



# Global Auto Report

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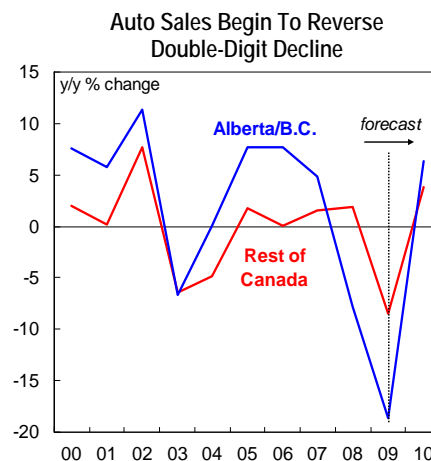
## Western Provinces Lead Rebound In Canadian Auto Sales

— Resource-rich provinces begin to reverse the sharpest decline since the early eighties

**G**lobal car sales continue to strengthen, with purchases surging 22% year-over-year in December — one of the strongest advances on record and the third consecutive double-digit increase. U.S. auto sales ended 2009 on a strong note, enabling automakers to enter 2010 with renewed confidence. Car and light truck sales totalled an annualized 11.2 million units in December, up from an average of 10.2 million during the previous three months and a full-year total of 10.4 million.

Strengthening sales combined with still-low inventories — 40% below a year earlier — have prompted automakers to boost North American production schedules to an annual rate of 11.6 million units in the opening months of 2010, up from 10.8 million in the final months of 2009 and only 6.9 million a year earlier.

Canadian car and light truck sales improved in December, posting the first year-over-year increase since October 2008 — before the sharp fall-off in global economic activity. This is another sign that the global economy, including Canada, is now in recovery mode and will help lift Canadian light vehicle purchases to 1.53 million units in 2010 — up from a decade low of 1.46 million last year and only slightly below the 1.59 million average of the past decade.



### COMMODITY MARKET STRENGTH DRIVES CANADA'S AUTO SALES RECOVERY

The resource-rich provinces of Alberta and British Columbia will lead the rebound in car and light truck sales across Canada in 2010. Commodity prices have posted a double-digit gain since bottoming last spring, and will continue to be buoyed by the nascent global economic recovery of more than 3% this year.

In contrast, the sharp global economic contraction that began in late 2008 led to the sharpest annual decline in vehicle sales since the recession of the early 1980s in the westernmost provinces. Alberta led the downturn in 2009, but is expected to outperform this year, as higher oil prices lift car and light truck sales to 198,000 units, up from 184,000 in 2009. **Drilling activity — the key driver of economic activity and vehicle sales in the province — bottomed last summer, and is up nearly 20% y/y in the opening weeks of 2010.** During 2009, drilling activity plunged by 45% in Alberta, as declining global energy demand slashed oil prices to less than US\$50 per barrel through the spring of 2009. However, oil prices have averaged a profitable US\$75 per barrel over the past three months, lifting drilling activity and prompting a ramping up of oil sands investment in Alberta. Oil companies have announced the restart of projects valued at more than \$8 billion in recent months.

Despite last year's economic slowdown, Alberta still has Canada's strongest population growth at 2.3% y/y, as Canadians and new international arrivals relocate to the West. Alberta's neighbours — British Columbia and Saskatchewan — have the next highest population growth, 1.6% each. In contrast, population is advancing by 1% or less in every province east of the Manitoba/Ontario border. Alberta's labour market bottomed in October, and has created 27,000 new jobs over the past two months, reducing the unemployment rate by nearly a full percentage point.

Purchases in **British Columbia** will be bolstered as consumers come out of a two-year hiatus to welcome the athletes and spectators to the 2010 Winter Olympic and Paralympic Games. Vehicle sales in British Columbia have dropped a cumulative 25% since the 2007 peak of 198,000 units — including a 15% slump in 2009 to 150,000 units — but are expected to increase to 158,000 this year. The vehicle fleet in B.C. is one of the oldest in Canada, with more than half of all vehicles at least 9 years old.

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Labour markets have also begun to stabilize in British Columbia, with job creation of 26,000 since last spring. The forestry sector (accounting for one-third of overall exports) has started to see some improvement, with lumber prices jumping nearly 50% since last March, alongside some stabilization in U.S. housing starts. Stepped-up market development in China is also yielding benefits, with lumber sales to China surpassing exports to Japan. Significant expansion is also underway in the province's shale natural gas regions of Horn River and Montney. Transportation activity, which accounts for nearly 7% of overall economic activity in B.C. — nearly double the national average — is also benefitting from the province's status as the Gateway to Asia.

