Unleashing the beast

See what's ahead in the next lap for auto performance parts

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Inside the world of

Automotive performance parts

The automotive performance parts market consists of specialized components designed to elevate a vehicle's capabilities and appearance beyond its original factory settings. This diverse industry caters to enthusiasts seeking to enhance their vehicle across several key areas:

For **power enhancement**, owners install parts like superchargers, cold air intakes, and performance exhaust systems to boost engine output for better acceleration.

Braking and safety are addressed with big brake kits and roll cages, while efficiency and reliability can be optimized through performance radiators and ECU tuning.

To improve **handling and stability,** they upgrade to components such as coilover suspension kits, sway bars, and performance tires for superior cornering and steering response.

The market also includes sophisticated **monitoring and control systems** like data loggers and gauges, and a wide range of aesthetic and ergonomic modifications, such as custom seats, lighting and vehicle wraps, to personalize the vehicle's look and feel.

While recent data suggests the US aftermarket parts market is on track to hit an impressive $351 billion by 2025—of which performance parts accounts for 12–15 percent—the full story is far more complex.[1] Our analysis shows that despite recent turbulence, the sector's long-term fundamentals remain strong and offer meaningful growth opportunities for forward-thinking leaders.

[1] "Automotive Performance Parts Market Report 2026," The Business Research Company, January 2026

Current market outlook:

Strength amid market shifts

During the COVID lockdowns, the US auto performance parts industry reached its peak. Government stimulus checks put extra cash in people's pockets, while social distancing eliminated many entertainment options. Car enthusiasts, stuck at home, suddenly had both time and money to invest in their vehicles.

After the post-COVID peak, the industry faced one crisis after another: economic uncertainty, high interest rates, rising tariffs, inflation, and supply chain disruptions. Consumer hesitancy and reduced discretionary spending followed, clouding the market outlook.

In the near term, we expect a relatively soft market influenced by continued tariff and trade volatility, high interest rates, and the commoditization of performance parts in key product categories. A growing influx of low-cost providers is accelerating this commoditization, particularly in certain segments with low innovation, which is putting pressure on pricing and margins for many players.

While this dynamic challenges differentiation and profitability in affected categories, it does not represent a universal "race to the bottom" across the entire industry. These factors reflect a broader slowdown in macroeconomic improvement, which may extend the timeline for immediate recovery. Yet, for executives who look beyond the immediate turbulence, there are clear signals strategic adaptation will drive the next wave of growth. This period of turmoil has also sown the seeds for a comeback based on the very force that defines this industry: *innovation*.

Despite these macroeconomic headwinds, one factor remains unwavering: consumer passion for personalization and performance with a dedicated and expanding base of enthusiasts continuing to fuel the aftermarket.[2] This isn't a single, uniform group. Instead, it's a diverse spectrum—from traditional "weekend warriors" upgrading older models to a new generation of modifiers focused on customizing the latest trucks and SUVs. Although the profile of the classic car fanatic is evolving, the desire to personalize and enhance vehicles is not fading; it is shifting. This enduring enthusiasm represents a consistent and vital source of demand for innovative aftermarket parts and accessories.

Innovation is driving advances in engine and drivetrain technology, delivering more horsepower, greater efficiency and smarter systems. Manufacturers are making complex installations easier for DIYers, with better training aids and tutorials. Product integration is creating a connected ecosystem of performance parts.

Manufacturers are beginning to collaborate with OEMs and dealers to develop products tailored for performance-minded consumers. These partnerships offer multiple benefits, from strengthening supply chains to enabling installations that preserve factory warranties through OEM-approved performance parts. Performance parts manufacturers and retailers are also forging new partnerships to ensure warranty compliance and financing options, addressing top concerns for today's buyers.

Looking beyond today's turbulence, the five-year outlook is positive, driven by innovation. Innovations in technology, product integration, and customer experience—combined with stabilizing macroeconomic factors and rising demand for SUVs and performance vehicles—are setting the stage for a strong rebound. Now is the time for leaders to rethink growth strategies and capitalize on emerging trends.

[2] Scott Hinderer, "What are performance parts?" Kelley Blue Book, October 7, 2021

Today's market pressures are tomorrow's growth drivers

The auto performance parts market has faced persistent stress since 2020. Rising input costs, changing consumer behavior, and tougher competition define today's landscape.

