

SEMA INDUSTRY INDICATORS

JUNE 2022



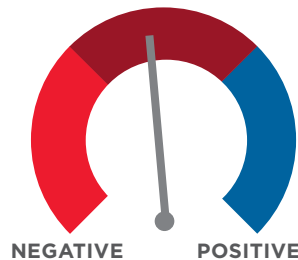
MARKET
RESEARCH

AVRIO
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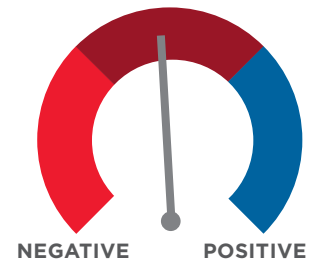
A near-term recession is being bantered about as if it is a foregone conclusion, but the underlying economy remains relatively strong. We are certainly in a period of deceleration, but a recession is not a certainty.

The labor market remains tight. Unemployment is low and the economy is only a few months away from recouping all of the jobs lost by the pandemic. It took roughly 7 years to regain the jobs lost to the Great

CURRENT OUTLOOK



FUTURE OUTLOOK



Recession. This time, the economy will do it in about 30 months. The demand for workers remains near an all-time high despite a recent slowdown in job openings.

The consumer remains strong, despite a new all-time low in consumer confidence. Households used some of their stimulus money to pay down debt. Credit card balances are down \$90 billion since the start of the pandemic and overall debt obligations are near an all-time low. Many households took advantage of low mortgage rates to refinance into larger mortgages. At the same time, home price appreciation outpaced the increase in mortgage debt meaning loan-to-value for the aggregate housing market reached a 25-year low. Equity markets, while down significantly since the start of the year, are up close to 20% from pre-pandemic levels.

Inflationary pressures remain a major headwind for both consumers and businesses. Consumer prices are up 8.6% over the last year, the highest rate in over 40 years. Nearly half of consumers, including Millennials and Gen Z, were not even alive the last time inflation was at this level. Producer prices for final demand goods and services are up 10.8%. This is down slightly from a record high in March, but still extremely elevated. Many businesses have never operated in a high inflation environment. As a result, prices are likely to remain stubbornly high as businesses adjust to higher material and labor costs.

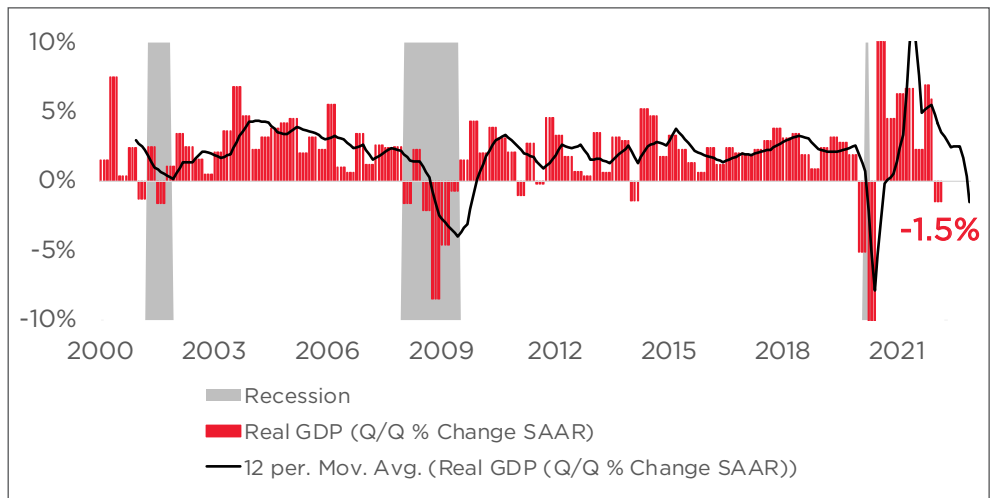
A recession is unlikely to materialize in 2022 because of the strength of the underlying economy, but the Fed could overshoot its goal of a soft landing. Chair Powell stated they are “strongly committed to bringing inflation back down...[and] moving expeditiously to do so.” But this also raises the probability of recession in the back half of 2023.

