



PERFORMANCE IMPROVEMENT

U.S. Economic Overview

Consumers and the Macro Economy

JULY 2023



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Summary

Summary Highlights

- **Unemployment** remains below 4% at 3.6%; non-farm employment was up 2.8% month-to-month, with employment rising by 209,000 jobs in June
- **Personal disposable income** rose 8.0% in May 2023; consumer expenditures increased 6% YOY and were flat compared to previous month
- **Revolving credit debt** continues to rise – up 12.9% over 2022, with total consumer credit increasing 6.2%
- **Consumer Sentiment** rose again, with gains for all demographic groups except lower-income consumers; the overall increase was attributed to the continued slowdown in inflation along with stability in labor markets
- **June retail sales** (excl. motor vehicles and gas stations) increased 3.9% over 2022 – MTM sales increased just 0.3%
 - *Several key segments in sporting goods, building materials, garden, electronics and department stores continued to show YOY declines*
 - *Food Services and Dining increased 8.4% as consumers continue to spend on experiences*
- The **Consumer Price Index** increased 3.0% YOY, with **Core CPI** up 4.8%
 - *Shelter was a large contributor to the monthly total increase, as was price inflation for food at and away from home*
 - *Retail gas prices remain stable, down 23% YOY at \$3.66 / gallon nationally through early July vs. \$4.75 last year*
- **Air travel** continues to increase among U.S. travelers; year-to-date, **TSA checkpoint numbers** are up 11%
 - *The price of air travel declined 8.1% MTM, and was nearly 19% lower than last year*
- **Bank Prime** Loan Rate rose slightly to 8.25%; **Federal Funds Rate** increased to 5.08% through June
- **30-year FRM** rate of 6.96%, above last year's rate of 5.51%; **15-year rate** now 6.3%
- **New home sales** increased 20% over last year – boosted still by low inventory of available homes
 - *The median U.S. home price in May 2023 declined 7.6% YOY but increased 3.5% MTM*
- **The Global Supply Chain Pressure Index (GSCPI)** rose to -1.2 from a revised value of -1.56 in May, due to significant upward contributions from Great Britain and Euro Area backlogs as well as U.S. and Taiwan delivery times
 - *General freight trucking cost is down 8.7% over last year and 3.4% lower than previous month*
 - *Retail Inventories increased 7% above 2022; companies continue to face challenges as retail sales slow*
- While we are in the heat of summer with consumers shopping for Back-to-School, we anticipate a fairly robust bump in sales short term, as most of these product categories need to be replaced YOY as either out-used or out-grown
- Longer term we see potential challenges, due in large part to the heavy weight of consumer debt that continues to climb, which could squeeze shoppers to limit spending to essentials like food and health & beauty, pushing off other necessities and durable goods
- A key concern for retailers in the back end of 2023 is the fresh arrivals of inventory planned for the 2nd half and how deep promotions will need to be to sell thru the merchandise

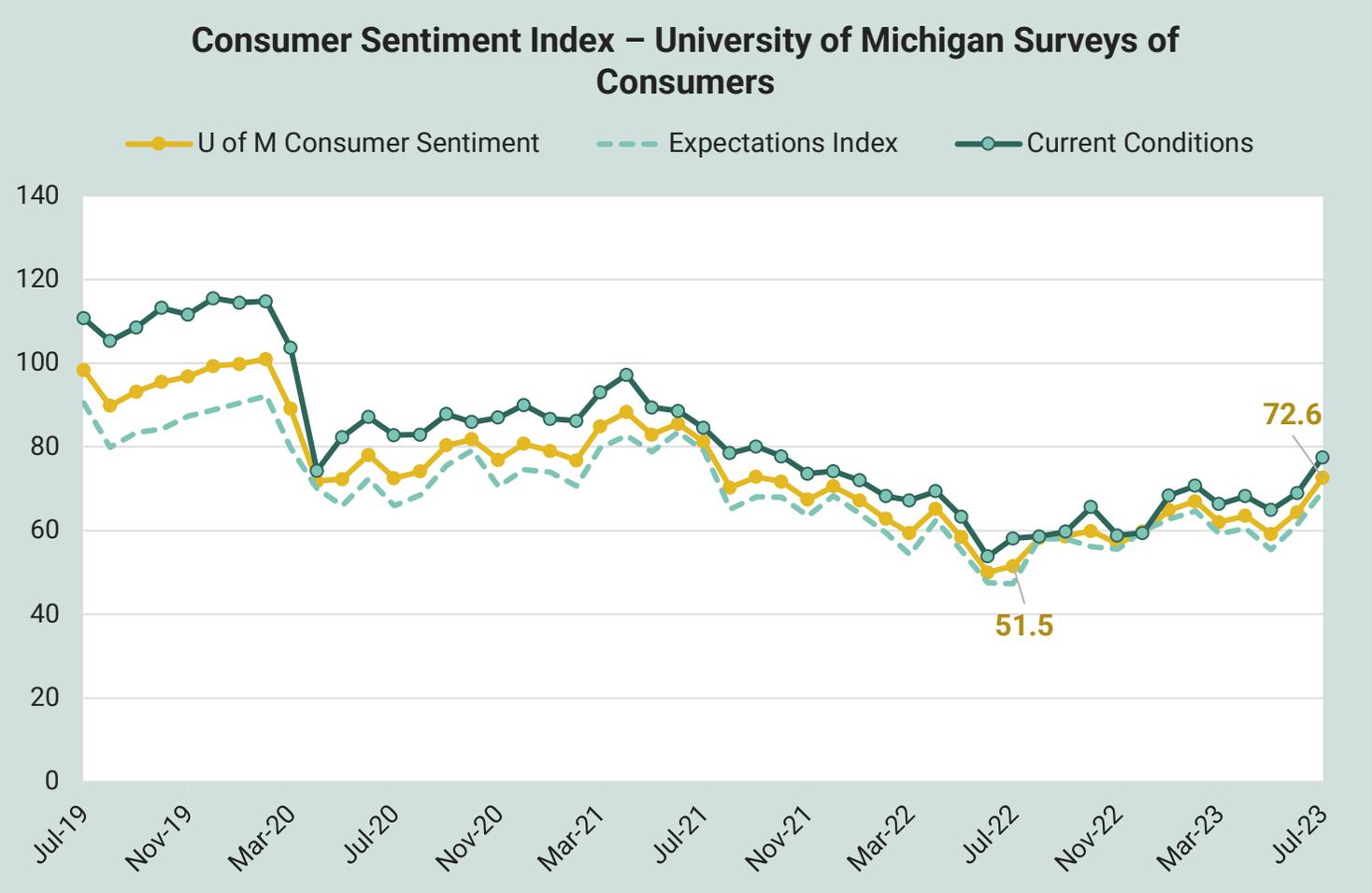
Key Consumer Metrics

Consumer Sentiment Index

Consumer sentiment rose again, with gains for all demographic groups except lower-income consumers; the overall increase was attributed to the continued slowdown in inflation along with stability in labor markets

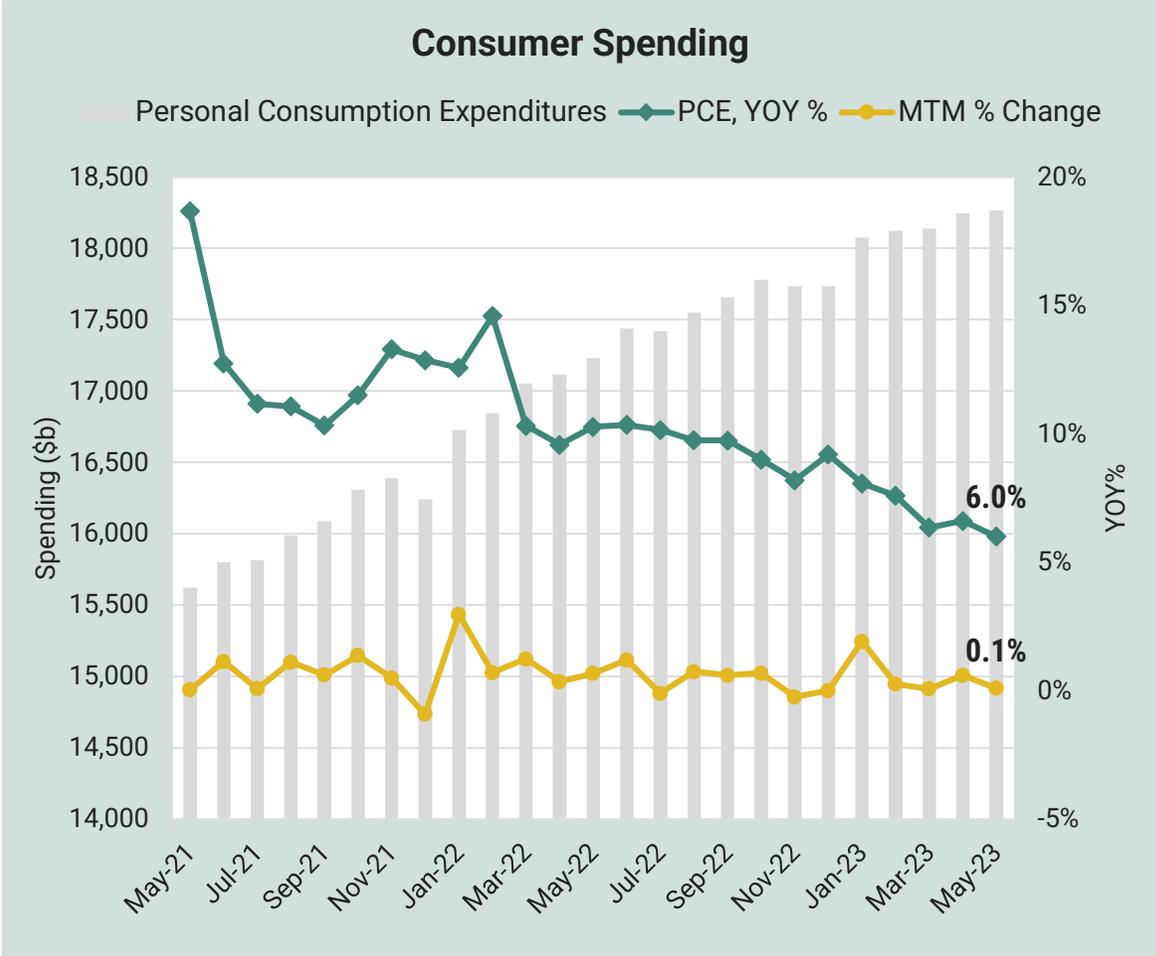
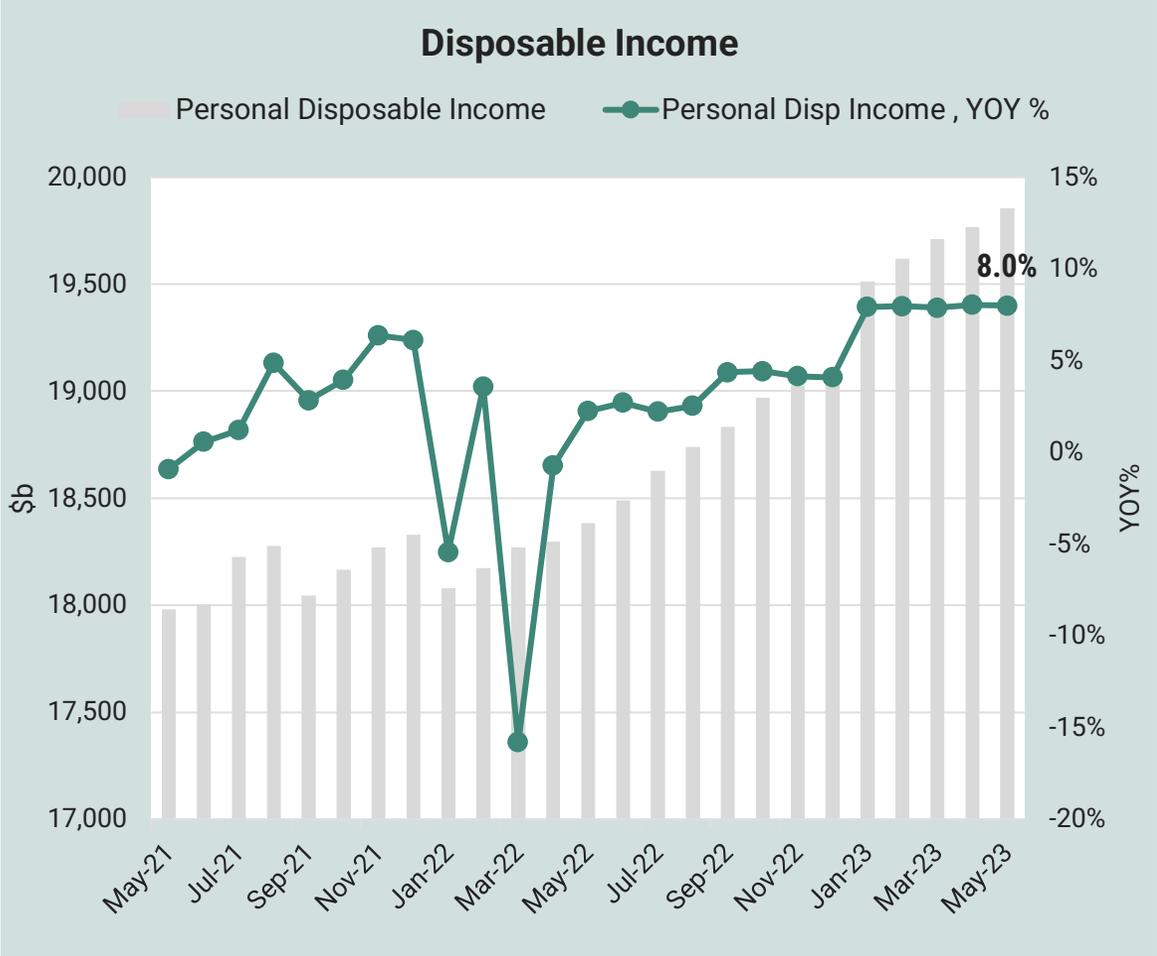
	Consumer Sentiment	Expectations Index	Current Conditions
2-Year High	81.2	79.0	84.5
2-Year Avg.	63.8	60.9	68.3
2-Year Low	50.0	47.3	53.8
Current	72.6	69.4	77.5
LY	51.5	47.3	58.1
YOY % Change	41.0%	46.7%	33.4%
Previous Month	64.4	61.5	69.0
MTM % Change	12.7%	12.8%	12.3%

