

SEMA INDUSTRY INDICATORS

SEPTEMBER 2021

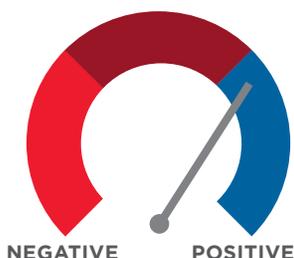


MARKET
RESEARCH

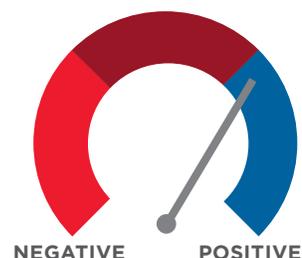
AVRIO
—INSTITUTE—

Economic growth is decelerating somewhat, following a strong first half. Much of this deceleration is being driven by the re-emergence of COVID coupled with historic supply chain constraints. Both of these are slowing economic activity. Economic growth in the second half will still be in the 4.5% range, a solid gain, but this is down from 6.4% in the first half of the year.

CURRENT OUTLOOK



FUTURE OUTLOOK



COVID remains a key determinant of growth moving forward, but consumers appear to be settling in somewhat to a new coexistence. While employment gains were weaker than expected in August, some areas of the economy, in particular manufacturing, added jobs. An especially good sign given massive supply constraints that have hindered the ability of manufacturers to produce.

Average hourly earnings rose 0.6% in August and are up 7.8% from pre-pandemic levels. Total hours worked also increased. Combining higher hourly pay and higher hours worked puts worker paychecks up 4.9% from pre-pandemic levels. While the labor market is still down 5.3 million jobs, those working are making more.

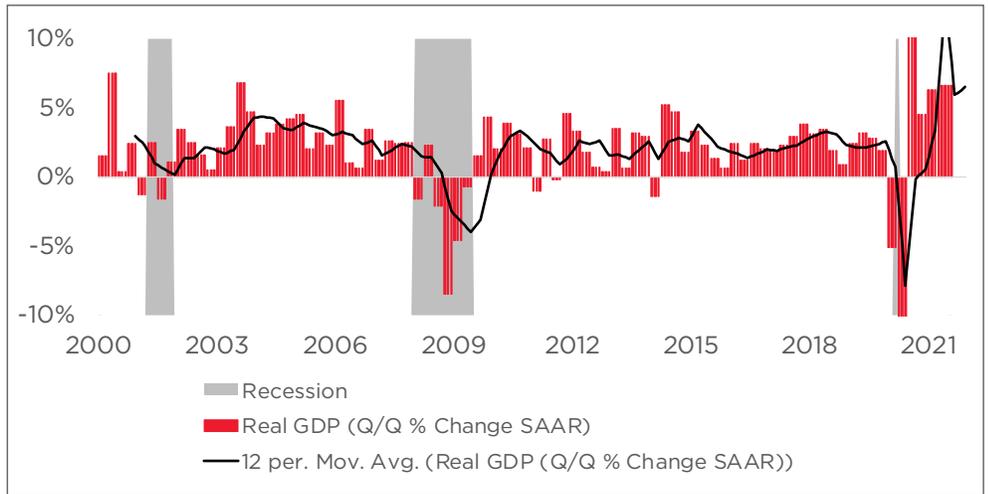
The consumer is definitely in the driver seat and appears willing to spend, even in the face of higher prices. Consumer spending was up in August and is now 12.1% higher than last year. Moreover, consumers are sitting on record household savings and record net worth. The ability to spend remains strong as we head toward the ever-important holiday season.

At the same time, consumer sentiment dropped precipitously in August. While it doesn't appear the decline continued past the first few weeks of September, consumers are showing some signs of apprehension that could cause them to curtail spending.

The other major headwind to both economic growth and the industry is unheralded supply constraints. Almost every company is feeling this acutely. While order flow remains strong, the ability to fulfill that demand is challenged. Lead times have extended significantly. Material costs are up while prices to end markets haven't stayed in lockstep. This has put downward pressure on profit margins. Supply chain challenges are likely to stay with us for many months to come.

Second quarter GDP was revised up one-tenth of a percentage point to 6.6% on a seasonally adjusted annualized basis. The largest positive contributions to GDP during the quarter were consumer spending and business investment. Consumer spending rose at an 11.9% annual rate during the quarter and business investment in intellectual property was up 14.6% annualized. A decline in inventories was the biggest drag on growth during the quarter. Inventories fell as businesses continue to struggle with supply chain disruptions in the face of strong demand. The decline in inventories has been pronounced and will need to be replenished at some point, suggesting there is the prospect for growth in the pipeline.

