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TRANSPORT & LOGISTICS

Global car market: sales resilient despite tariffs

It has been a rocky year for the global car industry – and it's not over yet. US new car sales are slowing, and the European market remains sluggish, but strong demand in China and South America means we still expect slightly higher global annual sales. Meanwhile, carmakers are navigating tough competition on multiple fronts



Global car sales are expected to edge higher in 2025

Challenging market environment rocks the car industry, but sales are pretty stable

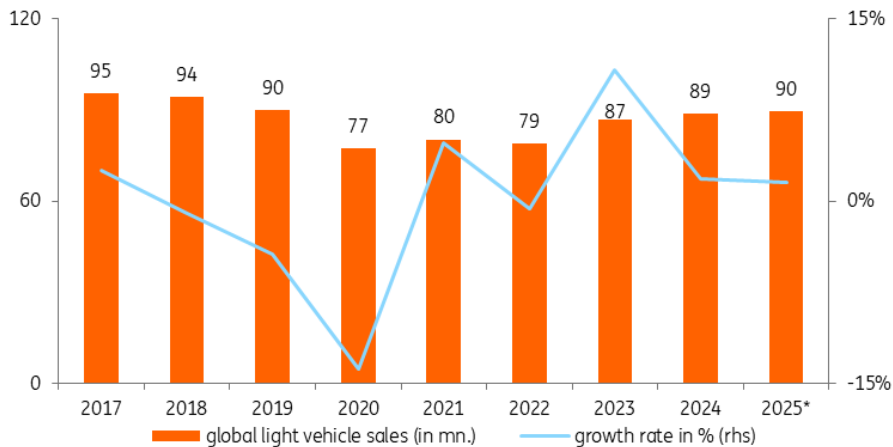
At the start of the year, [we expected](#) limited upside for car sales amid geopolitical uncertainty and economic headwinds.

Policy-wise, 2025 has been more politically turbulent than expected, with Trump's trade moves putting autos in the spotlight and weighing on confidence. Having said that, with the global car market, the comparative base of car sales is already rather low.

In terms of units sold, the year looks less bleak than expected, especially outside the West. The full impact of tariffs is yet to unfold, but a clearer policy direction could ease car buyer hesitation. Therefore, we're sticking with a modest 1.5% year-on-year growth forecast.

Global car sales still expected to edge higher in 2025

Global sales of light-duty vehicles in millions and development in %



Source: S&P Global, ING Research *forecast

The West continues to lack traction...

Europe's car market remains weak, with sales growth flat and volumes just above 80% of their 2019 level in the first half of 2025 (EU+EFTA+UK). The second half of 2025 may show a moderate tick up, but we don't expect much of that yet. Beneath the surface, there's a notable difference in pace. Large markets including Germany, France and Italy are contracting on a year-to-date basis, while Spain stands out as the positive exception, likely supported by its relatively strong economic performance. Several other smaller car markets, such as the Nordics and Poland, are also doing relatively well.

In the US, new car sales grew by 4% year-on-year in the first half of 2025, mainly driven by frontloading in March and early April, ahead of the 'Liberation Day' sectoral tariff hike of 25%. This is expected to be gradually corrected as car makers start to feed through higher parts costs and rates on imported finished cars. The [termination of EV subsidies](#) by the end of September will trigger some extra demand, but falling used car prices and relatively high interest rates will be less supportive for new cars in the second half of 2025.

For FY2025, we don't expect contraction, but no meaningful growth either.

...but China and other regions are propping up global car sales

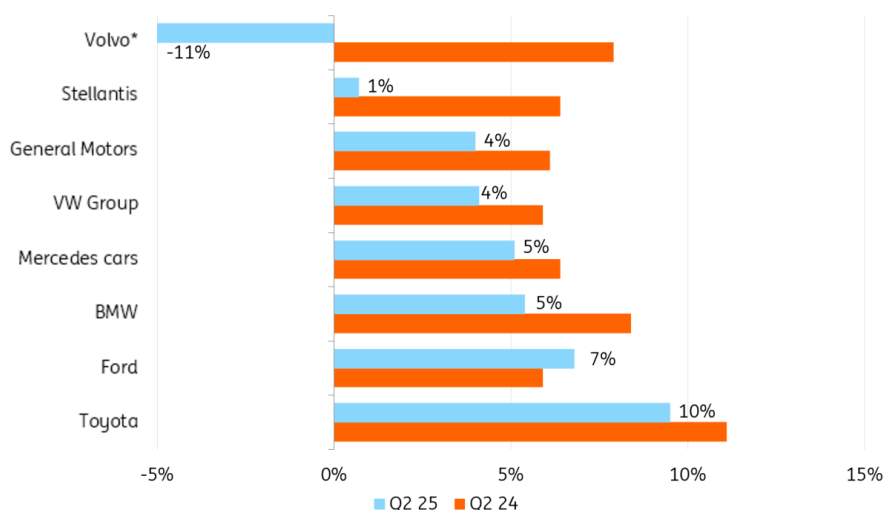
The sluggishness in the Western world is being offset by other better-performing regions. Most importantly, Chinese car sales reported an increase (of 11% in the first half of 2025, according to CAAM). The Chinese market continues to mature at an annual growth level of 4-5% and fiscal incentives for buyers continue to support new car purchases. The world's largest global

market now accounts for 30% of global light-duty vehicle sales (27 million), some 75% more than the US.

