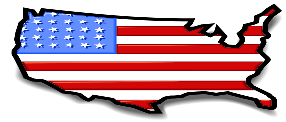
WP Browne Consulting LLC

Vehicle Performance Tracker
U.S. Market
Q1-2025



Executive Summary—Vehicle Performance Tracker TM

“The fog of war” is an explanation of combat uncertainty associated with the Prussian general Carl von Clausewitz. The phrase seems like an appropriate explanation of automotive trade war uncertainty in the first quarter. This uncertainty generated a decline in U.S. economic growth, a decline in consumer sentiment, and a decline in automotive production. Not exactly the results the Trump administration was looking for.

Admittedly, it is far too early to accurately estimate the impact of existing U.S. automotive tariffs. However, due to the high benchmark set by the Trump administration it is relatively easy to assess the general direction. Recall that the benchmark was established on September 5, 2024, in Trump’s speech to the Economic Club of New York, **“We will bring our auto-making to the record levels of 37 years ago, and we’ll be able to do it *very quickly* through tariffs and other smart use of certain things that we have that other countries don’t”.**

Given the turmoil of weekly tariff announcements, auto executives felt the need to generate good news stories about progress to avoid them. Public relations mavens delivered. Announcements about what could happen to U.S. production and employment camouflaged first quarter reality:

- U.S. light vehicle production stalled and declined by 6.7%.
- Manufacturing employment showed no growth.
- Capacity announcements revealed what had already been known.

The plethora of press releases were saturated with hype. The factual ones revealed real opportunities for more U.S. production moving forward:

- U.S. Flex plant reallocations are forecast to boost production by 125,000 a year. (see production section for flex plant definition)
    - Honda (Civic) and Nissan (Rogue) will allocate production from Japan to U.S.
    - GM allocates full-size pickups from Canada and Mexico to the U.S.
    - Hyundai (Tucson) and Stellantis (Ram) will allocate from Mexico to the U.S.
    - Mitsubishi adds two imported models to Nissan’s Symrna plant (in baseline).

Q1 Summary: Negative Progress: Current and future light vehicle production and employment are reduced versus the Inflation Reduction Act baseline.

Light Vehicle Sales and Pricing

Each quarter the report will highlight if tariffs have improved U.S. light vehicle production and employment versus levels expected under the Inflation Reduction Act. Performance Key: improved **(green)**, stayed the same **(blue)**, or deteriorated **(red)**.

Light vehicle production requirements always begin with expected sales performance. Due to the assumed increase in overall vehicle pricing, U.S. light vehicle sales do not reach 16 million units through 2027.

- Current tariffs remain in 2026 and 2027. (see appendix)
- Tariffs add an additional 5-7% to vehicle pricing. All vehicles in the portfolio will increase prices, not just the imported versions.
- Sales are reduced by 6% each year when compared to the Inflation Reduction Act baseline.
    - MSRP was projected to increase by just over 4% in the baseline.

U.S. Sales and Price Levels	2024 C.Y.	2025	2026	2027
Light Vehicle Sales w/+Tariffs	16,050	15,730	15,308	15,315
Variance to IRA Baseline		(620)	(1,117)	(1,185)
Baseline MSRP Increase	4.9%	4.7%	4.4%	4.3%
Addition with w/+Tariffs*		5.5%	6.6%	7.0%

*Assumes total supply chain margins are reduced by 4 pts. to hold home-market production.
*Full-year variance. 2025 tariff price increases start in July. 39 high-volume models will be evaluated every quarter to cross-check price changes. The models are representative of USMCA, Import, and U.S. only models.

Production and Employment

Significant reductions in U.S. light vehicle production and manufacturing employment follow from the reduction in U.S. light vehicle demand.

