

Canadian and US Vehicle Sales — September 2021

CANADA

Canadian auto sales pulled back sharply again in September as limited inventory restrained purchases. DesRosiers Automotive Consultants Inc. estimated 137 k vehicles were sold for a -19.6% decline relative to last September. On a month-over-month basis, sales slowed by -4.3% at a seasonally adjusted annualised sales rate of 1.55 mn units according to the same source. As discussed in greater depth [here](#), supply is by far the dominating factor behind weak auto sales globally. Canadian dealers started the month with empty lots as days supply sat at record-lows at the end of August, with particularly acute shortages in Ontario and Quebec. The situation is not expected to improve in the near term as North American auto production decelerated again in August by -12% m/m (sa) and almost all major auto producers announced further curtailments to near-term production plans over the course of September. Covid-19 outbreaks in South Asia have further disrupted semiconductor chip supply and are expected to continue to weigh on auto production over the next couple of months at least. Otherwise, fundamental demand-side factors remain largely intact with July data (latest available) beating expectations across the board from job growth, to retail sales, to GDP, and August guidance looks positive. Consumer confidence has weakened over August and September—not surprisingly—as fourth waves unfolded across many parts of the country in a consistent ebb-and-flow pattern we have seen with each wave of COVID-19. The acute supply-demand imbalance continues to drive new vehicle price inflation: +0.5% m/m and 7.7% y/y in August CPI. We have nudged down our sales forecast to 1.67 mn units and 1.80 mn units in 2021 and 2022, respectively. While shortages will fuel pent-up demand, production capacity likely limits the ability to fully unwind this over the course of 2022. We consequently expect to see continued growth in 2023 at 1.93 mn units.

UNITED STATES

The deceleration in US auto sales continued in September with a -6.6% m/m (sa) retrenchment in purchases. Annualised sales landed at a meagre 12.2 mn units—down -24.8% y/y. This rivals the lows of May 2020 since the onset of the pandemic that saw sales briefly plunge to 8.6 mn units in April 2020. Aforementioned supply factors are weighing heavily on US purchases with the inventory-to-sales ratio estimated to again sit well-below one for a fifth consecutive month. Inventory on a unit basis contracted by -5% m/m (sa) in August and sat 70% below the same-month average over the past five years prior to the pandemic, according to Wards Automotive. Otherwise, demand-side factors have been robust on the back of a highly supportive policy environment. Some near-term weakness in job reports and confidence may be linked to bottlenecks affecting most parts of the economy (and, indirectly, other fourth-wave impacts), but indicators are trending in the right direction. August retail sales (+1.5% m/m, ex. auto) suggest consumers remain strong and still-elevated household savings should underpin consumption in the quarters ahead. Some of the downturn in major purchase intentions (a 1.3 ppt pull-back for autos in September, according to the Conference Board) may also be a function of supply constraints that have fueled higher prices (+7.6% y/y, CPI new vehicles for August) and limited selection. We have also taken down our US sales forecast to 15.3 mn and 16.8 mn units in 2021 and 2022, respectively, while adding our 2023 outlook for 18.3 mn units.

CONTACTS

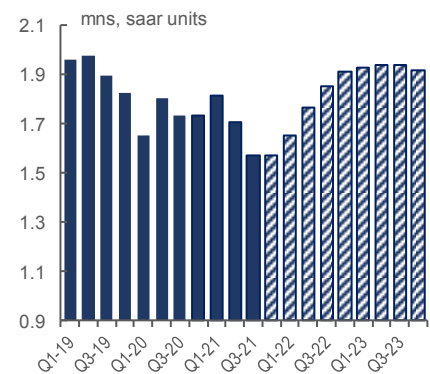
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Canada & US Vehicle Sales

	Aug '21	Sep '21
	(y/y % change, NSA)	
Canada	-11.4	-19.6
US	-17.3	-24.8
	(m/m % change, SA)	
Canada	-5.3	-4.3
US	-10.9	-6.6

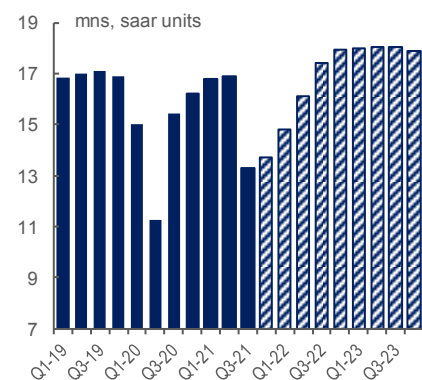
Sources: Scotiabank Economics, Wards Automotive Group, DesRosiers Automotive Consultants Inc.

