

Index Stable

A Strong Powersports Index was Flat M/M

Briefing Date: June 2025

BLUF (Bottom Line Up Front): The index tracked for the powersports sector improved Y/Y in april. The data shows the leading index (which provides a market estimate of the underpinnings for growth) was higher year-over-year by 7.1% (6.2% in the last update). Historically, the index continues to trend higher vs. pre-2023 periods. This signals a good environment over the next 6 months if this data holds, despite this near-term month-over-month sluggishness. Consumer optimism is improving, and this could help overall sales.

Favorable Economic Conditions:

- **Q2 GDP Surges** – The current trend for second quarter GDP is much hotter than expected. The Atlanta Fed is showing the GDPNow estimate at 3.8%, much higher than Blue Chip Economist estimates for 1%. Consumer spending and commercial investment was leading the surge. This runs contrary to general sentiment and concerns over potential recession risk. Most of the outlook has now turned, and it would accelerate if the budget bill is passed and the remaining 17 trade agreements are signed before July 7th. The risk of economic slowing is still possible; the environment is still highly volatile and is being buffeted by key factors that can affect economic growth (both positive and negative). But for now, the overall economic signals are good for big ticket item purchases.
- **More Key Economic Datapoints Project Better Conditions.** There is still no doubt that there is risk with tariff price pressures. But inflation data thus far was not yet showing that impact. The latest inflation data in the consumer price index shows only moderate inflation of 2.4% on a broad basis (slightly above the 2% Fed target rate). As dealers work through inventories that ballooned late last year, these inflationary pressures could start to show – but they aren't in the current data at this time. Consumer confidence showed some mild improvement in May, and early June data also shows hints of improvement. As trade deals get announced and if the budget bill is passed, sentiment will get lifted higher.
- **Good Signs from Income Data.** – Sectors like powersports are often driven by a few key metrics. First is the stock market. Many affluent buyers will base their purchase decisions on their stock portfolio and growth trends. Many will leverage those investments or will assume that they can use cash (since their investments are doing well) when their portfolios are growing. In 2024, more than \$220 billion in consumer spending was driven by a health stock market. This year, despite the volatility with trade, the S&P 500 is up 7.1% Y/Y. In addition, we watch inflation-adjusted personal income. When it is growing at a 2.5-3.5% rate, spending on big ticket items increases. Through May, US consumer incomes were growing at 2.9% Y/Y, which should help with powersports sales in the second half of the year when trade uncertainty and the budget bill is passed (which removes a key tax increase risk that some consumers could be waiting to see eliminated before they dive into new durable goods purchases).

Risks Creating Headwinds for Sales:

- **Risk/Opportunity: 10 Year Treasury Rates-** This is also a recurring theme across all NCM sectors this month. The 10-Year Treasury is the bar for long-term borrowing. In sectors like Powersports, when households are able to refinance higher mortgage rates, we always see an immediate spike in sales in the sector. This is one of the fastest means of adding monthly disposable income to consumers.

Unfortunately, at this time, the 10 Year Treasury is not budging from elevated levels. The current yield rate is 4.474%, which is lower than the 4.7880% level hit in January of this year, but it is much higher than the 2% rates on average from 2010 to 2021. US Treasury Secretary Scott Bessent believes that the 10Y can fall below 4%, which would push mortgage rates closer to 6%. Based on the average national mortgage balance, that would free up at least \$150 per month for most households to apply to other monthly payments. The risk comes in as the 10Y remains stubbornly higher, and if US Government debt increases and inflation moves up with it, the 10Y rate could go higher.

Conclusions:

1. Sluggish month-over-month sales hid what looks like a 7.1% annual growth rate – which is healthy given the uncertainty with trade agreements.
2. Studies show that powersports sales are most impacted by disposable income. Recent data shows that disposable income is improving and was running closer to 3% growth in May.
3. The sector is still waiting on interest rate relief, which would spur some consumers to jump back into the market. Most forecasts still believe that the Fed will trim two times in the second half of the year (each a quarter point).

