



Join. Engage. Advance.



OESA AUTOMOTIVE SUPPLIER BAROMETER™ Q2 2021

SUPPLY CHAIN, GLOBALIZATION AND SUSTAINABILITY

JUNE 2, 2021

Executive Summary



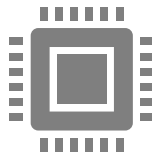
Supplier Barometer Index™ (SBI) SBI Score = 44; down from Q1 level of 62

The outlook deteriorated substantially on escalating supply shortages and customer production shutdowns dropping 18 points from the first quarter to 44. The index is 6 points below a neutral reading of 50 and marks the first net pessimistic outlook since the first quarter of 2020. Pessimism is strongest amongst the largest suppliers with over \$1 bil. in revenue, however smaller suppliers have a neutral outlook at best.



Production shutdowns due to supply chain shortages and suppliers' ability to fulfill volumes are the top threats to the 12-month outlook

Shortages of semiconductors and other components and materials continue to disrupt the automotive supply base. However, suppliers are faithful in the strength of the economy and vehicle sales of programs supplied .



Semiconductor shortages have had the most severe impact to the supply base, and are the least likely to be resolved within the next 6-months



Despite a severely disrupted supply chain, suppliers find comfort in strong consumer demand for new vehicles, and new business opportunities from the EV segment and conquest initiatives



Sub-tier supplier distress continues to accelerate

Responses show that, over the past 3-months, 42% of suppliers have had a significant increase in sub-tier supplier distress, up from 34% over the past year.

Consequently, the percentage of sub-tier suppliers on "watch" has risen to 6.1% on average, up from 4.3% in 2020.

Executive Summary



Risks associated with meeting customer production requirements include

Input shortages and logistics delays, externally. And internal difficulties with the availability of labor as suppliers continue to struggle against competitive unemployment benefits



On average, 13.8% of sub-tier suppliers are directed buy as required by customers, up from 13.2% last year



Over the past year, dual or multiple sourcing for components increased on net from supplier customers by 19% and down through the supply chain by 34%



Localization efforts continue in compliance with USMCA

Suppliers have witnessed a continued effort to localize production from their customers as they attempt to comply with the standards in place from USMCA.

Consequently, suppliers themselves look to localize within their own supply base in order to provide compliance value to their customers.



Formal sustainability plans have been adopted by 47% of the supply base, while 22% are in progress of developing one

Plans are centered on carbon reduction or neutrality goals, and eco-friendly material usage and product production.

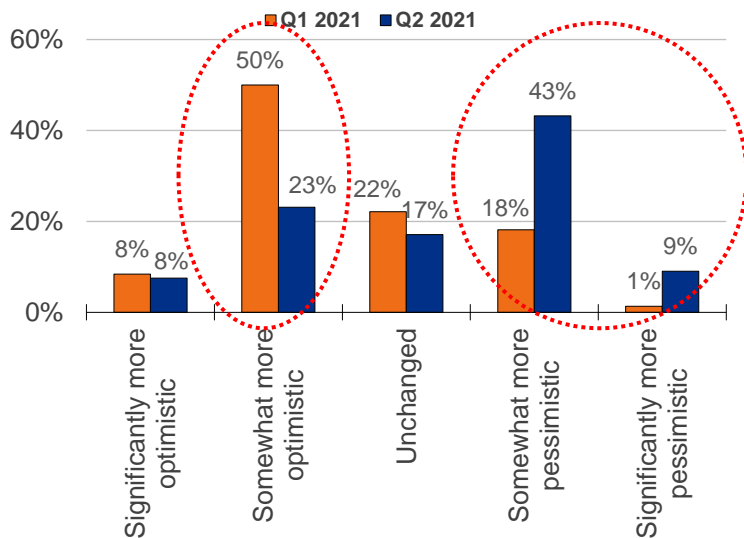
Products that support electric vehicles, use eco-friendly materials, increase efficiency, or incorporate recycling, are being produced or developed by the supply base. Internally, emphasis is on efficiency, waste and emission reduction and recycling.

SUPPLIER OUTLOOK

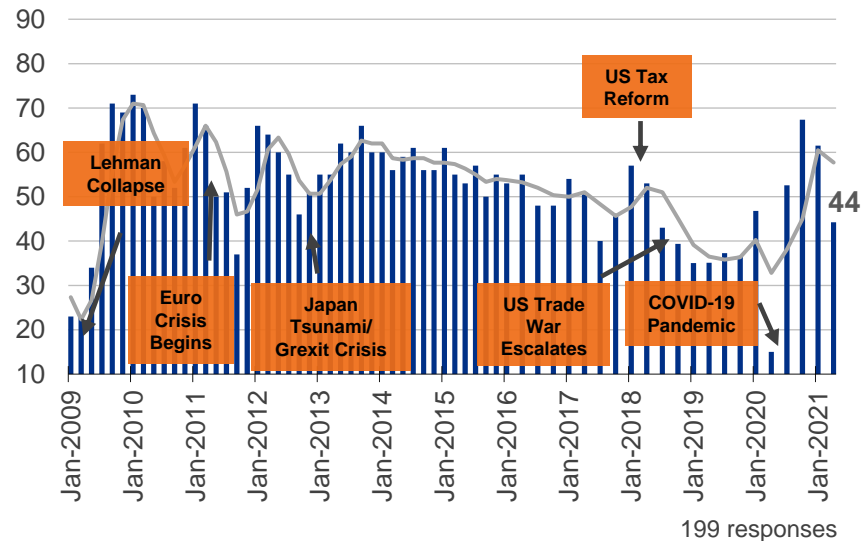
OESA Supplier Barometer: Q2 2021 Results

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

Current Supplier Outlook (Share of Respondents)



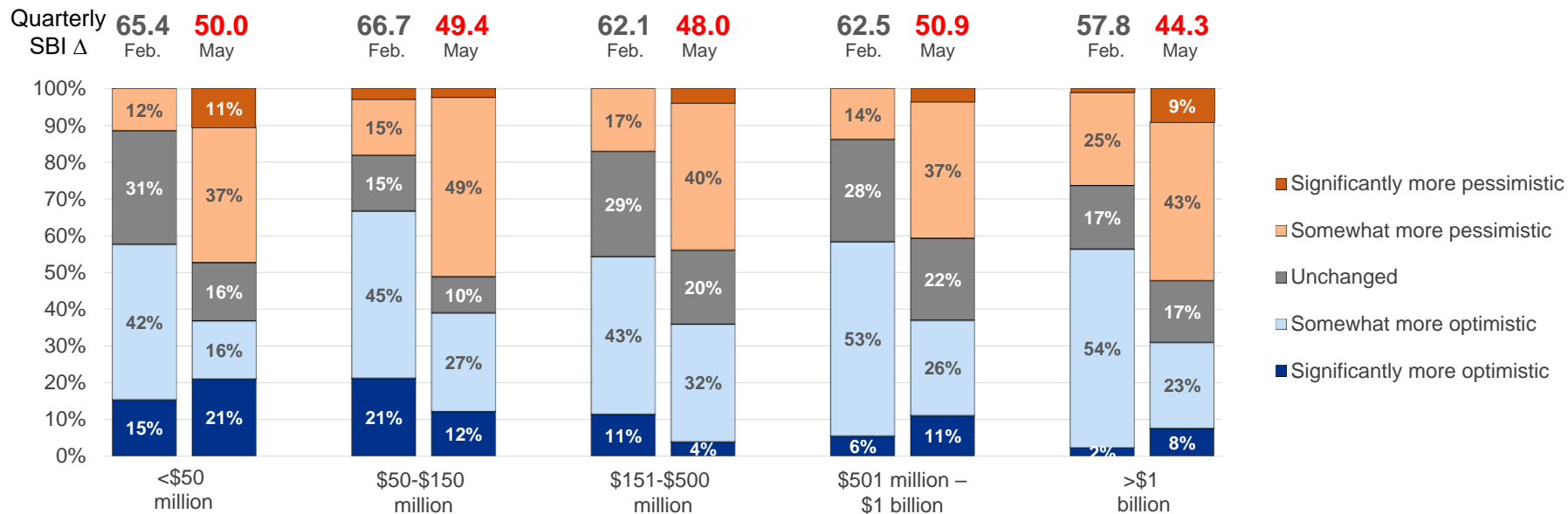
Supplier Barometer Index: (SBI and 6m Average)



