

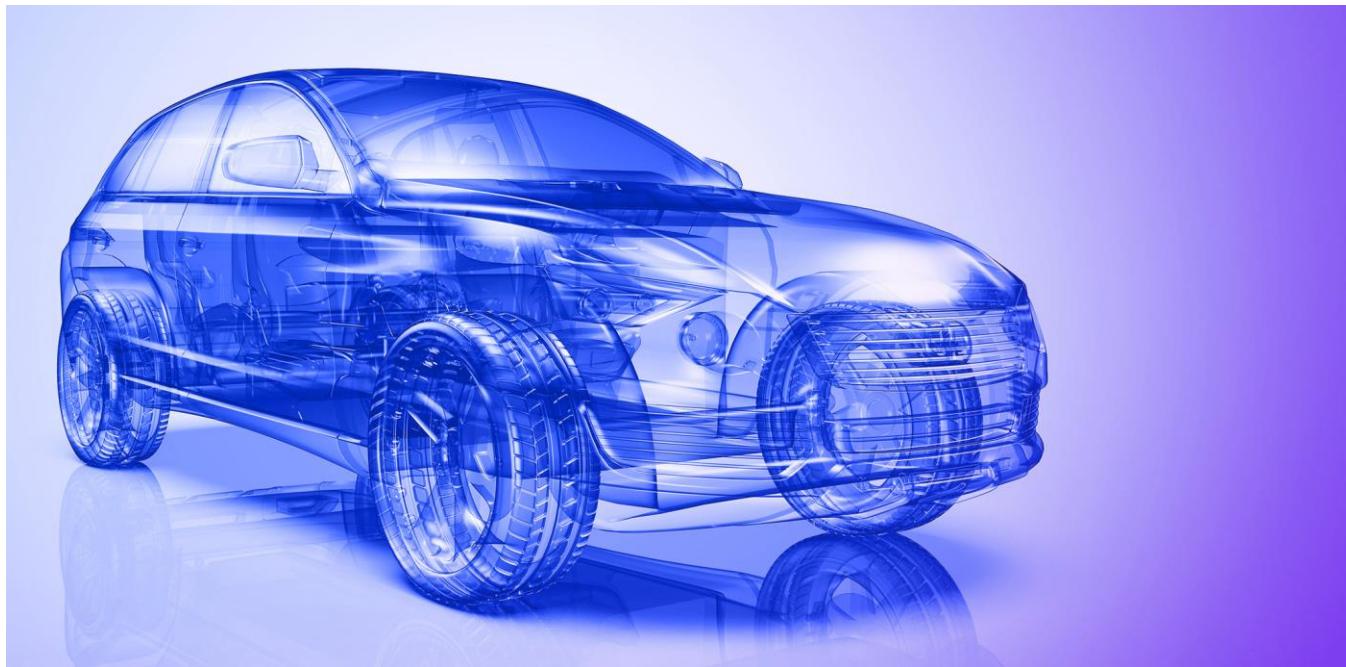
Disruption as usual

Canada's automotive outlook in
an era of changing lanes and
uncertain roads



Contents

Foreword	3
Executive summary	5
[Don't look] In the rear-view mirror	7
Resetting the priorities	10
Reinforcing supply chains	12
Responding to tariffs	14
Applying emerging technologies	16
Managing cost and profitability	17
5 key takeaways	20
How KPMG can help	21
Methodology	22



Foreword

The disruption facing Canada's automotive industry today is – in many ways – unprecedented. The rapidly changing tariff environment is creating massive uncertainty, new complexities and heightened pressure for Canada's auto ecosystem. A foundational and irreversible transformation is underway. The implications for Canada's auto sector and economy will be massive.

To see how Canada's automotive executives are responding to this period of heightened disruption, we surveyed 263 decision-makers across Canada's auto sector. What we found is a sector boldly facing into an uncertain future with optimism, resilience and new strategies.

Our survey shows that Canada's auto sector players recognize that the world has changed. Yet it also suggests that leaders across the sector are thinking carefully before making any big moves. Evidence of capital and asset flight to the US is minimal. In fact, our survey shows Canada's leaders are looking overseas for new markets, partnerships, and opportunities.

In the background, however, our survey and our conversations with Canadian automotive leaders suggests significant activity is underway to improve organizational resilience, enhance flexibility, drive technology adoption and shape cost structures. The implications down the supply chain and across the economy could be significant.

This report provides key highlights of the data to help Canada's automotive sector leaders, suppliers, stakeholders and policy makers assess the current environment and create strategies to ensure our automotive industry emerges from the current state of disruption stronger and more resilient than before.

To learn more about the data revealed in this report, or to discuss your organization's own unique challenges and opportunities, I encourage you to contact me directly.



Dave Power

Partner and National Sector Leader, Automotive
KPMG Canada

Foreword

Canada's auto sector is working through a difficult and uneven period. The tariff environment changes quickly. Geopolitical risk is now a day-to-day factor in business planning. The global EV transition is being recalibrated in real time. And, around all of this, Chinese automakers are expanding their reach while the federal government redirects more attention toward defence and strategic infrastructure. These are not isolated developments; they interact, and the combined effect is significant.

KPMG Canada's automotive report reflects this reality with a clarity that is useful. The survey captures an industry that understands the scale of disruption but continues to make disciplined decisions. Leaders are reinforcing supply chains, adjusting cost structures, adopting technology at a faster rate than most outside observers appreciate, and, in many cases, looking to overseas partners to offset the uncertainty around North American trade. That is a pragmatic response to a complex moment.

The data also shows something important: despite the pressure, many companies believe they can emerge stronger. They see productivity gains from new technologies, clearer pathways to supply chain control, and new markets worth exploring. Some are assessing the potential for defence production, which speaks to how Canada's industrial base may need to evolve as global conditions shift.

We have been through disruption before, but this period is different. The variables are structural and tied to broader questions of economic security. That is why sound analysis matters. This report gives industry leaders and policymakers a grounded view of what is happening inside the sector and what it will take to remain competitive.

For those of us focused on strengthening Canada's automotive footprint, this is a timely contribution. It gives shape to the challenges ahead and helps inform the choices we will need to make to navigate them.



Flavio Volpe

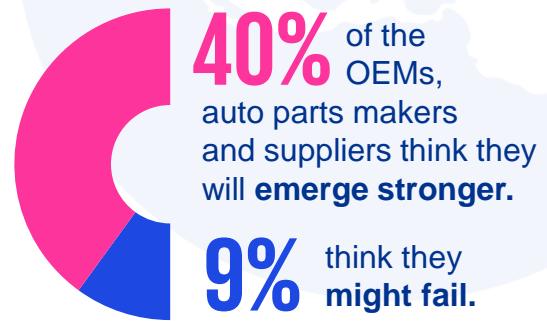
President
Automotive Parts Manufacturers' Association (APMA)

Executive summary

The **geopolitical environment** is top of mind for Canada's auto sector executives.

75%

of Canadian auto sector leaders are concerned about geopolitical trade disputes and ongoing uncertainty.



Given the disruption, new opportunities for growth are being explored.

The biggest opportunity for Canadian OEMs and parts suppliers? **Skilled labour development and workforce transformations**.

51% of Canadian OEMs and parts suppliers are already transitioning their business to defence production.

As a result, resilience and productivity have come under the microscope.

#1 business priority: **#2 business priority:**
Securing supply chains and raw materials.



Who did we survey

We surveyed 263 Canadian automotive sector leaders between August and October 2025. This report is based on the responses from 128 OEMs, auto parts makers and suppliers, and 68 auto dealers. Fifty-two per cent of the OEMs, suppliers and dealers reported revenues of \$100 million or more last year, six per cent of which reported revenue of more than \$1 billion.

