



Automotive



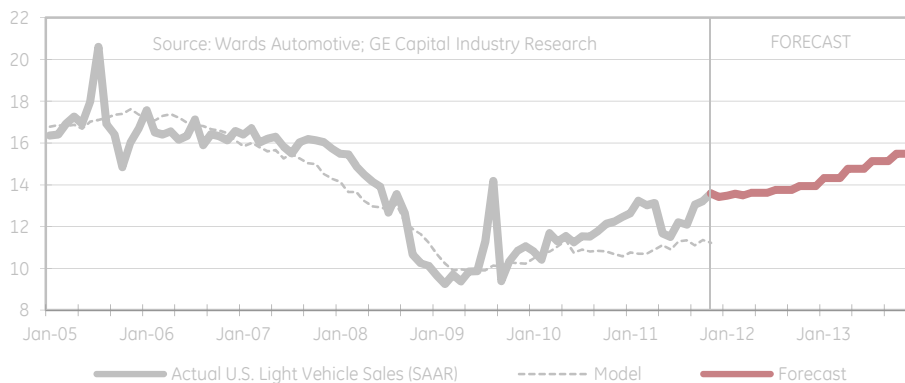
Key Developments

- U.S. light vehicle sales rose in November to 13.6 mil. SAAR - up 11% YoY and 3% MoM. The improvement came despite only a modest sequential rise in incentives. Our full year 2011, 2012 and new 2013 U.S. SAAR forecasts now stand at 12.7, 13.7, and 14.9 mil. units, respectively. Canadian sales rose 6% YoY but declined 7% MoM in Oct.
- North American light vehicle production, rose 12% in October YoY. Production in 4Q 2011 is expected to be up about 4% vs. 3Q 2011 and 11% YoY.
- Inventories rose in October to 58 days supply vs. 49 days supply in the July-Sept period; however, inventories are still low at levels 19% below the trailing 5 year avg. for October. Foreign make inventories look particularly low, with D3 inventories ample.
- Automotive raw material spot prices continued to decline in November.

Key Indicators

U.S. light vehicle sales rose in November to their highest SAAR level in over 3 years, excluding the “cash for clunkers” spike in August 2009. The rise was better than expected given weak consumer confidence and muted incentive spending.

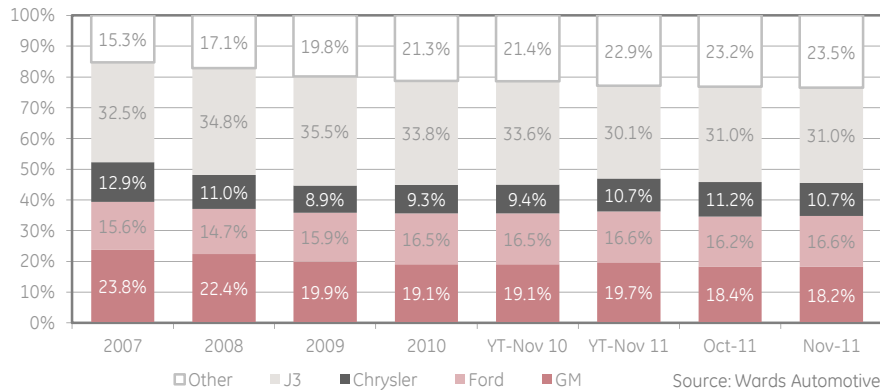
Monthly U.S. Light Vehicles Sales on a SAAR Basis vs. Regression Model



U.S. light vehicle sales in November rose 11% YoY and 3% MoM to a 13.6 SAAR, driven by improved vehicle availability, rising incentives for some products, new product, and replacement demand. Importantly, retail SAAR is estimated to have risen to 11.3 million units, up 8% MoM and up 16% YoY, according to J.D. Power. Derived/implied fleet sales fell 9% YoY to 2.3 million units annualized.

