Global Insolvency: 2025 Reflections and 2026 Projections

Sector | Automotive

February 2026

01

Automotive Germany

Europe's automotive industry, particularly in Germany, is navigating a landscape marked by

Slow growth | **High costs** | **Challenging investments**

in electric vehicle (EV) transformation

The sector faces **fierce competition from leading Chinese New Energy Vehicle (NEV)** manufacturers, alongside unpredictable economic and political factors such as **U.S. tariffs and the chip crisis** in late 2025. These elements are increasingly affecting the competitive edge of domestic automotive suppliers.

In essence, the industry is experiencing a "perfect storm" with a:

25% overcapacity in the European market

To successfully transform business models, "**innovation, agility, and restructuring are essential to enhance competitiveness,**" stated Daniel Steiner, head of the Performance & Restructuring team at PwC Germany, focusing globally on the automotive sector.

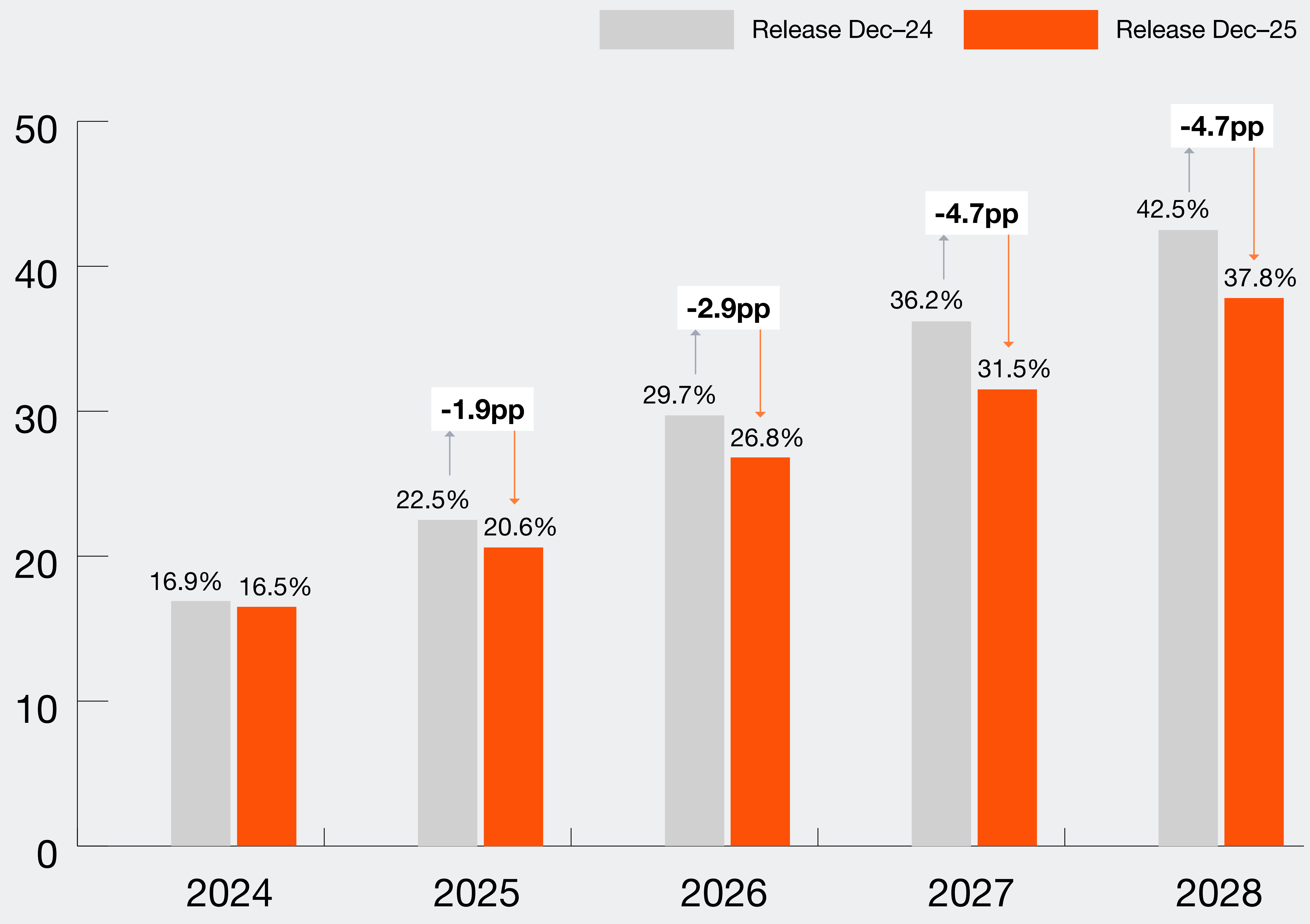
The impact is evident in the latest German insolvency statistics from FalkenSteg. In the first half of 2025, **major insolvencies (companies with revenue over €10 million) hit a new peak**, showing a 21% increase from the previous year's already high figures. Notably, **nearly one in six insolvencies involved an automotive supplier**, marking a 65% rise compared to 2024.

