

Contributors

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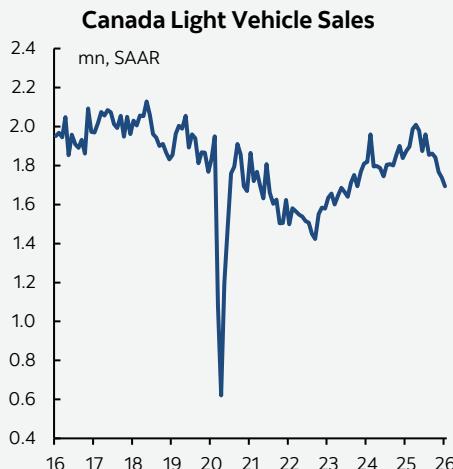
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Chart 1



January Auto Sales: Soft Start to the New Year

CANADA: ANNOUNCED EV POLICIES BRING NEW APPROACH TO SAME OBJECTIVE

Canadian auto sales fell 2.6% month-over-month to 1.69 mn units at a seasonally adjusted annualized rate (SAAR) in January based on data from Omdia (chart 1). In non-seasonally adjusted terms auto sales were 108 k, down 9.4% year-over-year. When comparing to the same month, auto sales posted the slowest start to the year since 2023. In seasonally adjusted terms, the selling rate softened through the second half of 2025 in what was likely a balancing out from demand pulled forward earlier in the year by consumers that were looking to front-run any distortions from the Spring tariff announcements. We will be keeping an eye out over the coming months for signs that the decline in seasonally adjusted auto sales may be bottoming out. However, overall demand is unlikely to see a similar Spring surge compared to last year.

Canada's employment growth has pulled back in recent months, with the three month moving average (3mma) job gains slowing to 12.5 k (SA) in January, down from 59.8 k (SA, 3mma) in November 2025, while the unemployment rate declined to 6.5% owing to a lower participation rate. Meanwhile, the Bank of Canada held the policy rate at 2.25% in January and we expect an extended hold in the near term with potential rate hikes beginning in the fourth quarter as the BoC returns towards a more neutral policy stance.

On February 5th, the federal government announced plans to adjust the greenhouse gas (GHG) emission standards and repeal the Electric Vehicle Availability Standard (EVAS) that previously mandated 100% zero-emission vehicle sales by 2035. The stricter GHG emission standards are estimated to push the share of electric vehicle (EV) sales towards 75% by 2035 and 90% by 2040. EV sales through the first 11 months of 2025 are tracking less than 9% of overall new auto sales, down from 13.7% in 2024 owing in part from the federal iZEV consumer rebate running out of funding early last year. In order to support EV demand in the near term, the federal government also will be launching a five-year EV Affordability Program. The new program will provide incentives of up to \$5 k for battery electric and fuel cell EVs and up to \$2.5 k for plug-in hybrid vehicles. The incentives will be limited to vehicles valued up to \$50 k when manufactured by countries which have a free trade agreement with Canada, thereby excluding Chinese EVs imported under the trade agreement announced mid-January, but will not have a price cap for Canadian manufactured EVs, and the incentives will be gradually phased out by the end of 2030.

While the new consumer subsidy may support a near term rise in demand for ZEVs, bringing the share of ZEV sales back towards 2024 levels, Canada's longer term growth of the EV market will likely depend on how rapidly the supply side evolves. Our outlook for Canadian light vehicle sales is 1.83 mn in 2026 as we expect the sales rate to rebound from the recent lows, albeit not to the same level as last Spring, and rising to 1.87 mn in 2027.

UNITED STATES: SALES SOFTEN AS LABOUR MARKETS TREND SIDEWAYS

US auto sales in January declined 6.7% month-over-month to 14.9 mn units at a seasonally adjusted annualized rate (SAAR) according to the US Bureau of Economic Analysis (chart 2). January marked the lowest seasonally adjusted sales rate for a single month since December 2022. Demand for new vehicles in the US continues to ease relative to 12 months ago. The average auto sales rate in the US over the past three months has declined to 15.5 mn (SAAR, 3mma), down from the 16.3 mn sold in annual 2025 and to the lowest three month average since August 2024.

Uncertainty within the labour markets is likely posing headwinds to consumer confidence. Non-farm employment levels have essentially treaded water since last Summer, with 22 k jobs lost per month on average in the fourth quarter. The weaker hiring environment is combining with lower labour force growth which has kept the unemployment rate around

Chart 2



4.4% for the same time period. However, year-over-year measures of headline and core inflation remain around 2.7–3.0%, posing conflicting challenges to the US Federal Reserve's mandate of maximum sustainable employment and the 2% inflation target. The Fed held the policy rate at 3.75% at the January FOMC meeting after having cut by 25 basis points at each of the three prior meetings. We expect that the Fed will lower the policy rate to 3% by the end of Q3 this year, albeit with a much more gradual pace of easing compared to the end of last year as they assess price pressures while maintaining flexibility for further interest rate relief should there be a greater slowdown in the labour market.

