

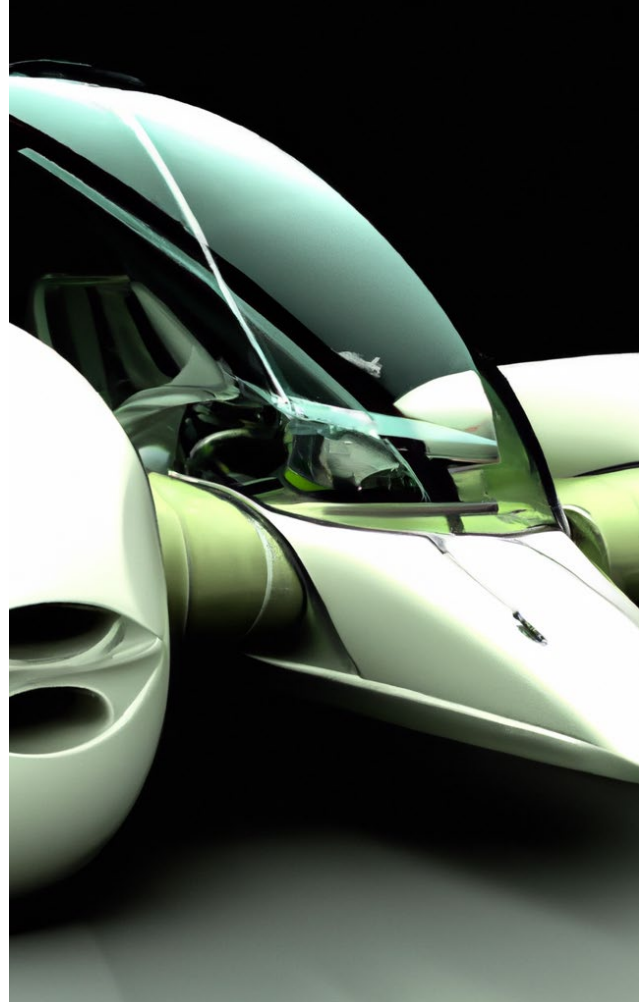
memma.
Original Equipment Suppliers

Deloitte.

MEMA OE Suppliers Vehicle Supplier Barometer Q1 2025

Production, Planning & Electrification

April 3, 2025



MEMA OE Supplier Barometer: Executive Summary

Supplier Barometer Index (SBI)

SBI Score = 29;
down from Q4 level of 36



The outlook for the first quarter of 2025 deteriorated again from the end of 2024 to a reading of 29, primarily due to trade concerns. The index stands 21 points below a neutral level of 50 and marks the twelfth straight quarter of building pessimism. Firms of all sizes became increasingly pessimistic with the largest, most globally exposed suppliers, having the most pessimistic outlook.

Light vehicle suppliers were slightly less pessimistic in comparison to their commercial vehicle counterparts, on net.



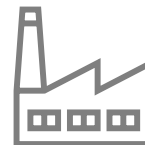
Changes in government trade policies overtook poor sales in programs supplied as the greatest threat to the industry over the coming 12-months as the threat of USMCA, China, steel and aluminum tariffs loom. The threat of negative outcomes related to changes in government regulations grew significantly from prior quarter.

Concerns of poor sales of vehicles in programs supplied remain elevated, primarily due to underperforming electric vehicle programs and uncertainty around how tariffs will impact vehicle pricing.

Labor availability constraints and the inability to fulfill volumes continued to improve and fell to the two smallest threats to the industry, over the next 12-months.



New orders and production continue to decrease widely on both a year-over-year and one-month basis. Supplier and customer inventories are building, and the backlog of orders is declining. Costs continue to rise.



Concerns with the risk of stranded capital due to underperforming programs and regulatory impacts are incredibly high, with 58% of suppliers indicating they are at least “substantially concerned” for the next 12-months.

Suppliers are responding by negotiating with their customers, rethinking their CAPEX strategies and reallocating capacity by seeking new business.

MEMA OE Supplier Barometer: Executive Summary



Light Vehicle suppliers' breakeven estimates are flat from last year at 14.0 million units. The industry is expected to again exceed breakeven this year, after outperforming breakeven by 1.5 mils. in 2024.

Suppliers continue to expect weak production volume margins in 2025 and note that their breakeven point is largely dependent on program performance.

Commercial vehicle suppliers expect a moderate decline in the Class 8 truck market, recovery in the trailer markets and stability in the Class 5-7 truck markets in 2025. The expectation for 2026 is positive in all three markets albeit with a high degree of forecast uncertainty.



The top internal production issues are related to supply chain disruption and inventory carrying costs, but scored only slightly worse than a neutral rating, on average.

Shortages of skilled and unskilled labor, in addition to overtime premiums, showed significant improvement from last year.

Externally, the largest threat is increased sub-tier supplier distress.



Suppliers are prioritizing lean manufacturing, supply chain management optimization, product portfolio optimization and automation investment as the top priorities of their cost management strategies.



R&D spending is expected to be in-line with last year, at 3% of total sales on average.

From the R&D budget, approximately one-third goes to research while two-thirds is allocated to development as suppliers are planning to allocate this year's budget more towards researching future technologies.

Advanced materials and industry 4.0 are the top investment priorities. However, industry 4.0 became more of a priority while advanced materials and powertrain technologies declined in investment prioritization from last year.

Despite economic and political uncertainty, suppliers feel very committed to R&D investment in the near-term.



Suppliers struggled in benefitting from electrification last year, and highlight the challenges are far more severe than the opportunities.

Suppliers continue to expect it will still take 5-10 years for BEV production to reach 25% of global vehicle output.

Regionally speaking, suppliers expect a 25% share of BEV production to occur first in China, followed by closely by Europe, with North America taking an estimated 9.5 years to reach that threshold.

Regulatory challenges from the recently cancelled CARB regulations are balanced. Potential changes to IRA funding is seen as largely negative by suppliers.

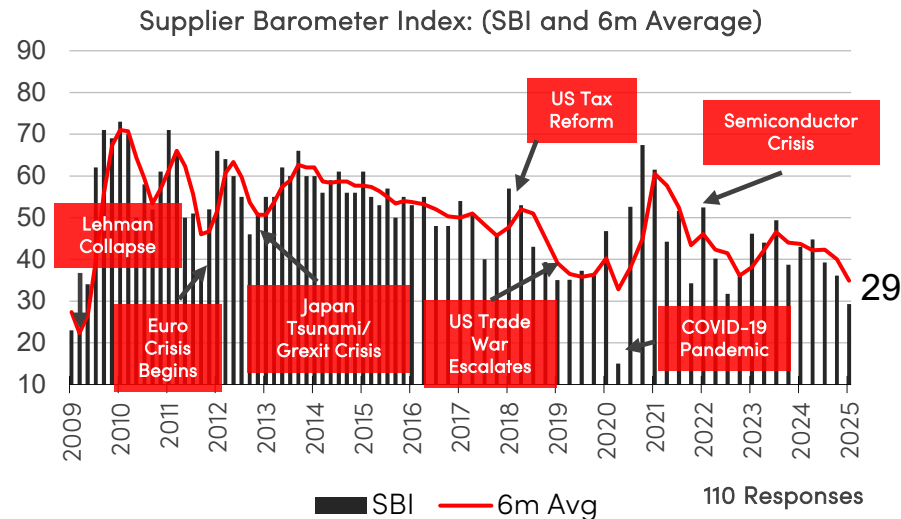
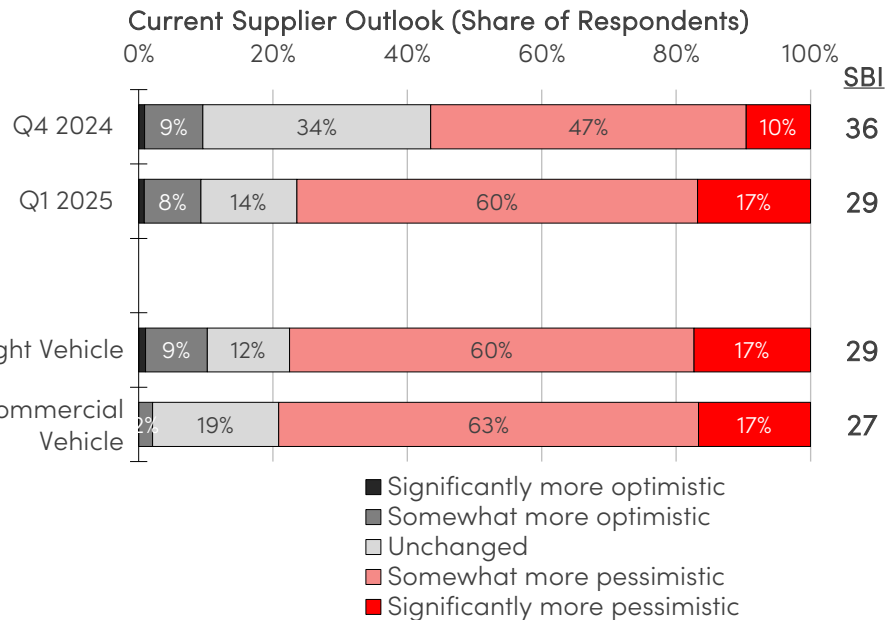


Supplier Outlook

Q1 2025 Vehicle Supplier Barometer

MEMA OE Vehicle Supplier Barometer: Q1 2025 - Results

Describe the general twelve-month outlook for your business. Over the past three months, has your opinion become...?

