

SEMA INDUSTRY INDICATORS

FEBRUARY 2022

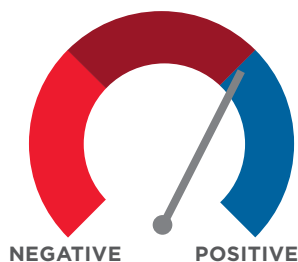


MARKET
RESEARCH

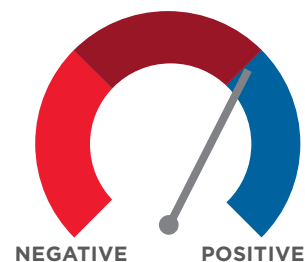
AVRIO
—INSTITUTE—

Russia's invasion of Ukraine has rightfully dominated headlines in the last week. The commodity and equity markets were extremely volatile in the immediate aftermath of the attack as traders worked to understand the impact it would have on markets. Both Russia and Ukraine are major exporters of commodities. Russia is the world's largest exporter of wheat and the second-largest exporter of oil. Russia provides 30% to 40% of Europe's oil, gas, and coal — or roughly 4% to 5% of the world's energy. Russia and Ukraine are both major exporters of commodities like neon gas that are used to

CURRENT OUTLOOK



FUTURE OUTLOOK



produce semiconductors. Oil initially traded over \$100 for the first time since 2014, but sanctions imposed thus far do not include the energy markets. However, uncertainty remains.

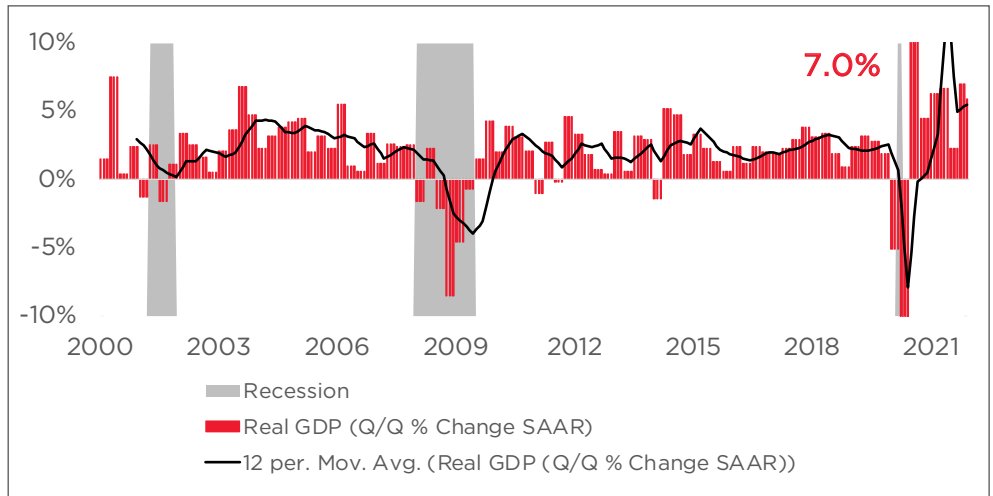
Several auto companies with production facilities in Ukraine and Russia have suspended operations. J.D. Power and LMC Automotive lowered its global light-vehicle sales by 400,000 to 85.4 million units - in part due to rising oil and aluminum prices that could discourage buyers. The direct impact on the U.S. market is limited, but geopolitical concerns create uncertainty that could hurt economic growth. Consumer sentiment declined in February to a 10-year low, and those results do not take into account any additional fallout from the invasion. Consumers are very concerned about rising inflation and the impact it will have on purchasing power.

The Federal Reserve was set to raise its target for the federal funds rate by 50 basis points in March as it begins to more directly address inflation, but the attack likely takes that move off the table. Expect a 25 basis point increase in March and several additional 25 basis point moves in the months that follow.

