

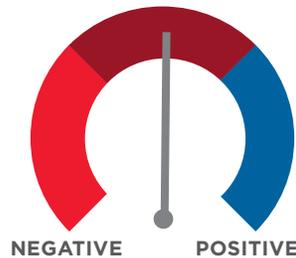
SEMA INDUSTRY INDICATORS

AUGUST 2019

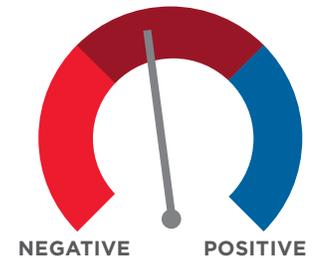


The U.S. economic expansion enters its historic 11th year on a volatile note. Equity markets have declined precipitously following President Trump's declaration via Twitter on August 1 of additional tariffs on a broader array of Chinese goods. The next batch of tariffs are currently slated to begin on September 1, 2019. These tariffs target the remaining \$300 billion in Chinese imports that haven't already been subject to tariff

CURRENT OUTLOOK



FUTURE OUTLOOK



increases. While the list of impacted categories hasn't yet been published, it is widely believed these tariffs will impact products more commonly purchased by consumers and could include items such as smartphones and laptop computers.

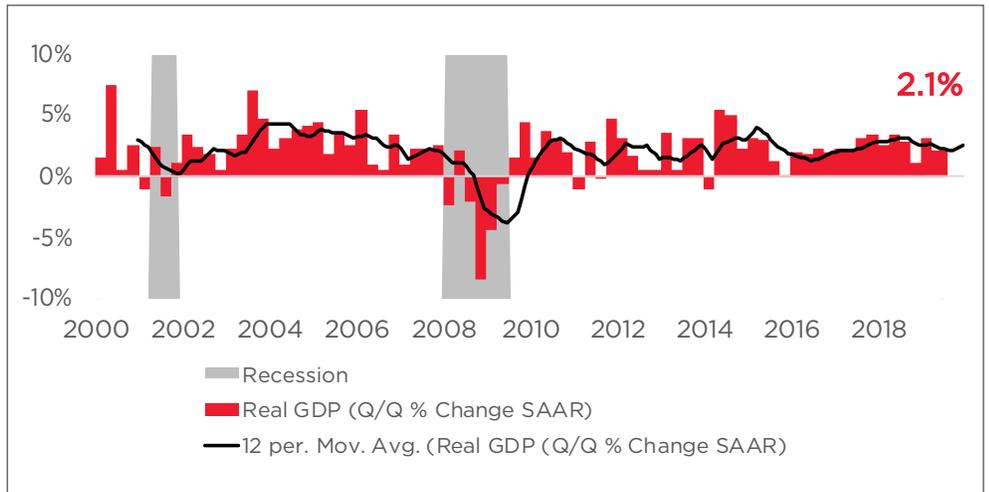
It appears the supply chain is already reacting to ever-increasing trade uncertainty with China. A recent analysis of auto parts imports revealed that imports are already starting to shift. Auto parts imports from China are down roughly 11 percent over the last year, while total auto parts imports are actually up over the same time period. Imports from Mexico — the United States' largest foreign source of auto parts — are up roughly 3 percent, while other Asian countries have seen major spikes in their exports to the United States, including South Korea (up 15%), Thailand (up 20%), India (up 18%), Malaysia (up 44%), Vietnam (up 14%) and the Philippines (up 22%).

Tariffs, trade wars and other uncertainties are also weighing on businesses. The ISM surveys declined to levels last seen in 2016 as executives take stock of the current situation. Nine of the 18 sectors measured report contraction. Corporate earnings have weakened. The risk of recession has increased.

But despite a weakening outlook, the consumer remains on relatively strong footing. The labor market remains tight, wages are increasing and inflation remains low. Retail sales were solid in June. Consumer sentiment remained relatively unchanged in July. How the consumer responds to increased volatility and uncertainty will reveal itself in the coming weeks.

Real GDP increased 2.1 percent in the second quarter of 2019, a bit better than expected. Consumer spending provided the largest contribution to growth, advancing 4.3 percent during the quarter. Manufacturing, trade and inventory accumulation all slowed. Trade will be negatively impacted by trade wars, a strong dollar and slowing economic growth among our trading partners. Business fixed investment was down 0.6 percent — the clearest sign that uncertainty driven by tariffs, trade wars and a slowing global economy may be holding back business capital outlays.