The outlook for the second quarter fell into pessimistic territory on customer production shutdowns due widespread shortages of components and raw materials throughout the supply chain

OESA Supplier Barometer: Q2 2021 Results By Revenue

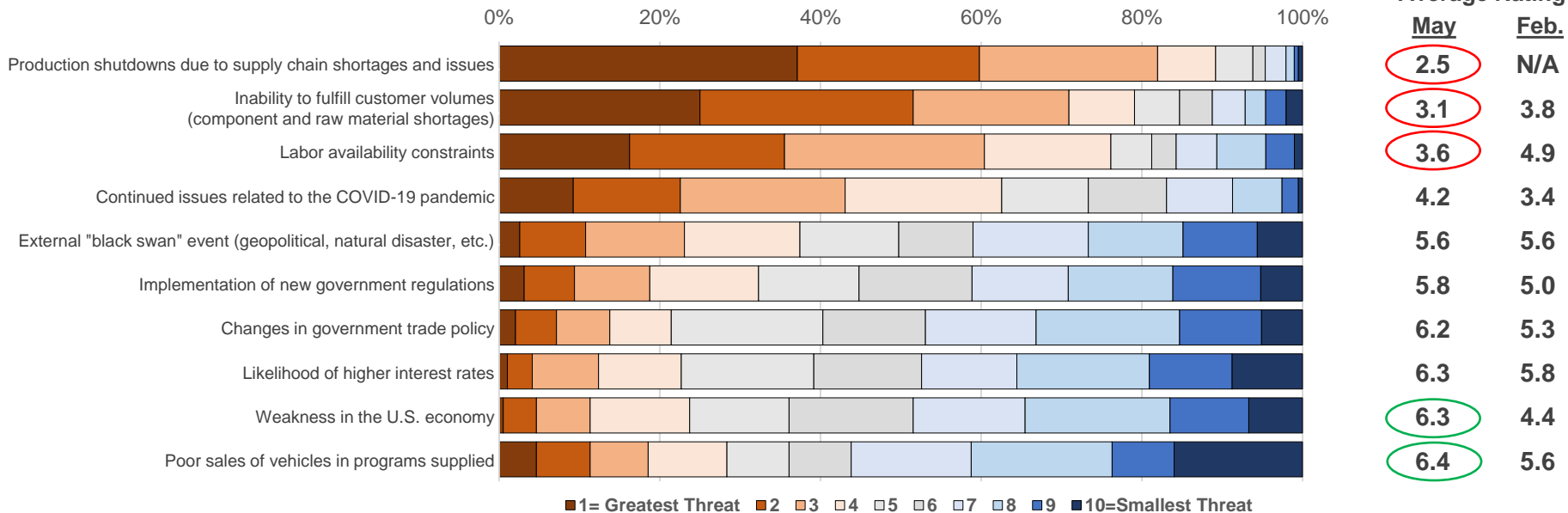
Describe the general twelve-month outlook for your business. Over the past three months, has your opinion become...?



Regardless of revenue size, responses are neutral at best.
The largest, most globally exposed, firms remain the least optimistic on net.

OESA Supplier Barometer: Industry Threats

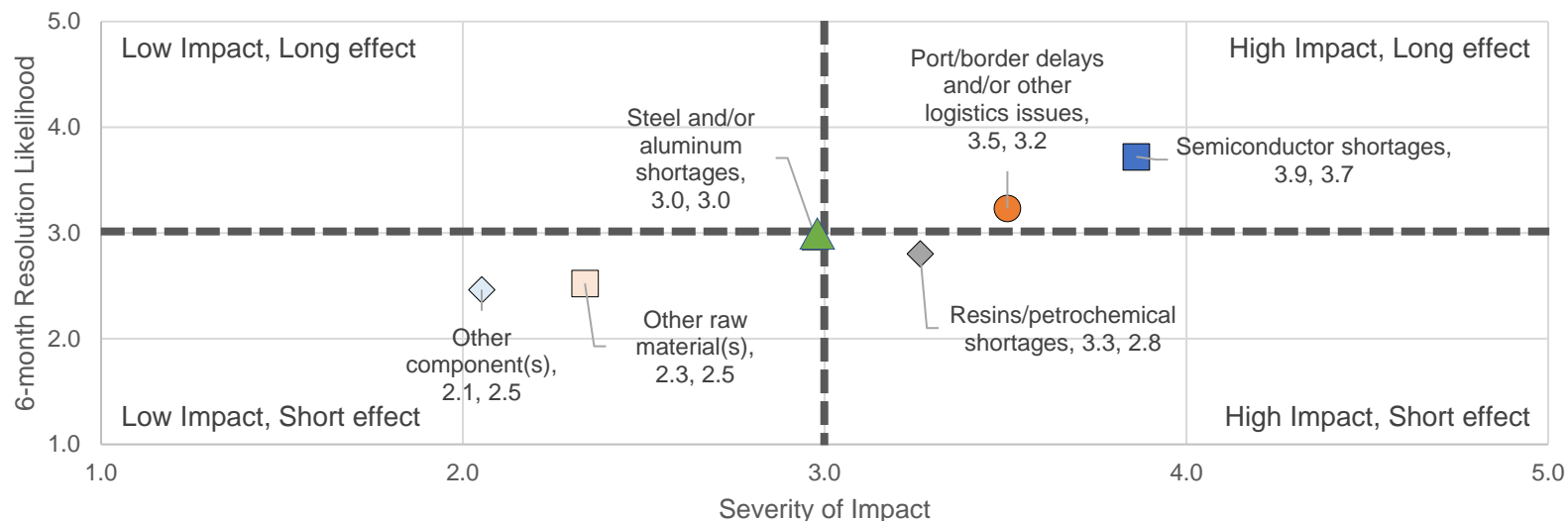
What are the greatest threats to the industry over the next 12 months?



Production shutdowns due to supply chain shortages, and suppliers' ability to fulfill volumes are the top threats to the 12-month outlook; However, suppliers are faithful in the strength of the economy and vehicle sales

