

Economic Overview

Global

Dollar Slips Vs. Euro, Pound & Yen

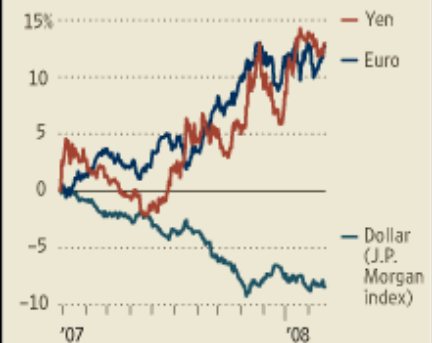
The dollar slipped against the major currencies, trading in a tight range on a day without significant economic reports. The euro jumped more than a cent edging up to \$1.4825 from \$1.4815 in late Thursday. The British pound rose to \$1.9687 from \$1.9615, and the dollar fell to 106.93 Japanese yen from 107.38 yen. The dollar slipped to 1.0838 Swiss francs from 1.0887 Swiss francs Thursday, but rose to 1.0154 Canadian dollars from 1.0113 Canadian dollars.

- Asia:** The Taiwan dollar led Asian currencies higher this week advancing 0.8% in the five-day period to NT\$31.495, the sixth weekly gain. The Singapore dollar strengthened 0.5% to S\$1.4067 while China's yuan rose 0.6% to 7.1434. Thailand's baht gained 0.6% to 32.33 onshore. Singapore's dollar advanced to S\$1.4066, the highest since February 1997. Singapore's central bank seeks to keep its dollar from rising or falling outside of the band. One loser in the region this week was South Korea's won, which had its biggest weekly loss in a month as overseas investors added to their sales of the nation's stocks. The won declined 0.4% this week to 948.55 against the dollar. The Malaysian ringgit gained 0.1% this week to 3.2170, while Vietnam's dong added 0.1% to 15,944 per dollar. The Indonesian rupiah was little changed for the week at 9,174. Australia's dollar bought 91.95 U.S. cents, compared with 91.80 cents late in Asia yesterday and 90.92 a week ago in New York. It reached 92.37 cents on Feb. 20, the highest in three months. The currency was at 98.83 yen from 99.26 yen yesterday and 98.02 yen last week. New Zealand's dollar traded at 80.18 U.S. cents from 79.88 in Asia yesterday and 79.03 cents a week earlier. It was at 86.18 yen from 86.39 yen yesterday and 85.19 yen last week. India's rupee had the biggest

Currency Exchange Data: February 22, 2008							
	Dollar	Euro	Pound	SFranc	Peso	Yen	CdnDlr
Canada	1.012	1.5011	1.9909	0.9331	0.094	0.0094	....
Japan	107.23	159.04	210.94	98.863	9.956	....	105.95
Mexico	10.77	15.974	21.187	9.93	....	0.1004	10.642
U.K.	0.5083	0.754	....	0.4687	0.0472	0.0047	0.5023
Euro	0.6742	....	1.3263	0.6216	0.0626	0.0063	0.6662
U.S.	....	1.4832	1.9672	0.922	0.0928	0.0093	0.9881
% Change YTD							
	Dollar	Euro	Pound	SFranc	Peso	Yen	CdnDlr
Canada	101.8%	103.5%	100.8%	106.4%	103.2%	105.6%	
Japan	96.2%	97.8%	95.3%	101.1%	97.5%		94.5%
Mexico	98.7%	100.3%	97.7%	103.1%		102.6%	96.9%
U.K.	101.0%	102.6%		105.5%	102.4%	104.4%	99.2%
Euro	98.4%		97.4%	102.8%	99.7%	103.3%	96.6%
U.S.		101.6%	99.0%	104.5%	101.3%	103.3%	98.2%

Forex Race

The euro and the yen against the dollar, and the dollar versus the currencies of the major trading partners of the U.S. (J.P. Morgan trade-weighted index)



	\$ per	52-wk chng	Per \$
Euro	\$1.4832	Up 12.65%	€0.6742
Yen	\$0.009326	Up 12.93%	¥107.2271
Dollar index	81.3	Down 8.45%	

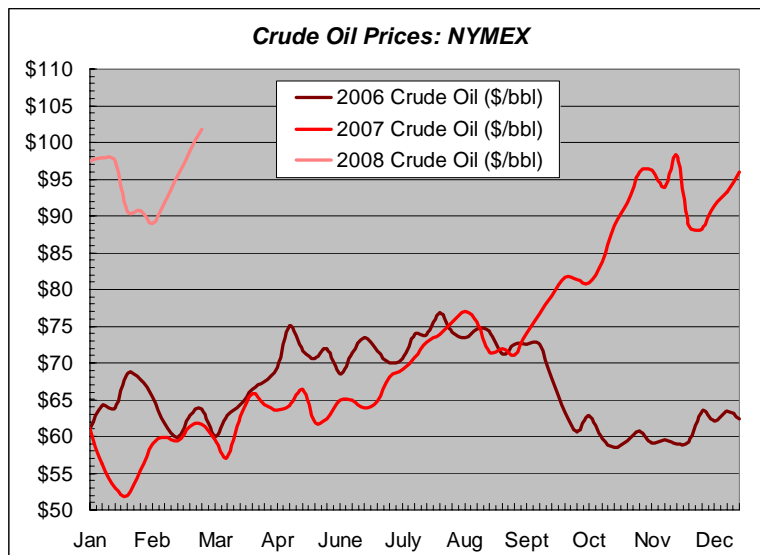
Source: Reuters via WSJ Market Data Group

gain in four months on speculation exporters converted their foreign- exchange earnings into the local currency. The rupee rose 0.7% to 39.93 per dollar.

- **Europe:** The Czech koruna posted a fifth weekly gain against the euro, rising to a record on speculation the central bank will raise interest rates. The koruna rose to 24.990 per euro yesterday, the highest level since the 1999 debut of the common European currency, and was at 25.060 from 25.206 a week earlier. It has been the world's best-performing currency against the euro this year, gaining 6%. The Czech currency also advanced to 16.906 per dollar, from 17.168 on Feb. 15. The Polish zloty advanced to 3.5692 per euro yesterday, from 3.5770 a week earlier and the Romanian leu slipped to 3.6538 per euro from 3.6457. Hungary's forint dropped 0.5% to 264.96 per euro yesterday.
- **Mexico, South America & ROW:** Brazil's real strengthened to more than 1.70 per dollar for the first time since May 1999 yesterday on speculation that soaring commodity prices and investment in local financial assets will accelerate. Crude oil futures increased to an all-time high of \$101.32 a barrel this week. The Columbian peso was little changed at 1,897.85 per dollar at 4:51 p.m. in New York. The currency touched 1,883 per dollar on Feb. 19, its strongest since June 20. The peso gained 0.5% this week. South Africa's rand fell against the dollar this past week, dropping to a 1 ½-year low. Against the dollar, the rand lost 1.3% in the last week to 7.7728 by late yesterday. The Turkish lira fell 0.4% this past week to 1.2063 per dollar as the Turkish military sent 10,000 troops into northern Iraq to attack militants from the PKK. *Dated: February 22, 2008; Source: Associated Press, Bloomberg News, Reuters, Wall Street Journal*

Oil Falls More Than \$1 as U.S. Supplies Increase, Demand Drops

Crude oil fell more than \$1 a barrel after an Energy Department report showed that U.S. inventories rose almost twice as much as forecast, as refineries slowed processing to perform seasonal maintenance. Supplies climbed 4.2 million barrels to 305.3 million barrels, the highest since November, the report showed. Refiners typically schedule repairs and upgrades this time of year as heating-oil demand eases. Futures rose to a record \$101.32 a barrel yesterday on signs OPEC may cut output and that U.S. interest rates may fall. Crude oil for April delivery fell \$1.47, or 1.5%, to settle at \$98.23 a barrel. Prices are up 64% from a year ago. Crude-oil stockpiles have risen 22.4 million barrels, or 7.9%,

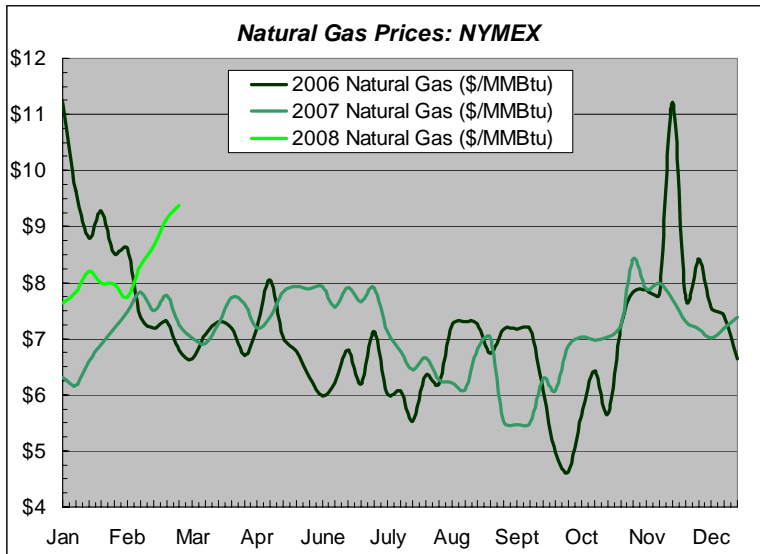


in the past six weeks. Supplies last week were 1.9% above the five-year average for the period. Inventories were 1.2% above the five-year average a week earlier. Refineries operated at 83.5% of capacity, down 1.6 percentage points from the prior week, the report showed. It was the lowest rate since March 2006. Total implied fuel demand averaged 20.7 million barrels a day in the past four weeks, down 1.1% from a year earlier. Demand for distillate fuel, a category that includes heating oil and diesel, averaged 4.3 million barrels over the period, down 1.9% last year. Gasoline demand averaged 9 million barrels a day over the period, up 0.5% from a year earlier. OPEC is unlikely to cut oil output at a meeting in March due to rising prices and uncertainty about supply from Venezuela and Nigeria, OPEC sources said. OPEC meets on March 5 and some members including Iran have urged the group to lower output, even though oil is trading near a record high.

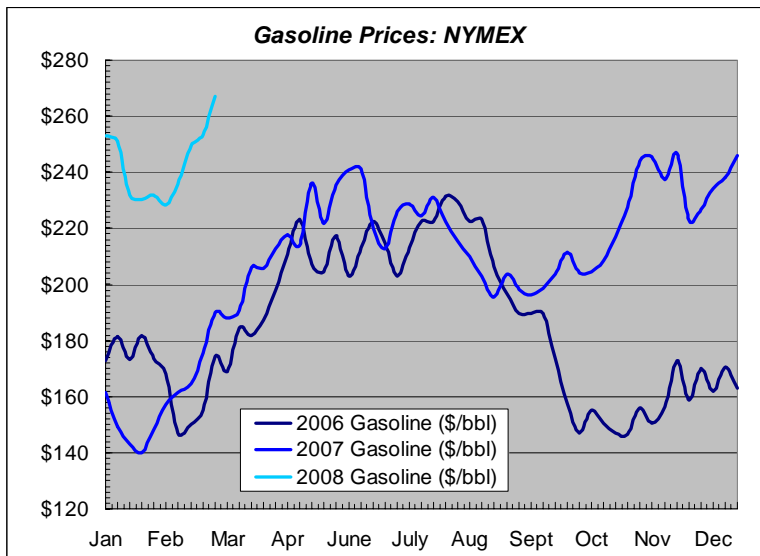
- **Oil Tanker Rates:** The cost of shipping Middle East crude to Asia, the world's busiest route for supertankers, may curb a two-day decline because refineries still need to book most of the ships they need for March loading. Refineries have reserved 38 very large crude carriers, or

VLCCs, for loading in March, Paris-based shipbroker Barry Rogliano Salles said. The number of ships available within the next 30 days has halved to 65 from a month earlier, data from the broker showed. Chevron hired the tanker Astipalaia for 120 Worldscales for a cargo to Singapore, according to a report from Optima Shipbrokers. That's 2.8% above the Baltic Exchange's assessment of 116.72 points for the same voyage. Worldscales points are a percentage of a nominal rate, or flat rate, for more than 320,000 specific routes. The Worldscales Association in London to reflect changing fuel costs, port tariffs and exchange rates revises flat rates for every voyage, quoted in U.S. dollars a ton, annually. Each flat-rate assessment gives owners and oil companies a starting point for negotiating hire rates without having to calculate the value of each deal from scratch. At 116.72 Worldscales points, owners of double-hulled VLCCs can earn about \$74,468 a day on a 25-day round trip from Saudi Arabia to Singapore, based on a formula by R.S. Platou, an Oslo-based shipbroker, and Bloomberg marine-fuel prices. Frontline, the world's biggest VLCC operator, said Feb. 15 it needs \$31,400 a day to break even on each of its supertankers.

- Natural Gas:** Natural-gas futures ended at a two-year high Friday on concerns that supplies will be squeezed because of frigid weather forecast to descend on the U.S. Midwest and Northeast. Traders who placed bets that natural-gas prices would fall exaggerated the price move. When prices began to rise, traders were forced to snap up previously sold contracts. Natural gas for March delivery on the Nymex settled 25.5 cents, or 2.9%, higher at \$9.146 a million British thermal units. The March contract expires Feb. 27, and gas for April delivery then becomes the front month. Natural gas in U.S. storage totaled 1.77 trillion cubic feet as of Feb. 15, 5.8% above the five-year average but 6.7% below last year's levels.



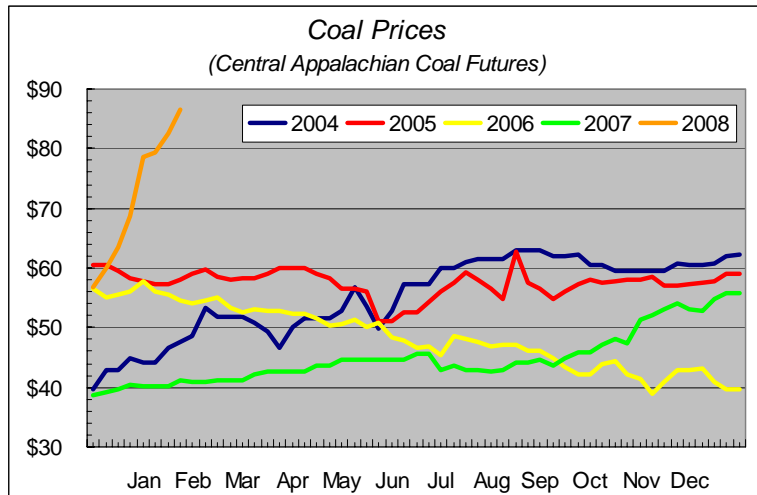
- Gasoline:** Gas prices jumped to their highest level since June, a possible preview of what many analysts believe will be a record spike in pump prices this spring. But the current price surge could be short-lived. While gasoline has risen sharply in recent days in response to oil's dramatic climb to a new record above \$101 a barrel, gas supplies have quietly grown to their highest level in 14 years. At the pump, gas prices rose 2.9 cents overnight to a national average of \$3.115 a gallon, according to AAA and the Oil Price Information Service. That was the highest since June 8. March gasoline futures rose 1.17 cents to settle at \$2.5337 a gallon on the Nymex.



