Recreation Vehicle Industry of Canada

2017 ANNUAL ECONOMIC REVIEW

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Recreation Vehicle Dealers Association of Canada

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RECREATION VEHICLE INDUSTRY OF CANADA

RVDA
RECREATION VEHICLE DEALERS ASSOCIATION
ASSOCIATION DES COMMERCANTS DE VEHICULES RECREATIFS
CANADA

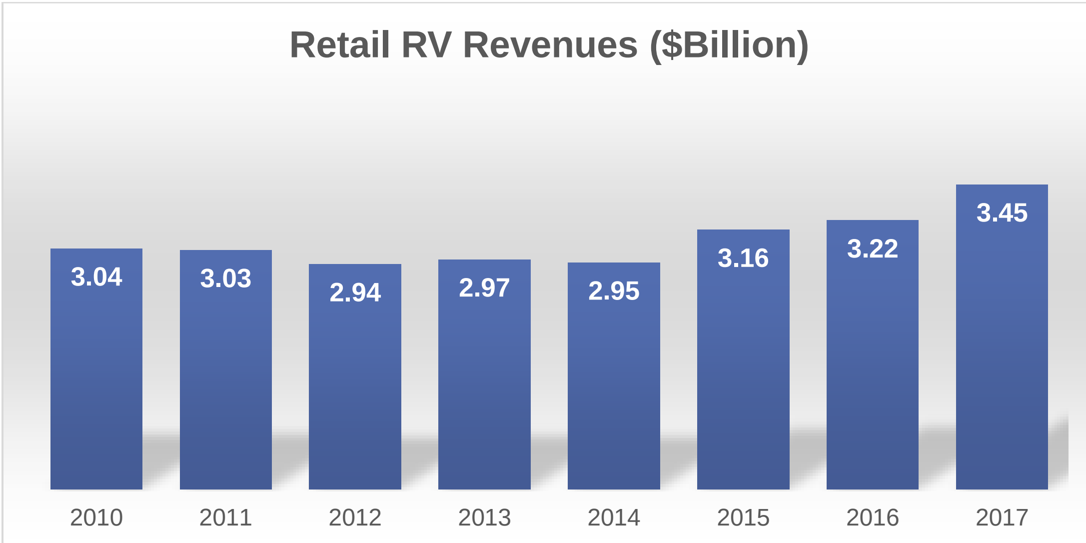
The Annual Economic Review is intended to deliver a comprehensive look at the economic indicators affecting the RV industry in Canada in the past year. These products are intended to provide members with current economic information, which can assist them in gaining insights into the changing economic dimensions of the RV industry and the economy at large.

Welcome to the RVDA of Canada Economic Review for 2017! This review will analyze the factors at play in Canada's economy last year as they pertain to the retail RV landscape, as well as what to expect for this year.

Last year saw very strong growth in both RV unit sales and retail RV sector revenue as demand recovered well from recent year low points. Unit sales were up a very impressive 14.2 per cent to almost 50,000 RVs sold, nearly attaining the level of demand last seen earlier this decade before big losses in 2015 and 2016. On the revenue side, growth was also impressive at 7.1 per cent, though not as high as unit sales growth.

Fundamentals remain solid for the industry in 2018, with the big question mark – like in all sectors – being trade uncertainty with the United States. Consumer debt is coming down for the first time in many years, as households get a better grip on their finances and as incomes grow. Tourism spending continues to grow very strongly domestically and internationally. Unless we hit a serious trade war with America, expect unit sales to top 50,000 once again this year after impressive growth in 2017.

