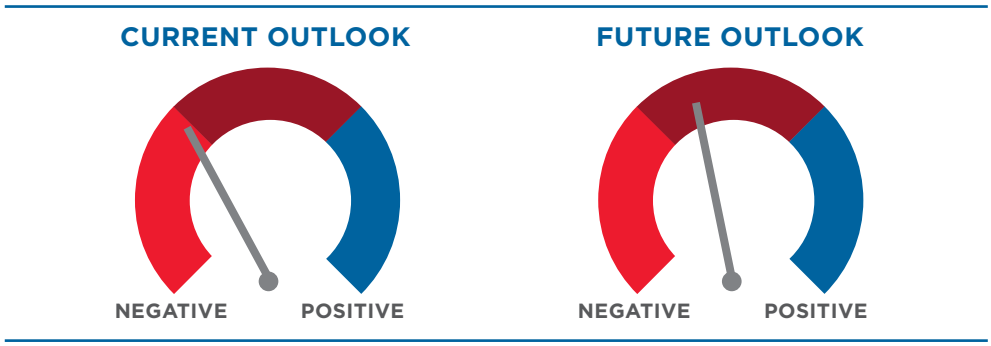
SEMA INDUSTRY INDICATORS

JANUARY 2021

The nation's economic recovery continues to wane, and the last month brought several reports showing signs of weakening. However, in each report there were some subtle silver linings that suggest the economic recovery will continue, albeit continue unevenly. The road to recovery remains a long one that will take much of this year. But expectations remain in place for the economic recovery to continue.



Employment fell in December, as renewed COVID-19 restrictions hindered economic activity and caused businesses to reduce their workforce. The job decline was driven by layoffs in leisure and hospitality, an area especially hard hit by the pandemic. On the positive side, manufacturers increased the size of their workforce over the last month, as demand for goods continues to outstrip demand for services. Moreover, job losses recorded in December should reverse in the coming month with a pick up in economic activity.

Retail sales fell in December for the third consecutive month, but some of this was payback for unusual strength during the summer when stimulus payments to consumers drove retail sales above normal trends. This reversion was likely at some point. Expectations for an additional stimulus payment from the incoming administration could help drive retail sales higher in the coming months. Despite the decline, auto sales increased 1.9 percent in December, more than offsetting a decline in November. Consumer spending on new and used vehicles, as well as parts and accessories, has been particularly strong during the recovery after an initial collapse in March and April.

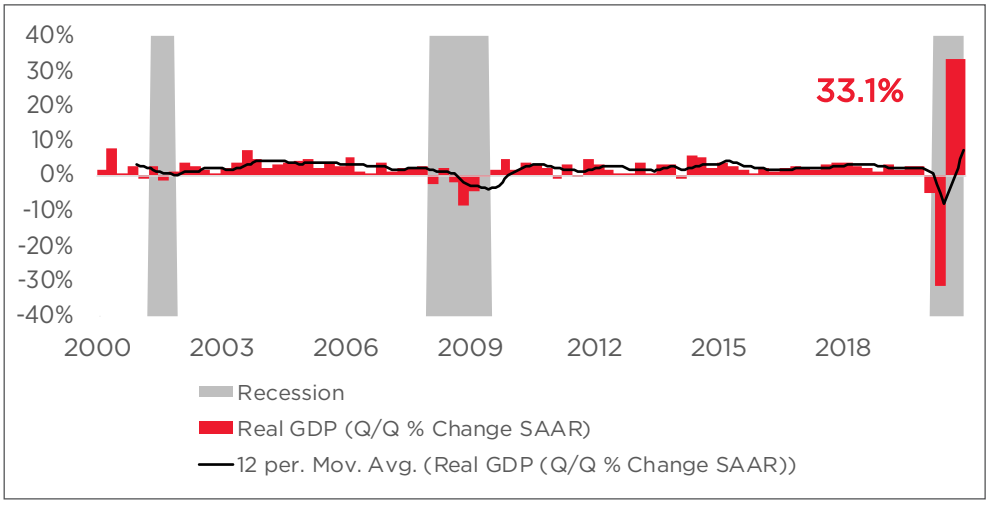
The pandemic has worsened in the prior month. Daily recorded death rates have surpassed 4,000 for the first time, after exceeding 3,000 for the first time just a month earlier. Recent weeks have been especially volatile, with contested elections and an attack on the U.S. Capitol. Despite all of this, consumer sentiment remains relatively range bound and equity markets have largely discounted near-term events.

