

Canadian and US Vehicle Sales — November 2021

CANADA

Canadian auto sales dipped in November in what has been a volatile recovery for auto sales amidst inventory challenges. DesRosiers Automotive Consultants Inc. estimated 110 k vehicles were sold at a seasonally adjusted annualised rate of just 1.45 mn units (-13.9% y/y). This works out to a -7.6% m/m (sa) decline, following October's modest gain (1.3% m/m, sa). Recall, some monthly variability can be discounted as the shift to quarterly reporting in Canada has introduced wider margins of error. The recovery in North American auto production in November (+9% m/m, sa) offers measured hope that output will continue to improve into next year, but a host of headwinds will likely slow the pace. As Canada competes for limited inventory, days supply continues to edge lower across Canada, clearly constraining sales in an otherwise robust demand environment. Job growth may have stalled in November when numbers are published as rebound effects wane (and government programs were wound down), but the hand-off from October was strong with jobs exceeding pre-pandemic levels and robust wage gains over the past four months. Retail sales (and guidance) have surprised on the upside so far this Fall, despite supply-side constraints. Elevated household savings and still-hesitant consumer confidence suggest there is still more spending to be unwound as the economic recovery advances—and importantly when supply is available. The acute supply-demand imbalance continues to drive new vehicle price inflation: 6.1% y/y in September CPI (0.3% m/m, nsa). Our sales forecast sits at 1.67 mn, 1.77 mn, and 1.93 mn units in 2021, 2022, and 2023, respectively. While fundamental economic drivers suggest auto demand should be approaching pre-pandemic levels, auto production capacity likely limits the pace at which supply can meet this pent-up demand; consequently our projections close that gap only by 2023. There is still high uncertainty on this outlook including around the pace of auto production recovery. The emergence of the Omicron variant poses another material risk through further global supply chain disruptions while, domestically, recent weather events in British Columbia could temporarily impact the Canadian auto sector through port and rail turmoil.

UNITED STATES

US auto sales faced a setback in November as purchases pulled back by -0.7% m/m (sa), providing a reminder that the recovery will be volatile as risks still loom. Annualised sales stood at 12.9 mn units, increasing the likelihood that fourth quarter purchases will struggle to meet the 13 mn saar mark. This follows the 5.5% m/m (sa) improvement in October that sparked hopes that a rebound was finally underway. It likely still is—improving auto production in North America in November is a positive sign—but it will be bumpy. The high pricing environment and limited inventory likely took a toll on consumer confidence in November, as well as escalating COVID-19 concerns towards the end of the month. Auto purchase intentions dropped to an all-time low in November (and sharply by 2.5 ppts), according to The Conference Board, as new vehicle price appreciation reached new heights in October (9.8% y/y, nsa) for a 1.4% m/m (sa) increase. Otherwise, demand-side factors have been robust. Latest retail sales posted a healthy gain of 1.7% m/m as job growth accelerated in October, while more recent weekly jobless claims continued to trend lower through November. We have nudged down this year's outlook to 15.0 mn units owing to this month's weak performance and less optimism for the final month of the year. Demand is likely to continue to exceed supply through 2022. We expect sales will increase to 16.1 mn and 18.0 mn in 2022 and 2023, respectively. Further disruptions to auto production through pandemic-related supply chain factors remain a material downside risk to this outlook.

CONTACTS

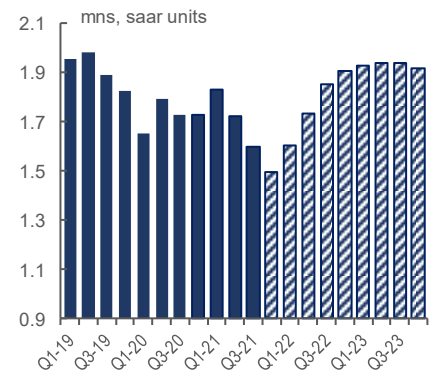
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Canada & US Vehicle Sales

	Oct '21	Nov '21
	(y/y % change, NSA)	
Canada	-17.7	-13.9
US	-23.2	-16.7
	(m/m % change, SA)	
Canada	1.3	-7.6
US	5.5	-0.7

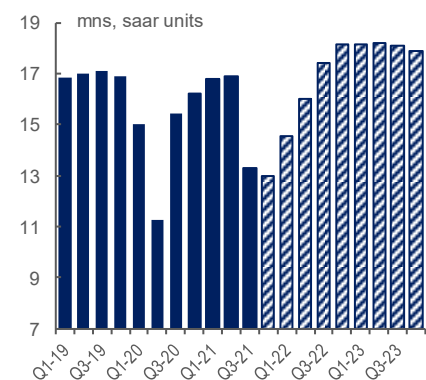
Sources: Scotiabank Economics, Wards Automotive Group, DesRosiers Automotive Consultants Inc.

