

Cosmic Joy and Local Pain

Between experiencing cosmic joy and alleviating local pain there is a path that each can follow. It is a narrow path, it is at least wide enough to walk on, just like the finger pier I am now about to traverse, beginning the return from cosmic concerns to the responsibilities ahead.

- Harold Morowitz, 1987

Ted H. Chu

General Motors Corporation

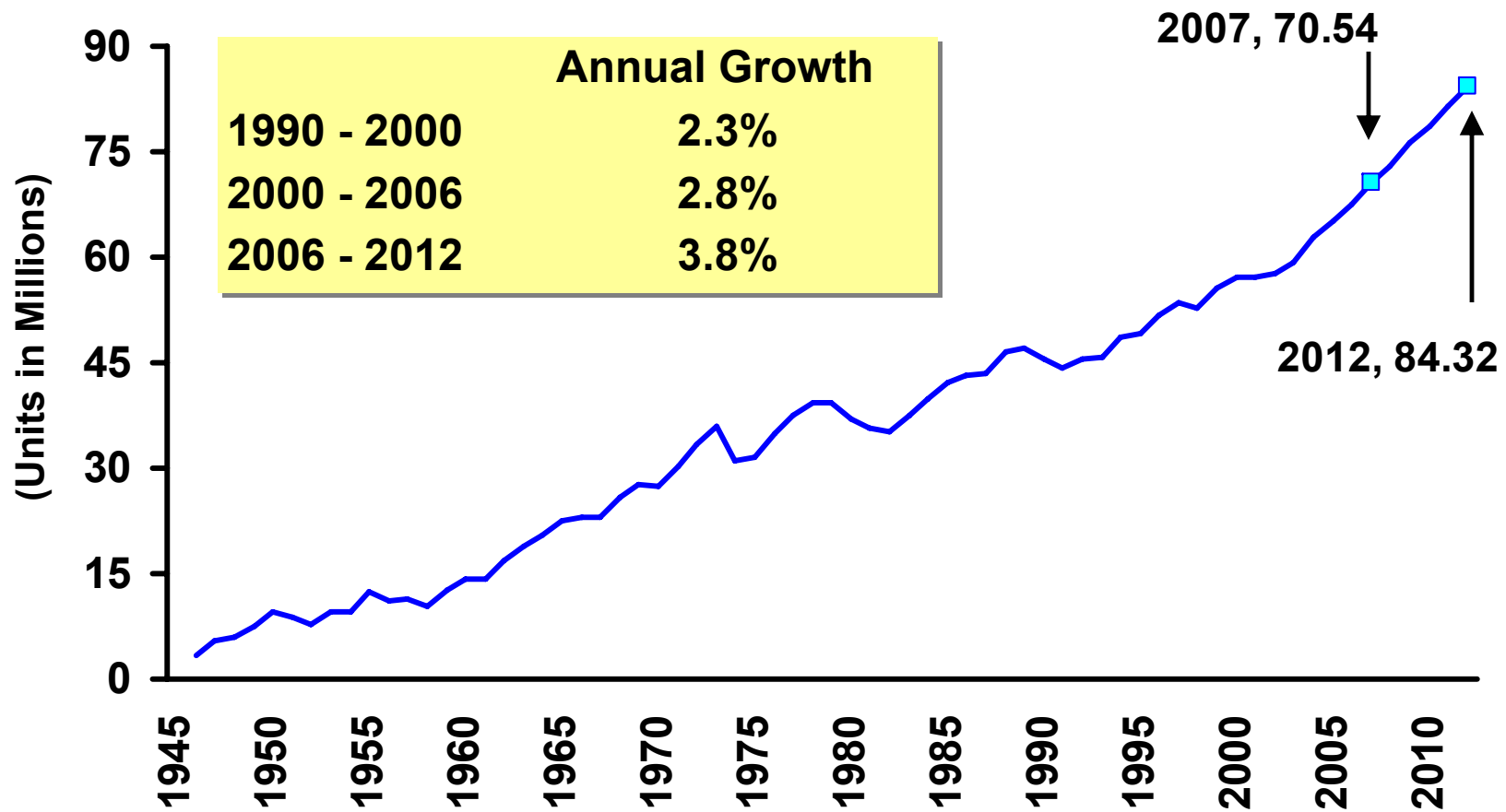
March 20, 2008

Cosmic Joy:

Growth of global economy & industry

- Four key trends impacting global economy and industry
 1. Productivity revolution
 2. Spread of markets
 3. Empowered consumers
 4. Enhanced policies
- Net result
 - Global, intense competition
 - Affordability improvements
 - Informed consumers with freedom of choice
 - Increased regulation

Global Vehicle Sales Outlook



Source: GMIA; GSRA

Global Industry Volumes*

(Thousand Units)

	1997	2000	2003	2006	2007	10 Yr. Annual Avg. Growth
Global	53,548	57,237	59,164	67,377	70,544	2.8%
Total Europe	18,119	20,165	19,612	21,884	23,094	2.5%
Total AP	13,341	12,948	15,932	19,260	20,709	4.5%
Total NA	17,697	20,542	19,840	20,190	19,609	1.0%
Total LAAM	4,390	3,582	3,780	6,042	7,131	5.0%

Top 15 Major Markets

United States	15,501	17,814	16,970	17,060	16,474	0.6%
China	1,596	2,190	4,563	7,102	8,474	18.2%
Japan	6,730	5,970	5,832	5,737	5,352	-2.3%
Germany	3,792	3,694	3,502	3,772	3,482	-0.8%
United Kingdom	2,445	2,523	2,945	2,734	2,800	1.4%
Italy	2,562	2,692	2,496	2,605	2,766	0.8%
Russia	1,178	1,065	1,326	2,028	2,707	8.7%
France	2,068	2,611	2,441	2,499	2,584	2.3%
Brazil	1,932	1,459	1,429	1,928	2,463	2.5%
India	706	844	1,079	1,750	1,989	10.9%
Spain	1,253	1,713	1,716	1,953	1,939	4.5%
Canada	1,424	1,587	1,625	1,666	1,693	1.7%
South Korea	1,523	1,433	1,334	1,202	1,271	-1.8%
Mexico	496	887	1,001	1,179	1,146	8.7%
Australia	722	787	910	963	1,050	3.8%
Global Share of Top 15	82.0%	82.6%	83.1%	80.4%	79.7%	-

*Sorted by 2007 sales

Local Pain: The State of the US Economy

- The U.S. economy is at its weakest point since 2001
 - First drop in private non-farm employment since July 2003
 - Persistently high oil prices and inflationary pressure
 - Housing cycle adjustment is likely to intensify before bottoming out
 - Signs of productivity and corporate profit slowdown
- Consensus GDP outlook for 2008 is down from 3.0% in 1/07 to 2.2% in 1/08 to **1.5% in 3/08**

Other thoughts to keep in mind ...

- There is intense fear in the financial markets, but fear itself does not generate a recession – recessions were predicted during 1998 crisis, '05 Katrina, ...
- What is troubling is the opaque nature of financial conditions
- However, the strength of the world economy is likely to cushion the coming US economic turndown; the weak dollar also helps exports
- Monetary and fiscal reactions to the slowdown could be critical

Key U.S. Economic Indicators

	<u>Recession¹</u>	<u>through 2003:Q1</u>	<u>through 2006:Q1</u>	<u>to Current</u>	<u>Latest Data²</u>	<u>Note</u>
Real GDP						
Average Q/Q% @ AR	-0.2%	1.7%	3.5%	2.5%	0.6%	was Green
Real Consumption						
Average Q/Q% @ AR	1.5%	2.7%	3.5%	2.8%	1.9%	was Yellow
Index of Consumer Sentiment						
Average Index	88.2	87.7	91.2	86.1	70.8	was Red
Nonfarm Payroll Employment						
Average Monthly Change, Thousands	-200	-63	160	120	-63	was Yellow
Real Disposable Income						
Average Y/Y% Change	1.8%	2.6%	2.7%	3.3%	1.2%	was Yellow
Corporate Profits						
Average Y/Y% Change	-1.5%	18.6%	12.9%	7.9%	2.7%	was Yellow
ISM-Manufacturing Index						
Average Index	43.5	50.1	55.6	51.9	48.3	was Yellow
New and Existing Home Sales						
Average, Thousands	5,611	6,015	7,108	6,239	4,928	was Red
West Texas Intermediate						
Average \$/Bbl	25.67	27.18	45.45	68.99	95.35	was Red
CPI Inflation						
Average Y/Y% Change	2.8%	1.9%	2.8%	2.8%	4.1%	was Red
Fed Funds Rate						
End of Period, Percent	3.4%	1.6%	2.2%	5.1%	2.25%	was Yellow

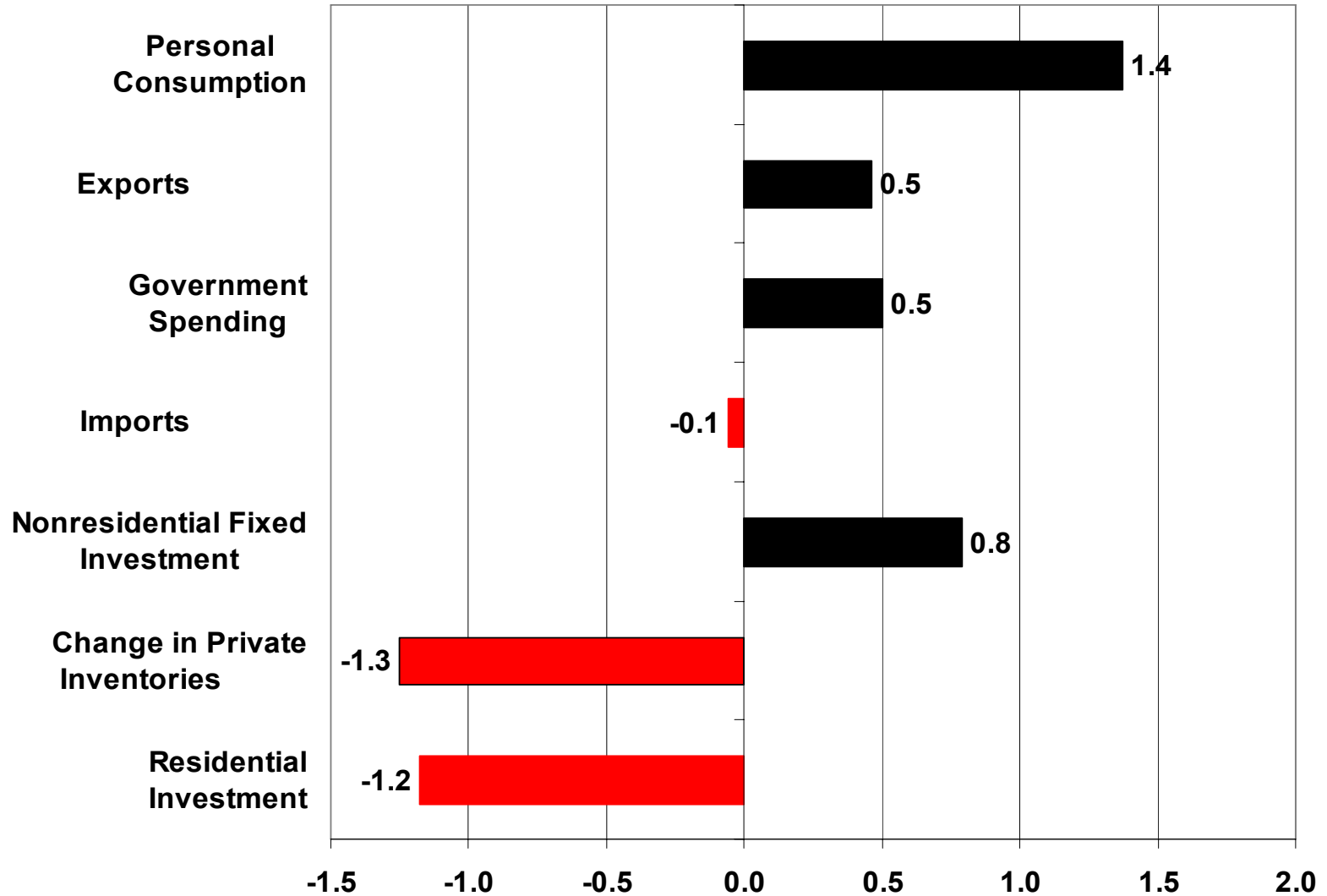
Notes:

¹ 2001:Q1 - 2001:Q3 for quarterly data or March 2001 - November 2001 for monthly data.

