Global Auto Sales Drop Sharply in September from One-Off Factors and Weakness in China

- **Vehicle purchases around the globe fell by 11.1% y/y in September from a high base twelve months back in the US and a pullback of inventory-clear-out gains in the European Union prior to the introduction of new emission standards.**
- **Tighter credit conditions have led to a steep contraction in Chinese auto sales. After a relatively strong start to 2018, sales for the year may come only slightly above 2017's levels.**
- **Canadian auto sales posted their sharpest year-on-year decline in close to ten years, with retail vehicle purchases heavily underperforming fleet deliveries year-to-date.**
- **USMCA, the rebranded NAFTA, will raise regional content requirements for automobiles and parts exports in North America and provides Canada and Mexico with exemptions from US 'national security' tariffs.**

Global auto sales took a dive in September owing to a combination of one-off factors, credit restrictions in China, and economic uncertainty in certain parts of the world. On a year-on-year basis, world vehicle purchases fell by 11.1% compared to last September—the steepest annual decline since the height of the great financial crisis. We forecast global auto sales to expand at a slightly faster pace than last year by around 2.5% in 2018.

CANADA: SHARPEST Y/Y DROP SINCE 2009, FLEET SALES HIDE RETAIL WEAKNESS

In September, vehicle purchases tumbled by 7.4% y/y[1] in Canada, their sharpest drop since 2009 after record-high sales figures in 2017. Unit deliveries fell by 3.7% in month-on-month seasonally adjusted terms, which represented the biggest decline since April when adverse weather conditions limited purchases. Last month marked the seventh consecutive y/y drop in sales, contributing to a year-to-date (ytd) contraction of 1.6% y/y; our full-year 2018 forecast calls for a 2% decline to 2.0 mn units sold from 2017's record 2.04 mn level.

The headline figures, however, mask a pronounced fall in retail auto sales in comparison to rising, low-margin, fleet sales. Vehicle purchases by households have declined by around 2.5% y/y ytd while fleet deliveries have climbed by roughly 5% y/y ytd. The cooldown in household consumption extends beyond auto purchases. With data to August, retail sales excluding motor vehicles and parts dealers have expanded by a mere 1.1% y/y ytd compared to a 5.2% y/y ytd expansion at the same point last year in inflation-adjusted terms. Rising gasoline costs in combination with higher interest rates have pushed spending on fuel and debt repayments to around 10.5% of disposable income compared to

CONTACTS

Juan Manuel Herrera, Economist
416.866.6781
Scotiabank Economics
juanmanuel.herrera@scotiabank.com

Motor Vehicle Sales

	Sep '18	Jan-Sep '18
	(y/y % change)	
World	-11.1	3.8
North America		
Canada	-7.4	-1.6
US	-5.9	0.3
Mexico	-1.5	-7.1
South America		
Argentina	-44.1	-12.1
Brazil	5.8	13.1
Chile	10.7	19.1
Colombia	10.4	3.7
Peru	-15.9	-5.9
Western Europe		
France	-12.8	6.5
Germany	-30.5	2.4
Italy	-25.3	-2.9
Spain	-17.0	11.5
UK	-20.5	-7.5
Eastern Europe		
Russia	6.1	14.9
Turkey	-55.2	-27.6
Asia Pacific		
Australia	-25.8	-5.9
China	-11.2	1.4
India	-1.9	10.5
Japan	-2.0	-0.9
Korea	-29.7	-2.2

Sources: Scotiabank Economics, Wards Auto National Automotive Associations.

[1] All data in this report is in non-seasonally adjusted terms unless specified.

9.6% twelve-months back. Higher interest rates have also likely discouraged would-be buyers from purchasing a new vehicle. Furthermore, while nominal wages have increased at a relatively strong pace, real earnings growth is in negative territory for the first time since March 2017.

Year-to-date vehicle purchases have risen only in Ontario and Manitoba in year-on-year terms out of all Canadian provinces; the rise in Manitoba, however, is nearly all attributable to an anomalous surge in fleet purchases that appears out-of-line with economic fundamentals. The slowdown in auto sales outside of Ontario is in part driven by a retracement of post-recession household spending gains in Alberta, although the biggest shift has occurred in BC where retail sales growth has markedly turned, likely owing to a strong deceleration of employment growth.

UNITED STATES: BASE-EFFECTS DECLINE AMID MARKET PLATEAU

Sales in the US dropped by 5.9% y/y from a high base last September when sales surged from vehicle replacement following Hurricane Harvey. On a month-on-month seasonally adjusted basis, vehicle purchases rose by a strong 4.6%. The average m/m increase for the year is essentially flat, however, which confirms our view of a plateauing auto market in the US but remaining close to the 17 mn units mark in 2018, down only slightly from 2017's 17.1 mn total.

