



Born in the USA

North American production set to defy the downturn in sales in 2019

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Light Vehicle demand in North America is expected to fall by nearly 2% in 2019, primarily as a result of the US market, where more expensive financing and pressure from the used-car market will weigh on new vehicle sales. Despite this contraction, however, we expect to see a slight increase in North American production this year.

“Overall sales of imported vehicles increased by just over 2%”

Looking back at 2018, overall sales of imported vehicles increased by just over 2%, with imported SUV sales in particular skyrocketing by more than 15%, due to a lack of regionally produced models to meet the ever-growing demand for this bodystyle. In order to fill this gap, production will outpace sales in the region in the coming year, with output of all-new SUV entries (i.e. vehicles that have never been sold in the region before, or have not been sold for several years) set to increase dramatically. Amongst the models that will support this shift towards higher localised SUV production will be GM’s Chevrolet Blazer and Cadillac XT6, as well as the Subaru Ascent, Kia Telluride and BMW X7.

Likewise, the shift in consumer preference in favour of Pickups is also benefitting regional production. Sales of Midsize Pickups in particular are set to increase by nearly 12% this year, while the US Chicken Tax on Pickups will mean that the majority of those vehicles

will not be imported into the region. New entries, such as the Ford Ranger and Jeep Gladiator, will provide a boost to regional output as Pickups take up a larger portion of the new vehicle sales mix.

As the bulk of the production growth this year will be driven by new entries, previously imported models – also known as ‘localised models’ – will also fuel production growth. Localised models like the Volvo S60 and BMW 3 Series, as well as the Toyota RAV4 – which, historically, had sales split between imports from Japan and local production out of Canada, but will now be exclusively produced in Canada for the North American market – will all add incremental production volume to the region. While there is some exposure in today’s trade climate, the advantages of building where you sell still outweigh the risks.

Together, the combined output growth from these new entries and localised models should offset lower production volumes of existing models. And it will come as little surprise that 55% of that decline will be felt in the Car segment (i.e. sedans, hatchbacks and coupés).

That being said, risk to our North American production forecast is skewed to the downside, as factors such as pressure on demand – especially on regionally produced Cars – and the ongoing possibility of retaliatory tariffs will continue to weigh heavily on the industry in 2019.

New models drive production growth in North America

