



PERFORMANCE IMPROVEMENT

# U.S. Economic Overview

Consumers and the Macro Economy

JUNE 2023



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# Summary

# Summary

- **Unemployment** remains below 4% at 3.7%; non-farm employment was up 2.7% month-to-month, with employment rising by 339,000 in May
- **Consumer debt** reached a new high in Q1 – passing \$17 trillion for the first time ever – and consumers continue to take on more revolving credit; revolving credit debt rose 12.7% over 2022 and total consumer credit increased 6.4%
- **Consumer sentiment** increased 8% in June, hitting the highest level in four months; the rise is attributable to easing inflation and resolution of the debt crisis – while still at historically low levels, sentiment is 28% above the historic low of June 2022
- **Retail sales** increased 3.9% over 2022 – MTM sales increased 0.4%; economists generally were expecting flat to slightly decreasing sales vs. April
  - *Food services and drinking places increased 8% YOY*
  - *Other than non-discretionary categories and e-commerce, most key retail segments experienced YOY sales declines again in May*
- The **Consumer Price Index** increased 4.0% YOY, with Core CPI up 5.3% - retail gas prices continue to decline, down 18% YOY to \$3.64 / gallon nationally through mid-May vs. \$4.43 last year
  - *The index for shelter was again a large contributor to the monthly all items increase, as was price inflation for food at and away from home*
- **Air travel** continues to increase among U.S. travelers; year-to-date, TSA checkpoint numbers are up 14%
  - *The cost of air travel declined 3% MTM, and was nearly 13.4% lower than last year*
- **Bank Prime** Loan Rate rose to 8.23%; **Federal Funds Rate** increased to 5.06% through May
- **30-year FRM rate** of 6.79%, above last year's rate of 5.09%; 15-year rate now above 6%
- **New home sales** increased nearly 12% over last year – boosted in large part by low inventory of available homes, but **housing starts** decreased 22.3%
- **Global Supply Chain Index (GSCPI)** decreased in May, falling to -1.71 from -1.35; there were significant downward contributions from Great Britain backlogs and Taiwan delivery times, Euro Area delivery times and backlogs exhibited the largest sources of upward pressure in May
  - *General freight trucking cost is down 13.7% over last year and 1.4% lower than previous month*
- **Back-to-School** could be impacted just as the shopping season gets started if UPS does not reach an agreement by end of July to avert a potential strike as union contract discussions are currently stifled
- **Inventories** for April increased 7.6% above 2022; companies will continue face challenges going forward as retail sales remain muted for many segments in May
- In the **current economic environment**, retailers must focus on a multi-prong operational improvement approach to drive inventory effectiveness, labor optimization, and operating efficiencies while driving traffic and conversion– crucial for companies to focus on capturing value from changing consumer dynamics to ensure success in the evolving and tenuous retail landscape

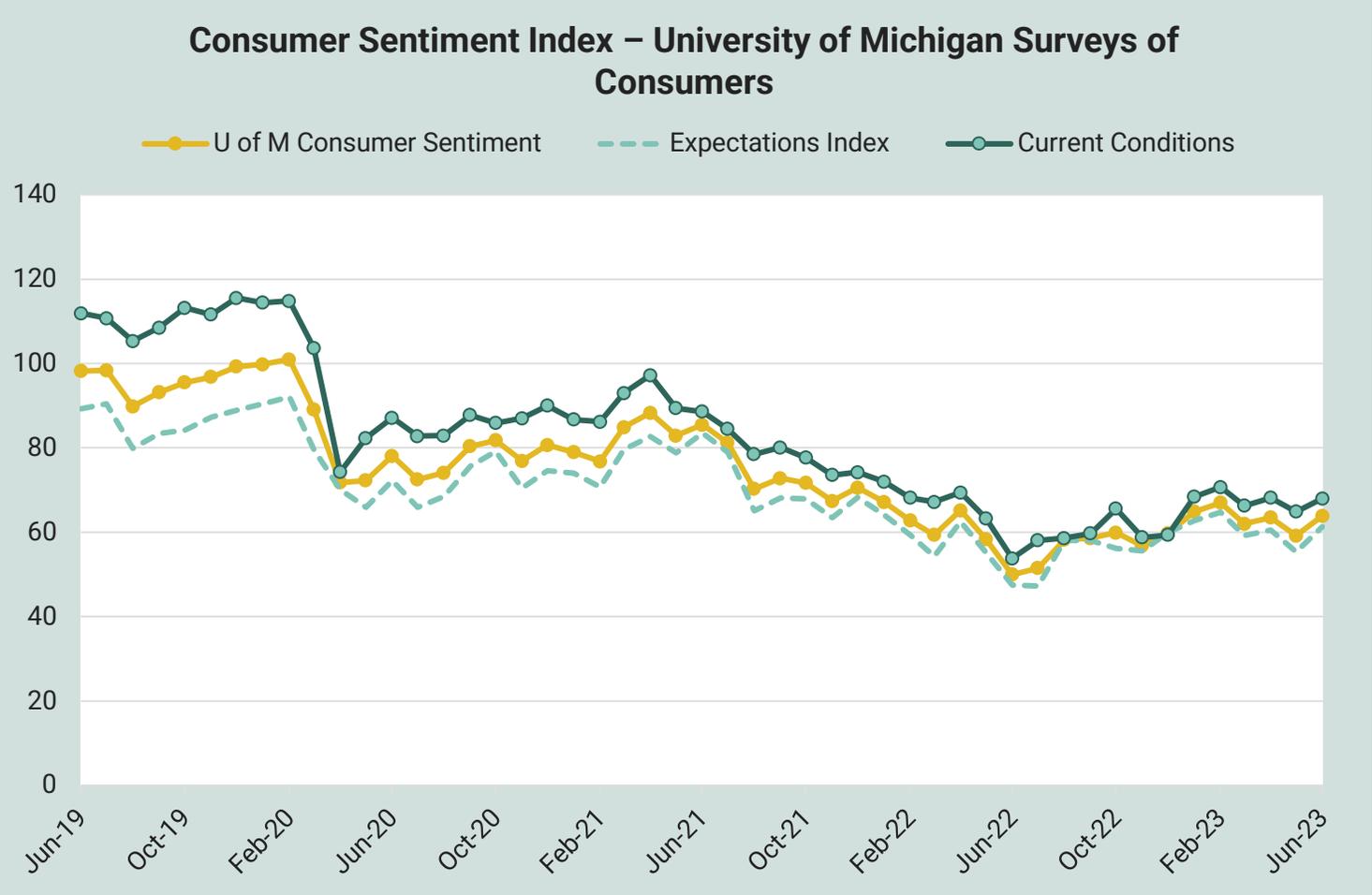
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# Key Consumer Metrics

# Consumer Sentiment Index

Sentiment increased 8% in June, hitting the highest level in four months; the rise is attributable to easing inflation and resolution of the debt crisis – while still at historically low levels, sentiment is 28% above the historic low of June 2022

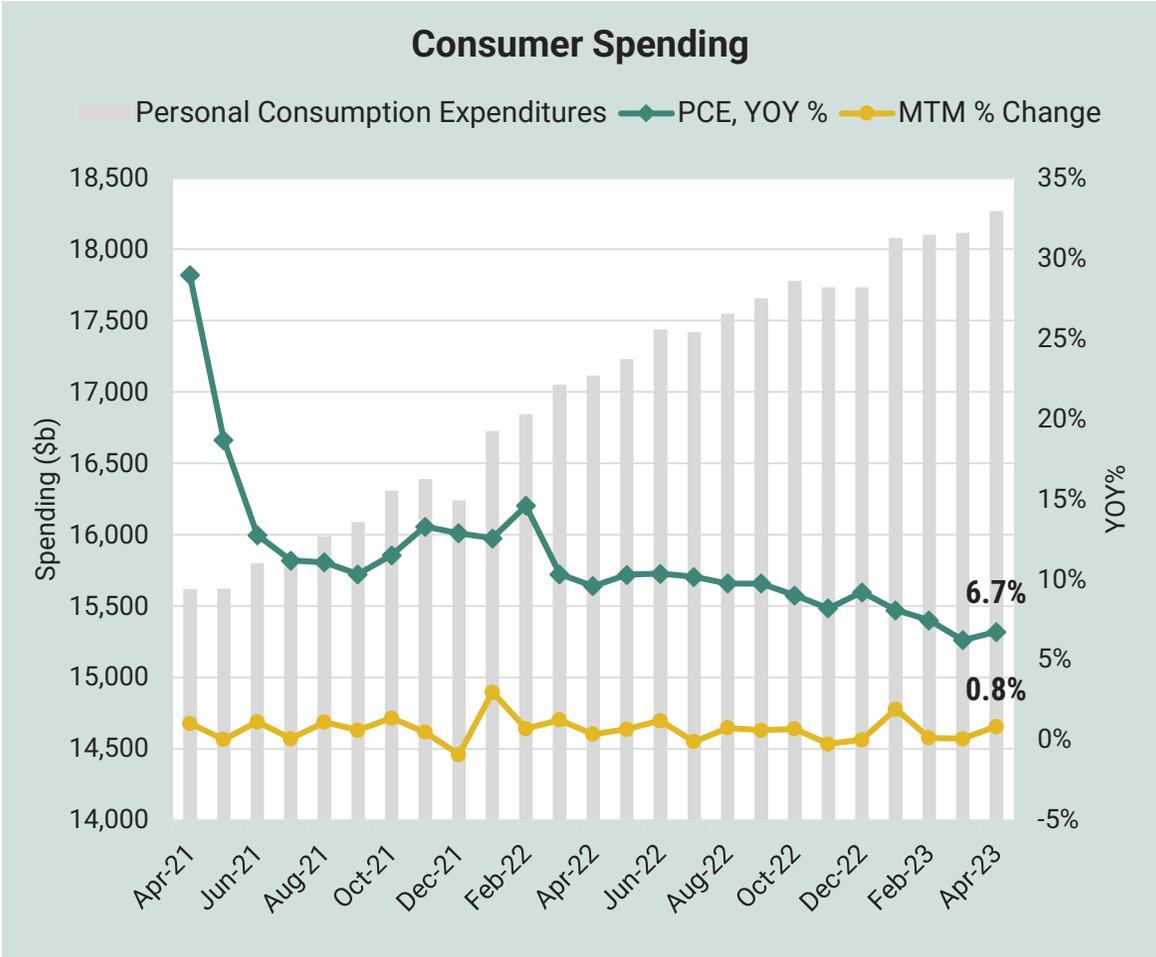
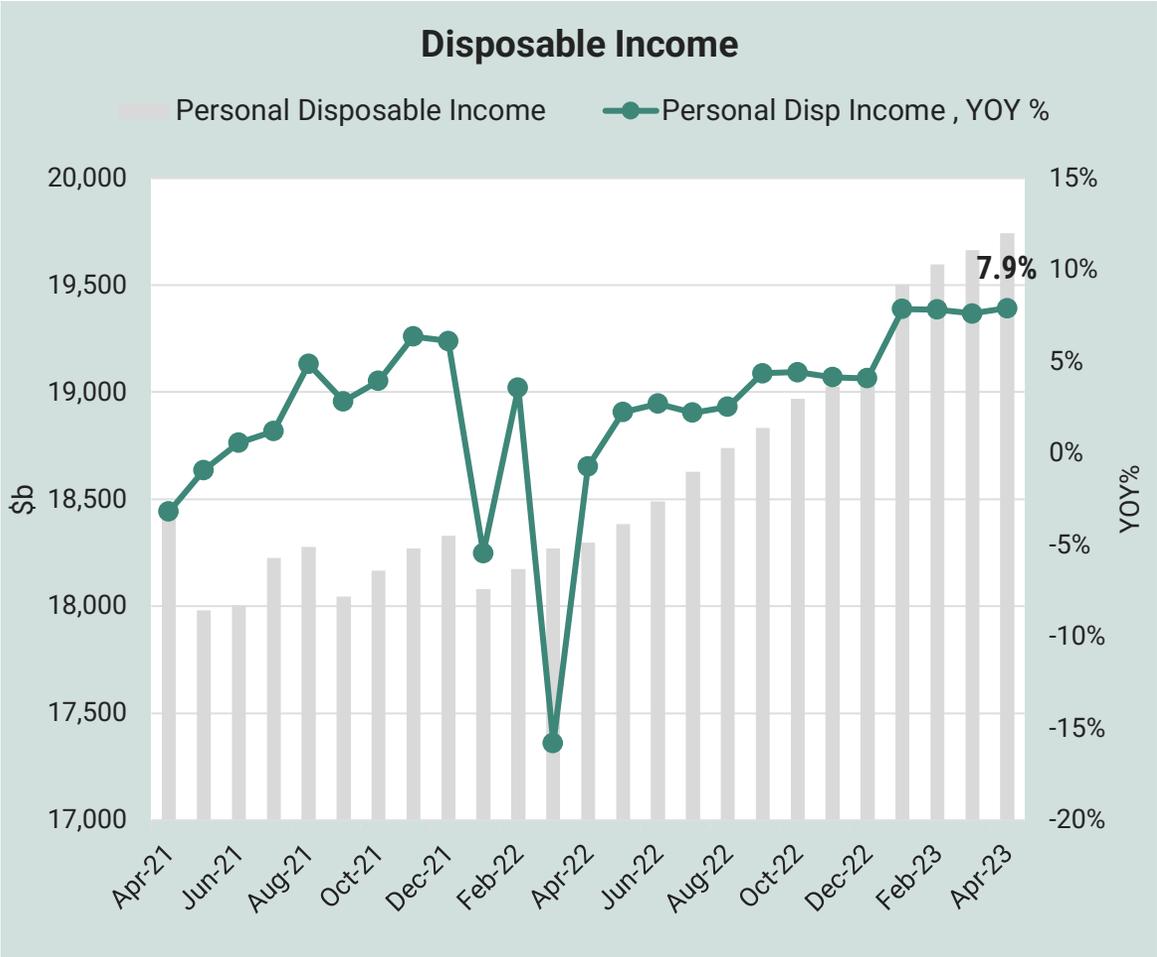
	Consumer Sentiment	Expectations Index	Current Conditions
2-Year High	85.5	83.5	89.4
2-Year Avg.	65.0	62.1	69.6
2-Year Low	50.0	47.3	53.8
Current	57.7	53.4	64.5
LY	58.4	55.2	63.3
YOY % Change	-1.2%	-3.3%	1.9%
Previous Month	63.5	60.5	68.2
MTM % Change	-9.1%	-11.7%	-5.4%



