

Canadian and US Vehicle Sales — September 2017

CANADA

The hot sales pace continued last month, with car and light truck purchases setting a monthly record for September. Volumes jumped 8% above a year ago in September and boosted the year-to-date increase to 5.5%. We estimate that the annualized sales pace climbed to 2.07 mn units last month, lifting the year-to-date average to 2.046 mn (see table).

Light truck sales jumped 10% above a year earlier, buoyed by nearly a 20% y/y increase among imported brands. In fact, last month's advance was the largest gain for these models since the opening months of 2016 and reflects new crossover utility vehicles offerings by several automakers. In contrast, cars continue to struggle, with volumes declining 2% below a year ago. Sedans now account for less than one-third of the Canadian new vehicle market, down from 55% a decade ago.

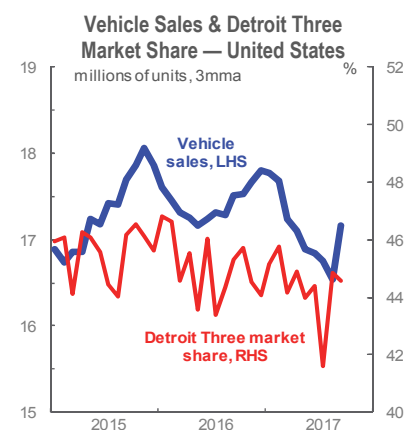
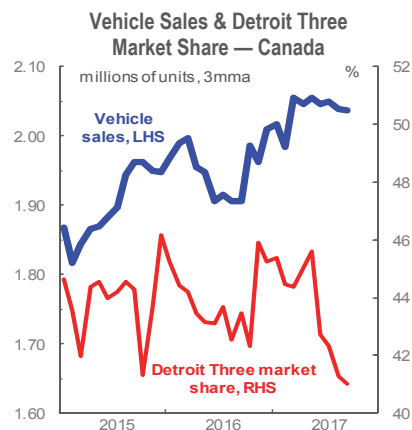
UNITED STATES

Purchases climbed above a year earlier last month for the first time since November, as consumers began to replace vehicles damaged by Hurricane Harvey. We estimate that passenger vehicles sales jumped to an annualized 18.5 mn units in September, the highest level for the current cycle and one of the best monthly results on record. Last month's stronger-than-expected performance was broad-based, with most automakers exceeding expectations.

While the effect of this year's hurricane season will continue to lift volumes in coming months, purchases also strengthened across most of the country, buoyed by solid economic conditions and elevated confidence. In fact, both household and fleet volumes climbed above a year earlier in September for the first time since mid-2016. This robust performance significantly reduced the inventory overhang and prompted the industry to ramp up its fourth-quarter North American production to an estimated 17.4 mn units, up from a low of 16.9 mn in July.

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Sources: Scotiabank Economics, company reports.

Canada/US Motor Vehicle Sales Outlook

	<u>1991–01</u>	<u>2002–14</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	
	Average	Average			Jan-Sep *	Annual f
	(thousands of units, annualized)					
CANADA	1,323	1,631	1,899	1,949	2,046 *	2,000
Cars	772	809	715	662	658 *	644
Light Trucks	551	822	1184	1287	1388 *	1356
	(millions of units, annualized)					
UNITED STATES	15.0	14.9	17.4	17.5	17.1	17.1
Cars	8.5	7.1	7.5	6.9	6.4	6.2
Light Trucks	6.5	7.8	9.9	10.6	10.7	10.9
	(millions of units, annualized)					
NORTH AMERICAN PRODUCTION**	15.30	14.90	17.90	18.17	17.65	17.80

*Includes Scotiabank estimates for August-September 2017. **Canada, USA and Mexico; cars, light, medium and heavy trucks.

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

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