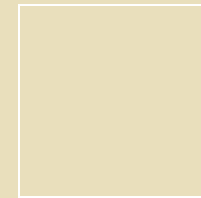


Will Autos Lead the Recovery?

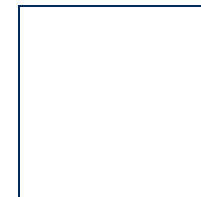
The View from a Backseat Driver



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Charlotte Economics Club
November 12, 2009



Disclaimer:

- The views and opinions expressed in the following presentation are those of the speaker.
- They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.

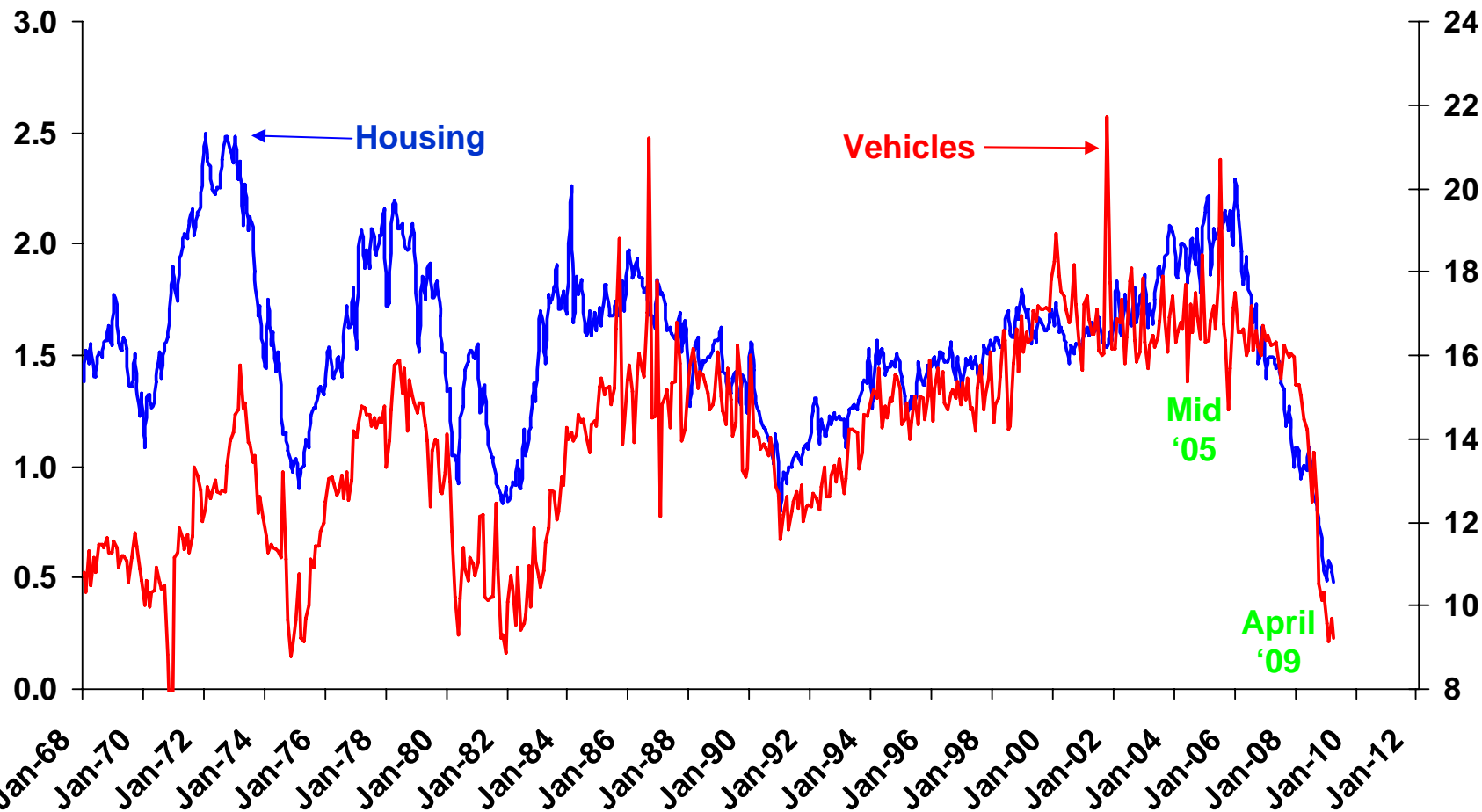


Housing and Autos: The Epi-Center of Recession?

Millions of Units

Housing Starts

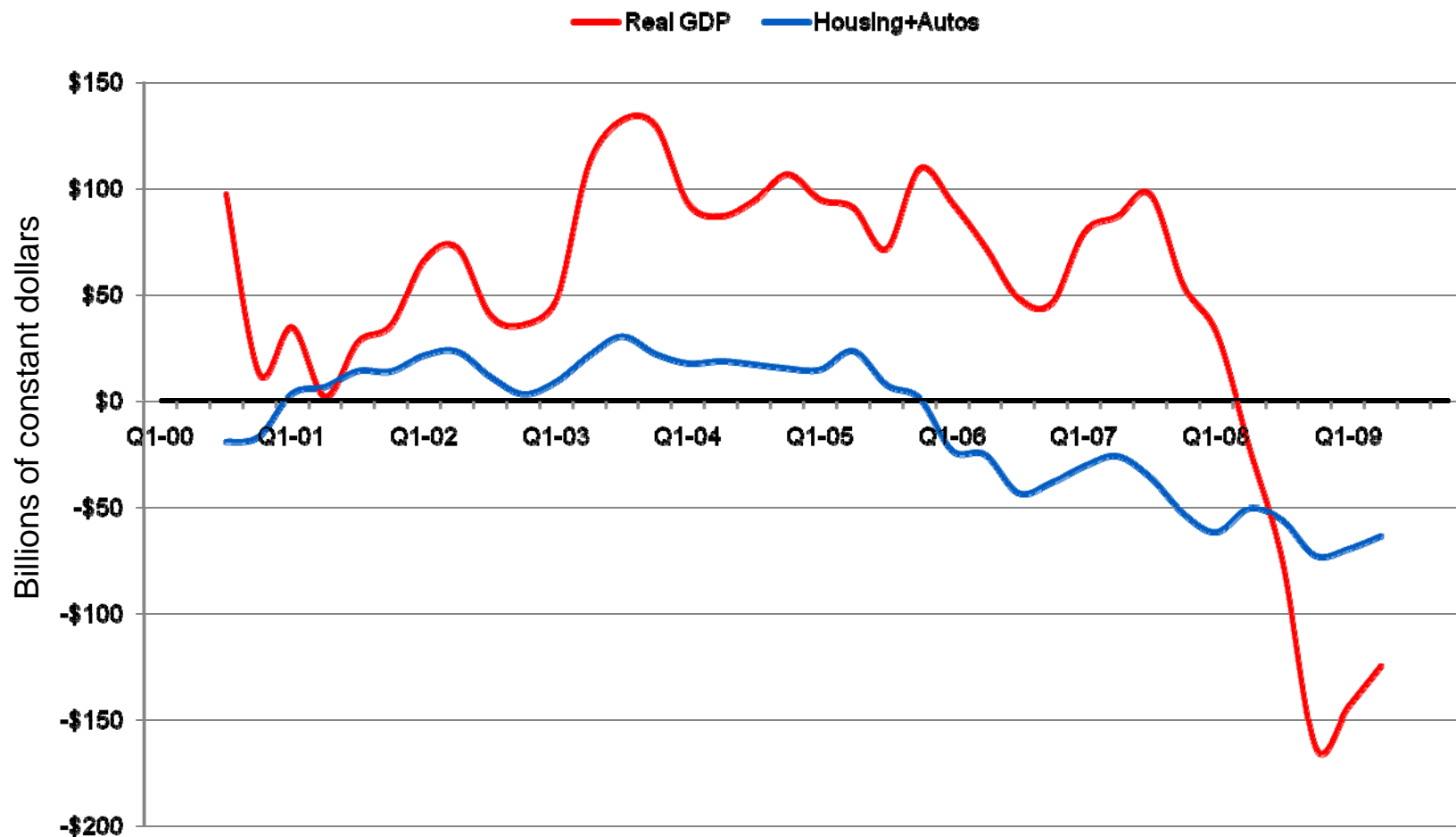
Vehicle Sales



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Change in GDP: Contribution of Autos and Housing (Housing and Autos Roughly 8% of Total GDP over Period)





Structure of Presentation:

Should the District Care About the Auto Industry?

What is Driving the Auto Market?

What Will the Auto Recovery Look Like?

Summary and Q/A



© 07 WILSON @ GM



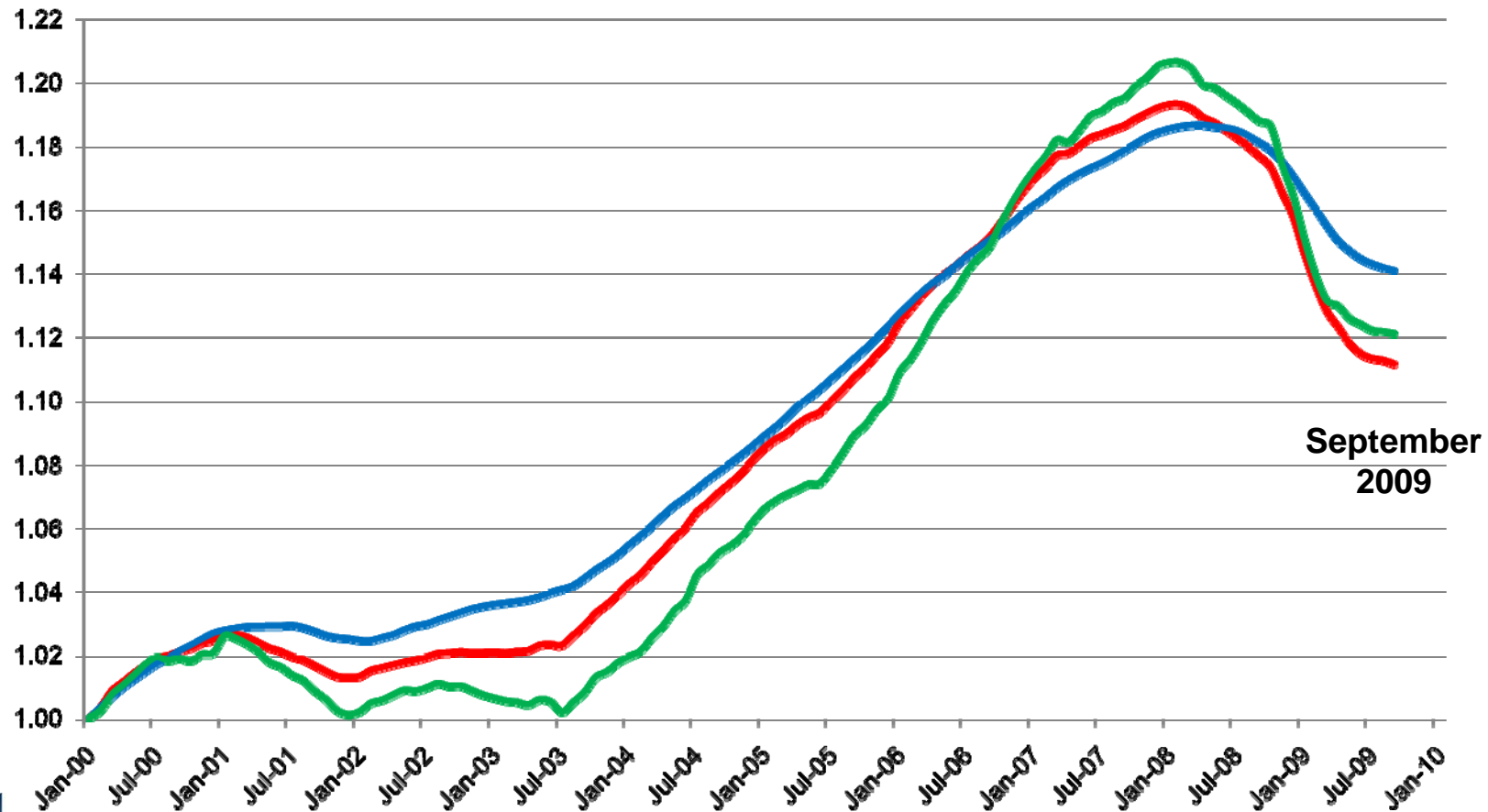
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Current State of Economy—U.S. vs. District (Coincident Index: 2000 = 1.0)

