NTMA Weekly Report

North American Market Intelligence

for Contract Tooling & Machining Companies

June 3, 2005

NTMA

PRECISION

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United States & Canada

Automotive Manufacturing

Toyota to Build Seventh Plant in North America

TOKYO, May 30, 2005 -- Toyota Motor will invest 50 billion yen (467 million dollars) to build a new plant in Canada, its seventh auto factory in North America, to boost production in the region. Japan's top carmaker will construct the plant near its existing factory in Ontario, Canada's most populous province, and it is slated to be operational in 2008, the Nihon Keizai Shimbun business daily said Monday. The business daily said the new Ontario plant would manufacture small passenger cars and have a production capacity of 100,000 to 150,000 units a year. With the new plant, Toyota's total output capacity in North America is expected to rise to 2.5 million units a year by 2008, up 67% from 1.5 million units in 2004, the daily said. Toyota was also considering building another plant in the region by 2010, either in the United States or in Mexico, the report said. Some 60% of Toyota's cars sold in North America were produced locally as of the end of 2004. Toyota president Fujio Cho has said the company is aiming to boost that figure to 75%.

Source: Nihon Keizai Shimbun
Source: NetContent

Automotive Suppliers

Dana Appoints Tom Stone to Lead Global Traction Operations

TOLEDO, OH, Jun 02, 2005 -- Dana Corporation announced today that Thomas R. Stone has joined the company as president of its Traction Group. Mr. Stone assumes global responsibility for Dana’s light-axle manufacturing and assembly operations. Mr. Stone comes to Dana from GKN plc, where he most recently served as managing director – Torque Systems Group, GKN Driveline. Mr. Stone joined GKN in 1997 as vice president – operations, GKN Automotive and subsequently served as managing director – GKN Driveline Americas. His responsibility was later expanded to include European operations. Mr. Stone previously worked for Varity Corporation (now part of TRW Automotive Holdings Corp.), General Electric Company, Phelps Dodge Corporation, and United Technologies Corporation. Mr. Stone earned a Bachelor of Science degree in Science from Purdue University and a master’s degree in Business Administration from Indiana University. He also completed the Harvard University Advanced Management Program.

Source: Dana Corporation

Tier 1 Orders Tooling to Manufacture Aluminum Foam Parts

MISSISSAUGA, ONTARIO, May 30, 2005 -- Cymat Corp., an innovative materials technology company, announced today that one of the world's leading Tier 1 suppliers to the automotive sector has issued a purchase order to Cymat's development partner, Georg Fischer Automotive, for pre-production tooling to manufacture Stabilized Aluminum Foam (SAF) parts. The tooling will be engineered by Georg Fischer in collaboration with Cymat, and is expected to be used by Georg Fischer under licence from Cymat to supply prototypes to the Tier 1 supplier. Cymat's partnership with Georg Fischer was previously announced in December 2004.

Source: Cymat Corp.

Aerospace/Defense

ACT Demonstrates High Temperature Heat Pipe Wing

LANCASTER, PA, May 31, 2005 -- Advanced Cooling Technologies, Inc. has successfully demonstrated a new high temperature heat pipe technology. This work was performed for Lockheed Martin Space Systems Company, Denver, Colorado, prime contractor of an Air Force Research Laboratory, Air Vehicle Directorate sponsored program related to heat pipe cooled leading edges for aerospace vehicles. CCS Associates, Bethel Park, Pennsylvania, was also involved in the heat pipe design. The heat pipe, fabricated in the shape of a wing leading edge, is designed to accept the heat generated on the leading edge by aero- heating and to dissipate the heat by radiation and convection from the remaining surface of the wing. The heat pipe is a full-scale modular section of a wing, approximately 4" wide and 36" long. The envelope and wick are made of a proprietary superalloy, and the working fluid is Lithium. The heat pipe is designed to operate at up to 1,100 degrees C. The heat flux on the leading edge will be greater than 100W/cm2.

Source: Advanced Cooling Technologies, Inc.

Bombardier Announces First Quarter Increased Revenues

June 1, 2005 -- Increase in consolidated revenues of 8.7% to $3.8 billion - EBT before special items of $48 million compared to a negative EBT before special items of $136 million last year, an improvement of $184 million - Earnings per share of $0.03 compared to a loss per share of $0.10 last year - Major increase of 71% in business aircraft deliveries - 43 regional aircraft net orders - New order intake of $1.6 billion at Bombardier Transportation, an increase of $700 million over the same period last year - Solid cash position of $2.1 billion - Closing of Inventory Finance Division sale

Bombardier today released financial results in line with market expectations with earnings per share of $0.03 for the first quarter of fiscal year 2006. The Corporation's two core businesses showed increased revenues and improved earnings. Consolidated revenues amounted to $3.8 billion with earnings before taxes (EBT) before special items of $48 million, an increase of $304 million and $184 million respectively over the same period last year. At $2.1 billion, Bombardier's cash position continues to be strong.

