

# SEMA INDUSTRY INDICATORS

## MARCH 2021

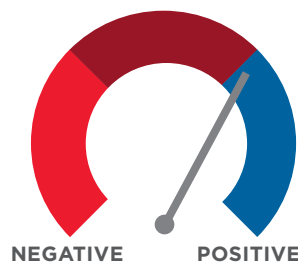


MARKET  
RESEARCH

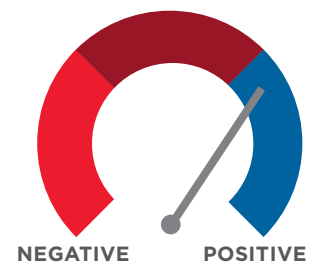
AVRIO  
—INSTITUTE—

The economic outlook has improved significantly over the last month. A number of things are combining to bolster economic activity. The rate of vaccinations is accelerating and the number of COVID-19 cases, while still extremely high, is falling precipitously. The weather is improving and pandemic-related restrictions are easing. At the forefront of the economic recovery, the recently passed \$1.9 trillion COVID relief bill pushes economic growth above trend in the back half of 2021 and through much of 2022.

### CURRENT OUTLOOK



### FUTURE OUTLOOK



Forecasts of economic growth have improved significantly over the last month. In February, we expected the economy to grow 2.9 percent during the first quarter and 4.9 percent for the year. We now expect the economy to grow 4.9 percent in the first quarter and 5.7 percent for the year. The middle quarters of the year are looking especially strong.

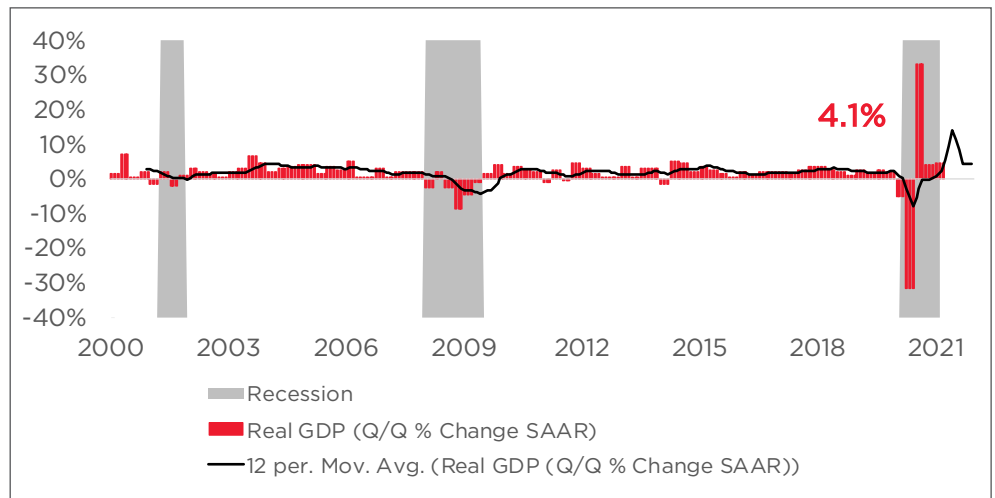
In addition to \$1.9 trillion in stimulus, equal to about 9 percent of annual GDP, households are sitting on a tremendous amount of savings. There is an excess of roughly \$1 trillion in savings sitting on the sideline waiting to be spent. These excess savings are primarily in the hands of households that have retained their jobs during the recession. These precautionary savings should translate into spending as vaccination rates increase, COVID-related restrictions are reduced and confidence levels return.

The recovery isn't without risk. By the back half of 2021, the economy will likely be operating above its maximum sustainable level. This in turn will put upward pressure on inflation. Already, prices are moving higher—much higher in some segments of the economy. Fuel prices are up. Some commodity prices are approaching all-time highs. Supply chains are constrained. Transportation costs have been up for much of the last year. Ports are overloaded, and border crosses have also seen delays.

One additional risk for the auto industry is the nature of this particular recession and recovery. This recession was unique in that spending on durable goods was actually up as consumers cut back spending on services, stayed home and bought things like electronics and vehicle parts. If consumers go back to spending on services as restrictions lift, they might cut back on spending on durable goods, which could slow growth for some segments of the economy.

