

**Contributors**

**John Fanjoy**  
Economist  
Scotiabank Economics  
416.866.4735  
[john.fanjoy@scotiabank.com](mailto:john.fanjoy@scotiabank.com)

**Chart 1**

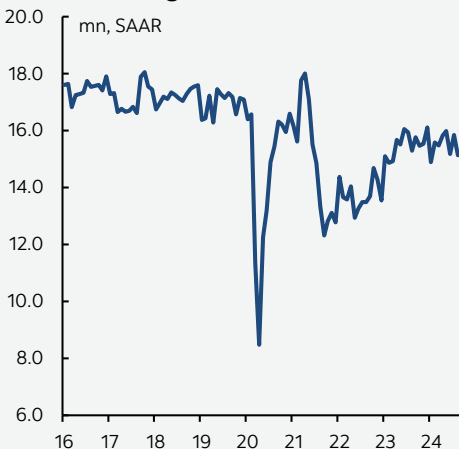
**Canada Light Vehicle Sales**



Sources: Scotiabank Economics, Wards Automotive.

**Chart 2**

**US Light Vehicle Sales**



Sources: Scotiabank Economics, BEA.

**August Auto Sales: ZEV Sales in Canada Rise in Q2-24**

**CANADA: SALES RISE THROUGH THE SUMMER AS HEADWINDS PERSIST**

**Canadian auto sales fell 1.7% month-over-month to 1.73 mn units at a seasonally adjusted annualized rate (SAAR) in August according to Wards Automotive (chart 1).**

Vehicle sales in July were 1.76 mn (SAAR) units, up 3.7% m/m from the recent seasonally-adjusted low in June when sales were likely negatively impacted by the CDK software disruptions.

Total non-seasonally adjusted sales for Q2 were previously revised upwards by 6.6%, resulting in the highest unadjusted volume for a single quarter since Q3-2019. In August, year-over-year sales growth was 1% (NSA), remaining positive for a 20<sup>th</sup> consecutive month. While annual growth in auto sales is still positive, it has slowed considerably from the more than 10% y/y through the six months ending April 2024 as economic headwinds persist.

The recent pace of job gains in Canada has slowed through the summer, averaging 6k (SA) per month for the three months through August, and the unemployment rate rose to 6.6% as the labour force continues to grow faster than jobs added. This softening in the labour market is having the biggest impact on the youth's category (aged 15–24) and recent immigrants.

Meanwhile, growth in the average hourly wage rate for permanent employees (5.5% m/m SAAR, 3mma) continues to outpace inflation. These real (inflation-adjusted) wage gains and rising personal savings should support domestic consumer spending.

Additionally, the Bank of Canada is continuing to ease monetary policy, having cut the overnight rate by 25 basis points at each of the past three scheduled meetings, lowering the overnight rate to 4.25% at the September 4<sup>th</sup> meeting. We are expecting a further 50 basis points of cuts this year, with further easing into 2025.

Our outlook for Canadian auto sales is 1.78 mn in 2024, and increasing to 1.8 mn in 2025 as interest rate headwinds unwind.

**UNITED STATES: INVENTORIES CONTINUE BUILDING UP AS SALES TREND SIDEWAYS**

**US auto sales fell 4.5% m/m to 15.1 mn (SAAR) units in August, slowing to the lowest rate since January 2024 (chart 2).**

Seasonally adjusted vehicle sales for July were 15.8 mn, up 4.4% m/m from the previous low in June which was when automotive dealers were impacted by the CDK software disruptions. Over the past year light vehicle sales have generally trended sideways in the US. The sales rate has averaged 15.5 mn (SAAR) through the first eight months of 2024, in line with annual 2023 sales.

Meanwhile, inventories continue to increase as North American light vehicle production picked up to 16.6 mn (SAAR) units in Q2-2024, the fastest quarterly pace since Q2-2019 according to Wards Automotive.

With annual inflation continuing to slow and the labour market coming into better balance, the Federal Reserve is expected to pivot towards easing the monetary policy stance. We expect 25 basis point cuts to the fed funds rate, currently 5.5%, at each of the three remaining policy rate meetings in 2024 and further easing into 2025.