Outside of Ukraine-related uncertainty, the domestic economy is holding up well. Economic activity in the first quarter could be negatively impacted by the omicron variant, as it was by the delta variant, however, the spread of the virus is slowing rapidly and economic activity like air travel and dining out is coming back quickly. GDP growth excluding the volatile inventory investment component (final sales) should look good over the coming months, advancing in the range of 3%-4%, a notable pickup from 1% in the second half of 2021.

Fourth-quarter real GDP was revised up slightly from an estimated 6.9% annual rate to 7%. Real GDP grew 5.6% in 2021, the fastest rate of growth since 1984. Real GDP is up at a 1.6% annual rate since the end of 2019, a bit slower than the pre-COVID trend, meaning the economy is smaller than it would have been had COVID not hit. We expect the economy to grow about 3.5% in 2022, a bit slower than our forecast last month. We expect the strongest growth in Q2, with growth slowing as the year progresses into the back half of the year.

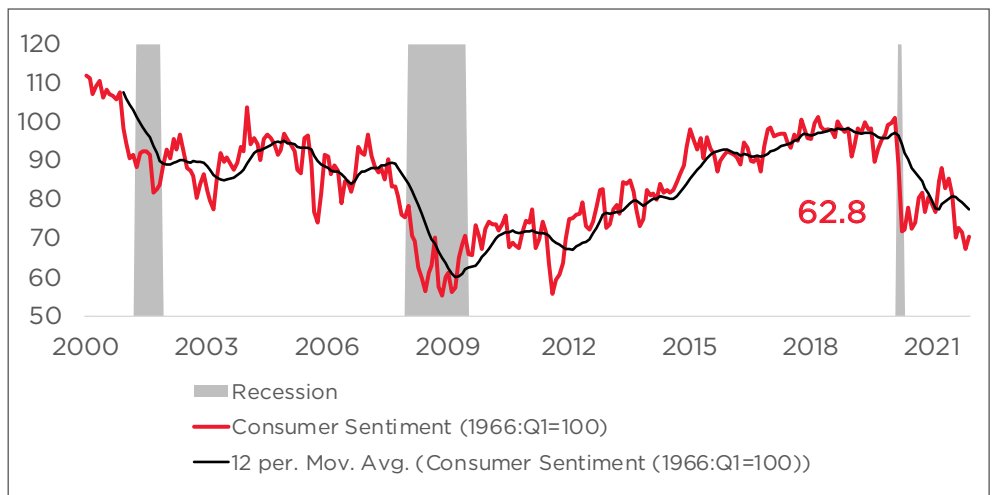
U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

The Consumer Sentiment Index slipped in January, falling to 67.2, down 4.8% from December 2021. The index fell further in February, dropping 6.5% to 62.8. This is an 18.2% decline from a year ago. This is the lowest level in the past decade. The decline in sentiment in the early months of the year has been driven by weakening personal financial prospects. Consumers are worried about rising inflation and have less confidence in the government's economic policies. Consumers also hold the least favorable long-term outlook in a decade.

