

SEMA INDUSTRY INDICATORS

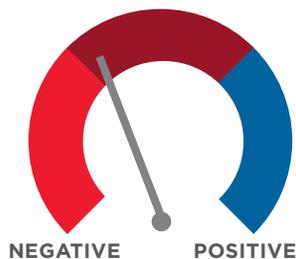
FEBRUARY 2021



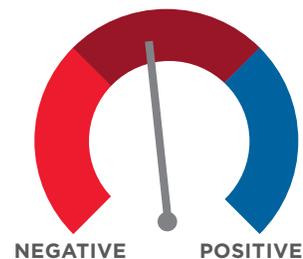
The economic picture is improving. As we've noted in the past, the trajectory of the recovery will follow COVID's trajectory. Finally, it appears new COVID cases are trending down sharply, as the United States surpasses 500,000 deaths.

Retail sales in January jumped 5.3 percent and are up 7.4 percent over the last year. Despite a historic recession, retail sales were higher in January than they were prior to the pandemic. Consumer spending was down about 2 percent in 2020, but income was up 4.1 percent (partially due to fiscal stimulus). With income outpacing spending, personal savings has increased significantly. Savings is about \$1 trillion higher than it was prior to the pandemic.

CURRENT OUTLOOK



FUTURE OUTLOOK



Personal savings are up because people naturally guard against uncertainty during a recession by curtailing spending, but savings are also up because so much of the economy remains distressed. While spending on goods was up in 2020, spending on services remains below pre-pandemic levels. We are traveling less, eating out less, and consuming fewer entertainment services. All of this could change in the coming months.

There is growing optimism that people will start to spend some of these excess savings starting in the summer as COVID vaccines become more widespread. This potential wave of spending, affectionately called "revenge spending," should boost economic growth in the second half of the year. Of course, as households spend on services, they will likely cut back some spending on goods. Like vehicles and parts, some categories experienced a relatively quick v-shaped recovery in the second half of 2020. Growth in the second half of 2021 will be slower as consumers allocate spending to other categories. With that said, the industrial economy continues to recover, and measures of manufacturing activity appear to be strengthening.

Another \$1.9 trillion stimulus bill is making its way through the legislative process, which will further juice the economy. There are some risks to potentially creating too much demand. For example, there's growing concern that this extra boost in demand, coupled with a very dovish Fed, will drive inflation higher. Consumer prices are up 1.4 percent over the last year, but the recent trend is stronger, and inflation will be closer to 2.5 percent by the end of the year. Likewise, businesses are starting to see their input costs go up. Equity markets have also gone up, and by some measures, are overvalued now. While stimulating demand will up in the near-term, there are some longer-term risks developing in the shadows.

Real GDP grew at a 4 percent annual rate in the fourth quarter. In the end, GDP was down 3.5 percent for 2020. Growth in 2020 ended not being as severe as anticipated early in the pandemic. For example, June 2020 forecasts had the economy declining 6 percent for the year. Both fiscal and monetary stimulus likely helped keep the economy performance from being materially worse. The first quarter is expected to see slower growth, but incoming data, like strong retail sales in January, suggest first-quarter performance could come in around 6 percent, strongly surpassing current expectations of 2.5 percent.

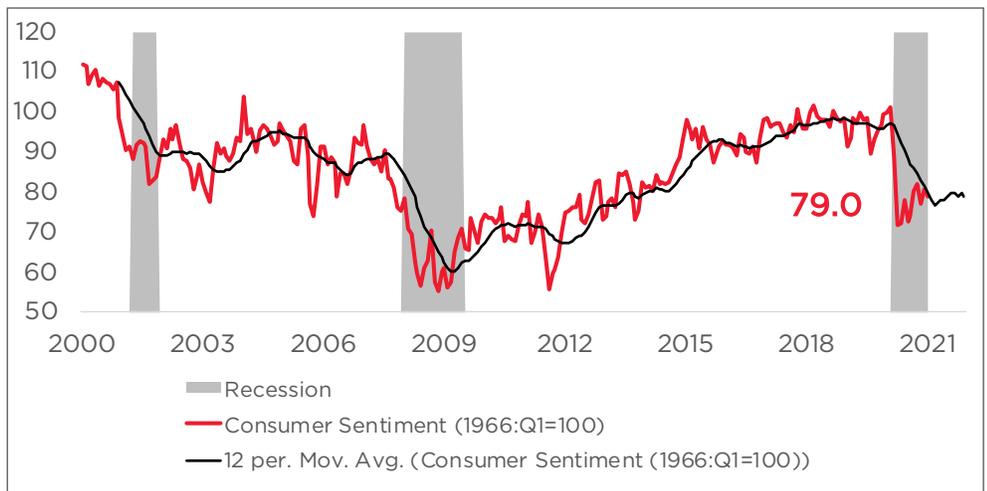
U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

