

SEMA INDUSTRY INDICATORS

JUNE 2021



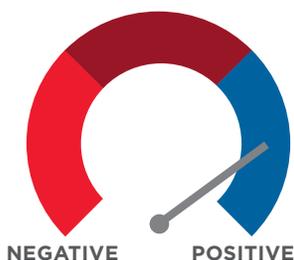
MARKET
RESEARCH

AVRIO
—INSTITUTE—

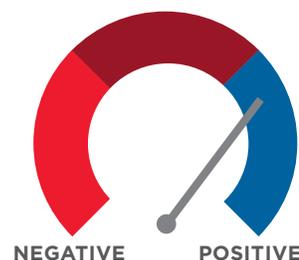
You don't have to look far to see that supply constraints are exerting significant pressure on a myriad of sectors of the economy. Supply constraints are curtailing production even though demand is improving strongly. And a combination of supply constraints and surging demand are resulting in historic price increases.

Retail sales declined 1.3 percent in May, but are up 28 percent over the last year and well above pre-pandemic levels in large part due

CURRENT OUTLOOK



FUTURE OUTLOOK



to successive stimulus payments over the last year. Spending for services improved in May, following several months of strong growth. Spending at restaurants has finally moved above pre-pandemic levels as a sign of fuller reopenings. Likewise, spending at clothing stores have improved significantly in recent months because, well, you need something new to wear now that you're leaving the house.

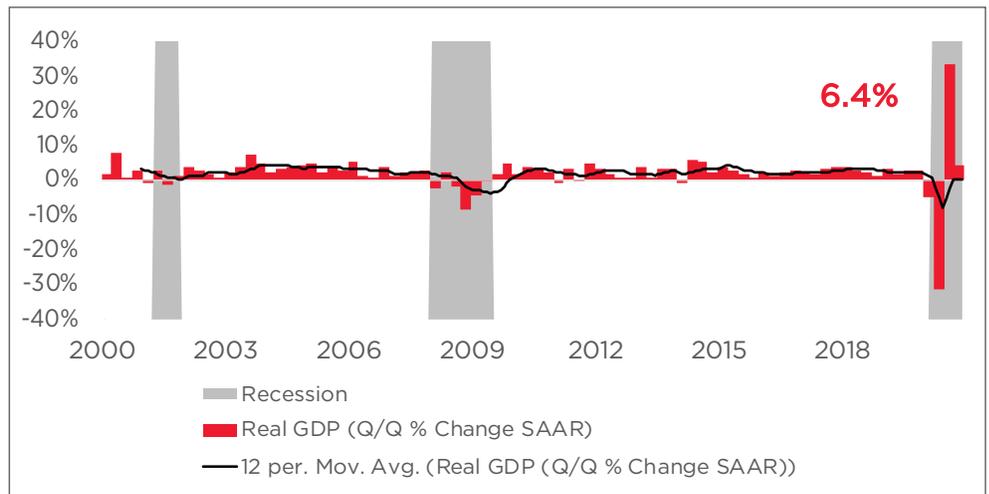
While spending on services is strong, spending on durable goods is showing some signs of slowing. Some of this decline is likely the result of supply shortages and higher prices that are leading some to wait to make bigger purchases. April was the best April in the history of auto sales. Sales declined in May, but prices were up and inventory levels were down suggesting the decline wasn't driven by weakening demand. Inventory-to-sales ratios are also historically low for a number of durable goods categories.

Other areas of the economy are showing similar patterns. The NAHB Housing Market Index fell to its lowest level since August 2020. While still at a strong level, builders are reporting weaker homebuyer traffic and less confidence in sales over the next six months. While mortgage interest rates remain attractive, labor shortages and rising costs are squeezing builders.

