



# Global Auto Report

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## Demographic Boom Turning To Bust For North American Auto Sales — Growth in potential new vehicle buyers to slump to fifty-year low

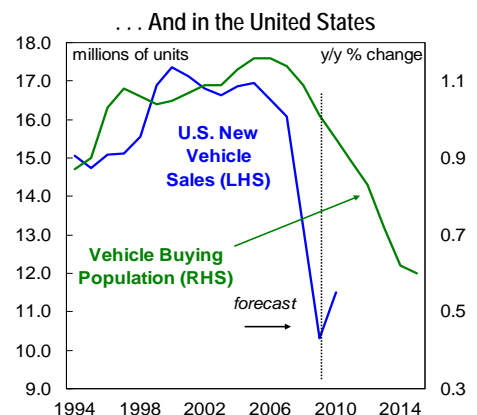
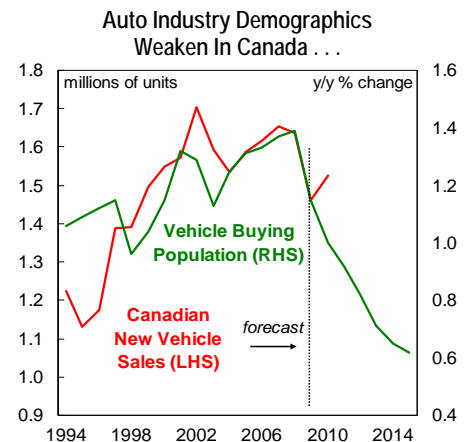
**G**lobal car sales continue to gain momentum, with purchases in January posting a double-digit increase for the fourth consecutive month, led by more than a doubling in volumes in China — the world's largest auto market. U.S. auto sales also advanced year-over-year for the fourth consecutive month, climbing to an annualized 10.8 million units, up from a full-year 2009 total of 10.4 million. North American automakers outperformed, with both Ford and General Motors posting double-digit gains, lifting the share of North American automakers to 45.6% last month, up from a record low of 41.2% in August 2009. Volumes at both companies were buoyed by popular crossover utility vehicles (CUV) — the fastest-growing segment in the industry, with year-over-year gains of 13% last month. CUV sales in the United States totalled 2.3 million units in 2009, only marginally less than the industry-leading mid-size cars, and will become the largest segment in 2010.

Canadian car & light truck purchases remained above a year ago for the second consecutive month, led by a 19% surge in the fast-growing CUV segment. However, seasonally adjusted purchases softened to an annualized 1.45 million units in January, down from a full-year 2009 total of 1.46 million, and an average of 1.55 million during the July to October period. Much of the weakness was driven by double-digit declines for several imported brands. Nevertheless, preliminary data indicate that purchases are rebounding sharply in February, and we expect full-year 2010 volumes to increase to 1.53 million units, up from a decade-low of 1.46 million in 2009. As in the United States, CUVs will lead the way.

### DEMOGRAPHICS TO DAMPEN AUTO DEMAND

The global economy and auto sector are in the early stages of a cyclical recovery which will lift car and light truck sales in Canada and the United States above 13.0 million units in 2010, up from 11.9 million last year. However, unfavourable demographics, including the retirement of the baby boom generation, will dampen vehicle demand over the coming decades, leaving the industry increasingly dependent on replacement demand. While generation Y will also become increasingly more important for the auto industry, growth in the vehicle buying population is set to moderate to the slowest pace in more than fifty years.

Baby boomers, born between 1945 and 1963, have had an enormous impact on the auto market in North America — Canada and the United States — expanding the size of annual new passenger vehicle purchases from an average 10.0 million units in the 1960s to a peak of 17.4 million over the past decade. Surveys indicate that this generation still accounts for more than half of all new vehicle purchases and roughly 60% of all drivers. However, **this age group is starting to retire, with the 65-70 year old population in North America advancing by nearly 5% per**



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annum over the next five years. In contrast, the number of young drivers — 16-to-29 year olds — is increasing at the slowest pace since the mid-1990s. These developments will reduce growth in the North American vehicle buying population to 0.6% per annum in Canada over the coming decade, and only marginally higher in the United States (see charts on page one). This represents a sharp slowdown from an average annual growth in the driving age population of 1.4% over the past fifty years. The growth in vehicle buying population has already been slowing since 2007, but the downturn will intensify, and remain in place through 2030.