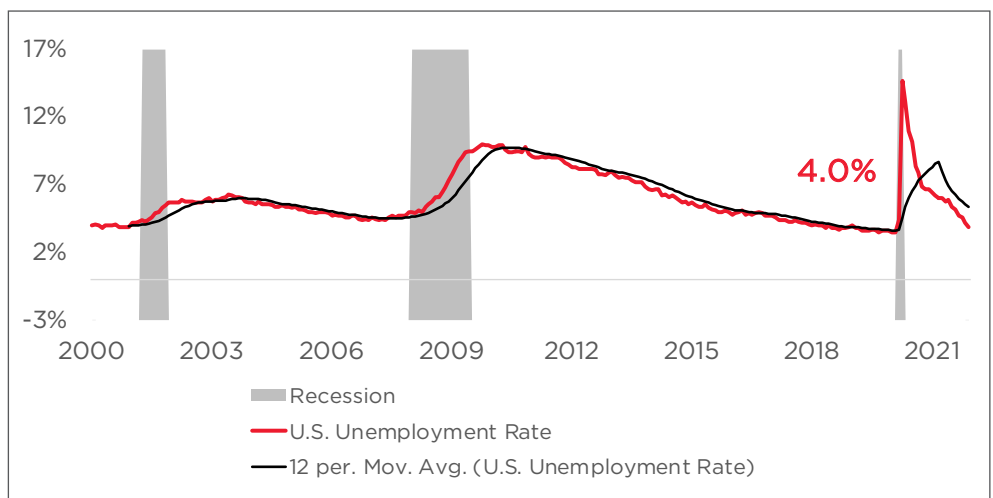
CONSUMER SENTIMENT



University of Michigan, Avrio Institute

Job growth was strong in January, despite the threat of the omicron variant. Nonfarm payrolls increased 467,000, well above the consensus estimate of 125,000. The largest increases in jobs in January were for leisure & hospitality (151,000), professional & business services (86,000 including temps), and retail (61,000). Manufacturing added 13,000 jobs. The labor force rose 1.4M in January, driven by seasonal adjustments, and the unemployment rate rose from 3.9% to 4%. Payrolls remain 2.9M below pre-pandemic levels, a gap that should close by the second half of 2022.

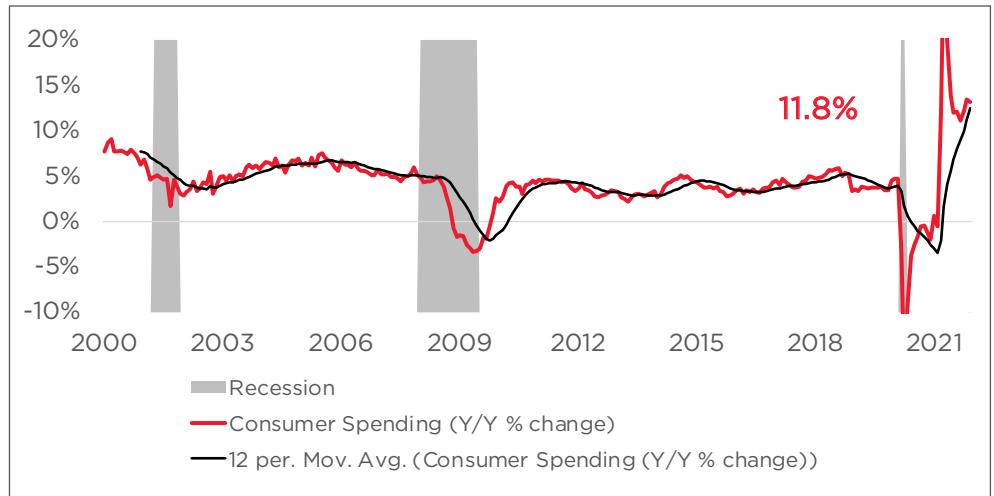
UNEMPLOYMENT RATE



Bureau of Labor Statistics, Avrio Institute

Personal income was flat in January and is down 2.1% over the last year. The year-over-year decline in income is muddled by stimulus payments that arrived in January 2021. Private sector wages and salaries are a better gauge of underlying consumer strength. These rose 0.5% in January and are up 11.2% over the last year. Consumer spending rose 2.1% in January and is up 11.8% over the last year. This is the largest monthly increase since March 2021 when additional stimulus checks arrived in consumer bank accounts. Spending is 12.4% above pre-pandemic levels.

