

Contributors

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Chart 1

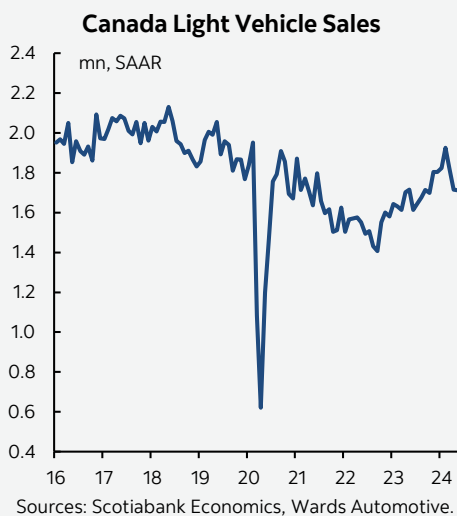
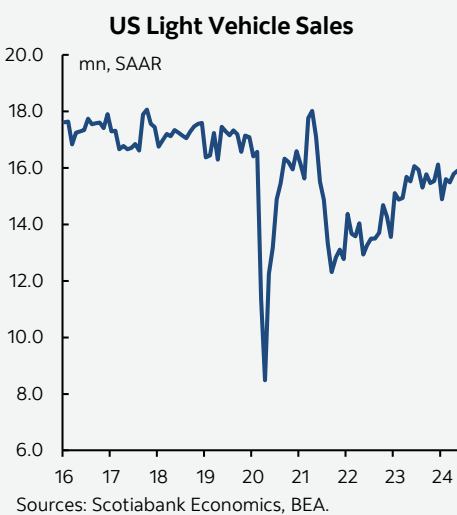


Chart 2



May Auto Sales: Growth in Sales Slowing Into Summer

CANADA: GROWTH IN AUTO SALES SLOWING, ANNUALIZED PACE STILL ABOVE 2023

Canadian auto sales slowed marginally in May (-0.2% m/m, SA) to 1.71 mn units at a seasonally adjusted annualized rate (SAAR) according to Wards Automotive (chart 1).

This marks the third consecutive month of declining sales in seasonally adjusted terms, as the growth rate in auto sales continues to ease relative to the second half of 2023 and first two months of 2024. The slowing growth is not entirely due to potentially distorting seasonal adjustment factors, where Canadian auto sales usually pick up in the summer months and decline in the winter months. May's non-seasonally adjusted sales were up only 0.3% year-over-year, well below the recent peak of 18.9% y/y in February. However, the pace of auto sales has averaged 1.8 mn (SAAR) units through the first five months of the year, above the 1.68 mn units sold in annual 2023 when sales had begun to recover from the pandemic-induced inventory and supply shortages. Growth in demand for new vehicles is likely to remain muted in the near term, as elevated interest rates weigh on consumer spending. The Bank of Canada cut its policy rate by 25 basis points to 4.75% at their June meeting last week, the first rate cut since they began raising rates in March 2022 which brought the policy rate from 0.25% to 5% by July 2023. Our revised outlook now expects a total of 100 bps of easing to the BoC policy rate by the end of 2024, with 25 bps of cuts at each of the next three policy rate meetings, but faces risks of fewer cuts should incoming data show signs of persistent or reigniting inflation. These expected policy rate cuts would help ease some of the headwinds to vehicle demand. Our outlook for Canadian auto sales is 1.77 mn units in 2024, and expect sales to increase to 1.80 mn in 2025 as interest rate headwinds unwind.

