

April 2018

The world's automotive industry is undergoing a significant transformation as a result of the adoption of disruptive technologies. These are the gradual substitution of internal combustion engines for electrical ones, the connectivity built around the Internet of Things, and the development of autonomous vehicles, among others.

Countries such as China, the United States, Germany, the United Kingdom, Norway, and France have been fostering the use of electric cars and currently have programmes and regulations that reinforce their use. In addition, in several cities around the world, such as London, Madrid, Seville, and Oslo, the public authorities have started to restrict the use of diesel cars; some have taken things a step further and announce their decision to ban fossil fuel cars by 2025.

According to some experts, although the participation in the electric car market of the United States will only account for 1.5% of the total car sales in 2018, the manufacturing cost balance between electric and fossil-fuel cars will be reached by 2025, which will, to great extent, boost electric vehicles sales. Likewise, by 2050, 60% of the cars sold in the U.S.A. will contain this technology. It should be noted that, in 2017, 95% of electric car sales were concentrated in a handful of countries: China, the United States, Japan, Canada, Norway, Great Britain, France, the Netherlands, Sweden, and Germany.

Mexico has been able to position itself in a prominent place within the global automotive sector. However, it now faces the challenge of integrating its renown capabilities with the new technologies and business models trending in the industry, which will require a national strategy to foster the transition towards new global value chains. Failing to do so timely could have serious effects on the dynamics of the automotive sector, as well as of other industries in the country, as, on average, electric cars are built with 25% less parts than traditional cars because the combustion, exhaust, and lubrication systems are not needed, requiring less maintenance, and consuming fewer replacement parts. This means that several auto part supply chains not catering for electric cars will be affected by these trends and, therefore, they will need to change so either they can produce other components, integrate into new sectors or, worst case scenario, vanish.

Although these technological changes will not happen the same way, neither at the same time, it is important to be aware that this transformation is under way and that is happening more rapidly than it was estimated a few years back. Some of the main reasons to transition to electric cars are: stringent legislations to reduce pollution in large cities, 80% of which comes from combustion engine cars, and in the other hand, the new players in the sector are looking to make a place for themselves in the automotive sector of the future.

The automotive industry has been one of the most important drivers of change and economic growth for our country; thus, the importance to foster its integration to the sector of the future. To this end, ProMéxico identifies business opportunities that allow our country to take advantage of the existing development platform and, at the same time, to generate new capabilities that allow us to remain as an important player in the global value chains.