Our outlook for US auto sales is 15.76 mn in 2026, as we expect auto demand to be weighed by soft employment growth, before increasing to 15.82 mn in 2027, supported by further declines in borrowing costs for consumers as the effects of previous and future expected interest rate cuts work their way through the economy.

GLOBAL AUTO SALES: ANNUAL GROWTH ACROSS MOST REGIONS TRACKED IN 2025

Global auto sales declined 0.7% m/m (SA) in December as vehicle sales growth continued to soften at the end of a positive year

(chart 3). Nevertheless, auto sales in the fourth quarter marginally increased by 0.3% q/q (SA), up for a third consecutive quarter. Auto sales for the countries we track were 81.8 mn in 2025, up 4.9% year-over-year, with positive annual sales growth in all regions except for eastern Europe. Vehicle sales in eastern Europe fell 2.7% y/y in 2025, but ended the year on a stronger note, increasing 4.7% m/m in December and 7.1% quarter-over-quarter in Q4. Meanwhile, in western Europe, auto sales rebounded sharply in December (5% m/m) which supported increases of 7.1% q/q growth in Q4 and 1.8% y/y for the year. In the Asia Pacific region, automotive sales ended the final month on a softer tone, decreasing 4.2% m/m in December but increased 1.6% q/q in Q4. Annual auto sales for the region were up 7.2% y/y owing to further rising demand in China with sales up 9.1% y/y in 2025. In Latin America, vehicle sales remain volatile on a monthly basis, up 5.1% m/m in December and were marginally higher in the final quarter (0.6% q/q) to cap off 9.4% y/y growth for the year and the highest annual sales volume since 2018. Our outlook for global vehicle sales expects growth rates to slow at the regional level, with volume pulling back from last year's levels that came in above expected, resulting in global sales declining 0.4% in 2026 before picking up to 1.8% in 2027 (chart 4).

Chart 3

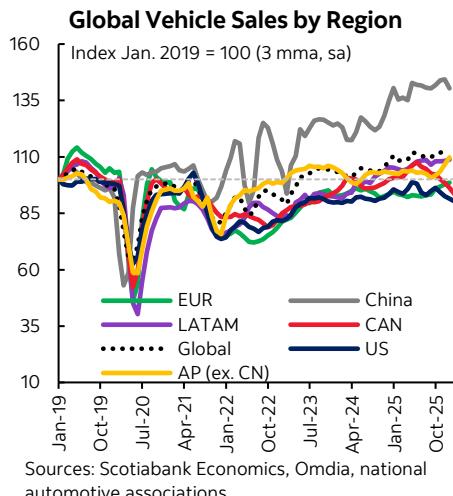


Chart 4



Table 1—Global Auto Sales Outlook (mns units)

	2010-19	2023	2024	2025	2026f	2027f	Dec-25, SA % m/m	Dec-25, NSA % y/y	2025 ytd, NSA % y/y
Total Sales	71.1	75.3	77.9	81.8	81.5	83.0	-0.7	-0.6	4.9
North America	18.7	18.5	19.2	19.7	19.1	19.3	1.3	-1.9	2.6
Canada	1.82	1.68	1.82	1.89	1.83	1.87	-1.6	-5.7	4.1
United States	15.7	15.5	15.9	16.3	15.8	15.8	2.2	-2.3	2.6
Mexico	1.22	1.36	1.49	1.51	1.54	1.57	-3.4	5.5	1.3
Western Europe	13.0	11.4	11.4	11.6	11.7	11.8	5.0	5.9	1.8
Germany	3.2	2.8	2.8	2.9	2.9	3.0	2.3	9.7	1.4
United Kingdom	2.3	1.9	2.0	2.0	2.0	2.0	5.1	3.9	3.5
Eastern Europe	3.3	2.8	3.4	3.3	3.3	3.4	4.7	10.2	-2.7
Russia	2.1	1.1	1.6	1.4	1.5	1.5	1.7	5.6	-15.9
Asia	31.9	39.4	40.5	43.4	43.5	44.6	-4.2	-3.5	7.2
China	19.7	26.0	27.6	30.1	29.9	30.8	-8.6	-8.7	9.1
India	3.3	4.7	4.9	5.2	5.2	5.3	7.6	29.1	5.3
Japan	5.1	4.8	4.4	4.6	4.7	4.7	3.0	1.7	3.3
South America	4.3	3.2	3.5	3.9	3.8	3.9	8.9	10.6	9.4
Brazil	2.91	2.18	2.49	2.55	2.60	2.68	6.9	9.7	2.6
Chile	0.34	0.31	0.30	0.31	0.31	0.32	4.2	5.8	2.7
Colombia	0.26	0.18	0.20	0.25	0.22	0.23	13.2	20.0	26.2
Peru	0.16	0.16	0.15	0.19	0.16	0.16	10.2	48.4	23.5

Sources: Scotiabank Economics, Omdia, Bloomberg.

