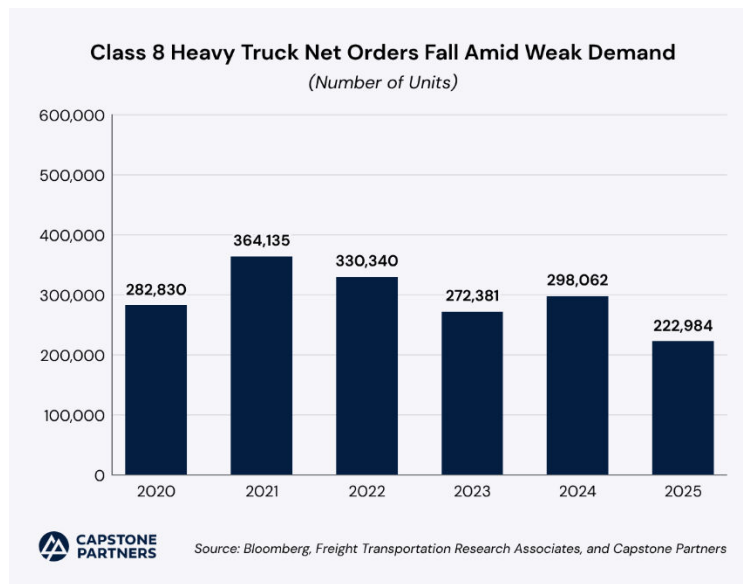


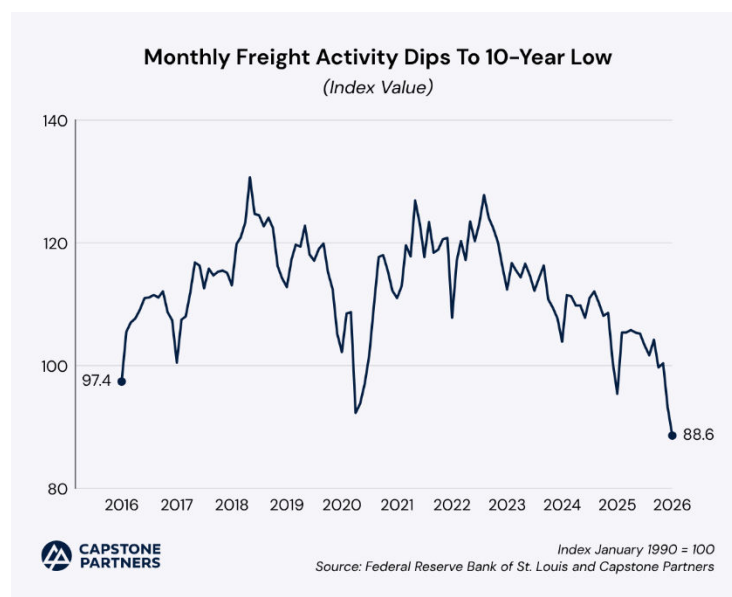


Automotive Industry Update: “Class 8 Truck Market: From Hesitation to Renewal?”

The North American Class 8 Truck market has entered 2026 in a dynamic state, driven by a prolonged Freight market recession, a younger truck parc, higher truck prices tied to tariffs and Environmental Protection Agency (EPA) 2027 regulations, and sustained pressure on carrier profitability. After a pandemic-era surge that strained production capacity and accelerated purchases, the market swung largely in the opposite direction in 2025 with U.S. Class 8 truck orders declining 25.2% year-over-year (YOY), according to Freight Transportation Research Associates.¹ Class 8 truck manufacturers have faced weakening demand and elevated inventory levels, creating additional pressure on production planning and contributing to the broader market imbalance heading into 2026.



Long-haul Class 8 demand remained near 15-year lows throughout 2025, with fleets aggressively reducing capacity, prioritizing asset utilization, and delaying new-truck purchases amid a freight recession characterized by soft freight volumes, weak rates, and historically low carrier profitability, according to a July 2025 Commercial Carrier Journal article.² Moreover, analysts have highlighted that freight-driven tractor demand has remained especially depressed, with the On-Highway segment influencing YOY order declines as carriers focused on liquidity preservation, according to Fleet Equipment Magazine and ACT Research.^{3,4} Simultaneously, escalating tariff volatility—including significant mid-year duty increases on steel, aluminum, fabricated components, and imported trucks—raised original equipment manufacturer (OEM) production costs and heightened uncertainty for fleet capital planning. These tariff shocks, combined with retaliatory duties and the threat of expanded Section 232 tariffs, have materially inflated input prices and deepened the ongoing pullback in order activity, reinforcing a market environment defined by high equipment costs, weak freight fundamentals, and broad deferral of replacement cycles, according to Trucknews.com.⁵



