February 3, 2020

A Year Best Forgotten: 2019 Global Auto Sales

- **Global auto sales contracted sharply by 4.9% y/y* in 2019 against a backdrop of unprecedented global uncertainty largely stemming from trade tensions that eroded economic activity around the world.**
- **The slowdown was broad-based with all regions except Western Europe experiencing declines. (The latter saw modest growth after weak sales in 2018 due to new emissions regulations.)**
- **Unlike the auto sales slowdown in 2008–09 when the 6.2% y/y sales decline was largely driven by advanced economies, the current weakness is synchronized across advanced and emerging markets alike with a notable 9.5% y/y retrenchment in Chinese auto sales.**
- **Wide-spread easing of policy rates around the world was insufficient to stem the losses in 2019, but may provide some offset in 2020 as the impacts feed through to the real economy.**
- **Nevertheless, continued uncertainty is likely to weigh on global auto sales in 2020 particularly in the lead-up to the US Presidential elections as geopolitical tensions and event risks loom large.**
- **We forecast another global auto sales decline of 1.2 % y/y in 2020 to 74 mn units.**

Table 1 — International Motor Vehicle Sales Outlook (mns units)

	2016	2017	2018	2019e	2020f	18/19e % y/y	19/20f % y/y
Total Sales	**77.7**	**79.6**	**78.9**	**75.0**	**74.1**	**-4.9**	**-1.2**
North America	**21.0**	**20.7**	**20.6**	**20.2**	**20.1**	**-2.0**	-0.5
Canada	1.95	2.04	1.98	1.92	1.91	-3.1	-0.4
United States	17.5	17.1	17.2	17.0	16.9	-1.4	-0.4
Mexico	1.60	1.53	1.43	1.32	1.29	-7.7	-2.1
Western Europe	**13.8**	**14.2**	**14.1**	**14.1**	**13.9**	**0.3**	**-1.5**
Germany	3.4	3.4	3.4	3.6	3.6	5.0	-1.6
United Kingdom	2.7	2.5	2.4	2.3	2.3	-2.4	-1.8
Eastern Europe	**2.9**	**3.2**	**3.2**	**3.0**	**3.1**	**-6.4**	**1.4**
Russia	1.4	1.6	1.8	1.8	1.8	-2.2	2.3
Asia	**36.6**	**37.6**	**37.0**	**33.8**	**32.9**	**-8.5**	**-2.7**
China	23.6	24.2	23.4	21.4	20.7	-8.6	-3.4
India	3.4	3.7	4.0	3.6	3.5	-11.9	-3.2
South America	**3.4**	**3.8**	**4.0**	**3.8**	**4.1**	**-3.7**	**7.7**
Brazil	1.99	2.18	2.48	2.67	3.00	7.7	12.5
Chile	0.31	0.36	0.42	0.37	0.37	-10.6	0.0
Colombia	0.24	0.23	0.25	0.26	0.27	4.6	1.9
Peru	0.15	0.16	0.15	0.15	0.16	4.4	4.6

Sources: Scotiabank Economics, Ward's Automotive Reports, Bloomberg.

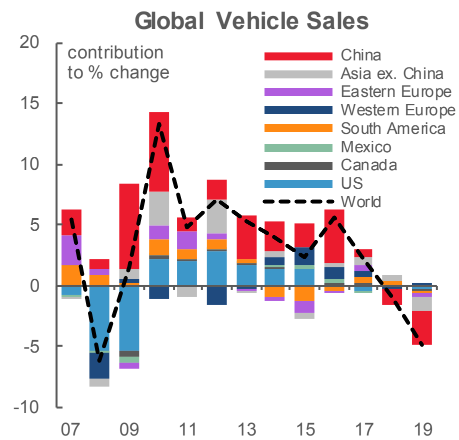
*All numbers reported are not seasonally adjusted (nsa), unless otherwise indicated (sa).

CONTACTS

Rebekah Young
Director, Fiscal & Provincial Economics
416.862.3876
Scotiabank Economics
rebekah.young@scotiabank.com

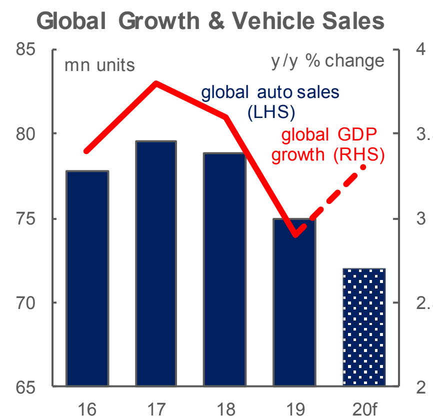
Raffi Ghazarian, Senior Research Analyst
416.866.4211
Scotiabank Economics
raffi.ghazarian@scotiabank.com

Chart 1



Sources: Scotiabank Economics, Bloomberg, Wards Auto, DesRosiers Automotive Consultants Inc., GAC.

Chart 2



Sources: Scotiabank Economics, Bloomberg, IMF, Wards Auto, DesRosiers Automotive Consultants Inc., GAC.

