

SEMA INDUSTRY INDICATORS

DECEMBER 2021



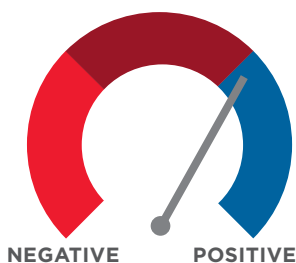
MARKET
RESEARCH

AVRIO
—INSTITUTE—

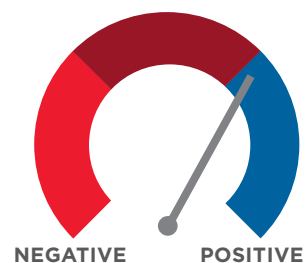
A number of risks remain acute.

The Omicron variant is spreading rapidly around the United States, but data from South Africa, where the variant virus was first detected, suggests high rates may be short-lived. New cases in South Africa peaked in the middle of December and have since fallen, though new cases remain well above levels from a month ago. New cases haven't peaked in the United States yet, but they are on the rise. Considering new COVID cases have set new highs on the East Coast, in places like New York and Maryland, it is likely only a matter of weeks before new cases reach new highs nationally.

CURRENT OUTLOOK



FUTURE OUTLOOK



Early data suggests that Omicron cases are “milder” than other forms of COVID. As a result, while COVID cases might be higher, death rates will likely not hit new levels. It remains to be seen how consumers and businesses react. Airlines had to cancel hundreds of flights due to Omicron so some impact is already materializing.

Supply chain challenges haven't changed meaningfully over the last month. Shortages continue to hamper production levels and lead-times remain long. Logistics hubs remain backed-up. On Christmas morning, there were 49 container ships in port at LA and Long Beach. Of these, 23 were at anchor or loitering, waiting for a berth.

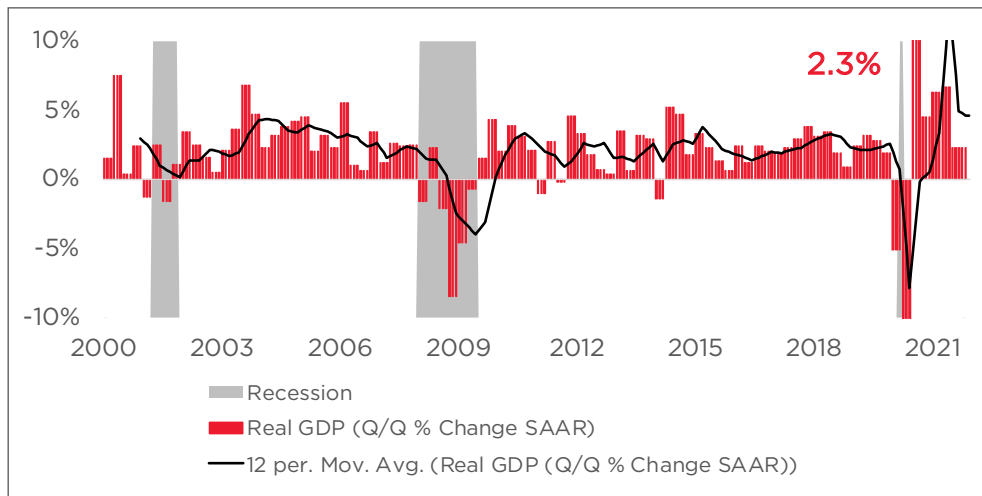
Expect supply chain challenges to linger well into 2022, and in some instances into 2023. Demand remains strong. New orders for durable goods rose 2.5% in November, easily beating the expected increase of 1.8%. This was the 17th increase in the past 19 months. This increase leaves durable orders 16.2% above pre-pandemic levels and 4.8% above the best reading in the latter stages of the previous expansion.

At the same time, consumer spending on goods does appear to be shifting towards services, a trend that has been underway for a few months now. Spending on goods is already well above pre-pandemic levels while spending on services remains below, suggesting some upside potential here.