RV Revenue Grows Strongly in 2017



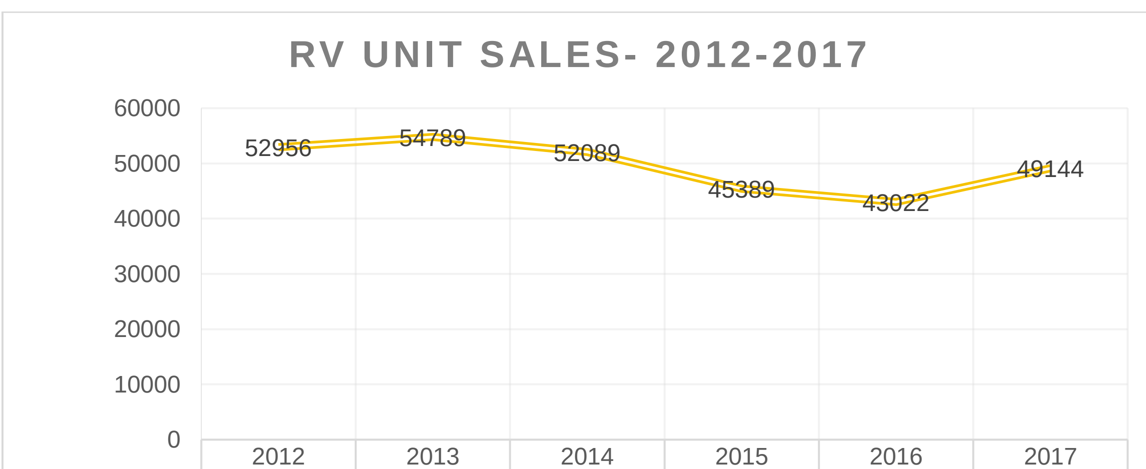
Source: Statistics Canada

After a few years of modest growth in overall retail RV sector revenues before 2017, sales grew solidly last year to nearly $3.5 billion, up a very strong 7.1 per cent over 2016 revenues. Taking inflation into account, and real (inflation-adjusted) top line sales grew at a very solid five per cent in 2017, making up for the immediately preceding years during which time revenues suffered as unit sales declined.

The partial recovery of unit sales to levels not seen since early this decade accounts for this strong revenue bump in 2017.

Unit Sales Grow Strongly

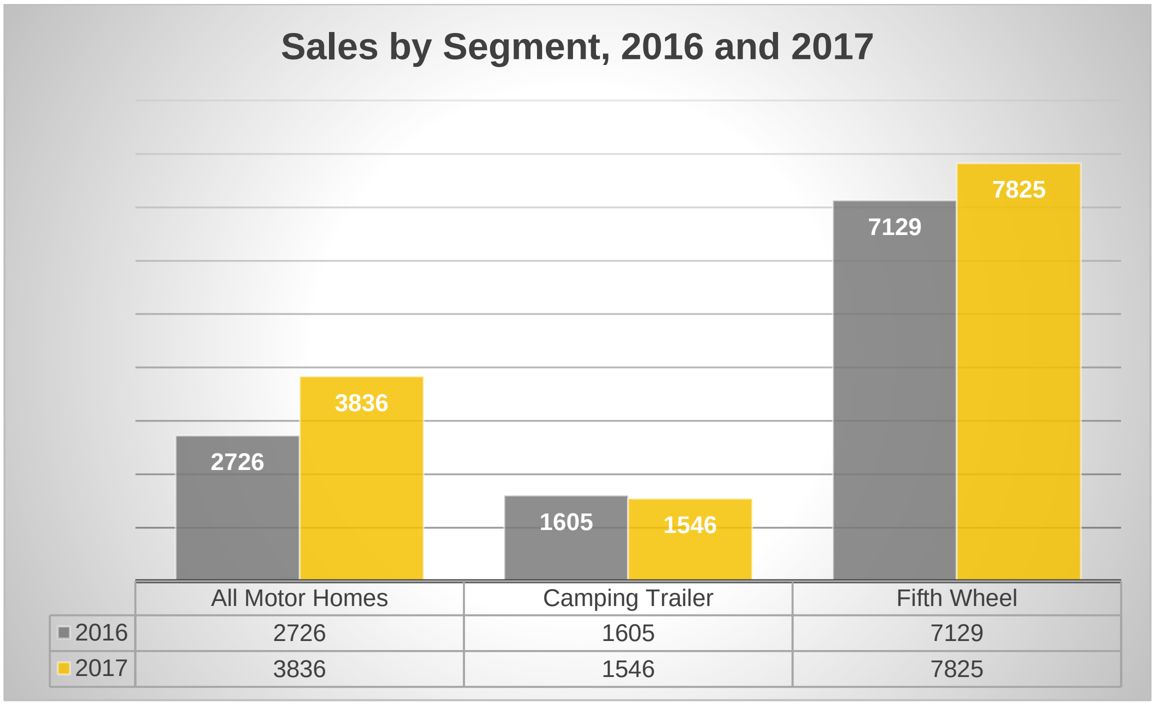
After significant declines in 2015 and 2016, over which time the industry lost 17.4 per cent of unit sales in a two-year period, unit sales grew strongly last year to levels not seen in several years. Overall, total sales were up a very good 14.2 per cent to 49,144 total RVs sold, nearly equaling demand levels from earlier this decade, when sales were consistently in excess of 50,000 units.

