AUTOMOTIVE INDUSTRY UPDATE—JANUARY 2026

2025: A Year of Change and Uncertainty in the Automotive Industry

The Automotive industry in 2025 experienced a profound transformation driven by rapid technological advancements, shifting consumer preferences, and evolving regulatory landscapes. This period marked a pivotal moment as traditional automakers, technology giants, and new entrants reshaped the future of mobility through innovations in electric vehicles (EVs), autonomous driving, and connectivity. The industry's landscape grew increasingly more dynamic and competitive, driven by broader shifts towards digitalization and product diversification. Below are key developments and challenges that defined the Automotive industry in 2025.

Electrification and Autonomous Driving

In 2025, the trajectory of EVs shifted dramatically. While global adoption continued to accelerate—fueled by government incentives, stricter emissions regulations, and expanding charging infrastructure—the U.S. market saw a reversal. The suspension of consumer tax credits for EV purchases led to a decline in U.S. sales compared to prior years. Globally, BYD (SEHK:1211) of China overtook Tesla (Nasdaq:TSLA) as the top EV seller, according to the Financial Times.[1]

In response, the Administration urged automakers to increase production of internal combustion engine (ICE) vehicles. Automotive original equipment manufacturers (OEMs) began converting EV assets and infrastructure toward hybrid models and ICE production. Stellantis (BIT:STLAM) even canceled its entire lineup of plug-in hybrid vehicles—some of the EV segment's top sellers, according to Automotive News.[2]

Battery technology remained a critical pillar underpinning broader electrification efforts. Advances in solid-state batteries and lithium-ion chemistry improved energy density, reduced charging times, and lowered costs, making EVs more practical and affordable. The expansion of fast-charging networks and integration of renewable energy sources further supported adoption, enabling longer trips and reducing the carbon footprint of charging, according to Altenergymag.[3]

Autonomous driving technology continued to mature in 2025. Many vehicles now feature advanced driver assistance systems (ADAS) such as adaptive cruise control, lane-keeping assist (LKA) systems, and automated parking. While fully autonomous vehicles—Level 5 on the National Highway Transportation Safety Administration's (NHTSA) scale of automation—were not yet widespread, pilot programs and limited deployments in controlled environments demonstrated their potential to improve safety, reduce congestion, and transform urban mobility, according to the NHTSA.[4] Development will remain a collaborative effort among automakers, technology firms, and regulators, with a strong focus on safety, cybersecurity, and ethical considerations in 2026.

Connectivity and the Rise of the Digital Car

In 2025, vehicles became deeply integrated into the digital ecosystem. High-speed internet connectivity enabled real-time data exchange, over-the-air software updates, and enhanced infotainment options. This connectivity supported new business models such as subscription services, usage-based insurance, and personalized in-car experiences.

Software-Defined Vehicles

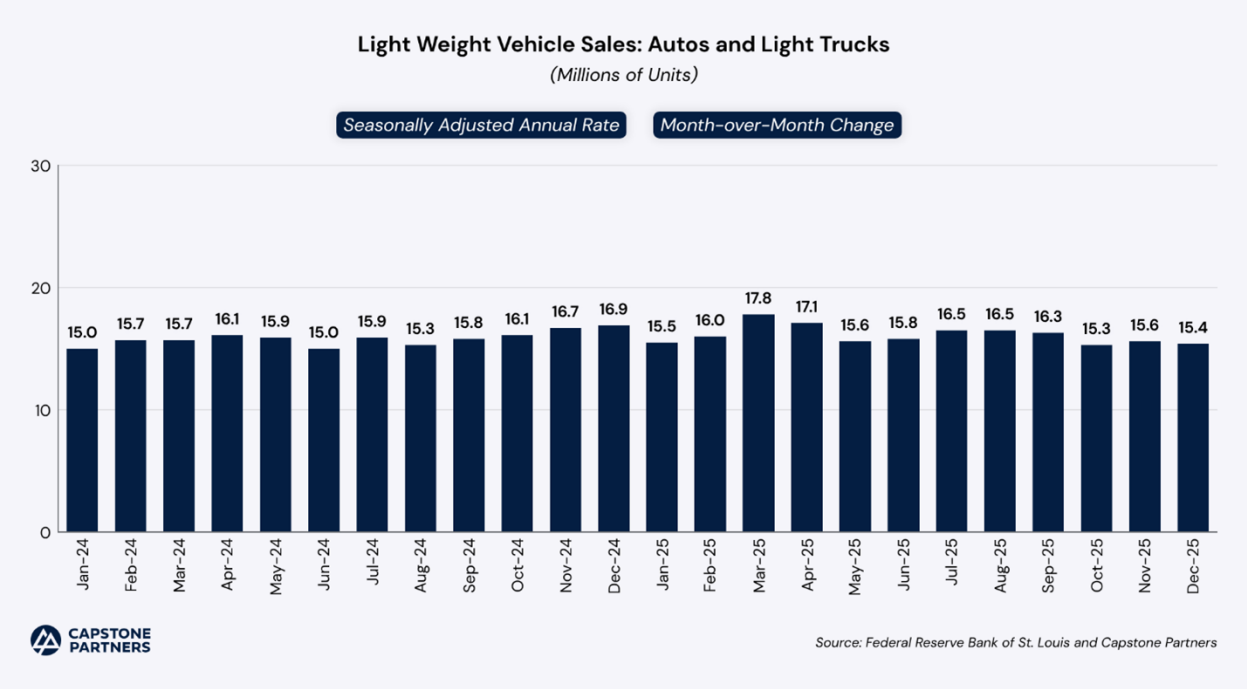
Software-defined vehicles (SDVs) made their debut at the Geneva Auto Show, with BMW (XTRA:BMW) showcasing its Neue Klasse platform and the iX3 model, while Ford (NYSE:F) announced plans to introduce its SDV platform in 2027. SDVs feature centralized computing and modular architecture, separating hardware from software and enabling continuous over-the-air updates, enhanced connectivity, and advanced data integration, according to IBM (NYSE:IBM).[5]

