

Contributors

John Fanjoy
Economist
Scotiabank Economics
416.866.4735
john.fanjoy@scotiabank.com

Chart 1



Chart 2



May Auto Sales: Stability After Spring Rebound

CANADA: AUTO SALES MOVE SIDEWAYS AFTER SPRING REBOUND

Canadian auto sales fell 0.6% month-over-month to 1.89 mn units at a seasonally adjusted annualized rate (SAAR) in May based on data from Omdia (chart 1). The monthly selling rate has trended in the 1.85–1.9 mn range since February, an improvement from the three months to January when sales averaged 1.75–1.8 mn but still below the 2 mn rate a year ago. The improvement in light vehicle sales this Spring has been supported by car sales which have increased an average 9% each month (SA) since February to the highest level in a single month since early 2024, which has been partially offset by light truck sales that have held relatively flat after increasing 4.4% m/m (SA) in February.

In non-seasonally adjusted terms, May registered 185.1 k new light vehicle sales as reported by the same source (-4.4% y/y). Sales remain down compared to the same month a year ago for the eighth month in a row but this likely continues to reflect distortions from tariffs, as demand was pulled into the Spring last year by tariff front-running that resulted in a softer H2-2025. When comparing against the same month in 2024, new vehicle sales rose 6.6%, and are higher for a third consecutive month.

While GDP data for Q1 was weaker than previously expected, growth should begin to improve over the year. Canada’s labour market added 88 k jobs in May after contracting in three of the first four months to start the year, supporting a drop in the unemployment rate to 6.6% that has averaged 6.7% since January. Meanwhile household consumption expenditure grew 1.5% q/q (SAAR) in Q1, largely driven by spending on services (2%) while spending on goods remains soft (0.7%). The surge in global oil prices pushed headline inflation to 2.8% y/y in April and is likely to stay close to 3% for the remainder of the year before slowing towards the midpoint of the Bank of Canada’s 1–3% target range next year. As such, in our latest outlook we now expect the Bank of Canada to hold the policy rate at 2.25% through the Summer as they assess inflation pressures and economic growth, with two 25 basis point (bps) hikes to the policy rate in Q4 this year and another in early 2027.

Our outlook for Canadian light vehicle sales is 1.84 mn in 2026 as we expect sales to trend sideways through the middle of the year, but could remain volatile from month to month. New vehicle sales are expected to begin improving later in the year and into next, rising to 1.88 mn in 2027, however this outlook faces large uncertainty owing to higher and volatile oil prices clouding the outlook.

UNITED STATES: AUTO SALES HOLD STEADY AS INFLATION PRESSURES BUILD

US auto sales increased 0.5% m/m to 16.1 mn (SAAR) units in May, according to the BEA (chart 2). After a softer start to the year, new light vehicle sales have held steady around 16.1 mn (SAAR) units since March. Meanwhile, non-seasonally adjusted sales for May were 1.47 mn as reported by the same source. As such, sales for the month were up 0.4% year-over-year (NSA), marking the first annual increase since September 2025, and were up 2.4% compared to May 2024.

Household consumption is likely to continue facing headwinds in the near term. The labour market has added more than 170 k jobs in each of the past three months, up from essentially stalled job growth for much of the 12 months prior, while the unemployment rate has held steady at 4.3% since March. However, overall inflation has jumped to 3.8% in April up from 2.4% at the beginning of the year, as higher global oil prices erode wage gains. The US Federal Reserve is expected to remain on the sidelines this Summer, holding the policy rate at 3.75%, as they assess the persistence and pass through of the oil price shock to inflation. We expect inflation to average above 3% for the year before gradually easing next year, with the Fed cutting the policy rate by 25 bps in Q4 and delivering another 25 bps cut in Q1-2027 as their focus shifts to supporting the labour market.

Our outlook for US auto sales is 15.8 mn units in 2026 with the sales rate slightly pulling back from the recent level before trending sideways the rest of this year, and marginally improving to 15.9 mn in 2027 as expected interest rate relief and improving labour market dynamics support consumer demand but this outlook remains highly uncertain.