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The auto sector has been dealing with change for decades – from post-recession recovery in the 2010s to COVID and resulting supply chain challenges in 2020's; it's disruption as usual in this business. However, today's challenges are in many cases, new and sector leaders will need to use their learned experience to successfully navigate the road ahead.

Dave Power

Partner and National Sector Leader, Automotive
KPMG Canada

Managing cost and efficiency

#1 opportunity for driving profitability:
Product agnostic approaches.

32% of OEMs and suppliers say they
will expand their recycling and circular
economy initiatives.

Reinforcing supply chains

82% of Canadian OEMs and suppliers
are actively adjusting their supply
chain strategy.

57% of OEMs and suppliers think it will
be very important to move
manufacturing to lower-cost countries.

4 key focus areas for Canada's auto leaders

Applying emerging technologies

70% of the total sample say they have
achieved or surpassed their
technology adoption targets.

20% report AI-related productivity
improvements of more than **25%**.

Responding to tariffs

70% of OEMs and suppliers say they
are exploring international markets.

63% of OEMs and suppliers say they
have increased their prices because of
the new tariff environment.

[Don't look] In the rear-view mirror

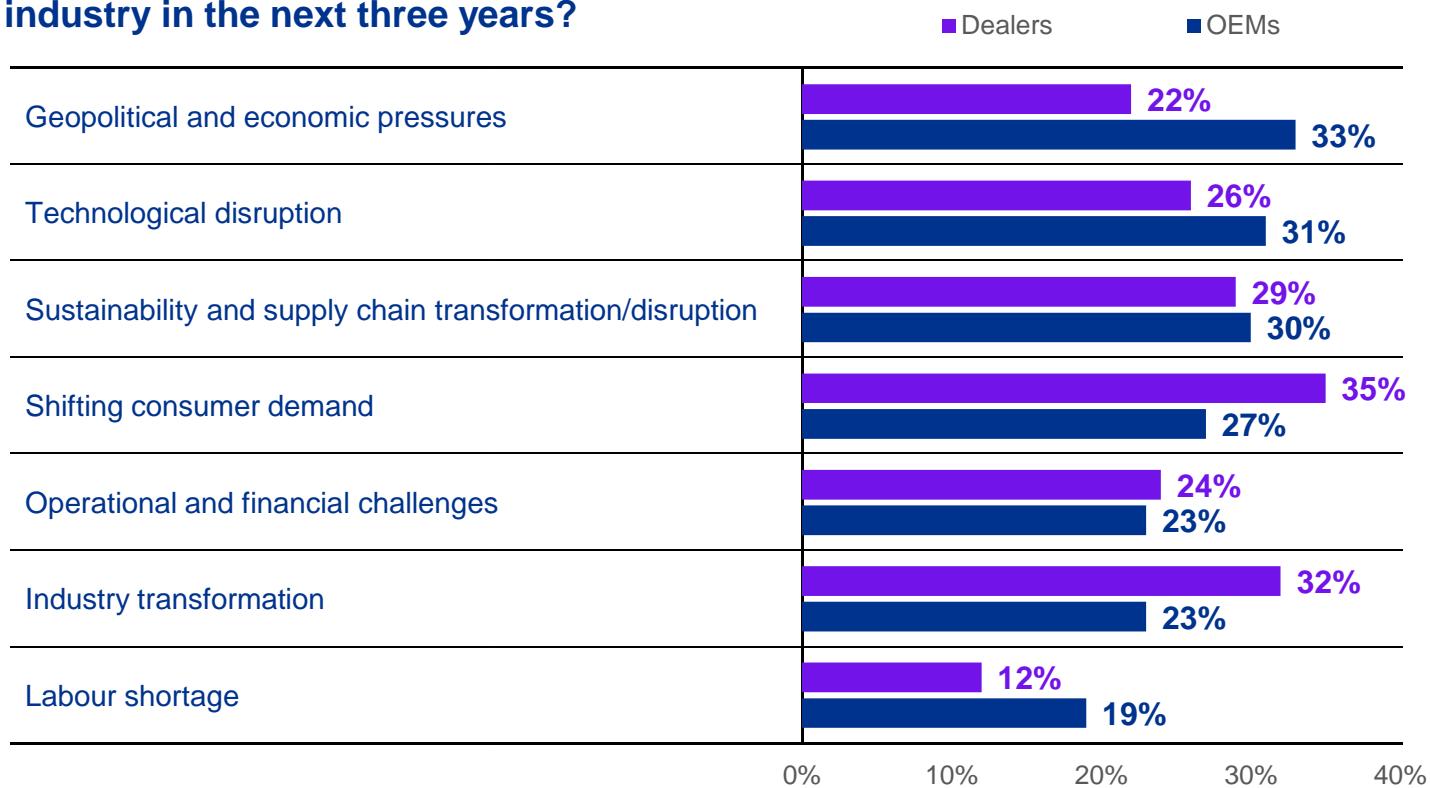
The new global trade environment has put Canada's auto sector under significant pressure.

Not surprisingly, three-quarters of our respondents admit they are concerned about geopolitical trade disputes and ongoing uncertainties. Our data suggests these concerns are already influencing investment and operational decision-making.

"There will be no going back to 'normal' – the trade relationship with the US has fundamentally changed the automotive sector. Whereas previous disruptions such as COVID and the Global Financial Crisis were structural for the auto sector, this change will be foundational and will create new, uncharted risk and opportunities across the ecosystem," says Dave Power, Partner and National Sector Leader, Automotive, KPMG Canada.

Yet geopolitical and economic pressures are not the only disruptive forces facing Canada's auto sector today. For OEMs concerns about geopolitics are closely followed by worries of technological and supply chain disruption. Dealers, on the other hand, are concerned about the impact of shifting consumer demand and potential operational and financial challenges they may face over the next few years.

Which of the following factors will be most disruptive to the automotive industry in the next three years?



How do auto sector players expect these disruptions to impact the Canadian ecosystem over the long run? Our survey reveals that OEMs expect the current state of disruption to lead to an increased trend towards regionalization and new market entrants taking market share from traditional OEMs. They also see a greater shift towards autonomous driving and increasing convergence between the auto sector and other sectors, such as Information and Communications Technology (ICT) and Consumer Electronics, Energy and Utilities (including Renewable Energy and Storage), and mobility services and logistics.

The data also reveals paradoxes symptomatic of an uncertain business environment. For example, while 81 per cent of OEMs and suppliers believe that traditional OEMs will regain their strength against new competitors, the exact same number say they also see a world where new market entrants take market share away from traditional players. This is not unique to Canada; KPMG International's global automotive survey found similar paradoxes.¹

Interestingly, dealer respondents seem to expect a much more fundamental shift in the market, characterized by supplier consolidation, declining brand relevance and increasing regionalization. Similar to OEMs, they also expect to see autonomous driving become the standard across vehicle types with greater convergence across sectors.

