



OESA

Automotive Supplier Barometer

January 2009

OESA

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January 2009 OESA Supplier Barometer Summary

- Given the fourth quarter 2008 meltdown in the global economy and auto industry, supplier sentiment remains very negative. In January, “somewhat more pessimistic” at 47 percent and “significantly more pessimistic” at 34 percent remain the top attitudes. It is unlikely that we will have hit the trough until the respondents answering “no change” and “somewhat or significantly more optimistic” outnumber the negative sentiment.
- Suppliers identify production volumes (absolute levels and predictability), customer bankruptcy risk (especially of an OEM) and cash flow (as a result of the low production levels and delayed payments) as the top three risks they face in 2009.
- The respondents report that even given the current economic hardship, accounts receivables are at 51 days. Forty-six percent report their AR have not changed, while 37 percent report their AR have increased by 5 days (median) over the past year.
- The vast majority of respondents have all five or four of five of their top customers operating within compliance with their payment terms.
- Forty-three percent of respondents have had their own suppliers ask them to tighten up payment terms and pay invoices faster.

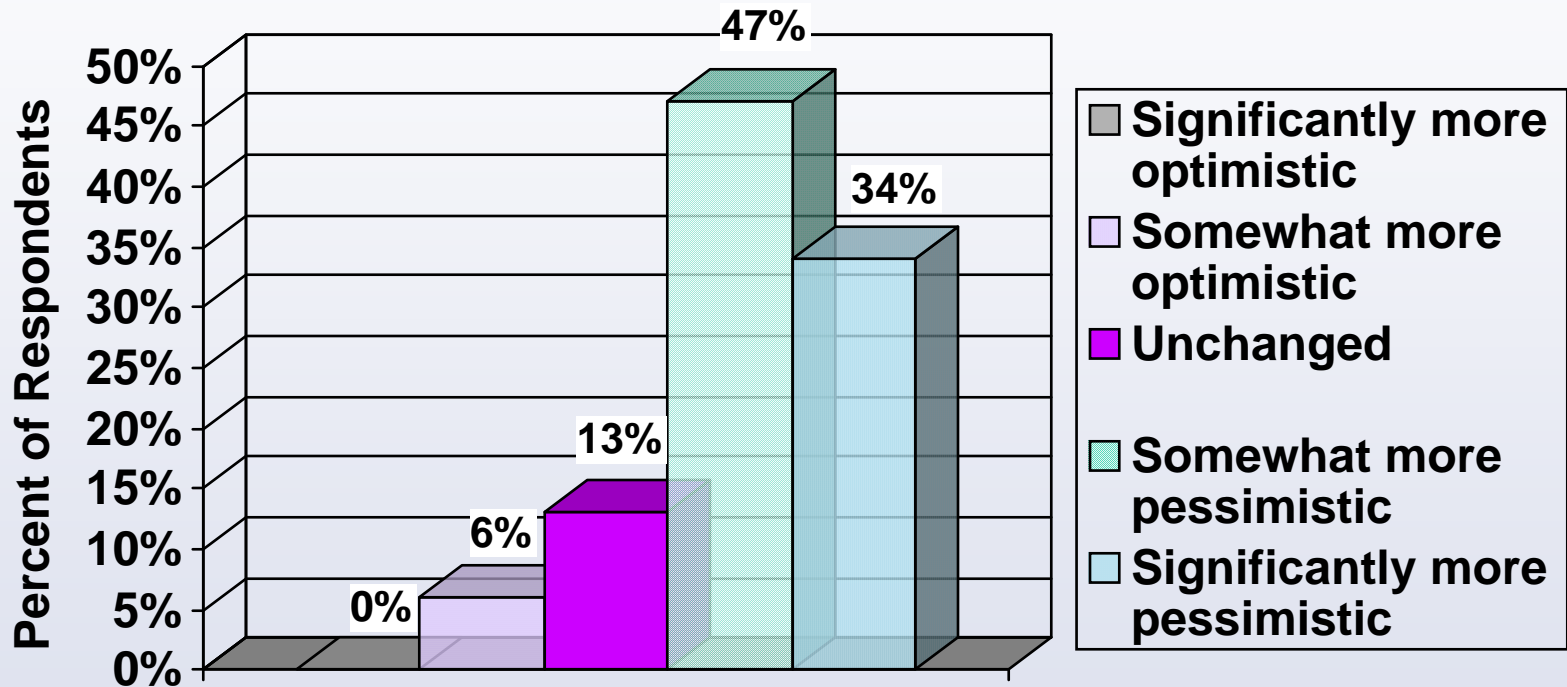


January 2009 OESA Supplier Barometer Summary (continued)

- The median share of suppliers on respondents' financial watch lists is 15 percent.
- Respondents are planning 2009 North American production volumes to come in at 10.5 million units (with a range from 7 million units to 13 million units).
- Given these historically low volumes, suppliers anticipate running their operations at just 60 percent utilization through 2009.
- The majority of respondents are targeting a reduction of the fixed costs by a median of 15 percent.
- Given that close to 50 percent of the respondents to this survey had sales under \$150 million, the NAFTA median breakdown of sales revenues were reported by companies to be 70 percent U.S., 8 percent Canada, 10 percent Mexico and 20 percent rest of world.
- Of these respondents, 13 percent of automotive suppliers sell into the U.S. Department of Defense. Auto suppliers support the U.S. military for a variety of critical components.



