



Automotive: Breakups and new partners

President Trump has been throwing around new threats of tariffs on vehicles. The tariffs introduced so far have hit no German sector as hard as the automotive industry; signs of recovery have vanished. The relationship problems with key markets in the US and China are painful. The chances of a fresh start lie within Europe, the promotion of electric cars and new sales markets.



Adrian Keppler
Sector Analysis
T +49 69/91 32-41 83
adrian.keppler@helaba.de

Who hasn't been there? You refuse to take part in hostilities in the Middle East, and suddenly your own key industry is facing **new tariff worries**.

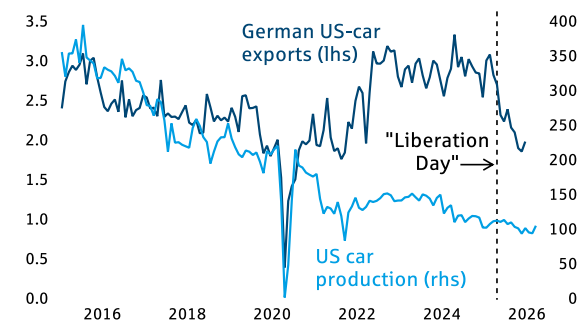
This is roughly how one might summarize what US President Trump has threatened under the pretext of alleged breaches of the EU's obligations. Vehicles from the EU are to be subject to 25% tariffs, rather than the 15% agreed in the 'trade agreement'. Whether this will actually come to pass is, like so much else at the moment, unclear and could look very different by tomorrow. Nevertheless, we are taking this potential threat as an opportunity to take a look at the German **automotive industry**¹, analyze the impact of tariffs to date, and place this within the broader context of the sector's situation.

One year of US tariffs: an unwelcome interim assessment

US tariffs have had a greater impact on the automotive sector than on other industrial sectors (see rhs chart). From April to December 2025, German car exports to the US were 26.4% below the previous year's figure. This is not a problem specific to Germany: overall, US imports in the automotive sector fell by 12.2%, although Germany, with a share of US imports of around 7.9% (as of 2024), contributed only about two percentage points directly to this decline. As a result, the trade deficit in the automotive sector – which the Trump administration had sought to reduce – did indeed narrow. However, there are no signs of a strengthening of the domestic US car industry: neither did US car exports increase, nor did production show any noticeable recovery (see lhs chart). The intended 'reindustrialization' of the US car industry has therefore not materialized so far.

US tariffs are weighing on German car exports...

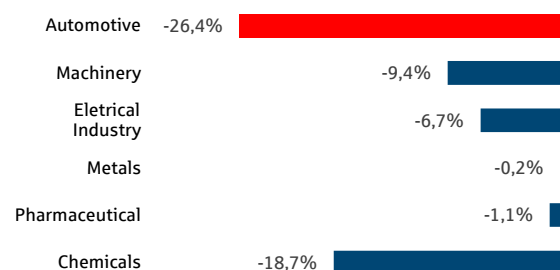
Billion euros (left), in thousands of units (right), seasonally adjusted



