



Global Auto Report

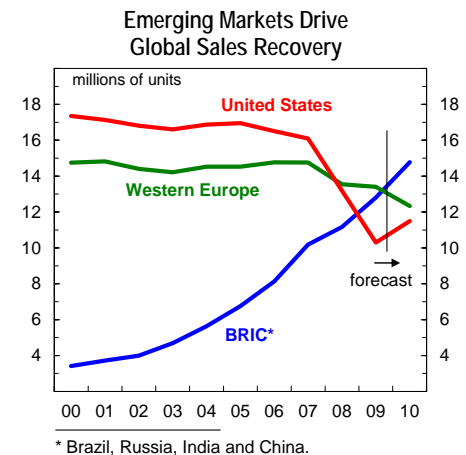
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On The Road To Recovery In 2010

— Double-digit gains in emerging markets and the U.S. will drive a 5% increase

A cyclical recovery in global auto sales began in the spring of 2009 and will gain momentum in the New Year. The emerging markets of China, India and Brazil will lead the way, but mature markets will also post gains in 2010, led by a double-digit advance in the key U.S. market.

Global car sales will continue to be buoyed by the ongoing massive and synchronized monetary and fiscal stimulus, which has generated a global economic recovery, including improving auto lending across the globe. In fact, we estimate that auto loans across major markets bottomed in the first quarter of 2009 and have improved consistently alongside a thawing in global credit markets and falling interest rates. For example, auto loan rates in the United States are currently at 4% — less than half the level prevailing in late 2008. **Improving access to credit and a return to 3% growth in the global economy will enable 2010 car sales to recapture half of the ground lost over the past two years, setting the stage for record volumes in 2011.**



EMERGING MARKETS OUTPERFORM

China became the world's largest auto market in 2009, surpassing purchases in the United States. Car sales in China surged by more than 40% to 7.3 million units in 2009, driven by government incentives including a reduction in the sales tax to 5% from 10% for small fuel-efficient vehicles with engines less than 1.6 litres. (If trucks and buses are included, purchases in China exceeded 13 million vehicles compared with about 10.5 million in the United States.) In early December, China announced that the sales tax for fuel-efficient models would increase to 7.5% through the end of 2010, but that incentives to scrap older vehicles will jump to Rmb18,000 (US\$2,600) from the current Rmb5,000. These measures will help lift car sales in China by 20% to nearly 9 million units in 2010, enabling it to widen its lead over the U.S.

Purchases in China will also continue to be buoyed by rising household disposable income and a low penetration rate. China has less than 40 vehicles per 1,000 people compared with a G7 average of more than 600 vehicles. Per capita incomes have been advancing by 9% per annum over the past decade, and are now at US\$3,600 — a level that typically leads to an extended period of rapid growth in car sales. For example, purchases in South Korea expanded by 27% per annum from 1980 through the mid-1990s — roughly 4 times the pace of per capita income growth — until incomes reached US\$10,000 per person.

With the exception of Russia, where car sales remained in hibernation throughout 2009, purchases in the other BRIC nations — India and Brazil — climbed to record highs in 2009, and will post solid gains in 2010, as economic growth in both countries exceeds 5% in the coming year. Sales gains are also expected to resume in Russia in the New Year, as the Kremlin launches its own 'cash for clunkers' program. Starting in January, the government will pay 50,000 rubles (US\$1,660) to new car buyers who replace their vehicles that are at least 10 years old with new Russian-made models. We expect car sales in Russia to approach 1.8 million units in 2010, after slumping more than 40% this year to 1.6 million.

In India, car sales climbed to a record 1.4 million units in 2009, with gains accelerating sharply in the second half of 2009, as GDP growth strengthened to the fastest pace since early 2008, and credit availability improved. Historically, about 80% of overall vehicle purchases in India require financing. However, the global credit crunch led to a significant reduction in auto loans through early 2009. Auto financing has begun to flow again in recent months, and combined with falling interest rates, now accounts for about 75% of overall volumes in India. Prospects for strong sales gains have induced foreign automakers

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such as General Motors, Volkswagen and Toyota to increase their presence in India. In particular, Volkswagen recently acquired a 20% stake in Suzuki which, through its Maruti Suzuki subsidiary, garners nearly 50% of the car market.

