



# AAIA / NORTHWOOD UNIVERSITY MONTHLY ECONOMIC REPORT

By Dr. Timothy G. Nash

As the U.S. nears the end of the second quarter of 2011, many economic indicators are pointing to slower growth and a weakened U.S. economy as a whole, recasting the fears of a double-dip recession. While the possibility of a double-dip recession is still held by many to be unlikely, the data cannot be ignored. Consumer confidence slipped in May, as did industrial production, capacity utilization and the purchasing managers' index which fell below 60.0 for the first time since December 2010. April 2011 durable goods orders and shipment data shows a sharp decline relative to both April 2010 and March 2011 data. Housing starts and construction spending continue to remain near rock-bottom levels and gas prices surged another \$0.11 in May to reach a national average of \$3.96 a gallon. Amid this discouraging data, several bright spots are present. These include strong May automotive sales, a May savings rate of 4.9%, continued growth in disposable income and oil prices which have declined nearly \$20 a barrel over the last month.

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. A key indicator for the economy and the robustness of the automotive aftermarket is miles driven. In April 2011 miles driven increased just .04% relative to March and decreased by 2.1%

relative to April 2010. This is the second straight month miles driven has decreased relative the same month of the previous year. This decrease can be partially explained as a response to skyrocketing gas prices. It will be important to monitor this figure 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 general, the report clearly demonstrates a large decrease in conditions favorable to the automotive aftermarket from twelve (12) to nine (9). It also shows the total number of unfavorable elements doubled from four (4) to eight (8) from May to June. Over the last six months the automotive aftermarket has seen a very unsettling trend in which the number of favorable elements has decreased steadily from 15 to 9. Couple this with this month's unfavorable elements doubling and we are left with what appears to be a bleak outlook for the U.S. economy. For these reasons we downgrade our position from cautiously optimistic to uncertain for 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). **For more information about Northwood University and their undergraduate Aftermarket program or Automotive MBA Program visit: [www.northwood.edu](http://www.northwood.edu) or email Matt Bennett at [mbennett@northwood.edu](mailto:mbennett@northwood.edu).**

**INDUSTRY INDICATORS - AUTOMOTIVE RETAIL AFTERMARKET REPORT**

	Values			Change from Same Month of Previous Year			Assessments		
	February	March	April	February	March	April	February	March	April
<b>U.S. Economy</b>									
Inflation Rate (Consumer Price Index)				2.1%	2.7%	3.2%			
Consumer Confidence (1985 = 100)	72.0	63.8	66.0	55.2%	22.0%	14.0%	⊙	⊙	⊙
Purchasing Managers Index	61.4	61.2	60.4	8.7%	2.7%	0.0%	●	●	●
Interest Rates - Prime Rate (Change in points)	3.3%	3.3%	3.3%	0.0	0.0	0.0	⊙	⊙	⊙
Disposable Income (\$ Billions)	\$968.8	\$972.7	\$975.6	3.8%	3.7%	3.3%	●	●	●
Durable Goods - Orders (\$ Millions)	\$188,656	\$220,992	\$186,153	12.2%	7.1%	-2.3%	●	●	○
Durable Goods - Shipments (\$ Millions)	\$188,202	\$213,886	#REF!	12.4%	3.4%	#REF!	●	●	○
<b>Consumer Prices</b>									
New Vehicles (1982-84 = 100)	140.2	140.9	141.5	0.9%	1.6%	2.4%	⊙	⊙	⊙
Used Vehicles (1982-84 = 100)	142.9	144.1	146.0	1.9%	2.3%	3.3%	⊙	⊙	○
Motor Vehicle Parts & Equipment (1982-84 = 100)	140.9	140.7	141.6	3.9%	3.8%	4.3%	●	●	●
Motor Vehicle Maintenance & Repair (1982-84 = 100)	250.9	250.8	251.5	2.0%	1.7%	1.7%	○	○	○
Gasoline (\$ per gallon)	\$3.26	\$3.62	\$3.85	20.9%	28.0%	32.8%	○	○	○
<b>Producer Prices</b>									
Tires & Repair Materials (1982 = 100)	146.7	147.1	153.7	10.1%	10.4%	13.3%	●	●	●
Motor Vehicle Parts (1982 = 100)	123.0	123.2	123.4	1.7%	1.9%	1.1%	○	○	○
<b>Retail Sales (\$ Millions)</b>									
New Car Dealers	\$46,391	\$56,083	\$51,960	23.9%	11.6%	9.8%	●	●	●
Used Car Dealers	\$7,856	\$8,293	\$6,929	25.0%	26.2%	16.7%	●	●	●
Auto Parts, Accessories & Tire Stores	\$5,913	\$7,059	\$6,596	4.4%	5.6%	-0.9%	●	●	○
<b>Aftermarket Employment and Wages</b>									
Aftermarket Employment (Thousands of Jobs)	3,844.5	3,871.0	3,897.5	2.0%	2.2%	2.0%	⊙	⊙	⊙
Average Hourly Wage of Parts Store Employees	\$14.29	\$14.15	\$14.33	2.6%	0.6%	2.3%	⊙	⊙	⊙
Average Hourly Wage of Tire Dealer Employees	\$16.01	\$16.00	\$15.96	4.6%	5.1%	3.0%	⊙	⊙	⊙
<b>Automotive Industry</b>									
Miles Driven (Millions)	214,820	250,396	250,496	0.9%	-1.7%	-2.1%	⊙	○	○
Passenger Car Sales (Units)	508,787	674,753	627,442	21.8%	19.3%	19.8%	●	●	●
Light Truck Sales (Units)	484,748	571,915	530,486	33.7%	14.2%	15.6%	●	●	●
Total Light Vehicle Sales (Units)	993,535	1,246,668	1,157,928	27.3%	16.9%	17.9%	●	●	●
Notes: Historical data have been revised.							February	March	April
Released by AAIA on May 23, 2010.				Favorable condition for automotive aftermarket =	●		12	12	9
				Indeterminate trend-should monitor =	⊙		8	7	6
© 2010 Automotive Aftermarket Industry Association				Unfavorable condition for automotive aftermarket =	○		3	4	8
				Data not available =	na		0	0	0



