



Global Auto Report

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North American Auto Market Revs Up — Sales Will Be Stronger, For Longer

Global car sales continue to accelerate, with purchases advancing 25% year-over-year in March — the sixth consecutive double-digit increase. The emerging nations, especially the BRIC countries, are leading the way with year-over-year gains in excess of 40%. However, volumes in North America are now advancing at the fastest pace since the introduction of 0% financing nearly a decade ago. U.S. vehicle sales advanced 24% y/y in March, climbing to an annualized 11.8 million units, up from an average of 10.8 million during the previous three months and the highest level since last year's 'cash for clunkers' program. Volumes were buoyed by enhanced incentives, rising consumer confidence and the strongest pace of job creation in three years.

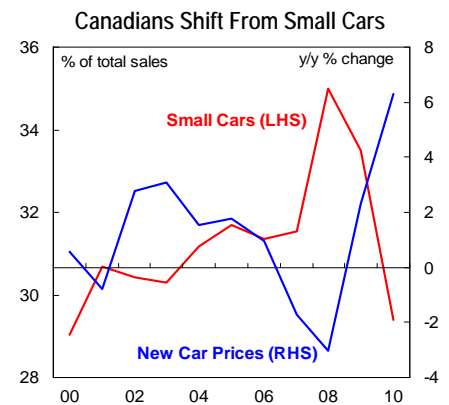
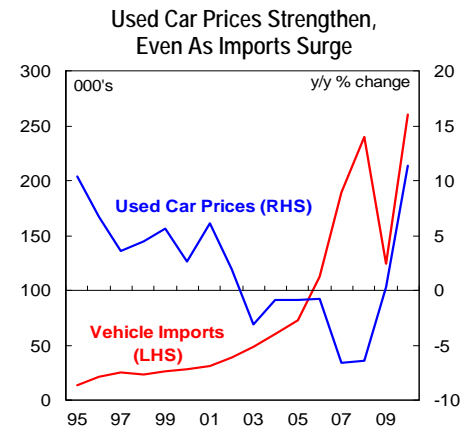
CUVs led the way last month, with volumes surging 45% above a year earlier to become the largest segment in the U.S. auto industry, overtaking mid-size cars. So far this year, CUV purchases in the United States have totalled 614,000 units, outpacing the sale of 555,000 new mid-size cars. As recently as 2005, annual mid-size car sales exceeded CUV volumes by more than one million units.

Strong demand for CUVs prompted General Motors to recently announce the addition of a third shift at its Oshawa assembly plant in October to produce its popular Chevy Equinox CUV. Strengthening sales and low inventories have prompted automakers to boost their second-quarter North American assemblies by an additional 3%. We estimate that vehicle output in Canada, the United States and Mexico will climb to an annualized 12.4 million in the second quarter, up from 11.5 million in the opening months of 2010. Rising output will likely add roughly half of a percentage point to economic growth in both Canada and the United States in the April to June period.

Canadian car & light truck purchases also posted the second consecutive double-digit year-over-year increase in March, remaining above a solid annual rate of 1.60 million units — one of the best performances since mid-2008, and a sharp improvement from 1.46 million for all of 2009. Several automakers reported record volumes for March, while Toyota posted a 25% y/y increase, with purchases buoyed by its 'best ever' Red Tag sales event. Preliminary data for April suggest that sales remain at a robust 1.60 million units for the third consecutive month.

MOMENTUM REVS UP

The auto market continues to gain momentum across North America. Volumes are posting double-digit gains in both Canada and the United States, new vehicle prices are moving higher, and consumers are increasingly buying more expensive models. In particular, Canadians are shifting from small- and lower-priced cars to more expensive light trucks. In addition, leading indicators of the health of the overall auto market — such as used car prices and the Scotiabank Leading Indicator of Vehicle Sales — continue to drive higher. Rising used car prices in Canada are



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particularly encouraging since an appreciating Canadian dollar is boosting imports from the United States.