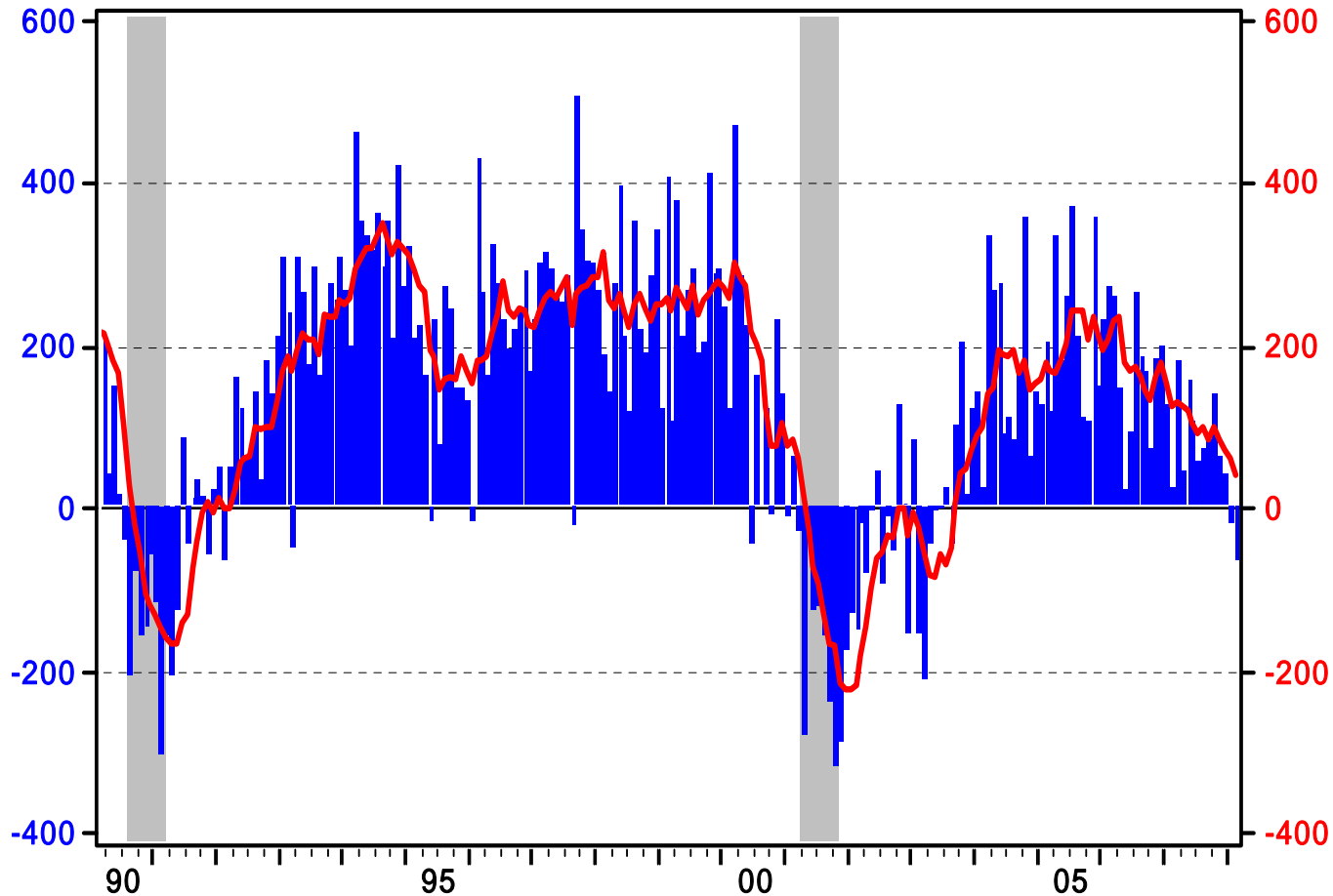
² Latest quarter or month.

Percentage Contribution to Real GDP Growth

2007:Q4 Real GDP Growth (Advance) = 0.6%



Nonfarm Payroll Employment Monthly Change, Thousands

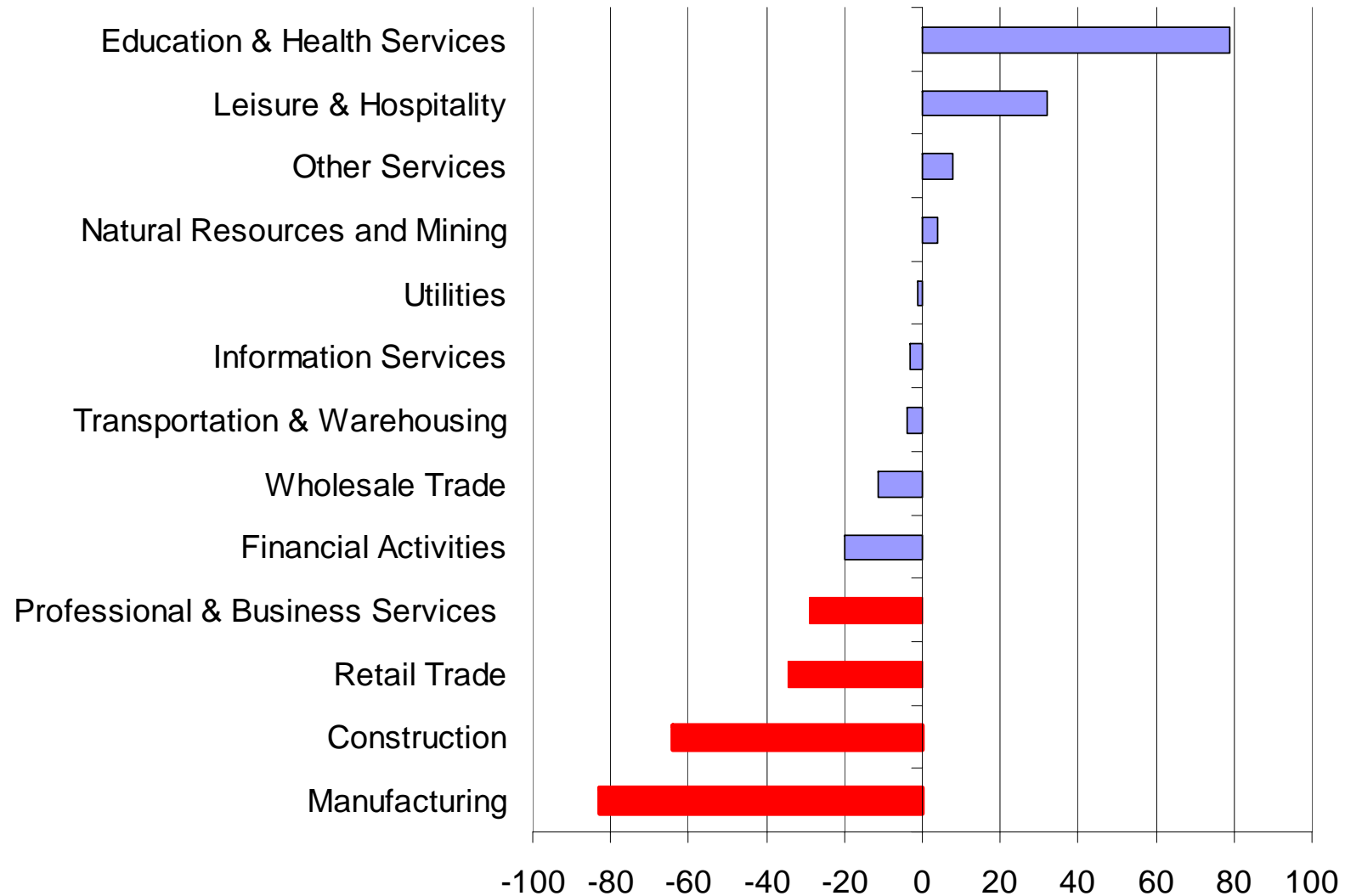


Source: Bureau of Labor Statistics /Haver Analytics

- Nonfarm payroll lost 63,000 jobs in February after losing 22,000 jobs in January.

