Scotiabank

GLOBAL ECONOMICS

GLOBAL AUTO REPORT

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Contributors

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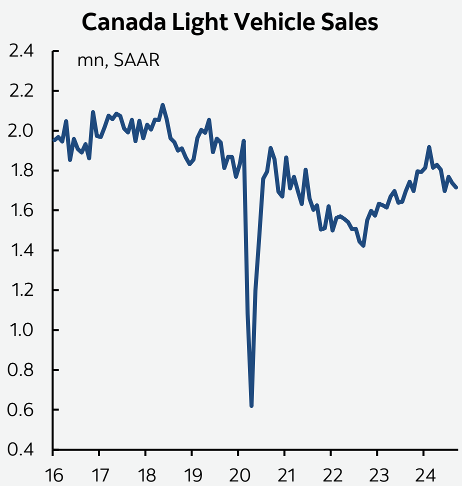
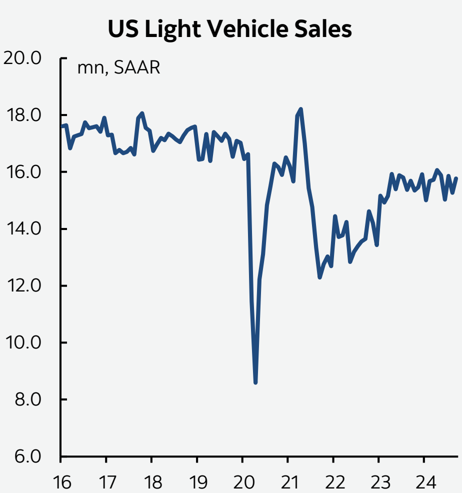
Chart 1



Sources: Scotiabank Economics, Wards Automotive.

Chart 2



Sources: Scotiabank Economics, BEA.

September Auto Sales: Canadian Sales Slowing as US Sales Hold Steady in Q3-2024

CANADA: VEHICLE DEMAND SLOWS IN Q3-2024

Canadian auto sales fell -1.3% month-over-month (m/m) to 1.72 mn units at a seasonally adjusted annualized rate (SAAR) in September, declining in four of the last five months according to Wards Automotive (chart 1).

While light vehicle sales through the first nine months of the year are up 7.1% year-to-date (ytd), momentum continues to slow in the second half of the year. Third quarter sales in seasonally adjusted terms averaged 1.74 mn (SAAR) units, down -2.0% from Q2-2024. Meanwhile, Q3 non-seasonally adjusted sales were up 2% compared to same quarter a year ago, however sales in September were down -2.7% y/y—contracting in year-over-year terms for the first time since December 2022. As the tightening effect from previous interest rate hikes continued to weigh on household consumption of goods into the summer, so too has it weighed on demand for automotives and new vehicle sales.

Annual headline inflation fell to 2% y/y in August, the mid-point of the Bank of Canada's 1% to 3% target range, reinforcing calls for further cuts to the policy rate which has been lowered to 4.25% as of September from the recent peak of 5% at the beginning of June. Should inflation sustainably remain below the 3% upper threshold, we expect more cuts to the policy rate at the two remaining BoC policy rate meetings in 2024 and into mid-2025. It remains to be seen how quickly easing in monetary policy conditions will reduce affordability constraints and pass through to vehicle sales.

Our outlook for Canadian new light vehicle sales is 1.78 mn in 2024, and 1.8 mn in 2025 as interest rate headwinds ease.

UNITED STATES: SALES TRENDING SIDEWAYS DESPITE REVISIONS TO SEASONALITY

US auto sales increased 3.3% month-over-month to 15.8 mn (SAAR) units in September (chart 2). The seasonal adjustment factors for auto and light truck sales, which are produced by the Federal Reserve Board, were recalculated as far back as January 2019 and out through August 2025.

Despite the recalculated factors having reduced some of the volatility in seasonally adjusted data, the general trend remains the same with US light vehicle sales fluctuating around 15.7 mn (SAAR) units since the spring of 2023. Light vehicle sales were roughly unchanged in Q3, averaging 15.6 mn (SAAR) units, down -0.2% from Q2-2024.

While the sales rate is generally holding steady, growth in US light vehicle inventories is starting to show signs of slowing. US light vehicle production slowed to 10 mn (SAAR) units for the three months ending August, which is the lowest seasonally adjusted three month pace since February 2023 aside from October through December when production was impacted by the UAW strike.

The Federal Reserve cut the policy rate by 50 basis points to a 5% upper-bound at the September meeting, with the risks to the dual mandate of price stability and maximum sustainable employment coming better into balance. The unemployment rate had increased to 4.2% by August before falling back to 4.1% in September, adding uncertainty to the size and pace of expected future policy rate cuts. Interest rates will likely need to ease further in order to have a meaningful impact on vehicle demand.

Our outlook for US new light vehicle sales is 15.6 mn in 2024, and increasing to 16.5 mn in 2025 as interest rate headwinds ease.