Question 1: Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:



Responses = 95



Question 1 Comments: Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

Somewhat More Optimistic

- “The continued downturn in the marketplace and overall economy is forcing Tier Ones to finally make some resourcing decisions and taking action that will increase medium and long term sales opportunities.”
- “Due to our financial strength and push to add new customers and new business well over a year ago, along with the fallout from some of our competitors, we believe the future is not as bleak as some might believe. We have some nice non-automotive programs launching during the first quarter of 2009 to keep us going.”
- “Credit liquidity will improve.”
- “With the bridge loans and prospects of economic stimulus we are more confident in the recovery of auto sales.”



Question 1 Comments: Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

Somewhat More Pessimistic

- “The availability of credit and consumer confidence means we are a long way from a significant recovery.”
- “With all the automotive plant closings now, it is hard to see any silver linings for later in the year.”
- “The good news on F150 volumes is not enough to offset bad news everywhere else.”
- “Sales continue to fall so frequently that there is no confidence in any forecast and no ability to predict in this environment.”
- “While we anticipated the decline in shipments for December and January from the Detroit Three, we did not anticipate the severe order reduction from Toyota, Jatco, Mazda and Nissan for Japan shipments in the first quarter.”
- “New commercial vehicle orders continues to be flat to trending downward.”
- “Volume declines are deeper and broader than anticipated just 4 to 6 weeks ago with little recovery likely over the next 6 months.”
- “No relief evident yet in financial markets and their impact on automotive and housing and construction.”
- “It is difficult to see how Chrysler can survive in its present form and they are a major customer. Also, we have not seen the bottom of the recession and the federal stimulus will just fool people into thinking the economy is improving.”



Question 1 Comments: Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

Somewhat More Pessimistic (continued)

- “Pressure from politicians and public seem to be hampering rebound.”
- “Almost absolute uncertainty for the short-term economy.”
- “Everything is in a free fall.”
- “Previously we were somewhat insulated with Honda and Toyota not being as significantly affected. Now they are almost equally affected.”
- “Reduced builds and credit tight.”



Question 1 Comments: Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

Significantly More Pessimistic

- “Slow down in customer decision making due to market uncertainty.”
- “I do not see a turn around until well into 2010.”
- “The turn around in consumer confidence will take more than lip service from a new administration.”
- “Continued OEM volume reductions.”
- “Production cut backs will continue.”
- “A major customer broke agreement to pay 2008 surcharges. Sales are down 33% in November, 66% in December and 50% in January.”
- “Downward spiral continues, more orders being moved out and parking lots of dealers still seem to be loaded.”
- “All markets continue to adjust down.”
- “Downturn looks longer than expected, maybe throughout 2009.”



