

# SEMA INDUSTRY INDICATORS

## AUGUST 2020

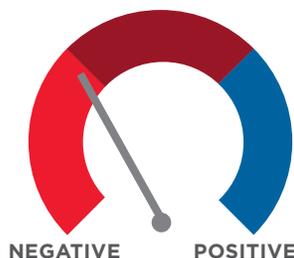


**MARKET  
RESEARCH**

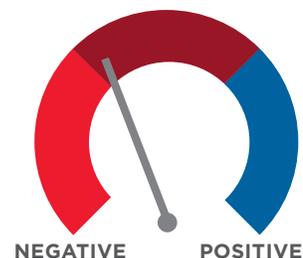
**AVRIO**  
—INSTITUTE—

The economic picture is less robust than it was a month ago, but the economy continues its recovery. Yes, surging COVID-19 cases over the last month and a half have dampened economic activity and clouded the outlook but have not led to a double dip in the economy. In fact, the economy continued to recover in the face of rising COVID-19 cases. In recent weeks, the rate of COVID-19 cases appears to be abating somewhat in much of the country, which should offer further support for growth.

### CURRENT OUTLOOK



### FUTURE OUTLOOK



Some areas of the economy seem to be defying the recession. Retail sales are actually above the pre-pandemic January peak. Much of this strength though was aided by strong fiscal stimulus, including CARES Act cash payments and pandemic unemployment payments. There is a risk that spending will wane with pandemic unemployment payments expiring at the end of July and Congress having yet to compromise on additional stimulus packages.

Manufacturing continues to crawl its way back, but output remains below pre-pandemic levels for most sectors. The ISM manufacturing index, a gauge of manufacturer sentiment, jumped to its best level in more than a year. New orders look strong, which should support production in the coming months. Despite all of this, manufacturers remain cautious on hiring.

The auto sector in particular continues to heal. Auto sales continue to show strong month-on-month growth. Though they remain below pre-pandemic levels, they have recovered much of the decline experienced in March and April. Manufacturers have collectively brought back 45 percent of the jobs lost during the pandemic, while the auto sector has returned 80 percent of jobs — another sign of strength for the sector.

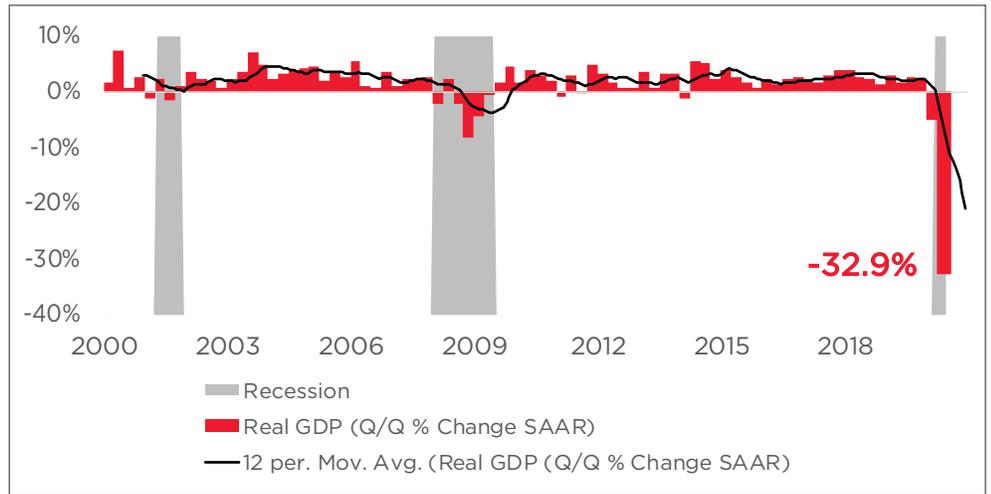
The outlook for the remainder of 2020 will depend heavily on the course of the virus. Americans seem to be adjusting and adapting, and businesses are coping. While the economy is recovering, it will likely take well over a year to return to the levels of production, output and economic activity enjoyed prior to the onset of the pandemic.

As expected, the economy sank an abysmal 32.9 percent, far outpacing the previous record of a 10 percent decline set in 1958, and nearly four times the worst quarterly downturn during the Great Recession. Real GDP is down 9.5 percent from a year ago. Unsurprisingly, the weakest sector was consumer spending on services, including hotels and transportation. Other areas of weakness included residential construction (falling at a 38.7 percent annual rate) and business fixed investment (falling at a 27 percent annual rate). But this was all largely expected and is now in the rear-view mirror. The third quarter will bring the strongest growth recorded in more than 40 years. However, we are still a full year away from a complete recovery and longer for certain sectors of the economy.