Real GDP fell 1.5% in the first quarter, a slight downward revision from the prior estimate of -1.4%. Consumer spending was revised higher, but downward revisions to inventories and home building offset these gains. During the quarter consumer spending rose 3.1%, business fixed investment rose 9.2%, and home building rose 0.4%. Collectively these components make up “core” GDP, which rose a solid 3.9% during the quarter. GDP declined because of a surge in imports which lowered growth in the quarter by 3.2 percentage points. Inventory growth was also slower than the previous quarter, shaving off another 1.1 percentage points of growth. Our expectations for second quarter growth is a bit firmer this month as some of these headwinds reverse. We now expect the economy to grow about 3% in Q2.

Consumer sentiment collapsed in June, falling 14.4% in the last month. The index ended the month at 50, the lowest level on record. Consumers are losing faith in the near-term outlook and feeling the pressure of inflation. Some 79% of Americans expect poor business conditions in the year ahead, the highest since 2009. Nearly half (47%) of consumers blame inflation for eroding living standards, a level last seen during the Great Recession and a sharp rise from May when 38% of consumers reported a similar view. Consumers expect year-ahead inflation of 5.3%. Expectations for long-run inflation declined somewhat to 3.1%, but consumers also expressed the greatest level of uncertainty about long-run inflation since 1991.

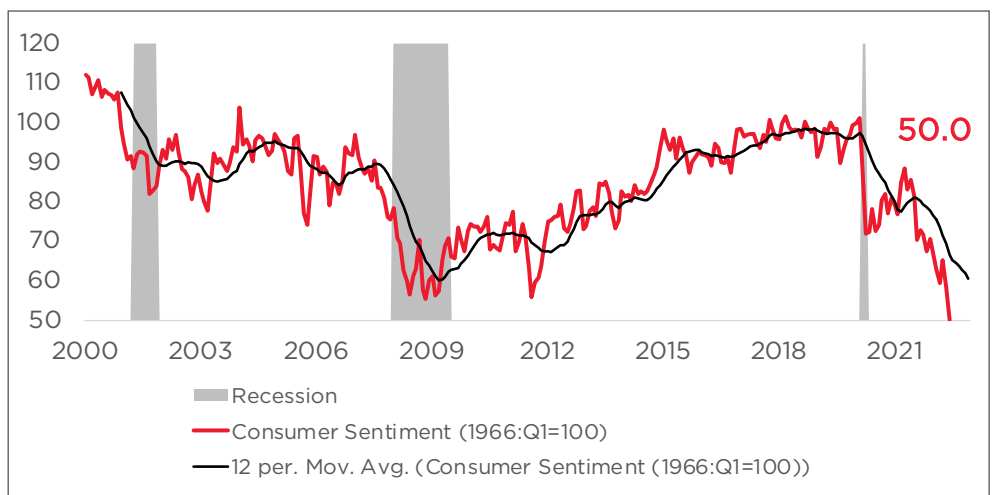
The economy added 390,000 new jobs in May. The largest increases during the month were in leisure & hospitality (+84,000), professional & business services (+75,000, including temps), and education & health services (+74,000). Manufacturers add another 18,000 and are just 17,000 jobs below pre-pandemic levels. The unemployment rate stayed steady at 3.6%. The total hours worked rose 0.3% in May and are up 4.2% in the last year. Average hourly earnings rose 0.3% in May and are up 5.2% in the last year. Job growth is decelerating, but remains strong and the job market remains very tight.

