

## April Offers Little Reprieve From Global Slowdown

- Global auto sales fell by 7.9% y/y in April for an eighth consecutive month of year-on-year declines.
- The pace of the global slowdown was amplified by idiosyncratic developments across emerging markets, led by China where April sales declined by 17.7% y/y, suggesting last month's rebound was temporary.
- The slowdown in most advanced economies—including the US and Canada—is proceeding largely in line with a moderating growth outlook. The European Union is similarly returning to fundamentals after a rebound from the regulatory shock in the Fall.

### CANADA: A MODEST SLOWDOWN CONTINUES

**A modest drop in April sales largely reflects fundamentals.** Vehicle purchases in Canada dropped by 3.5% y/y, continuing a fourteen-month decline from a 2017 peak. Auto sales for April totalled an estimated 1.93 mn units on a seasonally-adjusted annualized rate (saar) basis, representing a 2.2% drop m/m sa. We anticipate that year-on-year declines will continue through the next quarter, before picking up later in 2019 reflecting a modest rebound in GDP growth, as well as a lower base-effect from the late-2018 slowdown. We forecast that vehicle sales will close out the year at 1.93 mn, down from 1.98 mn and 2.04 mn units sold in 2018 and 2017 respectively.

**Fleet vehicle deliveries continue to partially offset a decline in retail sales.** Fleet sales on a year-to-date basis were up by 3.2% y/y at the end of March, with particularly pronounced growth among cars, which were up by almost 16% y/y. This coincides with the introduction of the federal accelerated depreciation tax measure. While April data is incomplete, this trend is expected to continue with the introduction of the similar provincial incentives in Ontario and Quebec.

**A composition shift towards light trucks also continued in April.** Truck sales witnessed a third consecutive month of growth in April at 1.2% y/y. Light trucks now represent almost three-quarters of the Canadian auto market.

**There continues to be variability and month-to-month volatility across provinces.**

- On a year-to-date basis, Central Canada is trending around the national average with a drop in April sales of 4% y/y. Ontario was slightly stronger with only a 3% drop y/y while Quebec's April sales came in about 5% y/y lower. An unusually cold April likely dampened sales. Sales in both provinces should firm up slightly towards the end of the year in line with near term growth outlooks, but still below their strong performances in 2018.
- Western Canada continues to underperform against the national trend with a drop of 5.7% y/y in April. Alberta and British Columbia both experienced declines in April sales of about 5% y/y and 6.5% y/y respectively. Going forward, BC sales are expected to pick up to finish the year in positive growth territory, whereas we expect a continued drag on Alberta sales through year-end.
- April sales in Atlantic Canada reversed faced a sharp pull back of around 10% y/y with all four provinces hovering around this figure. This follows two months of relatively strong growth, albeit coming off a weak base in 2018. With modest growth

