

# SEMA INDUSTRY INDICATORS

## DECEMBER 2018



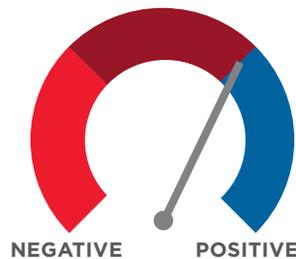
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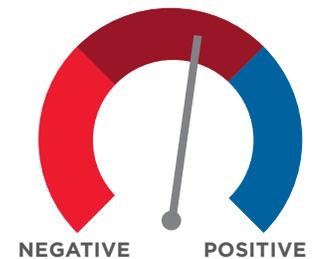
“Good but not great” sums the economic news from the prior month. We find ourselves in that period when the economy is slowing but isn’t yet slow. In this environment, mixed indicators make market observers jittery. Anxiety spikes any time economic activity appears to diverge from the most immediate past, which in turn leads observers to fret that we are at an inevitable economic inflection point. “Is the economy declining or just pausing?” will be a question fiercely debated in the coming year.

The tailwinds of deregulation and tax cuts continue to support the labor market through job gains and wage growth. In turn, consumers remain

### CURRENT OUTLOOK



### FUTURE OUTLOOK



optimistic in terms of both strong consumer sentiment and strong consumer spending. For example, November retail sales revealed that consumers entered the holiday shopping season with gusto. We also continue to see optimism improve among lower income households, suggesting strength in the economy in recent months is being more widely distributed among households.

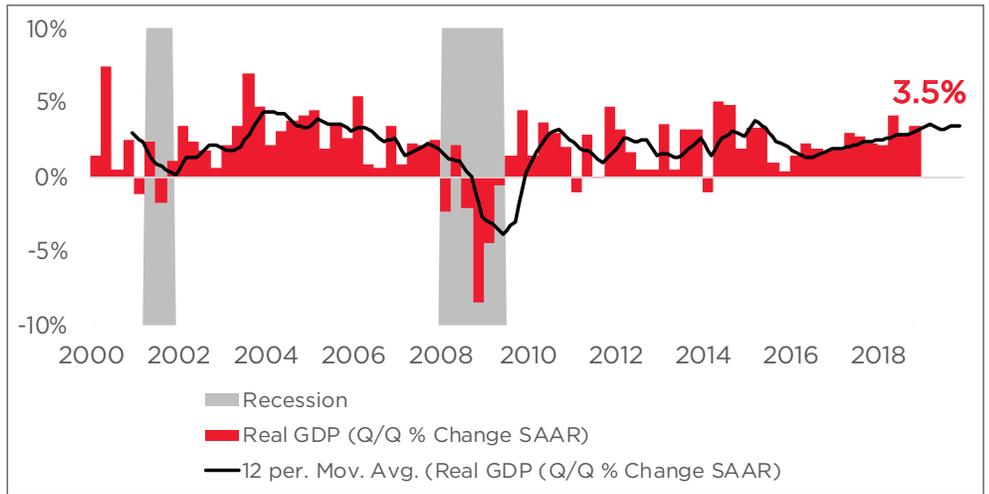
We close out a solid year of economic growth—a phenomenal year perhaps, given how far we are in the current economic expansion. At the same time, we continue to see data series break from positive trends that have been in place for several years now. Among the indicators followed in this report are a number of data points that show signs of slowing growth. Series that have been steadily increasing in recent years are falling outside of recent ranges.

While consumers look strong and consumer balance sheets remain healthy, there is conflicting concern about record levels of household debt. While debt-to-asset ratios are near 30-year lows, history shows us repeatedly that the value of assets like real estate and stock holdings can change abruptly. The threat of trade wars continues to weigh on the United States as well as economies across the globe. This is likely the number-one factor weighing on the global outlook today. And yet, there is the feeling that if it wasn’t this, it would be something else. Indicators have taken on a pessimistic tilt.

The pace of growth is slowing, but a recession isn’t in clear view...yet.

The economy grew 3.5 percent in the third quarter. The most notable revision over the last month was an increase in estimated business investment. Looking forward, economic growth is expected to slow, increasing only 2.5 percent in the fourth quarter. However, holiday retail sales in November suggest some upside is possible. Overall, economic growth for all of 2018 will clock in just above 3 percent, with more modest growth in 2019 and 2020.