Tariffs on key imported performance parts are rapidly increasing costs in the US market.[3] Steel and aluminum tariffs have doubled to 50 percent, directly impacting the cost of performance parts made from these metals.[4] These costs are passed along to consumers in varying degrees, leading to higher retail prices and reduced discretionary spending on upgrades.[5]

As these tariffs continue to change, they are injecting new volatility and uncertainty into the sector. Consequently, aftermarket performance parts manufacturers are rethinking their supplier relationships and reevaluating their international and domestic production capabilities to buffer against these unpredictable tariff fluctuations.

Nevertheless, we expect the following developments to support market stabilization and accelerate sales growth in the years ahead:

1. **Lower costs of borrowing**
2. **Increased real disposable personal income (RDPI)**
3. **More new and used vehicle sales**

Macro factors

1. Lower costs of borrowing
2. Increased RDPI
3. More new and used vehicle sales

Industry factors

1. The shift toward SUVs and pickups
2. More demand for performance vehicles
3. Longer-lasting ownership of vehicles
4. Reduced regulations
5. Product innovation

[3] "Automotive Performance Parts Market Report 2026" The Business Research Company, January 2026

[4] "Automotive Aftermarket Industry Update Q2 2025," KPMG LLP

[5] Ibid.

Lower costs of borrowing

Since a decline to almost zero percent during the pandemic, interest rates for auto loans have significantly increased over the past few years. As of 2025, new auto loan rates have risen to 9.43 percent (up 75 basis points year-to-date) and used auto loan rates have increased to 14.15 percent (up 70 basis points year-to-date).[6] This situation has encouraged dealers to enhance their sales strategies as consumers become more cautious about purchasing post-tariff inventory.[7]

Many customers use credit to fund purchases. Cheaper credit can potentially help stimulate industry growth. However, on September 17, 2025, the U.S. Federal Reserve (the Fed) cut its benchmark federal funds rate by 0.25 percent, lowering the rate to a range of 4 percent to 4.25 percent. This marked the first rate cut of the year, and the Fed followed this up with another rate cut in December. Indications are that there will be one or more rate cuts in 2026,[8] potentially boosting vehicle and parts purchases in the future.[9]

Increased RDPI

RDPI rose during the pandemic after a $500 billion government injection. In April 2020, it jumped 12 percent, despite record unemployment and GDP contraction.[10] Personal income stayed above pre-pandemic levels, sustained by stimulus provisions like the CARES Act,[11] and households accumulated $500 billion in excess savings.[12]

These increases drove up inflation, thereby affecting discretionary spending on auto performance parts. In addition, the Fed's rate hikes to combat inflation slowed wage growth. This and increased borrowing costs have further suppressed disposable income. According to data from the Federal Reserve Bank of St. Louis, RDPI fell below $17.5 billion (chained 2017 dollars) during this period.[13]

RDPI bottomed out during 2022–2023 and has been recovering since then. As macro-economic factors continue to stabilize, RDPI is expected to revert to historical levels of growth year over year.[14]

More new and used vehicle sales

The seasonally adjusted annual rate (SAAR) of vehicle sales fell drastically after the advent of COVID—from around 17 million units in 2019 to below 14 million between 2020 and 2022. While sales have gradually recovered, 2025 numbers are still projected to be about 10 percent below the averages of the past five years. Used car sales for 2025 are currently outpacing used car sales in 2024 by 3.5 percent.[15]

Analysts expect vehicle sales to rise as the market stabilizes. According to LMCA annual forecasts, sales for 2025 are expected to reach approximately 15.2 million units, with August's SAAR at 16.8 million units—up from 15.9 million units in 2024. By 2030, sales should return to historical norms of 16.5 million to 17 million units.[16] This growth presents new opportunities for performance parts providers.

[6] "Auto Loan Rates Trend Higher as Federal Reserve Cuts Rate Policy," Cox Automotive, September 2025

[7] Ibid.

[8] "Federal Reserve calibrates interest rate policy amid softer hiring and lingering inflation," US Wealth Management, U.S. Bank, September 19, 2025

[9] KPMG analysis, 2025

[10] "Personal Income Growth During the COVID19 Pandemic," Congressional Research Service, November 30, 2020

[11] Ibid.

