



# HEARST AUTOS INSIGHTS

CANADA Q1-Q2 2023





## As the leading automotive media organization in the world, Hearst Autos connects

car buyers, owners, and enthusiasts to the information they need, the experiences they crave, and the stories they love—while connecting automotive marketers to this audience of unrivaled breadth and diversity.

With insight into the shopping activity of 1.9 million monthly visitors,<sup>1</sup> Hearst Autos has a unique view into emerging trends in consumer interest. We are thrilled to share a semi-annual view on this ever-changing industry—from the top segments, brands, and models, to an unrivaled understanding of what Canadian car-shoppers really want.

<sup>1</sup> comScore Media Metrix, Canada, January - March, 2023

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# MARKETPLACE AT A GLANCE

After a strong **5.2% gain** in the first quarter, Canada new vehicle sales through April are pacing **4.7% ahead** of the same period last year, bringing year-to-date totals to nearly 500,000 units. Although April’s selling rate slowed from previous months (1.48 million) and caused some concern in the industry, sales projections for the full year remain in the range of **1.6 to 1.7 million vehicles**.

Affordability and inventory are the key challenges facing the Canadian market. While supply related to microchip shortages has improved drastically, North America has already removed nearly 600,000 vehicles from its 2023 production schedule, and is anticipating another 500,000, or more, before year end. The financial pressure that consumers are facing from interest rates, high new and used prices, higher than average gas prices, and overall price inflation is causing many consumers to wait it out as long as they can.

Here are the numbers to follow for the first few months of the year:

## NEW CAR MARKET

1.64M<sup>1</sup>

Canada’s sales outlook according to Auto Forecast Solutions (AFS) is based on sales results through April. Despite a strong Q1, April caused many to be wary of weaker Spring months. Scotiabank is holding its forecast at 1.7 million in 2023 and increasing to 1.8 million in 2024.

42%<sup>2</sup>

Dealer inventory levels reached 42% of their pre-pandemic levels in the first quarter of 2023. While this is a significant improvement from last year (19%), it’s still eye opening to see just how far Canadian supply has fallen behind in the past two years.

\$61.8K<sup>3</sup>

Average new vehicle prices reached an all-time high at just shy of \$62k in the first quarter, climbing 17.4% above last year. Limited supply and high demand continue to impact the used car market as well, where average used car prices came in 5% over last year at \$39k.

Sources: <sup>1</sup>Automotive Forecast Solutions, May, 2023 and Scotiabank Global Auto Report, April, 2023, <sup>2</sup>DesRosiers Automotive Consultants and the Canadian Auto Dealers Association, May 2023, <sup>3</sup>Autotrader.ca Price Index, April 2023

On a company by company basis, monthly sales figures in Canada have largely been estimated since 2019 and 2020, when many manufacturers moved to quarterly reporting (for the public) only. The level of detail has varied across manufacturers, and as of late, Ford Canada announced that it will only report sales figures on a yearly basis. This change was part of a corporate decision to switch from reporting numbers by region, to reporting by each of its business units, Ford Blue (gas & hybrid), Ford Model e (electric vehicles), and Ford Pro (commercial). Many analysts across the industry are concerned about the lack of transparency this could bring, and are hoping Ford doesn’t set a new precedent for sales figures.

The Canadian economy has remained relatively strong, with stable and low unemployment rates, as well as new jobs that have exceeded labour market expectations. Despite inflation and interest rates, consumer sentiment showed signs of improvement in March, reaching its second-highest level in the past year. As we follow the market and all things that may impact the automotive industry in Canada, **here’s what we’ll be following throughout the remainder of 2023:**

### INFLATION & PRICING

Just as important as inventory is the level of inflation and affordability of vehicles. Whereas inventory constraints have hampered the supply side of the equation, inflation is causing weaker demand, especially among more price conscientious consumers. And pricing isn’t expected to come down by much, even as inventory eases up. Manufacturers are faced with higher production costs, as well as retooling plants and converting production and resources to build all-electric vehicles.