Canadian Light Vehicle Sales



Sources: Scotiabank Economics, Wards Automotive Group.

US Light Vehicle Sales



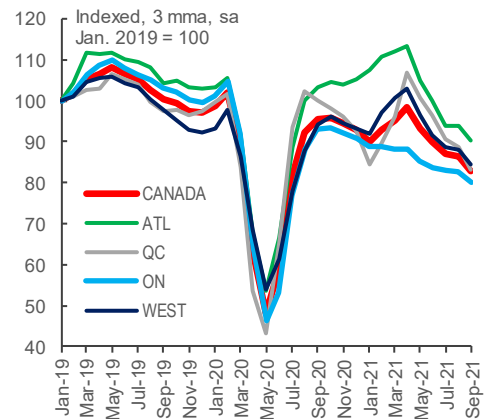
Sources: Scotiabank Economics, Wards Automotive Group.

Trends in Canadian Provincial Vehicle Sales

- Lagging provincial auto sales data confirm that inventory shortages curbed sales across most of the country in September.** It also provides a reminder that caution is warranted (for economists at least) in relying on single-source monthly data points for auto sales in Canada given a wide range of estimates across sources (admittedly, each with a different methodology). DesRosiers Automotive Consultants Inc. had reported a -4.3% m/m (sa) decline in national auto sales for September; Wards Automotive tabulated a +1.2% m/m (sa) improvement, while recent Statistics Canada data falls somewhere in between with a -2.1% m/m (sa) dip for the month of September.
- Nevertheless, the trend decline across regions has been notable since early Spring (chart 1).** Towards the end of 2020 and early 2021, there had been some notable differentiation across markets: Atlantic Canada's auto sales recovery was less impacted by pandemic constraints via third and fourth waves (chart 2); Quebec's shorter and less stringent lockdowns, along with robust economic fundamentals drove a surge in auto sales; Ontario's weaker economic path—in a large part owing to larger pandemic effects—weighed more heavily on its auto sales; while Western Canadian sales were fueled by rebounding commodity prices and stronger economic fundamentals in British Columbia. However, inventory shortages have universally pulled down sales across the regions since then.
- All regions and provinces saw declines in September auto sales on a month-over-month basis except Atlantic Canada.** Inventory challenges were the driving factor with Atlantic Canadian provinces posting improvements owing to double-digit declines the month-prior. On a year-to-date basis, Atlantic Canada, Quebec and British Columbia continue to perform above the national average.
- Although auto production appears to be stabilizing—if not improving—it will likely be several months before we start to see differentiation across markets based on more traditional economic drivers as limited inventory continues to put a cap on auto sales in an environment of pent-up demand.**

Chart 1

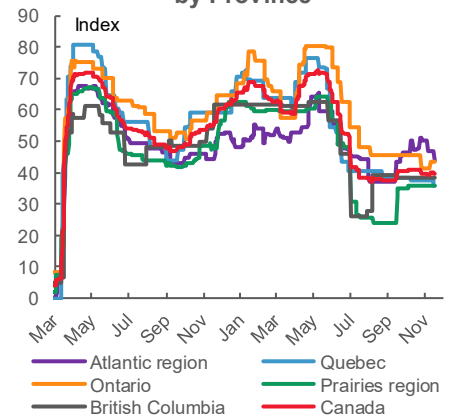
Auto Sales Across the Regions



Sources: Scotiabank Economics, Statistics Canada.

Chart 2

COVID-19 Stringency Index by Province



Sources: Scotiabank Economics, Bank of Canada.

	2010–19	2019	2020	2021f	2022f	2023f	Sep-21, SA	Sep-21, NSA	2021 ytd nsa	2021 ytd	ZEV* (Q2-21)
							% m/m	% y/y	% y/y	saar	% of new LV sales
Canada	1,817	1,920	1,543	1,663	1,774	1,930					4.9
Atlantic	134	131	109	120	124	130	1.7	-17.8	15.9	123	--
Central	1,179	1,304	1,028	1,051	1,122	1,225	-2.0	-19.3	10.3	1,094	5.4
Quebec	441	455	376	412	440	481	-1.2	-20.0	14.0	414	9.0
Ontario	738	848	652	639	682	745	-2.5	-18.9	8.1	680	2.8
West	548	545	451	492	528	574	-1.8	-18.4	15.2	503	--
Manitoba	56	58	47	48	51	55	-4.6	-18.5	11.1	51	1.2
Saskatchewan	54	49	42	43	46	50	-3.9	-28.6	6.6	44	0.8
Alberta	239	223	184	196	210	228	-2.5	-20.5	11.0	200	--
British Columbia**	199	216	178	205	221	241	-0.2	-14.0	23.0	208	9.8

*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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