The coming year's economic outlook depends greatly on the rapid deployment of vaccines and a return to more normal economic activity. Vaccine distribution started slowly but is expected to accelerate in the coming months, which will have sizable positive economic consequences. In the meantime, the economic recovery could sputter somewhat, as it trends sideways waiting for sustained economic activity to return.

ECONOMICS

U.S. ECONOMIC GROWTH

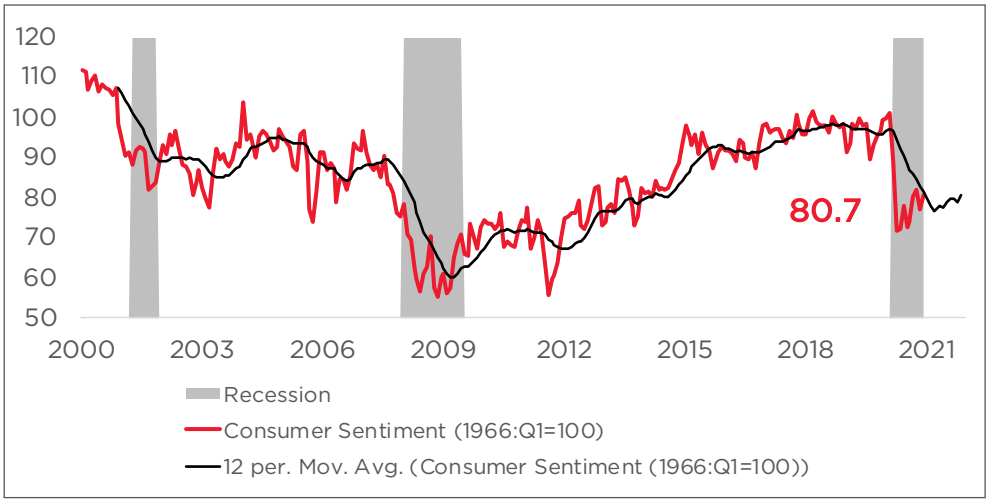
Real GDP for the third quarter was revised marginally higher to a 33.4 percent annual growth rate. The economy is on track to show growth of roughly four percent in the final quarter of the year. The pace of growth in 2021 will depend on the rate of further COVID-19 infections, the rate at which vaccines can be administered, and the extent of a fiscal stimulus. The first half of the year will see weaker growth, giving way to a more stable economy and more solid growth in the second half of the year.



Bureau of Economic Analysis, Avrio Institute

CONSUMER SENTIMENT

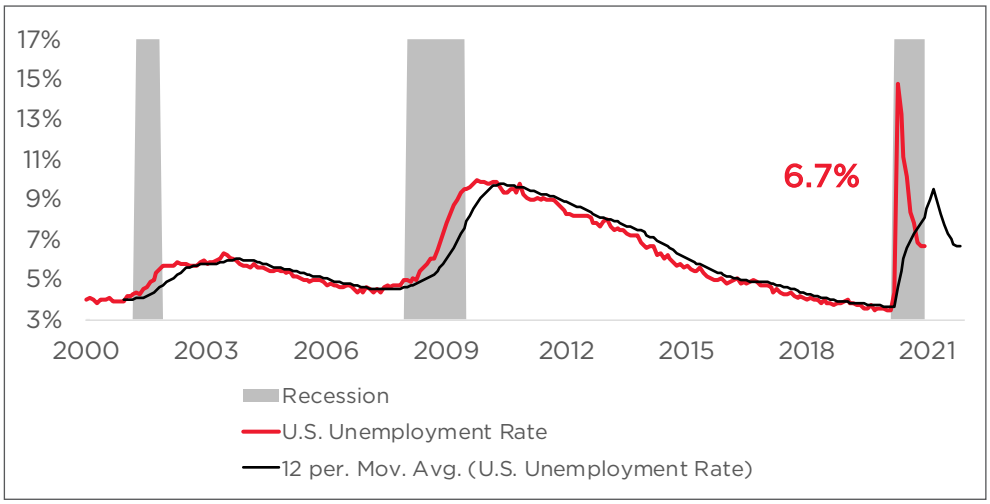
The Consumer Sentiment Index moved higher in December, rising to 80.7 for the month. This is 18.7 points below December 2019. The Current Economic Conditions Index rose 3.4 points to 90.0 but remains 22.1 points below December 2019. The Consumer Expectations Index rose 5.8 points to 74.6 but remains 16.1 points below the year-ago level. Sentiment slipped marginally in early January, far less than might have been expected given extremely high COVID-19 figures and the Capitol attack.