### LONG LOAN TERMS

Loan terms have been growing since the beginning of the COVID-19 pandemic, but the continuation of these longer terms will have implications further down the line. Largely seen among entry segments and in the used market, consumers who have a tighter monthly budget are only affording payments by stretching them out over longer periods of time. In the long term, this will reduce the rate of consumers returning to market, further constraining used supply and contributing to high prices.

### UNIFOR AND UAW CONTRACTS

A major threat looms this Fall as OEM contracts with Unifor and UAW labor unions will be under negotiation. Some of the top factors that are anticipated on the union side are job security (in the face of new technology and less components going into vehicles), fair wages (inflation and equitable pay), and training (new technology, new skills, reskilling). From the manufacturers it’s largely going to be about manufacturing cost pressures (supply chain, new resources), and the transition to electrification.

Aside from any additional supply-chain disruptions, the pending Unifor [and UAW] contract negotiations could upset Canadian sales in the fourth quarter.

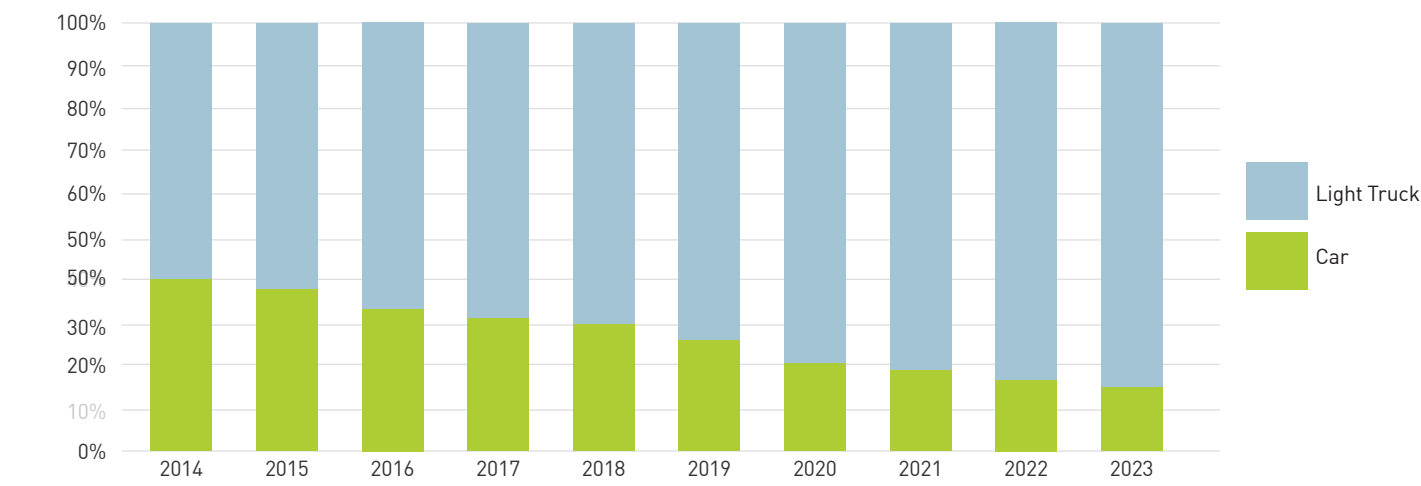
— Sam Fiorani, vice president of global forecasting, AFS via Automotive News, May 2023

# SALES RESULTS

Retail sales and market share continue to show just how much consumers favor trucks and utility vehicles, with the light truck category increasing to 85% share. Cars have **decreased from 18% at the end of 2022, to 15% through the first four months of 2023**, and on a **10-year trend, car preference has dropped by 63%.**