Market Dynamics and Consumer Trends

Consumer preferences in 2025 reflected growing demand for sustainable, technologically advanced, and personalized mobility solutions. Urbanization and lifestyle changes drove interest in shared mobility, micro-mobility, and multimodal transportation networks.

The competitive automotive landscape evolved as traditional automakers faced mounting pressure from technology companies and startups that introduced innovative approaches to vehicle design, software development, and mobility services. Collaborations and mergers became common as companies sought to combine strengths and accelerate innovation.

U.S. vehicle sales rose 2% year-over-year (YOY) to 16.2 million units, defying expectations despite tariffs imposed on the Auto and Steel industries in April 2025, according to *Reuters*.[6] Recently, consumers have experienced little impact from these tariffs.



Challenges and Future Outlook

Despite technological progress, the Automotive industry faced significant challenges in 2025. Supply chain disruptions, particularly for semiconductors, aluminum, and battery materials, continued to impact production. OEMs struggled with sunk costs in EV infrastructure, resulting in low or non-performing assets. Suppliers with weak balance sheets and thin margins faced liquidity issues when tariffs were introduced.

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Select Automotive Industry News

- December 2025 U.S. auto sales are projected to reach 1.4 million units, translating to a seasonally adjusted annual rate (SAAR) of 15.4 million—matching the subdued pace of the prior two months and marking the slowest quarter since early 2023. Looking ahead, S&P Global Mobility forecasts 2026 sales at 15.89 million units, a 2.5% decline from 2025, as affordability challenges and cautious consumer sentiment persists. Battery-electric vehicle (BEV) share of all auto sales is expected to hold at about 6% in December 2025, with softness likely continuing into the first half of 2026 amid post-incentive adjustments and policy uncertainty. - S&P Global Mobility
- Palto Alto-based Luminar Technologies (OTCPK:LAZR) filed for Chapter 11 bankruptcy protection in the Southern District of Texas after months of layoffs, executive departures, and a legal fight with its largest customer, Volvo (OM:VOLCAR B). Luminar's filing highlighted

challenges posing continuity risks for ADAS and autonomy programs, potentially triggering costly revalidations and disruptions across Tier-1 and electronics supply chains. - TechCrunch

- Stellantis claims Peterson Springs, a brake rotor supplier in Woodstock, Ontario, threatened to stop shipments to Michigan plants unless it received double its contracted price. A judge appointed an independent supervisor to review Peterson's finances after Stellantis warned that the increase could add $77 million in costs and potentially halt production at two assembly plants. The dispute, driven by Peterson's losses under legacy pricing, underscored how supplier financial strain and pricing conflicts can quickly escalate into major production risks. **-** CBC News
- Honda (TSE:7267) reported a 41% YOY drop in operating profit for the six months ending September 30, 2025, and cut its fiscal 2026 operating profit forecast by 21%, citing costs tied to EV initiatives, semiconductor shortages, and U.S. tariffs. The automaker incurred 237.3 billion yen (approximately $1.5 billion) in EV-related losses and expenses during the first half of the current fiscal year. - WardsAuto
- Ford scrapped plans for the F-150 Lightning successor, known as the T3 truck, and halted development of electric vans, pivoting toward a gas-hybrid strategy. The company is taking a $19.5 billion write down, including $8.5 billion for canceled EV programs, $6 billion from ending its joint venture with SK On, and $5 billion in related costs. Despite the shift, Ford intends to launch an affordable EV lineup beginning with a midsize model priced around $30,000 in 2027. Ford reported its all-EV sales in November declined by 60.8% YOY to 4,247, while hybrid vehicle sales rose 13.6% YOY to 16,301. The automaker's total new vehicle sales across all powertrains fell 0.9% YOY. – CBT News; WSJ

