



Global Auto Report

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Canadian Household New Vehicle Purchases Approach 2008 Peak — But Americans Continue to Forego New Models

Global car sales remained below a year earlier in August, undercut by sharp year-over-year declines in the United States and Western Europe. However, outside of these mature markets, sales gains accelerated to a 20% year-over-year increase — the strongest gain since April. In the United States, the sharp year-over-year fall-off overstates the weakness, as year-earlier volumes were inflated by the U.S. government's 'cash-for-clunkers' program, which boosted sales to an annualized 14.1 million units — more than 25% above the sales pace of recent months. On a sequential basis, sales edged down to 11.2 million units in August from 11.5 million in July alongside some moderation in consumer purchases.

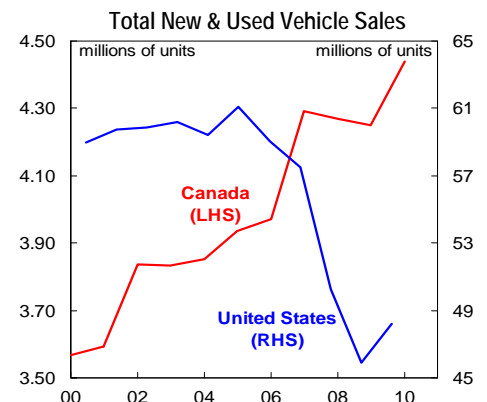
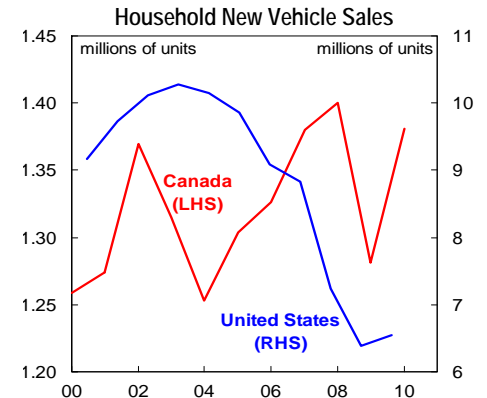
Canadian vehicle sales remained above a year earlier, but edged down to an annualized 1.57 million units in August, from 1.65 million during the previous month. Lower fleet volumes accounted for most of the decline, as August is typically the lowest-volume month for fleet activity. In particular, fleet buyers reduced their car buying roughly 20% below "normal" levels for the month of August.

In contrast, both fleets and households continued to increase light truck purchases, especially pickup trucks. In particular, fleet buying of pickup trucks climbed 32% above a year earlier in August. This is consistent with comments from several automakers, which indicate that sales to small commercial buyers have recently picked up, after declining sharply during the past two years.

HOUSEHOLD NEW VEHICLE PURCHASES APPROACH RECORD HIGHS

While fleet volumes have only recently started to improve, purchases by Canadian households began to rebound last year, and are currently on a near-record pace. In fact, we expect 2010 retail volumes to climb to the second-highest annual level on record — only behind the 2008 peak. However, unlike their Canadian counterparts, American households are opting to replace their aging vehicles with less-expensive pre-owned cars and light trucks instead of shiny new models.

New vehicle purchases by Canadian households have jumped by 8% so far this year, and are likely to total 1.38 million units in 2010. This almost fully reverses last year's 9% slide, when the global economic downturn prompted many Canadians to either turn to the less-expensive used vehicle market, or continue to drive their aging vehicles for at least another year. Used car and light truck sales in Canada climbed to a record 2.8 million units in 2009, lifting the used-to-new vehicle sales ratio to a high of 1.9-to-1.0 from an average of 1.4-to-1.0 during the past decade.