University of Michigan, Avrio Institute

UNEMPLOYMENT RATE

The U.S. economy lost 140,000 jobs in December, snapping seven consecutive months of job growth. Renewed COVID-19 restrictions, like limited indoor dining in some states, were a key element of the decline. Leisure and hospitality jobs contracted by 498,000 in December, which includes 372,000 jobs lost by restaurants and bars. Manufacturing gained 38,000 jobs (0.3%) while Motor Vehicles and Parts added 6,700 jobs (0.7%). The latter has now regained nearly 82 percent of the jobs lost in March and April. The overall unemployment rate remained unchanged at 6.7 percent.

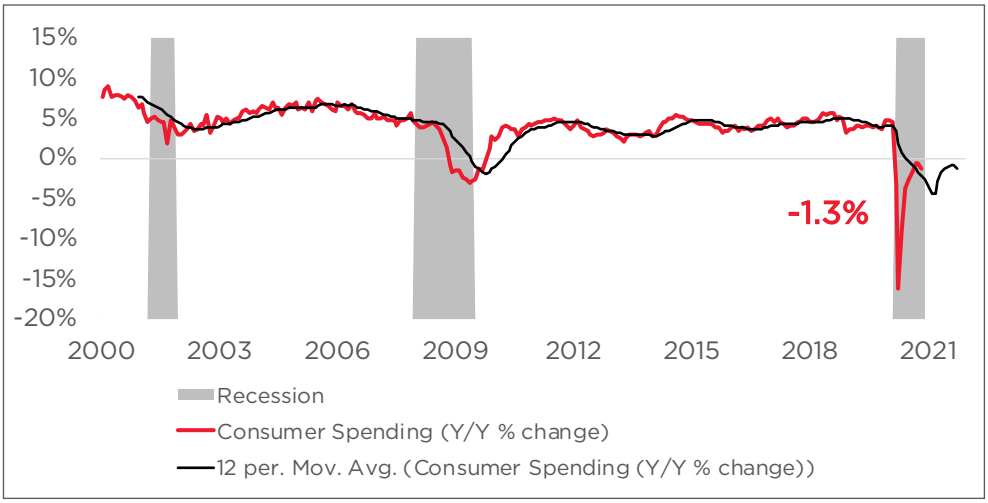


Bureau of Labor Statistics, Avrio Institute

ECONOMICS

CONSUMER SPENDING

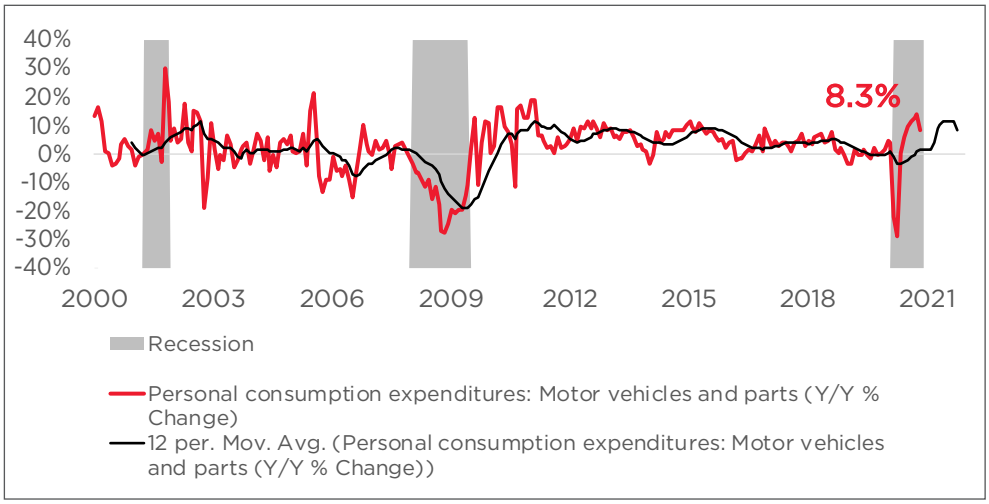
Personal income declined 1.1 percent in November, lagging the consensus prediction of -0.3 percent. The decline was likely driven by stimulus roll-offs. Private-sector wages and salaries rose 0.5 percent in the month and are higher than February 2020 levels, a good sign for sustainable economic