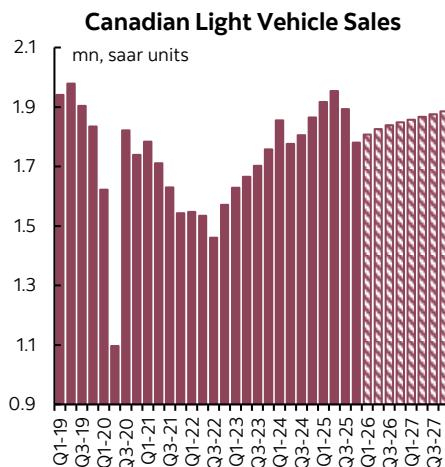
Table 2—Provincial Auto Sales Outlook (thousands of units ann.)

	2010-19	2023	2024	2025e	2026f	2027f	Nov-25, SA % m/m	Nov-25, NSA % y/y	2025 ytd nsa % y/y	ZEV* (Nov-25) % of new LV sales
Canada	1,817	1,684	1,819	1,894	1,830	1,872				11.3
Atlantic	134	115	135	145	130	128	-3.6	-3.9	10.6	3.8
Central	1,179	1,129	1,237	1,256	1,175	1,205	-5.4	-9.2	1.2	10.9
Quebec	441	411	473	466	439	449	-5.9	-14.6	-2.3	19.4
Ontario	738	718	764	790	736	756	-5.1	-5.7	3.4	6.0
West	548	508	547	561	526	538	1.2	-1.4	4.7	13.9
Manitoba	56	49	58	61	55	55	-4.1	-2.4	9.6	4.9
Saskatchewan	54	45	51	53	49	49	-5.6	-2.0	11.2	2.7
Alberta	239	209	223	231	215	219	1.7	-0.6	5.9	7.4
British Columbia**	199	205	214	216	206	216	3.9	-1.8	0.5	25.5

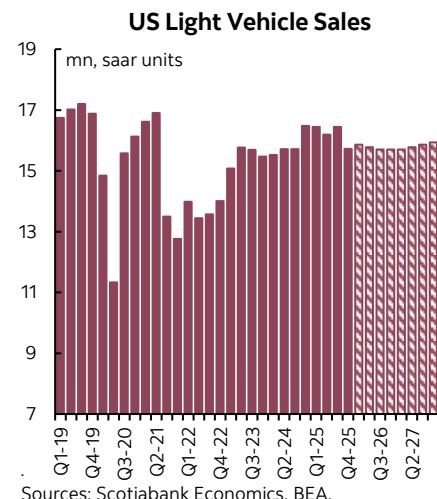
*ZEV includes battery electric and plug-in hybrid electric vehicles. **British Columbia includes the territories.

Sources: Scotiabank Economics, Omdia, Statistics Canada.

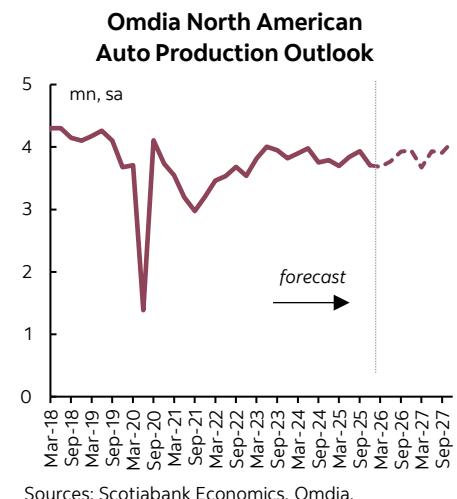
Quarterly Outlook for North American Auto Sector



Sources: Scotiabank Economics, Omdia.



Sources: Scotiabank Economics, BEA.



Sources: Scotiabank Economics, Omdia.

Table 3—North American Annual Production Outlook

2010–19 2023 2024 2025e 2026f 2027f

North American Production	(millions of units, annualised)					
	15.9	15.6	15.5	15.0	15.3	15.6
Canada	2.2	1.5	1.3	1.2	1.2	1.4
United States	10.4	10.3	10.2	9.8	10.0	10.4
Mexico	3.2	3.8	4.0	3.9	4.1	3.8

Sources: Scotiabank Economics, Omdia.

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