

# SEMA INDUSTRY INDICATORS

## NOVEMBER 2018



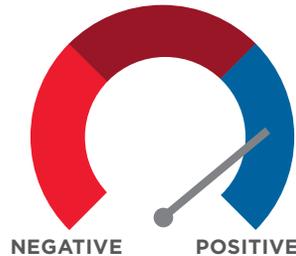
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—INSTITUTE—

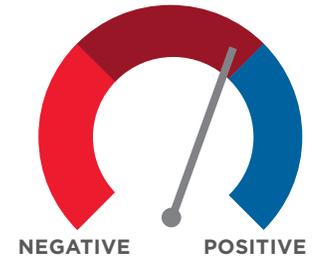
Over the last month we've witnessed a significant equity market correction, wiping out all the year-to-date gains. In more recent days, we've seen the stock market improve substantially. Stock markets declined nearly 10 percent in October and rebounded as we moved into November by over five percent.

The volatility doesn't appear to have significantly impacted consumer sentiment. While consumer sentiment was down slightly during the last month, it remains in line with the year-to-date average, which is the highest

### CURRENT OUTLOOK



### FUTURE OUTLOOK



average since 2000. The volatile stock market also doesn't appear to have significantly impacted consumer spending - in September it grew five percent - one of the fastest growth rates since 2000.

And nothing seems to be negatively impacting the labor market which produced another strong month of employment growth in October. The economy added 250,000 jobs during the month and wages are up 3.1 percent over the last year - the fastest growth rate since April 2009.

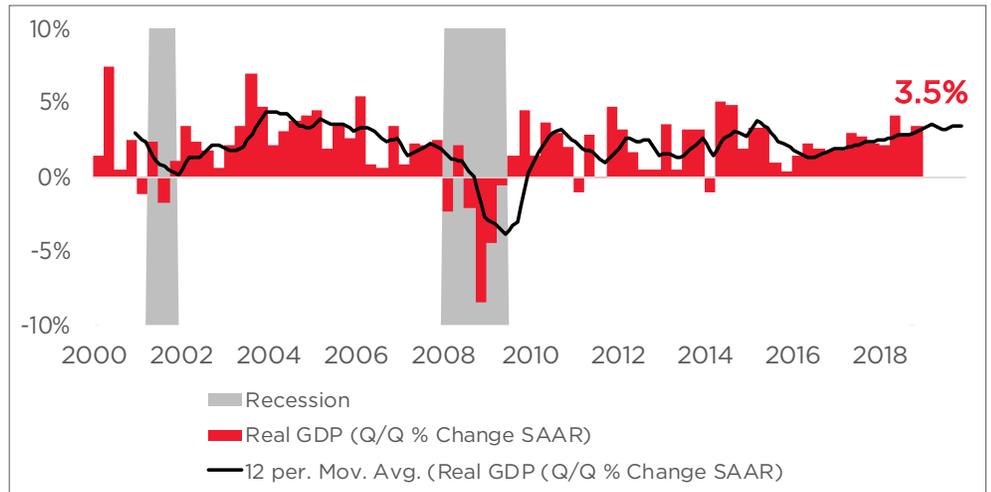
While the economy appears to be firing on all cylinders, the U.S. is late in this expansion cycle and likely enjoying a few final months of peak performance. Fiscal stimulus has contributed to solid growth this year. As we move in 2019 and 2020, the economy will face the dual headwind of waning fiscal stimulus and more restrictive monetary policy.

While consumer spending will remain a key economic catalyst, growth in other areas will be more difficult. Business investment was relatively weak in the third quarter, after a strong start to the year. Housing continues to weaken, as affordability becomes an issue in certain markets. And exports will become a drag on economic growth as a strengthening dollar and weak economic growth outside the U.S. combine.

All-in-all, enjoy the economic prosperity we have now because growth will become harder to achieve in the coming quarters.

