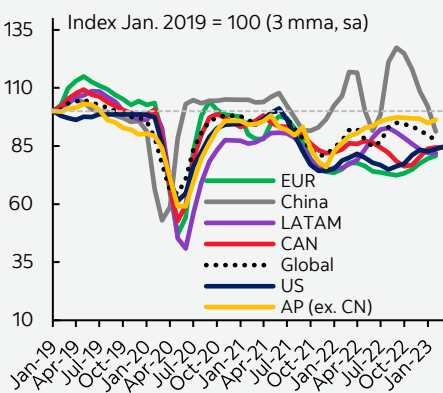


Contributors

John Fanjoy
Economist
Scotiabank Economics
416.866.4735
john.fanjoy@scotiabank.com

Chart 1

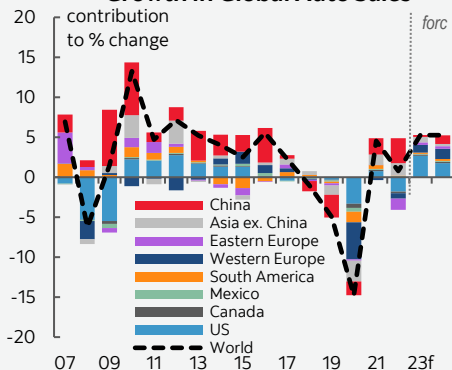
Global Vehicle Sales by Region



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

Chart 2

Regional Contributions to Growth in Global Auto Sales



Sources: Scotiabank Economics, Bloomberg, Wards Automotive.

February Auto Sales: Mixed Recovery Across the Board

CANADA: SALES TURN UP IN FEBRUARY

The Canadian auto sales recovery persists despite higher rates but levels still remain depressed. Wards Automotive estimates that Canadian auto sales were 1.58 mn units saar in February 2023, a 3% m/m seasonally adjusted (sa) increase from January 2023, but still -3.1% (nsa) and -18.9% (nsa) below sales levels in February 2022 and 2019 respectively. Demand-side factors remain resilient as the Canadian labour market continues to expand. The unemployment rate held steady at 5.0% (sa) in February for the third consecutive month and 241 k (sa) jobs were created over those same three months. Annual headline inflation has fallen steadily to 5.9% y/y in January from its recent peak of 8.1% y/y in June last year. Meanwhile, the Bank of Canada hiked the policy rate to 4.50% at their January meeting, a 425 bps increase from the year prior, and indicated a conditional pause to rate hikes as they assess the impact of policy tightening (and no doubt, more recently, weigh further downside risks from market turmoil south of the border). North American auto production in January kept pace on a seasonally adjusted annualized rate with the 14.4 mn vehicles produced in 2022, a 6% jump from the weak production rate in the fourth quarter, narrowing the shortfall to -11.3% relative to pre-pandemic levels. We are holding the line on our outlook for Canadian auto sales and expect sales to pick up modestly to finish the year at 1.6 mn against still-elevated cost pressures and weak sentiment, accelerating to 1.8 mn units in 2024 as these factors abate and rate cuts unfold.

UNITED STATES: BUMPY ROAD TO RECOVERY

US auto sales posted a decline of -6.2% m/m (sa) in February, but are up 8.7% y/y (nsa) from the same month a year prior in a volatile recovery. Auto sales for 2023 are up 6.9% year-to-date (ytd, nsa) compared to 2022, thanks to increased production and inventories, but remain -8.7% ytd (nsa) versus 2019. So far sales levels are averaging 15.4 mn saar in 2023, a noticeable increase from the 13.8 mn vehicles sold in 2022 and above the 14.9 mn and 14.5 mn annual sales in 2021 and 2020 respectively, though still well below the 17 mn sales in 2019. US workers continue to see strong (albeit slowing) wage growth amidst a tight labour market. The unemployment rate is 3.6% (sa) in February 2023, the thirteenth consecutive month below 4.0%, while there were 9.8 mn job openings in January 2023 according to the JOLTS survey. While the strong labour market provides support to household spending and headline inflation has fallen to 6.4% y/y in January from its recent high of 9.1% y/y in June 2022, the 48-month new car loan rate increased again in January, up 3 percentage points from the year prior. As the Fed continues tightening monetary policy to bring inflation back down to target, the increased cost of financing will continue to weigh on US auto demand. On the supply-side, US light vehicle inventory levels increased for the seventh consecutive month in February, though flat on a m/m seasonally adjusted basis and up from their recent lows in late 2021 to early 2022. We have pegged 2023 auto sales at 15.5 mn against durable signs of improving vehicle availability and strengthening sales despite heightened uncertainty. We expect sales to durably improve into 2024 to 16.8 mn units. Nevertheless, recent near-term developments underscore a high degree of uncertainty around the outlook particularly the response function of policymakers.

