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The Rise and Fall of the Automotive Industry

Probably not to anyone's surprise, 2026, like 2025, is going to be a good year for the connector industry. Billings are strong, while bookings continue to amaze us. What is also interesting though is that not all market sectors in 2025 or in 2026 are experiencing the same level of growth. One industry, traditionally one of the largest connector markets, has not grown, nor is it forecasted to grow with the same ferocity as most of the other market sectors.

The largest connector market, up until the start of the 2020's, the automotive market has recently seen a massive slowdown. Although it is still the second largest market from a US dollar perspective, only exceeded by the telecom market, while other markets are experiencing double-digit growth, the automotive market is struggling to stay in the high single digit area. And what is even more worrisome for many who participate in this market is that by the start of the next decade, the automotive sector is anticipated to drop to the third largest market sector, with computers & peripherals overtaking them from a US dollar perspective.

At the end of the 20th century (2000), the three largest market sectors in order of connector sales dollars, were telecom/datacom, automotive, and computers & peripherals, as shown in the chart below.

Percent Market Share by Market Sector
2000 through 2026F

Market Sector	2000	2005	2010	2015	2020	2025	2026F
Computer & Peripherals	18.6%	15.7%	16.4%	16.4%	13.3%	13.9%	15.3%
Automotive	21.3%	26.6%	20.2%	24.6%	22.6%	21.0%	19.2%
Telecom/Datacom	25.5%	14.9%	18.0%	22.7%	23.1%	25.5%	27.4%

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By 2005, the ranking had changed, with the automotive market taking first place, followed by the computer & peripherals market, and the telecom/datacom market. Much of this growth was fueled by rapid economic expansion in China and other Asian countries, like India and even parts of Eastern Europe. As pointed out by WardsAuto in a June 2006 article, "Damped by soaring energy prices, rising interest rates, economic sluggishness and social turmoil, consumer demand for new cars and commercial vehicles remained at an all-time high in 2005. Buyers seemingly only momentarily paused to consider negative factors before making their purchases". Other driving factors included the rise of Asian automakers, with companies like Toyota seeing massive global sales expansion in 2005.

By 2010, the automotive market had once again cooled down, losing significant market share, especially in 2009, when connector sales overall declined -21.8%, and automotive connector sales declined a hefty -27.9%. This decline, spurred on by the collapse of the housing market, especially in North America, resulted in significant losses for many financial institutions and the emergency rescue of institutions like

Fannie Mae and Freddie Mac. Along with the housing market bust, large numbers of mortgage-backed securities held by banks and institutional investors plummeted in value, driving GDP to decline significantly and unemployment to hit new highs!

Guided by low gas prices, driving down the cost of vehicle ownership, as well as pent up demand, the automotive market would grow significantly in 2015, setting new sales records for the year. In addition to the sheer volume of vehicles (which once again according to WardsAuto, broke the records set in 2000), the growing demand for increased vehicle features, including safety & security, navigation & instrumentation, and comfort, convenience, & entertainment features would increase the value of connectors per automobile. All applications that would drive up the number and types of connectors used in automobiles.

One additional factor that drove the automotive market from 2010 through 2015 was the widespread adoptions of electric vehicles that depend on high-cost specialized connectors and components such as onboard chargers, DC-to-DC converters, and power inverters. Considered a niche market in 2010 with the introduction of GM's plug-in hybrid Chevy Volt and Nissan's all-electric LEAF, by 2015, the Global EV market would exceed half a million cars for the first time.

In 2020 the world experienced the impact of COVID, which affected not only our health, but also everything going on around us. With billions of people under strict stay-at-home orders, critical supply chains were fractured, leading to widespread shortages of not only things like toilet paper, medical supplies, and pantry staples, but also a major shortage of semiconductor chips used in automobiles. This alone caused major automakers to temporarily suspend factory operations or scale back work shifts. As pointed out in Working Paper ID-087, *The Roadblocks of the COVID-19 Pandemic in the U.S. Automotive Industry*, from the Office of Industries, "The COVID-19 pandemic has disrupted virtually every country and industry across the globe. The automotive industry in particular was highly vulnerable and negatively impacted, with U.S. vehicle sales declining 15% from 2019 to 2020. This sales decline was almost twice the decline during the 2008-09 global financial crisis, when sales declined by 8.1%. The automotive industry faced two major disruptions related to the COVID-19 pandemic; the first was the initial closure of automotive facilities in the first half of 2020 during the first outbreak in the United States, which throttled the available supply of automotive vehicles. The second is the ongoing shortage of semiconductor chips (“chip shortage” hereafter) throughout the automotive supply chain hindering the production needed to satisfy recovering consumer demand in the second half of 2020. This shortage also hindered vehicle sales, which in 2021 were still nearly 12% below 2019 sales". Through all of this, it is interesting to note that the one thing that did increase was the value of pre-owned vehicles, when for the first time, prices of used vehicles exceeding those of many new models.

Unfortunately for those in the automotive connector business, even as car dealerships refill with new models, affordability issues stemming from high interest rates, inflated gas and insurance prices, and escalating maintenance and repair expenses, many car owners are holding onto their vehicles longer. Today, according to S&P Global, "the average age for passenger cars climbed to 14.5 years, while light trucks average is showing very gradual growth to 11.9 years". What is even more interesting is that "the share of new vehicle registrations among people aged 18 to 34 fell from 12% in the first quarter of 2021 to under 10% by mid-2025. Buyers 55 and older account for nearly half of all new registrations and have held the largest share for eight straight quarters".

What this means to the automotive connector manufacturer is that as seen in the chart below, there is no quick fix to the drop in automotive connector sales. Unlike the computer & peripherals and telecom/datacom market sectors, growth is anticipated to stay in the mid-single digit range, and market share is expected to continue to decline, especially as alternatives to personal car ownership grow. For the new car buyer what this means is that, at least for the near future, competition between automakers is going to increase, potentially meaning a good deal may be on the horizon!

10 Year and 5-Year CAGR
Market Share 2000, 2026F, and 2031F

Market Sector	Market Share 2000	10-Year CAGR 2021 to 2031F	Market Share 2026F	5-Year CAGR 2026F to 2031F	Market Share 2031F
Computer & Peripherals	18.6%	**12.8%**	15.3%	**13.3%**	18.1%
Automotive	21.3%	**6.7%**	19.2%	**7.2%**	17.2%
Telecom/Datacom	25.5%	**12.2%**	27.4%	**12.2%**	30.8%

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