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Automotive Engineering Services Outsourcing Market Forecasts to 2032 – Global Analysis By Service Type (Concept & Designing, Prototyping & Validation, System Integration, Testing & Certification and Simulation & Virtual Testing), Vehicle Type, Propulsion Type, Location, Application and By Geography

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Abstracts

According to Stratistics MRC, the Global Automotive Engineering Services Outsourcing Market is accounted for $151.02 billion in 2025 and is expected to reach $262.20 billion by 2032 growing at a CAGR of 8.2% during the forecast period. Outsourcing Automotive Engineering Services has emerged as a key strategy for automakers seeking cost efficiency, improved productivity, and access to specialized skills. Through outsourcing activities like vehicle design, prototyping, testing, and software solutions, manufacturers can concentrate on core business functions while benefiting from the expertise of external partners. This approach accelerates product development, shortens time-to-market, and integrates cutting-edge technologies without significant capital expenditure. Companies increasingly turn to regions offering skilled engineers and favorable costs. Moreover, engineering outsourcing allows flexibility and rapid scaling to meet market and technological demands, driving innovation and maintaining a strong competitive position within the automotive industry.

According to the International Energy Agency (IEA), data shows that global electric car sales surpassed 17 million units in 2024, with the total electric car fleet reaching nearly 58 million—more than triple the fleet size in 2021. This surge in EV adoption is driving demand for outsourced engineering services in battery systems, drivetrains, and charging infrastructure.

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Market Dynamics:

Driver:

Access to skilled talent

Automotive companies increasingly outsource engineering services to gain access to specialized talent. The growing need for expertise in vehicle design, software development, simulation, and testing drives this trend. Outsourcing provides access to a worldwide pool of professionals proficient in advanced technologies and industry best practices. This strategy addresses internal skill gaps and allows flexible allocation of resources according to project needs. By engaging external experts without permanent hiring, companies ensure timely and effective project execution. Utilizing highly skilled talent promotes innovation, enhances product quality, and strengthens competitiveness. Outsourcing thus becomes a vital strategy for automakers to meet technological demands and deliver advanced solutions efficiently.

Restraint:

Data security concerns

Concerns regarding data security act as a significant limitation for Automotive Engineering Services Outsourcing. Sharing sensitive engineering data, such as proprietary designs, vehicle details, and software codes, with external vendors increases risks of intellectual property theft, cyberattacks, or misuse. Compliance with global data protection laws further complicates the outsourcing process and adds expenses. Automakers often hesitate to transfer critical information to third-party providers, especially in regions with varying cybersecurity practices. These security apprehensions slow outsourcing adoption, as companies prioritize protecting valuable technological and intellectual assets. Consequently, despite the operational and cost advantages, data security issues remain a critical challenge in embracing outsourced automotive engineering services.

Opportunity:

Adoption of advanced technologies

The integration of advanced technologies presents major opportunities for Automotive

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Engineering Services Outsourcing. Rising adoption of electric vehicles, autonomous systems, connected vehicles, and AI-driven automotive software increases the demand for specialized engineering services. Outsourcing partners offer expertise in modern design tools, simulation platforms, and innovative methodologies, helping manufacturers implement advanced technologies effectively. This approach reduces R&D expenditures, shortens development cycles, and enhances competitiveness. Additionally, leveraging external engineering expertise allows companies to explore innovative solutions with minimal upfront investment, promoting experimentation and product innovation.

Threat:

Intense competition among providers

The Automotive Engineering Services Outsourcing sector faces a major threat from intense competition. With numerous domestic and global service providers competing for contracts, pricing pressures and shrinking profit margins are common. Clients have a wide range of options, making it crucial for companies to differentiate through expertise, quality, and technological capabilities. Smaller or less experienced vendors often struggle to match the offerings of established providers equipped with advanced tools and comprehensive solutions. Competitive pressures can lead to cost-cutting measures that may affect service quality. To survive, companies must innovate, enhance efficiency, and maintain high standards; failure could result in lost clients, reduced profitability, and constrained market growth.