Sources: Macrobond, Helaba Research

...significantly more so than in other sectors

German exports to the US, Apr–Dec 2025 vs. previous year



*FY 24/25, **FY 26/27

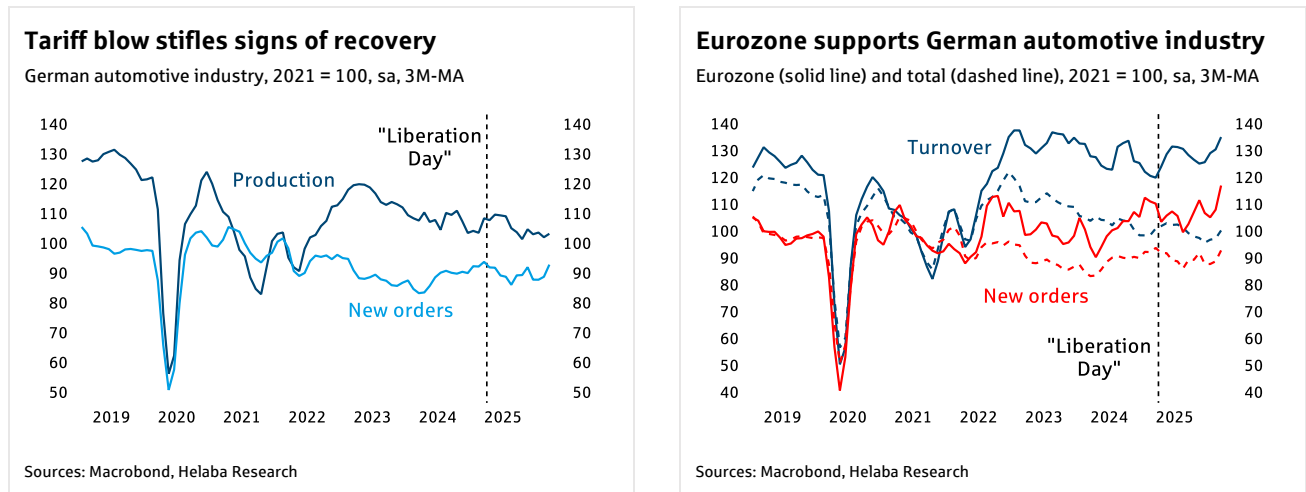
Sources: Macrobond, Helaba Research

¹ We adopt an economic sectoral perspective. This focuses on production in Germany, exports from Germany and global turnover generated by German production.

Whilst foreign direct investment in the US – such as the planned production of the Mercedes GLC – could, in the long term, deliver the results the administration is seeking, there is little to be gained here in the short term; and, given past experience, a 25% tariff is likely to place a further strain on German car exports and corporate profits.

Tariffs dampened the economic recovery – Europe steps in to help

The **first round of tariffs imposed by the second Trump administration** had already hit the sector at an **inopportune moment**. Following the low point in March 2024, new orders had recovered by 12.6% within a year, and in the first half of 2025, production also picked up by around 10%. However, with the introduction of tariffs on ‘Liberation Day’, this momentum came to a halt: since then, both order intake and production have remained at a low level, moving sideways. Employment has once again continued its downward trend since April 2025, falling by 27,700 to a current total of 711,320 employees.



The **eurozone has been the main source of support recently**: since the end of the pandemic, order intake there has grown at a significantly faster rate than in Germany and in the non-eurozone. In 2025, it averaged 8.4% above the pre-crisis level of 2019. Although price-adjusted turnover has been moving sideways, it stood at pre-crisis levels in 2025, whilst overall figures were 15.2% below those levels. Admittedly, the automotive industry generated only 21% of its turnover in Europe in 2025.² Nevertheless, the **geographical and geopolitical proximity of the European sales market**, as well as its **economic significance**, mean that the European market will be the bright spot for exports, particularly in the medium term. On the domestic market, the switch to electric vehicles and the new electric car subsidy are likely to provide additional impetus in the coming years.

Fuel prices, electric car subsidy, mobility transition: Is an economic stimulus on the way?

The trend in German new vehicle registrations already clearly points to the technological direction (see chart on p. 3, lhs), and the new **electric car subsidy** is intended to channel government funds into the automotive industry.³ Since the start of the year, a subsidy of up to 6,000 euros per car has been available for the purchase of battery-electric vehicles, plug-in hybrids and range-extender hybrids, with a total budget of three billion euros. For the struggling sector, this could **provide a much-needed economic boost**.

However, this boost is coming at a time of **difficult economic conditions**. The price hikes triggered by the war in Iran and the gloomy consumer sentiment are dampening demand – particularly for durable consumer goods such as cars. However, this is counterbalanced by the pressure to act: high fuel prices and memories of the 2022 energy crisis are likely still fresh in the minds of many consumers and strengthen the desire for independence from fossil fuels. Furthermore, there was previously an electric car subsidy, which was unexpectedly scrapped at the end of

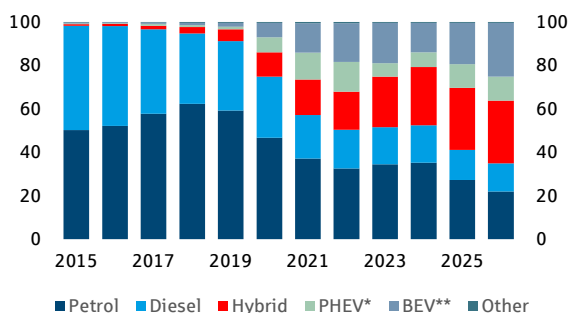
² As mentioned at the outset, the data relates to Germany as a production location. If German companies manufacture vehicles in other European countries and ship them from there, this is (mostly) included in the production figures for the respective country.