While price increases appear transitory (for now), the Federal Reserve appears ready to move rate hikes forward from 2024 to 2023. The median projection released in the June Federal Open Market Committee (FOMC) meeting showed two rate hikes in 2023, up from none from the March projections. In July 2020, Fed Chair Jerome Powell said that the FOMC is "not even thinking about thinking about raising rates." The time of not thinking about thinking about rate hikes might come to an end sooner than previously anticipated.

Expectations for economic growth continue to improve. This year's first quarter GDP was unrevised from a month ago, showing 6.4 percent growth. The second quarter is expected to grow 9.6 percent on a seasonally adjusted annualized basis, marking the strongest quarter, outside of the immediate bounce after the pandemic, since 1978. And growth could even surpass our expectations. The Federal Reserve Bank of Atlanta's GDPNow model has shown the second quarter coming in as high as 10.5 percent. Consumers, thanks to government support and pent-up demand, helped drive growth in the first quarter. But residential construction and business equipment spending also contributed to the growth. For the year, the economy will rise 6.7 percent and a further 4.4 percent in 2022.

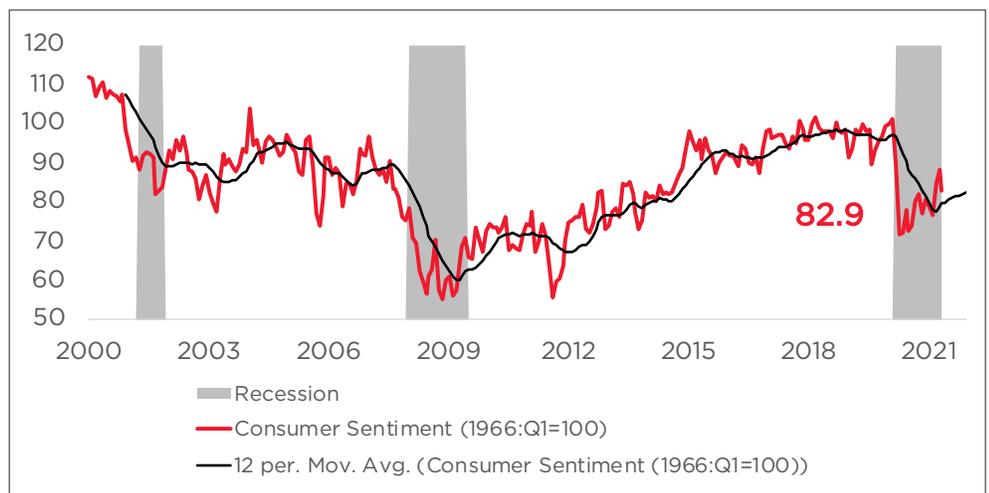
U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

Consumer sentiment retreated in May. A historic proportion of consumers are reporting higher prices as stimulus-fueled demand outstrips supply, aided by the continued reopening of the economy. At the same time, a historic proportion of consumers also expect the unemployment rate to decline over the next year, suggesting the prospects for jobs remain high. Consumers have over \$2 trillion dollars in excess savings which will continue to drive consumption and mute the sting of higher prices, at least temporarily. The expected year-ahead inflation rate rose to 4.6 percent in May, up from 3.4 percent in April.