Related Macro Items We are Watching:

1. **The Whiplash Shockwaves.** Across all NCM sectors, each have (and will) go through a similar set of significant shockwaves this year. The first shockwave hit in the first quarter when consumers and businesses were trying to get ahead of a potential port strike and tariffs (which at the time looked tame compared to the reciprocal tariffs).

From April 2nd through the present, reciprocal tariff fears (even after they were reduced for most countries to 10% for 90 days) led to a drop in consumer and corporate sentiment. It affected some sectors in an unexpected way, many consumers jumped out to try and make big ticket purchases before tariffs hit. But there was also an economic headwind created in the process.

Economic data could show some soft pockets over the next 30 – 60 days, despite most indexes showing an improving 6-month outlook.

But by July, if specific scenarios play out as expected, the second half of the year could be set for rapid growth. The budget deal is expected to be completed by early July (if it isn't, there will be a completely different set of expectations set for the remainder of the year and 2026 outlook). In the bill are provisions that would stimulate construction, manufacturing, and infrastructure buildout. Most households would see a continuation of current tax benefits, so there would be no real surge in consumer spending tied to that. But the fear of a tax hike would go away.

In addition, 17 more large trade agreements could be signed by then, boosting US exports by potentially \$350 billion a year. That could create a better 2H of '25 and a better outlook for '26.

Executive Briefing

Powersports

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Leading Index Remains Above Long-Term Trend