—5E —US —NC

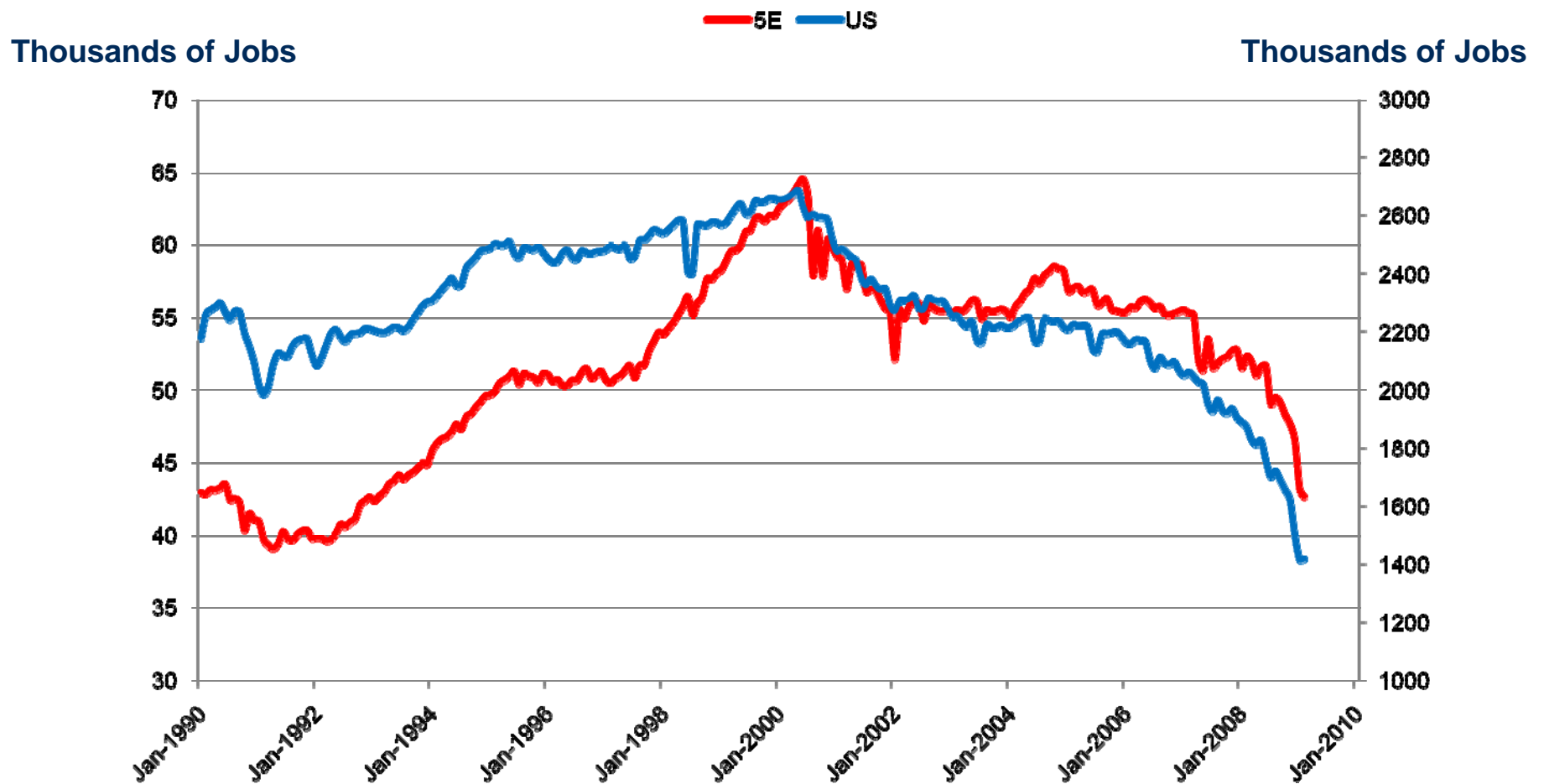


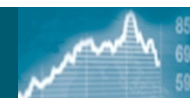
September
2009



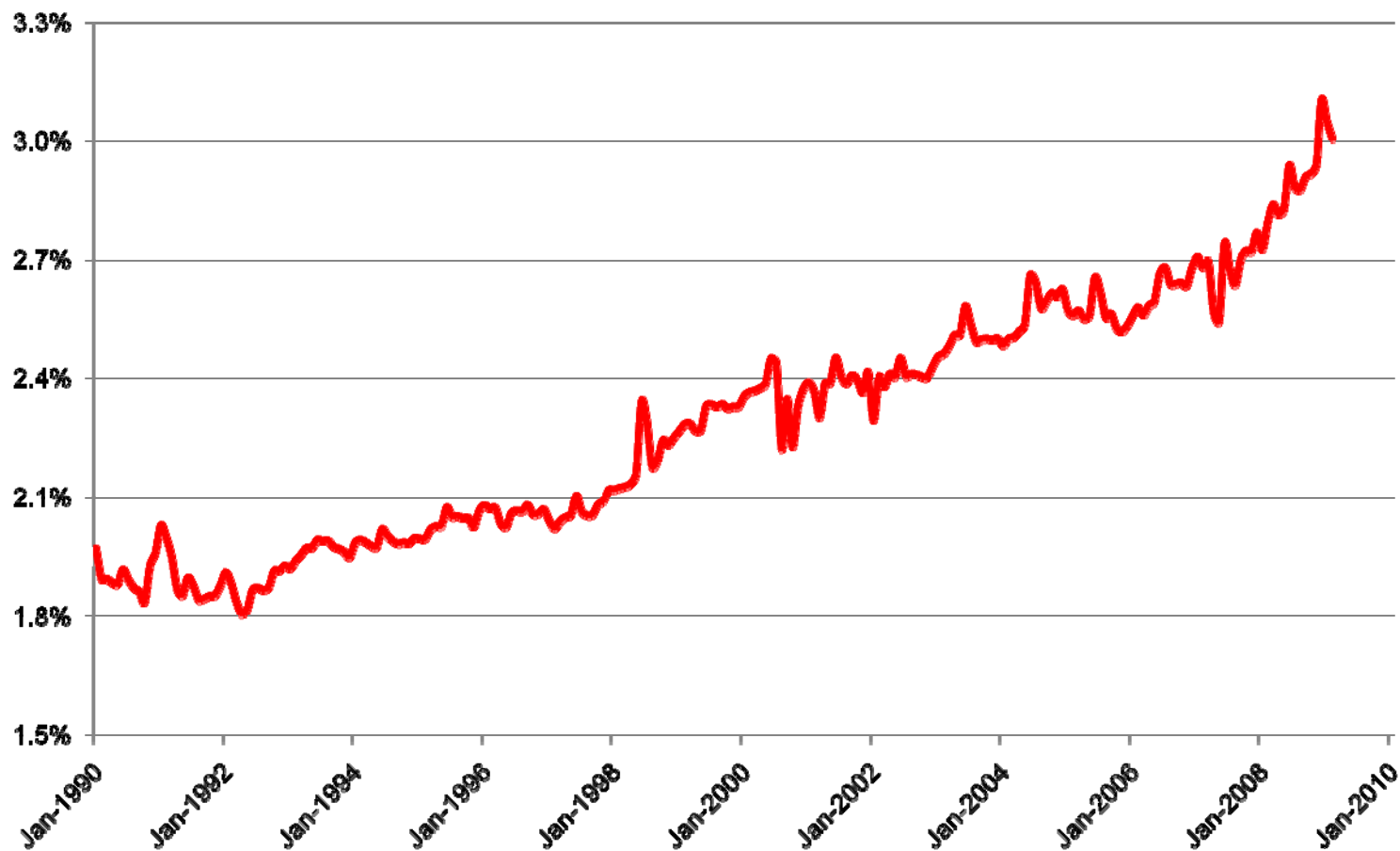


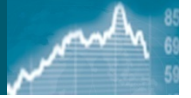
Motor Vehicle and Parts Employment: U.S. vs. District



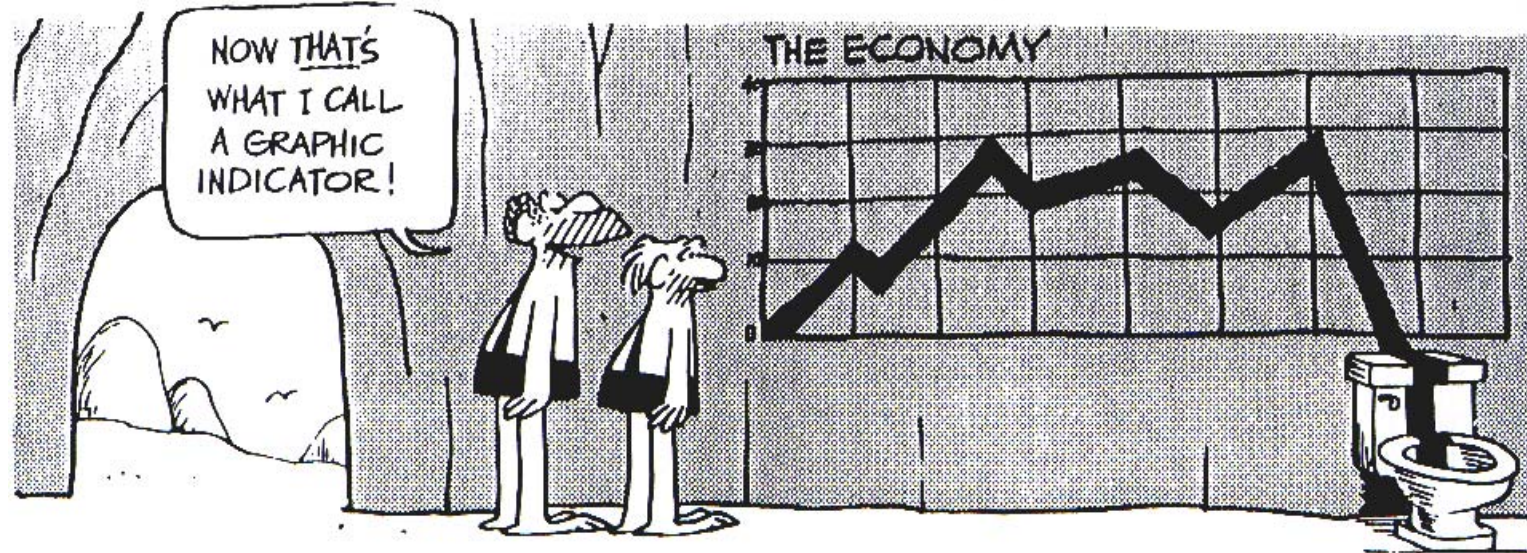


Employment Share: Motor Vehicle and Parts (District Share of Total Industry)





What Caused the Auto Market Slump?

