

SEMA INDUSTRY INDICATORS

APRIL 2022



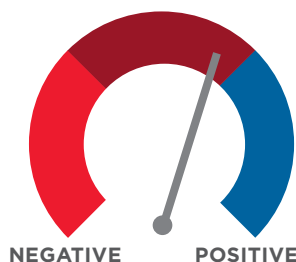
MARKET
RESEARCH

AVRIO
—INSTITUTE—

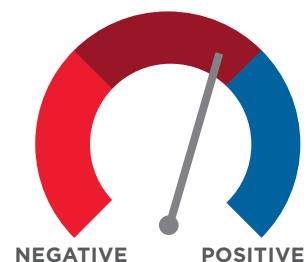
The three major narratives laid out last month continue to dominate the economic picture.

The Russia-Ukraine War is unlikely to abate anytime soon and the fallout will continue to exert pressure on global commodity prices and already strained supply chains. It will take months for companies to gain clarity on the impact sanctions will have on their operations and the availability of key chemicals and other resources.

CURRENT OUTLOOK



FUTURE OUTLOOK



In China, COVID restrictions are being tightened even further after weeks of strict lockdowns. Production delays are mounting. China's Ministry of Industry and Information Technology recently called for prioritizing the resumption of work at hundreds of major businesses in key industries like chips, biopharma, and equipment manufacturing, but restrictions have made it difficult to get all workers back. Most supply chains will be impacted through the end of the year.

Inflationary pressures remain acute in the U.S. Inflation in March recorded the highest year-on-year rate since December 1981. And the rise probably is not over. Year-over-year inflation rates will likely peak next month, but even after this, prices will remain high. The global dynamics noted above will help to push prices higher in the near term. Retail sales in March were mixed as consumers shift spending as a result of high inflation. Sales at gas stations were up 8.9%. Adjusted for inflation, overall retail sales declined 0.7% in March.

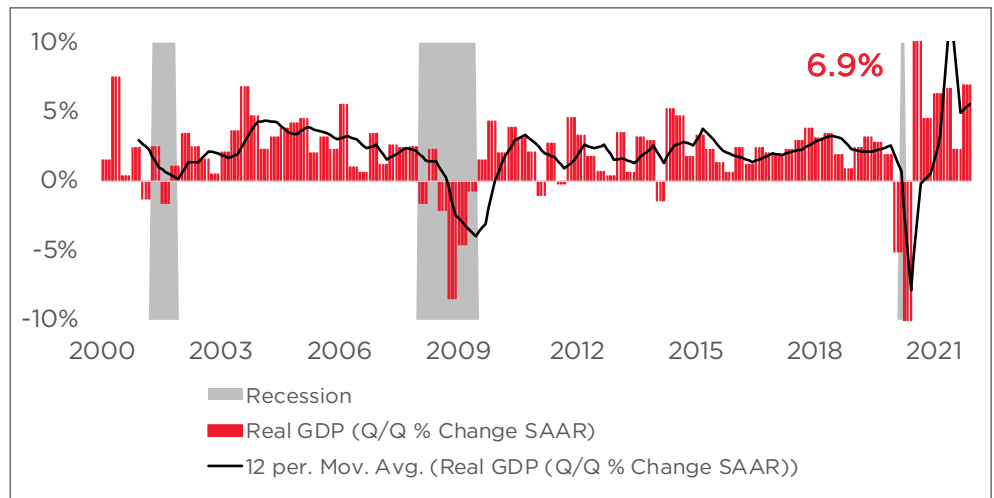
Consumer demand will slow further in the coming months as the Federal Reserve turns more aggressive in combating inflation. We are increasingly likely to see a 50 basis point rate increase at the next Fed meeting held in the first week of May and perhaps in the June meeting as well.

