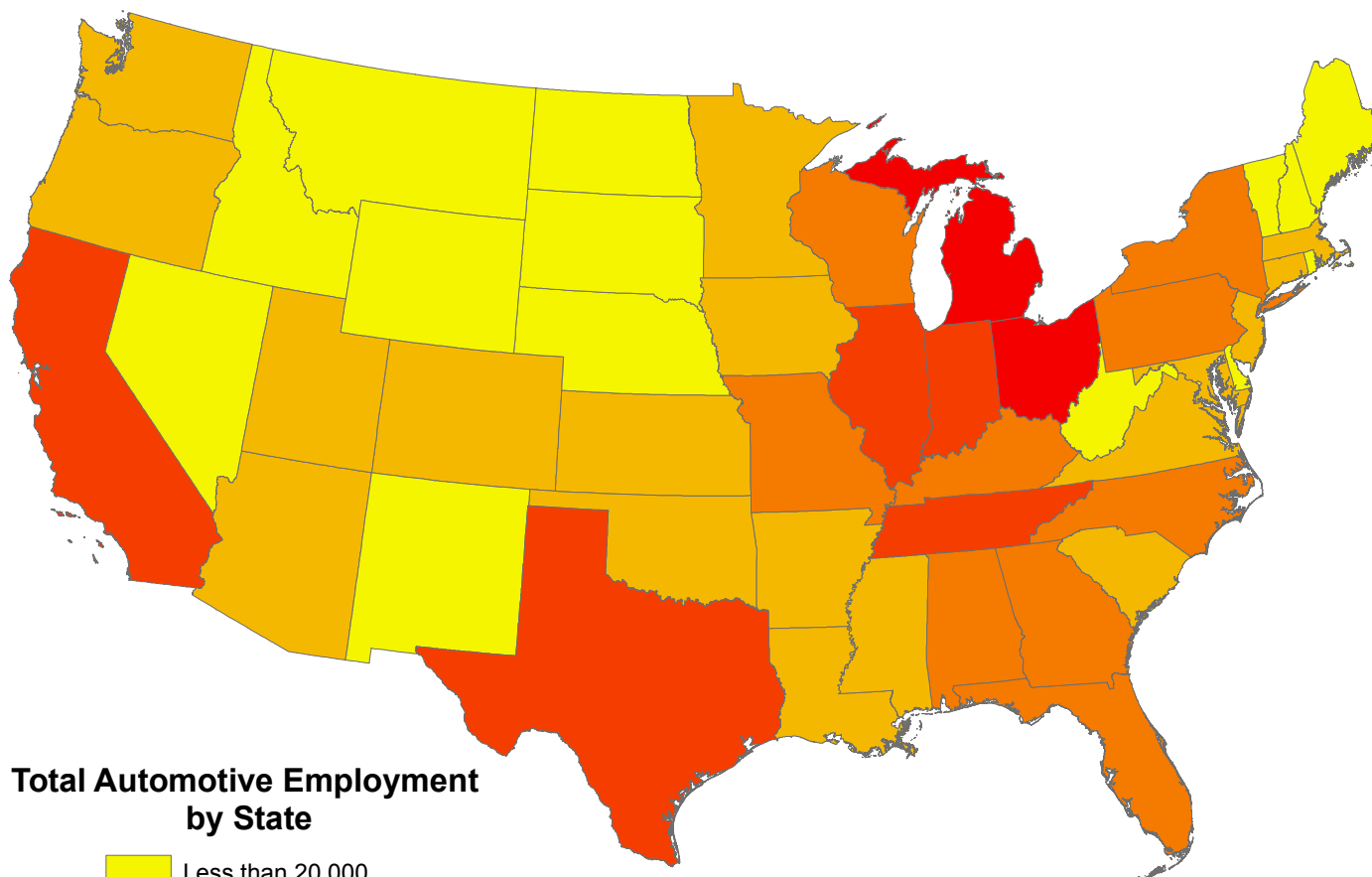
Automaker Investments: 2010-2011

2010-2011 Automaker Investments

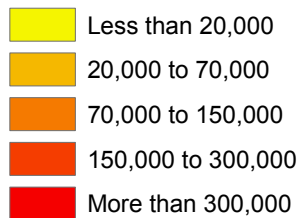


Source: CAR Research, Book of Deals

Automotive Industry Total Employment

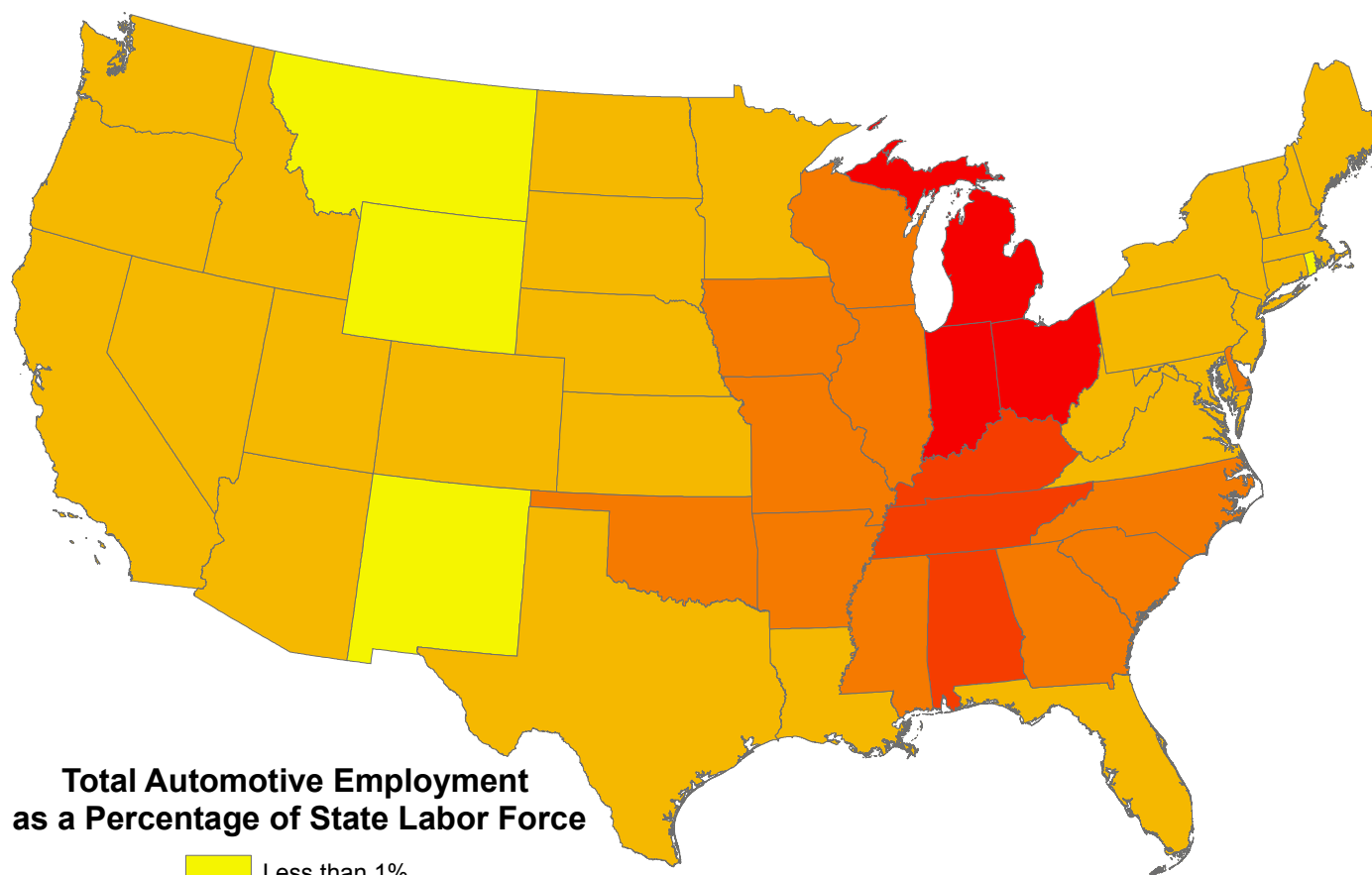


**Total Automotive Employment
by State**

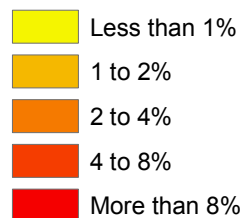


Note: Includes direct and estimated intermediate jobs

