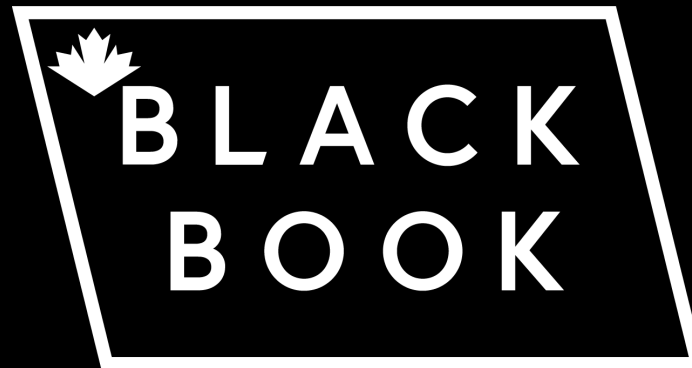




Residual Value Newsletter

July 2026

Market Summary - Macroeconomic

Impacts to Latest Publish

● Positive Factors

 **Labour market strengthened** with 87,800 jobs added in May, reducing unemployment to 6.6%.

Retail sales increased 0.9%, supported by higher gasoline and vehicle-related spending.

Canada recorded a \$1.8B trade surplus, supported by strong energy and gold exports.

● Negative Factors

Inflation increased to 2.8%, driven primarily by higher energy prices.



Canada entered a technical recession, with GDP contracting for a second consecutive quarter.

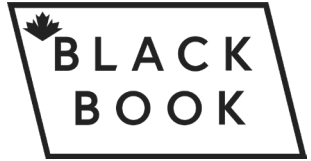
Bank of Canada held rates at 2.25% while signaling continued uncertainty around inflation and economic growth.



Trade uncertainty surrounding CUSMA negotiations continues to weigh on the economic outlook.

Net Impact: Positive momentum in employment, retail spending, and exports was offset by persistent inflation, slowing economic growth, and continued trade uncertainty, resulting in a cautious outlook for residual values.

Note to Clients



Enhancing Our Residual Value Forecasting Process

Why We're Enhancing Our Process?



As part of our commitment to delivering accurate, reliable, and forward-looking residual value forecasts, Canadian Black Book is enhancing the methodologies and market inputs that support our residual value models. These enhancements incorporate both macroeconomic and automotive industry factors to ensure our forecasts **Reflect Today's Market** environment.

The automotive market has changed significantly since the pandemic, driven by:



- Changing vehicle supply and consumer demand
- Evolving financing conditions
- Increased competition from lower-priced new market entrants
- Broader macroeconomic trends

These enhancements are designed to improve the accuracy, consistency, and transparency of our residual value forecasts.



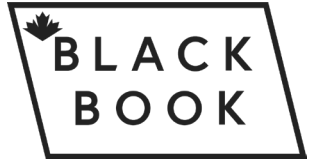
We will continue to communicate significant valuation changes and the market factors driving them throughout this transition.

What This Means For Clients



- Residual values may experience larger-than-normal adjustments in some vehicle segments as models are recalibrated.
- During periods of elevated market uncertainty, valuation movements may be more pronounced than historical norms.
- Our goal is to improve transparency, consistency, and confidence in our forecasting process.

North America Automotive Market



June 2026



MARKET SNAPSHOT

- The North American market is entering a period of slower growth as tariffs, higher vehicle prices, and economic uncertainty weigh on consumer demand. Production forecasts have been revised lower across the region.
- New vehicle affordability remains the industry's largest challenge, with average transaction prices remaining near historic highs.