Auto shopping activity is down on a year-over-year basis on both Autotrader and Kelley Blue Book. Consumers believe it is the worst time to buy a car in decades. The sale of vehicles financed at 0% inched up slightly in recent weeks suggesting a bit more promotion, but sales volume right now is being held back by inventories, not sentiment. Auto inventories are unlikely to fully recover this year.

A recession is still unlikely in 2022, but the headwinds have increased.

Real GDP in the first quarter will be published at the end of April and will likely show growth of just 0.8%. Two areas will weigh to the downside: inventory investment and net exports. Inventory added 5.3 percentage points of growth in the fourth quarter so some cooling is expected. Net exports will likely shave two percentage points from GDP growth in the quarter. A slowdown in exports highlights slowing growth abroad while at the same time imports were strong as domestic demand remains positive. Slow growth in the first quarter does not signal recession but it does highlight a more challenging economic environment ahead with less stimulus and more restrictive monetary policy.

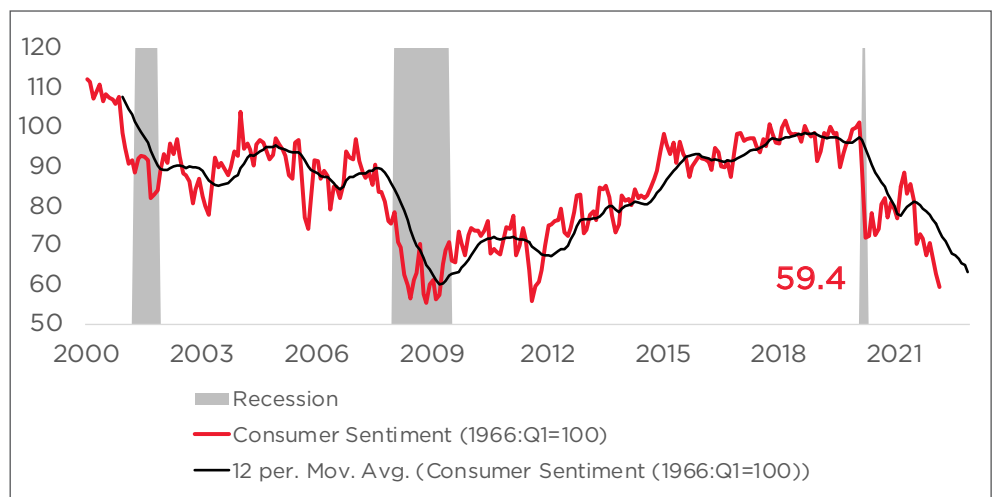
U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

Consumer sentiment is mixed. The daily index from Morning Consult is down in April while the University of Michigan index improved, despite many factors weighing on consumers. Sentiment jumped 10.6% in the first half of the month, though it remains below the reading in January and lower than in any prior month in the past decade. April gains were entirely driven by improvements in the Expectations Index. Personal financial expectations jumped 17.2%, driven by a tight labor market and expectations for higher wages. Consumers under the age of 45 expect wages to grow 5.3%, the largest expected gain in more than three decades. While big increases in nominal wages are expected, inflation remains a key concern for consumers.

