



PERFORMANCE IMPROVEMENT

U.S. Economic Overview

Consumers and the Macro Economy

JANUARY 2023



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Summary

Summary

- Retail sales (excl. autos/parts/gas stations) increased 7.2% in December, and decreased .7% over previous month
 - *Holiday sales (Nov/Dec) increased 6.8%*
 - *Total year 2022 increased 8.7% above 2021*
 - *December Food Services/Dining increased 12.1%*
 - *Non-Store Retailer sales rose 13.7% over 2021*
 - *Grocery sales were up 7.3% and all other major retail segments were under 4% YOY – Electronics declined nearly 6%*
- Consumer Sentiment was down 3.9% vs. 2022 but rose over 8% MTM
 - *Current Conditions Index was up 15.5% over previous month, but recent changes in global factors may dampen progress in the early part of 2023*
- Consumers continue to dip into savings / extend credit to cover the gap between gains in personal income and inflation
 - *Personal disposable income rose 3.5% in November, still well below the November CORE CPI rate of 5.7%*
 - *Personal consumption expenditures increased 8.8% and personal savings was down 2.4% (November) – revolving credit debt continues to climb, increasing 14.4%*
- Inventories continue to challenge retailers, with Nov 2022 totals 18.4% above previous year; tepid consumer spending will create challenges for retailers as they move thru excess inventories thru discounting
- The Consumer Price Index increased 6.5% in December and Core CPI increased 5.7%
 - *Food at home (groceries) and food away, as well as housing continue to drive the overall index; fuel declined slightly YOY*
- Supply chain costs continue to stabilize; freight trucking was flat to last month and 4.2% above 2022; container freight rates continue to decline
- Retailers are taking another look at labor costs and starting to look at opportunities to do more with less, combating newly increased minimum wage rates, to eliminate non-value-added activities and increase store efficiencies to improve the customer experience
- Consumers shrugged off world events and inflationary pressures, opening their wallets and piling on revolving credit while enjoying the holidays thru gift giving and dining out
- Retailers now face significant challenges managing excess inventory and making careful decisions around purchase quantities for Spring 2024 goods while facing down a recession

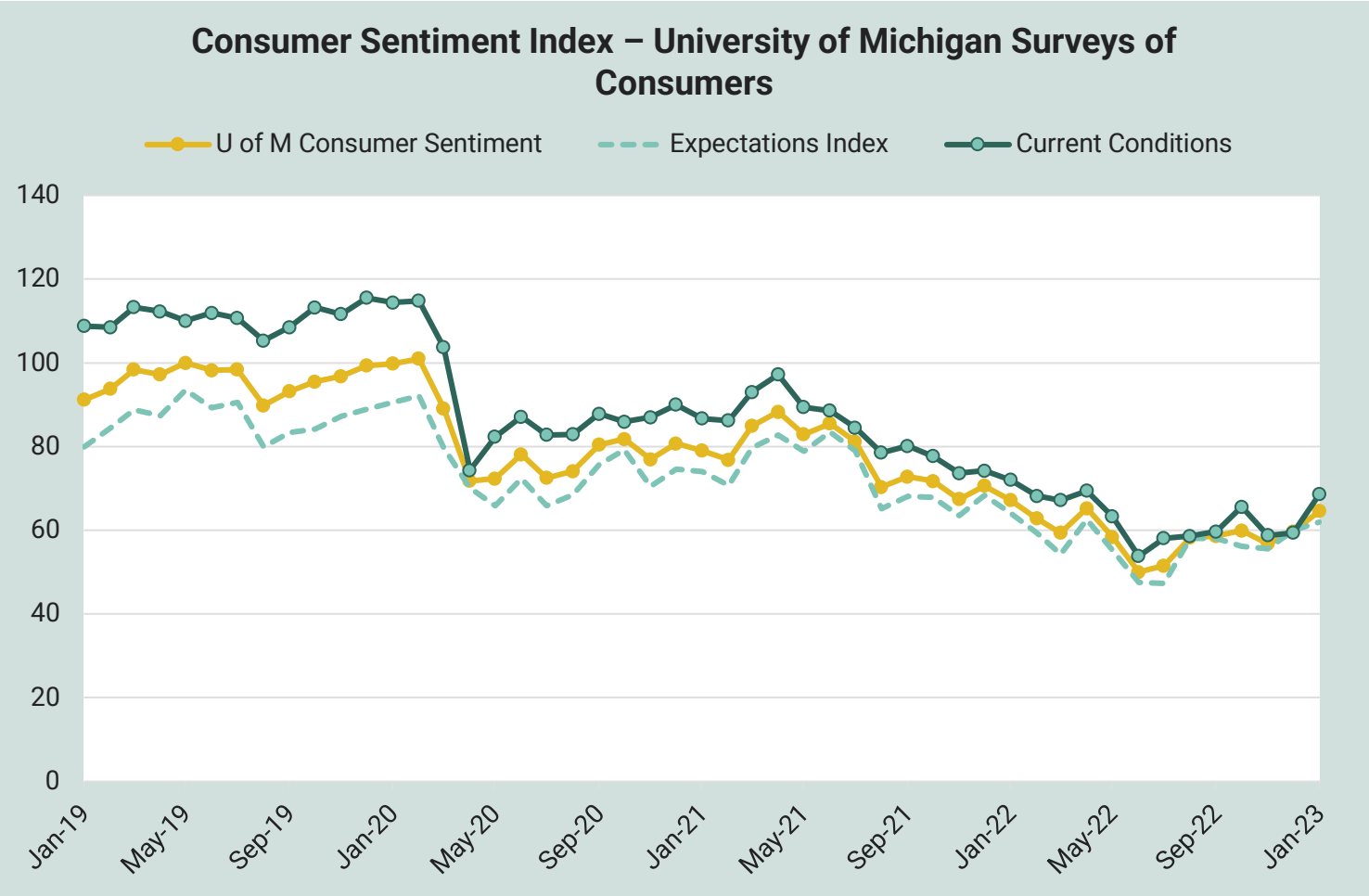
Key Consumer Metrics

Consumer Sentiment Index

Consumer Sentiment was down 3.9% vs. 2022 but rose over 8% MTM; Current Conditions Index was up 15.5% over previous month – recent changes in global factors may dampen progress in the early part of 2023

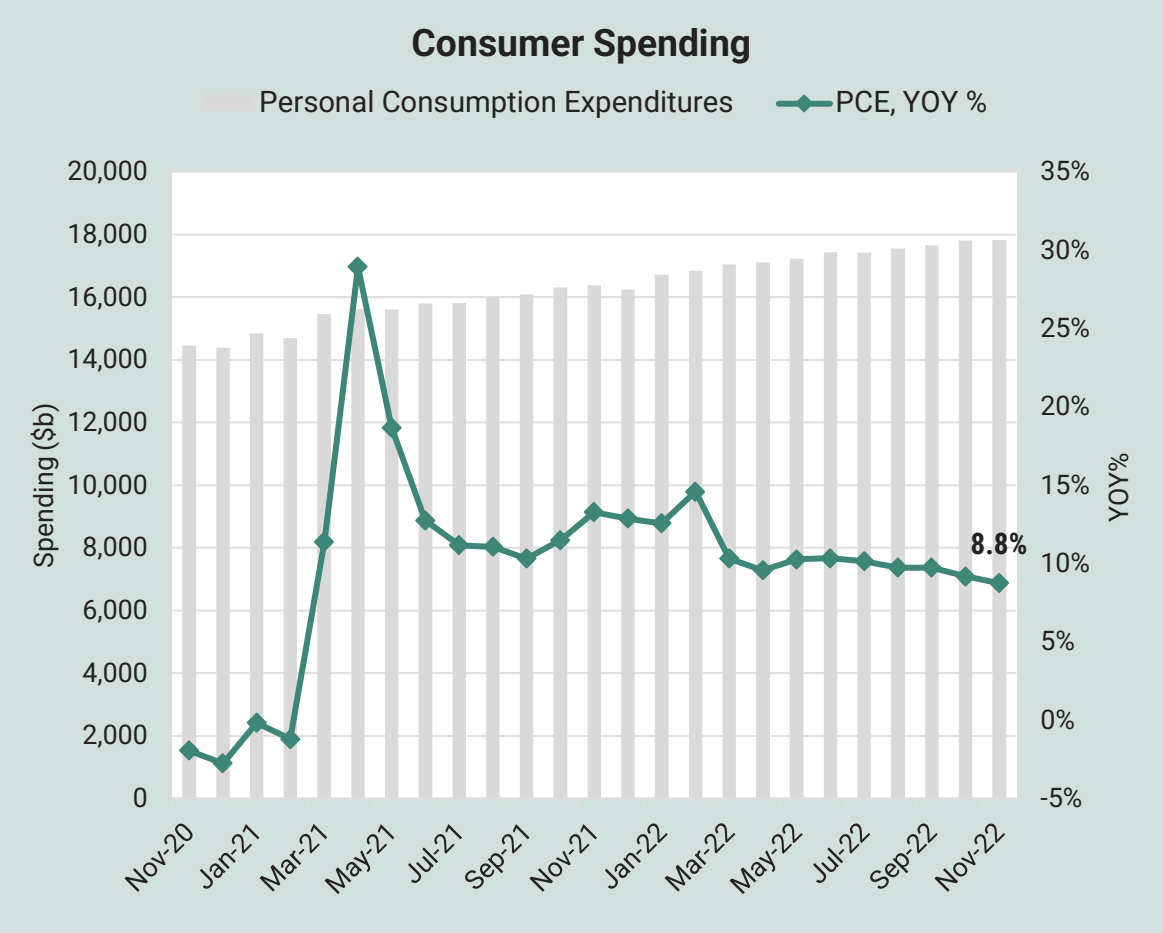
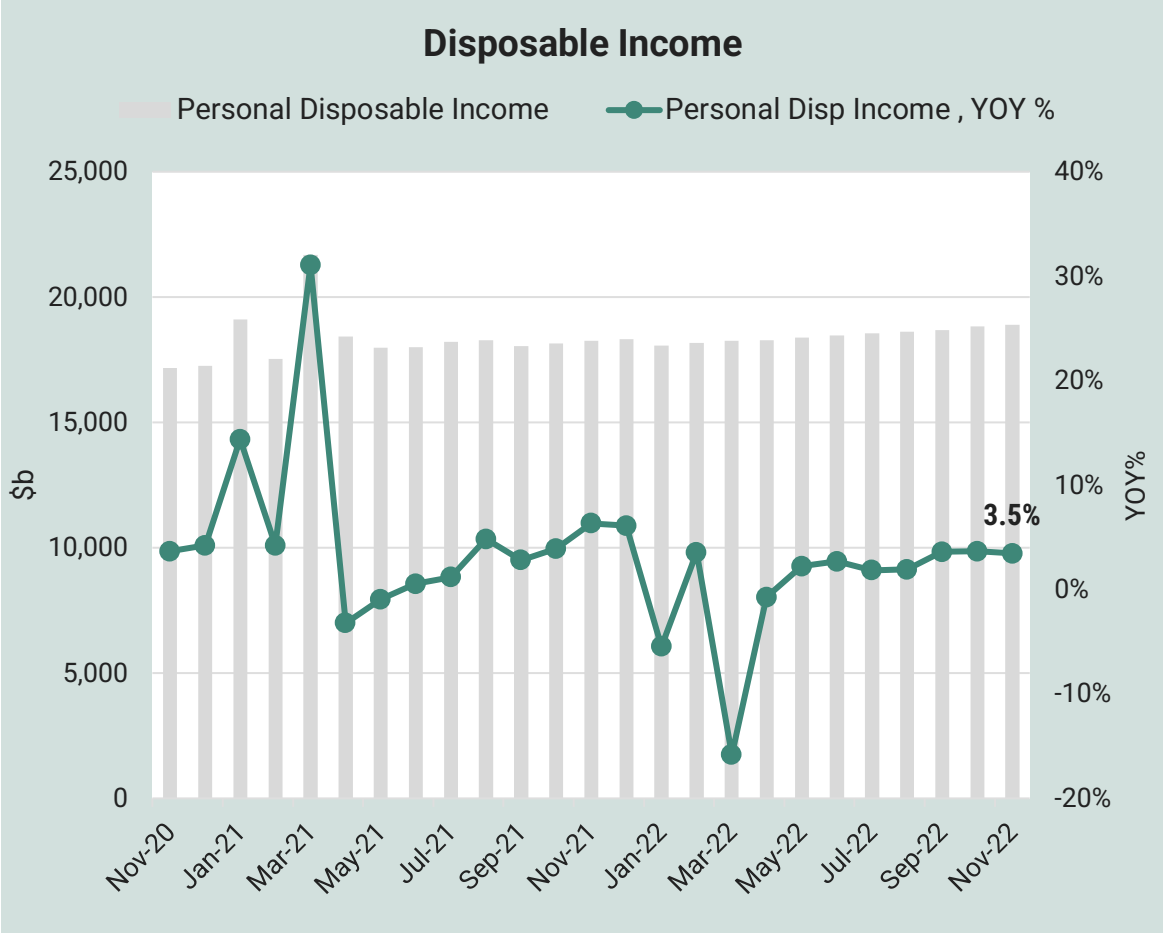
	Consumer Sentiment	Expectations Index	Current Conditions
2-Year High	88.3	83.5	97.2
2-Year Avg.	68.1	64.9	73.3
2- Year Low	50.0	47.3	53.8
Current	64.6	62.0	68.6
LY	67.2	64.1	72.0
YOY % Change	-3.9%	-3.3%	-4.7%
Previous Month	59.7	59.9	59.4
MTM % Change	8.2%	3.5%	15.5%