India's middle class is conservatively estimated at roughly 170 million — half of the entire U.S. population. Meanwhile, India's vehicle penetration rate is among the lowest in the world given its strong per capita income growth — currently in excess of 6% per annum, second only to China. Improving credit availability, new model launches — 10 new cars will be unveiled at the upcoming New Delhi Auto Expo — and favourable demographics will sustain a double-digit gain in 2010. India has one of the youngest populations, with half of its 1.2 billion people less than 25 years old, compared with 42% in Brazil, 36% in China and less than 30% in the developed nations.

Rapid car sales gains have also resumed in Brazil, with unemployment receding alongside the government's deployment of stimulative fiscal and monetary policies to boost credit and employment growth. The Brazilian economy has been consistently adding jobs since early 2009, creating 1.2 million new positions through October. The government intends to create nearly 2 million new jobs in 2010. Credit growth is expanding by 15% y/y, while loan delinquencies have been on a downward trend since March 2009. These developments will help lift car sales in Brazil to 2.7 million units in 2010, from a record 2.5 million this year.

REPLACEMENT DEMAND RETURNS TO NORTH AMERICA

Vehicle purchases in the United States have reversed the downward sales trend, with volumes advancing above a year earlier since August alongside a nascent economic recovery. Going forward, purchases will be bolstered by rising incomes, improved pent-up demand and record new vehicle affordability.

Income from private sector employment has been advancing since April 2009, and unemployment insurance claims are now at the lowest since September 2008 — just prior to the collapse of Lehman Bros. Strengthening used car prices — currently 19% above a year earlier — will also encourage some households to replace their aging vehicle. **The median age of the U.S. vehicle fleet is a record 9.4 years, with nearly half of the 250 million cars & trucks on the road at least 10 years old.**

Vehicle scrappage is even a more important driver of vehicle sales in Canada, and will underpin purchases of 1.53 million units in 2010, up from 1.45 million this year. On average, 7% of the Canadian fleet is replaced each year. However, the scrappage rate slumped to less than 6% in 2009, as the global economic downturn prompted Canadians to tighten their wallets and continue to drive their aging vehicles. An improving economic outlook has recently lifted the confidence of Canadian households more than 50% above the late-2008 low, prompting many to begin returning to auto dealerships.

Purchases in Western Europe posted a stronger-than-expected performance in the second half of 2009, supported by government scrappage programs. However, the German incentive program expired in early September and the plans of the French and Italian governments will only boost volumes through early 2010. The French plan requires orders for new cars to be placed by the end of 2009, while the Italian scheme has been extended up to 100,000 vehicles or €2 billion, whichever comes first. Households normally account for about half of overall car sales across Western Europe, but government scrappage schemes lifted their share to 63% in 2009. As a result, we expect car sales in Western Europe to pull back by about 8% in 2010 to 12.3 million units, despite a modest improvement in economic activity.

International Car Sales Outlook

	<u>1990-99</u>	<u>2000</u>	<u>2001-07</u>	<u>2008</u>	<u>2009e</u>	<u>2010f</u>
	<i>(millions of units)</i>					
TOTAL SALES	39.20	46.64	49.53	52.17	49.96	52.73
North America*	16.36	19.77	19.36	15.85	12.57	13.88
Canada	1.27	1.55	1.61	1.64	1.45	1.53
United States	14.55	17.35	16.71	13.19	10.30	11.50
Mexico	0.54	0.87	1.04	1.02	0.82	0.85
Western Europe	13.11	14.75	14.57	13.54	13.40	12.33
Germany	3.57	3.38	3.29	3.09	3.71	3.15
Eastern Europe	1.18	2.38	2.54	4.01	3.21	3.42
Russia	0.78	1.03	1.42	2.73	1.64	1.79
Asia	6.91	7.85	10.82	15.07	16.86	18.84
China	0.33	0.61	2.56	5.04	7.31	8.77
India	0.31	0.60	0.81	1.20	1.44	1.59
South America	1.64	1.89	2.24	3.70	3.92	4.26
Brazil	0.94	1.17	1.40	2.23	2.46	2.71

*Includes light trucks.



