

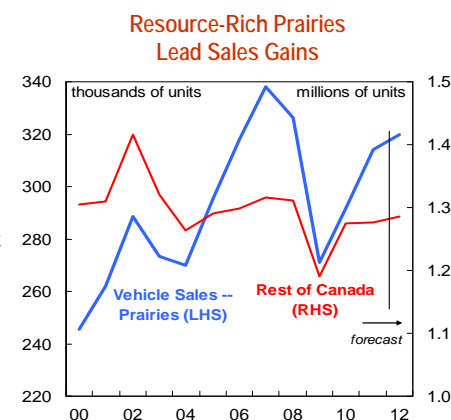
Global Auto Report

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Resource-Rich Prairies Will Continue To Lead Auto Sales Gains In 2012

Global car sales ended 2011 at record highs, rebounding from a summer lull when fears over prospects for Western Europe and product shortages from Japanese automakers prompted consumers throughout the world to move to the sidelines. Global volumes rose 2% year-over-year in December — led by a 5% month-to-month rebound in Asia. Purchases in the United States also advanced 9% y/y in December, climbing to an annualized 13.6 million units from an average of 13.4 million during the previous three months. The increase was concentrated in retail purchases, a positive development for the industry, and dovetails with other data (eg. the labour market) confirming that the U.S. economy gained momentum in the final months of 2011.

Canadian car and light truck sales also remained above a year earlier in December, but volumes softened to an annualized 1.50 million units in December well below the full-year 2011 total of 1.59 million. The moderation reflects some weakening in Canada's payrolls in late 2011, as well as a scaling back of incentives. However, preliminary data for January point to a significant rebound in purchases, a development consistent with our view that Canadian sales will climb to 1.605 million units in 2012 — the fifth highest annual total on record.



PROVINCIAL SALES OUTLOOK FOR 2012

The resource-rich provinces of Alberta and Saskatchewan will continue to lead Canadian car and light truck sales higher this year. Commodity prices have posted double-digit gains for two consecutive years and will remain elevated in 2012, supported by global economic growth of 3.5% — in line with the average of the past two decades.

Alberta will continue to be Canada's growth leader. Vehicle sales in Alberta posted a double-digit increase last year, climbing to 218,000 units — the fourth highest on record. We expect volumes to advance a further 3% to 224,000 units in 2012. Purchases will be lifted by ongoing gains in oil sands production and by oil prices hovering around US\$100 per barrel over the coming year. The oil patch is buoying Alberta's labour market, lowering its unemployment rate to less than 5% — the lowest level since late 2008 and prior to the global economic downturn. Population flows are once again attracted to Alberta, lifting the province's population by more by 1.6% over the past year.

Vehicle sales in **Saskatchewan** posted a robust 7% gain last year, with purchases bolstered by rising mineral production. **We expect Saskatchewan to be the only province to post record car and light truck sales in 2012, with purchases climbing to 51,000 units, up from 50,000 last year and an average of 43,000 per annum over the past decade.** Ongoing mineral expansion, as well as solid gains in farm incomes will bolster purchases. Household income in Saskatchewan has advanced by 7.5% over the past year, attracting population inflows and lifting the vehicle-buying population by nearly 2% y/y — double the pace of the past decade.

Sales in **Manitoba** advanced by 6% last year, and are expected to continue to outperform. Purchases will likely climb to 48,000 units in 2012 — the highest level since 2002, and 13% above the decade average. The province has the most stable auto market in Canada, and purchases will be supported by Manitoba's diversified economy. However, the sales gains will be held back by slowing job growth, linked to the recent completion of a number of major projects, including the expansion of the Winnipeg International Airport.

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Global Auto Report

Car and light truck purchases in **British Columbia** are expected to perform in line with the national average, climbing a moderate 1% this year to 160,000 units, up from 158,000 in 2011. Activity will be supported by rising exports to Asia — the destination for more than 40% of the province's overall exports. In particular, shipments to China have surged by nearly 30% over the past year, double the growth in overall exports. However, the gain in vehicle sales will be held back by subdued employment and population trends, as well as high housing prices. Employment and labour force growth have slowed significantly in British Columbia over the past year and inter-provincial migration trends turned negative in 2011 for the first time in nearly a decade.

