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MEMA OE Suppliers Vehicle Supplier Barometer Q4 2024

Talent and HR

December 17, 2024



MEMA OE Vehicle Supplier Barometer: Q4 2024 - Executive Summary

Supplier Barometer Index (SBI)

SBI Score = 36;

down from Q3 level of 39



The outlook for the fourth quarter deteriorated again from the prior quarter to a reading of 36, or 14 points below a neutral level of 50 and down 3 points from Q3. Pessimism grew across firms of all sizes while suppliers with revenue between \$151-500 million being the most pessimistic. Light vehicle suppliers were slightly more pessimistic in comparison to their commercial vehicle counterparts, on net.



Concerns of poor sales in programs supplied remained the leading threat to the industry in the coming 12-months and intensified from last quarter.

Risk of further “black swan” events declined, in addition to labor availability and higher interest rates.



Gaps between responsibilities and skills and the gap between current and aspired company culture closed from last year.

Executive responses indicate that skill gaps shrank from last year, with 40% of respondents indicating they have moderate to wide gaps, down from 58% last year.

Cultural gaps decreased in comparison to 2023, with 38% of respondents indicate moderate to wide gaps between their current and aspired culture, down from 39% last year.

Suppliers see the gaps in their programs to attract talent closing over the next 1-3 years. They are reviewing benefits packages and leveraging internships and apprenticeships to bring in young talent.



New orders and production continue to decrease widely across the industry on both a year-over-year and one-month basis. Customer inventories continue to build, and the backlog of orders continue to decline. Costs continue to rise.

MEMA OE Vehicle Supplier Barometer: Q4 2024 - Executive Summary



The critical need for hourly workers eased substantially from last year in the U.S. and Canada while only showing marginal improvement in Mexico. Other job functions showed a marked improvement.

Voluntary monthly turnover for hourly employees decreased slightly in Mexico from prior year, while U.S. and Canada turnover declined materially. Turnover rates remain elevated across North America, however.

On net, over the past 12-months and next 12-months, suppliers in the U.S. and Canada expect to decrease headcounts for salary and hourly positions while headcounts in Mexico are expected to grow.

Lack of qualified candidates remains the top hiring constraint, but conditions extended their improvement from last year. Competition from other industries remain prevalent but showed significant improvement from last year.



Regional employment is only anticipated to grow faster than the regional share of corporate sales in Mexico and Asia Pacific excluding China over the next five years.



70% of suppliers have at least moderately integrated Automation into their North American operations and plan to continue to automate over the next two years.

About a third of suppliers are currently leveraging AI productivity tools to increase efficiency. While an addition third are in the planning stage of integration.



The most successful methods of attracting engineers are partnering with universities, reputation, company culture and leveraging referrals and word of mouth from existing employees.



Key themes for career path and succession planning prioritize developing employees internally through training and tuition reimbursement, while focusing on high performing candidates and promoting internally.



Cost pressures continue as the supply base is budgeting next year's wage growth at 2.8% and 2.1% for hourly and salary employees, respectively. Growth in benefit offerings has cooled significantly from last year, while health care accelerates.



About half of suppliers feel they have at least moderately integrated DE&I into their talent strategy. Results indicate commercial vehicle suppliers have outperformed light vehicle suppliers in this effort.



Supplier Outlook

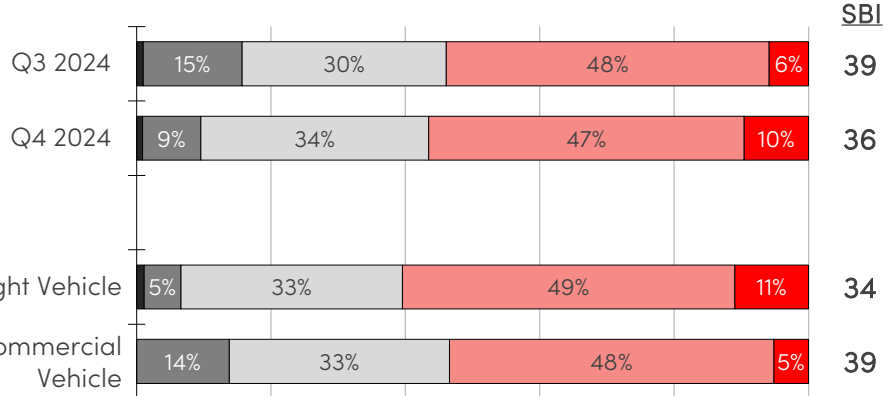
Q4 2024 - MEMA OE Vehicle Supplier Barometer

MEMA OE Vehicle Supplier Barometer: Q4 2024 - Results

Describe the general twelve-month outlook for your business. Over the past three months, has your opinion become...?

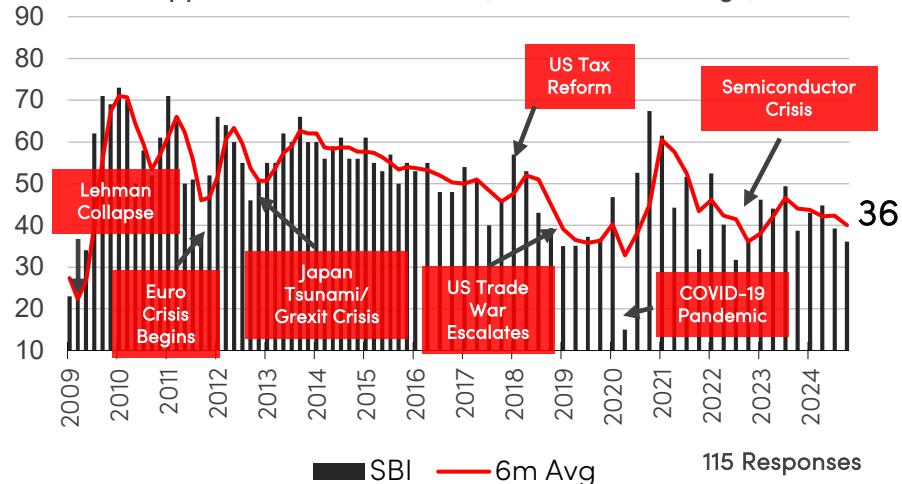
Current Supplier Outlook (Share of Respondents)

0% 20% 40% 60% 80% 100%



- Significantly more optimistic
- Somewhat more optimistic
- Unchanged
- Somewhat more pessimistic
- Significantly more pessimistic

Supplier Barometer Index: (SBI and 6m Average)

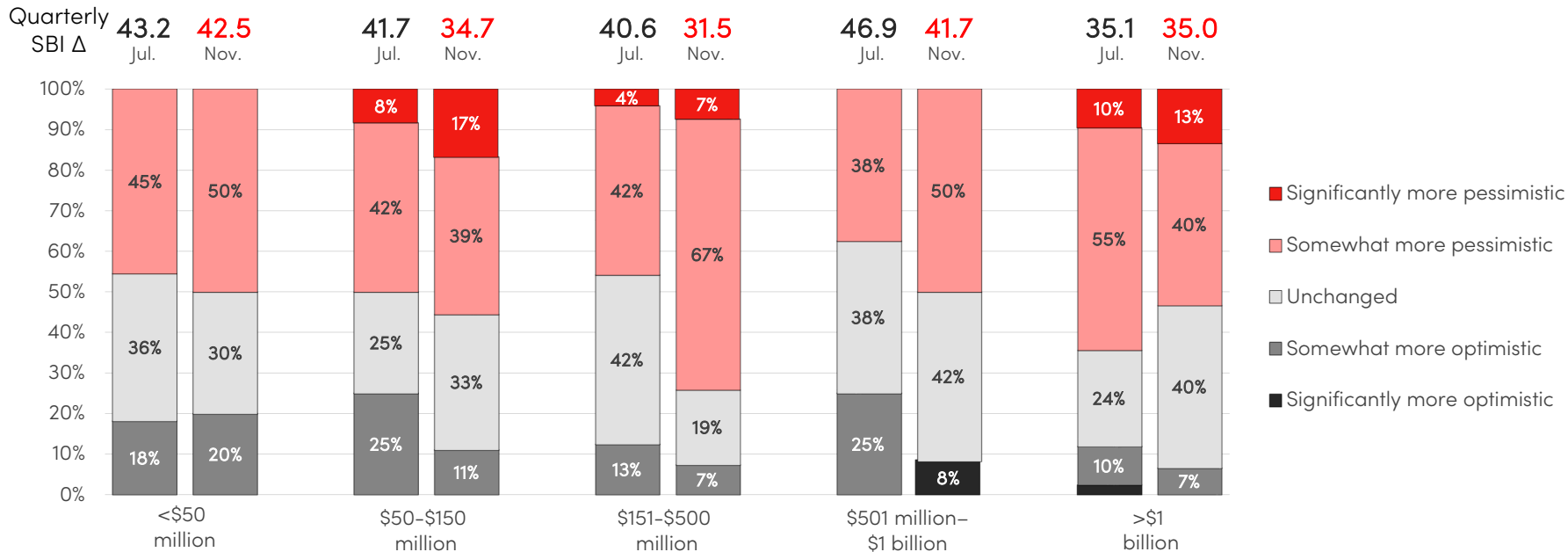


*Data prior to 2024 Light Vehicle Only

The outlook for the fourth quarter deteriorated 3 points from the third quarter of 2024 to a level of 36, and marks eleven consecutive quarters of building pessimism.

MEMA OE Vehicle Supplier Barometer: Q4 2024 - Results by Revenue

Describe the general twelve-month outlook for your business. Over the past three months, has your opinion become...?