- Ethanol:** U.S. plans to replace 15% of gasoline consumption with crop-based fuels including

ethanol are already leading to some unintended consequences as food prices and fertilizer costs increase. About 33% of U.S. corn will be used for fuel over the next decade, up from 11% in 2002, the Agriculture Department estimates. Corn rose 20% to a record on the Chicago Board of Trade since December 19th, the day President George W. Bush signed a law requiring a fivefold jump in renewable fuels by 2022. Increased demand for the grain helped boost food prices by 4.9% last year, the most since 1990, and will reduce global inventories of corn to the lowest in 24 years.

- **Coal:** Coal for delivery in northwest Europe rose for the first time in four days on speculation power cuts will curb output in South Africa, source of more than a quarter of the fuel burned by Europe's generators. Eskom, South Africa's state utility that has been unable to guarantee energy supply, secured an extra 34 million tons of coal. Miners have been forced to work at less than normal power and exports of South African thermal coal will fall by about 2 million metric tons this year.



Floods in Australia that forced at least six producers to say they may miss contract deliveries globally have disrupted supplies of coal this year. China has halted exports until April after the worst snowstorms in 50 years. The fuel for delivery to Amsterdam, Rotterdam or Antwerp with settlement next year rose \$4.15, or 3.4%, to \$125.75 a metric ton in London, according to prices from broker ICAP. The contract is 2.5% short of a record high reached Feb. 14. ICAP's year-ahead coal contract has gained 9.6% this year, compared with a 7% rise for benchmark U.K. natural gas and a 2.9% advance in New York-traded crude oil. Generators such as E.ON AG can switch fuels to cut costs. Utilities wanting to burn coal in the European Union need about twice as many emission permits as they do for natural gas under the 27-nation bloc's plan to limit carbon-dioxide emissions. U.K. natural gas for summer delivery rose 1% to 49.50 pence (97 cents) a therm, as of 3:34 p.m. in London, according to ICAP. Permits for December 2008 rose 10 cents to 21.60 euros (\$31.85) a metric ton on the European Climate Exchange.

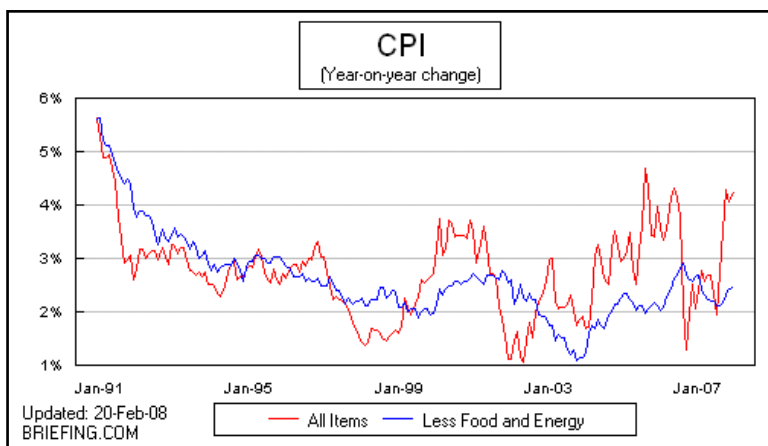
- **Electricity –China:** China may increase spending on power plants and grids by at least 9.3% this year to meet demand from economic expansion and to repair networks damaged during the country's worst snowstorms in five decades. Power utilities may invest at least 600 billion yuan (\$84 billion) this year to expand and repair the infrastructure. The funds will be spent equally on power generation units and grids, he said. China may add about 90 gigawatts of generation capacity this year to the existing 713.3 gigawatts. Demand may rise 12.5% this year, at a slower pace from the 14.4% growth in 2007. China plans to shut 13 gigawatts of small coal-fired power plants this year, after closing 14.38 gigawatts in 2007, as the nation tries to become more energy efficient and cut pollution. *Dated: February 22, 2008; Source: Associated Press, Bloomberg News, Reuters, Wall Street Journal*

Energy Prices	Year	Month	Week	Current	Change		
	Date	12/31/07	1/31/08	2/15/08	2/22/08	Weekly	MTD	YTD
NYMEX Crude (\$/bbl)	\$97.49	\$90.95	\$95.50	\$98.81	3.5%	8.6%	1.4%
Dated Brent (\$/bbl)	\$96.29	\$92.56	\$94.96	\$97.07	2.2%	4.9%	0.8%
WTI Cushing \$	\$96.00	\$91.75	\$95.50	\$98.96	3.6%	7.9%	3.1%
NYMEX Heating Oil (\$/bbl)	\$268.28	\$250.66	\$264.69	\$276.30	4.4%	10.2%	3.0%
NYMEX Gasoline (\$/bbl)	\$252.85	\$233.50	\$249.38	\$253.37	1.6%	8.5%	0.2%
NYMEX Natural Gas (\$/MMBtu)	\$7.64	\$7.74	\$8.66	\$9.15	5.7%	18.2%	19.8%

NAFTA

Consumer Prices Post Another Big Gain

The Labor Department reported its closely watched CPI posted a gain of 0.4% last month. That matched the December increase and was higher than the 0.3% rise analysts had expected. Food costs jumped by the largest amount in 11 months. Core inflation, which excludes food and energy, rose by 0.3%, the biggest jump in seven months. That increase reflected higher prices for medical care, education, clothing, tobacco and airline fares. With the latest increase, core prices have risen over the past 12 months by 2.5%, far above the Fed's comfort zone of 1% to 2% gains in the underlying inflation rate. The increase in inflationary pressures comes as economic growth has slowed sharply, raising concerns the country might be in danger of falling into a recession.



- **Gross Domestic Product**

Forecast:

The U.S. faces an unwelcome combination of looming recession and persistent inflation that is reviving angst about stagflation, a condition not seen since the 1970s. The Federal Reserve disclosed that its policy makers lowered their forecast for economic growth this year to between 1.3% and 2%, half a percentage point below the level of their previous forecast, in October. They blamed a further slowdown on the slump in housing prices, tighter lending standards and higher oil prices. They warned the economy's performance could fall short of even that lowered outlook.

A Swirling Crystal Ball

Changes in the Federal Open Market Committee's forecasts

Forecast for:	2008		2009	
Forecast made:	Oct. 2007	Jan. 2008	Oct. 2007	Jan. 2008
Unemployment [△]	4.8% to 4.9%	5.2% to 5.3%	4.8% to 4.9%	5.0% to 5.3%
GDP growth	1.8 to 2.5	1.3 to 2.0	2.3 to 2.7	2.1 to 2.7
Core inflation ^{△△}	1.7 to 1.9	2.0 to 2.2	1.7 to 1.9	1.7 to 2.0

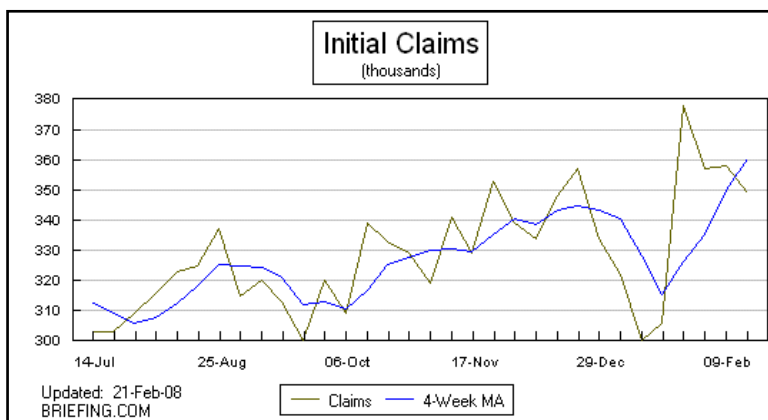
Note: Range of policy makers' forecasts excluding the three highest and three lowest

[△]Fourth-quarter level ^{△△}Excluding food and energy; based on price index of personal consumption expenditures

Source: Federal Reserve

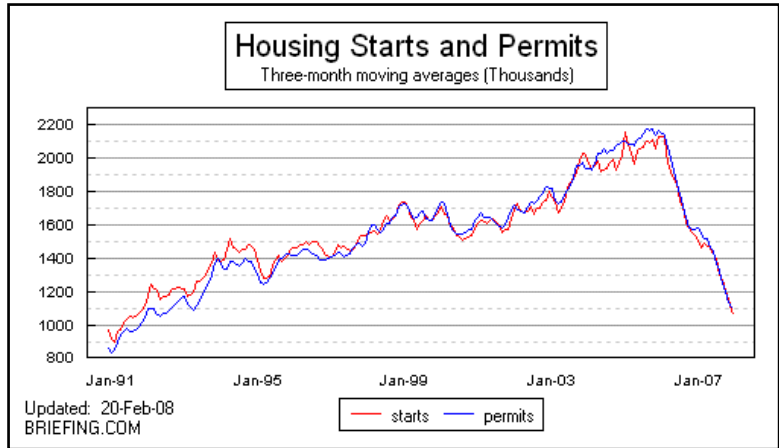
- **Employment- Initial Claims:**

The number of newly laid off workers filing claims for unemployment fell last week, but the larger-than-expected drop was seen as only a temporary improvement. The number of jobless claims dropped by 9,000 last week to a total of 349,000. While that was bigger than the decline that had been expected, analysts noted that claims offices in California were closed for one day last week for a state holiday, giving laid off workers one less day to file claims. The four-week average for claims, which gives a better picture of labor market trends, rose to 360,500, which was the highest level since claims spiked in October 2005 in the aftermath of Hurricane Katrina. In the week ending Feb.16, the advance figure for seasonally adjusted initial claims



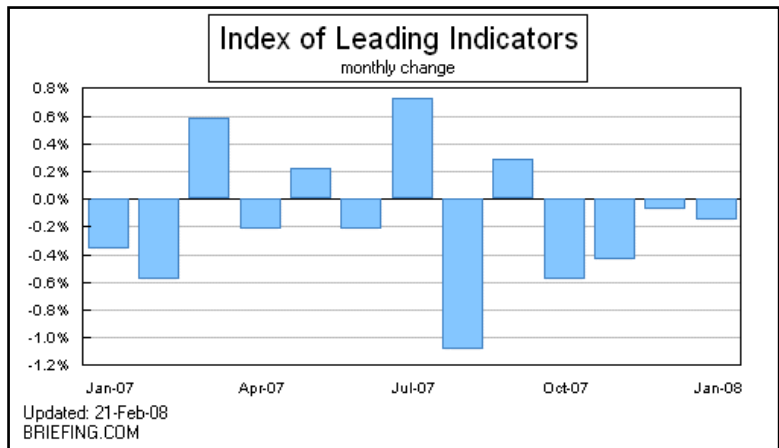
was 349,000, a decrease of 9,000 from the previous week's revised figure of 358,000. The 4-week moving average was 360,500, an increase of 10,750 from the previous week's revised average of 349,750. The advance seasonally adjusted insured unemployment rate was 2.1% for the week ending Feb. 9, unchanged from the prior week's unrevised rate of 2.1%. The advance number for seasonally adjusted insured unemployment during the week ending Feb. 9 was 2,784,000, an increase of 48,000 from the preceding week's revised level of 2,736,000. The 4-week moving average was 2,752,500, an increase of 28,750 from the preceding week's revised average of 2,723,750.

- Construction Starts:** The construction of new homes and apartments rose by 0.8% to a seasonally adjusted annual rate of just over a million units. That was the first increase since October and followed a plunge of 14.8% in December. Applications for new construction, considered a good sign of where construction is headed, fell by 3% to a 1.048 million annual rate in December. Year over year, housing starts during January were 27.9% below January 2007.



The latest government report on new-home sales in the U.S. showed demand in December tumbled by 4.7% to a seasonally adjusted annual rate of 604,000, the lowest pace in 12 years. Year over year, new-home sales were 40.7% lower than in December 2006. The National Association of Home Builders' index for sales of new, single-family homes rose in February, up to 20 from 19 in January, far below a reading of 39 in February 2007. January single-family housing starts decreased 5.2% to 743,000. Construction of housing with two or more units rose 22.3% to 269,000; within that category, groundbreakings of homes with five or more units, or multifamily, were 17.6% higher.

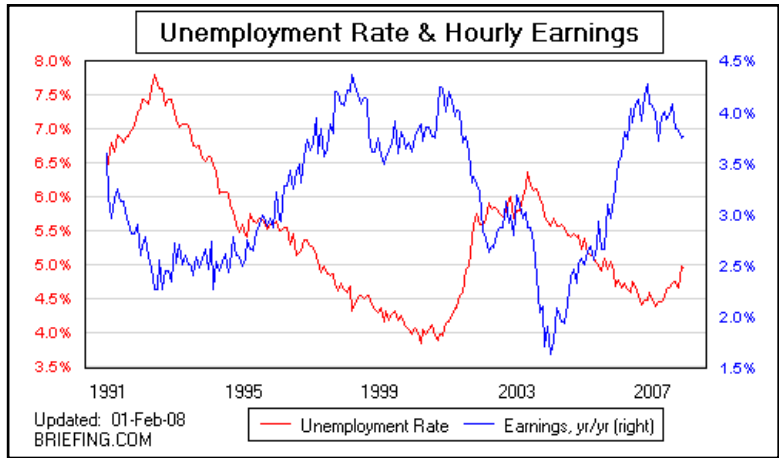
- Leading Indicators:** The Conference Board index of leading economic indicators fell 0.1% last month, after a revised 0.1% drop in December and a 0.4 decline in November. Persistent, pronounced declines over several months could signal a recession is in store. With the decline, the leading index has fallen 2.0% over the last six months, the biggest drop since early 2001. Weakness among the components that make up the index has also been more widespread in recent months.



The leading index in recent months is approaching a trend that historically precedes recessions. Typically, there is a 2.5% drop over six months ahead of a recession, he said. In the months leading up to the 2001 recession, the leading index dropped 2.2% over six months. The coincident index edged up 0.1% in January. That slow but steady growth suggests the economy is not currently in a recession. Despite the gain, however, the six-month growth rate in the coincident index slowed to 0.4%, down from a 1.1% rate from January 2007 to July 2007. Weakness in components that make up the index, which for the past two years was concentrated in the housing market, has started spreading, too. Four of the 10 components fell in January; stock prices, building

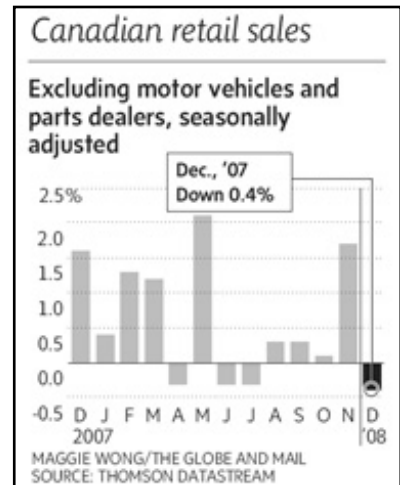
permits, manufacturers' new orders for nondefense capital goods and interest rate spread. The advancing components were real money supply, average weekly initial claims for unemployment insurance, consumer expectations and vendor performance. Average weekly manufacturing hours and manufacturers' new orders for consumer goods and materials were unchanged.