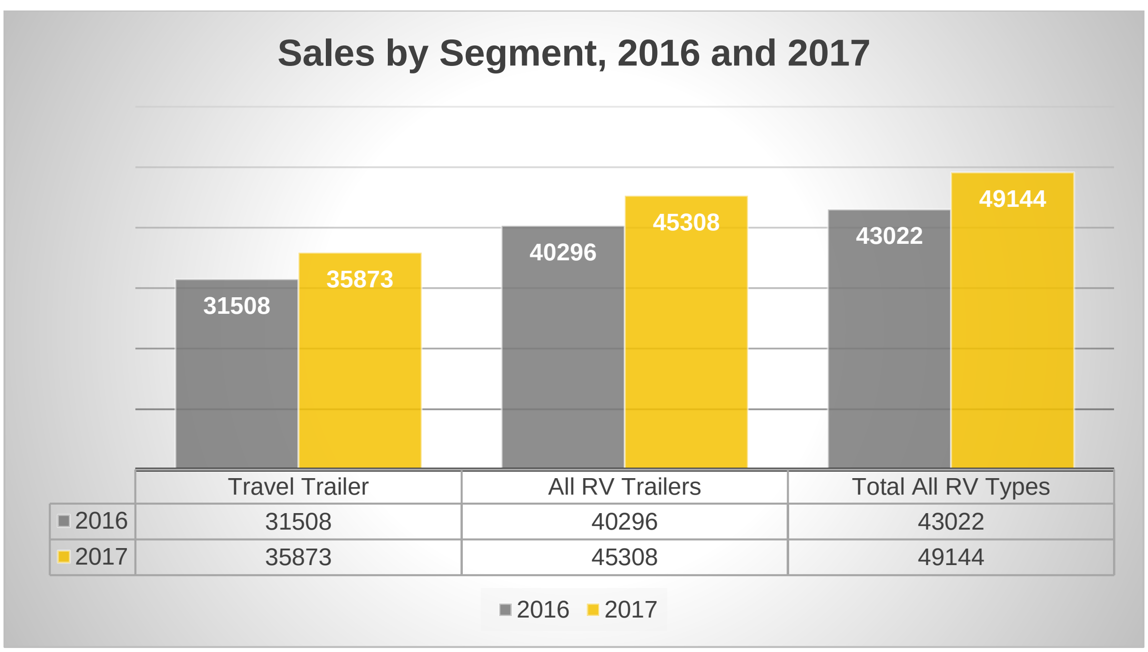


	2012	2013	2014	2015	2016	2017
Series1	52956	54789	52089	45389	43022	49144

Source: Statistical Surveys

Sales across nearly all segments saw significant growth last year. Motor homes led the charge, up a massive 40 per cent over 2016's levels to 3,836 unit sales. The biggest segment, travel trailers, were up 13.9 per cent, providing the lion's share of total sales growth for the industry. Only camping trailers saw a decline last year, dropping a modest 3.7 per cent over the previous year's sales.





Source: Statistical Surveys

GDP Growth Modest to End Otherwise Solid Year

Real gross domestic product (GDP) grew 0.4% in the fourth quarter, the same rate as the previous quarter. Final domestic demand rose 1.0%.

