

# Outlook for U.S. Manufacturing and the Automotive Industry

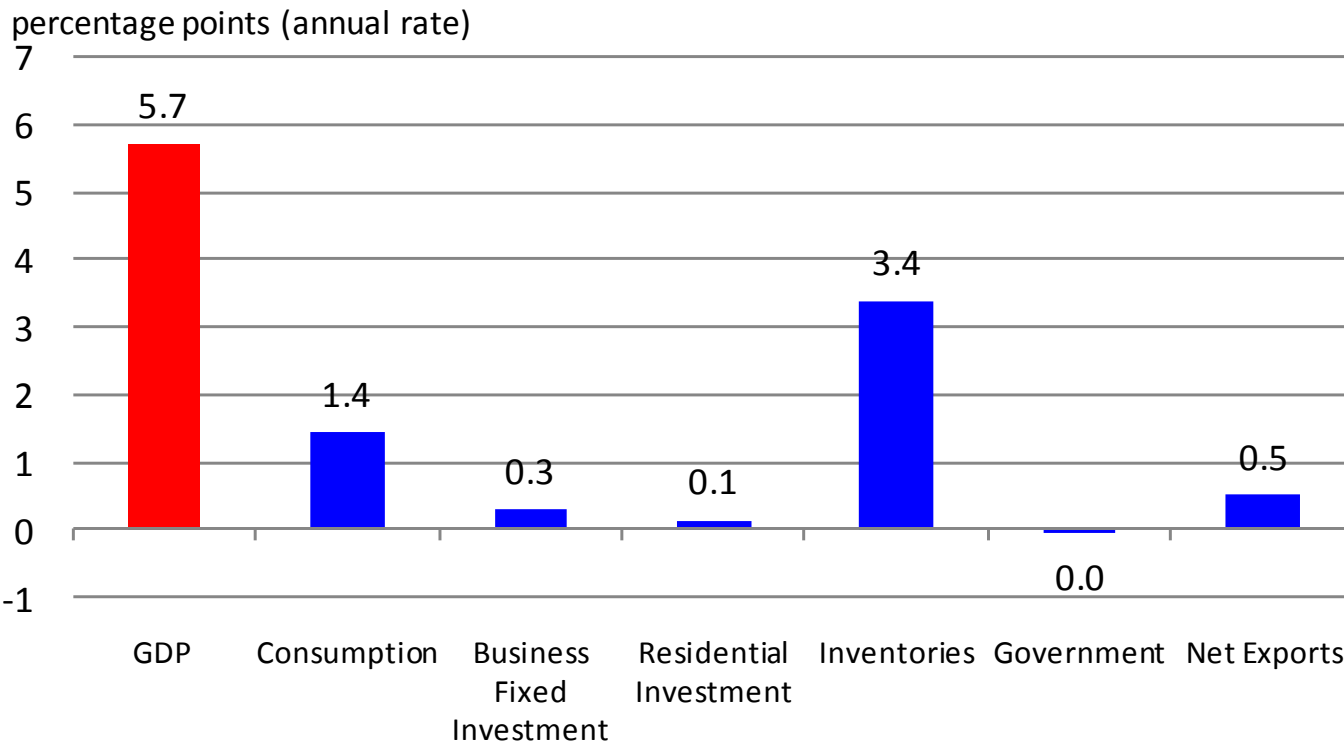
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February 24, 2010

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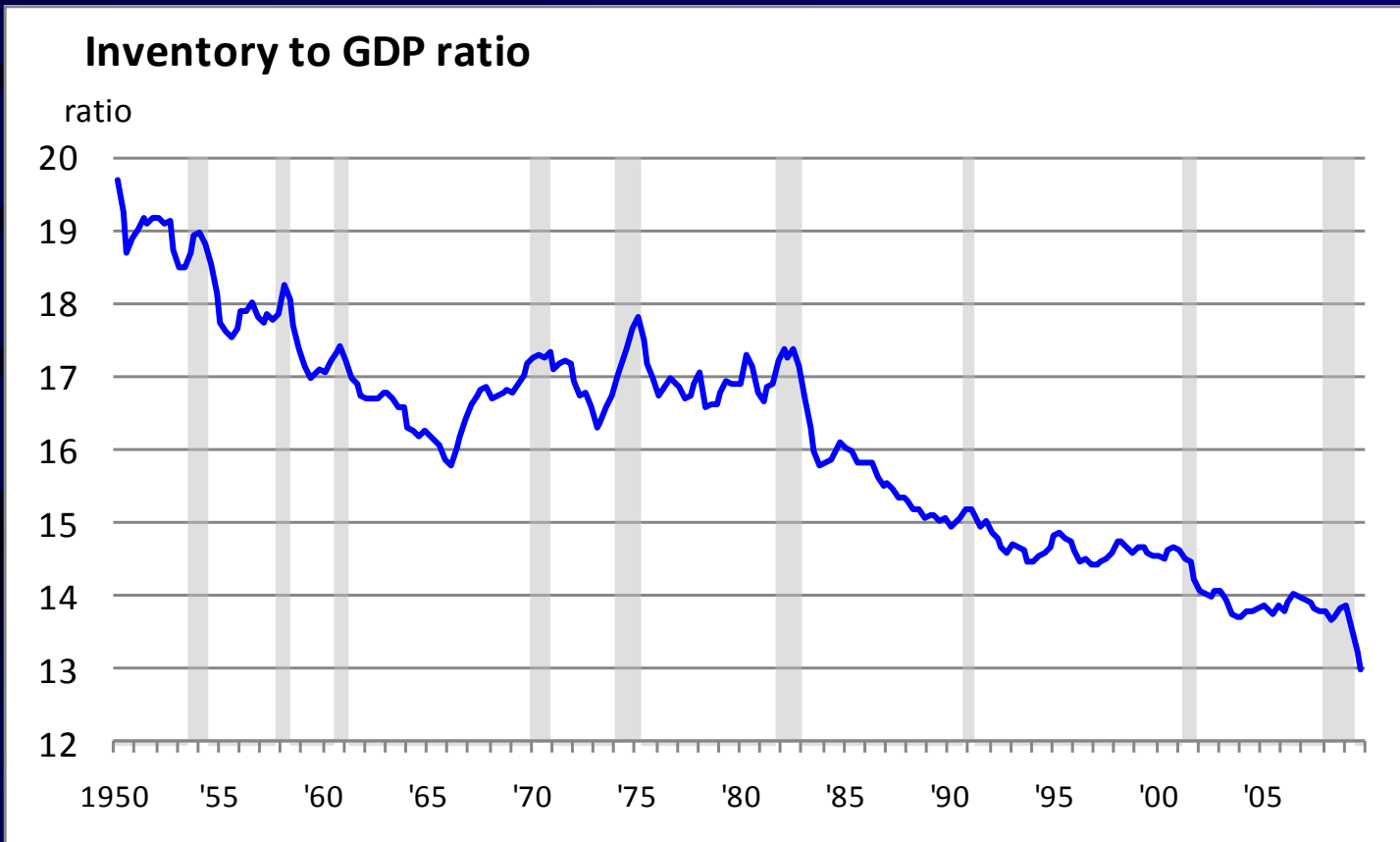


# Fourth quarter GDP expanded at a fast pace with contributions largely coming from inventories, consumption and net exports

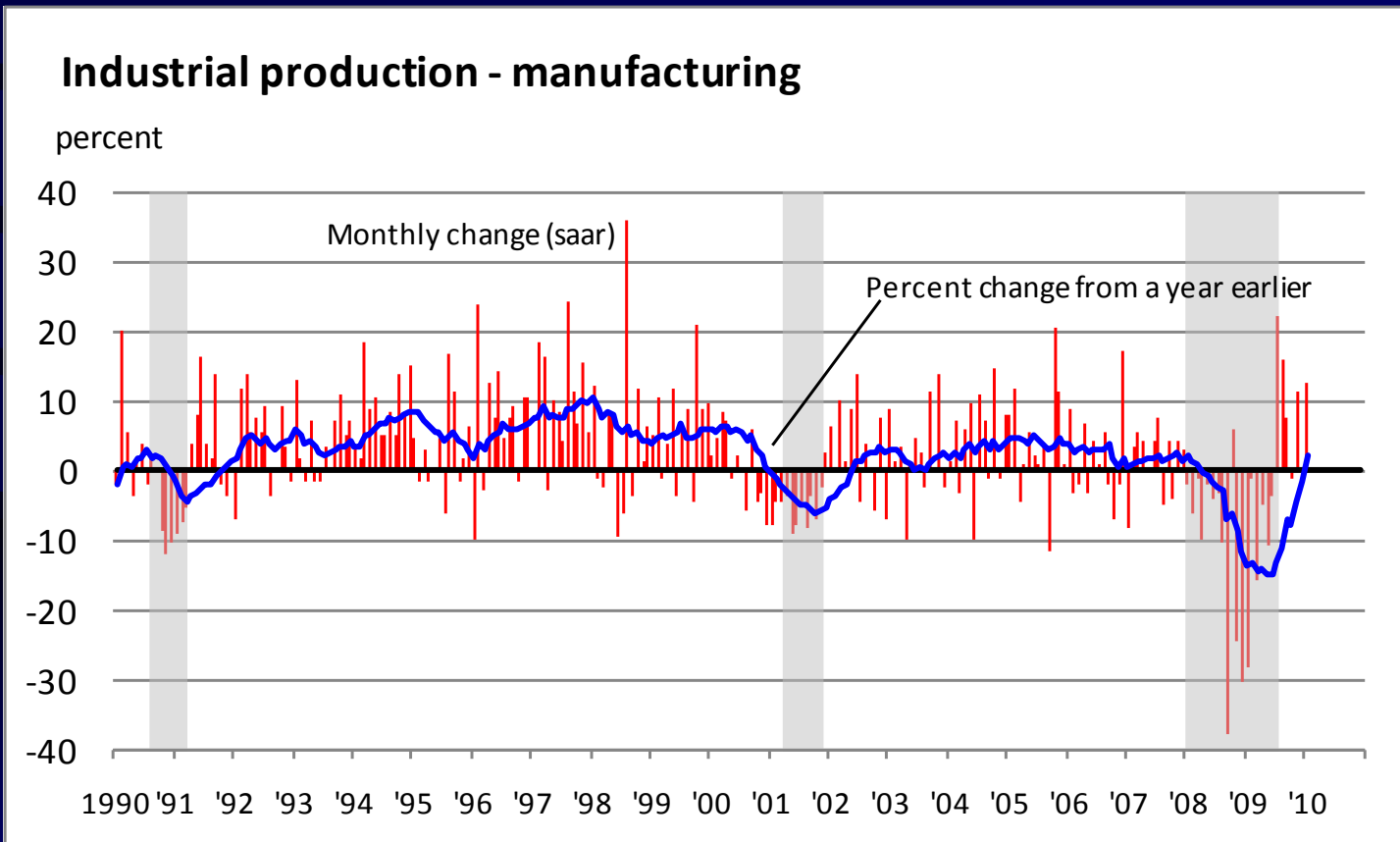
## Contributions to real GDP growth in Q4:2009