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

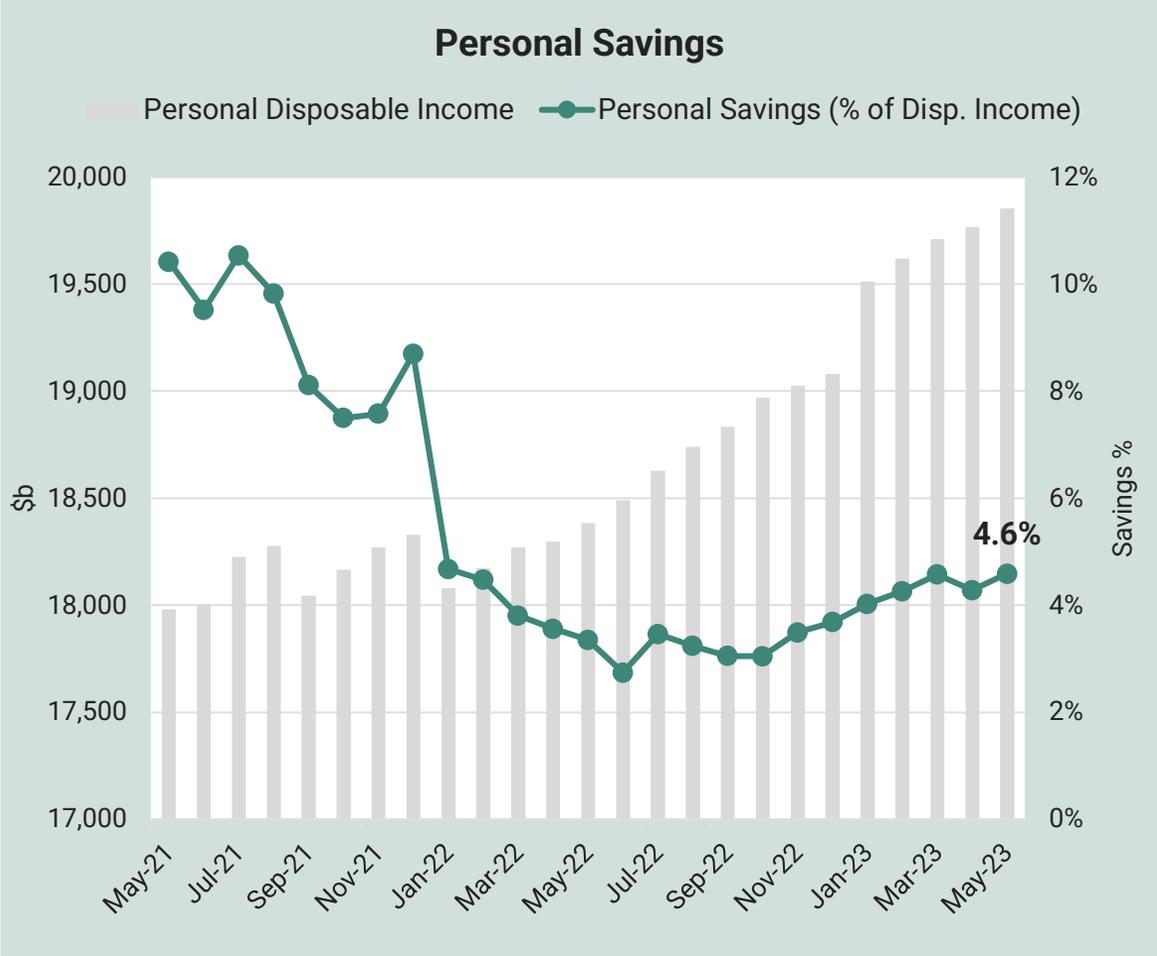
Personal disposable income rose 8.0% in May 2023; consumer expenditures increased 6% YOY and was flat compared to previous month



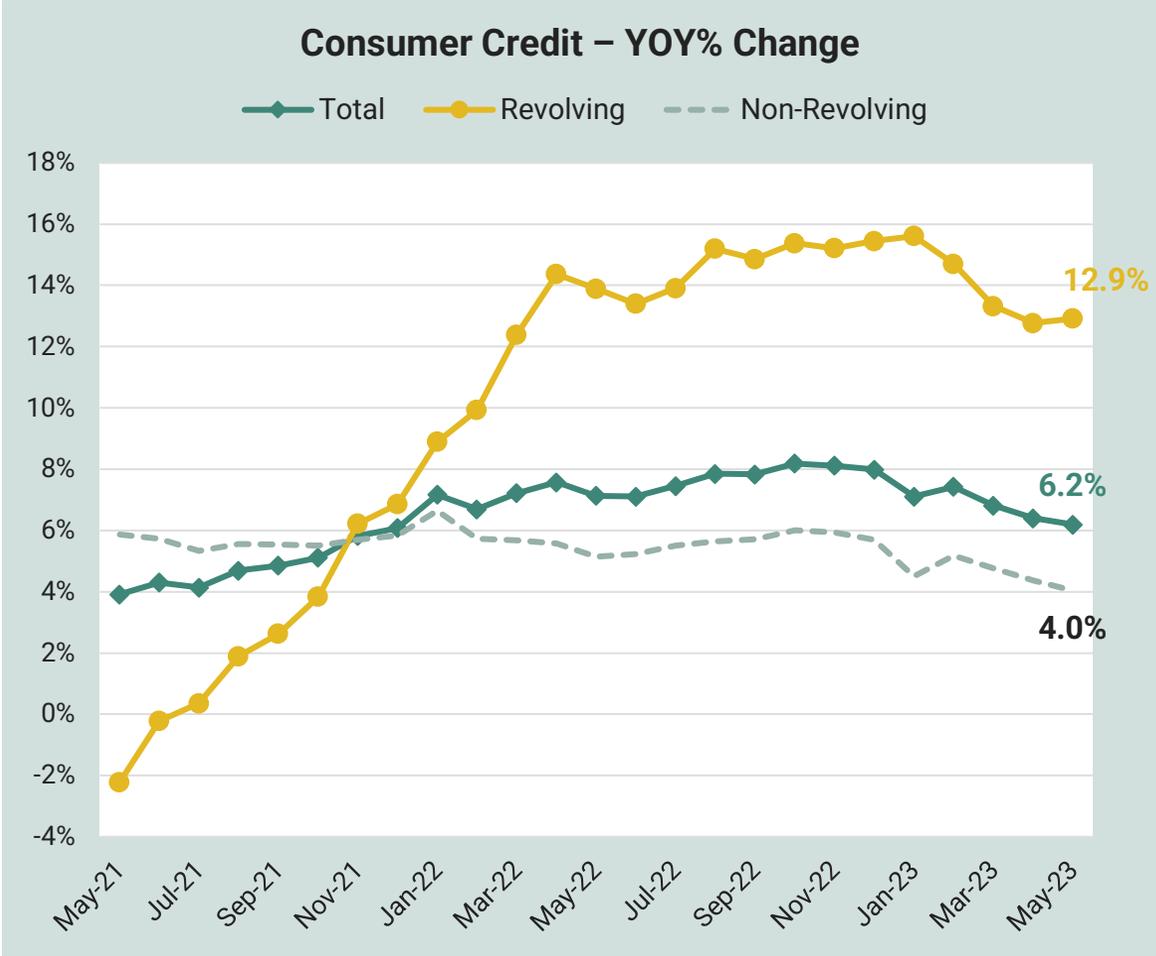
Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting

Personal Savings & Consumer Credit

Personal savings rate rose again in May to 4.6%; revolving credit debt continues to rise – up 12.9% over 2022, with total consumer credit increasing 6.2%



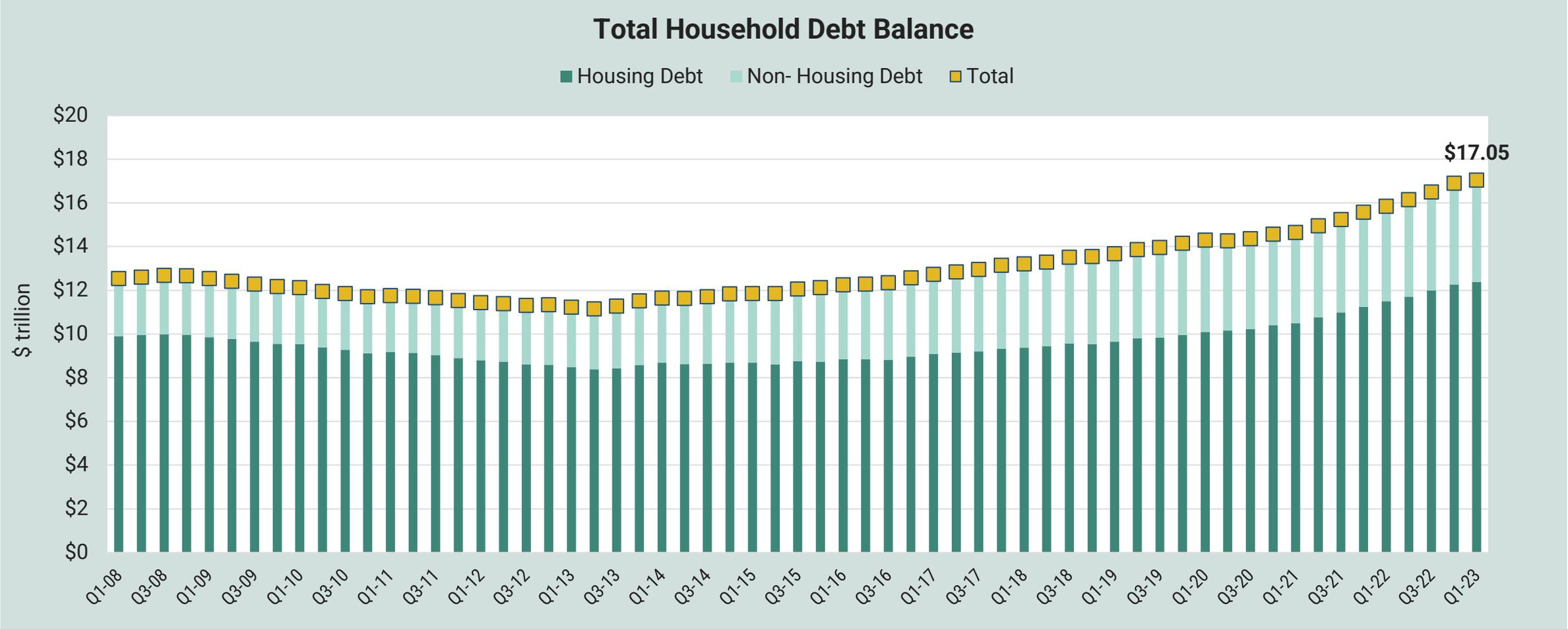
Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting



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

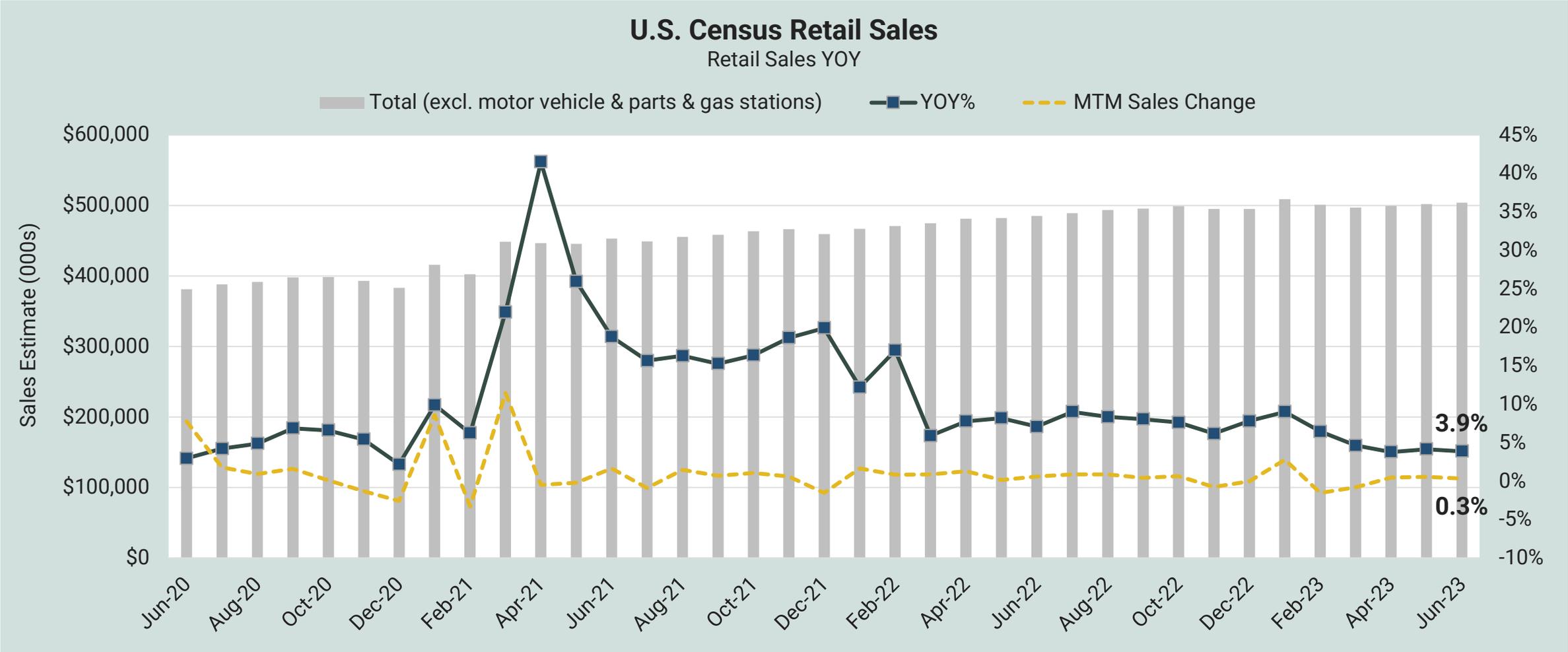


<https://www.newyorkfed.org/microeconomics/hhdc.html>

U.S. Retail – Sales & Inventories

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

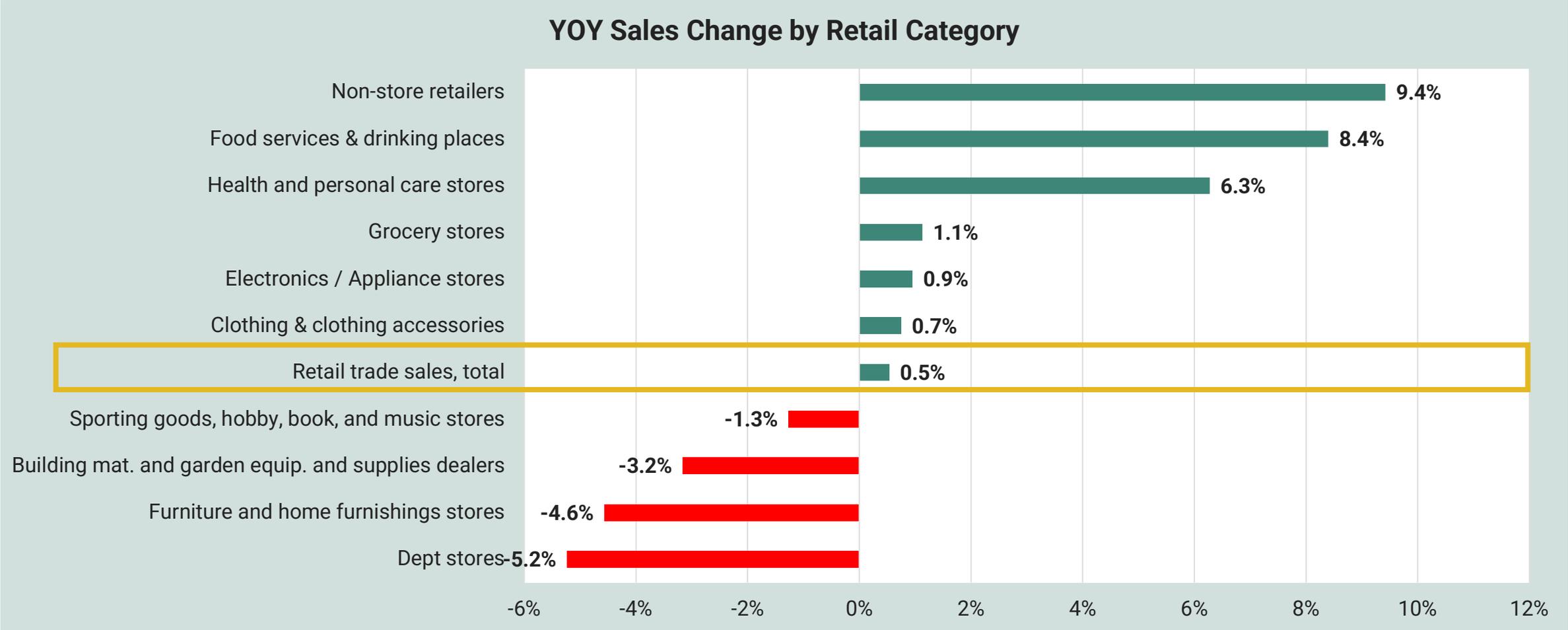
June retail sales *(excl. motor vehicles and gas stations)* increased 3.9% over 2022 – MTM sales increased just 0.3%



Source: U.S. Census Bureau

U.S. Retail Sales by Retail Category

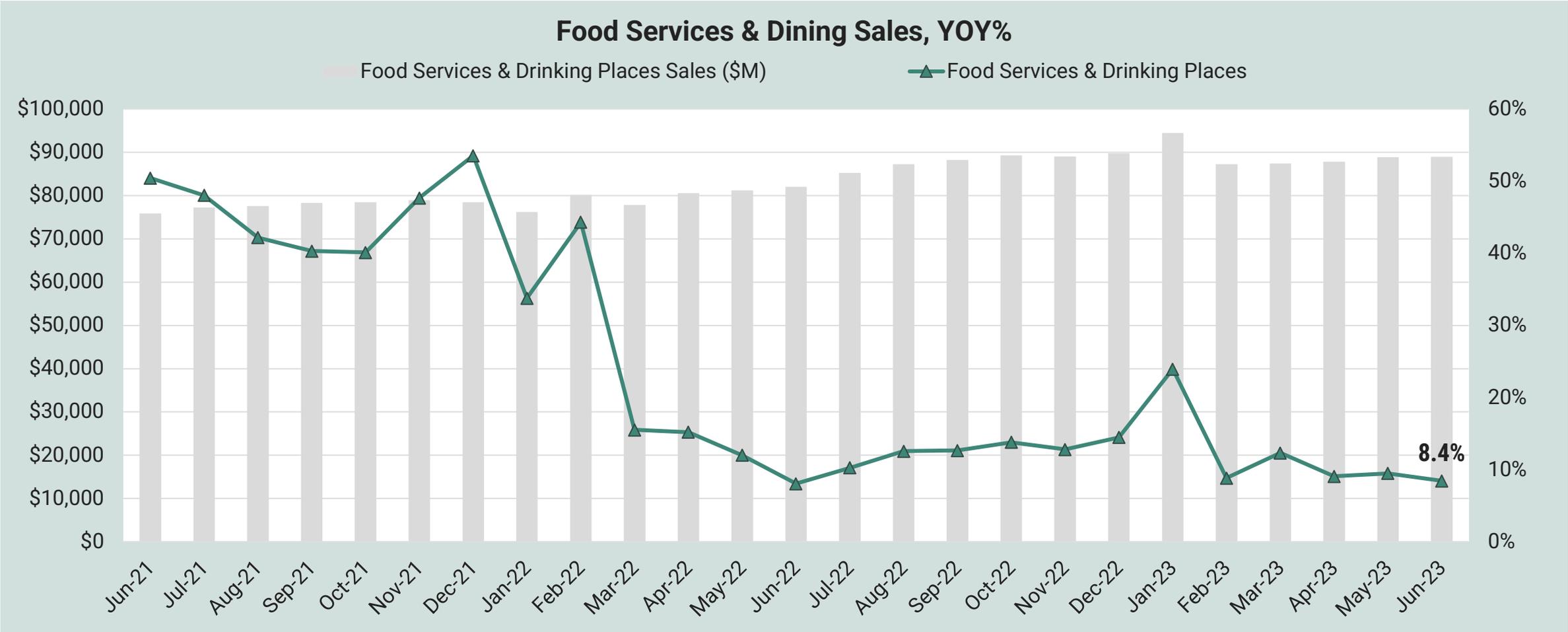
Several key hard goods segments showed YOY declines; Non-Store retail rose 9.4% and Food Services and Dining increased 8.4%



Source: U.S. Census Bureau

U.S. Retail Sales – Food Services & Dining

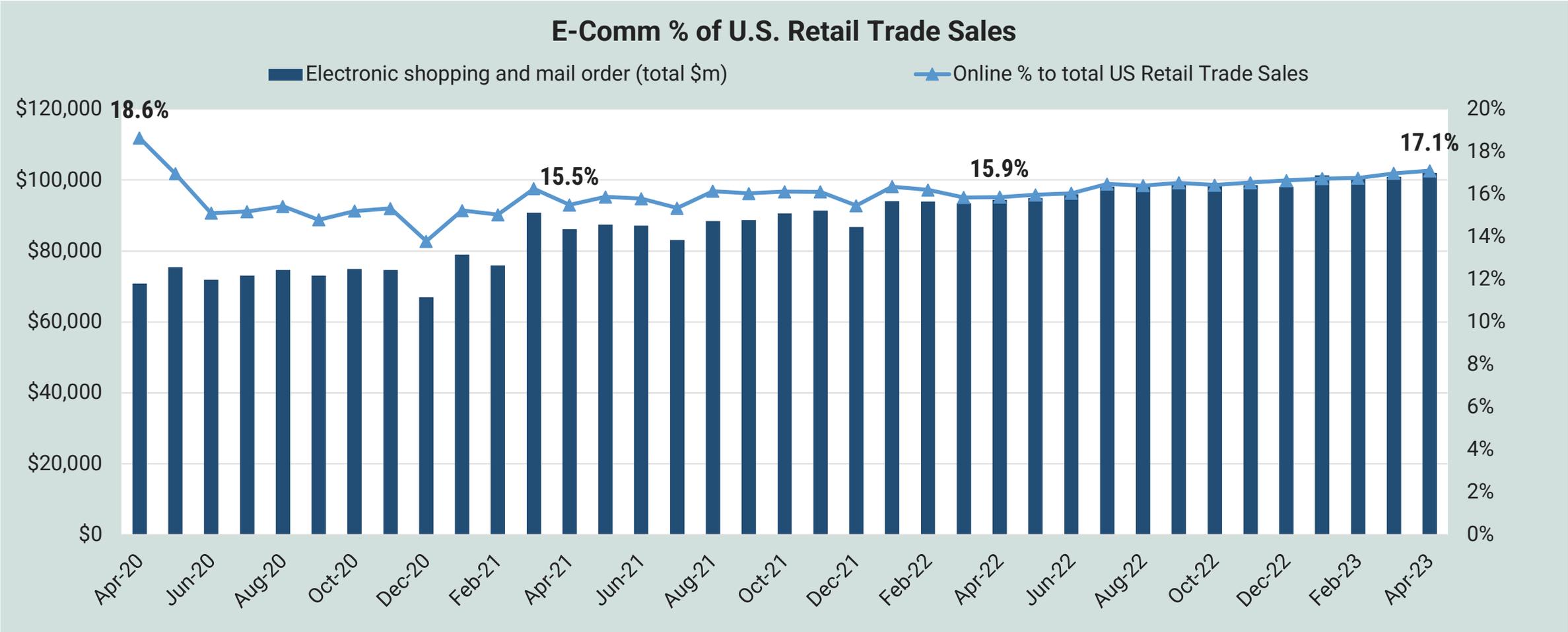
Food Services / Dining continues to show YOY gains, increasing 8.4% in June



Source: U.S. Census Bureau

U.S. Retail Sales – E-Commerce

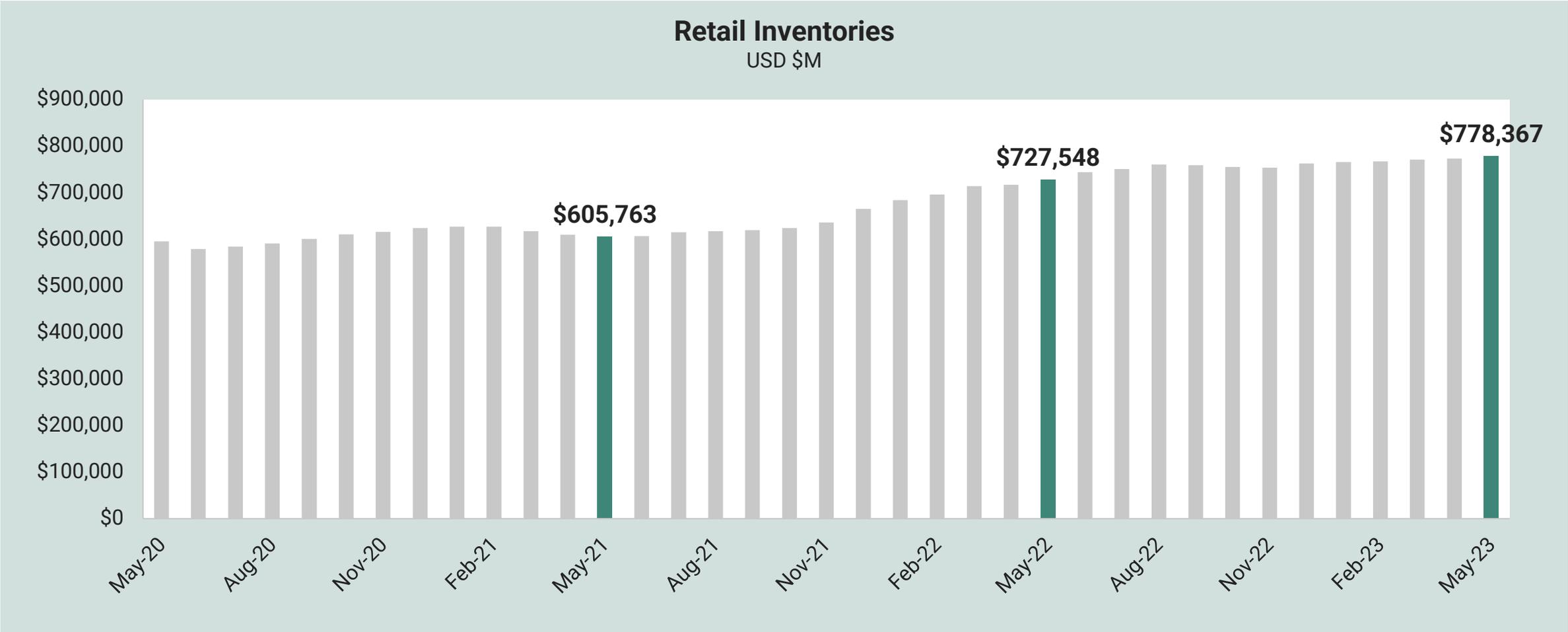
E-comm % of Retail Trade Sales remained stable at 17% through April 2023



