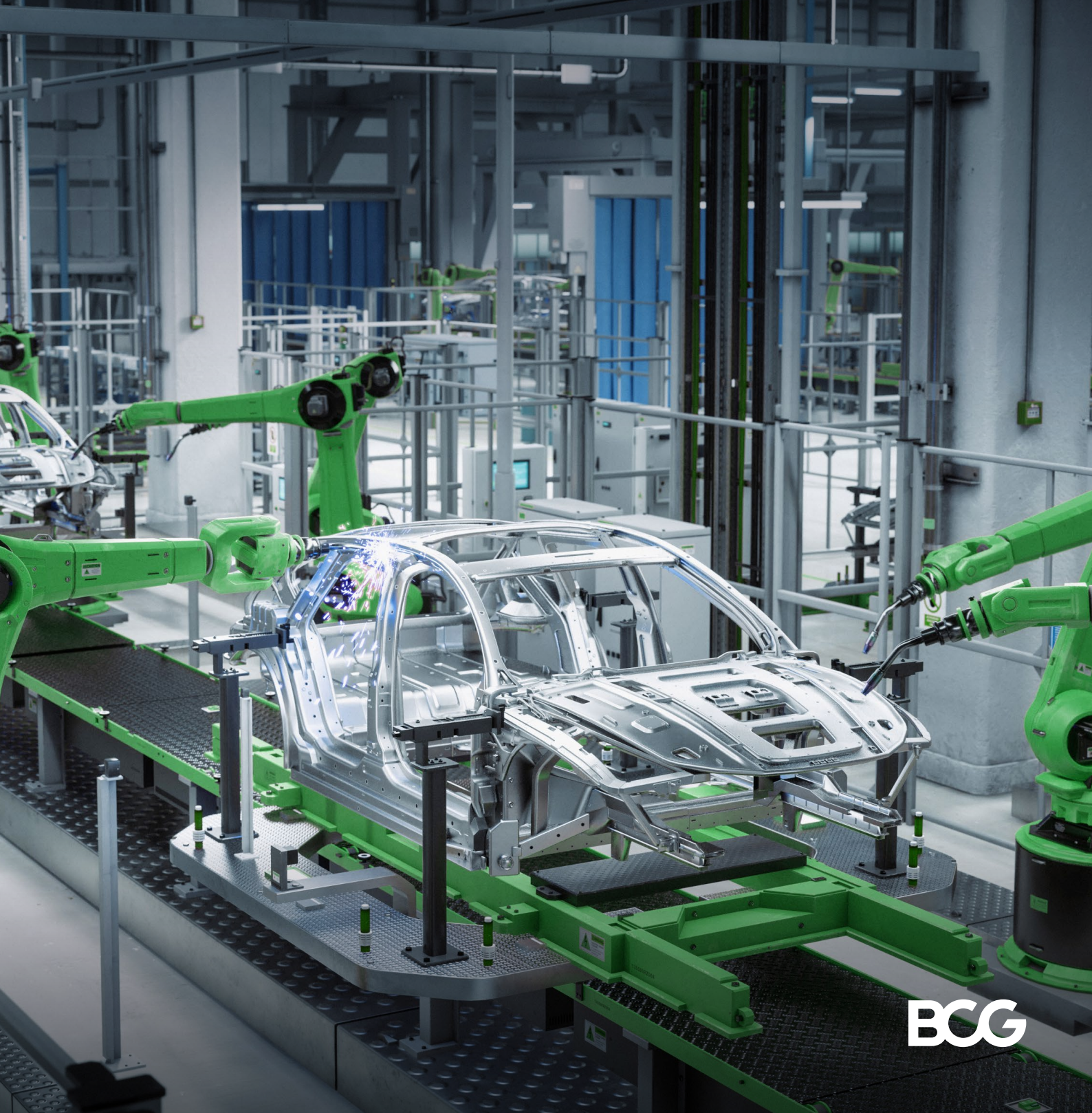


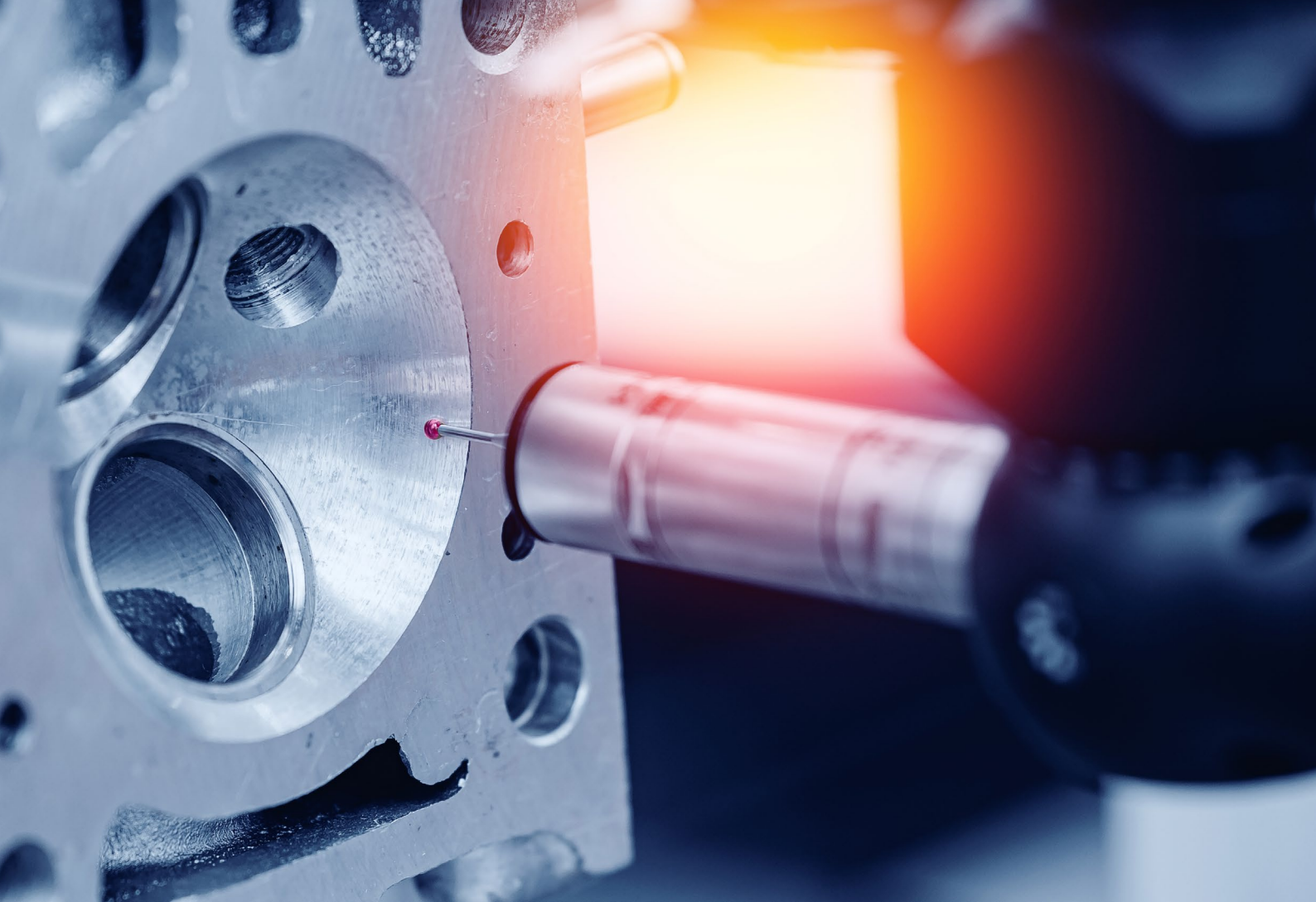
2026 Global Automotive Supplier Study

How Auto Suppliers Can Rebuild and Rise Again

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By Rolf Kilian, Albert Waas, Alexander Brenner, Christopher Dehnel, Benedikt Fäßler, Aakash Arora, and Alex Xie





Introduction

The automotive supplier industry has exited the acute crisis years, but it has not returned to normal. Instead, suppliers now find themselves in a structurally tougher environment in which higher interest rates, sticky input costs, labor shortages, and geopolitical tensions have become part of the baseline rather than temporary shocks.

At the same time, the shift toward electrified, software-defined, and increasingly automated vehicles continues to reshape value pools and competitive dynamics. **(See “Automotive Suppliers in a Harsher New Normal.”)**

BCG’s 2026 Global Automotive Supplier Study takes a close look at how suppliers are navigating this landscape. It combines an in-depth financial analysis of more than 750 suppliers and almost 50 OEMs worldwide, a global sentiment survey of 127 C-suite executives, and a radar that analyzed 450 strategic moves plus earnings calls of 164 suppliers.