Vehicle sales in **Ontario** increased 2% last year to 589,000 units. We expect purchases to edge up to 593,000 units in 2012, a level marginally below the decade average. The gains will be held back by sluggish manufacturing exports to the United States, and a Canadian dollar expected to hover around parity with the U.S. greenback. However, a rebound in vehicle production to more than 2.2 million units this year — the highest level since 2007 — will support employment growth and help sustain a moderate sales gain. An improved financial market performance, especially after the Federal Reserve's pledge to keep interest rates ultra-low through late 2014, will also be positive for vehicle sales — especially the luxury segment. Ontario accounts for nearly half of overall financial sector activity in Canada.

Car and light truck sales in **Quebec** were weaker than expected in 2011, falling 2% to 408,000 units, in line with the average of the past decade. We expect sales to inch up to 409,000 units, as improving orders in the key aerospace industry help stabilize industrial activity in the province. Recent announcements of two major investment projects in the aluminum industry are also supportive for the sales outlook.

However, a percentage point increase in Quebec's sales tax to 9.5% on January 1, 2012 will dampen the sales gain. In fact, purchases of new vehicles strengthened noticeably in Quebec late last year, as consumers bought new car and light trucks prior to the tax increase. Vehicle-buying demographics in the province have also started to weaken, with growth in the 20-69 year old population projected to moderate to only 0.5% per annum through 2016, less than half the pace of the previous five years.

Vehicle sales in **Atlantic Canada** also fell by 2% last year to 120,000 units, with the declines concentrated in Nova Scotia and Newfoundland and Labrador due to declining consumer confidence. Despite the fall-off, annual sales in the region remained at the third-highest level since the late 1980s. We expect a small increase in 2012, as confidence has begun to revive in Nova Scotia with the recent awarding of a \$25-billion shipbuilding contract to Halifax. Newfoundland and Labrador will also benefit from oil hovering around US\$100 per barrel, as well from expansions in mining operations (iron ore and gold). However, Newfoundland and Labrador have the weakest vehicle-buying demographics in Canada. The province's 20-69 year old population is projected to decline by 0.7% per annum over the next five years — more than double the fall-off expected in the rest of the Atlantic Provinces. Purchases in New Brunswick will be supported by increased call centre activity and rising exports to the United States, especially with the U.S. economy gaining momentum in recent months. New Brunswick depends on the United States for 84% of its overall exports, compared with 79% in the case of Ontario and 70% in the rest of Canada. Roughly 90% of the province's exports to the U.S. are resource-based. In contrast, shipments from Ontario to the United States are primarily manufactured products.

International Car Sales Outlook

	<u>1990-99</u>	<u>2000-08</u>	<u>2009</u> (millions of units)	<u>2010</u>	<u>2011e</u>	<u>2012f</u>
TOTAL SALES	39.20	49.55	50.42	56.82	58.96	61.46
North America*	16.36	19.01	12.61	13.96	15.22	16.10
Canada	1.27	1.60	1.46	1.56	1.59	1.61
United States	14.55	16.39	10.40	11.55	12.73	13.50
Mexico	0.54	1.02	0.75	0.85	0.90	0.99
Western Europe	13.11	14.48	13.62	12.98	12.80	12.16
Germany	3.57	3.28	3.81	2.92	3.17	3.24
Eastern Europe	1.18	2.73	2.58	3.14	3.90	4.25
Russia	0.78	1.54	1.47	1.91	2.65	2.95
Asia	6.91	10.97	17.68	22.47	22.57	24.30
China	0.43	3.14	7.32	9.41	10.12	10.98
India	0.31	0.83	1.43	1.87	1.97	2.10
South America	1.64	2.36	3.93	4.27	4.47	4.65
Brazil	0.94	1.46	2.53	2.69	2.64	2.74

*Includes light trucks.

