



AAIA / NORTHWOOD UNIVERSITY MONTHLY ECONOMIC REPORT

By Dr. Timothy G. Nash

As the U.S. enters the second quarter of 2011, Americans are met with a myriad of both positive and negative signals from the economy. Important reasons to remain confident in the economic outlook are a third estimate of fourth quarter 2010 GDP of 3.1%, a further reduction in the unemployment rate which leaves it south of 9.0% for the first time since April 2009, a savings rate that is flirting with 6.0%, and a February 2011 Consumer Confidence level which is 55% higher than the February 2010 level. Less encouraging data includes housing starts which are at its lowest level since January 2009, construction spending which is at its lowest level since AAIA began collecting this data in January 2004, February inflation which eclipsed 2.0% and gas prices which have increased nearly 90 cents since October 2010.

The monthly AAIA Industry Indicators Report gathers and reports key Automotive Aftermarket data, dividing it into the following three categories: Automotive Retail, Automotive Parts Manufacturing and the Heavy Duty Aftermarket. The purpose of this monthly overview is to provide a quick synopsis of the U.S. and global economy while taking some of the data in the Industry Indicators Report and applying it for thoughtful discussion and decision making. Despite the recent economic turmoil light vehicles sales continued their strong performance in March and are up 52% relative to January 2011. Another key indicator for the economy and the robustness of the automotive aftermarket is miles driven. Historically, miles

driven are lowest in the month of February and in 2011 it was no different. With growth of just .9% from February 2010, it is likely that drivers are responding to the sky rocketing prices of gasoline. It will be important to monitor this data in the coming months as drivers respond to both the summer months, which usually lead to larger miles driven figures due to vacation travel, and higher gas prices.

In summation, the report clearly demonstrates a slight decrease in conditions favorable to the automotive aftermarket from a total of thirteen (13) favorable elements in January to twelve (12) in February. Additionally, the total number of unfavorable elements increased from two (2) to three (3) from January to February. Over the last four months the automotive aftermarket has seen a very unsettling trend in which the number of favorable elements has decreased steadily from 15 to 12. The growth in the U.S. national debt and the possible reduction in America's credit rating by Standard and Poors coupled with the continued turmoil in the Middle East leaves the future of the U.S. economy unclear and warranting concern. We downgrade our position to cautiously optimistic regarding the outlook of the U.S. economy and the automotive aftermarket.

Dr. Nash is a vice president and the Fry Chair in Free Market Economics at Northwood University (this was prepared with the assistance of Northwood University economics major Adam Matzke).

INDUSTRY INDICATORS - AUTOMOTIVE RETAIL AFTERMARKET REPORT

U.S. Economy	Values			Change from Same Month of Previous Year			Assessments		
	December	January	February	December	January	February	December	January	February
Inflation Rate (Consumer Price Index)				1.5%	1.6%	2.1%			
Consumer Confidence (1985 = 100)	63.4	64.8	72.0	12.2%	40.9%	55.2%	⊙	⊙	⊙
Purchasing Managers Index	57.0	60.8	61.4	3.8%	4.1%	8.7%	●	●	●
Interest Rates - Prime Rate (Change in points)	3.3%	3.3%	3.3%	0.0	0.0	0.0	⊙	⊙	⊙
Disposable Income (\$ Billions)	\$963.3	\$971.4	\$974.4	3.4%	4.2%	4.4%	●	●	●
Durable Goods - Orders (\$ Millions)	\$207,779	\$185,716	\$187,184	13.5%	15.8%	11.3%	●	●	●
Durable Goods - Shipments (\$ Millions)	\$202,536	\$182,096	\$188,590	11.1%	13.3%	12.6%	●	●	●
Consumer Prices									
New Vehicles (1982-84 = 100)	138.6	138.9	140.2	-0.2%	0.1%	0.9%	●	⊙	⊙
Used Vehicles (1982-84 = 100)	142.5	142.6	142.9	3.7%	2.4%	1.9%	○	○	⊙
Motor Vehicle Parts & Equipment (1982-84 = 100)	139.2	140.5	140.9	3.3%	3.9%	3.9%	●	●	●
Motor Vehicle Maintenance & Repair (1982-84 = 100)	250.1	250.7	250.9	1.9%	2.1%	2.0%	●	●	○
Gasoline (\$ per gallon)	\$3.05	\$3.15	\$3.26	14.6%	13.7%	20.9%	○	○	○
Producer Prices									
Tires & Repair Materials (1982 = 100)	143.0	145.5	146.7	7.6%	9.3%	10.1%	●	●	●
Motor Vehicle Parts (1982 = 100)	122.0	122.6	123.0	0.9%	1.6%	1.7%	○	⊙	○
Retail Sales (\$ Millions)									
New Car Dealers	\$50,162	\$44,226	\$46,846	18.9%	18.3%	25.1%	●	●	●
Used Car Dealers	\$5,681	\$6,191	\$7,644	16.2%	20.4%	21.6%	●	●	●
Auto Parts, Accessories & Tire Stores	\$6,488	\$5,686	\$5,973	6.1%	6.0%	5.5%	●	●	●
Aftermarket Employment and Wages									
Aftermarket Employment (Thousands of Jobs)	3,858.7	3,834.6	3,845.6	0.7%	1.7%	2.1%	⊙	⊙	⊙
Average Hourly Wage of Parts Store Employees	\$14.12	\$14.22	\$14.30	2.2%	0.6%	2.7%	⊙	⊙	⊙
Average Hourly Wage of Tire Dealer Employees	\$15.79	\$16.36	\$15.89	4.4%	8.1%	3.8%	⊙	⊙	⊙
Automotive Industry									
Miles Driven (Millions)	243,401	223,495	214,820	2.1%	0.3%	0.9%	●	⊙	⊙
Passenger Car Sales (Units)	540,511	406,662	508,787	1.4%	7.3%	21.8%	⊙	●	●
Light Truck Sales (Units)	604,329	413,276	484,748	21.6%	29.2%	33.7%	●	●	●
Total Light Vehicle Sales (Units)	1,144,840	819,938	993,535	11.1%	17.3%	27.3%	●	●	●
Notes: Historical data have been revised. Released by AAIA on March 2, 2010.							December	January	February
Favorable condition for automotive aftermarket = ●							14	13	12
Indeterminate trend-should monitor = ⊙							6	8	8
Unfavorable condition for automotive aftermarket = ○							3	2	3
Data not available = na							0	0	0