OEM and Supplier News

- Center Rock Capital Partners, a Bloomfield Hills, Michigan-based private equity firm, acquired GHSP, which is based in Holland, MI (December 2025, undisclosed). GHSP is a leading global supplier of mechatronic and control systems to OEMs. - GHSP
- Stellantis' production in Italy plunged 20% YOY in 2025 to 379,706 vehicles, volume level not seen since the 1950s, driven by weak demand and postponed model launches. The decline amplifies ongoing volume and scheduling risks for Italian suppliers, despite expectations of a partial recovery in 2026. - Reuters
- Samsung Electronics (KOSE:A005930) announced that its Harman division will acquire ZF Friedrichshafen's Autonomous Driving Technology unit for approximately $1.8 billion (December 2025). The acquisition will bring in products like front-facing cameras and ADAS controllers, significantly expanding Samsung's in-vehicle platform strategy beyond audio systems. For automotive supply chains, this move signals further consolidation in ADAS and telematics, potentially impacting bargaining power, integration demands, and continuity risks for downstream suppliers. - Reuters

- Carlex Glass America will invest nearly $55 million to expand its Nashville, Tennessee plant by mid-2026. The project includes new production lines for larger, precision-formed automotive glass, boosting North American capacity. This expansion aims to enhance supply reliability for OEM programs that rely on Carlex windshields and roof glass. - Tennessee Department of Economic and Community Development
- GM (NYSE:GM), as part of a commitment to expand U.S. vehicle and component production, will invest $300 million in its Romulus Propulsion Systems plant near Detroit, and $250 million in its Parma Metal Center in Ohio. - Detroit Free Press

EV and Zero Emission Technology News

- Ford and SK On are dissolving their $11.4 billion BlueOval SK joint venture, dividing ownership of three U.S. battery plants. Ford will take full control of the two Kentucky facilities, while SK On will own the Tennessee plant to serve a wider customer base, including energy storage projects, reducing its dependence on Ford's EV demand. The early breakup signals waning confidence in Ford's EV outlook and adds uncertainty around battery supply, capacity, and sourcing for future North American programs. - Chattanooga Times Free Press
- GM recorded a $6 billion earnings charge after scaling back its EV plans, largely to cover costs from canceled supplier contracts. These cancellations stem from regulatory rollbacks that undermined earlier projections for EV demand. The decision underscored heightened supplier and financial risks when automakers reverse capital-intensive strategies mid-cycle. - Reuters
- Michelin(ENXTPA:ML), Forvia (ENXTPA:FRVIA), and Stellantis will restructure and refinance their Symbio joint venture after Stellantis exited its hydrogen fuel cell program, reducing the workforce from about 650 to 175 and targeting 10,000 systems annually at the SymphonHy site in France between 2028 and 2030. The move retains a scaled-down automotive hydrogen capability but reflects weakening demand from major OEMs. This shift makes hydrogen-focused suppliers' order pipelines an important area to monitor. - Reuters
- Toyota (TSE:7203) will invest $912 million to boost hybrid vehicle and component production across five U.S. states, as part of a larger $10 billion commitment over the next five years to strengthen domestic manufacturing. The company's recently opened $14 billion battery plant in Liberty, North Carolina, supplies batteries for its hybrid models. - Global Newsroom | Toyota Motor Corporation
- LG Energy Solution (KOSE:A373220) plans to sell its Ohio battery plant building and certain assets to Honda for $2.86 billion, while retaining its joint venture structure and ownership stake. The move aims to streamline operations ahead of production starting next year and reflects a broader industry shift toward more flexible battery plant configurations and supply models for EVs and hybrids. For local suppliers, however, evolving ownership and operating frameworks could lead to greater short-term demand volatility and reduced visibility on long-term volumes. - Reuters