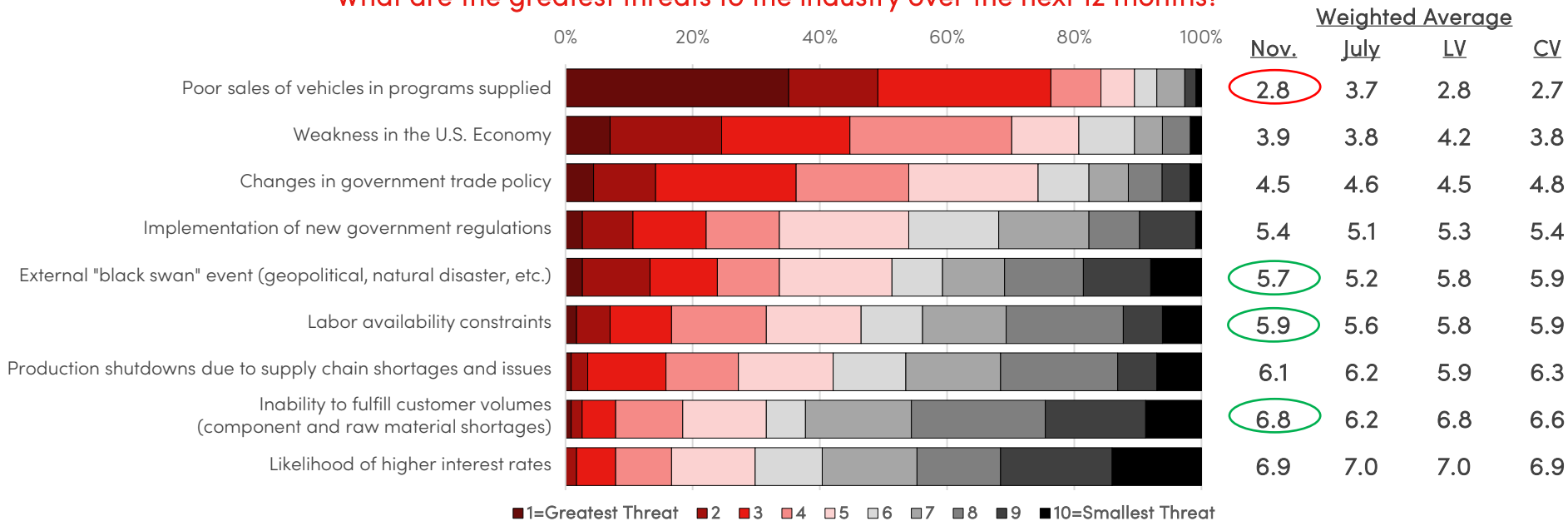
The outlook is pessimistic across firms of all sizes.

The largest, most globally exposed suppliers, having the most pessimistic outlook.

MEMA OE Vehicle Supplier Barometer

Q4 2024 - Industry Threats Results

What are the greatest threats to the industry over the next 12 months?



Poor sales of programs, and economic weakness continue to be the greatest 12-month threats to the industry. Risk of further "black swan" events declined, in addition to labor availability and higher interest rates.

MEMA OE Vehicle Supplier Barometer: Q4 2024 - Industry Indicators

For the following indicators, please indicate what change, if any, your company has experienced over the following time frames.

	Total Industry		Light Vehicle		Commercial Vehicle	
	12-Month Chg.	1-Month Chg.	12-Month Chg.	1-Month Chg.	12-Month Chg.	1-Month Chg.
New orders	24	27	24	25	21	30
Production	21	22	20	18	25	29
Employment	38	36	38	36	37	34
Supplier Deliveries	46	44	44	41	47	48
Inventories	61	57	62	59	58	57
Customers' Inventories	68	61	72	65	60	58
Costs	81	65	80	65	75	59
Backlog of Orders	34	36	37	38	29	35
Imports	45	46	46	46	43	45
New Export Orders	45	44	47	47	41	42

Diffusion Index = Σ (% Responding Decelerated x 0, % Responding Unchanged x 50, % Responding Accelerated x 100)

Lower Limit = 0

Neutral = 50

Upper Limit = 100

New orders and production continue to decrease widely on both a year-over-year and one-month basis. Supplier and customer inventories are building, and the backlog of orders is declining. Costs continue to rise.



HR and Talent

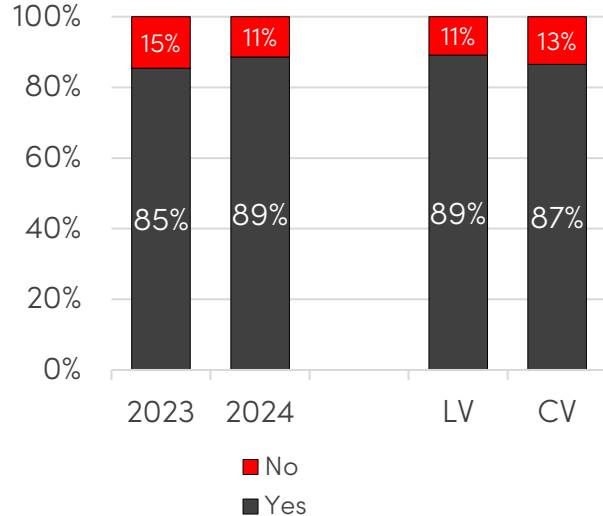
Q4 2024 - MEMA OE Vehicle Supplier Barometer

Roles/Responsibilities vs. Skills

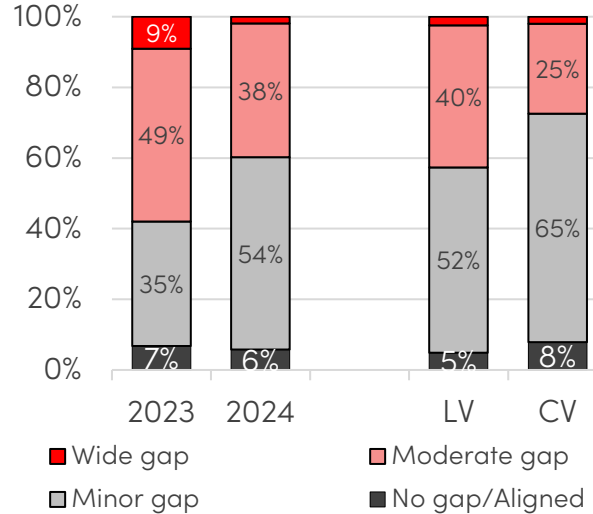
Q4 2024 - North America

Given competitive hiring pressures and your effort to retain and capture new talent...

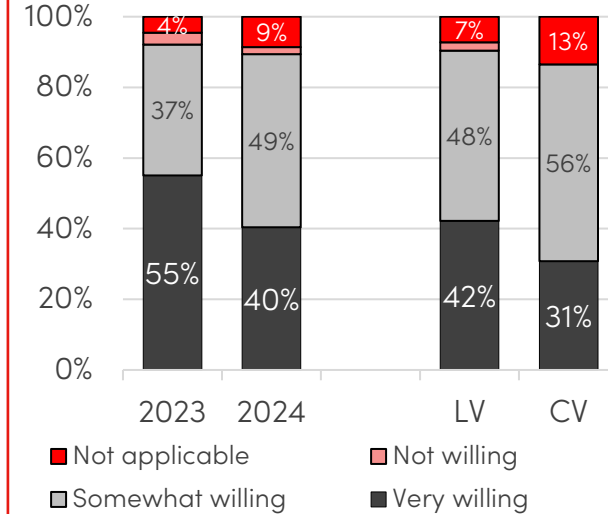
Are you evaluating the gaps between roles/responsibilities vs. skills in your organization?



If yes, what is the magnitude of each gap?



If yes, how willing are you to embrace the scope of change needed to close each gap?

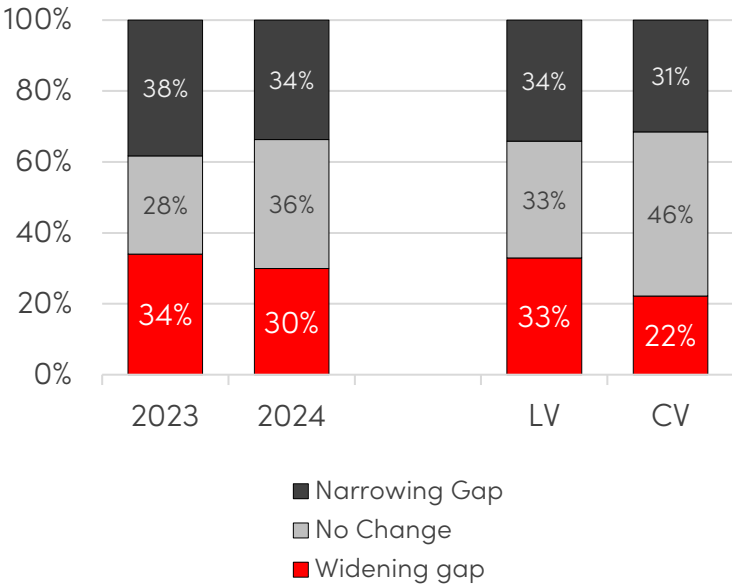


Skill gaps shrank from last year, with 40% of respondents indicating they have moderate to wide gaps, down from 58% last year.

Roles/Responsibilities vs. Skills

Q4 2024 - North America

How do you see this changing over the next 1 to 3 years?



What are you doing to adapt your organization to each of these changes?