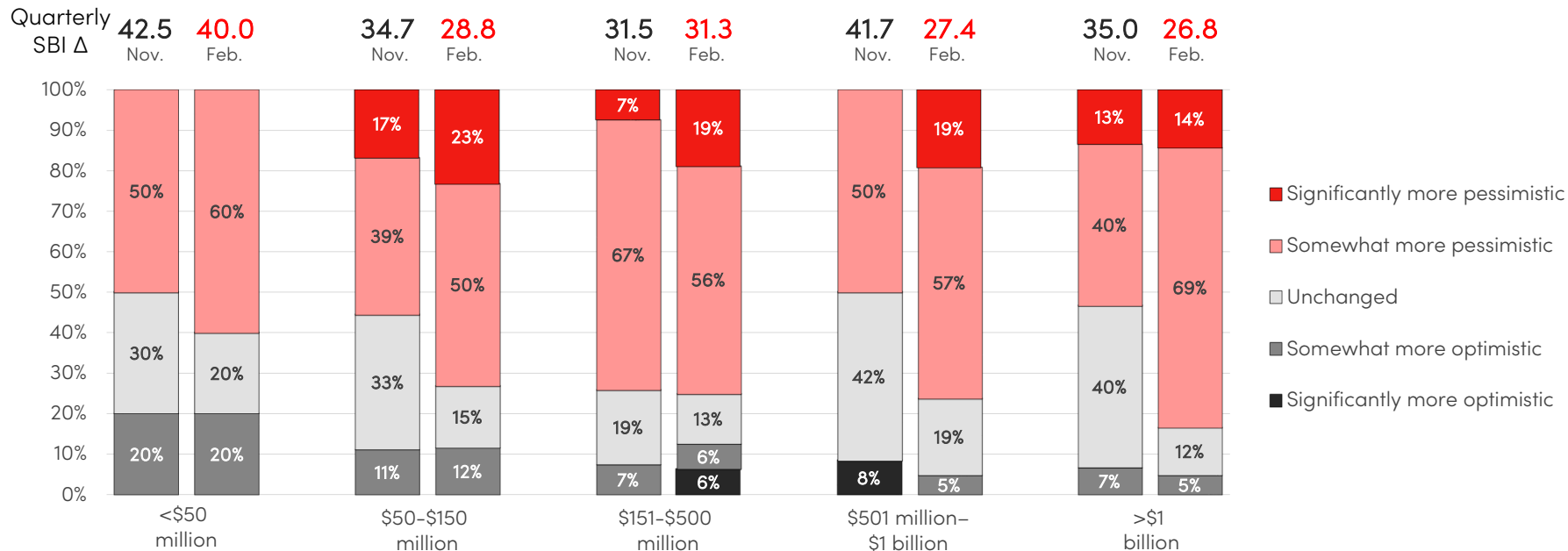


*Data prior to 2024 Light Vehicle Only

The outlook for the first quarter of 2025 deteriorated 7 points from the fourth quarter of 2024 to a level of 29, and marks twelve consecutive quarters of building pessimism.

MEMA OE Vehicle Supplier Barometer: Q1 2025 - Results by Revenue

Describe the general twelve-month outlook for your business. Over the past three months, has your opinion become...?

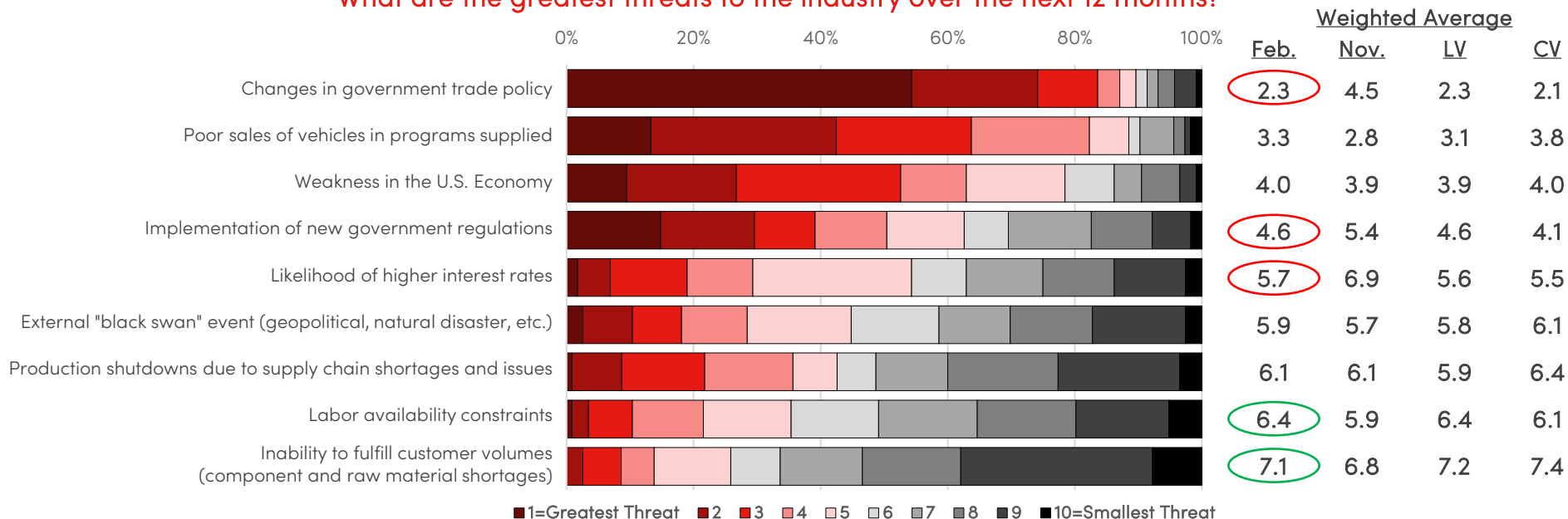


The outlook became more pessimistic across firms of all sizes.
The largest, most globally exposed suppliers, have the most pessimistic outlook.

MEMA OE Vehicle Supplier Barometer

Q1 2025 - Industry Threats Results

What are the greatest threats to the industry over the next 12 months?



Changes in government trade policies overtook poor sales in programs supplied as the greatest threat to the industry over the coming 12-months as the threat of USMCA, China, steel and aluminum tariffs loom.

MEMA OE Vehicle Supplier Barometer: Q1 2025 - Industry Indicators

For the following indicators, please indicate what change, if any, your company has experienced over the following time frames.

| | Total Industry | | Light Vehicle | | Commercial Vehicle | |
|------------------------|------------------|-----------------|------------------|-----------------|--------------------|-----------------|
| | 12-month Chg. | 1-month Chg. | 12-month Chg. | 1-month Chg. | 12-month Chg. | 1-month Chg. |
| New orders | 33 | 42 | 32 | 43 | 31 | 41 |
| Production | 29 | 36 | 27 | 36 | 31 | 39 |
| Employment | 34 | 40 | 33 | 39 | 34 | 41 |
| Supplier Deliveries | 46 | 41 | 44 | 42 | 49 | 41 |
| Inventories | 57 | 59 | 56 | 59 | 57 | 60 |
| Customers' Inventories | 64 | 58 | 63 | 57 | 72 | 63 |
| Costs | 83 | 77 | 84 | 76 | 81 | 79 |
| Backlog of Orders | 37 | 41 | 35 | 45 | 36 | 34 |
| New Export Orders | 45 | 45 | 46 | 47 | 45 | 40 |
| Imports | 46 | 48 | 47 | 49 | 47 | 43 |

Diffusion Index = Σ (% Responding Decelerated x 0, % Responding Unchanged x 50, % Responding Accelerated x 100)

