

Shifting Gears: The Automotive Industry

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Areas of Expertise



Secular Shift Strategies



Forecast Strategy



Market Insight

Experience

- Michael has more than 37 years of experience in automotive market analysis, forecasting and supplier strategy functions. He joined S&P Global (formerly IHS Markit/IHS Automotive/CSM Worldwide) in 1996. As Vice President of Forecast Strategy, Michael is a valued source for forecasts, commercial transition strategies and market dynamics. Additionally, in late 2024 he was appointed as the Chair of the newly-formed S&P Global Mobility Global Forecast Council (GFC). A council controlling the overall direction and strategy within the world's leading vehicle forecast.
- Prior to his time at IHS Markit/S&P Global, Michael was a forecaster with two other automotive research houses as well as being active in finance at a major tier 1. Starting in 1996, Michael grew the CSM Worldwide forecast from a handful of clients to be the preeminent global production forecast utilized today. In 2011, he shifted his focus to consulting – driving market strategies for a changing ecosystem.
- Key career milestones include contributions to the 2009 Chrysler and GM bankruptcy agreements in Canada, innovations in both measuring vehicle production capacity and ongoing supply base strategies surrounding ICE to BEV transitions.
- Giving back to the industry and community is critical for Michael. He is a Director for the Automotive Hall of Fame (Dearborn, MI), a two-term trustee for the SAE Foundation and a board member for the Canada-US Business Association since its inception. For several years he has penned a monthly column for SAE Automotive Magazine called 'Supplier Eye'.
- He holds an Honours Bachelor in Social Science (Economics) and a Masters in Business Administration (Finance) – both from the University of Windsor (Canada).

Agenda

- Global Economics & Threats
- Light Vehicle Market Dynamics
- What Does It Mean?



What we are watching...

Resurfacing of US-mainland China trade tensions

- A reminder that trade-related risks have not gone away
- Measures of trade policy uncertainty likely to rebound

Strength in certain categories of US investment

- Very high increases supported growth in the first half
- Compounding concerns about an AI bubble

Inflation pass-through from higher US tariffs

- Pickup in inflation for some goods but not yet widespread
- How long can the margin compression last?

Speed of monetary policy easing

- Futures markets price in a rapid return to neutral Fed rates
- Some Federal Open Market Committee (FOMC) members recently sounded cautious

Duration and implications of US government shutdown

- Little market impact given limited effects in the past
- This time could be different: longer and more disruptive

Mixed growth signals from surveys and hard data

- Few signs of a major hangover from tariff front-running
- Slowing global PMI data in September

October's growth and inflation forecasts for major economies

Real GDP (% change)

Region	2024	2025	2026	2027
World	2.8	2.7	2.6	2.7
United States	2.8	2.0	2.2	1.8
Canada	1.6	1.1	1.4	2.0
Brazil	3.0	2.2	2.0	2.9
Eurozone	0.8	1.3	0.9	1.5
United Kingdom	1.1	1.4	1.0	1.5
Russia	4.3	1.0	1.7	1.9
Mainland China	5.0	4.8	4.3	4.3
Japan	0.1	1.2	0.7	0.7
India*	6.5	6.3	6.2	6.6

Consumer prices (% change)

Region	2024	2025	2026	2027
World	4.5	3.3	3.1	2.8
United States	3.0	2.8	2.9	2.5
Canada	2.4	2.0	2.0	2.4
Brazil	4.4	5.2	4.5	4.3
Eurozone	2.4	2.1	1.8	1.9
United Kingdom	2.5	3.5	2.5	2.0
Russia	8.4	8.8	5.3	4.6
Mainland China	0.2	0.0	0.6	1.3
Japan	2.7	3.1	1.8	2.0
India	4.9	2.9	4.3	5.2

Data compiled Oct. 15, 2025.

* Fiscal year starting April 1, 2023.

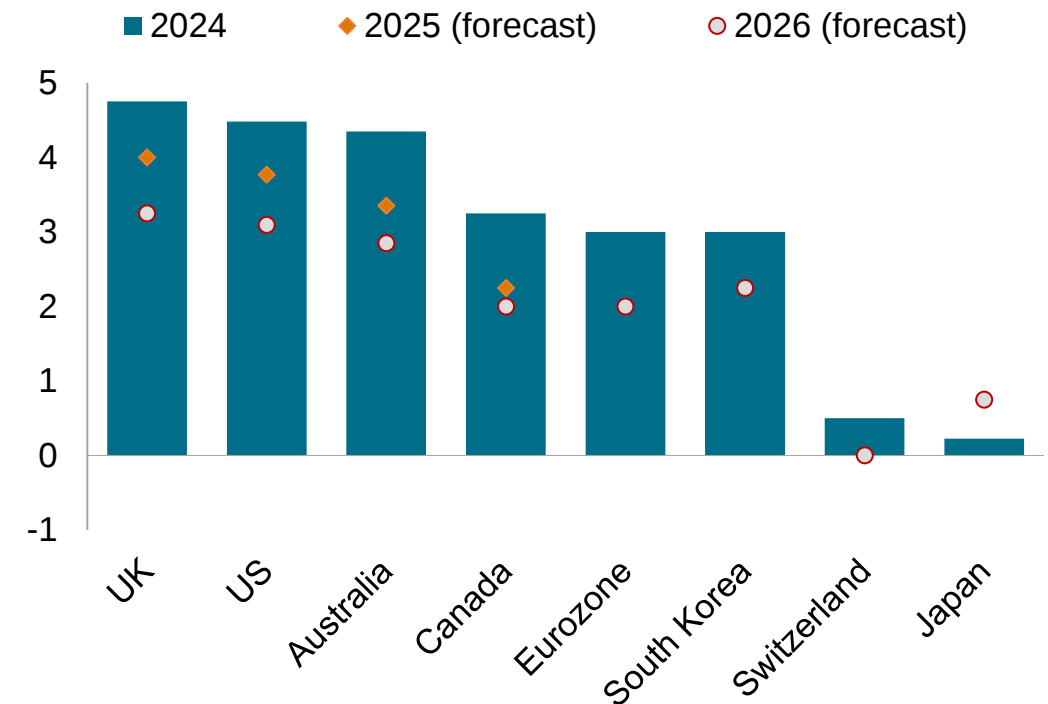
Source: S&P Global Market Intelligence.

Policy rates can fall further, but the effects may be limited

- Central bank policy rates in many advanced economies are forecast to fall to estimated neutral levels in 2025–26.
- Our estimates of neutral nominal levels of policy rates are driven by two key elements:
 - Estimates of the equilibrium level of real short-term interest rates (known as r^*)
 - Inflation rates returning sustainably back to target, with inflation expectations staying well anchored
- Our forecasts imply that policy rates will remain above their pre-pandemic lows, given different inflation conditions.
- The potential impact of lower policy rates on growth will be limited by various factors, including:
 - Uncertainty over trade and other issues is likely to persist
 - Yield curves are likely to continue to steepen given elevated deficits and debt, tempering the overall impact on financing costs
 - The most interest rate-sensitive sectors such as manufacturing and construction account for a smaller share of economic activity in advanced economies than in the past
- Policy rates could fall below our projections if consumer price inflation rates fall below central bank targets for a sustained period or in the event of major adverse shocks.

Central bank policy rates

Advanced economies, year-end (%)



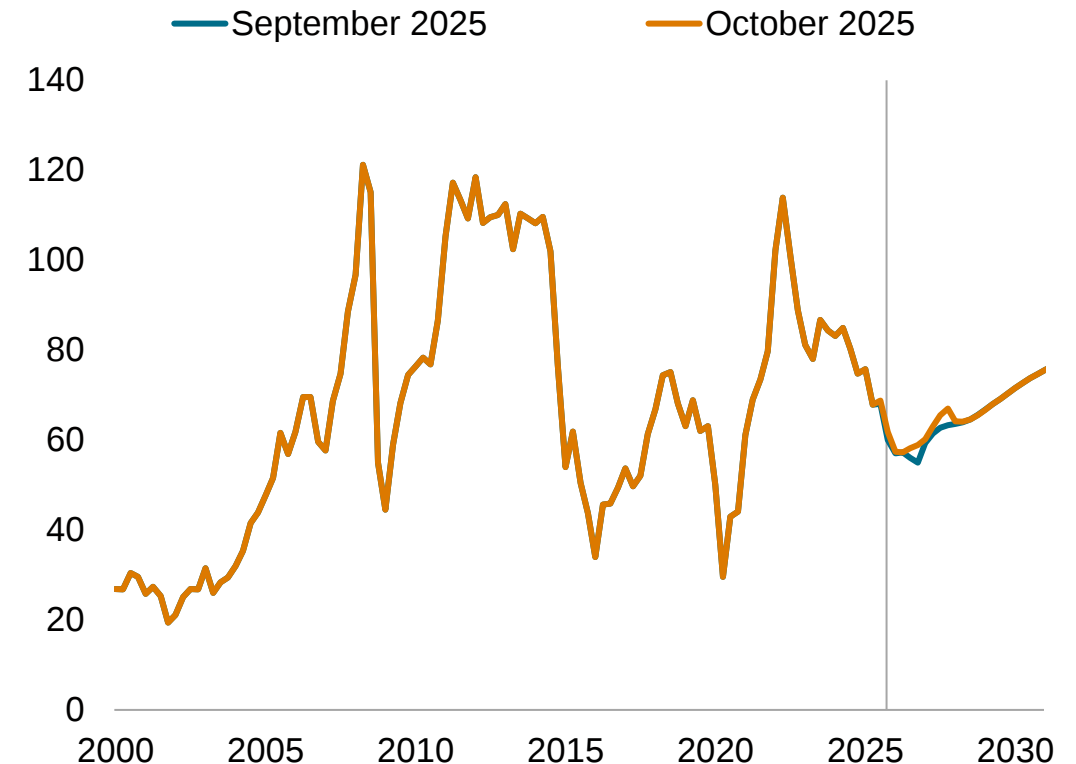
As of October 2025.

Source: S&P Global Market Intelligence.

