CAR’s U.S. Light Vehicle Sales Forecast 2019-2025

U.S. Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. LV Sales in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>17.4</td>
</tr>
<tr>
<td>2016</td>
<td>17.5</td>
</tr>
<tr>
<td>2017</td>
<td>17.2</td>
</tr>
<tr>
<td>2018</td>
<td>17.2</td>
</tr>
<tr>
<td>2019</td>
<td>16.8</td>
</tr>
<tr>
<td>2020</td>
<td>16.5</td>
</tr>
<tr>
<td>2021</td>
<td>16.4</td>
</tr>
<tr>
<td>2022</td>
<td>16.8</td>
</tr>
<tr>
<td>2023</td>
<td>17.3</td>
</tr>
<tr>
<td>2024</td>
<td>17.6</td>
</tr>
<tr>
<td>2025</td>
<td>17.7</td>
</tr>
</tbody>
</table>

Source: CAR Research, January 2019
CAR’s U.S. Light Vehicle Production Forecast 2019-2025

U.S. Production

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S. Vehicle Production (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>11.7</td>
</tr>
<tr>
<td>2016</td>
<td>12.1</td>
</tr>
<tr>
<td>2017</td>
<td>11.2</td>
</tr>
<tr>
<td>2018</td>
<td>11.2</td>
</tr>
<tr>
<td>2019</td>
<td>11.3</td>
</tr>
<tr>
<td>2020</td>
<td>10.9</td>
</tr>
<tr>
<td>2021</td>
<td>10.6</td>
</tr>
<tr>
<td>2022</td>
<td>11.1</td>
</tr>
<tr>
<td>2023</td>
<td>11.6</td>
</tr>
<tr>
<td>2024</td>
<td>11.7</td>
</tr>
<tr>
<td>2025</td>
<td>11.7</td>
</tr>
</tbody>
</table>

Source: CAR Research, January 2019
CAR’s N.A. Light Vehicle Production Forecast 2019-2025

Source: CAR Research, January 2019
Positive Factors in the CAR Forecast

- Projected moderate U.S. economic output growth in 2019
- Historically low U.S. unemployment rates
- Relatively low oil prices continue through 2020
- Underlying nominal wage growth continues
- High levels of consumer confidence were reached in Q4 2018, and
- Solid new housing starts and home prices rebounding to pre-recession levels
Risks to the Forecast

- Section 232 Steel & Aluminum Tariffs
- Section 301 China Tariffs
- U.S.-China Talks
- China Auto Sales Slowdown
- USMCA Ratification?
- Section 232 Auto & Parts Tariffs
- U.S.-Japan Talks
- Japan Economic Slowdown
- U.S.-EU Talks
- BREXIT
- U.S.-U.K. Talks
- Recession?
- Geopolitical Risks
- Consumer Confidence
- Interest Rates

New
- Business Models
- Competitors
- Technologies
“There is certainly a lot of uncertainty.”

— Steve Kiefer
GM SVP Global Purchasing & Supply Chain
Measuring Trump's 2018 Trade Protection: Five Takeaways
Chad Bown & Eva Zhang
Peterson Institute for International Economics
Tariffs are piling up on light vehicles

- Steel Tariffs @ 25%
- Aluminum Tariffs @ 10%
- China Tariffs @ (effective rate 12%)
- Potential Parts Tariffs @ 25%
- No Tariffs

~60%

Source: Center for Automotive Research
The United States cannot currently self-supply the vehicles American dealers sell to U.S. consumers.

Sourcing of U.S. Light Vehicle Sales
2017

U.S. Production 11 million
less U.S. Exports - 2.4 million
plus U.S. Imports + 8.7 million

U.S. Sales = 17.3 million

Source: IHS|Markit data

FCA, Ford, & GM Represent HALF of Canada & Mexico Imports

Source: CAR; U.S. International Trade Administration
Trump Faces Tough Sell to Car Dealers Girding for Auto Tariffs

Jenny Leonard
Bloomberg
U.S. Consumer & Economic Impacts of U.S. Automotive Trade Policies

• Assume:
  • USMCA is ratified,
  • Section 232 tariffs on steel & aluminum remain in place on all current countries,
  • Section 301 China tariffs remain at current levels, and
  • Section 232 auto & parts tariffs are levied at 25% on all trading partners except Canada, Mexico, & South Korea

Impact of USMCA, Section 232 Steel & Aluminum Tariffs, Section 301 China Tariffs & Potential Section 232 Auto & Parts Tariffs

+$2,750 average
+$1,900 U.S.-built
+$3,700 imports

-$30.4B GDP

-366,900 jobs

-$43.6B dealership revenue
-77,000 dealership jobs

Source: Center for Automotive Research
Relative Size of U.S. Steel, Aluminum, Motor Vehicles, & Motor Vehicle Parts Imports, 2017

$335 Billion

Motor Vehicle Parts

Motor Vehicles

$46 Billion

Aluminum

Steel

Source: U.S. Department of Commerce, International Trade Administration
Source of Trade Impacts on the Auto Industry

- **232 Autos & Parts, 90.5%**
- **USMCA, 2.2%**
- **301 China, 3.1%**
- **232 Steel & Aluminum, 4.1%**

Source: Center for Automotive Research
Thank you