Source: The Surveys of Consumers are conducted by the Survey Research Center at the University of Michigan. (<https://data.sca.isr.umich.edu/survey-info.php>)



Consumer Income and Spending

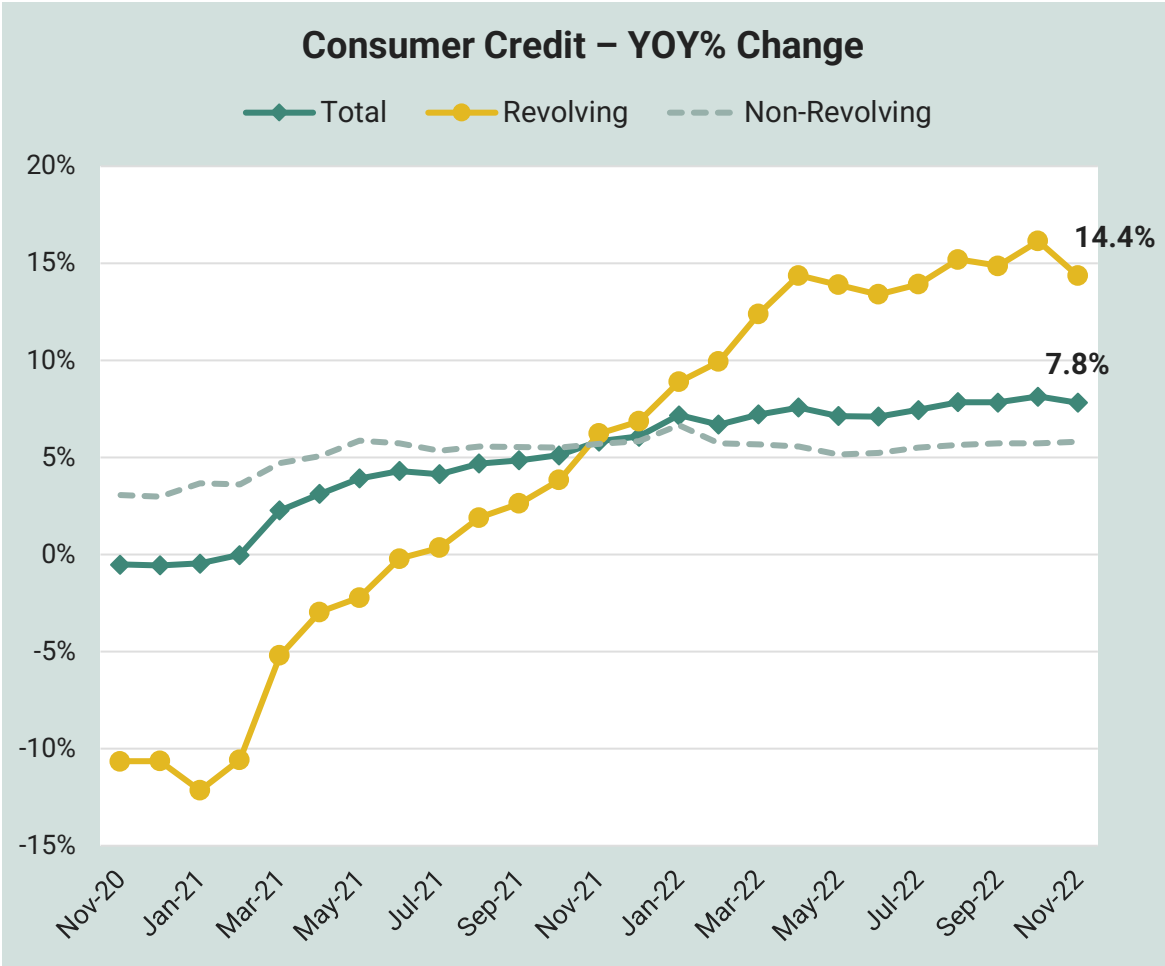
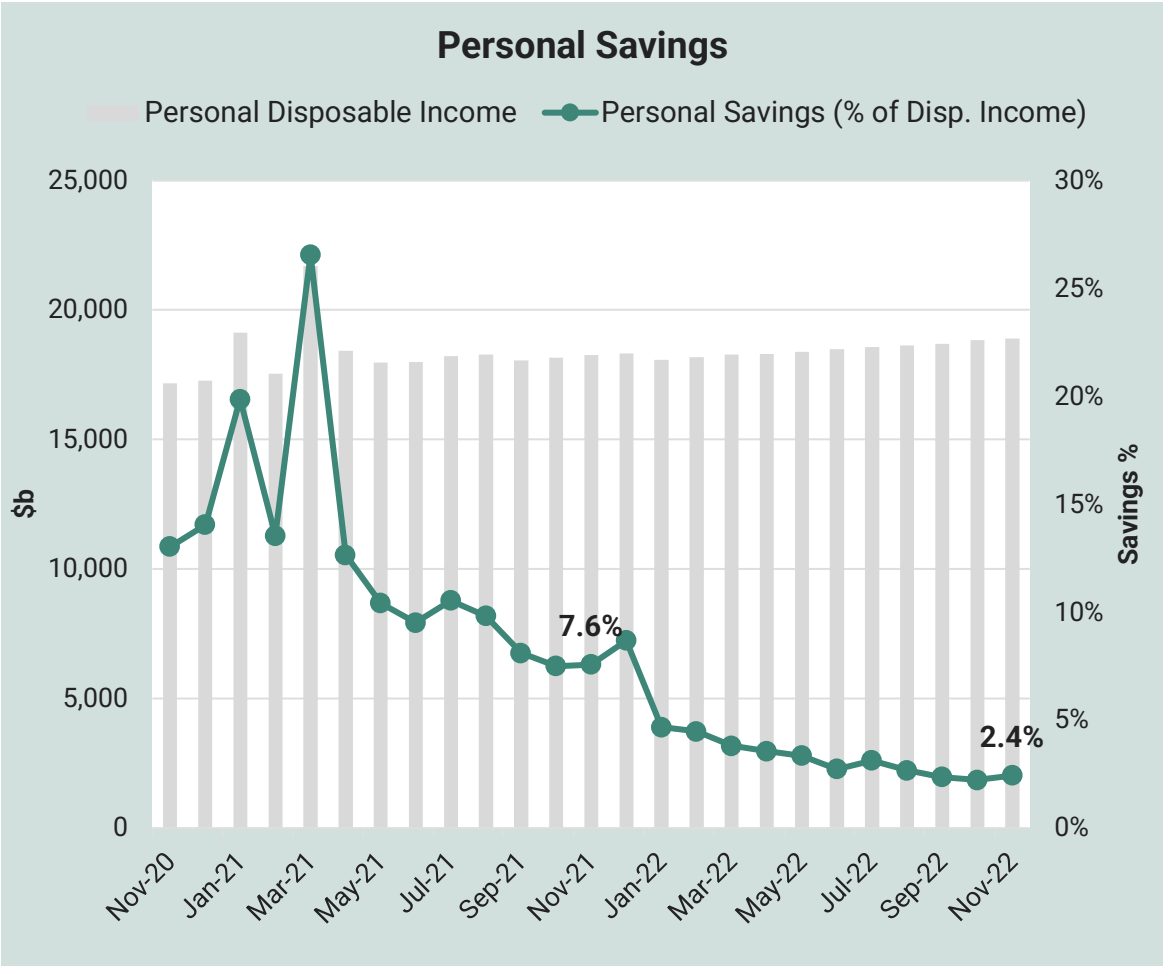
Personal disposable income rose 3.5% in November, still well below the November CORE CPI rate of 5.7%; personal consumption expenditures increased 8.8%



Source: U.S. Bureau of Economic Analysis

Personal Savings & Consumer Credit

Personal savings rate of 2.4% is well below 2021 rate of 7.6%; revolving credit debt is 14.4% over 2021 – Decreasing rainy-day funds and piling up consumer debt continues to be a concern

