

Canadian and US Vehicle Sales — July 2018

CANADA

Vehicle sales fell 3.0% y/y in Canada in July, which marks the fifth consecutive month of year-on-year declines and its steepest annual contraction since October 2016. Units sold dove below 2 mn autos for the first time since early-2017, on a seasonally-adjusted annualised basis, to 1.96 mn units equivalent to a 3.4% m/m decline.

The July drop is nearly all attributable to a 33.3% y/y plunge in Fiat-Chrysler (FCA) sales which, at 15.6 k units sold, recorded their worst month since early-2014. FCA has posted fourteen consecutive months of year-on-year sales declines for both cars and trucks. The drop in car sales is parallel to that experienced across most automakers in line with shifting consumer preferences. The fall in FCA truck sales, however, is seemingly endemic: FCA light truck volumes have contracted by 12% y/y year-to-date (YTD) compared to a 6.9% y/y YTD expansion for the remaining automakers. So far in 2018, FCA has sold 17% fewer Dodge RAM pickup trucks relative to the same period last year—the Dodge RAM was the second highest-selling vehicle in Canada in 2017—and has also been hit by fading demand for the aging Dodge Caravan minivan.

Excluding Fiat-Chrysler, Canadian vehicle purchases rose by 0.8% y/y in July which contributed to a modest year-to-date increase of 1.4% y/y ex.-FCA. Nevertheless, the Italian-American automaker accounted for 13% of vehicles purchased last year in Canada and thus sales have declined across the whole Canadian auto market by 0.8% y/y YTD. We forecast total sales in 2018 to tick down to 2.0 mn units from 2017's record of 2.04 mn vehicles sold.

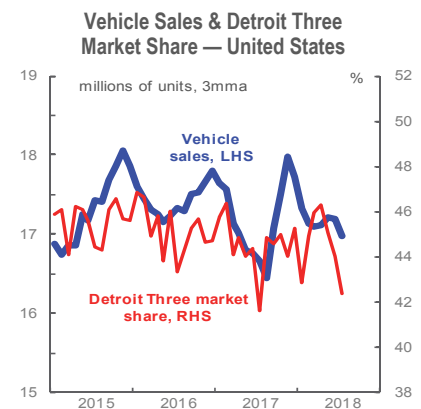
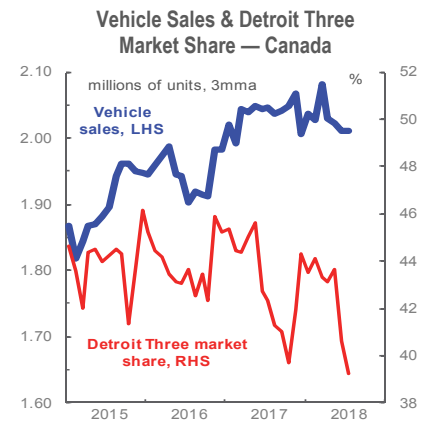
UNITED STATES

US auto sales fell below analysts expectations of flat growth with a 1.0% y/y decline to 16.54mn units on a seasonally-adjusted annualised basis. Data for July show a 4% m/m decline from June's 17.2 mn units, when sales expanded at by 2.6% y/y. Total vehicle purchases in the US have risen by 0.8% y/y so far in 2018, though largely on the back of a low base in the first half of 2017 owing to depressed fleet sales. We forecast total US auto sales to edge down slightly this year to 17.1 mn units, practically unchanged from 2017's total, but a touch lower than 2015's record-high of 17.5mn units.

A sharp rise in demand for Fiat-Chrysler autos lifted the Detroit Three's combined sales above last July's figures, while the rest of the market experienced a decline in vehicle transactions. Fiat-Chrysler (FCA) saw a 5.9% y/y increase in auto deliveries in July, compared to a minor 3.2 y/y estimated decline for General Motors and an even steeper 6.4% y/y contraction in Ford auto sales. The Detroit Three have benefitted from increased demand for trucks which has boosted their combined sales to a 1.7% y/y increase so far this year, nearly doubling the 0.9% y/y pace set by the remaining automakers.

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Sources: Scotiabank Economics, company reports.

Canada/US Motor Vehicle Sales Outlook

	<u>1991–01</u> Average	<u>2002–15</u> Average	<u>2016</u>	<u>2017</u>	<u>2018</u>	
					Jan-Jul *	Annual f
	(thousands of units, annualized)					
CANADA	1,323	1,651	1,949	2,041	2,032 *	2,000
Cars	772	802	662	644	599 *	600
Light Trucks	551	849	1287	1397	1434 *	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	17.28	17.50

*Includes Scotiabank estimates for Jun-Jul 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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