Crude oil prices: Supply-driven downward pressure, China stockpiles

- At around US\$62/b at the time of writing, the price of Dated Brent crude has fallen by about US\$5/b versus September's average.
- Crude oil prices are forecast to fall further, although the near-term assumptions feeding into our October economic forecasts are somewhat higher than in September.
- The forecast average for the final quarter of 2025 of about US\$62/b is slightly higher than the prior assumption of US\$60/b, with the projected average of US\$57/b in the first quarter of 2026 revised marginally upward.
- Annual average Dated Brent crude prices of US\$58/b and US\$64/b are projected for 2026 and 2027, respectively, up from US\$56/b and US\$62/b in the prior forecast round.
- The projected price trough, at US\$57/b in April 2026, is a little higher and earlier (previously US\$55/b in late 2026).
- Excess supply remains the key driver of the expected near-term price decline. Rising production, modest demand growth and a slower pace of inventory building in mainland China are expected to markedly raise the supply surplus late this year, pushing Dated Brent crude prices below US\$60/b.

Dated Brent crude oil prices (US\$/barrel)



As of October 2025.

Source: S&P Global Market Intelligence.

S&P Global Mobility Risk Tracker* – October 2025

Top 10 Risks to LV Production output	Sept 2025	Oct 2025	In base case forecast	
Recession risk, interest rates	▼	▼		Any significant confidence shock & dip in economic activity would hit demand & raise the prospect of stronger inventory down swing, possibly tempered by earlier rate cuts. Global financial conditions have been resilient, offering some buffer to a global recession
US threat of tariffs on Mexico/Canada	●	▼	✓	Auto imports included at 25% through 2025 with a step down assumed at 12% for early 2026; USMCA compliant parts imports continue to be excluded from tariffs. Lack of clarity on timescales for renegotiation of USMCA could stall this assumed step down
Lessening commodity price pressures	▲	▲		Key raw material prices subdued helped by a weaker USD, easing supply chain pressure. US tariffs, however, have the opposite effect for domestic US prices. Potential semiconductor tariffs, with exemption clauses, clouds assessment of cost impacts on autos
Inventory rebuild profile	▼	▼	✓	Disruption to inventory management in response to tariffs is likely to complicate broader alignment to sales heightening the risk of more severe inventory correction especially if sales disappoint and credit conditions deteriorate
Critical mineral restrictions by China	▼	▼		China export restrictions of rare earth/magnets have potential to create widespread critical supply chain failure. Immediate short-term risk has eased but geopolitical threat of curtailment until a successful finalization of any US / China trade deal
Debt concerns make a comeback	▼	▼		Quantitative tightening risks return to focus on debt levels. Pressure on US government debt markets has increased with uncertainty around tariffs. Higher long-term rates, fiscal austerity & tighter credit conditions. European fiscal situation pressured
Tariff wars & trade restrictions	▼	▼	✓	Framework tariffs for autos in line with prior assumptions, earlier implementation for major importers offers short term upside however, general reciprocal tariffs appear to be higher than expected with negative impacts on the wider economy especially in 2026
Disruption of chips from Taiwan	▼	▼		Tensions remain and highlight the risk of critical semiconductor supply from the island. More generally, semiconductors could return as a risk to automotive manufacturing primarily due to geopolitical tensions rather global supply shortages
Improvements in affordability	▲	▲		Additional demand boost caused by increasing downward pressure on vehicle prices due to: fuller inventories, intensifying competition, re-direction of supply otherwise designated for US market, regulatory easing, EV price cuts and China's price war
Potential Semiconductor shortage	▼	▼		Explosion of demand from data centers could constrain automotive industry's allocation, threatening some shortages including possible bottlenecks for MCU's. Currently there is no evidence that this is a short-term disruptor

As of October 2025.

*The S&P Global Mobility Risk Tracker provides an overview of key risks either included in the latest Light Vehicle Production Forecast or considered for possible future inclusion. This does not necessarily imply the future direction of the forecast, nor are the risks ordered by priority.

Source: S&P Global Mobility.

		Upside	Downside	Neutral
Magnitude	L	▲	▼	
	M	▲	▼	●
	S	▲	▼	

One Big Beautiful Bill Act (OBBBA) – Non-tariff impacts change the trajectory

Overview

- The One Big Beautiful Bill Act (OBBBA) adjusts prior laws, including the IRA.

Clean vehicle credits

- EV tax credits on new and used vehicle purchases end this month. OEMs are depleting BEV inventory with little need to replenish.
- Commercial vehicle credit elimination ends the ability to apply tax credit to a lease and credits which had been available to luxury, medium and heavy-duty BEVs.

Auto loan interest rate deductibility

- Applies only to US-assembled vehicles; has income limitations – wait until mid-2026

CAFE fines eliminated

- Civil penalties for non-compliance with the Corporate Average Fuel Economy (CAFE) standards to US\$0. The change is applicable from July 2025, to any model years for which a fine has not already been assessed.

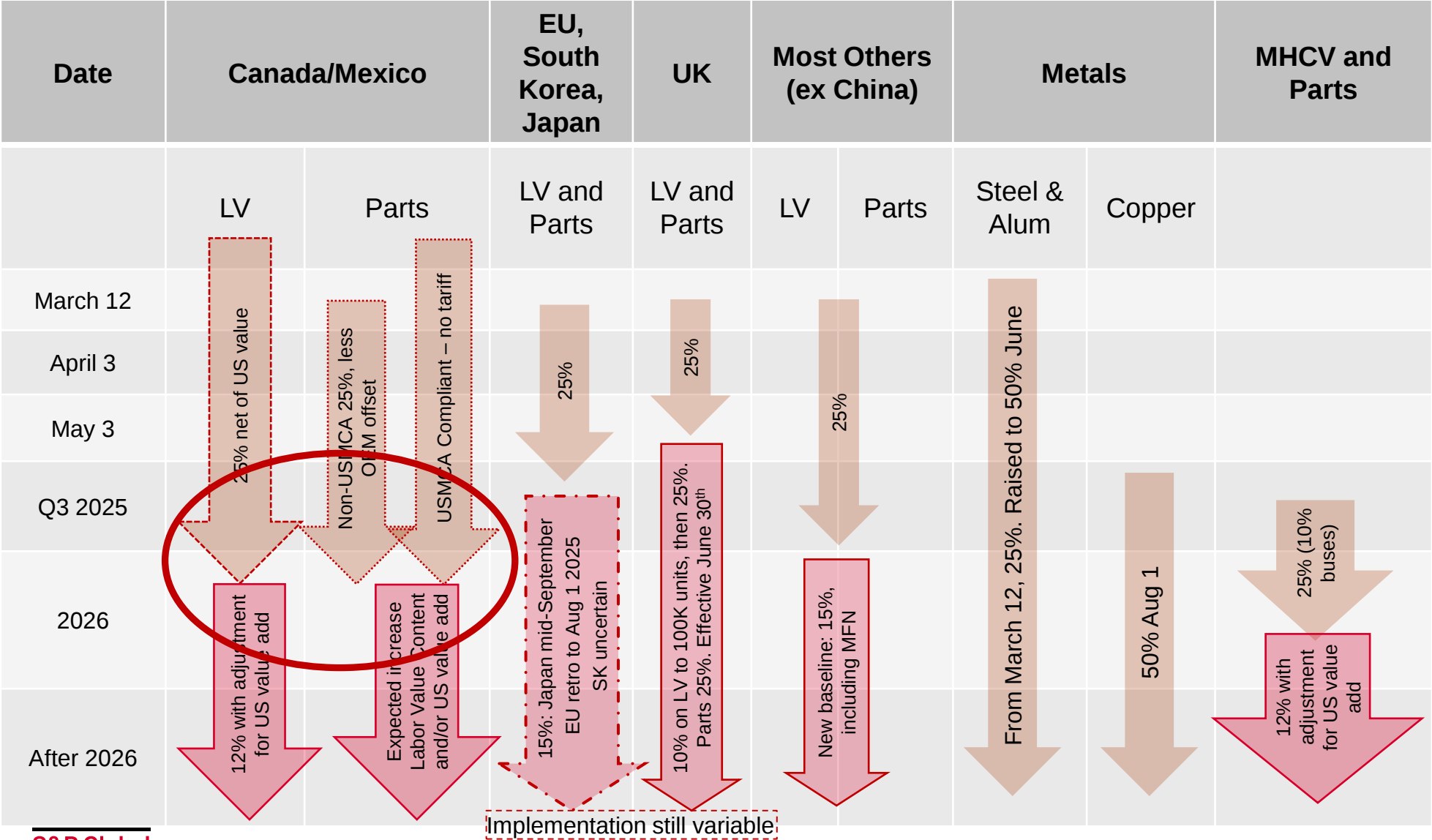
Funding cuts, manufacturing credit changes

- OBBBA cut funding for programs established under prior acts, rendering them effectively ended. Includes some programs funding grants for investment and research.
- Advanced manufacturing credits reduced, not eliminated; some increased requirement for US-sourced materials for eligibility.



US Tariffs: Moving Targets and Growing Certainty

Multiple trade agreements in progress. Status/projections for key automotive trading partners