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 7.9% in April 2023; consumer expenditures increased 6.7% YOY and was up slightly compared to previous month



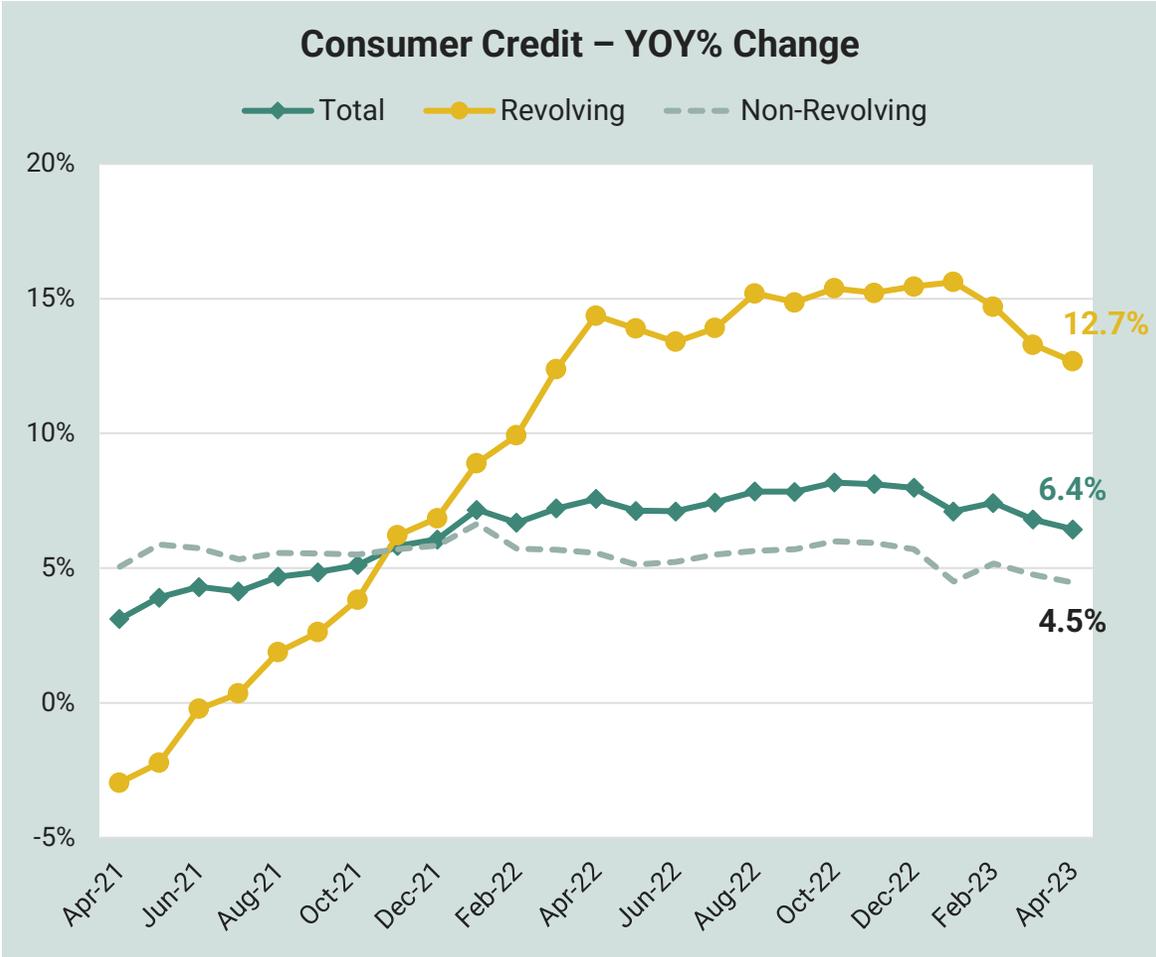
Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting

# Personal Savings & Consumer Credit

Personal savings rate rose slightly in April to 4.1%; revolving credit debt rose 12.7% over 2022, total consumer credit increased 6.4%



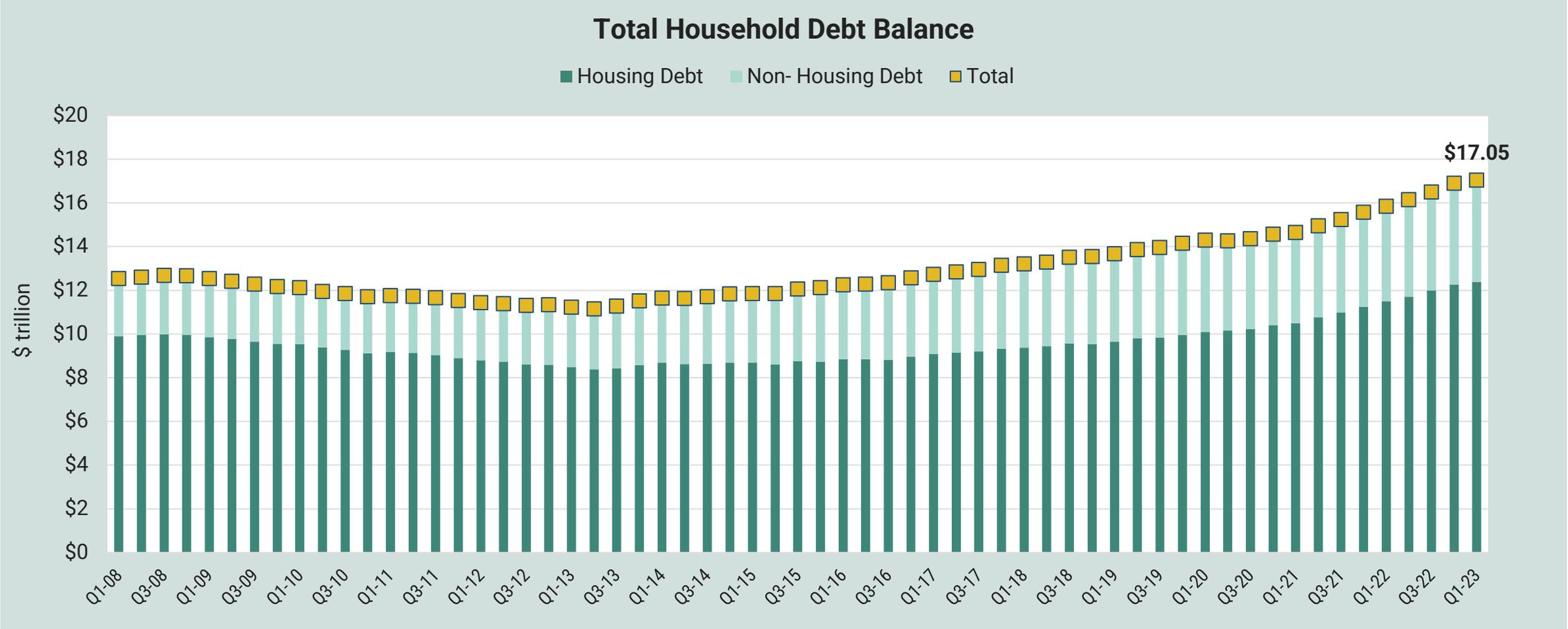
Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting



Source: U.S. Federal Reserve, 2-month lag in reporting

# Total Consumer Debt

Total household debt stands at \$17.05 trillion through Q1-2023; despite a slowdown in new mortgage loans, this is a new high and the first-time household debt has passed the \$17 trillion mark



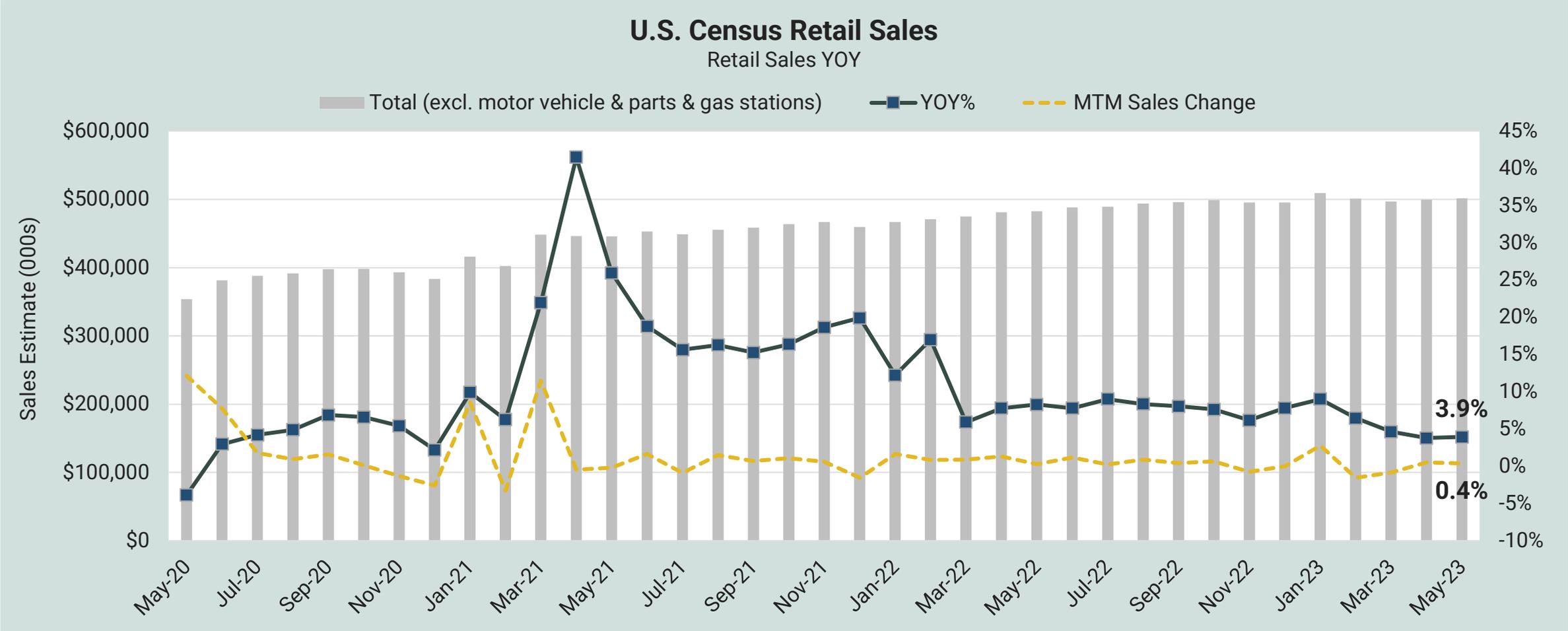
<https://www.newyorkfed.org/microeconomics/hhdc.html>

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# U.S. Retail – Sales & Inventories

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

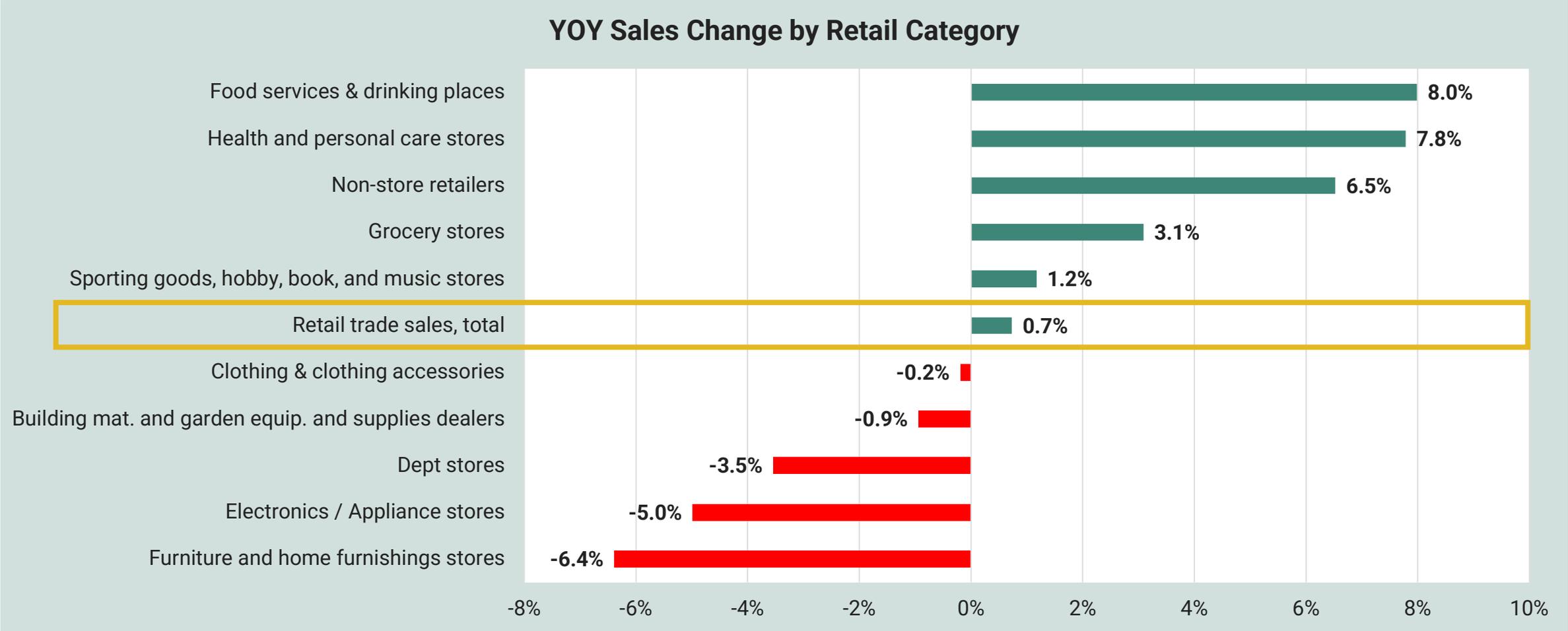
**May retail sales increased 3.9% over 2022 – MTM sales increased just 0.4%; economists generally were expecting flat to slightly decreasing sales vs. April**