Earnings before interest and income taxes (EBIT) reached $52 million for the first quarter, an increase of $25 million over the same period last year. Aircraft deliveries increased during the first quarter at Bombardier Aerospace, driving revenue growth through a favourable mix of aircraft, again demonstrating the continued benefits of diversification. Net business jet orders increased by 30% and deliveries grew significantly by 71%, illustrating the continued strength of the business jet market and the success of Bombardier's new business aircraft models, the Bombardier Global 5000, the Challenger 300 and the Learjet 40.

Leader in the regional aircraft market, Bombardier received follow-on orders from SkyWest Airlines for 20 CRJ700 aircraft, Northwest Airlines for 15 CRJ200 aircraft, and GoJet Airlines for 10 CRJ700 aircraft, proving that its CRJ aircraft are the solution airlines opt for in the current trend toward larger regional aircraft. The superior economics and performance of the CRJ family of aircraft provide Bombardier and its customers with a unique competitive advantage. EBIT before special items reached $44 million for the first quarter, an increase of $159 million over the same period last year. Order intake increased by $700 million to $1.6 billion, especially in the locomotives, metros and light rail sectors. Bombardier Transportation delivered on milestones of its restructuring initiative on schedule and on budget. Workforce reductions reached 5,000 net positions. Manufacturing activities at the Pratteln, Switzerland, facility ceased in April 2005. In addition, improvement in project management and cost-cutting initiatives remain an important focus of turnaround efforts.

Bombardier Inc. also announced the closing of the sale of Bombardier Capital's Inventory Finance Division to GE Commercial Finance for cash proceeds of approximately $1.3 billion, approximately $700 million after repayment by Bombardier Capital of its private bank-sponsored securitized floorplan conduits not transferred to GE Commercial Finance, subject to final adjustments. The difference with the previously announced cash proceeds of $825 million (after repayment of the private bank-sponsored securitized floorplan conduits), reflects the collection of finance receivables of approximately $125 million since the date of the agreement to sell. The price includes a pre-tax premium of $225 million over the carrying value of the net assets being sold.

In April 2005, the Corporation entered into an agreement for the sale of BC's inventory finance operations to GE Commercial Finance. On May 31, 2005, the Corporation completed this sale. In addition, the Corporation has initiated a process to sell BC's on-balance sheet manufactured housing operations. Accordingly, the results of operations of the inventory finance and on-balance sheet manufactured housing operations are reported as discontinued operations. Therefore, the following analysis excludes these operations.

Consolidated revenues totalled $3.8 billion for the first quarter ended April 30, 2005, compared to $3.5 billion for the same period last year. This $304-million increase mainly reflects higher revenues in the aerospace segment resulting from increased deliveries of business aircraft and higher revenues in the transportation segment resulting mainly from the strengthening of the euro and the sterling pound compared to the U.S. dollar. EBT from continuing operations before special items for the three- month period ended April 30, 2005, amounted to $48 million, compared to negative $136 million for the same period last year. This increase results mainly from higher EBT in the transportation segment due to the negative impact of contract adjustments on last year's results.

Special items amounted to a net gain of $8 million for the three- month period ended April 30, 2005, compared to a charge of $86 million for the same period last year. The special items are related to the restructuring activities in the transportation segment. As a result, EBT from continuing operations amounted to $56 million for the first quarter of fiscal year 2006, compared to a negative EBT of $222 million for the same period the previous year. Income from continuing operations totalled $48 million, or $0.02 per share, for the first quarter ended April 30, 2005, compared to a loss of $182 million, or $0.11 per share, for the same period last year. Net income was $55 million, or $0.03 per share, for the first quarter of fiscal year 2006, compared to a loss of $174 million, or $0.10 per share, for the same period the previous year.

As at April 30, 2005, Bombardier's order backlog was $31.6 billion, compared to $31.5 billion as at Jan. 31, 2005. Bombardier Aerospace - Revenues of $1.9 billion, an increase of 9.9% - EBITDA of $151 million, an increase of $29 million - EBIT of $52 million, an increase of $25 million - Order backlog of $10.4 billion - 81 aircraft deliveries, compared to 71 last year

Bombardier Aerospace's segmented revenues amounted to $1.9 billion for the three-month period ended April 30, 2005, compared to $1.8 billion for the same period the previous year. This increase is mainly due to increased deliveries and a favourable mix of business aircraft, increased deliveries of Q400, CRJ700, CRJ900 aircraft as well as of wide-body aircraft interiors, partially offset by lower deliveries of CRJ200 aircraft.

Earnings before net interest, income taxes and depreciation and amortization (EBITDA) amounted to $151 million for the three-month period ended April 30, 2005, compared to $122 million for the same period last year. The increase is mainly due to higher deliveries of aircraft and a favourable mix of business aircraft deliveries, partially offset by higher sales incentive costs and research and development costs related to the CSeries aircraft. EBIT amounted to $52 million, or 2.7% of segmented revenues, for the first quarter ended April 30, 2005, compared to $27 million, or 1.5%, for the same period the previous year.

For the quarter ended April 30, 2005, aircraft deliveries totaled 81, compared to 71 for the same period the previous year. The 81 deliveries consisted of 41 business aircraft and 40 regional aircraft. The 71% increase in business aircraft deliveries mainly results from the ramp-up in production of new models as well as from the continued strength of the business aircraft market. The 15% decrease in regional aircraft deliveries is mainly due to lower deliveries of CRJ200 aircraft partially offset by higher deliveries of Q400, CRJ700 and CRJ900 aircraft.