Latest updates

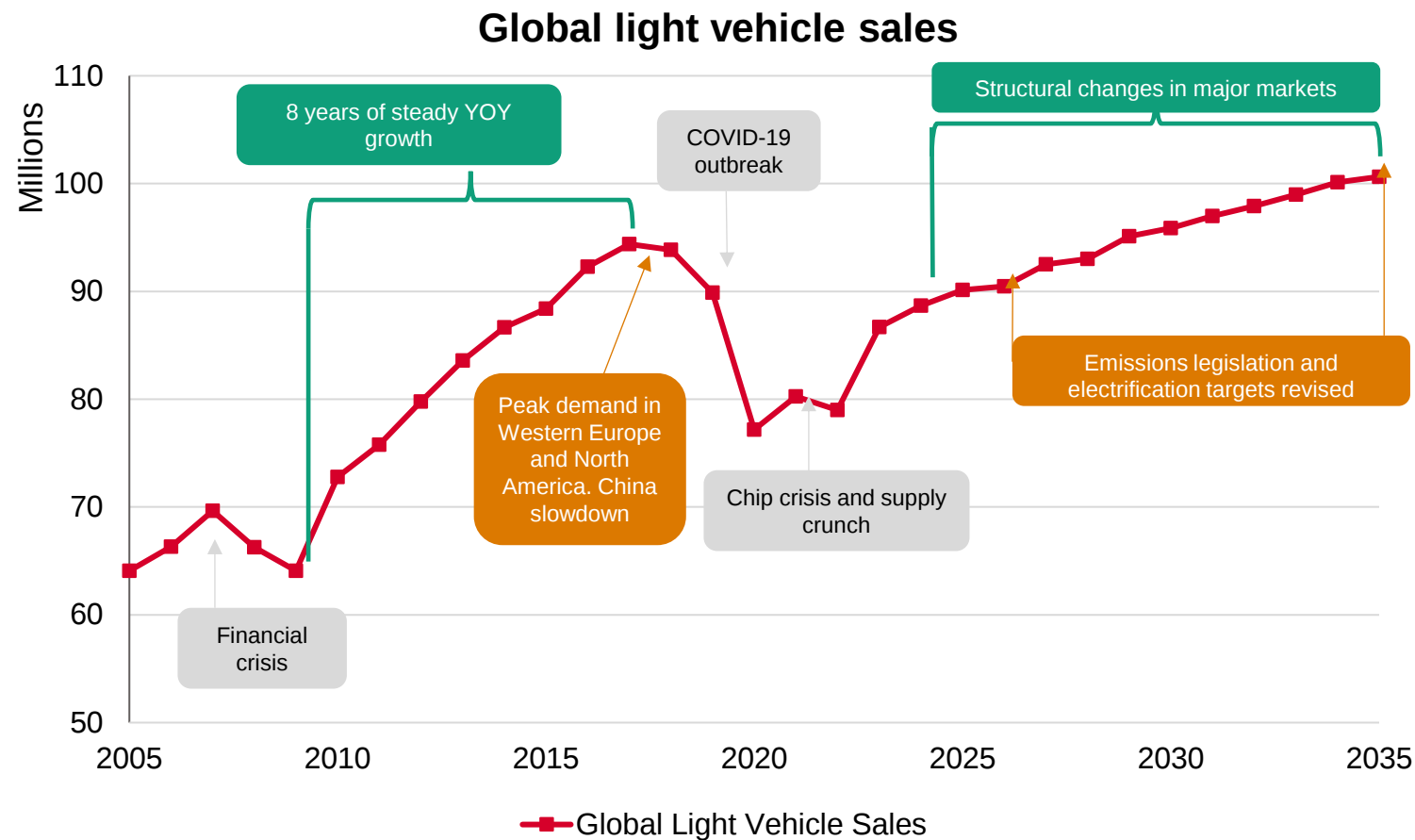
1. Add 232 MHCV for November 1
2. Extend offset for US production; apply to MHDV
3. Metals tariff reduced for Canada, Mexico steel/alum for vehicle production
4. US-China tariff extended to early November
5. Tentative frameworks: Japan (implemented), EU (implemented), South Korea (pending)
6. Section 232 Copper tariffs on Aug. 1
7. Possible 100% tariff on semiconductors for non-US investment companies
8. Other 232 tariffs on softwood lumber, furniture, robotics etc.

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The path ahead depends on emerging market growth

Asia-Pacific region will contribute 84% of all expected volume growth



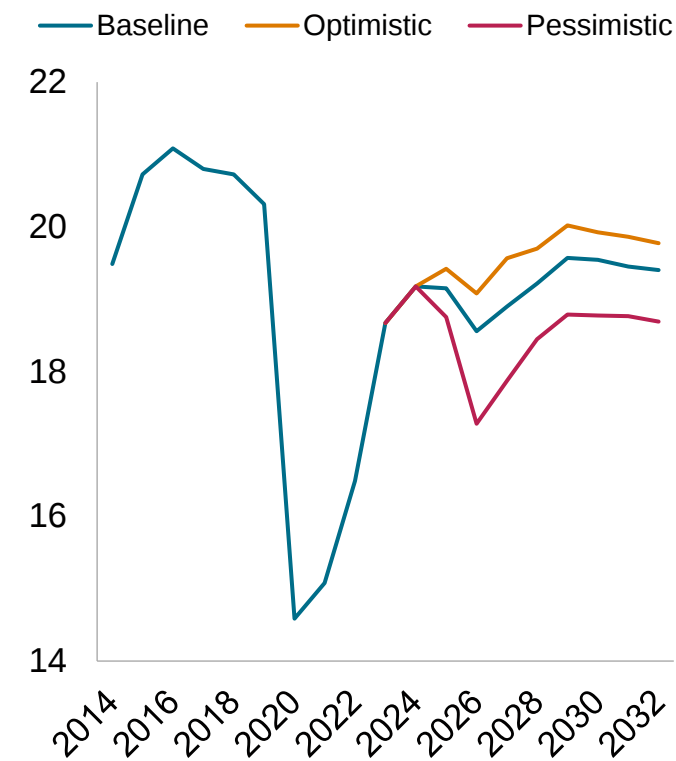
Data compiled Sept. 11, 2025.
CAGR = compound annual growth rate.
Source: S&P Global Mobility.

Region	Growth 2025–35 (millions)	CAGR 2025–35
ASEAN	1.9	4.8%
Central Europe	0.1	0.7%
East Europe	0.7	1.8%
Greater China	1.9	0.7%
Indian Subcontinent	2.9	4.6%
Japan/Korea	-0.4	-0.7%
Middle East/Africa	0.8	1.6%
North America	0.1	0.0%
Oceania	0.03	0.2%
South America	1.7	3.2%
West Europe	0.4	0.3%

More balanced risks with tariff progress although USMCA remains a wildcard

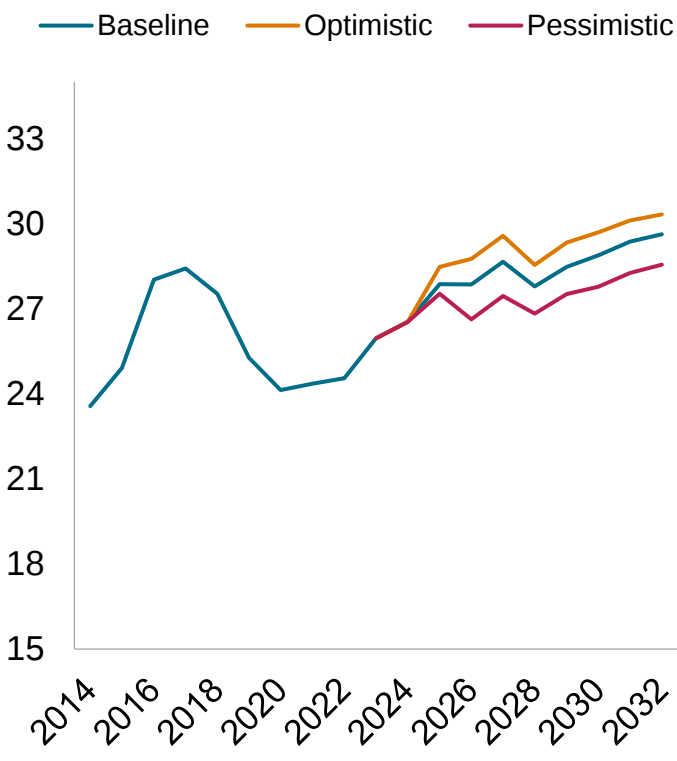
Market constraints unlikely to ease in near-term

North America light vehicle sales (millions)



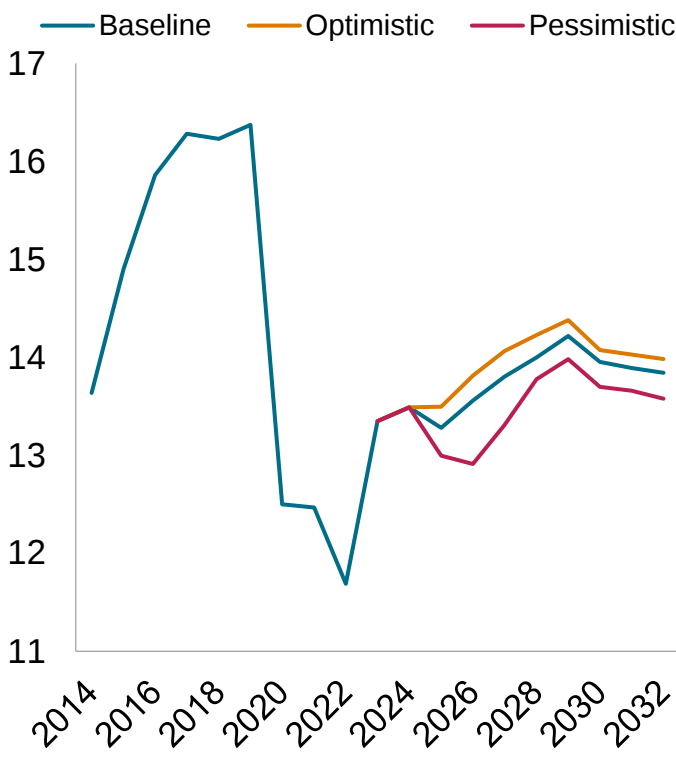
Data compiled August 18, 2025.
Source: S&P Global Mobility

Greater China light vehicle sales (millions)



Data compiled August 18, 2025.
Source: S&P Global Mobility

West Europe light vehicle sales (millions)

