

# Hawaii Auto Outlook <sup>TM</sup>

Comprehensive Information on the Hawaii Automotive Market

Third Quarter, 2007

Volume 6, Number 3

## Market Struggles in First Half of '07; Improvement Likely in Second Half

Economic growth came to a virtual standstill in the First Quarter of this year, but many economists expect that a rebound is in the works. The Fed has left interest rates unchanged for over 12 months, but the prospects of higher inflation could prompt a rate hike before the end of the year. Consumers are racking up record debt and not saving enough, but retail spending has held up relatively well. Auto manufacturers are serving up an impressive array of new products that could ignite new vehicle sales, but the market has been tracking above trend levels for most of this decade which could signal a cyclical decline in sales.

And it doesn't stop there! Toyota has been on a roll, racking up big gains, but some well publicized quality issues loom. New products from Hyundai and Kia have gotten favorable reviews from the automotive press, but the strong Korean won is evaporating some of their price competitiveness. And Detroit's Big Three have gained some traction with new products and could win needed concessions from the UAW this summer, but daunting financial and competitive challenges remain.

The obvious summary of these observations is that these times are uncertain and tumultuous for the new vehicle retailing industry. As a consequence, it is especially challenging to accurately plot the exact future course of the Hawaii market.

We do believe, however, that there is enough evidence to predict the general direction in which the market will head over the next 12 to 18 months. Despite some uncertainties regarding the economic outlook, Hawaii consumer affordability for new vehicles should remain strong for the foreseeable future. This should prevent any sharp and sustained decline. But, there are simply too many things holding the market back to allow for any sharp increase in sales. As a result, the market is likely to languish during the rest of this year, posting somewhat sluggish results, while avoiding a significant decline.

The box on the right provides details on the forecast for the rest of this year, and our preliminary projections for 2008. Look for more details on 2008 in the next release of Auto Outlook.

### HAWAII MARKET SUMMARY

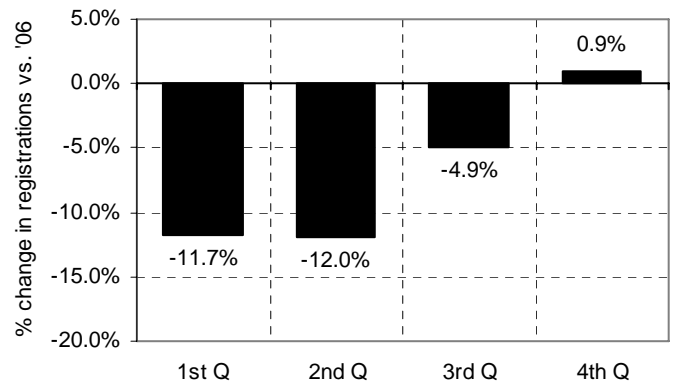
- ❑ New retail light vehicle registrations predicted to decrease 7.2% for all of this year versus 2006. 2.1% increase expected in 2008.
- ❑ Market declined 12% in the Second Quarter of this year versus year earlier, in line with our projected 8.9% drop.
- ❑ Toyota retained its top spot as the best-selling brand in the state during the Second Quarter of this year, as Honda moved into second place, ahead of Nissan.
- ❑ Each of the four county markets in Hawaii declined during the first half of this year versus a year earlier (see page 3).

## The Hawaii New Retail Light Vehicle Market — At a Glance

Summary 1. Top Ten Scoreboard

FIRST QUARTER, 2007			SECOND QUARTER, 2007			Change in mkt. share
Rank	Make	Market Share	Rank	Make	Market Share	
1	Toyota	26.5%	1	Toyota	25.6%	-0.9%
2	Nissan	12.2%	2	Honda	13.0%	1.1%
3	Honda	11.9%	3	Nissan	11.2%	-1.0%
4	Ford	8.1%	4	Ford	8.6%	0.5%
5	Chevrolet	5.7%	5	Chevrolet	5.3%	-0.4%
6	Dodge	4.0%	6	Dodge	4.2%	0.2%
7	Mazda	3.5%	7	Mazda	3.4%	-0.1%
8	Lexus	3.5%	8	Lexus	3.3%	-0.2%
9	BMW	2.6%	9	Mercedes	2.1%	0.2%
10	Kia	2.3%	10	BMW	2.0%	-0.6%

