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North America Automotive Outlook

The Air is Thinner, but Not Gone: Low Growth & High Uncertainty

Collin Shaw, President, MEMA Original Equipment Suppliers

WHO WE ARE, WHAT WE DO

OUR MISSION

We exist to champion and advance the business interests of vehicle suppliers and the mobility industry.

WHAT WE ASPIRE TO BE

OUR VISION

We want to foster a growing, profitable, innovative, and influential supplier industry and an association that is vital to our members' success.

Vehicle Suppliers Are

A Big Part

Economy ◆ Supply Chain ◆ Job Growth

Communities ◆ Everyday Life

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The Vehicle Suppliers Association

Largest Manufacturing Segment in the United States

50 States

Vehicle suppliers operate in all 50 States.

930k+ Jobs

Today, compared to 734k vehicle supplier jobs pre-2015.

303M Vehicles

Every vehicle on the road depends on parts built by suppliers.

2.5% of U.S. GDP

The impact of the vehicle supplier industry.

484.5B Parts

The number of parts needed each year to build every new vehicle in the U.S.

Key Themes of the Presentation

Where We Are:

- Macro-Economy
- Supplier Health
- Customer Affordability
- Production

Industry Chokepoints:

Where's the Oxygen gone?

- Labor
- Automation
- Re-shoring
- Policy Uncertainty

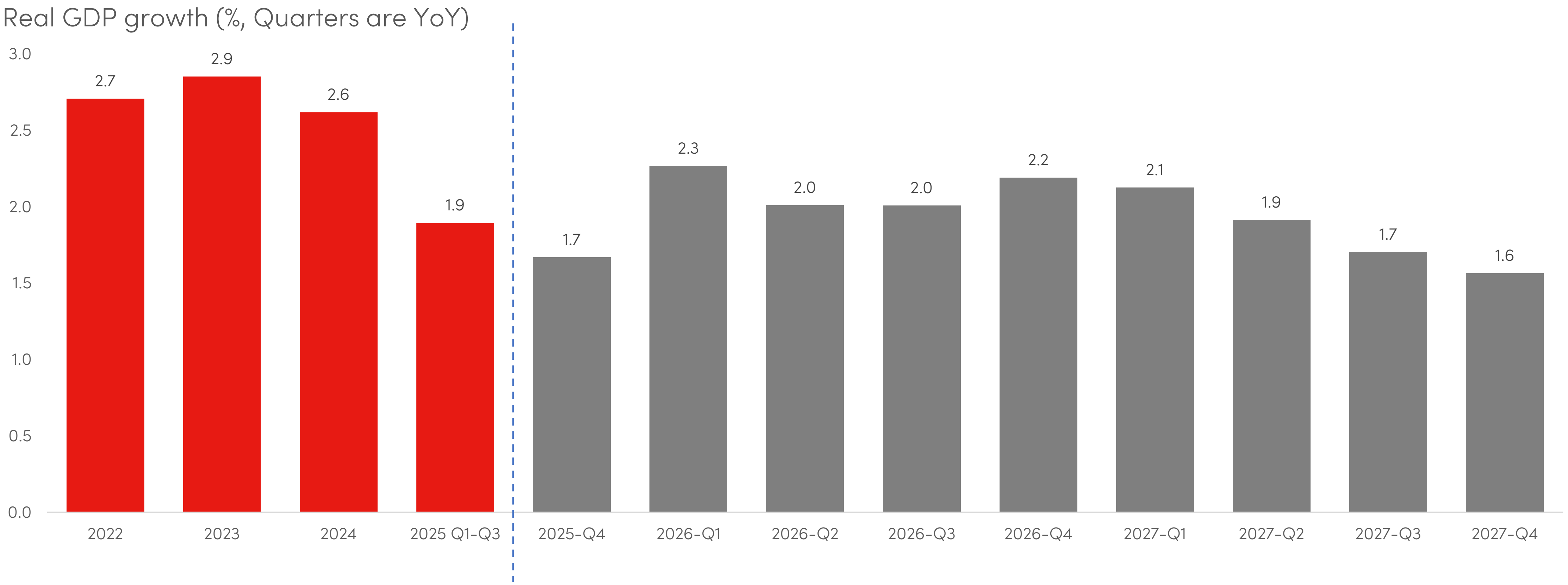
Adding the Oxygen to Compete

What would it take to get some breathing room:

- Stability
- Affordability
- Targeted Policy

Where We Are

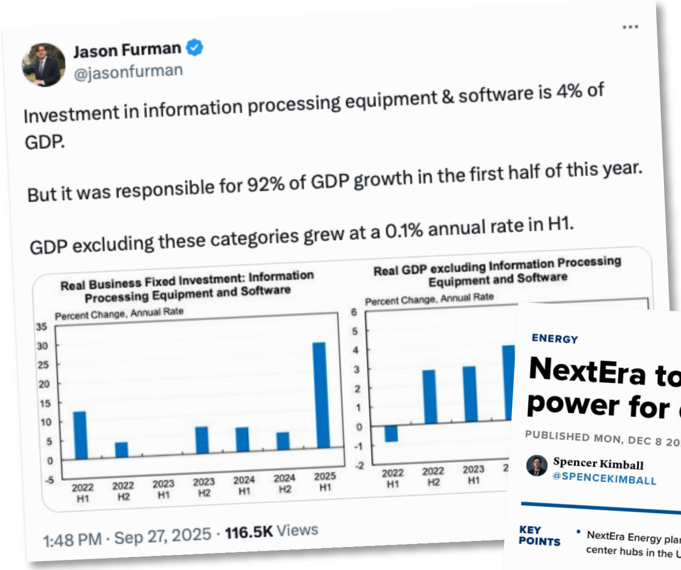
U.S. Economic Growth is Positive

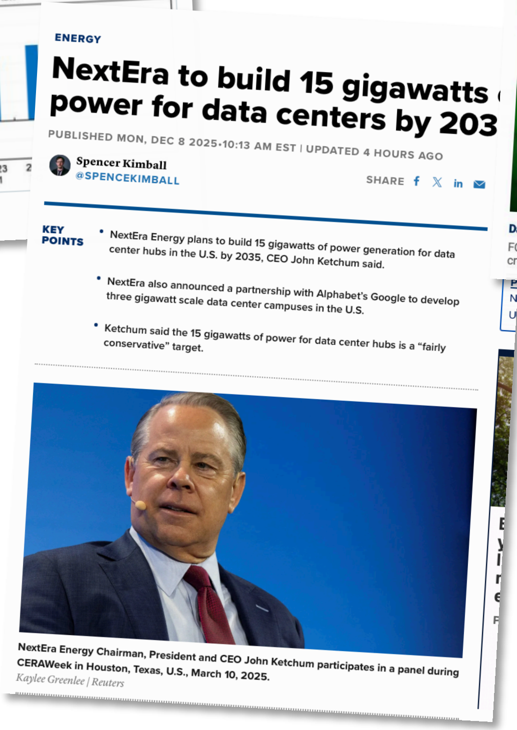


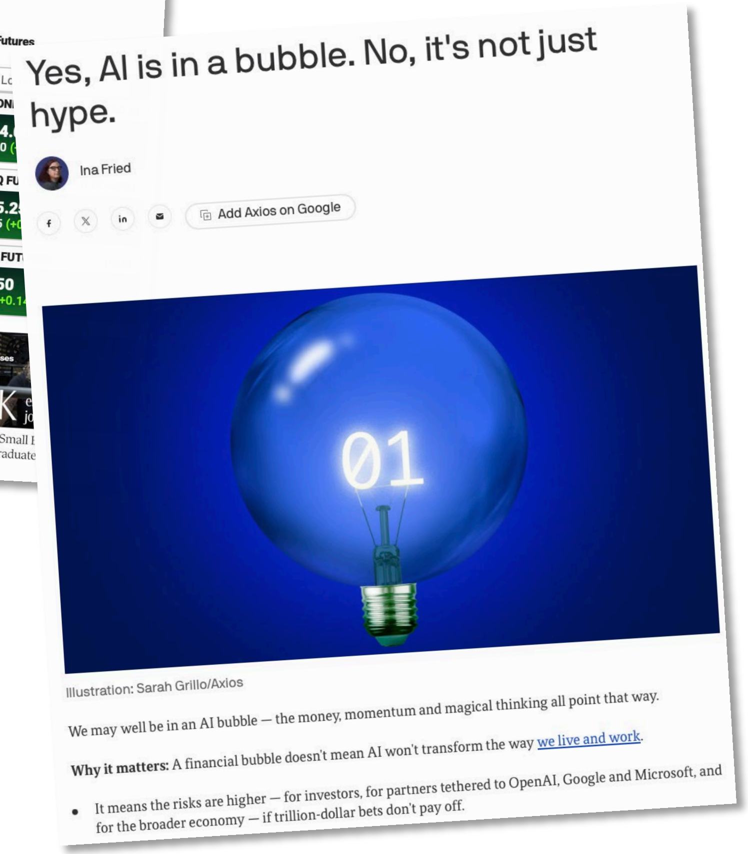
US Economic Growth has been positive, but what is beneath the growth?

Source: S&P Global Mobility

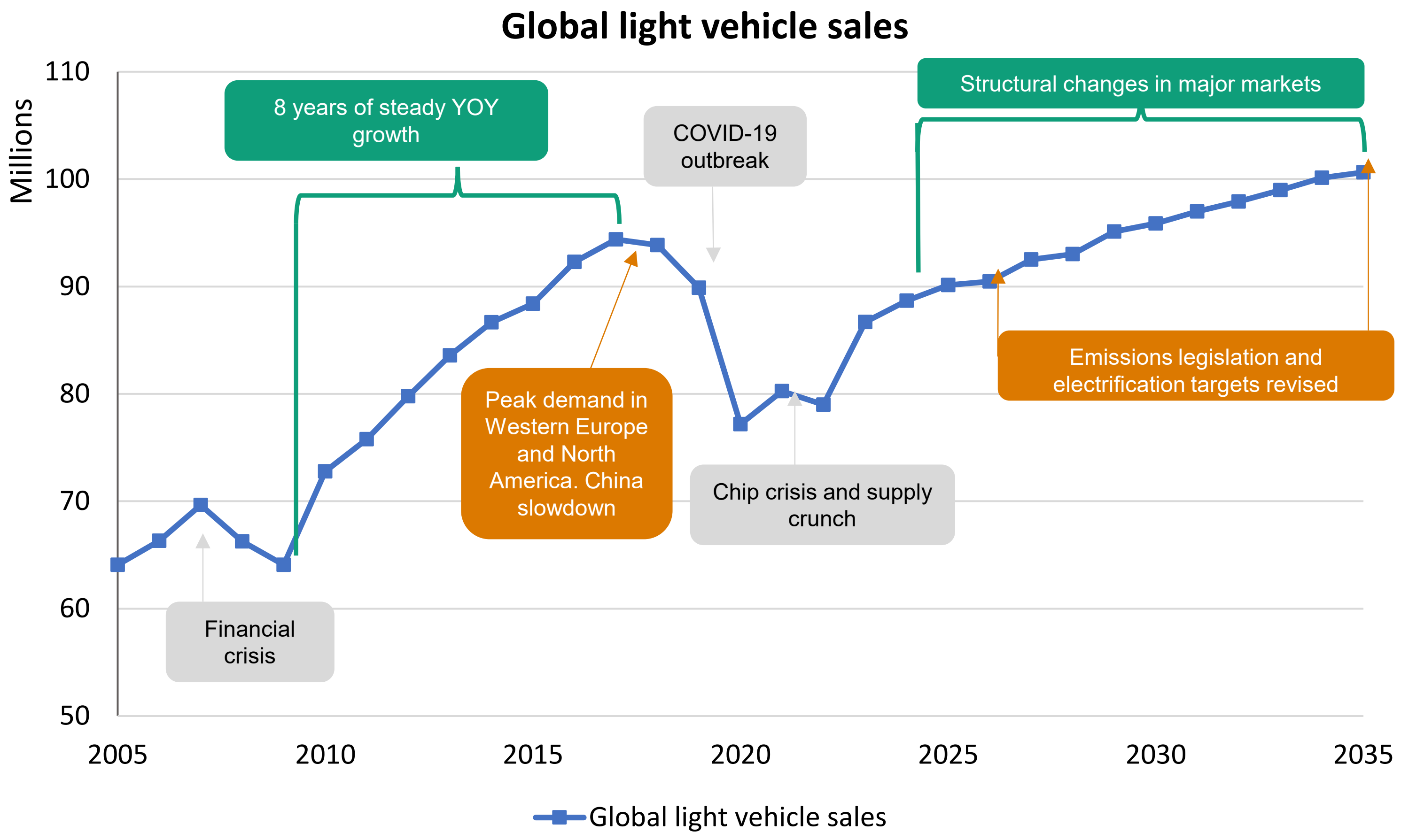
Data Centers & AI Driving Economic Growth, Not MFG.







The Air is Thin, But Not Gone Globally



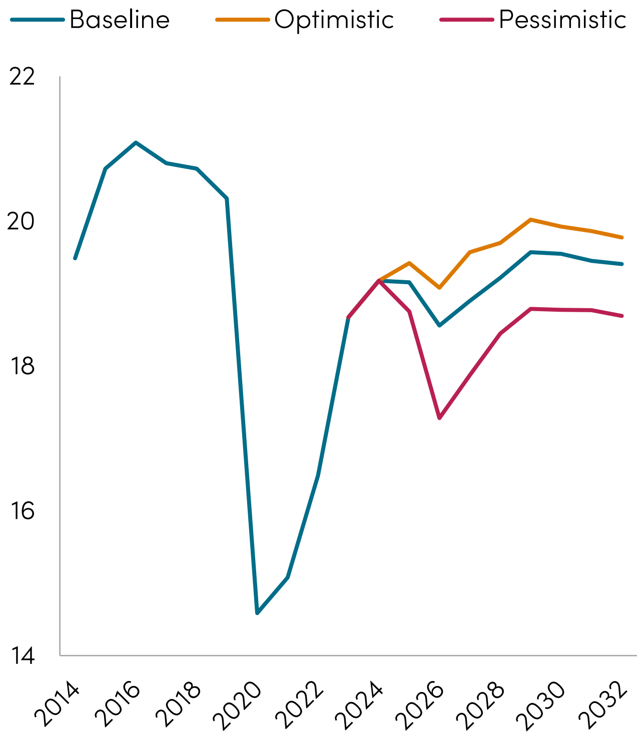
Region	Growth 2025–35 (millions)	CAGR 2025–35
ASEAN	**1.9**	**4.8%**
Central Europe	0.1	0.7%
East Europe	0.7	1.8%
Greater China	**1.9**	**0.7%**
Indian Subcontinent	**2.9**	**4.6%**
Japan/Korea	-0.4	-0.7%
Middle East/Africa	0.8	1.6%
North America	0.1	0.0%
Oceania	0.03	0.2%
South America	**1.7**	**3.2%**
West Europe	0.4	0.3%

Data compiled Sept. 11, 2025.
CAGR = compound annual growth rate.
Source: S&P Global Mobility.