Business investment increased 2.3%. Investment in residential structures rose 3.2% on the strength of both resale activity and new construction. Businesses also increased outlays for the fourth consecutive quarter on machinery and equipment (+3.0%) and non-residential structures (+1.3%).

Businesses accumulated $14.2 billion of inventories in the fourth quarter, as manufacturers, retailers and wholesalers all added to their stocks.

Real household final consumption expenditure slowed to 0.5% growth, following a 0.9% increase in the previous quarter. Spending was up on durable (+0.4%), semi-durable (+0.3%) and non-durable (+0.4%) goods, as well as on services (+0.6%).

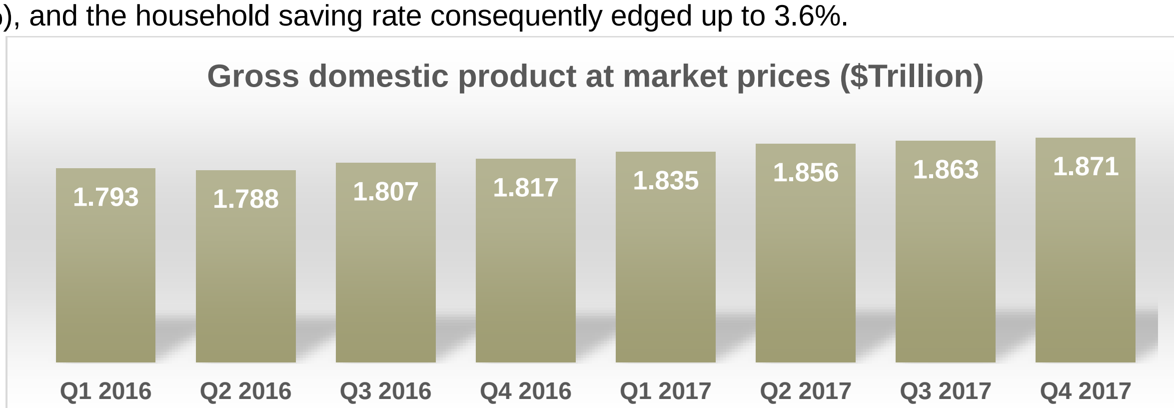
Export volumes increased 0.7% following a 2.7% decline in the third quarter, while real imports were 1.5% higher. Improved terms of trade boosted economy-wide purchasing power, and real gross national income increased 1.0%. Export prices rose 3.6% in the fourth quarter on the strength of energy products, compared with a 1.5% increase in import prices. Expressed at an annualized rate, real GDP rose 1.7% in the fourth quarter. In comparison, real GDP in the United States grew 2.5%.

Real GDP rose 3.0% in 2017, following 1.4% growth in 2016. Much of this growth was attributable to the first two quarters of 2017, with deceleration observed toward the end of the year. Final domestic demand advanced 3.0% with steady growth throughout the year.

Household final consumption rose 3.5%, with increased outlays on goods (+3.9%) and services (+3.2%). Increased expenditures on insurance and financial services (+5.0%) and purchases of vehicles (+6.3%) were strong contributors to growth.

Also contributing to growth was business investment in inventories, up by $13.9 billion, of which $13.6 billion was in non-farm inventories. Manufacturers, wholesalers, and retailers all added to their stocks in each quarter. Exports grew 1.0% for the second consecutive year, with gains in both goods (+0.6%) and services (+2.8%). Imports increased 3.6% after falling 1.0% in 2016.