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The rebound in Canadian household new vehicle purchases will drive overall 2010 car and light truck sales (both new and used) to a record 4.4 million units — 2.9 million used vehicles and 1.57 million new models — up from a previous peak of 4.3 million in 2007. Record vehicle transactions and the outperformance by new models reflect Canada's strong job market, as well as enhanced new vehicle incentives. In fact, **the Canadian economy has fully recovered all the jobs lost during the recession** — a feat that few other advanced nations can boast. The number of actively employed Canadians stood at 17.2 million at the end of August 2010, surpassing the 2008 peak.

With Canadians in need of replacing many of the record 8.6 million vehicles on Canadian roads that are at least 9 years old, overall vehicle sales (new and used) are set to climb new heights in 2011. In fact, despite near-record new vehicle purchases by Canadian households, used car prices, as measured by the Scotiabank Used Car Price Index, have advanced by 5.5% so far this year, indicating ongoing strong demand for pre-owned models. Rising used car prices combined with enhanced incentives on new models have significantly narrowed the price differential between new and used vehicles. Nevertheless, the value of a typical pre-owned vehicle transaction still remains less than half the cost of a new car or light truck — keeping used vehicles as a preferred option for many households.

This is especially the case in the United States, where the ratio of used-to-new vehicle sales jumped to a record 3.4-to-1.0 in 2009, from an average of 2.5-to-1.0 during the past decade. This ratio has continued to climb in 2010. CNW Marketing Research indicates that U.S. used vehicle sales

have increased by 3.3% so far this year, outpacing a 2% increase in new vehicle purchases by U.S. households. In contrast to Canada, the U.S. economy has only recouped about 10% of all jobs lost during the recession. Meanwhile, given high-debt levels, many Americans remain focused on repairing their over-leveraged balance sheets, not on buying a new vehicle. In fact, a recent survey indicates that more than 60% of all U.S. consumers planning to buy a car or light truck over the next several months will likely opt for a pre-owned model.

U.S. FLEET VOLUMES OUTPERFORM

The one segment of the auto market that is outperforming in the United States is fleet purchases. With U.S. rental car agencies, corporations and government restocking their fleets, non-retail volumes have jumped by more than 30% so far this year, and are now only 20% below the pace of the past decade. In contrast, fleet activity in Canada will total less than 200,000 units for the second-consecutive year and will remain more than 30% below the decade-average. The difference in the two markets reflects diverging trends in corporate profitability. The recovery in corporate profits has been much sharper in the United States, with national accounts profits surging 39% year-over-year in the second quarter, surpassing the mid-2007 peak. In contrast, the profit recovery has been more modest north of the 49th parallel, due to currency appreciation and the importance of the cyclical resource base on the Canadian economy. Resource-based economy tends to have higher peaks in return on shareholders' equity when the global economy is humming, but tend to experience a slower profit recovery, until resource prices gain significant momentum.

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	56.01
North America*	16.36	19.77	19.36	15.85	12.68	13.93
Canada	1.27	1.55	1.61	1.64	1.46	1.57
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	0.86
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	3.05
Eastern Europe	1.18	2.38	2.54	4.01	3.01	3.31
Russia	0.78	1.03	1.42	2.73	1.47	1.74
Asia	6.91	7.85	10.82	15.07	17.68	22.24
China	0.33	0.61	2.56	5.04	7.31	9.13
India	0.31	0.60	0.81	1.20	1.46	1.82
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> Average	<u>2006-07</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	
					Jan-Jul **	Annual f
<i>(thousands of units, annualized)</i>						
CANADA	1,398	1,635	1,642	1,461	1,562	1,565
Cars	797	861	898	749	725	730
Domestic	583	562	558	426	395	400
Transplants	178	280	305	265	250	265
Imports	214	299	340	323	330	330
Light Trucks	601	774	744	712	837	835
<i>(millions of units, annualized)</i>						
UNITED STATES	15.5	16.3	13.2	10.4	11.2	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	5.6	5.7
<i>(millions of units, annualized)</i>						
NORTH AMERICAN PRODUCTION*	15.58	15.65	12.90	8.75	12.38	12.20
CANADA	2.50	2.57	2.08	1.49	2.17	2.20
UNITED STATES	11.67	11.01	8.68	5.70	7.87	7.80
MEXICO	1.41	2.07	2.14	1.56	2.34	2.20