- Wages:** Inflation-adjusted earnings for average workers have fallen 1.2% over the last year. Earnings adjusted for inflation have fallen for eight of the last 13 months and were down 0.5% in January compared with December, according to the labor statistics agency. Workers' declining spending power could offset the results of Washington's economic stimulus plan, said Dean Baker, co-director of the Center for Economic and Policy Research. Average weekly earnings were \$592.74 in January, or roughly \$30,800 a year. While that's about \$1,000 a year more than workers averaged in January 2007, inflation has increased at a rate of 4.3% for the same period, outpacing the 3.2% earnings gain. *Source: Reuters, Bloomberg News, Associated Press, Wall Street Journal, Commerce Department, Labor Department, Conference Board, Manufacturing Net*

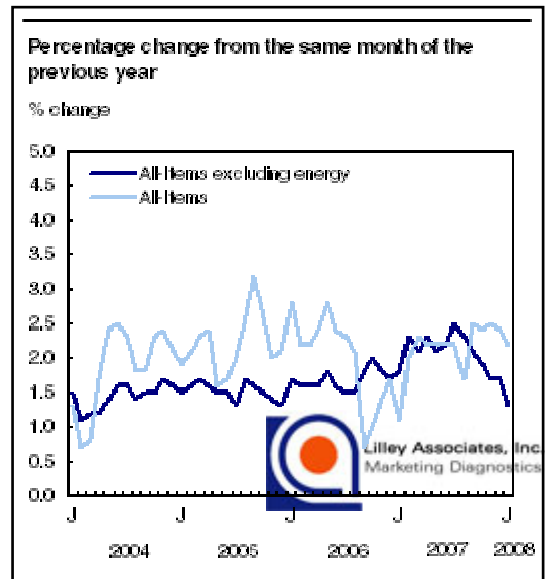


Canadian Retail Sales Rise But Still Disappoint

Retail sales in Canada rose 0.6% in December to about \$35.1-billion on the strength of sales by new car dealers, but shoppers held back in other areas. Excluding two of the sector's components — new car dealers and used and recreational motor vehicles and parts dealers — retail sales fell 0.4% in December, the first decrease in five months. Retailers sold about \$412.2 billion worth of goods and services in all of 2007, up 5.8% over 2006. December's monthly rise was the third in four months, and helped make 2007 the year with the second highest retail growth rate since 2002. Sales in the automotive sector, up 3.2%, accounted for most of the December increase. The agency said holiday sales got off to a hot start in November, but lost steam quickly, leaving traditional Christmas retailers with disappointing sales in December.

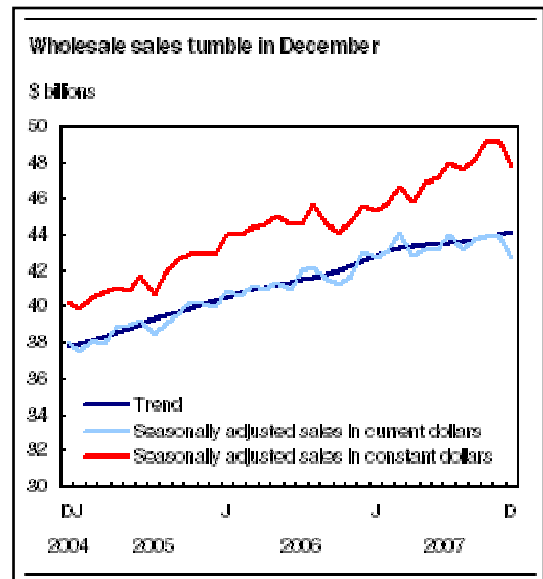


- Consumer Price Index:** Consumer prices increased 2.2% for the 12-month period leading up to January 2008, a slightly slower rate of growth than the 2.4% posted in December. It was the slowest pace since August 2007. For the fifth straight month, growth in the all-items index was due mainly to the 12-month rise in gasoline prices and mortgage interest cost. The upward pressure on the all-items index of these two components was mitigated, to some extent, by the one-percentage-point reduction in the goods and services tax (GST) that took effect in January, and by the reduction in motor vehicle prices. Excluding gasoline, the price index increased only 1.3% in the year to January 2008.



The 12-month change in the Bank of Canada's core index, which is used to monitor the inflation control target, was 1.4% in January, the smallest gain since July 2005. On a monthly basis, consumer prices fell 0.2% between December 2007 and January 2008, a reversal of the 0.1% increase between November and December 2007.

- Wholesale Sales:** Wholesalers reported a sharp decline in sales in December, erasing all of the gains made over the previous months. Despite the drop in December, preliminary figures indicate that wholesalers put in another solid performance in 2007. Sales fell 2.9% in December to \$42.7 billion, ending a string of three consecutive monthly increases. The decline was the largest since April and brought monthly sales to their lowest level since November 2006. Overall, five out of seven wholesale sectors reported weaker sales in December. The automotive products sector accounted for around half of the overall decline, dropping 8.1% during the month. Preliminary figures indicate that wholesalers put in another solid performance in 2007. Wholesalers sold \$520.7 billion worth of goods in 2007, a 4.7% increase over the previous year. All seven wholesale sectors registered stronger growth in 2007. The automotive sector was the only area to record growth significantly below the national average during 2007. *Source: StatsCan, Bloomberg News, Globe & Mail*



Mexican 2007 GDP Grows 3.3%

Mexico's economy grew 3.3% in 2007, slightly faster than the government had projected, as foreign investment soared amid a cooling in the United States, the Treasury Department said. GDP was boosted by brisk 4.4% gains in the service sector, which helped compensate for slowing 2% growth in agriculture and 1.4% growth in industry, the department said. The Treasury last month lowered its growth projection for 2008 to 2.8% from 3.7%, reflecting the slowdown in the U.S. economy.

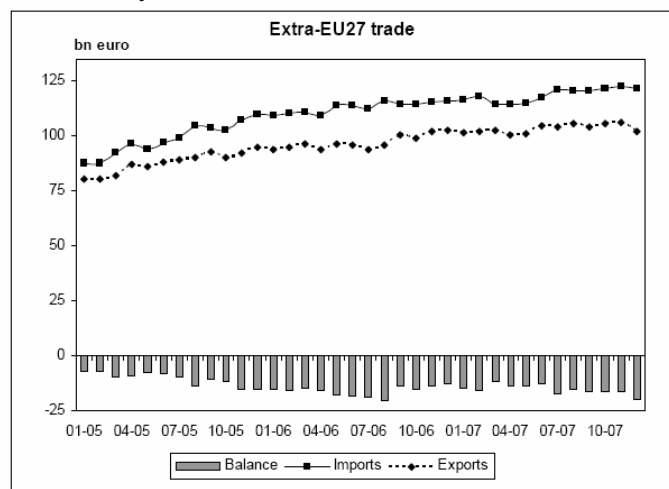
- Foreign Direct Investment:** Mexico's Economy Department announced that foreign direct investment rose 21% in 2007 to \$23.2 billion, the second largest amount in its history. Half of the total invested went to manufacturing, signaling a supply of "well-paid jobs," Economy Secretary Eduardo Sojo said. *Source: Associated Press*

Europe

EU Cuts Forecast - Cites U.S. Slowdown

The European Union acknowledged that a U.S. slowdown and the turmoil in world financial markets are hitting the European economy harder than it anticipated. The European Commission said it expects economic growth across the 27 countries that make up the trading bloc to be 2% this year, down from the 2.4% rate it predicted in November. In a likely forerunner of lower economic forecasts from the European Central Bank due out March 6, the commission's revised outlook said the 15 countries sharing the euro currency are expected to grow at a rate of 1.8% in 2008, below the 2.2% rate it predicted three months ago.

- Trade:** The euro zone's current account posted a surplus in 2007, but showed signs of weakening in December as exports faltered, data from the European



Central Bank showed. The euro zone posted a surplus of €15.0 billion (\$22.06 billion) -- around 2% of GDP—in 2007, a marked improvement from the €13.6 billion deficit posted in 2006. But data for the month of December showed the seasonally adjusted current account swung into deficit as direct and portfolio investment money flowed out of the region and exports fell for the month.

- **Consumer Price Index:** The EC said inflation in the euro zone is expected to average 2.6% this year, above the 2.1% rate predicted in November and the ECB's target of just below 2%, thanks to higher food and energy prices. *Source: Bloomberg News, Associated Press, BBC News, Federal Statistics Office, Wall Street Journal*

French Business Sentiment Falls to 13-Month Low; Spending Drops

French business confidence fell in February to the lowest in 13 months and spending on manufactured goods slumped last month as accelerating inflation and slowing growth gripped the European economy. Insee said its index of sentiment was 107, the lowest since January 2007 and down from last month's revised 108. Spending dropped by 1.2%, the most since September 2006, Insee said.

- **Consumer Price Index:** French inflation accelerated in January to the fastest pace in at least 12 years, led by higher food and energy costs. Consumer prices climbed by an annual 3.2%, up from 2.8% in December, based on European Union-harmonized methods, Insee said. That's the fastest since 1996. Prices were unchanged from November.
- **Gross Domestic Product:** The European Commission lowered its 2008 growth forecast for France to 1.7% from 2.0%, citing lower carry-over growth from 2007, higher-than-expected inflation and the weakening of the global economic environment. The French government has forecast around 2.0% GDP growth this year. The IMF downgraded its previous forecast for French economic growth this year to 1.5% from 2.0%, reflecting the global economic and market situation. French GDP growth slowed to 1.9% last year from around 2.0% in 2006. *Source: Associated Press, Bloomberg News, BBC*

Italian Consumer Confidence Remains Near Two-Year Low

Italian consumer confidence remained near the lowest in more than two years in February as rising energy prices and accelerating inflation weighed on optimism. The Isee Institute's index rose to 103 from 102.2 last month, the lowest since August 2005. Excluding last month's plunge, the February reading would be the lowest in more than two years. Italians have been cutting back on their spending, which makes up two-thirds of the \$2 trillion economy, as a surge in the cost of food and transportation curbs their disposable income. Economic growth is slowing and manufacturing is declining at a time the inflation rate is at an 11-year high. *Source: Bloomberg News*

Spain's GDP Drops in the Fourth Quarter

The Spanish economy registers a growth of 3.5% in the fourth quarter of 2007, three tenths less than in the third quarter. The quarter-on-quarter growth stands at 0.8%, one-tenth above the growth registered the previous quarter. Domestic demand slows its contribution to aggregate growth by six tenths (from 4.5 to 3.9 points), while foreign demand reduces its negative contribution to quarterly GDP by three tenths (from -0.7 to -0.4 points). Employment in the economy grows at a 2.5% rate, indicating a net creation of 471,000 full-time jobs in one year. Unit labor costs increase 2.9% this quarter, with a rate similar to that of the GDP deflator. For the year, GDP growth in 2007 was 3.8%, one tenth less than in 2006. The contribution of domestic demand to aggregate growth is 4.6 points, five tenths less than the previous year. Unit labor costs increase 2.7% in 2007, four tenths below the implicit GDP deflator.

- **Trade:** Spain has posted a strong trade surplus for 2007 and the second largest in the Eurozone, according to official data. Spain's surplus rose by a third year-on-year to 23.4bn euros (£17.6bn), hitting 2.2% of gross domestic product. It is the third year in a row that Spain has achieved a surplus - by limiting public spending - after 30 years of deficits. *Source: INE, Bloomberg News*

UK January Retail Sales Rise the Most in 11 Months

U.K. retail sales rose more than twice as much in January as economists estimated after discounting by consumer-electronics stores and supermarkets. Sales climbed 0.8% from December, when they declined 0.2%, the Office for National Statistics said. That was the biggest increase in 11 months. Sales rose 5.6% on the year. *Source: BBC News, Bloomberg News, Office of National Statistics*

Asia

Japan Cuts Economic View for First Time in 15 Months

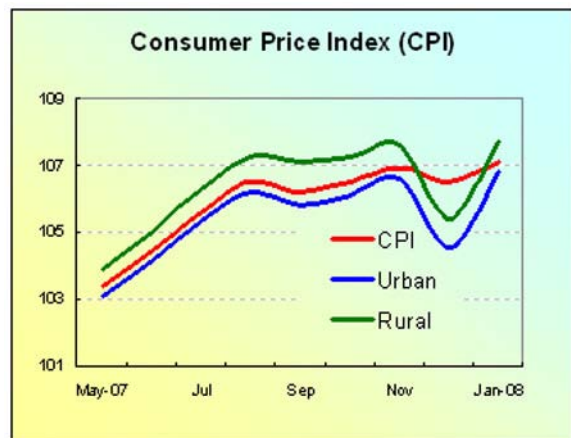
Japan's government lowered its assessment of the economy for the first time in 15 months, saying growth will moderate as exports and production cool. Reports in the past month have showed the nation's longest postwar expansion is cooling after growth accelerated in the fourth quarter. Industrial production rose less than economists estimated in December, and exports to the U.S. fell for a fifth month in January. Production rose 1.4% in December, less than the 2% increase forecast by economists. Manufacturers surveyed said they plan to cut spending in January and February.

- **Industrial Output:** Japan's economic activity fell 0.2% on month in December, the METI said, marking the second straight month of declines. The ministry's all-industries index stood at 107.2 in December, down from 107.4 in November. The government also said the index gained 0.1% to 107.5 in the October-December period, compared with the previous quarter. Japan's factory production fell in January dropping 2% percent from December, when it rose 1.4%. The report suggests manufacturers are concerned a U.S. slowdown may be taking its toll on the emerging markets where Japan ships more than half its exports. Cutbacks in production, which have coincided with the nation's last three recessions, increase the possibility the economy will lose steam this year. Companies plan to cut production in February as well. Manufacturers see output sliding 2.9% from January, worse than the 2.2 percent drop they earlier anticipated. Output will rebound 2.8% next month.
- **Trade:** Japan's trade deficit in January was more than 20 times greater than the deficit in the first month of 2007 as rising oil prices boosted the values of imports, the Finance Ministry said Thursday. The gap widened to 79.3 billion yen (\$734 million) from last year's 3.5 billion yen, the ministry said. *Source: Bloomberg News*

China's January Inflation Rises 7.1%

China's inflation rose to its highest level in more than 11 years in January after devastating snowstorms worsened food shortages, according to recent data. Consumer prices in January climbed 7.1% from the same month last year, driven by an 18.2% rise in costs, grain prices rose 5.7% and cooking oil prices increased by 37.1%. Pork prices, which had been blamed as the major factor driving up CPI figures throughout the later half of last year, soared 58.8% in January, the National Bureau of Statistics reported. Economists warned that despite efforts to ease food shortages, China faces pressure for prices to rise across the board due to higher wages and costs for coal, iron ore and other industrial materials.