Global Auto Report

Canada/U.S. Motor Vehicle Sales Outlook

	<u>1991-05</u> Average	<u>2006-08</u>	<u>2009</u>	<u>2010</u>	<u>2011e</u>	<u>2012f</u>
<i>(thousands of units, annualized)</i>						
CANADA	1,398	1,637	1,461	1,557	1,590	1,605
Cars	797	874	749	711	695	700
Domestic	583	562	426	394	435	438
Transplants	178	283	265	235	252	255
Imports	214	312	323	317	260	262
Light Trucks	601	763	712	846	895	905
<i>(millions of units, annualized)</i>						
UNITED STATES	15.5	15.3	10.4	11.6	12.7	13.5
Cars	8.3	7.9	5.5	5.7	6.1	6.5
Light Trucks	7.2	7.4	4.9	5.9	6.6	7.0
<i>(millions of units, annualized)</i>						
NORTH AMERICAN PRODUCTION*	15.58	14.74	8.76	12.15	13.43	14.23
CANADA	2.50	2.41	1.49	2.07	2.13	2.27
UNITED STATES	11.67	10.23	5.71	7.74	8.61	9.10
MEXICO	1.41	2.10	1.56	2.34	2.69	2.86

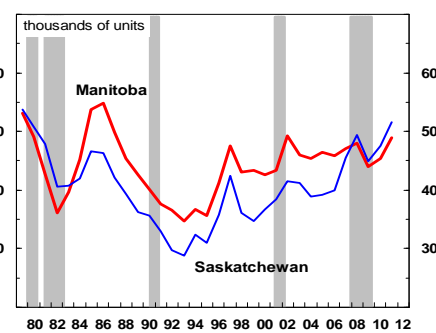
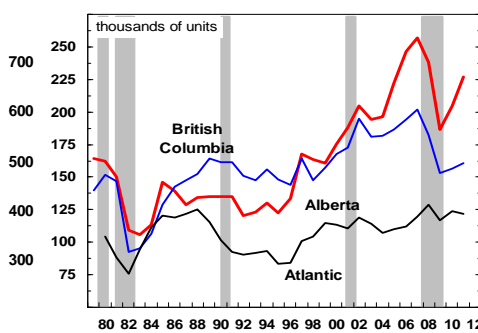
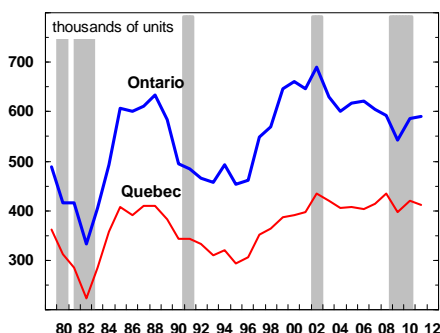
*Includes transplants; light, medium and heavy trucks.

Vehicle Sales Outlook By Province*

(thousands of units, annual rates)

	<u>1994-05</u> Average	<u>2006-08</u>	<u>2009</u>	<u>2010</u>	<u>2011e</u>	<u>2012f</u>
CANADA	1,446	1,637	1,461	1,557	1,590	1,605
ATLANTIC	102	119	115	122	120	120
CENTRAL	936	1,002	927	990	997	1,002
Quebec	366	411	392	414	408	409
Ontario	570	591	535	576	589	593
WEST	408	516	419	445	473	483
Manitoba	42	45	43	44	47	48
Saskatchewan	36	43	44	46	50	51
Alberta	166	239	182	200	218	224
British Columbia	164	189	150	155	158	160

*Includes cars and light trucks.



Includes cars and trucks (light, medium and heavy).
Shaded bars indicate U.S. recession periods.

Global Auto Report

Auto Market Share By Manufacturer — Canada*

(thousands of units, not seasonally adjusted)

