



# Original Equipment Suppliers Association

## NEWS RELEASE

### ***For Immediate Release***

**Contact:** Jeff Laskowski, 248.430.5951, [jlaskowski@oesa.org](mailto:jlaskowski@oesa.org)  
April Buford, 248.430.5964, [abuford@oesa.org](mailto:abuford@oesa.org)

## **Q2 2020 OESA Automotive Supplier Barometer COVID-19 Pandemic Pushes Supplier Sentiment to Historic Low**

SOUTHFIELD, Mich. (June 2, 2020) – According to the **Q2 2020 OESA Automotive Supplier Barometer Index (SBI)** – a gauge to measure the sentiments of North American automotive supplier executives – supplier pessimism was driven to unprecedented levels by the COVID-19 pandemic. Results posted a negative reading of 15 for the period, the lowest level in the series history, and 35 points below a neutral reading of 50.

The overwhelmingly pessimistic outlook is shared between organizations of all sizes as they struggle to restart following the announced OEM shutdowns and stay-at-home mandates. Concerns of how the pandemic will ultimately impact the economy and vehicle sales are the leading cause of the extraordinarily high levels of pessimism.

The **2Q 2020 OESA Automotive Supplier Barometer™**, sponsored by **RSM US LLP**, focused on Supply Chain and Globalization. The results indicate:

- The pandemic has delayed R&D investments by just over four months on average, with connected manufacturing technologies and autonomous driving technologies being delayed the most.
- Suppliers expect consolidation within the industry and look to gain market share through conquest initiatives, M&A, and leveraging new technology development while the competition delays.
- Sub-tier supplier distress is the top supply chain concern, with responses denoting a significant increase in supplier distress surging +600% within the past 3-months compared to levels over the past year.
- Weaker financial metrics and quality concerns have prompted heightened vigilance as respondents increased the number of sub-tier suppliers on internal 'watch lists' to mitigate risks of supply chain disruptions.
- 20% of materials needed for production are procured from countries outside of the U.S., down from 30% in 3Q 2019, as suppliers are becoming increasingly localized to comply with USMCA and avoid exposure to unstable trade regions.

"Despite massive challenges brought on by the pandemic, the supplier industry continues to demonstrate extraordinary responsiveness in addressing the diverse needs of employees, customers and stakeholders in the communities where they operate," said Mike Jackson, executive director, strategy and research, OESA. "Supply chain risks have spiked on a number of fronts, fueled by workforce constraints, input shortages and liquidity issues, due to slashing production volumes and future forecasts."

The crisis is exacerbated by huge capital investments made to support the transition toward higher levels of electrification and advanced safety features, which are expected to face a range of delays. Difficulties remain, yet leading suppliers continue to display remarkable resilience, recognizing opportunities to conquest business, explore partnering or assess M&A prospects while enhancing product technology offerings for a post-impact recovery.

The Q2 SBI chart and a full copy of the Supplier Barometer results are available on the OESA website at: <https://www.oesa.org/resource/oesa-automotive-barometer-studies>.

**[CLICK HERE](#)** to view the RSM US LLP commentary on Q2 2020 OESA Automotive Supplier Barometer results.



# Original Equipment Suppliers Association

## NEWS RELEASE

### **About the OESA Automotive Supplier Barometer:**

The OESA Automotive Supplier Barometer captures the pulse and analyzes the twelve-month business sentiments of top executives in the supplier industry. It is a quarterly survey on commercial issues, the business environment and strategies that influence the supplier industry. This Barometer is distributed to vehicle manufacturers, financial institutions, governmental officials and the media to provide an on-going profile of supplier industry trends.

### **About OESA**

The [Original Equipment Suppliers Association](http://www.oesa.org)'s mission 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.

OESA is one of four divisions of the Motor & Equipment Manufacturers Association (MEMA). All divisions are represented by MEMA's advocacy and emerging technology expertise. For additional information, visit <http://www.oesa.org>.

### **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.

###