For business aircraft, Bombardier received 39 net orders during the three-month period ended April 30, 2005, compared to 30 net orders during the same period last fiscal year. The increase reflects the success of new models (Bombardier Global 5000, Challenger 300 and Learjet 40 aircraft) and the continued strength in the business aircraft market. For the quarter ended April 30, 2005, Bombardier received 43 net orders for regional aircraft, compared to 44 for the same period last year. Orders for this quarter included an order for 20 CRJ700 aircraft from SkyWest Airlines, valued at approximately $637 million; 15 CRJ200 aircraft from Northwest Airlines, valued at approximately $386 million; and for 10 CRJ700 aircraft from GoJet Airlines, valued at approximately $317 million. As at April 30, 2005, the aerospace firm order backlog totalled $10.4 billion, compared to $10.2 billion as at Jan. 31, 2005. The increase in the value of the order backlog reflects slightly higher net orders compared to deliveries.

On May 12, 2005, letters of intent relating to the funding of research and development costs of the CSeries family of aircraft were signed with the governments of Canada, Quebec and the U.K. The Greater Montreal area in Quebec has been selected as the preferred location for the final assembly of the CSeries family of aircraft. Bombardier's Belfast plant in Northern Ireland has been chosen as the preferred site for the development of the wings, engine nacelles and composite empennage structures of the aircraft. The governments of Canada, Quebec and the U.K. will invest $350 million Cdn ($263 million), $118 million Cdn ($88 million) and pounds sterling 180 million ($340 million) respectively, for a total of approximately $700 million, to fund the research and development of the CSeries family of aircraft. These investments will be repayable on a royalty basis, based on aircraft deliveries.

Bombardier Transportation - Revenues of $1.8 billion, an increase of 8% - EBITDA before special items of $72 million ($80 million after special items), an increase of $153 million - EBIT before special items of $44 million ($52 million after special items), an increase of $159 million - New order intake totalling $1.6 billion - Order backlog of $21.2 billion - Successful ongoing execution of the restructuring initiative

Bombardier Transportation's segmented revenues amounted to $1.8 billion for the three-month period ended April 30, 2005, compared to $1.7 billion for the same period last year. This increase is mainly due to the positive effect of exchange rate fluctuations and the negative impact on last year's revenues of contract adjustments. EBITDA before special items amounted to $72 million for the three- month period ended April 30, 2005, compared to negative $81 million for the same period last year. The increase is primarily due to the negative impact of contract adjustments on last year's results. EBIT before special items totalled $44 million, or 2.4% of segmented revenues for the first quarter ended April 30, 2005, compared to negative $115 million, or negative 6.8%, for the same quarter the previous fiscal year.

Special items amounted to a net gain of $8 million for the three- month period ended April 30, 2005, compared to a charge of $86 million for the same period last year. Restructuring costs of $19 million for the three-month period ended April 30, 2005, were more than offset by gains on the sale of land and buildings of three U.K. sites, amounting to $27 million. As a result, EBIT amounted to $52 million, or 2.8% of segmented revenues, for the first quarter ended April 30, 2005, compared to negative $201 million, or negative 11.9%, for the same quarter the previous fiscal year. Order intake during the three-month period ended April 30, 2005, totaled $1.6 billion, an increase of $700 million compared to the same period last year. Major orders were for 100 locomotives type E464 from Trenitalia of Italy, valued at approximately $323 million; 36 TRAXX locomotives type F140 MS/DC for Angel Trains Cargo of U.K., valued at approximately $202 million; and 120 MOVIA metro vehicles from Metrorex of Romania, valued at $144 million.

Bombardier Transportation's backlog totalled $21.2 billion as at April 30, 2005, compared to $21.3 billion as at Jan. 31, 2005. This decrease in the value of the order backlog reflects slightly lower order intake compared to revenues recorded, partially offset by a net positive currency adjustment amounting to approximately $100 million. The net positive currency adjustment results from the strengthening of the sterling pound compared to the U.S. dollar, partially offset by the weakening of the euro compared to the U.S. dollar.

In April 2005, the Corporation entered into an agreement for the sale of BC's inventory finance operations to GE Commercial Finance. On May 31, 2005, the Corporation completed this sale. Bombardier has also initiated a process to sell its on-balance sheet manufactured housing operations. Therefore, the inventory finance and manufactured housing operations are reported as discontinued operations. Accordingly, the following analysis excludes these operations.

For the first quarter of fiscal year 2006, BC's segmented revenues from continuing operations amounted to $57 million, compared to $62 million for the same quarter the previous year. BC's EBT from continuing operations amounted to negative $2 million for the quarter ended April 30, 2005, compared to negative $3 million for the same period the previous year. The wind-down portfolios were reduced by $44 million, or 12.7%, in the quarter ended April 30, 2005. The reduction in these portfolios is consistent with the continued reduction in the business aircraft and consumer finance portfolios.