Vehicle sales in **Saskatchewan** have also started to rebound from an 8% decline in 2009, and are expected to total 46,000 units in 2010, up from 44,000 last year. Despite last year's fall-off, vehicle sales in Saskatchewan remained 12% above the average of the past decade, as economic growth has outpaced the national average by 2 percentage points over the past three years. The province has the oldest vehicle fleet in Canada, with the average age exceeding 11 years.

Sales in **Manitoba** are expected to climb to 45,000 units in 2010, from 43,000 last year, as the province benefits from ongoing infrastructure projects, such as the expansion of the Winnipeg airport and construction of the Waskwatim hydro-electric dam. Manitoba has a diversified economy that will be buoyed by the global economic upturn. Manitoba also has the lowest vehicle penetration rate in Canada at only 54.5% — 4 percentage points below the Canadian average.

Purchases in **Ontario** will climb to 557,000 units in 2010, up from 535,000 last year. Sales will be bolstered by the termination of a four-year cyclical decline in North American vehicle output, as sales bounce back in the key U.S. market. Automakers are now

increasing output and adding shifts across North America, a significant reversal from a year ago when the industry was focused on cutting production and idling workers.

The key finance, insurance and real estate sectors, which account for nearly one-quarter of overall economic activity in Ontario have also recently become a major source of strength, reversing the weakness experienced from mid-2007 through the opening months of 2009. This reflects the stability of Canada's financial system and double-digit gains in existing home sales since mid-2009.

Car and light truck sales in **Quebec** will increase a moderate 3% in 2010 to 402,000 units, as the province has one of the youngest fleets in Canada, with less than 40% of the fleet averaging less than 9 years old. In addition, while the hard-hit sectors in other provinces have started to rebound (e.g. oil sands investment in Alberta and auto production in Ontario), the downturn in the global aerospace sector is still exerting downward pressure on the province's largest manufacturing industry. Order cancellations continue, although at a moderating pace, and the order backlog continues to decline.

Higher base metal prices have encouraged mine operators to ramp up production in Newfoundland and Labrador, helping to lift sales in **Atlantic Canada** to 119,000 units this year, up from 115,000 in 2009. Construction projects, including the building of new sports facilities and the renovation of existing arenas in preparation for the 2011 Canada Winter Games in Halifax, will support purchases in Nova Scotia. A thriving finance, insurance and real estate sector in Halifax, which added two thousand jobs over the past year, will also buoy sales. Some pick-up in forest products demand south of the border will help re-open some paper plants and pulp mills in New Brunswick. Forest products account for more than one-quarter of the province's overall exports.

### 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>					
<b>TOTAL SALES</b>	<b>39.20</b>	<b>46.64</b>	<b>49.53</b>	<b>52.17</b>	<b>50.91</b>	<b>52.72</b>
<b>North America*</b>	<b>16.36</b>	<b>19.77</b>	<b>19.36</b>	<b>15.85</b>	<b>12.68</b>	<b>13.88</b>
Canada	1.27	1.55	1.61	1.64	1.46	1.53
United States	14.55	17.35	16.71	13.19	10.40	11.50
Mexico	0.54	0.87	1.04	1.02	0.82	0.85
<b>Western Europe</b>	<b>13.11</b>	<b>14.75</b>	<b>14.57</b>	<b>13.54</b>	<b>13.62</b>	<b>12.53</b>
Germany	3.57	3.38	3.29	3.09	3.81	3.24
<b>Eastern Europe</b>	<b>1.18</b>	<b>2.38</b>	<b>2.54</b>	<b>4.01</b>	<b>3.01</b>	<b>3.21</b>
Russia	0.78	1.03	1.42	2.73	1.47	1.60
<b>Asia</b>	<b>6.91</b>	<b>7.85</b>	<b>10.82</b>	<b>15.07</b>	<b>17.68</b>	<b>18.84</b>
China	0.33	0.61	2.56	5.04	7.31	8.77
India	0.31	0.60	0.81	1.20	1.46	1.60
<b>South America</b>	<b>1.64</b>	<b>1.89</b>	<b>2.24</b>	<b>3.70</b>	<b>3.92</b>	<b>4.26</b>
Brazil	0.94	1.17	1.40	2.23	2.48	2.72

