

## Canadian and US Vehicle Sales — July 2021

### CANADA

**Re-opening rebounds in Canadian auto sales continued in July despite inventory shortages.** DesRosiers Automotive Consultants Inc. estimates 156 k vehicles were sold—a 5.7% decline relative to last year (and by about -10% relative to July 2019). On a seasonally adjusted basis, sales eked out a 3.6% m/m (sa) improvement relative to June at 1.71 mn saar, according to the same source. Recall, a small burst of pent-up demand was unleashed in June as economies re-opened, pushing up auto sales by +13% m/m (sa). Demand-side factors continue to strengthen: job growth continues to gain steam as July is expected to have added another strong jobs boost to the 231 k gain in June; household savings remained elevated in the mid-teens (at the end of Q1); and consumer confidence started picking up in June with vaccine rates accelerating. Since May, the Conference Board is reporting a 10 ppt convergence between those reporting it is a 'good time' versus 'bad time' to make a major purchase, which bodes well for vehicle purchases. However, these demand drivers will likely only fuel future sales activity as supply shortages persist through the summer at least. Even though North American auto production resumed growth in June (with a +10% m/m, sa improvement according to Wards Automotive), days supply is reportedly still at a record low. Replenishing inventory on the back of strong demand (discussed in depth [here](#)) will take time despite further forecasted improvements in production (11% m/m for July for an 18% q/q improvement this quarter). New vehicle price appreciation from the supply-demand imbalance slowed in June, but is still elevated on a year-over-year basis (+4.1%) and should unwind only slowly with few motives for higher incentive spending. Consequently, we forecast dampened auto sales activity over the summer and into the fall with pent-up demand progressively unwinding as new supply hits the market, which likely takes us well into 2022 before more balanced market conditions return. We maintain our sales forecast at 1.75 mn units for 2021 and have pencilled in 1.95 mn units for 2022 with both subject to considerable uncertainties both on supply and demand factors.

### UNITED STATES

**US auto sales declined for a third consecutive month in July (-5% m/m, sa) as inventory shortages overwhelmed all other drivers.** Strong demand side factors—with a trend economic recovery underway, temporarily goosed by additional stimulus cheques—had pushed sales up to a high of 18.6 mn saar units in April before supply constraints started biting. July sales stood a mere 14.7 mn saar units. Wards Automotive anticipates inventory levels dropped by 8% in July, while the inventory to sales ratio already dipped below one in June. Meanwhile, demand conditions remained robust. Labour markets appeared solid through July with weekly jobless claims largely stable throughout most of the month, while auto purchase intentions surged to their highest level since the pandemic struck, coming in at 13% in July. (And American consumers are likely putting their money where their mouth is with personal savings also dipping to the lowest in June since the pandemic hit.) Supply shortages—and consequent price appreciation that has seen new vehicle inflation accelerate rapidly this spring—will likely curb new vehicle sales in the near term. We anticipate 16.4 mn sales in 2021 with an acceleration in activity this fall. For 2022, we forecast 17.4 mn new vehicle sales with supply issues widening downside potential and further stimulus representing an upside risk.

### CONTACTS

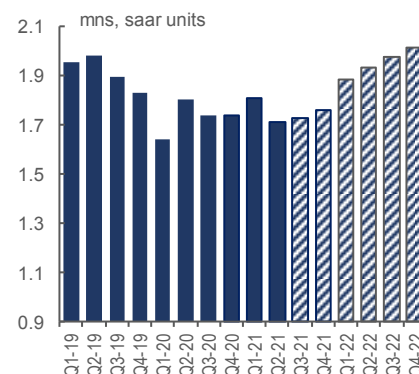
**Rebekah Young**  
**Director, Fiscal & Provincial Economics**  
 416.862.3876  
 Scotiabank Economics  
[rebekah.young@scotiabank.com](mailto:rebekah.young@scotiabank.com)

### Canada & US Vehicle Sales

	Jun '21	Jul '21	YTD
(y/y % change, NSA)			
<b>Canada</b>	22.0	-5.7	25.3
<b>US</b>	17.8	4.2	25.2
(m/m % change, SA)			
<b>Canada</b>	13.7	3.6	22.0
<b>US</b>	-9.8	-4.7	23.4

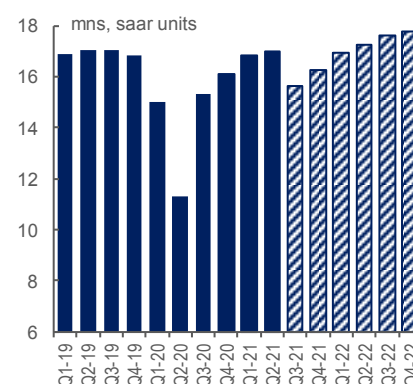
Sources: Scotiabank Economics, Wards Automotive Group, DesRosiers Automotive Consultants Inc.

### Canadian Light Vehicle Sales



Sources: Scotiabank Economics, Wards Automotive Group.

### US Light Vehicle Sales



Sources: Scotiabank Economics, Wards Automotive Group.