Slowing EV transition and the rise of Chinese influence

By 25 December, the S&P LV production forecast reveals a slower-than-expected shift towards electric vehicles (EVs) in Europe. This adjustment points to a **reduction of approximately 2.8 million EVs**, leading to a **market penetration of about 37.8% by 2028**. (see figure 1)

Figure 1: Europe | EV share in % of light vehicle production

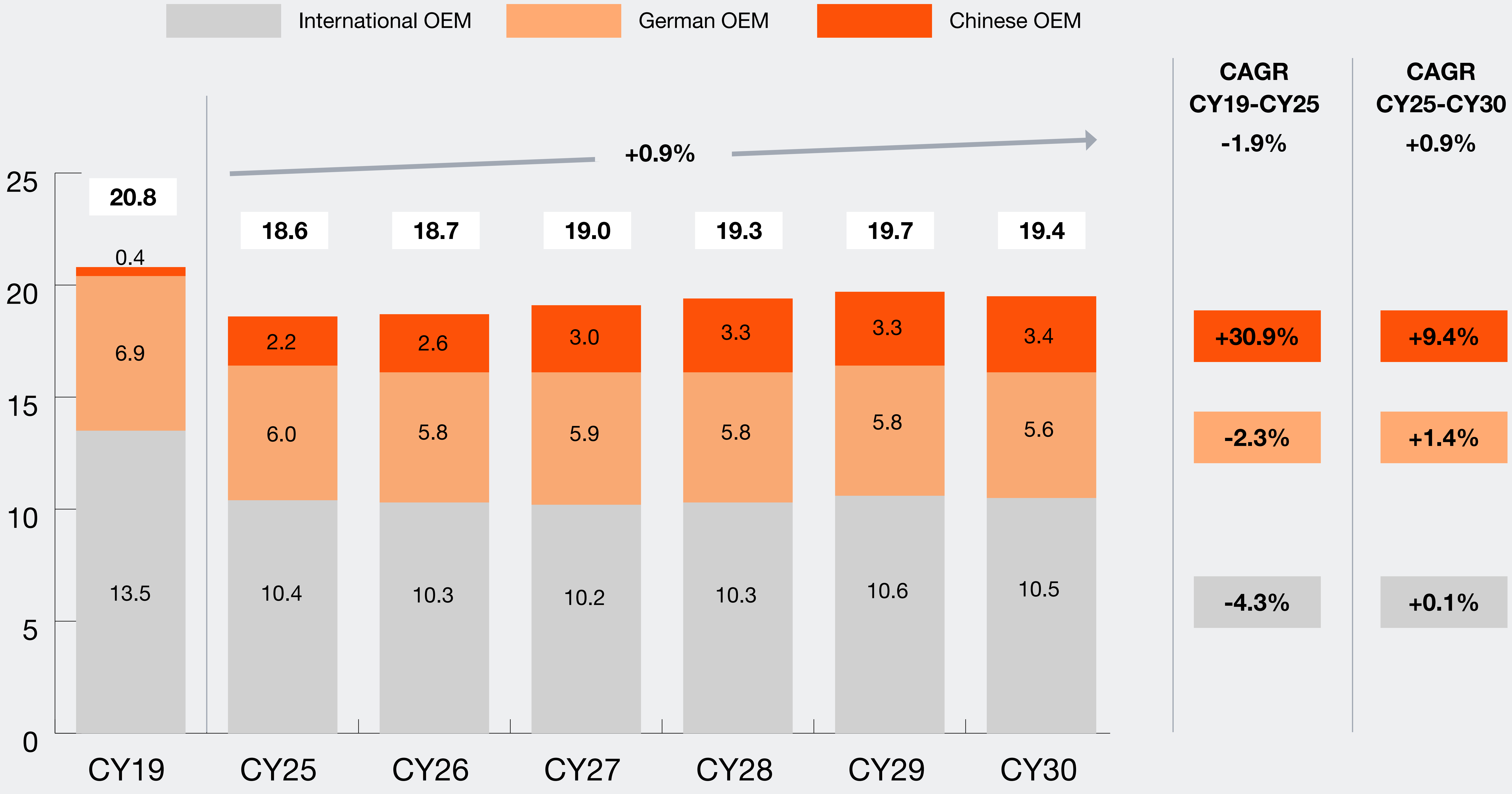
2024 – 2028



Source: S&P Global, Dec–25 release

Figure 2: Europe | Light vehicle sales in million vehicles

2019 – 2030



Source: S&P Global, Dec–25 release

And there's little sign of this trend reversing soon. In the last quarter of 2025, Stellantis announced a pivot from its rigid EV strategy in Europe. They're now focusing on adaptable platforms and new partnerships to maintain volumes and provide more choices for customers. For some models, this strategic change is causing volume drops of up to 90%, effectively cancelling projects just before they start.

Meanwhile, **Chinese original equipment manufacturers (OEMs) are increasingly leading the charge in Europe**, excelling in innovation, pricing, and notably faster lead times compared to local manufacturers-sometimes reducing lead times to just six months, compared to the average 2.5 years for Western OEMs.

The latest S&P sales forecast as of 25 December underscores the evolving market dynamics and competitive landscape in Europe. From 2019 to 2025, sales have **declined by an average of 1.9% annually**, while Chinese OEMs have seen their sales grow by about 31% annually. **By 2030, Chinese manufacturers are expected to surpass the market's 0.9% compound annual growth rate (CAGR) with a robust 9.4% CAGR.**

PwC Performance Radar

Our latest PwC Performance Radar highlights the pressing challenges faced by European Automotive Suppliers: **high stress levels and limited access to capital**. Our Q2-25 report shows that 90% of surveyed suppliers are signaling a need for performance improvements and are experiencing distress-an unprecedented peak.

Consider the recent filings from 2024-25:

Kiekert AG

Known for its innovative side door closure systems, with approximately €750m in annual sales and 4,500 employees. Owned by Lingyun Group, this Heiligenhaus-based company, founded in 1857, **faced liquidity issues due to shareholder payment delays**, leading to insolvency proceedings in 2025. An M&A process is underway.