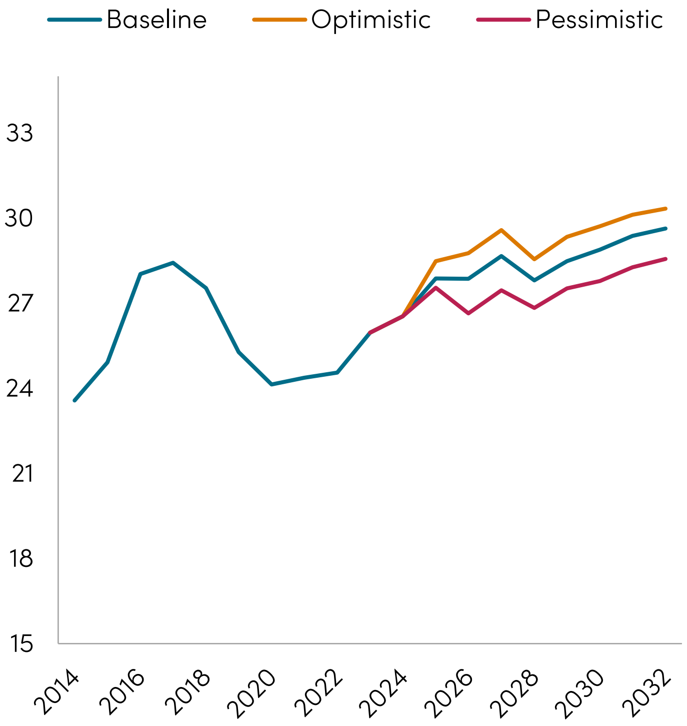
Demand & Production: Global Scenarios

The Air is Thinner, Not Gone: Plan Using Scenarios

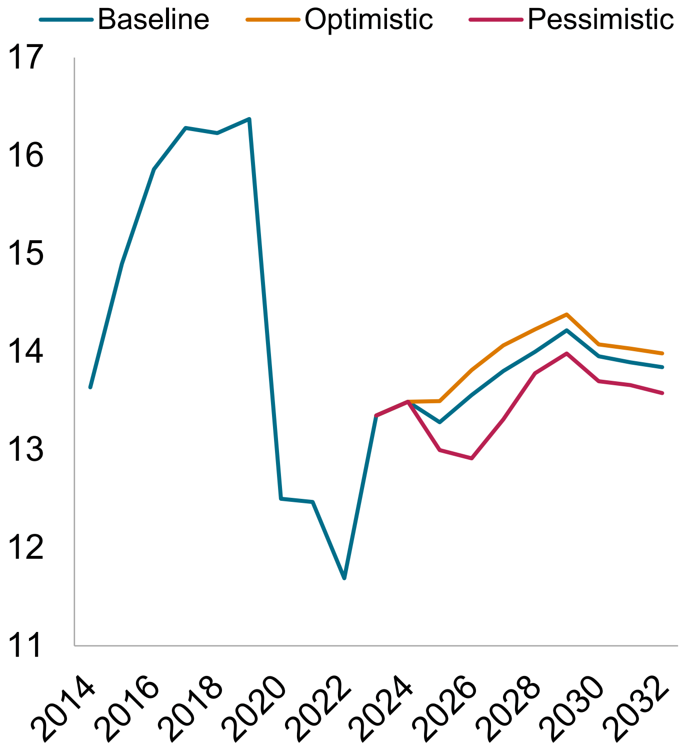
North America light vehicle sales (millions)



Greater China light vehicle sales (millions)

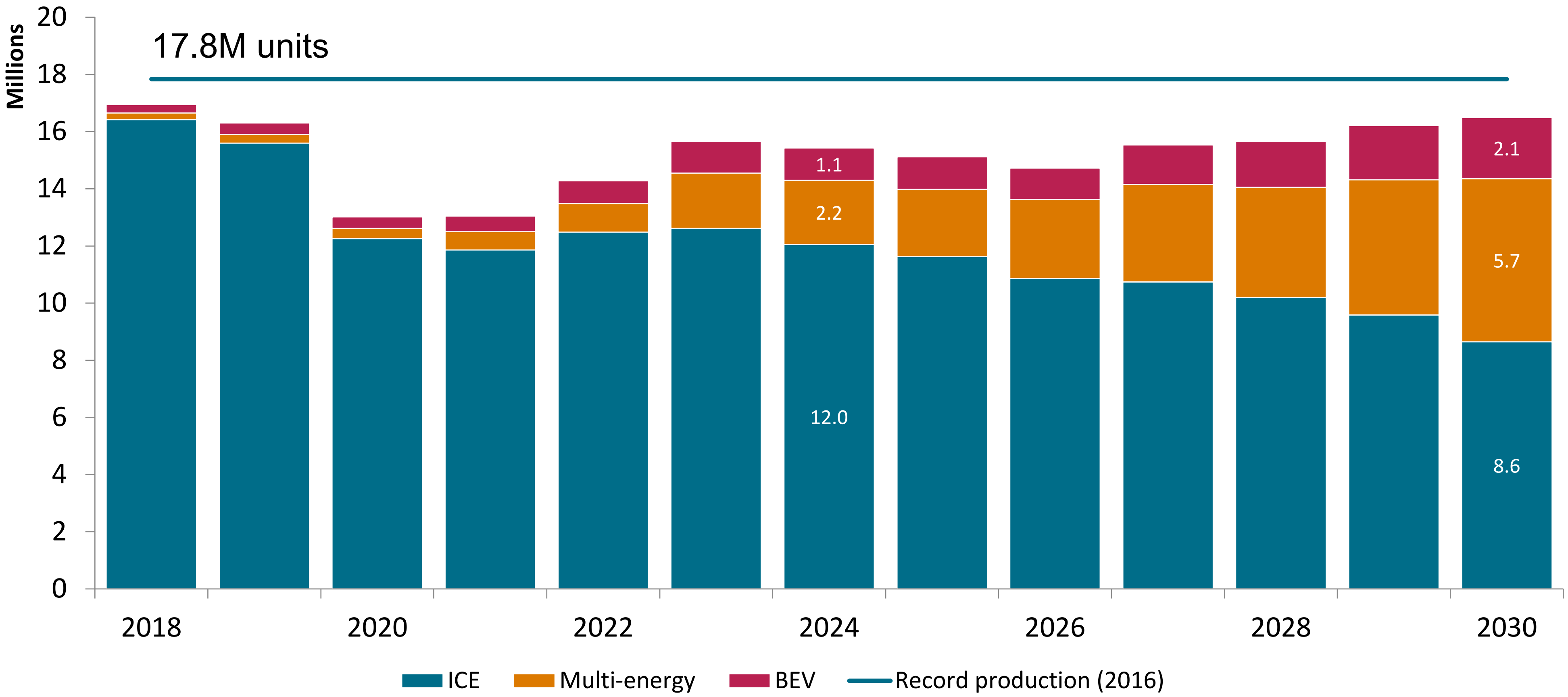


West Europe light vehicle sales (millions)



Data compiled Nov. 3, 2025.
Source: S&P Global Mobility.

