



Budget constraints making talent acquisition harder for automotive suppliers

Deloitte Commentary: Q4 2024 MEMA OE Automotive Supplier Barometer

Jason Coffman, Cathy Gutierrez, and Ryan Robinson

Looking to the year ahead, many automotive suppliers are still working through a multitude of issues impacting their business. The softening of EV demand momentum is causing some turmoil as suppliers race to stay aligned with rapidly shifting OEM production plans. The rise of software-defined vehicles is impacting every aspect of the auto value chain, requiring OEMs and their suppliers to fundamentally rethink development tools, manufacturing processes, and talent strategies.¹

A structural shift to higher vehicle transaction prices, exacerbated by inventory shortages and supply chain shocks, continues to impact cost-conscious consumers, who are still digesting the effects of a prolonged period of high interest rates on their financial capacity.

These macro shifts have prompted some OEMs and suppliers to recognize they cannot maintain their competitive momentum alone, signaling a new era of ‘co-opetition’ to optimize limited resources to accelerate new technologies while lowering costs and risk exposures.² At the same time, the potential for consolidation and/or rationalization may be ratcheting up as some companies face labor disruptions and the reality of having fewer options to help right size their operations.

In addition, global light vehicle production is expected to post a slight decline this year (-0.6%) driven, in large part, by downturns in North America (-1.0%) and particularly Western Europe (-6.9%).³ Going forward, production volume in North America is expected to remain below 17 million units through the end of the

decade,⁴ signaling an increasingly competitive environment for global suppliers over the next several years.

Against this backdrop, respondents to the most recent MEMA OE Suppliers quarterly Barometer survey⁵ indicated their most concerning issue continues to be poor sales in the vehicle programs they supplied. More than a third of suppliers said this was the greatest threat to the industry over the next 12 months, eclipsing the concern they have for potential weakness in the U.S. economy over that time horizon.

Even the impact of potential changes in government trade policy takes a back seat for respondents this quarter, although recent announcements by the incoming Trump administration to apply a 25 percent tariff on all goods entering the U.S. from both Canada and Mexico⁶ may alter that sentiment as we move into 2025. The USMCA free trade deal is also likely to be renegotiated in the near-to-mid-term, potentially shifting vehicle content requirements which may have an outsized impact on OEMs and suppliers betting heavily on Mexico as a regional manufacturing hub.⁷

In fact, roughly a third of suppliers responding to the MEMA survey indicated that employment growth in Mexico is expected to grow faster than the regional share of corporate sales growth over the next five years. Conversely, 36% of respondents said their U.S. headcount will likely decline in the next 12 months, owing to the need for restructuring efforts in the face of uncertain market conditions. A lot will likely depend on the forward trajectory for EV demand and the outcome of negotiations between the three North American trading partners. In the meantime, suppliers should be developing a set of strategic options to pivot their regional manufacturing footprint to align with shifting trade policies.

Results from the MEMA survey also point to the fact that despite an ongoing concern around the

availability of skilled talent, fewer suppliers on a year-over-year basis are evaluating the gaps in programs to attract and reward talent in their organization (70% in 2024 vs. 85% last year). Some suppliers are focusing on revamping programs such as apprenticeships, bonuses, and mentorships to attract and retain the talent they need, but budget constraints may make it harder to maintain these efforts going forward.

Further complicating the matter, suppliers responding to the MEMA survey said a lack of qualified candidates and competition from other sectors top the list of challenges preventing them from filling open positions. This can be particularly relevant when considering the importance of attracting software engineers to drive digital innovation initiatives. Some survey respondents are achieving positive results by partnering with universities to attract engineers before they get scooped up by companies in other sectors. Other tactics include promoting the company's reputation and culture via word-of-mouth campaigns.

One of the areas of digital innovation that suppliers could put more focus on is the integration of artificial intelligence (AI) to support product and process quality improvements while increasing productivity. A third of companies responding to the MEMA survey are currently using AI tools either in their day-to-day operations (6%) or to enable pilot projects (27%), but another third of companies have yet to implement any AI initiatives with a further 1 in 5 suppliers still exploring policy guidelines.

In light of lingering skills gap and talent acquisition challenges, suppliers may be well-served to explore the potential benefits that AI can bring to their organization. In this way, they may be able to extract the efficiency gains required to refocus their remaining resources on achieving the flexibility to maintain alignment with ever shifting business conditions.

Contact

Jason Coffman

Principal

Deloitte Consulting LLP

jasoncoffman@deloitte.com

Endnotes

¹ Elmar Pritsch, Software-defined vehicle: Global manufacturer readiness study, Deloitte, November 2024.

² Graeme Roberts, [Mitsubishi joins Japanese automaker collaboration](#), Just-Auto, August 1, 2024.

³ GlobalData, Global light vehicle production forecast.

⁴ *ibid.*

⁵ MEMA OE Suppliers, 2024 Q4 Barometer Survey.

⁶ Costas Pitas, [Trump vows new Canada, Mexico, China tariffs that threaten global trade](#), Reuters, November 26, 2024.

⁷ [Trump promises to 'renegotiate' USMCA treaty if elected](#), Mexico News Daily, October 11, 2024.

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