

SEMA INDUSTRY INDICATORS

APRIL 2021

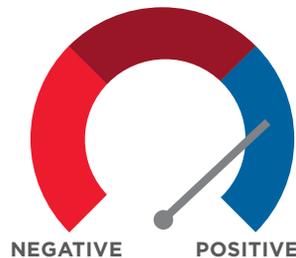


MARKET
RESEARCH

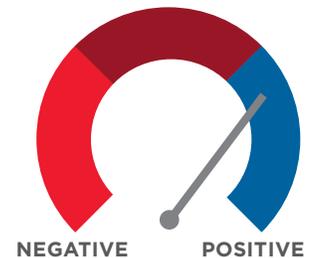
AVRIO
—INSTITUTE—

Economic growth picked up swiftly in March following the polar vortex that engulfed much of the country in February and curtailed economic activity during the month. But economic activity is also picking up because COVID-related restrictions and limitations are being lifted. Additionally, the IRS began delivering the third round of economic stimulus payments in the middle of the month. Consumers are looking especially bullish, and sentiment has jumped, driven by greater optimism for the near-term economic environment.

CURRENT OUTLOOK



FUTURE OUTLOOK



Retail sales surged 9.8 percent in March. Consumer spending will likely continue in the months ahead given that many of these checks were delivered to households in the back half of March and into April. Auto sales saw a spike in March, hitting levels not seen in over three years. Retail sales grew 7.7 percent in the first quarter, the strongest quarterly growth rate since the 1960s.

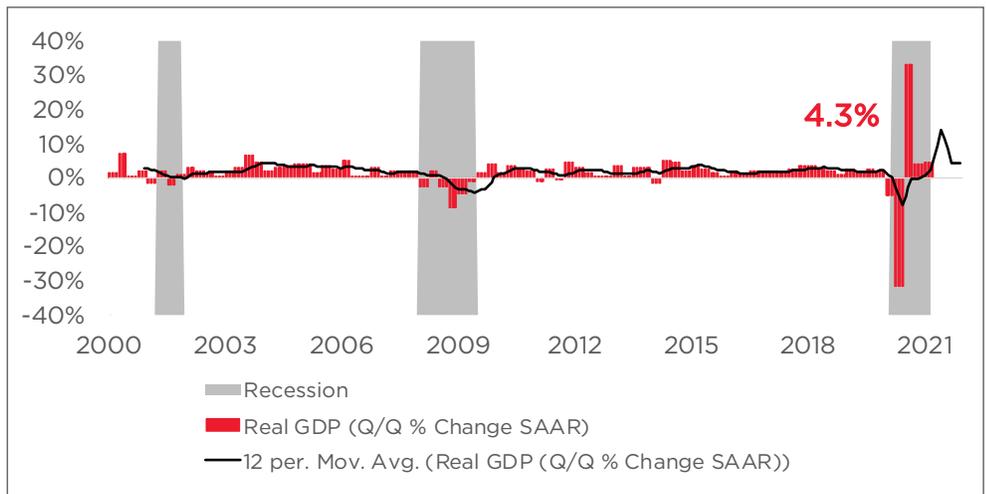
The last month was also a strong month for manufacturing. The industry added 53,000 jobs. However, the motor vehicles and parts sector shed roughly 1,000 jobs, making this the third consecutive month of declines. This is potentially a result of key component shortages like semiconductors, which has caused manufacturers to slow production of some models. But production in the auto parts segment increased during March and, as already noted, sales of new vehicles were extremely strong. Retail inventory levels for both new and used vehicles are tightening.

There remain a few major risk factors. First, while vaccination rates are quickly accelerating, the risk of variant strains remains acute. Secondly, costs are rising throughout the supply chain. Supply chains are constrained, created in part by an imbalance between supply and demand. This has increased prices for key components and created some shortages. As a further result of supply chain constraints, transportation costs are up significantly. The producer price index rose 1 percent in March and is up 4.2 percent over the last year. This is the highest level in nearly a decade. Over the last six months, prices are up a 7.6 percent annualized pace. Some of the factors driving prices higher are temporary and will subside somewhat, but price pressure is likely to remain through the remainder of the year.

