S&P Global
Mobility

Agility in the face of uncertainty

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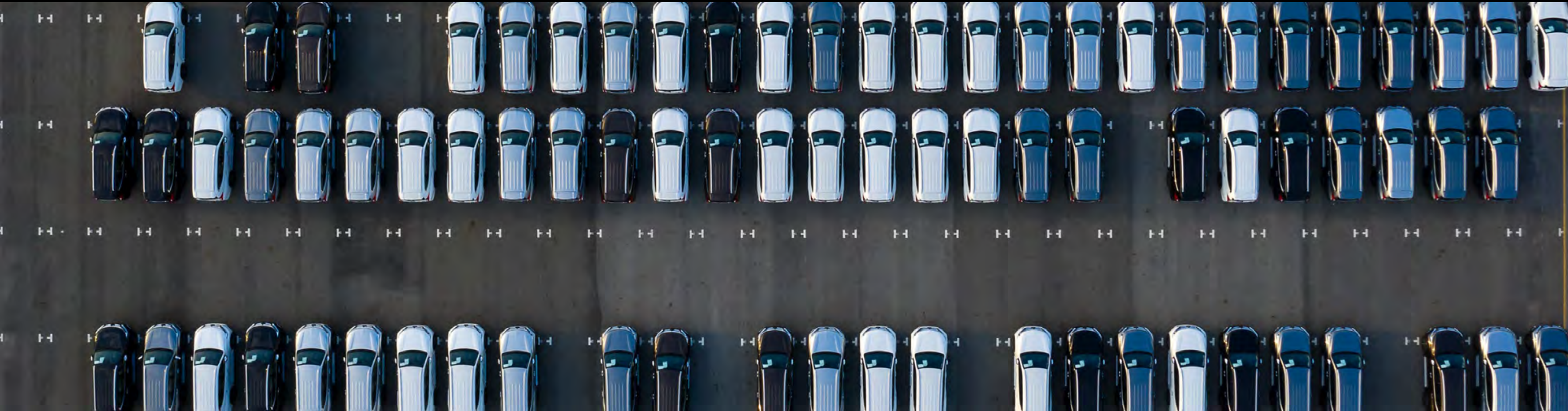
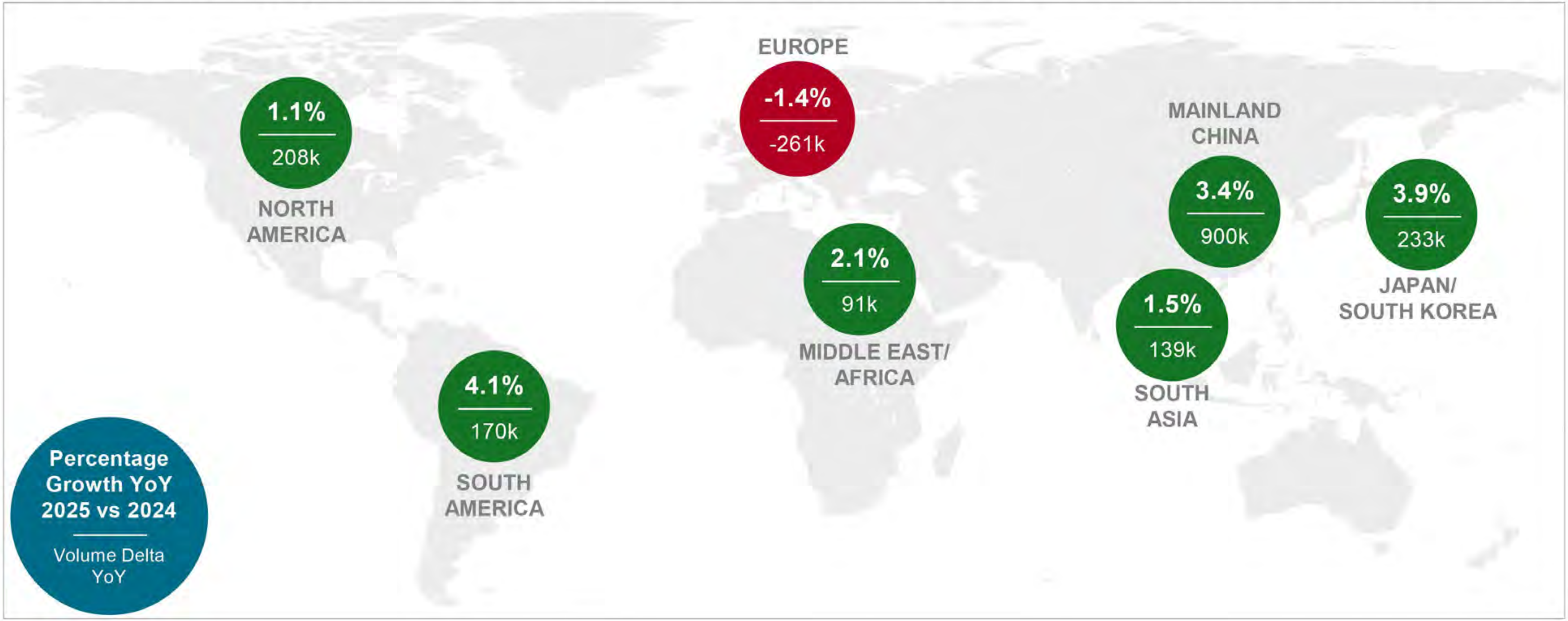