The Consumer Sentiment Index was little changed last month, falling 1.7 points from 80.7 to 79. The decline was driven by declines in both the current economic conditions index and the consumer expectations index. The Sentiment Index has changed little during the length of the pandemic, averaging 77.9 since March 2020. Despite the sudden and deep nature of the recession, the index has stayed above previous cyclical lows. Inflation expectations appear to be picking up somewhat. One-year inflation expectations rose to 3 percent from 2.5 in December. The five-year inflation expectations increased to 2.7 percent from 2.5 percent.

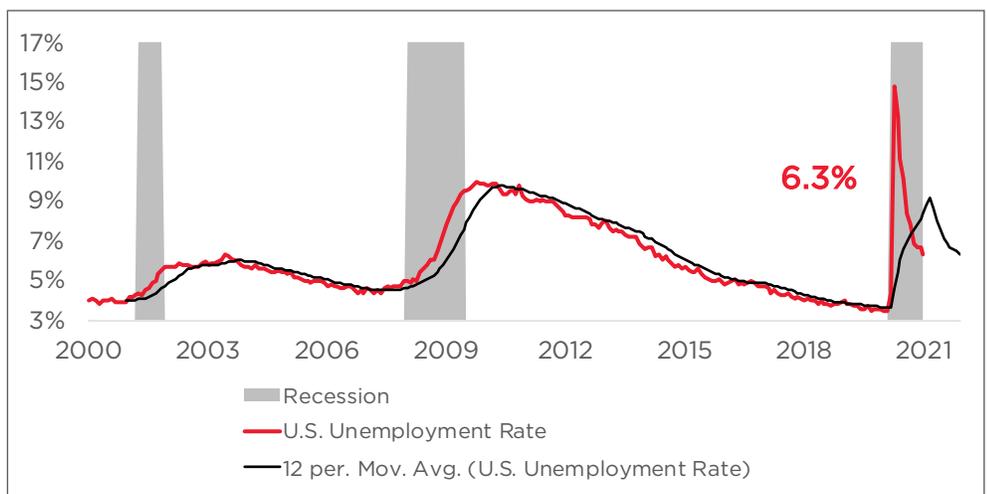
CONSUMER SENTIMENT



University of Michigan, Avrio Institute

The U.S. economy added 49,000 jobs in January after losing 140,000 in December. The unemployment rate fell from 6.7 percent to 6.3 percent, but it was largely driven by a decline in labor participation. Overall the jobs report for last month was mediocre. There were some bright spots in the report. Civilian employment, an often-used alternative measure for the labor market because it includes small-businesses and start-ups, added 201,000 new jobs during the month. Average weekly hours rose to 35 hours, compared to 34.7 hours in December. This is the highest level since 2006 and suggests the demand for workers is strong, which could, in turn, translate into higher levels of hiring in the coming months.

UNEMPLOYMENT RATE



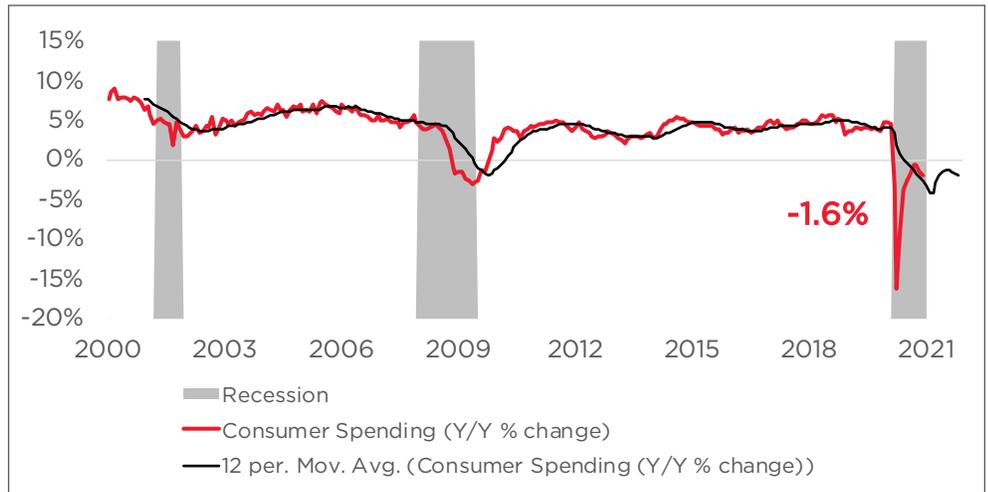
Bureau of Labor Statistics, Avrio Institute