Prospects for economic growth in 2021 have improved significantly over the last month, aided in large part by expectations for the recently passed \$1.9 trillion COVID relief bill. But declining COVID-19 cases, increased vaccinations and lifting restrictions are all driving economic activity. The estimate of first quarter growth has increased from 2.9 percent to 4.7 percent. Growth expectations for the entirety of 2021 have increased from 4.9 percent to 5.7 percent. While GDP in the fourth quarter was revised only marginally higher, capital investment rose at a 14 percent annual rate during the quarter. Despite tremendous uncertainty in 2020, capital investment was off just 1.2 percent from 4Q19.

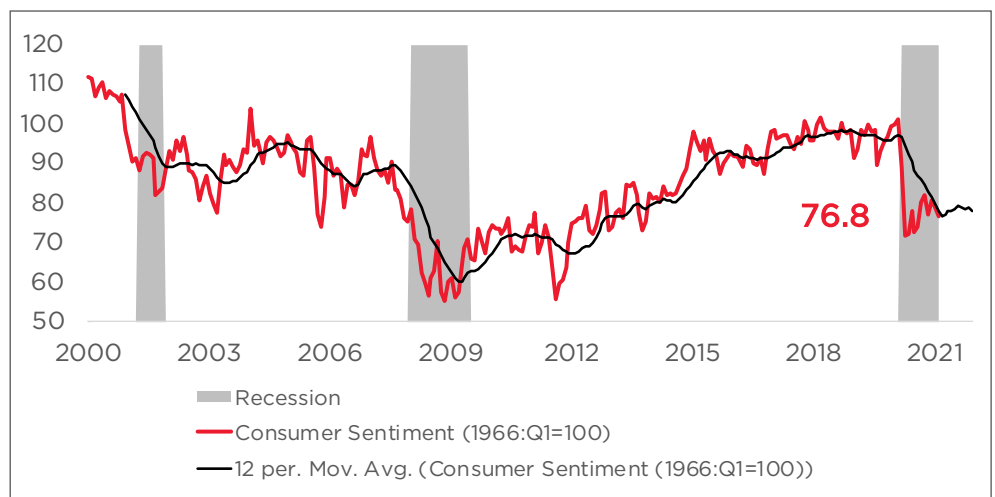
## U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

The Consumer Sentiment Index fell in February, dropping from 79 to 76.8. Sentiment continues to highlight the divergent nature of the economic recovery. Half of consumers expect economic conditions to improve during the year, while half expect bad financial times to persist. All of February's decline was driven by households with incomes below \$75,000. The initial reading of consumer sentiment for March jumped to 83. If this holds, it will be the highest level since March 2020. But those who retained jobs and those who lost jobs continue to have contrary outlooks for the economy. Expectations for inflation over the next year are also rising. Inflation expectations for the next year have increased to 3.3 percent, up from 3 percent in January and 2.5 percent in December.

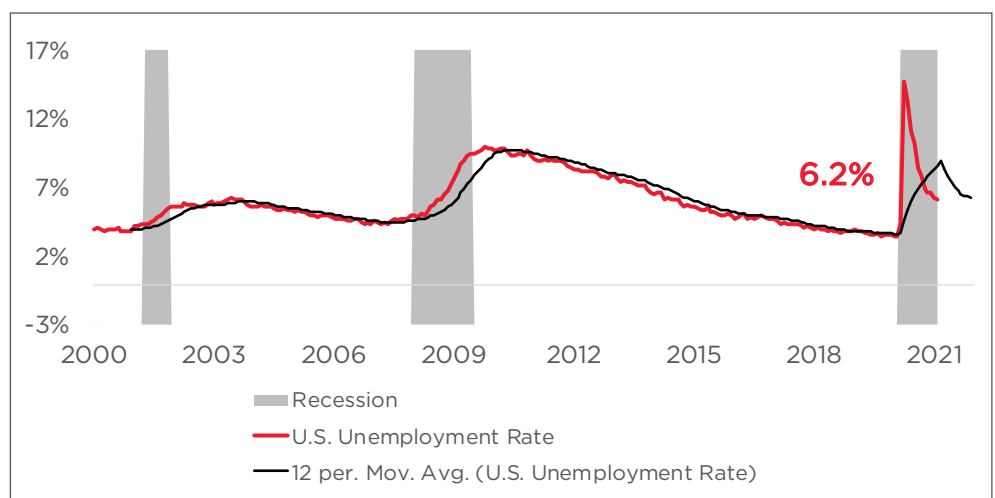
## CONSUMER SENTIMENT



University of Michigan, Avrio Institute

The job market showed clear signs of recovery in the past month. The economy added 379,000 jobs in February, and results from the prior two months were revised for a net gain of 38,000 more jobs. February's figures also masked a high number of workers not at work because of severe weather, suggesting March could bring even stronger numbers. Leisure and hospitality added 355,000 jobs, though it had cut 523,000 jobs in the prior two months. Retail added 41,000 jobs. Average hourly earnings were up 0.2 percent for the month and are up 5.3 percent for the year. Those lucky to be working are being paid more. However, hours are down so total compensation is off by 0.8 percent from last year. The unemployment rate declined from 6.3 percent to 6.2 percent.