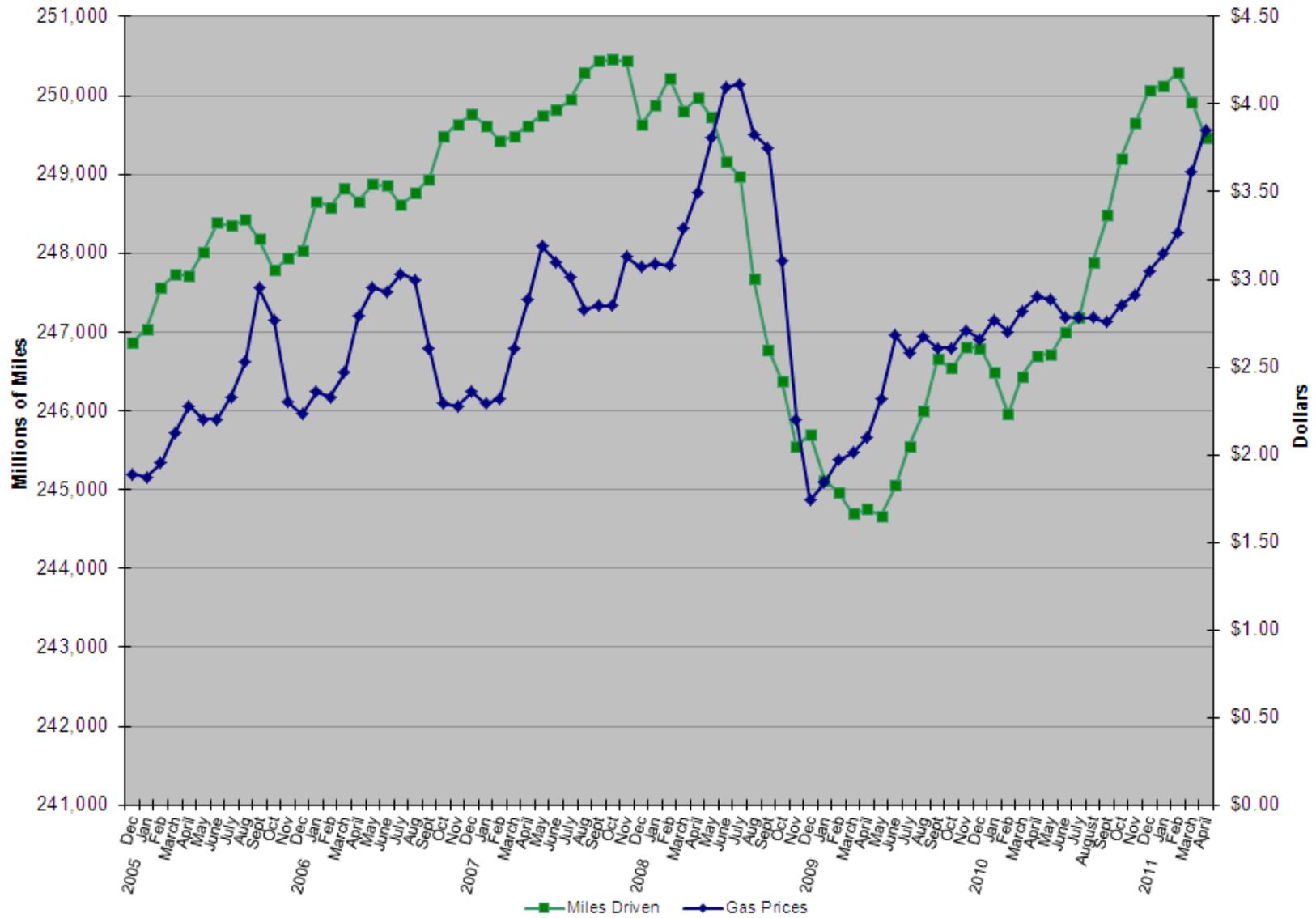
## INDUSTRY INDICATORS - AUTOMOTIVE PARTS MANUFACTURING REPORT

	Values			Change from Same Month of Previous Year			Assessments			
	February	March	April	February	March	April	February	March	April	
<b>U.S. Economy</b>										
Inflation Rate (Consumer Price Index)				2.1%	2.7%	3.2%				
Consumer Confidence (1985 = 100)	72.0	63.8	66.0	55.2%	22.0%	14.0%	⊙	⊙	⊙	
Purchasing Managers Index	61.4	61.2	60.4	8.7%	2.7%	0.0%	●	●	●	
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)	98.1	97.1	95.5	-5.4%	-5.6%	-6.0%	●	●	●	
Disposable Income (\$ Billions)	\$968.8	\$972.7	\$975.6	3.8%	3.7%	3.3%	●	●	●	
Industrial Production-Motor Vehicles & Parts (2002 = 100)	82.5	85.0	79.5	15.1%	16.1%	10.4%	●	●	●	
Capacity Utilization-Motor Vehicles & Parts (Change in points)	65.2%	67.1%	62.6%	8.4	9.0	5.3	○	○	○	
Durable Goods - Orders (\$ Millions)	\$188,656	\$220,992	\$186,153	12.2%	7.1%	-2.3%	●	●	○	
Durable Goods - Shipments (\$ Millions)	\$188,202	\$213,886	=REP	12.4%	3.4%	=REP	●	●	○	
<b>Producer Prices</b>										
Metals & Metal Products (1982 = 100)	223.2	225.2	228.4	11.2%	9.9%	8.6%	○	○	○	
Gasoline (1982 = 100)	259.0	295.7	321.9	26.3%	31.2%	38.8%	○	○	○	
Tires & Repair Materials (1982 = 100)	146.7	147.1	153.7	10.1%	10.4%	13.3%	○	○	○	
Motor Vehicle Parts (1982 = 100)	123.0	123.2	123.4	1.7%	1.9%	1.1%	●	●	●	