Given the relative resilience of the Chinese economy so far, we expect FY25 car registrations to end up at least in the mid-single digits, supporting the global sales figure. South American countries are also performing remarkably well this year. The market in Argentina, for instance, has rebounded strongly after years of subdued figures.

Carmakers margins took a hit from tariffs in the second quarter of 2025

EBIT-margin global car makers in Q2 2025 vs Q2 2024



Source: Company reports, ING Research * Volvo: after restructuring costs

Tariff impact: more to come

Export markets remain a key challenge for global carmakers, with the US in focus. Half of all cars sold there are built abroad, and in 2024, the top five exporters – Mexico, Japan, South Korea, Canada, and Germany – shipped over 7.4 million vehicles to the US.

Although tariffs have been reduced from the initial 25-27.5% for most car imports, the 15% rate is still a significant burden, which carmakers are unlikely to fully absorb in the medium term. Additionally, the significantly [weakened dollar](#) has made US car imports more expensive, compounding the pressure.

While tariffs on US car exports to regions like Europe will be removed, it's disappointing that companies with major US production – such as BMW (which exported 225k mostly SUVs from the US) and Mercedes – won't benefit from netting those exports.

Between January and July 2025, US car prices [hardly showed any increase](#), which indicates that carmakers are absorbing a significant portion of the cost in the short term. This is already evident in second-quarter company reports, with the world's largest carmakers, including the big three American manufacturers GM, Stellantis and Ford, reporting multi-billion dollar impacts.

Fears of slowing sales, lingering trade policy uncertainty, and the 2021-23 price surge may be driving a more cautious pricing strategy.

*We expect car companies to look into options to increase production in existing US facilities rather than large investments

Global carmakers will act on new US tariff reality

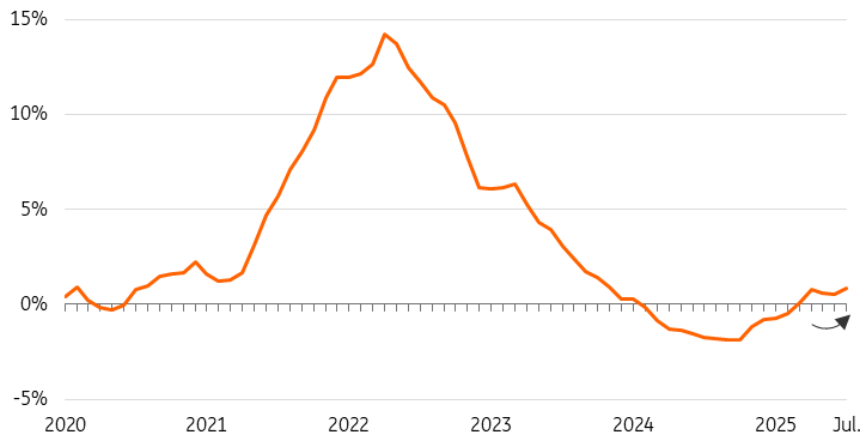
With tariffs now reduced to 15% for European, Korean, and Japanese car exporters to the US – and likely to remain in place for the foreseeable future – manufacturers can begin to adjust their strategies. We expect Original Equipment Manufacturers (OEMs) to reassess their pricing strategies, alongside product and production footprint adjustments, over the coming quarters and years.

Relatively low [utilisation rates](#) in the US automotive industry suggest that there is at least some spare capacity available. Carmakers may choose to expand capacity or restructure model production accordingly.

The term “production flexibility” featured prominently in many recent company reports, as policy uncertainty is still there. Manufacturers could opt to spread the cost burden over time and possibly across a wider regional footprint, which may help limit the overall impact. Nevertheless, car prices are still likely to respond, albeit with a delay. Combined with a partial reversal of previous frontloading, this dynamic is expected to weigh on second-half 2025 performance.

US car prices have barely risen since Trump's tariffs, but this is likely to change

US consumer price index for new autos, year-on-year



Source: GOV Bureau of Economic Analysis, ING Research

The Chinese market is evolving rapidly and so is the competitive landscape

For several automakers – including Mercedes and BMW – China is an even more important market than the US. However, the positions of European car makers are gradually eroding as the Chinese market shifts decisively toward electric vehicles (EVs).