Human Capital News

- Volvo has named former Polestar Automotive (Nasdaq:PSNY) CEO Thomas Ingenlath as its new design chief as part of a broader leadership overhaul and turnaround strategy led by returning CEO Hakan Samuelsson. This move, coupled with closer collaboration with Geely and upcoming model launches, is expected to influence platform integration and supplier sourcing decisions. - Volvo Press & Media
- Stellantis recently hired nearly 2,000 salaried employees at its North American headquarters in Auburn Hills, Michigan, amid efforts to improve performance in the region. - Crain's Detroit Business
- BMW appointed Milan Nedeljković as its next chairman, succeeding Oliver Zipse after the annual meeting in May. Currently head of production, Nedeljković will navigate challenges including trade tensions, tariffs, and persistent supply chain disruptions, as BMW remains exposed to risks from its U.S. and China factories and declining sales in China amid fierce EV competition. This leadership transition occurred at a critical time when geopolitical pressures and resource shortages could significantly alter BMW's cost structure, manufacturing footprint, and sourcing strategies. **–** Newsroom: BMW AG
- Avancez permanently laid off 143 employees at its Hazel Park, Michigan facility after a sudden production cancellation, likely linked to GM's Factory Zero. The company, known for just-in-time manufacturing and assembly of suspension modules, tires, and wheels, faces significant operational impact from the change. - Detroit Free Press
- GM's inaugural Chief Artificial Intelligence (AI) Officer exited after just eight months, accompanied by the resignation of two senior software leaders. These departures come as part of a sweeping restructuring that consolidated the automaker's AI and software engineering teams into a single Global Product organization. The move aimed to break down internal silos and enhance the development and deployment of advanced technologies. - Inc.

Regulatory and Legal News

- Starting January 1, Mexico will impose import tariffs of up to 50% on vehicles and auto parts from countries without free trade agreements, including China, South Korea, India, Thailand, and Indonesia. Most auto-related tariff lines will rise to 35%, with select parts and specialty vehicles hitting 50%, a move widely viewed as addressing U.S. concerns over China-linked content ahead of the 2026 USMCA review. These increases could drive sourcing shifts, disrupt Mexico-based production reliant on Asian inputs, and raise cost and compliance risks—particularly impacting about $1 billion in Indian vehicle exports and brands like Volkswagen (XTRA:VOW3), Hyundai (KOSE:A005380), Nissan (TSE:7201) , and Maruti Suzuki (NSEI:MARUTI). **–** Reuters

- European Union (EU) tariffs targeting Chinese EVs have prompted Chinese automakers to pivot toward hybrids and ICE models, fueling a surge in overall European sales. This shift

increases import penetration without significant local production, adding cost pressures and intensifying competition across European supply chains. - Automotive News

- Canada has declared Stellantis in default after it halted retooling at the Brampton, Ontario plant and shifted Jeep Compass production to Illinois, jeopardizing $358 million in forgivable loans and leaving roughly 3,000 jobs without a clear plan. Some funding for Stellantis's Windsor battery plant is tied to Brampton production, making negotiations with Ottawa critical. The government's tighter enforcement of incentive agreements, including stricter tariff exemptions, adds uncertainty to Stellantis's Canadian operations, future model allocations, and local sourcing strategies. - CBT News
- The Department of Transportation has proposed reducing Corporate Average Fuel Economy (CAFE) standards to an average of 34.5 miles per gallon (mpg) for passenger vehicles by the 2031 model year, a significant drop from the 50.4 mpg benchmark set under the Biden administration. Additionally, the One Big Beautiful Bill Act, enacted on July 4, 2025, preserved the CAFE statute but removed civil penalties for failing to meet federal fuel economy requirements. - Gibson Dunn

Endnotes:

1. Financial Times, "Tesla Loses Ground To China, But The Battery War Isn't Over," https://www.ft.com/content/30a0cfbb-7c60-43d7-b7f3-6414ab66829c, January 3, 2026.
2. Automotive News, "Stellantis Cancels Entire Plug-In Hybrid Lineup That Made It Segment Leader," https://www.autonews.com/stellantis/an-stellantis-phev-discontinuations-0109/, January 9, 2026.
3. Altenergymag, "Solid State Batteries Driving The Future Of Electric Vehicles," https://www.altenergymag.com/news/2025/09/02/solid-state-batteries-driving-the-future-of-electric-vehicles/45988/, September 02, 2025.
4. National Highway Transportation Safety Administration, "Levels of Automation," https://www.nhtsa.gov/sites/nhtsa.gov/files/2022-05/Level-of-Automation-052522-tag.pdf, accessed January 14, 2026
5. IBM, "What is a Software-Defined Vehicle?," https://www.ibm.com/think/topics/software-defined-vehicle, accessed January 12, 2026.
6. Reuters, "U.S. Auto Industry Sales Defy Regulatory Uncertainty to Rise 2% in 2025," https://www.reuters.com/business/autos-transportation/us-auto-sales-defy-regulatory-uncertainty-rise-2-2025-2026-01-05/#:~:text= , accessed January 5, 2026.

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