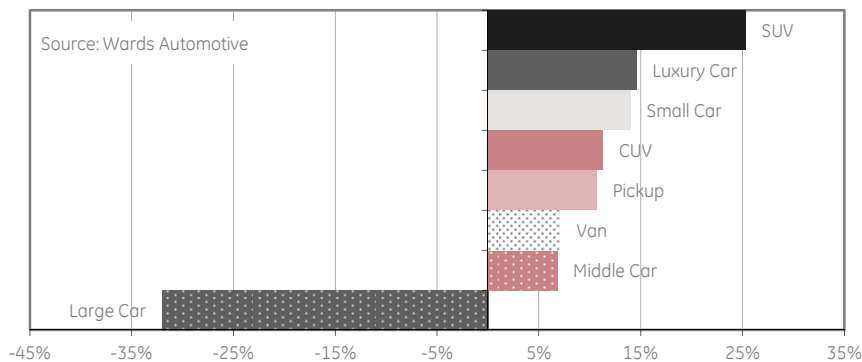
U.S. Light Vehicle Sales Trends

OEM U.S. Market Share Trends



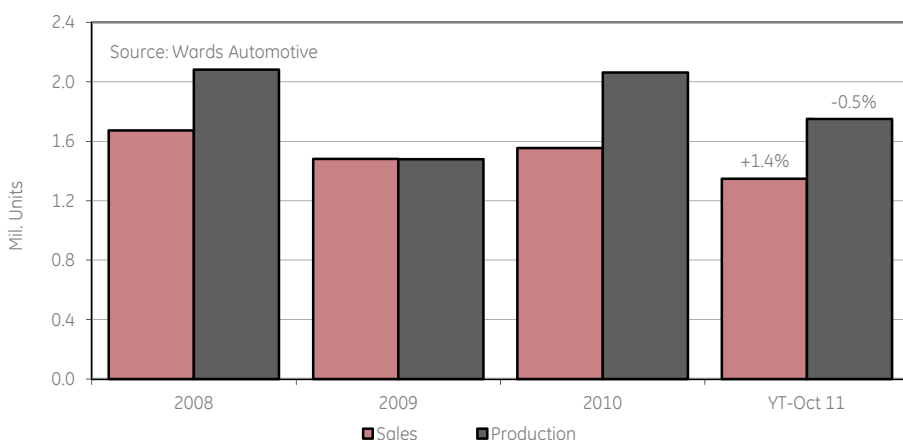
The Detroit 3's market shares fell to 45.5% November 45.8% in October and 47% YTD. GM in particular saw its share fall (primarily on the car side), vs. flat for Ford and up for Chrysler. D3 share YTD remains up YoY at 47% vs. 45% YTD - November 2010.

U.S. Year-to-September Light Vehicle Sales by Vehicle Segment



YTD-November 2011 U.S. light vehicle sales by segment, as shown to the left, have seen a strong rebound in light truck sales - despite gas pricing being up nearly 30% on average YTD. SUV's and Pickup truck sales soared 28% and 18% YoY, respectively in November - the largest increase among the segments. This may reflect some pent up demand as well as a rise in incentive spending in these segments as the OEMs continue to clear relatively high levels of dealer inventories for the new 2012 models.

Canadian Light Vehicle Sales and Production Trends

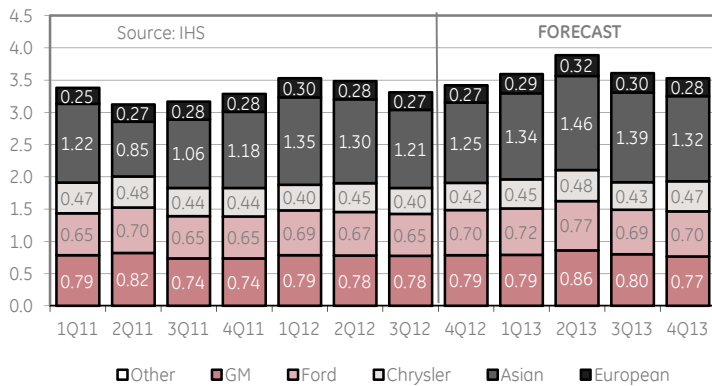


Canadian light vehicle sales rose 5.9% YoY but fell 6.6% MoM in October. October was the fourth consecutive month of decline, although YTD-September, sales are still up 1.4%. Meanwhile, production has actually fallen slightly YTD.