U.S. ECONOMIC GROWTH



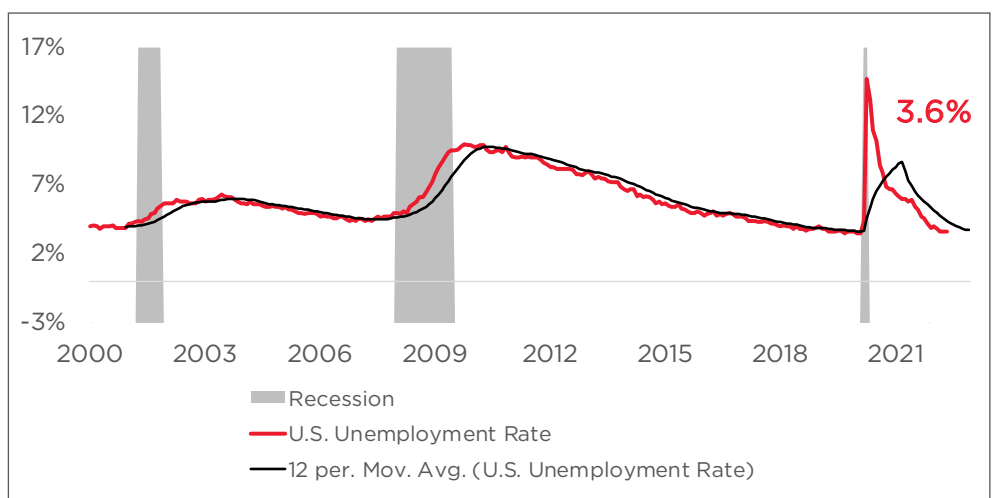
Bureau of Economic Analysis, Avrio Institute

CONSUMER SENTIMENT



University of Michigan, Avrio Institute

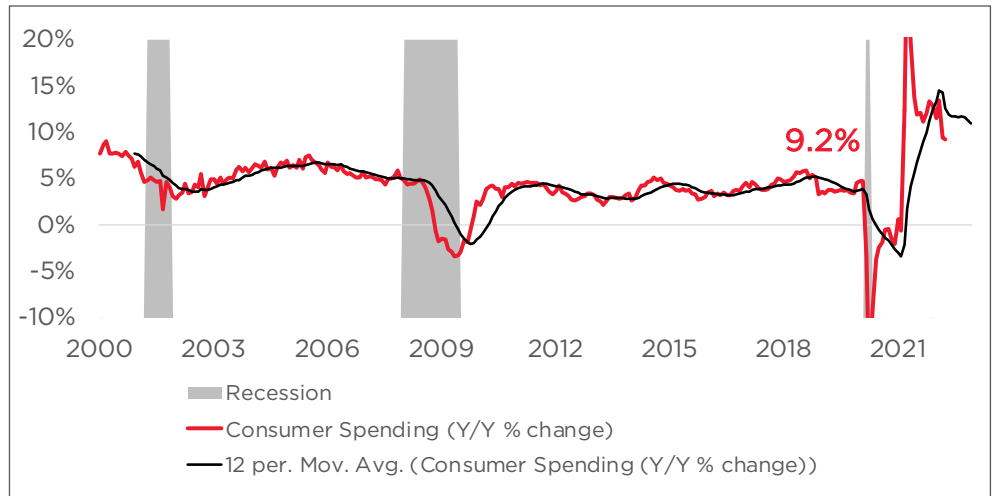
UNEMPLOYMENT RATE



Bureau of Labor Statistics, Avrio Institute

Consumer spending rose 0.9% in April and is up 8.2% over the last year. In normal times these results would also suggest solid spending and a confident consumer. But some of these gains are being driven by higher prices, not greater demand. Increased consumer spending in April was led by autos, online retail, and restaurants & bars. Real (inflation-adjusted) spending at restaurants and bars was up roughly 1.4%, a sign consumers continue to pivot toward services. Consumers also pivoted away from higher gas prices as much as they could. Spending at gas stations was down in April. Consumer spending results for May will be released at the end of June.