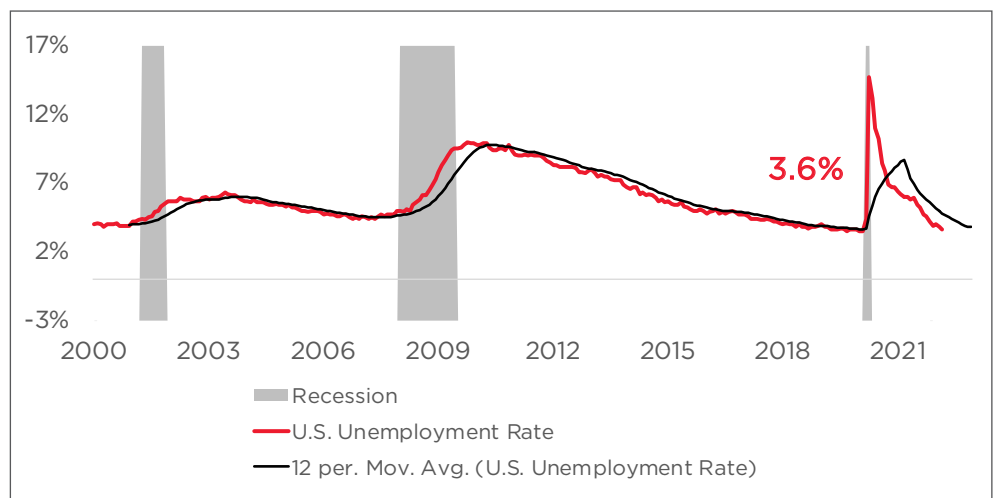
CONSUMER SENTIMENT



University of Michigan, Avrio Institute

The economy added 431,000 new jobs in March and figures from January and February were revised up 95,000 jobs. Similar to last month, the largest gains were in leisure & hospitality (112,000), professional & business services (102,000 jobs including temps), and education and health services (53,000). Manufacturing saw strong growth, adding 38,000 new jobs in the month. Payrolls are rising quickly, but are still about 1.6 million below pre-pandemic levels. The unemployment rate fell from 3.8% in February to 3.6% in March. The median duration of unemployment fell to roughly 7.5 weeks, lower than it was pre-pandemic. The labor market is very tight and will remain tight in the coming months.