In addition to demographic shifts, **behavioral trends will also dramatically reduce North American driving needs.** Industry estimates suggest that work-related travel accounts for nearly 30% of overall driving. While some retirees may actually increase their driving in the initial years of retirement as they embark on driving vacations, historical data indicate that, on average, retirees drive nearly 40% less than the 55-to-64 year old age group.

The auto industry is relying on generation Y to partly offset the retirement of the baby boomers, but the sharp fall-off in driving by retirees will have an enormous negative impact on new vehicle demand. This will become more evident by 2013, once the number of North Americans that are 60 years or older surpasses the potential young vehicle buying population — 16-to-29 years old. By that time, a total of 69 million Canadians and Americans will be at least 60 years old, surpassing the 67 million potential young drivers under the age of 30.

The generation Y was born between 1978 and 1994, and totals 70 million people — 7 million in Canada and 63 million in the United States. The peak birth years for this group were between 1989 and 1993 when 20 million were born in the

United States, and an additional 2 million in Canada. The average age of generation Y is currently 21 years, and its youngest members have already reached driving age.

However, in contrast to their parents and older siblings, many in the generation Y age group are postponing getting their licence. U.S. data show that only 46% of the 16-to-19 year old teenage population has a driver's licence. This represents a sharp fall-off from over the past twenty years, when 64% of the 16-to-19 year old population had a driver's licence. Other members of generation Y are also delaying obtaining a licence. Only 72% of the population under 30 years of age in the United States currently has a licence, compared with nearly 84% in 1998, and roughly 90% when their parents were the same age. The trend is similar in Canada. In Ontario, which accounts for nearly 40% of the Canadian population, only 75% of the eligible driving age population between 16 and 29 years of age has a licence.

### REPLACEMENT TO THE RESCUE

On the positive side, many baby boomers and their children in both Canada and the United States are still driving older vehicles, and many of these models will have to be replaced over the next several years. **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.** Historically, nearly 6% of the U.S. fleet is replaced each year, with an additional 3 million units coming from new buyers. Vehicle scrappage is even more important in Canada, with an average of 7% of the fleet replaced each year. Scrappage slumped to less than 6% across Canada in 2009, but is set to rise over the coming year, helping counter the negative emerging demographic trends.

### International Car Sales Outlook

	<u>1990-99</u>	<u>2000</u>	<u>2001-07</u>	<u>2008</u>	<u>2009</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>53.35</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>3.14</b>
Russia	0.78	1.03	1.42	2.73	1.47	1.53
<b>Asia</b>	<b>6.91</b>	<b>7.85</b>	<b>10.82</b>	<b>15.07</b>	<b>17.68</b>	<b>19.54</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> Average	<u>2006-07</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	
					Jan **	Annual e
<i>(thousands of units, annualized)</i>						
<b>CANADA</b>	<b>1,398</b>	<b>1,635</b>	<b>1,642</b>	<b>1,461</b>	<b>1,450</b>	<b>1,525</b>
Cars	797	861	898	749	720	775
Domestic	583	562	558	426	410	450
Transplants	178	280	305	265	270	272
Imports	214	299	340	323	310	325
Light Trucks	601	774	744	712	730	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>10.8</b>	<b>11.5</b>
Cars	8.3	7.7	6.8	5.5	5.7	5.8
Light Trucks	7.2	8.6	6.4	4.9	5.1	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>11.60</b>	<b>11.10</b>
CANADA	2.50	2.57	2.08	1.49	1.90	1.90
UNITED STATES	11.67	11.01	8.68	5.70	7.60	7.20
MEXICO	1.41	2.07	2.14	1.56	2.10	2.00