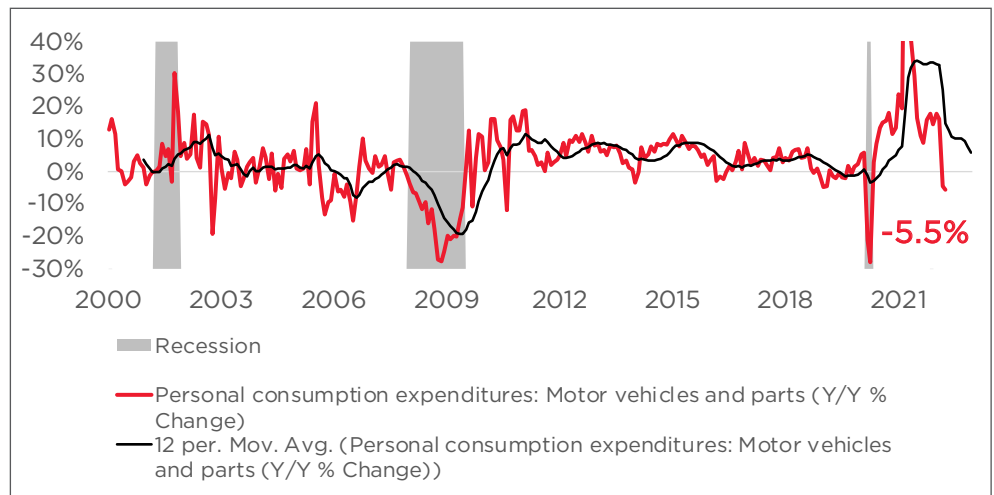
CONSUMER SPENDING



Bureau of Economic Analysis, Avrio Institute

Spending on new vehicles rose 6% in April, after two months of declines. This is only the third month to report positive gains in the last year. Spending on new vehicles is down 4.6% over the last year, but double what it was in April 2020. New purchases of used vehicles rose 2.2% during the month, a second consecutive increase after four down months. Spending is 10.1% lower than it was in April 2021 but up nearly 150% from April 2020. Spending on parts and accessories rose 2.1% during the month, the fourth consecutive monthly increase. Spending on parts and accessories is up 3.4% over the last year.

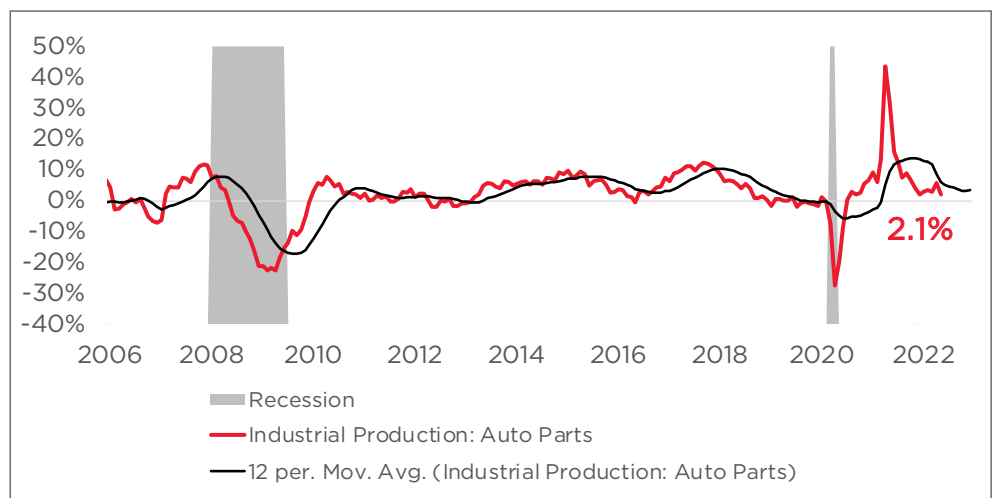
CONSUMER SPENDING ON MOTOR VEHICLES & PARTS



Bureau of Economic Analysis, Avrio Institute

Production of auto parts fell 1.4% in May, but remain up 2.1% over the last year. Output in May was 9.2% higher than pre-pandemic levels. Overall auto production rose 0.7% and is up 11.6% over the last year. Comparatively, non-auto manufacturing fell 0.1% during the month but is up 4.5% over the last year. Supply chain dynamics within the auto sector are improving, helping increase production levels. Motor vehicle assemblies have improved for three consecutive months. May production levels are 12.7% higher than a year ago but remain about 3.5% below the monthly average in 2019.