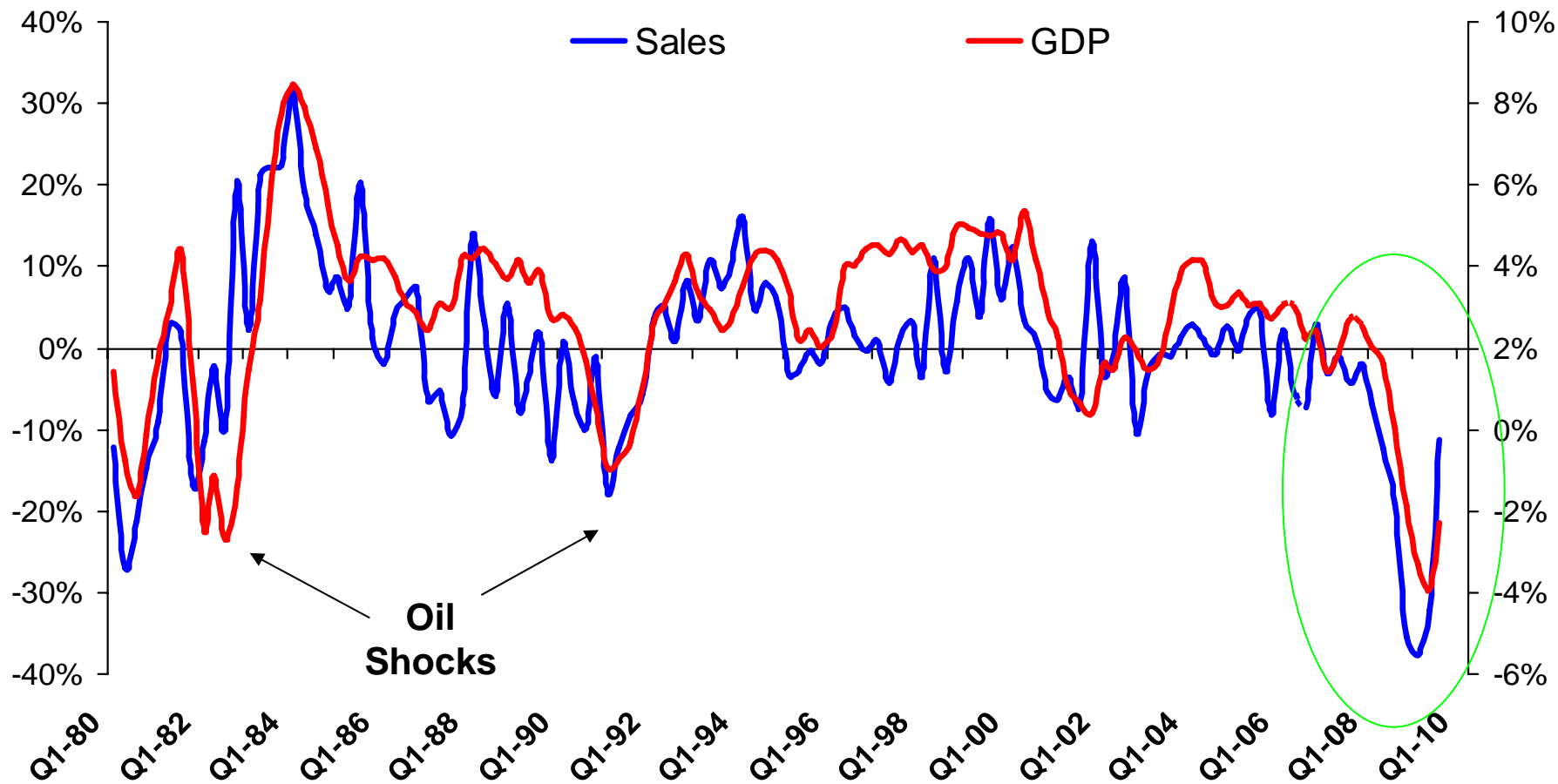




Sales and Economic Growth

Sales Growth (Y/Y)

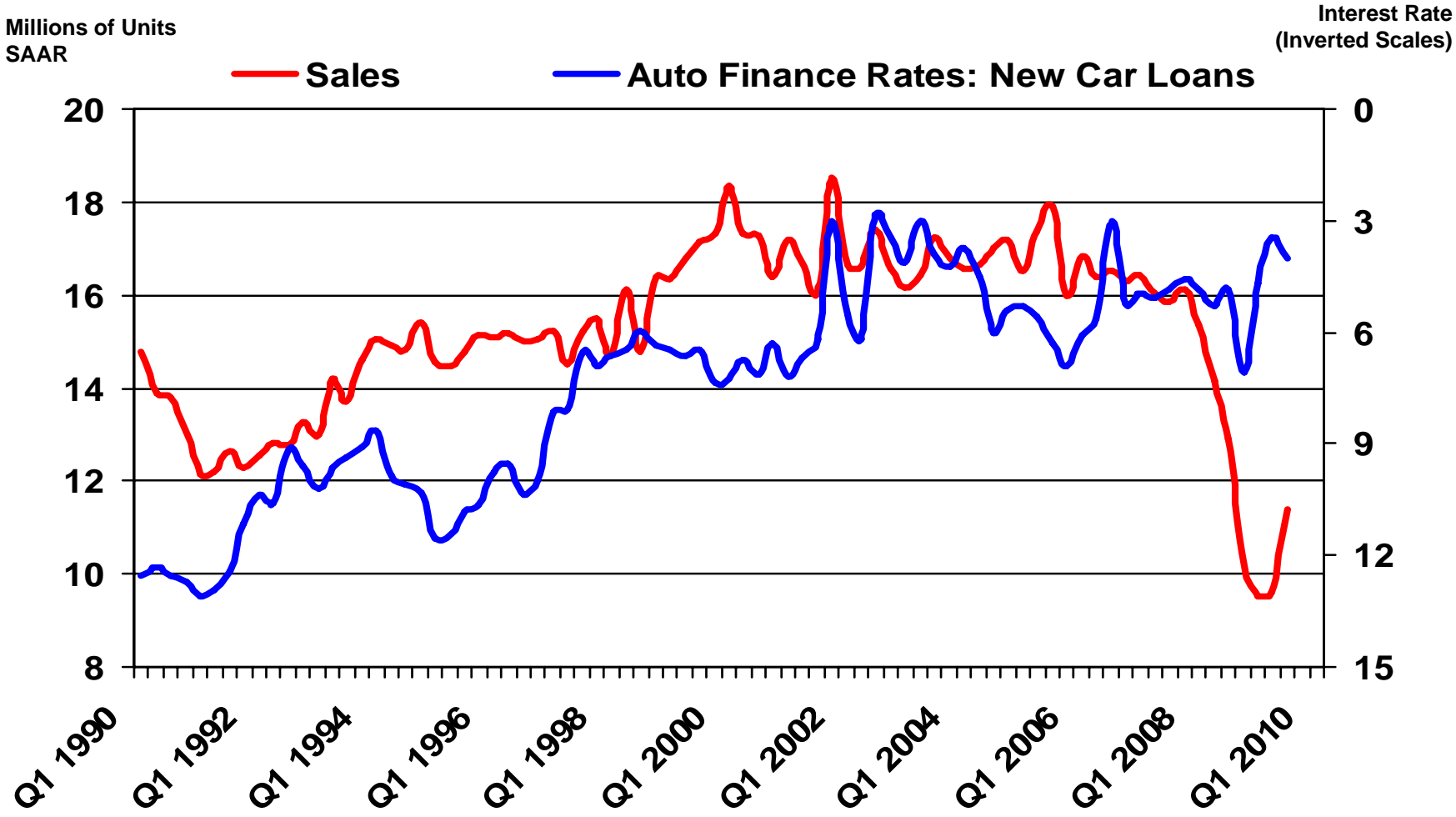
GDP Growth (Y/Y)