Source: U.S. Census Bureau

# U.S. Retail Sales by Retail Category

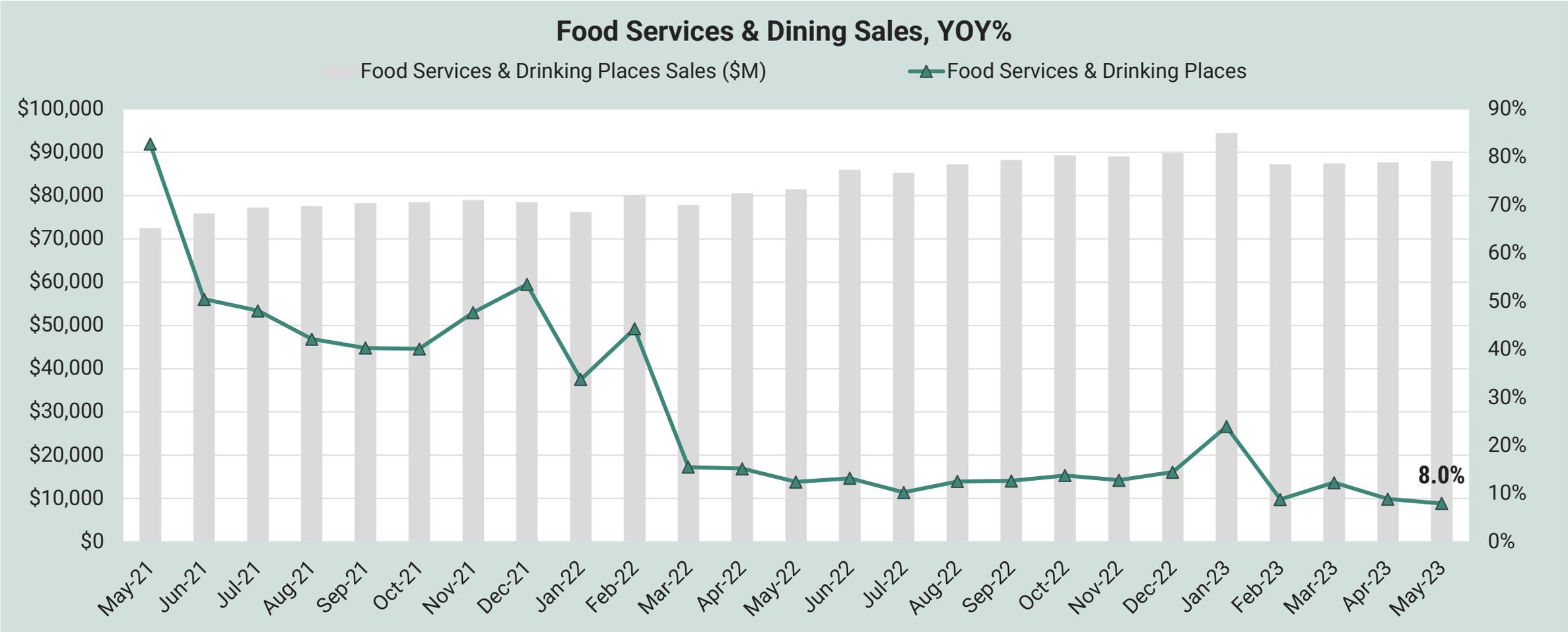
Other than non-discretionary categories and e-commerce, most key retail segments again experienced YOY sales declines in May; Food Services and Dining increased 8%



Source: U.S. Census Bureau

# U.S. Retail Sales – Food Services & Dining

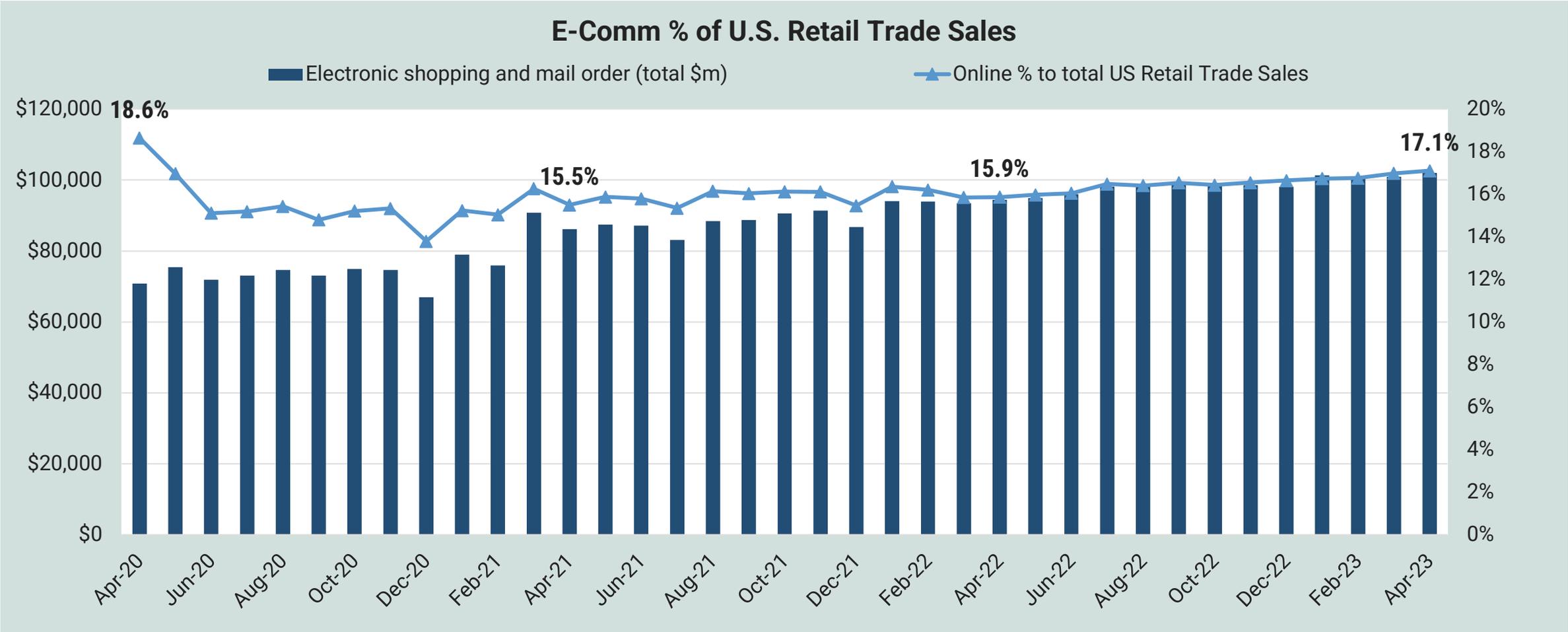
**Food Services / Dining continues to show YOY gains, increasing 8.0% in April**



Source: U.S. Census Bureau

# U.S. Retail Sales – E-Commerce

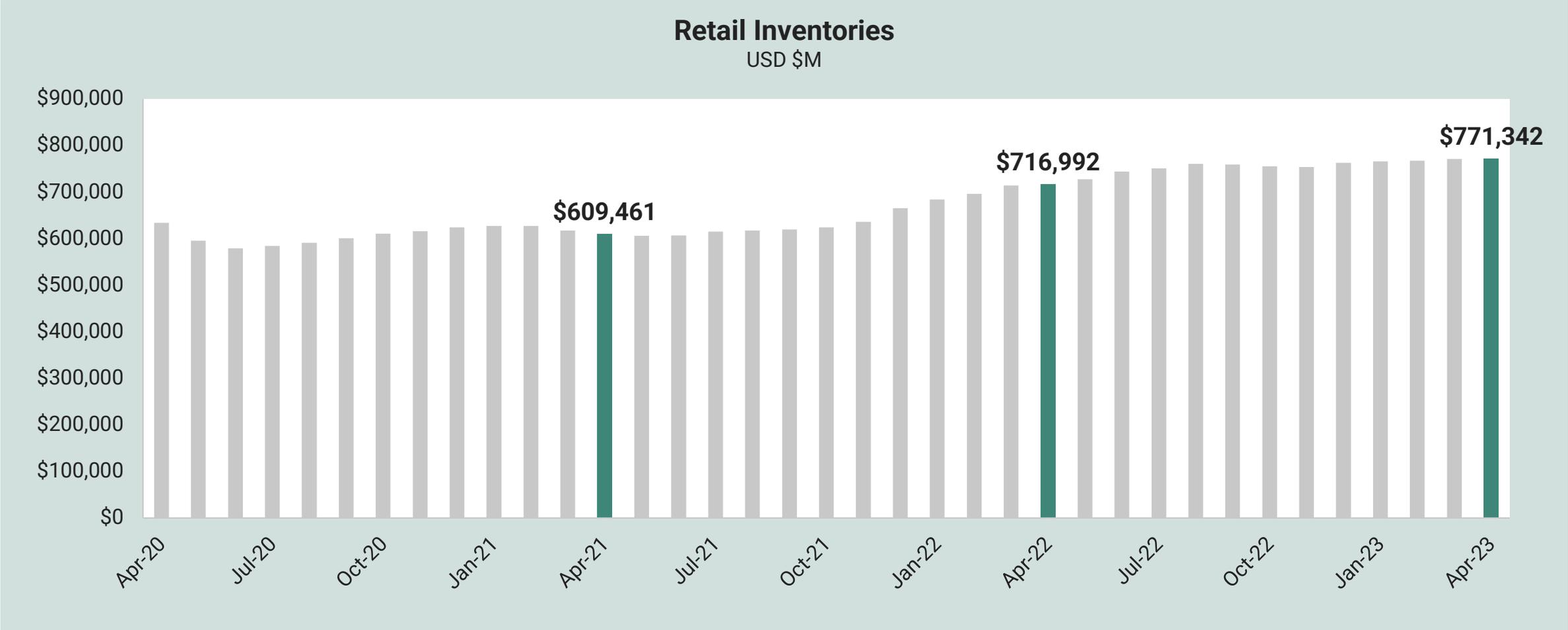
E-comm % of Retail Trade Sales remained stable at 17% through April 2023



Source: U.S. Census Bureau

# Retail Inventories

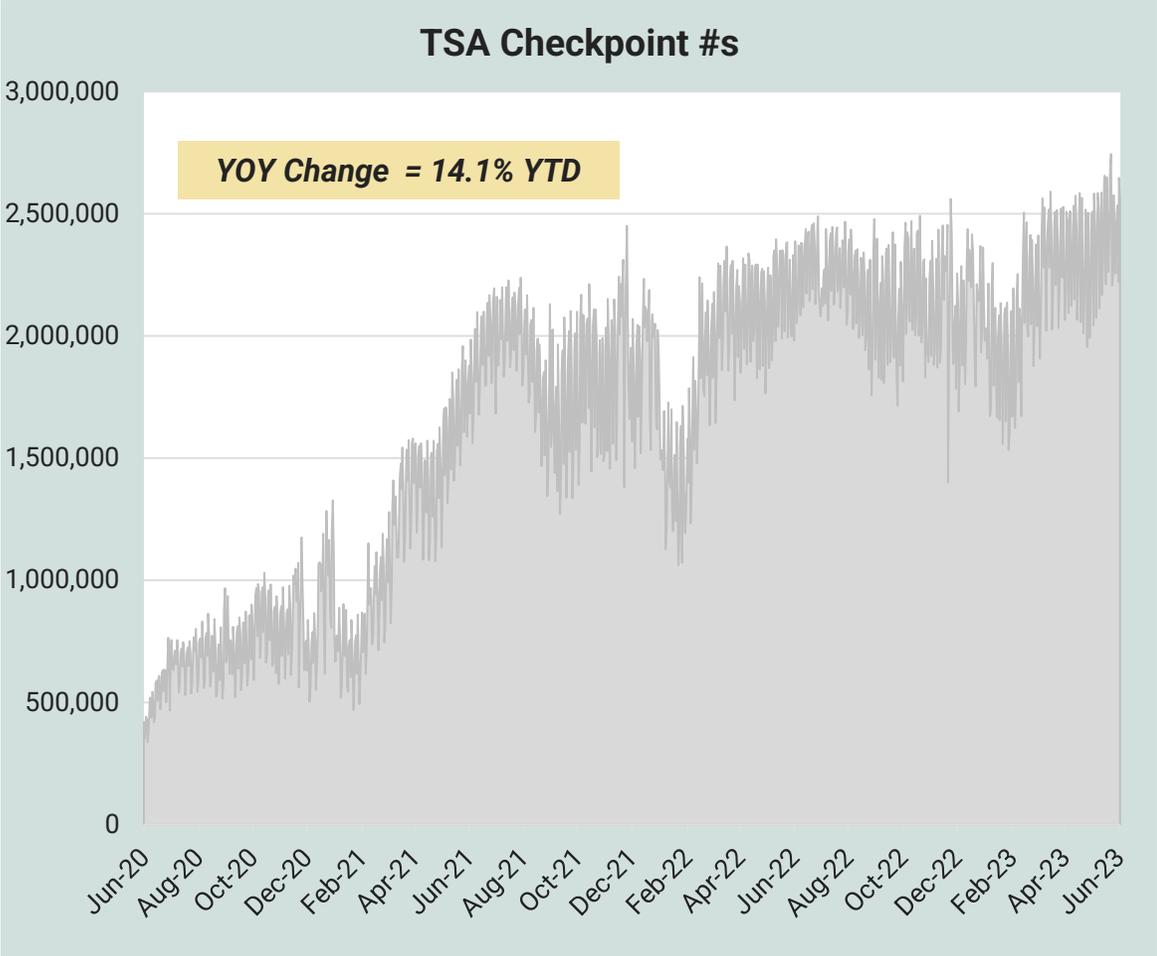
Inventories for April increased 7.6% above 2022; companies will continue face challenges going forward as retail sales remained muted for many segments in May