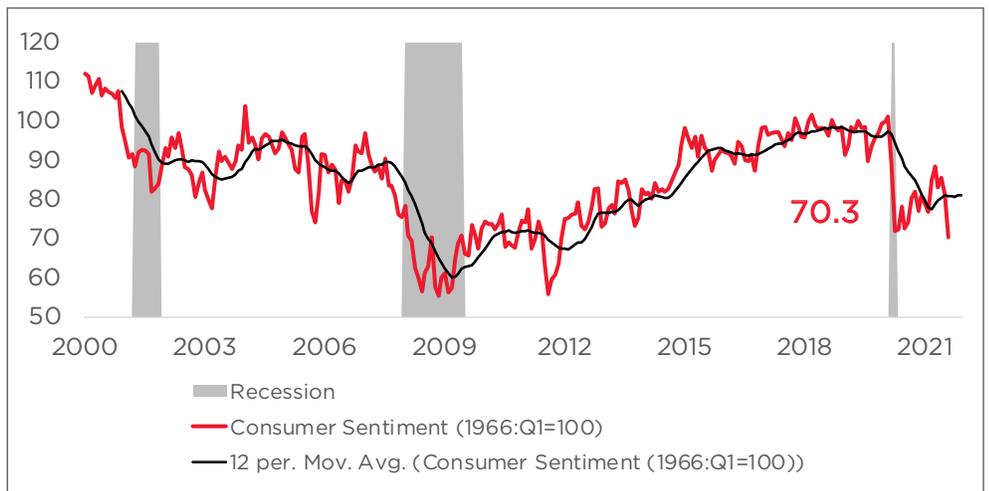
U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

We saw another steep decline in sentiment in August. The Consumer Sentiment Index declined over 13%, falling 10.9 points to 70.3. We recorded the least favorable economic prospects in more than a decade. The decline in August was a culmination of several pressures on consumers including rising inflation, small wage gains and slower declines in unemployment. The decline also likely conveys an emotional response from consumers who might have previously thought the pandemic would soon be behind them and things would return to normal. One in five households in August cited the negative impact of inflation on their budgets — up from one in 20 to begin 2021 — highlighting the impact that rising prices are having on consumer sentiment.

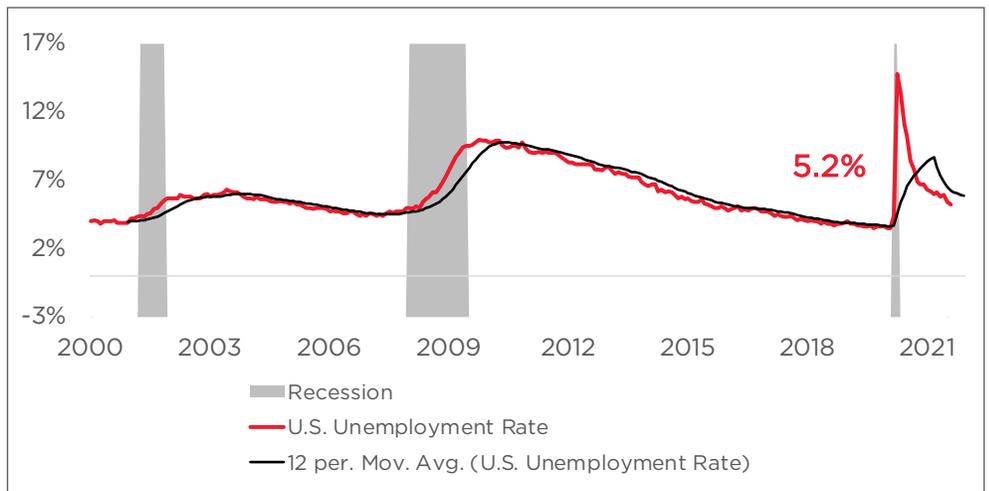
CONSUMER SENTIMENT



University of Michigan, Avrio Institute

After strong gains in July, employment increased by just 235,000 jobs in August. In normal times, this would be a very strong gain. But not in the post-pandemic recovery. The consensus expectation called for 733,000 new jobs. This was the slowest growth since January. The results for the month highlight the impact the reemergence of COVID is having on the economy. At restaurants and bars, for example, employment fell by 42,000 jobs. But in more positive news, manufacturing added 37,000 jobs. Civilian employment, an alternative measure of jobs that includes small-business start-ups, increased 509,000 in August suggesting not all things were bad during the month. The unemployment rate declined to 5.2%.

