

CAPSTONE INSIGHTS



AUTOMOTIVE INDUSTRY UPDATE—AUGUST 2025

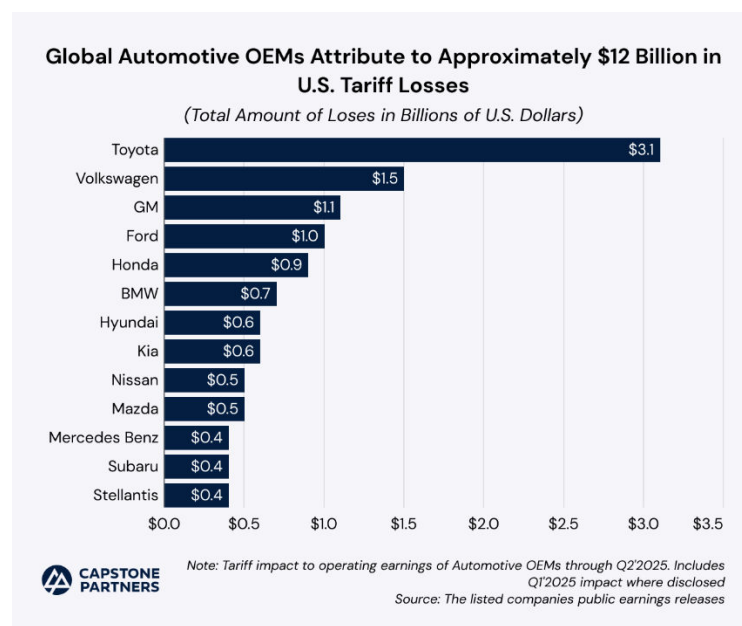
Tariff Uncertainty Continues to Cloud Automotive Market

The Trump administration's initial reveal of widespread tariffs on April 2, and the following whipsawing and eventual onset of the tariffs have caused fatigue within the automotive supply base and have made it increasingly difficult for automotive businesses to accurately forecast performance. While Tier 1 automotive suppliers with a global footprint may have some flexibility to shift production and/or sourcing to mitigate impact, such adjustments are costly and take time. Smaller suppliers with limited capital and fewer resources could experience significant financial distress from abrupt cost increases. Capstone continues to advise suppliers on how to strategically navigate the tariffs, thus reducing the impact of those costs. This can include contract administration and reclassification of materials, among other actions. These ongoing actions have become increasingly important as the volatility of the tariffs continue.

If the abrupt and ever-changing nature of the tariffs, illustrated below, continues over the next several months, the industry will continue to be in a state of commercial and operational uncertainty. The Trump administration initially revealed tariffs on April 2 and shortly thereafter paused them for 90 days. This pause was to

give other nations time to negotiate independent trade agreements with the U.S. government. On July 7, an executive order extended the pause for the reimposition of the reciprocal tariffs until August 1. In anticipation, on July 12, the administration sent letters to its trading partners advising of the revised rates, with Canada and Mexico at 35%, and Japan and South Korea at 25%. Prior to the August 1 deadline, on July 31, President Trump extended the existing tariffs on Mexican goods for 90 days. This included a 25% tariff on autos and 50% on steel. The deadline for Canada was also extended until August 7. Separately, in Europe, the European Union (EU) negotiated a 15% tariff on July 27. Leaving tariffs at these rates for a prolonged period has the possibility to inflict long-term financial stress on the Automotive industry, including a disruption of the supply chain and increased prices of vehicles for the consumer.

Automotive Original Equipment Manufacturers (OEMs) have begun to feel the pressure and in some instances have attempted to reposition contracts with suppliers to push the financial impact of the tariffs onto the suppliers. GM (NYSE:GM) has forecasted \$5 billion in tariffs in 2025, Stellantis incurred €300 million in tariffs in the first half of 2025, and Ford reported \$800 million in additional costs stemming from tariffs, according to company's July earning calls.^{1,2,3}



How these tariffs will affect the industry in practice has yet to be determined. As seen in 2008, problems in the Automotive industry tend to cause ripples and waves

across other industries. During Capstone's [April 30 Automotive industry event](#) in Detroit Michigan, several panelists expressed optimism at potential upsides for the industry in the long-term, given its history of resiliency. At the same time, in the instances where customers have pushed the cost of tariffs to suppliers, it is clear that suppliers will see a significant impact on cash flow and profitability. "The UCC [Uniform Commercial Code] allows for contract modifications without additional consideration, but only when those changes are made in good faith," noted Vanessa Miller, Automotive Team Chair at Foley & Lardner, LLP, and a panelist at the April 30 event.⁴ Capstone has seen tariffs being unilaterally pushed to the supplier with without any discussion between supplier and customer with several of our clients. In one instance, the supplier expressed tariff payment objections, which were then paid by the customer, creating a future payment for the supplier.

