

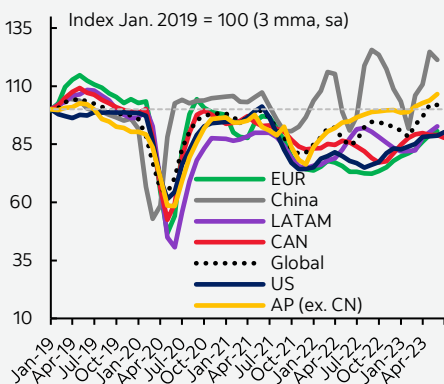
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Chart 1

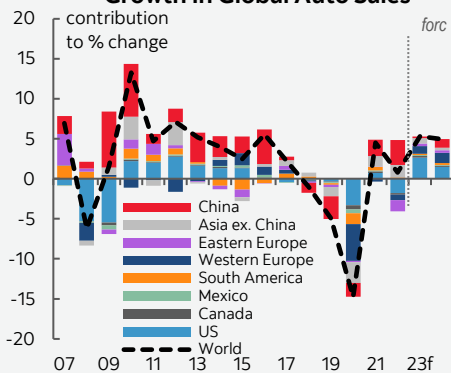
Global Vehicle Sales by Region



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

Chart 2

Regional Contributions to Growth in Global Auto Sales



Sources: Scotiabank Economics, Bloomberg, Wards Automotive.

June Auto Sales: Canada and US Trend Up in 2023H1

CANADA: TREND RECOVERY UNDERWAY BUT VOLATILE

Canadian auto sales have wrapped up the first half of 2023 with a trend recovery underway from depressed sales throughout 2021 and much of 2022. Light vehicle sales on a non-seasonally adjusted basis are up 5.1% year-to-date relative to 2022 and have averaged 1.64 mn (saar) units sold through the first six months of this year. Nevertheless, auto sales are still quite depressed relative to pre-pandemic and remain 17.4% below this same period in 2019. Pent up demand owing to limited inventory from production and supply chain disruptions are likely acting as a floor to sales in this higher price tag and elevated cost of financing environment, while monthly sales remain volatile, decreasing 7.7% (sa) in June. The still-tight labour market continues to support job growth, adding 110 k full-time positions for a net gain of 60 k additional jobs in June, albeit with wage growth easing in recent months. Headline inflation has come down from the recent peak of above 8% in June 2022 to below 4% as of May 2023 in year-over-year terms. However, the still-high monthly pace of inflation and resilient growth risks slowing the progress of returning inflation towards 2%, resulting in the Bank of Canada hiking the overnight rate to 5.00% at their policy rate meeting on July 12th. Our outlook for Canada expects 1.66 mn auto sales in 2023 as rising production eases supply-side constraints and sales further increasing to 1.75 mn in 2024 as inflation comes down and rates pressures ease.

UNITED STATES: SALES IMPROVING AMID HIGHER INVENTORY

US auto sales continued their upward trend recovery through the first half of 2023, increasing 12.9% year-to-date in non-seasonally adjusted terms compared to 2022. While vehicle sales through the first six months are 8.9% below the same period in 2019, seasonally adjusted sales have increased on a quarterly basis since Q3-2022 and averaged 15.4 mn (saar) units in 2023. Total US light vehicle inventory has increased in fourteen of the past sixteen months, reaching 2 mn units as of June when adjusting for seasonality. While improving inventory levels are easing supply-side pressures, up from around 1 mn units in late 2021 to early 2022, they are still well below the average 3.8 mn units in 2019. Strong wage growth and low unemployment is supporting the recovery in vehicle sales despite the elevated costs of financing as the US Federal Reserve is likely to continue tightening their policy rate in Q3 of this year, with rate cuts not expected until Q2-2024. Our outlook for US auto sales in 2023 is 15.5 mn units as vehicle availability improves amid tightened financial conditions and sales are expected to pick up to 16.6 mn units in 2024 as inflation and rates pressures ease.

