



Economic and Industry Outlook

Detroit Association of Business Economists

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Topics Today

- **Recent Developments**
- **U.S. Consumer Conditions**
- **U.S. Vehicle Sales Fundamentals**



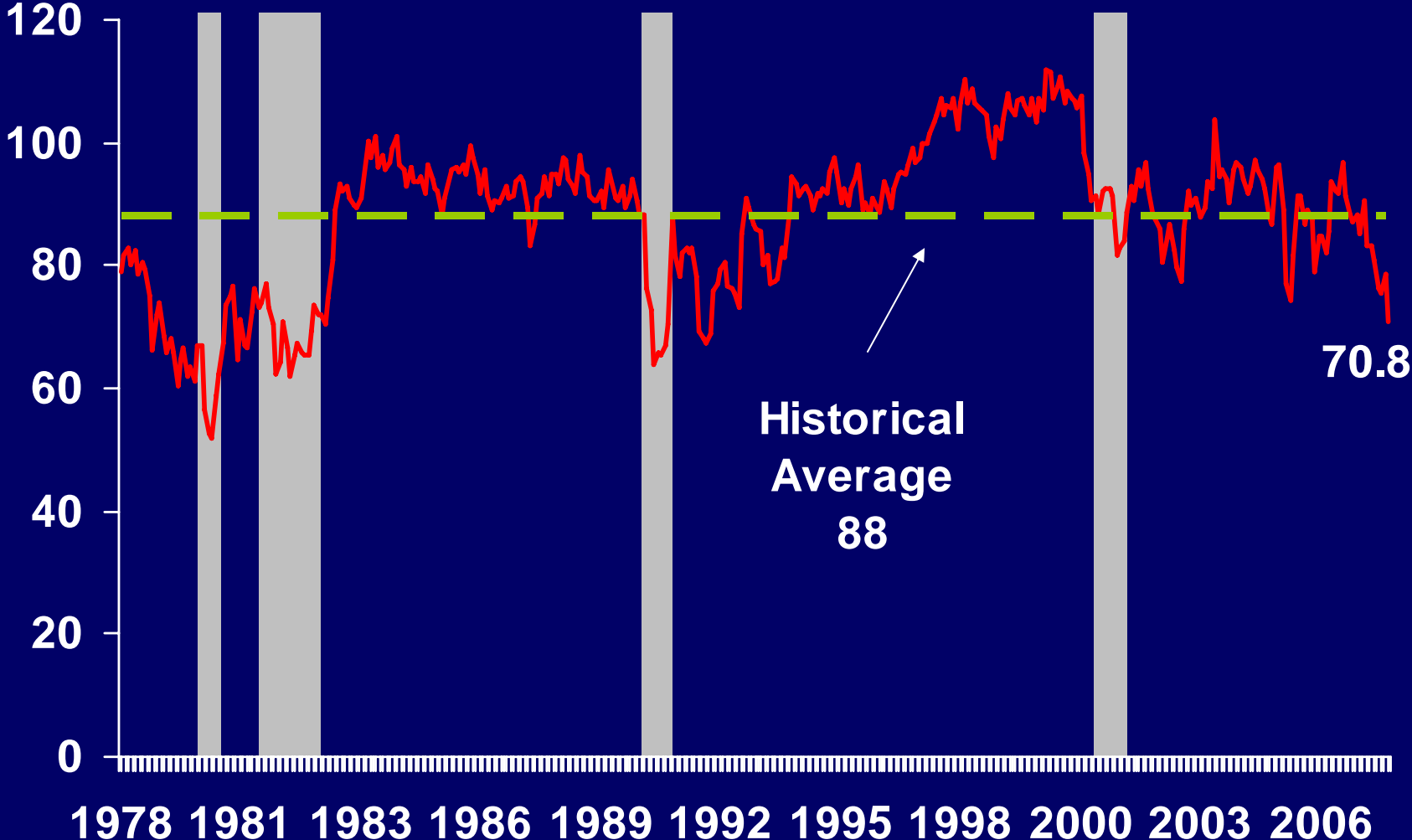
Recent Developments

Since SAA meeting on January 15 ...

