



## TD Economics

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### Data Release: Vehicle sales retreat in July, but remain elevated

- New vehicle sales fell by 2.7% m/m to 16.40 million (annualized) units in July, well below the consensus forecast of 16.70 million units expected by surveyed economists.
- Subaru (+27.0% y/y), Mitsubishi (+21.4 y/y), and Mazda (+17.1% y/y) were the top performers on the month, while sales of Toyota (+11.6% y/y), Nissan (+11.4% y/y), Ford (+9.5% y/y) and GM (+9.4% y/y) also posted decent gains.
- Relative to this time last year, sales of Volvo (-17.2% y/y), Volkswagen (-10.0% y/y), and Honda (-3.9% y/y) all declined.

### Key Implications

- While the headline number came in below the consensus forecast, one cannot overlook the exceptional run that vehicle sales have had over the last two months. Even after accounting for July's pullback, total sales remain 6.8% (+700k units) higher relative to this time last year.
- With sales remaining elevated, auto financing activity has picked up markedly over the last year and is currently expanding at a record pace – averaging year-over-year growth of 13.0% in Q2 of 2014. While this breakneck pace cannot be sustained indefinitely, record low interest rates alongside an ongoing easing in credit standards should continue to support auto loans over the course of the next year.
- The recent slowdown in the housing recovery has had a knock-on effect for light truck sales. However, we expect this trend to reverse over the latter half of this year, as construction activity picks-up and the housing recovery gets back on a firmer footing. Moreover, ongoing improvements in the labor market in combination with a stronger household balance sheet should continue to support auto sales over the remainder of 2014 and into next year. Our current call has sales averaging 16.4M units this year, before accelerating to 17.0M in 2015.

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