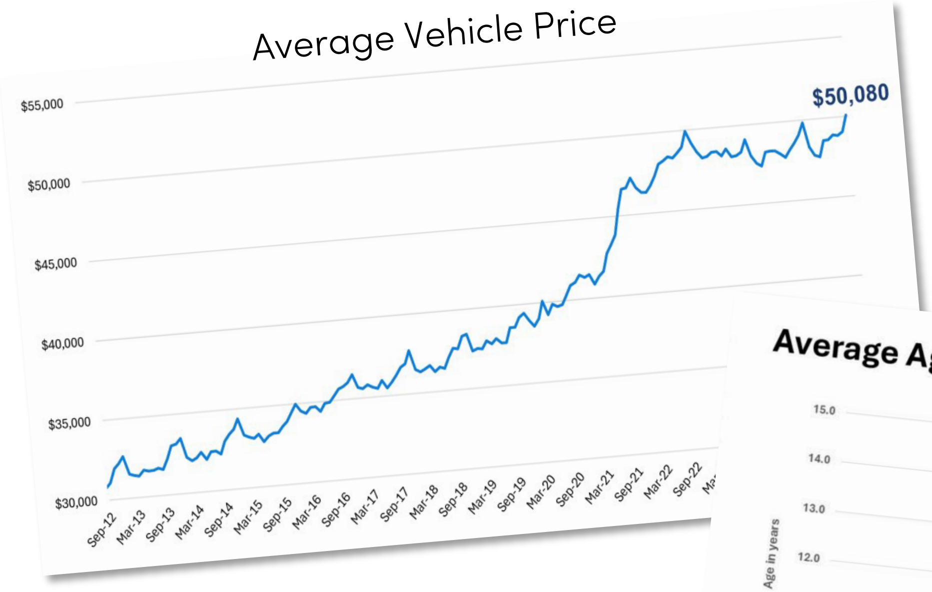
U.S. Production: Low Growth, High Uncertainty

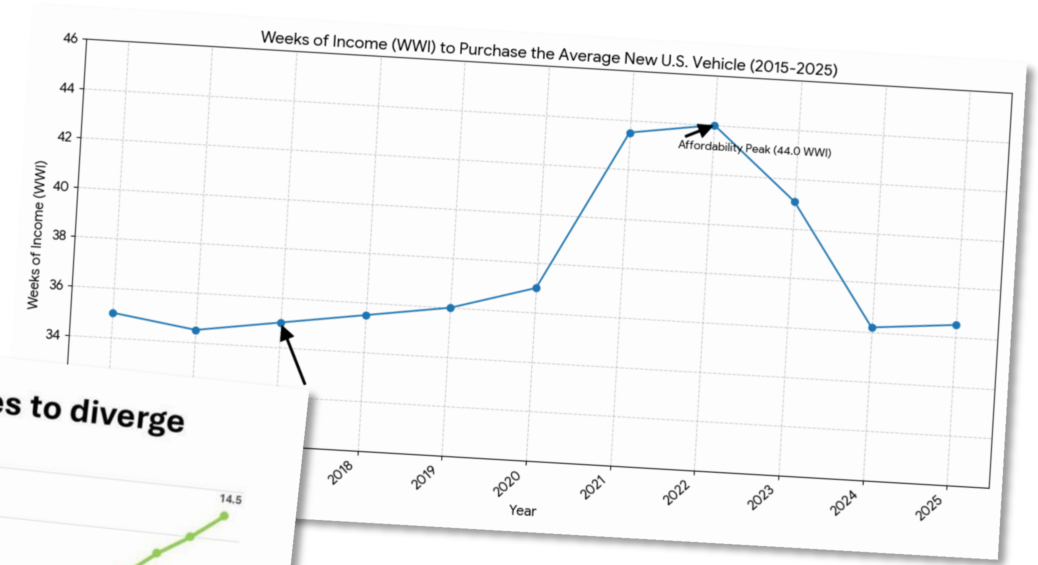


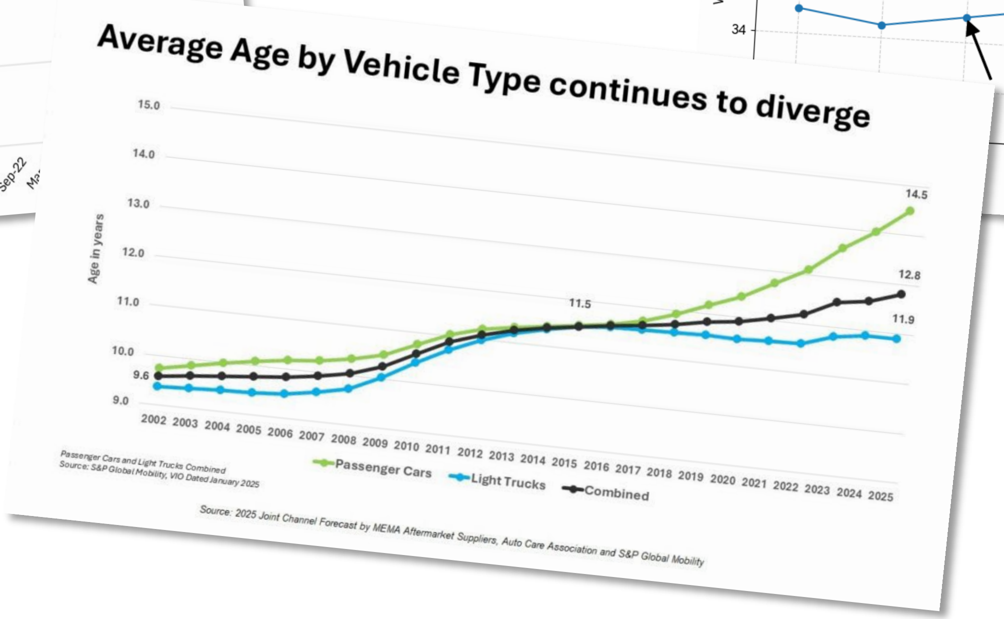
Uncertainty caused by trade policies driving costs and powertrain mix between administrations

Source: S&P Global Mobility

Automotive Consumers at a Tipping Point







Automotive market has been resilient in 2025, but mixed signals make forecasting difficult

Industry Chokepoints: Where’s the Oxygen gone?

