

Canadian auto sales on record pace: Scotiabank

TORONTO — Incentives from automakers have boosted Canadian sales of light vehicles and put the country on track to hit an annual sales record this year, according to a Scotiabank report issued Thursday. Canadian passenger vehicle sales averaged a seasonally adjusted annual rate of 1.75 million units in April and May, well above the bank's previous full-year forecast, it said. "As a result, we are increasing our 2013 Canadian passenger vehicle sales forecast to a record 1.72 million units from 1.69 million," Scotiabank said in its monthly report on the global auto industry. The estimate assumes that automakers will maintain current incentives through the end of 2013, it added. Globally, Scotiabank says auto sales grew at a 3.5 per cent pace year-year in May, down from an average growth rate of five per cent in the previous four months. The slower sales gains reflected a recent softening in Eastern Europe, especially Russia, as well as in India, along with ongoing declines in the countries that use the euro currency. Outside of these regions, activity remained strong, led by double-digit gains in South America, particularly Brazil, and in China. However, the bank says the pace of growth in Brazil is likely to moderate in coming months as a result of 75-basis-point increase in interest rates since late last year and high inflation. Auto loan rates in Brazil have climbed by more than a percentage point since March and now exceed 20 per cent, it said. Meanwhile, despite a weakening in China's economic momentum, Scotiabank said it continues to expect a 10 per cent increase in vehicle sales in China this year as employment growth and urban income growth show no sign of abating. Of particular interest is data from IHS Automotive showing crossover utility vehicle sales have been posting explosive growth in China in recent years, including a 20 per cent surge in 2012 — triple the increase in China in car sales — to 2.5 million units. Estimates suggest that these models will account for one-quarter of the passenger vehicle market in China by 2020 as consumers are increasingly attracted to the practicality and fuel economy of these all-wheel-drive vehicles. In India, this segment remains small by global standards, with sales of 360,000 units last year or 15 per cent of the market. However, estimates suggest that volumes could exceed one million units by the end of the decade, enabling India to become the third-largest CUV market in the world behind the United States and China. Scotiabank said Canada would seem to be well positioned to be a significant beneficiary of the rising popularity of cross-over utility vehicles since they account for 40 per cent of Canadian vehicle production, a percentage expected to rise as Toyota continues to ramp up RAV4 output in Woodstock, Ont. "However, the reality is that, with the exception of the Ford Edge assembled in Oakville, Ont., almost all of the crossovers produced in Canada remain in North America — either in Canada or exported to the United States," it said. "Instead, most automakers are opting to build new plants to assemble these popular models in the jurisdiction where these vehicles are being sold and are not considering Canada — the premier CUV manufacturing nation in North America — as an export base from which to ship these vehicles overseas." ctvnews.ca