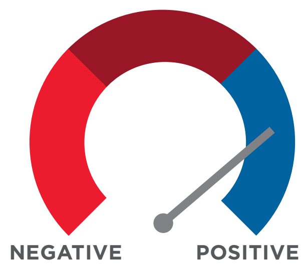
SEMA INDUSTRY INDICATORS

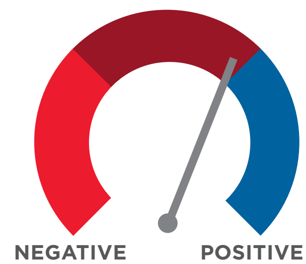
JULY 2018

The first half of 2018 is now in the books and the economy has shown resilience in the face of a myriad of concerns. These fears have included low overall economic growth at the start of the year, geopolitical uncertainties, accelerating oil and gasoline prices, trade wars and other policy concerns, inflationary pressures and

CURRENT OUTLOOK



FUTURE OUTLOOK



contractionary monetary policy - just to name a few. Any one of these might have pushed the U.S. economy into a recession during any other time period but the current expansion continues to roll forward and, on many fronts, looks stronger than it has throughout the entirety of this expansion.

The manufacturing sector continues to be a shining star of the economy. The Institute for Supply Management (ISM) manufacturing index hit 60.2 in June (a value above 50 indicates expansion) and is only the ninth month that the ISM has surpassed 60 in the last 30 years. Through the first half of the year the ISM manufacturing index averaged 59.2, and in June, almost all industries reported expansion suggesting broad based growth.

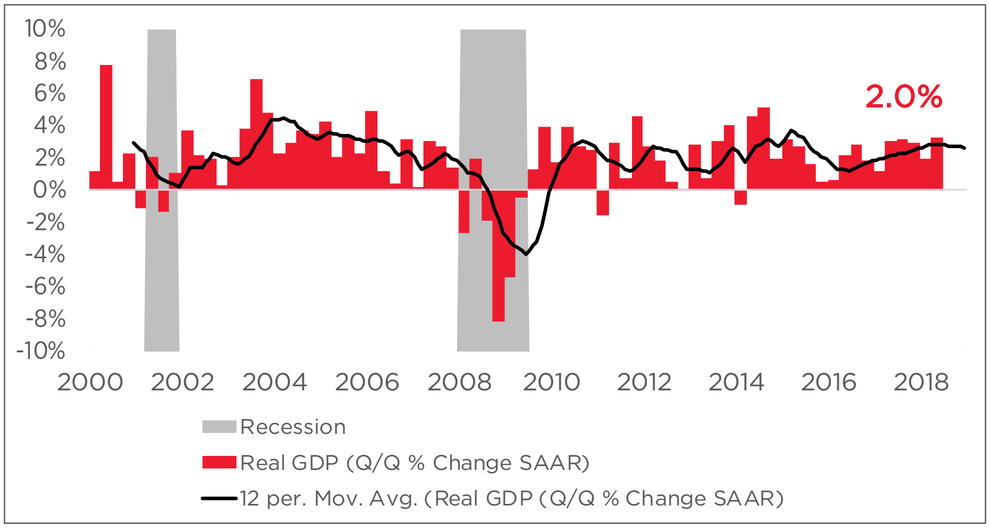
The strength of the underlying economy is driving demand across diverse industries and businesses are investing to meet that demand and hiring to increase production demand. The labor market continues to show remarkable strength this late in the expansion. In the last month 601,000 workers entered or returned to the labor market. Even with this influx, the labor market is likely near full employment. As a result, we'll see wage growth accelerate slightly and wage pressure mount in the coming months as businesses compete for scarce employees.

As we move into the back half of the year, growth is expected to remain above trend. Pent-up demand, tax cuts and a relaxed regulatory environment will continue to provide momentum and boost economic activity. While there remain risks on the peripheral, we should continue to see one of the strongest economic periods of the current expansion.