KEY TRENDS

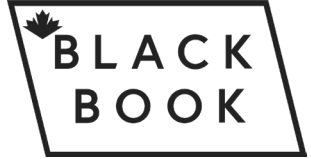
- **Shift from EV-only strategies to multi-powertrain portfolios.** Several automakers are increasing investment in hybrids and gasoline-powered vehicles as EV demand grows more slowly than originally forecast.
- **Consumers are becoming more fuel-conscious.** Rising gasoline prices are driving increased interest in smaller, more fuel-efficient vehicles and crossovers versus large pickups and SUVs.
- **Tariffs and geopolitical risks** continue to influence manufacturing footprints, sourcing strategies, and supply chain planning across the U.S., Canada, and Mexico.
- **Automakers are focusing on profitability over volume**, with cost reductions, selective product investments, and operational efficiency programs becoming more common.
- **Software-defined vehicles, AI, and connected technologies** remain major long-term investment areas despite near-term market volatility.



STRATEGIC IMPLICATIONS

- Hybrid vehicles are emerging as the fastest-growing transition technology in North America.
- OEMs are reassessing EV launch timing and production capacity while maintaining long-term electrification commitments.
- Cost control, supply chain localization, and product affordability are becoming the primary competitive differentiators for 2026-2027.

Canada Automotive Market



June 2026

Canadian new vehicle sales remain relatively soft, with year-to-date sales through May down approximately 1.6%.

- affordability pressures, higher financing costs, and economic uncertainty continue to impact consumers

Affordability is driving consumers toward value-oriented models/segments, greater dependency on used vehicles, and longer financing terms.

Key Trends:

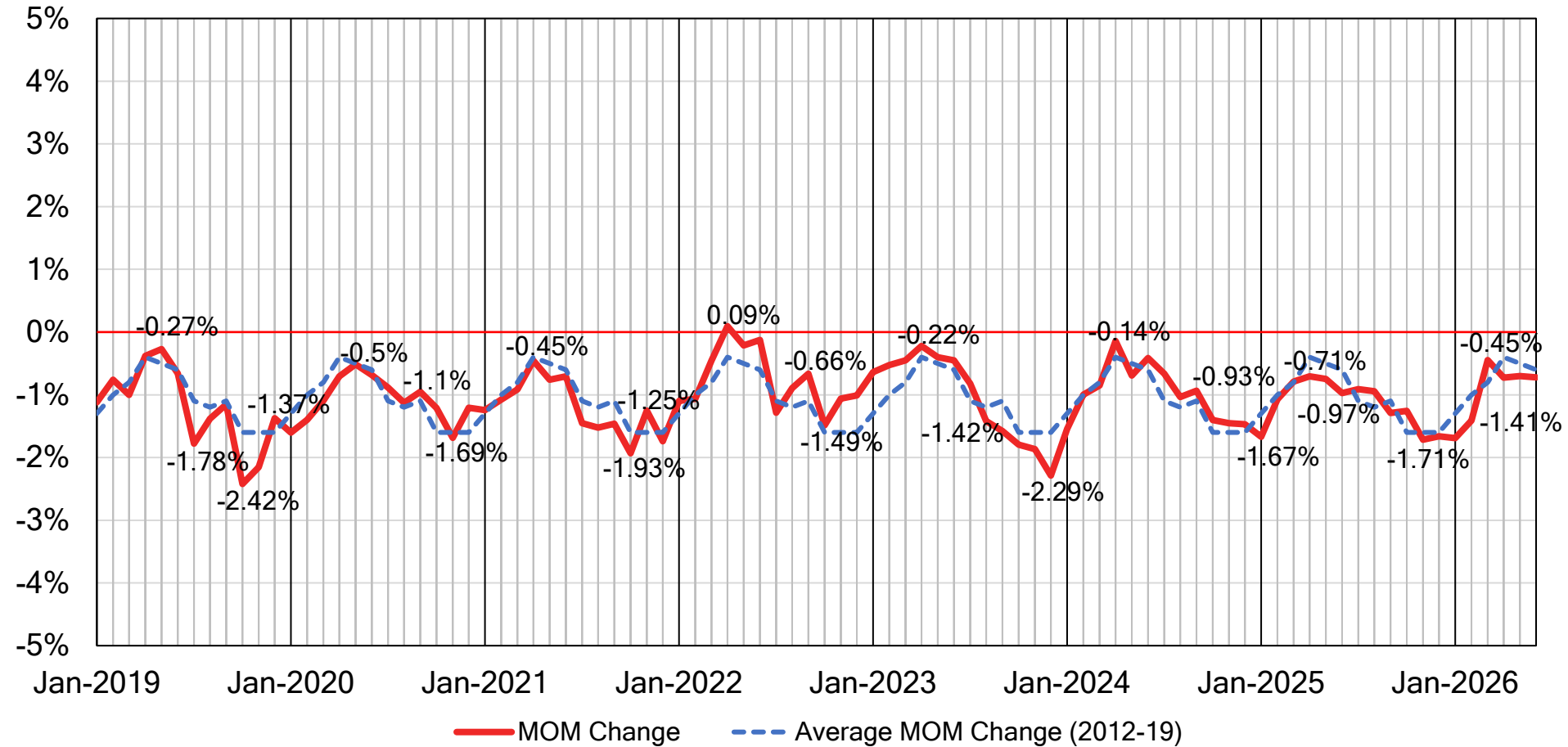
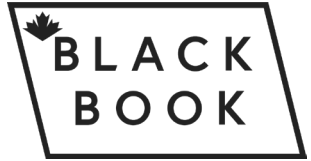
- Trade and tariff uncertainty continues to reshape the Canadian automotive sector. Manufacturers and suppliers continually adjust production and investment plans. Canadian vehicle production under increased pressure relative to the U.S. and Mexico.
- EV market growth has increased for the near-term, reflecting renewed consumer demand, affordability improvements, and changing government policies.
- The Canadian government has introduced a new automotive strategy focused on protecting manufacturing jobs, strengthening supply chains, and supporting next-generation vehicle production.
- Canada's decision to permit a limited number of Chinese EV imports at reduced tariff levels has created greater opportunity for continued EV volatility.

