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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.

November Auto Sales: Financing Rates Climb Higher

CANADA: SHOCKS MIGHT DISGUISE AS SEASONAL STRENGTH

Canadian auto sales increased 6.1% m/m (sa) in November to 1.79 mn units at an annualized rate according to Wards Automotive (chart 1). Despite the summer months being marked by shocks such as wildfires, labour strikes, rising prices, and further tightening in financial conditions, light vehicle sales have been resilient as we approach the end of 2023. Auto sales on a three-month moving average have increased to 1.72 mn (saar) units in November, up from 1.63 mn (saar, 3mma) in August, to the fastest seasonally adjusted pace since spring 2021. One caveat to point out is that unadjusted vehicle sales in Canada historically slow down in the fourth quarter of the year, so the rise in seasonally adjusted sales is likely attributable, at least in part, to purchases which may have been put off this summer because of the aforementioned shocks. While elevated auto loan rates pose as a headwind, averaging 8% in Q3-2023, strong wage gains for permanent employees of 6.1% (saar, 3mma) to November supports domestic consumption. Canada's labour market has been easing from extremely tight levels, with the job vacancy rate coming down towards pre-pandemic, while still adding jobs though at a slower pace than growth in the labour force. Our outlook for Canadian auto sales is 1.68 mn in 2023, and expected to pick up to 1.71 mn in 2024 and 1.78 mn in 2025 as inventories improve and rates pressures ease.

UNITED STATES: FINANCING RATES WEIGH ON SALES

Momentum in the recovery of US auto sales continues to stall in 2023H2, as sales fell -0.7% m/m (sa) to 15.3 mn (saar) units in November (chart 2). Light vehicle sales in seasonally adjusted terms have declined through four of the past five months. The average US 48-month new car loan rate reached 7.67% in November, up nearly four percentage points from March 2022, when the Federal Reserve first hiked their policy rate in this tightening cycle from 0.25% to today's 5.50%, and above the most recent peak new car loan rate of 7.44% in May 2009. As demand is cooled by elevated costs of financing, supply-side measures continue to improve. Seasonally adjusted US inventories of vehicles assembled in North America have increased in eleven of the past twelve months through October, though remain about one third of the average level in 2019. North American light vehicle production fell -6.6% m/m (sa) to 14.8 mn (saar) units in October, amid impacts from the resolved United Auto Workers strike against the Detroit Three (General Motors, Ford, and Stellantis). Even with slowing vehicle sales in the near term, it will take an extended period of higher vehicle production to fully ease supply-side pressures. Our outlook for US auto sales is 15.4 mn in 2023 as low inventories, elevated rates, and weak consumer sentiment pose headwinds, and forecast sales to pick up to 16.2 mn in 2024 and 17.0 in 2025 as these headwinds ease.

GLOBAL AUTO SALES: REBOUND VERSUS SLOWDOWN?

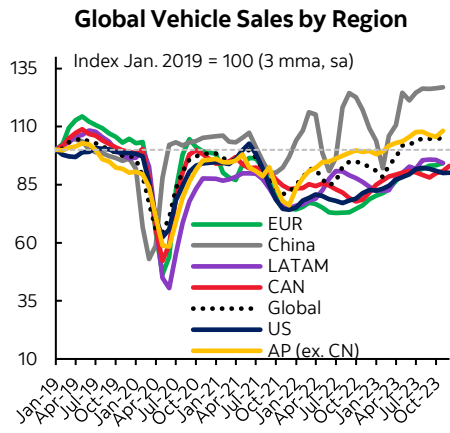
Global auto sales held steady to start the fourth quarter, increasing 0.7% m/m (sa) in October, though with notable differences at the regional level (chart 3). Auto sales in Western and Eastern Europe rebounded 3.6% and 6.2% m/m (sa) respectively from contractions of -7.1% and -2.8% the month prior, increasing in all four Eastern European and 10 out of 15 of the Western European countries covered. Of note, vehicle sales increased in France (5.0% m/m, sa), Germany (2.3%), Italy (2.1%), Spain (10.3%), and the UK (7.1%). Asia-Pacific auto sales were relatively flat at the regional level (0.3% m/m, sa), as declining sales in China (-2.4%) which accounts for about two-thirds of market share offset increased sales in Australia (2.9%), India (10.5%), Indonesia (5.7%), Japan (3.2%), and South Korea (2.2%). Meanwhile, auto sales in Latin America were mixed, increasing 1.7% m/m (sa) at the regional level, although primarily due to increased sales in Brazil

(6.4%) and Chile (10.7%) more than offsetting decreased sales in Colombia (-10.4%) and Mexico (-4.6%) with small contractions in Argentina (-0.4%) and Peru (-0.6%). Our forecast for global auto sales is an increase of 10.6% in 2023, and 3.9% in 2024 and 3.3% in 2025 (chart 4).

