

SEMA INDUSTRY INDICATORS

OCTOBER 2021

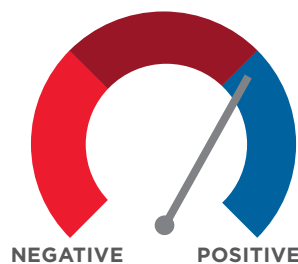


MARKET
RESEARCH

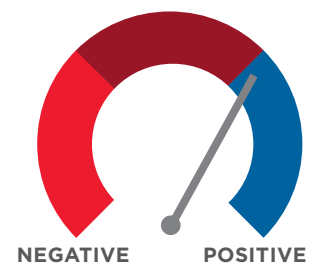
AVRIO
—INSTITUTE—

Economic growth decelerated as we moved into the back half of the year and all eyes turn now to the fourth quarter to see if growth will remain curtailed or if it will pick-up somewhat. Growth in the third quarter likely fell below 3%. It should rise to about 5% in the fourth quarter. The trajectory of the economy in the coming months will depend on consumers' willingness and ability to spend.

CURRENT OUTLOOK



FUTURE OUTLOOK



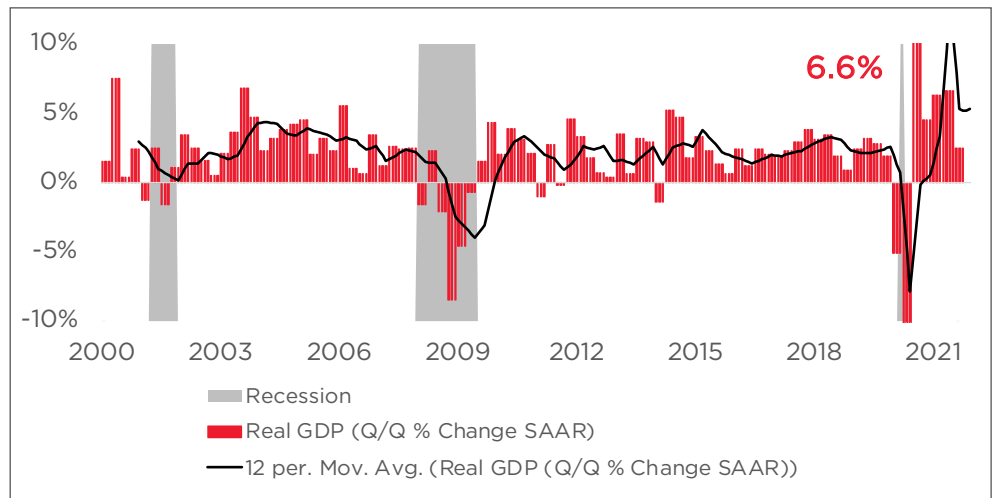
Financially, consumers look well positioned to spend in the coming months. While job growth has been weaker than expected, wage growth has accelerated sharply. Pandemic-related income programs ended in September. At the time, more than eight million individuals were still active recipients. The end of these programs will be a headwind for income, and ultimately spending, but rising private sector wages should help cushion the decline. Moreover, consumers are still sitting on a tremendous amount of excess savings accumulated during the pandemic, thanks to fiscal stimulus programs and a decline in service spending as we sheltered at home. Some of this extra savings will be spent in the coming months.

Consumer sentiment has slid in recent months as uncertainties increased. Consumers are more apprehensive about the future and that has likely slowed consumer spending. Another major factor hindering consumer spending is the availability of goods. Severe supply chain disruptions and shortages have cut inventory levels across the board. This is especially true for the auto sector. Many consumers are waiting for greater choice or more favorable prices.

While new vehicle production continues to be hampered by supply chain challenges, the auto parts and accessories sector is looking strong. Although supply chain shortages have also hurt this sector, production was up last month and is up a strong 8.1% over the last year. Consumer spending is also up strongly. Spending on parts and accessories rose 0.6% in August, the first increase in four months. Spending on parts and accessories is up 10.7% over last year and up 19.5% compared to two years ago. Inventory levels remain low and backlogs continue to grow, both of which should continue to lift production levels over the next year.

The economy decelerated in the third quarter. We will get the first estimate of Q3 GDP on October 28th, but growth will likely be less than 3%. The results will be viewed as disappointing after 6.5% growth in the first half of the year. The most recent expectations from the Fed show they were looking for 5.3% growth in the second half. The slowdown will be driven in large part by a slowdown in consumer spending which appears to have slowed from 11.7% in the first half to something around 1% in the quarter. But it also looks like businesses slowed spending in the quarter as well.