# The inventory to GDP ratio has fallen to record low readings

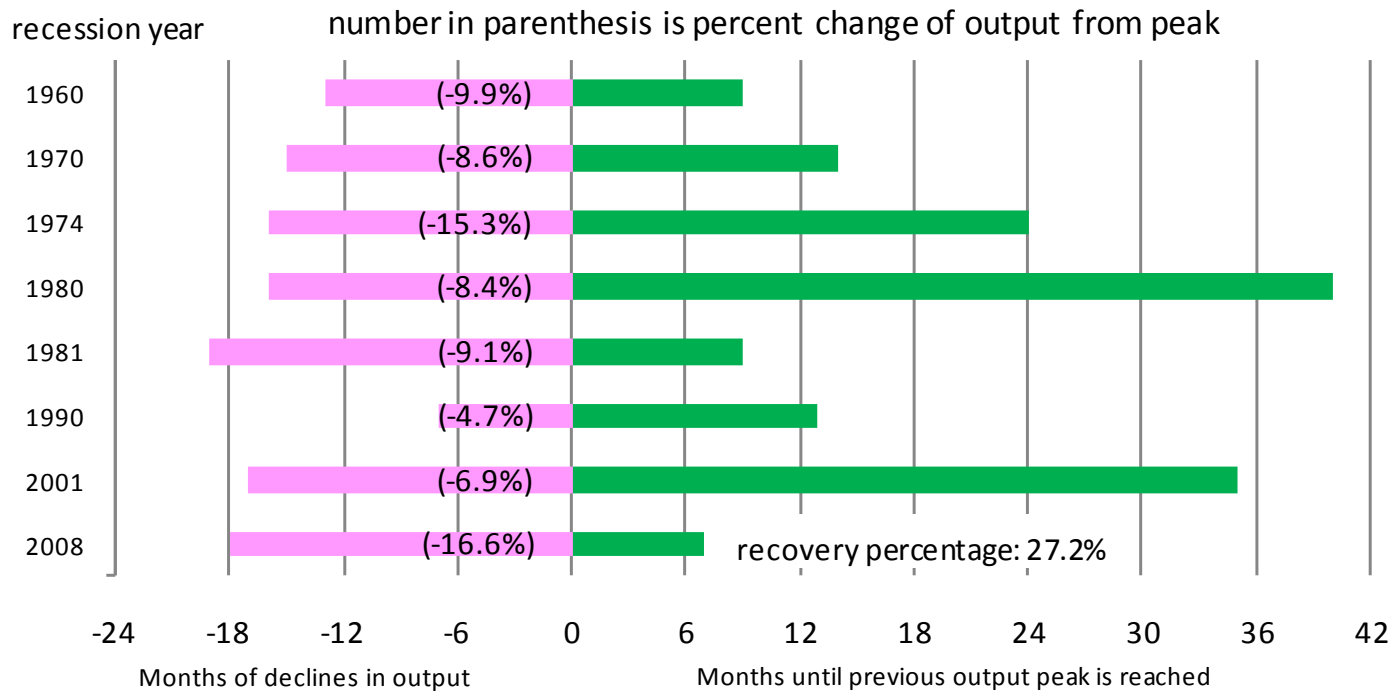


# Industrial output fell quite sharply during the recession, but has risen strongly over the past seven months

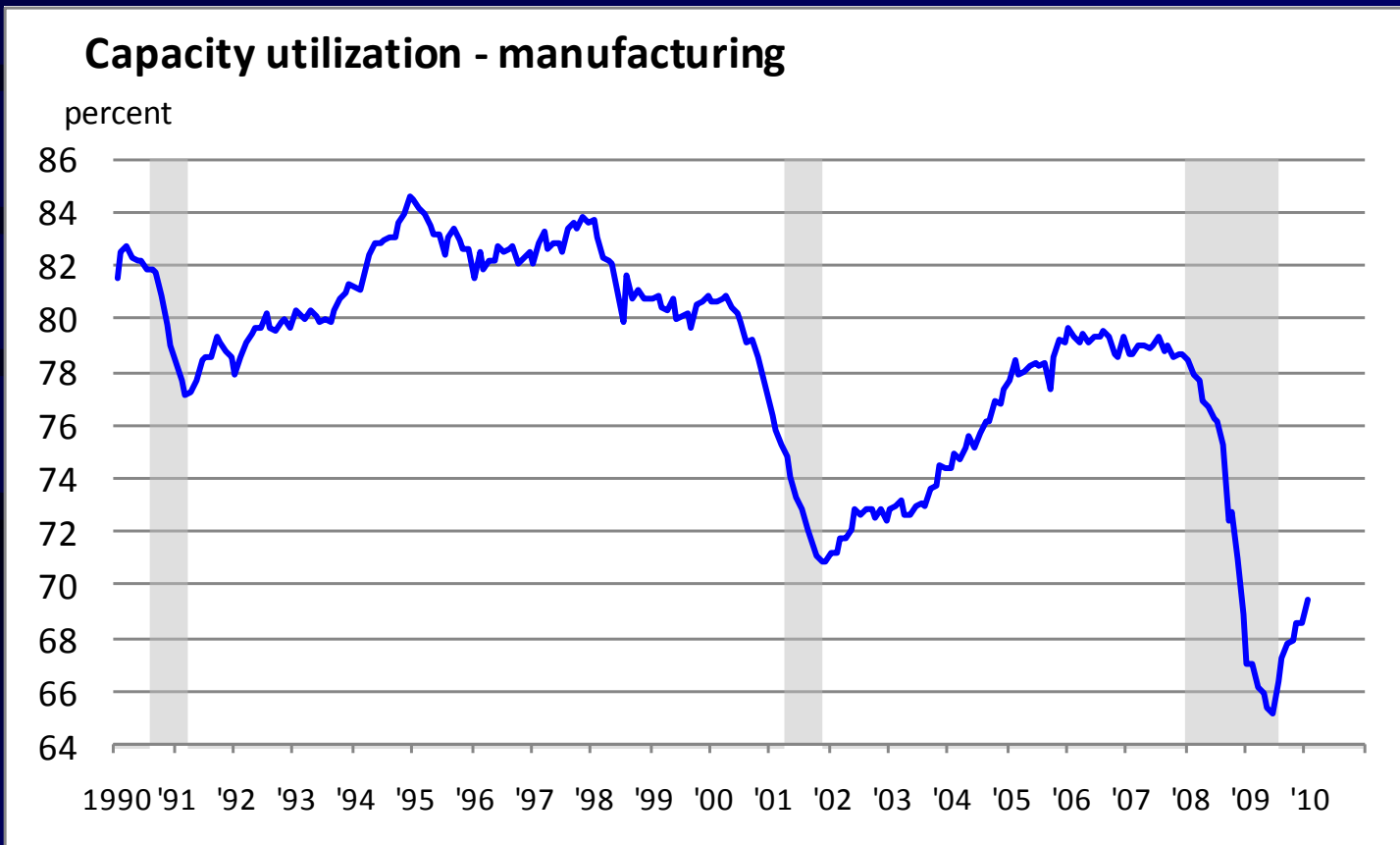


# The downturn in manufacturing was the deepest and close to the longest decline over the past 50 years

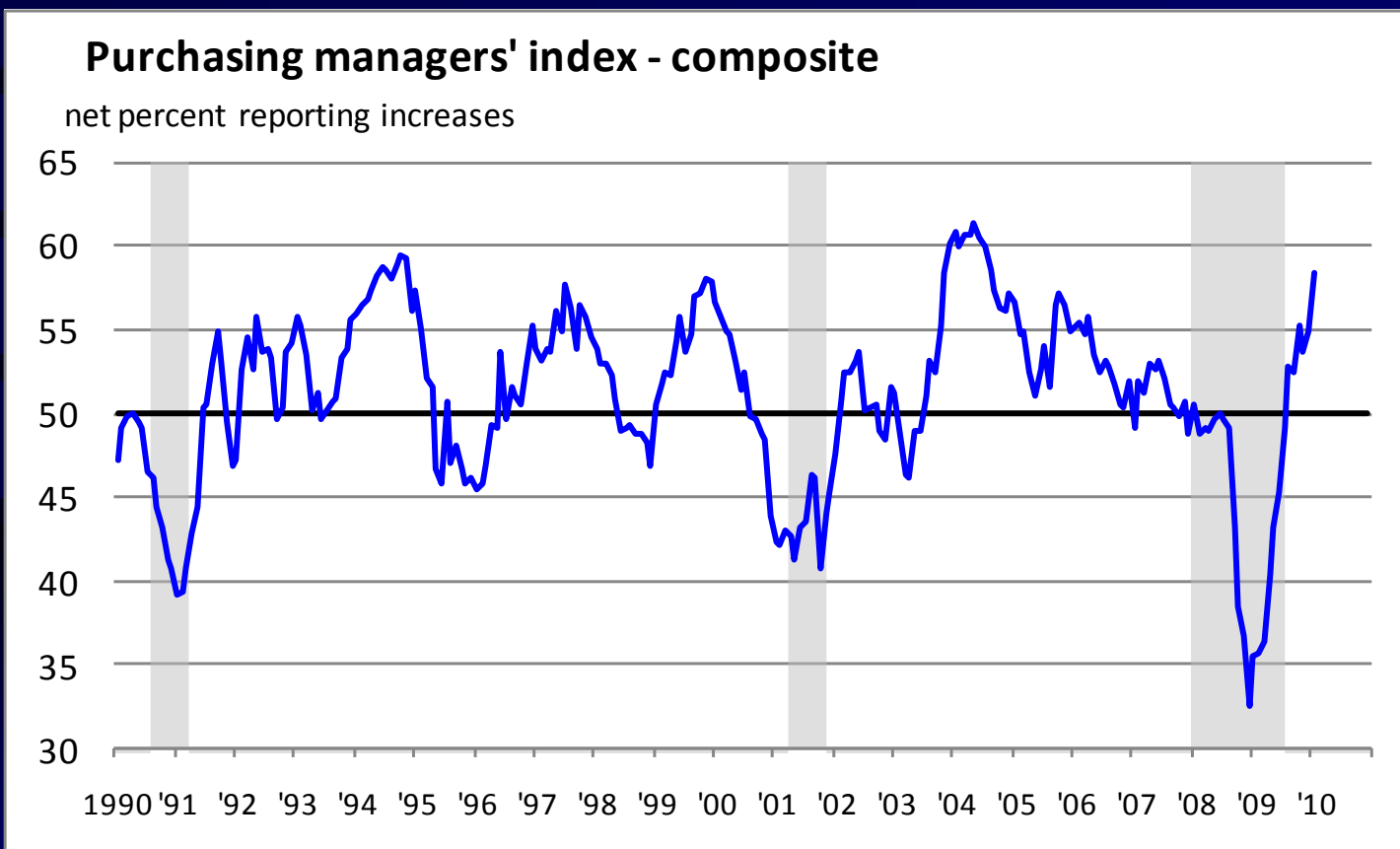
## Industrial production - manufacturing



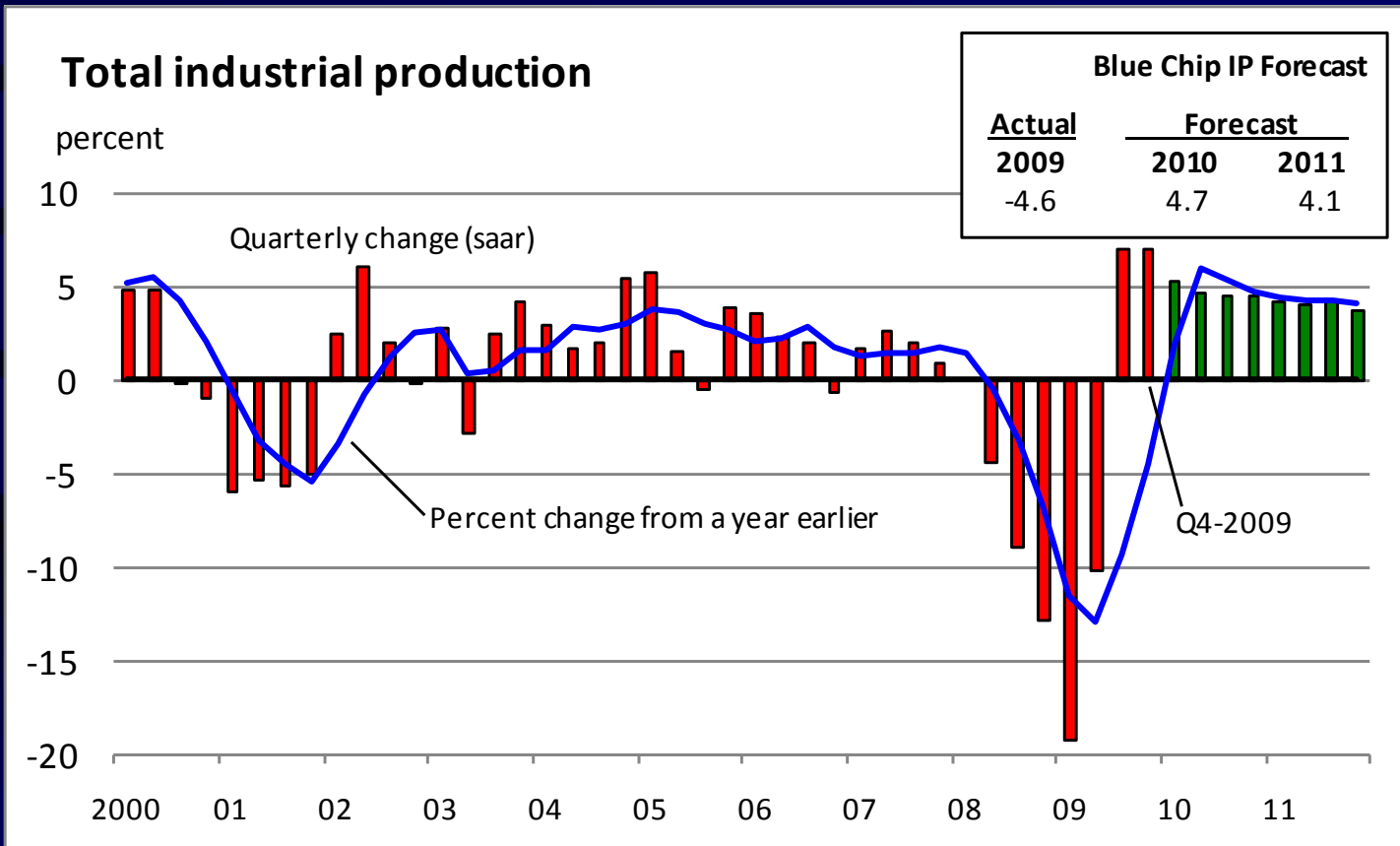
# Manufacturing capacity utilization fell to the lowest level in more than 70 years