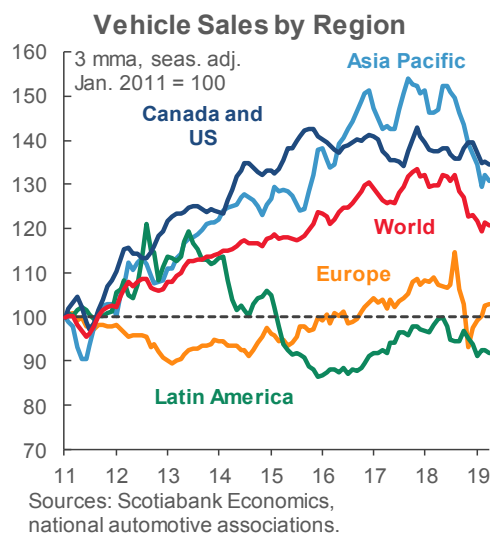
### CONTACTS

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Motor Vehicle Sales			
	Mar '19	Apr '19	Jan-Apr '19
	(y/y % change)		
<b>World</b>	-4.9	-7.9	-6.9
<b>North America</b>			
Canada	-2.5	-3.5	-3.9
US	-2.4	-1.7	-2.2
Mexico	-1.2	-10.2	-3.7
<b>South America</b>			
Argentina	-57.6	-60.9	-57.8
Brazil	-0.2	5.5	8.8
Chile	-9.5	-7.8	-4.6
Colombia	2.7	0.2	0.2
Peru	-7.1	-19.2	-5.8
<b>Western Europe</b>			
France	-2.3	0.4	-0.4
Germany	-0.5	-1.1	-0.2
Italy	-9.6	1.5	-4.7
Spain	-4.3	4.9	-9.2
UK	-3.4	-4.1	-2.7
<b>Eastern Europe</b>			
Russia	1.8	-2.7	-1.1
Turkey	-36.6	-41.8	-44.1
<b>Asia Pacific</b>			
Australia	-7.1	-9.0	-8.3
China	-6.9	-17.7	-14.7
India	-1.7	-15.0	-4.5
Japan	-4.0	3.3	0.0
Korea	-5.7	-3.6	-3.2

Sources: Scotiabank Economics, Wards Auto, national automotive associations.

Chart 1



prospects across the region, sales performance will continue to trend downward for the remainder of the year. Newfoundland and Labrador may get a small boost in fleet sales related to major project activity but this will only marginally offset retail sales declines.

### **US: CONFIRMS TREND COOL-DOWN**

**US sales continue their steady decline in line with moderating growth.** April sales fell by 1.7% y/y, a very modest improvement over the prior two months, but nevertheless a continued year-over-year decline for the fourth consecutive month. April tax refunds provided little impetus to sales this year. Despite significant changes to personal income taxes under the Tax Cuts and Jobs Act (TCJA), refunds were down by a modest 2% from last year given offsetting lower withholding taxes. The temporary boost to March's sales of 17.5 mn saar units (6.5% m/m sa), following rough weather and the federal government shut-down, is largely erased by April's performance at 16.4 mn saar units (minus 5.8% m/m sa), bringing the year-to-date average to 16.8 mn saar units, where we forecast annual sales to land for 2019. This reflects a drop from 2018 sales of 17.2 mn which benefited from strong growth and a highly accommodative policy environment including corporate tax incentives and accelerated depreciation allowances under the TCJA.

### **MEXICO: FACING A SET-BACK**

**Mexican auto sales witnessed a sharp contraction in April reflecting heightened policy uncertainty.** Sales fell sharply by 10.2% y/y, ending a three-month positive streak in month-on-month purchase increases. Minimum wage increases underpinned stronger sales activity earlier in the year despite a moderating economy, however heightened domestic and trade policy uncertainty weighed heavily on April's performance. We expect a modest sales rebound ahead with recent resolutions on the trade front, but still trending downward reflecting high interest rates and a slowing economy.

### **ASIA-PACIFIC: CHINA RESUMES STEEP DECLINE**

**Chinese auto sales resumed a strong contraction following last month's temporary reprieve.** The March let-up (i.e., only a 6.9% y/y decline) has proven temporary and likely related to Lunar New Year timing. April witnessed a year-on-year drop of 17.7%, roughly in line with double-digit contractions in the six-month period through February, with escalating trade tensions with the US weighing on April numbers. The early introduction of new vehicle emissions standards by some provinces also created some headwind to April sales—though boosted new energy vehicle (NEV) sales by 18% for April, now representing about 5% of new sales. We anticipate year-on-year sales to continue to contract over the next quarter, coming off last year's high base, but we should see an easing in the decline later in the year with additional government support and easing trade tensions.

**Indian auto sales plunged in April by 15% y/y amid heightened political uncertainty.** Year-to-date sales stand at negative 4.5% y/y. Sales had already been trending modestly downward against rising interest rates, increasing fuel costs, and more stringent insurance requirements in earlier months (i.e., March ytd growth at minus 1% y/y), so April represents an abrupt shift, likely reflecting political uncertainty due to pending elections. With elections behind them and a supportive policy environment, trend growth should resume in the coming months.

### **EUROPE: REBOUND CONTINUES, SPREADING TO OTHER COUNTRIES**

**European Union sales continue their solid recovery with six consecutive months of growth.** Recall, sales tumbled in September 2018 with the introduction of new emissions standards in the European Union. Germany, France, and the UK had experienced a bounce-back to positive year-on-year growth last month, whereas Italy and Spain have caught up, both posting positive year-on-year growth for April. Meanwhile, German sales in April have pulled back modestly toward trend growth with a 1.1% y/y contraction in line with a slowing economy. UK sales dropped precipitously by 4.1% y/y in April, amid renewed political uncertainty around Brexit. Overall, we expect a slow but steady rebound for the European Union with 2019 sales to land on par with 2018 sales at 14.2 mn units.