GLOBAL AUTO SALES: MAY REBOUNDS FROM SOFT APRIL

Global auto sales grew 5.2% m/m (sa) in May to 78.3 mn (saar) unit pace, the highest seasonally adjusted monthly pace since March 2019 (78.6 mn saar) (chart 1). The rebound of auto sales in May comes on the back of generally weaker sales in April across most regions. The pace of seasonally adjusted auto sales broadly improved in May for most of western Europe as sales were higher in thirteen of the fifteen countries covered—up 5.1% m/m (sa) to the pace of 11.9 mn (saar) units for the region. On a whole, this was a rebound from the previous month's sales rate, where seasonally adjusted sales were down in 14 of the 15 countries in April. Of the major markets, higher sales in Germany (10.3% m/m sa) and France (3.0%) rebounded from April's lower sales rate, while there were improvements in Italy (3.4%) and Spain (1.0%) that partially offset April's decline, and the pace of auto sales continued to fall in the UK (-0.6%). Asia Pacific auto sales on a seasonally adjusted basis were up unanimously for the month of May across the six countries covered.

July 13, 2023

Asia Pacific's auto sales in May were greatly improved due to China's 11.5% m/m (sa) increase as it makes up two thirds of the market share for the region, while Indonesia's 91.7% increase is largely attributable to a compounding of a reversal from April's larger than seasonal average drop in the sales rate. Auto sales were further supported from gains in India (7.3% m/m sa), Australia (5.7%), Japan (1.1%), and a marginal increase in South Korea (0.7%). The annual pace of auto sales in Latin America partially recovered from the soft patch in April, increasing 3.0% m/m (sa) in May for the region as a whole and registering positive seasonally adjusted growth in five of the 6 countries covered. Brazil's second month of seasonally adjusted lower sales (-1.4% m/m sa) were entirely offset by gains in Argentina (9.4%), Chile (21.7%), Colombia (7.7%), Mexico (2.9%), and Peru (7.7%). Our global auto sales outlook forecasts vehicle sales increasing 5.6% in 2023 and 5.2% in 2024 (chart 2).

Table 1—Global Auto Sales Outlook (mns units)

	2010-19	2019	2020	2021	2022	2023f	2024f	May-23, SA % m/m	May-23, NSA % y/y	2023 ytd, NSA % y/y
Total Sales	71.1	74.8	63.8	66.7	67.2	70.8	74.3	5.2	21.2	11.9
North America	18.7	20.2	17.0	17.6	16.4	18.4	19.6	-4.9	20.7	9.7
Canada	1.82	1.92	1.54	1.66	1.52	1.65	1.75	2.6	7.0	5.3
United States	15.7	17.0	14.5	14.9	13.8	15.5	16.6	-6.3	23.2	11.5
Mexico	1.22	1.32	0.95	1.01	1.09	1.16	1.23	2.9	12.6	20.4
Western Europe	13.0	14.1	10.7	10.5	10.0	10.7	11.6	5.1	19.0	17.4
Germany	3.2	3.6	2.9	2.6	2.7	2.8	3.0	10.3	19.2	10.2
United Kingdom	2.3	2.3	1.6	1.6	1.6	1.7	1.9	-0.6	16.7	16.8
Eastern Europe	3.3	2.9	2.8	2.8	1.8	2.0	2.3	4.0	52.0	10.9
Russia	2.1	1.7	1.5	1.5	0.6	0.7	0.8	3.3	112.1	-26.0
Asia	31.9	33.8	30.6	32.7	35.9	36.5	37.4	10.5	23.9	11.4
China	19.7	21.4	20.1	21.5	23.6	23.7	24.5	11.5	26.4	10.8
India	3.3	3.6	2.8	3.6	4.4	4.4	4.4	7.3	18.1	12.4
Japan	5.1	5.2	4.6	4.4	4.2	4.6	4.7	1.1	25.0	17.0
South America	4.3	3.8	2.8	3.1	3.2	3.3	3.4	3.1	-7.7	1.6
Brazil	2.91	2.67	1.95	1.98	1.96	2.00	2.10	-1.4	-5.0	9.8
Chile	0.34	0.37	0.26	0.42	0.43	0.45	0.47	21.7	-32.4	-26.7
Colombia	0.26	0.26	0.19	0.24	0.25	0.27	0.29	7.7	-29.5	-24.4
Peru	0.16	0.15	0.11	0.16	0.16	0.17	0.18	7.7	5.3	8.6

Sources: Scotiabank Economics, Wards Automotive, Bloomberg.

