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Chart 1

Canada Light Vehicle Sales



Sources: Scotiabank Economics, Wards Automotive.

Chart 2

US Light Vehicle Sales



Sources: Scotiabank Economics, BEA.

January Auto Sales: Wrap Up of Global 2023 Auto Sales

CANADA: JANUARY EASES FROM RECENT SEASONAL STRENGTH

Canadian auto sales slowed by -4.9% m/m (sa) in January, starting the year at 1.69 mn (saar) units according to Wards Automotive (chart 1). January's seasonally adjusted pace of annualized new light vehicle sales is coming on the heels of November and December's average 1.78 mn (saar), the two fastest seasonally adjusted months since the first half of 2021 when supply-side constraints were becoming most acute. New auto sales for the first month of the year are in line with the 1.68 mn units through 2023 and up 2.1% y/y (nsa) from the same month a year prior. Canada's labour market continues to support consumers, having added more than 400k jobs in 2023 along with average hourly wage gains for permanent employees averaging 5% y/y. However, these strong wage gains combined with declining productivity, or output per hour worked, risks adding to the persistence of inflation. Core measures of price increases averaged more than 3% y/y in Q4-2023, continuing to run above the Bank of Canada's 2% target. In the latest [forecasts from Scotiabank Economics](#), we expect the Bank of Canada to hold its policy rate at 5% through the first half of 2024, with rate cuts beginning later in Q3 ending 2024 at 4.25% and falling to 3% by end of 2025. The elevated interest rate environment is likely to continue weighing on consumer demand, which will allow inventory levels to continue building up from their still low levels. Our outlook for Canadian new light vehicle sales expects a further increase to 1.71 mn in 2024 as pent up demand is unwound despite elevated interest rates. The recovery is expected to gain steam with 1.77 mn sales estimated in 2025 as inventories improve and rates pressures ease.

UNITED STATES: FLAT AUTO SALES GROWTH IN Q4 FROM UPWARD REVISIONS

US light vehicle sales fell -6.9% m/m (sa) to 15.0 mn (saar) units in January, the slowest monthly pace since early spring last year (chart 2). Upward revisions of more than 1% to non-seasonally adjusted light vehicle sales for November and December respectively imply that Q4-2023 sales increased 0.2% q/q as opposed to the previously reported second consecutive quarterly decline. Elevated interest rates continue to pose headwinds to demand, as the US 48-month new car loan rate holds near 7.7%, up nearly 4 percentage points from March 2022 when the Federal Reserve began to hike their policy rate. Resilient growth in US economic activity poses upside risks to inflation, as we expect the Fed to hold the Fed Funds upper bound at 5.50% with rate cuts beginning in Q3, ending the year at 4.50% and end 2025 at 3%. This prolonged period of higher interest rates will weigh on consumer growth, bringing supply and demand closer to balance. The pace of North American light vehicle production continued to decline through the second half of 2023 down to 14.1 mn (saar) units in December, slightly below the annual volume for 2022. While US light vehicle inventory levels have increased in 19 of the past 22 months, easing supply-side constraints, the pace at which inventories are building slowed in Q4 when adjusting for seasonality, as both the auto inventory-to-sales ratio and days' supply measures are half of their 2010s average. Our outlook for US new light vehicle sales forecasts an increase to 15.9 mn in 2024, and 16.8 mn in 2025.

GLOBAL AUTO SALES: CONTINUED RECOVERY DESPITE REGIONAL HEADWINDS

Global auto sales slowed by -0.8% m/m (sa) in December, rounding out Q4 which held relatively flat (-0.2% q/q, sa) to wrap up the year (chart 3). Annual global sales increased to 75.3 mn in 2023, up 11.9% y/y from the year prior, albeit with varied contributions at the regional level owing to unique factors.

Auto sales across Canada, US, and Mexico increased 13.3% y/y to 18.5 mn, with double digit percentage growth across all three countries, notably with sales in Mexico increasing

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25% y/y to 1.36 mn, surpassing annual 2019 volume by 3%. See a more detailed coverage of [Mexican auto sector here](#). The regional percentage growth in auto sales was aided by a further 9% recovery in North American light vehicle production. Nevertheless, annual auto sales for North America remain 8% below 2019 volumes, as the countries' respective central banks maintain elevated policy rates to slow inflation back towards their targets, posing headwinds to demand.

