



CHARLOTTE ECONOMIC CLUB

ECONOMIC AND INDUSTRY PERSPECTIVES

**Ellen Hughes-Cromwick
George Pipas**

February 15, 2011



2011 GLOBAL ECONOMIC OUTLOOK

- **Global economy projected to grow 3 – 4% in 2011**
- **Economic fundamentals look favorable in most markets for 2011**
 - **Recovery in U.S. economic growth rising toward the 4% range**
 - **Canada, Brazil, and Asian growth positive – with inflation risks**
 - **Economic policy is supportive with low interest rates**
- **European outlook is mixed:**
 - **Periphery markets undergoing budget cuts and restructurings of banks**
 - **U.K., Germany, France and other markets remain in growth mode**

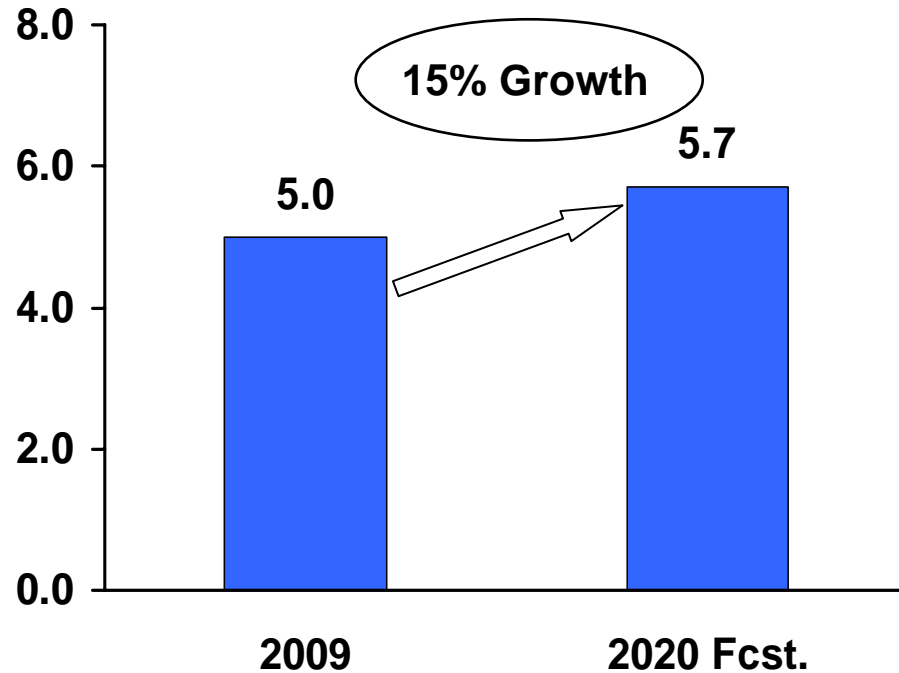
Key Takeaways:

- **Global economy reaching dynamic phase**
- **Incomes in many emerging markets reaching levels which sustain faster pace of consumer spending on durables like cars**
- **This phase of economic development raises the standard of living and vehicle ownership rates**

GLOBAL DRIVING AGE POPULATION PROJECTIONS



Billions of Drivers



	Growth Rate <u>2010-2020</u>	Share of 2020 D.A. <u>Pop.</u>
Mature Markets*	5%	14%
China and India	13%	37%
Other Markets	21%	48%

* Includes Canada, U.S., Europe 19, and Japan

Memo:

Total Population 6.8

7.6

Driving Age Population To Reach 5.7 Billion By 2020

SELECTED "TAKE-OFF" EMERGING MARKETS



Per Capita Incomes between USD 5,000 - 15,000
(At Purchasing Power Parity in \$2005)

	Full Year 2009	Memo: Driving Age Population 2009
	USD	Mils.
China East	\$ 9,948	305
China Central	5,600	403
India West	4,678	167
Brazil	10,164	146
Mexico	13,849	79
Turkey	13,544	56
Egypt	5,938	53
Thailand	8,138	53
South Africa	10,347	35
Argentina	14,332	30
Romania	13,856	19

Memo: Selected Take-Off Markets as % of Global Driving Age Population 27%

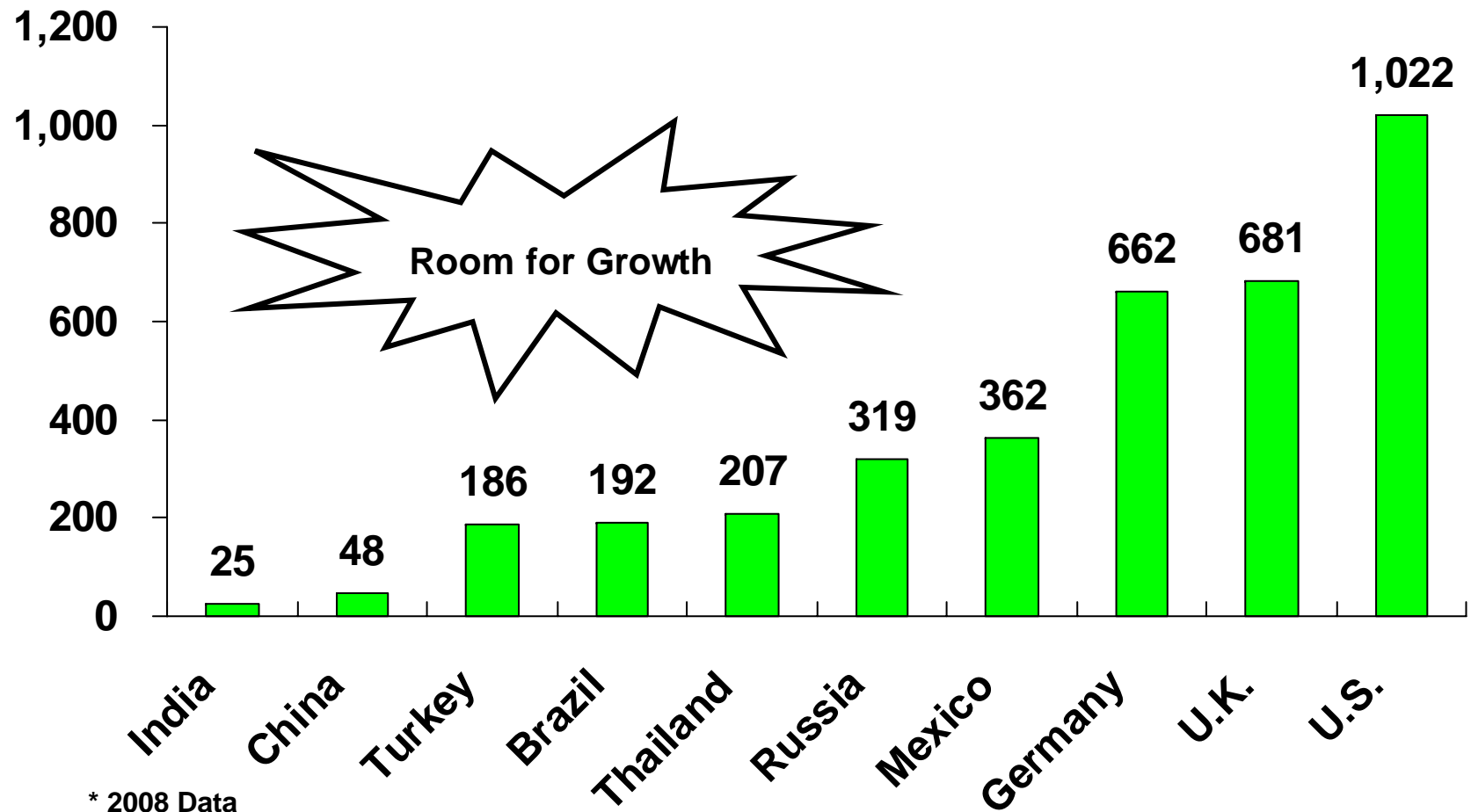
Source: GDP, World Bank WDI database; Population, U.S. Census Bureau, IDB Database