The Canadian dollar has appreciated by roughly 3% so far this year, and recently climbed above parity with the U.S. greenback for the first time since May 2008. As a result, data from the Registrar of Imported Vehicles indicate that imports from the United States have doubled year-over-year in the opening months of 2010, climbing to a record annual rate of 260,000 units, surpassing the 2008 total of 240,000 units and are currently running at nearly three times the 95,000 unit annual average of the past decade. However, in contrast to previous occasions, rising imports are not dampening vehicle prices in Canada. **In fact, used vehicle prices, as measured by the Scotiabank Used Car Price Index, have advanced 12.9% y/y — the sharpest gain since the mid-1990s. Of note, periods of double-digit increases in Canadian used car prices have been followed by an extended period of robust new vehicle purchases.**

New vehicle prices are also strengthening, with both car and truck prices advancing by roughly 5% y/y in the opening months of 2010 — a sharp reversal from declining prices over the past two years. Even prior to the latest global economic downturn, new car prices in Canada had been largely flat between 1998 and 2006. Even with rising new vehicle prices, Canadian households are shifting to more expensive models. This shift adds an additional percentage point to average new vehicle transaction prices, lifting the overall increase to more than 6% y/y — the sharpest gain in more than a decade.

The shift from small cars to more expensive models reflects rising consumer confidence alongside improving economic conditions, including the restoration of job growth since August 2009. The Canadian economy has added more than 140,000 jobs over this period, lifting employment one per cent above a year

earlier and recouping more than one-third of all jobs lost during the latest economic downturn.

Small cars normally account for about one-third of the Canadian market, but have fallen to less than 30% of overall purchases so far this year — the lowest level in a decade. CUVs are the major beneficiary of the shift to light trucks. As in the United States, CUVs are the fastest-growing segment in Canada, with volumes surging by 60% so far this year. Mid-size models, such as the Chevy Equinox, have posted the strongest gain, with volumes soaring more than 70% — more than double the increase in purchases of less expensive compact CUVs. The popularity of CUVs reflects a desire for practical, spacious and more fuel-efficient vehicles.

Sales of luxury cars and light trucks have also been very strong this year, jumping by 30% year-to-date in Canada. In fact, luxury car and light truck sales now account for a near-record 9.4% of overall new vehicle purchases, a level approaching the 10% peak set in 2006 and a full percentage point above the average of the past decade. The strength of the luxury market likely reflects the rebound in economic activity and the more than 30% surge in the TSX index over the past year.

Another key indicator highlighting the strength of the auto market is that North American automakers are profitable once again. Ford and Chrysler recently reported that their North American operations posted an operating profit of US\$1.4 billion in the first quarter of 2010 (US\$1.25 billion at Ford and US\$143 million for Chrysler). This represents a significant turnaround from losses of US\$1.5 billion in mid-2009. Ford indicates that rising industry volumes and the shift to more expensive models add roughly US\$2,300 per vehicle. Meanwhile, net vehicle pricing has improved by US\$1,450 per model. We estimate that these developments have lifted profitability to roughly US\$1,500 per vehicle.

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>					
TOTAL SALES	39.20	46.64	49.53	52.17	50.91	53.84
North America*	16.36	19.77	19.36	15.85	12.68	13.88
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
Western Europe	13.11	14.75	14.57	13.54	13.62	12.53
Germany	3.57	3.38	3.29	3.09	3.81	3.24
Eastern Europe	1.18	2.38	2.54	4.01	3.01	3.14
Russia	0.78	1.03	1.42	2.73	1.47	1.53
Asia	6.91	7.85	10.82	15.07	17.68	20.03
China	0.33	0.61	2.56	5.04	7.31	8.77
India	0.31	0.60	0.81	1.20	1.46	1.63
South America	1.64	1.89	2.24	3.70	3.92	4.26
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-Feb **	Annual f
<i>(thousands of units, annualized)</i>						
CANADA	1,398	1,635	1,642	1,461	1,553	1,525
Cars	797	861	898	749	769	775
Domestic	583	562	558	426	426	450
Transplants	178	280	305	265	270	272
Imports	214	299	340	323	343	325
Light Trucks	601	774	744	712	784	750
<i>(millions of units, annualized)</i>						
UNITED STATES	15.5	16.3	13.2	10.4	11.0	11.5
Cars	8.3	7.7	6.8	5.5	5.7	5.8
Light Trucks	7.2	8.6	6.4	4.9	5.3	5.7
<i>(millions of units, annualized)</i>						
NORTH AMERICAN PRODUCTION*	15.58	15.65	12.90	8.75	11.72	11.60
CANADA	2.50	2.57	2.08	1.49	2.07	2.00
UNITED STATES	11.67	11.01	8.68	5.70	7.51	7.40
MEXICO	1.41	2.07	2.14	1.56	2.14	2.20

