

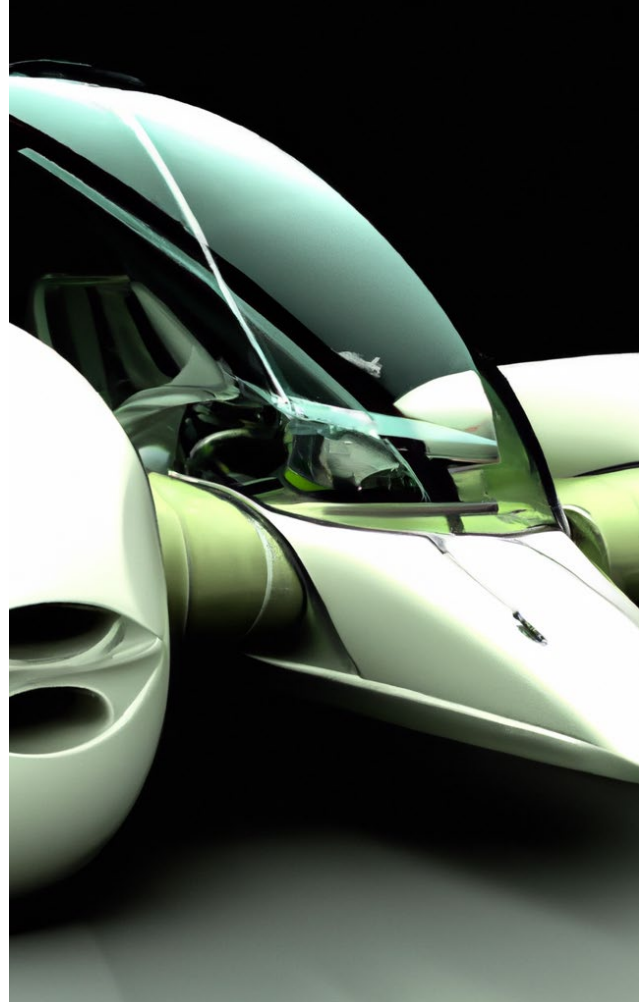
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Original Equipment Suppliers

**Deloitte.**

# MEMA OE Suppliers Vehicle Supplier Barometer Q2 2025

Capital Markets & Innovation

July 15, 2025



# MEMA OE Vehicle Supplier Barometer: Executive Summary

## Supplier Barometer Index (SBI)

Q2 SBI Score = 32;  
up from Q1 level of 29



Sentiment for the second quarter of 2025 continues to reflect industry pressures, for the thirteenth straight quarter of building pessimism on net. The outlook is pessimistic across firms of all sizes, with the largest, most globally exposed suppliers, having the most pessimistic outlook.

Commercial vehicle suppliers are more pessimistic than their light vehicle peers as their market is suffering from rapidly declining demand and increased costs.



Changes in government trade policies continued as the greatest threat to the industry over the coming 12-months but eased slightly from Q1 on improving trade conditions between the U.S. and China, and the court ruling on reciprocal tariffs.

Concerns of poor sales of vehicles in programs supplied remain elevated, primarily due to underperforming electric vehicle programs and uncertainty around tariff affordability concerns and rapid declines in orders for commercial vehicles.



New orders and production have decreased widely across the industry on both a year-over-year and one-month basis. Supplier and customer inventories declined from last month. Costs continue to rise while imports and exports reflect persistent declines.



Capacity utilization rates declined across North America over the past three months, with the U.S. and Mexico having the most pronounced declines.

Suppliers are mitigating volatile capacity utilization through flexibility of labor and operations, reviewing business plans and forecasts attentively, reducing their workforce and reallocating capital.

# MEMA OE Vehicle Supplier Barometer: Executive Summary



Thirty-one percent of suppliers believe they are ahead of their peer groups' pace of innovation while eighteen percent feel they are behind.

Best practices of those who consider themselves as innovation leaders a commitment to investing in R&D, a corporate culture that embraces innovation, acquiring talent, AI and automation, and developing new products.

Firms that are catching up with the pace of their peers are reviewing their R&D plans and acquiring talent. Some suppliers mentioned a reduction in innovation efforts to cut costs.



Suppliers consider automation and robotics to be the largest opportunity when it comes to innovation; followed by advanced materials and processes, artificial intelligence and hybrid powertrains.



Just under half of suppliers have invested in an AI program. Of those that have made an investment, 12% indicate a moderate to substantial return on investment, utilizing machine learning, quality integration and production and inventory management. The remaining suppliers have made limited investments that have generated a minimal ROI.



Suppliers see their capital needs declining for all capital requirements next year, except for M&A opportunities.

New program CAPEX is projected to be flat this year before rebounding by 1.9% in 2026. Existing program CAPEX is expected to contract by 2.1% and 0.8% in 2025 and 2026, respectively.

Free cash flow funding rates are consistent with last year. Over the past two years, cash flow performance has minimally disrupted the industry's ability to support its capital requirements, albeit with a notable proportion indicating substantial disruption.

Lending conditions are expected to remain essentially unchanged from last year's tight conditions and may ease somewhat from a cost perspective.



Leaders are confident about their ability to access capital for all areas of use at appropriate costs. Suppliers are emphasizing their equity positions on their balance sheets and looking for debt reduction.

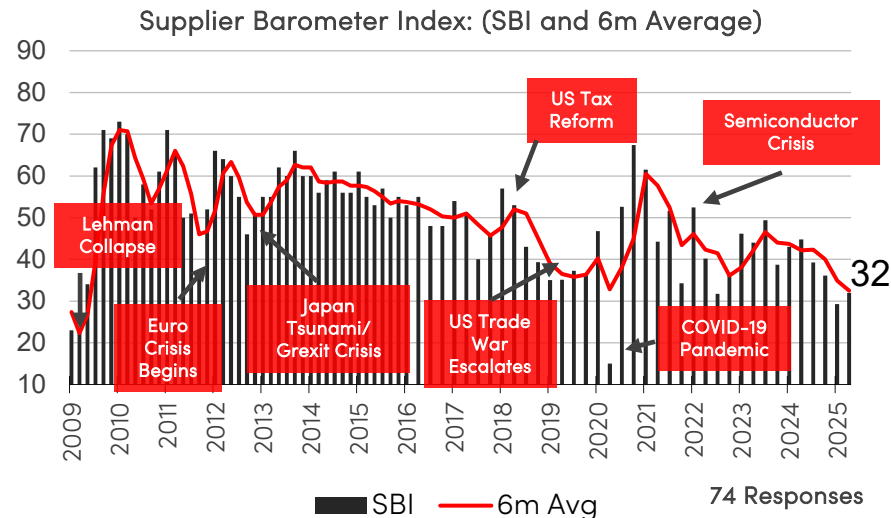
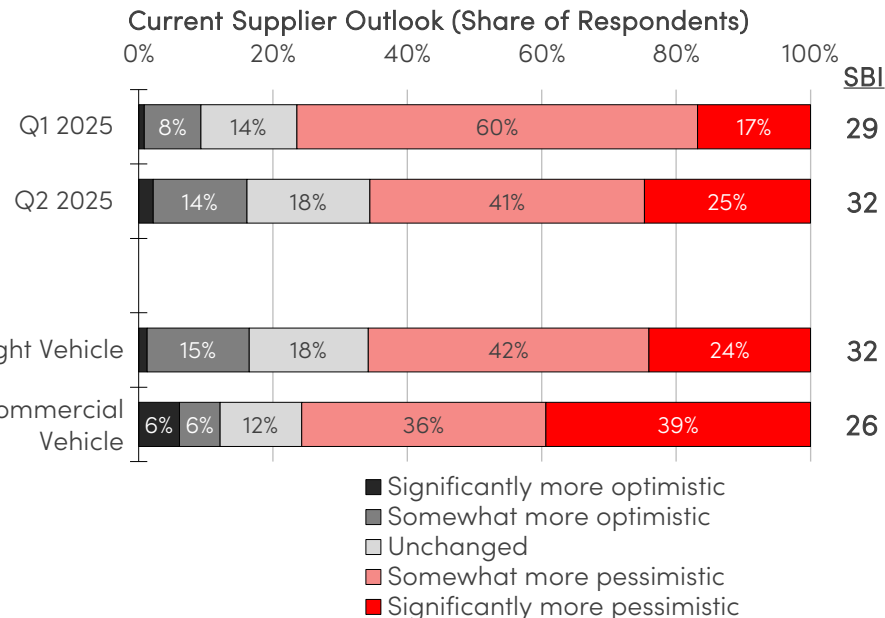


