



Global Auto Report

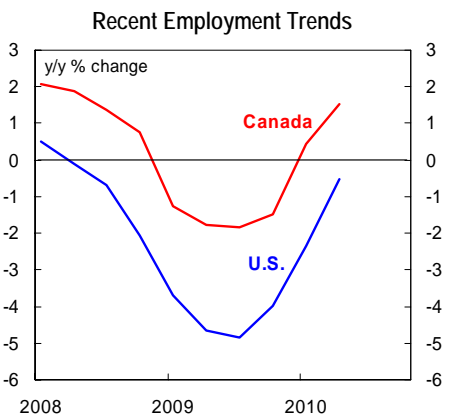
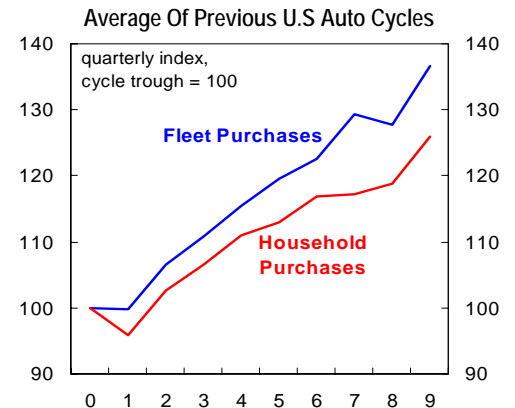
Carlos Gomes (416) 866-4735
carlos_gomes@scotiacapital.com

Fleets Drive Rebound In U.S. Sales, But Households Are The Chauffeurs In Canada

A downturn in Western Europe and more moderate gains in the emerging nations dampened growth in global car sales in May and June, bringing an end to seven consecutive months of double-digit year-over-year gains worldwide. In contrast, sales in North America are still in the relative fast lane.

In the United States, passenger vehicle sales edged up to an annualized 11.3 million units in May/June, from an average of 11.0 million from January through April, a 17% year-over-year gain. Light trucks are leading the way, with purchases advancing 23% y/y in the last three months compared with a 13% gain in car sales. Light trucks averaged 5.8 million units in May and June — the highest level since September 2008, prior to the sharp downturn in the global economy. Among the major automakers, truck volumes were strongest at Ford, with sales of the popular F-series pickup truck surging to the highest level since March 2008. Strong truck sales and low inventories have prompted automakers to boost their third-quarter North American schedules by 6.5% to an annualized 12.5 million units. As a result, we have increased our 2010 forecast for North American assemblies to 12.2 million units from 11.6 million.

Canadian passenger vehicle sales softened to an annualized 1.51 million units in May and June, from about 1.61 million during the first quarter. The moderation reflects a decline in consumer confidence as increased financial market turbulence has triggered some concern about the outlook for the global economy. Lower car sales accounted for much of the weakness, with volumes falling 7% below a year earlier in recent months. In contrast, truck sales continue to power ahead.



FLEETS VOLUMES LEAD U.S. RECOVERY

Rising fleet volumes have lifted overall U.S. car and light truck sales by 17% in the first half of 2010 — driving purchases above an annualized 11 million units so far this year, up from 9.5 million a year earlier and a full-year total of 10.4 million in 2009. Sales to rental car agencies, companies and government surged by more than 40% in the first half of 2010, leading the auto industry recovery in the United States. These purchasers had stopped buying car and trucks during the recession, and are now finally restocking their fleets.

Some commentators suggest that the strength in fleet purchases and continued sluggish retail volumes indicate that the U.S. auto industry is only experiencing a temporary bounce, and remains vulnerable because households have yet to return to dealerships. **However, the early stage of every auto cycle recovery in the United States has been led by improving fleet purchases.** This reflects the fact that fleet volumes — accounting for more than 40% of overall U.S. car & light truck sales — are driven by trends in corporate profitability, which leads the

Scotia Economics

Scotia Plaza 40 King Street West, 63rd Floor
 Toronto, Ontario Canada M5H 1H1
 Tel: (416) 866-6253 Fax: (416) 866-2829
 Email: scotia_economics@scotiacapital.com

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economic cycle by about six months. For example, U.S. corporate profits bottomed in late 2008, six months prior to the mid-2009 trough in U.S. GDP. Furthermore, the pace of job creation, which drives retail vehicle purchases, trails the economic cycle by at least three months.