US automakers are beginning to feel the pain of tariffs on steel and aluminum imports imposed by the Trump administration in early-2018. Ford, the second largest automaker in the US, has claimed that the tariffs have cost the company around USD 1 bn in profits. While prices for electronic equipment in autos have climbed by 0.6% since December, those of motor vehicle bodies and trailers—high on aluminum and steel content—have increased by 3.4% during the same period.

MEXICO: ELECTIONS AND NAFTA RENEGOTIATIONS IN REAR-VIEW MIRROR BODE WELL FOR RECOVERY

Despite a sixteenth consecutive year-on-year drop in auto sales in Mexico, the September drop at 1.5% y/y marks the smallest annual decline during this period as the country's economy moves past the impact of political and economic uncertainty prior to the July presidential elections and the renegotiation of NAFTA. Mexico and the US reached a tentative agreement in late-August, with Canada joining the deal in the final days of September. With sales down 7.1% y/y ytd, we still expect an annual decline for the year although the latter third of the year should show an expansion in purchases for a combined annual decline of around 3%. In the first half of 2018, real GDP expanded by its slowest pace since 2010 in y/y terms, though is set to post a stronger performance in the second half of the year.

EUROPE: LAST MONTH'S GAIN IS THIS MONTH'S LOSS

In September, vehicle purchases in Europe gave back all of the previous month's gains with a 23% y/y decline after August's 26.5% y/y surge. In last month's Global Auto Report, we had indicated that auto sales in Europe rushed ahead of new emission standards set to take effect in September. Dealers sought to clear their lots of non-qualifying vehicles in August. Over the third quarter, total sales in Western Europe ticked up by 2.4% y/y, excluding the UK, and are still tracking a relatively strong increase of 3.3% y/y ytd, with vehicle purchases in Spain outperforming in the region. Brexit uncertainty continues to damage business and consumer confidence in the Kingdom with sales sharply down 7.5% y/y ytd.

ASIA-PACIFIC: CHINESE SALES SLUMP, FESTIVAL SEASON DISTORTS SALES IN KOREA AND INDIA

In Asia-Pacific, auto purchases in China fell sharply by 11.2% y/y in September, marking the first three-month losing streak since late-2008. The drop in vehicle sales appear appears to be driven by a slowdown in credit growth in China as the government seeks to curtail excessive borrowing: the nonperforming loans ratio for rural commercial banks has quickly risen to 4.3% of outstanding loans in Q2-2018 from 2.8% twelve months back. Further, economic uncertainty in the country due to the imposition of US tariffs on around USD 250 bn in imports from China may have dented auto sales growth. The Chinese government has provided some indication that it may relax its restrictions on consumer and business credit in light of the trade war waged by President Trump, which would provide some support for auto sales going forward. While the Chinese Auto Association expected an increase in auto sales of around 3% for the year, sales are tracking an expansion of only around 1.5% y/y ytd. If this weakness continues, vehicle sales are unlikely to grow by more than 1% in 2018, and may possibly post a slight contraction.

The Navratri festival in India and the Chuseok holiday week in Korea took place in different months this year relative to their respective dates in 2017, which translated into declining auto sales in each country in y/y terms. Most Korean businesses close down during the Chuseok week while the festive mood brings about increased spending during Navratri in India, which will be reflected in a large expansion in auto sales in October. In addition to rising gasoline prices, auto purchases in India also ticked down by 1.9% y/y off a particularly high base last year which was the result of pent-up demand that had accumulated prior to the lower tax regime that kicked in on July 2017.

LATAM: SALES REMAIN STRONG IN BRAZIL BUT RISKS LOOM

Vehicle sales remained strong in Brazil in September expanding by 5.8% y/y. However, vehicle sales are still around 40% lower than their 2013 peak and economic risks are intensifying as the government faces a mounting fiscal deficit amid rising pension obligations. Brazilians will also take to the polls for the final round of presidential elections in late-October. The Brazilian central bank is expected to kick off its tightening cycle following the elections to tame rapidly rising inflation, which is likely to put a dent in auto sales due to rising debt servicing costs for households. Economic weakness in Argentina—where vehicle deliveries contracted by 44% y/y in September—may also spill over into reduced output growth in Brazil. Argentina is the third largest export destination for Brazilian goods after China and the US.

The introduction of extraordinary taxes on new gasoline-powered motor vehicles alongside political tensions has resulted in a strong slowdown in auto purchases in Peru. While in the first five months of the year, year-to-date sales had climbed by close to 20% y/y, the poor sales performance since June has translated into a decline in sales of 5.9% y/y ytd. The Peruvian Automotive Association estimates that the introduction of these taxes will lead to a 10% decline in auto sales in 2018 as a whole.

