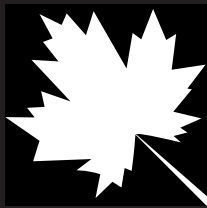




AutoWatch










February 11, 2011

desrosiers
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Industry Checklist

| | | |
|---|---------------------|-----------|
|  | Economic Condition | YEL > GRN |
|  | Light Vehicle Sales | YELLOW |
|  | Auto Production | GREEN |
|  | Fuel Prices | RED |
|  | Incentives | GREEN |
|  | Economic Condition | YELLOW |
|  | Light Vehicle Sales | GREEN |

A shaky start to 2011 ...

It was not the most convincing start for the light vehicle market in 2011. Industry sales did rebound 3.6 percent in January, but a very weak seasonal pace provided little

H I G H L I G H T S

A step forward for Toyota Canada Inc.

Volkswagen scored big with new Jetta and TDI

Hyundai Auto Canada kept on rolling

More work to be done at Honda Canada Inc.

The all-new MINI Countryman

| | January 2011 | January 11/10 | YTD 2011 | YTD 11/10 | Share 2011 |
|---------------------|---------------|---------------|---------------|-------------|------------|
| 1 General Motors | 14,552 | -1.8% | 14,552 | -1.8% | 17.2% |
| 2 Ford | 14,314 | 24.0% | 14,314 | 24.0% | 16.9% |
| 3 Chrysler | 13,520 | 14.1% | 13,520 | 14.1% | 16.0% |
| 4 Toyota | 8,323 | 0.9% | 8,323 | 0.9% | 9.8% |
| 5 Hyundai | 6,684 | 9.9% | 6,684 | 9.9% | 7.9% |
| 6 Nissan | 4,008 | -11.9% | 4,008 | -11.9% | 4.7% |
| 7 Mazda | 3,688 | -11.6% | 3,688 | -11.6% | 4.4% |
| 8 Honda | 3,467 | -38.9% | 3,467 | -38.9% | 4.1% |
| 9 Kia | 3,049 | 26.2% | 3,049 | 26.2% | 3.6% |
| 10 Volkswagen | 2,861 | 22.7% | 2,861 | 22.7% | 3.4% |
| 11 Subaru | 1,753 | 1.4% | 1,753 | 1.4% | 2.1% |
| 12 Mercedes-Benz | 1,482 | -7.7% | 1,482 | -7.7% | 1.8% |
| 13 Mitsubishi | 1,412 | 29.9% | 1,412 | 29.9% | 1.7% |
| 14 BMW | 1,215 | 16.7% | 1,215 | 16.7% | 1.4% |
| 15 Audi | 1,140 | 29.0% | 1,140 | 29.0% | 1.3% |
| 16 Lexus | 728 | -23.6% | 728 | -23.6% | 0.9% |
| 17 Acura | 574 | -19.8% | 574 | -19.8% | 0.7% |
| 18 Suzuki | 413 | -20.0% | 413 | -20.0% | 0.5% |
| 19 Volvo | 397 | 0.3% | 397 | 0.3% | 0.5% |
| 20 Infiniti | 330 | -22.9% | 330 | -22.9% | 0.4% |
| 21 Land Rover | 173 | -1.1% | 173 | -1.1% | 0.2% |
| 22 MINI | 158 | 0.6% | 158 | 0.6% | 0.2% |
| 23 Porsche | 143 | 52.1% | 143 | 52.1% | 0.2% |
| 24 smart | 82 | -6.8% | 82 | -6.8% | 0.1% |
| 25 Jaguar | 32 | -8.6% | 32 | -8.6% | 0.0% |
| Total Market | 84,509 | 3.6% | 84,509 | 3.6% | |

Market Snapshot

Note: Manufacturers sorted based on January sales.
Source: DesRosiers Automotive Consultants Inc., AIAMC, CVMA

optimism for a realistic recovery to normality. The market was captured again travelling at a lower than seasonal pace of 1.48 million units - relatively unchanged from December. Given the volatility of January sales and other cyclical factors, our market has been able to average over 1.57 million units the past decade. A very fragile passenger car market remained as the downfall to the overall softness. Sales fell 9.0 percent last month, dropping its market share to 38 percent. The light truck market generated all the upside energy, boosting sales by 13.2 percent. This result reflected positively on the Detroit nameplates - General Motors, Ford and Chrysler occupied the top three spots in January. They combined captured 50.2 percent of the market share.