Source: U.S. Census Bureau

Retail Inventories

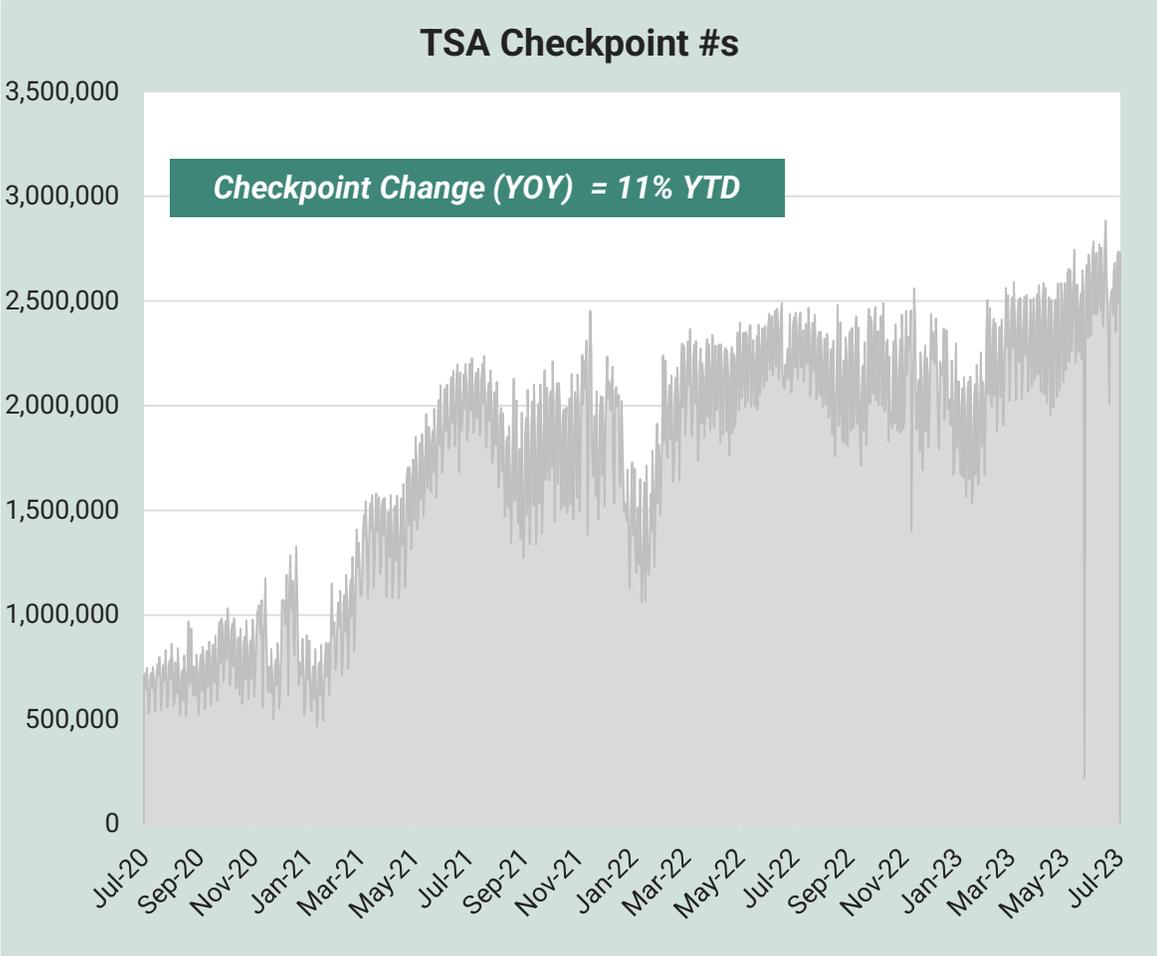
Inventories for April increased 7% above 2022; companies continue to face challenges as retail sales slow



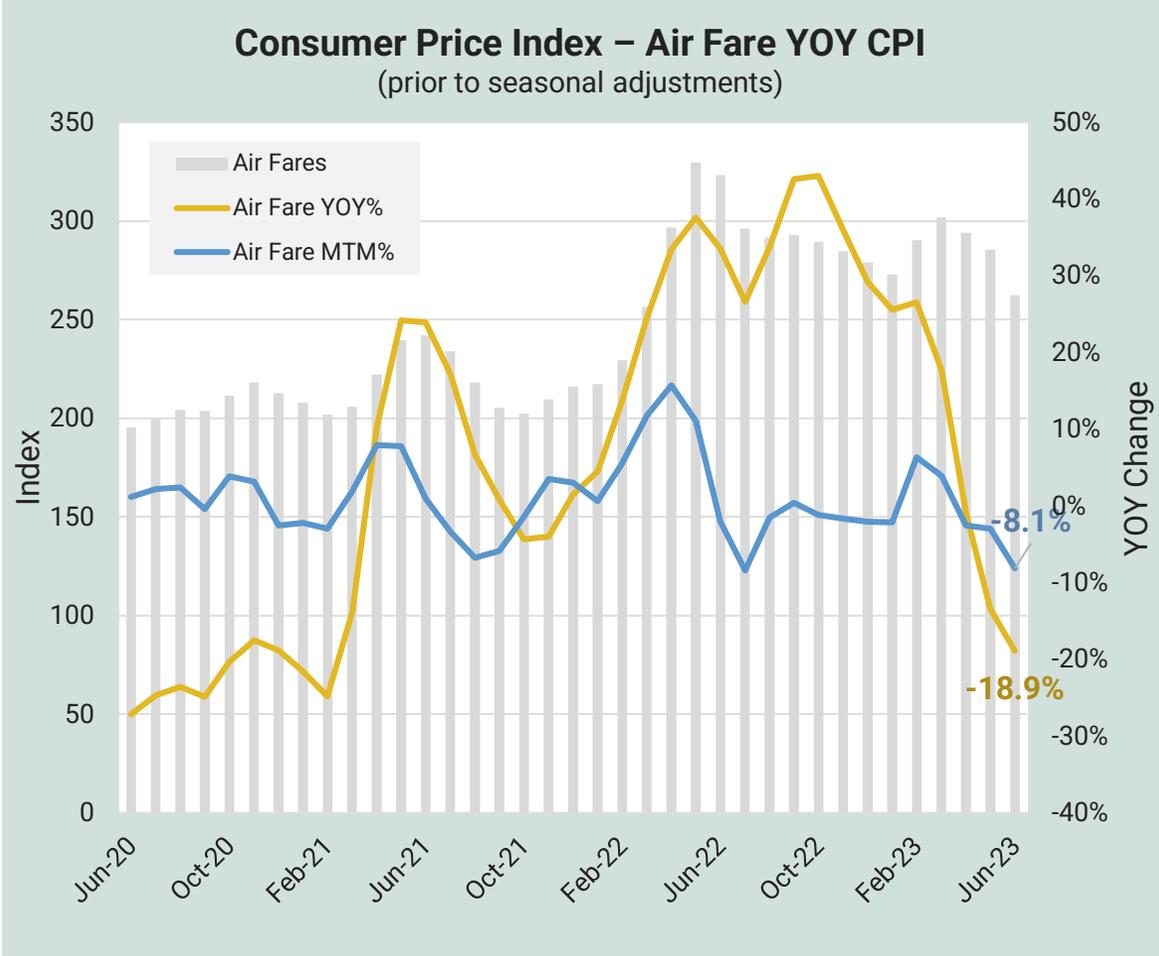
U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>

TSA Checkpoint Travel Numbers

Air travel continues to increase among U.S. travelers; year-to-date, TSA checkpoint numbers are up 11%; the price of air travel declined 8.1% MTM, and was nearly 19% lower than last year



Source: U.S. Transportation Security Administration



Source: U.S. Bureau of Labor Statistics

Broad Economic Indicators

Consumer Price Index *(non-seasonally adjusted)*

The Consumer Price Index increased 3.0% YOY, with Core CPI up 4.8%. The index for shelter was 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 again saw large declines YOY

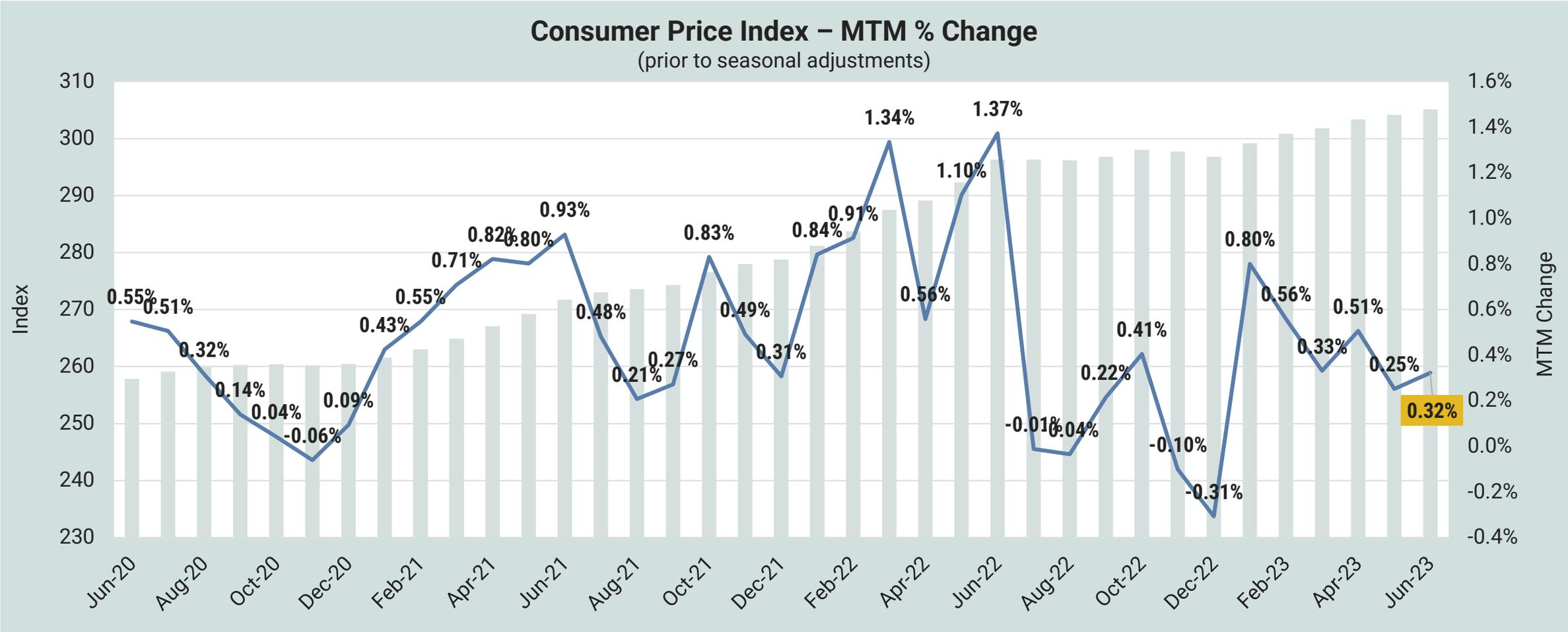
- Food at Home +4.7%
- Food Away From Home +7.7%
- Housing +6.3%
- Fuel -26.7%
- Air Fares -18.9%

	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
Total CPI	6.4%	6.0%	5.0%	4.9%	4.0%	3.0%
All Items Less Food & Energy (Core CPI)	5.6%	5.5%	5.6%	5.5%	5.3%	4.8%
Food at Home	11.3%	10.2%	8.4%	7.1%	5.8%	4.7%
Food Away From Home	8.2%	8.4%	8.8%	8.6%	8.3%	7.7%
Motor Fuel	1.9%	-1.7%	-17.3%	-12.4%	-20.0%	-26.7%
Apparel	3.1%	3.3%	3.3%	3.6%	3.5%	3.1%
Housing	8.2%	8.2%	7.8%	7.5%	6.8%	6.3%
Education	3.4%	3.3%	3.5%	3.6%	3.4%	3.1%
Medical Care	3.1%	2.3%	1.5%	1.1%	0.6%	0.1%
Transportation	3.8%	2.6%	-1.0%	0.2%	-2.0%	-5.1%
Air Fare	25.6%	26.5%	17.7%	-0.9%	-13.4%	-18.9%

