

Canadian and US Vehicle Sales — January 2021

CANADA

Canadian auto sales showed moderation in January as COVID-19 restrictions weighed on purchase activity. DesRosiers Automotive Consultants Inc. estimates that new vehicle sales declined by 17.4% y/y. On a seasonally adjusted basis, sales were down by around 6% m/m (with caution around this indicator given only quarterly reporting by OEMs). The vast majority of the Canadian economy was under stringent COVID-19 restrictions for most of the month so this dampening in January is not alarming. Even with dealerships opened, many Canadians likely opted to defer purchases. The weakness is likely transitory and could be expected to fuel some pent-up demand in the months ahead. It does underscore the potential for continued volatility in monthly sales over the next couple of quarters as COVID-19 still circulates among communities and as inventory shortages hamper auto sales. Otherwise, economic indicators continue to outperform consensus forecasts: GDP for November was revised substantially higher last week while guidance for December holds positive expectations; November retail sales (latest available) came in stronger than anticipated (1.3% m/m); while December job losses were not as bad as expected in light of lockdowns that began that month. Boding well for auto sales, the Conference Board reported another increase in consumer confidence in January, surpassing March 2020 levels for the first time. We maintain our forecast for 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 showed continued momentum in January despite pandemic headwinds with a 2.5% m/m (sa) increase. This follows a 3.3% m/m uptick in December purchases. Sales landed just 3.7% below last January's levels. Much like during the first wave of COVID-19, neither government-mandated nor self-imposed restrictions provided *major* headwinds (at least relative to other countries) to retail auto sales. Towards the end of the month, restrictions were already loosening in major markets such as California and, importantly, many Americans received USD600 stimulus cheques with reasonable hopes for more. The Conference Board reported an uptick of almost 1 ppt in auto purchase intentions (to 10.7%) in January. Consumer sentiment will likely be further emboldened in the months ahead with additional household support and extended unemployment benefits, countering expectations that mass vaccinations will take time. Consensus forecasts also expect that job growth returned in January after dipping in December as jobless claims declined towards the end of the month. The strength of the auto sales recovery is creating its own challenges with production lags (initially pandemic-related, now chip-related) leading to inventory shortfalls that are expected to last at least through the first quarter. With a solid hand-off from 2020 and a strong start to 2021, we have revised upward our 2021 sales outlook to 16.7 mn units that incorporates the impacts of additional stimulus on US consumption. There are still downsides to this outlook, particularly related to pandemic risks.

CONTACTS

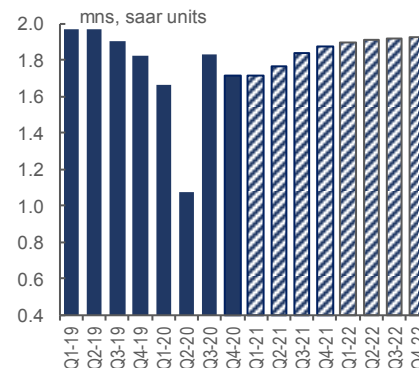
Rebekah Young
Director, Fiscal & Provincial Economics
 416.862.3876
 Scotiabank Economics
rebekah.young@scotiabank.com

Canada & US Vehicle Sales

	Dec '20	Jan '21	YTD
	(y/y % change, NSA)		
Canada	-2.6	-17.4	-17.4
US	6.1	-3.7	-3.7
	(m/m % change, SA)		
Canada	2.4	-6.0	-16.9
US	3.3	2.5	-1.5

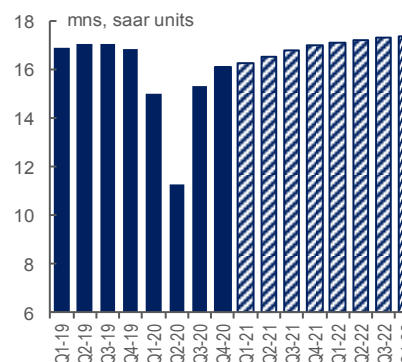
Sources: Scotiabank Economics, Wards Automotive, DesRosiers Automotive Consultants Inc.

Canadian Light Vehicle Sales



Sources: Scotiabank Economics, DesRosiers Automotive Consultants Inc.

US Light Vehicle Sales



Sources: Scotiabank Economics, Wards Automotive Group.

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; Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, 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 authorized 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 authorized 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., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat 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.