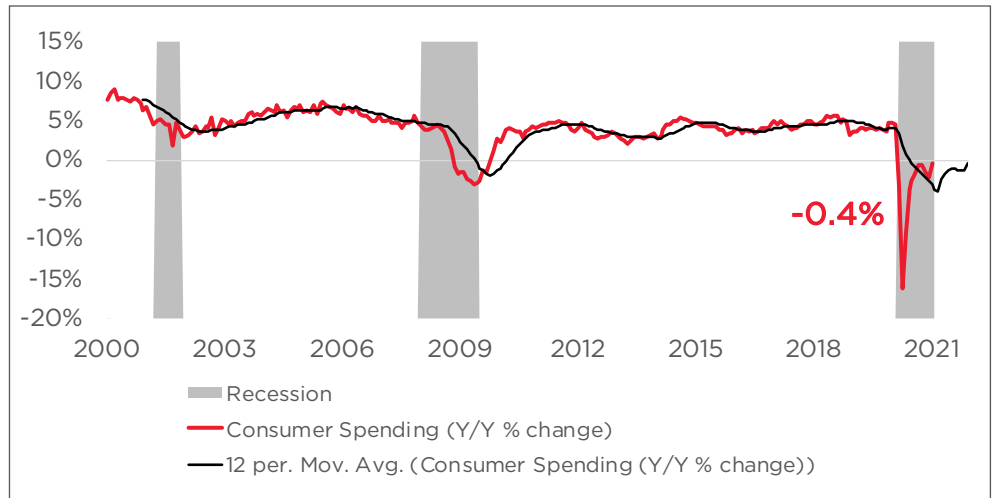
## UNEMPLOYMENT RATE



Bureau of Labor Statistics, Avrio Institute

## CONSUMER SPENDING

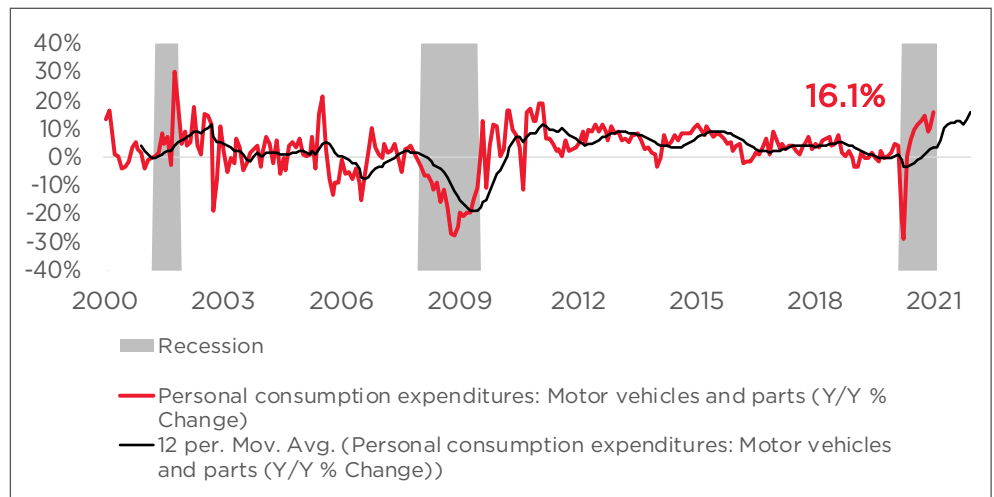
Personal income surged 10 percent in January and is now up 13.1 percent over the last year. Income was driven by stimulus payments and supplemental unemployment benefits. Private sector wages were up 0.8 percent in January. With more stimulus on the way, the coming months will likely see continued income growth. Spending also grew during the month, rising 2.4 percent. Spending is down 0.4 percent over the last year. With income outpacing spending, savings increased to 20.4 percent. This is well above historic levels and suggests strong spending in the coming months as COVID-related restrictions are lifted and consumers regain a willingness to spend on services.