growth. Personal income is up 3.8 percent over the last year. Personal consumption fell in November, declining 0.4 percent. Spending is down 1.3 percent compared to November 2019. The savings rate remains at a still-elevated 12.9 percent, suggesting that consumers are likely holding back some spending that could materialize in the coming months.



Bureau of Economic Analysis, Avrio Institute

CONSUMER SPENDING ON MOTOR VEHICLES & PARTS

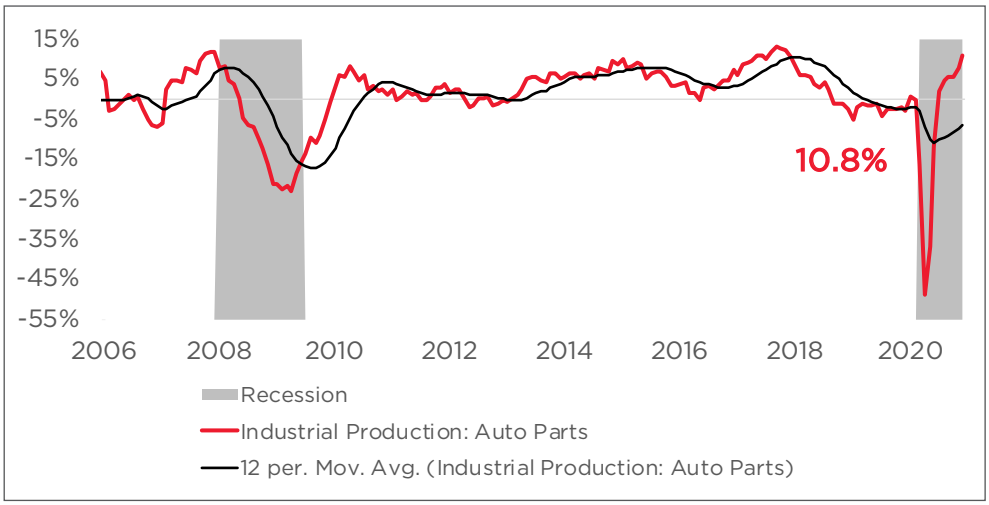
Consumer spending on motor vehicles and parts declined in November, falling 3.6 percent from the prior month. This is the second consecutive month of declines. Spending on vehicles and parts remains up 8.9 percent over the prior year, a remarkable recovery given the steep declines in the immediate aftermath of the pandemic. Spending on new vehicles declined 4.5 percent during the month, and is down 4.7 percent from a year ago. Spending on used vehicles declined 1.7 percent during the month but remains up 15 percent over last year. Spending on parts and accessories is up 6.9 percent from the prior year.