Monthly Sales Highlights

TOYOTA CANADA INC. (TCI) sold 9,051 new Toyota, Lexus and Scion vehicles in January, down 1.6



The xB is Scion best-selling model in Canada.

percent from the same month in 2010. Contradictory to the mass market, TCI experienced accelerated demand for their passenger cars. Their January sales increased 2.8 percent, led by several core Toyota vehicles. The Toyota brand (including Scion) registered 8,323 units, up 0.9 percent year-over-year. TCI's luxury brand Lexus did not have a particularly good result last month. Sales of Lexus vehicles dropped 23.6 percent compared to last year. Scion made a marginally impact, contributing 162 units to the company total.

VOLKSWAGEN CANADA jump started the year with an overall sales increase of 22.7 percent over last year. The Germany nameplate delivered 2,861



Is this Volkswagen Jetta the answer to bigger market share?

vehicles in January - a new company sales record. Leading the way was the 2011 Volkswagen Jetta - which captured 1,465 units of company's total sales last month. Volkswagen's TDI Clean Diesel range was also instrumental. Sales of total TDI models reached 33 percent of the monthly total in January. The company is launching the all-new Passat later this year.

Monthly Sales Highlights

HYUNDAI AUTO CANADA continues to impress with a blistering start in 2011. The Korean automaker posted a sales increase of 9.9 percent, comfortably ahead of the market. A



The Hyundai Elantra is the top-selling passenger car in January 2011.

new January sales record of 6,684 units came from elevated demand for the company's Tucson, Sonata and all-new Elantra. Hyundai captured 7.9 percent market share in January, making them the fifth largest player in Canada.

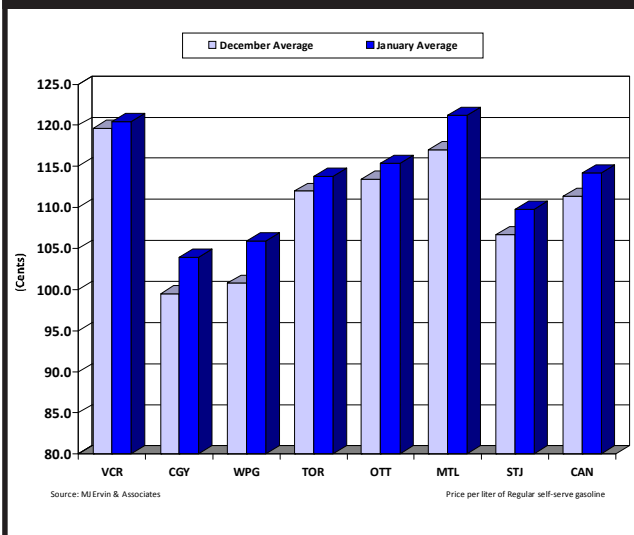
Not long after the Honda Civic was named the best-selling Canadian passenger car in 2010, sales of the popular car fell drastically in January. The Civic fails to make the top-ten list for the first time, dragging



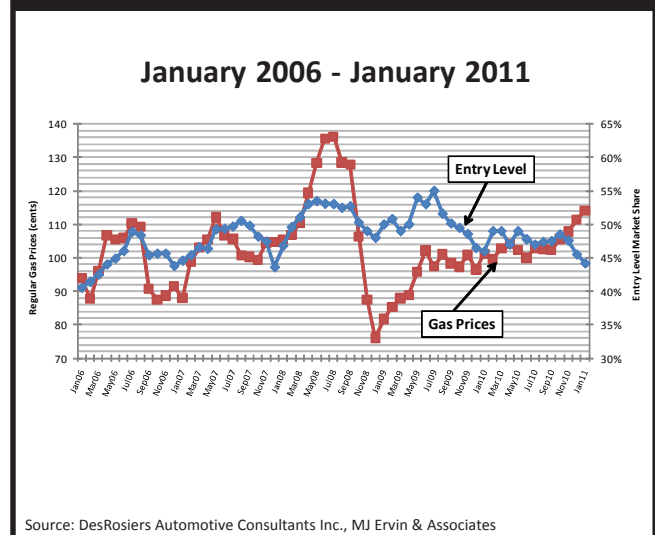
Will the new Civic be crowned as the sales champion again in 2011?

on the company's performance. **HONDA CANADA INC.** sales declined 36.8 percent year-over-year - Acura and Honda brands were down 19.8 and 38.9 percent respectively. The company looks to improve upon January with corrective sales and marketing actions. Collectively, Honda Canada captured 4.8 percent of the market - substantially lower than last year.

