Scotiabank

GLOBAL ECONOMICS

GLOBAL AUTO REPORT

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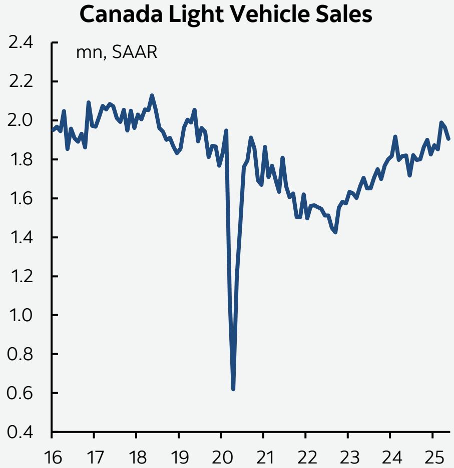
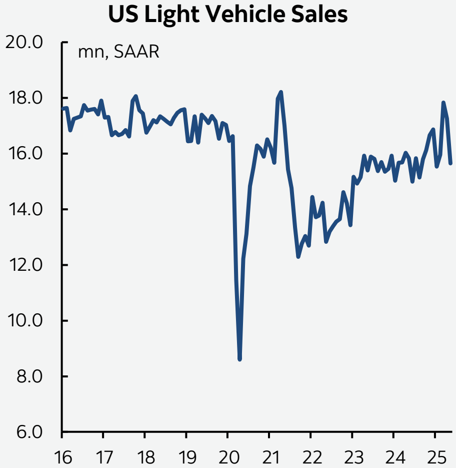
Chart 1



Sources: Scotiabank Economics, Wards Automotive.

Chart 2



Sources: Scotiabank Economics, BEA.

May Auto Sales: Further Easing From Early-Spring Surge

CANADA: SALES PULL BACK BUT CONTINUE TO SEE YEAR-OVER-YEAR GROWTH

Canadian auto sales slowed again in May (-3.0% month-over-month) to 1.91 mn units at a seasonally adjusted annualized rate (SAAR) according to Wards Automotive (chart 1).

Canadian auto sales pulled back from the recent peak in March and April which was likely a small, temporary surge from consumers pulling forward some demand in order to front-run potential tariff effects. Nevertheless, light vehicle sales in non-seasonally adjusted terms were up 5.0% year-over-year for the most recent month.

While the economic outlook remains uncertain, notably around the timing and effect of tariffs, Canada's first quarter GDP grew 2.2% quarter-over-quarter (SAAR), partially supported by a 1.2% increase in household consumption that eased from the more than 4% increases in both Q3 and Q4 of 2024. Meanwhile, job growth in Q2-2025 remains low, rising less than 10 k in both April and May, with the unemployment rate rising to 7%. We expect economic and job growth to be soft over the remainder of 2025 as the effects of tariffs and uncertainty continue to work their way through the economy.

Our outlook for Canadian light vehicle sales of 1.88 mn in 2025 and 1.81 mn in 2026 as we expect the quarterly sales rate to slow over the remainder of the year. However, this outlook faces large uncertainty around the impacts that tariffs and uncertainty will have on the automotive sector and overall economic activity.

UNITED STATES: SALES RETREAT AS TARIFF FRONT-RUNNING DEMAND CUTS BACK

US auto sales in May fell by -9.3% month-over-month in seasonally adjusted terms to 15.6 mn units at an annualized rate (chart 2).

The temporary surge in monthly automotive sales that averaged 17.5 mn (SAAR) across March and April, driven by consumers looking to front-run any tariff distortions, has since pulled back to a sales rate much closer in line with the 15.7 mn average experienced for the better part of Q2-2023 through Q3-2024.

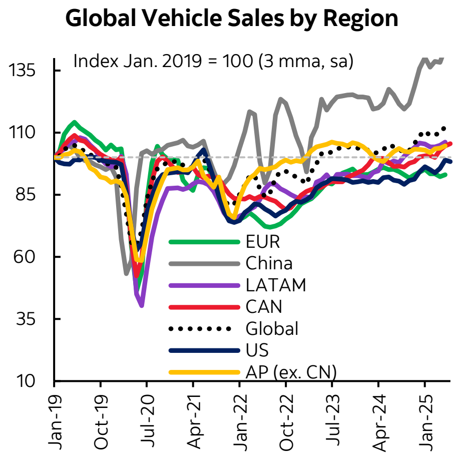
In late-May, the US Court of International Trade ruled against the US President's use of the International Emergency Economic Powers Act (IEEPA) to impose the broad-based "Liberation Day" tariffs that were imposed on nearly all US imports. The Trump administration has appealed this ruling and the tariffs are allowed to remain in place while the process plays out. Even if the ruling against the use of the IEEPA to impose such broad-based tariffs is upheld, the Trump administration has said that they would use other measures to impose tariffs. While there is now even greater uncertainty around the trade outlook, the US Section 232 tariffs on automotive imports were not part of the IEEPA ruling and remain in place. Furthermore, tariffs on steel and aluminum imports were doubled to 50% on June 4th which poses even greater headwinds to North America's highly integrated automotive sector given the US's reliance on imports of these metals.