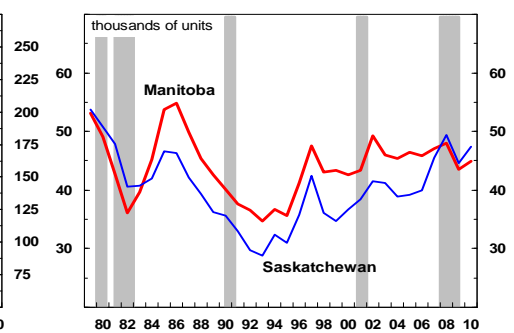
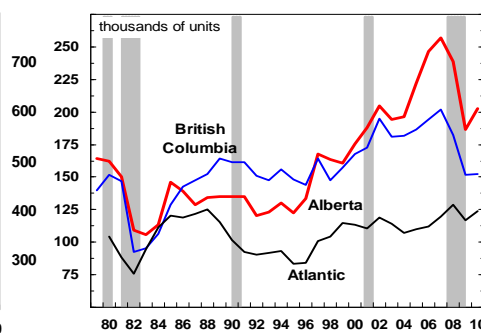
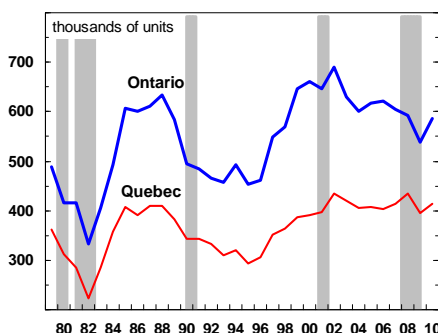
*Includes transplants; light, medium and heavy trucks. **U.S. sales and North American production to August.

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 -Jul	Annual f
CANADA	1,446	1,635	1,642	1,461	1,562	1,565
ATLANTIC	102	114	127	115	123	122
CENTRAL	936	999	1,010	927	993	997
Quebec	366	402	430	392	411	413
Ontario	570	597	580	535	582	584
WEST	408	522	505	419	446	446
Manitoba	42	44	46	43	45	45
Saskatchewan	36	41	48	44	47	46
Alberta	166	243	232	182	202	200
British Columbia	164	194	179	150	152	155

*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 Aug		Jan to Aug		Aug		Aug	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
TOTAL	517.1	100.0	497.5	100.0	68.3	100.0	60.9	100.0
Big Three	129.6	25.0	123.2	24.8	16.2	23.7	15.2	25.0
General Motors	70.5	13.6	58.5	11.8	8.6	12.5	8.2	13.5
Ford	35.9	6.9	43.2	8.7	4.9	7.2	5.9	9.6
Chrysler	23.2	4.5	21.5	4.3	2.7	4.0	1.1	1.9
Japanese	253.3	48.9	227.1	45.6	33.4	49.0	26.7	43.8
Honda	64.9	12.6	55.1	11.1	8.3	12.2	7.5	12.3
Toyota	84.7	16.4	67.6	13.6	11.1	16.2	6.4	10.5
Nissan	38.5	7.4	38.8	8.0	5.2	7.6	4.0	6.6
Mazda	44.6	8.6	46.5	9.3	6.0	8.8	6.4	10.6
Mitsubishi	7.7	1.5	7.3	1.5	1.0	1.5	0.7	1.1
Subaru	7.5	1.5	7.7	1.5	0.9	1.3	1.1	1.8
Hyundai	51.1	9.9	56.2	11.3	7.1	10.3	7.6	12.5
Volkswagen	21.8	4.2	24.8	5.0	2.9	4.3	2.7	4.5
Kia	25.2	4.9	28.1	5.6	3.9	5.7	4.1	6.6
BMW	15.3	3.0	14.9	3.0	2.2	3.2	2.1	3.5
Mercedes-Benz	12.8	2.5	13.3	2.7	1.6	2.3	1.4	2.3
Other	8.0	1.6	9.9	2.0	1.0	1.5	1.1	1.8