Rental companies are leading the improvement in U.S. fleet volumes, with purchases surging more than 55% so far this year alongside improving air travel and tourism activity. These companies reduced their fleets by about 25% from mid-2008 through late 2009 as tourism slumped alongside the global economic downturn. Rental car and light truck purchases plunged to only 2.3 million units last year — 40% less than the average of the past decade, and the lowest level since 1967.

Fleet volumes have also been buoyed by a rebound in pickup truck sales in recent months. Pickup truck volumes have posted double-digit gains since March alongside the release of pent-up demand as many businesses now believe that the gradual improvement in the U.S. economy is sustainable. A recent survey by the U.S. National Federation of Independent Business indicates that small business confidence increased in May to the highest level since September 2008, with companies increasingly ready to step up hiring and capital spending.

While retail sales have lagged in the United States, household purchases have started to improve, edging up to 9.0 million in the second quarter, from 8.6 million in the opening months of 2010, and 8.5 million in all of 2009. Historically, U.S. retail volumes only start to gain significant momentum once employment growth turns positive on a year-

over-year basis. The pace of job creation has been improving since the second half of 2009, but as of June was still below a year earlier. We expect the pace of job creation to strengthen during the summer, enabling household purchases to move towards the 10-million unit average of the past several decades.

HOUSEHOLDS ARE AT FOREFRONT IN CANADA

In contrast to the United States, Canadian household purchases are outpacing the improvement in the overall auto market. **This reflects stronger job creation north of the border — averaging 43,000 per month so far this year, compared with less than 150,000 in the United States, an economy with a labour force more than eight times larger.**

Data from the three largest automakers indicate that sales to Canadian households have jumped by 14% so far this year, surpassing an 11% increase in their fleet volumes. (Of note, these automakers account for roughly 90% of the Canadian fleet market, and have reported a 13% gain in overall vehicle sales.) The gap is much wider for the market leader, with the retail volumes outpacing fleet activity by eleven percentage points.

Lower gasoline prices and enhanced incentives are increasingly leading Canadians to shift towards light trucks. **We estimate that these vehicles now account for half of all retail purchases, up from only 43% in 2008, when gasoline prices averaged almost \$1.20 per litre — nearly 20% above current prices.** Historically, light trucks have represented about 45% of overall household purchases.

International Car Sales Outlook

	<u>1990-99</u>	<u>2000</u>	<u>2001-07</u> (millions of units)	<u>2008</u>	<u>2009</u>	<u>2010f</u>
TOTAL SALES	39.20	46.64	49.53	52.17	50.91	53.96
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	3.16
Russia	0.78	1.03	1.42	2.73	1.47	1.55
Asia	6.91	7.85	10.82	15.07	17.68	20.39
China	0.33	0.61	2.56	5.04	7.31	8.77
India	0.31	0.60	0.81	1.20	1.46	1.72
South America	1.64	1.89	2.24	3.70	3.92	4.28
Brazil	0.94	1.17	1.40	2.23	2.48	2.77

*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>2010</u>	
	Average				Jan-Apr **	Annual f
<i>(thousands of units, annualized)</i>						
CANADA	1,398	1,635	1,642	1,461	1,545	1,525
Cars	797	861	898	749	735	725
Domestic	583	562	558	426	405	400
Transplants	178	280	305	265	270	275
Imports	214	299	340	323	330	325
Light Trucks	601	774	744	712	810	800
<i>(millions of units, annualized)</i>						
UNITED STATES	15.5	16.3	13.2	10.4	11.1	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	5.5	5.7
<i>(millions of units, annualized)</i>						
NORTH AMERICAN PRODUCTION*	15.58	15.65	12.90	8.75	12.07	12.20
CANADA	2.50	2.57	2.08	1.49	2.13	2.20
UNITED STATES	11.67	11.01	8.68	5.70	7.74	7.80
MEXICO	1.41	2.07	2.14	1.56	2.20	2.20