	<u>2010</u>		<u>2011</u>		<u>2010</u>		<u>2011</u>	
	Jan to Dec		Jan to Dec		Dec		Dec	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
TOTAL	705.2	100.0	693.8	100.0	45.8	100.0	45.9	100.0
Big Three	169.7	24.1	179.5	25.9	11.0	24.3	9.3	20.1
General Motors	82.3	11.7	77.6	11.2	5.4	11.9	4.4	9.5
Ford	61.3	8.7	69.9	10.1	4.1	9.0	3.5	7.6
Chrysler	26.1	3.7	32.0	4.6	1.5	3.4	1.4	3.0
Japanese	326.0	46.2	283.9	40.9	21.7	47.4	23.2	50.6
Honda	86.7	12.3	73.2	10.6	8.4	18.4	6.9	14.9
Toyota	94.2	13.4	85.3	12.3	4.9	10.8	6.9	15.1
Nissan	52.0	7.4	46.8	6.7	2.4	5.2	3.2	6.9
Mazda	65.1	9.2	56.8	8.2	4.1	8.8	3.8	8.4
Mitsubishi	10.0	1.4	7.3	1.1	0.6	1.2	0.8	1.8
Subaru	11.9	1.7	10.8	1.6	0.9	2.0	1.3	2.9
Hyundai	76.3	10.8	89.2	12.9	3.7	8.0	4.7	10.1
Volkswagen	38.1	5.4	44.8	6.5	3.3	7.1	2.9	6.4
Kia	38.2	5.4	40.8	5.8	1.8	3.8	2.0	4.5
BMW	23.8	3.4	20.5	2.9	2.0	4.5	1.4	3.2
Mercedes-Benz	19.2	2.7	19.9	2.9	1.7	3.6	1.6	3.5
Other	13.9	2.0	15.2	2.2	0.6	1.3	0.8	1.6

*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>2010</u>		<u>2011</u>		<u>2010</u>		<u>2011</u>	
	Jan to Dec		Jan to Dec		Dec		Dec	
	Units	% of Total	Units	% of Total	Units	% of Total	Units	% of Total
TOTAL	876.4	100.0	923.5	100.0	67.9	100.0	71.0	100.0
Big Three	550.4	62.8	570.3	61.7	43.0	63.2	43.0	60.6
General Motors	164.8	18.8	165.2	17.9	14.7	21.7	13.9	19.6
Ford	206.7	23.6	206.1	22.3	15.4	22.6	15.9	22.4
Chrysler	178.9	20.4	199.0	21.5	12.9	18.9	13.2	18.6
Other Domestic	26.1	3.0	34.1	3.7	2.4	3.6	2.9	4.1
Japanese	195.3	22.3	195.1	21.1	14.4	21.2	16.7	23.5
Honda	54.4	6.2	49.9	5.4	4.4	6.5	4.2	5.9
Toyota	77.8	8.9	77.0	8.3	4.7	7.0	6.8	9.6
Nissan	30.7	3.5	37.7	4.1	2.4	3.5	3.2	4.6
Mazda	13.6	1.6	12.4	1.3	1.2	1.7	1.0	1.4
Mitsubishi	9.5	1.1	13.2	1.4	1.2	1.7	1.2	1.7
Subaru	15.9	1.8	16.2	1.8	1.4	2.1	1.1	1.6
Hyundai	42.1	4.8	40.0	4.3	2.4	3.6	1.8	2.6
Kia	15.6	1.8	24.3	2.6	1.3	1.9	1.4	1.9
Other Imports	46.9	5.3	59.7	6.6	4.4	6.5	5.2	7.3
LIGHT TRUCKS	853.5	97.4	895.0	96.9	66.6	98.0	69.0	97.2

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

Global Auto Report

Auto Sales By Province

(thousands of units, not seasonally adjusted)

	<u>2010</u> Jan to Nov	<u>2011</u> Jan to Nov	<u>2010</u> Nov	<u>2011</u> Nov
CANADA	664.4	645.4	51.2	50.8
ATLANTIC	54.8	51.7	3.6	3.6
Newfoundland	13.2	11.7	0.8	0.8
Nova Scotia	22.9	21.9	1.5	1.5
New Brunswick	16.0	15.5	1.1	1.1
Prince Edward Island	2.7	2.6	0.2	0.2
CENTRAL	465.9	458.5	36.6	36.9
Quebec	221.6	212.5	16.0	16.9
Ontario	244.3	246.0	20.6	20.0
WEST	143.7	135.2	11.0	10.3
Manitoba	14.8	14.7	1.1	1.1
Saskatchewan	11.8	11.1	0.9	0.8
Alberta	54.2	49.7	4.1	3.8
British Columbia	62.9	59.7	4.9	4.6

Truck Sales By Province*

(thousands of units, not seasonally adjusted)