UNITED STATES: AUTO INVENTORIES ARE RISING AS SALES TREND SIDEWAYS

US automotive sales increased 0.7% (m/m, SA) to 15.9 mn (SAAR) units in May, the fastest seasonally adjusted month of auto sales since December 2023 (chart 2). After slowing to an average 15.3 mn (SAAR) units in Q1-2024, auto sales have increased in three of the past four months. Light vehicle sales in the US have mostly been trending sideways for the past year, as the three-month moving average (3mma) ending May 2024 of 15.7 mn (SAAR) is in line with the Q4-2023 sales rate and slightly below the recent peak of 15.8 mn (SAAR) in Q2-2023. This period of flat auto sales growth combined with recovered production rates is building up automotive inventories. North American light vehicle production has averaged 16.4 mn (SAAR) units in the three months ending April 2024, the fastest 3mma pace since mid-2023, and above the 16.2 mn units produced in 2019. Meanwhile, US seasonally adjusted light vehicle inventories as of May have increased in 25 of the past 27 months to the highest levels since late 2020 and 75% of the 2019 average level, according to Wards Automotive. Interest rates in the near term are expected to continue to weigh on consumer demand, as we expect the Federal Reserve to hold their policy rate unchanged at 5.5% at their next two FOMC meetings, with a 25 bps cut to their policy rate in September and only 50 bps of aggregate rate cuts by end-2024. Our outlook for US auto sales is 15.8 mn units in 2024 as elevated interest rates and slowing economic activity pose headwinds to demand and supply, increasing to 16.5 mn units in 2025 as these headwinds ease.

GLOBAL AUTO SALES: UNEVEN GROWTH INTO Q2-2024

Global auto sales increased for a third consecutive month from the recent seasonally adjusted low in January towards mid-2023 levels following a 2.7% m/m (SA) increase in April (chart 3). This uptick in auto sales to start the year has been uneven at both the regional and the country level. In Western Europe, auto sales increased 6.4% m/m (SA) in April with broad gains, up in 12 of the 15 countries covered. While volatile on a monthly basis, auto sales in the region have been rising through the first four months of

2024 after declining towards the end of 2023. Of the major markets, April sales rebounded in France (7.8% m/m, SA), Germany (17.4%), Italy (3.7%), and Spain (4.7%), but declined for a second consecutive month in the UK (-9.2%). Meanwhile in Eastern Europe, auto sales increased 1.0% m/m (SA) in April as the sales rate in the region picked back up following a stall in Q4-2023. Asia Pacific auto sales rose 1.3% m/m (SA) in April, increasing for a second consecutive month, stemming a three-month slowdown that began in at the end of 2023, as sales in Australia (6.6% m/m, SA) and Japan (14%), along with mostly unchanged sales in India (0.5%), China (0%), and South Korea (-0.1%), were partially offset by lower sales in Indonesia (-13.3%). Latam auto sales increased 11.9% m/m (SA) in April as sales rose in Brazil (16%), Chile (18.4%), Colombia (21.5%), Mexico (5.9%), and Peru (36%), while declining in Argentina (-13.5%). Our outlook for global auto sales forecasts an increase of 2.1% in 2024 and 3.2% in 2025 as elevated interest rates weigh on consumer spending and activity (chart 4).

Chart 3

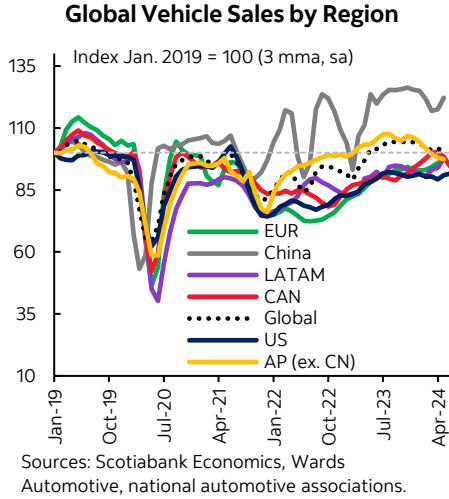


Chart 4

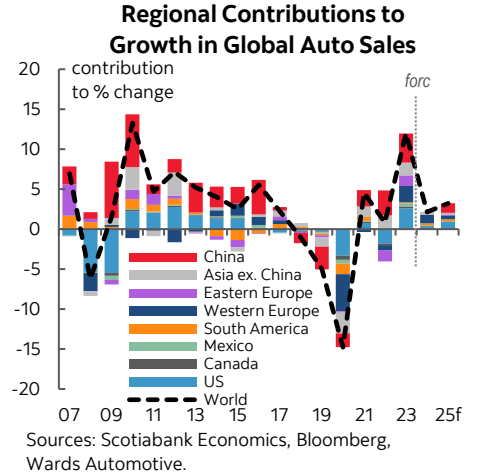


Table 1—Global Auto Sales Outlook (mns units)

