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TD Economics

Data Release: U.S. auto sales disappoint in June

- New vehicle sales took a breather in June, with the seasonally adjusted annualized rate falling to 16.6 million units. This brings the second quarter tally to 17.1 million units, which is in line with sales in the first quarter.
- Despite the disappointing sales result, most of the top selling brands recorded gains versus year-ago levels. Kia (+15.6%) and Nissan (+13.1%) led the pack, followed by FCA (+6.7%), Ford (+6.2%) and Honda (+3.2%). Hyundai sales were flat, while GM (-1.6%) and Toyota (-5.6%) recorded declines in June.
- A key source of weakness continues to be the car segment, where sales were down 12% in June and 8% over the first six months of the year. Meanwhile, sales of light trucks rose 6% in June, 8% through the first half of the year, and have accounted for 60% of total sales so far this year.

Key Implications

- Auto sales appear to be losing some momentum, which isn't surprising given the massive run-up recorded in recent years and the sating of pent-up demand. Still, sales through the first half of the year are slightly ahead of last year, and are expected to pick up through the summer months.
- Indeed, fundamentals remain in place that should support stronger auto sales over the second half of the year - interest rates remain low, loan terms have been extended, wages are on the rise and employment has continued to grow. These factors should help to propel auto sales back above the 17 million unit mark in the coming months.
- That said, global events such as the UK's vote in favor of leaving the EU may hinder confidence, and limit the upside. Overall, the final tally for 2016 is likely to be close to the 17.4 million units recorded last year.

Dina Ignjatovic, Economist
416-982-2555

@TD_Economics

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