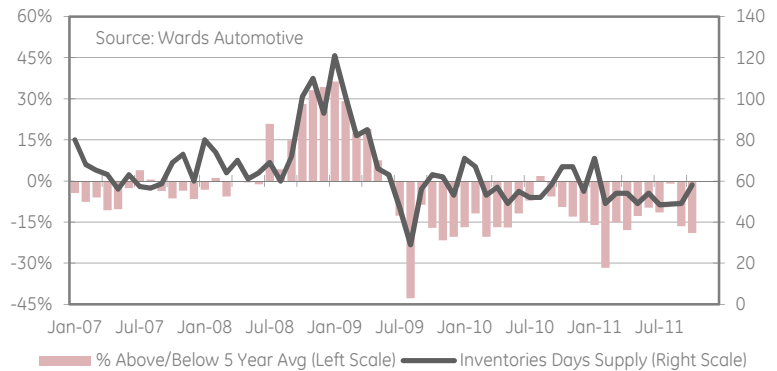
North American Production & Inventory Trends

U.S. light vehicle supply has been rising to meet demand, with production expected to rise 4% in 4Q 2011 vs 3Q. Inventories have improved, helping to support sales, but remain low vs. historical averages.

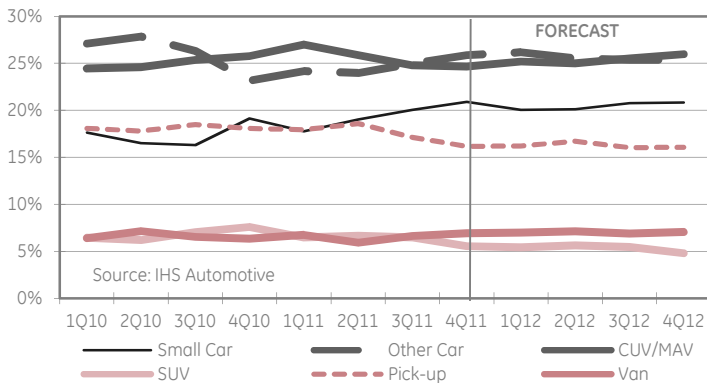
N.A. Light Vehicle Production by OEM



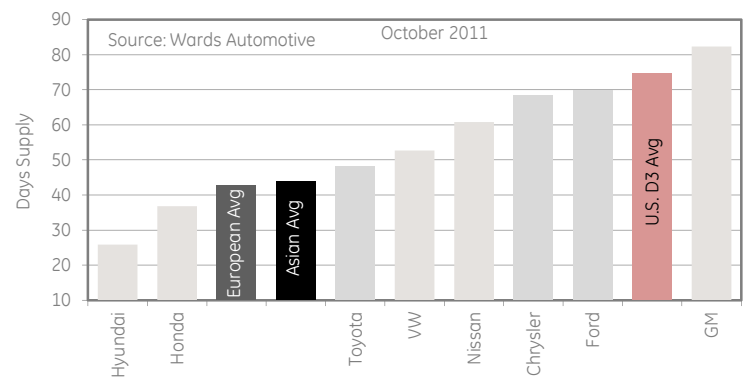
U.S. Light Vehicle Inventory Days Supply



