CLEPA
European Association of Automotive Suppliers

# Loss of EU competitiveness, geopolitical uncertainty and imports from China continue to suppress supplier sentiment

*Brussels, 27 March 2025* – **The European automotive supply industry is bracing for a turbulent year ahead, as the latest industry survey reveals 42% of suppliers think they won't be profitable in 2025. New insights from CLEPA and McKinsey's bi-annual survey, with input from 120 companies, shed light on the industry's business climate, key trends, and pressing challenges:**

- **A deepening sense of uncertainty**: 63% of suppliers express a negative outlook, a significant decline in overall industry sentiment.
- **Squeezed profitability**: 75% of suppliers expect continued low profits, with 42% expecting to operate at break-even or face losses in 2025.
- **Intensifying global competition**: 57% report increasing pressure from Chinese component imports.

## Uncertainty and profitability pressures

At the heart of these concerns is the uncertainty surrounding new projects and electric vehicles (EV) demand in Europe. Vehicle manufacturers (OEMs) are pressing suppliers to cut costs, while the European market struggles to maintain its competitive edge.

As a result, profitability projections paint a bleak picture: 42% of suppliers now anticipate operating at marginal or negative profitability levels, a rise from 35% just 6 months ago. Only one in four suppliers expect profitability above 5%, a downturn from previous forecasts.

**Benjamin Krieger**, CLEPA's Secretary General, underscores the sector's concerns, stating: "This is not the time to downplay the challenges. Suppliers are grappling with shrinking margins and a lack of investments . Three quarters of our industry are now operating at low profitability levels. Delays in policy action will make the situation more severe. We need to shift Action Plan discussions to concrete steps, ensuring an effective implementation of technology neutrality, and fostering an innovation-friendly environment. If we fail to act now, Europe risks being remembered not for the powerful industry it built, but for the one it lost to other regions."

## Declining production volumes threaten jobs and investments

The survey also highlights a worrying decline in production volumes, with 62% of suppliers struggling to keep their plants sufficiently utilised. One in four suppliers report that most of their plants are running below capacity, forcing tough decisions on restructuring.

Looking ahead to the midterm (2025-2030),  37% of suppliers foresee a need to reduce the number of plants to adjust for declining production volumes, up significantly from 24% a year ago. This looming contraction threatens jobs, innovation, and long-term investment in the sector.

Additionally, 33% of suppliers warn that bankruptcies among smaller Tier 2 suppliers, as well as suppliers exiting the automotive business will have a strong impact on their operations, up sharply from 20% last year.

### Main strategic challenges: the battle for competitiveness

Decreasing competitiveness is mentioned by 72% of suppliers as one of their main strategic challenges. 71% report significant difficulties in passing on rising costs to OEMs, while 69% identifies demand unpredictability as a major challenge.

Automotive suppliers, as intermediaries in the supply chain, are the first to absorb cost pressures and face difficulties negotiating price adjustments with OEMs. While some contracts include indexation clauses, many do not, forcing suppliers into complex negotiations.

Additionally, geopolitical instability is creating further headwinds. 58% of suppliers cite rising global tensions as a major concern. 58% of suppliers identifies geopolitical instability as having a severe impact on their business. In particular, Trump's tariffs threaten to heavily affect EU automotive suppliers, both in their European as in their North American business. Only 19% of suppliers indicate that they can pass on the cost of tariffs to their OEM customers, while 54% will be required to negotiate contracts with OEMs.

### How can European suppliers stay competitive?

Automotive suppliers identify three major levers to improve EU competitiveness: access to affordable energy (65%), competitive labour costs and productivity (59%) and a competitive technology offering (43%). Other factors include availability of critical raw materials and talent, as well as improvement of the regulatory environment and access to capital.

Suppliers identify their advanced technological expertise and innovation capacity (62%) as well as the power of their brand and trust (50%) as their main assets over Chinese competitors. Additionally, 41% of suppliers highlight their deep experience with regulatory compliance as a strength in an increasingly complex market.

### About CLEPA

CLEPA, the European Association of Automotive Suppliers based in Brussels, represents over 3,000 companies, from multi-nationals to SMEs, supplying state-of-the-art components and innovative technology for safe, smart and sustainable mobility, investing over €30 billion yearly in research and development. Automotive suppliers in Europe directly employ 1.7 million people in the EU.

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