ECONOMICS

U.S. ECONOMIC GROWTH

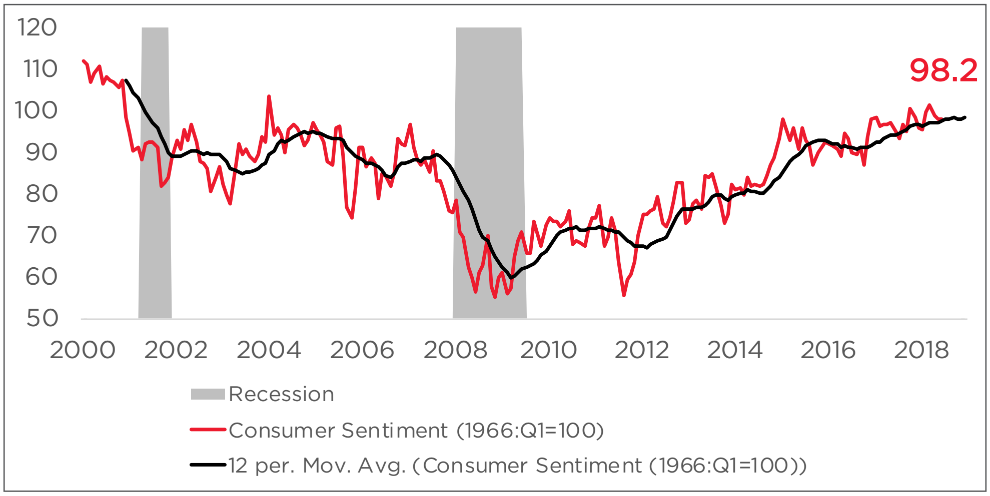
First quarter GDP growth was revised down two-tenths of a percentage point to two percent, driven by smaller gains in consumer spending, net exports and inventories. Business investment was revised higher and up 8.4 percent over the last year - the fastest growth rate since 2014. Corporate profits were also revised higher and now show growth of 6.8 percent over last year. Second quarter GDP growth could potentially surpass four percent growth - marking the fastest quarterly economic growth in the current expansion. Net exports are on pace to add more than a full percentage point to GDP growth.



Bureau of Economic Analysis, Astra Insights

CONSUMER SENTIMENT

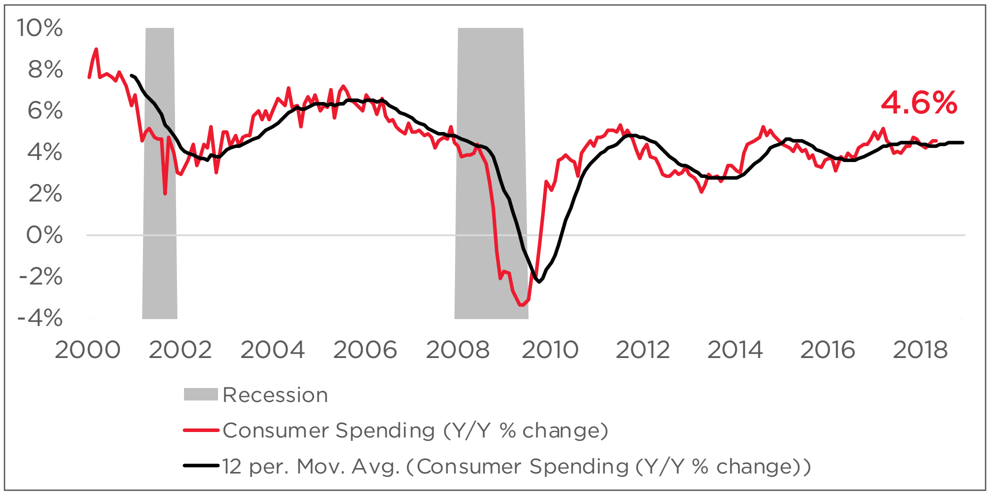
Consumer sentiment in June remained aligned with the May report and little changed from the prior three months. Consumers remain concerned about a looming trade war and the potential repercussions on the economy. The impact of tariffs on the domestic economy is garnering significant attention among consumers and more than 80 percent expect the potential impact to be negative, driving inflation higher and curtailing economic growth. At the same time, consumers are also optimistic due to favorable views of the labor market and personal income, believing that unemployment will fall and wages will rise in the year ahead.



University of Michigan, Astra Insights

CONSUMER SPENDING

Consumer spending rose a disappointing 0.2 percent in May - the most recent data available. Overall spending was held back by low growth on services, some of which was driven by moderate weather in May which held down spending on utilities. Spending on goods was on par with recent months and retail sales in May were up 6.4 percent from a year-ago, only the fifth month to show year-over-year growth in excess of six percent in the last few years. Overall, consumer spending is up 4.6 percent in the last year.