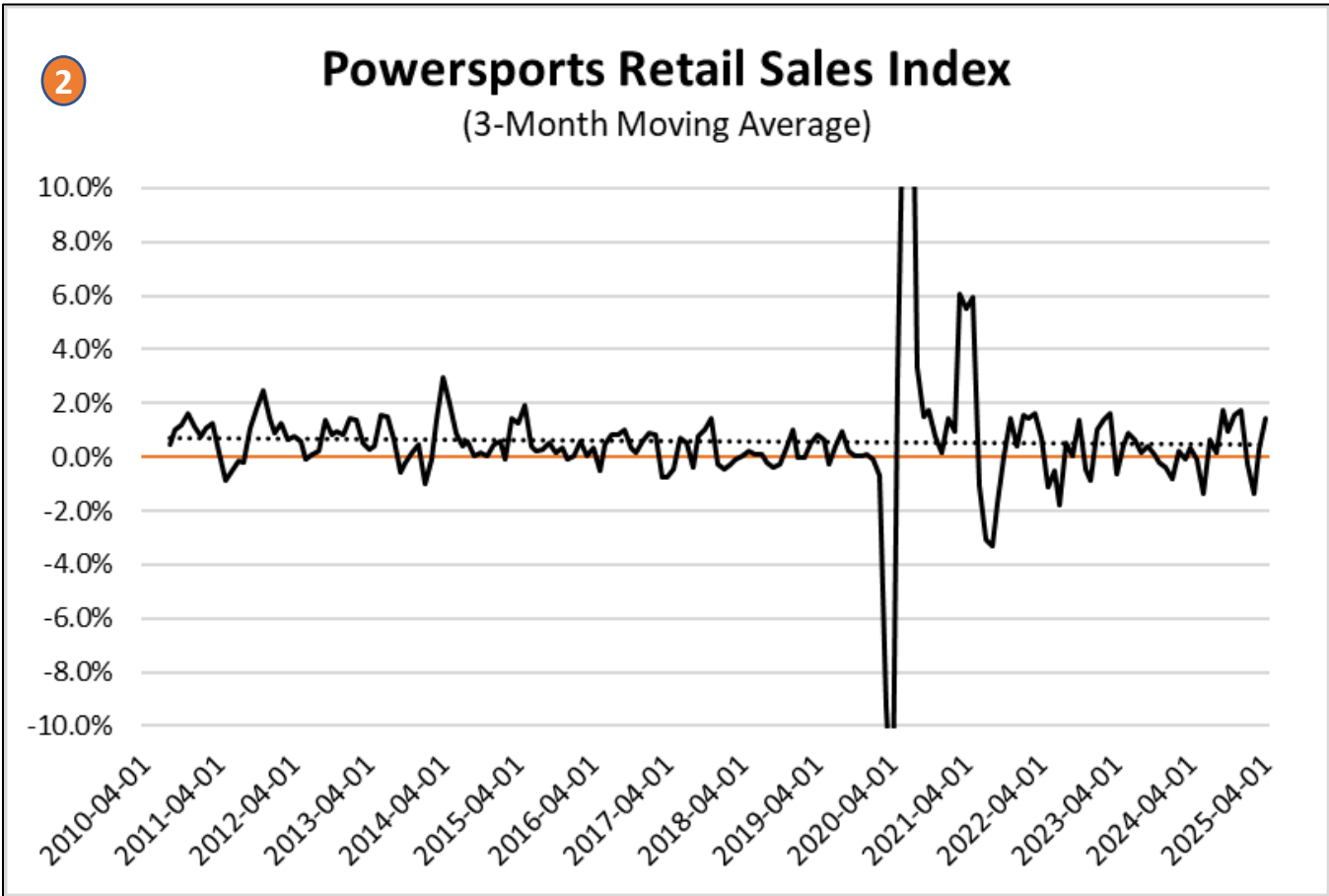
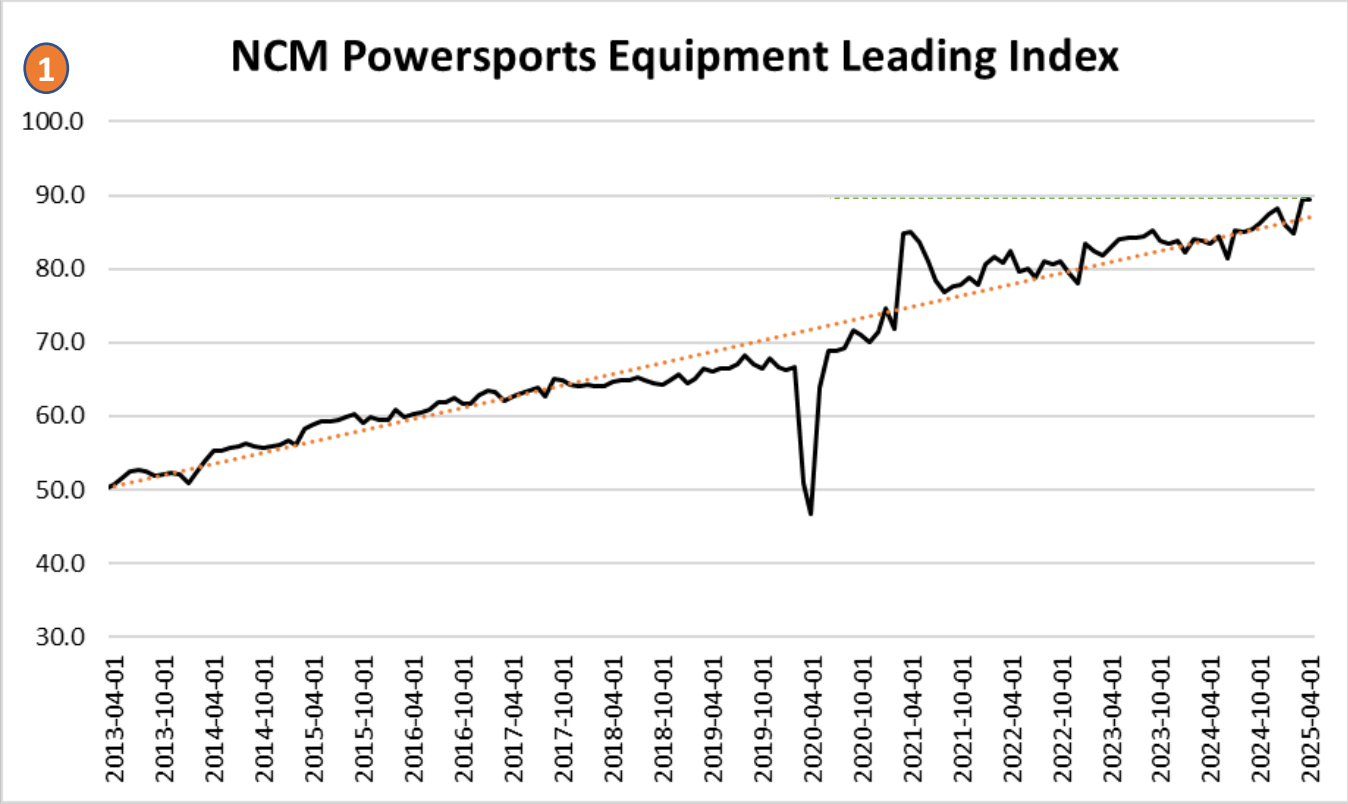
BLUF (Bottom Line Up Front): the NCM Powersports Leading Index remained strong month-over-month in April at 89.4 (latest data available). The reading uses multiple indexes to forecast forward-looking demand, and it remains strong on a historical basis and now is above the long-term trend. Looking forward, consumers are still spending despite some concerns over tariffs, government layoffs, and some drops in consumer sentiment.