Automotive Industry Employment as a Percentage of State Labor Force



**Total Automotive Employment
as a Percentage of State Labor Force**

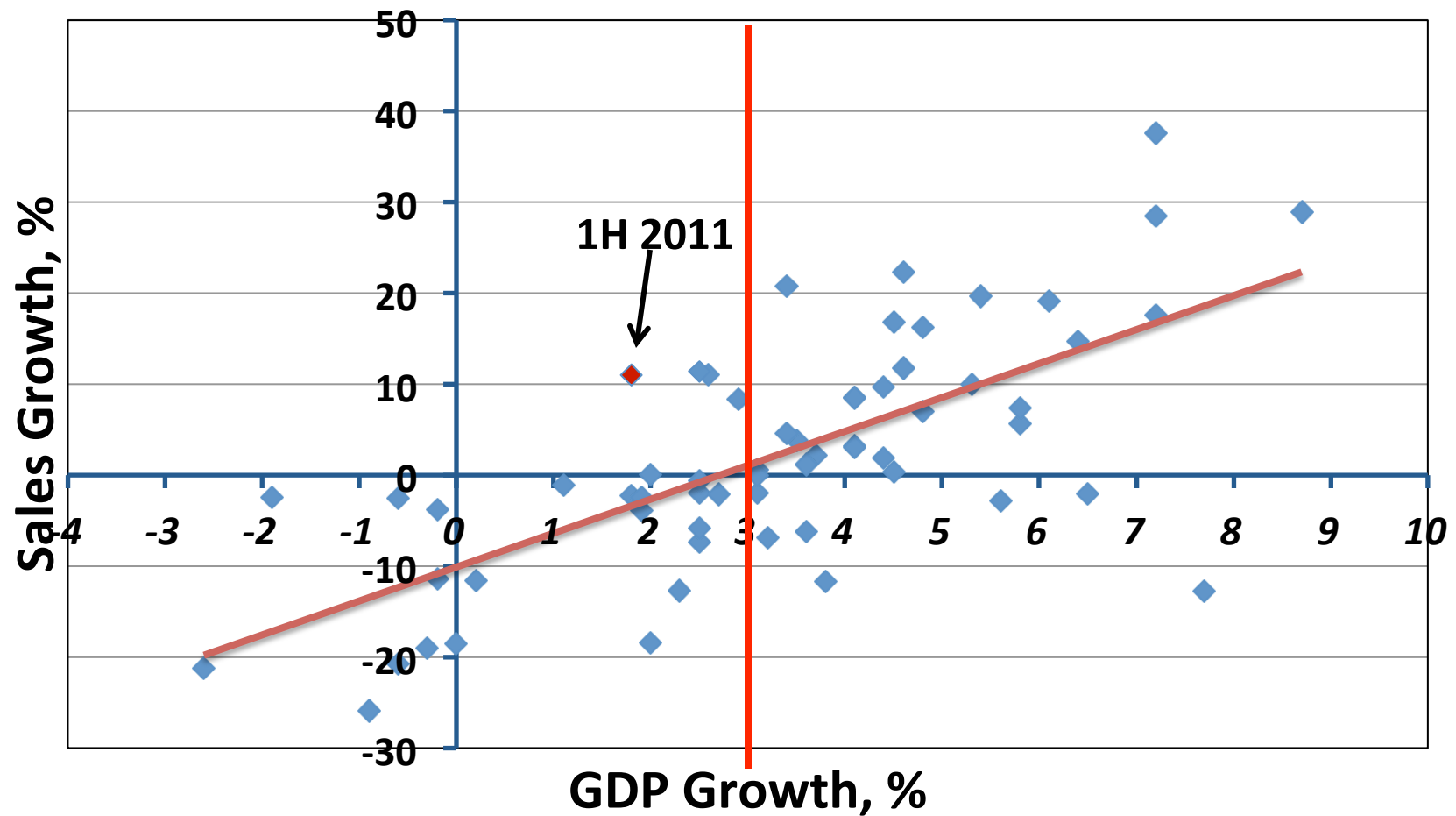


Note: Includes direct and estimated intermediate jobs

Where are we going?

(well, it depends how you feel...)

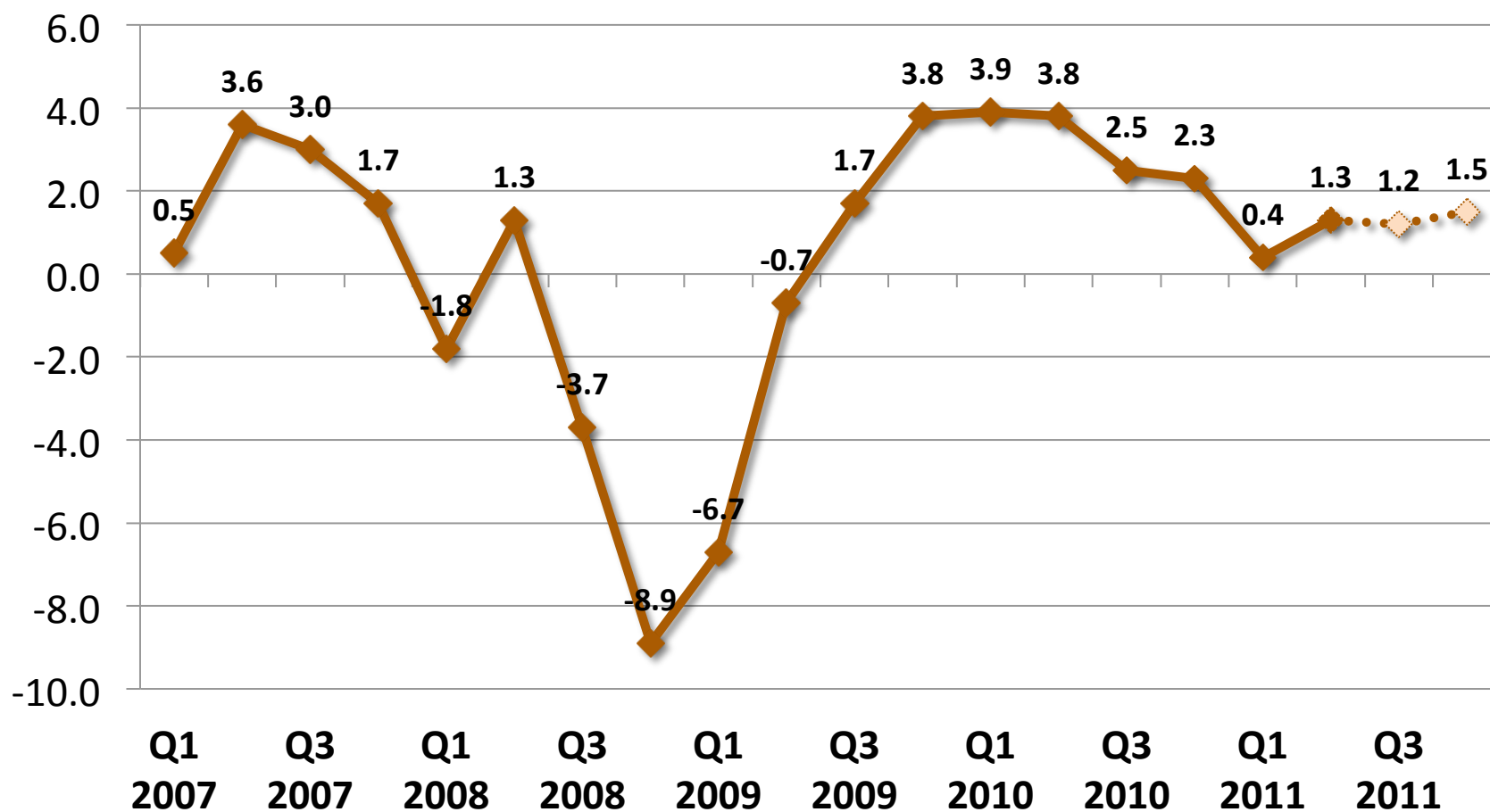
Only 1.8% Growth in 1st Half 2011
Need 3% GDP Growth To Have a Positive Sales Growth
GDP Growth Rate and Sales Growth Rate, 1950- 1H 2011