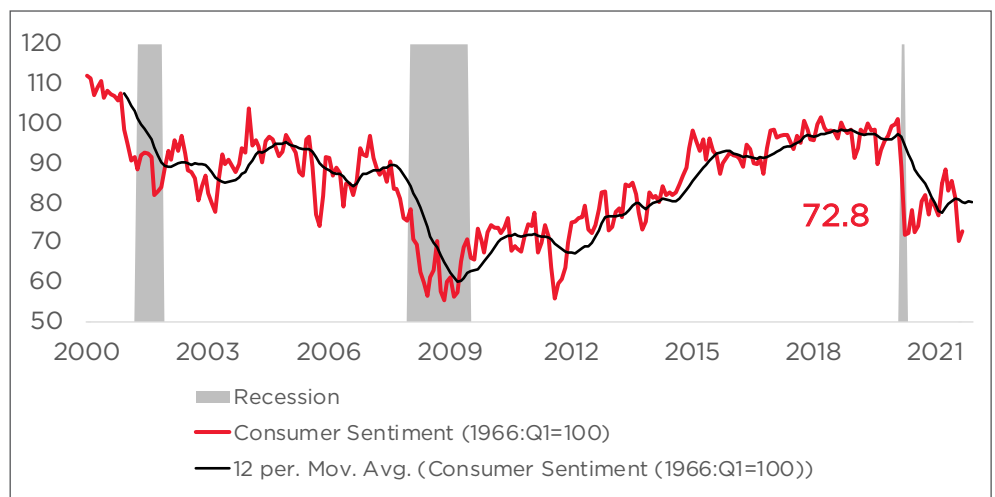
U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

Consumer sentiment remains mired near the low levels first recorded at the onset of the pandemic. Sentiment fell in August as the Delta variant raged throughout the US, driving COVID cases higher. But sentiment was also brought lower by concerns about rising inflation, supply chain shortages, and decreasingly favorable views on current economic policy. Last month also brought mediocre job gains which likely diminishes job prospects. Consumers have restrained spending in recent months, a further sign of rising uncertainty and declining optimism. With COVID cases once again declining, consumer optimism could begin to once again pick back up.

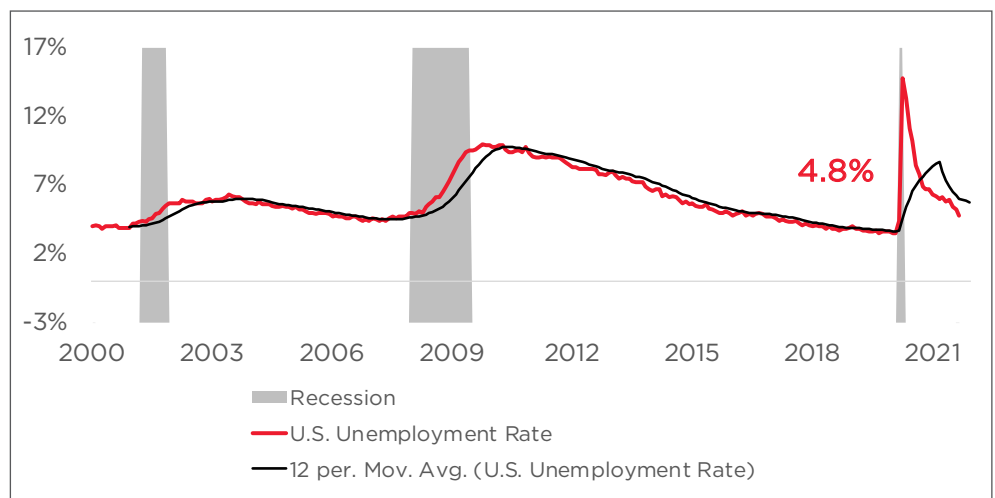
CONSUMER SENTIMENT



University of Michigan, Avrio Institute

September delivered more weak news on the labor market but the news wasn't all bad. Nonfarm payrolls increased just 194,000 during the month, lagging consensus expectations for 500,000 new jobs. Much of the weakness was driven by declines in government employment. Private sector payrolls rose 317,000 during the month. The largest increase was in leisure and hospitality (74,000), but this remains well below gains we saw earlier in the year. Manufacturing added 26,000 new jobs during the month. The unemployment rate dropped from 5.2% to 4.8%, but this was partially a result of lower labor force participation. The total number of hours worked in the private sector rose 0.8% in September, the largest increase in six months. Average hourly earnings also increased sharply. Businesses appear willing to spend on workers and hiring could pick-up soon as a result.

