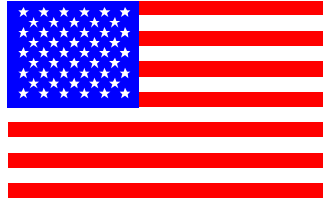


**Motor Vehicle Outlook  
FTA Revenue Estimating Conference  
Minneapolis, Minnesota  
September 24, 2001**



**Mark Haas, Director  
Office of Revenue and Tax Analysis  
Department of Treasury  
State of Michigan**



**U.S Auto Industry  
Put 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)
- Auto purchases more volatile than business cycle



## U. S. Automotive Outlook

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

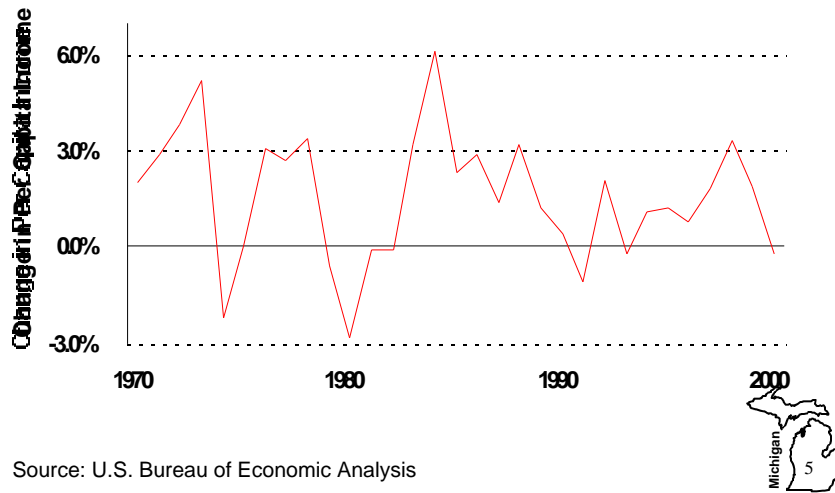


## Factors Affecting Auto Sales Ability to Buy

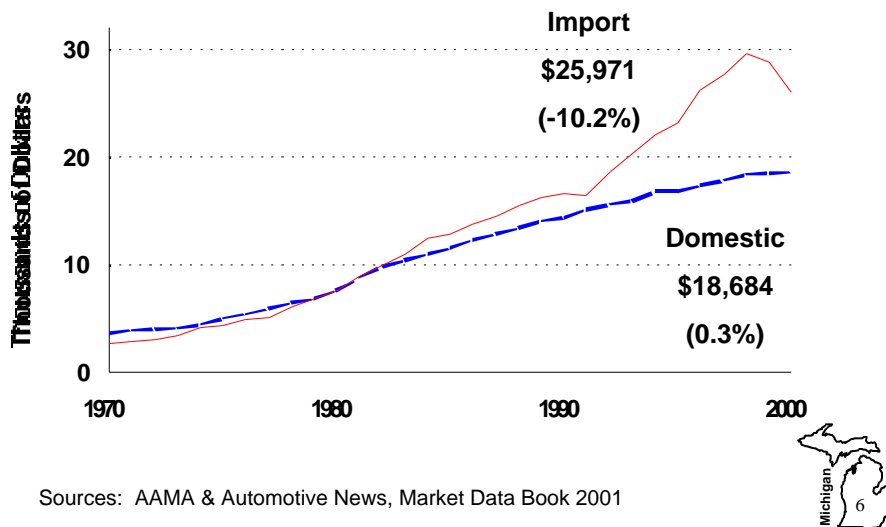
	<u>2000</u>	<u>2001</u>
Disposable Income	Green	Red
Vehicle Prices	Green	Green
Interest Rates	Green	Green
Affordability	Green	Green
Debt	Yellow	Red