A SYNCHRONIZED DOWNTURN IN GLOBAL AUTO SALES

Global sales of light vehicles fell to 75 mn in 2019. The 4.9% y/y decline reflects a synchronized slowdown in auto sales across nearly all regions in the world (chart 1). South Asian Pacific economies led the downturn with an 8.5% y/y decline (dominated by China's 9.5% y/y drop), followed by Eastern Europe (6.4 % y/y), South America (3.7 % y/y), and North America (2% y/y). Only Western Europe eked out a very modest boost of 0.3% y/y (table 1). Unlike the last downturn in global auto sales in 2008–09 when the global economy was in the midst of a recession, global auto sales have weakened substantially despite positive, albeit slowing, global economic growth. The synchronization of sales declines across advanced and emerging economies has amplified the dip.

Global economic activity slowed in 2019. Global GDP growth for 2019 is estimated at 2.9 % following growth of 3.6% in 2018 (chart 2) with a substantial erosion of economic activity attributed to global uncertainty. Heightened trade tensions between the US and China had reverberating repercussions around the world. Recessionary fears led global bond markets to seek safe haven assets giving rise to credit tightening and currency pressures in many emerging markets. A number of markets also faced domestic instabilities.

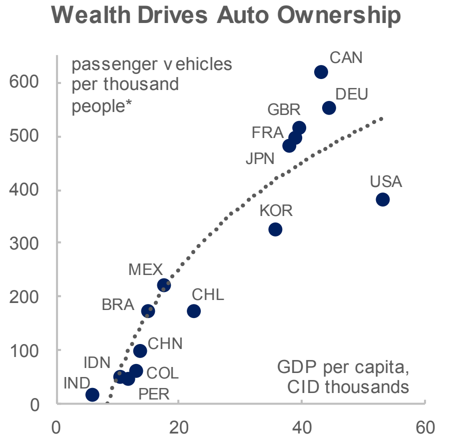
Weak global auto sales contributed to dampened economic activity in major auto-producing countries. According to the IMF, the global auto sector's gross output (i.e., its value added and intermediate consumption) was about 5.7% of global output in 2018, while vehicle and vehicle parts represented about 8% of global exports. Consequently, the IMF estimated that the 2018 decline in auto sales subtracted 0.04 percentage points from global growth relative to an overall 0.2 percentage point decline in GDP in 2018. While production data is still pending for 2019, the far more serious retrenchment in auto sales (almost a 5% decline in 2019 versus 1% in 2018) would translate into a more substantial impact on global output in 2019.

Many central banks eased their monetary stance in response to waning growth in 2019. This included actions by central banks in the US, EU, and China. Absent this, global growth would have been even slower—by an estimated 0.5% of GDP—according to the IMF. These policy actions take time to feed through to the real economy so some effects have yet to transpire. Risk-off sentiment for at least the first three quarters of the year may also have eroded some of the transmission into the real economy in some emerging markets.

We anticipate another decline in global auto sales to 74 mn units in 2020. This largely reflects another challenging sales year ahead for China which starts the year already facing a consumption shock with the coronavirus, while fading fiscal support in the US will continue to dampen auto sales. European markets will confront more regulatory headwinds, while other markets will face a 'holding pattern' as they await an abatement of global (and sometimes domestic) uncertainty before an anticipated recovery takes hold in 2021 for the most part.

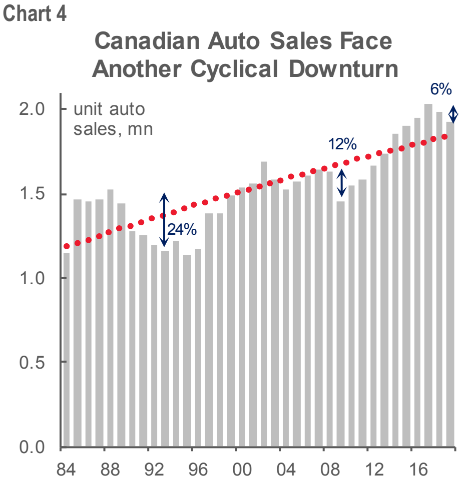
In the long run, there is still significant growth opportunity in emerging markets where per capita vehicle ownership is still very low (chart 3). However, the car that will be driven by these future drivers will no doubt look much different than those that will be produced and sold in 2020.

Chart 3



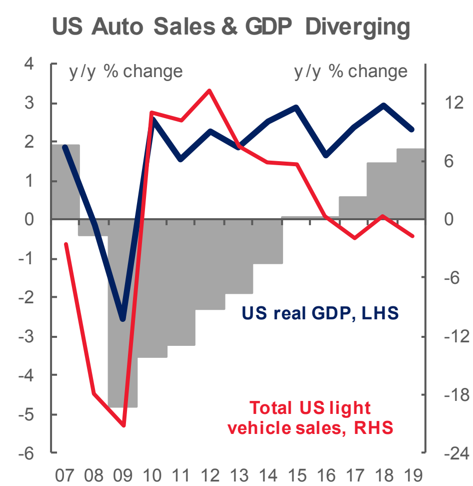
*Latest comparable data from 2015.
Sources: Scotiabank Economics, IMF, International Organization of Motor Vehicle Manufacturers.

Chart 4



Sources: Scotiabank Economics, DesRosiers Automotive Consultants Inc., Global Automakers of Canada.

Chart 5



Sources: Scotiabank Economics, BEA, IMF.

