European auto sector bears brunt of tariff turmoil

by Stuart Todd Aug 25, 2025 |
Published in Issue 780 on page 24

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How Europe's automakers adjust to tariffs could be a mixed bag of solutions.

President Trump may have ended the uncertainty as to the extent of US import tariffs on vehicles from the EU by fixing them at 15%, compared to the pre-2024 duty of 2.5%, but the half-year results of some of the major manufacturers show the impact of the duties introduced earlier this year at 27.5%.

For example, Mercedes-Benz said it would incur costs for 2025 from US import duties of

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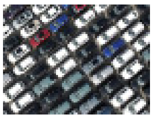
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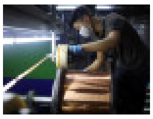
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Duty Hike Difficult to Absorb

ING's senior sector economist, Transport & Logistics, Rico Luman, said that while there is perhaps some relief among EU players that the rate of 15% is half of that feared and "could provide some policy stability," absorbing it will be difficult given the relatively low EBIT margins.

"If they (automakers) hike prices accordingly, unit sales will likely suffer too much (except for Ferrari perhaps). This means we can expect a mixed approach in practice. They are all looking into price, product offering and production adjustment opportunities. And there are many variants."

Another option could be to spread price increases across the world and over time while there is talk about production flexibility and potential regional shifts. And production in existing US facilities will likely be raised, Luman added.

The Brussels-based Association of European Vehicle Logistics is certainly anxious to see an EU-US trade agreement finalized.

"As an association, we do not take a position on the individual tariffs as this is a matter for the OEMs. However, it appears that many details around these trade deals remain unresolved," its executive director, Frank Schnelle, told *AJOT*.

"What is important from our perspective is that clarity is established as soon as possible to allow supply chains to be adapted long-term to meet demand. This is crucial to ensure stable and reliable supply."

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3 Months' Worth of Cars Delivered in 24 Hours

The impact of tariff turmoil swirling about the industry in the first half of the year is no better illustrated than by luxury brand Aston Martin, who scrambled to deliver three months' worth of cars from the UK to dealers in the US within 24 hours at the end of June in time to benefit from lower duties – reduced from 27.5% to 10%.

Invoicing the whole of the second quarter's on the same day allowed Aston Martin to avoid having to report a sales slump that could have sent alarm bells ringing among investors.

However, the 10% duty on UK-made vehicles is limited to 100,000 units – roughly the volume exported to the US in 2024, the biggest seller being the Range Rover. Anything beyond this quota will be taxed at 27.5% and there is concern this could trigger a rush towards the end of the year as UK automakers pull out all the stops to get vehicles included in the quota. Another worry is the lack of upside potential to raise production for the US market in the foreseeable future.

Elsewhere, Toyota has warned that it could be penalized almost $10 billion from the US imports tariffs for the current financial year ending 31 March 2026, the largest of any automaker to date, underlining growing pressures on margins.

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