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GLOBAL ECONOMICS

## GLOBAL AUTO REPORT

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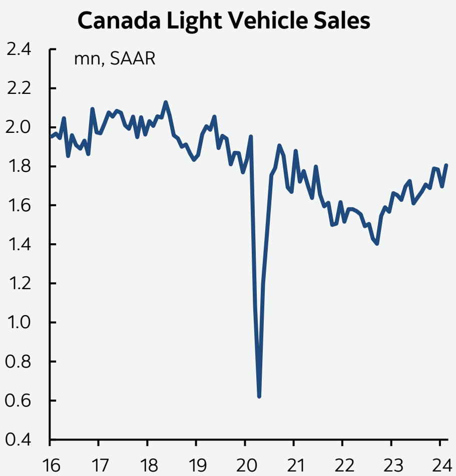
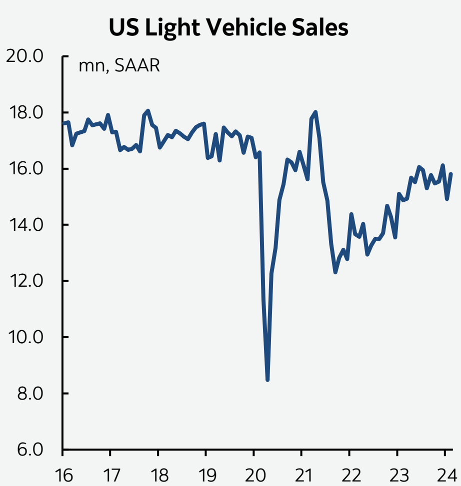
**Chart 1**




Sources: Scotiabank Economics, Wards Automotive.

**Chart 2**




Sources: Scotiabank Economics, BEA.

# February Auto Sales: Rebound in North America

## CANADA: FEBRUARY REBOUNDS AS SALES CONTINUE TO CLIMB

**Canadian automotive sales increased 6.3% m/m in February to 1.80 mn units at a seasonally adjusted annualized rate according to Wards Automotive (chart 1).** Canadian light vehicle sales remain volatile on a monthly basis but have continued their recovery from the temporary slowdown last summer. The three-month moving average increased for six consecutive months to 1.76 mn (SAAR) units, the fastest pace since early 2021. Total new light vehicle sales in February are 2.6% below 2019 non-seasonally adjusted levels, as light truck sales have fully recovered (up 9.2%), while car sales remain down 37.7% for the same month. Pent-up demand for new vehicles in Canada continues to be supported by the labour market which has added more than 340 k jobs with average hourly earnings for permanent employees up 5.3% in the twelve months ending January 2024. The Bank of Canada's preferred measures of core inflation continue to run around or above 3%, both in year-over-year and three-month moving average terms. The BoC is expected to hold their policy rate at 5% through the first half of the year before beginning to cut in Q3 as previous hikes to date work to ease inflation towards their 2% target. Our outlook for Canadian auto sales is that sales will increase to 1.74 mn units in 2024 and 1.78 mn units in 2025 as interest rates and supply-side headwinds ease.

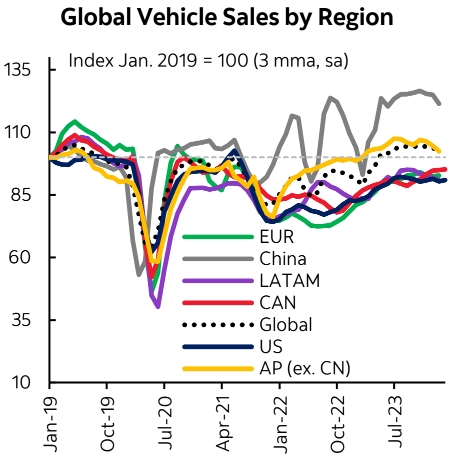
## UNITED STATES: SALES ARE TRENDING SIDEWAYS BUT VOLATILE

**US light vehicle sales increased 6.0% m/m to 15.8 mn (SAAR) units in February, rebounding from the 7.4% (m/m, SA) decline in January (chart 2).** New automotive sales in the US have held between 15.5-15.8 mn (SAAR) on a three-month moving average since June 2023. Growth in new auto sales has stalled as affordability amid elevated interest rates and still easing inflation weighs on consumer demand. The average US 48-month new car loan rate reached 7.85% in February, up more than four percentage points from March 2022 when the Federal Reserve began to hike their policy rate. The Fed is expected to hold their policy rate at 5.5% through the first half of 2024 before easing that will keep interest rates elevated in the near term. The stalled growth in new sales is allowing supply-side pressures to ease. North American light vehicle production averaged 15.1 mn (SAAR, 3mma) in January 2024, down from the 16.6 mn (SAAR) units in Q2 and 15.6 mn annual units in 2023 as production was impacted by strikes. US light vehicle inventories are improving, rising in 22 of the past 24 months when adjusting for seasonality, though remain 60% of 2019 levels. Our outlook for US automotive sales is 15.9 mn in 2024 as elevated interest rates and still recovering inventories pose headwinds, increasing to 16.7 mn in 2025 as these headwinds ease.