- **Producer Price Index:** China's producer prices climbed 6.1% in January from a year earlier, the fastest in three years, adding pressure on the nation's efforts to curb inflation. The January gain follows a 5.4% rise in December and an increase of 3.1% for 2007, according to the National Bureau of Statistics. Prices of raw materials, fuel and power showed strong growth momentum, increasing 8.9% year-on-year,



according to the statistics bureau. Prices of crude oil rose 29.9% in January, while those of steel products were up by as much as 28.6%. Meanwhile, prices of daily necessities from food to consumer durables went up 4.6% year-on-year.

- **Gross Domestic Product:** The country's GDP grew 11.4% last year from 2006, said Xie Fuzhan, head of the National Bureau of Statistics (NBS). That marked a fifth year of double-digit growth. The increase was especially remarkable given the fact that the United States is experiencing a slowdown due to the sub-prime crisis and housing slump. *Source: Associated Press, NBS, Wall Street Journal, Xinhua*

India Inflation Accelerates to Six-Month High on Food

Wholesale prices climbed 4.35% in the week ended Feb. 9 from a year earlier, faster than the previous week's 4.07% gain, the Ministry of Commerce and Industry said. Inflation is likely to quicken further on higher energy and food costs after the government raised gasoline prices last week by about 4.5%, the first increase since June 2006. Crude oil reached a record \$101.32 per barrel in New York on Feb. 20. *Source: Bloomberg News*

Malaysia Foreign Investment Rises

Foreign investment in Malaysia's manufacturing and services sectors soared 69% to a record 44.2 billion ringgit (US\$13.7 billion; €9.4 billion) last year but that growth rate may be untenable amid global economic uncertainties, Trade Minister Rafidah Aziz said. The ministry approved 33.4 billion ringgit (US\$10 billion; €6.8 billion) in foreign manufacturing investment last year, up 65% from 2006, Rafidah said. At the same time, approved foreign investments in services surged 80% on-year to 10.8 billion ringgit (US\$3.35 billion; €2.3 billion) in 2007, she said. This was the first time the ministry released investment figures for services, reflecting the sectors' growing importance as a key growth contributor. *Source: Associated Press*

Taiwan's Economy Grows More Than Forecast on Exports

GDP advanced 6.39% from a year earlier after gaining a revised 6.86% in the third quarter, the statistics bureau said. Stronger-than-expected growth may stoke optimism that shipments to China and other emerging markets will cushion Asia's export-dependent economies against a slowdown in demand from the U.S. and Europe. Japan and South Korea also reported expansions in the fourth quarter that beat economists' estimates. For the full-year 2007, Taiwan's economy expanded 5.70%. Taiwan's economy grew 4.89% in 2006. But the directorate lowered its forecast of the island's 2008 GDP growth rate to 4.32% from its November forecast of 4.53%. *Source: Associated Press, Bloomberg News, Wall Street Journal*

South America & Rest of World

Venezuela Fourth Quarter Growth Beats Forecast

Venezuela's economy expanded in the fourth quarter, bolstered by government and consumer spending. The economy grew 8.5% from a year earlier, the central bank said. For all of 2007, the economy expanded 8.4%. Venezuela said output by state-owned producers declined 2.2%, while private companies boosted output 4.8%. In the non-oil sector, manufacturing grew 6.7%, retail sales were up 14.7% and communications rose 18.9%, the central bank said. Venezuela had a current account surplus of \$2.98 billion in the fourth quarter. *Source: Bloomberg News*

Automotive Vehicle Manufacturers

NAFTA

Big 3 To Deepen Discounts

Detroit's automakers, stung by nearly two straight years of slumping U.S. auto sales, are set to cough up richer, more inventive deals this year as they try to woo weary consumers back into showrooms. As much as the Big Three want to avoid profit-eating discounts, executives at the companies say incentives—used well and tactically—will be a critical part of surviving 2008. The automakers aren't

looking to return to their notorious practices, when they propped up sales by piling cash on the hoods of cars and trucks nobody wanted in a bid to maintain market share. But they also know they're in for bruising competition in a weak market against healthier foreign-based competitors. The companies will work to win over car buyers with everything from traditional discounts and finely targeted incentive programs to free entertainment systems. *Source: Detroit News*

Auto Finance Firms Debt Ratings at Risk

U.S. automobile-finance companies face increasing risk of credit-rating downgrades as a slowing economy, higher unemployment and strains in consumer finances weigh on profits and drive up costs, Fitch Ratings said. Lenders not affiliated with automakers may be especially vulnerable, Fitch said. AmeriCredit, a lender to car buyers with blemished credit, "is more susceptible to rating action," Fitch said in a report. Some analysts project U.S. new vehicle sales will fall to 15.5 million in 2008, about 8% below the annual average this decade. The drop may force independent and automaker-owned lenders to lower rates to attract borrowers, further eroding profits.

- GMAC (www.gmac.com) will close a majority of its auto-financing offices in the U.S. and Canada this year and cut nearly 1,000 jobs to shave costs. The move comes a week after Fitch Ratings said auto loans that are at least 60-days delinquent hit a 10-year high in January. At GMAC, which experienced an uptick in auto-loan delinquencies and a drop in auto-loan profitability in the fourth quarter, managers are dealing with the problem by stepping up collection efforts and tightening lending standards. GMAC President Bill Muir said the closures wouldn't affect GMAC's ability to originate loans. The offices being closed largely handle back-office work, while loans are typically originated at dealerships. *Source: Bloomberg News, Automotive News, Automotive NewsWire, Wall Street Journal*

CSM Cuts in Auto Output To Ease In Second Quarter

Stronger-than-expected sales of the Chevrolet Malibu and some crossovers have prompted CSM Worldwide (www.csmauto.com) to ease slightly its prediction of North America vehicle production cuts in the second quarter. CSM predicts second-quarter production will total about 3.80 million vehicles, down 6.4% from the year-earlier period. A month ago, the company predicted the second quarter would fall 7.2% to 3.77 million. CSM expects the quarter to be the bleakest of the year. *Source: CSM, Automotive News*

Loyalty Conquest: Power's Best, Worst

Toyota, Lexus, Hyundai, Honda and Hummer are the industry's strongest brands, according to a new set of ratings compiled by J.D. Power and Associates. The index, which measures 2007 loyalty and sales conquest data, suggests that Ford, Pontiac and Buick are in decline. Loyalty and conquest rates have long been benchmark measurements. Power's New Customer Ratio blends the two categories, comparing the number of customers leaving a brand with the number of new ones coming in.

- According to Steve Witten, Power's executive director of automotive research, said that conquest sales are important but the true strength of a brand is in customer loyalty. If loyalty is below average and makes up over half of a brand's sales volume, that's a brand in trouble. Power says a measurement below 100 in its index indicates that a brand is losing existing customers faster than it can conquest new ones. For instance, the Ford brand has a new-customer ratio of 44%. That means it is losing twice as many existing Ford owners as it has new conquests coming in. Witten said about 53% of Ford owners buy another one, considered a healthy loyalty ratio. But that group represents 72% of the brand's retail sales.
- Toyota has a new-customer ratio of 267%, which means it is bringing in nearly three times as many new customers as it has old ones staying put. Toyota's 65% loyalty rating is the industry's best, yet represents just 41% of total sales. Its conquest sales are huge. Honda shows similar strong numbers. The Power data also track the brands defectors go to and the ones conquests come from. Sometimes that information is the most revealing.
- Chrysler, Jeep and Dodge (www.chrysler.com) show weak loyalty numbers, and they mostly conquest sales from each other, while leaching sales to non-Chrysler brands. Something similar is happening at Mercury (www.ford.com), Pontiac and Buick (www.gm.com). A good rating can sometimes be deceiving. For example, Saturn has a 96% new-customer ratio, with

a 54% loyalty rate that represents 47% of sales — all healthy numbers. But Power says Saturn owners defect primarily to Toyota (www.toyotauas.com), Honda (www.world.honda.com) and Nissan (www.nissan.com), while Saturn's top three conquest brands are Chevrolet, Pontiac and Ford. Only 13% of conquests come from foreign brands. For a brand pegged as an import-fighter, Saturn is not living up to its mission, Witten said. *Source: Automotive News*

CAW Won't Accept Wage Cuts

The Canadian Auto Workers (www.caw.ca) will not accept wage cuts, union leader Buzz Hargrove declared, even as a UAW local at a Magna International (www.magna.com) plant in New York began voting on a new contract that does exactly that. Hargrove said that the CAW would not buy jobs by being the cheapest labor in the world. He drew his line in the sand as more than 2,000 UAW employees at Magna's new process gear operation in Syracuse, N.Y., voted on a deal that reduces hourly wages by about 25%, but will also keep the plant open and generate new investment by Magna. Similar demands for wage cuts and benefit reductions are being made of the CAW at parts makers in Canada as they struggle with the surge in the value of the Canadian dollar and market share losses by key customers Chrysler (www.chrysler.com), Ford (www.ford.com) and General Motors (www.gm.com) Hargrove said. The real issue is the loss of market share, and that cannot be solved at the bargaining table by the CAW.













- Magna itself has put on the negotiating table an agreement that calls for cuts of approximately \$2 million at its seat-making plant in Windsor, Ont., CAW sources have told the Globe and Mail. The cuts don't include wage reductions, but involve concessions the CAW will not accept, the officials said. PPG Industries (www.ppg.com) wants a 25% wage cut, a two-tiered wage structure, and major reductions in benefits at a glass-making plant in Oshawa, Ont., that supplies the massive GM complex in that city, said an assistant to Hargrove. *Source: Associated Press, Manufacturing Net*

Chrysler Dealers OK with Consolidation Plan

Although Chrysler's Project Genesis creates an uncertain future for many dealers, the consolidation plan received a generally warm reception from dealers at the Chrysler make meeting. Chalk that up to Jim Press, Chrysler's co-president. Press' folksy, aw-shucks style is playing well with Chrysler's dealer body — often a tough crowd to please. Project Genesis will eliminate redundant badge-engineered vehicles and gear the remaining lineup to dealerships that carry all three brands under the same roof. Chrysler has begun talking with dealers in metro markets about which ones want to sell out. Chrysler envisions a smaller dealer body in urban areas, with bigger and more profitable stores.

- Chrysler's plan to prune its vehicle lineup is

Chrysler's choices
Chrysler LLC product planners looking to trim overlapping vehicles face tough decisions in these segments.

<p>Large cars</p>  <p>Chrysler 300</p>  <p>Dodge Charger</p>	<p>SUVs</p>  <p>Chrysler Aspen</p>
<p>Mid-sized cars</p>  <p>Chrysler Sebring</p>  <p>Dodge Avenger</p>	 <p>Dodge Durango</p>
<p>Minivans</p>  <p>Chrysler Town & Country</p>  <p>Dodge Grand Caravan</p>	 <p>Jeep Grand Cherokee</p>
<p>New nameplates?</p>  <p>Jim Press says Chrysler will add vehicles in some segments it doesn't cover now.</p>	<p>Crossovers</p>  <p>Dodge Nitro</p>  <p>Jeep Liberty</p>

taking shape. The automaker wants most dealers to sell its Chrysler, Dodge and Jeep brands under one roof, and that means eliminating redundant vehicles. But Chrysler co-President Jim Press has said the automaker will do more than just cut duplicate models. It will add others in segments Chrysler doesn't cover now. Some of those vehicles could be sourced from other manufacturers. Press says Chrysler is talking with potential partners about product alliances, but he won't name names.

- A China-made subcompact from Chery is in Chrysler's future. It's just a matter of bringing the car up to the standards North American customers expect. Chrysler currently sells three small vehicles: the Dodge Caliber, Jeep Compass and Jeep Patriot. Look for Chrysler to dump the Compass and keep the Caliber, the hottest seller of the three. The Patriot will be on the fence.
- If Chrysler keeps only the 300 full-sized sedan and drops the Dodge Charger, the decision would provoke howls of protest from Dodge dealers. That's because the Charger had more sales than the 300 in January, though it was a close race. If Chrysler is serious about eliminating redundant vehicles, it will have to drop one of these two cars, just as it already dropped the Magnum station wagon, which is built on the same LX platform. An analyst for Global Insight commented that he hopes Chrysler doesn't think that if they drop the Charger, all of that business will go to the 300. They will be lucky to get 20 to 25% of it.
- In the mid-sized sedan segment, the oft-criticized Chrysler Sebring competes with the Dodge Avenger. If one of these cars disappears, it would probably be the Sebring. But the Sebring convertible, Chrysler's only convertible, perennially is among the segment leaders.
- The Dodge Grand Caravan traditionally has outsold the Chrysler Town & Country, but the fortunes of the two have reversed since the fall 2007 launch of the fifth generation. The Town & Country now enjoys a slight edge, partly because of Chrysler's decision to eliminate the short-wheelbase Caravan.
- With the recent deletion of the Pacifica, Chrysler doesn't have enough ammo to match competitors in this hot segment. The Dodge Journey, arriving now in dealerships, should ease the problem. That leaves Chrysler in need of something to fight the Buick Enclave and GMC Acadia. Press hinted to dealers that some of the most radical pruning could take place in the SUV lineup. He estimated the company sells about 400,000 SUVs spread over 11 models. The Jeep Liberty, launched a year after the Dodge Nitro, already is outselling the Nitro. Look for the Liberty, which brought a lot of women into the Jeep fold, to survive. The Dodge Durango and Chrysler Aspen SUVs are classic badge-engineered products. Chrysler created the Aspen because its Newark, Del., factory was underutilized. With that factory closing next year, both could go away. That would leave only the Jeep Grand Cherokee, made at Chrysler's Jefferson North plant in Detroit.
- Pickups are one of Chrysler's strong points and an area where the status quo likely will endure. Chrysler is expected to pare its truck lineup down to the Ram 1500, the Ram heavy-duty, the Dakota compact pickup, a sport-utility pickup, the Sprinter van and a Honda (www.world.honda.com) Ridgeline-style vehicle. *Source: Automotive News, Detroit News*

Judge Denies Chrysler's Request To Retrieve Equipment

A federal bankruptcy court judge denied Chrysler's (www.chrysler.com) request to immediately retrieve equipment from supplier Plastech Engineered Products (www.plastecheng.com), saying such a move could harm Plastech's efforts to reorganize under bankruptcy protection. Chrysler had sued Plastech to retrieve more than \$167 million worth of tooling it owns that is used to make Chrysler parts, including door panels and interior parts. The automaker wanted U.S. Bankruptcy Judge Phillip Shefferly to grant a stay allowing it to take the equipment despite rules preventing lawsuits against companies that are under bankruptcy protection. In his decision, Shefferly said allowing Chrysler to repossess its tooling so early in Plastech's bankruptcy proceedings "will likely destroy the possibilities for an effective reorganization." Chrysler will suffer some economic harm, Shefferly said. But the automaker has numerous options, including procuring more tooling for alternate suppliers or going back to the bargaining table with Plastech, he said.