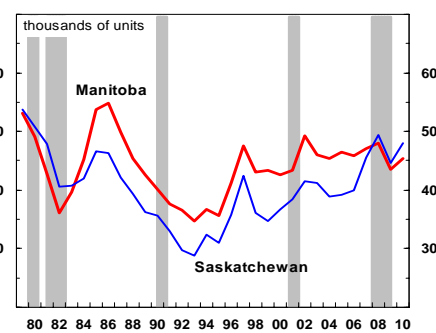
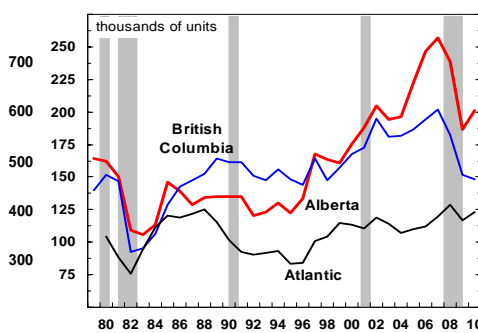
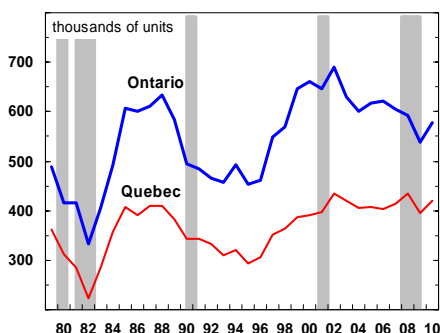
*Includes transplants; light, medium and heavy trucks. **U.S. sales and North American production to June.

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>2010</u>	
	Average				Jan-Apr	Annual f
CANADA	1,446	1,635	1,642	1,461	1,545	1,525
ATLANTIC	102	114	127	115	120	119
CENTRAL	936	999	1,010	927	995	959
Quebec	366	402	430	392	411	402
Ontario	570	597	580	535	584	557
WEST	408	522	505	419	430	447
Manitoba	42	44	46	43	45	45
Saskatchewan	36	41	48	44	44	46
Alberta	166	243	232	182	196	198
British Columbia	164	194	179	150	145	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 Jun		Jan to Jun		Jun		Jun	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
TOTAL	375.0	100.0	369.0	100.0	74.0	100.0	72.1	100.0
Big Three	93.6	24.9	89.2	24.2	19.0	25.7	20.1	27.8
General Motors	51.8	13.8	41.8	11.3	10.9	14.7	8.8	12.1
Ford	25.9	6.9	29.9	8.1	6.6	9.0	8.2	11.4
Chrysler	15.9	4.2	17.5	4.8	1.5	2.0	3.1	4.3
Japanese	185.6	49.5	171.7	46.5	34.0	46.0	30.6	42.5
Honda	48.1	12.8	40.8	11.1	9.1	12.3	7.6	10.6
Toyota	61.2	16.3	53.4	14.5	11.3	15.2	8.8	12.1
Nissan	28.1	7.5	29.2	7.9	5.4	7.3	5.7	7.9
Mazda	33.2	8.8	34.0	9.2	5.8	7.9	6.1	8.5
Mitsubishi	5.7	1.5	5.6	1.5	1.0	1.3	1.0	1.4
Subaru	5.7	1.5	5.6	1.5	0.9	1.2	0.9	1.3
Hyundai	37.0	9.9	40.8	11.1	7.1	9.5	7.8	10.9
Volkswagen	15.7	4.2	18.9	5.1	3.6	4.9	3.7	5.1
Kia	17.2	4.6	19.8	5.4	4.1	5.6	4.4	6.1
BMW	10.7	2.8	10.8	2.9	2.9	3.9	2.7	3.7
Mercedes-Benz	9.2	2.5	10.6	2.9	1.9	2.6	1.8	2.5
Other	6.0	1.6	7.2	1.9	1.4	1.8	1.0	1.4

*Source: Dealer sales from the Association of International Automobile Manufacturers of Canada.

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 Jun		Jan to Jun		Jun		Jun	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
TOTAL	356.8	100.0	429.2	100.0	66.3	100.0	84.5	100.0
Big Three	226.4	63.5	272.5	63.5	40.0	60.3	55.9	66.1
General Motors	82.8	23.2	81.7	19.0	11.5	17.3	17.0	20.1
Ford	82.1	23.0	102.9	24.0	20.8	31.3	23.5	27.8
Chrysler	61.5	17.3	87.9	20.5	7.7	11.7	15.4	18.2
Other Domestic	9.8	2.7	12.5	2.9	1.6	2.4	2.9	3.5
Japanese	81.4	22.8	93.5	21.8	16.5	24.9	16.6	19.7
Honda	21.7	6.1	25.5	5.9	4.7	7.1	4.3	5.1
Toyota	36.2	10.1	39.8	9.3	7.3	11.1	7.3	8.6
Nissan	11.4	3.2	12.3	2.9	2.1	3.1	2.4	2.8
Mazda	5.6	1.6	6.9	1.6	0.9	1.4	1.1	1.3
Mitsubishi	4.4	1.2	4.3	1.0	0.8	1.1	0.6	0.7
Subaru	4.4	1.2	7.7	1.8	0.9	1.4	1.4	1.7
Hyundai	15.4	4.3	21.4	5.0	3.0	4.6	3.7	4.3
Kia	4.9	1.4	6.7	1.6	1.1	1.6	1.5	1.8
Other Imports	18.9	5.3	22.6	5.2	4.1	6.2	3.9	4.6
LIGHT TRUCKS	346.1	97.1	417.8	97.3	68.8	97.4	82.5	97.7

*Source: Dealer sales from the Association of International Automobile Manufacturers of Canada.