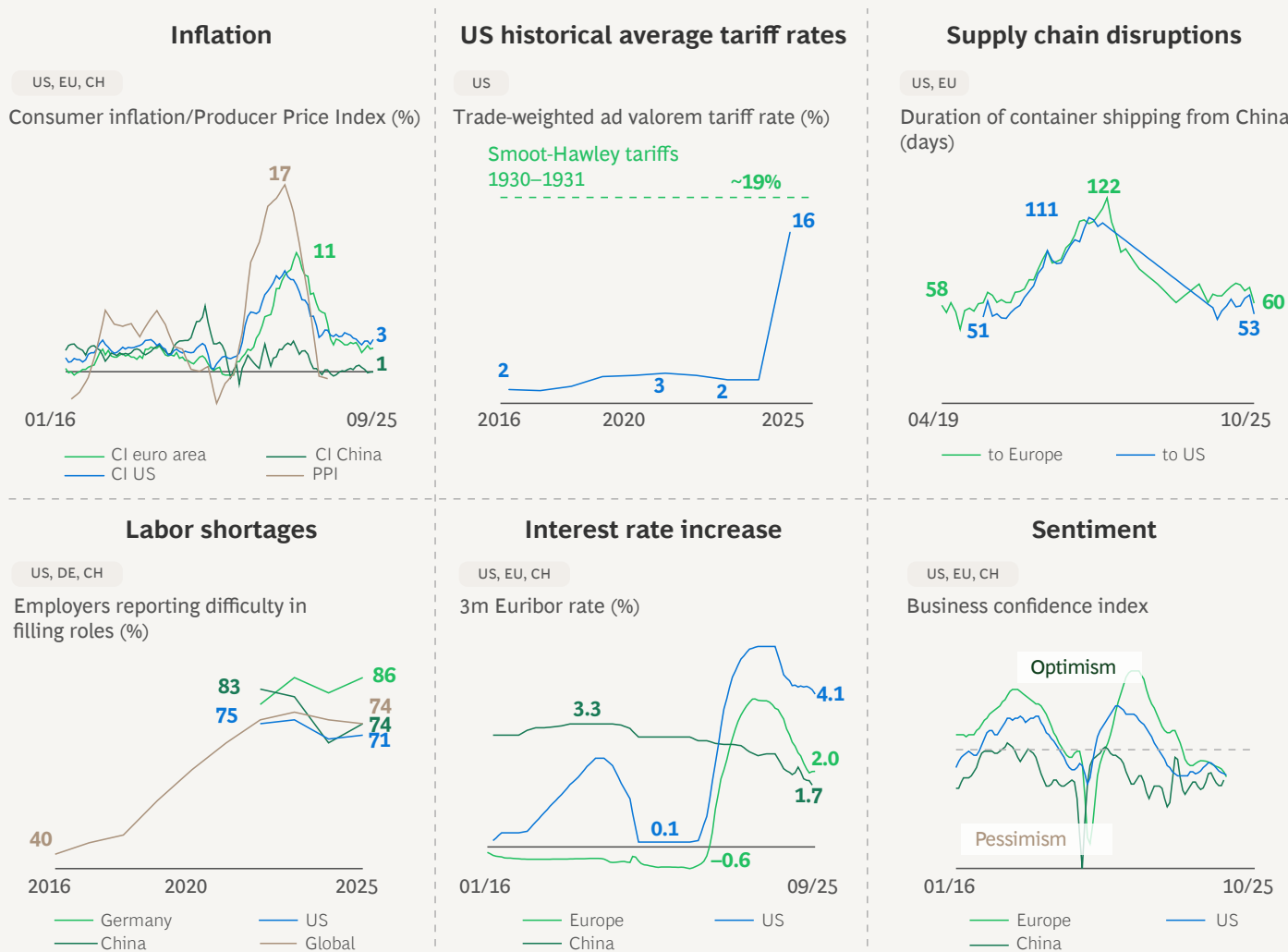
We identify a recurring pattern among those suppliers that are moving beyond short-term survival and using today’s pressure as a catalyst to rebuild. Finally, we offer five strategic imperatives that can help suppliers prepare for what lies ahead.