Summary 2. Quarterly Forecast



Summary 3. Annual Review and Forecast

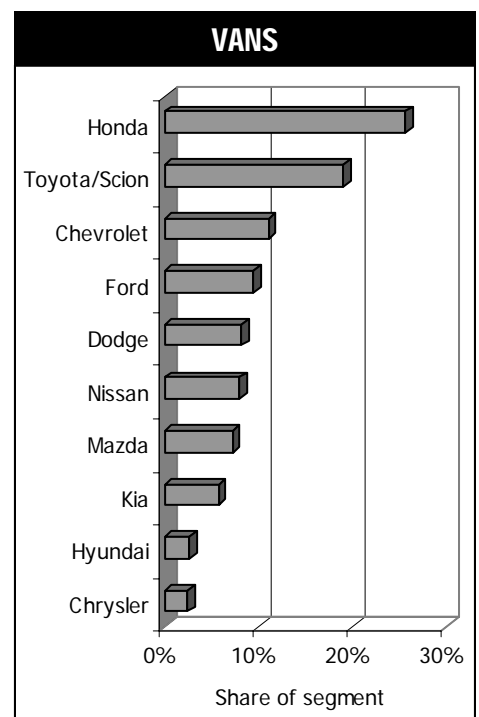
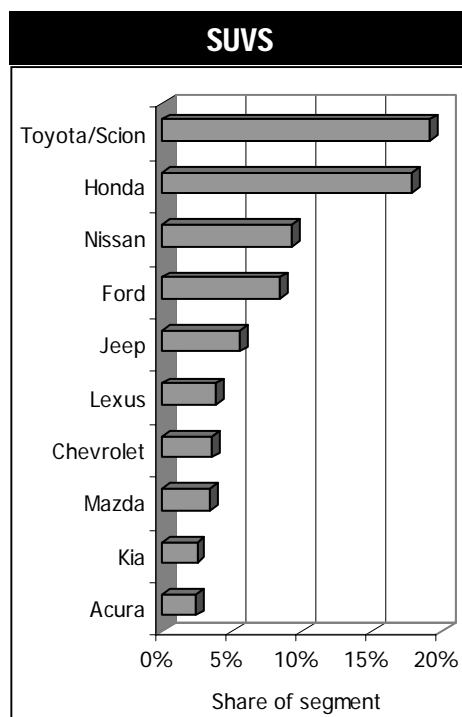
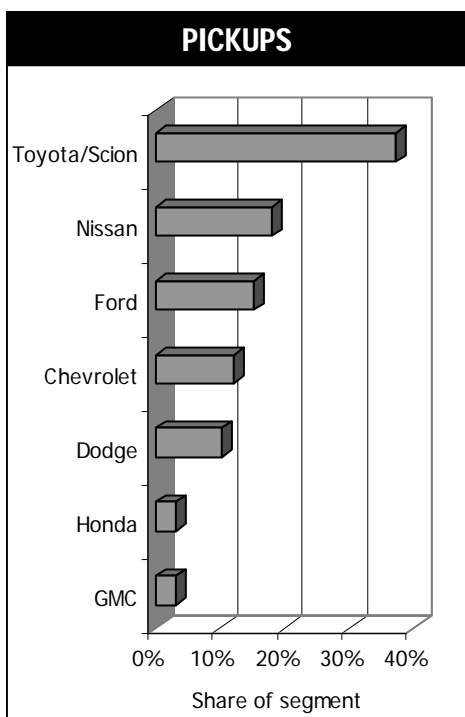
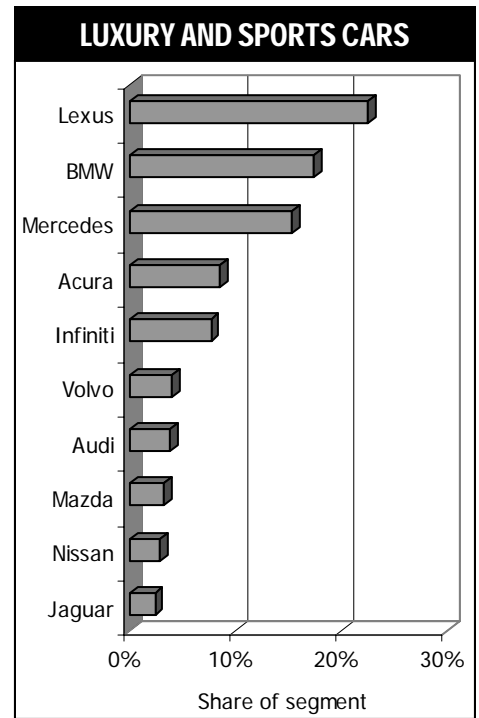
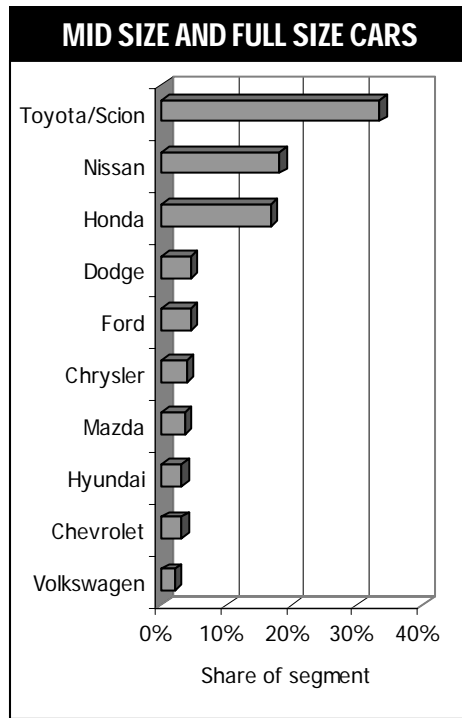
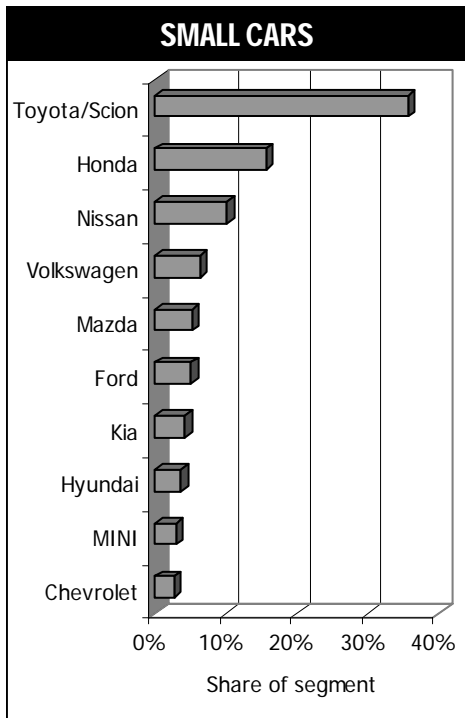
The three summaries provide an overview of the Hawaii new retail light vehicle market. The table above shows the **Top Ten** sellers in the state during the First and Second Quarters of this year, and the change in market share. **Quarterly Forecast** presents the change in registrations during each quarter of this year versus 2006. (Actual figures are shown for the First and Second Quarters.) The **Annual Review** table on the right shows our forecast for 2007, and actual figures for 2005 and 2006. Detailed forecasts for all brands are on page 4. Source for historical data: AutoCount, an Experian Company.

