Driving Through Disruption: The Forces Reshaping the Global Automotive Industry

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The global automotive sector is in the midst of prolonged disruption. While global vehicle volumes are still forecast to grow from 88.6m units in 2025 to 97.3m units in 2032,[1] this growth masks a realignment driven by the changing pace of the transition to electric vehicles (EVs), rising trade tensions and fundamental shifts in consumer behaviour.

By 2032, EVs are expected to account for more than half of global light vehicle sales,[2] with Chinese manufacturers set to dominate key segments. At the same time, new trade barriers, complex supply chain exposures and evolving global and local policies are beginning to reshape where and how vehicles are built, as well as relationships with suppliers.

As a result, the Western automotive industry faces a potentially existential threat from Chinese competition. Home markets have traditionally been profitable for Western OEMs,[3] however, this is under threat from a more intensive competitive environment.

[1, 2] S&P Global Mobility Light Vehicle Sales Forecast
[3] OEM = Original Equipment Manufacturer, OEM/automaker/automotive manufacturer are used interchangeably

This disruption poses both challenges and opportunities. The industry's high fixed costs and sensitivity to changes in demand or the introduction of new regulations could quickly erode profitability and cash flow. At the same time, these pressures are opening the door for bold moves. Automakers have an opportunity to reset cost structures, redesign supply chains and capture growth in areas such as electrification, energy storage and data-driven customer engagement.

With a growing list of OEMs already operating on thin margins, we are likely to see further stress and a rise in both formal and informal restructuring activity across the automotive ecosystem over the coming years. Some OEMs have refrained from issuing an FY25 forecast—an indicator of the significant uncertainty facing the industry amid regulatory shifts and evolving competitive dynamics.

In this article, we explore the emerging sector themes and the implications for those working across the restructuring and insolvency landscape.

Operating Margins of Major Automotive Manufacturers (As of 4th August 2025)

Operating margins of automotive manufacturers are continuing to decline, and management guidance has been revised downwards.

Company	Latest FY Operating Margin	Changes vs PY	FY25 Operating Margin Guidance
Kia	11.8%	+0.2 pp (11.6%)	11.0%
Toyota	9.5%	-1.6 pp (11.1%)	6.6%
Hyundai	8.1%	-1.2 pp (9.3%)	7.0-8.0%
General Motors	7.7%	+1.3 pp (6.4%)	Unavailable (EBIT $13.7b-$15.7b revised down to $10.0b-$12.5b in May 2025 and remains unchanged in Q2 Financial Results)
Renault	7.6%	-0.3 pp (7.9%)	7.0% revised down to 6.5% at H1 FY25 Announcement
Tesla	7.2%	-2.0 pp (9.2%)	Unavailable
BYD	6.5%	+0.2 pp (6.3%)	Unavailable
Volkswagen	5.9%	-1.1 pp (7.0%)	5.5-6.5% revised down to 4.0-5.0% in July Press Release
Honda	5.6%	-1.2 pp (6.8%)	Unavailable
Ford	2.8%	-0.3 pp (3.1%)	Unavailable (EBIT $7.0b-$8.5b revised down to $6.5b-$7.5b in Q2 Financial Results)
Stellantis	2.4%	-9.4 pp (11.8%)	Unavailable
SAIC	1.7%	-1.8 pp (3.5%)	Unavailable
Nissan	0.6%	-3.9 pp (4.5%)	Unavailable

Source: Company financial statements and announcements, including forecast expectations where published. Forecast figures are guidance range.

Sector Themes

Electrification and the Rise of Chinese Competition Under a Shifting Regulatory Backdrop

The EV transition is no longer a distant horizon—it is the central battleground shaping the next decade of automotive strategy. Global EV penetration is expected to exceed 55% by 2032,[4] driven by increased affordability, falling battery costs, expansion of charging infrastructure and growing environmental awareness among consumers. However, while OEMs in Europe and North America continue to recalibrate their EV strategies, Chinese automakers have seized the initiative—leveraging advances in technology, aggressive cost leadership and strong domestic uptake—following a long-standing industrial strategy to build a highly integrated electric vehicle industry in China.