Source: BEA

Quarterly GDP Growth Rate and Forecast

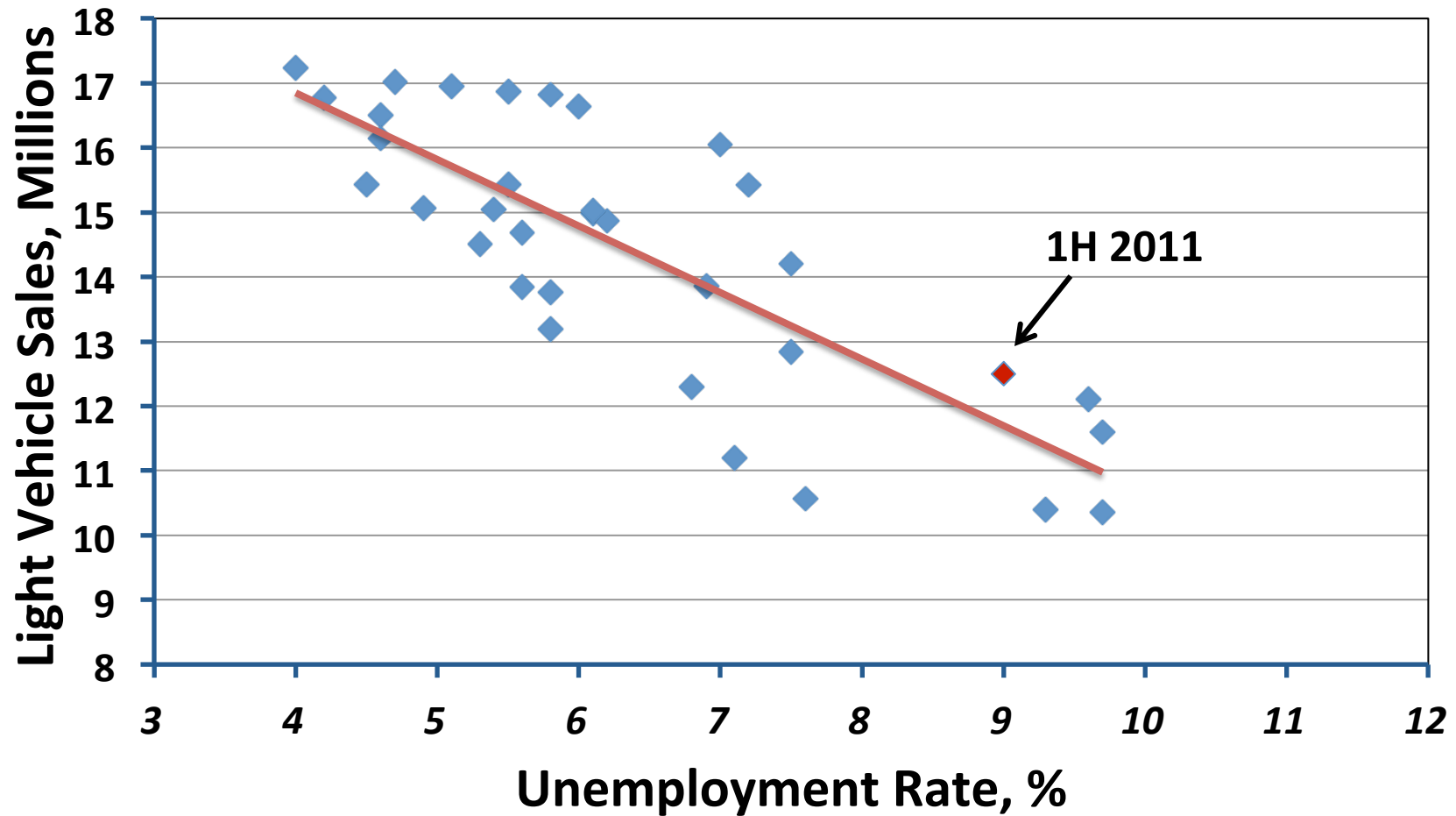
Q1 2007-Q4 2011



Source: Bureau of Economic Analysis, CAR estimates

Need Unemployment Rate Below 6% to Have Growth?

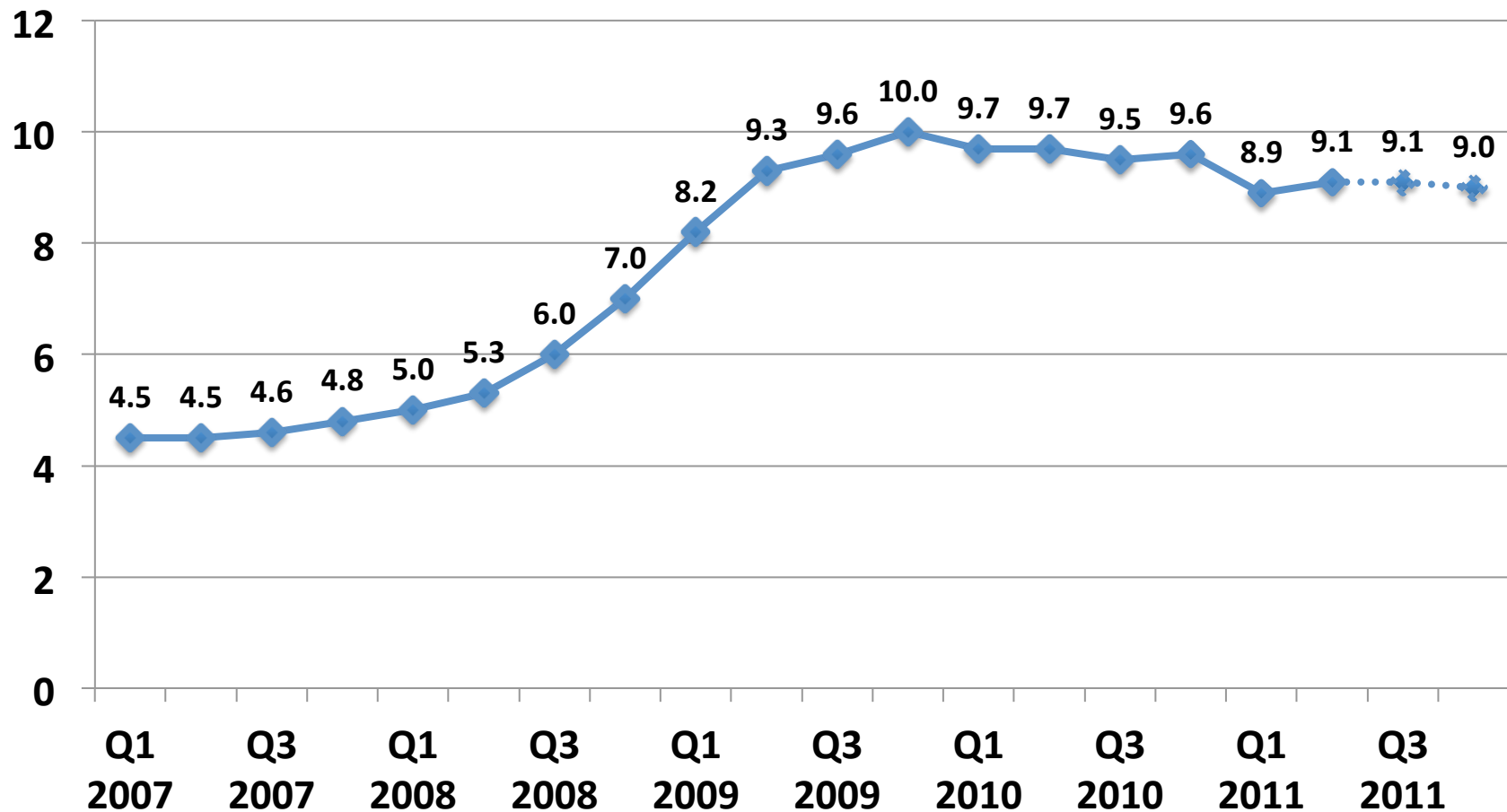
Light Vehicle Sales and Unemployment Rate, 1978- 1H 2011