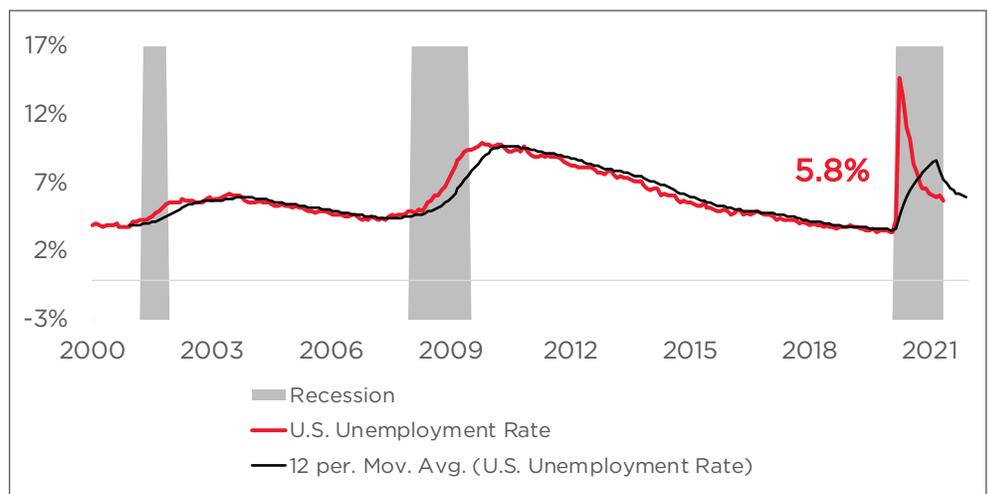
CONSUMER SENTIMENT



University of Michigan, Avrio Institute

The economy added 559,000 jobs in May. While a monthly gain like this would have historically been a very strong number, recent gains in employment have failed to meet expectations in the post-COVID environment of economies opening and employers offering growing incentives to prospective hires. The unemployment rate fell to 5.8 percent, however some of this decline was the result of the labor force falling by 53,000. Averagely hourly earnings rose during the month, as did the total number of hours worked. Compared to pre-COVID February 2020, average hourly earnings are up 6.4 percent while total hours worked are down 3.6 percent.

UNEMPLOYMENT RATE



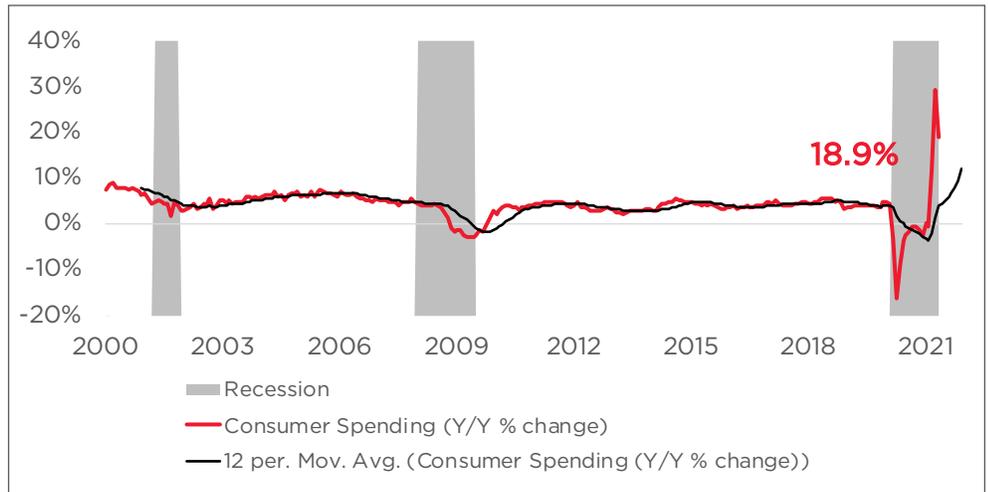
Bureau of Labor Statistics, Avrio Institute

Wages grew strongly in May, up 0.8 percent from April. But a decline in government transfer payments due to waning stimulus checks led to a decline in total income growth. Overall, personal income fell two percent during the month and disposable personal income fell 2.3 percent. Overall spending during the month of May was relatively flat, increasing just 0.1 percent. Spending on services was up 0.7 percent in the month, after expanding 1.7 percent in March and April. But spending on goods was flat, after solid growth in the prior two months.

Spending on new vehicles fell four percent in May, likely the result of tight supply due to supply chain shortages. Production has improved somewhat over the last month but remains constrained. In 2018, the industry averaged 914,000 motor vehicle assemblies a month. Assemblies have averaged less than 750,000 over the last four months. At the same time, new vehicle sales have been strong. In turn, this has driven the inventory-to-sales ratio to a historic low of 0.8 percent in May. Spending on used vehicles also declined during the month, but remains up 47.4 percent over the last year and 41.4 percent over the last two years.