Canada/U.S. Motor Vehicle Sales Outlook

	<u>1991-05</u>	<u>2006-07</u>	<u>2008</u>	<u>2009</u>		<u>2010f</u>
	Average			Jan-Oct**	Annual e	
<i>(thousands of units, annualized)</i>						
CANADA	1,398	1,635	1,642	1,449	1,450	1,525
Cars	797	861	898	741	745	775
Domestic	583	562	558	421	424	450
Transplants	178	280	305	261	260	270
Imports	214	299	340	320	321	325
Light Trucks	601	774	744	708	705	750
<i>(millions of units, annualized)</i>						
UNITED STATES	15.5	16.3	13.2	10.3	10.3	11.5
Cars	8.3	7.7	6.8	5.3	5.3	5.8
Light Trucks	7.2	8.6	6.4	5.0	5.0	5.7
<i>(millions of units, annualized)</i>						
NORTH AMERICAN PRODUCTION*	15.58	15.65	12.90	8.53	8.53	11.10
CANADA	2.50	2.57	2.08	1.50	1.43	1.90
UNITED STATES	11.67	11.01	8.68	5.53	5.60	7.20
MEXICO	1.41	2.07	2.14	1.50	1.50	2.00

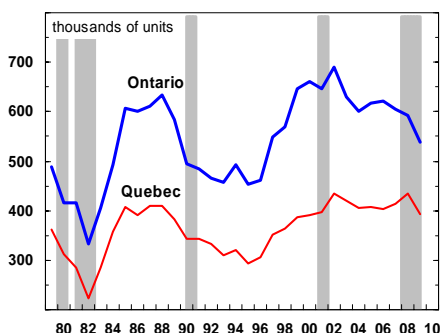
*Includes transplants; light, medium and heavy trucks. **U.S. sales and North American production to November.

Vehicle Sales Outlook By Province*

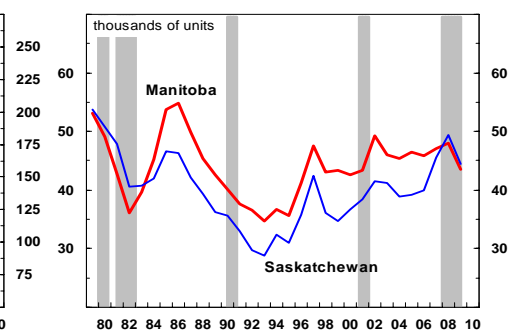
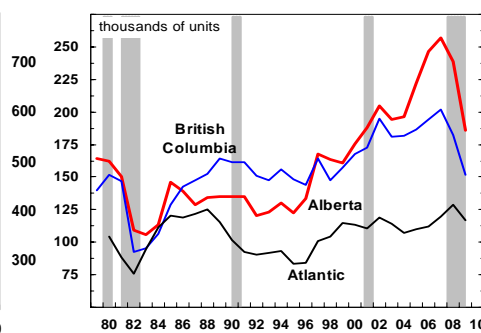
(thousands of units, annual rates)

	<u>1994-05</u>	<u>2006-07</u>	<u>2008</u>	<u>2009</u>		<u>2010f</u>
	Average			Jan-Oct	Annual e	
CANADA	1,446	1,635	1,642	1,449	1,450	1,525
ATLANTIC	102	114	127	112	112	116
CENTRAL	936	999	1,010	923	924	965
Quebec	366	402	430	387	388	407
Ontario	570	597	580	536	536	558
WEST	408	522	505	414	414	444
Manitoba	42	44	46	43	43	45
Saskatchewan	36	41	48	45	46	48
Alberta	166	243	232	179	180	196
British Columbia	164	194	179	147	145	155

*Includes cars and light trucks.