Selected responses:

- Find partners to help us with AI implementation
- We are focused on a blend of hiring potential and developing internal talent with potential to key roles expected to turnover in next 3-5 years.
- Re-evaluating org. structures and succession plans.
- Targeting training for management team and key disciplines.
- Harmonize and minimize the various role definitions and job descriptions
- Right people in the right seats; upgrading staff as we experience attrition
- With the reduction in R&D and admin costs, we will need to do more with less, combining jobs and reskilling our employees.
- Consistent review of competencies, skills vs evolving market needs

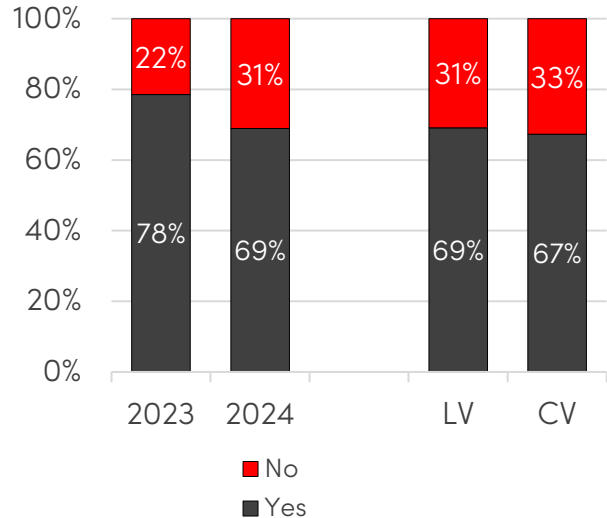
Suppliers see the gap between roles and responsibilities closing over the next 1-3 years. They are focused on developing talent internally through training or re-skilling and trying to do more with less.

Current Culture vs. Aspired Culture

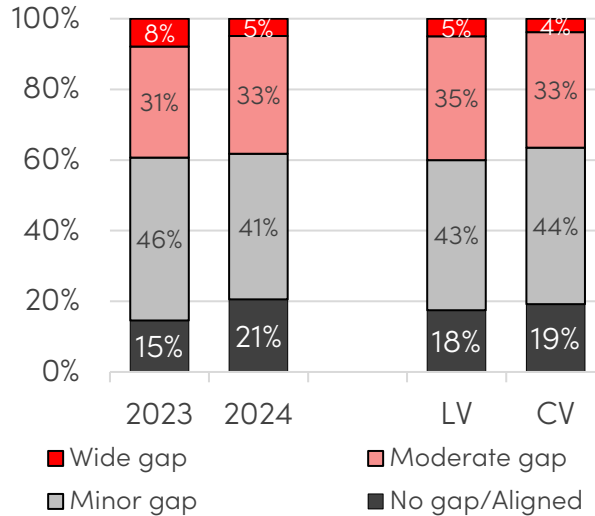
Q4 2024 - North America

Given competitive hiring pressures and your effort to retain and capture new talent...

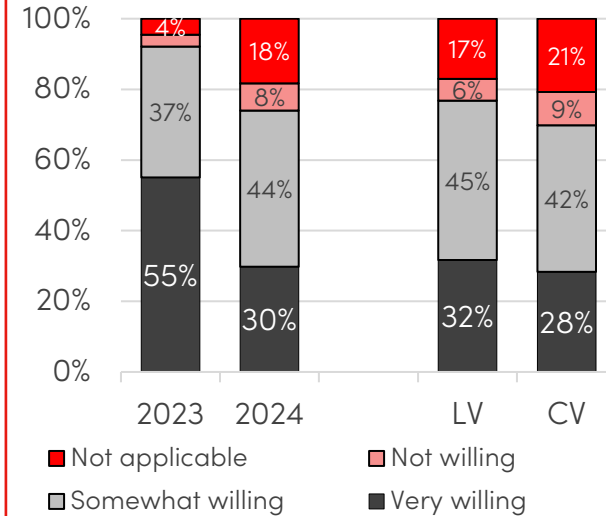
Are you evaluating the gaps between current vs. aspired culture in your organization?



If yes, what is the magnitude of each gap?



If yes, how willing are you to embrace the scope of change needed to close each gap?

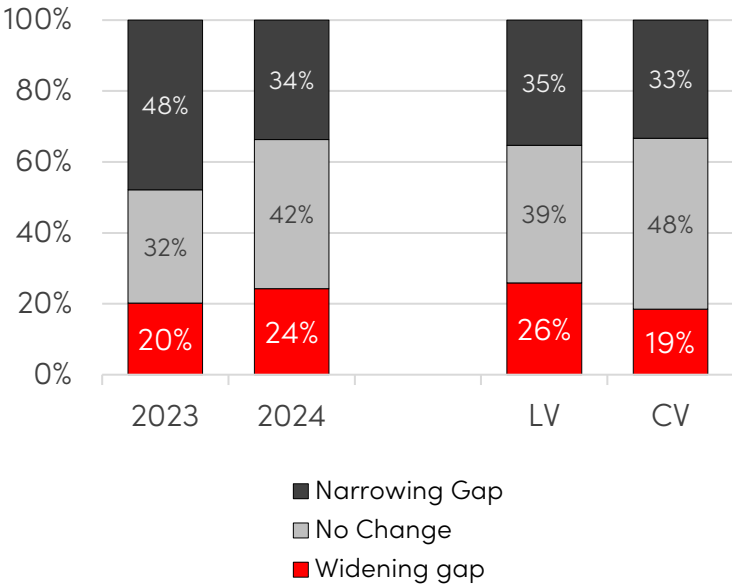


Cultural gaps decreased in comparison to 2023, with 38% of respondents indicate moderate to wide gaps between their current and aspired culture, down from 39% last year.

Current Culture vs. Aspired Culture

Q4 2024 - North America

How do you see this changing over the next 1 to 3 years?



What are you doing to adapt your organization to each of these changes?

Selected responses:

- Continue to monitor and evaluate culture. Flexibly for production workers is biggest gap.
- Driving flexible mindset within the organization via structural changes and associated targeted metrics
- More restrictive corporate requirements; increasing expectations of flexibility, autonomy, etc. from the labor force.
- Culture requires constant care and feeding, however, I feel ours is very solid, so maintenance and mild CI are all that is necessary.
- Continued offering of remote and flexible options
- Increased pressure for more on site presence will reduce the flexibility.
- Modernizing buildings. Desire to have more back to office
- Regular employee engagement surveys and action planning

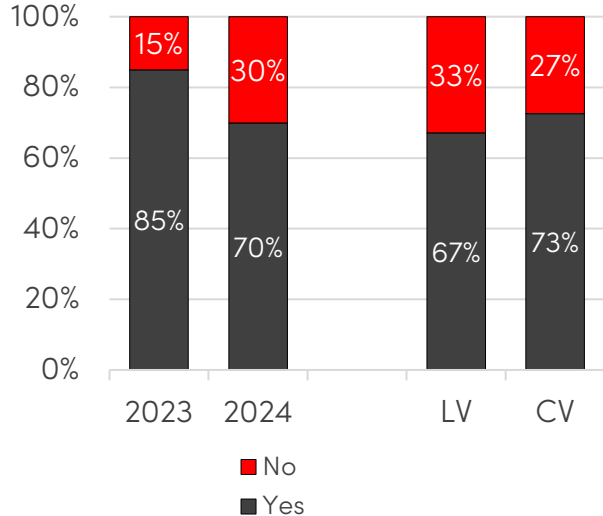
Suppliers are focused on continuing a flexible culture in their organizations and constantly monitoring KPI's. Many suppliers indicate a desire for more in-person attendance and are creating programs to promote it.

Programs to Attract and Reward Talent

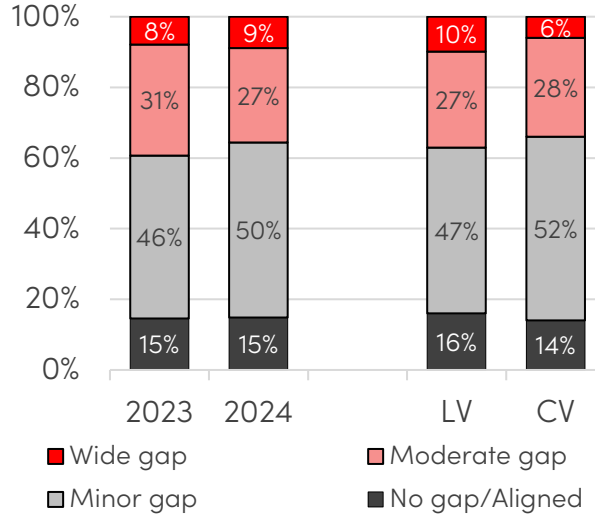
Q4 2024 - North America

Given competitive hiring pressures and your effort to retain and capture new talent...

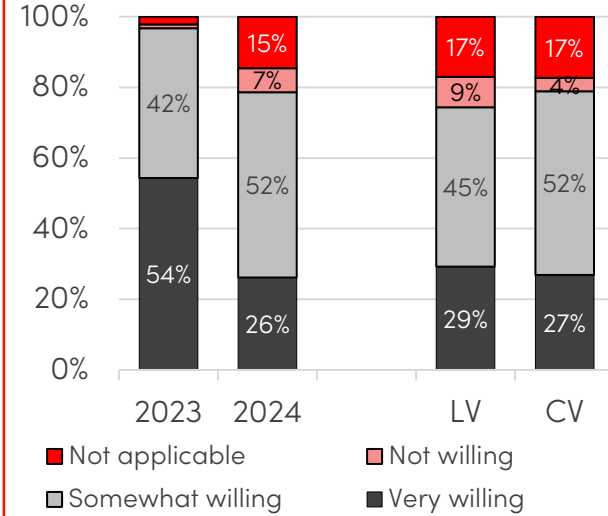
Are you evaluating the gaps between programs to attract and reward talent in your organization?



If yes, what is the magnitude of each gap?



If yes, how willing are you to embrace the scope of change needed to close each gap?

