








AutoWatch

This month

- Sales return to a five-year high at General Motors
- Macan puts Porsche on the map for growth
- Nissan Group builds momentum in 2014

The Canadian light vehicle market is solid again in November, extending the monthly sales record to eight in a row. Total industry volume jumped 3.6 percent year-over-year to 138,694 units, slightly down from the torrid pace of recent months. The seasonally adjusted annualized rate eased to a still strong 1.866 million in November - a noteworthy reduction from 2.02 million in October. However, sales were within range of our forecast as we anticipated the market would cool in November. A disappointing month in passenger car sales (-4.2% YOY / 64,940 units) further echoed the high level of performance produced by the light truck market (+9.4% YOY / 90,009 units). The luxury vehicle market, which has been trending faster than the rest of the industry, is on track to set a new annual sales record based on some incredible performances including Acura (+23.0% YOY), Audi (+30.5% YOY), BMW (+3.9% YTD), Infiniti (+19.6% YOY), Jaguar (+14.3% YTD), Land Rover (+21.9% YTD), Lexus (+8.8% YTD), Mercedes-Benz (+19.1% YOY) and Porsche (+38.9% YOY). There were also a few surprises in November with lower numbers coming from Kia (-19.1% YOY), Mazda (-14.3% YOY), Mitsubishi (-20.0% YOY) and Toyota (-4.9% YOY). With 11 months of sales in the books the accumulative total of new light vehicle sales is 1,718,211 units, up 5.4 percent year-over-year.

Industry Checklist

	Economic Condition	YELLOW
	Light Vehicle Sales	GREEN
	Auto Production	GREEN
	Fuel Prices	GREEN
	Incentives	GREEN
	Economic Condition	GREEN
	Light Vehicle Sales	GREEN

Market Snapshot

	November 2014	November 14/13	YTD 2014	YTD 14/13	Share 2014
1 Chrysler (Fiat)	20,762	8.9%	266,622	9.6%	15.5%
2 Ford	20,056	2.0%	269,198	0.7%	15.7%
3 General Motors	19,264	10.2%	230,553	5.8%	13.4%
4 Toyota (Scion)	13,561	-4.9%	172,380	2.5%	10.0%
5 Honda	12,736	3.9%	140,959	5.4%	8.2%
6 Hyundai	10,061	0.6%	130,559	0.6%	7.6%
7 Nissan	7,902	21.7%	97,824	28.2%	5.7%
8 Mazda	5,068	-14.3%	68,064	1.1%	4.0%
9 Volkswagen	4,840	0.2%	61,283	4.6%	3.6%
10 Kia	4,460	-19.1%	66,655	-4.3%	3.9%
11 Mercedes-Benz	3,551	19.1%	34,829	9.4%	2.0%
12 Subaru	3,541	6.4%	38,902	14.2%	2.3%
13 BMW	2,835	-8.0%	30,277	3.9%	1.8%
14 Audi	2,140	30.5%	22,594	18.5%	1.3%
15 Acura	1,808	23.0%	17,649	2.4%	1.0%
16 Mitsubishi	1,492	-20.0%	21,297	7.6%	1.2%
17 Lexus	1,402	5.4%	16,056	8.8%	0.9%
18 Infiniti	848	19.6%	9,490	13.6%	0.6%
19 MINI	608	29.6%	4,928	-8.6%	0.3%
20 Land Rover	551	8.5%	5,651	21.9%	0.3%
21 smart	403	144.2%	2,345	13.1%	0.1%
22 Porsche	400	38.9%	4,571	34.4%	0.3%
23 Volvo	300	-8.5%	4,182	-5.2%	0.2%
24 Jaguar	105	2.9%	1,343	14.3%	0.1%
Total Market	138,694	3.6%	1,718,211	5.4%	

Note: Manufacturers sorted based on November 2014 sales.

Source: DesRosiers Automotive Consultants Inc., GAC, CVMA

Monthly Sales Highlights



With another great result in November, **GENERAL MOTORS CANADA** is on track to its best selling year since 2009. We anticipate the automaker could achieve close to 250,000 units in new vehicle sales in 2014. Within the Detroit Group, General Motors captured the highest percentage growth in November sales. GM sales increased 10.2 percent year-over-year to 19,264 units – ranked third in the market last month. Year-to-date, the automaker sold 230,553 units in the first eleven months, up 5.8 percent from 2013.



