

Canadian Vehicle Sales — June 2018

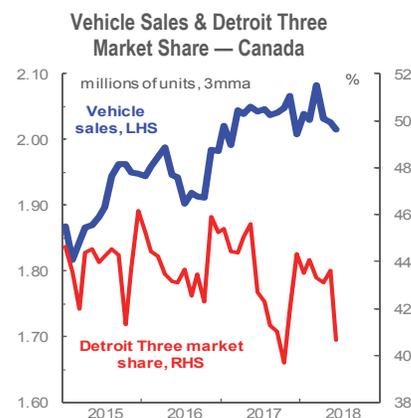
Vehicle sales in Canada fell by 1.7% y/y in June, equivalent to 2.0mn units on a seasonally-adjusted annualised basis, extending a streak of year-on-year declines that began in March. The fall in June brought the year-to-date average to an estimated 2.05mn autos sold, 0.3% above sales recorded during the same period last year. Despite the negative trend in recent months, automakers have sold 2.0mn units or more, in annualised terms, in every month so far in 2018 except for April when weather conditions may have kept buyers at home.

Sales of the Big Three firms fell sharply by 6.2% y/y in June—significantly behind the 0.8% y/y rise for the rest of the market—as Fiat-Chrysler sales dropped by a massive 16.5% y/y and Ford sales declined by 4.8% y/y. General Motors, however, posted its best June performance since 2001 with an increase of 1.8% y/y owing to a large increase in fleet car sales, which carry lower margins for automakers. **Across the entire market, light trucks continue to gain ground over cars**, with sales expanding by 1.4% y/y compared to an 8.0% y/y drop for the latter in June, which marks twenty consecutive months of year-on-year gains for light trucks in line with a shift in consumer preferences toward larger vehicles.

We expect total sales to edge down slightly in the second half of the year, and bring the annual total to just above 2.00 mn units sold down from last year's record-high of 2.04 mn, in line with an expected moderation in household expenditures in the face of rising interest rates and tighter lending standards. While we don't expect the US administration to impose tariffs on motor vehicle imports, retaliatory tariffs on Canadian auto imports from the US would have a notable impact on sales in Canada. Between 45–50% of cars purchased by Canadians are assembled in the US and Canadian-made vehicles have a high share of US parts.

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Canada/US Motor Vehicle Sales Outlook

	1991–01 Average	2002–15 Average	2016	2017	2018	
					Jan-Jun *	Annual f
(thousands of units, annualized)						
CANADA	1,323	1,651	1,949	2,041	2,048 *	2,000
Cars	772	802	662	644	602 *	600
Light Trucks	551	849	1287	1397	1446 *	1400
(millions of units, annualized)						
UNITED STATES	15.0	15.1	17.5	17.1	17.1	17.1
Cars	8.5	7.1	6.9	6.1	5.4	5.2
Light Trucks	6.5	8.0	10.6	11.0	11.8	12.0
(millions of units, annualized)						
NORTH AMERICAN PRODUCTION**	15.30	15.12	18.15	17.48	18.07	17.71

*Includes Scotiabank estimates for May-Jun 2018. **Canada, USA and Mexico; cars, light, medium and heavy trucks.

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

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