

## Global Auto Sales Continue Volatile Recovery in January

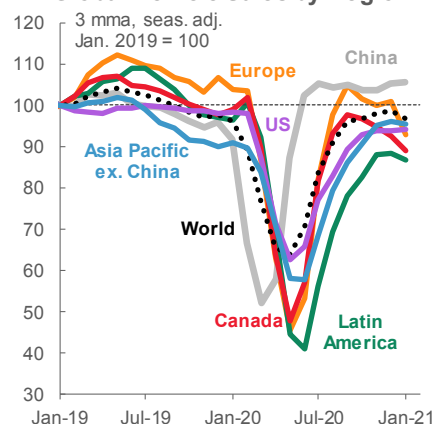
- **Global auto sales were up modestly in January relative to the same month last year (1.4% y/y, nsa\*), but slowed relative to December (-8% m/m, sa).**
- **Headline numbers mask enormous heterogeneity across regions and countries.** Some are well on the road to recovery (China, US), while other markets have seen significant retrenchments in sales amidst second and third COVID waves (notably in European markets). Rebounds in the latter are still expected as restrictions have started to be lifted in Europe, but this underscores that high volatility on a monthly basis can be expected for much of the year ahead until there is significant progress in global vaccinations.
- **Year-ago base effects will also increasingly distort headline figures.** Recall Chinese auto sales plummeted by -20% y/y in January 2020 as COVID-19 struck that part of the world early. This January, vehicle purchases in China posted a 27% y/y improvement, but—to put this in perspective—the selling rate was about 5% above pre-pandemic sales activity in 2019. This is a healthy pace of sales even if purchases pulled back by 3% m/m (sa) in January.
- **US auto purchases further underpinned recovering global sales in January.** Its sales were up modestly by 2.5% y/y (-4% m/m) for the month, likely benefiting from second-round stimulus cheques towards the end of the month as restrictions were being lifted. A stronger-than-anticipated economic recovery, likely supported in future by even more stimulus this year, should see sales activity continuing to strengthen.
- **Canadian auto sales moderated in January as tight lockdowns restricted activity in the largest provinces.** National sales were down by -6% m/m (-12% y/y), but numbers were driven almost exclusively by Ontario and Quebec where auto purchases were down by -20% y/y and -39% y/y, respectively, according to DesRosiers Automotive Consultants. Otherwise, sales on both coasts of the country were in positive territory. While the weaker sales month is a setback, the annualised sales rate in January was still about 200% stronger than at the peak of the first-wave shutdowns, suggesting some adaption to pandemic restrictions. As we outlined [here](#), we expect some rebound effects going forward with trend-strengthening in sales activity ahead (albeit with volatility).
- **Major European markets saw more serious declines in auto sales in January as stringent lockdowns were imposed against new outbreaks of COVID-19.** Notable declines were felt in Spain (-54% m/m; -51% y/y), Germany (-46% m/m; -31% y/y), and the UK (-33% m/m; -40% y/y) with Western Europe as a whole pulling back by -35% m/m as more contagious variants of the virus spread. On a year-over-year basis, sales for the region

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Chart 1

#### Global Vehicle Sales by Region



Sources: Scotiabank Economics, national automotive associations.

\*All numbers reported on y/y basis as not seasonally adjusted, whereas m/m are seasonally adjusted.

were down by -26% in January. While still difficult to see positive signs in January sales data, the selling rate for the month was still about 40% higher than at the peak of first wave lockdowns, suggesting some resilience and adaption to the ongoing pandemic.

- **Latin America was not immune to January slowdowns as auto sales pulled back in most countries.** Regional sales retreated by -6% m/m (-12% y/y), led by Brazil where sales were down by -10% m/m (-12% y/y) as a more contagious COVID-19 variant spread. Chile and Colombia also experienced declines of -14% m/m (-22% y/y) and -6% m/m (-22% y/y), respectively.
- **Chip shortages continue to exacerbate the supply-side recovery in the auto sector.** Supply had still not fully rebalanced with demand by year-end in 2020 following the full-stop of production in the second quarter against a stronger-than-anticipated rebound in demand. In early January, a critical shortage of micro chips came to light as surging demand for electronics (such as phones, tablets and laptops) diverted already-constrained supply away from the auto sector. North American auto production was down by -14% y/y in January, according to Wards Automotive, which has revised down its first quarter production forecast by over 300k units (to 3.7 mn units). Weather events in the southern US have further impacted the shortage temporarily with facility shutdowns. The shortage is expected to bleed into the second quarter given serious capacity constraints in chip manufacturing despite a public pledge from President Biden to address the issue.
- **Otherwise, a more fulsome discussion on medium term trends affecting the global auto sales outlook was provided last month [here](#).** These earlier observations continue to hold, arguably with even more conviction around a potentially stronger economic recovery driven, in particular, by positive developments in the US. Additional stimulus should be supportive of stronger discretionary purchases such as automobiles, but could also bring about some tightening of market interest rates earlier than expected as reflected in Scotiabank Economics' recent [revisions](#) to its rate outlook for the US and Canada.