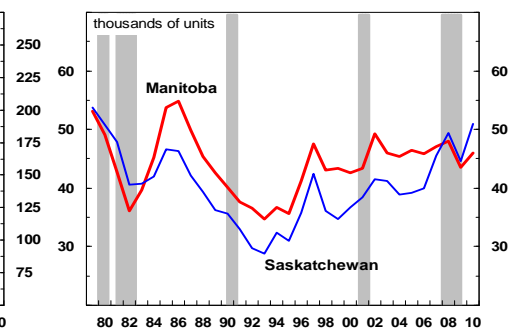
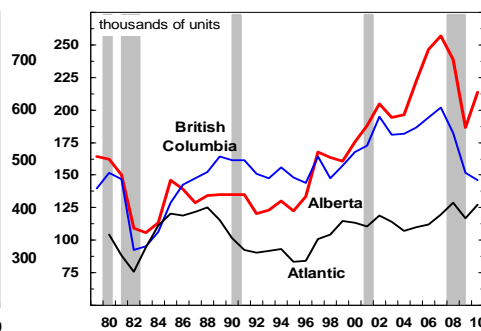
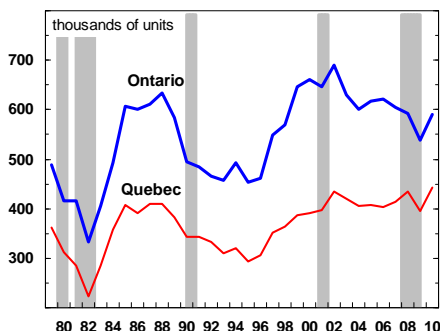
*Includes transplants; light, medium and heavy trucks. **U.S. sales and North American production to March.

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 -Feb	Annual f
CANADA	1,446	1,635	1,642	1,461	1,553	1,525
ATLANTIC	102	114	127	115	120	119
CENTRAL	936	999	1,010	927	992	959
Quebec	366	402	430	392	425	402
Ontario	570	597	580	535	567	557
WEST	408	522	505	419	441	447
Manitoba	42	44	46	43	45	45
Saskatchewan	36	41	48	44	49	46
Alberta	166	243	232	182	206	198
British Columbia	164	194	179	150	141	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>2009</u>		<u>2010</u>		<u>2009</u>		<u>2010</u>	
	Jan to Mar		Jan to Mar		Mar		Mar	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
TOTAL	141.9	100.0	150.9	100.0	65.5	100.0	69.9	100.0
Big Three	36.0	25.3	33.0	21.9	16.1	24.5	14.2	20.4
General Motors	18.5	13.0	15.8	10.5	8.5	12.9	6.5	9.4
Ford	8.4	5.9	10.5	6.9	4.0	6.1	4.8	6.8
Chrysler	9.1	6.4	6.7	4.5	3.6	5.5	2.9	4.2
Japanese	71.9	50.7	75.5	50.0	33.6	51.3	36.8	52.6
Honda	17.5	12.4	17.8	11.8	8.9	13.6	8.7	12.5
Toyota	22.8	16.1	24.2	16.0	10.1	15.4	12.1	17.4
Nissan	11.6	8.2	12.5	8.3	5.6	8.6	6.0	8.6
Mazda	13.4	9.4	14.5	9.6	6.0	9.2	6.9	9.8
Mitsubishi	2.5	1.7	2.5	1.7	1.1	1.6	1.2	1.7
Subaru	2.4	1.7	2.6	1.7	1.1	1.6	1.1	1.6
Hyundai	13.9	9.8	15.8	10.5	6.2	9.5	7.1	10.2
Volkswagen	5.7	4.0	7.8	5.2	2.7	4.2	3.5	5.1
Kia	5.5	3.9	7.7	5.1	2.6	4.0	3.2	4.6
BMW	3.3	2.3	4.0	2.6	1.6	2.5	2.0	2.8
Mercedes-Benz	3.5	2.5	4.1	2.7	1.6	2.4	1.9	2.7
Other	2.1	1.5	3.0	2.0	1.1	1.6	1.2	1.6