	Forecast			% ch. '06 to '07
	2005	2006	2007	
TOTAL	70,268	67,224	62,387	-7.2%
Car	30,999	29,603	26,826	-9.4%
Light Truck	39,269	37,621	35,561	-5.5%
Big Three	20,742	17,637	14,981	-15.1%
Japanese	40,790	41,415	39,592	-4.4%
European	5,834	5,632	5,276	-6.3%
Korean	2,902	2,540	2,538	-0.1%

# HAWAII BRAND SCOREBOARD: SEGMENT LEADERS



The graphs below show new retail light vehicle market share in Hawaii for the top 10 selling brands in six primary market segments. Market share figures are for the first six months of 2007. (Note: Pickup segment only includes six brands.) These graphs provide an informative view of brand competitiveness based on the type of vehicle. (Small cars includes Entry Car, Sub Compact, and Sport Compact.) Source: AutoCount, an Experian Company.



County Close-Up

Maui Market Posts Relatively Mild 2.6% Decline in First Half of 2007

The table on the right provides a summary of each of Hawaii's four retail light vehicle markets. This unique localized information provides a valuable perspective on market performance, and a barometer to evaluate the performance of your dealership. The table is divided into four parts. The first, Market Summary, shows total new retail light vehicle registrations during the first six months of 2006 and 2007, and percent change. The second and third parts show market share for light trucks and the Big Three. The fourth part shows market share figures for the top 10 selling light vehicle brands in the state during the first half of this year. The top rated county is shaded.