# Supply managers' composite index has moved above 50



# Industrial production is forecast to rise at a solid pace through the end of 2011

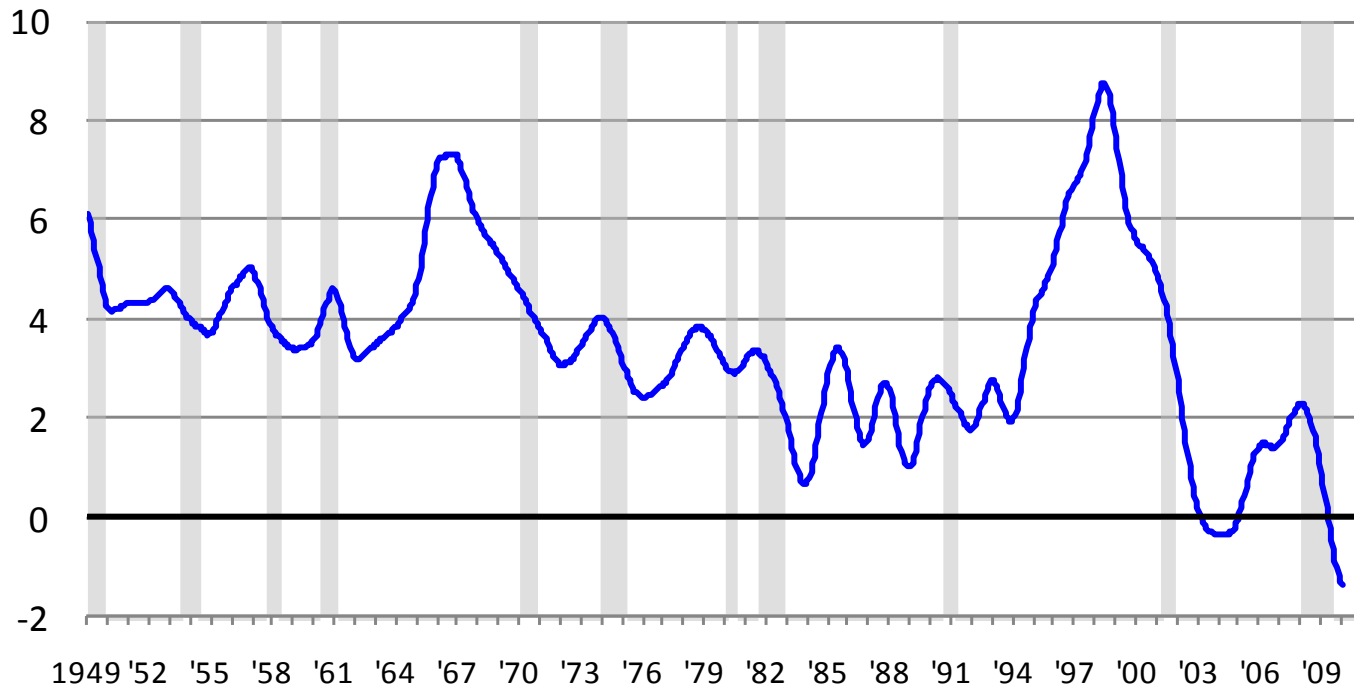




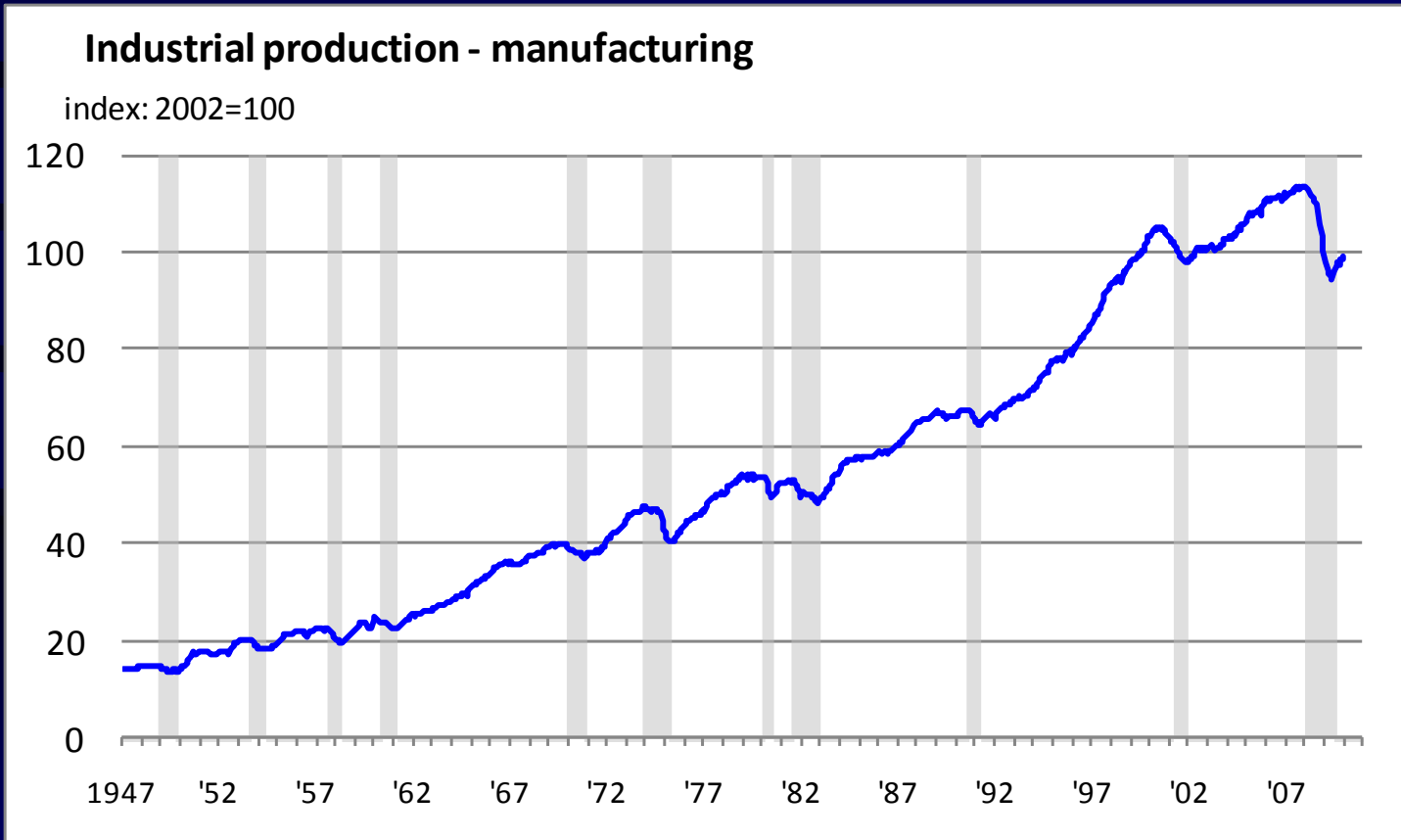
# Manufacturing capacity has been falling at the fastest pace over the past 60 years

## Capacity - manufacturing

percent change from a year

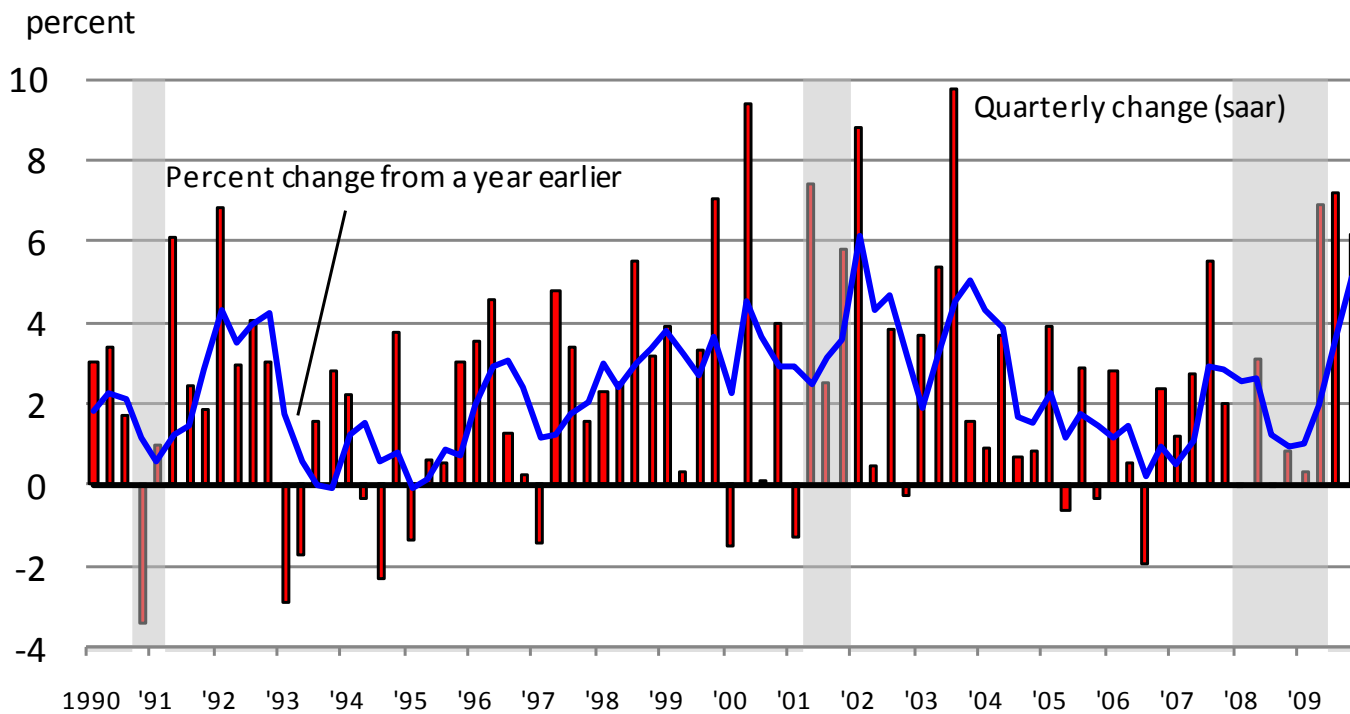


**Before the start of the recession, output in the U.S. was at a record high, more than 700% higher than just after World War II**