Leading Index:

• April	89.4
• March	89.3
• February	84.9
• January	86.1
• December	88.3
• November	87.4

Powersports Leading Index:

- Leading Index at 89.4.** The Powersports Leading Index came in at 89.4, up 0.1% against the adjusted March reading. It was 7.1% higher vs. April of 2024 (against historically good comparisons from last year). The index was ahead of the long-term trend line this month (orange line in the graph at right). And it remained historically high (green line).
- Retail Sales Index.** Sales for Powersports equipment (estimated change in the 3-month moving average shown below right) shows that the index was 1.4% higher in April in the 3-month moving average. The index was 10.2% higher Y/Y (9.0% in the last briefing). 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.
- What Pushed on the Index?** The Leading Index uses a variety of variables to gauge industry demand and growth opportunities. Although the month-over-month growth rate seemingly stalled, good consumer wage income and stable job data helped boost enough confidence that buying continued. Whether this will hold through some pressures that could build in the summer is another question.



Looking Forward:

- Powersports Sectors to Watch for Growth.** Looking forward in the Powersports sector, there are several sectors that shape national sales, and here is how each is expected to trend in 2025:
 - Enthusiasts:** The US recreational market is 45-50% of total global unit sales. The ATV/UT market alone is forecast to growth by 6.1% annually through 2032. Overlanding is now 40-45% of Side-by-side (SxS) purchases. But entry-level (<\$10k) sales dropped 15% from April to early June due to inflation squeezing middle-income buyers. Adventure touring motorcycles and performance side-by-sides look to continue to be good segments.
 - Farming:** Only 15-20% of SxS sales go to agricultural/ranching use. Farmers are still receiving the \$31 billion in emergency bailout funds this year. Inventories are down, they hit a 60-day supply in Q2, down from 85 days in 2024.
 - Security:** About 15% of total industry sales, more evidence of the US Customs and Border Control being given more resources to handle security at the border, and off-road ATVs will be part of that mix.
 - Public spending:** Police forces and other types of public spending should have good state and local level tax receipts in 2025, which should help with spending.

Additional Areas to Watch for Growth.

- Urban Commuter Market:** Growth rates expected to hit 5-7% over the summer. Estimates show that there is \$2.1 billion in additional revenues hitting the market by 2026. That figure is made up of 65-70% in electric scooters, e-bikes, lightweight motorcycles, and three-wheeled vehicles. Aftermarket modifications will comprise 15-20% of that \$2.1 billion for battery upgrades, storage solutions, and safety (LED lights and anti-theft systems). Shared mobility will capture 10-15% of the increase in spending, including motorcycle rentals.