Lower Limit = 0

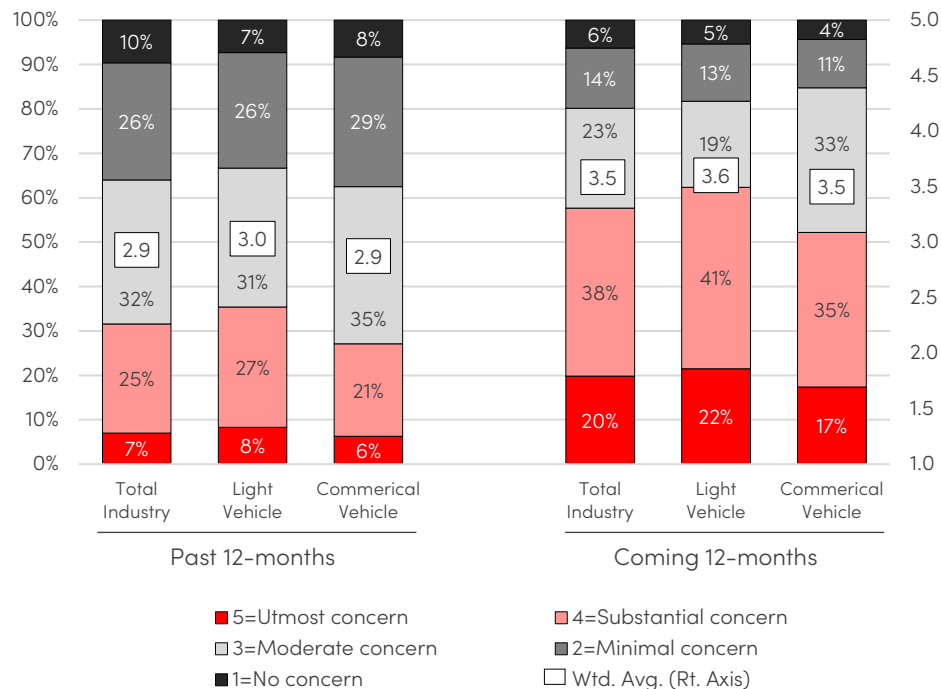
Neutral = 50

Upper Limit = 100

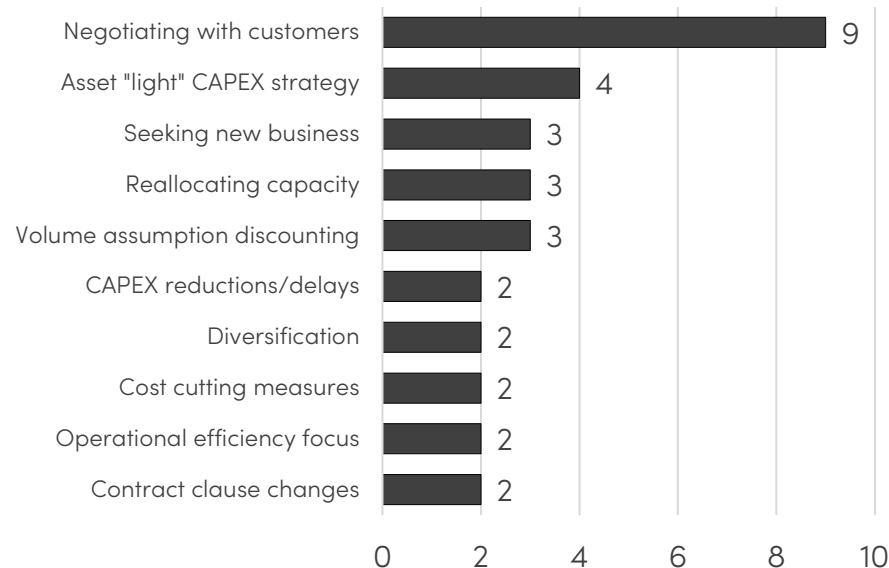
New orders and production continue to decrease widely on both a year-over-year and one-month basis. Supplier and customer inventories are building, and the backlog of orders is declining. Costs continue to rise.

MEMA OE Supplier Barometer: Risk of Stranded Capital

How concerned is your company about the risk of stranded capital due to underperforming programs and regulatory impacts over the following timeframes?



How has your company responded to its risk assessment of stranded capital?



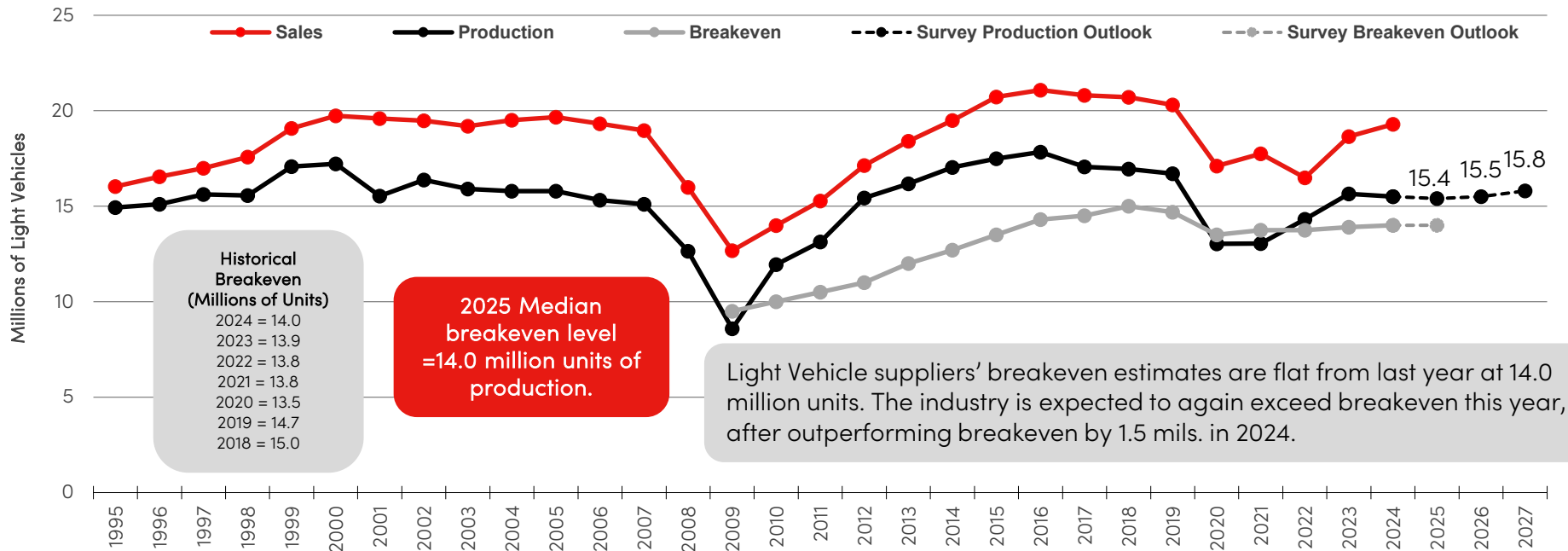


Production

Q1 2025 Vehicle Supplier Barometer

MEMA OE Supplier Barometer: Light Vehicle Industry Outlook and Breakeven

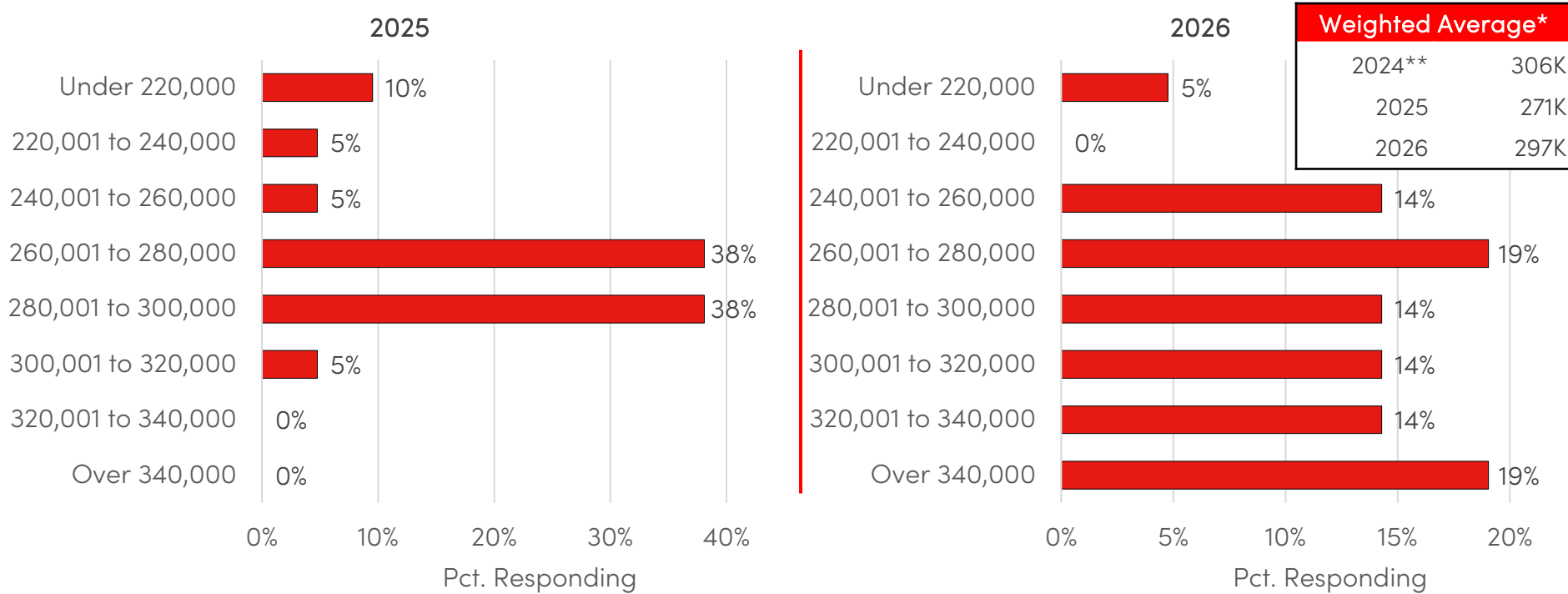
Considering North America light duty vehicle production, estimate the required 2025 industry volume needed to achieve breakeven in your North American operations?



Source: S&P Global Mobility (History, Sales and Production)

MEMA OE Supplier Barometer: North American Class 8 Truck Forecast

What are your 2025 and 2026 forecasts for the North American Class 8 truck production?

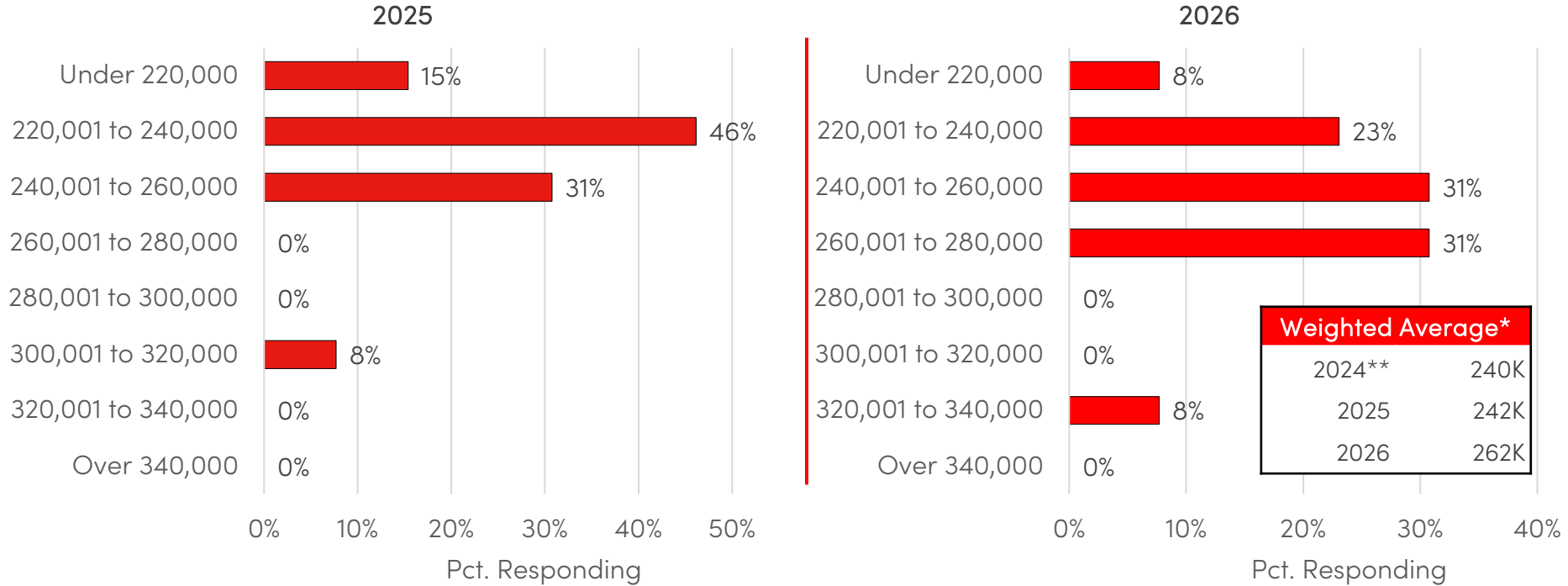


*Assumes the mid-point of each range, under 220k = 210k, over 340k = 350k

**Source: FTR

MEMA OE Supplier Barometer: North American Class 5-7 Truck Forecast

What are your 2025 and 2026 forecasts for the North American Class 5-7 truck production?