Another major pressure on businesses and consumers is higher prices. The headline price index for personal consumption expenditures (PCE) rose 0.6% in November and is up 5.7% over the last year. Even excluding some of the volatile categories like energy and food has the core price index up 4.7% over the last year. Price increases will slow somewhat next year, but could still run higher than pre-pandemic levels.

Real GDP growth for Q3 was once again revised marginally higher. Growth in the quarter was 2.3%, though still much lower than the 6.5% growth achieved in the first half of the year. The slight upward revision to growth was driven primarily by an upward revision in consumer spending on services. Corporate profits during the quarter were up 3.4% from the prior quarter, and up 19.7% from a year ago. Expectations for growth in Q4 are also higher this month. The economy is now expected to grow 5.9% during the final quarter of the year.

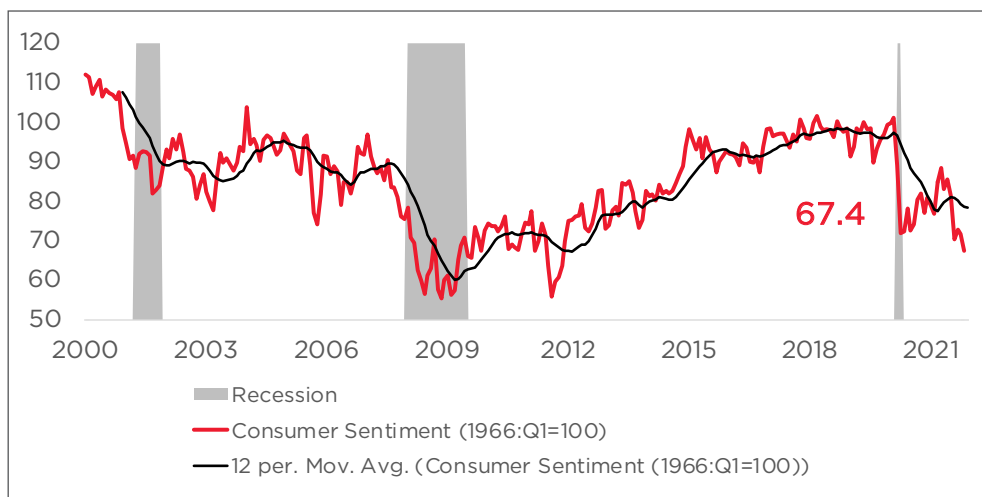
U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

Consumer sentiment declined in November, hitting a level not seen since 2011. Sentiment declined in the face of rapidly rising inflation rates combined with the absence of federal policies that would offset the inflationary damage to household budgets. But sentiment improved in December, driven by gains in expectations among households with incomes in the bottom third of the income distribution. The announced increase in Social Security of 5.9% in 2022 was partly responsible for the gain. Gains in sentiment are likely to be short lived as the Omicron variant spreads quickly across the country.