	<u>2010</u> Jan to Nov	<u>2011</u> Jan to Nov	<u>2010</u> Nov	<u>2011</u> Nov
CANADA	805.8	857.3	67.3	73.7
ATLANTIC	61.4	62.2	4.7	5.2
Newfoundland	16.5	17.2	1.3	1.5
Nova Scotia	21.9	20.8	1.6	1.8
New Brunswick	20.3	21.4	1.6	1.7
Prince Edward Island	2.7	2.8	0.2	0.2
CENTRAL	469.7	485.1	38.1	40.1
Quebec	170.9	172.9	13.4	14.0
Ontario	298.8	312.2	24.7	26.1
WEST	274.7	310.0	24.5	28.4
Manitoba	27.3	30.0	2.4	2.6
Saskatchewan	32.1	35.7	3.0	3.2
Alberta	134.1	156.5	11.9	14.9
British Columbia	81.2	87.8	7.2	7.7

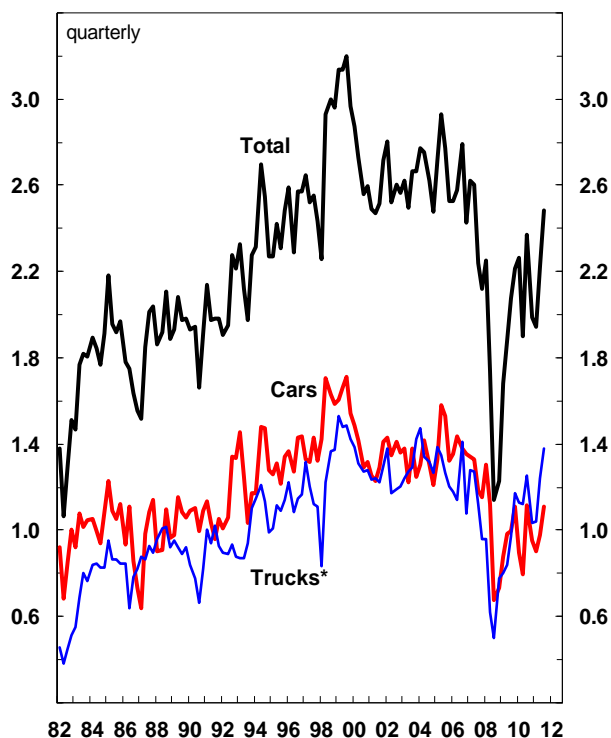
*Light, medium and heavy trucks.

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

	<u>2010</u> Jan to Dec	<u>2011</u> Jan to Dec	<u>2010</u> Dec	<u>2011</u> Dec
TOTAL	2,068.1	2,130.1	137.5	168.5
CAR	967.1	987.3	57.9	74.0
Chrysler	163.3	194.6	2.8	15.8
Ford	96.0	76.5	6.9	0.0
GM	272.2	317.9	20.0	23.2
Honda	209.5	173.5	11.5	14.6
Toyota	226.1	224.8	16.7	20.4
TRUCKS**	1,101.0	1,142.8	79.6	94.5
CAMI (GM/Suzuki)	0.0	0.0	0.0	0.0
Chrysler	312.1	301.5	21.4	26.3
Ford	224.6	243.9	15.1	18.9
GM	257.4	343.9	22.3	26.3
Honda	68.7	54.5	3.5	5.7
Toyota	232.6	189.4	16.9	16.6
Others	5.6	9.6	0.4	0.7

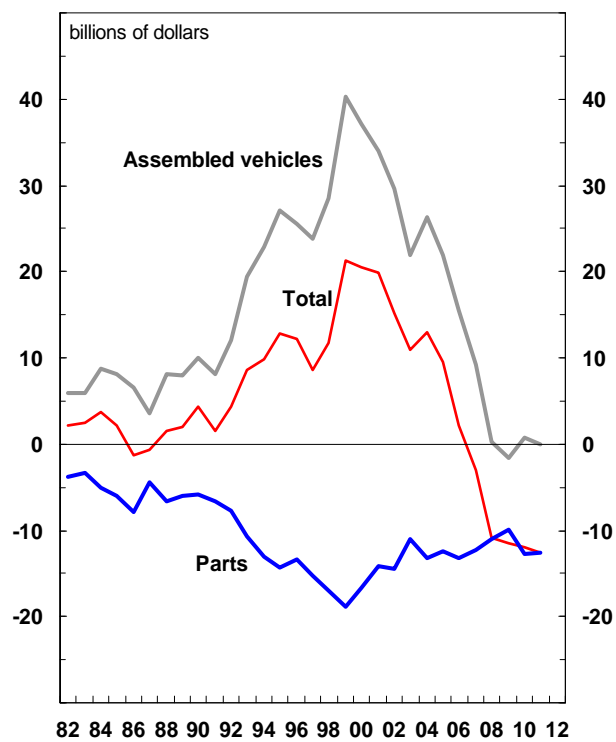
*Production data from Ward's Automotive Reports. **Light, medium and heavy trucks.