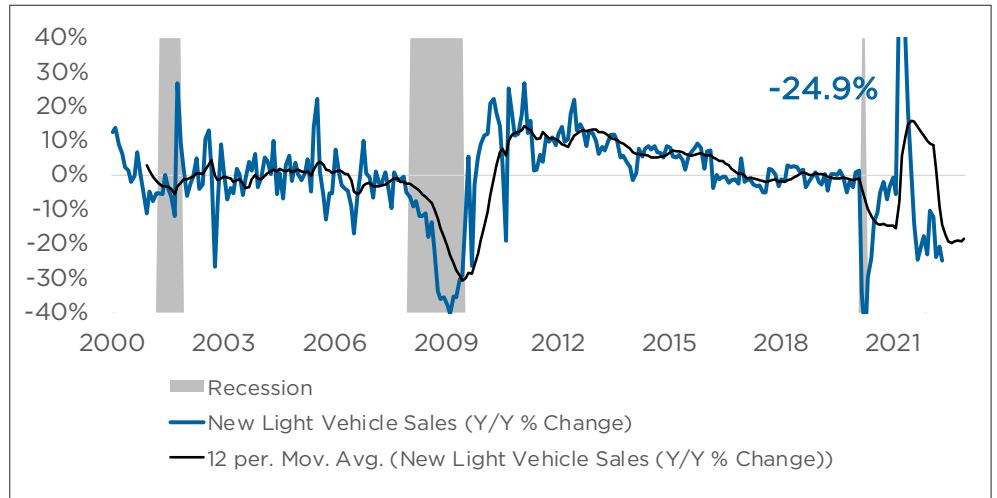
INDUSTRIAL PRODUCTION: AUTO PARTS



Federal Reserve, Avrio Institute

New vehicle sales fell in May, declining 12.5% from the previous month. Sales in May were nearly 25% below last May's figures. On an annualized basis, the industry sold 12.68 new vehicles in May, roughly 27% lower than May 2019. The industry continues to face very tight inventory levels which are constraining sales. High prices and growing economic uncertainty are also dissuading potential buyers. May's results are the lowest point in 2022 so far. Both new cars and trucks/SUVs were lower in the month. The domestic share of new vehicles inched up one-tenth of a percentage point to 79.7%.

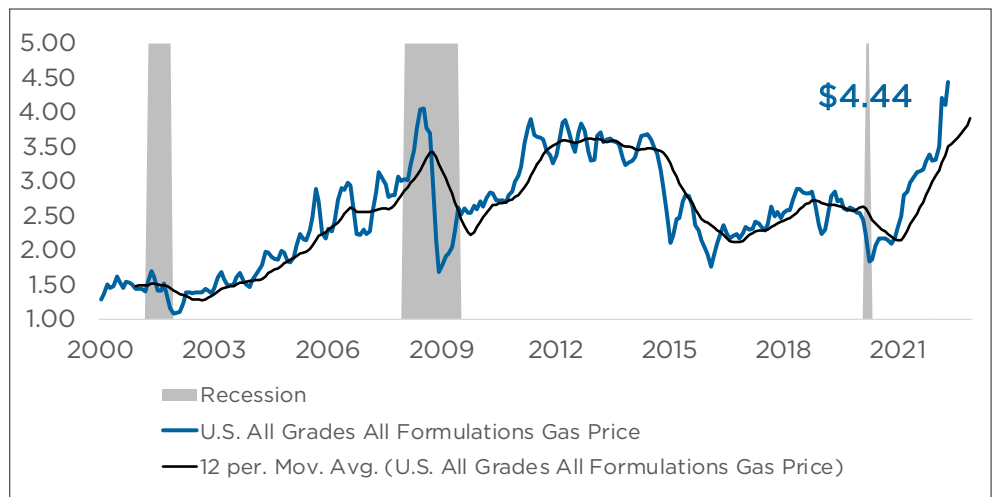
MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

National gas prices continue to strike new highs. Gas averaged \$4.44/gallon in May. Gas prices rose 34 cents during the month, one of the biggest monthly increases on record. Prices rose 8.2% during the month and are up nearly 49% over the last year and 137.6% over the last two years. Oil prices remain over \$110/barrel and are expected to remain over \$100/barrel through the end of the year. Elevated oil prices will likely keep gas prices above \$4/gallon in the near term. Recent government data also shows that domestic oil refining capacity fell again over the last year and is down about 1 million barrels a day over the last two years. This is the lowest level since 2014.