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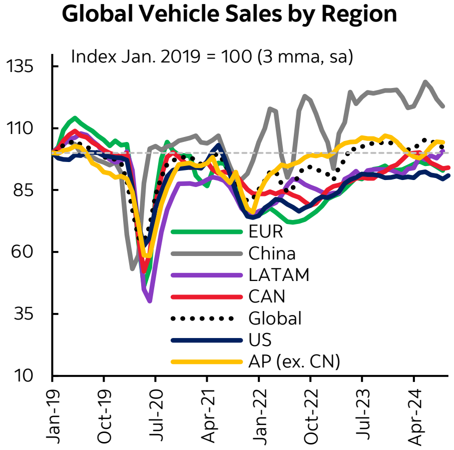
GLOBAL AUTO SALES: SALES RATE STEADY WITH SOME REGIONAL SOFTNESS

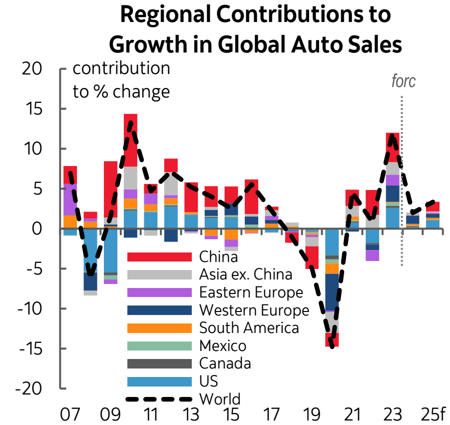
Global auto sales fell -0.5% m/m (SA) in August, as the sales rate holds relatively steady in seasonally adjusted terms since June (chart 3). Western European auto sales fell -7.4% m/m, declining in 11 of the 15 countries covered, continuing a downward trend since Q1-2024 and to the lowest seasonally adjusted level since October 2022. Meanwhile eastern European auto sales increased 1.6% m/m (SA). Asia Pacific auto sales rebounded 2.7% m/m (SA) after having declined the two months prior, as growth in China (4.5%), India (3.6%), and South Korea (4.2%) more than offset declines in the three remaining markets covered. Auto sales in Latin America held steady in August (0% m/m, SA), as the sales rate was relatively unchanged in Mexico (-0.2%) and Peru (0.8%), and higher sales in Argentina (13.5%) and Chile (4.7%) were offset by lower sales in Brazil (-2.6%) and Colombia (-3.6%). Our outlook for global vehicle sales is 2.0% in 2024 and 3.3% in 2025 (chart 4).

Chart 3



Sources: Scotiabank Economics, Wards Automotive, national automotive associations.

Chart 4



Sources: Scotiabank Economics, Bloomberg, Wards Automotive.

Table 1—Global Auto Sales Outlook (mns units)

	2010-19	2020	2021	2022	2023	2024f	2025f	Aug-24, SA % m/m	Aug-24, NSA % y/y	2024 ytd, NSA % y/y
Total Sales	**71.1**	**63.8**	**66.7**	**67.3**	**75.3**	**76.8**	**79.4**	**-0.5**	**-1.0**	**2.7**
North America	**18.7**	**17.0**	**17.6**	**16.4**	**18.5**	**18.8**	**19.7**	**-3.3**	**7.7**	**3.7**
Canada	1.82	1.54	1.66	1.52	1.68	1.78	1.80	-1.8	1.5	8.5
United States	15.7	14.5	14.9	13.8	15.5	15.6	16.5	-3.8	8.0	2.4
Mexico	1.22	0.95	1.01	1.09	1.36	1.39	1.43	-0.2	12.1	12.3
Western Europe	**13.0**	**10.7**	**10.5**	**10.0**	**11.4**	**12.2**	**12.5**	**-7.4**	**-17.8**	**0.9**
Germany	3.2	2.9	2.6	2.7	2.8	3.1	3.1	-7.5	-27.8	-0.3
United Kingdom	2.3	1.6	1.6	1.6	1.9	2.0	2.1	-1.8	-1.3	5.1
Eastern Europe	**3.3**	**2.8**	**2.8**	**1.9**	**2.8**	**2.8**	**2.9**	**1.6**	**18.5**	**28.3**
Russia	2.1	1.5	1.5	0.6	1.1	1.1	1.1	0.9	39.5	65.4
Asia	**31.9**	**30.6**	**32.7**	**35.9**	**39.4**	**39.6**	**40.7**	**2.7**	**-3.6**	**0.8**
China	19.7	20.1	21.5	23.6	26.0	26.0	26.9	4.5	-4.0	3.3
India	3.3	2.8	3.6	4.4	4.7	4.9	4.9	3.6	1.8	5.0
Japan	5.1	4.6	4.4	4.2	4.8	4.8	4.8	-3.5	-3.5	-9.7
South America	**4.3**	**2.8**	**3.1**	**3.2**	**3.2**	**3.4**	**3.6**	**0.0**	**12.3**	**5.8**
Brazil	2.91	1.95	1.98	1.96	2.18	2.27	2.38	-2.6	13.4	13.5
Chile	0.34	0.26	0.42	0.43	0.31	0.33	0.35	4.7	0.1	-7.0
Colombia	0.26	0.19	0.24	0.25	0.18	0.20	0.21	-3.6	12.9	1.0
Peru	0.16	0.11	0.16	0.16	0.16	0.18	0.19	0.8	-12.6	-13.4

Sources: Scotiabank Economics, Wards Automotive, Bloomberg.