Source: Bombardier
Source: NetContent

Medical Equipment

ABIOMED Announces Results for Fiscal Year End

DANVERS, MA, May 31, 2005 -- ABIOMED, Inc. today released financial results for its fiscal year ended March 31, 2005 and commented on significant highlights of the most recent 12 months. Financial results for fiscal year 2005 ended March 31, 2005 are summarized in the attached table. Financial highlights of the year included: Product revenues increased by $12.9 million, or 51%, from $25.1 million in fiscal 2004 to $37.9 million in fiscal 2005. This record reflects the successful commercial introduction of the AB5000 platform with favorable clinical results, the effect of a new pricing structure, and the expansion of ABIOMED products outside of the United States.

Cost of product revenues as a percentage of product revenues improved to 25% for fiscal 2005 from 30% in fiscal 2004. The increase in product margin was driven by a combination of pricing and productivity in our production processes. Research and development expenses decreased by $0.8 million, or 6%, from $14.3 million in fiscal 2004 to $13.5 million in fiscal 2005, reflecting our drive to improve efficiencies in our engineering efforts. Selling, general and administrative expenses increased by $4.5 million, or 32%, from $14.1 million in the prior year to $18.6 million in the fiscal year ended March 31, 2005. The increase is directly correlated to the higher volume in total revenue and expenses incurred during the Sarbanes-Oxley 404 compliance project. In addition, there were additional expenses incurred in recruiting and relocation of key talent who joined the company over the last 12 months. Net loss for the year was approximately $2.3 million, or $0.11 per share. This is a 75% reduction from the net loss of approximately $9.5 million, or $0.45 per share, in the prior fiscal year. ABIOMED had its first profitable quarter in over 8 years during fiscal year 2005.

Source: ABIOMED
Source: NetContent

Off-Highway and Construction

Construction Machinery Exports Increase 30 Percent in 2004

June 3, 2005 -- The market for exports of U.S.-made construction equipment closed out 2004 with a gain of nearly 30 percent compared to the previous year, with a total of $8.9 billion worth of equipment sold worldwide, according to the Association of Equipment Manufacturers (AEM). All world regions showed double-digit increases. AEM consolidates U.S. Commerce Department data with other sources into a quarterly export trends report. Exports to Australia/Oceania led the way with a 63 percent gain in 2004 purchases. The region took delivery of $784.5 million worth of U.S.-made construction equipment. Exports to South America increased almost 60 percent in 2004, followed by Asia, to which exports grew almost 35 percent, to total $1.3 billion. The 10 countries buying the most U.S.-made construction equipment in 2004 were Canada, $3 billion, up 23 percent; Australia, $747 million, up 65.5 percent; Mexico, $626 million, up 27 percent; Belgium, $408 million, up 25 percent; Chile, $363 million, up 84 percent; China, $262 million, up 63 percent; Brazil, $260 million, up 38 percent; Germany, $225 million, up 25 percent; Singapore, $224 million, up 86 percent; United Kingdom, $174 million, up 18 percent.

Source: Daniel C. Brown, TechniComm

Farm Equipment Outlook is Positive

June 3, 2005 -- John Deere, a worldwide leader in farm equipment manufacturing, says the U.S. farm sector is expected to remain in solid condition for the remainder of 2005 as a result of a high level of cash receipts, including increased government payments and strong farmer balance sheets. Deere expects industry retail sales in the U.S. and Canada to be up 5 to 10 percent for fiscal 2005 in comparison with last year. In other parts of the world, industry retail sales in Western Europe are forecast to be down 5 percent for the year. Farmers in the region are expected to see good levels of income this year; however equipment sales in Spain and Portugal are being hurt by dry weather. In South America, industry sales are now forecast to be down about 40 percent. Based on those conditions, worldwide sales of John Deere agricultural equipment are forecast to rise by 9 to 11 percent for the year excluding the impact of exchange rates. Currency is expected to add about three percentage points to the company's farm-machinery sales for the year.

Source: Daniel C. Brown, TechniComm

Gehl Announces Plant Expansion in South Dakota

June 3, 2005 -- Gehl Co. has launched an $8.7 million expansion of its Yankton, S.D., manufacturing and R&D facilities. The expansion will add manufacturing space and equipment to the Yankton plant, which builds telescopic handlers and pavers for the Gehl and Mustang brands. Gehl will also expand capacity to accommodate several models of telescopic handlers under a license agreement with Manitou BF S.A. of France. Gehl is based in West Bend, Wis. Construction is under way for a 49,200-square foot addition to the manufacturing floor. The project will optimize the company's manufacturing flow, facilitate new in-house laser metal-cutting capabilities, and increase overall capacity to meet the growing demand for telescopic handlers and pavers. A 4,000-square-foot addition is also under way to the plants R&D building.

Dan Miller, Gehl director of manufacturing operations, says the company plans to purchase two high-tech laser metal-cutting systems in 2005 plus a third in the future, which should capture about $1.7 million in annual savings. Each system can cut varying thicknesses of raw material. Gehl also plans to make other improvements that include automated forming, machining and welding equipment. Gehl has manufacturing facilities in West Bend, Wis.; and Madison and Yankton, S.D. The company's business grew at a record pace in 2004, and demand for the company's compact equipment is expected to continue to grow in 2005.