ECONOMICS

Real GDP growth in the fourth quarter was revised up to 4.3 percent. Nominal GDP, which is real GDP plus inflation, was revised up to 6.3 percent. Nominal GDP is down 1.2 percent over the last year but up 1.4 percent compared to two years ago. Stimulus checks, increasing vaccination rates and lifting restrictions are combining to drive economic activity. GDP is set to grow 6 percent in the first quarter, 8.7 percent in the second quarter and 7.5 percent in the third quarter. For the year, the economy will expand roughly 6.5 percent over 2020.

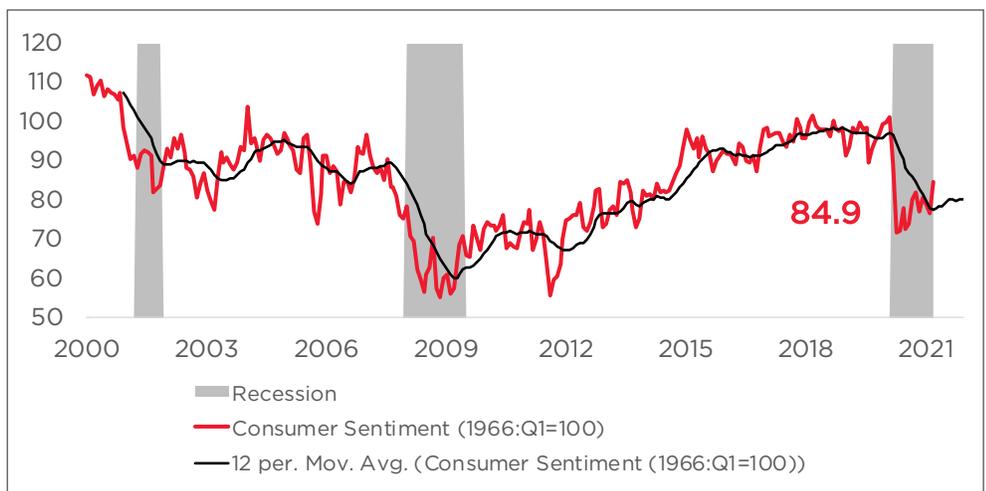
U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

Consumer sentiment surged to 84.9 in March — the highest levels in a year — and early results in April suggest sentiment is continuing to rise. Expectations for future economic gains typically lead in the early months of a recovery as the economy starts to pick up steam. But the jump in sentiment is being driven by current economic conditions, likely due to strong stimulus, low interest rates and a reopening economy. Future economic prospects did improve in March but are likely being weighed down by worries over inflation. In early April, half of all consumers expect unemployment to decline, the highest levels ever recorded.