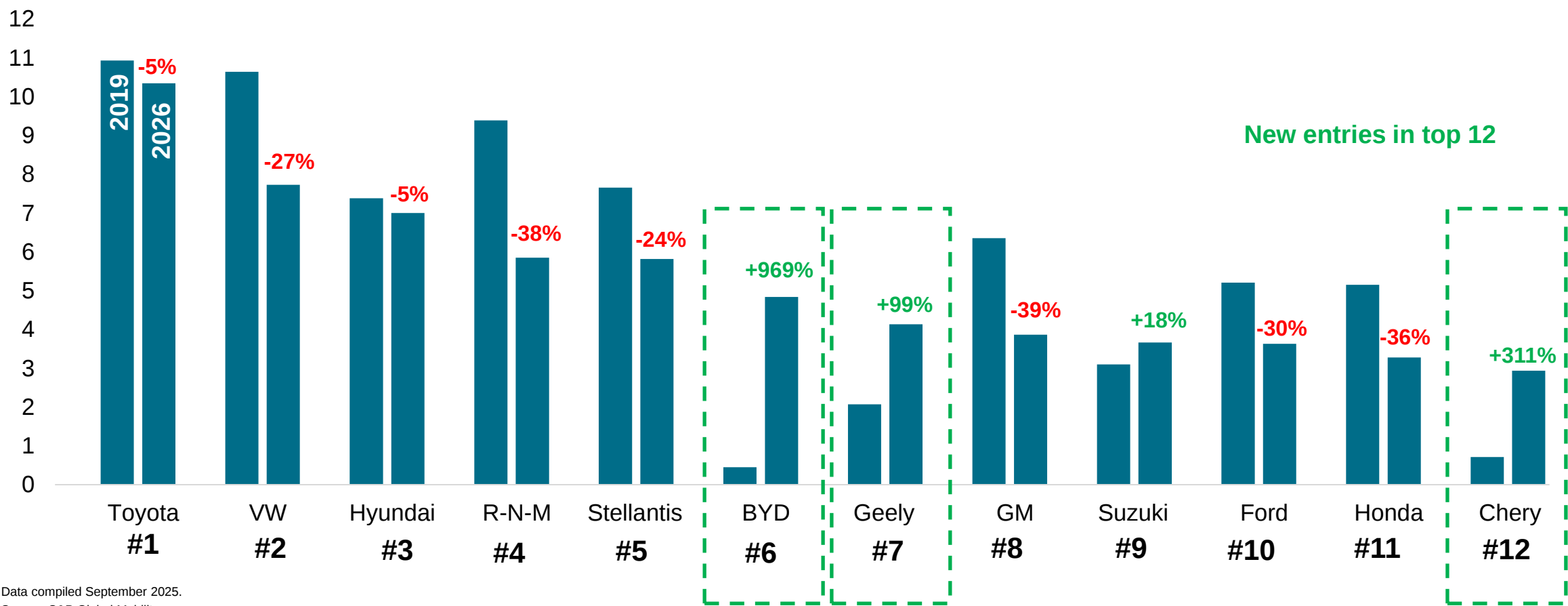


Data compiled August 18, 2025.
Source: S&P Global Mobility

A New Top OEM Order Emerges

Legacy Western players bitten by EV leaders, declines in China share and regional consolidation

Top 12 carmakers volume ranking in CY 2026 versus CY 2019, by vehicle production (millions units)

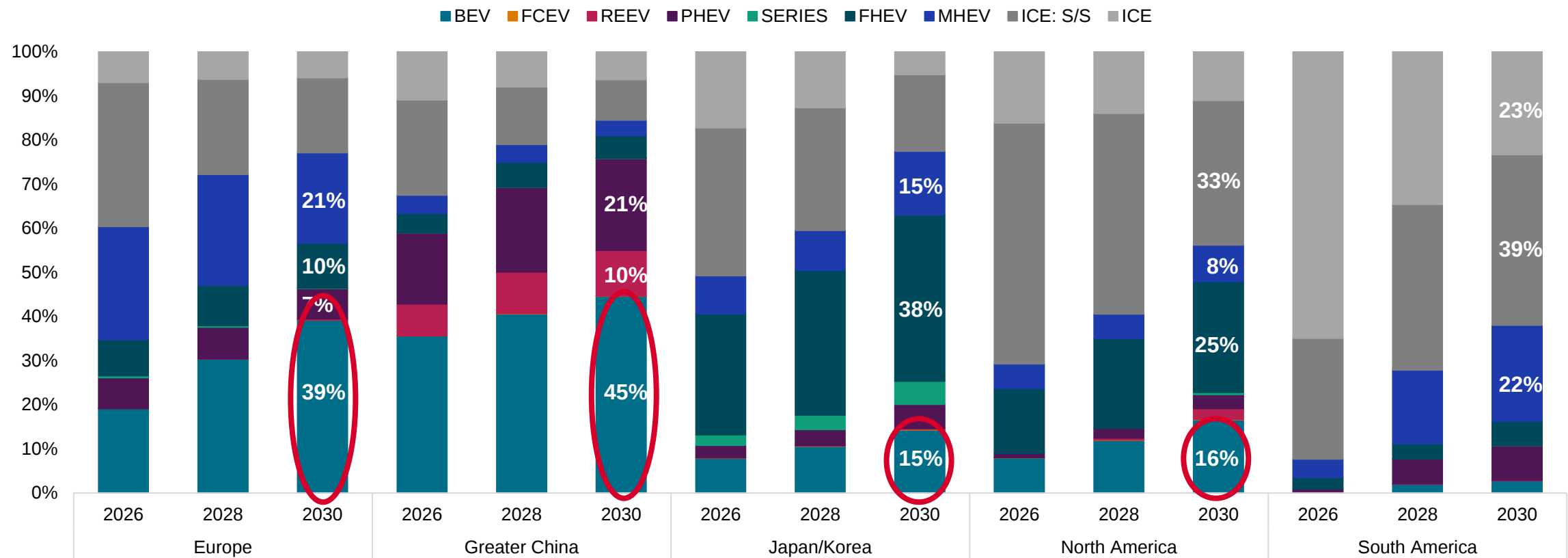


Data compiled September 2025.
Source: S&P Global Mobility

Global electrification projections by production region

Specific market frameworks and associated product strategy will lead to a polarized worldwide industry

Global powertrain installation

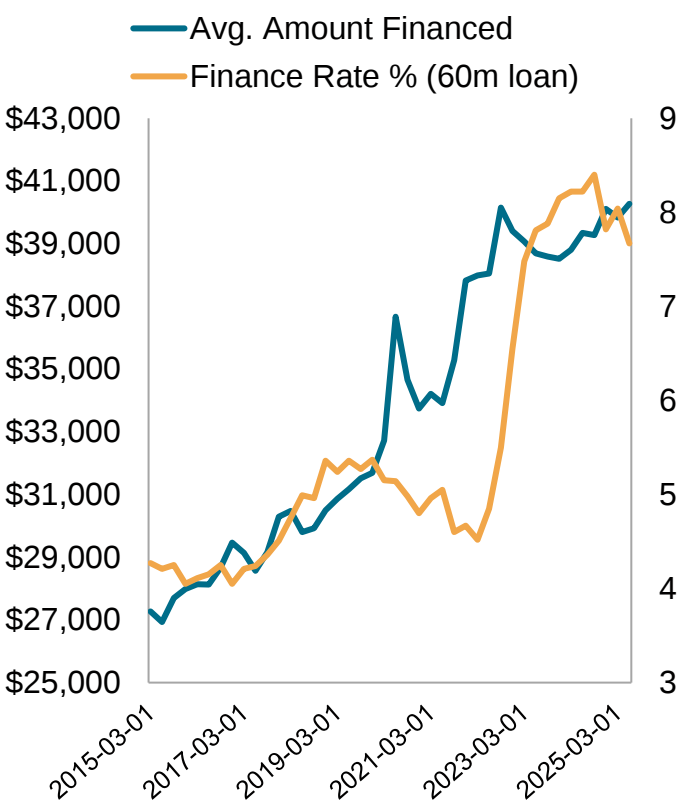


Data compiled Sept. 16, 2025.
BEV = battery-electric vehicle; FCEV = fuel-cell electric vehicle; REEV = range-extended electric vehicle; PHEV = plug-in hybrid electric vehicle; FHEV = full-hybrid electric vehicle; MHEV = mile-hybrid electric vehicle; ICE: S/S = internal combustion engine with stop/start.
Source: S&P Global Mobility Preliminary September 2025 Powertrain Forecast.

US: Consumer sentiment remains in the doldrums

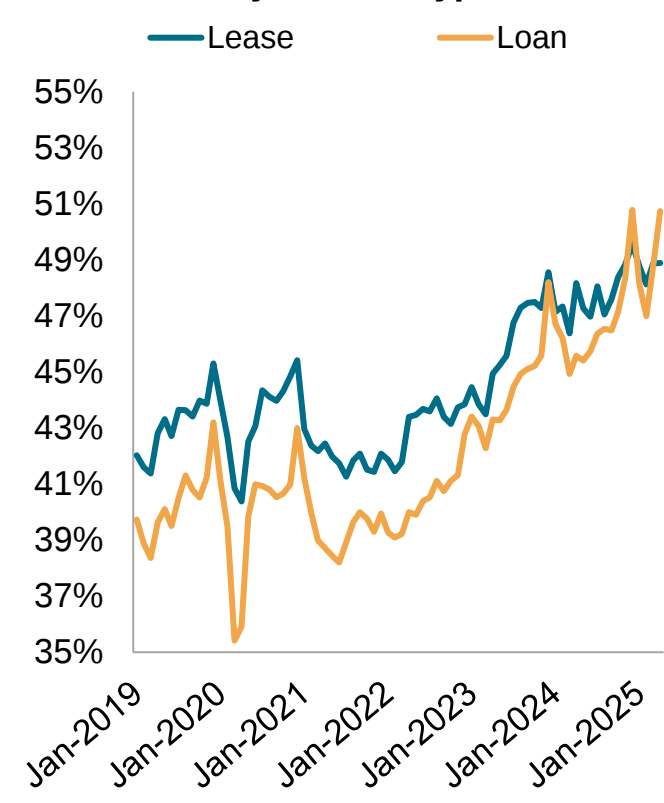
High prices, high interest rates and restrictive credit conditions unlikely to change near-term

Consumer finance conditions



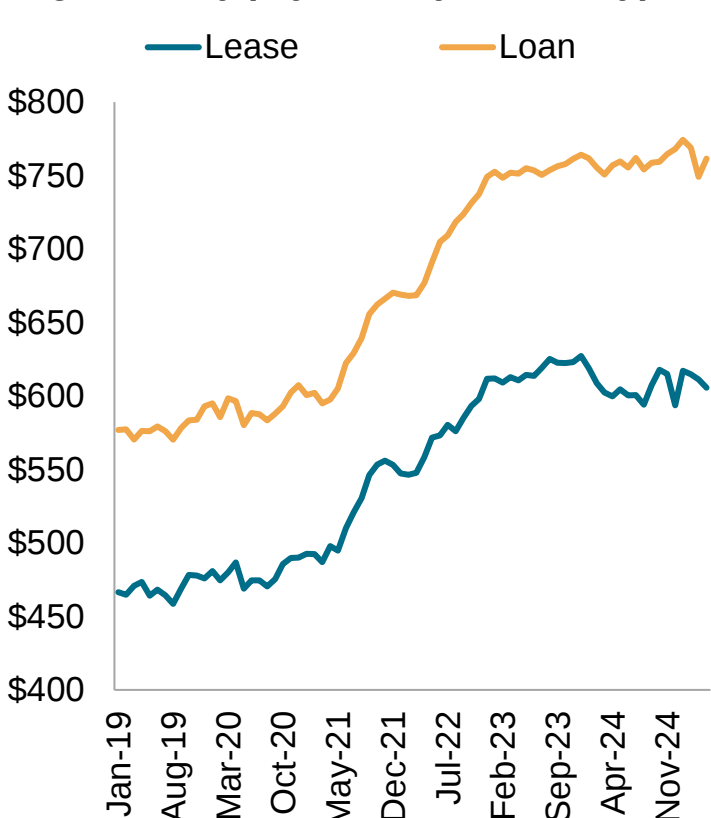
Data compiled Aug. 18, 2025.
Source: Board of Governors of the Federal Reserve System

Prime share by finance type



Data compiled Aug. 18, 2025.
Source: S&P Global Mobility.