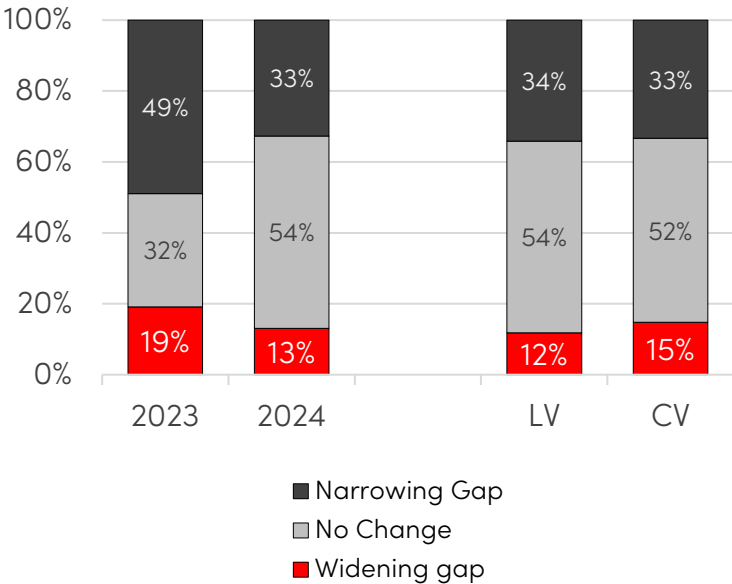


The gap between supplier programs to attract and reward talent narrowed from last year, with 36% indicating moderate to wide gaps, down from 39% in 2023.

Programs to Attract Talent

Q4 2024 - North America

How do you see this changing over the next 1 to 3 years?



What are you doing to adapt your organization to each of these changes?

Selected responses:

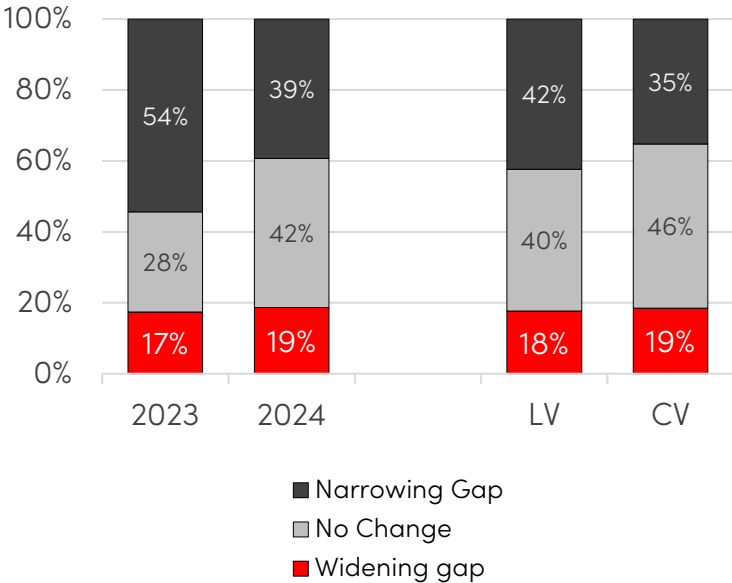
- Working on apprentice programs.
- Some benefits are short of candidate expectations, we are taking a rifle approach to close a few gaps. Appear to only be present with high earners, executives, and senior sales staff.
- Revamping retention and onboarding processes, Mentoring programs for Hi-Pot's
- Reviewing bonus programs, flexible offerings, etc.
- Will continue to assess and implement new programs to attract and retain talent.
- Budget constraints will make it harder to continue all the efforts we have launched in recent years.
- External benchmarking; manager education on talent attraction
- More internships and co-ops

Suppliers see the gaps in their programs to attract talent closing over the next 1-3 years. They are reviewing benefits packages and leveraging internships and apprenticeships to bring in young talent.

Programs to Retain Talent

Q4 2024 - North America

How do you see this changing over the next 1 to 3 years?



What are you doing to adapt your organization to each of these changes?

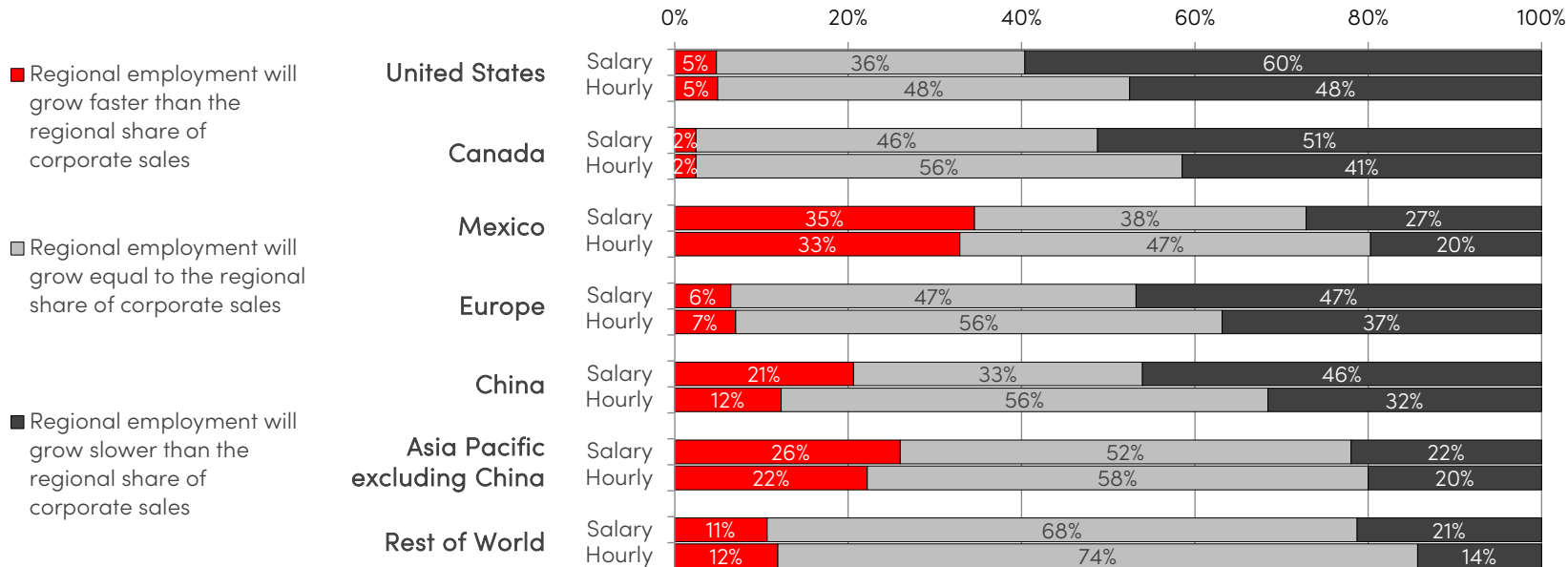
Selected responses:

- Creating a clear link between individual performance and that of the business to assure high performance is rewarded
- Apprentice programs and identifying High Potential team members.
- Retention bonuses, annual bonus programs
- Budget constraints - no longer the war for local talent.
- Limitations to retain talent, so as the talent leaves, we need to find ways to manage
- External benchmarking
- Fight for top performers will continue to be intense

Suppliers see the gaps in their programs to retain talent closing over the next 1-3 years. Many noted that the war for talent has cooled off.

Employment Issues: Q4 2024 - Regional Growth Expectations

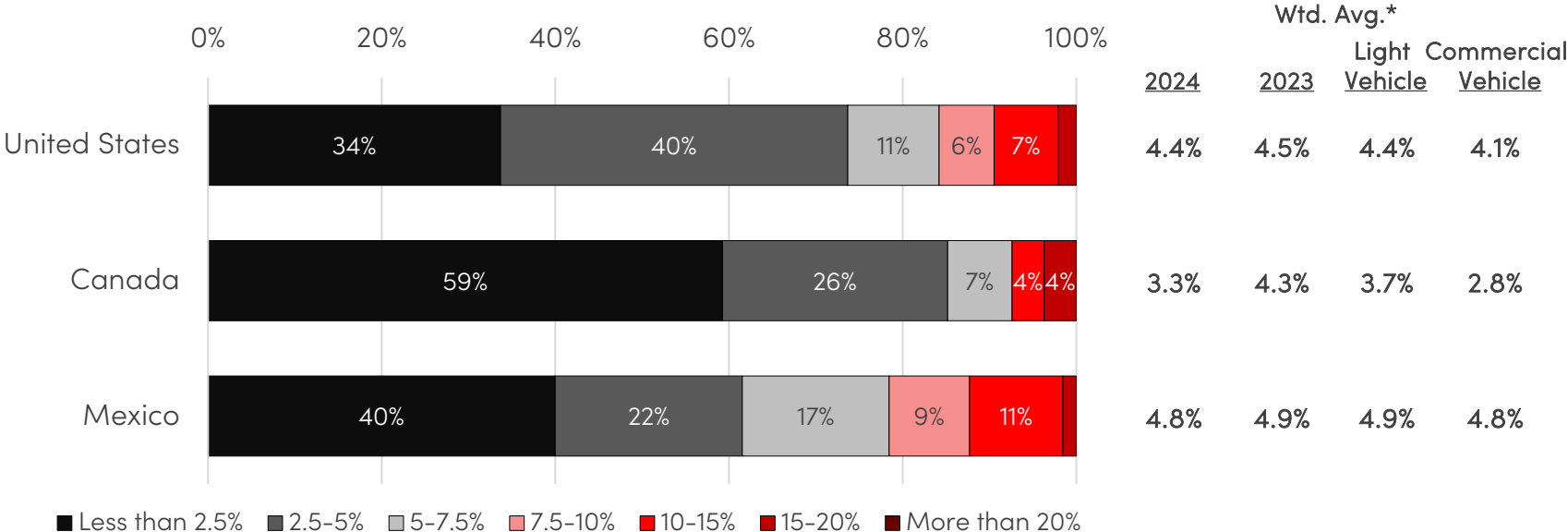
Looking at your current global footprint,
how do you anticipate regional employment levels shifting over the next five years?



Regional employment is only anticipated to grow faster than the regional share of corporate sales in Mexico and Asia Pacific excluding China over the next five years.

