

# SEMA INDUSTRY INDICATORS

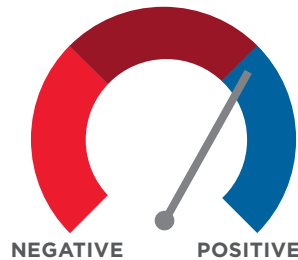
## NOVEMBER 2021



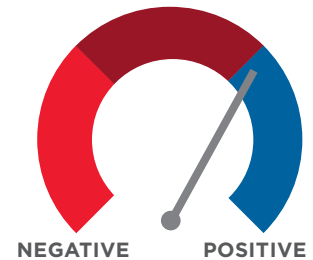
There's a new risk in town.

Much remains unknown about the omicron variant, but it poses a significant threat at a time when the economy is making a push to return to pre-pandemic patterns. Regardless of the severity of the actual variant, uncertainty surrounding the variant likely causes travel to decline and consumers to retrench. The trajectory of the economy will follow the trajectory of the pandemic.

### CURRENT OUTLOOK



### FUTURE OUTLOOK



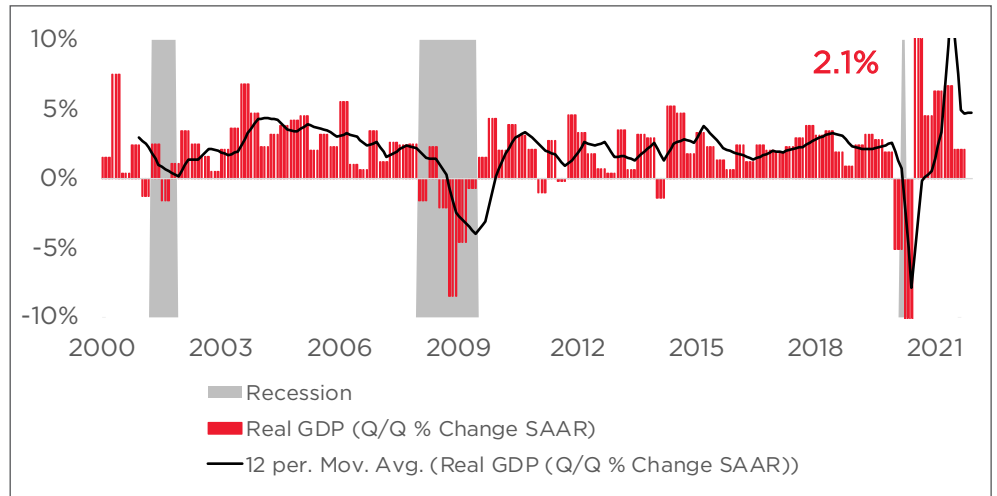
There is an unusual dichotomy playing out among consumers. Consumer sentiment slipped to a decade low in November, driven in large part by rising inflation that could hamper living standards. But at the same time, consumers look well positioned to spend. There continues to be extremely strong demand for workers and wages are rising as a result. Initial unemployment claims declined to 199,000 the week before Thanksgiving, plunging to the lowest level since 1969. Job openings remain near historic highs. Private-sector wages and salaries rose 0.9% in October and are now up a strong 10.5% in the past year. Savings remain well above pre-pandemic levels.

It looks like consumers have the capacity to spend, but the availability of things to buy remains constrained. Backlogs at West Coast ports continue to grow. As a result, pent-up demand continues to build. This will likely fuel solid growth through at least the first-half of 2022. Shortages driven by supply chain disruptions remain especially evident with new vehicles. While new vehicle sales were up in October, sales for the year are 1.7 million vehicles below where they would have been without supply chain disruptions and sales will likely be close to one million short in 2022. The inventory-to-sales ratio for new vehicles was a shocking 0.389 in October. Historically this ratio hovers around 2.4. In other words, inventory levels for new vehicles can typically cover roughly two and half months of sales. Today, inventory levels can only cover about 12 days of sales.

While economic growth was underwhelming in the third quarter, incoming data suggests growth is revving up in the fourth quarter, barring any major setbacks from omicron or other major uncertainties.

Real GDP growth for Q3 was revised up to 2.1% from the first estimate, but this remains a steep deceleration from 6.5% growth in the first half of the year. The largest positive contributions to growth in the quarter were inventories and consumer spending. But consumer spending grew just 1.6% during the quarter compared to 12% in the second quarter. Early data suggests stronger growth in Q4, driven in part by international trade and inventories as companies work to rebuild depleted stock. Growth should accelerate to 4.9% in Q4.