SLIDE 3



VEHICLES ON THE ROAD COMPARED TO DRIVING AGE POPULATION

Vehicles per 1,000 Drivers*

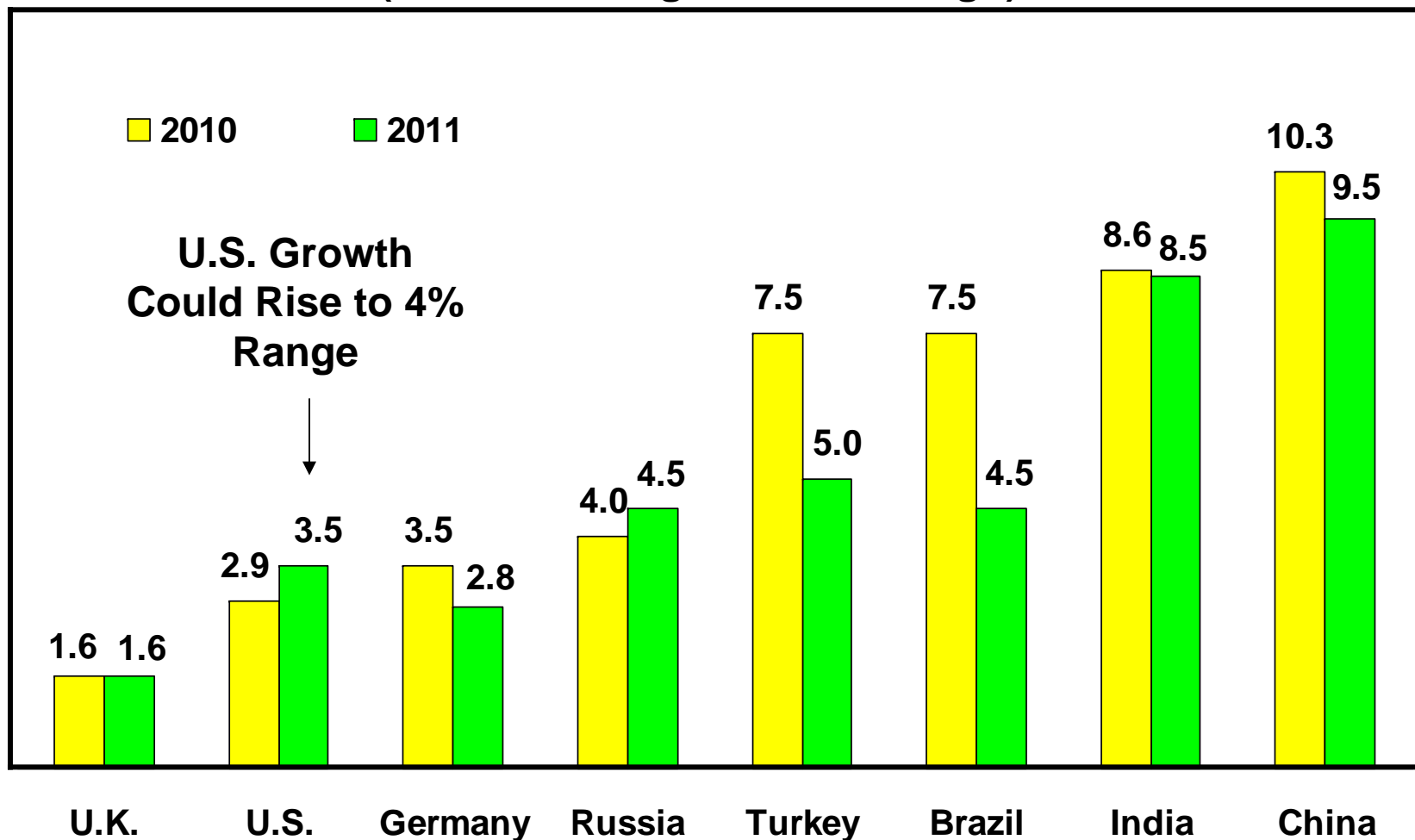


* 2008 Data

2011 REAL GDP OUTLOOK



Real GDP (Percent Change Over Year Ago)