## Trends in Canadian Provincial Vehicle Sales

- Ontario auto sales continue to dampen national sales activity, unsurprisingly, given Ontario represents almost 45% of the (pre-pandemic) new vehicle sales market in Canada.** The latest publicly available data from Statistics Canada—admittedly dated as it goes only through May—shows sales were up by 30% ytd relative to 2020 (versus national sales that were up by about 40% through May). Provincial sales are similarly soft relative to pre-pandemic sales in 2019 (-22% ytd in Ontario versus -14% ytd nationally). The stringency and duration of COVID-19 lockdowns in Ontario have driven weaker outcomes across a variety of economic indicators from jobs to broader retail sales. But as other economic activities are signalling solid rebounds in June with re-openings, auto sales continue to be hampered by the semiconductor chip shortage. Preliminary data suggests that sales continued to rebound on a month-over-month basis since May, but still at depressed levels, suggesting pent-up demand ahead.
- Quebec auto sales—as the second largest market at 23% of national purchases—have been outperforming the country average through May.** Auto sales stood 60% ytd above 2020 activity, and down by a more modest -9% ytd relative to 2019. While the province was not spared a serious COVID-19 third wave, its restrictions were shorter-lived with easings beginning in late-May. Pandemic factors have been a fairly consistent and differentiating factor in new vehicle sales between the two largest provinces with different ideological approaches to pandemic management. Expectedly, auto sales were down by -17% last year in Quebec versus -23% in Ontario. Preliminary data suggests auto sales in Quebec have also continued to strengthen since May on a month-over-month basis, but sales levels are still dampened by inventory shortages.
- Western Canadian auto sales have been trending above national purchase activity, but with variability across provinces.** Alberta auto sales stood roughly in line with regional sales (+35% ytd vs 2020; -9% ytd vs 2019), while British Columbia posted strong sales activity relative to the average (+46% ytd vs 2020; -6% ytd vs 2019). British Columbia's more stringent pandemic policies have likely contributed to more volatility in successive waves, but strong underlying fundamentals have supported resilient purchases. Alberta's sales may have benefited from less restrictive pandemic policies, but the sector has faced a retrenchment in sales that pre-dates the pandemic. Its 2019 new vehicle sales were a full 20% below peak activity in 2014 before the province faced three consecutive oil shocks. Strengthened commodity prices should underpin its slow recovery.
- Eastern Canada has fared relatively well so far, with regional auto sales outperforming the national average (+53% ytd vs 2020; -5% ytd vs 2019).** This is consistent with pandemic factors, notably more effective containment of the virus which consequently has muted the economic impact on the Maritime provinces. However, the region as a whole has faced declining sales activity since 2017 with pre-pandemic purchases down by over 10% in 2019 relative to that earlier peak.
- Electric vehicles sales as a share of total new sales jumped to 4.6% in the first quarter of 2021.** Depressed total new vehicle sales in the first quarter likely drove some of this gain through denominator effects, though sales volumes were more than double that of first quarter 2019 sales, boding well for continued strength in this market as economic and policy drivers underpin demand (along with improved inventory and model selection).

### Provincial Light Vehicle Sales Outlook (thousands of units ann.)

	2010–19	2019	2020	2021f	2022f	May-21 sa % m/m	May-21 nsa % y/y	2021 ytd nsa % y/y	2021 ytd saar	ZEV* (Q1-21) % of new LV sales
<b>Canada</b>	<b>1,817</b>	<b>1,920</b>	<b>1,543</b>	<b>1,750</b>	<b>1,950</b>					<b>4.6</b>
<b>Atlantic</b>	<b>134</b>	<b>131</b>	<b>109</b>	<b>127</b>	<b>140</b>	<b>-25%</b>	<b>24%</b>	<b>53%</b>	<b>130</b>	<b>--</b>
<b>Central</b>	<b>1,179</b>	<b>1,304</b>	<b>1,028</b>	<b>1,104</b>	<b>1,230</b>	<b>-12%</b>	<b>30%</b>	<b>41%</b>	<b>1,130</b>	<b>4.5</b>
Quebec	441	455	376	434	479	-14%	23%	60%	425	8.1
Ontario	738	848	652	670	751	-10%	36%	31%	705	2.3
<b>West</b>	<b>548</b>	<b>545</b>	<b>451</b>	<b>519</b>	<b>580</b>	<b>-15%</b>	<b>34%</b>	<b>39%</b>	<b>522</b>	<b>--</b>
Manitoba	56	58	47	52	57	-15%	20%	35%	52	0.8
Saskatchewan	54	49	42	46	50	-14%	29%	34%	47	0.9
Alberta	239	223	184	211	238	-19%	26%	35%	210	--
British Columbia**	199	216	178	210	235	-12%	47%	46%	213	12.0

\*ZEV includes battery electric and plug in hybrid electric vehicles (estimates for NL, NS, and AB unavailable due to limitations in data sharing with Statistics Canada, but are included in the Canadian aggregate). \*\*British Columbia includes the territories.

Sources: Scotiabank Economics, Wards Automotive Group, Statistics Canada.

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