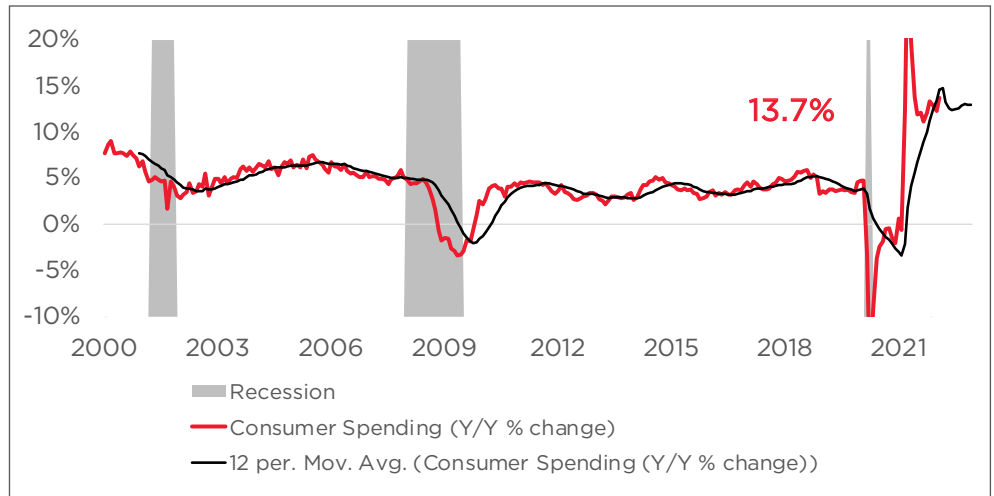
UNEMPLOYMENT RATE



Bureau of Labor Statistics, Avrio Institute

CONSUMER SPENDING

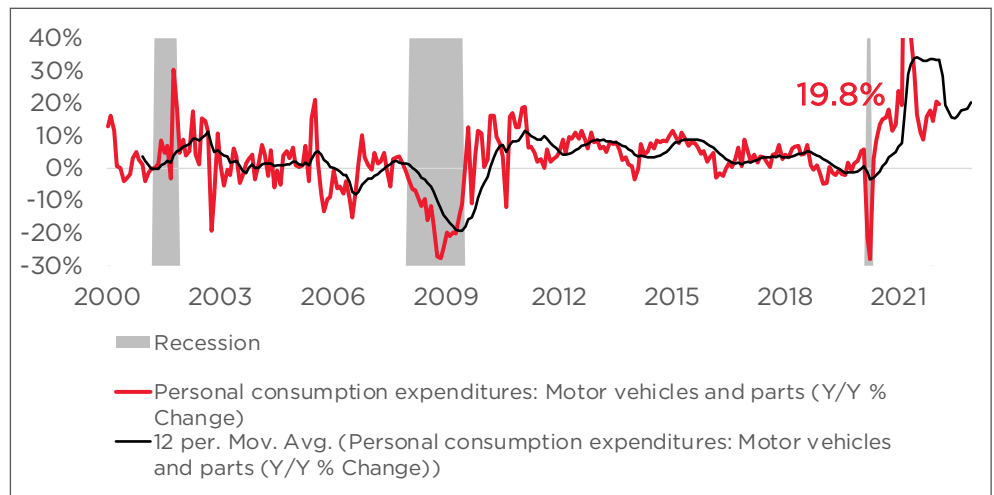
Consumer spending rose 0.2% in February and is up 13.7% over the last year. At the same time, personal income increased 0.5% and is up 6% over the last year. Income is being driven by gains in private-sector wages and salaries which rose 0.8% in February, offsetting a decline of 0.3% in government transfers. Consumers are switching their spending toward services as the economy reopens. Spending on services was up 0.9% while spending on goods declined 1%. After adjusting for inflation, "real" consumer spending declined 0.4% in February but is up 6.9% from a year ago.



Bureau of Economic Analysis, Avrio Institute

CONSUMER SPENDING ON MOTOR VEHICLES & PARTS

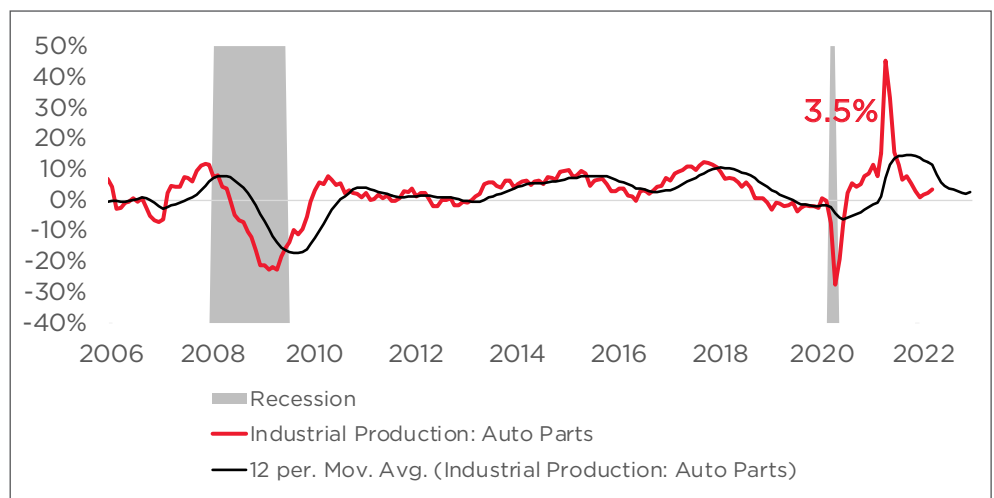
Spending on new vehicles fell 7.7% in February as supply chain constraints continue to hinder the sector. Spending is up 10.6% over the last year and up 35% over two years ago - a sign of higher prices. Net purchases of used vehicles rose 1% in the month - likely benefiting from tax refunds and tight supply. Spending on used vehicles is up 38.6% in the last year and 64.1% from the start of the pandemic. Spending on parts fell 0.8% during the month but is up 16.7% over the last year.



