

## Canadian and US Vehicle Sales — May 2017

### CANADA

Purchases surged 11% above a year earlier, climbing back above an annualized 2.0 million units and setting a record for the month of May. Enhanced incentives and a fierce fight for market share has narrowed the sales gap among the top three market leaders to less than 5,500 units so far this year, down from nearly a 21,000-unit difference a year ago.

Highlighting the extent of the incentives currently being offered, car sales jumped 3% above a year earlier last month. This represents the first advance since the spring of 2015. Prior to last month's upturn, car sales had declined 5% through May. Last month's gain in light truck purchases was also nearly triple the increase of the previous five months.

### UNITED STATES

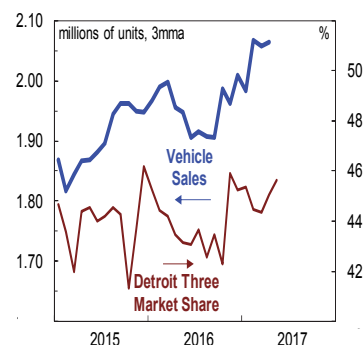
Most automakers exceeded expectations last month, but sharp double-digit declines in fleet deliveries from several manufacturers held back industry volumes. We estimate that overall US sales totalled an annualized 16.6 million last month, lower than analysts' expectations and well below the January-to-April average of 17.1 million. However, retail volumes were stronger than expected in May, climbing 2% y/y for North American manufacturers.

US new vehicle sales to household have been largely unchanged this year from the 2016 record-setting pace. Purchases are being supported by a strong labour market, high consumer confidence, as well as rising wages and low interest rates. Despite the solid retail performance and strengthening economic fundamentals, we have downgraded our 2017 sales forecast to 17.4 million units, due to the weakness in fleet activity—especially from the rental car industry.

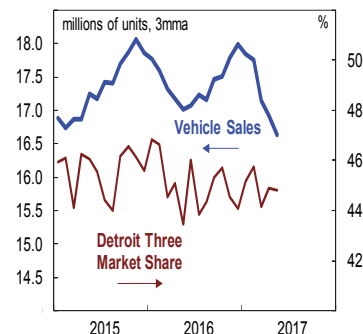
### CONTACTS

**Carlos Gomes**  
416.866.4735  
Scotiabank Economics  
[carlos.gomes@scotiabank.com](mailto:carlos.gomes@scotiabank.com)

**Vehicle Sales & Detroit Three**



**Vehicle Sales & Detroit Three Market Share — United States**



### Canada/US Motor Vehicle Sales Outlook

	<u>1991–01</u> Average	<u>2002–14</u> Average	<u>2015</u>	<u>2016</u>	<u>2017</u>	
					Jan-May *	Annual f
	(thousands of units, annualized)					
<b>CANADA</b>	<b>1,323</b>	<b>1,631</b>	<b>1,899</b>	<b>1,949</b>	<b>2,055 *</b>	<b>1,940</b>
Cars	772	809	715	662	667 *	650
Light Trucks	551	822	1184	1287	1388 *	1290
	(millions of units, annualized)					
<b>UNITED STATES</b>	<b>15.0</b>	<b>14.9</b>	<b>17.4</b>	<b>17.5</b>	<b>17.0</b>	<b>17.4</b>
Cars	8.5	7.1	7.5	6.9	6.1	6.2
Light Trucks	6.5	7.8	9.9	10.6	10.9	11.2
	(millions of units, annualized)					
<b>NORTH AMERICAN PRODUCTION**</b>	<b>15.30</b>	<b>14.90</b>	<b>17.90</b>	<b>18.20</b>	<b>17.90</b>	<b>18.50</b>

\*Includes Scotiabank estimates for April-May 2017. \*\*Canada, USA and Mexico; cars, light, medium and heavy trucks.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.