



Global Auto Report

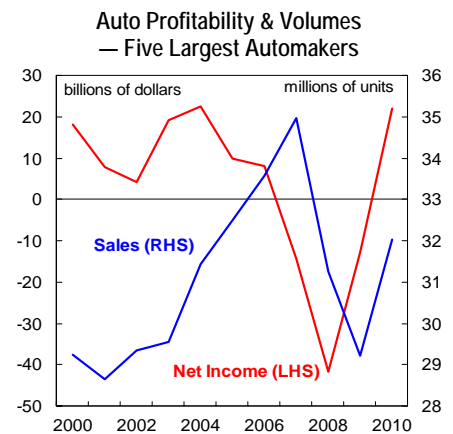
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Global Auto Industry Returns To Profitability — Asia And North America Lead The Way

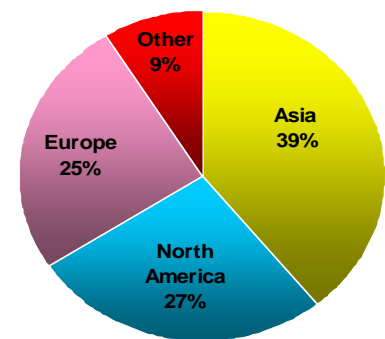
The increase in global car sales moderated to 13% y/y in April, from a 25% surge in the first quarter. The slowdown reflects a 6% y/y decline in Europe, as the expiry of scrappage incentives led to a sharp drop in Germany. However, outside of Europe, purchases continue to strengthen — rising 23% y/y — led by a 27% gain in the BRIC nations. Vehicle purchases also moderated in the United States last month, easing to an annualized 11.2 million units in April, from an incentive-induced 11.8 million in March. However, volumes remained in line with the first-quarter average, and will continue to strengthen in coming months alongside an improving economy. The U.S. economy created 290,000 new jobs in April — the highest level in more than four years, lifting year-over-year job growth to the best level since September 2008 — prior to the sharp downturn in the global economy.

Despite concerns that recent risk escalation emanating from Europe will spread across the globe, the outlook for the global auto market continues to improve. For example, improving labour market fundamentals and rising confidence have lifted the number of U.S. households planning to buy a vehicle to the highest level since early 2008. In addition, used car prices — a key leading indicator of the overall health of the auto market — also continue to post double-digit year-over-year advances in both Canada and the United States. This represents a sharp turnaround from declining resale values from late 2007 through April 2009 (during the global economic downturn).

Canadian passenger vehicle sales also eased in April, with the increase softening to a 4% y/y gain, from a 15% jump in the opening months of 2010. Purchases totalled an annualized 1.54 million units last month, slightly below the 1.60 million unit average of the previous two months. Volumes were held back by lower sales at two major automakers. In contrast, the shift to light trucks remains unabated, with volumes advancing 16% y/y in April, led by a 31% surge in sales of pickup trucks. The rebound in pickup trucks reflects the turnaround in the Canadian housing market, with housing starts jumping by 57% so far this year.



2010 Share Of Global Sales
 — Five Largest Automakers



PROFITABILITY RESTORED

The global auto industry has returned to profitability, with the five largest auto manufacturers posting earnings of US\$5.5 billion in the first quarter of 2010. The improvement represents a sharp turnaround from annual losses averaging in excess of US\$22 billion from 2007 through 2009. Profitability improved in every region last quarter, especially in North America, with the five largest automakers returning to

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profitability in the region. However, despite the turnaround in North America, Asia remains not only the auto market with the greatest potential, but is already the most profitable market in the world.

The global economy continued to gain momentum through the first quarter of 2010, with growth picking up to roughly 4% y/y — the fastest pace in two years. This acceleration lifted global car sales 25% above a year earlier, to a level only marginally lower than in early 2008. However, volumes still remain nearly 5% below the industry peak set in mid-2007. In contrast, **operating margins have climbed to peak levels prevailing in 2004, as virtually every automaker restructured their operations during the recent downturn**, significantly reducing their cost structure and breakeven point. For example, the two largest North American automakers have slashed their production costs by nearly 10% over the past year and a cumulative more than 20% since the auto cycle peaked in 2007.