Source: U.S. Bureau of Labor Statistics

Consumer Price Index – Month-to-Month Trends

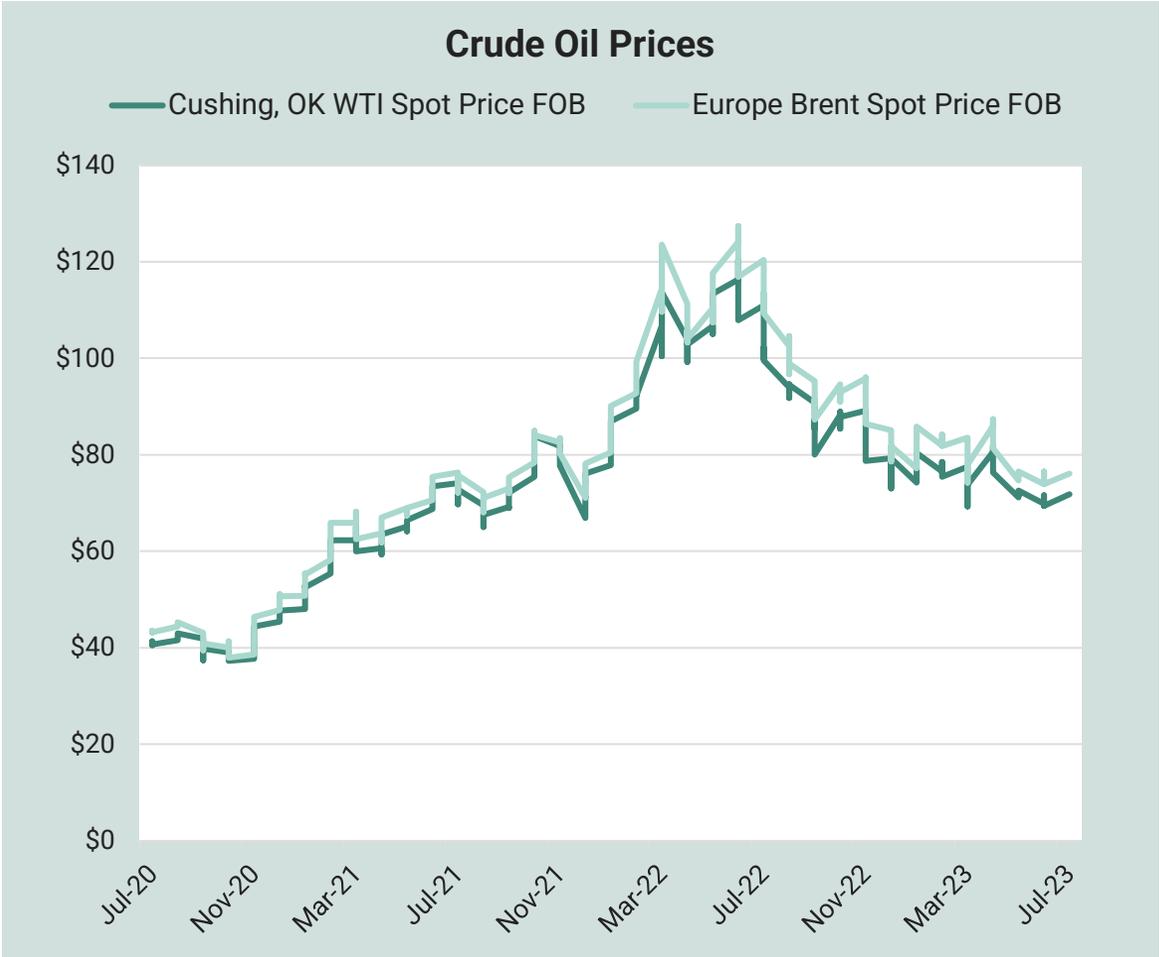
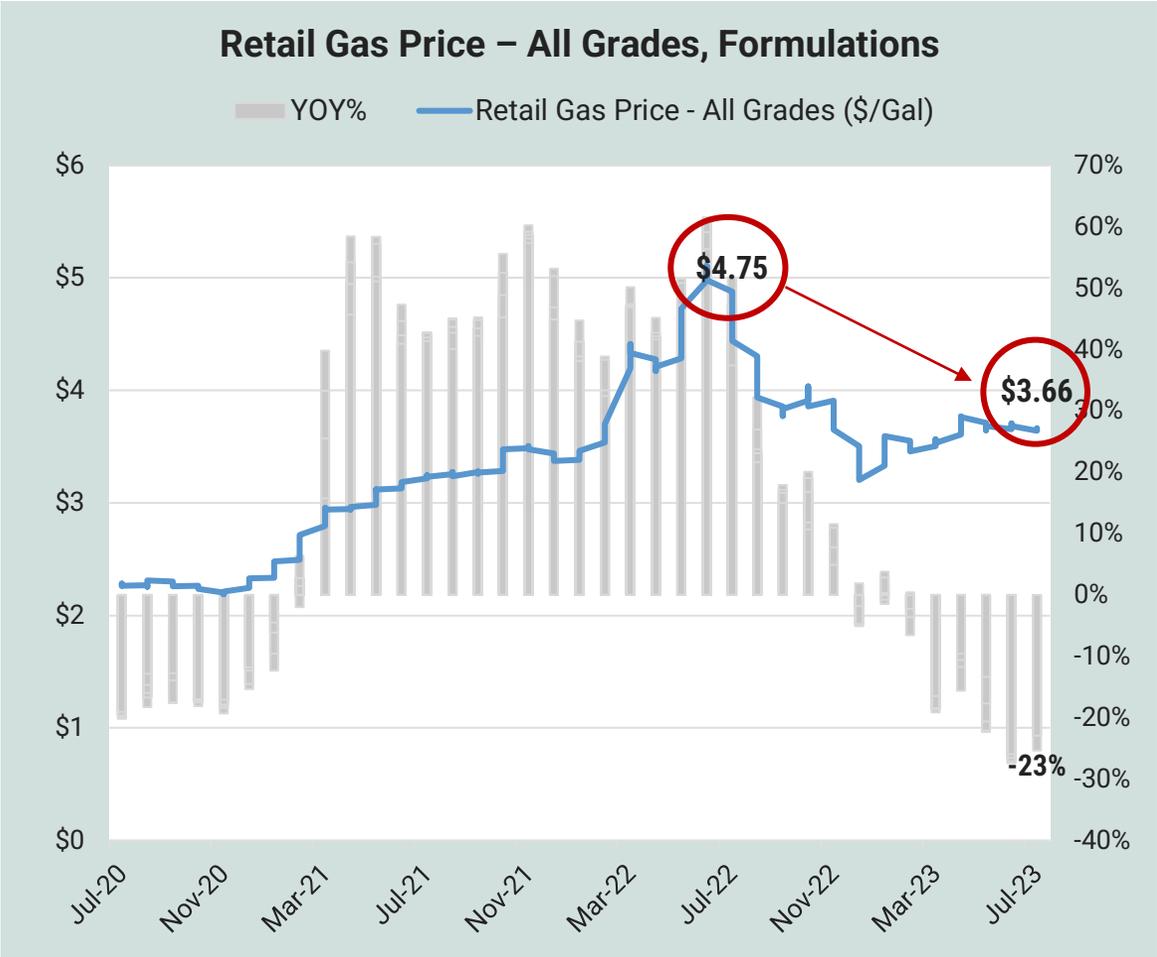
On a *monthly* basis, the CPI for All Urban Consumers (CPI-U) increased 0.32% (prior to seasonal adjustments)



Source: U.S. Bureau of Labor Statistics

Gasoline (Retail Price) and Crude Oil Prices

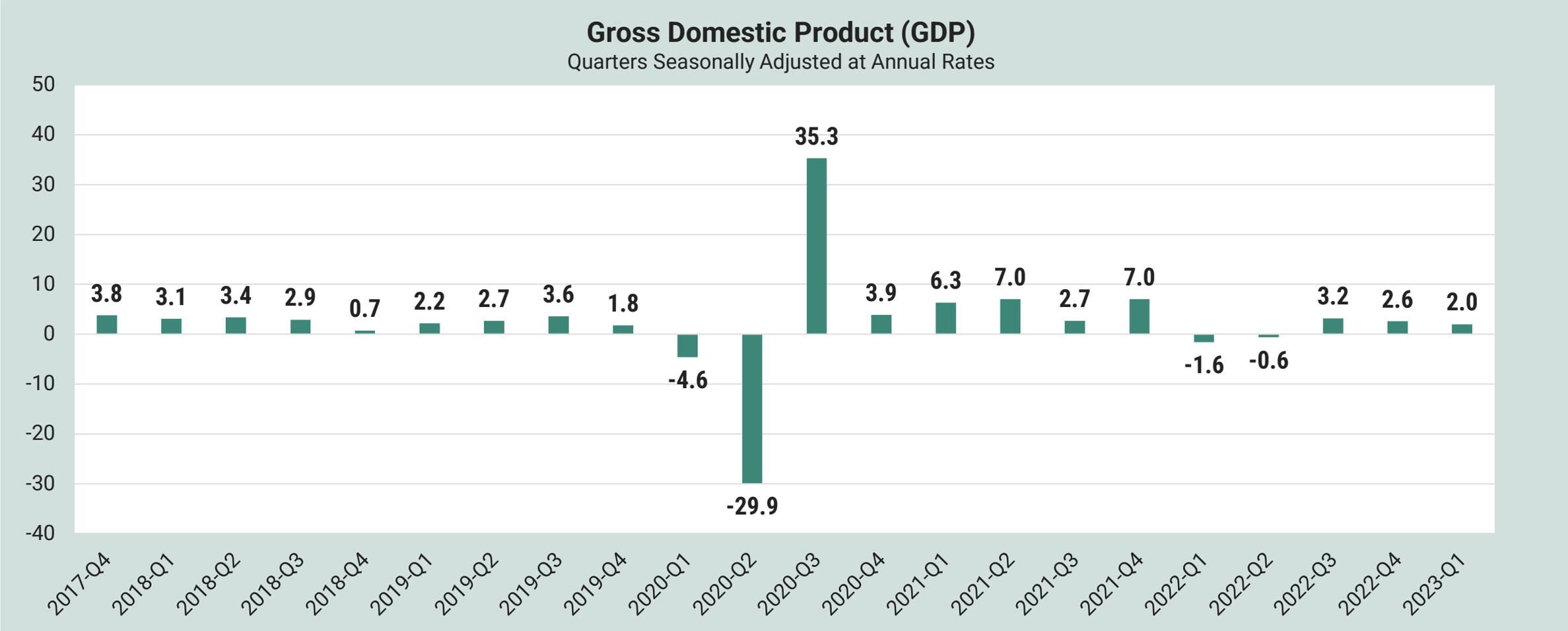
Retail gas prices remain stable, down 23% YOY at \$3.66 / gallon nationally through early July vs. \$4.75 last year



Source: U.S. Energy Information Administration

Gross Domestic Product

Q1-2023 GDP increased at an annual rate of 3.0 percent, revised up 0.7 percentage points from the earlier estimates

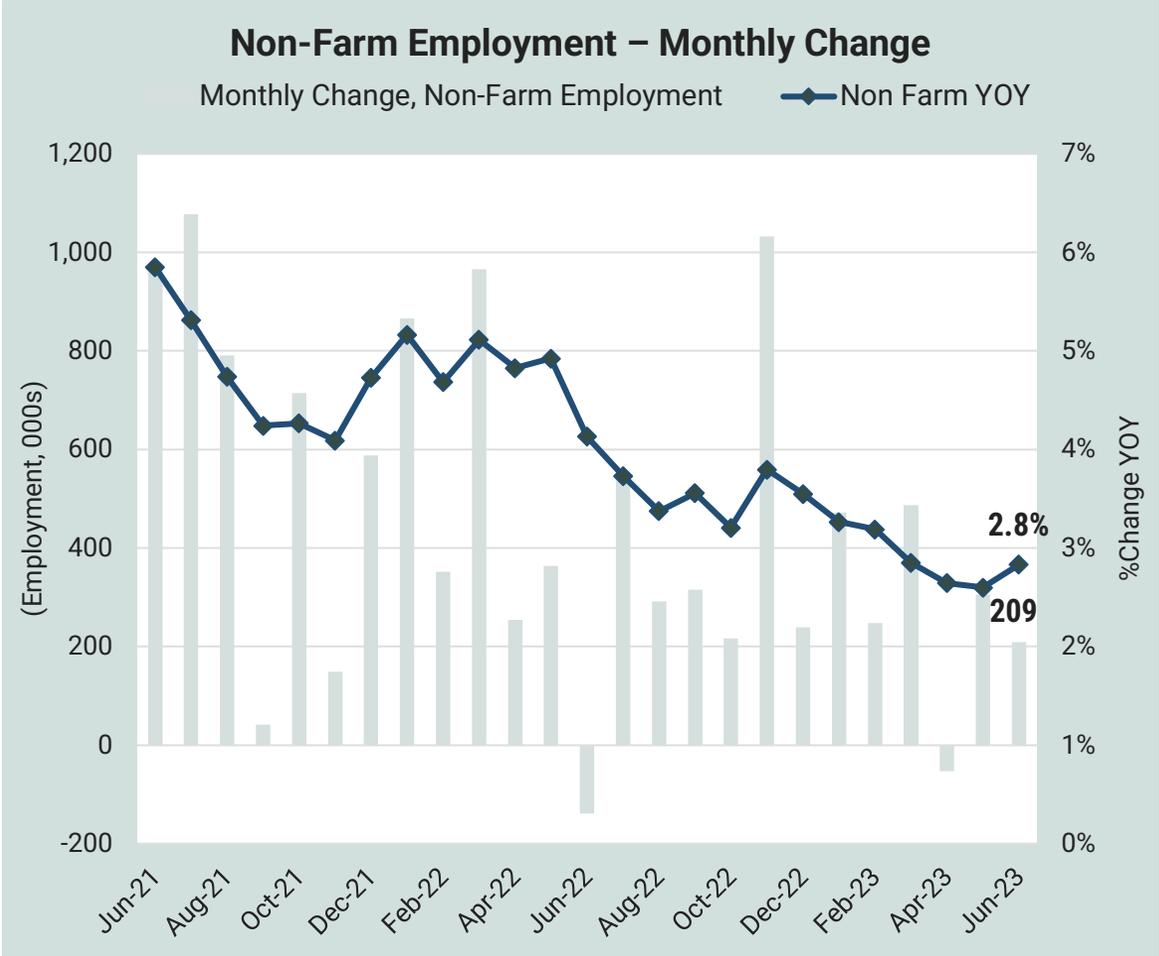
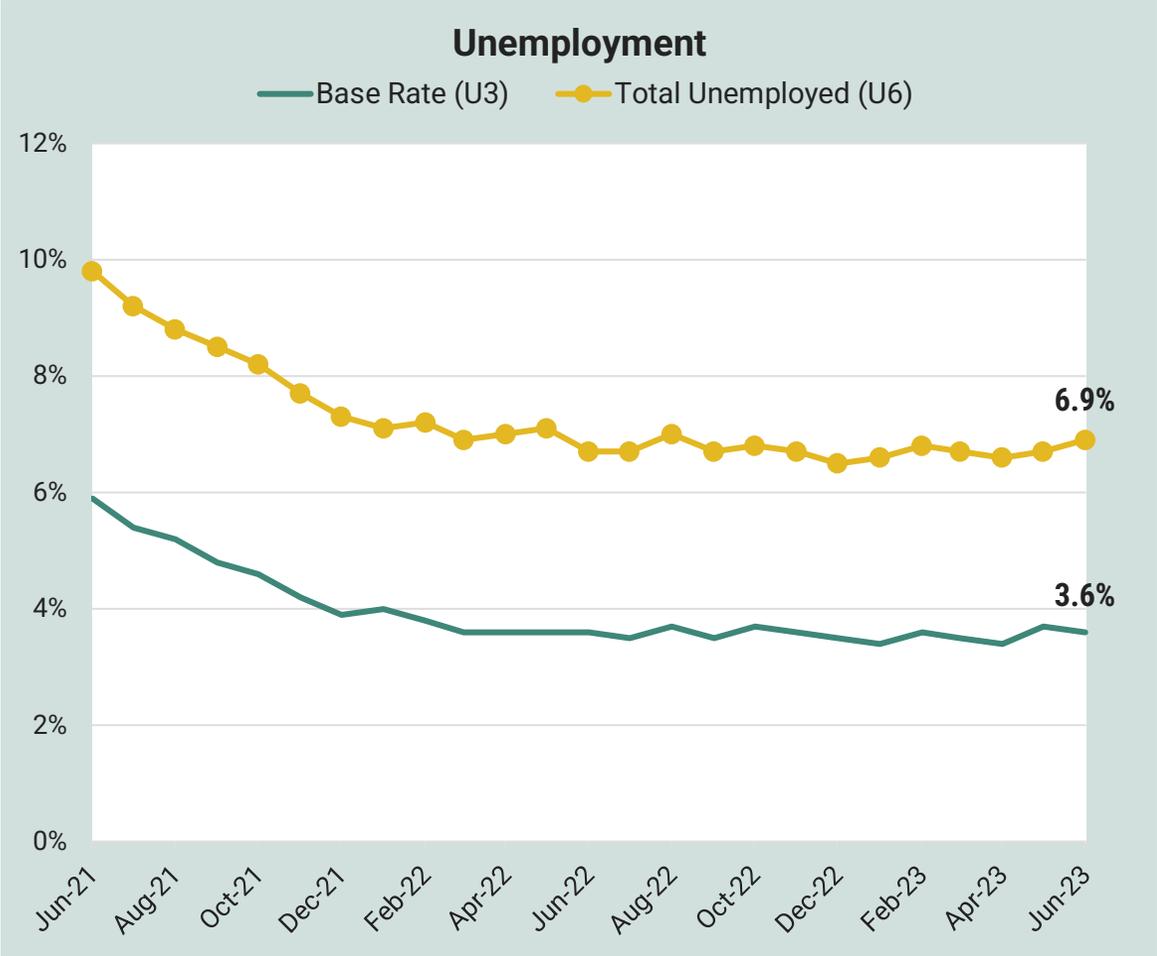