OESA Supplier Barometer: Component and Raw Material Shortages

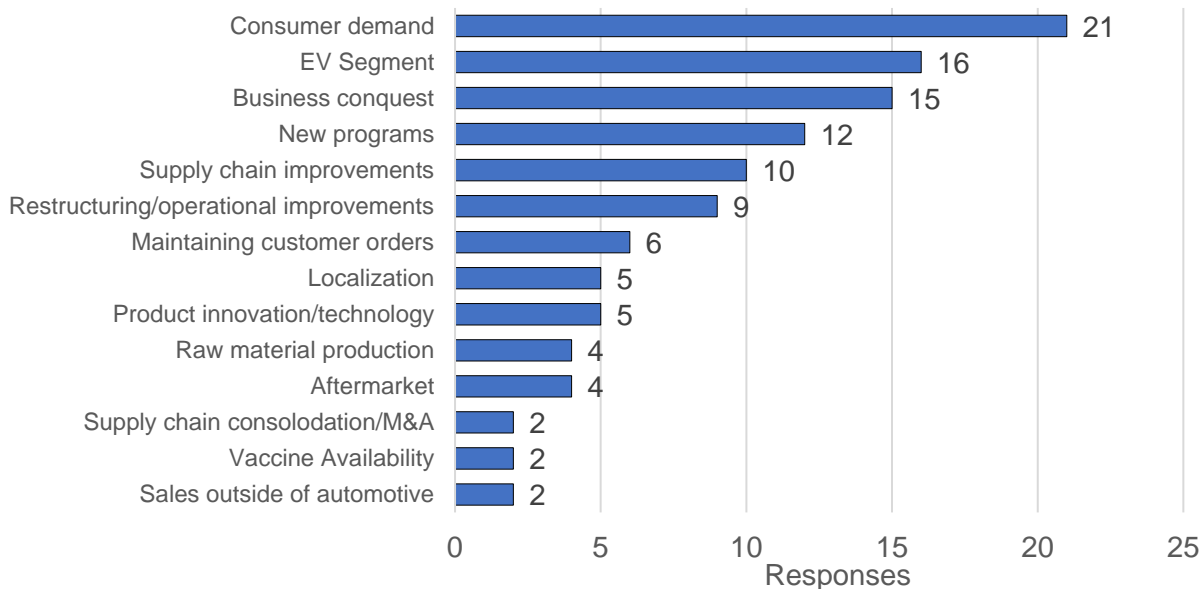
Please indicate the level of severity the following input shortages and logistics challenges have had on your business and the likelihood the issues will be resolved within the next 6-months. (1=No impact/Highly likely, 5=Severe impact/Highly unlikely)



Semiconductor shortages have had the most severe impact to the supply base, and are the least likely to be resolved within the next 6-months

OESA Supplier Barometer: Current Opportunities

Based on the current business environment, what do you believe your biggest opportunities are at the moment?



Comments (Selected):

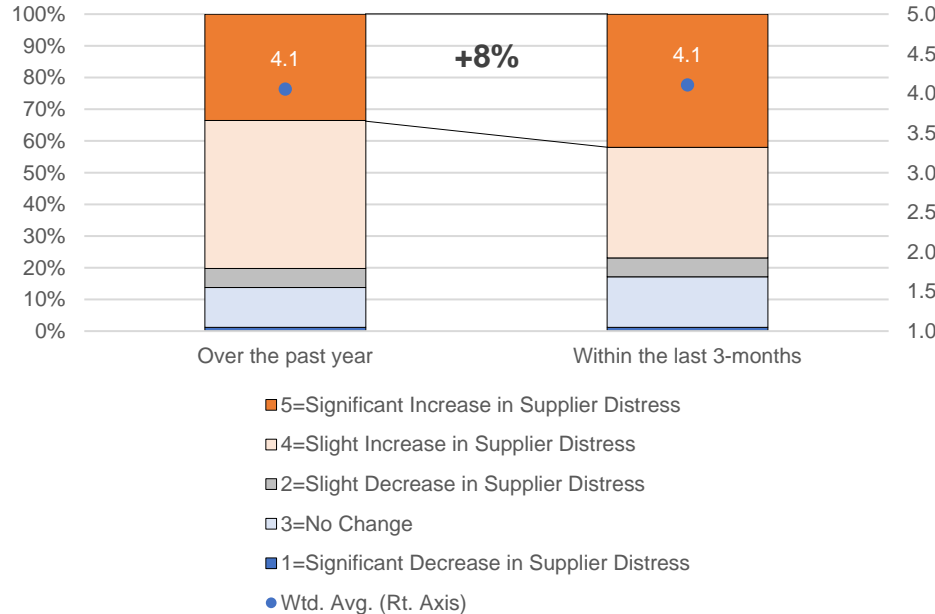
- Making our supply chain more resilient and communicating this as an advantage to our customers to include in the purchasing decision.
- The pandemic has provided forward-thinking business leaders the cover they may have needed to change from within in response to extenuating circumstances imposed from without. Indeed, many enterprises have vaulted their digital transformation forward five years in the matter of twelve months during the pandemic crisis---a silver lining that was just aspirational at the end of 2019. Advancing our state of the art for new technologies while competitors idle R&D.
- Make and ship everything we can, customers want it all!

Despite a severely disrupted supply chain, suppliers find comfort in strong consumer demand for new vehicles, and new business opportunities from the EV segment and conquest initiatives

SUPPLY CHAIN

Sub-tier Supplier Distress

Over the following periods, have you witnessed an increase in distress within your supply base?

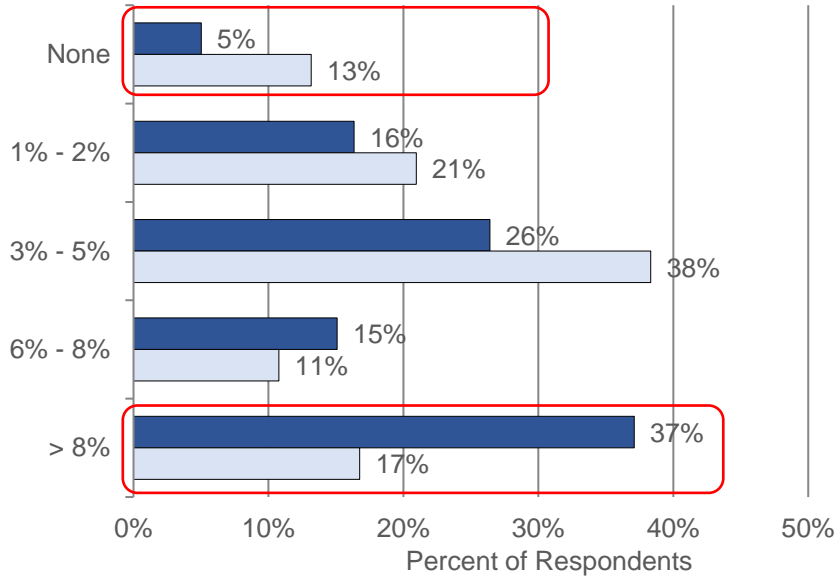


Comments:

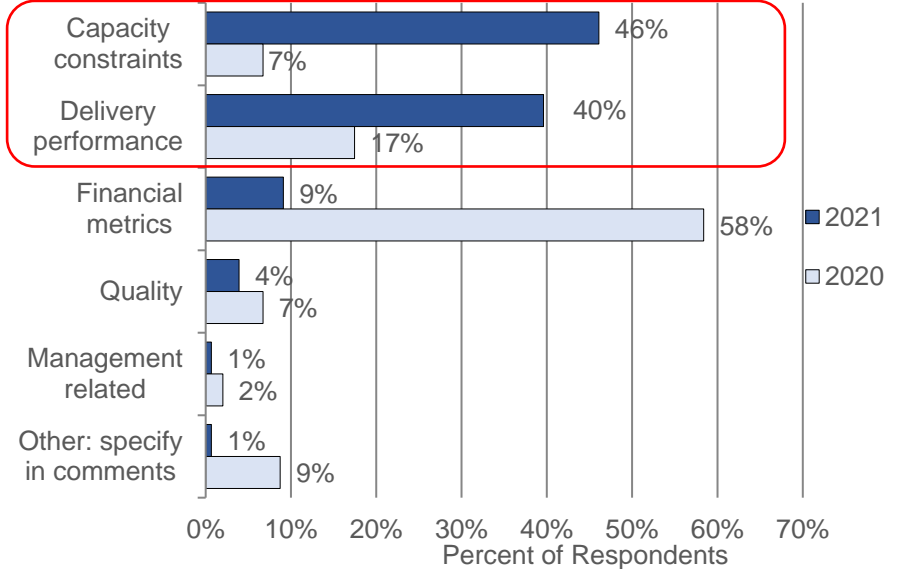
- Steel drums, petrochemical raws, etc.
- Steel supplier lead times have quadrupled, and our wire suppliers have been on allocations from the mills.
- They have the same problems as us but are usually smaller. They do not want to bear any more any additional costs (vessels, containers, transportation price increases)
- Ongoing stress based on the pandemic.
- Suppliers struggling with increased steel costs and increased logistics and shipping costs
- Automation Alley has observed that many of our 1400 members have been victims of supply chain bottlenecks
- Certain resin and copper alloy produced in US Port delay affected for import material
- Last three-month issues primarily driven by semiconductor shortages.
- Finding good dependable labor, at a reasonable wage rate, is very difficult. Volume is significantly down. Direct, and indirect, costs are rising beyond our ability to offset with internal activities.
- The main concern is how to maintain the supply chain. I do not see a financial distress.
- Uncooperative, requesting price increases, not accountable, lack of partnership
- Continued unemployment compensation is keeping workforce at home while artificially driving up wages to compete with government incentives to not work. This is causing increases in costs without ability to pass costs on.
- Covid, Labor, and Chips/Raw Material.
- Raw material.. enough said..
- We are suspecting some smaller suppliers will not be able to handle the cuts in demand we are seeing.