The first look at the third quarter reveals the economy grew 3.5 percent and the consumer remains a central theme of economic growth. Consumer spending grew four percent during the quarter - the highest growth rate in four years. Final sales to domestic purchasers (GDP less inventory investment and net exports) grew 3.1 percent - among the best performances of the expansion. Both business investment and the housing sector were relatively weak, but overall a solid report and domestic demand looks strong.

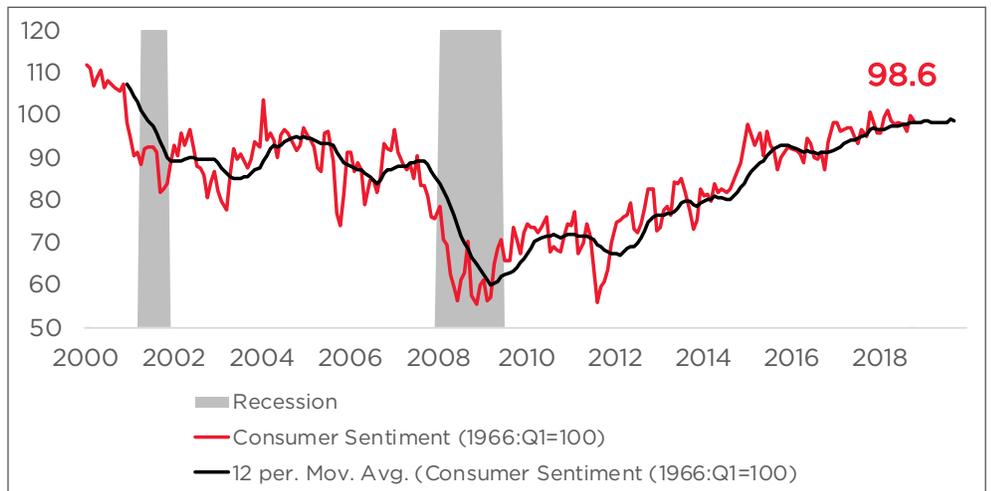
## U.S. ECONOMIC GROWTH



Bureau of Economic Analysis, Avrio Institute

The Index of Consumer Sentiment slipped slightly in October - in a volatile month for the stock market. But the index remains in line with the 2018 average. Moreover, the index remains higher in 2018 (98.4) than in any year since 2000. Income expectations continue to improve as consumers expect strong employment growth. Strong sentiment continues to buoy consumer spending.

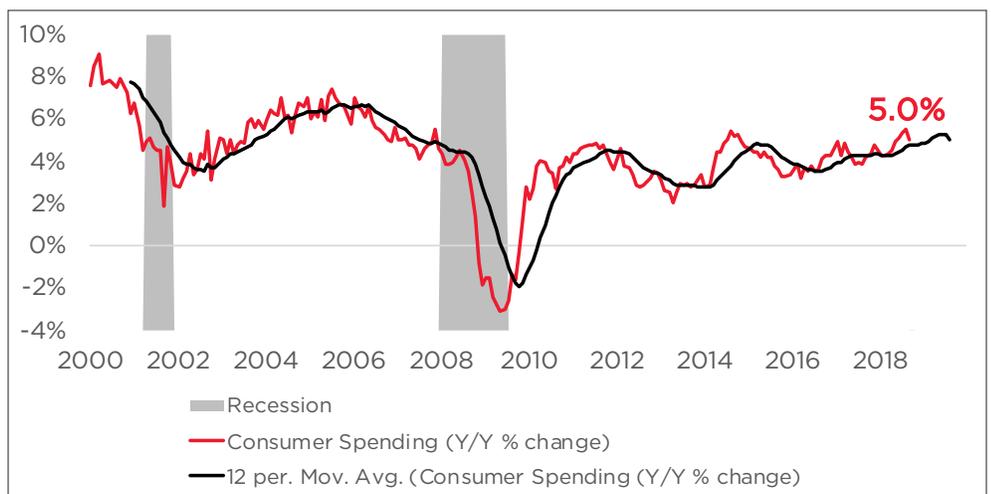
## CONSUMER SENTIMENT



University of Michigan, Avrio Institute

Consumer spending continues to be a major catalyst for economic growth. Spending growth slowed slightly in September, declining from 5.3 percent to five percent. It is important to remember that only six months in the last 10 years have shown stronger growth than five percent. Three of those six months were June through August 2018. Consumer spending continues to pace slightly higher than personal income. Over the longer-term we would expect to see consumer spending and personal income growth in tandem.