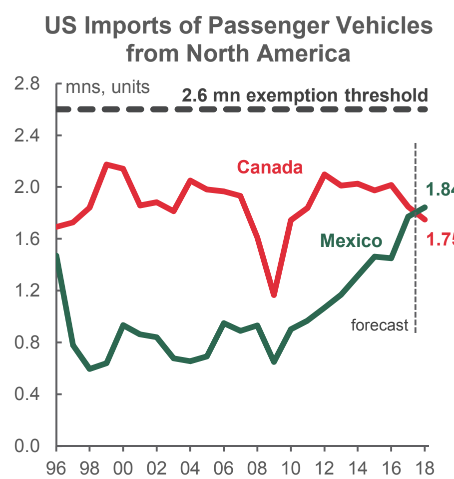
USMCA: HIGHER REGIONAL CONTENT REQUIREMENTS BUT CA/MX GET EXEMPTIONS FROM SECTION 232 TARIFFS

Canada, Mexico, and the US have come to a trilateral compromise on international trade relations under the US-Mexico-Canada agreement (USMCA), which is set to replace NAFTA in 2020. We expect formal ratification of the trade deal to occur in mid-2019 under existing Congressional processes in the US.

Among the main changes from NAFTA, USMCA increases the regional value content (RVC) requirement for automobiles from 62.5% to 75% under a four-year phase-in period beginning in January 2020. The parties also agreed to raise the regional content shares for vehicle parts, and built in a clause that requires that 40% of a vehicle's labour value content (LVC) is produced by workers earning at least USD 16/hr. Canadian auto production should find it relatively easy to comply with USMCA's new RVC requirements: the North American RVC in Canadian auto production is already around 71% and the RVC for Detroit Three autos assembled in Canada is over 80%. The new LVC rule may, however, shift a marginal amount of production from Mexico to the US and Canada, where productivity levels are already consistent with this new wage standard.

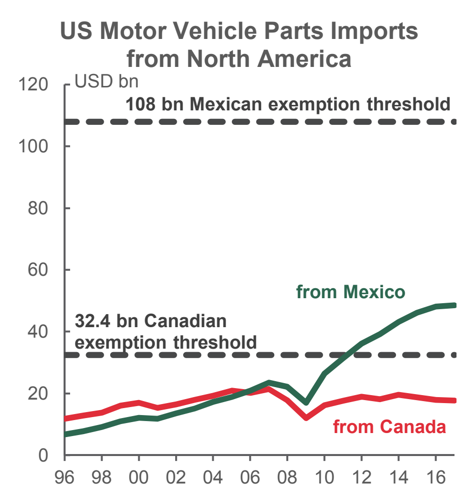
Under USMCA, up to 2.6 mn US passenger vehicle imports and all light truck imports from each country are exempt from any possible future Section 232 tariffs on autos and parts. The import threshold stands far above the 1.8 mn passenger vehicles imported into the US from each of Canada and Mexico last year. We don't anticipate that Canada will reach this ceiling any time soon, while Mexican exports may reach the 2.6 mn limit sometime late in the next decade if we

Chart 1



Sources: Scotiabank Economics, US ITC.

Chart 2



Sources: Scotiabank Economics, US ITC.

assume that auto production and exports to the US remain on their recent trajectory. Up to USD 32.4 bn and USD 108 bn in US imports of parts from Canada and Mexico, respectively, are also exempt from tariffs.

Regardless of whether Section 232 tariffs are imposed on autos by the US, USMCA specifies that up to 1.6 mn Mexican cars may enter the US under a duty rate no higher than the US's current 2.5% most-favoured nation (MFN) tariff so long as they comply with NAFTA's existing rules of origin that require a 62.5% North American regional value content share. The clause gives Mexican automakers some additional runway to adjust to the new USMCA content requirements. The possible 1.6 mn units under this transitional arrangement would be counted within—not additional to—the 2.6 mn ceiling on RVC/LVC-compliant vehicles exempted under USMCA from any US Section 232 tariffs.

INTERNATIONAL CAR SALES OUTLOOK

(millions of units)

	1990–99	2000–14	2015	2016	2017	2018f
TOTAL SALES	**39.20**	**54.89**	**72.61**	**77.25**	**79.02**	**80.85**
North America*	**16.36**	**17.85**	**20.64**	**21.01**	**20.70**	**20.50**
Canada	1.27	1.62	1.90	1.95	2.04	2.00
United States	14.55	15.24	17.39	17.46	17.13	17.00
Mexico	0.54	0.99	1.35	1.60	1.53	1.50
Western Europe	**13.11**	**13.67**	**13.20**	**13.97**	**14.32**	**14.50**
Germany	3.57	3.23	3.21	3.35	3.44	3.50
Eastern Europe	**1.18**	**3.08**	**3.15**	**3.14**	**3.41**	**3.65**
Russia	0.78	1.87	1.60	1.43	1.60	1.75
Asia	**6.91**	**17.12**	**32.29**	**36.06**	**37.10**	**38.40**
China**	0.43	7.31	20.01	23.57	24.20	24.50
India	0.31	1.23	2.06	2.09	2.19	2.40
South America	**1.64**	**3.17**	**3.33**	**3.07**	**3.49**	**3.80**
Brazil	0.94	1.94	1.82	1.39	1.50	1.68

*Includes light trucks. **Includes crossover utility vehicles from 2005. Sources: Scotiabank Economics, Ward's Automotive Reports, Bloomberg.