Personal income rose 0.6 percent and is now up 4.1 percent in the past year. Personal consumption fell 0.2 percent in December, and prior months were revised downward. Spending is off 2 percent in the last year. Spending in December was likely partially curtailed due to renewed COVID-related restrictions that were put in place as cases increased across the country. With income increasing faster than spending, the savings rate has increased to 13.7 percent, well above normal levels. At least some of this will translate into spending in the months ahead as vaccine administration increases.

In December, consumer spending strengthened on motor vehicles and parts after a decline in November. During the month, spending increased 2.9 percent and is up 12.4 percent over the last year. New vehicle spending increased 0.5 percent during December but is down 9.4 percent compared to December 2019. Spending on used vehicles continues to be strong, rising 5.1 percent in December and increasing 17.5 percent for the year, while motor vehicle parts and accessories declined for the third consecutive month, falling 0.4 percent. But spending is still up 6.6 percent over last December.

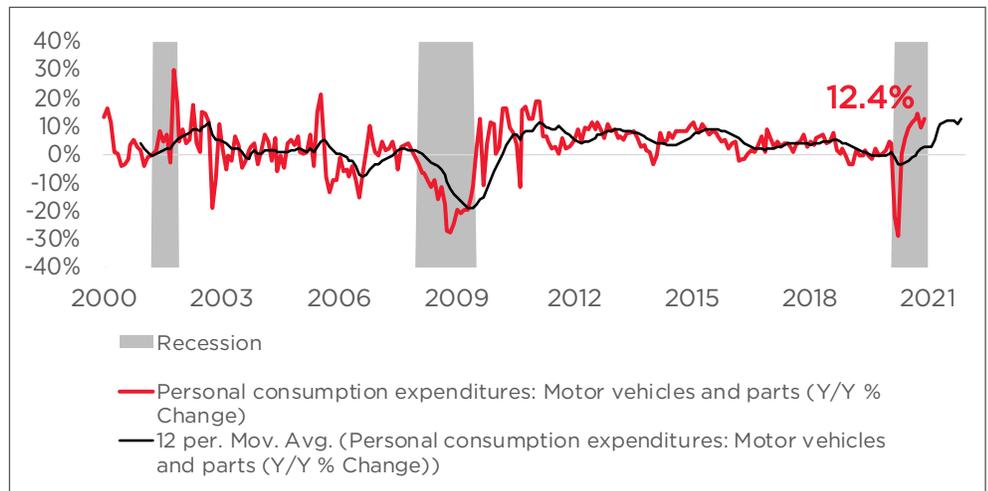
The auto parts manufacturing sector started the year on solid footing. The industry reported good performance for the month of January, increasing 0.6 percent from December 2020. Production is now up 9.4 percent over the last year. New vehicle production was likely down to start the year, due in part to semiconductor shortages that have slowed production lines. Overall industrial production increased in January as well, rising 0.9 percent from December 2020. Overall production remains down 1.8 percent from last January. Unfilled vehicle and parts orders remain elevated, roughly 10 percent above average, suggesting production should remain strong even in the face of supply chain constraints.