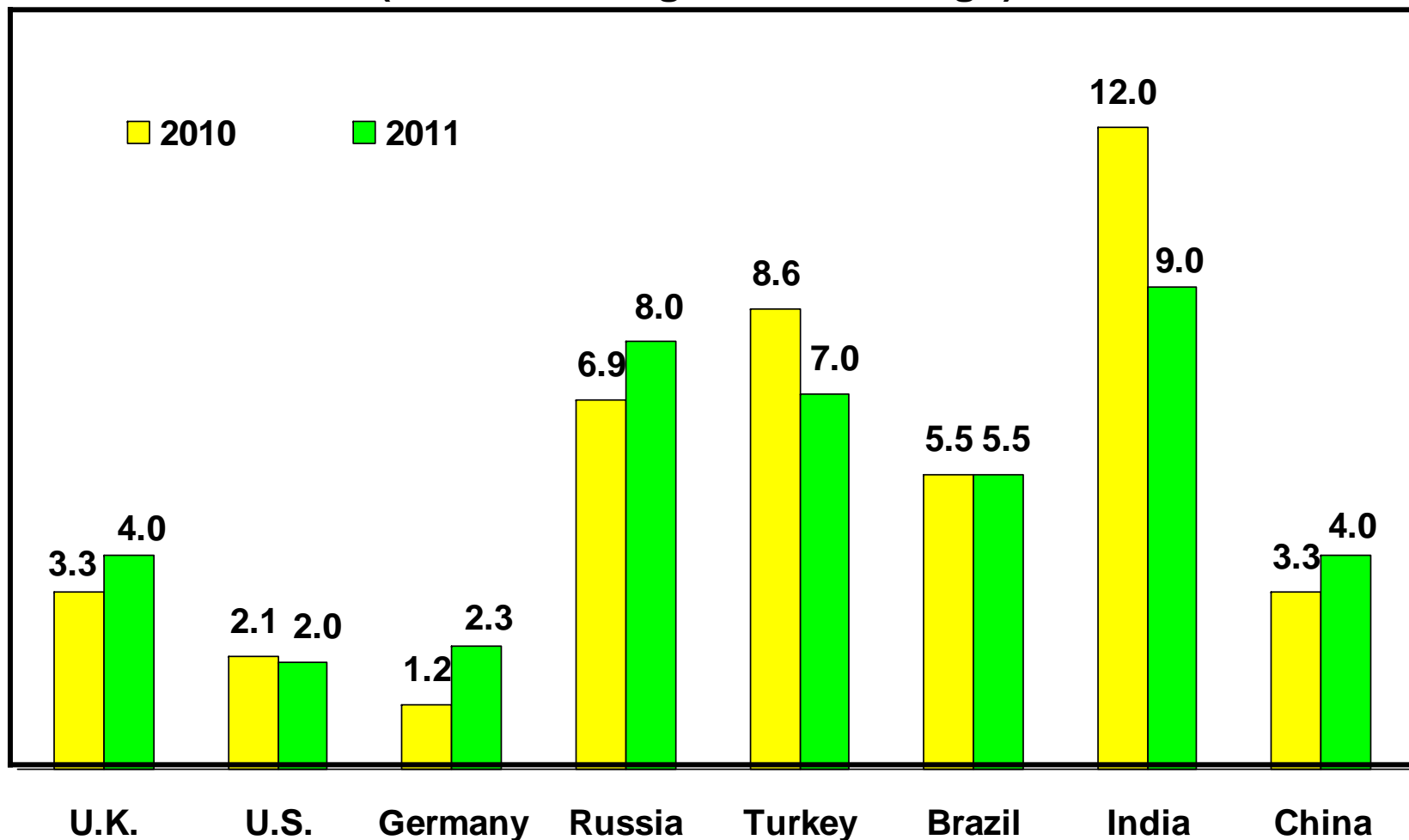


Global Economic Growth in the 3 – 4% Range during 2011

2011 INFLATION OUTLOOK

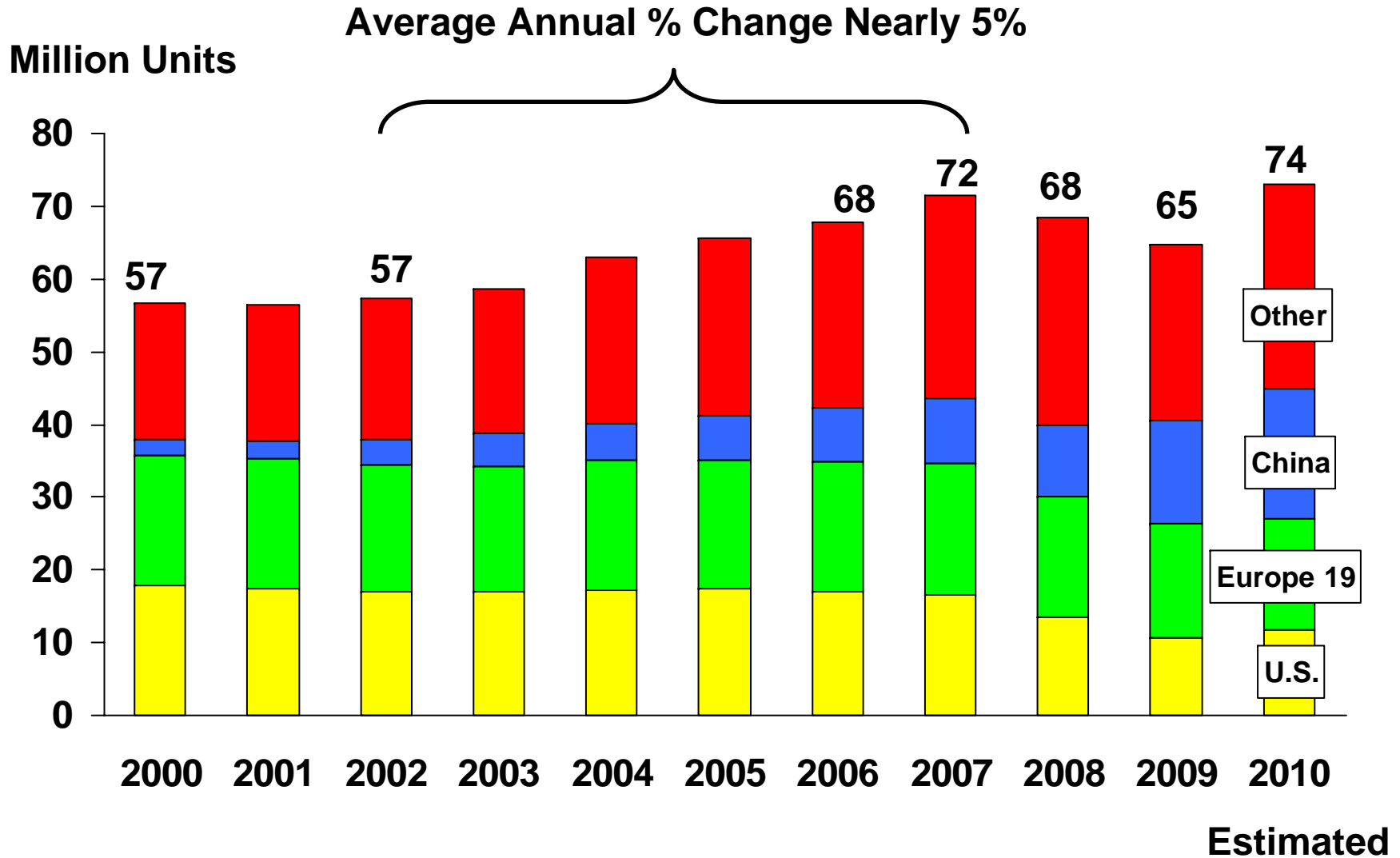


Inflation (Percent Change Over Year Ago)



**Inflation Cycle Differs Across Mature and Emerging Markets
With Some Countries “Behind the Curve” Policy Mix to Address Problem**

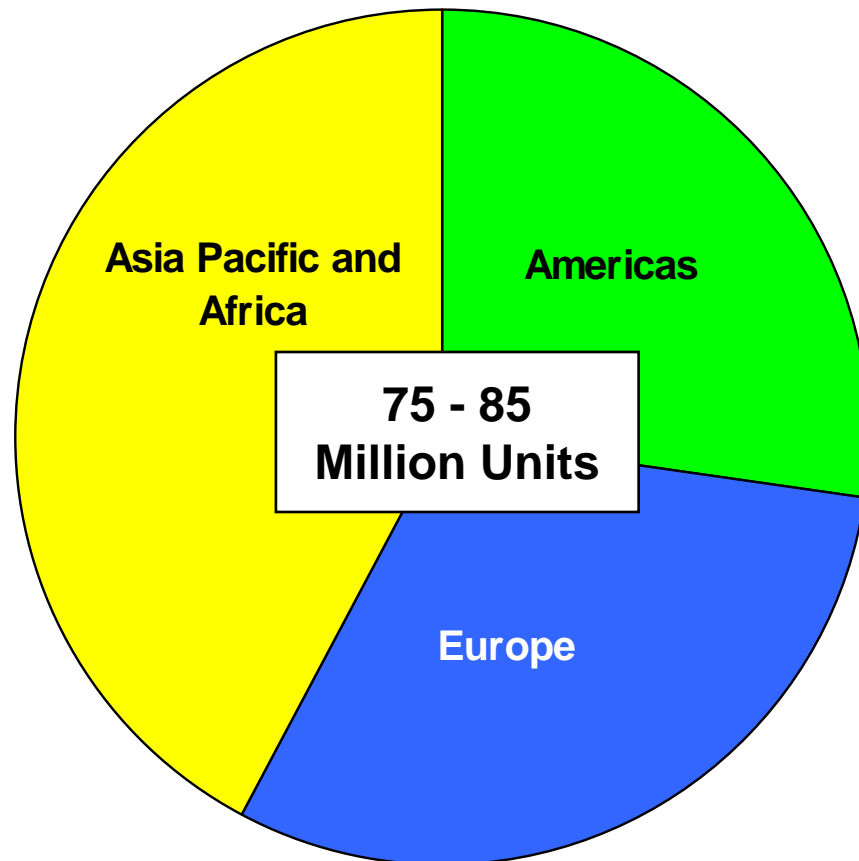
WORLDWIDE INDUSTRY SALES



Note: Vehicle sales include heavy trucks



2011 GLOBAL INDUSTRY SALES SUMMARY BY REGION



2011 GLOBAL SALES OUTLOOK



	Actual 2009 <hr/> (Mils.)	Estimate 2010 <hr/> (Mils.)	Forecast 2011 <hr/> (Mils.)
U.S.	10.6	11.8	13.0 - 13.5
Europe 19	15.9	15.3	14.5 - 15.5
Total World	65	74	75 - 85

Note: Forecast includes medium and heavy

FOCAL POINT: U.S. SALES FUNDAMENTALS



Short-Term Factors

- **Pickup in leading indicators / growth spurred by tax cut package**
- **Easing of credit conditions**
- **Employment and income dynamics**
- **Fuel pricing**
- **Interest rates**
- **Firm used car pricing**