[12] "The Rise and Fall of Pandemic Excess Savings," Economic Letter, Federal Reserve Bank of San Francisco, May 8, 2023

[13] U.S. Bureau of Economic Analysis, Federal Reserve Bank of St. Louis, August 25, 2025

[14] KPMG research, 2025

[15] "Q3 2025 Industry Insights and Sales Forecast, Cox Automotive, September 25, 2025

[16] "Auto Sales and Inventories, Monthly, Seasonally Adjusted at Annual Rate," Federal Reserve Bank of St. Louis, August 2025

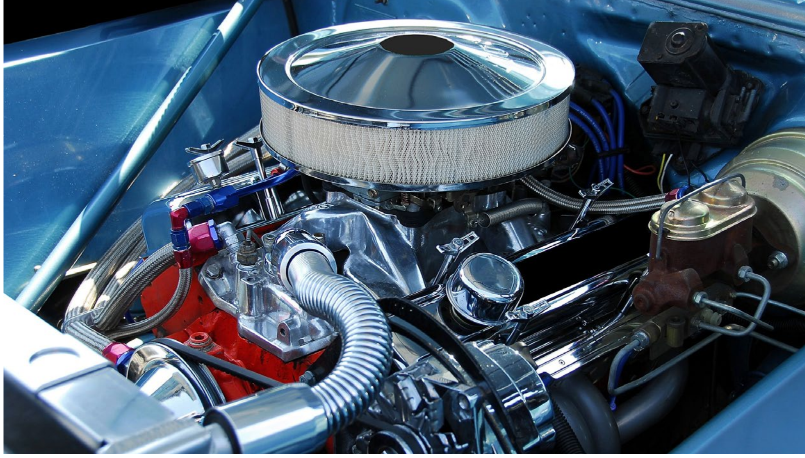
This expected rise in new and used vehicle sales creates a strong opportunity for the performance-parts industry. Research shows many new owners modify their vehicles within the first 12–18 months, driven by a desire for customization and better performance. As sales rebound, providers should focus on innovative, differentiated solutions that fit evolving consumer lifestyles and advancing technologies.

Key implications include the need to focus on R&D investment to offer next-generation customization options that integrate seamlessly with OEM technologies.

Additionally, understanding the regulatory landscape will be critical, as maintaining warranty and financing compatibility remains a top concern for consumers.

Enhanced partnerships with dealerships and OEMs could also facilitate market penetration and enhance customer engagement. Successfully navigating these dynamics will require a forward-looking approach to capitalize on the market's growth potential, ensuring that the sector remains agile and responsive to consumer and technological shifts.

Five growth trends to watch



Rising 2025 tariffs pose a major challenge for the automotive industry by driving up prices on imported vehicles and parts. These disruptions also affect aftermarket and performance modifications, directly influencing industry resilience and adaptation. As tariffs continue to shift, they add volatility and uncertainty to the sector, prompting performance parts manufacturers to rethink supplier relationships and expand domestic production to buffer against unpredictable fluctuations.

As the industry keeps a close eye on tariffs, the following growth trends are also expected to help shape market development:

1. **The shift toward SUVs and pickups**
2. **More demand for performance vehicles**
3. **Longer-lasting ownership of vehicles**
4. **Reduced regulations**
5. **Product innovation**

The shift toward SUVs and pickups

Sports utility vehicles and pickup trucks accounted for about half of new car sales in 2015, but in 2025 they now make up nearly 80 percent of the market.[17] This significant shift is increasing demand for vehicle modifications that have a limited impact on new vehicle warranties.[18]

Consumers who purchase SUVs and pickups are modifying their vehicles at a higher rate than other light vehicles such as sedans.[19] This trend is primarily because most upgrades (wheels, suspension, body, etc.) for these vehicle types have limited warranty, emission, and regulation implications. Such conditions make SUVs and pickups more suitable for upgrades straight out of the showroom, unlike muscle cars or European models, whose engine upgrades and tuning are often more complex and restricted. As customer preferences shift toward SUVs and pickups, these vehicles are becoming a major growth engine for the auto performance-parts market.

More demand for performance vehicles

Original equipment manufacturers recognize the shift in consumer demand toward more capable and personalized vehicles. In response to this increased interest, OEMs are offering performance packages across a broader range of key nameplates that help address buying concerns and issues.

For example, Ford once offered the Raptor only on the F-150, but now extends it to models like the Bronco and Ranger. They've also broadened the Tremor package across more vehicle lines. These packages help address buyer concerns—including warranty protection, dealer financing, regulatory compliance, resale value, and brand loyalty. This shift shows consumers increasingly want vehicles that deliver both performance and personalization, a trend that also extends to used vehicles, as reflected in higher resale values.

[17] KPMG analysis, 2025

[18] Ibid.

[19] Ibid.