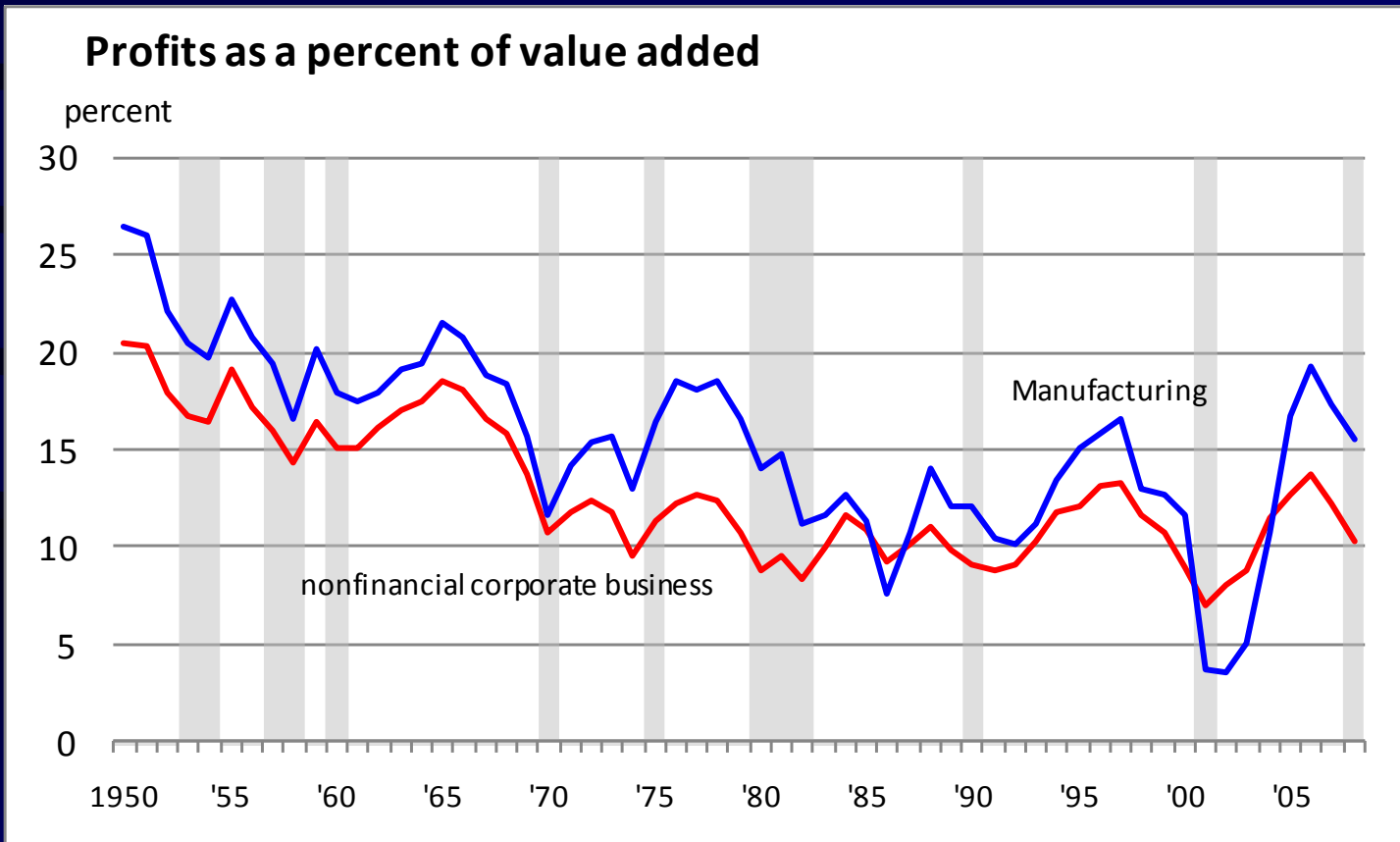


# Productivity growth is very strong

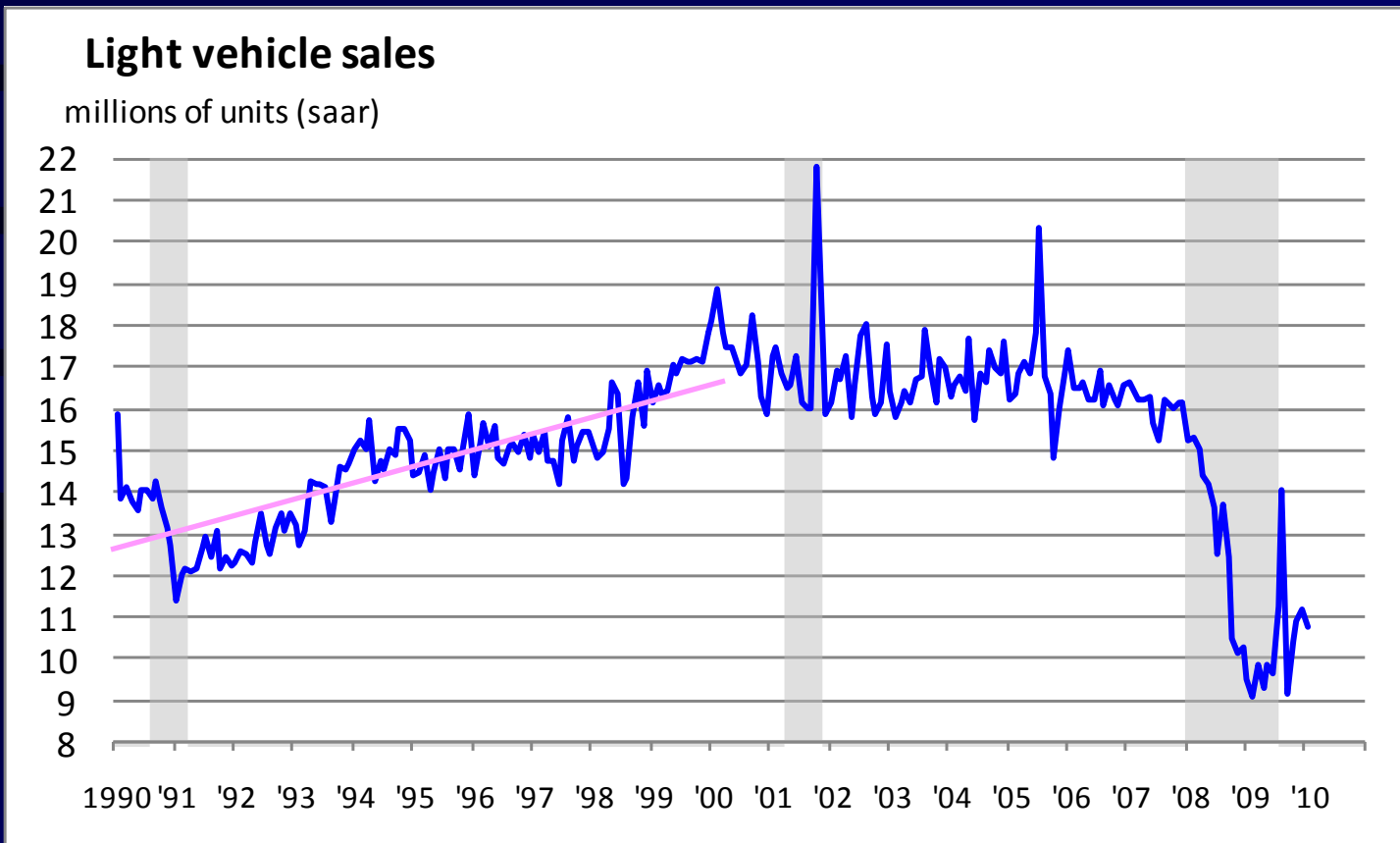
## Nonfarm business productivity



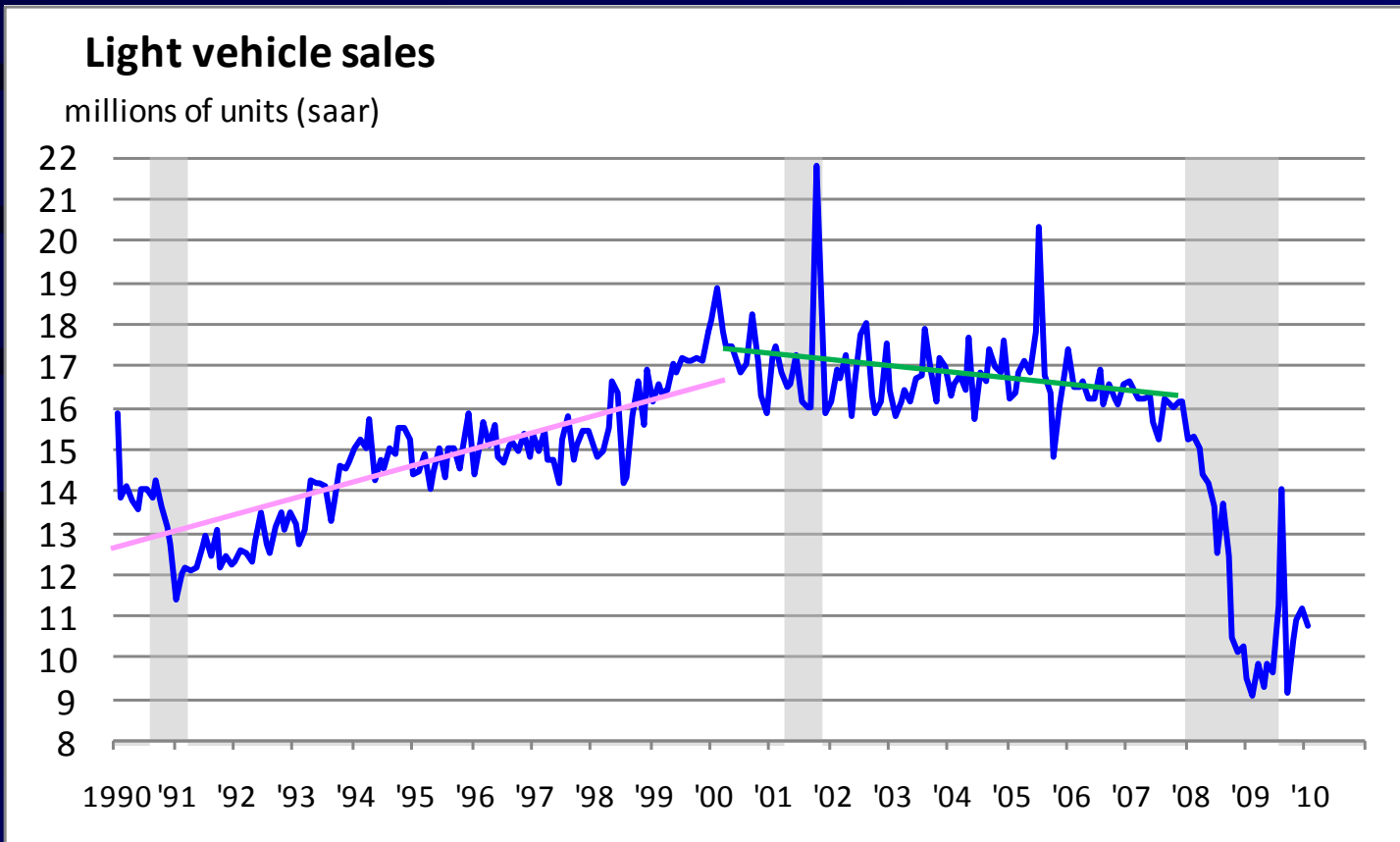
# While more cyclical, profits in manufacturing have out-performed returns in nonfinancial corporate businesses



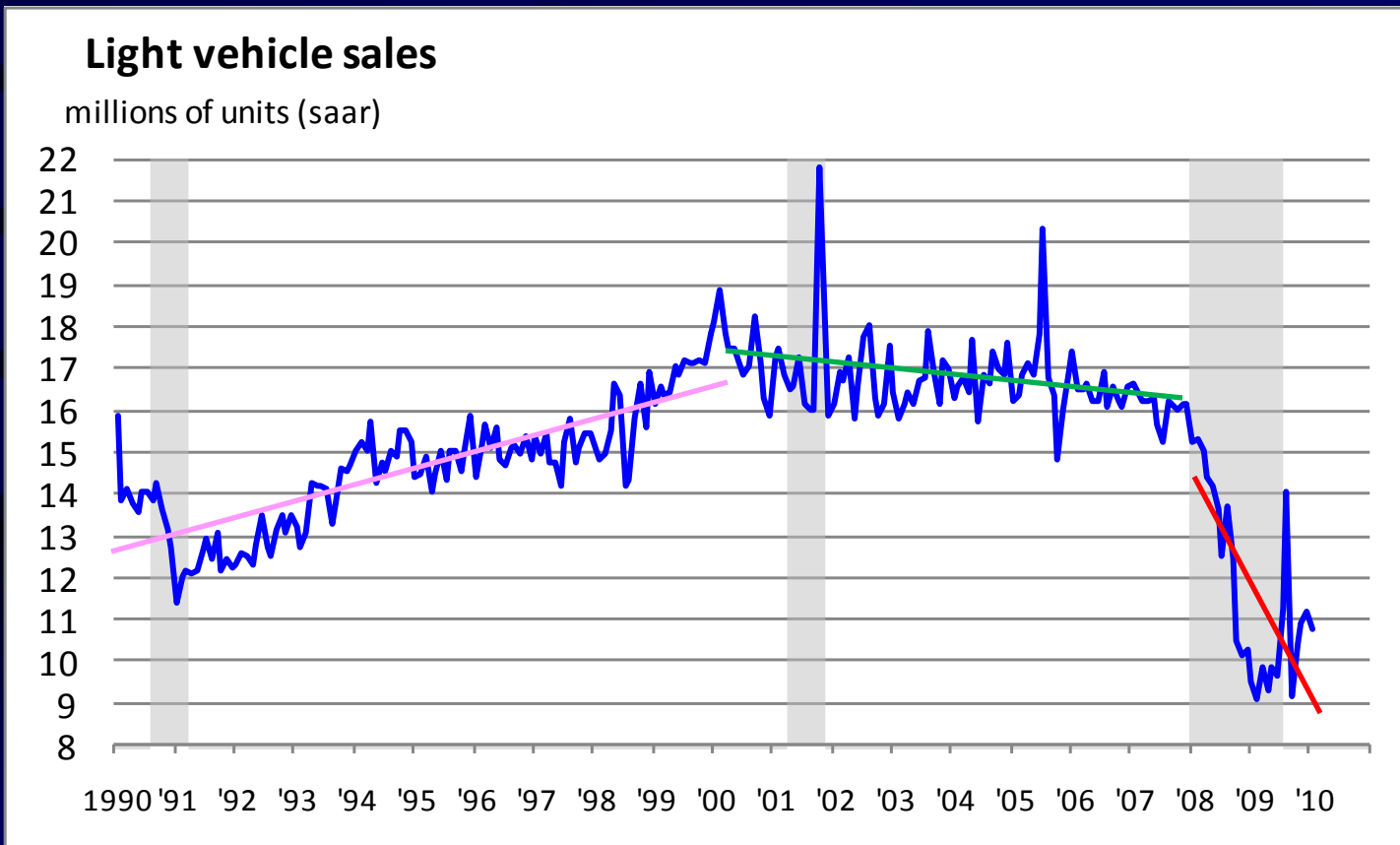
# Light vehicle sales rose during the 1990s



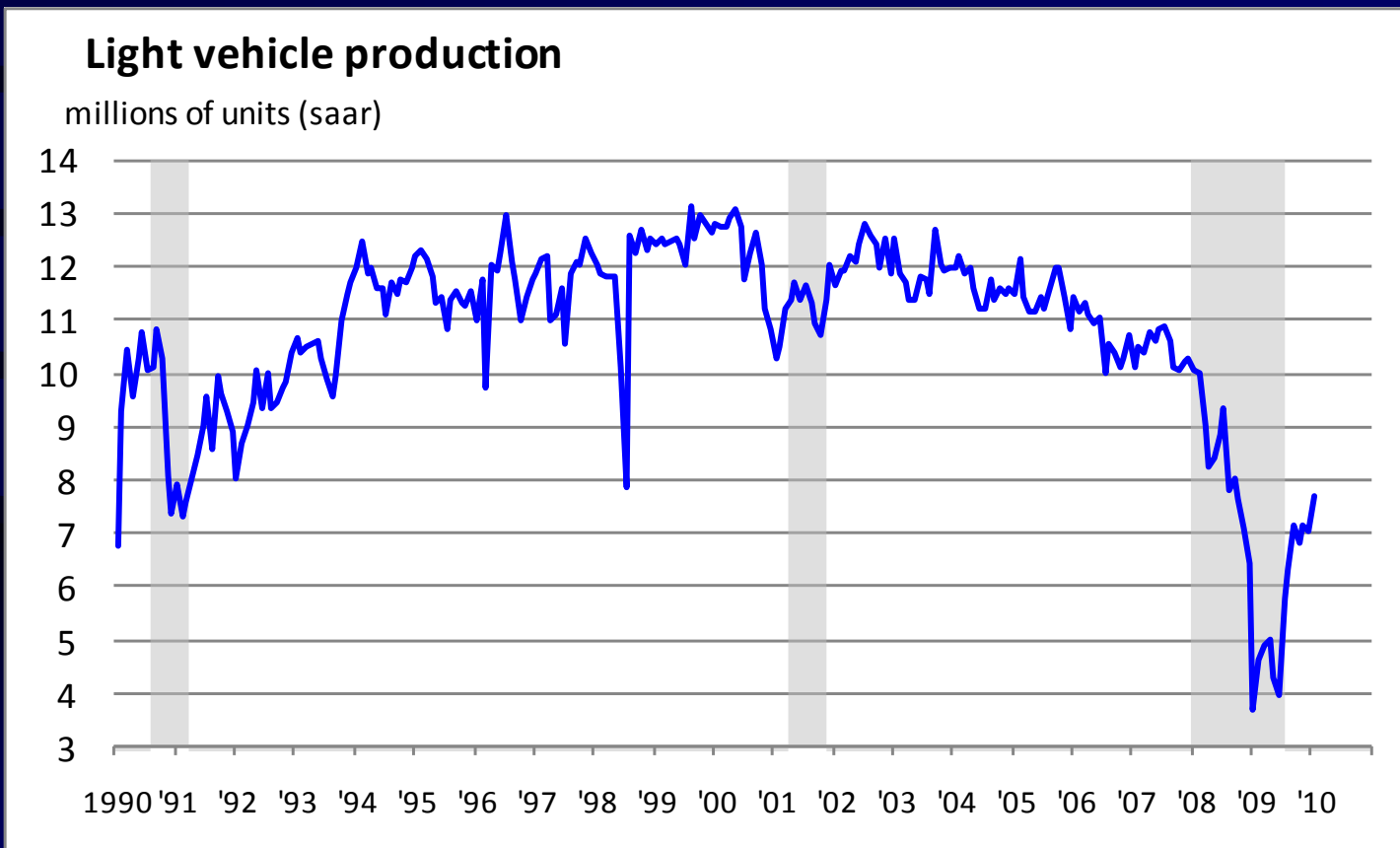
# The best selling years for light vehicles were 1999-2007, but with no growth