| | 2010-19 | 2020 | 2021 | 2022 | 2023 | 2024f | 2025f | Apr-24, SA % m/m | Apr-24, NSA % y/y | 2024 ytd, NSA % y/y |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------|----------------------|------------------------|
| Total Sales | 71.1 | 63.8 | 66.7 | 67.3 | 75.3 | 76.9 | 79.4 | 2.7 | 6.0 | 5.8 |
| North America | 18.7 | 17.0 | 17.6 | 16.4 | 18.5 | 18.9 | 19.7 | 1.5 | -1.4 | 4.1 |
| Canada | 1.82 | 1.54 | 1.66 | 1.52 | 1.68 | 1.77 | 1.80 | -5.9 | 1.2 | 10.3 |
| United States | 15.7 | 14.5 | 14.9 | 13.8 | 15.5 | 15.8 | 16.5 | 1.9 | -3.0 | 2.7 |
| Mexico | 1.22 | 0.95 | 1.01 | 1.09 | 1.36 | 1.39 | 1.43 | 5.9 | 16.0 | 12.2 |
| Western Europe | 13.0 | 10.7 | 10.5 | 10.0 | 11.4 | 12.2 | 12.5 | 6.4 | 10.9 | 6.2 |
| Germany | 3.2 | 2.9 | 2.6 | 2.7 | 2.8 | 3.1 | 3.1 | 17.4 | 19.8 | 7.8 |
| United Kingdom | 2.3 | 1.6 | 1.6 | 1.6 | 1.9 | 2.0 | 2.1 | -9.2 | 1.0 | 8.4 |
| Eastern Europe | 3.3 | 2.8 | 2.8 | 1.9 | 2.8 | 2.8 | 2.9 | 1.0 | 29.6 | 38.6 |
| Russia | 2.1 | 1.5 | 1.5 | 0.6 | 1.1 | 1.1 | 1.1 | 5.9 | 88.9 | 86.8 |
| Asia | 31.9 | 30.6 | 32.7 | 35.9 | 39.4 | 39.6 | 40.7 | 1.3 | 5.7 | 4.3 |
| China | 19.7 | 20.1 | 21.5 | 23.6 | 26.0 | 26.0 | 26.9 | 0.0 | 10.5 | 10.6 |
| India | 3.3 | 2.8 | 3.6 | 4.4 | 4.7 | 4.9 | 4.9 | 0.5 | 3.5 | 8.2 |
| Japan | 5.1 | 4.6 | 4.4 | 4.2 | 4.8 | 4.8 | 4.8 | 14.0 | -11.2 | -16.7 |
| South America | 4.3 | 2.8 | 3.1 | 3.2 | 3.2 | 3.4 | 3.6 | 14.4 | 23.3 | 6.2 |
| Brazil | 2.91 | 1.95 | 1.98 | 1.96 | 2.18 | 2.27 | 2.38 | 16.0 | 37.5 | 17.7 |
| Chile | 0.34 | 0.26 | 0.42 | 0.43 | 0.31 | 0.33 | 0.35 | 18.4 | 30.6 | -12.9 |
| Colombia | 0.26 | 0.19 | 0.24 | 0.25 | 0.18 | 0.20 | 0.21 | 21.5 | 12.0 | -6.1 |
| Peru | 0.16 | 0.11 | 0.16 | 0.16 | 0.16 | 0.18 | 0.19 | 36.0 | 5.1 | -9.2 |

Sources: Scotiabank Economics, Wards Automotive, Bloomberg.

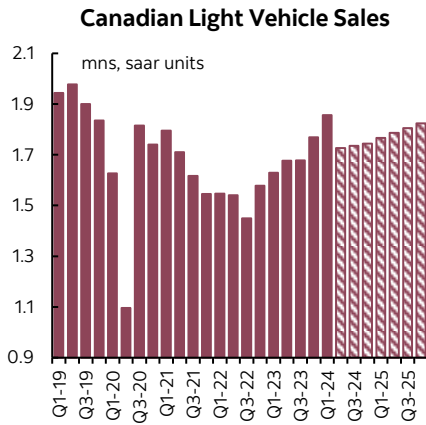
Table 2—Provincial Auto Sales Outlook (thousands of units ann.)