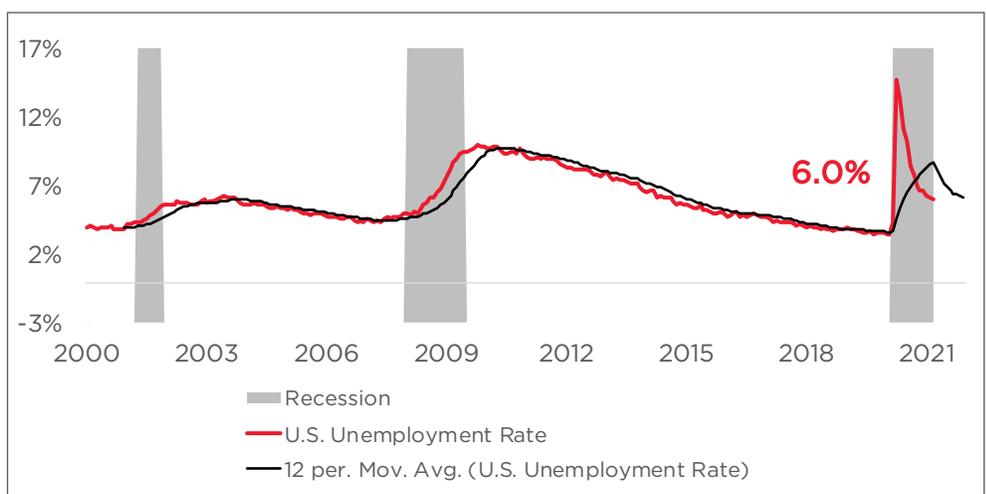
CONSUMER SENTIMENT



University of Michigan, Avrio Institute

March brought massive job gains. There were 916,000 jobs added during the month. Moreover, results for January and February were revised higher by 156,000. Leisure and hospitality led March gains with 280,000 jobs, followed by construction (110,000), education and health services (101,000). State and local governments also showed strong gains, as school buildings reopened and workers returned. Manufacturing added 53,000 jobs. The unemployment rate dropped to 6 percent in March. Total hours worked increased 1.9 percent in March, after falling in February mostly due to severe weather. Larger payrolls and longer average workweeks suggest March was a good month for production.

UNEMPLOYMENT RATE



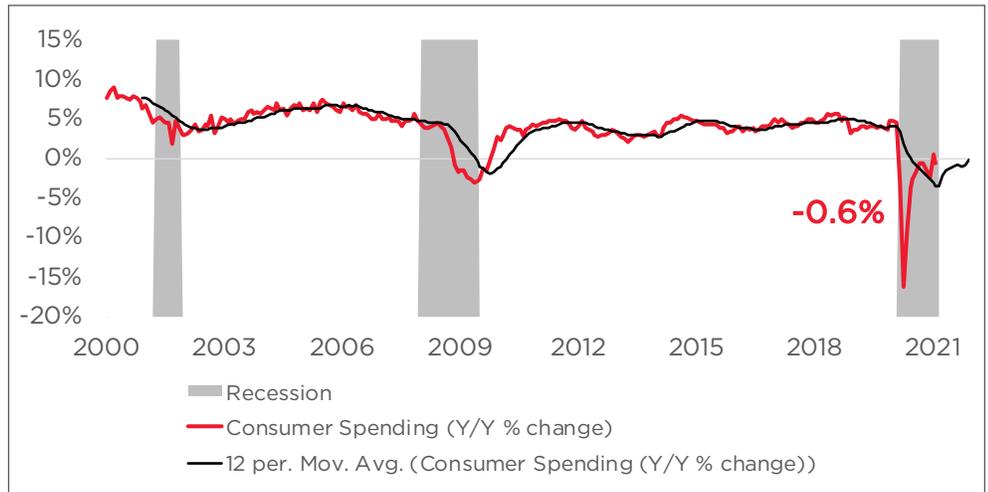
Bureau of Labor Statistics, Avrio Institute

Income and spending were both down in February. Personal income declined 7.1 percent from the prior month. The second round of COVID-relief stimulus payments began landing in bank accounts in January, which caused income to surge during the month. February brought a return to normal, but consumer income is still up 2.3 percent from December 2020 and up 4.3 percent over the last year. If you take out government transfer payments, income was up 0.4 percent in February. Spending fell 1 percent in February. Some of this decline is due to severe weather during the month and should reverse itself in the coming months, especially as the economy opens further.

Spending on vehicles declined in February. Like overall spending, this was likely a result of bad weather during the month and a lull of stimulus checks arriving in bank accounts. Spending on new vehicles declined 5.5 percent during the month and is down 13.6 percent from February 2020, the last month prior to the start of the pandemic. Net purchases of used vehicles were also down during the month, falling 4.1 percent. Spending on used vehicles is up 10.2 percent over pre-pandemic levels, highlighting the strength in used vehicle sales during the last 12 months.