Reduced regulations

The Environmental Protection Agency (EPA) has historically restricted the use of performance upgrades due to emissions and noise restrictions. The Trump administration has proposed and initiated several rollbacks of EPA regulations, including significant actions related to climate change and emissions standards.[21] For example, the administration plans to rescind Obama-era vehicle emission standards and reverse California's authority to set stricter vehicle standards, known as the California Waiver.[22] This leads to a two-fold impact:

- First, as emission restrictions are rolled back, key markets for exhaust modifications, vehicle tuning, etc. are expected to ramp up as customer hesitations about aftermarket enhancement are anticipated to decrease.
- Second, the push for green vehicles and infrastructure is expected to decrease as credits and rebates are removed. The reduction in EV adoption will likely coincide with a rise in internal-combustion-engine vehicles, which, by their design, are more appropriate candidates for modifications.

Longer-lasting ownership of vehicles

Owners are holding on to their vehicles longer, and the average vehicle life before scrappage has increased from 8.9 years in 2000 to 12.8 years in 2025.[20] These numbers don't even account for millions of vehicles that are not registered but continue to be worked on. This trend reflects a growing desire among consumers to personalize and enhance their vehicles, regardless of age, to keep them feeling "new to them."

For second, third,or even fourth owners, modifying the vehicle is a popular way to personalize their investment. Various performance aftermarket parts provide this opportunity, ranging from entry-level exhaust bolt-on kits and cold-air intakes for the "weekend warrior," to extensive engine modifications and body restorations for seasoned DIY enthusiasts. Through these modifications, owners can enjoy both high performance and a refreshed look and feel, thereby enhancing their driving experience and extending the life of their vehicles.

Product innovation

Leading manufacturers are introducing a new generation of performance products that go beyond incremental upgrades—they deliver true breakthroughs. These innovations range from tunable suspension systems that combine track-level precision with everyday comfort, to next-generation engine components that unlock substantial power gains while integrating seamlessly with factory electronics.

This wave of high-demand products is creating its own momentum, commanding premium prices and fostering strong brand loyalty. By delivering measurable performance improvements and an exceptional ownership experience, these companies demonstrate that innovation can shield them from commoditization and resonate deeply with the market's most passionate enthusiasts.

[20] KPMG research

[21] "EPA Proposes Rollback of Climate and Power Plant Regulations," JW News, August 19, 2025

[22] "Trump Rescinds California's Emission Waivers: What It Means for the Future of EV Mandates," Seyfarth's Future of Automotive Series, Seyfarth Shaw LLP, June 17, 2025

Conclusion

The automotive performance parts industry is undergoing a profound transformation driven by economic factors, market fluctuations, regulatory changes, and evolving customer expectations. KPMG provides automotive performance parts manufacturers and investors with a holistic approach that combines deep industry experience, strategic foresight, and leading technology.

For automotive performance parts manufacturers, our services include:

- **Operational performance improvement,** helping manufacturers align their back-office processes, factory floors, and supply chains by leveraging advanced data analytics and intelligent automation.
- **Supply chain optimization,** assisting manufacturers in navigating supply chain complexities, from managing demand forecasting and inventory to addressing supplier distress and mitigating risks.
- **Digital transformation and technology integration,** supporting manufacturers in adopting and integrating emerging technologies like AI and automation to enhance innovation, improve productivity, and digitize manufacturing processes.
- **Strategic guidance and market entry,** providing market insights to help manufacturers enter new markets with confidence and develop strategies for profitable growth streams.
- **Tax and regulatory advisory,** helping manufacturers manage complex tax and trade regulations, including tariffs, customs, and export controls. KPMG also assists companies in navigating compliance and identifying R&D incentives.

> We encourage automotive performance parts manufacturers and investors alike to engage with KPMG and learn more about new market developments, key economic insights, and tested strategies designed for competitive advantage and long-term growth.

For investors, our services include:

- **Mergers and acquisitions (M&A) advisory,** with deal advisory services customized for transactions in the automotive sector. KPMG tracks M&A trends and provides insights on inorganic growth strategies, helping investors navigate deal logic shaped by shifting industry dynamics, such as the rise of hybrid technology.
- **Market intelligence and trends,** helping to keep investors informed on key market drivers and trends in the automotive aftermarket. This includes factors like increasing vehicle age, changing consumer spending habits, and the impacts of electrification on the parts market.
- **Risk assessment,** providing insights into current risks and opportunities for investors.
- **Valuations and due diligence,** assisting investors in evaluating investment opportunities by providing valuations and conducting due diligence to assess the potential of performance parts companies.
- **Capital investment and funding,** helping investors identify funding opportunities and develop capital projects strategies.

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