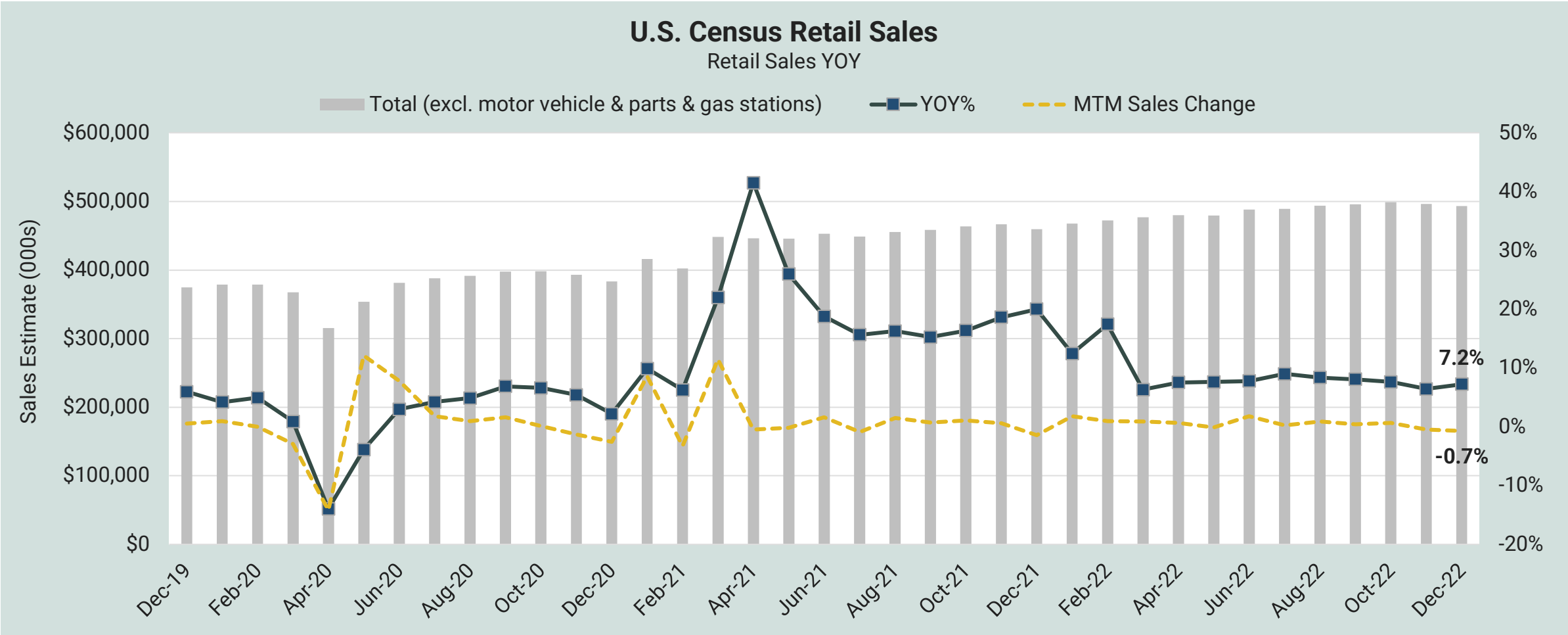


Source: U.S. Bureau of Economic Analysis

U.S. Retail Sales

U.S. Retail Sales *(excl. motor vehicles and gas stations)*

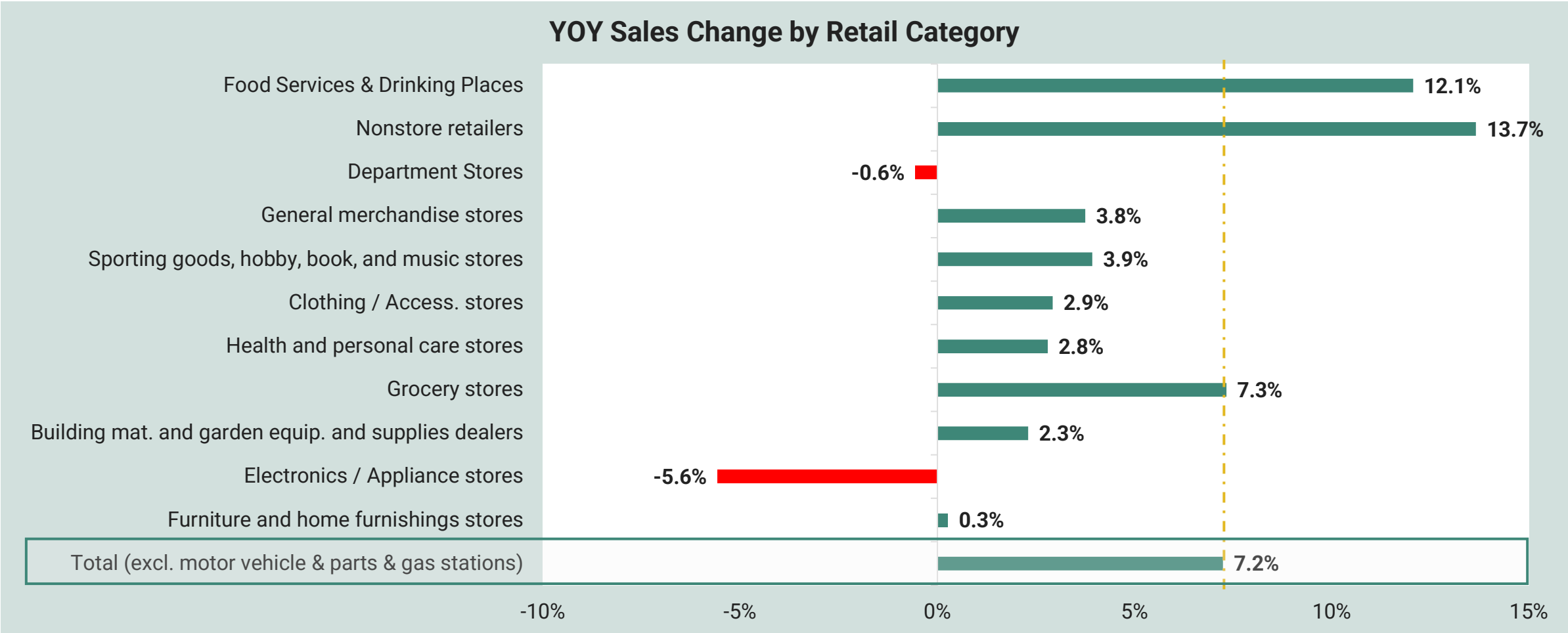
Retail Sales increased 7.2% in December, and decreased .7% over previous month; total Holiday sales (Nov/Dec) increased 6.8% and total year 2022 increased 8.7% above 2021



Source: U.S. Census Bureau

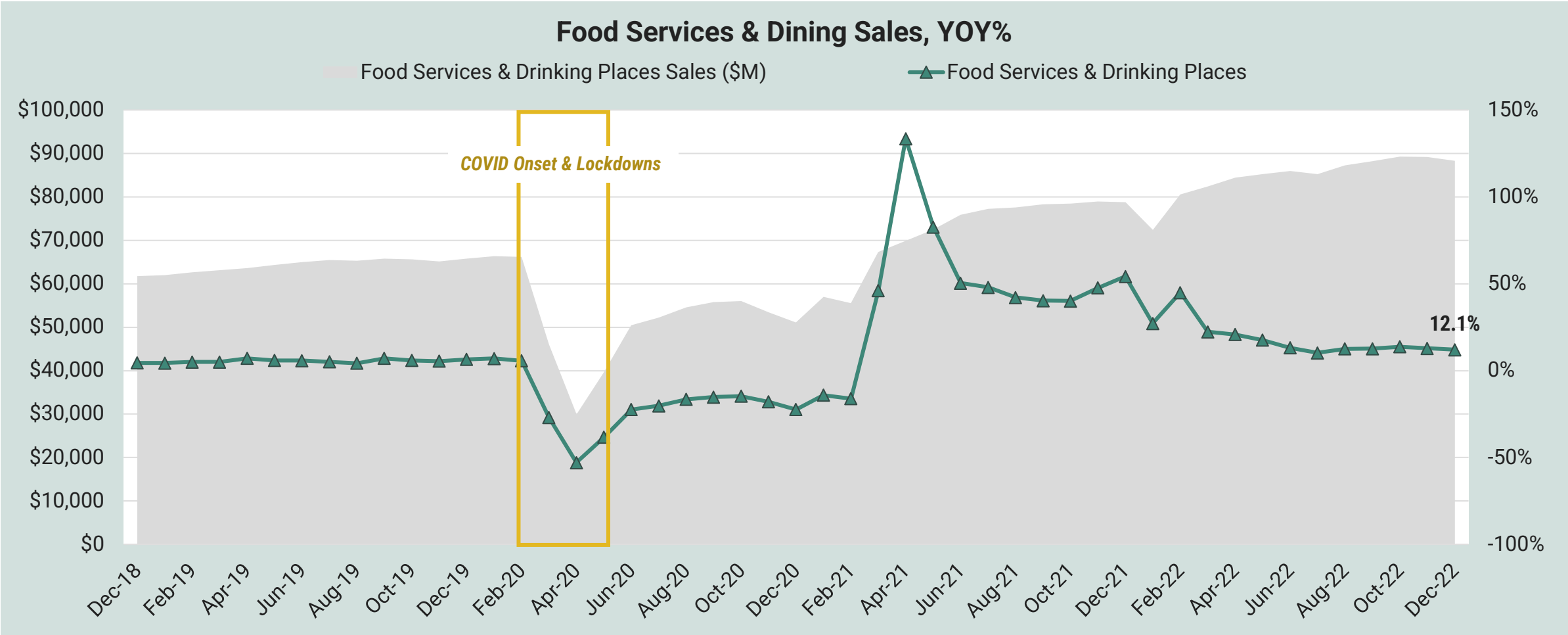
U.S. Retail Sales by Retail Category

December Food Services/Dining increased 12.1% and Non-Store Retailer sales rose 13.7% over 2021; grocery sales were up 7.3% and all other segments experienced less than 4% increases YOY – Electronics declined nearly 6%



U.S. Retail Sales – Food Services & Dining

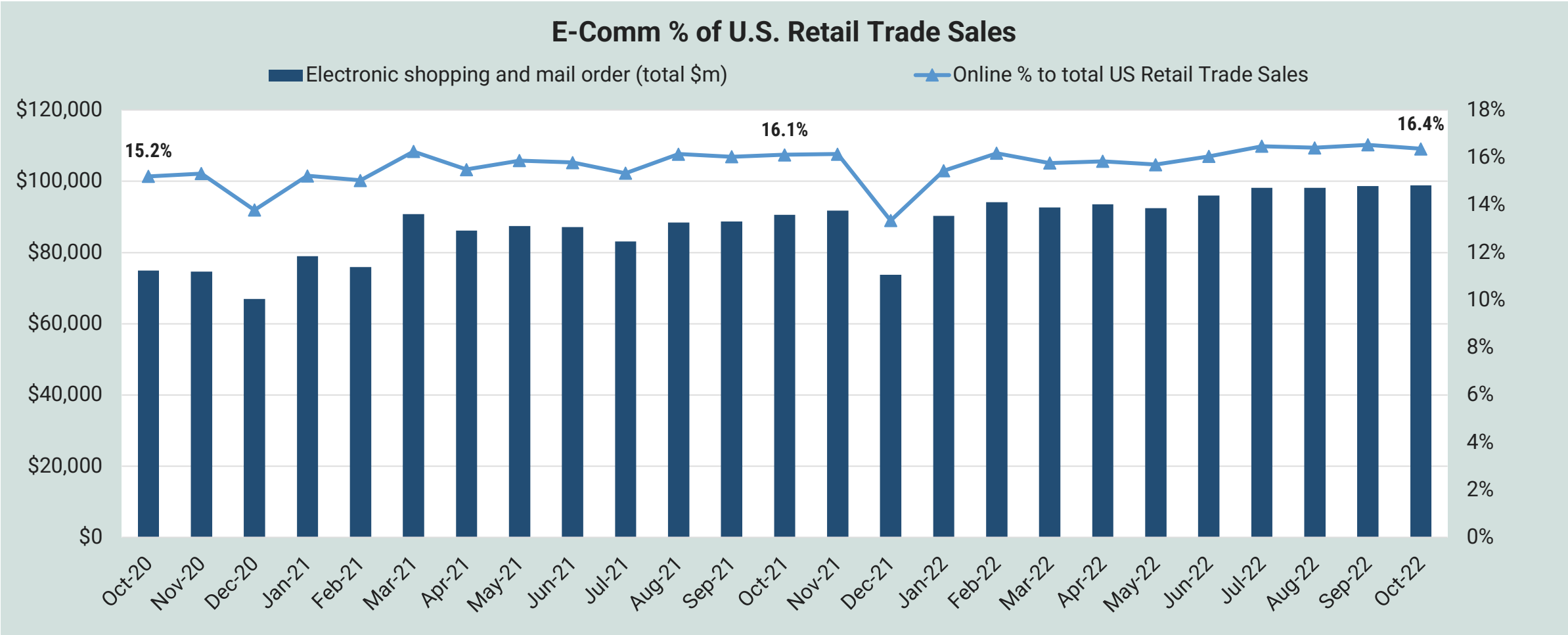
Consumers continue to increase spending on dining out; Food Services/Dining increased 12.1% in December



Source: U.S. Census Bureau

U.S. Retail Sales – E-Commerce

E-comm % of Retail Trade Sales remained above 16% through October; Q4 performance will be included in next month's report when available



Source: U.S. Census Bureau

Retail Inventories

Inventories continue to challenge retailers, with Nov 2022 totals 18.4% above previous year; tepid consumer spending will create challenges for retailers as they move thru excess inventories and place commitments for upcoming seasons orders