Profitability per vehicle in North America jumped to more than US\$1,500 in early 2010, compared with losses through September of last year, and will likely improve further in coming years as volumes expand. For example, light vehicle purchases in Canada, the United States and Mexico totalled an annualized 13.3 million in the opening months of 2010, and are expected to climb to 13.9 million for the full year, before rising to 14.6 in 2011. Of note, the jump in profitability occurred despite nearly a US\$200 increase in industry-wide U.S. incentives through March, to more than US\$2,800 per vehicle.

Toyota led the increase in incentive spending in the first quarter, with its U.S. incentives jumping by more than

US\$525, as it attempted to attract consumers to its showrooms and offset the impact of massive recalls. Despite rising incentive spending and a one-time charge of nearly US\$2 billion associated with its global recalls, Toyota's worldwide operations still reported an operating profit of US\$1.1 billion in the opening months of 2010. Emerging Asia accounts for most of the strength, with the region totalling nearly 75% of the company's overall earnings.

In fact, Asia (excluding Japan) remains not only the industry's growth driver, but is already the most profitable region for the entire industry. For example, the five largest automakers reported a first-quarter operating profit of more than US\$2.3 billion in emerging Asia — roughly 40% of their overall total. This is particularly surprising, as the average car price in countries such as China and India averages less than US\$12,000 compared with US\$24,000 in North America and about US\$20,000 in Europe. On a per unit basis, the industry is posting a profit of almost US\$1,300 per vehicle sold in Asia (outside of Japan), a level only marginally lower than current profitability of US\$1,500 per vehicle in North America. However, volumes in Asia are least 50% higher than across all of North America.

In contrast, the industry still continues to lose money in Europe. The five largest automakers are still losing about US\$400 per vehicle in Europe, with losses likely to increase in coming months, as recent austerity measures introduced in several countries act as a drag on economic growth and vehicle sales. We expect full-year sales in Western Europe decline to 12.3 million units in 2010, down from an annualized 13.6 million in the opening months of 2010.

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	53.66
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	12.25
Germany	3.57	3.38	3.29	3.09	3.81	3.18
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	4.36
Brazil	0.94	1.17	1.40	2.23	2.48	2.85

*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-Mar **	Annual f
<i>(thousands of units, annualized)</i>						
CANADA	1,398	1,635	1,642	1,461	1,560	1,525
Cars	797	861	898	749	747	740
Domestic	583	562	558	426	425	420
Transplants	178	280	305	265	270	275
Imports	214	299	340	323	322	320
Light Trucks	601	774	744	712	813	785
<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	5.6	5.8
Light Trucks	7.2	8.6	6.4	4.9	5.4	5.7
<i>(millions of units, annualized)</i>						
NORTH AMERICAN PRODUCTION*	15.58	15.65	12.90	8.75	11.75	11.60
CANADA	2.50	2.57	2.08	1.49	2.10	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

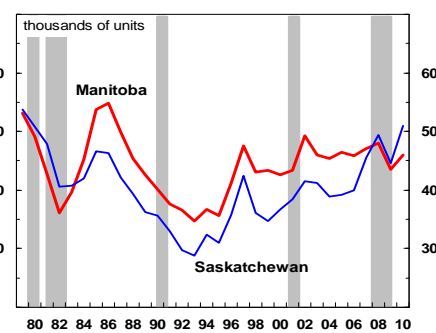
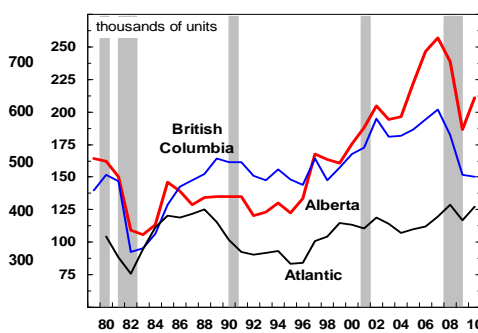
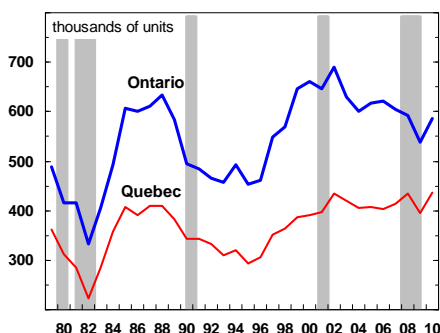
*Includes transplants; light, medium and heavy trucks. **U.S. sales and North American production to April.