CANADA/US MOTOR VEHICLE SALES OUTLOOK

	1991–05 Average	2006–15	2016	2017	2018 Jan-Sep**	2018 Annual f
	(thousands of units, annualized)					
CANADA	**1,398**	**1,668**	**1,949**	**2,041**	**2,017**	**2,000**
Cars	797	776	662	644	591	610
Domestic	583	490	439	438	386	415
Imports	214	286	223	206	205	195
Light Trucks	601	892	1,287	1,397	1,426	1,390
	(millions of units, annualized)					
UNITED STATES	**15.5**	**14.4**	**17.5**	**17.1**	**17.1**	**17.0**
Cars	8.3	6.9	6.9	6.1	5.3	5.0
Light Trucks	7.2	7.5	10.6	11.0	11.8	12.0
NORTH AMERICAN	(millions of units, annualized)					
PRODUCTION*	**15.58**	**14.63**	**18.15**	**17.48**	**17.21**	**17.21**
CANADA	2.50	2.24	2.37	2.19	2.04	2.05
UNITED STATES	11.67	9.80	12.18	11.23	11.14	11.26
MEXICO	1.41	2.59	3.60	4.06	4.03	3.90

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

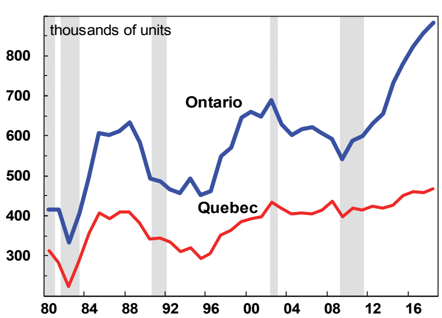
VEHICLE SALES OUTLOOK BY PROVINCE*

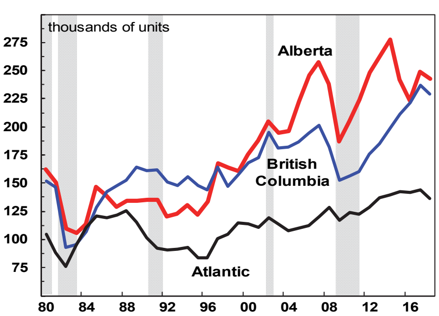
(thousands of units, annual rates)

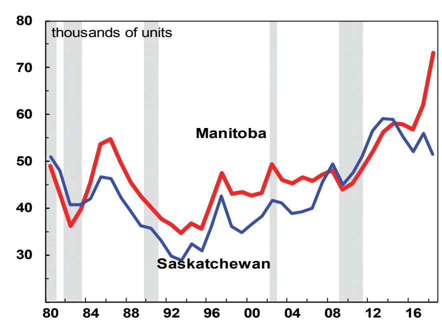
	1994–05 Average	2006–15	2016	2017	2018 Jan-Sep**	2018 Annual f
CANADA	**1,446**	**1,668**	**1,949**	**2,041**	**2,032**	**2,000**
ATLANTIC	**102**	**125**	**140**	**143**	**133**	**130**
CENTRAL	**936**	**1,034**	**1,265**	**1,300**	**1,307**	**1,305**
Quebec	366	411	458	453	455	450
Ontario	570	623	807	847	852	855
WEST	**408**	**509**	**544**	**598**	**593**	**565**
Manitoba	42	49	55	62	71	68
Saskatchewan	36	49	51	56	50	48
Alberta	166	232	220	245	235	230
British Columbia	164	179	218	235	223	219

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

VEHICLE SALES BY PROVINCE







Includes cars and trucks (light, medium and heavy).
Shaded bars indicate U.S. recession periods. Source: Statistics Canada.

AUTO MARKET SHARE BY MANUFACTURER — CANADA*

(thousands of units, not seasonally adjusted)