In western Europe, auto sales increased 13.7% y/y to 11.4 mn, with aided by growth in thirteen of the fifteen countries covered, and increases in the major markets of France (16.1% y/y), Germany (7.3%), Italy (18.9%), Spain (16.7%), and the UK (17.9%). Ireland is the only country covered in which 2023 auto sales surpassed 2019 levels (4.0%)—most other countries covered remain 15% to 25% below pre-pandemic levels. Growth in economic activity across western Europe through the past two years has slowed as households contended with higher energy prices in addition to rising interest rates as the European Central Bank and Bank of England have tightened monetary policy stances to slow inflation. Auto sales in eastern Europe increased 48.8% y/y to 2.76 mn units as sales in Russia surpassed 1 mn units for the first time since 2021 following the 650 k sales in 2022 when many countries around the world imposed sanctions on Russia for their invasion of Ukraine.

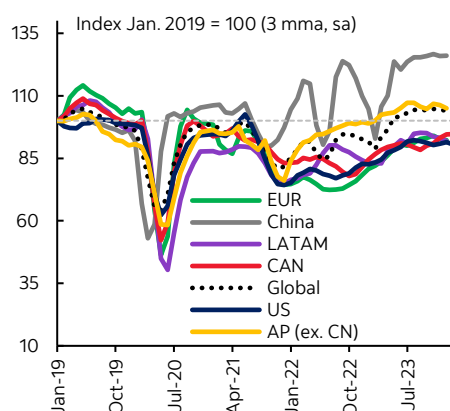
Asia Pacific auto sales increased more than 9% for a second consecutive year to 39.4 mn in 2023, up 16.4% relative to 2019 levels, though with variation at the country level. Auto sales in China, which accounts for two-thirds of the regions' market by sales, increased 10.5% y/y to 26.0 mn. Meanwhile, Australia and Japan auto sales increased 12.7% and 13.8% from the previous year and are 3% above and 8% below 2019 volumes respectively.

South American auto sales growth was much more modest, increasing 2.2% y/y to 3.25 mn units. Increases from Argentina (8.2% y/y), Brazil (11.2%), and Peru (2.9%) were weighed down by declines in Chile (-26.5%) and Colombia (-28.5%). Growth in economic activity in the region has slowed from restrictive policy rates along with the impacts of El Niño weather. However, with inflation coming down towards target in Brazil, Chile, Colombia, and Peru, the respective central banks began to cut their policy rates last year with further easing expected through 2024.

Our outlook for global auto sales is that the pace of growth will slow to 2.3% in 2024 and 3.5% in 2025 as elevated interest rates weigh on consumer spending and activity (chart 4).

Chart 3

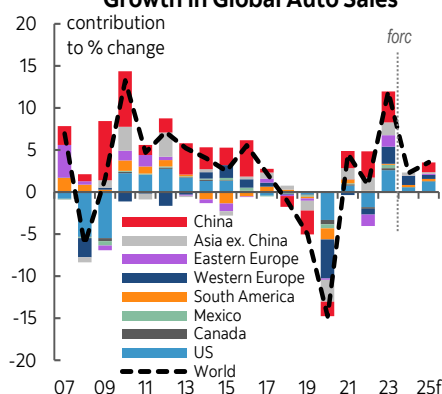
Global Vehicle Sales by Region



Sources: Scotiabank Economics, Wards Automotive, national automotive associations.

Chart 4

Regional Contributions to Growth in Global Auto Sales



Sources: Scotiabank Economics, Bloomberg, Wards Automotive.

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Table 1—Global Auto Sales Outlook (mns units)

	2010-19	2020	2021	2022	2023	2024f	2025f	Dec-23, SA % m/m	Dec-23, NSA % y/y	2023 ytd, NSA % y/y
Total Sales	71.1	63.8	66.7	67.3	75.3	77.0	79.7	-0.8	13.4	11.9
North America	18.7	17.0	17.6	16.4	18.5	19.0	20.0	2.9	15.2	13.3
Canada	1.82	1.54	1.66	1.52	1.68	1.71	1.77	-0.2	14.3	10.6
United States	15.7	14.5	14.9	13.8	15.5	15.9	16.8	3.7	15.0	12.7
Mexico	1.22	0.95	1.01	1.09	1.36	1.39	1.43	-2.8	18.3	25.0
Western Europe	13.0	10.7	10.5	10.0	11.4	12.2	12.5	-5.4	-5.1	13.7
Germany	3.2	2.9	2.6	2.7	2.8	3.1	3.1	-6.9	-23.0	7.3
United Kingdom	2.3	1.6	1.6	1.6	1.9	2.0	2.1	-3.6	9.8	17.9
Eastern Europe	3.3	2.8	2.8	1.9	2.8	2.8	2.9	0.0	60.3	48.8
Russia	2.1	1.5	1.5	0.6	1.1	1.1	1.1	-0.1	127.2	69.5
Asia	31.9	30.6	32.7	35.9	39.4	39.6	40.7	-1.4	16.1	9.8
China	19.7	20.1	21.5	23.6	26.0	26.0	26.9	0.1	23.3	10.5
India	3.3	2.8	3.6	4.4	4.7	4.9	4.9	-6.0	2.3	7.1
Japan	5.1	4.6	4.4	4.2	4.8	4.8	4.8	-0.6	5.4	13.8
South America	4.3	2.8	3.1	3.2	3.2	3.4	3.6	0.2	5.5	2.2
Brazil	2.91	1.95	1.98	1.96	2.18	2.27	2.38	3.8	17.1	11.2
Chile	0.34	0.26	0.42	0.43	0.31	0.33	0.35	2.5	-20.1	-26.5
Colombia	0.26	0.19	0.24	0.25	0.18	0.20	0.21	-0.2	-8.1	-28.5
Peru	0.16	0.11	0.16	0.16	0.16	0.18	0.19	3.8	-8.1	2.9