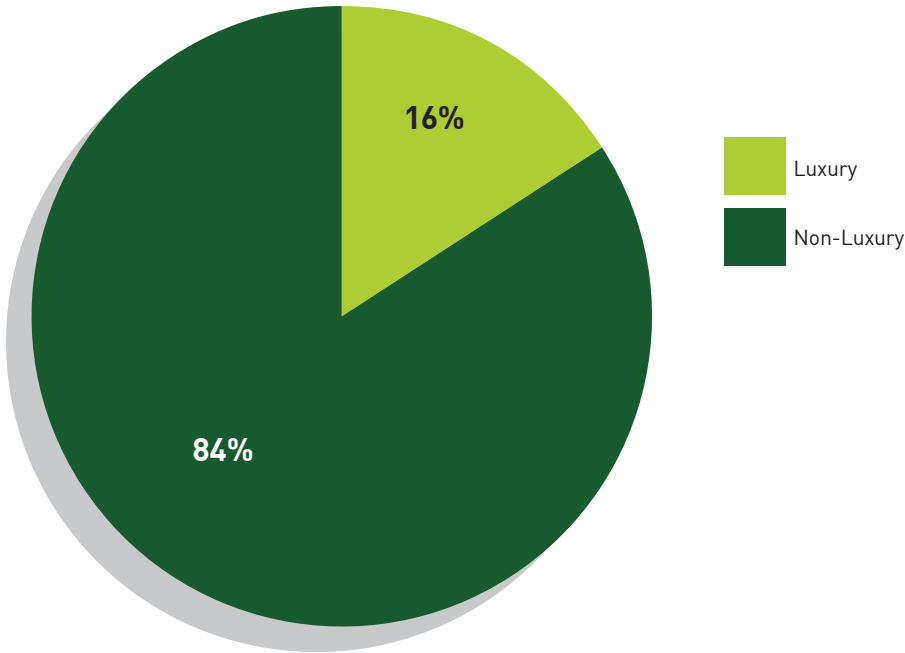
## CANADA 10-YEAR SALES TREND

Light Car vs. Light Truck Mix



## LUXURY AND NON-LUXURY SHARE OF CANADA VEHICLE SALES

Continuing on an upward trajectory, luxury brands grabbed 16% share of sales through April, up approximately 7.5% from the same period last year.



# TOP NON-LUXURY BRANDS

NON-LUXURY BRANDS	JAN - APRIL SALES VOLUME	% CHANGE
	66,213	7.5%
	52,672	-2.7%
	40,133	23.7%
	36,751	-5.0%
	31,797	18.3%

HIGHEST GROWTH	% CHANGE
	91.0%
	24.0%
	23.7%
	18.3%
	17.7%

**GM** saw collective growth of nearly **25%**, and all four of its brands saw double-digit growth ranging from **18% - 91%**. Among some of its biggest vehicle winners were Buick Encore GX, Buick Enclave, GMC Acadia, Chevrolet Trailblazer and Traverse, and of course Bolt and Bolt EUV.

For **Kia**, who is slowly coming out of the inventory rut, **Seltos** was its volume leader with a **50% uptick** from this time last year. **Carnival** saw the most growth at **238%**, while Telluride and EV6 also saw growth between **60 - 80%**.

While Toyota has felt immense pressure on the inventory side, it touted record-setting sales of its electrified vehicles in April, noting that almost half its sales were in electrics and hybrids, and both Toyota and Lexus saw growth in these segments.

# TOP LUXURY BRANDS

TOP LUXURY BRANDS	JAN - APRIL SALES VOLUME	% CHANGE
	14,520	50.8%
	11,152	-0.6%
	10,182	8.0%
	9,682	31.6%
	8,687	-7.8%

HIGHEST GROWTH	% CHANGE
	91.0%
	24.0%
	23.7%
	18.3%
	17.7%

**Tesla** continues to lead all luxury brands and grow its market share at the same time. Volume leader, Model 3, was up **34%**, while its #2 in sales volume, Model Y, grew nearly **80%** year-over year. Lexus, which has nowhere to go but up given its inventory constraints, saw incredible growth of **440%** for its NX, while its volume leader, RX, saw **18%** growth.