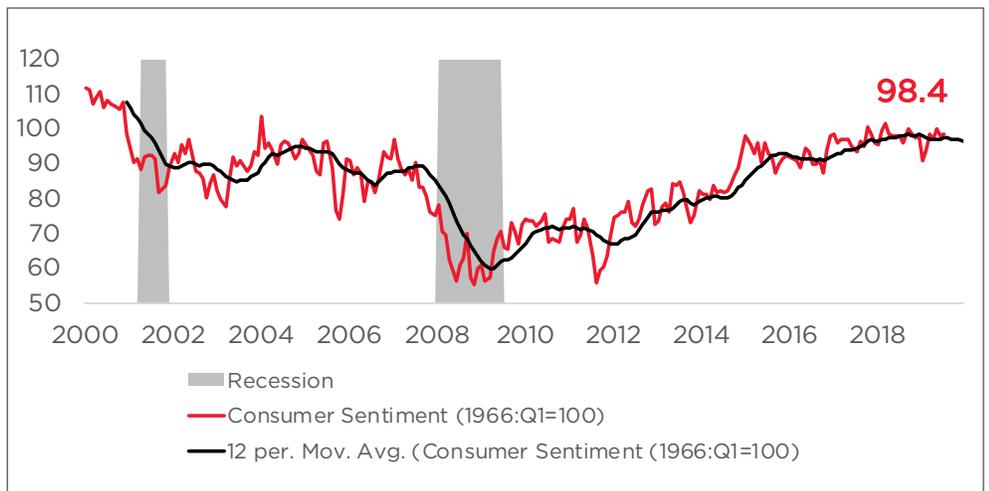
U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

Consumer sentiment remained virtually unchanged in July, compared to June 2019, and is up 0.5 percent from July 2018. Consumer sentiment continues to move within a narrow range, from high to historic levels. Optimism continues to be anchored by a positive employment and income outlook, gains in household wealth and low inflation. But consumers haven't been oblivious to rising uncertainty. As Richard Curtin, director of the University of Michigan's consumer sentiment survey, has noted, "Favorable buying attitudes toward homes and vehicles have significantly receded from their cyclical peaks despite declining interest rates."

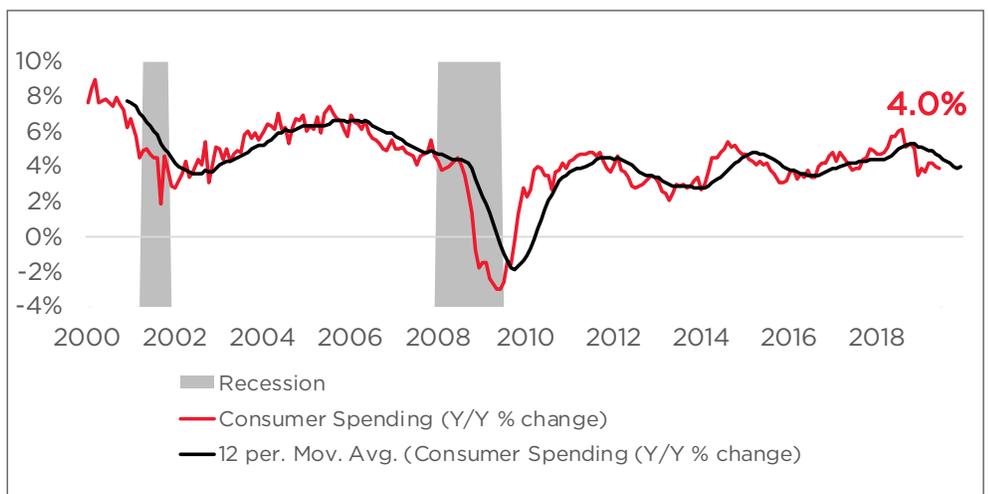
CONSUMER SENTIMENT



University of Michigan, Avrio Institute

Personal income rose 0.5 percent in May and is up 4.1 percent over the last year, while consumer spending increased 0.4 percent in May and is up 4.2 percent in the last year. Income growth will support spending gains, but wage income growth remains underwhelming, increasing only 0.2 percent during the month. Spending growth jumped 1 percent in March, followed by a revised 0.6 percent in April. While consumer spending growth was strong over the last three months, spending has also been showing signs of moderating.