# Supplier Outlook

Q2 2025 Vehicle Supplier Barometer

# MEMA OE Vehicle Supplier Barometer: Q2 2025 – Results

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

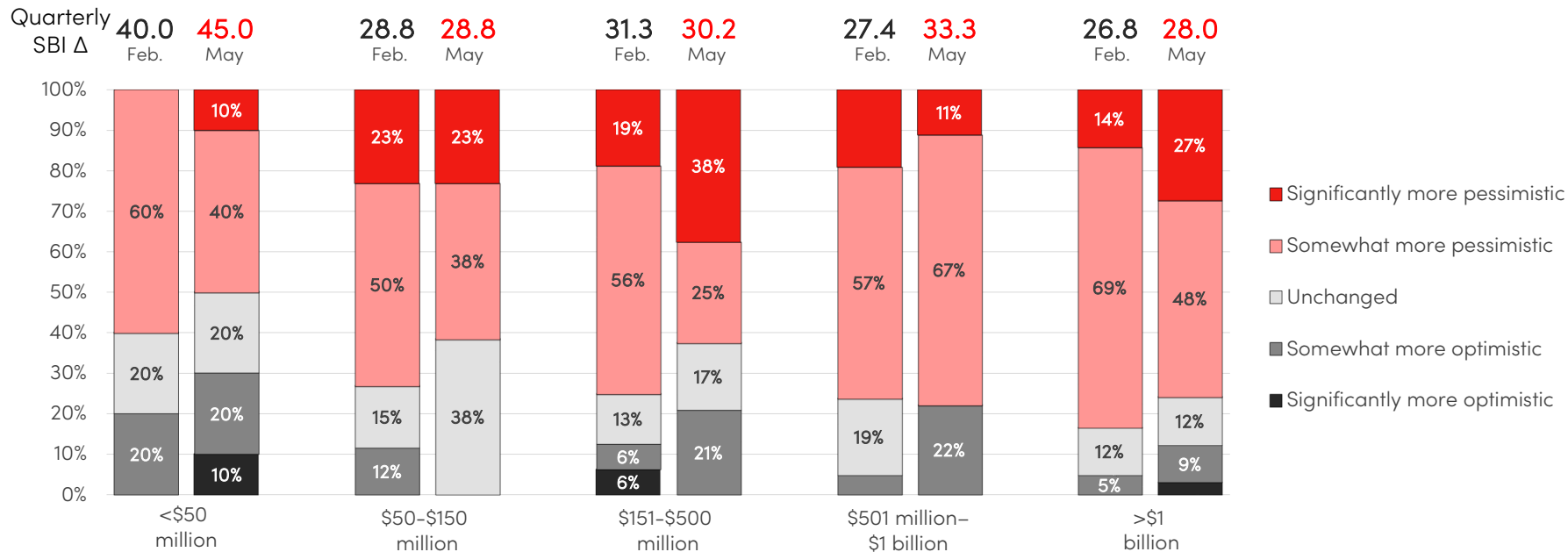


\*Data prior to 2024 Light Vehicle Only

The outlook for Q2 2025 rose three points from the first quarter to 32 but remains deep in pessimistic territory, and marks thirteen consecutive quarters of building pessimism.

# MEMA OE Vehicle Supplier Barometer: Q2 2025 – Results by Revenue

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

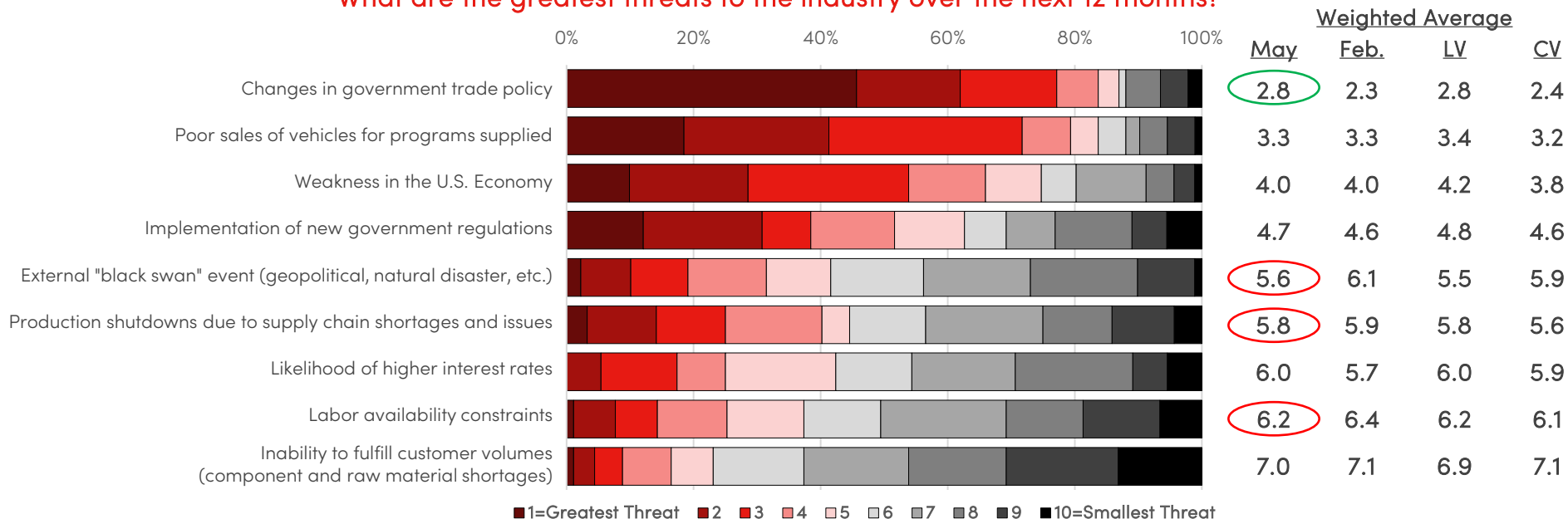


The twelve-month business outlook remains pessimistic across firms of all sizes.  
The largest, most globally exposed firms continue to have the most pessimistic outlook.