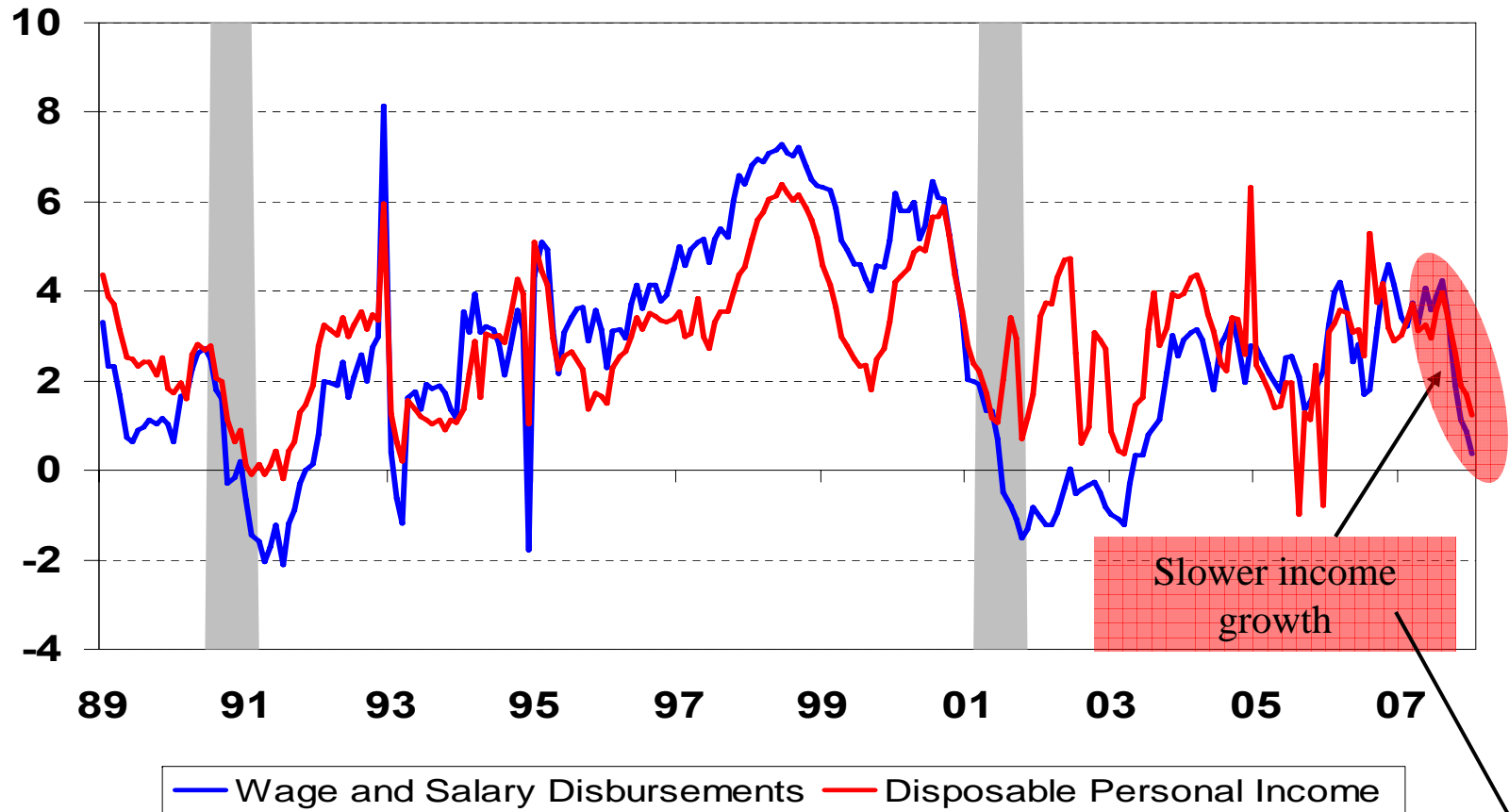
Employment Gains by Industry

CYTD, Thousands



Wages & Salaries versus Disposable Personal Income

Year-Over-Year Percentage Change, Chained 2000\$

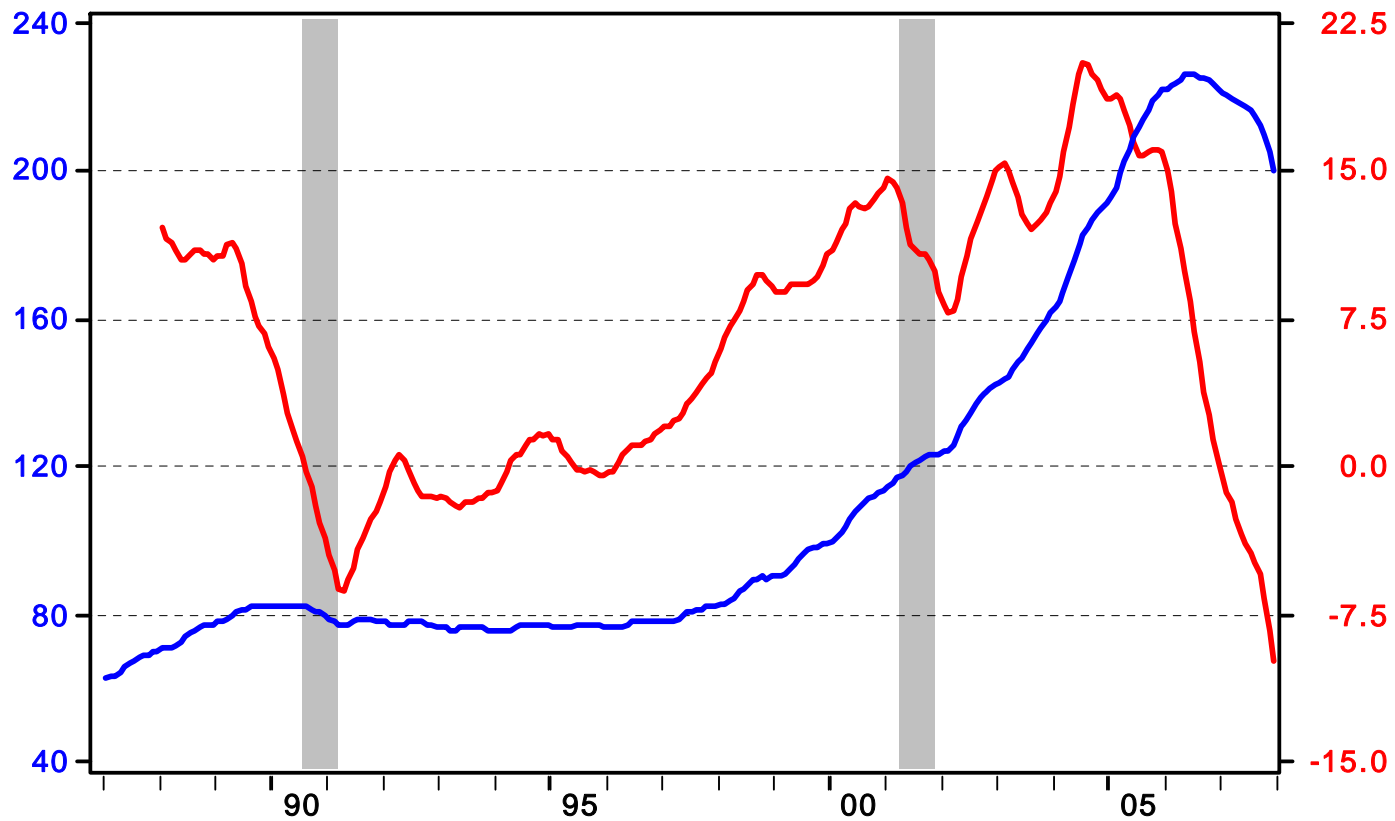


<i>Y/Y% Change, Chained 2000\$</i>	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08
Wage and Salary Disbursements	3.4%	3.2%	3.7%	3.3%	4.1%	3.6%	3.9%	4.2%	3.5%	1.9%	1.1%	0.9%	0.4%
Disposable Personal Income	3.0%	3.3%	3.7%	3.1%	3.2%	3.0%	3.6%	4.0%	3.4%	2.6%	1.9%	1.7%	1.2%