Covid-19 Impact:

The COVID-19 outbreak had a profound effect on the Automotive Engineering Services Outsourcing sector. Global lockdowns, disrupted supply chains, and travel limitations caused delays in engineering projects and production schedules. Decreased vehicle demand led automakers to reduce budgets, postpone research initiatives, and scale back outsourcing agreements. Outsourcing companies faced operational difficulties due to staff shortages, remote work challenges, and limited access to prototyping and testing facilities. At the same time, the pandemic accelerated the adoption of digital collaboration platforms and virtual engineering solutions. Ultimately, COVID-19 emphasized the need for flexible outsourcing strategies and digital readiness, driving the AESO market toward more resilient, adaptive, and technology-enabled operations.

The passenger cars segment is expected to be the largest during the forecast period

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The passenger cars segment is expected to account for the largest market share during the forecast period, driven by high personal vehicle demand and the need for constant technological advancement. Automakers increasingly engage outsourcing partners for vehicle design, prototyping, testing, and software solutions to comply with safety regulations and meet consumer expectations. The growth of electric vehicles, autonomous technologies, and connected systems further fuels the demand for specialized engineering services. Outsourcing allows companies to speed up development, enhance operational efficiency, and manage costs while accessing global technical expertise. With passenger cars leading global automotive demand, this segment continues to dominate outsourcing activities and remains a key focus for engineering service providers.

The battery electric vehicles (BEVs) segment is expected to have the highest CAGR during the forecast period

Over the forecast period, the battery electric vehicles (BEVs) segment is predicted to witness the highest growth rate, reflecting the global focus on clean, sustainable transportation. Government incentives, stricter emission standards, and increasing consumer demand for electric vehicles drive the need for specialized BEV engineering services. Automakers outsource key activities including electric powertrain design, battery management systems, software integration, and comprehensive testing to expert service providers. Outsourcing enables faster development cycles, cost efficiency, and the implementation of cutting-edge technologies. With the rapid growth of BEV adoption worldwide, this segment presents the most dynamic and high-potential opportunity for automotive engineering outsourcing, positioning it as a priority focus for the industry.

Region with largest share:

During the forecast period, the Asia Pacific region is expected to hold the largest market share. This leadership is attributed to factors such as rapid economic development, a large pool of skilled yet affordable engineering professionals, and the region's status as the world's largest automotive manufacturing hub. Nations like China, India, and Japan are at the forefront, with China alone accounting for 48% of regional ESO activity in 2023. The increasing demand for electric vehicles in these countries has prompted substantial investments in research and development, much of which is facilitated through engineering service outsourcing.

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Region with highest CAGR:

Over the forecast period, the Asia Pacific region is anticipated to exhibit the highest CAGR. This growth is fueled by the rising adoption of electric vehicles (EVs), advancements in autonomous driving technologies, and the increasing demand for connected car solutions. India and China, in particular, are poised to benefit from a large pool of engineering talent and cost advantages. These factors collectively position Asia-Pacific as a key driver in the automotive engineering services outsourcing sector.

Key players in the market

Some of the key players in Automotive Engineering Services Outsourcing Market include Bertrandt AG, IAV GmbH, AVL List GmbH, EDAG Group, AKKA Technologies, Altran FEV Group GmbH, Alten Group, P3 Group GmbH, Altair Engineering Inc., ITK Engineering GmbH, ESG Elektroniksystem%- %und Logistik-GmbH, RLE International Group, ASAP Holding GmbH and Horiba, Ltd.

Key Developments:

In June 2025, EDAG Group has signed a letter of intent with eVTOL manufacturer AIR. The partnership aims to collaborate on the development of variants of the AIR ONE electric aircraft. The agreement will see EDAG Group develop and manufacture the main structure of the AIR ONE model, following two years of collaboration between the two companies.