\*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-Nov**	Annual e	
<i>(thousands of units, annualized)</i>						
<b>CANADA</b>	<b>1,398</b>	<b>1,635</b>	<b>1,642</b>	<b>1,455</b>	<b>1,461</b>	<b>1,525</b>
Cars	797	861	898	744	748	775
Domestic	583	562	558	424	425	450
Transplants	178	280	305	265	265	272
Imports	214	299	340	320	323	325
Light Trucks	601	774	744	711	713	750
<i>(millions of units, annualized)</i>						
<b>UNITED STATES</b>	<b>15.5</b>	<b>16.3</b>	<b>13.2</b>	<b>10.4</b>	<b>10.4</b>	<b>11.5</b>
Cars	8.3	7.7	6.8	5.5	5.5	5.8
Light Trucks	7.2	8.6	6.4	4.9	4.9	5.7
<i>(millions of units, annualized)</i>						
<b>NORTH AMERICAN PRODUCTION*</b>	<b>15.58</b>	<b>15.65</b>	<b>12.90</b>	<b>8.75</b>	<b>8.75</b>	<b>11.10</b>
CANADA	2.50	2.57	2.08	1.49	1.49	1.90
UNITED STATES	11.67	11.01	8.68	5.70	5.70	7.20
MEXICO	1.41	2.07	2.14	1.56	1.56	2.00

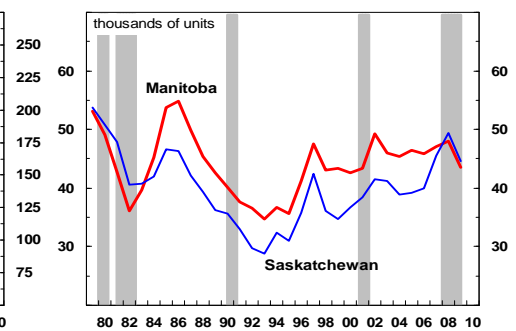
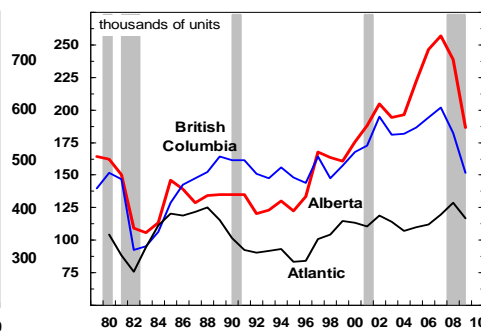
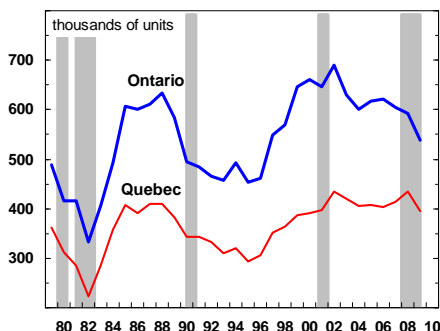
\*Includes transplants; light, medium and heavy trucks. \*\*U.S. sales and North American production to December.

**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-Nov	Annual e	
<b>CANADA</b>	<b>1,446</b>	<b>1,635</b>	<b>1,642</b>	<b>1,455</b>	<b>1,461</b>	<b>1,525</b>
<b>ATLANTIC</b>	<b>102</b>	<b>114</b>	<b>127</b>	<b>112</b>	<b>115</b>	<b>119</b>
<b>CENTRAL</b>	<b>936</b>	<b>999</b>	<b>1,010</b>	<b>924</b>	<b>925</b>	<b>959</b>
Quebec	366	402	430	390	390	402
Ontario	570	597	580	534	535	557
<b>WEST</b>	<b>408</b>	<b>522</b>	<b>505</b>	<b>419</b>	<b>421</b>	<b>447</b>
Manitoba	42	44	46	43	43	45
Saskatchewan	36	41	48	45	44	46
Alberta	166	243	232	183	184	198
British Columbia	164	194	179	148	150	158