Auto Sales By Province

(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
CANADA	217.5	221.8	75.3	70.6
ATLANTIC	16.9	18.3	6.5	6.2
Newfoundland	3.8	4.2	1.6	1.4
Nova Scotia	7.4	7.7	2.7	2.6
New Brunswick	4.8	5.6	1.9	1.9
Prince Edward Island	0.9	0.8	0.3	0.3
CENTRAL	152.0	155.9	53.5	50.4
Quebec	76.0	77.0	28.9	25.6
Ontario	76.0	78.9	24.6	24.8
WEST	48.6	47.6	15.3	14.0
Manitoba	4.8	4.5	1.7	1.4
Saskatchewan	4.1	3.9	1.4	1.2
Alberta	18.5	18.1	5.7	5.1
British Columbia	21.2	21.1	6.5	6.3

Truck Sales By Province*

(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
CANADA	219.2	263.7	70.7	81.7
ATLANTIC	15.8	20.1	5.5	6.7
Newfoundland	3.9	5.0	1.5	1.7
Nova Scotia	6.1	7.7	2.1	2.5
New Brunswick	5.2	6.6	1.7	2.2
Prince Edward Island	0.6	0.8	0.2	0.3
CENTRAL	125.9	154.4	41.7	48.5
Quebec	45.5	58.0	15.2	18.9
Ontario	80.4	96.4	26.5	29.6
WEST	77.5	89.2	23.5	26.5
Manitoba	7.8	8.6	2.6	2.7
Saskatchewan	8.8	10.4	2.6	3.0
Alberta	38.0	43.9	11.4	13.2
British Columbia	22.9	26.3	6.9	7.6

*Light, medium and heavy trucks.

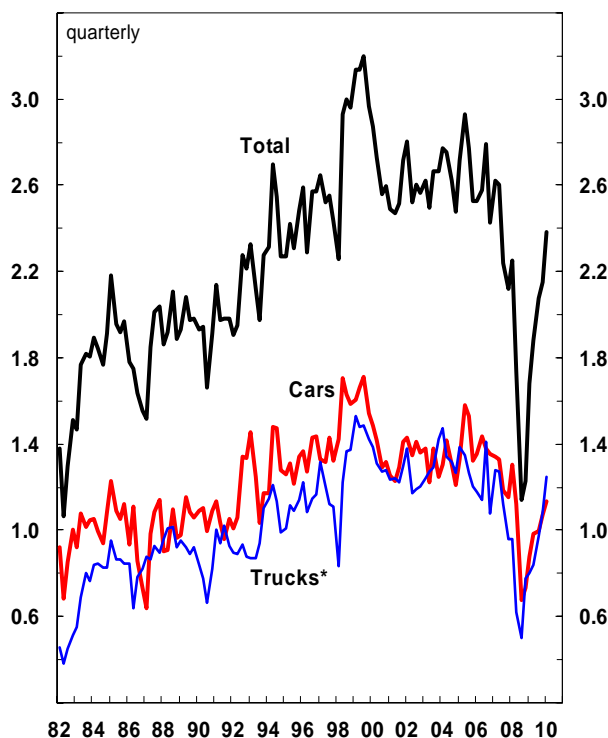


Canadian Motor Vehicle Production*
(thousands of units, not seasonally adjusted)

	<u>2009</u> Jan to May	<u>2010</u> Jan to May	<u>2009</u> May	<u>2010</u> May
TOTAL	500.4	882.3	91.3	185.5
CAR	287.2	438.2	56.0	91.5
Chrysler	42.8	81.8	0.2	17.7
Ford	34.9	44.3	8.2	7.9
GM	60.3	128.7	20.6	26.8
Honda	90.9	91.0	14.5	18.5
Toyota	58.3	92.4	12.5	20.6
TRUCKS**	213.2	444.1	35.3	94.0
CAMI (GM/Suzuki)	15.2	0.0	3.2	0.0
Chrysler	58.5	131.5	0.4	29.8
Ford	49.6	100.1	13.5	18.5
GM	27.1	94.6	3.6	18.3
Honda	8.5	30.8	2.0	5.5
Toyota	47.4	85.0	11.5	21.3
Others	6.9	2.1	1.1	0.6