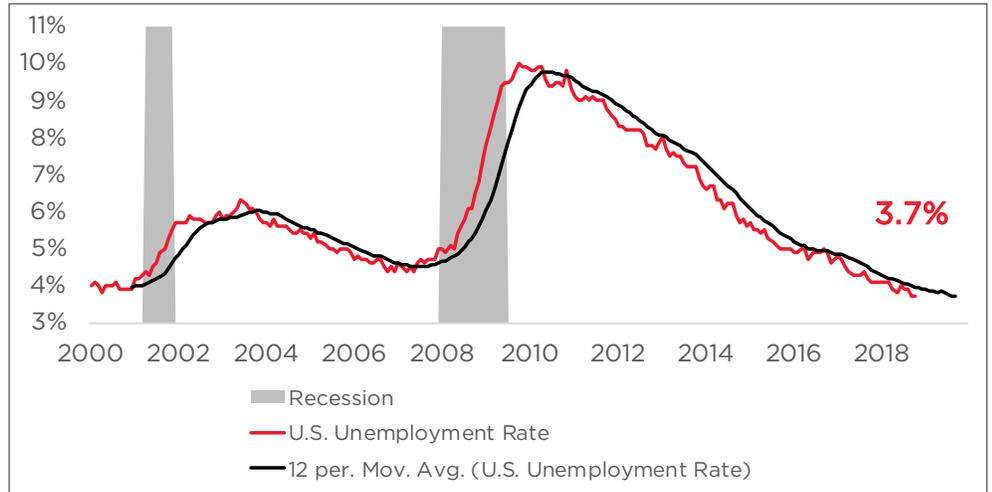
## CONSUMER SPENDING



Bureau of Economic Analysis, Avrio Institute

The unemployment rate remained steady at 3.7 percent in October on the back of an extremely impressive month of job growth. 250,000 jobs were added over the last month, outpacing the monthly average gain of 208,000 jobs over the first nine months of the year. Some of the strength was a likely a rebound from slower job growth in September, which was impacted by Hurricane Florence. Notably, wages increased 3.1 percent in October – the fastest growth rate since Spring 2009.

