

Canadian and US Vehicle Sales — December 2019

CANADA

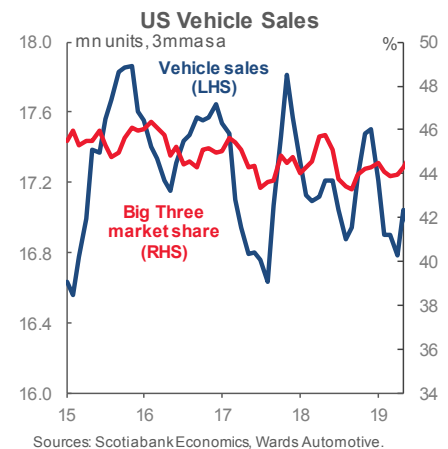
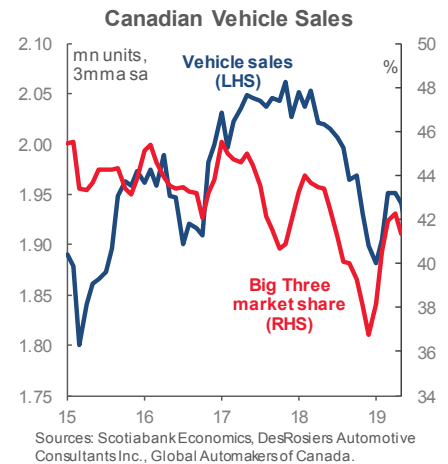
Canadian auto sales were down by 4.1% on an annual unadjusted basis in December. Sales also dipped on a seasonally adjusted basis by 3.7% m/m, despite prior month weakness. Preliminary estimates for fleet sales are relatively flat. This brings total annual sales to 1.92 mn for 2019—a 3.2% drop relative to 2018—marking a third year of decline in Canadian auto purchases. Overall, a cautious consumer is likely driving weaker auto sales. Soft readings in October's GDP (latest available) likely sparked December's ten point drop in consumer confidence levels, bringing the Conference Board metric to a three-year low. This preceded weak job growth reported for November. While financing costs have been relatively stable over the Fall (above summer lows but well-below last year's highs), high debt service costs along with low savings rates may also be curbing consumption. Our present forecast for 2020 projects continued, but decelerating, weakness in auto sales with an expected 1.915 mn units for 2020.

UNITED STATES

US auto sales dipped sharply in December by 6.2% y/y (nsa). Sales were also down on a seasonally adjusted basis by 2.3% m/m. Total auto sales for the year stand at 17.0 mn units, 1.4% below 2018 levels. There was a substantial weakening of auto sales in the final quarter of the year, exacerbated not least by the GM strike. In particular, GM sales were down by an estimated 6% in December following November's flat sales, dampening expectations of deferred purchases from the October strike. Otherwise, consumer fundamentals have been relatively resilient over the Fall including solid job and wage growth, along with record incentive spending for auto sales. Consumer confidence has been relatively flat over the Fall according to the Conference Board, while University of Michigan reports a pick-up in levels for December, likely underpinned by a perceived tapering of trade tensions on the US-China trade front. We predict a relatively flat sales year ahead for 2020 with a projected 16.9 mn sales unit forecasted.

CONTACTS

Rebekah Young
 Director, Fiscal & Provincial Economics
 416.862.3876
 Scotiabank Economics
rebekah.young@scotiabank.com



Canada & US Motor Vehicle Sales and Production Outlook

	2000–17	2018	2019	2020f	2021f
(thousands of units, annualised)					
Canada	1,704	1,983	1,920	1,915	1,915
Cars	762	575	497	479	460
Domestic	484	377	314	302	290
Imports	278	198	183	176	169
Light trucks	942	1,407	1,424	1,436	1,455
(millions of units, annualised)					
United States	14.7	17.2	17.0	16.9	17.0
Cars	6.9	5.1	4.7	4.2	4.1
Light trucks	7.9	12.1	12.2	12.7	12.9
(millions of units, annualised)					
North American Production*	15.0	17.5	16.7	17.3	17.4
Canada	2.2	2.0	1.9	1.8	1.7
United States	10.0	11.3	10.9	11.5	11.6
Mexico	2.7	4.1	3.9	4.0	4.1

*Includes light, medium and heavy trucks. Sources: Ward's Automotive Reports, DesRosiers Automotive Consultants Inc., Global Automakers of Canada, Statistics Canada.

Canada & US Vehicle Sales

	Nov '19	Dec '19	YTD
(y/y % change, NSA)			
Canada	0.0	-4.1	-3.2
US	2.1	-6.2	-1.4
(m/m % change, SA)			
Canada	-2.7	-3.7	-3.2
US	3.4	-2.3	-1.4

Sources: Scotiabank Economics, Wards Automotive, DesRosiers Automotive Consultants Inc., Global Automakers of Canada (all dealer-reported).

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.