

U.S. Economic Overview

CONSUMERS AND
THE MACRO ECONOMY



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Summary



Highlights – What You Need To Know

U.S. CONSUMERS: Consumer confidence rose significantly in December's University of Michigan Survey of Consumers

- **Consumer sentiment** increased 13% in December, erasing declines from the previous four months, driven chiefly by expectations of improvement in U.S. inflation
 - Long-run inflation expectations fell from 3.2% last month to 2.8% this month, matching the second lowest reading seen since July 2021
- **Personal disposable income*** 7.8% in October 2023; consumer expenditures, basically flat MTM, increased 6.1% YOY
- **Total Consumer Debt**
 - Credit card balances remain high and consumer debt continues to grow – revolving credit rose 10.4% vs. 2022
 - Total consumer credit increased 5.5%
- **Loan Delinquencies**
 - Delinquency rates for consumer loans increased again through Q2-2023; the rate has been rising since 2021 and is at its highest level since 2019, with consumers continuing to take on more debt

RETAIL SALES

- **November retail sales** rose 0.6 percent from October 2023, and were 5.2 percent above last year
 - YTD retail sales (excl. motor vehicles and gas stations) have increased 4.8 percent
- **U.S. Vehicle Sales**
 - New vehicle sales increased 7.3% YOY, with CPI 1.3% above LY
 - Used vehicles sales (through October) increased 2.2% vs. last year, November CPI-Used Vehicles index was down 3.8%
- **Air travel**
 - Air travel increased again among U.S. travelers; year-to-date, TSA checkpoint numbers are up 12.7%
 - The price of air travel was down .3% MTM, and 12% lower than last year



Highlights – What You Need To Know

BROAD ECONOMIC INDICATORS: Inflation is slowing but interest rates remain a challenge

- **Interest rates: Bank Prime Loan Rate (8.5%)** and **Federal Funds Rate (5.33%)** were unchanged from previous month, with many analysts setting expectations of 3-5 rate decreases in 2024
- **Gross Domestic Product:** Real gross domestic product (GDP) increased 5.2 percent in the third quarter of 2023, according to the "second" estimate released by the Bureau of Economic Analysis; Q2 real GDP increased 2.1 percent
 - GDP uptick reflected increases in consumer spending, private inventory investment, exports, state and local government spending, federal government spending, residential fixed investment, and nonresidential fixed investment. Imports increased
- **The Consumer Price Index** rose 3.1 percent, with **Core CPI** up 4.0%
 - Motor fuel index was down 9.2%
 - Housing increased 5.2% and Food Away From Home rose 5.3%

U.S. EMPLOYMENT: Unemployment remains low

- **Unemployment** dropped to 3.7%; non-farm employment was up 1.8% month-to-month, with employment rising by 199,000

HOUSING: Mortgage rates (30-year fixed-rate) hovered around 7%, marking a drop from its recent peak of nearly 7.8% six weeks ago

- **New home sales** increased nearly 18% in October, following a 26.8% increase in September; **housing starts** dropped 4.2%
- The October **median U.S. new home price** declined 12.3% YOY and 3.1% vs. previous month

SUPPLY CHAIN: Freight costs continue to remain stable

- In **November**, general freight trucking index was down 5.8% over last year and .5% lower than the previous month
- **Deep sea freight** rates are down 10.1% YOY and 1.6% higher MTM