CONSUMER SPENDING



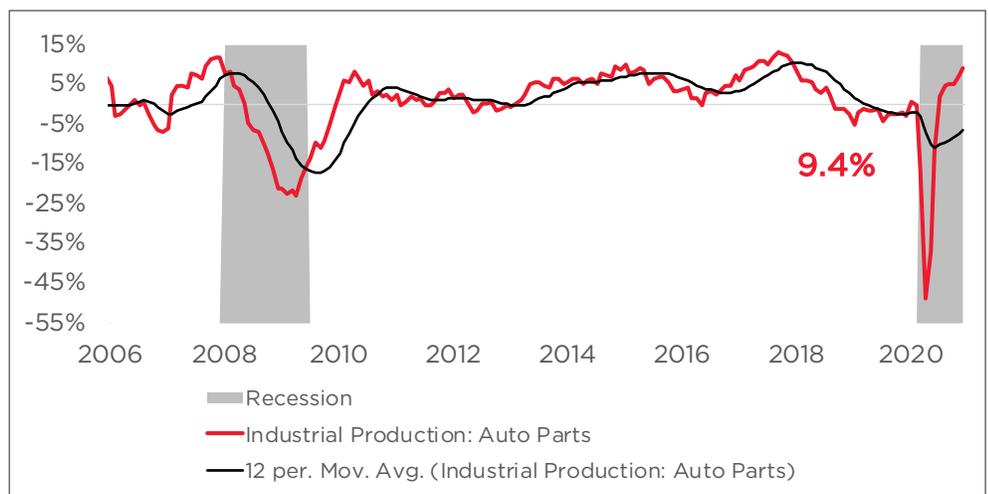
Bureau of Economic Analysis, Avrio Institute

CONSUMER SPENDING ON MOTOR VEHICLES & PARTS



Bureau of Economic Analysis, Avrio Institute

INDUSTRIAL PRODUCTION: AUTO PARTS

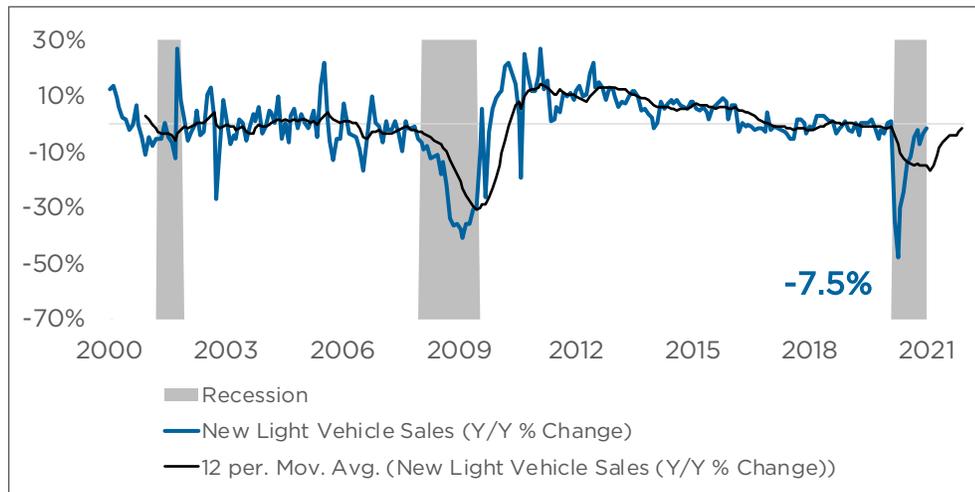


Federal Reserve, Avrio Institute

AUTOMOTIVE

New vehicle sales improved in January. Sales for the month were up 2.5 percent over the prior month. Sales are down just 1.5 percent compared to last January, prior to the start of the pandemic. Both cars and trucks/SUVs did well during the month. Cars were up 1.9 percent over the prior month but are down 15.2 percent since last year. Truck and SUV sales were up 2.6 percent over the prior month and are up 3.3 percent over last year. Inventory-to-sales ratios remain low, and with semiconductor shorts, inventory levels are likely to remain lean. Prices should remain firm as a result.

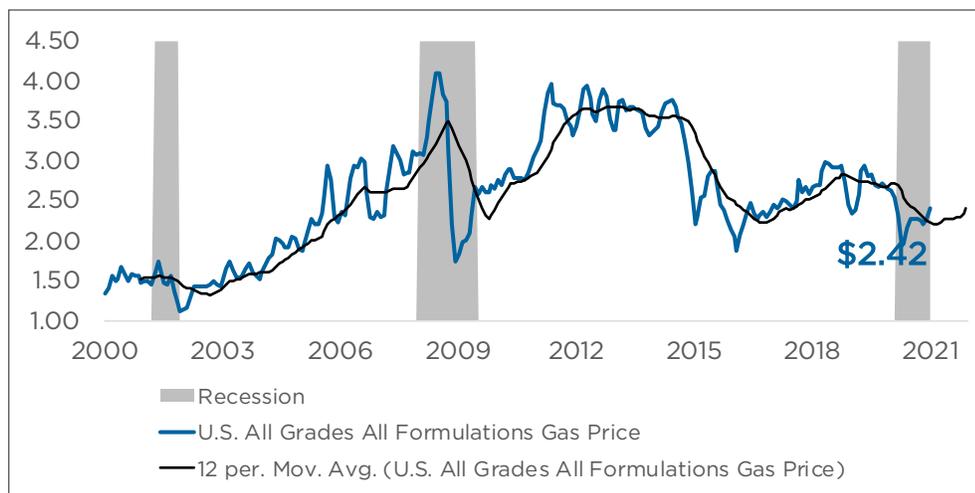
MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