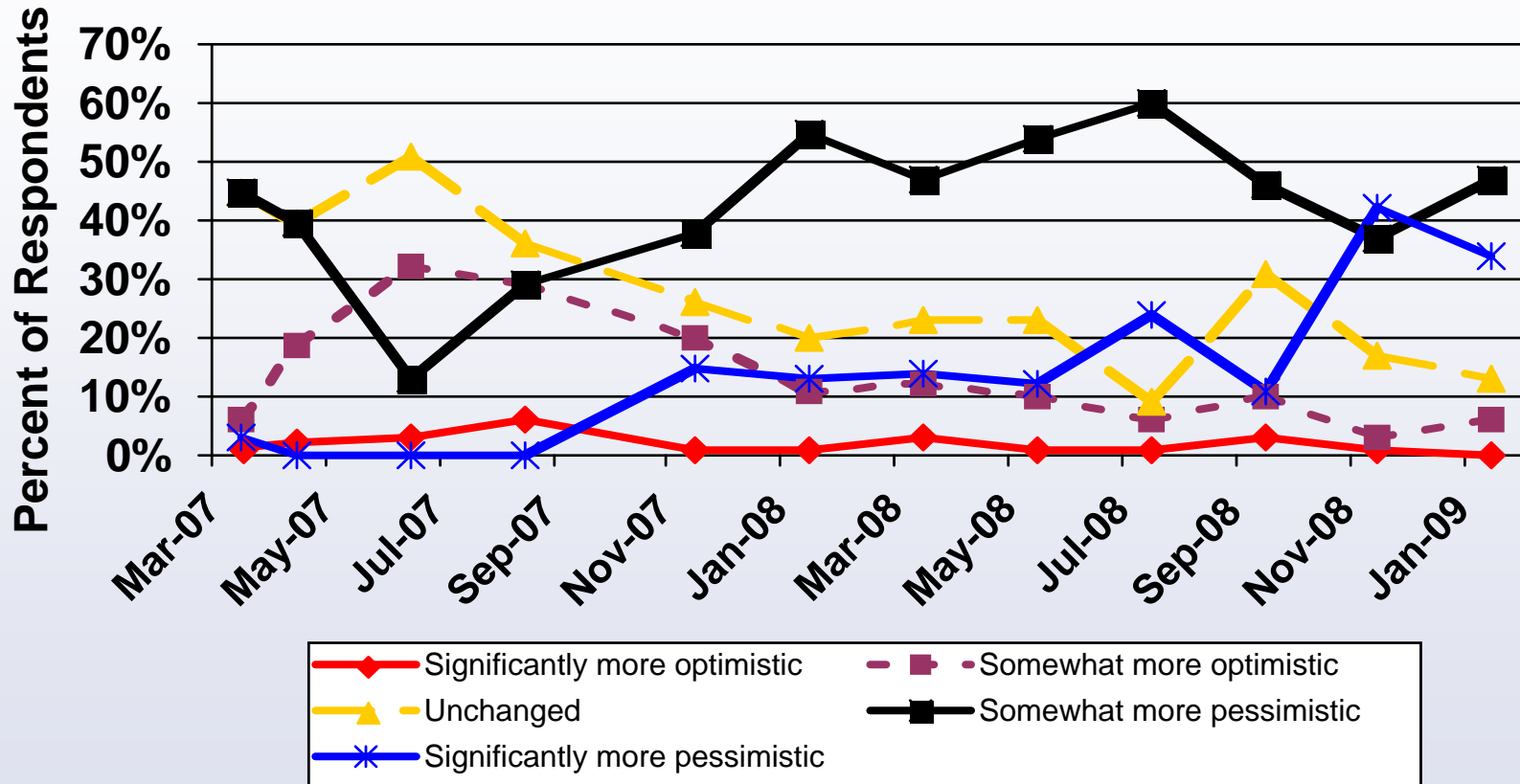
Question 1 Comments: Describe the general twelve month outlook for your business. Over the past two months, has your opinion become:

Significantly More Pessimistic (continued)

- “After an “acceptable” October, we missed sales plan by 30% in November, 40% in December and expecting more of the same.”
- “Shut down plans were by Chrysler and GM. Even though Chrysler received the bridge bailout, but there is still a possibility to file chapter 11.”
- “Large schedule reductions from customers in the first quarter.”
- “Something has to break the “fear of spending” that consumers have today. Job losses make that very difficult. We're in for a protracted slowdown!”
- “Our business plan has been reworked downward several times since November.”
- “Housing starts and the housing market are still declining and consumer confidence is at an all time low.”
- “December sales fell about 30% from November. First quarter sales appear to be down 30% from budget plan.”
- “First quarter customer releases are running 70% below last year.”
- “Volume declines globally in conjunction with the credit and leasing constraints have worsened more than expected.”



Question 1 Trend: 12 Month Business Outlook for Your Business



Responses for March = 67; April = 43; June = 68; August = 69; November 2007 = 80; January 2008 = 92 ;
 March = 90; May = 114; July = 100; September = 72; November = 129; January 2009 = 95



Question 2: What are the top three risks to your company's financial viability in 2009?

- **Production Volumes** (42 first mentions; 16 second mentions, 15 third mentions)
- **Customer Bankruptcy Risk** (24 first mentions, 23 second mentions, 9 third mentions)
- **Cash Flow** (17 first mentions, 8 second mentions, 7 third mentions)

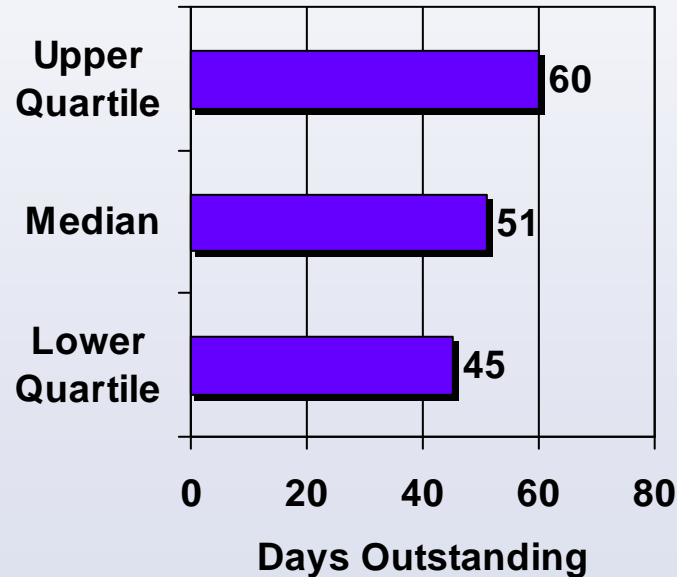
Other significant responses:

- **Credit Availability** (4 first mentions, 11 second mentions, 7 third mentions)
- **Supplier Bankruptcy Risk** (6 first mentions, 6 second mentions, 10 third mentions)



Question 3a. While always important, cash flow is an increasingly important issue. What is your current level of account receivables?

