

Contributors

**John Fanjoy**  
Economist  
Scotiabank Economics  
416.866.4735  
[john.fanjoy@scotiabank.com](mailto:john.fanjoy@scotiabank.com)

Chart 1

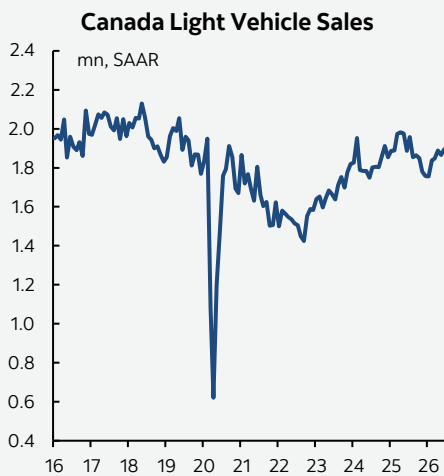


Chart 2



# June Auto Sales: Strength Persists Through Q2

## CANADA: SALES EXTEND RECENT GAINS IN Q2

Canadian auto sales increased 1.6% month-over-month to 1.9 mn units at a seasonally adjusted annualized rate (SAAR) in June based on data from Omdia (chart 1). Last month marked the fourth increase over the previous five months, as demand continues to rebound from softer sales in late-2025. Vehicle sales increased 3.8% q/q in Q2, averaging 1.88 mn (SAAR) units, after accounting for small downward revisions to data for April and May. In non-seasonally adjusted terms as reported by the same source, vehicle sales were 175.4 k for May, with Q2 sales down 3.4% y/y when compared to a partially distorted Spring 2025 but up 6.4% compared to the same period in 2024. When looking at vehicle sales by segment, car sales which account for slightly less than 15% of the overall market increased 20.7% q/q, as sales recovered to approximately the same volume a year ago (0.2% y/y, Q2). Whereas sales of the light truck segment, that account for more than 85% of the new sales market, increased 1.9% q/q in Q2 but remain down 4% y/y.

Broader economic factors that provide some support to vehicle demand have shown some recent improvement. Monthly real GDP grew 0.5% in April, as economic activity showed signs of rebounding from previous softness, which is further supported by the 88 k jobs added in May that helped push the unemployment rate down to 6.6% (SA). While headline inflation rose to 3.2% y/y in May, core inflation (excluding food & energy) rose 1.6% y/y, providing the Bank of Canada some room to hold the policy rate at 2.25% while assessing whether the higher and volatile oil prices are passing through to more broad inflationary pressures. Meanwhile, uncertainty around trade policy is likely to persist, weighing on business investment, as Canada, the US, and Mexico did not renew CUSMA by the July 1<sup>st</sup> deadline, with the trade agreement staying in place with annual reviews until it expires in 2036 or is renewed at a later date.

Our outlook for Canadian light vehicle sales is 1.86 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 improve next year, rising to 1.9 mn in 2027. However, this outlook faces large uncertainty owing to ongoing volatility in global oil prices and risks to potential future trade developments.

## UNITED STATES: DEMAND HOLDS UP AS HEADWINDS BUILD

US auto sales increased 2.7% m/m to 16.5 mn (SAAR) units in June, according to the BEA (chart 2). Vehicle sales maintained their strength through the middle of the year, averaging 16.3 mn (SAAR) units in Q2, thanks in part to a strong end to the quarter, and increasing 5.2% q/q relative to Q1-2026. Non-seasonally adjusted sales as reported by the same source were 1.36 mn for the month, up 7.2% y/y, while non-seasonally adjusted sales for Q2 were up 0.5% vs 2025 and up 3.8% compared to the same quarter in 2024.

The US labour market may have shown signs of slowing momentum after a solid rebound in the Spring and early Summer. Despite the US unemployment rate falling to 4.2% in June, non-farm employment only grew by 57 k after averaging 164 k over the three months to May. Meanwhile, headline and core measures of inflation rose more than 4% and 3% respectively year-over-year in May. The softer labour market along with still elevated inflation are pulling in opposite directions of the Federal Reserve's dual mandate to achieve maximum sustainable employment and price stability. Absent a deterioration in the outlook, there is unlikely to be immediate interest rate relief in the near term, while softer labour market data is likely to keep the FOMC wary of returning to rate hikes.

Our outlook for US auto sales is 15.9 mn units in 2026 with the sales rate slightly pulling back from the recent level in the second half of this year, and marginally improving to 16.1 mn in 2027 as expected interest rate relief and improving labour market dynamics support consumer demand.