\*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 Dec		Jan to Dec		Dec		Dec	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
<b>TOTAL</b>	<b>894.0</b>	<b>100.0</b>	<b>748.3</b>	<b>100.0</b>	<b>44.7</b>	<b>100.0</b>	<b>50.9</b>	<b>100.0</b>
Big Three	280.5	31.4	181.1	24.1	14.0	31.2	11.2	22.2
General Motors	175.3	19.6	96.9	12.9	8.3	18.5	6.1	12.1
Ford	51.2	5.7	51.2	6.8	3.2	7.2	3.5	6.9
Chrysler	54.0	6.1	33.0	4.4	2.5	5.5	1.6	3.2
Japanese	440.9	49.3	374.7	50.1	20.4	45.7	28.3	55.5
Honda	120.3	13.5	97.2	13.0	6.2	13.9	9.0	17.7
Toyota	159.7	17.9	127.2	17.0	5.8	13.0	10.1	19.9
Nissan	56.1	6.3	56.4	7.5	2.7	6.1	3.6	7.0
Mazda	70.8	7.9	63.4	8.5	3.6	7.9	3.6	7.0
Suzuki	9.7	1.1	8.1	1.1	0.4	1.0	0.4	0.8
Subaru	12.6	1.4	11.7	1.6	0.9	1.9	0.8	1.6
Volkswagen	37.6	4.2	32.6	4.4	3.2	7.3	2.6	5.2
Hyundai	54.6	6.1	69.4	9.3	2.4	5.3	3.0	5.9
BMW	21.9	2.4	22.3	3.0	1.5	3.5	1.4	2.7
Mercedes-Benz	19.3	2.2	19.0	2.5	1.2	2.7	1.3	2.5
Other	39.2	4.4	49.2	6.6	2.0	4.3	3.1	6.0

\*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 Dec		Jan to Dec		Dec		Dec	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
<b>TOTAL</b>	<b>779.9</b>	<b>100.0</b>	<b>733.2</b>	<b>100.0</b>	<b>52.5</b>	<b>100.0</b>	<b>61.8</b>	<b>100.0</b>
Big Three	512.5	65.7	461.5	63.0	33.6	64.1	39.5	63.8
General Motors	183.7	23.5	157.3	21.5	12.7	24.3	12.9	20.8
Ford	159.9	20.5	174.0	23.7	11.1	21.1	14.4	23.3
Chrysler	168.9	21.7	130.2	17.8	9.8	18.7	12.2	19.7
Other Domestic	36.7	4.7	19.4	2.6	2.6	5.0	1.6	2.6
Japanese	168.1	21.6	169.2	23.1	12.0	22.8	14.6	23.6
Honda	51.1	6.5	42.8	5.8	4.3	8.3	3.3	5.4
Toyota	64.5	8.3	77.9	10.6	4.0	7.5	7.6	12.3
Nissan	27.3	3.5	22.7	3.1	1.8	3.4	1.6	2.5
Mazda	14.2	1.8	10.3	1.4	1.0	1.8	0.7	1.1
Suzuki	3.8	0.5	4.2	0.6	0.3	0.5	0.3	0.5
Subaru	7.2	0.9	11.3	1.5	0.7	1.3	1.1	1.8
Hyundai	26.1	3.3	33.9	4.6	1.4	2.6	2.1	3.5
Other Imports	36.5	4.7	49.2	6.7	2.9	5.5	4.0	6.5
LIGHT TRUCKS	743.3	95.3	712.9	97.3	49.8	95.0	60.2	97.4

\*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 Nov	<u>2009</u> Jan to Nov	<u>2008</u> Nov	<u>2009</u> Nov
<b>CANADA</b>	<b>849.8</b>	<b>697.1</b>	<b>51.3</b>	<b>51.7</b>
<b>ATLANTIC</b>	<b>71.4</b>	<b>57.5</b>	<b>3.5</b>	<b>3.7</b>
Newfoundland	16.2	13.4	0.8	0.8
Nova Scotia	30.9	25.1	1.5	1.6
New Brunswick	21.0	16.2	1.0	1.1
Prince Edward Island	3.3	2.8	0.2	0.2
<b>CENTRAL</b>	<b>570.0</b>	<b>485.5</b>	<b>34.3</b>	<b>35.9</b>
Quebec	270.1	234.7	14.5	16.3
Ontario	299.9	250.8	19.8	19.6
<b>WEST</b>	<b>208.4</b>	<b>154.1</b>	<b>13.5</b>	<b>12.1</b>
Manitoba	20.3	16.3	1.3	1.4
Saskatchewan	16.8	13.6	1.2	1.0
Alberta	83.7	58.1	5.7	4.6
British Columbia	87.6	66.1	5.3	5.1