Class 8 manufacturers have faced one of the longest and most severe order contractions in more than a decade. Fleets—confronted by soft freight demand, excess capacity, tariff exposure, high interest rates, and compressed margins—continued to defer both replacement and expansion plans during the year. By late 2025, order activity had fallen below seasonal norms for ten straight months, constraining OEM production planning and amplifying volatility in build schedules amid rising component costs and inconsistent demand across on-highway and vocational applications, according to fleetowner.com.⁶ This caution was further compounded by uncertainty surrounding EPA 2027 emissions requirements, which—despite confirmation from regulator—failed to trigger the expected pre-buy cycle. Instead, fleets postponed equipment purchases due to concerns around compliance costs, regulatory timing, tariff-driven price inflation, and potential future rule revisions. Analysts described this convergence of weak freight economics and regulatory ambiguity as a “holding pattern” that pressured OEM profitability, pushed fleets to extend truck lifecycles, and increased reliance on used equipment and aftermarket services heading into 2026, according to FTR Transportation Intelligence.⁷

2025 Downturn Pressures North American Class 8 Truck Manufacturers

Class 8 Truck Maker	2025 Performance in North America
Traton SE (XTRA:8TRA) ⁸	<ul style="list-style-type: none"> 423% YOY decline in adjusted operating result for the first reported nine months of 2025; North American operating margins dropped YOY from 6.3% to 1.6%. Units sold declined 37% YOY.
Daimler Truck North America ⁹	<ul style="list-style-type: none"> 2025 YOY unit sales of 141,814 units down 26% from 190,727 units sold in 2024. Q4 2025 unit sales of 34,017 were down 27% YOY from 46,906 in Q4 2024.
PACCAR (Nasdaq:PCAR) ¹⁰	<ul style="list-style-type: none"> Annual truck segment sales down 22% from \$24.8 billion in 2024 to \$19.4 billion in 2025. Decreased sales were offset by 6% increase in YOY Average selling price ("ASP"). Truck segment operating margins decreased to 2.1% in Q4 2025 versus 2.3% in Q3 2025 and 8.8% in Q4 2024.
Volvo Trucks	<ul style="list-style-type: none"> Net order intake units declined 34% YOY in Q4 2025 and declined 13% full year YOY. Net deliveries units declined 16% YOY in Q4 2025 and 15% full year YOY.

Source: Company Earning Releases and Capstone Partners

Despite the fluctuating trend in new-truck orders, parts of the industry have remained comparatively resilient. Aftermarket parts and service demand has held up as fleets have extended replacement cycles, keeping trucks in service far longer than in prior cycles. Meanwhile, momentum behind electrification has slowed considerably, with many electric truck programs delayed or canceled and alternative-fuel adoption constrained by policy volatility and infrastructure limitations. The industry has increasingly recalibrated toward practical near-term solutions—such as cleaner internal combustion engines (ICE) and hybrid technologies—while awaiting a sustained recovery in freight volumes, rates, and carrier profitability that may eventually revive demand.

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Select Industry News

Detroit 3 Automakers Navigate Uneven Financial Performance Amid Cost and Demand Pressures

Valuation	Ford (NYSE:F)	General Motors (NYSE:GM)	Stellantis (BIT:STLAM)
Total Revenue	\$187.3B (+5% YOY)	\$185.0B (+7% YOY)	€153.5B (-18% YOY)
Net Income	(\$8.1B) (-239% YOY)	\$2.7B (-74% YOY)	(€22.3B) (-505% YOY)
Adj. EBIT	\$6.8B (-35% YOY)	\$12.7B (+2% YOY)	(€0.8B) (-110% YOY)
Adj. FCF	\$3.5B (-49% YOY)	\$10.6B (-2% YOY)	(€4.5B) (+25% YOY)