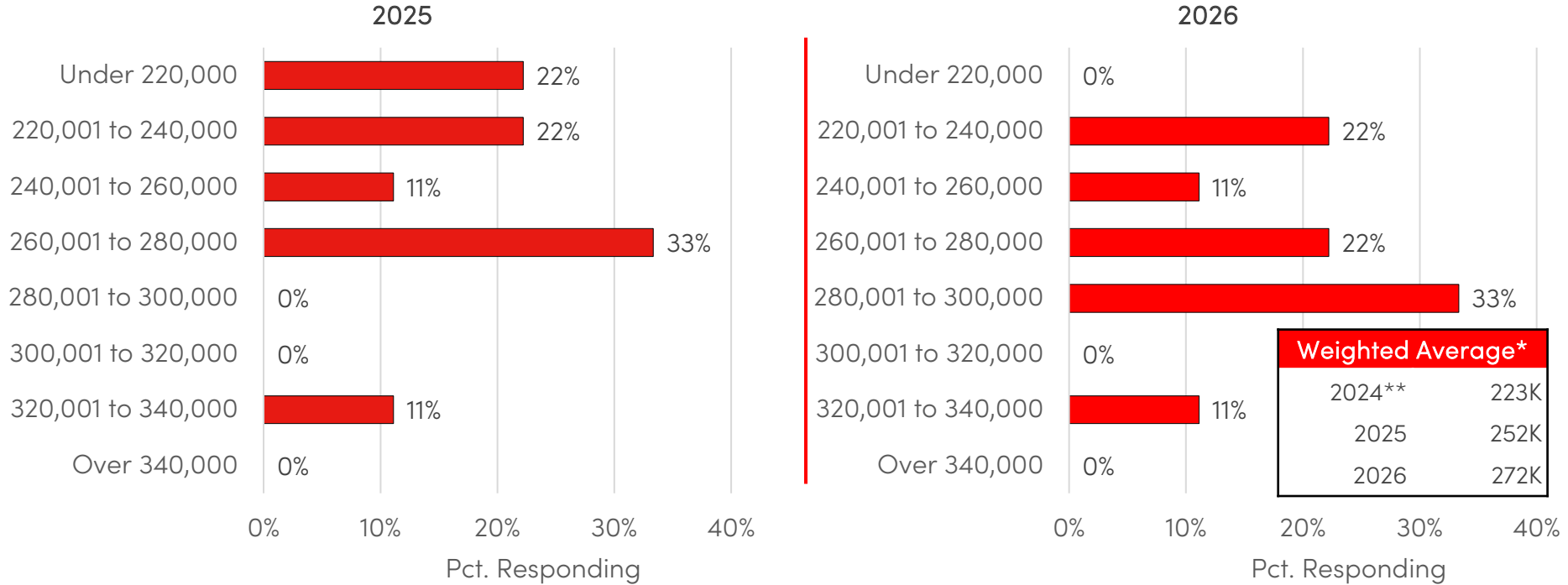


*Assumes the mid-point of each range, under 220k = 210k, over 340k = 350k

**Source: FTR

MEMA OE Supplier Barometer: North American Trailer Forecast

What are your 2025 and 2026 forecasts for the North American trailer production?



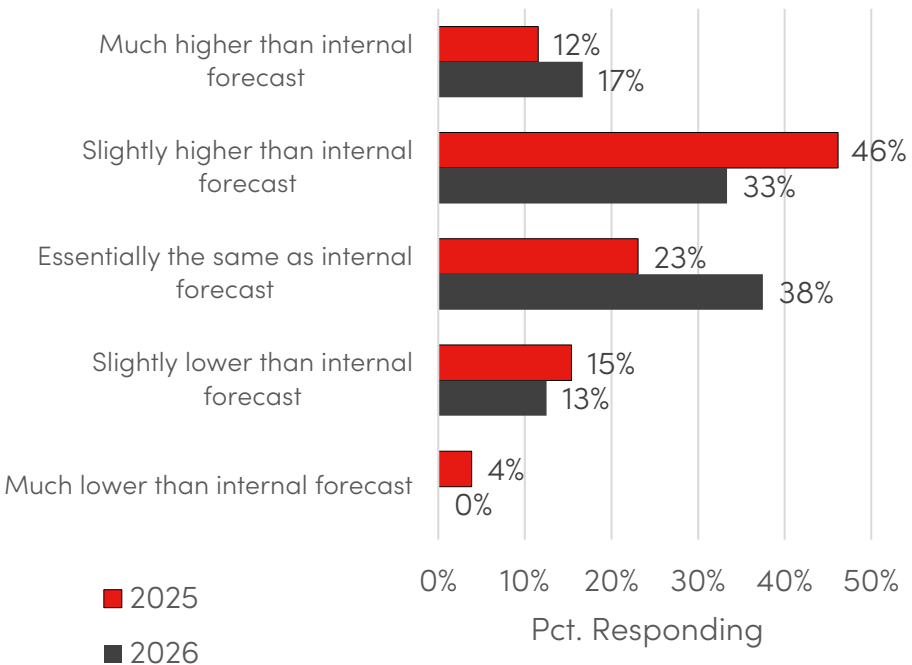
*Assumes the mid-point of each range, under 220k = 210k, over 340k = 350k

**Source: FTR

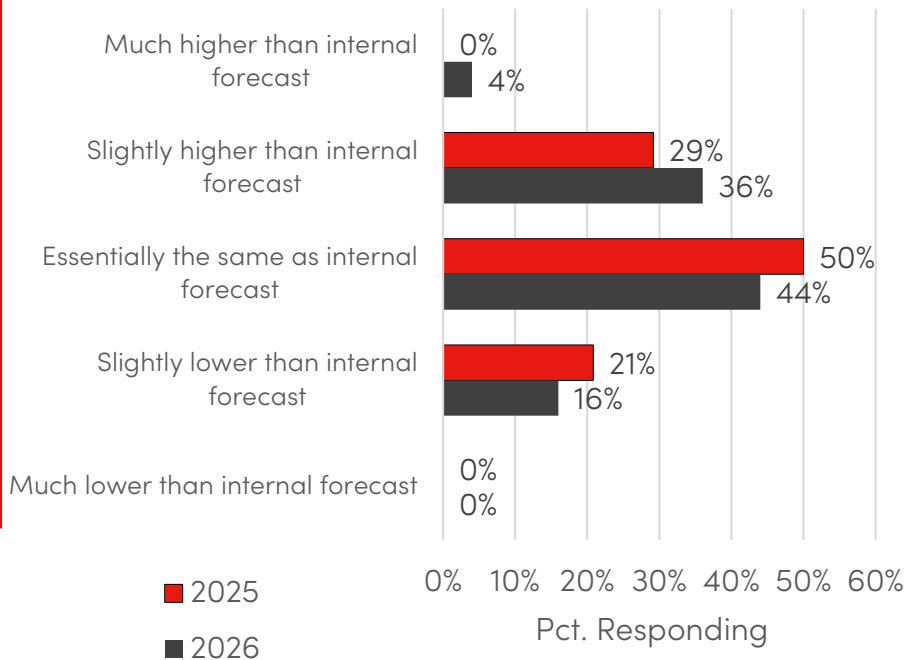
MEMA OE CV Pulse: Commercial Vehicle External Forecast Comparison

How do the following forecasts compare to your internal forecasts?