N.A. Light Vehicle Production by Segment



U.S. Light Vehicle Inventory by Major OEM



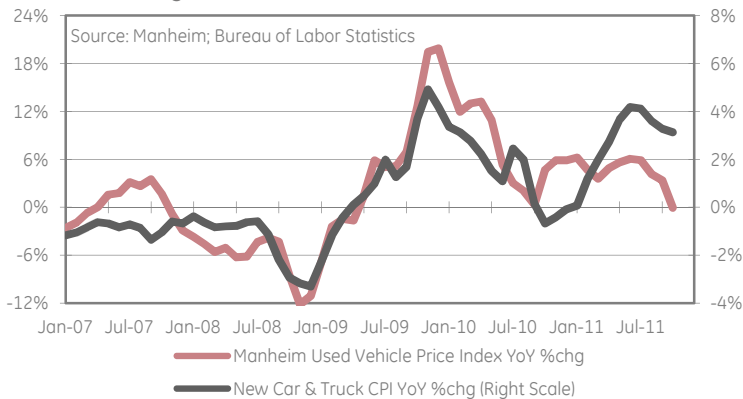
- **North American light vehicle production in October rose 12% YoY and 4% vs. September** according to IHS Automotive data. YTD-October, production is up 9%. Production is expected to rise a further 7% in 1Q 2012 vs. 4Q 2011, as parts supply chain disruptions subside.
- Notwithstanding strong YTD SUV and pick-up truck segment sales, **segment share of production in North America is expected to be relatively stable in the year ahead, with the small car segment seeing slight gains.**

- **U.S. light vehicle inventories rose in October to 58 days supply** – up 9 days vs. August and September but still 19% below the trailing 5 year average for October. Small cars continued to have the lowest inventory among the segments at only 47 days supply (though improved from 38 days in September).
- **The Detroit 3's October inventory rose to 75 days supply – up from 62 day in September.** GM continues to work down pickup inventory, while building more cars. Chrysler car inventory still looks high. **Meanwhile, European and Asian OEM inventories continue to look low at 43 and 44 days, respectively.**

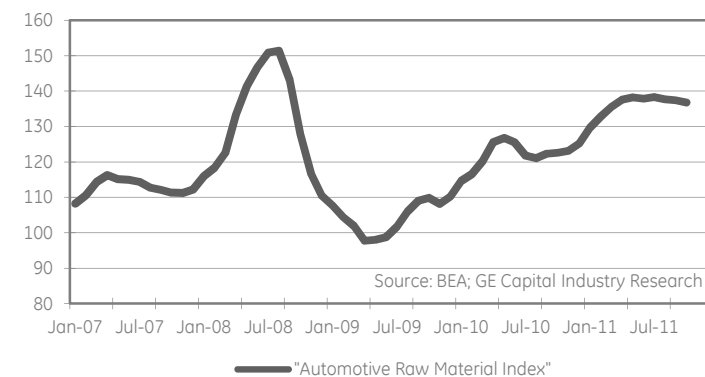
Pricing & Raw Material Cost Trends

Pricing has been falling sequentially of late for both vehicles and vehicle raw materials. On balance, the picture looks favorable, with incentives still low in the face of rising production and falling spot raw material pricing.

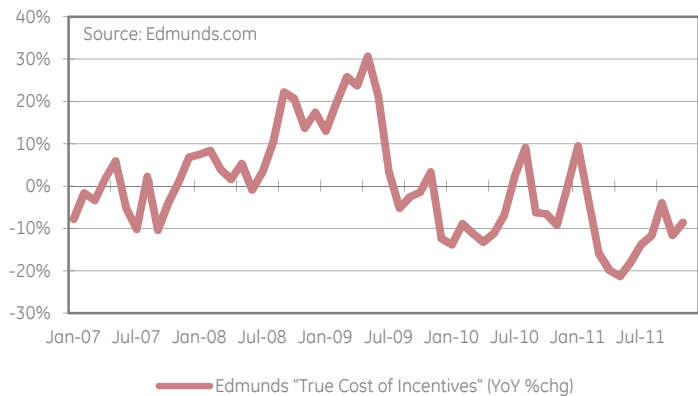
New & Used Light Vehicle Price Trends



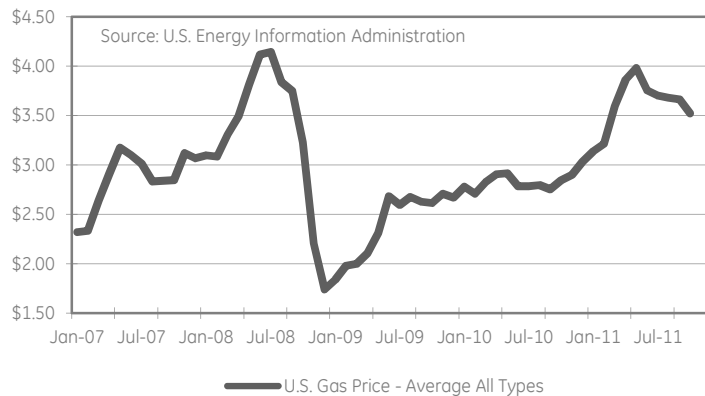
Automotive Raw Materials Price Trends



Edmunds' "True Cost of Incentives"