**Observations:** Each of the four markets moved lower, with the smallest decline in Maui. Light truck market share increased 3.4 points in Maui. Big Three market share declined three share points in Kauai.

Source: AutoCount, an Experian Company.

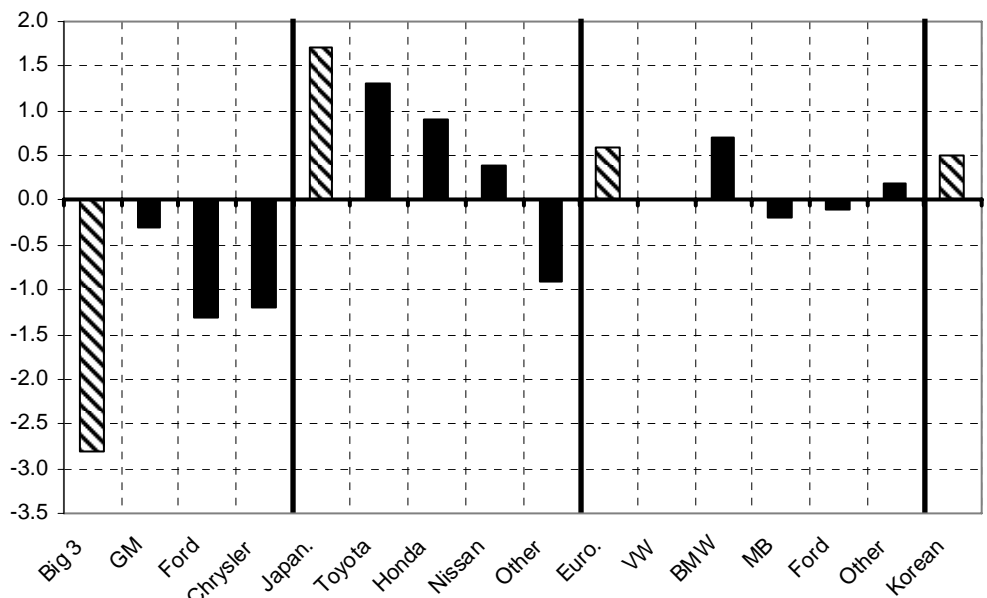
New Vehicle Markets Summary					
	Local Markets				Statewide
	Hawaii	Kauai	Maui	Oahu	Total
<b>Market Summary</b>					
YTD '06 (thru June)	4,677	1,557	3,919	24,399	34,552
YTD '07 (thru June)	4,162	1,484	3,818	20,997	30,461
Percent change	-11.0%	-4.7%	-2.6%	-13.9%	-11.8%
<b>Light Truck Market Share</b>					
YTD '06 (thru June)	65.6%	69.2%	63.1%	52.9%	56.5%
YTD '07 (thru June)	63.9%	70.6%	66.5%	53.4%	57.3%
Change (share points)	-1.7	1.3	3.4	0.5	0.8
<b>Big Three Market Share</b>					
YTD '06 (thru June)	27.8%	35.3%	32.5%	25.8%	27.3%
YTD '07 (thru June)	26.8%	32.2%	31.3%	23.9%	25.6%
Change (share points)	-1.1	-3.0	-1.3	-1.9	-1.7
<b>Market Share for Top 10 Selling Brands in State (YTD '07)</b>					
Toyota/Scion	25.8%	27.5%	29.0%	25.5%	26.1%
Honda	19.7%	14.1%	12.2%	11.0%	12.5%
Nissan	8.6%	14.9%	11.0%	12.3%	11.7%
Ford	8.4%	8.6%	16.8%	6.8%	8.4%
Chevrolet	5.7%	7.5%	3.9%	5.6%	5.5%
Dodge	6.2%	8.8%	4.3%	3.3%	4.1%
Mazda	6.9%	3.6%	1.3%	3.1%	3.4%
Lexus	0.6%	0.7%	2.9%	4.2%	3.4%
BMW	0.5%	0.1%	2.6%	2.8%	2.3%
Kia	4.8%	0.3%	2.8%	1.6%	2.1%

Market Tracker

Japanese Brands Gain 1.7 Market Share Points in First Half of '07

The competitive challenges faced by the Traditional Big Three have been well publicized, and their market share losses have been adequately documented. And as shown on the graph, Big Three market share in the state continued to move lower during the first six months of this year versus the same period a year earlier, falling 2.7 points. We believe, however, that the market share slide will ease later this year, and perhaps even off in 2008. The abundance of new product offerings and renewed emphasis on retail market results should help the Big Three regain at least some traction versus their import rivals.