Long-Term Factors

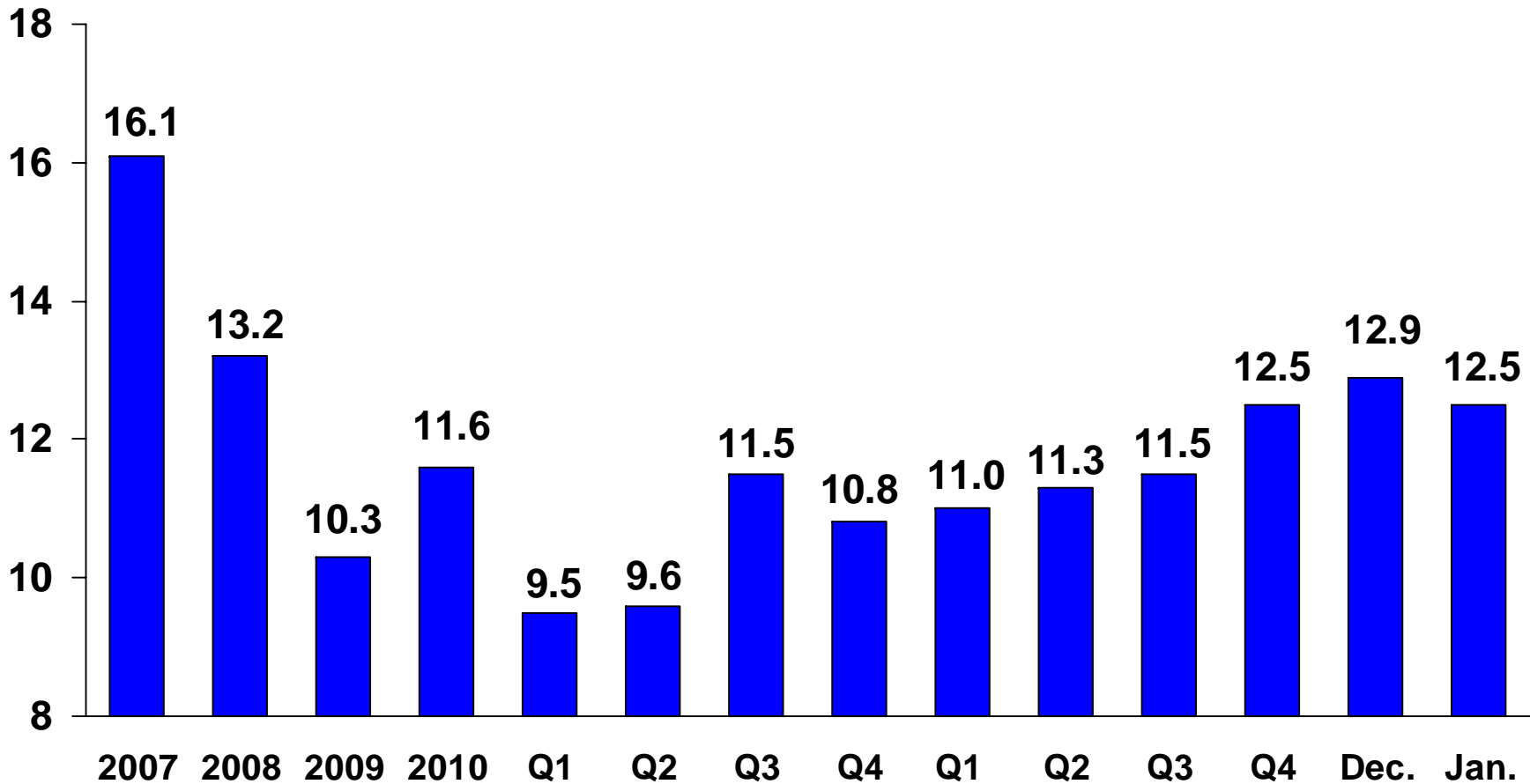
- **Vehicle stock age -- above 10 years**
- **Number of new drivers -- over 2 million in 2011**
- **Household formation by mid-decade**

U.S. LIGHT NEW VEHICLE SALES



Vehicle sales pace improving gradually

Mil. Units SAAR



2009

2010

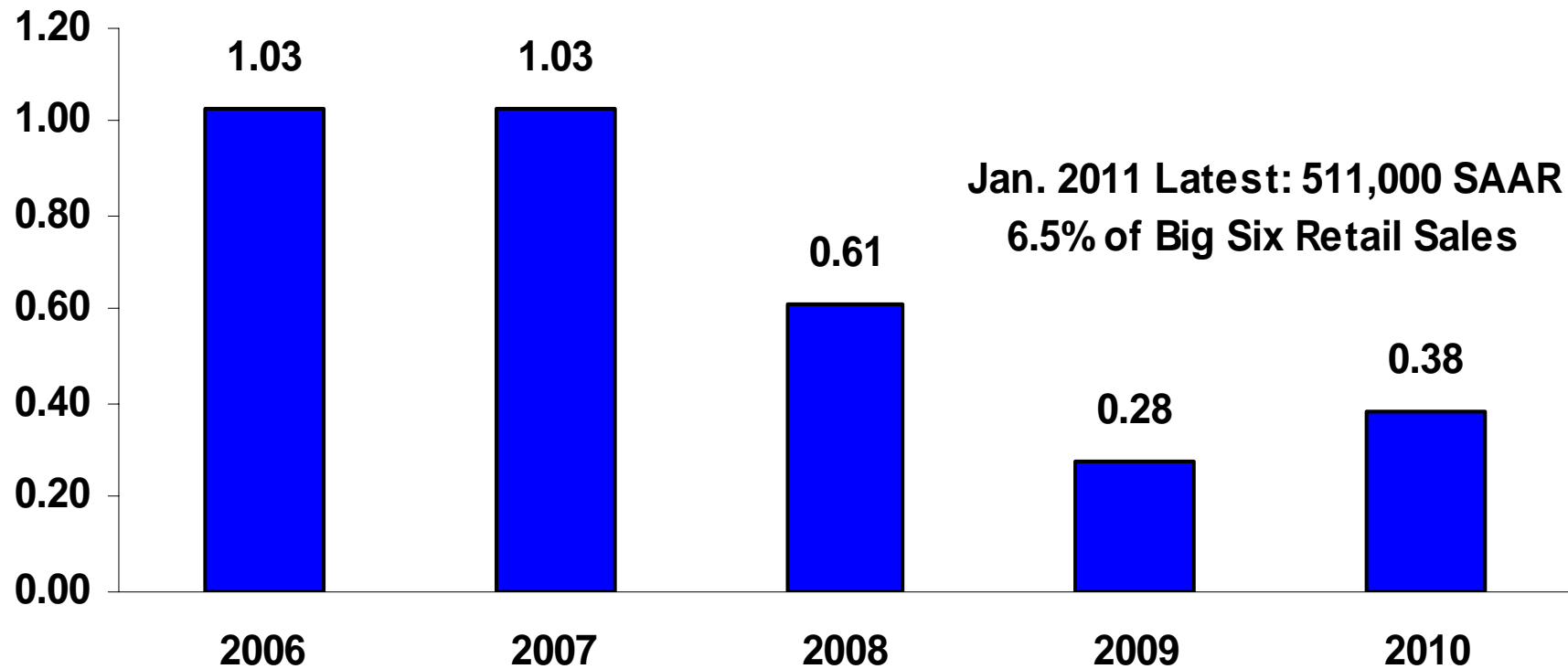
2011



U.S. NEW RETAIL VEHICLE SALES TO SUBPRIME BUYERS

Subprime Retail Sales for "Big Six" Auto Companies* (All Finance Providers)

Mil. Units



Memo:

% of Big Six Retail Sales

9.4%

6.9%

4.2%

5.3%

* Subprime is defined as FICO credit scores of 620 and below; "Big Six" include Chrysler, Ford, GM, Honda, Nissan, and Toyota

GOOGLE TRENDS AND REAL TIME DATA SOURCES



Google trends

Tip: Use commas to compare multiple search terms.