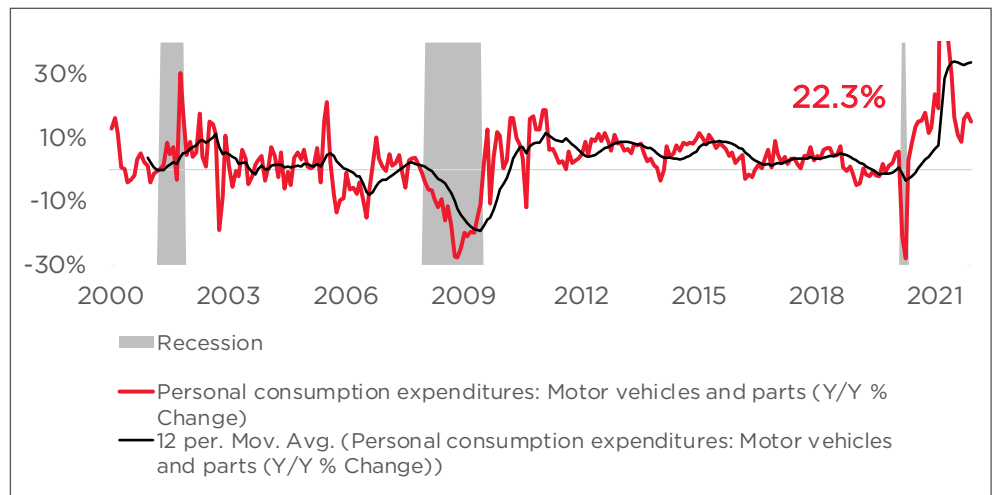
CONSUMER SPENDING



Bureau of Economic Analysis, Avrio Institute

Spending on new vehicles rose strongly in January, increasing 22.3% after a 2% decline in December and a 0.4% decline in November. Spending is up 12.9% over the last year and up a whopping 40.2% since January 2020. Net purchases of used vehicles rose 5.9% in January and is up 44.1% over the last year and 85.3% over the last two years. Spending on parts and accessories rose 5.6%. Spending there is up 12.8% over the last year and up 29.1% over the last two years.

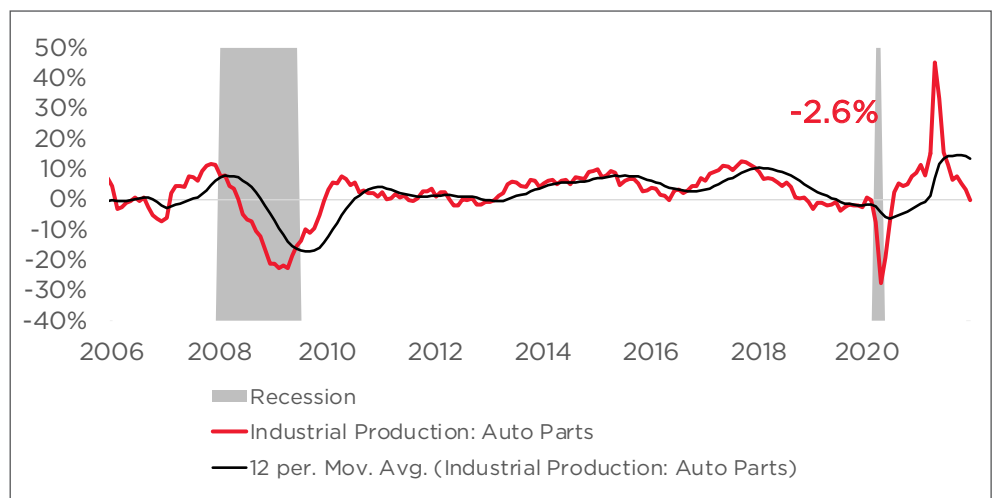
CONSUMER SPENDING ON MOTOR VEHICLES & PARTS



Bureau of Economic Analysis, Avrio Institute

Production of auto parts rose 0.6% in January. Parts production is down 2.6% from last January, but up 8.6% over the last two years. The auto sector continues to be strained by supply chain disruptions. Total auto production which includes vehicles and parts was down 0.9% for the month and is down 6.2% versus a year ago. Non-auto manufacturing is up 3.3% over the same time. Overall Industrial Production increased 1.4% in January, driven in large part to high utility sector output which is volatile and typically driven by abrupt shifts in temperature. Manufacturing output was up a tepid 0.2%.

