

## Index Dips Slightly But Remains at Historically Stable Levels

**BLUF (Bottom Line Up Front):** The index was slightly lower this month, dipping just slightly from 89.2 to 88.8 points. Retail sales in the category were sluggish, rising just 0.4% Y/Y in the 3-month moving average (but down 1.1% Y/Y in the latest month). Tax refunds have played themselves out, but some of the Great Wealth Transfer, some retirement activity (younger people taking retirement and planning lifestyle changes like higher end powersports activities) and other demographic trends could still help pull the sector into expansion.

### Favorable Economic Conditions:

- **Economic Activity Show Consumers Remain Resilient.** The Bureau of Economic Analysis confirmed Q1 2026 real GDP growth at 2.0% annualized, above Q4 2025's weak 0.5% reading and ahead of many economist expectations. Q2 advanced readings have it as high as 3.8%, being driven heavily by consumer spending, nonresidential investment (data centers, power generation, etc.), and inventory building activity. Consumer spending is still the primary driver. This is a meaningful positive for discretionary retail categories including powersports sales, as it confirms that the household sector is not contracting yet despite tariff and geopolitical uncertainty. The forward risk, however, is real: tariff-related cost increases and shortages of supply are still working through the supply chain, and their full impact on household budgets will be more visible in Q2 and Q3 data.
- **Fuel Price Impact Positive Side Is Underreported.** Street motorcycles and scooters carry a historically positive correlation with elevated fuel prices. When gasoline spiked in 2008, scooter sales rose 65.7% in the first half of the year and used on-road motorcycle sales jumped 33.4% in June 2008 alone, buyers explicitly substituting two wheels for four to cut commuting costs. That dynamic is live in the current environment. Utility UTVs, ATVs, and recreational off-road equipment are effectively fuel-price neutral, their buyers are not making transportation calculations, they are buying for work and recreation. High-performance recreational and PWC segments are fuel-price negative, for the same reasons as the marine sector. The net picture for a diversified powersports dealer is more balanced than the headline fuel price story implies: one segment benefits, one is neutral, and one is pressured.
- **Pre-Owned Demand Is Still Strong.** Consumers are actively trading down in displacement and price point, and the pre-owned powersports segment is forecast to grow steadily through 2026 as financing conditions favor lower-cost alternatives. Buyers are still transacting — they are just more deliberate and value-focused, which means dealers with strong certified pre-owned programs and a used inventory strategy are capturing meaningful demand that the new unit floor is missing.

### Risks Creating Headwinds for Sales:

- **Discretionary Income Goes Negative.** The BEA's latest personal income data shows real disposable personal income (income after taxes, adjusted for inflation) contracting 1.1% year-over-year. This is the most directly relevant macro indicator for the powersports sector because the category is almost entirely discretionary. The consumer is not gone, but the financially accessible customer for a \$12,000–\$18,000 new unit purchase is a meaningfully smaller population than it was 18 months ago. Upper-income households are still active buyers in the premium segment. The -1.1% aggregate reading is being pulled down disproportionately by middle and lower-income households absorbing tariff-driven inflation without corresponding wage increases.
- **Consumer Sentiment Remains a Heavier Headwind Here Than in Other Categories.** The Consumer Sentiment Index is a powerful variable for powersports because the purchase decision is more psychologically driven than in most other categories. Black Book's own research has documented that consumer confidence — the forward-looking mood reading — affects powersports purchasing more than actual economic conditions in the moment. A buyer who feels uncertain about the next six months does not walk into a powersports dealership, even if their current financial situation is stable. The current sentiment environment is functionally equivalent to telling the entire middle tier of the market to wait.

### Conclusions:

1. The NCM Powersports Leading Index at 88.8 reflects a sector holding at a stable baseline, but at a level below where it should be.
2. The sector is facing three compressing forces: real income contraction at -1.1%, tariff-driven price increases in key segments, and a consumer sentiment environment that is uniquely punishing for discretionary purchases.
3. The powersports showroom is currently serving two very different buyers simultaneously. Higher-end buyers just need to see the Strait of Hormuz open, lower end and entry-level buyers need more stability from cooling inflationary conditions (lower fuel prices, etc.).