### **SOUTH AMERICA: STRONG BRAZILIAN GROWTH MASKS BLEED IN OTHER COUNTRIES**

**Brazilian auto sales resumed trend growth (at 5.5% y/y) in April with year-to-date growth at 8.8% y/y.** This follows two months of sales data grossly skewed by Carnival timing. We expect sales growth to continue through the remainder of the year, mirroring the country's economic recovery and a low interest-rate environment, but softening somewhat to around 7% y/y by the end of the year amid cautious business sentiment regarding the potential contingent liabilities of the government related to pension reform.

**Otherwise, the retrenchment in sales in the region has deepened.** Year-to-date sales for April are down by 10.9% y/y with a pronounced effect from Argentina where sales continue to plunge (60.9% y/y for April), and, to a lesser extent, Peru and Chile which experienced drops of 19.2% y/y and 7.8% y/y respectively. Nevertheless, we expect strong Brazilian performance will fully offset declines in the rest of the region, with South America sales to edge up slightly to 3.8 mn units in 2019 from 3.7 mn in 2018.

**Table 1 — International Motor Vehicle Sales Outlook (mns units)**

	2000–15	2016	2017	2018	2019f
<b>Total Sales</b>	<b>54.9</b>	<b>77.3</b>	<b>79.0</b>	<b>78.6</b>	<b>78.7</b>
<b>North America*</b>	<b>17.9</b>	<b>21.0</b>	<b>20.7</b>	<b>20.6</b>	<b>20.1</b>
Canada	1.62	1.95	2.04	1.98	1.94
United States	15.24	17.46	17.13	17.21	16.80
Mexico	0.99	1.60	1.53	1.42	1.36
<b>Western Europe</b>	<b>13.7</b>	<b>14.0</b>	<b>14.3</b>	<b>14.2</b>	<b>14.2</b>
Germany	3.23	3.35	3.44	3.44	3.43
<b>Eastern Europe</b>	<b>3.1</b>	<b>3.1</b>	<b>3.4</b>	<b>3.4</b>	<b>3.5</b>
Russia	1.87	1.43	1.60	1.80	1.86
<b>Asia</b>	<b>17.1</b>	<b>36.1</b>	<b>37.1</b>	<b>36.8</b>	<b>37.1</b>
China**	7.31	23.57	24.20	23.44	23.50
India	1.23	2.09	2.19	2.37	2.47
<b>South America</b>	<b>3.2</b>	<b>3.1</b>	<b>3.5</b>	<b>3.7</b>	<b>3.8</b>
Brazil	1.94	1.39	1.50	1.71	1.82

\*Includes light trucks. \*\*Includes crossover utility vehicles from 2005.

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

**Table 2 — Canada & US Motor Vehicle Sales and Production Outlook**

	2000–15	2016	2017	2018	2019	
					Jan-Apr	fcst
	(thousands of units, annualised)					
<b>Canada**</b>	<b>1,668</b>	<b>1,949</b>	<b>2,041</b>	<b>1,984</b>	<b>1,946</b>	<b>1,940</b>
Cars	776	662	644	576	516	485
Domestic	490	439	438	378	355	333
Imports	286	223	206	197	162	152
Light trucks	892	1,287	1,397	1,408	1,430	1,455
	(millions of units, annualised)					
<b>United States</b>	<b>14.40</b>	<b>17.50</b>	<b>17.10</b>	<b>17.21</b>	<b>16.76</b>	<b>16.80</b>
Cars	6.90	6.90	6.10	5.30	4.95	4.50
Light trucks	7.50	10.60	11.00	11.91	11.81	12.30
	(millions of units, annualised)					
<b>North American Production*</b>	<b>14.63</b>	<b>18.15</b>	<b>17.48</b>	<b>17.46</b>	<b>16.93</b>	<b>17.63</b>
Canada	2.24	2.37	2.19	2.02	1.96	1.93
United States	9.80	12.18	11.23	11.32	11.01	11.50
Mexico	2.59	3.60	4.06	4.11	3.96	4.20

\*Includes light, medium and heavy trucks. \*\*Canadian sales are Scotiabank estimates.

