

## Canadian and US Vehicle Sales — February 2021

### CANADA

**Canadian auto sales picked up in February relative to last month's weak performance, but were still down relative to last February.** DesRosiers Automotive Consultants Inc. estimates that new vehicle sales declined by 9.9% y/y. On a seasonally adjusted basis, sales posted a hefty improvement of 10% m/m over January's slow start to the year. While broad-based lockdowns across the country were being lifted by late January, some major markets including the Greater Toronto Area—representing a fifth of Canadian output—remained under tight restrictions for the full month of February. Meanwhile, the global chip shortage likely depressed already-tight inventories, with Wards Automotive forecasting a consequential 10% contraction in North American vehicle production in the first quarter. This will likely weigh on auto sales over the next couple of months as the imbalance is unwound, while also placing continued upward pressure on prices. Despite depressed new vehicle sales in January on a unit basis (-3% y/y), new vehicle price inflation continued its upward trend to 2.8% y/y against headline inflation of 1.0% in January. Meanwhile, a resilient economic recovery supported by elevated household savings and extended employment benefits (not to mention vaccines on the horizon) should further underpin new vehicle demand—albeit pent-up demand—until supply constraints are resolved. This could erode new vehicle sales by 5–10% over the next few months and represents a material risk to our 2021 sales outlook—forecast at 1.8 mn units—should serious shortages persist well-into the second quarter. We had already built into our forecast some dampening in Q1 sales activity owing to pandemic restrictions which should offset a transitory impact of the parts-shortage, while a stronger-than-anticipated economic outlook for 2021 should support a more robust rebound in the latter part of the year.

### UNITED STATES

**US auto sales slowed in February with a 5.8 % m/m (sa) decline as inventory shortages and weather events temporarily disrupted the sector's recovery.** The year-over-year unadjusted decline (at -12.6%) was padded by an extra sales weekend this year, while the seasonally adjusted sales rate sat at just 15.7 mn units. American consumers were primed to continue unwinding the USD164 bn in stimulus cheques that had arrived in January, propelling retail spending up by 5.4% m/m (sa) in January, well-above consensus forecasts. But severe weather events across large swathes of the country kept many consumers home (and some dealerships closed) mid-month including in Texas, the second largest auto sales market. The chip shortage also further exacerbated tight inventory, with Wards Automotive estimating days' supply at 57 days versus a five-year February average of 73 days. This supply constraint is expected to continue dampening auto sales over the next few months at least, as data from World Semiconductor Trade Statistics suggests automakers only 'right-sized' orders by late summer against a six-month production lag. Meanwhile, a stronger economic recovery—and robust household consumption in particular—will fuel further new vehicle sales demand as the year advances including through another round of stimulus cheques in April. We maintain our 2021 outlook at 16.7 mn units while acknowledging the chip shortage introduces a risk that demand is pushed out to 2022 the longer the shortage persists.

### CONTACTS

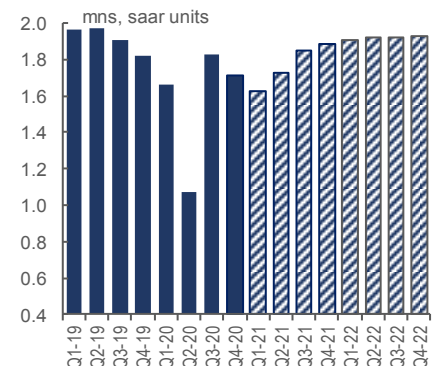
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### Canada & US Vehicle Sales

	Jan '21	Feb '21	YTD
(y/y % change, NSA)			
<b>Canada</b>	-17.4	-9.9	-13.4
<b>US</b>	-3.7	-12.6	-8.5
(m/m % change, SA)			
<b>Canada</b>	-5.1	10.0	-13.0
<b>US</b>	2.5	-5.8	-4.0

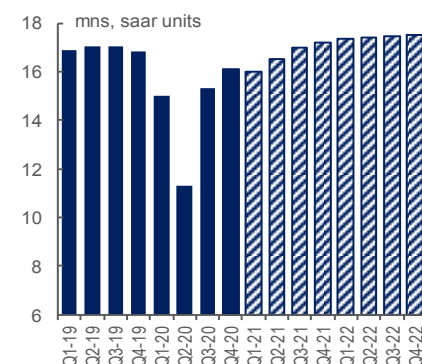
Sources: Scotiabank Economics, Wards Automotive, DesRosiers Automotive Consultants Inc.

### 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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