Bureau of Economic Analysis, Avrio Institute

## CONSUMER SPENDING ON MOTOR VEHICLES & PARTS

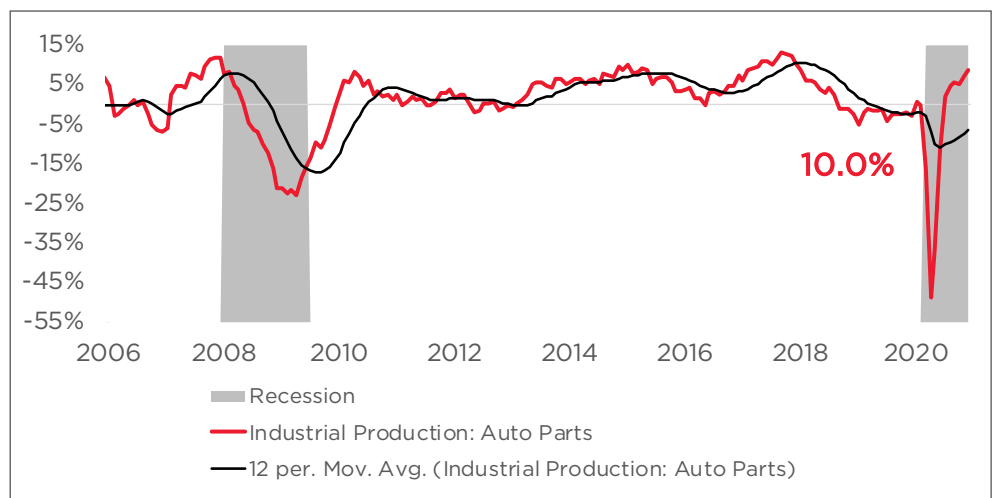
Spending on new vehicles reversed a two-month decline and increased in January, rising 4.6 percent over the previous month. Spending on new vehicles is down 9.2 percent from a year ago. The weakness in new vehicle spending has been driven by weakness in cars. Spending on trucks and SUVs rose 5.1 percent in January and is up 24.1 percent over the last year. Spending on used vehicles increased 3.4 percent in January, reversing several months of sequential decline. But spending on used vehicles is up 11.7 percent over the last year. Spending on parts and accessories increased 6.3 percent during the month and is up 14.1 percent over the last year. Overall, spending is up 16.1 percent over last year.



Bureau of Economic Analysis, Avrio Institute

## INDUSTRIAL PRODUCTION: AUTO PARTS

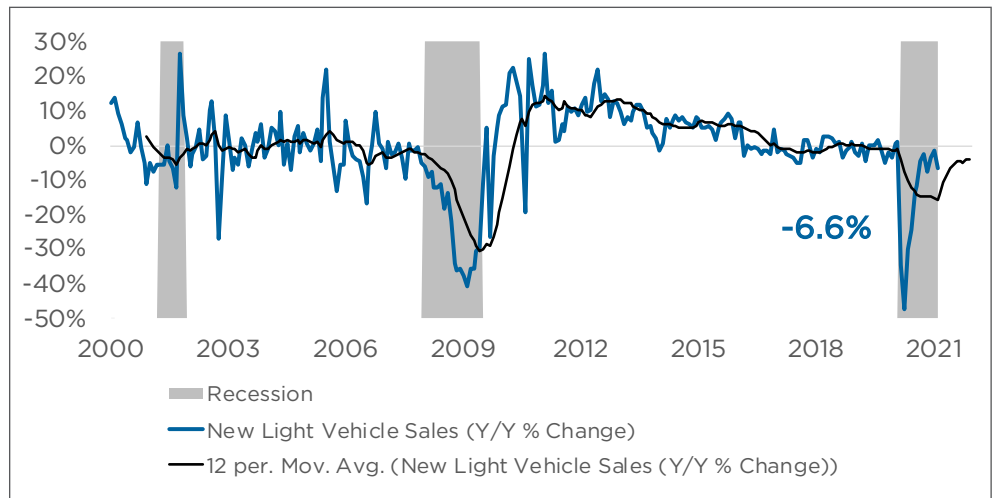
Auto parts production increased 0.4 percent in February, while overall manufacturing declined 3.1 percent. Auto parts production is up 10 percent over the last year, while overall auto production is down 8.6 percent and non-auto manufacturing is down 3.7 percent over the same time horizon. Overall industrial production fell 2.2 percent in February, the first decline in five months. Nearly every major category was down during the month — a result of severe winter weather. Look for the upward trend in industrial production to reemerge in the coming months as the impact of adverse weather is reversed.