### Truck Sales By Province\*

(thousands of units, not seasonally adjusted)

	<u>2008</u> Jan to Nov	<u>2009</u> Jan to Nov	<u>2008</u> Nov	<u>2009</u> Nov
<b>CANADA</b>	<b>726.9</b>	<b>675.7</b>	<b>56.4</b>	<b>53.3</b>
<b>ATLANTIC</b>	<b>50.6</b>	<b>51.5</b>	<b>3.7</b>	<b>3.5</b>
Newfoundland	13.6	13.6	0.9	0.9
Nova Scotia	18.7	19.4	1.5	1.3
New Brunswick	16.4	16.5	1.1	1.2
Prince Edward Island	1.9	2.0	0.2	0.1
<b>CENTRAL</b>	<b>400.2</b>	<b>385.3</b>	<b>30.1</b>	<b>30.6</b>
Quebec	143.5	136.5	10.0	10.5
Ontario	256.7	248.8	20.1	20.1
<b>WEST</b>	<b>276.1</b>	<b>238.9</b>	<b>22.6</b>	<b>19.2</b>
Manitoba	24.4	24.4	1.9	1.7
Saskatchewan	29.2	27.8	2.6	1.9
Alberta	139.3	113.2	11.6	9.0
British Columbia	83.2	73.5	6.5	6.6

\*Light, medium and heavy trucks.

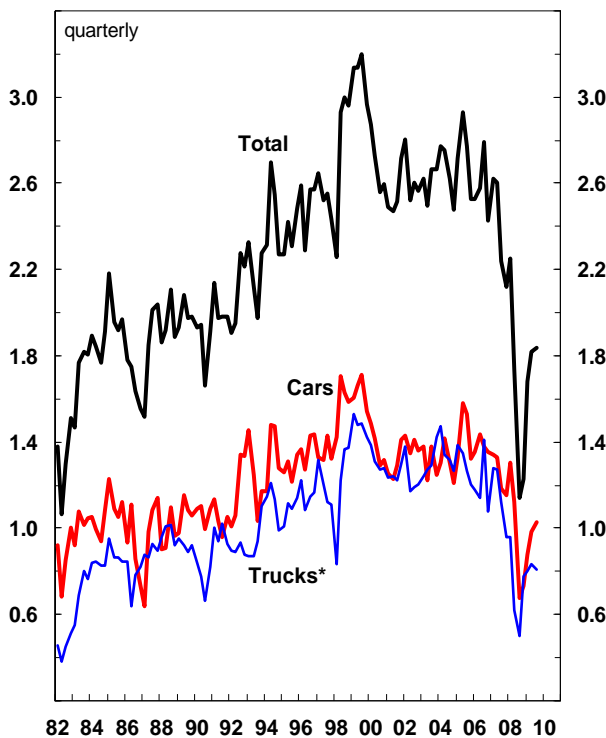


**Canadian Motor Vehicle Production\***  
(thousands of units, not seasonally adjusted)

	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>
	Jan to Dec	Jan to Dec	Dec	Dec
<b>TOTAL</b>	<b>2,082.2</b>	<b>1,489.7</b>	<b>109.1</b>	<b>145.8</b>
<b>CAR</b>	<b>1,195.4</b>	<b>822.4</b>	<b>65.9</b>	<b>78.2</b>
Chrysler	210.7	121.7	8.1	16.4
Ford	109.4	80.5	2.5	7.6
GM	359.4	216.5	25.3	20.7
Honda	302.0	226.5	18.3	16.4
Toyota	213.9	177.2	11.7	17.1
<b>TRUCKS**</b>	<b>886.8</b>	<b>667.3</b>	<b>43.2</b>	<b>67.6</b>
CAM (GM/Suzuki)	125.5	103.8	6.3	15.4
Chrysler	268.3	192.8	17.3	18.4
Ford	198.9	157.5	8.4	17.8
GM	104.4	27.1	4.3	0.0
Honda	81.0	32.3	2.4	3.4
Toyota	73.5	142.3	2.2	12.1
Others	35.2	11.5	2.3	0.5