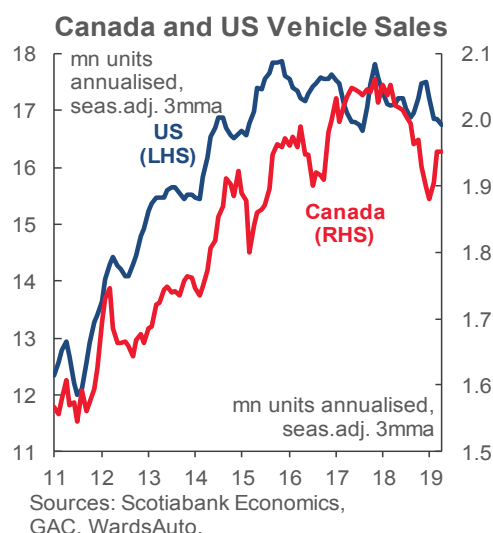
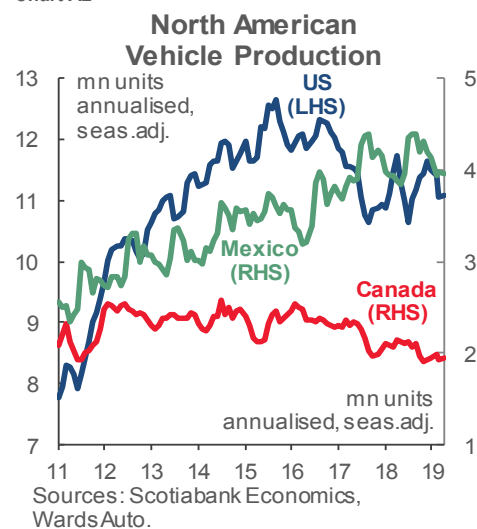
Sources: Ward's Automotive Reports, Statistics Canada.

**Table 3 — Provinces Motor Vehicle Sales Outlook (mns units ann.)\* \*\***

	2000–15	2016	2017	2018	2019f
<b>Canada</b>	<b>1,668</b>	<b>1,948</b>	<b>2,040</b>	<b>1,984</b>	<b>1,940</b>
<b>Atlantic</b>	<b>125</b>	<b>140</b>	<b>143</b>	<b>125</b>	<b>124</b>
<b>Central</b>	<b>1,034</b>	<b>1,264</b>	<b>1,299</b>	<b>1,302</b>	<b>1,261</b>
Quebec	411	458	462	449	432
Ontario	623	806	837	853	829
<b>West</b>	<b>509</b>	<b>544</b>	<b>598</b>	<b>557</b>	<b>555</b>
Manitoba	49	55	62	67	60
Saskatchewan	49	51	56	47	48
Alberta	232	220	245	226	221
British Columbia	179	218	235	217	226

\*Includes cars and light trucks. \*\*Scotiabank estimates.

Sources: Statistics Canada, Canadian Vehicle Manufacturers' Association.