Avg. monthly payment by finance type

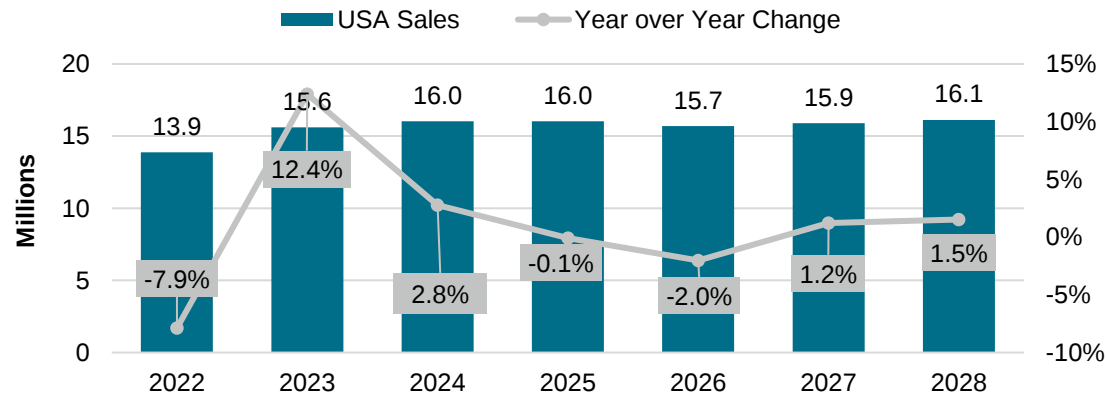


Data compiled Aug. 18, 2025..
Source: S&P Global Mobility.

US Light Vehicle Sales Overview

Q3 sales expected to be supported by BEV pull-ahead. US TIV upgraded, but uncertainty remains

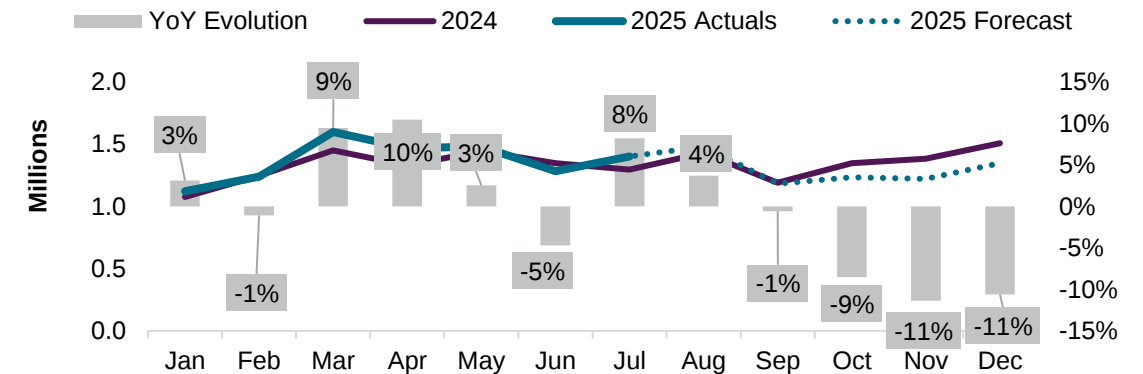
Yearly sales



Positive

- ▲ Aug sales volume of 1.48M units translated to a seasonally adjusted (SAAR) pace of 16.1M – solid result following July 16.6M SAAR. Recent sales pace boosted by second “pull ahead” wave of 2025, this time rush to BEV before Sept 30th federal incentive deadline
- ▲ “Electrified” sales expected to support Q3, but sets up for milder Q4 results. July BEV mix estimated at over 9%, August above 10%, both record levels.
- ▲ September 2025 forecast update reflects upgraded annual TIV volumes 2025-2030. Short term (25-26) adjusted to better than previously expected OEM handling of tariff pressures and overall economic outlook upgrades – Tariff implications still expected, evident in 2% volume decline still anticipated for CY2026.

Monthly sales evolution



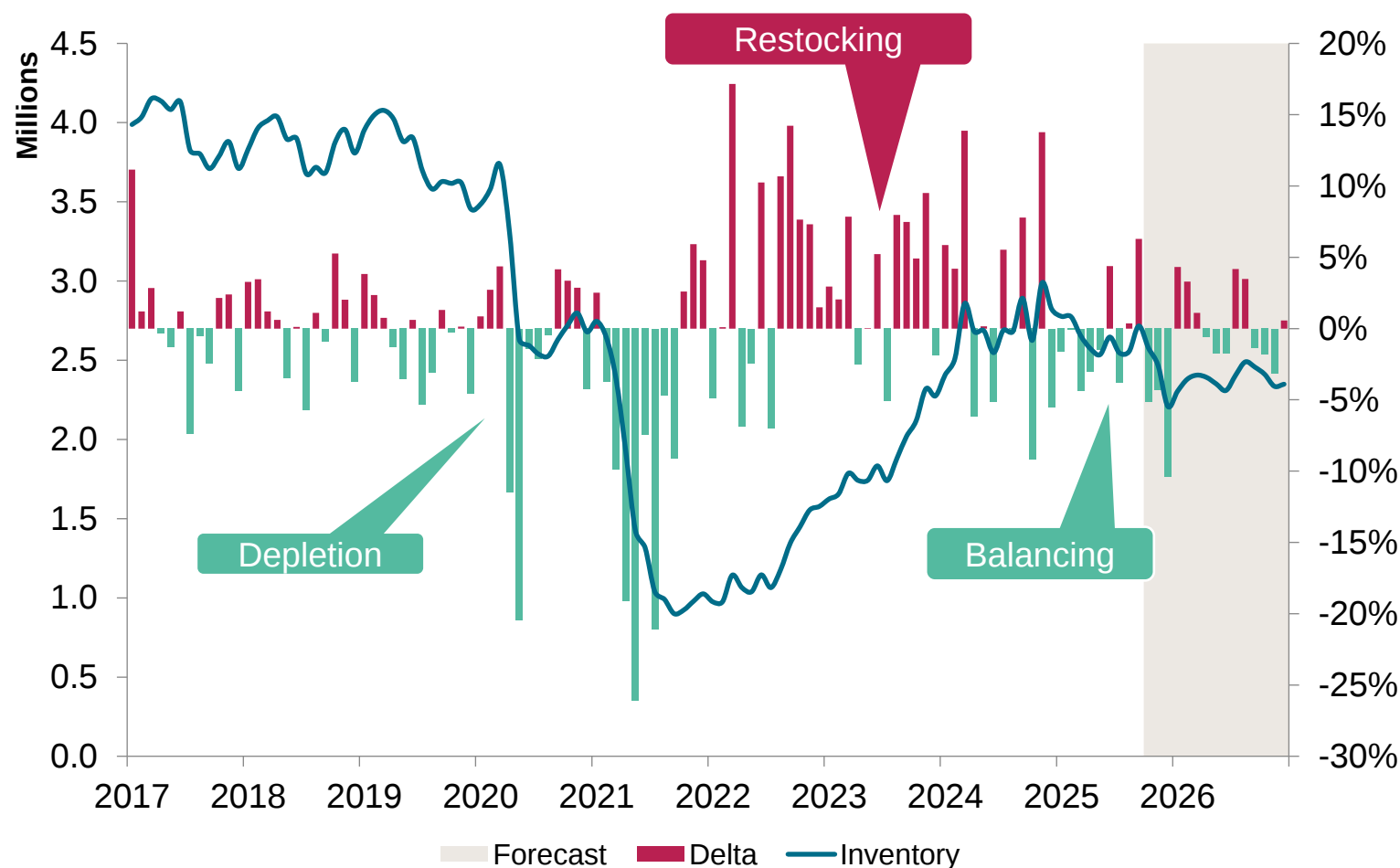
Negative

- ▼ Vehicle “affordability” still a large headwind to more dynamic growth in new vehicle market and is not something that can be corrected in a quick manner – vehicle prices slow to recede, interest rates still high, credit conditions tight –tariffs only heighten pricing pressures
- ▼ Inventory remains in focus. Month-end August inventory down compared to July and right sizing/management expected over second half of 2025 and into 2026. Average incentives around \$3,550, up over \$100 compared to year-ago and Jan 2025 levels.
- ▼ Policy implications from new administration creating more uncertain and unstable 2025-2026 auto and economic environment expected to weigh against consumers and auto demand over next 18 months

As of Sept 2025.

Source: S&P Global Mobility.

