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## TD Economics

### Data Release: U.S. auto sales reach record high in 2015 despite a disappointing December

- U.S. auto sales disappointed in December, coming in at 17.2 million units – the lowest level seen since June and well below the 18.1 million units recorded in each of the last three months.
- Still, December's drop didn't stop the industry from recording its best sales tally ever, as it hit 17.39 million units for the year as a whole. The previous peak of 17.35 million units was reached in 2000.
- Of the eight leading brands, Kia (+19%), Nissan (+19%), FCA (+13%), Toyota (+11%) and Honda (+10%) all posted double digit gains relative to year-ago levels, while Ford (+8%) and GM (+6%) were not far behind. Hyundai (-2%) was the sole automaker to see sales decline in December.
- After plunging by 25% in November, Volkswagen sales slipped by 9% in December, a mirror image of the 9% gain industrywide.

### Key Implications

- 2015 started off on a soft note, but turned into one of the best years ever for auto sales. A healthy economy, rising employment, increased credit availability and favorable financing conditions all contributed to the higher-than-expected growth in sales.
- Looking ahead, the joyous ride is expected to continue as these supportive economic and lending conditions remain in place. Indeed, the rate hike by the Fed last month signals that the U.S. economy is strong, and even with the bump, interest rates remain extremely accommodative. While further rate hikes are expected this year, they will be gradual and unlikely to derail auto sales. In fact, automakers may opt to offset the higher rates with higher incentives or lower margins in order to keep demand elevated.
- Overall, we expect auto sales in the U.S. to grow modestly this year, before edging down in 2017.

**Dina Ignjatovic, Economist**  
416-982-2555

 @TD\_Economics

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