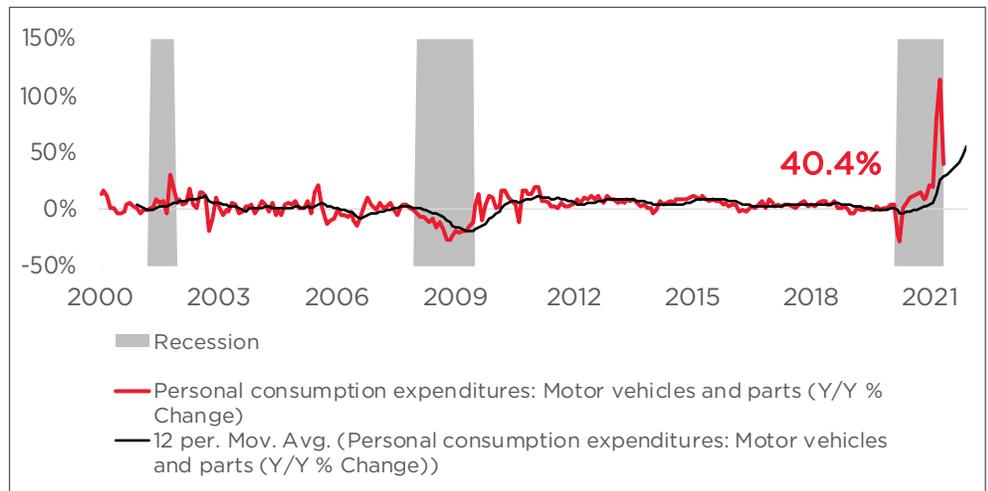
Industrial production rose in May, increasing 0.8 percent while manufacturing output was up 0.9 percent. Compared to last year, manufacturing output is up significantly but it remains down 0.5 percent from two years ago. Auto parts production increased one percent over the last month. Auto parts production is up nearly 32 percent over last May when production was cut back significantly by the pandemic. Production is also up 6.6 percent over two years ago and has made a full recovery, unlike other sectors of manufacturing.

CONSUMER SPENDING



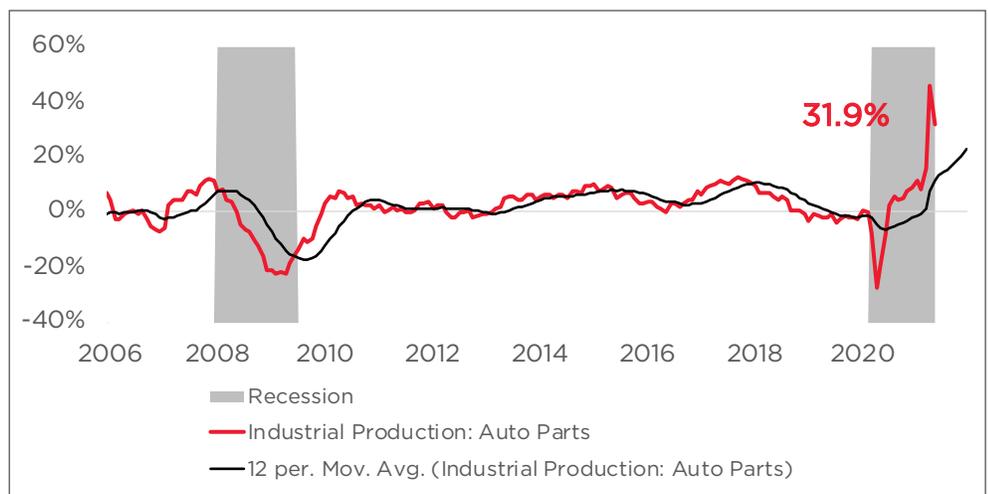
Bureau of Economic Analysis, Avrio Institute