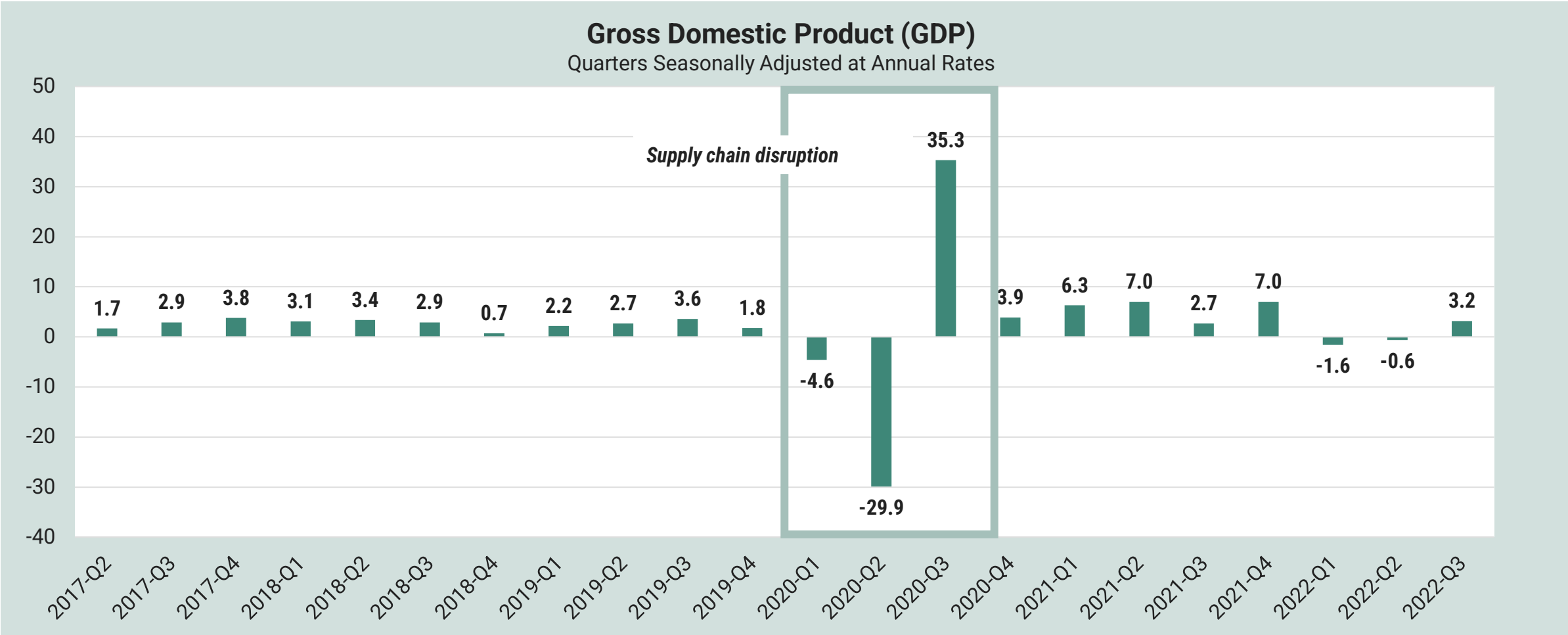


U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>

Broad Economic Indicators

Gross Domestic Product

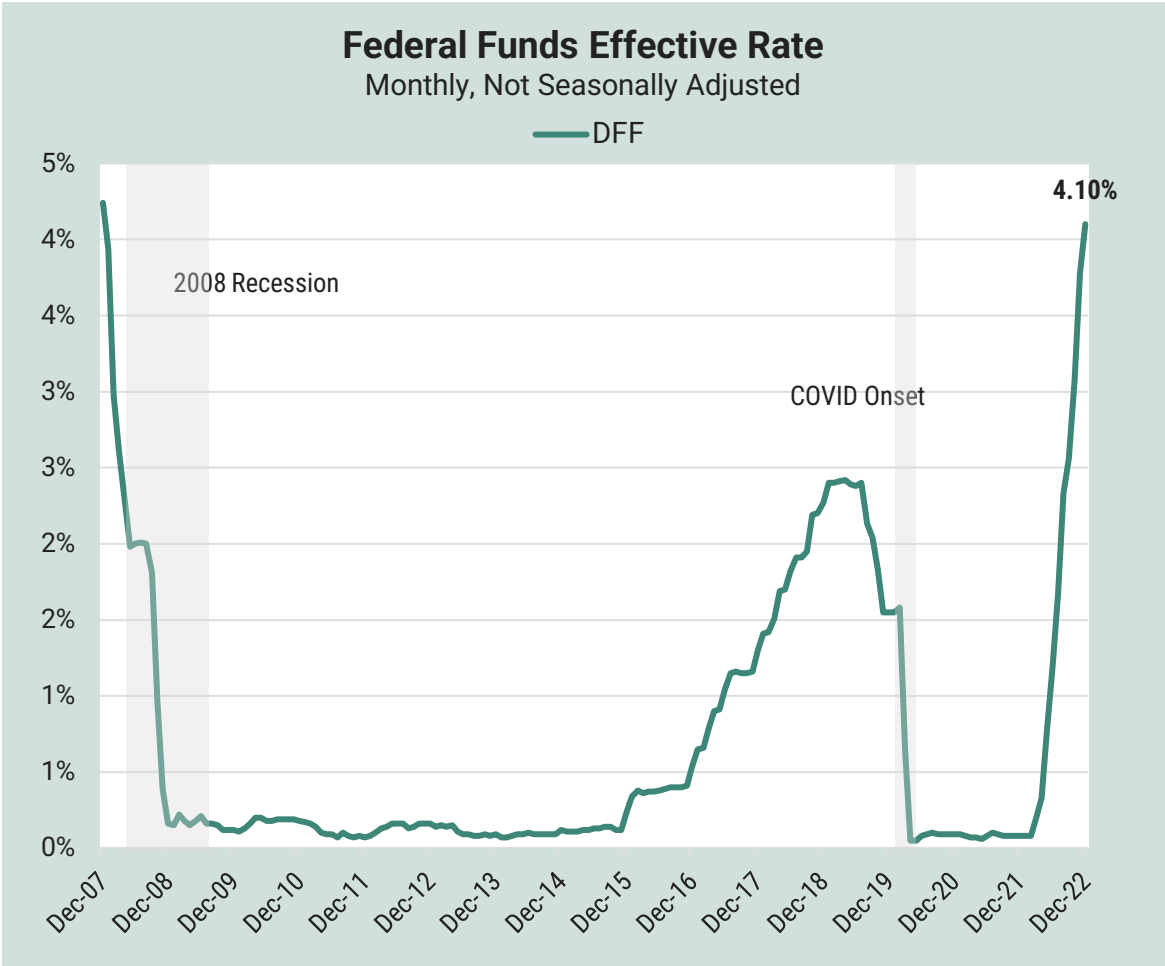
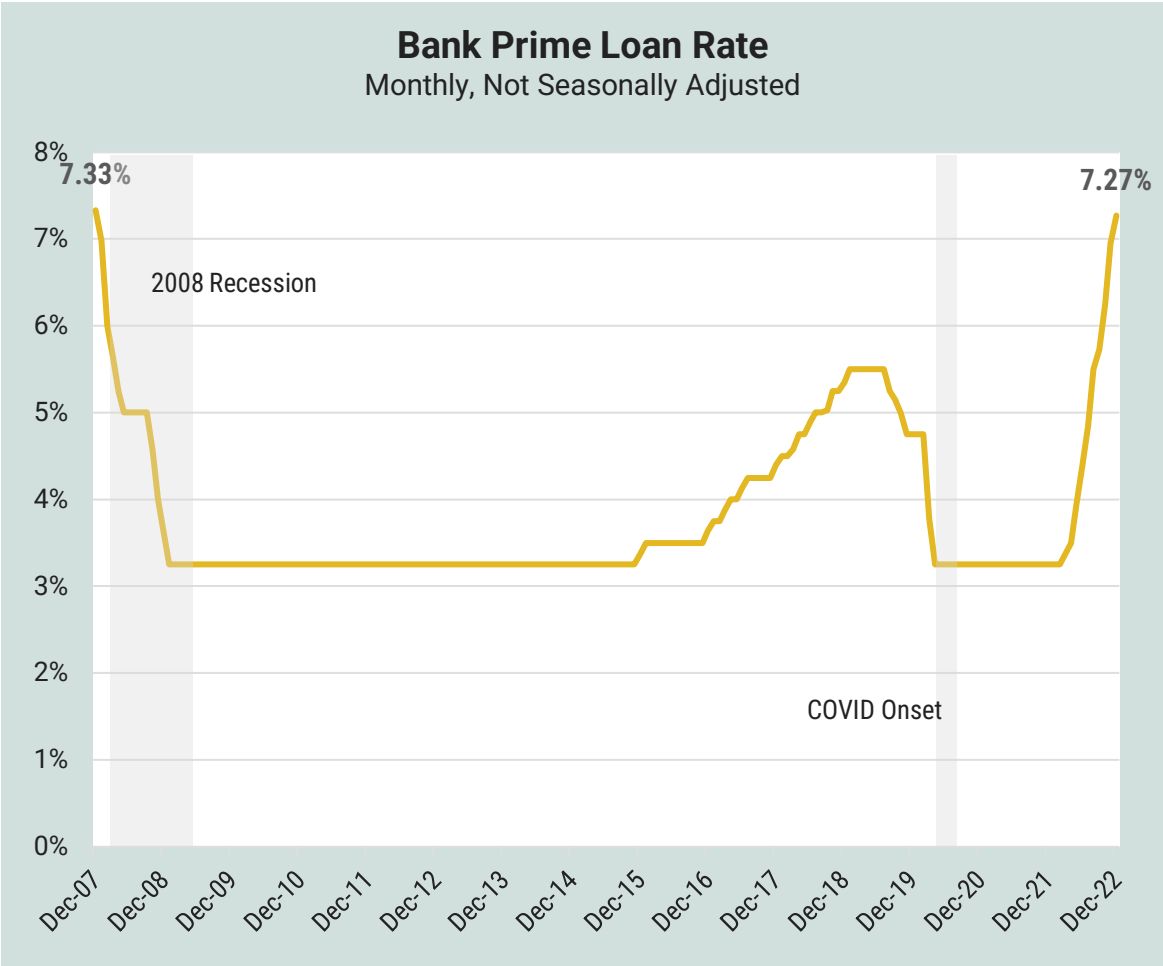
Q3 GDP increase was revised upward to 3.2 percent; updated estimates reflect revisions to consumer spending and nonresidential fixed investment that were partly offset by a downward revision to private inventory



Source: U.S. Bureau of Economic Analysis

Federal Reserve – Interest Rates

Bank Prime Loan Rate rose to nearly 7.3%; Federal Funds Rate increased to 4.1% through mid-December as we anxiously await to see if there will be another uptick



Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis

Consumer Price Index *(non-seasonally adjusted)*

The Consumer Price Index increased 6.5% in December and Core CPI increased 5.7%; food at home (groceries) and food away, and housing continue to drive the overall index; fuel declined slightly YOY

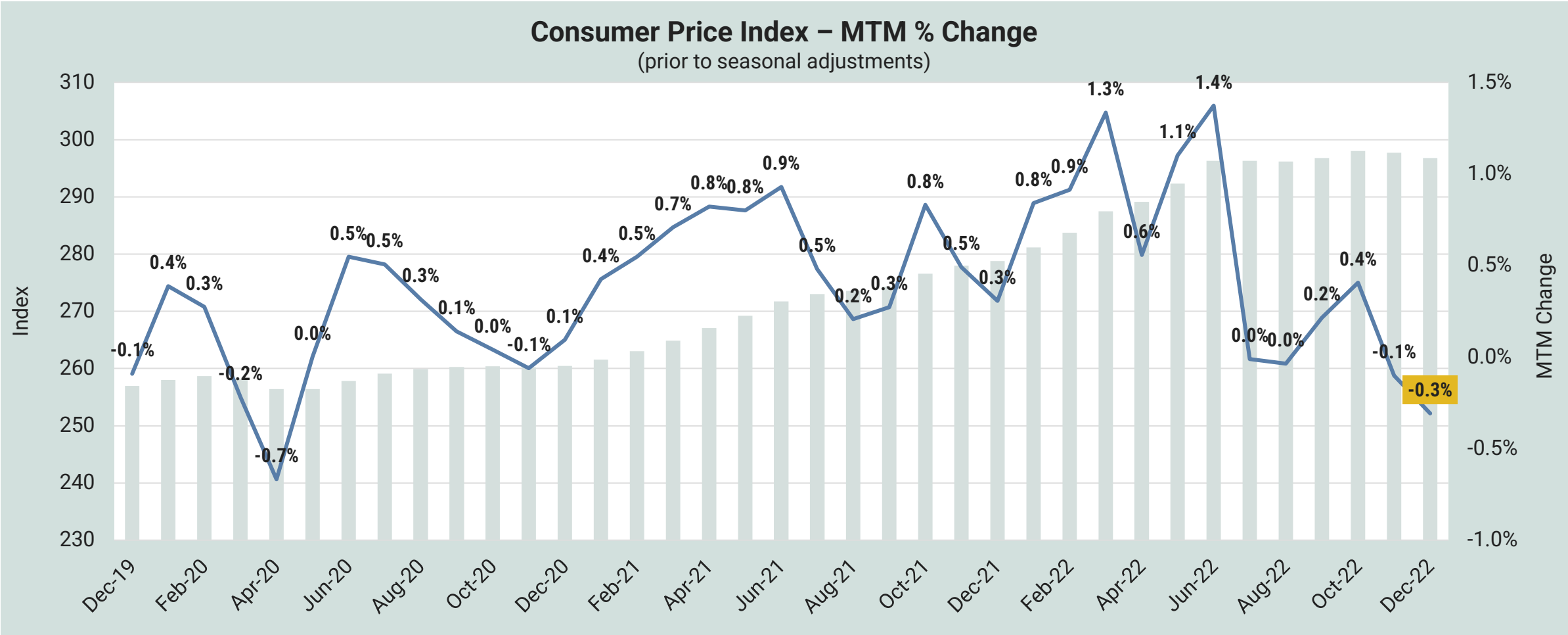
- Food at Home 11.8%
- Food Away From Home 8.3%
- Housing 8.1%
- Fuel -0.9%

	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Total CPI	8.5%	8.3%	8.2%	7.7%	7.1%	6.5%
All Items Less Food & Energy (Core CPI)	5.9%	6.3%	6.6%	6.3%	6.0%	5.7%
Food at Home	13.1%	13.5%	13.0%	12.4%	12.0%	11.8%
Food Away From Home	7.6%	8.0%	8.5%	8.6%	8.5%	8.3%
Motor Fuel	44.5%	26.2%	18.8%	18.1%	10.8%	-0.9%
Apparel	5.1%	5.1%	5.5%	4.1%	3.6%	2.9%
Housing	7.4%	7.8%	8.0%	7.9%	7.8%	8.1%
Education	2.6%	3.1%	3.1%	3.0%	3.1%	3.3%
Medical Care	4.8%	5.4%	6.0%	5.0%	4.2%	4.0%
Transportation	16.4%	13.4%	12.6%	11.2%	7.8%	3.9%

