

Mercedes-Benz USA

Revised: March 27, 2013

It's the first day of your summer internship at Mercedes-Benz USA, a subsidiary of DaimlerChrysler AG. You are thrilled by the opportunity to market Mercedes to American consumers, but somewhat nervous about your new job. Your boss enters your office with your first assignment: summarize the macroeconomic conditions most likely to affect the US market for Mercedes through the end of this year. She explains that growth, inflation, and interest rates have a direct impact on consumer spending, and that exchange rates affect your cost of production as well as that of your competitors. She asks, specifically, for your year-end forecasts of:

1. Economic growth: the growth rate of real GDP.
2. Inflation: the year-on-year inflation rate.
3. Interest rates: short-term money market rates.
4. Foreign exchange rates:
 - the dollar price of one euro and
 - the yen price of one dollar.

Each forecast should include a brief rationale and an equally brief assessment of the impact each item is likely to have on the production and pricing of Mercedes in the US.