	2017 Jan to Sep Units	2017 Jan to Sep % of Total	2018 Jan to Sep Units	2018 Jan to Sep % of Total	2017 Sep Units	2017 Sep % of Total	2018 Sep Units	2018 Sep % of Total
TOTAL	**512.8**	**100.0**	**462.7**	**100.0**	**57.1**	**100.0**	**49.3**	**100.0**
Big Three	98.2	19.2	85.9	18.6	9.2	16.1	8.4	17.1
General Motors	50.9	9.9	48.7	10.5	5.3	8.1	5.1	10.3
Ford	31.7	6.2	26.7	5.8	3.2	5.7	2.2	4.4
Chrysler	15.6	3.0	10.5	2.3	0.6	1.1	1.2	2.5
Japanese	232.2	45.3	216.3	46.8	26.0	45.6	23.1	47.0
Honda	76.7	15.0	74.9	16.2	8.5	14.9	8.2	16.6
Toyota	70.5	13.8	66.8	14.4	8.7	15.2	7.5	15.3
Nissan	36.8	7.2	33.4	7.2	3.7	6.5	3.2	6.5
Mazda	27.1	5.3	24.5	5.3	2.8	5.0	2.5	5.0
Mitsubishi	6.6	1.3	3.9	0.8	0.7	1.2	0.3	0.5
Subaru	14.5	2.8	12.8	2.8	1.6	2.9	1.5	3.0
Hyundai	57.2	11.1	48.9	10.6	6.2	10.9	5.7	11.5
Volkswagen	39.3	7.7	32.7	7.1	4.4	7.8	3.9	7.9
Kia	31.8	6.2	29.2	6.3	4.9	8.6	2.8	5.7
BMW	17.3	3.4	15.9	3.4	2.2	3.9	1.9	3.8
Mercedes-Benz	18.0	3.5	15.8	3.4	2.0	3.5	1.5	3.0
Other	18.9	3.7	18.1	3.9	2.0	3.6	2.0	4.1

*Source: Dealer sales from the Global Automakers of Canada.

TRUCK MARKET SHARE BY MANUFACTURER — CANADA*

(thousands of units, not seasonally adjusted)

	2017 Jan to Sep Units	2017 Jan to Sep % of Total	2018 Jan to Sep Units	2018 Jan to Sep % of Total	2017 Sep Units	2017 Sep % ot Total	2018 Sep Units	2018 Sep % of Total
TOTAL	**1,102.5**	**100.0**	**1,088.7**	**100.0**	**127.5**	**100.0**	**127.1**	**100.0**
Big Three	594.0	53.9	571.0	52.5	67.6	53.0	61.7	48.5
General Motors	181.9	16.5	183.4	16.8	22.2	17.4	20.8	16.4
Ford	214.5	19.5	212.2	19.5	27.7	21.7	24.4	19.2
Chrysler	197.5	17.9	175.4	16.1	17.8	14.0	16.5	13.0
Other Domestic	23.8	2.2	32.9	3.0	3.4	2.6	3.9	3.1
Japanese	327.5	29.7	352.3	32.4	41.7	32.7	41.5	32.7
Honda	77.9	7.1	79.9	7.3	9.7	7.6	9.1	7.2
Toyota	104.8	9.5	108.6	10.0	13.3	10.5	12.6	9.9
Nissan	77.5	7.0	82.6	7.6	9.7	7.6	10.2	8.0
Mazda	29.9	2.7	34.2	3.1	4.0	3.2	3.6	2.9
Mitsubishi	10.9	1.0	16.2	1.5	1.4	1.1	1.8	1.4
Subaru	26.5	2.4	30.7	2.8	3.5	2.7	4.1	3.3
Hyundai	46.4	4.2	51.7	4.7	5.8	4.6	6.1	4.8
Kia	28.0	2.5	28.6	2.6	2.9	2.3	2.6	2.0
Other Imports	83.0	7.5	52.3	4.8	6.1	4.8	11.3	8.9
LIGHT TRUCKS	948.2	86.0	978.4	89.9	129.9	101.9	123.9	97.5

*Source: Dealer sales from the Global Automakers of Canada.

AUTO SALES BY PROVINCE

(thousands of units, not seasonally adjusted)

	2017 Jan to Aug	2018 Jan to Aug	2017 Aug	2018 Aug
CANADA	**397.4**	**363.2**	**59.7**	**52.7**
ATLANTIC	**28.6**	**25.0**	**3.6**	**3.4**
Newfoundland	5.8	5.0	0.7	0.7
Prince Edward Island	1.8	1.5	0.3	0.3
Nova Scotia	12.8	11.8	1.3	1.4
New Brunswick	8.2	6.8	1.3	1.1
CENTRAL	**281.6**	**260.2**	**43.4**	**39.2**
Quebec	114.0	103.1	18.7	15.4
Ontario	167.6	157.1	24.7	23.8
WEST	**87.2**	**78.0**	**12.8**	**10.0**
Manitoba	8.4	9.3	1.2	1.2
Saskatchewan	5.4	4.5	0.8	0.6
Alberta	29.2	24.4	4.3	3.1
British Columbia	44.2	39.8	6.4	5.1

Source: Statistics Canada.