Falling Home Prices

< -- Case-Shiller Home Price Index 10-city Composite

Year-over-year % Change -- >

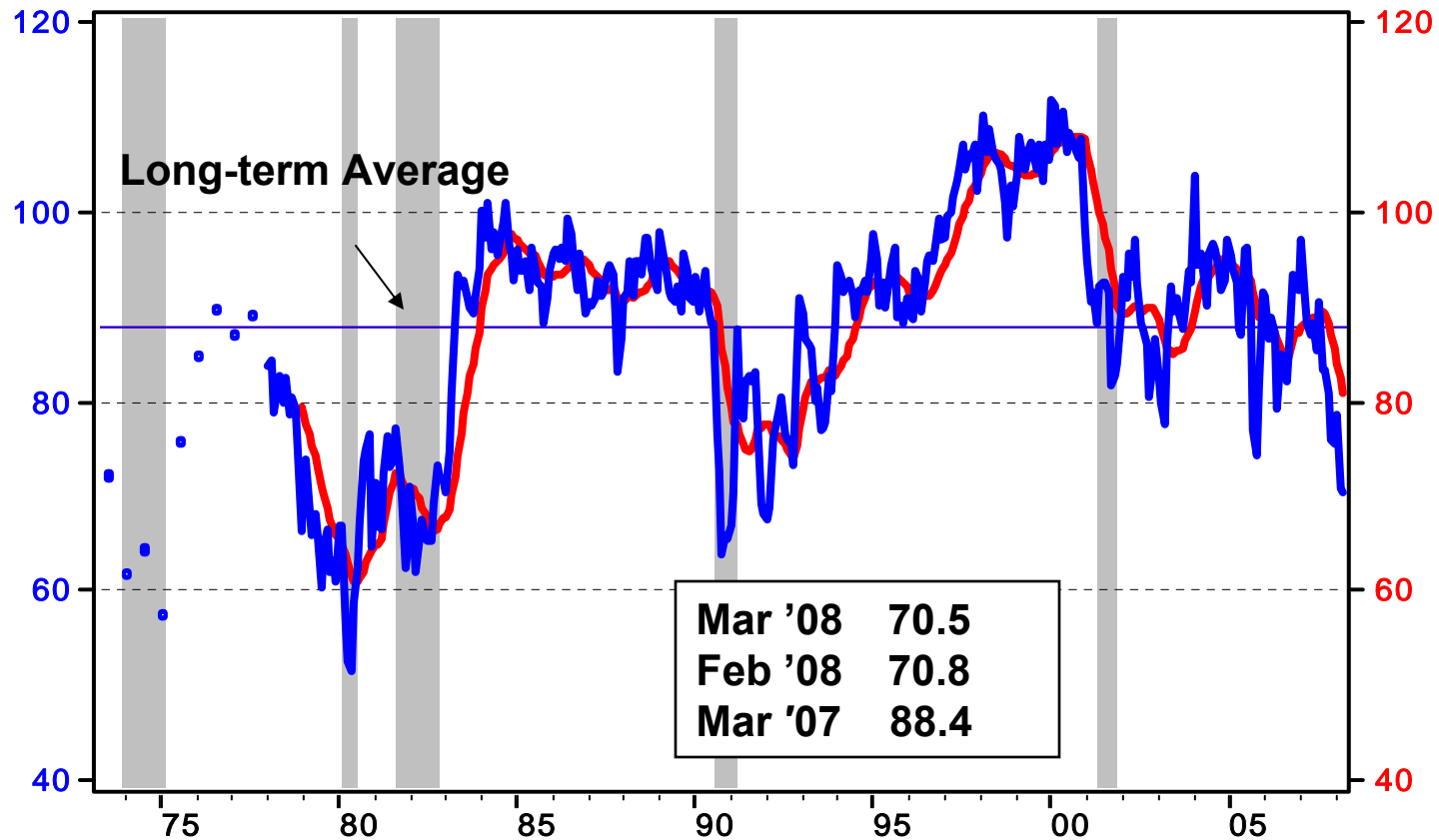


Source: S&P, Fiserv, and MacroMarkets LLC /Haver Analytics

Consumer sentiment remains at low level

Index of Consumer Sentiment
Q1-66=100

Index of Consumer Sentiment
12-month Moving Average Q1-66=100

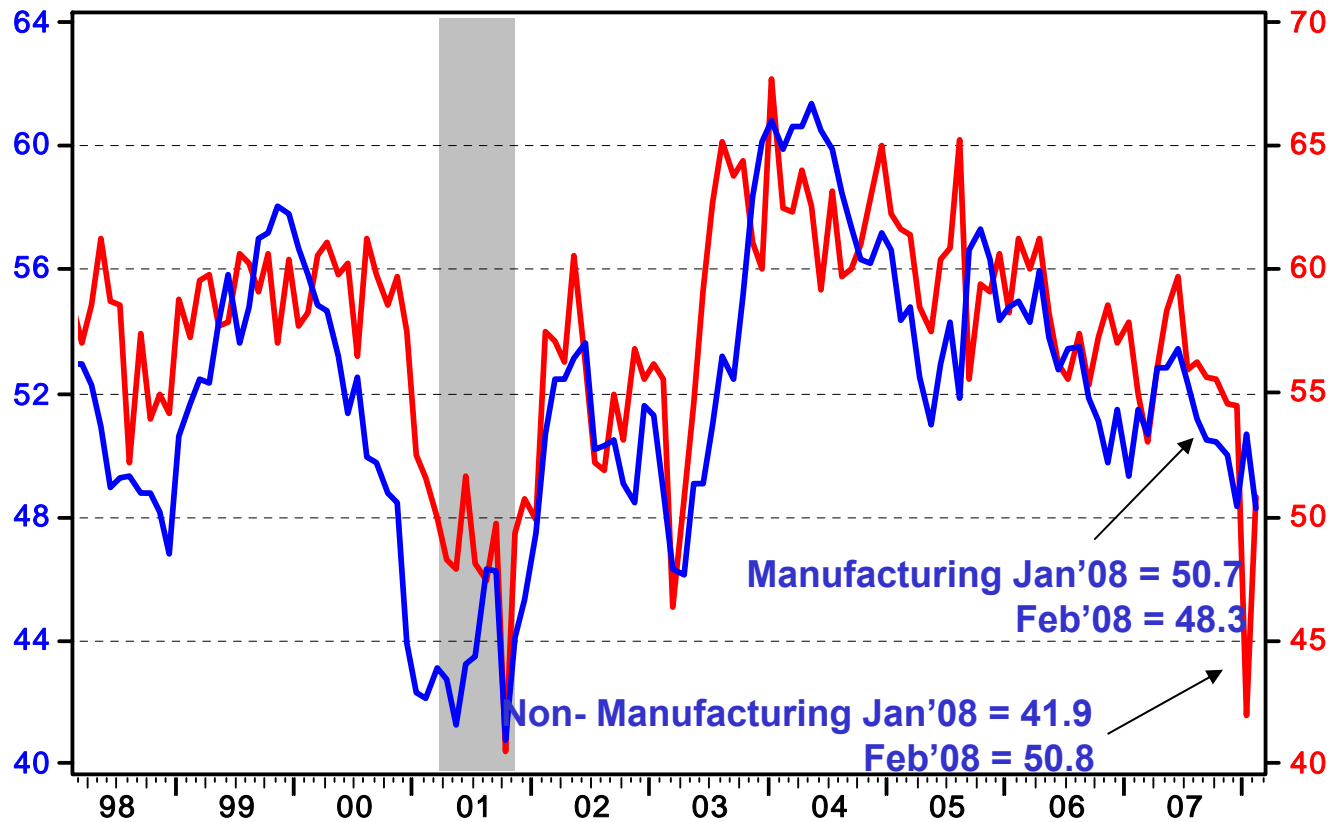


Source: University of Michigan /Haver Analytics

ISM Indexes remain at low level

ISM Manufacturing: PMI Composite Index
SA, 50+=Increasing

ISM: Nonmanufacturing: Business Activity Index
SA, 50+=Increasing

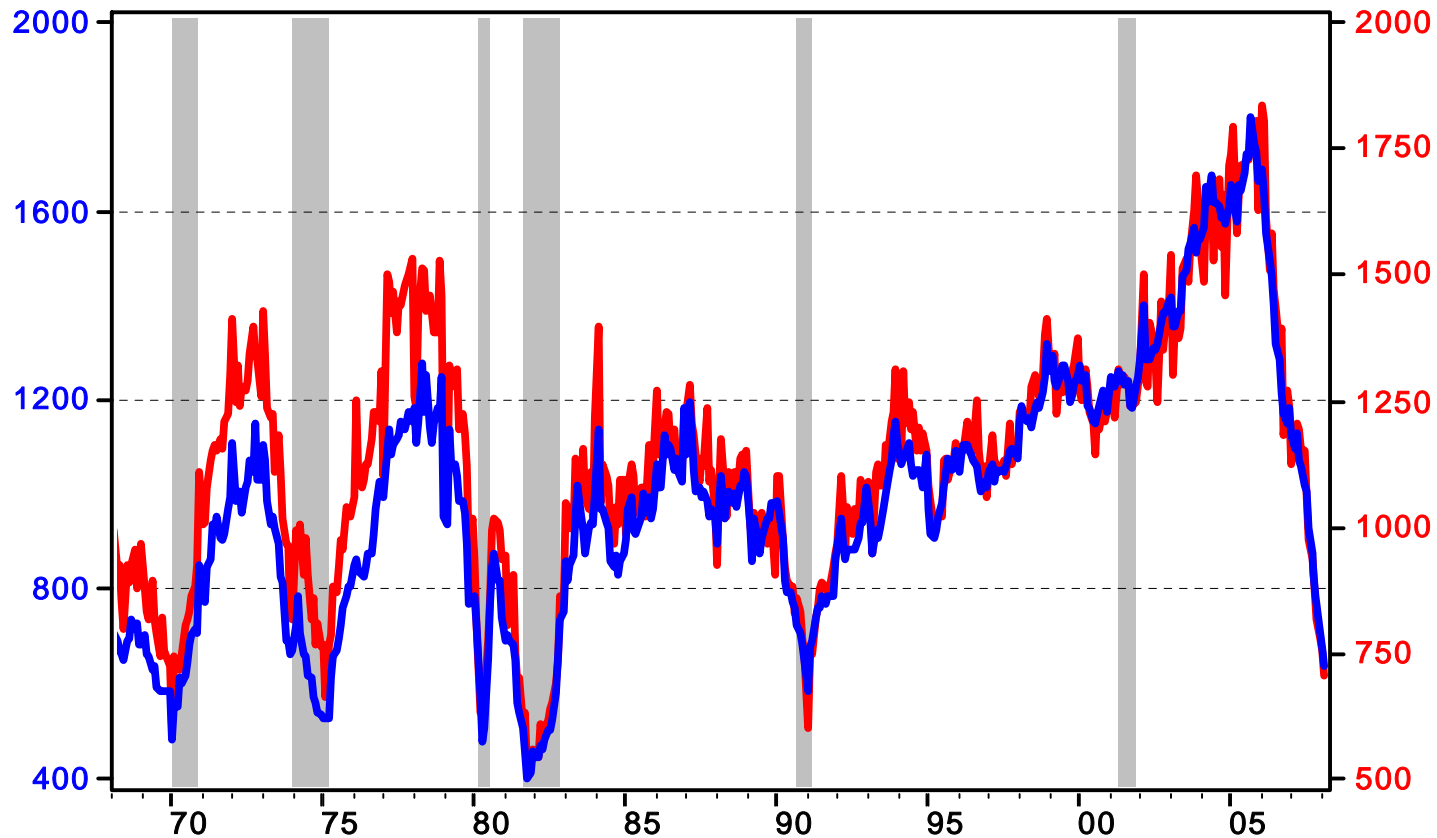


Source: Institute for Supply Management /Haver Analytics

Housing starts and housing permits continue to fall

Housing Units Authorized: 1-Unit Structures
SAAR, Thous.Units

Housing Starts: 1 Unit
SAAR, Thous.Units



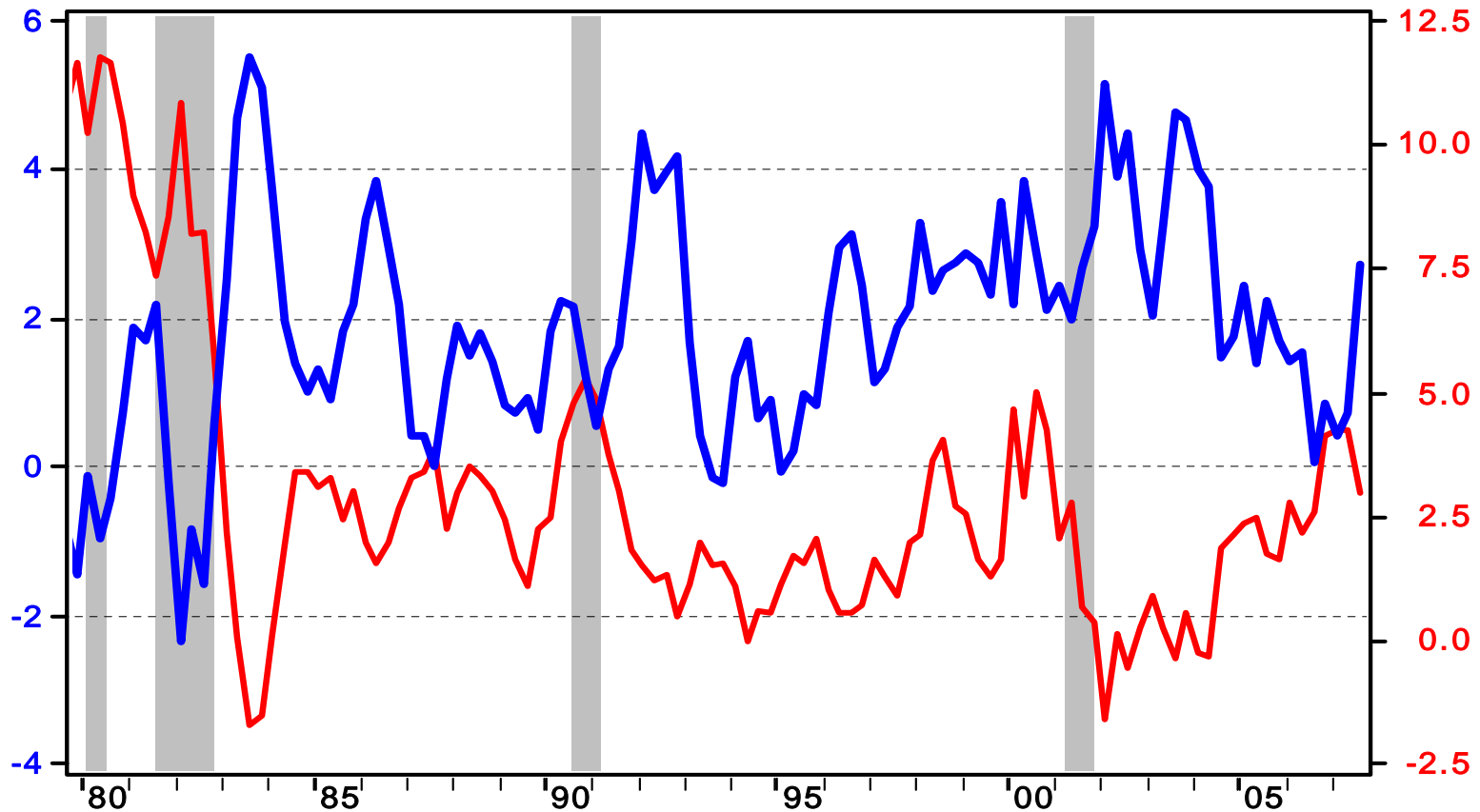
Source: Census Bureau /Haver Analytics

Housing starts and Housing permits dropped to the lowest level since 1991.