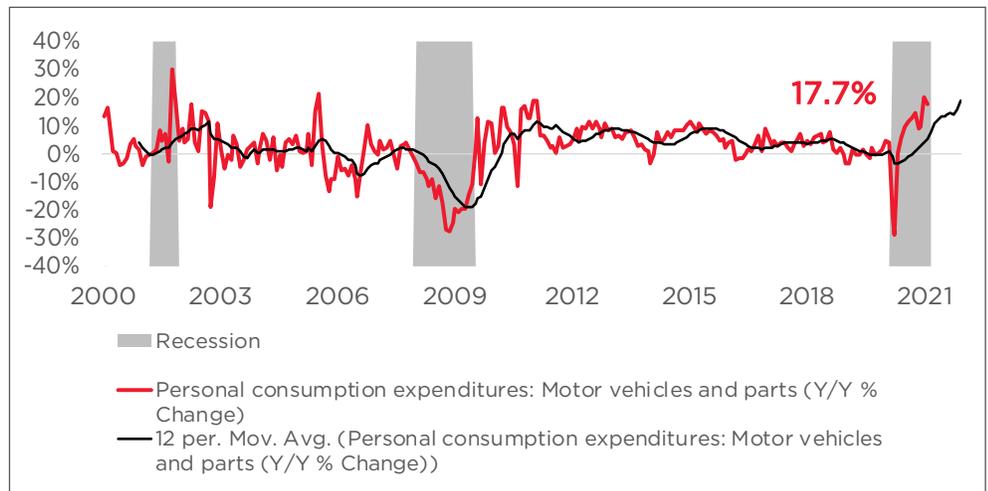
March was a very good month for production. Some of this growth was payback from the weather-induced slowdown in February. But it also points to an economy that is continuing to open and consumers flush with cash. Auto parts production increased 1.7 in March and is up 29 percent over the last year. Though, year-over-year comparisons are convoluted by the sharp drop in the early months of the pandemic last year. For the next year, it is probably more accurate to look at the two-year-over-two-year trend. Here we see that auto production is up a healthy 7.8 percent. This is the strongest two-year trend since December 2018.

CONSUMER SPENDING



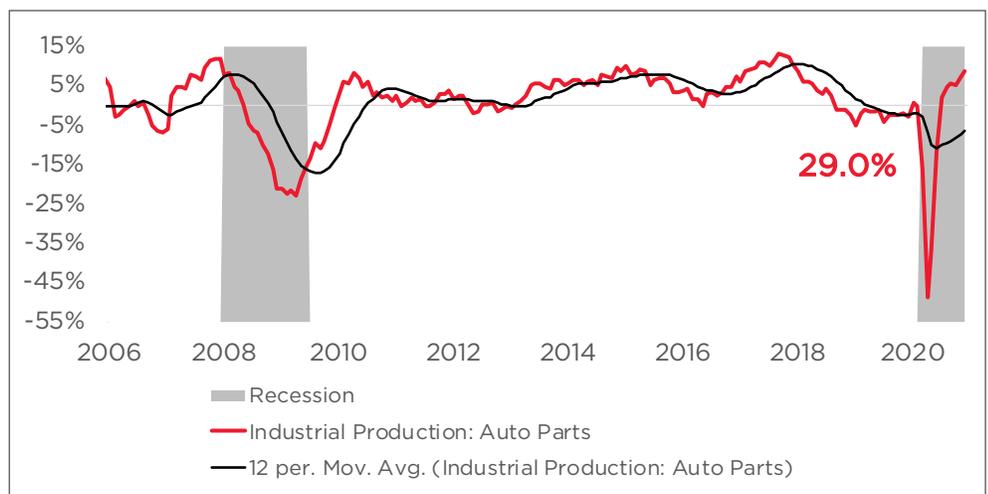
Bureau of Economic Analysis, Avrio Institute