U.S. Average Gas Pricing

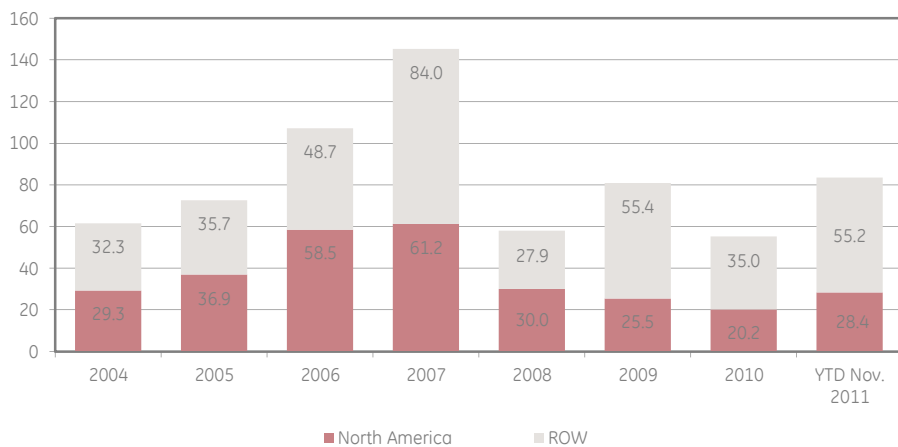


- **New and used vehicle pricing has continued to show signs of topping out.** On the new vehicle front, CPI for new cars and trucks rose 3.1% YoY in October but was up just 0.1% vs. September. On the used vehicle front, the Manheim Index of used vehicle pricing in October declined 0.1% both YoY and MoM. This plateauing of pricing reflects somewhat improved availability of new and used vehicles.
- **Edmunds' "True Cost of Incentives" – a measure of OEM incentive spending – rose 5% MoM in October, but was still down 9% YoY.** The average TCISM per vehicle in November of \$2,253 marks the lowest average November spending since November of 2002. The YoY decrease in incentives is mostly concentrated in high-volume compact and midsize car segments. **Interestingly, Japanese incentive spending has not surged as some anticipated.**

- **Our composite index of automotive raw materials – made up of a weighted average of PPI's for various automotive materials such as steel, aluminum, copper, plastic rubber and glass – rose 12% YoY in October, but has decline slightly sequentially since July and is expected to continue to soften give recent spot metals pricing declines.** However, given the pricing lag in the supply chain, it may be some time before benefits are seen in margins.
- **The average price of gasoline in the U.S. (regular) fell to \$3.52/gallon in October 2011 vs. \$3.66/gallon in September and is expected to have held steady in November** according to the EIA . Looking forward, the EIA sees gasoline pricing holding in the \$3.40-\$3.60/gallon range throughout 2012.

Spotlight Transaction

North American Automotive Company Loan Volume (\$ Bil)



Global auto industry leveraged loan volume (i.e. sub investment grade or not rated) rose to \$84B YTD-November 2011 – already up 51% vs. full year 2010. In North America, YTD-November 2011 volume rose to \$28B. vs. \$20B for full year 2010.

GE Capital Commitments

\$9.0 Billion in Investments Across the Value Chain*

*GE Capital as of 9/11; Americas only; Note includes motorcycle floor plan financing



\$1.4 Billion
Auto Parts



\$0.5 Billion
Vehicle
Manufacturing



\$7.2 Billion
Distribution
& Service

GE Capital – Americas, Strategic Marketing, Industry Research Team

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