Employment Issues: Q4 2024 - North American Voluntary Turnover

Estimate your year-to-date 2024 monthly voluntary turnover rates for salary personnel.

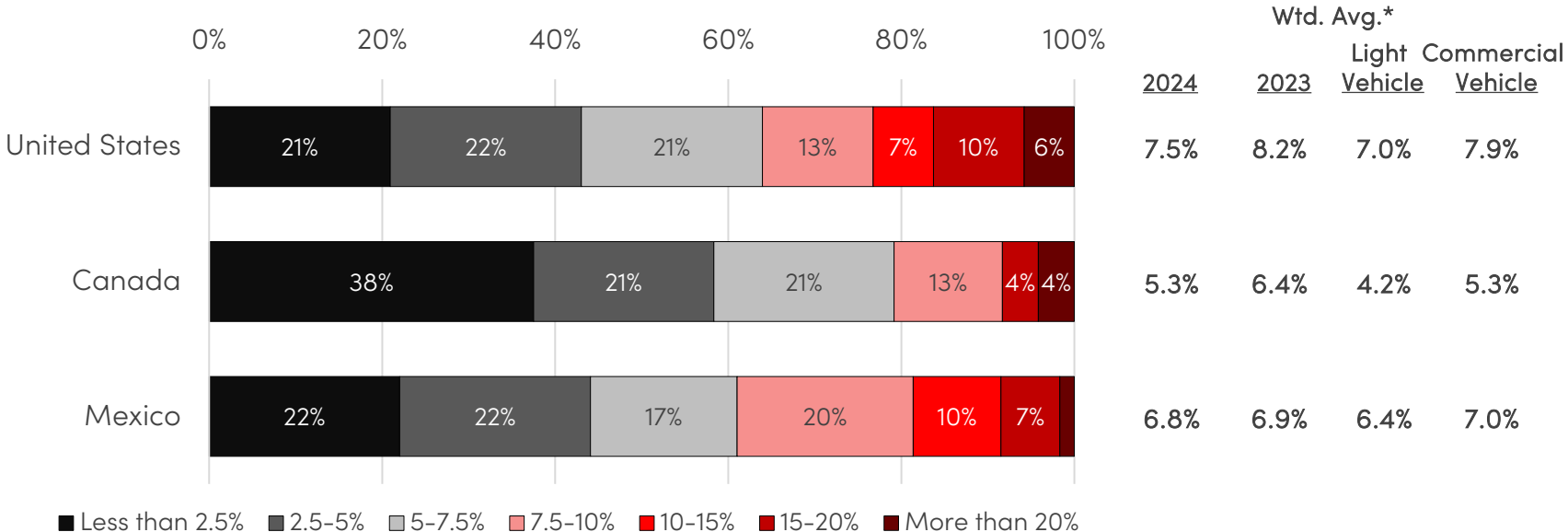


Weighted average assumes the mid-point of each range, >20% = 22.5%

Voluntary monthly turnover for salary employees decreased slightly in the U.S. and Mexico from prior year, while Canada turnover declined materially. However, pockets of very high turnover remain.

Employment Issues: Q4 2024 - North American Voluntary Turnover

Estimate your year-to-date 2024 monthly voluntary turnover rates for hourly personnel.

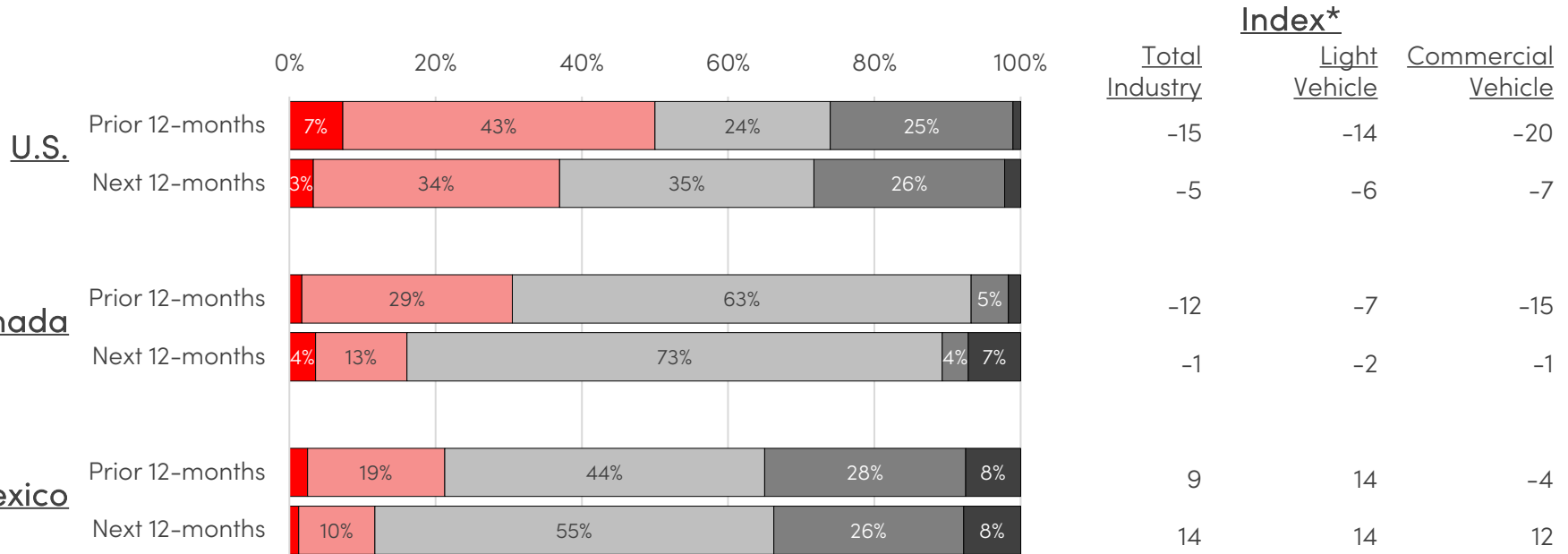


Weighted average assumes the mid-point of each range, >20% = 22.5%

Voluntary monthly turnover for hourly employees decreased slightly in Mexico from prior year, while U.S. and Canada turnover declined materially. Turnover rates remain elevated across North America, however.

Employment Issues: Q4 2024 - Salary Personnel Headcount Changes

Please indicate your headcount changes for Salary Personnel across North America.

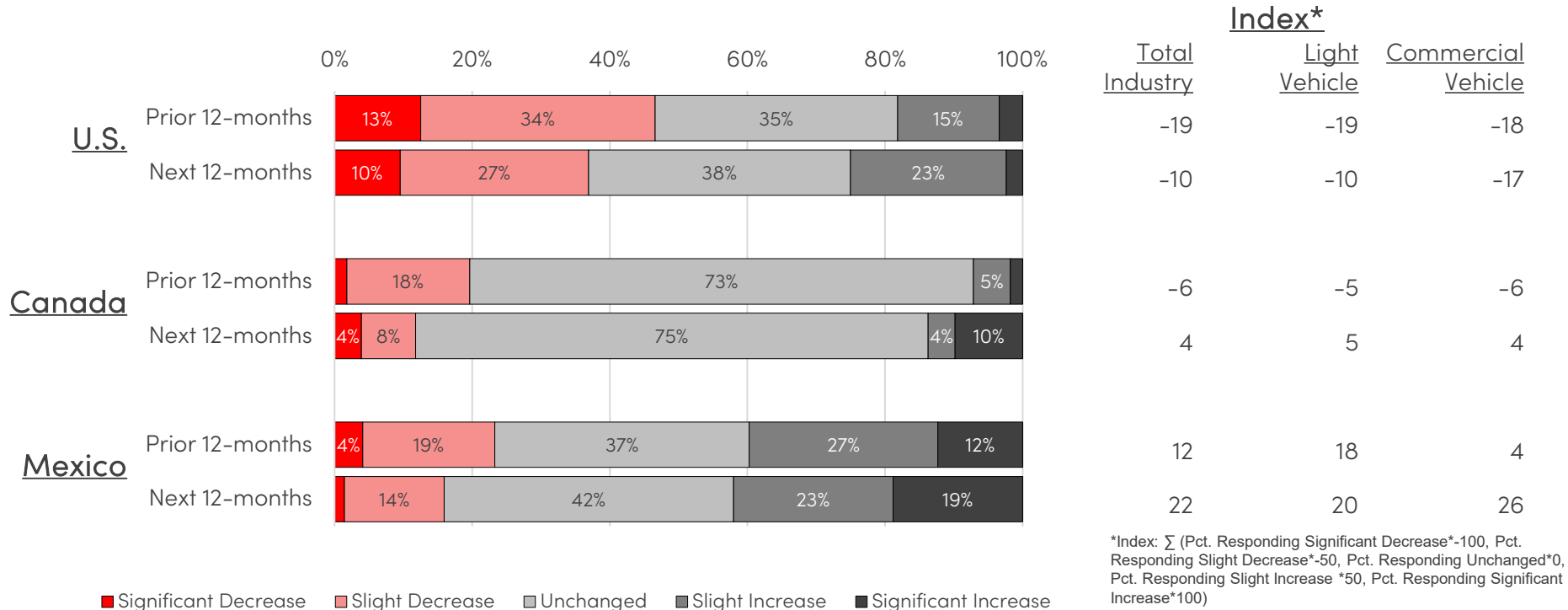


*Index: $\sum (\text{Pct. Responding Significant Decrease} \times -100, \text{Pct. Responding Slight Decrease} \times -50, \text{Pct. Responding Unchanged} \times 0, \text{Pct. Responding Slight Increase} \times 50, \text{Pct. Responding Significant Increase} \times 100)$

■ Significant Decrease ■ Slight Decrease ■ Unchanged ■ Slight Increase ■ Significant Increase