INDUSTRY INDICATORS - AUTOMOTIVE PARTS MANUFACTURING REPORT

	Values			Change from Same Month of Previous Year			Assessments		
	December	January	February	December	January	February	December	January	February
U.S. Economy									
Inflation Rate (Consumer Price Index)				1.5%	1.6%	2.1%			
Consumer Confidence (1983 = 100)	63.4	64.8	72.0	12.2%	40.9%	55.2%	⊙	⊙	⊙
Purchasing Managers Index	57.0	60.8	61.4	3.8%	4.1%	8.7%	●	●	●
Interest Rates - Prime Rate (Change in points)	3.3%	3.3%	3.3%	0.0	0.0	0.0	⊙	⊙	⊙
Exchange Rates - Broad composite (1997 = 100)	99.9	98.8	98.0	-1.8%	-3.3%	-5.5%	●	●	●
Disposable Income (\$ Billions)	\$963.3	\$971.4	\$974.4	3.4%	4.2%	4.4%	●	●	●
Industrial Production-Motor Vehicles & Parts (2002 = 100)	76.4	79.2	82.8	7.3%	7.8%	15.5%	●	●	●
Capacity Utilization-Motor Vehicles & Parts (Change in points)	60.6%	62.7%	65.3%	8.3	4.8	8.7	○	○	○
Durable Goods - Orders (\$ Millions)	\$207,779	\$183,716	\$187,184	13.5%	15.8%	11.3%	●	●	●
Durable Goods - Shipments (\$ Millions)	\$202,536	\$182,096	\$188,590	11.1%	13.3%	12.6%	●	●	●
Producer Prices									
Metals & Metal Products (1982 = 100)	215.0	219.1	223.2	9.7%	9.3%	11.2%	○	○	○
Gasoline (1982 = 100)	240.7	252.9	259.0	18.4%	13.2%	26.3%	○	○	○
Tires & Repair Materials (1982 = 100)	143.0	145.5	146.7	7.6%	9.3%	10.1%	○	○	○
Motor Vehicle Parts (1982 = 100)	122.0	122.6	123.0	0.9%	1.6%	1.7%	●	⊙	●
Retail Sales (\$ Millions)									
New Car Dealers	\$50,162	\$44,226	\$46,846	18.9%	18.3%	25.1%	●	●	●
Used Car Dealers	\$5,681	\$6,191	\$7,644	16.2%	20.4%	21.6%	●	●	●
Auto Parts, Accessories & Tire Stores	\$6,488	\$5,686	\$5,973	6.1%	6.0%	5.5%	●	●	●
Aftermarket Employment and Wages									
Aftermarket Employment (Thousands of Jobs)	3,858.7	3,834.6	3,845.6	0.7%	1.7%	2.1%	⊙	⊙	⊙
Average Hourly Wage of Parts Manufacturing Employees	\$20.91	\$20.69	\$20.84	-0.1%	0.1%	0.8%	⊙	⊙	⊙
Automotive Industry									
Miles Driven (Millions)	243,401	223,495	214,820	2.1%	0.3%	0.9%	●	⊙	⊙
Gasoline (\$ per gallon)	\$3.05	\$3.15	\$3.26	14.6%	13.7%	20.9%	○	○	○
Passenger Car Sales (Units)	540,511	406,662	508,787	1.4%	7.3%	21.8%	⊙	●	●
Light Truck Sales (Units)	604,329	413,276	484,748	21.6%	29.2%	33.7%	●	●	●
Total Light Vehicle Sales (Units)	1,144,840	819,938	993,535	11.1%	17.3%	27.3%	●	●	●
Notes: Historical data have been revised. Released by AAIA on March 2, 2010.							December	January	February