**Beginning in 2008, light vehicle sales collapsed,  
with 2009 sales off 21%**

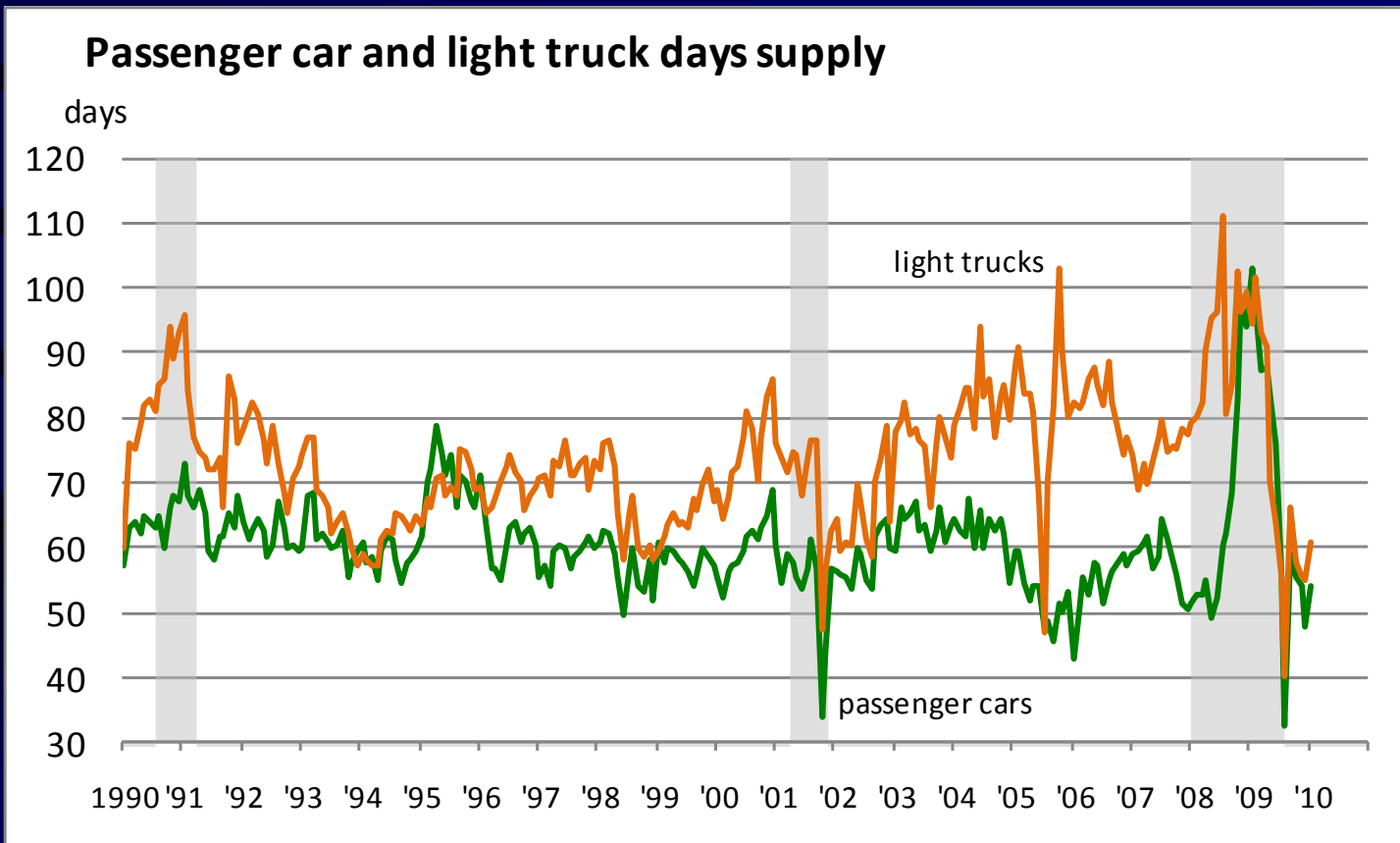


# Yet, light vehicle production was cut back by 34%

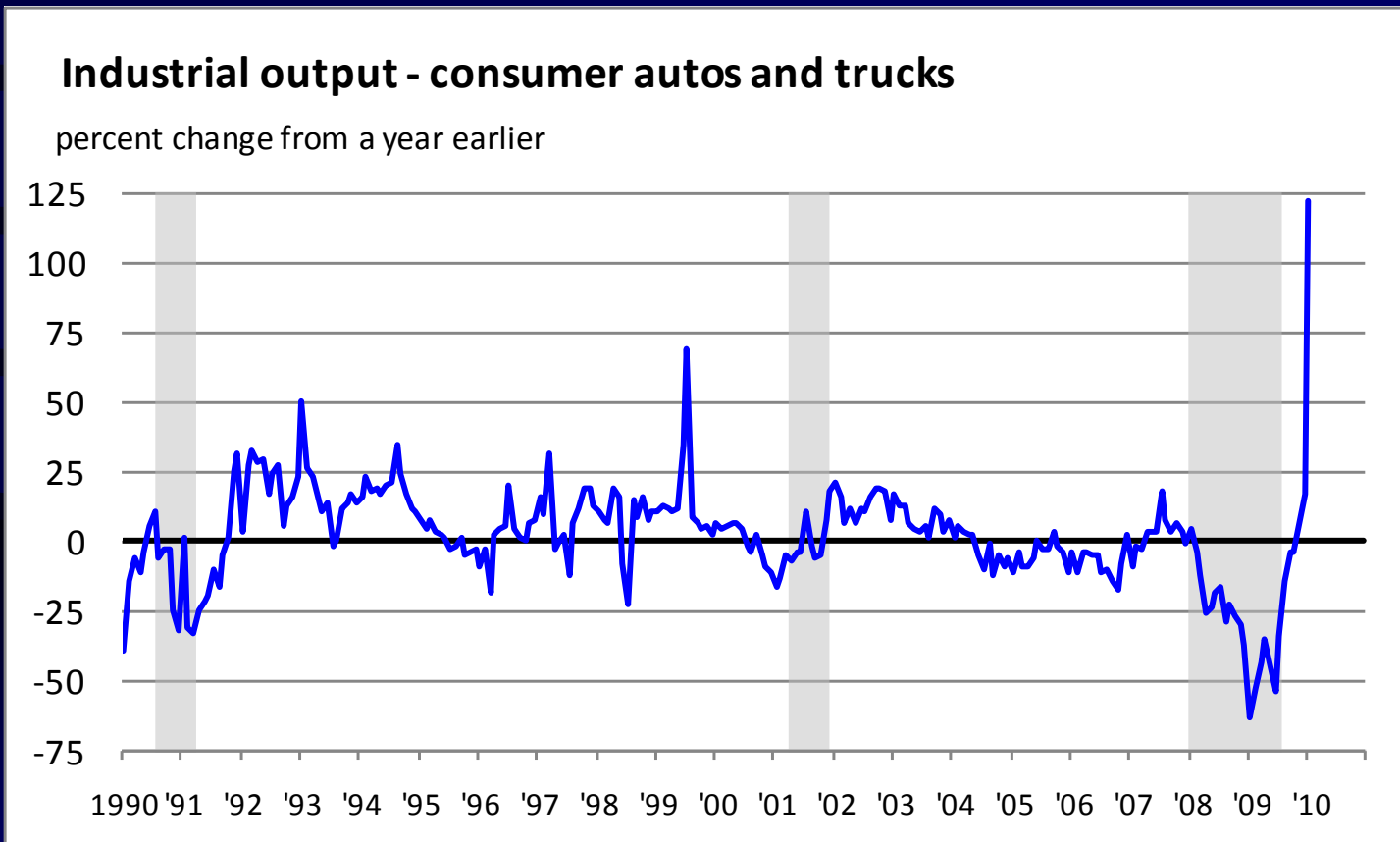




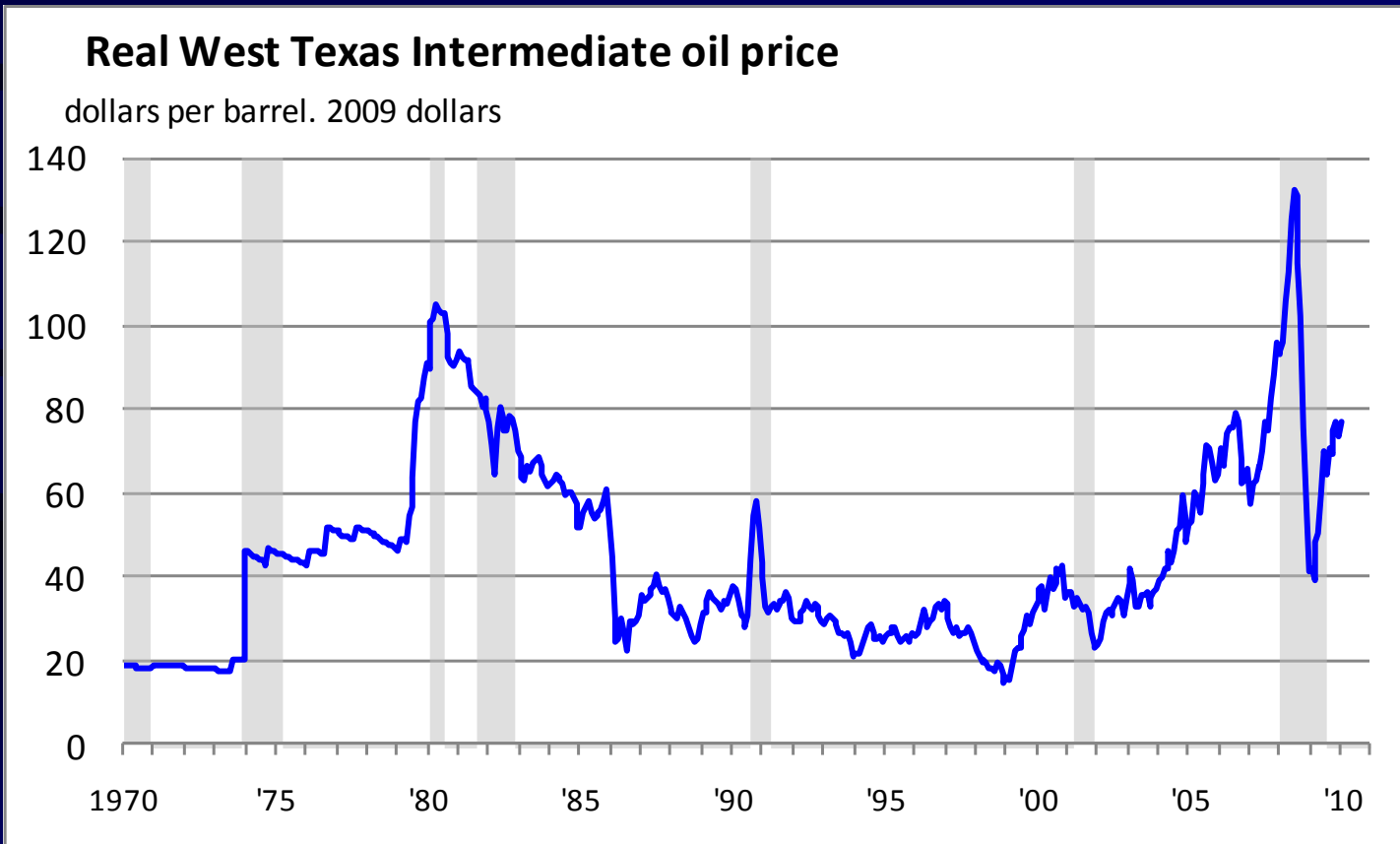
# Inventories for car and light trucks are below desired levels