Our outlook for US auto sales is 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: SALES RATE SLOWS MID-YEAR AMID REGIONAL SOFTNESS**

**Global auto sales were unchanged in July (0% m/m, SA), as the monthly sales rate slowed towards the end of Q2 and flat into Q3-2024 (chart 3).** Seasonally adjusted vehicle sales in Western Europe fell 1.7% m/m (SA) in July, declining in eight of the 15 countries covered. Meanwhile vehicle sales in Eastern Europe increased 3.1% m/m (SA) in July, having risen in four of the past five months. Auto sales in Asia Pacific fell 2.4% m/m (SA) in July, declining for a second consecutive month to the lowest levels since February 2024, as seasonally adjusted sales slowed in both China (-4.6% m/m SA) and India (-1.8%) which was partially offset by increases in Japan (5.6%). Automotive sales in Latin America increased 6.7% m/m (SA) in July, with the seasonally adjusted sales rate up in all six of the countries covered. Our outlook for global auto sales is 2.1% in 2024 and 3.3% in 2025 (chart 4).

**ELECTRIC VEHICLE SALES: QUEBEC DRIVES (TEMPORARY?) SURGE IN Q2-2024 ZEV REGISTRATIONS**

**New motor vehicle registrations for zero emission vehicles (ZEV), which includes both battery electric (BEV) and plug-in hybrids (PHEV), rose to 65.7k in Q2-2024, a quarterly volume high, according to Statistics Canada.** BEVs accounted for nearly three-in-four (73.8%, 48.5k) of new ZEVs while PHEVs accounted for one-in-four (26.2%, 17.2k). New ZEV registrations increased 38% compared to the same quarter a year ago versus a 4.6% y/y increase for non-ZEVs over the same period. This pushed the market share for ZEVs as a percent of all new registrations up to 12.9% in Q2, above 10% for a fifth consecutive quarter and bringing the 4-quarter moving average up to 12.4%.

Growth in national ZEV sales was largely driven by Quebec, which accounted for more than half (33.9k) of all Q2 new ZEV registrations (chart 5). Quebec’s battery electric and plug-in hybrid registrations increased more than 70% and 50% year-over-year respectively, accounting for more than a quarter (26.2%) of the province’s new motor registrations in Q2, the highest market share among all of the provinces for which data is available. This rapid growth in ZEV registrations for Quebec could very well be a temporary short-term surge from buyers looking to take advantage of the “Roulez vert Program” for which planned changes were announced in March 2024. Quebec’s provincial budget for fiscal year 2024–2025 included the phasing out of financial assistance for EV purchases that will be decreasing each year from a maximum of \$7k in 2024 down to \$0 in 2027. In Ontario, the largest market by total volume, ZEVs accounted for 7.5% (14.3k) of new registrations in Q2-24, up from 6.8% in Q1-24 and 7% Q2-23. Meanwhile in BC, ZEV registrations (12.2k) as a share of the overall market fell to 19.8%, below 20% for the first time since Q2-23. Of the remaining provinces for which data is available, ZEV market share increased from Q1-24 to Q2-24 in PEI (8.7%, 0.2k), New Brunswick (7.1%, 0.8k), Manitoba (5%, 0.7k), and Saskatchewan (2.4%, 0.3k).

In August, the Canadian federal government announced the plan to implement a 100% surtax on all Chinese-made EVs, in line with US tariffs on Chinese EVs that will increase to 100% on September 27<sup>th</sup>, and changes to the Incentives for Zero-Emission Vehicles (iZEV) Program that will limit purchasing and leasing eligibility to ZEVs produced in Canada or countries with which Canada has a free-trade agreement, both effective October 1<sup>st</sup>, 2024. While these measures are aimed at protecting Canada’s automotive sector, there is still lots of progress that needs to be made in order for Canada to meet its first interim sales target of 20% ZEV sales by 2026 on the path towards the 100% ZEV sales target by 2035.

