

SEMA INDUSTRY INDICATORS

MAY 2019



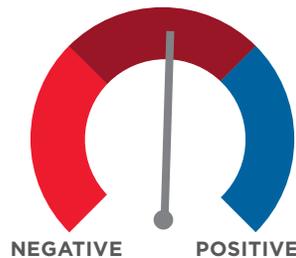
**MARKET
RESEARCH**

**AVRIO
—INSTITUTE—**

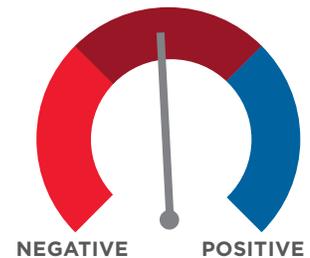
The economic news over the last month has been extremely positive, especially in the face of an economy that had appeared to be slowing rapidly. The economy has improved on many fronts, pushing off the idea, at least temporarily, that a recession was imminent.

The first estimate for Q1 real GDP was 3.2 percent, suggesting significantly faster growth than consensus estimates. While some of the factors driving GDP growth in the first quarter are likely temporary, it was a welcome sign, especially because GDP

CURRENT OUTLOOK



FUTURE OUTLOOK



in the first quarter of recent years has been weak. Expect the economy to grow 2.1 percent in 2019 — below last year's stellar performance but generally in line with average growth over the entirety of the current expansion.

Job market growth over the last month further suggests the economy isn't slowing down just yet. The economy added 263,000 new jobs in April and has now added new jobs in each of the last 103 months. All told, the U.S. economy has added over 20.7 million new jobs since the fall of 2010. Although the unemployment rate is influenced by the labor participation rate and is not a perfect gauge, it dropped to 3.6 percent in April — the lowest rate since December 1969.

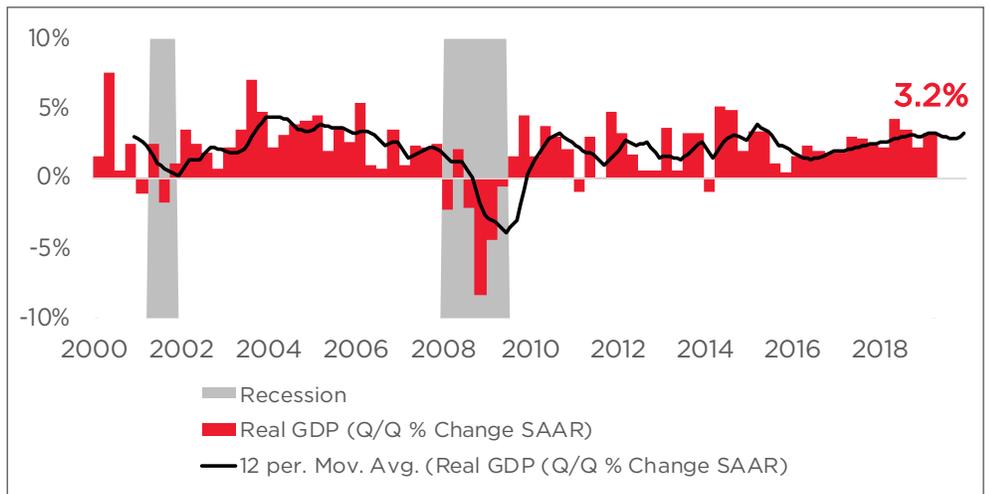
Productivity in the first quarter increased far beyond expectations and left the year-over-year gains in employee productivity at 2.4 percent. This is the fastest pace of growth since the beginning of the current expansion, a period when the economy was coming off a severe recession. Productivity typically slows late in an economic cycle. High productivity rates and a tight labor market should drive wages higher. Wages are growing 3.2 percent over the last year, which is good but perhaps not as great as one might expect given other labor market metrics.

While there is much to celebrate, there are also many cautionary notes. Housing starts are down 14.2 percent over the last year, new vehicle sales are down this year and there remain tremendous uncertainties surrounding ongoing trade negotiations.

A mantra of "enjoy the growth while you can" continues to ring true.