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Auto Loan Rate and Sales



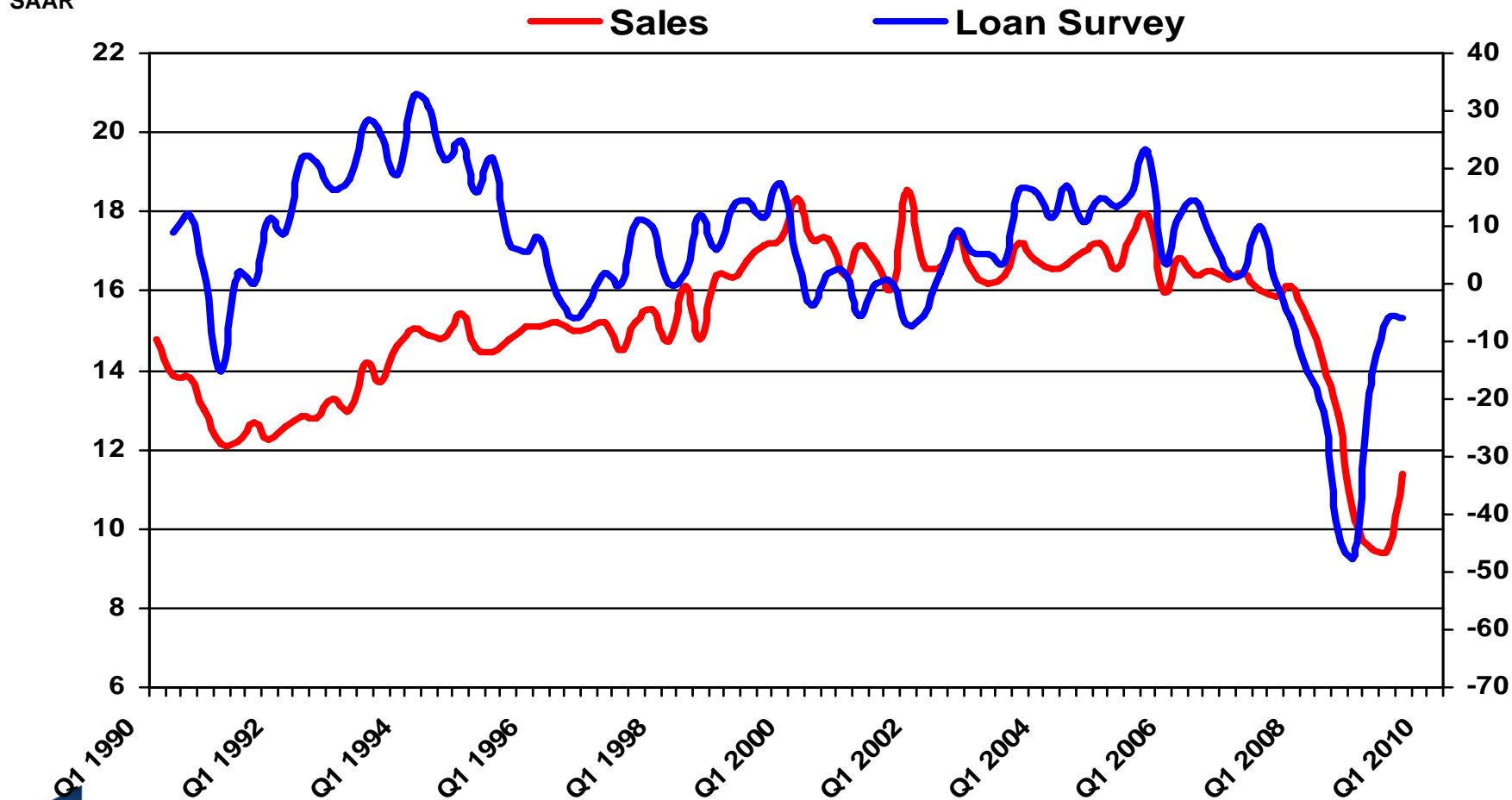


Senior Loan Officer Survey: Households

Net percentage reporting willingness to make installment loans

Millions of Units
SAAR

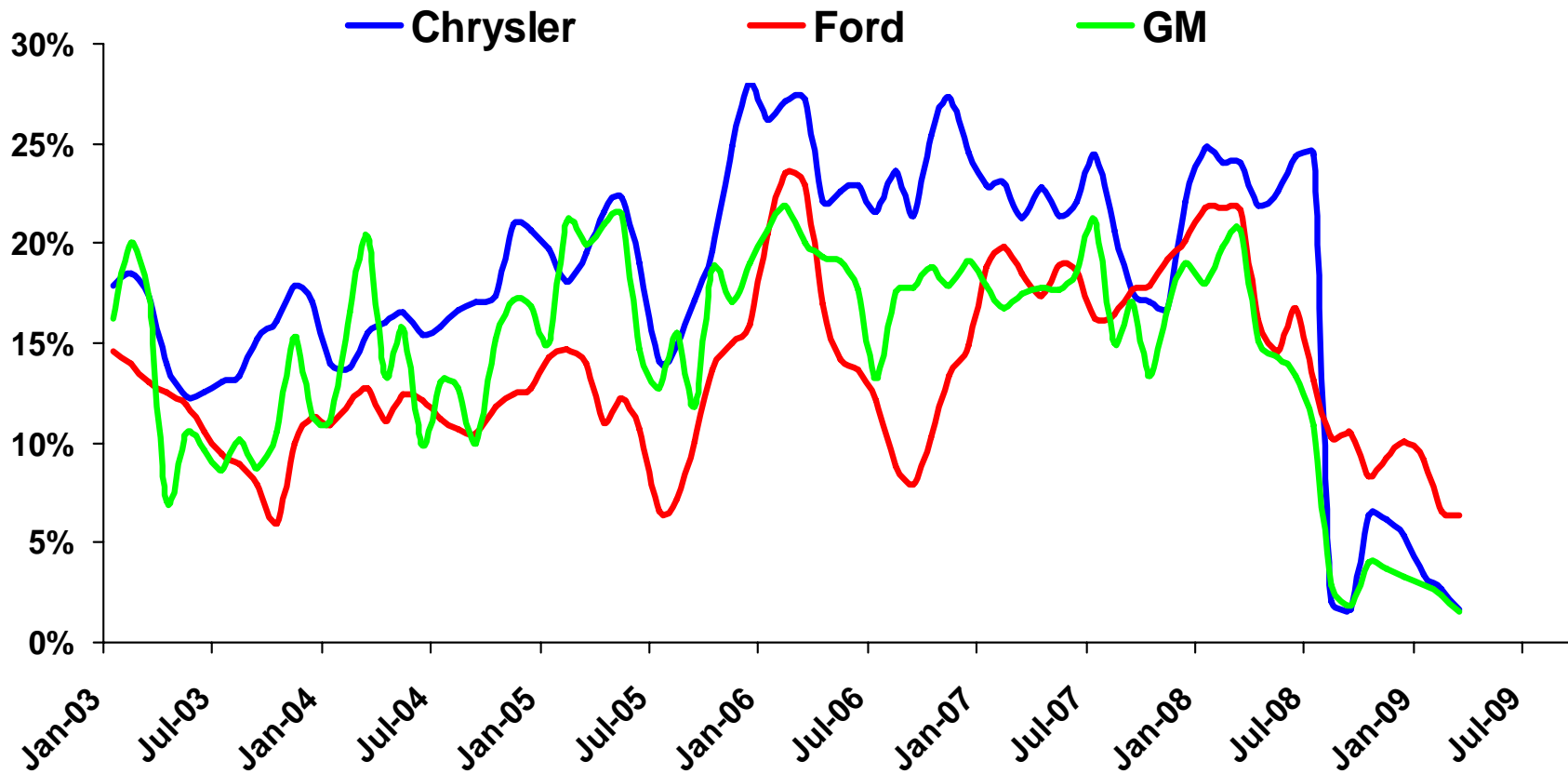
Net Percent



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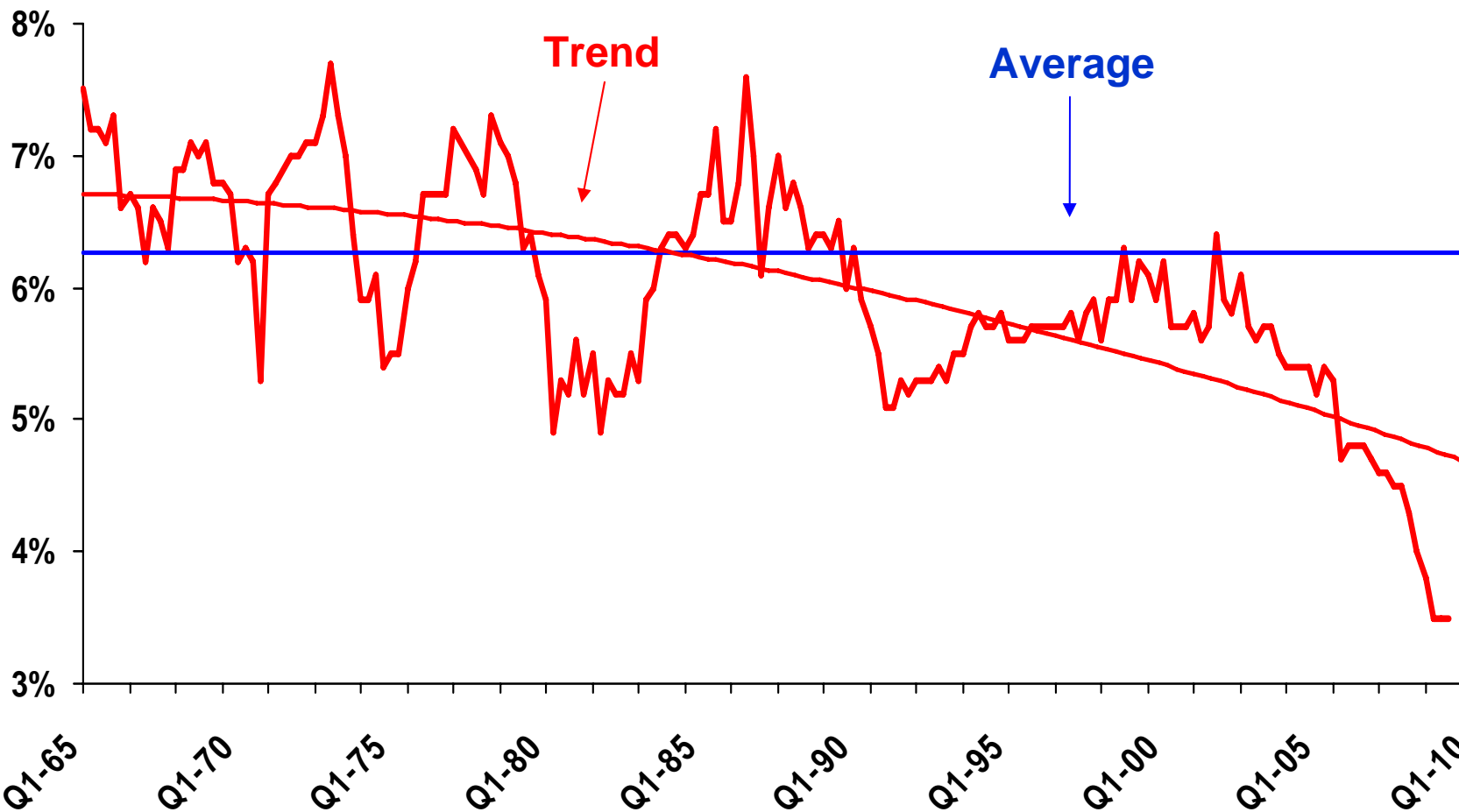


Leasing Share to Total Sales of Automakers





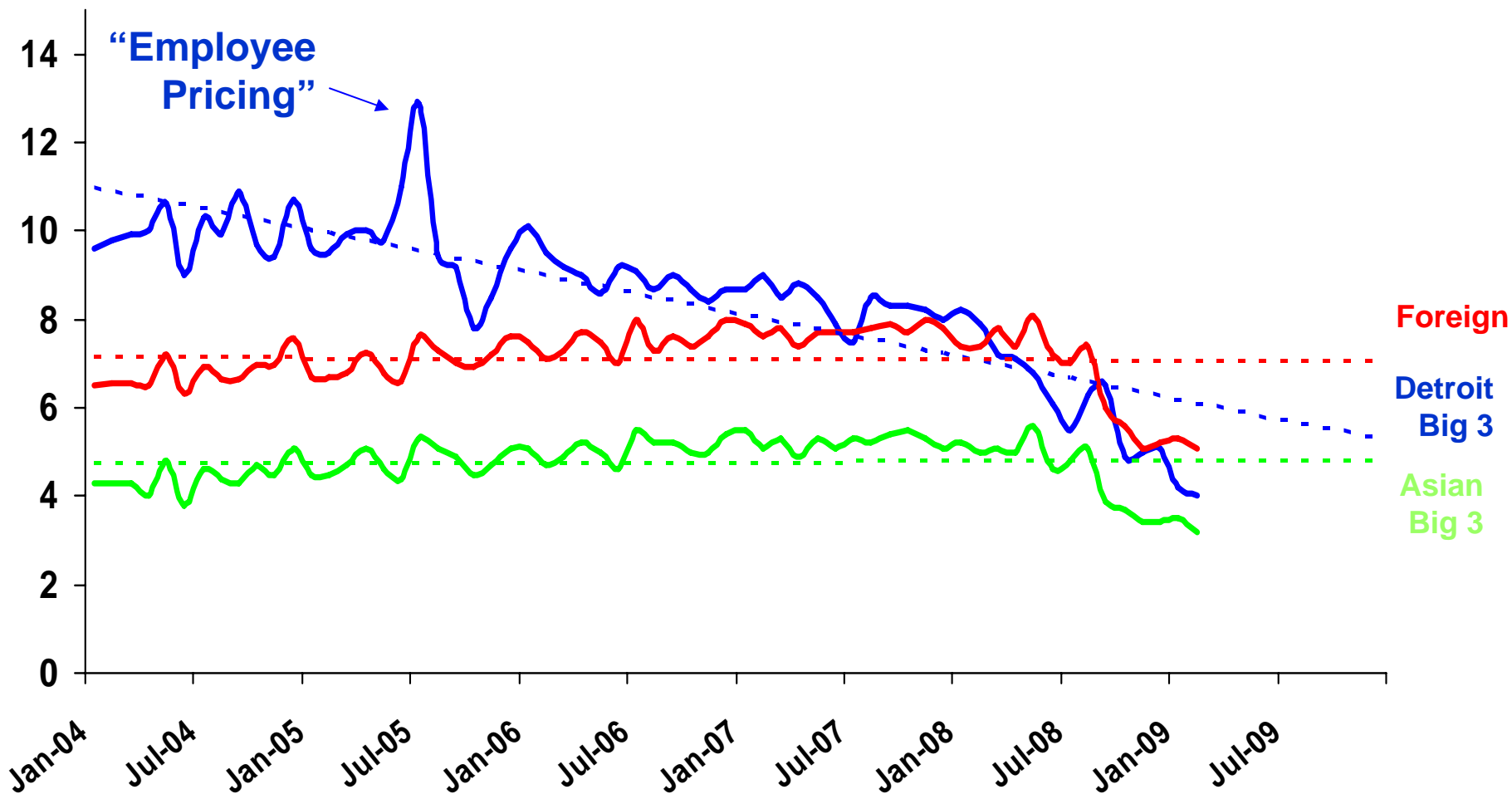
Auto Share of Consumer Expenditures (Nominal \$)