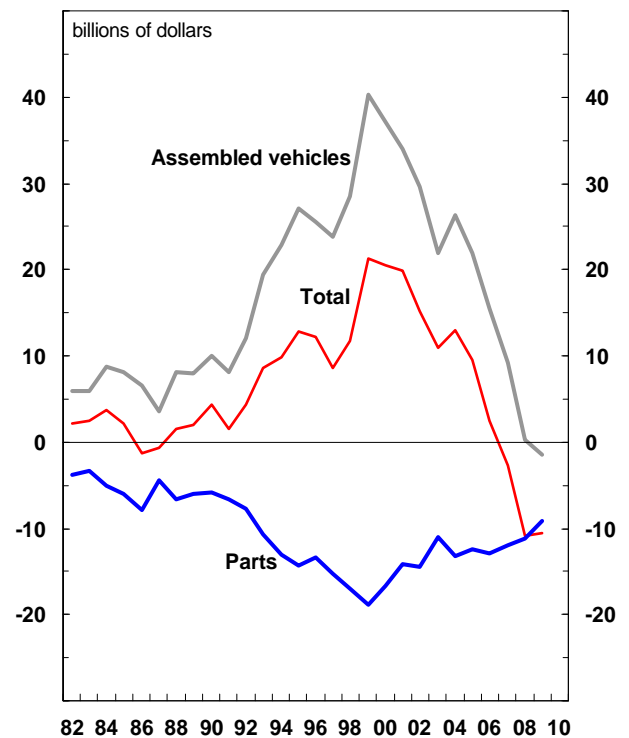
\*Production data from Ward's Automotive Reports. \*\*Light, medium and heavy trucks.

Canada — Motor Vehicle Production



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

Canada — World Auto Trade Balances

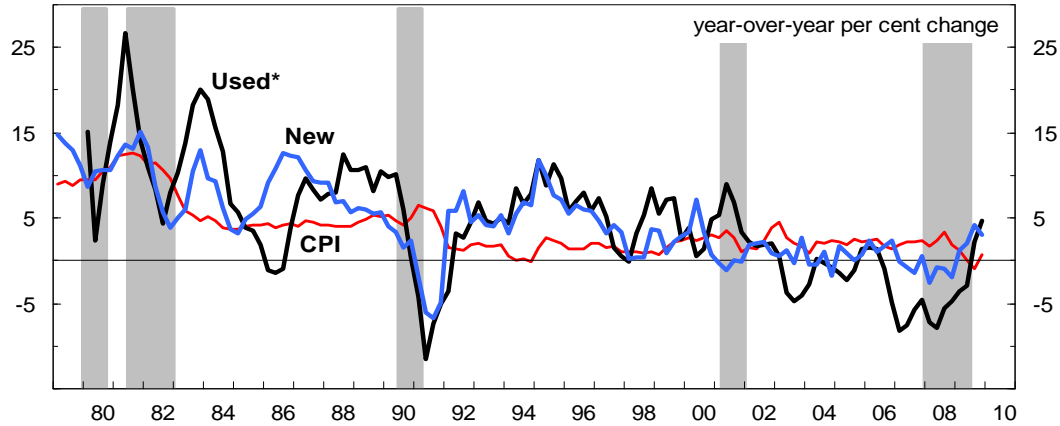


2009 data are January-November annualized.