CONSUMER SPENDING ON MOTOR VEHICLES & PARTS



Bureau of Economic Analysis, Avrio Institute

INDUSTRIAL PRODUCTION: AUTO PARTS

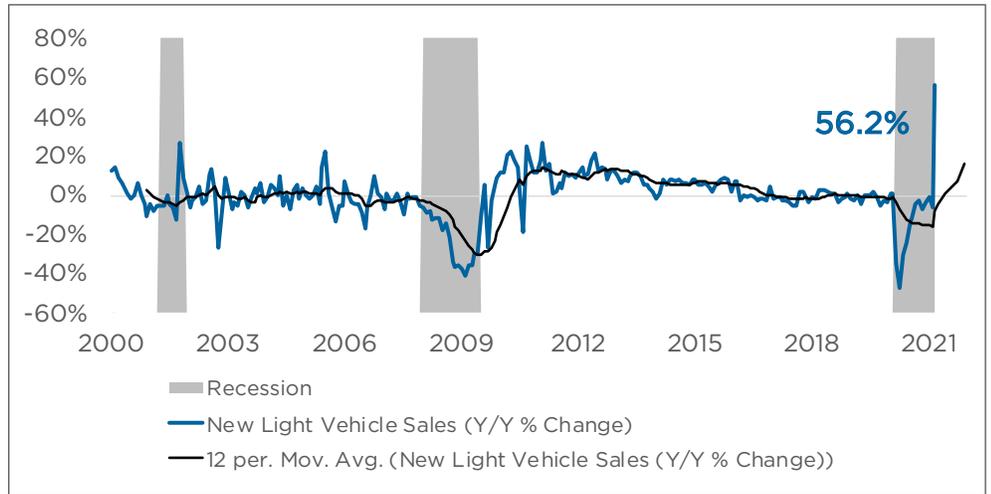


Federal Reserve, Avrio Institute

AUTOMOTIVE

New vehicles sales were extremely strong in March, with a seasonally adjusted annual run rate of 17.75 million. This is the highest level since October 2017. New vehicle sales increased 12.6 percent in March and are up 56.2 percent over the last year. Again, the two-year trend is more appropriate here. Compared to March 2019, new vehicle sales are up 2.5 percent. During the month, both new car and new truck sales were up. New car sales were up 13.1 percent in the month and are up 33.5 percent over the last year. They are down 22.2 percent compared to two years ago, which highlights the larger shift to trucks and SUVs. Trucks/SUVs are up 12.5 percent compared to two years ago.

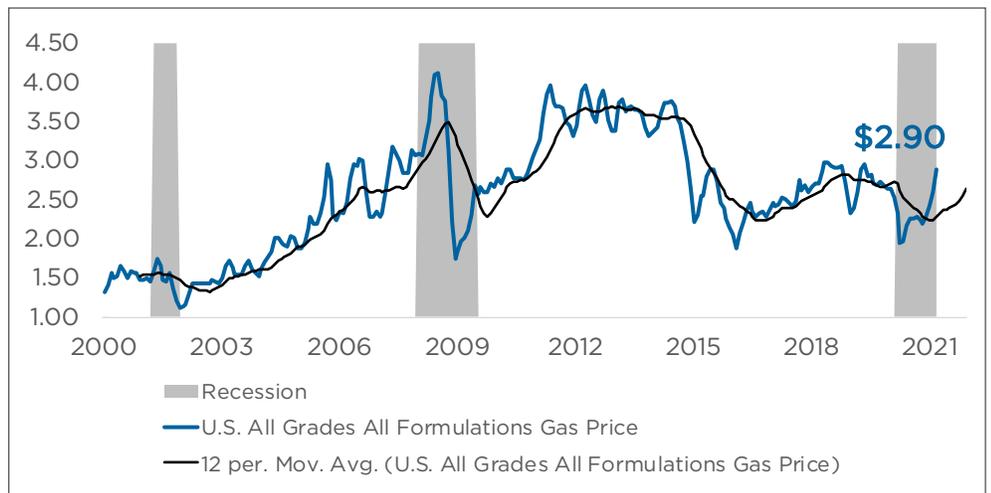
MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

Gas prices continue their meteoric rise. National average gas prices increased to \$2.90 in March. Prices were up 31 cents, or 12 percent, in the last month. Prices are up 24.4 percent over the last year and 11.7 percent compared to two years ago. March saw the highest average monthly gas prices since May 2019. In a normal year, gas prices usually peak between Memorial Day at the end of May and the Fourth of July, so gas prices will likely continue to drift higher in the coming months. Demand for gasoline continues to climb as the economy reopens and mobility rates increase.