Bureau of Economic Analysis, Avrio Institute

INDUSTRIAL PRODUCTION: AUTO PARTS

Production of auto parts rose 0.3% in March. Parts production is up 3.5% over the last year and 10.6% from the start of the pandemic two years ago. The auto sector continues to be strained by supply chain disruptions which also results in volatile month-to-month results. This month overall auto production rose a sharp 7.8% from the prior month. Output remains down 3.5% from the start of the pandemic. Overall Industrial Production increased a strong 0.9% in March and is up 3.5% from the start of the pandemic. Manufacturing output rose 0.9% during the month. The mining sector, which includes oil rigs, rose a solid 1.7% during the month as it continues to gain momentum.

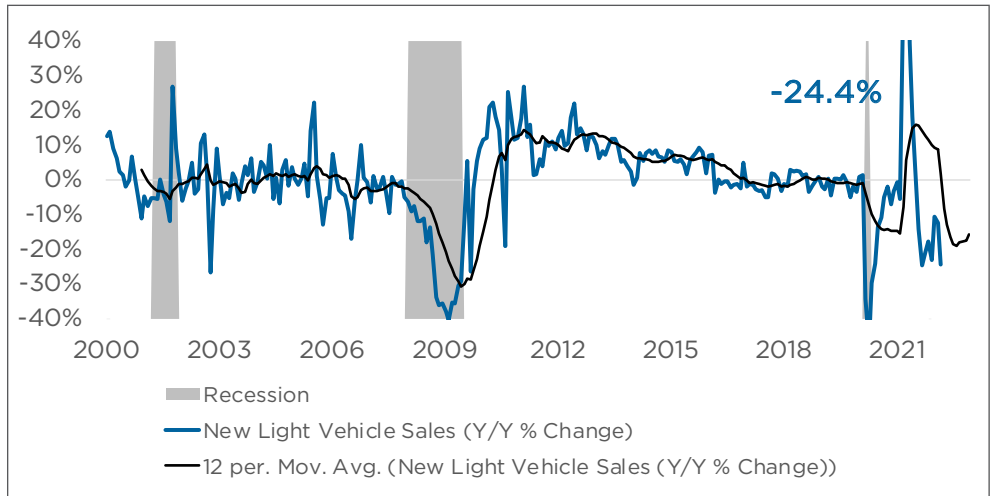


Federal Reserve, Avrio Institute

AUTOMOTIVE

New vehicle sales slipped further in March, declining 4.6% from the prior month. New vehicle sales for the month were just 13.33 million on a seasonally-adjusted annualized basis, down a staggering 24.4% from a year ago - though March 2021 was the high point in the recovery thus far. Monthly sales have been averaging just over 1.1 million over the last six months, compared to 1.4 million over the same period in 2019. Sales continued to be constrained by low available inventory and supply constraints. Truck and SUV sales were 80% of all vehicles sold during the month, tying a record higher hit last October.

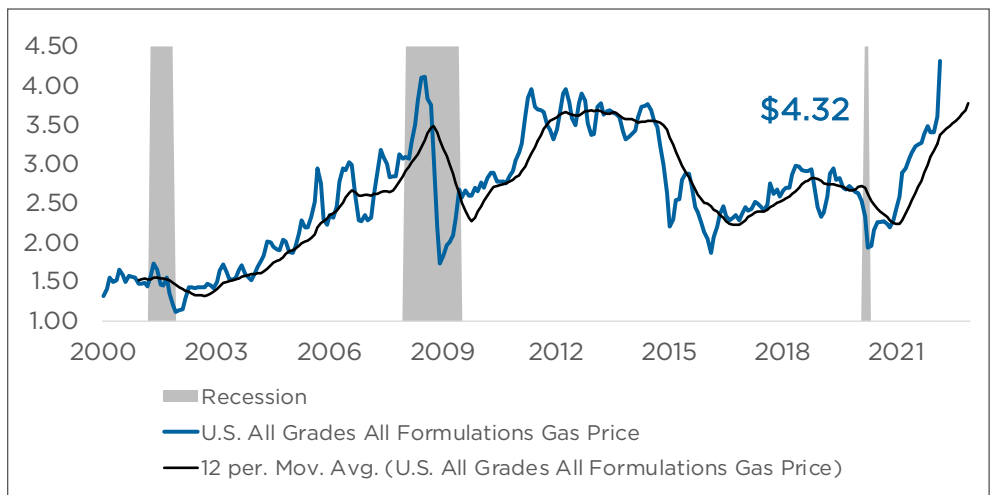
MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