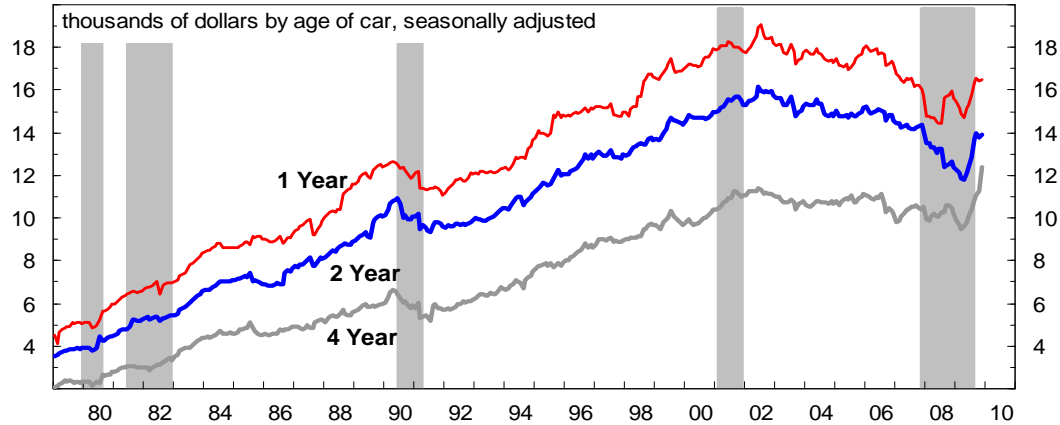
### New & Used Car Prices

Scotiabank Car Price Indicators — Canada



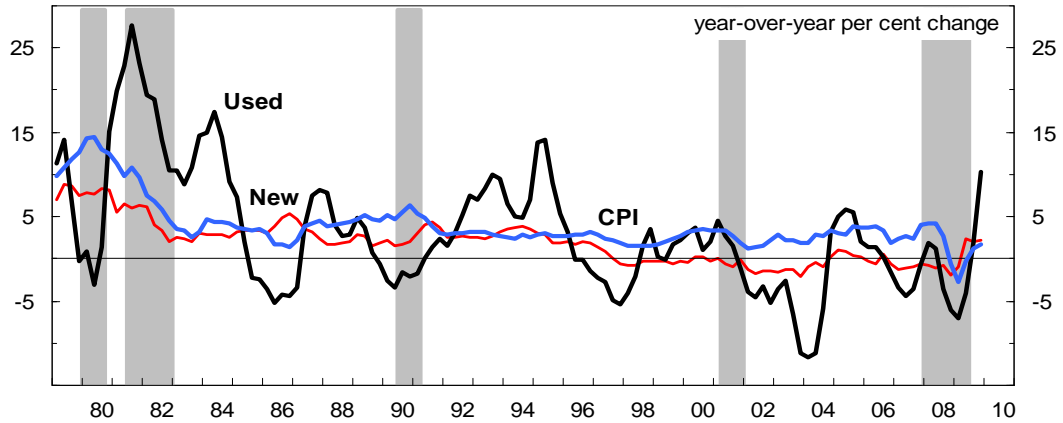
\* Scotiabank estimate from Canadian Black Book data.

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

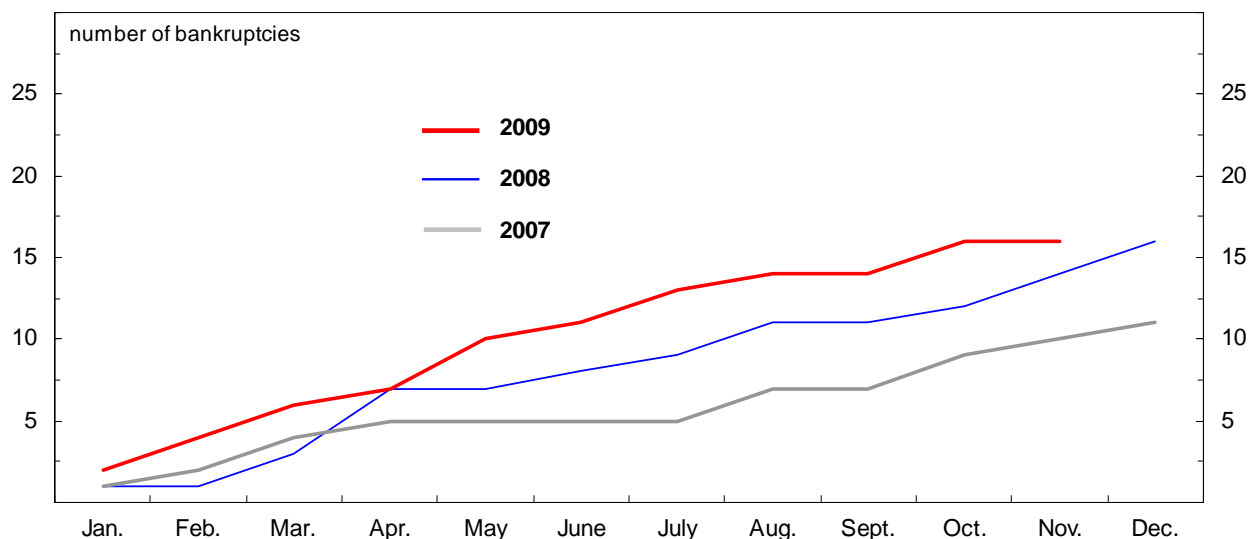
Inventory Turnover Ratio: sales/inventory

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.