UNEMPLOYMENT RATE



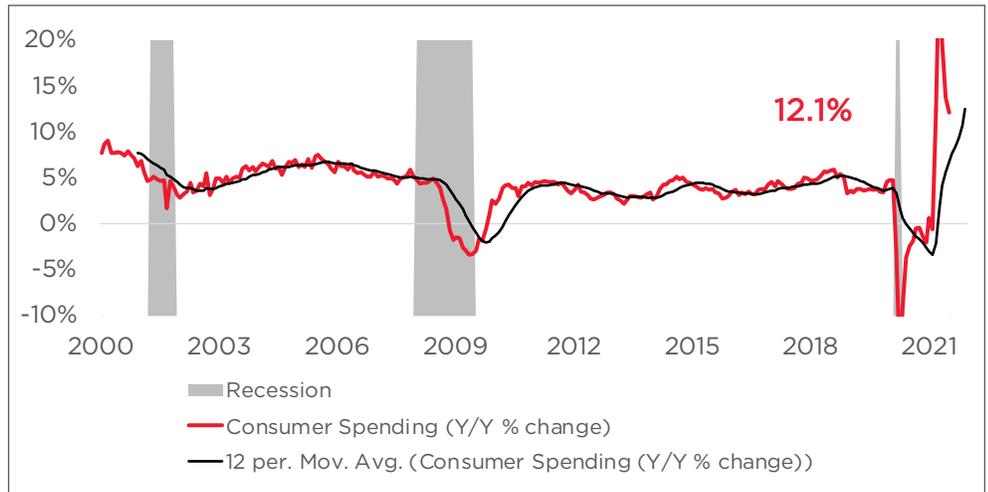
Bureau of Labor Statistics, Avrio Institute

Consumer income rose 1.1% in July, surprising to the upside as the Child Tax Credit authorized in March's stimulus plan propelled income higher. But private-sector wages and salaries also rose a strong 1% in July — are up a strong 11.2% over the last year but importantly up 6% from pre-pandemic levels. Consumer spending rose 0.3% in July and is up 12.1% over the last year. Once again, income growth outstripped spending growth, causing the savings rate to rise to 9.6%, much higher than pre-COVID levels. Savings should help support consumer spending now that the Pandemic Unemployment Assistance (PUA) and Pandemic Emergency Unemployment Compensation (PEUC) plans have ended, which means income growth will need to come from the private sector.

Spending on new vehicles fell 2.6% in July but is up 21% over the last year and almost 28% over the last two years. While spending slowed during the month, the decline was entirely related to supply chain constraints and weak inventories. At \$43,355, the average new vehicle transaction price hit a record high in August 2021 for the fifth consecutive month. Spending on used vehicles also declined during the month, falling 3.8%. But spending is up almost 24% over the last year and a shocking 64% over the last two years. Spending on parts and accessories fell 1% during the month but is up 12.1% over the last year and 22.1% over the last two years.

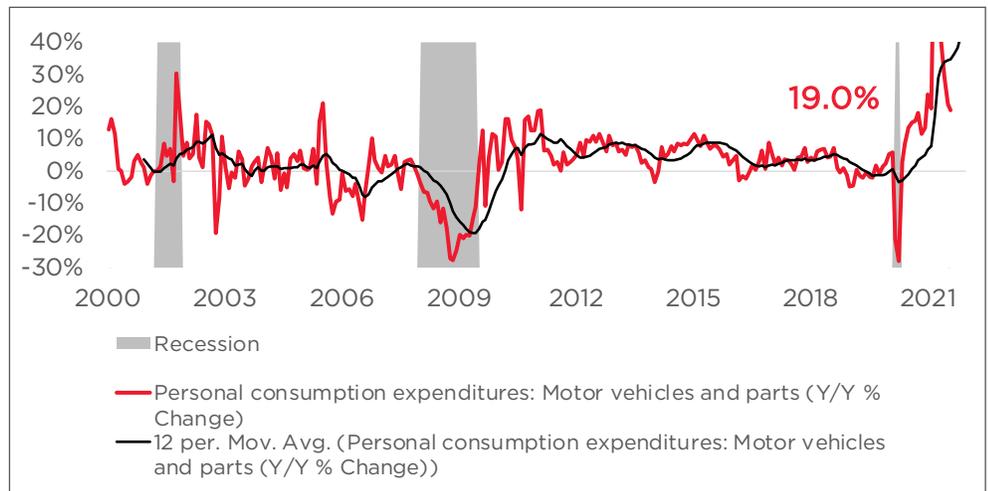
Auto parts production increased again in August, rising 0.5% from the prior month. Auto parts production is up 5% over the last year and 10.5% from the start of the pandemic. Overall industrial production also rose during the month, increasing 0.4%. Overall production is down 1.1% over the last two years. The value of unfilled orders for motor vehicles and parts rose 1.7% during the month and is up 16.7% over the last year, suggesting some tailwind for parts demand. The Producer Price Index for auto parts manufacturing rose 0.6% during the month and is up 4.3% from pre-pandemic levels.