New model entrant, Grecale, drove Maserati’s growth, while new-on-the-scene electric brand, Lucid, saw high growth but still has very low sales volume in Canada.

# Hearst Autos Shopping Activity

With a view into a highly-engaged audience of nearly 2 million shoppers in Canada, Hearst Autos measures shopper interest based on sessions, visitors, and pages viewed for every vehicle on the market.

Aligning with industry sales, we continue to see market demand still heavily favors the utility segments and trucks, and aside from the performance car segments, other car segments didn't make it into the top 10 for the first four months of the year.

TOP 10 SEGMENTS IN CONSUMER INTEREST	% Share Jan - Apr 2023	% Change vs. Jan - Apr 2022
Compact SUV/CUV	8.2%	-1%
Full-Size SUV/CUV	6.6%	35%
Subcompact Plus Crossover	4.5%	11%
Midsize SUV/CUV	4.4%	-4%
Midsize Pickup Truck	4.3%	53%
Full-Size Luxury SUV/CUV	4.1%	26%
Compact Performance	3.9%	-29%
Luxury Performance	3.8%	30%
Electric Truck	3.6%	23%
Midsize Luxury SUV/CUV	3.6%	-7%

## Vehicle Segments That Are Taking Off

Jan - Apr 2023 VS. Jan - Apr 2022

Among the mainstream segments that we measure at Hearst Autos, these five emerged in highest growth in the first four months of the year:

Segment	% Change in Share	+ / - Rank
Electric SUV	91%	+7
Hybrid Car	61%	+7
Midsize Pickup Truck	53%	+11
Full-Size SUV/CUV	35%	+1
Luxury Performance	30%	+7

# Key Vehicles Driving Growth in Shopper Interest

Below are key models responsible for driving growth in some of the fastest-growing segments in the first third of the year. Some are related to upcoming launches or refreshes, while others are driven more by availability or affordability in today's market.

### Electric SUV

- **5 out of 9** vehicles in this segment are new entries, bringing a lot of interest around new brands, including brands like **Vinfast** and **Scout**
- **Kia EV9** ranks **#1**, holds **42% share of the segment** and saw **48% growth since last year**
- **Jeep** collectively has nearly **14% share** with its **Recon EV** and its **Wagoneer EV**, both new entrants this year

### Hybrid Car

- **Toyota** owns **90%** of this segment between **Prius**, **Prius Prime**, and its new entry, **Crown**
- **Prius** alone **grew 100%** vs. last year, and the **Prime (ranked #2)** saw **14% growth**
- Competitors, **Hyundai Ioniq Hybrid** and **Honda Insight**, have both dropped significantly as Toyota grabbed more consumer interest

### Midsize Pickup Truck

- **Ford Maverick** jumped 8 spots in the segment and now is less than a percentage point away from Toyota Tacoma
- **Chevrolet Colorado** also moved up one spot, and saw **56% growth, ranking #3** in the segment
- **Ford Ranger** saw a decline year-over-year, but it's anticipated to increase in Q3/Q4 as the Ranger Raptor starts to hit North American markets later this summer

### Full-Size SUV/CUV

- **Mazda CX-90**, the only new entrant, managed to grab the **#1 rank** and holds **18% share** of this high-demand segment
- **Honda Pilot** jumped 5 spots to **#3** in the segment, with **136% growth**
- **Kia Telluride** still sits among the top in the segment, but got bumped to **#2** due to the growth in interest for Mazda CX-90

### Luxury Performance

- **BMW M3** holds the **#1 rank** in the segment, but its M2 Competition saw the most growth at **213%** and jumping to **#3**. Its M4 also saw growth of **40% and ranks 4th**.
- **Mercedes AMG S** saw incredible growth of **156%** and jumped 10 spots in the segment, while its **AMG E** jumped into the **top 5** of the segment with **10% growth**





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