Consumer sentiment stepped back in July as the number of COVID-19 cases accelerated across the country. The index decreased 5.6 points, giving back nearly all of the June gains. The most concerning development is the decline in the five-year economic outlook (-18 points since April). Uncertainty about the trajectory of COVID-19 as well as continued economic relief policies have left consumers concerned about lingering economic weakness that doesn't dissipate quickly. At the same time, consumers are feeling more optimistic about buying conditions (+21 points since April) as low interest rates fuel home and vehicle purchases.

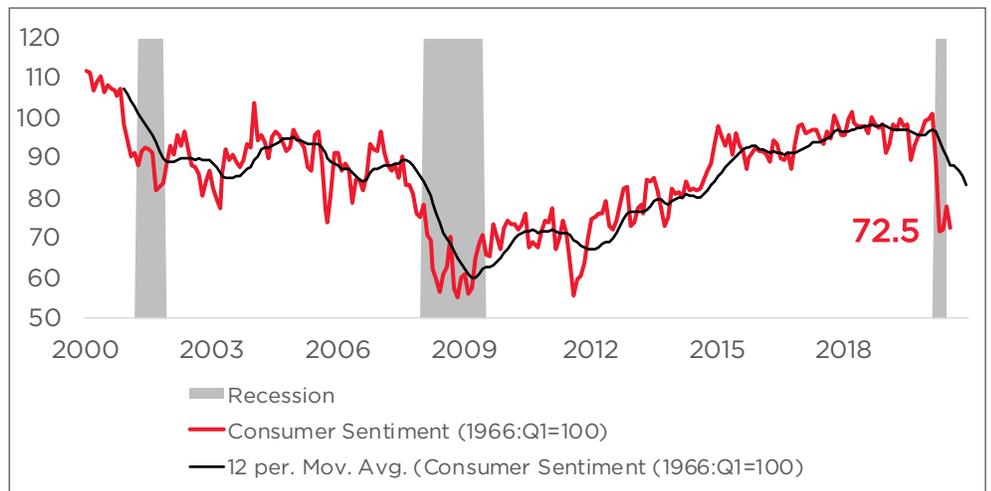
Consumer spending rose 5.6 percent in June, adding to several months of solid growth in the aftermath of the pandemic. This is the second largest monthly increase in spending, only outclipped by May's jump of 8.5 percent. Spending is down 4.8 percent from a year ago. Spending on goods rose 6.4 percent, aided by continued recovery in new vehicles. Personal income declined 1.1 percent in June, related to the tapering off of CARES Act stimulus payments. Excluding government transfers, personal income rose 1.8 percent in June.

## U.S. ECONOMIC GROWTH



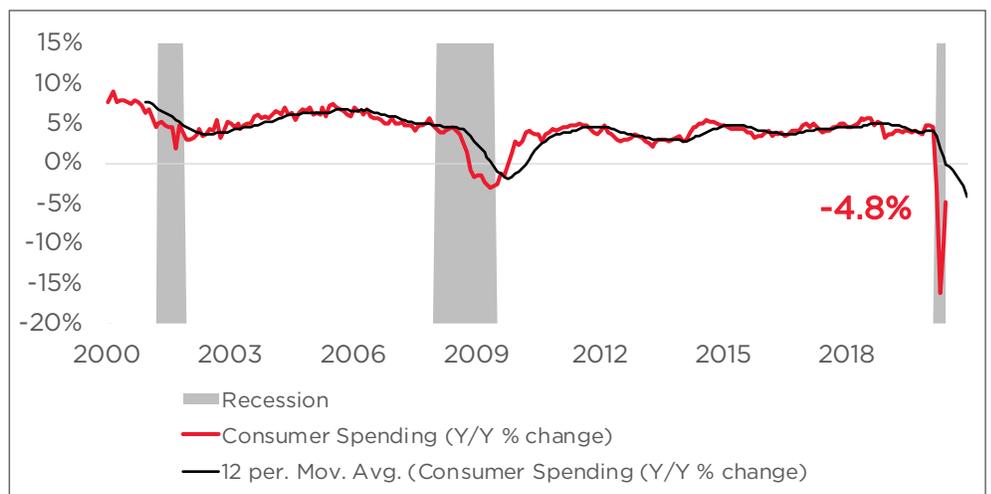
Bureau of Economic Analysis, Avrio Institute

