

Canadian and US Vehicle Sales — October 2019

CANADA

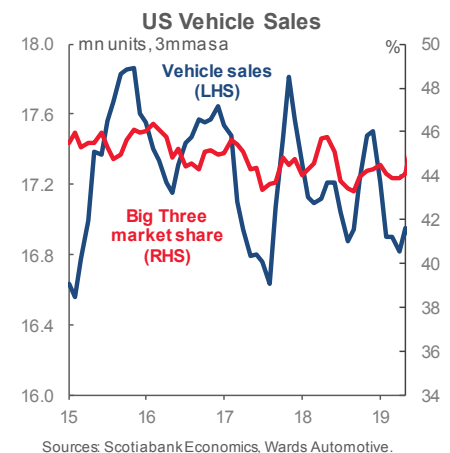
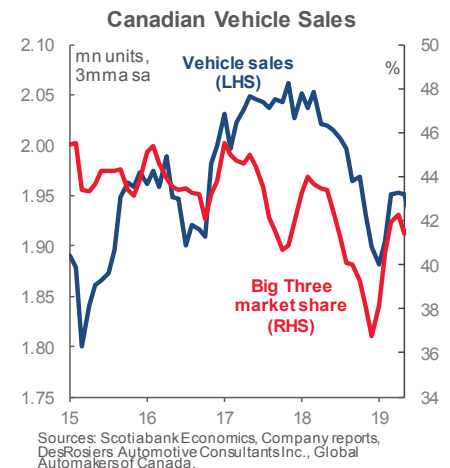
Canadian auto sales fell back modestly by 0.6% y/y (nsa) in October. Financing costs may have provided some headwinds with the ten-year government bond elevated for most of October—and on par with September's peak—relative to the summer lows that spurred accelerating sales. Preliminary estimates also suggest fleet sales were flat in October, therefore not providing much offset to the decline in retail performance. Nevertheless, base effects may be obscuring some modest strength in this month's sales figures as last October's sales stood out as the only (relatively) decent month in an otherwise very challenging Fall of 2018. This month's seasonally adjusted selling rate in fact picked up by 4.5% m/m (at a pace of 1.95 mn saar units), providing some symmetry around high month-to-month volatility. Market fundamentals otherwise remained solid, namely job and wage growth remain strong, housing markets are surging again, and consumer credit growth remains healthy. 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 posted another decline of 1.8% y/y (nsa) in October. This follows last month's sharp pullback of 11.3% y/y (nsa) with year-to-date sales down by 1.2% (nsa). On a seasonally adjusted basis, the monthly selling rate also weakened by 3.4% m/m (at a rate of 16.55 mn saar units). The GM strike likely impacted the final tally through sales deferrals as its US sales were down by almost 14% y/y (nsa) in October relative to its year-to-date sales performance (at -1.5%). Otherwise, indicators of household health were solid in October including job growth that beat expectations and continued wage acceleration at 3%. Consumer confidence retreated a notch, but still remains elevated. Nevertheless, waning indicators around business activity amid heightened uncertainty on trade and political fronts weigh on the outlook. The year-to-date sales rate stands at 16.9 mn saar units. We expect a modest pick-up to close out the year at 17.0 mn units.

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Canada & US Motor Vehicle Sales and Production Outlook

	2000–17	2018	2019 Jan-Oct**	2019 Annual f	2020f	2021f
	(thousands of units, annualised)					
Canada	1,704	1,983	1,938	1,940	1,915	1,915
Cars	762	575	502	504	460	440
Domestic	484	377	320	321	293	281
Imports	278	198	182	183	167	160
Light trucks	942	1,407	1,436	1,436	1,455	1,475
	(millions of units, annualised)					
United States	14.7	17.2	18.3	17.0	16.9	17.0
Cars	6.9	5.1	6.1	4.6	4.2	4.1
Light trucks	7.9	12.1	12.2	12.4	12.7	12.9
	(millions of units, annualised)					
North American Production*	15.0	17.5	16.7	16.8	17.2	17.4
Canada	2.2	2.0	1.9	1.9	1.8	1.7
United States	10.0	11.3	10.9	10.9	11.5	11.6
Mexico	2.7	4.1	3.9	4.0	4.0	4.1

*Includes light, medium and heavy trucks. Sources: Ward's Automotive Reports, DesRosiers Automotive Consultants Inc., Global Automakers of Canada, Statistics Canada. **Scotiabank Estimates.

Canada & US Vehicle Sales

	Sept '19	Oct '19	YTD
	(y/y % change, NSA)		
Canada	-3.9	-0.6	-3.3
US	-11.3	-1.8	-1.2
	(m/m % change, SA)		
Canada	-7.0	4.5	-3.4
US	1.0	-3.4	-1.6

Sources: Scotiabank Economics, Wards Automotive, DesRosiers Automotive Consultants Inc., Global Automakers of Canada (all dealer-reported).

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