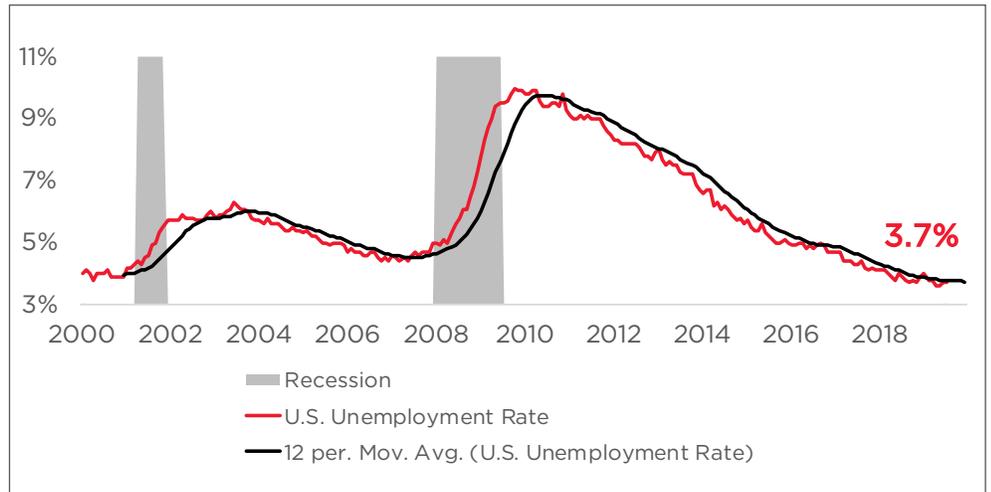
CONSUMER SPENDING



Bureau of Economic Analysis, Avrio Institute

The employment report for July was broadly positive. The economy added 164,000 jobs in July. Including downward revisions to the prior two months, new jobs were up 123,000. Manufacturing jobs were up 16,000 in July. The unemployment rate remains at 3.7 percent. The U-6 unemployment rate fell to 7 percent, the lowest level since 2000. Average hourly earnings were up 0.3 percent in July and are up 3.2 percent over the last year. Civilian employment — an alternative measure of the labor market that includes small businesses — increased 283,000 in the last month.

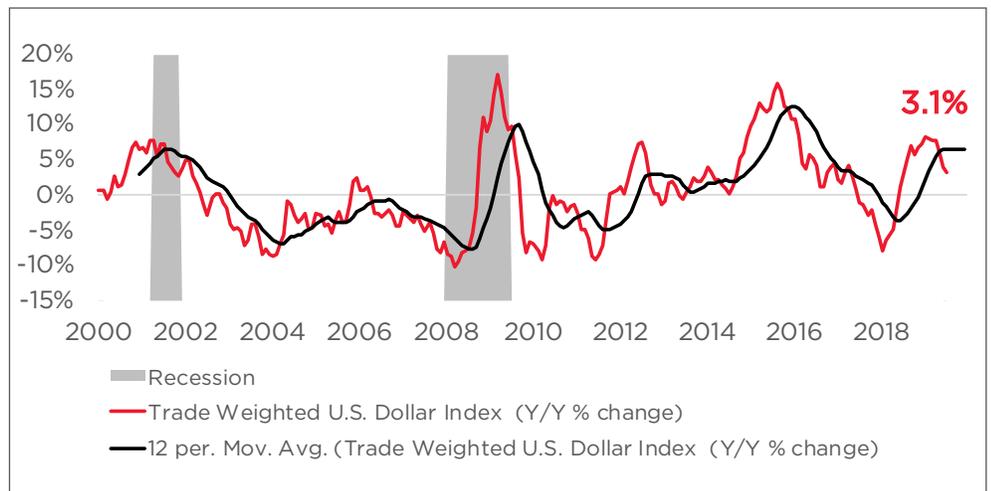
U.S. UNEMPLOYMENT



Bureau of Labor Statistics, Avrio Institute

The trade-weighted dollar index decreased 0.3 percent in July, after falling 0.4 percent in the prior month. The dollar is now up 3.1 percent over the last year and 6.2 percent over the last two years. The Fed recently lowered the target range for the federal funds rate, which might normally put downward pressure on the dollar as interest rate differentials between the United States and the rest of the world narrow. However, central banks in New Zealand, India and Thailand each cut interest rates in their respective countries and others may follow, which could slow any US dollar depreciation.