Includes cars and trucks (light, medium and heavy). Shaded bars indicate U.S. recession periods.





Auto Market Share By Manufacturer — Canada*

(thousands of units, not seasonally adjusted)

	<u>2008</u>		<u>2009</u>		<u>2008</u>		<u>2009</u>	
	Jan to Nov		Jan to Nov		Nov		Nov	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
TOTAL	849.2	100.0	697.4	100.0	51.2	100.0	50.7	100.0
Big Three	266.5	31.5	169.8	24.4	15.0	29.3	11.1	22.0
General Motors	167.0	19.7	90.7	13.0	8.4	16.4	5.7	11.4
Ford	47.9	5.7	47.7	6.9	3.4	6.7	3.7	7.3
Chrysler	51.6	6.1	31.4	4.5	3.2	6.2	1.7	3.3
Japanese	420.5	49.5	346.4	49.7	24.0	46.8	25.8	50.9
Honda	114.1	13.4	88.1	12.7	6.1	12.0	5.9	11.7
Toyota	153.9	18.1	117.1	16.8	8.3	16.2	9.3	18.4
Nissan	53.4	6.3	52.8	7.6	3.2	6.2	3.9	7.7
Mazda	67.2	7.9	59.8	8.6	4.1	7.9	4.6	9.1
Suzuki	9.2	1.1	7.7	1.1	0.7	1.4	0.4	0.7
Subaru	11.8	1.4	10.9	1.6	0.9	1.8	1.0	2.0
Volkswagen	34.3	4.0	30.0	4.3	2.5	4.9	2.6	5.1
Hyundai	52.2	6.1	66.4	9.5	3.7	7.2	4.2	8.3
BMW	20.3	2.4	20.9	3.0	1.7	3.3	1.7	3.4
Mercedes-Benz	18.1	2.1	17.8	2.6	1.3	2.6	1.4	2.7
Other	37.3	4.4	46.1	6.5	3.0	5.9	3.9	7.6

*Source: Dealer sales from Motor Vehicle Manufacturers' Association; latest data from The Globe and Mail.

Truck Market Share By Manufacturer — Canada*

(thousands of units, not seasonally adjusted)

	<u>2008</u>		<u>2009</u>		<u>2008</u>		<u>2009</u>	
	Jan to Nov		Jan to Nov		Nov		Nov	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
TOTAL	727.3	100.0	671.5	100.0	56.4	100.0	52.3	100.0
Big Three	478.9	65.9	422.1	62.9	38.2	67.7	31.3	59.9
General Motors	171.0	23.5	144.5	21.5	13.1	23.2	9.3	17.8
Ford	148.8	20.5	159.6	23.8	12.7	22.6	12.2	23.4
Chrysler	159.1	21.9	118.0	17.6	12.4	21.9	9.8	18.7
Other Domestic	34.0	4.6	19.5	2.9	2.3	4.1	1.4	2.6
Japanese	156.1	21.5	154.6	23.0	11.1	19.6	13.2	25.3
Honda	46.7	6.4	39.5	5.9	3.1	5.5	3.0	5.7
Toyota	60.5	8.3	70.3	10.5	4.5	8.0	6.8	13.0
Nissan	25.5	3.5	21.1	3.1	1.8	3.1	1.4	2.8
Mazda	13.2	1.8	9.6	1.4	1.0	1.7	0.5	1.0
Suzuki	3.5	0.5	3.9	0.6	0.2	0.4	0.3	0.7
Subaru	6.6	0.9	10.2	1.5	0.5	1.0	1.2	2.3
Hyundai	24.7	3.4	31.7	4.7	1.9	3.4	2.8	5.4
Other Imports	33.6	4.6	43.6	6.5	2.9	5.2	3.6	6.8
LIGHT TRUCKS	693.5	95.3	653.2	97.3	54.1	95.9	51.2	98.1

*Source: Dealer sales from Motor Vehicle Manufacturers' Association; latest data from The Globe and Mail.



