

Economy, low rates push Canadian auto sales to record

By Greg Keenan

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Car buyers stomped on the accelerator pedal in Canada last month, sending sales soaring 11 per cent from May, 2016, levels and shattering the monthly record hit in April, 2016.

Auto makers delivered 216,861 vehicles in May, only the second time ever that sales have topped 200,000 in a single month – last April was the only previous occasion. That put the total for the first five months of this year 5 per cent ahead of the pace in 2016, which was a record year.

“Big wheel keeps on turning,” Bank of Montreal chief economist Douglas Porter said in an e-mail. “The main story is just how consistently strong vehicle sales remain.”

Sales are underpinned by strong growth in employment and population, Mr. Porter said, as well as ultralow borrowing costs that are boosting demand for big-ticket items.

Auto makers themselves have helped jolt demand with six- or seven-year interest-free loans. About 52 per cent of Canadians who took out car loans in April borrowed money for seven years or longer, according to consulting firm J.D. Power and Associates, down slightly from 53 per cent in March.

Several auto makers reported record monthly totals or their highest level of May sales. Only BMW Canada Inc. and Volkswagen Canada Inc. reported sales declines.

The fundamentals in the Canadian market remain strong, said industry analyst Dennis DesRosiers, president of DesRosiers Automotive Consultants Inc.

One factor providing a strong base for sales is replacement demand. Canadians bought a record number of new vehicles between the

economic dip after the Sept. 11 attacks in 2001 and the 2008-09 recession and they are just now beginning to come off the road, Mr. DesRosiers noted.

“We [also] have record numbers of new products entering the marketplace jam-packed with technology that consumers love,” he added. Also, employment growth is strong “and if you have a job in this country, you need a vehicle.”

His consulting firm has increased its 2017 light-vehicle sales forecast to 1.97 million vehicles from its earlier forecast of 1.908 million.

The Canadian market has been in record territory every year since 2013, with last year’s total hitting 1.948 million.

That has fuelled a corresponding increase in employment at dealerships in Canada.

Dealers employed 151,235 Canadians last year, up from 132,155 in 2010.

Mr. Porter noted that growing sales of more expensive vehicles make the market’s performance even more impressive.

That was borne out in sales totals for luxury brands, several of which outperformed the market last month.

Jaguar sales soared 166 per cent, Audi sales jumped 17 per cent followed by Porsche’s 16-per-cent gain and increases of 15 per cent and 12 per cent respectively for the Acura division of Honda Canada Inc. and the Lexus unit of Toyota Canada Inc.

Auto makers reported flat sales in the U.S. market, which is regarded as a positive sign after two months of declines.