WKW

A global supplier in aluminum, steel, and plastics processing, generating around €550m annually with 4,000 employees. Based in Wuppertal, the privately held company has been in a financial crisis since September 2021. **Despite restructuring efforts, ongoing market disruptions led to insolvency filings in 2024**. An M&A process is still in progress.

These cases underscore the need for decisive action and strategic innovation to navigate the evolving landscape and seize new opportunities.

Plastic Manufacturing Group (PMG)

A key supplier of plastic components for the automotive sector, including radiator grills, exterior parts, and special emblems, has faced challenges with declining volumes in Europe and rising costs, particularly for raw materials and energy. In 2023, PMG reported sales of approximately €145 million.

In early November 2025, this Franconian automotive supplier initiated insolvency proceedings. The process for Diepersdorf Plastic Manufacturing GmbH has been ongoing since 31 December. Other group companies, with locations in Lüdenscheid and Oberlungwitz, are anticipated to begin proceedings in early February 2026. Efforts to identify potential buyers are actively underway.

Bohai Trimet Automotive Holding GmbH

A subsidiary of the Chinese Beijing Automotive Group based in Harzgerode, Germany, with annual sales of around €200 million, filed for insolvency in April 2025. Bohai Trimet Group, known for its expertise in aluminium die-casting, produces systems for transmission, chassis, and body parts.

The company has been impacted by declining volumes, high costs, and underutilised sites. An internal restructuring initiative launched in 2024 to improve capacities was ultimately insufficient to halt the decline. Discussions with potential investors are currently in progress.

02

A UK perspective on the automotive sector

In 2025, the automotive sector faced significant challenges, with a key event being the cyber-attack on JLR in August. This attack disrupted global IT systems, halting production until a phased restart in early October. It was the most economically damaging cyber-attack in UK history, with costs nearing £2 billion, leading to a sharp decline in production output during an already tough period for the sector.