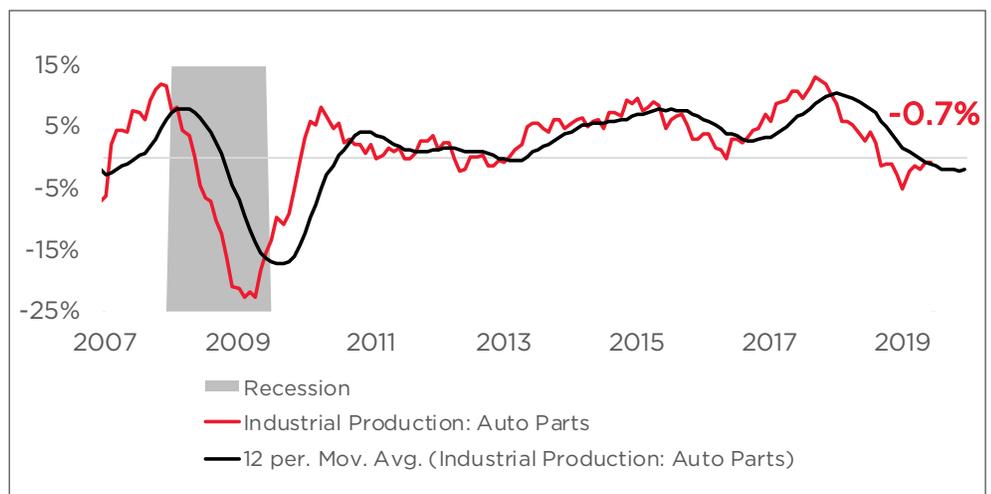
TRADE WEIGHTED U.S. DOLLAR INDEX



Federal Reserve, Avrio Institute

Auto parts production decreased in June by 0.2 percent, while overall industrial production was flat. Manufacturing production, however, increased 0.4 percent in June, after rising 0.2 percent in May. The last two months have reversed about one-third of the drop in manufacturing output recorded in the first four months of the year. New orders for durable goods jumped 2 percent in June, consistent with the jump in manufacturing jobs recorded in July. The ISM report for July was less optimistic, with a decline to 51.2 — the lowest level since mid-2016.

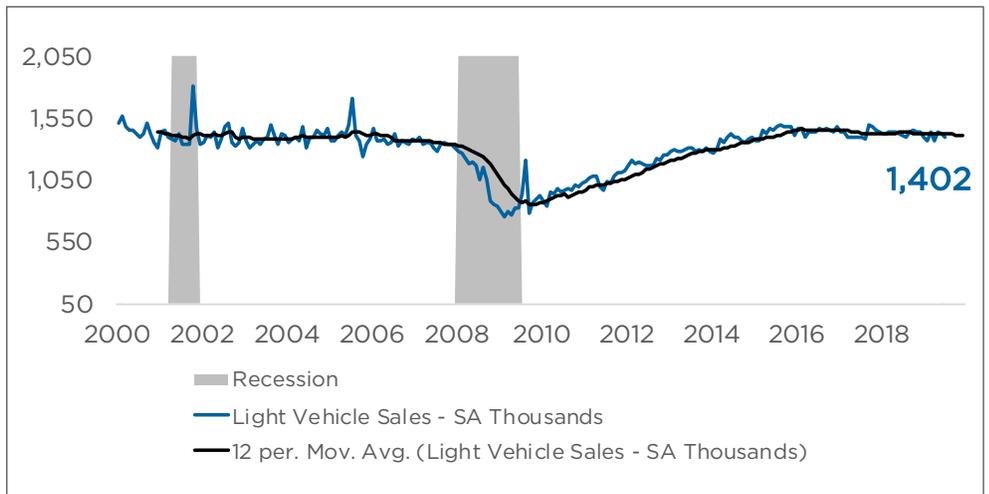
INDUSTRIAL PRODUCTION: AUTO PARTS



Federal Reserve, Avrio Institute

New vehicle sales declined 1.8 percent in July to a seasonally adjusted annual rate (SAAR) of 16.8 million new vehicles. New vehicle sales are off 1.2 percent year-to-date. Car sales were off 4.8 percent in the month and are down 10.7 percent for the year. Truck and SUV sales were down 0.6 percent in July, driven lower by domestic truck and SUV sales. Truck and SUV sales were 72.6 percent of all new vehicle sales during the month — surpassing the record set in May 2019.