Chart 3

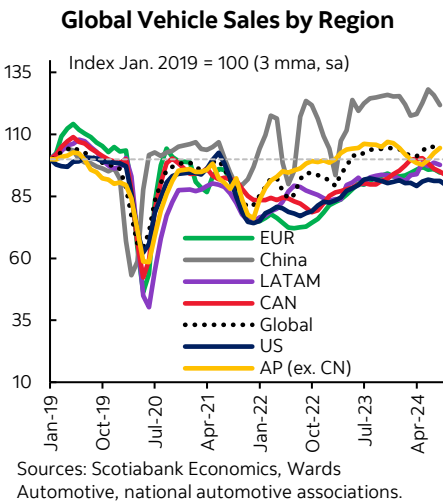


Chart 4

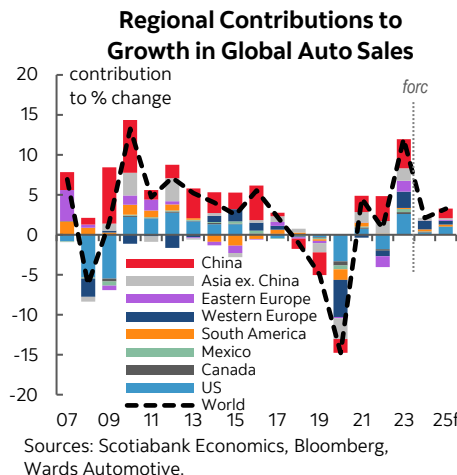
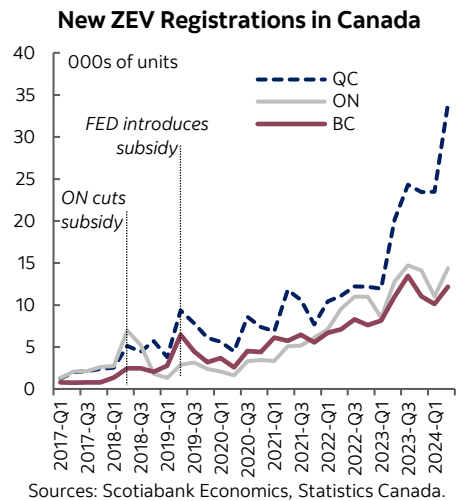


Chart 5



**Table 1—Global Auto Sales Outlook (mns units)**

	2010-19	2020	2021	2022	2023	2024f	2025f	Jul-24, SA % m/m	Jul-24, NSA % y/y	2024 ytd, NSA % y/y
<b>Total Sales</b>	<b>71.1</b>	<b>63.8</b>	<b>66.7</b>	<b>67.3</b>	<b>75.3</b>	<b>76.9</b>	<b>79.4</b>	<b>0.0</b>	<b>-0.6</b>	<b>3.3</b>
<b>North America</b>	<b>18.7</b>	<b>17.0</b>	<b>17.6</b>	<b>16.4</b>	<b>18.5</b>	<b>18.9</b>	<b>19.7</b>	<b>4.5</b>	<b>0.0</b>	<b>3.0</b>
Canada	1.82	1.54	1.66	1.52	1.68	1.78	1.80	3.7	6.7	9.5
United States	15.7	14.5	14.9	13.8	15.5	15.7	16.5	4.4	-1.8	1.5
Mexico	1.22	0.95	1.01	1.09	1.36	1.39	1.43	6.6	12.8	12.3
<b>Western Europe</b>	<b>13.0</b>	<b>10.7</b>	<b>10.5</b>	<b>10.0</b>	<b>11.4</b>	<b>12.2</b>	<b>12.5</b>	<b>-1.7</b>	<b>-0.6</b>	<b>3.1</b>
Germany	3.2	2.9	2.6	2.7	2.8	3.1	3.1	-7.4	-2.1	4.3
United Kingdom	2.3	1.6	1.6	1.6	1.9	2.0	2.1	4.9	2.5	5.5
<b>Eastern Europe</b>	<b>3.3</b>	<b>2.8</b>	<b>2.8</b>	<b>1.9</b>	<b>2.8</b>	<b>2.8</b>	<b>2.9</b>	<b>3.1</b>	<b>15.2</b>	<b>29.9</b>
Russia	2.1	1.5	1.5	0.6	1.1	1.1	1.1	1.8	42.3	71.1
<b>Asia</b>	<b>31.9</b>	<b>30.6</b>	<b>32.7</b>	<b>35.9</b>	<b>39.4</b>	<b>39.6</b>	<b>40.7</b>	<b>-2.4</b>	<b>-2.6</b>	<b>1.5</b>
China	19.7	20.1	21.5	23.6	26.0	26.0	26.9	-4.6	-5.1	4.5
India	3.3	2.8	3.6	4.4	4.7	4.9	4.9	-1.8	1.4	5.5
Japan	5.1	4.6	4.4	4.2	4.8	4.8	4.8	5.6	6.9	-10.5
<b>South America</b>	<b>4.3</b>	<b>2.8</b>	<b>3.1</b>	<b>3.2</b>	<b>3.2</b>	<b>3.4</b>	<b>3.6</b>	<b>6.7</b>	<b>5.8</b>	<b>4.7</b>
Brazil	2.91	1.95	1.98	1.96	2.18	2.27	2.38	3.5	5.5	13.5
Chile	0.34	0.26	0.42	0.43	0.31	0.33	0.35	3.0	8.8	-8.1
Colombia	0.26	0.19	0.24	0.25	0.18	0.20	0.21	8.9	26.8	-0.7
Peru	0.16	0.11	0.16	0.16	0.16	0.18	0.19	5.0	-16.9	-13.5

Sources: Scotiabank Economics, Wards Automotive, Bloomberg.