*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>2009</u>		<u>2010</u>		<u>2009</u>		<u>2010</u>	
	Jan to Mar		Jan to Mar		Mar		Mar	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
TOTAL	148.2	100.0	181.0	100.0	64.0	100.0	77.1	100.0
Big Three	93.9	63.4	112.1	61.9	41.9	65.4	46.7	60.5
General Motors	32.3	21.8	32.4	17.9	16.5	25.8	12.9	16.7
Ford	31.4	21.2	41.0	22.6	13.1	20.4	17.3	22.4
Chrysler	30.2	20.4	38.7	21.4	12.3	19.2	16.5	21.4
Other Domestic	5.4	3.7	6.4	3.5	2.1	3.3	3.1	4.1
Japanese	33.1	22.3	41.8	23.1	13.4	20.9	18.9	24.4
Honda	9.6	6.5	11.9	6.6	3.6	5.7	5.7	7.3
Toyota	13.5	9.1	17.5	9.6	5.8	9.1	7.7	9.9
Nissan	4.9	3.3	5.6	3.1	2.0	3.1	2.6	3.4
Mazda	2.5	1.7	2.8	1.5	1.0	1.6	1.3	1.7
Mitsubishi	2.1	1.4	2.3	1.3	0.9	1.4	1.0	1.3
Subaru	1.9	1.3	3.4	1.9	0.8	1.3	1.4	1.8
Hyundai	6.4	4.3	9.8	5.4	2.6	4.0	3.9	5.1
Kia	2.1	1.4	2.1	1.2	0.9	1.5	1.2	1.6
Other Imports	7.3	4.9	8.8	4.9	3.1	4.9	3.3	4.3
LIGHT TRUCKS	142.9	96.4	176.6	97.5	62.1	96.8	75.6	98.0

*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>2009</u> Jan to Feb	<u>2010</u> Jan to Feb	<u>2009</u> Feb	<u>2010</u> Feb
CANADA	76.5	81.1	40.8	45.4
ATLANTIC	5.3	6.5	2.9	3.5
Newfoundland	1.1	1.4	0.6	0.7
Nova Scotia	2.4	2.9	1.4	1.6
New Brunswick	1.5	1.9	0.8	1.1
Prince Edward Island	0.3	0.3	0.1	0.1
CENTRAL	51.4	54.5	28.2	31.4
Quebec	23.4	25.2	13.2	14.6
Ontario	28.0	29.3	15.0	16.8
WEST	19.8	20.1	9.7	10.5
Manitoba	1.8	1.8	0.8	1.0
Saskatchewan	1.5	1.6	0.8	0.9
Alberta	7.7	7.7	3.7	4.1
British Columbia	8.8	9.0	4.4	4.5

Truck Sales By Province*

(thousands of units, not seasonally adjusted)