Source: Gehl

Manufacturing Leaders Raise Forecasts for 2005 Sales of Construction Equipment

June 3, 2005 -- Two of the nation's leading construction equipment manufacturers, Caterpillar and John Deere, have raised their forecasts for 2005 sales results. A quarter ago, Cat was predicting that sales this year would increase by 12 to 15 percent; the company now expects 2005 sales and revenues to jump by 16 to 18 percent over last year. Cat's profit, the company says, will soar by 35 to 40 percent over 2004.

At John Deere, officials say positive U.S. economic conditions and increased construction spending should push up sales of construction and forestry equipment by 18 to 20 percent in this fiscal year. Both contractors and rental companies are replenishing their fleets. And demand for forestry equipment in other parts of the world has offset moderating North American sales in recent months.

CNH Global (Case and Case-IH) believes that for the full year 2005, the agricultural and construction equipment markets will generally remain strong, especially in North America for agricultural equipment and in all major markets for construction equipment. CNH continues to expect that its net sales of equipment for the full year 2005 will increase by about 5%. Including additional spending for R&D and dealer support, the company continues to expect a year-over-year profit improvement of about 15%, excluding restructuring costs.

Caterpillar reported first-quarter sales and revenues of $8.34 billion and record profit of $581 million. Sales and revenues rose 29 percent and profit jumped 38 percent compared to the first quarter of 2004. Sales and revenues were up $1.86 billion, compared to $6.48 billion in the first quarter of 2004. The increase in sales and revenues was driven by $1.44 billion of higher machinery and engines volume, $250 million of increased price realization, a $102 million favorable impact of currency on sales due primarily to the strengthening euro and British pound and $72 million of higher financial products revenues.

Deere in May announced worldwide net income of $604.0 million for the second quarter ended April 30, compared with $477.3 million for the same period last year. For the first six months, net income reached a record $826.8 million, compared with $648.1 million last year. Worldwide net sales and revenues grew 13 percent to $6.621 billion for the second quarter and increased 15 percent to $10.748 billion for the first six months.

CNH Global N.V. reported first quarter 2005 net income of $15 million, compared to a first quarter 2004 net loss of $9 million. Results include restructuring charges, net of tax, of $4 million in the first quarter of 2005, and $13 million in last year's first quarter.

Source: Daniel C. Brown, TechniComm

Other Users

Mack Truck's Deliveries Jump 57 Percent

June 3, 2005 -- Deliveries from Mack Trucks, Inc. from January through April totaled 11,319 units, up 57 percent from the same period a year ago. Demand for heavy-duty trucks in North America remains strong, although order support has pulled back from the historically high levels of earlier this year as available production slots for the rest of 2005 have been filled throughout the industry. High customer interest in Mack's vocational products (construction and refuse) has prompted the company to initiate a second shift of production at its Macungie facility. Mack is owned by Volvo.

Source: Mack Trucks, Inc.

Economic

Canadian Auto Parts Industry Outperforming in Turbulent Times

TORONTO, May 31, 2005 -- While overall vehicle sales remain healthy across North America, the auto industry is going through turbulent times. The traditional Big Three - major customers for Canadian suppliers - continue to lose market share. Several large U.S. parts suppliers have gone into chapter eleven bankruptcy in recent months, further raising concerns about the industry's outlook. However, according to the latest Canadian Auto Report released today by Scotia Economics, the Canadian auto parts industry continues to outperform.

"Shipments of Canadian auto parts have held up well and were largely flat through March, despite a 9% year-over-year drop in vehicle output by their largest clients - General Motors, Ford and DaimlerChrysler - through April, largely reflecting an inventory overhang at U.S dealerships," says Carlos Gomes, Scotiabank's auto industry specialist. "Furthermore, while the 30% appreciation of the Canadian dollar over the past three years has lessened the competitiveness of Canada's auto industry, the financial performance of the Canadian auto parts sector remains much healthier than its U.S. counterpart."

According to the report, even with the appreciation of the currency, operating margins for a sample of publicly traded Canadian parts makers totalled 12.8% in the first quarter of 2005 - more than double the 5.4% average for a sample of U.S. suppliers. Automakers continue to pay their Canadian suppliers in Canadian dollars - a practice that has partly insulated parts makers from the impact of the currency's advance in recent years.

"Canadian parts makers also continue to garner market share from U.S. suppliers, who have experienced a 2% drop in shipments so far this year," says Gomes. "We estimate that Canadian parts producers now supply nearly 10% of all auto parts sold in the U.S. market, up from less than 8% as recently as 1998. Canadian suppliers have also successfully recaptured some U.S. market share from Mexico. During the first quarter of 2005, auto parts exports from Mexico accounted for 10.2% of the U.S. parts market - only 0.3percentage points above the share of Canadian suppliers. As recently as 2001, the Mexican auto parts industry had more than percentage point advantage over Canadian suppliers." Nevertheless, Canadian parts makers continue to face pressure from suppliers in low-cost countries such as China. For example, U.S. auto parts imports from low-cost countries now represent more than 20% of the U.S. market, up from roughly 15% five years ago. Auto parts exports from China to the United States will likely approach US$5 billion in 2005, up from only US$1.6 billion five years ago. Canadian auto parts exports to the United States totalled US$20 billion in 2004.