# MEMA OE Vehicle Supplier Barometer

## Q2 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: Q2 2025 – Industry Indicators

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

	<u>Total Industry</u>		<u>Light Vehicle</u>		<u>Commercial Vehicle</u>	
	12-Month Chg.	1-Month Chg.	12-Month Chg.	1-Month Chg.	12-Month Chg.	1-Month Chg.
New orders	37	39	36	41	21	32
Production	29	34	29	36	29	32
Employment	32	32	30	33	34	30
Supplier Deliveries	41	41	42	41	39	38
Inventories	44	45	47	45	35	45
Customers' Inventories	51	48	54	50	47	52
Costs	92	83	92	84	89	78
Backlog of Orders	35	40	35	40	27	35
Imports	40	34	41	35	36	31
New Export Orders	40	40	41	41	36	37

Diffusion Index =  $\Sigma$  (% Responding Decelerated x 0, % Responding Unchanged x 50, % Responding Accelerated x 100)

Lower Limit = 0

Neutral = 50

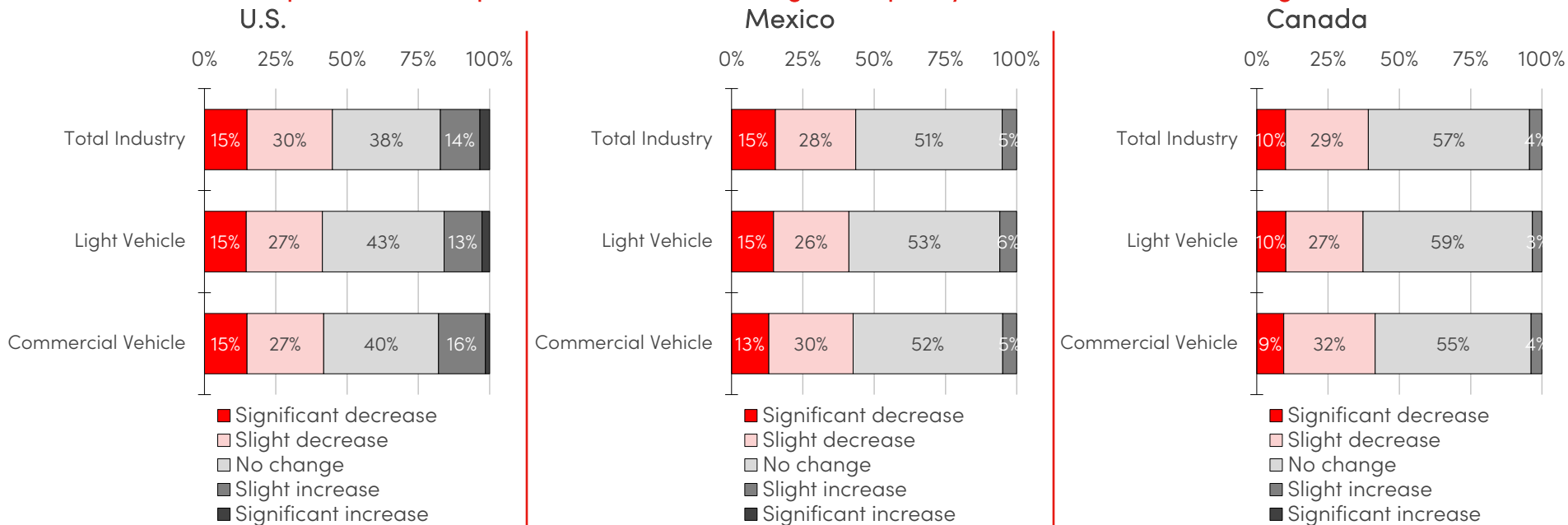
Upper Limit = 100

New orders and production continue to decrease widely on both a year-over-year and one-month basis. Supplier and customer inventories declined from last month. Costs continue to rise.



# MEMA OE Vehicle Supplier Barometer: Q2 2025 – Capacity Utilization

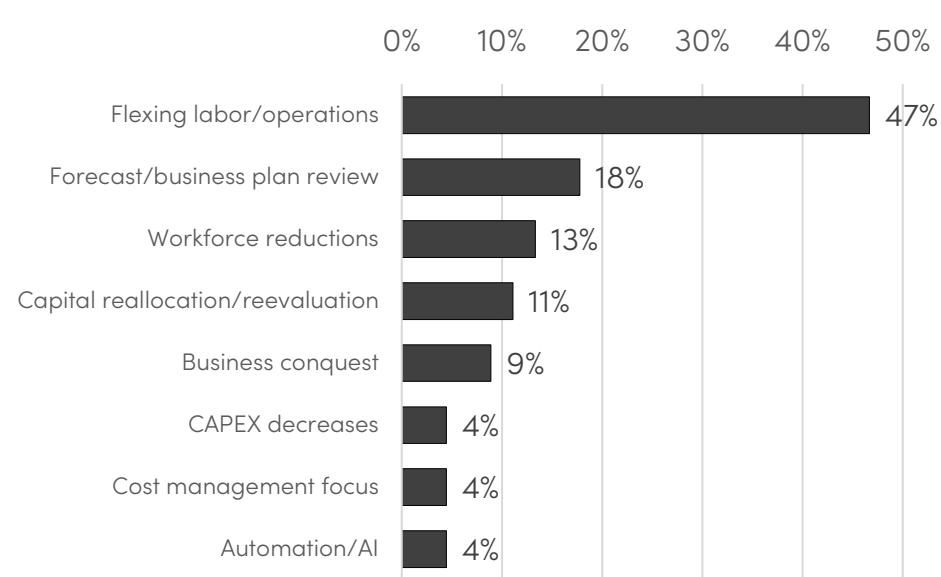
Over the past 3-months please indicate the change in capacity utilization in the following markets:



Capacity utilization rates declined across North America over the past three months, with the U.S. and Mexico showing the most pronounced declines.

# MEMA OE Vehicle Supplier Barometer: Q2 2025 – Capacity Utilization Volatility Mitigation

What best practices has your company used to mitigate capacity utilization volatility?



## Comments (Selected):

- We have suspended production at one of our 4 facilities and are reallocating work.
- Adjust labor to meet demand, transfer production and equipment to balance capacity.
- Implementing flexible production model between USA, China and Germany.
- Modular designs that allow to utilize equipment across multiple platforms and customers.
- Increased attention to releases and timely reaction to changes
- We monitor both short and long-term on regular basis. With the quick shift from EV to ICE/HEV it has caused concerns in the 2 – 3-year period as we shifted our production model several years back.
- Maximizing efficiency with fewer employees while making investments and getting ready for the upcoming surge that will eventually come.
- Going after distressed suppliers and insource work.
- Finding new business opportunities outside of auto.

Suppliers are mitigating volatile capacity utilization through flexibility of labor and operations, reviewing business plans and forecasts attentively, reducing their workforce and reallocating capital.