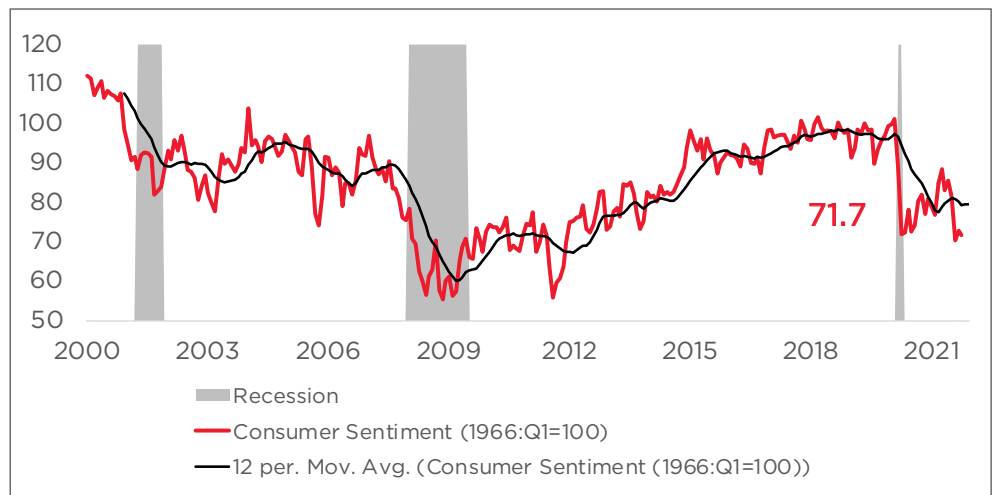
## U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

At the end of October consumer sentiment was mired near the low levels first recorded at the onset of the pandemic. In the early weeks of November, sentiment fell further, hitting a decade low. Uncertainties surrounding COVID and potential resurgences remain high and have curtailed improvements in sentiment. While incomes are rising, higher rates of inflation are also tampering confidence. Complaints about falling living standards, as a result of inflation eroding purchasing power, doubled in the past six months and quintupled over the last year.

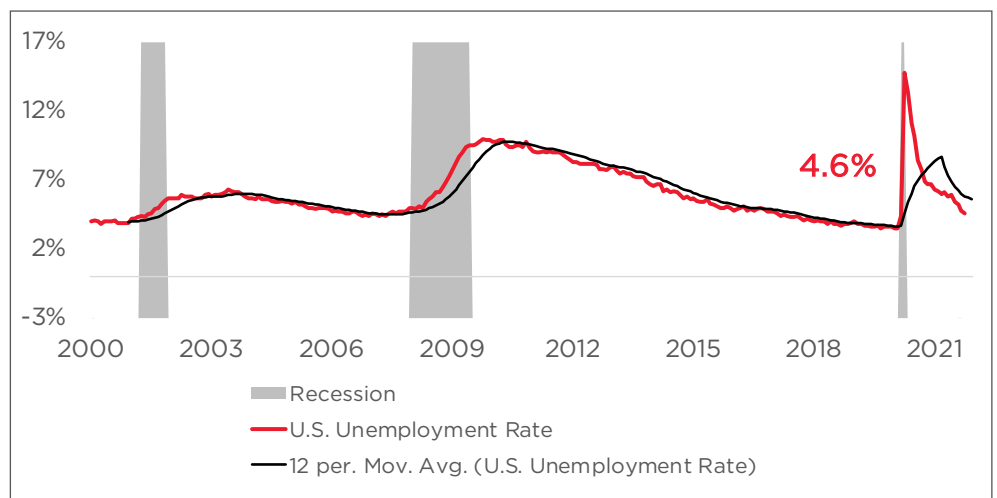
## CONSUMER SENTIMENT



University of Michigan, Avrio Institute

The unemployment rate fell to 4.6% in October, the lowest level since March 2020. Nonfarm payroll increased 531,000, and gains in August and September were revised higher by 235,000 jobs. Private sector payrolls rose 604,000 during the month. Hotels and restaurants added back 143,000 jobs during the month and manufacturing added a very strong 60,000 new jobs. Manufacturing is now roughly 2% below pre-pandemic levels. Overall, workers are working longer hours and hourly earnings are higher. Average hourly earnings rose 0.4% in October and are up 4.9% over the last year. Total hours worked rose 0.2% and are up 4.2% in the last year. Combined, total worker pay, excluding irregular bonuses, is up 9.2% over the last year and 6.8% above pre-pandemic levels.