CANADA

Canadian auto sales in 2019 disappointed with a 3.1% y/y decline. This marked a second consecutive year of auto sales declines following the 2017 high that saw sales soar above 2 mn units with the Canadian economy firing on all cylinders (chart 4). The cyclical slowdown in auto sales has been driven by affordability considerations, which in turn have been amplified through wealth and confidence channels. Canada has not yet hit "peak car", but a return to 2017 highs is not imminent. Meanwhile, auto sales are expected to post another modest decline in 2020 to around 1.91 mn units. A more comprehensive assessment of Canadian auto sales for 2019 can be found here.

US AUTO SALES

American consumers purchased 17.0 mn light vehicles in 2019. This represents a 1.4% y/y decline over 2018. US auto sales have been oscillating around the 17 mn mark for several years since the all-time peak of 17.5 mn units in 2016, but a downward trend is evident (chart 5). A cyclical downturn in fact began in 2016 as the Federal Reserve started a rate tightening cycle that lasted through 2018. Unprecedented fiscal stimulus via the 2017 Tax Cuts and Jobs Act temporarily boosted 2018 auto sales before fading again. As the positive output gap narrows with the withdrawal of this procyclical fiscal spending, auto sales can be expected to moderate further.

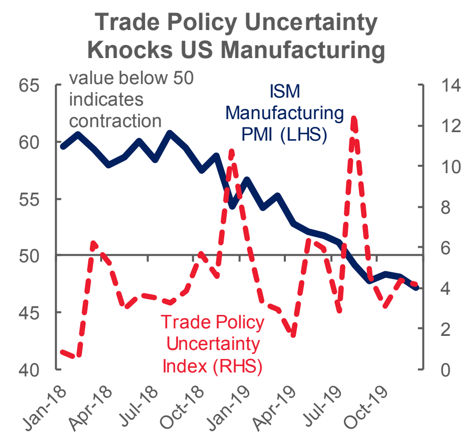
Unprecedented trade uncertainty weighed on US output in 2019. Scotiabank Economics estimates that trade tensions—notably between the US and China—led to an erosion of 0.4 ppts from US GDP levels over the course of the year. Business investment and industrial production retracted sharply (chart 6), with real GDP consequently contracting from 2.9% in 2018 to an estimated 2.3% in 2019. Waning fiscal stimulus also contributed to the slowdown.

The Federal Reserve began easing monetary policy in response. The Fed introduced three consecutive rate cuts totalling 75 basis points between July and October. However, the average financing rate for new car loans still stood more than 40 basis points (as of September, latest available data) above the 2018 average and more than 1 $^{1}/_{4}$ ppts above the lowest quarterly rate in 2018 according to the Federal Reserve Board. Policy rate cuts have yet to provide much tailwind to sales.

Consumer fundamentals remained relatively resilient in spite of a volatile environment. Private consumption has been a main driver of growth—growing at 2.6% in 2019—supported by strong household balance sheets and robust labour markets. Wages continued to rise at rates near decade highs that are well above headline inflation, driven up by relatively tight labour markets (chart 7). Household debt levels as a share of disposable income were at the lowest in forty years last year, while household net worth as a share of disposable income continued to climb. Meanwhile, auto price inflation was softer than headline inflation, unlike many other countries that have been importing auto price inflation through currency effects (chart 8).

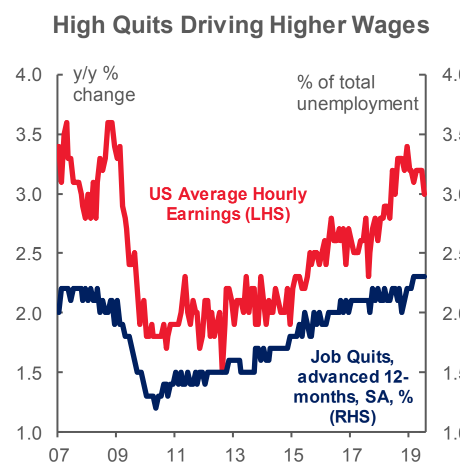
The strike at General Motors introduced some volatility in sales but was not the fundamental driver in the 2019 decline. According to the company, the 40-day strike that began in September resulted in an estimated 300,000 GM vehicles in lost production including high-demand full-size SUVs and pickup trucks. GM's US sales were down by 14% y/y in October, they were flat in November, then saw another 6% y/y drop in December (a weak sales month for the industry). The supply shock was largely absorbed

Chart 6



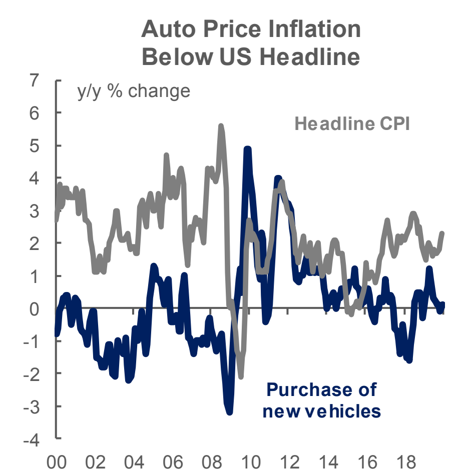
Sources: Scotiabank Economics, ISM, PolicyUncertainty.com.

Chart 7



Sources: Scotiabank Economics, BLS, Bloomberg.