Based on the current market condition, it appears **PORSCHE CARS CANADA** will walk away with the title of fastest-growing luxury brand in Canada in 2014. As of November, the German brand was tracking 34.4 percent in front of last year in terms of sales. Porsche is in a very good position unless its two closest pursuers - Land Rover (+21.9% YTD) and Audi (+18.5% YTD) - pull off a Christmas miracle this month. Maker of the new Macan luxury compact SUV, Porsche has the potential to reach 5,000 units in annual sales for the first time this year. The company delivered 4,571 new vehicles thus far this year and surpassed its previous sales record of 3,680 units set in 2013.



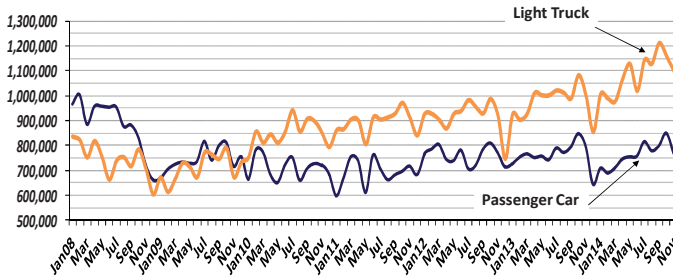
Leading the industry in sales growth all year, **NISSAN GROUP CANADA** will for the first time in company history sell more than 100,000 units of new vehicles in a year. It has been a remarkable run by the Japanese automaker to have both of its brands trending with tremendous momentum in 2014. Up 28.2 percent in sales year-to-date, the Nissan brand alone generated 97,824 units in new vehicle sales – the fastest-growing mass market brand in Canada. The division sold 7,902 units in November - an increase of 21.7 percent year-over-year. The Infiniti brand has been equally impressive in 2014. Nissan's luxury vehicle division accounted for approximately 10 percent of Nissan Group sales, it registered 9,490 new vehicle sales in eleven months. Infiniti sales grew 13.6 percent on a year-to-date basis. Nissan Group Canada is the fastest-growing OEM in 2014, growing its market share by 1.1 points year-to-date.

Top Ten Selling Models - November YTD 2014

			2014	14/13
1	Ford	F-Series	115,890	1.0%
2	Ram	Pickup	78,356	6.8%
3	Honda	Civic	62,026	2.3%
4	Ford	Escape	48,884	16.0%
5	Dodge	Caravan	48,619	48.2%
6	Hyundai	Elantra	47,779	-8.1%
7	Toyota	Corolla	46,472	10.6%
8	GMC	Sierra	44,752	3.7%
9	Chevrolet	Silverado	38,929	11.5%
10	Mazda	3	38,818	3.0%

Monthly Market Analysis

Monthly Canadian Light Vehicle Sales - SAAR
(Passenger Car vs. Light Truck)
 January 2008 – November 2014



Source: DesRosiers Automotive Consultants Inc.

Note: SAAR is based on a 10-year tracking of seasonal variations.

The gap between the light truck segment and the passenger car segment has been expanding progressively in recent years. The gap (measured in seasonally adjusted annualized sales figures) went from an estimated average of 153,800 units in 2012 to over 212,600 units in 2013 – a difference of 58,800. From 2013 it then jumped to an estimated average of 310,500 units in 2014, increasing the difference to 97,900. We estimate in 2015 the gap could increase to 340,000 and possibly as much as 380,000. The passenger car segment went backward in November, dropping its seasonal selling rate to 770,120 units. In regards to the light truck segment, it stayed at 1.1 million units.