<b>Retail Sales (\$ Millions)</b>										
New Car Dealers	\$46,391	\$56,083	\$51,960	23.9%	11.6%	9.8%	●	●	●	
Used Car Dealers	\$7,856	\$8,293	\$6,929	25.0%	26.2%	16.7%	●	●	●	
Auto Parts, Accessories & Tire Stores	\$5,913	\$7,059	\$6,596	4.4%	5.6%	-0.9%	●	●	○	
<b>Aftermarket Employment and Wages</b>										
Aftermarket Employment (Thousands of Jobs)	3,844.3	3,871.0	3,897.3	2.0%	2.2%	2.0%	⊙	⊙	⊙	
Average Hourly Wage of Parts Manufacturing Employees	\$20.71	\$20.77	\$21.03	0.1%	1.9%	2.1%	⊙	⊙	⊙	
<b>Automotive Industry</b>										
Miles Driven (Millions)	214,820	250,396	250,496	0.9%	-1.7%	-2.1%	⊙	○	○	
Gasoline (\$ per gallon)	\$3.26	\$3.62	\$3.85	20.9%	28.0%	32.8%	○	○	○	
Passenger Car Sales (Units)	508,787	674,753	627,442	21.8%	19.3%	19.8%	●	●	●	
Light Truck Sales (Units)	484,748	571,915	530,486	33.7%	14.2%	15.6%	●	●	●	
Total Light Vehicle Sales (Units)	993,535	1,246,668	1,157,928	27.3%	16.9%	17.9%	●	●	●	
Notes: Historical data have been revised.							February	March	April	
Released by AAIA on May 23, 2010.							Favorable condition for automotive aftermarket = ●	13	13	10
							Indeterminate trend-should monitor = ⊙	5	4	4
© 2010 Automotive Aftermarket Industry Association							Unfavorable condition for automotive aftermarket = ○	5	6	9
							Data not available = na	0	0	0