Figure 1: Forecast Global Light Vehicle Sales (2025-2032)

Millions of vehicles (not to scale)

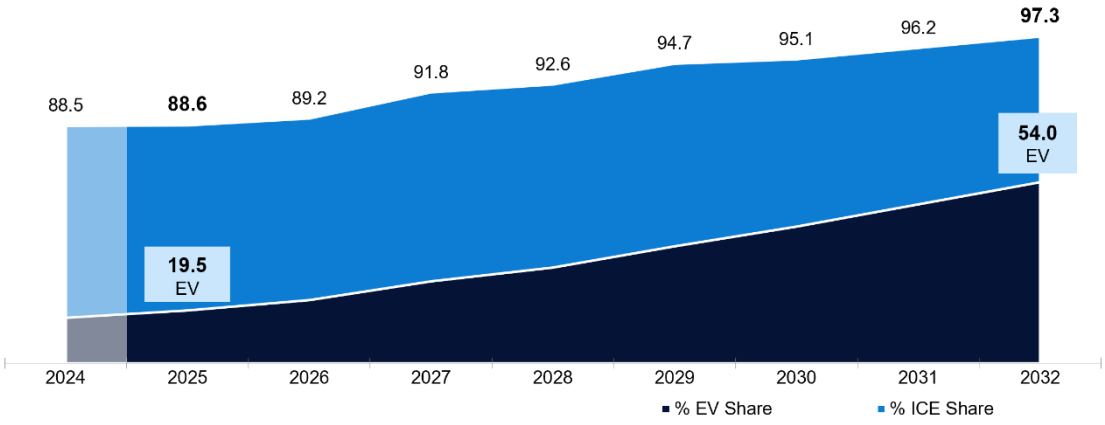


Figure 2: Forecast Light Vehicle Sales (Units in Millions) and EV Penetration (%) by Region (2025-2032)

Sales Region	2024	2025	2026	2027	2028	2029	2030	2031	2032	CAGR (2025-32)	GDP Growth (2025-30)
China	26.4	27.1	27.3	28.3	27.6	28.3	28.7	29.2	29.5	1.2%	3.9%
North America	19.4	18.7	18.2	18.8	19.1	19.4	19.3	19.2	19.2	0.4%	2.0%
Europe	18.7	18.3	18.6	18.9	19.1	19.5	18.9	18.9	19.0	0.6%	2.0%
APAC	15.4	15.6	16.0	16.5	16.9	17.3	17.8	18.2	18.6	2.5%	3.7%*
South America	4.1	4.4	4.5	4.7	4.9	5.1	5.3	5.6	5.8	4.1%	2.2%*
MEA	4.5	4.5	4.6	4.8	4.9	5.0	5.1	5.1	5.2	2.3%	4.3%*
Total / Global	**88.5**	**88.6**	**89.2**	**91.8**	**92.6**	**94.7**	**95.1**	**96.2**	**97.3**	**1.4%**	**3.1%**
% of EV	*19.2%*	*22.1%*	*25.8%*	*30.2%*	*34.4%*	*39.0%*	*44.9%*	*50.4%*	*55.5%*	*15.6%*	

*Proxy countries used
Source: S&P Global Mobility, Statista, Autovista
Note: Electric Vehicles (EVs) includes battery electric vehicles (BEVs) and Plug-in hybrids (PHEVs)

[4] S&P Global Mobility Light Vehicle Sales Forecast

China remains the world's largest and most dynamic auto market. With domestic EV adoption already reaching 50%, Chinese OEMs such as BYD, Geely and SAIC are now achieving global scale—benefiting from home market cost advantages, government policy and growing brand recognition across all markets.

Chinese EV makers are not just winning on price. Many are also outpacing traditional OEMs on innovation cycles, adaptable vehicle platforms and vertical integration. The dominance of China in lithium iron phosphate (LFP) battery chemistry, for example, has helped accelerate manufacturing cost parity with internal combustion engine (ICE) vehicles. These advancements have been supported by a 2014 Chinese government designation of EVs as a strategic emerging industry.[5] Meanwhile, European brands face growing pressure to cut EV unit costs while maintaining design and brand equity—without the same level of integrated government support.

Policy changes are also shifting the landscape. While the EU and UK remain committed to long-term emissions targets, government incentives for EV purchases have been reduced, and the political climate around green industrial policy has become more fragmented. In the U.S., federal electric vehicle incentives are now set to expire in September 2025[6] – removing a key pillar of demand support and creating uncertainty for both manufacturers and consumers.

Another challenge for non-Chinese automakers is the dominance of Chinese producers in the EV battery market. Chinese manufacturers now control over 70% of global battery production capacity[7] – led by CATL and BYD—giving them significant cost advantages, technology leadership in range and recharge speed and growing influence.

Looking ahead, the rapid development of EV battery technology is creating opportunities well beyond vehicle manufacturing. Improved energy density, faster charging capabilities and reduced costs are accelerating the use of batteries in grid-scale energy storage, which could support broader integration of the automotive and renewable energy sectors. This convergence could enable automakers to play a more active role in energy ecosystems, unlocking further potential revenue opportunities.