³ 100 billion euros of the infrastructure fiscal package is to be channelled into the Climate and Transformation Funds. This creates fiscal leeway in the budget to finance projects such as the electric car subsidy.

2023 due to budgetary disputes: potential buyers are therefore likely to be aware that postponing their purchase could prove more expensive should the subsidy be withdrawn again. Against this backdrop, the **subsidy now introduced could mobilize additional demand, which is then likely to be almost entirely accounted for by alternative powertrains**. Public acceptance of electric vehicles is also rising, as shown by new registrations. The ongoing expansion of the charging infrastructure (see rhs chart) is helping in this regard, even though there is still a need for action and, above all, regional discrepancies remain.

Share of EV registrations expected to grow further

New passenger car registrations in Germany, %

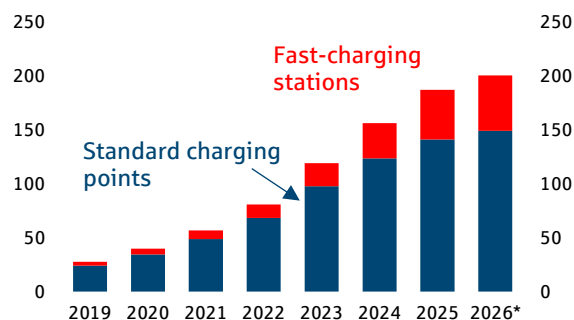


*Plug-in hybrid, **Battery electric

Sources: Macrobond, Helaba Research

Progress in the expansion of charging points

Number of charging points, thousands



Sources: Federal Network Agency, Helaba Research

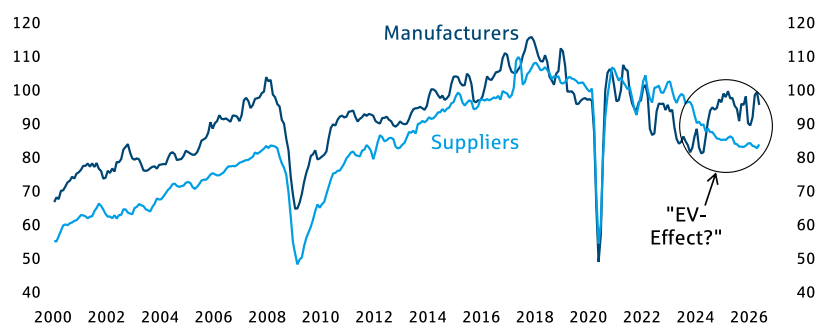
Are manufacturers and suppliers facing structural decoupling?

The mobility transition nevertheless presents the industry with challenges. In addition to high investments that have yet to pay for themselves, **value creation in electric vehicles is less closely linked between manufacturers and suppliers**. This is partly because electric motors contain fewer components and the battery – as the key driver of value creation – is predominantly produced in Asia. According to the International Energy Agency (IEA), China dominated global production capacity in 2024 with just under 85%. China has advantages over Germany not only in final manufacturing but also in relevant raw materials such as lithium and graphite.

This reorganization of value chains may lead to a **structural decoupling of manufacturers and suppliers**, which has already been evident in diverging order intake figures since spring 2024: temporary increases in the manufacturer segment have been offset by a continued decline in supplier orders.