Automotive Suppliers in a Harsher New Normal

Inflation has receded markedly from its 2022 peak and energy prices are far below crisis highs, yet financial and operating conditions remain far from benign. In Europe, three-month Euribor rates remain well above pre-2019 levels. Business confidence in both Europe and China is still depressed. Labor markets remain tight across major regions, with more than 70% of employers globally reporting difficulty filling open roles. Global shipping constraints have largely normalized, but geopolitical risks—from the war in Ukraine to tensions in East Asia—continue to weigh on supply chains, investment decisions, and strategic planning. At the same time, trade relations have entered a new phase. In the US, average trade-weighted tariff rates have peaked at roughly 16%—the highest level since the era of the Smoot-Hawley tariffs nearly a century ago. This reshapes cost structures and sourcing strategies for globally integrated supply chains. **(See the exhibit.)**

Demand adds another layer of complexity. While long-term forecasts still anticipate robust growth for electrified and software-rich vehicles, program-level BEV demand has become highly volatile. In the first half of 2025, multiple BEV models across China, Europe, and North America deviated materially from original sales forecasts—both above and below plan by up to four times. For suppliers, investments in batteries, e-powertrain systems, and advanced electronics are capital intensive, front-loaded, and difficult to redeploy. When OEM product plans swing more than expected, suppliers can face underutilized assets on one platform and bottlenecks on another. Managing this volatility requires commercial agility, but also structural flexibility in footprints, contracts, and technology platforms—an essential capability on the path to rebuild and rise again.

Inflation and Supply Chain Stability Improved, but Supplier Headwinds Remain



Sources: Bloomberg; Deutsche Bundesbank; EIU; European Central Bank; Flexport; ManPowerGroup; OECD; Oxford Economics; Statistisches Bundesamt; World Bank; US Energy Information Administration; USITC; BCG analysis.

Demand Continues to Grow—While Value Pools Diverge

Despite cyclical ups and downs, the total value of automotive component demand is expected to grow by around 3.5% annually from 2025 to 2035—masking a profound reallocation of value beneath the surface:

Value creation is increasingly driven by the transition toward software-defined and AI-enabled vehicles. Despite starting from a comparatively small revenue base, components linked to advanced electrical/electronic (E/E) architectures, ADAS, and autonomous systems are projected to grow at high single- to double-digit yearly rates, depending on subsegment and time horizon. As an example, non-ADAS vehicle software is expected to sustain robust growth of 14 to 16% annually well into the 2030s.

Batteries and EV powertrain-related components are expected to continue growing at around 13% per year. At the same time, the structural decline of ICE powertrain components is projected to persist—with CAGRs of minus 3% between 2025 and 2030 before accelerating to around minus 8% until 2035. However, the shift toward BEVs is unfolding more slowly and unevenly than previously anticipated, particularly in the US and Europe. This prolonged transition is creating heightened uncertainty, utilization challenges, and elevated costs for suppliers, which must balance continued exposure to ICE and hybrid technologies with an extended and capital-intensive ramp-up of BEV components.

Classic components—interior, body and exterior, and chassis and E/E—largely track global vehicle production. They deliver low single-digit growth on average, but remain sizeable and strategically important, especially as OEMs differentiate on safety, comfort, and user experience. For many suppliers, these domains will remain the economic backbone of the business, even as growth shifts elsewhere.