- The carmaker told two-dozen backup suppliers to hang tough because it intends to recover

equipment and move its business from Plastech despite an adverse court ruling, sources said. The comments are an indication of Chrysler's future plans in the wake of a U.S. Bankruptcy Court judge's denial on Tuesday, Feb. 19, of Chrysler's request to retrieve equipment immediately from Plastech. Late last week, Chrysler senior procurement manager Scott Roland convened about 40 supplier executives and Chrysler purchasing executives at the automaker's suburban Detroit technical center. Two people at the meeting said Roland told them to hold on because Chrysler wasn't done trying to get its tools back. *Source: Automotive News, Associated Press Automotive NewsWire*

Ford Extends Buyout Offers at Five Closed Plants

Ford (www.ford.com) extended buyout offers at five closed U.S. plants by one week to allow workers more time to review the financial options. The extension is because under some buyouts, employees can receive money in a tax-deferred retirement account or an annuity, a company labor negotiator said. The company wanted to give the employees more time to evaluate their options. *Source: Bloomberg News*

New Ford Focus Rolls Off The St Petersburg Production Line

Production of the new generation Ford (www.ford.com) Focus got underway today at the Ford plant in St. Petersburg. The new Focus has caught the imagination of the Russian public, with around 20,000 customers ordering a car already. The new Ford Focus has not only been given a completely new look, but it has also been significantly improved in terms of interior design and craftsmanship. The new Focus will be assembled in Russia in all 4 body styles - 3 door, 4 door, 5 door and wagon, with a choice of five engines, automatic and manual transmissions and in a choice of three trim series: Ambiente, Comfort and Ghia. *Source: Ford*

Cadillac Goals: Build On CTS, Prestige, High-Tech

Cadillac's (www.cadillac.com) hot new CTS sedan is giving dealers an opportunity to boost profitability after a dismal 2007. And Cadillac will launch the CTS-V and Escalade Hybrid SUV later this year in hopes of adding to the sales surge. Cadillac General Manager Jim Taylor says he plans to issue a three-pronged challenge to dealers: Keep the CTS momentum going; Boost brand prestige with the high-end Platinum series; Emphasize Cadillac's technology leadership with hybrid, flex-fuel and fuel cell powertrains. Taylor said that we've got to continue the momentum with the CTS. We are on a roll, not just a sales roll but also a brand roll. *Source: Automotive News*



Luxury Sales Channel Is High On GM Agenda

General Motors (www.gm.com) will push harder this year to combine Cadillac, Hummer and Saab dealerships into three-brand stores in some markets. The automaker has urged a similar combination of Buick, Pontiac and GMC dealerships in recent years. Wagoner acknowledged that combining stores would be a mutual decision with dealers. But he said GM is looking to "pick up the pace" in channeling the three upscale brands. The luxury channeling effort lags behind the Buick-Pontiac-GMC consolidation. GM has pared the Buick, Pontiac and GMC product lineups to the point that some single-brand stores would be difficult to operate. Buick's lineup, for example, consists of two cars and one crossover. GM officials say Cadillac, Hummer and Saab have broad enough lineups that high-volume, stand-alone stores would continue to do well in some locations. Those areas include northern Virginia, Washington and New York, Wagoner said. *Source: Automotive News*

GM Dedicates New Mexican Transmission Plant

General Motors (www.gm.com) dedicated a \$660 million transmission plant at its vehicle assembly,

engine and stamping complex in Silao, Mexico. The plant began operations about a month ago. It has an installed capacity of 1,500 six-speed transmissions a day, said GM Mexico's president. The plant builds a new six-speed rear-wheel-drive family of transmissions. Those gearboxes will be used in 25 different vehicles assembled around the world, including passenger cars and light trucks. *Source: Automotive News, Automotive NewsWire*

GM, UAW to Shift Health Care Costs

The UAW (www.uaw.org) and GM (www.gm.com) have taken a big legal step toward shifting billions in retiree health care costs from the automaker to an independent trust fund. The union and attorneys representing several retirees sued GM in U.S. District Court in Detroit in an effort to get court approval of the change. It would cover about 500,000 GM retirees and spouses, plus current UAW workers when they retire. The lawsuit is not a hostile action. GM will not oppose its major points and joined the UAW and retirees in filing a settlement agreement that would govern how the trust would be run. If the court approves, the trust will take on \$46.7 billion in health care costs starting as early as Jan. 1, 2010. According to court records, GM will pay \$33 billion to \$36.5 billion into the trust, called a voluntary employees beneficiary association, or VEBA. *Source: Associated Press, Bloomberg News Detroit Free Press*

GM Exec Stands By Calling Global Warming A 'Crock'

General Motors (www.gm.com) Vice Chairman Bob Lutz has defended remarks he made dismissing global warming as a "total crock of shit," saying his views had no bearing on GM's commitment to build environmentally friendly vehicles. Lutz has been under fire from Internet bloggers since last month when he was quoted as making the remark to reporters in Texas. *Source: Automotive News*

Tundra Had A Tough Month, But Toyota's Not Concerned

Sales of the Tundra (www.toyotausa.com) fell short of expectations in January, but Toyota is not worried about meeting its annual objective for the full-size pickup. Last year, the Tundra's better sales months were in the 18,000 to 22,000 range. But January's mark of 12,073 was well below that. On an annualized basis, that came to an 185,000-unit clip. That's well below the 200,000-plus mark Toyota has set for 2008. January is a slow month for Toyota trucks, usually representing about 6.5% of the annual sales mark, Lentz said in an interview. He added that February sales are looking "pretty good." *Source: Automotive News*

Nissan Offers Buyouts To US Design Staff

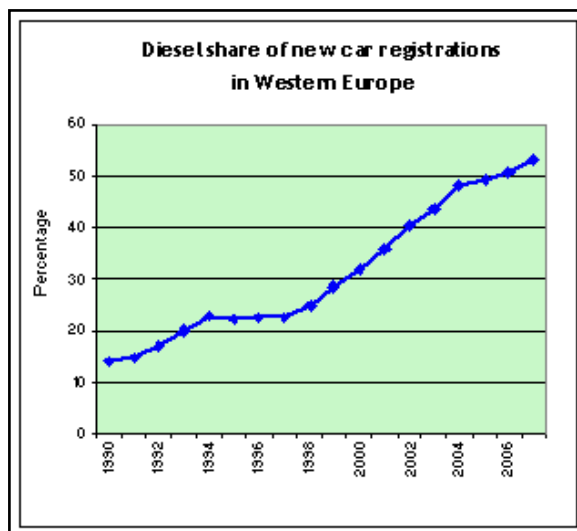
Nissan (www.nissan.com) is offering buyouts to about 100 of its designers in California and Michigan as part of a revamp of its global vehicle design process, a spokesman said. Nissan expects about 12 employees will take the buyout offers, said Fred Standish, a spokesman for Nissan's U.S. operations. The buyout offers apply to workers at Nissan operations in Farmington Hills, Michigan and San Diego and correspond with a global effort by the Japanese automaker to cut costs and "gain some efficiencies" in its design work, Standish said. *Source: Automotive News*

Europe

Automobile Production Expanded In 2007

In 2007, automotive production expanded dynamically (+5.3%) and reached 19.7 million vehicles (passenger cars, trucks and buses) according to the ACEA winter Economic Report. ACEA members produced over 80% of the 16 million cars registered in Europe in 2007. Diesel powered cars accounted for 53.3% of total new car registrations in the EU. Demand is likely to remain stable in the current year.

- Passenger cars accounted for 87% of the production, an increase of 5.5% compared to 2006. A particularly solid growth was noted in



the truck sector (+15%) thanks to a booming demand on the European markets. The production of light commercial vehicles also went up (+2%) whereas the production of buses declined by 24%. New EU member states posted a 25.2% growth in automotive production and accounted for 15% of total EU motor vehicle production and 17% of passenger car production by the end of 2007.

- Demand for new vehicles in Europe remained on an upward trend (+1.8%) in 2007 mainly thanks to mounting new passenger car registrations in the new member states and a continuous boom on the European commercial vehicle market. In the new EU member states, where car density is still much lower, a steady growth was recorded throughout the year (+13.9%). Thriving European and foreign demand for new commercial vehicles resulted in a 6.8% growth in truck registrations. The European market ended the year with 7.1% more vans, 5.1% trucks over 3.5 tonnes and 4.4% more buses & coaches registered.
- Automotive industry demand forecasts point to stagnating car registrations in 2008. New member states are likely to improve their 2007 result at a somewhat slower pace (+9%) while Western European market will possibly slightly deteriorate (-0.6%). Of the main markets, only France and Germany are expected to register more cars than last year. This will, however, not offset a decline in most of the remaining EU15 countries. 2008 started with a mild decrease (-0.3%) due to a deceleration in the EU15 (-1.6%) whereas the new member states remained dynamic (+20.1%). *Source: ACEA, Automotive NewsWire*

Russia Could Become Largest Car Market

According to a study completed by R.L. Polk, Russia will become Europe's largest automotive sales market by 2010. New car registrations, says the research firm, totaled 2.35 million in 2007; the first time the country exceeded the two million mark. That put Russia in fourth place in Europe behind Germany, Italy and the U.K. Polk claims that about one million new cars were sold each year in Russia until 2002. During the last five years, demand has grown by about 140% and future growth is estimated to continue at about 60% year-on-year. The Russian-made Lada (Fiat) held a 70% share of the Russian car market in 2002. Today, that is down to 27% and it continues to decline. The report claims top manufacturers are Toyota, Nissan, Mitsubishi, Hyundai, Kia and Chevrolet. *Source: Automotive NewsWire*

GM Starts Making Astras In Russia

General Motors Europe (www.gmeurope.com) has started producing the Opel Astra lower-medium car in Russia at its St. Petersburg plant. GM said it will build 25,000 Astras this year in Russia, using kits shipped from the company's plant in Bochum, Germany. The St. Petersburg assembly plant also builds the Opel Antara and Chevrolet Captiva, both medium SUVs. GM's temporary St. Petersburg facility is on the same site as a permanent \$300-million (203-million-euro) assembly plant that will open at the end of the year. Russian sales of the Astra increased to 29,000 last year from 9,500 units in 2006. In the same period the Opel brand achieved sales of 66,300 compared with 20,000 in 2006.



That 232% growth is the greatest percentage gain of any brand in Russia last year, GM said. Overall last year, sales of all GM brands in Russia—Chevrolet, Opel, Saab, Cadillac and Hummer—grew by 95% to 259,000, making GM the best-selling foreign auto group. *Source: Automotive News Europe*

Renault to Sign AvtoVAZ Agreement

Renault (www.renault.com) will sign its agreement to take a 25% stake in Russia's AvtoVAZ, which makes Lada cars, on February 29, a newspaper reported, citing a member of the company's board of directors. The paper said Renault will place five managers in key functions at AvtoVAZ. Renault will revamp the Lada range, adapting certain platforms and engines, as well as modernizing AvtoVAZ's

Togliatti factory. *Source: Automotive News Europe*

Fiat Suspends Production Of 1.3L Multijet Engines

Fiat (www.fiat.com) has suspended production of its 1.3 Multijet diesel engines because of quality control problems, the automaker said. A number of issues have come up with an outside supplied component. Fiat said the suspension would have repercussions on its delivery volumes in February.

To verify that this supply of components meets the quality standards requested by Fiat, the company has decided to suspend production of the engines and cars on which they are mounted, according to the statement. *Source: Automotive News Europe, Automotive NewsWire*

Renault Nissan to Build \$1.1 Billion India Car Plant

Nissan (www.nissan.com) and Renault (www.renault.com) will build a 45 billion rupee (\$1.1 billion) plant in India. The automobile companies reached agreement with the southern Indian state of Tamil Nadu on the project, they said. The plant will have a capacity of 400,000 cars a year. The factory will also help the companies, which will have equal stakes in the project, to ship cars overseas. *Source: Automotive News, Bloomberg News, Nikkei News, Automotive NewsWire*

Asia

Toyota Indian Unit Eyes At Least 10% Sales Growth In '08

A Toyota (www.toyota.co.jp) joint venture in India aims to boost sales to 60,000 units at a minimum this year, up 10% from 2007. To this end, customer service at dealerships will be improved, says Hiroshi Nakagawa, president of Toyota Kirloskar Motor. The company's cash cow is the Innova minivan, which sold 47,000 units last year, compared with the firm's total sales of 54,200 vehicles. Nakagawa admitted that the firm needs to roll out more top sellers. *Source: Nikkei Business Daily*

Ford Misses China Market Goal

Ford (www.ford.com) is making money in China and has touted its record sales there last year, up more than 25% over 2006. But internal company documents obtained by The Detroit News show the automaker missed its 2007 market share target, which means Ford is growing in China but not fast enough to catch up with its competitors. The automaker's rivals broke into the market earlier and have already established their brands among China's growing consumer class. With annual vehicle sales in the Asian nation expected to equal the United States within 10 years, Ford cannot afford to lose ground. Defining its brand remains a challenge for Ford in China. The company also is still struggling to build a local supply base—something it must do to take full advantage of the country's low labor costs. Ford's Focus compact became one of the 10 best-selling cars in China last year, but the automaker's profit margins were slimmer than some of its competitors' because many of the parts used to build the Focus are still made outside China. Ford says it is learning from marketing mistakes, convincing important suppliers to follow it to China and aggressively expanding its manufacturing capabilities in the country.

- Ford has announced plans to make a \$58 million investment along with its partners in the Chinese j-v operating as Changan Ford Mazda Motor in China. Ford Motor China will put up \$20.3 million, while Changan Auto will contribute \$29 million and Mazda will contribute \$8.7 million. Ford based its continued investment in China on the success of its Ford Focus, S-Max sport ute, and Mondeo sedan. *Source: Detroit News, Automotive NewsWire*

Jaguar Purchase Drives Tata Motors Shareholders to End Holdings

Tata's (www.tata.com) pursuit of Ford's (www.ford.com) Jaguar and Land Rover luxury units spurred A.S. Thyaga Rajan to sell 99% of his shares in India's biggest truckmaker. He isn't alone in dumping the stock. The company is down 11% since Jan. 3, when it was named Ford's preferred bidder. Holders such as Alliance Bernstein Japan and Waddell & Reed Financial sold their stakes after the overture for U.K. based Jaguar and Land Rover was reported in July. Investors are complaining that Tata Motors may not be able to spend enough in India, the second-fastest-growing major auto market behind China. The company should focus on the \$2,500 Nano microcar, not \$100,000 Jaguars, said a fund manager at Singapore-based Aquarius Investment Advisors. He feels that the integration won't be easy and does not see many synergies. Buying Land Rover and Jaguar may cost Tata Motors

\$1.7 billion, or four times 2007 earnings, and cut fiscal 2009 per-share profit by 42%, a Merrill Lynch analyst estimates. Morgan Stanley's Balaji Jayaraman recommends selling the stock and says it may fall 11% in 12 months. *Source: Bloomberg News, Automotive News*

Tata Motors to Sell New Pickup Truck in Thailand

Tata Motors (www.tata.com) plans to introduce a new pickup truck model in Thailand next month, a Thai newspaper reported, citing an unidentified company official. Tata's TL Sprint pickup, which will be called the Xenon for sales in Thailand, will be available to Thai customers at the International Bangkok Motor Show next month, the newspaper said. Tata Motors also plans to start selling pickup trucks, which use natural gas as the main fuel, in Thailand by the end of this year, the report said. *Source: Bloomberg News*

Automotive Suppliers

NAFTA

American Axle Banks Parts In Case Of Strike

With its labor contract due to expire Feb. 25, American Axle (www.aam.com) is banking parts in the event of a strike. The company supplies parts for General Motors' entire light-truck lineup. An extended strike at American Axle could shut down all GM truck output. The company has used overtime production to build a three-day stockpile that temporarily could head off a shutdown at GM assembly plants should a strike occur, say people familiar with the efforts.