Auto Sales By Province

(thousands of units, not seasonally adjusted)

	<u>2008</u> Jan to Oct	<u>2009</u> Jan to Oct	<u>2008</u> Oct	<u>2009</u> Oct
CANADA	798.5	645.5	63.5	61.5
ATLANTIC	67.9	53.9	4.8	4.7
Newfoundland	15.4	12.6	1.1	1.0
Nova Scotia	29.4	23.5	2.0	2.1
New Brunswick	20.0	15.2	1.5	1.4
Prince Edward Island	3.1	2.6	0.2	0.2
CENTRAL	535.6	449.6	43.2	43.2
Quebec	255.5	218.4	19.9	20.0
Ontario	280.1	231.2	23.3	23.2
WEST	195.0	142.0	15.5	13.6
Manitoba	19.1	14.9	1.6	1.5
Saskatchewan	15.6	12.6	1.4	1.2
Alberta	78.0	53.5	6.3	5.2
British Columbia	82.3	61.0	6.2	5.7

Truck Sales By Province*

(thousands of units, not seasonally adjusted)

	<u>2008</u> Jan to Oct	<u>2009</u> Jan to Oct	<u>2008</u> Oct	<u>2009</u> Oct
CANADA	670.4	622.4	62.5	62.2
ATLANTIC	46.9	48.0	4.4	4.4
Newfoundland	12.7	12.7	1.2	1.3
Nova Scotia	17.2	18.0	1.6	1.5
New Brunswick	15.3	15.4	1.4	1.4
Prince Edward Island	1.7	1.9	0.2	0.2
CENTRAL	370.1	354.8	34.4	34.4
Quebec	133.5	126.1	12.1	11.9
Ontario	236.6	228.7	22.3	22.5
WEST	253.4	219.6	23.7	23.4
Manitoba	22.4	22.7	2.2	2.3
Saskatchewan	26.7	25.9	2.6	3.0
Alberta	127.6	104.1	12.3	11.0
British Columbia	76.7	66.9	6.6	7.1

*Light, medium and heavy trucks.

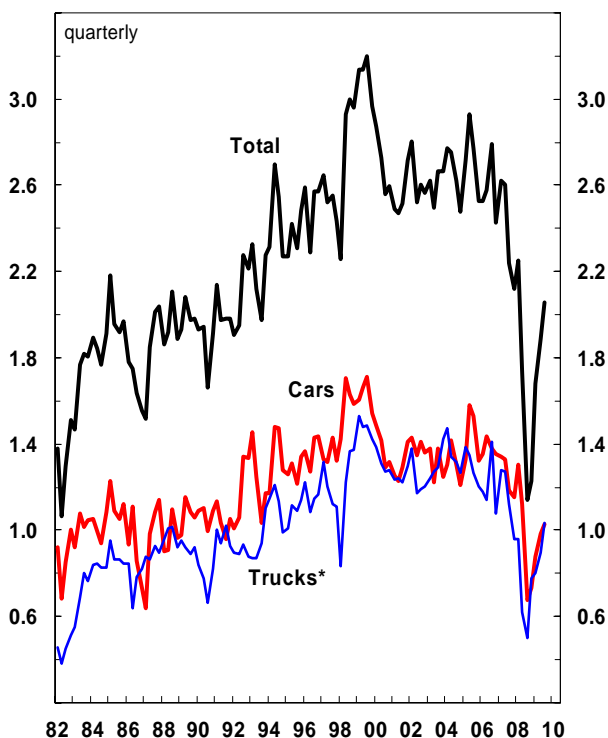


Canadian Motor Vehicle Production*
(thousands of units, not seasonally adjusted)