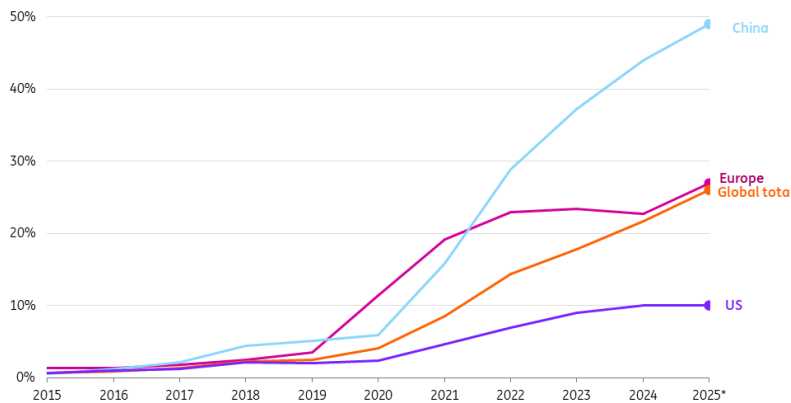
Dozens of EV-only players are competing aggressively, especially on price. In these market conditions, European brands remain particularly strong in (premium) internal combustion engine (ICE) vehicles.

Mercedes' share of Chinese unit sales declined to 33% in the first half of 2025, down from 36% in 2023, though the market remains critically important.

Model renewal and leveraging strategic partnerships – such as those with BAIC and Xpeng – may be part of the solution for Western car makers. Interestingly, Volvo Cars (owned by Geely) has managed to stabilise its Chinese market share at around 20%, possibly reflecting its stronger presence in the EV segment.

Increasing divergence in electrification across the world. China is way ahead

Share of electric vehicles (BEV + PHEV**) in total new car registrations per region



Source: BNEF, S&P, ACEA, ANL Gov, ING Research *forecast based on current regulations and plans **PHEV make up around 35% of global EV-sales

Growing global differences in electrification: US slows while China progresses

While geopolitical tensions persist, the EV gap between East and West is widening. EV adoption in the US is stagnating following the [termination of subsidies at the end of September](#) and the rollback of federal ambitions. In contrast, China has made significant progress, with EVs (BEVs + PHEVs) accounting for [45% of new car sales in the first half of 2025](#). Although fiscal support continues to drive adoption, and electrification is spreading across the driving population, the pace will likely slow. PHEV sales are also gaining traction. Nevertheless, we still expect the EV share to approach 50% for full-year 2025, with roughly two-thirds being BEVs. China's EV fleet is already nearing 15% of the total vehicle stock.

The policy reversal in the US will delay – not derail – the EV transition. The direction of travel remains clear, supported by ongoing corporate investment in EV technology and innovation. Ford's recent announcement of a newly designed EV platform aimed at reducing production costs is a strong example. Once EVs reach cost parity for more drivers, adoption is likely to become self-reinforcing. All in all, we expect the EV (BEV + PHEV) share to stall in the US in FY2025 after first accelerating before the deadline. Momentum has faded, though, and 2026 may even start with a weaker figure.

Germany is now driving Europe's progress on electrification

Europe continues to sit somewhere in the global middle when it comes to electrification. Although policy requirements to reach a 20% BEV share by 2025 [have been loosened](#), we

expect the BEV share for Europe – including the UK and EFTA – to reach 18-19%, with a total 27% share when including PHEVs. This is largely driven by a rebound in Europe's largest market, Germany, which had previously seen a correction following the termination of private subsidies.

The introduction of popular models such as the VW ID.5/7, BMW iX1, and the growing availability of more affordable small EVs have supported this recovery. PHEVs are also regaining popularity across Europe as an intermediate option for private consumers.

Another factor is the increasing visibility of Chinese brands, led by BYD, which are actively advertising and entering the European market. In addition, 35% of conventional new cars delivered in Europe in 2025 already include a battery, enabling greater efficiency and fuel savings.

European regulatory framework supporting electrification

In Europe, the regulatory framework continues to drive electrification, albeit with increased flexibility. The automotive strategic plan grants carmakers an additional two years to comply with the 2025 CO₂ standards. Meanwhile, [lobbying efforts](#) persist to adjust the final goal of a full transition to EVs by 2035, citing lagging private consumer demand and the fact that EV sales remain less profitable.

At the same time, long-term competitiveness and climate targets require continued regulatory support and the introduction of more affordable, smaller EV models. The European Commission is also considering measures to accelerate the electrification of corporate fleets, which already account for more than 60% of new vehicle sales.

Battery-only players lead the EV market, but other global carmakers are catching up

EV-only brands like BYD and Tesla (despite headwinds) still lead EV-market globally, but several traditional automakers are making progress – even under margin pressure. Volvo and BMW are among the frontrunners, with BEVs accounting for 20% and 18% of their new global vehicle sales, respectively, in the first half of 2025. This compares to a global average BEV share of around 15%. The Volkswagen Group is also moving forward, with a global BEV share just over 10.6% in H1 2025, and a significantly higher share in Europe.

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