



# Original Equipment Suppliers Association

## FOR IMMEDIATE RELEASE

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### OESA Supplier Barometer Shows Concerns Deepen On Tariffs and Trade

SOUTHFIELD, Mich. (March 19, 2019) – The OESA **Automotive Supplier Barometer**, sponsored by RSM US LLP, captures the pulse and twelve-month business sentiments of top executives in the North American supplier industry. The Barometer is a quarterly snapshot of supplier concerns on commercial issues, the business environment and strategies influencing the supplier industry.

The **Supplier Barometer Index (SBI)** for 1Q 2019, a numeric measure of suppliers' outlook on the automotive industry, continues to reflect a negative sentiment. This pessimism is due primarily to the uncertainty in global trade policies and persistent weakness in U.S. passenger car volumes. Despite strong economic fundamentals (i.e. low unemployment and high consumer confidence), the SBI posted a negative reading of 35, fifteen points below a neutral level of 50, and the lowest reading since Q2 2009. This reading is a dramatic 22-point reversal from Q1 2018 when tax breaks and planned infrastructure spending pushed the SBI reading to a positive reading of 57.

According to the results of the 2019 Q1 Barometer:

- Trade policy is the most significant industry threat to automotive suppliers
- Sub-tier material cost premiums are increasingly impacting suppliers' profitability
- R&D spending remains at 4% of total sales, holding at 4Q 2018 levels

**Trade Policy concerns** include tight supply chains, rising commodity prices, the impact of Section 232 and Section 301 tariffs, prospects for passage and implementation of the UCMCA trade pact, as well as limited availability of skilled labor. Each concern adds uncertainty to the planning environment, causing automakers and suppliers to reassess, revise and potentially postpone incremental investments until greater clarity can be determined.

"Suppliers have been remarkably resilient in the face of U.S. trade policy uncertainty," said Mike Jackson, OESA's executive director of Strategy and Research and author of the study. "As investment decisions approach, suppliers must proactively analyze and prepare a range of optimized solutions that can be deployed once policy outcomes are confirmed."

**Material Cost Premiums** are impacting over 80% of suppliers, up from 60% last year. At the same time, shortages of components and raw materials are impacting a third of suppliers.

**Research and Development** spending remains unchanged from last year, at 4% of total sales. Approximately 80% of suppliers' R&D budget is allocated towards the development of specific programs, while 20% is allocated to researching future technologies. Advanced materials and industry 4.0 are the leading areas for future technology investment.

According to Jackson, "It is encouraging that suppliers have expressed commitment to their planned investments in R&D over the next 2-3 years – despite current economic and political uncertainty."

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View the complete copy of the [Q1 OESA Automotive Supplier Barometer](#) results and the Sentiment Index chart.

#### About OESA

The mission of the [Original Equipment Suppliers Association](#) is to champion the business interests of automotive original equipment (OE) suppliers. Since 1998, the Association has been addressing issues of common concern and advocating on behalf of the supplier community throughout the supply chain and in Washington, D.C.

#### About RSM US LLP

RSM US LLP is the leading provider of audit, tax and consulting services focused on the middle market, with nearly 10,000 professionals nationwide. It is a licensed CPA firm and the U.S. member of RSM International, a global network of independent audit, tax and consulting firms with more than 41,000 people in 116 countries. RSM uses its deep understanding of the needs and aspirations of clients to help them succeed.

[Click here](#) to view RSM's commentary on the 2019 Q1 OESA Supplier Barometer .