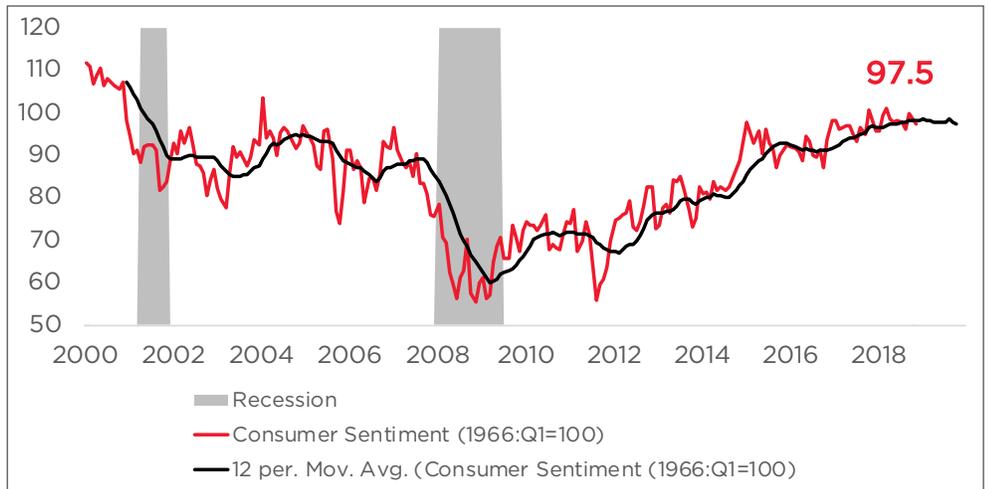
## U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

The Index of Consumer Sentiment moved marginally lower in November but remains at favorable levels. The Sentiment Index was 97.5 last month, identical to its average over the last two years. The last time the Sentiment Index was consistently over 90 was in the late 1990s. Stock market declines over the last month likely pulled sentiment lower and fell 6.6 points for those with incomes in the top third. But for those with incomes in the bottom third, sentiment rose 10.4 points, likely buoyed by the solid job market.

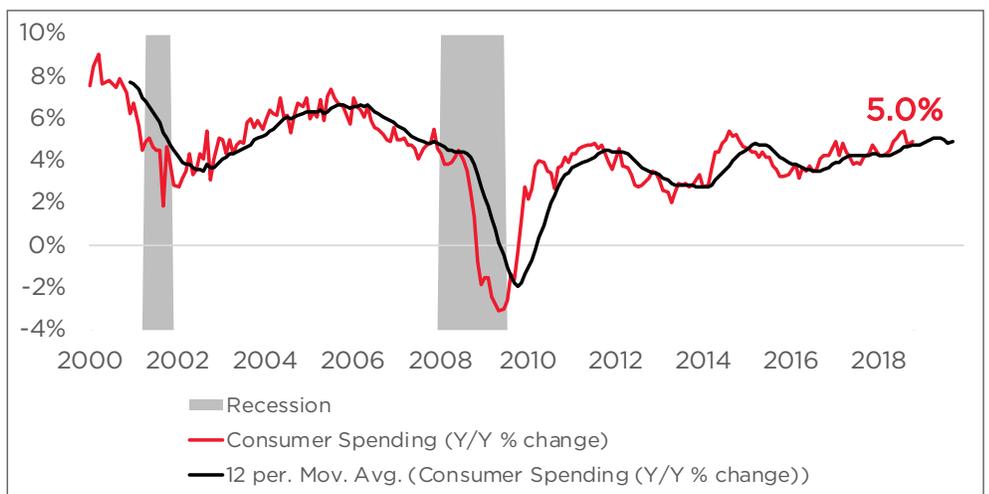
## CONSUMER SENTIMENT



University of Michigan, Avrio Institute

Personal income and consumer spending both increased in October. Personal income is up 4.3 percent over the last year while income after taxes (i.e., disposable income) is up 4.8 percent. Consumer spending is up 5 percent over the same period. Consumers headed into the holiday season on solid footing and showed a willingness to spend, resulting in strong retail sales growth in November.