- In the past, American Axle and the UAW have avoided a lengthy shutdown. But this year the stakes for both sides are far greater. American Axle needs to almost halve the \$60 an hour in wages and benefits earned by about 3,600 union workers at five plants, to equal rates paid by its U.S. competitors. That gap makes a strike, albeit a short one, a possibility, says Dave Cole, chairman of the Center for Automotive Research. He said that American Axle will need to do whatever it takes to get a competitive contract. Cole says American Axle is looking for wages and benefits similar to the new-hire package negotiated last fall by the UAW with the Detroit 3. That new-hire package pays about \$27 an hour in wages and benefits. *Source: Automotive News, Detroit News, Automotive NewsWire*

Blue Water Says Chrysler, GM Pledged Bankruptcy Aid

Blue Water Automotive Systems told a judge that Chrysler (www.chrysler.com) and General Motors (www.gm.com) agreed to extend the company's credit. Ford (www.ford.com) agreed earlier to provide the same aid. Blue Water hopes the automakers' pledge will encourage U.S. Bankruptcy Judge Marci McIvor in Detroit to approve a \$25 million financing package from Citizens Bank. Blue Water didn't specify the final value of the aid, comprised of credit agreements and surcharge payments. *Source: Bloomberg News*

Delphi Wins Court Approval to Sell Steering Business

Delphi (www.delphi.com) won federal court approval to sell its steering and half-shaft business to Platinum Equity's Steering Solutions. U.S. Bankruptcy Judge Robert Drain in New York today approved the sale, valued by Delphi at \$447 million. That figure includes Platinum's assumption of \$190 million in debt owed by the steering business and \$257 million Delphi will get from GM under a supply agreement.

- **Delphi also agreed to sell its bearing business.** Hephaestus Holdings has agreed to buy assets of Delphi's North American bearings business for about \$18.7 million. The assets include a Delphi manufacturing plant in Sandusky, Ohio, as well as inventory and machinery. *Source: Delphi, Automotive News, Bloomberg News, Automotive NewsWire, Associated Press*

Johnson Rubber To Shut Down Ohio Plants

Johnson Rubber with two plants in Ohio will shut down in April, eliminating 500 jobs. The company makes parts for the auto, boating and construction industries. It filed for Chapter 11 bankruptcy protection on Dec. 11 after an audit uncovered a \$4 million discrepancy. Company attorney Will Kohn said customers in the auto industry notified the company recently that they would place no further

orders with the troubled enterprise. *Source: Associated Press, Manufacturing Net*

Magna Workers Agree To Wage Cuts

Magna's New Process Gear facility in Syracuse, N.Y. is now scheduled to stay open after members of UAW (www.uaw.org) local 624 voted 76% in favor of a new contract and salaried workers approved the agreement with a 92% yes vote. The vote saved about 1,800 jobs at the plant, which Magna purchased from DaimlerChrysler (www.daimler.com) earlier this decade before Chrysler (www.chrysler.com) was sold off. The plant lost about \$117-million (U.S.) last year, the union said in a statement on the tentative agreement issued to its members last week. Magna has promised to invest \$95-million in the plant during the next four years and bring in additional work to the facility, which makes components for four-wheel-drive systems and other engine and transmission components. *Source: Globe & Mail*

Europe

Continental To Cut 2,000 VDO Jobs

Continental (www.continental.com) expects to cut 2,000 jobs at Siemens VDO worldwide as part of its restructuring plans through 2009, it said. The figure includes all 450 production jobs at VDO's Wetzlar plant. *Source: Automotive News Europe*

Marelli Enters Indian Ventures

Fiat (www.fiat.com) has taken another big expansion step in India, this time through its Magneti Marelli unit that has signed two agreements for the establishment of two joint ventures in India, both of them related to automotive exhaust systems. Both of them 50-50 ventures, the first is with SKH Metals and the second is with SKH Sheet Metal Components. Both are part of the Krishna Group. The SKH venture will develop and manufacture exhaust systems for Suzuki Maruti, while the second will do the same for Fiat (www.fiat.com), Tata (www.tata.com) and other vehicle manufacturers. *Source: Automotive NewsWire*

Asia

Denso to Divest Interest in Doowon

Denso (www.denso.com) announced that it has reached an agreement with Doowon Climate Control to divest its 33.4% stake in the Korean firm. Doowon is South Korea's second largest manufacturer of automotive climate control equipment and has had a capital alliance with Denso since 2002. *Source: Automotive NewsWire*

Automotive Systems & Material Technologies

Vehicles

Nissan Adds Style, Substance To Its Winning Crossover

Five years later the Murano's (www.nissan.com) formula for success is little changed. The 2009 model is virtually identical in overall size, although it's styling has been carefully massaged front and rear to freshen its appeal. The wheel openings are more aggressive looking, with new optional 20-inch rims, while the headlamps are reshaped and the grille treatment much brighter.

- Inside, the design upgrade is more substantial, with better trim, fit and finish and equipment to answer a criticism, not limited to the Murano that Nissan interiors fail to deliver on the promise of their exteriors. Nissan dubs the new cabin design theme as a "mobile suite," with improved seats, convenience features and many more storage areas. For example the rear load space features a novel foldaway cargo organizer that



folds flat into the floor when not in use. A generous standard equipment list includes push button ignition, auto door locks, dual zone climate controls and a six-speaker audio system with an auxiliary input, VTR jack and MP3/WMA capability.

- Under the skin the 2009 Murano sits now on Nissan's D platform, which also underpins the Altima sedan. A lot stiffer than the previous chassis, this new platform allowed engineers to soften the ride, while still tightening up the handling qualities. The most notable dynamic improvement, however, concerns the CVT transmission. Nissan has tackled the problem quite well with its new generation CVT, which gives a much more linear relationship between engine speed and vehicle velocity. The familiar 3.5-liter V-6 powertrain is upgraded to deliver an extra 25-hp and a little more torque (now 265 horsepower and 248 lb ft). Even though Nissan has executed a broad range of improvements to the Murano, the vehicle's price has been slashed by \$1,500 compared to the outgoing version. Prices now run from \$26,330 for the front-drive S-model to \$35,910 for the all-wheel-drive LE version. *Source: Detroit News*

Buick May Add A Car Below The LaCrosse

General Motors (www.gm.com) may build a Buick luxury car that is sized and priced below the LaCrosse. GM is reviewing U.S. product plans in light of new federal regulations requiring an average fuel economy of 35 mpg by 2020, company insiders say. The small Buick could be one outcome. The vehicle would be based on the Buick Excelle sedan that debuts in China by early next year. GM would have to resolve where in North America to build the car. Also, executives are considering how to position it against other GM brands with compact sedans. *Source: Automotive News*

Geneva Looks Like Another Green Scene

Another auto show, another green technology showcase. Fuel economy and carbon dioxide emissions will be on the lips of almost everyone — again — at the Geneva auto show next week. Gasoline- and diesel-powered hybrids will vie for the new-product spotlight, as will the Toyota iQ, a minicar that could end up going head to head with the slightly smaller Smart. And Hyundai will unveil a minivan concept that uses new materials and construction techniques to reduce weight. For U.S. buyers, the show will offer world introductions for the Audi A4 Avant, Ford Fiesta, Infiniti FX, Volvo XC60, two Mercedes-Benz vehicles and other models.



- **World debuts** - Production vehicles: Alfa Romeo 8C Spider; Audi A4 Avant; Audi A3 convertible; BMW M3 convertible; Ford Fiesta 3-door; Ford Kuga crossover; Infiniti FX crossover; Mercedes-Benz SL roadster; Mercedes-Benz CLS sedan; Rolls-Royce Phantom Coupe; Toyota iQ minicar; Toyota Urban Cruiser crossover; Volkswagen Scirocco 3-door; Volvo XC60 crossover
- **Concepts** - BMW X5 hybrid SUV; Hyundai HED-5 minivan; Mercedes-Benz GLK hybrid; Mitsubishi Prototype-S 5-door; Opel Meriva minivan; Saab 9-1 small car

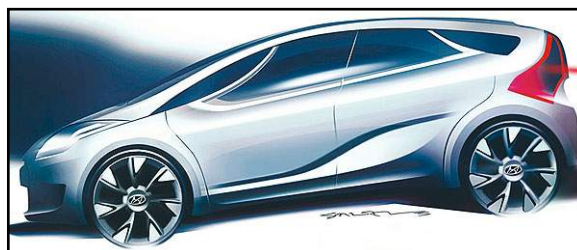
AUDI: Audi's (www.audi.com) A4 Avant station wagon debuts with a lower roofline and more boldly styled headlights and taillights than the current model. Standard equipment includes light-emitting-diode daytime running lights. Among optional features are adaptive cruise control, lane departure warning and blind spot warning systems. Audi also will debut its A3 convertible, aimed at buyers of the BMW 1-series convertible.

BMW - BMW (www.bmw.com) will introduce a mild hybrid concept version of its X5 with technologies to cut CO2 emissions and improve fuel economy. The concept has solar cells covering 10.8 square feet of the roof. The cells generate power to operate equipment such as audio devices or mobile-phone chargers. BMW also will unveil the M3 convertible, the first M performance model to feature a retractable hard top instead of a soft top. A 420-hp, 4.0-liter gasoline engine combined with a seven-speed dual-clutch transmission powers the M3 convertible.

FORD - Ford of Europe (www.ford.com) will show a redesigned Fiesta small car, long a staple in Europe. The new one will be a global product. Sales in Europe and China start this year; U.S. sales begin in 2010. A three-door hatchback Fiesta will be unveiled in Geneva; a five-door model also is planned for Europe. The U.S. model will be a sedan. The Ford Verve concept cars that have been shown at recent auto shows carry about 90% of the Fiesta's styling cues. Ford also will unveil its Kuga crossover, which replaces the unsuccessful Ford Maverick crossover in Europe. The Kuga is based on Ford's C-car vehicle architecture - e, which is shared by the C-Max and the Focus.



HYUNDAI - Hyundai's (www.hyundai-motors.com) HED-5, a concept for a six-seat minivan, aims to show how new materials and construction techniques can be used to reduce vehicle weight, improve fuel economy and reduce CO2 emissions. The Korean carmaker worked with suppliers Recaro, Bayer and LG to create the HED-5.



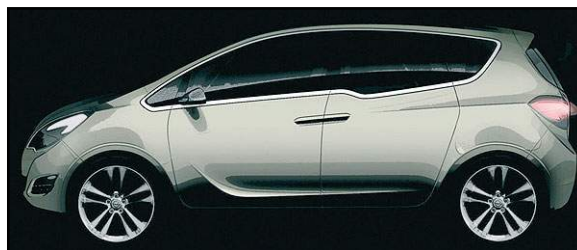
INFINITI - Nissan's (www.nissan.com) luxury brand has a two-part mission in Geneva: the world debut for the restyled, re-engineered 2009 Infiniti FX crossover and the launch of the Infiniti brand in Western Europe. Two other Infiniti models will be sold in Western Europe: the EX crossover and the G sedan and coupe. Sales begin in October. Nissan's European technical center in London has given Infiniti's vehicles stiffer suspensions and stronger brakes to cope with the speeds on Germany's autobahns.

MERCEDES-BENZ - Mercedes-Benz (www.daimler.com) will show the GLK concept packaged with a diesel hybrid powertrain. German press reports say it will be a 204-hp, 3.2-liter V-6 with a 20-hp electric motor. Mercedes will unveil the production GLK at the Beijing auto show in April. European sales start in October. U.S. sales begin in January 2009. Mercedes also will introduce the 2009 SL, which receives restyled front fenders and headlight modules, and modified gill-type air outlets behind the front wheels. Sales begin this spring. Also on display will be the lightly touched 2009 CLS. U.S. sales begin later this year.

MITSUBISHI - Mitsubishi (www.mitsubishimotors.com) unveils the Prototype-S concept, which is essentially the 2009 Lancer five-door hatchback. The company has no plans for U.S. sales, but a Mitsubishi spokesman in the United States said the vehicle has potential for North America. The concept has all-wheel drive and a 240-hp, 2.0-liter four-cylinder engine. The bold-looking front-end styling and wide, low proportions showcase the Japanese carmaker's new, sportier design identity.



OPEL - The Meriva concept shows how Opel (www.opel.com) will incorporate its new styling theme into the redesigned small minivan. It also shows the breadth of General Motors' new global compact-vehicle architecture, which will be used for sedans, coupes, hatchbacks and possibly crossovers.



The Meriva concept adopts some of the lines that appeared on the GTC coupe and Flextrame concepts last year. The rear lights echo those on the Insignia, Opel's new mid-sized car that will go on sale in Europe this fall.

ROLLS-ROYCE - Rolls-Royce (www.rolls-roycemotorcars.com) will unveil its new Phantom Coupe, a two-door model that features rear-hinged doors. A special feature is the split trunk lid: One lid lowers,

providing a seating platform for two adults. The car is powered by a 453-hp, 6.75-liter V-12. Production begins this summer.

TOYOTA - Toyota (www.toyota.co.jp) will introduce two models aimed at reducing the Japanese company's average CO2 emissions in Europe: the iQ minicar and the Urban Cruiser, a small crossover. The iQ will be Toyota's smallest model in Europe, positioned below the Aygo minicar. It seats three adults and a child behind the driver. The Urban Cruiser is Toyota's first entry in the small-crossover segment in Europe. It is based on the Japan-only iQ and U.S.-only Scion xD.

VOLKSWAGEN - The "Scirocco" name returns to the Volkswagen (www.volkswagen.com) line after a 16-year hiatus. There are no plans to offer the sleek fastback in the United States. With its distinctive hexagonal grille and low-slung looks, the Golf-based Scirocco is expected to be nearly a clone of the Iroc concept that appeared at the 2006 Paris auto show. The four-seat coupe will be more of an image booster than a volume seller for VW when it goes on sale in Europe in June. Volkswagen plans to build 28,000 Sciroccos annually at its Setubal, Portugal, plant, industry insiders say. If sales go well, annual production could rise to 50,000 units. A VW insider said Scirocco prices will start at about 21,500 euros in Germany, or about \$31,600 at current exchange rates. *Source: Automotive News*

Europe Will Be Lead Market For Honda Hybrid Sports Coupe

Honda is aiming at European tastes in the styling and engineering of its upcoming small hybrid coupe. At the Tokyo auto show, Honda displayed the CR-Z, a concept study for a compact, hybrid-powered sports coupe. In January at the Detroit auto show, Honda CEO Takeo Fukui said a sports coupe based on the CR-Z would be one of three hybrid models as Honda strives to sell 400,000 to 500,000 hybrids a year by 2011. Honda intends to launch the CR-Z-based coupe in Europe in late 2009 or early 2010, said Honda UK manager of product planning Mark Turner. It is likely to be priced at about 25,000 euros, Turner said. Turner, who is based with other Honda Motor Europe product planners at Langley in the UK, said that initial discussions about the CR-Z for the European market were almost three years ago. *Source: Automotive News Europe*

Toyota Could Add 2 More Small Vehicles To US Lineup

Toyota may add two small vehicles to its U.S. lineup as a result of pressure to meet new fuel economy standards. One is the Urban Cruiser, an entry-level crossover that debuted as a concept in 2006. The Urban Cruiser will be shown in production trim at the Geneva auto show and is planned only for sale in Europe. The other vehicle is the A-BAT compact pickup hybrid that was shown as a concept last month at the Detroit auto show. Jim Lentz, president of Toyota Motor Sales U.S.A., says there is room for both vehicles here. He added that neither has been approved for U.S. sale.