In May 2025, HORIBA India, a subsidiary of Japan-based HORIBA Group, has signed an agreement with IIT Delhi to fund three innovative research projects under its CSR initiative. These projects include developing a low-cost EV motor with fewer rare-earth magnets, creating smart clothes using 3D printing, and designing a medium-temperature electrolysis cell (H-SOEC) for green hydrogen production.

In December 2024, RLE Technologies, a Fort Collins-based leader in facility environment monitoring and leak detection, merged with NDSL Group Ltd., the maker of Cellwatch battery monitoring systems, to form a new platform called Parameter. Backed by May River Capital, this strategic union combines over 70 years of expertise in mission-critical infrastructure, integrating RLE’s strengths in fluid detection and environmental sensing with NDSL’s capabilities in battery performance analytics for data centers, utilities, and telecom sectors.

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Service Types Covered:

- Concept & Designing
- Prototyping & Validation
- System Integration
- Testing & Certification
- Simulation & Virtual Testing

Vehicle Types Covered:

- Passenger Cars
- Light Commercial Vehicles (LCVs)
- Heavy Commercial Vehicles (HCVs)
- Two-Wheelers
- Off-Highway Vehicles

Propulsion Types Covered:

- Internal Combustion Engine (ICE)
- Hybrid Electric Vehicles (HEVs)
- Battery Electric Vehicles (BEVs)
- Fuel Cell Electric Vehicles (FCEVs)

Locations Covered:

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- Onshore
- Offshore
- Nearshore

Applications Covered:

- Powertrain & After-treatment
- Infotainment & Connectivity
- Body Control & Chassis
- Safety & ADAS Systems
- Autonomous Driving
- Interior & Exterior Design
- Electrical & Electronics
- Software Development & Integration

Regions Covered:

- North America
  - US
  - Canada
  - Mexico
- Europe
  - Germany

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- UK
- Italy
- France
- Spain
- Rest of Europe

Asia Pacific

- Japan
- China
- India
- Australia
- New Zealand
- South Korea
- Rest of Asia Pacific

South America

- Argentina
- Brazil
- Chile
- Rest of South America

Middle East & Africa

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Saudi Arabia

UAE

Qatar

South Africa

Rest of Middle East & Africa

What our report offers:
- Market share assessments for the regional and country-level segments
- Strategic recommendations for the new entrants
- Covers Market data for the years 2024, 2025, 2026, 2028, and 2032
- Market Trends (Drivers, Constraints, Opportunities, Threats, Challenges, Investment Opportunities, and recommendations)
- Strategic recommendations in key business segments based on the market estimations
- Competitive landscaping mapping the key common trends
- Company profiling with detailed strategies, financials, and recent developments
- Supply chain trends mapping the latest technological advancements

Free Customization Offerings:

All the customers of this report will be entitled to receive one of the following free customization options:

Company Profiling

Comprehensive profiling of additional market players (up to 3)

SWOT Analysis of key players (up to 3)

Regional Segmentation

Market estimations, Forecasts and CAGR of any prominent country as per the client's interest (Note: Depends on feasibility check)

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Competitive Benchmarking

Benchmarking of key players based on product portfolio, geographical presence, and strategic alliances

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Contents

1 EXECUTIVE SUMMARY

2 PREFACE

2.1 Abstract
2.2 Stake Holders
2.3 Research Scope
2.4 Research Methodology
  2.4.1 Data Mining
  2.4.2 Data Analysis
  2.4.3 Data Validation
  2.4.4 Research Approach
2.5 Research Sources
  2.5.1 Primary Research Sources
  2.5.2 Secondary Research Sources
  2.5.3 Assumptions

3 MARKET TREND ANALYSIS

3.1 Introduction
3.2 Drivers
3.3 Restraints
3.4 Opportunities
3.5 Threats
3.6 Application Analysis
3.7 Emerging Markets
3.8 Impact of Covid-19

4 PORTERS FIVE FORCE ANALYSIS

4.1 Bargaining power of suppliers
4.2 Bargaining power of buyers
4.3 Threat of substitutes
4.4 Threat of new entrants
4.5 Competitive rivalry