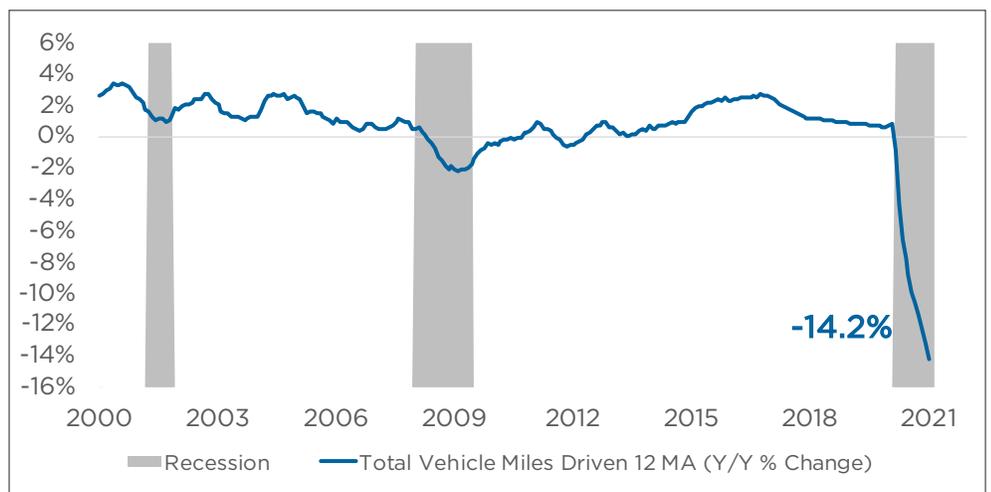
GAS PRICES



U.S. Energy Information Administration, Avrio Institute

Seasonally adjusted vehicle miles traveled for February 2021 declined 1.1 billion vehicle miles (0.4 percent) compared to the prior month. Seasonally adjusted vehicle miles were down 29.1 billion vehicle miles, or roughly 10.6 percent, compared with February 2020. Severe weather during the month likely curtailed driving in much of the country. The South Gulf region was down 13.9 percent from the prior year, while the Northeast was off 18.5 percent. At 205.4 billion vehicle miles, February 2021 was the lowest February of driving since 2003.