Bureau of Economic Analysis, Avrio Institute

INDUSTRIAL PRODUCTION: AUTO PARTS

Production of automotive parts in the U.S. increased 0.6 percent in December 2020 from the prior month, after growing 2.3 percent in November. Auto parts production is up a strong 10.8 percent from the prior year. Overall industrial production was up 1.6 percent during the month, but remains down 3.6 percent from last year. Manufacturing was up 0.9 percent during the month and auto production fell 1.5 percent from the prior month. Auto production is up 3.7 percent from a year ago, while non-auto manufacturing is down 3.2 percent.

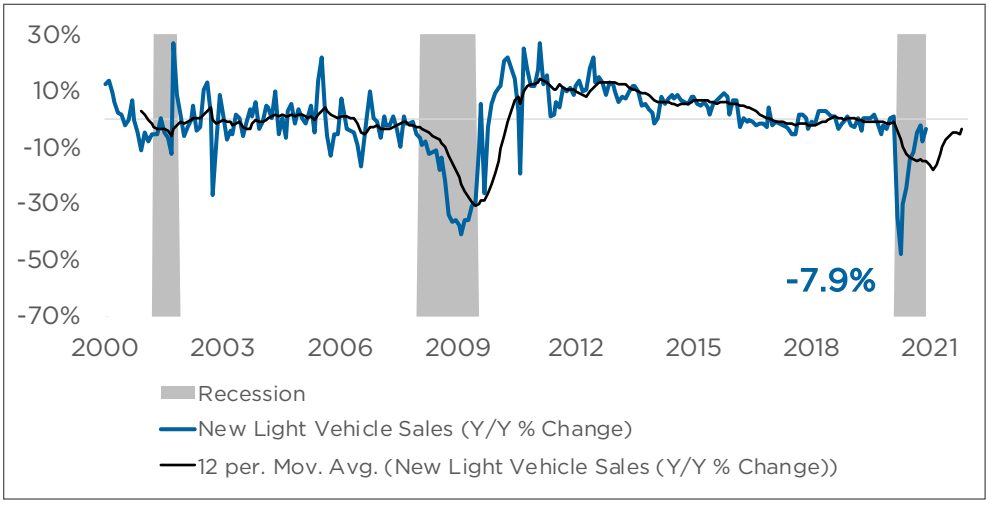


Federal Reserve, Avrio Institute

AUTOMOTIVE

MONTHLY NEW LIGHT VEHICLE SALES

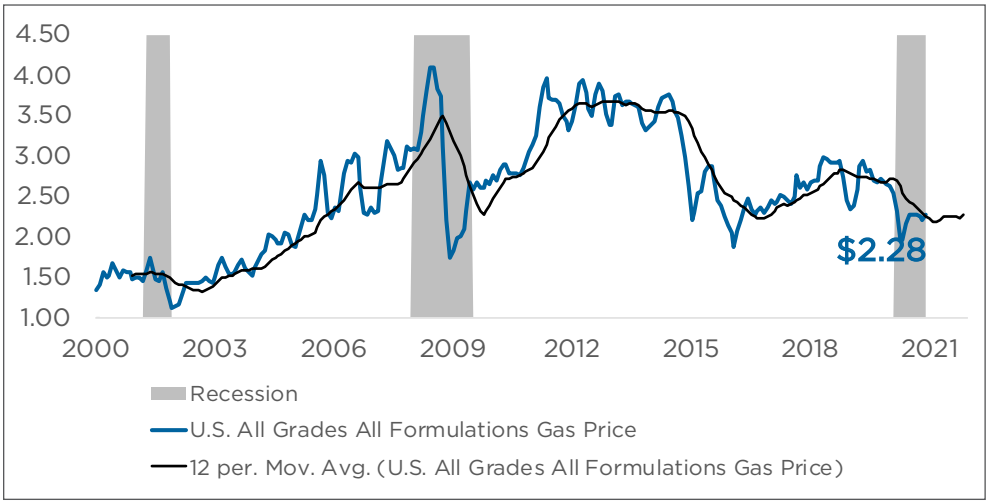
New vehicle sales rose in December, increasing 4.1 percent from November. Sales were 3.2 percent lower than December 2019. New car sales were down 1.4 percent during the month, while new truck and SUV sales were up 5.8 percent. For the year, new vehicle sales were roughly 14.43 million, 14.9 percent lower than 2018. For the year, car sales were off 16.8 percent, while truck and SUV sales were up 1.7 percent. Truck and SUVs represent roughly 77.1 percent of the overall new vehicle market and this has likely contributed to higher average selling prices.