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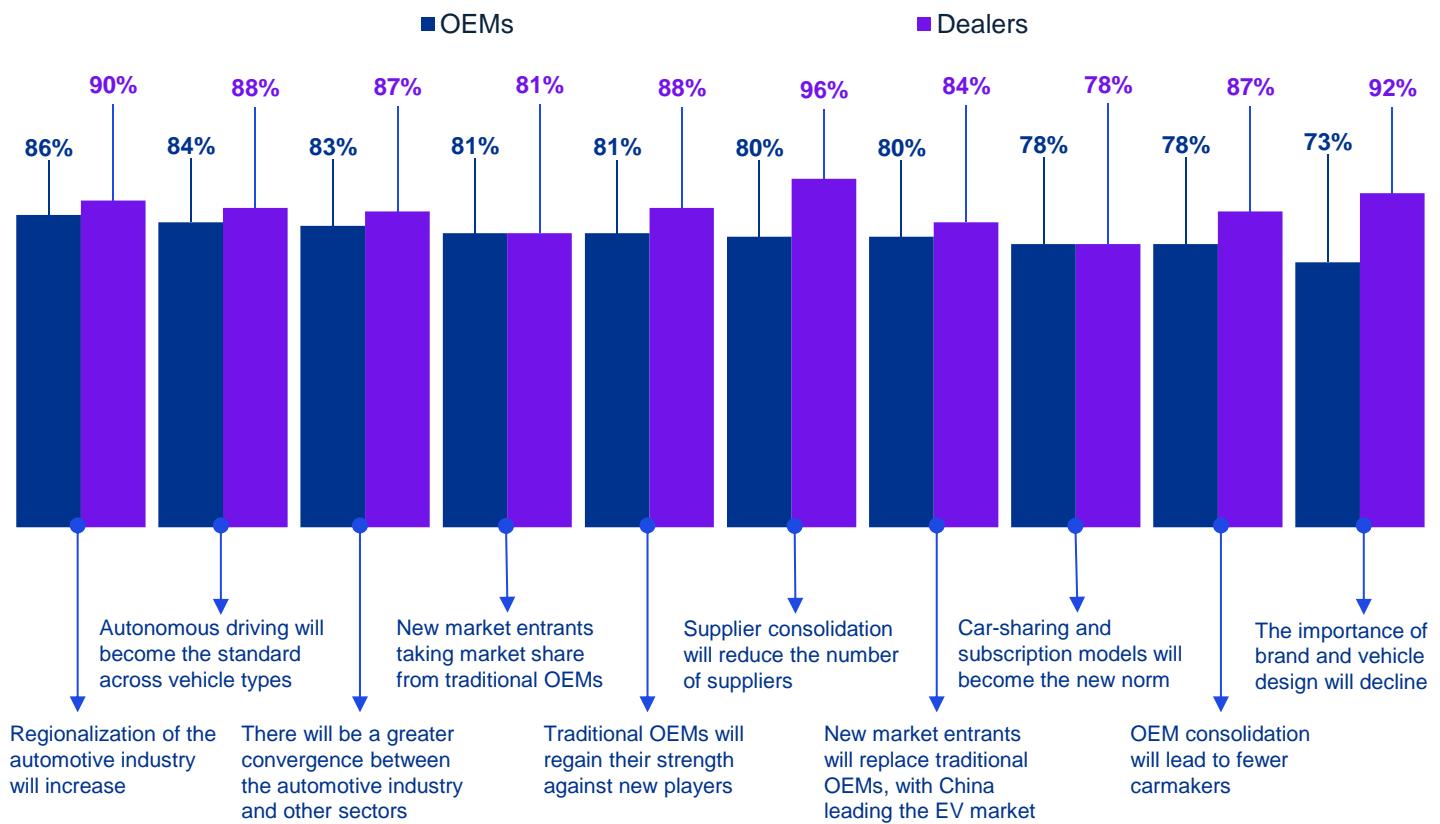
Dealers are trying to work out how to remain relevant to customers as auto sales move online and EV powertrains require substantially less after-sales service. They are facing a host of additional business model and operational challenges that may place additional pressure on the traditional automotive value chain.

Dave Power

Partner and National Sector Leader, Automotive
KPMG Canada

Considering the changing automotive ecosystem, how likely are the following disruptions to happen in the next five years?

Showing “likely” and “highly likely”



¹ [KPMG's 25th Annual Global Automotive Executive Survey](#), KPMG International, August 2025

While the current tariff environment suggests increased pressure on operations and costs, our data indicates that many OEMs and top tier suppliers see opportunity in this disruption with 40 per cent saying their existing business models will help them emerge stronger than before. Seventeen per cent think the impact of current disruptions will be minimal. Less than 10 per cent of respondents think their company may struggle significantly or might not survive. It's clear that Canada's auto players are making fundamental changes to thrive in the current disruptive environment.

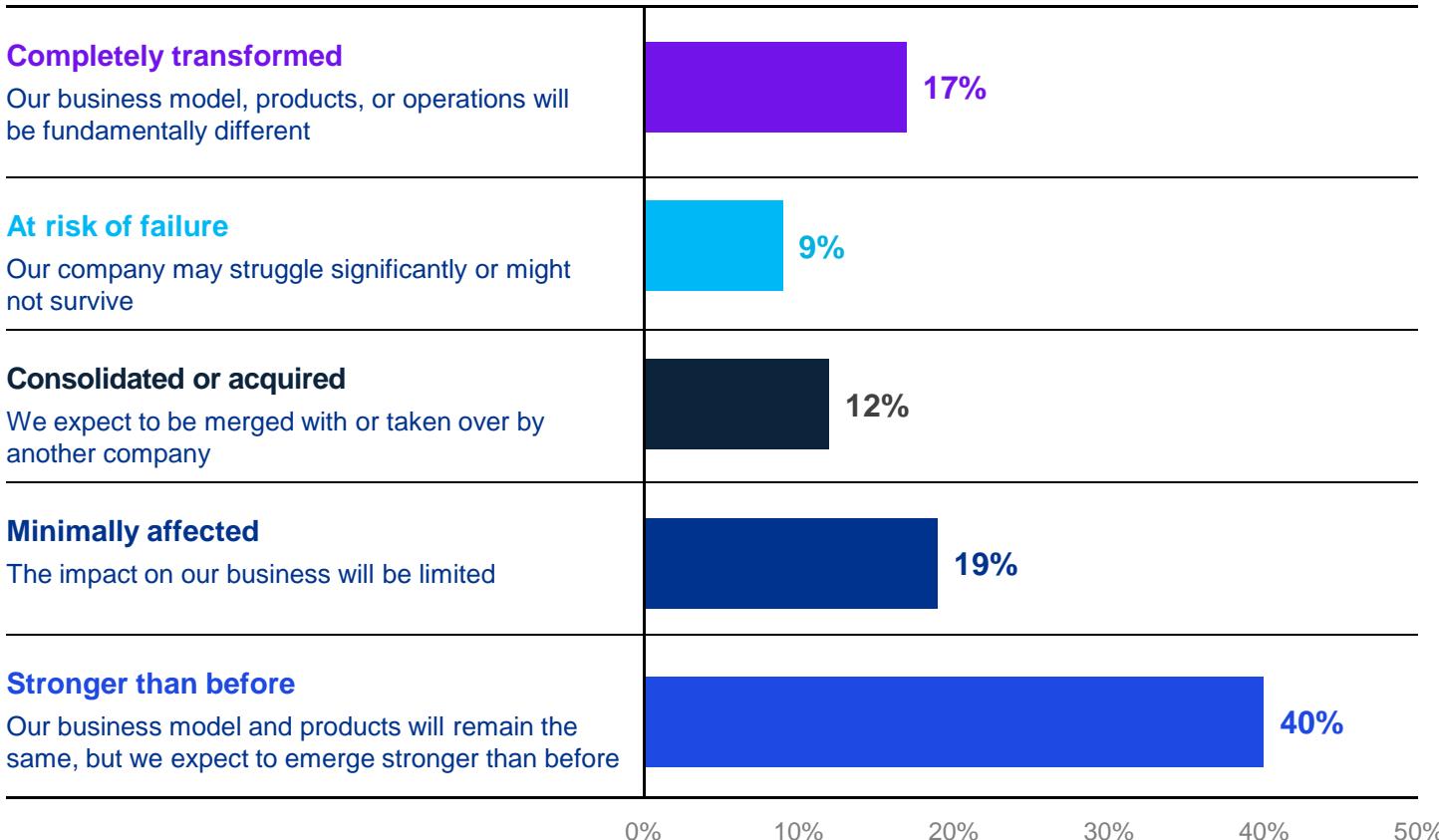
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The auto sector has been dealing with disruption for years – from supply challenges to new technologies and trade barriers to shifting customer expectations. For many sector leaders, the current environment is simply ‘disruption as usual’ – albeit with significantly larger table stakes than normal.