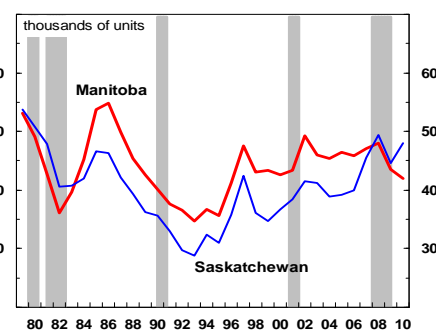
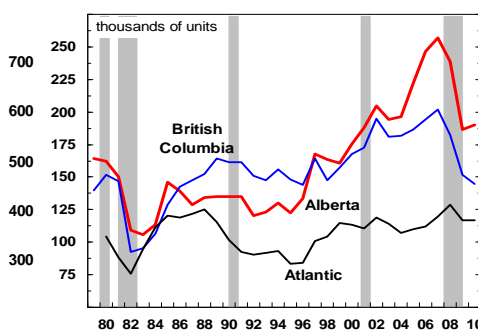
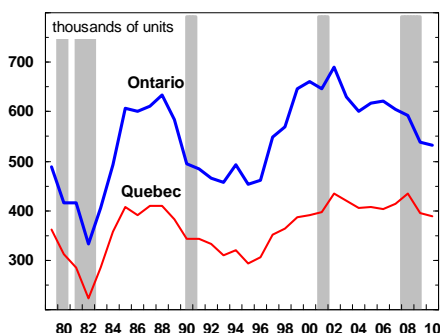
\*Includes transplants; light, medium and heavy trucks. \*\*Canadian sales are Scotiabank estimates.

**Vehicle Sales Outlook By Province\***

*(thousands of units, annual rates)*

	<u>1994-05</u> Average	<u>2006-07</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	
					Jan **	Annual f
<b>CANADA</b>	<b>1,446</b>	<b>1,635</b>	<b>1,642</b>	<b>1,461</b>	<b>1,450</b>	<b>1,525</b>
<b>ATLANTIC</b>	<b>102</b>	<b>114</b>	<b>127</b>	<b>115</b>	<b>115</b>	<b>119</b>
<b>CENTRAL</b>	<b>936</b>	<b>999</b>	<b>1,010</b>	<b>927</b>	<b>910</b>	<b>959</b>
Quebec	366	402	430	392	380	402
Ontario	570	597	580	535	530	557
<b>WEST</b>	<b>408</b>	<b>522</b>	<b>505</b>	<b>419</b>	<b>425</b>	<b>447</b>
Manitoba	42	44	46	43	41	45
Saskatchewan	36	41	48	44	50	46
Alberta	166	243	232	182	190	198
British Columbia	164	194	179	150	144	158

\*Includes cars and light trucks. \*\* Scotiabank estimates.



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>2009</u>		<u>2010</u>	
	Jan to Dec		Jan to Dec		Jan		Jan	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
<b>TOTAL</b>	<b>894.0</b>	<b>100.0</b>	<b>747.9</b>	<b>100.0</b>	<b>35.7</b>	<b>100.0</b>	<b>35.7</b>	<b>100.0</b>
Big Three	280.5	31.4	181.1	24.1	9.6	26.8	8.5	23.9
General Motors	175.3	19.6	96.9	12.9	5.0	14.1	4.8	13.6
Ford	51.2	5.7	51.2	6.8	2.3	6.3	2.3	6.4
Chrysler	54.0	6.1	33.0	4.4	2.3	6.4	1.4	3.9
Japanese	440.9	49.3	374.7	50.1	18.3	51.3	17.0	47.6
Honda	120.3	13.5	97.2	13.0	4.2	11.8	3.8	10.6
Toyota	159.7	17.9	127.2	17.0	6.2	17.4	4.7	13.1
Nissan	56.1	6.3	56.4	7.5	2.8	7.7	3.5	9.7
Mazda	70.8	7.9	63.4	8.5	3.5	9.8	3.5	9.7
Mitsubishi	11.7	1.3	10.7	1.4	0.6	1.0	0.5	0.9
Subaru	12.6	1.4	11.7	1.6	0.7	1.9	0.8	2.1
Hyundai	54.6	6.1	69.4	9.3	3.0	8.4	3.5	9.7
Volkswagen	37.6	4.2	32.6	4.4	1.5	4.3	1.9	5.4
Kia	26.8	3.0	37.5	5.0	1.3	3.6	2.1	5.9
BMW	21.9	2.4	22.3	3.0	0.7	1.9	0.9	2.4
Mercedes-Benz	19.3	2.2	18.6	2.5	0.8	2.4	0.9	2.6
Other	12.4	1.4	11.7	1.6	0.5	1.3	0.9	2.5