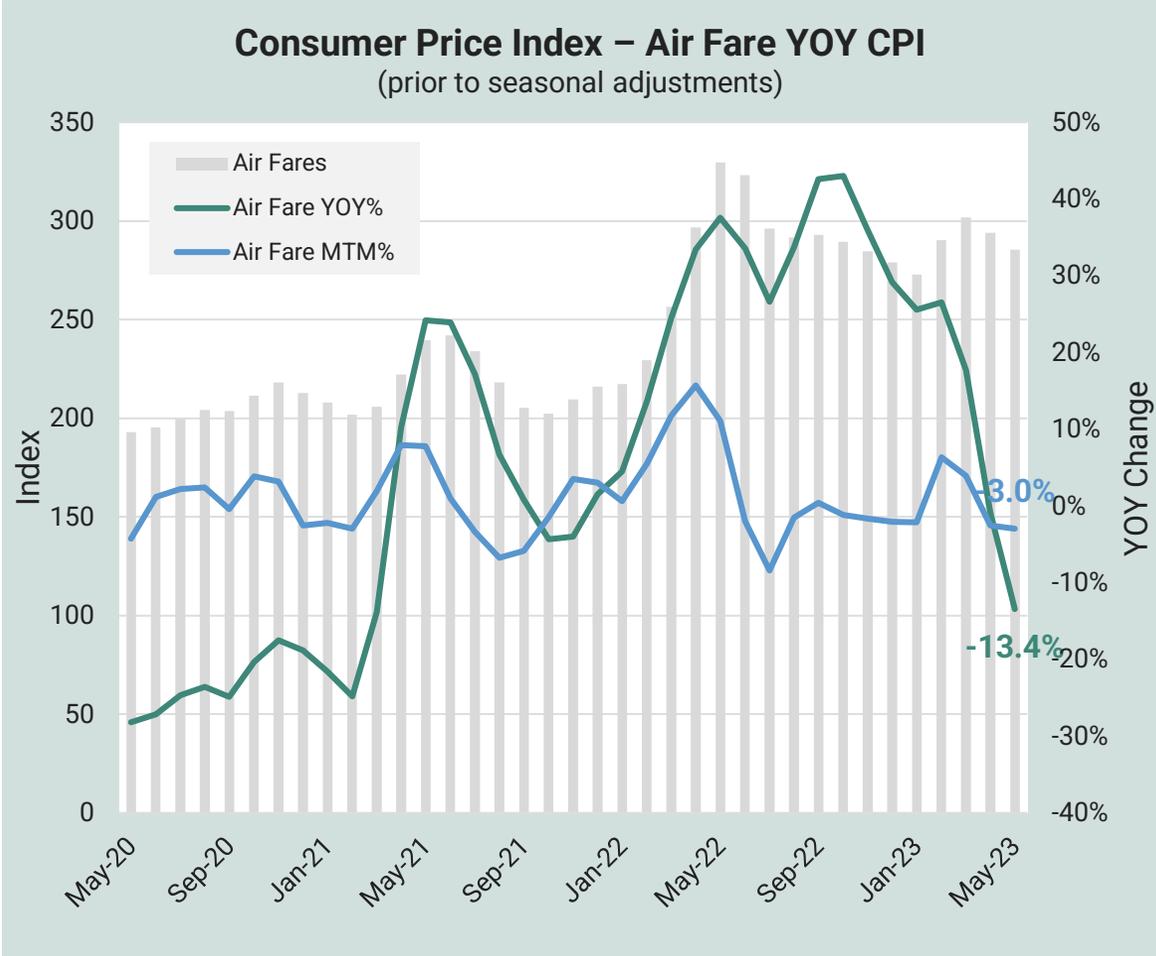
U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>

# TSA Checkpoint Travel Numbers

Air travel continues to increase among U.S. travelers; year-to-date, TSA checkpoint numbers are up 14%; the price of air travel declined 3% MTM, and was nearly 13.4% lower than last year



Source: U.S. Transportation Security Administration



Source: U.S. Bureau of Labor Statistics

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# Broad Economic Indicators

# Consumer Price Index *(non-seasonally adjusted)*

**The Consumer Price Index increased 4.0% YOY, with Core CPI up 5.3%. The index for shelter was again a large contributor to the monthly all items increase, as was price inflation for food at and away from home; fuel and air fare indices saw large declines YOY**

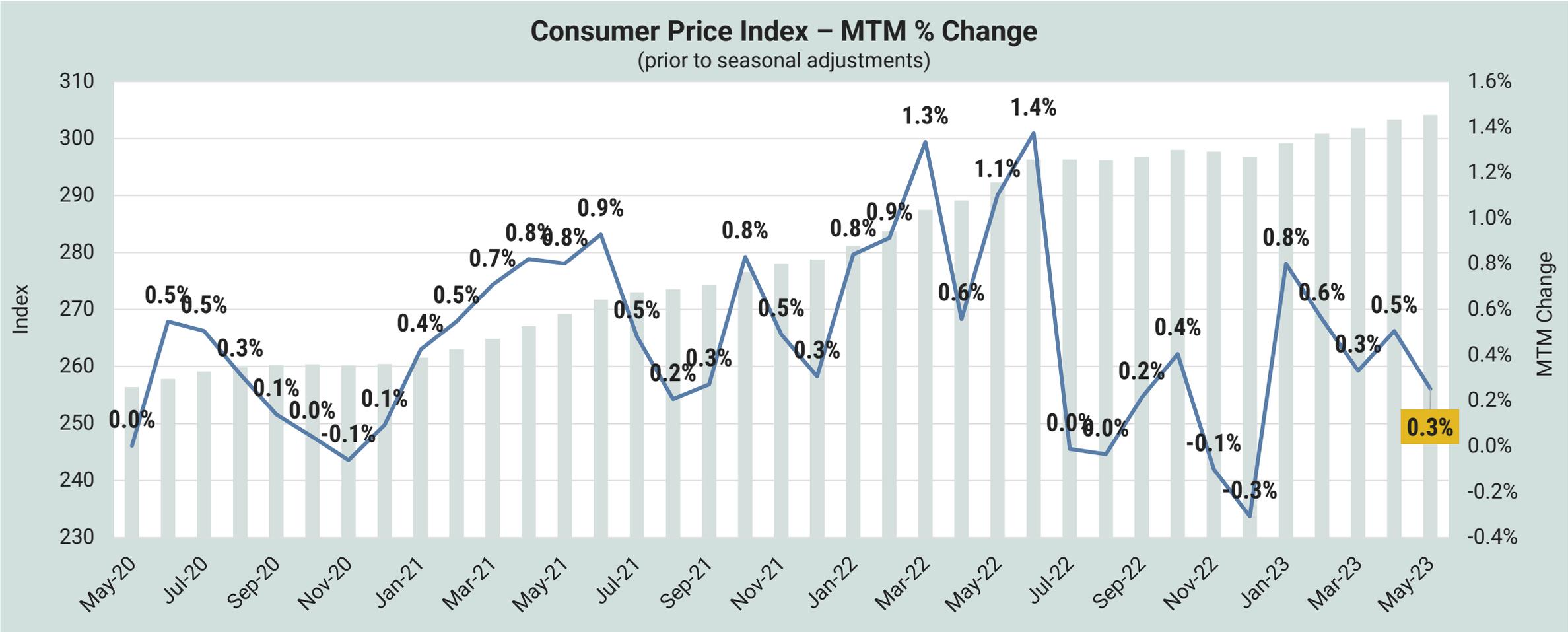
- Food at Home +5.8%
- Food Away From Home +8.3%
- Housing +6.8%
- Fuel -20.0%
- Air Fares -13.4%

	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
<b>Total CPI</b>	<b>6.5%</b>	<b>6.4%</b>	<b>6.0%</b>	<b>5.0%</b>	<b>4.9%</b>	<b>4.0%</b>
<b>All Items Less Food &amp; Energy (Core CPI)</b>	<b>5.7%</b>	<b>5.6%</b>	<b>5.5%</b>	<b>5.6%</b>	<b>5.5%</b>	<b>5.3%</b>
Food at Home	11.8%	11.3%	10.2%	8.4%	7.1%	5.8%
Food Away From Home	8.3%	8.2%	8.4%	8.8%	8.6%	8.3%
Motor Fuel	-0.9%	1.9%	-1.7%	-17.3%	-12.4%	-20.0%
Apparel	2.9%	3.1%	3.3%	3.3%	3.6%	3.5%
Housing	8.1%	8.2%	8.2%	7.8%	7.5%	6.8%
Education	3.3%	3.4%	3.3%	3.5%	3.6%	3.4%
Medical Care	4.0%	3.1%	2.3%	1.5%	1.1%	0.6%
Transportation	3.9%	3.8%	2.6%	-1.0%	0.2%	-2.0%
Air Fare	29.1%	25.6%	26.5%	17.7%	-0.9%	-13.4%

Source: U.S. Bureau of Labor Statistics

# Consumer Price Index – Month-to-Month Trends

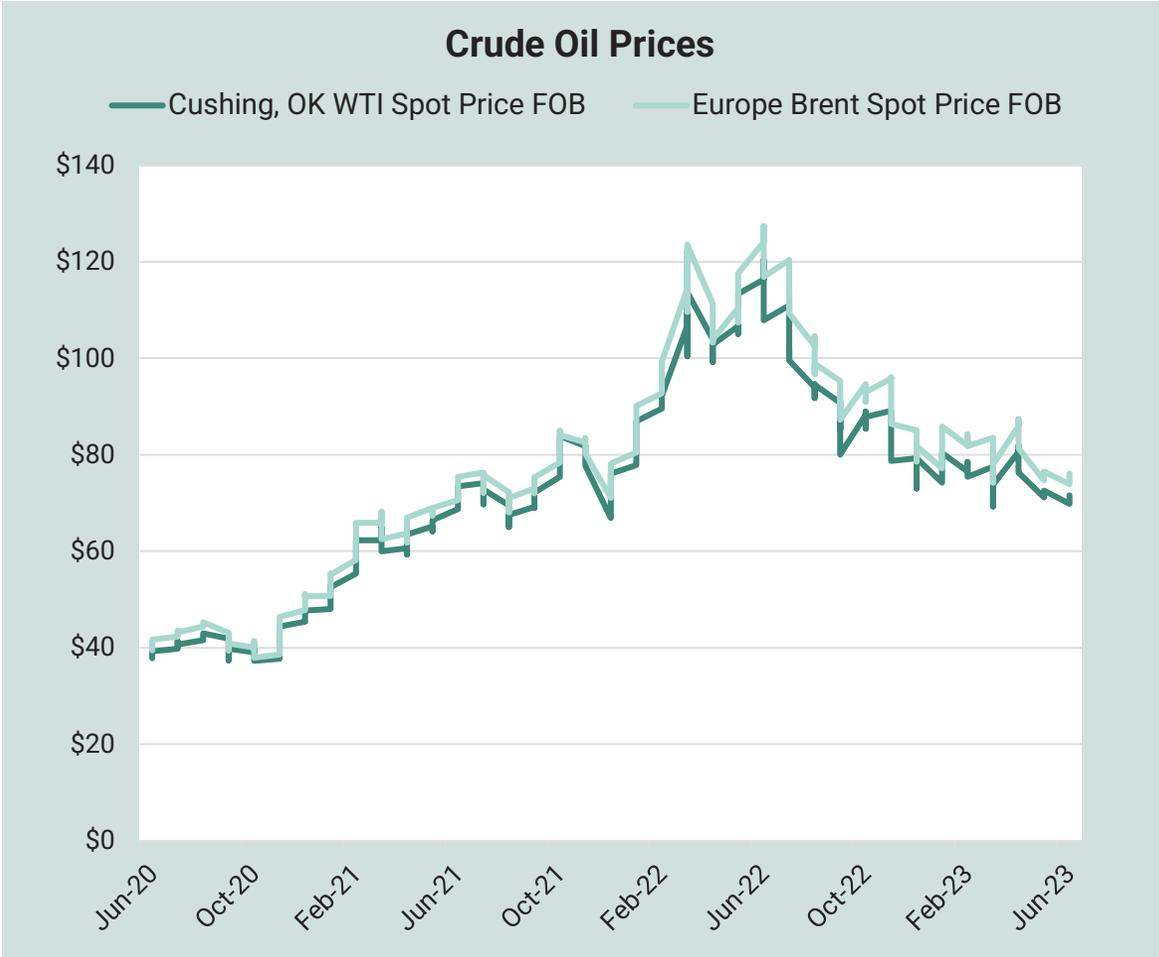
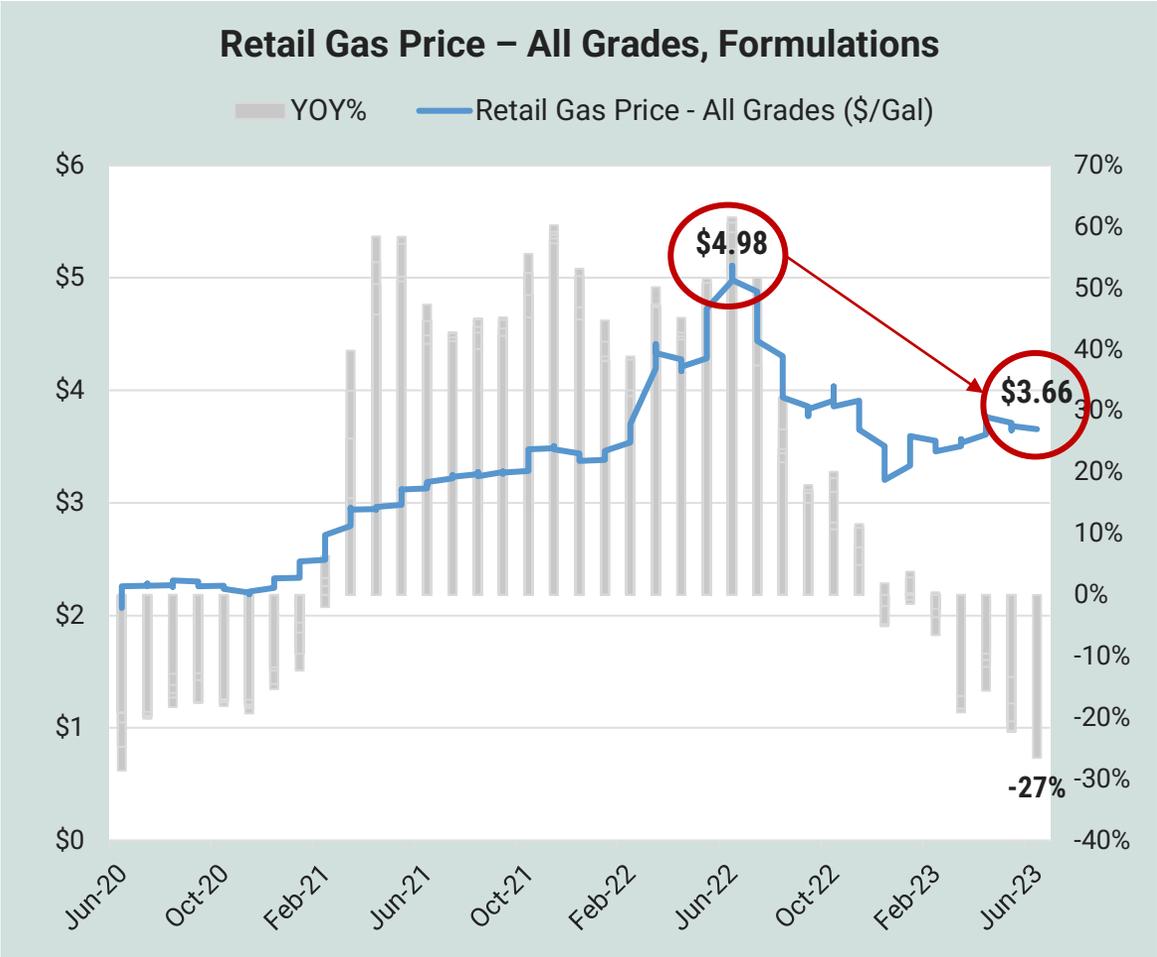
On a *monthly* basis, the CPI for All Urban Consumers (CPI-U) increased 0.3% (prior to seasonal adjustments)