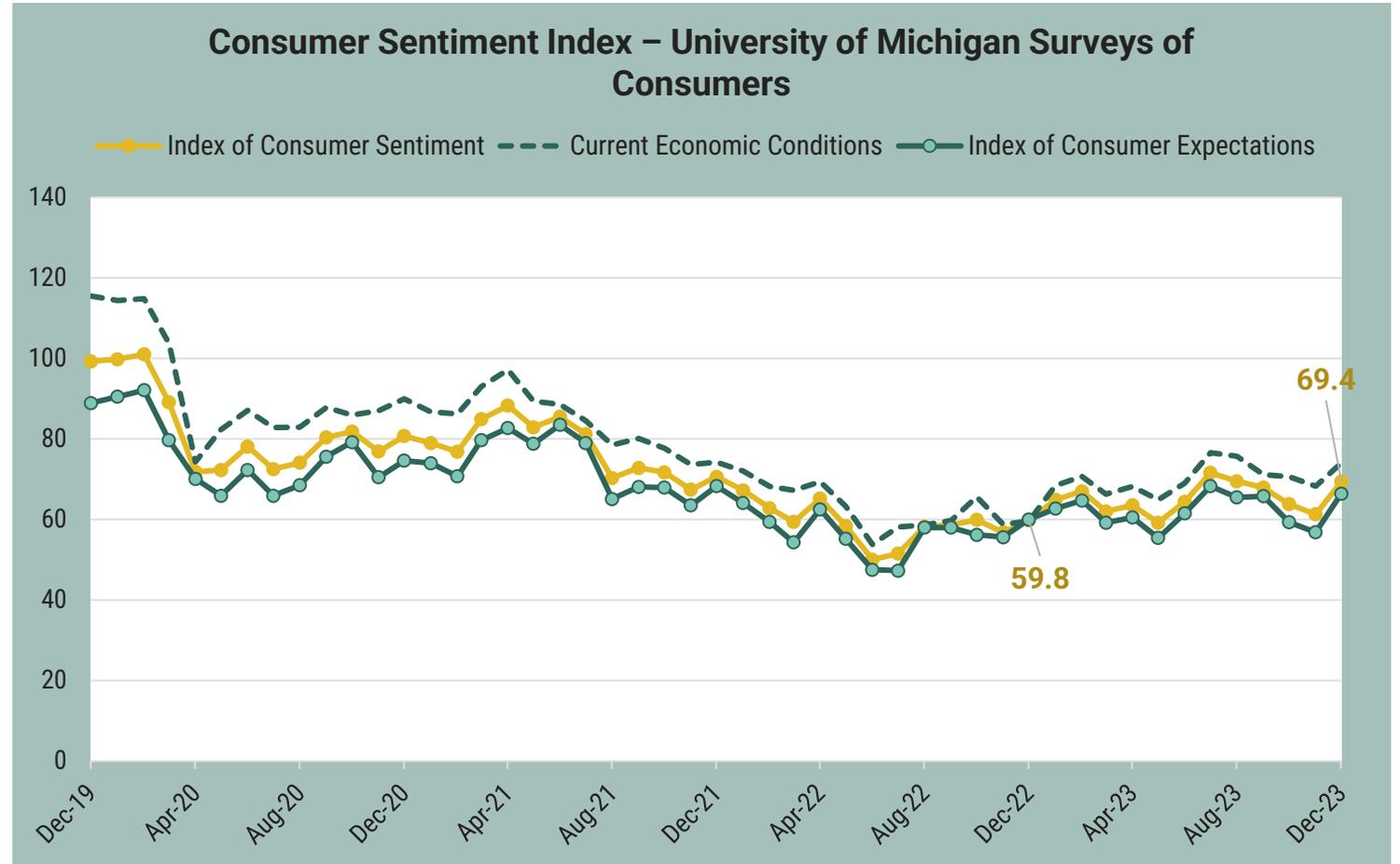
Key Consumer Metrics



Consumer Sentiment Index

Consumer sentiment increased 13% in December, erasing declines from the previous four months, driven chiefly by expectations of improvement in U.S. inflation

	Index of Consumer Sentiment	Current Economic Conditions	Index of Consumer Expectations
2-Year High	71.6	76.6	68.3
2-Year Avg.	62.5	66.9	59.7
2- Year Low	50.0	53.8	47.3
Current	69.4	74.0	66.4
LY	59.8	59.6	60.0
YOY % Change	16.1%	24.2%	10.7%
Previous Month	61.3	68.3	56.8
MTM % Change	13.2%	8.3%	16.9%