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-Mar	Annual f
CANADA	1,446	1,635	1,642	1,461	1,560	1,525
ATLANTIC	102	114	127	115	121	119
CENTRAL	936	999	1,010	927	997	959
Quebec	366	402	430	392	427	402
Ontario	570	597	580	535	570	557
WEST	408	522	505	419	442	447
Manitoba	42	44	46	43	45	45
Saskatchewan	36	41	48	44	49	46
Alberta	166	243	232	182	207	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 Apr		Jan to Apr		Apr		Apr	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
TOTAL	217.1	100.0	221.0	100.0	75.3	100.0	70.0	100.0
Big Three	53.3	24.6	49.2	22.3	17.4	23.1	16.1	23.1
General Motors	28.8	13.2	23.5	10.6	10.3	13.7	7.6	10.9
Ford	12.7	5.9	15.4	7.0	4.3	5.7	4.9	7.1
Chrysler	11.8	5.5	10.3	4.7	2.8	3.7	3.6	5.1
Japanese	110.9	51.1	108.3	49.0	39.0	51.9	32.8	46.8
Honda	27.5	12.7	25.9	11.7	10.0	13.2	8.2	11.7
Toyota	36.8	16.9	34.3	15.5	14.0	18.6	10.1	14.4
Nissan	16.7	7.7	17.6	7.9	5.1	6.7	5.1	7.2
Mazda	20.5	9.4	21.4	9.7	7.1	9.4	6.9	9.8
Mitsubishi	3.6	1.7	3.4	1.6	1.1	1.4	0.9	1.3
Subaru	3.6	1.7	3.7	1.7	1.2	1.6	1.1	1.6
Hyundai	21.8	10.0	24.3	11.0	7.9	10.5	8.5	12.1
Volkswagen	8.6	4.0	11.4	5.2	3.0	4.0	3.6	5.2
Kia	9.0	4.1	11.3	5.1	3.4	4.5	3.6	5.1
BMW	5.1	2.3	6.2	2.8	1.8	2.3	2.2	3.1
Mercedes-Benz	5.0	2.3	5.9	2.6	1.5	2.0	1.8	2.5
Other	3.4	1.6	4.4	2.0	1.3	1.7	1.4	2.1

*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 Apr		Jan to Apr		Apr		Apr	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
TOTAL	218.7	100.0	264.0	100.0	70.5	100.0	82.2	100.0
Big Three	140.4	61.9	163.6	61.9	46.5	66.0	51.4	62.5
General Motors	51.8	18.3	48.3	17.9	19.5	27.7	15.9	19.3
Ford	45.9	22.5	59.5	22.6	14.5	20.6	18.5	22.5
Chrysler	42.7	21.1	55.8	21.4	12.5	17.7	17.0	20.7
Other Domestic	7.3	3.7	9.7	3.5	1.8	2.6	3.4	4.1
Japanese	47.9	22.6	59.6	23.1	14.8	21.0	17.8	21.7
Honda	13.0	6.4	16.9	6.6	3.3	4.7	4.9	6.0
Toyota	20.7	9.5	25.0	9.6	7.3	10.3	7.6	9.2
Nissan	6.9	2.9	7.7	3.1	2.0	2.8	2.1	2.6
Mazda	3.6	1.6	4.2	1.5	1.1	1.6	1.5	1.8
Mitsubishi	2.8	1.1	3.0	1.3	0.8	1.1	0.7	0.8
Subaru	2.7	1.9	4.9	1.9	0.9	1.2	1.5	1.9
Hyundai	9.3	5.2	13.8	5.4	2.9	4.1	4.0	4.9
Kia	2.9	1.4	3.6	1.2	0.9	1.2	1.5	1.8
Other Imports	10.9	5.2	13.7	4.9	3.6	5.1	4.1	5.0
LIGHT TRUCKS	211.6	96.8	256.2	97.5	68.8	97.4	79.6	96.8

*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 Mar	<u>2010</u> Jan to Mar	<u>2009</u> Mar	<u>2010</u> Mar
CANADA	142.2	151.3	65.6	70.3
ATLANTIC	10.3	12.1	5.0	5.7
Newfoundland	2.2	2.8	1.1	1.4
Nova Scotia	4.7	5.1	2.3	2.2
New Brunswick	2.9	3.7	1.4	1.8
Prince Edward Island	0.5	0.5	0.2	0.3
CENTRAL	98.6	105.6	47.1	51.2
Quebec	47.1	51.4	23.7	26.3
Ontario	51.5	54.2	23.4	24.9
WEST	33.3	33.6	13.5	13.4
Manitoba	3.1	3.1	1.4	1.3
Saskatchewan	2.7	2.7	1.2	1.1
Alberta	12.8	13.0	5.1	5.2
British Columbia	14.7	14.8	5.8	5.8

