

## Canadian and US Vehicle Sales — June 2021

### CANADA

**Canadian auto sales posted only a weak rebound in June with the reopening of provincial economies as low inventory curbed purchases.** DesRosiers Automotive Consultants Inc. estimates 163 k vehicles were sold—a 4% improvement relative to last year but still 12% down relative to June 2019. On a seasonally adjusted basis, sales posted an approximate 13% m/m improvement relative to May when most of the country was under lockdown, but the selling rate stood at a modest 1.65 mn saar units. This brought second quarter sales down sharply by 14% q/q (sa) following first quarter growth of 5% q/q (sa) at a solid sales rate of 1.82 mn saar units. Weak Canadian sales activity in April and May can largely be attributed to lockdowns as south-of-the-border purchases were relatively robust in early Spring despite ongoing inventory shortages. However, notwithstanding strong demand—evidenced by high price appreciation in both new and used vehicle markets—empty dealer lots likely curbed any substantial rebound in June. Inventory levels remain at historic lows as the global semiconductor chip shortage has seriously impacted North American vehicle production. While vehicle production has stabilized in June, it is only expected to start accelerating in August, according to Wards Automotive Group. But this may already be dated with Ford recently announcing further production cuts in July in a rapidly evolving environment. Otherwise, consumer health remains robust: a temporary dip in jobs under the lockdown likely saw a turn-around in June; already-elevated household savings ticked up modestly again in the first quarter (to 13%); and major purchase intentions have largely stabilized, apart from slight deteriorations under each lockdown. Rapid progress on vaccine roll-out should accelerate both confidence and consumption going forward...provided there is product to purchase. In our baseline forecast, we expect auto production to accelerate over the third and fourth quarters. Pent-up demand for new vehicles should unwind progressively to finish the year at 1.75 mn units. There is substantial downside to this outlook given the uncertainty around supply constraints, as well as competition for limited vehicles against robust American demand.

### UNITED STATES

**US auto sales felt the pinch of the semiconductor chip shortage with a sharp retrenchment of 10% m/m (sa) in June.** Year-over-year sales were up by 18%, but, more informatively, the selling rate stood at just 15.4 mn saar units. Prior to this, April and May sales were running hotter than our annual forecast as stimulus checks spurred demand that kept second quarter sales in positive territory with a 1% q/q (sa) improvement, following the 5% q/q uptick in the first quarter. Over the second quarter, households drew down savings that had spiked to nearly 30% of disposable income in March and remained elevated at 12% by June, while a stronger-than-expected economic recovery and vaccine rollouts fueled an improvement in auto purchase intentions in June as reported by the Conference Board. Weekly jobless claims also continued to decline during June to the lowest point since the onset of the pandemic. However, limited supply clearly dampened June sales despite solid demand as inventory remains at record-lows (with an inventory-to-sales ratio hovering around 1). This will impact sales in the near term with our baseline forecasting a third quarter decline of 8% q/q before rebounding by 2% m/m (sa) in the fourth quarter to finish the year at 16.4 mn units. There is a material risk that sales will be lower if the resolution of supply constraints takes longer.

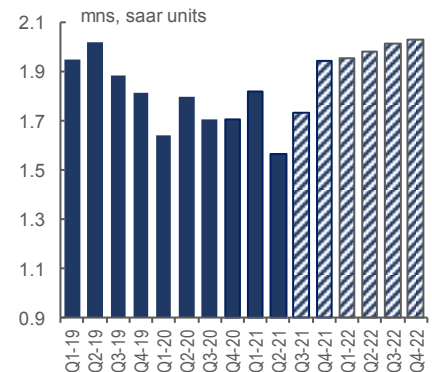
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Canada & US Vehicle Sales			
	May '21	Jun '21	YTD
(y/y % change, NSA)			
<b>Canada</b>	36	4	33
<b>US</b>	42	18	29
(m/m % change, SA)			
<b>Canada</b>	-8	13	24
<b>US</b>	-8	-10	29

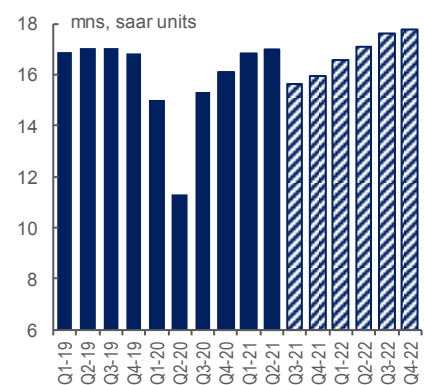
Sources: Scotiabank Economics, Wards Automotive, DesRosiers Automotive Consultants Inc.

### Canadian Light Vehicle Sales



Sources: Scotiabank Economics, DesRosiers Automotive Consultants Inc.

### US Light Vehicle Sales



Sources: Scotiabank Economics, Wards Automotive Group.

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