Canada — Motor Vehicle Production



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

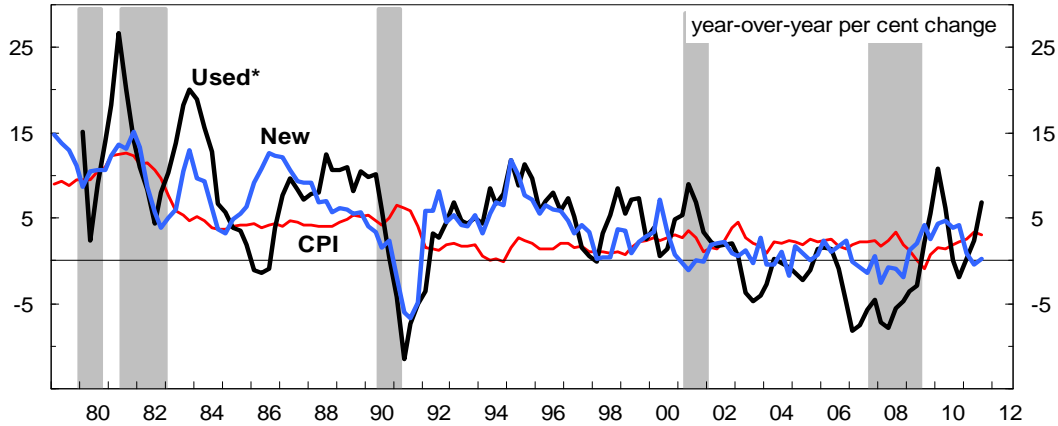
Canada — World Auto Trade Balances



2011 data are January-November annualized.