The first estimate for Q1 real GDP was 3.2 percent, far outpacing the consensus and crushing the premise that the economy was deteriorating quickly. More remarkably, strong growth occurred despite headwinds that included an extended government shutdown. Over the last nine years, Q1 has been materially weaker than the remaining three quarters, averaging just 1.7 percent compared to 2.5 percent for the other three quarters. This makes the first quarter's results even more remarkable. However, much of the surge was driven by temporary factors that won't likely be maintained through the remainder of 2019.

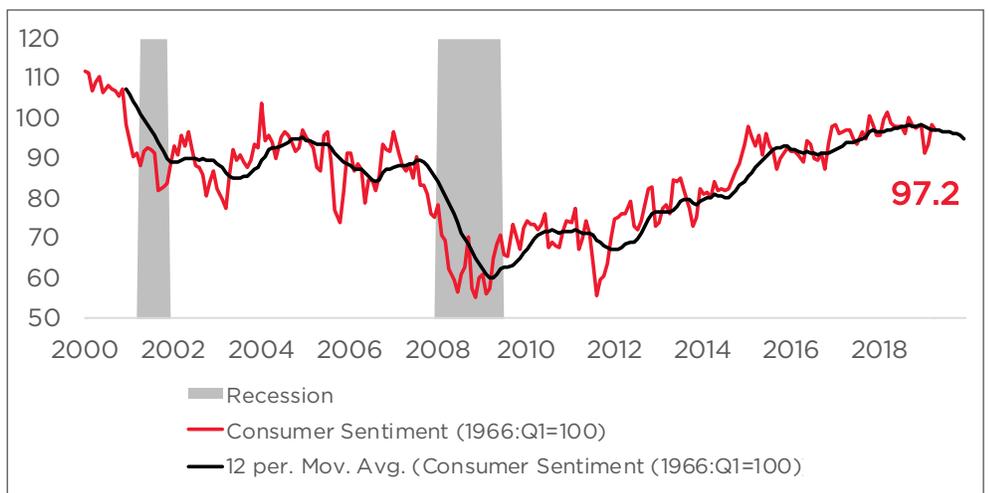
U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

Consumer sentiment remains incredibly favorable, though the index moved marginally lower over the past month. Banter around heightened trade wars has increased stock market volatility recently, and, combined, these forces will likely push the index down further. However, the consumer remains optimistic. Looking ahead, 44 percent of consumers expect their financial situation to improve over the next year, while only 8 percent expect things to worsen — the best reading since 2004. Moreover, 60% expect to be better off financially over the next five years, the highest proportion ever recorded.

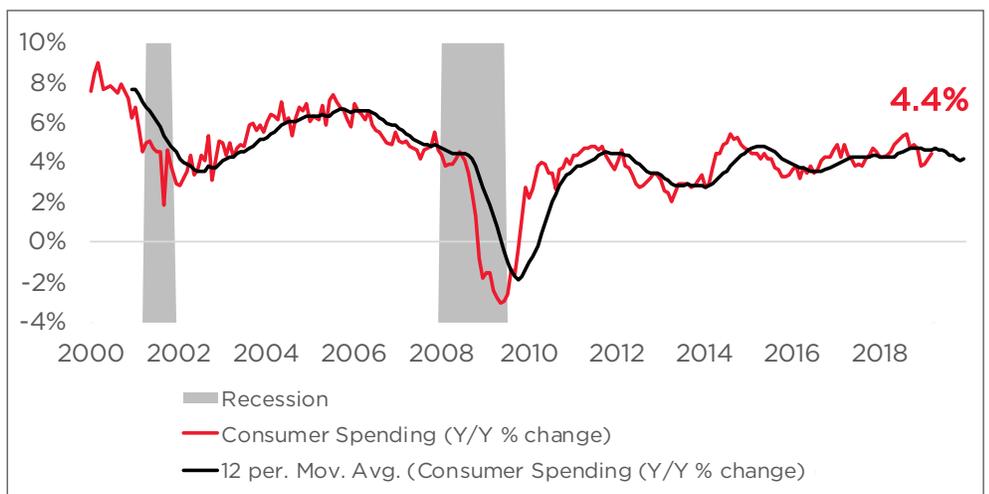
CONSUMER SENTIMENT



University of Michigan, Avrio Institute

Personal consumption surged 0.9 percent in March, following relative weak growth over the last two months and an outright decline in December. This is the largest monthly gain since August 2009. The increase pulled the level of consumption well above the average of the first quarter, which means even modest gains over the next three months could result in real consumer spending gains in the second quarter of 3 percent. Personal income is up 3.8 percent over the last year, while spending is up 4.4 percent.