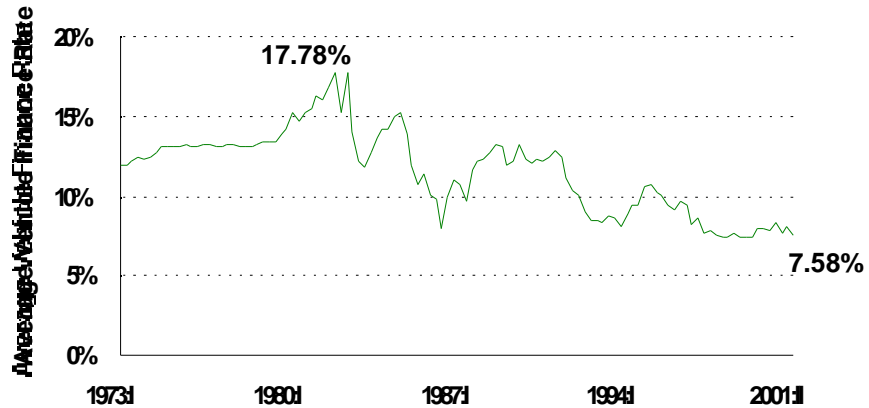
## Real Disposable Income Growth



## Import Car Prices Falling



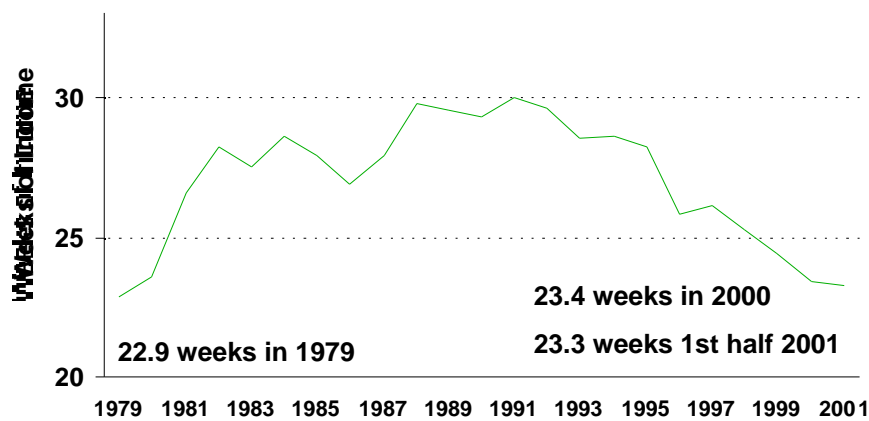
## Low Interest Rates Help Sales



Source: Comerica Bank



## Best Affordability Since 1980

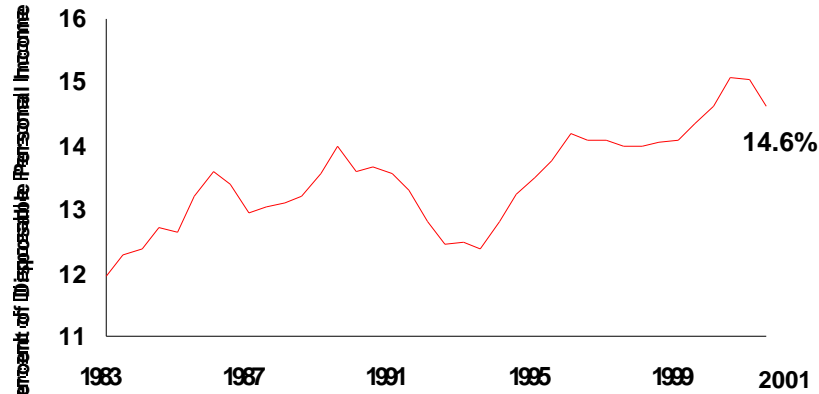


Source: Comerica Bank Economics Department



# Consumer Debt Payments

## Installment, Mortgage & Auto Leases



Source: Michigan Department of Treasury



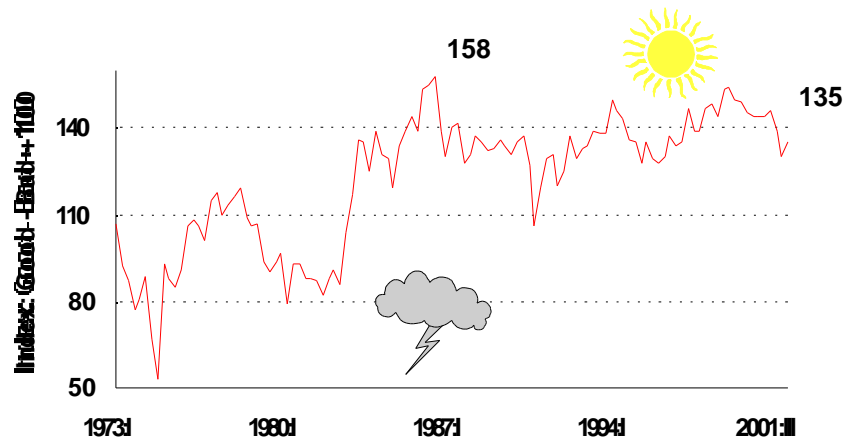
# Factors Affecting Auto Sales

## Willingness to Buy

	<u>2000</u>	<u>2001</u>
Consumer Attitudes	Green	Yellow
Unemployment Claims	Green	Red
Age of Vehicle	Yellow	Yellow
Demographics & Tastes	Green	Yellow
Oil Prices	Yellow	Yellow
Stock Market	Yellow	Red



