

Canadian and US Vehicle Sales — January 2020

CANADA

Preliminary estimates for Canadian auto sales suggest a relatively flat sales month in January with a 0.5% y/y (nsa) increase at a seasonally adjusted annualized rate of 1.92 mn units. *Note, these estimates are subject to a considerable degree of uncertainty as a majority of automakers representing more than half of total sales are no longer reporting on a monthly basis.* Initial reports indicate solid fleet sales masked a decline in retail volume. This broadly continues a trend in the contraction of auto purchases that was particularly pronounced in the final quarter of last year. November's GDP data (latest available) surprised on the upside but [nowcast](#) readings for Q419 growth are still soft. While job gains in December recovered from weak November readings, wage growth pulled back. Consumer confidence recovered in January—likely influenced by the announcement of the US-China Phase 1 agreement—following the month-prior dip, but relatively elevated levels of sentiment in Canada have not been translating into auto sales. Overall, a cautious consumer is likely driving weaker auto sales as higher debt service costs, along with upward pressure on accommodation costs, consume a larger share of disposable income. We currently forecast 1.915 mn unit auto sales in 2020.

UNITED STATES

US auto sales contracted modestly in January by 0.2% y/y (nsa). On a seasonally adjusted basis, sales were up mildly by 0.9% m/m at an annualized rate of 16.85 mn units. The headline number masks a trend slowdown that began in the last quarter of 2019 as the General Motors strike introduced considerable volatility in monthly sales. In particular, GM auto sales, which represented almost 20% of January sales, were up by a strong 13.8% y/y in January (recall, they were down by almost 14% y/y in October at the peak of the strike). Otherwise, the economic handoff to 2020 was relatively solid.

Consumer confidence ticked up in January according to both Conference Board and University of Michigan surveys, with the signing of the US-China Phase 1 trade deal likely contributing to a boost in sentiment. Solid job and wage growth continued (through November, latest available), while December retail sales also saw a limited boost. We currently project 16.9 mn unit auto sales in 2020.

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Canada & US Vehicle Sales

| | Dec '19 | Jan '20 | YTD |
|---------------|----------------------|---------|------|
| | (y/y % change, NSA) | | |
| Canada | -4.1 | 0.5 | 0.5 |
| US | -6.5 | -0.2 | -0.2 |
| | (m/m % change, SAAR) | | |
| Canada | -4.8 | 7.0 | -0.5 |
| US | -2.0 | 1.2 | 0.8 |

Sources: Scotiabank Economics, Wards Automotive, DesRosiers Automotive Consultants Inc., Global Automakers of Canada.

Canada & US Motor Vehicle Sales and Production Outlook

| | 2010–18 | 2019 | 2020 Jan. | 2020f | 2021f |
|-----------------------------------|----------------------------------|--------------|--------------|--------------|--------------|
| | (thousands of units, annualised) | | | | |
| Canada | 1,809 | 1,922 | 1,924 | 1,915 | 1,915 |
| Cars | 697 | 496 | 451 | 479 | 460 |
| Light trucks | 1,112 | 1,426 | 1,473 | 1,436 | 1,455 |
| | (millions of units, annualised) | | | | |
| United States | 15.5 | 17.0 | 16.8 | 16.9 | 17.0 |
| Cars | 6.7 | 4.7 | 4.2 | 4.2 | 4.1 |
| Light trucks | 8.9 | 12.2 | 12.6 | 12.7 | 12.9 |
| | (millions of units, annualised) | | | | |
| North American Production* | 16.3 | 16.8 | 16.9 | 17.3 | 17.4 |
| Canada | 2.3 | 1.9 | 1.8 | 1.8 | 1.7 |
| United States | 10.7 | 10.9 | 11.1 | 11.5 | 11.6 |
| Mexico | 3.3 | 4.0 | 4.0 | 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.

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