

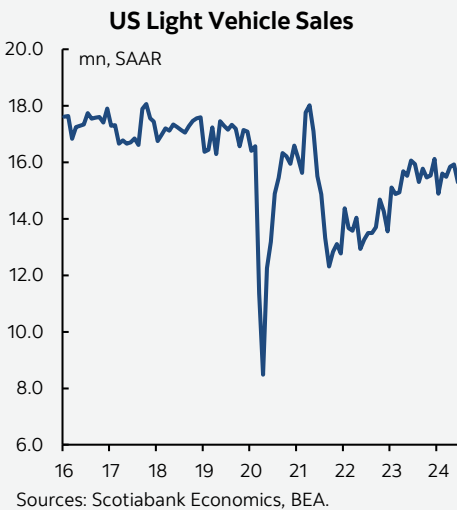
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Chart 1



Chart 2



June Auto Sales: North American Sales Take a Dip at the End of Q2-2024

CANADA: SALES GROWTH IN FIRST HALF OF 2024 EVEN WITH SLOWING IN Q2

Canadian auto sales in June fell 6.4% m/m (SA) to 1.6 mn units at a seasonally adjusted annualized rate (SAAR), declining for a fourth consecutive month according to Wards Automotive (chart 1). Vehicle sales likely took a hit towards the end of the month when CDK, a company that provides software to more than 15 thousand retail locations across North America, shut down their systems on June 19th in response to a cyberattack, impacting the operations of many automotive dealerships across the country.

Nevertheless, seasonally adjusted auto sales into the middle of the year have not maintained the momentum from the relatively strong winter months as June was the lowest seasonally adjusted sales rate since the end of 2022. Likewise, so has growth in non-seasonally adjusted year-over-year sales slowed, which in June was 2.8% below the same month last year, contracting in year-over-year terms for the first time since December 2022.

Auto sales in Q2-2024 averaged 1.68 mn (SAAR) units, down 9.5% q/q, and are now back in line with the average sales rate through Q2- and Q3-2023. Despite the slowing momentum in recent months, non-seasonally adjusted sales are up 6.2% year-to-date in 2024 versus the first six months of 2023, but remain 10.1% below pre-pandemic levels when compared to the same period in 2019.

The Bank of Canada recently began easing its monetary policy stance, having cut the overnight rate by 25 basis points to 4.75% at their June 5th policy rate meeting. While we expect a further 75 basis points of easing in the BoC’s policy rate this year, ending 2024 at 4%, the pace of rate cuts remains heavily dependent on incoming data given the upside risks to inflation. In the meantime, interest rates today continue to weigh on consumer demand, notably for household consumption expenditure on goods, and the unemployment rate continues to tick up, rising to 6.4% (SA) in June, amid population growth that exceeds jobs added.

Our outlook for Canadian auto sales is 1.76 mn in 2024, and increasing to 1.8 mn in 2025 as interest rate headwinds unwind.

UNITED STATES: QUARTERLY AUTO SALES RATE IS BACK IN LINE WITH H2-2023 PACE

US auto sales slowed to 15.3 mn (SAAR) units in June, declining 4% m/m and falling to the lowest seasonally adjusted pace since the start of the year, when January’s sales were at a recent low of 14.9 mn (SAAR) units (chart 2). Automotive sales at dealerships across the country likely were negatively impacted by the CDK software disruptions that began on June 19th and lasted through the end of the month.

Despite the pullback late last month, Q2 sales increased 2.4% q/q (SA) to 15.7 mn (SAAR) owing to stronger sales in April and May, with the quarterly sales rate back in line with the average sales rate from the second half of 2023.

As US light vehicle sales have generally trended sideways over the past year, the supply-side continues to build up. North American light vehicle production has averaged 16.5 mn (SAAR) for the three months ending May 2024, near pre-pandemic pace where there were 16.2 mn vehicles produced in 2019, which has helped US seasonally adjusted light vehicle inventories rise in 27 of the past 28 months to the highest level since April 2020 and 77% of the 2019 average level according to Wards Automotive.