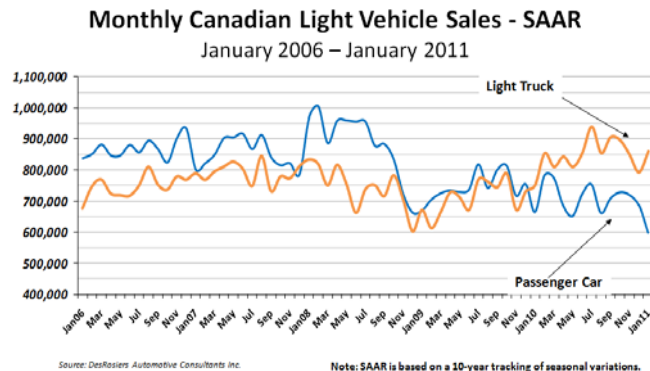
Monthly Gasoline Prices for 2011



Entry Level Sales vs. Gas Prices



Market Observation



The overall market remained in a deep freeze, trending considerably below the six month average (see Market Commentary on Page 4). A dismal month of passenger car sales tilted the outcome in January - what could have been a better month led by stronger light truck sales. The wheels fell off when the passenger car market failed to produce 600,000 units SAAR last month - a threshold that has existed for many years. Never once in the last decade (that is 132 months) has the market been below 600,000 units SAAR. Even the iron man of all passenger cars (the Honda Civic) surrendered their spot in the top-ten list - perhaps for the first time in many generations. That being said, it is typical for passenger car sales to experience seasonally drop off, but the rate of decline appears to be more severe than the past. On the other hand, a rebound in light truck sales pushed the seasonal rate back to 860,140 units - more inline with the six- month trailing average.

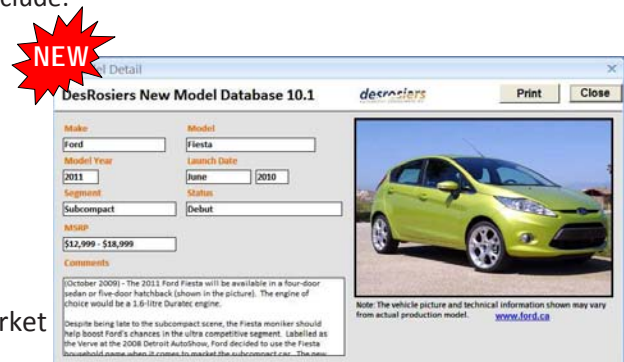
Selected Model Preview



A stretch of the imagination - MINI takes its novelty to all new dimensions. MINI originated as one specific small car, but is about to break the paradigm with this latest edition. The MINI Countryman will possess the tallest and widest proportions in the MINI range - something unashamedly new and different to all MINI followers. But more importantly the Countryman introduces another life to MINI's already colourful existence, or perhaps another uncharted market for the brand. This will arguably be the brand's first family vehicle or a new "lifestyle" vehicle in MINI terms. The attributes that have been genuinely lacking in other MINI variants will be found in the Countryman. It will give you the missing headroom, legroom and the trunk space - even the available all-wheel-drive for that added safety and trendy crossover feel. It sounds brilliant, and it is actually brilliant if you look at it from a marketing angle. The Countryman will aim fair and square at the demanding Gen X - those with an active lifestyle who like to travel with extra baggage or children. But maybe to some, the change in direction will be questionable and will be more away from the essence of a bold little car - the core value of being "Mini".