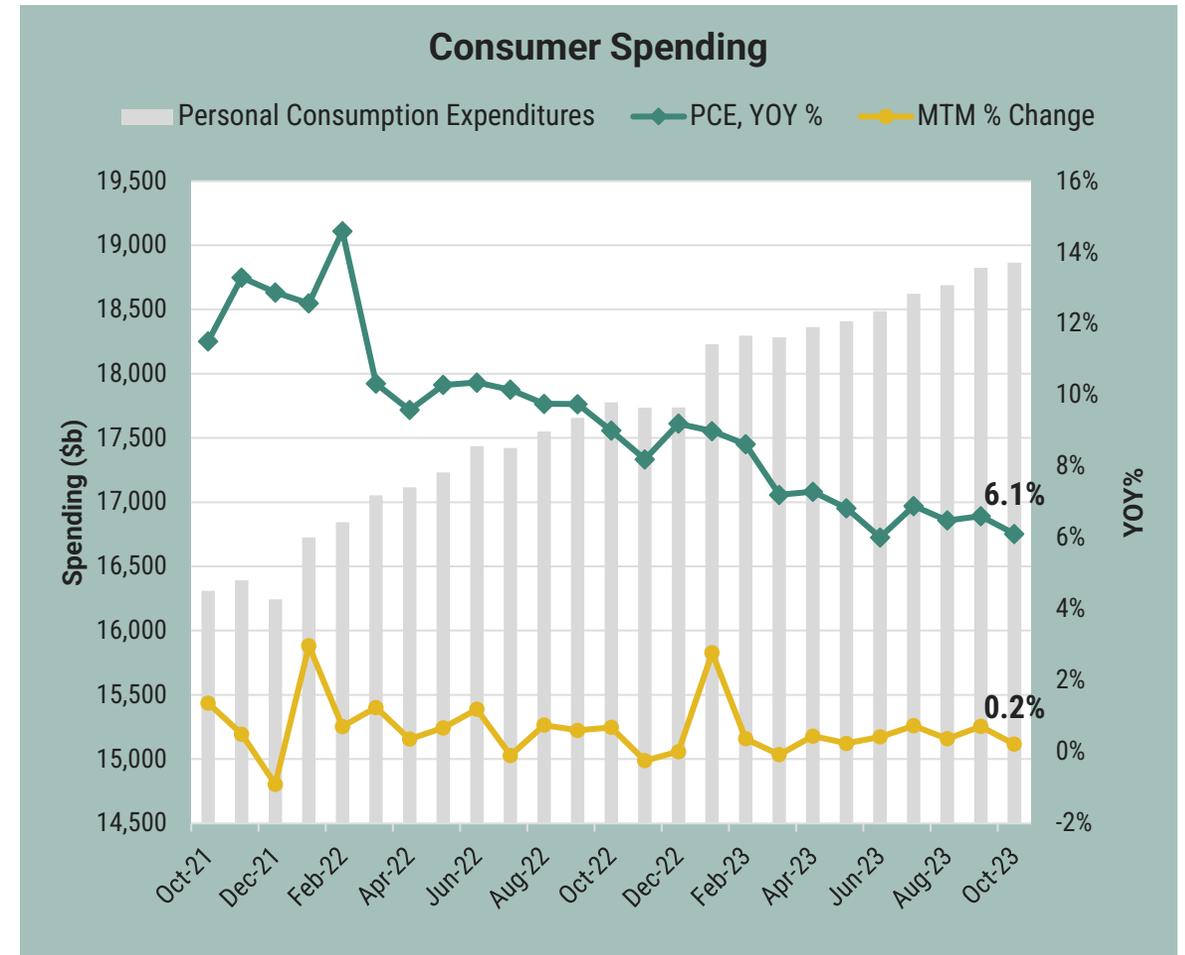
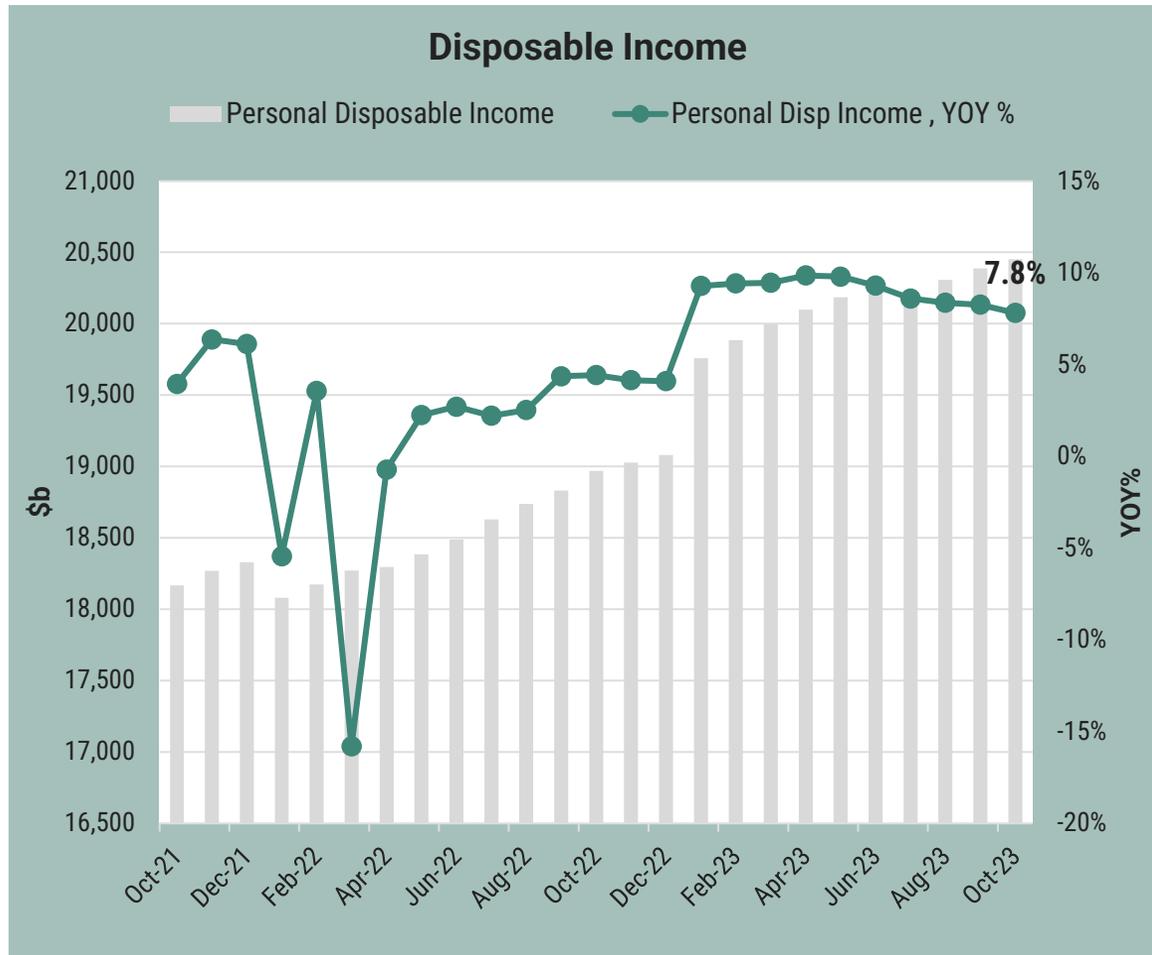


Source: The Surveys of Consumers are conducted by the Survey Research Center at the University of Michigan. (<https://data.sca.isr.umich.edu/survey-info.php>)



Consumer Income and Spending

Personal disposable income rose 7.8% in October 2023; consumer expenditures, basically flat MTM, increased 6.1% YOY