Domestic vs. Foreign Brands

Millions of Units, SAAR

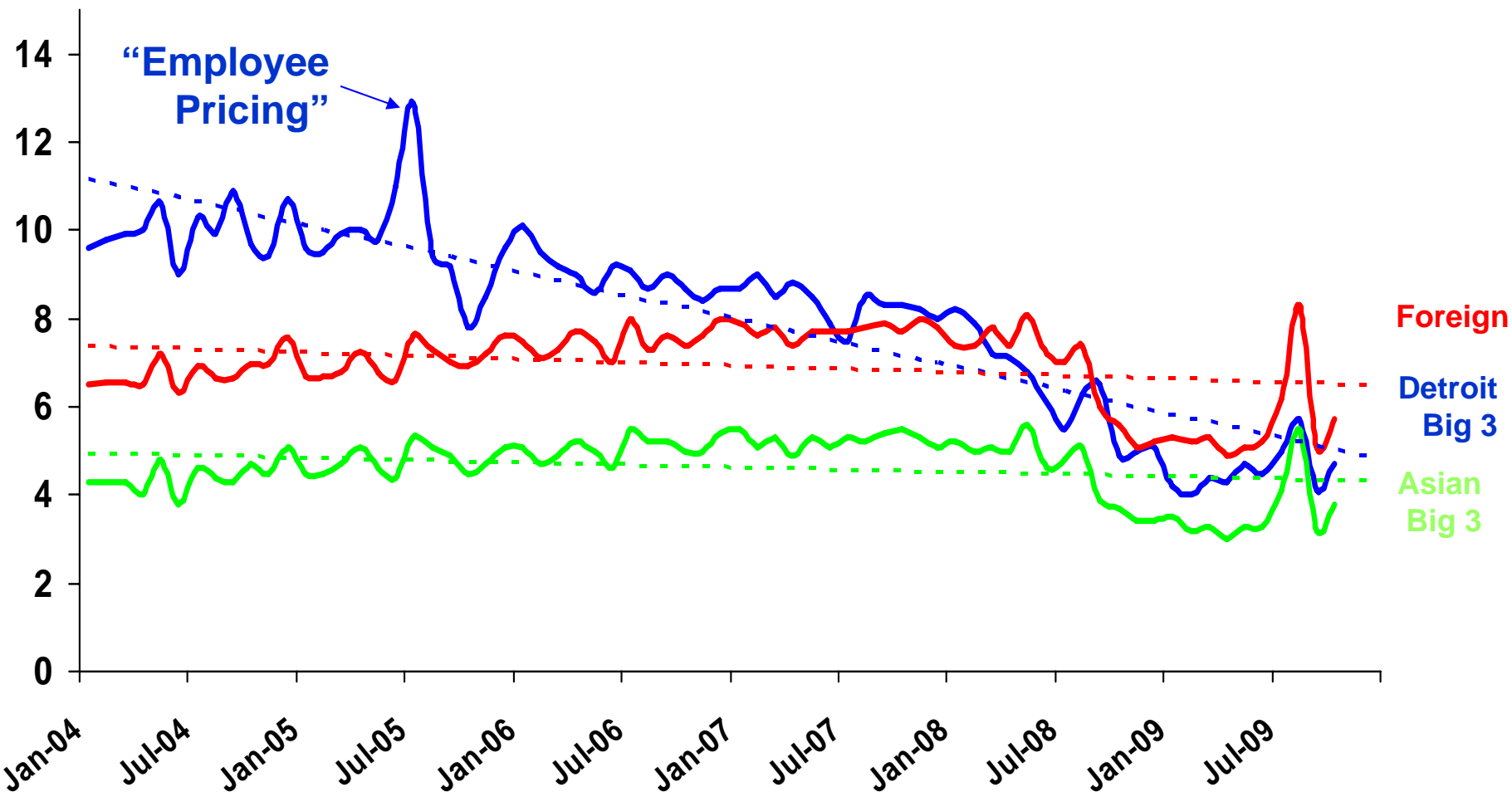


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Domestic vs. Foreign Brands

Millions of Units, SAAR

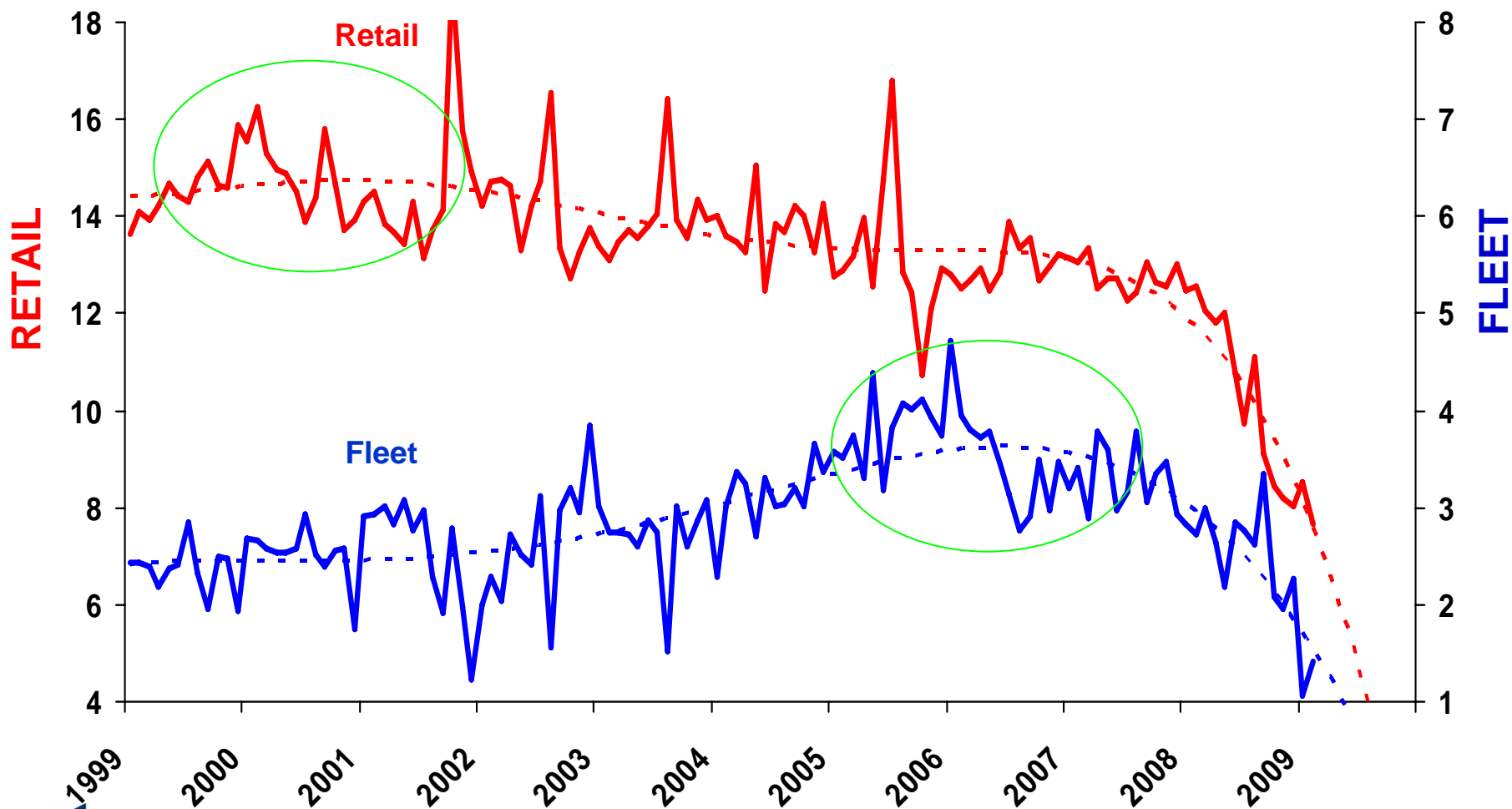


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Retail vs. Fleet Sales

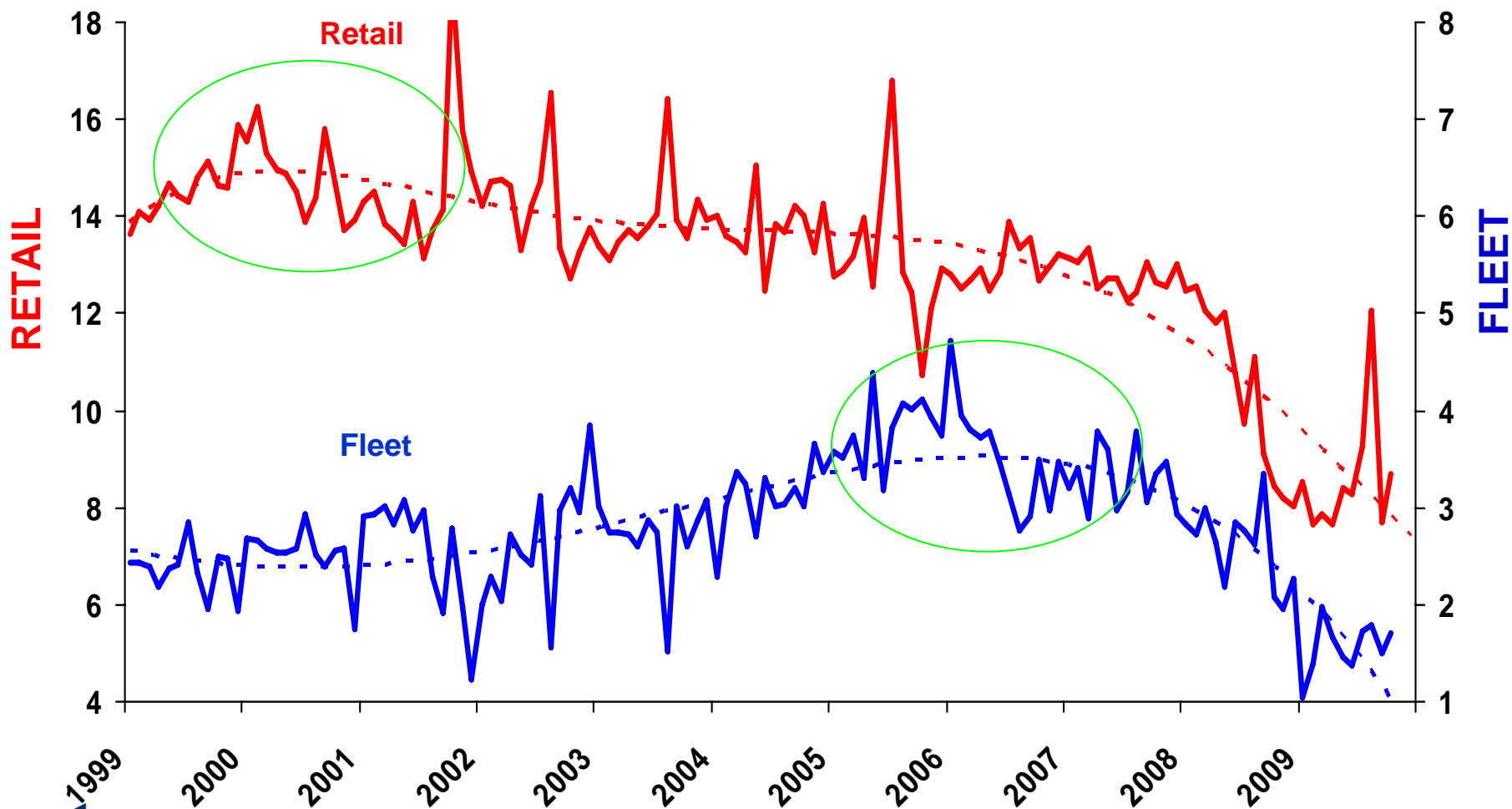
Millions of Units (SAAR)