Source: U.S. Bureau of Economic Analysis

U.S. Employment

U.S. Employment Overview

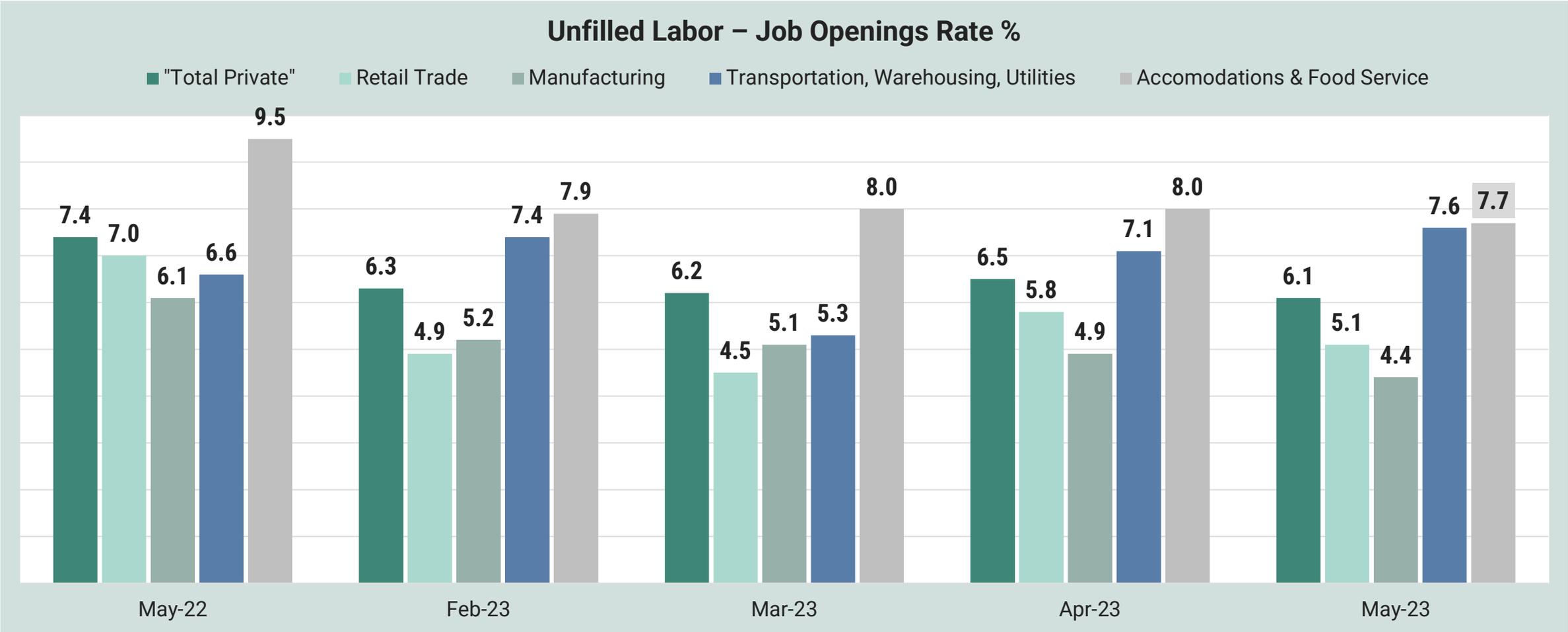
Unemployment remains low at 3.6%; non-farm employment was up 2.8% month-to-month, with employment rising by 209,000 in June



Source: U.S. Bureau of Labor Statistics

Private Industry Labor – Job Openings

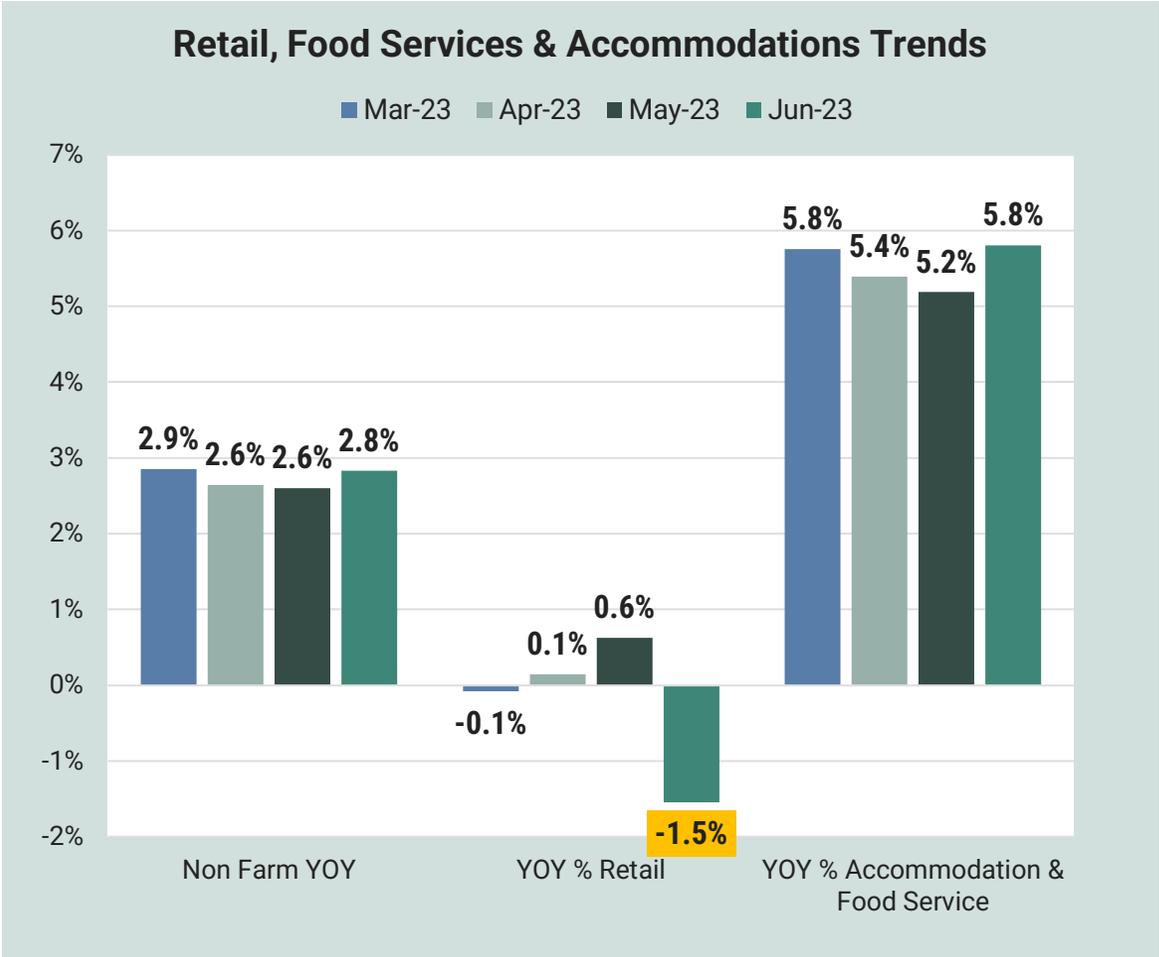
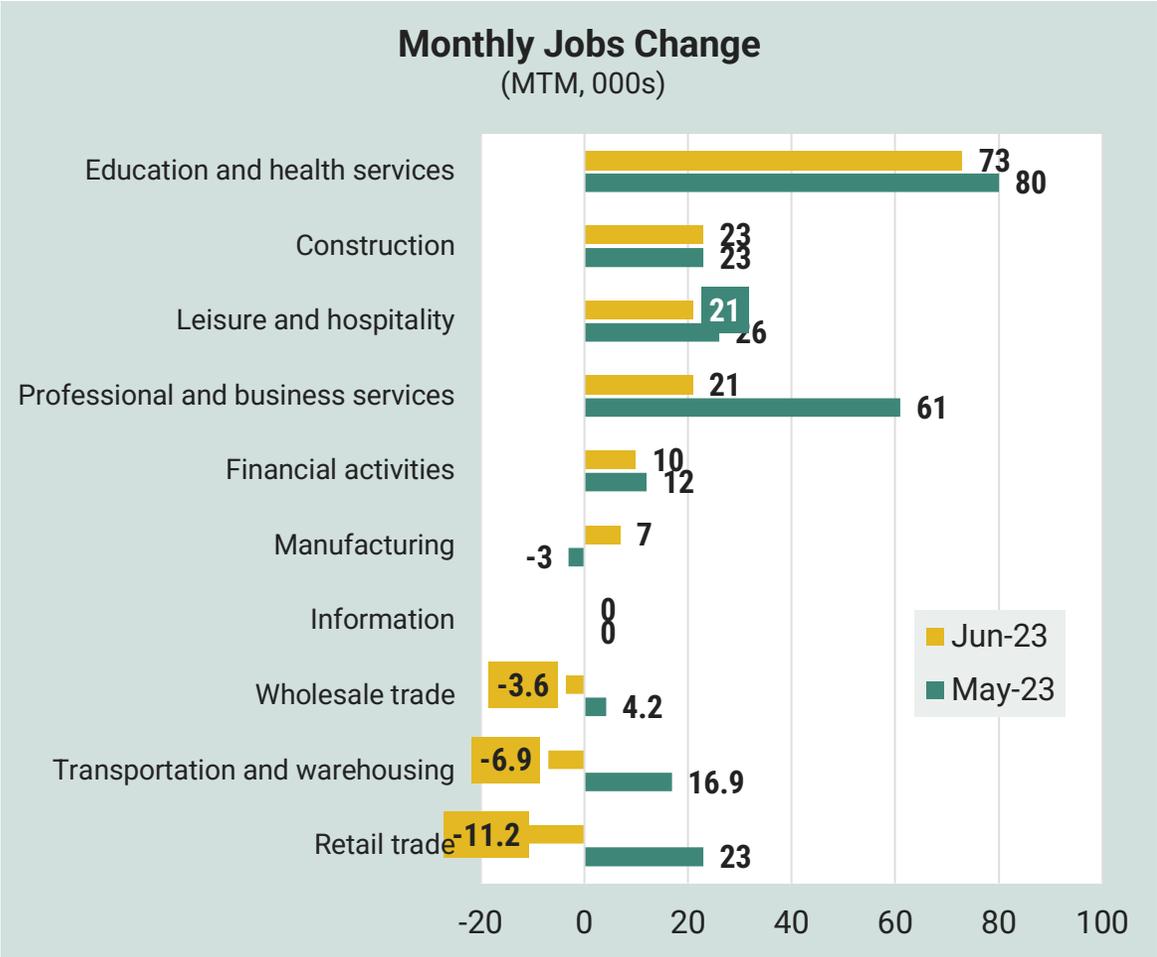
Unfilled job openings rates rose across all sectors –recent trends continue to show unfilled labor rates climbing



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 declined 1.5% in June; Leisure & Hospitality again saw moderate MTM gains; Transportation and Warehousing and Wholesale experienced declines in June MTM figures



Source: U.S. Bureau of Labor Statistics

Supply Chain

Global Supply Chain Index

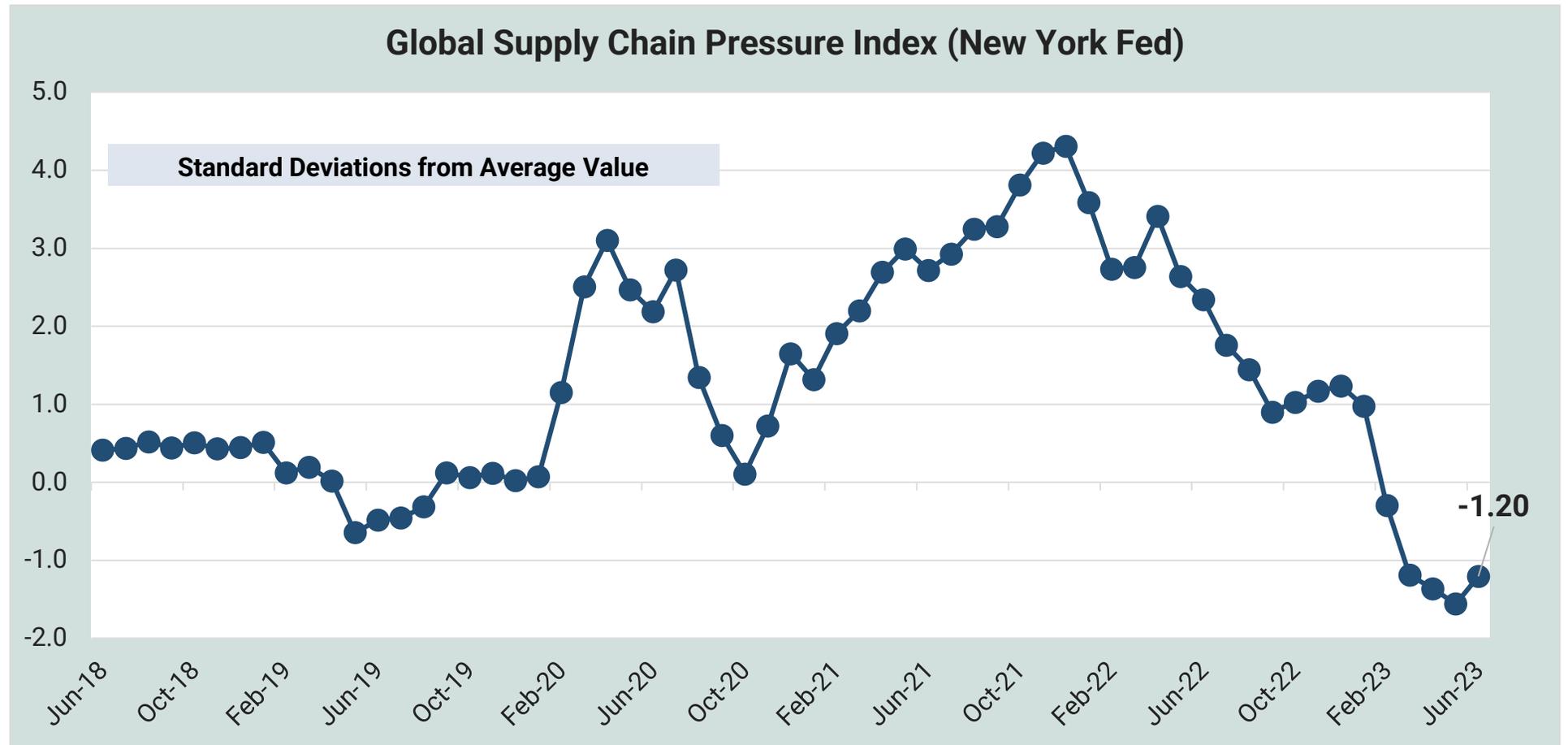
The GSCPI in June rose to -1.2 from a revised value of -1.56 in May, due to significant upward contributions from Great Britain and Euro Area backlogs as well as U.S. and Taiwan delivery times

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.