Searches [Websites](#) United States

● **ford sales**

Search Volume index

News reference volume

Rank by


Subregions	Cities	Language
1. Alaska , United States	1. Anchorage, AK, USA	1. English
2. Kentucky , United States	2. Louisville, KY, USA	
3. Idaho , United States	3. Cleveland, OH, USA	
4. Iowa , United States	4. Pittsburgh, PA, USA	
5. Maine , United States	5. St Louis, MO, USA	
6. Arkansas , United States	6. Columbus, OH, USA	

- A** [Analysts See Ford Sales Falling in Dec.](#)
Houston Chronicle - Dec 28 2006
- B** [Ford sales drop 9% in March](#)
Detroit Free Press - Apr 3 2007
- C** [GM, Ford sales likely to decline](#)
Detroit Free Press - Jul 3 2007
- D** [Ford sales drop 26.5 percent as slump cont](#)
Kansas City Star - Sep 3 2008
- E** [Ford sales leap, Toyota's drop](#)
Chicago Tribune - Mar 3 2010
- F** [Ford sales up nearly 40 percent](#)
MiamiHerald.com - Apr 1 2010

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Current Interest Rates

New (48 mo.) **5.19%**

Used (48 mo.) **5.76%**

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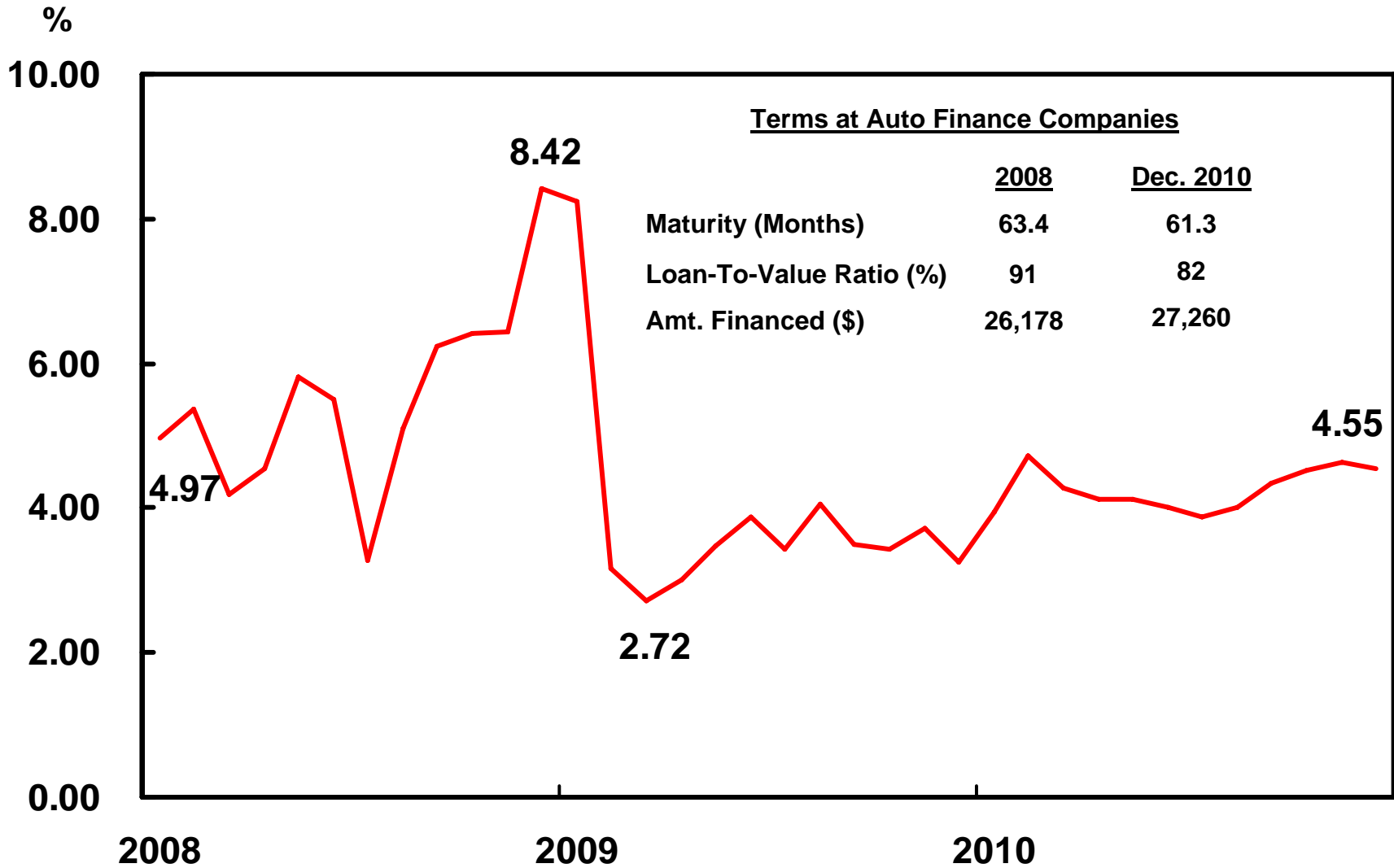
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U.S. AUTO LOAN INTEREST RATES

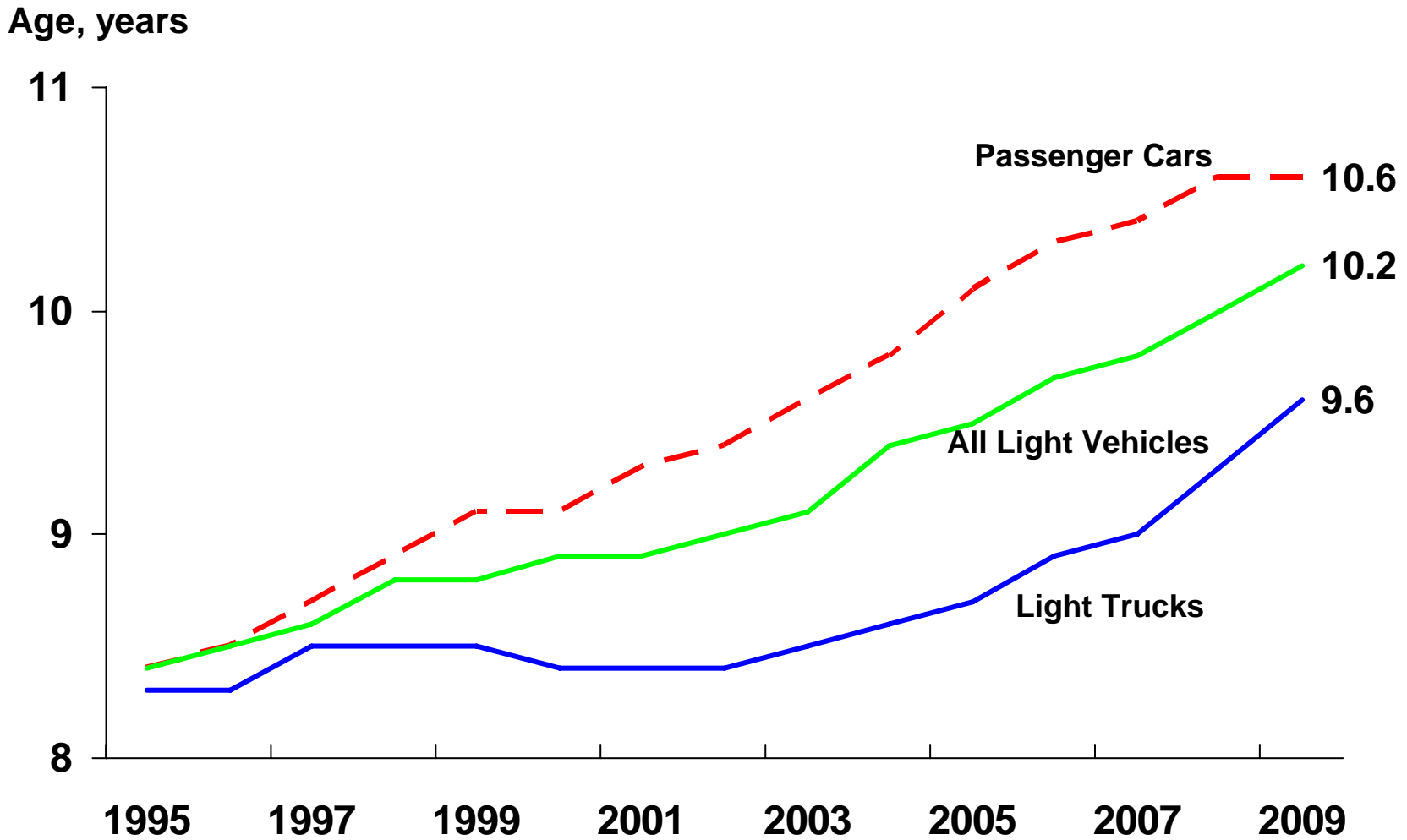


Source: U.S. Board of Governors of the Federal Reserve System; captive finance companies only