Source: U.S. Bureau of Labor Statistics

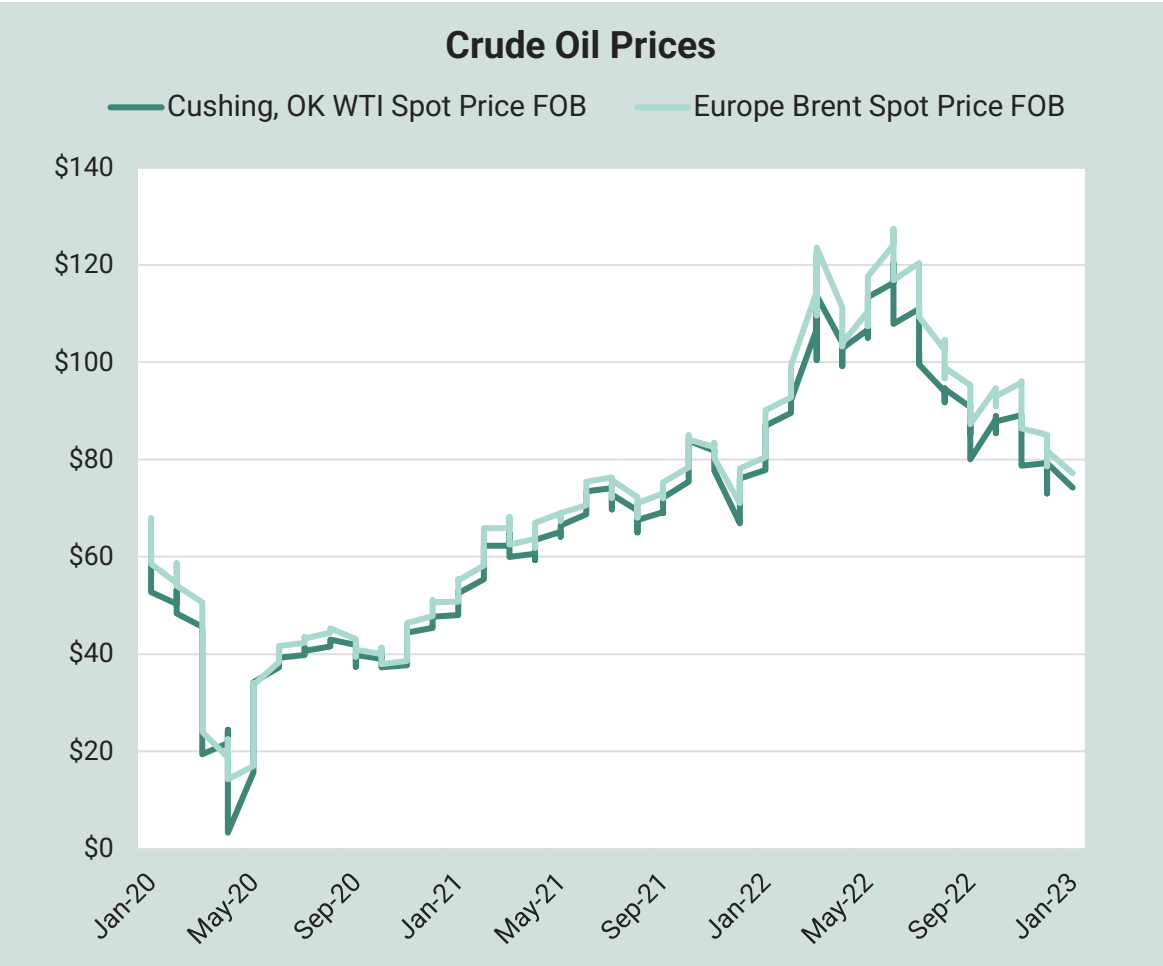
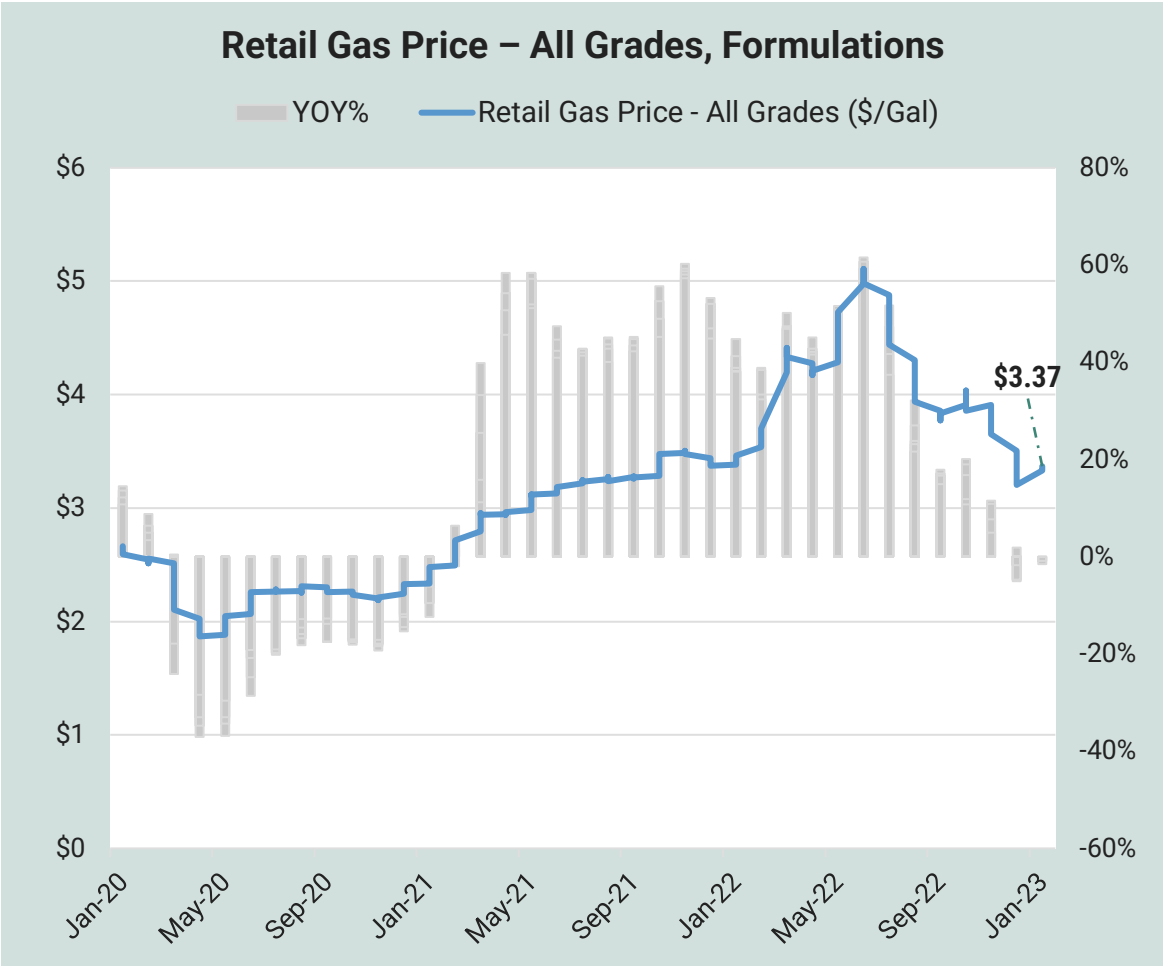
Consumer Price Index – Month-to-Month Trends

On a monthly basis, the CPI for All Urban Consumers (CPI-U) decreased 0.3 percent prior to seasonal adjustments



Gasoline (Retail Price) and Crude Oil Prices

Retail gas prices remain below previous year prices; U.S. EIA is predicting continued decline in gas prices through 2023

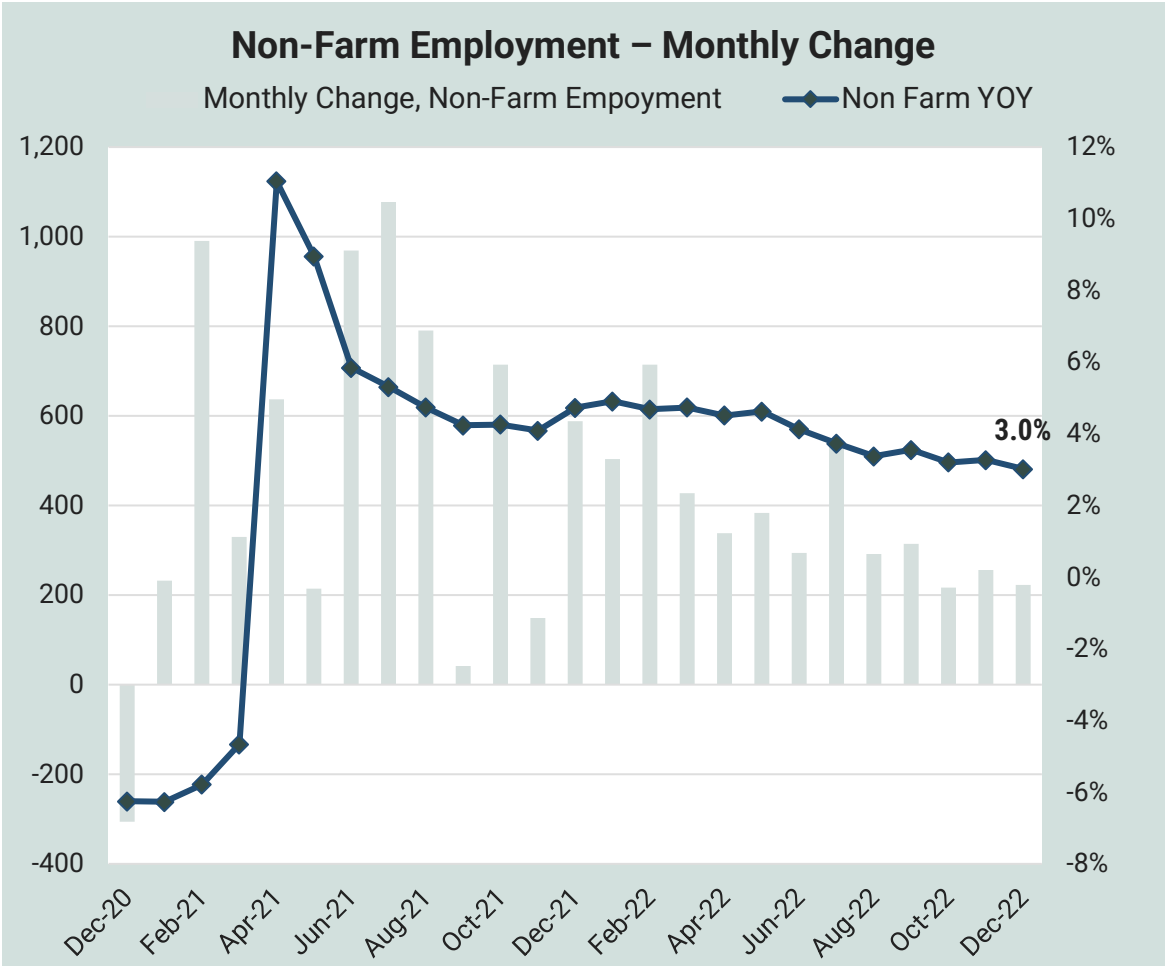
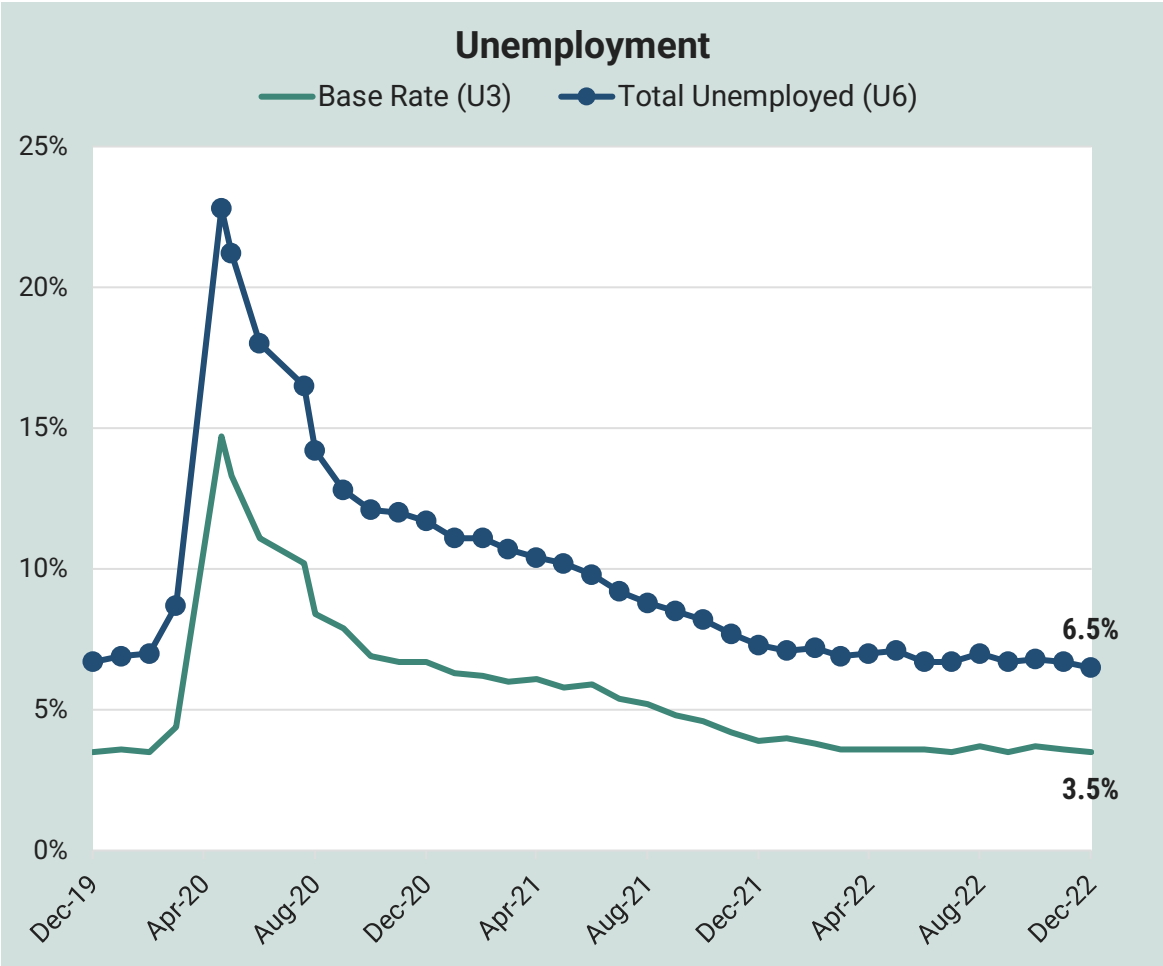