## GLOBAL AUTO SALES: STALL IN SALES DRAGS INTO 2024

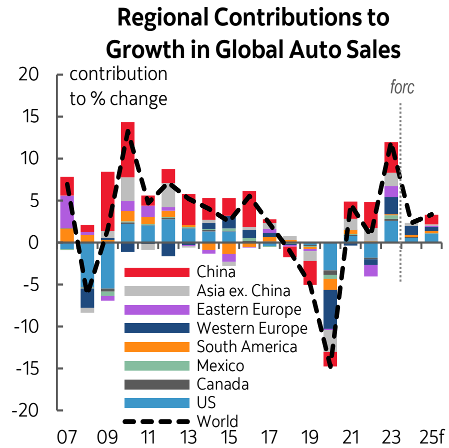
**Global auto sales fell 3.7% m/m (SA) in January for the third consecutive monthly decline (chart 3).** Auto sales in western Europe increased at the regional level (6.2% m/m SA), up in nine of the 15 countries covered, driven the major markets of Spain (25.3%), Germany (11.4%), Italy (5%), and small improvements in the UK (1.3%) and France (0.3%). Meanwhile sales in eastern Europe (3.6% m/m SA) rose in three of the four countries covered as seasonally adjusted sales in Russia declined (-6.3%) for a third consecutive month. Auto sales in Asia Pacific fell 6.1% m/m (SA) and slowed in five of the six countries covered, with the decline in China's auto sales (-10.1%) partially offset by higher sales in India (19.1%). In Latin America, sales increased 1.8% m/m (SA) with broad strength, up in Argentina (4.3%), Brazil (1.4%), Chile (5.9%), Mexico (0.8%), and Peru (10.9%), but down in Colombia (-2.3%). Our outlook for global auto sales expects an increase of 2.3% in 2024 and 3.3% in 2025 as elevated interest rates weigh on consumer spending and activity (chart 4).

**Chart 3**




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

**Chart 4**




Sources: Scotiabank Economics, Bloomberg, Wards Automotive.

**Table 1—Global Auto Sales Outlook (mns units)**

| | 2010-19 | 2020 | 2021 | 2022 | 2023 | 2024f | 2025f | Jan-24, SA % m/m | Jan-24, NSA % y/y | 2023 ytd, NSA % y/y |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Sales** | **71.1** | **63.8** | **66.7** | **67.3** | **75.3** | **77.1** | **79.6** | **-3.7** | **17.5** | **17.5** |
| **North America** | **18.7** | **17.0** | **17.6** | **16.4** | **18.5** | **19.1** | **19.9** | **-6.6** | **3.5** | **3.5** |
| Canada | 1.82 | 1.54 | 1.66 | 1.52 | 1.68 | 1.74 | 1.78 | -4.9 | 2.1 | 2.1 |
| United States | 15.7 | 14.5 | 14.9 | 13.8 | 15.5 | 15.9 | 16.7 | -7.4 | 2.2 | 2.2 |
| Mexico | 1.22 | 0.95 | 1.01 | 1.09 | 1.36 | 1.39 | 1.43 | 0.8 | 18.7 | 18.7 |
| **Western Europe** | **13.0** | **10.7** | **10.5** | **10.0** | **11.4** | **12.2** | **12.5** | **6.2** | **11.1** | **11.1** |
| Germany | 3.2 | 2.9 | 2.6 | 2.7 | 2.8 | 3.1 | 3.1 | 11.4 | 19.1 | 19.1 |
| United Kingdom | 2.3 | 1.6 | 1.6 | 1.6 | 1.9 | 2.0 | 2.1 | 1.3 | 8.3 | 8.3 |
| **Eastern Europe** | **3.3** | **2.8** | **2.8** | **1.9** | **2.8** | **2.8** | **2.9** | **3.6** | **55.7** | **55.7** |
| Russia | 2.1 | 1.5 | 1.5 | 0.6 | 1.1 | 1.1 | 1.1 | -6.3 | 82.8 | 82.8 |
| **Asia** | **31.9** | **30.6** | **32.7** | **35.9** | **39.4** | **39.6** | **40.7** | **-6.1** | **25.5** | **25.5** |
| China | 19.7 | 20.1 | 21.5 | 23.6 | 26.0 | 26.0 | 26.9 | -10.1 | 44.0 | 44.0 |
| India | 3.3 | 2.8 | 3.6 | 4.4 | 4.7 | 4.9 | 4.9 | 19.1 | 15.7 | 15.7 |
| Japan | 5.1 | 4.6 | 4.4 | 4.2 | 4.8 | 4.8 | 4.8 | -9.7 | -12.4 | -12.4 |
| **South America** | **4.3** | **2.8** | **3.1** | **3.2** | **3.2** | **3.4** | **3.6** | **2.3** | **4.6** | **4.6** |
| Brazil | 2.91 | 1.95 | 1.98 | 1.96 | 2.18 | 2.27 | 2.38 | 1.4 | 16.5 | 16.5 |
| Chile | 0.34 | 0.26 | 0.42 | 0.43 | 0.31 | 0.33 | 0.35 | 5.9 | -9.1 | -9.1 |
| Colombia | 0.26 | 0.19 | 0.24 | 0.25 | 0.18 | 0.20 | 0.21 | -2.3 | -13.3 | -13.3 |
| Peru | 0.16 | 0.11 | 0.16 | 0.16 | 0.16 | 0.18 | 0.19 | 10.9 | -9.6 | -9.6 |

Sources: Scotiabank Economics, Wards Automotive, Bloomberg.