Bureau of Economic Analysis, Avrio Institute

GAS PRICES

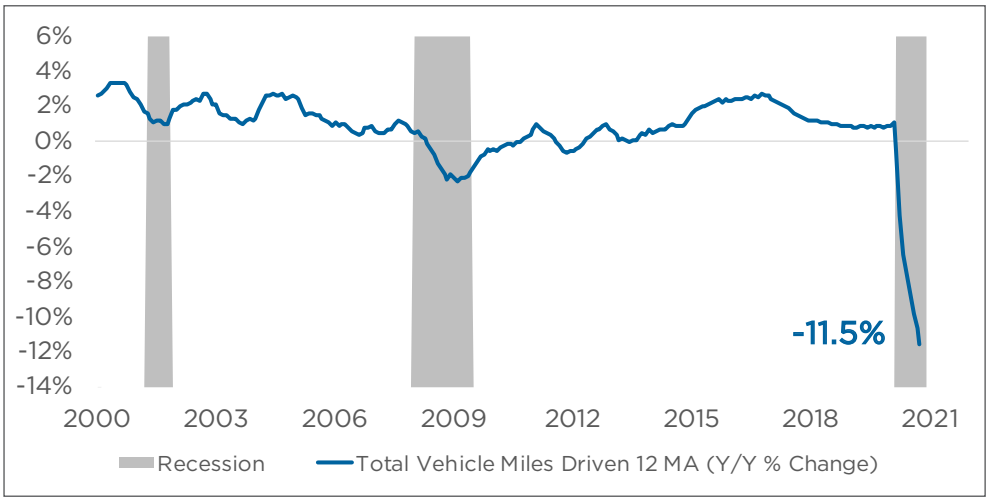
Gas prices moved higher in the month of December, increasing eight cents to $2.28 per gallon. While gas prices are up 3.8 percent over the last month, they remain down 13.6 percent over the last year. Supply and demand factors have helped oil prices move steadily higher over the last month, reaching their highest levels since February 2020. Expectations for an overall economic recovery following wider distribution of COVID-19 vaccines are helping firm the demand side. Surprise voluntary supply cuts from Saudi Arabia are firming up the supply side.



U.S. Energy Information Administration, Avrio Institute

VEHICLE MILES TRAVELED

Vehicle miles traveled on all roads and streets continued to improve but remain down significantly, a trend that could continue for much of 2021. Seasonally adjusted vehicle miles traveled for October came in at 246.8 billion miles, a 0.2 percent decline from September. Vehicle miles traveled are down 9.2 percent from October 2019. Cumulative travel for 2020 is down 13.9 percent, and was down in all regions of the country. The Northeast continues to show the steepest decline, now down 11.5 percent from last year.