## UNEMPLOYMENT RATE



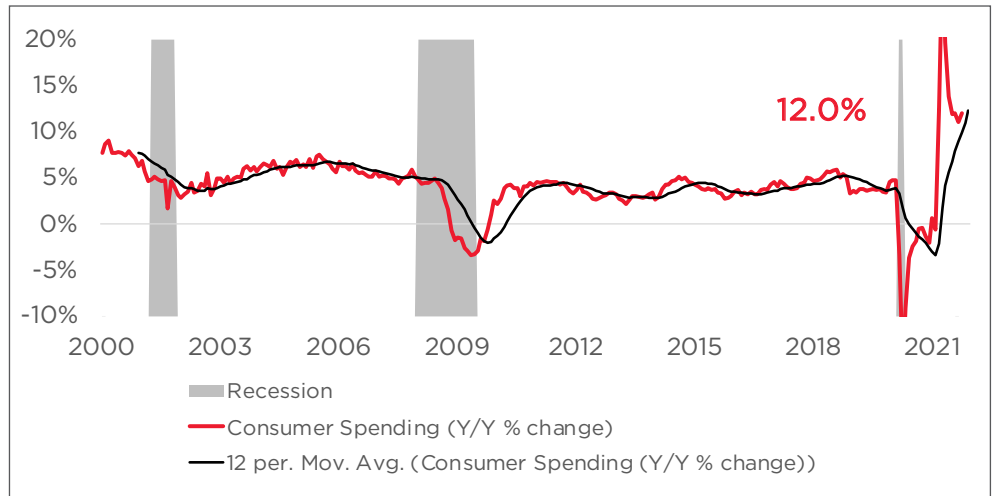
Bureau of Labor Statistics, Avrio Institute

Personal income declined 1% in September, but is up 4.2% in the last year. Personal consumption rose 0.6% during the month, and is up 10.9% over the last year. After adjusting for inflation, “real” consumption was up 0.3% during the month and is up 6.2% over the last year. Income fell because supplemental unemployment benefits ended nationally on September 6th and as a result, government transfer payments fell 7.2%. But more importantly, private-sector wages and salaries rose 0.9% and are now up a strong 10.5% in the past year.

Spending on new vehicles rose in October, the first increase since April 2021. Spending was up 8.4%, driven by higher prices and increased spending as new vehicle inventory improved somewhat during the month. Spending on new vehicles is down 1.8% over the last year but up 16.3% over 2019 levels. Net spending on used vehicles is up a whopping 44.8% over the last year and 77.6% over 2019 levels. Spending on parts and accessories was also up during the month, rising 2.6%. Spending on parts and accessories is up 14.2% over the last year and a very strong 23.3% over 2019.

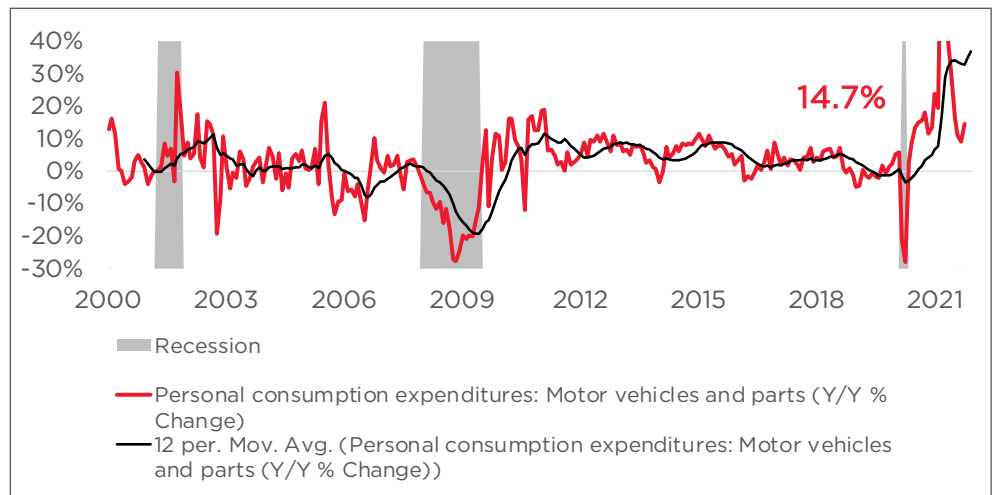
Auto parts production increased 0.9% in October and is up a strong 9.5% over the last year and 15.1% over 2019. Industrial production rose 1.6% during the month and is up 5.1% over the last year and essentially flat with 2019 levels. While supply chain constraints continue to exert pressure, gains in October are a hopeful sign that production is getting back on track. New orders for motor vehicles and parts rose 4.8% during the month and the backlog of orders continues to rise. Unfilled orders were up 1.1% during the month and are up 23.2% over October 2019.