## CONSUMER SENTIMENT



University of Michigan, Avrio Institute

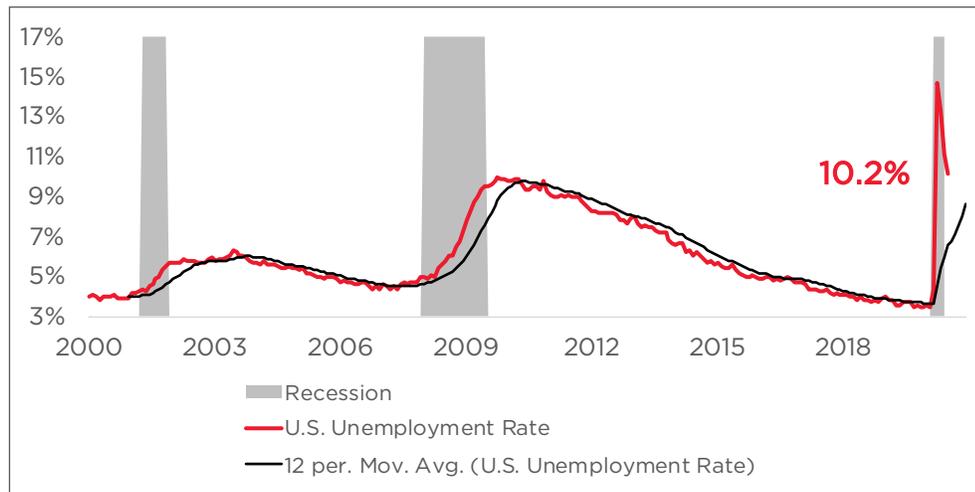
## CONSUMER SPENDING



Bureau of Economic Analysis, Avrio Institute

The unemployment rate declined in July as nonfarm payrolls rose by 1.76 million jobs. The unemployment rate dropped from 11.1 percent in June to 10.2 percent in July. The labor market has now added roughly 9.3 million jobs in the last three months, recouping about 42 percent of the jobs lost at the onset of the pandemic. The service sector saw the biggest increases in July, after experiencing the biggest declines during March and April. The manufacturing sector added 26,000 jobs in July, thanks to a 4.4 percent increase in the auto industry, which offset declines elsewhere in manufacturing.

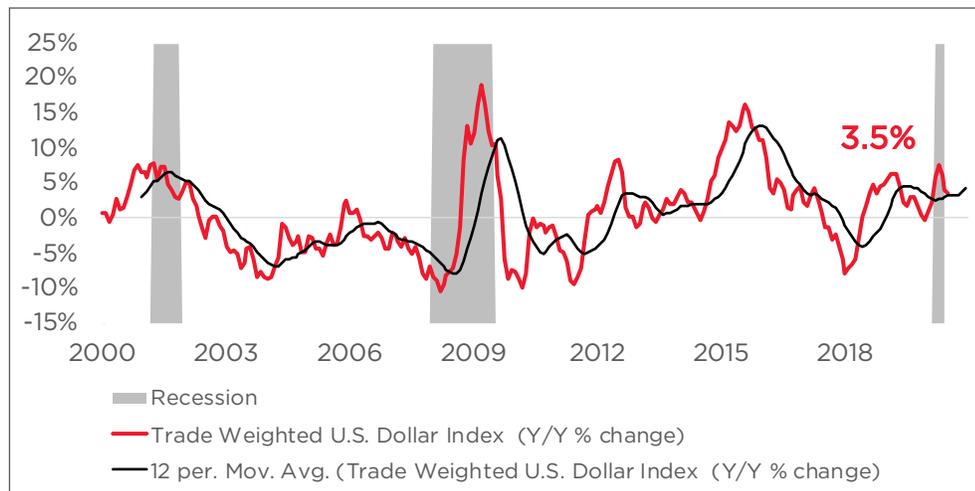
## U.S. UNEMPLOYMENT



Bureau of Labor Statistics, Avrio Institute

The trade-weighted dollar index decreased in July, falling 0.8 percent. The dollar is now 1.8 percent below March 2020 but remains 3.5 percent higher than a year ago. The dollar is likely to continue to trend lower, which will broadly help global trade and economic activity (roughly 23 percent of global exports are invoiced in U.S. dollars today). There is a risk that the dollar's dominance gives way (eventually) to the euro. Europe appears to have managed the COVID-19 pandemic more effectively and might enjoy a stronger rebound. The dollar will continue to be weighted down by very accommodative monetary policy from the Federal Reserve.