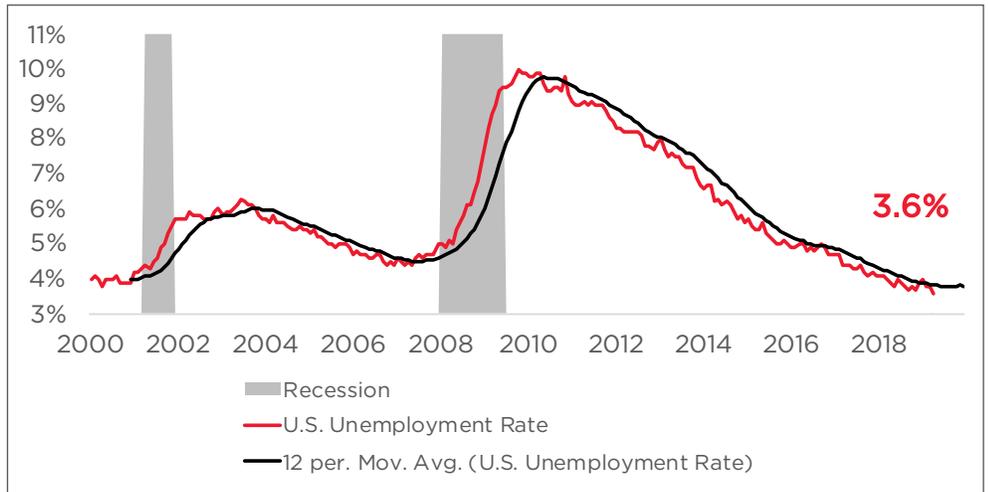
CONSUMER SPENDING



Bureau of Economic Analysis, Avrio Institute

Total nonfarm payroll employment increased 263,000 in April, outpacing average monthly gains of 180,000 new jobs in the first quarter and an average of 223,000 new jobs per month for all of 2018. The unemployment rate sank to 3.6 percent last month, the lowest rate since December 1969. Average hourly earnings are up 3.2 percent over the last 12 months, inline with the average since August 2018. However, given the perceived tightness in the labor market, we would expect more upward pressure on wages.

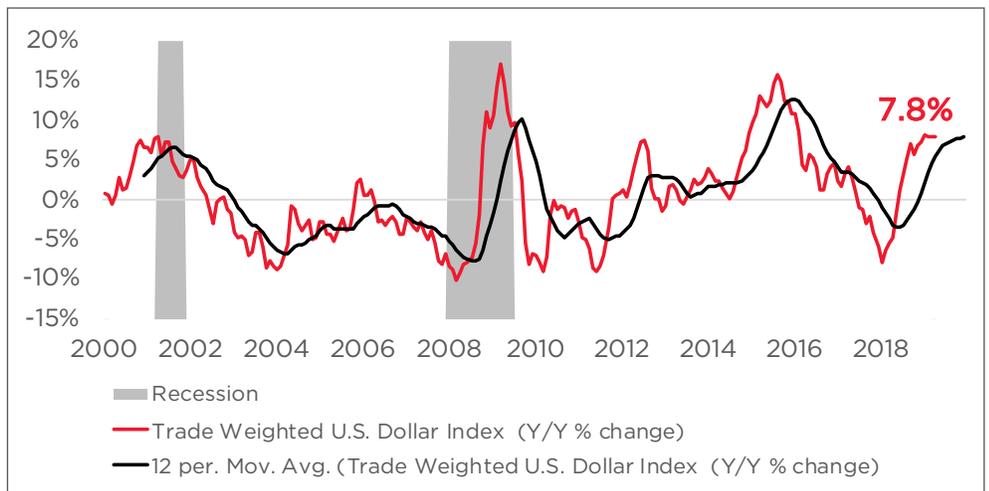
U.S. UNEMPLOYMENT



Bureau of Labor Statistics, Avrio Institute

The trade-weighted dollar index continues to move higher. The index increased 0.1 percent in April and is now up 7.8 percent over the last year. The value of the dollar from a trade perspective is firm and likely to restrain trade somewhat in the coming months. The dollar value should continue to climb in 2019. At home, inflation risks have abated significantly and the Federal Reserve is on hold. Moreover, economic performance in the United States has improved, while it continues to deteriorate abroad.