Source: U.S. Energy Information Administration

U.S. Employment

U.S. Employment Overview

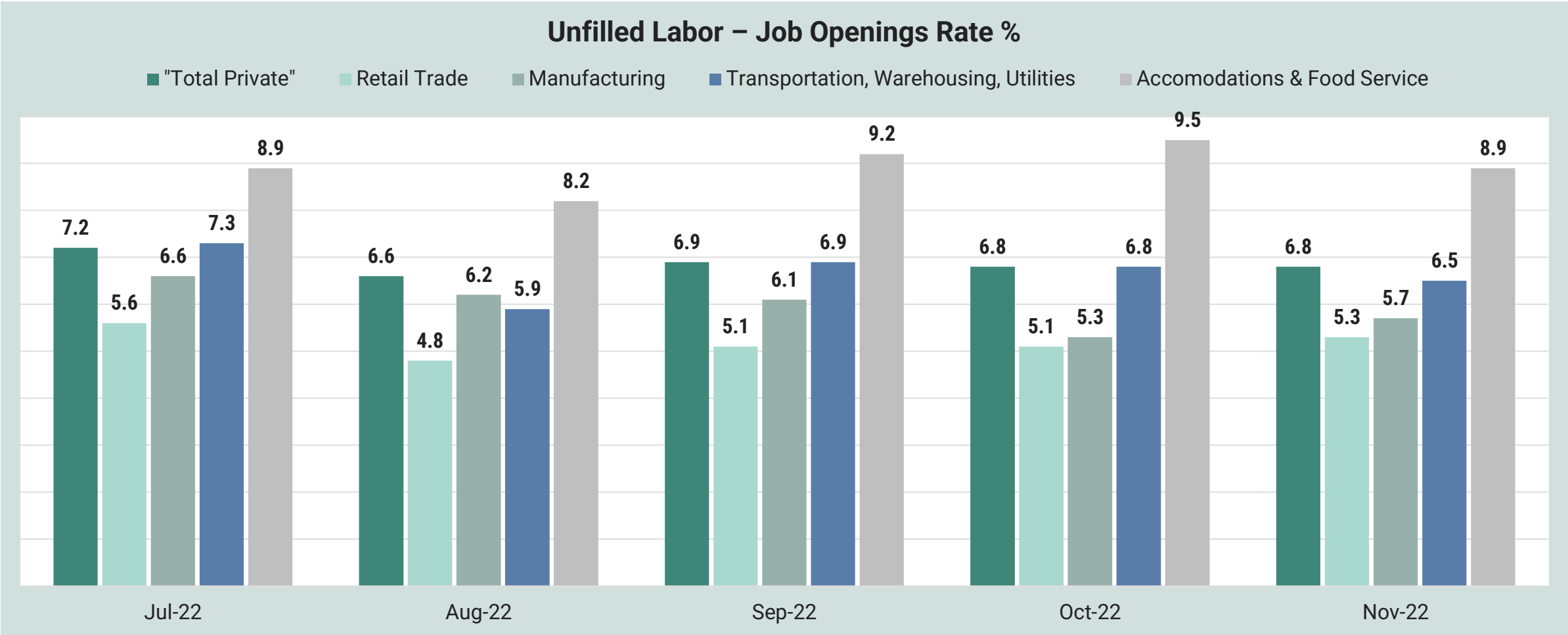
Unemployment dropped slightly to 3.5%; non-farm employment was up 3.0% month-to-month



Source: U.S. Bureau of Labor Statistics

Private Industry Labor – Job Openings

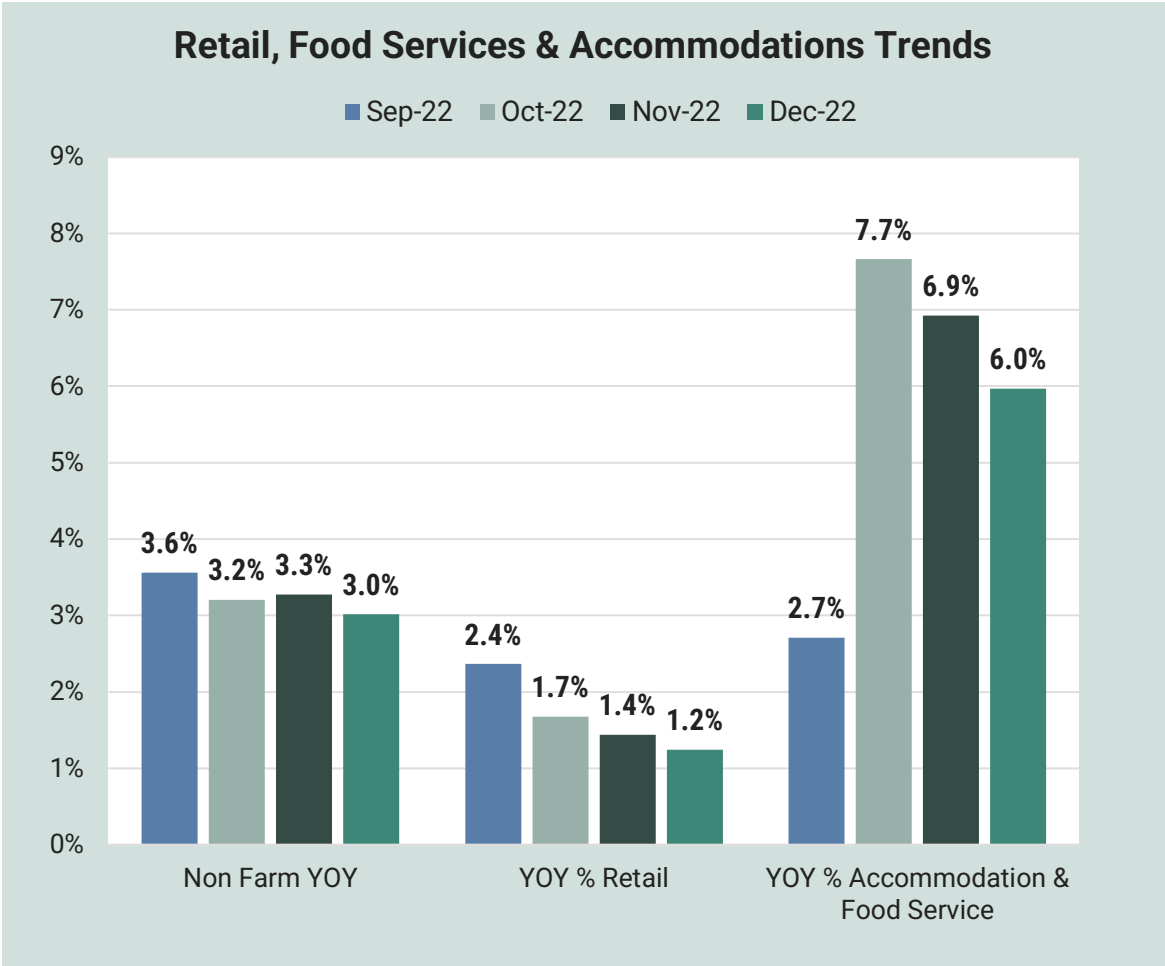
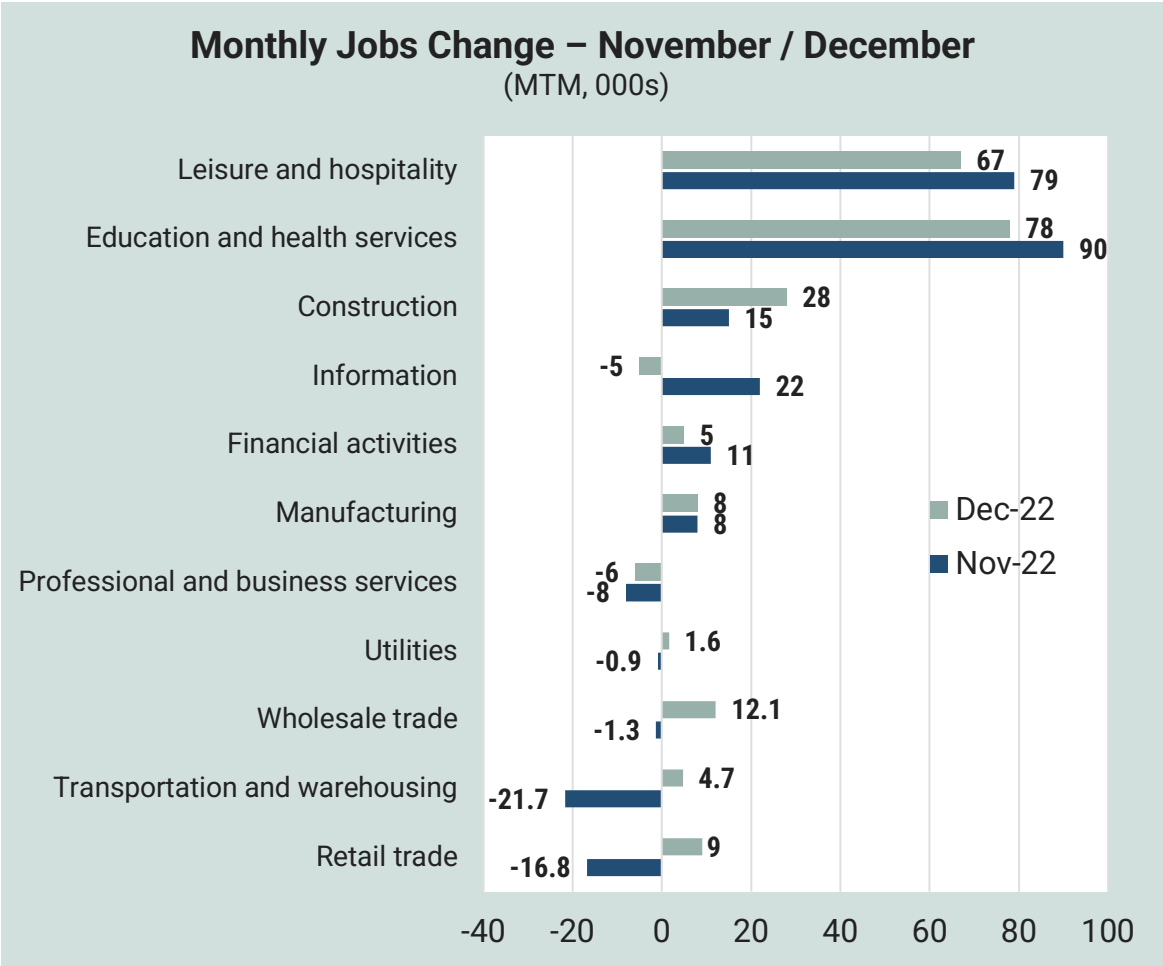
Job openings remain relatively stable and continue to challenge businesses especially in warehousing, transportation and food service



Source: U.S. Bureau of Labor Statistics; job openings rate = number of job openings on the last business day of the month as a percent of total employment plus job openings