Our outlook for US auto sales expects the quarterly sales rate to slow through the rest of the year, resulting in 16.0 mn sales in 2025 and 15.7 mn in 2026.

GLOBAL AUTO SALES: BROAD-BASED INCREASES IN APRIL

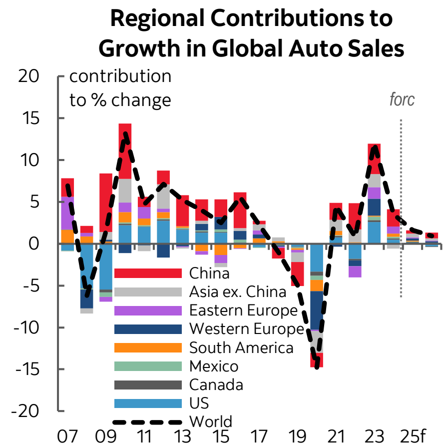
Global auto sales increased 1.5%% m/m (SA) in April amid broad-based strength at the regional level, rebounding marginally below the recent high in February earlier this year (chart 3). In west Europe, auto sales increased 3.1% m/m (SA) to the highest seasonally adjusted level since April 2024. Meanwhile, sales in east Europe increased 12.5% m/m (SA) but remain soft after declining for three consecutive months. Automotive sales in Asia Pacific increased 1.9% m/m (SA), rising in five of the six countries covered, though were up only 0.8% in China. Meanwhile, in Latin America rebounded by 5.8% m/m (SA). Our outlook for global vehicle sales growth is 1.6% in 2025 and 0.9% in 2026, with risks potentially weighing more to the downside as tariffs pose headwinds to global growth (chart 4).

Chart 3



Sources: Scotiabank Economics, Wards Automotive, national automotive associations.

Chart 4



Sources: Scotiabank Economics, Bloomberg, Wards Automotive.

Table 1—Global Auto Sales Outlook (mns units)

	2010-19	2021	2022	2023	2024	2025f	2026f	Apr-25, SA % m/m	Apr-25, NSA % y/y	2025 ytd, NSA % y/y
Total Sales	**71.1**	**66.7**	**67.3**	**75.3**	**78.0**	**79.2**	**80.0**	**1.5**	**7.4**	**6.6**
North America	**18.7**	**17.6**	**16.4**	**18.5**	**19.2**	**19.4**	**19.1**	**-2.9**	**9.6**	**6.1**
Canada	1.82	1.66	1.52	1.68	1.82	1.88	1.81	-1.3	8.5	5.6
United States	15.7	14.9	13.8	15.5	15.9	16.0	15.7	-3.2	11.0	6.5
Mexico	1.22	1.01	1.09	1.36	1.49	1.52	1.54	-0.8	-4.4	2.2
Western Europe	**13.0**	**10.5**	**10.0**	**11.4**	**11.4**	**11.6**	**11.8**	**3.1**	**-1.0**	**-0.6**
Germany	3.2	2.6	2.7	2.8	2.8	2.9	3.0	14.3	-0.2	-3.3
United Kingdom	2.3	1.6	1.6	1.9	2.0	2.0	2.0	-19.1	-10.4	3.1
Eastern Europe	**3.3**	**2.8**	**1.9**	**2.8**	**3.4**	**3.4**	**3.5**	**12.5**	**-3.2**	**-7.6**
Russia	2.1	1.5	0.6	1.1	1.6	1.7	1.7	24.4	-25.8	-21.9
Asia	**31.9**	**32.7**	**35.9**	**39.4**	**40.5**	**41.2**	**41.9**	**1.9**	**9.8**	**10.0**
China	19.7	21.5	23.6	26.0	27.6	27.9	28.4	0.8	11.0	12.4
India	3.3	3.6	4.4	4.7	4.9	5.1	5.1	2.0	8.0	3.4
Japan	5.1	4.4	4.2	4.8	4.4	4.6	4.6	8.0	10.5	13.0
South America	**4.3**	**3.1**	**3.2**	**3.2**	**3.5**	**3.6**	**3.7**	**8.3**	**8.2**	**12.0**
Brazil	2.91	1.98	1.96	2.18	2.49	2.55	2.59	5.8	-5.4	3.4
Chile	0.34	0.42	0.43	0.31	0.30	0.31	0.31	6.6	2.5	0.4
Colombia	0.26	0.24	0.25	0.18	0.20	0.20	0.20	-1.5	14.0	20.1
Peru	0.16	0.16	0.16	0.16	0.15	0.16	0.16	9.6	11.2	12.5

Sources: Scotiabank Economics, Wards Automotive, Bloomberg.