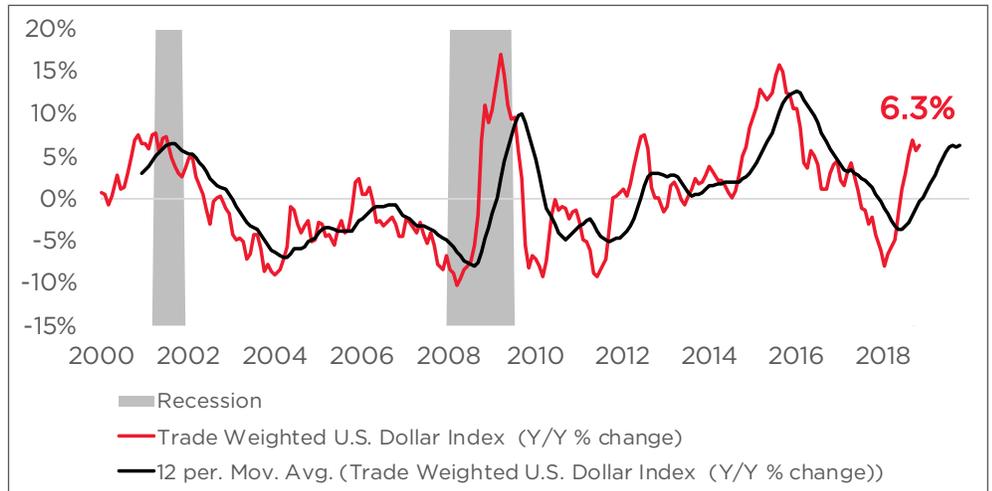
## U.S. UNEMPLOYMENT



Bureau of Labor Statistics, Avrio Institute

The dollar appreciated another 0.7 percent against the currency of our major trading partners over the last month and is up 6.3 percent over the last year. The threat of tariffs and reciprocal tariffs has disrupted trade flows as companies have rushed to import and export goods in advance of tariffs being imposed. Expect export growth to erode further as a strong dollar and slowing economic growth abroad will be a headwind for U.S. exporters.

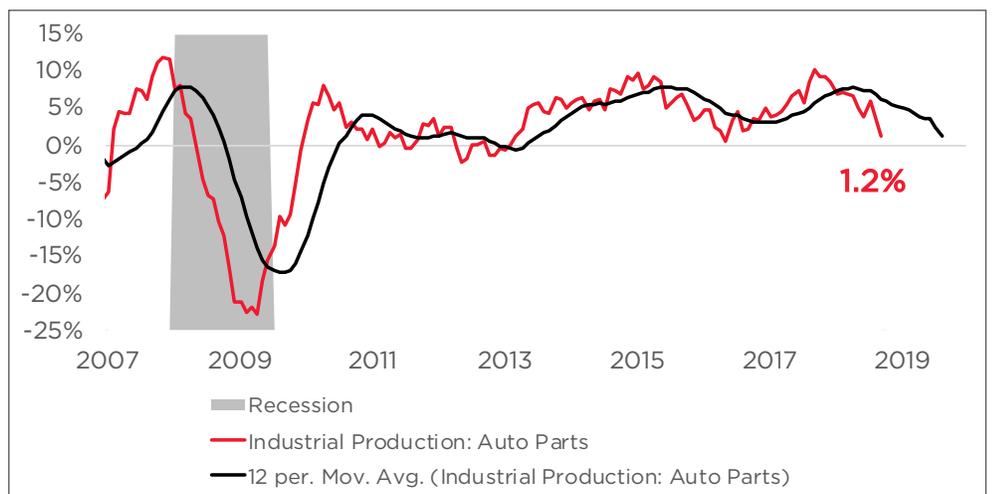
## TRADE WEIGHTED U.S. DOLLAR INDEX



Federal Reserve, Avrio Institute

The production of vehicle parts was up 1.2% in September, slower growth than the 3.6 percent growth in August but setting a new high for the series. Until recently, year-over-year growth of auto parts production has outpaced overall industrial production this year. That has not been the case for the last two months. The value of unfilled orders for vehicle parts is up 4.1 percent over the last year, providing support for further growth in vehicle parts production over the coming months.