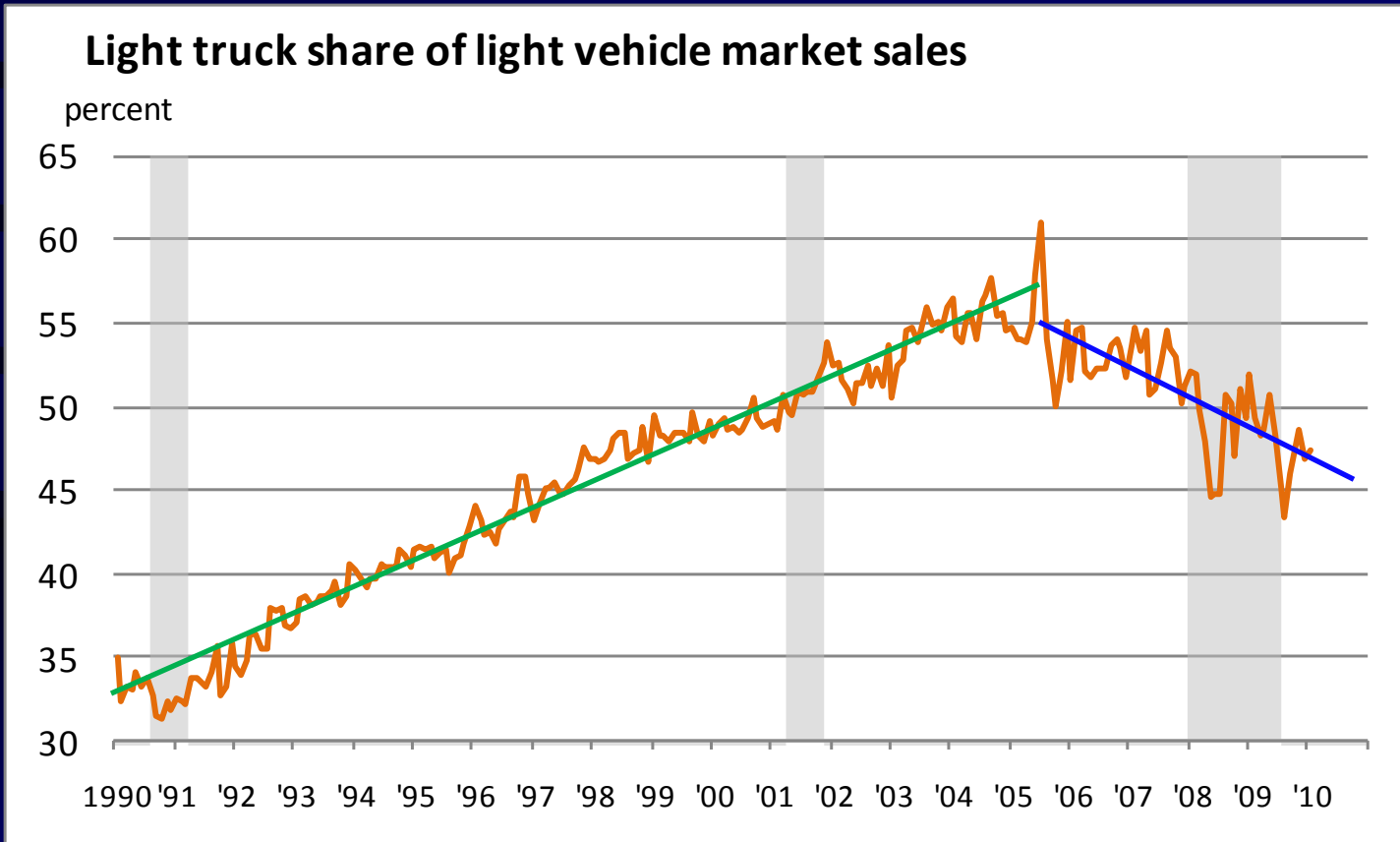
# Industrial production for light vehicles surged in January



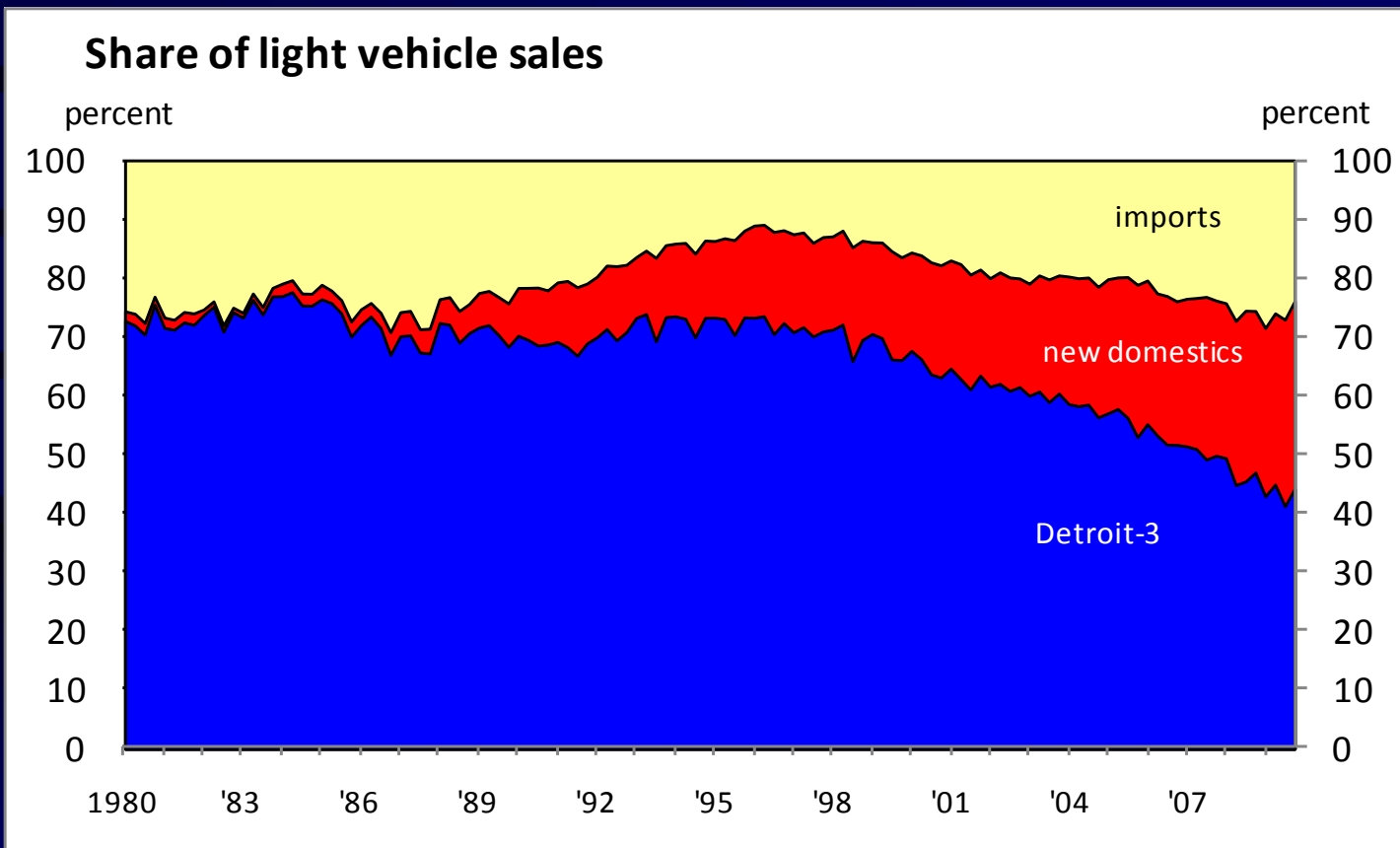
# Real oil prices have been rising through most of last decade, only falling back during the Great Recession



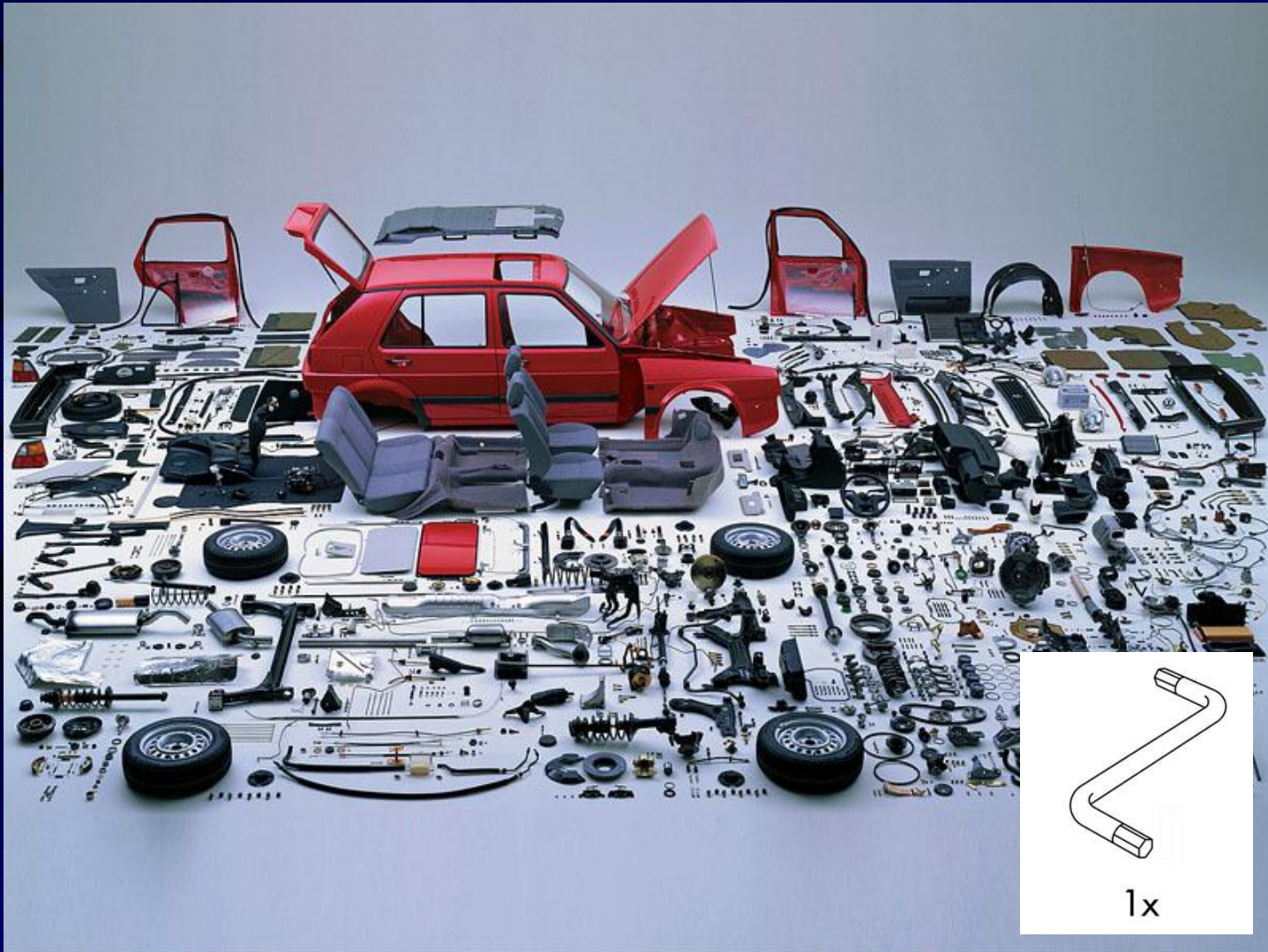
# Light truck market share has been falling since August 2004



## Increases in new domestic production share has offset losses in Detroit-3 market share














Prior to Spyker's deal to buy Saab from General Motors – there were rumors that IKEA might buy Saab



# The economic indicators are signaling cautious economic growth for light vehicle sales

## Key Economic Indicators for the Automotive Industry

	From 1990 through 2007:Q4	From the start of the current Recession <sup>1</sup>	Latest Data <sup>2</sup>	
<b>Real GDP</b>				
Average Q/ Q% @ AR	3.0	-0.8	5.7	
<b>Real Consumption</b>				
Average Q/ Q% @ AR	3.3	-0.3	2.0	
<b>Index of Consumer Sentiment</b>				
Average Index	91.2	65.4	74.4	
<b>Employment Growth</b>				
Average change in jobs (thous.)	134.9	-337.0	-20.0	
<b>Unemployment rate</b>				
Average %	5.4	7.6	9.7	
<b>Corporate Profits</b>				
Average Q/ Q% @ AR	9.8	-3.8	17.8	
<b>ISM-Manufacturing Index</b>				
Average Index	51.7	46.4	58.4	
<b>New and Existing Home Sales</b>				
Average, Thousands	5,222	4,884	5,132	
<b>Real Oil Prices - West Texas Intermediate</b>				
Average \$/ bbl (2009 prices)	37.55	80.21	77.05	
<b>PCE Inflation</b>				
Average Y/ Y% Change	2.4	1.8	2.1	
<b>Fed Funds Rate</b>				
Average %	4.38	1.01	0.11	