- **Credit market conditions have deteriorated further, and including many markets beyond just subprime**
- **Oil and other commodity prices remain elevated despite slower U.S. demand growth**
- **Light vehicle sales have averaged 15.3 million units (saar), after sales of 16.1 million in 2007**



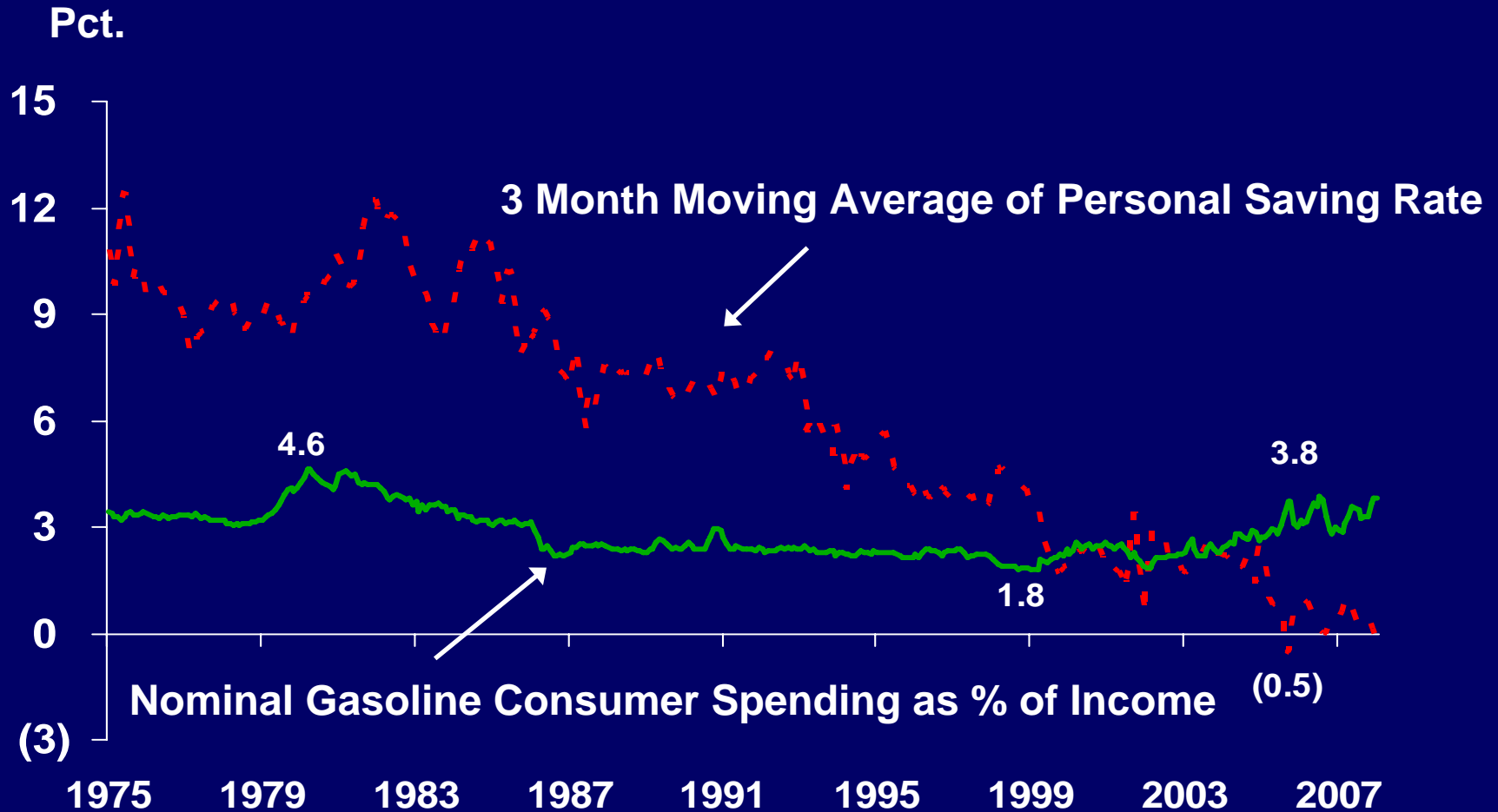
U.S Consumer Sentiment Index



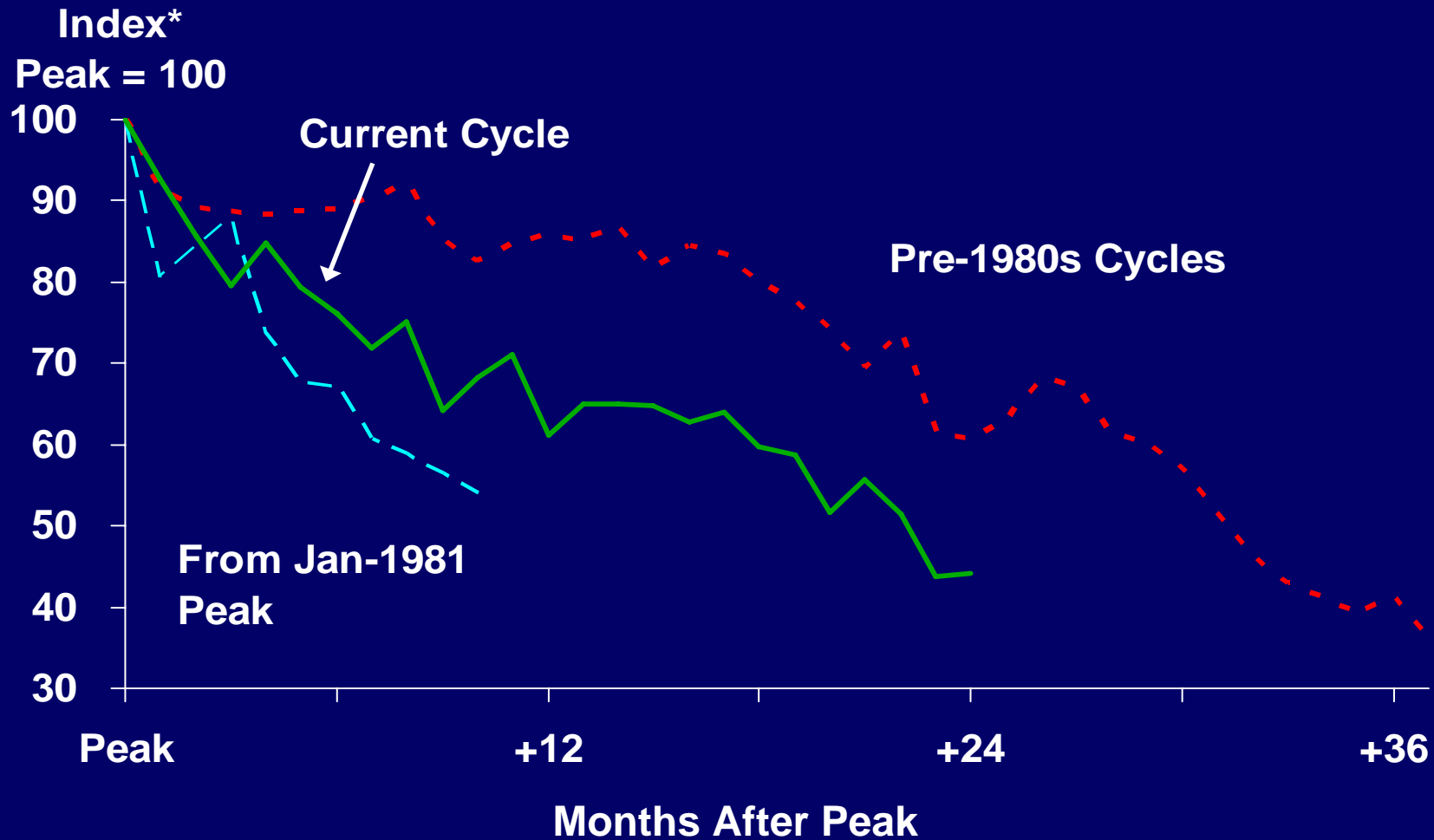
Gray Bars Indicate Recessions



U.S. Consumption Expenditures on Gasoline



Current and Prior Housing Cycles in U.S.