Despite initial fears that JLR's supply chain would collapse, this was avoided. **Workers were furloughed**, and JLR, along with a **£1.5 billion government-backed financing package**, provided substantial support to its suppliers.

Before the attack, **UK production volumes had already dropped below**

800,000 units over 12 months

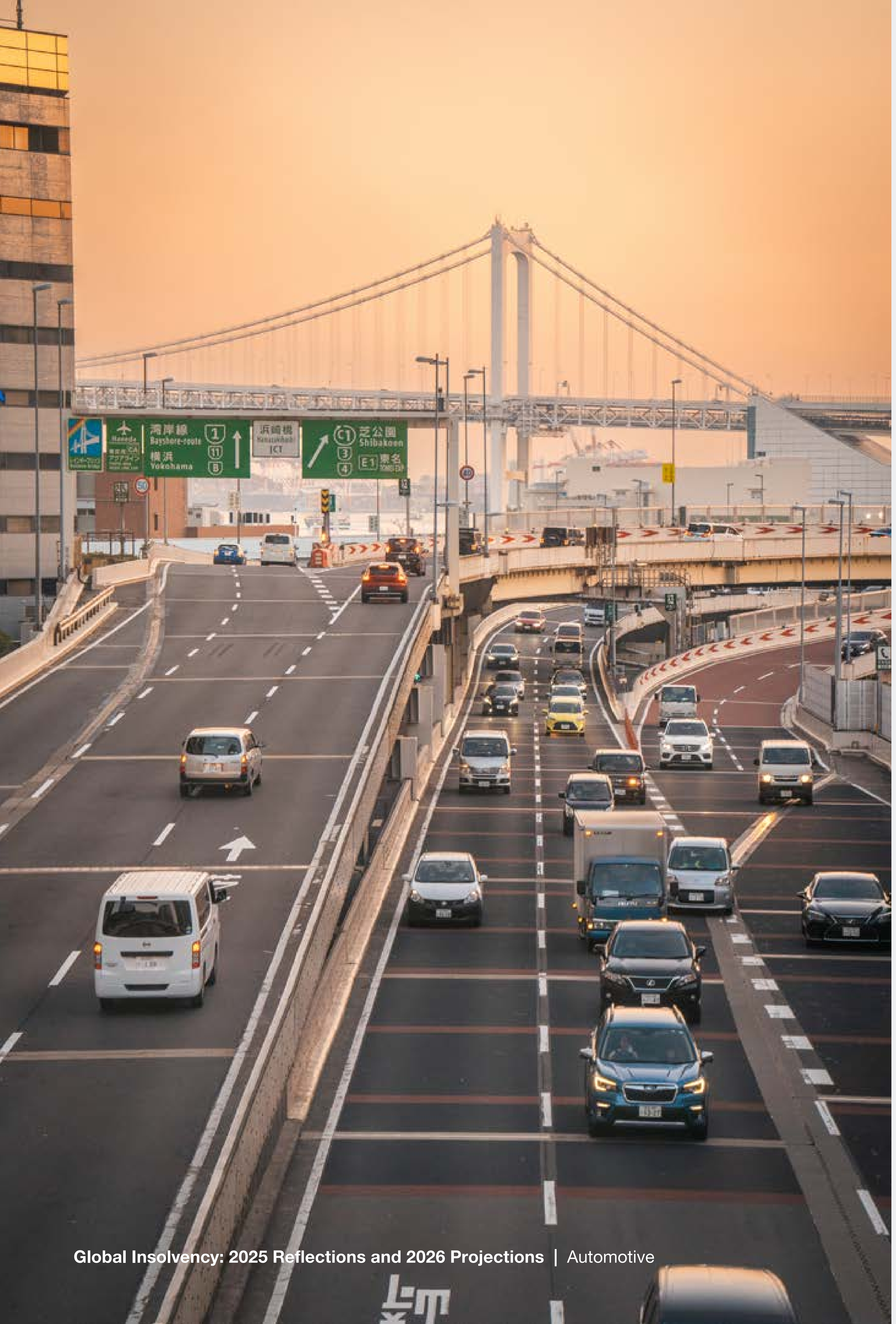
The cyber-attack further reduced this to around 700,000 units-the lowest in over 50 years.

The first half of 2025 was also marked by the **closure of the Vauxhall plant in Luton** and **the imposition of US tariffs**. Although negotiations introduced uncertainty, a revised deal reduced tariffs to 20% for the first 100,000 cars exported to the US.