A/R - Days of Sales Outstanding



Responses = 89



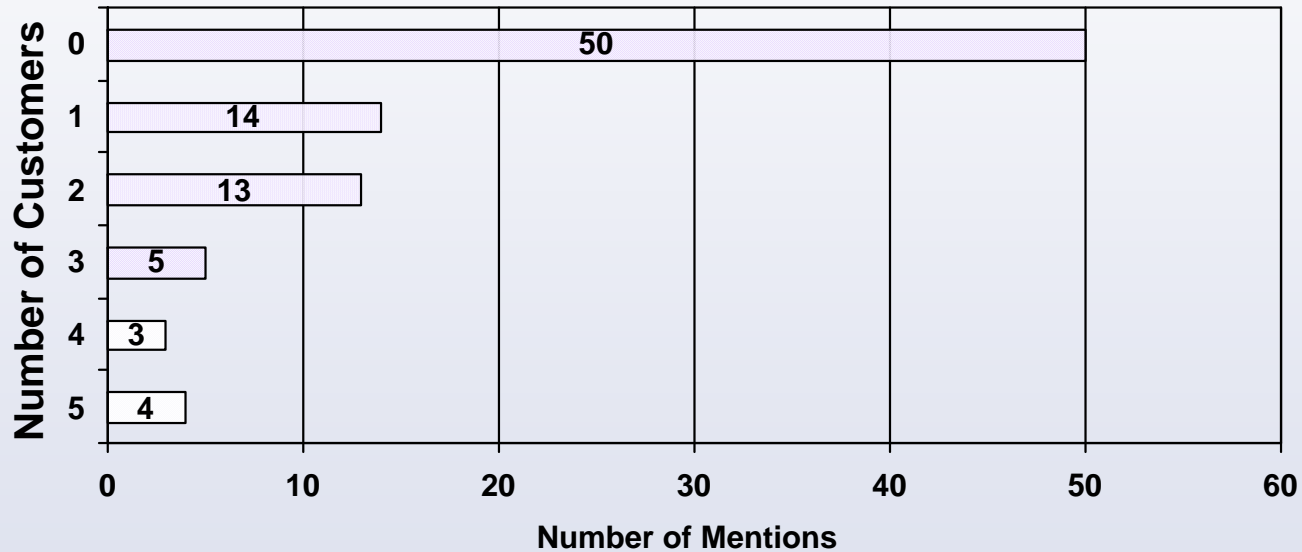
Question 3b. Compared to January 2008, how have your receivables changed in average days of sales outstanding?

- **No Change (36 responses)**
- **Increased (29 responses)**
 - 5 days median increase (2 days lower quartile/6 days upper quartile)
- **Decreased (14 responses)**
 - 8 days median decrease (6 days lower quartile/10 days upper quartile)



Question 3c. Of your top five customers, how many are not in compliance with their credit terms?

Top Customers Outside of Terms

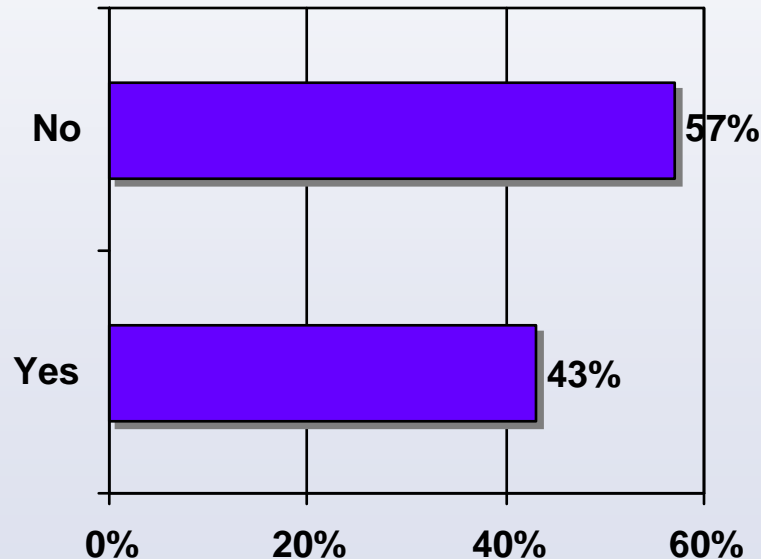


Responses = 89



Question 3d. Have your sub-tier suppliers (including steel and resin suppliers) approached your company to demand shorter payment terms due to the current crisis in the auto industry?