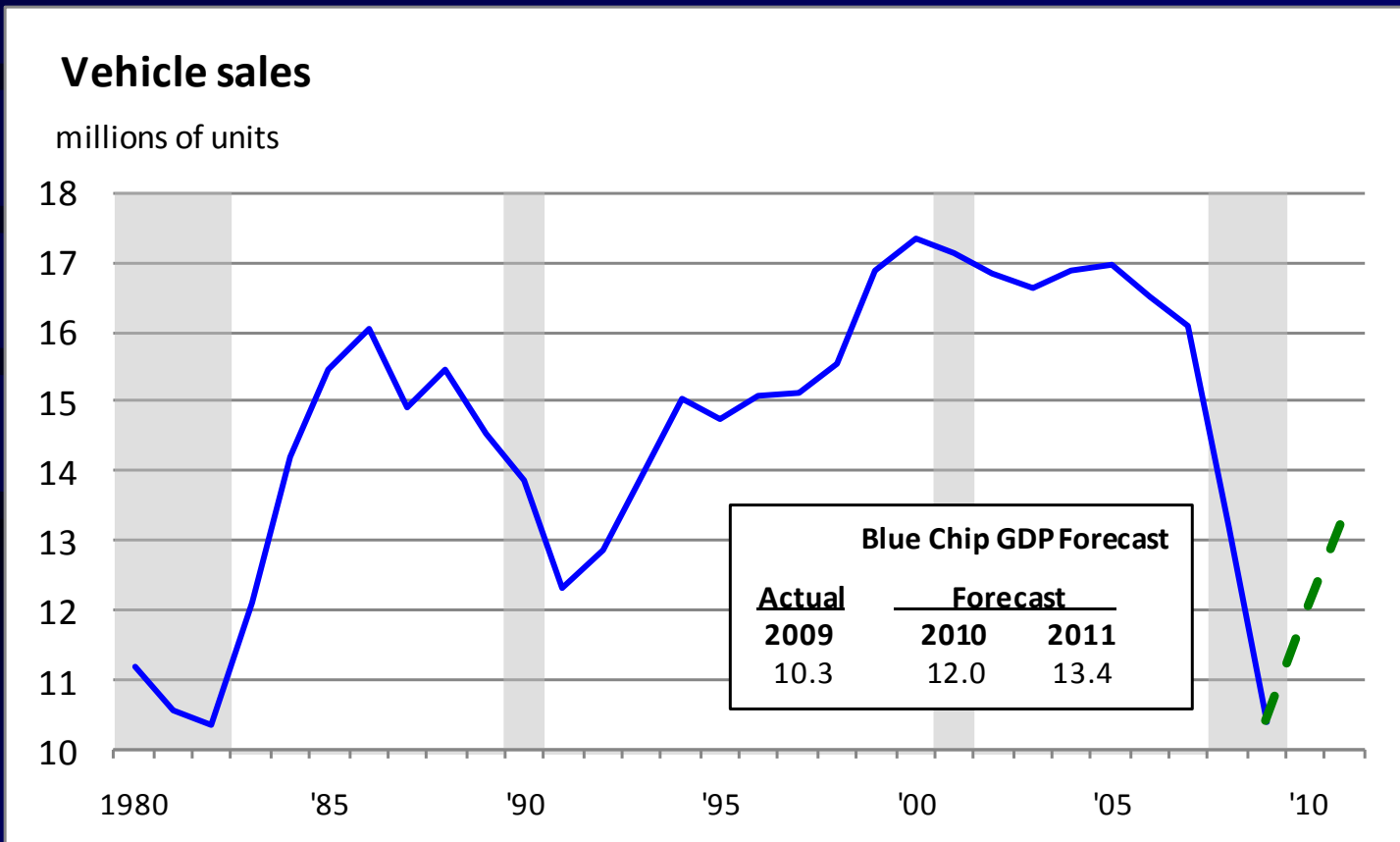
### Notes:

<sup>1</sup> Beginning in January 2008 for monthly data or 2008:Q1 for quarterly data

<sup>2</sup> Latest month or quarter

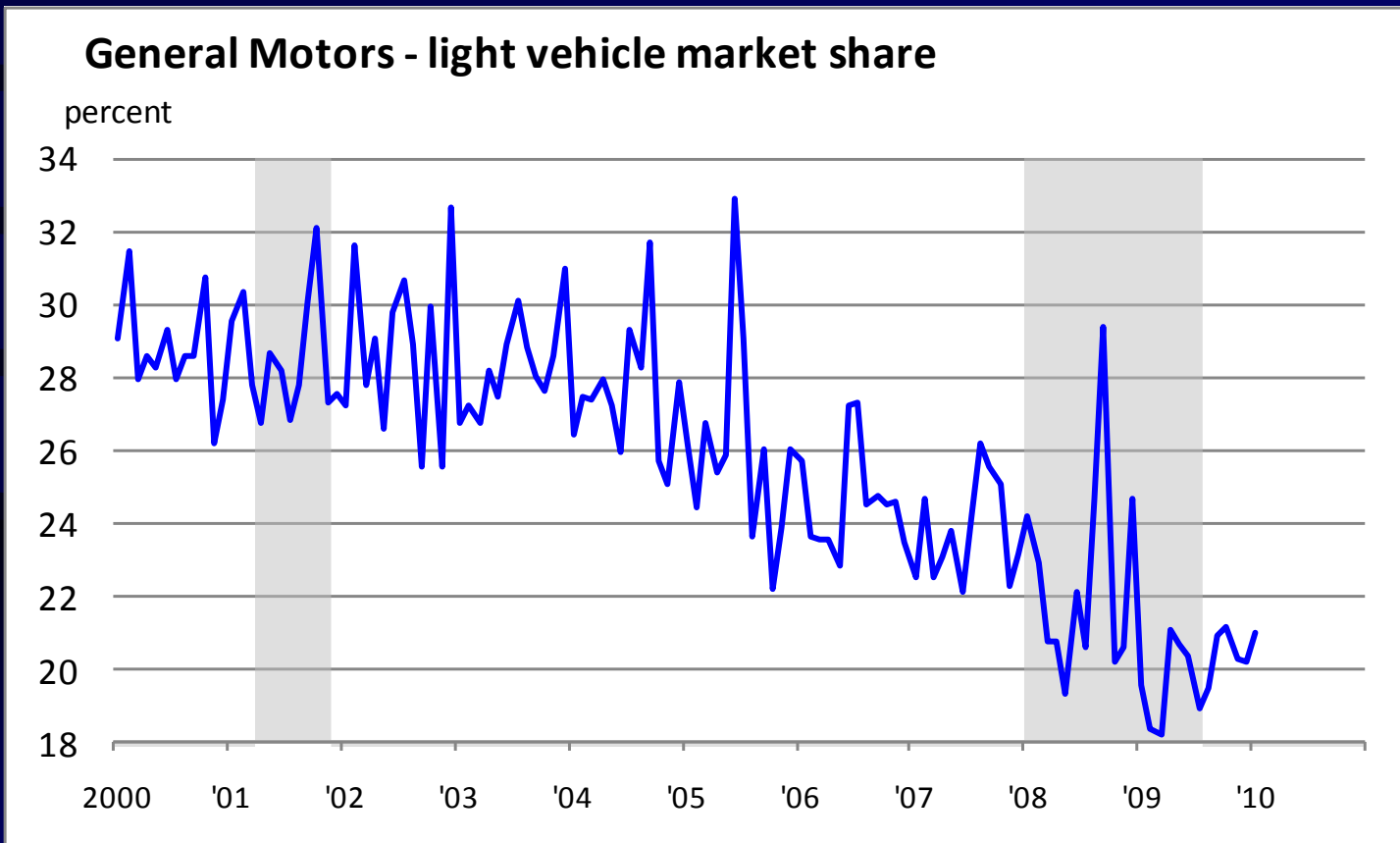


# Vehicle sales are expected to improve at a moderate pace

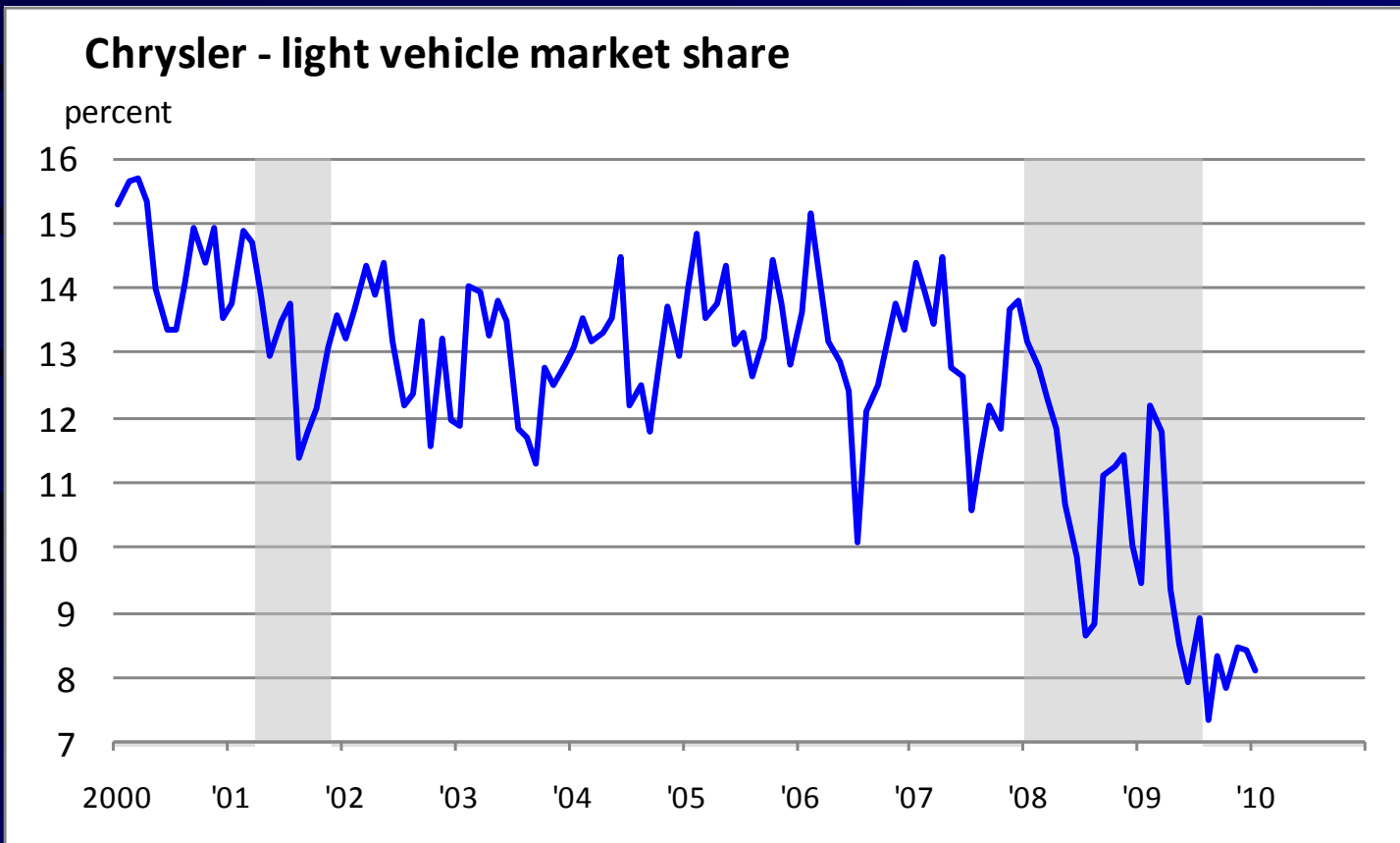




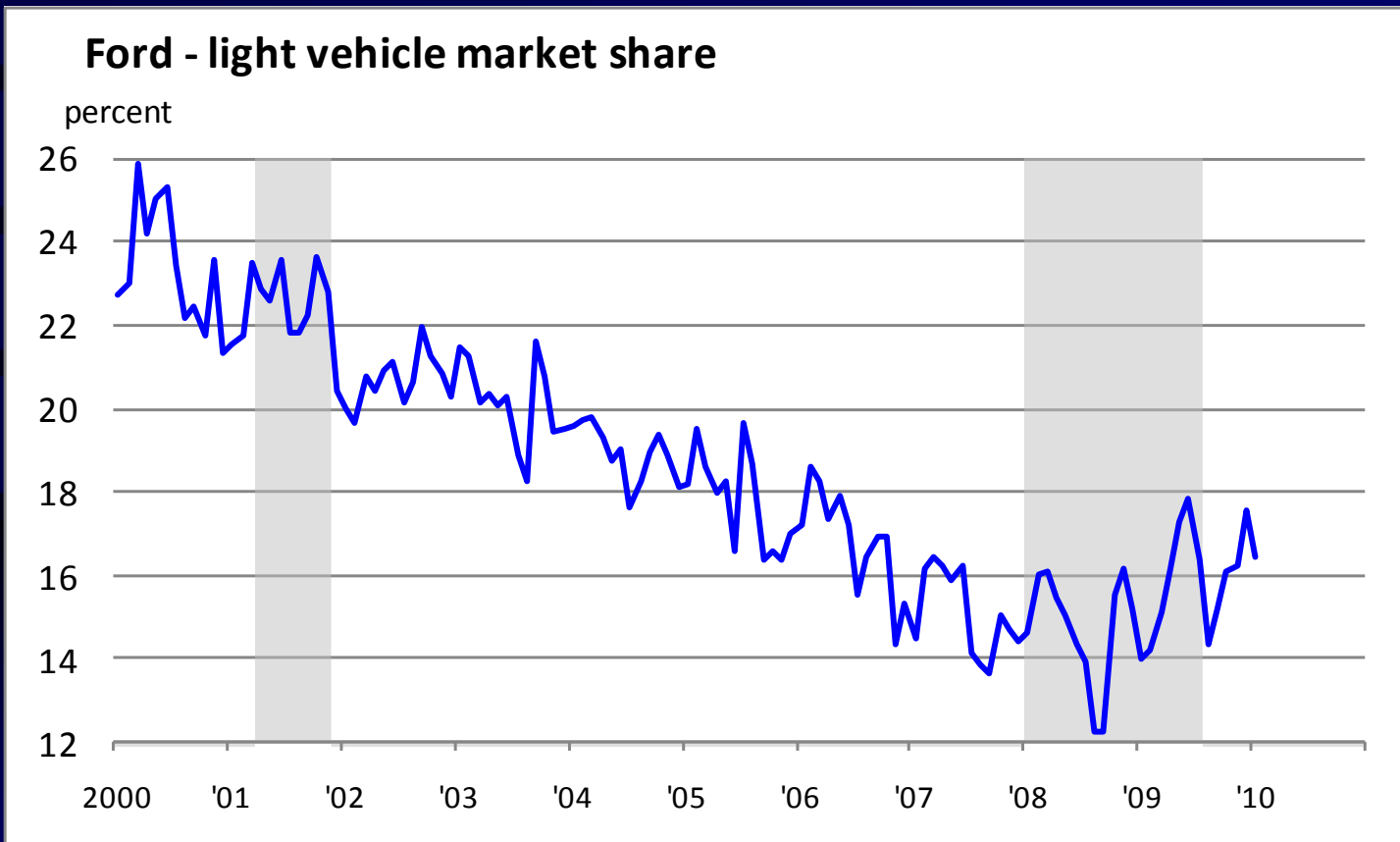
# General Motors market share was hurt by their bankruptcy and has slowly been improving