## CONSUMER SPENDING



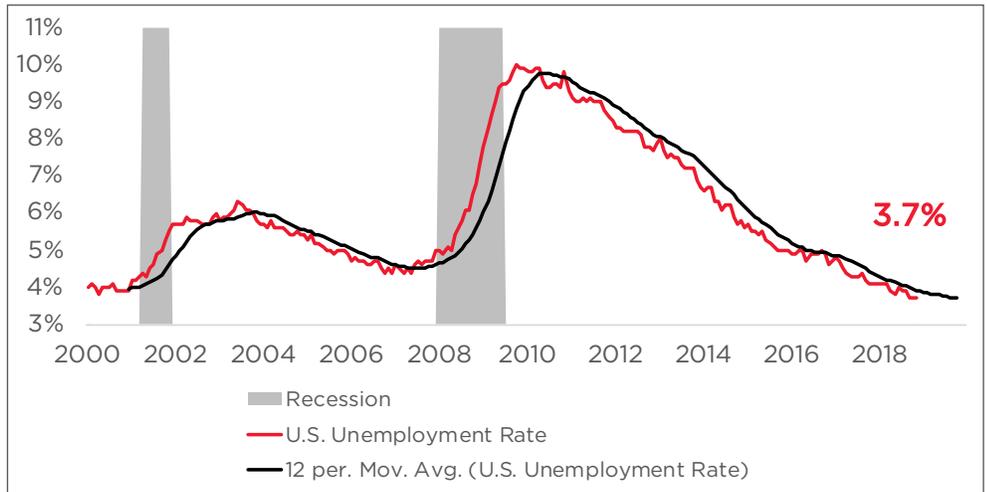
Bureau of Economic Analysis, Avrio Institute

The unemployment rate held steady at 3.7 percent in November. Last month brought the addition of 155,000 new jobs—a smaller increase than the 237,000 new jobs added in October and below the average of 209,000 new jobs over the last 12 months. The manufacturing sector added 27,000 new jobs during the month of November. Average hourly earnings also rose last month, increasing 3.1 percent from a year ago, consistent with the earnings growth rate in October and significantly stronger growth than the 2- to 2.5-percent growth experienced in recent years.

The dollar strengthened again in November, a narrative that has played out throughout much of 2018. The trade-weighted dollar index is up 1.1 percent over the last month and 6.7 percent over the last year. Continued concern that trade tariffs will lead to a global economic slowdown likely lends support to the U.S. dollar as a historically safe haven for investors. Moreover, rising U.S. domestic interest rates will continue to draw investable funds into the United States.

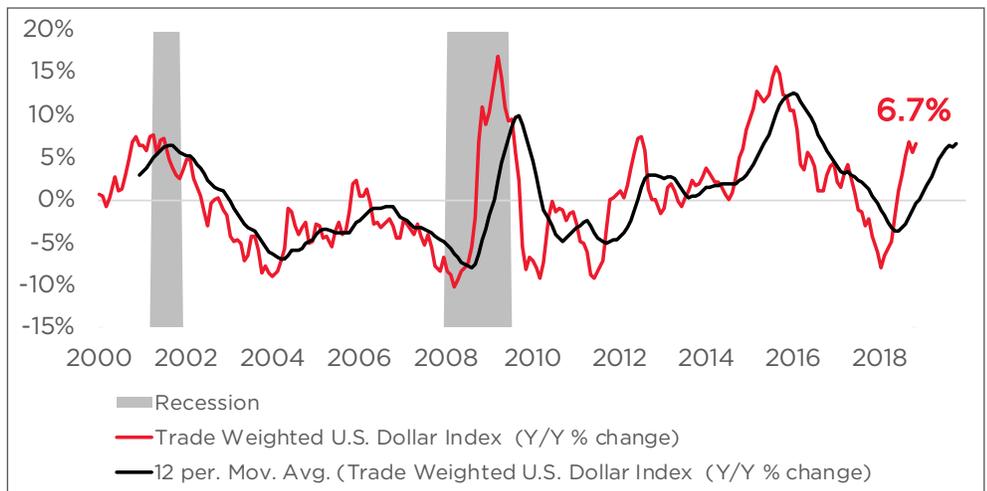
The manufacturing sector has been slowing in recent months, after an extended period of strong growth. Manufacturing output has been relatively flat over the last four months, in contradiction with both job and wage growth in the sector. In November, 12 of 20 manufacturing industries reported declines, suggesting the slowdown is broad based. Auto parts production increased 2 percent in November on a year-over-year basis. From January through August, auto parts production saw year-over-year increases of 5.9 percent on average. Since August, year-over-year growth has averaged just 1.9 percent.