"Recent hyper-competitive conditions facing parts makers will likely ease in coming months, as the inventory overhang that prompted North American automakers to slash production has been significantly reduced. Vehicle inventories held at Big Three dealerships in the United States declined 8% below a year ago in April and are now at the lowest level in two years," comments Gomes.

Turning to overall vehicle sales, car and light truck sales gained momentum across North America (Canada, the United States and Mexico) in April, climbing to an annualized 20.3 million units from an average of 19.1 million during the previous three months and a total of 19.5 million for all of last year. U.S. passenger vehicle purchases rose to an annualized 17.4 million units in April - the highest level since last December, when volumes were inflated by year-end incentives. Asian brands led the way, with a 15% year- over- year advance, capturing a record 37.6% of the U.S. market.

In contrast, purchases from the traditional Big Three fell 4% below a year ago, with consumers continuing to shy away from large gas-guzzling SUVs amid high gasoline prices. Light truck sales at the two largest domestic automakers posted a double-digit decline, undermined by a 30% slump in purchases of large SUVs.

"Car and light truck sales in Canada advanced 4% above a year earlier in April to an annualized 1.69 million units - well above the 1.56 million unit pace of the first quarter. Last month's solid performance boosted year-to-date volumes 2.5% above a year earlier, suggesting that Canadians have overcome the 'gasoline price shock' that undermined purchases last year," comments Gomes. "Data from the Conference Board of Canada indicates that 60% of Canadian households indicate that now is a good time to buy a new vehicle, up from 53% late last year."

Scotia Economics, part of the Scotiabank Group, provides clients with in-depth research into the factors shaping the outlook for Canada and the global economy, including macroeconomic developments, currency and capital market trends, commodity and industry performance, as well as monetary, fiscal and public policy issues.

Source: Canadian Newswires
Source: NetContent

GM, Ford Sales Fall as Asian Brands Gain

DETROIT, June 1, 2005 -- The U.S. automotive scene changed little in May: General Motors Corp. and Ford Motor Co. again reported decreased demand for their vehicles, particularly trucks and SUVs, while Chrysler Group and Asian brands generally posted positive results. To make matters worse for GM and Ford and their suppliers both automakers said Wednesday they plan to cut third-quarter production because of sluggish business. The cuts are sure to hurt the companies' bottom lines.

George Pipas, Ford's top sales analyst, said May was a weak month for the industry, especially compared to last year. The seasonally adjusted annual sales rate for May was 16.6 million vehicles, down from 17.7 million last May. The rate indicates what sales would be for the full year if they remained at the same pace for all 12 months. Full-year sales for 2004 were about 17 million. GM and Ford, the nation's two biggest automakers, saw sales slip again in May as customers continued to turn away from their sport utility vehicles and trucks in favor of models from Asian competitors. The traditional Big Three automakers saw truck sales slip 4.4% in May, while Asian automakers saw comparable sales rise 6.9%.

GM's car sales fell 1.6% and truck sales slid 7.8% for the month compared with May 2004. GM's sales are now off 5.2% for the year. GM hopes that will change next month, when it offers consumers the chance to buy vehicles at the discount rate normally reserved for employees. At Ford, the No. 2 carmaker behind GM, new vehicle demand fell for the 12th straight month. Truck sales were down 6.4%, and total sales slipped nearly 3% for the Ford, Lincoln and Mercury brands. Ford's U.S. business is off 4% for the first five months of the year.

There were some bright spots for domestic automakers. DaimlerChrysler AG's Chrysler Group said car sales rose 13% and truck sales were up 3% for the month. The Chrysler 300 sedan and the Chrysler Town and Country minivan helped the Chrysler brand set an all-time monthly sales record, the company said. Ford's Mustang coupe had its highest May sales since 1980, up 47% from last May. But that blistering pace will likely subside in June, Pipas said, because the company can't keep up with demand. GM's Cadillac division also enjoyed its best sales month in 12 years.

The news for Asian automakers was generally good, though results were lower than the double-digit increases some companies saw in April. Toyota Motor Corp.'s sales rose 7.8% last month, dragged down a bit by flat truck sales. Overall sales for the automaker are up 11.9% for the year.

Korean automaker Hyundai Motor Co.'s truck sales are up 23% for the year thanks to its new Tucson SUV, which had a record sales month in May. Hyundai's sales gained 8.5% for the month and 12.5% for the year. Nissan Motor Co.'s truck sales are up 27% for the year, led by the Armada SUV. Nissan's sales jumped 15.5% in May and are up 15.8% for the year.

Honda Motor Co. saw a 19% decline in its aging car lineup. But its trucks, including the new Honda Ridgeline pickup, saw a 14.3% increase over last May. Honda's sales are up less than 1% for the year. Salespercentages are adjusted for differences in the number of selling days. There were 24 selling days in May 2005 and 26 in May 2004.GM, the world's largest automaker, said it plans to cut third-quarter production by more than 100,000 vehicles, or 9%. Ford, meanwhile, said it plans to trim third-quarter production by 17,000 vehicles, or 2%.