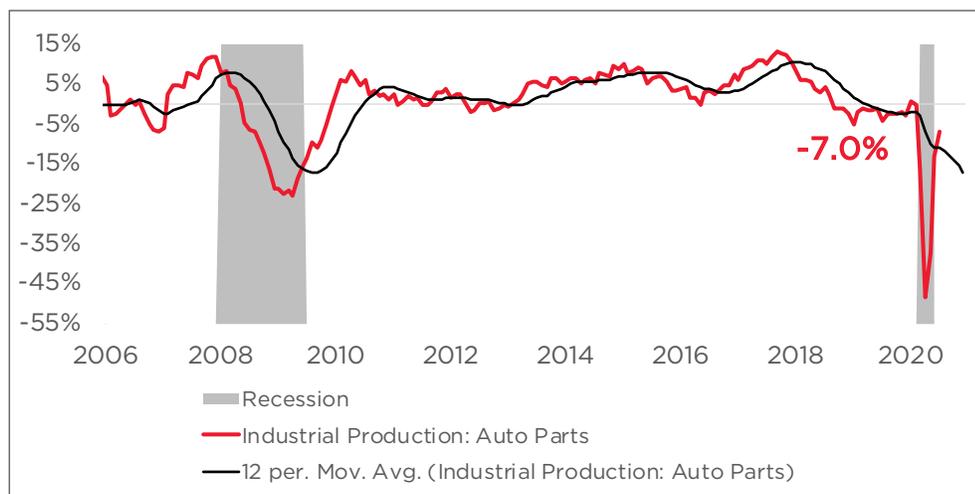
## TRADE WEIGHTED U.S. DOLLAR INDEX



Federal Reserve, Avrio Institute

We saw another solid increase in auto parts production in July. Auto parts production increased 5.2 percent during the month, after increasing 38.7 percent in June. Auto parts production is now just 7 percent below last year's levels and 8.7 percent below March 2020 production levels. Auto parts production levels are likely to remain below output peaks from prior to the pandemic, but the industry has regained significant ground.

## INDUSTRIAL PRODUCTION: AUTO PARTS



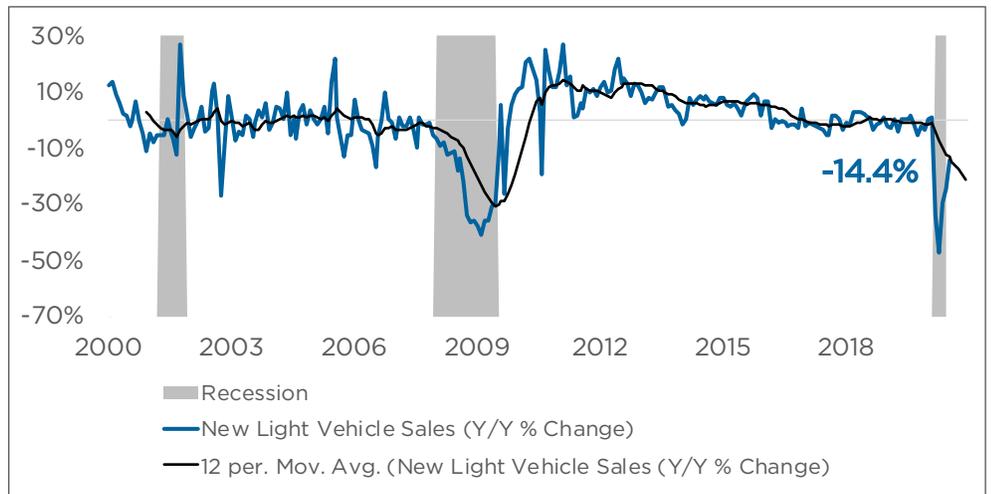
Federal Reserve, Avrio Institute

The rebound in new vehicle sales continued again in July. Last month, 1.209 million vehicles were sold (14.52 million on a seasonally adjusted annual rate). New vehicle sales increased 11.1 percent from the prior month, after increasing 7.2 percent in June. New vehicle sales have recovered roughly 72 percent of the pandemic-induced decline. New vehicle sales are off 14 percent from January, compared with the 49 percent decline in April and the 23 percent decline last month. New vehicle sales are down 14 percent from last year. Sales of both cars (up 17.9 percent from June) and SUV/trucks (up 9.1 percent from June) were higher during the month.

