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Industry Executive Summary

Car & Automobile Manufacturing in the US
Oct-26-2009, NAICS 33611a

Definition

Companies in this industry manufacture cars and automobile chassis. They are referred to as automakers and typically produce automobiles (cars, including electric cars) in assembly plants. The manufacturing of light trucks such as vans, pick ups and SUVs, heavy trucks and motorcycles are not included in this industry.

STATISTICS

	2010
Revenue	$75,792 Million
Number of Enterprises	142
Forecast Revenue Growth to 2015	5.5%
Forecast GDP Growth to 2015	2.8%
Recent Employment Growth	-3.7%
Average Wages per Employee	$85,303
Average Profit Margin	-1.0%
Average Revenue of Enterprise	$533,748,592
Imports Share of Domestic Demand	43.0%
Exports Share of Revenue	18.5%

KEY FACTS

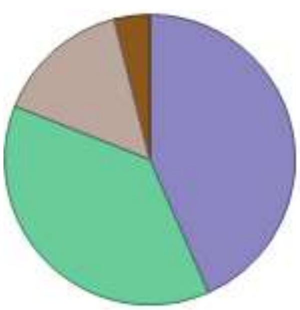
Competition in this industry is medium
Volatility high (revenue fluctuations between 10 and 20 points.)
The life cycle stage is decline

The top 5 players account for 70% of industry revenue:

- Toyota Motor Corporation	17.8%
- Ford Motor Company	17.5%
- General Motors Corporation	14.5%
- Honda Motor Co., Ltd.	11.8%
- Chrysler Group LLC	7.5%

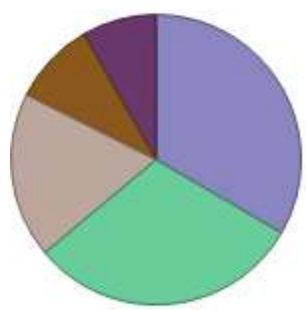
Industry Summary

PRODUCTS AND SERVICE SEGMENTATION



Product/Services	Share
Mid-Size Car	43.4%
Small Car	37.6%
Luxury Car	15.0%
Sport Car	4.0%

MAJOR MARKET SEGMENTS



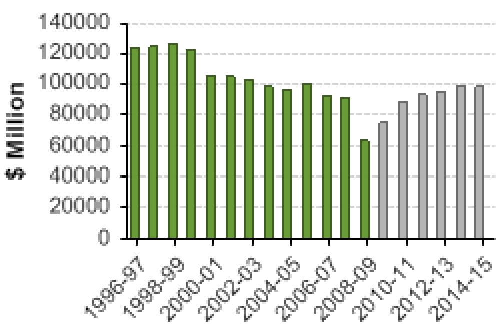
Market Segment	Share
Car Dealers	33.4%
Wholesalers	30.5%
Exports	18.5%
Leasing Companies	9.3%
Government	8.3%

MARKET SIZE

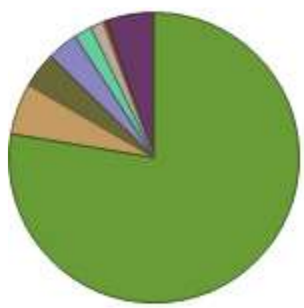
The Big Three automakers (GM, Ford, and Chrysler) have no time for self-pity: their woes are so big and could have such a nefarious effect on the US economy as a whole that they have been taking desperate measures to get back on their feet. Plant closures, the suspension of research and development, drastic employment reduction and pleading to the Government for a bailout have been on the front line of their agenda over the past couple of years. Despite these efforts, Chrysler and GM were unable to reduce debt to a viable level, and sought bankruptcy protection in May and June 2009 respectively. Fiat, an Italian automaker, along with the United Auto Workers (the workers' union) bought out Chrysler and the company was able to emerge from bankruptcy. The US Government took a majority stake in GM, which helped the company follow Chrysler's footsteps out of bankruptcy protection. Over the five years to 2009, revenue of the Car and Automobile Manufacturing industry will fall by an estimated 8.4% annually to $63.64 billion.

The industry has also been suffering from falling car production and plummeting profit. The Big Three automakers have been making losses since 2005. GM and Chrysler have had to be bailed out by various parties, as mentioned, to survive. Ford's debt is in control, but the company is hardly robust enough to make profit. The Japan-based automakers operating in the United States (Toyota, Honda, and Nissan) have a different story. Not burdened by legacy costs such as pricey pension funds, union membership and the erroneous belief that consumers would always demand big cars, they recorded strong sales and profit until the first half of 2008. They cannot afford to be complacent though as they were negatively affected by the financial collapse in late 2008. In 2009, industry wide losses are expected.
The future of the Car and Automobile Manufacturing industry seems more certain now that two of the Big Three companies have been saved from failing by Fiat, the UAW, and the US Government. They have vowed to restore profitability by 2010, although IBISWorld believes that this will be a tall order given the current economic environment. GM is working to shed debt and extra capacity, which will lead to the creation of a new smaller and leaner company. All automakers will focus on the production of green vehicles in the next five years in order to become more competitive. Manufacturing cars that consumers want to buy, along with a recovery in the demand for vehicles in general will see industry revenue grow by an estimated 9.3% annually over the five years to 2014 to $99.33 billion.