The **DESROSIERS NEW MODEL DATABASE** is the most accurate and comprehensive overview of the Canadian new vehicle market. It provides analysis of current models and a three-year outlook for new models. Each model is completed with individual analysis of vehicle profiles that include:

- Make
- Model
- Model Year
- Expected launch date by month or by quarter
- Expected vehicle market segment
- Estimated annual model sales
- Past year segment sales by province
- Indication of the importance of the vehicle in the market
- Details and specifications of the vehicle



Please contact Calvin Leung at 905-881-0400, ext. 17 or calvin@desrosiers.ca for more information.



Top Ten Selling Models (January YTD)

| | | 2011 | 11/10 |
|----|---------------------|-------|--------|
| 1 | Ford F-Series | 5,374 | 26.3% |
| 2 | Dodge Caravan | 4,422 | 39.3% |
| 3 | Dodge Ram | 3,766 | 26.1% |
| 4 | Ford Escape | 2,969 | 73.5% |
| 5 | GMC Sierra | 2,866 | 8.7% |
| 6 | Hyundai Elantra | 2,643 | 101.3% |
| 7 | Chevrolet Silverado | 2,518 | 6.4% |
| 8 | Toyota Corolla | 2,146 | 31.7% |
| 9 | Dodge Journey | 1,764 | 31.9% |
| 10 | Mazda Mazda3 | 1,689 | -42.5% |

Source: DesRosiers Automotive Consultants Inc., AIAMC, CVMA

Select New Model Introductions

| | |
|----------------------------------|----------------------|
| MINI Countryman - Debut | Available Now |
| Lexus CT 200h - Debut | Available Now |
| Hyundai Equus - Debut | Available Now |
| Ford C-MAX - Debut | 2011 |
| Chevrolet Orlando - Debut | 2011 |
| Toyota Prius v - Debut | 2011 |

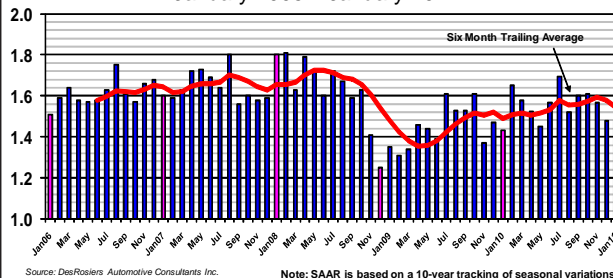
Monthly Sales By Segment (000's)

| January | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 11/10 |
|----------------------------------|-------------|-------------|--------------|-------------|-------------|-------------|--------------|
| Compact Utility | 9.8 | 12.3 | 14.0 | 12.1 | 13.5 | 15.5 | 14.5% |
| Intermediate Utility | 4.6 | 5.1 | 6.9 | 5.7 | 7.5 | 8.0 | 7.2% |
| Large Pickup | 10.8 | 14.0 | 13.0 | 10.4 | 13.0 | 15.4 | 18.7% |
| Large Utility | 1.2 | 1.0 | 0.9 | 0.6 | 0.7 | 0.5 | -29.5% |
| Large Van | 1.5 | 1.5 | 1.9 | 0.9 | 1.1 | 1.3 | 15.9% |
| Compact Luxury Utility | 0.1 | 0.4 | 0.7 | 0.8 | 1.0 | 1.1 | 19.3% |
| Intermediate Luxury Utility | 1.9 | 2.3 | 2.5 | 1.9 | 2.4 | 2.2 | -8.1% |
| Large Luxury Utility | 0.2 | 0.3 | 0.3 | 0.2 | 0.3 | 0.3 | 5.9% |
| Small Pickup | 2.3 | 2.8 | 3.3 | 2.3 | 2.5 | 1.9 | -23.0% |
| Small Van | 8.9 | 8.6 | 7.6 | 6.1 | 4.3 | 6.1 | 40.9% |
| Total Light Truck | 41.4 | 48.4 | 51.1 | 41.1 | 46.3 | 52.4 | 13.2% |
| Compact | 18.6 | 20.0 | 24.1 | 18.4 | 16.9 | 17.7 | 4.5% |
| Intermediate | 15.4 | 11.0 | 14.4 | 8.0 | 8.6 | 6.2 | -28.1% |
| Luxury High | 0.8 | 0.8 | 0.7 | 0.5 | 0.6 | 0.6 | 3.0% |
| Luxury | 4.2 | 3.9 | 4.3 | 2.8 | 3.2 | 2.8 | -12.6% |
| Luxury Sport | 0.3 | 0.2 | 0.3 | 0.2 | 0.1 | 0.1 | -30.2% |
| Subcompact | 4.1 | 5.4 | 6.7 | 5.2 | 4.6 | 3.7 | -20.7% |
| Sport | 1.3 | 1.4 | 1.3 | 0.8 | 1.2 | 1.0 | -10.6% |
| Total Passenger Car | 44.8 | 42.8 | 51.7 | 35.7 | 35.3 | 32.1 | -9.0% |
| Total Light Vehicle Sales | 86.2 | 91.2 | 102.8 | 76.9 | 81.6 | 84.5 | 3.6% |