Industry Employment Trends

Several industries showed MTM jobs increases; retail increased in December as well after a November MTM decline



Source: U.S. Bureau of Labor Statistics

Supply Chain

Global Supply Chain Index

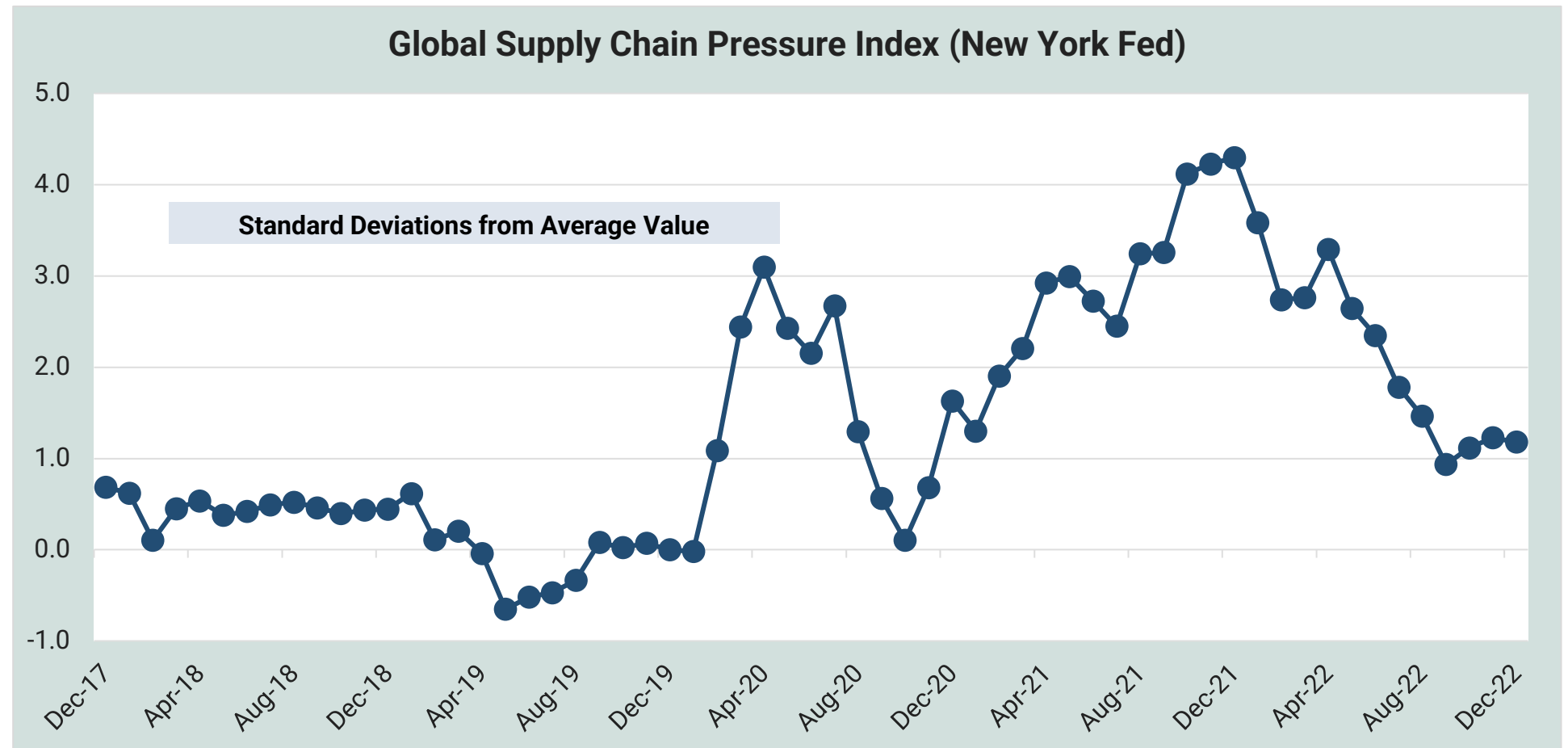
Global supply chain pressures decreased in December, reversing recent upward trend of last two months, despite upward supply chain pressures from Korean delivery times and Taiwanese inventories

The GSCPI tracks the state of global supply chains using data from the transportation and manufacturing sectors.

The GSCPI is not an official estimate of the Federal Reserve Bank of New York, its President, the Federal Reserve System, or the Federal Open Market Committee.

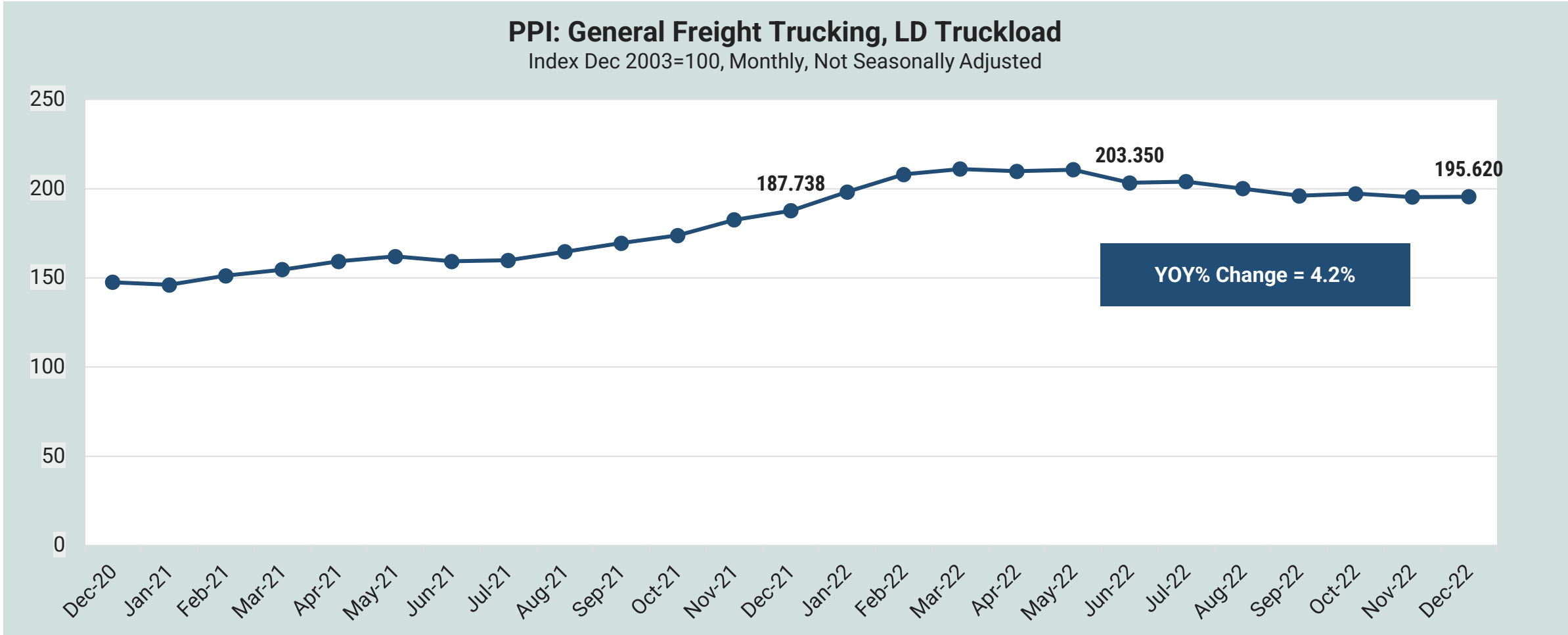
The GSCPI is a product of the Applied Macroeconomics and Econometrics Center (AMEC).

<https://www.newyorkfed.org/research/policy/gscpi/#/overview>



Freight Inflation - Trucking

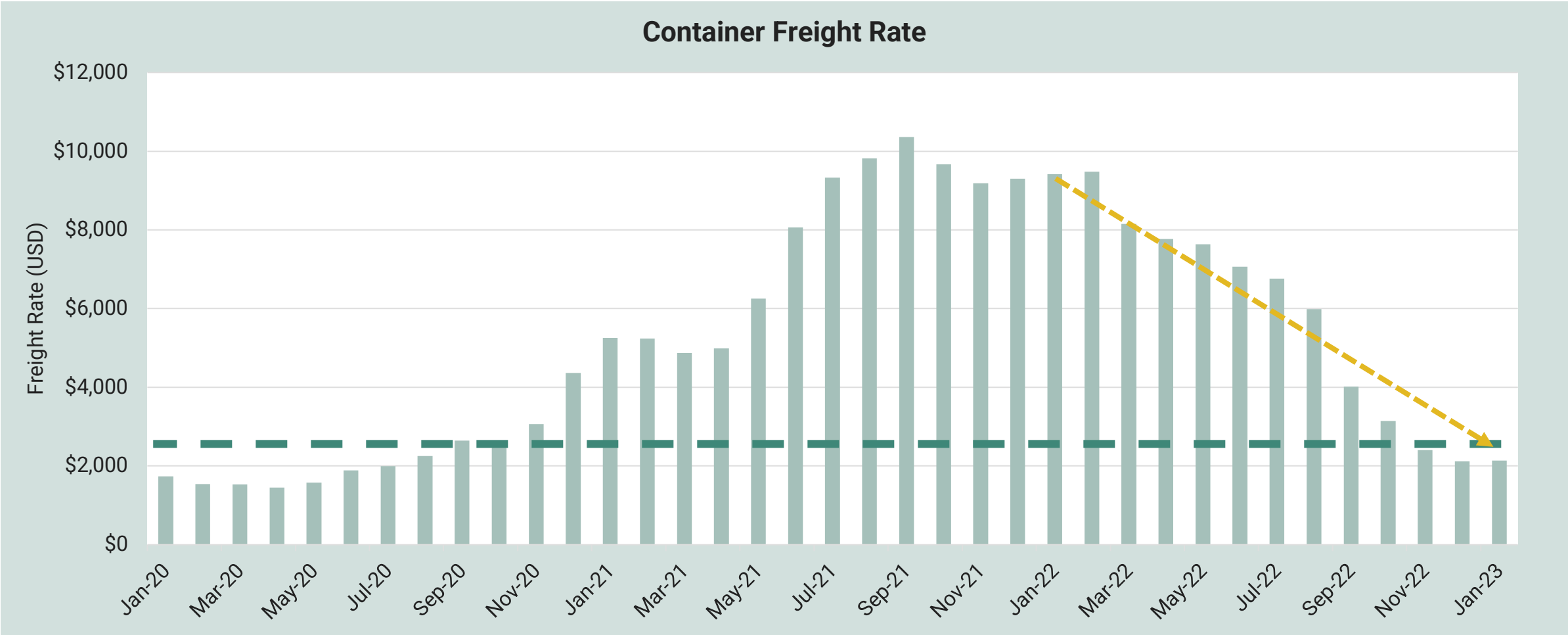
Through December 2022, general freight trucking is 4.2% over last year and flat to previous month