Strategic Implications

- OEMs and dealers are prioritizing affordability, inventory management, and flexible powertrain strategies.
- Supply chain resilience and domestic manufacturing competitiveness remain top priorities.
- Hybrid vehicles are increasingly viewed as a practical bridge technology as EV adoption moderates.

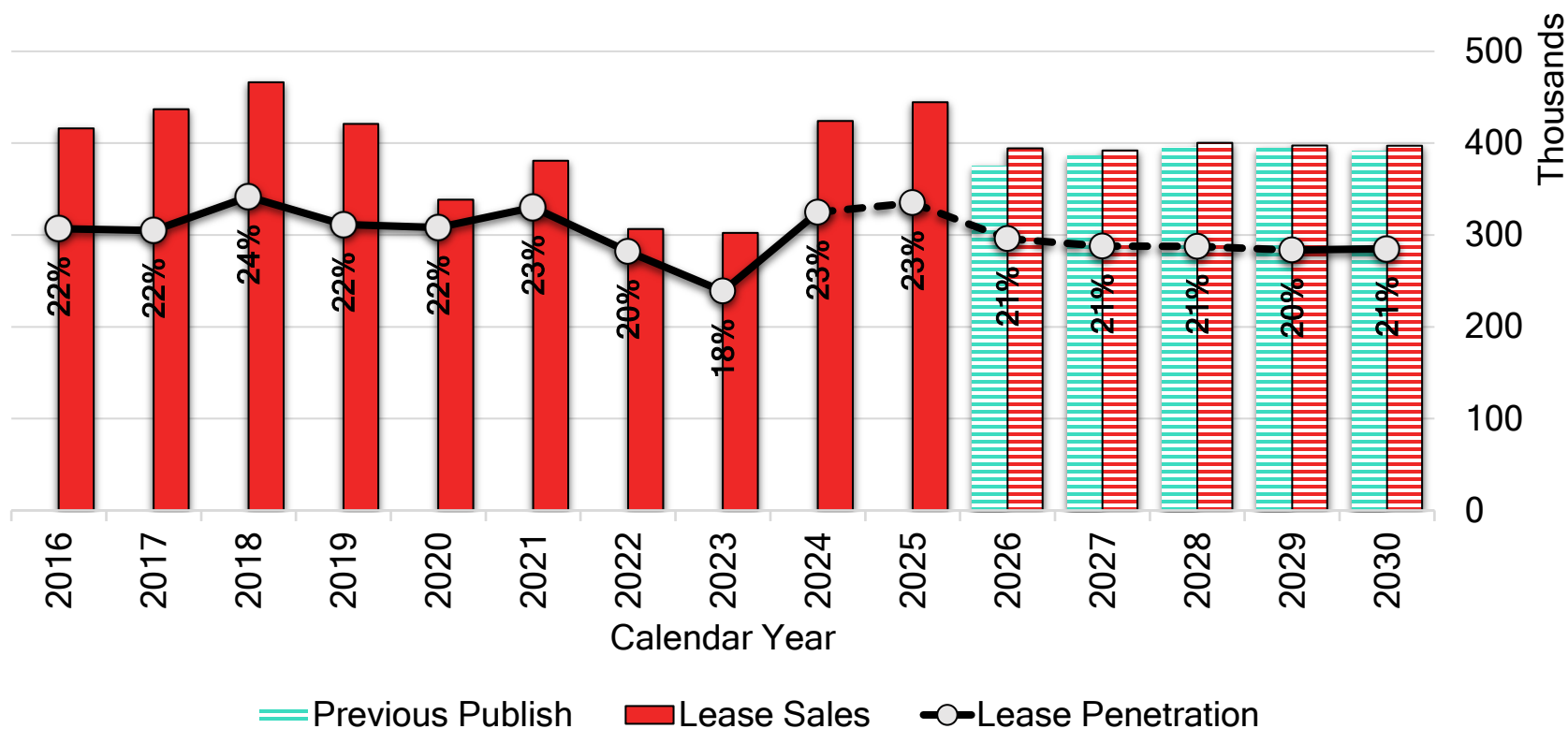
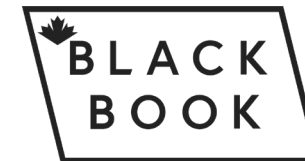
Month over Month Wholesale Price Changes