VEHICLE MILES TRAVELED

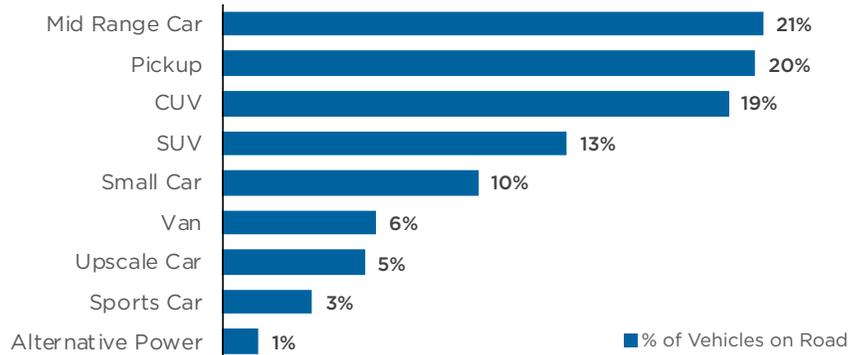


U.S. Federal Highway Administration, Avrio Institute

INSIGHTS FROM SEMA

VEHICLES IN OPERATION (VIO) DATA

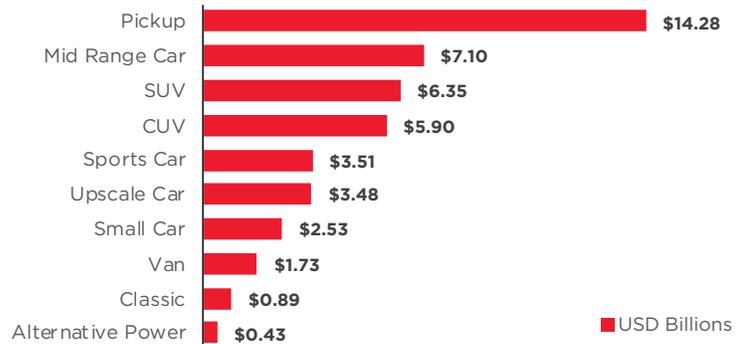
There are over 281 million light vehicles in operation in the United States today, of which over 114 million are passenger cars and nearly 167 million are light trucks. Together, mid range cars and pickup trucks represent 41% of the vehicles on the road.



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

SPECIALTY EQUIPMENT MARKET SIZE BY VEHICLE SEGMENT

The specialty-equipment market is a \$46.2 billion dollar industry. Customers spend the most money on pickup upgrades.

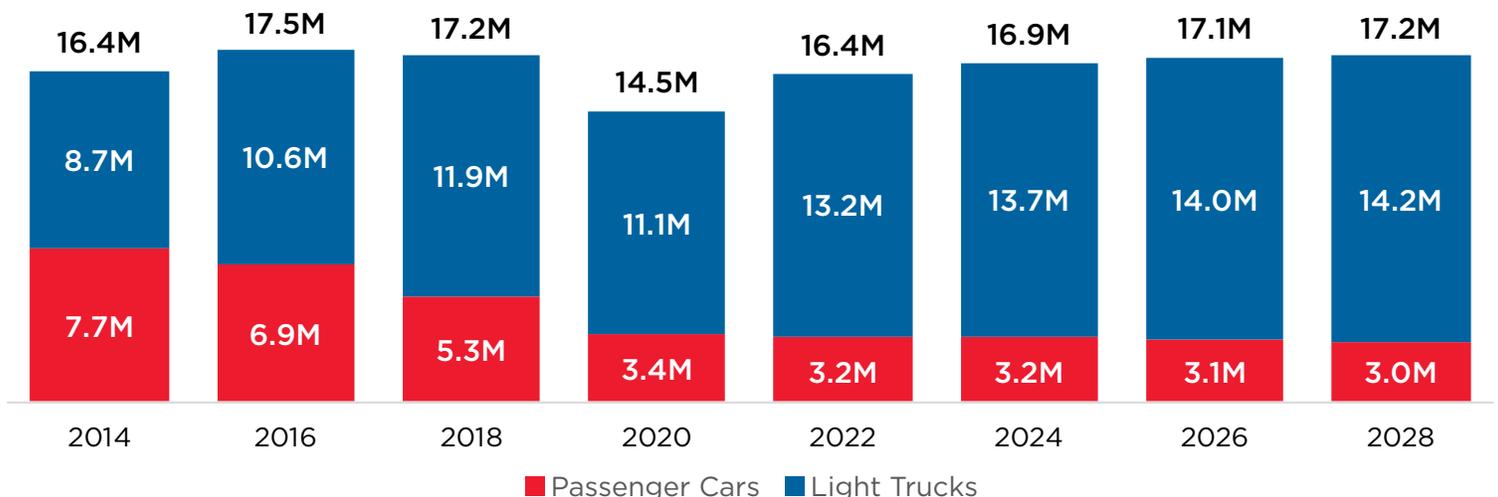


Source: 2019 SEMA US Market Data

INSIGHTS FROM THE NEW SEMA VEHICLE LANDSCAPE REPORT

The U.S. vehicle landscape is shifting away from passenger cars to light trucks. By 2028, light trucks are expected to make up 82% of all new light vehicles sold, driven mainly by the popularity and growth of CUVs.

NEW VEHICLE SALES FORECAST BY TYPE



Note: Light Trucks include CUVs, SUVs, Pickups and Vans

To learn more, download the 2021 SEMA Vehicle Landscape Report 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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