Auto suppliers, already pinched by high steel prices, have been struggling with the cuts all year. GM cut production by around 10% in the first and second quarters, and Ford cut production by 10% in the first quarter and nearly 5% in the second quarter. Pipas said the cuts will help the automakers adjust their inventories and predicted that production will stabilize in the second half of the year.

Source: Associated Press
Source: NetContent

Manufacturing Rates Plod On

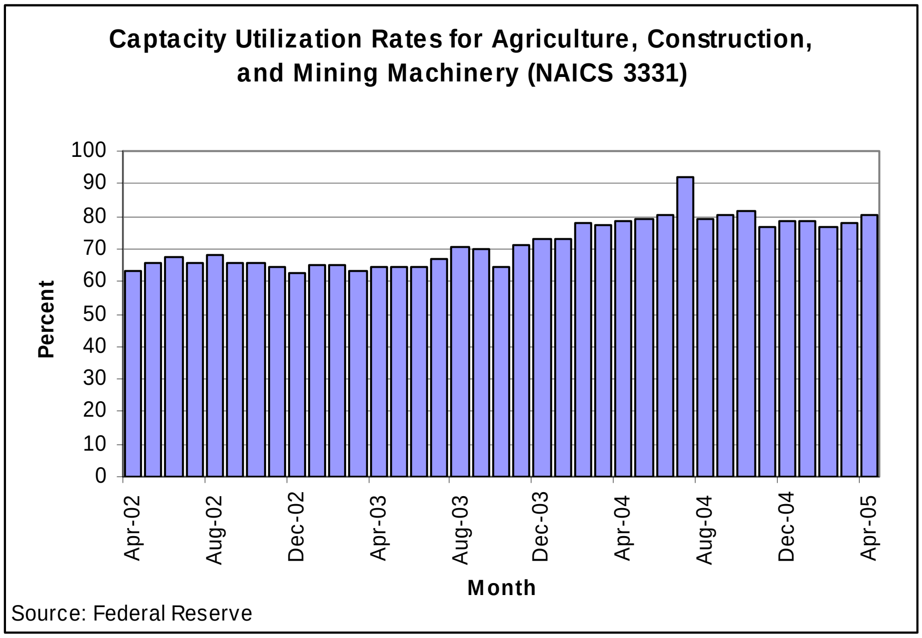
NEW YORK, June 2, 2005 -- U.S. manufacturing expanded at a slower-than-expected rate in May, constrained by high energy prices and fat inventories, especially in the automobile sector, figures from a private research organization showed on Wednesday. Stock prices rose on speculation that the weak performance could give the Federal Reserve second thoughts about more interest rate hikes. While manufacturing activity expanded in May for the 24th consecutive month, the rate has slowed in each of the last six months, and May's reading was the lowest since June 2003, according to the Institute for Supply Management. In contrast, a separate report by the Commerce Department said construction spending rose 0.5% to a record level in April, as office construction surged and activity in the housing market hit an all-time high. The Commerce Department said the increase pushed building activity to a seasonally adjusted annual rate of $1.066 trillion in April, following gains of 0.6% in March and 1.2% in February. The Institute for Supply Management's manufacturing index stood at 51.4 in May, down from a reading of 53.3 the previous month and below analysts' expectations for a reading of 52. The index is at its lowest level since it was 50.4 in June 2003.

The data indicates that the manufacturing sector is losing momentum, the institute said. A reading of 50 or above in the index, however, means the manufacturing sector is expanding. A figure below 50 represents a contraction. The report drove the stock market higher as investors speculated that the weaker-than-expected performance of the industrial sector would make the Federal Reserve think twice before further tightening interest rates. Thayer said that last year when the economy was stronger, industrial companies pumped up their inventory levels. Now, however, those companies have enough inventory and are in the process of selling off what they have. That is especially true in the auto sector, Thayer noted. Rippe said high energy prices would prompt inflation, driving up costs for industrial producers while crimping consumer spending.