2 to 6-year-old vehicles



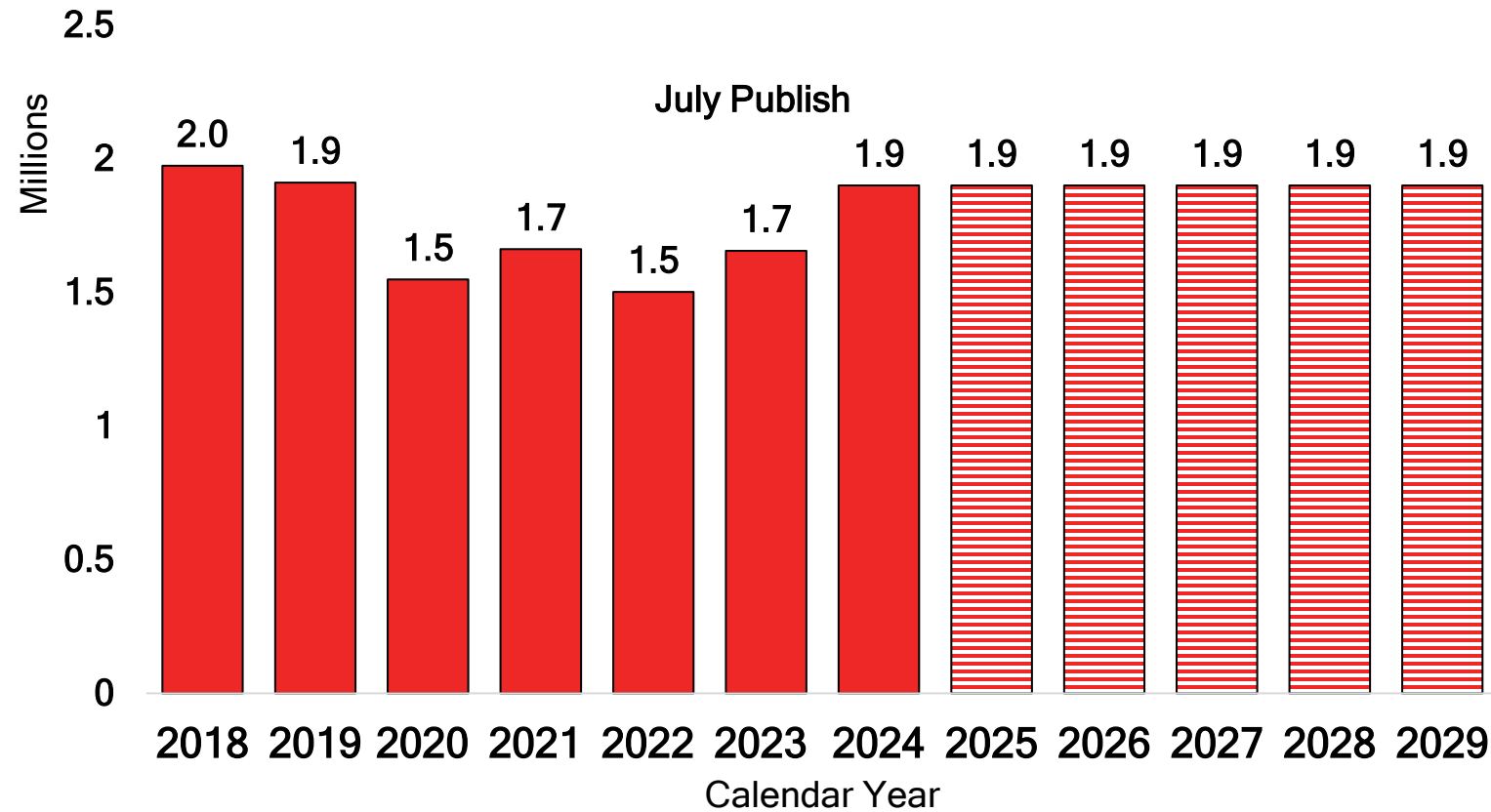
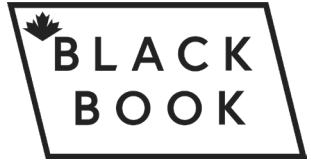
General price trend is flat vs. prior publish as higher passenger car prices offset light truck decline