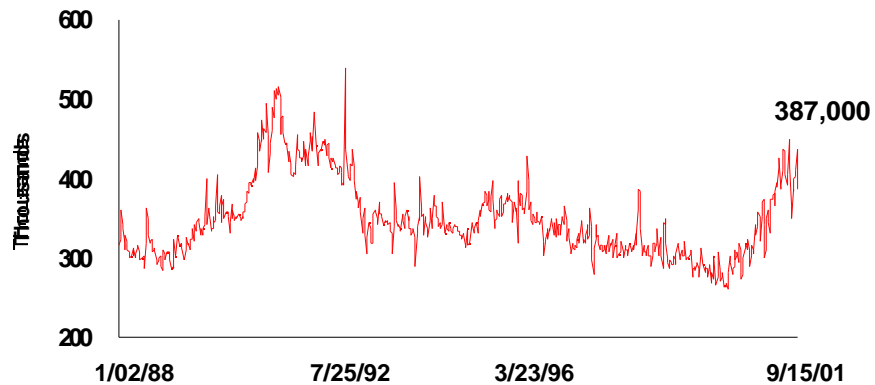
# Consumer Car Buying Attitudes



Source: University of Michigan, Survey Research Center, September 2001



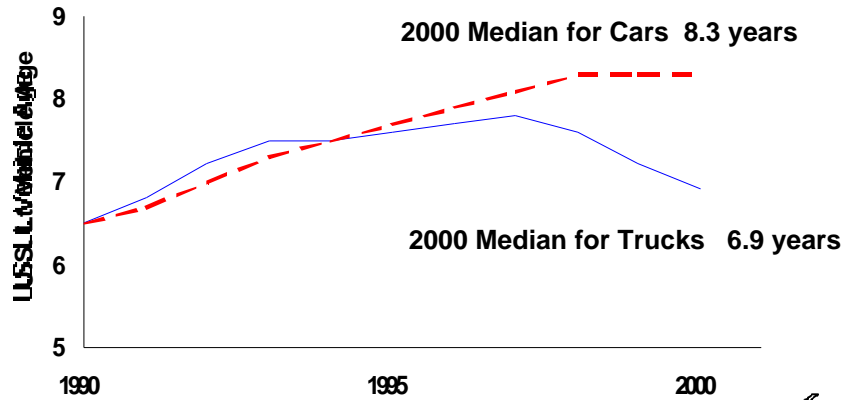
# Weekly Initial Unemployment Claims



Source: U.S. Department of Labor



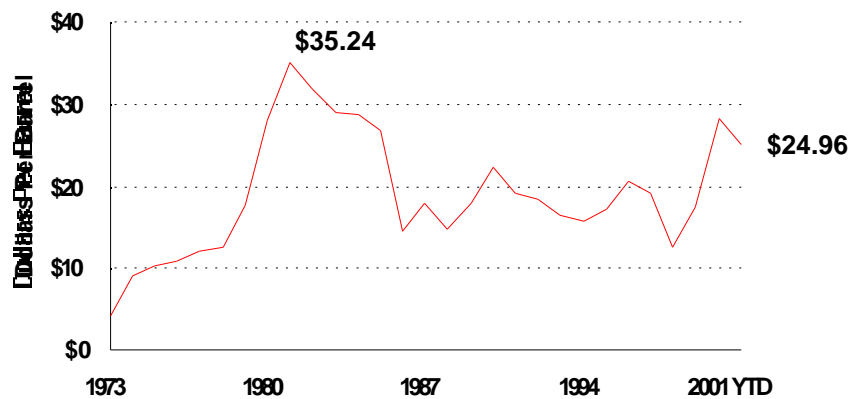
## Vehicle Age Declining



Source: Automotive News, 2001 Market Data Book



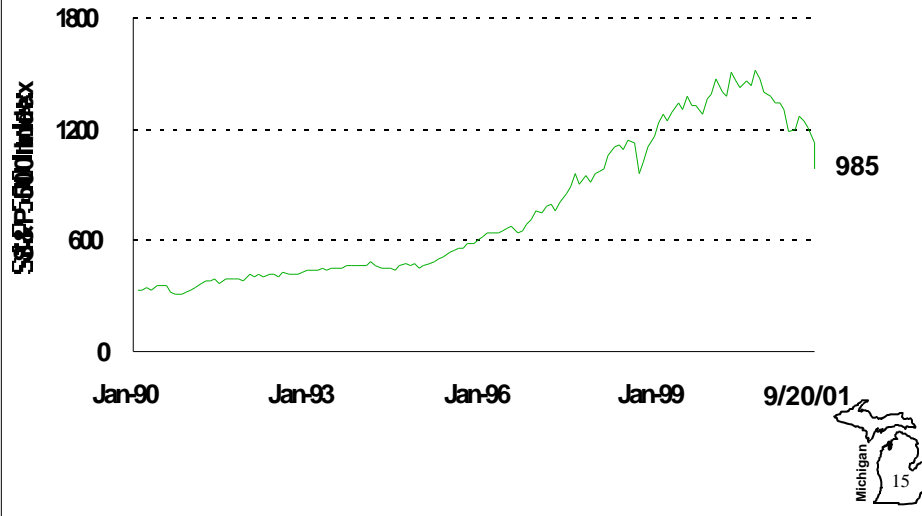