U.S. AVERAGE AGE OF CARS AND TRUCKS



Lower scrappage rates imply rising age of vehicles on the road

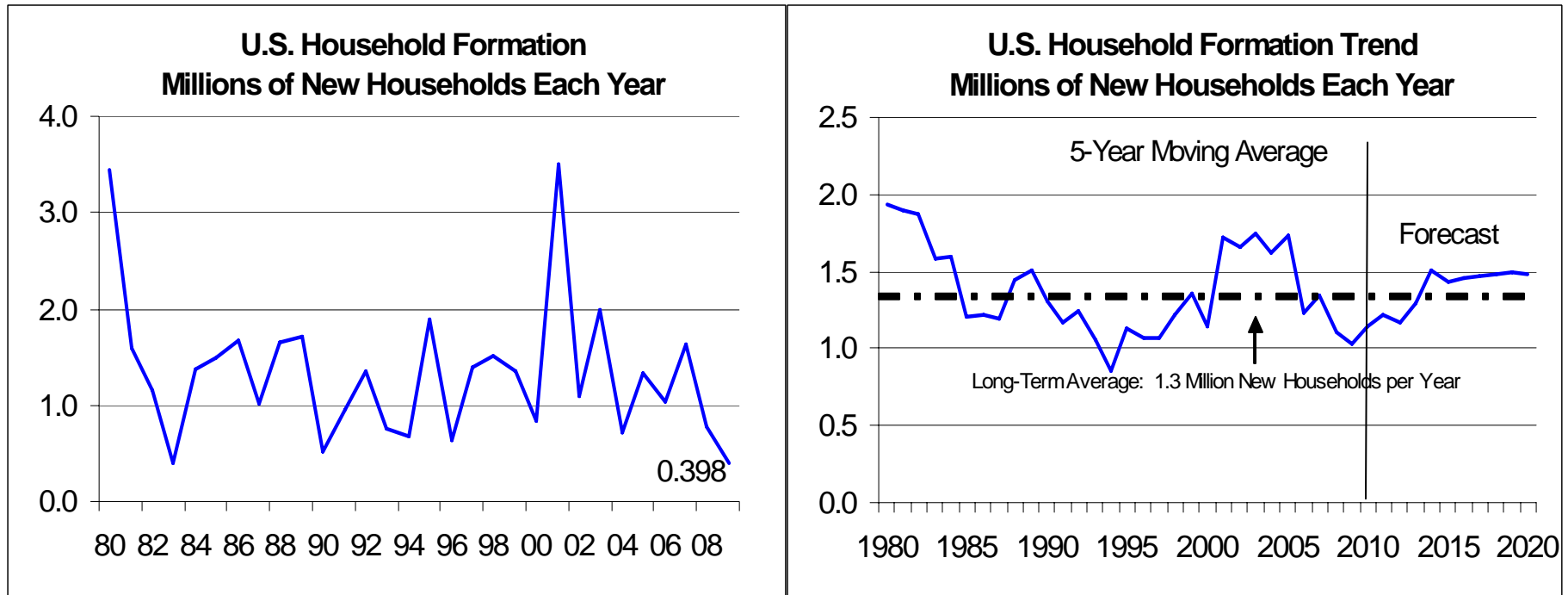


Source: R. L. Polk & Co.



U.S. HOUSEHOLD FORMATION TREND

- The left panel chart below shows the number of new households in the U.S. each year since 1980
- The right panel chart shows the same data but smoothed out using a 5-year moving average and including a trend forecast out to 2020
- In 2009, there was a severe drop in household formation with only 398,000 new households
- The forecast includes growth in household formation beginning in the next 2 years, with a return to trend sometime around mid-decade



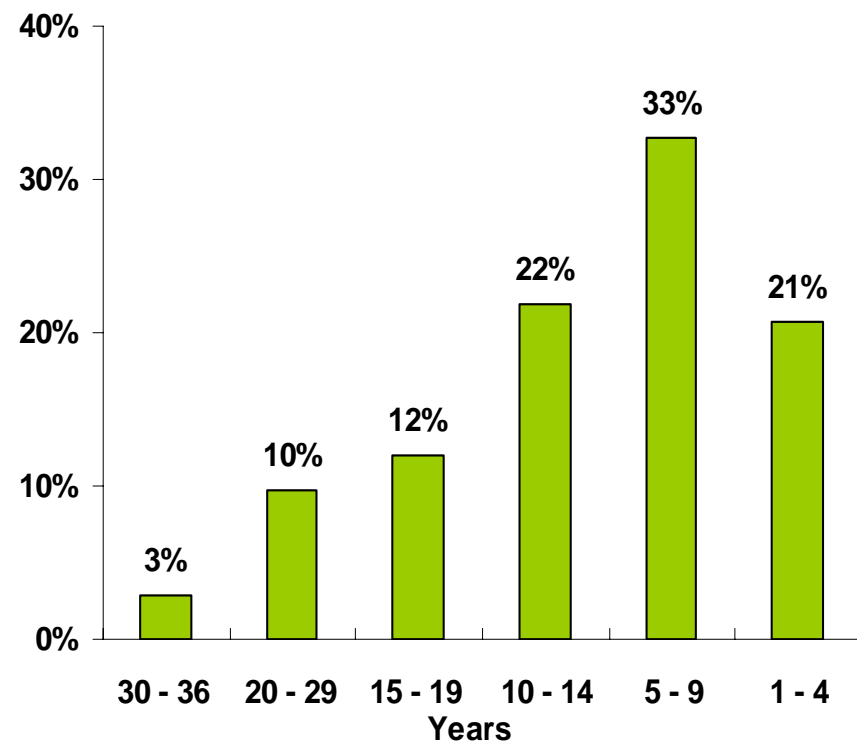
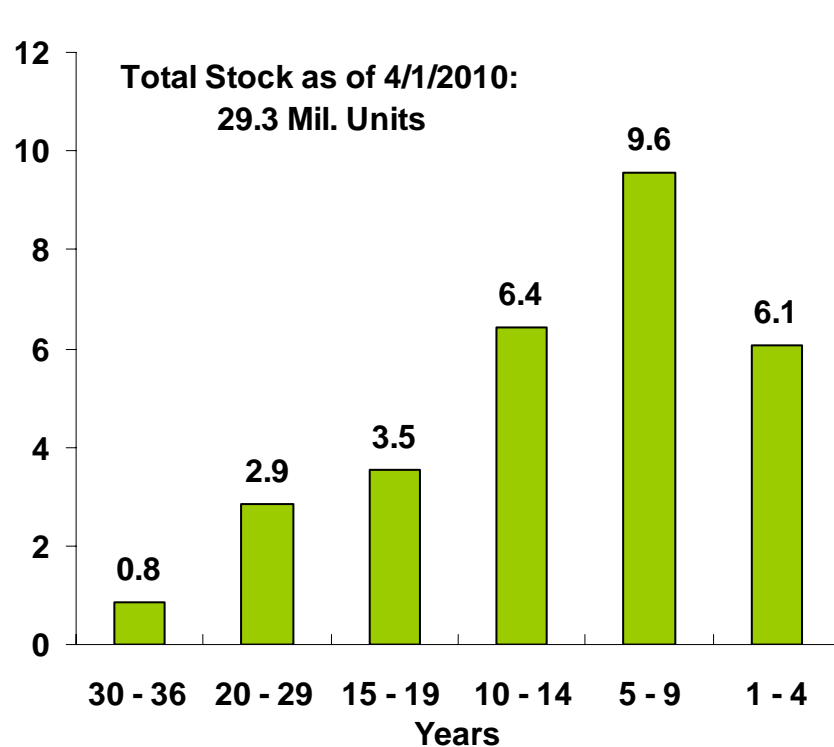