Chart 8



Sources: Scotiabank Economics, BLS.

by the market through a combination of inventory drawdown, purchase deferrals, and likely some brand-switching with minimal impact on annual sales in the US, though there may still be modest spillover to 2020 sales for General Motors.

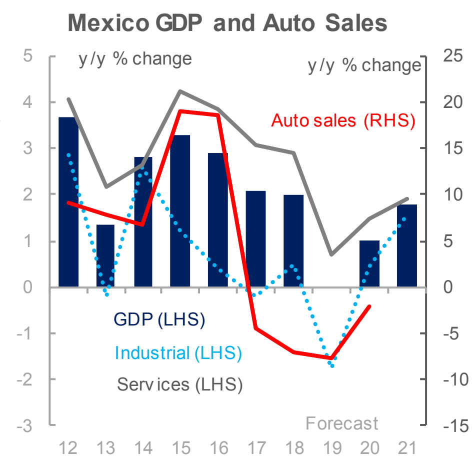
US auto sales will face another mediocre year in 2020. GDP is expected to slow once again to 1.7% this year. Our forecasts assume that the US-China Phase 1 agreement will provide a “truce” in the run-up to the US Presidential elections in November, but event risk will remain high. American consumers will continue to demonstrate resilience, aided in part by easier financial conditions as last year’s Fed cuts work their way into the real economy, but a drop in consumption from 2.6% in 2019 to 2.3% in 2020 is anticipated. This will likely translate into modestly lower auto sales. Furthermore, peak auto sales from 2015 and 2016 will start returning to the used car market in 2020. We forecast sales of 16.9 mn units in 2020 representing a modest 0.4% y/y decline.

MEXICAN AUTO SALES SUFFERED A PRONOUNCED DECLINE IN 2019

Mexican auto sales dropped by 7.7% y/y in 2019 marking a third year of decline. Auto sales tallied only 1.32 mn units for 2019, far short of the 2016 high when sales reached 1.6 mn units.

Economic growth stalled in 2019. Following real GDP growth of 2.1% in 2018, estimates indicate economic activity was flat for 2019 as the Mexican economy faced the “perfect storm” (chart 9). Unprecedented global trade uncertainty—including the outstanding ratification of USMCA—weakened growth through trade and business channels, while confidence in the federal government’s policy agenda also waned over the course of the year. In June, Fitch Ratings downgraded its sovereign debt rating for Mexico, while Moody’s cut its outlook from stable to negative. Overly optimistic assumptions in the fiscal plan, along with an unsustainable trajectory for the state-owned oil company, PEMEX, suggest further spending cuts will be required to reach fiscal targets. Meanwhile, chronic underinvestment in infrastructure has eroded growth potential, while high debt levels preclude any substantial fiscal support despite anaemic growth.

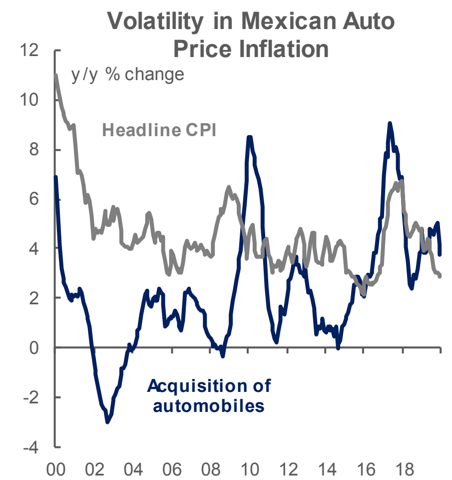
Chart 9



Sources: Scotiabank Economics, INEGI.

A modest, but still-weak recovery is anticipated in Mexico in 2020. Modest growth of 1.0% is forecast as negative shocks from last year are absorbed—largely on the external front related to trade uncertainty—but stronger growth will hinge on a significant increase in consumer and business confidence. Domestic risks pose major downside to the outlook including security concerns in some regions, the sustainability of energy reform, and execution against fiscal targets as revenues decline. On the upside, inflation has been declining which opens the window for a policy rate cut early in the year. Nevertheless, firms and households are expected to largely remain cautious with their spending. A sustainable strengthening of the peso could reverse some auto price inflation that had risen above headline inflation over the course of last year. Needless to say, auto sales will continue to face headwinds in the interim. We expect that the decline in auto sales will moderate with a 2% y/y contraction to 1.29 mn units in 2020.

Chart 10

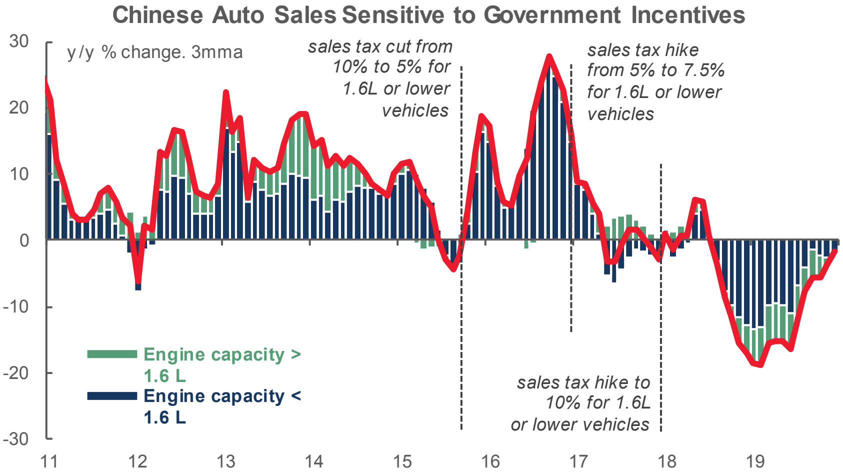


Sources: Scotiabank Economics, INEGI.