**Chart A1**

**Chart A2**

**Chart A3**
**Canada Vehicle Sales by Region**


**Table 4 — Canadian Car Sales Share By Manufacturer (000s units)\***

	2018 Jan to Apr		2019 Jan to Apr		2018 Apr		2019 Apr	
	Units	% of total	Units	% of total	Units	% of total	Units	% of total
<b>Total Sales</b>	<b>49.4</b>	<b>100.0</b>	<b>44.6</b>	<b>100.0</b>	<b>57.9</b>	<b>100.0</b>	<b>48.9</b>	<b>100.0</b>
<b>Big Three</b>	<b>8.9</b>	<b>18.0</b>	<b>6.3</b>	<b>14.0</b>	<b>12.3</b>	<b>21.2</b>	<b>6.9</b>	<b>14.2</b>
Fiat-Chrysler	1.2	2.5	1.1	2.5	2.2	3.8	0.6	1.3
Ford	2.7	5.4	2.2	5.0	3.9	6.8	2.7	5.5
General Motors	5.0	10.1	2.9	6.5	6.2	10.6	3.6	7.4
<b>Japanese</b>	<b>20.6</b>	<b>41.8</b>	<b>17.3</b>	<b>38.7</b>	<b>24.7</b>	<b>42.7</b>	<b>22.7</b>	<b>46.5</b>
Honda	6.9	14.1	6.4	14.3	8.0	13.9	7.5	15.4
Toyota	6.2	12.6	5.5	12.4	8.5	14.7	8.4	17.1
Nissan	3.5	7.0	2.3	5.2	2.7	4.7	2.5	5.1
Mazda	2.4	4.8	1.8	4.0	3.1	5.4	2.8	5.7
Mitsubishi	0.4	0.9	0.3	0.6	0.5	0.9	0.2	0.4
Subaru	1.2	2.5	1.0	2.3	1.8	3.1	1.4	2.9
<b>European</b>	<b>7.9</b>	<b>15.9</b>	<b>6.9</b>	<b>15.5</b>	<b>9.6</b>	<b>16.6</b>	<b>9.2</b>	<b>18.8</b>
BMW	1.6	3.2	1.2	2.7	2.1	3.6	1.9	3.9
Mercedes-Benz	1.7	3.4	1.3	3.0	1.8	3.1	1.5	3.0
Volkswagen Group	4.3	8.8	4.2	9.3	5.5	9.4	5.6	11.5
Volvo	0.1	0.3	0.2	0.4	0.1	0.3	0.2	0.4
Other	0.2	0.3	0.1	0.1	0.1	0.2	0.0	0.1
<b>Rest of the world</b>	<b>12.0</b>	<b>24.2</b>	<b>14.2</b>	<b>31.8</b>	<b>11.3</b>	<b>19.5</b>	<b>10.1</b>	<b>20.5</b>
Hyundai	4.4	9.0	4.1	9.1	6.4	11.0	6.6	13.4
KIA	2.7	5.6	2.7	6.0	3.9	6.7	3.5	7.1
All other	4.8	9.7	7.4	16.7	1.0	1.8	-	0.0

\*Sources: Scotiabank Economics, Global Automakers of Canada.

**Table 5 — Canadian Truck Sales Share By Manufacturer (000s units)\***

	2018 Jan to Apr		2019 Jan to Apr		2018 Apr		2019 Apr	
	Units	% of total	Units	% of total	Units	% of total	Units	% of total
<b>Total Truck Sales</b>	<b>117.2</b>	<b>100.0</b>	<b>117.5</b>	<b>100.0</b>	<b>141.1</b>	<b>100.0</b>	<b>143.5</b>	<b>100.0</b>
<b>Total Light Truck Sales</b>	<b>117.2</b>	<b>100.0</b>	<b>117.5</b>	<b>100.0</b>	<b>141.1</b>	<b>100.0</b>	<b>143.5</b>	<b>100.0</b>
<b>Big Three</b>	<b>61.7</b>	<b>52.6</b>	<b>59.6</b>	<b>50.8</b>	<b>74.1</b>	<b>52.5</b>	<b>74.8</b>	<b>52.1</b>
Fiat-Chrysler	19.8	16.9	17.7	15.0	20.8	14.8	20.2	14.1
Ford	20.1	17.2	20.5	17.5	26.1	18.5	26.1	18.2
General Motors	18.6	15.9	18.0	15.3	23.4	16.6	24.6	17.1
Other Domestic	3.1	2.7	3.5	2.9	3.8	2.7	4.0	2.8
<b>Japanese</b>	<b>35.1</b>	<b>30.0</b>	<b>36.1</b>	<b>30.7</b>	<b>41.4</b>	<b>29.3</b>	<b>42.5</b>	<b>29.6</b>
Honda	8.0	6.9	8.1	6.9	9.5	6.7	9.2	6.4
Toyota	10.9	9.3	11.6	9.9	13.4	9.5	14.9	10.4
Nissan	8.0	6.9	8.4	7.2	8.4	6.0	9.1	6.3
Mazda	3.5	3.0	3.0	2.5	4.2	2.9	3.5	2.4
Mitsubishi	1.6	1.4	2.1	1.8	2.1	1.5	2.1	1.5
Subaru	3.0	2.6	2.9	2.5	3.9	2.8	3.8	2.7
<b>European</b>	<b>10.3</b>	<b>8.8</b>	<b>10.0</b>	<b>8.5</b>	<b>12.5</b>	<b>8.8</b>	<b>12.1</b>	<b>8.4</b>
BMW	2.0	1.7	2.1	1.8	2.6	1.8	2.7	1.9
Mercedes-Benz	2.5	2.2	2.2	1.9	2.9	2.1	2.3	1.6
Volkswagen Group	4.2	3.6	4.0	3.4	5.2	3.7	5.0	3.5
Volvo	0.6	0.5	0.6	0.5	0.8	0.5	0.8	0.6
Other	1.1	0.9	1.1	1.0	1.0	0.7	1.2	0.8
<b>Rest of the world</b>	<b>10.1</b>	<b>8.6</b>	<b>11.8</b>	<b>10.0</b>	<b>13.1</b>	<b>9.3</b>	<b>14.1</b>	<b>9.9</b>
Hyundai	4.1	3.5	5.4	4.6	6.2	4.4	6.7	4.7
KIA	2.6	2.2	2.9	2.5	3.4	2.4	4.0	2.8
All other	3.5	2.9	3.5	2.9	3.5	2.4	3.5	2.4