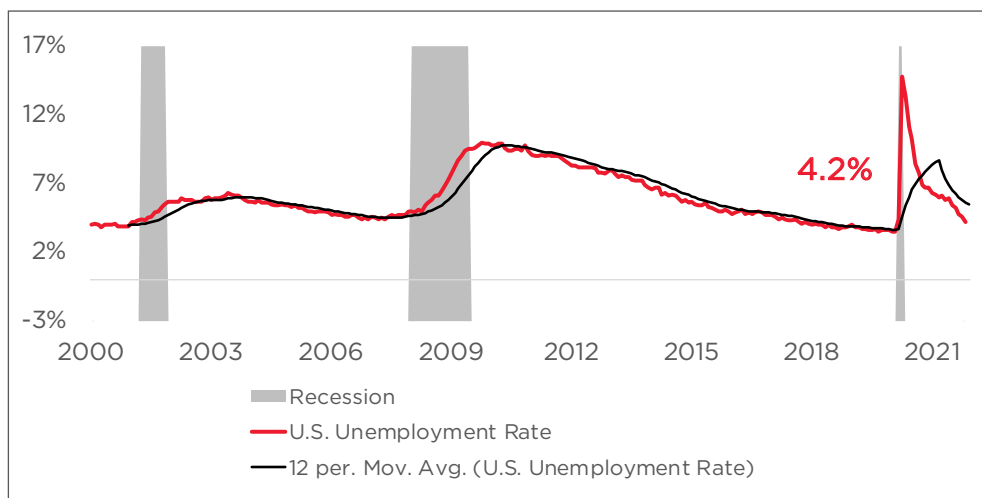
CONSUMER SENTIMENT



University of Michigan, Avrio Institute

The unemployment rate dropped to 4.2% in November and nonfarm payrolls increased 210,000 jobs during the month. Payroll gains were also revised higher for September and October by 82,000 jobs. The largest increases in November were for professional & business services (90,000), transportation & warehousing (50,000), construction (31,000), and manufacturing (31,000). While the total gains were well below census expectations of 550,000 new jobs, both the labor force participation rate (the share of adults who are either working or looking for work) and the employment-to-population (the share of adults who are working) rose to the highest levels in the current recovery.

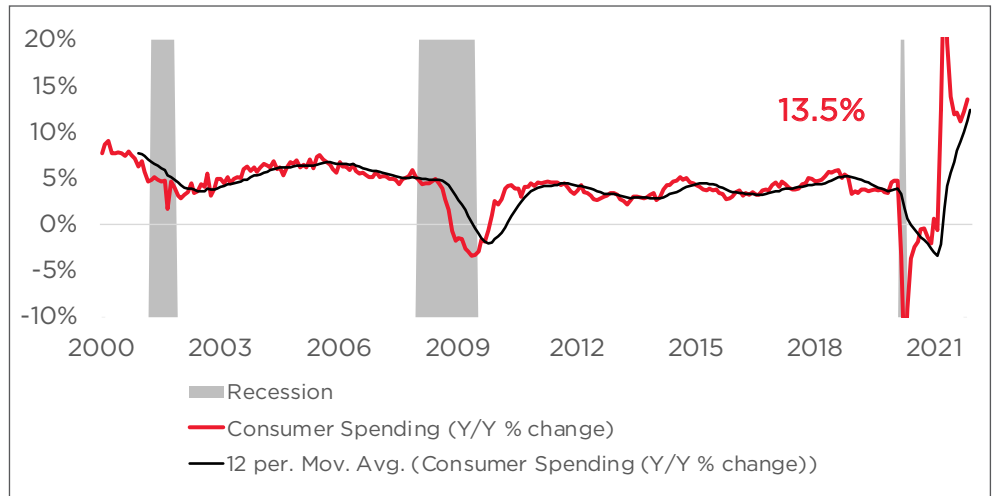
UNEMPLOYMENT RATE



Bureau of Labor Statistics, Avrio Institute

Personal income rose 0.4% in November and is up 7.4% over the last year. Personal consumption rose 0.6% during the month, and is up 13.5% over the last year. After adjusting for inflation, “real” consumption was flat during the month and is up 7.4% over the last year. Private-sector wages and salaries rose 0.5% in November and are now up a strong 9.7% in the past year. Job growth continues and wages are going up quickly, which should continue to fuel spending in the new year.