GLOBAL AUTO SALES: SALES CONTINUE TO REBOUND INTO Q2

Global auto sales increased 0.7% m/m (SA) in April, rising for a third consecutive month in seasonally adjusted terms (chart 3). Growth in sales was mixed at the regional level, but the continued rebound has seen global vehicle sales increase 9% from their recent low in January to the highest level since February 2025. In western Europe, vehicle sales fell 1.0% m/m (SA), pulling back from their recent high in March, as sales only increased in five of the 15 countries tracked, but are up 7% year-over-year (NSA). Meanwhile, auto sales in eastern Europe increased 5.8% m/m (SA), but remain down 12% relative to December amid a soft start to the year. In the Asia Pacific region, auto sales increased 2.3% m/m (SA), increasing for a third consecutive month as sales rebound in line with their Q4-2025 average, however the rebound has been less robust in China where sales remain 3.5% below their Q4 average. In Latin America, vehicle sales fell 5.7% m/m (SA) in April after having surged nearly 16% the month prior owing to large swings in Brazil’s seasonally adjusted sales. Latam sales excluding Brazil continue to rise though at a slower pace, and are up 2.6% relative to their average in Q4-2025. Our outlook for global vehicle sales is a decline of 0.4% in 2026 before increasing 1.9% in 2027 but faces large uncertainty, notably owing from higher and more volatile oil prices (chart 4).

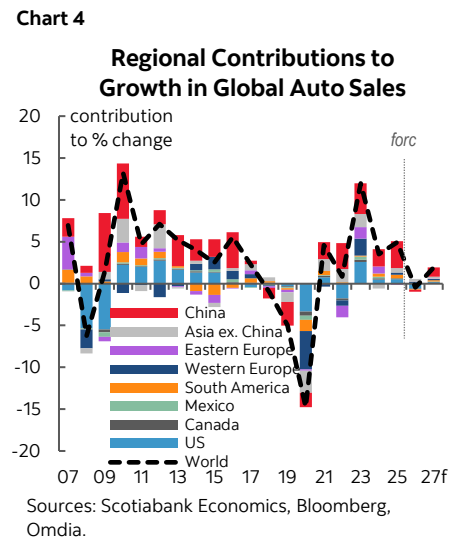
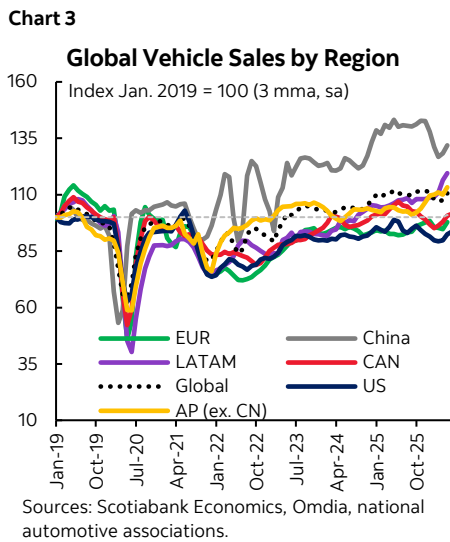


Table 1—Global Auto Sales Outlook (mns units)

	2010-19	2023	2024	2025	2026f	2027f	Apr-26, SA % m/m	Apr-26, NSA % y/y	2026 ytd, NSA % y/y
Total Sales	71.1	75.4	78.0	81.8	81.5	83.1	0.7	1.6	-0.9
North America	18.7	18.5	19.2	19.7	19.2	19.4	-0.3	-5.1	-5.5
Canada	1.82	1.68	1.82	1.89	1.84	1.88	2.6	-4.0	-4.9
United States	15.7	15.5	15.9	16.3	15.8	15.9	-1.0	-6.4	-6.6
Mexico	1.22	1.36	1.49	1.51	1.54	1.57	3.0	9.8	5.8
Western Europe	13.0	11.4	11.4	11.6	11.7	11.8	-1.0	7.0	4.8
Germany	3.2	2.8	2.8	2.9	2.9	3.0	-2.7	2.7	4.5
United Kingdom	2.3	1.9	2.0	2.0	2.0	2.0	-0.6	24.0	9.0
Eastern Europe	3.3	2.8	3.4	3.3	3.3	3.4	5.8	4.7	1.1
Russia	2.1	1.1	1.6	1.4	1.5	1.5	13.5	10.7	3.4
Asia	31.9	39.4	40.5	43.4	43.5	44.6	2.3	2.4	-1.8
China	19.7	26.0	27.6	30.1	29.9	30.8	-0.5	-4.2	-6.6
India	3.3	4.7	4.9	5.2	5.2	5.3	4.5	28.0	17.3
Japan	5.1	4.8	4.4	4.6	4.7	4.7	10.8	9.1	-0.1
South America	4.3	3.2	3.5	3.9	3.8	3.9	-8.3	12.9	13.3
Brazil	2.91	2.18	2.49	2.55	2.60	2.68	-11.4	20.5	16.9
Chile	0.34	0.31	0.30	0.31	0.31	0.32	-2.6	5.5	5.7
Colombia	0.26	0.18	0.20	0.25	0.22	0.23	0.5	53.4	49.4
Peru	0.16	0.16	0.15	0.19	0.16	0.16	2.2	37.4	37.3

Sources: Scotiabank Economics, Omdia, Bloomberg.