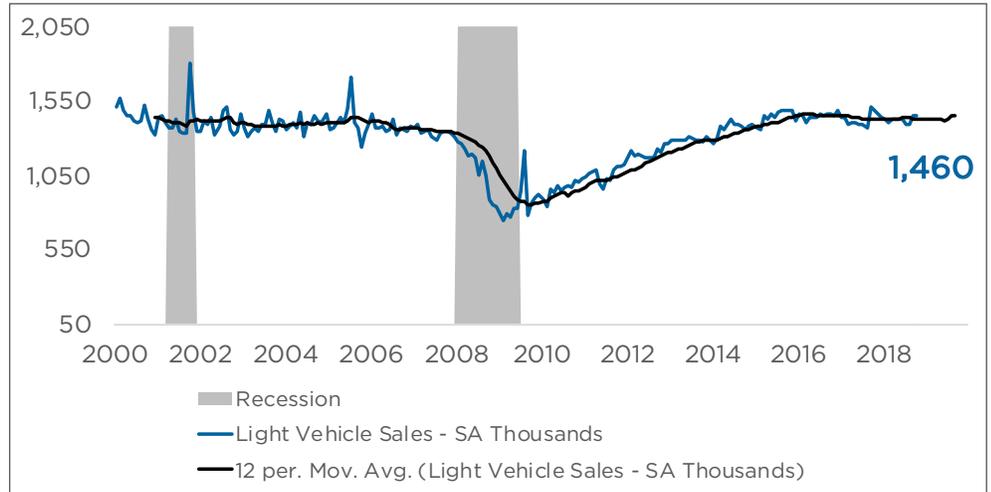
## INDUSTRIAL PRODUCTION: AUTO PARTS



Federal Reserve, Avrio Institute

Vehicles sales were essentially flat in October, rising just 0.5 percent over the prior month on a seasonally-adjusted basis. Vehicle sales were down two percent on a year-over-year basis during the month. Relatively weak SUV and truck sales hurt vehicle sales during the month while car sales were above trend. For the year, truck and SUV sales are up 7.7 percent while car sales are down 13.2 percent. Overall, vehicle sales are essentially flat year-to-date compared to last year.

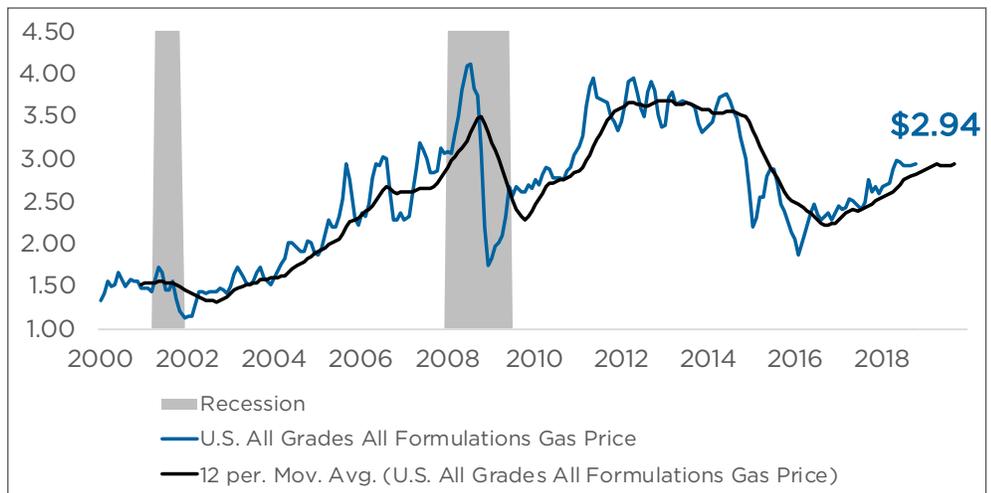
## MONTHLY NEW LIGHT VEHICLE SALES



Bureau of Economic Analysis, Avrio Institute

Gas prices were virtually unchanged over the last month, increasing just two cents. Prices are up over 12 percent over the last year. U.S. gasoline demand has been essentially flat over the last year, potentially held in check by higher prices. We could see demand slip further, as we close out the year. Gasoline prices are on track to average about \$2.87 in 2018 - 13.4 percent higher than the average price of \$2.53 in 2017.