The pace of electrification is accelerating. However, the benefits are not evenly shared across the industry, and market dynamics are widening the gap in OEM performance. Brands that lack EV scale, battery cost control or the ability to pivot quickly on platform design and innovation are likely to fall behind.



[5] China Minister Says Electric Vehicles Remain Strategic, Bloomberg, 22nd April 2014
[6] U.S. electric vehicle tax breaks will expire on Sept.30, Reuters, 3rd July 2025
[7] The battery industry has entered a new phase, IEA, 5th March 2025

Trade Barriers and Disrupted Supply Chains

Rising trade tensions are compounding existing industry challenges. Since May 2025, increased U.S. tariffs have come into effect, impacting OEMs across multiple product lines. The latest tariffs are shown in the table below:

U.S. Automotive Tariffs as of 4th August 2025[8]

	Finished light vehicles	Automotive components
Imports from Canada/Mexico	25% on non-U.S. content under the USMCA	Tariff free for USMCA-compliant automobile parts (25% on others)
Imports from EU	15% (reduced from 25%)	15% (reduced from 25%)
Imports from UK	25% (10% for up to 100k units / year)	25%
Imports from China	25% (100% for EVs)	25%
Imports from Japan	15%	15%
Imports from Korea	15%	15%

Source: Fact Sheet: President Donald J. Trump Adjusts Imports of Automobiles and Automobile Parts into the United States, The White House, 26th March 2025. UK-U.S. trade deal announced 8 May 2025. Japan-U.S. tariff deal announced 22 July 2025. EU-U.S. trade deal announced 27 July 2025. Korea-U.S. tariff deal announced 31 July 2025.

OEMs benefiting from recent trade agreements now face a mixed landscape. Under the new U.S.-EU agreement, tariffs on vehicles and parts have been reduced from 25% to 15%, while the U.S.-UK trade deal provides a preferential 10% rate for finished vehicles—capped at 100,000 units per year. However, the tariff impact is uneven across OEMs, depending on their manufacturing flexibility and level of interaction with the U.S. market.

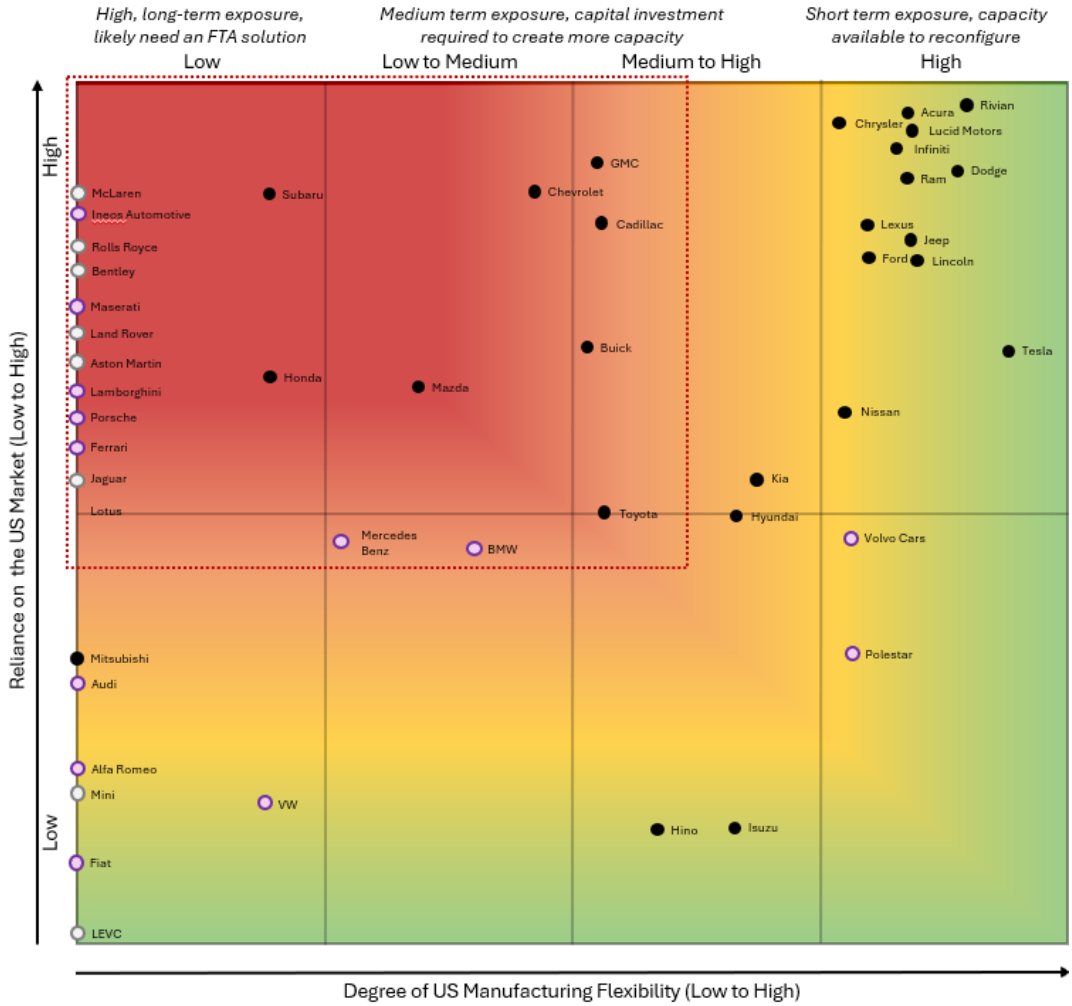
Despite these recent trade agreements, the UK and EU remain increasingly exposed to the knock-on effects of U.S. tariff policy. Rubber tyres, windshields and other components sourced from countries such as Vietnam, Taiwan and Brazil are subject to average tariff rates of 30–50%, potentially driving cost increases and pricing shifts across the global supply chain.