	<u>2009</u> Jan to Feb	<u>2010</u> Jan to Feb	<u>2009</u> Feb	<u>2010</u> Feb
CANADA	84.3	104.2	41.3	56.4
ATLANTIC	5.6	7.7	2.8	4.2
Newfoundland	1.2	1.8	0.6	1.0
Nova Scotia	2.2	3.0	1.1	1.6
New Brunswick	2.0	2.6	1.0	1.4
Prince Edward Island	0.2	0.3	0.1	0.2
CENTRAL	45.7	58.6	23.6	32.5
Quebec	15.7	20.7	8.3	11.8
Ontario	30.0	37.9	15.3	20.7
WEST	33.0	37.9	14.9	19.7
Manitoba	3.0	3.5	1.4	1.9
Saskatchewan	3.6	4.6	1.6	2.3
Alberta	16.5	18.5	7.4	9.7
British Columbia	9.9	11.3	4.5	5.8

*Light, medium and heavy trucks.

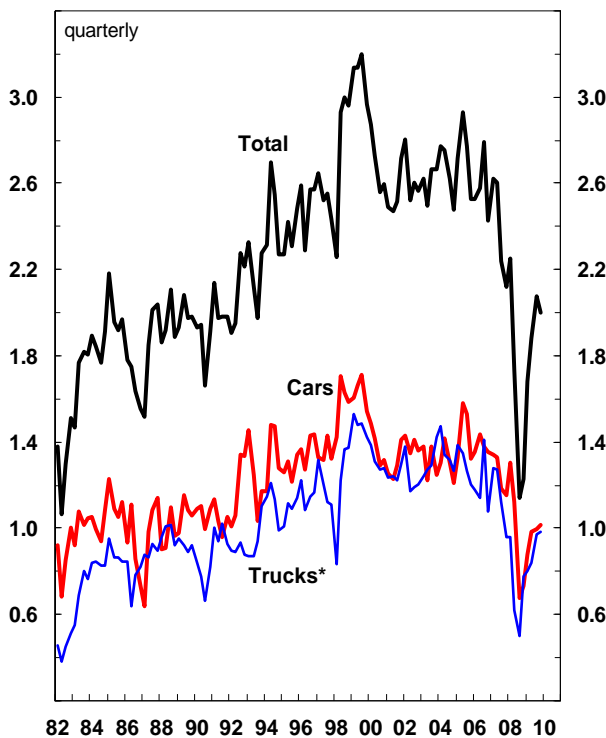


Canadian Motor Vehicle Production*
(thousands of units, not seasonally adjusted)

	<u>2009</u> Jan to Mar	<u>2010</u> Jan to Mar	<u>2009</u> Mar	<u>2010</u> Mar
TOTAL	281.4	512.6	118.1	199.5
CAR	158.4	254.4	63.6	95.0
Chrysler	31.8	45.8	15.0	16.2
Ford	18.1	27.6	3.3	10.1
GM	23.2	75.8	16.5	27.7
Honda	53.1	53.0	17.4	20.5
Toyota	32.2	52.2	11.4	20.5
TRUCKS**	123.0	258.2	54.5	104.5
CAM (GM/Suzuki)	7.6	0.0	5.0	0.0
Chrysler	41.4	73.3	21.8	36.0
Ford	22.2	62.5	10.1	22.0
GM	18.5	58.1	3.0	21.2
Honda	4.9	19.8	1.4	7.4
Toyota	23.7	43.2	12.2	17.3
Others	4.7	1.3	1.0	0.6

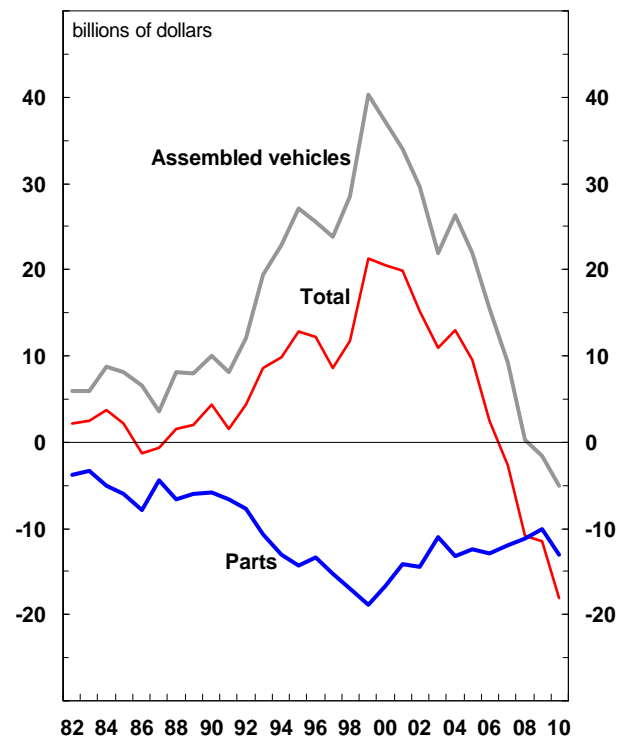
*Production data from Ward's Automotive Reports. **Light, medium and heavy trucks.