| | 2010-19 | 2020 | 2021 | 2022 | 2023 | 2024f | 2025f | Mar-24, SA % m/m | Mar-24, NSA % y/y | 2024 ytd nsa % y/y | ZEV* (Q4-23) % of new LV sales |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|----------------------|-----------------------|-----------------------------------|
| Canada | 1,817 | 1,543 | 1,663 | 1,523 | 1,684 | 1,766 | 1,796 | | | | 12.0 |
| Atlantic | 134 | 109 | 119 | 105 | 115 | 119 | 121 | 0.0 | 24.7 | 24.7 | -- |
| Central | 1,179 | 1,030 | 1,070 | 1,004 | 1,132 | 1,142 | 1,161 | 1.3 | 13.4 | 13.4 | 13.2 |
| Quebec | 441 | 378 | 404 | 369 | 412 | 418 | 425 | -1.5 | 19.9 | 19.9 | 21.4 |
| Ontario | 738 | 653 | 665 | 635 | 720 | 724 | 736 | 3.2 | 9.8 | 9.8 | 8.2 |
| West | 548 | 453 | 487 | 449 | 509 | 504 | 513 | -4.5 | 10.2 | 10.2 | -- |
| Manitoba | 56 | 47 | 49 | 45 | 50 | 51 | 52 | 5.3 | 15.4 | 15.4 | 3.5 |
| Saskatchewan | 54 | 42 | 43 | 41 | 45 | 45 | 46 | -1.6 | 15.9 | 15.9 | 2.1 |
| Alberta | 239 | 184 | 196 | 182 | 210 | 205 | 209 | -6.7 | 6.5 | 6.5 | -- |
| British Columbia** | 199 | 179 | 199 | 181 | 205 | 203 | 206 | -5.2 | 11.6 | 11.6 | 21.4 |

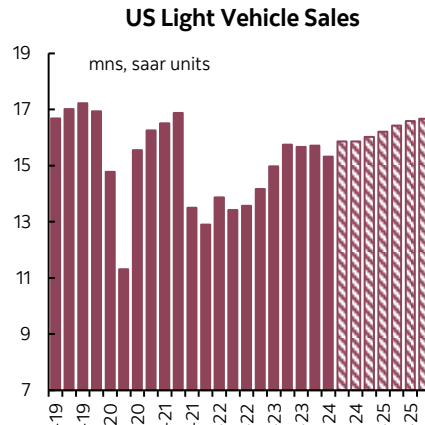
*ZEV includes battery electric and plug-in hybrid electric vehicles (estimates for NL, NS, and AB unavailable due to limitations in data sharing with Statistics Canada, but are included in the Canadian aggregate). **British Columbia includes the territories.

Sources: Scotiabank Economics, Wards Automotive, Statistics Canada.

Quarterly Outlook for North American Auto Sector

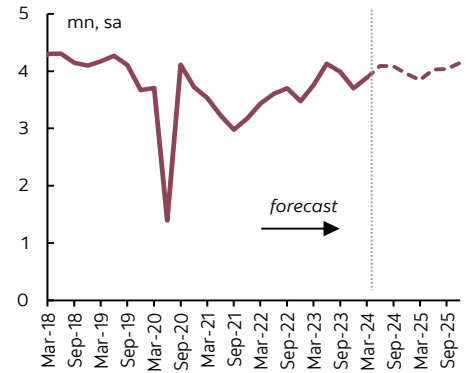


Sources: Scotiabank Economics, Wards Automotive Group.



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 | 2023 | 2024f | 2025f |
|----------------------------------|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | (millions of units, annualised) | | | | | | |
| North American Production | 15.9 | 13.0 | 12.9 | 14.2 | 15.6 | 16.2 | 16.1 |
| Canada | 2.2 | 1.4 | 1.1 | 1.2 | 1.5 | 1.3 | 1.4 |
| United States | 10.4 | 8.6 | 8.9 | 9.7 | 10.3 | 11.0 | 10.8 |
| Mexico | 3.2 | 3.0 | 2.9 | 3.3 | 3.7 | 3.9 | 3.8 |

Sources: Scotiabank Economics, Wards Automotive.

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