Dave Power

Partner and National Sector Leader, Automotive
KPMG Canada

Choose the statement that best describes how you expect these disruptions to impact your company over the next three years. Our company will be...



Resetting the priorities

With geopolitical and trade disruption high on the agenda, our survey reveals that Canadian auto leaders are focusing on optimizing operations and enhancing resilience.

Respondents said the top priority for OEMs and suppliers over the next three years should be to focus on securing supply chains and raw materials, alongside efforts to boost productivity and optimize costs.

The survey also suggests many expect the operating environment for auto companies to remain complex, with respondents highlighting the need for OEMs to compete with new entrants (including tech companies), manage customer expectations, develop new business models and manage overcapacity – all at the same time.

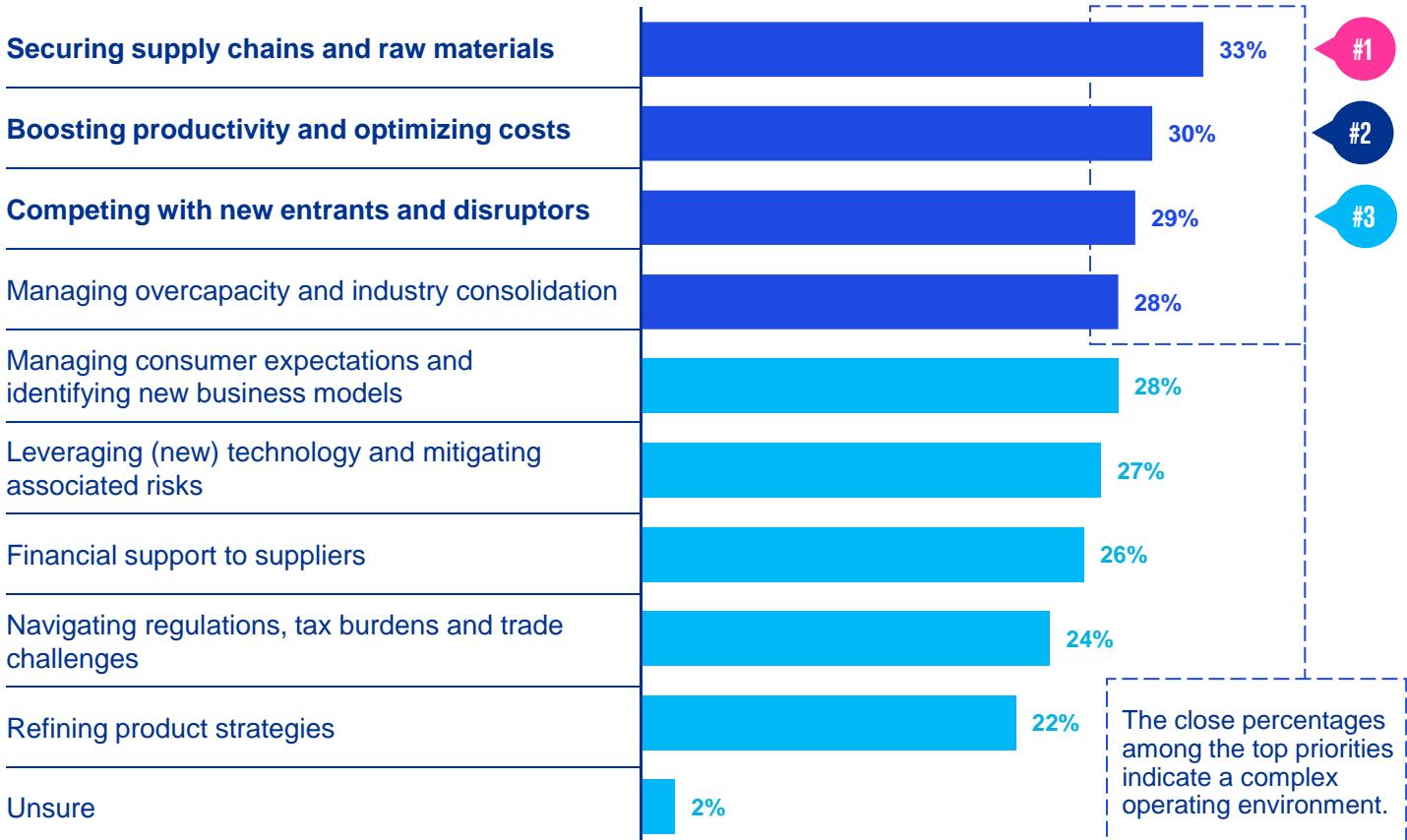
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It's a crowded agenda and the new tariff environment is only adding complexity and uncertainty to an already challenging decision-making environment for automotive leaders. While larger OEMs and suppliers may have the resources to manage them all simultaneously, smaller players may struggle to plan their next steps.

Tim Webb

Partner, Supply Chain & Procurement
KPMG Canada

Top three business priorities



Given that 40 per cent of the OEMs and suppliers in our survey say they believe they will emerge from the current disruption stronger than before, Canada's auto leaders see significant opportunity in the market. For OEMs and top tier suppliers, the focus is on enhancing productivity.

Forty-four per cent of OEMs and suppliers say they believe the application of advanced technology and integration of software presents a big opportunity for the sector. Respondents also see significant opportunity in developing their workforce and creating domestic supply chains for EV batteries and components. Interestingly, many respondents also suggested a potential opportunity to transition to defence production.

However, the data indicates that some challenges will prevail if companies decide to pursue this shift. Eighty-seven per cent of OEMs and suppliers also agree that, for the industry to transition to defence production, it would require significant government investment. Nearly three-quarters (74 per cent) think that no amount of defence spending would make up for the business lost to the US. As Canada's auto sector moves to identify new opportunities and execute on its priorities, four key areas of activity are emerging: supply chain, tax and customs, technology and cost efficiency.

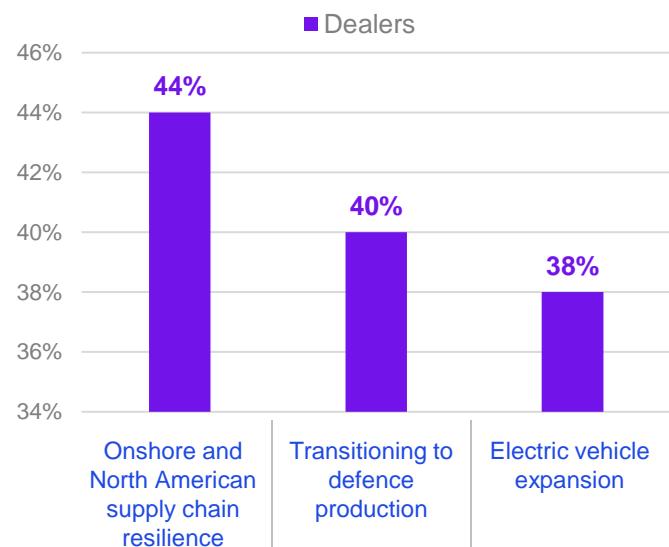
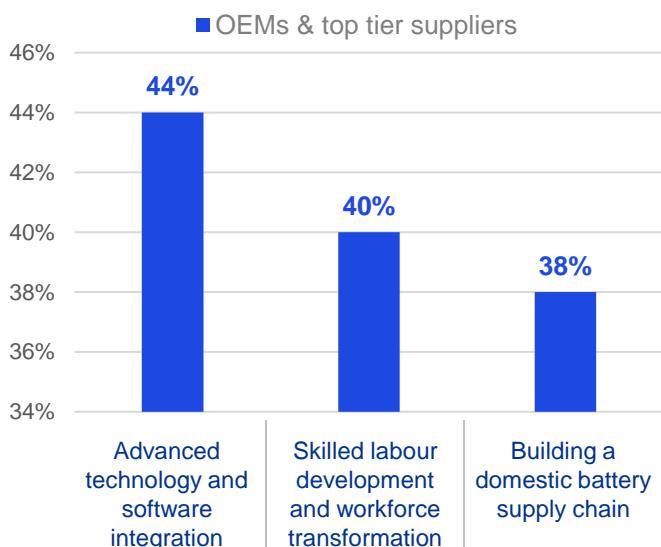
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There are significant barriers to entry when supplying the defence sector – security certifications, long procurement processes and arduous compliance requirements, for example – that many automotive suppliers may struggle to overcome. While it is encouraging that many auto sector players are exploring the opportunity, I suspect that only a few will make the transition.