*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 Aug		Jan to Aug		Aug		Aug	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
TOTAL	493.2	100.0	589.5	100.0	68.6	100.0	77.2	100.0
Big Three	312.7	63.4	375.6	63.7	43.6	63.6	48.5	62.9
General Motors	107.0	21.7	112.4	19.1	14.6	21.3	15.3	19.9
Ford	121.1	24.6	140.8	23.9	17.3	25.2	18.2	23.6
Chrysler	84.6	17.1	122.4	20.7	11.7	17.1	15.0	19.4
Other Domestic	12.5	2.5	16.5	2.8	1.5	2.2	2.2	2.8
Japanese	113.2	23.0	128.5	21.8	15.8	23.1	17.5	22.6
Honda	30.1	6.1	35.7	6.1	3.9	5.7	5.5	7.1
Toyota	50.2	10.2	53.4	9.1	7.2	10.5	6.5	8.4
Nissan	16.2	3.3	17.9	3.0	2.5	3.6	2.9	3.7
Mazda	7.5	1.5	9.2	1.6	0.9	1.3	1.1	1.4
Mitsubishi	6.1	1.2	5.5	0.9	0.9	1.3	0.6	0.8
Subaru	6.4	1.3	10.3	1.8	1.1	1.5	1.3	1.6
Hyundai	22.3	4.5	28.9	4.9	3.4	4.9	3.8	4.9
Kia	6.7	1.4	9.5	1.6	0.8	1.1	1.4	1.8
Other Imports	25.8	5.2	30.5	5.2	3.5	5.1	3.8	5.0
LIGHT TRUCKS	479.5	97.2	574.2	97.4	67.1	97.9	75.3	97.5

*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 Jul	<u>2010</u> Jan to Jul	<u>2009</u> Jul	<u>2010</u> Jul
CANADA	448.2	437.3	73.4	67.7
ATLANTIC	38.1	37.3	6.5	5.6
Newfoundland	9.0	9.0	1.6	1.5
Nova Scotia	16.7	15.7	2.7	2.1
New Brunswick	10.6	10.8	1.9	1.7
Prince Edward Island	1.8	1.8	0.3	0.3
CENTRAL	311.3	304.7	51.3	47.1
Quebec	152.9	145.7	24.5	22.4
Ontario	158.4	159.0	26.8	24.7
WEST	98.8	95.3	15.6	15.0
Manitoba	10.0	9.5	1.7	1.6
Saskatchewan	8.6	7.6	1.6	1.2
Alberta	37.4	36.2	5.8	5.8
British Columbia	42.8	42.0	6.5	6.4

Truck Sales By Province*

(thousands of units, not seasonally adjusted)

	<u>2009</u> Jan to Jul	<u>2010</u> Jan to Jul	<u>2009</u> Jul	<u>2010</u> Jul
CANADA	426.6	513.0	68.2	82.9
ATLANTIC	32.8	40.3	5.3	6.3
Newfoundland	8.6	10.8	1.4	1.8
Nova Scotia	12.6	14.8	2.1	2.0
New Brunswick	10.3	13.0	1.6	2.2
Prince Edward Island	1.3	1.7	0.2	0.3
CENTRAL	243.9	301.4	38.9	49.3
Quebec	88.0	111.2	14.0	17.8
Ontario	155.9	190.2	24.9	31.5
WEST	149.9	171.3	24.0	27.3
Manitoba	15.3	17.0	2.4	2.9
Saskatchewan	17.4	19.8	3.0	3.3
Alberta	71.7	83.4	11.2	12.9
British Columbia	45.5	51.1	7.4	8.2

*Light, medium and heavy trucks.