## CONSUMER SPENDING



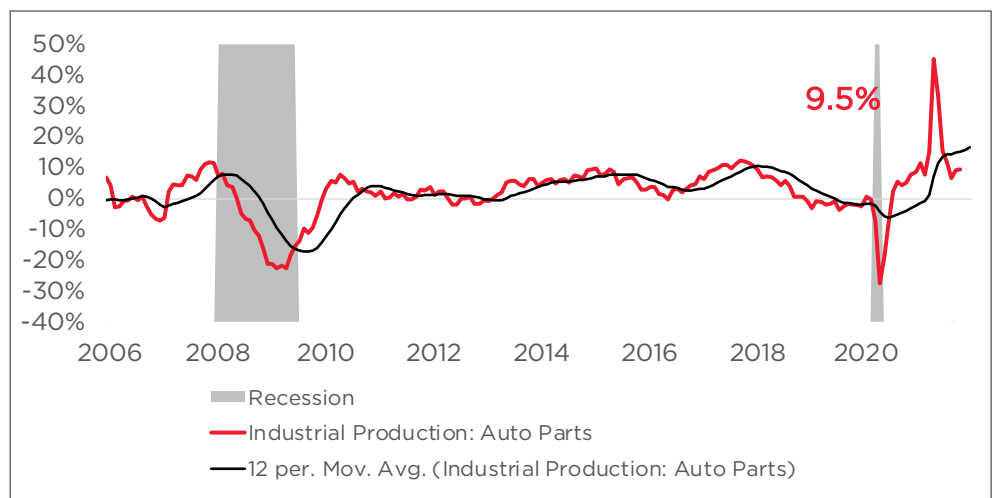
Bureau of Economic Analysis, Avrio Institute

## CONSUMER SPENDING ON MOTOR VEHICLES & PARTS



Bureau of Economic Analysis, Avrio Institute

## INDUSTRIAL PRODUCTION: AUTO PARTS



Federal Reserve, Avrio Institute

# AUTOMOTIVE

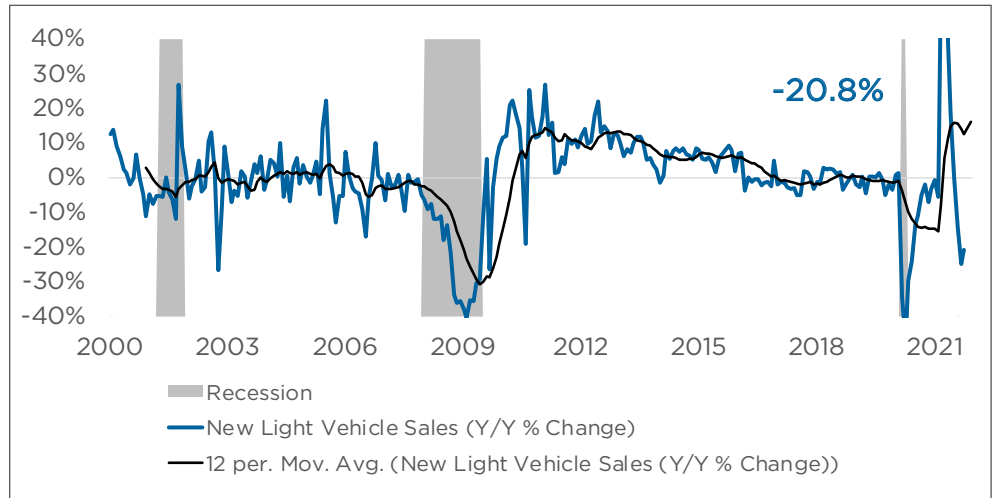
New vehicle sales rose 6.3% in October, the first increase in six months. But new vehicle sales remain low, constrained by ongoing supply chain disruptions. New vehicle sales have fallen from a peak of 18.3 million (annualized) vehicles sold in April 2021 to just 12.99 million in October. Sales are down 22.4% from 2019 levels. During the month, truck/SUV sales increased 9.1%, while passenger car sales fell 3.5%. Truck/SUV sales now make up a record 80.1% of new vehicle sales, surpassing the previous record of 78.4% set in February 2021.