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

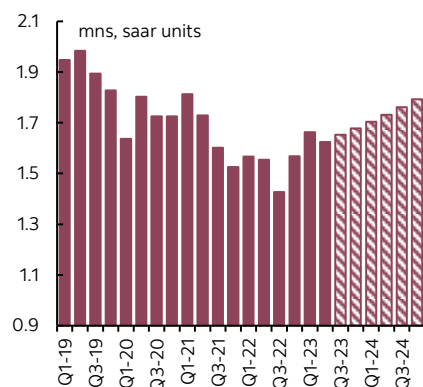
	2010-19	2019	2020	2021	2022	2023f	2024f	Apr-23, SA % m/m	Apr-23, NSA % y/y	2023 ytd nsa % y/y	ZEV* (Q4-22) % of new LV sales
Canada	1,817	1,920	1,543	1,663	1,523	1,655	1,748				9.6
Atlantic	134	131	109	119	105	112	119	-4.7	1.0	2.1	--
Central	1,179	1,304	1,030	1,070	1,004	1,079	1,132	-0.1	3.0	4.8	10.3
Quebec	441	455	378	404	369	394	410	-3.1	0.0	-0.3	13.9
Ontario	738	848	653	665	635	685	722	1.5	4.7	7.9	8.1
West	548	545	453	487	449	464	497	3.7	7.7	3.4	--
Manitoba	56	58	47	49	45	47	50	11.0	11.9	8.7	3.0
Saskatchewan	54	49	42	43	41	42	45	3.7	-2.7	-1.7	1.8
Alberta	239	223	184	196	182	190	202	4.7	9.8	4.8	--
British Columbia**	199	216	179	199	181	185	200	1.1	7.0	1.9	18.6

*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.

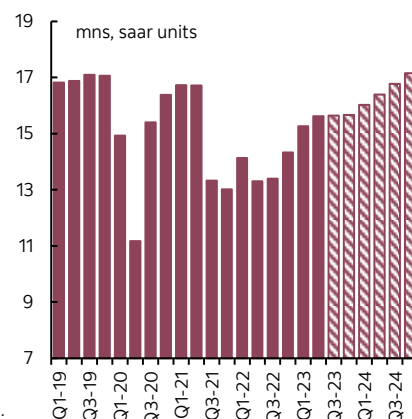
Quarterly Outlook for North American Auto Sector

Canadian Light Vehicle Sales



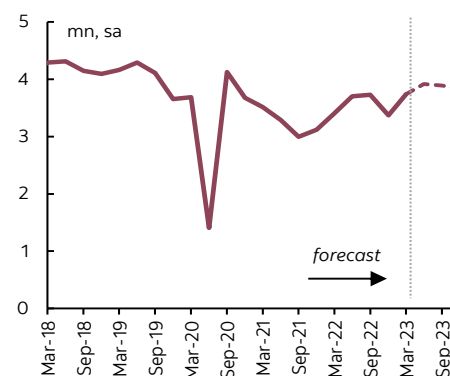
Sources: Scotiabank Economics, Wards Automotive Group.

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	2019	2020	2021	2022	2023f	2024f
	(millions of units, annualised)						
North American Production	15.9	16.2	13.0	12.9	14.2	15.4	16.0
Canada	2.2	1.9	1.4	1.1	1.2	1.4	1.3
United States	10.4	10.5	8.6	8.9	9.7	10.4	10.9
Mexico	3.2	3.8	3.0	2.9	3.3	3.6	3.8

Sources: Scotiabank Economics, Wards Automotive.

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