Our outlook for US auto sales expects 15.7 mn in 2024 as elevated interest rates and slowing economic activity pose headwinds to demand, increasing to 16.5 mn in 2025 as these headwinds ease.

GLOBAL AUTO SALES: HIGHER SALES IN ASIA PACIFIC COUNTRIES ARE PARTIALLY OFFSET BY LOWER SALES IN EUROPE

Global auto sales were up marginally in May (0.2% m/m), increasing for a fourth consecutive month amid mixed sales at the regional level (chart 3). Auto sales in Western Europe pulled back from their recent gains, declining 7.6% m/m (SA) in May, slowing in 12 of 15 countries covered, with declines in the major markets of France (-9.5% m/m, SA), Germany (-10.6%), Italy (-8.8%) and Spain (-11.7%), whereas UK sales increased 1% m/m (SA). Meanwhile, in Eastern Europe vehicle sales continue to rise, increasing 5% m/m (SA). Auto sales in the Asia Pacific region are showing signs of rebounding from the slower sales at the beginning of the year, having increased 3.6% m/m (SA) in May, rising in five of the six countries covered as sales in Australia fell 4.1% m/m (SA), and higher for a third consecutive month. Auto sales in Latin America continue to trend sideways in volatile fashion, slowing down 11.3% m/m (SA) in May and lower in four of the six countries covered. See table 1 for a further breakdown of the sales figures. Our outlook for global auto sales is 2.1% in 2024 and 3.3% in 2025 (chart 4).

ELECTRIC VEHICLE SALES: SHARE OF ZERO-EMISSION VEHICLES EASE FURTHER IN Q1-2024

Registrations of new zero-emission vehicles (ZEV) as a share of overall new motor vehicle registrations in Canada fell for a second consecutive quarter but remains above 10% for a third consecutive quarter at 11.3% in Q1 according to Statistics Canada. ZEV registrations, which includes both battery electric (BEV) and plug-in hybrid vehicles (PHEV), were 46.7 k in Q1-2024. The decline in ZEV market share is owing to the larger contraction in BEV registrations (-11.5% q/q) relative to overall registrations (-3.1%), as PHEV registrations were little changed (0.1%).

In Ontario, the largest province by volume, accounting for two fifths of Canada’s new motor vehicle registrations, ZEVs were 6.7% (10.9 k) of Q1 registrations in the province, down from 8.2% in the second half of 2023 (chart 5). In BC, while ZEV market share fell to 19.8%, below 20% for the first time since Q2-2023, with 9.9 k ZEV registrations in Q1-2024, BEVs and PHEVs through the previous four quarters continue to combine for more than 20% of the province’s registrations. In contrast with the broader trends, the market share of ZEVs in Quebec increased to 22.1% (22.2 k registrations), the third consecutive quarter above 20% and now meeting the first interim sales target (more than 20% ZEV sales) through the four most recent quarters. Saskatchewan was the only other province for which data is available where the ZEV market share did not decline, however only marginally increasing to 2.2% in Q1-2024 from 2.1% in Q4-2023. Of the remaining provinces for which data is available, ZEVs registrations accounted for 7.7% in PEI, 5.5% in New Brunswick, and 3.4% in Manitoba through Q1-2024.

While ZEVs have been playing a bigger role in the automotive market over the past year, with Q1-2024 ZEV registrations up 53% y/y versus 16.6% for all fuel types, further progress will be needed in order to meet Canada’s first interim target of at least 20% of sales being ZEVs by 2026 on the path to 100% ZEV sales by 2035. It is worth noting that hybrid electric vehicles, which use an internal combustion engine and regenerative braking to charge the battery, have also continued to gain significant market share such that gasoline and diesel vehicles through the four quarters ending Q1-2024 have fallen to 80% of new motor vehicle registrations, as consumers warm up to considering alternatives to an internal combustion engine vehicle.