Productivity versus Labor Cost

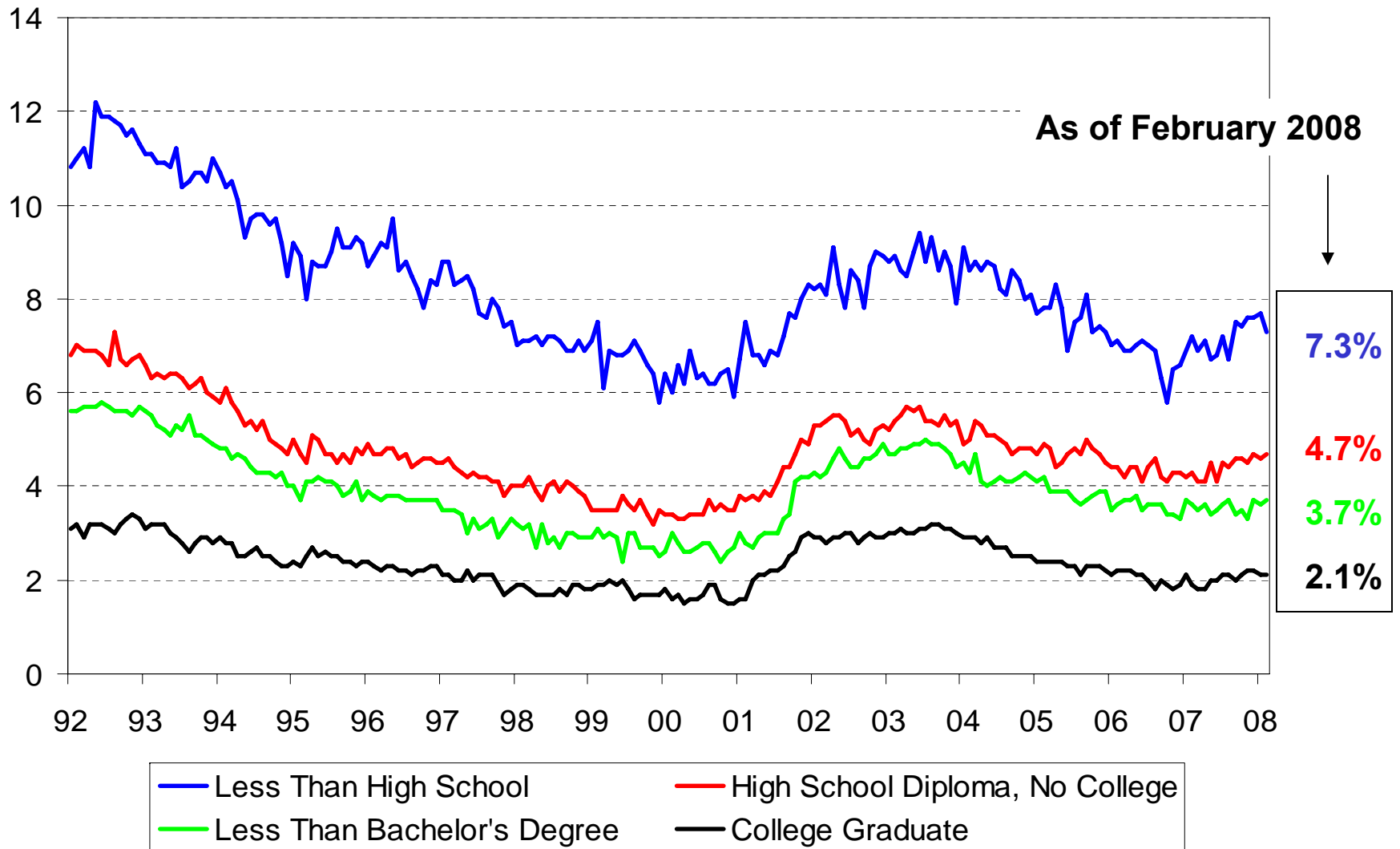
Nonfarm Business Sector: Output Per Hour/All Persons
% Change - Year to Year SA, 1992=100

Nonfarm Business Sector: Unit Labor Cost
% Change - Year to Year SA, 1992=100



Source: Bureau of Labor Statistics /Haver Analytics

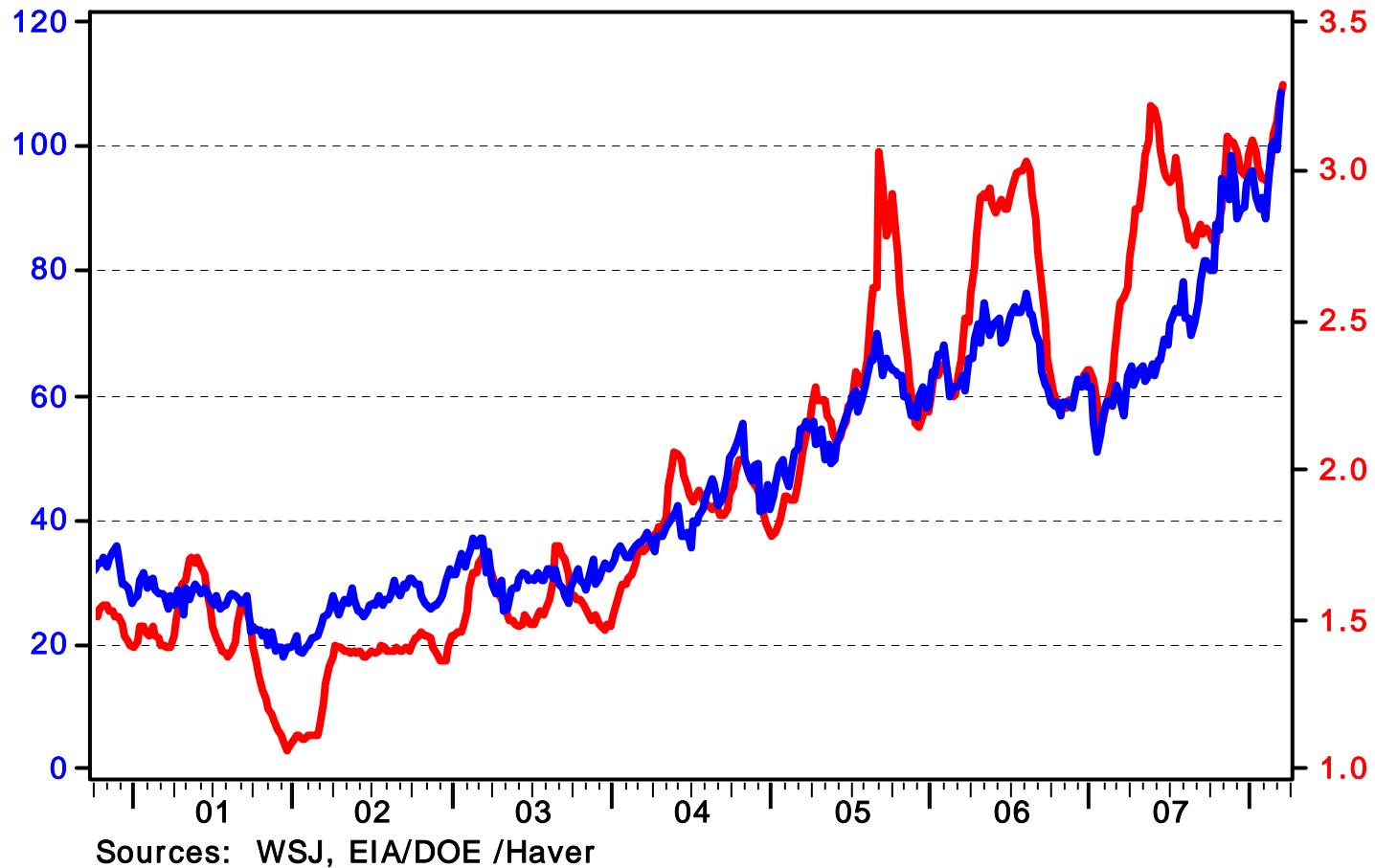
Unemployment Rate By Education Percent



Oil Prices: Volatile and High

Domestic Spot Market Price: Light Sweet Crude Oil, WTI, Cushing
EOP, \$/Barrel

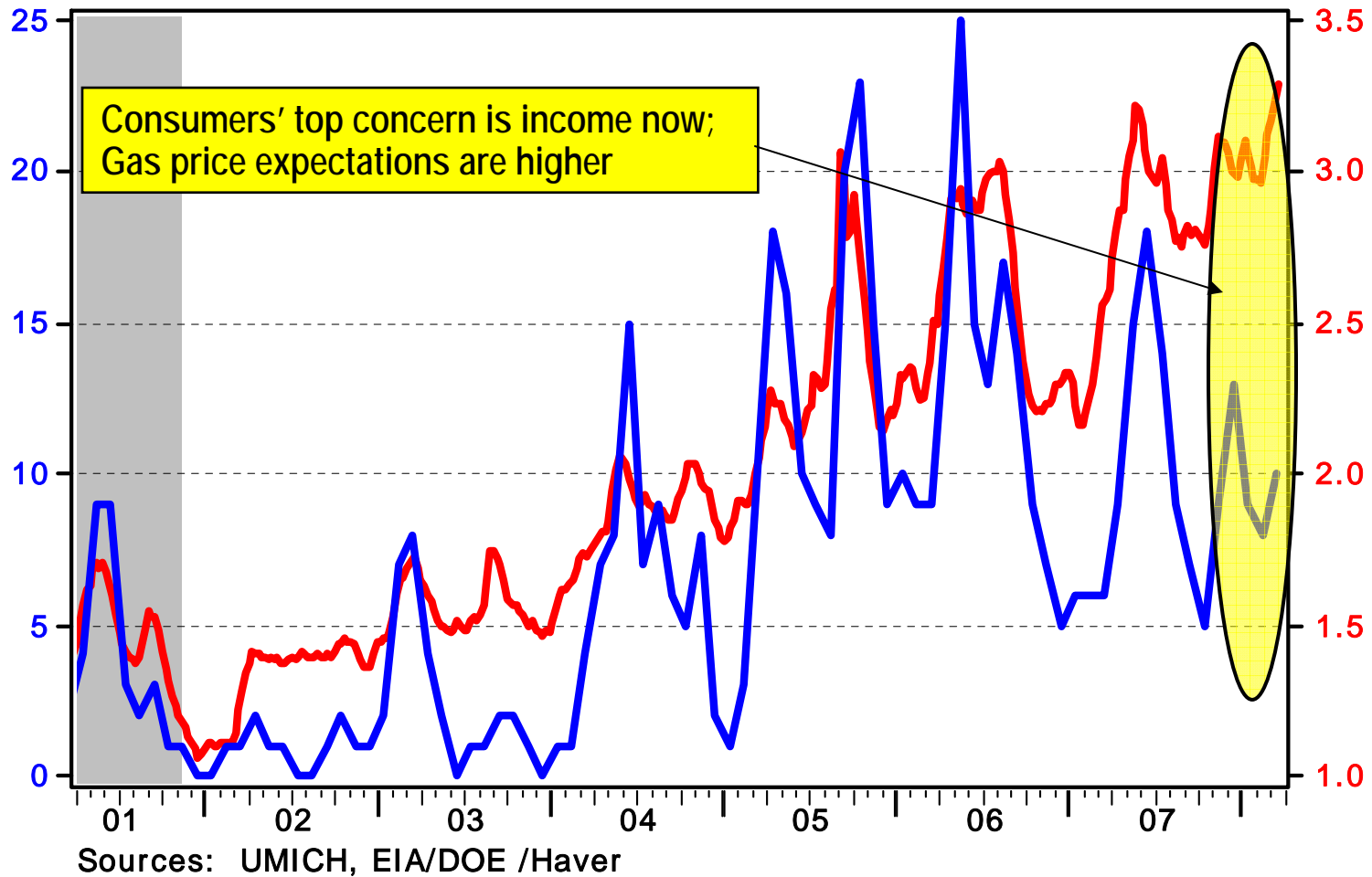
U.S. Retail Gasoline Price: Regular Grade
Avg, US\$/Gallon