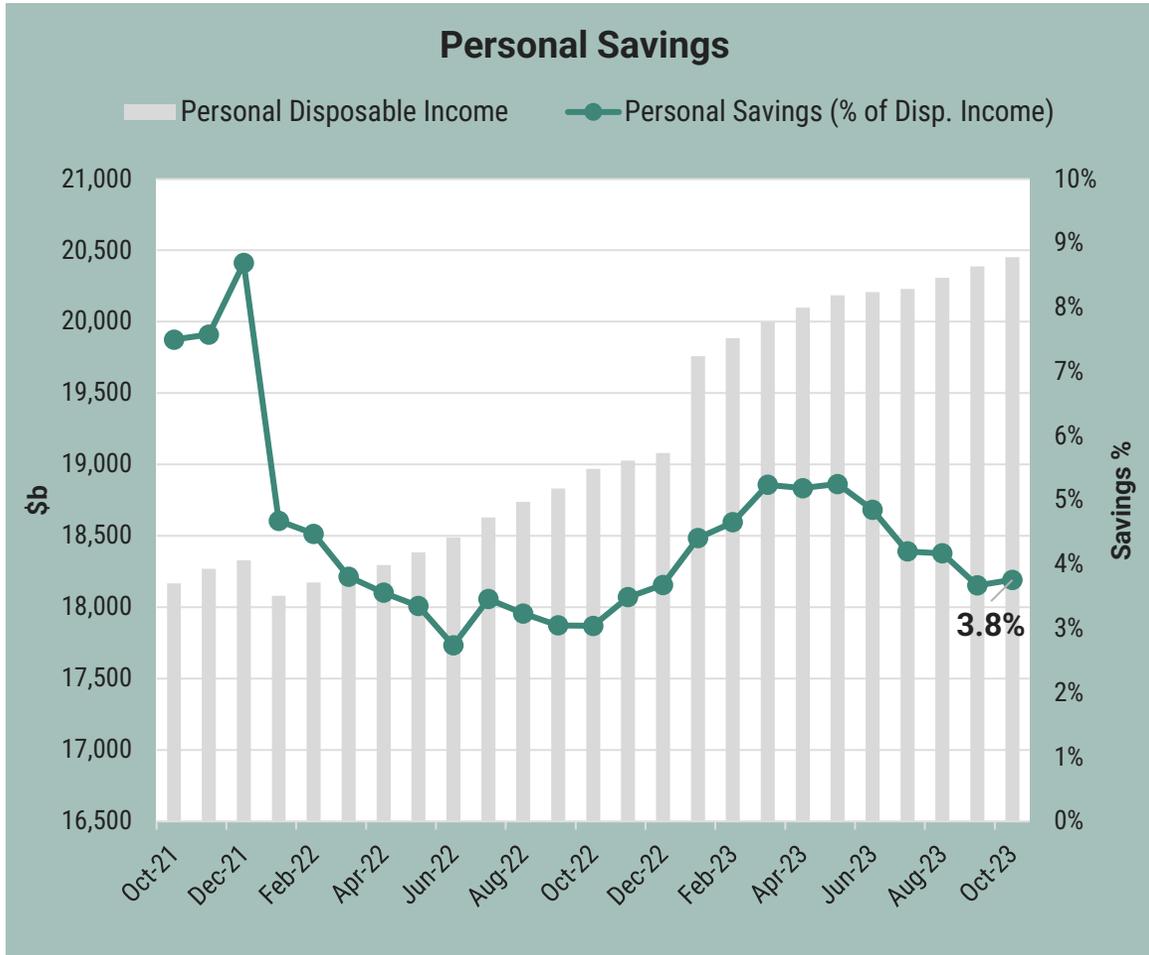


Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting

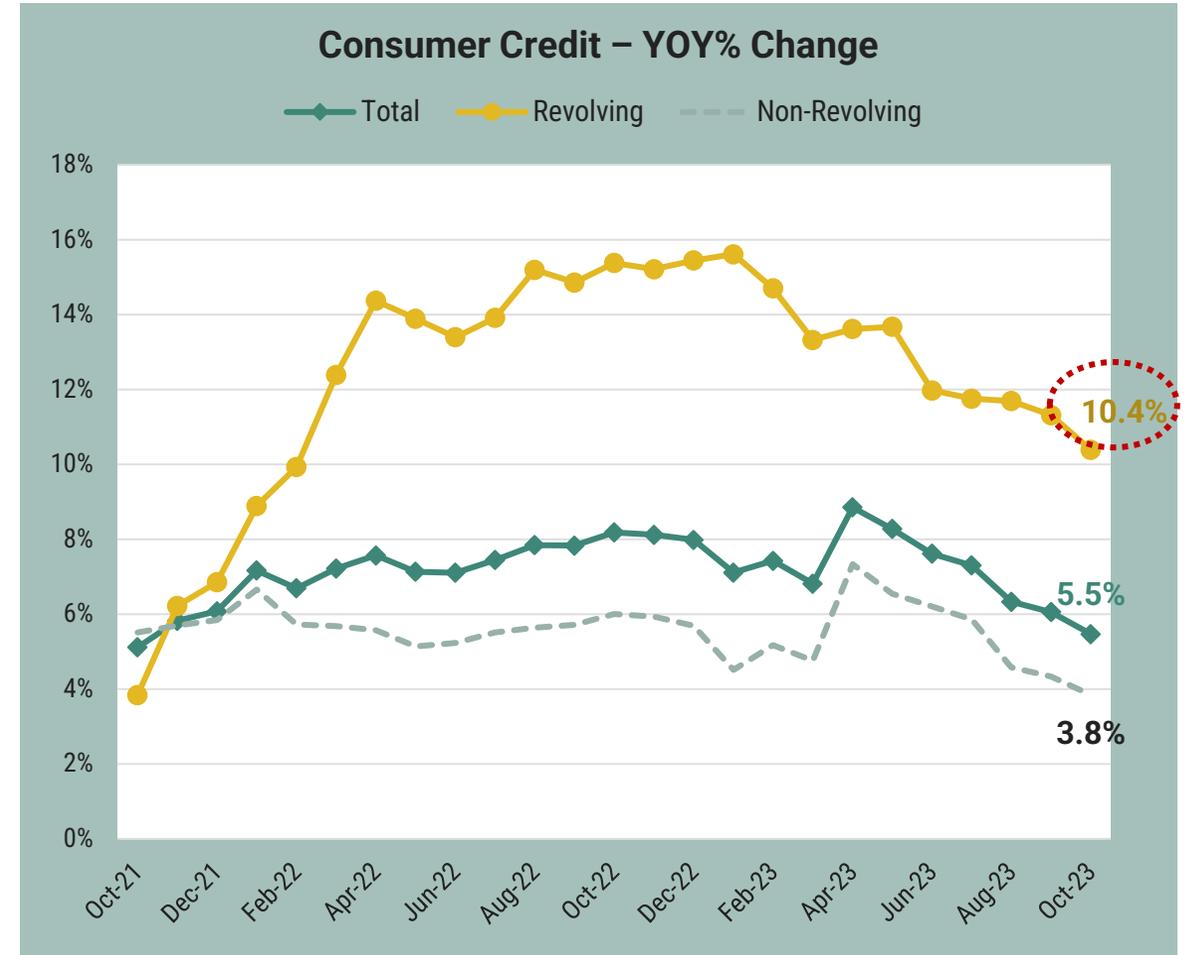
Personal Savings & Consumer Credit



Personal savings rate remains above 2022; revolving credit rose 10.4% vs. 2022; total consumer credit increased 5.5%