Canada — Motor Vehicle Production



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

Canada — World Auto Trade Balances

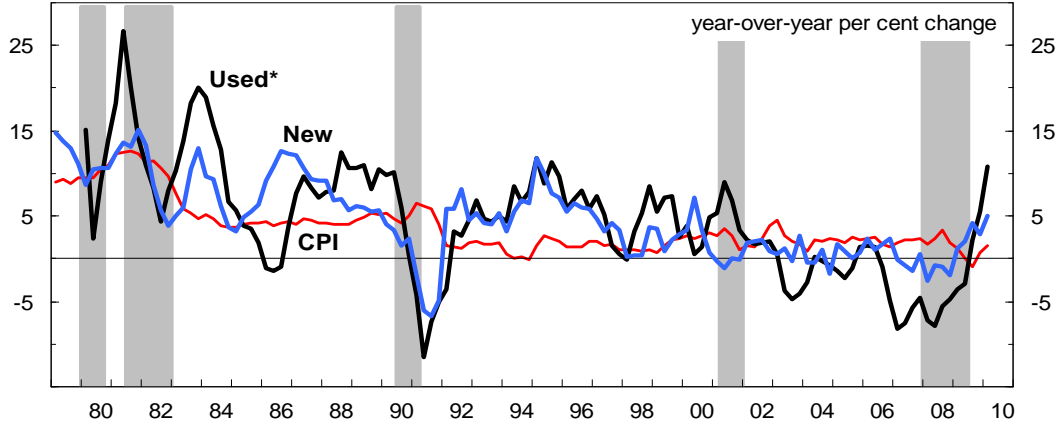


2010 data are January-February annualized.