\*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>2009</u>		<u>2010</u>	
	Jan to Dec		Jan to Dec		Jan		Jan	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
<b>TOTAL</b>	<b>779.9</b>	<b>100.0</b>	<b>734.0</b>	<b>100.0</b>	<b>43.0</b>	<b>100.0</b>	<b>47.3</b>	<b>100.0</b>
Big Three	512.5	65.7	461.5	62.8	26.9	62.6	29.8	63.1
General Motors	183.7	23.5	157.3	21.4	9.2	21.5	10.0	21.2
Ford	159.9	20.5	174.0	23.7	8.7	20.2	9.3	19.6
Chrysler	168.9	21.7	130.2	17.7	9.0	20.9	10.5	22.3
Other Domestic	36.7	4.7	20.2	2.8	1.7	4.0	1.7	3.5
Japanese	168.1	21.6	169.2	23.1	10.4	24.1	10.5	22.3
Honda	51.1	6.5	42.8	5.8	3.4	7.8	2.6	5.5
Toyota	64.5	8.3	77.9	10.6	4.1	9.5	4.5	9.6
Nissan	27.3	3.5	22.7	3.1	1.5	3.5	1.5	3.2
Mazda	14.2	1.8	10.3	1.4	0.7	1.5	0.7	1.5
Mitsubishi	6.9	0.9	9.1	1.2	0.5	1.1	0.5	1.1
Subaru	7.2	0.9	11.3	1.5	0.5	1.2	1.0	2.1
Hyundai	26.1	3.3	33.9	4.6	1.6	3.8	2.6	5.5
Kia	10.7	1.4	8.6	1.2	0.5	1.2	0.3	0.6
Other Imports	25.8	3.3	40.6	5.5	1.9	4.3	2.4	5.0
LIGHT TRUCKS	743.3	95.3	713.4	97.2	41.2	96.1	46.0	97.1

\*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 Dec	<u>2009</u> Jan to Dec	<u>2008</u> Dec	<u>2009</u> Dec
<b>CANADA</b>	<b>894.5</b>	<b>748.8</b>	<b>44.7</b>	<b>51.7</b>
<b>ATLANTIC</b>	<b>74.7</b>	<b>61.4</b>	<b>3.3</b>	<b>3.8</b>
Newfoundland	16.8	14.1	0.7	0.7
Nova Scotia	32.4	26.9	1.4	1.8
New Brunswick	22.0	17.3	1.0	1.1
Prince Edward Island	3.5	3.1	0.2	0.2
<b>CENTRAL</b>	<b>599.4</b>	<b>520.3</b>	<b>29.5</b>	<b>34.9</b>
Quebec	282.1	248.9	12.1	14.3
Ontario	317.3	271.4	17.4	20.6
<b>WEST</b>	<b>220.4</b>	<b>167.1</b>	<b>11.9</b>	<b>13.0</b>
Manitoba	21.7	17.5	1.3	1.2
Saskatchewan	17.8	14.6	1.0	1.0
Alberta	88.5	62.9	4.8	4.8
British Columbia	92.4	72.1	4.8	6.0

### Truck Sales By Province\*

(thousands of units, not seasonally adjusted)

	<u>2008</u> Jan to Dec	<u>2009</u> Jan to Dec	<u>2008</u> Dec	<u>2009</u> Dec
<b>CANADA</b>	<b>779.3</b>	<b>738.5</b>	<b>52.4</b>	<b>62.8</b>
<b>ATLANTIC</b>	<b>53.9</b>	<b>56.0</b>	<b>3.3</b>	<b>4.5</b>
Newfoundland	14.3	14.7	0.7	1.1
Nova Scotia	20.1	21.1	1.3	1.7
New Brunswick	17.5	18.0	1.2	1.5
Prince Edward Island	2.0	2.2	0.1	0.2
<b>CENTRAL</b>	<b>427.8</b>	<b>420.2</b>	<b>27.6</b>	<b>34.9</b>
Quebec	153.0	148.3	9.5	11.8
Ontario	274.8	271.9	18.1	23.1
<b>WEST</b>	<b>297.6</b>	<b>262.3</b>	<b>21.5</b>	<b>23.4</b>
Manitoba	26.4	26.6	2.0	2.2
Saskatchewan	31.7	30.4	2.4	2.6
Alberta	149.9	124.3	10.7	11.1
British Columbia	89.6	81.0	6.4	7.5

\*Light, medium and heavy trucks.