Despite rising cases of COVID-19 and a return of summer stay-at-home orders, gas prices rose nationally in July. The move was likely the result of increased driving during the core summer driving month. Gas prices increased 10 cents to \$2.27/gallon, or roughly 4.7 percent. Prices remain down 19.5 percent from last year and are likely to remain muted as we move into the fall season. Gas prices typically fall off as summer ends and we move to less expensive gas formulas. Moreover, with many jurisdictions moving school to virtual formats and many offices continuing to practice remote work, driving will likely remain subdued.

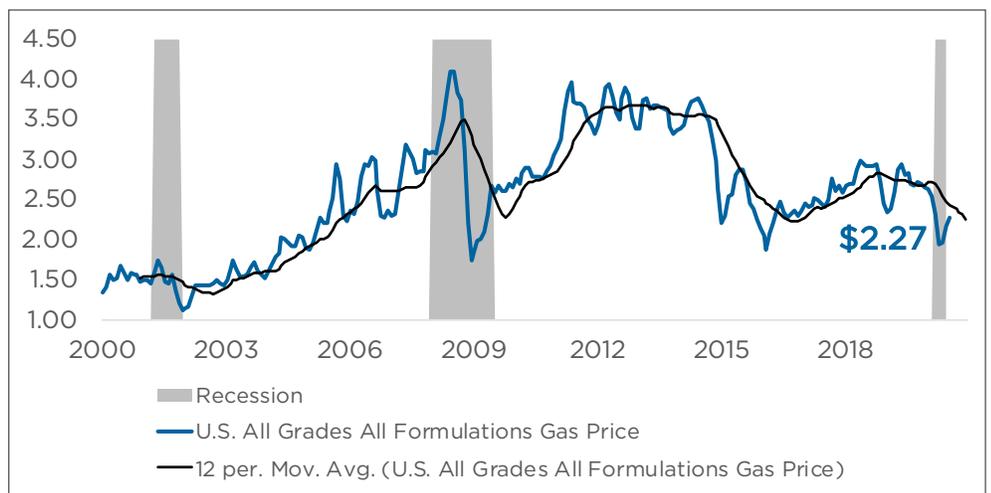
Vehicle miles traveled on all roads and streets has decreased significantly as a result of state-mandated closures and shelter-in-place orders. May 2020 saw a decline of 72.9 billion vehicle miles (down 25.5%) from May 2019. The seasonally adjusted vehicle miles traveled for May 2020 was 199.8 billion, a decline of -26.1 percent (-70.6 billion vehicle miles) from May 2019. This is a 24.1 percent increase (38.8 billion vehicle miles) compared with April 2020.

## MONTHLY NEW LIGHT VEHICLE SALES



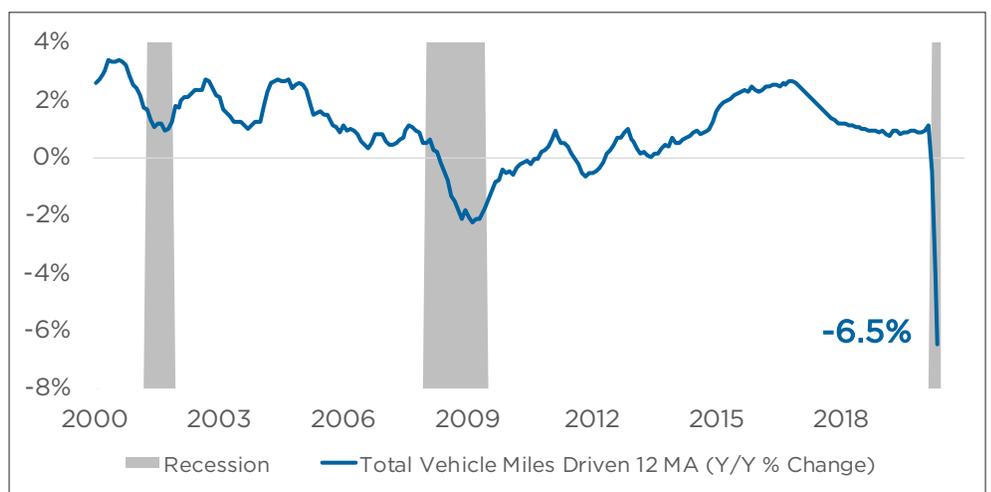
Bureau of Economic Analysis, Avrio Institute