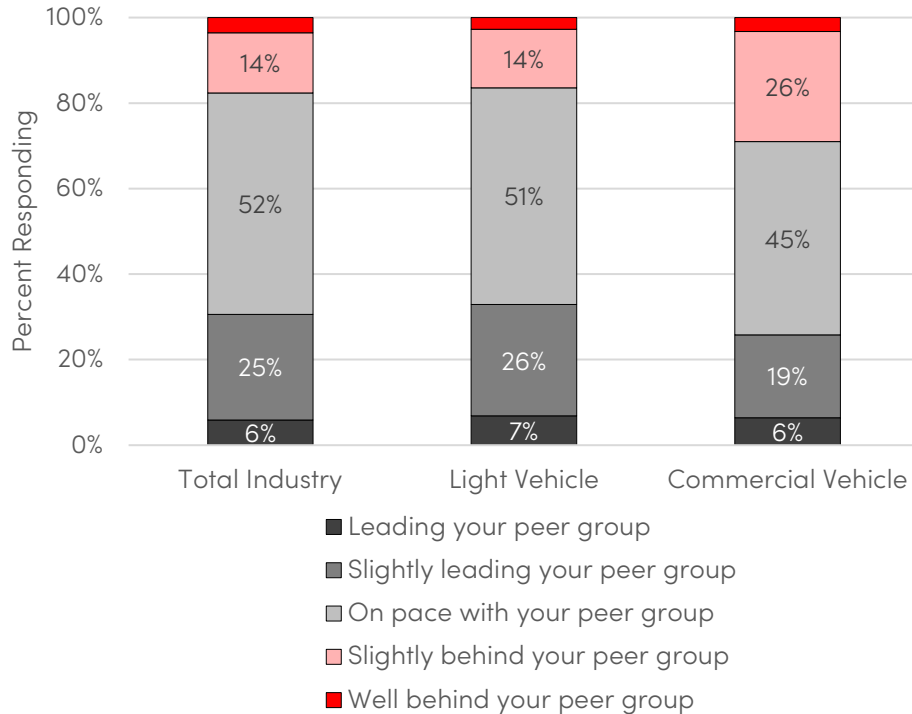


# Innovation

Q2 2025 Vehicle Supplier Barometer

# MEMA OE Supplier Barometer: Innovation

Given the dynamic pace of industry change, describe your firm's pace of innovation.



What specific steps has your company taken to become an industry leader in innovation?  
(Leading or slightly ahead of peer group,)

- AI Inspection implementation and robotics utilized in assembly processes.
- We have an innovation culture and recognize it as a key differentiator to our competitors
- We've never been afraid to invest and drive new technologies.
- Simply stated we focus on it. We are very targeted in our funding. We also leverage a strong global and flexible development footprint.
- Long-term investments in R&D and product development.
- Significant investment in forward-looking technologies
- Introduction of a new product evolution/introduction program.
- We have focused efforts in developing cutting edge materials.
- Always invest most of profit into new technology.
- Host internal quarterly product strategy meetings to drive action, & have a separate Advanced Engineering group
- Partnering with OEMs to increase development speed and security
- Because we are a global company, we have put a large amount of technical resources focused on future EV and PHEV systems.
- Emphasized R&D talent

# MEMA OE Supplier Barometer: Innovation

What specific steps has your company taken in order to increase its pace of innovation?

## On pace with peer group:

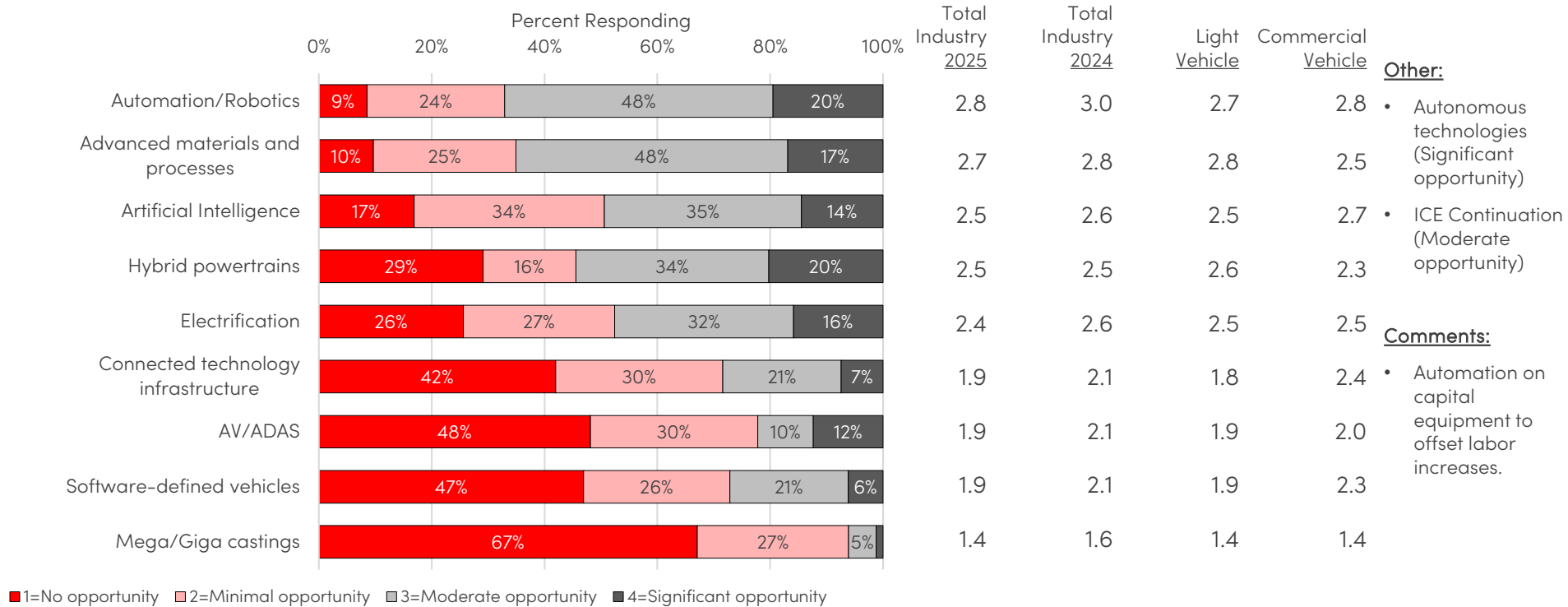
- Establish targeted R&D objectives for technology/process improvements.
- Machine learning investments, non auto investments
- Improve our business development and R&D processes
- We continue to innovate as we always have. We are more particular now on who we partner with.
- Focusing on automation of Business Intelligence and business processes.
- Investing in Product Engineering in BCC's
- Collaborate with key supplier partners.
- Benchmarking
- Continuous VOC
- Protect IP via patent filings
- Dedicated team for new product development including sales, marketing, and production.
- IIOT initiatives and the expansion thereof as we continue to learn.
- Expectation setting, investment
- Implemented clear new project prioritization process. Stop what is not showing progress and accelerate winning projects
- Recruitment of talents
- We invest in R&D and work with suppliers that push R&D advancements
- Our company is diversifying into other non-automotive markets
- Promote patent and in house innovations
- Seeking ways to continue to increase automation in both operations/manufacturing and administrative areas.

## Behind peer group:

- Engaging customers to identify needs. Early stage of innovation.
- Hiring outside Technical Support
- Acquiring new companies and technologies
- Adding technical expertise resources
- None. reducing spending
- We reduced to reduce cost
- Cash flow stabilization, stabilized quality and delivery and focus on educating the OEM's on why our organization needs new business to be sustainable.
- Capability investments; M&A activities
- Additional training and requests with sales to present customer problems.