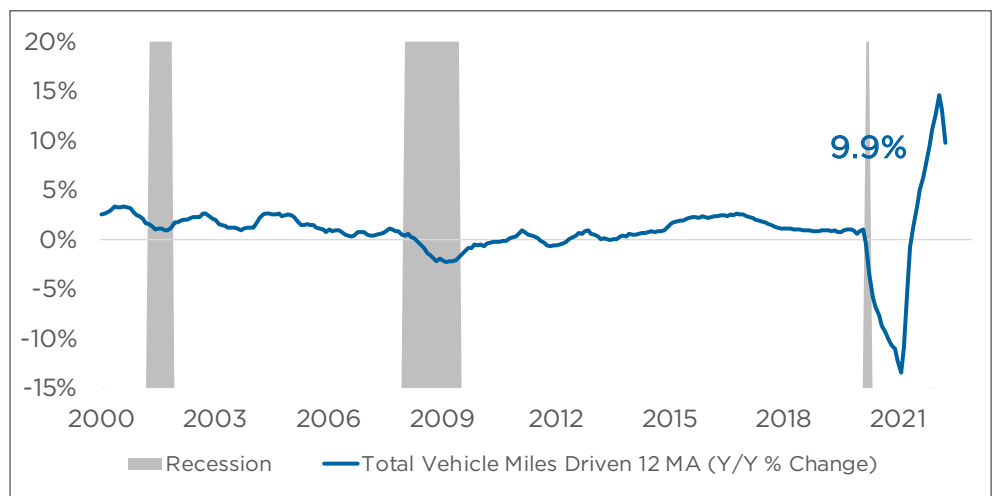
GAS PRICES



U.S. Energy Information Administration, Avrio Institute

Vehicle miles traveled on all roads and streets rose 1.5% (+3.9 billion vehicle miles) in April compared to a year ago. Seasonally adjusted vehicle miles traveled for the month totaled 270.7 billion, an increase of 2.5% from the prior year, but a decline of 0.9% from the prior month. High gas prices are likely starting to impact driving demand. For the month, the South Atlantic region saw the biggest increase compared to last year, rising 3.5%. The South Atlantic also has some of the lowest gas prices. The North East rose 3.3%, followed by the West region (+0.9%) and South Gulf region (+0.9%). The North Central region fell 0.1%.

