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Chart 1
Canada Light Vehicle Sales


Sources: Scotiabank Economics, Wards Automotive.

Chart 2
US Light Vehicle Sales


Sources: Scotiabank Economics, BEA.

July Auto Sales: Underlying Strength Amid Volatility?

CANADA: UPWARD REVISIONS SHOW PERSISTENT BUT SLOWING AUTO SALES

Canadian auto sales slowed in July (-3.2% month-over-month) to 1.81 mn units at a seasonally adjusted annualized rate (SAAR) according to Wards Automotive (chart 1).

Revisions to non-seasonally adjusted data for April through June show sales were 3.5% higher than previously reported, resulting in Q2 growth of 2.7% q/q (SA) as opposed to flat (0.1%), suggesting stronger demand in late spring to early summer than previously believed. However, seasonally adjusted vehicle sales declined for a third consecutive month, as uncertainty and the fading tariff front-running effect weighs on vehicle sales.

Canadian economic activity was flat in the second quarter (0.1% q/q SAAR) when measured through GDP by industry that includes the preliminary estimate for June. However, tariffs likely continue to distort the data, and GDP by expenditure data that is scheduled to be published at the end of August will help paint a better picture of Canada's domestic economy when excluding trade and inventory effects. In the meantime, job growth increased in June after having stalled earlier in the year, with the unemployment rate trending around 7.0% since April.

While the US has increased tariffs on effectively all goods imports, exemptions for many Canadian goods that are CUSMA-compliant has so far mitigated some of the broad-based downside that was previously feared, but uncertainty remains around future developments. The degree of uncertainty is reinforced by the Bank of Canada's various scenarios included in the Monetary Policy Report published alongside their decision to hold the policy rate at 2.75% on July 30th. We expect the BoC to continue holding the policy rate through the rest of this year as they assess risks to inflation that remains near 2.5% y/y when excluding taxes, and monthly measures of core inflation that have averaged more than 3% m/m (SAAR) since April.

Our outlook for Canadian light vehicle sales is 1.91 mn in 2025 and 1.83 mn in 2026. The automotive sales rate is expected to remain soft through the second half of 2025, compared to the spring, as softer labour markets and uncertainty weigh on consumer spending growth. However, this outlook faces large uncertainty around the impacts that tariffs and potential price pressures will have, particularly on the automotive sector.

UNITED STATES: A TEMPORARY REBOUND SUPPORTED BY DELAYED TARIFFS?

US auto sales in July increased by 7.1% month-over-month in seasonally adjusted terms to 16.4 mn units at an annualized rate (chart 2).

July's higher selling rate was the first seasonally adjusted increase since March, when auto sales had surged as consumers began to pull forward demand before the threatened tariffs came into effect. The rebound in sales could be a one-off, as June's 15.3 mn (SAAR) sales rate was the lowest since August 2024. Alternatively, it could be resulting from the temporary pause in tariffs as the US administration looked to reach trade deals with other countries, with most country-specific tariffs coming into effect early August.

Recent downward revisions to US jobs data reveal that employment growth was lower than previously thought. Nevertheless, the unemployment rate has remained in the range of 4.1% to 4.2% since February, as the softer employment gains has coincided with slower labour force growth. With inflation still persistently around 2.5% y/y and core inflation sticky around 3%, should job growth remain soft, the US Federal Reserve may face conflicting challenges to their dual mandate of supporting maximum sustainable employment and bringing inflation back down towards their 2% target.

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

GLOBAL AUTO SALES: MARGINAL INCREASE IN Q2 AS AUTO SALES PULLED BACK IN JUNE

Global auto sales fell by -2.7% m/m (SA) in June, having declined in three of the past four months, and slowed in each region tracked for the month (chart 3). The soft end to the second quarter resulted in a 0.4% quarter-over-quarter increase in global seasonally adjusted sales. In western Europe, auto sales decreased by -2.1% m/m (SA), as sales slowed for a second consecutive month and second quarter was marginally lower by -0.6% q/q. Meanwhile, in eastern Europe auto sales pulled back by -1.1% m/m (SA) but were up 2.5% q/q in Q2. In the Asia Pacific region, auto sales decreased by -2.8% m/m (SA), weighed down by the slower sales in China (-3.2%) which accounts for roughly two-thirds of the region's vehicle sales. In the second quarter, vehicle sales increased by 1.2% q/q for the region, supported by the 2.1% increase in China. In Latin America, auto sales decreased by -5.7% m/m (SA), the largest monthly contraction since May 2024, but comes on the heels of sales that increased in five of the six prior months, and were up 2.6% q/q in Q2. Our outlook for global vehicle sales growth is 1.6% in 2025 and 1.0% in 2026, with risks around tariff developments pose large uncertainty towards the global outlook (chart 4).