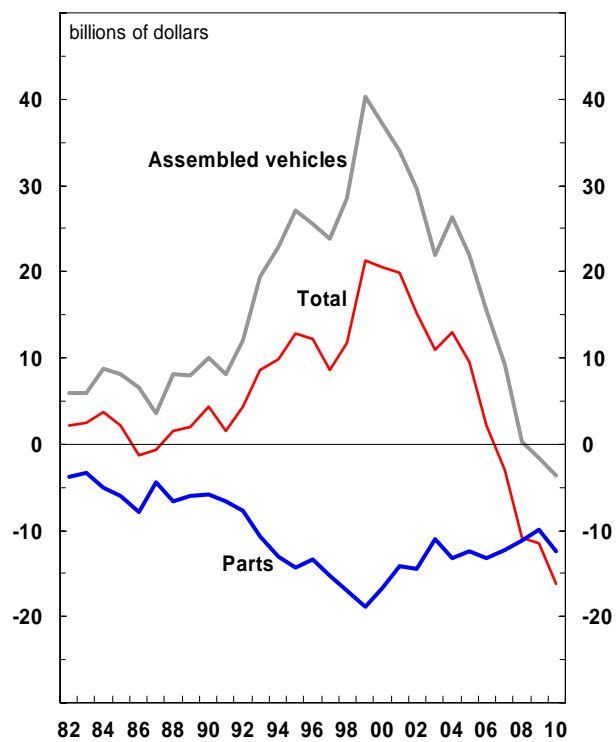
*Production data from Ward's Automotive Reports. **Light, medium and heavy trucks.

Canada — Motor Vehicle Production



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

Canada — World Auto Trade Balances

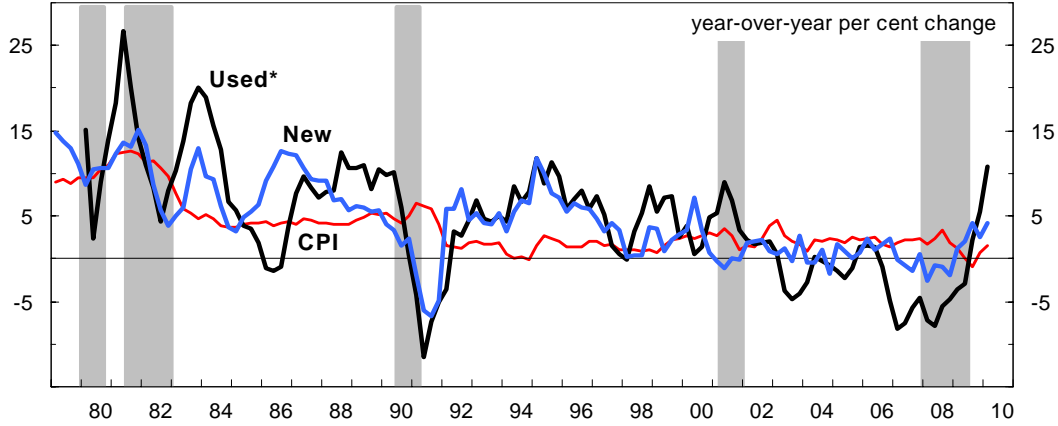


2010 data are January-April annualized.