- U.S. light vehicle production will decline by 3.6% this year. Moving forward, production volume is 6.6% lower each year when compared to the baseline. These reductions are the direct result of sales declines.
- Production increases at U.S. flex plants offset gross declines due to sales declines. (Flex plants assemble a product in the U.S. and the same product in Canada or Mexico, or outside of USMCA, e.g., Toyota RAV4, Honda Civic).
- Manufacturing employment was flat in the first quarter.

Production and Employment (000's)	2024 C.Y.	2025	2026	2027
U.S. Light Vehicle Production #	10,804	10,416	10,430	10,463
Variance to IRA Baseline		(443)	(720)	(737)
Memo: Flex Plant Production (1)	3,598	3,719	3,936	3,990
Memo: N.A. Light Vehicle Production #	16,040	15,558	15,559	15,557
Vehicle Manufacturing Employment	1,008	999	985	980
Total Payroll Employment	158,942	159,398	158,000	159,000

WP Browne Consulting / Includes Ford and Stellantis Medium Duty
(1) USA Production Only

- The United Auto Workers have made several recommendations to the Detroit 3 on production allocation and pricing. One of the recommendations was to hold pricing to keep production levels from falling. That is a tall order, and one that has no UAW wage and benefit reductions as part of the solution.
- The Trump administration and the House of Representatives have made various proposals to change existing automotive legislation. The new production forecast assumes key automotive policies remain in place:
    - BEV vehicle purchase incentives, and battery manufacturing incentives/ requirements.
    - California's ability to have a 100% ZEV by 2035 (35% in 2026).
    - Federal CO_2 standards.

Changes to any of these policies could change the sales mix of ICE and BEV vehicles, and further influence production.

Capacity and Vehicle Programs

There have been minor changes in U.S. light vehicle two-shift capacity in the first quarter.

- Slate, the start-up vehicle manufacturer, will add a plant in Indiana.
- Nissan added a shift at Smyrna (assumed in the IRA forecast).
- VW's Chattanooga plant went from 3-shifts to 2-shifts.
- Hyundai announced expansions at Georgia and Alabama plants (in baseline).
- Belvidere (Stellantis), Orion, Fairfax Car (GM) and Lordstown (Foxconn) plants will remain empty for the next 14 months.
- U.S. light vehicle capacity utilization declines to 72% by 2027, down from 81% in 2024.
    - Excess capacity has increased by 700,000 units.
- Capacity utilization remains high at the 19 U.S. flex plants.
    - Warren (Stellantis) and Metaplant America (Hyundai) plants can absorb more volume.

AutoForecast Solutions are industry experts in model change and production start-up analysis. Using their program codes, we determined there is minor change to portfolio additions and deletions. However, it appears as if some manufacturers are delaying their program improvements (cycle change) due to the current environment.

U.S. Assembly Capacity and Programs	2024 C.Y.	2025	2026	2027
Assembly Plants / Sites	71	69	73	74
Light Assembly Capacity (000's) #	13,321	13,553	13,988	14,458
Capacity Utilization (%)	81%	77%	75%	72%
Flex Plant Capacity / 19 Sites (000's) #	4,281	4,481	4,681	4,756
Capacity Utilization (%)	84%	83%	84%	84%
AFS New U.S. Entries ##	11	13	12	12
AFS Deleted U.S. Entries ##	(10)	(4)	(1)	(1)

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United States Vehicle Trade (In USD)

Increased tariffs will disrupt U.S. automotive imports and exports, especially if they are maintained at current levels for the next three years.

The current tariffs will reduce import demand, a positive result for the Trump administration.

- Through the first quarter, the value of imported vehicles has declined by 8.3%. The decline will accelerate to 10.3% before the end of the year.
- Vehicle import values throughout 2026-2027 remain flat. (The Inflation Reduction Act forecast assumed an increase). Thus, the positive changes are highlighted in green.
    - China values decline every year moving forward. 2026/7 values reflect 145% tariffs, and not the lower levels announced on May 12, 2025.
- The same reduction exists for parts and accessories.