TRUCK SALES BY PROVINCE*

(thousands of units, not seasonally adjusted)

	2017 Jan to Aug	2018 Jan to Aug	2017 Aug	2018 Aug
CANADA	**844.2**	**875.3**	**119.7**	**132.6**
ATLANTIC	**59.9**	**56.9**	**3.6**	**9.5**
Newfoundland	14.7	13.6	0.7	2.4
Prince Edward Island	3.3	3.2	0.3	0.6
Nova Scotia	23.2	21.5	1.3	3.6
New Brunswick	18.8	18.6	1.3	3.0
CENTRAL	**512.6**	**544.8**	**75.4**	**81.4**
Quebec	167.0	177.2	25.4	27.2
Ontario	345.6	367.6	50.0	54.2
WEST	**271.6**	**273.6**	**40.7**	**41.7**
Manitoba	27.8	33.2	4.7	5.0
Saskatchewan	27.9	25.3	3.3	3.9
Alberta	118.9	118.4	18.0	18.1
British Columbia	97.0	96.8	14.7	14.6

*Light, medium and heavy trucks. Source: Statistics Canada.

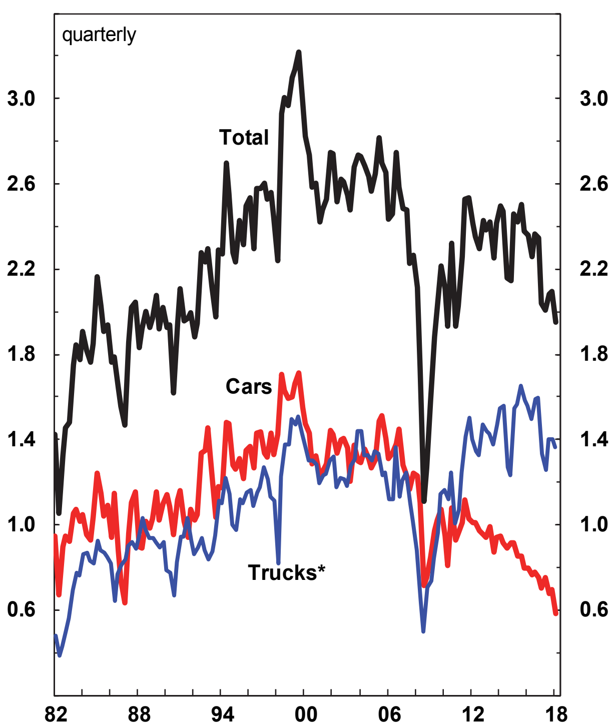
CANADIAN MOTOR VEHICLE PRODUCTION

(thousands of units, not seasonally adjusted)

	2017 Jan to Sep	2018 Jan to Sep	2017 Sep	2018 Sep
TOTAL	**1,689.6**	**1,528.8**	**165.6**	**160.8**
CAR	**560.9**	**488.6**	**62.1**	**51.0**
Chrysler	168.4	142.2	20.1	16.2
GM	70.8	42.2	8.7	4.5
Honda	157.3	158.1	17.2	16.2
Toyota	164.5	146.1	16.2	14.1
TRUCKS*	**1,128.7**	**1,040.3**	**103.5**	**109.8**
Chrysler	239.1	238.3	28.7	28.5
Ford	192.1	175.0	18.6	10.0
GM	242.7	197.9	8.1	26.5
Honda	166.7	167.8	16.9	17.1
Toyota	274.1	245.7	29.6	25.8
Others	14.0	15.6	1.6	2.0

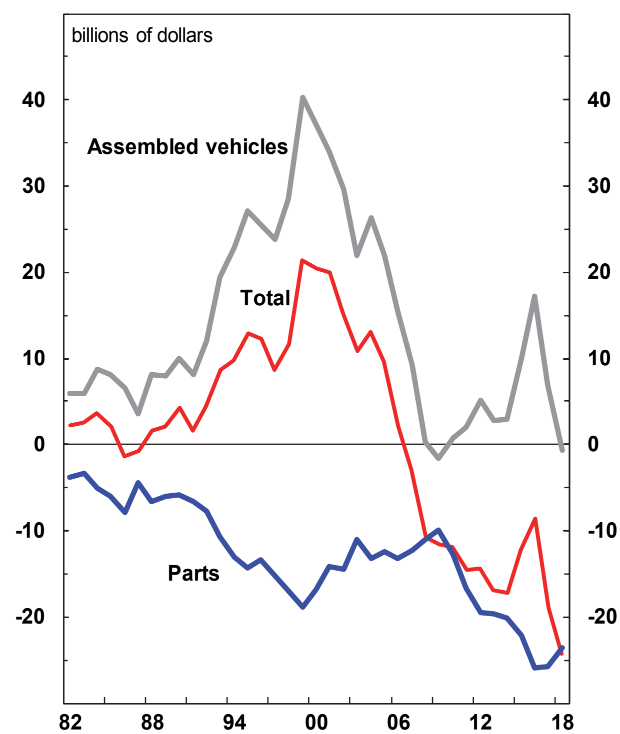
*Light, medium and heavy trucks. Source: Ward's Automotive Reports.