A SYNCHRONIZED SLOWDOWN IN AUTO SALES ACROSS ASIA-PACIFIC

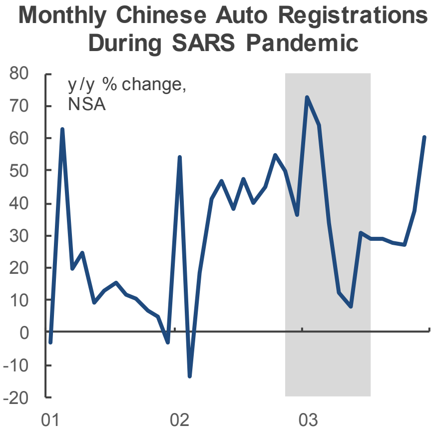
The sharper-than-anticipated decline in Chinese auto sales dominated headlines through 2019 with sales down 9.5% y/y. Year-end sales of light vehicles totalling 21.4 mn still make it the largest single auto market in the world. The pace of the descent let up modestly in the final quarter of the year (with an average monthly decline around 1% y/y) versus an average monthly decline above 15% in the first three quarters of the year, in part reflecting base effects as the decline began in the summer of 2018. Additionally, there may have been some early-year purchase deferrals as consumers and market-observers alike expected the Chinese government to step in with purchase incentives to support the industry as it has done in the past. Most recently, the late-2015 sales tax cut sparked a 15% y/y jump in 2016 sales (chart 11). As 2019 advanced, it became evident that the government was not going to step in to boost auto sales; in fact, it announced cuts to zero-emission vehicles in June that led to a sharp contraction in that segment.

Chart 11



Sources: Scotiabank Economics, China Automotive Information Net.

Chart 12



Note: SARS outbreak period shaded.
Sources: Scotiabank Economics, China Automotive Information Net.

Slowing economic activity in China also weighed on 2019 auto sales. GDP declined from 6.6% in 2018 to an estimated 6.1% in 2019. The escalating tariff war with the US detracted from economic activity, as did the broader global slowdown, and the economy's ongoing structural transition. A crack-down on shadow banking has also tightened credit conditions for auto financing.

Chinese GDP growth is set to slow again in 2020, with the recent coronavirus outbreak putting risks firmly on the downside for a potentially steeper slowdown. Prior to the coronavirus outbreak, forecasts for 2020 GDP hovered around 6.0%. While it is early to predict the duration, magnitude or impact of this recent shock, first quarter growth will take a serious hit at a minimum, with a risk that this could bleed into the second quarter. Otherwise, the Phase 1 trade agreement with the US should temporarily alleviate trade tensions. The government is expected to continue to support the economy with counter-cyclical fiscal policy that will complement more accommodative monetary conditions including a substantial injection of liquidity into markets announced this week as regional financial markets reopened after the Lunar holidays.

In this context, we anticipate another decline in auto sales to 20.7 mn units in 2020 representing a 3.4% y/y drop. This reflects a more mature phase of the cyclical decline, but with some additional headwinds at least in the first quarter from the coronavirus that will weigh on auto sales. While the phenomenal growth trajectory of Chinese auto sales in the early 2000s limits comparisons of today's coronavirus to the 2003 SARS pandemic with respect its potential impact on auto sales, a notable—but short-lived—contraction in auto sales was observed at the peak of the 2003 outbreak. Needless to say, there is not likely a firm recovery in sight for Chinese auto sales in 2020 absent direct government subsidies.

Japanese auto sales ended the year on a low note with a 1.5% y/y decline attributed almost entirely to the final quarter. The consumption tax hike (from 8% to 10%) on October 1st skewed purchase patterns with an average monthly increase of 8% y/y in the three months preceding the tax hike, followed by average declines of 16% y/y in the three months following. The decline in auto sales comes in spite of a modest uptick in economic growth (albeit from a low 0.3% in 2018 to an estimated 0.9% in 2019). Weak global demand (including for global automobiles) against a backdrop of heightened trade tensions have weighed on Japan's external sector, while the tax hike weakened domestic demand in 2019. The growth outlook for 2020 remains weak (forecast at 0.6% of GDP) despite a number of tailwinds including the newly approved trade deal with the US, a new fiscal stimulus package (amounting to 2.4% of GDP) announced in December, and an accommodative monetary position. We anticipate a slightly steeper decline in 2020 auto sales of around 2.8% to 5 mn units.