### Related Macro Items We are Watching:

1. **Demographics Never More Important?** Demographic trends may have never played a bigger role in shaping consumer purchasing than what we see now across the discretionary retail level (all NCM segments except farm equipment). It creates great opportunities, challenges, and is critical in understanding how to market into it. Here are just a few of the big, cyclical changes coming from demographic factors:
  - A. Retiring Baby Boomers (10,000 a day) will see more than 23 million hit retirement age by 2031. Many will retire, and will be looking for new hobbies, travel, and outdoor activities. And they are retiring as one of the wealthiest generations in history.
  - B. Gen X and Millennials are starting to get unprecedented “wealth benefits” as estates transfer to them (\$38T globally over the next decade). Many of those households will go from average or above average household incomes to having access to 7-figure lump-sum funds. Many will upgrade old equipment or purchase their first discretionary big-ticket item.
  - C. Boomers, X-ers, and older Millennials are also seeing the benefits of years of 401K building activity and can now tap savings for discretionary spending (because they have the 401K to fall back on for retirement). Many X-ers are retiring early as a result (at a younger age) and have much discretionary income to work with. That is especially the case for a Gen X family that inherits from a Boomer.
  - D. New generations (Alpha and Beta) are a concern because they are more “screen oriented” but have recently shown some interest in outdoor activity.

## Index Softens

### Leading Index Stays Slightly Behind Long-Term Trend

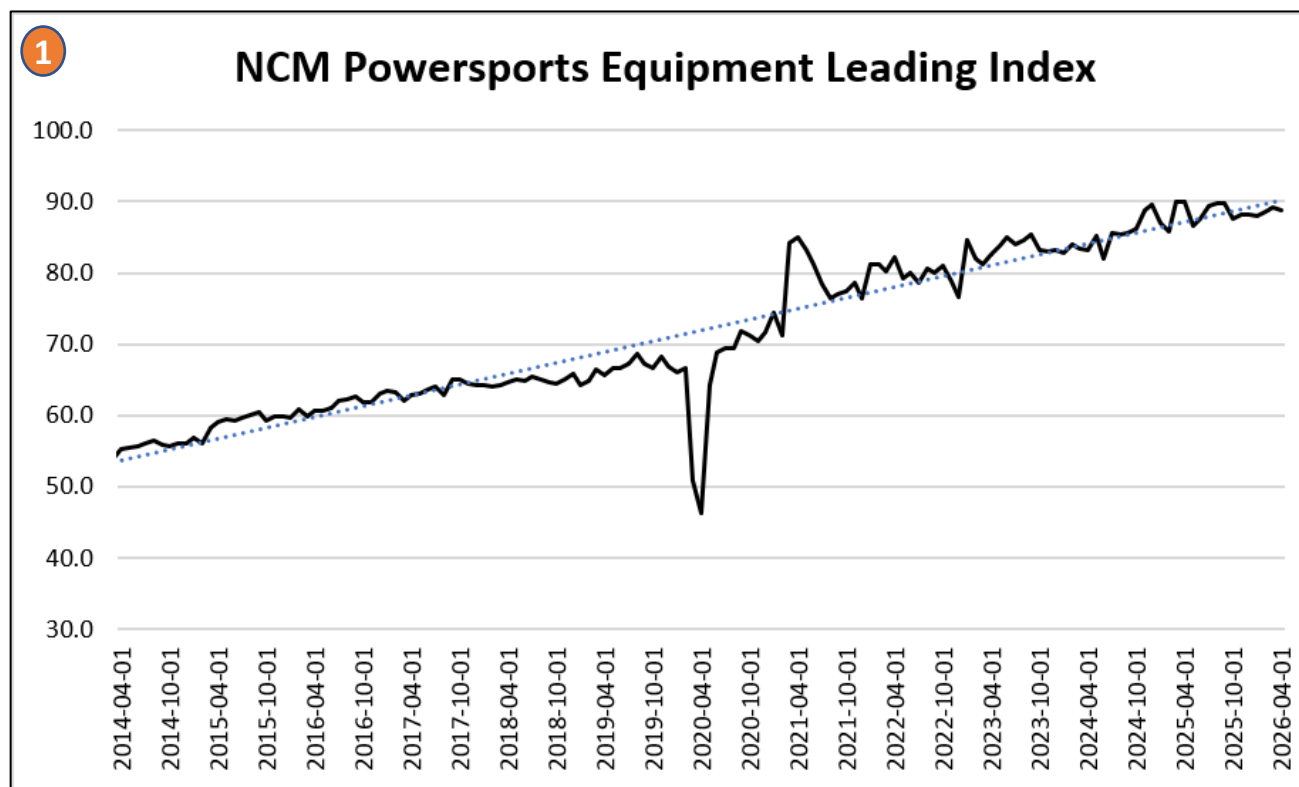
**BLUF (Bottom Line Up Front):** the NCM Powersports Leading Index slipped slightly to 88.8. This was down four tenths of a point from the prior month. It was also below last year and just slightly below the long-term growth rate. Sales in the sector were 1.1% lower Y/Y according to Federal data. Again, there are many catalysts that should generally keep this figure stable, but short-term catalysts such as an increase in tax refunds will have played themselves out in June.