5 GLOBAL AUTOMOTIVE ENGINEERING SERVICES OUTSOURCING MARKET, BY

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SERVICE TYPE

5.1 Introduction
5.2 Concept & Designing
5.3 Prototyping & Validation
5.4 System Integration
5.5 Testing & Certification
5.6 Simulation & Virtual Testing

6 GLOBAL AUTOMOTIVE ENGINEERING SERVICES OUTSOURCING MARKET, BY VEHICLE TYPE

6.1 Introduction
6.2 Passenger Cars
6.3 Light Commercial Vehicles (LCVs)
6.4 Heavy Commercial Vehicles (HCVs)
6.5 Two-Wheelers
6.6 Off-Highway Vehicles

7 GLOBAL AUTOMOTIVE ENGINEERING SERVICES OUTSOURCING MARKET, BY PROPULSION TYPE

7.1 Introduction
7.2 Internal Combustion Engine (ICE)
7.3 Hybrid Electric Vehicles (HEVs)
7.4 Battery Electric Vehicles (BEVs)
7.5 Fuel Cell Electric Vehicles (FCEVs)

8 GLOBAL AUTOMOTIVE ENGINEERING SERVICES OUTSOURCING MARKET, BY LOCATION

8.1 Introduction
8.2 Onshore
8.3 Offshore
8.4 Nearshore

9 GLOBAL AUTOMOTIVE ENGINEERING SERVICES OUTSOURCING MARKET, BY APPLICATION

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9.1 Introduction
9.2 Powertrain & After-treatment
9.3 Infotainment & Connectivity
9.4 Body Control & Chassis
9.5 Safety & ADAS Systems
9.6 Autonomous Driving
9.7 Interior & Exterior Design
9.8 Electrical & Electronics
9.9 Software Development & Integration

10 GLOBAL AUTOMOTIVE ENGINEERING SERVICES OUTSOURCING MARKET, BY GEOGRAPHY

10.1 Introduction
10.2 North America
  10.2.1 US
  10.2.2 Canada
  10.2.3 Mexico
10.3 Europe
  10.3.1 Germany
  10.3.2 UK
  10.3.3 Italy
  10.3.4 France
  10.3.5 Spain
  10.3.6 Rest of Europe
10.4 Asia Pacific
  10.4.1 Japan
  10.4.2 China
  10.4.3 India
  10.4.4 Australia
  10.4.5 New Zealand
  10.4.6 South Korea
  10.4.7 Rest of Asia Pacific
10.5 South America
  10.5.1 Argentina
  10.5.2 Brazil
  10.5.3 Chile
  10.5.4 Rest of South America
10.6 Middle East & Africa

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10.6.1 Saudi Arabia
10.6.2 UAE
10.6.3 Qatar
10.6.4 South Africa
10.6.5 Rest of Middle East & Africa

11 KEY DEVELOPMENTS

11.1 Agreements, Partnerships, Collaborations and Joint Ventures
11.2 Acquisitions & Mergers
11.3 New Product Launch
11.4 Expansions
11.5 Other Key Strategies

12 COMPANY PROFILING

12.1 Bertrandt AG
12.2 IAV GmbH
12.3 AVL List GmbH
12.4 EDAG Group
12.5 AKKA Technologies
12.6 Altran
12.7 FEV Group GmbH
12.8 Alten Group
12.9 P3 Group GmbH
12.10 Altair Engineering Inc.
12.11 ITK Engineering GmbH
12.12 ESG Elektroniksystem- und Logistik-GmbH
12.13 RLE International Group
12.14 ASAP Holding GmbH
12.15 Horiba, Ltd.