Source: BEA, BLS

U.S. Unemployment Rate and Forecast

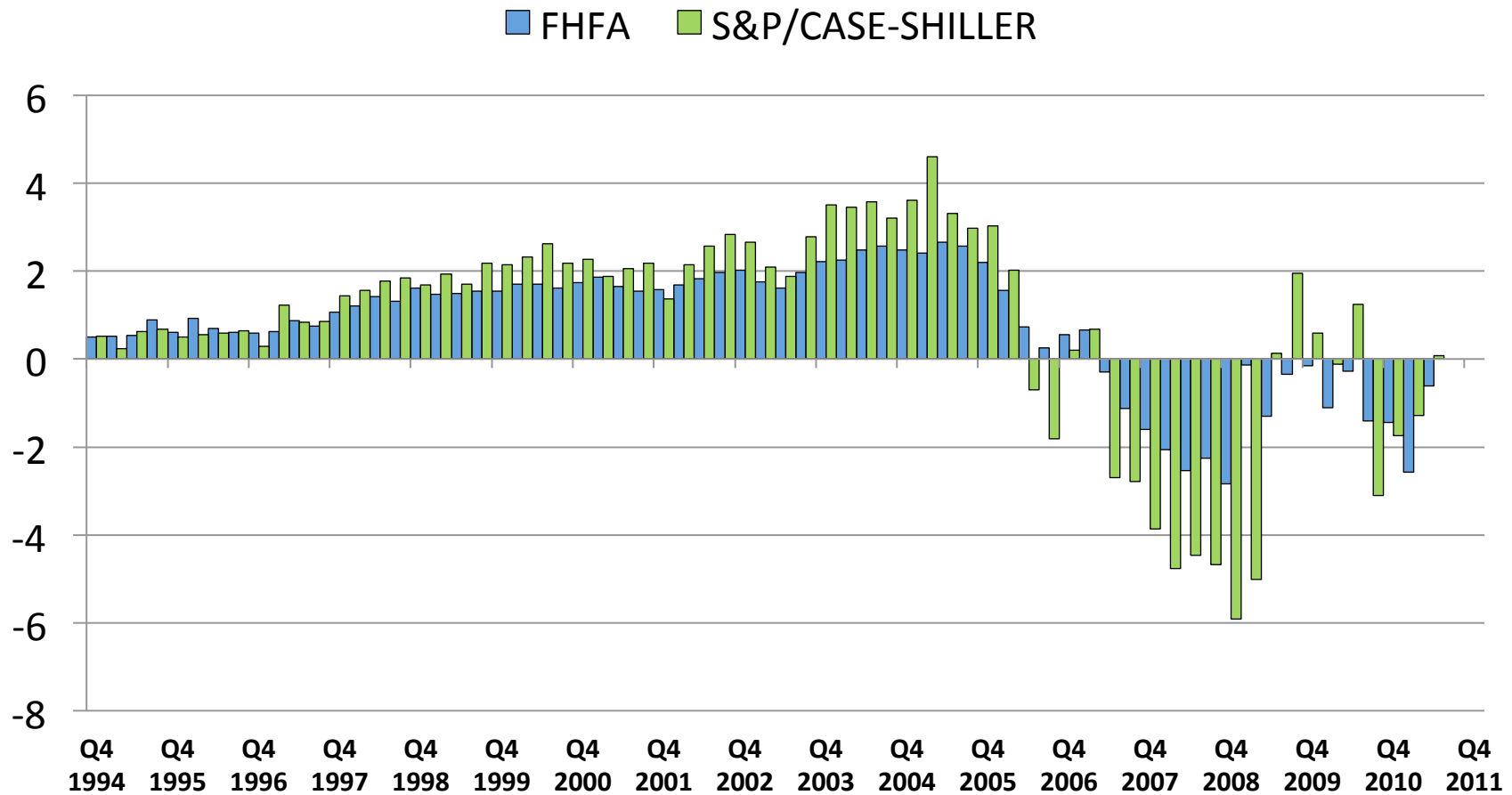
Q1 2007-Q4 2011



Source: BLS; CAR estimates

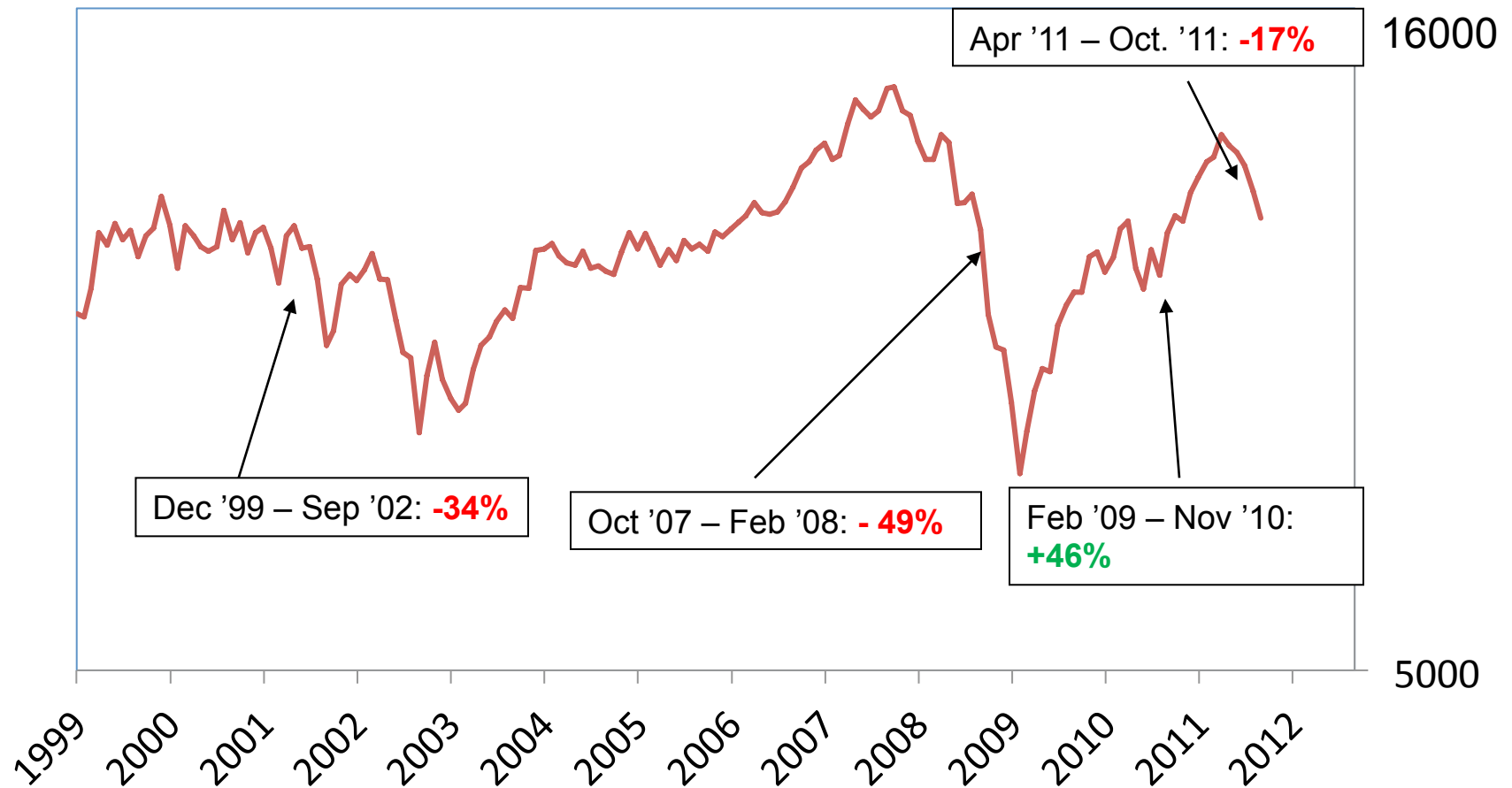
U.S. Housing Price: M/M % Changes

Q4 1994 – Q2 2011



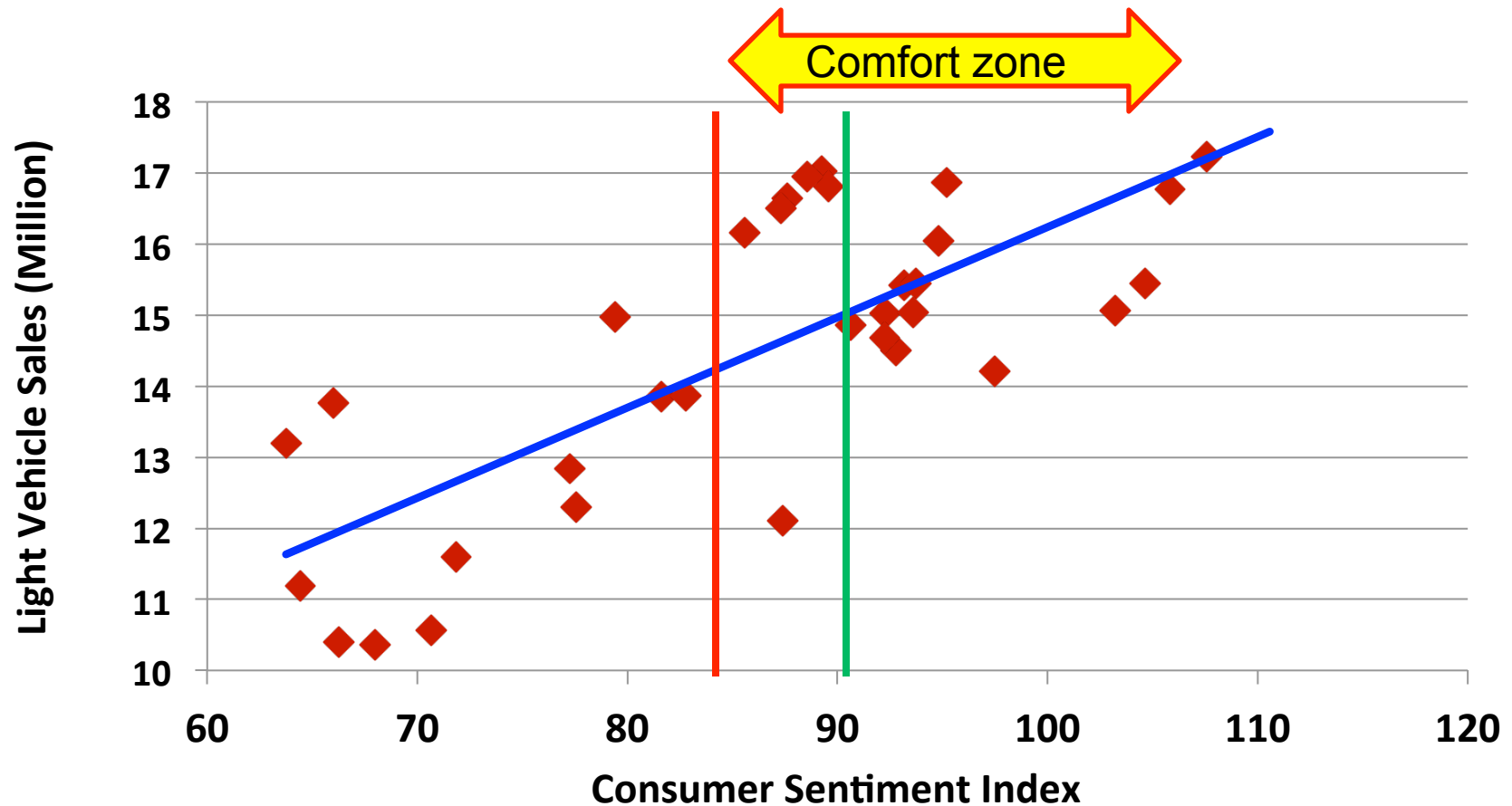
Source: Federal Housing Finance Agency; S&P/Case Shiller Home Price Indices

