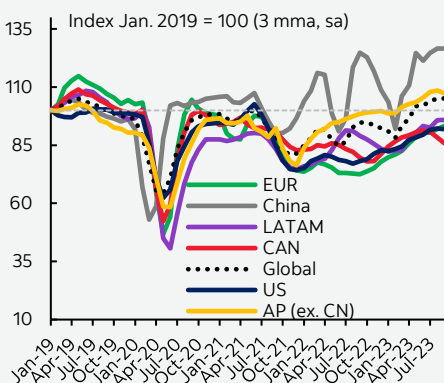


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Chart 1

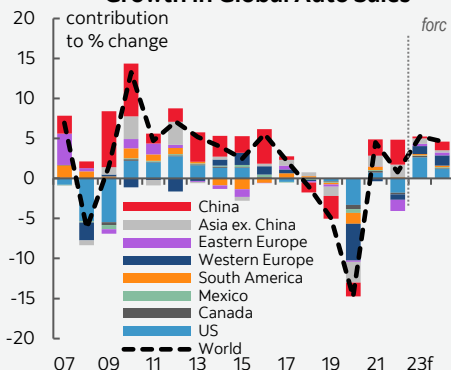
Global Vehicle Sales by Region



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

Chart 2

Regional Contributions to Growth in Global Auto Sales



Sources: Scotiabank Economics, Bloomberg, Wards Automotive.

September Auto Sales: Summer Momentum Slows

CANADA: AUTO SALES SLOWED THROUGH THE SUMMER

Canadian auto sales held flat in September at 1.59 mn units (0.2% m/m) on a seasonally adjusted and annualized rate (saar). Weaker than historically seasonal sales in July followed by tepid improvement the two subsequent months resulted in a decrease of 5.8% q/q (sa) sales to 1.58 mn (saar) in Q3 2023. This was the first quarterly contraction in seasonally adjusted auto sales since Q3 of 2022 in which sales fell 6.4% q/q (sa). The pace of auto sales has slowed from the recent peak in late spring and early summer as rising vehicle prices and elevated financing rates continue to weigh on vehicle affordability. The average vehicle price climbed above \$66 k in June, up 21.3% y/y, according to AutoTrader.ca’s Price Index while the average Canadian auto loan interest rate has fluctuated in the 7.50% to 8.00% range since November 2022. Still-tight labour markets continue to support Canadian consumers with rising average hourly wage gains of 10.3% m/m (saar) on a three-month moving average (3mma) as the unemployment rate held steady at 5.5% (sa) for the third consecutive month in September. With respect to Canadian supply-side factors, Unifor has reached new three-year agreements with Ford and General Motors, which have both been ratified by their union members, and reached a tentative agreement with Fiat Chrysler Automobiles. Our outlook for Canadian auto sales is 1.63 mn in 2023, with sales picking up to 1.71 mn in 2024 underpinned by pent-up demand against an aging vehicle stock and population growth as headwinds ease.

UNITED STATES: STEADY SUMMER FROM REVISED SEASONAL COMPONENTS

US auto sales increased 2.1% m/m (sa) to 15.7 mn (saar) units in September following declines in the two prior months. The seasonal factors for motor vehicle unit sales, produced by the Federal Reserve Board, have been recalculated, impacting data as far back as January 2018. As a result, U.S. auto sales averaged 15.6 mn (saar) units in Q3 (-0.6% q/q) owing to upward revisions, the first quarterly contraction since Q2 2022 (-3.3% q/q). The 48-month new car loan rate in the U.S. averaged 7.4% in Q3 2023, the highest since mid-2009, owing to the Federal Reserve hiking the upper bound of their policy rate to 5.50% in July. The September policy rate meeting’s Summary of Economic Projection “dots” suggest the FOMC members expected another 25 bps hike may be appropriate based on the information available at the time. As core inflation remains persistent, averaging 4.4% y/y (nsa) in Q3 with momentum of 3.1% m/m (saar, 3mma), above the 2% target for headline inflation, the Fed’s policy rate is expected to remain elevated in the near term, keeping pressure on auto financing rates. Ongoing negotiations between the United Auto Workers (UAW) and the Detroit Three (Ford, General Motors, and Stellantis) continues to impact supply-side factors. North American light vehicle production averaged 16.1 mn (saar) in the three months ended in August. As the UAW looks to expand their strike which began just over a month ago, on September 15th, extended cuts to production amid low inventory levels are likely to weigh on vehicle sales in the near term. The outlook for U.S. auto sales is unchanged for 2023 at 15.5 mn, and picks up to 16.4 mn in 2024 as inflation and rates pressures ease.

