

Canadian and US Vehicle Sales — September 2020

CANADA

Canadian auto sales posted a strong surge in September with purchases accelerating by 6.5% m/m (sa), propelling sales into positive territory (2.1%) on a year-over-year basis for the first time since the pandemic hit. The latter unadjusted figure benefits from Labour Day weekend falling in September's count (versus August in 2019), but the print is strong nonetheless and brings the third quarter rebound to 72% q/q (sa). September's selling rate at 1.87 mn saar units sits only 5% below February's pre-pandemic level. This is consistent with the broader economic recovery as August GDP is estimated to bring output within 5% of pre-crisis levels. The August hand-off included positive job growth (1.4% m/m), increased hours worked (2.9% m/m), soaring housing starts and existing home sales (7% and 6% m/m, respectively), as well as improvements in manufacturing sentiment. Consumer sentiment picked up modestly (by 5.2 pts) in September, including a 2.4 ppt uptick (to 25%) in Canadians feeling it is a "good time to make a major purchase". However, the Conference Board cautions that the recovery in sentiment is stalling and that an overwhelming number of Canadians feel it is a "bad time to make a major purchase" at levels (51%) rivaling the peak during the Global Financial Crisis. Guidance on August economic output already points to slowing retail activity with an expectation that the positive bump after the shutdowns were lifted has largely worked through the system. Meanwhile, second waves emerged across the country from Quebec westward towards the latter part of the month that will likely curb confidence levels even if broad-based shutdowns are not expected. We maintain our sales forecast outlook at 1.6 mn units for 2020, with some upside from the continuation of government supports but counterbalanced with ample downside risk remaining in the final quarter of the year.

UNITED STATES

US auto sales continued to climb back with a remarkable fifth month of accelerating sales activity in September, posting a 7.5% m/m (sa) improvement, but signs point to moderation ahead. Sales surged into positive territory for the first time on a year-over-year basis (at 6.1%), but this reflects a strong boost from Labour Day sales in September. This brings the third quarter rebound to 36% q/q (sa). The dip in US auto sales at the peak of the pandemic was shallower, while its rebound has been more moderate—purely on a mathematical basis—but persistent. This is consistent with the broader economic recovery that saw a relatively narrower contraction in the second quarter (-32% q/q), followed by a third quarter rebound estimated around 26% q/q. Jobless claims continued to edge downward through September, but already in August other data were starting to signal a deceleration. Retail guidance, for example, in August is estimated at 0.6% m/m (sa), a slowdown from July. Despite continued jobs recovery, personal incomes fell by 2.7% m/m (nom.) in August as unemployment benefits sunset. For now, American consumers continue to draw down on personal savings that spiked exceptionally to almost 34% in April and still remain elevated at 14% in August, which should continue to underpin consumption, albeit modestly. Importantly, September saw a healthy uptick in the auto purchase intentions (+1.7 pts to 11.8), which clearly bolstered sales that month. We maintain our US auto sales forecast at 14.1 mn units with material downside risks including second waves, stalled stimulus prospects, and election turmoil.

CONTACTS

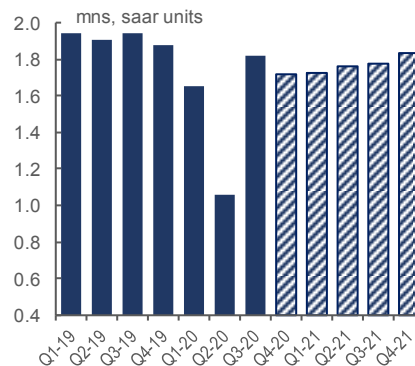
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Canada & US Vehicle Sales

| | Aug '20 | Sep '20 | YTD |
|---------------------|---------|---------|-------|
| (y/y % change, NSA) | | | |
| Canada | -8.9 | 2.1 | -24.3 |
| US | -19.1 | 6.1 | -18.9 |
| (m/m % change, SA) | | | |
| Canada | -6.9 | 6.5 | -21.8 |
| US | 3.9 | 7.5 | -18.1 |

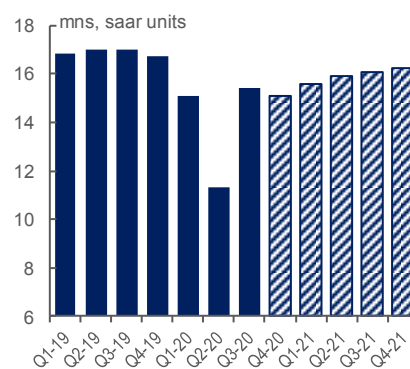
Sources: Scotiabank Economics, Wards Automotive, DesRosiers Automotive Consultants Inc.

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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