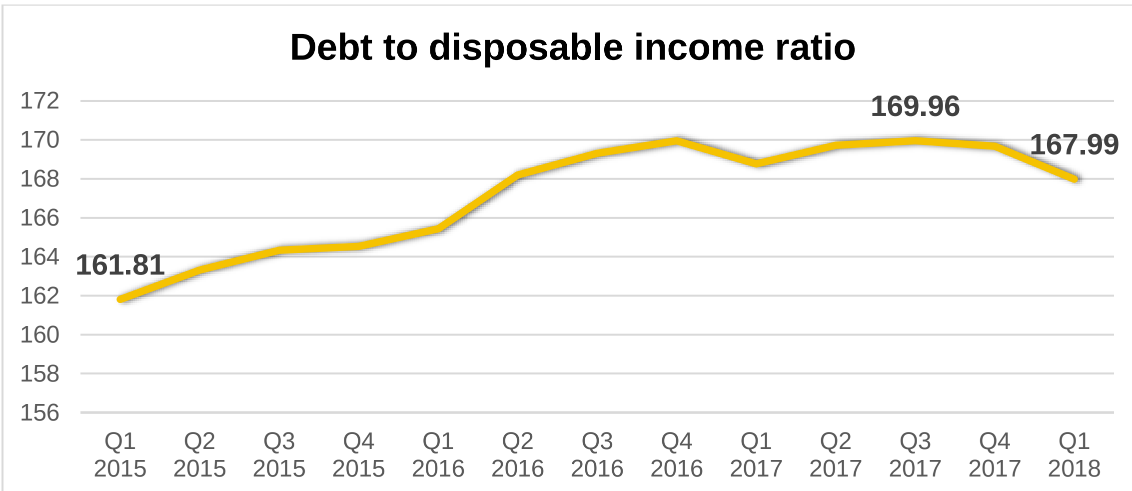
Compensation of employees rose 3.9% (nominal terms), contributing to a 4.8% gain in household disposable income. This was slightly faster than the growth in household final consumption expenditure (+4.6%), and the household saving rate consequently edged up to 3.6%.



Source: Statistics Canada

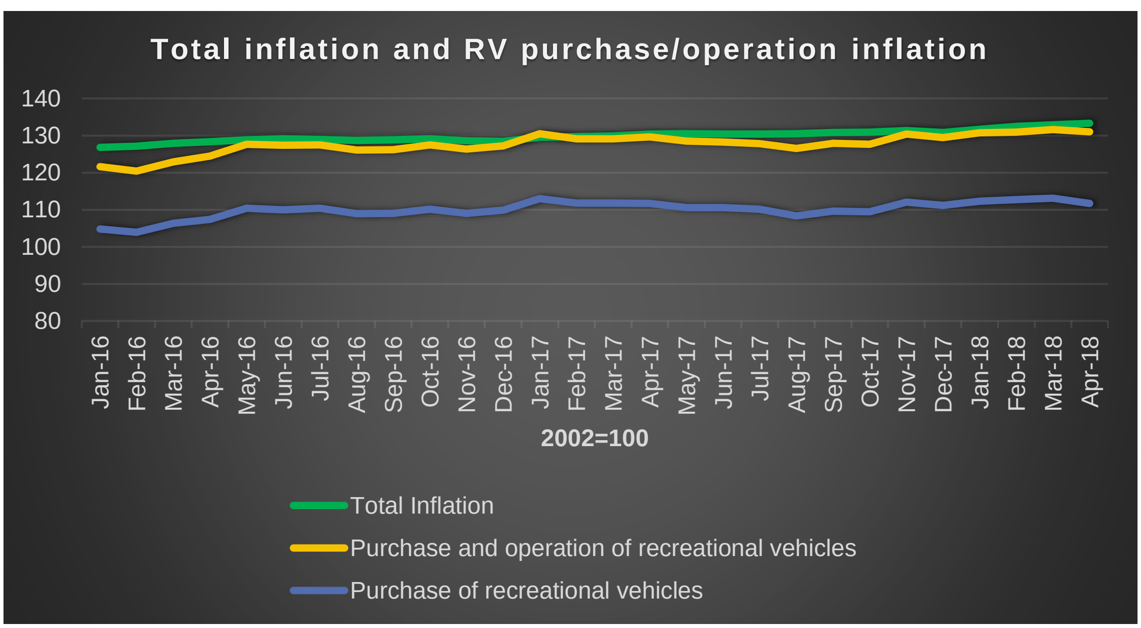
Debt to Income Ratio Down Significantly

Total household debt totalled $2,134.3 billion in the first quarter. Household debt as a proportion of household disposable income decreased from 169.7% in the fourth quarter last year to 168.0%, as disposable income increased at a faster rate (+1.3%) than credit market debt (+0.3%). In other words, there was $1.68 in credit market debt for every dollar of household disposable income. Mortgage debt reached $1,402.1 billion, while consumer credit stood at $627.5 billion. This is the lowest debt to income ratio for households in two years.