Are Your Suppliers Demanding Shorter Terms?



Responses = 95



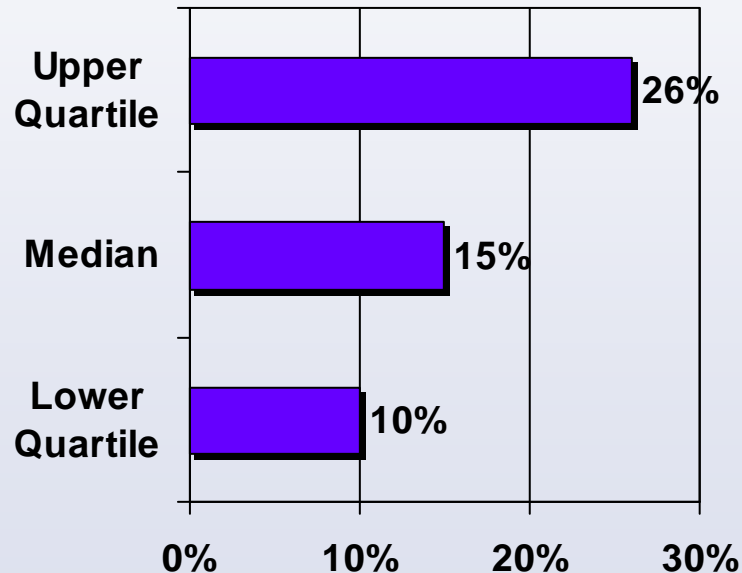
Question 3d Comments. Have your sub-tier suppliers (including steel and resin suppliers) approached your company to demand shorter payment terms due to the current crisis in the auto industry?

- “No, we are stretching our vendors out.”
- “Approximately 5 percent of our suppliers are asking for shorter payment terms.”
- “To date, probably 5 percent of the suppliers are more aggressive on paying on time. We are managing internally to minimize past due balances with all our suppliers.”
- “Still a pretty limited discussion. Expect them to accelerate over the next few weeks.”
- “We did not grant them” (2 comments)
- “Only one for steel. However, they did give us a 3% reduction for the mandated earlier (10 days) payment.”
- “We are in good financial position with all of our suppliers and they know we are a solid customer for them.”
- “A couple of smaller suppliers have, but overall this has not been an issue yet.”
- “Everyone is monitoring their receivables. Most companies are more aggressive on any late payments.”
- “We purchase from subsidiary companies.”
- “Steel supplier requested - able to give an extra day.”
- “Approached by steel suppliers, but to date have managed not to succumb to shortened terms.”
- “Continual review of financial position both upstream and downstream.”
- “This issue is also linked to price increase discussions.”
- “Due to the current crisis, our major raw material supplier is working with us on past invoices, yet current has to be paid in advance.”



Question 4. What percent of your production supply base is on your financial watch list?

Percent of Suppliers on Watch Lists



Responses = 84

Range = 0 percent to 100 percent



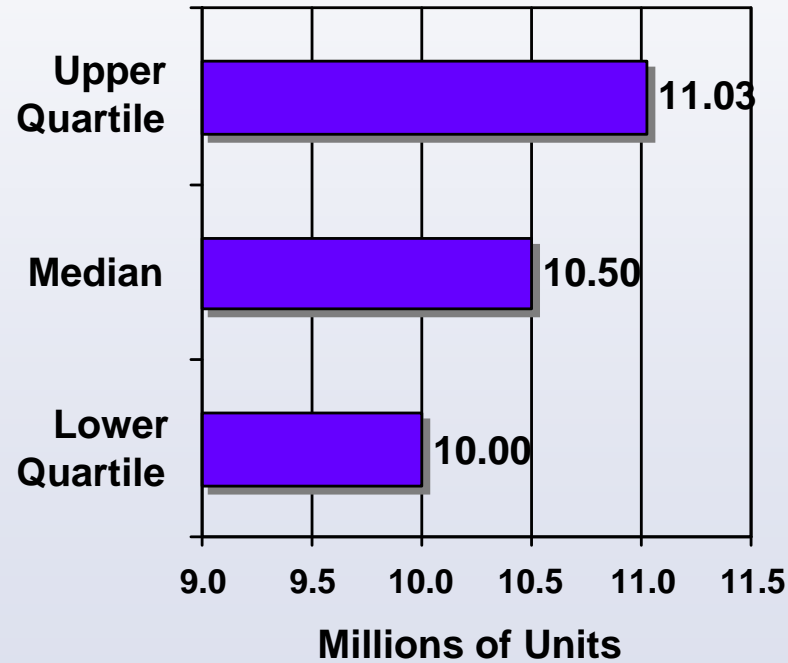
Question 4 Comments. What percent of your production supply base is on your financial watch list?