National gas prices rose significantly in the early aftermath of Russia's invasion of Ukraine. Prices averaged \$4.32/gallon in March, the highest monthly average price on record. Gas prices have trended down somewhat since peaking in March but are likely to remain elevated over the coming months. Oil prices remain above \$100/barrel and are expected to stay through the summer. WTI crude oil rose as high as \$123 in the immediate aftermath of the attack but has since fallen back to a still-high \$105.

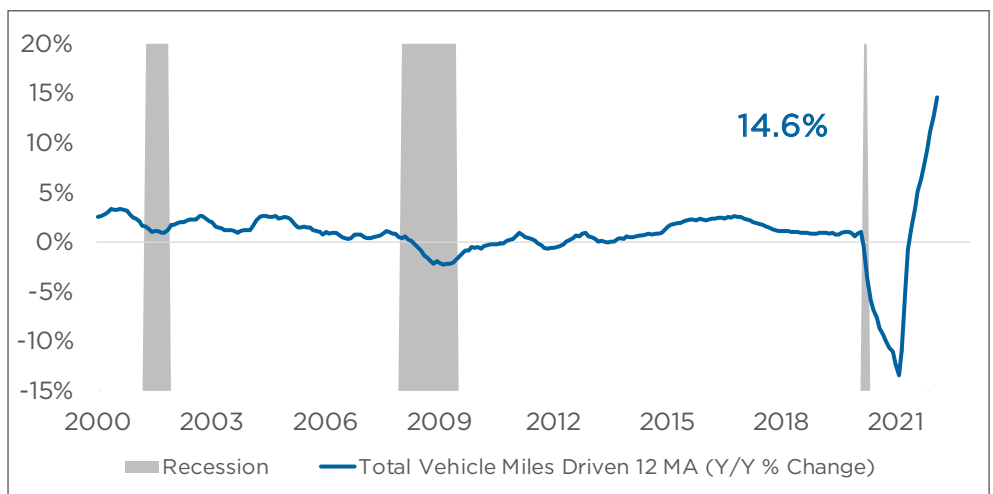
GAS PRICES



U.S. Energy Information Administration, Avrio Institute

Vehicle miles traveled on all roads and streets rose 10.6% (+22.6 billion vehicle miles) in February compared to a year ago. Seasonally adjusted vehicle miles traveled for the month totaled 276.4 billion, an increase of 9% from the prior year, and a 2.2% increase from January 2022. For the month, the Northeast region saw the biggest increase compared to February 2021, rising 14.9%. This was followed by the South Atlantic region (+12.4%), South-Gulf (+11.8%), the West (+8%), and North Central (+7.8%).