CONSUMER SPENDING ON MOTOR VEHICLES & PARTS



Bureau of Economic Analysis, Avrio Institute

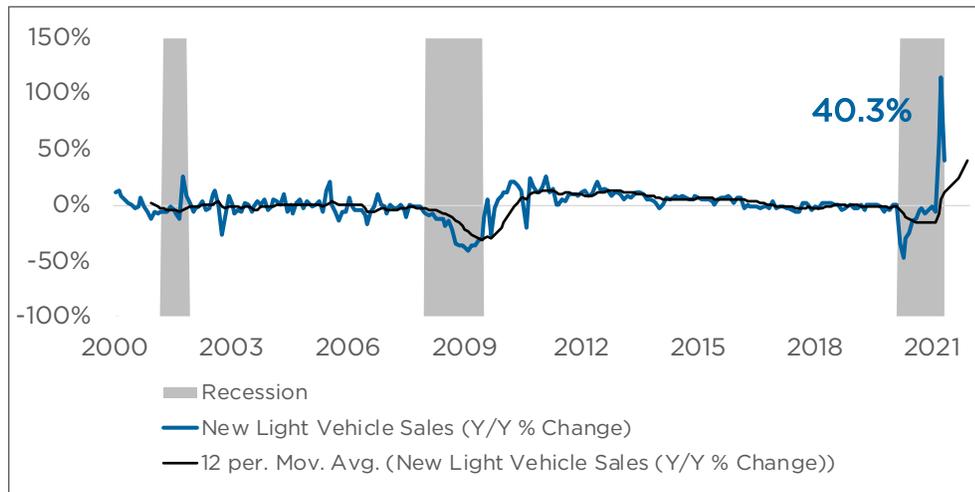
INDUSTRIAL PRODUCTION: AUTO PARTS



Federal Reserve, Avrio Institute

Supply constraints finally caught up with new vehicle sales in May. New vehicle sales fell 9.5 percent to a seasonally adjusted annual rate of 16.99 million. Yet, this is up 40 percent over May 2020 and down 1.9 percent from May 2019. While down from last month, this rate is still a strong performance and in line with the 17 million new vehicles expected to sell during 2021. Trucks and SUVs fell 10.4 percent during the month, while new cars were down 6.3 percent. While shortages and dwindling new vehicle inventory levels cut into unit sales volume, this has likely helped lift prices. Kelly Blue Book reports average new vehicle prices are up 5.43 percent compared to last year.

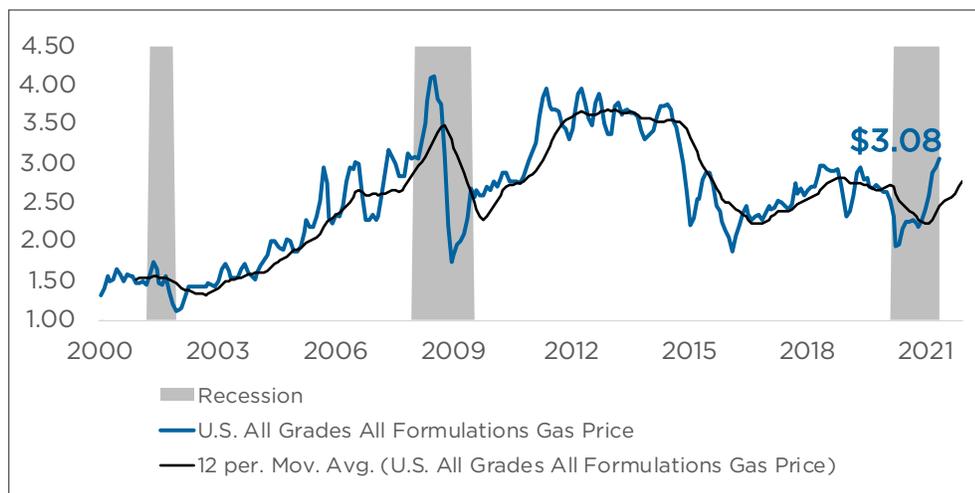
MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