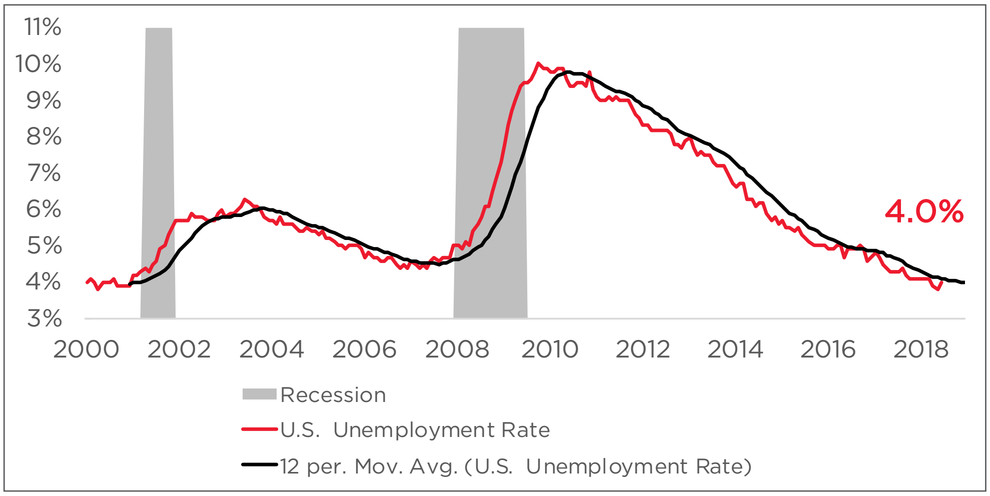


Bureau of Economic Analysis, Astra Insights

ECONOMICS

The labor market continues to show considerable strength. In June, payrolls rose by 213,000 new jobs and prior months were revised slightly higher. Through the first half of 2018 the economy averaged 215,000 new jobs per month, a pace that is higher than the same period last year. The U.S. economy added 186,000 more jobs through the first half of the year than it did over the same period a year-ago. In June, the labor force jumped 601,000 which pushed the unemployment rate 0.2 percent higher to reach four percent. Wage gains in June were in line with last month, an increase from a year ago.

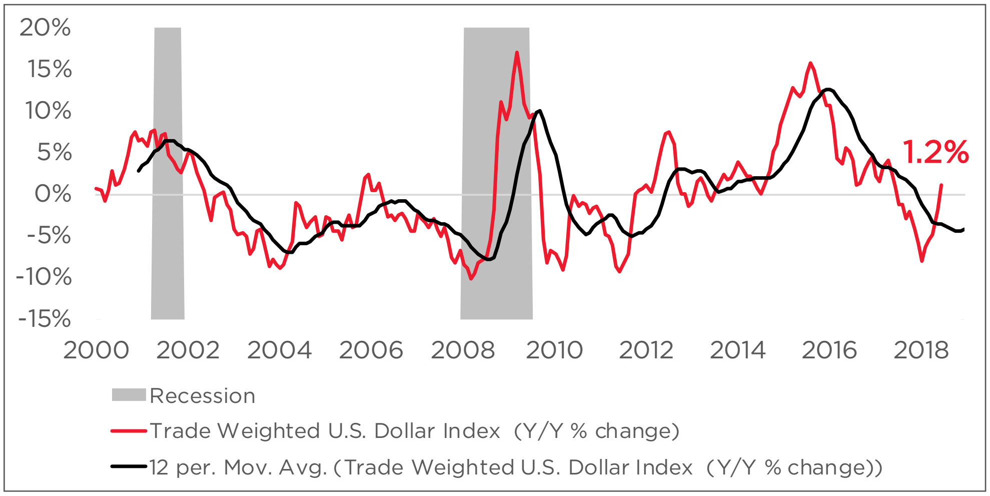
U.S. UNEMPLOYMENT



Bureau of Labor Statistics, Astra Insights

The dollar strengthened in June and the trade-weighted U.S. dollar index is up 1.2 percent over the last year. The trade-weighted U.S. dollar index value in June is the highest the index has been since May of last year. As we noted in last month's report, rising inflation will drive domestic interest rates higher and put upward pressure on the dollar. The firming of the exchange rate together with slowing economic growth among important trading partners puts the trade sector at risk. Moreover, tariffs and reciprocal tariffs could also significantly disrupt trade flows.