Truck Sales By Province*

(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
CANADA	148.5	182.0	64.1	77.8
ATLANTIC	10.3	13.4	4.7	5.7
Newfoundland	2.4	3.3	1.2	1.5
Nova Scotia	4.0	5.1	1.8	2.2
New Brunswick	3.5	4.4	1.5	1.8
Prince Edward Island	0.4	0.6	0.2	0.2
CENTRAL	84.2	105.9	38.4	47.3
Quebec	30.3	39.1	14.5	18.4
Ontario	53.9	66.8	23.9	28.9
WEST	54.0	62.7	21.0	24.8
Manitoba	5.2	5.9	2.3	2.5
Saskatchewan	6.2	7.4	2.6	2.8
Alberta	26.6	30.8	10.0	12.2
British Columbia	16.0	18.6	6.1	7.3

*Light, medium and heavy trucks.

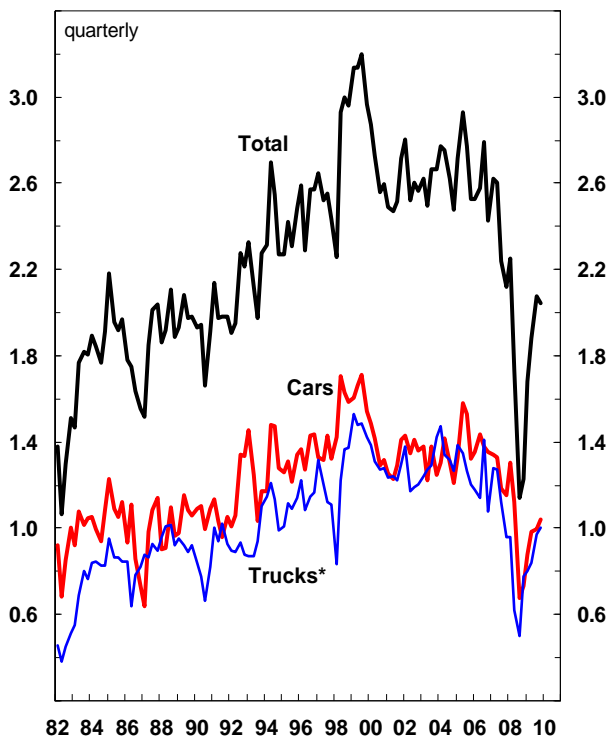


Canadian Motor Vehicle Production*
(thousands of units, not seasonally adjusted)

	<u>2009</u> Jan to Apr	<u>2010</u> Jan to Apr	<u>2009</u> Apr	<u>2010</u> Apr
TOTAL	408.9	697.0	127.6	184.7
CAR	231.1	346.6	72.8	92.2
Chrysler	42.6	64.0	10.8	18.3
Ford	26.8	36.4	8.7	8.7
GM	39.6	101.9	16.5	26.1
Honda	76.4	72.6	23.2	19.5
Toyota	45.7	71.7	13.6	19.6
TRUCKS**	177.8	350.4	54.8	92.5
CAMI (GM/Suzuki)	12.0	0.0	4.4	0.0
Chrysler	58.1	101.8	16.7	28.5
Ford	36.1	81.5	14.0	19.0
GM	23.5	76.3	5.0	18.3
Honda	6.5	25.3	1.6	5.5
Toyota	35.8	63.7	12.1	20.6
Others	5.8	1.8	1.0	0.6