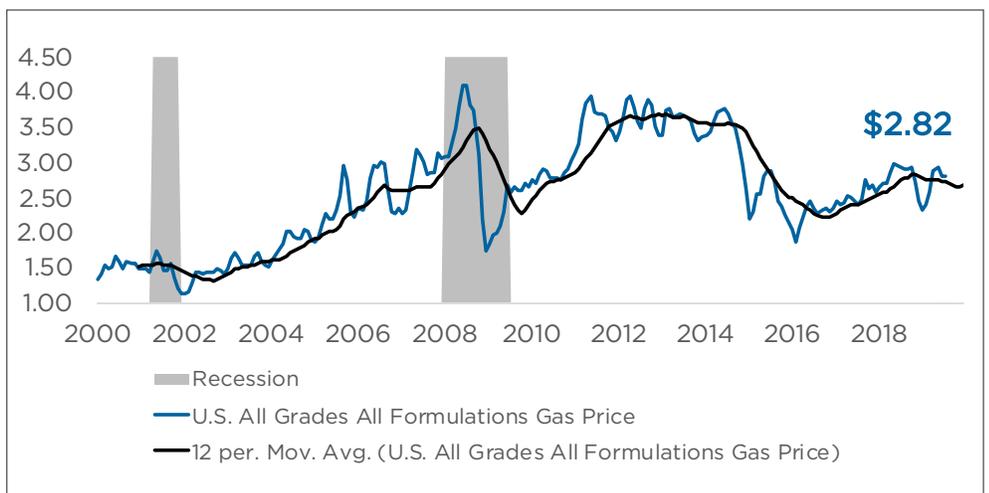
MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

The average national gas price in July was little changed from the prior month. Gas averaged \$2.82/gallon during July 2019, up 2 cents (0.7 percent) from June 2019 and down 11 cents (3.6 percent) from a year ago. Gas prices are likely to decline in the coming months driven by lower demand as a result of increasing trade tensions and the close of the summer driving season. Oil prices continue to decline, edging lower on news of higher-than-expected inventory levels, but more broadly being pushed by concerns that escalating trade wars will slow economic growth.

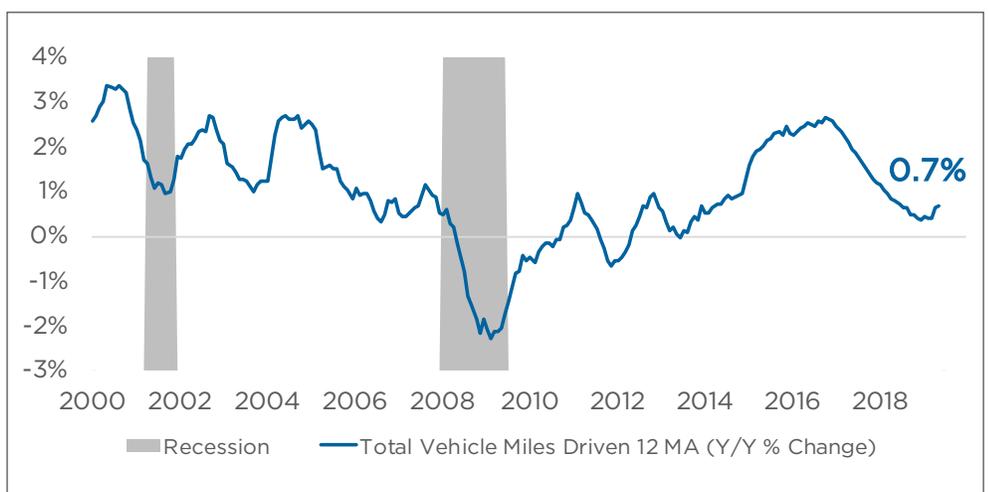
GAS PRICES



U.S. Energy Information Administration, Avrio Institute

Seasonally adjusted travel on all roads and streets increased 1 percent in May 2019, compared to a year ago. Seasonally adjusted vehicle miles traveled was estimated at 270.5 billion vehicle miles, up 2.0 billion vehicle miles (0.7 percent) from May 2018. Cumulative travel for 2019 increased 1 percent (13.3 billion vehicle miles). All regions experienced increases in vehicle miles driven during the month, except the North Central region. The South Atlantic region saw the largest traffic volume increase (3.2 percent).