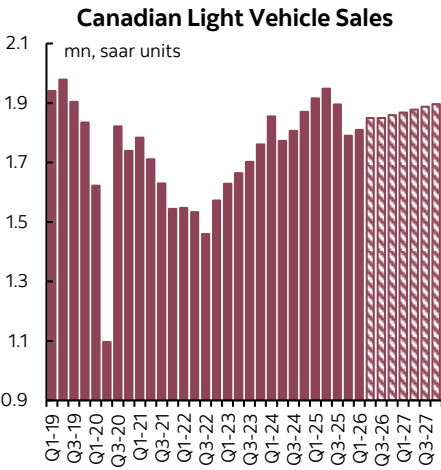
Table 2—Provincial Auto Sales Outlook (thousands of units ann.)

	2010-19	2023	2024	2025	2026f	2027f	Mar-26, SA % m/m	Mar-26, NSA % y/y	2026 ytd nsa % y/y	ZEV* (Mar-26) % of new LV sales
Canada	1,817	1,684	1,819	1,894	1,842	1,883				12.2
Atlantic	134	115	135	148	132	130	3.6	-8.1	-8.8	5.6
Central	1,179	1,129	1,237	1,244	1,183	1,206	0.6	-5.0	-2.6	12.9
Quebec	441	411	473	457	442	442	0.7	-4.7	1.1	21.8
Ontario	738	718	764	787	741	764	0.6	-5.2	-4.5	8.0
West	548	508	547	566	534	547	1.7	-9.8	-8.1	12.4
Manitoba	56	49	58	63	58	57	3.8	-12.1	-10.6	8.8
Saskatchewan	54	45	51	55	52	51	0.9	-12.0	-10.7	3.2
Alberta	239	209	223	234	223	225	2.6	-10.4	-8.5	5.5
British Columbia**	199	205	214	215	202	213	0.5	-7.8	-6.3	23.5

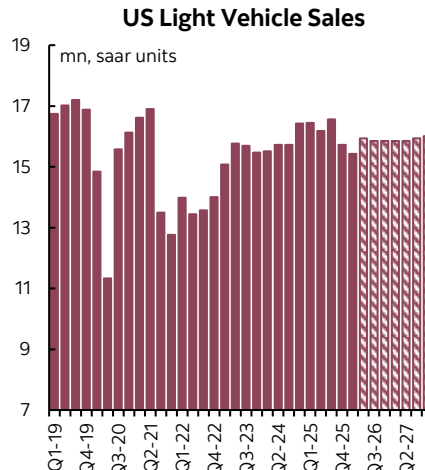
*ZEV includes battery electric and plug-in hybrid electric vehicles. **British Columbia includes the territories.

Sources: Scotiabank Economics, Omdia, Statistics Canada.

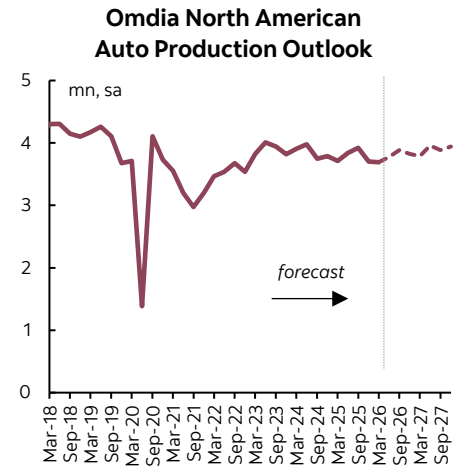
Quarterly Outlook for North American Auto Sector



Sources: Scotiabank Economics, Omdia.



Sources: Scotiabank Economics, BEA.



Sources: Scotiabank Economics, Omdia.

Table 3—North American Annual Production Outlook

	2010–19	2023	2024	2025	2026f	2027f
	(millions of units, annualised)					
North American Production	15.9	15.6	15.5	15.2	15.3	15.6
Canada	2.2	1.5	1.3	1.3	1.3	1.4
United States	10.4	10.3	10.2	10.0	10.0	10.3
Mexico	3.2	3.8	4.0	3.9	4.0	3.9

Sources: Scotiabank Economics, Omdia.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed in this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.