GLOBAL AUTO SALES: DEFLATING SALES CONTINUE

Global auto sales continue to drag into 2023, shrinking -2.9% (sa) in January to 63.3 mn saar units, marking the sixth consecutive month of decreasing global auto sales on a seasonally adjusted basis (chart 1). For reference, there were 63.8 mn units sold in 2020, which is approximately -15% below the nearly 75 mn units sold in 2019. At the regional

March 20, 2023

level, auto sales were mostly down across the world to start the year. The largest drop was in the Asia-Pacific region which shrank by -11.5% m/m (sa), where the increases in Australia (6.7%), India (17.2%), and Japan (4.4%) were entirely offset by the contractions in China (-21.4%) and South Korea (-13.8%). In Europe, the increased sales in France, Italy, Spain, and the UK covered about half of the decreased sales in Germany and Norway. Meanwhile, Peru's auto sales jumped 21.1% (sa) in January, but the lower sales in Brazil led to a small net contraction of auto sales in Latin America. As economic growth slows and financial conditions remain tight around the world, near term auto sales are likely to continue facing headwinds. With annual inflation showing signs of having turned the corner in many countries, sales are likely to pick up later in the year. Our outlook for the global auto sector is unchanged with auto sales in North America and Europe expected to lead the recovery (chart 2).

Table 1—Global Auto Sales Outlook (mns units)

	2010-19	2019	2020	2021	2022	2023f	2024f	Jan-23, SA % m/m	Jan-23, NSA % y/y	2022 ytd, NSA % y/y
Total Sales	71.1	74.8	63.8	66.7	67.2	70.8	74.5	-2.9	-8.8	-8.8
North America	18.7	20.2	17.0	17.6	16.4	18.3	19.8	15.3	5.7	5.7
Canada	1.82	1.92	1.54	1.66	1.52	1.63	1.76	-2.4	0.2	0.2
United States	15.7	17.0	14.5	14.9	13.8	15.5	16.8	18.7	5.1	5.1
Mexico	1.22	1.32	0.95	1.01	1.09	1.16	1.23	0.6	20.1	20.1
Western Europe	13.0	14.1	10.7	10.5	10.0	10.7	11.6	-4.1	9.7	9.7
Germany	3.2	3.6	2.9	2.6	2.7	2.8	3.0	-23.1	-2.6	-2.6
United Kingdom	2.3	2.3	1.6	1.6	1.6	1.7	1.9	6.9	14.7	14.7
Eastern Europe	3.3	2.9	2.8	2.8	1.8	2.0	2.3	-1.3	-24.8	-24.8
Russia	2.1	1.7	1.5	1.5	0.6	0.7	0.8	-14.3	-63.1	-63.1
Asia	31.9	33.8	30.6	32.7	35.9	36.5	37.4	-11.5	-18.3	-18.3
China	19.7	21.4	20.1	21.5	23.6	23.7	24.5	-21.4	-32.8	-32.8
India	3.3	3.6	2.8	3.6	4.4	4.4	4.4	17.2	20.7	20.7
Japan	5.1	5.2	4.6	4.4	4.2	4.6	4.7	4.4	16.0	16.0
South America	4.3	3.8	2.8	3.1	3.2	3.3	3.4	-1.3	1.8	1.8
Brazil	2.91	2.67	1.95	1.98	1.96	2.00	2.10	-3.2	11.9	11.9
Chile	0.34	0.37	0.26	0.42	0.43	0.45	0.47	-4.7	-25.9	-25.9
Colombia	0.26	0.26	0.19	0.24	0.25	0.27	0.29	1.8	-23.1	-23.1
Peru	0.16	0.15	0.11	0.16	0.16	0.17	0.18	21.2	9.9	9.9

Sources: Scotiabank Economics, Wards Automotive, Bloomberg.