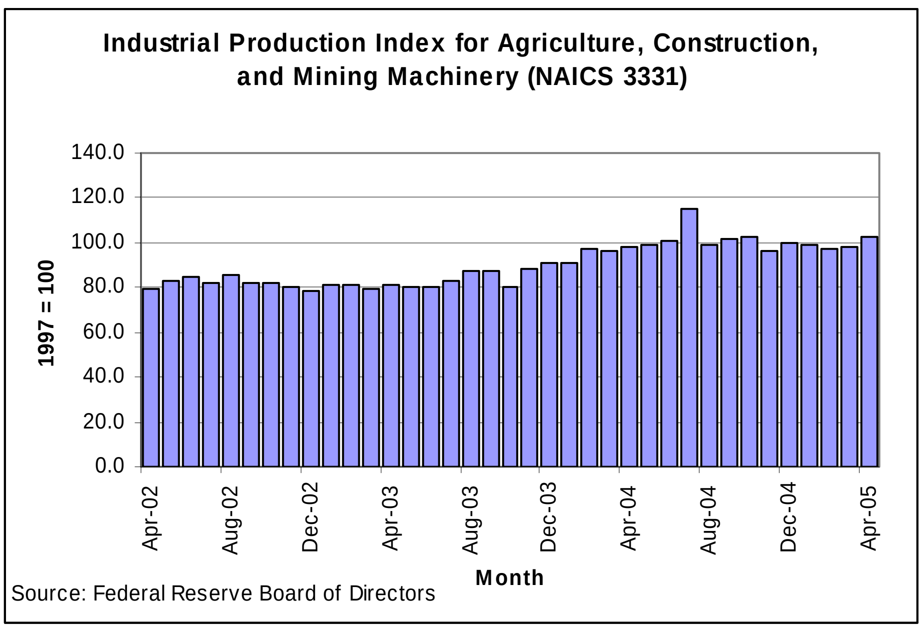
Source: Detroit News
Source: NetContent

Market Intelligence: Construction

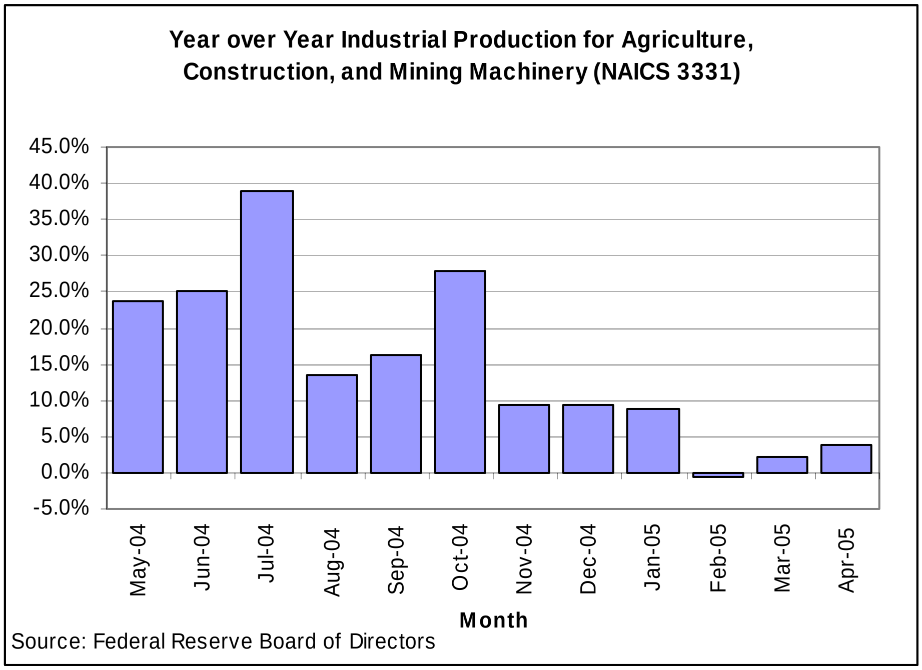
Capacity Utilization Rates for Agriculture, Construction, and Mining Machinery



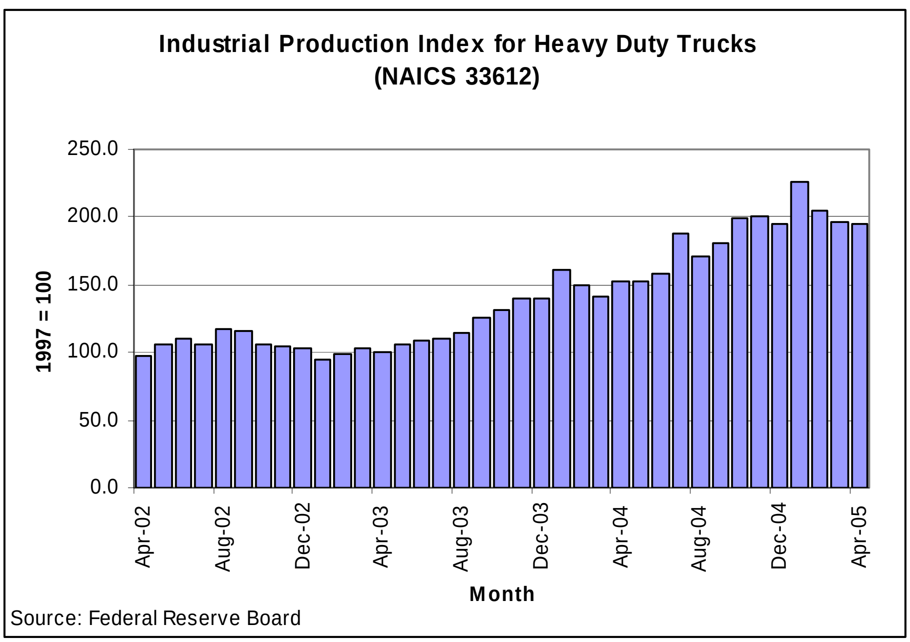
Industrial Production Index for Agriculture, Construction, and Mining Machinery



Year Over Year Production for Agriculture, Construction, and Mining Machinery



Industrial Production Index for Heavy Duty Trucks



Year Over Year Production Index for Heavy Duty Trucks