Employment Issues: Q4 2024 - N. American Hourly Personnel Headcount Changes

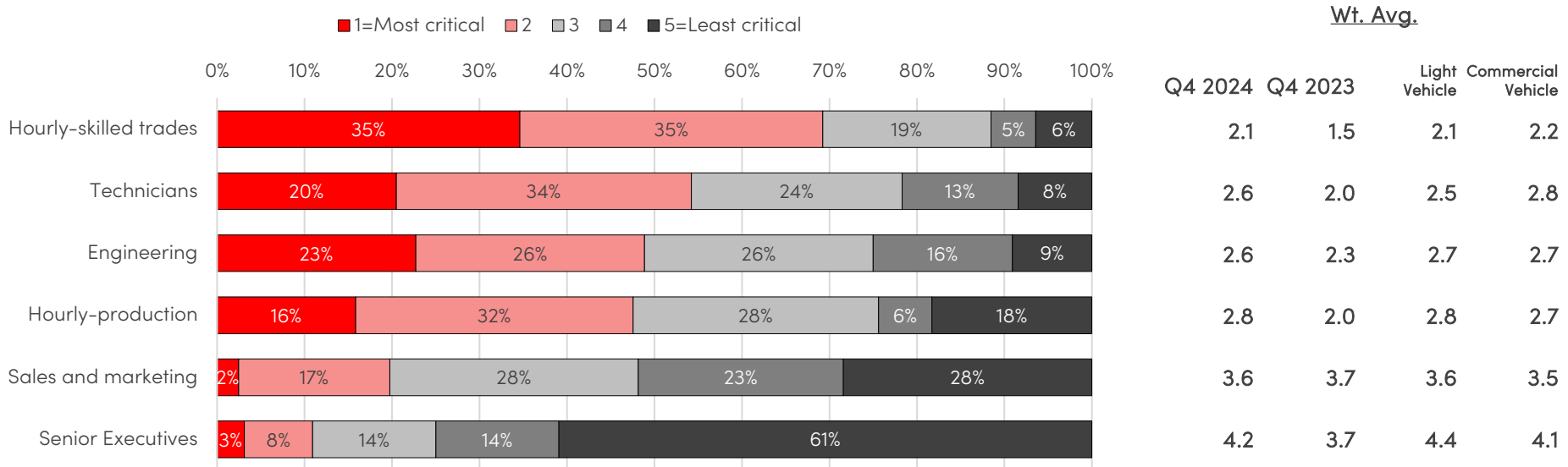
Please indicate your headcount changes for Hourly Personnel across North America.



Employment Issues:

Q4 2024 - Labor Acquisition in the U.S.

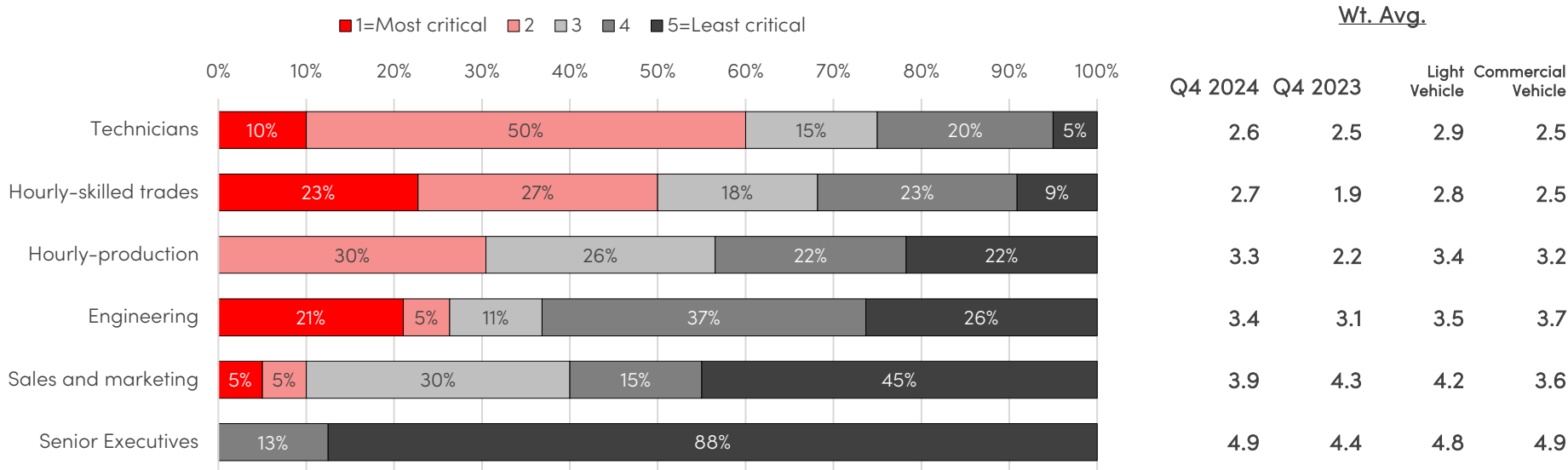
Based on current open requisitions, rate each of the following job classification and positions (most critical to least critical) where you have HR shortages



The critical need for hourly workers eased substantially from last year.
Other job functions showed a marked improvement.

Employment Issues: Q4 2024 - Labor Acquisition in Canada

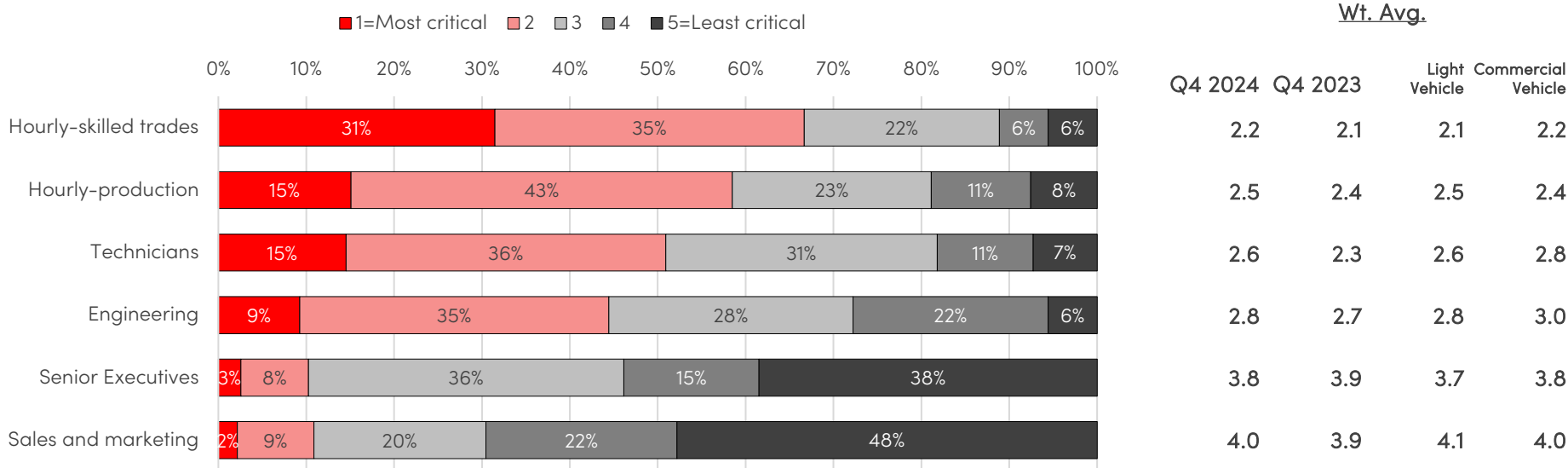
Based on current open requisitions, rate each of the following job classification and positions (most critical to least critical) where you have HR shortages



Critical need for almost all categories of workers improved from last year in Canada, with hourly-production improving most significantly.

Employment Issues: Q4 2024 - Labor Acquisition in Mexico

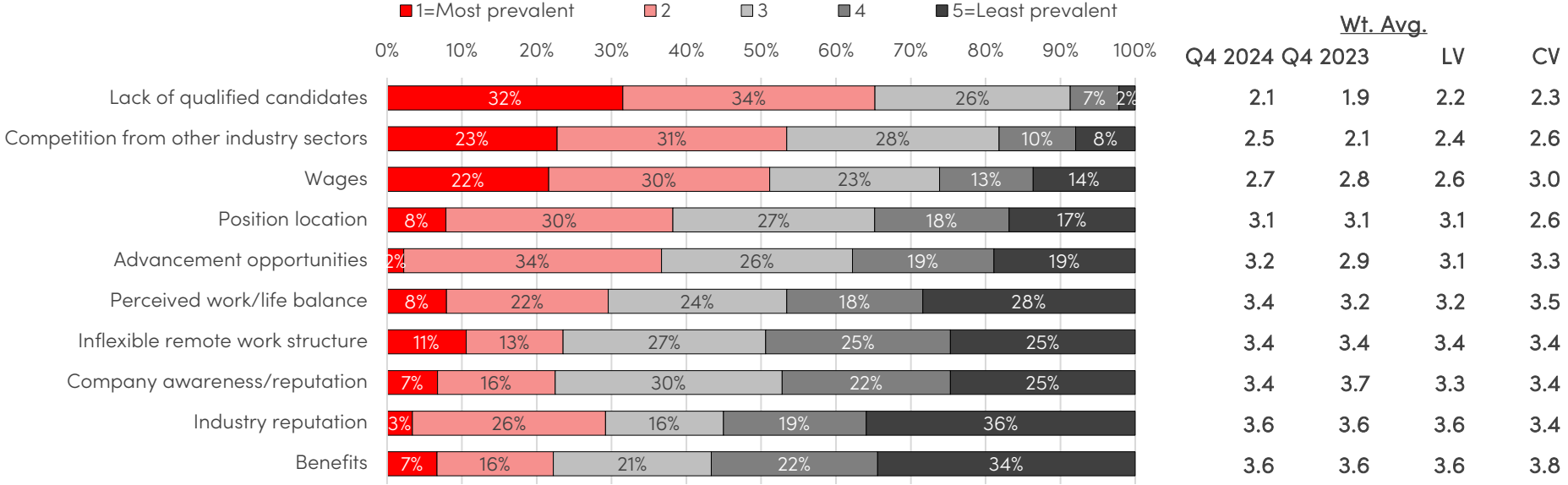
Based on current open requisitions, rate each of the following job classification and positions (most critical to least critical) where you have HR shortages



Critical needs for hourly-skilled trades and general production workers in Mexico eased from year ago levels yet remain elevated, while other areas of work showed improvement from last year as well.