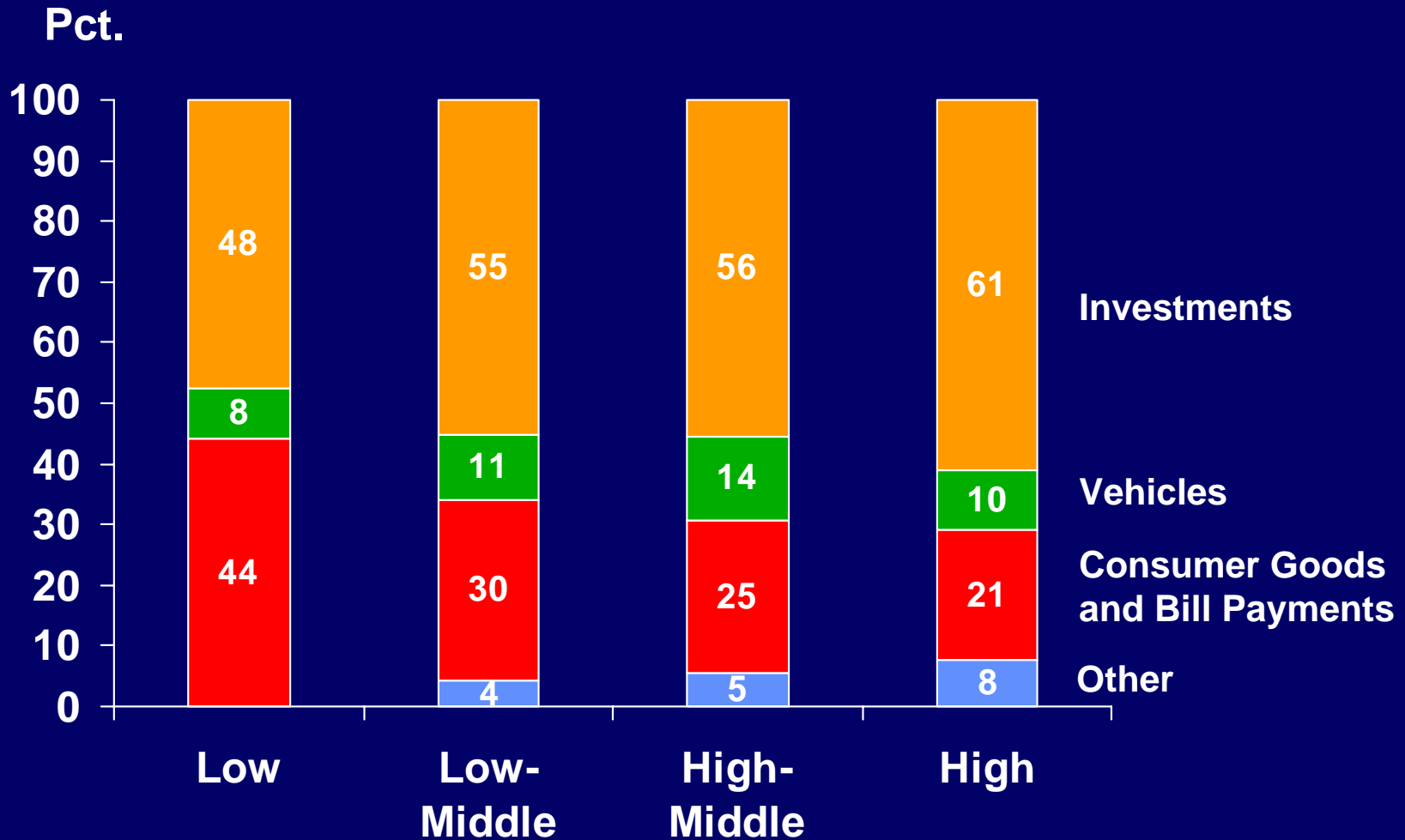


* Index based on total U.S. housing starts



U.S. Housing Downturn and Spending