DOW JONES INDEX*



*Logarithmic Index

Current Value is 59.4!
U of M Consumer Sentiment Index
1978-2010

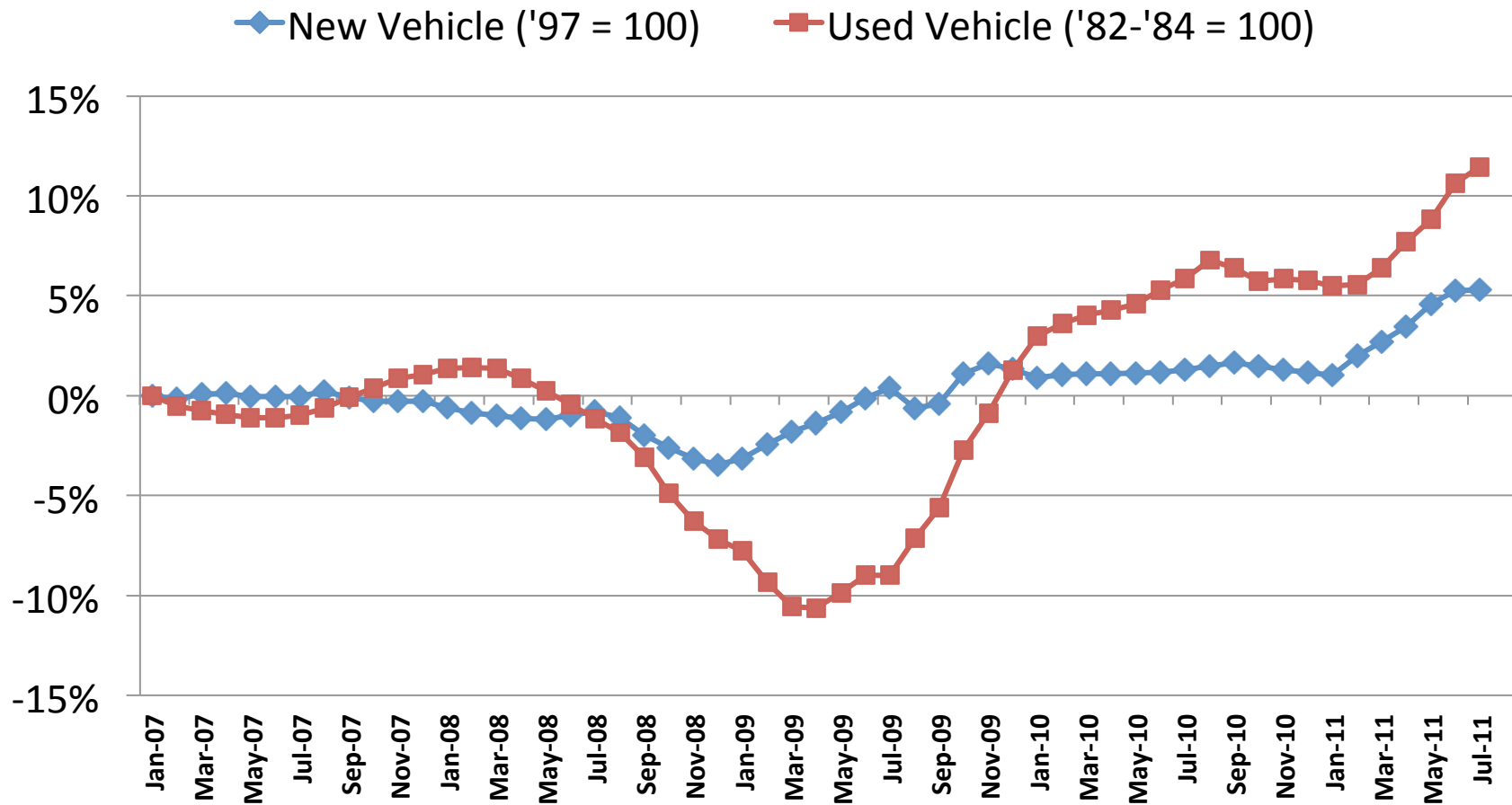


Source: Thomson Reuters

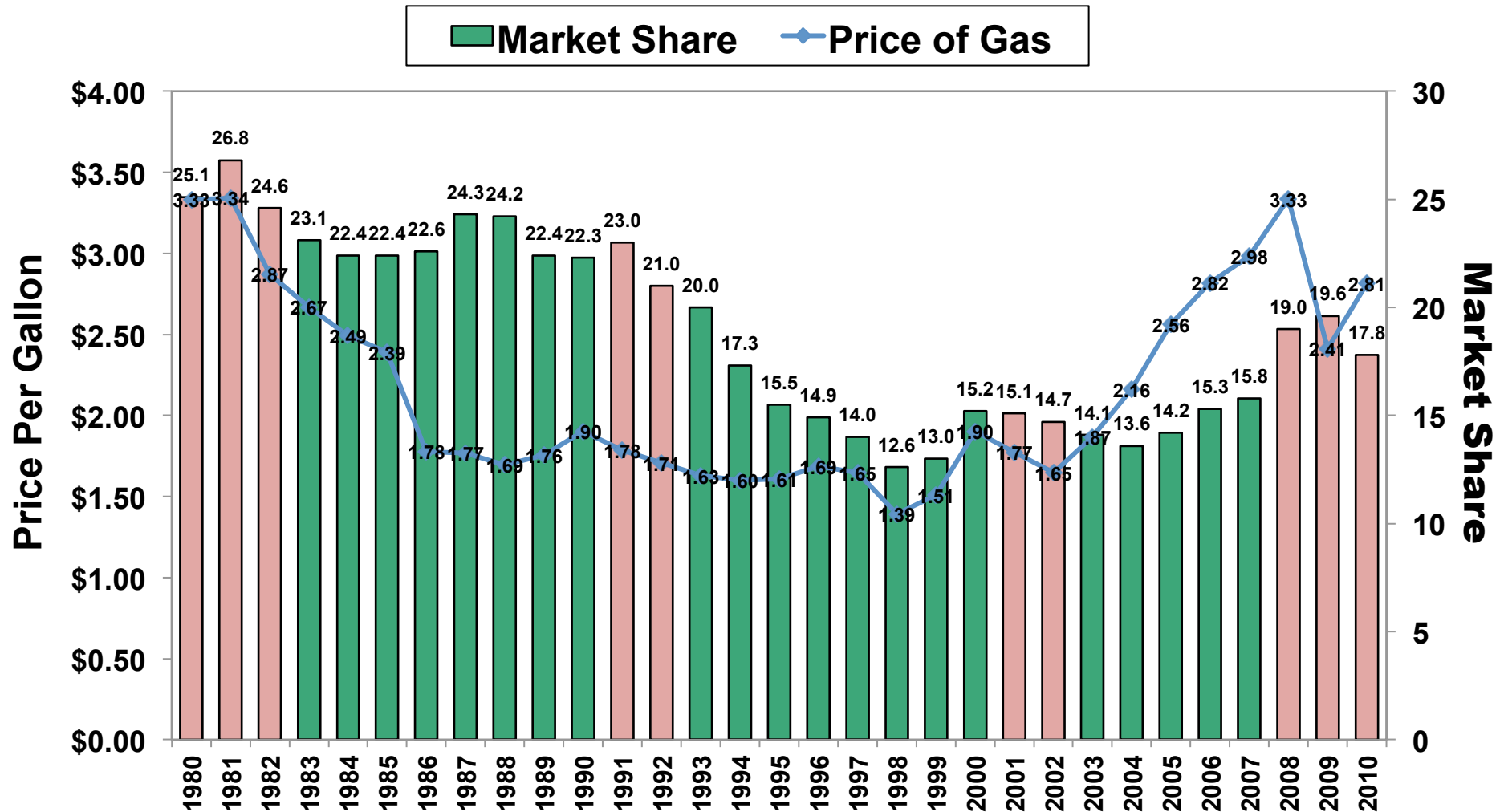
The Only Good News

Changes from Jan '07:

CPI-New Vehicle and CPI-Used Vehicle

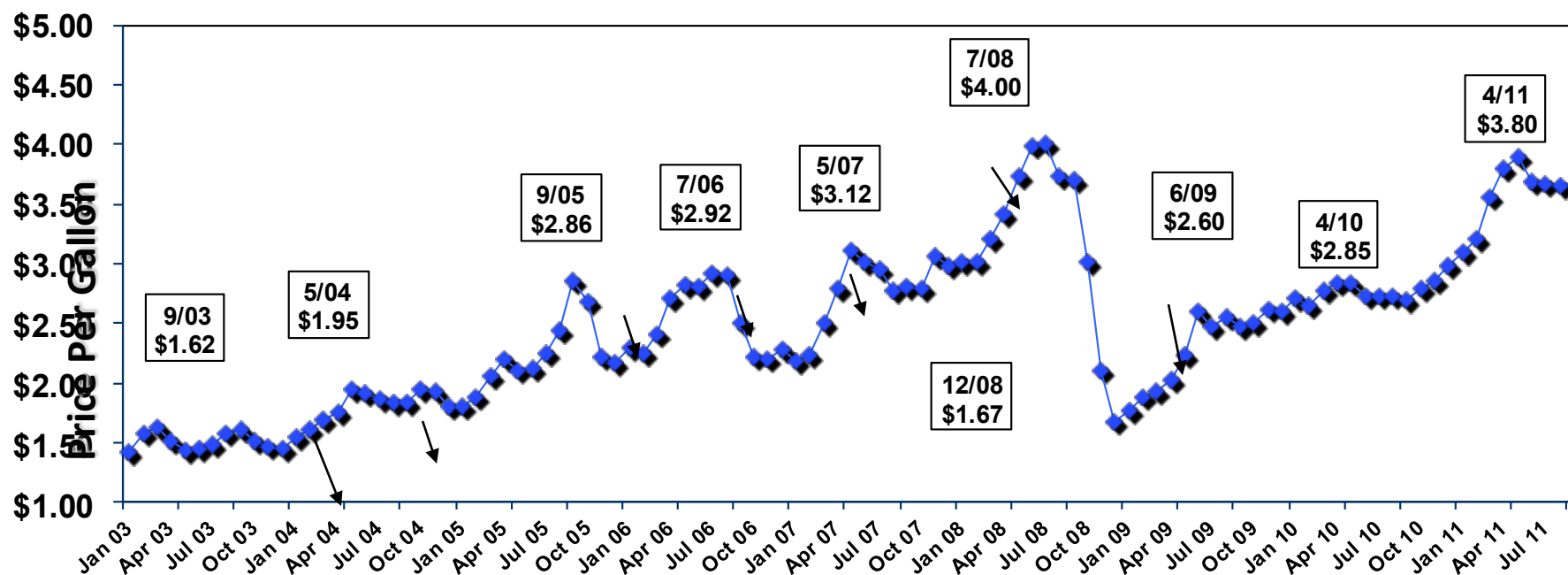


Small Car Segment Market Share & Real Regular Gasoline Price: 1980-2010



Source: Ward's Automotive, Energy Information Administration

Gasoline Prices (Nominal)




