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TD Economics

Data Release: Auto sales continue to hum along at a healthy pace

- U.S. auto sales tallied 17.5 million units in February (at a seasonally-adjusted annualized rate) – right in line with the pace recorded in January, but down slightly from the 17.6 million unit pace seen a year ago.

- Results among the top selling automakers were a mixed bag. GM (+4%), Nissan (+4%) and Honda (+2%) posted gains relative to year ago levels, while Kia (-14%), FCA (-10%), Toyota (-7%) and Ford (-4%) recorded sales declines. Hyundai sales were flat during the month.

- Sales of passenger cars (-13% y/y) continued to struggle, while light trucks (+7% y/y) remained the key source of strength, and are sitting at a record 63% share of total sales.

Key Implications

- Auto sales continue to chug along at a healthy clip, although the pace so far this year is much slower than the 18 million unit average recorded in the final quarter of 2016. As such, lower auto sales will likely be a drag on consumer spending growth in the first quarter of 2017.

- While sales appear to be running strong, there are some cracks that suggest the underlying strength in demand may be fading. Anecdotal evidence shows that incentive spending during the month surpassed 10% of average transaction prices – a record for the month of February. Meanwhile, inventories have been on the rise, prompting some automakers to adjust production.

- Notwithstanding, sales are expected to remain above the 17 million unit mark this year, as a healthy economy, strong labor market, and still-low interest rates continue to be supportive of demand for new vehicles.

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