	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	Jan to Nov	Jan to Nov	Nov	Nov
TOTAL	1,973.1	1,343.7	162.5	161.8
CAR	1,129.5	744.2	105.7	82.2
Chrysler	202.6	105.4	17.3	9.2
Ford	106.8	72.8	9.9	7.1
GM	334.1	195.8	31.4	22.2
Honda	283.7	210.1	29.4	23.3
Toyota	202.3	160.1	17.7	20.4
TRUCKS**	843.6	599.5	56.8	79.6
CAM (GM/Suzuki)	119.1	88.4	2.9	18.4
Chrysler	251.1	174.4	25.4	25.1
Ford	190.5	139.7	12.0	18.9
GM	100.0	27.1	4.2	0.0
Honda	78.7	28.9	3.2	2.2
Toyota	71.3	130.2	6.7	14.5
Others	32.9	10.8	2.4	0.5

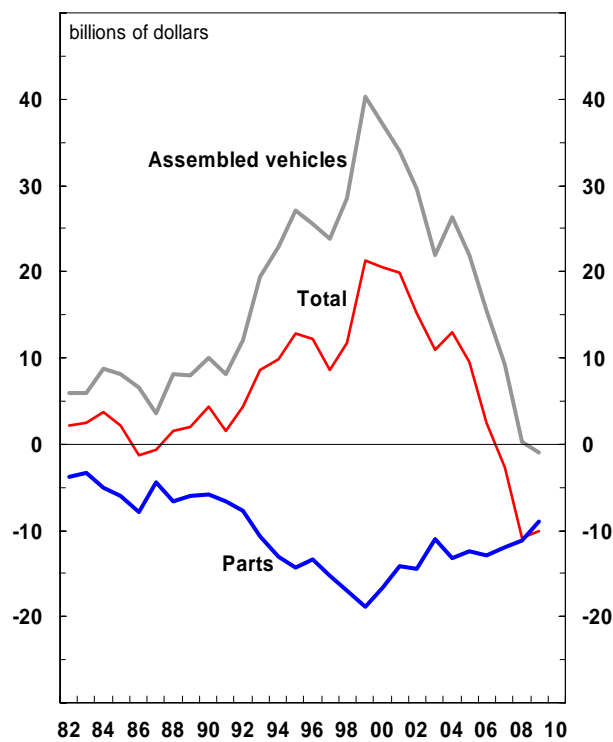
*Production data from Ward's Automotive Reports. **Light, medium and heavy trucks.

Canada — Motor Vehicle Production



Millions of units, seasonally adjusted annual rates.
* Light, medium and heavy trucks.

Canada — World Auto Trade Balances

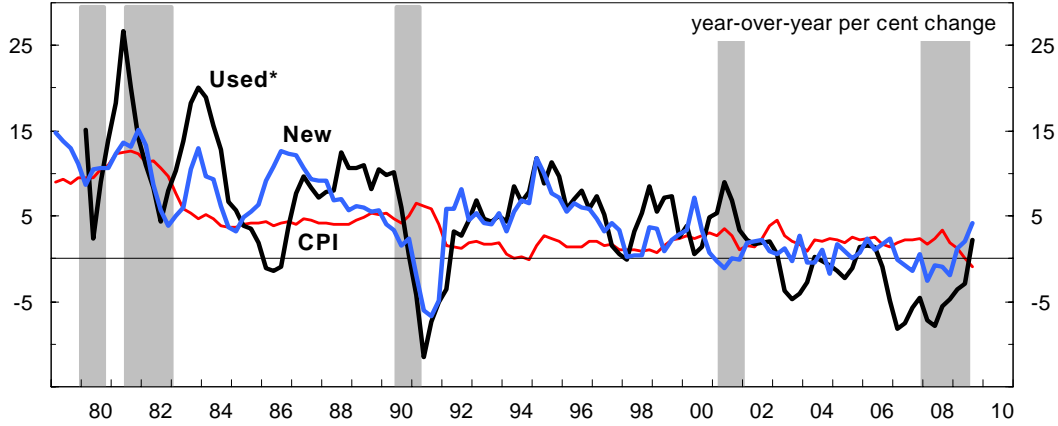


2009 data are January-October annualized.