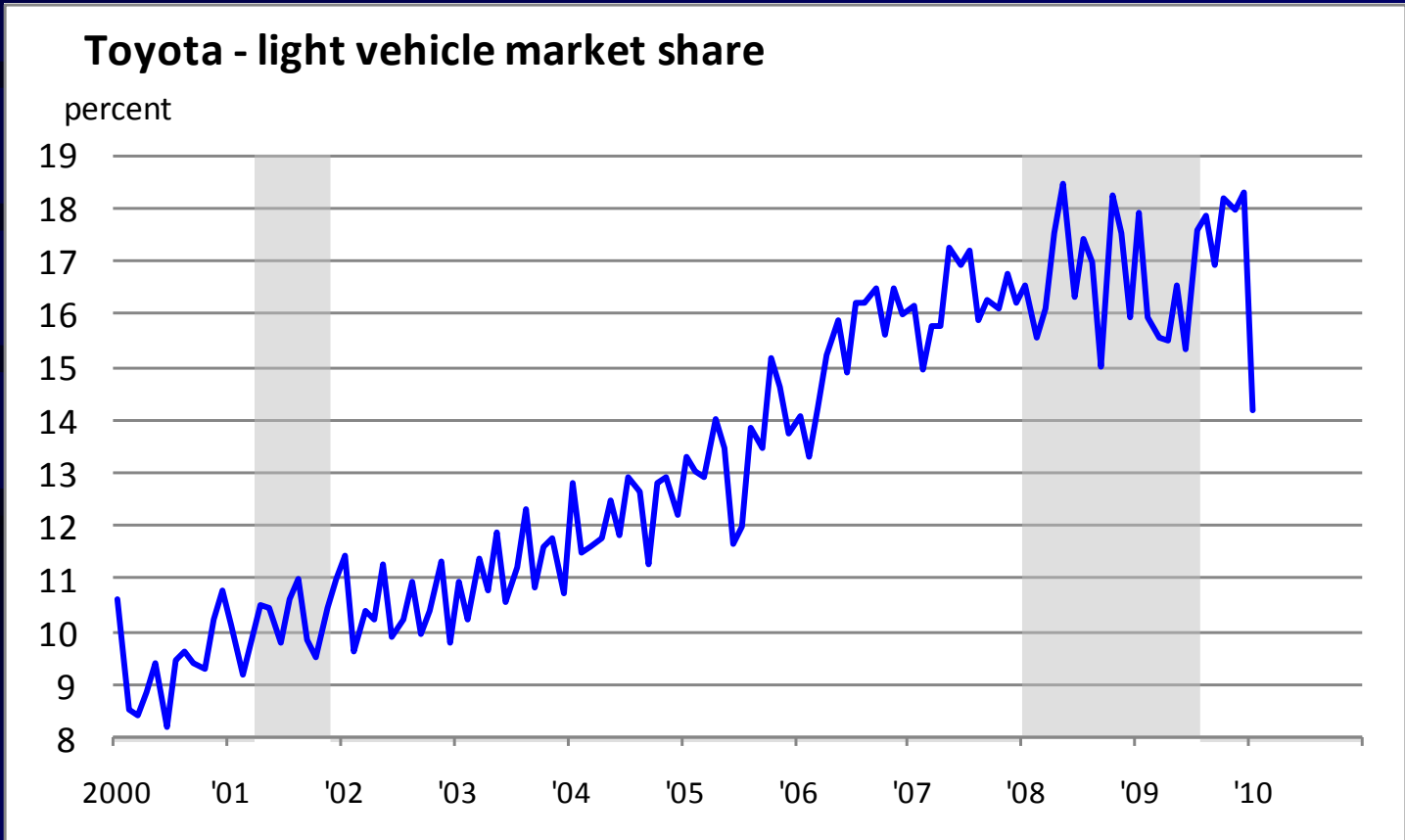
# Chrysler's market share was also hurt by their bankruptcy but recovery has been more elusive



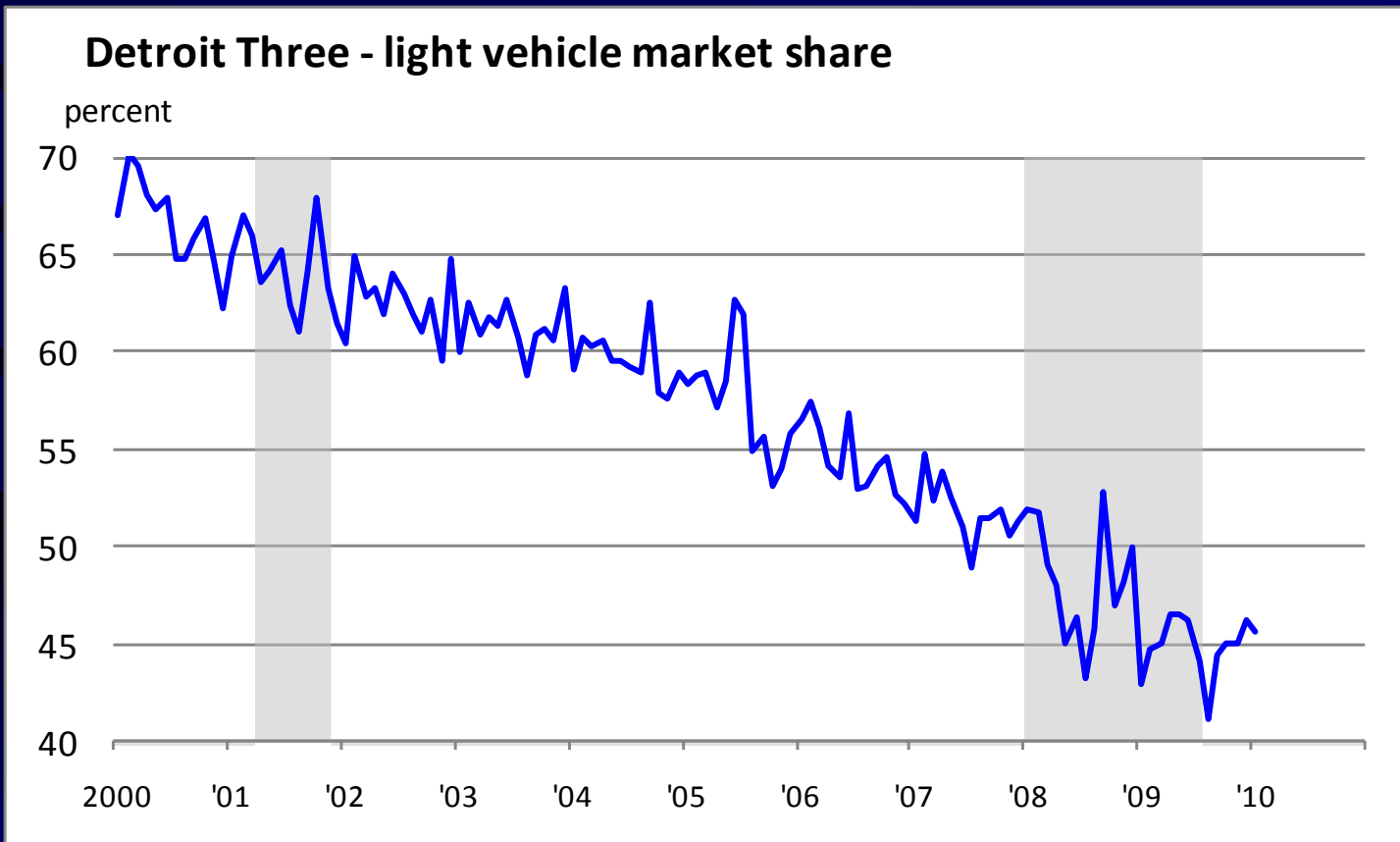
## Ford's market share has been rising over the past year and a half



# Toyota's market share was rising during GMs and Chrysler's trouble but they ran into quality problems that have seriously impacted their market share in January



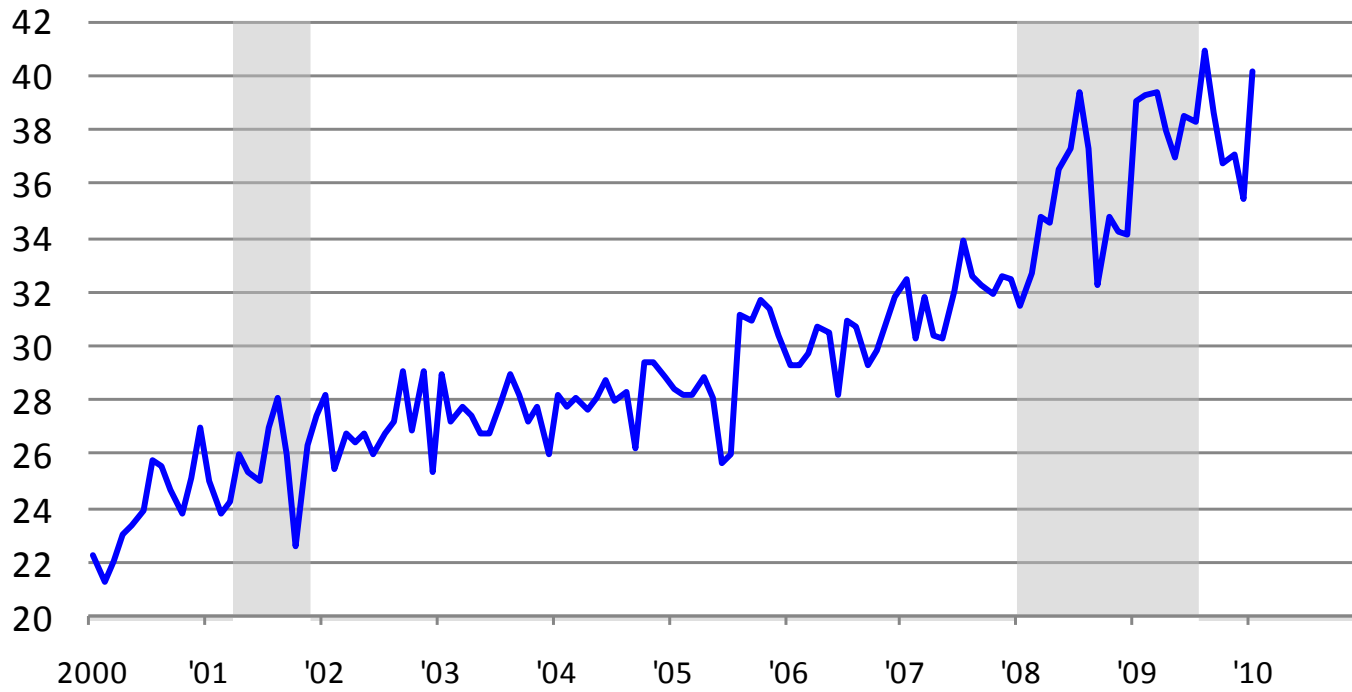
# So far, the Detroit Three have not benefitted from Toyota's troubles



# Toyota's loss appears to be other foreign nameplate producer's gain

Foreign nameplates excluding Toyota - light vehicle market share

percent



## Summary

- Growth in manufacturing output will be solid in 2010 and 2011 due to improving demand and rebuilding of depleted inventories
- Light vehicle sales are expected to improve moderately over the next two years
- Ford, the only domestic car company to not go through bankruptcy has been gaining market share
- It appears that Toyota's customers are more likely to replace a Toyota with another foreign nameplate vehicle



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