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

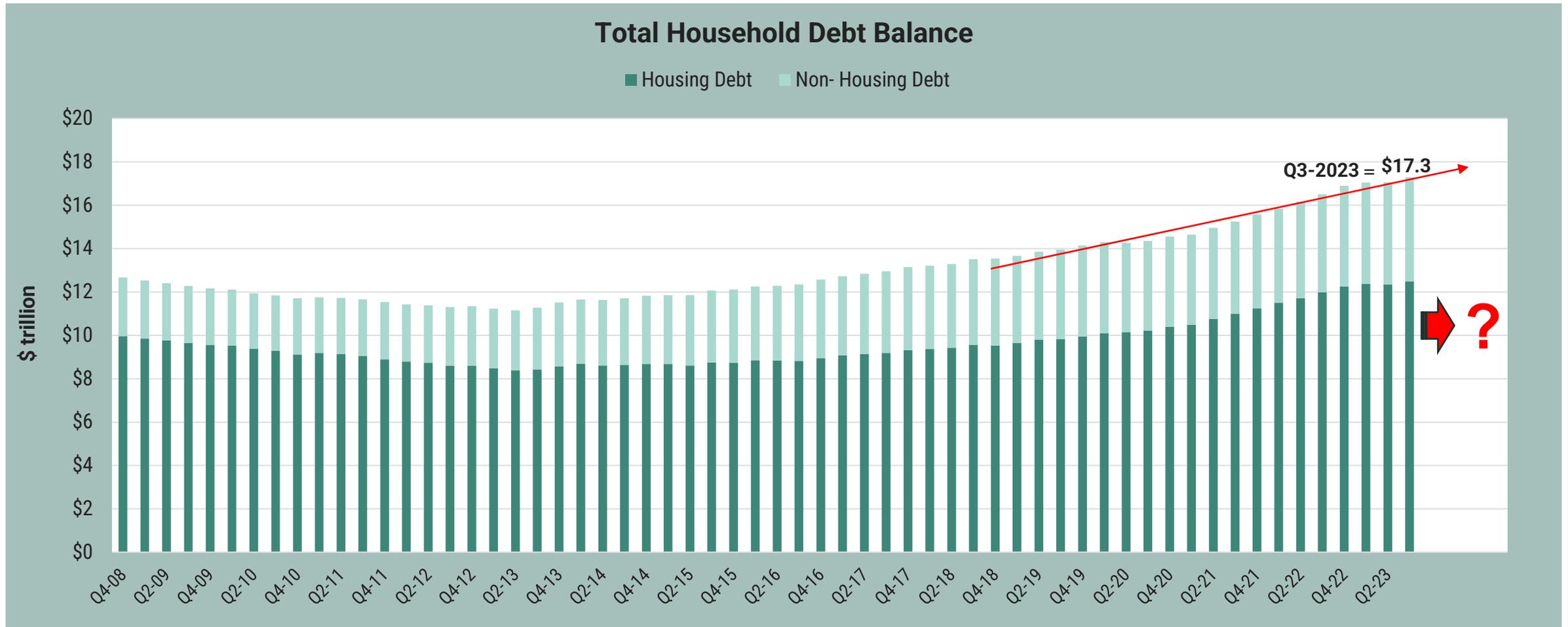


Source: U.S. Federal Reserve, 2-month lag in reporting



Total Consumer Debt

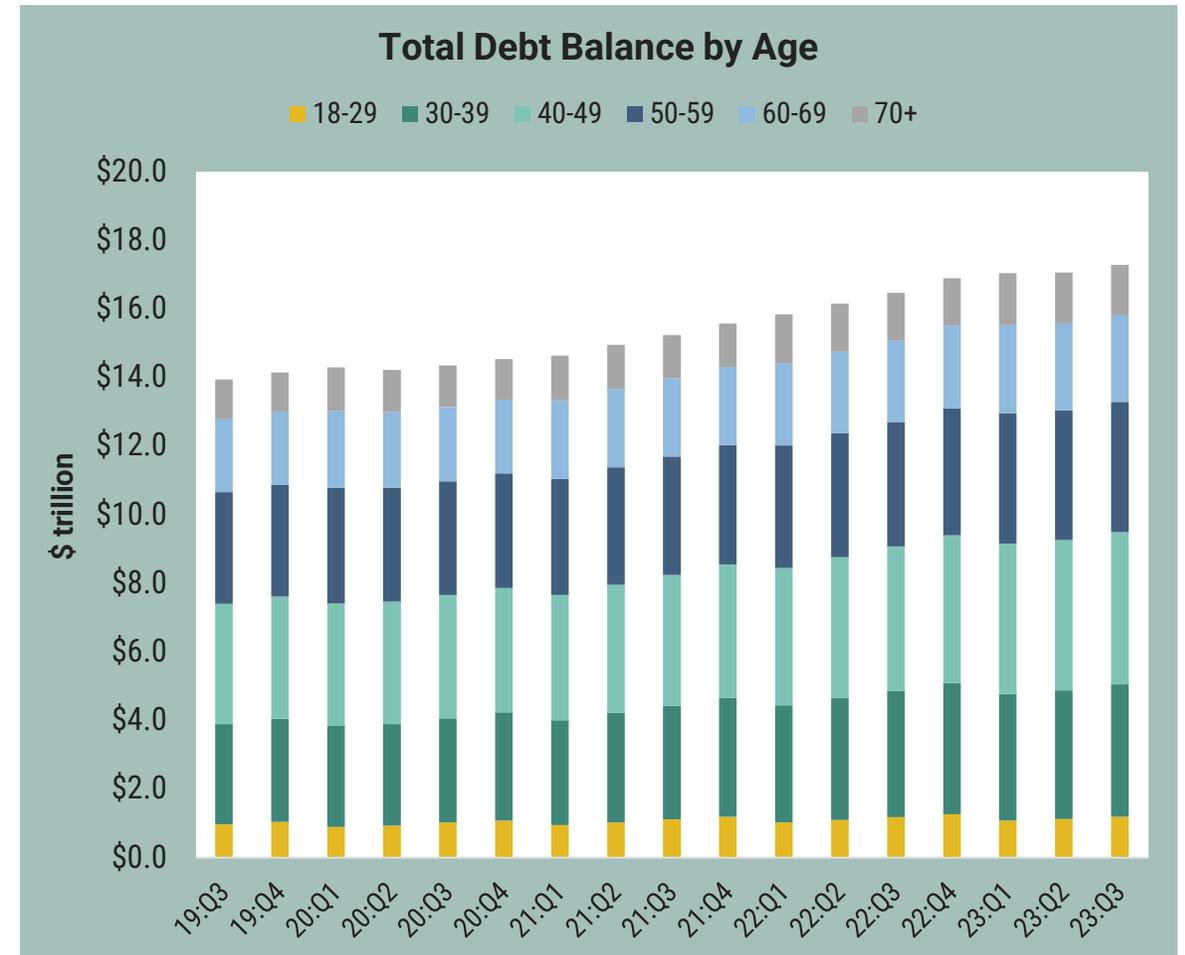