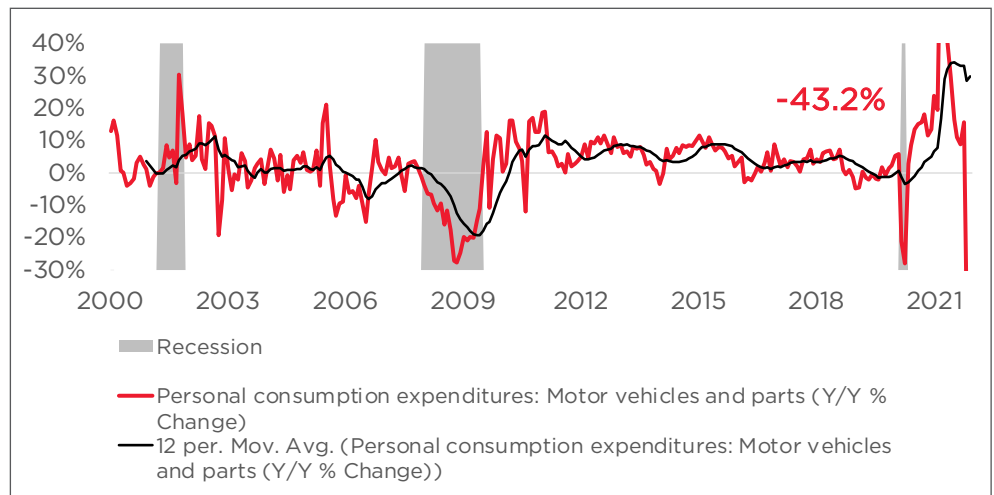
CONSUMER SPENDING



Bureau of Economic Analysis, Avrio Institute

Spending on new vehicles fell 1.3% in November, as supply chain constraints continue to disrupt new vehicle sales. While spending was down from the prior month, it is up 2.3% from last November and 13.3% from November 2019. Net spending on used vehicles was flat in November but up a whopping 46.3% over the last year and 70.3% over 2019 levels. Spending on parts and accessories was also up during the month, rising 2.6%. Spending on parts and accessories fell 0.8% during the month, but is up 14.7% over the last year and a very strong 21.6% over 2019.

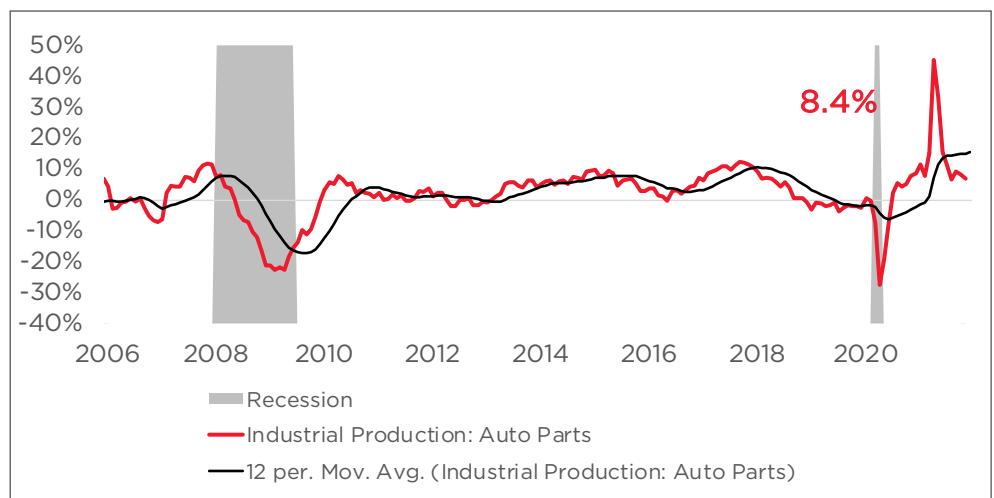
CONSUMER SPENDING ON MOTOR VEHICLES & PARTS



Bureau of Economic Analysis, Avrio Institute

Auto parts production increased 0.7% in November and is up 6.9% over the last year and 15.1% over 2019. Industrial production rose 0.5% during the month and is up 5.3% over the last year. While supply chain constraints continue to exert pressure, auto parts production continues to find a way to maintain growth. New orders for motor vehicles and parts rose 1% during the month and the backlog of orders continues to rise. Unfilled orders are up 22.8% over November 2019.