Peter Graham

Partner and National Sector Leader, Aerospace and Defence
KPMG Canada

What are the biggest opportunities for the Canadian automotive sector in the next three years?

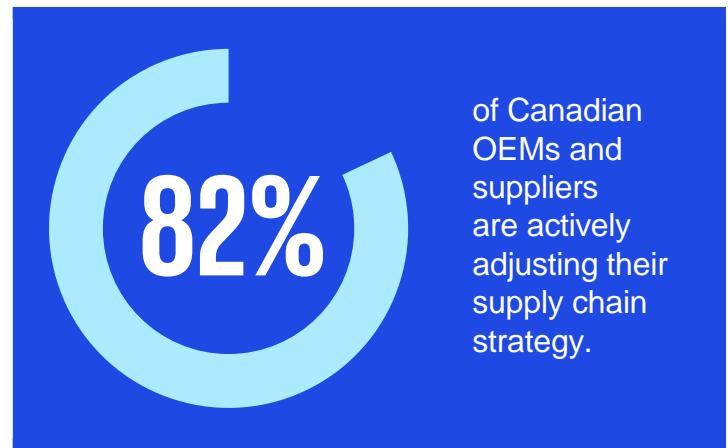


Reinforcing supply chains

With OEMs and suppliers saying their top priority is to secure their supply chains and raw materials, our data suggests many are already acting. Indeed, 82 per cent of the OEMs and suppliers in our survey say they are actively adjusting their supply chain strategy and 83 per cent are looking at exiting certain regions, such as Mexico, the US and parts of Europe due to growing global challenges (including rising trade barriers, differing regulations, political tensions and economic uncertainty).

As supply chain strategies come under the microscope, we asked our respondents what they thought would be the most important influence on their future supply chain strategy. Across our sample, respondents placed a high level of importance on reviewing their sourcing strategy, suggesting certain supply chain reorganizations may occur based on the new tariff environment.

Many also noted the importance of efficiency with efforts to integrate circular economy principles into their supply chain – using data and technology to enable smarter supply chain management.



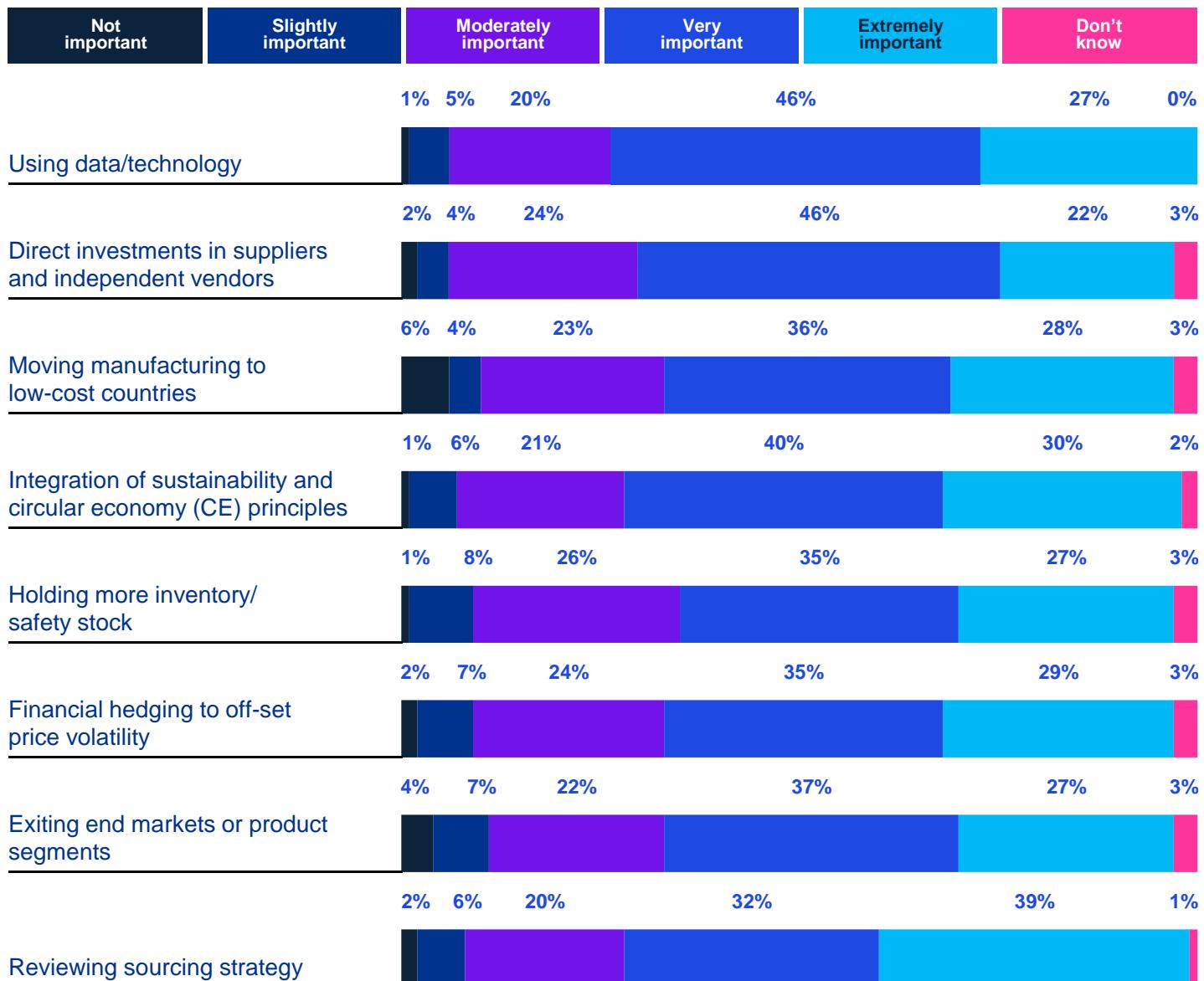
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The tariff changes essentially require manufacturers to track the origin of every component embedded in whatever crosses the border. That has created a massive data challenge that manufacturers are trying to solve through investments into data and analytics, more targeted strategic sourcing, or both.

Tim Webb

Partner, Supply Chain & Procurement
KPMG Canada

What is important to your future supply chain strategy?



Many also noted the importance of efficiency with efforts to integrate circular economy principles into their supply chain – using data and technology to enable smarter supply chain management.

At the same time, there is a realization that consolidation and integration may be required to ensure resilience in a disrupted environment. In our survey, respondents noted the importance of moving manufacturing to low-cost countries and conducting some financial hedging to off-set price volatility. Many feel there may be a need for key players to make direct investments into suppliers and independent vendors.

