

March 2015

Introduction

The U.S. economy continues to send mixed signals in March of 2015. Recent revised data from the U.S. Bureau of Economic Analysis (BEA) reported that the second estimate of fourth quarter 2014 U.S. GDP grew only 2.2 percent. This was clearly disappointing to many economists who had estimated that fourth quarter 2014 U.S. GDP would come in at 2.9 percent or higher. It is also considerably lower than the BEA's "advance estimate" predicting 2.6 percent growth for the fourth quarter earlier this year. Once again it looks like the U.S. economy will have provided no clear direction having disappointing first and fourth quarter's that "book-ended" impressive second and third quarters of GDP growth in 2014.

Key January/February Data

Positive and Negative Signs

The U.S. economy created 295,000 jobs in February, one of its best February months in more than a decade with the Dow Jones Industrial Average and the NASDAQ indices growing by more than 5 percent in February alone. Recent Bureau of Labor Statistics Data shows that U.S. unemployment dropped from 5.7 percent in January to 5.5 percent in February of 2015. This is clearly good news for the U.S. economy whose recent unemployment rate peaked at 10 percent in October 2009. The disturbing news on the U.S. Labor and Employment front is the labor force participation rate, which measures the percentage of those eligible to work that are employed, was down to 62.8 percent in February 2015 as compared to 65 percent in October 2009. February's number is among the lowest U.S. labor force participation rates since the late 1970's and continues to indicate improved unemployment figures are questionable. Lower unemployment rates are at least partially being driven by frustrated workers unable

to find employment in their chosen professions and or at pay levels that make taking a job economically feasible. In most cases, the previously described conditions represent individuals who would be the second person working in a U.S. household and are categorized as people who have "dropped out" of the work force. Adding concern regarding the economy, the Conference Board's measure of consumer confidence fell by 7.4 points to 96.4 last month with the University of Michigan's Survey of Consumer Sentiment declining in February as well.

Current Issues

The following is an excerpt from a talk Tim Nash delivered at the 2014 Automotive Aftermarket Parts Exposition and Specialty Equipment Marketing Association's (AAPEX/SEMA) annual meeting in Las Vegas November 2014. "The United States motor vehicle aftermarket is clearly and unequivocally one of the most valued, competitive, and entrepreneurial segments of the United States economy. It consists of everything from large fortune 500 corporations and multi-billion dollar privately held companies to family owned businesses and entities that serve customers completely online. In 2014, the U.S. motor vehicle aftermarket will add an estimated \$360 billion dollars to U.S. GDP. To put this into perspective, if the U.S. motor vehicle aftermarket were a free and independent country, it would be the 32nd largest economy in the world, slightly larger than Hong Kong. The U.S. motor vehicle aftermarket serves customers wishing to improve or repair their motorized vehicle after the point of sale. Roughly 25 percent of U.S. motor vehicle aftermarket customers seek service from new car automobile dealerships. While the remaining 75 percent do business in the "traditional" motor vehicle aftermarket. The traditional motor vehicle aftermarket consists of manufacturing leaders from Tenneco and Federal Mogul to AISIN and Goodyear who supply parts and services to distribution and retail companies ranging from industry leader Advance Auto Parts and NAPA to O'Reilly's and AutoZone. Distributors and

retailers ensure everyday that tens of thousands of installers and repair centers have the knowledge and parts necessary to repair and/or maintain America's motor vehicle fleet. It is my prediction that 2014 will once again be a strong year for the U.S. motor vehicle aftermarket as it will deliver healthy profits, employ more than 3.6 million people, provide household labor income of more than \$224.5 billion dollars, and service directly or indirectly more than 185 million U.S. motorized vehicles during the year. In fact, the manufacturing segment of the U.S. motor vehicle aftermarket alone employs 740,000 people directly while generating significant additional employment along the manufacturing supply chain, not to mention the millions of jobs created in the distribution, retail and repair segments. By the end of 2014, U.S. Department of Transportation data suggests that there will be more than 255 million registered motorized vehicles using American roads and highways for personal and business purposes. This is up from just under 194 million vehicles comprising U.S. motor vehicle registrations in 1990.

One can only imagine the economic multiplier effect that motorized vehicles have on our great economy. From delivering a birthday gift to a 90 year old parent via United Parcel Service or Federal Express to being able to attend the birth of a child hundreds of miles away, the motor vehicle aftermarket adds greatly to our psychic income and peace of mind. Motorized vehicles allow us to "be there" in person or in spirit in ways our ancestors only dreamed about just 50 years ago. The impact that a healthy and well maintained motorized fleet means to American commerce is almost incalculable. We take for granted in all sectors of business and commerce that needed supplies and input products will be to us on a timely basis. In partnership with our magnificent water ports, airports and railways, the U.S. heavy duty motor vehicle transportation system delivers parts to automobile factories, plastics to toy factories, flowers to florists, computers to retail stores, food to grocers...the list is mind-boggling. Clearly trillions of dollars in U.S. GDP would not be generated without the maintenance and repair provided to the owners of the motorized vehicles that populate America's roads and highways".

Conclusion

"In conclusion, my crystal ball sees a bright 2015 for the U.S. motor vehicle aftermarket. However, industry leaders will need to manage their bottom lines more frugally than ever and invest in human capital as it will be needed more than ever to maintain or gain a competitive advantage in the world's largest and most competitive motor vehicle market. Kudos to U.S. business and in particular U.S. automobile dealers and the U.S. motor vehicle aftermarket for all you do! You are, in many ways, the unsung backbone of the American economy. In my mind, you literally and figuratively represent the manufacturing and maintenance of the 'engine' for the American dream... thank you for all you do for this great nation...make it a wonderful 2015"!

Contact Us

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