\*Sources: Scotiabank Economics, Global Automakers of Canada.

**Table 6 — Car Sales By Province (000s units)**

	2018 Jan to Apr	2019 Jan to Apr	2018 Apr	2019 Apr
<b>CANADA</b>	<b>123.39</b>	<b>104.97</b>	<b>53.59</b>	<b>48.28</b>
<b>ATLANTIC</b>	<b>7.26</b>	<b>6.29</b>	<b>3.09</b>	<b>2.93</b>
Newfoundland and Labrador	1.46	1.16	0.61	0.54
Prince Edward Island	0.38	0.44	0.15	0.22
Nova Scotia	3.52	2.92	1.52	1.35
New Brunswick	1.91	1.77	0.82	0.83
<b>CENTRAL</b>	<b>87.04</b>	<b>74.94</b>	<b>39.21</b>	<b>35.06</b>
Quebec	33.93	27.92	15.52	13.34
Ontario	53.11	47.02	23.68	21.72
<b>WEST</b>	<b>29.09</b>	<b>23.75</b>	<b>11.29</b>	<b>10.28</b>
Manitoba	3.30	2.53	1.14	0.93
Saskatchewan	1.67	1.39	0.55	0.63
Alberta	9.01	7.04	3.53	3.24
British Columbia	15.11	12.79	6.07	5.48

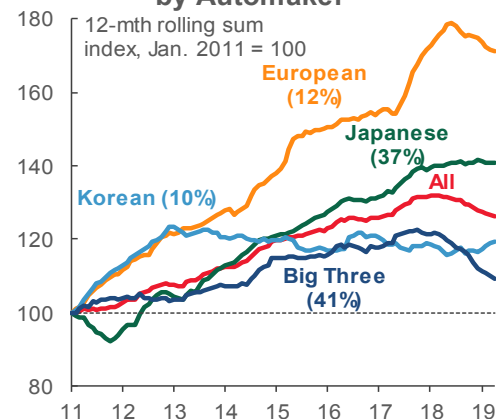
Source: Statistics Canada.

**Table 7 — Truck Sales By Province (000s units)\***

	2018 Jan to Apr	2019 Jan to Apr	2018 Apr	2019 Apr
<b>CANADA</b>	<b>315.43</b>	<b>317.52</b>	<b>131.88</b>	<b>138.24</b>
<b>ATLANTIC</b>	<b>18.13</b>	<b>19.77</b>	<b>3.09</b>	<b>8.85</b>
Newfoundland and Labrador	4.41	4.76	0.61	2.05
Prince Edward Island	0.90	1.13	0.15	0.52
Nova Scotia	6.79	7.45	1.52	3.36
New Brunswick	6.04	6.43	0.82	2.93
<b>CENTRAL</b>	<b>194.94</b>	<b>197.04</b>	<b>86.92</b>	<b>88.86</b>
Quebec	62.48	64.23	29.27	29.36
Ontario	132.46	132.82	57.66	59.50
<b>WEST</b>	<b>102.37</b>	<b>100.71</b>	<b>41.86</b>	<b>40.52</b>
Manitoba	13.42	12.56	5.14	3.98
Saskatchewan	9.07	9.44	3.75	3.80
Alberta	43.62	42.58	17.78	17.92
British Columbia	36.26	36.13	15.19	14.82

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

Chart A4

**Canada Vehicle Sales  
by Automaker\***


Sources: Scotiabank Economics, GAC.

\*market share in parentheses.

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