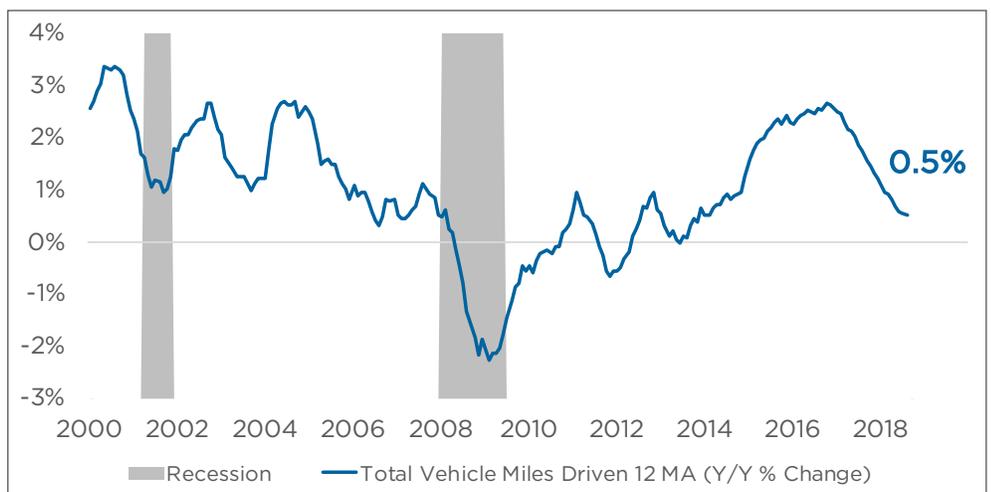
## GAS PRICES



U.S. Energy Information Administration, Avrio Institute

Travel on all roads and streets in the U.S. increased by 1.2 percent in August 2018, compared to August of last year - the most recent month for which data is available. The 12-month moving average increased by 0.5 percent. Seasonally adjusted travel for August 2018 was estimated at 269.7 billion vehicle miles, up 0.8 billion vehicle miles from a year ago. Cumulative travel for 2018 increased by 0.4 percent.

## VEHICLE MILES TRAVELED

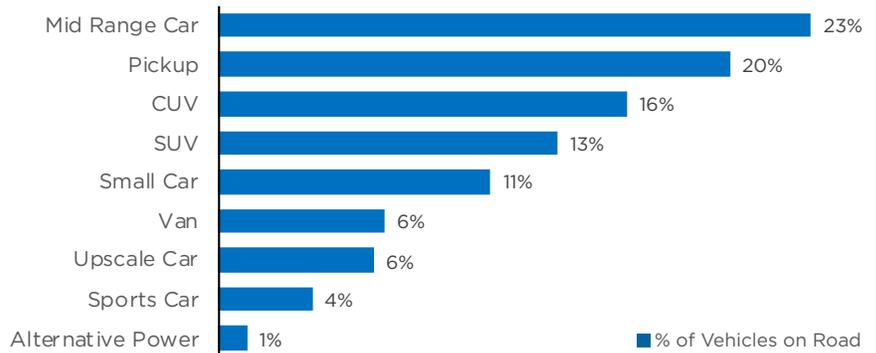


U.S. Federal Highway Administration, Avrio Institute

# INSIGHTS FROM SEMA

## VEHICLES IN OPERATION (VIO) DATA

There are approximately 274 million light vehicles in operation in the United States today, of which nearly 122 million are passenger cars and 152 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 June 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.



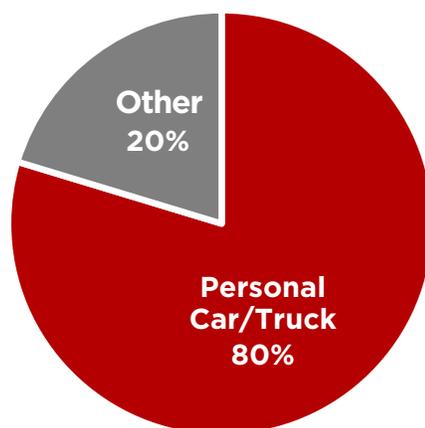
Source: 2017 SEMA Market Data

## HIGHLIGHTS FROM THE SEMA YOUNG ACCESSORIZERS REPORT

Despite media reports to the contrary, young people (age 16-24) do care about cars and driving. In 2017, they drove over 155 billion miles and most of their trips were made by a personal car or truck.

### HOW YOUNG PEOPLE GET AROUND

(Method used for all trips made in 2017)



**155.4 BILLION MILES**

TOTAL DISTANCE DRIVEN BY YOUNG PEOPLE IN 2017

**68% HAVE A DRIVER'S LICENSE**

Want to learn more about young accessorizers? Download the new "SEMA Young Accessorizers Report", available now at: [sema.org/research](http://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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