

Canadian and US Vehicle Sales — September 2018

CANADA

Canadian vehicle purchases dropped by 7.4% y/y in September for a seventh consecutive month of year-on-year declines and the market's steepest y/y contraction since 2009. At an annualised pace of 1.97 mn units sold on average each month during Q3, quarterly sales averaged under 2.0 mn units on a seasonally-adjusted annualised basis for the first time since Q4-2016.

A decline in business and consumer confidence between August and September, as reflected in survey readings, appears to be behind the drop in sales during the month. However, given the absence of other economic indicators for the month, it is still too early to tell what caused Canadians to hit pause on vehicle purchases. If it were a transitory issue, sales should bounce back in October on the basis of our broader macroeconomic forecast.

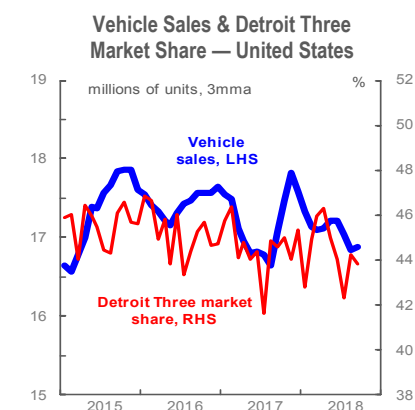
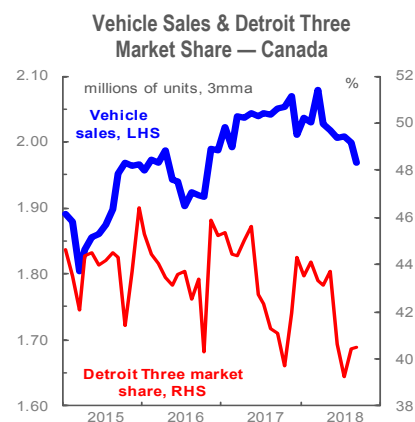
UNITED STATES

Auto sales in the US jumped to an annualised level of 17.36 mn units in September supported by dealer inventory clear-outs of 2018 models, beating expectations for 17.0 mn units sold. Last month's print follows two consecutive months of sub-17 mn vehicle deliveries for an average of 16.9 mn vehicle purchases in the third quarter. This marks the lowest quarterly performance since Q2-2017, and a decline from average sales levels of 17.1 mn and 17.2 mn units in the first and second quarters of 2018, respectively. We continue to expect vehicle sales to continue on a downward trajectory through year-end for an annual total of just over 17 mn units sold in 2018.

Purchases contracted heavily by 5.9% y/y from a high base last September that was generated by vehicle replacement demand following Hurricane Harvey's landfall in the US Gulf Coast. The Detroit Three automakers saw a combined drop of 7.5% y/y, although Fiat-Chrysler's (FCA) unit sales exceeded Ford's for the first time since January 2016 while GM remains the king of Motor City. FCA has capitalised on a move away from cars toward SUVs, with Jeep and Dodge Ram sales posting strong y/y gains. Across all automakers, truck sales rose by 6.2% y/y compared to a 17.5% decline in car purchases.

CONTACTS

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



Sources: Scotiabank Economics, company reports.

Canada/US Motor Vehicle Sales Outlook

	1991–01	2002–15	2016	2017	2018	
	Average	Average			Jan-Sep *	Annual f
	(thousands of units, annualized)					
CANADA	1,323	1,651	1,949	2,041	2,017 *	2,000
Cars	772	802	662	644	591 *	600
Light Trucks	551	849	1287	1397	1426 *	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	5.3	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	17.13	17.32

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

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

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.