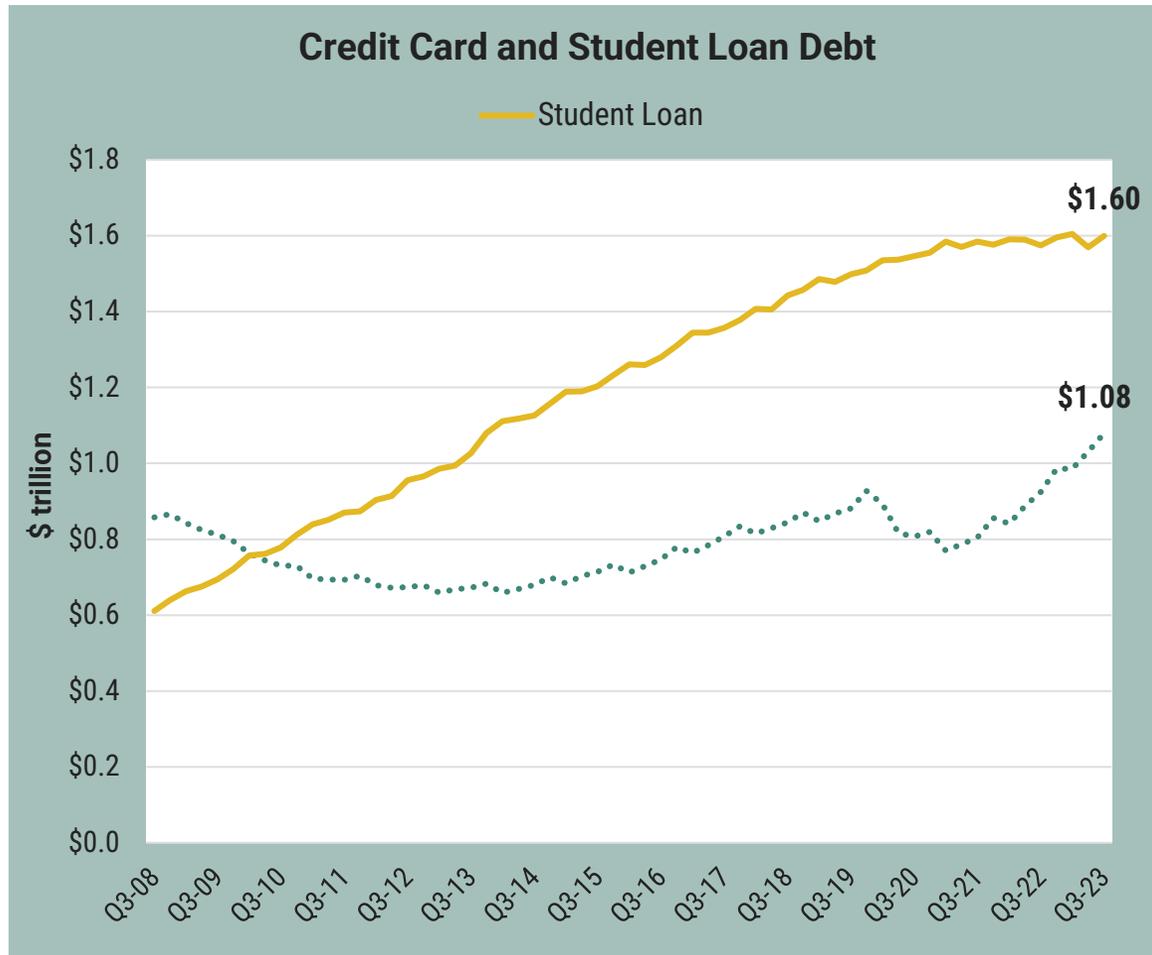
With consumer credit continuing to climb, we expect to see new record household debt levels when Q4 totals are reported; total Q3-2023 debt stood at \$17.3 trillion