Direct Supplier Risk

What percent of your North American direct material suppliers are currently on your “watch list?”



What is the primary reason companies are being added to or continuing on the supplier “watch list?”

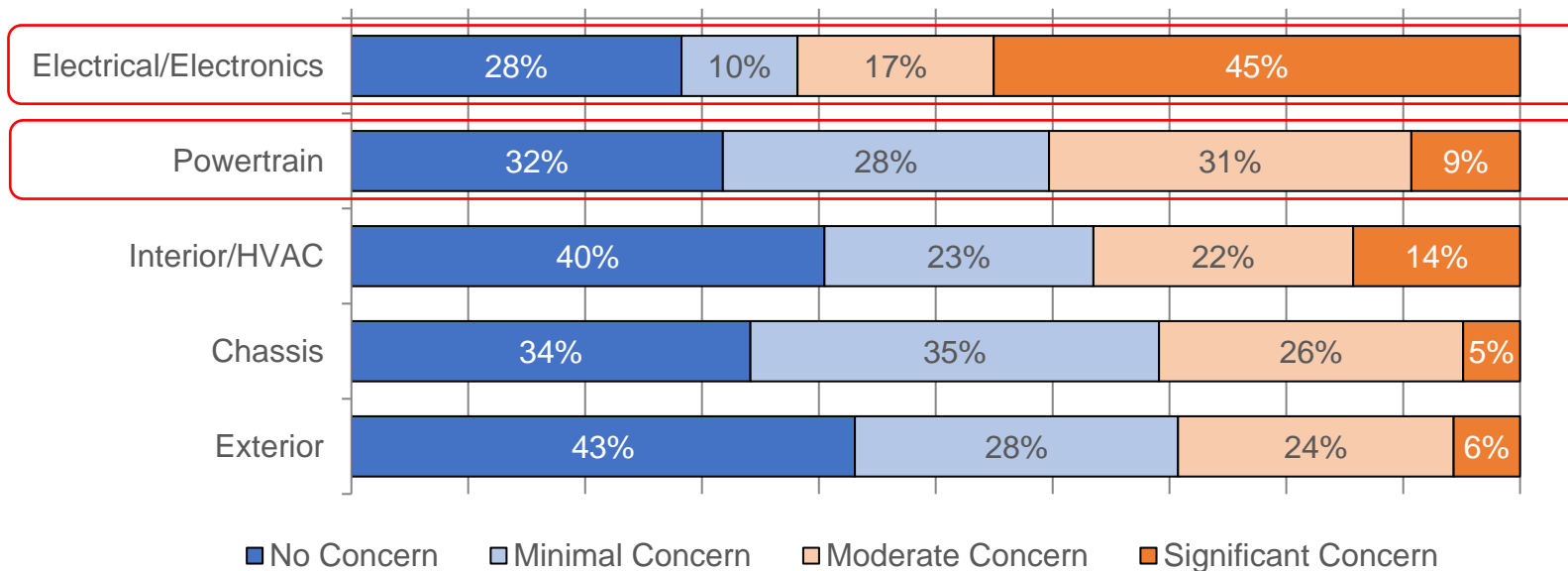


Sourcing Constraints

For each of the following system areas, select your level of concern in having future sourcing constraints

Percent of respondents

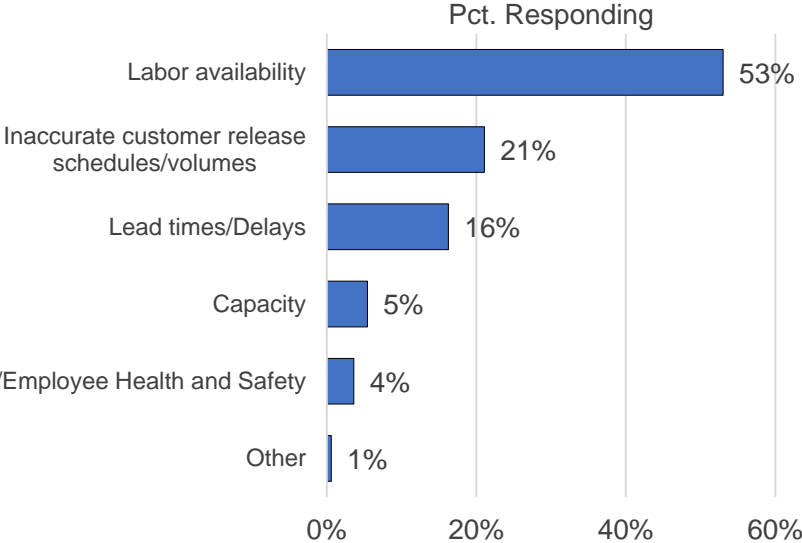
0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%



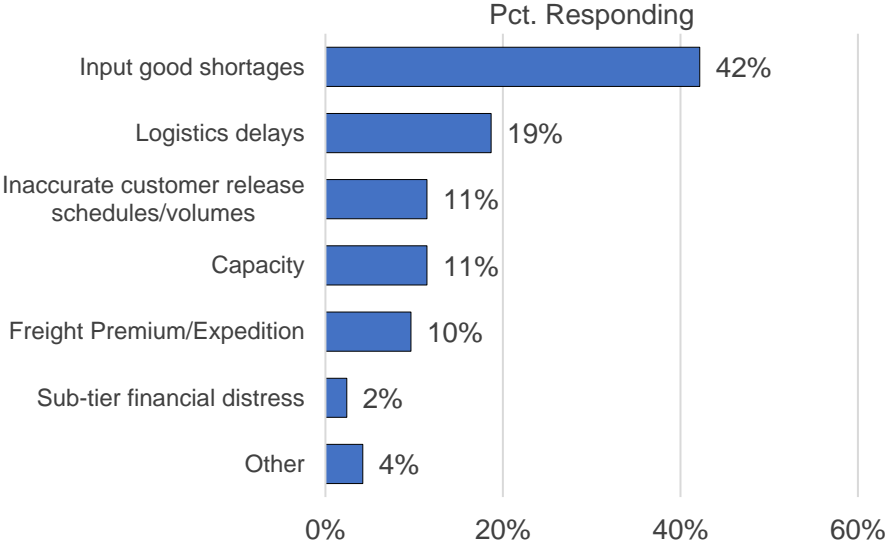
■ No Concern ■ Minimal Concern ■ Moderate Concern ■ Significant Concern

Production Risk

What is your greatest internal (non-supply chain) risk in meeting customer production requirements?