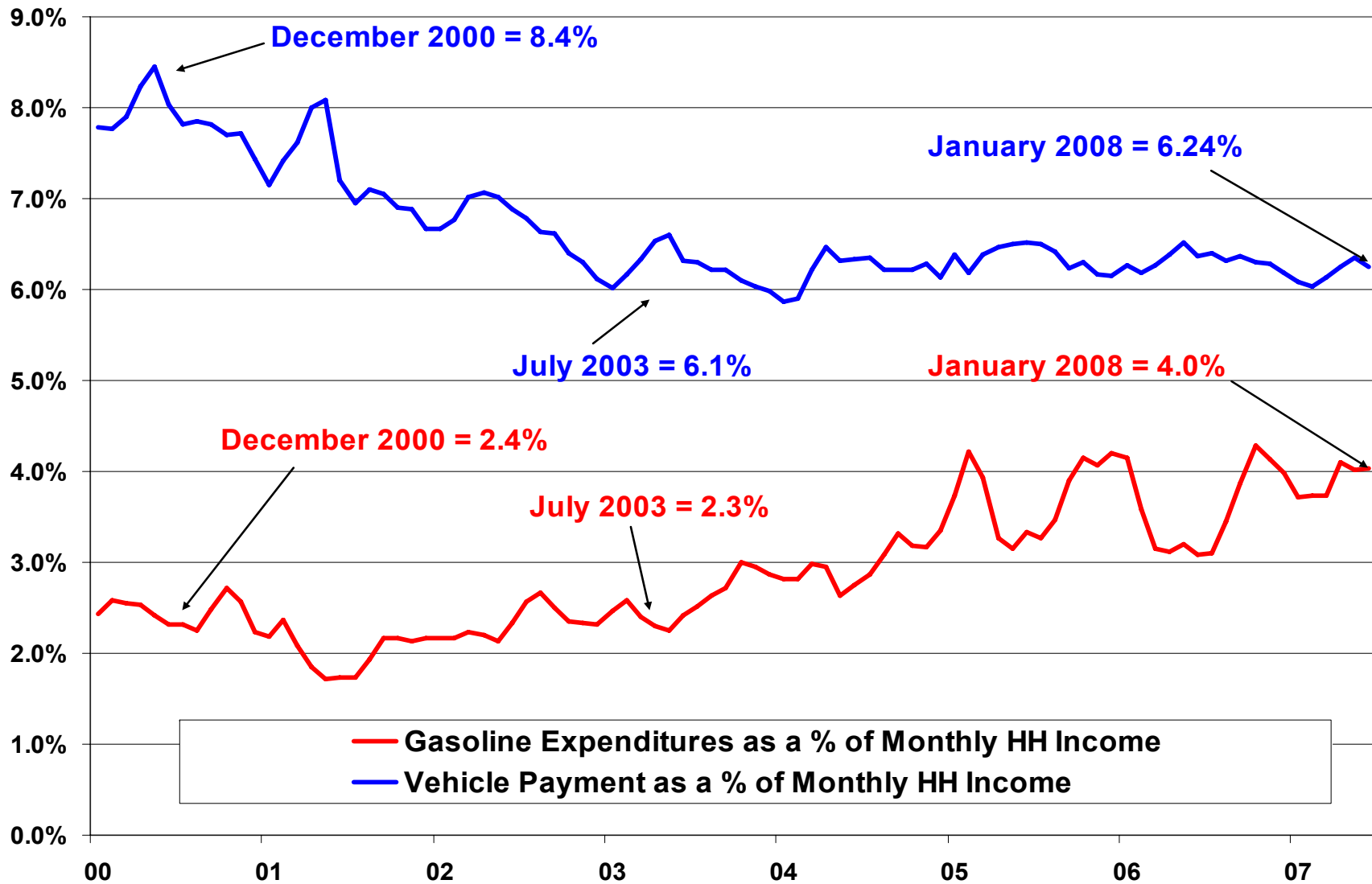
Buying attitude dropped as gas prices remained at high level

Current Conditions for Buying Vehicles: Bad: Price of Fuel
%

U.S. Retail Gasoline Price: Regular Grade
Avg, US\$/Gallon



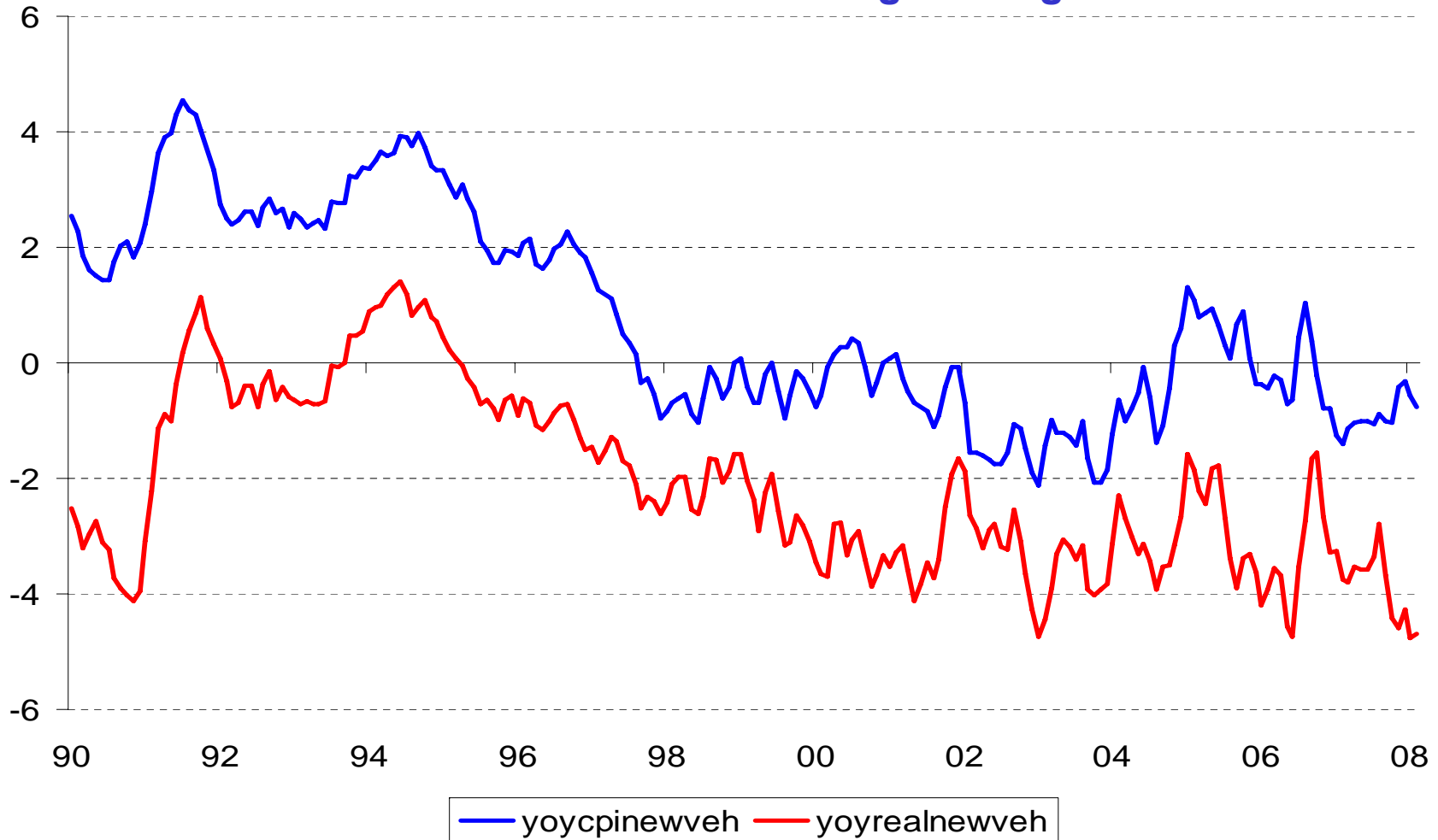
Affordability versus Gasoline Expenditures



Sources: Department of Energy, Census, PIN
 Calculations: General Motors

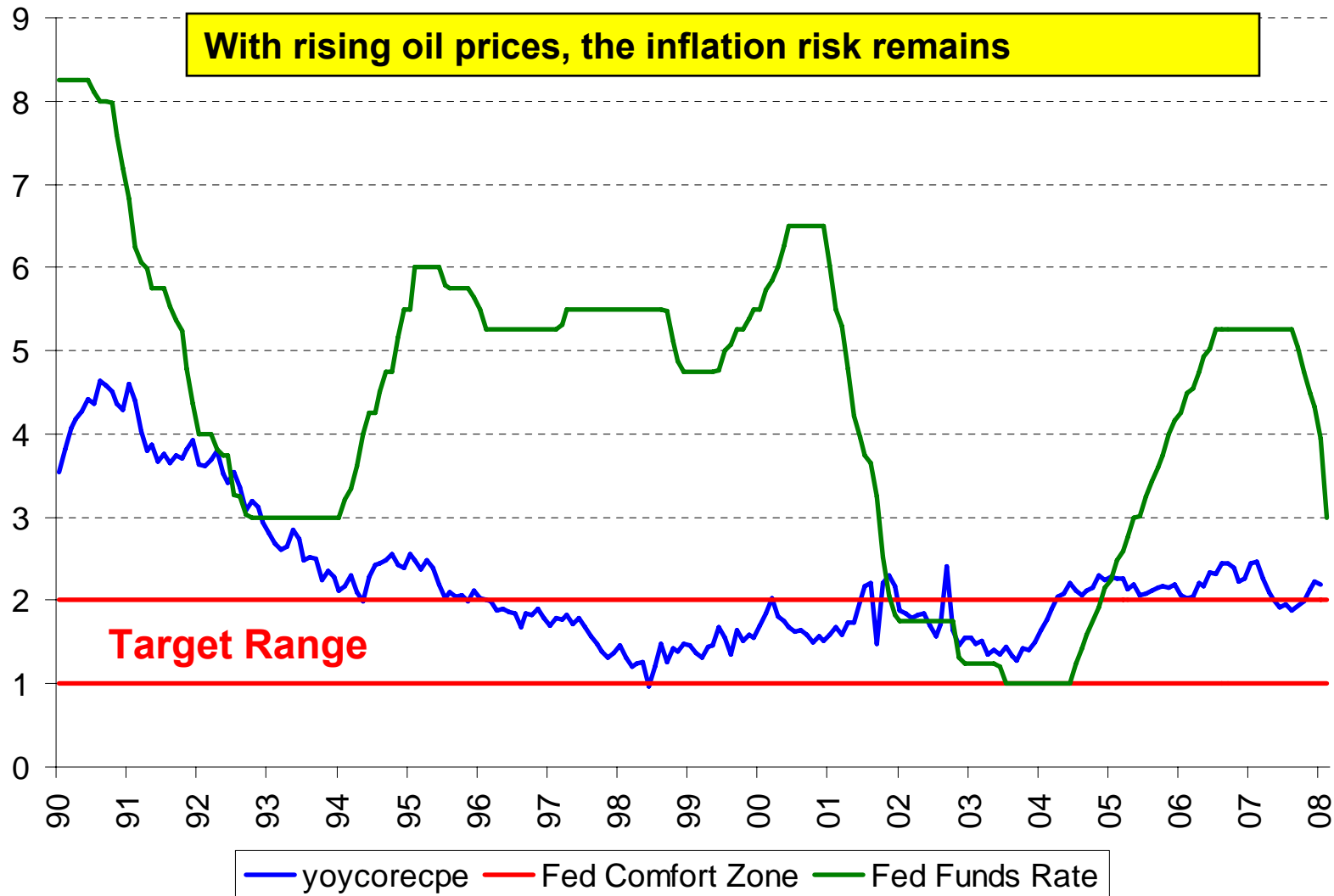
Deflation in New Autos Continues

U.S. CPI – New Vehicles Year-Over-Year Percentage Change



- New vehicle prices in February fell 0.77% and 4.7% y-o-y in nominal and real terms, respectively.