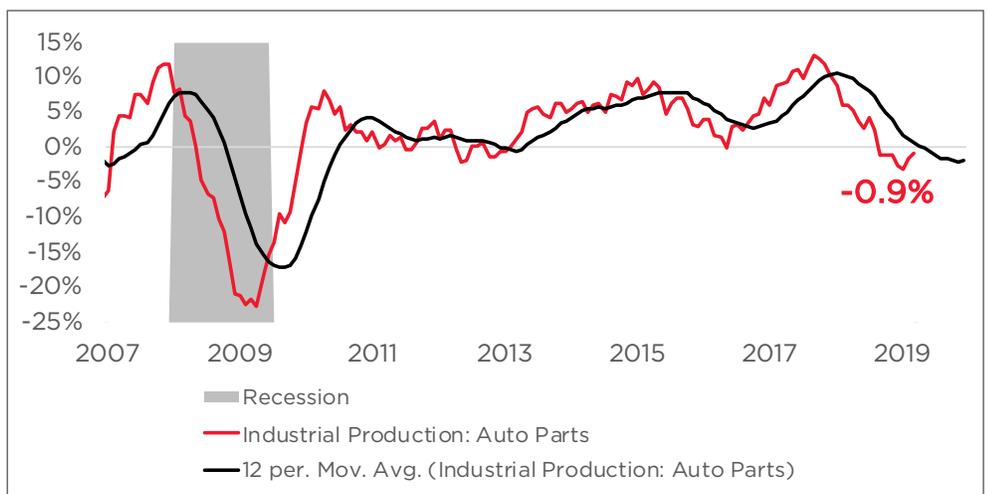
TRADE WEIGHTED U.S. DOLLAR INDEX



Federal Reserve, Avrio Institute

Auto parts production increased 1.5 percent in February and 0.3 percent in March. On a year-over-year basis, auto parts production declined 0.9 percent. Overall industrial production fell 0.1 percent in March. Manufacturing, outside of the auto sector, was a bright spot over the last month — up 1.5 percent over the last year, while the auto sector is down 4.5 percent over the same time period. This divergence will likely continue for the remainder of the year.

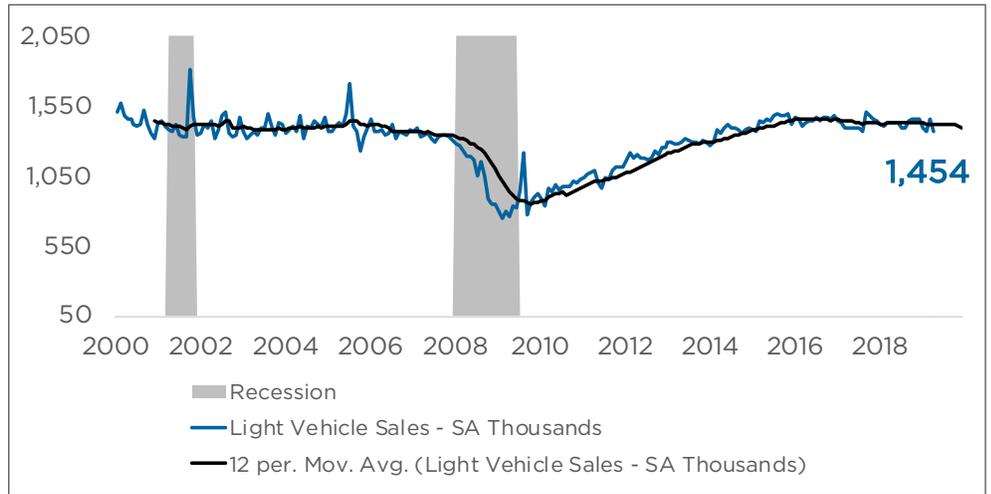
INDUSTRIAL PRODUCTION: AUTO PARTS



Federal Reserve, Avrio Institute

New vehicle sales moved lower in April, after relatively strong (and surprising) gains in March. New vehicle sales declined 5.8 percent over the last month on a seasonally adjusted basis and are down 4.5 percent from a year ago. In April, new car sales were down 9.9 percent compared to last year, and truck and SUV sales were off 2.1 percent. New vehicle sales are down 2.1 percent year-to-date, while cars are down 8.3 percent since the start of the year, and trucks and SUVs are up 0.6 percent.