Beneath the Chokepoint: Uncertainty & Competitiveness

3 Key Areas

Driving Uncertainty and Cost Pressures in the Supply Chain

Continuously Changing Tariff Regimes

Lack of Clarity around USMCA

Emissions Landscape

4 Key Areas

Required for U.S. Competitiveness

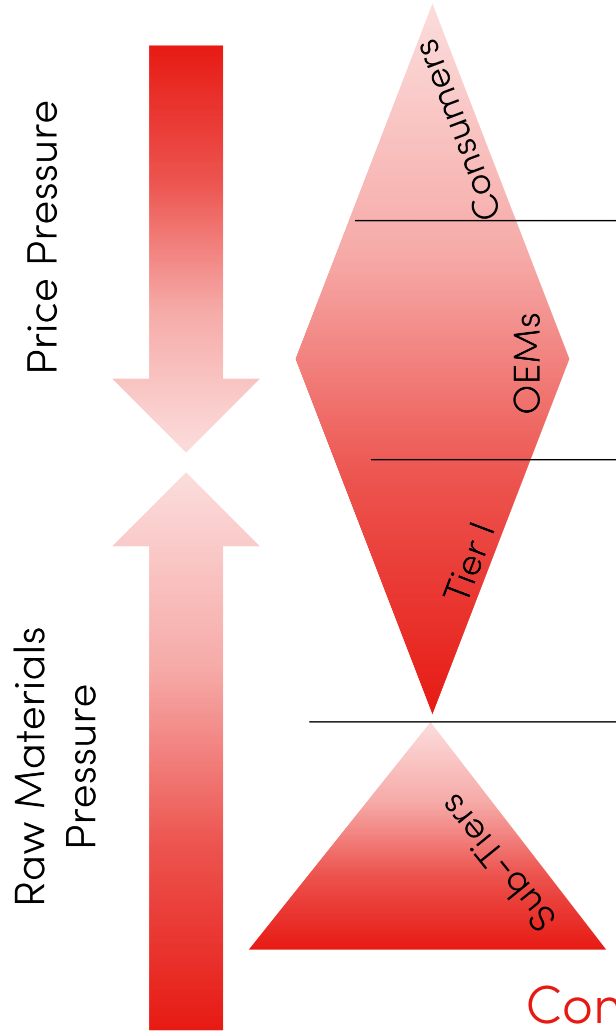
Labor

Automation

Upstream Bottlenecks

Supply Chain Resilience

Two Market Chokepoints: Consumers, Sub-Tiers



Consumers are Not Able to Keep Pace with Rising Prices
- Consumers on the sidelines hoping for price relief
- Lack of affordable vehicles in the right segments
- Wage growth starting to keep up, but need interest rate help

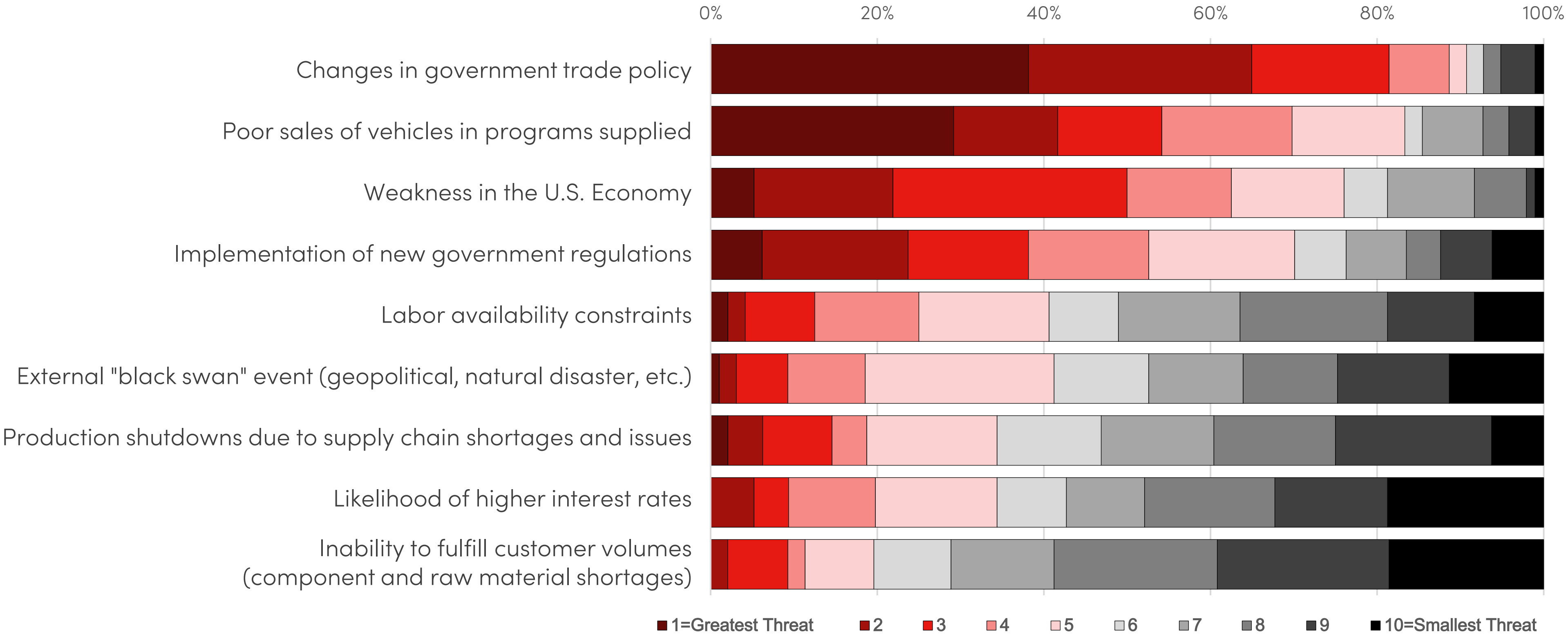
OEMs are Pressured from Customers, Competition & Supply Chain
- Defend Market Share, Profitability & Cashflow
- Supply Stability, & maintaining cost control with tariffs
- Be more like China…Speed, Agility, Commonization

Tier Is: Sandwiched in the Middle…
- Heavy EV/ADAS Capex Burden
- OEMs pursuing more localization & cost risk down the Chain
- More Exposed to regulatory swings
- Sub-tiers passing along costs

Sub-Tiers: There are Benefits, but not Capitalized to Capture…
- More benefit from reshoring; quoting up 2–3× in some categories
- But under-capitalized and labor-constrained
- Working capital constraints weakening balance sheets
- Limited access to incentives and automation funds

Consumers need to purchase vehicles, but it is suppliers that drive the U.S. manufacturing engine!