Suppliers Catch Up on OEMs, but the Gap Between Winners and Laggards Widens

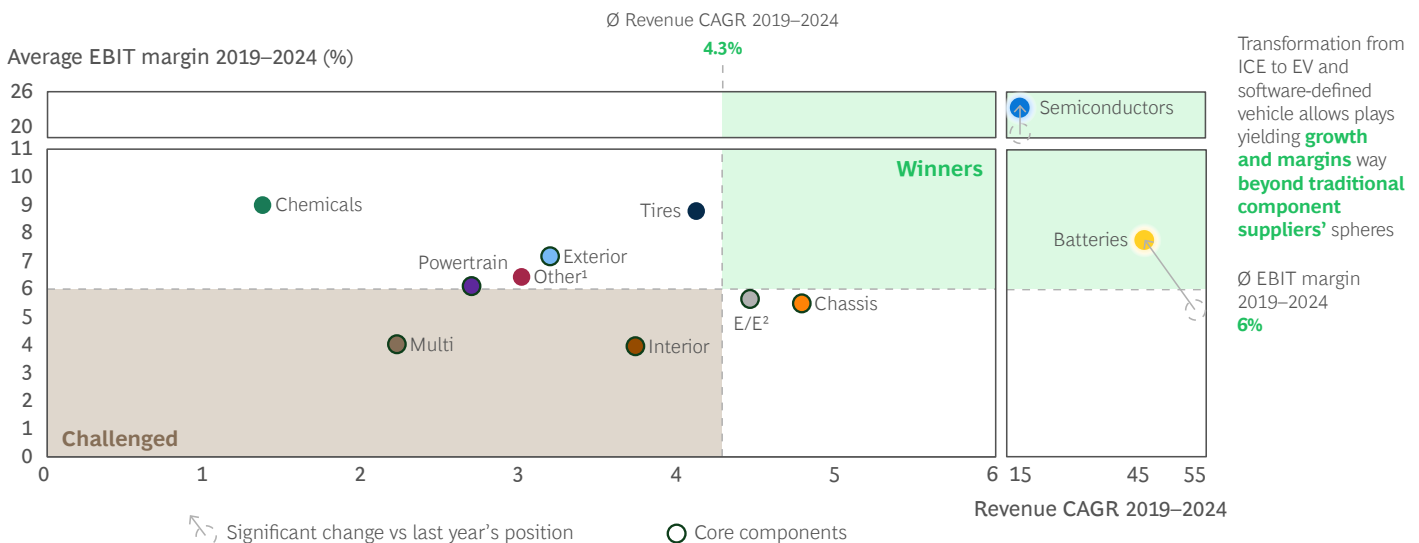
The financial benchmark underlying the 2026 study shows that the structural shifts in automotive value pools are no longer theoretical—they are already clearly visible in supplier performance. Growth and profitability trajectories between suppliers active in new domains and those focused on traditional components have diverged sharply, reflecting the ongoing reallocation of value toward electrification, electronics, and software.

As illustrated in **Exhibit 1**, suppliers in semiconductors and batteries achieved revenue growth of 15% and 45% CAGR, respectively, between 2019 and 2024, far outpacing classic component segments, which typically grew in the low single digits. At the same time, these new-domain suppliers delivered structurally higher EBIT margins, and also battery players improved to above supplier average levels. The widening gap highlights that exposure to fast-growing value pools comes with fundamentally different—and more attractive—economics.

EXHIBIT 1

Profit-Gap Between New Domains and Core Component Suppliers Is Widening

Average EBIT margin and revenue CAGR of global suppliers by subsectors 2019–2024 (%)



Sources: S&P Capital IQ; BCG analysis (n = 767 suppliers).

¹Other includes aftermarket, stamping and tooling, other components.

²E/E = electrical/electronic.

At an aggregate level, suppliers have nonetheless narrowed the historical performance gap with OEMs: from 2019 to 2024, OEM revenues grew faster than suppliers', driven largely by vehicle price increases and favorable mix effects. OEM revenues expanded at roughly 5.2% CAGR, compared with around 3.5% for suppliers. Looking ahead, this divergence is expected to close: based on Q1–Q3 2025 actuals and forecasts, 2025 is set to be a year of revenue contraction for both OEMs and suppliers, followed by more aligned growth of around 2%–3% annually through 2027.

Behind these averages, dispersion is increasing. Top-quartile suppliers are expected to continue growing at mid- to high-single-digit rates, while bottom-quartile players face stagnation. A similar pattern is visible among OEMs.

Profitability trends reinforce this picture. OEM EBIT margins peaked in 2023 but have declined steadily since. By 2025, OEM margins are expected to fall to around 4.8%, with recovery to 2024 levels projected only by 2027. Suppliers, by contrast, have made slow but steady progress. Including semiconductors, batteries, and other noncore segments, supplier EBIT margins already exceeded OEM margins in 2024, when OEM profitability dropped to 6.2%.