Total Credit Card and Student Loan Debt

NY Fed report shows that “The continued rise in credit card delinquency rates is broad based across income and region, but particularly pronounced among millennials and those with auto loans or student loans” – this is deeply concerning



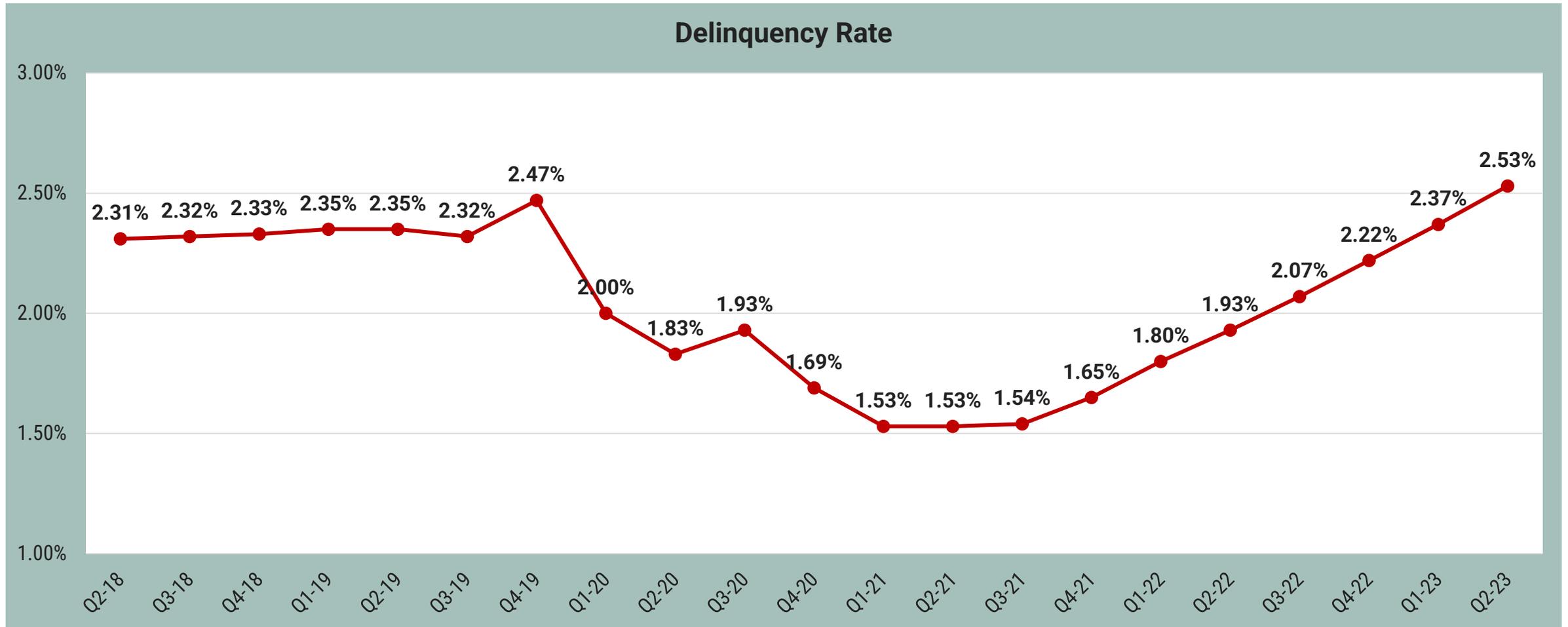
<https://www.newyorkfed.org/microeconomics/hhdc.html>