- “We are also watching another 35% of our supply base as these suppliers could cause us problems if they become distressed.”
- “Any automotive supplier.”
- “Difficult to get info on many of them.”
- “A lot of our supply base is privately owned, or private equity owned and financial data is not readily available to a firm our size.”
- “Fortunately, there is little exposure in this area.”
- “Watch list is expanding.”
- “We are a small firm and have only a few suppliers. For our highest volume parts we added over the past few years some in house capacity to hedge against a supplier issue.”
- “The majority of our supply chain is related parties.”
- “The percentage seems low, however, it is the purchase value/size that is what need to be looked at.”
- “We have review all suppliers, and rate this 10% as “troubled” and have implemented special activity towards those companies.”
- “Very minimal.”
- “We are not that sophisticated yet, we are concerned about 2 and monitoring/talking to about 5, customers are getting more of our attention than suppliers.”



Question 5 a. What is your 2009 NA light duty vehicle production planning volume (in millions of units)?

NA Production Planning Volumes



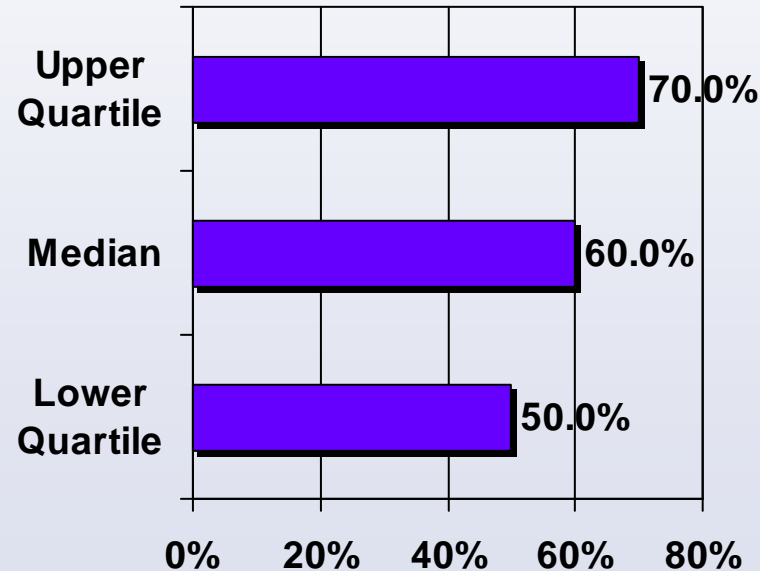
Responses = 76

Range = 7 million units to 13 million units



Question 5 b. For your company or business unit, what is your estimated 2009 NA manufacturing capacity utilization rate (in percent)?

2009 NA Capacity Utilization



Responses = 83

Range = 20 percent to 90 percent



Question 5c. What is the targeted change, in percent, of your 2009 fixed cost structure versus 2008?

- **No Change (10 responses)**

- **Increased (4 responses)**
 - 8.5 percent median increase (3.8 percent lower quartile/19 percent upper quartile)

- **Decreased (77 responses)**
 - 15 percent median decrease (10 percent lower quartile/20 percent upper quartile)



Question 6 a. How do the current NAFTA provisions provide manufacturing competitiveness in your U.S., Canadian or Mexican facilities against off-shore locations. What changes to the current NAFTA provisions would place your NAFTA manufacturing sites at risk?

- “Any tighter restrictions in today's environment would represent further distress on an already severely stressed business model.”
- “We rely on Mexico as our low cost locations.”
- “What has made us the most price competitive is the weak dollar.”
- “We support OEMs and Tier 1s where they need us in N.A.. Uncertain as to the impact of NAFTA aside from their ability to compete.”
- “More tariffs would help our company.”
- “Changes in Mexican tax law regarding deducting interest expense will reduce our competitive position in Mexico.”
- “We do not want to see a change in the treaty.”
- “NAFTA is working for our company. Our plants in Mexico provides us with competitive wage and transportation rates to be competitive for the NAFTA market. Our Asia manufacturing site provides us with our regional supply to our customers.”
- “The economy crisis happened in the world. New investment will be reduced in whole countries. (Not focused on NAFTA.)”
- “Off-shore locations have no restrictions in competing against us. We are currently at risk, mostly due to currency controls.”



Question 6 a (Continued). How do the current NAFTA provisions provide manufacturing competitiveness in your U.S., Canadian or Mexican facilities against off-shore locations. What changes to the current NAFTA provisions would place your NAFTA manufacturing sites at risk?

- “We have a relatively low-labor base of manufacturing without the long lines of logistics that present many risks to manufacturers that we do not need to consider.”
- “We are not in Mexico yet, but our European customers want us there for low cost supply. It would replace US jobs.”
- “NAFTA provides very little protection. There are bilateral agreements between Mexico and Europe/ S. America. that get around any NAFTA barriers and sometimes help them better compete. I suppose if you have Mexican operations, you have a cost advantage, but this is not the case with us !”
- “Our major competitors are in Asia. Changes to NAFTA will not impact this.”
- “It must come with fair trade. In other words overseas companies should be obligated to the same controls like safety, environmental, etc as I am to sell in our market.”
- “Significant Mexico presence. Placing tariffs on products produced in Mexico.”
- “Our Mexican facility is pretty competitive with the world.”
- “Leave it alone.”
- “US manufacturing only, any changes in NAFTA that effect cross border business will put us at risk.”
- “No real advantage with NAFTA at this time.”