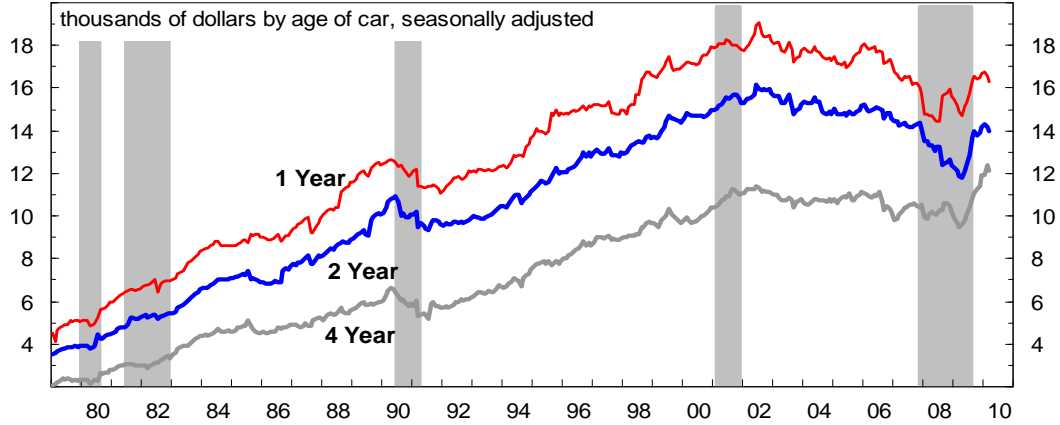
New & Used Car Prices

Scotiabank Car Price Indicators — Canada



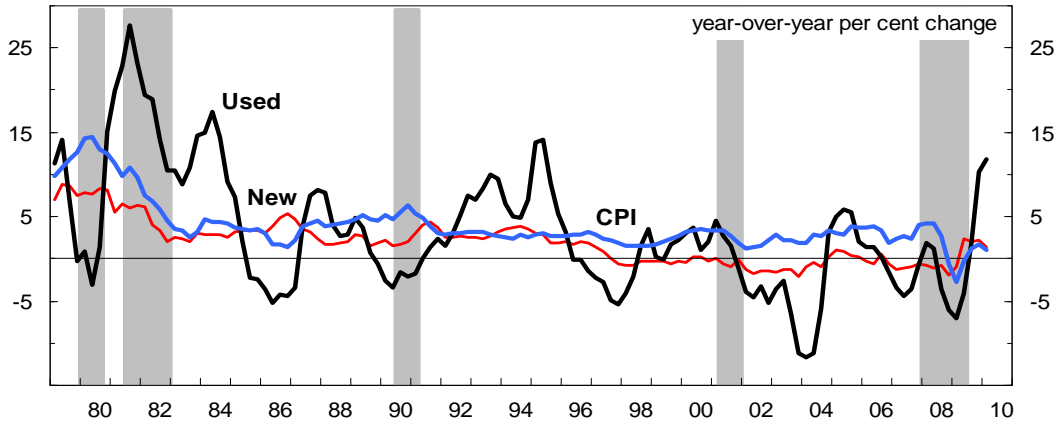
* Scotiabank estimate from Canadian Black Book data.

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	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

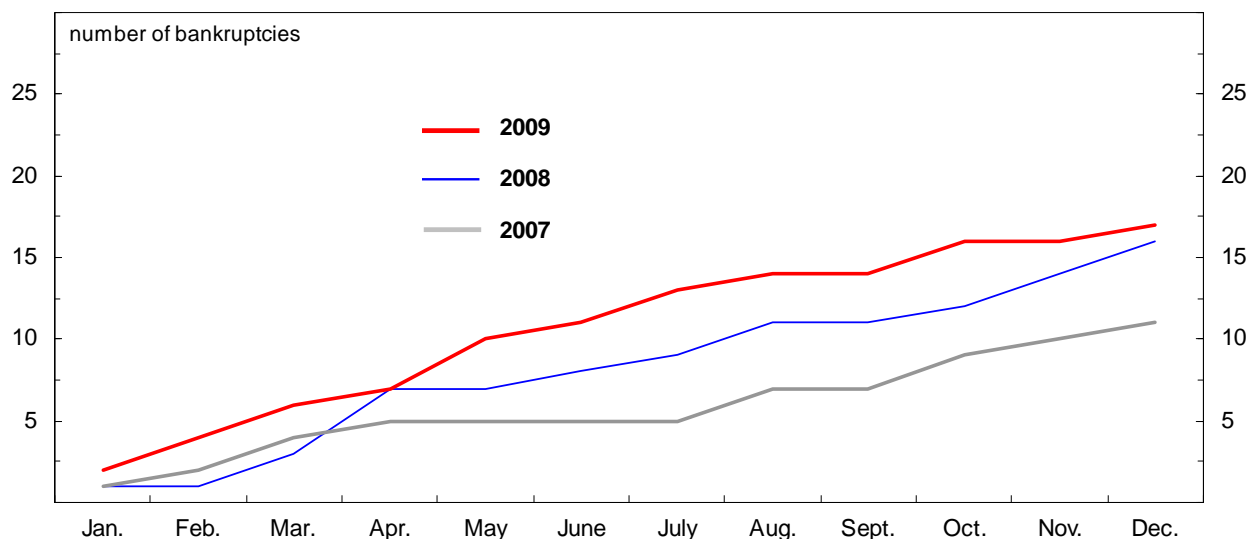
Inventory Turnover Ratio: sales/inventory

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.