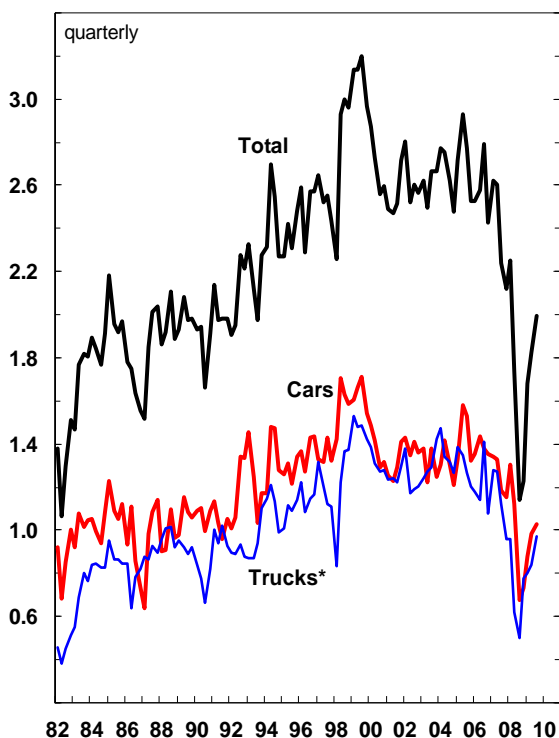


**Canadian Motor Vehicle Production\***  
(thousands of units, not seasonally adjusted)

	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>
	Jan to Dec	Jan to Dec	Jan	Jan
<b>TOTAL</b>	<b>2,082.2</b>	<b>1,489.7</b>	<b>66.9</b>	<b>142.5</b>
<b>CAR</b>	<b>1,195.4</b>	<b>822.4</b>	<b>44.2</b>	<b>75.6</b>
Chrysler	210.7	121.7	8.5	9.5
Ford	109.4	80.5	7.3	8.8
GM	359.4	216.5	0.0	21.5
Honda	302.0	226.5	19.3	16.3
Toyota	213.9	177.2	9.1	19.5
<b>TRUCKS**</b>	<b>886.8</b>	<b>667.3</b>	<b>22.7</b>	<b>66.9</b>
CAM (GM/Suzuki)	125.5	103.8	0.0	0.0
Chrysler	268.3	192.8	0.0	7.3
Ford	198.9	157.5	8.1	21.1
GM	104.4	27.1	6.5	17.4
Honda	81.0	32.3	2.3	6.5
Toyota	73.5	142.3	3.7	14.1
Others	35.2	11.5	2.1	0.5

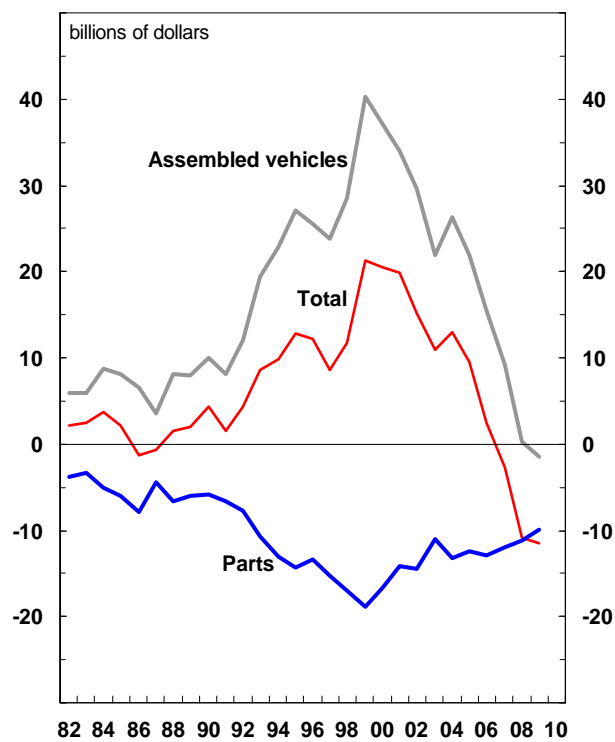
\*Production data from Ward's Automotive Reports. \*\*Light, medium and heavy trucks.