Indian auto sales contracted sharply in 2019 with an 11.9% y/y decline with sales totalling 3.6 mn units. Indian auto sales had benefited from a four-year run of strong growth averaging almost 8% y/y. A sharp deceleration in economic activity in 2019 (from 7.4% in 2018 to an estimated 5.1% in 2019) contributed to the decline in auto sales. A combination of weak domestic demand and external sector challenges contributed to soft economic activity. For context, it is useful to recall that the last dip in Indian auto sales occurred in 2013 (with a 7% y/y drop) as the economy swooned to 4.5% of GDP that year. A modest economic recovery in 2020 is expected in the order of 6.2% of GDP, as policymakers implement shorter-term stimulus measures (including further monetary easing) and longer-term structural reforms. Nevertheless, weak confidence may hold back auto sales in 2020 until a recovery is firmly underway. We anticipate another decline, albeit more modest, of 3.2% in 2020 auto sales.

All other major Asian-Pacific markets also saw auto sales declines in 2019. Notably, South Korean, Australian, and Indonesian auto sales were down by 9.1% y/y, 7.5% y/y, and 8.7% y/y respectively. These smaller markets made up about 10% of regional auto sales in 2019.

WESTERN EUROPEAN AUTO SALES CARRIED BY GERMANY

Western European auto sales were largely flat in 2019 with only a marginal 0.3% y/y uptick. Sales growth is slightly higher (at 0.9%) once the UK sales figures are excluded given the unique toll of Brexit uncertainty on its economy. The year's sales figures mask some base effects as tighter emissions regulations introduced in the Fall of 2018 led to universally steep contractions in sales across the continent in the latter part of 2018. However, solid economic activity in 2018 (1.9% of GDP for the Eurozone) otherwise offset headwinds from the new regulations. GDP slowed substantially in 2019 to an estimated 1.0% as the global economy slowed, trade tensions persisted, and the Brexit saga continued. Like many other major economies, weakness fed through manufacturing and export channels. European consumers otherwise were relatively resilient through 2019 with retail spending witnessing sustained growth over the last few months of the year in the four largest economies along with solid consumer confidence readings at year-end. This provided an offset to broader economic headwinds that—along with base effects—put auto sales in slightly positive territory for 2019 with total sales of 14.1 mn units in Western Europe.

The economic outlook for the Eurozone appears to have stabilized, but will remain relatively weak in 2020. We forecast GDP growth of 1.1% with reduced trade tensions. The European Central Bank is expected to maintain its recent package of exceptional monetary easing, but more emphasis is being placed on the greater use of fiscal stimulus among members with the space in the year ahead. The auto sector will face additional headwinds in 2020 including a further tightening of emissions regulations, along with the risk of re-ignited auto tariff threats from the US. In this context, we anticipate a modest decline in 2020 auto sales for the region. We forecast total sales of 13.9 mn units for Western Europe, a 1.5% decline over 2019 levels.

German auto sales posted a healthy boost of 5% y/y in 2019 after its slightly negative sales performance in 2018. With annual light vehicle sales of 3.6 mn units in 2019, it represents about 25% of the regional market. Economic growth faced major challenges in 2019, in fact it teetered on the brink of a technical recession mid-year as plummeting trade and manufacturing activity stalled. A late-year deceleration in the pace of this decline, along with a modest rebound in exports, and—importantly for auto sales—continued strength in household, spending means the German economy has avoided a recession but its estimated GDP growth for the year is meagre at around 0.5%. An economic recovery is expected in 2020 (with GDP growth of 1.1% estimated), but the recovery largely reflects an improvement in business conditions whereas household consumption will hold steady. Consequently, with additional headwinds from tighter emissions regulations, we expect a modest sales decline of 1.6% in 2020.

Brexit uncertainty continued to weigh on UK auto sales in 2019, posting a third year of decline. UK auto sales totalled 2.3 mn units in 2019, a 2.4% y/y drop relative to 2018 sales. This follows sharper drops of almost 7% y/y and 6% y/y in years prior. Although the December general election delivered a clear mandate to the Johnson Government to "get Brexit done", related uncertainty is likely to remain elevated in 2020 and beyond until a comprehensive UK-EU agreement is worked out. Economic activity is expected to be around 1.2% in 2020 following last year's estimated 1.1% growth. Needless to say, UK auto sales will face continued headwinds in 2020 though we expect a deceleration in the decline as replacement pressures mount the longer the descent continues.

The next two largest auto sales markets—France and Italy— also saw modest sales gains in 2019. French consumers purchased 2.2 mn units in 2019, a 1.9% y/y increase, while Italy posted a marginal 0.2% y/y gain with 1.9 mn unit sales.

Eastern European auto sales suffered a 6.4% y/y decline in 2019, dominated by deteriorating sales in Russia. Russian auto sales dropped by 2.3% following two years of double-digit growth. Russian auto sales represent over 40% of the Eastern European regional 3 mn unit market. This masked a 4.4% y/y increase in Polish auto sales, marking a seventh year of growth, averaging over 10% annually. Poland now represents the second largest auto market in Eastern Europe, having unseated Turkey, which experienced a serious 28% y/y contraction in 2019 auto sales. For the Eastern European market as a whole, we forecast modest growth in the order of 1.4% largely based on a recovery in Russia as its economy picks up in 2020 by almost a full percentage point of GDP.

DIVERGING FORTUNES ACROSS SOUTH AMERICA

The South American auto sales market shrank by 3.7% y/y in 2019 to 3.8 mn units. The steep declines in Argentina and Chile in light of domestic instabilities mask otherwise positive sales performance in Brazil, Colombia, and Peru.