GLOBAL AUTO SALES: MOMENTUM SLOWING ACROSS REGIONS

Global auto sales in August were mixed across different regions, however on net increased 2.3% m/m (sa) (chart 1). Vehicle sales were broadly up in the Asia-Pacific region (4.8% m/m, sa) as higher sales in China (6.1%) and Japan (5.7%) more than offset declines in India (-0.8%) and Indonesia (-6.7%), though momentum has slowed in recent months. Auto sales in western Europe were up 5.8% m/m (sa), increasing in 10 of the 15 countries covered, with notable increases in France (5.9%), Germany (16.2%), and Italy (3.0%), though declining in the U.K. (-1.9%), as regional-level sales have held steady in recent months on a three-month moving average. Meanwhile, Latam auto sales

declined 6.4% m/m (sa) following three consecutive months of growth, contracting in Argentina (-7.2%), Brazil (-12.6%), Mexico (-1.4%) and Peru (-4.9%), while increases in Chile (15.4%) and Colombia (10.6%) partially reversed slowing sales in the two prior months. Our outlook for global auto sales forecasts vehicle sales increasing 5.2% in 2023 and 4.6% in 2024 (chart 2).

ELECTRIC VEHICLE SALES: STALLING PROGRESS TOWARDS INTERIM ZEV SALES TARGETS

There is still lots of progress to be made towards meeting Canada’s Zero-Emission Vehicle (ZEV) sales targets. Recent sales of electric vehicles (EVs) in Canada as a share of all new motor vehicle registrations have held steady, accounting for 8.6% in Q2 and H1 of 2023, almost unchanged from Q3 2022 (8.7%). Canada’s first interim sales target is at least 20% of new light duty vehicles being ZEVs by 2026 and is a step towards 100% ZEV sales by 2035. In order to meet this first interim target, EV sales would need to more than double from the amount registered in the four quarters ending Q2 2023, when holding total sales unchanged. In Ontario, Canada’s largest provincial market by total vehicle sales, only 6.2% of new motor vehicle registrations were EVs, despite accounting for over one in four (28.2%) of national EV sales (chart 3). By contrast, slightly more than two in five (41.7%) new EVs were registered in Quebec, the second largest market by volume, making up 14.7% of total new vehicles in the province. Meanwhile one in five (21.5%) of all new EVs were registered in B.C., accounting for 15.2% of new motor vehicles registered in the province, resulting in B.C. being the province reporting the closest share to meeting Canada’s first interim sales target. Vehicle affordability will likely continue to pose a headwind towards EV sales in Canada in the near term, but risks being a major constraint as discussed in [a recent report by Scotiabank Economics](#). While elevated financing rates are likely to pose headwinds to EV sales in the near term, a continuation of the status quo producing vehicles consumers want today may limit affordability and adds risk to meeting Canada’s 100% ZEV sales targets little more than a decade from now.

Chart 3

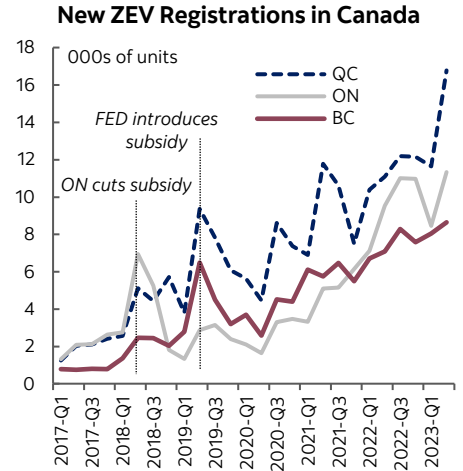


Table 1—Global Auto Sales Outlook (mns units)

	2010-19	2019	2020	2021	2022	2023f	2024f	Aug-23, SA % m/m	Aug-23, NSA % y/y	2023 ytd, NSA % y/y
Total Sales	71.1	74.8	63.8	66.7	67.2	70.7	74.0	2.3	13.0	11.4
North America	18.7	20.2	17.0	17.6	16.4	18.3	19.3	-3.2	16.6	11.8
Canada	1.82	1.92	1.54	1.66	1.52	1.63	1.71	0.9	10.8	7.5
United States	15.7	17.0	14.5	14.9	13.8	15.5	16.4	-3.7	16.6	13.6
Mexico	1.22	1.32	0.95	1.01	1.09	1.16	1.23	-1.4	25.0	23.2
Western Europe	13.0	14.1	10.7	10.5	10.0	10.7	11.6	5.8	22.8	18.3
Germany	3.2	3.6	2.9	2.6	2.7	2.8	3.0	16.2	37.3	16.5
United Kingdom	2.3	2.3	1.6	1.6	1.6	1.7	1.9	-1.9	24.4	20.0
Eastern Europe	3.3	2.9	2.8	2.8	1.8	2.0	2.3	2.2	82.5	33.7
Russia	2.1	1.7	1.5	1.5	0.6	0.7	0.8	6.7	166.9	28.5
Asia	31.9	33.8	30.6	32.7	35.9	36.5	37.4	4.8	8.1	8.2
China	19.7	21.4	20.1	21.5	23.6	23.7	24.5	6.1	6.9	6.8
India	3.3	3.6	2.8	3.6	4.4	4.4	4.4	-0.8	12.4	8.9
Japan	5.1	5.2	4.6	4.4	4.2	4.6	4.7	5.7	17.3	16.3
South America	4.3	3.8	2.8	3.1	3.2	3.3	3.4	-8.4	-3.5	1.6
Brazil	2.91	2.67	1.95	1.98	1.96	2.00	2.10	-12.6	1.3	10.7
Chile	0.34	0.37	0.26	0.42	0.43	0.45	0.47	15.4	-19.1	-28.8
Colombia	0.26	0.26	0.19	0.24	0.25	0.27	0.29	10.6	-37.9	-30.6
Peru	0.16	0.15	0.11	0.16	0.16	0.17	0.18	-4.9	12.5	9.1