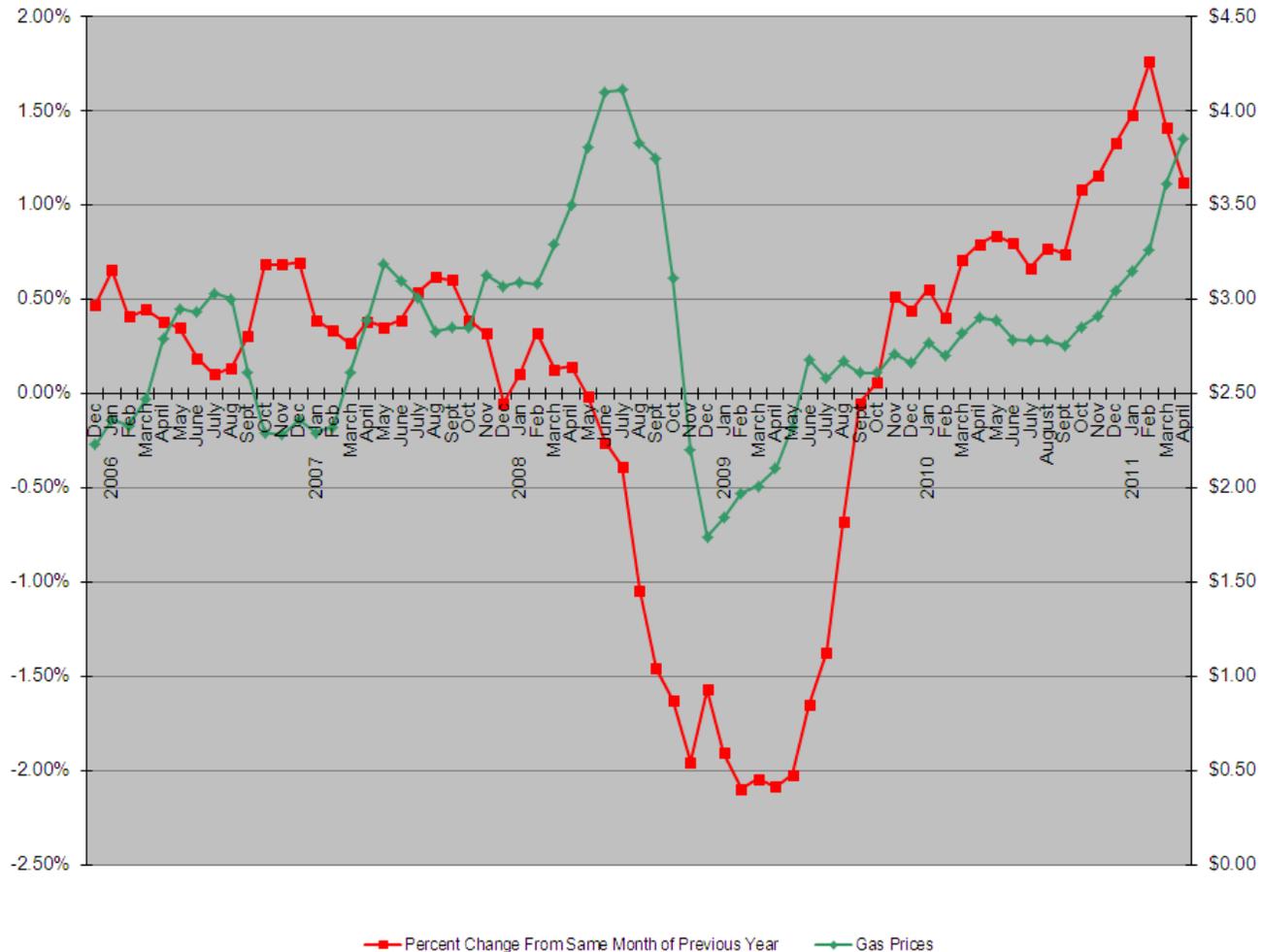
**INDUSTRY INDICATORS - HEAVY DUTY AFTERMARKET REPORT**