Retail vs. Fleet Sales

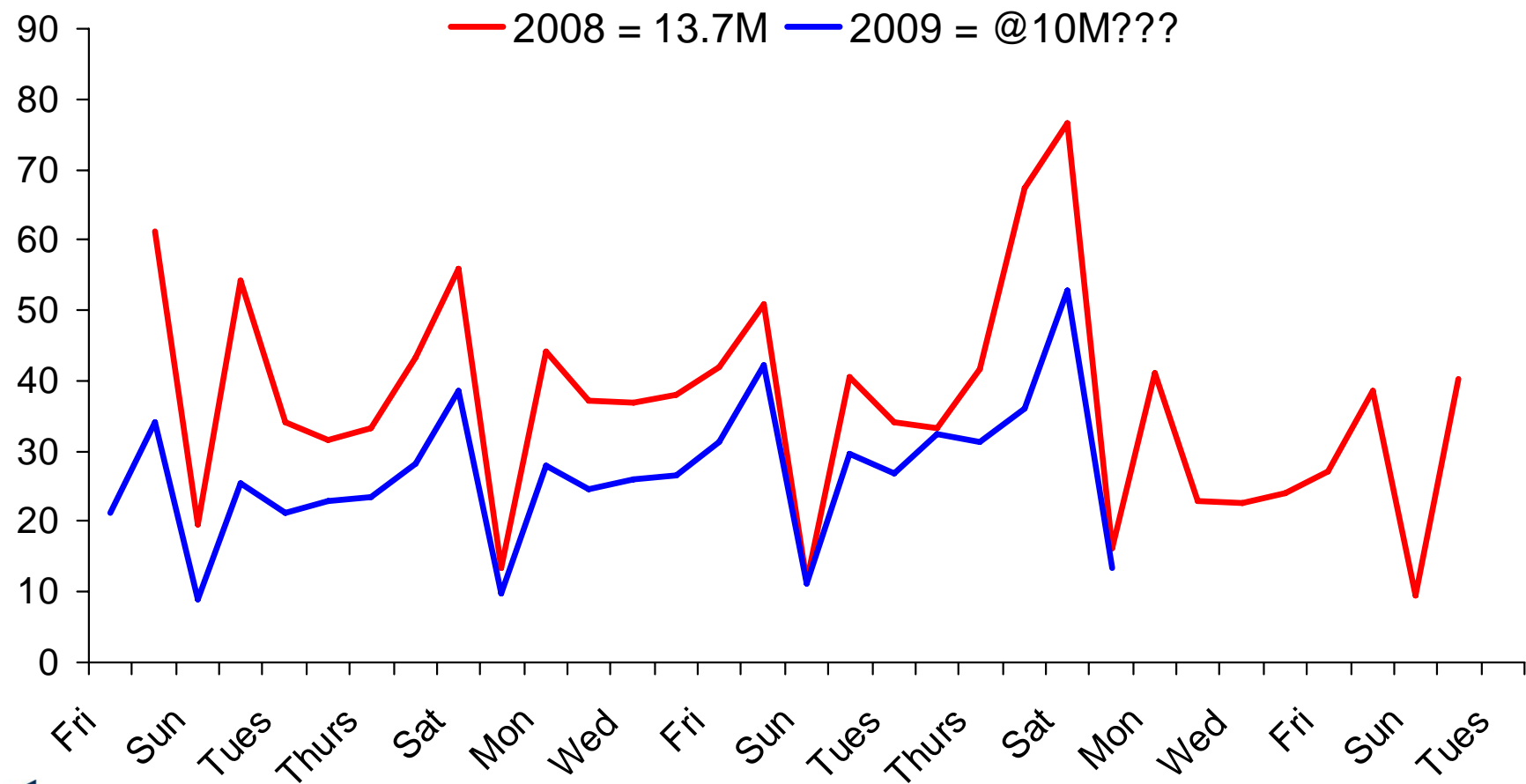
Millions of Units (SAAR)





Cash for Clunkers: Daily Sales Pattern in August

Thousands of units



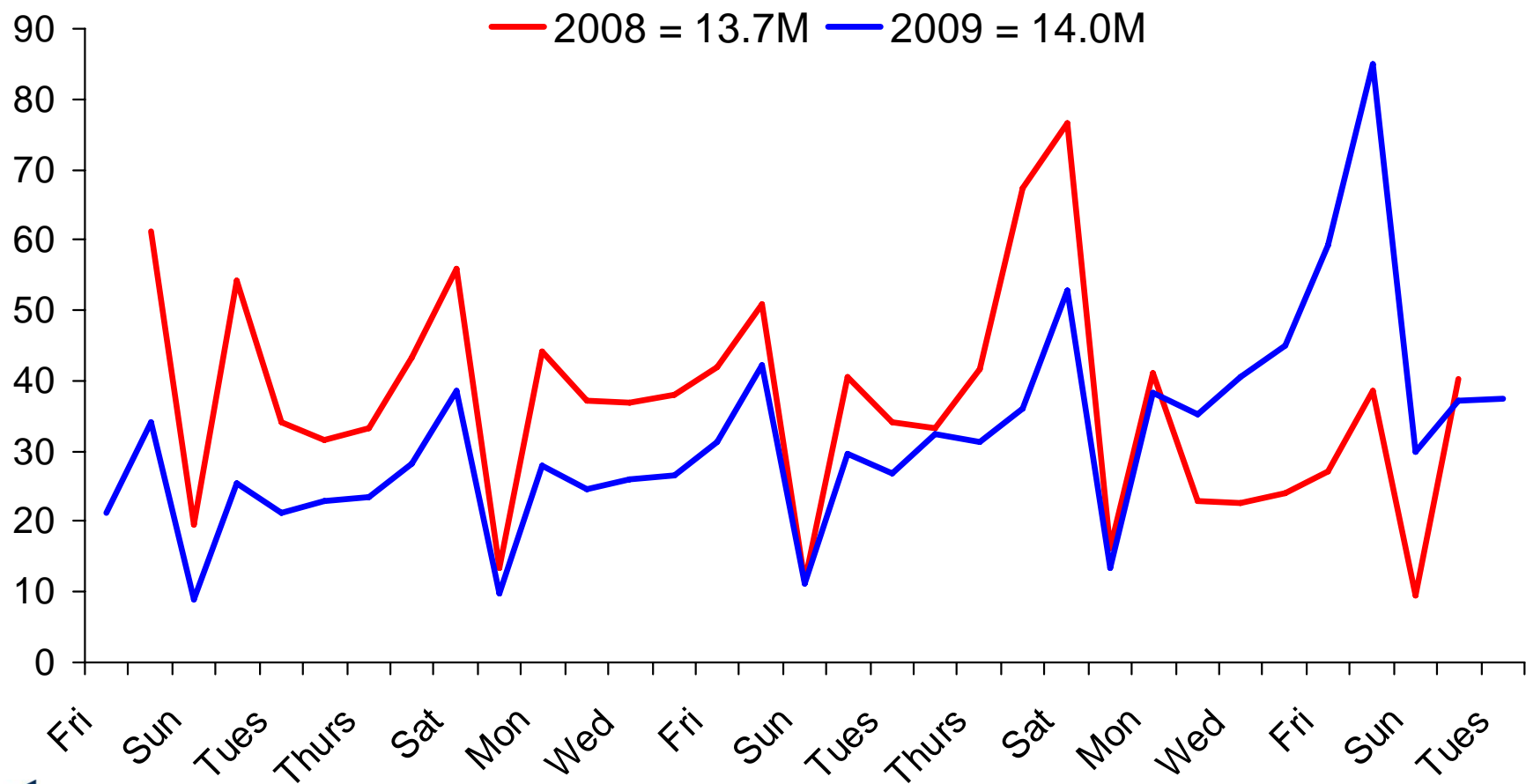
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Cash for Clunkers: Daily Sales Pattern in August

Thousands of units





So, Consumers can't:

- Lease—automakers can't afford impact on residuals.
- Borrow—banks will only lend to “best” customers.
- Pay cash—more and more have lost their jobs.
- Afford—decline in leasing is raising transaction prices.

Is it any surprise that the market has slumped?