ELECTRIC VEHICLE SALES: ANOTHER MILE(STONE) ON THE LONG ROAD FOR EVS

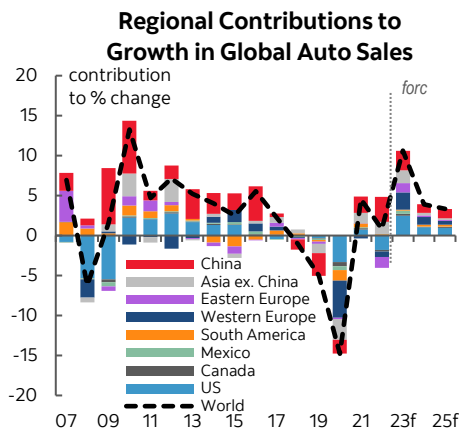
Electric vehicles have taken another step toward meeting Canada’s interim target of 20% Zero-Emission Vehicle (ZEV) sales by 2026 and 100% ZEV sales by 2035. In the third quarter this year, battery electric and plug-in hybrid vehicles accounted for more than one-in-ten (12.1%) of all new motor vehicle registrations for the first time at the national level. This increased ZEV market share was supported by a quarterly increase in both battery electric vehicles (22.1% q/q) and plug-in hybrids (10.7%) registrations as well as a contraction in total vehicle registrations (-3.3%) in non-seasonally adjusted terms. In Ontario, Canada’s largest market by total vehicle registrations, ZEVs accounted for 8.2% of all vehicle sales within the province and one-in-four (26.3%) of national ZEV sales in the third quarter. Meanwhile, two-in-five (41.3%) of third quarter national ZEV sales were in Quebec, where 15.1% of new provincial sales were battery electric and 5.2% were plug-in hybrid vehicles (chart 5). Lastly, a little under one-in-four (23.7%) of national ZEV sales were from BC, which continues to see the highest adoption rate among the reporting provinces with ZEVs accounting for 23.2% of the province’s new vehicle registrations in the third quarter. While ZEVs have reached their largest share of new quarterly vehicle registrations to date, this gain in market share coming at a time when total vehicle sales are slowing amid rising prices and elevated financing rates does not seem representative of a larger shift in the near-term. Absent any shifts in market dynamics or policies, affordability will likely pose a major headwind to meeting Canada’s 100% ZEV sales target by 2035 as noted in the Scotiabank Economics [EV affordability report](#).

Chart 3



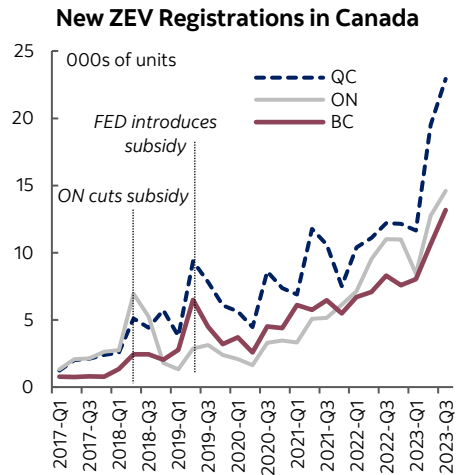
Sources: Scotiabank Economics, Wards Automotive, national automotive associations.

Chart 4



Sources: Scotiabank Economics, Bloomberg, Wards Automotive.

Chart 5



Sources: Scotiabank Economics, Statistics Canada.

Table 1—Global Auto Sales Outlook (mns units)

	2010-19	2020	2021	2022	2023f	2024f	2025f	Oct-23, SA % m/m	Oct-23, NSA % y/y	2023 ytd, NSA % y/y
Total Sales	71.1	63.8	66.7	67.3	74.4	77.3	79.9	0.7	11.9	11.5
North America	18.7	17.0	17.6	16.4	18.5	19.3	20.2	-1.7	3.4	12.5
Canada	1.82	1.54	1.66	1.52	1.68	1.71	1.78	-0.8	8.7	10.1
United States	15.7	14.5	14.9	13.8	15.4	16.2	17.0	-1.6	1.2	12.7
Mexico	1.22	0.95	1.01	1.09	1.35	1.39	1.43	-4.6	24.8	24.8
Western Europe	13.0	10.7	10.5	10.0	11.5	12.2	12.5	3.6	13.3	17.0
Germany	3.2	2.9	2.6	2.7	2.9	3.1	3.1	2.3	4.9	13.5
United Kingdom	2.3	1.6	1.6	1.6	1.9	2.0	2.1	7.1	14.3	19.6
Eastern Europe	3.3	2.8	2.8	1.9	2.6	2.8	2.9	6.2	89.0	45.3
Russia	2.1	1.5	1.5	0.6	1.0	1.1	1.1	6.6	176.8	57.6
Asia	31.9	30.6	32.7	35.9	38.6	39.6	40.7	0.3	11.8	8.2
China	19.7	20.1	21.5	23.6	25.2	26.0	26.9	-2.4	11.5	7.3
India	3.3	2.8	3.6	4.4	4.8	4.9	4.9	10.5	22.8	8.6
Japan	5.1	4.6	4.4	4.2	4.7	4.8	4.8	3.2	10.7	15.1
South America	4.3	2.8	3.1	3.2	3.3	3.4	3.6	4.6	12.6	2.4
Brazil	2.91	1.95	1.98	1.96	2.15	2.27	2.38	6.4	22.6	11.2
Chile	0.34	0.26	0.42	0.43	0.32	0.33	0.35	10.7	-12.5	-27.7
Colombia	0.26	0.19	0.24	0.25	0.19	0.20	0.21	-10.4	-38.0	-31.7
Peru	0.16	0.11	0.16	0.16	0.18	0.18	0.19	-0.6	-3.0	5.6

