

Page 2
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Excluding the two most volatile categories, food and energy, producer prices are up only 2.7% over the past year. This measure of producer-price inflation, which covers about two-thirds of the total index, has fluctuated between 2% and 3% for the past three years.

Despite the upward revision in third-quarter GNP, there are still no conclusive signs of a sustainable economic pickup. It is expected that relatively modest growth for the next two years is in order, with a significant risk of recession during 1987.

North American Truck Market - Medium Duty

1986 truck factory sales for the month of September were reported at 13,110 vehicles. This is a 30.1% reduction from a very strong sales level in September, 1985. Sales continue to be on track for a year end volume of 148,000 trucks. The current forecast for 1987 is for 140,000 units. This represents a demand level which is basically flat and assumes that imports will increase their market share at the expense of North American truck factory sales.

CLASS 5 - 7 TRUCK FACTORY SALES BY QUARTER

	<u>1st Qtr.</u>	<u>2nd Qtr.</u>	<u>3rd Qtr.</u>	<u>4th Qtr.</u>	<u>TOTAL</u>
1985-Actual					
Units	34.9	44.7	43.0	37.6	160.2
SAAR	144	147	181	175	
1986-Profit Plan					
Units	40.5	43.0	31.8	27.9	143.2
SAAR	169	147	133	123	
1986-Forecast					
Units	36.8	42.1	34.1	35.0	148.0
SAAR	153	144	143	152	
1987-Profit Plan					
Units	34.4	41.3	32.3	32.0	140.0
SAAR	143	141	135	141	

North American Truck Market - Heavy Duty

The Class 8 market continues at a fairly strong pace going into the last part of the year. This strength will generally continue into the first part of 1987. The last reported month, September, had factory sales of 11,433 vehicles, a 5.1% reduction from September of 1985. The 1987 Profit Plan forecast continues to reflect a year of 140,000 trucks spread fairly evenly over the quarters. This forecast is based on an economic scenario of continued slow growth in the U.S. economy.

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