

Canadian and US Vehicle Sales — February 2020

CANADA

Preliminary estimates for Canadian auto sales suggest a boost of 2.1% y/y (nsa) growth in February at a seasonally adjusted annualized rate of 1.98 mn units. This also reflects an uptick of 3% (sa) in the month-over-month selling rate. *Note, these estimates are subject to a considerable degree of uncertainty as a majority of automakers representing more than half of total sales are no longer reporting on a monthly basis.* Initial reports indicate lower fleet sales mask some retail growth in headline numbers. Data issues aside, we expect continued volatility in monthly auto sales that warrants taking a longer-term perspective. The pick-up so far this year likely reflects some catch-up from a very weak final quarter in 2019 with final quarter GDP essentially flat. Despite decent job and wage performance, Canadian consumption has remained soft. The emergence of COVID-19 will likely introduce further volatility and—at least temporary—dampening in auto sales in the coming months. The 50 bps rate cut by the Bank of Canada today provides an impetus for auto sales but other factors may dwarf this driver in the near term.

UNITED STATES

US auto sales picked up by a healthy 8.4% y/y (nsa) in February. On a seasonally adjusted basis, the sales rate was slightly down (-0.5% m/m) at an annualized rate of 16.8 mn units. There still appears to be steam in the General Motors rebound from last Fall's strikes with its sales advancing by almost 15% y/y after last month's 14% y/y climb. Its sales represent almost one-fifth of total monthly sales in the US so are likely inflating the monthly figures. Early-year sales have also benefited from a solid economic hand-off to 2020 with signs of optimism including solid job and wage growth, robust confidence levels, and positive sentiment vis-à-vis the US-China Phase 1 trade deal. Looking forward, COVID-19 risk sentiment is likely to weigh on sales activity—at least in the near term—despite the 50 bps rate cut by the Federal Reserve on March 3rd, as the trajectory of the outbreak, and importantly, its impacts on markets and the economy are revealed.

CONTACTS

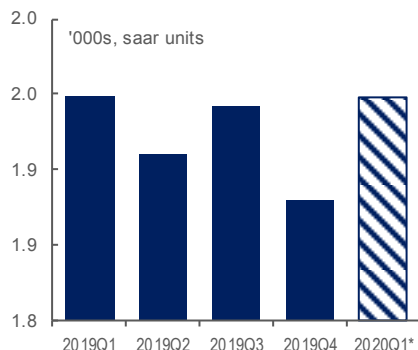
Rebekah Young
Director, Fiscal & Provincial Economics
416.862.3876
Scotiabank Economics
rebekah.young@scotiabank.com

Canada & US Vehicle Sales

	Jan '20	Feb '20	YTD
(y/y % change, NSA)			
Canada	0.5	2.1	1.3
US	0.2	8.4	4.5
(m/m % change, SAAR)			
Canada	6.8	3.0	0.5
US	1.4	-0.5	1.6

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

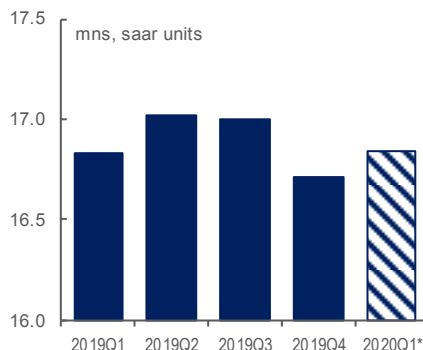
Canadian Light Vehicle Sales



* First two months of quarter only.

Sources: Scotiabank Economics, DesRosiers Automotive Consultants Inc.

US Light Vehicle Sales



* First two months of quarter only.

Sources: Scotiabank Economics, Ward's Automotive Group.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.