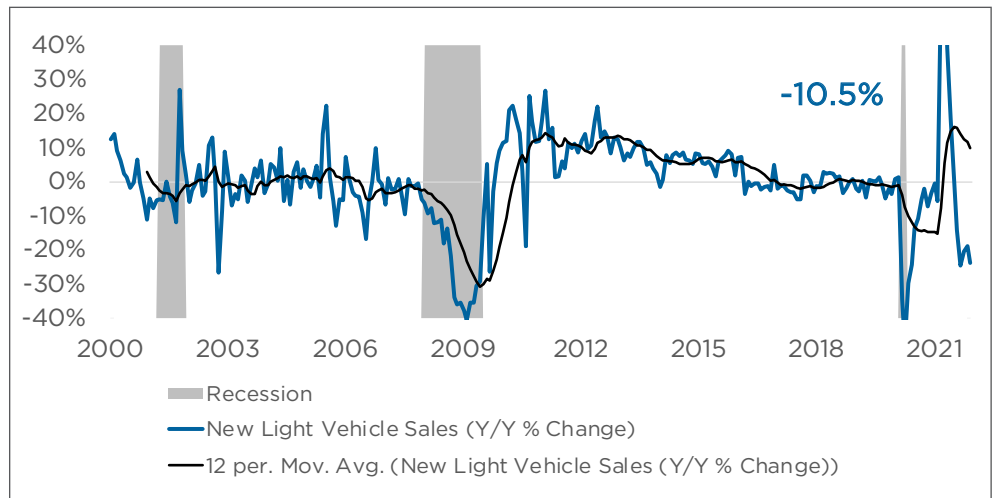
INDUSTRIAL PRODUCTION: AUTO PARTS



Federal Reserve, Avrio Institute

New vehicle sales rose strongly in January, increasing 20.8% from the prior month. But this is on a seasonally-adjusted basis that normally sees a steep drop at the start of the year following holiday sales. Sales continued to be constrained by low available inventory and supply constraints. New vehicle sales are down 10.5% over the last year. New vehicle inventory is down more than 50% from a year ago, highlighting how constrained the supply chains have been. Monthly sales are likely to remain around 1 million units a month because of tight inventory and restricted production. As a result, monthly sales figures will likely show a year-over-year decline until mid-year 2022.

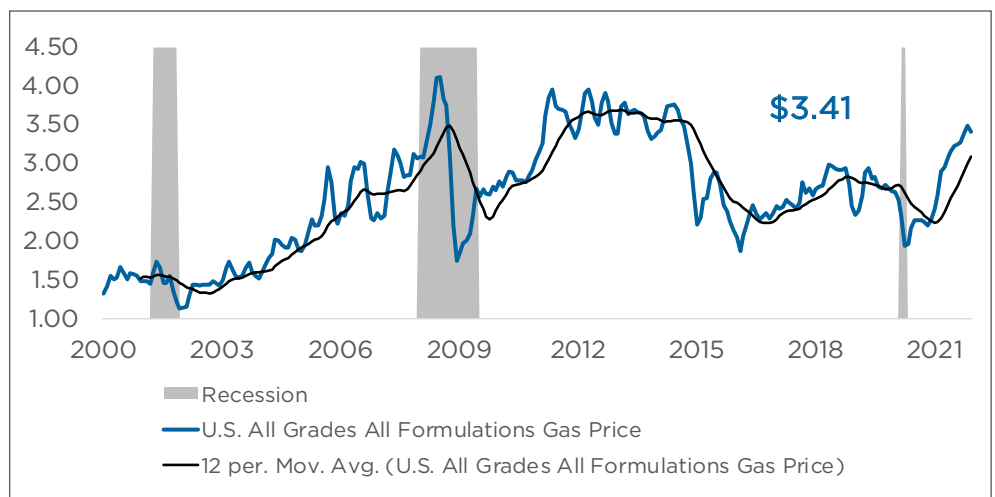
MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

National gas prices were flat in January, after falling in December for the first time in over a year. Gas was \$3.41/gallon in January, 41% higher than a year ago and 29.5% higher than pre-pandemic levels. Oil prices have been volatile over the last month, exacerbated by Russia's invasion of Ukraine and the uncertainty surrounding the impact of sanctions. In the immediate aftermath of the attack, oil prices rose above \$100 a barrel for the first time since 2014. Some energy analysts believe the record for gas in the U.S. of \$4.11/gallon in 2008 will be surpassed in the coming months.