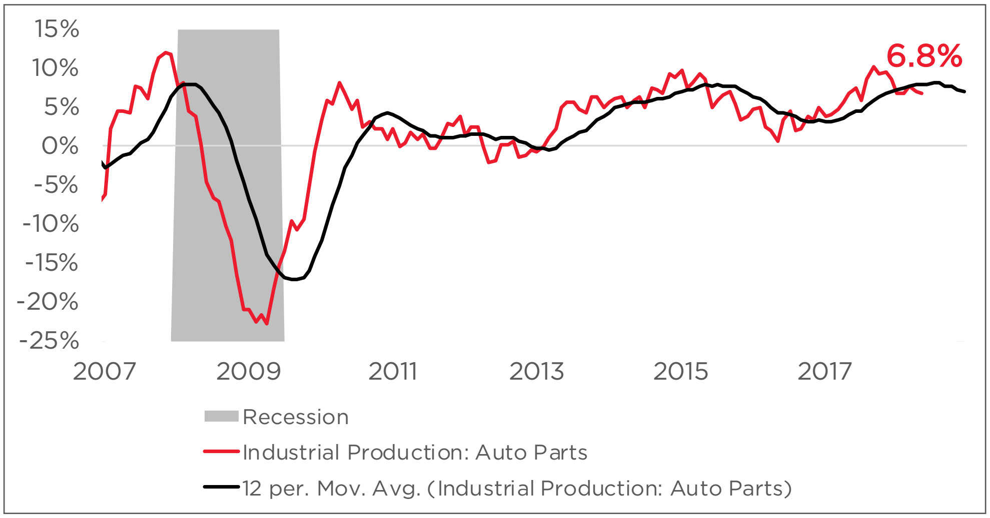
TRADE WEIGHTED U.S. DOLLAR INDEX



Federal Reserve, Astra Insights

Auto parts production in the U.S. was up 0.7 percent in May and is up 6.8 percent over last year. Growing much stronger than overall industrial production, auto parts production is up 3.5 percent over last year. Manufacturing strength is expected to continue in the coming months. For example, unfilled orders for motor vehicles and parts is up 5.2 percent from a year ago.

