Cost of rubber could escalate for suppliers

GRAND RAPIDS, Mich.–If you’re a supplier and you’re worried about fluctuating costs of your raw materials, Honda, Ford, Toyota and Nissan are the best customers to deal with.According to a survey of 88 suppliers published by IRN Inc., Honda Motor Co. is most likely to offset raw material price increases.Hyundai Motor Co. is considered least likely to do so, followed by General Motors.The survey also concludes that raw material prices are likely to be pretty stable over the next 12 months.Price increases for aluminum and plastic resin are expected to range up to 10 percent, while copper and steel prices are likely to remain stable.But rubber prices could spike, IRN predicts. “The one area where material price escalation is still a major issue is rubber,” said IRN principal Kim Korth in her summary.“It has been this way for a few years and is likely to remain so,” she added.Overall, the report is good news for suppliers. Despite rising auto production in North America—and fear of bottlenecks among some suppliers—the survey suggests that most raw material prices will be stable.That’s a big change from 2007, when soaring steel prices caused panic among manufacturers, who got price relief only when auto sales crashed in 2008.Since then, suppliers have pressed auto makers to index the price of raw materials, which adjusts the price of parts to reflect fluctuating materials costs.Suppliers are making progress, but some auto makers are more generous than others.Honda Motor Co., Ford Motor Co., Toyota Motor Corp. and Nissan Motor Co. got good grades for their willingness to index raw material costs.For example, 79 percent of suppliers said Honda was more likely or somewhat likely to offset price increases in a satisfactory manner while only 16 percent said it was least likely or somewhat unlikely to do so.But only 9 percent of suppliers said Hyundai was more likely or somewhat likely to offset price increases while 45 percent said the South Korean auto maker was least likely or somewhat unlikely to do so.Overall, the report suggests that executives won’t stay awake at night obsessing over steel prices—at least, not right now.“For the last several years, the fear of material price inflation is starting to feel like yesterday’s news,” Korth wrote in her summary. “We agree that the short-term outlook is positive, but we remain convinced this is a temporary phenomenon.”