Sources: Scotiabank Economics, Wards Automotive, Bloomberg.

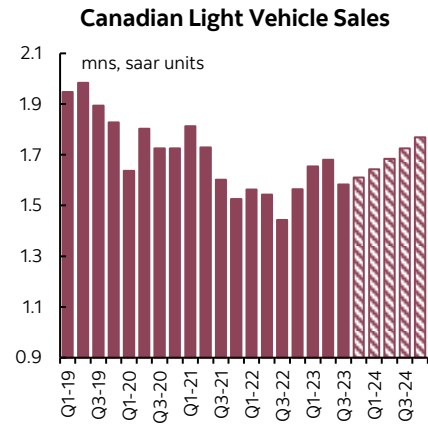
Table 2—Provincial Auto Sales Outlook (thousands of units ann.)

	2010-19	2019	2020	2021	2022	2023f	2024f	Jul-23, SA % m/m	Jul-23, NSA % y/y	2023 ytd nsa % y/y	ZEV* (Q2-23) % of new LV sales
Canada	1,817	1,920	1,543	1,663	1,523	1,632	1,705				8.6
Atlantic	134	131	109	119	105	108	115	-11.5	-2.3	4.3	--
Central	1,179	1,304	1,030	1,070	1,004	1,075	1,105	-4.3	12.0	10.1	9.5
Quebec	441	455	378	404	369	385	400	-5.1	12.2	7.3	14.7
Ontario	738	848	653	665	635	690	705	-3.8	11.8	11.7	6.2
West	548	545	453	487	449	460	484	-2.6	7.0	6.8	--
Manitoba	56	58	47	49	45	47	50	7.0	12.0	4.0	3.1
Saskatchewan	54	49	42	43	41	42	43	-0.9	-2.9	0.0	2.1
Alberta	239	223	184	196	182	186	197	-6.1	2.3	8.6	--
British Columbia**	199	216	179	199	181	185	194	-1.5	13.0	7.3	15.2

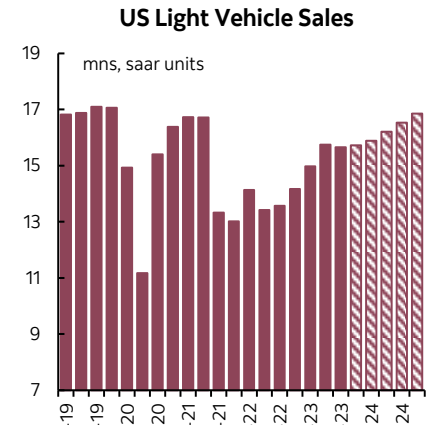
*ZEV includes battery electric and plug-in hybrid electric vehicles (estimates for NL, NS, and AB unavailable due to limitations in data sharing with Statistics Canada, but are included in the Canadian aggregate). **British Columbia includes the territories.

Sources: Scotiabank Economics, Wards Automotive, Statistics Canada.

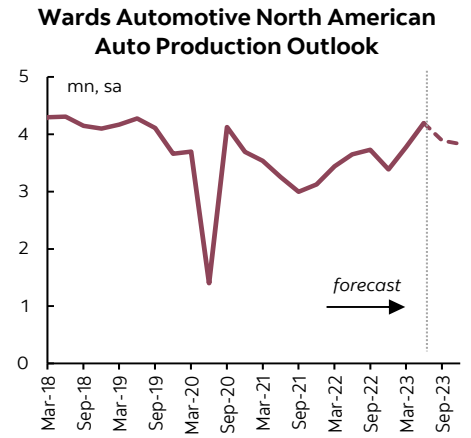
Quarterly Outlook for North American Auto Sector



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	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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