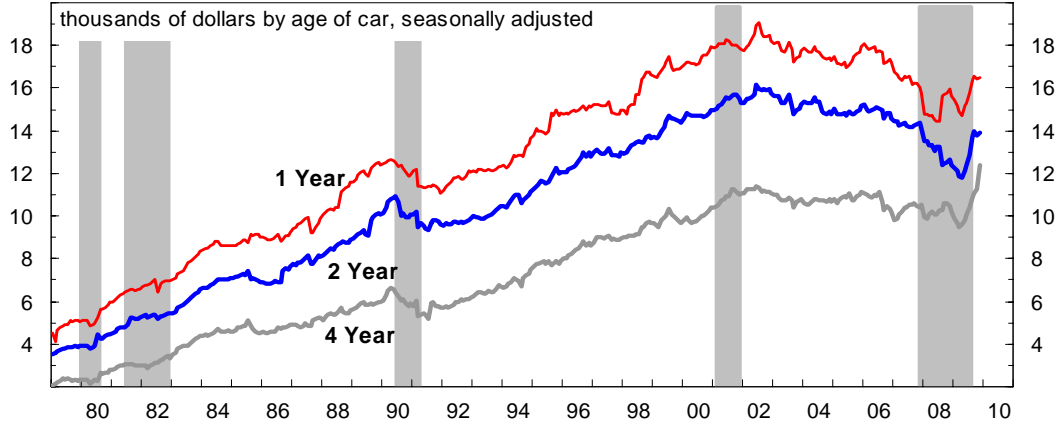
New & Used Car Prices

Scotiabank Car Price Indicators — Canada



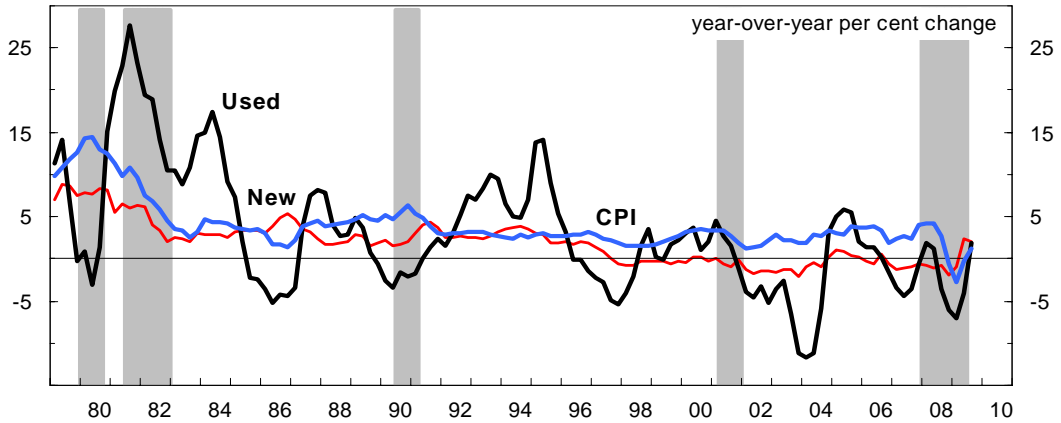
* Scotiabank estimate from Canadian Black Book data.

Scotiabank Car Price Indicators — Canada



Scotiabank estimate from Canadian Black Book data.

Scotiabank Car Price Indicators — United States



Consumer price indices for new and used cars.
Shaded areas indicate recession periods.



