

## Canadian and US Vehicle Sales — August 2020

### CANADA

**Canadian auto sales' rebound softened modestly in August with a deceleration of -7% m/m (sa) relative to last month's exceptional rebound.** The seasonally adjusted sales rate for the month stood at 1.73 mn units—still healthy for this early stage of recovery—but lower than the exceptional 1.86 mn (saar) units in July (but recall both months are still estimates as automakers have shifted to quarterly reporting). Sales were down by -8.9% year-over-year (nsa) with year-to-date sales now at -27%. The Conference Board reported a modest pull-back in consumer sentiment in August, but the trend strength in the auto sales rebound remains. Given fleet sales are still depressed, the retail sales rebound is even stronger, showing signs of not only pent-up demand, but also pandemic-motivated purchases. The trend jibes with a stronger-than-anticipated GDP hand-off from the second-quarter, along with continued job growth recoveries across the country, while retail spending had already surpassed pre-pandemic levels in June. Though retail growth in July likely moderated, generous government transfers continue to provide a lift. New income supports recently announced—that will enable households to earn up to \$38k per year before claw-backs start—will likely further underpin the recovery in auto sales into the Fall. We maintain our sales forecast outlook at 1.6 mn units for 2020 with some further upside from these new policy supports along with the stronger economic recovery profile, but still note considerable downside risks on the horizon, particularly south of the border.

### UNITED STATES

**US auto sales posted a fourth month of recovery with August purchases increasing by 5% m/m (sa) at an annualized pace of 15.2 mn units.** On a year-over-year basis, sales were down -19%. Activity was not sufficiently strong enough to nudge year-to-date sales which still stand at -22%. As COVID-19 cases continue to mount across the States and additional stimulus talks stalled, consumer auto purchase intentions deteriorated in August, nearly halving the gains accrued over the past three months, according to the Conference Board. But broader economic indicators are still driving actual purchases: weekly jobless claims—while volatile—have been trending modestly downward over the month of August, and US housing starts and sales for July surged above consensus suggesting American consumers are still active. For both Canadian and US markets, inventory remains another key challenge for dealers. Though North American auto production achieved positive year-over-year growth in July according to Ward's Automotive, it still trails the rebound in demand, particularly for sought-after models, with tight inventory expected to persist through the Fall. Our forecast for US auto sales is 14 mn units on the basis of early rebound activity, but clearly with substantial downside risks related to the course of the pandemic, the ability of Congress to pass additional stimulus, and election uncertainty.

### CONTACTS

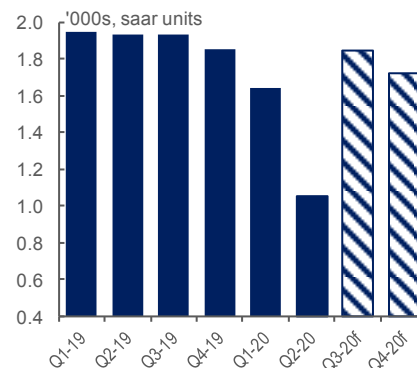
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### Canada & US Vehicle Sales

	Jul '20	Aug '20	YTD
	(y/y % change, NSA)		
<b>Canada</b>	-5	-9	-27
<b>US</b>	-12	-19	-22
	(m/m % change, SA)		
<b>Canada</b>	16	-7	-27
<b>US</b>	11	5	-20

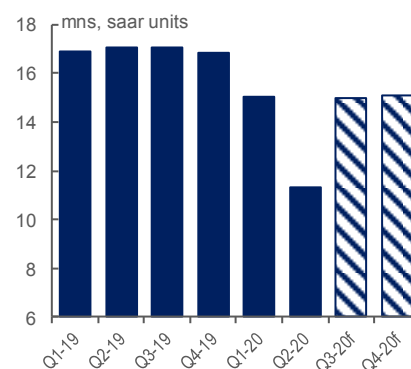
Sources: Scotiabank Economics, Wards Automotive, DesRosiers Automotive Consultants Inc.

### Canadian Light Vehicle Sales



Sources: Scotiabank Economics, DesRosiers Automotive Consultants Inc.

### US Light Vehicle Sales



Sources: Scotiabank Economics, Ward's Automotive Group.

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