



EU Vehicle Market Continues to Decline as New Powertrain Dynamics Take Shape

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picture: Pixabay

The latest *ACEA Economic and Market Report* for the first half of 2025 confirms a continued contraction of the European vehicle market, impacting both passenger cars and commercial vehicles. This sustained decline, observed in previous reporting periods, reflects weakening consumer demand and an uneven macroeconomic recovery across the continent.

Buses: A Segment Driven by Long-Term Fleet Cycles

Among the various segments, buses stand out as a notable exception. Although the segment remains limited in absolute volume, its performance is heavily shaped by large-scale public and private fleet orders. As such, short-term market fluctuations should be interpreted cautiously, with a longer-term perspective offering more meaningful insight.

Commercial Vehicles: Diesel Dominates, but Electrification Inches Forward

Diesel powertrains continue to dominate the commercial vehicle segment. However, electrification is gaining ground—albeit slowly—among heavy-duty trucks. Chargeable heavy trucks (battery-electric and plug-in hybrid) reached a market share of 3.6%, up from 2.1% in H2 2024. Hybrid powertrains remain underutilized in this segment, with buses being the only category showing notable hybrid penetration—now accounting for 7% of registrations.

Passenger Cars: Modest Growth for BEVs and PHEVs, Regional Divergence Persists

In the passenger car segment, battery electric vehicles (BEVs) now represent nearly 16% of all new registrations across the EU, reflecting modest growth. Plug-in hybrid vehicles (PHEVs) hold a market share slightly above 8%, though adoption varies significantly by country. The Netherlands continues to lead in PHEV penetration, with the powertrain type accounting for nearly 20% of the market.

Chinese Market Influence: Rising Imports and Adaptive Strategies

Vehicles manufactured in China now comprise 6% of EU passenger car sales, indicating continued growth in imports. While recent EU tariffs on Chinese-made BEVs aim to curb this trend, Chinese manufacturers have responded by accelerating the rollout of advanced, cost-competitive PHEVs in the European market.

This strategy reflects the flexibility of China's domestic regulatory framework, where all chargeable vehicles—including BEVs and PHEVs—are classified as *New Energy Vehicles* (NEVs) and benefit from broad-based government incentives. In contrast, EU policy has placed greater emphasis on BEV adoption, creating a more narrowly focused market signal.

Conclusion

While the European vehicle market continues to face headwinds, shifting powertrain trends—particularly the nuanced interplay between BEVs, PHEVs, and regulatory frameworks—underscore the need for adaptive, technology-neutral policies that can accommodate diverse pathways to decarbonization.

Read more: [□ Read the full ACEA report here.](#)