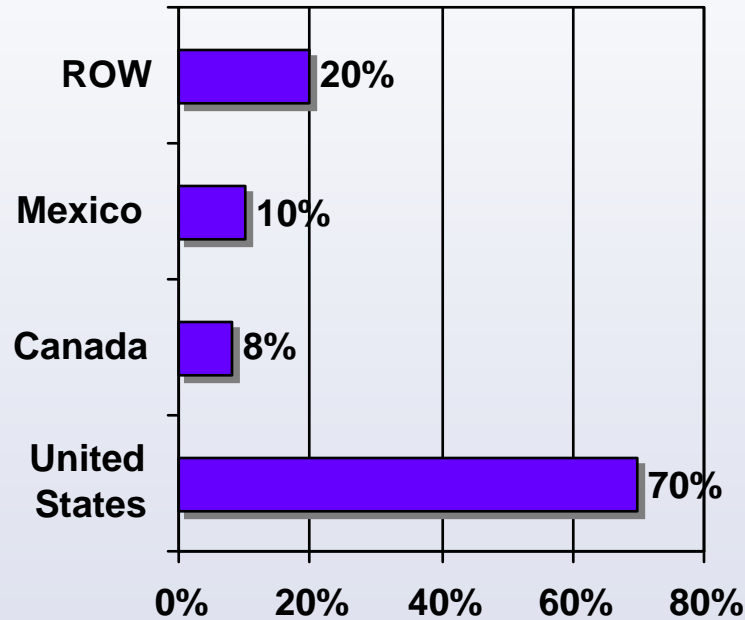
Question 6 a (Continued). How do the current NAFTA provisions provide manufacturing competitiveness in your U.S., Canadian or Mexican facilities against off-shore locations. What changes to the current NAFTA provisions would place your NAFTA manufacturing sites at risk?

- “Currency + trade rules offer some protection.”
- “Import duties to Mexico and Canada would reduce our competitiveness there. We buy very little outside the US.”
- “NAFTA needs to be re-negotiated.”
- “Large percentage of N.A. Production is in Mexico, providing both local supply and competitive cost advantage. Changes to NAFTA that impacts either of those could mean significant footprint movement to other low cost countries, closures of local operations, and reduced competitiveness of U.S.-based operations.”
- “This is not an immediate threat but need to be observed closely. If NAFTA provisions would add additional freight/duty cost for goods being shipped among NAFTA members; the manufacturing strategy /business model would need to be changed to reduce import/export of finished goods with focus on local manufacturing for local need. Can be done within 12 months.”
- “We have one facility in Mexico and would like to have another, improved border crossing time and customs paperwork would be a benefit, the overall system would be better if our customers did not have to take our product out of Mexico before sending it back in.”



Question 6 b. What percent of your global revenues are earned in:

Share of Revenue Earned



Responses = 77

Note: Shares do not equal 100% as these are the reported median values.



Question 6 b. Estimate the annual volume (in US\$ millions) of your cross-border WIP shipments :

- **US – Canada Cross-Border WIP Shipments (44 responses)**
 - \$10 million median with a range of \$500,000 to \$145 million; 21 companies reported no cross border WIP shipments

