

Canadian and US Vehicle Sales — August 2021

CANADA

Inventory shortages took a toll on August auto sales in Canada. DesRosiers Automotive Consultants Inc. estimates 147 k vehicles were sold—a -11.4% decline relative to last year (and by about -19% relative to July 2019). On a month-over-month basis, sales slowed by -5.3% at a seasonally adjusted sales rate of 1.62 mn units according to the same source. Reopening effects in June and July have been unwound with empty lots clearly constraining August purchases. Preliminary data suggests days supply in Canada remains low and has yet to pivot. North American auto production stalled in July (flat on a m/m basis) after a false-start improvement in June (+5% m/m, sa) and is likely to have modestly retracted again in August when final tallies come in. Toyota announced a 40% curtailment of end-August and September production, while Ford and Stellantis are idling some plants in early September as supply chains in South Asia are disrupted by the Delta variant. Needless to say, more production cuts can reasonably be expected in September and possibly into October which translates into lean inventory for dealers for the next few months (and slower sales). On the bright side, consumer sentiment is holding up: the Conference Board's major purchase indicators converged modestly again in July as more Canadians felt it was a 'good time' to make a major purchase, which is perhaps surprising given the high-pricing and limited-inventory environment that is affecting not just autos but most major durables. New vehicle price inflation ticked up by 0.35% m/m in July for a 5.5% y/y increase. Strengthening job numbers (another 93 k jobs added in July) along with still-elevated savings (14.2% in the second quarter) are likely emboldening consumers. However, in the near term, supply is the binding constraint for auto sales. We've nudged down our 2021 sales forecast to 1.70 mn units (from 1.75 mn last month and 1.80 mn the month prior). As rolling auto production shutdowns persist, there remains more downside to this near term outlook.

UNITED STATES

US auto sales continued their descent for a fourth consecutive month in August (-10.9% m/m, sa) as inventory shortages overwhelmed other drivers. Strong demand-side factors—with a trend economic recovery underway and a highly supportive policy environment—had pushed sales up to a high of 18.6 mn saar units in April before supply constraints took hold. Annualised sales have since steadily declined to a mere 13.1 mn saar units by August. August inventory may have picked up incrementally on the back of weaker sales (when numbers are finalised), but levels remain low by any stretch of the imagination. Demand conditions otherwise remained firm with weekly jobless claims trending down in August and consumers continuing to draw down savings through July, but sentiment did turn sour in August with a 1.8 ppt pull-back in auto purchase intentions, according to the Conference Board. This may have been, in part, a function of higher pricing (+6.4% y/y, CPI new vehicles for July) and less selection. We have also taken down our 2021 US sales forecast to 15.9 mn units (from 16.4 mn) and will be watching for a fourth quarter turn-around in inventory to support higher year-end sales to hit this more modest outlook.

CONTACTS

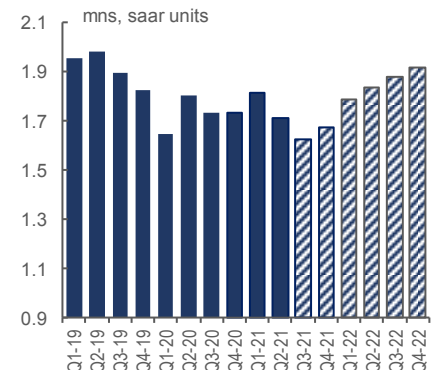
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Canada & US Vehicle Sales

	Jul '21	Aug '21
	(y/y % change, NSA)	
Canada	-6.2	-11.4
US	4.2	-17.3
	(m/m % change, SA)	
Canada	-7.2	-5.3
US	-4.1	-10.9

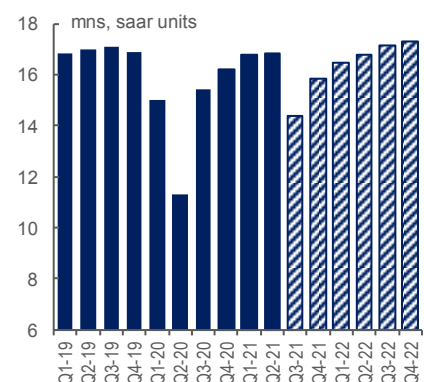
Sources: Scotiabank Economics, Wards Automotive Group, DesRosiers Automotive Consultants Inc.