Source: U.S. Bureau of Labor Statistics

# Gasoline (Retail Price) and Crude Oil Prices

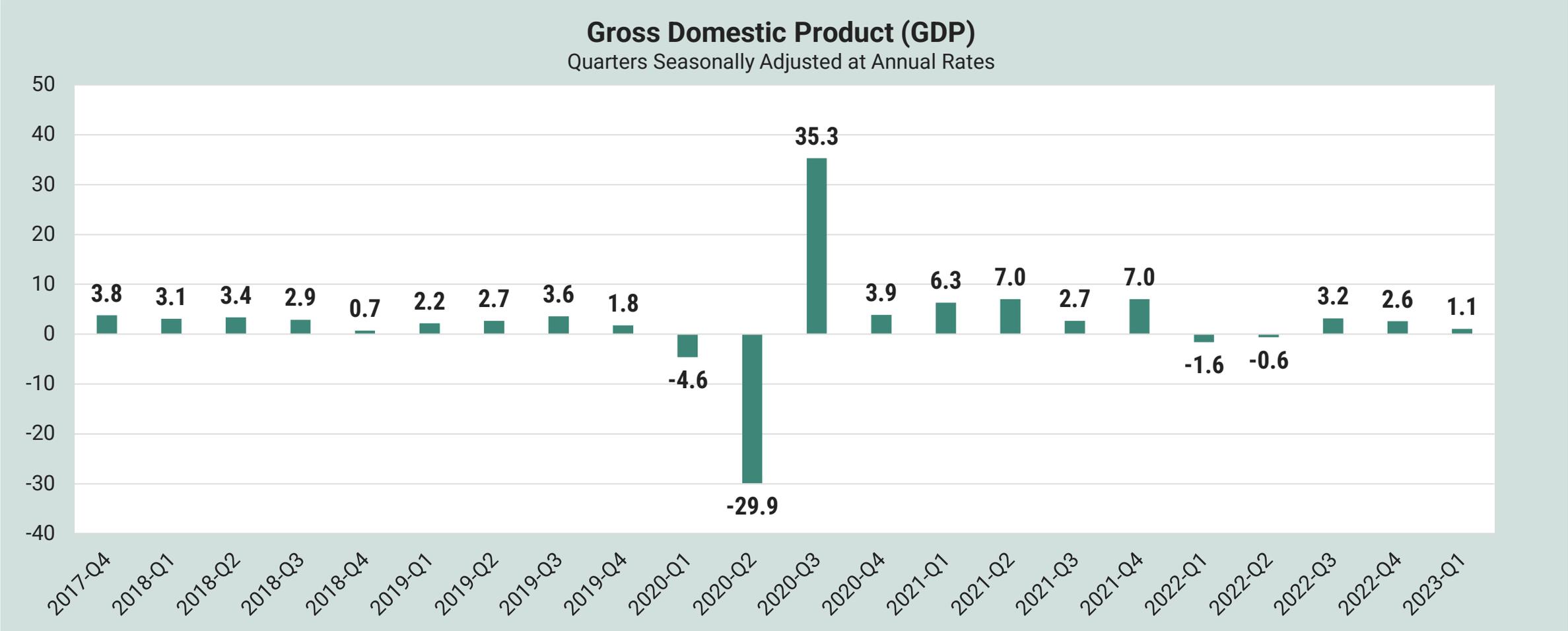
Retail gas prices remain stable, down 27% YOY to \$3.66 / gallon nationally through early June vs. \$4.98 last year



Source: U.S. Energy Information Administration

# Gross Domestic Product

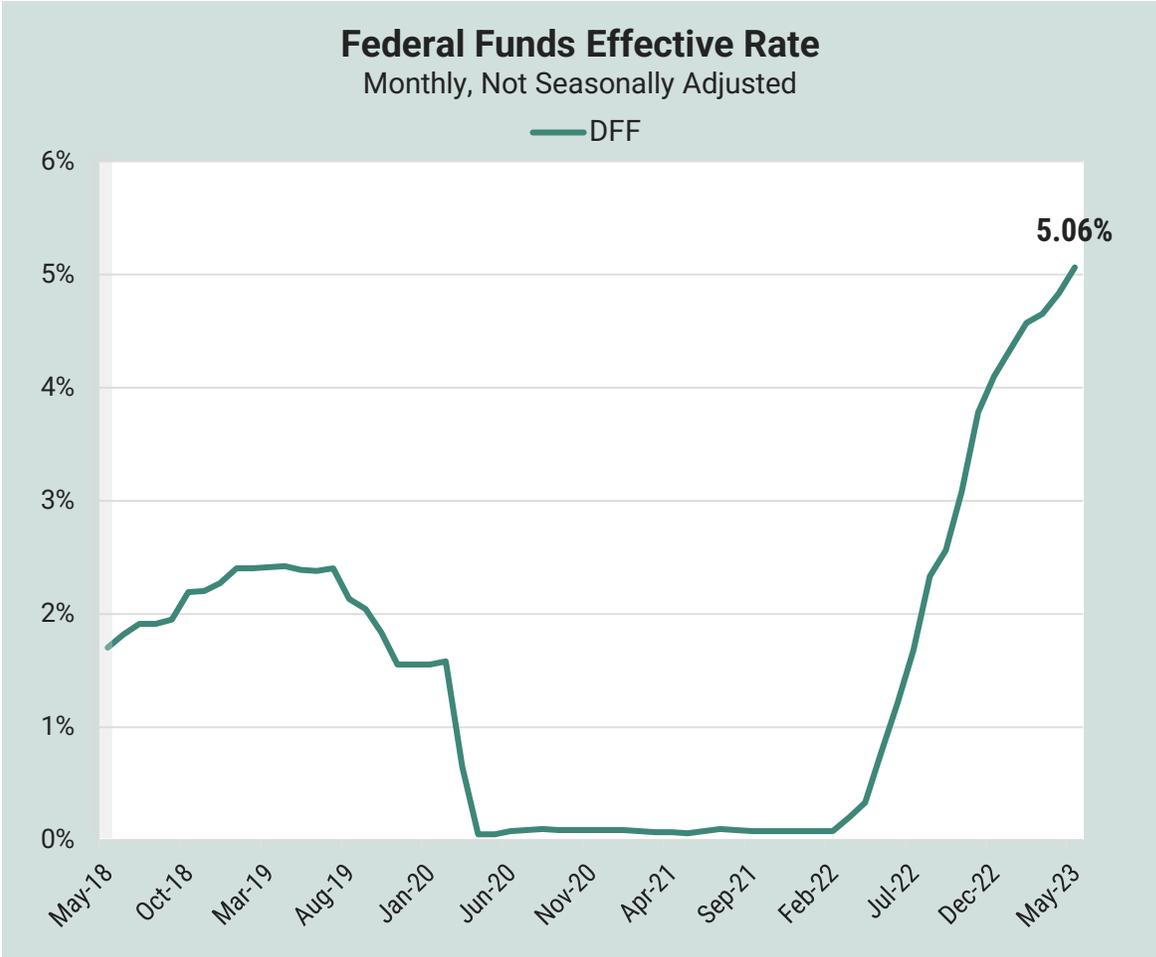
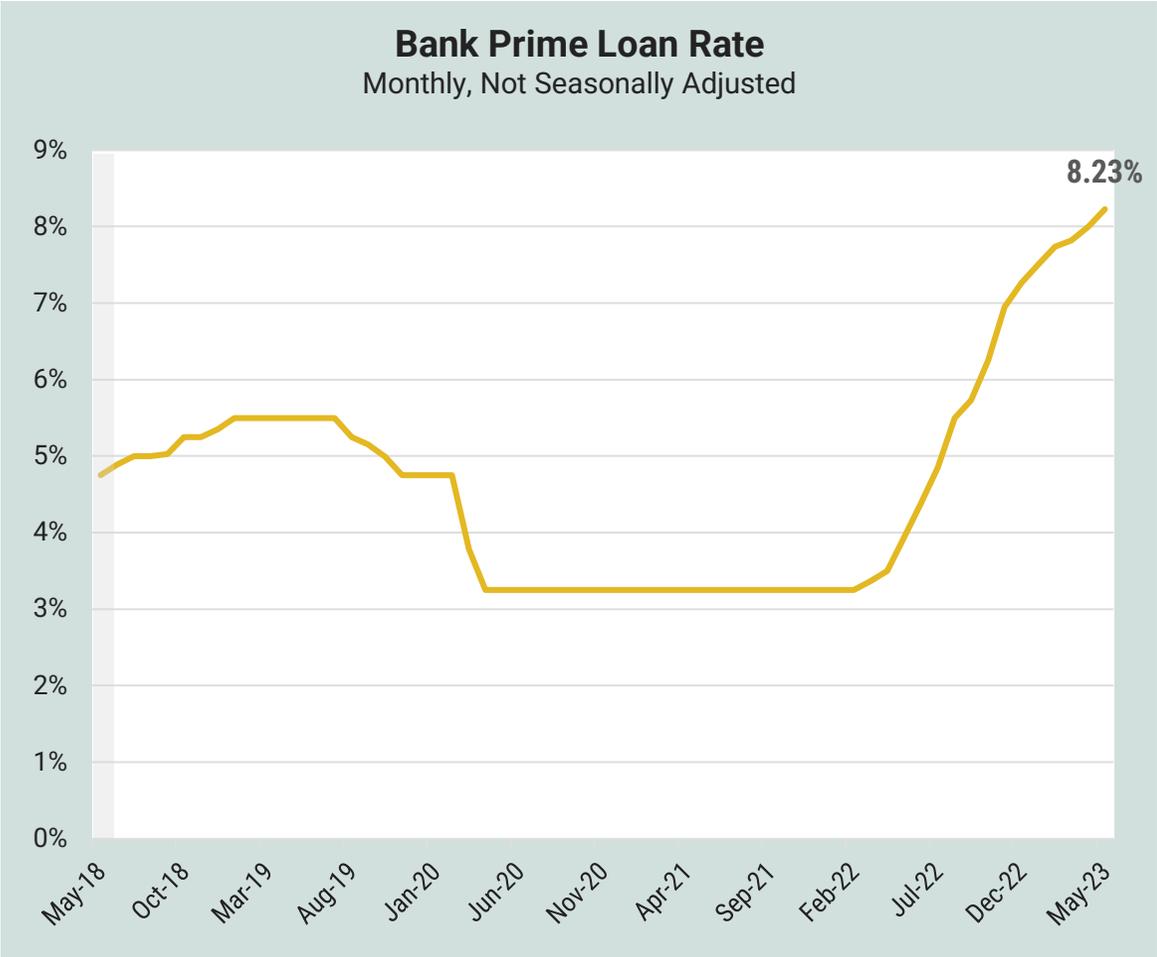
Q1-2023 GDP increased at an annual rate of 1.3 percent, revised up 0.2 percentage point from the “advance” estimate, primarily reflecting an upward revision to inventory investment