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

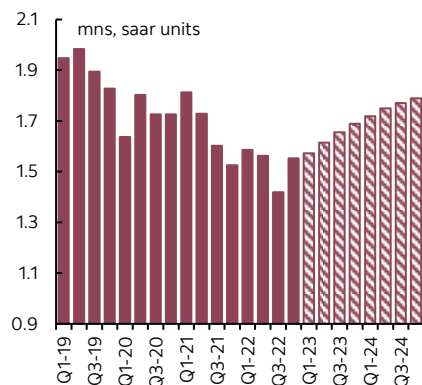
	2010-19	2019	2020	2021	2,022	2023f	2024f	Dec-22, SA % m/m	Dec-22, NSA % y/y	2022 ytd nsa % y/y	ZEV* (Q3-22) % of new LV sales
Canada	1,817	1,920	1,543	1,663	1,523	1,633	1,757				8.7
Atlantic	134	131	109	119	104	112	120	2.1	4.0	-12.6	--
Central	1,179	1,304	1,030	1,070	1,019	1,088	1,171	7.7	11.4	-4.7	9.2
Quebec	441	455	378	404	374	397	424	15.3	18.6	-7.5	12.5
Ontario	738	848	653	665	645	691	747	3.0	7.7	-3.0	7.2
West	548	545	453	487	453	482	516	-1.6	-1.0	-7.0	--
Manitoba	56	58	47	49	45	48	51	-5.8	1.2	-9.0	3.0
Saskatchewan	54	49	42	43	42	45	48	7.5	7.8	-1.9	1.8
Alberta	239	223	184	196	184	196	210	0.5	-1.6	-6.5	--
British Columbia**	199	216	179	199	183	193	207	-4.6	-2.9	-8.0	17.6

*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.

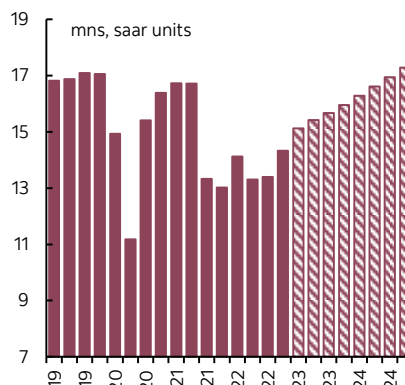
Quarterly Outlook for North American Auto Sector

Canadian Light Vehicle Sales



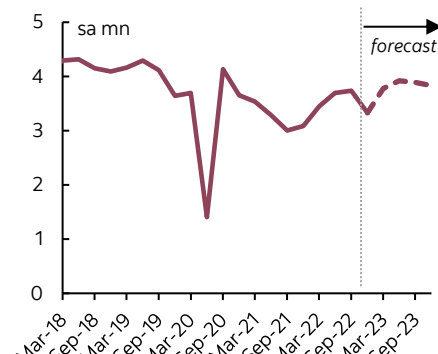
Sources: Scotiabank Economics, Wards Automotive Group.

US Light Vehicle Sales



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	2019	2020	2021	2022	2023f	2024f
	(millions of units, annualised)						
North American Production	15.9	16.2	13.0	12.9	14.2	15.4	16.0
Canada	2.2	1.9	1.4	1.1	1.2	1.4	1.3
United States	10.4	10.5	8.6	8.9	9.7	10.4	10.9
Mexico	3.2	3.8	3.0	2.9	3.3	3.6	3.8

Sources: Scotiabank Economics, Wards Automotive.

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