Canada — Motor Vehicle Production



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

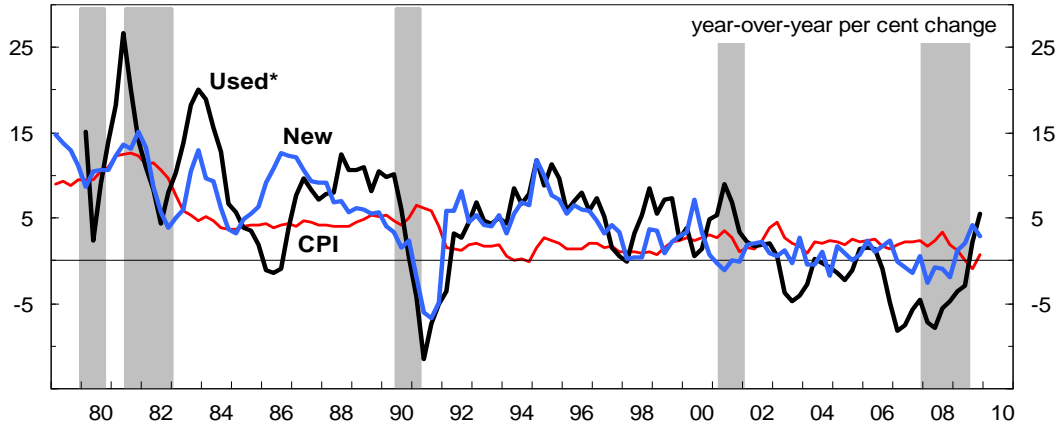
Canada — World Auto Trade Balances





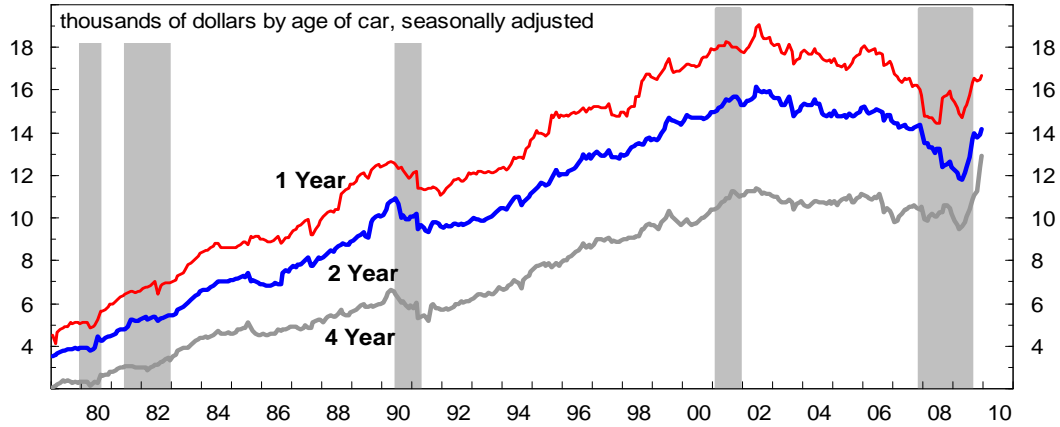
### New & Used Car Prices

Scotiabank Car Price Indicators — Canada



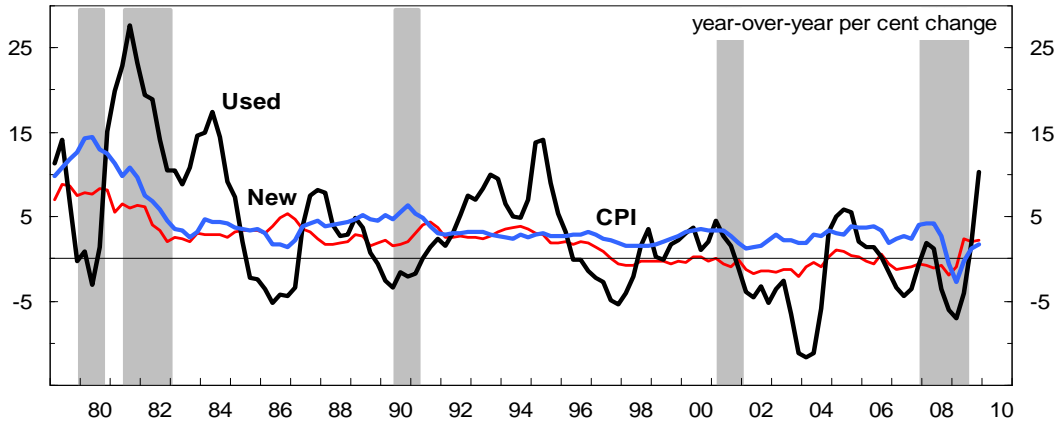
\* Scotiabank estimate from Canadian Black Book data.

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	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
	2009	830	1.05	4.98	3.14	2.27	10.70
