

Press release

## **European automotive suppliers warn competitiveness gap threatens industry's manufacturing base**

- 70% of suppliers expect profits below 5%, minimum needed to sustain investment.
- Half of suppliers plan to reduce production capacity in Western Europe within five years.
- 69% already face competition from Chinese imports, up 12 percentage points since spring.

**27 November 2025 — Europe's automotive suppliers report that the continent's manufacturing base is under mounting pressure. Weak profitability, declining production capacity, and intensifying foreign competition - particularly from China - undermine the industry's ability to invest and remain globally competitive. According to the latest CLEPA Pulse Check, a bi-annual business sentiment survey conducted with McKinsey, the results point to a structural competitiveness deficit that Europe can no longer ignore.**

“Persistently low profitability is driving the industry down a dangerous path. Without decisive measures, parts manufacturing in Europe risks disappearing, as companies are forced to relocate or shut down, jeopardising employment and expertise,” says **Benjamin Krieger**, Secretary General at CLEPA. “The EU has strengths as a location for investment and manufacturing, but urgent action is needed to boost competitiveness by reducing electricity cost, cutting red tape, and improving financing conditions. In parallel, local content policies must ensure that critical know-how remains in Europe. A flexible, technology-neutral framework will stimulate innovation, and accelerate the decarbonisation of road transport. Together, these measures can secure the transition and put Europe’s automotive sector back on a path of sustainable growth.”

### **Profitability forecast: Low margins put the transition at risk**

Seven in ten suppliers expect profits below 5%, the minimum threshold required to sustain investments in technology, skills, and production capacity. One-third expects little to no profit at all, threatening jobs, R&D activity, and future growth.

The problem is structural, not temporary: by 2026, 70% of suppliers still forecast profits below 5%. With earnings stagnating, companies are deferring investments or shifting production to more cost-competitive regions, challenging Europe's ability to lead in next-generation mobility technologies.

### **Western Europe: Shrinking production footprint**

Rising costs and slower demand growth are damaging Western Europe's automotive production base. Half of suppliers plan to reduce production capacity in Western Europe over the next five years, while only 10% expect to expand. By contrast, 49% foresee growth in North America, 42% in Asia, and 35% in China - clear evidence that investment is shifting to more competitive regions with more predictable markets.

The sector's priorities have shifted decisively. Competitiveness is now cited as the top challenge by 86% of suppliers, up 14 points from the last survey in spring. Declining demand and faster technology adoption abroad are intensifying the pressure, leaving Europe's industrial base increasingly fragile.

### **Chinese import pressure accelerates: Europe's manufacturing footprint under threat**

Competition from Chinese suppliers has rapidly accelerated. Supported by cost advantages, substantial subsidies, and a strong domestic base, Chinese players are gaining ground across the EU. Today, 69% of European suppliers already face competition from Chinese imports - a surge of 12 points since the spring survey. Three in four expect import pressure to increase further, up to 26 points more compared with the previous survey, raising concerns about Europe's future ability to maintain a robust automotive value chain.

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### **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.

### **Interested in more information?**

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