Source: U.S. Bureau of Labor Statistics, FRED, Federal Reserve Bank of St. Louis

Global Container Freight Rate Index

Container rates have stabilized and are 78% lower than the same period last year

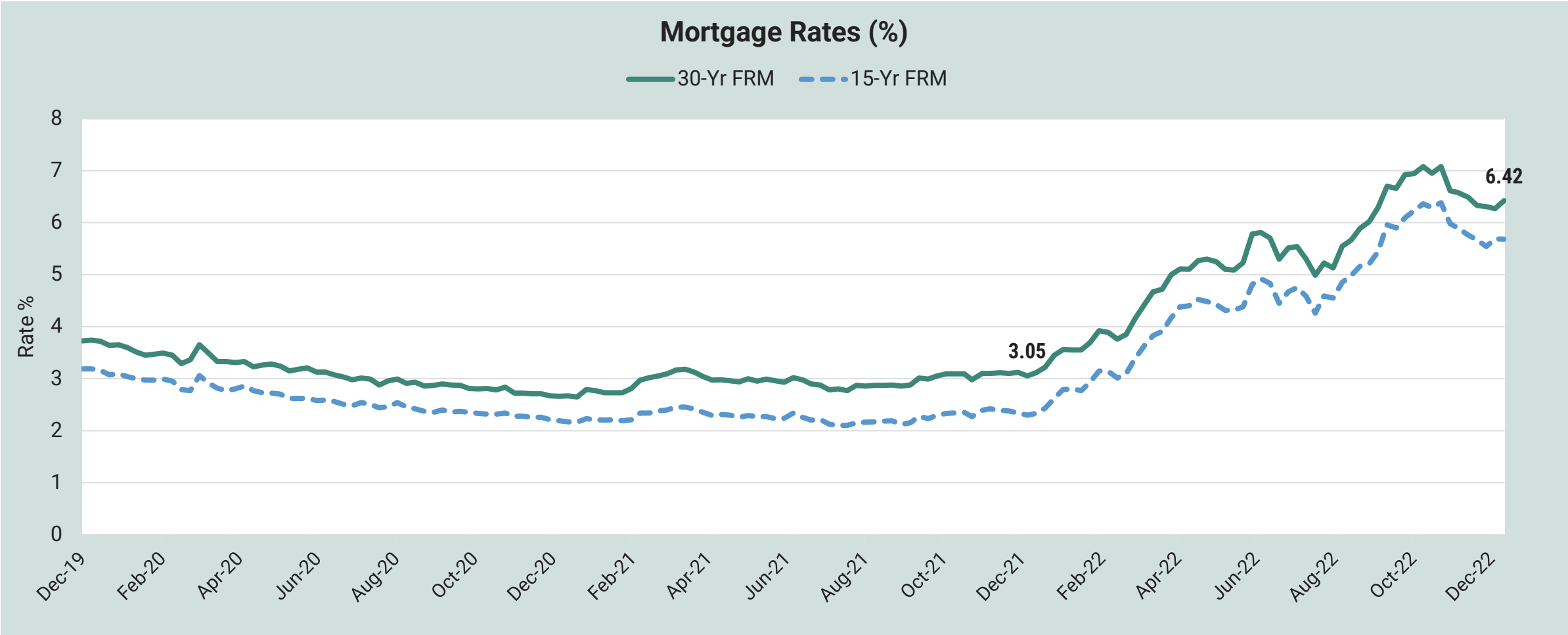


Source: Drewry, <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>

Housing

Mortgage Rates

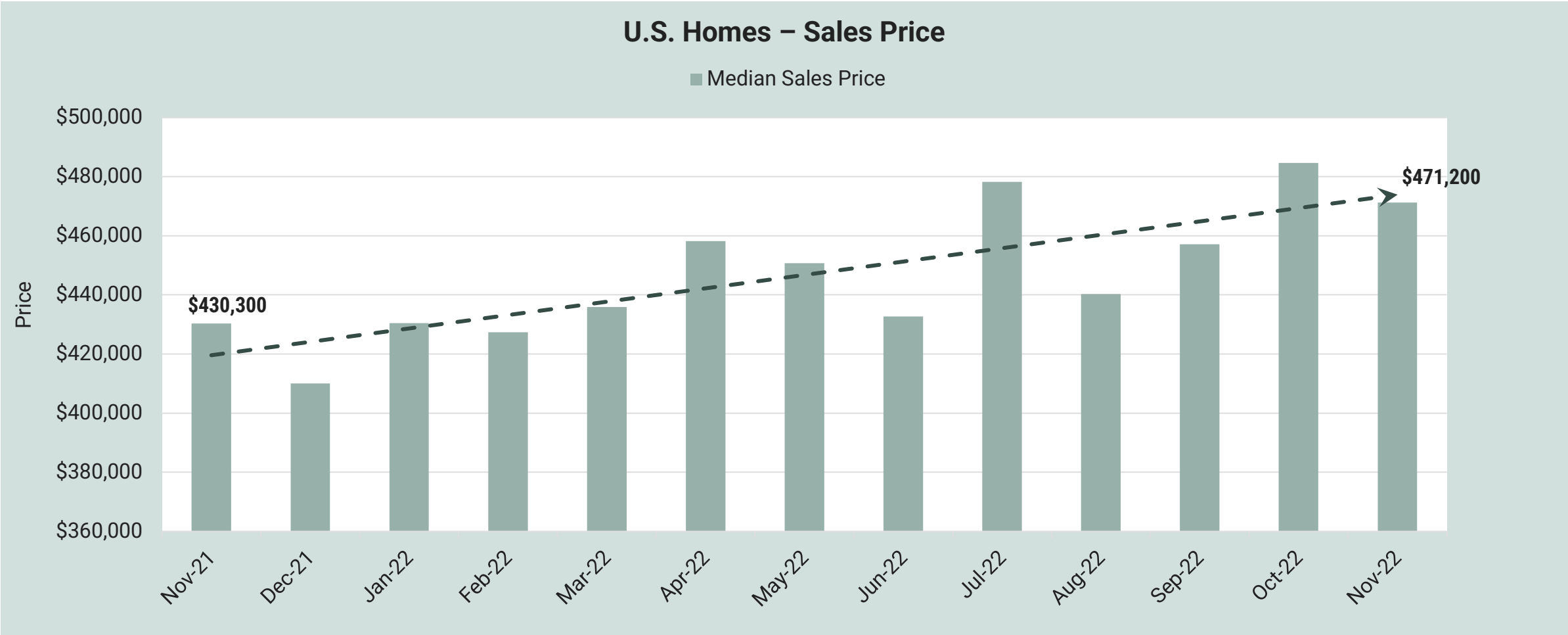
30-year prime stood at 6.42% in December; housing markets continue to feel the impact of inflation and mortgage rates



Source: FreddieMac Mortgage Market Survey, <https://www.freddiemac.com/pmms/archive?year=2022>

U.S. Housing – New Home Prices

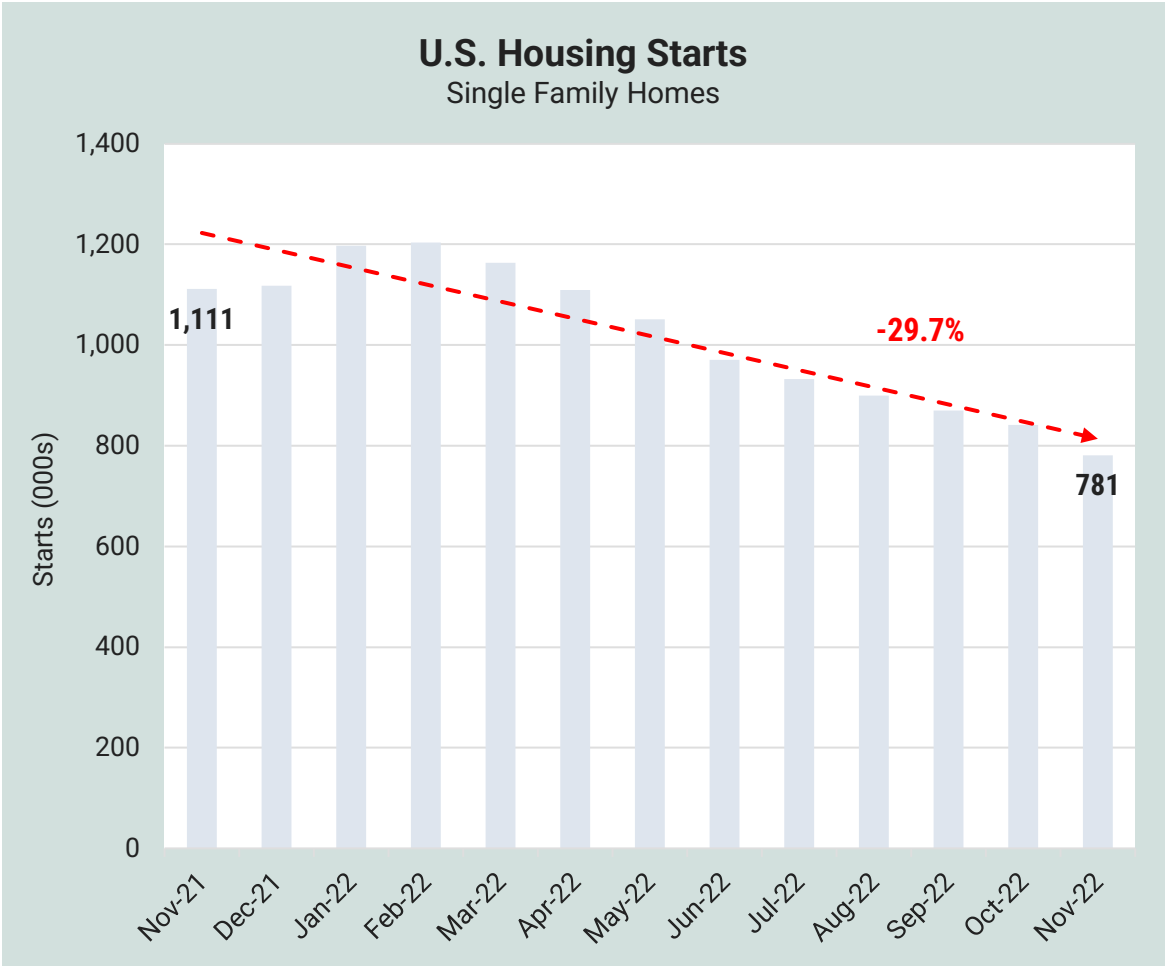
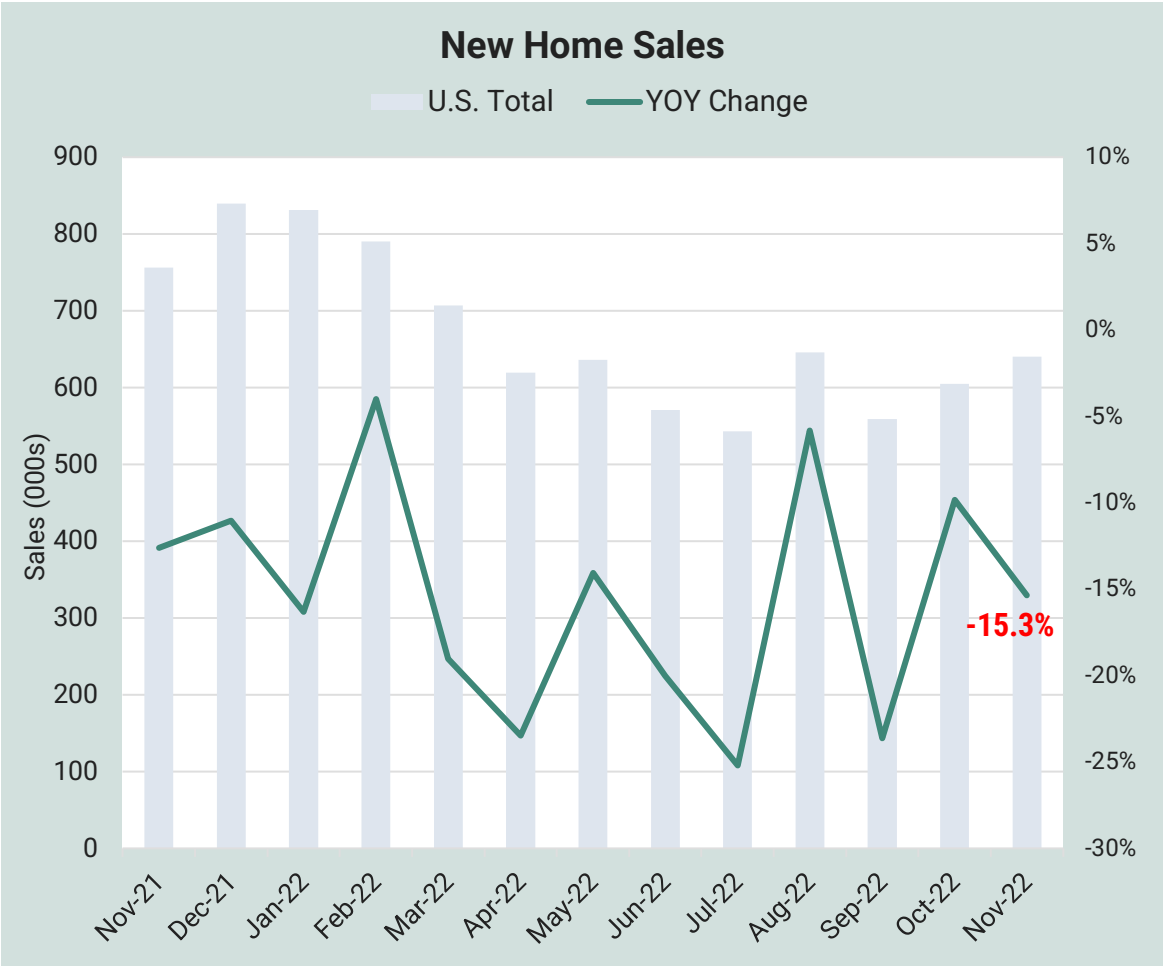
Through November, the median new home sales price was \$471,000, 9.5% above last year



Source: U.S. Census Bureau, Federal Reserve Bank of St. Louis, Economic Research Division

Housing – New Home Sales and Starts

Single-family home sales in November were down 15.3% vs. 2021; single family housing starts decreased 29.7%



Source: U.S. Census Bureau

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Automotive



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& Natural Resources



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Gaming & Leisure



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Sector



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Construction



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