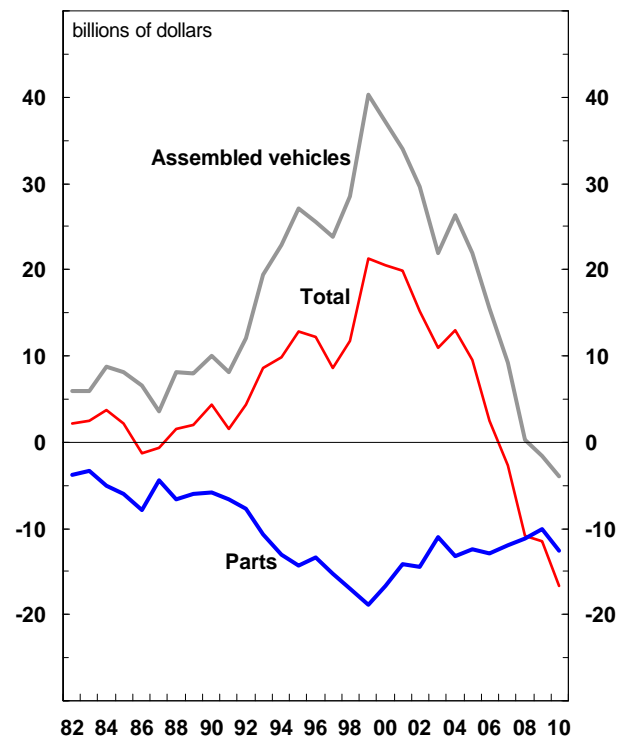
*Production data from Ward's Automotive Reports. **Light, medium and heavy trucks.

Canada — Motor Vehicle Production



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

Canada — World Auto Trade Balances

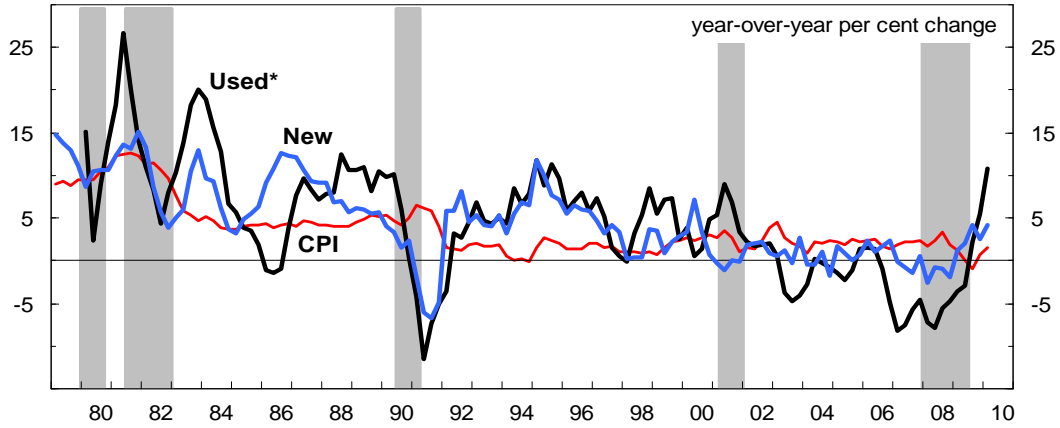


2010 data are January-March annualized.



