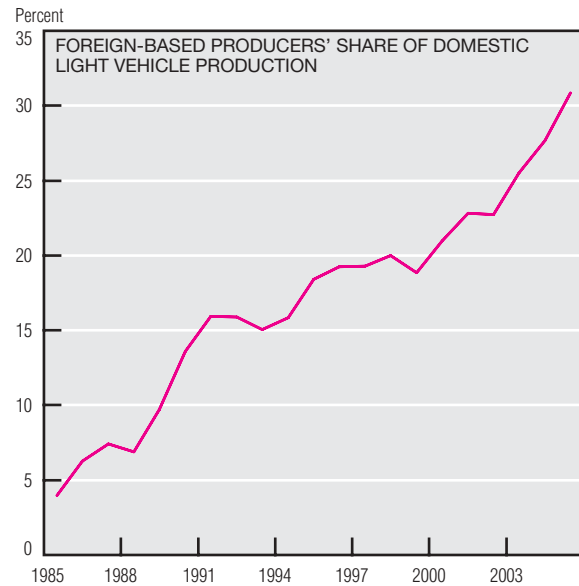
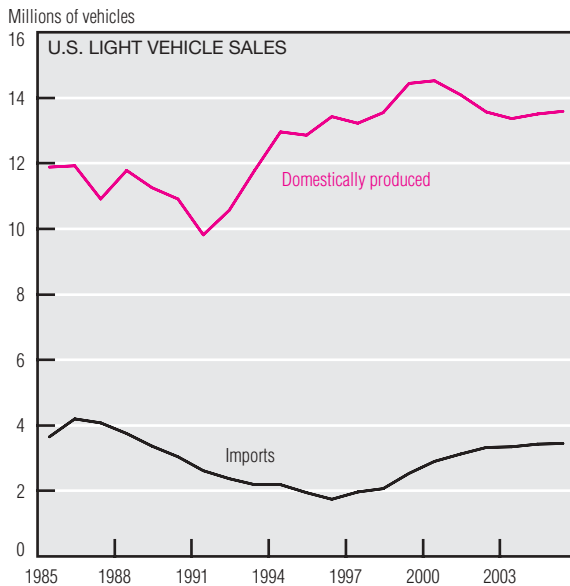
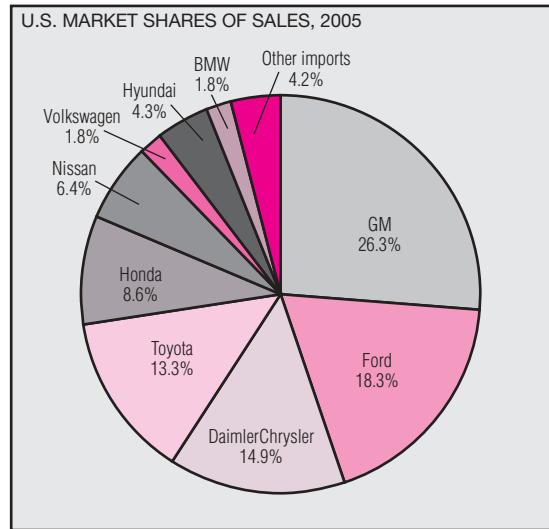
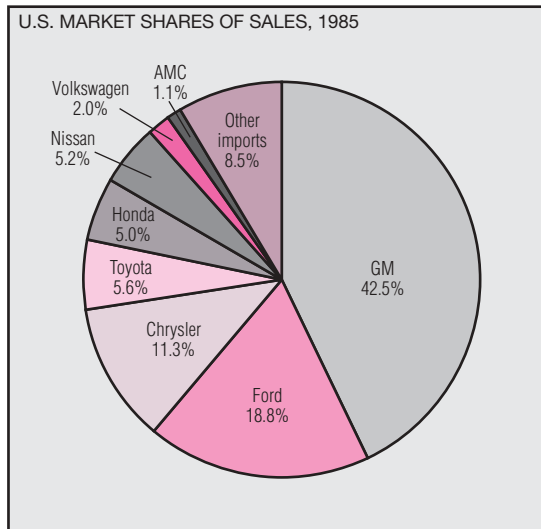


# The American Auto Industry



SOURCE: Ward's Automotive Reports.

In the past 20 years, American automakers have lost market share to their foreign-based rivals. In 1985, American-brand vehicles accounted for about 74% of U.S. passenger-vehicle purchases. By 2005, this figure had fallen to less than 60% (including the German-American firm, DaimlerChrysler, formed from the 1998 merger of Germany's Daimler-Benz and America's Chrysler). Much of the loss in American automakers' market share can be traced to General Motors, whose share fell from 42.5% in 1985 to 26.3% in 2005.