Canadian Corporate Financial Performance

Motor Vehicle Dealers and Repair Shops

		Net Income After Tax (\$ mil)	Pre-Tax Profit Margin (%)	Inventory Turnover Ratio	Interest Coverage Ratio	Debt/ Equity Ratio	Return on Shareholders Equity (%)
Annual	1996	141	0.63	7.05	1.98	1.79	2.45
	1997	256	0.80	6.82	2.46	1.97	4.26
	1998	217	0.76	6.33	2.07	2.25	3.91
	1999	487	0.82	6.83	2.31	2.41	9.58
	2000	400	0.75	6.79	2.10	2.02	6.46
	2001	521	0.75	7.06	2.13	1.98	8.37
	2002	773	1.02	7.48	3.09	2.04	11.28
	2003	594	0.91	5.30	2.65	2.91	10.14
	2004	571	0.69	4.98	2.25	3.17	10.49
	2005	799	0.93	5.35	2.55	2.74	12.90
	2006	942	1.20	5.16	2.64	2.75	14.37
2007	1089	1.38	5.05	3.22	2.54	15.08	
2008	808	1.10	5.00	2.90	2.39	10.62	
Quarterly at annual rates	2008Q3	928	1.24	5.08	3.14	2.35	11.88
	Q4	372	0.63	4.70	1.99	2.32	4.69
	2009Q1	496	0.86	4.33	2.69	2.36	6.42
	Q2	1084	1.29	5.53	3.67	2.24	13.92
	Q3	1012	1.36	5.12	3.94	2.09	12.35
Average (89-08)		524	1.00	6.37	2.41	2.44	9.56
Low (89-08)		-68	0.10	4.59	1.10	3.57	-1.20

Definition of Ratios:

Pre-tax Profit Margin: pre-tax income/sales

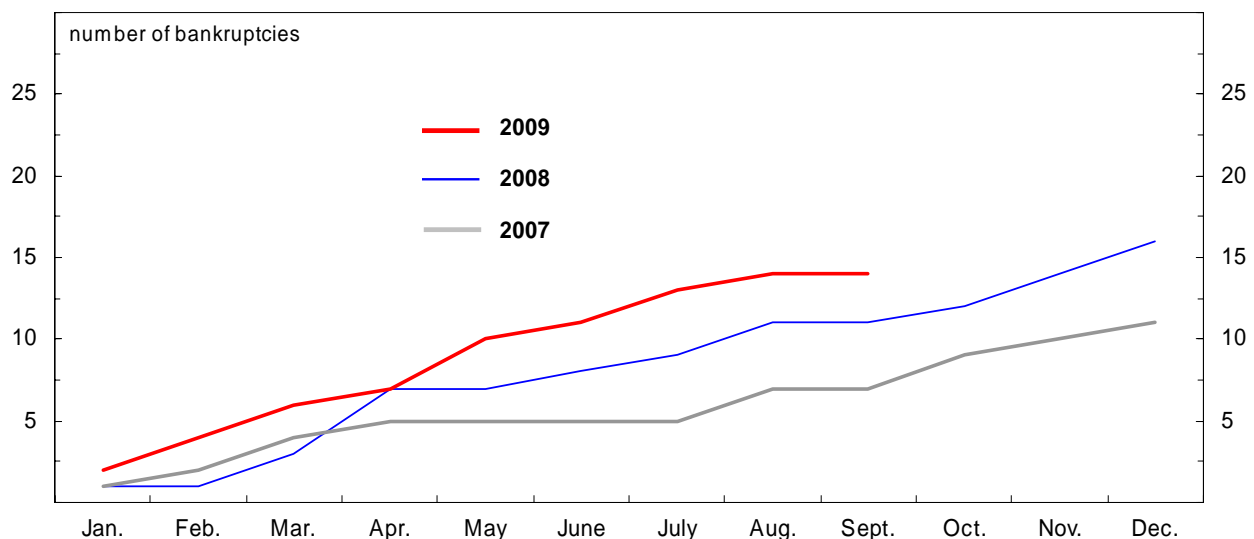
Inventory Turnover Ratio: sales/inventory

Interest Coverage Ratio: (pre-tax income and interest payments)/(interest payments)

Debt/Equity Ratio: (short-term and long-term debt)/total equity

Return of Shareholders' Equity: after-tax income/total equity

Retail Auto Dealer Bankruptcies



New car dealers only; cumulative total during the year.