Gas prices moved sharply higher in January and have taken another big move up in February. Prices are likely to continue to rise in the near-term. National gas prices are approaching the highest levels since Fall 2019, after moving up 14 cents to \$2.42 per gallon during January. This represents a 6 percent jump from the prior month. Gas prices remain down 8.2 percent over the last year. Price increases are due in part to winter weather that has shut down Gulf Coast and Midwest refineries. In mid-February, prices jumped the most in one-week since Hurricane Harvey in 2017.

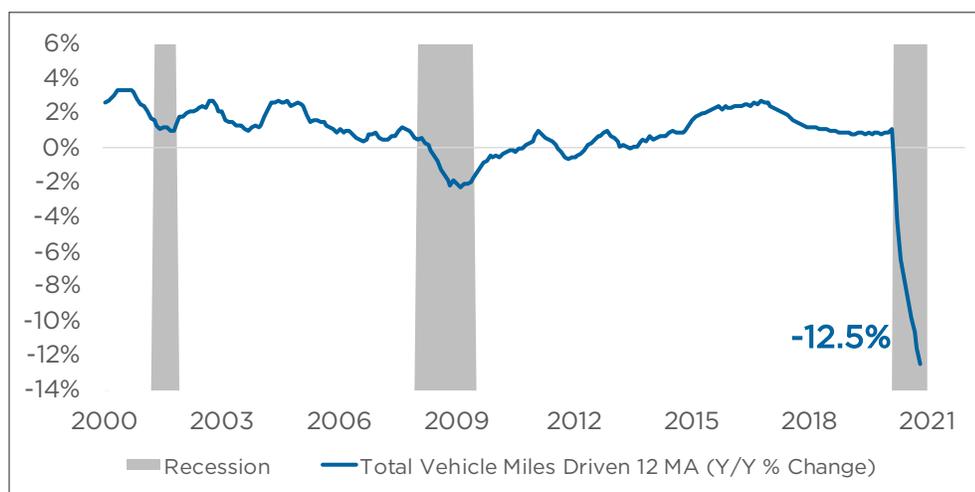
GAS PRICES



U.S. Energy Information Administration, Avrio Institute

In November, vehicle miles traveled on all roads and streets declined 0.7 percent (-1.6 billion vehicle miles) compared to the prior month. Seasonally adjusted vehicle miles traveled for November were 244.8 billion miles. Vehicle miles traveled are down 12.5 percent over the last year. Cumulative travel for 2020 is down 13.7 percent (-410 billion vehicle miles) and was down in all regions of the country compared to the previous year. The Northeast continues to show the steepest decline, now down 14.7 percent from last year. The South Gulf reports the smallest decline, down 7.4 percent over the last year.