Chart 3

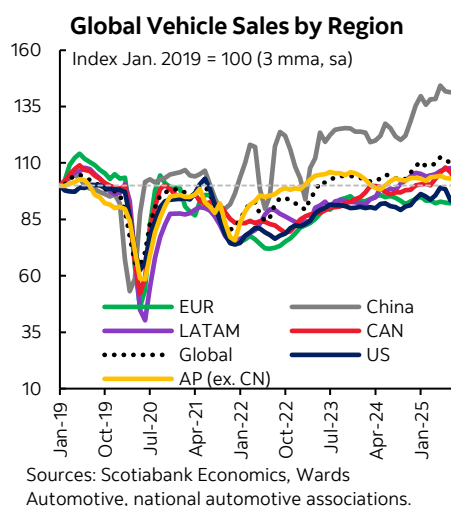
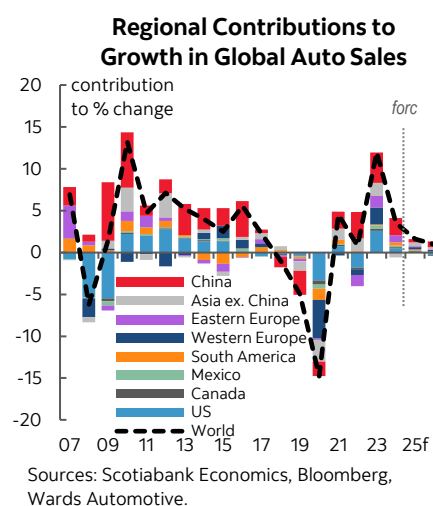


Chart 4



August 7, 2025

Table 1—Global Auto Sales Outlook (mns units)

| | 2010-19 | 2021 | 2022 | 2023 | 2024 | 2025f | 2026f | Jun-25, SA % m/m | Jun-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 | -2.7 | 3.0 | 5.8 |
| North America | 18.7 | 17.6 | 16.4 | 18.5 | 19.2 | 19.4 | 19.1 | -2.5 | -3.3 | 4.0 |
| Canada | 1.82 | 1.66 | 1.52 | 1.68 | 1.82 | 1.91 | 1.83 | -5.5 | 6.2 | 7.6 |
| United States | 15.7 | 14.9 | 13.8 | 15.5 | 15.9 | 16.0 | 15.7 | -1.8 | -4.3 | 3.9 |
| Mexico | 1.22 | 1.01 | 1.09 | 1.36 | 1.49 | 1.52 | 1.54 | -5.0 | -5.6 | 0.5 |
| Western Europe | 13.0 | 10.5 | 10.0 | 11.4 | 11.4 | 11.6 | 11.8 | -2.1 | -5.0 | -1.1 |
| Germany | 3.2 | 2.6 | 2.7 | 2.8 | 2.8 | 2.9 | 3.0 | -6.5 | -13.8 | -4.7 |
| United Kingdom | 2.3 | 1.6 | 1.6 | 1.9 | 2.0 | 2.0 | 2.0 | 5.0 | 6.7 | 3.5 |
| Eastern Europe | 3.3 | 2.8 | 1.9 | 2.8 | 3.4 | 3.4 | 3.5 | -1.1 | -11.3 | -8.9 |
| Russia | 2.1 | 1.5 | 0.6 | 1.1 | 1.6 | 1.7 | 1.7 | -3.0 | -29.1 | -24.6 |
| Asia | 31.9 | 32.7 | 35.9 | 39.4 | 40.5 | 41.2 | 41.9 | -2.8 | 9.3 | 9.6 |
| China | 19.7 | 21.5 | 23.6 | 26.0 | 27.6 | 27.9 | 28.4 | -3.2 | 14.5 | 12.9 |
| India | 3.3 | 3.6 | 4.4 | 4.7 | 4.9 | 5.1 | 5.1 | -6.5 | -7.4 | 0.5 |
| Japan | 5.1 | 4.4 | 4.2 | 4.8 | 4.4 | 4.6 | 4.6 | 1.0 | 5.2 | 10.2 |
| South America | 4.3 | 3.1 | 3.2 | 3.2 | 3.5 | 3.6 | 3.7 | -5.9 | 12.9 | 14.7 |
| Brazil | 2.91 | 1.98 | 1.96 | 2.18 | 2.49 | 2.55 | 2.59 | -8.0 | -0.1 | 5.0 |
| Chile | 0.34 | 0.42 | 0.43 | 0.31 | 0.30 | 0.31 | 0.31 | 4.5 | 7.6 | 2.2 |
| Colombia | 0.26 | 0.24 | 0.25 | 0.18 | 0.20 | 0.20 | 0.20 | -4.7 | 24.1 | 23.2 |
| Peru | 0.16 | 0.16 | 0.16 | 0.16 | 0.15 | 0.16 | 0.16 | 8.1 | 35.7 | 17.0 |

Sources: Scotiabank Economics, Wards Automotive, Bloomberg.