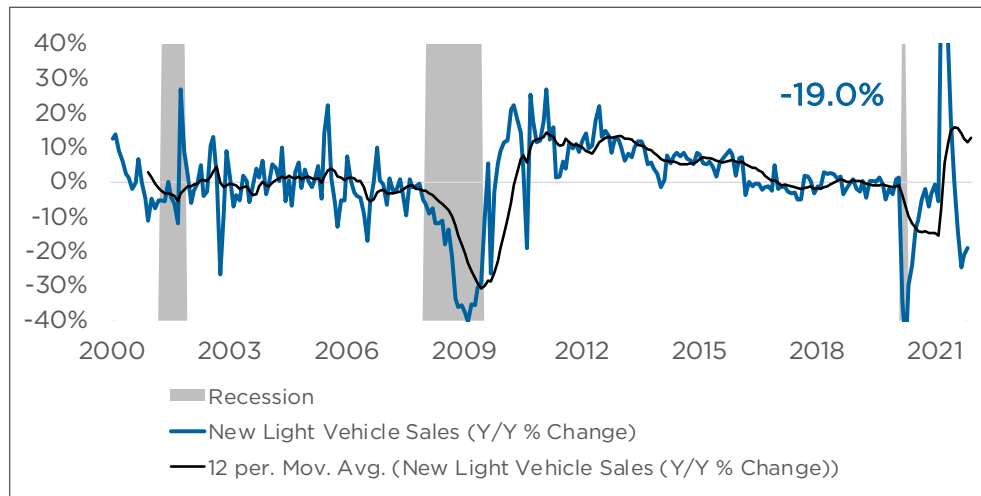
INDUSTRIAL PRODUCTION: AUTO PARTS



Federal Reserve, Avrio Institute

New vehicle sales fell 0.8% in November. New vehicle sales remain dismally low, constrained by supply chain disruptions. New vehicle sales have fallen from a peak of 18.3 million (annualized) vehicles sold in April 2021 to just 12.86 million in November. Sales are down 24.8% from 2019 levels. During the month, truck/SUV sales fell 1.3%, while passenger car sales fell 1.2%. Inventories remain very tight, a sign that demand remains strong but also a sign that sales will only pick-up once product levels regain more normal levels. The inventory-to-sales ratio was a shocking 0.242 in November, while historically this ratio hovers around 2.4.

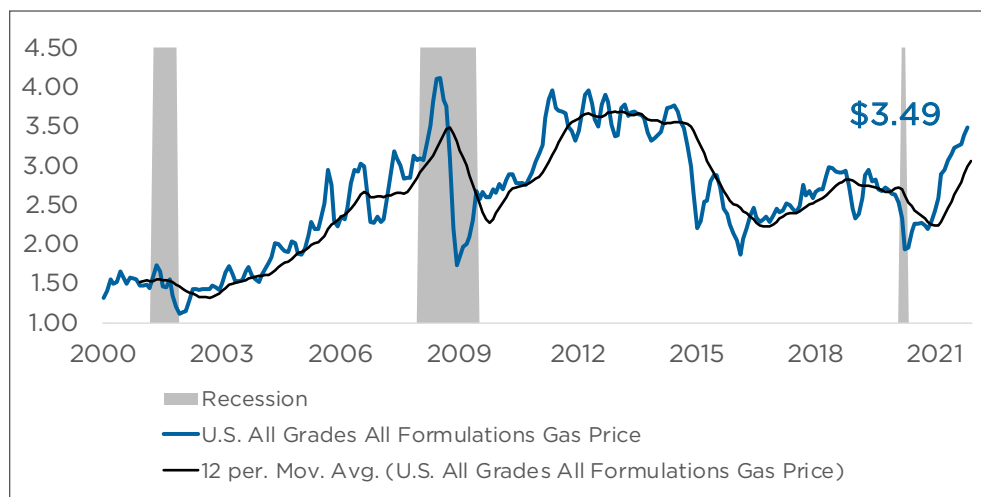
MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

National gas prices rose strongly in November, increasing 11 cents, or 3.2%, on top of a similar increase in the prior month. Gas prices are up 58.7% over the last year and 29.6% over November 2019. Oil prices have eased somewhat in the last month. This was initially driven by fear that the Omicron variant would hinder economic growth. While this fear receded somewhat, the Omicron variant did lead to a large number of flight cancellations in the final weeks of December suggesting somewhat weaker oil demand. OPEC+ meets again on January 4, 2022 to decide whether to go ahead with a 400,000 barrels per day production increase set for February.