Segmentation Sales Report

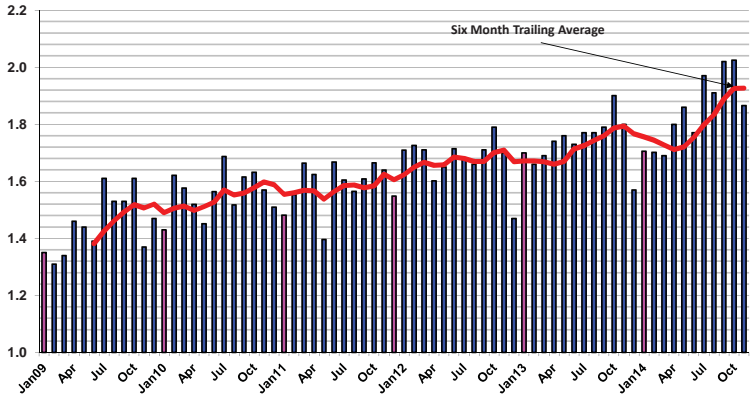
If November sales share any resemblance of a more normalized market, we should try to look for implications from this segmentation report. The industry is on route to 1.8 million in sales in 2014 and possibly higher in 2015. However, some segments will be stronger than the rest, leaving some parts of the market vulnerable to both sales and market share losses. One area of the market that was collectively weaker in November is the midsize segment – including both mass and luxury market vehicles. Our definition for midsize in this analysis includes: Intermediate Utility (-2.1%), Luxury Intermediate Utility (-10.1%), Small Van (-8.5%) and Intermediate Car (-2.7%). Two of the four segments (Small Van and Intermediate Car) have a long history of declining sales and market share going back more than a decade. On the other hand, intermediate and luxury intermediate utilities have done well in recent years and they are in a better position. However, these two segments could face challenges from other emerging vehicle segments in a rapidly changing automotive landscape.

November (sales - 000's)	2010	2011	2012	2013	2014	14/13
Compact Utility	18.9	20.5	21.8	26.8	29.9	11.6%
Intermediate Utility	10.8	10.7	12.2	11.7	11.4	-2.1%
Large Pickup	18.6	20.9	19.5	20.9	24.3	16.2%
Large Utility	1.0	1.0	1.0	1.0	1.0	-5.7%
Large Van	1.5	1.7	2.5	1.7	2.0	20.7%
Compact Luxury Utility	1.4	2.4	2.6	2.6	4.0	53.9%
Intermediate Luxury Utility	3.3	3.7	3.4	4.0	3.6	-10.1%
Large Luxury Utility	0.6	0.6	0.8	0.7	0.9	30.3%
Small Pickup	3.0	2.6	1.5	1.4	1.4	1.0%
Small Van	6.6	5.8	5.5	6.2	5.7	-8.5%
Total Light Truck	65.6	70.0	70.8	76.9	84.2	9.4%
Compact	26.7	27.5	29.1	30.2	26.5	-12.4%
Intermediate	9.0	9.0	11.5	10.6	10.3	-2.7%
Luxury High	1.2	1.2	1.1	1.3	1.1	-19.0%
Luxury	4.9	5.0	4.9	5.9	6.3	5.4%
Luxury Sport	0.2	0.2	0.2	0.3	0.3	5.0%
Subcompact	6.7	6.4	6.6	7.3	8.5	15.9%
Sport	1.6	1.9	1.5	1.2	1.7	34.5%
Total Passenger Car	50.3	51.1	55.0	56.9	54.5	-4.2%
Total Light Vehicle Sales	116.0	121.1	125.7	133.9	138.7	3.6%

Source: DesRosiers Automotive Consultants Inc., GAC, CVMA

Monthly Market Commentary

Monthly Canadian Light Vehicle Sales - SAAR
 January 2009 – November 2014

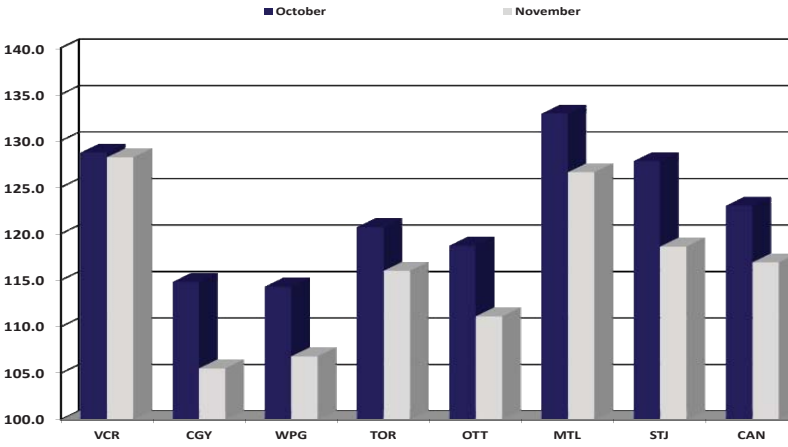


Source: DesRosiers Automotive Consultants Inc.