Teneo's analysis indicates that at least 20 OEMs face acute tariff risk due to their reliance on the U.S. market and limited flexibility to shift production:



[8] Finished light vehicles include passenger vehicles (sedans, SUVs, crossovers, minivans, cargo vans) and automotive components include engines, transmissions, powertrain parts and electrical components. To be USMCA-compliant, 75% of vehicle content must be sourced from the U.S., Canada or Mexico, while additional requirements, such as 40% of core parts and 70% of steel and aluminum, must be sourced regionally. Source: Fact Sheet: President Donald J. Trump Adjusts Imports of Automobiles and Automobile Parts into the United States, The White House, 26th March 2025

Figure 4: Tariff Impact on Global Automotive OEMs



Source: Teneo analysis

The industry is experiencing broader supply chain disruption. Suppliers with significant U.S. exposure are actively reassessing their manufacturing footprints, while smaller battery producers are struggling to grow due to capital intensity and limited scale. These supply-side pressures are likely to result in extended vehicle lead times, margin compression and model launch delays.

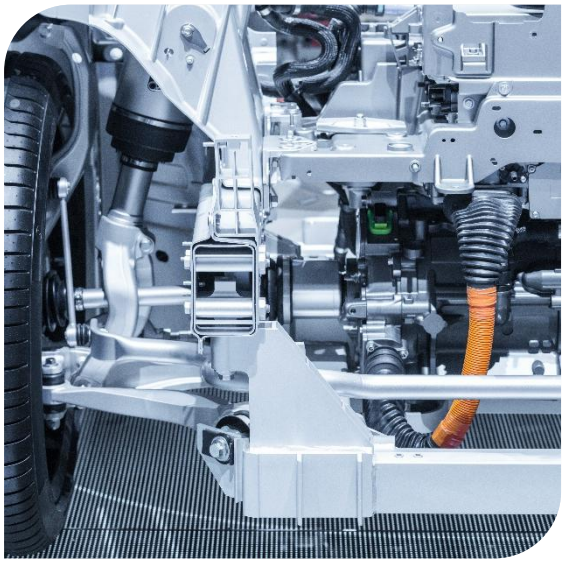
At the same time, China's control of 70% of global rare-earths mining and 90% of rare-earth metal alloy and magnet production,[9] is adding further pressure on the cost and availability of critical raw materials.

The combination of trade tensions and disrupted supply chains is creating a complex environment that many OEMs are struggling to navigate. For European companies in particular, these changes are already affecting profitability and investment planning—and signal the need for a new approach to partnerships and supplier management to create greater stability and sustainability.

[9] Oxford Institute for Energy Studies

Consumer Behaviour and the Erosion of Brand Loyalty

Alongside supply-side pressures, automotive companies are also facing significant shifts in consumer expectations and buying patterns. Brand loyalty is weakening; consumers increasingly view vehicles as mobility tools rather than lifestyle choices or status symbols.



Across developed markets, car ownership is declining – especially among younger consumers,[10] who are delaying purchases or shifting to subscription and lease-based models. This shift is particularly evident in urban areas, where affordability concerns and infrastructure constraints are prompting a move away from traditional ownership models.