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

- Lagging provincial auto sales data adds more colour to sales purchases at the regional level.** Differentiation is driven by economic fundamentals, as well as pandemic (and policy) drivers, and now, increasingly inventory challenges where supply-demand differentials are greatest. Publicly-available provincial-level data is seriously lagged (taking us only to July) so it offers only limited insights. Recall, national auto sales in July (and June) proved to be a dead-cat-bounce: auto purchases rebounded by 3.6% m/m (sa) in July upon re-opening effects from third-wave restrictions in major markets, but the trend descent in sales on the back of inventory shortages quickly overpowered other transitory drivers with declines of -5.3% m/m (sa) and -4.3% m/m (sa) in August and September, respectively (national data according to DesRosiers Automotive Consultants Inc.).
- Central Canada offered a mixed story in July.** Ontario—at 45% of the national auto sales market—underpinned the national average with a 3.5% m/m (sa) uptick in July purchases. Its slower re-opening after third-wave restrictions pushed some rebound purchases into July, in contrast to Quebec which had experienced a twice-as-strong rebound in June purchases, but subsequently experienced a sharper -10% m/m (sa) contraction in July. Quebec's year-to-date sales stood higher (+28% y/y) at the end of July, relative to Ontario (+18% y/y) owing to relatively strong household consumption earlier in the year against a lighter third-wave caseload and lesser restrictions, while Ontario has experienced less lift from wage appreciation. Both markets are now experiencing very tight supply constraints and this is expected to dampen auto sales in the coming months despite solid economic outlooks.
- Western Canadian auto sales also showed some divergence in July.** Alberta was still in the early stages of its 'best summer yet' with no restrictions in place and solid oil prices in its favour that saw sales up by almost 3% m/m in July (after a strong 12% m/m rebound the month-prior). British Columbia's sales, meanwhile, pivoted negative in July by -2% m/m as re-opening effects waned and supply constraints overwhelmed other drivers. On a year-to-date basis, BC is on a much stronger footing with sales up 36% y/y versus Alberta at 22% y/y. Despite improving fundamentals for the latter, fourth-wave impacts will likely put a damper on sales in the coming months, though in the context of limited supply, may have less of an impact over the longer term.
- Eastern Canada did have the 'best summer yet' for the most part with many restrictions lifted.** The region experienced a small increase (1% m/m, sa) in July sales with less volatility in monthly purchases owing to more effective pandemic management. Sales stood at +30% y/y ytd, with particular strength in Prince Edward Island and Nova Scotia, well-above the national average, but the region as a whole entered the pandemic with already-depressed auto sales so it is still making up for lost ground. Mixed (or average) wage appreciation against higher price inflation may present headwinds when supply is restored and true demand is tested.

Provincial Light Vehicle Sales Outlook (thousands of units ann.)										
	2010–19	2019	2020	2021f	2022f	Jul-21, SA % m/m	Jul-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	1,666	1,795					4.6
Atlantic	134	131	109	122	128	1.2%	-2.3%	30.1%	128	--
Central	1,179	1,304	1,028	1,054	1,130	-2.0%	-9.8%	21.8%	1,123	4.5
Quebec	441	455	376	406	438	-10.4%	-13.9%	27.7%	428	8.1
Ontario	738	848	652	648	693	3.5%	-7.2%	18.4%	695	2.3
West	548	545	451	490	536	-1.1%	-0.9%	27.5%	521	--
Manitoba	56	58	47	50	54	-8.0%	-7.8%	21.9%	53	0.8
Saskatchewan	54	49	42	45	48	-5.3%	-6.1%	20.6%	46	0.9
Alberta	239	223	184	194	215	2.8%	-8.5%	22.3%	209	--
British Columbia**	199	216	178	201	219	-2.0%	11.6%	36.3%	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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