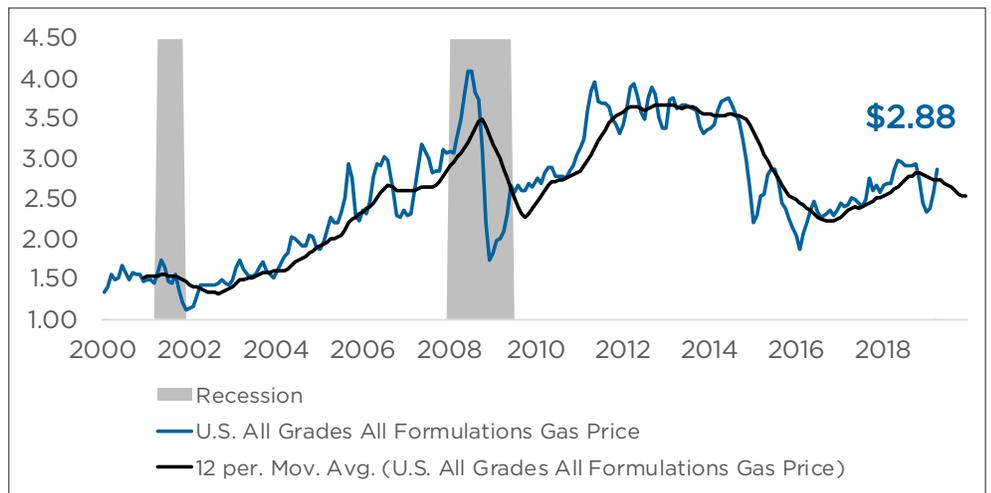
MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

The average national gas price jumped again in the past month as refineries switch over to higher-cost summer blends in advance of the summer driving season. Gas averaged \$2.8/gallon in April, up 29 cents from last month and 49 cents over the last 60 days. Over the last two months, gas has increased 8.4 percent and 11.1 percent, respectively, for a total increase of 20.4 percent. Problems at some California refineries and flooding in the Midwest has impacted ethanol prices and are also likely contributing to higher prices.

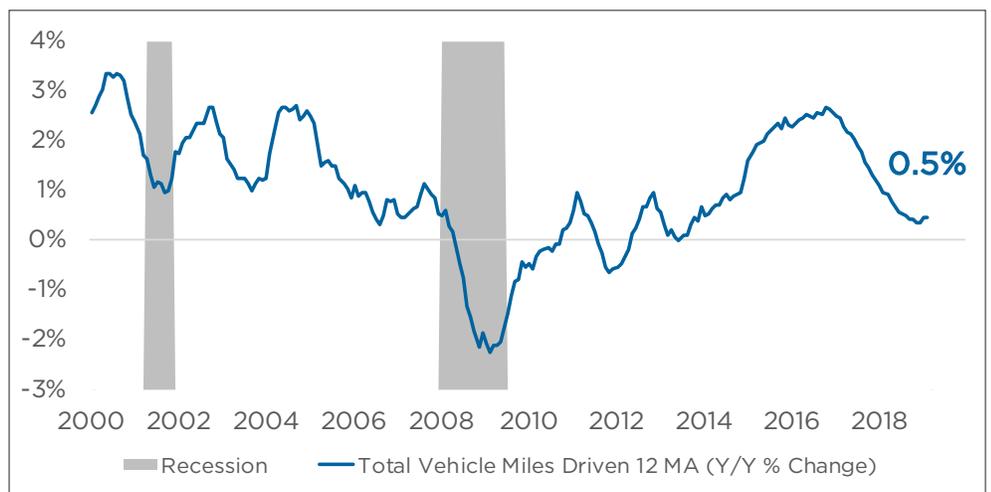
GAS PRICES



U.S. Energy Information Administration, Avrio Institute

Seasonally adjusted travel on all roads and streets decreased 0.4 percent in February 2019, compared to a year ago. Seasonally adjusted vehicle miles traveled was estimated at 266.7 billion vehicle miles, down 0.4 billion vehicle miles from February 2018. Cumulative travel for 2019 increased 0.8 percent (3.6 billion vehicle miles). The West and North Central regions both saw declines in estimated vehicle miles traveled during the month, while the South Gulf and South Atlantic saw increases.

