

Global auto sales up 6 per cent so far in 2012: Scotiabank

North America is posting double-digit increases in car sales so far this year, lifting purchases to their highest level since 2007 in a trend that reflects a global surge in buying, according to a new report from Scotiabank Economics. “Car sales are advancing in every region, with the exception of Western Europe,” Carlos Gomes, Scotiabank Economics senior economist and auto industry specialist, says in the bank’s Global Auto Report released Tuesday. “We expect continued gains in the second half supported by record low short and long-term interest rates in most nations, the recent acceleration in the pace of automotive lending across the globe and solid job creation in emerging markets.” Light vehicle sales in North America have jumped 13 per cent so far this year, led by a 21 per cent surge in purchases by U.S. businesses, governments and rental car agencies. “Purchases in Canada have been stronger than we expected this year, prompting us to increase our 2012 forecast to 1.68 million units, the second-highest annual total on record,” Mr. Gomes added. “Auto makers are currently offering both 0 per cent financing and employee pricing, providing discounts up to \$14,000.” The report comes just as the Canadian Auto Workers union sits down this week with the Big Three North American auto makers to discuss labour contracts. The union was holding meetings with General Motors Canada on Tuesday morning in Toronto, followed by Chrysler Canada in the afternoon. Ford Canada and the CAW are to meet Wednesday. The union, which made concessions when the big U.S.-based auto makers were struggling, says it wants to share in the profits now that the industry has rebounded. For its part, the industry wants to bring its Canadian costs in line with those in the United States. Worldwide, Scotiabank says car sales advanced 6 per cent in the first half of 2012, despite the ongoing headwinds associated with the sovereign debt problems in Western Europe and moderation in the pace of global economic activity. Japan and Russia are leading the way in the current buying spree, with gains of 52 and 29 per cent respectively. In contrast, Western Europe continues to lag, with sales set to decline to 12.2 million units in 2012 – the fifth consecutive slide and the lowest level since 1996. The improvement in Japan reflects a bounce from last year’s tsunami-induced slump which slashed purchases to only 3.5 million units – the lowest level since 1986 – as well as government incentives for eco-friendly vehicles. However, gains are expected to moderate in coming months as pent-up demand subsides and demographics undercut purchases. The number of potential car buyers in Japan is declining by almost one per cent a year, the worst demographic trend among the Group of Seven advanced economies. In contrast, sales in Russia this year are on target to surpass the pre-crisis peak of 2.9 million sold in 2008. In fact, volumes in Russia are expected to overtake Germany (3.2 million this year) by mid-decade, becoming the largest market in Europe, Scotiabank said. The gains are being supported by government policies to increase auto financing, a rising middle class, record-high oil prices and below-average vehicle penetration. Sales in China and Brazil have accelerated to double-digit gains in recent months, bolstered by government stimulus. In China, for example, the government created a \$952-billion (U.S.) subsidy program for

purchases of fuel-efficient cars with engines of less than 1.6 litres. Portugal, Spain, Italy and Greece account for most of the weakness in Western Europe, with volumes slumping an additional 20 per cent through July and accounting for two-thirds of the region's overall slide. However, volumes are holding up better in the rest of Western Europe, including the United Kingdom where sales have advanced for five consecutive months and are expected to reach two million units in 2012, marginally ahead of last year's 1.9 million. In Germany, declining confidence has flattened volumes this year but there is potential for a better performance, as disposable income growth is advancing at the fastest pace since 2008 and unemployment is half the level prevailing in the euro zone, Scotiabank said. With more than 80,000 employees and \$660-billion in assets, Scotiabank and its affiliates serve some 19 million customers in more than 55 countries around the world, offering a broad range of products and services including personal, commercial, corporate and investment banking.