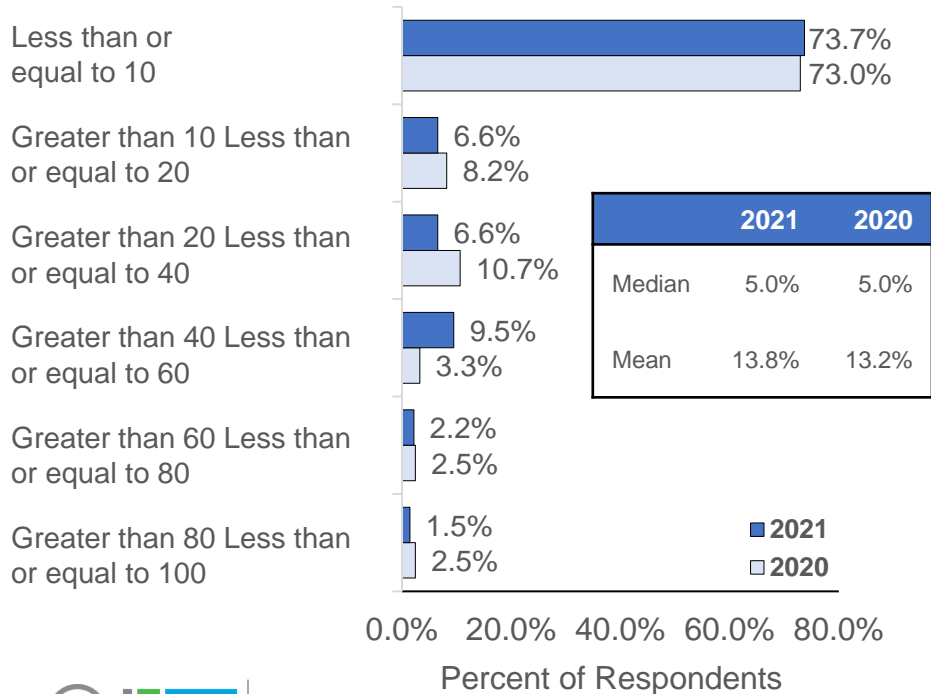


What is your greatest supply chain risk in meeting customer production requirements?

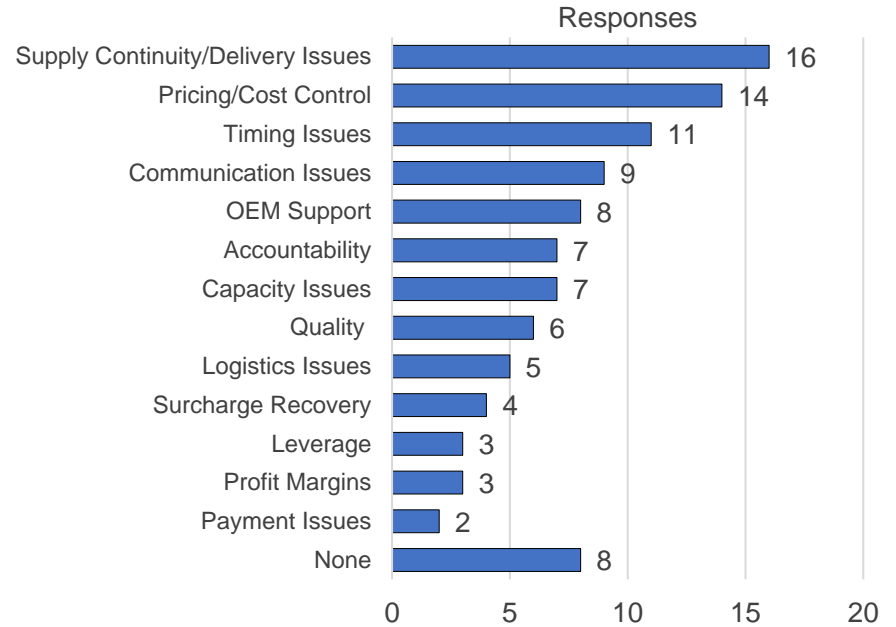


Directed Buy

What percent of your suppliers are customer required directed buy arrangements?

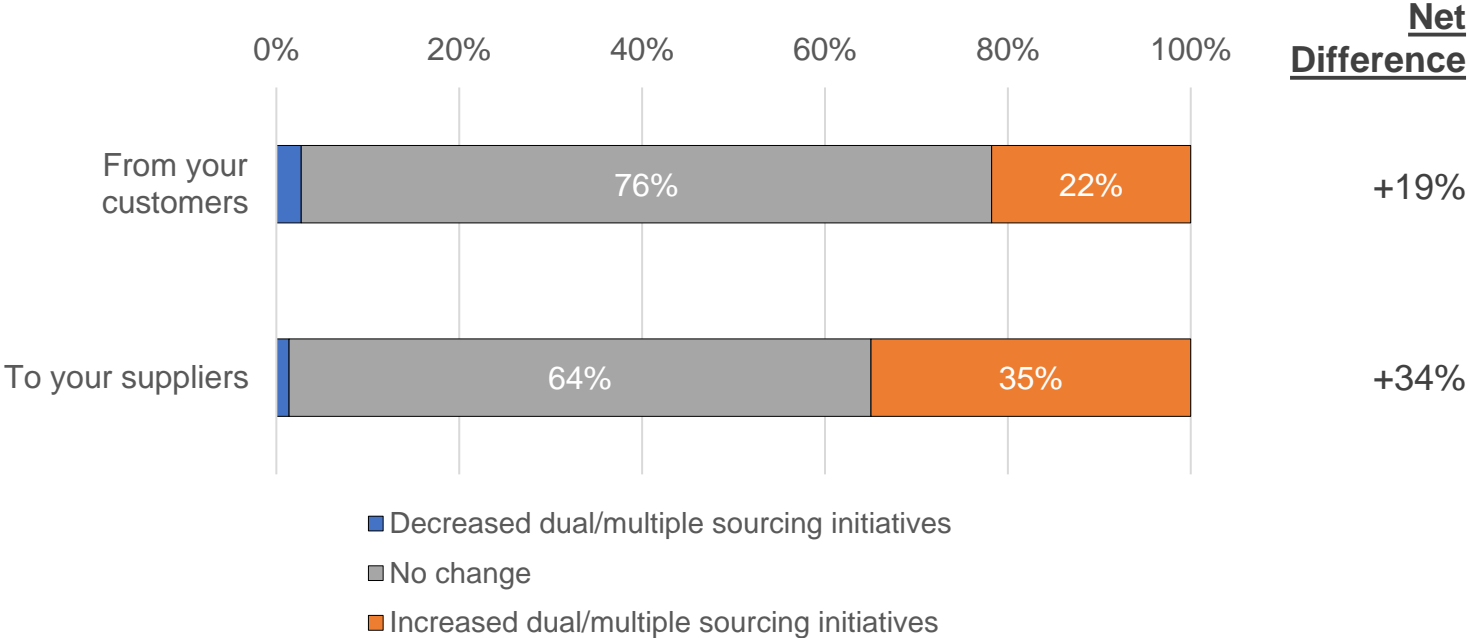


What are your biggest issues with your directed buy arrangements?



Dual/Multiple-Sourcing Initiatives

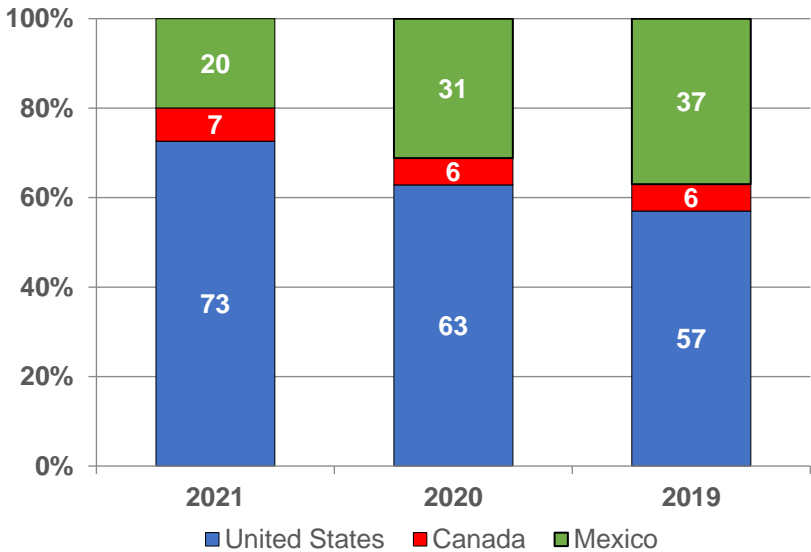
Over the past year in North America, has your company experienced a change in dual/multiple sourcing initiatives from your customers or implemented dual/multiple sourcing initiatives with your suppliers?