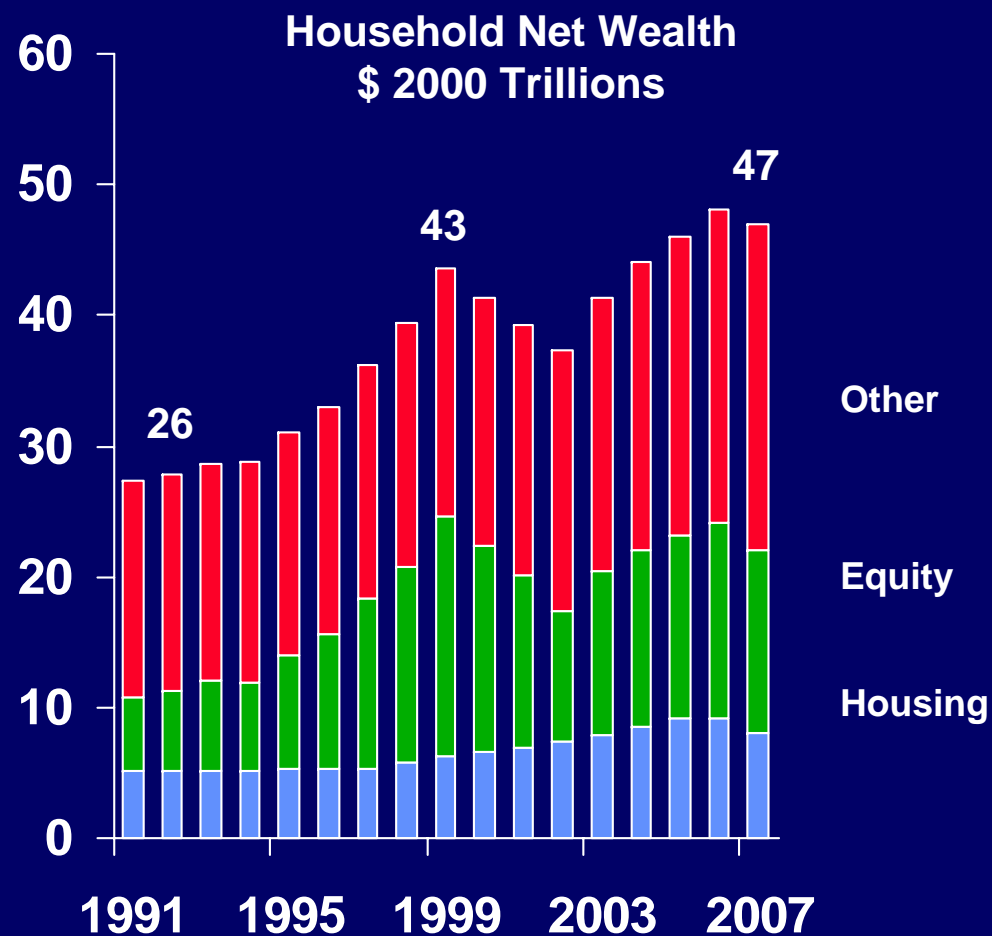
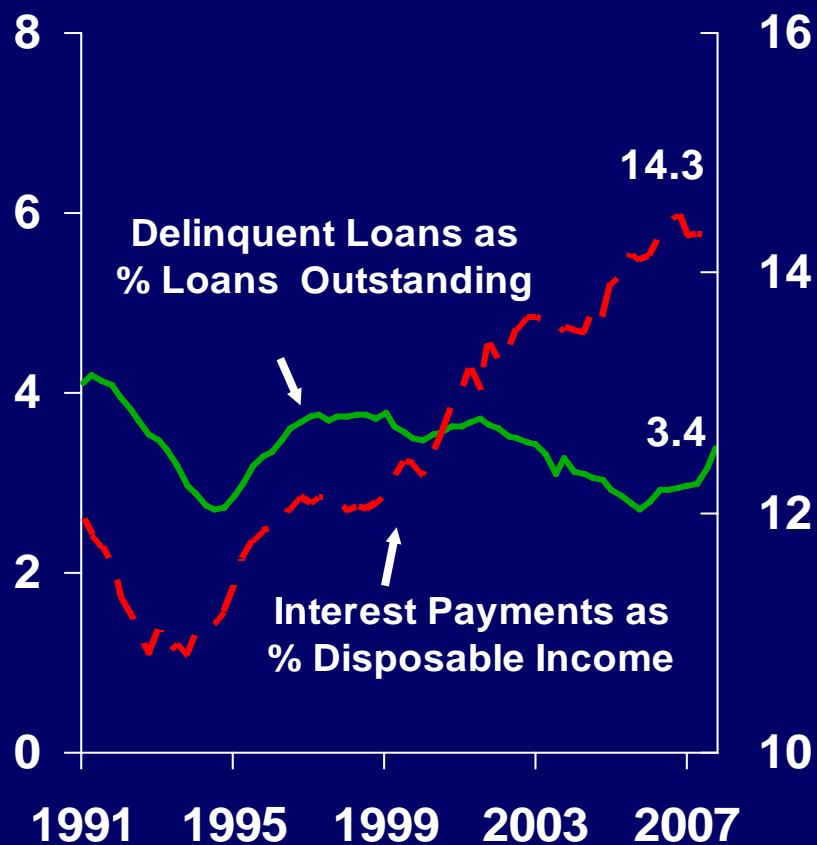
Uses of Mortgage Equity Withdrawal