INDUSTRIAL PRODUCTION: AUTO PARTS

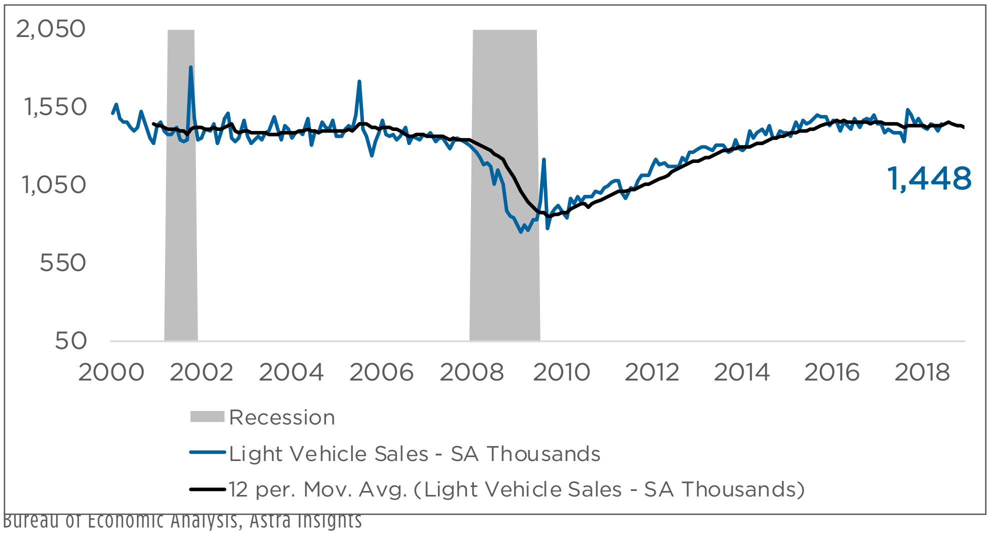


Federal Reserve, Astra Insights

AUTOMOTIVE

MONTHLY NEW LIGHT VEHICLE SALES

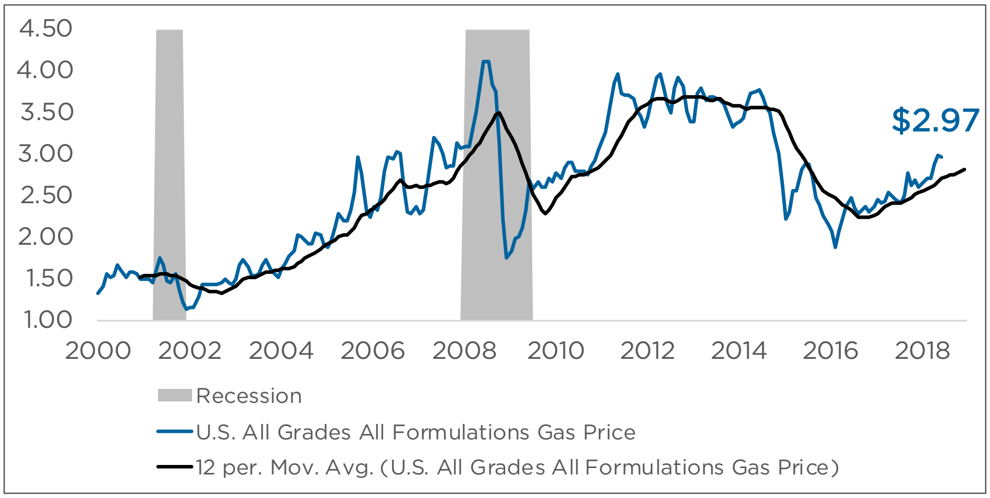
New vehicle sales continue to be better than expected, increasing to 17.38 million units in June on a seasonally adjusted annualized basis. Sales in June are up 3.2 percent from the prior month and are up 4.7 percent from a year ago. New light vehicle sales are now up 1.1 percent through the first half of the year compared to the same period last year. Despite higher gas prices and rising interest rates concerns, strong economic fundamentals have buoyed sales.



Bureau of Economic Analysis, Astra Insights

GAS PRICES

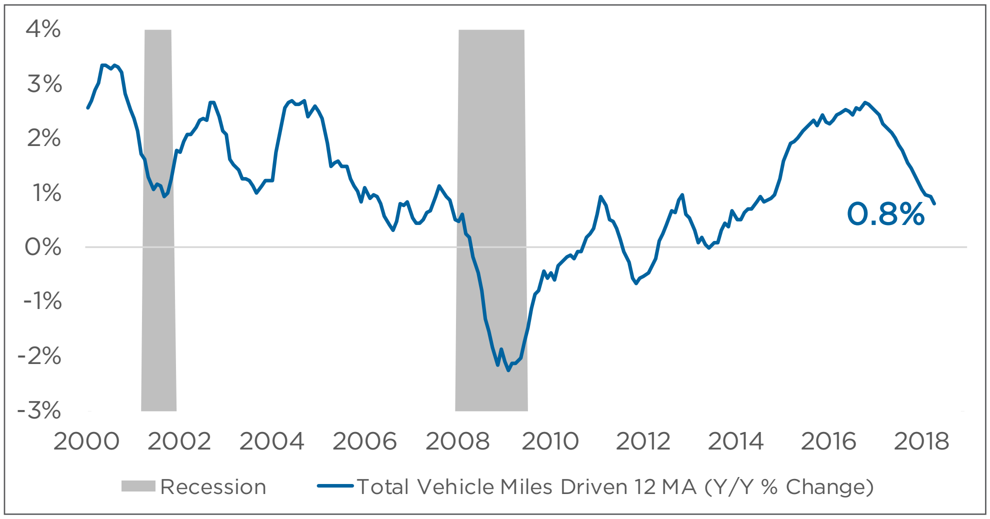
National gas prices moved down two cents in June but averaged $2.97, which is 21 percent – or 51 cents higher - than this time last year. Oil futures suggest gas prices will decline in the coming months. Last month's gasoline price of $2.99 likely represents the peak for the year, though gas prices are not anticipated to decline much in the coming months. U.S. gas prices will average around $2.80 for all of 2018. In the back half of 2018, gas prices are expected to average roughly $2.60 and $2.50 for all of 2019.



U.S. Energy Information Administration, Astra Insights

VEHICLE MILES TRAVELED

Travel on all roads and streets in the U.S. decreased by 0.2 percent in April 2018, compared to April of last year – the most recent month for which data is available. Seasonally adjusted travel for April 2018 was estimated at 267.1 billion vehicle miles, down 1.5 billion vehicle miles from a year ago. The decline in vehicle miles traveled in April could be driven by higher gas prices at the pump, a pattern that might remain in the coming months.