Chart 3

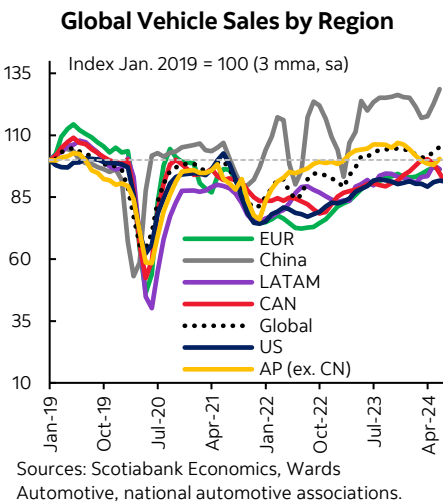


Chart 4

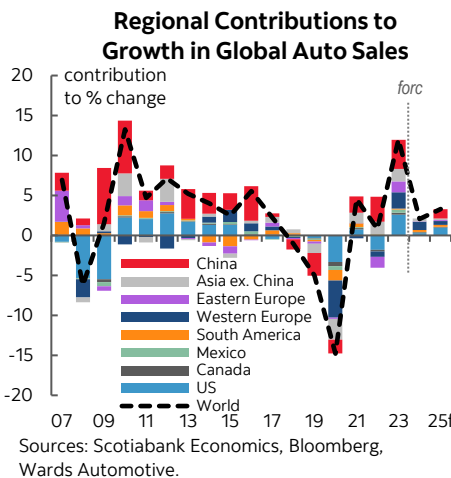


Chart 5

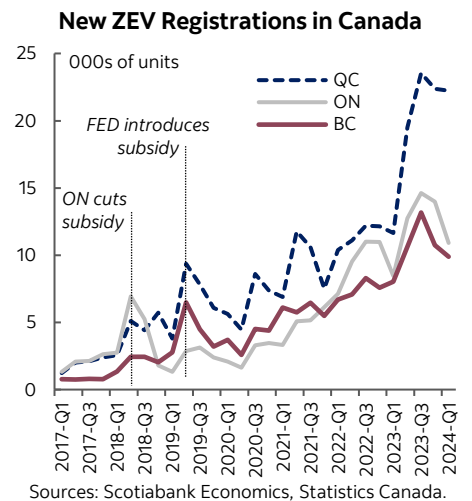


Table 1—Global Auto Sales Outlook (mns units)

	2010-19	2020	2021	2022	2023	2024f	2025f	May-24, SA % m/m	May-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	0.2	2.1	5.0
North America	18.7	17.0	17.6	16.4	18.5	18.9	19.7	0.5	5.3	4.4
Canada	1.82	1.54	1.66	1.52	1.68	1.76	1.80	-1.1	0.8	8.4
United States	15.7	14.5	14.9	13.8	15.5	15.7	16.5	0.5	4.9	3.3
Mexico	1.22	0.95	1.01	1.09	1.36	1.39	1.43	1.4	16.8	13.1
Western Europe	13.0	10.7	10.5	10.0	11.4	12.2	12.5	-7.6	-3.6	4.1
Germany	3.2	2.9	2.6	2.7	2.8	3.1	3.1	-10.6	-4.3	5.2
United Kingdom	2.3	1.6	1.6	1.6	1.9	2.0	2.1	1.0	1.7	7.1
Eastern Europe	3.3	2.8	2.8	1.9	2.8	2.8	2.9	5.0	26.4	35.8
Russia	2.1	1.5	1.5	0.6	1.1	1.1	1.1	6.4	83.6	86.1
Asia	31.9	30.6	32.7	35.9	39.4	39.6	40.7	3.6	0.8	3.6
China	19.7	20.1	21.5	23.6	26.0	26.0	26.9	1.9	1.2	8.5
India	3.3	2.8	3.6	4.4	4.7	4.9	4.9	5.4	6.5	7.8
Japan	5.1	4.6	4.4	4.2	4.8	4.8	4.8	12.2	-4.4	-14.8
South America	4.3	2.8	3.1	3.2	3.2	3.4	3.6	-16.1	0.1	4.9
Brazil	2.91	1.95	1.98	1.96	2.18	2.27	2.38	-19.5	10.2	16.0
Chile	0.34	0.26	0.42	0.43	0.31	0.33	0.35	-13.0	-8.9	-12.2
Colombia	0.26	0.19	0.24	0.25	0.18	0.20	0.21	-10.1	-5.1	-5.9
Peru	0.16	0.11	0.16	0.16	0.16	0.18	0.19	-16.3	-20.3	-11.5

Sources: Scotiabank Economics, Wards Automotive, Bloomberg.