Source: Energy Information Administration, USDOE, 6/8/09

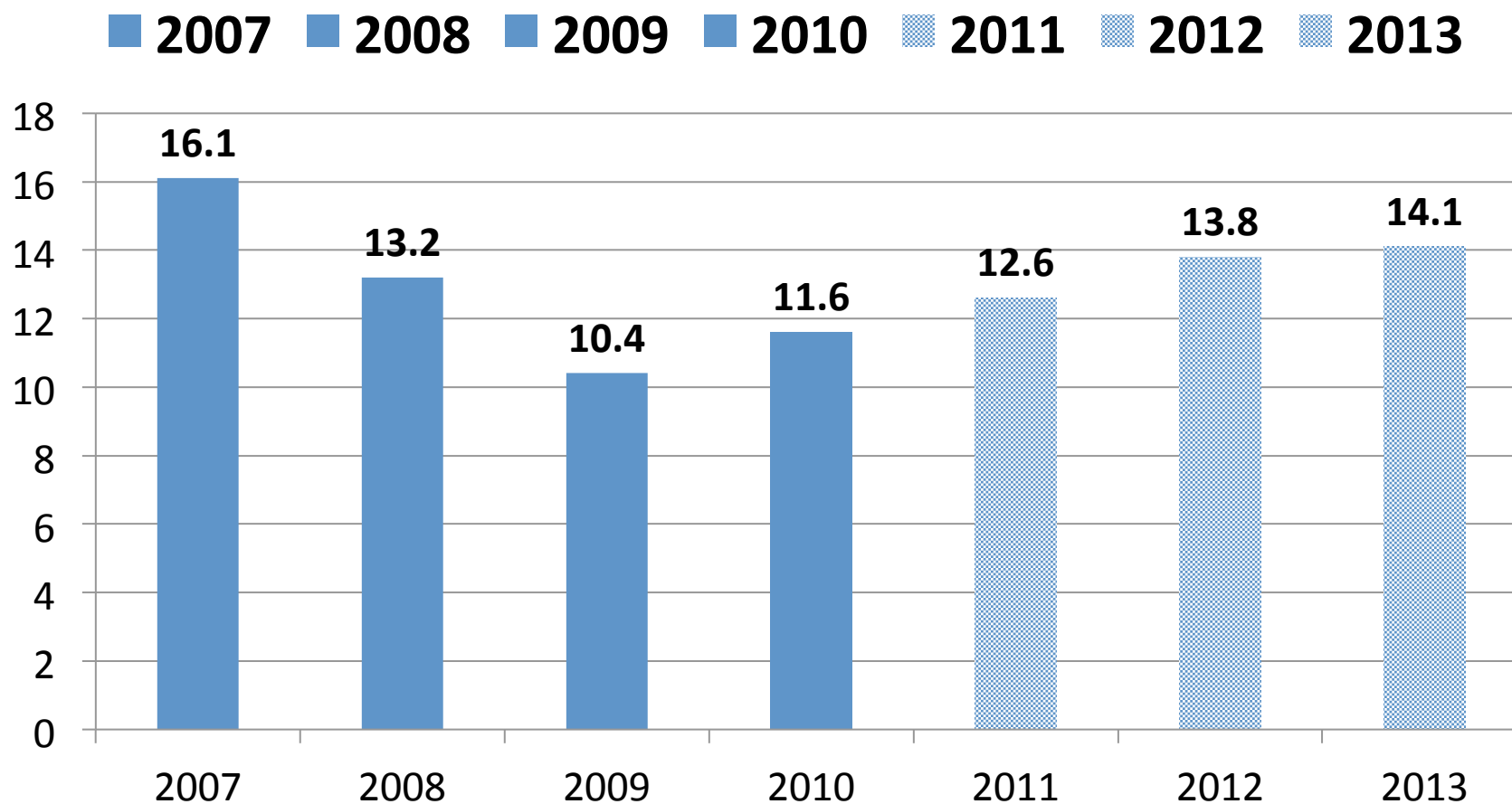
*Regular Conventional Gasoline
All Price Nominal

2011 U.S. Sales Forecasts

(Units in Millions)

	12.6 (9/11)
	12.6 (9/11)
	12.6 (9/11)
	12.5 (9/11)
	12.8 (9/11)
	12.5 (12.5- 13.0)
	13.0 (13.0-13.5)
	12.7 (12.5-12.9)
	12.4