VEHICLE MILES TRAVELED

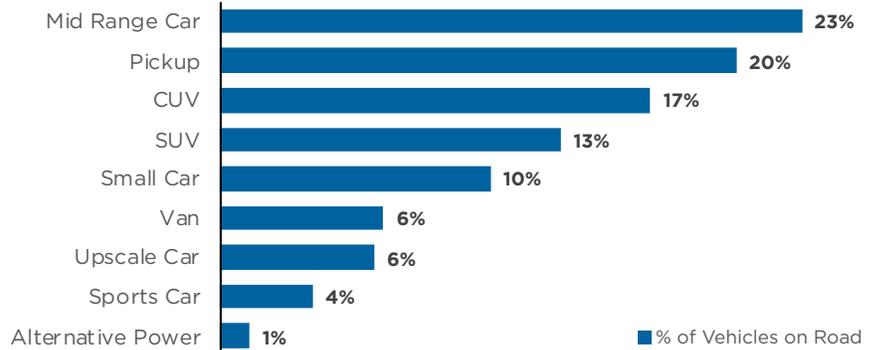


U.S. Federal Highway Administration, Avrio Institute

INSIGHTS FROM SEMA

VEHICLES IN OPERATION (VIO) DATA

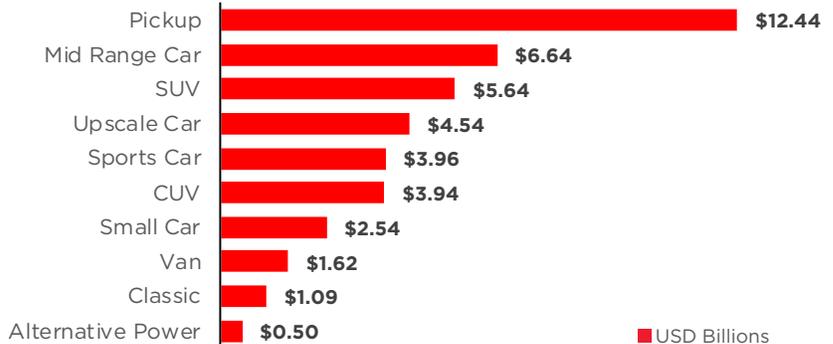
There are approximately 275 million light vehicles in operation in the United States today, of which 120 million are passenger cars and 155 million are light trucks. Together, mid range cars and pickup trucks represent almost half of the vehicles on the road.



Source: © 2018 Experian, Data as of December 31, 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.

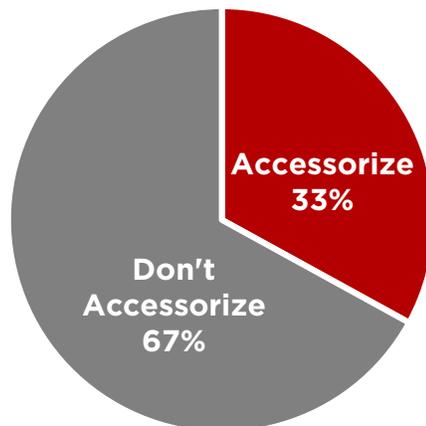


Source: 2017 SEMA Market Data

HIGHLIGHTS FROM THE SEMA YOUNG ACCESSORIZERS REPORT

There are 38.4 million young adults age 16-24 in the United States today, of which 7.9 million accessorize. Young people still care about their cars and buy parts in-store. Collectively, they spent over \$7 billion over the last year on aftermarket upgrades and accessories.

AMONG DRIVERS AGE 16-24:



\$7.2B TOTAL AFTERMARKET PURCHASING POWER

AMONG THOSE THAT ACCESSORIZE:

66% BOUGHT PARTS IN-STORE FOR THEIR FAVORITE PROJECT

71% SAY THEY WOULDN'T SURVIVE A WEEK WITHOUT THEIR CAR

Want to learn more about young accessorizers? Download the new "SEMA Young Accessorizers Report", available now 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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