## U.S. UNEMPLOYMENT



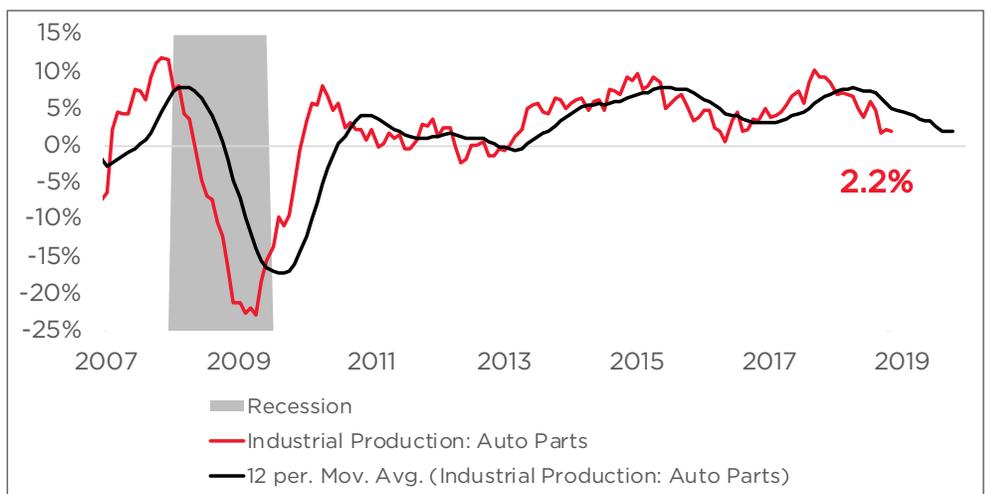
Bureau of Labor Statistics, Avrio Institute

## TRADE WEIGHTED U.S. DOLLAR INDEX



Federal Reserve, Avrio Institute

## INDUSTRIAL PRODUCTION: AUTO PARTS

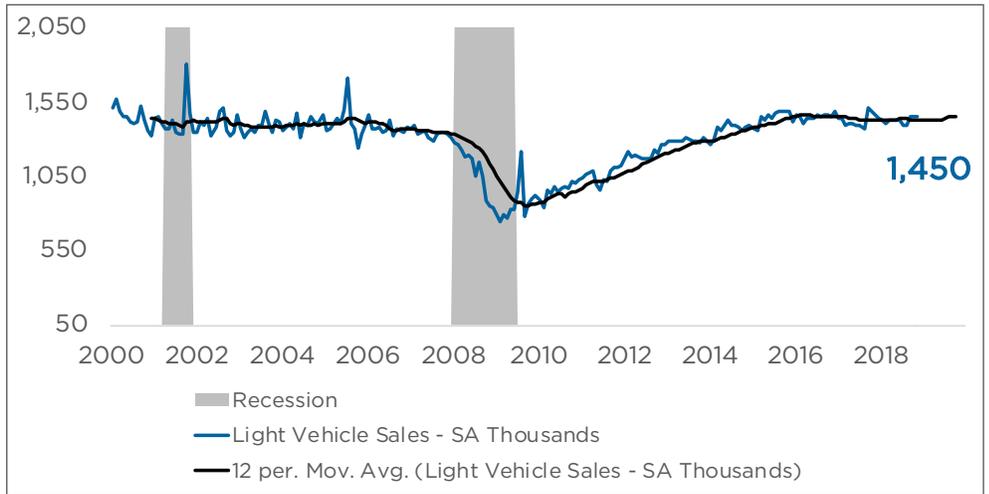


Federal Reserve, Avrio Institute

# AUTOMOTIVE

New vehicle sales ebbed lower in November—consistent with the previously forecasted slowdown expected for the second half of 2018. Seasonally adjusted new vehicle sales were down 0.5 percent last month, equal to a decline of roughly 6,900 units. Sales for November were down 0.7 percent from last year. For the year, sales are up just 0.1 percent. New vehicle sales for all of 2018 are likely to come in around 17.16 million units—roughly flat with last year.