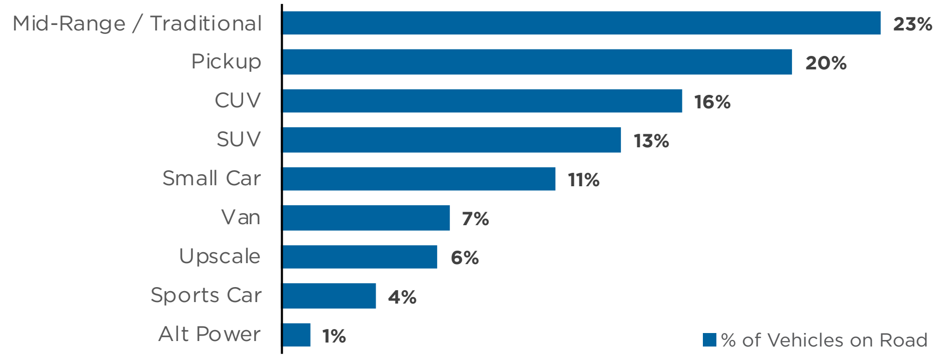


U.S. Federal Highway Administration, Astra Insights

INSIGHTS FROM SEMA

VEHICLES IN OPERATION (VIO) DATA

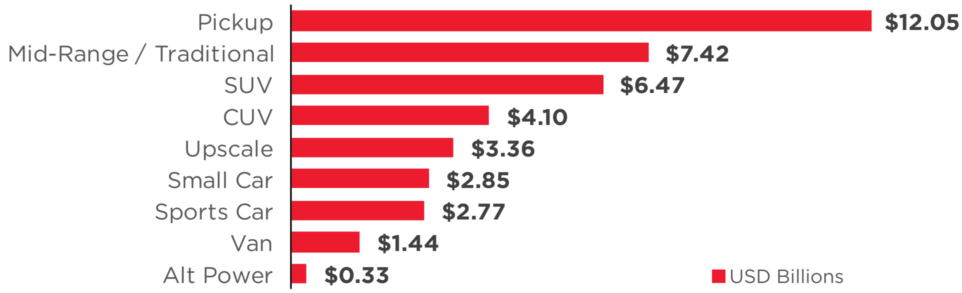
There are approximately 272 million light vehicles in operation in the United States today, of which nearly 122 million are passenger cars and 150 million are light trucks. Together, mid-range / traditional cars and pickup trucks represent almost half of the vehicles on the road.



Source: © 2018 Experian, Data as of March 31, 2018

SPECIALTY EQUIPMENT MARKET SIZE BY VEHICLE SEGMENT

The specialty equipment market is a $41 billion dollar industry. Customers spend the most money on pickup upgrades, followed by mid-range / traditional and SUV upgrades.



Source: 2016 SEMA Consumer Market Data

SEMA INDUSTRY EMPLOYMENT OUTLOOK

Overall, our industry is strong and most companies are looking to hire. However, there are opportunities to recruit and train younger workers, which will help maintain the industry's continued success and growth.

PLAN TO MAKE NEW HIRES IN NEXT FIVE YEARS. Companies expect to hire for new positions in the next few years, especially in the key areas of sales, production, and transportation.

Manufacturers	96%
Distributors	95%
Retailers	87%

HIRING PERCEPTIONS. Most in the industry are confident about their company's ability to attract new talent, but few find it easy to fill jobs.

	MANUFACTURERS	DISTRIBUTORS	RETAILERS
Confident in Company's Ability to Attract New Talent	67%	69%	61%
Easy to fill jobs at company	18%	25%	21%

PROGRAMS OFFERED / UTILIZED. There are opportunities in our industry to develop a new and younger workforce. Few companies outreach to students to recruit new talent, and even fewer offer programs to offer hands-on experience.

	MANUFACTURERS	DISTRIBUTORS	RETAILERS
Started Outreach Programs with Local Schools	26%	17%	14%
Started Apprenticeship/Training Programs	23%	17%	24%
Attend Job Fairs	23%	18%	11%
Offer Internships	20%	14%	15%
Offer Apprenticeships	13%	7%	21%

To learn more, download the SEMA Employment Outlook Report, available now at: **sema.org/research**.
Visit **semajobs.com/employers/** to learn about Career Center resources and to find top industry talent.

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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