FULL-SIZE PICKUP TRUCK STOCK BY AGE GROUP AS OF 4/1/2010

Stock by Age Group

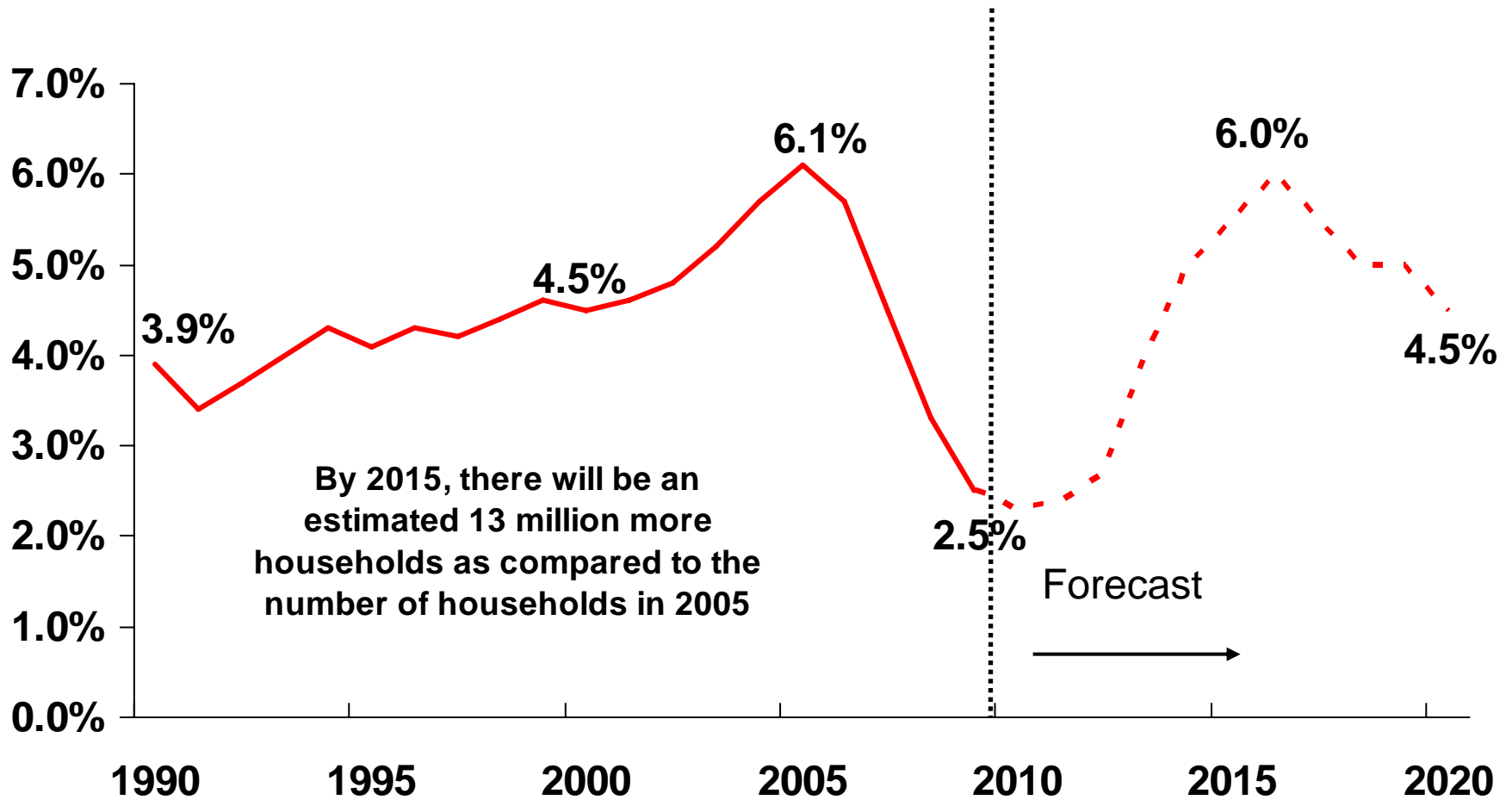
Distribution by Age Group

Mil. Units



Source: R. L. Polk & Co., Ford Corporate Economics

U.S. RESIDENTIAL CONSTRUCTION SHARE OF GDP



RECAP

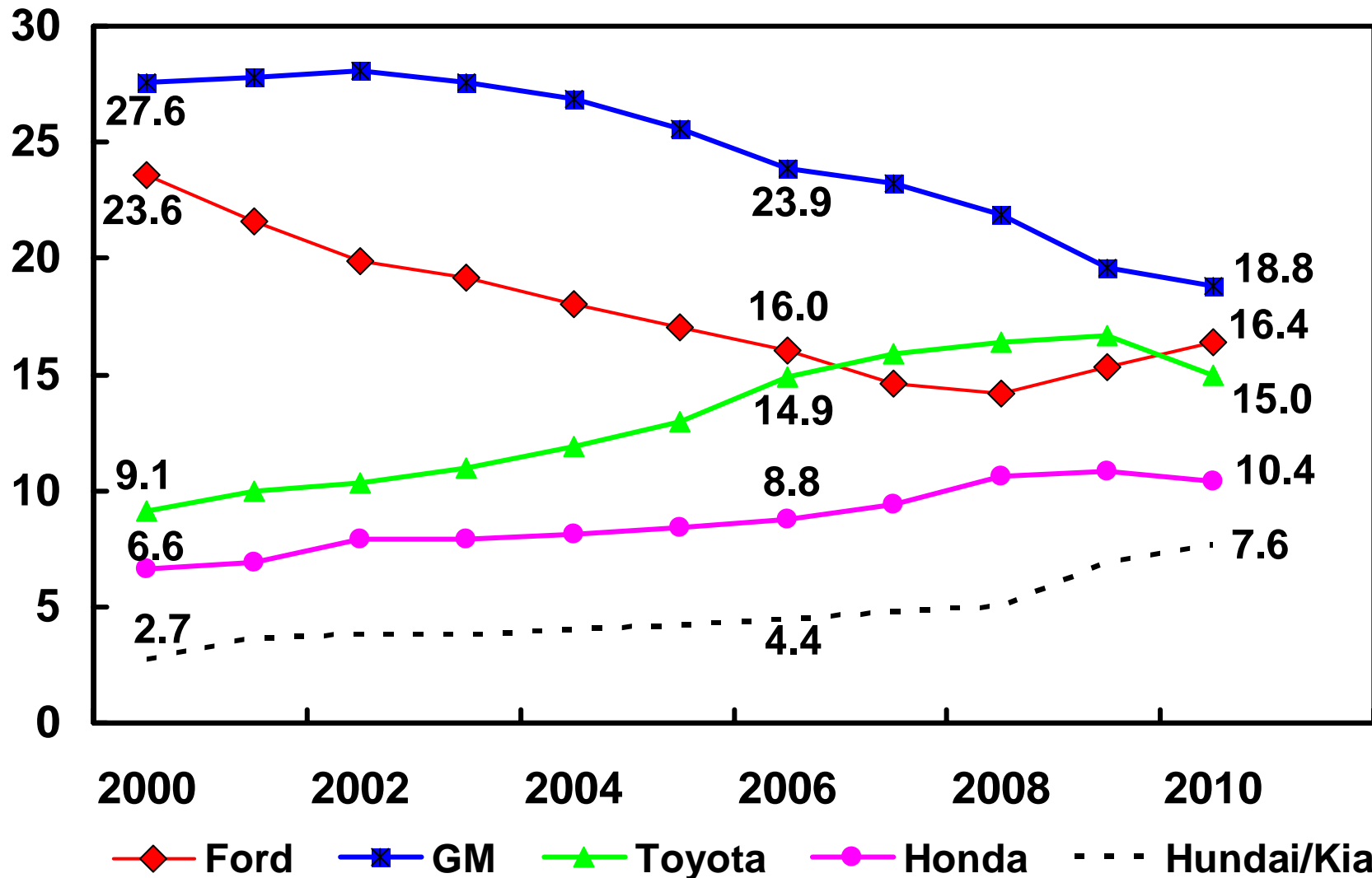


- **Global economic growth supported by acceleration in U.S. and good growth in Germany**
- **Many markets reaching phase of economic development characterized by an acceleration in consumer spending**
- **Business outlook likely to be affected by commodity price cycle and headwinds from inflation fighting policies in emerging markets**
- **Low interest rates are a positive in mature markets**
- **Policy response in Europe lagging debt crisis developments**
- **Aging fleet in the U.S. suggests replacement demand will continue to grow in 2011**

U.S. MARKET SHARE TRENDS



% of Total Industry Sales





One Team

- People working together as a lean, global enterprise

One Plan

- Aggressively restructure to operate profitably
- Accelerate development of new products
- Finance our plan
- Work together effectively as one team