Despite the small increase in sales during the month, inventories remain very tight, another sign that demand remains strong. The inventory-to-sales ratio was a shocking 0.389 in October, while historically this ratio hovers around 2.4.

National gas prices rose strongly in October, increasing 11 cents, or 3.4%. Gas prices are up 50.5% over the last year and 24.2% over October 2019. President Biden recently announced the U.S. would release 50 million barrels of oil reserves, a move made in conjunction with similar moves from China, Japan, India, South Korea, and the U.K, after OPEC refused to raise production levels. This might ease gas prices somewhat but it will take time for additional oil supply to impact the price at the pumps. The biggest factor on gas prices in the coming months will be the impact the Omicron variant will have on travel sentiment.

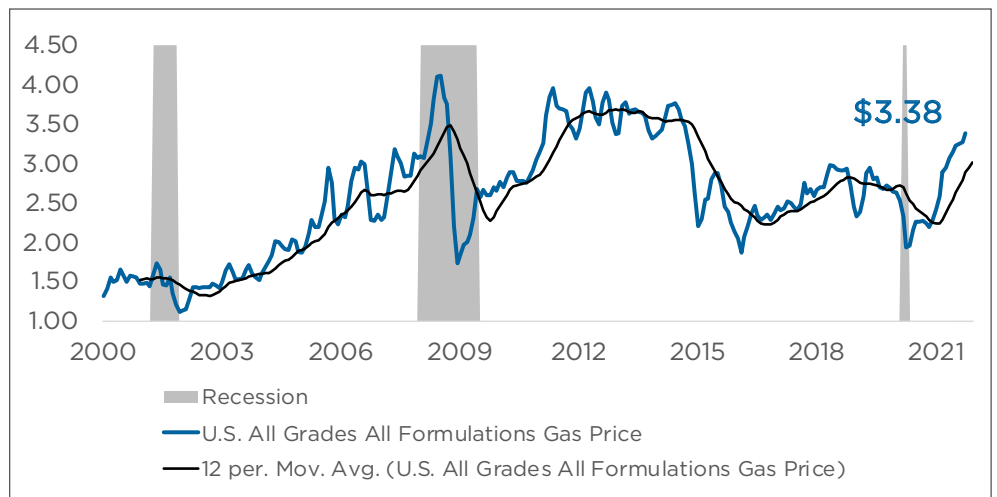
Vehicle miles traveled continues to improve. Travel on all roads and streets increased 7.9% (19.5 billion vehicle miles) in September 2021, compared to a year-ago. Seasonally adjusted vehicle miles traveled during the month increased 1.5% from the prior month and are up 7.7% over the last year. Cumulative travel for 2021 is up 11.7%.

## MONTHLY NEW LIGHT VEHICLE SALES



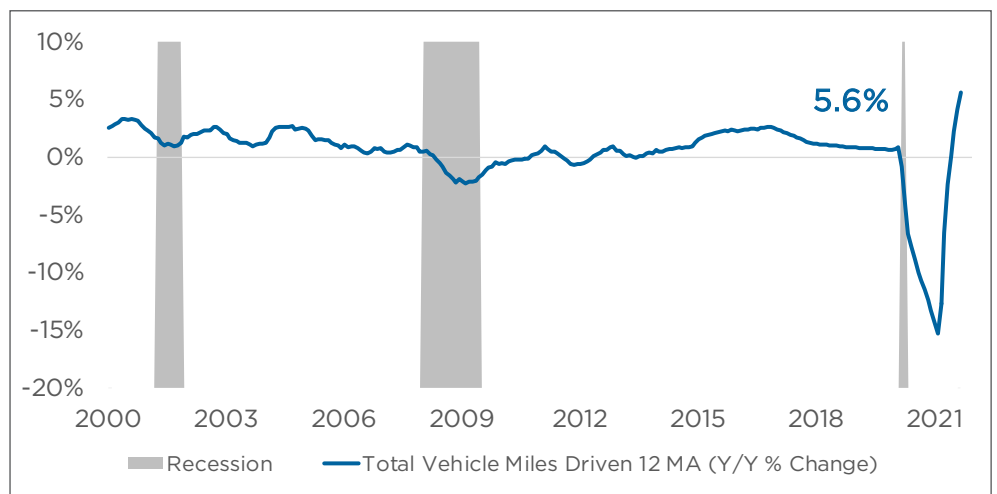
Bureau of Economic Analysis, Avrio Institute