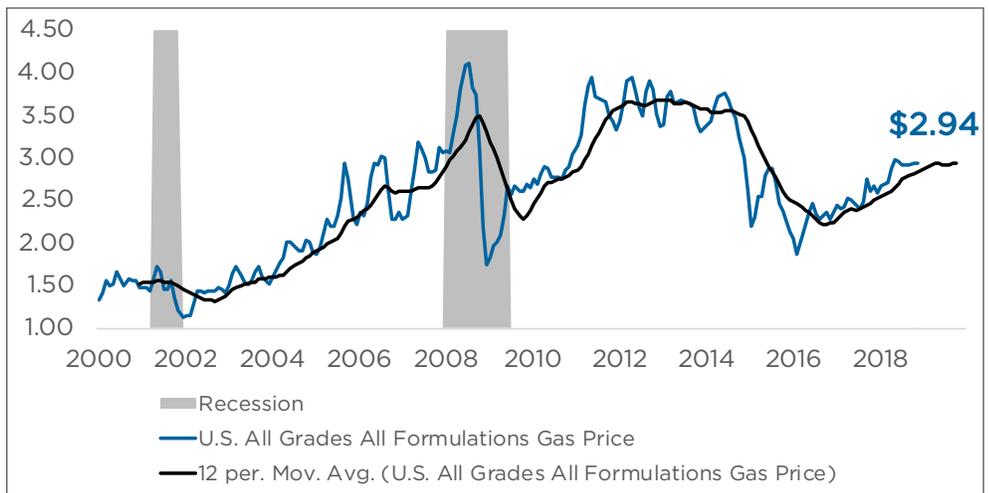
## MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

The average national gas price was unchanged over the last month, averaging \$2.94/gallon in both October and November. Gas prices in November are 9.8 percent higher than a year ago and will ebb lower in December after several consecutive weeks of crude oil inventory increases and price declines. Brent crude oil spot prices averaged \$65 per barrel in November, down \$16/barrel from the prior month—the largest monthly average price decline since 2014. A tightening supply from here could exert upward pressure in the first quarter of 2019.

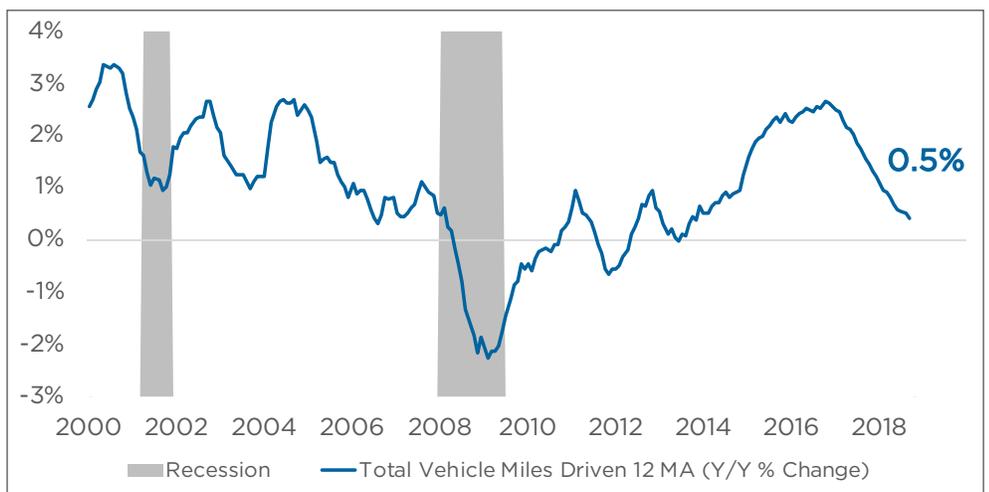
## GAS PRICES



U.S. Energy Information Administration, Avrio Institute

Travel on all roads and streets in the United States decreased by 0.8 percent in September 2018, compared to a year ago. The 12-month moving average increased by 0.4 percent, one-tenth of a percent slower than last month. Seasonally adjusted travel for September 2018 was estimated at 268.5 billion vehicle miles, down 0.8 billion vehicle miles from August 2018. Cumulative travel for 2018 is up 0.3 percent.