National gas prices crested three dollars a gallon in May. Gasoline rose 13 cents a gallon to \$3.08. Prices are up 56.9 percent (\$1.12/gallon) over the last year and up 4.4 percent compared to two years ago. Oil prices have climbed to a two-year high as demand surges. At the same time, OPEC+ is likely to keep production tight, and a deal to lift Iranian sanctions and add new oil to the market is looking increasingly unlikely. The number of U.S. oil rigs stands at 470, up from 265 a year ago.

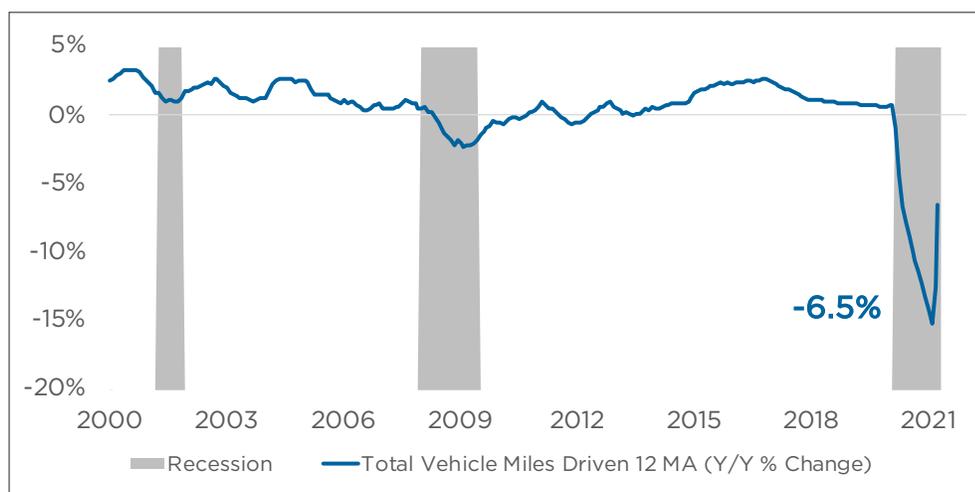
GAS PRICES



U.S. Energy Information Administration, Avrio Institute

Seasonally adjusted vehicle miles traveled for March 2021 increased 6.2 percent from the prior month. And compared to last year when the start of the pandemic curtailed driving, seasonally adjusted vehicle miles traveled are up 18.5 percent. Seasonally adjusted vehicle miles increased to 261.1 billion miles, up 40.7 billion vehicle miles from the prior year. Vehicle miles traveled during the month were still off 3.8 percent from two years ago. All regions saw strong increases. The West was up 22.3 percent from last year, while the Northeast was up 19 percent.