	Values			Change from Same Month of Previous Year			Assessments		
	February	March	April	February	March	April	February	March	April
<b>U.S. Economy</b>									
Inflation Rate (Consumer Price Index)				2.1%	2.7%	3.2%			
Consumer Confidence (1985 = 100)	72.0	63.8	66.0	55.2%	22.0%	14.0%	⊙	⊙	⊙
Purchasing Managers Index	61.4	61.2	60.4	8.7%	2.7%	0.0%	●	●	●
Interest Rates - Prime Rate (Change in points)	3.3%	3.3%	3.3%	0.0	0.0	0.0	⊙	⊙	⊙
Disposable Income (\$ Billions)	\$968.8	\$972.7	\$975.6	3.8%	3.7%	3.3%	●	●	●
Industrial Production-Motor Vehicles & Parts (2002 = 100)	82.5	85.0	79.5	15.1%	16.1%	10.4%	●	●	●
Capacity Utilization-Motor Vehicles & Parts (Change in point)	65.2%	67.1%	62.6%	8.4	9.0	5.3	○	○	○
Durable Goods - Orders (\$ Millions)	\$188,656	\$220,992	\$186,153	12.2%	7.1%	-2.3%	●	●	○
Durable Goods - Shipments (\$ Millions)	\$188,202	\$213,886	#REF!	12.4%	3.4%	#REF!	●	●	○
Housing Starts (Thousands of units)	35.4	49.9	48.4	-13.0%	-8.8%	-21.9%	○	○	○
Construction Spending (\$ Millions)	\$51,524	\$56,916	\$61,680	-7.7%	-8.0%	-9.6%	○	○	○
Aftermarket Employment (Thousands of Jobs)	3,844.5	3,871.0	3,897.5	2.0%	2.2%	2.0%	⊙	⊙	⊙
<b>Producer Prices</b>									
Metals & Metal Products (1982 = 100)	223.2	225.2	228.4	11.2%	9.9%	8.6%	○	○	○
Diesel Fuel (1982 = 100)	289.2	321.4	339.8	39.8%	42.5%	41.6%	○	○	○
Tires & Repair Materials (1982 = 100)	146.7	147.1	153.7	10.1%	10.4%	13.3%	○	○	○
Motor Vehicle Parts (1982 = 100)	123.0	123.2	123.4	1.7%	1.9%	1.1%	●	●	●
<b>Consumer Prices</b>									
New Vehicles (1982-84 = 100)	140.2	140.9	141.5	0.9%	1.6%	2.4%	⊙	⊙	⊙
Used Vehicles (1982-84 = 100)	142.9	144.1	146.0	1.9%	2.3%	3.3%	⊙	⊙	○
Motor Vehicle Parts & Equipment (1982-84 = 100)	140.9	140.7	141.6	3.9%	3.8%	4.3%	●	●	●
Motor Vehicle Maintenance & Repair (1982-84 = 100)	250.9	250.8	251.5	2.0%	1.7%	1.7%	○	○	○
<b>Trucking Industry</b>									
Truck Tonnage (2000 = 100)	113.5	115.6	114.9	4.6%	5.9%	4.3%	●	●	●
Diesel Fuel (\$ per gallon)	\$3.58	\$3.91	\$4.06	28.7%	34.0%	32.9%	○	○	○
Medium & HD Vehicle Sales (Units)	21,910	25,642	25,728	28.6%	10.6%	31.4%	●	●	●
Notes: Historical data have been revised.							February	March	April
Released by AAIA on May 23, 2010.				Favorable condition for motor vehicle aftermarket =	●		9	9	7
				Indeterminate trend-should monitor =	⊙		5	5	4
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				Data not available =	na		0	0	0

Miles Driven (12 Month Moving Average) vs Gas Prices



Percent Change in Miles Driven & Gas Prices



Comments or questions on this report should be directed to Dr. Timothy G. Nash at: [tnash@northwood.edu](mailto:tnash@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](mailto: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](mailto:Sundwick@northwood.edu), Michigan: Larry Silvey, (989) 837-5149 or [silveyl@northwood.edu](mailto:silveyl@northwood.edu), or Texas: David Spaulding, (972) 293-5482 or [spauldingd@northwood.edu](mailto:spauldingd@northwood.edu).

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