US Inventory: October 2025 (Data for September)



Overstocking Impacting Volume

Inventory: 2.716 million or 51-day supply

- **M/M: +160K units or +5.92%**

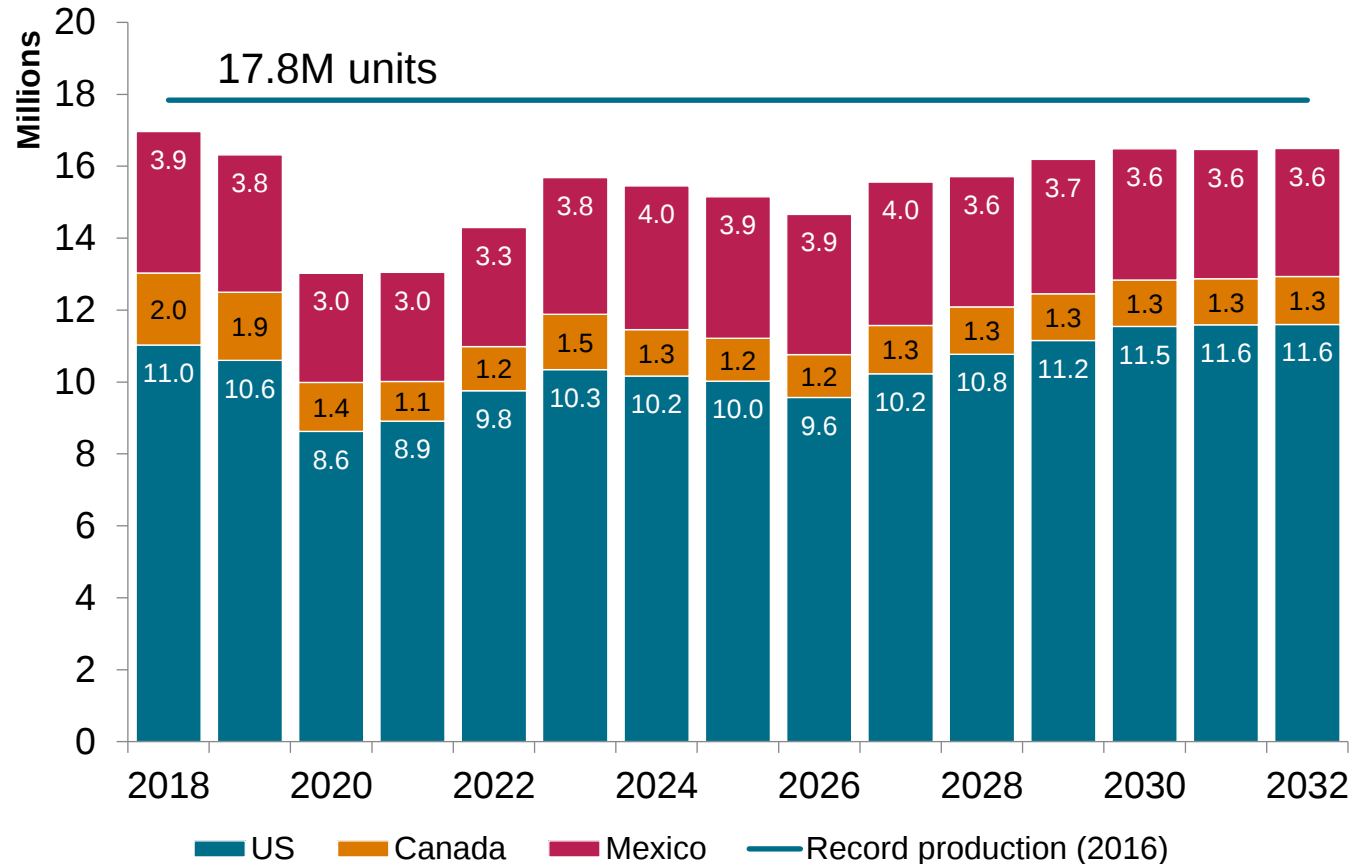
- Expect balancing around 2.4M units

Inventory/Sales Ratio: **2.14**, up from 1.72

- Massive decrease of EV inventory as consumers rush to get IRA incentives
 - No IRA incentive going forward
 - Many EV's dropped roughly half of their inventory, expect little to no inventory increase
- ICE vehicles saw decreased sales and higher inventories
 - Pickups increased due to midsize pickup woes, mostly GM 31XX's, Ford Maverick and Ranger, and Nissan Frontier
 - Full-size SUV's also increased 9 DOH, with increases from all GM T1XX's, Ford Explorer and Nissan Armada
- Incentives to play major role through the remainder of 2025 as OEM's will employ different strategies to balance production with margin on EV nameplates outside of Tesla

Production: US is the path of least political resistance due to tariffs

North America light vehicle production by country



Shared regional objectives

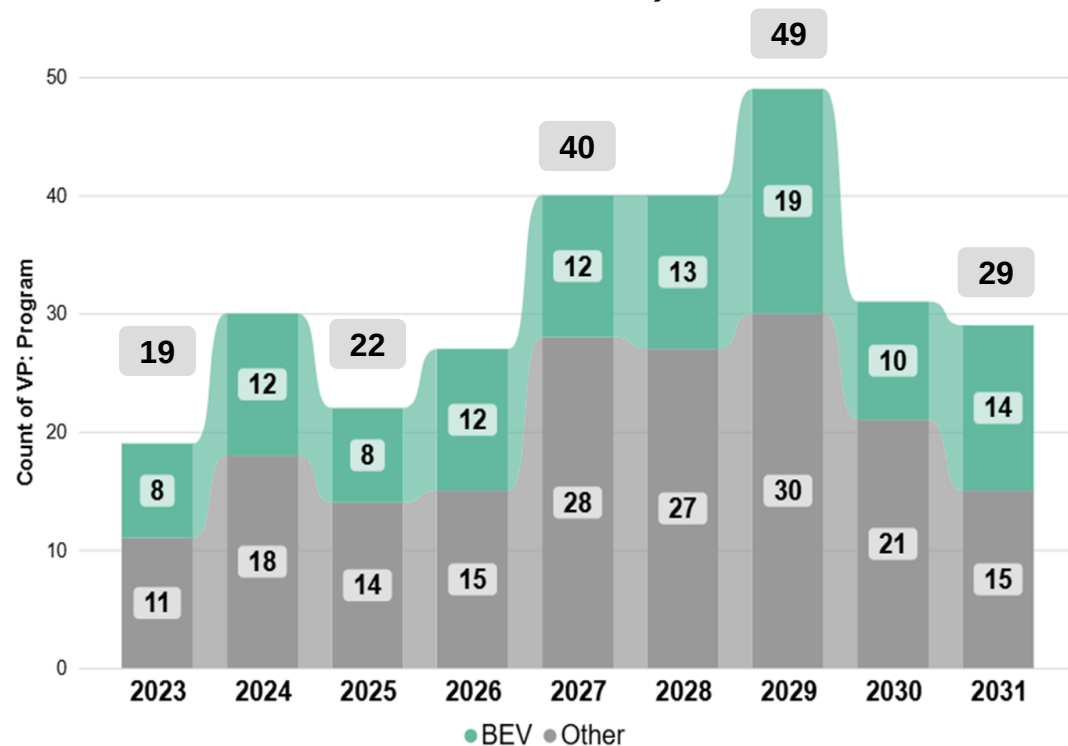
- Broad IRA and USMCA implications
 - USMCA review in July 2026
 - Hostility toward mainland China continues
- US as safe sourcing hedge
 - Reshuffle footprint amid tariff threats
 - Favored for BEV investment from battery cell to vehicle assembly amid IRA legislation
 - Labor and other costs are variable.
- Potential long-term shifts
 - Focus on maximizing US footprint
 - New investment as tool for tariff exemptions
 - Creating unique sourcing opportunities:
 - GM-Korea, VW-Germany, Hyundai-US

Data compiled Sep. 11, 2025.
Source: S&P Global Mobility.

North America* Program Launches | Total

Slow BEV growth, underutilized BEV capital, net tariffs and the impact of OBBBA all alter the future launch environment

New Program Launches: BEV vs Non-BEV (September 2025)



Source: S&P Global Mobility | Data compiled September 2025

*North America is US, Canada & Mexico

'BEVS' includes BEVs and REEVs

Launch = Start of Production date of a nameplate at a plant

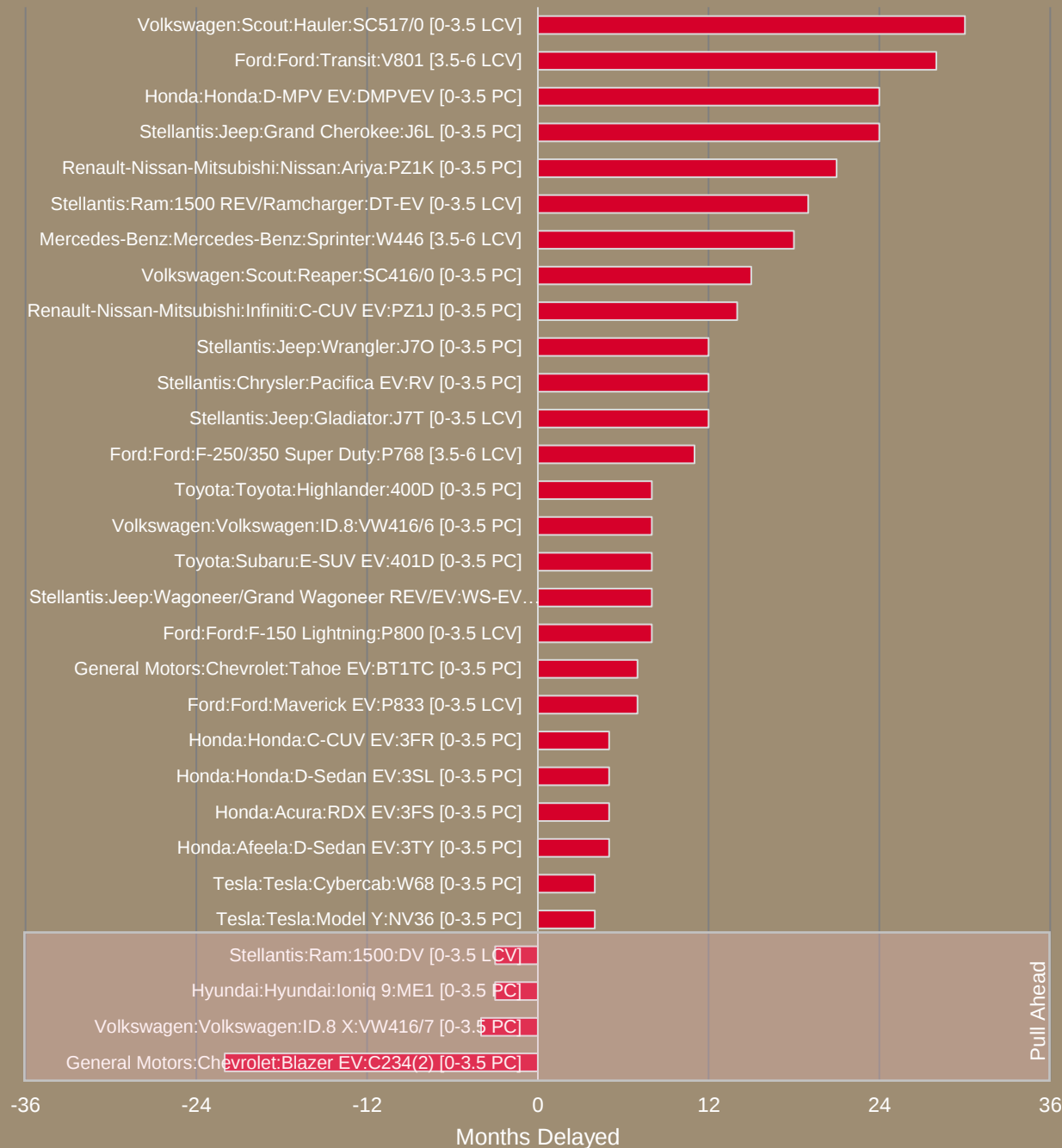
- Extreme shift in launches
 - Tariff uncertainty has delayed several near-term launches
 - BEV growth slowing has driven a critical rescope of launches, significant delays and many cancellations
 - To meet consumer demand, several ICE extensions have altered the launch landscape
- Several OEMs have massive portfolio gaps which may last through 2029
 - Ford's lack of a C or C/D mass-market CUV by 2026 through 2028
 - Nissan slimming portfolios to conserve cash
- Key full-size truck platforms GM-T1XX-2 or Ford-P736 have a significant impact on launch volumes.
- New trade agreements may only drive a modest number of re-sourcing opportunities though Canada is expected to take the brunt of the impact vs. Mexico.