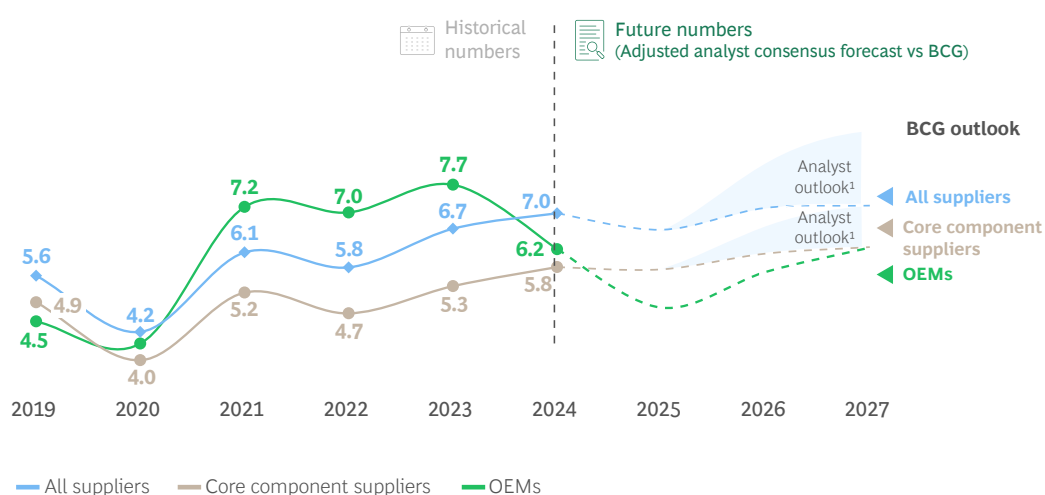
As shown in **Exhibit 2**, suppliers are expected to overtake OEMs on EBIT margins in 2025, even as demand remains challenging. Supplier margins are projected to remain broadly stable at around 5.7% in 2025, followed by a modest improvement toward ~6% by 2027. BCG takes a more cautious stance than analyst consensus, reflecting weaker recent actuals and the likelihood that OEMs will continue to pass profit pressure to suppliers.

Notably, both Chinese OEMs and suppliers managed to improve profitability after 2022, and China-based suppliers overtook their European counterparts in 2024. Moreover, between 2019 and 2025, China attracted the largest share of incremental market capitalization among automotive suppliers, closely correlated with the rise of battery and semiconductor players. Investors are clearly rewarding exposure to high-growth, high-barrier domains—confirming what financial performance already reveals.

EXHIBIT 2

OEM Profitability Decline Induces Additional Pressure on Supplier Outlook

Average EBIT margin for auto OEMs and suppliers globally 2019–2027 (%)



Q1–Q3 2025 reporting suggests weaker-than-expected margins, especially for OEMs

Despite a slight decrease in 2025, supplier cost measures seem to translate into profitability stabilizing after the 2022 low

Analyst outlook rather optimistic despite headwinds with further improving EBIT margins by 2027

However, OEMs likely to “pass on” profit pressure with suppliers, translating into a more pessimistic outlook (BCG outlook)

Beyond headline EBIT averages, profitability differs significantly across regions and component segments

Sources: S&P Capital IQ; BCG analysis.

¹Adjusted analyst outlook with OEMs: n = 48 (adjusted analyst consensus forecast n = 40); suppliers: n = 767 (114); core component suppliers: n = 610 (79).

What Executives Tell Us

BCG’s Automotive Supplier Executives Sentiment Survey provides a complementary view on the industry. Over the past three years, more than 120 C-level and senior leaders from suppliers across regions, tiers, and component domains have been interviewed in Q3.

What stands out in the 2025 study versus the 2024 one is the severity of the decline in industry sentiment. While executives continue to be more optimistic about their own company’s performance, only 21% believe the supplier industry will improve over the next 12 months, and 53% expect deterioration. The widening “optimism gap” reflects confidence in internal resilience, but growing pessimism about the external environment.

Sentiment is highly differentiated by region, broadly mirroring the financial performance patterns observed elsewhere in the study. In China, executives remain comparatively optimistic, supported by strong NEV momentum, but stress intense competition and price

pressure as structural challenges. In North America, leaders express confidence in their own companies but greater caution about the industry, driven primarily by tariffs and geopolitical uncertainty. In Europe, sentiment is most negative, with executives highlighting economic and financial pressure, regulatory uncertainty, and increasing insolvencies.