Source: DesRosiers Automotive Consultants Inc., AIAMC, CVMA

Market Comment

Monthly Canadian Light Vehicle Sales - SAAR January 2006 – January 2011



Our latest monthly tracking reveals a depleting pace in light vehicle sales - particularly with December and January falling well below trendline. Although the market is moving through a low season, the uncharacteristically weak results indicate it could be still some distance away before returning to normality. The silver lining in the January report suggested on a year-over-year basis the market has been doing better. We have seen consecutive post-recession improvements in January seasonal selling rates - a positive indicator for the overall market. Last month's result came in very close to our estimates and we predict a gradual increase of 0.2 percent in 2011. The lack of interest in the entry-level market remains one of our core concerns. Impacted by subdued economic progress, consumers continued to stay away from new purchases - particularly subcompact cars and small pickups in January. The luxury market which has done amazingly well last year also displayed some cracks. Sales pulled back in January for the widely popular compact luxury cars and intermediate luxury SUVs. All in all, the market is still on life support and incentives will again play an important role in 2011.



For advertising opportunities available in any of our publications please contact : **Albena Saltcheva** at 905-881-0400 ext. 18 or albena@desrosiers.ca

- Canadian Used Vehicle Report
- CADA Year in Review
- DesRosiers Canadian Installer/Retailer Yearbook





The Canadian Economic Environment

Economic Checklist

| | |
|---------------------------|-----------|
| Gross Domestic Production | GREEN |
| Consumer Price Index | GRN > YEL |
| Canadian Dollar | GREEN |
| Employment | YEL > GRN |

H i g h l i g h t s

Job creations stole the economic headlines in January

Transportation cost led all inflation indexes

Solid growth in domestic productivity

Parity is the new reality for our Canadian dollar

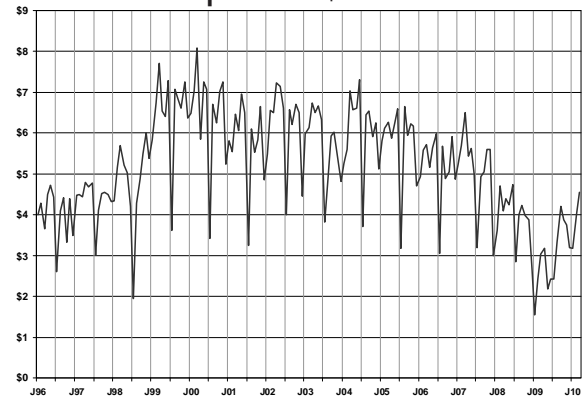
Economic Forecast

(Aar. over AAr. % change unless indicated)