Suppliers have not recently benefited from manufacturers' new orders

New orders in German automotive industry, 2021 = 100, seasonally adjusted



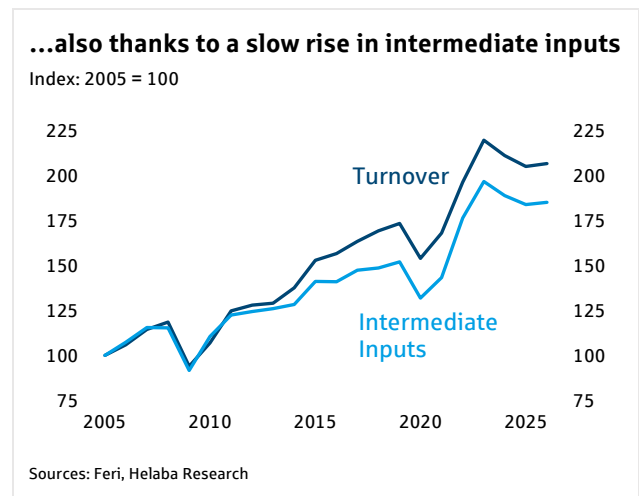
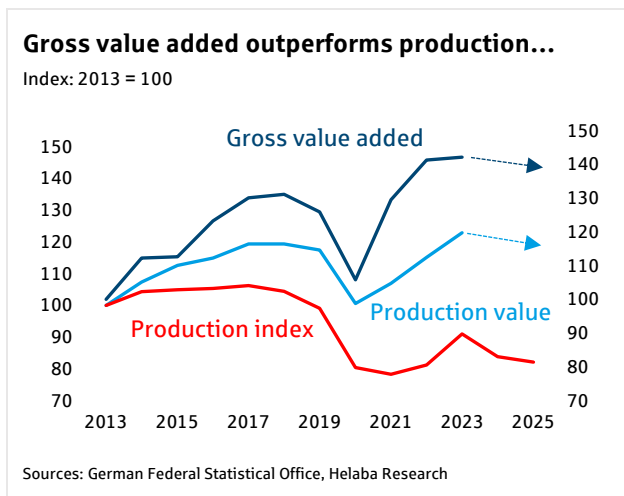
Sources: Macrobond, Helaba Research

The **outlook for suppliers is therefore mixed**: companies specializing particularly in internal combustion engines are under pressure, whilst diversification – for example into military vehicles – may offer opportunities. Crucial for the sector is, in particular, the establishment of local battery production in order to maintain industrial integration and, above all, value creation in the new propulsion technology to the greatest possible extent.

Batteries and vertical integration will shape value-added trends

For it is not so much in production as in **gross value added** that the coming years will reveal whether the sector can successfully adapt to structural changes and location-related challenges. As we pointed out in our [last Automotive Focus](#), the standard production index – which primarily reflects physical manufacturing – does not adequately capture the sector's situation.

Like the industry as a whole, the automotive sector in particular has increasingly relied on **hybrid production models** since the 2010s. These include product-related services and the outsourcing of low-margin manufacturing steps, whilst research and development were stepped up at the home base and licence revenues were generated. As a result, the *production value* – which encompasses all forms of value creation – has grown more dynamically than the physical *production index* (see chart).



Gross value added, which is calculated as the value of production minus intermediate inputs, rose even more sharply. However, due to the decline in physical production, a slowdown is also likely to have been observed recently in both the value of production and gross value added⁴, albeit to a lesser extent. Another reason for the stronger growth in gross value added is that the **sector's intermediate consumption has risen at a slower rate than turnover since the 2010s**.

In future, the sector's gross value added – and thus its contribution to Germany's gross domestic product – will depend on the extent to which Germany remains dependent on imported batteries as its fleet becomes increasingly electrified, and on how vertical integration and interconnectivity at the production site develop. **Continued dependence on imports**, coupled with a rising share of electric vehicles, would *ceteris paribus* increase intermediate inputs and consequently weigh on domestic value added.

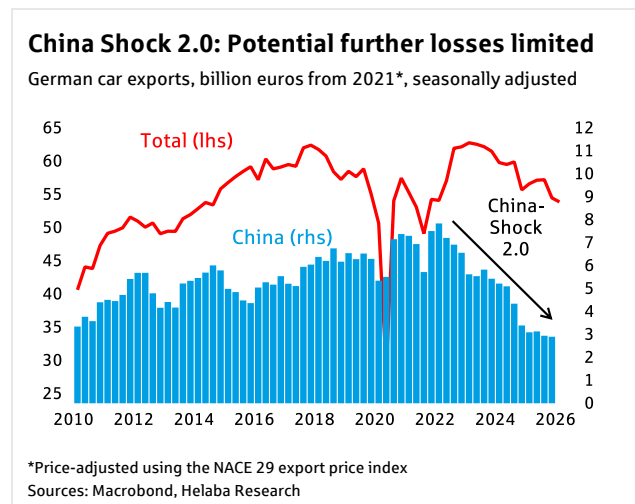
Pains of separation in the East, with some relief