Global sales overview

Modest 2025 recovery prospects—global sales expected to rise by 1.7% from 2024, to 89.7m units (+1.5m)



As of January 2025.
Source: S&P Global Mobility.

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2025: Upside momentum and downside risks

Tariffs, affordability issues, regulations and policy, consumer demand all in play

Upside

- Global autos recovery rolls on despite fading momentum and Trump #47 uncertainty
- USA: modest 2025 upgrade supported by decent year-end sales push & inventory clear-out. President Trump hit the ground running with unorthodox priorities (tariffs, deregulation & unpacking BEV support)
- OEMs adjusting ICE-to-BEV plans (e.g. HEV/EREV)
- BEVs: Despite concerns on market momentum, BEVs remain a growth storyline, up by 18% to 11.8m for 2024 (13% share)—evolving market dynamics will shape outlook

Downside

- Cautious economic growth forecasts reflect potential US policy shifts and use of tariffs and threat thereof, including the ordered 25% Canada/Mexico, with a delay negotiated within 72 hours of the executive orders being signed.
- Knock-on impacts of policy changes and potential trade disruption affecting vehicle demand include interest rates, trade flows, sourcing, vehicle pricing & BEV adoption rates
- Following 2024 elections, world is set for a wide range of policy setting uncertainty. Includes geopolitics, geoeconomics, automotive regulations, tariffs, investment planning, OEM PSD plans & climate policy, in the US and in other countries as well
- Mainland China: Domestic brands driving NEV demand & advanced driving tech. Risks remain for tensions around global trade & geopolitics
- Europe: Big EU BEV push expected in 2025 alongside ICE “rationing” as 2025 CO_2 rules (-15%) influence market mix. Russia pent-up demand rebound fading
- Wildcards—US Trump #47 and plans for aggressive US tariffs, US IRA/EPA, EU rules vs. jobs, EV “price wars”, climate regulation

Tariff Summary

- This is one of the most fluid and dynamic situations the auto industry has faced
  - Witness the delays announced by both Mexico and Canada after 11th hour negotiations with the US
  - The specter of high and broad tariffs for Canada and Mexico exposes the fragility of a supply chain built on the cooperation of the three governments.
- S&P Global Mobility has built three potential scenarios if automotive tariffs <u>are</u> eventually initiated against Mexico and Canada. The delay negotiated on February 3 does not remove the ultimate threat.
  - **Quick Resolution** (60% Prob): Only in effect for 1-2 weeks. Some production is lost due to supply issues/border gridlock. All lost sales and production is regained in short order.
  - **Extended Disruption** (30% Prob): Extended impact for 6-8 weeks. Several high exposure vehicles slow/cease production, OEMs conserve inventory and are careful to replenish with 'tariffed' stock. Most sales and production are compensated for within 12 months.
  - **Tariff Winter** (10% Prob): Tariffs of 25% on Mexico and Canada are integrated long-term into the auto trade structures. Due to sub-optimal sourcing, NA LV sales (US/Can & Mex) could decline by 10% for several years with a long-term decline in competitiveness.
- With both Mexico and Canada able to delay implementation until March 1, activities to adjust trade structures with the European Union, the United Kingdom, Japan and South Korea may be new focus and arrive this spring.
- Note: OEMs and suppliers will only invest capital and resources if there is long-term stability in the trade and source planning environment. The uncertain trade situation may delay development of future vehicle programs. This is particularly true in light of additional uncertainty surrounding emission and fuel economy regulations, which are under review.

Mid-term impact of Tariff Winter

- **US sales down 10%**
- **Mexico down 8%**
- **Canada down 15%**