Motor Vehicle Outlook

Motor Vehicle Outlook
FTA Revenue Estimating Conference
Waterville Valley, New Hampshire
September 25, 2000

Mark Haas, Director
Jeffrey Guilfoyle, Economist
Office of Revenue and Tax Analysis
Department of Treasury
State of Michigan
U. S. Automotive Outlook

- What Affects Auto Purchases
- Changing Auto Market
- Shares of Production
- U. S. Automotive Outlook
Factors Affecting Auto Sales
Ability to Buy

<table>
<thead>
<tr>
<th>Factor</th>
<th>1999</th>
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<tbody>
<tr>
<td>Disposable Income</td>
<td>Green</td>
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<tr>
<td>Vehicle Prices</td>
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<tr>
<td>Interest Rates</td>
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<td>Affordability</td>
<td>Green</td>
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<tr>
<td>Debt</td>
<td>Yellow</td>
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</table>
Real Disposable Income Growth

Source: U.S. Bureau of Economic Analysis
New Domestic Car Prices Stable

Sources: AAMA & Automotive News, Market Data Book 2000
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

<table>
<thead>
<tr>
<th>Factor</th>
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<tr>
<td>Consumer Attitudes</td>
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<tr>
<td>Age of Vehicle</td>
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<td>Demographics &amp; Tastes</td>
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<td>Oil Prices</td>
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<td>Stock Market</td>
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</table>
Consumer Car Buying Attitudes

Source: University of Michigan, Survey Research Center, July 2000
Vehicle Age Declining

1999 Median for Cars  8.3 years
1999 Median for Trucks  7.2 years

Source: Automotive News, 1999 Market Data Book
Vehicles Per Household

Michigan

0 0.5 1 1.5 2


1.22

1.81

1.90
Oil Prices Rising

Source: Monthly Energy Review, Standard and Poor’s DRI
More Dependent on Petroleum Imports

Source: Monthly Energy Review

Total 56.6%

All-OPEC

Persian Gulf
Stock Market Growth Slows
Demand For Motor Vehicles

- Trend
- Wealth Effect
- Economic Conditions
- Price Incentives
Vehicle Sales Trend

Source: Michigan Department of Treasury
Motor Vehicle Production

- Capacity Utilization
- Worker Bonuses
- Occupational Mix Changing
- Improved Vehicle Production Management
- Improved Vehicle Demand Management
1999 Production and Capacity
North America

Source: Automotive News, 2000 Market Data Book
Big 3 Profit Sharing Checks

Source: Ward's Automotive Reports
Occupation Mix Shifts in Michigan’s Vehicle Industry

Source: Bureau of Labor Statistics & Economy.Com
Improved Vehicle Production Management

Source: Bureau of the Census
Improved Vehicle Demand Management

Source: Ward’s Automotive Reports, Economy.Com, WEFA
## 2000 Forecast Accuracy

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# Light Vehicle Forecasts

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</table>
U. S. Motor Vehicle Outlook
Car and Light Truck Sales Forecast

Forecast

Source: University of Michigan, RSQE, August 2000
U. S. Motor Vehicle Outlook

Car Sales Forecast

Source: University of Michigan, RSQE, August 2000
U. S. Motor Vehicle Outlook
Light Truck Sales Forecast

<table>
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<tr>
<td>Millions</td>
<td>65</td>
<td>68</td>
<td>73</td>
<td>81</td>
<td>83</td>
<td>78</td>
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</table>

Source: University of Michigan, RSQE, August 2000
U. S. Motor Vehicle Outlook
Summary

Record Level Sales
Vehicle Mix Continues to Shift
Income and Affordability Key to Sales
Near Capacity Production
Oil Prices and Stock Market Uncertain
Motor Vehicle Outlook

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