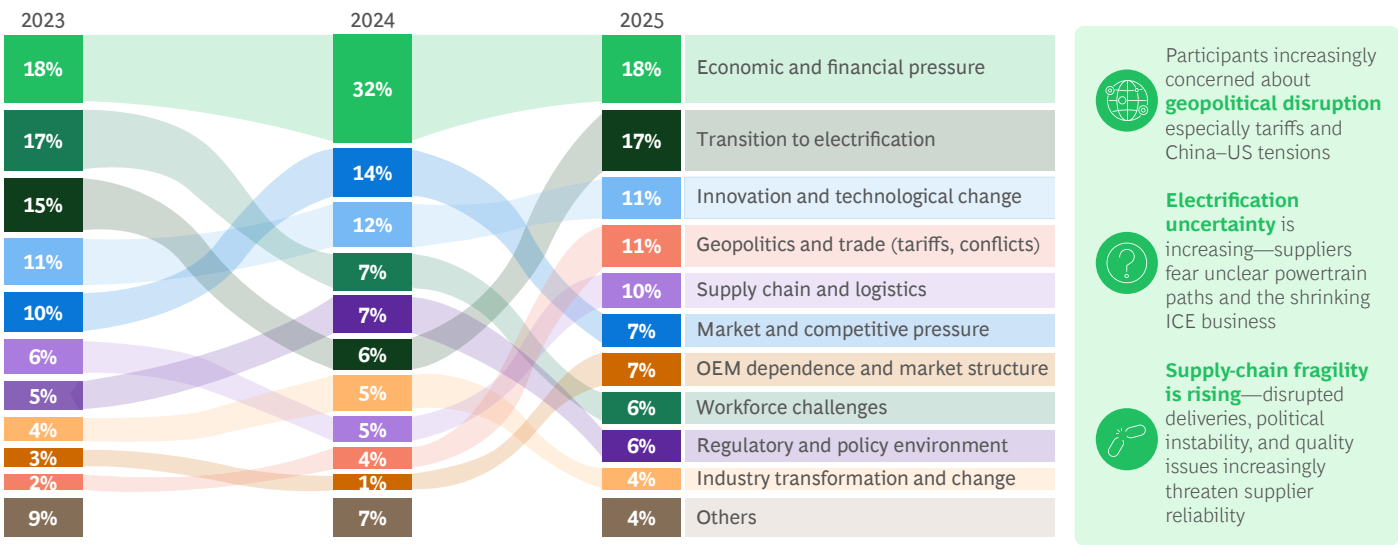
What keeps executives awake at night has shifted accordingly. (See Exhibit 3.) Economic and financial pressure remains the top concern, but geopolitics and trade have risen to the number four concern, reflecting new tariffs and the growing fragmentation of global trade. Also electrification uncertainty, supply-chain fragility, and OEM dependence surged.

Despite this deterioration in industry sentiment, most executives do not anticipate an immediate collapse in their businesses. They rather expect stable or slightly improving operations in the near term, but are more cautious versus last year when it comes to CapEx, R&D, and ESG investments.

EXHIBIT 3

Geopolitics and Trade Is a Rising Concern for Executives

Topics named by automotive supplier executives as keeping them awake at night



Source: BCG Automotive Supplier Executives Sentiment Survey conducted by mm customer strategy (n = 127).

What Supplier Moves Reveal About the Next Era

To complement the sentiment data with what is already being implemented in the market, BCG analyzed more than 450 publicly announced strategic moves by more than 100 automotive suppliers since early 2024, spanning, among others, M&A, partnerships, footprint adjustments, restructuring, digital initiatives, and ESG actions.

Globally, offensive moves (aiming for growth and innovation) outweigh defensive ones (cost reduction, risk mitigation), but the balance differs sharply by region. Chinese suppliers show the most aggressive growth orientation, with a clear focus on footprint expansion, partnerships, and new products and technologies. North American suppliers also lean toward offense, emphasizing product launches and innovation, while maintaining selective cost and restructuring programs. European suppliers, by contrast, remain more balanced, combining targeted growth initiatives with a strong emphasis on achieving resilience and cost advantages via operations/supply chain moves as well as reorganizations and M&A activities. A few common patterns that stood out: manufacturing capacity investments in best-cost locations like Romania, Slovakia, Poland, Hungary, Mexico, India, and Thailand. Electrification remains the single largest strategic theme to achieve growth, including investments in new materials and improved thermal management. And ESG moves centered less around bold targets, but rather on resource efficiency, particularly circular materials initiatives.