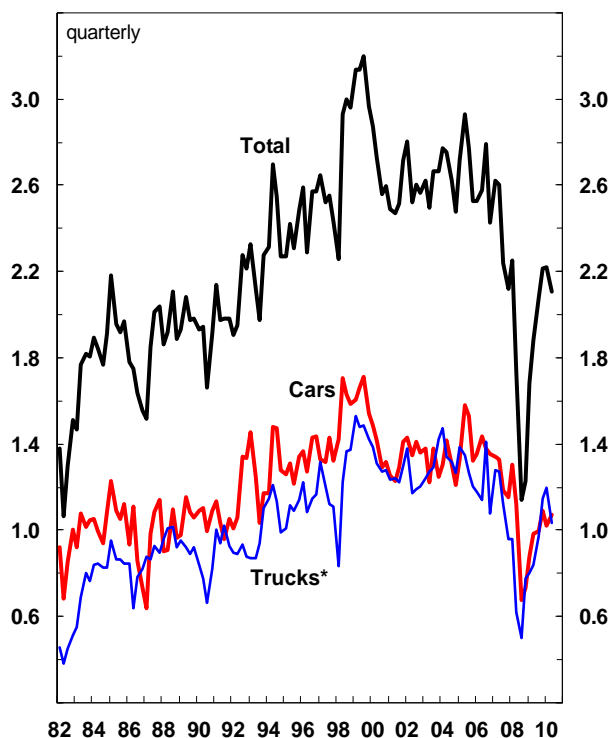


Canadian Motor Vehicle Production*
(thousands of units, not seasonally adjusted)

	<u>2009</u> Jan to Aug	<u>2010</u> Jan to Aug	<u>2009</u> Aug	<u>2010</u> Aug
TOTAL	849.2	1,398.1	140.4	196.6
CAR	482.3	683.9	79.4	94.9
Chrysler	61.8	127.1	12.9	19.5
Ford	48.0	66.2	2.5	9.2
GM	124.7	194.9	25.8	27.1
Honda	145.7	144.2	22.3	18.5
Toyota	102.1	151.5	15.9	20.6
TRUCKS**	366.9	714.2	61.0	101.7
CAMI (GM/Suzuki)	42.6	0.0	10.9	0.0
Chrysler	97.5	214.9	25.8	33.9
Ford	88.2	147.4	8.6	14.0
GM	27.1	152.1	0.0	24.9
Honda	16.7	48.3	1.6	6.1
Toyota	85.6	148.0	13.6	22.4
Others	9.2	3.5	0.5	0.4

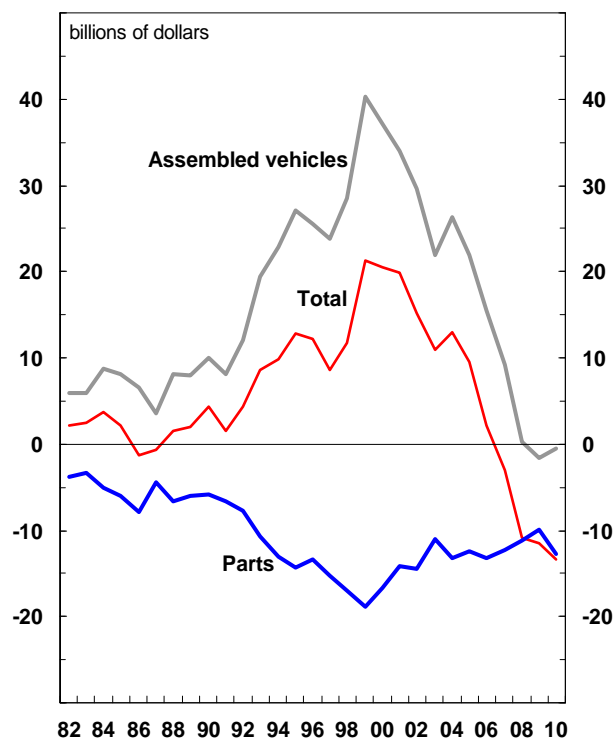
*Production data from Ward's Automotive Reports. **Light, medium and heavy trucks.