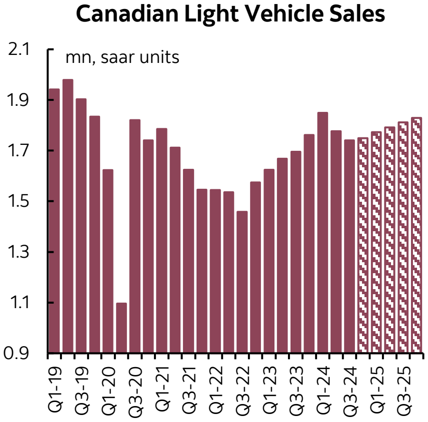
Table 2—Provincial Auto Sales Outlook (thousands of units ann.)

	2010–19	2020	2021	2022	2023	2024f	2025f	Jul-24, SA % m/m	Jul-24, NSA % y/y	2024 ytd nsa % y/y	ZEV* (Q2-24) % of new LV sales
Canada	**1,817**	**1,543**	**1,663**	**1,523**	**1,684**	**1,779**	**1,801**				**12.9**
Atlantic	**134**	**109**	**119**	**105**	**115**	**120**	**122**	**13.0**	**34.3**	**20.6**	**--**
Central	**1,179**	**1,030**	**1,070**	**1,014**	**1,132**	**1,151**	**1,165**	**9.0**	**12.2**	**11.0**	**15.1**
Quebec	441	378	404	372	412	421	426	10.0	13.9	15.1	26.2
Ontario	738	653	665	642	720	730	739	8.4	11.1	8.6	7.5
West	**548**	**453**	**487**	**454**	**509**	**508**	**515**	**12.0**	**14.8**	**9.9**	**--**
Manitoba	56	47	49	46	50	52	52	5.0	22.8	18.5	5.0
Saskatchewan	54	42	43	42	45	46	46	12.5	30.2	19.3	2.4
Alberta	239	184	196	184	210	207	209	9.2	17.5	8.9	--
British Columbia**	199	179	199	182	205	204	207	17.1	7.0	6.8	19.8

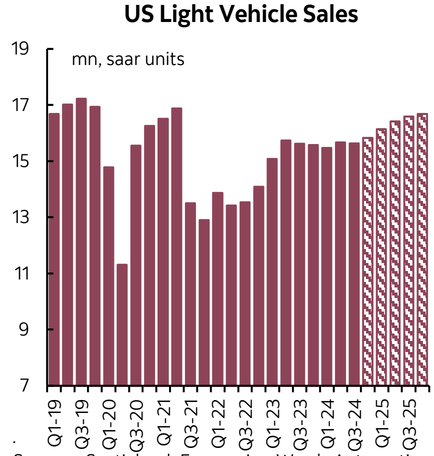
**ZEV includes battery electric and plug-in hybrid electric vehicles (estimates for NL, NS, and AB unavailable due to limitations in data sharing with Statistics Canada, but are included in the Canadian aggregate). **British Columbia includes the territories.*

Sources: Scotiabank Economics, Wards Automotive, Statistics Canada.

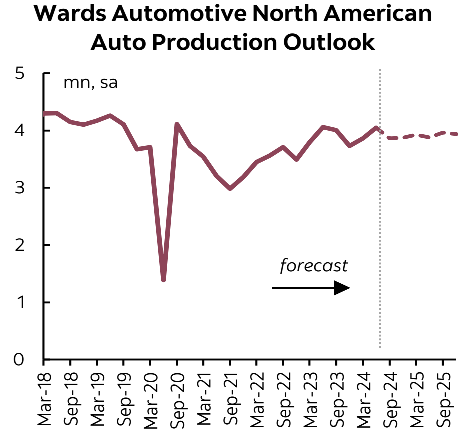
Quarterly Outlook for North American Auto Sector



Sources: Scotiabank Economics, Wards Automotive Group.



Sources: Scotiabank Economics, Wards Automotive Group.



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**	**15.6**	**15.7**
Canada	2.2	1.4	1.1	1.2	1.5	1.3	1.3
United States	10.4	8.6	8.9	9.7	10.3	10.4	10.4
Mexico	3.2	3.0	2.9	3.3	3.7	3.9	3.9

Sources: Scotiabank Economics, Wards Automotive.