## GAS PRICES



U.S. Energy Information Administration, Avrio Institute

## VEHICLE MILES TRAVELED

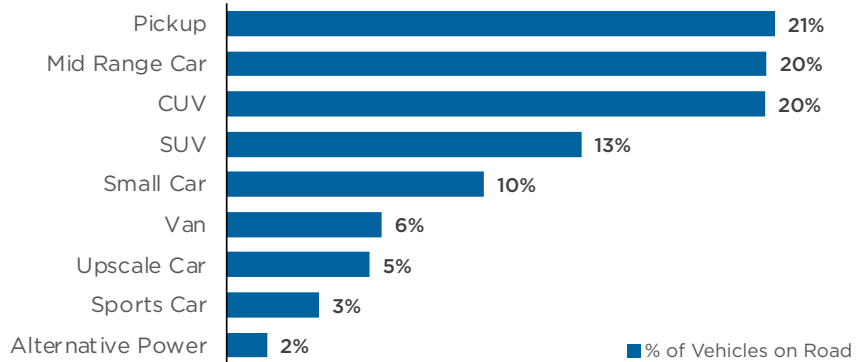


U.S. Federal Highway Administration, Avrio Institute

# INSIGHTS FROM SEMA

## VEHICLES IN OPERATION (VIO) DATA

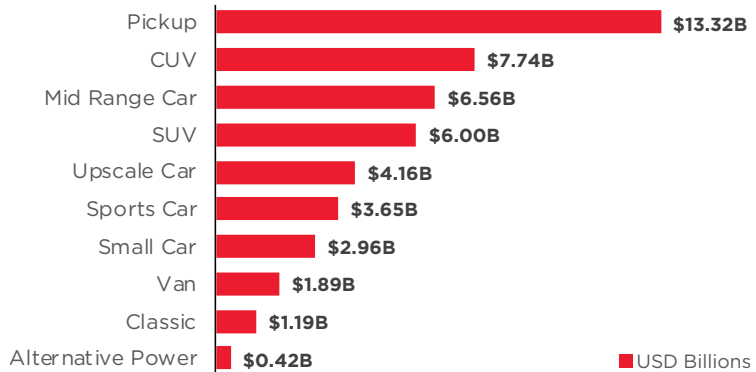
There are roughly 283 million light vehicles in operation in the United States today, of which approximately 113 million are passenger cars and nearly 170 million are light trucks. Together, mid range cars and pickup trucks represent 41% of the vehicles on the road.



Source: ©2021 Experian, Data as of June 30, 2021

## SPECIALTY EQUIPMENT MARKET SIZE BY VEHICLE SEGMENT

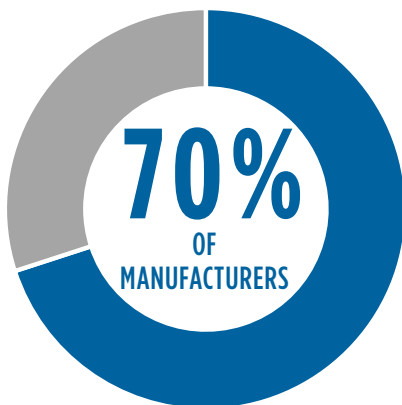
The specialty-equipment market is a \$47.9 billion dollar industry. Customers spend the most money on pickup upgrades.



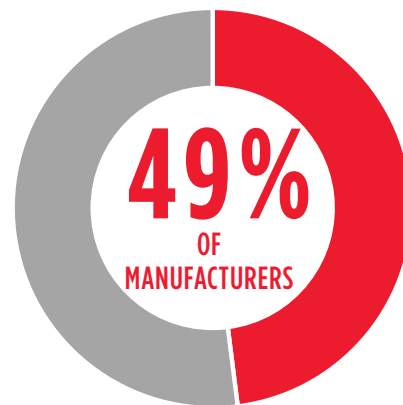
Source: 2020 SEMA US Market Data

## INSIGHTS FROM THE LATEST SEMA STATE OF THE INDUSTRY REPORT

Over the last year, most specialty-equipment companies have experienced sales growth. Manufacturers, in particular, have seen especially strong growth. However, optimism is softening amid continued uncertainty and supply chain disruption.



**EXPERIENCED SALES GROWTH  
OVER PAST YEAR**



**THINK THE INDUSTRY WILL RETURN TO PRE-  
PANDEMIC LEVELS BY THE END OF 2022 OR LATER**

To learn more, download the latest SEMA State of the Industry 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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