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TD Economics

Data Release: Auto sales slow in January, but remain quite healthy

- U.S. auto sales kicked off 2017 at 17.5 million units (at a seasonally adjusted annualized rate). This is down from the 18.3 million unit pace recorded in December and the 17.8 million unit pace seen a year ago.
- Results were mixed; of the top eight selling brands, Nissan and Honda led the year-on-year gains, both up 6%, while Hyundai was up 3%. Meanwhile, Toyota and FCA each recorded a drop of 11% from a year ago. More modest declines were recorded by Ford (-1% y/y), GM (-4% y/y) and Kia (-7% y/y).
- Light trucks remained in high demand, up 6% y/y, while passenger cars continued their descent, falling by 13% y/y in January.

Key Implications

- Despite the deceleration in sales relative to December and year-ago levels, auto sales remain on a very solid footing. Indeed, a sales pace above the 17 million unit mark is very healthy for the industry.
- However, there are some signs that auto sales may not be as strong as they appear: inventory levels are elevated, incentives have been on the rise, and fleet sales have been growing. As such, automakers will have to exercise some discipline with respect to production and incentives in the coming quarters in order to keep the industry healthy.
- That said, strong employment and wage gains, combined with favorable financing conditions, should bode well for demand throughout 2017, helping to keep auto sales chugging along close to current levels.

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