Table 2—Provincial Auto Sales Outlook (thousands of units ann.)

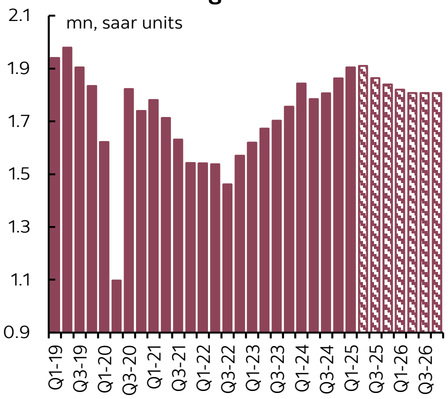
	2010–19	2021	2022	2023	2024	2025f	2026f	Mar-25, SA % m/m	Mar-25, NSA % y/y	2025 ytd nsa % y/y	ZEV* (Q4-24) % of new LV sales
Canada	**1,817**	**1,663**	**1,523**	**1,684**	**1,819**	**1,880**	**1,810**				**18.3**
Atlantic	**134**	**119**	**105**	**115**	**135**	**133**	**124**	**5.4**	**17.9**	**13.2**	**--**
Central	**1,179**	**1,070**	**1,014**	**1,129**	**1,237**	**1,224**	**1,166**	**6.7**	**6.4**	**-3.0**	**22.5**
Quebec	441	404	372	411	473	460	434	13.8	-2.9	-9.5	40.0
Ontario	738	665	642	718	764	765	732	3.3	12.2	0.9	9.3
West	**548**	**487**	**454**	**508**	**547**	**548**	**521**	**5.9**	**13.0**	**10.3**	**--**
Manitoba	56	49	46	49	58	57	53	3.1	29.3	23.5	6.8
Saskatchewan	54	43	42	45	51	51	47	5.6	26.3	21.6	3.1
Alberta	239	196	184	209	223	225	212	6.7	17.3	12.8	--
British Columbia**	199	199	182	205	214	214	209	6.1	2.0	2.1	20.9

**ZEV includes battery electric and plug-in hybrid electric vehicles (estimates for NL, NS, and AB unavailable due to limitations in data sharing with Statistics Canada, but are included in the Canadian aggregate). **British Columbia includes the territories.*

Sources: Scotiabank Economics, Wards Automotive, Statistics Canada.

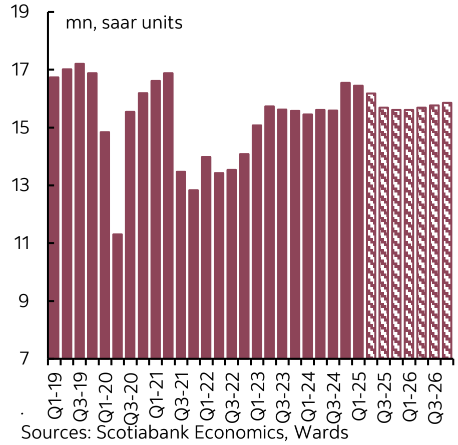
Quarterly Outlook for North American Auto Sector

Canadian Light Vehicle Sales



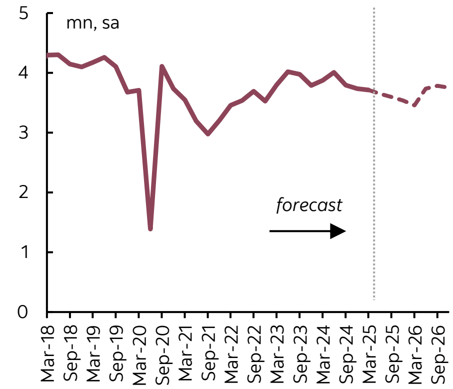
Sources: Scotiabank Economics, Wards Automotive.

US Light Vehicle Sales



Sources: Scotiabank Economics, Wards Automotive.

Wards Automotive North American Auto Production Outlook



Sources: Scotiabank Economics, Wards Automotive.

Table 3—North American Annual Production Outlook

	2010–19	2021	2022	2023	2024	2025f	2026f
	(millions of units, annualised)						
North American Production	**15.9**	**12.9**	**14.2**	**15.6**	**15.5**	**14.6**	**14.7**
Canada	2.2	1.1	1.2	1.5	1.3	1.2	1.2
United States	10.4	8.9	9.7	10.3	10.2	9.9	9.9
Mexico	3.2	2.9	3.3	3.8	4.0	3.5	3.7

Sources: Scotiabank Economics, Wards Automotive.