Regardless of what challenges may arise, from tariffs to broader industry disruptions, [Capstone's Financial Advisory Services](#) Automotive Restructuring team is ready to support your business or your client's business.

Select Industry News

- U.S. new light-vehicle sales in July reached a seasonally adjusted annualized rate (SAAR) of 16.4 million units, representing a 7.1% increase from June 2025 and a 3.7% year-over-year increase. – [J.D. Power](#)
- China's Automotive market has seen an extended price war and overcapacity, which has raised alarm among regulators and industry executives and undermined the sector's long-term viability. Government officials have pledged to increase regulation of aggressive price-cutting efforts, enabling the orderly phase out of outdated production capacity. Over the past six years, financial metrics for 33 publicly listed Chinese OEM's have shown a deterioration in profitability, highlighting the impacts of the price war that began in 2023. – [Reuters](#)
- Ford and Stellantis have begun ramping up contract enforcement with suppliers to reduce tariff exposure, with Ford incurring \$2.5 billion and Stellantis up to potentially \$1.8 billion. Ford has started removing suppliers' annual

contract exit rights, while Stellantis has required all-in supply commitments and agreement to cost-cutting plans in exchange for tariff support or new business.

Supplier attorneys and executives warn that these tighter terms might erode trust and threaten the viability of suppliers. "With profit margins already rail-thin for most suppliers, absorbing any additional and unforeseen cost can have a huge negative impact on the business," stated Michael Brady, Executive Partner, Warner Norcross + Judd. These shifting terms reflect growing OEM efforts to push financial risk down the supply chain, forcing cost-burdened suppliers into less flexible, potentially unsustainable agreements.- [Automotive News](#)

- In June 2025, Marelli's Chapter 11 filing illustrated the mounting financial strain on automotive suppliers, as tariffs compound pressures from high debt, rising rates, and underwhelming electric vehicle (EV) returns. The company owes \$767 million in unsecured debts to major customers Stellantis (\$454 million) and Nissan (\$313 million), along with an additional \$97 million in debt to Bosch (\$45 million), Mazda (\$30 million), and Tesla (\$22 million). Marelli has secured \$1.1 billion in bankruptcy financing to sustain operations during the reorganization.

OEM and Supplier News

- New light-vehicle sales rose 0.4% to 7.77 million units YOY in the first half of 2025. Second-quarter 2025 U.S. vehicle sales were up 14.2% YOY for Ford (NYSE:F), 10% for Hyundai (KRX:005380), 8.7% for Honda (NYSE:HMC), 7.2% for Toyota (NYSE:TM), and 7% for GM (NYSE:GM). Sales declined 29% year-over-year for VW (ETR:VOW), 10% for Stellantis (NYSE:STLA), 9% for Subaru, and 6.5% for Nissan (TKS:7201). - [Wards Auto](#)

- GM (NYSE:GM) and Hyundai (KRX:005380) will co-develop five vehicles, including four internal combustion engine (ICE) and hybrid models for Latin America and one EV van for North America, targeting over 800,000 units annually starting in 2028. The partnership includes shared sourcing, logistics, and materials strategies to reduce costs and support regional production. – [GM](#)
- Term loan lenders, led by Oaktree Capital Management, will take over Superior Industries (OTC:SSUP), cutting its debt by 90% after losing major contracts with Ford (NYSE:F) and GM (NYSE:GM). Superior Industries, an aluminum wheel supplier headquartered in Southfield, Michigan, was delisted from the NYSE on June 25 after its share price fell below \$1 and its market capitalization dropped below \$15 million due to lost OEM contracts. The supplier is facing operational challenges and is impacted by aluminum tariffs. The move highlights growing pressure on suppliers to restructure as OEMs seek stable, local suppliers. Discussions with Oaktree Capital Management regarding a potential acquisition and access to up to \$70 million in loans are currently ongoing. – [Automotive News](#)
- In July 2025, Michigan's Angstrom Automotive Group has acquired KSR International, an Ontario, Canada-based company, strengthening its position in offering pedal modules and sensors. – [Automotive News](#)
- Stellantis-GAC joint venture in China, GAC-FCA, has filed for bankruptcy after years of declining sales, inadequate capital support, and a failed equity deal. The case highlights the financial and strategic risks foreign automakers face in China joint ventures. – [Reuters](#)

