

Canadian and US Vehicle Sales — December 2020

CANADA

Canadian auto sales largely held up against COVID-19 headwinds in December. Sales declined by a modest -2.6% y/y, according to DesRosiers Automotive Consultants Inc. The headline number masks the impacts of additional sales days this December relative to last year, as well as buoying base effects from depressed sales activity in December 2019. On a seasonally adjusted basis, sales were down by around -4% m/m (with caution around this indicator given only quarterly reporting by OEMs). Though mounting COVID-19 cases across most of the country necessitated more stringent lockdowns in December, dealerships stayed open (by appointment) while consumer sentiment remained resilient. In fact, the Conference Board reported a modest increase in major purchase intentions in December. Nevertheless, a broader dampening of economic activity is expected over the next quarter at least—as lockdowns are proving more stringent and enduring than originally anticipated—until vaccine distribution is ramped up substantially. Retail sales are estimated to have stalled in November following an exceptional early rebound, while consensus forecasts also expect job growth to have stalled in December. Annual auto sales finished the year at 1.54 mn units, down 20% y/y. We currently forecast a healthy rebound to 1.8 mn units in 2021, with improvements weighted towards the second half of the year once immunizations are broad-based and fleet comes back on line as travel resumes. There is some upside to this forecast, notably around stronger policy supports underpinning recoveries on both sides of the border, but also still considerable downsides related to the trajectory of the pandemic and the ability to effectively vaccinate sufficient populations in a timely manner.

UNITED STATES

US auto sales posted a stronger-than-expected month in December with a 3.8% m/m (sa) pickup in sales activity. On a year-over-year basis, a 6.4% y/y (nsa) improvement likely overstates the strength of sales activity as there was an additional weekend in December 2020 relative to last year. December's performance is nevertheless impressive given more stringent lockdowns across many populous states as COVID-19 cases escalated to highest levels yet. The late-December USD900 bn stimulus approval likely bolstered consumer sentiment (offsetting a weakening signalled in mid-month polling by the Conference Board) with roughly half of December auto sales typically taking place after Christmas. Cox Automotive also reports a five-year record for incentive spending in December. The unemployment rate had edged downward again in November, while more timely weekly jobless claims increases in December were less pronounced than expected. December auto sales—at an annualised sales rate of 16.3 mn units—provide a solid hand-off to the new year, but sales are expected to dampen modestly early in the new year with monthly volatility to continue until vaccination efforts are well-underway. Inventory constraints are expected to hamper selection over this period with December inventory reported to be at a nine-year low, according to Wards Automotive. Annual sales for 2020 landed at 14.4 mn units, down 15% y/y. With this modestly stronger handoff to 2021, we have revised upward our 2021 sales outlook to 16.3 mn units. There is further upside to this outlook should immunizations proceed faster and if additional stimulus is provided, but also further downsides related to pandemic risks.

CONTACTS

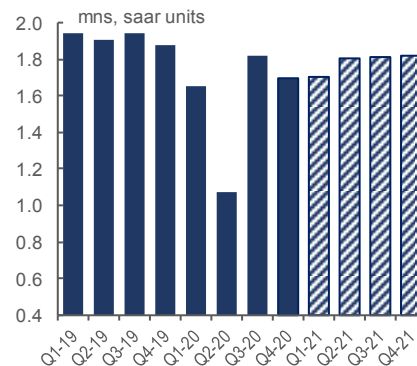
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Canada & US Vehicle Sales

	Nov '20	Dec '20	YTD
(y/y % change, NSA)			
Canada	-10.4	-2.6	-20
US	-14.8	6.4	-15
(m/m % change, SA)			
Canada	-9.5	-3.8	-20
US	-4.5	3.8	-15

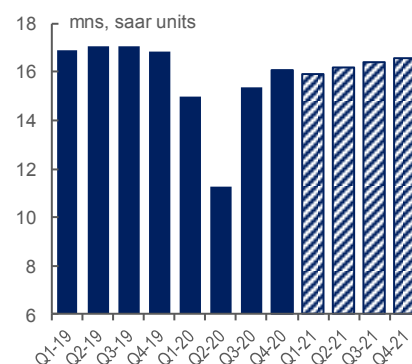
Sources: Scotiabank Economics, Wards Automotive, DesRosiers Automotive Consultants Inc.

Canadian Light Vehicle Sales



Sources: Scotiabank Economics, DesRosiers Automotive Consultants Inc.

US Light Vehicle Sales



Sources: Scotiabank Economics, Wards Automotive Group.

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