VEHICLE MILES TRAVELED

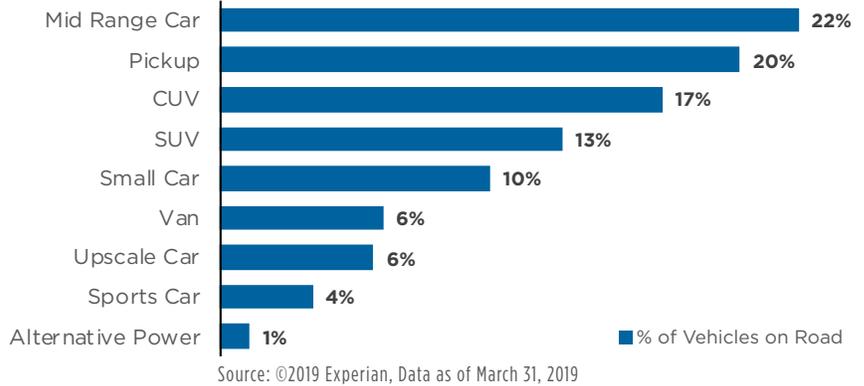


U.S. Federal Highway Administration, Avrio Institute

INSIGHTS FROM SEMA

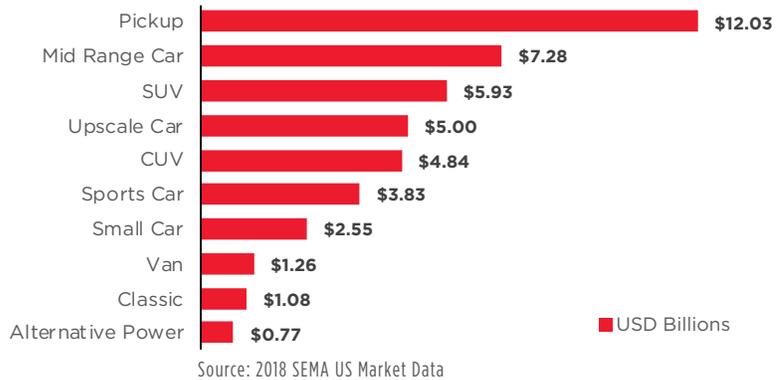
VEHICLES IN OPERATION (VIO) DATA

There are approximately 276 million light vehicles in operation in the United States today, of which over 119 million are passenger cars and nearly 157 million are light trucks. Together, mid range cars and pickup trucks represent almost half of the vehicles on the road.



SPECIALTY EQUIPMENT MARKET SIZE BY VEHICLE SEGMENT

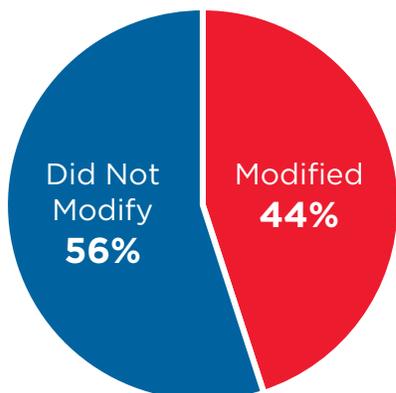
The specialty-equipment market is a \$44.6 billion dollar industry. Customers spend the most money on pickup upgrades, followed by mid range car and SUV upgrades.



INSIGHTS FROM THE MODERN MUSCLE CAR ACCESSORIZER REPORT

Drivers of modern muscle cars (2010 and newer Mustangs, Camaros, and Challengers) are passionate about their cars and accessorizing, and represent a huge opportunity for our industry.

PERCENT OF MODERN MUSCLE CAR OWNERS THAT MODIFIED THEIR VEHICLE



79%

of modern muscle car modifiers purchased car new

80%

of modifiers made their first mod at time of car purchase or within the first couple of months

Want to learn more? Download the "Modern Muscle Car Accessorizer 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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