OE Forecasts

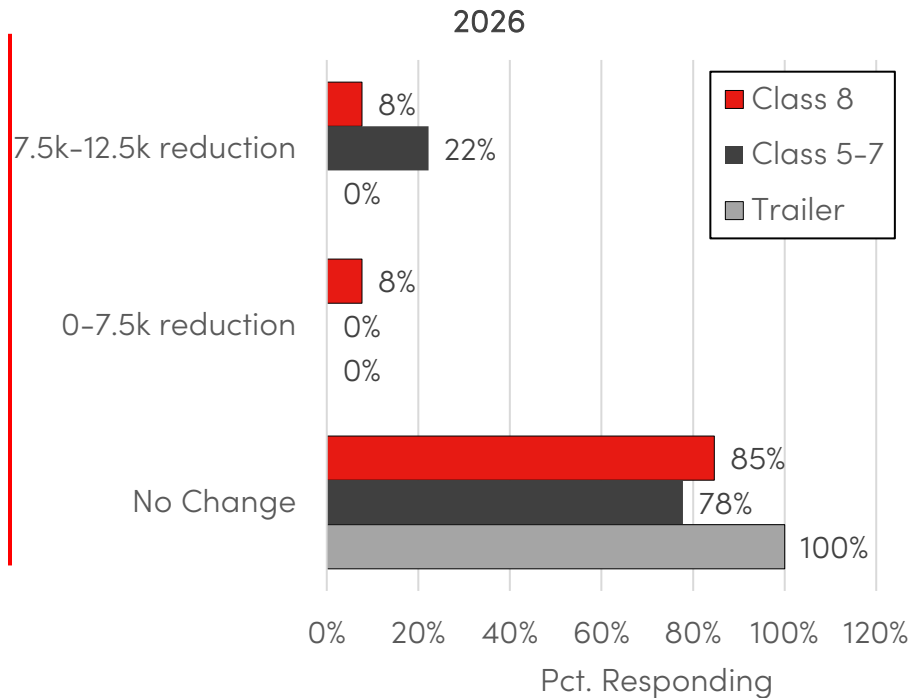
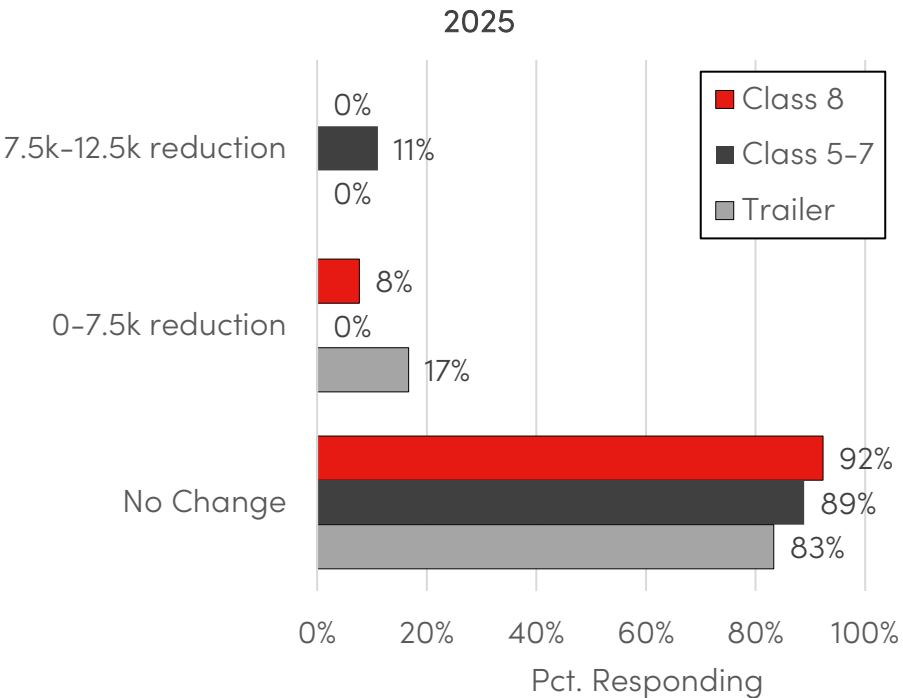


Industry Forecasts



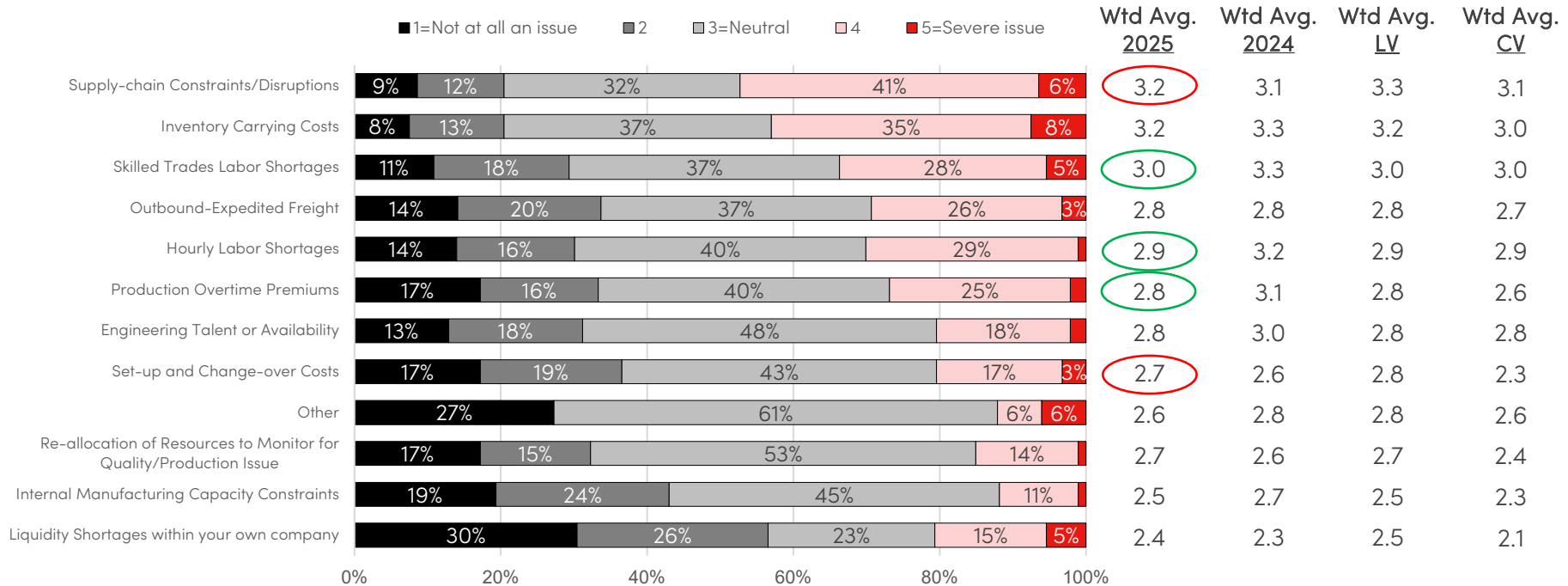
MEMA OE Supplier Barometer: CARB Impact on Production

What change, if any, has your company made to its North American commercial vehicle build expectations due to the administration change and withdrawal of the CARB advanced clean fleets rule?



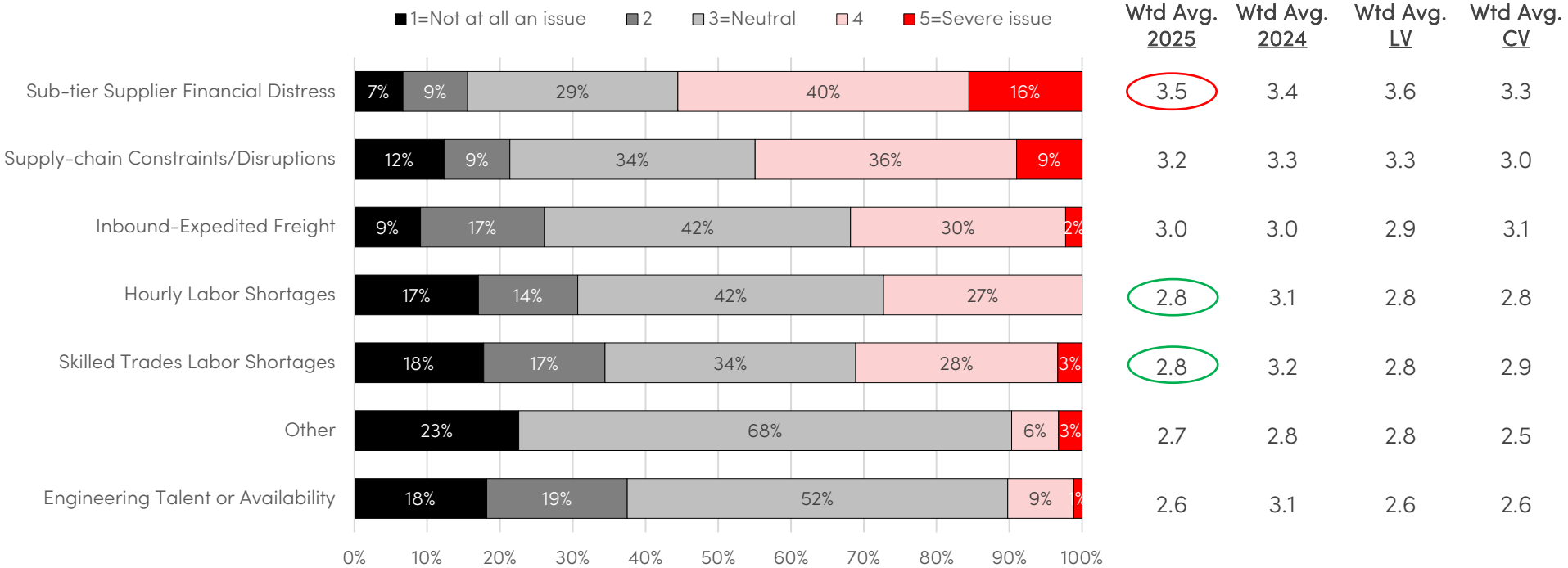
MEMA OE Supplier Barometer: Production Planning: Internal Issues

Over the next 12 months, identify which of the following internal issues you will face as you meet required levels of production?