NA BEV Launch Delay Tracker

September 2024 compared to September 2025,
months between SOPs for BEV launches

- Breakdown for vehicles with BEV, FCEV or REX propulsion systems, SOP 2025 – 2030 only
- BEV Launch Movement Breakdown: 171 programs
 - 27 Launch Delays (19.3%)
 - 4 Launch Pull-Forward (2.3%)
 - 66 Program Cancellations (38.6%)
 - 33 Program Additions (19.3%)
 - 41 No Timing Change (24.0%)
- Key Movements
 - D3 favored delays, J-OEM's favored cancellation
 - Average delay over one year across all delays
 - Cut all RNM EV launches past 2028, Removal of BYD
 - Expect many more cancellations with the pulling of EV sales tax incentives

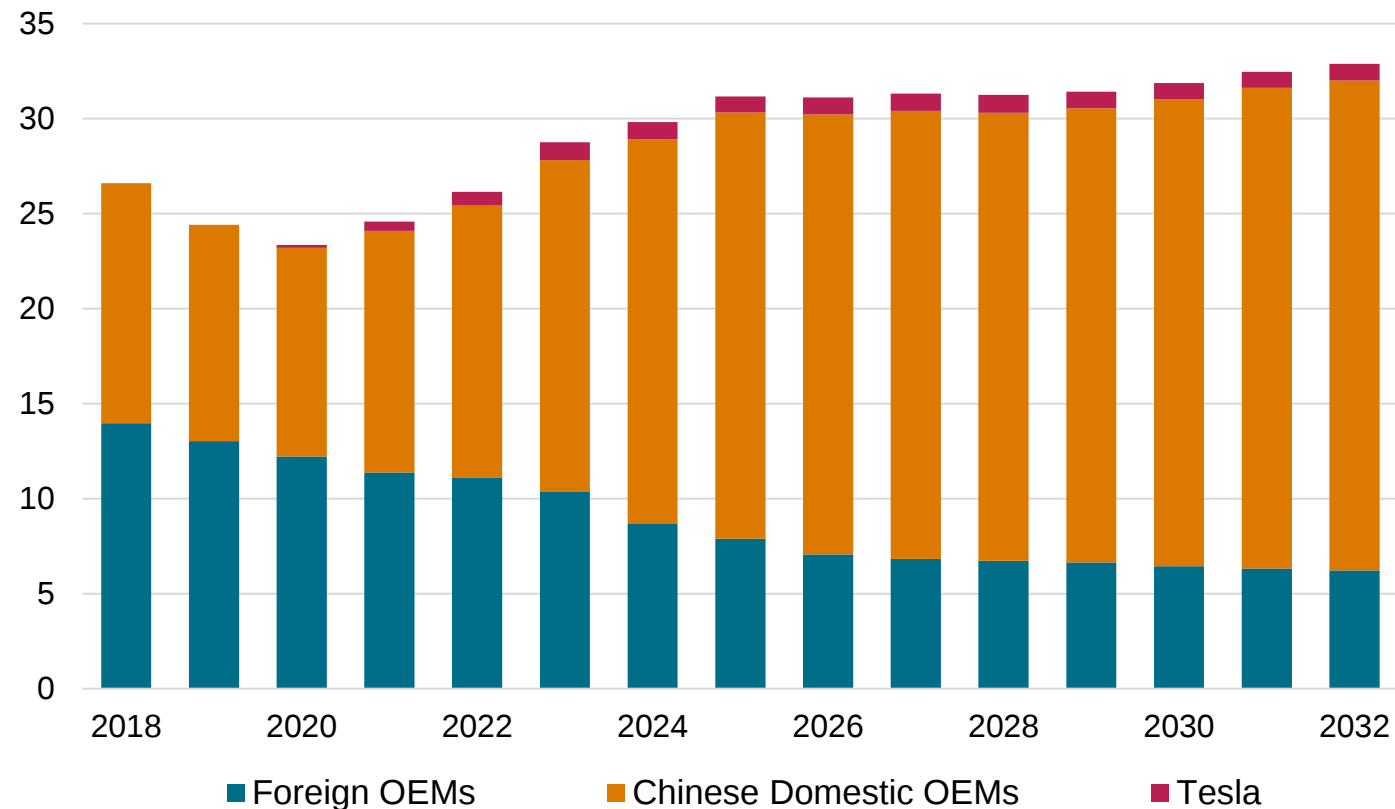
Source: S&P Global Mobility, September 2024 Powertrain LV Production FC vs. September 2025 Powertrain LV Production FC
Data Collected October 3, 2025. MR



China growth would underwrite development costs at home for legacy OEMs

Chinese OEMs now dominant, boosted by NEV demand and exports, western brands in decline

Mainland China light vehicle production (millions)



- Domestic demand supported by new-energy vehicle (NEV) incentives provides supporting scale for key local automakers
- Slower domestic growth and intense competition incentivizes export activity but challenges beginning as tariffs emerge
- Pressure for consolidation remains across a diverse domestic base; price war adds to burden – capacity utilization 52% in H1 2025
- Western brands struggle to compete on price, content and speed of development cycles, and increasingly look to local OEMs for support
- New partnerships increasingly help to address local market needs, distancing developments from the global platform concept, reinforcing regionalization, differentiated by software

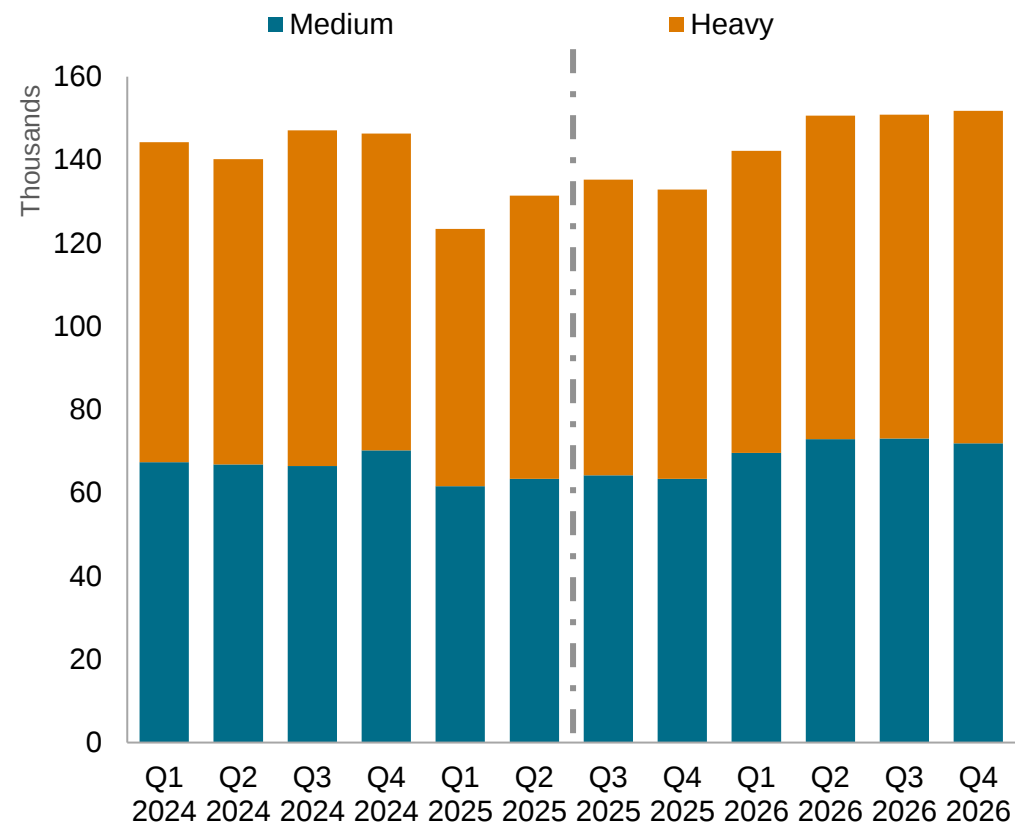
Data compiled Aug. 26, 2025.

Source: S&P Global Mobility, August 2025 LV Production Forecast.