Total Lease Penetration



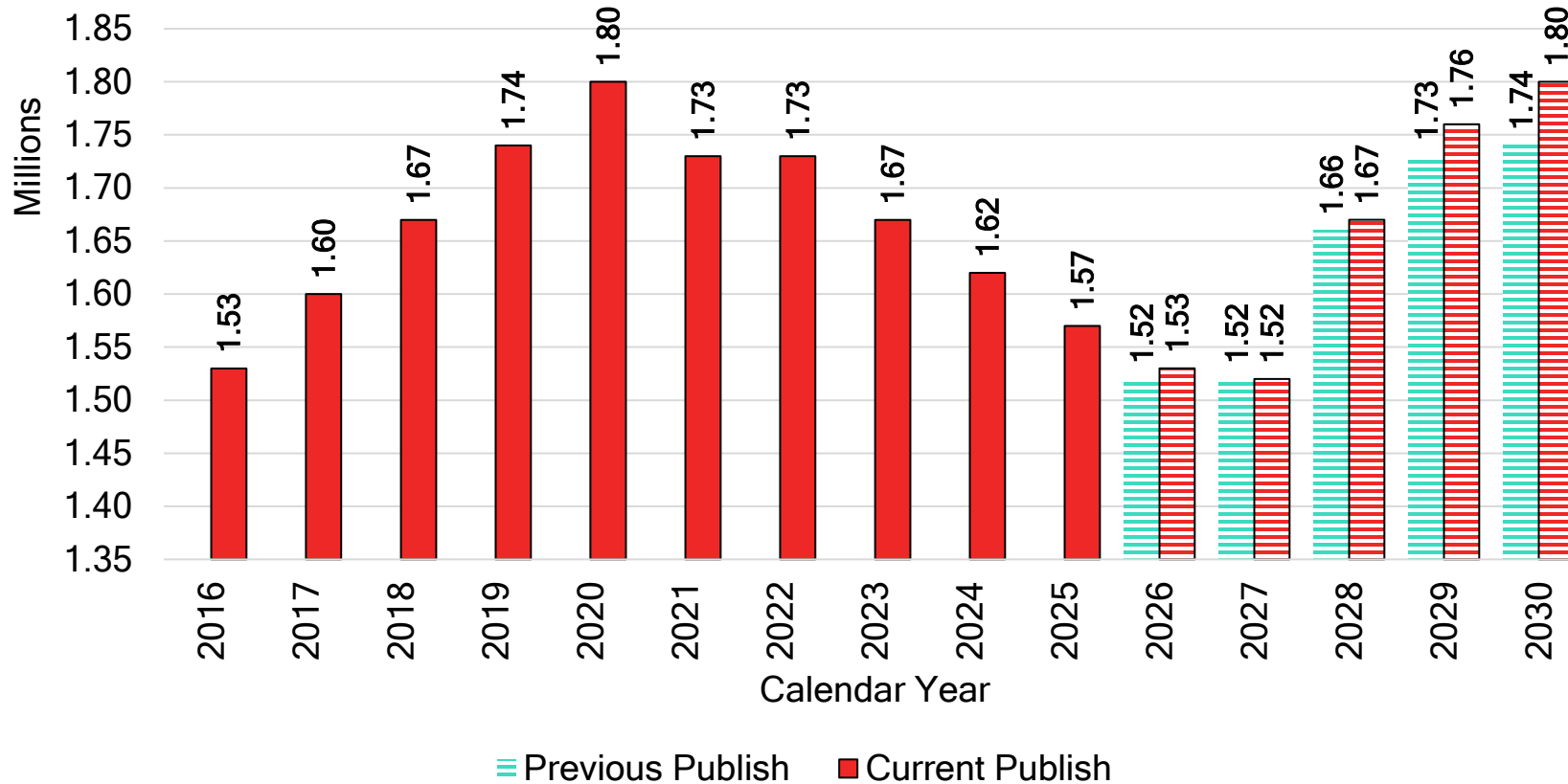
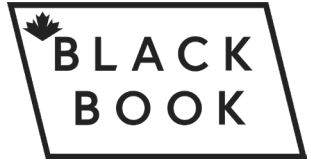
CY26 Lease Penetration has increased vs. Prior Publish