Sources: Scotiabank Economics, Wards Automotive, Bloomberg.

Table 2—Provincial Auto Sales Outlook (thousands of units ann.)

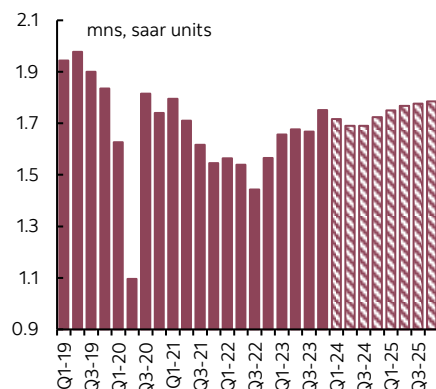
	2010-19	2020	2021	2022	2023e	2024f	2025f	Nov-23, SA % m/m	Nov-23, NSA % y/y	2023 ytd nsa % y/y	ZEV* (Q3-23) % of new LV sales
Canada	1,817	1,543	1,663	1,523	1,684	1,706	1,770				12.1
Atlantic	134	109	119	105	112	115	119	5.1	16.0	8.3	--
Central	1,179	1,030	1,070	1,004	1,100	1,105	1,147	4.4	10.3	11.5	12.9
Quebec	441	378	404	369	400	401	416	6.8	13.5	9.9	20.2
Ontario	738	653	665	635	700	704	731	3.0	8.5	12.5	8.2
West	548	453	487	449	482	486	504	8.5	25.0	11.4	--
Manitoba	56	47	49	45	48	51	53	11.3	19.5	7.6	4.3
Saskatchewan	54	42	43	41	43	43	45	6.4	30.8	5.3	2.9
Alberta	239	184	196	182	197	197	204	9.3	28.4	13.4	--
British Columbia**	199	179	199	181	194	194	201	7.5	21.9	11.7	23.2

*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, Statistics Canada.

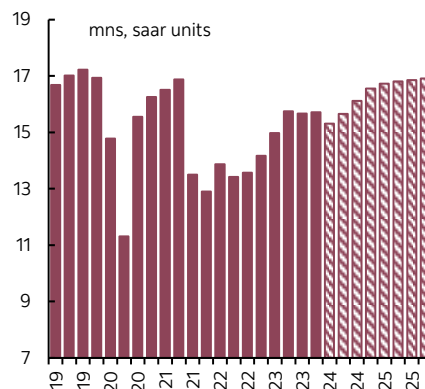
Quarterly Outlook for North American Auto Sector

Canadian Light Vehicle Sales



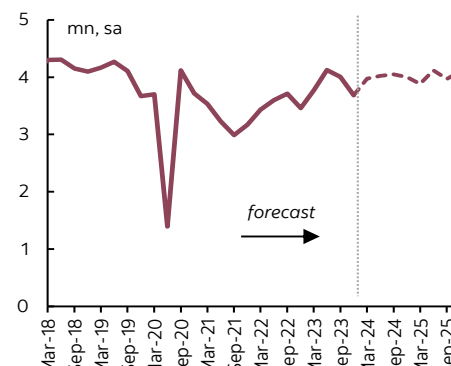
Sources: Scotiabank Economics, Wards Automotive Group.

US Light Vehicle Sales



Sources: Scotiabank Economics, Wards Automotive Group.

Wards Automotive North American Auto Production Outlook



Sources: Scotiabank Economics, Wards Automotive.

Table 3—North American Annual Production Outlook

	2010–19	2020	2021	2022	2023e	2024f	2025f
(millions of units, annualised)							
North American Production	15.9	13.0	12.9	14.2	15.6	16.0	16.1
Canada	2.2	1.4	1.1	1.2	1.5	1.3	1.4
United States	10.4	8.6	8.9	9.7	10.3	11.1	11.1
Mexico	3.2	3.0	2.9	3.3	3.8	3.7	3.6

Sources: Scotiabank Economics, Wards Automotive.

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