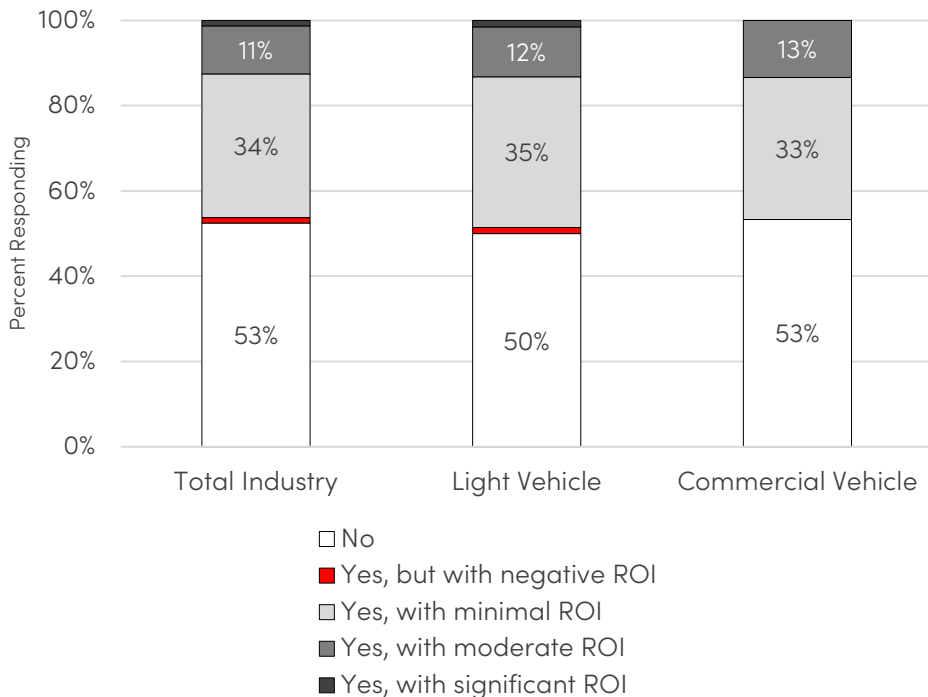
# MEMA OE Supplier Barometer: Innovation Opportunities

How much of an opportunity does your company view the following areas of innovation?



# MEMA OE Supplier Barometer: Artificial Intelligence Policy

Has your company implemented AI programs that have generated a positive return on investment?



What were your company's most successful initiatives?

## Moderate to Significant ROI:

- We've implemented safety and quality systems using AI
- Machine learning
- Our AI strategy is to be very selective in our project choice, and we are not pursuing aggressive/expensive deployments.
- Vision inspection systems with AI
- Production and inventory management; Supply chain optimization, SW development, requirements & specification identification
- AI visual and sound-based quality testing

## Minimal ROI:

- Microsoft Office365 CoPilot
- Manufacturing & logistics optimization
- Just getting started
- Modeling in test crash situations. Still in early stages

## Negative ROI:

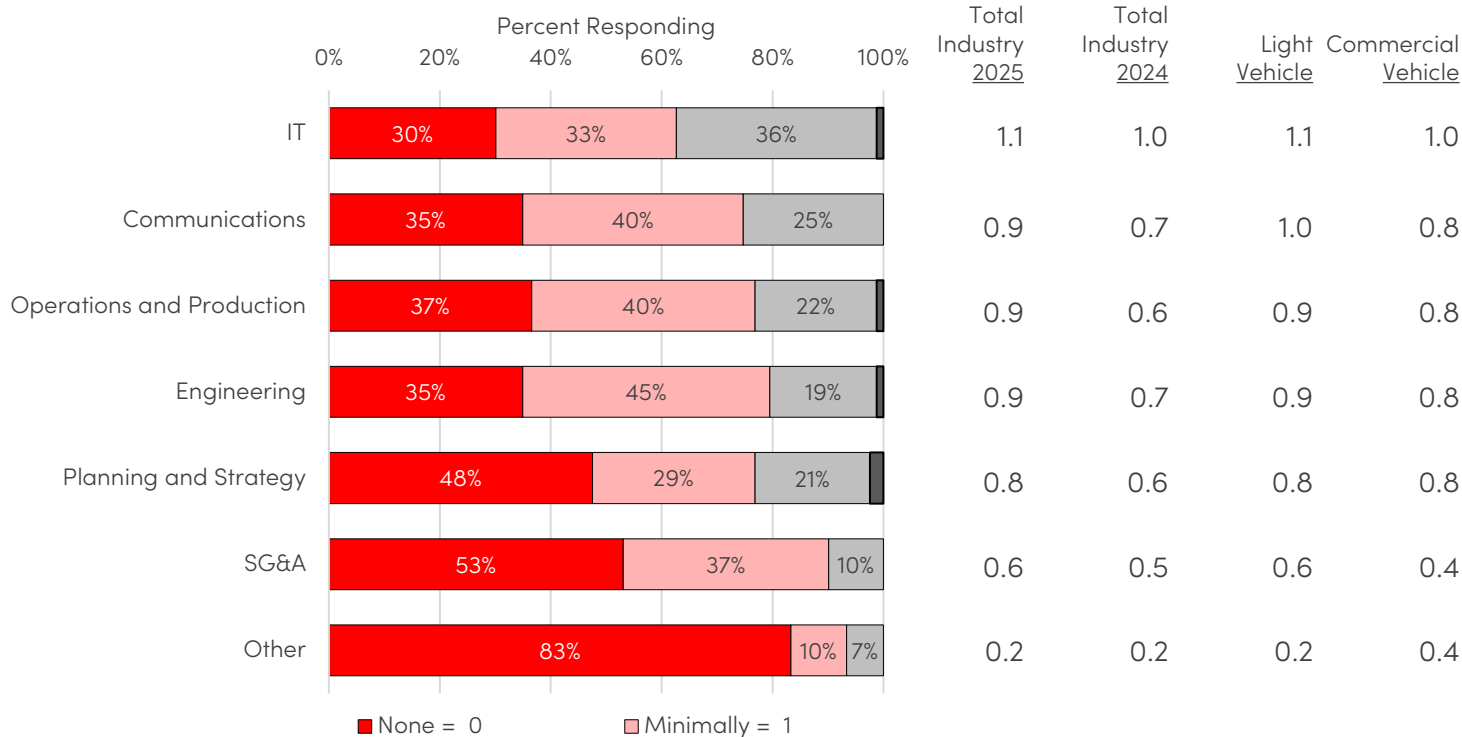
- Minimal to negative return on any initiatives tried so far. Minimal return on business data analytics projects, negative return on operations projects.

## No:

- Haven't really gotten started with AI integration.
- Safety
- Leadership training
- Trying to have balanced approach to the change in technology. ICE development is behind us!

# MEMA OE Supplier Barometer: AI Integration

To what extent has your company integrated AI into the following business areas?