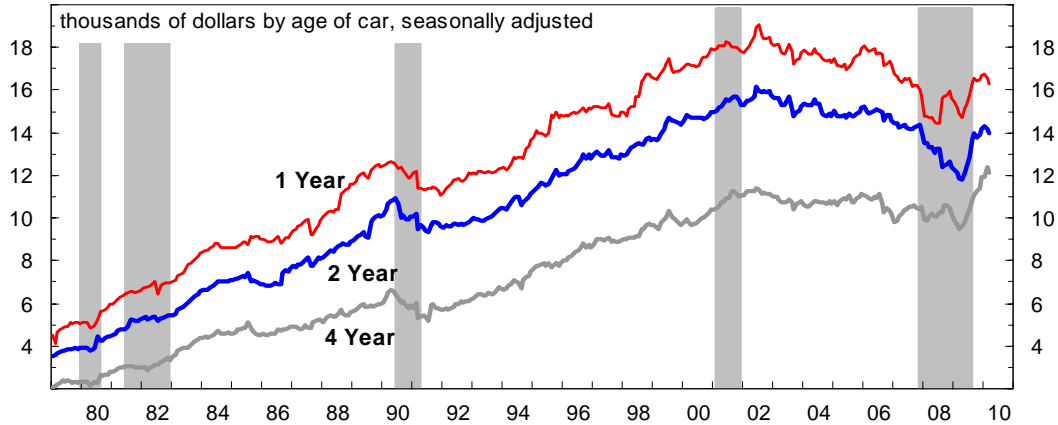
New & Used Car Prices

Scotiabank Car Price Indicators — Canada



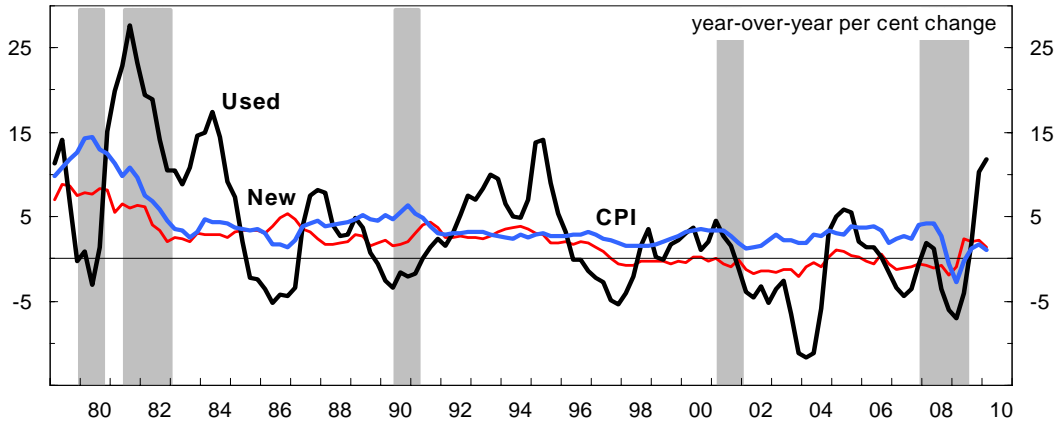
* Scotiabank estimate from Canadian Black Book data.

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

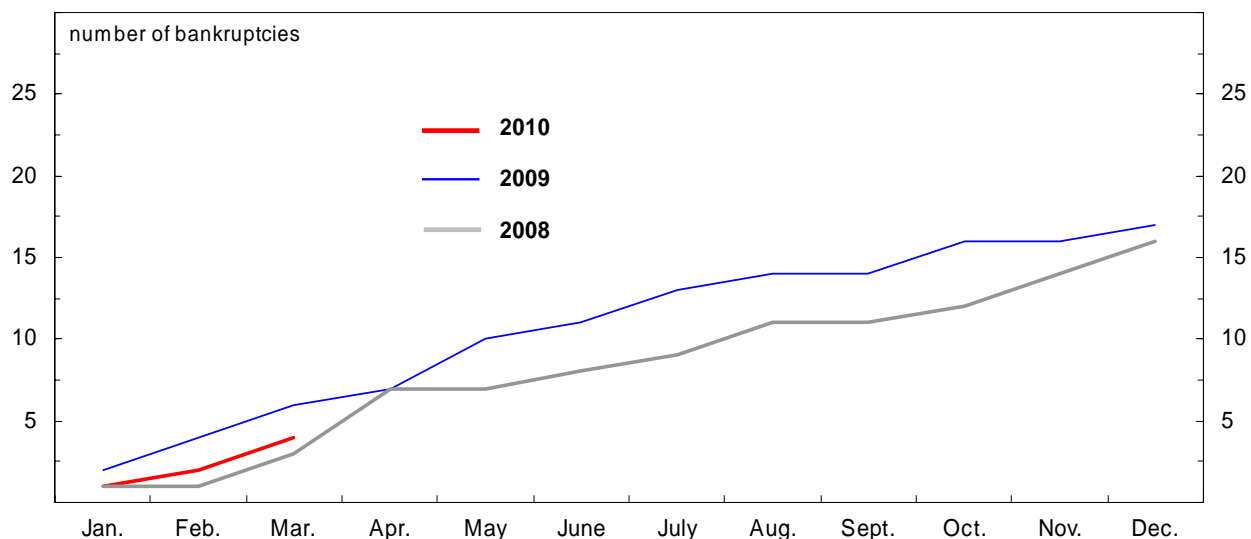
Inventory Turnover Ratio: sales/inventory

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.