Favorable condition for automotive aftermarket = ●							13	12	13
Indeterminate trend-should monitor = ⊙							5	6	5
Unfavorable condition for automotive aftermarket = ○							5	5	5
Data not available = na							0	0	0
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U.S. Economy	Values			Change from Same Month of Previous Year			Assessments		
	December	January	February	December	January	February	December	January	February
Inflation Rate (Consumer Price Index)				1.5%	1.6%	2.1%			
Consumer Confidence (1985 = 100)	63.4	64.8	72.0	12.2%	40.9%	55.2%	●	●	●
Purchasing Managers Index	57.0	60.8	61.4	3.8%	4.1%	8.7%	●	●	●
Interest Rates - Prime Rate (Change in points)	3.3%	3.3%	3.3%	0.0	0.0	0.0	●	●	●
Disposable Income (\$ Billions)	\$963.3	\$971.4	\$974.4	3.4%	4.2%	4.4%	●	●	●
Industrial Production-Motor Vehicles & Parts (2002 = 100)	76.4	79.2	82.8	7.3%	7.8%	15.5%	●	●	●
Capacity Utilization-Motor Vehicles & Parts (Change in point)	60.6%	62.7%	63.5%	8.3	4.8	8.7	○	○	○
Durable Goods - Orders (\$ Millions)	\$207,779	\$185,716	\$187,184	13.5%	15.8%	11.3%	●	●	●
Durable Goods - Shipments (\$ Millions)	\$202,536	\$182,096	\$188,590	11.1%	13.3%	12.6%	●	●	●
Housing Starts (Thousands of units)	33.8	39.6	32.7	-7.7%	1.8%	-19.7%	○	●	○
Construction Spending (\$ Millions)	\$59,763	\$52,264	\$51,413	-9.5%	-8.5%	-7.9%	○	○	○
Aftermarket Employment (Thousands of Jobs)	3,858.7	3,834.6	3,843.6	0.7%	1.7%	2.1%	●	●	●
Producer Prices									
Metals & Metal Products (1982 = 100)	215.0	219.1	223.2	9.7%	9.3%	11.2%	○	○	○
Diesel Fuel (1982 = 100)	261.7	270.0	289.2	27.6%	17.7%	39.8%	○	○	○
Tires & Repair Materials (1982 = 100)	143.0	145.3	146.7	7.6%	9.3%	10.1%	○	○	○
Motor Vehicle Parts (1982 = 100)	122.0	122.6	123.0	0.9%	1.6%	1.7%	●	●	●
Consumer Prices									
New Vehicles (1982-84 = 100)	138.6	138.9	140.2	-0.2%	0.1%	0.9%	●	●	●
Used Vehicles (1982-84 = 100)	142.3	142.6	142.9	3.7%	2.4%	1.9%	○	○	○
Motor Vehicle Parts & Equipment (1982-84 = 100)	139.2	140.3	140.9	3.3%	3.9%	3.9%	●	●	●
Motor Vehicle Maintenance & Repair (1982-84 = 100)	250.1	250.7	250.9	1.9%	2.1%	2.0%	●	●	○
Trucking Industry									
Truck Tonnage (2000 = 100)	112.7	116.6	113.3	5.3%	6.9%	4.4%	●	●	●
Diesel Fuel (\$ per gallon)	\$3.24	\$3.39	\$3.58	17.9%	18.9%	28.7%	○	○	○
Medium & HD Vehicle Sales (Units)	23,374	19,847	21,910	0.1%	13.0%	28.6%	●	●	●

Notes: Historical data have been revised.