**GLOBAL AUTO SALES: MOMENTUM STALLS AFTER RECENT GAINS**

**Global auto sales decreased 1.5% m/m (SA) in May, halting the three-month trend of growing volumes on a seasonally adjusted basis (chart 3).** The softness was broad based as Latin America was the sole region tracked for which sales did not decline in the month of May. Latam sales increased 1.5% m/m (SA), driven higher by continued growth in Brazil's seasonally adjusted sales that increased 4.9%, while sales in the five other countries were flat or lower month-over-month. Momentum in auto demand through Q2 is supporting the region's sales which are up 11% year-to-date (ytd). In western Europe, vehicle sales were down 3.1% m/m (SA) in May, continuing to pull back from the recent high in March as the surge in oil prices likely impact consumer demand, with vehicle sales slowing in 11 of the 15 countries tracked. As such, regional sales are now only up 4% ytd. Meanwhile, auto sales in eastern Europe fell 3.4% m/m (SA) and have been trending sideways through the first five months of the year, with sales marginally higher (0.9%) year-to-date. Likewise in the Asia Pacific region, auto sales have been holding relatively steady in the face of the oil price surge, where sales fell 1.5% m/m (SA) as the 0.4% increase in Chinese vehicle sales was more than offset by declines in the rest of the region that averaged 5%. Auto sales for the region are down 2.1% through May (ytd), weighed by the 6.7% (ytd) decline in Chinese sales. Our outlook for global vehicle sales is a decline of 0.2% in 2026 before increasing 1.9% in 2027 (chart 4) but faces large uncertainty, notably owing to ongoing volatility in global trade and energy prices.

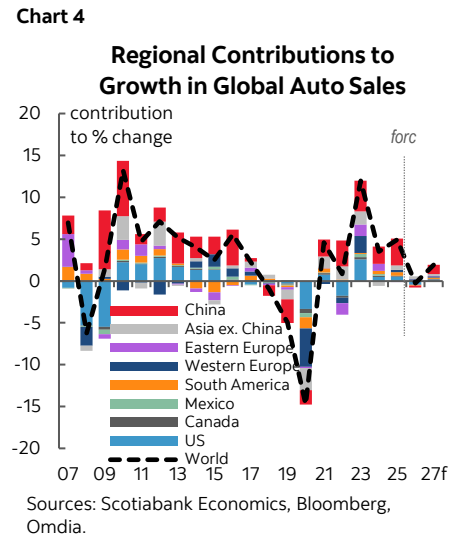
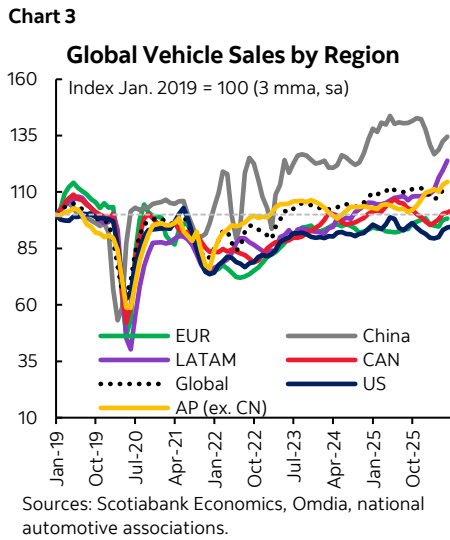


Table 1—Global Auto Sales Outlook (mns units)

	2010-19	2023	2024	2025	2026f	2027f	May-26, SA % m/m	May-26, NSA % y/y	2026 ytd, NSA % y/y
<b>Total Sales</b>	<b>71.1</b>	<b>75.4</b>	<b>78.0</b>	<b>81.8</b>	<b>81.6</b>	<b>83.2</b>	<b>-1.5</b>	<b>1.3</b>	<b>-0.4</b>
<b>North America</b>	<b>18.7</b>	<b>18.5</b>	<b>19.2</b>	<b>19.7</b>	<b>19.3</b>	<b>19.5</b>	<b>-0.7</b>	<b>0.1</b>	<b>-4.0</b>
Canada	1.82	1.68	1.82	1.89	1.86	1.90	-1.3	-5.5	-5.1
United States	15.7	15.5	15.9	16.3	15.9	16.1	-0.8	0.3	-4.7
Mexico	1.22	1.36	1.49	1.51	1.54	1.57	0.2	6.0	5.8
<b>Western Europe</b>	<b>13.0</b>	<b>11.4</b>	<b>11.4</b>	<b>11.6</b>	<b>11.7</b>	<b>11.8</b>	<b>-3.1</b>	<b>3.3</b>	<b>4.5</b>
Germany	3.2	2.8	2.8	2.9	2.9	3.0	-3.9	0.1	3.6
United Kingdom	2.3	1.9	2.0	2.0	2.0	2.0	-2.8	7.1	8.7
<b>Eastern Europe</b>	<b>3.3</b>	<b>2.8</b>	<b>3.4</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>	<b>-3.4</b>	<b>0.4</b>	<b>1.0</b>
Russia	2.1	1.1	1.6	1.4	1.5	1.5	4.8	18.0	6.4
<b>Asia</b>	<b>31.9</b>	<b>39.4</b>	<b>40.5</b>	<b>43.4</b>	<b>43.5</b>	<b>44.6</b>	<b>-1.5</b>	<b>0.4</b>	<b>-1.3</b>
China	19.7	26.0	27.6	30.1	29.9	30.8	0.4	-4.2	-6.1
India	3.3	4.7	4.9	5.2	5.2	5.3	-0.6	28.8	19.5
Japan	5.1	4.8	4.4	4.6	4.7	4.7	-5.0	2.8	0.4
<b>South America</b>	<b>4.3</b>	<b>3.2</b>	<b>3.5</b>	<b>3.9</b>	<b>3.8</b>	<b>3.9</b>	<b>2.0</b>	<b>12.5</b>	<b>13.1</b>
Brazil	2.91	2.18	2.49	2.55	2.60	2.68	4.9	23.3	18.3
Chile	0.34	0.31	0.30	0.31	0.31	0.32	-4.1	0.5	4.7
Colombia	0.26	0.18	0.20	0.25	0.22	0.23	0.8	42.4	47.8
Peru	0.16	0.16	0.15	0.19	0.16	0.16	-0.5	42.5	38.3

Sources: Scotiabank Economics, Omdia, Bloomberg.

