

Auto industry GDP growth slowing

Real gross domestic product (GDP) of motor vehicle manufacturing industries in Canada decreased 1.6% in August from July, seasonally adjusted (SA), according to the latest estimate from Statistics Canada. That follows a 1.9% increase in July.

Central 1 Credit Union estimates 3rd quarter growth at 3.1%, down from 4.1% in the 2nd quarter. Slower growth reflects a broader slowdown in economic growth in the U.S. in the 2nd quarter and in Canada in the 3rd quarter.

In the U.S., vehicle sales improved slightly in September, to a seasonally adjusted annualized rate (SAAR) of 11.8 million units. That is the strongest month since last August when the market was lifted by the “cash for clunkers” program. U.S. vehicle sales depend on employment conditions and consumer sentiment, neither of which is expected to boost sales in the next few months.

In Canada, new motor vehicle sales fell by 4.8% in August, following three consecutive monthly increases. Preliminary estimates point to a 4% gain in September, although broader data suggest very weak consumer spending on durable goods in the 3rd quarter.

Ontario accounts for over 90% of Canada's total motor vehicle manufacturing output. Motor vehicle manufacturing accounts for less than 4% of Ontario's total GDP. As of August, auto manufacturing output in Canada remains at only three-quarters of pre-recession levels. Given the outlook for auto sales in North America, it will likely be years before production regains those earlier highs.

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