Released by AAIA on March 2, 2010.

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Favorable condition for motor vehicle aftermarket = ●

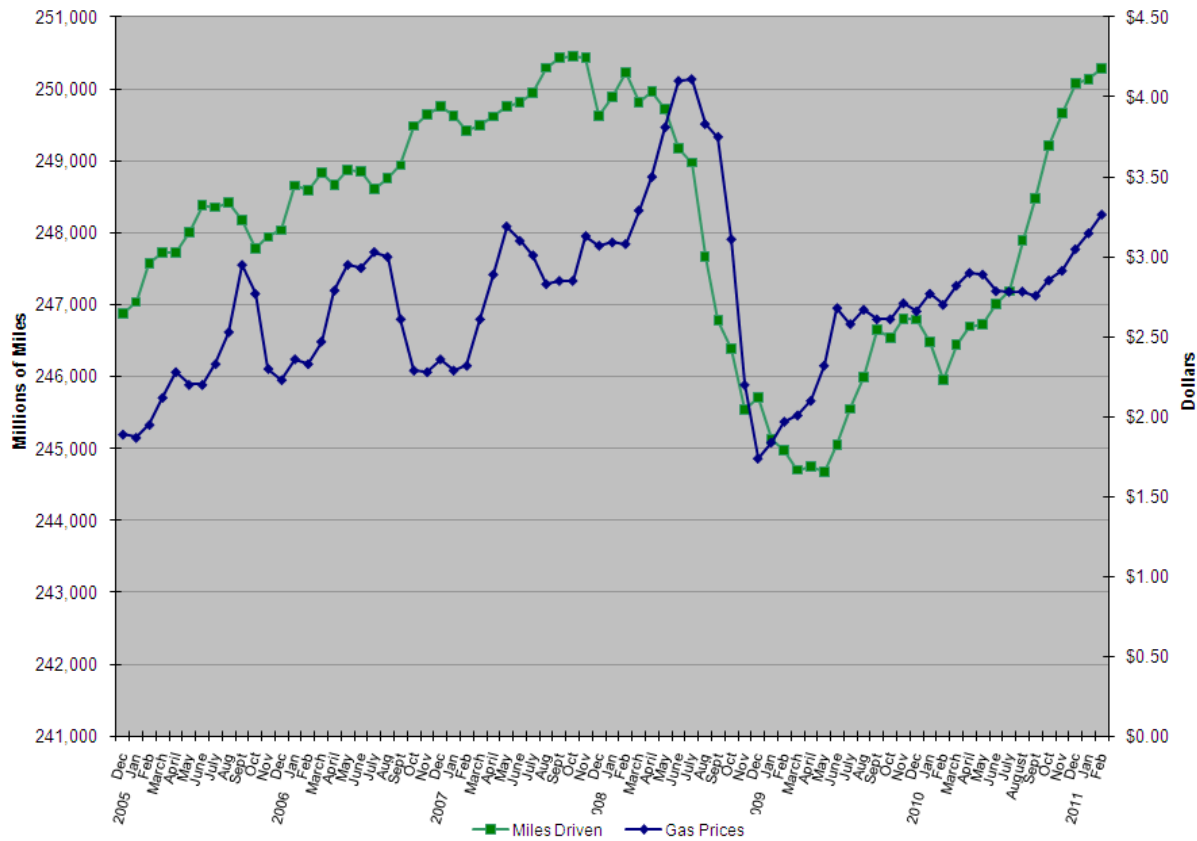
Indeterminate trend-should monitor = ●

Unfavorable condition for motor vehicle aftermarket = ○

Data not available = na

	December	January	February
Favorable condition for motor vehicle aftermarket	11	9	9
Indeterminate trend-should monitor	3	6	5
Unfavorable condition for motor vehicle aftermarket	8	7	8
Data not available	0	0	0

Miles Driven (12 Month Moving Average) vs Gas Prices



Comments or questions on this report should be directed to Dr. Timothy G. Nash at: tgnash@northwood.edu or (989) 837-4323.

If you have a son or daughter who is interested in earning a world-class bachelor's degree in business administration with a major in Automotive Aftermarket Management please contact Mr. James R. John at (989) 837-4342 or jjohn@northwood.edu. You may also contact the Aftermarket Department Chairs on each campus. Florida: Bob Sundwick at (561) 478-5584 or Sundwick@northwood.edu, Michigan: Larry Silvey, (989) 837-5149 or silveyl@northwood.edu, or Texas: David Spaulding, (972) 293-5482 or spauldingd@northwood.edu.