VEHICLE MILES TRAVELED

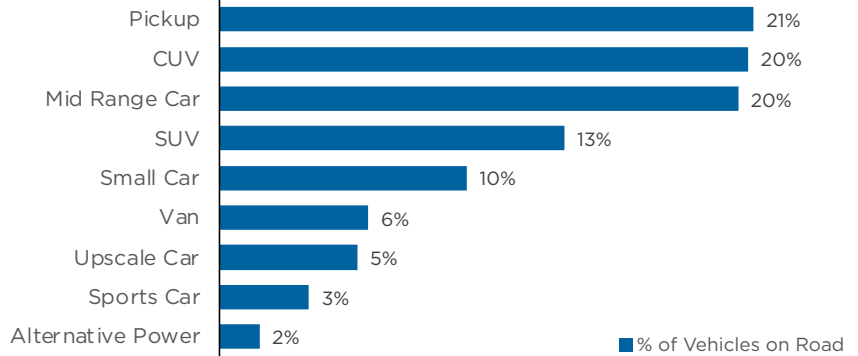


U.S. Federal Highway Administration, Avrio Institute

INSIGHTS FROM SEMA

VEHICLES IN OPERATION (VIO) DATA

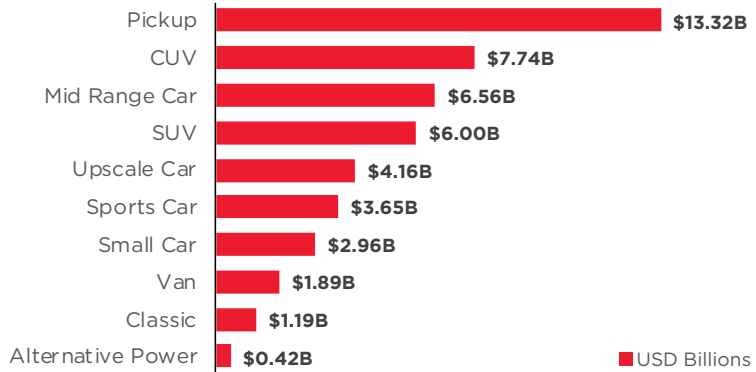
There are 283.8 million light vehicles in operation in the United States today, of which approximately 112.5 million are passenger cars and 171.3 million are light trucks. Together, CUVs and pickup trucks represent 41% of the vehicles on the road.



Source: ©2022 Experian, Data as of September 30, 2021

SPECIALTY EQUIPMENT MARKET SIZE BY VEHICLE SEGMENT

The specialty-equipment market is a \$47.9 billion dollar industry. Customers spend the most money on pickup upgrades.

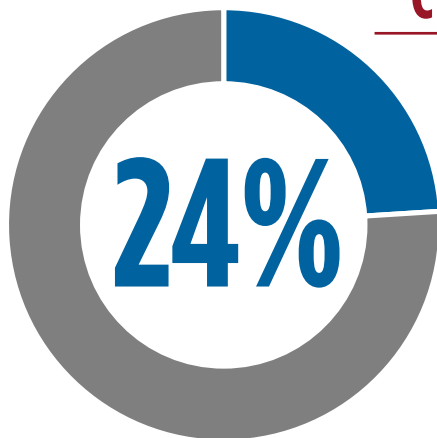


Source: 2020 SEMA US Market Data

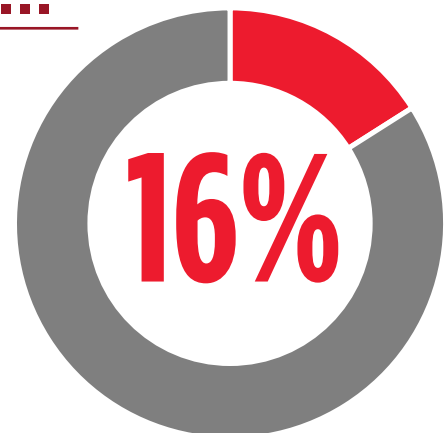
INSIGHTS FROM THE NEW SEMA CUV MARKET SNAPSHOT

CUVs – Crossover Utility Vehicles – are the fastest-selling and most common vehicle on the road in the U.S. today. They’re also a significant part of the specialty-equipment aftermarket, accounting for over \$7.7 billion in specialty parts sales in 2020.

CUVS REPRESENT...



OF VEHICLES IN OPERATION



OF SPECIALTY-EQUIPMENT SALES

To learn more, download the new SEMA CUV Market Snapshot 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.

Copyright ©2022 SEMA and Avrio Institute. All Rights Reserved.

CONTACT INFO

sema.org

Kyle Cheng

kylec@sema.org

909.378.4861

AvrioInstitute.com

Shawn DuBravac, PhD, CFA

Shawn@AvrioInstitute.org

703.980.8892