Brazilian auto sales grew for a third year in a row by 7.7% y/y in 2019. The continued strength in Brazilian auto sales reflects a recovering market versus a booming one. Total 2019 sales at 2.7 mn units still sit well-below the all-time high of 3.6 mn units in 2012 and 2013 before bottoming out at 2.0 mn units in 2017. Economic activity slowed modestly from 1.3% of GDP in 2018 to an estimated 1.1% in 2019. As a relatively closed economy, Brazil was somewhat buffered from global trade tensions, however a recession in neighbouring Argentina, a key export market for Brazil, weighed on growth. While businesses and consumers entered 2019 on a cautious foot in light of uncertainty surrounding the new government's policy agenda, activity picked up across the board—including manufacturing activity, retail sales, and confidence levels—towards the end of the year as the government set out on a pro-business policy agenda, made substantial progress on pension reform, and monetary policy remained highly accommodative. Growth is expected to pick up sizably to 2.1% in 2020, though further fiscal and structural reforms will be needed while the depreciated Brazilian *real* represents a vulnerability. Auto sales should continue their recovery with an anticipated 12.5% growth in 2020 (in a market notable for high year-over-year sales volatility). This would in part reflect continued replacement demand pent up from the four-year decline between 2013 and 2016.

Colombian auto sales picked up by a robust 4.6% y/y in 2019 on the heels of an 8.7% y/y increase in 2018. Total sales at 260 k units in 2019 still sit below the 300 k peak in 2014, but a steady recovery has mirrored a growing economy. Colombia in fact led Latin American peers with estimated GDP growth of 3.2% in 2019 following 2.6% growth in 2018. Strong foreign direct investment has been fueled by relative political stability, regulatory reform, and infrastructure investment. Double-digit growth in retail sales and consumer loans has also boosted domestic consumption, aided in part by tax reform, accommodative monetary policy, and stable inflation. Migration flows from neighbouring Venezuela also contributed to demand. Protests in the Fall have put pressure on additional fiscal spending, but the fallout is largely considered to be contained as the government has demonstrated some willingness towards concessions. Growth is expected to pickup to 3.6% in 2020, but with some key downside risks including a potential deepening of social unrest, along with vulnerabilities related to its wide trade deficit and weak peso. Persistently high unemployment also creates headwinds for consumption though levels should come down modestly in 2020. Auto sales should continue to strengthen in 2020 but at a more moderate pace of 1.9%.

Peruvian auto sales are another regional bright spot with 4.4% y/y growth albeit from low levels of around 150 k units in 2019. The growth in auto sales occurred despite a slowdown in economic growth from 4.0% of GDP in 2018 to an estimated 2.3% in 2019. Heightened domestic political uncertainty compounded global uncertainty as the President dissolved Congress last year, calling for new elections in early 2020. This took a toll on business confidence, though there are signs of political stabilization and resumption of business confidence particularly in the resource sector. This provided a stronger hand-off to 2020. Growth in the order of 3.0% of GDP is expected as the domestic economy is supported by accommodative monetary and fiscal policies, while consumer spending is underpinned by continued employment gains and stable inflation. In this context, we anticipate auto sales will post another healthy gain of 4.4% in 2020.

Chile's auto sales suffered a 10.6% pullback against the emergence of domestic instability in the latter part of 2019. This follows two years of double-digit sales growth. Social protests that erupted in October of 2019 led to serious downward revisions to Chile's growth outlook which is estimated at 1.0% for 2019 following a strong 4.0% gain in 2018. Household consumption deteriorated over the course of the year as weakening labour markets and a loss of confidence led to higher precautionary savings, while a weakening peso has led to price pressures. Increased uncertainty is expected to feed into 2020, particularly ahead of the April vote on constitutional reform, despite an easing policy rate environment and a massive fiscal stimulus package (including a minimum wage hike). We estimate economic activity will increase modestly to 1.4% in 2020, but auto sales will face a flat sales environment in light of uncertainty and its impact on consumption.

Auto sales in Argentina have yet to see the floor with a 45.4% decline in 2019 following last year's 22.9% drop. Annual auto sales stood at a meagre 370 k units in 2019, a size comparable now to the Chilean market. Argentina's massive IMF stabilization program went off track in early 2019 and will require renegotiation, as the economy is mired in a recessionary and hyperinflationary environment. The election of leftist President Fernández in the Fall has fueled continued uncertainty as he has made contradictory remarks in regards to his approach to fiscal austerity, bondholders, and the IMF. Needless to say, auto sales will continue to deteriorate in 2020 with no immediate recovery in sight for the economy.