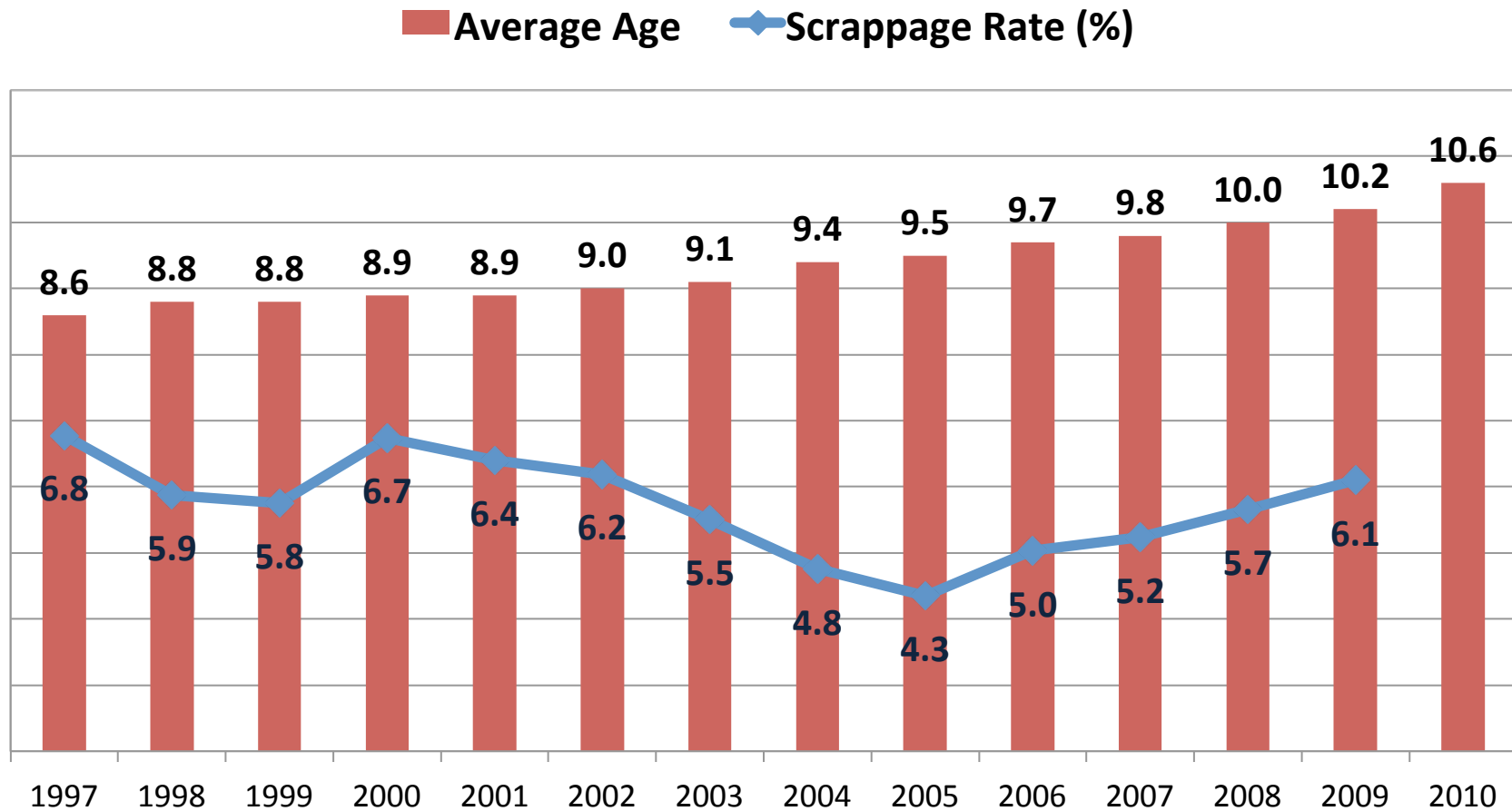
U.S. Light Vehicle CAR Sales Forecast



Source: CAR Research, IHS Global Insight

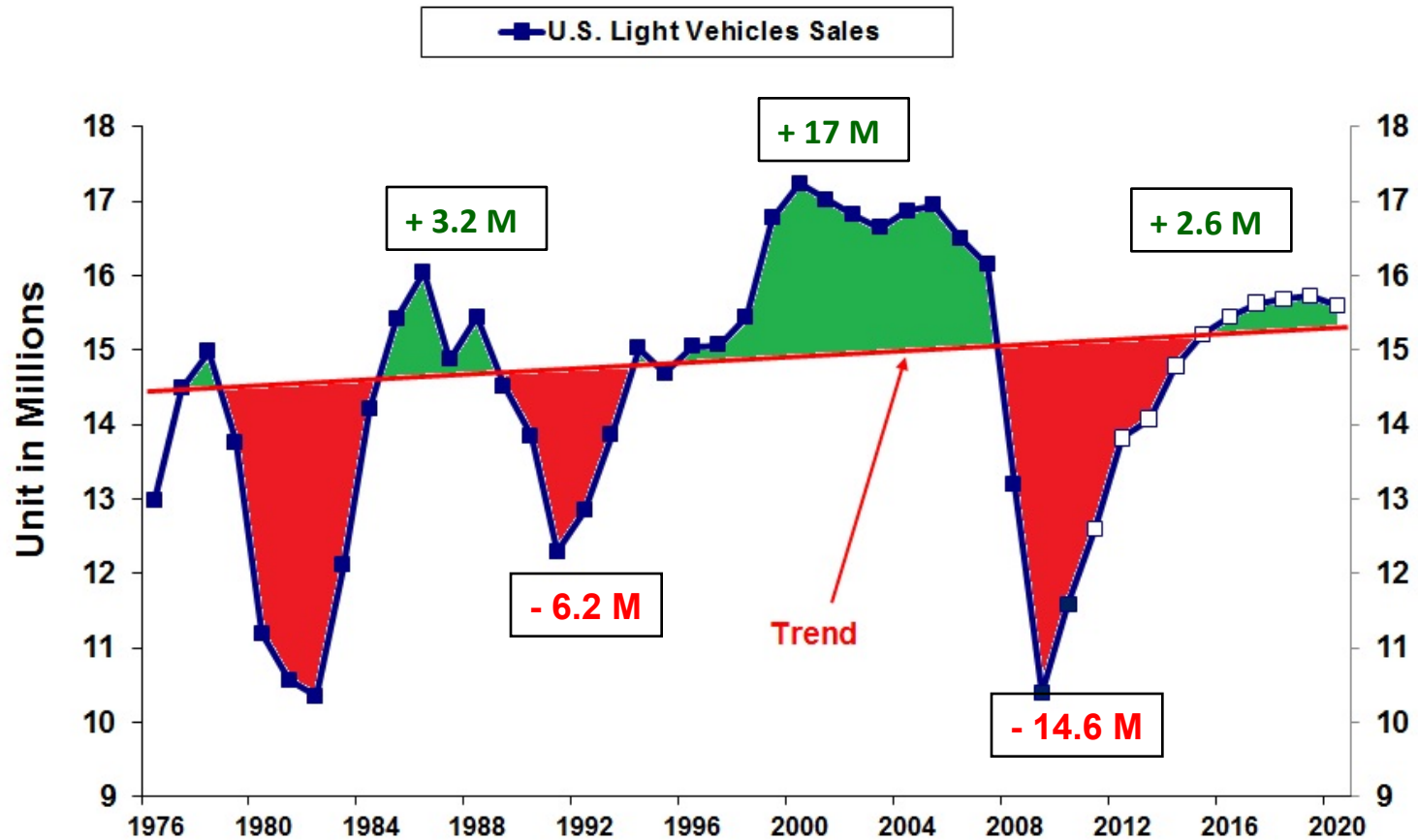
Where is the Pent-Up Demand?

U.S. Light Vehicle Age and Scrappage Rate



Source: R.L. Polk

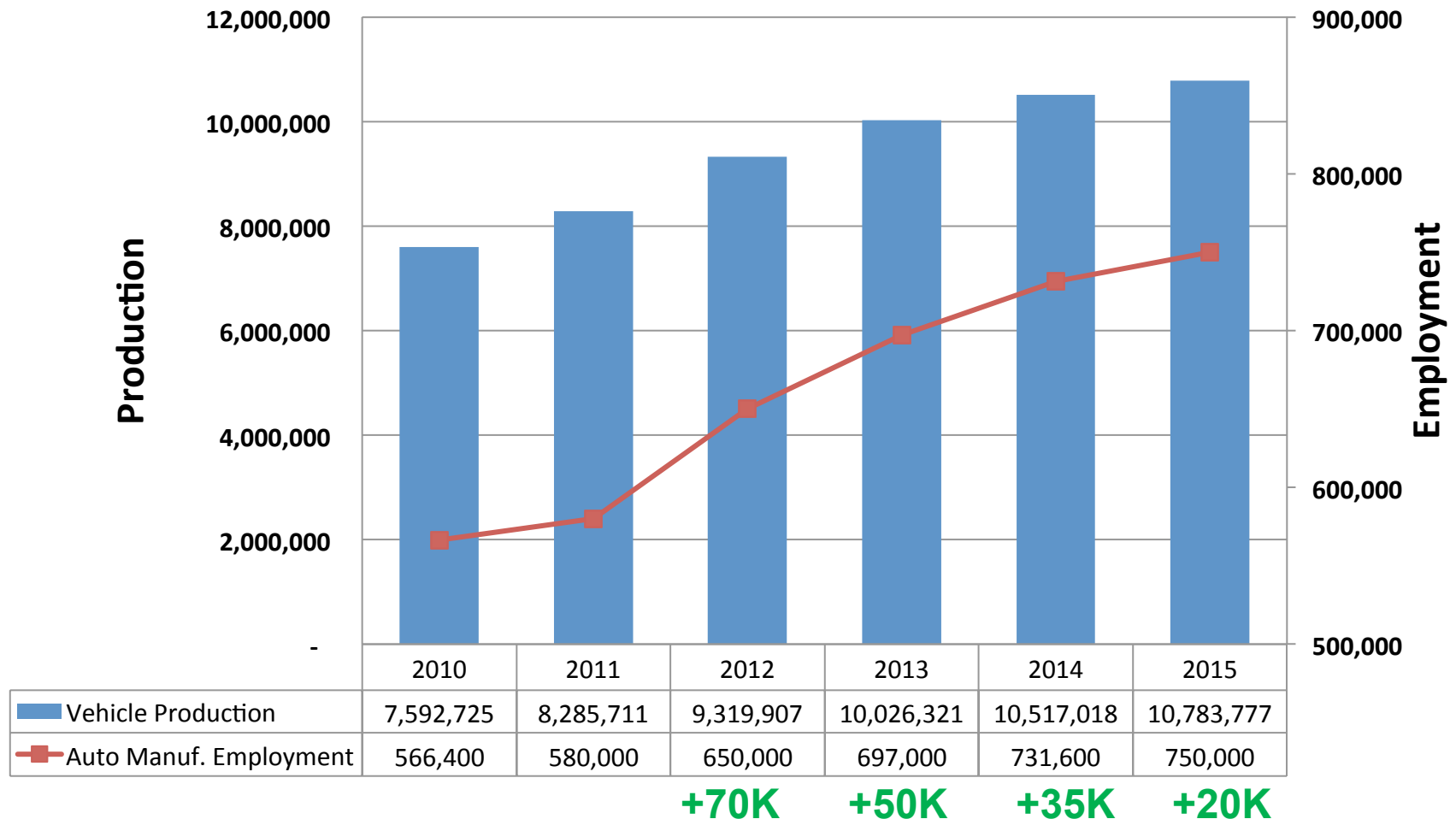
CAR's Long Run Forecast



	U.S. Sales Forecast (Millions)									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Sept 2011	12.6	13.8	14.1	14.8	15.2	15.5	15.6	15.7	15.7	15.6