Core Inflation Edged Down Right on the Edge of Fed's Target Range

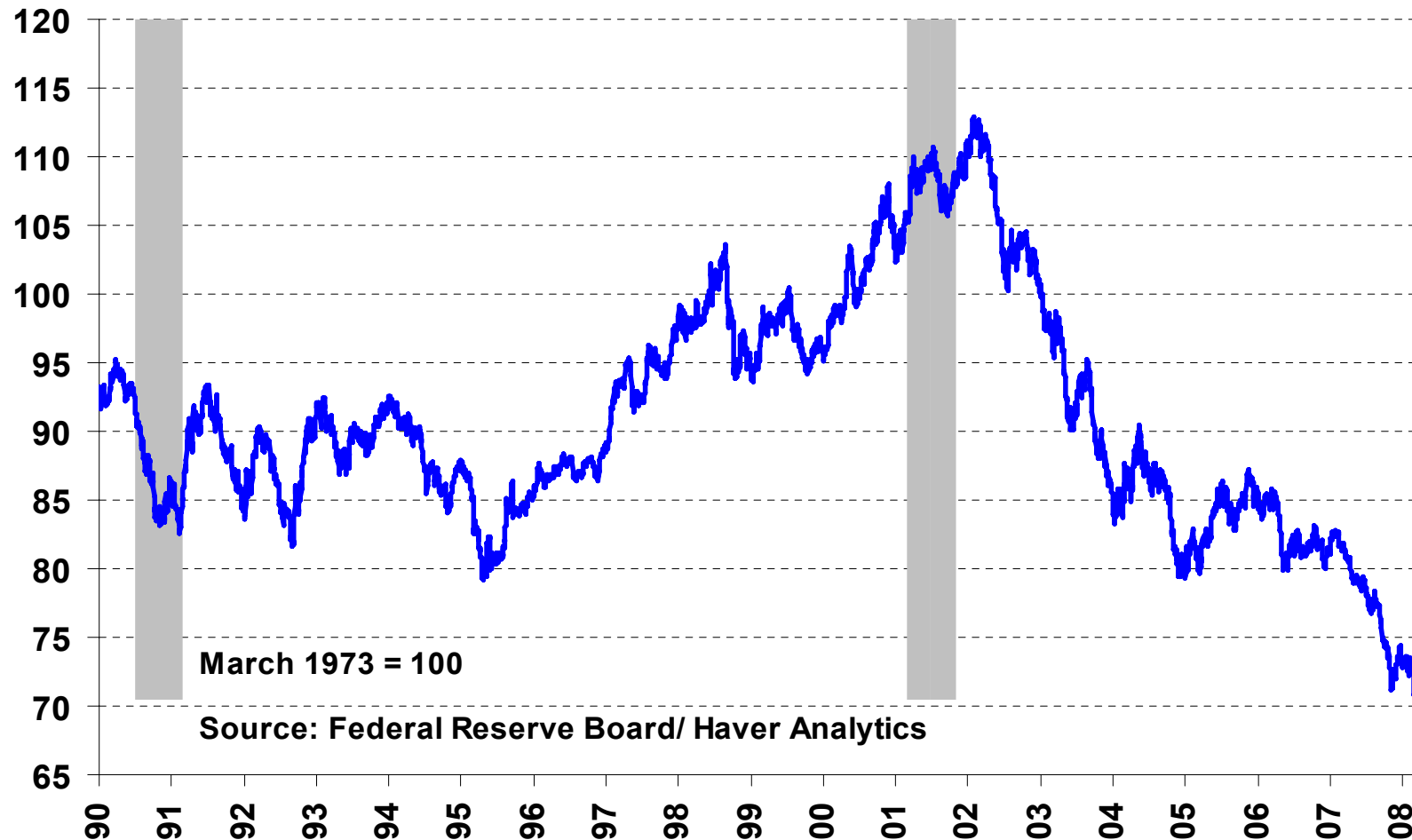


Sources: Bureau of Economic Analysis, Federal Reserve Board

Calculations: General Motors

Trade-Weighted Value of *U.S. Dollar*

Nominal Trade-Weighted Exchange Value of US\$ vs Major Currencies

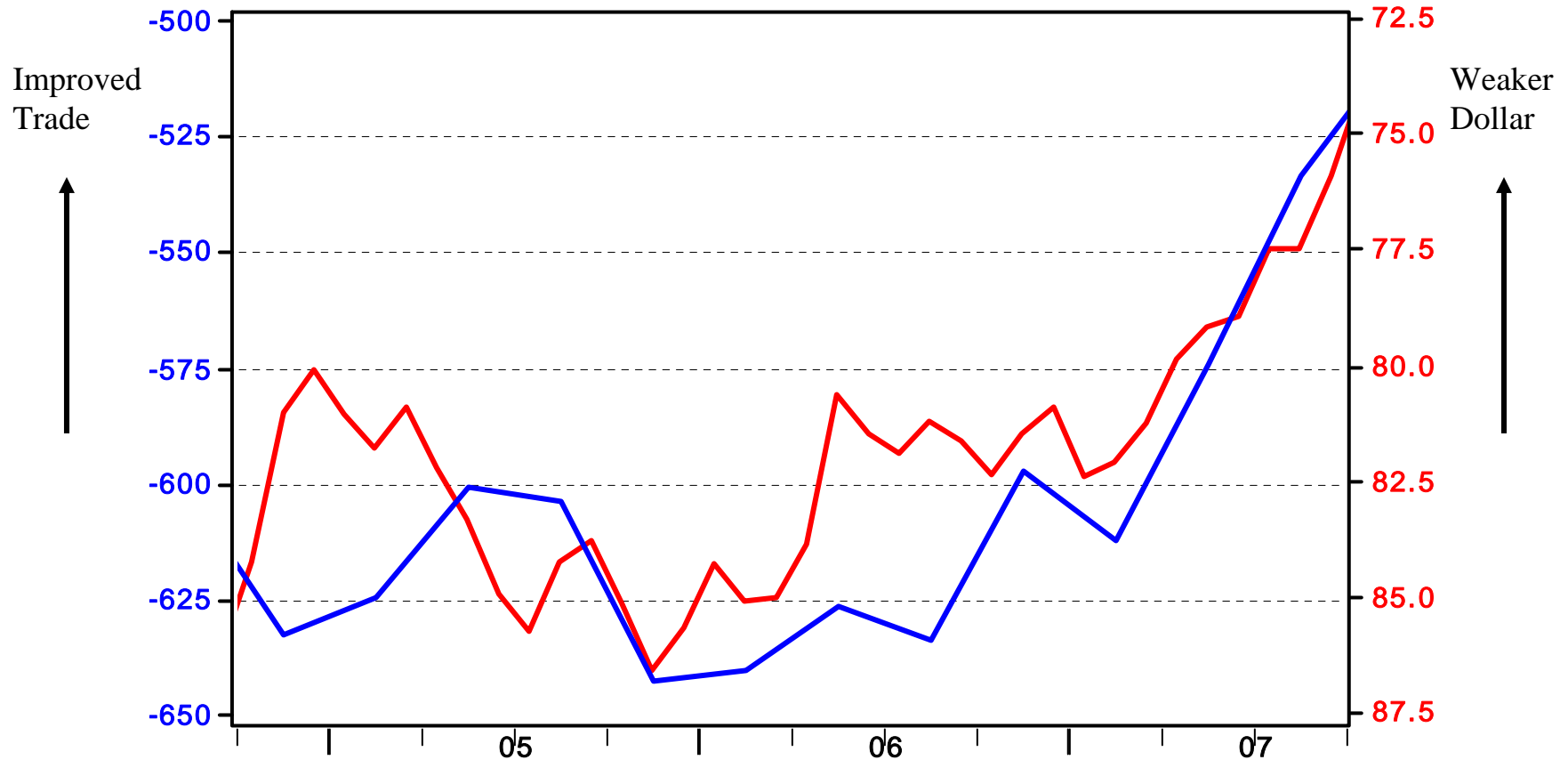


- The US dollar fell to historical low in year 2007 against major currencies
 - The trade-weighted US dollar lost 9.8% against major currencies in the year of 2007. It lost 14.6% against Canadian dollar and 9% against Euro