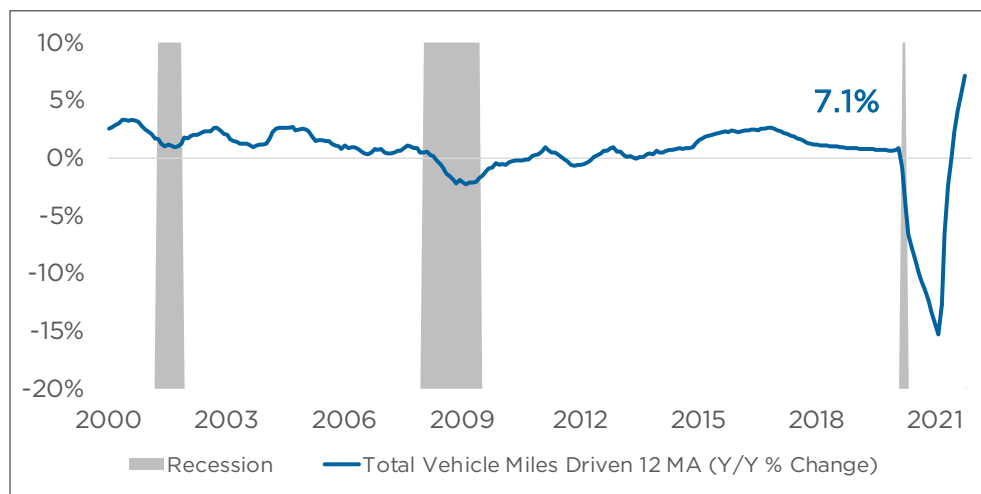
GAS PRICES



U.S. Energy Information Administration, Avrio Institute

Vehicle miles traveled continues to improve. Travel on all roads and streets increased 7.1% (18.4 billion vehicle miles) in October 2021, compared to a year-ago. Seasonally adjusted vehicle miles traveled during the month increased 0.5% from the prior month and are up 7.9% over the last year. Cumulative travel for 2021 is up 11.2%.