VEHICLE MILES TRAVELED

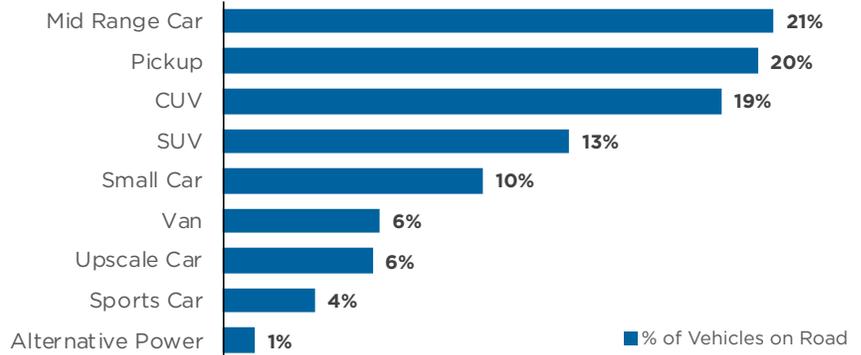


U.S. Federal Highway Administration, Avrio Institute

INSIGHTS FROM SEMA

VEHICLES IN OPERATION (VIO) DATA

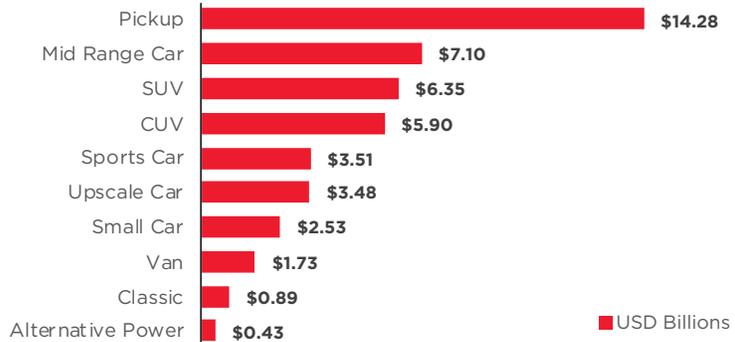
There are approximately 282 million light vehicles in operation in the United States today, of which over 116 million are passenger cars and nearly 166 million are light trucks. Together, mid range cars and pickup trucks represent 41% of the vehicles on the road.



Source: ©2021 Experian, Data as of September 30, 2020

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.



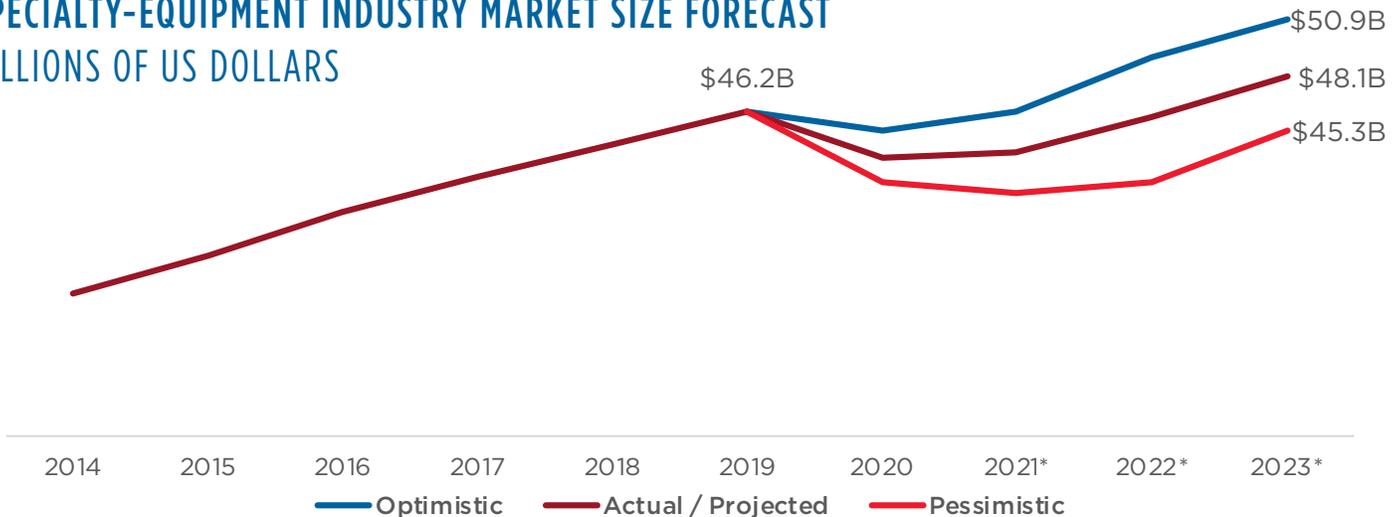
Source: 2019 SEMA US Market Data

INDUSTRY FORECAST FROM SEMA MARKET RESEARCH

Most companies within the specialty-equipment industry only expect short-term impacts from the pandemic on their business. While the market size of our industry likely fell in 2020, we don't anticipate the effects to be as severe as initially thought. Industry sales should return to pre-pandemic levels by 2023.

SPECIALTY-EQUIPMENT INDUSTRY MARKET SIZE FORECAST

BILLIONS OF US DOLLARS



To get the latests trends and forecasts, download the SEMA Future Trends 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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