One Goal

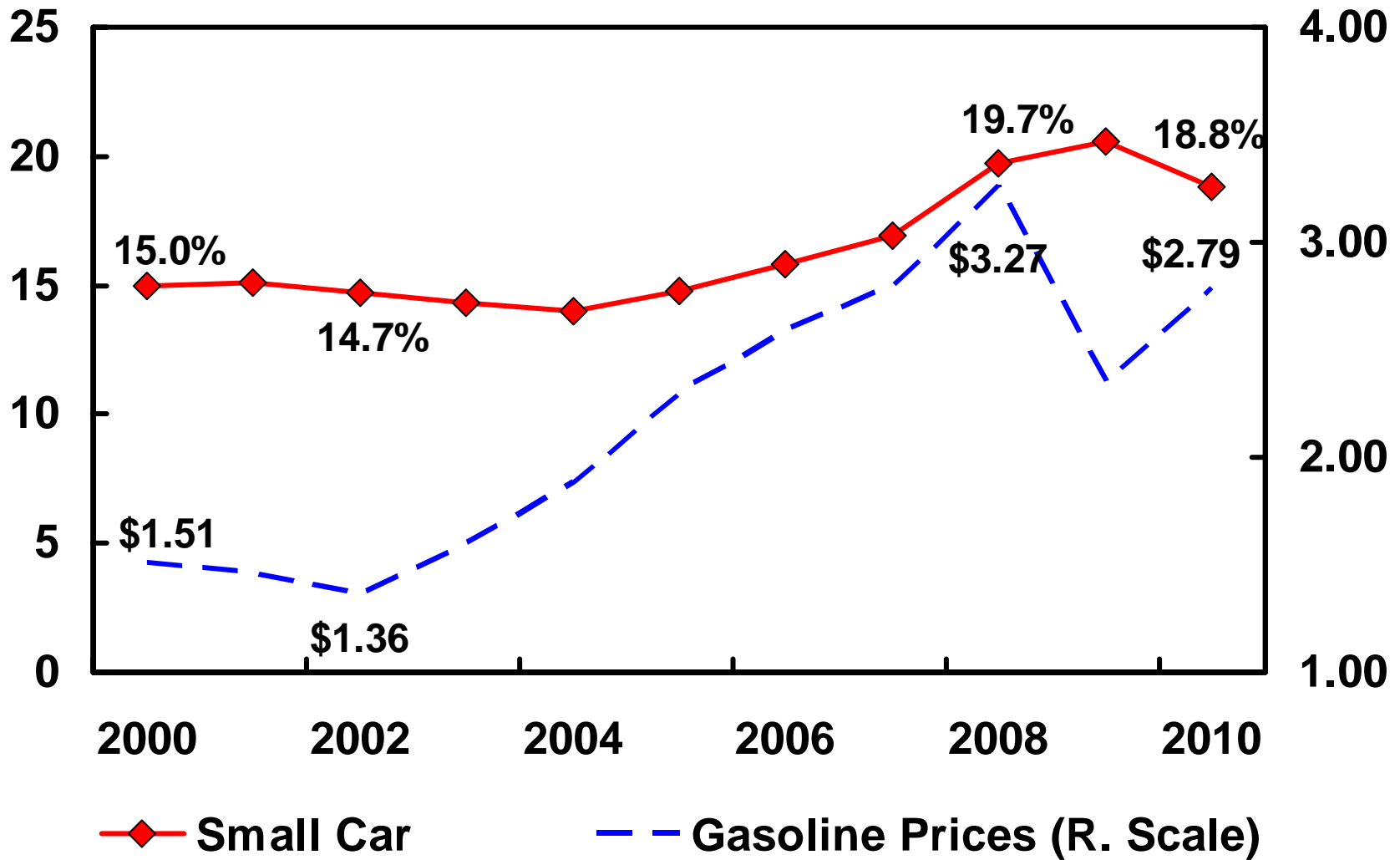
- Deliver profitable growth for all

U.S. SMALL CAR TRENDS



% of Total Industry Sales

\$ Per Gallon

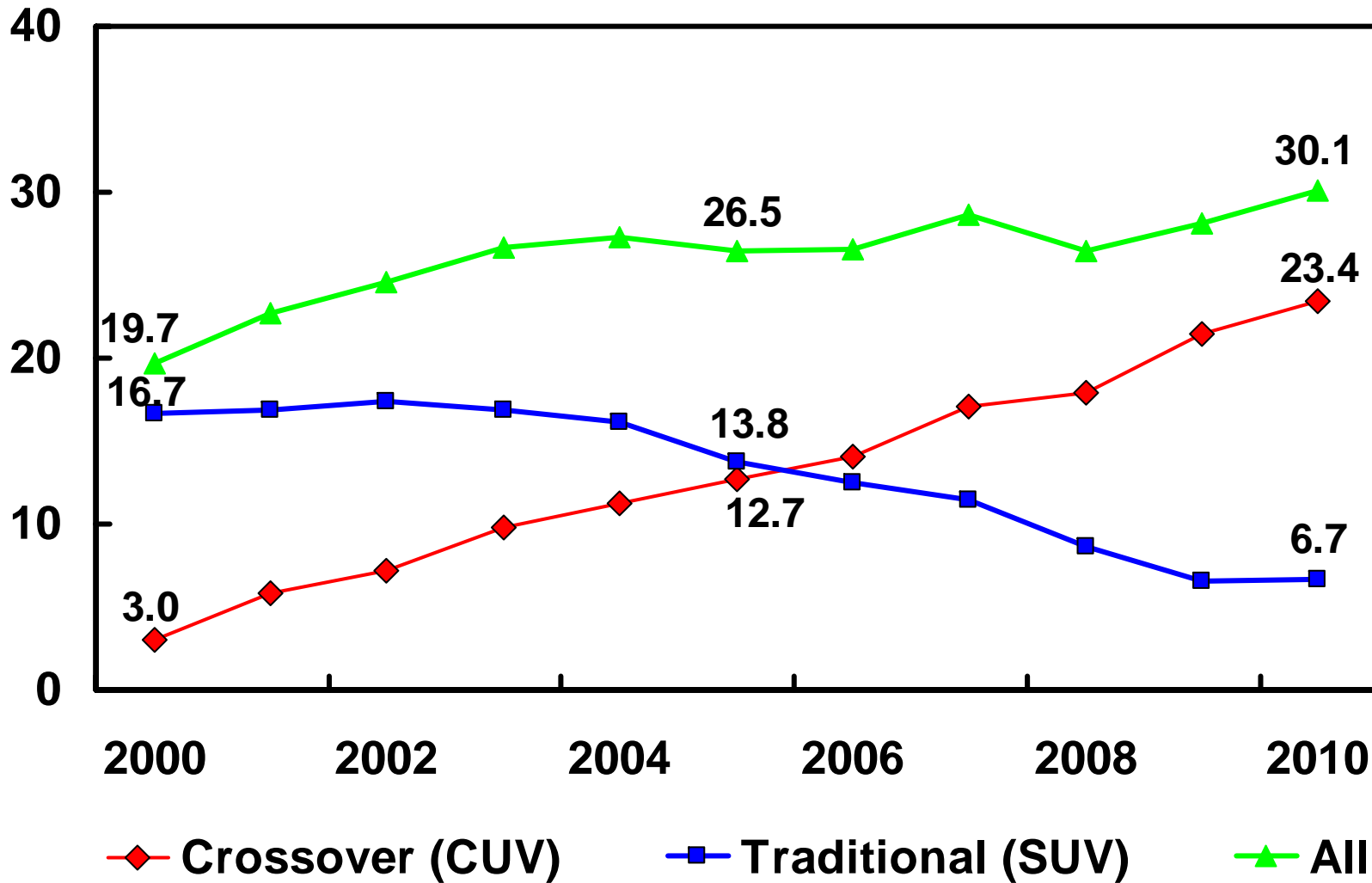




U.S. UTILITY VEHICLE TRENDS



% of Total Industry Sales





U.S. FULL-SIZE PICKUP TRUCK TRENDS



% of Total Industry Sales