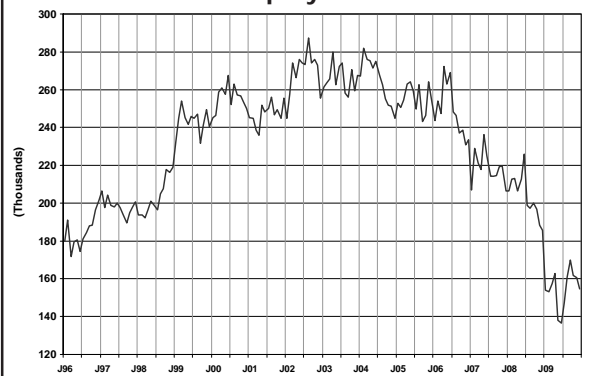
| | 2011F | 2010P | 2009 | 2008 | 2007 | 2006 | 2005 |
|----------------------------|-------|-------|-------|------|------|------|------|
| Gross Domestic Product | 2.2 | 3.0 | -2.6 | 0.6 | 2.7 | 2.6 | 2.9 |
| Consumer Spending | 2.7 | 3.3 | 0.4 | 3.4 | 4.7 | 3.9 | 3.9 |
| Consumer Price Index | 1.8 | 1.7 | 0.3 | 2.4 | 2.2 | 2.0 | 2.2 |
| Exchange Rate (US\$/CDN\$) | 100.9 | 98.9 | 87.9 | 94.3 | 93.5 | 88.2 | 82.6 |
| Real Disposable Income | 2.3 | 3.3 | 1.2 | 4.2 | 4.0 | 4.8 | 2.2 |
| Industrial Production | 4.2 | 5.1 | -10.0 | -4.1 | 0.3 | -0.4 | 1.8 |
| Unemployment Rate | 7.9 | 8.1 | 8.3 | 6.1 | 6.0 | 6.3 | 6.8 |

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

Canadian Motor Vehicle Assembly Shipments - \$Billions



Automotive Assembly & Parts Manufacturing Employment



Source: Statistics Canada

Real Gross Domestic Product

Year over Year Percentage Change

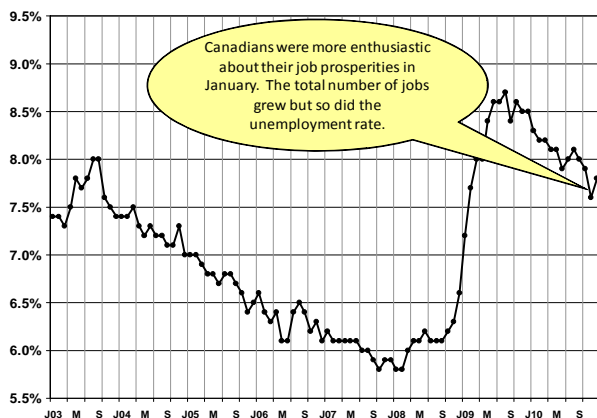
| | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 | 2000 |
|----------------|------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| January | 1.3 | -2.4 | 2.2 | 2.0 | 3.3 | 3.2 | 1.6 | 3.4 | 2.0 | 3.1 | 4.7 |
| February | 1.8 | -2.3 | 1.5 | 2.1 | 3.3 | 3.6 | 1.6 | 3.1 | 2.6 | 3.0 | 3.8 |
| March | 3.1 | -1.4 | 1.3 | 3.7 | 3.2 | 3.3 | 1.6 | 2.5 | 2.5 | 2.3 | 4.7 |
| April | 3.3 | -3.0 | 1.2 | 2.1 | 3.1 | 2.7 | 2.9 | 1.8 | 3.4 | 2.5 | 4.3 |
| May | 3.8 | -3.5 | 0.6 | 2.5 | 2.6 | 2.8 | 3.2 | 1.8 | 2.8 | 2.4 | 4.8 |
| June | 3.9 | -3.4 | 0.1 | 2.7 | 2.6 | 2.6 | 3.1 | 1.6 | 3.2 | 1.9 | 4.7 |
| July | 3.7 | -4.6 | 1.2 | 2.5 | 2.5 | 2.6 | 3.1 | 1.9 | 3.9 | 1.5 | 4.6 |
| August | 4.1 | -4.0 | 0.6 | 2.4 | 2.2 | 2.7 | 4.6 | 0.8 | 3.9 | 1.3 | 4.4 |
| September | 3.5 | -3.5 | 0.1 | 2.9 | 2.5 | 2.8 | 3.3 | 1.1 | 4.6 | 0.4 | 4.1 |
| October | 3.3 | -3.2 | -0.1 | 2.8 | 1.6 | 3.1 | 3.2 | 0.2 | 4.4 | 0.9 | 4.6 |
| November | 3.0 | -1.7 | -0.7 | 2.7 | 1.6 | 3.0 | 3.2 | 1.8 | 3.8 | 1.4 | 4.7 |
| December | | 1.2 | -1.0 | 2.7 | 2.3 | 2.3 | 3.0 | 0.5 | 3.7 | 1.4 | 4.9 |
| Average | | -2.6 | 0.6 | 2.7 | 2.6 | 2.9 | 2.8 | 1.7 | 3.4 | 1.9 | 4.5 |