Source: Federal Reserve 2004 SCF and Brookings Institution

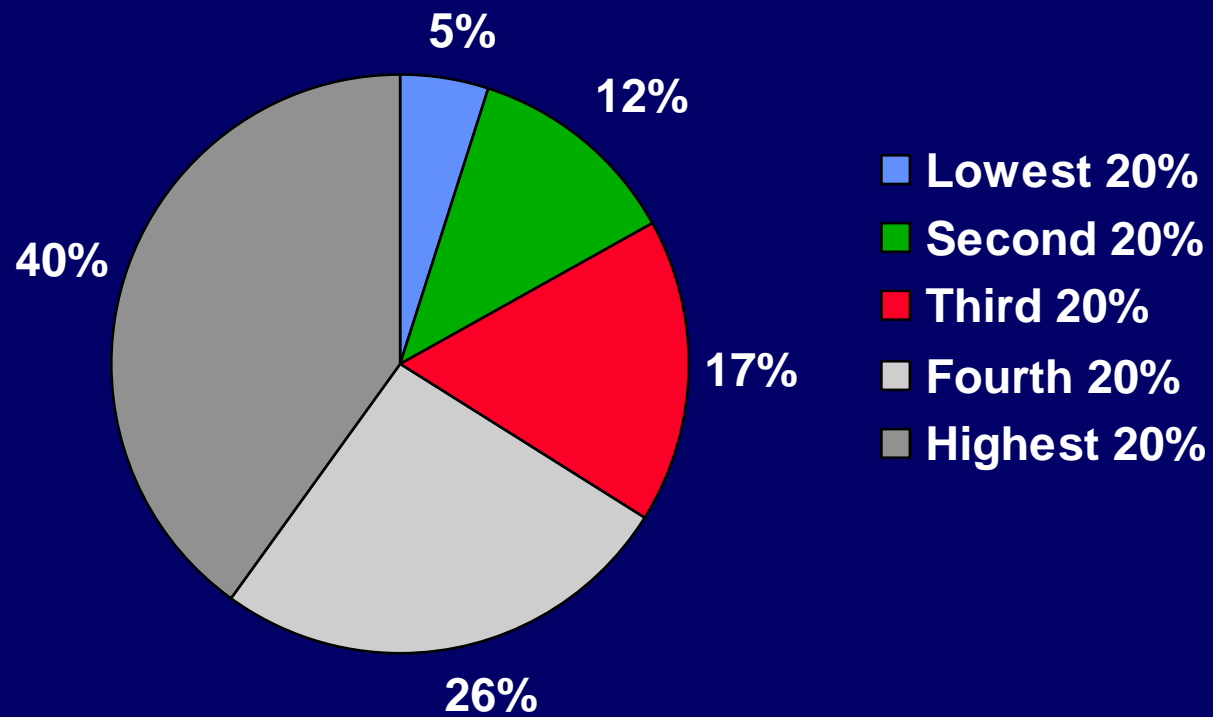


U.S. Household Balance Sheets



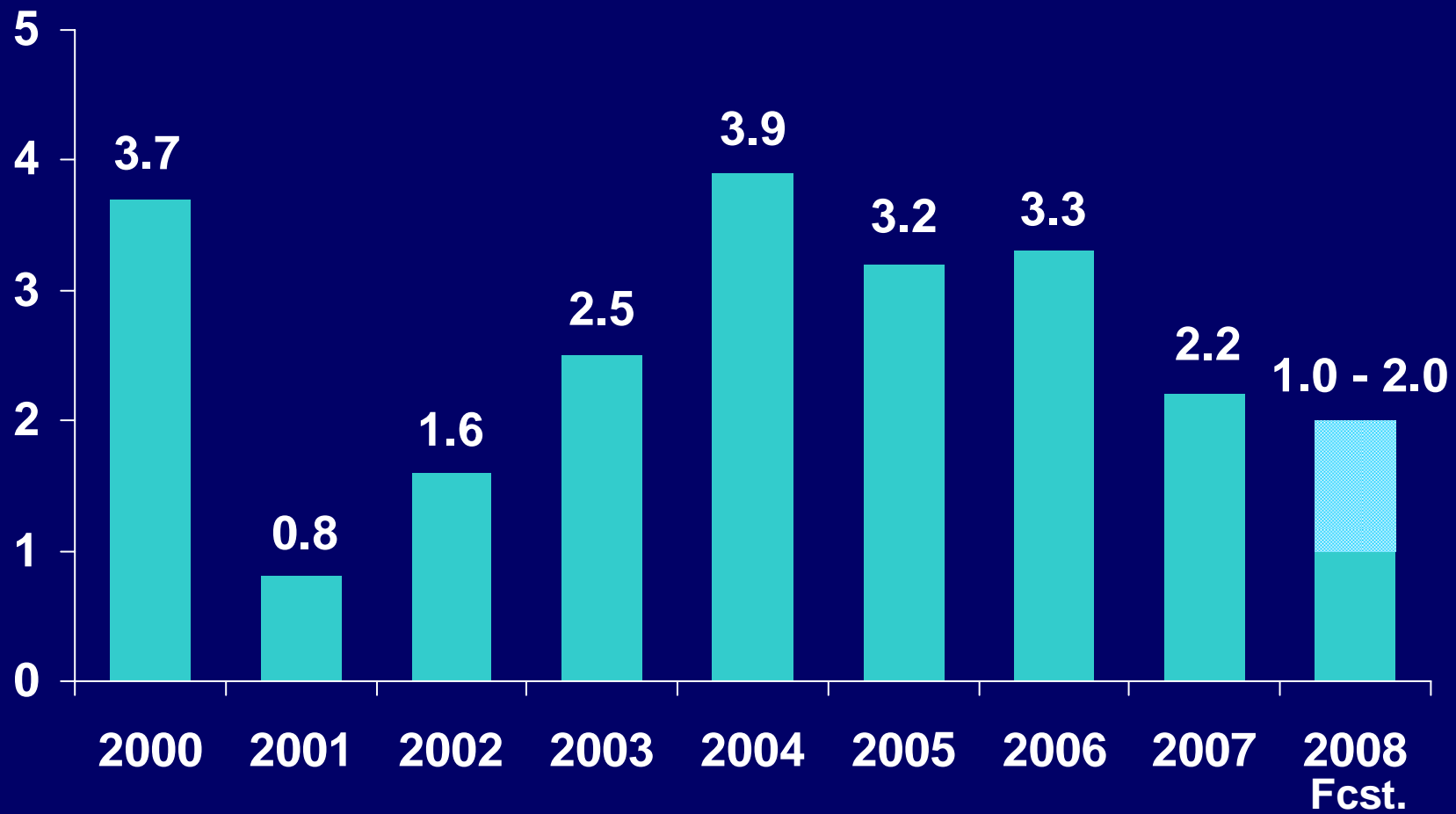
Income of U.S. Vehicle Buyers