Source: U.S. Bureau of Economic Analysis

# Federal Reserve – Interest Rates

**Bank Prime Loan Rate rose to 8.23%; Federal Funds Rate increased to 5.06% through May**



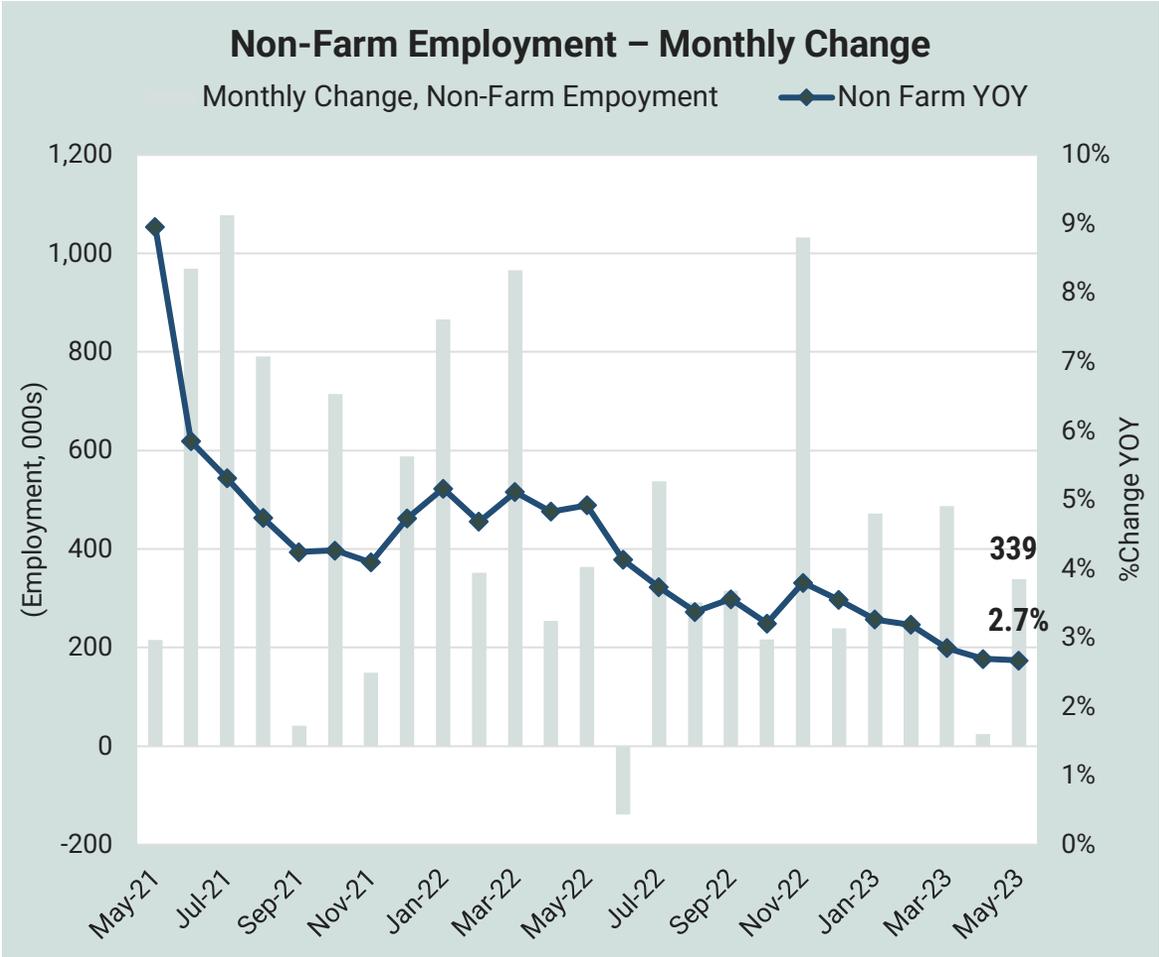
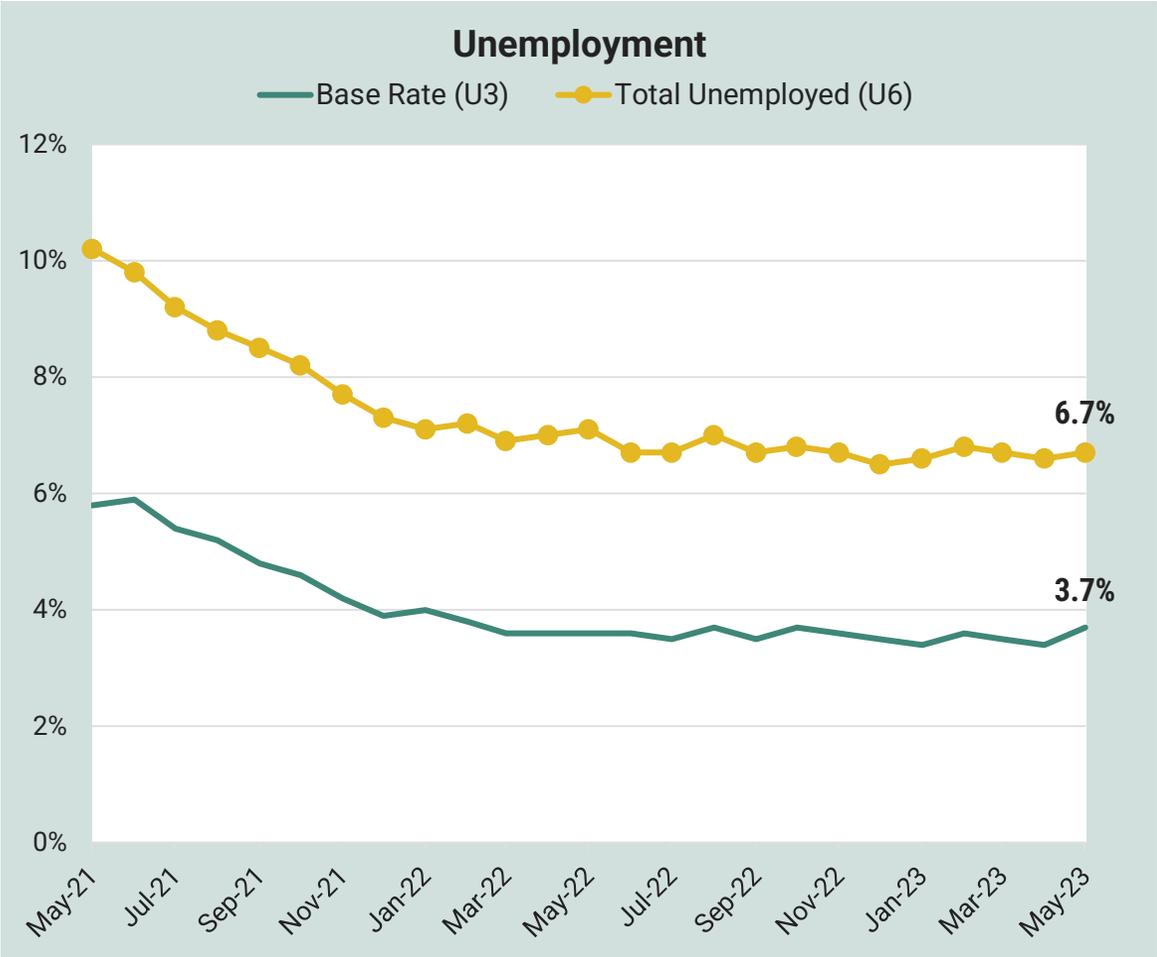
Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis

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# U.S. Employment

# U.S. Employment Overview

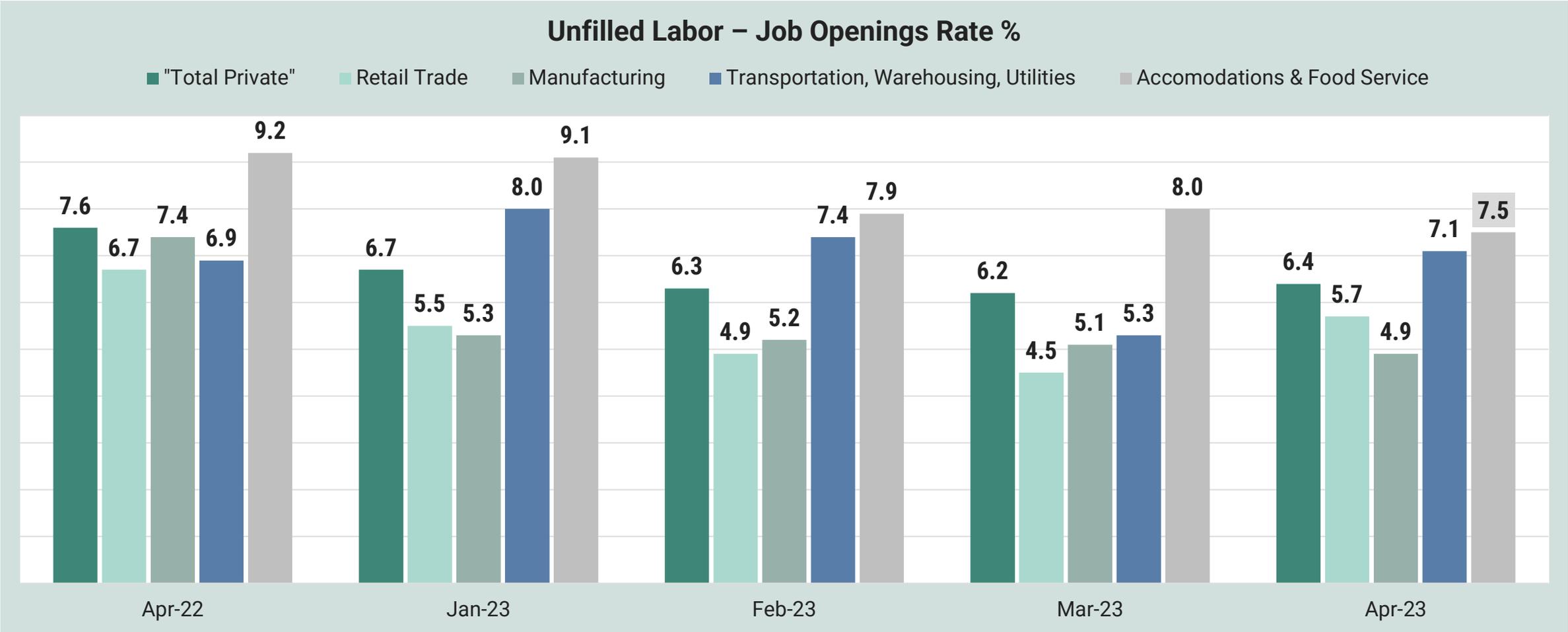
**Unemployment remains below 4% at 3.7%; non-farm employment was up 2.7% month-to-month, with employment rising by 339,000 in May**



Source: U.S. Bureau of Labor Statistics

# Private Industry Labor – Job Openings

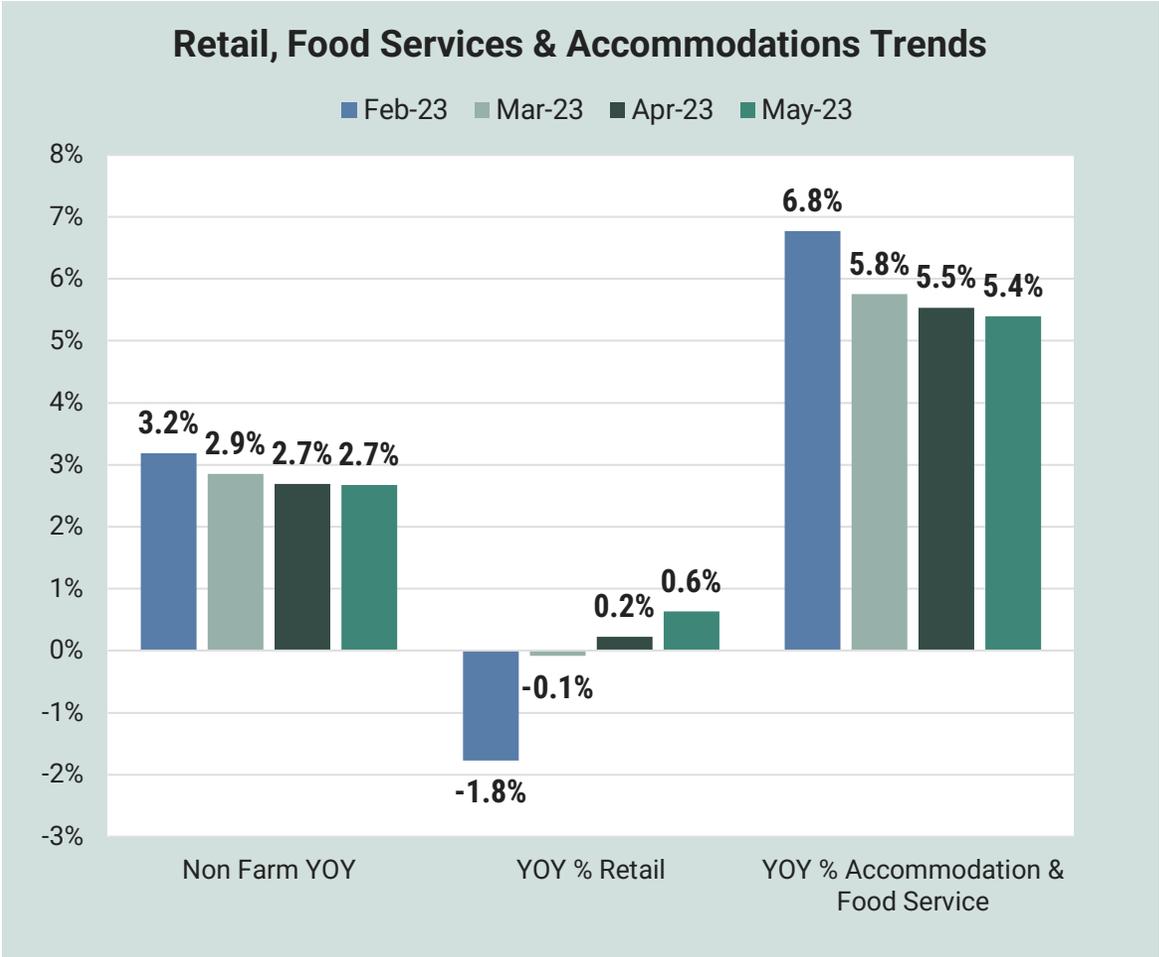
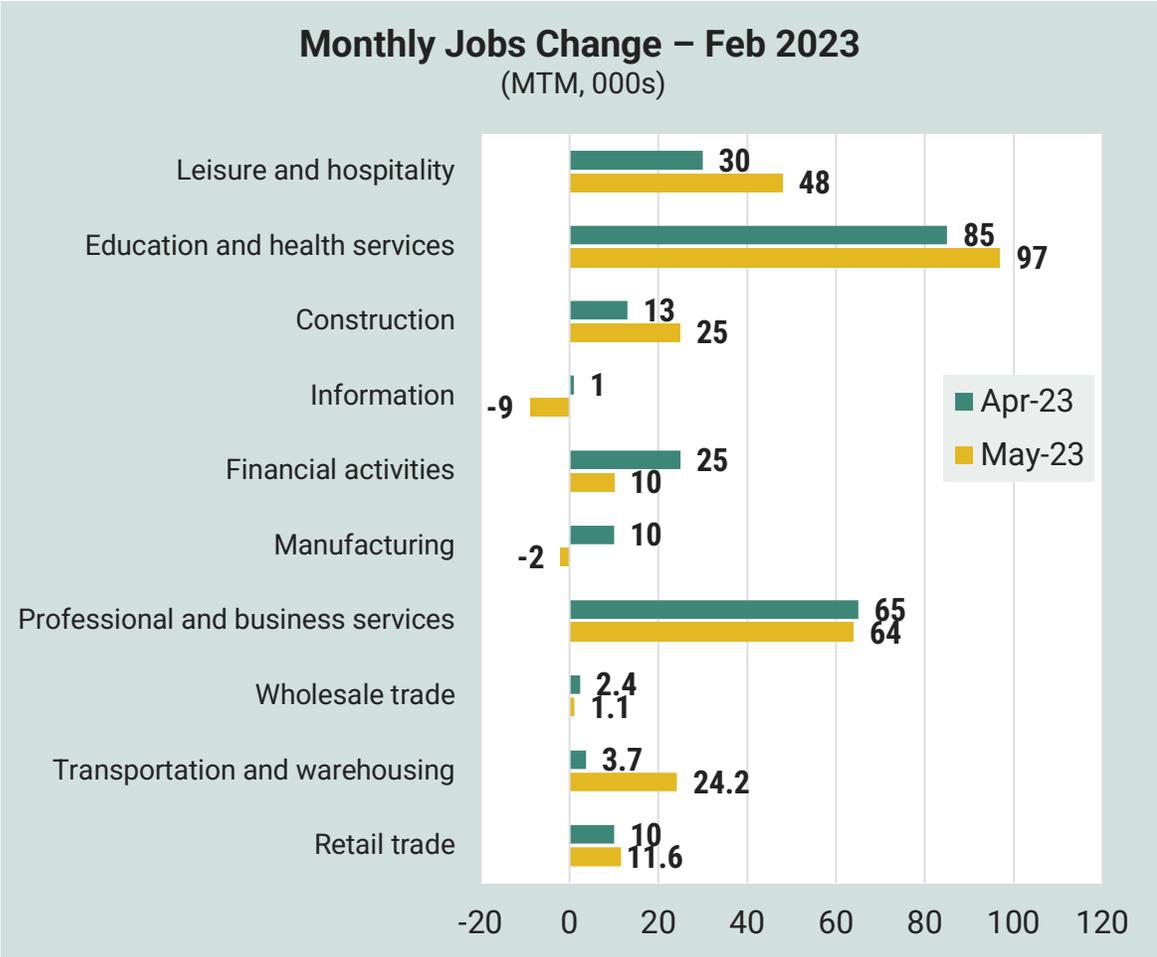
Unfilled job openings rates rose across all sectors –recent trends continue to show unfilled labor rates climbing