UNEMPLOYMENT RATE



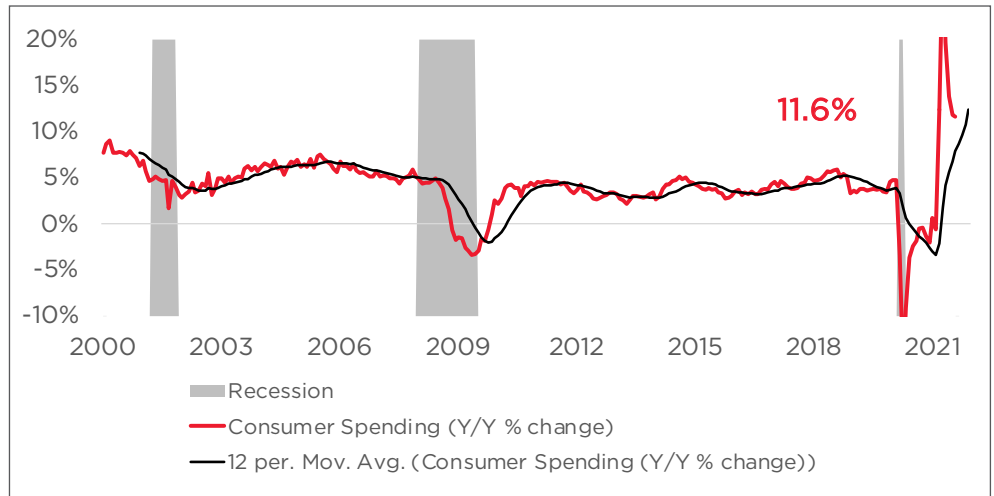
Bureau of Labor Statistics, Avrio Institute

Consumer income rose 0.2% in August and is up 6.1% over the last year. Consumer spending rose 0.8% in August and is up 11.6% over the last year. Perhaps most importantly, private sector wages and salaries were up 0.5% during the month and are up a very strong 10.8% over the last year. Notably, private sector wages and salaries are up 6.7% from pre-COVID levels. The September end of the Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) will likely put downward pressure on incomes in the coming months, but strong private sector wage growth coupled with excess savings over the last year should offer support for consumer spending.

Spending on new vehicles fell again in August, the fourth consecutive month of declines. The decline in spending is not a result of weak demand but a result of weak supply. Spending on new cars is off 0.8% over the last year but up 7.6% compared to two years ago. Spending on used vehicles also declined in August, but here spending is up 18.4% over the last year and up a whopping 56.3% over the last two years. Spending on parts and accessories rose 0.6% in August, the first increase in four months. Spending on parts and accessories is up 10.7% over last year and up 19.5% compared to two years ago.

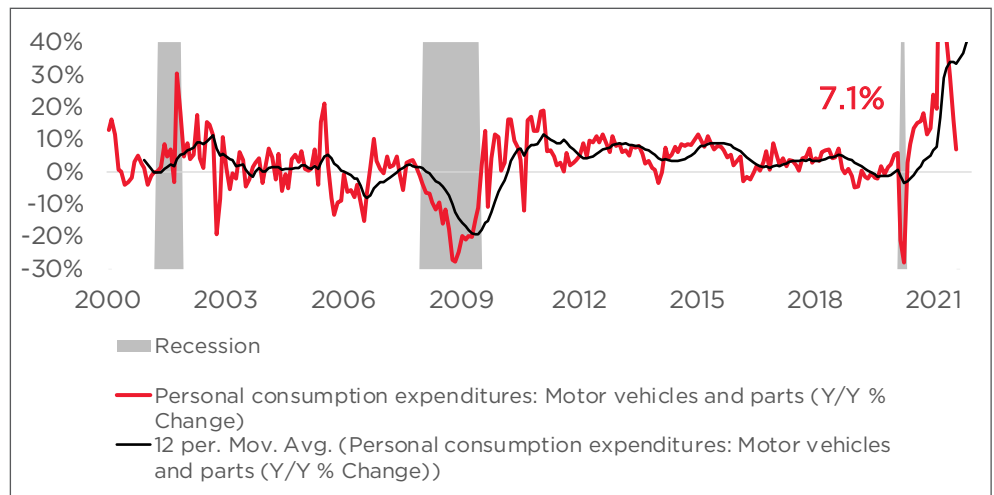
Auto parts production inched higher in September, rising 0.1%, after falling a revised 0.8% in August. Auto parts production is up 8.1% over the last year and 12.9% compared to September 2019. More broadly, overall industrial production fell 1.3% during the month. While we only saw a small gain in auto parts production, it is a wishful sign that supply chain dynamics might start improving. At the same time, the industry also saw the value of unfilled orders increase somewhat during the month, suggesting a growing backlog of orders. The value of unfilled orders for motor vehicles and parts is up 19.2% since the start of the pandemic.