Quarterly at annual rates	2008Q4	372	0.63	4.70	1.99	2.32	4.69
	2009Q1	352	0.70	4.31	2.38	2.47	4.75
	Q2	900	1.13	5.50	3.32	2.35	12.12
	Q3	848	1.20	5.11	3.60	2.20	10.90
	Q4	1220	1.14	5.03	3.24	2.11	14.47
Average (89-09)		538	1.00	6.30	2.45	2.44	9.60
Low (89-09)		-68	0.10	4.31	1.10	3.57	-1.20

*Definition of Ratios:*

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

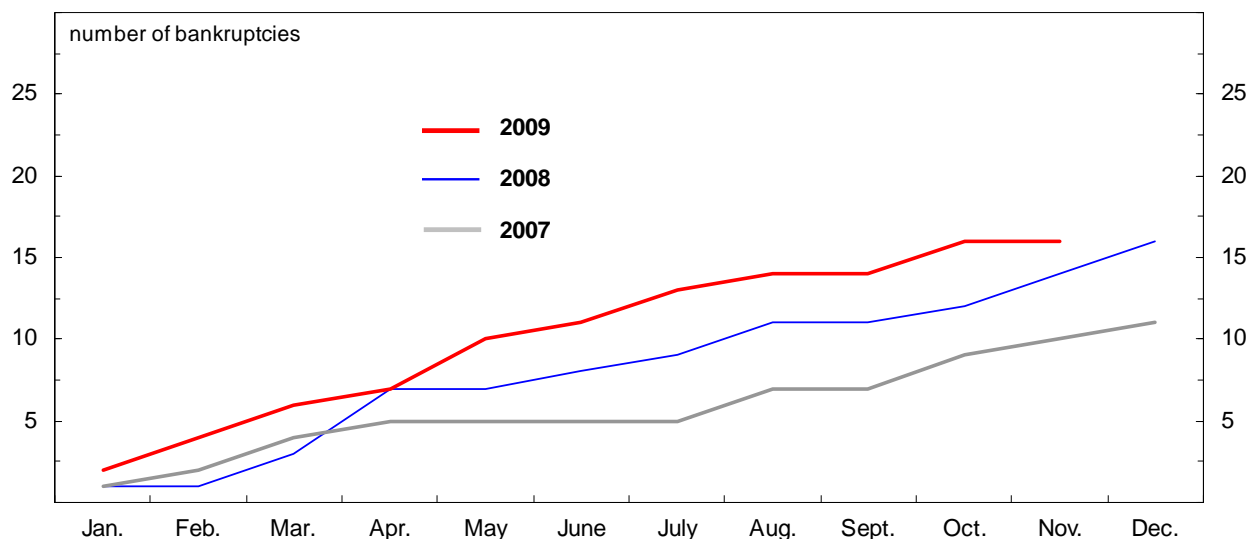
Inventory Turnover Ratio: sales/inventory

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.