In the short term, the sector is benefiting from the fact that the effects of the 'China Shock 2.0'⁵ on the Chinese market are easing somewhat. For years, exports, production and sales in the People's Republic were a key growth driver for the sector, leading to a veritable boom. With the **rapid rise of the Chinese automotive industry** – driven by technological progress, automation and massive state support – German dominance came to an abrupt end, and German exports plummeted (see chart on p. 5). Exports to the People's Republic are now stabilizing at a low level, meaning that this shock is at least losing momentum. To paraphrase the saying: when there isn't much left, there isn't much more to lose. This suggests less downward pressure on the sector's growth rate but does not indicate a return to the levels of earlier times.

⁴ Due to the delayed publication, this data is only available up to 2023 – another reason why it is taken into account less frequently.

⁵ See our Focus: ['How is China Shock 2.0 affecting German industries?'](#) dated 17 September 2025.

After all, **growth potential remains limited even in the long term**. The 'China Shock 2.0' is having an impact not only directly within the People's Republic, but also in third countries: Chinese manufacturers are increasingly gaining market share in the electric vehicle segment outside China. A study by **Dezernat Zukunft** has recently highlighted the scale of this trend once again. Whilst China exported virtually no vehicles in 2002, the figure has since risen to around six million passenger cars. The number of German passenger car exports fell from six to four million. As a result, the German automotive industry is not only losing what was once its most important sales market but is also facing growing global competition – **its era as the dominant supplier is over for the time being**.



Conclusion: Short-term tailwind, but creativity is needed in the long term

Despite the second China shock subsiding and the new electric car subsidy scheme, **production growth is likely to remain moderate at around 2% in 2026**. Persistent market losses in China and burdensome US tariffs are met with a lack of counter-strategies, as the industry has relied too long on stable sales markets in the East and West – the separation from these partners has been, and remains, painful. The structural outlook therefore remains subdued, with no high growth rates in sight.

In the long term, **new markets** such as the Mercosur countries and India may open up additional opportunities, but only with very limited short-term effects. As early as the start of the year, we emphasized in a study that whilst new trade agreements lay important foundations, **they are unlikely to provide any noticeable impetus in the first few years**.⁶

In the short to medium term, the greatest potential for the sector lies in **stronger domestic demand and in the further integration of the European single market**. A clear commitment to open markets remains crucial in this regard. However, Europe must recognize that global competition – particularly in light of China's industrial policy and structural cost advantages – does not function entirely according to traditional market rules. Reductions in energy costs, as well as lower taxes and levies, can help to remedy this situation, but will not be sufficient in the automotive sector. Strategic industrial policy approaches, including those from the European side, can help to secure competitiveness and technological sovereignty. However, the industry must not be absolved of its responsibility: after years of predominantly incremental progress, the industry must show greater courage in pursuing innovative initiatives and, above all, be more determined in realizing economies of scale in the electric vehicle segment.

⁶ See our Focus: **"Mercosur under the microscope: significance and opportunities for Germany"** dated 17 February 2026 (available in German language only).



You can subscribe to our newsletter here:

<https://news.helaba.de/research/>

Publisher and Editorial

Helaba Research

Editorial:

Dr. Stefan Mitropoulos

Responsible:

Dr Gertrud Rosa Traud

Chief Economist/

Head of Research

Neue Mainzer Str. 52–58

60311 Frankfurt am Main

T +49 69 / 91 32 – 20 24

Website: www.helaba.com

Disclaimer

This publication has been compiled with the utmost care. However, it contains only non-binding analyses and forecasts regarding current and future market conditions. The information is based on sources which we consider to be reliable, but for which we cannot guarantee the accuracy, completeness or timeliness. All information provided in this publication is for information purposes only. It must not be construed as an offer or a recommendation regarding investment decisions.