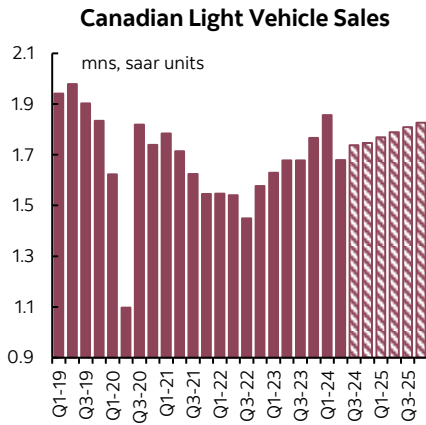
Table 2—Provincial Auto Sales Outlook (thousands of units ann.)

	2010-19	2020	2021	2022	2023	2024f	2025f	Apr-24, SA % m/m	Apr-24, NSA % y/y	2024 ytd nsa % y/y	ZEV* (Q1-24) % of new LV sales
Canada	1,817	1,543	1,663	1,523	1,684	1,755	1,799				11.3
Atlantic	134	109	119	105	115	119	122	-2.0	20.4	22.5	--
Central	1,179	1,030	1,070	1,014	1,132	1,135	1,163	2.9	14.7	16.3	12.6
Quebec	441	378	404	372	412	415	425	1.4	21.4	20.6	22.1
Ontario	738	653	665	642	720	720	738	3.8	11.0	14.0	6.7
West	548	453	487	454	509	501	514	4.2	16.9	13.8	--
Manitoba	56	47	49	46	50	51	52	7.7	18.4	17.0	3.4
Saskatchewan	54	42	43	42	45	45	46	7.8	28.4	19.5	2.2
Alberta	239	184	196	184	210	204	209	3.8	14.3	10.9	--
British Columbia**	199	179	199	182	205	201	206	2.9	16.9	14.8	19.8

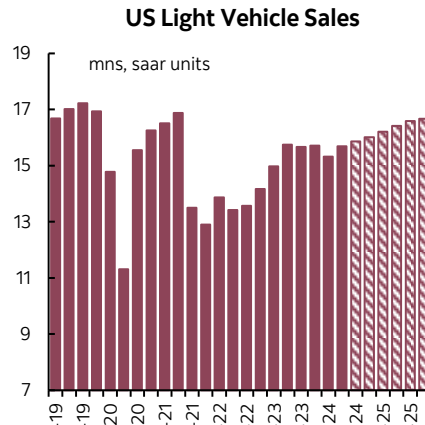
*ZEV includes battery electric and plug-in hybrid electric vehicles (estimates for NL, NS, and AB unavailable due to limitations in data sharing with Statistics Canada, but are included in the Canadian aggregate). **British Columbia includes the territories.

Sources: Scotiabank Economics, Wards Automotive, Statistics Canada.

Quarterly Outlook for North American Auto Sector

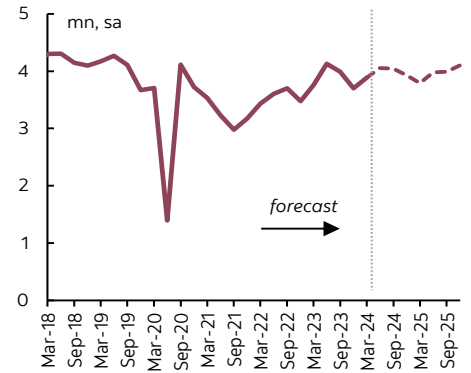


Sources: Scotiabank Economics, Wards Automotive Group.



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	16.0	15.9
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	10.8	10.7
Mexico	3.2	3.0	2.9	3.3	3.7	3.9	3.8

Sources: Scotiabank Economics, Wards Automotive.

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