Source: Statistics Canada



Unemployment Rate

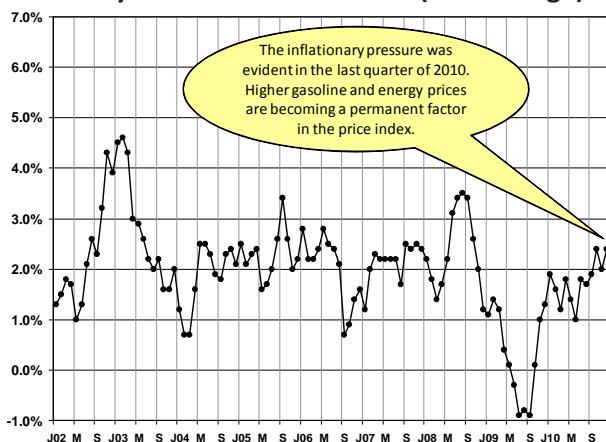
January 2003 - January 2011



Source: Statistics Canada

Consumer Price Index

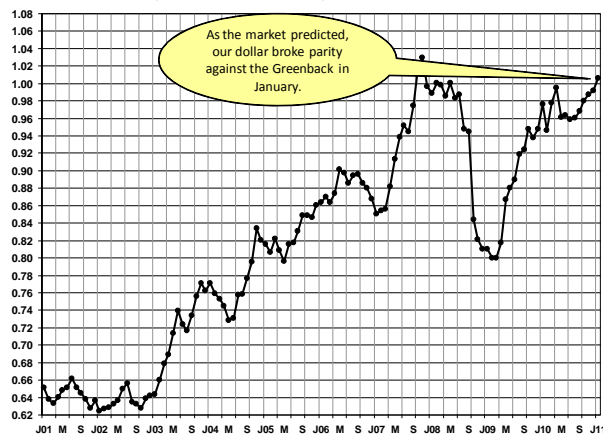
January 2002 - December 2010 (YOY Change)



Source: Statistics Canada

Exchange Rate (Monthly Average)

January 2001 - January 2011 (\$CDN/\$US)



Source: Bank of Canada

Economic Commentary

Commentary made by:

BMO EconoFacts, February 4, 2011

It's Snowing Jobs - Douglas Porter

Canadian employment came flying out of the chute to start 2011, posting a whopping rise of 69,200 jobs in January, with gains spread evenly across sectors, job types, and most provinces. Besides the outsized headline rise, the other shocker was a two-tick back-up in the jobless rate to 7.8%. This was caused by a massive 106,400 jump in the labour force, one of the largest monthly increases on record (as job-seekers came flooding back). Another quirk was that despite the big jobs gain, total hours worked were flat in the month, so this result is not all bad news for productivity. Manufacturing payrolls managed to nudge up after the biggest single monthly rise on record in December. Construction rebounded slightly from a hard hit the prior month. The big movers and shakers in January were business, building & other support services (+33.7k) and public administration (+19.9k), while health care and education also posted solid gains. The only big setbacks were transportation (-31.9k), reversing a record rise the prior month, and hotels & restaurants (-25.9k), hit by the strong Loonie. The major increases among the big provinces were Alberta (+21.6k) and Ontario (+36.3k), while Manitoba, Nova Scotia and Newfoundland also had strong percentage gains. Only B.C. and New Brunswick lost jobs. B.C.'s jobless rate popped 0.6 points to 8.2%, lifting it above Ontario's 8.1%.

The January jobs bonanza reinforces the point that the economy regained momentum around the turn of the year. However, the result doesn't dramatically alter the interest rate outlook: 1) the Bank of Canada won't overreact to one jobs report, 2) the jobless rate rose, suggesting no tightening of capacity, and 3) the details weren't as rock-em-sock-em as the headline suggests. Oh, and, yes, Canada has now recouped all the jobs lost during the recession-again.

Next Issue

March 14, 2011

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