**Leading Index:**

- April 88.8
- March 89.2
- February 88.7
- January 88.0
- December 88.2
- November 88.3

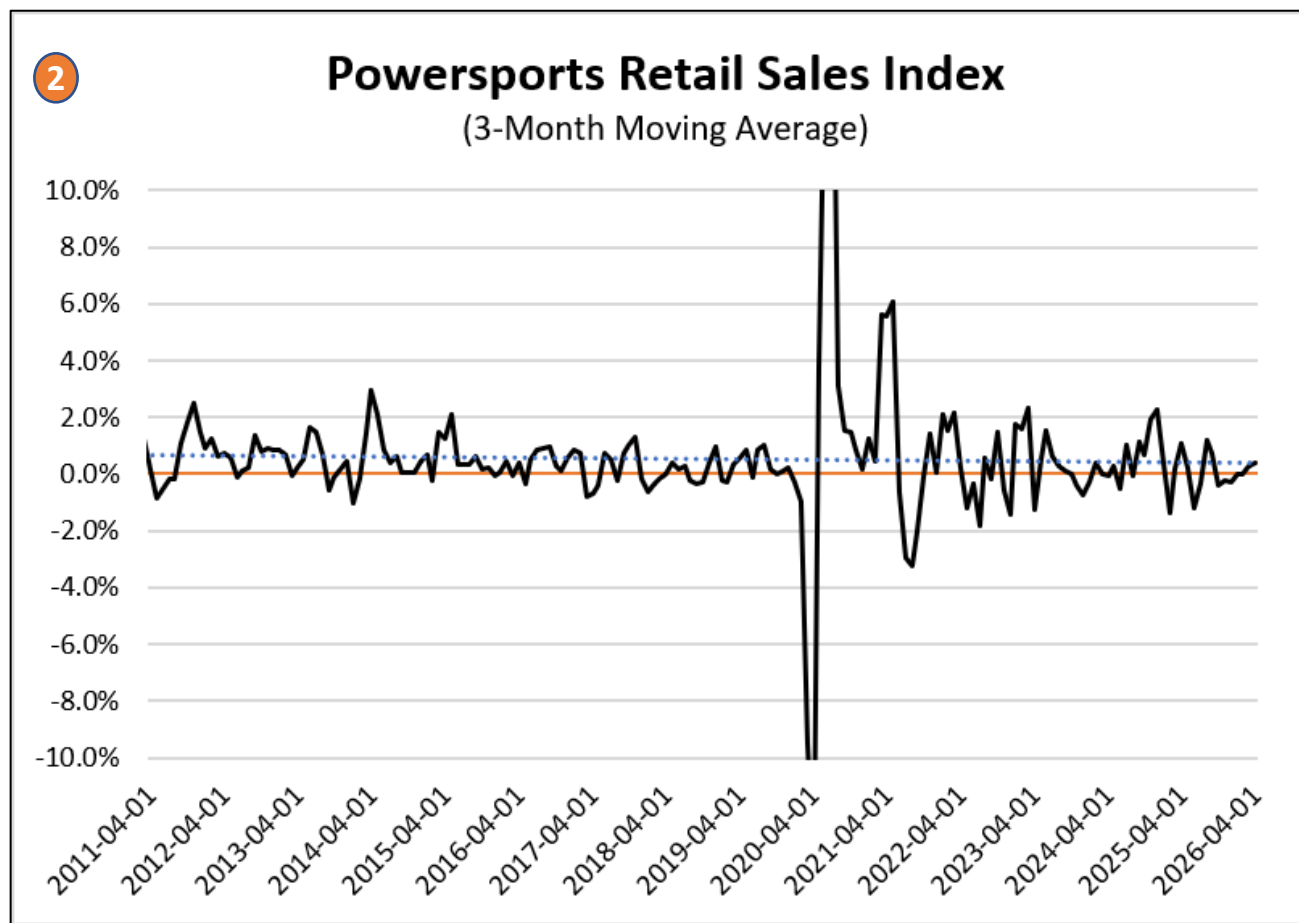
### Powersports Leading Index:

- 1. **Leading Index at 88.8.** The Powersports Leading Index came in at 88.8, down 0.4% against last month's adjusted reading of 89.2. It was 1.2% lower vs. the same month last year (against historically good comparisons). The index was essentially in line with the long-term trend line this month (blue line in the graph at right).
- 2. **Retail Sales Index.** Sales for Powersports equipment (estimated change in the 3-month moving average shown below right) shows that the index was up just 0.4%. The index was 1.1% lower Y/Y (-1.4% last month). This index also includes some small categories of retail sales that are loosely linked to Powersports. But the index provides a valuable reading on the general trend for industry activity, and it was sluggish through the end of the year.
- What Pushed on the Index?** The Leading Index uses a variety of variables to gauge industry demand and growth opportunities. The conflict in the Middle East is still having an impact on sentiment at the consumer level and is starting to have a real impact on discretionary spending capabilities for households in the middle- and lower-income categories. Much of this could be short-lived however, an end to the Strait of Hormuz closure would help bring inflation under control (pulling fuel prices lower), which would help this moderate-income customer category.



### Looking Forward:

- Below are a few areas to watch in the coming quarters.
  1. **The Middleweight Shift Is Structural, Not Cyclical.** The data from 2025–2026 model year sales confirms a trend that was building for several years: stronger growth in the \$5,000–\$10,000 middleweight segment. Economic conditions over the past three years reflect a fundamental shift in what buyers can afford and what they want. New entrants are accelerating this compression by offering credible sub-\$7,000 units attracting buyers who would previously have stretched into a mid-range product.
  2. **No Clear Second-Half Catalyst Is Yet Visible — The Middle East Remains the Swing Variable.** The tax refund cycle that provided a short-term demand lift in Q1 has played itself out. What replaces it as a second-half demand catalyst is not yet clear in the data. A credible resolution to the Strait of Hormuz situation remains the most powerful single variable available: it would simultaneously pull fuel prices lower, reduce inflation pressure on household budgets, ease bond yields, and improve consumer sentiment, **four of the five primary headwinds operating on the sector right now, addressed in a single geopolitical development.** Until that resolution materializes, the sector is likely to hold at current index levels rather than expand.



3. **Gen Alpha's sedentary reputation is being overstated.** Post-pandemic behavioral data shows Gen Alpha actively gravitating back toward outdoor and off-screen activities, with most Gen Alpha parents reporting their children prefer outdoor play when given the choice. But the window to cultivate this generation through youth riding programs requires deliberate investment now rather than waiting for the demographic to mature into the showroom.
4. **Female Riders Most Underdeveloped Growth Segment.** Women represent approximately 19–22% of current U.S. motorcycle owners, double the 10% share from 2009. Female riders spend more than male riders on aftermarket accessories and service annually. The female rider demographic is actively growing and demonstrably less rate-sensitive at entry-level price points, but programs and marketing need to target this demographic more aggressively.