Given these declines, and the associated market share gains by foreign-based producers, one might expect imported vehicles to have become a larger fraction of U.S. auto sales over the past 20 years. In fact, imports account for a slightly smaller fraction of domestic auto sales today than in 1985, when roughly 4 million vehicles made their way to the American auto market from abroad. Thereafter, vehicle imports declined throughout the late 1980s and early 1990s. They have risen recently, but as of 2005, they remained less than 4 million. In

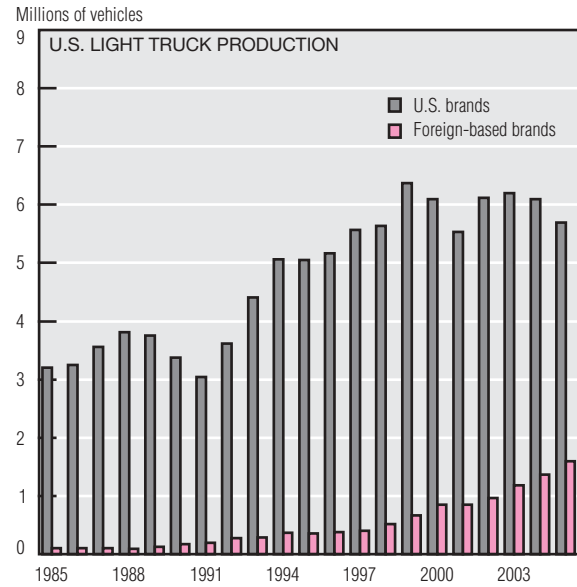
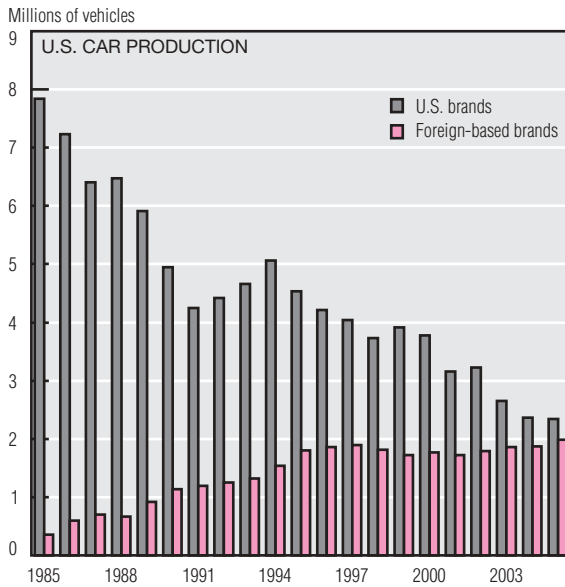
contrast, domestic production increased throughout the 1985–2005 period.

How did foreign-based producers increase their share of the American auto market, even as the number of imported vehicles remained below 1985 levels? The answer lies in foreign firms' share of domestic production, which rose from less than 5% in 1985 to more than 30% in 2005.

Much of this gain has come from changes in the composition of car (as opposed to light truck) production,

(continued on next page)

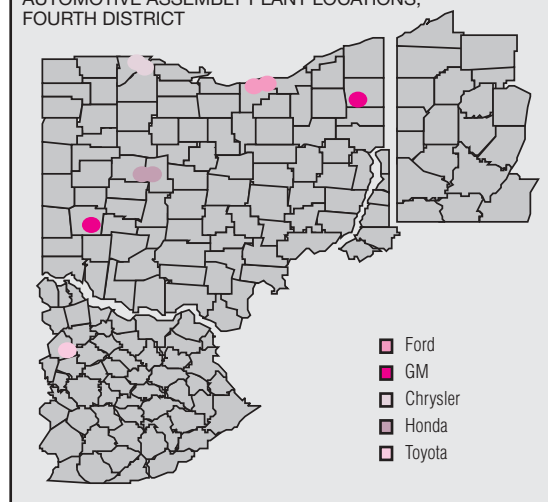
## The American Auto Industry (cont.)



### Fourth District Light Vehicle Production, 2005

	Cars	Trucks	Total
<b>Domestic</b>	<b>301,159</b>	<b>846,251</b>	<b>1,147,410</b>
Ford	—	230,132	230,132
GM	301,159	299,020	600,179
Chrysler	—	317,099	317,099
<b>Percent of U.S. production</b>	<b>7.0</b>	<b>11.6</b>	<b>9.9</b>
<b>Foreign-based brands</b>	<b>1,090,190</b>	<b>66,166</b>	<b>1,156,306</b>
Honda	581,063	66,166	647,179
Toyota	509,127	—	509,127
<b>Percent of U.S. production</b>	<b>25.2</b>	<b>0.9</b>	<b>10.0</b>
<b>District production</b>	<b>1,391,349</b>	<b>912,367</b>	<b>2,303,716</b>
<b>District percent of U.S. production</b>	<b>32.2</b>	<b>12.5</b>	<b>19.8</b>

### AUTOMOTIVE ASSEMBLY PLANT LOCATIONS, FOURTH DISTRICT



SOURCE: Ward's Automotive Reports.

which today is split about evenly between the Big Three automakers and foreign-based brands. Over the past 20 years, American automakers have scaled back production sharply. In 1985, they made about 8 million cars; by 2005, that figure had fallen to about 2 million. In contrast, foreign-based manufacturers made less than half a million cars in 1985; by 2005, their total production nearly equaled their American counterparts'.

The decline in American automakers' car production partly reflects

their strategic shift into more profitable sport utility vehicles (SUVs), which are classified as light trucks rather than as cars. From 1985 to 2005, American companies roughly doubled their light truck output as a result of surging SUV production. Only recently have foreign-based automakers ramped up their light truck production, and they now account for about one-fourth of domestic output.

Despite the compositional changes, however, total U.S. vehicle production has remained relatively stable

over the past 20 years. And although the geography of the American auto industry has changed throughout this period—notably by expanding southward beyond the Midwest—the Fourth Federal Reserve District remains an important area for auto production, accounting for roughly 20% of national output. The District's production is split about evenly between American and foreign-based brands, with trucks produced primarily at American automakers' plants and cars primarily at foreign-based facilities.