



By: Tomorrow's Affairs Staff

Car market under pressure – stabilisation or fragmentation?



S&P Global Mobility has **published** an updated forecast for the production of light vehicles until July 2025. The results indicate positive developments in several key regions, but trade and regulatory turbulence continue to jeopardise other areas.

In Europe, the forecast for 2025 has been revised upwards by around 90,000 vehicles, while the forecast for 2026 has been improved by a further 55,000 vehicles.

This growth reflects higher than expected production, despite weaker demand in the second half of the year.

In addition, the update of the EU CAFE standards (EU CAFE standards: Corporate Average Fuel Economy, i.e., the regulations that define average fuel consumption and CO₂ emissions at the level of a car manufacturer's entire production) and the expectation of a reduction in US tariffs contributed to the optimism for ICE models (ICE models are internal combustion engine vehicles, i.e., cars that use an internal combustion engine).

In China, the forecast for 2025 has been **increased** by 164,000 vehicles, and for 2026, by a further 148,000. This expansion is based almost exclusively on strong government subsidies and growing demand for new energy vehicles (NEVs), with local brands **dominating** the market.

Growth is also seen in Japan and South Korea, with Japan set to replace around 23,000 additional vehicles in 2025 and South Korea almost 36,000. Hybrid vehicle exports **dominate** Japanese manufacturers, while more stable domestic and export demand in South Korea has influenced the revised forecasts. In contrast, the forecasts for 2026 and 2027 remain stable.

North America's forecast for 2025 shows an **increase** of 241,000 vehicles. This data is crucial, as it shows the resilience of the supply chain and the adjustment of production despite volatile tariff conditions.

S&P Global Mobility generally expects a gradual reduction in tariffs as early as 2026, which should facilitate international vehicle trade

A slight decrease in production is forecast for 2026 and 2027, as the market is expected to enter a phase of more balanced inventories, while uncertainty in trade policy will continue to put pressure on manufacturers.

The forecast volatility in the battery electric vehicle (BEV) segment is of particular interest. Changes in subsidies and emissions policies influence a decrease in forecasts for purpose-built BEV models in the period 2025–2027.

In South America, the forecast for 2025 has been revised favourably, partly due to a new tax regime in Brazil that promotes competitiveness and environmental criteria. In Argentina, however, there is a decline due to changes in the market and the influence of a neighbouring country.

South Asia sees a slight increase in 2025 – thanks to the growth of VinFast BEV **production** in Vietnam and the recovery of export capacity in Thailand – but forecasts for the following years are reduced due to uncertainties and disruptions in the rare earths supply chain.

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However, a number of risks remain – in particular, potential restrictions on the export of rare earths from China, which have not yet been factored into the forecasts but could radically change the situation in the EV industry.

What's next for the automotive industry?

The growth of manufacturing in Europe and China shows that adaptable policies and domestic incentives remain critical to the sustainability of this sector.

In North America, it appears that investment in supply chain resilience can mitigate the impact of trade measures, albeit temporarily.



If global policy guarantees stability and resource availability, the electric vehicle market can sustain its current pace

The energy transition is evolving at a double pace, as it is simultaneously incentivised by subsidies and legislation in China and parts of Europe, while in the United States it is burdened by policy uncertainties and the risk of rare earths shortages.

If global policy guarantees stability and resource availability, the electric vehicle market can sustain its current pace. If this is not the case, classic models with combustion engines and hybrids could once again play a more important role.

By the end of 2025, some regions are expected to cut back on production to avoid building up too much stock, while others will continue to adapt to demand through more flexible strategies.

Global production will continue to grow slightly, but the risk of a sudden decline in demand remains.

July 2025 shows that the automotive industry has no clear direction. It is a space where government policy, market trends, and technological changes overlap.

China is expanding its exports and relying on domestic demand, Europe and North America are trying to balance regulation, innovation and production capacity, while South Asia and Latin America are unpredictable and depend on the ability to quickly integrate into global supply chains.