## Other:

- HR and Talent (Minimal)
- Inspection and quality control. (Moderate)

## Comments:

- Customer service bots (SG&A)
- Material transportation (Operations and Production)



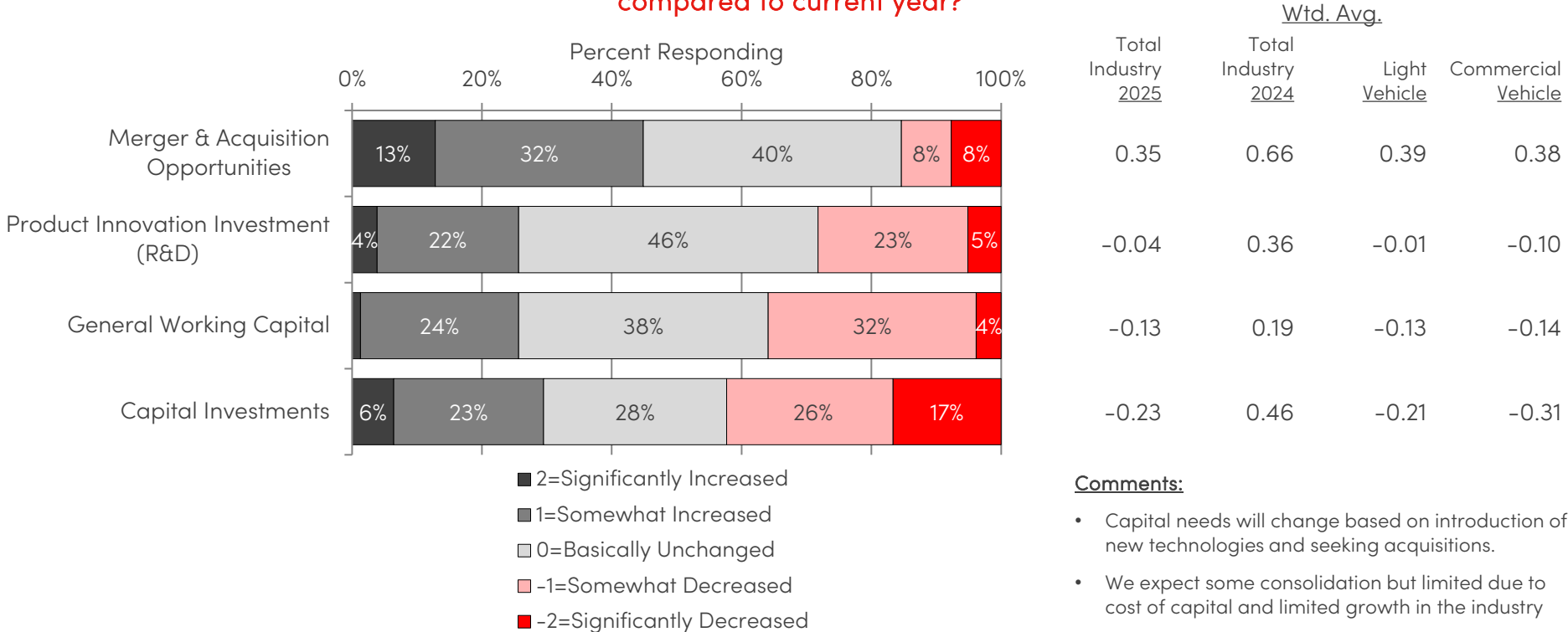


# Capital Markets

Q2 2025 Vehicle Supplier Barometer

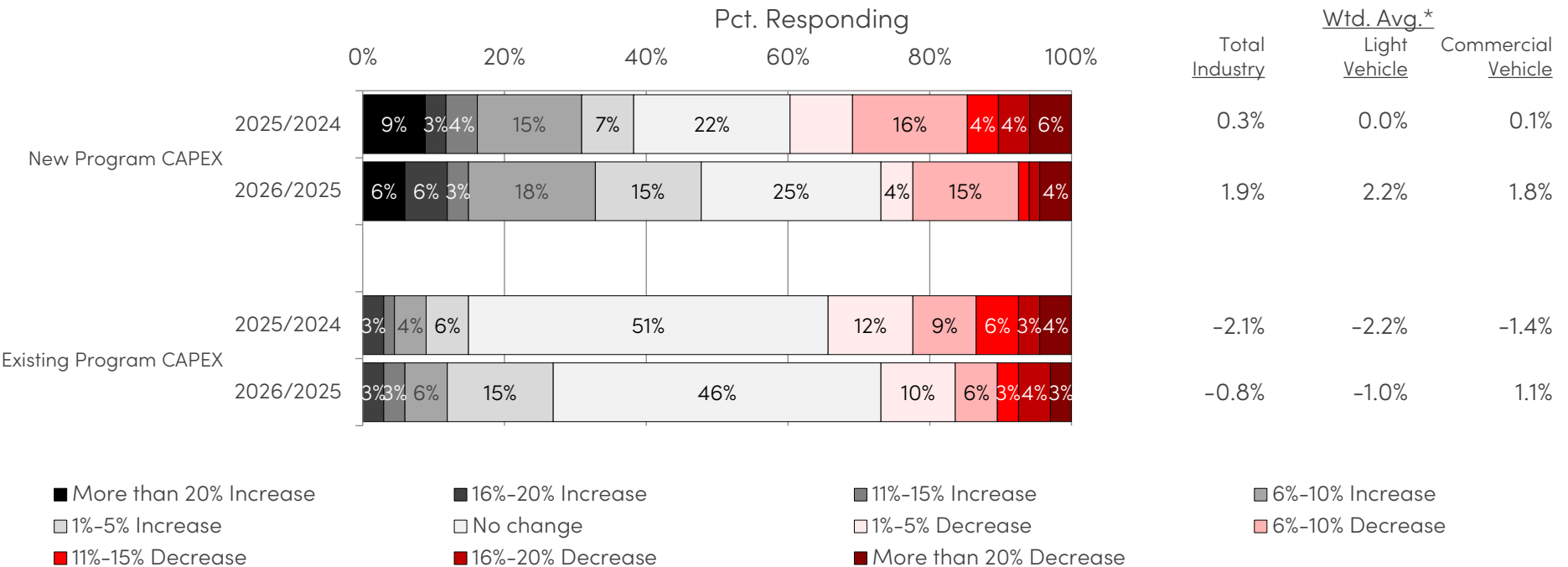
# MEMA OE Supplier Barometer: Capital Needs

For your next fiscal year, how do you see your capital needs changing for the following requirements, compared to current year?



# MEMA OE Supplier Barometer: Capital Required

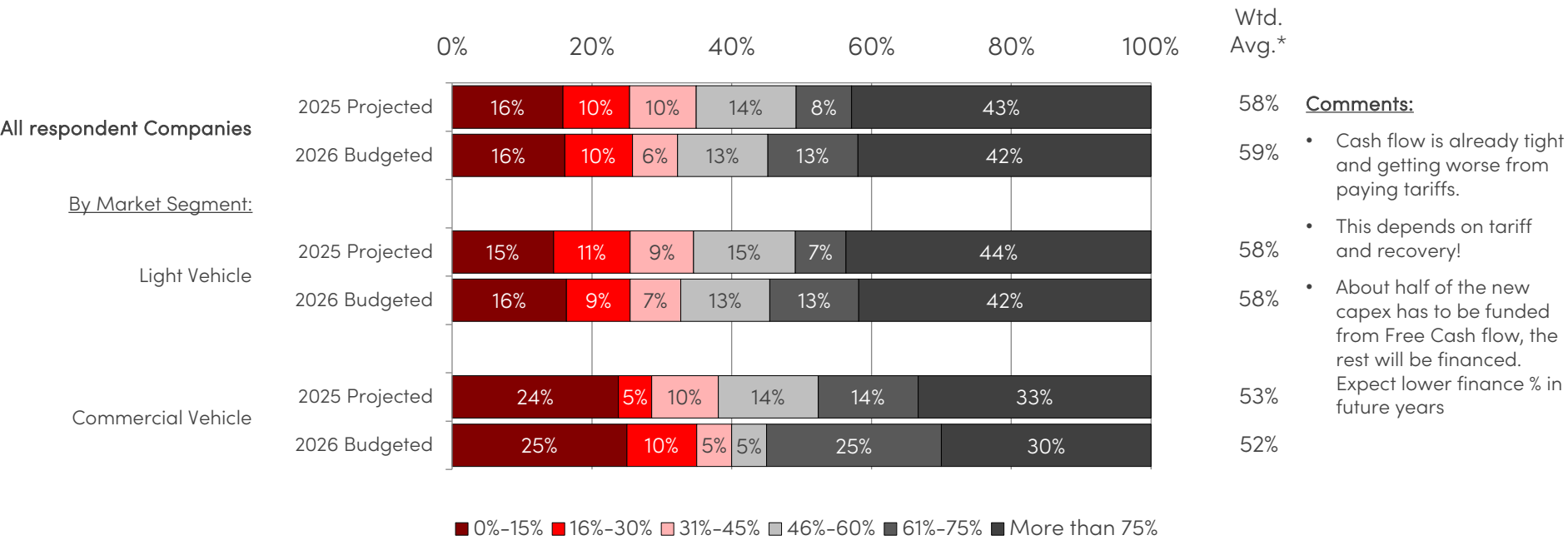
To better understand the capital needed to support the number of new program launches and production volume in North America, please estimate the change in capital expenditures using 2024 as the base year.



