Original Equipment Suppliers Association

NEWS RELEASE

For Immediate Release

Contact: Jeff Laskowski, 248.430.5951, jlaskowski@oesa.org
April Buford, 248.430.5964, abuford@oesa.org

OESA Supplier Barometer Shows Slight Rebound, Yet Concerns Persist

SOUTHFIELD, Mich. (August 8, 2019) – According to the **3Q 2019 OESA Automotive Supplier Barometer Index (SBI) –** a quarterly gauge to measure the sentiments of North American automotive supplier executives – supplier pessimism continues to weigh upon the automotive supply base. Results posted a negative reading of 37 for the period; 13 points below a neutral reading of 50. Although the SBI increased 2 points from the prior quarter, it remains near the lowest level since the great recession.

Supplier pessimism is attributed to the continued trade tensions and the market shift away from passenger car sales. The reading is a dramatic decline in sentiment compared to 1Q 2018, when U.S. tax reform fueled robust optimism.

The **3Q 2019 OESA Supplier Barometer**, sponsored by **RSM US LLP**, focused on Supply Chain and Globalization. The results indicate:

- Trade policy remains the greatest industry threat to automotive suppliers as uncertainty persists
- Cost pressures have caused net profitability to deteriorate across most system areas and program segments
- Weaker financial metrics and quality concerns have prompted heightened vigilance as respondents increase the number of sub-tier suppliers on internal 'watch lists' to mitigate risks of supply chain disruptions
- 30% of materials needed for production are procured from countries outside of the U.S. – highlighting the industry's global footprint and sensitivity to changes in trade policy

"Despite extraordinary market uncertainty, the supplier industry continues to capitalize on strong industry sales and production levels, as leading suppliers proactively focus on mitigating supply chain risks and delivering strong results," said Mike Jackson, executive director, strategy and research, OESA. Results highlight that respondents are keen to employ processes that enhance visibility and offer increased flexibility to counter dynamic economic and policy related volatility.

The industry continues to post strong demand, with U.S. sales expected to approach 17 million units as North American production is on pace to achieve a similar level. Expect the heavy bias favoring light trucks and SUVs to continue.

Even in the face of lower passenger car demand, automakers and the supplier community have enjoyed sharply higher transaction prices for a wide range of light trucks, serving to offset negative pricing dynamics weighing down the passenger car sector.

When looking to identify new growth opportunities, the environment is becoming more challenging. While light truck output is on pace to grow incrementally in unit terms, it will also unleash higher levels of competition leading to profit margin compression.

The 3Q SBI chart and a full copy of the Supplier Barometer results are available on the OESA website **HERE**.

CLICK HERE to view the RSM US LLP commentary on the 3Q 2019 OESA Supplier Barometer results.

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**'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.

# # #