CONSUMER SPENDING



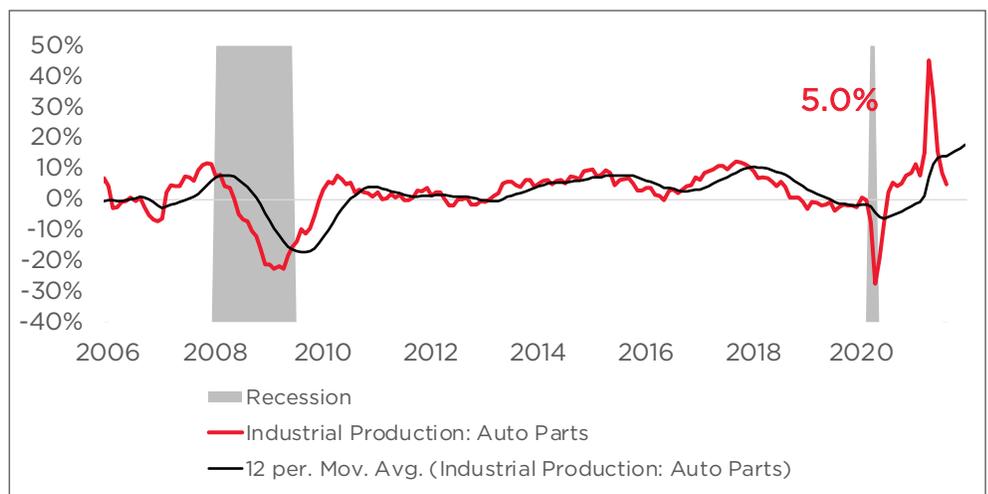
Bureau of Economic Analysis, Avrio Institute

CONSUMER SPENDING ON MOTOR VEHICLES & PARTS



Bureau of Economic Analysis, Avrio Institute

INDUSTRIAL PRODUCTION: AUTO PARTS

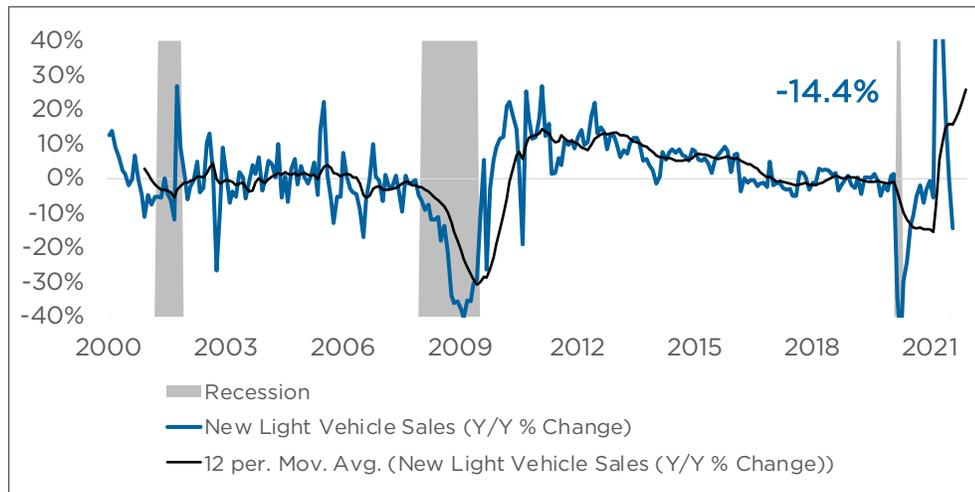


Federal Reserve, Avrio Institute

AUTOMOTIVE

New vehicles again in August declined 10.7% as supply constraints continue to hamper new auto production. Roughly 1.088 million new vehicles were sold during the month — a seasonally adjusted annual rate of 13.06 million vehicles. This is the worst month since May 2020, when auto sales were down because many continued to quarantine at home in the early months of the pandemic. Reiterating a point made last month, excluding the pandemic-induced declines from March 2020 to July 2020, new vehicle sales haven't been this low since 2011, when the aftermath of the great recession was still having a severe negative impact on auto sales. Auto sales were down then because of weak domestic demand. They are down now because of supply issues.