- The four-door Urban Cruiser shares mechanicals with the subcompact Yaris platform and looks like a jacked-up version of the Scion xD hatchback. It is slightly smaller than the first-generation RAV4 crossover. The A-BAT has a four-foot bed for light-duty hauling. Toyota planners believe urban truck owners don't need the hauling capacity of a compact body-on-frame pickup like the Tacoma. The A-BAT's 112.2-inch wheelbase and 181.3-inch length could fit on a shortened version of the Camry/ Highlander platform. The vehicles could fit into either the Scion or Toyota lineup. *Source: Automotive News*

Powertrain & Driveline

California Regulators Shoot For 40-Plus MPG By 2020

Auto industry leaders say they will have trouble persuading Americans to buy new vehicles that must average at least 35 mpg by 2020. But the industry faces the growing prospect of having to sell vehicles that average more than 40 mpg in much of the country by 2020. California regulators are preparing to expand the groundbreaking greenhouse gas emissions rules they adopted for the 2009-16 model years. Cars and trucks sold in the nation's most populous state would have to average

almost 44 mpg by 2020, according to a new analysis by the California Air Resources Board. At least 15 other states plan to adopt the California rules. Those states and California have about half the U.S. new-vehicle market. So the imposition of California-style rules effectively would dictate the kinds of cars and trucks sold everywhere, some experts say. The major presidential candidates — Republican John McCain and Democrats Hillary Clinton and Barack Obama — say they would allow states to enforce their own greenhouse gas rules, despite industry opposition.

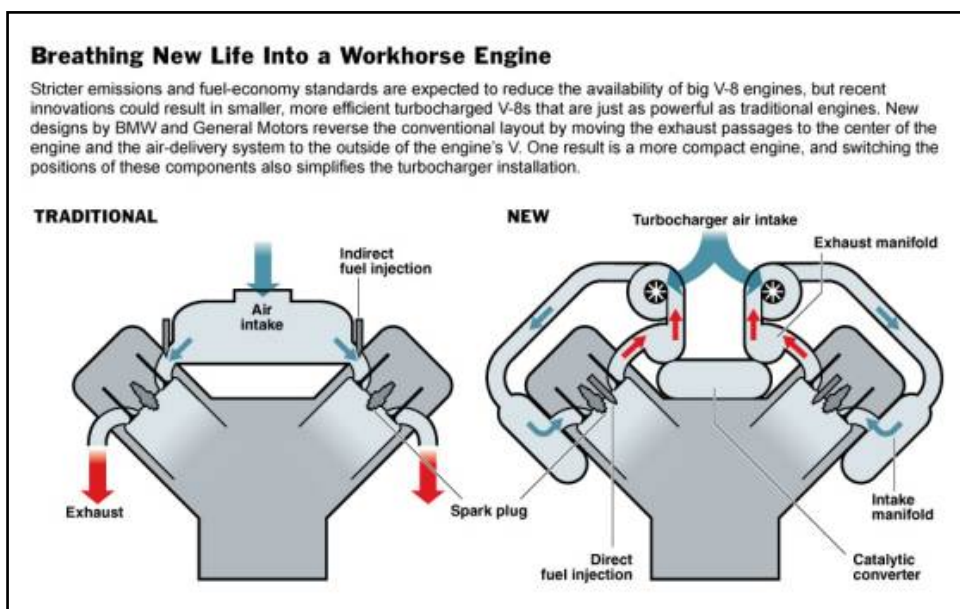
- These developments “probably would create a de facto national standard,” says Peter Welch, president of the California Motor Car Dealers Association. The mix of vehicles sold nationally is different from California’s — more trucks and fewer cars. As a result, the California air board says, applying the state’s rules across the country would require cars and trucks to average 40.4 mpg. Cars and the smallest light trucks would need to achieve 50.8 mpg. Other light trucks would have to average 33.5 mpg, the board staff estimates. That would amount to a 62% improvement in fuel economy over today’s vehicles. The new federal energy law, enacted last December with industry support, mandates a 40% boost in fuel economy. Until now, California regulators have been reluctant to translate their greenhouse gas emissions limits into fuel economy standards. The industry is challenging the rules in federal courts, calling them an illegal attempt to usurp federal authority over fuel economy.
- Last December, EPA Administrator Stephen Johnson blocked California and other states from enforcing their own greenhouse gas rules on vehicles. Johnson argued that the new federal standard of 35 mpg would do more to cut emissions that contribute to global warming than state rules, which he said would set a standard of 33.8 mpg. Air board officials say they don’t know how the EPA calculated that estimate. Last month, they produced the new analysis in response. The battle over whether states can enforce their own rules continues on multiple fronts. Automakers and their allies are asking several federal courts to declare the state rules illegal. Industry leaders say the rules set an unrealistic standard and would create market chaos. At the same time, states are suing to overturn Johnson’s decision. A bill before Congress has the same goal. *Source: Automotive News*

Diesels Weighed For Fuel Saving Potential

A panel of outside experts advising federal regulators about available technologies for improving fuel economy will include light-duty diesel engines in its final report. In an interim report, the panel said developments in emission controls indicate that modern diesels will be able to comply with U.S. clean-air regulations. The potential of diesel engines to reduce fuel consumption by as much as 30 to 40% over comparable gasoline engines justifies their inclusion on the list of available technologies. The panel, working under the National Research Council, was asked by the National Highway Traffic Safety Administration to update a 2001 study of fuel-saving technologies. Neither diesels nor hybrids were included in the landmark 2001 report. It also helped fuel the congressional debate that led to enactment in December of a new energy law. The measure calls for a 40% increase in car and truck standards, to a 35-mpg fleet average by 2020. Diesels were left out of the earlier study because they could not meet clean-air standards. Hybrids, then considered a niche technology, also will be included in the new report. *Source: Automotive News*

Saving the V8 by Turning It Inside Out

There is a new generation of mainstream V-8s, engineered for smaller vehicles and tighter emissions standards, on the horizon. Next to BMW’s (www.bmw.com) show exhibit for the 2009 X6 was a display case with a



new 400-horsepower twin-turbo V-8 that will be available in the sloped-roof wagon that the company calls a sport activity coupe. And last summer, G.M. (www.gm.com) showed the press a 4.5-liter diesel V-8 that it says will play a big role in powering the company's future pickups, S.U.V.'s and, almost certainly, passenger cars. Show visitors who studied BMW's display and had read about G.M.'s latest Duramax diesels may have noticed that the engines, despite having been fathered by engineering teams on different continents, shared an important design innovation: each V-8 had essentially been turned inside out.

- Rather than the traditional layout of positioning the engines' exhaust plumbing on the outside of the V, their hot-air passages, turbochargers and even catalytic converters were placed at the valley between the banks of cylinders. The air intake systems, displaced from their usual spot at the center of the engine, had been relocated toward the outboard side of the cylinder heads. There are several benefits. Turbocharger installation is simplified, and the loss of exhaust heat is reduced, helping the catalytic converter reach operating temperature more quickly. The reversed layout is also more compact, making it easier to fit a V-8 in the smaller vehicles that the new fuel-economy rules will encourage.
- While the latest BMW and G.M. V-8s share this key innovation, they differ in most other respects. BMW chose twin turbos for quick throttle response; G.M. will use a single turbocharger equipped with a variable-vane inlet to achieve that goal. On BMW's engine, the angle between the cylinder banks is a classic 90-degree design; the G.M. Duramax adopted a 72-degree V-angle to make the engine narrower. The German engine has an aluminum block for weight savings, in contrast to the high-strength cast iron G.M. selected to withstand a diesel's higher operating pressures.
- Two years ago, journalists were offered test-drives in a Buick Rainier powered by an early version of the diesel V-8. With more than 500 pound-feet of torque and just more than 300 horsepower, the acceleration — even with a couple of passengers on board — felt like a commercial jet on a take-off roll. It was the first time I had experienced diesel-engine efficiency married to gasoline-engine poise and performance. Recent rumors that this engine could power a special green edition of the next Corvette may not be exaggerated.
- While the new fuel-economy standards put pressure on all automakers to improve efficiency, drivers will continue to shop for V-8 power, even from V-6 engines. Ford's solution, called EcoBoost, combines turbocharging with direct fuel injection and is designed to produce smaller engines that improve mileage — a claimed 10% to 30% — with minimal performance loss. EcoBoost V-8s, code named Boss, will follow for truck and high-performance applications. Hyundai and Kia also advanced new V-8s from the drawing boards to their 2009 lineups. The 4.6-liter Tau V-8 that will power Hyundai's Genesis flagship and Kia's eight-passenger Borrego S.U.V. drew little attention in Detroit. G.M. unveiled two new supercharged V-8s at the North American International Auto Show in Detroit. These high-horsepower engines, which go on sale later this year, were planned long before the new mileage law moved through Congress and will be used only in low-volume models like the Chevrolet Corvette and the Cadillac CTS-V. *Source: New York Times*

Electric Cars Face Battery Of Hurdles

In the rush to deliver an electric car to the masses, General Motors (www.gm.com) is finding that the all-important battery might not be the only major hurdle. The heating and cooling systems, for example, are a challenge because they typically are built to run off a traditional fuel combustion engine. That means new types of air conditioning and heating systems must be built. GM, in a high-stakes race with Toyota (www.toyota.co.jp) to turn out an affordable, effective battery-powered car, has found that while the lithium-ion batteries themselves are hitting all the marks on early road tests, a host of other issues are beginning to crop up. A typical modern stereo system, for example, drains too much juice from the battery life. At the same time, there still isn't a supplier base to provide parts for the mass production of electric vehicles. The quandaries underscore the complexity of what GM and other automakers are trying to achieve in creating an electric car, a feat that involves far more than simply swapping an engine for a high-powered battery cell. *Source: Detroit News*

Long Life Lead Acid Battery Put Through Paces In Honda Hybrid

Furukawa Battery (www.furukawadenchi.co.jp/english/index.htm) and Australia's Commonwealth Scientific and Industrial Research Organization have confirmed that a battery they jointly developed lasts four times as long as existing lead batteries. The UltraBattery combines a lead-acid battery with a capacitor that temporarily stores electricity. To test it, researchers installed it in place of the nickel-hydrate battery in a hybrid Honda (www.world.honda.com) and tested it for a year in the U.K. Simulation testing had suggested that the battery lasted four times as long as traditional lead batteries, and this was confirmed in the field tests. The new battery costs only 30% as much as nickel-hydrate batteries. Furukawa plans to commercialize the UltraBattery as early as this fall. The product is expected to find application in hybrid vehicles and energy storage. *Source: Nikkei News*

Hydrogen Slips As A Solution For The Greening Of Autos

Five years ago, President Bush predicted that "the first car driven by a child born today could be powered by hydrogen, and pollution-free." That probably won't happen, unless the next president and Congress revive Bush's call for a national commitment to move fuel cell vehicles "from laboratory to showroom." The U.S. Energy Department had said it wants to make enough R&D progress by 2015 that fuel cell vehicles could be deemed commercially viable. But a new report from the Government Accountability Office says that deadline must be pushed back. The initial timetable likely won't be met for several reasons. It may have been too ambitious. Bush's priorities have changed — his latest budget would trim hydrogen funding. Political gamesmanship and pork-barrel politics have hamstrung the federal hydrogen program. Auto executives lament what they call "technology du jour" — a tendency to keep seeking new cures for the automobile's ills. In the past 25 years, the list has been topped by methanol, all-electric power, hybrids, fuel cells, ethanol and now plug-in hybrids, they say. The constant changes in priorities are "extremely disruptive and wasteful," says John German, manager of environmental and energy analysis at American Honda (www.world.honda.com).

- The government hasn't given up on hydrogen, says Don Hillebrand, a former DaimlerChrysler executive. Indeed, evidence suggests government and industry spending on hydrogen has produced results. The GAO report says government-supported R&D helped cut the cost of mass-producing fuel cells from an estimated \$3,000 per kilowatt of output in the early 1990s to about \$107 in 2006. The Energy Department's goals are \$45 per kilowatt by 2010 and \$30 by 2015. There also has been progress in lowering the cost of making hydrogen from natural gas and in boosting the amount of hydrogen that can be stored on a vehicle, the GAO says. But developing a fuel infrastructure still will require "investment of tens of billions of dollars over several decades," the report says.
- Jerry Hinkle, a top lobbyist for hydrogen interests, has been a congressional staffer and a Department of Energy official. He says lawmakers wanted to appropriate more money for hydrogen in recent years but were pressured by the administration to contain spending in part so it could pay for fighting wars. Hydrogen spending in the current fiscal year is just 38% of the amount a 2005 energy law recommended. Bush's proposed hydrogen budget of \$238 million for 2009 would be only about 28% of the money authorized by the 2005 law, according to Hinkle's analysis.
- Hinkle is vice president of policy and government affairs for the National Hydrogen Association. Its more than 100 members include BMW (www.bmw.com), Chrysler (www.chrysler.com), General Motors (www.gm.com), Honda (www.world.honda.com) Toyota (www.toyotausa.com) and others linked to the industry. Each of the Detroit 3 is spending more on hydrogen R&D for fuel cell vehicles than the federal government, the GAO report notes. Each automaker has indicated plans to spend an additional \$6 billion to \$10 billion through 2015. GM is "concerned that there is no comparable federal effort to address both infrastructure and applied research," said Greg Martin, the company's director of public policy communications. *Source: Automotive News*

Peugeot Revamps Hybrid Diesel Car Plan After Partnership Funding Delay

Peugeot is revamping a hybrid diesel car project alone following uncertainty over government funding and delays to a partnership project, Les Echos reported, citing parent company PSA's ([26](http://www.psa-</p></div><div data-bbox=)

peugeot-citroen.com) director of research and innovation Pascal Henault. Citroen managing director Gilles Michel said new models are scheduled to be presented at the start of the next decade with a view to launching commercial series 'a little later'. The main difference from the initial project is that the new vehicles will be part of Peugeot and Citroen's 'premium' range of vehicles. The top of the range of the Citroen C4 replacement, expected in 2010, is a likely candidate, the paper said.