Yet, the sector showed resilience, with few high-profile insolvencies. The government launched a £2.5 billion investment scheme, DRIVE35, to support the transition to zero-emission vehicle manufacturing.

The shift to electric vehicles and changing consumer purchasing habits added pressure on retailers, especially as consumer confidence remained low. Most EVs in the UK are acquired through fleet arrangements, with traditional retail sales channels seeing limited activity.

The rise of Chinese market entrants prompted retailers to rethink brand agreements. **Iconic brands like Mercedes and Volvo are now exploring direct-to-customer sales channels, adapting to the evolving market landscape**.



03

A Japanese perspective on the automotive sector

In Japan, the automotive landscape is evolving under the influence of Chinese OEMs, who are accelerating their electric vehicle initiatives with robust government backing. This has put Japanese manufacturers under pressure, resulting in declining sales and challenging business conditions. **While Toyota maintains its position, Honda and Nissan have faced consecutive years of declining sales-five and seven years, respectively**.

By 2025,

Honda's sales are projected to drop by	Nissan's sales are projected to drop by
56%	45%
(from 1.54 million units in 2021 to 680,000 units)	(from 1.09 million units to 600,000 units)

Both companies are in need of significant structural changes, including reducing production lines, consolidating sites, and potentially withdrawing from certain markets.

The challenges faced by Honda and Nissan in China are also impacting Japanese suppliers operating there, prompting them to reassess their investments and operations in the region.

In China, the presence of numerous joint ventures with local firms complicates integration and withdrawal processes. **Negotiations with JV partners are often complex, requiring advisors to provide expertise and capacity**.

Looking forward, if Honda and Nissan overhaul their supply chains, Japanese suppliers will need to adapt, which could increase the risk of restructuring and insolvency throughout the supply chain.

04

A fresh look at China's automotive sector

China's automotive industry is gearing up for a challenging 2026. Sales are leaning on government subsidies to keep demand steady. While the Central Government is pushing for more domestic consumption, new energy vehicles - like plug-in hybrids and electric cars - already make up about 60% of new sales. This suggests that simply increasing market penetration might not drive significant growth.

The competition is fierce.

Chinese original equipment manufacturers (OEMs), backed by national EV promotion policies and quick development cycles, are gaining ground on foreign brands, especially Japanese ones. These brands are seeing sales drop, prompting calls for major changes. **This pressure is trickling down to the supply chain**. Japanese suppliers in China are rethinking their investments and operations. But, any changes are tricky due to joint ventures and partner negotiations.

In this environment, advisers are often called in to help manage restructuring. **There's a real risk of more consolidation and insolvency in the China-focused supply chain**. Meanwhile, Chinese brands are making waves in overseas markets, reshaping distribution strategies in places like the UK. This is driving pricing pressure and highlighting the need for flexible channels as Chinese brands grow their global presence.

05

Automotive sector view from a Canadian perspective

Automotive & tariffs - Canada’s supply base risks

Ontario, the heart of Canada's automotive industry, is **deeply intertwined with U.S. production and global parts distribution**. In 2025, U.S. tariff measures and geopolitical trade uncertainties heightened supply chain pressures across the Canadian segment of the North American automotive supply chain, affecting both assembly and parts production.

The **reduction in EV consumer incentives and evolving climate change perspectives have disrupted EV demand** and, consequently, EV supply chains. As the six-year review of the U.S., Mexico, and Canada trade agreement (USMCA) begins in 2026, tariff and rules of origin risks will remain high. **Canada recorded 16 major tariff-related filings across industries in 2025, including six in automotive.**

In 2025, the U.S. enforced 25% tariffs on Canadian vehicles and parts that didn't comply with USMCA rules, leading to strategies like component stockpiling and adjustments in plant usage by industry leaders, such as Ford.

General Motors

Shifted production and workforce from Oshawa, Ontario to Fort Wayne, Indiana. GM created 250 new temporary positions in Indiana while planning to cut one of three shifts in Oshawa, impacting around 750 Canadian workers. This move was **a strategic response to U.S. policy incentives** that favored reshoring manufacturing and labor capacity to the U.S.

Stellantis

Announced the **relocation of Jeep Compass production and assembly from Ontario to Indiana**. Tariff-driven trade policies and the U.S.'s aim to bring automobile production back home will continue to reshape the traditionally integrated North American supply chains, **posing challenges for Canadian companies involved in the North American automotive supply chain**.

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