## GAS PRICES



U.S. Energy Information Administration, Avrio Institute

## VEHICLE MILES TRAVELED

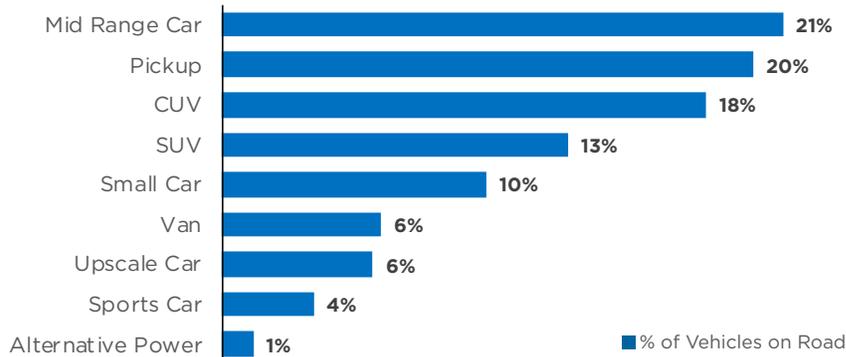


U.S. Federal Highway Administration, Avrio Institute

# INSIGHTS FROM SEMA

## VEHICLES IN OPERATION (VIO) DATA

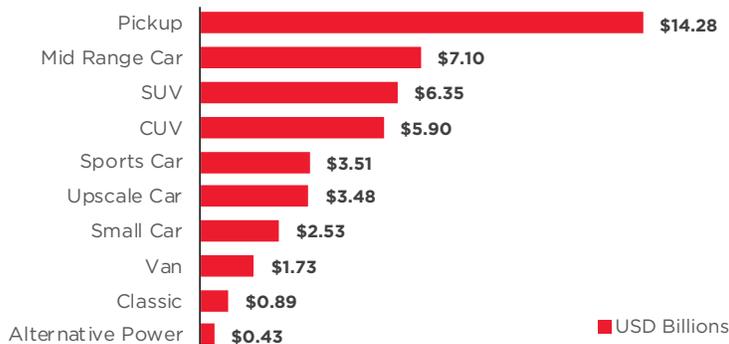
There are approximately 279 million light vehicles in operation in the United States today, of which nearly 117 million are passenger cars and over 162 million are light trucks. Together, mid range cars and pickup trucks represent nearly 42% of the vehicles on the road.



Source: ©2020 Experian, Data as of March 31, 2020

## SPECIALTY EQUIPMENT MARKET SIZE BY VEHICLE SEGMENT

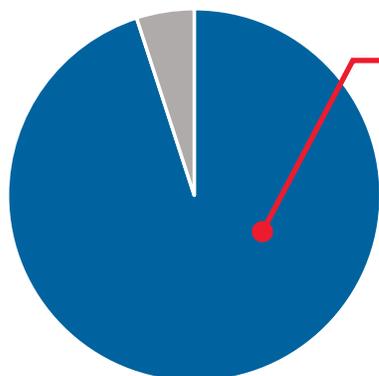
The specialty-equipment market is a \$46.2 billion dollar industry. Customers spend the most money on pickup upgrades.



Source: 2019 SEMA US Market Data

## INSIGHTS FROM SEMA MARKET RESEARCH

SEMA Market Research has been tracking how businesses within the specialty-equipment industry have navigated through the disruption over the past few months. Overall, our industry continues to do business and is increasingly more optimistic about their sales for the rest of 2020.



**95%**

Of companies said they were mostly business as usual or only impacted short term (July 2020)

**49%**

of companies think their sales for 2020 will be higher or at least the same as last year (July 2020)

(vs. 20% in April)

SEMA is monitoring the evolving coronavirus outbreak and tracking what this means for our industry. We've created a resource page with the latest news and updates from the Association about the pandemic. Please visit [sema.org/corona-updates](https://sema.org/corona-updates) regularly to stay on top of the most up-to-date developments, including relevant business resources offered by SEMA and through local, state and federal offices.

## 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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