Source: Company Earning Releases and Capstone Partners

- In 2025, BYD (SEHK:1211) became the world's sixth-largest automaker by sales, surpassing Ford for the first time. From May 2025 to January 2026, however, the company has seen more than \$60 billion in market value erased as investor concerns grow around profitability and future demand in the Chinese Electric-Vehicle (EV) market. – [Yahoo Finance](#)
- Minivan sales in the U.S. increased 21% YOY in 2025 to 393,812 units, driven by demand from millennial men seeking the “best bang for the buck”. – [Yahoo Finance](#)
- Kelley Blue Book data shows that the average transaction price (ATP) for new vehicles increased 0.8% YOY to a record \$50,326 in December 2025. The average manufacturer's suggested retail price also hit a record \$52,627, rising 1.2% YOY. Incentives averaged 7.5% of ATP in December, down from 7.9% during the same month in 2024. – [Cox Automotive](#)
- Chinese-manufactured vehicles made up nearly 20% of all new cars sold in Mexico in 2025. Mexico has recently introduced new tariffs—reaching as high as 50%—on more than 1,400 imports, including finished passenger vehicles and selected automotive parts, from China and other countries that do not have a free trade agreement with Mexico. – [Mexico News Daily](#); [BBC News](#)

OEM and Supplier News

- Bankrupt automotive supplier First Brands has attempted to sell its remaining factories—including three that supply Ford—to avoid liquidation, while operating week-to-week as automakers provide advanced payments and other accommodation funding to keep production flowing. Ford's attorney called the scale of support unprecedented, noting it “may be the most expensive parts deal in the history of auto supply,” underscoring the severe disruption and financial risk that arises when critical suppliers enter distress. – [Ford Authority](#)
- GM has allocated \$47 million to its Oshawa, Canada assembly plant stamping operations to support production of next-generation ICE-full-size pickups, extending the program through the latter part of the decade. The announcement has come as the plant cut its third shift in early 2026 leading to 500 layoffs and the company faces continued tariff pressures. While the investment has underscored GM's long-term commitment to the platform, it has also highlighted its ongoing vulnerability to trade-related cost impacts. – [CBC News](#)
- GM has planned to relocate production of the next-generation Buick Envision for the North American market from China to the Fairfax assembly plant in Kansas City, Kansas, starting in 2028. The move will require a reset of supplier networks and logistics toward greater U.S. content, as Fairfax transitions from its limited Bolt EV production to higher-volume output of an ICE Sports Utility Vehicle (SUV). – [Reuters](#)
- Stellantis production in Italy fell sharply in 2025, reaching volumes not seen since the 1950s due to weak demand and postponed model introductions. The decline has increased ongoing volume and scheduling risks for Italy-based suppliers, despite expectations for a partial recovery in 2026. – [Reuters](#)
- Minth Group (SEHK:425), a Taiwan-headquartered supplier of exterior and structural automotive parts, has invested \$430 million to transform a former steelmaking site in Gadsden, Alabama into its largest campus, creating more than 1,300 jobs and producing plastic and aluminum components for U.S. automakers. The nearly 1-million-square-foot facility will serve as a flagship U.S. operation, supporting industry growth, revitalizing the

community, and strengthening Minth's ability to supply North American customers as they shift toward electric and advanced vehicles. - [Made in Alabama](#)

Mergers & Acquisitions

- Stoneridge (NYSE:SRI) announced that it has completed the \$59 million sale of its Control Devices segment to an affiliate of Center Rock Capital Partners. The deal has enabled Stoneridge to repay debt and refocus resources on its core Electronics and Brazil growth platforms. According to CEO Jim Zizelman, the transaction streamlines the business, supports long-term strategic initiatives, and positions the remaining portfolio—centered on vision and safety, connectivity, and vehicle intelligence—for stronger future growth. - [PR Newswire](#)
- Gentherm (Nasdaq:THRM) and Modine (NYSE:MOD) have agreed to combine Gentherm with Modine's Performance Technologies business in a ~\$1 billion Reverse Morris Trust transaction that creates a scaled leader in thermal management solutions with broader technologies, expanded end market reach, and significant cost and commercial synergies. The deal has also transformed Modine into a focused, pure-play climate solutions company while Modine and Gentherm shareholders will own approximately 40% and 60% of the combined company. - [Modine](#)
- ZF Friedrichshafen has entered a licensing agreement to integrate Phantom artificial intelligence (AI)'s computer-vision technology into its passenger car advanced driver assistance systems (ADAS) portfolio, strengthening its product offering and supporting future autonomous driving capabilities. The deal was announced alongside Harbinger's acquisition of Phantom AI, creating a new software services revenue stream and expanding the technology's reach across both Commercial and Passenger Vehicle segments. - [Honigman](#)
- Eaton (NYSE:ETN) has announced plans to spin off its Vehicle and eMobility businesses by March 2027 as part of its strategy to sharpen its focus on higher growth, higher margin business segments. - [Eaton](#)
- CIE Automotive (BME:CIE) acquired 100% of the Aludec Group for an enterprise value of €200 million representing ~5.0x EV/EBITDA, adding a supplier of decorative plastic and metal automotive components with roughly €160 million in annual sales and operations across Spain, Portugal, Mexico, and the U.S. The acquisition will form a new Aesthetic Components division within CIE, strengthening its diversification strategy and expanding its global product offering. - [CIE Automotive](#)
- LG Energy Solution (KOSE:A373220) has agreed to purchase Stellantis' 49% stake in their joint venture, NextStar Energy, for \$100, giving LG full ownership of the large battery plant in Windsor, Ontario. The company said that taking full control will allow it to respond more quickly to market demand, serve non-automotive customers, and optimize production without being tied to a single automaker's EV rollout pace. - [The Detroit News](#)