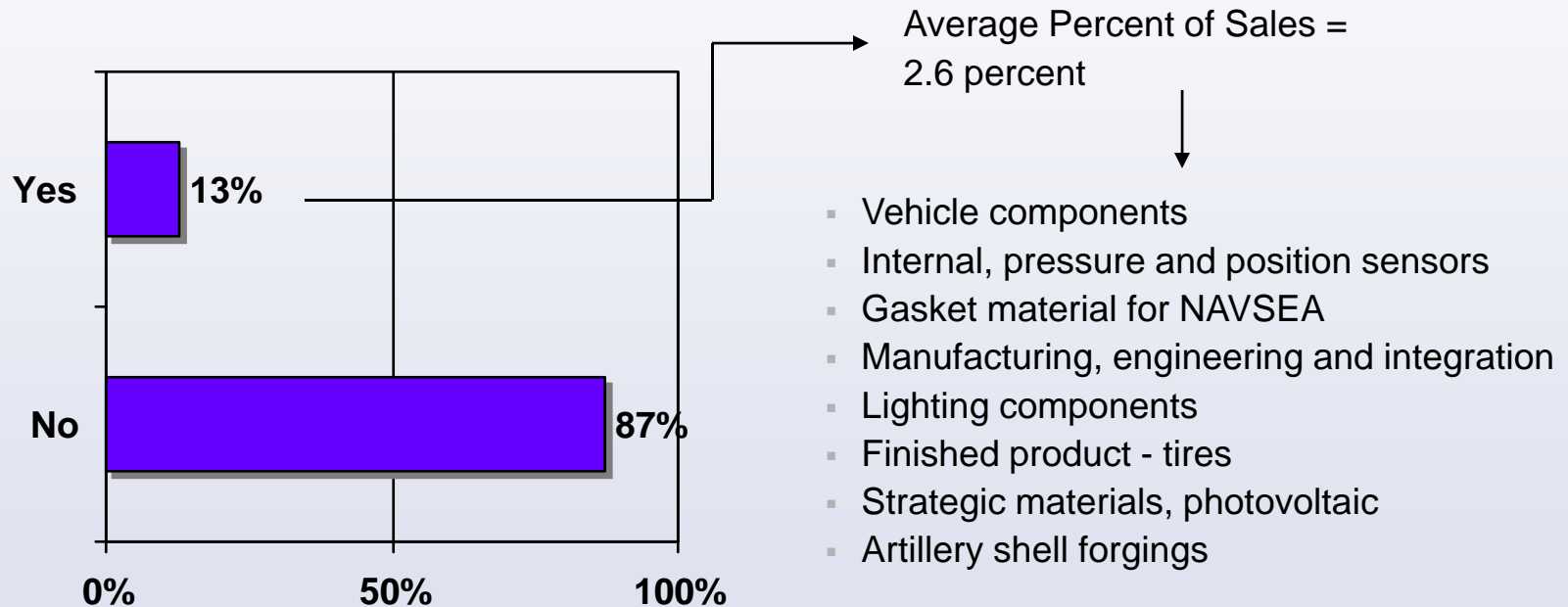
- **US – Mexico Cross-Border WIP Shipments (30 responses)**
 - \$20 million median with a range of \$1 million to \$1 billion; 20 companies reported no cross border WIP shipments

- **Canada – Mexico Cross-Border WIP Shipments (35 responses)**
 - \$10 million median with a range of \$1million to \$40 million; 30 companies reported no cross border WIP shipments



Question 7a. Do you supply the U.S. Department of Defense with any goods or services?

Does Your Company Supply the US DOD?

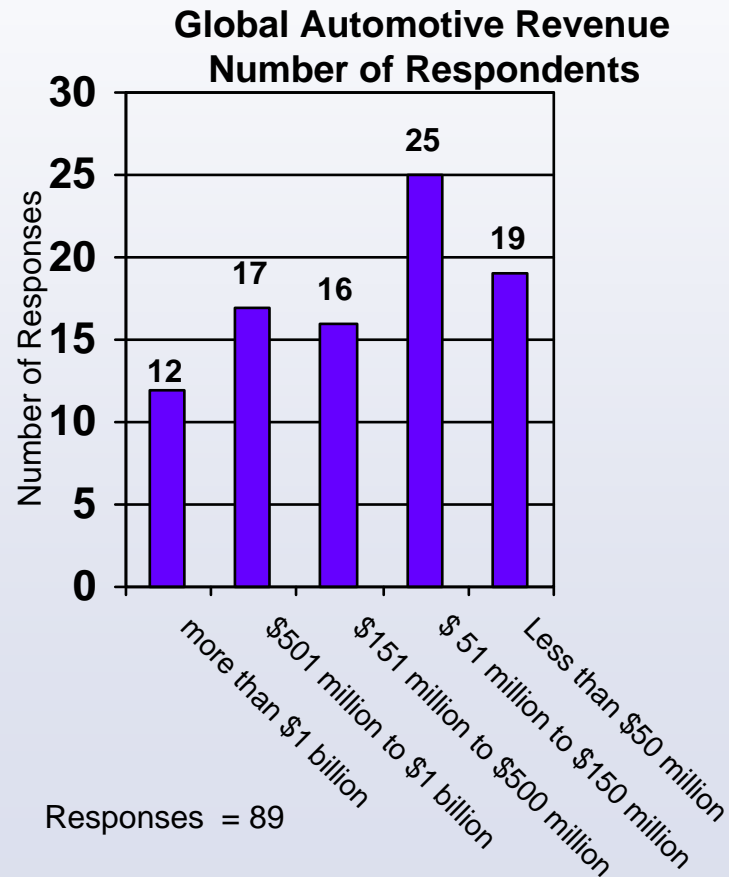


Responses = 85



Respondent Profile

There were 95 individual respondents from 84 OESA member companies. The January 2009 OESA Automotive Supplier Barometer was conducted between January 12 – 14, 2009.





THANK YOU FOR YOUR PARTICIPATION

The OESA Automotive Supplier Barometer survey is now on an every-other month schedule. The next survey will be launched on Monday, March 2, 2009 and will be released, Friday, March 6, 2009.

For comments and suggestions for future Barometer surveys, contact:

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