INDUSTRY REVENUE & FORECASTS



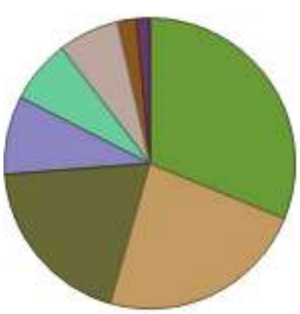
COST STRUCTURE



Item	Cost
Purchases	78.4%
Wages	5.8%
Depreciation	4.0%
Research and Development	3.5%
Advertising	2.0%
Rent	1.5%
Utilities	0.4%
Other	5.4%
Profit	-1.0%

Geographic Spread

NUMBER OF ESTABLISHMENTS BY REGION



Region	%
Great Lakes	31.2
Southeast	23.2
West	19.4
Southwest	8.7
Plains	7.1
Mid-Atlantic	6.8
Rocky Mountains	2.1
New England	1.5

Recent Industry Performance

IBISWorld estimates industry revenue will contract at an average annual rate of 8.4% over the five years to 2009. Industry revenue is forecast to drop considerably during the current year as demand for cars is undermined by the global financial crisis. Automobile

production will fall during the year. In January 2009, automakers slashed production in an attempt to reduce inventory and realign manufacturing with demand. Most notably during the year, two of The Big Three, GM and Chrysler, filed for bankruptcy protection. Chrysler gave up 55% equity to the United Auto Workers (UAW) and GM emerged from bankruptcy protection in July 2009, owned in majority by the US Government and armed with a plan to downsize and become profitable again. Prior to being bailed out, both companies were facing the possibility of going into liquidation, or more likely, having to look for potential buyers and inventors to save them.
Over the five years to 2009, the price of steel will rise. At the same time, the price of automobiles has been falling. Dealers have been taking desperate measures in order to sell cars and this has been having a flow-on effect on auto manufacturers. The sharp rise in gasoline prices between 2004 and 2008 slowly led to a shift in preferences from the ingrained SUVs and gas-guzzling automobiles to smaller, greener automobiles. The shift in preferences to smaller cars has provided a small growth potential in an industry that is otherwise rapidly contracting. The Big Three (GM, Ford, and Chrysler) automakers have been late in reacting to the shift in attitude, wrongly banking on the American big car legacy to generate sales.

	Revenue $ Million	Growth %
2005	97,449.3	N/A
2006	100,671.8	3.3
2007	93,190.2	-7.4
2008	91,505.5	-1.8
2009	63,637.5	-30.5

Industry Outlook

The worst of the recession and automotive downturn will be over by 2010. The US economy is tipped to recover, and over five years to 2014, there will be some favorable developments to support the growth of this industry. IBISWorld estimates industry revenue will increase at an average annual rate of 9.3% over the five years to 2014. Over the outlook period, the demand for cars will increase, driven by the shift towards greener cars and a drop in the price of gas. Car dealers are expected to recover by 2011, although recovery will be slow and uncertain at first. Wages and employment are forecast to recover along with the industry, although IBISWorld believes that unions will have less power over the next five years.
The future of this industry seems more certain now that two of the Big Three companies have been saved from failing by Fiat, the UAW, and the US Government. GM and Chrysler are expected to bounce back during the outlook period, although GM will be a much smaller company going into 2010. The Japan-based automakers may be hurting along with everyone else, but they were in a better shape going into the recession. IBISWorld believes that once the demand for cars bounces back, domestic internationals will be in a better position to cash in on pent-up demand. Their market share is expected to rise significantly over the next five years.

	Revenue $ Million	Growth %
2010	75,792.3	19.1
2011	89,061.6	17.5
2012	93,733.0	5.2
2013	95,723.4	2.1
2014	99,331.5	3.8
2015	99,033.5	-0.3

Factors Influencing the Industry

External Drivers of Change
The key sensitivities affecting the performance of the Car & Automobile Manufacturing industry include:

Consumer Sentiment Index. Consumer sentiment will play an important role in the demand for automobile production over the five years to 2009. When consumers are not happy, they tend to postpone purchases and this does not bode well for automakers. Over the five years, consumer confidence will fall by 7.8% annually, which will have a flow-on upstream effect on automakers.
Domestic Price - Gasoline (Retail). The price of gas has always been important to the automotive industry, as it represents a significant part of the running costs of a vehicle. Over the five years to 2009, the retail price of gasoline will grow by 5.8% annually, which combined with declining disposable income, will lead consumers to think twice about their fuel consumption. They will demand smaller and more fuel-efficient vehicles, to the detriment of domestically manufactured cars, which traditionally are gas-guzzlers.
Domestic Price - Metals - Steel. Steel is a key input in the manufacture of automobiles and represents a significant part of the cost of sales of automakers. Rises in the price of steel led to cost pressures, which cannot always be passed on to consumers. Automakers typically experience high costs of production and in some instances, the cost of production exceeds sales revenue. Over the five years to 2009, the price of steel is forecast to grow by 2.5% annually, which will exacerbate the financial woes of automakers.
Downstream Demand - New Car Dealers in the US. The events unfolding in the New Car Dealers industry paint an accurate picture of the woes of the automotive sector as a whole. The financial crisis has taken its toll on dealers, with a significant proportion of companies having trouble finding funding to stock their showrooms over the past year. This, along with falling consumer demand, has been negatively affecting the demand for automobile manufacturing over the past year. This trend is expected to persist into the next five years.
Exchange Rates - Trade Weighted Index. Exchange rates play a significant part in remaining competitive as the market has Korean automakers at the low end, the Japanese in the middle range and the Europeans at the high end. Over the five years to 2009, the US dollar is forecast to depreciate, which will make domestically-manufactured cars cheaper on the global market. A depreciation of the US dollar typically leads to a rise in exports, which has a positive effect on industry revenue.