\*Assumes mid-point of each range, >20% = 23%

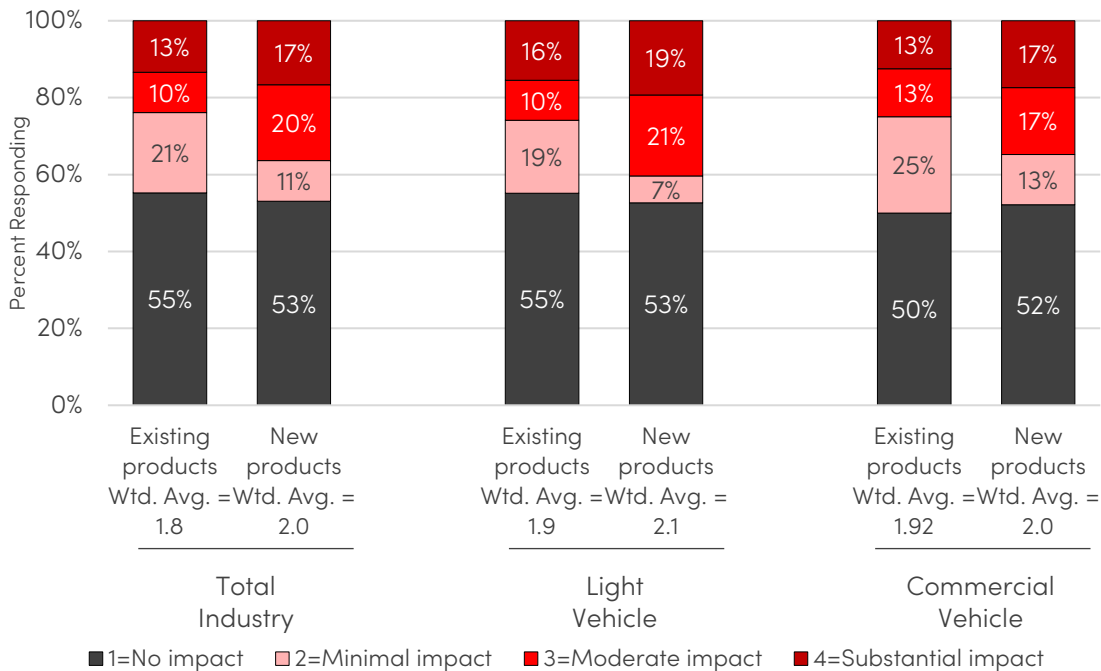
# MEMA OE Supplier Barometer: Cash Flow Funding

What percent of your capital needs do you estimate you will fund from free cash flow?



# MEMA OE Supplier Barometer: Cash Flow Performance

Over the past 2 years, to what extent has your company's cash flow performance hindered its ability to support existing and new product capital requirements?



What steps has your company taken to meet its capital requirements despite weaker cash flows?

## No to Minimal Impact (1-2):

- We have all we need!
- We have stronger cash flows based on better YOY performance.
- Total cash focus – factoring, collect cash owed, postpone payments.
- Rightsizing and debt
- Manage time of spend tighter, reduce
- Increased borrowing capacity through recapitalization
- Pay back debt, to be able to borrow at cheaper rates
- Spending reduction; loans from Parent company
- Tightened cost controls across the company

## Moderate Impact (3):

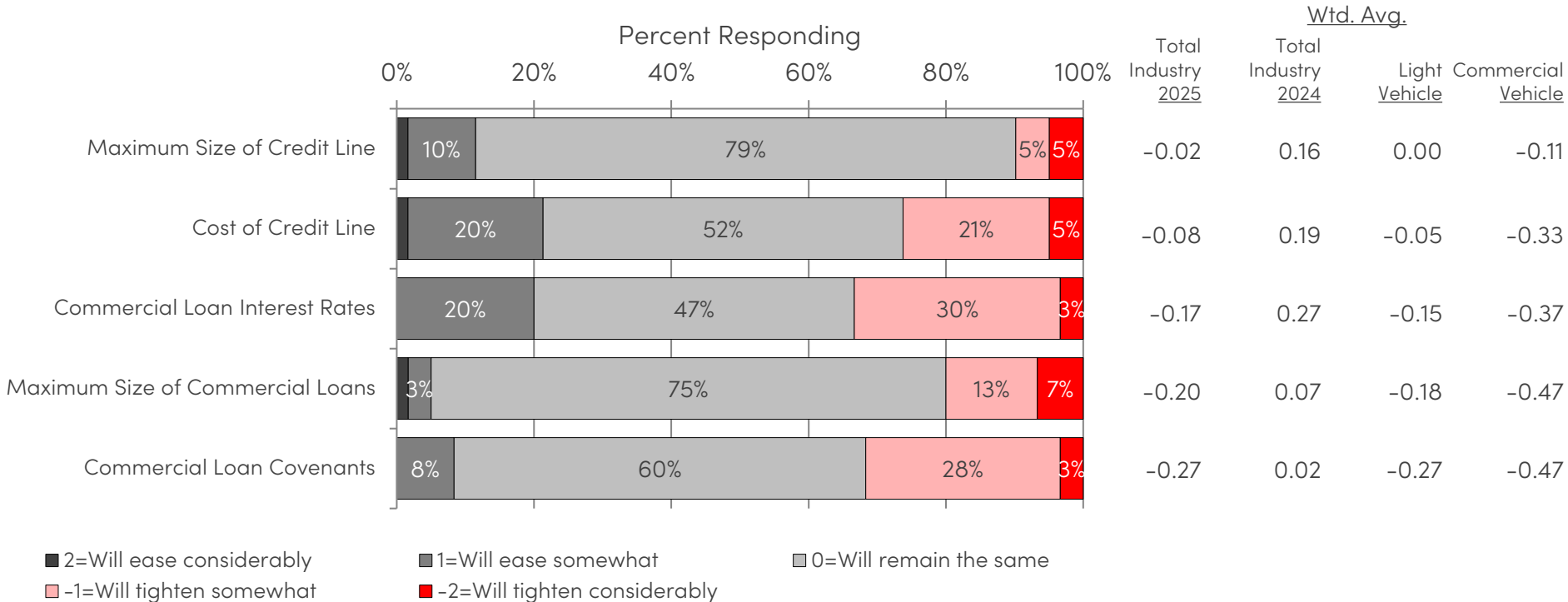
- Increase efforts in re-furbishing existing equipment; develop new AME solutions, outsource some parts of production.

