

Global shift to EVs will have far-reaching consequences: IMF

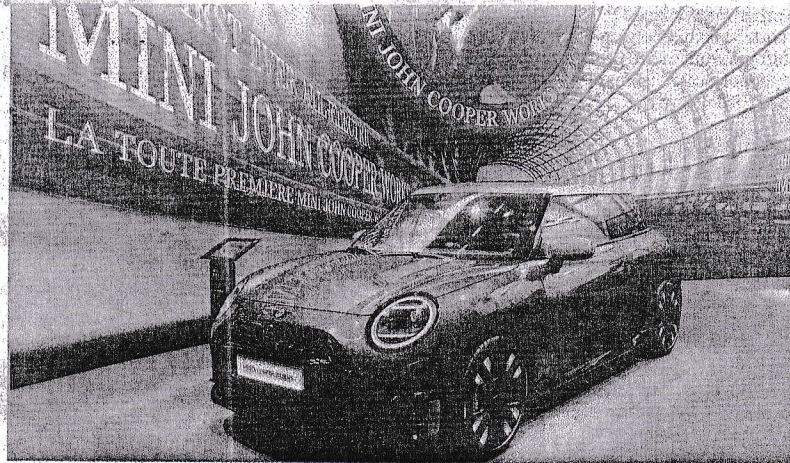
GREEN RIDES. Rising EV adoption is supported by the EU's goal of reducing emissions from cars by 50%

Reuters

The global transition toward electric vehicles (EVs) will have "far-reaching" impacts on investment, production, international trade and employment, the International Monetary Fund (IMF) said on Tuesday as part of its update to global economic growth forecasts.

The analysis was included in the IMF's latest World Economic Outlook, which was released as policymakers meet at the IMF and World Bank annual meetings this week to discuss efforts to boost global growth, deal with debt distress and finance the green energy transition. "The rising adoption of EVs represents a fundamental transformation of the global automotive industry. It will have far-reaching consequences," the IMF said.

The move toward EVs has accelerated in recent years and is seen as a key way to help countries achieve climate goals. In 2022, transportation accounted for 36



TOWARDS SUSTAINABILITY. The move toward EVs has accelerated in recent years and is seen as a key way to help countries achieve climate goals BLOOMBERG

per cent of greenhouse gas emissions in the US, 21 per cent in the EU, and 8 per cent in China, the IMF said.

RISING EV ADOPTION

Rising adoption of EVs has been supported by the EU's goal of reducing emissions from cars by 50 per cent for the 2030-35 period from the

2021 levels, while the US government has provided subsidies for EVs and charging stations.

The IMF noted that the global automotive industry stands out for having high wages, strong profits, large export markets and using a high degree of technology.

The acceleration toward

EVs would remake that landscape, particularly if China maintains its current edge in production and exports against US and European rivals. Under realistic EV market penetration scenarios, Europe's GDP would be reduced by about 0.3 per cent in the medium term, the IMF said.

"In these scenarios, employment declines in the automotive sector, and labour reallocates gradually to less capital-intensive sectors (with lower value added per worker)," the IMF said.

DUTY ON CHINESE EVS

Both the US and EU have imposed tariffs on Chinese-made EVs to counter what they say are unfair subsidies from Beijing to Chinese manufacturers.

Last month, the US introduced a 100 per cent duty on Chinese EVs, while earlier this month EU member-states narrowly backed import duties on Chinese-made EVs of up to 45 per cent.

Chinese EV makers have so far priced their vehicles below their rivals, a crucial advantage given EVs currently remain more expensive than gasoline alternatives and demand has been weakening for EVs globally.

The French government said earlier this month it would reduce its support for EV buyers, joining Germany, which ended its subsidy scheme late last year.