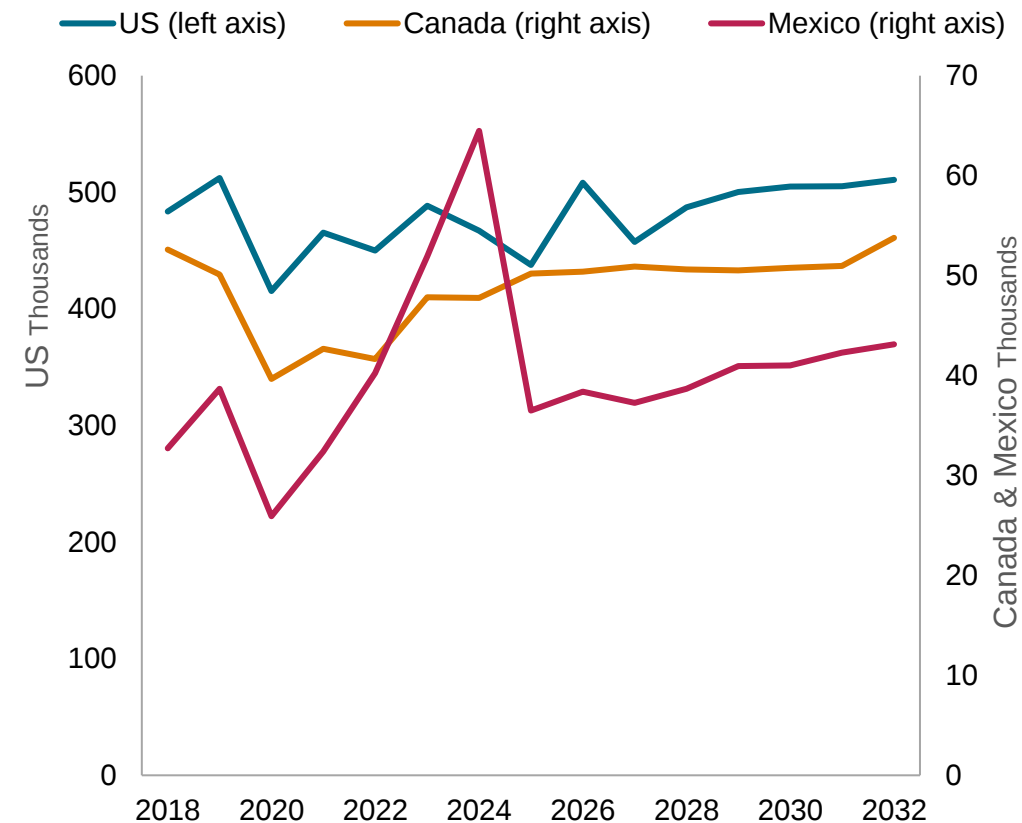
North America: MHCV Demand

Demand in the short term will be weighed down by tariffs and market uncertainty

North America: Heavy truck demand (sales by quarter)



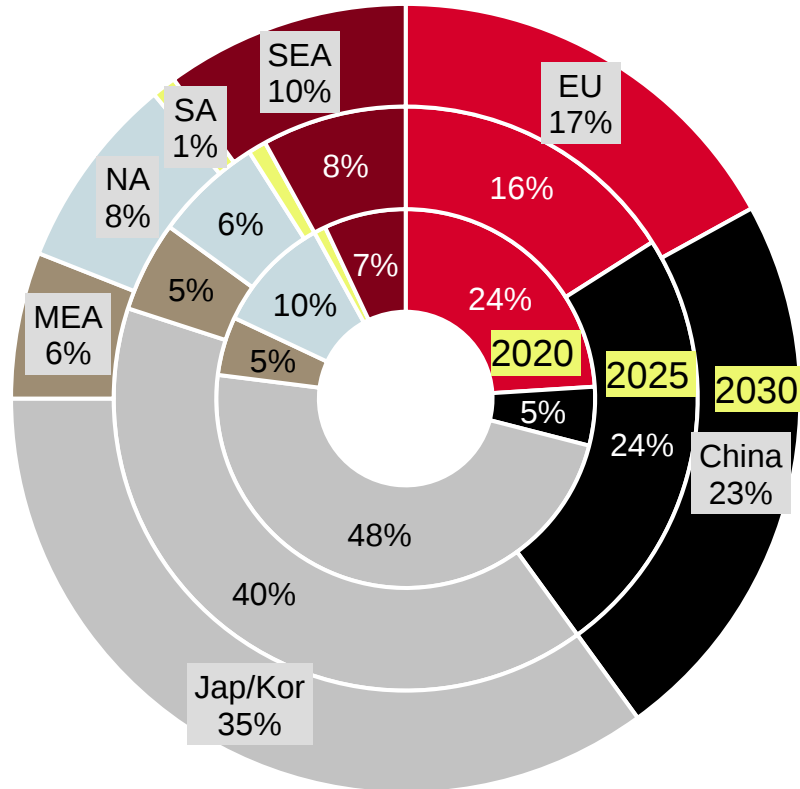
North America: Heavy truck demand



As of Aug. 1, 2025.
Source: S&P Global Mobility.

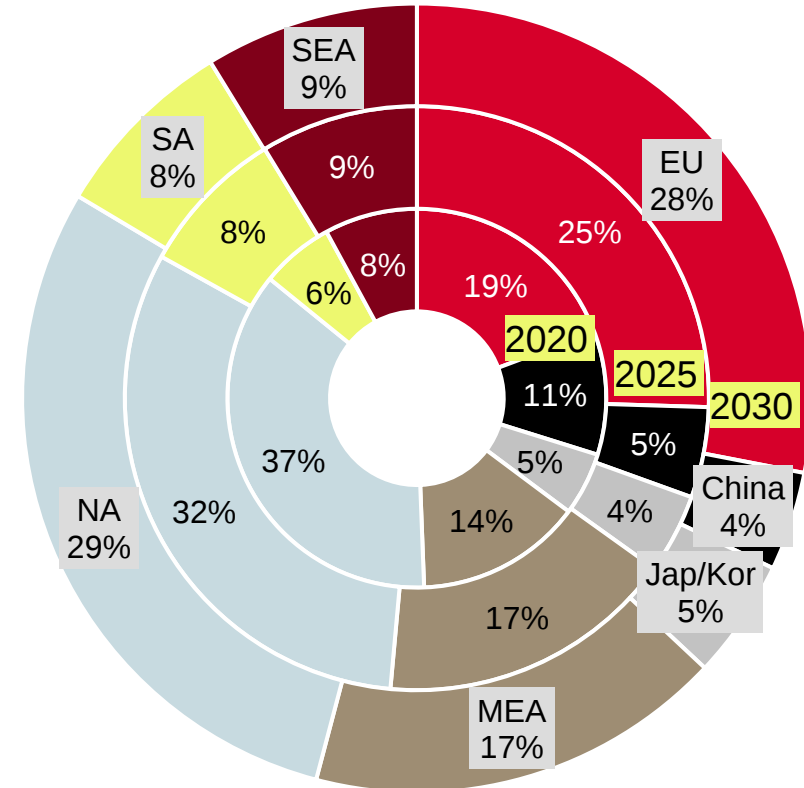
Light Vehicle Shipping View : Measuring Interconnectedness

Export Share by Region



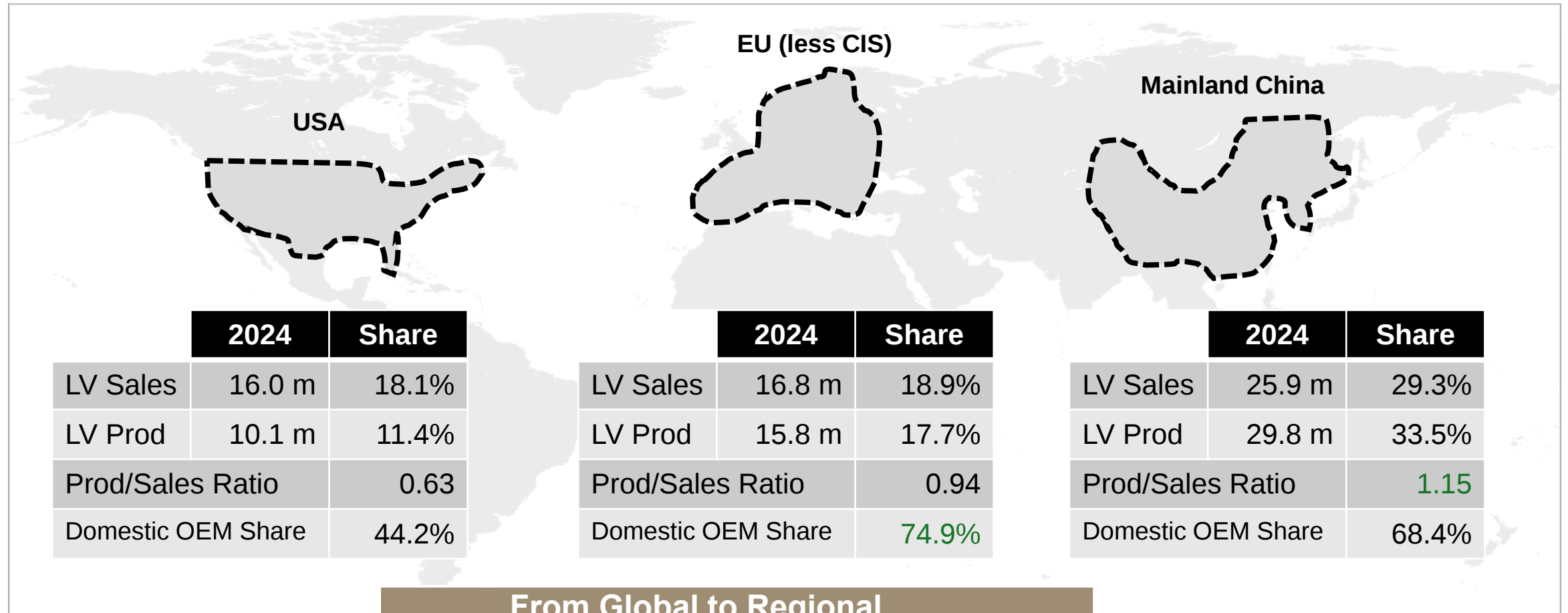
- Currently total interconnected volume (between regions is ~15% of global volume.
- Major exporters of Japan/Korea and Europe slipping in importance due to BEVs and geo-political issues.
- China now responsible for ¼ of the world's exports and less than 5% of imports
- Major US export destination still Europe, Middle East & South America- most out of the East Coast

Import Share by Region



Major Markets are ‘Moating’ – Looking Inward Alters Investment Strategy

The industry ‘re-regionalizes’ due to BEVs and geo-political goals



From Global to Regional

- Global Economies of Scale?
- Regional Demand Diversification?
- What role will the US have in global automotive innovation?

Agenda

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Executive Summary

Reset of the consumer, regulatory and margin landscape drives tentativeness into the ecosystem

- Tariff and emissions uncertainty lead to lopsided portfolios, delayed product/sourcing decisions and more careful/plodding capital allocation.
 - Lack of clarity is driving a 24-month suspension of real long-term OEM planning for NA.
 - Tariffs may not be impactful enough to drive significant mid-term sourcing/production shifts.
- US-OBBBA and other geopolitical actions are driving a 'reset' of strategies.
 - Significant stranded capital is altering portfolio & propulsion strategies to be 'capital light'.
 - Major market divergence (multi-speed) - NA becomes a region of long lifecycles & low technology turnover – China continues on a BEV strategy and the EU progresses carefully.
- Western OEMs face massive adjustments as the world re-regionalizes
 - Global platforms/approaches decline – Several OEMs re-regionalize and consolidate
 - China factor: Increased concentration on respective home markets increases risk
- Shipping View
 - China becomes the highest growth exporter as the world re-regionalizes
 - US inbound and outbound CBU and parts volume may suffer from new tariffs



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