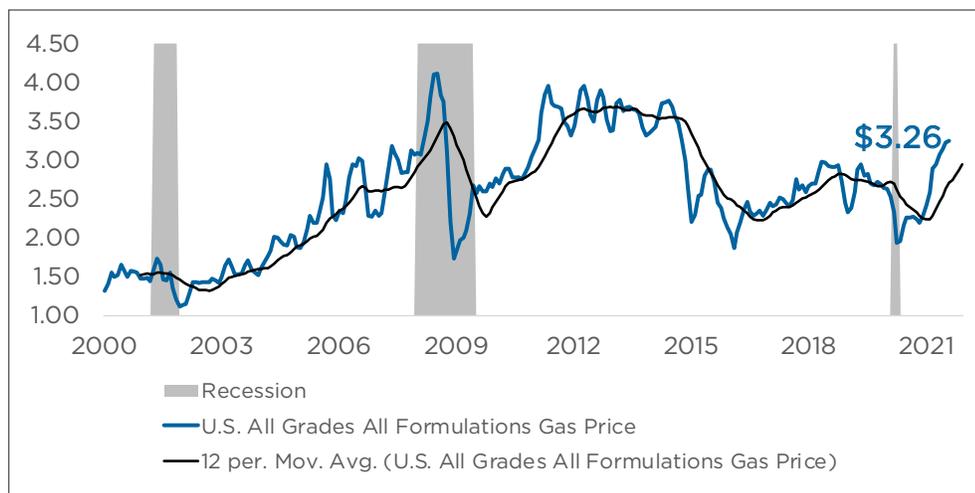
MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

National gas prices inched higher in August, the ninth consecutive month of price increases. The average price of gas increased \$0.02/gallon or 0.7% during the month to \$3.26. This is the highest monthly price since October 2014. Gas prices are up 43.3 percent, or \$0.98, over the last year and 20.2% over the last two years. A particularly strong storm season continues to exert pressure on gas production and consequently gas prices. Barring any major storms in the coming months, we should see gas prices trend down slightly as we head into the fall season.

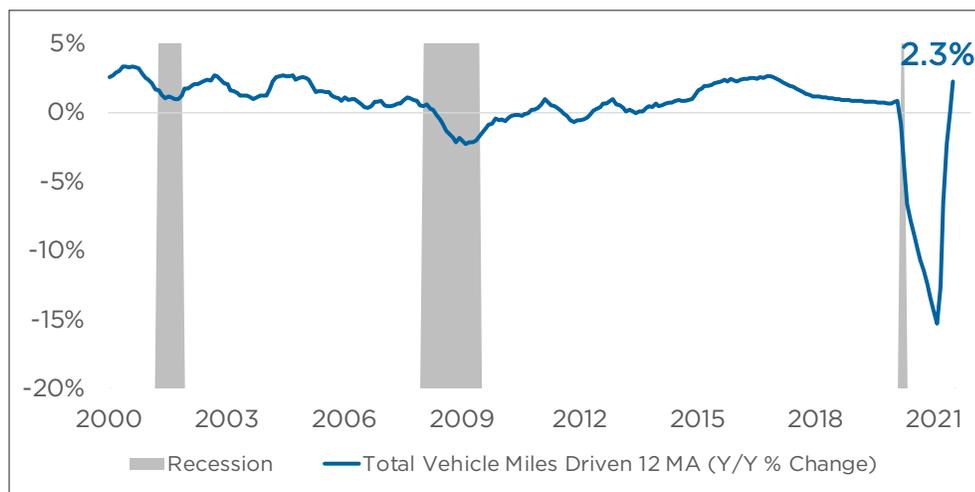
GAS PRICES



U.S. Energy Information Administration, Avrio Institute

Vehicle miles traveled continues to improve as the economy reopens, though rising COVID cases have tampered the upward trajectory somewhat. Travel on all roads and streets increased 11.5% (35.7 billion vehicle miles) in July 2021, compared to July 2020. This rate of growth is a bit slower than last month. Seasonally adjusted vehicle miles traveled during the month increased 0.2% from the prior month and are up 13.1% over the last year. Data from Apple Maps suggests that August travel is up approximately 46% since January 2020 and roughly 12 percent since August 2020. But travel appears to be down slightly in August and flat through the first few weeks of September.