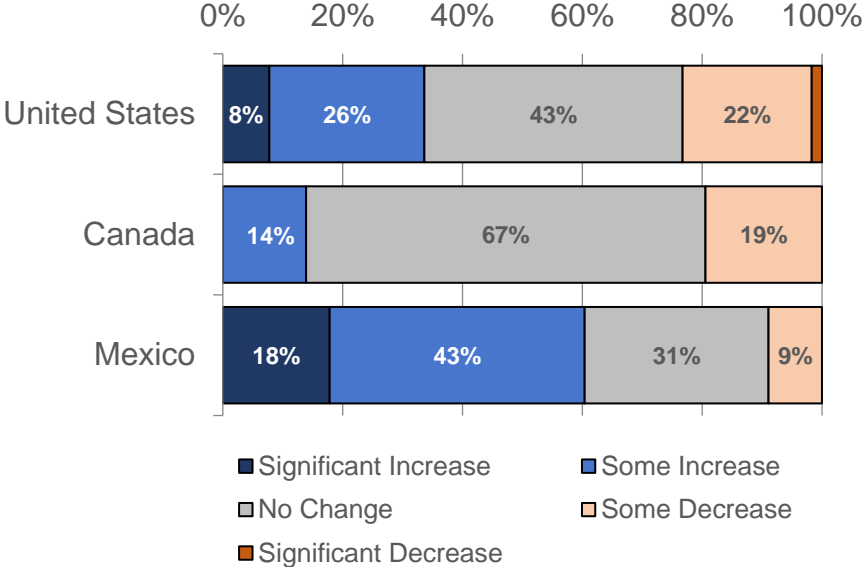
GLOBALIZATION

North American Production

For your products produced in North America, identify the percent manufactured in each of the following countries



How do you expect that these percentages will change over the next 5 years?

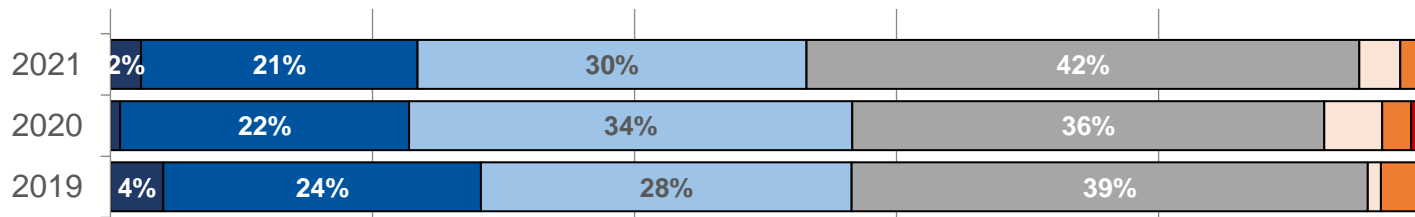


Localization Efforts

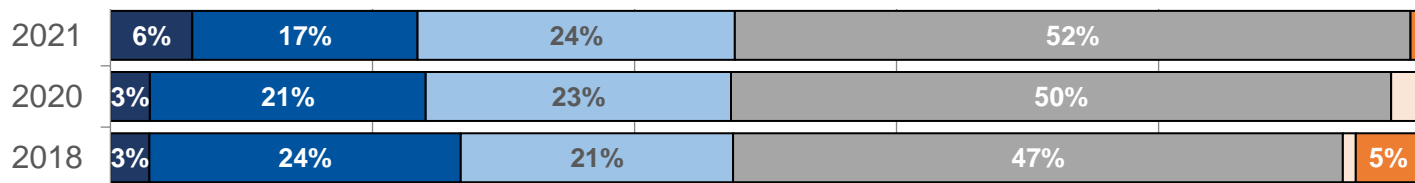
Over the past year, what level of manufacturing localization activity/effort did you...

0% 20% 40% 60% 80% 100%

... see from your customers?



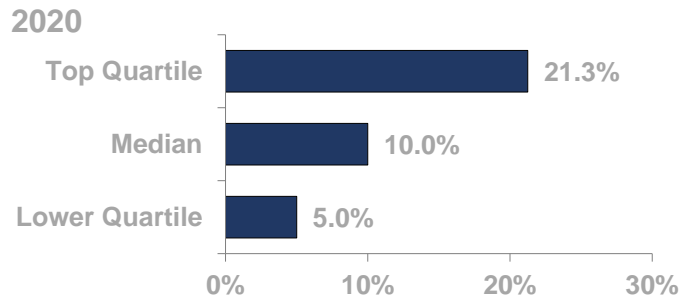
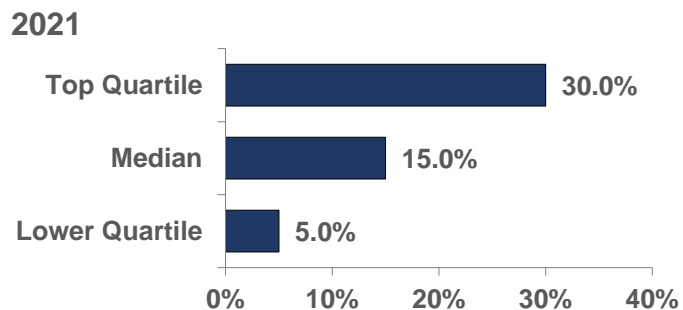
... pursue with your suppliers?



Extensive Increase
 Moderate Increase
 Minimal Increase
 No Change
 Minimal Decrease
 Moderate Decrease
 Extensive Decrease

U.S. Exports

Estimate the percent of your current U.S. production that is exported outside of the United States.



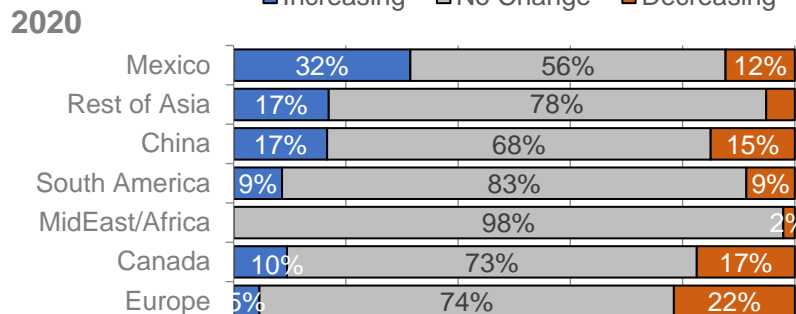
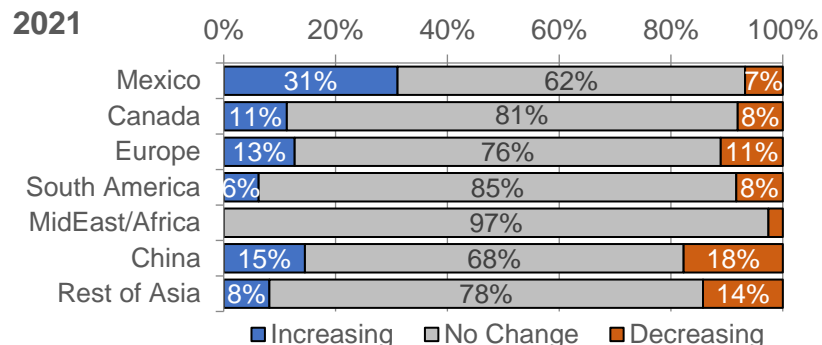
What is the estimated split of these exports (in percent) to each of the following regions?