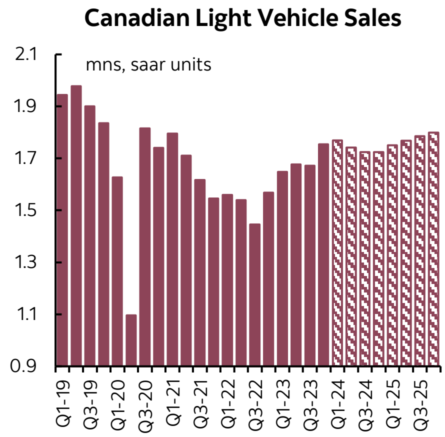
**Table 2—Provincial Auto Sales Outlook (thousands of units ann.)**

| | 2010–19 | 2020 | 2021 | 2022 | 2023e | 2024f | 2025f | Dec-23, SA % m/m | Dec-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** | **1,740** | **1,776** | | | | **12.1** |
| **Atlantic** | **134** | **109** | **119** | **105** | **114** | **118** | **120** | **3.8** | **11.8** | **8.6** | **--** |
| **Central** | **1,179** | **1,030** | **1,070** | **1,004** | **1,122** | **1,125** | **1,149** | **4.5** | **13.8** | **11.7** | **12.9** |
| Quebec | 441 | 378 | 404 | 369 | 408 | 412 | 420 | 7.8 | 17.4 | 10.4 | 20.2 |
| Ontario | 738 | 653 | 665 | 635 | 714 | 714 | 729 | 2.5 | 11.8 | 12.4 | 8.2 |
| **West** | **548** | **453** | **487** | **449** | **504** | **497** | **507** | **-2.2** | **23.0** | **12.2** | **--** |
| Manitoba | 56 | 47 | 49 | 45 | 49 | 50 | 51 | -6.7 | 14.2 | 8.0 | 4.3 |
| Saskatchewan | 54 | 42 | 43 | 41 | 44 | 45 | 45 | -3.3 | 15.3 | 6.0 | 2.9 |
| Alberta | 239 | 184 | 196 | 182 | 208 | 202 | 206 | -1.6 | 23.2 | 14.1 | -- |
| British Columbia** | 199 | 179 | 199 | 181 | 204 | 200 | 204 | -1.4 | 26.8 | 12.7 | 23.2 |

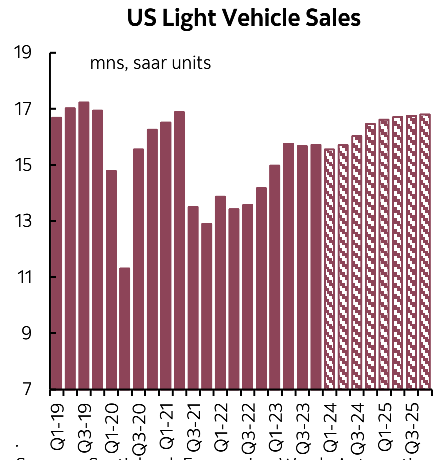
**ZEV includes battery electric and plug-in hybrid electric vehicles (estimates for NL, NS, and AB unavailable due to limitations in data sharing with Statistics Canada, but are included in the Canadian aggregate). **British Columbia includes the territories.*

Sources: Scotiabank Economics, Wards Automotive, Statistics Canada.

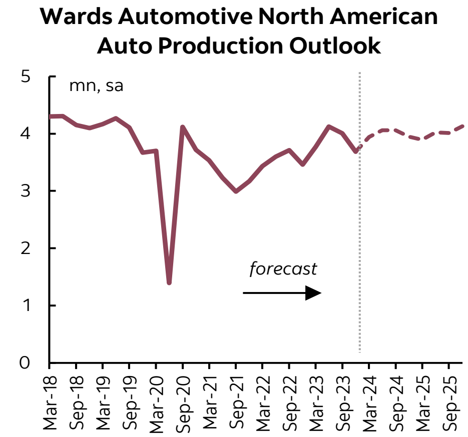
## Quarterly Outlook for North American Auto Sector




Sources: Scotiabank Economics, Wards Automotive Group.




Sources: Scotiabank Economics, Wards Automotive Group.




Sources: Scotiabank Economics, Wards Automotive.

### Table 3—North American Annual Production Outlook

| | 2010–19 | 2020 | 2021 | 2022 | 2023 | 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 | 11.0 | 11.0 |
| Mexico | 3.2 | 3.0 | 2.9 | 3.3 | 3.7 | 3.7 | 3.7 |

Sources: Scotiabank Economics, Wards Automotive.