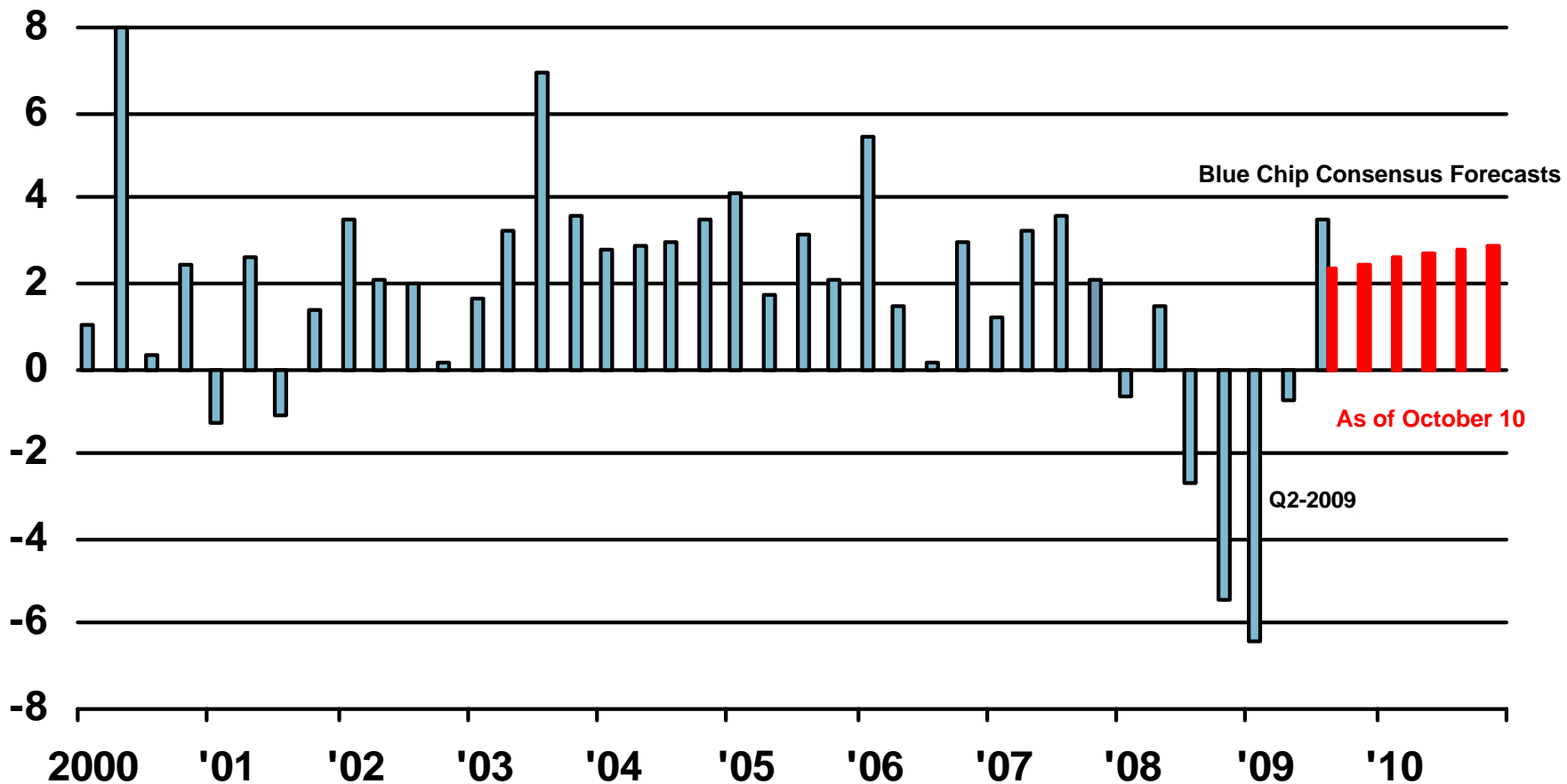
The Automotive Outlook: 2009 and Beyond

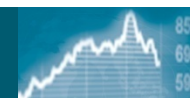




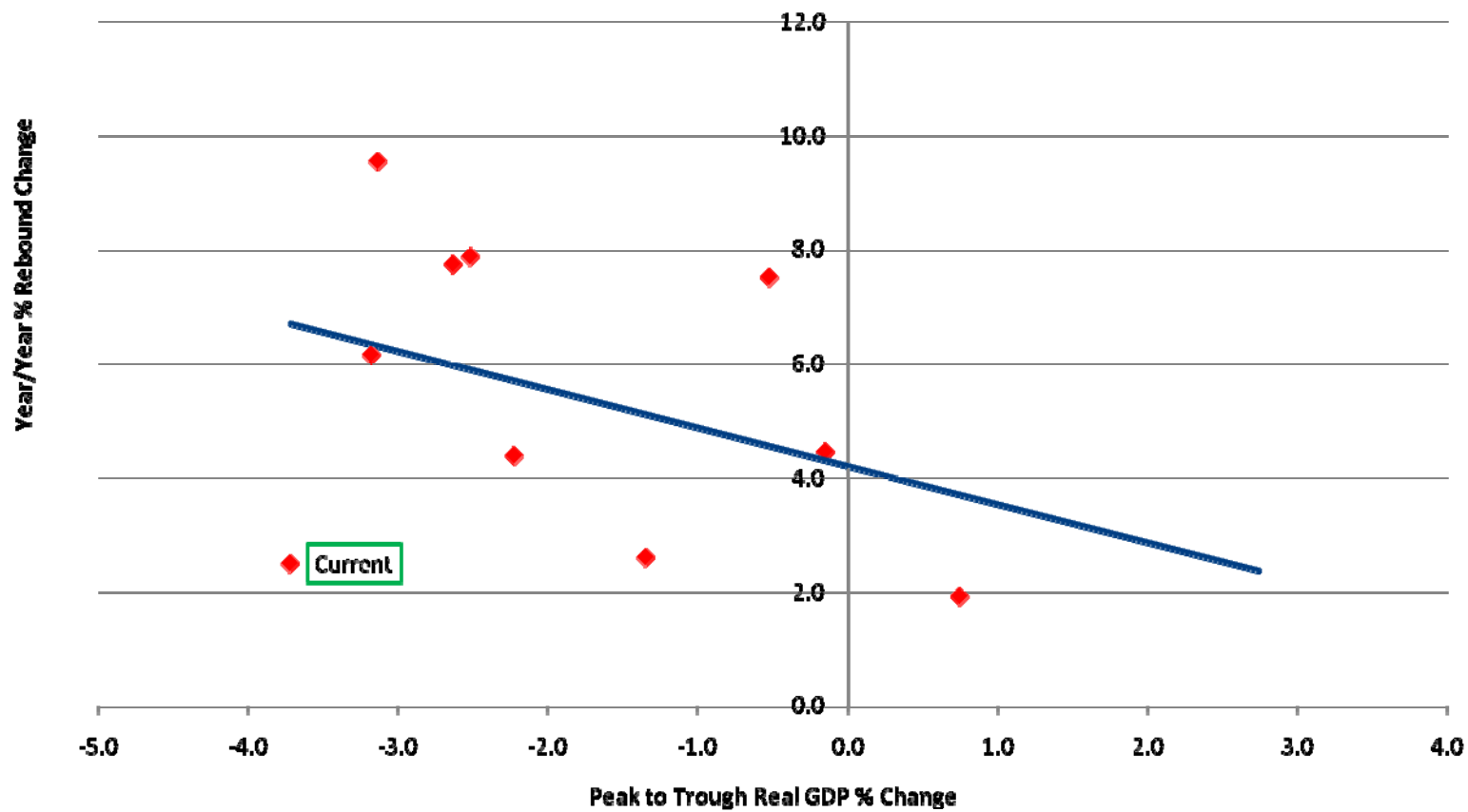
Real GDP Growth

(percent change, annual rate)





