

The Rise of Chinese Automakers: What It Means for Canada's Used Vehicle Market

Canada's automotive landscape is entering a period of meaningful change, and it may happen faster than many consumers and industry participants expect. With Ottawa replacing the previous 100% surtax on Chinese-built electric vehicles with a 6.1% most-favored-nation (MFN) tariff rate, a new wave of global automakers is preparing to enter the Canadian market. While the immediate impact will be felt in new vehicle sales, the longer-term implications for used vehicle values, residual forecasting, and inventory strategy could be significant.

Understanding the new framework

Under the policy introduced on March 1, 2026, up to 49,000 Chinese-built electrified vehicles can enter Canada annually under the reduced tariff rate, with the quota expected to increase to approximately 70,000 units by 2030.

Global manufacturers including BYD, Chery, and Geely are actively laying the groundwork for Canadian operations by establishing local teams and retail networks. BYD has announced plans to develop as many as 20 dealerships during its initial rollout, while Geely's Lotus brand has already introduced the Eletre SUV to Canada at a substantially lower price than was possible under the previous tariff structure. With more models set to arrive from Geely in 2027, Chery brands Jaecoo and Omoda have announced launch dates as early as the end of 2026 for some yet-to-be-named models.

Importantly, the initial phase of the program is expected to focus on mid- and premium-market vehicles rather than the ultra-affordable EVs that have attracted headlines and most consumer interest. Pricing thresholds for lower-cost models become more relevant in later years of the framework, and Chinese-built EVs remain ineligible for federal purchase incentives. As a result, the widely discussed "low-cost EV flood" is, for now, more expectation than reality. The broader competitive landscape, however, is clearly evolving.

Why this matters for used vehicle values

Changes to the new vehicle market rarely remain isolated. As additional competitors enter established segments, pricing dynamics tend to shift across the entire ownership lifecycle. So far, models from Tesla, Polestar, Volvo and Lincoln have represented 99% of the 15,603 Chinese-built electrified vehicles to be sold in Canada over the first six months of the MFN tariff rate. Representing only 32% of the quota so far. The real

influence of these sales is for models that are repriced under the new tariff rate. In one example, a model's Base trim price dropped some \$20,000 (1/3 of overall value) year-over-year, placing used pricing of older model years under immense pressure. With price of entry playing such a pivotal role each year when altered significantly, wholesale values fail to remain stable with such volatility.

Greater competition will influence residual values

An increase in available electrified models can place downward pressure on new vehicle pricing, which in turn influences used vehicle values as referenced previously. Existing EVs and plug-in hybrids may face additional depreciation pressure as consumers compare them with newer vehicles offering updated technology, longer range, or more competitive pricing.

The impact is unlikely to be immediate, but it is a trend that dealers, lenders, and fleet operators should monitor closely.

New brands bring greater forecasting uncertainty

One of the challenges posed by new market entrants is the absence of Canadian transaction history.

Residual value forecasting relies on factors such as historical depreciation patterns, consumer demand, brand strength, and supply dynamics. For manufacturers entering Canada for the first time, those data points simply do not yet exist. Until meaningful sales and resale activity develop, valuation models will necessarily incorporate wider confidence ranges and more conservative residual assumptions.

As we manage the expectation of new brands entering the Canadian market, we continue to be proactive in sourcing real examples from more mature global markets such as the U.K. and Australia.

Broader industry disruption adds complexity

The arrival of Chinese manufacturers is occurring alongside continued production adjustments and model rollout by GM, Ford, and Stellantis in Ontario, driven by broader North American trade and manufacturing pressures.

Canadian vehicle production has declined from approximately three million vehicles in 2000 to roughly 1.3 million in 2025. The combination of reduced domestic production and increased import competition creates the type of supply-side disruption that has historically accelerated changes in used vehicle pricing and inventory availability.

Most recently these factors have taken away new product opportunities for the Canadian car market, and with policy indecision to come together for the greater good of

commerce, has required manufacturer strategies to go back to the drawing board and come up with back up plans, which take time and further investment.

The largest effects are still ahead

Despite growing interest, regulatory certification and homologation remain important milestones before many of these vehicles reach Canadian consumers.

As of mid-2026, BYD, Chery, and Geely have not yet established significant retail sales volumes in Canada. That means today's used vehicle market has not yet absorbed any of the anticipated impacts from these new entrants. Instead, the most meaningful effects are likely to emerge gradually over the next 12 to 24 months as sales volumes increase, and secondary market activity begins to develop.

What consumers and dealers should watch

For consumers considering a used EV or plug-in hybrid today, market conditions remain relatively stable. However, those planning to sell or trade in an electrified vehicle over the next several years should be aware that increased competition may place additional pressure on resale values, particularly in more price-sensitive segments, like Compact Crossovers.

For dealers, the opportunity lies in preparation rather than reaction. As new manufacturers establish themselves, accurately forecasting trade-in values and managing inventory will become increasingly important. Experience shows that new entrants rarely transform an entire market overnight, but they can quickly change which models retain value most effectively within a segment.

Canada's Chinese automaker story is still in its early stages. Yet for anyone involved in buying, selling, financing, or valuing vehicles, it represents a structural market shift that deserves close attention.

Market Intelligence Perspective

New brands with little or no Canadian sales history present one of the most challenging environments for residual value forecasting. Historical depreciation alone cannot answer questions about future market performance.

Canadian Black Book addresses this challenge through forward-looking scenario-based analysis that combines comparable segment behavior, international market insight, anticipated supply levels, and evolving competitive conditions to develop informed residual value projections before extensive Canadian resale data becomes available.

For lenders, leasing companies, dealer groups, and fleet operators, these insights provide a stronger foundation for underwriting, inventory planning, and portfolio risk

management. Rather than relying solely on historical averages, organizations can evaluate emerging brands through a more comprehensive view of market risk and opportunity.

As Chinese automakers move from market entry to meaningful sales volumes, Canadian Black Book will continue to refine its forecasts using real-time market data and transaction activity helping clients make confident decisions as Canada's competitive automotive landscape continues to evolve.