

As the need for EU industrial capacity grows, dwindling profitability could force auto suppliers out

Editorial by Benjamin Krieger, Secretary General CLEPA

Europe's automotive suppliers – unless you're counting the sound of quickly evaporating optimism. CLEPA's latest survey shows the most severe job losses since the COVID-19 pandemic, with business sentiment hitting a historic low in 2025. Nearly 60% of suppliers report negative impacts from geopolitical instability, and an alarming 42% see no path to profitability this year. It's the kind of forecast that should give policymakers pause, although the growing trade war coming from the US may limit the time to reflect.

Europe needs a robust and competitive industrial base more than ever. Calls for strategic autonomy, demands in the defence sector and the desire for more localised supply chains are growing louder. But if the economic reality on the ground continues to worsen, suppliers may not just trim operations – they may be pushed across the breaking point. And that is not just an economic problem. It's a strategic one.

Strategic drift: When industry becomes a security issue

Losing key suppliers costs jobs; compromises Europe's capacity for innovation, weakens its resilience, and increases dependency on non-EU actors. Automotive suppliers hold crucial technologies for European competitiveness, but their know-how can also be used in other industries. At a time when the European Commission is launching initiatives like the "ReArm" program to revamp EU security policy, letting high-tech industrial capabilities slip through our fingers seems a bit like trying to build a secure fortress while handing out the blueprints.

Technology neutrality: A principle, not a footnote

The Commission's Industrial Action Plan for the Automotive Sector arrived not a moment too soon. The Council's conclusions on 20 March underlined the urgent need for a technology-neutral path forward, one that promotes innovation rather than dictating it. CLEPA supports this direction, but let's be candid: policy timelines need to better match industry timelines.

We need enduring clarity that technology neutrality isn't just a phrase of the month, but a principle that will guide investment decisions well beyond 2035. Clean mobility includes more than just electrification, and Europe should not handicap itself by backing a single horse in a global race.

Protecting value chains without building walls

What Europe needs is a smart industrial strategy – one that protects value creation at home without closing the doors to global cooperation. This includes targeted support for innovation, measures to stimulate demand, and trade defence tools where necessary. With over 3,000 automotive suppliers in Europe, many of them SMEs, flexibility is not a luxury. It's a question of survival.

Decisive action starts at home

We all agree on the direction: smarter, safer, and more sustainable mobility. But let's not pretend we can drive this transformation with a flat tyre. Without viable business models and policies that keep industrial capacity in Europe, we risk trading long-term prosperity for short-term applause.

For example, any retaliation against the US tariffs must not affect imports of car parts that are difficult to substitute locally, such as certain semiconductor materials. Overall, the measures identified should not remove the options for reaching new agreements with our trading partners. Global trade cannot only be seen politically.

Europe must act now with smart, targeted measures to stay competitive in an uncertain world. Maintaining the Utility Factor for PHEVs is a vital first step to protect high-value EU jobs and offering immediate support to the sector. We must also update CO₂ rules to match today's market and back all low-carbon solutions. Cutting red tape through the Simplification Omnibus will also boost resilience, not protectionism, ensuring Europe retains its strategic edge and industrial base.

2025 looks to become a pivotal year – policymakers and industry need to align their speed and direction. CLEPA and its members are ready to work closely with EU institutions to co-create solutions that are economically grounded, strategically sound, and globally competitive.

Because if we've learned anything in recent years, it's that resilience isn't built by chance. It's built by choice.

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