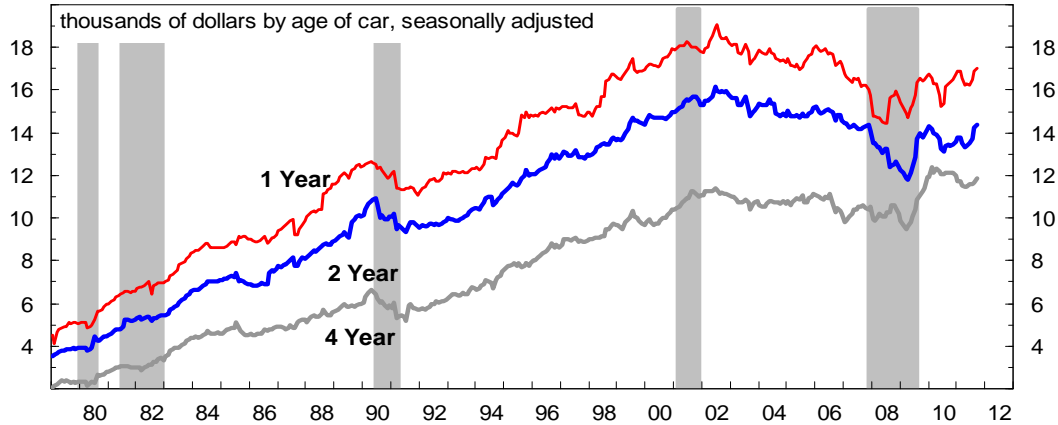
New & Used Car Prices

Scotiabank Car Price Indicators — Canada



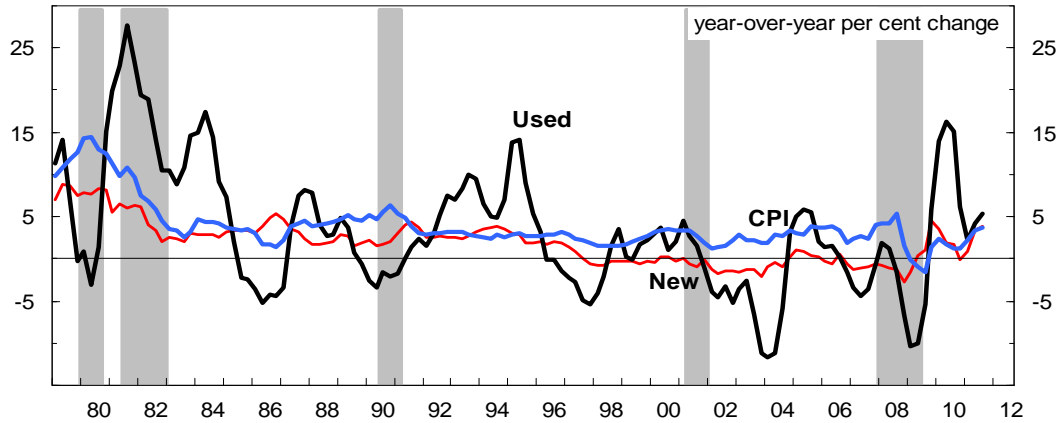
* Scotiabank estimate from Canadian Black Book data.

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	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	1.41	5.05	3.36	2.56	15.13
	2008	1142	1.43	5.04	3.51	2.44	14.66
2009	1449	1.89	5.35	4.93	1.79	17.49	
2010	2001	2.52	5.27	5.99	1.62	20.63	
Quarterly at annual rates							
	2010Q3	2316	2.81	5.48	7.07	1.55	22.95
	Q4	2052	2.60	5.43	5.27	1.45	19.70
	2011Q1	1712	2.28	4.79	5.38	1.57	16.67
	Q2	2200	2.66	5.24	6.03	1.52	20.61
	Q3	2176	2.44	5.23	4.47	1.49	19.89
Average (89-10)		648	1.12	6.27	2.72	2.38	10.60
Low (89-10)		-68	0.10	4.59	1.10	3.57	-1.20

Definition of Ratios:

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

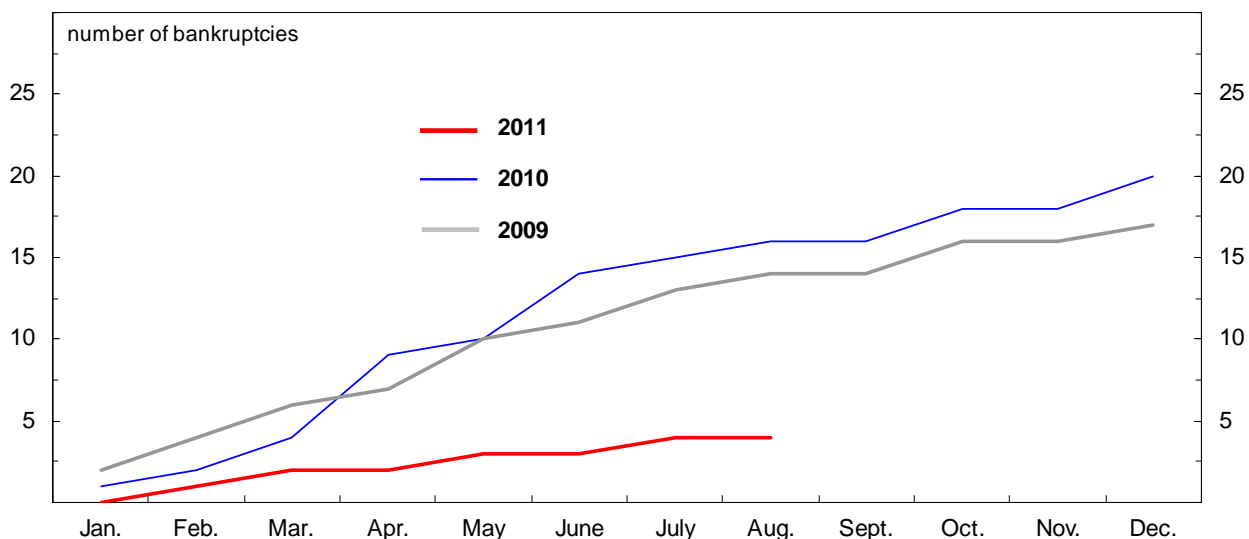
Inventory Turnover Ratio: sales/inventory

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.