Note: SAAR is based on a 10-year tracking of seasonal variations.

It has been a long grinding road back from the Great Recession, but even the head of Bank of Canada acknowledges that a broad economic recovery may be in the near horizon. Mr. Poloz recently suggested that the economy is stronger than he thought, alluding to the resurging U.S. economy and a lower Canadian dollar. If the auto market is an indicator of our economy, he has a strong case in hand. The pace of auto sales exploded in July and kept on gaining till the end of October. November sales were still very good even the seasonality adjusted annualized rate slipped to 1.866 million units from over 2.0 million.

Canadian Monthly Gasoline Prices



Source: Natural Resources Canada

Price per liter of Regular self-serve gasoline

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EconoWatch

This month

- *Inflation rate in Canada is no longer considered soft*
- *Bankers forecast more downside risk to the Loonie*
- *A pullback in employment after substantial gains*

Monthly Economic Commentary

Excerpt from BMO Capital Markets Economic Research - Bank of Canada Financial System Review

The Review essentially sees the same four major risks for Canada as six months ago, and their probability of erupting are also judged the same. The big four risks that the BOC cites are: 1. Household financial stress and a sharp correction in home prices (potentially severe impact, but low probability). 2. A Sharp increase in long-term rates as monetary policies normalize (medium severity, low probability). 3. Stress from the Euro Area, possibly with Russia as a trigger (medium severity, medium probability). 4. Stress emanating from a financial disruption in China (medium severity, medium probability). The Bank believes that the channels through which these risks could hit Canada are through three main vulnerabilities on the domestic landscape: 1. Elevated household debt, 2. Housing market imbalance, 3. Investor risk taking and illiquidity in financial markets. There were also findings in some key concerns, each of which was notable in its own

Economic Checklist

Gross Domestic Production	YELLOW
Consumer Price Index	YELLOW
Canadian Dollar	YELLOW
Employment	YELLOW

right: Auto lending: While the Bank does express some concern about the significant increase in auto loans, the Bank deems that this raises “only moderate concerns; given “its small share in the overall household debt and the limited exposure of banks (less than 3 percent of their total loans)”. Still, the Bank warned that “borrowers with low credit scores now account for about one-quarter of new auto loans.” The Bank also raised concerns on the mortgage

side, claiming that “a sizeable proportion of new, uninsured mortgages are being issued to riskier borrowers.” Housing overvaluation: Perhaps the most interesting observation, and the perhaps the most contentious. The Bank’s model finds that national home prices are 10-30% overvalued, a similar figure to what they would find in Australia and New Zealand. However, they note that the market has been at least 10% overvalued since 2007, and there has been only a “modest upward creep” since 2009.

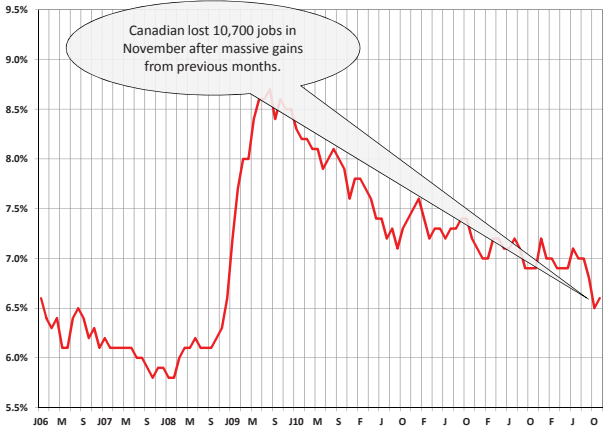
(AAR. over AAR. % change unless indicated)