The previously noted rapid technological advancements in EVs, shifting regulatory policies and an influx of new market entrants are making residual values increasingly difficult to predict. Consumers are becoming cautious about committing to ownership when they fear accelerated depreciation, especially in markets where incentives or new battery technologies make older models less desirable.

Meanwhile, brand equity—once seen as a reliable source of pricing power—appears to be weakening, as buyers now prioritise price, software features, charging speed and technology integrations over brand history. This is most pronounced in the EV market, where consumers often compare features and price points more like tech products than traditional automobiles. Chinese EV manufacturers, in particular, are rapidly gaining market share and disrupting brand dynamics in Western markets by offering competitive pricing, longer range and advanced tech features.

Customers are exploring subscription models, short-term leasing and ride-hailing as alternatives to ownership. Further, OEMs now view vehicles as a key route to customer data and recurring revenues from financial services and mobility solutions—fundamentally reshaping their business models. The shift away from the traditional purchase model means automakers that fail to adapt to this new reality may find themselves increasingly exposed to volume risk and revenue compression.

Shifts in consumer behaviour are also reshaping the automotive distribution model. As a result of falling brand loyalty, the rise of EVs (which typically require less servicing) and new entrants from markets like China, dealers traditionally focused on single-brand relationships are now being pushed to develop a balanced portfolio of brands to stay profitable. Their role in managing customer data and expectations is also becoming increasingly critical, as they move beyond simple transactional functions and become a core part of the value chain.

At the same time, consumers are moving fluidly between online and offline channels, adding another layer of complexity for OEMs. Delivering a seamless customer experience across digital platforms, physical dealerships and aftersales demands significant investment in technology and process integration. In many markets, dealers are often better positioned than OEMs to make these

[10] The vanishing young car buyer: New vehicle registrations drop for 18-34-year-olds, S&P Global, 3rd June 2025

investments—reinforcing their role and elevating them from traditional sales outlets to critical strategic partners.

This presents a key opportunity for the industry: the development of a single, unified view of the customer across OEMs and dealers. By integrating data and investing in advanced CRM capabilities, automakers can shift from a transactional sales mindset to a “Customer Lifetime Value” model. This would enable more consistent, personalised engagement across channels and geographies. Other consumer-facing industries—particularly retail—are far ahead in using customer data to shape product offerings, tailor marketing, optimise pricing and improve service delivery. The automotive sector now has an opportunity to follow suit—to build stronger loyalty, improve retention and unlock new revenue streams.

What It Means for Restructuring and Insolvency Professionals

The scale of these changes—combined with ongoing economic and political uncertainty, both in global trade and policy incentives—means the industry is likely to remain unsettled well into the 2030s.

For OEMs, margin pressure is intensifying. Many smaller OEMs are exposed to a higher default risk and may face liquidity constraints without significant balance sheet intervention. Those most at risk are likely to be OEMs with weaker EV platforms, high exposure to tariff-impacted supply chains and limited U.S. manufacturing footprints. The shift to EVs also introduces greater complexity, including longer procurement cycles, more frequent design updates and increased costs associated with managing parts obsolescence across powertrain platforms. These changes will likely increase working capital requirements and elevate operational risk.

For the wider automotive ecosystem, shifting consumer patterns and fluctuating used car values—leading to hesitancy around new purchases—mean many distributors may face higher than expected working capital requirements, particularly due to unsold inventory. The volatility of residual values is likely to pressure dealer cashflows and profitability, increasing the risk of distress and accelerating consolidation among dealer networks.



Resolving the stress and distress facing the sector may lead to more complex cross-border restructurings. The increasing localisation of production and policy divergence across the U.S., China and EU add further complexity. Key financial and operational elements—such as assets, liabilities, IP and supply contracts—are often spread across multiple jurisdictions, each with their own incentives and constraints, requiring careful navigation.

Furthermore, we expect to see increased M&A activity, both distressed and opportunistic, as OEMs and investors seek to consolidate platforms, acquire battery technology or exit uncompetitive regions.

Strategic carve-outs and targeted insolvencies may offer faster routes to value preservation than traditional restructuring approaches.

The automotive sector is entering a profound transition. For restructuring and insolvency professionals, this is a time of both challenge and opportunity. Advisors will need to bring technical rigour and deep sector expertise to address the increasingly complex challenges facing the industry.

Successfully navigating this environment will require a clear understanding of the underlying drivers of change and durable competitive advantages—from battery development and technology integration to tariff exposures and distribution network management—while adapting to evolving consumer trends. Traditional OEMs will likely need to become cost-competitive with emergent Chinese OEMs if they are to survive. The stakes are high for the Western automotive sector, and there will be challenges, opportunities, stress and, perhaps, corporate failures along the way.

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