## VEHICLE MILES TRAVELED

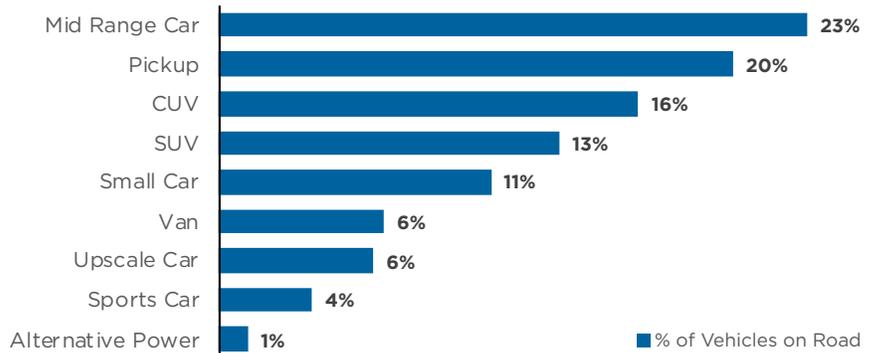


U.S. Federal Highway Administration, Avrio Institute

# INSIGHTS FROM SEMA

## VEHICLES IN OPERATION (VIO) DATA

There are approximately 275 million light vehicles in operation in the United States today, of which over 121 million are passenger cars and nearly 154 million are light trucks. Together, mid range cars and pickup trucks represent almost half of the vehicles on the road.



Source: © 2018 Experian, Data as of September 30, 2018

## SPECIALTY EQUIPMENT MARKET SIZE BY VEHICLE SEGMENT

The specialty-equipment market is a \$43 billion dollar industry. Customers spend the most money on pickup upgrades, followed by mid range car and SUV upgrades.



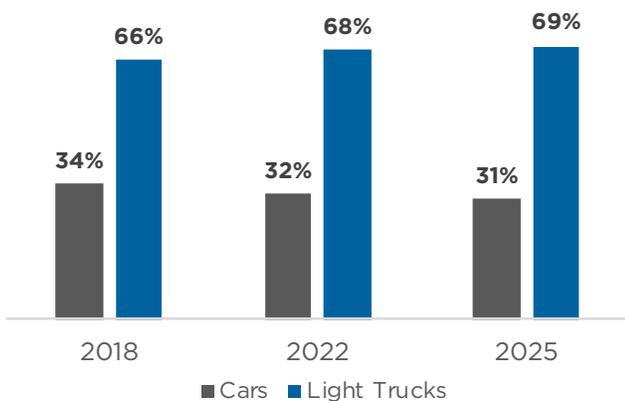
Source: 2017 SEMA Market Data

## HIGHLIGHTS FROM THE SEMA FUTURE TRENDS REPORT

By 2025, SEMA projects that light trucks will account for 69% of all new light vehicles sold—driven by crossover utility vehicles (CUVs). Newer vehicle platforms, such as CUVs, are becoming increasingly popular. Many automakers are adjusting their lineups away from traditional sedans to account for this.

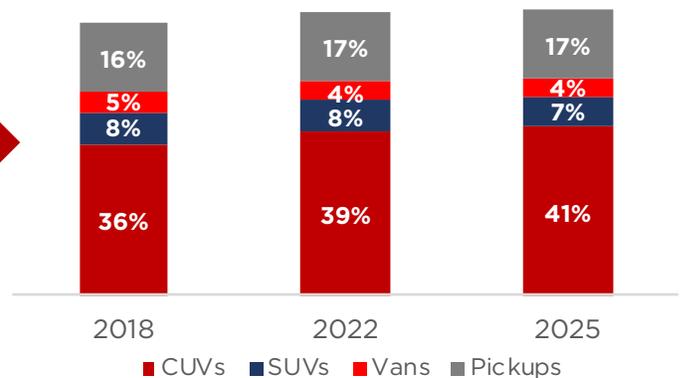
### NEW VEHICLE SALES FORECAST

(% OF TOTAL LIGHT VEHICLES SOLD)



### DISTRIBUTION OF NEW LIGHT TRUCK SALES

(% OF TOTAL LIGHT VEHICLES SOLD)



Want to learn more? Download the “SEMA Future Trends Report”, now available 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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