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

**Retail Trade monthly jobs increased again (slightly) in May, Leisure & Hospitality again saw healthy MTM gains; Transportation and Warehousing saw a strong increase in May (YOY)**



Source: U.S. Bureau of Labor Statistics

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# Supply Chain

# Global Supply Chain Index

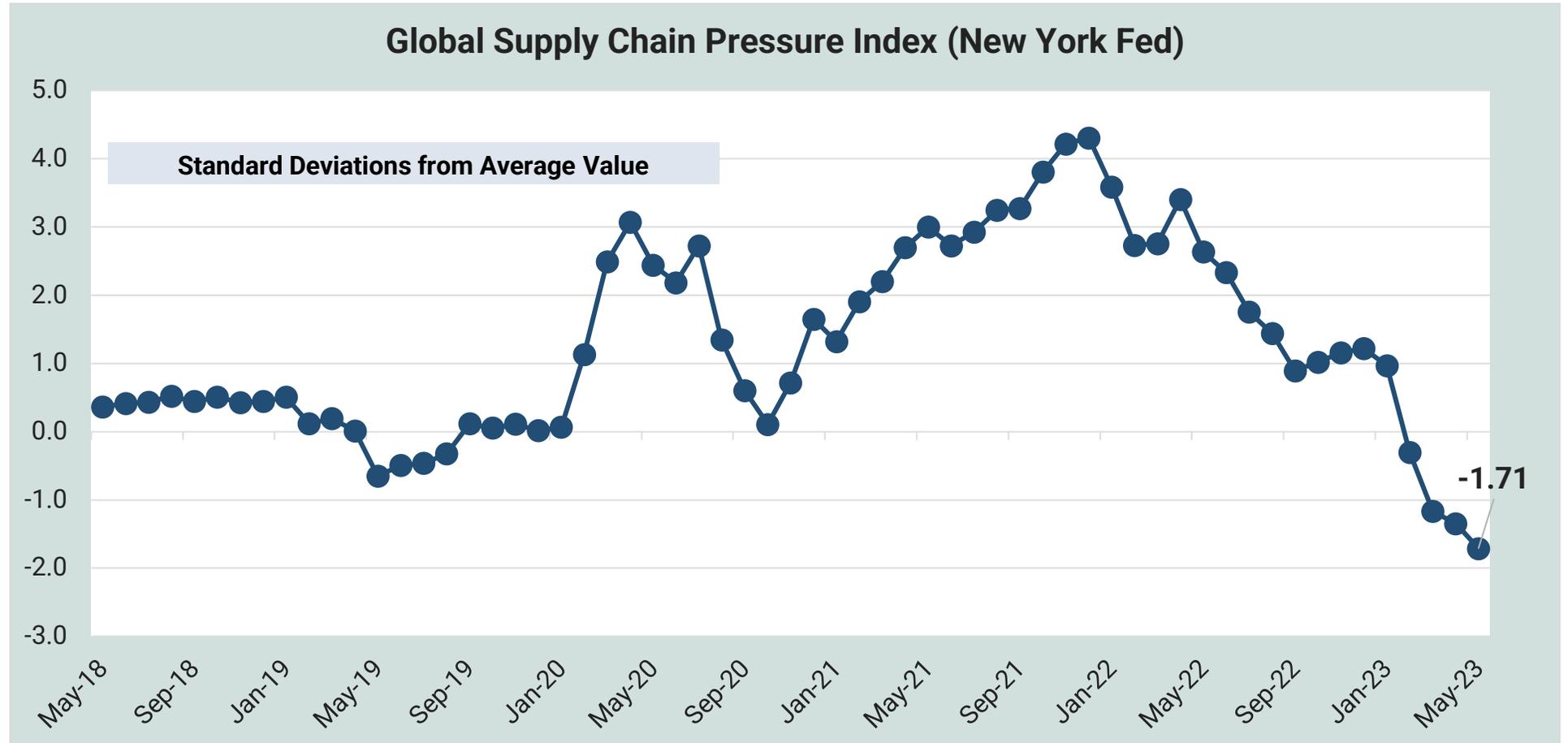
**GSCPI decreased in May, falling to -1.71 from -1.35; there were significant downward contributions from Great Britain backlogs and Taiwan delivery times, Euro Area delivery times and backlogs exhibited the largest sources of upward pressure in May**

*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.*

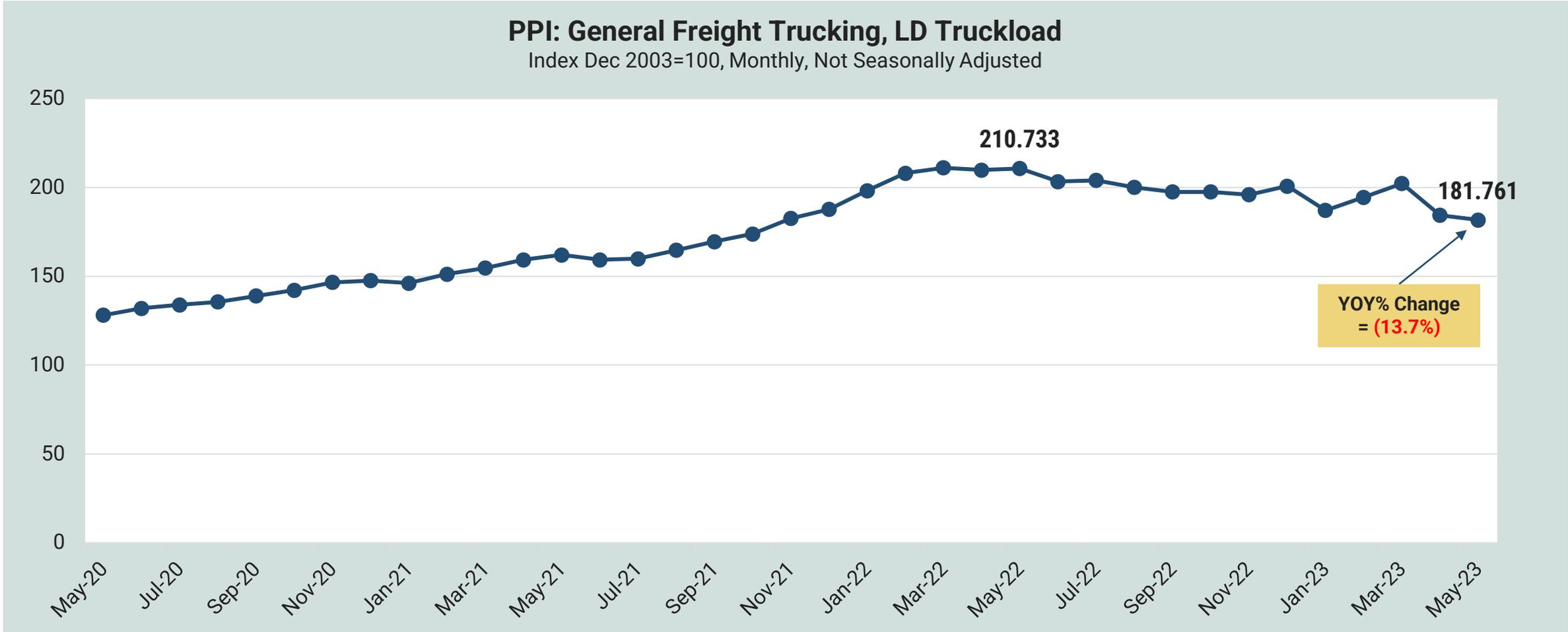
*The GSCPI is a product of the Applied Macroeconomics and Econometrics Center (AMEC).*

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



# Freight Inflation - Trucking

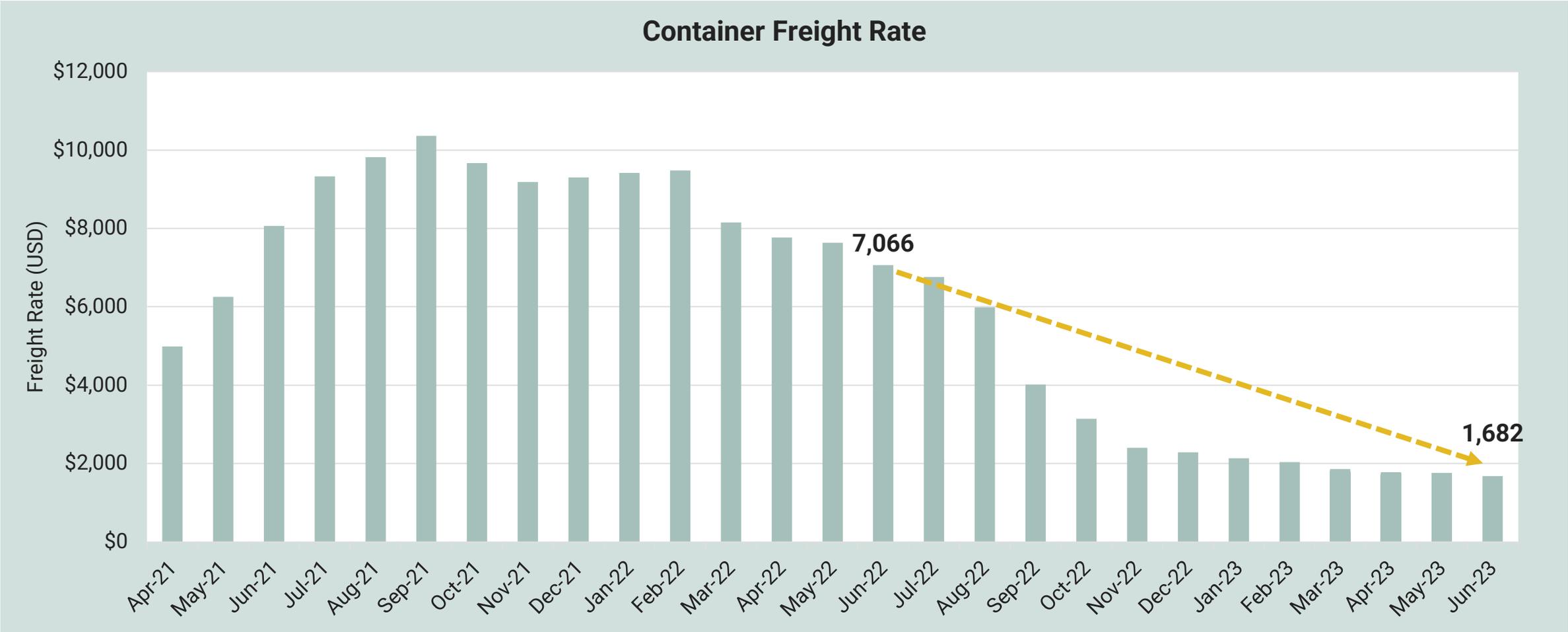
Through May, general freight trucking cost is down 13.7% over last year and 1.4% lower than previous month



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

# Global Container Freight Rate Index

Container rates remain stable; Drewry's composite World Container has remained well below year ago levels