The group was working with partners Continental, Bosch, Valeo and ThyssenKrupp on the development of a hybrid electric-diesel car to be marketed from 2010. The 471 million euro program was to receive public funding of 101 million euros, of which 51 million in the form of subsidies and the rest in refundable loans. A year and half later, the project is still being evaluated by competition authorities, and Peugeot has decided instead to develop a vehicle alone, to be marketed in 2011, the paper reported. The European Commission said in November that it had launched an in-depth investigation into whether aid earmarked by the French government for the development project breaches EU rules.

Toyota Hybrid Battery Partner Boosts Output

If battery output is any indication, Toyota (www.toyota.co.jp) is gearing up for much higher hybrid sales. Panasonic EV Energy (www.peve.jp/e/index.html) plans to churn out 800,000 hybrid-vehicle batteries in 2009. About 95% will go to Toyota according to Panasonic EV Energy. The production plan underlines Toyota's optimistic outlook for hybrid-vehicle sales. The automaker is aiming for worldwide annual sales of 1 million units in the early 2010s. In 2007, Toyota sold 429,000 hybrids. *Source: Automotive News*



Toyota Latest Hybrid Hints At Upmarket Strategy

Toyota's (www.toyota.co.jp) strategy to sell more hybrids is becoming clearer with the launch of the new hybrid Crown sedan for Japan. Expect future hybrids to be positioned as a model line's top grade, garnished with high-tech and safety features not offered in their non-hybrid brethren. It's all part of Toyota's push to reach annual hybrid sales of 1 million vehicles by the early 2010s. The automaker plans to introduce hybrid versions of each model in its lineup.

- The Crown Hybrid offers a peek at how the strategy will unfold. The high-end sedan gets a hybrid version elevated high above its Athlete and Royal Saloon nameplate mates. Not only does the Crown Hybrid cost \$21,600 more than the basic non-hybrid version, it is equipped with extra gee-whiz features to justify the price and set it apart. The instrument panel of the Crown Hybrid is a liquid crystal display screen. This offers better flexibility in flashing information to the driver. The car also has a night-vision pedestrian detector. It uses a short-range infrared camera to take "commando style" high-contrast pictures of the road ahead after darkness falls. The images, which look like photograph negatives, pop up on the liquid crystal display screen. Toyota bills both features as world firsts, and both are available only in the hybrid option of the Crown.
- Another element of Toyota's hybrid push will be phasing in versatile platforms that can accommodate both a conventional drivetrain and a hybrid one. All newly introduced platforms will be dual-use, said Shinichi Matsumoto, Toyota's general manager for hybrid vehicle engineering. Only four of Toyota's 11 passenger-car platforms can now swap conventional and hybrid powertrains. Having dual-use platforms will allow Toyota to add hybrid versions in the midlife of a model series without waiting for a complete redesign, Matsumoto said. *Source: Automotive News*

Materials

Alcoa Expands Hungary Plant

Alcoa (www.alcoa.com) has completed an \$83-million, 26-month modernization project at its Alcoa-

Kofem operations in Szekesfehervar, Hungary, that will expand sheet product offerings and add airfoil castings and Dura-Bright wheel manufacturing at the plant. The company said the core of the investment was the modernization of Alcoa European Mill Products, which involved expanding brazing sheet capability to offer a full range of gauges for markets including the automotive and heat exchanger sectors. Kofem is the first Alcoa operation outside the continental United States to deploy the company's Dura-Bright wheel manufacturing process, a patented surface treatment that penetrates the wheels and keeps them bright, reducing overall labor costs and protecting against oxidation and corrosion. The project created almost 200 jobs, according to Alcoa. *Source: AMM*

Nucor to Build Plant in Mexico

Nucor (www.nucor.com) said that it plans to build a sheet and coiled plate processing center in Mexico. The center, which will have an annual capacity of more than 500,000 tons, is expected to cost \$115 million to \$125 million and will employ more than 100 people. The location is expected to be determined by the end of 2008, with construction to begin after regulatory approvals, Nucor said. *Source: Associated Press, AMM*

Electric Costs Doom Ohio Steel Mill

One of two steel mills proposed for Ohio appears to have fallen through because of the uncertain future of Ohio's energy market, according to a consultant working with the mill's backers. Steel Development, a consortium of American and European steel executives, was exploring whether to build a \$1 billion scrap-based steel mill that uses electric arc furnace technology in Ohio. But an inability to estimate its long-term electricity costs has prompted the company to look elsewhere. The mill would have employed an estimated 500 people. Investors wanted to make flat-rolled steel to be used for U.S. infrastructure needs. *Source: Associated Press, Manufacturing Net*

65% Iron Ore Price Hike Will Benefit Us Steel Mills

The 65% increase in annual contract prices for iron ore fines will prove beneficial to North American mills, who will be able to push through higher steel prices and improve their competitive advantages over rivals in Europe and Asia, analysts said. Brazil's Vale (www.vale.com) this week settled annual iron ore fines contracts with several large steelmakers at a premium of 65% to last year's price. Nippon Steel (www.nsc.co.jp/shinnihon_english) and JFE Steel (www.jfe-steel.co.jp/en), Posco (www.posco.com) and ThyssenKrupp (www.thyssenkrupp.com) reportedly have all agreed to the price increase. Other major iron ore buyers, including Chinese mills, remain in negotiations, while two other major iron ore suppliers, BHP Billiton (www.bhpbilliton.com) and Rio Tinto (www.riotinto.com), have yet to settle. Aldo Mazzaferro, an analyst with Goldman Sachs, New York, said higher iron ore pricing is a major positive for prices of steel in the United States.

- The new iron ore contract prices will drive the spot prices higher on the global market, many traders feel. The spot market has already shown signs of an upward shift, with Indian offerings of 62% iron content fines rising to \$188 a tonne c.f.r.
- Since fiscal 2003, steelmakers have increased the prices charged to automakers every year but fiscal 2006. Shipbuilders have experienced price increases for five straight years. Benefiting from strong demand, shipbuilders and construction machinery manufacturers have managed to pass on their higher costs to their customers. But market slowdowns have rendered automakers and digital consumer electronics companies unable to follow suit. In fiscal 2002, Toyota (www.toyota.co.jp) eked out 300 billion yen in cost reductions. The figure shrank to 100 billion yen in fiscal 2006, or slightly more than 10,000 yen per vehicle. If steelmakers pass on higher materials prices to automotive steel prices, Toyota's costs are expected to rise around 20,000 yen per vehicle, wiping out two years of cost-cutting efforts. Rather than rely on the cost-cutting measures of the past, Toyota plans to overhaul its domestic and overseas production structures with rising materials costs in mind. For example, it plans to boost productivity 20% by installing more than 1,000 robot units at its mainstay Takaoka plant in Aichi Prefecture. It plans to install similar production lines in Canada this year and in the U.S. in 2010. *Source: AMM, Nikkei News, Asahi Shimbun, Bloomberg News*

Ferrous Scrap Exports Soar 32%

Ferrous scrap exports topped 16.4 million tonnes in 2007, a 32-percent jump from the previous year and more than double the average annual tonnage exported in the past decade. Shipments of ferrous scrap soared to 16,432,217 tonnes, up almost 4 million tonnes from 12,451,632 tonnes in 2006, bolstered by December's exports of 1,309,803 tonnes, according to the latest figures from the U.S. Commerce Department.

- Overseas demand continues at a steady pace on the West and East coasts, traders said, although prices have eased somewhat from their peak. One West Coast trader said that a single bulk cargo sold to a South Korean steelmaker during the past week priced the No. 1 heavy melt portion of the shipment at \$480 a tonne delivered, down 5.9% from the record \$510 a tonne paid by a Taiwanese steelmaker a month ago. Bulk freight rates from West Coast ports have eased to the low \$80s per tonne, but are said to be heading upward again as shipping companies quote prices in the upper \$80-a-tonne range for handy-sized vessels, the West Coast trader said.
- Prices for scrap sold to Turkish steel mills have dipped about \$10 a tonne recently, mirroring the drop in the U.S. market and the stable bulk cargo freight rates seen over the past month, one East Coast trader said. One U.S. East Coast yard reportedly booked a cargo of the 80-20 mix of No. 1 and No. 2 heavy melting steel scrap at \$437 a tonne delivered to Turkey, down 2.5% from a similar cargo sold at \$448 a week earlier. Heavy melt peaked at about \$460 a tonne in mid-January but has since fallen, largely due to a \$20-a-tonne drop in freight rates from the United States to the eastern Mediterranean. Freight rates from the U.S. East Coast to Turkey are \$60 to \$65 a tonne, while Western European cargoes to Turkey cost \$45 to \$50 a tonne.
- Shipments of shredded scrap climbed to a record 5,009,999 tonnes in 2007, up 47.7% from 3,392,442 tonnes the previous year, while No. 1 heavy melt rose a more-modest 21% to 3,343,942 tonnes from 2,763,152 tonnes. Turkey was the leading destination for U.S. scrap exporters, mainly those along the East and Gulf coasts, taking 3,261,298 tonnes last year, up 32% from 2,470,566 tonnes in 2006. Turkey's ascendancy to a leading role during the past few years is largely a result of the steady decline in scrap exports from former Soviet states like Russia and Ukraine. In the latter years of the 1990s and the early part of this decade, Turkish buyers were seldom seen on U.S. docks. China drifted into second place last year but remained well ahead of many of its Asian rivals, taking 2,444,760 tonnes of U.S. iron and steel scrap, down 8.6% from 2,674,974 tons in 2006 and 30.7% from a record 3,532,054 tonnes in 2005. *Source: AMM*

December Steel Shipments Fall 2.2%

U.S. steel mills shipped nearly 8.5 million net tons in December, down 2.2% from more than 8.68 million tons the previous month but up 11.6% from 7.61 million tons in December 2006, according to the American Iron and Steel Institute. A year-on-year comparison of total 2007 shipments showed the following changes within major market classifications: oil and gas, down 9.9%; service centers and distributors, down 8.6%; construction and contractors' products, down 1.3%; and automotive, up 0.3%. *Source: AMM*

Zinc, Lead Production Up In '07

Global zinc and lead production rose in 2007 on the back of higher mine output, especially in China, according to the International Lead and Zinc Study Group (ILZSG). World zinc mine production rose 9.2% to 11.4 million tonnes from 10.5 million tonnes in 2006 and metal production increased about 7% to 11.4 million tonnes from 10.6 million tonnes. Zinc metal usage rose 3.7% to 11.4 million tonnes from 11 million tonnes in the same comparison. The main driving forces for the increased mine output were China, where output rose 20.9%, and Peru, which recorded a 20.1-percent increase. Other nations that posted gains included the United States, Australia, Brazil, India, Kazakhstan and Bolivia, where Apex Silver's San Cristobal Mine opened in August 2007. Zinc metal production in China rose 18.9% year-on-year, but Australia, Finland, Germany, India, Mexico, Namibia, South Korea and Thailand also contributed to the gain. Demand growth of 15.2% in China was the main driver behind the increase in global consumption, and more than offset lower consumption in the United States,

Australia, Japan, Korea and Taiwan.

- Lead mine production rose 2.5% to 3.68 million tonnes last year from 3.54 million tonnes in 2006, again driven by China, which saw a 9.2-percent gain. Production also was higher in Europe, South America and India. Global lead metal production rose 2.5% to 8.15 million tonnes from 7.95 million tonnes in 2006 thanks to higher output in China, India, Kazakhstan, Korea and some European nations. Lead metal usage rose 2% to 8.22 million tonnes, with a 17.4-percent rise in China offsetting lower consumption in the United States, Europe and Japan. *Source: AMM*

Copper Drops From Highest Since May 2006 as Inventories Climb

Copper fell from the highest price since May 2006 after global inventories gained, easing concern that supplies will trail demand this year. Stockpiles monitored by the LME rose for the first time this month. Supplies jumped 4.6% from yesterday to 141,600 metric tons. Inventories tallied by the Shanghai Futures Exchange surged 45% to 45,188 tons this week. Copper still has advanced 25% this year after LME stockpiles slipped 31%.

- Copper futures for May delivery fell 1.9 cents, or 0.5%, to \$3.803 a pound on the Comex division of the Nymex. Traders were “caught off guard” by the latest increase in stockpiles, said Catherine Virga, an analyst at CPM Group in New York. The amount of LME inventory set for withdrawal has gained almost fivefold since the start of the year, indicating supplies were poised to fall, she said. The metal rose to \$3.8545 a pound yesterday, the highest for a most-active contract since May 30, 2006. Copper surged 7.5% this week, partly on demand for raw materials as a hedge against inflation. On the LME, copper for delivery in three months fell \$95, or 1.1%, to \$8,330 a metric ton (\$3.78 a pound).
- **Aluminum** firmed \$62 to \$2,946, after touching an intraday high of \$2,970 — the highest since mid-May, 2006.
- **Gold** hit a record \$953.60 an ounce, while platinum rose to an all-time high \$2,182, having risen more than 40% this year, as mines in South Africa ground to a halt for five days during last month’s power crisis.
- **Zinc** jumped 6%, helped by short-covering, traders said. Three-months zinc touched \$2,550 per tonne and was later at \$2,540 per tonne, up \$135 from Wednesday.
- **Nickel** jumped to an intraday high of \$29,300, up 4.3%, before closing at \$29,250, versus \$28,100 Wednesday.
- **Tin** hovered close to its record high of \$17,575 set in November. It hit \$17,480 before ending at \$17,400 per tonne, up \$300 from Wednesday.
- **Lead** rose 1.8% to \$3,336 from \$3,276. *Source: Reuters, Globe & Mail, Bloomberg News, Associated Press, Asahi Shimbun*

Copper Scrap Tags Flying High On Comex Surge

Surging copper scrap prices in the United States show no sign of slowing down as a major supply shortage of raw materials deepens and primary copper on the Comex division of the Nymex surges. Copper scrap consumers are struggling to secure enough tonnage as merchants operate with diminished inventories in the wake of a severe downturn in the U.S. manufacturing sector that has resulted in less raw material being generated. The housing market collapse has affected the amount of demolition scrap available. And copper radiators are harder to secure as automotive manufacturers phase them out in favor of aluminum in efforts to reduce vehicle weight. Bad weather also has hampered deliveries to some consumers. The lack of availability has forced some ingot makers to switch to copper cathode to replace high-grade scrap.

- With material becoming increasingly harder to secure, prices of lower-grade scrap have shot up. Brass ingot makers' No. 1 composition solids increased 4 cents to \$2.55 a pound in the East and 6 cents to \$2.56 a pound in the Midwest, while radiators have risen 14 cents to \$2.25 a pound in the East and 13 cents to \$2.24 a pound in the Midwest. Higher grades of copper scrap, which often are pegged against the Comex, also have jumped higher. No. 1 scrap has risen 25 cents to \$3.55 a pound in the East and 28 cents to \$3.57 a pound in the Midwest, while No. 2 copper has increased 27 cents to \$3.45 a pound in the East and 30 cents to \$3.46

a pound in the Midwest. Source: AMM

*The information provided is a summary of automotive market and materials research from a variety of news sources.
This publication is a courtesy of Lilley Associates, Inc.*