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

- **Auto sales at the provincial level continue to mimic (naturally) national-level trends with differentiation a function of both economic fundamentals and policy (or pandemic) drivers.** Publicly-available provincial-level data is seriously lagged (taking us only to June) so it offers limited insights, but can underscore some trends. Nationally, June auto sales rebounded (by about 11% m/m, sa) as economies reopened, lifting sales on a month-over-month basis across all provinces. The rebound effects in June were particularly pronounced in provinces that were re-opening from more stringent month-prior lockdowns, for example, Ontario and Nova Scotia. Armed with the knowledge that national auto sales subsequently pulled back in July (-7% m/m, sa) and August (-5% m/m, sa), we can expect broad declines across provinces for these months when data is published. No province has been immune to inventory shortages that are plaguing the industry.
- **On a trend basis, Ontario's auto sales remain depressed.** Its lockdowns have been longer and more stringent than most provincial counterparts which has weighed on broad economic indicators from retail sales to job recoveries (and restrictions were lifted into June). Wage appreciation over the past few months has also lagged the national average. Vehicle sales on a year-to-date basis stand 25% above 2020's mid-year mark, but still -21% below the same period for 2019 (versus 34% and -14% nationally). June's annualized selling rate of 678 k saar units (and likely declining in subsequent months) speaks more to supply constraints than fundamental demand. This should support pent-up demand in future months, increasingly looking more likely into 2022, and bodes well for national-level sales given Ontario reflects about 45% of sales.
- **Quebec auto sales—as the second largest market at 23% of national purchases—have been outperforming the country average through June.** Auto sales stood 40% ytd above 2020 activity, and down by a more modest -8% 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. Nevertheless, inventory shortages have likely slowed sales in July and August, and will likely dampen fall purchases. Pent-up demand, along with economic drivers such as wage appreciation and an export lift should support future auto sales.
- **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 (+30% ytd vs 2020; -10% ytd vs 2019), while British Columbia posted strong sales activity relative to the average (+42% ytd vs 2020; -6% ytd vs 2019). British Columbia's more stringent pandemic policies have contributed to bumpy month-to-month sales, but strong underlying fundamentals have supported resilient purchases, while a recovery in oil demand has supported a strengthening in Alberta auto purchases, albeit from depressed levels that pre-date the pandemic.
- **Eastern Canada has fared relatively well owing to stronger pandemic management so far though its relative advantage is wearing off with fewer rebound effects.** June's regional sales brought year-to-date purchases closer to national averages (+39% ytd vs 2020; -7% ytd vs 2019).

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

	2010–19	2019	2020	2021f	2022f	Jun-21 sa % m/m	Jun-21 nsa % y/y	2021 ytd nsa % y/y	2021 ytd saar	ZEV* (Q1-21) % of new LV sales
Canada	1,817	1,920	1,543	1,703	1,917					4.6
Atlantic	134	131	109	122	133	16.1	1.7	39.2	128	--
Central	1,179	1,304	1,028	1,080	1,222	9.9	-1.3	30.1	1,128	4.5
Quebec	441	455	376	425	480	16.1	-10.0	39.6	428	8.1
Ontario	738	848	652	655	742	6.0	4.8	24.8	700	2.3
West	548	545	451	501	562	11.7	14.9	34.0	518	--
Manitoba	56	58	47	50	54	18.2	7.9	29.1	52	0.8
Saskatchewan	54	49	42	45	49	6.8	2.2	26.7	46	0.9
Alberta	239	223	184	201	227	11.8	8.4	29.7	208	--
British Columbia**	199	216	178	205	231	11.1	26.8	41.7	212	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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