Canadian and US Vehicle Sales — September 2019

CANADA

Canadian auto sales dipped by 3.9% y/y (nsa) in September. An early Labour Day weekend drove part of the month's weakness with the traditionally strong sales weekend attributed to August. Preliminary estimates also suggest fleet sales were relatively flat in September, therefore did not provide much of an offset to the decline in retail performance. Another major headwind to sales was the spike in financing costs in mid-September with the ten-year government bond increasing by over 40 basis points over August's low. Rates remained elevated, albeit below this peak, for the remainder of the month. Cash-constrained consumers may also be anticipating a first policy rate cut by the Bank of Canada in October. Otherwise, continued strength in job and wage growth should partially offset some of the headwinds facing consumption as the year advances. The seasonally adjusted sales rate pulled back more sharply by 6.6% m/m (at a pace of 1.89 mn saar units) following two summer months of accelerating sales rates. Given high month to month volatility, this should be taken with a grain of salt. The year-to-date sales rate sits at 1.94 mn saar units, in line with our 2019 sales forecast.

UNITED STATES

US auto sales pulled back sharply by 11.3% y/y (nsa) in September, following last month's exceptional surge in sales of 10.5% y/y. On a seasonally adjusted basis, the monthly selling rate increased by 1.3% m/m (at a rate of 17.2 mn saar units) once the effects of the early Labour Day weekend are discounted. There was a slight deterioration in year-to-date sales which is now down by 1.2% (nsa). Despite a record-high incentive spending month, buyers faced a number of headwinds in September. Notably, the emergence of pressures in short term funding markets in the later part of the month pushed up financing rates temporarily. The month also saw several spikes in US-China trade tensions which fed through sentiment with a modest drop in consumer confidence in September as reported by the Conference Board. Otherwise, solid household finances should continue to underpin sales as the year advances which should close out the year at 17.0 mn units.

Canada & US Motor Vehicle Sales and Production Outlook

	2000–16	2017	2018	2019 Jan-Sept**	2019 Annual f	2020f
			(thousands of units, annualised)			
Canada	**1,685**	**2,041**	**1,983**	**1,937**	**1,940**	**1,915**
Cars	769	644	575	502	504	460
Domestic	487	438	377	320	321	293
Imports	282	206	198	182	183	167
Light trucks	915	1,397	1,407	1,435	1,436	1,455
			(millions of units, annualised)			
United States	**14.6**	**17.1**	**17.2**	**17.0**	**17.0**	16.70
Cars	6.9	6.1	5.1	4.8	4.6	4.2
Light trucks	7.7	11.1	12.1	12.2	12.4	12.5
			(millions of units, annualised)			
North American Production*	**14.8**	**17.5**	**17.5**	**17.0**	**16.7**	**16.7**
Canada	2.2	2.2	2.0	1.9	1.9	1.8
United States	9.9	11.2	11.3	11.1	10.9	11.1
Mexico	2.6	4.1	4.1	4.0	3.9	3.8

*Includes light, medium and heavy trucks. Sources: Ward's Automotive Reports, Statistics Canada.
**Scotiabank Estimates.

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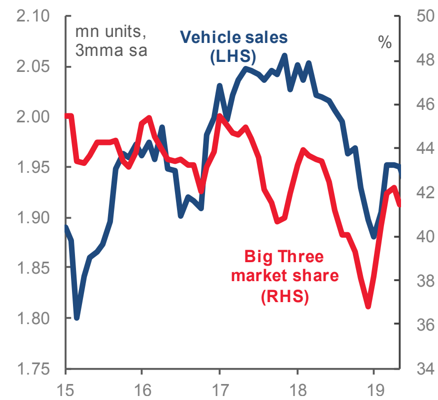
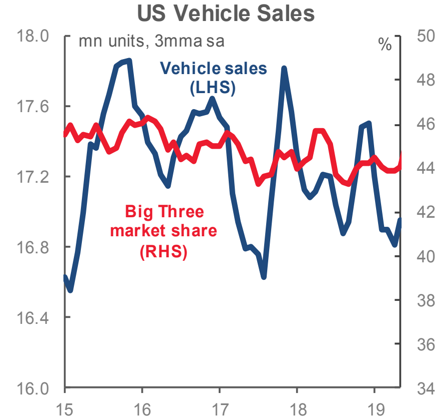
Canadian Vehicle Sales



Sources: Scotiabank Economics, Company reports, DesRosiers Automotive Consultants Inc., Global Automakers of Canada.

US Vehicle Sales



Sources: Scotiabank Economics, Wards Automotive.

Canada & US Vehicle Sales

	Aug '19	Sept '19	YTD
	(y/y % change, NSA)		
Canada	0.6	-3.9	-3.6
US	10.5	-11.3	-1.2
	(m/m % change, SA)		
Canada	2.4	-6.6	-3.7
US	0.8	1.3	-1.2

Sources: Scotiabank Economics, Wards Automotive, DesRosiers Automotive Consultants Inc., Global Automakers of Canada.

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