Leading Indicators	2015F	2014F	2013	2012	2011	2010	2009
Real Gross Domestic Product	2.6	2.4	2.0	1.8	2.5	3.2	-2.7
Consumer Spending	2.4	2.7	2.4	1.9	2.2	3.3	0.4
Consumer Price Index	1.9	2.0	0.9	1.5	2.9	1.8	0.3
Exchange Rate (US\$/CDN\$)	87.7	89.0	97.1	100.1	101.1	97.2	87.9
Real Disposable Income	2.8	2.9	2.4	2.5	1.3	3.3	1.2
Industrial Production	3.0	3.8	1.9	0.9	3.5	4.7	-10.0
Unemployment Rate	6.5	7.0	7.1	7.3	7.5	8.0	8.3
Overnight Target Rate (Percentage)	1.1	1.0	1.0	1.0	1.0	0.9	0.4

Source: BMO Nesbitt Burns, Scotiabank, TD Bank, CIBC, Statistic Canada

Unemployment Rate

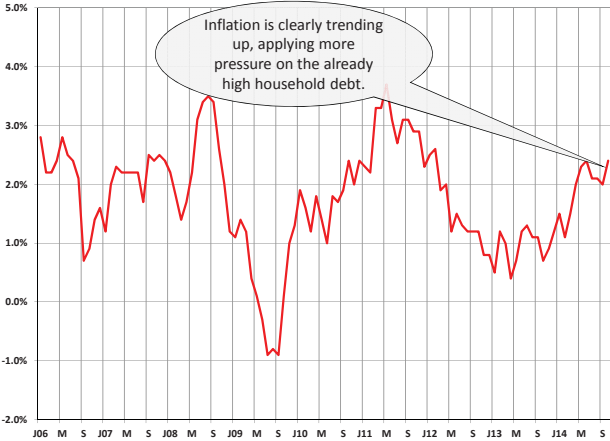
January 2006 to November 2014



Source: Statistics Canada

Consumer Price Index

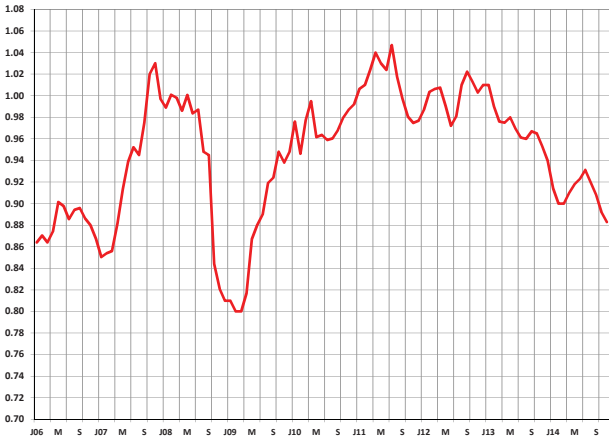
January 2006 to October 2014
 YOY Change



Source: Statistics Canada

Exchange Rate

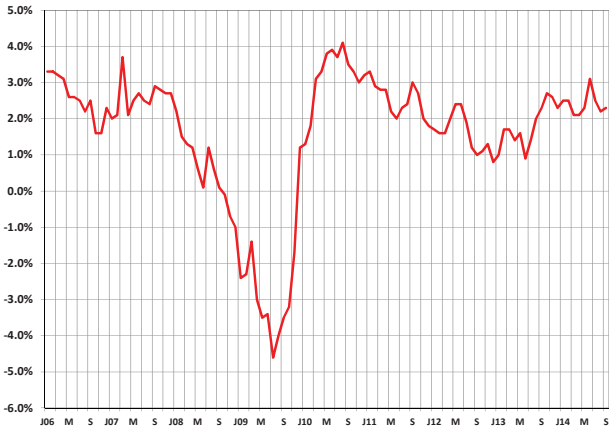
January 2006 to November 2014
 (\$CDN/\$US)



Source: Bank of Canada

Gross Domestic Product

January 2006 to September 2014
 YOY Percentage Change



Source: Statistics Canada

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