VEHICLE MILES TRAVELED

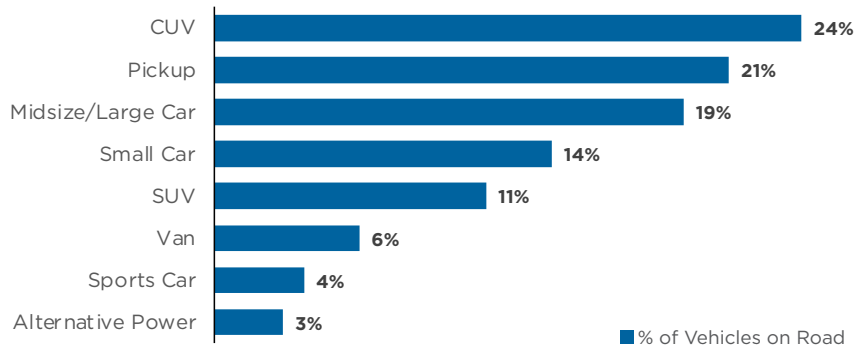


U.S. Federal Highway Administration, Avrio Institute

INSIGHTS FROM SEMA

VEHICLES IN OPERATION (VIO) DATA

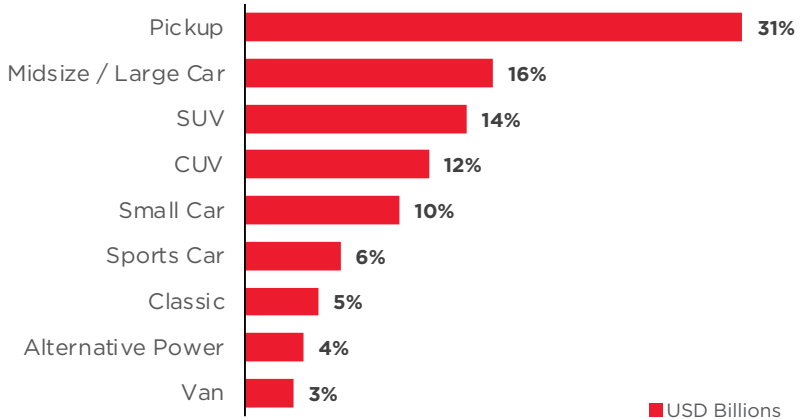
There are 283.8 million registered light vehicles in operation in the United States today, of which approximately 107.7 million are passenger cars and 176.1 million are light trucks. Together, CUVs and pickup trucks represent 44% of the vehicles on the road. As a note, the Upscale segment is no longer reported as a separate segment in this data.



Source: ©2022 Experian, Data as of December 31, 2021

SPECIALTY EQUIPMENT MARKET SIZE BY VEHICLE SEGMENT

The specialty-equipment market is a \$50.9 billion dollar industry. Customers spend the most money on pickup upgrades.



Source: 2021 SEMA US Market Data

INSIGHTS FROM THE 2022 SEMA MARKET REPORT

The year 2021 was a strong year for the specialty-equipment industry, with retail sales growing to above \$50 billion for the first time. Although the economy faces headwinds, industry outlook in 2022 remains positive.

ANNUAL RETAIL SALES OF AUTOMOTIVE SPECIALTY-EQUIPMENT PRODUCTS: US BILLIONS



To learn more, download the new 2022 SEMA Market Report today at: sema.org/research

APPENDIX

U.S. ECONOMIC GROWTH: Gross Domestic Product, or GDP, is a measure of a country's total economic activity. It represents the value of all goods and services produced within a country. More simply, it's the sum of a country's consumption, government expenditures, investments, and net exports. This graph shows the percent change per quarter at a seasonally adjusted annualized rate.

CONSUMER SENTIMENT: The "Index of Consumer Sentiment" comes from the University of Michigan's "Survey of Consumers." The index captures consumers' opinions on a variety of factors, such as how their current financial situation compares to a year ago, how they expect their financial situation to change and whether the next 12 months are a good time to buy a new vehicle.

CONSUMER SPENDING: Personal consumption expenditures (PCE) is the primary measure of consumer spending on goods and services in the U.S. economy. The index is adjusted for inflation and seasonality.

CIVILIAN UNEMPLOYMENT RATE: The unemployment rate is the number of unemployed individuals as a percent of the total labor force. The labor force includes all individuals 16 years of age and older who reside in 1 of the 50 states or the District of Columbia. Unemployed individuals are individuals who have actively sought work within the past four weeks.

TRADE-WEIGHTED U.S. DOLLAR INDEX: The trade-weighted U.S. dollar index provides a measure of the foreign exchange value of the U.S. dollar against the currencies of a broad group of major U.S. trading partners. It provides a gauge for how the U.S. dollar is performing against global currencies. A weaker dollar vis-à-vis other world currencies will make U.S. produced goods more attractive to foreign buyers. It can also mean a higher relative price for imported goods.

INDUSTRIAL PRODUCTION - AUTO PARTS: Industrial production of auto parts is a measure of real output for all facilities located in the United States manufacturing auto parts and allied goods. Growth in the production index from month to month is an indicator of growth in the industry.

TOTAL LIGHT VEHICLE SALES (THOUSANDS OF UNITS): Total U.S. cars and light trucks sold per month, including both domestic and foreign brands.

AVERAGE U.S. GAS PRICE (PER GALLON): Weekly average U.S. retail gasoline prices per gallon. This includes all grades and formulations.

VEHICLE MILES TRAVELED: The Federal Highway Administration's Traffic Volume Trends is a monthly report based on traffic count data. These data are collected at approximately 4,000 continuous traffic counting locations nationwide. Estimates are re-adjusted annually to match the vehicle miles of travel from the Highway Performance Monitoring System and are continually updated with additional data.

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