Weaker Dollar helped improve US trade balance

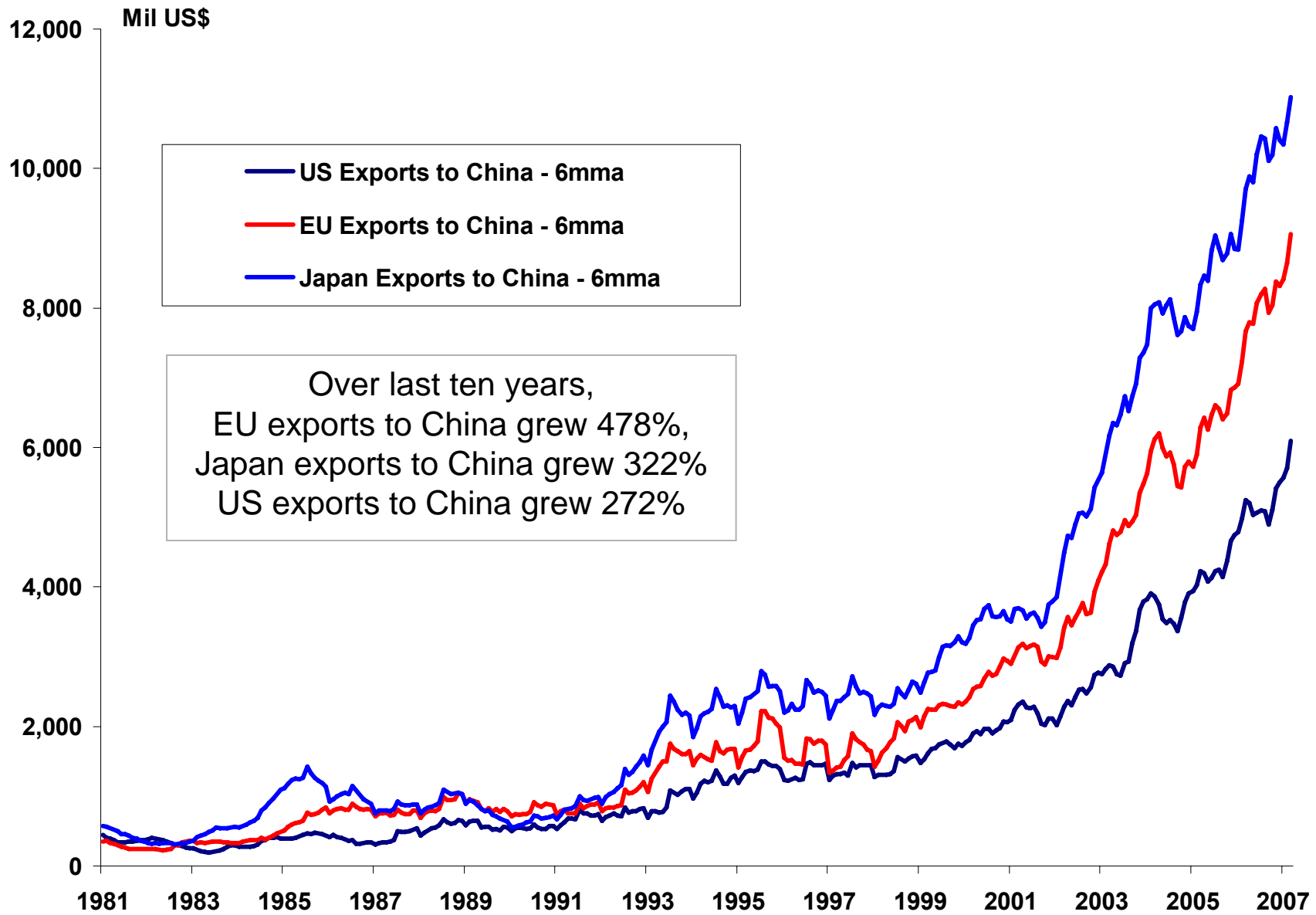
Real Net Exports of Goods & Services
SAAR, Bil.Chn.2000\$

Nominal Trade-Weighted Exch Value of US\$ vs Major Currencies
% Change - Year to Year Mar-73=100

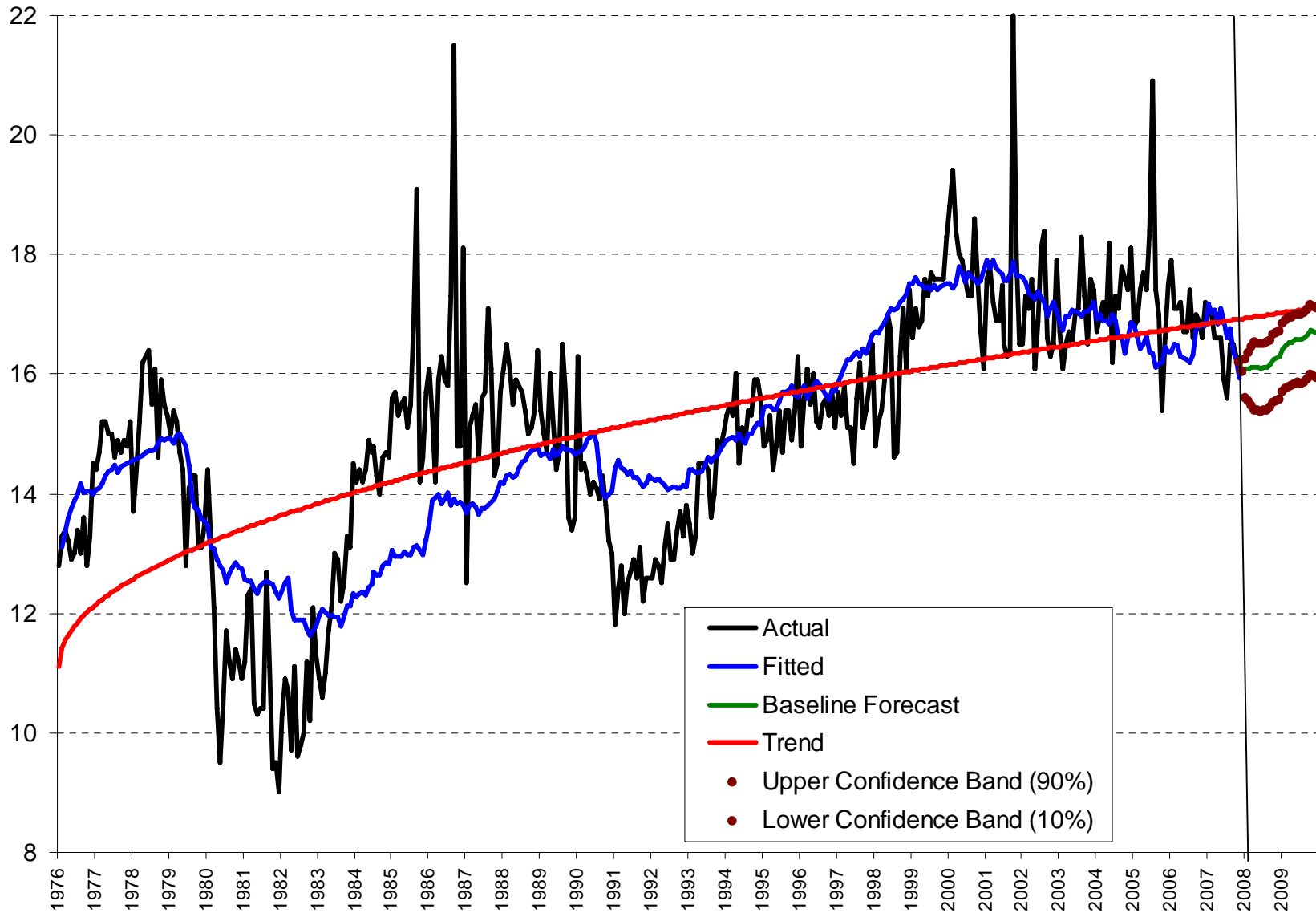


Sources: BEA, FRB /Haver

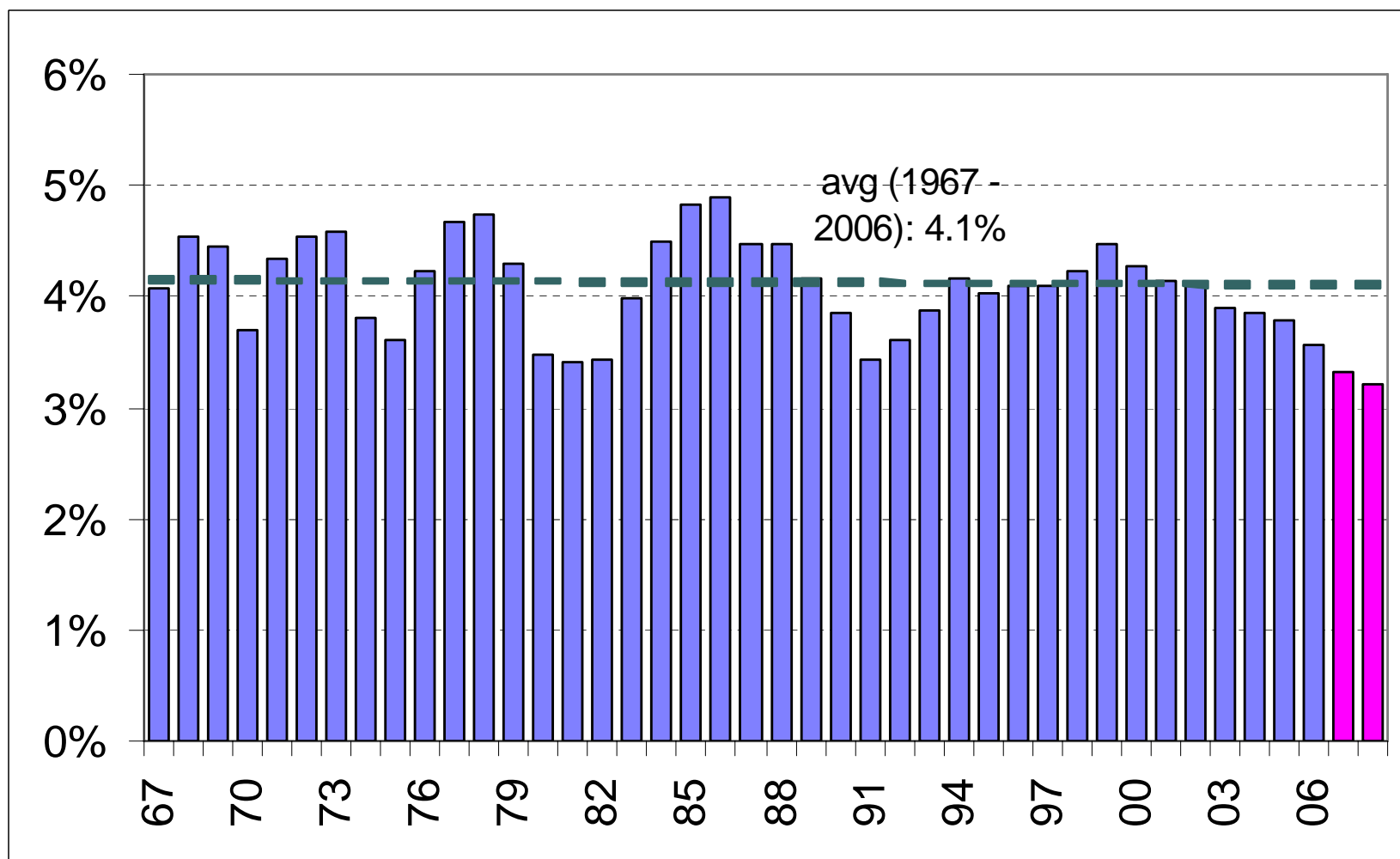
US Exports: Still Plenty of Potential



Industry Sales - History, Trend and Forecast



New Vehicle Spending as Share of GDP



Source: BEA, GMIA

Will industry get back to trend?

Long-term market fundamentals are still largely intact – the U.S. economy is the most competitive in the world, the vehicle market is saturated, but demographics, affordability, and income growth are pointing to demand growth of roughly 0.7% per year

Two risks: draconian policies and slower productivity growth

Will Detroit ever recover?

We must be realistic, but we can win the battle on the hard front – grab productivity and technology leadership, and on the soft front – eliminate the perception gap in quality and fuel economy

Last Thoughts

- Great year in global economy and industry, but disappointments and concerns remain
- Despite short-term challenges, long-term outlook for the US economy and vehicle market is still positive, but it is up to us to make it happen
- The greatest promise of **Cosmic Joy** and **Local Pain** is the excitement – lots of surprises, not a boring world