## Oil Prices Moderating



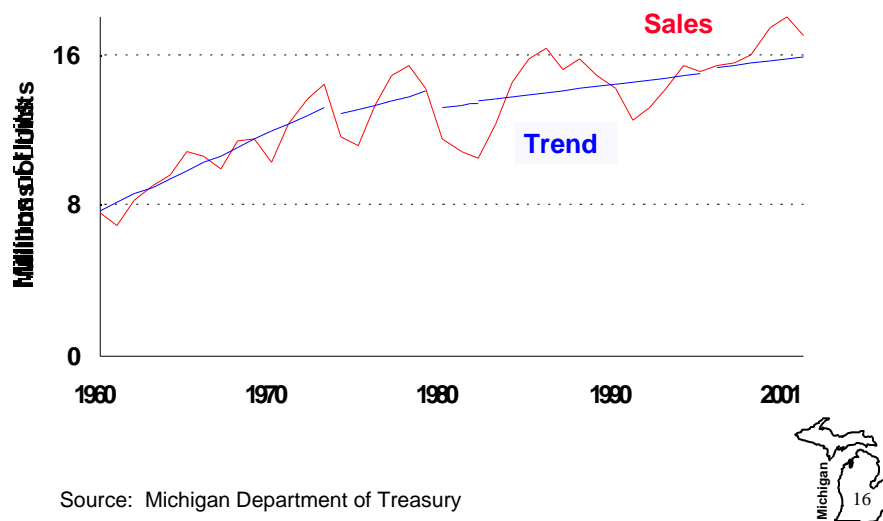
Source: Monthly Energy Review



## Stock Market Stalls



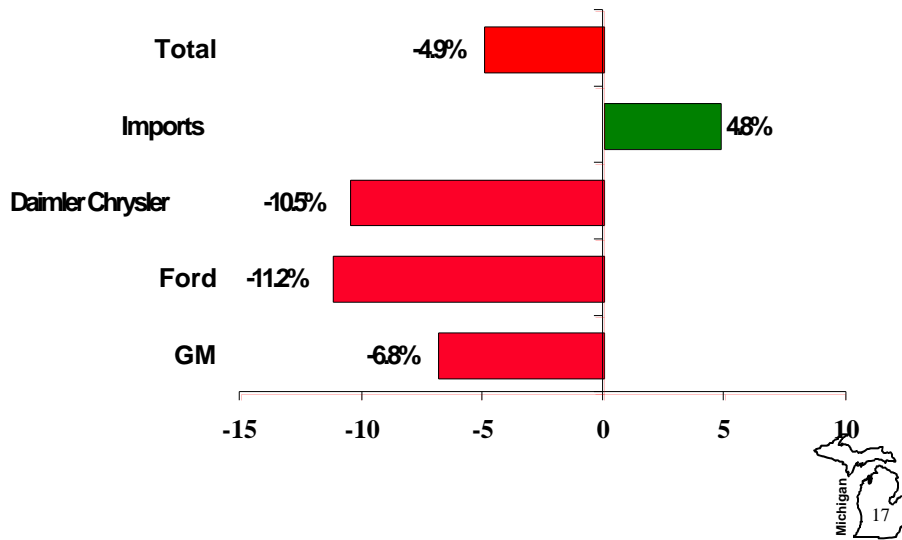
## Vehicle Sales Trend



Source: Michigan Department of Treasury



## U.S. Vehicle Sales First 8 Months of 2001

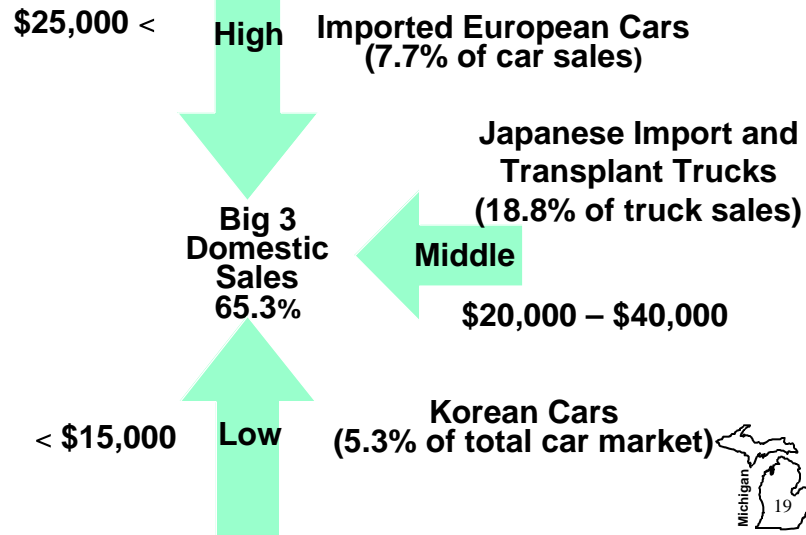


## 2000 Domestic Share of U.S. Light Vehicle Sales

	Domestic Produced	Nameplate Sales
Cars	77.2%	52.6%
Trucks	90.0%	78.5%
Total	83.5%	65.3%



# The Big Squeeze



## Sales Turndown?

- Negative wealth effect
  - Income and Job Uncertainty
  - Lower replacement demand
- but
- Record incentives for now . . .  
\$2,400/vehicle for Big 3
  - Falling interest rates . . .(but record debt)



## 2001 Forecast Accuracy

	Aug 2000 Forecast	Sept 2001
WEFA Group	15.9	N/A
Standard & Poor's DRI	16.6	16.6
Univ. of Michigan	16.1	16.4
Blue Chip	16.0	16.1