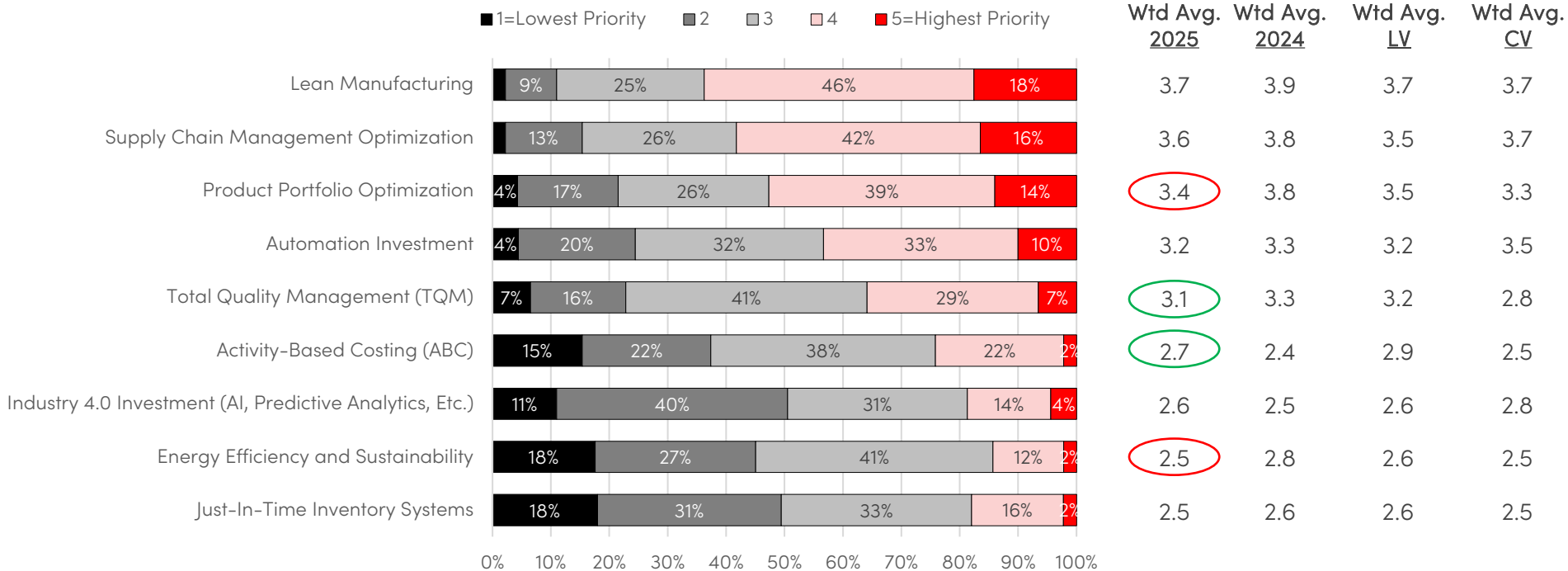
MEMA OE Supplier Barometer: Production Planning: External Issues

Over the next 12 months, identify which of the following external issues you will face as you meet required levels of production?



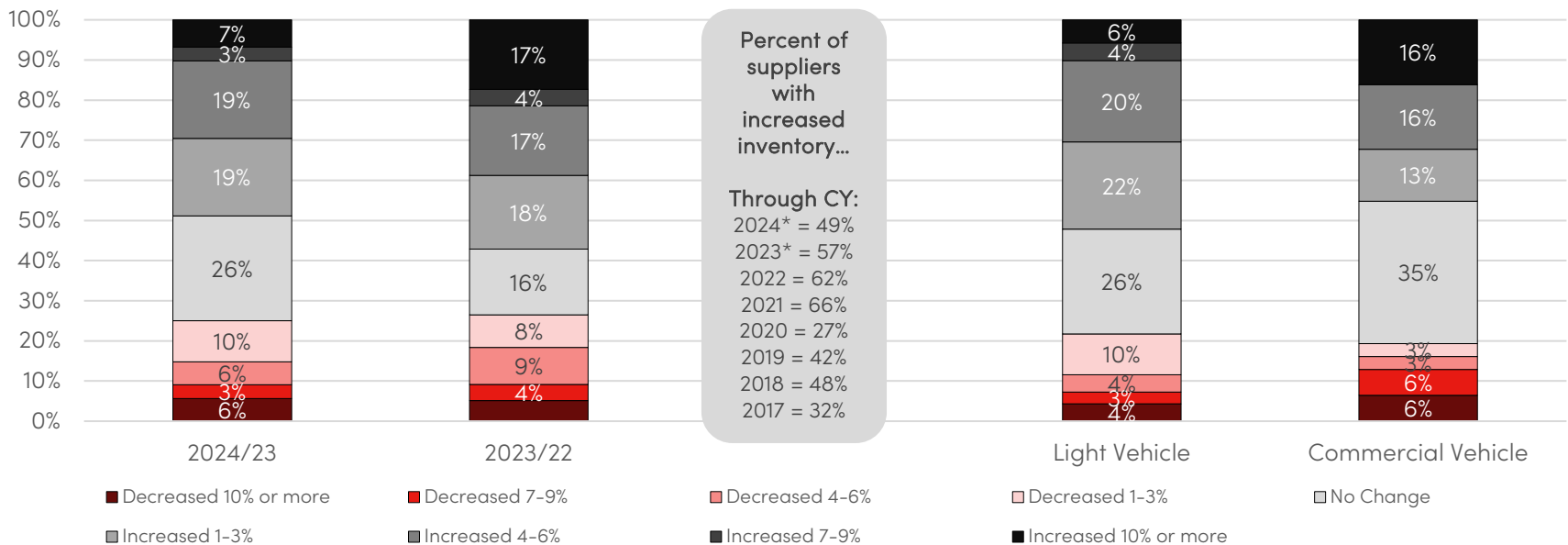
MEMA OE Supplier Barometer: Production Planning: Cost Management Strategy

Of the following, what are your company's highest priorities for its cost management strategy?



MEMA OE Supplier Barometer: Production Planning: Finished Goods Inventory

Compared to average 2023 levels, how did your average 2024 finished goods inventory levels change?



*Data prior to 2023 Light Vehicle only

Inventories increased on net across the supply base, with the percentage of suppliers reporting an increase at 49%, down 8 ppts. from 2023.



Planning

Q1 2025 Vehicle Supplier Barometer

MEMA OE Supplier Barometer: Research & Development Spending

For 2025, estimate your R&D spending as a percent of total sales.

| | Lower Quartile | Median Value | Upper Quartile |
|--------------------------|----------------|--------------|----------------|
| R&D Share of Total Sales | | | |
| 2025 | 2% | 3% | 5% |
| <i>LV</i> | <i>2%</i> | <i>3%</i> | <i>5%</i> |
| <i>CV</i> | <i>1%</i> | <i>3%</i> | <i>6%</i> |
| 2024 | 2% | 3% | 4% |
| 2023* | 2% | 3% | 5% |
| 2022 | 2% | 4% | 5% |
| 2021 | 2% | 4% | 6% |
| 2020 | 2% | 4% | 7% |
| 2019 | 2% | 4% | 6% |

For 2025 R&D budget, estimate the percent allocated to research and percent allocated to development.

| | Lower Quartile | Median Value | Upper Quartile |
|---|----------------|--------------|----------------|
| Research budget (for future technologies) | | | |
| 2025 | 20% | 30% | 50% |
| <i>LV</i> | <i>20%</i> | <i>30%</i> | <i>50%</i> |
| <i>CV</i> | <i>10%</i> | <i>25%</i> | <i>33%</i> |
| 2024 | 20% | 30% | 50% |
| 2023* | 18% | 33% | 50% |
| 2022 | 20% | 25% | 40% |
| 2021 | 20% | 25% | 38% |
| 2020 | 10% | 25% | 40% |
| 2019 | 10% | 20% | 30% |

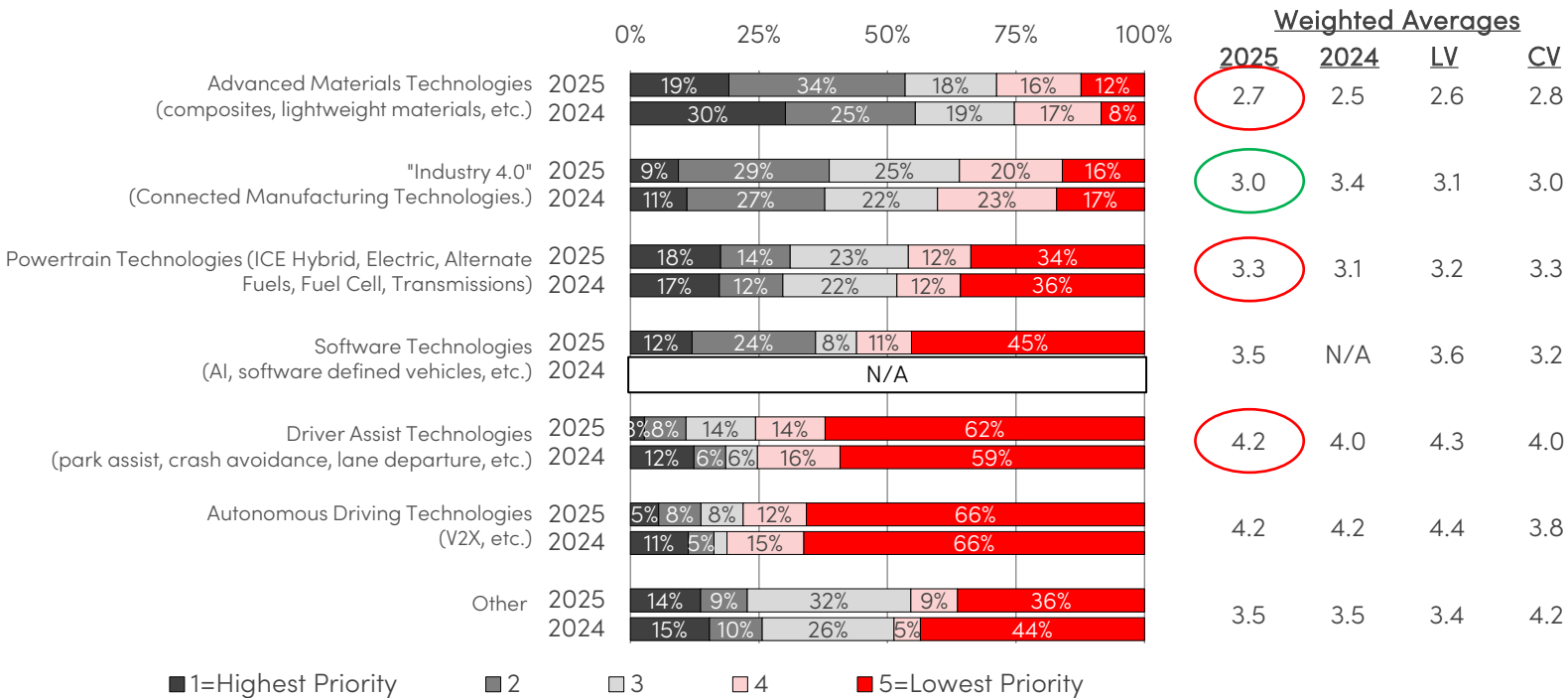
| | Lower Quartile | Median Value | Upper Quartile |
|--|----------------|--------------|----------------|
| Development budget (for specific programs) | | | |
| 2025 | 53% | 70% | 80% |
| <i>LV</i> | <i>50%</i> | <i>70%</i> | <i>80%</i> |
| <i>CV</i> | <i>67%</i> | <i>80%</i> | <i>90%</i> |
| 2024 | 50% | 70% | 80% |
| 2023* | 50% | 67% | 83% |
| 2022 | 60% | 75% | 80% |
| 2021 | 63% | 75% | 80% |
| 2020 | 60% | 78% | 90% |
| 2019 | 70% | 80% | 90% |