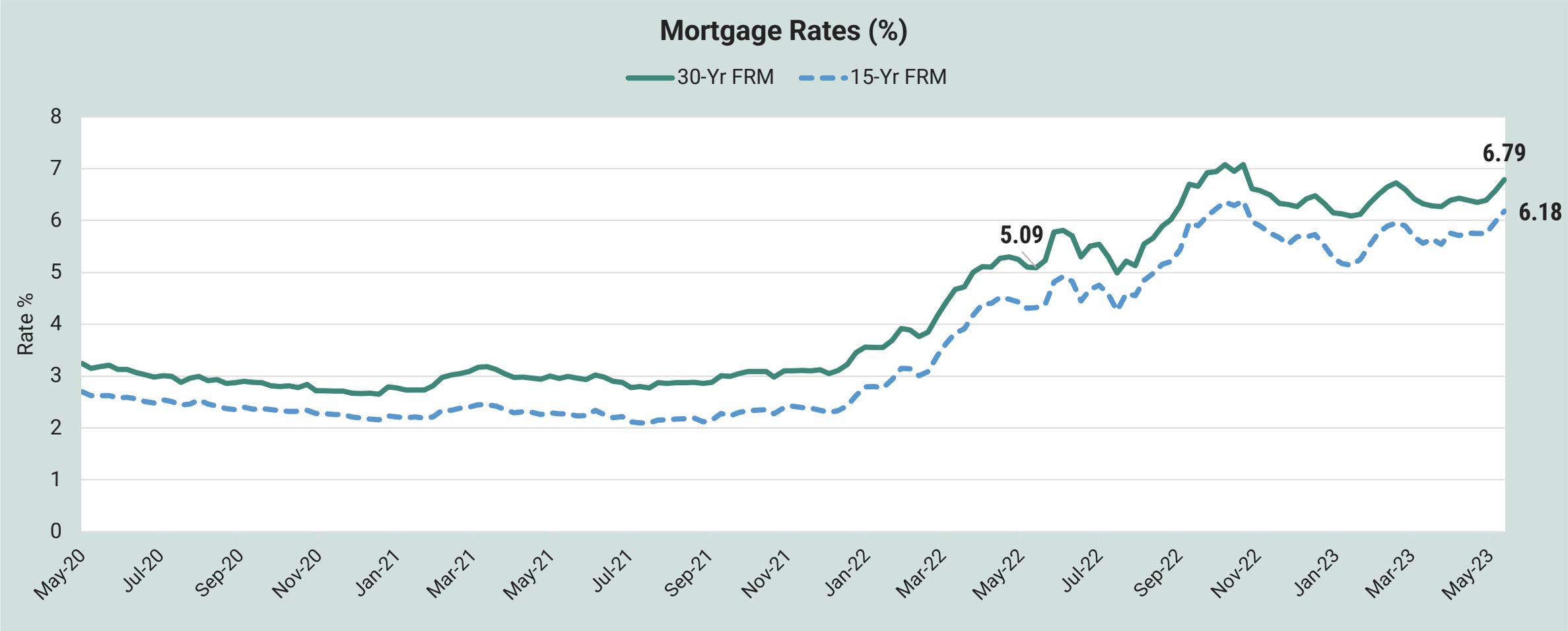
Source: Drewry, <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>

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# Housing

# Mortgage Rates

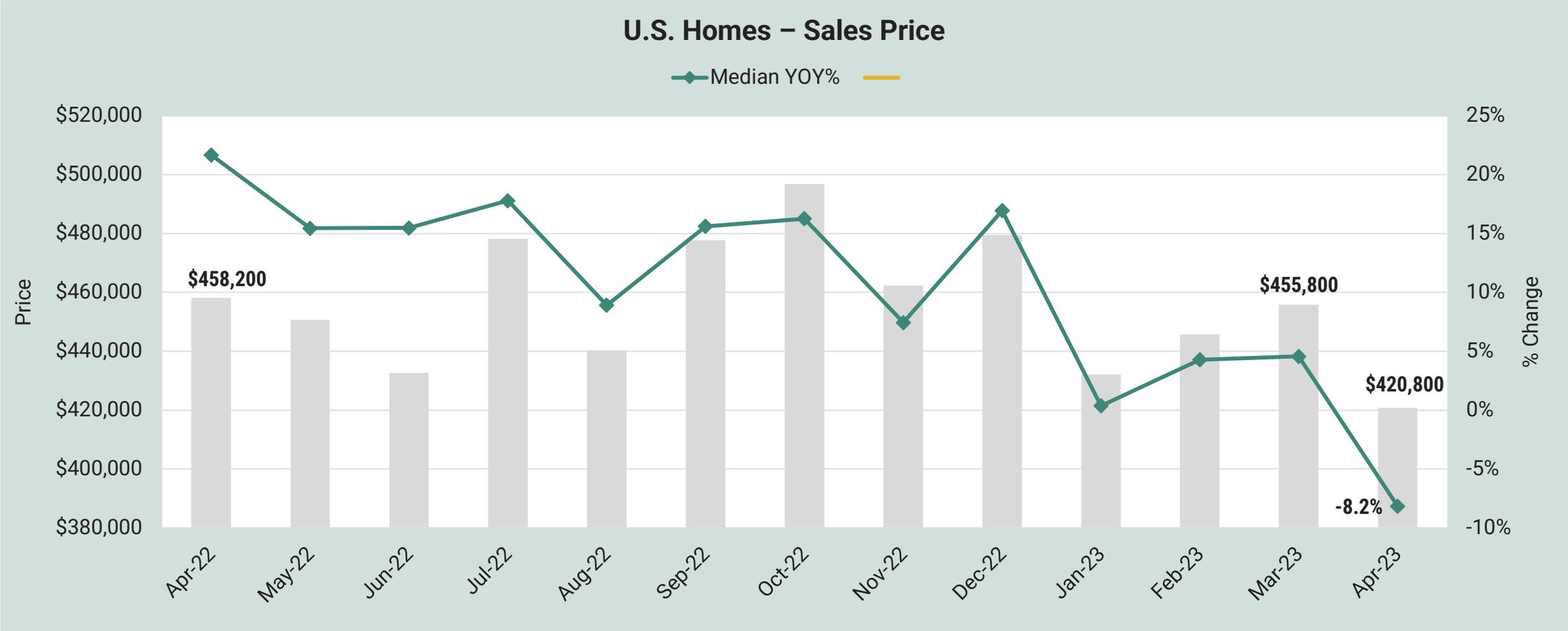
30-year FRM rate of 6.79%, above last year's rate of 5.09%; 15-year rate now above 6%



Source: FreddieMac Mortgage Market Survey

# U.S. Housing – New Home Prices

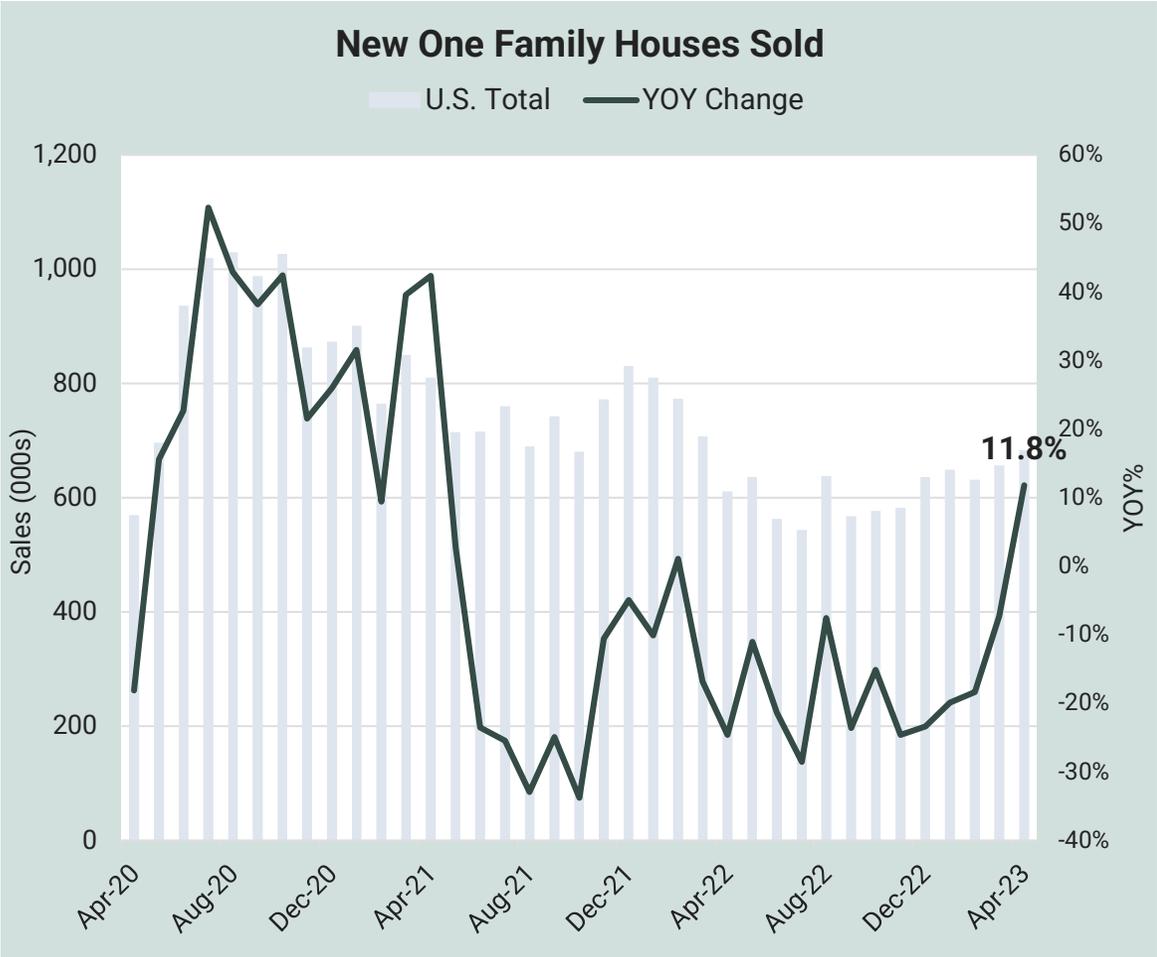
The median U.S. home price in April 2023 declined 8.2% YOY and 7.7% vs. previous month



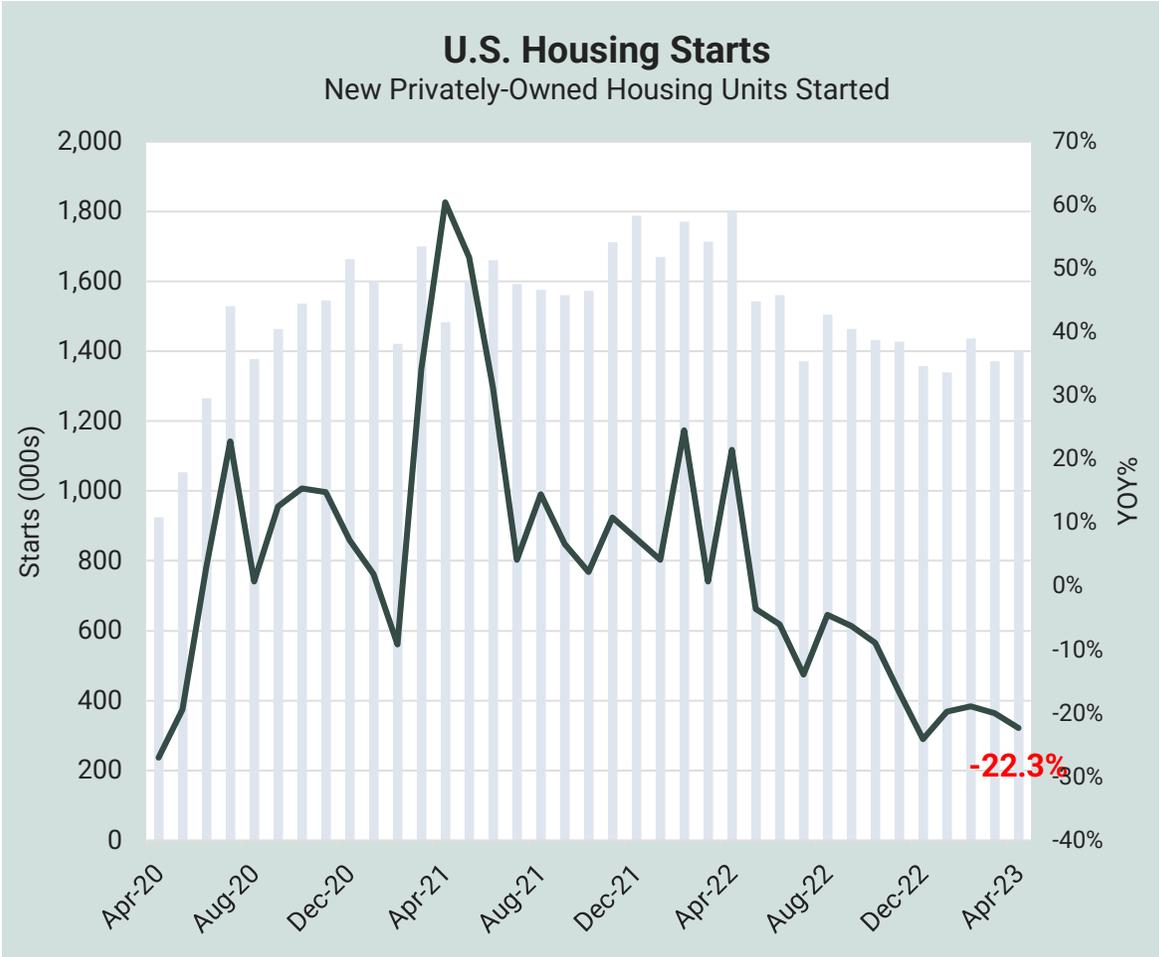
Source: U.S. Census Bureau, Federal Reserve Bank of St. Louis, Economic Research Division

# Housing – New Home Sales and Starts

**New home sales increased nearly 12% over last year – boosted in large part by low inventory of available homes; housing starts however decreased 22.3%**



U.S. Census Bureau and U.S. Department of Housing and Urban Development, New One Family Houses Sold: United States, retrieved from FRED, Federal Reserve Bank of St. Louis



U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Privately-Owned Housing Units Started, retrieved from FRED, Federal Reserve Bank of St. Louis;

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Food & Beverage



Supply Chain



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Manufacturing, & Industrials



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Transportation



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