An additional earnings-call analysis revealed that the overall growth-oriented communication by suppliers to the broader public might mask tougher topics that are equally in focus: supply chain, cost control, and tariffs are discussed in almost every supplier earnings call, underscoring their relevance as near-term management priorities. Tariffs show the strongest increase in prominence year on year. AI is mentioned by only around 20% of suppliers, but its relevance has increased meaningfully compared with last year, suggesting early but accelerating adoption.

Five Strategic Imperatives to Rebuild and Rise Again

Taken together, the financial data, executive sentiment, and strategic moves point to five mutually reinforcing imperatives for automotive suppliers to rebuild and rise again. The first three reset today's economics—earnings base, resilience, and targeted offense—while the last two—AI/digital and people—are the enablers that make these shifts stick. These imperatives echo the leadership agenda we introduced in last year's study, but the 2026 data makes them even more urgent and concrete.

Reset the earnings base—permanently. Suppliers must structurally lower breakeven points through portfolio simplification, plant and footprint consolidation where scale is insufficient, and rigorous indirect costs and overhead reduction. Additionally, as OEMs increasingly engage directly with tier two suppliers and selectively internalize integration activities, tier one players must fundamentally rethink their operating model. The traditional coordination and pass-through role is under pressure, requiring sharper differentiation in system integration, software, capital deployment, and risk-sharing. Leaders need a clear view of true program economics—including ramp-up risk and lifetime value—and the willingness to walk away from structurally unprofitable business. The goal is not a one-off cost takeout, but a redesigned earnings base that remains robust under demand volatility.

Build multilocal, shock-resilient supply systems. Tariffs, geopolitical tension, and BEV volatility demand flexible, multilocal footprints and sourcing models. Practical steps include building (volume) flexibility into both ICE and e-powertrain production lines, dual sourcing for critical components, and contracts that share volume risk more equitably with OEMs. Resilience must also be digital: AI-enabled early-warning systems can integrate macro, geopolitical, and operational signals to anticipate disruptions and trigger proactive responses.

Play offense where future profit pools will be. Winning suppliers deliberately shift portfolios toward emerging domains—often adjacent to existing capabilities—and partner or acquire selectively to access high-barrier segments. Examples include moving from mechanical products into mechatronic systems, from wiring harnesses into zonal E/E architectures, or from components into integrated systems that embed software. In parallel, suppliers must actively prune legacy positions where long-term economics are structurally unattractive, and consider winning “with the winners” strategies on the customer side. At the same time, suppliers need to consider deliberately diversifying beyond automotive into adjacent industries—such as industrial, energy, aerospace, or electronics—to reduce cyclicality, leverage core capabilities, and access more attractive or stable profit pools.

Make AI the nervous system of the enterprise.

Successful suppliers are moving AI from pilots to core operations: In engineering, generative AI can accelerate software development and documentation. In operations, AI-enabled planning can optimize scheduling, maintenance, and quality control. In supply chains, digital networks can simulate disruption scenarios, automatically re-route orders or adjust safety stocks. In commercial functions, AI can improve pricing, quoting, and early warning of program risks.

Leveraging AI thus perfectly integrates with suppliers' cost, resilience, and growth agendas: AI-first operations to reset the cost base and closely monitor supply chains to enhance resilience, and AI-driven commercial excellence next to AI-powered products to capture new growth.

Reinvent the people agenda for an AI-first world.

To match the scale of the technological shifts under way, a sustained transformation requires systematic upskilling and reskilling, leadership fluent in software, data, and AI, and a culture that can absorb continuous change. Companies that succeed combine capability building with change management and proactive engagement with works councils and labor unions, particularly in Europe, to co-design transformation pathways that balance competitiveness and employment—especially in Europe.

From Crisis Response to Permanent Transformation

A year ago, the supplier agenda was dominated by crisis response—cost containment, liquidity protection, and near-term survival. Since then, the era of stability has not returned and vehicle demand remains volatile at the model level, but the structural shift toward electrified, connected, and automated vehicles is unmistakable. Component value pools will continue to reallocate accordingly. OEM profitability has normalized from the exceptional highs of the chip-shortage years, and pressure is shifting back toward the supply base. Tariffs and geopolitics are adding new constraints to global operating models. At the same time, AI is opening up entirely new ways of designing, producing, and selling products.

For suppliers, the choice is whether to endure these forces or use them as raw material for reinvention. Those that use today's adversity to reset economics, reshape portfolios, rearchitect supply chains, and build AI-first, people-centric organizations—will not only rebuild but define the next era of automotive value creation.

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