Suppliers Confirm, Uncertainty Greatest Threat



	Q3 '25	Q2 '25	LV	CV
Changes in government trade policy	2.6	2.8	2.6	2.4
Poor sales of vehicles in programs supplied	3.5	3.3	3.7	3.3
Weakness in the U.S. Economy	4.1	4.0	4.3	3.5
Implementation of new government regulations	4.7	4.7	4.8	4.3
Labor availability constraints	6.3	6.2	6.2	6.5
External "black swan" event (geopolitical, natural disaster, etc.)	6.5	5.8	6.4	6.6
Production shutdowns due to supply chain shortages and issues	6.5	5.6	6.3	6.8
Likelihood of higher interest rates	6.9	6.0	7.0	6.7
Inability to fulfill customer volumes (component and raw material shortages)	7.5	7.0	7.3	7.5

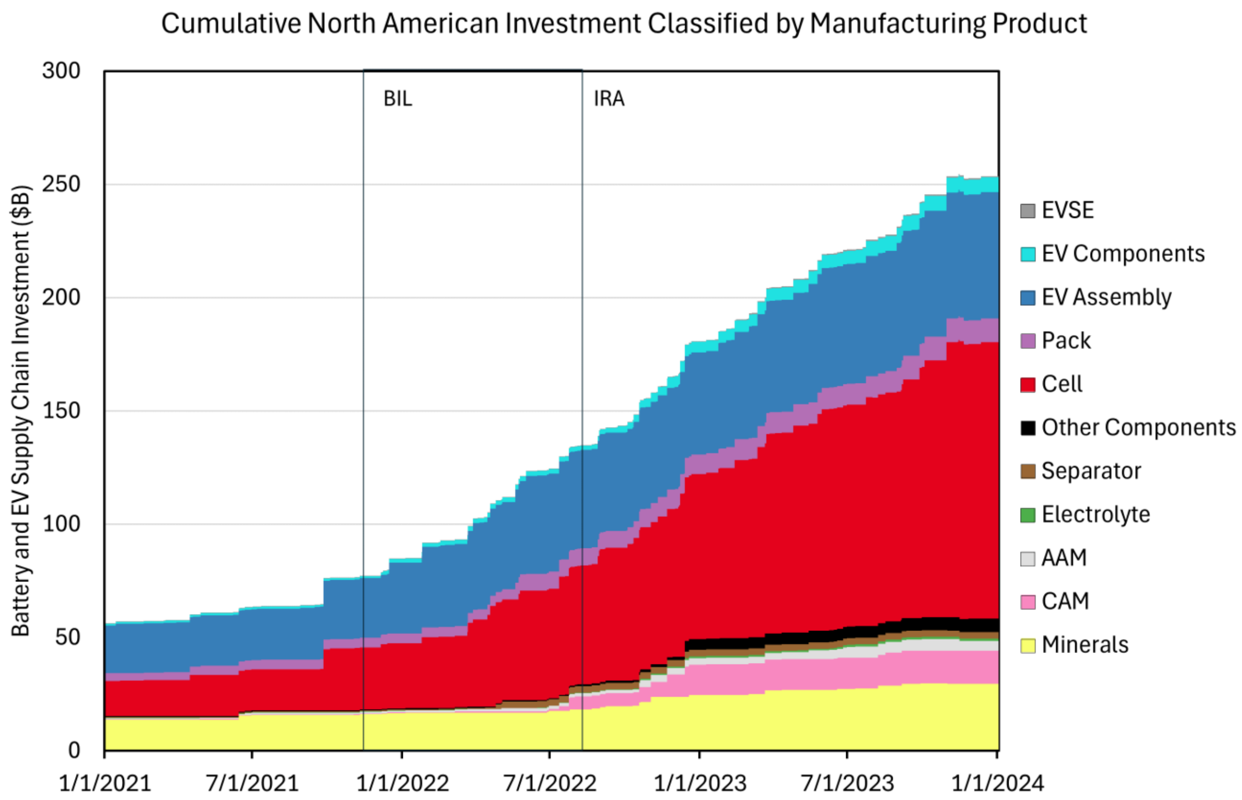
Source: MEMA Supplier Barometer

Changes in government trade policies remains as the greatest threat to the industry over the coming 12-months. The risk associated from "black swan" events, higher interest rates and supply chain disruption moderated from Q2.

Supply Chain Needs Stability & Strong USMCA

1. Protect the USMCA status quo
2. Predictability beats surprise
3. North American competitiveness is regional
4. Incentives, not just tariffs
5. Reality check on the BoM
6. Tariffs & USMCA are inseparable in practice
7. Cash-flow pain is real
8. SMEs are most exposed

Emissions Rules Changes, Needed, but Hurt



Total Global Commitments: Over $1.2 trillion pledged for the EV transition, with substantial increases noted since early 2023.

Regional Breakdown:

- **United States:** ~$312 billion committed, with over $223 billion already allocated to specific projects.
- **Europe:** ~$346 billion committed.
- **China:** ~$243 billion expected.
- **North America Growth:** Cumulative investment in the battery and EV supply chain surpassed $250 billion by late 2023

Suppliers Must now find a way to re-deploy capital spent on EV projects, realizing that some of it will be lost

Source: U.S. DOE

Beneath the Chokepoint: Uncertainty & Competitiveness

3 Key Areas

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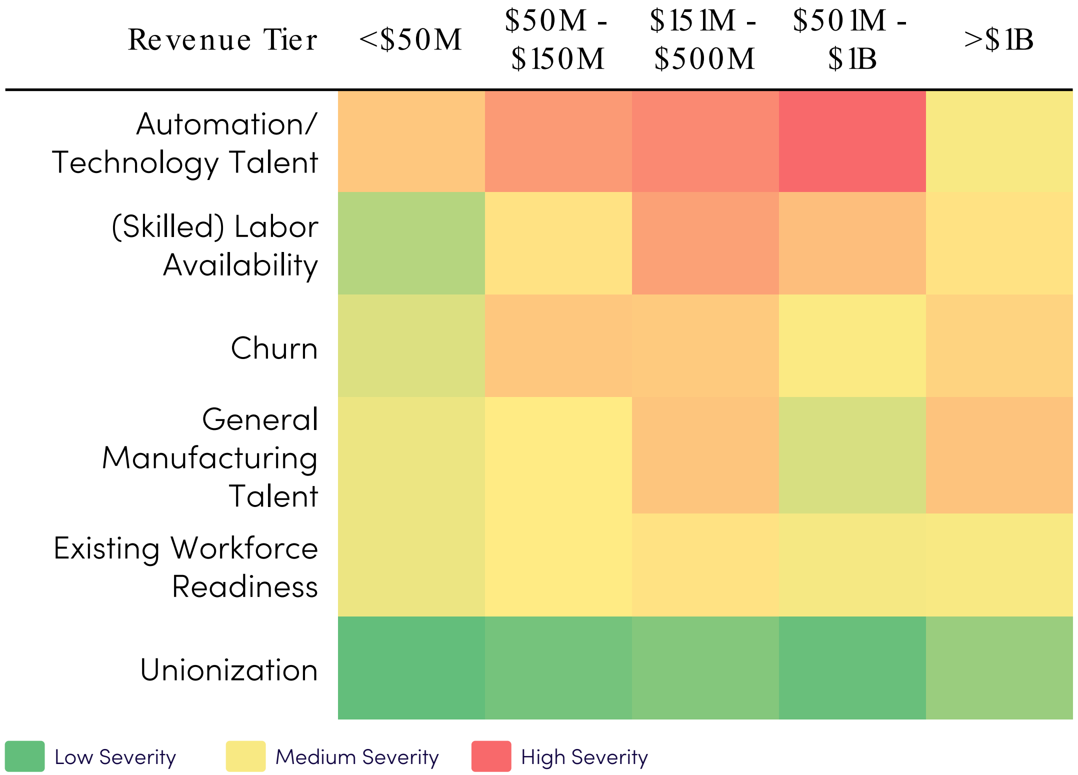
Upstream Bottlenecks

