



Canada -Effects of Declining Oil Prices on Automotive Sector

Stefan Popescu
Sonia Hukil
March 2015

AUTOMOTIVE SECTOR OVERVIEW

- ✿ The Automotive sector is an important manufacturing industry in Canada, capping a record hit of auto sales since the end of recession
- ✿ New record 1.85 million light vehicles sold in Canada during 2014, up 6% from 2013
- ✿ Canadian imports of vehicles (cars, light and heavy duty trucks) totaled US\$41.1 billion in 2014, an increase of 3% from 2013
- ✿ Production of light vehicles decreased by 5% in 2014 in Canada
- ✿ Canada imported parts and components totaling US\$24.9 billion

EFFECTS OF LOW OIL

- ✿ Low Oil prices increased the consumer spending availabilities and are expected to drive further light vehicles sales growth (except in Alberta)
- ✿ Sales continue to grow, Jan-Feb 2015, being further 9.2% up over last year
- ✿ A lower demand for hybrid and electric cars is expected, given lower gasoline prices
- ✿ Positive estimates for the auto sector, with RBC predicting equal sales to last year while ScotiaBank predicting a small increase (1.86 million) this year
- ✿ Automotive manufacturing will benefit from lower transportation and production costs due to lower oil prices
- ✿ Automotive exports will benefit from lower Canadian Dollar impacted by oil prices
- ✿ However, total automobile manufacturing in Canada is decreasing but mainly due to OEMs current strategy reallocating their North American production, not necessarily related to oil prices. Note that Canada with approximately 10% of North America sales had almost 18% of production which now decreased to approximately 13%.
- ✿ Investment in existing automotive manufacturing capacities will continue for further modernizations and increased productivity and efficiencies, favored also by lower Canadian \$
- ✿ Investment in new manufacturing capacities are unlikely due to the OEMs current strategy
- ✿ The auto sales may slow slightly after the central bank will raise interest rates but that is not expected for this year

BEST PROSPECTS

- ✿ The demand for cars and light trucks and components will continue to be strong
- ✿ Aftermarket will also continue to be strong
- ✿ Further opportunities in modernization equipment for existing manufacturing capacities

CONTACT

Anya Yablonska, Commercial Assistant
Anya.Yablonskal@trade.gov
<http://www.trade.gov/Canada>

U.S. Commercial Service Toronto
Telephone: 416-595-5412 ext. 229