CONSUMER SPENDING



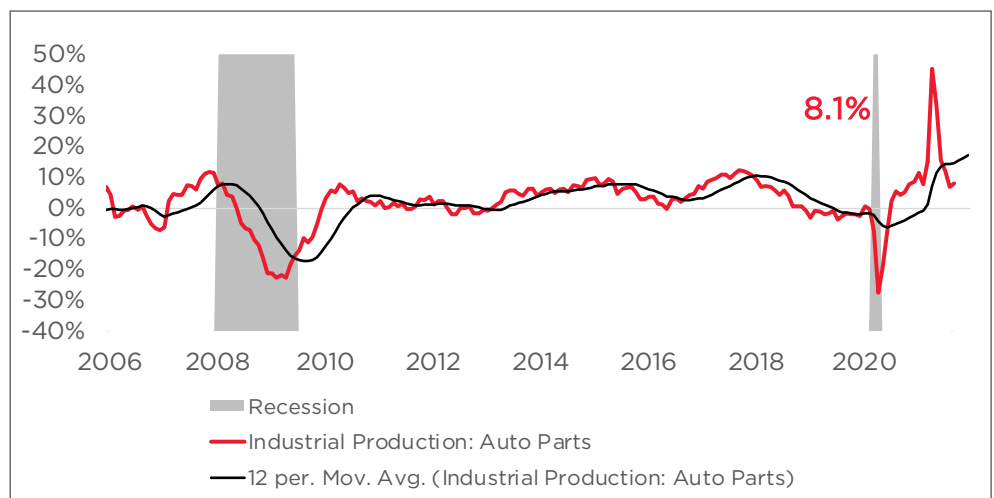
Bureau of Economic Analysis, Avrio Institute

CONSUMER SPENDING ON MOTOR VEHICLES & PARTS



Bureau of Economic Analysis, Avrio Institute

INDUSTRIAL PRODUCTION: AUTO PARTS

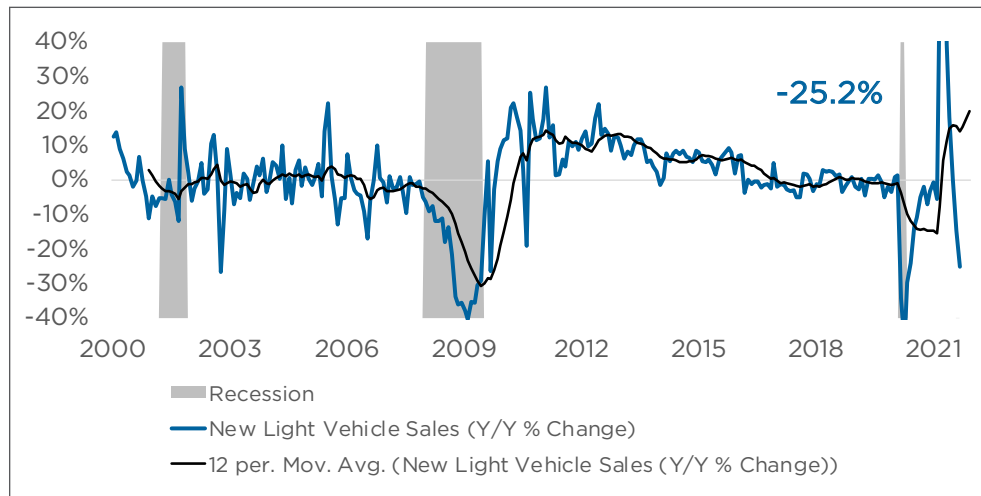


Federal Reserve, Avrio Institute

AUTOMOTIVE

New vehicle sales declined 6.4% in September, the fifth consecutive monthly decline. New vehicle sales have fallen from a peak of 18.3 million (annualized) vehicles sold in April 2021 to just 12.18 million in September. This is the lowest level since May 2020, and before that 2011. New vehicle sales are off 29% from two years ago. Both car and truck/SUV sales declined during the month. Car sales fell 12.6% and truck/SUV sales fell 4.5%. The sharp slowdown in sales is driven by supply chains disruptions that have hindered new vehicle production. Inventory levels for new vehicles are down significantly. The inventory-to-sales ratio was just 0.72 in August, while historically this ratio hovers around 2.4.