"Right now, a lot depends on where manufacturing investments flow. Suppliers need to stay close to those manufacturing plants, so until the OEMs really solidify their plans, I don't expect to see many Canadian-based suppliers make any big changes. For those with capacity on both sides of the border, it might be a different story as some start to play with their production allocations to reduce their exposure to tariff-related costs and complexities," adds Mr. Webb.

Responding to tariffs

With much uncertainty remaining around the long-term tariff environment between Canada, the US, and Mexico – particularly given the scheduled review of the Canada-United States-Mexico Agreement (CUSMA) in 2026 – our data suggests OEMs and top tier suppliers are taking action to shield their operations from the worst impacts of the trade environment.

We can conclude from our survey that Canada's auto OEMs and suppliers are looking to shift their production into new markets for growth and expansion. Our survey revealed that 70 per cent of OEMs and suppliers are currently exploring international markets. Over a quarter of our respondents say that new regional alliances will be critical to their success over the next three years, suggesting some may be looking for partners to help them break into new foreign markets.

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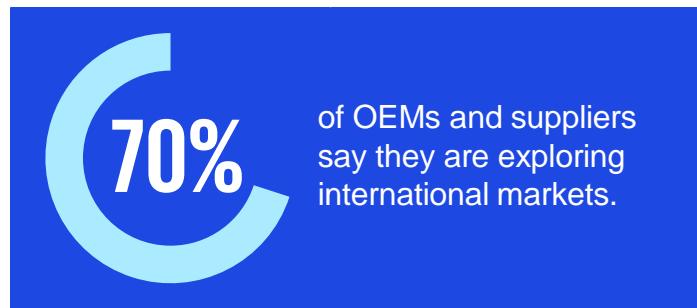
It's worth remembering that Canada has 15 free trade agreements with 51 countries covering 1.8 billion people and 60 per cent of the world's GDP. The leading auto sector players aren't just managing disruption on the US border; they are also looking to new markets that can offer greater trade certainty.

Joy Nott

Partner, National Tax, Trade & Customs
KPMG Canada



In many ways, we are seeing OEMs and suppliers focusing on adjusting their business models to provide more flexibility to maneuver through any possible uncertainties. Sixty-three per cent of OEMs and suppliers say they have increased their prices because of the new tariff environment. A similar number (62%) say they have substantially changed their product mix to focus on those products less exposed to the tariff environment.



“

The reality is that the more established OEMs and suppliers have had plenty of experience dealing with major disruptions in recent memory. Between the 2019 CUSMA negotiation where the automotive sector was under the microscope and the 2020 COVID-19 pandemic, OEMs and suppliers have become sophisticated professionals when it comes to dealing with high levels of disruption. That doesn't make the current tariff environment easier, it just once again calls upon the resiliency that the industry has built up in recent years to be put back into action.

Joy Nott

Partner, National Tax, Trade & Customs
KPMG Canada

How has trade war/tariffs with the U.S. influenced your business strategy for the next 12 months (OEMs & suppliers only)?



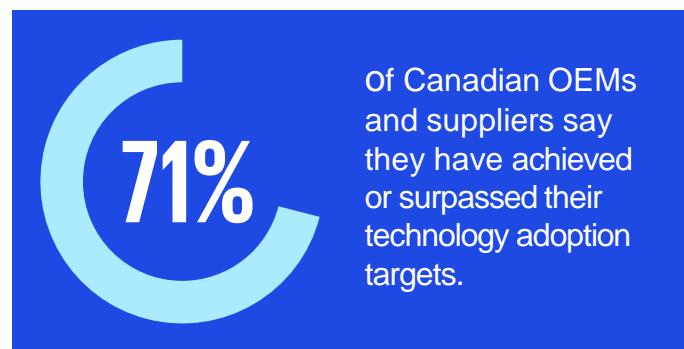
Applying emerging technologies

Not surprisingly in an era of continuous disruption, technology adoption is high on the agenda for Canada's automotive players. Our survey affirms that the automotive sector is moving rapidly to improve their innovation and technology adoption.

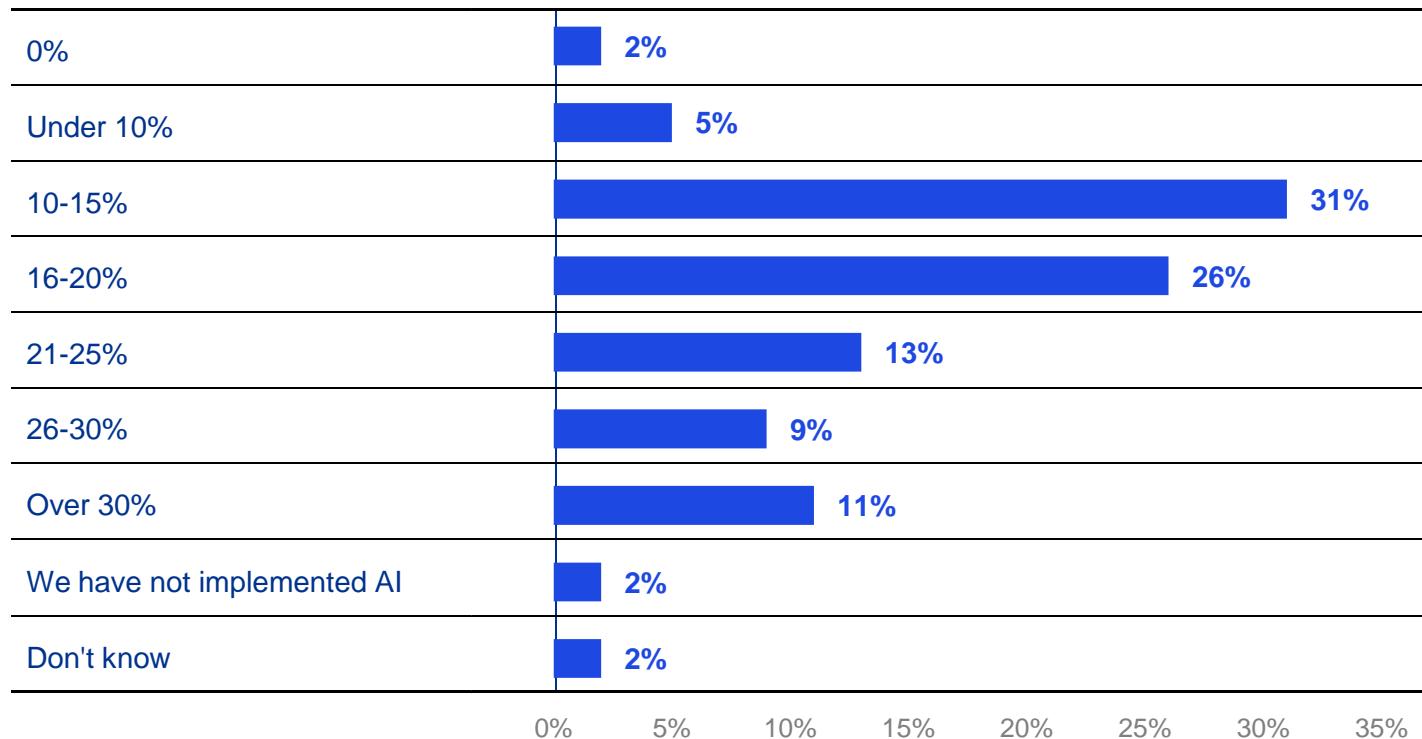
What stands out from the survey is the high level of confidence among Canadian auto players regarding technology adoption. Nearly three-quarters (71%) of respondents say that they have achieved or surpassed their innovation targets this year.

What perhaps is most surprising is that technological disruption is considered one of the lowest perceived disruptions, suggesting a shift in mindset where technology is seen as an enabler rather than a threat. The sector's bullishness is further reflected in ongoing investments, with 60 per cent of respondents investing heavily in AI and emerging technologies.