Source: Statistics Canada

Purchase Prices for RVs keep ownership affordable



Source: Statistics Canada

In recent years, total ownership costs for RVs has kept up very closely with overall inflation across the economy, which has been low by historical standards. So, RV ownership continues to be affordable despite some aspects of it increasing in cost over time more quickly than overall inflation. Things such as gasoline and insurance have both increased in cost more than overall inflation over the past decade, but highly competitive purchase prices – which have themselves largely defied overall inflationary pressures this century – keep the overall ownership equation very competitive.

Since 2000, prices across the economy have increased by a little more than 33 per cent. The combination of RV purchase and operational costs have increased at about the same rate – 31 per cent. Purchase prices have provided all of the downward pressure on overall ownership costs, increasing only 11 per cent since 2000. In real, inflation-adjusted, terms, purchase prices have decreased 20 per cent since the turn of the century.

Tourism Spending Grows

Tourism spending in Canada grew 4.1% in 2017, following a similar increase (+4.2%) in 2016. Growth resulted mainly from strength in the second and third quarters. Expenditures by both Canadians at home and international visitors contributed to the rise.

Tourism spending in Canada was unchanged in the fourth quarter, following 1.3% growth in each of the previous two quarters. Increased spending by international visitors to Canada was offset by a decline in tourism spending by Canadians at home.

The decline in spending was broadly distributed across tourism goods and services. Accommodation (-2.1%), air passenger transport (-0.8%), vehicle fuel (-1.4%), pre-trip expenditures, such as luggage and motor homes (-2.7%), and food and beverage services (-1.0%) all contributed to the decline.

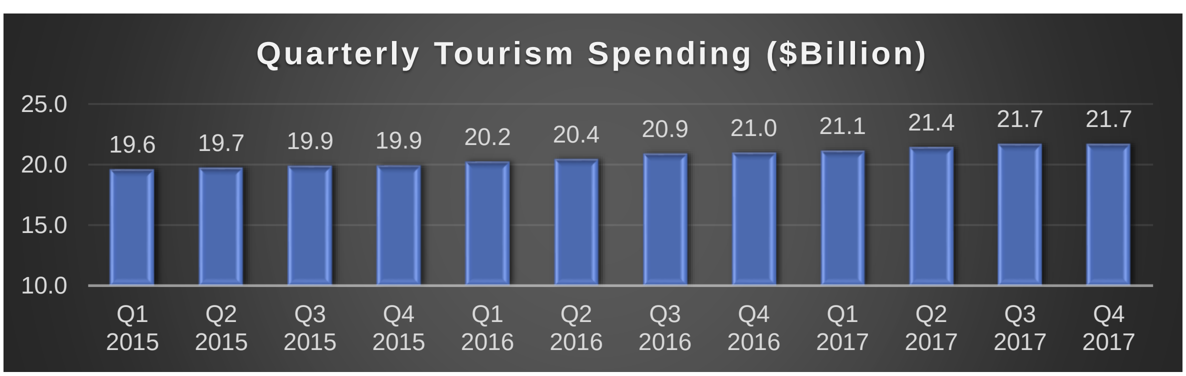
Overall growth in household spending on tourism-related services such as transport, food and beverage, and accommodation all slowed in the fourth quarter, contributing to lower domestic tourism demand.

Tourism spending by international visitors rises

Spending by international visitors to Canada (+3.6%) rose sharply in the fourth quarter, following a weak third quarter (-0.6%).

The growth was driven by increased visitor spending on air passenger transport (+5.0%), accommodation (+4.2%) and food and beverage services (+4.0%). In decline were outlays on interurban bus transport (-2.2%) and vehicle fuel (-0.8%).

Overnight travel from abroad increased in the fourth quarter, while same-day car travel from the United States was down.



Source: Statistics Canada