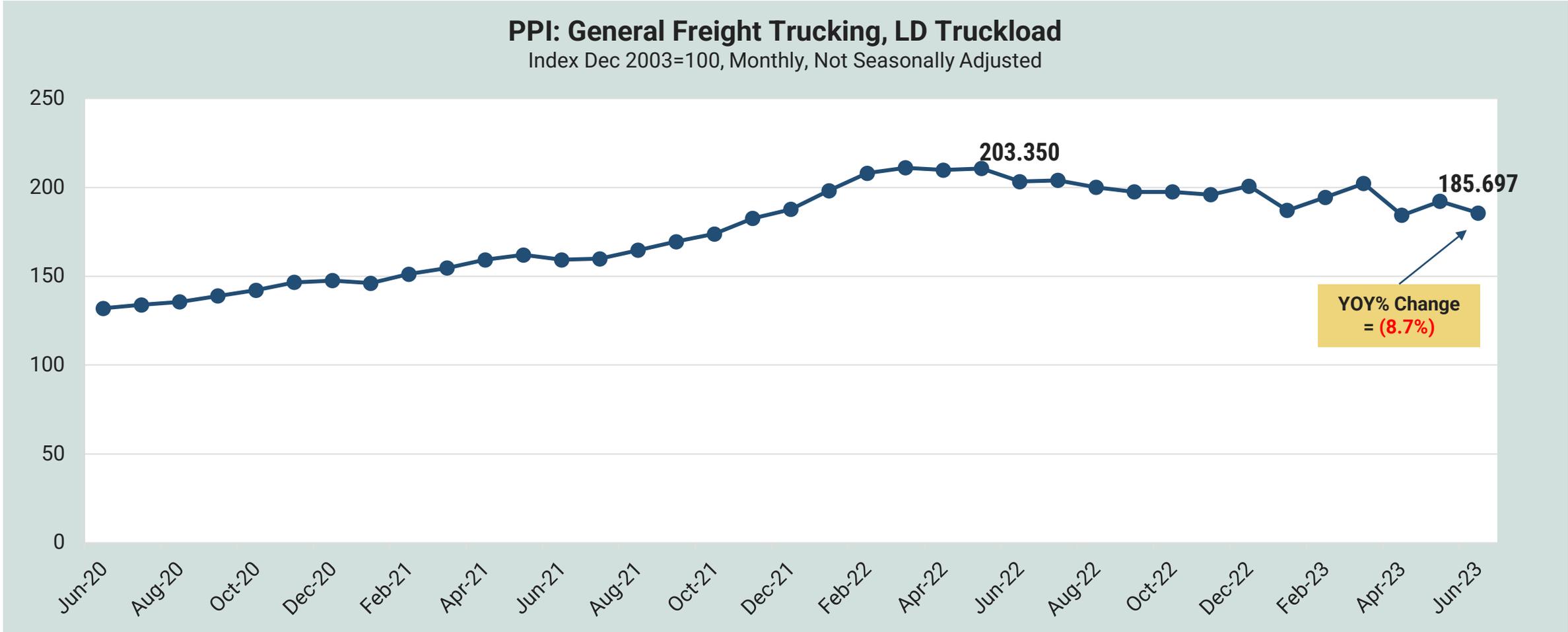
The GSCPI is a product of the Applied Macroeconomics and Econometrics Center (AMEC).

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



Freight Inflation - Trucking

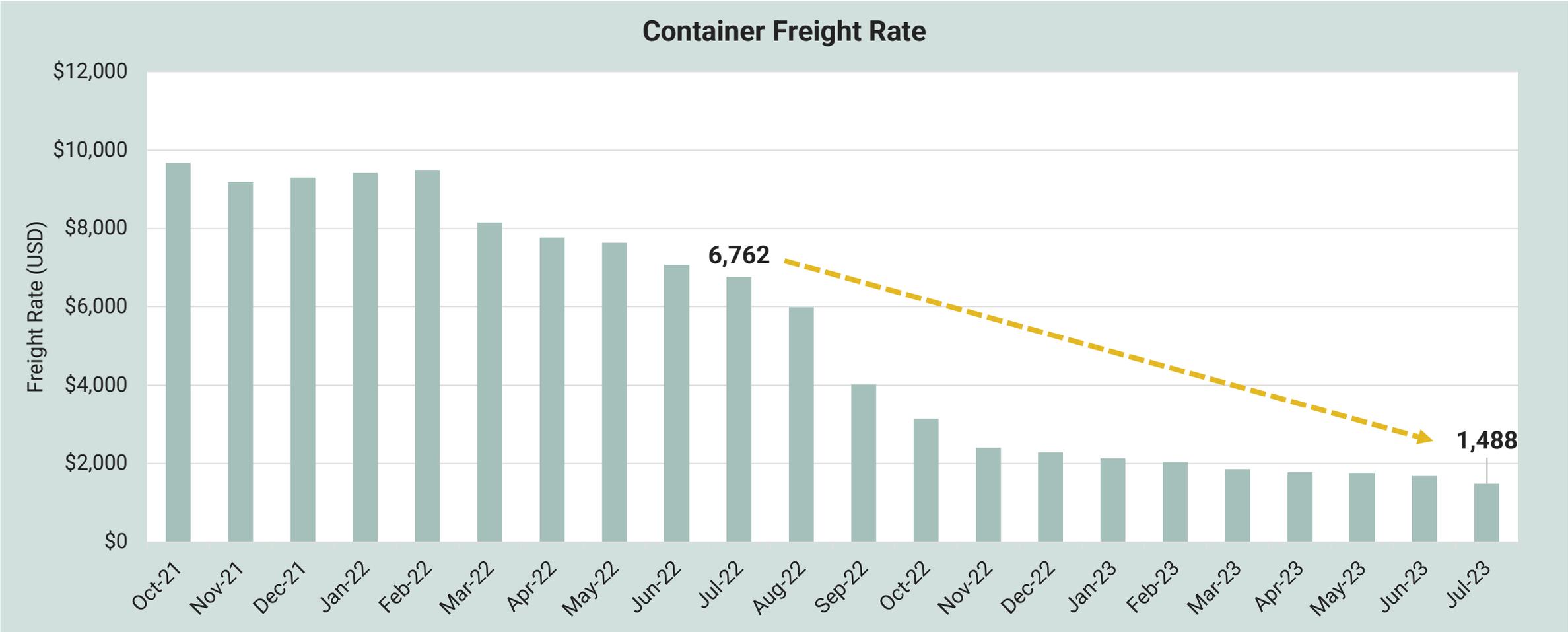
Through June, general freight trucking cost is down 8.7% over last year and 3.4% below May



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 Index remains well below 2022

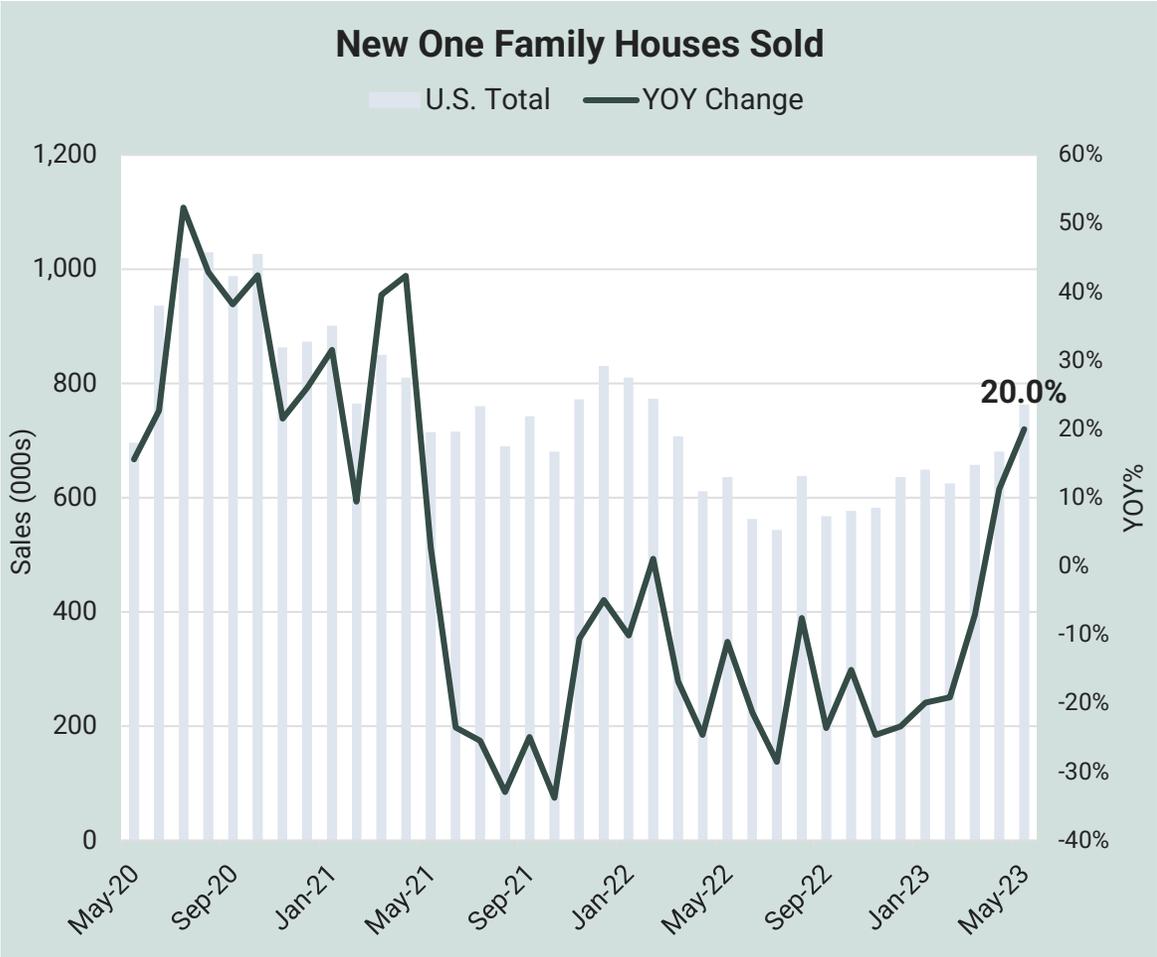


Source: Drewry, <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>

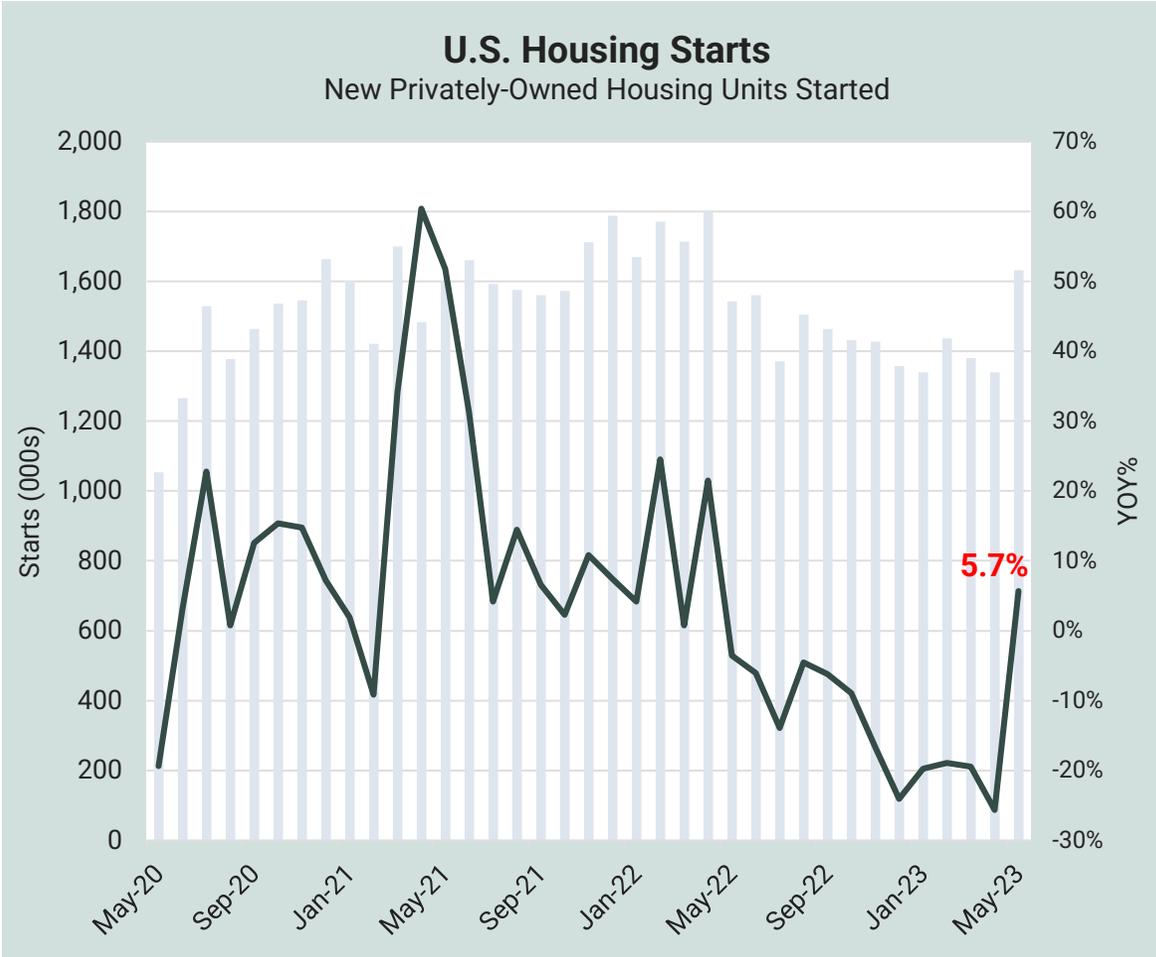
Housing

Housing – New Home Sales and Starts

New home sales increased 20% over last year – boosted still by low inventory of available homes