Canada — Motor Vehicle Production



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

Canada — World Auto Trade Balances

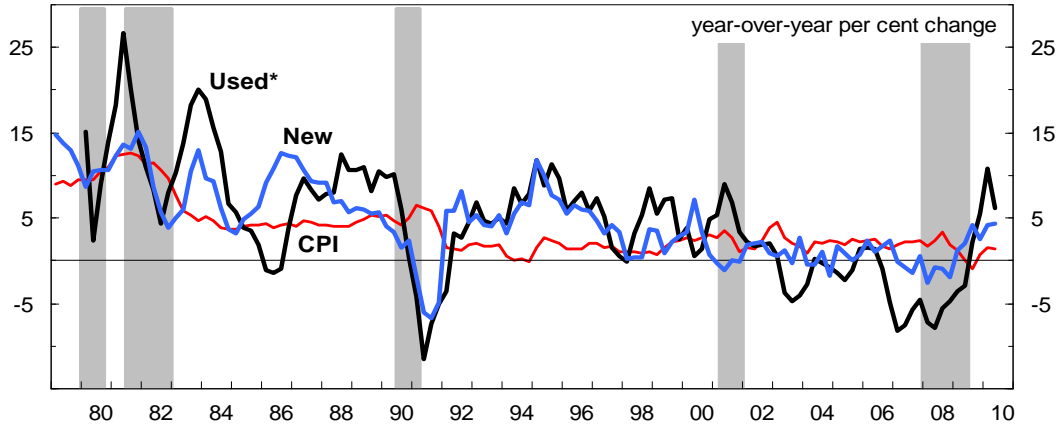


2010 data are January-July annualized.