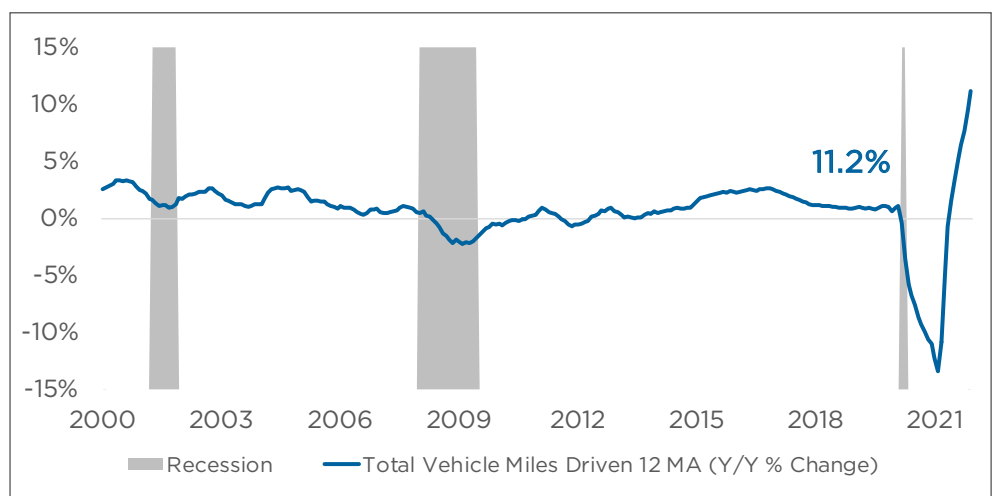
GAS PRICES



U.S. Energy Information Administration, Avrio Institute

Vehicle miles traveled on all roads and streets rose 11.2% (+26.9 billion vehicle miles) in December, compared to a year ago. Seasonally adjusted vehicle miles traveled for the month totaled 278.3 billion, a decrease of 0.4% from the prior month. Cumulative travel for 2021 is up 11.2%. For the month, the Northeast region saw the biggest increase compared to December 2020, rising 15.2%. This was followed by the South Atlantic region (+11.5%), North Central (+10.8%), West (+10.5%), and South-Gulf (+9.4%).