EV and Hybrid Vehicle News

Detroit 3 Automakers Absorb Significant One-Time Charges Amid EV Strategy Recalibration

Ford (NYSE:F)	General Motors (NYSE:GM)	Stellantis (BIT:STLAM)
\$19.5B Total	\$9.7B Total	\$26.3B Total
<ul style="list-style-type: none"> \$8.5B asset impairment related to Ford 3 row electric SUV, F150 Lightning, etc. 	<ul style="list-style-type: none"> \$4.4B asset impairment for retooling Orion plant from EV to trucks/SUVs. Unused EV capacity 	<ul style="list-style-type: none"> \$10.5B asset impairment for cancelled programs (RAM BEV, Chrysler Airflow) and write down STLA EV platforms
<ul style="list-style-type: none"> \$5.5B restructuring costs related to contract terminations and employees 	<ul style="list-style-type: none"> \$4.2B restructuring costs related to supplier contract terminations 	<ul style="list-style-type: none"> \$6.9B emissions penalties \$4.8B warranty for Jeep 4xe \$4.5B job cuts in NA and EU
<ul style="list-style-type: none"> \$5.5B joint venture costs; Dissolving joint venture with SK and pivot toward Ford energy 	<ul style="list-style-type: none"> \$1.1B joint venture costs. Restructure China JV GM-SAIC due to sluggish sales and price war 	<ul style="list-style-type: none"> \$2.5B joint venture costs. Write off-off stake in battery JV with LG Energy
<ul style="list-style-type: none"> \$8.5B asset impairment related to Ford 3 row electric SUV, F150 Lightning, etc. 	<ul style="list-style-type: none"> \$4.4B asset impairment for retooling Orion plant from EV to trucks/SUVs. Unused EV capacity 	<ul style="list-style-type: none"> \$10.5B asset impairment for cancelled programs (RAM BEV, Chrysler Airflow) and write down STLA EV platforms

Source: Company Earning Releases and Capstone Partners

- Tesla's (Nasdaq:TSLA) automotive deliveries declined 9% in 2025, marking the first drop in the company's total revenue and reflecting intensifying global EV competition alongside slower product refresh cycles. For automotive suppliers, this signaled a cooling long-term EV growth trajectory and increased uncertainty for businesses tied heavily to EV programs. – [NBC News](#)
- GM has planned to eliminate a shift at its Ramos Arizpe plant and cut roughly 1,900 jobs as softening EV demand forces production to be reduced by about half. With the Blazer's ICE assembly moving to the U.S. ahead of schedule, uncertainty at the site has increased and created near-term volume risks for suppliers across northern and central Mexico. – [Mexico Business News](#)
- Honda (TSE:7267) and GM will end production of their jointly developed fuel cell system in Michigan in 2026, concluding a partnership that began in 2017. Although manufacturing started in January 2024, in order to support Honda's fuel cell vehicle programs in Ohio, both automakers have pointed to weak demand and slower-than-expected Hydrogen market growth, with GM shifting its focus to EVs, batteries, and charging while Honda reallocates resources as well. – [Honda Newsroom](#)
- Stellantis is anticipated to halt all North American plug-in hybrid electric vehicle (PHEV) production in 2026, discontinuing the Jeep 4xe and Pacifica PHEV despite their previously strong demand. This move, which follows recent recalls, has shifted the company's emphasis to other electrified powertrains and creates immediate volume risks for suppliers dependent on PHEV programs, potentially triggering consolidation pressures and contract renegotiations. – [Automotive News](#)
- Canada has approved an arrangement allowing up to 49,000 Chinese-made EVs to enter the country each year at a 6.1% tariff. Over the next five years, the cap is expected to gradually rise to as many as 70,000 vehicles annually. – [Transport Topics](#)