## Substantial Impact (4):

- Lowered investment targets and implemented actions to more highly scrutinize spending.
- Only spending on chosen programs.
- Managing SGA, reduce spend in underperforming regions, reduce inventory, etc...

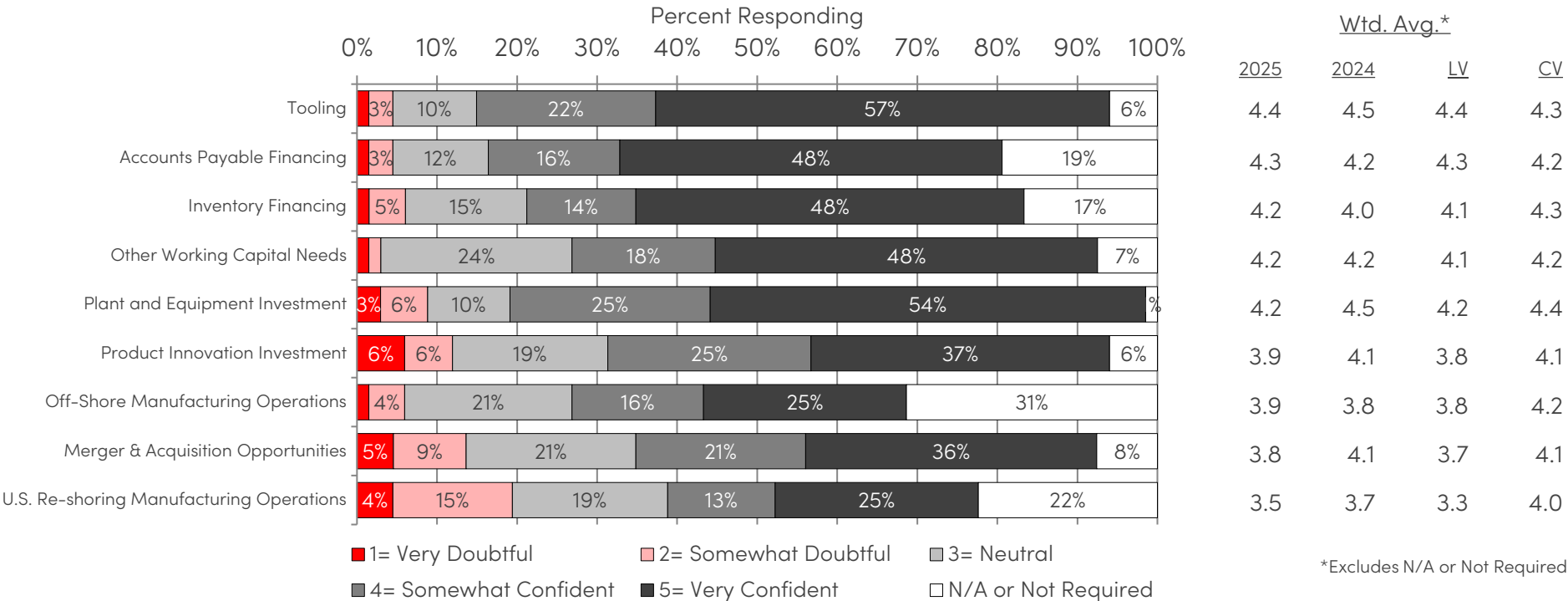
# MEMA OE Supplier Barometer: Commercial Loans and Lines of Credit

Considering your lead commercial bank, over the next 12 months,  
how do you anticipate the terms of your commercial loan or credit line applications changing?



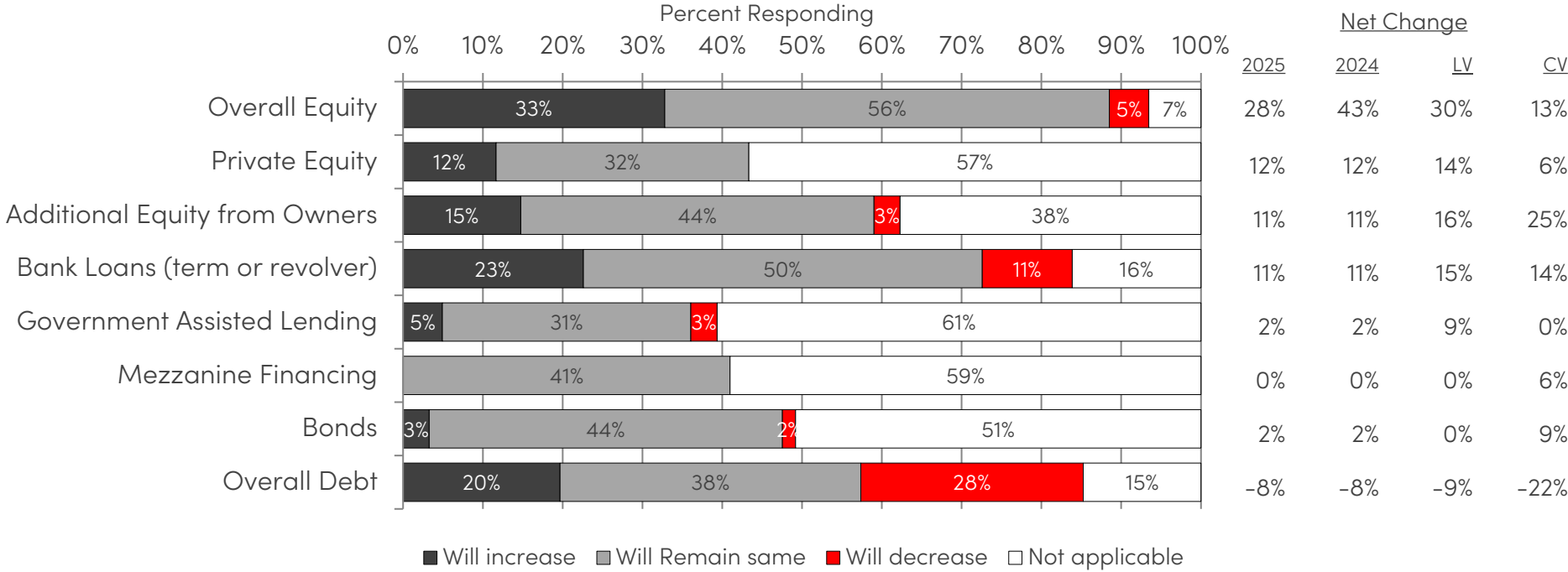
# MEMA OE Supplier Barometer: Access to Capital

Over the next 12 months, how confident are you that you will be able to access required levels of capital at appropriate costs for the following uses?



# MEMA OE Supplier Barometer: Sources of Capital

Over the next 12 months, indicate whether the following sources of funds will increase/decrease/remain the same in importance on your balance sheet?





# MEMA OE Supplier Barometer: Appendix



**MEMA OE Automotive Supplier Barometer** is a survey of the top executives of MEMA regular member companies. The MEMA OE Automotive 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](http://mema.org)

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## Survey Methodology

- Data collected May 15 – June 8 via invitation to online survey.
- Executives of MEMA supplier companies.
- 83 complete survey responses were received, with 93 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.

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