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List Of Tables

LIST OF TABLES

Table 1 Global Automotive Engineering Services Outsourcing Market Outlook, By Region (2024-2032) ($MN)
Table 2 Global Automotive Engineering Services Outsourcing Market Outlook, By Service Type (2024-2032) ($MN)
Table 3 Global Automotive Engineering Services Outsourcing Market Outlook, By Concept & Designing (2024-2032) ($MN)
Table 4 Global Automotive Engineering Services Outsourcing Market Outlook, By Prototyping & Validation (2024-2032) ($MN)
Table 5 Global Automotive Engineering Services Outsourcing Market Outlook, By System Integration (2024-2032) ($MN)
Table 6 Global Automotive Engineering Services Outsourcing Market Outlook, By Testing & Certification (2024-2032) ($MN)
Table 7 Global Automotive Engineering Services Outsourcing Market Outlook, By Simulation & Virtual Testing (2024-2032) ($MN)
Table 8 Global Automotive Engineering Services Outsourcing Market Outlook, By Vehicle Type (2024-2032) ($MN)
Table 9 Global Automotive Engineering Services Outsourcing Market Outlook, By Passenger Cars (2024-2032) ($MN)
Table 10 Global Automotive Engineering Services Outsourcing Market Outlook, By Light Commercial Vehicles (LCVs) (2024-2032) ($MN)
Table 11 Global Automotive Engineering Services Outsourcing Market Outlook, By Heavy Commercial Vehicles (HCVs) (2024-2032) ($MN)
Table 12 Global Automotive Engineering Services Outsourcing Market Outlook, By Two-Wheelers (2024-2032) ($MN)
Table 13 Global Automotive Engineering Services Outsourcing Market Outlook, By Off-Highway Vehicles (2024-2032) ($MN)
Table 14 Global Automotive Engineering Services Outsourcing Market Outlook, By Propulsion Type (2024-2032) ($MN)
Table 15 Global Automotive Engineering Services Outsourcing Market Outlook, By Internal Combustion Engine (ICE) (2024-2032) ($MN)
Table 16 Global Automotive Engineering Services Outsourcing Market Outlook, By Hybrid Electric Vehicles (HEVs) (2024-2032) ($MN)
Table 17 Global Automotive Engineering Services Outsourcing Market Outlook, By Battery Electric Vehicles (BEVs) (2024-2032) ($MN)
Table 18 Global Automotive Engineering Services Outsourcing Market Outlook, By Fuel

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Cell Electric Vehicles (FCEVs) (2024-2032) ($MN)
Table 19 Global Automotive Engineering Services Outsourcing Market Outlook, By Location (2024-2032) ($MN)
Table 20 Global Automotive Engineering Services Outsourcing Market Outlook, By Onshore (2024-2032) ($MN)
Table 21 Global Automotive Engineering Services Outsourcing Market Outlook, By Offshore (2024-2032) ($MN)
Table 22 Global Automotive Engineering Services Outsourcing Market Outlook, By Nearshore (2024-2032) ($MN)
Table 23 Global Automotive Engineering Services Outsourcing Market Outlook, By Application (2024-2032) ($MN)
Table 24 Global Automotive Engineering Services Outsourcing Market Outlook, By Powertrain & After-treatment (2024-2032) ($MN)
Table 25 Global Automotive Engineering Services Outsourcing Market Outlook, By Infotainment & Connectivity (2024-2032) ($MN)
Table 26 Global Automotive Engineering Services Outsourcing Market Outlook, By Body Control & Chassis (2024-2032) ($MN)
Table 27 Global Automotive Engineering Services Outsourcing Market Outlook, By Safety & ADAS Systems (2024-2032) ($MN)
Table 28 Global Automotive Engineering Services Outsourcing Market Outlook, By Autonomous Driving (2024-2032) ($MN)
Table 29 Global Automotive Engineering Services Outsourcing Market Outlook, By Interior & Exterior Design (2024-2032) ($MN)
Table 30 Global Automotive Engineering Services Outsourcing Market Outlook, By Electrical & Electronics (2024-2032) ($MN)
Table 31 Global Automotive Engineering Services Outsourcing Market Outlook, By Software Development & Integration (2024-2032) ($MN)
Note: Tables for North America, Europe, APAC, South America, and Middle East & Africa Regions are also represented in the same manner as above.

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