2021	Lower Quartile	Median	Upper Quartile	Number of respondent companies exporting to each region
Canada	5%	15%	30%	42
Mexico	10%	20%	51%	39
Europe	0%	2%	10%	24
China	0%	2%	10%	23
Rest of Asia	0%	0%	5%	19
S. America	0%	0%	4%	15
Mid-East/Africa	0%	0%	0%	9

2020	Lower Quartile	Median	Upper Quartile	Number of respondent companies exporting to each region
Canada	0%	5%	16%	54
Mexico	2%	20%	46%	61
Europe	1%	8%	20%	54
China	0%	5%	15%	46
Rest of Asia	0%	0%	5%	28
S. America	0%	0%	5%	31
Mid-East/Africa	0%	0%	1%	16

U.S. Exports

For each region, please describe the direction of your export plan over the next 5 years.



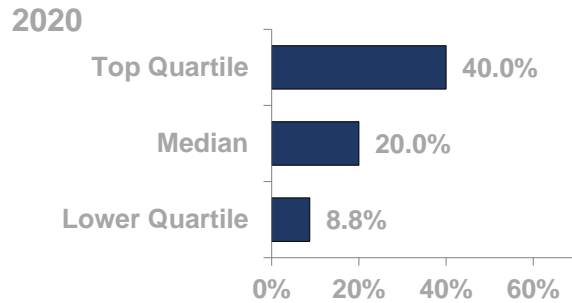
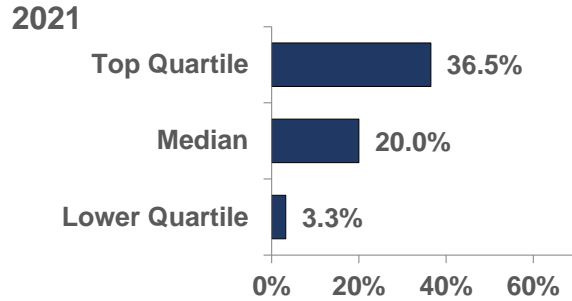
Q2 2021 OESA AUTOMOTIVE SUPPLIER BAROMETER

What major factors drive this regional export plan?

Canada	<ul style="list-style-type: none"> Localized production (2) If anything, we expect STLA to shut Brampton over the next 3 years and consolidate the L Bodies in Windsor or make a determination about killing the program in the face of increasing EV momentum More OEM production moving to Mexico
Mexico	<ul style="list-style-type: none"> Increased OEM production (4) Low-cost labor (2) Customers moving production to Asia Pacific area Seating fabrics being shipped to cut and sew in Mexico
Europe	<ul style="list-style-type: none"> New product that we can be competitive on with supply to Europe. Sales of engine controllers and some powertrain products will increase Effort to globalize the business and flexibility to serve them locally We intend to add other export countries that will reduce Europe as a percent of export business Global commonization
China	<ul style="list-style-type: none"> Local in China Expanding new technology in Europe and Asia in the EV segment Expanding OEM footprints
Rest of Asia	<ul style="list-style-type: none"> We intend to add other export countries that will reduce India as a percent of export business
S. America	<ul style="list-style-type: none"> Closure of Ford manufacturing in South America
Mid-East/ Africa	<ul style="list-style-type: none"> <i>No comments provided</i>

U.S. Imports

Estimate the percent of your current material costs for U.S. production (by dollar value) that is purchased outside of the United States.



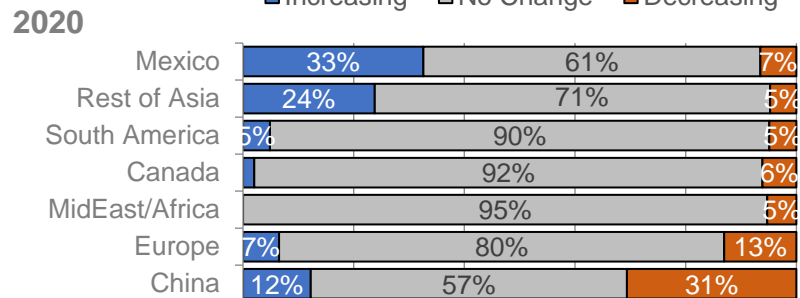
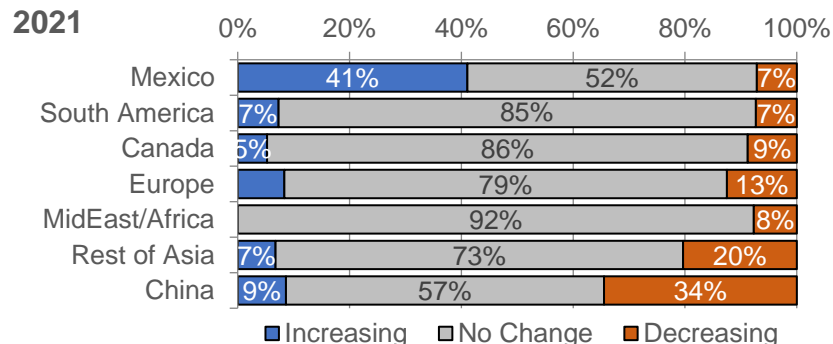
What is the regional split of your total (by dollar value) of materials/components purchased for U.S. production?

2021	Lower Quartile	Median	Upper Quartile	Number of respondent companies exporting to each region
Canada	0%	0%	10%	34
Mexico	0%	0%	10%	39
Europe	0%	0%	10%	31
China	0%	10%	30%	49
Rest of Asia	0%	0%	15%	37
S. America	0%	0%	0%	8
Mid-East/Africa	0%	0%	0%	3

2020	Lower Quartile	Median	Upper Quartile	Number of respondent companies exporting to each region
Canada	0%	5%	10%	39
Mexico	2%	15%	30%	46
Europe	0%	10%	20%	40
China	5%	18%	31%	54
Rest of Asia	0%	5%	18%	36
S. America	0%	0%	0%	8
Mid-East/Africa	0%	0%	0%	2

U.S. Imports

For each region, please describe the direction of your purchase plan over the next 5 years.



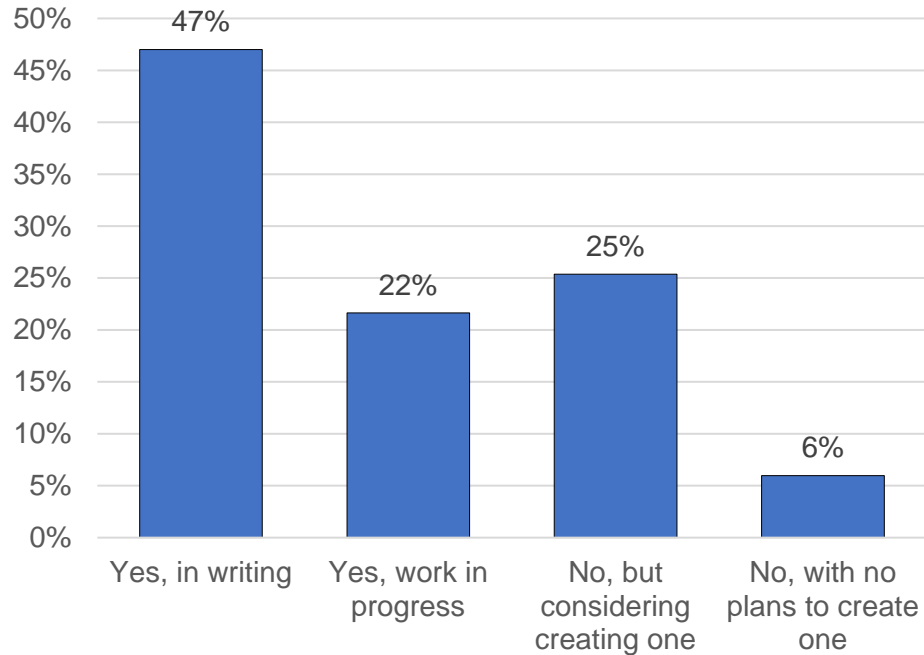
What major factors drive this regional import plan?