Canada — Motor Vehicle Production



Millions of units, seasonally adjusted annual rates.
*Light, medium and heavy trucks.
Source: Ward's Automotive Reports.

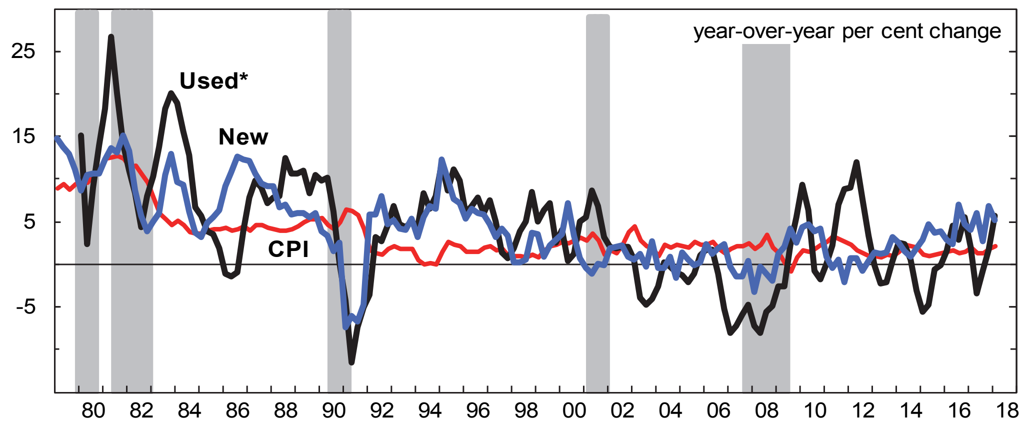
Canada — World Auto Trade Balances



2018 data are January-August annualized.
Source: Statistics Canada.

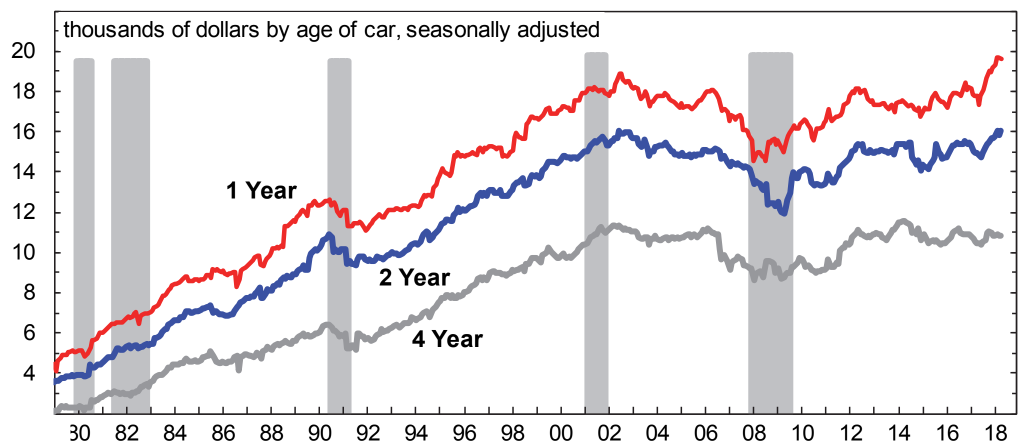
New & Used Car Prices

Scotiabank Car Price Indicators — Canada



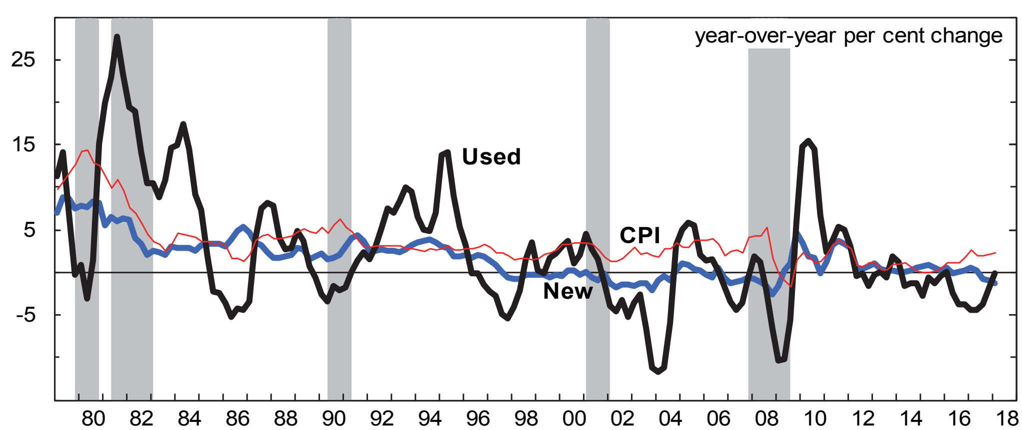
*Scotiabank estimate from Canadian Black Book data.
Sources: Canadian Black Book, Statistics Canada.