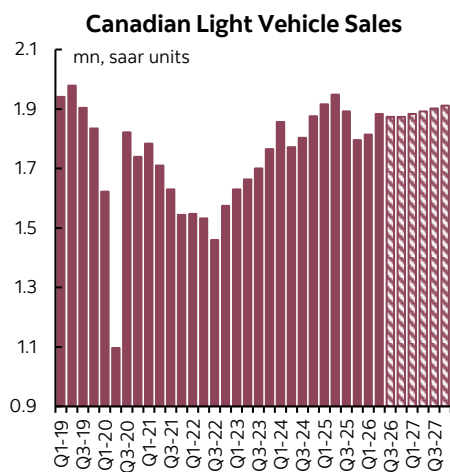
Table 2—Provincial Auto Sales Outlook (thousands of units ann.)

	2010-19	2023	2024	2025	2026f	2027f	Apr-26, SA % m/m	Apr-26, NSA % y/y	2026 ytd nsa % y/y	ZEV* (Apr-26) % of new LV sales
<b>Canada</b>	<b>1,817</b>	<b>1,684</b>	<b>1,819</b>	<b>1,894</b>	<b>1,861</b>	<b>1,897</b>				<b>9.7</b>
<b>Atlantic</b>	<b>134</b>	<b>115</b>	<b>135</b>	<b>148</b>	<b>135</b>	<b>131</b>	<b>5.9</b>	<b>-3.8</b>	<b>-7.2</b>	<b>4.3</b>
<b>Central</b>	<b>1,179</b>	<b>1,129</b>	<b>1,237</b>	<b>1,244</b>	<b>1,196</b>	<b>1,216</b>	<b>3.4</b>	<b>-5.3</b>	<b>-3.4</b>	<b>10.4</b>
Quebec	441	411	473	457	447	446	9.4	-6.7	-1.6	17.5
Ontario	738	718	764	787	749	770	0.1	-4.4	-4.5	6.1
<b>West</b>	<b>548</b>	<b>508</b>	<b>547</b>	<b>566</b>	<b>538</b>	<b>552</b>	<b>0.8</b>	<b>-8.0</b>	<b>-8.1</b>	<b>9.5</b>
Manitoba	56	49	58	63	58	58	-0.6	-9.8	-10.4	4.6
Saskatchewan	54	45	51	55	52	52	1.4	-8.2	-10.0	2.3
Alberta	239	209	223	234	224	227	0.8	-7.2	-8.1	4.8
British Columbia**	199	205	214	215	204	215	1.0	-8.3	-6.9	18.2

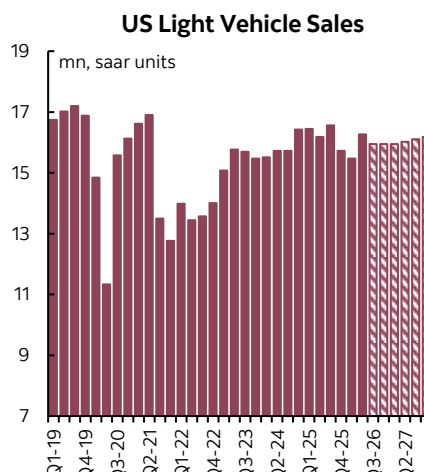
\*ZEV includes battery electric and plug-in hybrid electric vehicles. \*\*British Columbia includes the territories.

Sources: Scotiabank Economics, Omdia, Statistics Canada.

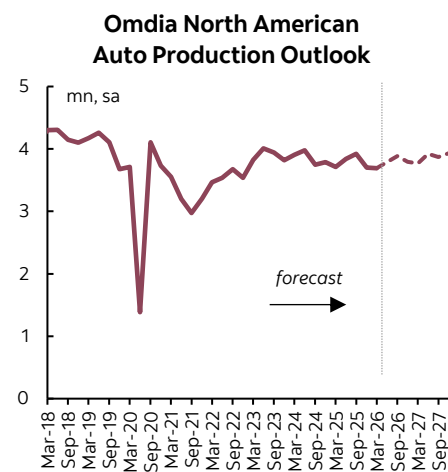
Quarterly Outlook for North American Auto Sector



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)					
<b>North American Production</b>	<b>15.9</b>	<b>15.6</b>	<b>15.5</b>	<b>15.2</b>	<b>15.3</b>	<b>15.5</b>
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	3.9	3.8

Sources: Scotiabank Economics, Omdia.

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