Human Capital News

- Volkswagen (XTRA:VOW3) Chattanooga workers have approved their first union auto workers (UAW) contract with 96% support, securing 20% wage increases, lower healthcare costs, and stronger job security protections. The ratification follows the plant's April 2024 unionization vote and several months of negotiations, including the threat of strike action. For automotive manufacturers and suppliers in the region, the agreement has signaled a potential shift in labor dynamics across southern U.S. manufacturing hubs. – [UAW](#)
- Toyota (TSE:7203) has appointed CFO Kenta Kon as its next CEO, effective April 1, succeeding Koji Sato. This leadership change came as the company prepares for higher U.S. tariffs, intensifying competition, and growing China-related supply chain pressures. Kon, known for stockpiling semiconductors ahead of pandemic-era shortages and enforcing greater financial discipline at Woven by Toyota, has emphasized that maintaining a strong profit structure is essential to keeping the company resilient in tougher conditions. – [CBT News](#)
- Honda has appointed CFO Eiji Fujimura as CEO of American Honda effective April 1, replacing Kazuhiro Takizawa, as it faced heightened affordability pressure, increased tariff exposure, and outsized cooling EV demand in its largest market. Honda has sharply cut its global EV target, reduced Prologue EV volume plans, and is shifting production toward lower-cost gasoline trims. It is has also explored more U.S. manufacturing to offset tariff costs. – [CBT News](#)
- GM has appointed former Lucid strategy executive Claudia Gast to lead strategy and corporate development beginning March 1, with a focus on pursuing new technology partnerships. She succeeds Zach Kirkman, who is departing after joining in 2023, and her hiring signals GM's expectation of deeper reliance on external partners for EVs, software, and automated driving technologies—potentially reshaping the supply base and increasing integration risk. – [Reuters](#)
- GM Canada has planned to eliminate a shift at its Oshawa plant, affecting roughly 500 GM employees and potentially up to 1,200 supply chain jobs. The reduction, driven by U.S. tariffs and softer demand, comes as GM expands hiring at a related pickup facility in Indiana. – [Automotive World](#)
- Aston Martin (LSE:AML) is expected to eliminate up to 500 jobs, about 20% of its workforce, to save approximately \$50 million after posting a pre-tax loss of \$459 million in 2025. Management cited U.S. tariff impacts, supply chain challenges, and very weak demand in China as key drivers of lower volumes and margins. The restructuring may help stabilize costs, but it could also constrain output recovery and lead to more volatile, stop-start ordering patterns for suppliers. – [Reuters](#)

Regulatory and Legal News

- The U.S. Supreme Court ruled 6–3 that President Trump did not have authority under the International Emergency Economic Powers Act (IEEPA) to impose certain nationwide tariffs. In response, he quickly implemented a 15% global duty under Section 122 of the Trade Act of 1974. This new tariff does not apply to vehicles or automotive parts already covered by Section 232, nor to steel, aluminum, copper, or United States–Mexico–Canada Agreement

(USMCA)-compliant goods from Canada and Mexico; Section 232 and Section 301 tariffs remain in effect on vehicles, parts, and metals. The global duty is anticipated to last up to 150 days unless extended by Congress, and the White House has indicated that additional Section 301 investigations may result in further tariffs. – [White & Case LLP](#)

- China has imposed new export controls on rare-earth and other dual-use materials for 20 Japanese companies, including Subaru (TSE:7270), Hino Motors (KASE:HINO), Mitsubishi Materials (TSE:5711), TDK (TSE:6762), Nitto Denko (TSE:6988), and NOF(TSE:4403). Exporters must now secure special permits and prove the materials will not be used for military purposes, adding compliance burdens, increasing documentation requirements, and heightening the risk of shipment delays for key automotive materials used in engines, electronics, and EV systems. – [Automotive News](#)
- The European Union (EU) has planned to propose “Made in EU” rules that would require EVs to contain at least 70% EU-sourced content and meet additional battery-component criteria to qualify for subsidies under the upcoming Industrial Accelerator Act. Aimed at countering Chinese competition and strengthening Europe’s manufacturing base, the proposal has divided automakers over cost concerns and the risk of retaliation and would force OEMs and suppliers to deepen Tier-n visibility and realign regional sourcing strategies to keep projects eligible for incentives. – [Automotive News](#)
- India and the EU have finalized a trade deal that will sharply reduce or eliminate tariffs on nearly all goods moving between the two markets. Aimed at boosting bilateral trade and giving both sides greater strategic independence from the U.S., the agreement is expected to gradually bring India’s automotive tariffs—previously as high as 110%—down to 10%, with an interim reduction to 30–35% on up to 250,000 EU-built cars per year. – [BBC](#)

Endnotes:

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