Scotiabank Car Price Indicators — Canada



Scotiabank estimate from Canadian Black Book data.

Scotiabank Car Price Indicators — United States



Consumer price indices for new and used cars.
Shaded areas indicate recession periods. Source: U.S Bureau of Labor Statistics.

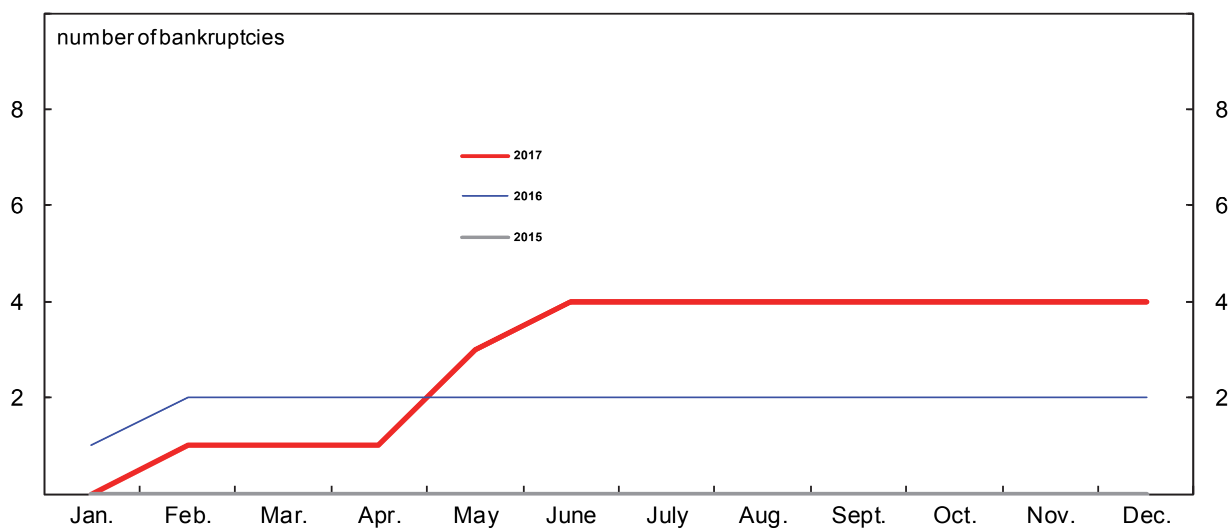
CANADIAN CORPORATE FINANCIAL PERFORMANCE

MOTOR VEHICLE DEALERS AND REPAIR SHOPS

		Net Income After Tax ($ mil)	Pre-Tax Profit Margin (%)	Inventory Turnover Ratio	Interest Coverage Ratio	Debt/ Equity Ratio	Return on Shareholders Equity (%)
Annual	2005	799	0.93	5.35	2.55	2.74	12.90
	2006	942	1.20	5.16	2.64	2.75	14.37
	2007	1089	1.41	5.05	3.36	2.56	15.13
	2008	1142	1.43	5.04	3.51	2.44	14.66
	2009	1392	1.84	5.34	4.85	2.07	16.99
	2010	1649	2.06	4.91	5.34	2.11	18.09
	2011	1664	1.99	5.17	5.19	2.02	17.44
	2012	1748	1.97	4.86	5.32	2.03	16.71
	2013	2215	2.32	5.08	6.64	2.02	20.08
	2014	2714	2.60	5.09	7.41	1.90	21.03
	2015	2930	2.65	5.19	7.47	1.94	21.06
	2016	2940	2.46	5.06	7.54	1.87	18.84
	2017	3660	2.73	4.89	8.02	1.89	21.39
Quarterly at annual rates							
	2017Q2	4232	2.51	5.01	9.43	1.94	23.48
	Q3	4204	2.56	5.00	8.54	1.85	22.12
	Q4	3844	2.54	4.92	7.53	1.79	21.16
	2018Q1	2260	2.20	4.69	5.76	1.90	15.94
	Q2	3644	2.25	4.69	6.88	1.88	17.44
Average (89–17)		1094	1.40	5.96	3.68	2.30	12.63
Low (89–17)		-68	0.10	4.32	1.10	3.57	-1.20

Definition of Ratios:
Pre-tax Profit Margin: pre-tax income/sales
Inventory Turnover Ratio: sales/inventory
Interest Coverage Ratio: (pre-tax income and interest payments)/(interest payments)
Debt/Equity Ratio: (short-term and long-term debt)/total equity
Return of Shareholders' Equity: after-tax income/total equity
Source: Statistics Canada.

Retail Auto Dealer Bankruptcies



New car dealers only; cumulative total during the year.
Source: Office of the Superintendent of Bankruptcy.