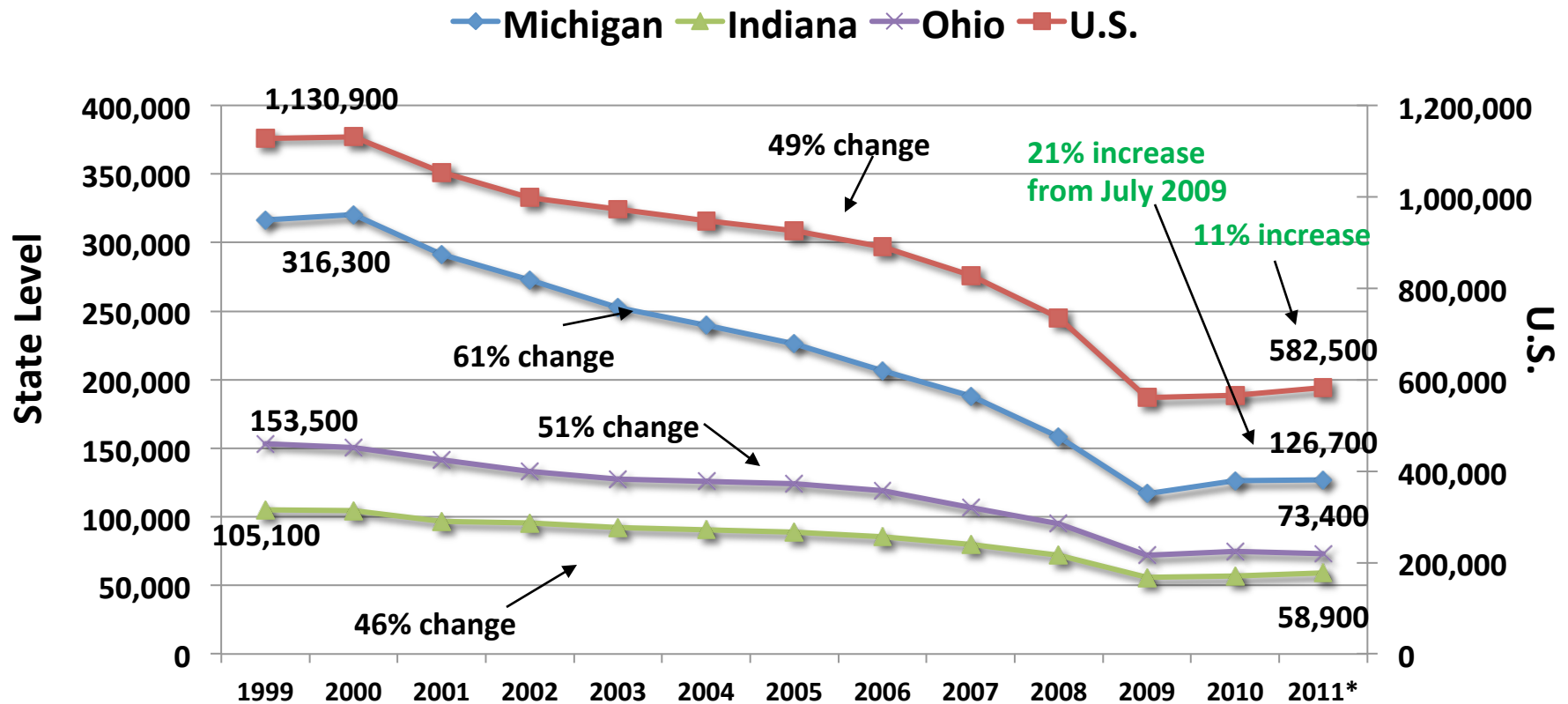
Production Will Rise

U.S. Vehicle Production & Automotive Manufacturing Employment Forecasts



Source: IHS Global Insight; BLS; CAR Research, September 2011

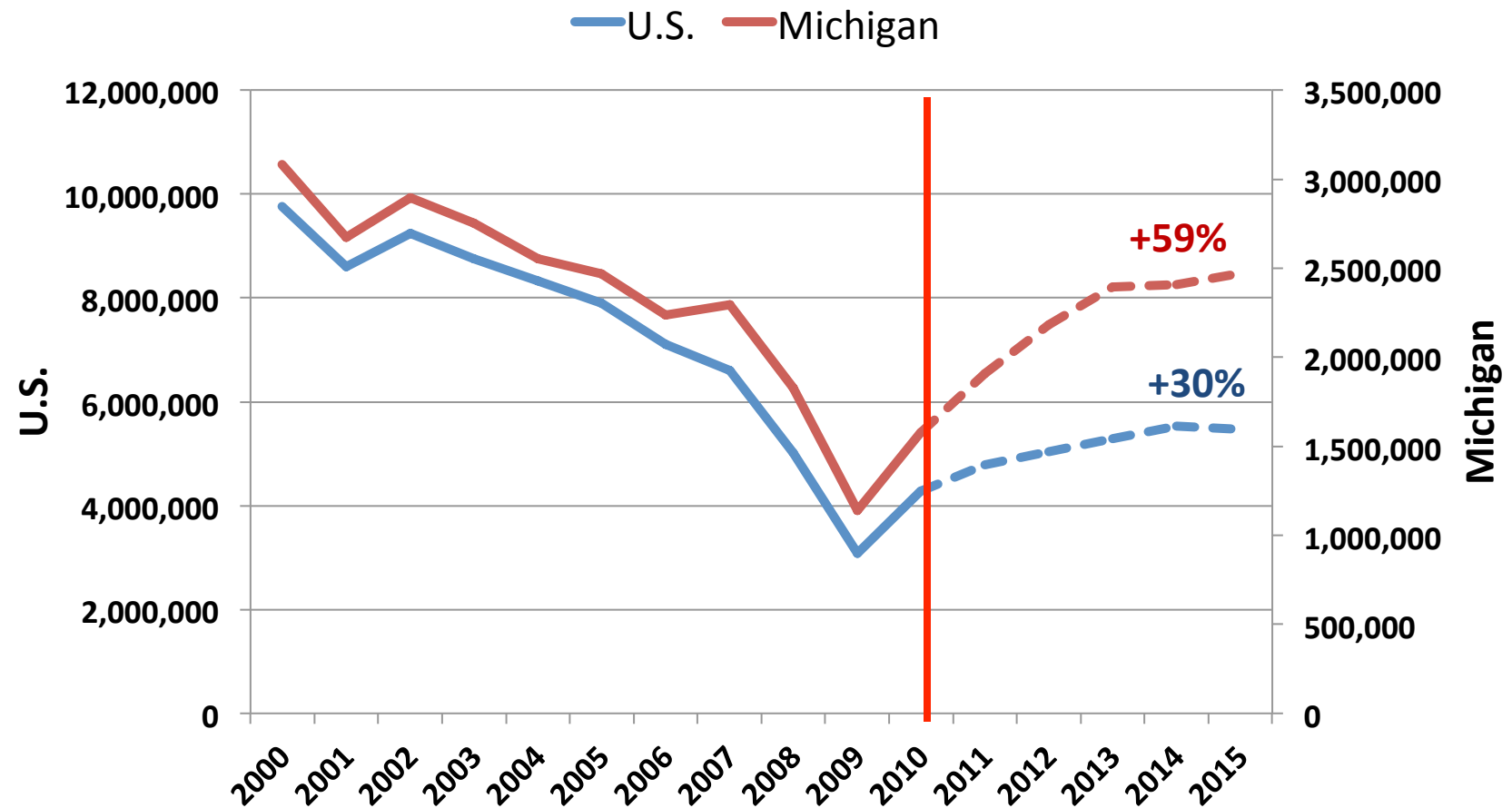
Motor Vehicle & Parts Manufacturing Employment 2000 – 2011*



*2011 through August

Source: BLS, U.S. DOL

Detroit Three Motor Vehicle Production 2000-2015



Source: IHS Global Insight

New UAW Contracts and Jobs

	Chrysler	Ford	GM
Signing bonus	\$3,750 (paid in two installments)	\$6,000 (\$5,000 for <1 year seniority)	\$5,000
Wages	Entry level \$15.78-19.28, four year progression; no change for first tier		Entry level \$14.78-19.28, four year progression; no change for first tier
Jobs	Promises 2,100 new entry-level jobs; 10,000 retained	Promises 5,750 new entry-level jobs; 6,250 previously announced job creation/retention	Promises 6,400 new entry-level jobs; 11,800 previously announced job creation/retention
Buyouts	None	\$100,000 for skilled trades and \$50,000 for production workers who retire by 3/31/12	\$75,000 for skilled trades who retire by 3/31/12; \$10,000 for any workers who leave by 2013
Profit-sharing	\$1 for every \$1 million profit based on 85% of worldwide profit; capped at \$12,000 per year	\$1 for every \$1 million in North American profit (Avg. \$3,752 payout in November based on Q1-2 2011); capped at \$12,000 per year	\$1 for every \$1 million in North American profit; capped at \$12,000 per year
Retirees	No change to pensions and no bonuses; health care trust may get 10% of workers' profit-sharing		
COLA	None		
Other bonuses	Four annual payments of \$500; between \$500-1,000 annual quality bonus; \$300 one-time attendance bonus for perfect attendance	Four annual payments of \$1,500 for inflation protection; and four annual payments up to \$250 per year for competitiveness bonus	Three annual payments of \$1,000 for inflation protection (2012-2014); and four annual payments up to \$250 per year quality bonus
Health care	No change to worker contribution; \$20 co-pay for unlimited office visits	No change to worker contribution; \$20 co-pay for unlimited office visits	No change to worker contribution; \$25 co-pay for unlimited office visits

Source: UAW-Chrysler, UAW-Ford, and UAW-GM White Books

Jobs and Impacts

4-YEAR CONTRACT TOTALS

	Minimum Cash Payouts	Jobs Created/ Retained
Chrysler	\$7,750	2,100/10,000
Ford	\$16,752*	5,750/6,250
GM	\$12,500*	6,400/11,800

*Includes minimum 2011 profit sharing payout

Source: UAW-Chrysler, UAW-Ford, and UAW-GM White Books

IMPACTS

- Jobs Created: 14,250
 - Impact: 114,000 jobs
- Jobs retained: 28,050
 - Impact: 224,400 jobs

Marking Time in Auto—a Lot of 'Ifs'

- U.S. economy may take several years to recover to produce a real auto sales recovery
- Pent-up demand may actually be quite modest – sales will not reach 16 million until after 2020
- Detroit 3 should capture about half of the market
- U.S. consumers will not drastically increase purchase of small vehicles in the long run . . .
- Possibility of a new downturn – is at least 50%
- Gas prices as volatile as ever—what are the expectations?
- Auto sector is adding jobs—favorable contract negotiations guarantee some of them, unless...
- Auto producing states will see positive impacts

U.S. Auto Sales are Stagnating with the Economy

Good:

- Used Vehicle prices and age of fleet are high
- Credit is more available/interest rates low
- Dollar is low against Yen and against Euro

But . . .

Bad:

- Economy growing at “stall speed”
- Unemployment rate and length is terrible
- House prices are still falling and will fall more . . .
- Stock market is volatile
- States/Cities cutting spending and employment
- Consumer confidence at record low . . .
- Gas prices spiking with food prices
- Higher commodity prices = higher auto prices
- Japan crisis still cutting sales inventories and hurt sales – for Toyota/Honda
- Employers are hesitant to hire or invest . . . Until?

Thank You

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