Sources: Scotiabank Economics, Wards Automotive, Bloomberg.

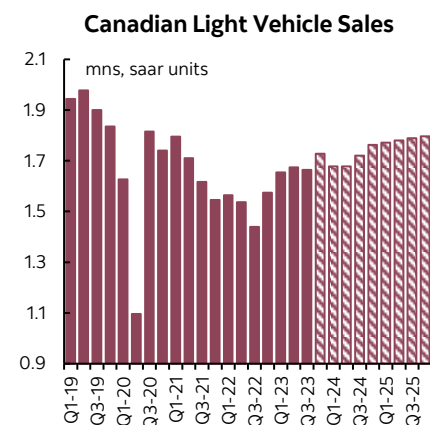
Table 2—Provincial Auto Sales Outlook (thousands of units ann.)

	2010-19	2020	2021	2022	2023f	2024f	2025f	Sep-23, SA % m/m	Sep-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	1,680	1,710	1,785				12.1
Atlantic	134	109	119	105	110	115	120	6.0	21.2	6.3	--
Central	1,179	1,030	1,070	1,004	1,090	1,108	1,156	2.4	15.3	11.5	12.9
Quebec	441	378	404	369	395	402	419	-1.0	10.2	8.8	20.2
Ontario	738	653	665	635	695	706	737	4.4	18.5	13.0	8.2
West	548	453	487	449	481	487	508	2.2	18.4	9.2	--
Manitoba	56	47	49	45	47	51	54	5.3	10.0	5.0	4.3
Saskatchewan	54	42	43	41	43	44	45	8.5	7.2	0.7	2.9
Alberta	239	184	196	182	197	198	206	4.1	22.5	11.2	--
British Columbia**	199	179	199	181	194	195	203	-1.5	18.9	10.1	23.2

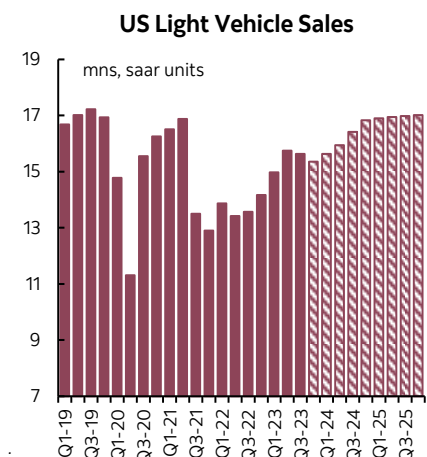
*ZEV includes battery electric and plug-in hybrid electric vehicles (estimates for NL, NS, and AB unavailable due to limitations in data sharing with Statistics Canada, but are included in the Canadian aggregate). **British Columbia includes the territories.

Sources: Scotiabank Economics, Wards Automotive, Statistics Canada.

Quarterly Outlook for North American Auto Sector

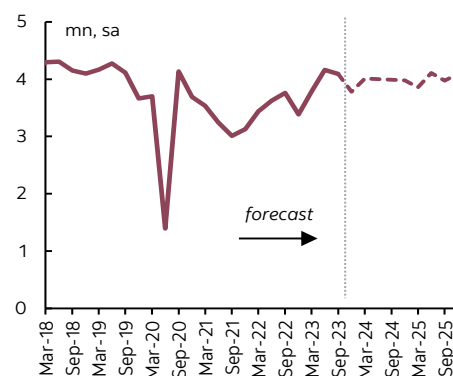


Sources: Scotiabank Economics, Wards Automotive Group.



Sources: Scotiabank Economics, Wards Automotive Group.

Wards Automotive North American Auto Production Outlook



Sources: Scotiabank Economics, Wards Automotive.

Table 3—North American Annual Production Outlook

	2010-19	2020	2021	2022	2023f	2024f	2025f
	(millions of units, annualised)						
North American Production	15.9	13.0	12.9	14.2	15.6	16.0	16.0
Canada	2.2	1.4	1.1	1.2	1.6	1.3	1.4
United States	10.4	8.6	8.9	9.7	10.2	11.1	11.0
Mexico	3.2	3.0	2.9	3.3	3.8	3.6	3.7

Sources: Scotiabank Economics, Wards Automotive.

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