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

	2010-19	2019	2020	2021f	Jan-21, SA % m/m	Jan-21, NSA % y/y	2021, NSA % y/y
<b>Total Sales</b>	<b>71.0</b>	<b>74.8</b>	<b>63.8</b>	<b>69.8</b>	<b>-7.6</b>	<b>2.1</b>	<b>2.1</b>
<b>North America</b>	<b>18.7</b>	<b>20.2</b>	<b>17.0</b>	<b>19.5</b>	<b>2.2</b>	<b>-5.8</b>	<b>-5.8</b>
Canada	1.82	1.92	1.54	1.80	-6.0	-11.5	-11.5
United States	15.7	17.0	14.5	16.7	2.5	-3.7	-3.7
Mexico	1.22	1.32	0.95	1.04	1.2	-22.6	-22.6
<b>Western Europe</b>	<b>13.0</b>	<b>14.1</b>	<b>10.7</b>	<b>11.8</b>	<b>-34.7</b>	<b>-25.7</b>	<b>-25.7</b>
Germany	3.2	3.6	2.9	3.3	-46.2	-31.1	-31.1
United Kingdom	2.3	2.3	1.6	1.8	-33.0	-39.5	-39.5
<b>Eastern Europe</b>	<b>3.3</b>	<b>2.9</b>	<b>2.8</b>	<b>2.9</b>	<b>0.4</b>	<b>-1.3</b>	<b>-1.3</b>
Russia	2.1	1.7	1.5	1.6	-1.1	-4.2	-4.2
<b>Asia</b>	<b>31.8</b>	<b>33.8</b>	<b>30.6</b>	<b>32.3</b>	<b>-2.7</b>	<b>19.4</b>	<b>19.4</b>
China	19.7	21.4	20.1	21.3	-3.3	27.3	27.3
India	3.3	3.6	2.8	3.0	-2.0	9.1	9.1
Japan	5.1	5.2	4.6	4.8	-2.5	6.8	6.8
<b>South America</b>	<b>4.3</b>	<b>3.8</b>	<b>2.8</b>	<b>3.3</b>	<b>-8.6</b>	<b>-12.2</b>	<b>-12.2</b>
Brazil	2.91	2.67	1.95	2.30	-10.3	-12.0	-12.0
Chile	0.34	0.37	0.26	0.32	-14.3	-22.2	-22.2
Colombia	0.26	0.26	0.19	0.23	-5.9	-22.5	-22.5
Peru	0.16	0.15	0.11	0.13	-1.5	-12.8	-12.8

Sources: Scotiabank Economics, Wards Automotive Reports, Bloomberg.

**Table 2 — North American Production Outlook**

	2010-19	2020	2021f	2022f
	(millions of units, annualised)			
<b>North American Production*</b>	<b>16.3</b>	<b>13.4</b>	<b>15.9</b>	<b>16.6</b>
Canada	2.2	1.4	1.6	1.8
United States	10.7	8.8	11.1	11.5
Mexico	3.4	3.2	3.2	3.2

\*Includes light, medium and heavy trucks.

Sources: Wards Automotive Reports, Statistics Canada, DesRosiers Automotive Consultants Inc.

**Table 3 — Provinces Motor Vehicle Sales Outlook (thousands of units ann.)\* \*\***

	2010-19	2019	2020	2021f	Jan-21, SA % m/m	Jan-21, NSA % y/y	2021, NSA % y/y
<b>Canada</b>	<b>1,817</b>	<b>1,920</b>	<b>1,543</b>	<b>1,799</b>	<b>-6.0</b>	<b>-11.5</b>	<b>-11.5</b>
<b>Atlantic</b>	<b>133</b>	<b>136</b>	<b>114</b>	<b>129</b>	<b>-9.9</b>	<b>-20.5</b>	<b>-20.5</b>
<b>Central</b>	<b>1,152</b>	<b>1,243</b>	<b>988</b>	<b>1,156</b>	<b>-22.7</b>	<b>-34.0</b>	<b>-34.0</b>
Quebec	434	454	376	441	-40.4	-46.6	-46.6
Ontario	717	789	612	715	-11.2	-27.5	-27.5
<b>West</b>	<b>536</b>	<b>540</b>	<b>452</b>	<b>514</b>	<b>-5.8</b>	<b>-9.2</b>	<b>-9.2</b>
Manitoba	54	53	46	52	0.7	-3.0	-3.0
Saskatchewan	52	46	40	46	-3.2	-7.4	-7.4
Alberta	234	227	186	211	-1.7	-16.3	-16.3
British Columbia	195	214	180	206	-11.2	-3.0	-3.0

\*Includes cars and light trucks. \*\*Scotiabank estimates.

Sources: Statistics Canada, Canadian Vehicle Manufacturers' Association.

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