2005 Distribution of U.S. Vehicle Spending by Income Bracket

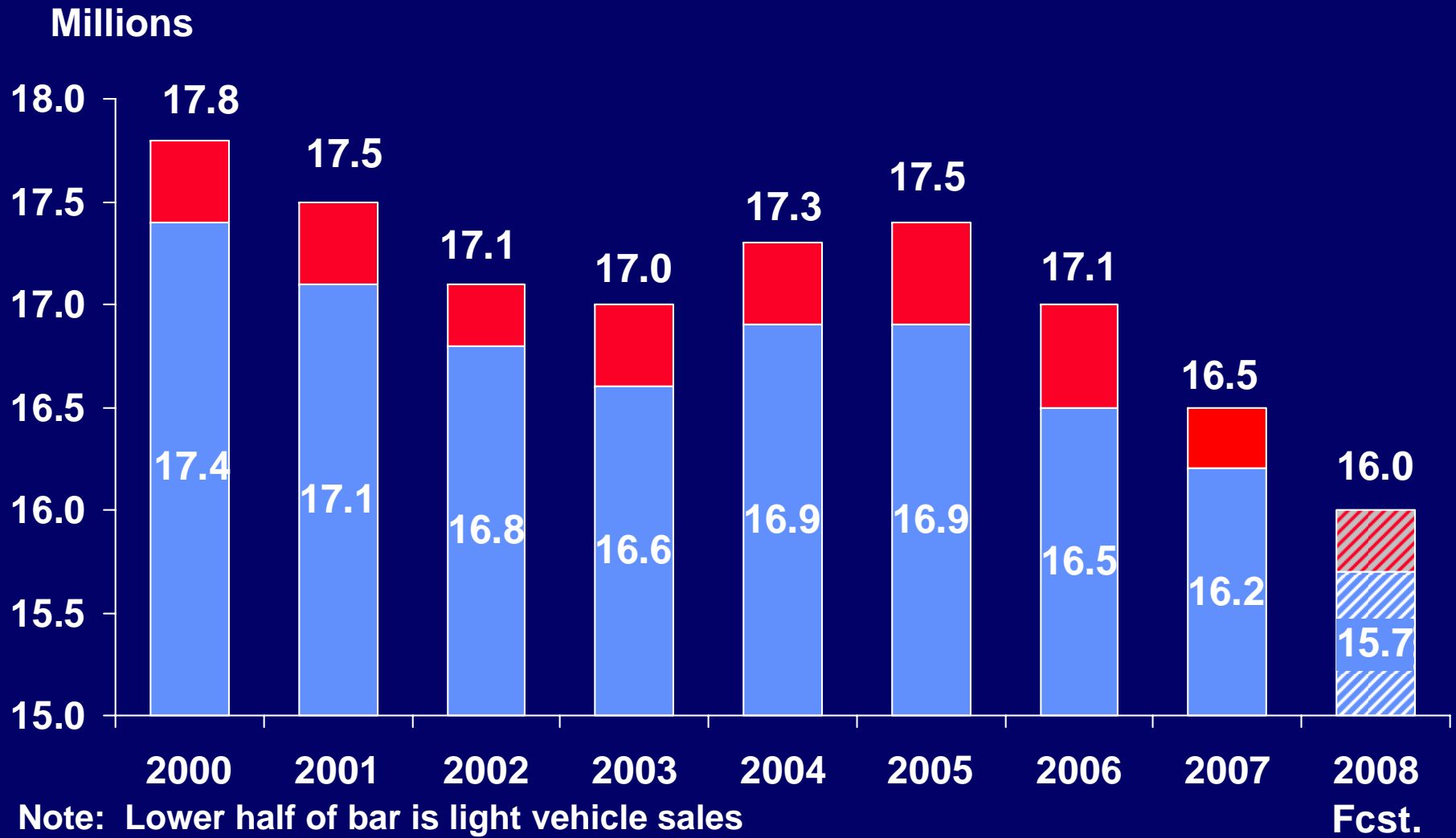


U.S. Real GDP Growth

Annual % Chg.



U.S. Vehicle Sales



Summary

- **Consumer outlook is difficult, more spending consumed by energy and interest payments**
- **Average new vehicle buyer may be better able to adjust but not immune to current conditions**
- **U.S. light vehicle sales forecast of 15.7 million units at risk due to credit market turmoil**