EV and Zero Emission Technology News

- Stellantis (NYSE:STLA) is pulling back from hydrogen as a fueling option for light commercial vehicles due to lack of infrastructure investment and incentives at the national level. The move is part of a wider review of global decarbonization strategy that has shifted away from becoming 100% zero emission by 2030, as set by former CEO Carlos Tavares. Stellantis is primarily focused on a multi energy strategy that brings together full electric and internal combustion engines, plus “something in the middle.” – [FleetNews](#)
- Panasonic has opened a \$4 billion EV battery plant in De Soto, Kansas, its second in the U.S., with a planned capacity of 32 GWh of 2170 cylindrical cells. The site will strengthen domestic supply chains and expand the Company’s U.S. presence beyond its existing partnership with Tesla. – [Panasonic Energy of North America](#)

Delays and Closures:

- Stellantis has canceled its planned Illinois EV battery plant and parts hub despite securing federal funding and union agreements to support the project. Although the Belvidere Assembly Plant will reopen in 2027, the decision signals shifting OEM investment priorities and potential supplier instability for those depending on future battery demand and scaling regional production. – [Automotive Dive](#)
- Toyota has delayed plans to begin production of a new electric SUV at its Georgetown, Kentucky plant by one year to 2028. The OEM will prioritize the production of the ICE powered Grand Highlander SUV. – [CBT News](#)
- Nissan has delayed production of two U.S.-made EV models due to challenges that include the upcoming termination of consumer EV tax credits. – [Automotive News](#)
- China’s BYD (SHE:002594) has suspended plans to build an EV plant in Mexico amid uncertainty over U.S. trade policies. BYD has begun electric

and hybrid vehicle production in July at the site of a former Ford plant in Brazil. – [Bloomberg](#)

- Freudenberg has invested tens of millions to convert its Manchester, New Hampshire, plant from ICE to EV gasket production, aiming to produce over 100 million seals annually by 2029. – [Freudenberg Sealing Technologies Press Release](#)
- Zhejiang Hozon New Energy Automobile, the parent company of Neta, has officially entered bankruptcy proceedings after failing to raise funds and facing falling sales in China's crowded New-Energy Vehicles (NEV) market. The case highlights growing financial pressure on smaller EV OEMs amid industry consolidation in China. – [Reuters](#)
- Lyten, a California based battery manufacturer, announced that it will acquire all remaining assets of bankrupt Northvolt in Sweden and Germany. These newly acquired assets were previously valued at approximately \$5 billion and include 16 GWh of operational battery production capacity and over 15 GWh under construction. Additionally, Lyten has expressed interest in acquiring Northvolt Six in Quebec, Canada. Lyten plans to restart lithium-ion battery production operations and is planning a shift to lithium-sulfur technology that avoids key critical minerals. The move positions Lyten to pursue European EV battery supply contracts but introduces execution risks tied to manufacturing scale-up and OEM validation. – [Lyten Press Release](#)

Human Capital News

- U.S. auto suppliers have laid off workers and canceled expansion plans as tariffs and policy shifts delay OEM investments and squeeze cash flow. Both smaller suppliers, such as SMT Automation in Southfield, Michigan, and larger suppliers, including Magna (NYSE:MGA) and Marelli, have been impacted, with over 22,000 jobs lost in the sector over the last year. – [The Detroit News](#)