This optimism appears to be matched by tangible results. According to the survey, the top three benefits Canadian auto leaders are seeing from their investments into emerging technologies include increases in workforce productivity, improved market competitiveness and lower operational costs. The data also suggests an increased expectation for future outcomes against sustainability goals.



By how much has artificial intelligence (AI, including generative AI) improved your organization's productivity, on average? (OEMs & suppliers only)



How much productivity have auto sector leaders gained? We asked them to quantify their AI-related productivity improvements and found that 89 per cent of OEMs and suppliers had seen improvements of at least 10 per cent or more. One-in-five reported productivity improvements of more than 25 per cent.

Our survey finds that the benefits of AI adoption have been broadly distributed across the enterprise. However, respondents noted achieving particularly high value from AI in areas such as research and development, legal and tax, and after sales – especially in areas where generative AI coupled with reliable data can deliver results. Respondents also reported to have unlocked value from adopting AI in production and manufacturing, as well as within the supply chain.

“Overall, the findings highlight a sector that is not only adapting but leveraging disruption for growth.

Technology adoption will be key. But unlocking the value of those investments will require automotive sector players to also invest into upskilling their employees, securing their networks and data, and collaborating across the ecosystem to secure long-term competitiveness. You can't invest into technology and expect sustainable success without also investing into people, processes and partnerships” adds Ven Adamov, Partner and National Leader, Data & Analytics, KPMG Canada.

Managing cost and profitability

Margins have always been important. But in this period of heightened economic uncertainty, rising costs and productivity pressures, Canadian auto sector leaders are highly focused on reducing costs, increasing productivity and driving profitability. Indeed, our survey shows that boosting productivity and optimizing costs is a top three priority for auto leaders across the country.

Many of the top strategies for driving profitability are time-tested: respondents say they will optimize their supply chains, develop new business models, improve production and enhance R&D. Yet, interestingly, respondents expect the greatest boost of profitability to come from greater standardization and product-agnostic approaches.

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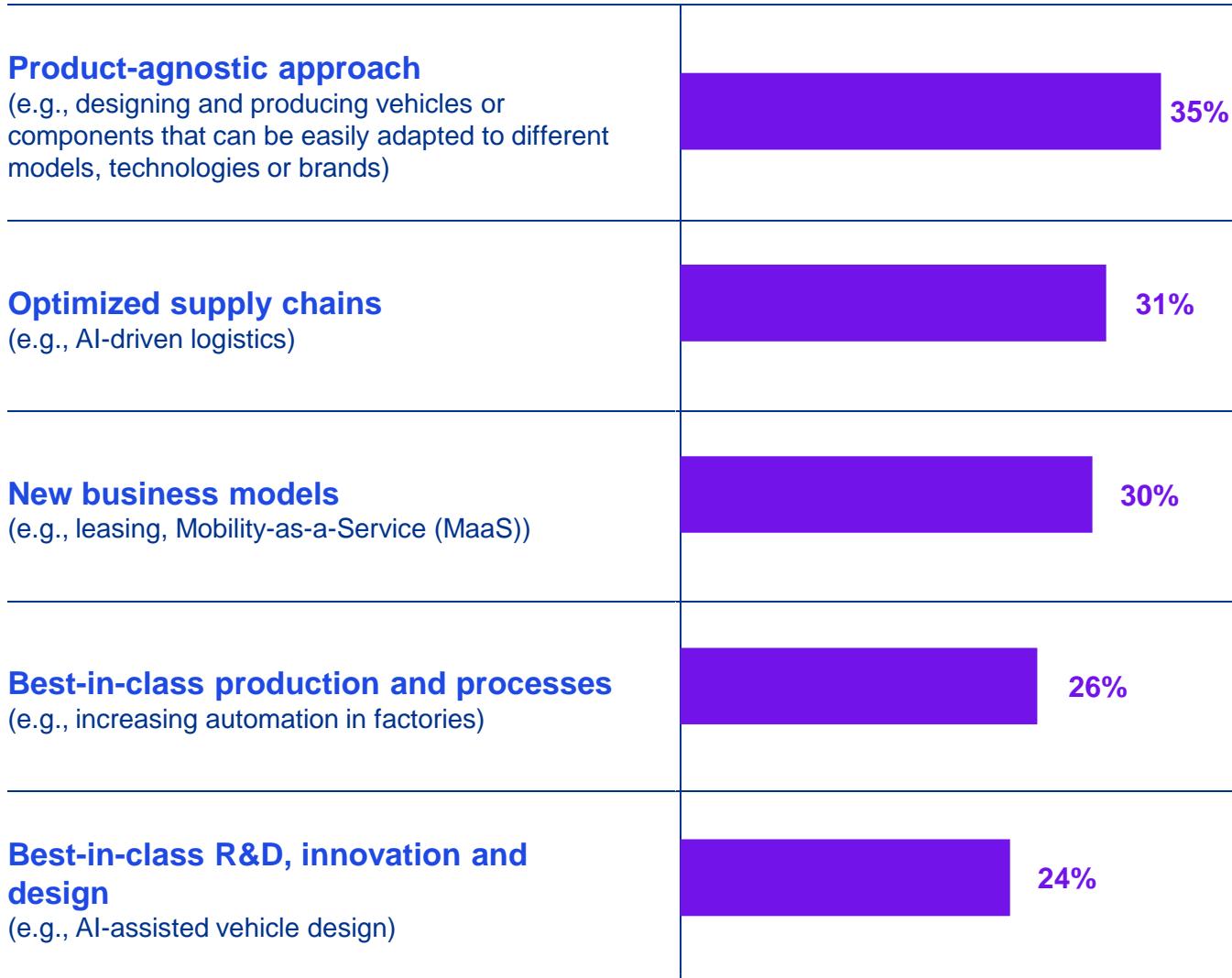
While other sectors struggle to quantify the productivity uplift of AI and automation, the automotive sector boasts significant sophistication in this regard. Applying these tools within the production cycle allows manufacturers to rapidly quantify value and scale up pilots based on reliable data and operational insights.

Ven Adamov

Partner and National Leader, Data & Analytics
KPMG Canada



What will be critical in driving profitability?