Supply Chain Resilience

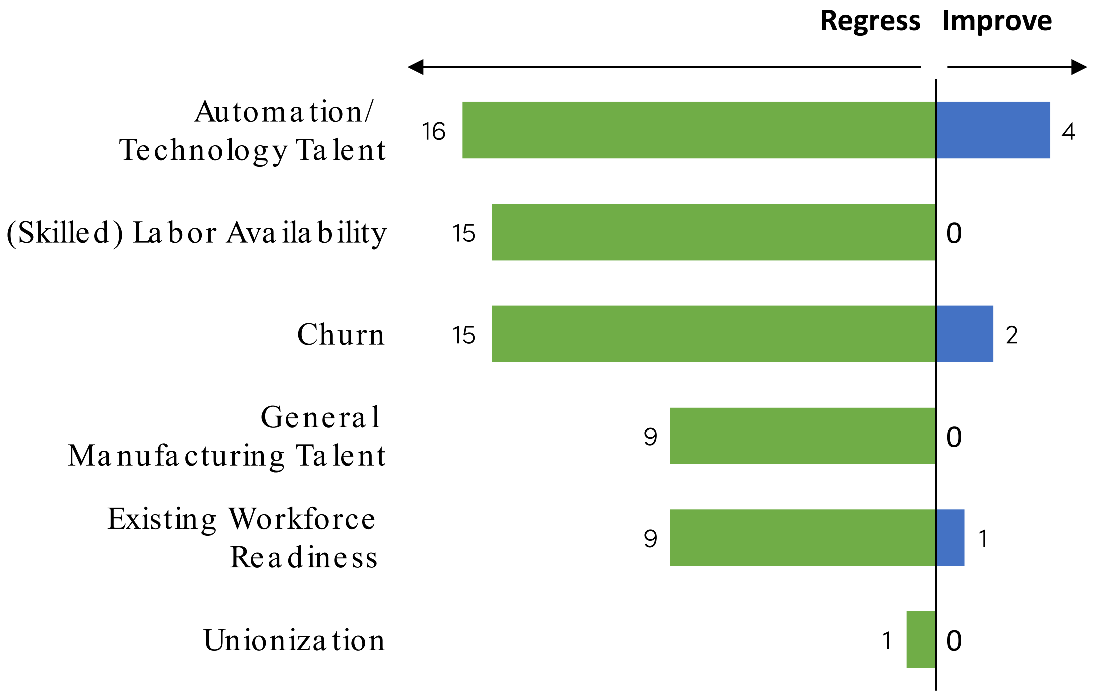
Labor & Skills

Key Labor Gaps are Set to Worsen in the Next Few Years

SURVEY: OF THE FOLLOWING, WHAT LABOR ISSUES ARE MOST SEVERE FOR YOUR BUSINESS?

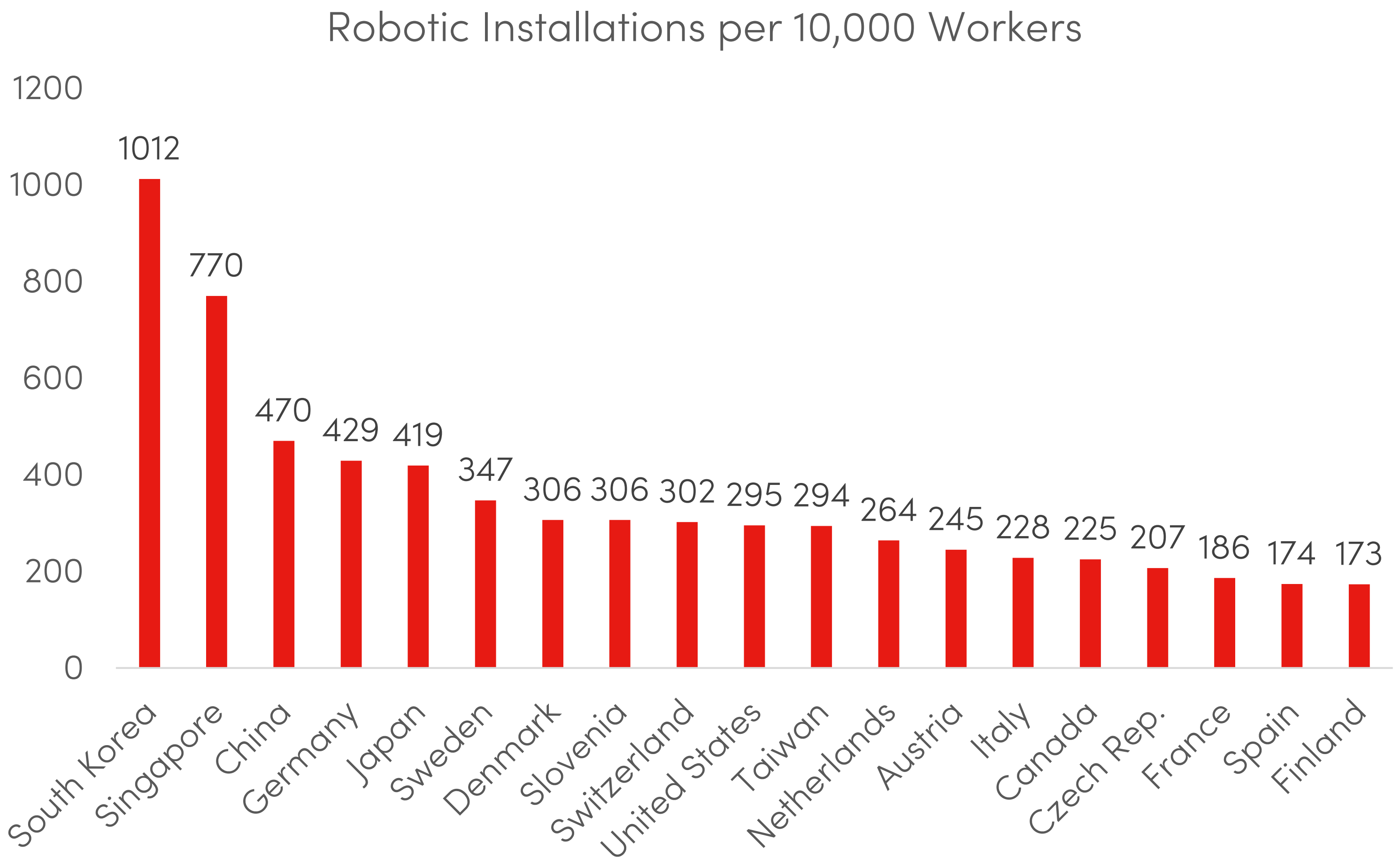


SURVEY: HOW MUCH DO YOU ANTICIPATE YOUR MOST SEVERE LABOR ISSUE TO CHANGE IN THE NEXT 1-3 YRS?