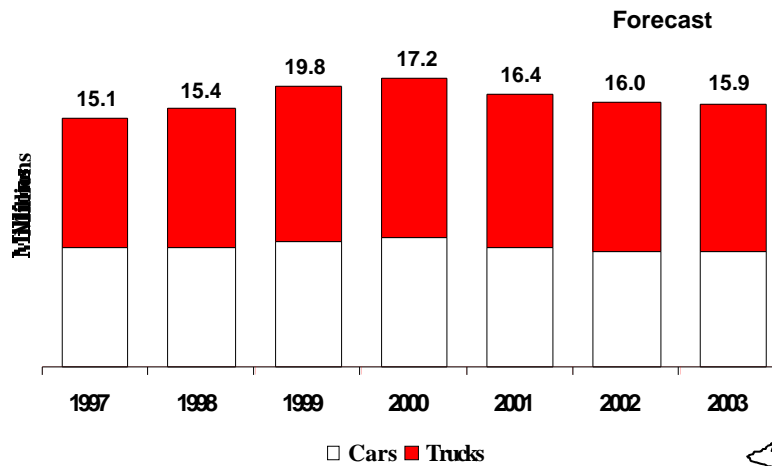


## Light Vehicle Forecasts

	2002	2003
DRI - WEFA	16.0	17.1
Univ. of Michigan	16.0	15.9
Blue Chip	16.1	N/A



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



Source: University of Michigan, RSQE, August 2001

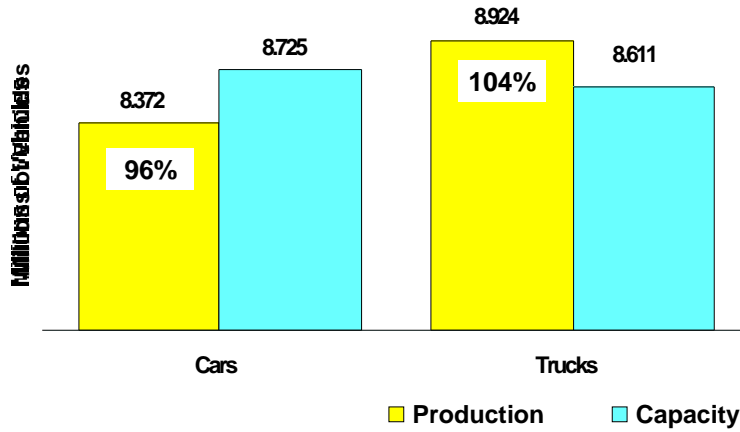


## Motor Vehicle Production

- Capacity Utilization
- Worker Bonuses
- Recent Downsizing



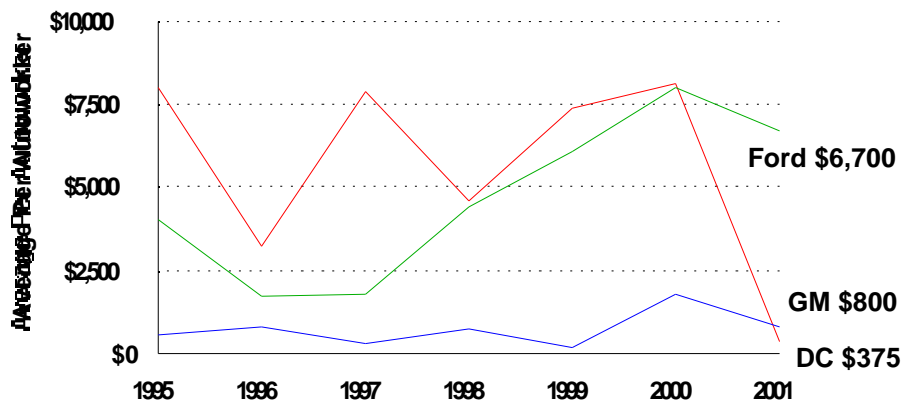
## 2000 Production and Capacity North America



Source: Automotive News, 2001 Market Data Book



## Big 3 Profit Sharing Checks



Source: Ward's Automotive Reports



## **The First 3 Months of 2001**

- 4,500 auto layoff announcements
- 85,000 layoffs (Net 60,000?)
- Multiple claims/retirements

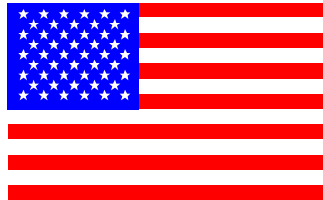


## **U. S. Motor Vehicle Outlook Summary**

- Sales Suffering
- Jobs, Attitudes and Affordability Key to Sales
- Lower Sales and Price Incentives Reducing Profit
- Increased Competition from Foreign Nameplates



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