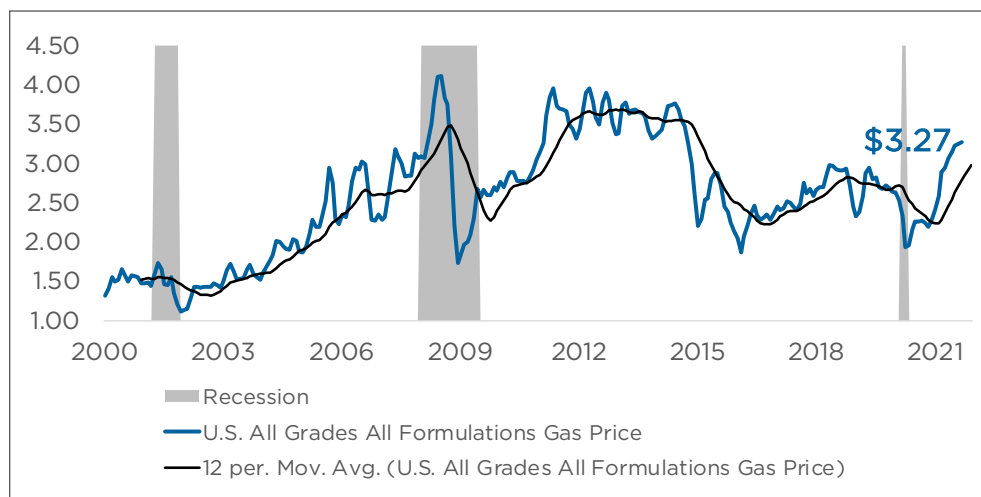
MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

Unsurprisingly, national gas prices inched higher again in September, for the 10th consecutive month. Perhaps what is surprising is how little the price increased. The average price of gas increased \$0.01/gallon or 0.5% during the month to \$3.27. This is the highest monthly price since October 2014. Gas prices are up nearly 44%, or \$1, over the last year and up 20.2% over the last two years. Oil prices are elevated and expected to remain up for the near future which should continue to put upward pressure on gas prices. At the same time, mobility rates are improving as COVID cases decline so demand for gas should remain strong.

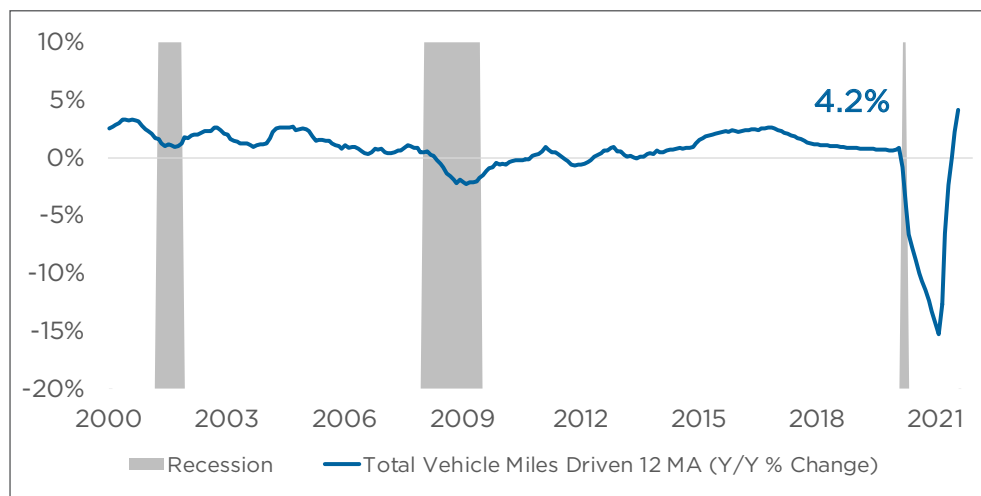
GAS PRICES



U.S. Energy Information Administration, Avrio Institute

Vehicle miles traveled continues to improve as the economy reopens. Travel on all roads and streets increased 8.3% (21 billion vehicle miles) in August 2021, compared to August 2020. Seasonally adjusted vehicle miles traveled during the month decreased 2% from the prior month but are up 8.5% over the last year. Cumulative travel for 2021 is up 12.2%. The South Atlantic saw the greatest increase during the month, rising 10%.