Employment Issues: Q4 2024 North America - Filling Open Positions

Based on current open requisitions, rate each of the following job classification and positions (most critical to least critical) where you have HR shortages

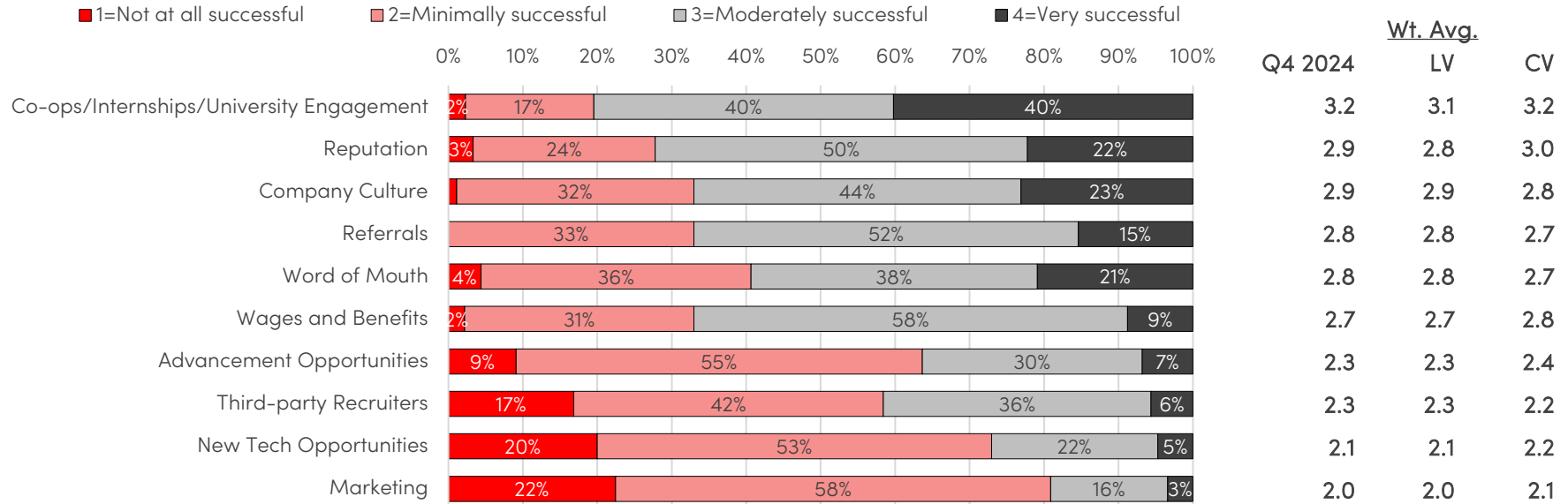


Lack of qualified candidates remains the top hiring constraint as conditions improved from a year ago. Competition from other industries remain prevalent but showed significant improvement from last year.

Employment Issues:

Q4 2024 North America - Engineer Attraction

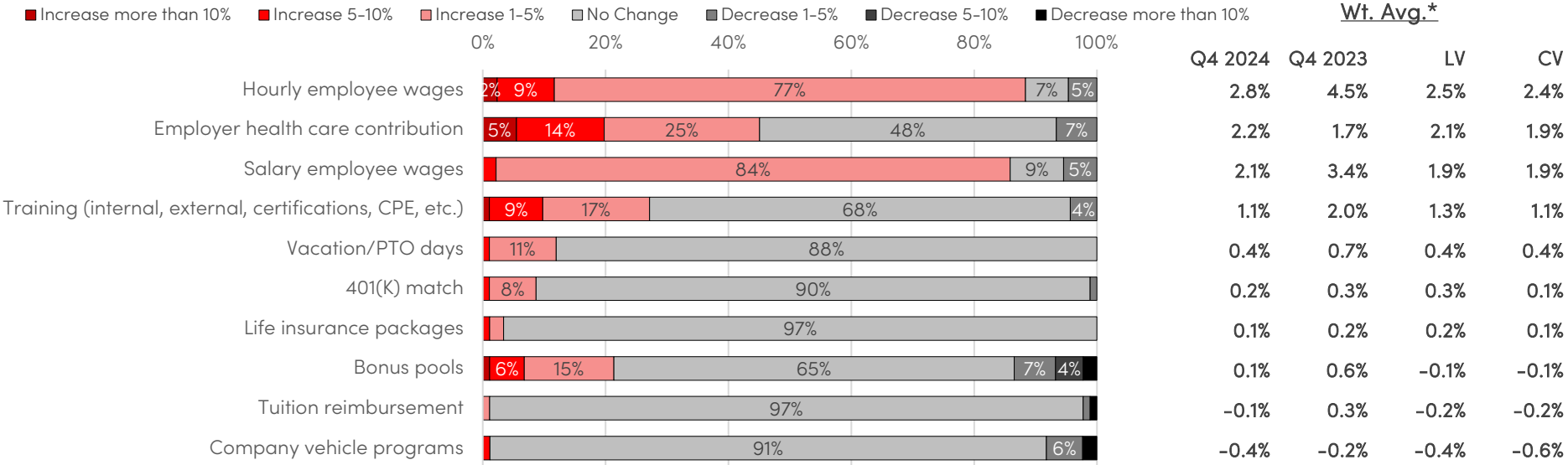
What has been the most successful way for your company to attract engineers?



The most successful methods of attracting engineers are partnering with universities, reputation, company culture and leveraging referrals and word of mouth from existing employees.

Employment Issues: Q4 2024 - U.S. Benefits Package Changes

For next year, in the United States identify how your benefit packages are expected to change compared to this year.

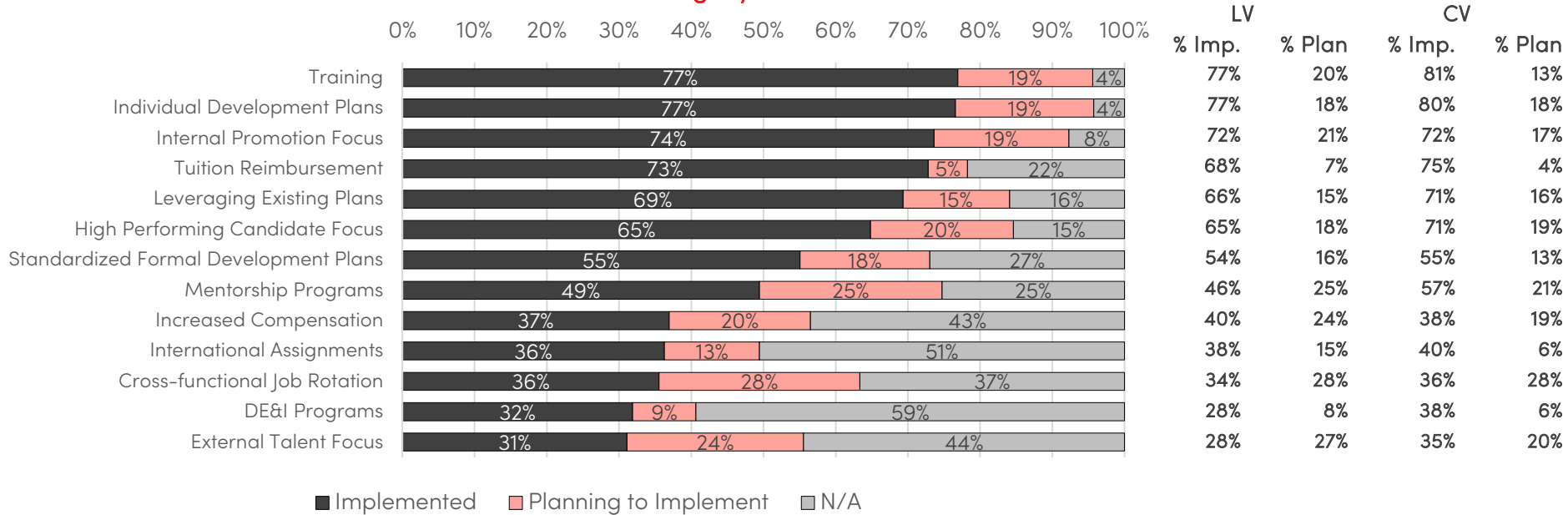


* Calculated as increase/decrease >10% as 12.5%, mid-point of all other ranges

Suppliers budgeted next year’s wage growth at 2.8% and 2.1% for hourly and salary employees, respectively. Growth in benefit offerings have cooled significantly from last year, while health care accelerated.