New Vehicle Sales



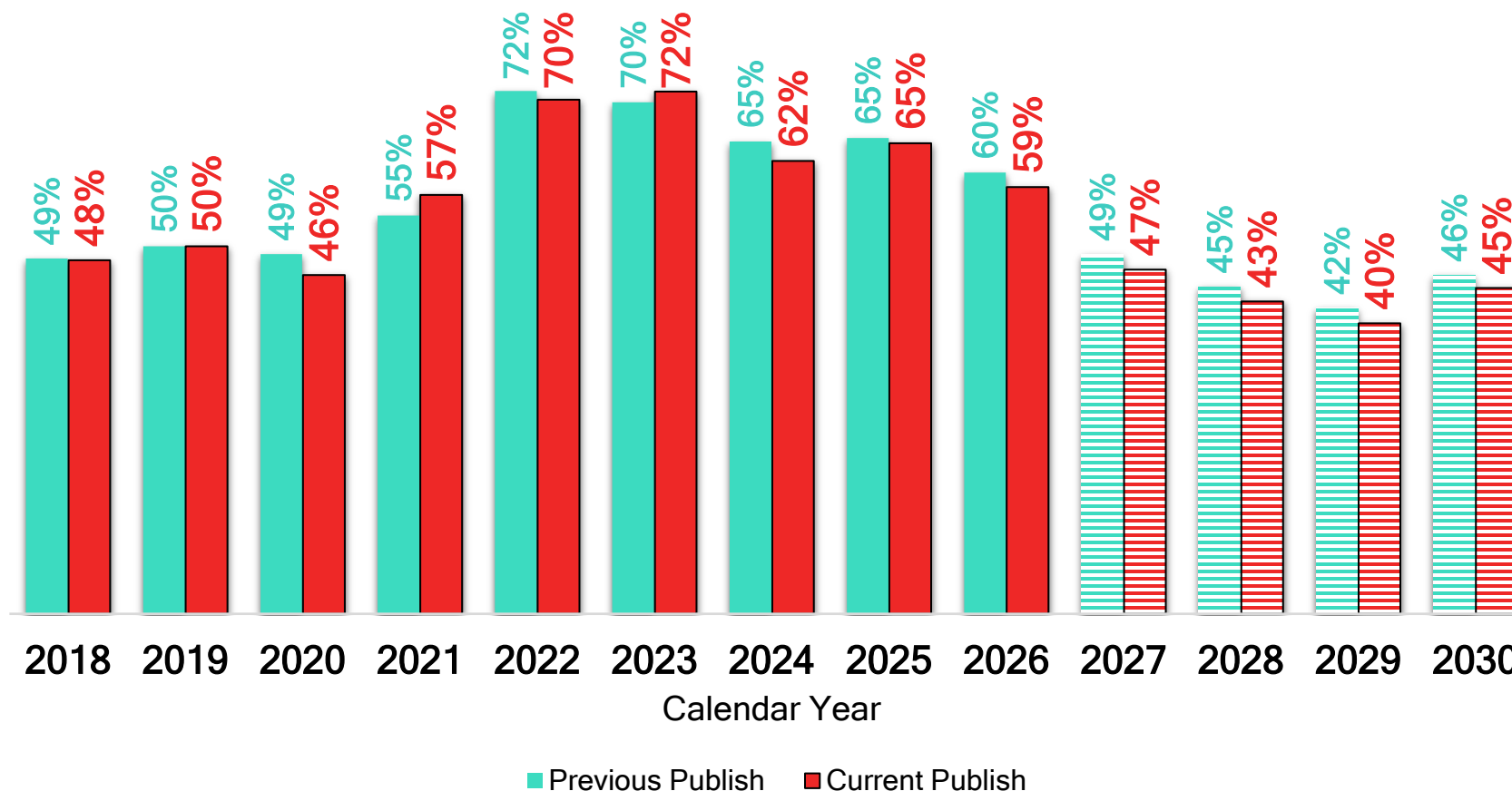
2026 Forecast unchanged vs. Prior Publish.