Unfortunately, countries that purchase U.S. vehicle exports have also raised their tariffs or are exhibiting anti-American purchase behaviors.

- Vehicle exports outside of USMCA declined by 12% in the first quarter. Export values will continue to decline.
    - BEV exports will decline by 16% this year.
- The U.S. continues with a negative automotive trade balance through 2027.

Light Vehicle Imports ($Mil.)	2024 C.Y.	2025	2026	2027
World	$ 216,806	$ 194,419	$ 196,363	$ 195,152
China	$ 3,707	$ 2,198	$ 2,054	$ 1,810
Canada	$ 28,262	$ 26,140	$ 26,663	$ 26,735
Mexico	$ 48,744	$ 48,568	$ 46,140	$ 45,882

Light Vehicle Exports ($Mil.)				
Light Vehicles Outside USMCA	$ 39,068	$ 32,588	$ 30,778	$ 30,139
Light BEV Outside USMCA	$ 3,103	$ 2,601	$ 2,184	$ 2,142

Parts and Accessories Imports ($Mil.)				
World	$ 87,593	$ 81,794	$ 82,612	$ 81,221
China	$ 9,394	$ 8,838	$ 8,573	$ 7,716
Canada	$ 11,326	$ 11,036	$ 11,202	$ 11,015
Mexico	$ 36,172	$ 35,245	$ 35,774	$ 35,176

Economic Assumptions

First quarter key economic indicators turned negative. Future growth remains weak but at levels assumed in the baseline.

- Real GDP is forecast to grow by 1.8% for the year, lower than the baseline.
- **The Federal Reserve will maintain current interest rates levels until the third quarter.**

Exchange rate theory indicates that increased *relative* tariffs will tend to cause a country's currency to appreciate.

- First quarter movements showed a depreciation of the USD against major trading partners, except China.
    - The depreciating USD was consistent will lower import demand.
- Despite proclamations by the Trump administration, the USD will appreciate against major trading partners through 2027 (under existing tariff structure).

Purchase influencers had mixed results:

- The University of Michigan Consumer Sentiment Index declined to 57 at the end of March. This does not bode well for vehicle purchases moving forward.
- Brent Crude oil price, a leading indicator of gasoline pump prices, declined to $72.9 per barrel in the first quarter, and reached $62.70 this week.

U.S. Economic Categories	2024 C.Y.	2025 Q1	2026	2027
Real GDP % Change (Annual)	2.8%	1.8%	1.9%	1.8%
Unemployment Rate (Dec.)	4.1%	4.2%	4.5%	4.4%
Annual Inflation (CPI, 82-84 Index)	2.9%	2.7%	2.4%	2.3%

Exchange Rates (USD/X)	January '25	2025 Q1
Mexican Peso	20.67	20.38
Canadian Dollar	1.44	1.45
Chinese Yuan	7.18	7.26
Euro	0.96	0.92
Japanese Yen	154.09	149.60

Influencers	January '25	2025 Q1
Index of Consumer Sentiment (U of M)	71.1	57.0
Brent Crude Price / $barrel	$ 76.8	$ 72.9

APPENDIX

U.S. Tariffs on Light Vehicles (May 12, 2025)

Vehicle Tariff Classifications	2025	2026	2027
U.S. Tariffs on non-USMCA Imports	27.5%	27.5%	27.5%
Current Exceptions:			
United Kingdom	10.0%	10.0%	10.0%
Up to 100,000 units only			
U.S. Tariffs on USMCA Imports	27.5%	27.5%	27.5%
Only on non-USMCA content			
China Electric Vehicles	100.0%	100.0%	100.0%
China Gasoline Vehicles	30.0%	30.0%	30.0%

Vehicles Assembled in United States	27.5%	27.5%	27.5%
Only on non-USMCA content			
Tariff Rebate % MSRP	3.75%	2.5%	0.0%
China Parts / Tooling	30.0%	30.0%	30.0%

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