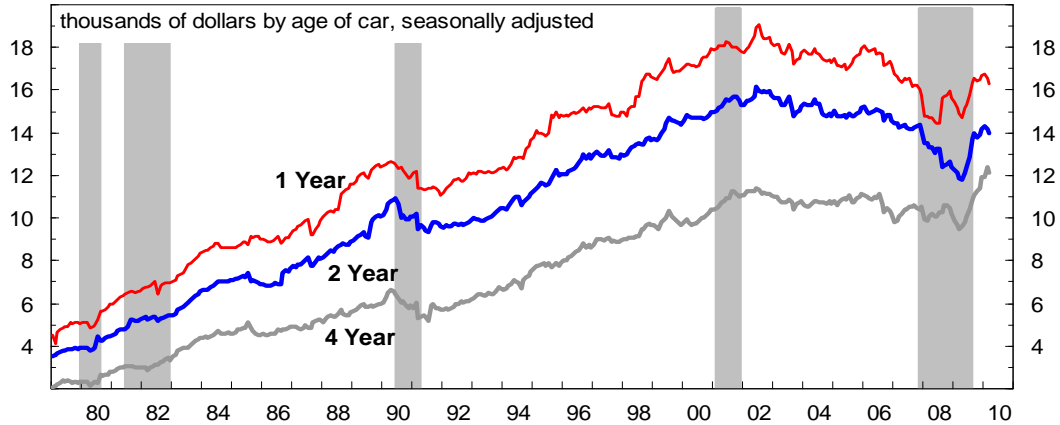
New & Used Car Prices

Scotiabank Car Price Indicators — Canada



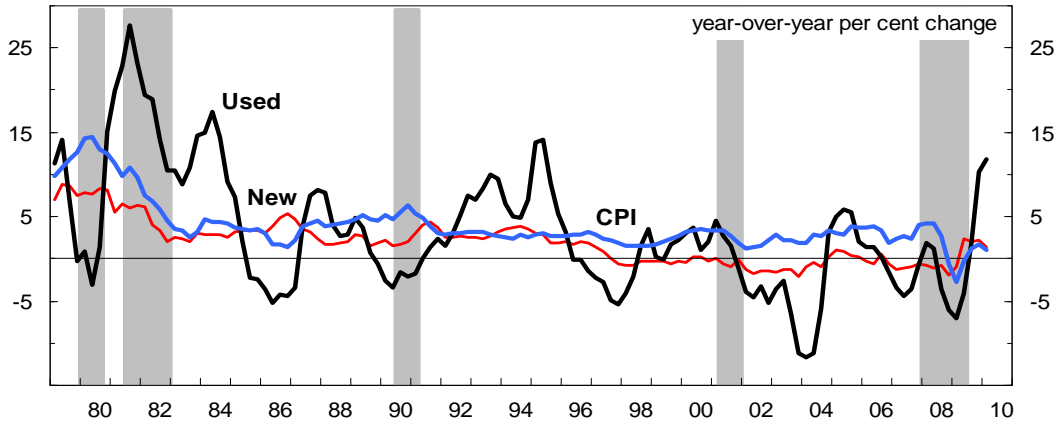
* Scotiabank estimate from Canadian Black Book data.

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							
	2009Q1	820	1.22	4.31	3.40	2.58	11.14
	Q2	1520	1.73	5.52	4.52	2.45	20.56
	Q3	1408	1.83	5.14	4.95	2.29	18.17
	Q4	1700	1.61	5.00	4.10	2.24	20.69
	2010Q1	1348	1.77	4.41	4.53	2.30	16.05
Average (89-09)		580	1.04	6.30	2.53	2.45	10.16
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

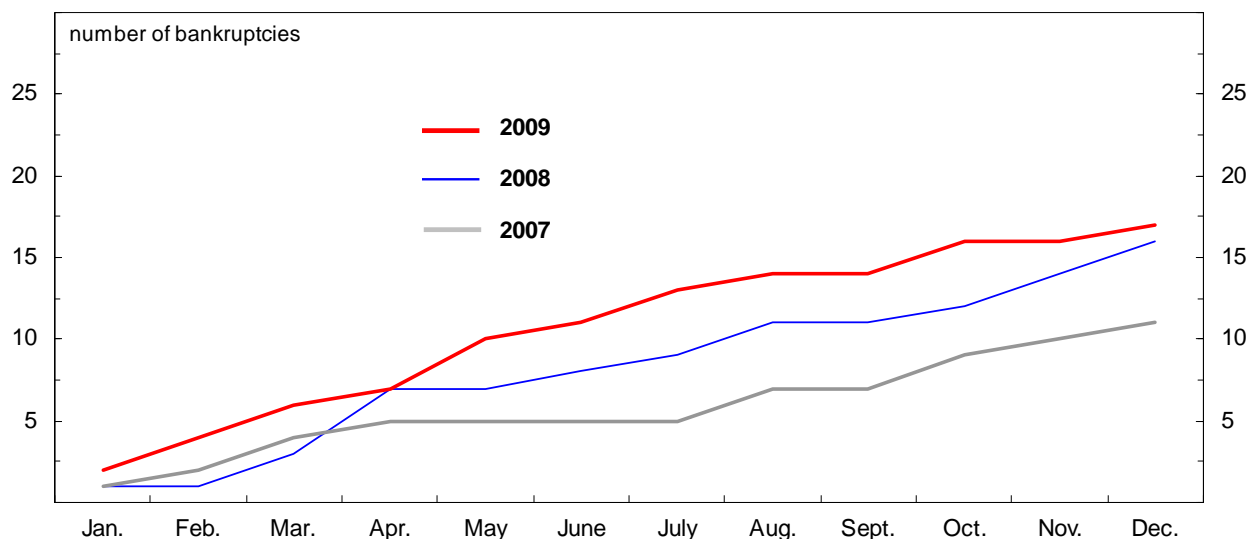
Inventory Turnover Ratio: sales/inventory

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.