Used Vehicle Supply

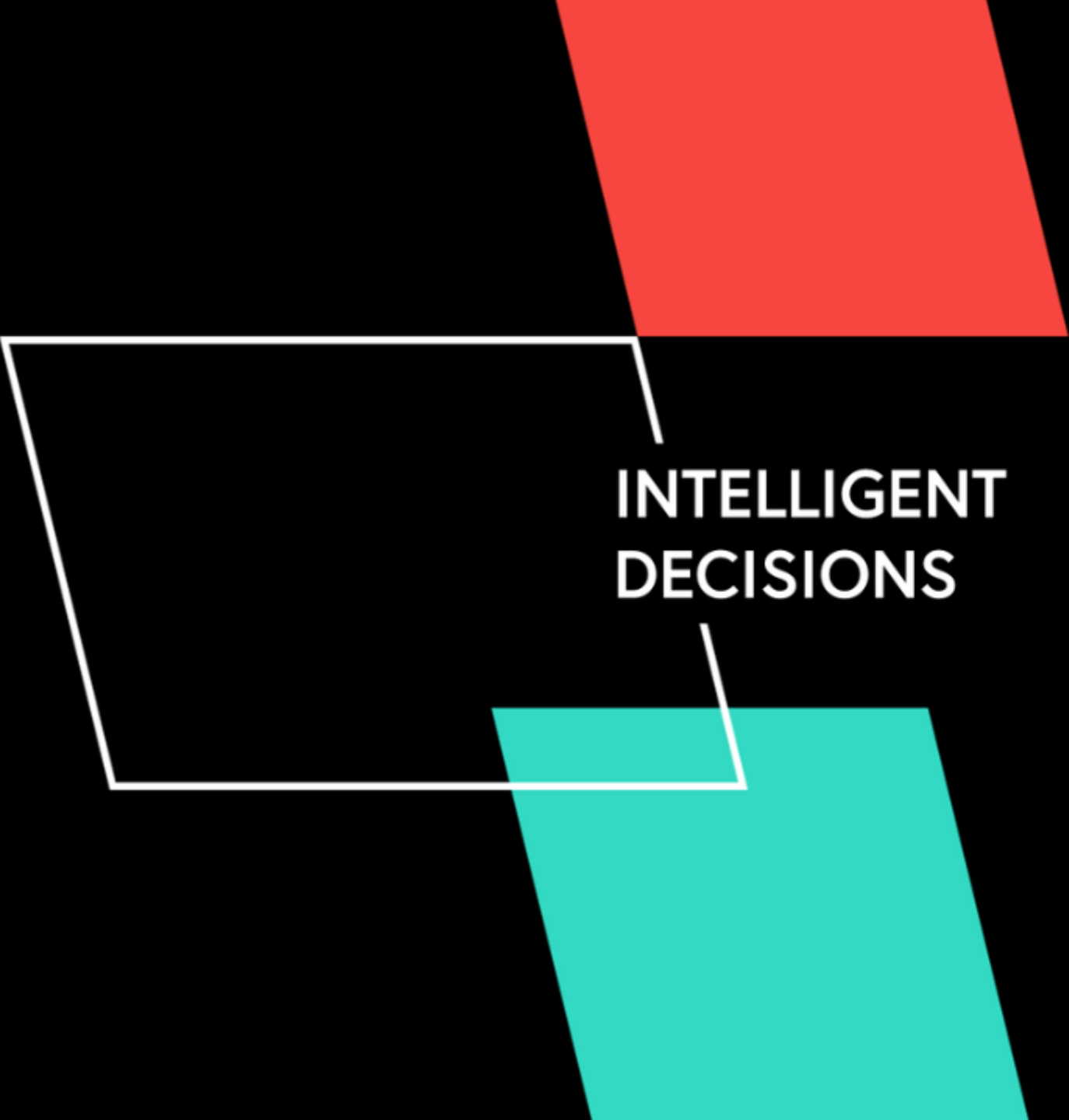
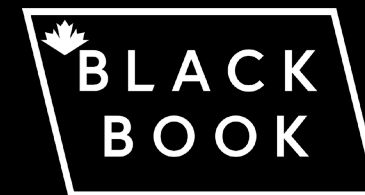


Forecast for 2026 increased slightly vs. Prior Publish, urging a quicker estimated lease maturity rate

Average Retention of a 4-year-old Vehicle



2026 and forward realizes elevated depreciation levels due to slowing market demand and rising used supply



INTELLIGENT DECISIONS

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