Career Path and Succession Planning Q4 2024

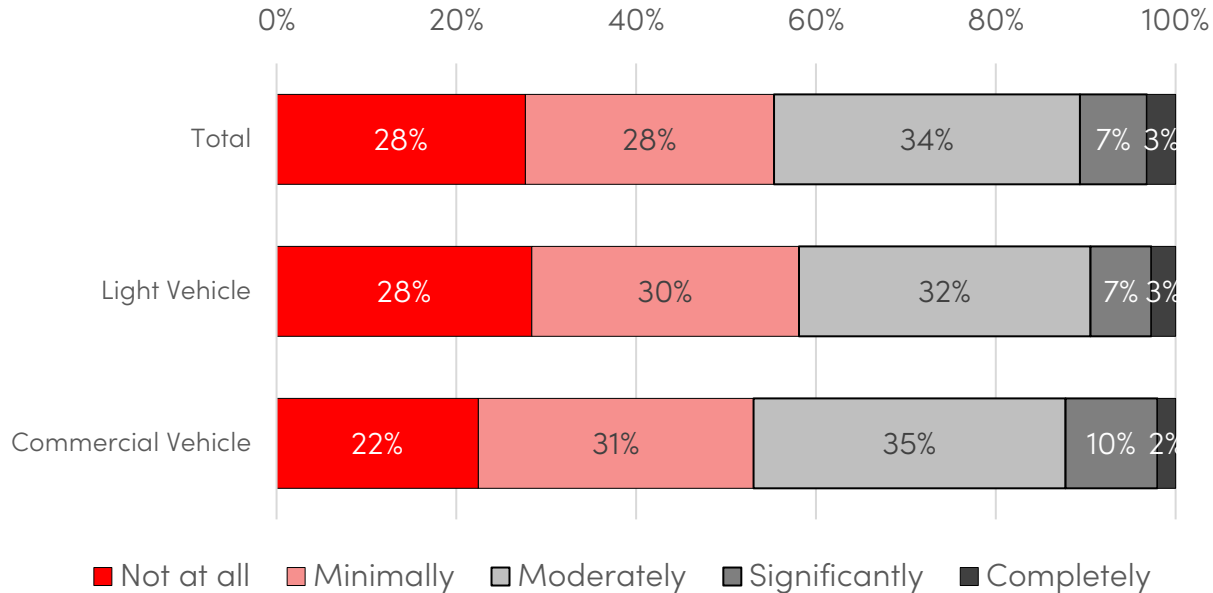
What types of programs have you implemented or are planning to implement for career path and succession planning amongst your workforce?



Key themes for career path and succession planning prioritize developing employees internally through training and tuition reimbursement, while focusing on high performing candidates and promoting internally.

Diversity, Equity & Inclusion and Talent Q4 2024

To what extent have you integrated diversity, equity & inclusion (DE&I) into your talent strategy?



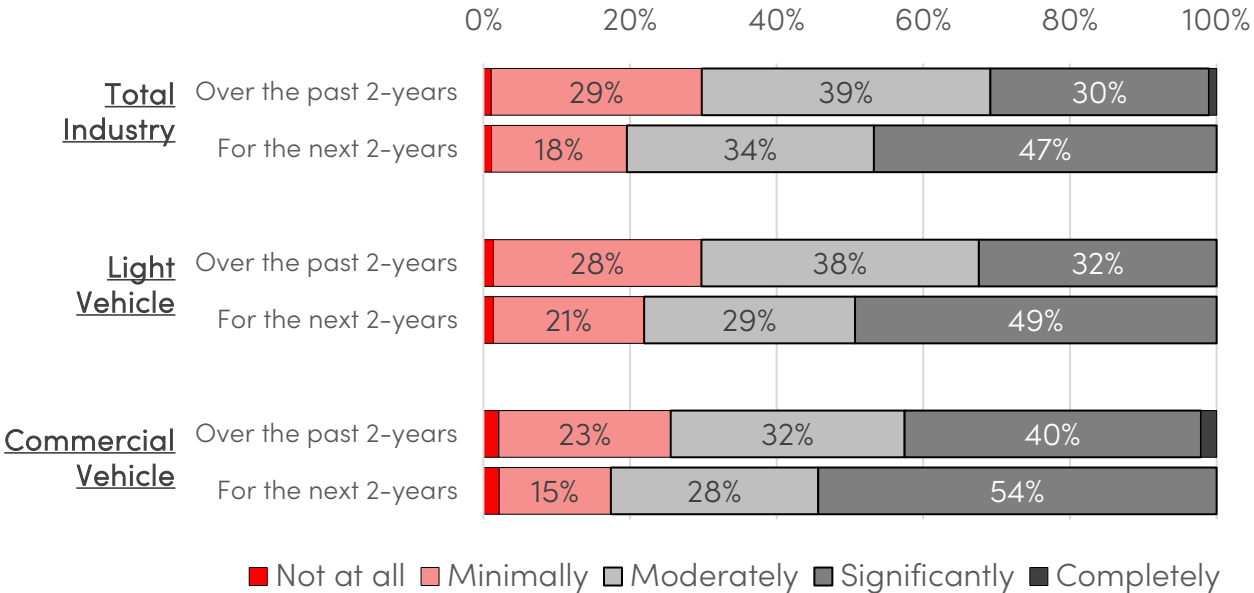
Comments:

- Employment is based on merit.
- Philosophy is to always be inclusive, but no proactive approach to diversify talent pool based on race, sexual orientation, etc.
- Always strive to find the best candidate for the position and have maintained a diverse workforce over decades based on that approach.
- Focus on gender diversity as top priority.
- No hard quotas for DE&I

About half of suppliers feel they have at least moderately integrated DE&I into their talent strategy. Results indicate commercial vehicle suppliers have outperformed light vehicle suppliers in this effort.

North American Automation Integration Q4 2024

To what extent have you integrated Automation into your North American operations?



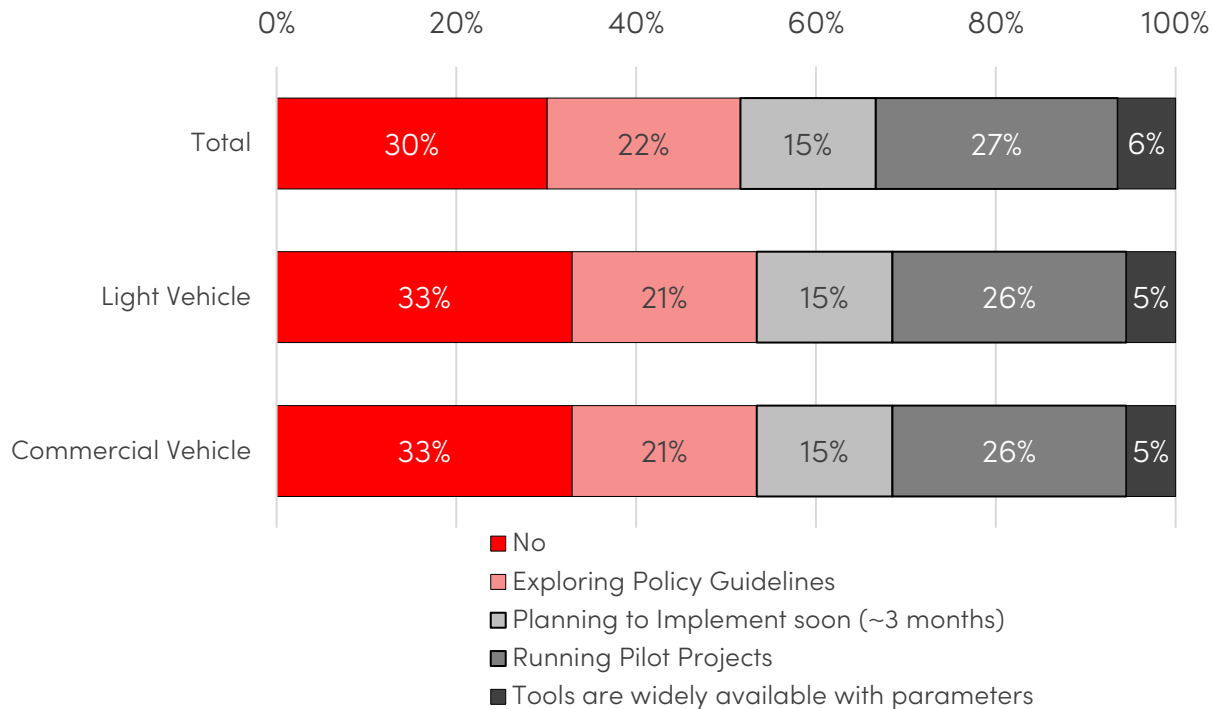
Comments:

- Major focus covering 60% of capex spend
- As we evaluate labor shortages / limitations we are turning to automation to reduce the need for new employees
- Continuing to invest in automation as quickly as we can

70% of suppliers have at least moderately integrated Automation into their North American operations and plan to continue to automate over the next two years.

North American Artificial Intelligence Integration Q4 2024

Does your organization currently use AI productivity tools such as Chat GPT, MS Co-Pilot, fireflies or others to create content, document meetings and support workflows?



Comments:

- Individual level it is possible. Exploring how to regulate internally with guidelines.
- This activity has been under development for over six months and likely go live in 3-6 months
- Maintenance planning
- Co-Pilot is a great success.
- Recently began using MS Co-Pilot, and some employees have experimented with Chat GPT.

MEMA OE Vehicle Supplier Barometer: Q4 2024 - Appendix



MEMA OE Vehicle Supplier Barometer is a survey of the top executives of MEMA regular member companies. The MEMA OE Automotive Supplier Barometer takes the pulse of the suppliers' twelve-month business sentiment. In addition, it provides a snapshot of the industry commercial issues, business environment and business strategies that influence the supplier industry. [mema.org](https://www.mema.org)

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Survey Methodology

- Data collected October 23 – November 11 via invitation to online survey.
- Executives of MEMA supplier companies.
- 97 complete survey responses were received, with 115 responses total.

The information and opinions contained in this report are for general information purposes. Comments are edited only for spelling and may contain grammatical errors due to their verbatim nature. Responses to this survey are confidential. Therefore, only aggregated results will be reported, and individual responses will not be released or shared.

Antitrust Statement:

Respondents/participants should not contact competitors to discuss responses, or to discuss the issues dealt with in the survey. It is an absolute imperative to consult legal counsel about any contacts with competitors. All pricing and other terms of sale decisions and negotiating strategies should be handled on an individual company basis.

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