Federal Reserve, Avrio Institute

New vehicle sales declined in February, falling 5.7 percent from the prior month. Severe weather during the month likely pushed some sales into March. Inventory levels inched higher but remain well below year-ago levels. Inventory levels are about 17 percent below last year's and have likely contributed to rising prices for new vehicles, which are up about 6 percent from last year. New car sales were down 8.1 percent compared to February 2020, while truck and SUV sales were down 5 percent over the same time period. The truck and SUV share of all new vehicles is 78.3 percent, another new record.

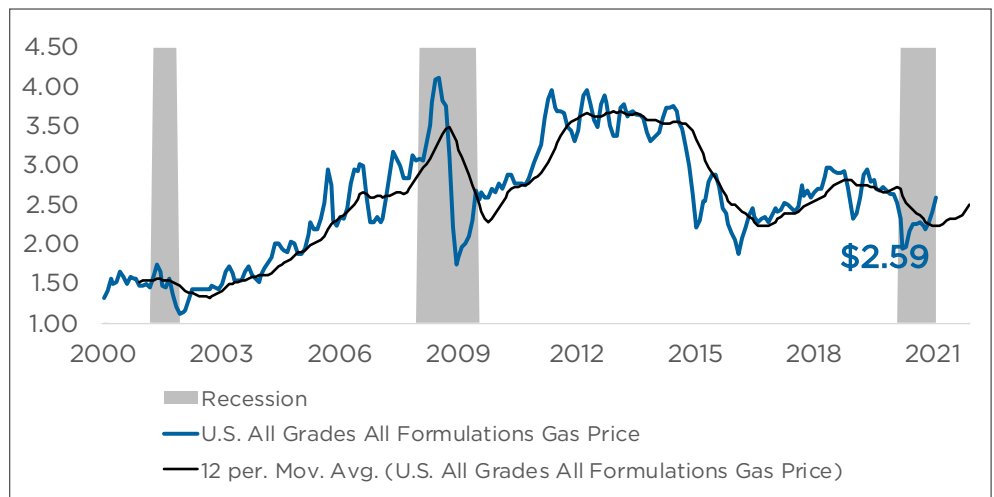
## MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

Gas prices rose sharply again in February, increasing 17 cents (6.9 percent) over the prior month. Gas averaged \$2.59 in February. Gas prices are up 33 percent from April 2020's low of \$1.94. Gas prices are 2.1 percent higher than a year ago. This is the first time since the start of the pandemic that gas prices are up on a year-over-year basis. Weather put pressure on both supply and demand; there were over 40 refineries that were down at one point in Texas. It will take some time for refineries to be back to full capacity. Gas demand is also increasing as restrictions lift, and as weather improves in many parts, mobility levels are increasing.

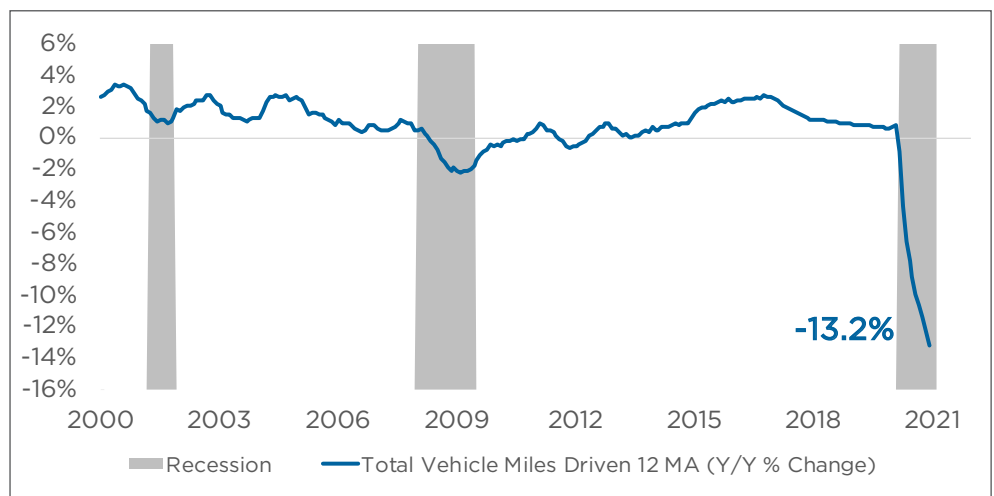
## GAS PRICES



U.S. Energy Information Administration, Avrio Institute

In December, vehicle miles traveled on all roads and streets declined 10.3 percent (-28.1 billion vehicle miles) compared to the year-ago period. Seasonally adjusted vehicle miles traveled for December hit 244.5 billion. Vehicle miles traveled were down 0.3 percent (0.8 billion vehicle miles) from the prior month. Cumulative travel for 2020 is down 13.2 percent (-430.2 billion vehicle miles) and was down in all regions of the country compared to the previous year. COVID restrictions began to lift in parts of the country in January.