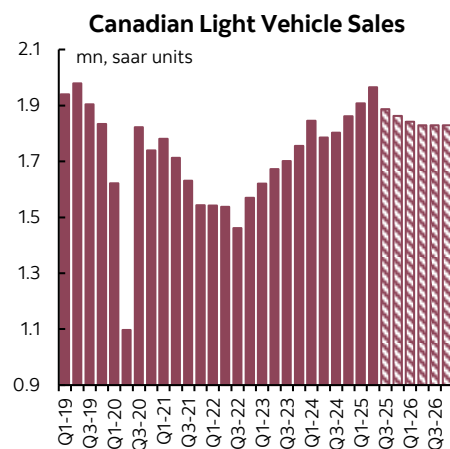
Table 2—Provincial Auto Sales Outlook (thousands of units ann.)

| | 2010-19 | 2021 | 2022 | 2023 | 2024 | 2025f | 2026f | May-25, SA % m/m | May-25, NSA % y/y | 2025 ytd nsa % y/y | ZEV* (May-25) % of new LV sales |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|----------------------|-----------------------|------------------------------------|
| Canada | 1,817 | 1,663 | 1,523 | 1,684 | 1,819 | 1,906 | 1,833 | | | | 7.9 |
| Atlantic | 134 | 120 | 105 | 115 | 135 | 142 | 125 | 0.9 | 20.2 | 16.8 | 3.6 |
| Central | 1,179 | 1,080 | 1,014 | 1,129 | 1,237 | 1,238 | 1,180 | -6.5 | 2.0 | 1.1 | 8.8 |
| Quebec | 441 | 413 | 372 | 411 | 473 | 463 | 439 | -6.7 | 1.4 | -2.0 | 15.1 |
| Ontario | 738 | 667 | 642 | 718 | 764 | 775 | 741 | -6.4 | 2.4 | 3.0 | 5.1 |
| West | 548 | 492 | 454 | 508 | 547 | 557 | 527 | -5.0 | 8.1 | 9.9 | 7.0 |
| Manitoba | 56 | 50 | 46 | 49 | 58 | 60 | 54 | -7.1 | 12.0 | 20.2 | 4.1 |
| Saskatchewan | 54 | 43 | 42 | 45 | 51 | 51 | 48 | -1.4 | 16.4 | 19.1 | 1.8 |
| Alberta | 239 | 197 | 184 | 209 | 223 | 229 | 214 | -3.2 | 8.9 | 11.6 | 2.9 |
| British Columbia** | 199 | 203 | 182 | 205 | 214 | 217 | 211 | -7.2 | 4.3 | 3.5 | 13.7 |

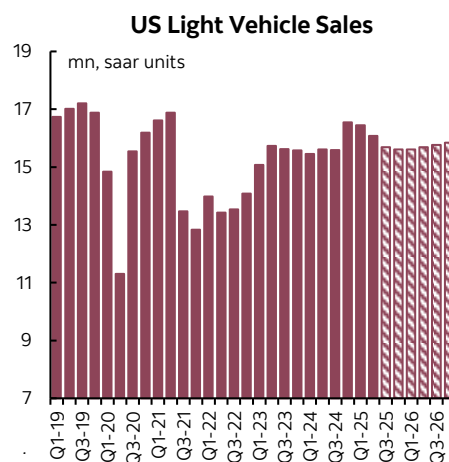
*ZEV includes battery electric and plug-in hybrid electric vehicles. **British Columbia includes the territories.

Sources: Scotiabank Economics, Wards Automotive, Statistics Canada.

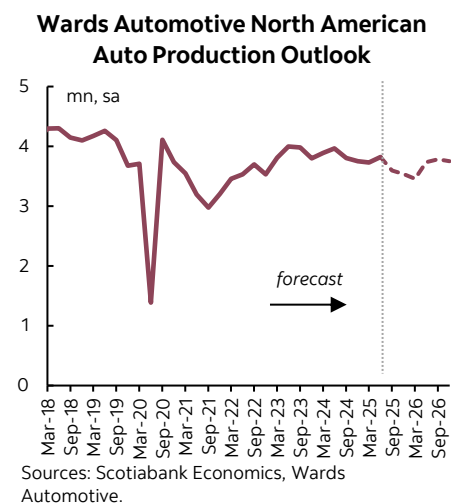
Quarterly Outlook for North American Auto Sector



Sources: Scotiabank Economics, Wards Automotive.



Sources: Scotiabank Economics, Wards Automotive.



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.

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