VEHICLE MILES TRAVELED

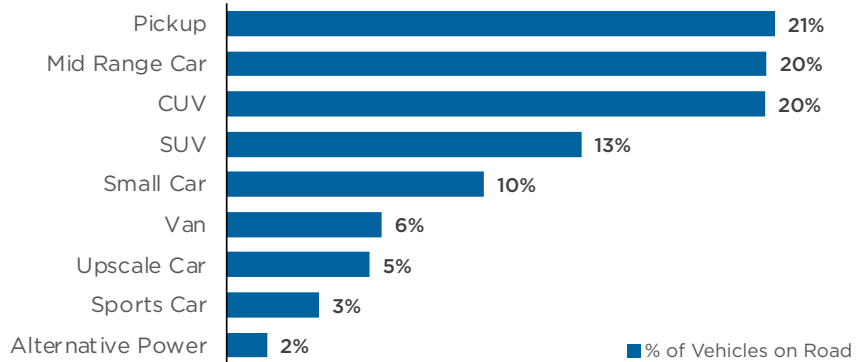


U.S. Federal Highway Administration, Avrio Institute

INSIGHTS FROM SEMA

VEHICLES IN OPERATION (VIO) DATA

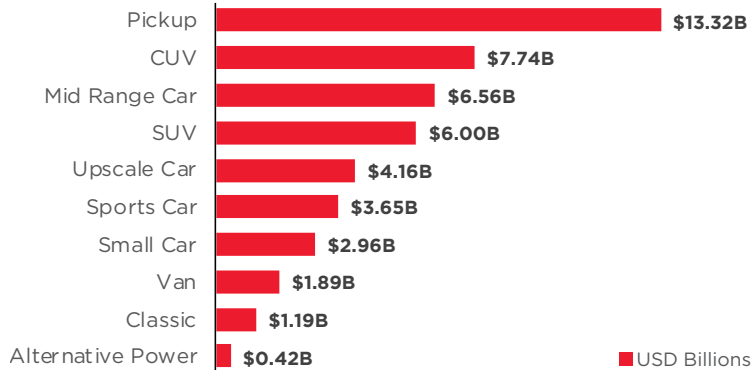
There are roughly 283 million light vehicles in operation in the United States today, of which approximately 113 million are passenger cars and nearly 170 million are light trucks. Together, mid range cars and pickup trucks represent 41% of the vehicles on the road.



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

SPECIALTY EQUIPMENT MARKET SIZE BY VEHICLE SEGMENT

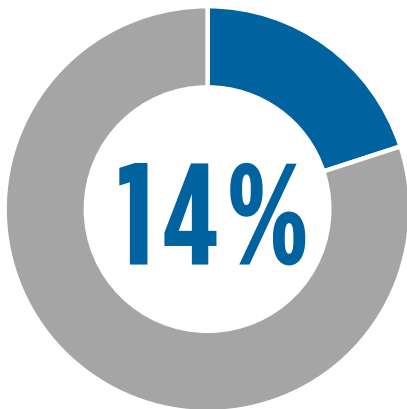
The specialty-equipment market is a \$47.9 billion dollar industry. Customers spend the most money on pickup upgrades.



Source: 2020 SEMA US Market Data

INSIGHTS FROM THE SEMA 2021 RETAIL TRENDS REPORT

The majority of retail purchases are made in person, and likely will continue to be for the foreseeable future. Consumers in the United States spend more on cars and car parts than on any other type of retail.



**ECOMMERCE SHARE OF TOTAL RETAIL SALES
(EXCLUDING FOOD SERVICE)**



**AUTO VEHICLE AND PARTS DEALERS
SHARE OF RETAIL**

To learn more, download the SEMA 2021 Retail Trends 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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CONTACT INFO

sema.org

Kyle Cheng

kylec@sema.org

909.378.4861

AvrioInstitute.com

Shawn DuBravac, PhD, CFA

Shawn@AvrioInstitute.org

703.980.8892