Change in New Retail Light Vehicle Market Share  
YTD 2007 thru June vs. YTD 2006



**Brands included above: Big 3:** GM (Buick, Cadillac, Chevrolet, GMC, Hummer, Pontiac, and Saturn), Ford (Ford, Lincoln, and Mercury), Chrysler (Chrysler, Dodge, and Jeep). **Japanese:** Toyota (Toyota, Lexus, and Scion), Honda (Honda and Acura), Nissan (Nissan and Infiniti), Other (Isuzu, Mazda, Mitsubishi, Subaru, and Suzuki). **European:** VW (Audi, Bentley, and Volkswagen), BMW (BMW, Rolls Royce, and Mini), MB (Mercedes Benz), Ford (Aston Martin, Jaguar, Land Rover, and Volvo), Other (Ferrari, Lotus, Maserati, and Saab). **Korean:** Hyundai and Kia.

Hawaii New Retail Car and Light Truck Registrations - History and Forecast						
	Registrations			Market Share (%)		
	Forecast		% change	Forecast		Change
	2006	2007	'06 to '07	2006	2007	'06 to '07
TOTAL	67,224	62,387	-7.2%			
Acura	908	926	2.0%	1.4	1.5	0.1
Audi	352	315	-10.5%	0.5	0.5	0.0
BMW	1,261	1,227	-2.7%	1.9	2.0	0.1
Buick	160	124	-22.5%	0.2	0.2	0.0
Cadillac	326	271	-16.9%	0.5	0.4	-0.1
Chevrolet	3,625	3,235	-10.8%	5.4	5.2	-0.2
Chrysler	768	572	-25.5%	1.1	0.9	-0.2
Dodge	3,029	2,471	-18.4%	4.5	4.0	-0.5
Ford	6,122	4,886	-20.2%	9.1	7.8	-1.3
GMC	875	819	-6.4%	1.3	1.3	0.0
Honda	7,843	7,331	-6.5%	11.7	11.8	0.1
Hummer	336	312	-7.1%	0.5	0.5	0.0
Hyundai	1,273	1,181	-7.2%	1.9	1.9	0.0
Infiniti	448	497	10.9%	0.7	0.8	0.1
Isuzu	217	137	-36.9%	0.3	0.2	-0.1
Jaguar	181	118	-34.8%	0.3	0.2	-0.1
Jeep	896	866	-3.3%	1.3	1.4	0.1
Kia	1,267	1,357	7.1%	1.9	2.2	0.3
Land Rover	143	151	5.6%	0.2	0.2	0.0
Lexus	1,983	2,028	2.3%	2.9	3.3	0.4
Lincoln	273	233	-14.7%	0.4	0.4	0.0
Mazda	2,721	2,507	-7.9%	4.0	4.0	0.0
Mercedes	1,450	1,370	-5.5%	2.2	2.2	0.0
Mercury	163	146	-10.4%	0.2	0.2	0.0
MINI	370	369	-0.3%	0.6	0.6	0.0
Mitsubishi	354	327	-7.6%	0.5	0.5	0.0
Nissan	7,812	7,132	-8.7%	11.6	11.4	-0.2
Pontiac	365	284	-22.2%	0.5	0.5	0.0
Porsche	181	193	6.6%	0.3	0.3	0.0
Saab	113	145	28.3%	0.2	0.2	0.0
Saturn	699	762	9.0%	1.0	1.2	0.2
Subaru	565	322	-43.0%	0.8	0.5	-0.3
Suzuki	645	640	-0.8%	1.0	1.0	0.0
Toyota/Scion	17,919	17,745	-1.0%	26.7	28.4	1.7
Volkswagen	1,024	980	-4.3%	1.5	1.6	0.1
Volvo	450	361	-19.8%	0.7	0.6	-0.1
Others	107	47	-56.1%	0.2	0.1	-0.1
Historical Data Source: AutoCount, an Experian Company. Forecast: Auto Outlook.						

## Hawaii Auto Outlook

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