- Renault Group has appointed François Provost as its new CEO and Chairman. The Board of Directors confirmed Provost's four-year mandate following Luca de Meo's sudden resignation and the interim leadership of CFO Duncan Minto. The change comes amid deteriorating European sales and revised financial guidance for 2025. – [Wards Auto](#)
- Jaguar Land Rover (JLR) will eliminate 500 U.K. management roles after a 15.1% sales decline tied to U.S. 25% import tariff, despite partial relief under a new U.K.-U.S. trade deal. North American sales fell 12.2% in Q2, and JLR lowered profit forecasts, citing tariff-driven uncertainty. – [The Guardian](#)
- Volvo has reduced its U.S. salaried staff by 15% and downsized its underutilized Ridgeville, SC plant as part of global cost-cutting efforts tied to weak demand and U.S. tariffs. Volvo is halting U.S. sedan and wagon sales and expanding SUV production in South Carolina to counter U.S. trade policy driven losses and supply chain exposure. – [Automotive News](#)
- Webasto will lay off 134 workers at its New Hudson, Michigan plant, consolidating operations amid declining vehicle volumes from key customers. – [Detroit Free Press](#)

Regulatory and Legal News

- China's government announced that it will efforts to transfer out of eight key technologies for manufacturing EV batteries, a move that could elevate the country's dominant global position in EV car manufacturing. The move could make it harder for Chinese EV OEMs to establish factories overseas. Effective immediately, any overseas transfer of these technologies through trade, investment or technological cooperation will first require a license from the Chinese government, said the Ministry of Commerce in a statement. Chinese manufacturers have achieved important breakthroughs in recent years in making less expensive batteries that provide extended EV driving range. New generation battery technology is central to China's success for building EVs

that are cheaper than electric and gasoline-powered cars made in other countries. – [The New York Times](#)

- The U.S. Commerce Department has imposed preliminary anti-dumping duties of 93.5% on Chinese graphite, raising the total tariff rate to 160% when combined with existing levies. The move follows a petition from U.S. graphite producers accusing Chinese firms of unfair subsidies and dumping. China dominates global graphite processing, accounting for 67.6% of the U.S.'s imports. Researchers suggest that the tariff could add \$7 per kWh to battery costs, thus squeezing profits for OEMs and battery makers that rely on Chinese supply. – [CBT News](#); [Supply Chain Dive](#)
- China's automotive sector has been reportedly exploiting regulatory loopholes to boost sales by exporting unsold new cars as "used," with support from local governments seeking to meet the state's growth targets. Local governments offer incentives such as tax rebates and fast-track licensing to promote the practice. Reportedly over 90% of China's used car exports in 2024 were zero-mileage vehicles, thus masking domestic oversupply and intensifying price wars. The trend is drawing global pushback, with countries tightening import rules to curb perceived dumping, raising concerns about trade distortions and risks to operational continuity within the automotive supply chain. – [Reuters](#)
- The One Big Beautiful Bill Act signed by President Trump on July 4 terminates tax credits for qualifying new (30D), used (25E), and commercial (45W) electric vehicles after September 30, 2025. The alternative fuel vehicle refueling property credit (30C) terminates after June 30, 2026. The act also establishes a phaseout schedule and restrictions related to foreign entities for the advanced manufacturing production credit (45X), eliminates fines for automakers that fail to meet corporate average fuel economy (CAFE) standards, and provides a deduction through 2028 for qualified passenger vehicle loan interest. – [IRS](#)

Endnotes:

1. Seeking Alpha, "General Motors Company (GM) Q2 2025 Earnings Call Transcript," <https://seekingalpha.com/article/4803130-general-motors-company-gm-q2-2025-earnings-call-transcript>, accessed August 12, 2025.
2. Stellantis, "First Half 2025 Results," <https://www.stellantis.com/en/news/press-releases/2025/july/first-half-2025-results>, accessed August 18, 2025.
3. Seeking Alpha, "Ford Motor Company (F) Q2 2025 Earnings Call Transcript," <https://seekingalpha.com/article/4806530-ford-motor-company-f-q2-2025-earnings-call-transcript>, accessed August 12, 2025.
4. LinkedIn Newsletter: Law of the Automotive Supply Chain, "When Tariffs Hit the Supply Chain: What Happens Next?," <https://www.linkedin.com/pulse/when-tariffs-hit-supply-chain-what-happens-next-vanessa-miller-geune/?trackingId=xKONTtbQRnGkABbHrvqFog%3D%3D>, accessed August 6, 2025.

This page was updated August 2025. To discuss this information in more depth, or to connect with one of our Automotive industry specialists for more detailed analysis of current trends and issues, please [contact us](#).

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