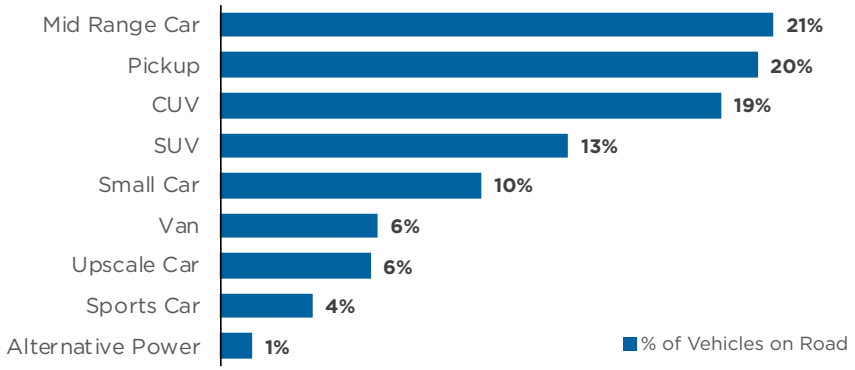


U.S. Federal Highway Administration, Avrio Institute

INSIGHTS FROM SEMA

VEHICLES IN OPERATION (VIO) DATA

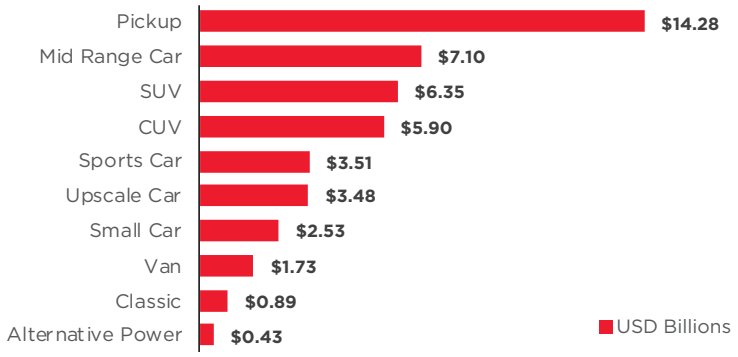
There are approximately 282 million light vehicles in operation in the United States today, of which over 116 million are passenger cars and nearly 166 million are light trucks. Together, mid range cars and pickup trucks represent 41% of the vehicles on the road.



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.

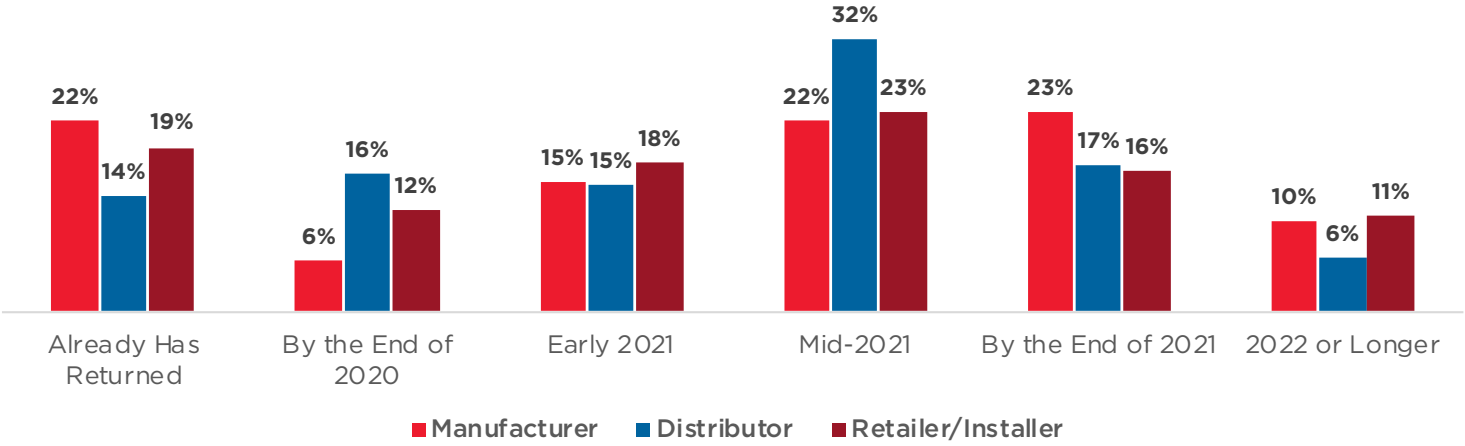


Source: 2019 SEMA US Market Data

INSIGHTS FROM THE SEMA STATE OF THE INDUSTRY REPORT

Businesses within the specialty-equipment industry expect the industry to bounce back by the end of 2021. While overall industry growth is expected to be muted, companies think that their own sales will jump in 2021.

WHEN INDUSTRY WILL RETURN TO PRE-PANDEMIC LEVELS



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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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