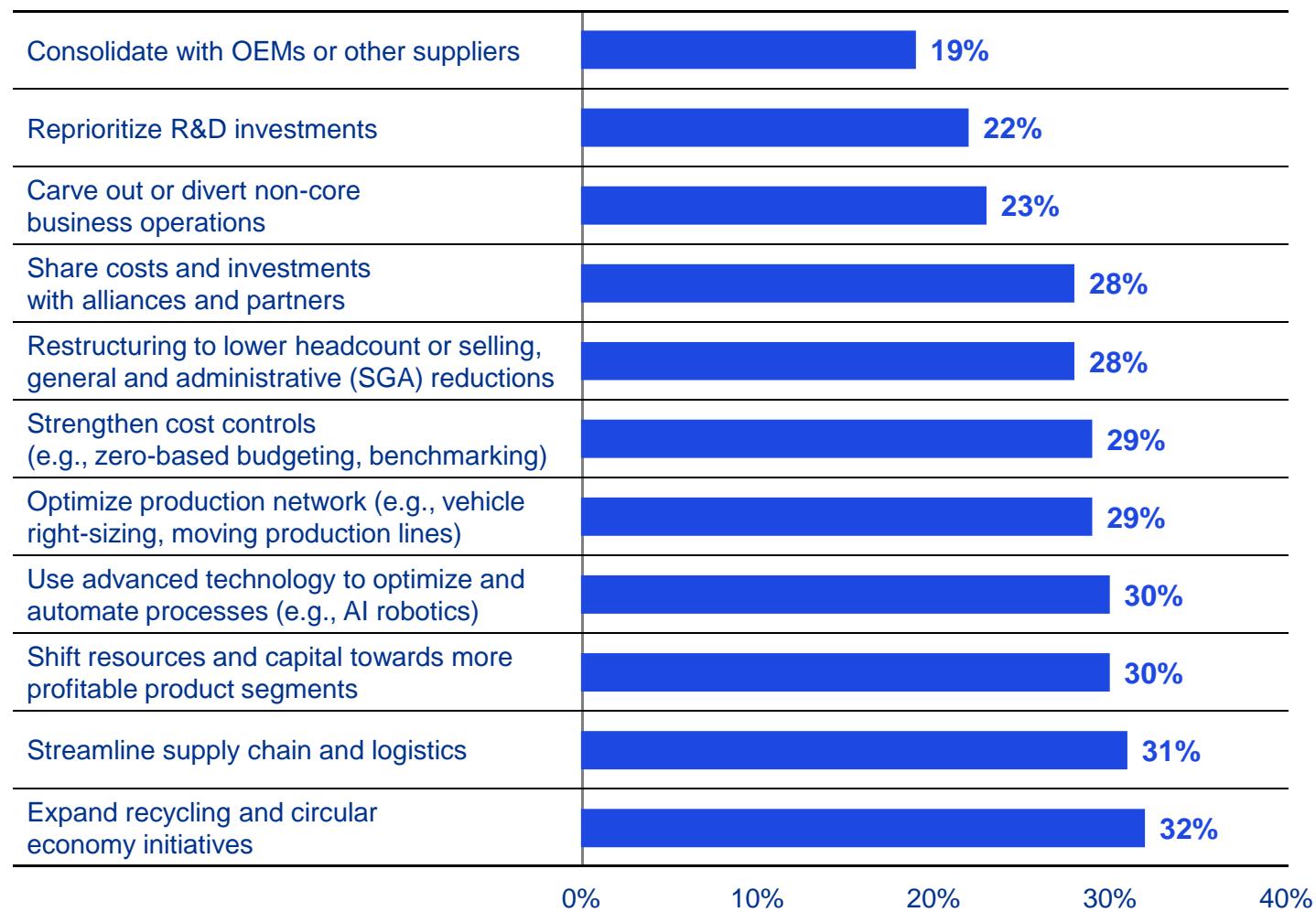
"Many OEMs and suppliers are already moving to producing standardized platforms and parts that can be used with a variety of vehicles. While that could create significant growth opportunities for some, those slow to adapt will likely find themselves squeezed out of the market due to product obsolescence and/or ballooning costs," adds Mr. Power.

In terms of obtainable optimization strategies, our survey suggests a higher focus on resource optimization with nearly a third of OEMs and suppliers saying they will focus on expanding their recycling and circular economy initiatives to reduce waste and maximize resources.

The data also indicates that some restructuring will likely occur across the sector over the next three years – capital will shift towards more profitable segments, headcount may be reduced and non-core divestitures could help free up capital. One in five OEM and supplier respondents also anticipate a degree of synergy-driven consolidation.

When we asked our respondents what they saw as key drivers of growth in the last three years, strategic alliances and partnerships came out on top (28 per cent). When asked what types of strategic partnerships and alliances will be the most critical to their success in the next three years, 47 per cent cited supply chain alliances, followed by 43 per cent partnerships focused on R&D and innovation and 37 per cent partnerships with technology providers.

What steps will your company be taking to reduce overall costs and enhance productivity in the next three years? (OEMs and suppliers)



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Partnerships are a great way to help share the burden of disruption until things settle down a bit. Particularly when it comes to adopting new technologies, entering new markets or sharing R&D costs, Canada's auto sector should be looking to partnerships to reduce costs, build market share, gain access to new customers and markets and tap into new capabilities.

Dave Power

Partner and National Sector Leader, Automotive
KPMG Canada

5 key takeaways

Expand your horizons:

01

With traditional supply lines and markets facing uncertainty, Canadian automotive sector players must assess their portfolio of products and services to look for new opportunities for growth and expansion in new markets and segments (which may require new partnerships – see below). Don't expect to return to a free trade era any time soon. New markets will be required.

Build tech capabilities:

Technology adoption will be a key enabler of operational and business flexibility and automotive sector leaders will continue to reap significant productivity benefits from technologies such as AI. However, investments into technology must be coupled with investments into skills development, cyber security and process redesign for technology investments to deliver sustained value. Technology must become a key input into how you enhance your labour force, not just your operations.

02

Explore partnership opportunities:

03

Given the foundational transformation now facing the Canadian automotive sector, new capabilities, investment and business models will be required. Executives should consider the potential for new partnerships, joint ventures and alliances that will allow them to share the burden of investment and rapidly scale capabilities to deliver mutually beneficial outcomes. Those considering new market entry will want to place particular focus on alliances and partnerships that unlock geographic access and customer segments.

Don't be complacent:

The current disrupted environment will not simply blow over; hunkering down is not an option. At the same time, the auto sector is highly integrated; nobody wants to make a move ahead of OEMs. Industry leaders will therefore need to stay on their toes and remain informed about activities, trends and best practices in the sector. Close relationships up and down the supply chain will be critical. The key will be in knowing not just what to do, but when to do it.

04

Understand all your options:

05

Whether you call it scenario planning, alternative sourcing or backup planning, now is the time to explore all the various scenarios that may unfold – good and bad – and think about no-regret investments or activities that could be initiated early to drive value (divesting a non-core business, for example, could free up capital and reduce complexity ahead of potential expansion activity). The realities may be changing by the day, but scenario planning can help eliminate some of the uncertainty.

How KPMG can help

Whether you're an automotive OEM, component manufacturer, supplier, dealership or other industry player, KPMG Canada's cross-functional capabilities and breadth of services can help you navigate these rapidly evolving automotive industry trends—from the role of digital transformation for supply chain visibility and transparency, to strategic partnerships, workforce readiness and compliance with new regulations, such as ever-evolving tariff regimes and ESG.

Our automotive practice is made up of professionals with extensive industry experience and a deep understanding of the issues and the complexities of the market.

Connect with us



Dave Power

Partner and National Sector Leader,
Automotive

E: power@kpmg.ca
T: 416-777-8021



Ven Adamov

Partner and National Leader, Data &
Analytics

E: vadamov@kpmg.ca
T: 905-815-8076



Peter Graham

Partner and National Sector
Leader, Aerospace and Defence

E: peterjgraham@kpmg.ca
T: 416-777-8229



Joy Nott

Partner, National Tax, Trade &
Customs

E: jnott@kpmg.ca
T: 416-228-7175



Tim Webb

Partner, Supply Chain & Procurement

E: timwebb@kpmg.ca
T: 437-880-4855

Methodology

About the KPMG Canada Business Automotive Survey

KPMG Canada surveyed 263 automotive business leaders across Canada between August 11 to October 3, 2025, on Sago's premier business panel, using Methodify's online research platform. Sixty-four per cent were privately held organizations, 26 per cent were owned by private equity, 6 per cent publicly traded with headquarters in Canada and 4 per cent were subsidiary of a foreign-owned company. Thirty per cent are OEM and parts manufacturers, 21 per cent independent dealers, 19 per cent tier 1,2 and 3 suppliers, 8 per cent service providers,7 per cent mobility solution providers, and 15 per cent made up other sectors including dealers, tech startups, and energy/charging infrastructure providers. Twelve per cent report annual revenue below \$9 million; 32 per cent between \$10 million and \$99 million; 35 per cent between \$100 million to \$499 million; 20 per cent between \$500 million and \$5 billion; 2 per cent reported annual revenues over \$5 billion.



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