Canada	<ul style="list-style-type: none"> Precious metal prices Cost and availability Supply Chain Logistics Supplier viability declining Regional portfolio strategy
Mexico	<ul style="list-style-type: none"> Effort to localize supply to support local production Cost and availability No local content or procurement Shorter pipeline, concern with China politics and logistics
Europe	<ul style="list-style-type: none"> Volume of products supplied by this region are increasing at the OEM and tiers. Specialty raw materials only, premium
China	<ul style="list-style-type: none"> Low cost (3) Tariffs (2) Tariffs on our products resulted in localization. Concern with China related politics, logistics, tariffs Looking to localize to US to minimize lead time concerns.
Rest of Asia	<ul style="list-style-type: none"> Shipping costs are sky rocketing Reduced reliance on China Looking to localize to US to minimize lead time concerns.
S. America	<ul style="list-style-type: none"> Relocation from China due to tariffs. Diversification of supply
Mid-East/ Africa	<ul style="list-style-type: none"> <i>No comments provided</i>

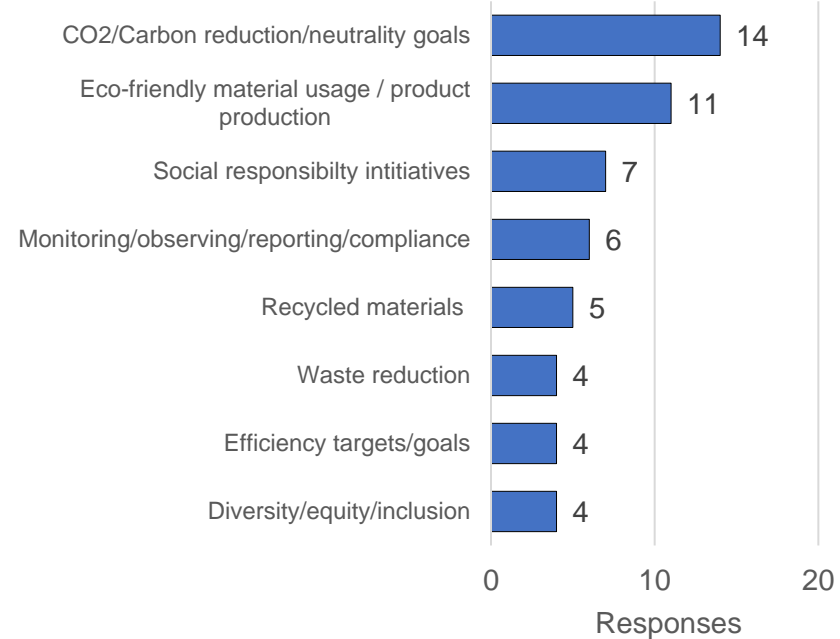
SUSTAINABILITY

Sustainability Plans

Does your company have a formal sustainability plan?

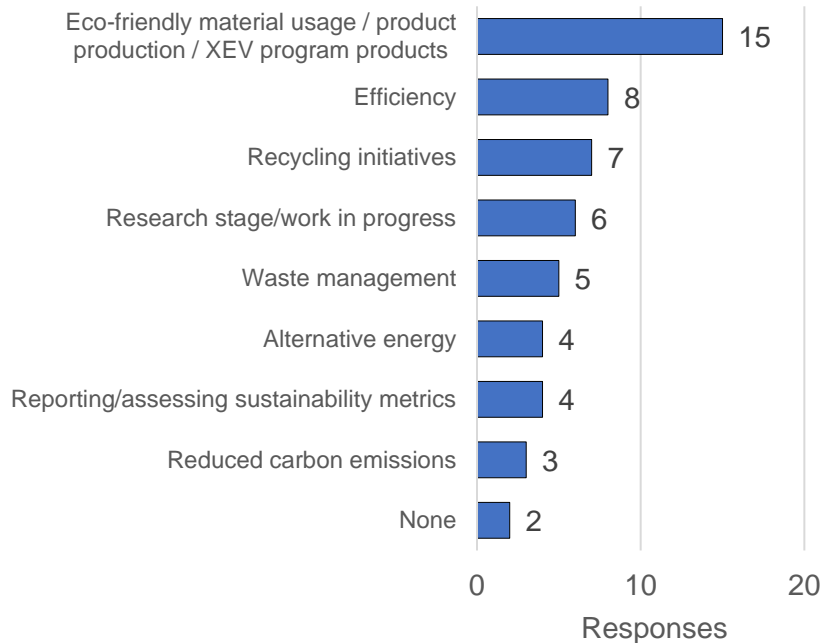


Please indicate the primary elements of your sustainability plan.

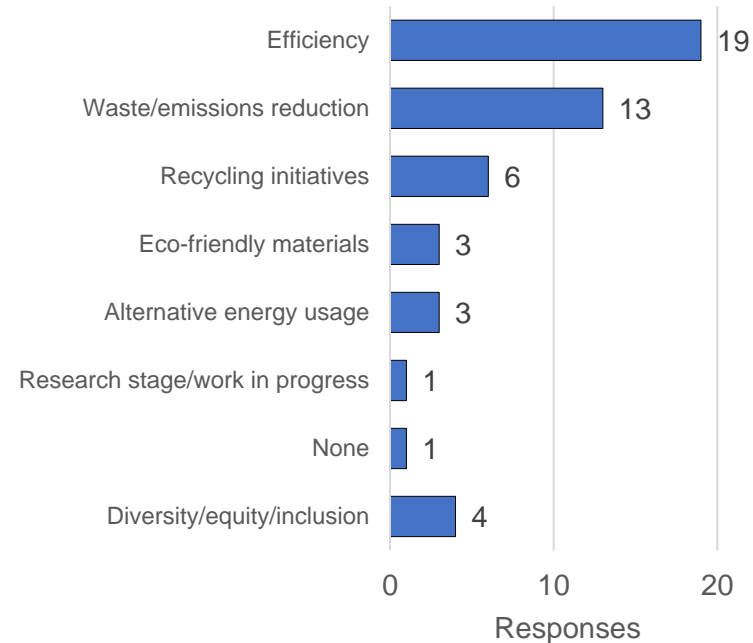


Sustainability Plans

What are some of the actions your company has taken to increase the sustainability of your product offerings?



What are some of the actions your company has taken to increase the sustainability of your production processes?



Appendix



Join. Engage. Advance.

OESA Automotive Supplier Barometer is a survey of the top executives of OESA regular member companies. The OESA 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. www.oesa.org.

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. For more information, visit rsmus.com, like us on Facebook at [RSM US LLP](https://www.facebook.com/RSMUSLLP), follow us on Twitter [@RSMUSLLP](https://twitter.com/RSMUSLLP) or connect with us on [LinkedIn](https://www.linkedin.com/company/rsmusllp).



Survey Methodology

- Data collected Apr. 29 – May 13 via invitation to online survey.
- Executives of OESA supplier companies.
- 138 complete survey responses were received, with 199 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@oesa.org

Joe Zaciek
Manager
Research and Industry Analysis
248.430.5960
jzaciek@oesa.org

Larry Keyler
RSM Global Automotive Leader
317.805.6205
lawrence.keyler@rsmus.com

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