VEHICLE MILES TRAVELED

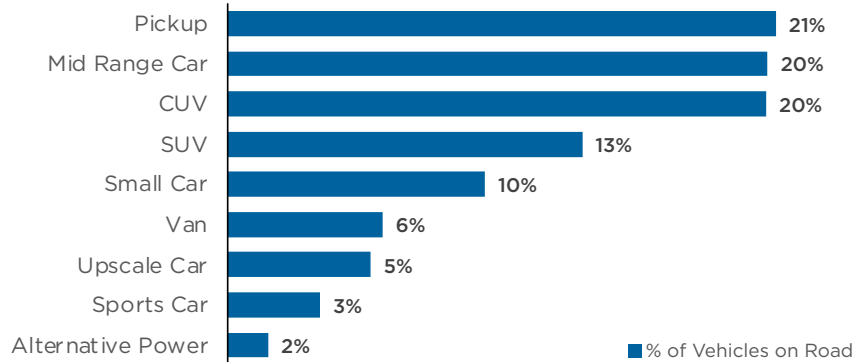


U.S. Federal Highway Administration, Avrio Institute

INSIGHTS FROM SEMA

VEHICLES IN OPERATION (VIO) DATA

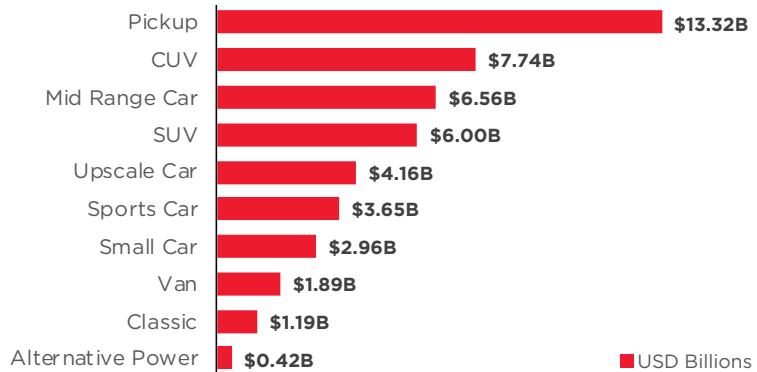
There are roughly 283 million light vehicles in operation in the United States today, of which approximately 113 million are passenger cars and nearly 170 million are light trucks. Together, mid range cars and pickup trucks represent 41% of the vehicles on the road.



Source: ©2021 Experian, Data as of June 30, 2021

SPECIALTY EQUIPMENT MARKET SIZE BY VEHICLE SEGMENT

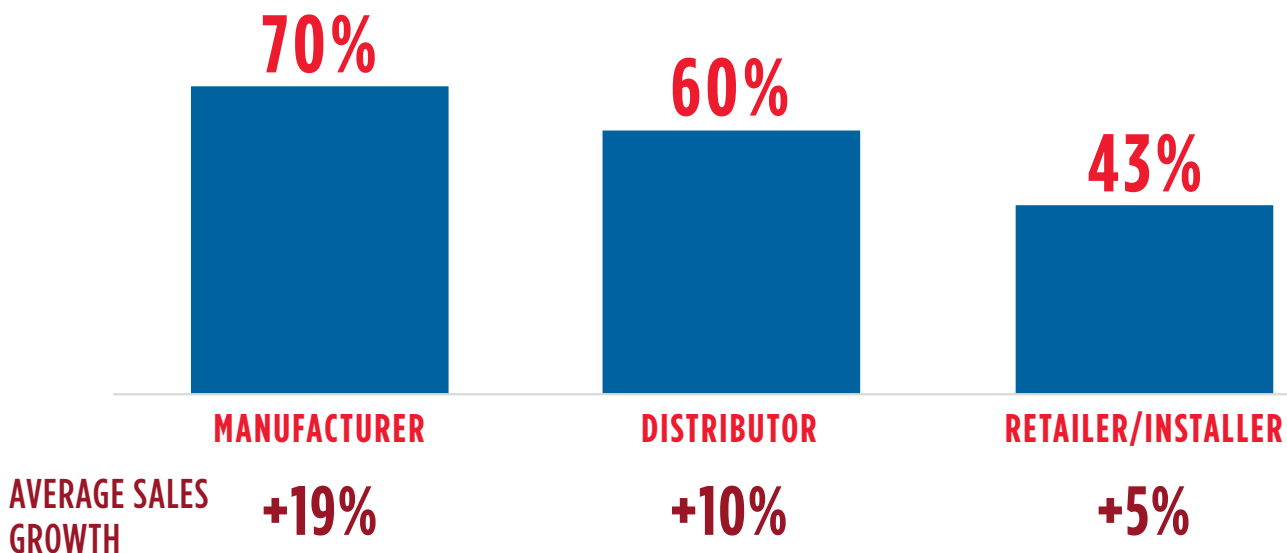
The specialty-equipment market is a \$47.9 billion dollar industry. Customers spend the most money on pickup upgrades.



Source: 2020 SEMA US Market Data

INSIGHTS FROM THE LATEST SEMA STATE OF THE INDUSTRY REPORT

HOW COMPANY SALES HAVE CHANGED OVER PAST YEAR



To learn more, download the latest SEMA State of the Industry 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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