## VEHICLE MILES TRAVELED

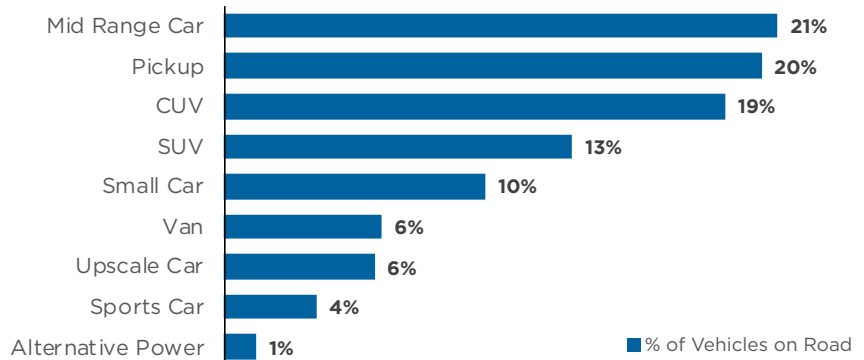


U.S. Federal Highway Administration, Avrio Institute

# INSIGHTS FROM SEMA

## VEHICLES IN OPERATION (VIO) DATA

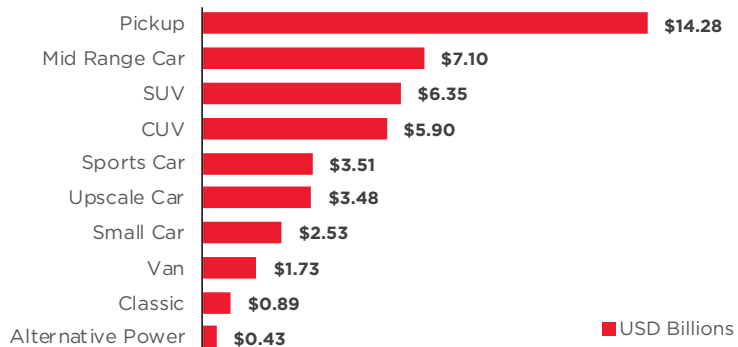
There are approximately 282 million light vehicles in operation in the United States today, of which over 116 million are passenger cars and nearly 166 million are light trucks. Together, mid range cars and pickup trucks represent 41% of the vehicles on the road.



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.

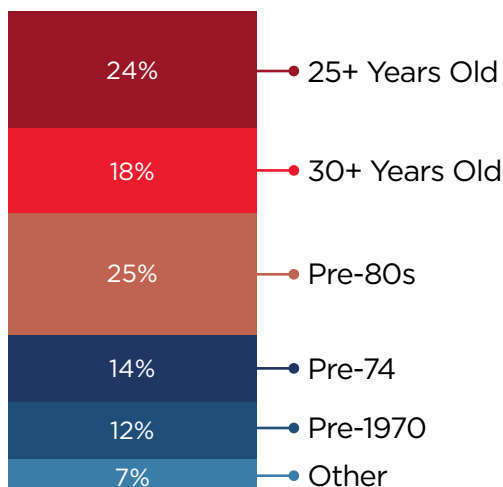


Source: 2019 SEMA US Market Data

## INSIGHTS FROM THE SEMA CLASSIC CARS, MODERN MARKET REPORT

In the new “Classic Cars, Modern Markets” report, SEMA Market Research explores the specialty aftermarket for classic vehicles. Inside this report you will find information on how owners relate to their classic vehicle, how they go about achieving their vision, and how businesses can connect with them.

### WHAT COMPANIES SAY MAKES A VEHICLE “CLASSIC”?



### HOW MANY CLASSICS ARE THERE?

#### SEMA ESTIMATES

PRE-1970: 3,500,000

1970S: 1,800,000

1980S: 4,100,000

Source: © Experian 2021,  
SEMA Market Research Estimates

To learn more, download the SEMA “Classic Cars, Modern Markets” report at: [sema.org/research](https://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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