*Data prior to 2024 Light Vehicle only

R&D spending is essentially unchanged from last year, at 3% of total sales.
The share dedicated to the research and development budgets was essentially unchanged from last year.

MEMA OE Supplier Barometer: Research & Development Technology Investments

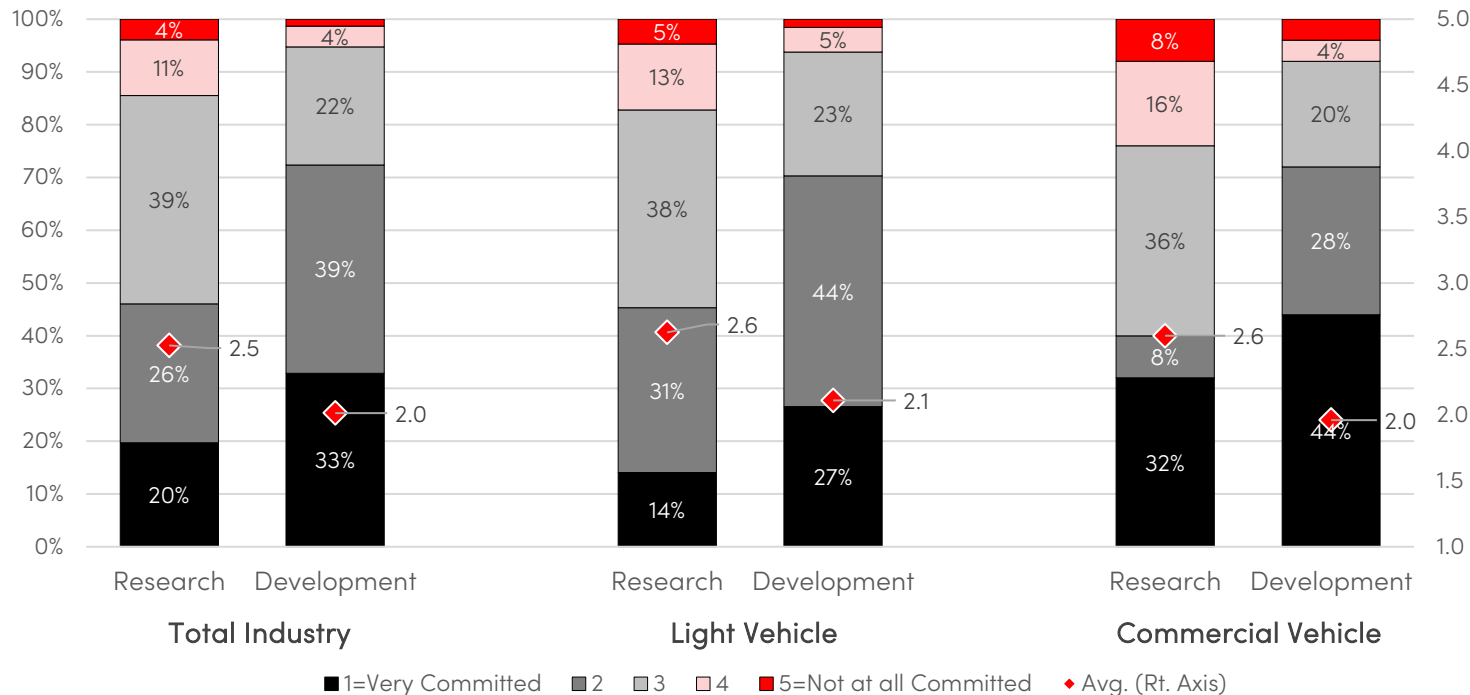
If you had additional dollars for R&D investment, rating in terms of importance, how would you allocate it across the following technology areas?



Advanced materials and industry 4.0 are the top investment priorities. However, advanced materials technologies, powertrain technologies and driver assist technologies declined in investment prioritization from last year.

MEMA OE Supplier Barometer: Research & Development Technology Investments

How committed is your organization to its R&D spending over a 2-3 year time horizon in the face of economic uncertainty?



Comments:

- IRS is making it very difficult to claim. Disincentivized.
- After all R&D is where company guarantees the bread and butter.

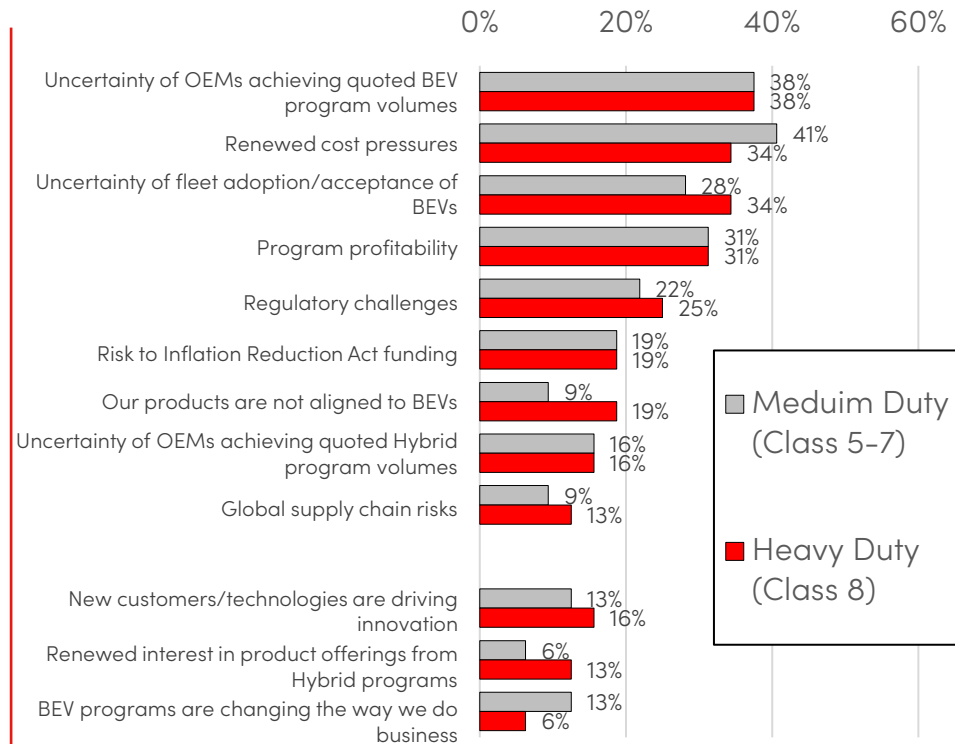
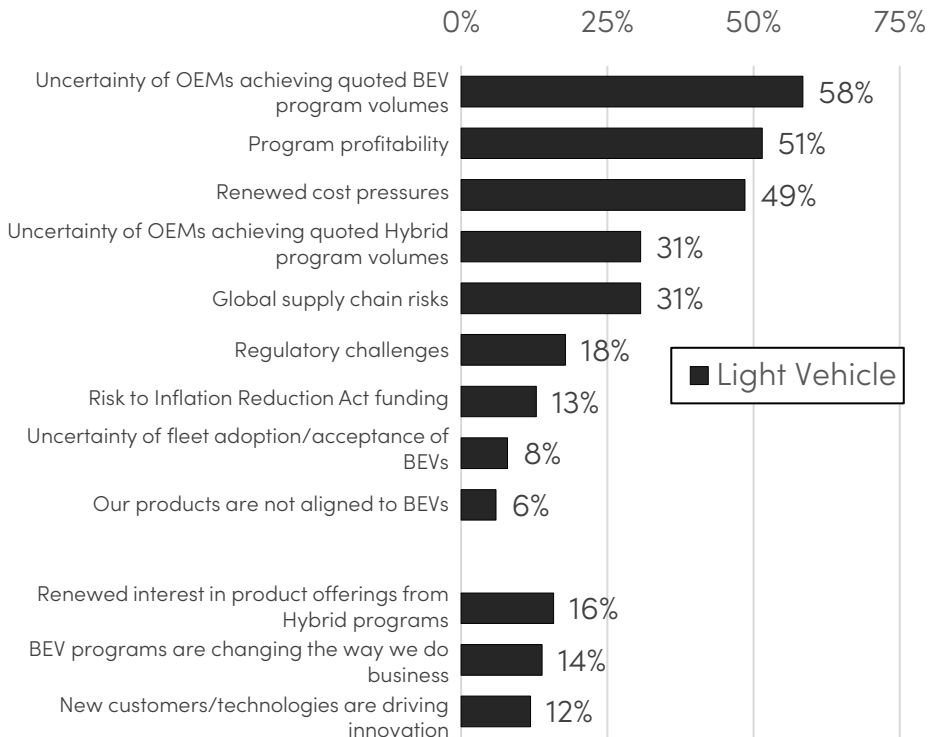