Note: *Number of firms citing given factor as key driver for reshoring in Reshoring Initiative Report survey
Source: Arthur D. Little

Falling Behind in Robotics Installations

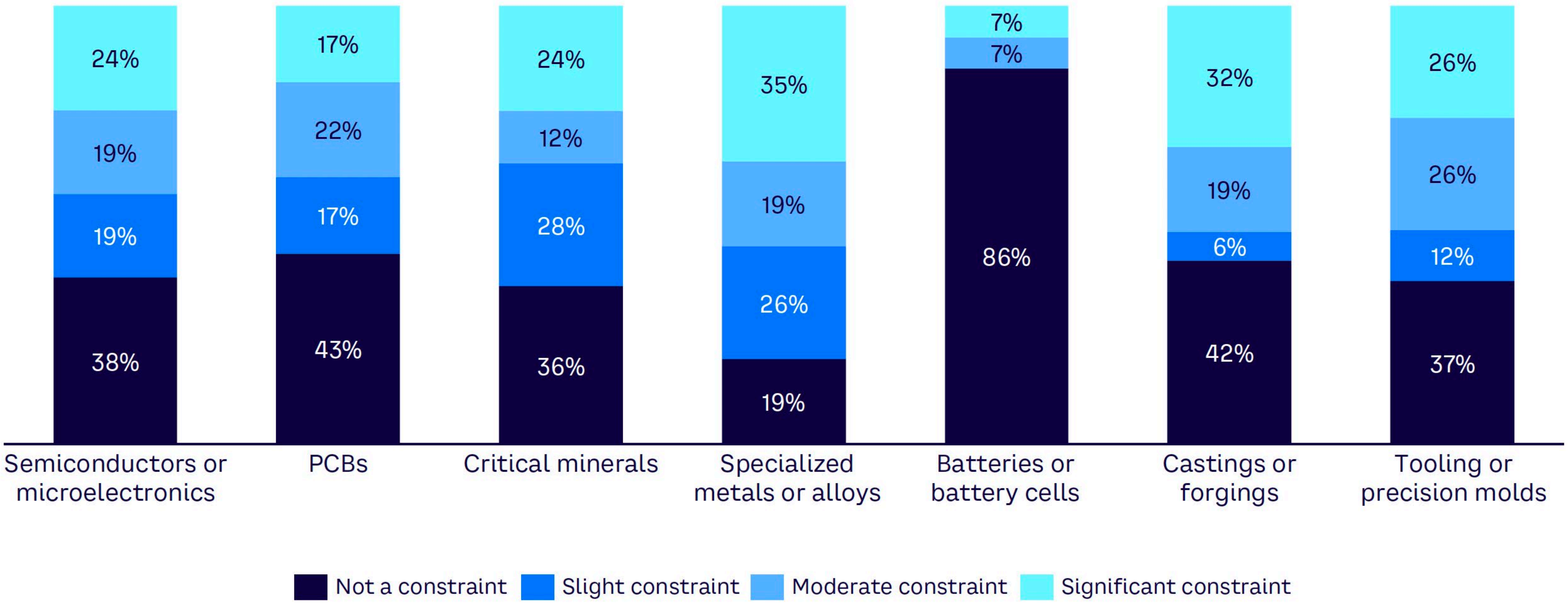


- **South Korea** has held the top position since 2010, driven by its strong electronics and automotive industries.
- **China** has shown the most dynamic growth, more than doubling its robot density within four years and moving into third place in 2023.
- **The United States** ranks eleventh globally, with automation heavily concentrated in the automotive sector.

Source: International Federation of Robotics

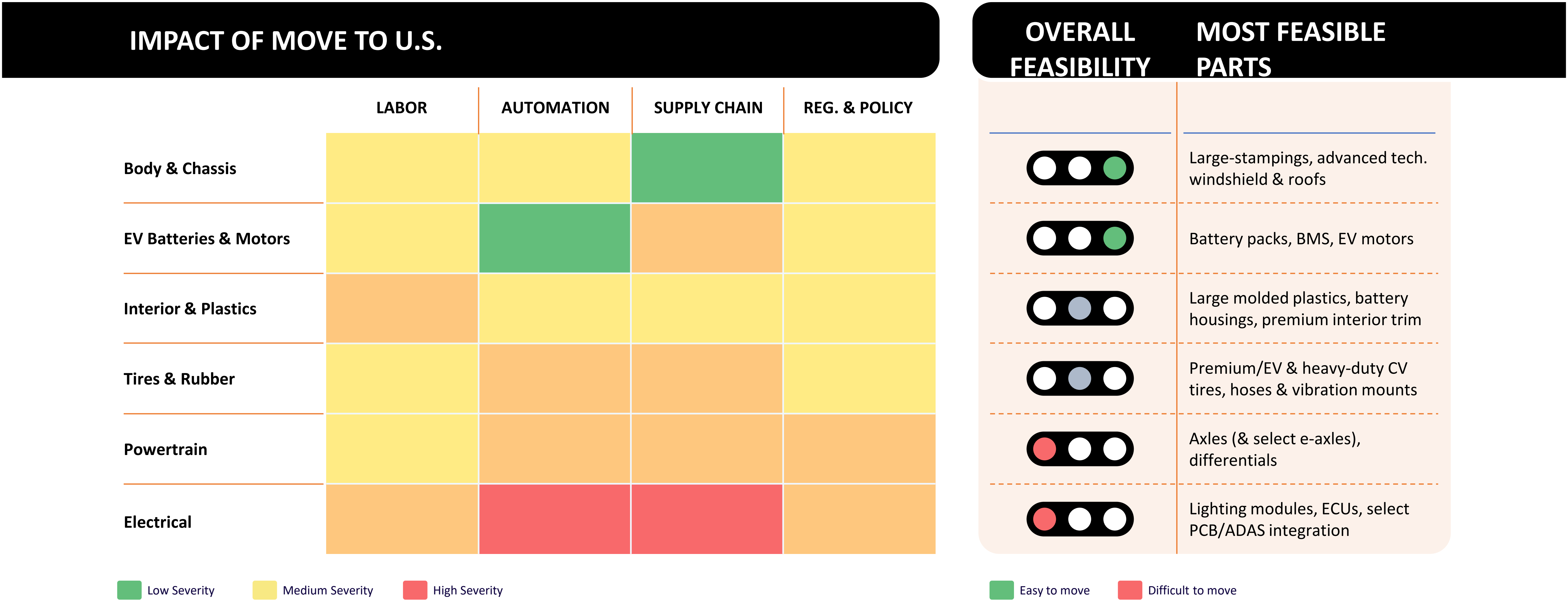
Upstream Bottlenecks

Geopolitical Squabbling Will Exacerbate Bottlenecks… i.e. Nexperia



Source: Arthur D. Little

Reshoring Viability by Commodity Group



Source: Aurthur D. Little

Adding Oxygen to Compete

Oxygen For Consumers…

Certainty in Trade & USMCA

Will lower direct input costs for end vehicle consumers.

Smarter Tariffs

Targeting unfair practices & exempting critical inputs not made in North America allow the supply chain to lower costs.

Consumers still shop for a monthly payment.

Policies the lower rates and ease regulatory burden for autos will make cars more affordable.

Builds Competitiveness for Supply Chain

§ Policymakers

Commodity-first INDUSTRIAL POLICY PACKAGE with defined short- and long-term targets

SELECT TARIFFS ensuring fair competitive global prices and **exclusions for select automation equipment**

Establishment and promotion of TRAINING CONSORTIA

OEMS

Prioritize LOCAL SOURCING of advanced, automation-driven components

Strengthened & HARMONIZED SUPPLIER REQUIREMENTS across OEMs

Joint OEM/ SUPPLIER TRAINING CONSORTIA and qualification frameworks

Suppliers

'Crawl-walk-run' AUTOMATION PLANS esp. Tier 2 & 3

Semi-annual STRESS TESTING and structured contingency planning

SCHOOL ENGAGEMENT PROGRAMS to create awareness about manufacturing

Original Equipment Suppliers

Strong by Association

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