GDP: Decline and Recovery



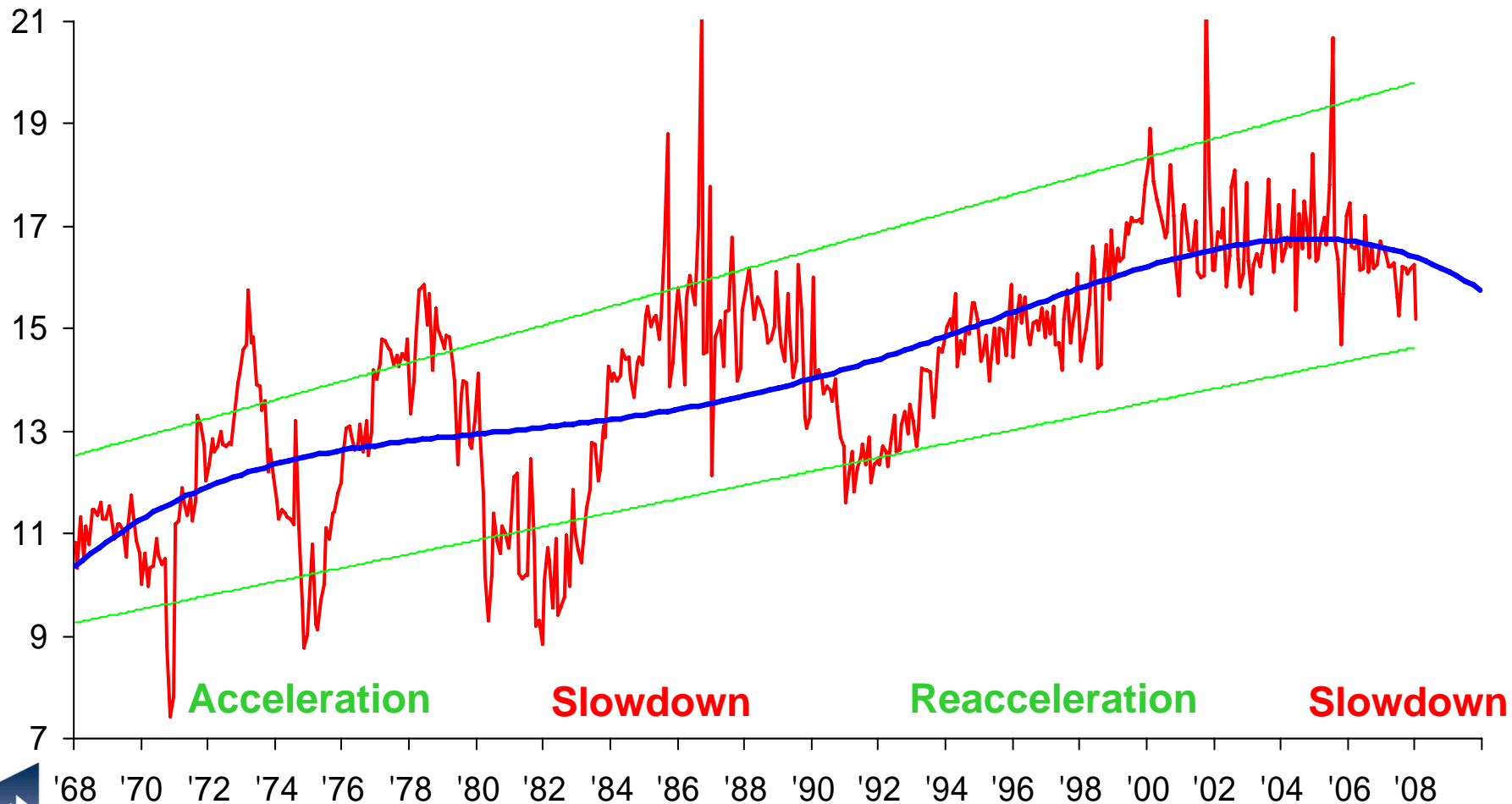


Light Vehicle Market in Historical Perspective

Millions of Units

Period of Volatile Sales and Stable Pricing

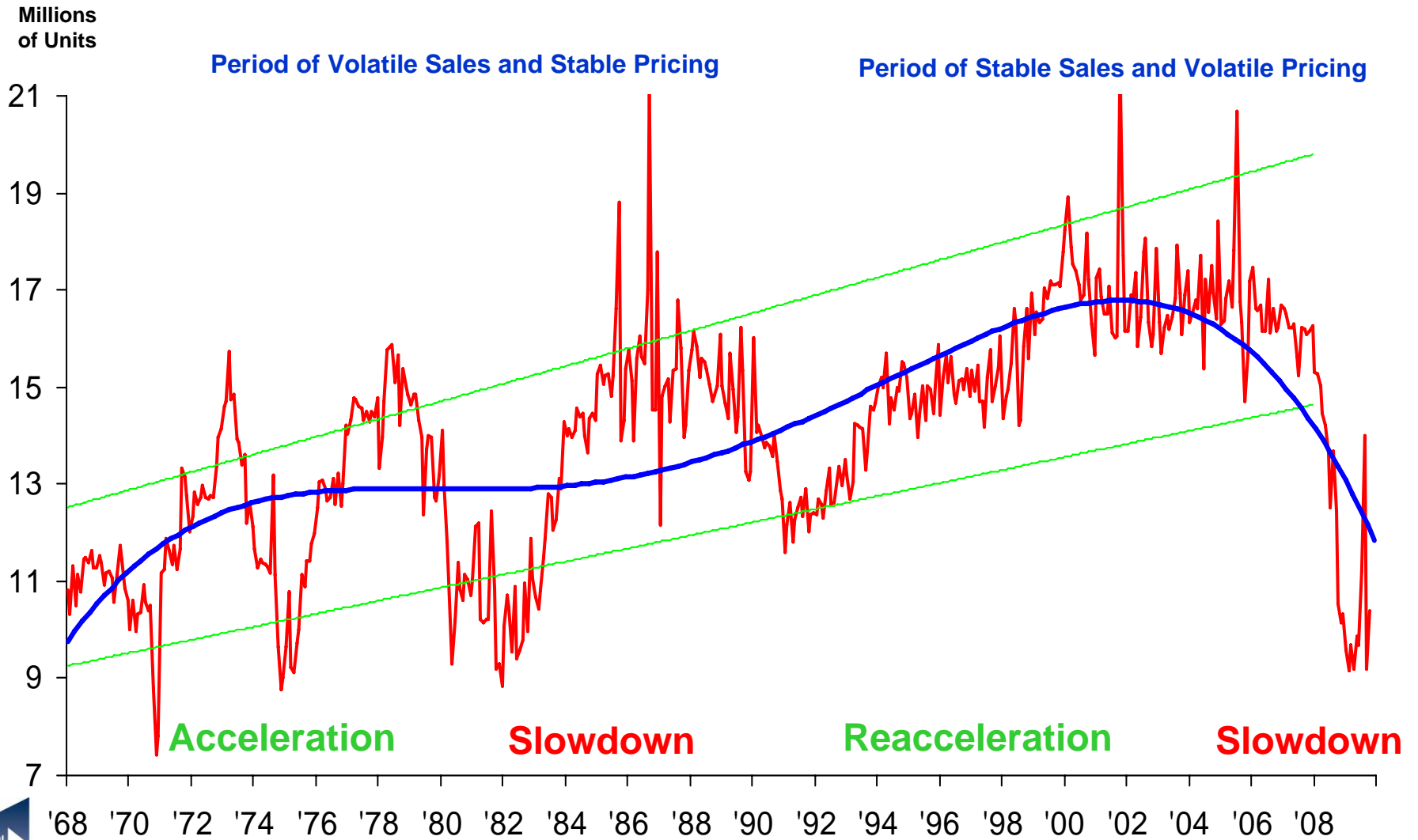
Period of Stable Sales and Volatile Pricing



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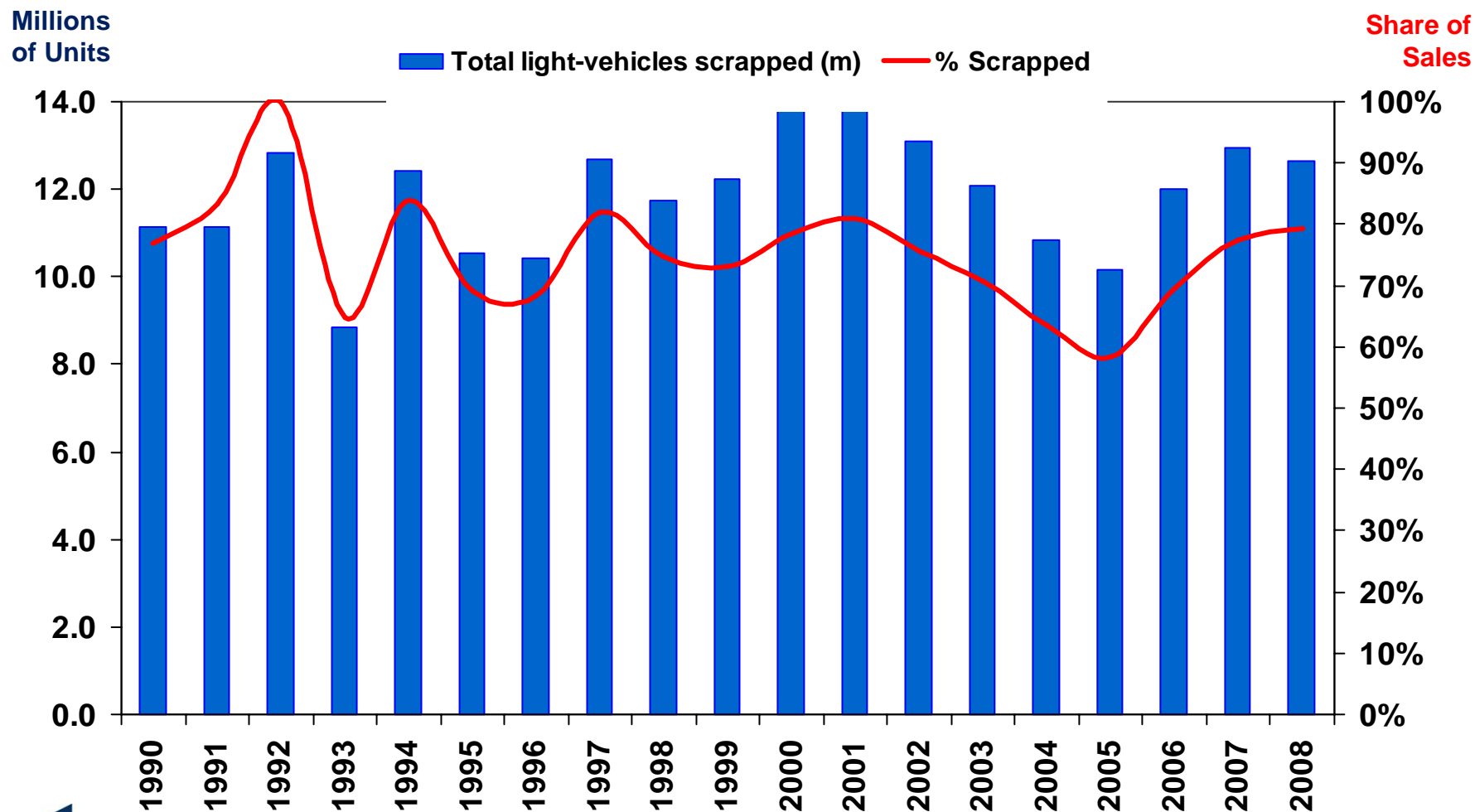


Light Vehicle Market in Historical Perspective



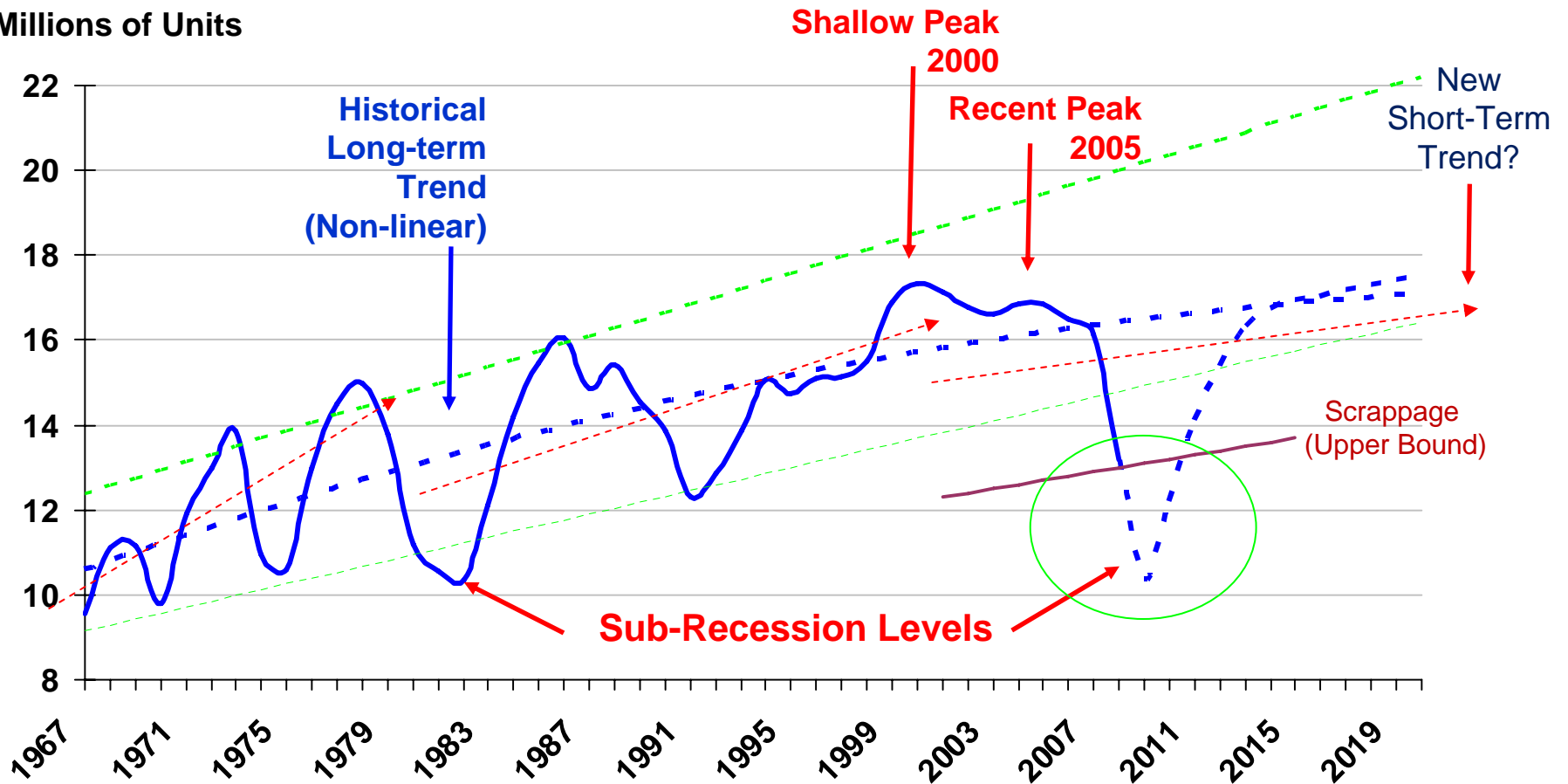


Scrappage: Level and Share to Total Sales



Sales Forecast in Long-Term Perspective

Millions of Units





Key Takeaways:

- The District recession is clearly moderating and may be already be in a recovery phase.
- The District has an emerging competitive advantage in automotive sector employment.
- The automotive sector is already experiencing a sharp rebound. But, is it sustainable?
- If consumers can't lease, borrow, or get favorable pricing, they will not buy—all of which depends of automakers getting financing, too!
- However, if credit market's ease, consumers could push vehicle (and housing) sales, and the economic recovery could rebound sharply!





Thank You ! ! !

**Questions and
Comments?**



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