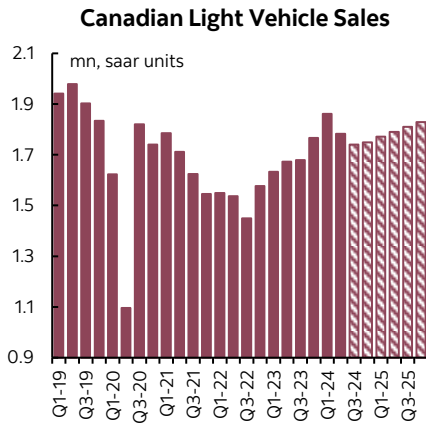
**Table 2—Provincial Auto Sales Outlook (thousands of units ann.)**

	2010-19	2020	2021	2022	2023	2024f	2025f	Jun-24, SA % m/m	Jun-24, NSA % y/y	2024 ytd nsa % y/y	ZEV* (Q2-24) % of new LV sales
<b>Canada</b>	<b>1,817</b>	<b>1,543</b>	<b>1,663</b>	<b>1,523</b>	<b>1,684</b>	<b>1,784</b>	<b>1,800</b>				<b>12.9</b>
<b>Atlantic</b>	<b>134</b>	<b>109</b>	<b>119</b>	<b>105</b>	<b>115</b>	<b>121</b>	<b>122</b>	<b>-11.5</b>	<b>2.4</b>	<b>18.2</b>	<b>--</b>
<b>Central</b>	<b>1,179</b>	<b>1,030</b>	<b>1,070</b>	<b>1,014</b>	<b>1,132</b>	<b>1,153</b>	<b>1,164</b>	<b>-8.0</b>	<b>-1.6</b>	<b>11.0</b>	<b>15.1</b>
Quebec	441	378	404	372	412	422	426	-12.0	-1.6	15.4	26.2
Ontario	738	653	665	642	720	732	739	-5.6	-1.6	8.5	7.5
<b>West</b>	<b>548</b>	<b>453</b>	<b>487</b>	<b>454</b>	<b>509</b>	<b>510</b>	<b>514</b>	<b>-7.5</b>	<b>-0.1</b>	<b>9.3</b>	<b>--</b>
Manitoba	56	47	49	46	50	52	52	-2.0	22.0	17.1	5.0
Saskatchewan	54	42	43	42	45	46	46	-6.5	13.7	17.4	2.4
Alberta	239	184	196	184	210	207	209	-9.0	-1.9	7.6	--
British Columbia**	199	179	199	182	205	205	207	-7.7	-5.7	7.4	19.8

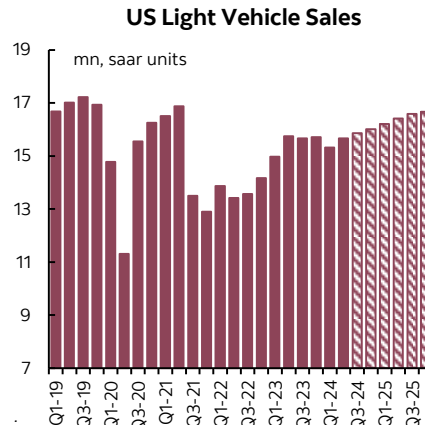
\*ZEV includes battery electric and plug-in hybrid electric vehicles (estimates for NL, NS, and AB unavailable due to limitations in data sharing with Statistics Canada, but are included in the Canadian aggregate). \*\*British Columbia includes the territories.

Sources: Scotiabank Economics, Wards Automotive, Statistics Canada.

Quarterly Outlook for North American Auto Sector

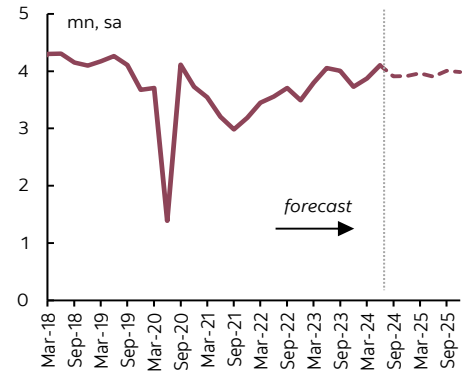


Sources: Scotiabank Economics, Wards Automotive Group.



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)						
<b>North American Production</b>	<b>15.9</b>	<b>13.0</b>	<b>12.9</b>	<b>14.2</b>	<b>15.6</b>	<b>15.8</b>	<b>15.9</b>
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	10.5	10.5
Mexico	3.2	3.0	2.9	3.3	3.7	3.9	3.9

Sources: Scotiabank Economics, Wards Automotive.

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 in 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: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, 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 authorized 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 authorized 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., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat 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.