Table 2 — Canada & US Motor Vehicle Sales and Production Outlook

	2000–17	2018	2019	2020f	2021f
	(thousands of units, annualised)				
Canada**	**1,704**	**1,983**	**1,920**	**1,915**	**1,915**
Cars	762	575	497	479	460
Light trucks	942	1,407	1,424	1,436	1,455
	(millions of units, annualised)				
United States	**14.7**	**17.2**	**17.0**	**16.9**	**17.0**
Cars	6.9	5.1	4.7	4.2	4.1
Light trucks	7.9	12.1	12.2	12.7	12.9
	(millions of units, annualised)				
North American Production*	**15.0**	**17.5**	**16.7**	**17.3**	**17.4**
Canada	2.2	2.0	1.9	1.8	1.7
United States	10.0	11.3	10.9	11.5	11.6
Mexico	2.7	4.1	3.9	4.0	4.1

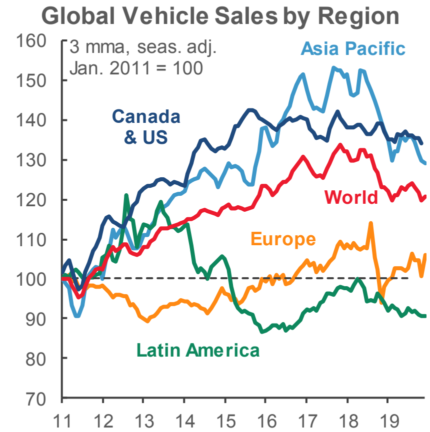
*Includes light, medium and heavy trucks. **Canadian sales are Scotiabank estimates.
Sources:Ward's Automotive Reports, Statistics Canada, DesRosiers Automotive Consultants Inc.

Table 3 — Provinces Motor Vehicle Sales Outlook (thousands of units ann.)* **

	2000–15	2016	2017	2018	2019e	2020f	2021f
Canada	**1,668**	**1,948**	**2,040**	**1,984**	**1,922**	**1,915**	**1,915**
Atlantic	**125**	**140**	**143**	**125**	**129**	**126**	**122**
Central	**1,034**	**1,264**	**1,299**	**1,302**	**1,259**	**1,245**	**1,245**
Quebec	411	458	462	449	442	430	430
Ontario	623	806	837	853	818	815	815
West	**509**	**544**	**598**	**557**	**526**	**541**	**550**
Manitoba	49	55	62	67	56	52	50
Saskatchewan	49	51	56	47	48	49	50
Alberta	232	220	245	226	218	227	232
British Columbia	179	218	235	217	204	213	218

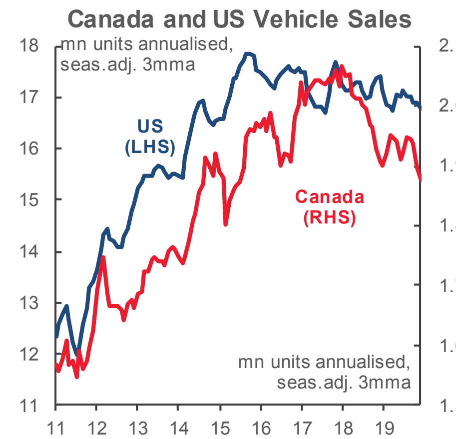
*Includes cars and light trucks. **Scotiabank estimates.
Sources: Statistics Canada, Canadian Vehicle Manufacturers' Association.

Chart A1



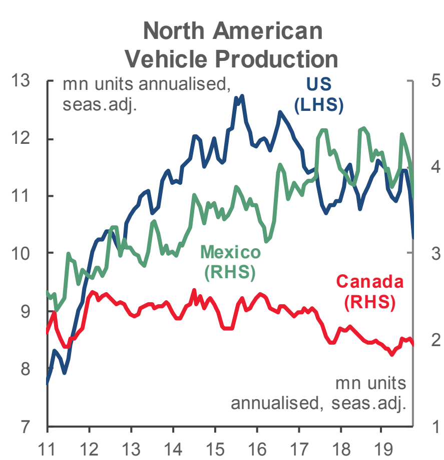
Sources: Scotiabank Economics, national automotive associations.

Chart A2



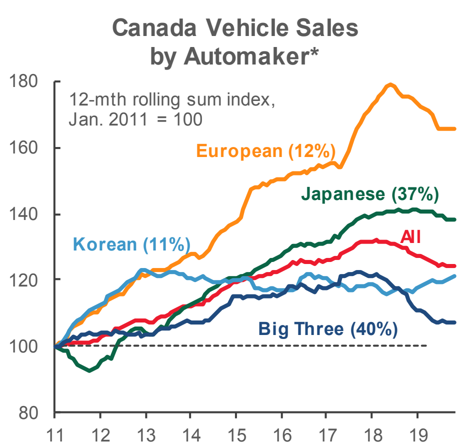
Sources: Scotiabank Economics, DesRosiers Automotive Consultants Inc., GAC, WardsAuto.

Chart A3



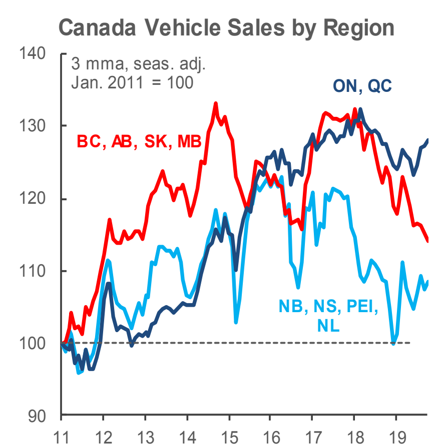
Sources: Scotiabank Economics, WardsAuto.

Chart A4



Sources: Scotiabank Economics, DesRosiers Automotive Consultants Inc., GAC,
*market share in parentheses.

Chart A5



Sources: Scotiabank Economics, Statistics Canada. One month lag in data.