VEHICLE MILES TRAVELED

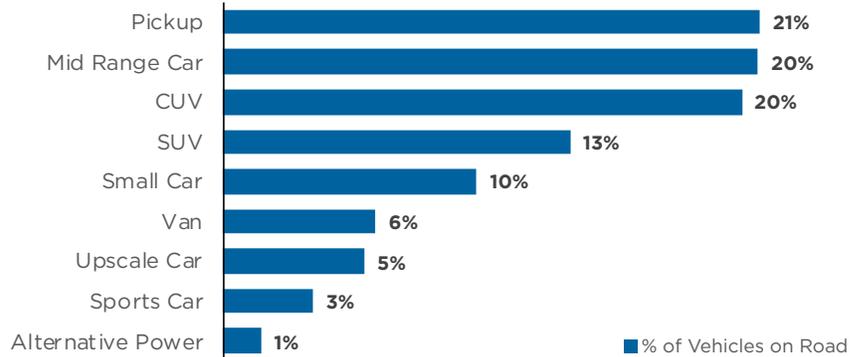


U.S. Federal Highway Administration, Avrio Institute

INSIGHTS FROM SEMA

VEHICLES IN OPERATION (VIO) DATA

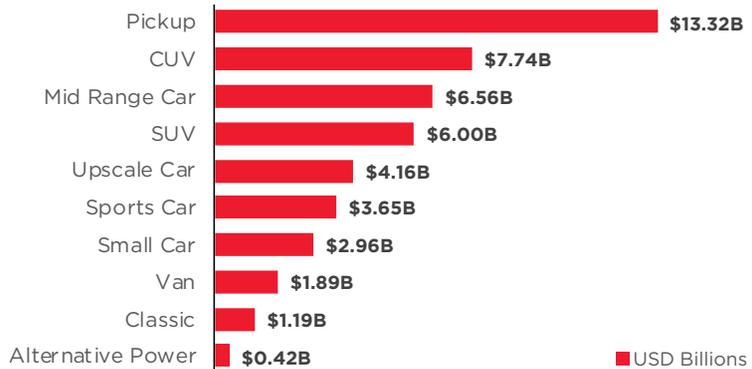
There are over 280 million light vehicles in operation in the United States today, of which approximately 113 million are passenger cars and over 167 million are light trucks. Together, mid range cars and pickup trucks represent 41% of the vehicles on the road.



Source: ©2021 Experian, Data as of March 31, 2021

SPECIALTY EQUIPMENT MARKET SIZE BY VEHICLE SEGMENT

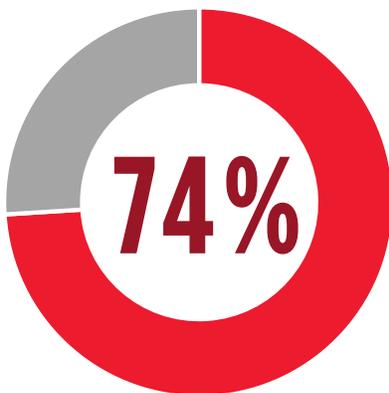
The specialty-equipment market is a \$47.9 billion dollar industry. Customers spend the most money on pickup upgrades.



Source: 2020 SEMA US Market Data

INSIGHTS FROM THE 2021 SEMA EMERGING TRENDS REPORT

SEMA Market Research estimates that alternative power vehicles will account for 45% of U.S. light vehicle sales by 2035. Despite likely growth, these powertrains currently represent only a small niche market for automakers and the specialty-equipment industry.



74%
OF U.S. CONSUMERS PREFER A GASOLINE OR DIESEL ENGINE FOR THEIR NEXT VEHICLE

5%

SALES OF ALTERNATIVE POWER VEHICLES REPRESENT JUST 5% OF ALL U.S. LIGHT VEHICLE SALES

45%

ALTERNATIVE POWER VEHICLES ESTIMATED TO ACCOUNT FOR 45% OF U.S. LIGHT VEHICLE SALES BY 2035

To learn more, download the new “2021 SEMA Emerging Trends: Electrification, Alternative Power and Advanced Technology” 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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