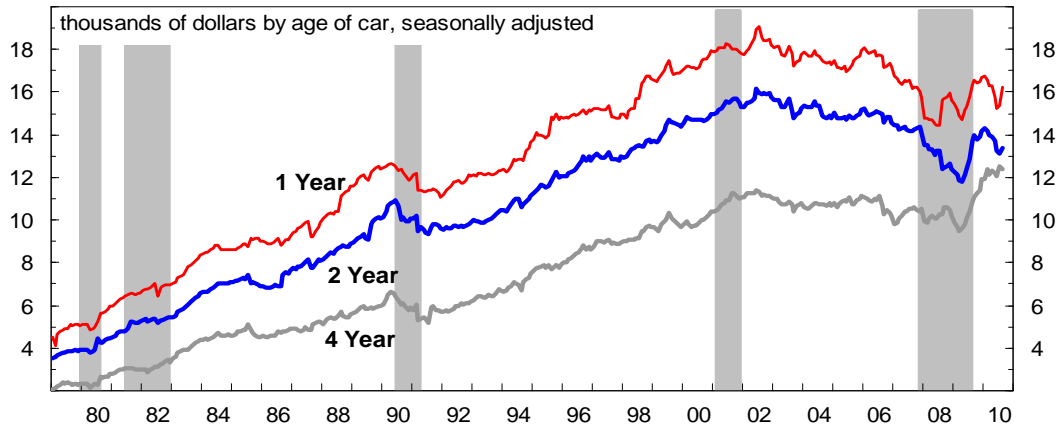
New & Used Car Prices

Scotiabank Car Price Indicators — Canada



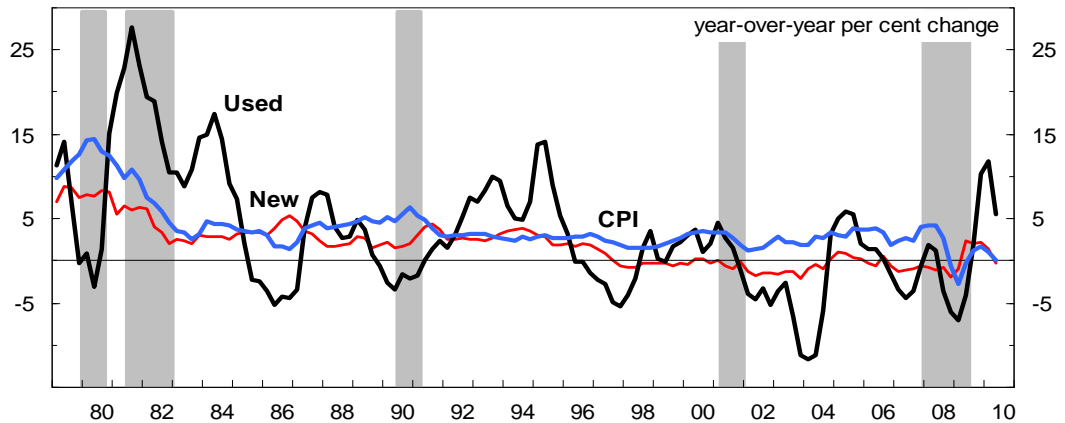
* Scotiabank estimate from Canadian Black Book data.

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							
	2009Q2	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
	Q2	2024	2.15	5.28	5.57	2.29	23.37
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

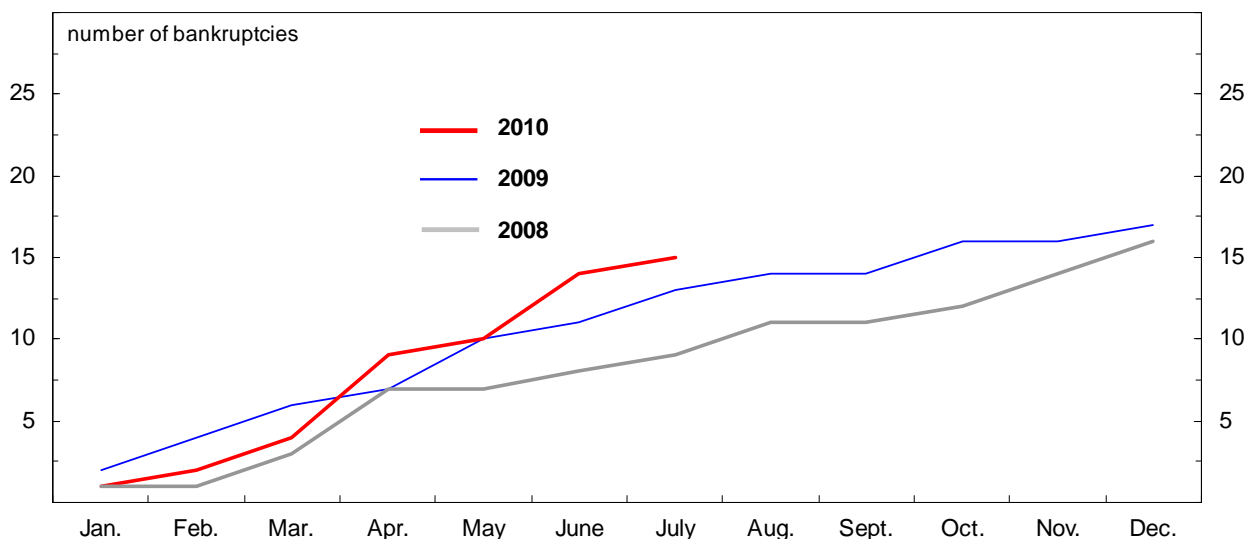
Inventory Turnover Ratio: sales/inventory

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.