VEHICLE MILES TRAVELED

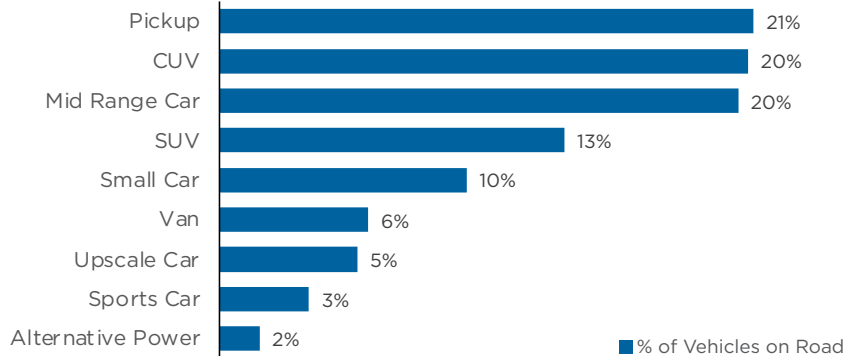


U.S. Federal Highway Administration, Avrio Institute

INSIGHTS FROM SEMA

VEHICLES IN OPERATION (VIO) DATA

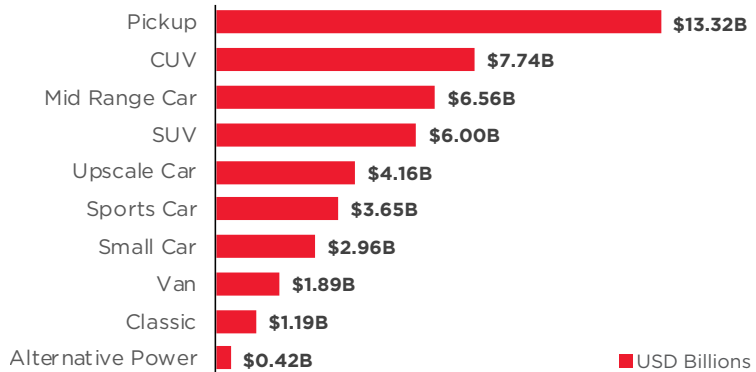
There are 283.8 million light vehicles in operation in the United States today, of which approximately 112.5 million are passenger cars and 171.3 million are light trucks. Together, CUVs and pickup trucks represent 41% of the vehicles on the road.



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

SPECIALTY EQUIPMENT MARKET SIZE BY VEHICLE SEGMENT

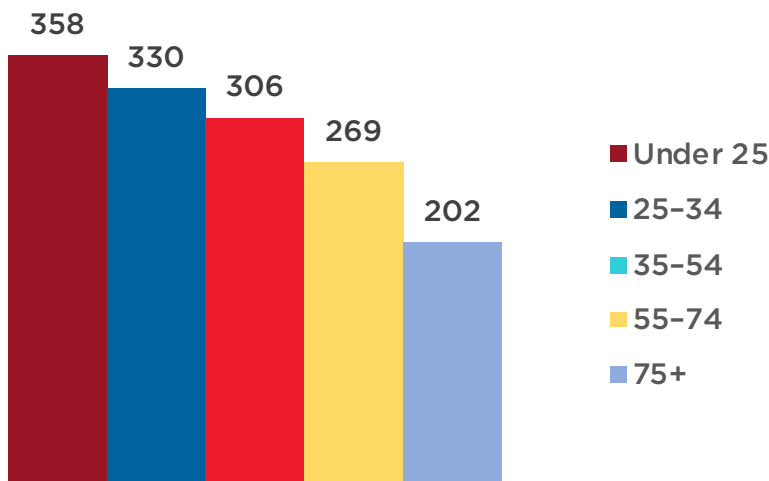
The specialty-equipment market is a \$47.9 billion dollar industry. Customers spend the most money on pickup upgrades.



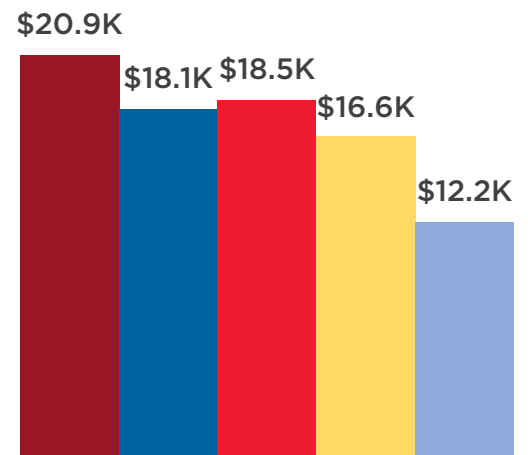
Source: 2020 SEMA US Market Data

CONSUMER INSIGHTS FROM SEMA MARKET RESEARCH

When it comes to retail spending, on average, consumers under the age of 25 make more transactions and spend more money per year at retailers than any other age group. They also spend more on automotive retail, general retail and travel.



Average Retail Transactions Per Year



Average Annual Retail Spending

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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