VEHICLE MILES TRAVELED

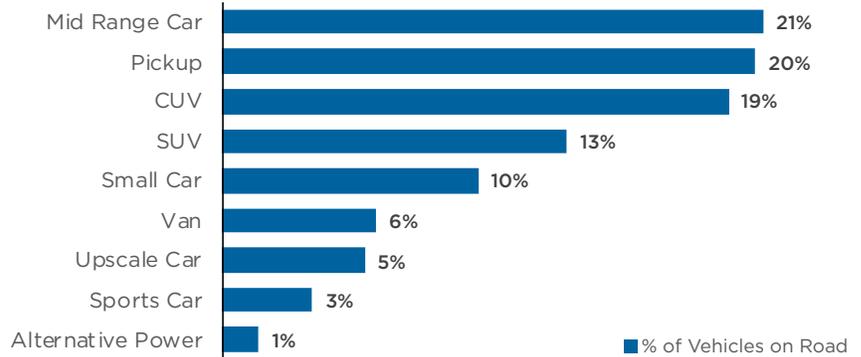


U.S. Federal Highway Administration, Avrio Institute

INSIGHTS FROM SEMA

VEHICLES IN OPERATION (VIO) DATA

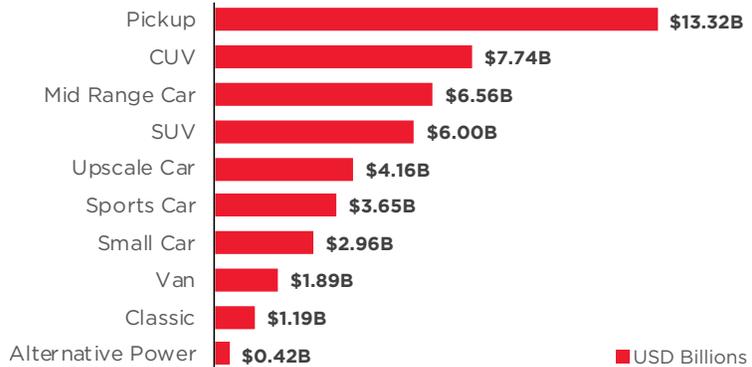
There are over 281 million light vehicles in operation in the United States today, of which over 114 million are passenger cars and nearly 167 million are light trucks. Together, mid range cars and pickup trucks represent 41% of the vehicles on the road.



Source: ©2021 Experian, Data as of December 31, 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.

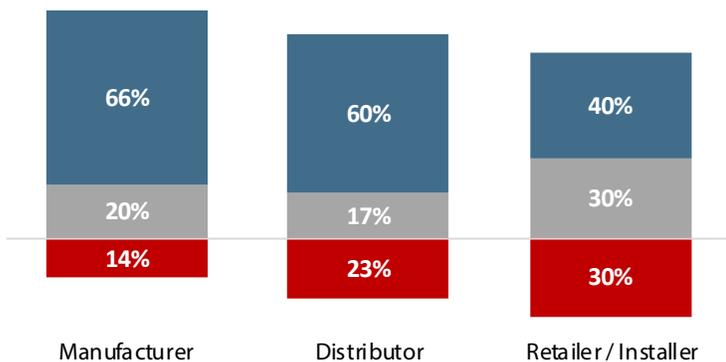


Source: 2020 SEMA US Market Data

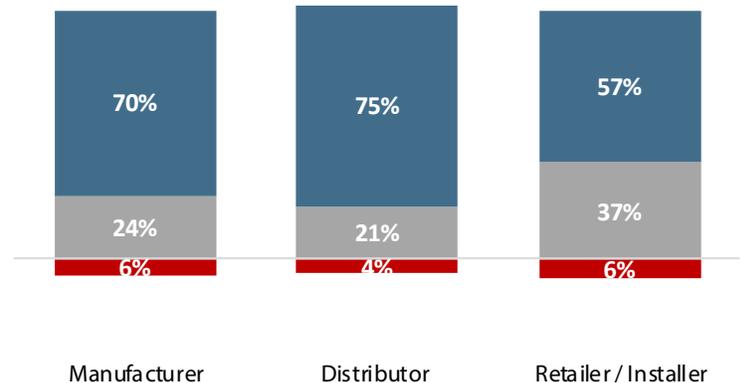
INSIGHTS FROM THE SEMA STATE OF THE INDUSTRY — SPRING 2021 REPORT

Unlike many sectors of the economy, the specialty-equipment industry has largely weathered the pandemic. Many companies saw sales growth over the past year; others saw some declines. Some companies, especially manufacturers, reported record sales.

HOW COMPANY SALES HAVE CHANGED OVER PAST 12 MONTHS



EXPECTATIONS FOR SALES OVER COMING YEAR



● Increase ● Stay Same ● Decrease

Want to learn more? Download the "SEMA State of the Industry—Spring 2021" report today 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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