Electrification

Q1 2025 Vehicle Supplier Barometer

MEMA OE Supplier Barometer: Electrification Challenges and Opportunities

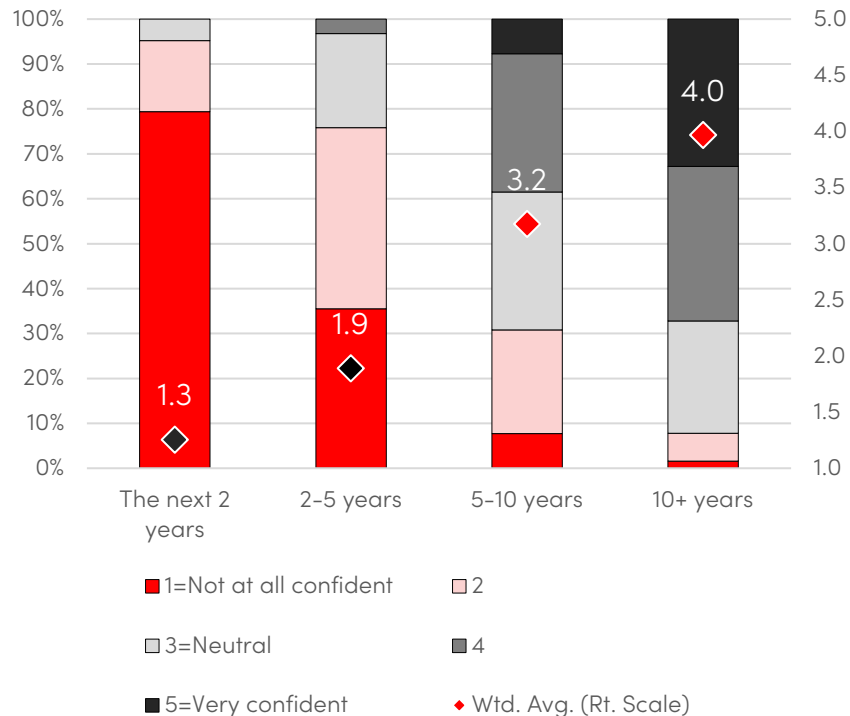
What are your biggest challenges/opportunities as the industry prepares for higher levels of battery electric vehicle adoption? (HEV, PHEV, BEV)



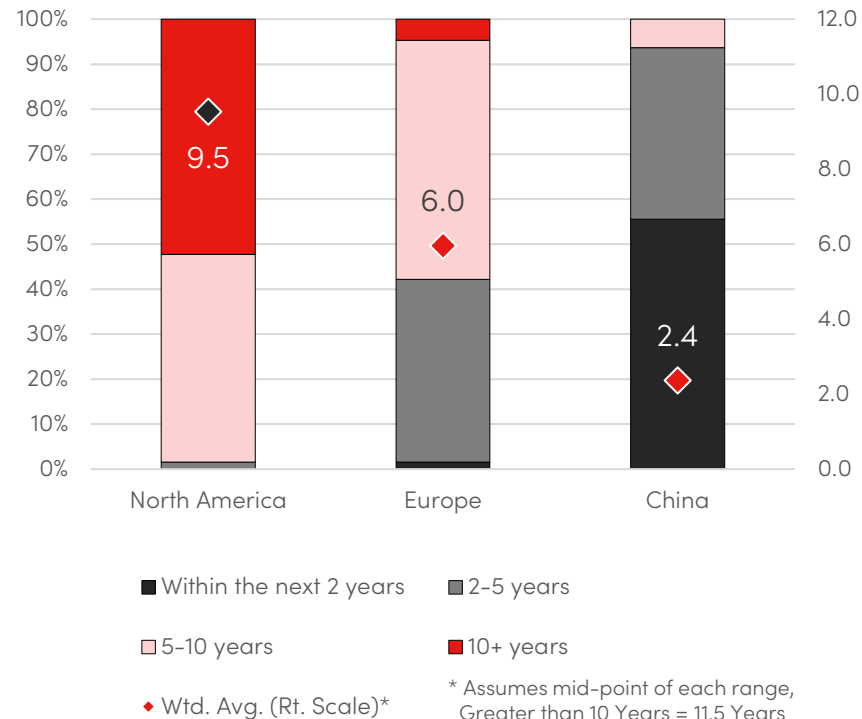
MEMA OE Supplier Barometer:

Electrification: Supplier Light Vehicle Volume Outlook

How confident are you that global light vehicle BEV production will reach a substantial portion (25% of total production) within...



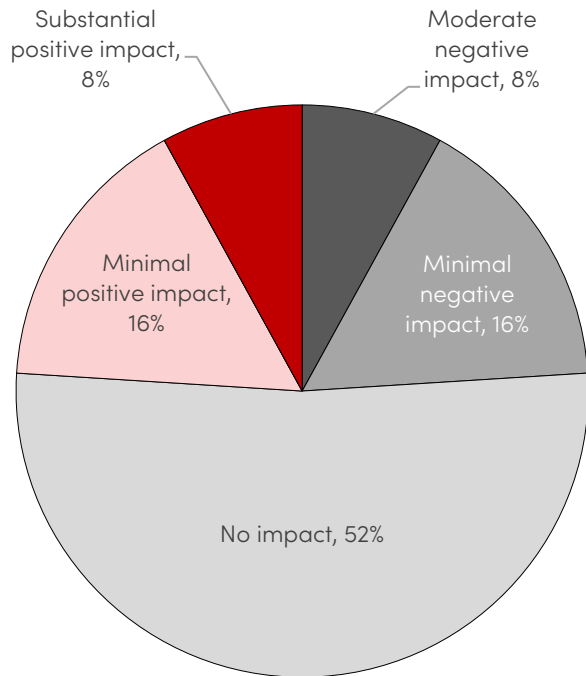
In what time frame do you believe a substantial level of light vehicle BEV production (25% of total production) will occur?



MEMA OE Supplier Barometer:

Electrification: Commercial Vehicle CARB Implications

To what degree have the recently cancelled CARB regulations impacted your business?



What changes are you seeing to your business because of the CARB regulations?

Positive Impact:

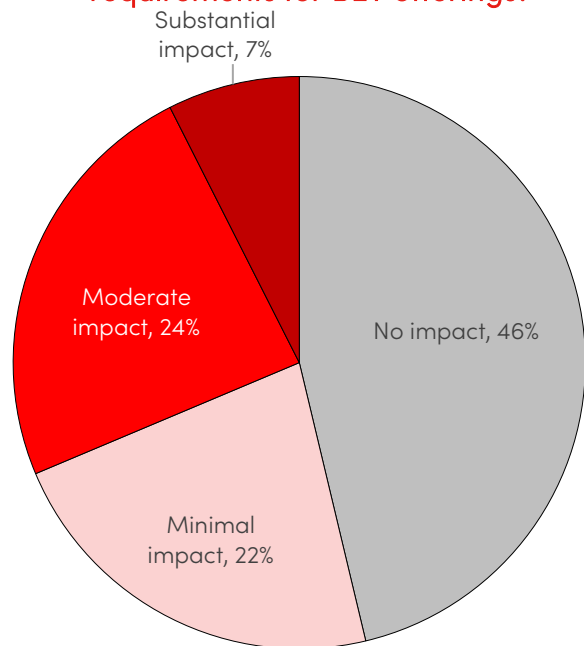
- CARB has attempted to regulate innovation. It is failing miserably and costing the industry billions

MEMA OE Supplier Barometer:

Electrification: Potential IRA Funding Changes

To what degree would a potential cancellation or reduction of IRA funding have on your ability to support your customer requirements for BEV offerings?

Comments:



Substantial Impact:

- This would crush multiple levels of the supply chain based on investments already made.

MEMA OE Supplier Barometer: Appendix



MEMA OE Vehicle Supplier Barometer is a survey of the top executives of MEMA regular member companies. The MEMA OE Vehicle Supplier Barometer takes the pulse of the suppliers' twelve-month business sentiment. In addition, it provides a snapshot of the industry commercial issues, business environment and business strategies that influence the supplier industry. [mema.org](https://www.mema.org)

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Survey Methodology

- Data collected February 13 – 27 via invitation to online survey.
- Executives of MEMA OE supplier companies.
- 103 complete survey responses were received, with 125 responses total.

The information and opinions contained in this report are for general information purposes. Comments are edited only for spelling and may contain grammatical errors due to their verbatim nature. Responses to this survey are confidential. Therefore, only aggregated results will be reported, and individual responses will not be released or shared.

Antitrust Statement:

Respondents/participants should not contact competitors to discuss responses, or to discuss the issues dealt with in the survey. It is an absolute imperative to consult legal counsel about any contacts with competitors. All pricing and other terms of sale decisions and negotiating strategies should be handled on an individual company basis.

Contacts

Mike Jackson
Executive Director
Strategy and Research
248.430.5954
mjackson@mema.org

Joe Zaciek
Director
Research and Industry Analysis
248.430.5960
jzaciek@mema.org

Jason Coffman
US Automotive Consulting Lead
Deloitte Consulting, LLP
jasoncoffman@deloitte.com

MEMA Original Equipment Suppliers
25925 Telegraph Road
Suite 350
Southfield, Michigan 48033