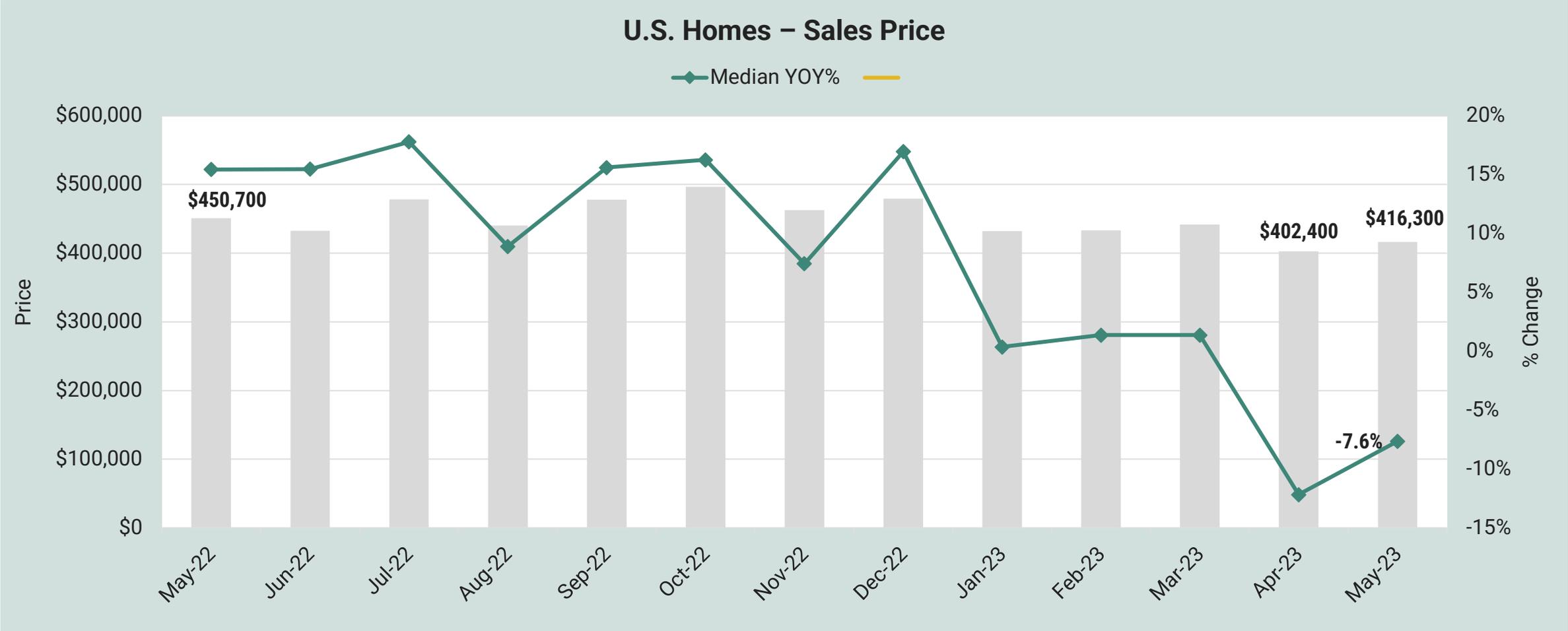
U.S. Census Bureau and U.S. Department of Housing and Urban Development, New One Family Houses Sold: United States, retrieved from FRED, Federal Reserve Bank of St. Louis



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;

U.S. Housing – New Home Prices

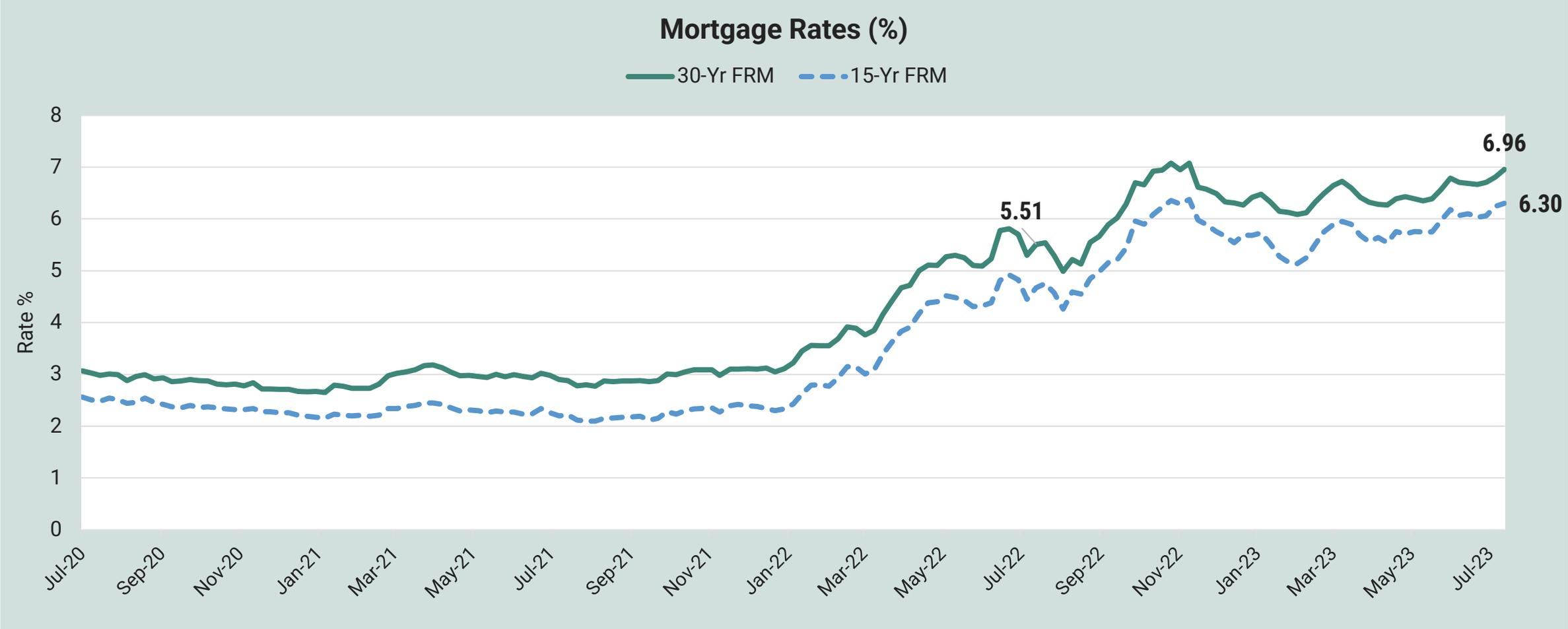
The median U.S. home price in May 2023 declined 7.6% YOY but increased 3.5% MTM



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

Mortgage Rates

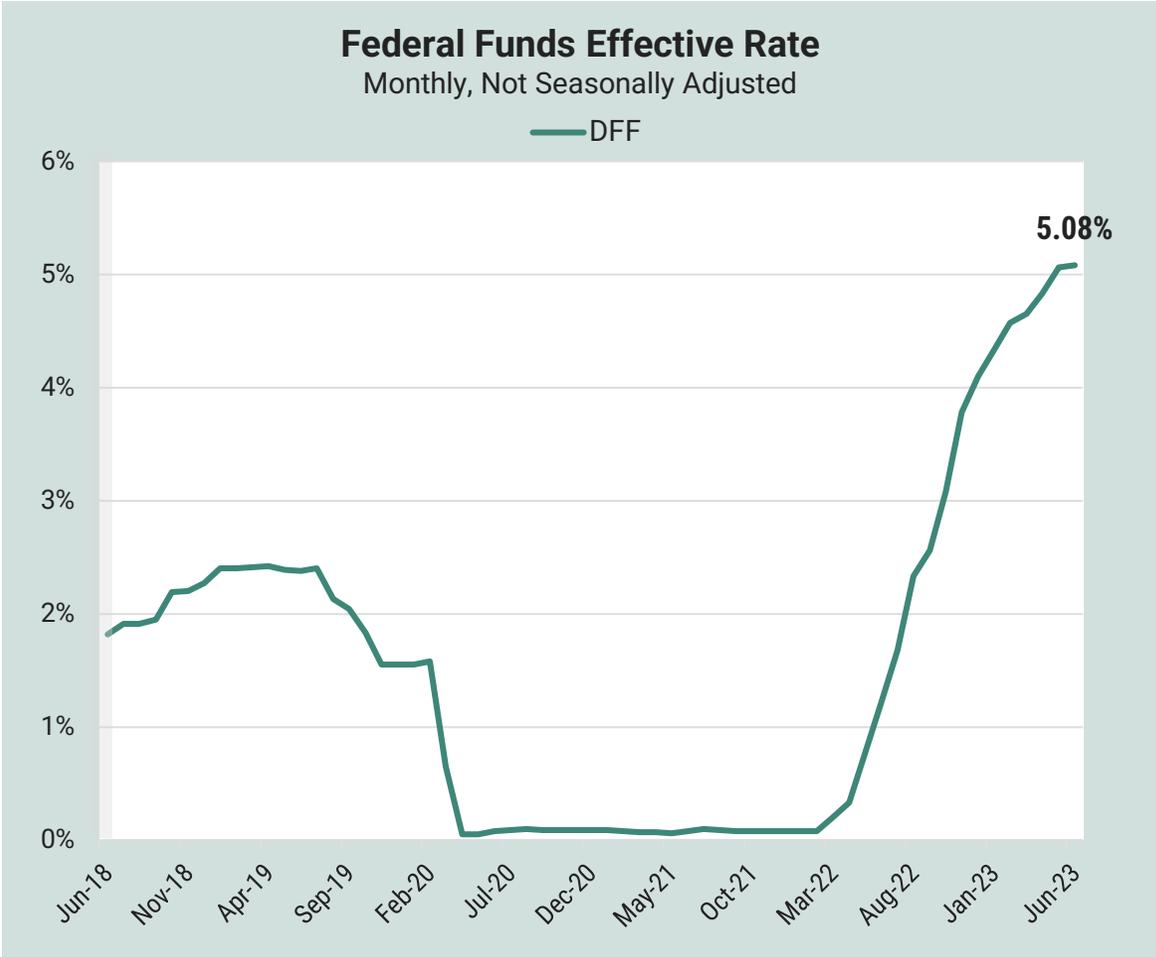
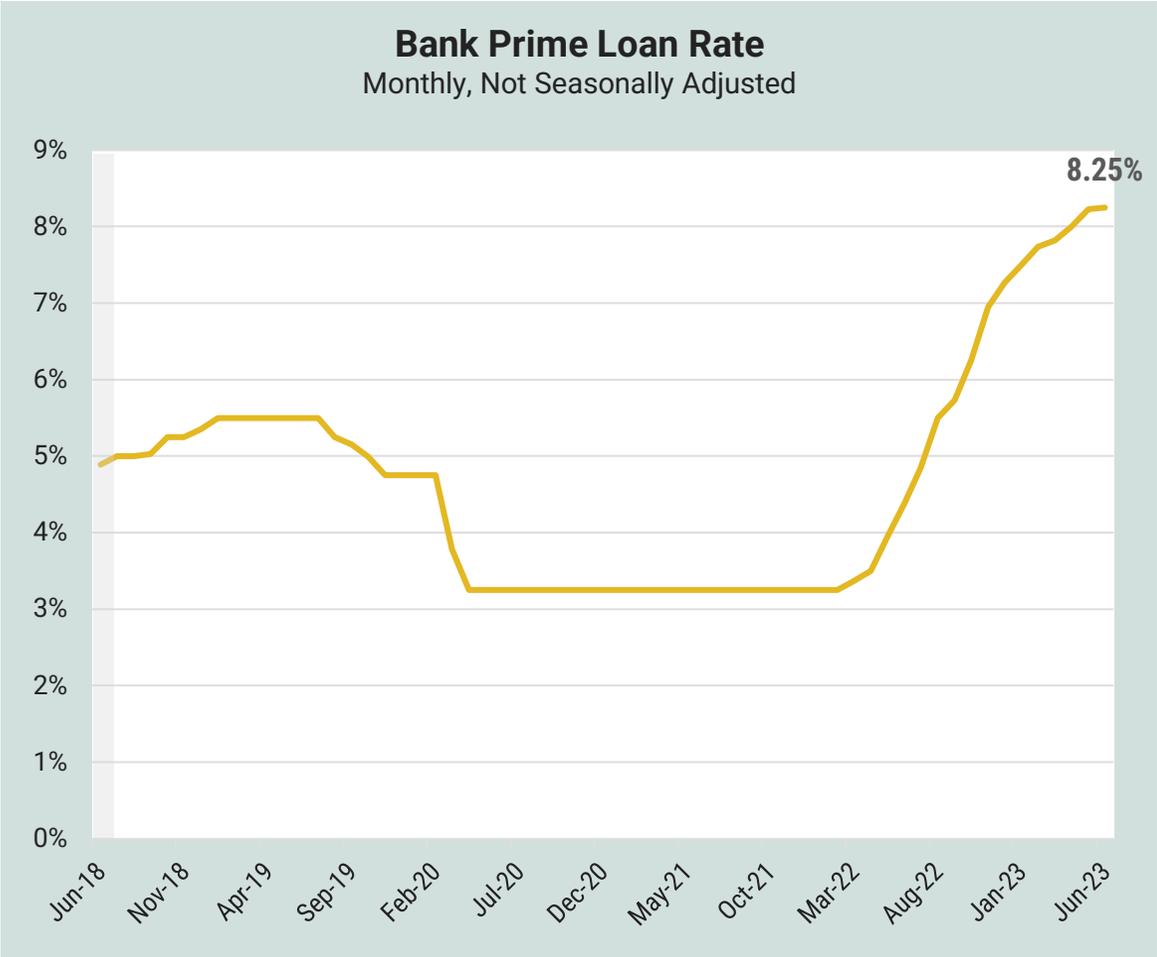
30-year FRM rate of 6.96%, above last year's rate of 5.51%; 15-year rate now 6.3%



Source: FreddieMac Mortgage Market Survey

Federal Reserve – Interest Rates

Bank Prime Loan Rate rose slightly to 8.25%; Federal Funds Rate increased to 5.08% through June



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

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