Source: New York Fed Consumer Credit Panel/Equifax



Delinquency Rate on Consumer Loans, All Commercial Banks

Delinquency rates for consumer loans increased again through Q2-2023; the rate has been rising since 2021 and is at its highest level since 2019, with consumers continuing to take on more debt, as many consumers have maxed out credit

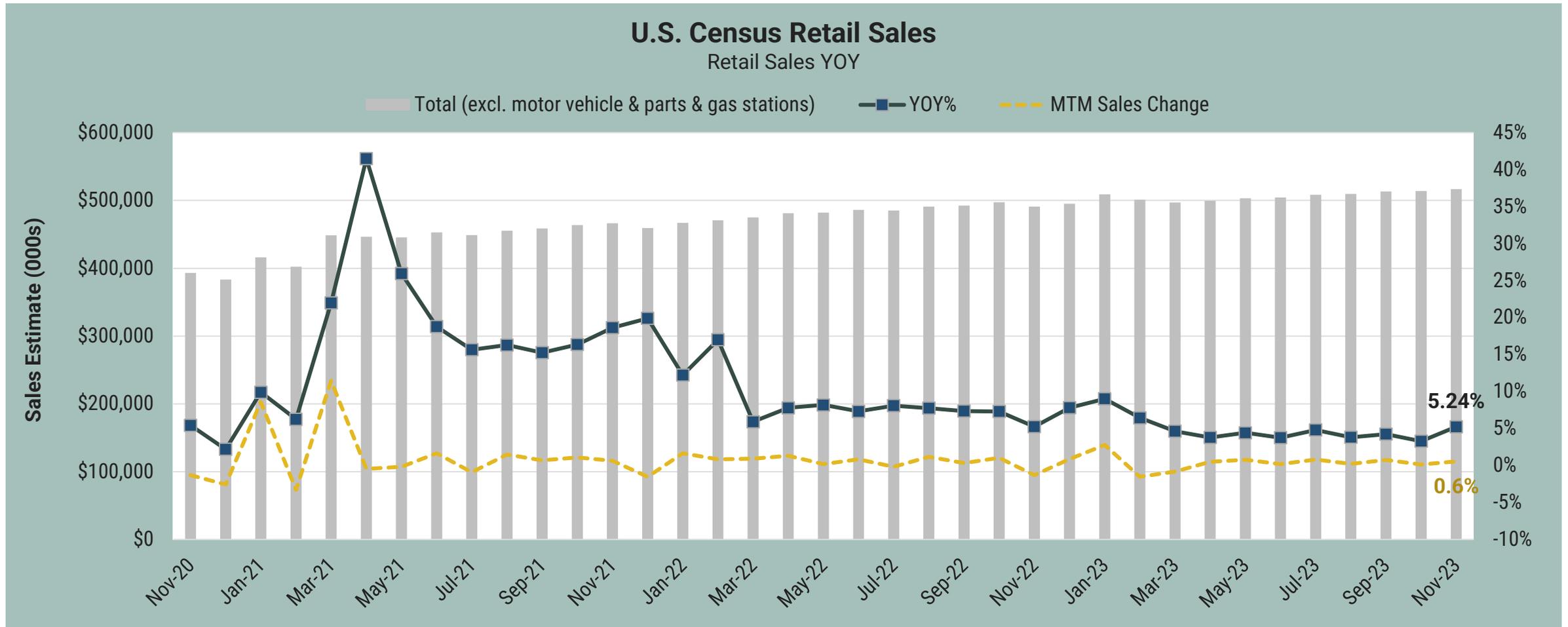


U.S. Retail Sales



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

Retail sales rose 0.6 percent from October 2023, and were 5.2 percent above last year; YTD retail sales (excl. motor vehicles and gas stations) have increased 4.8 percent



Source: U.S. Census Bureau

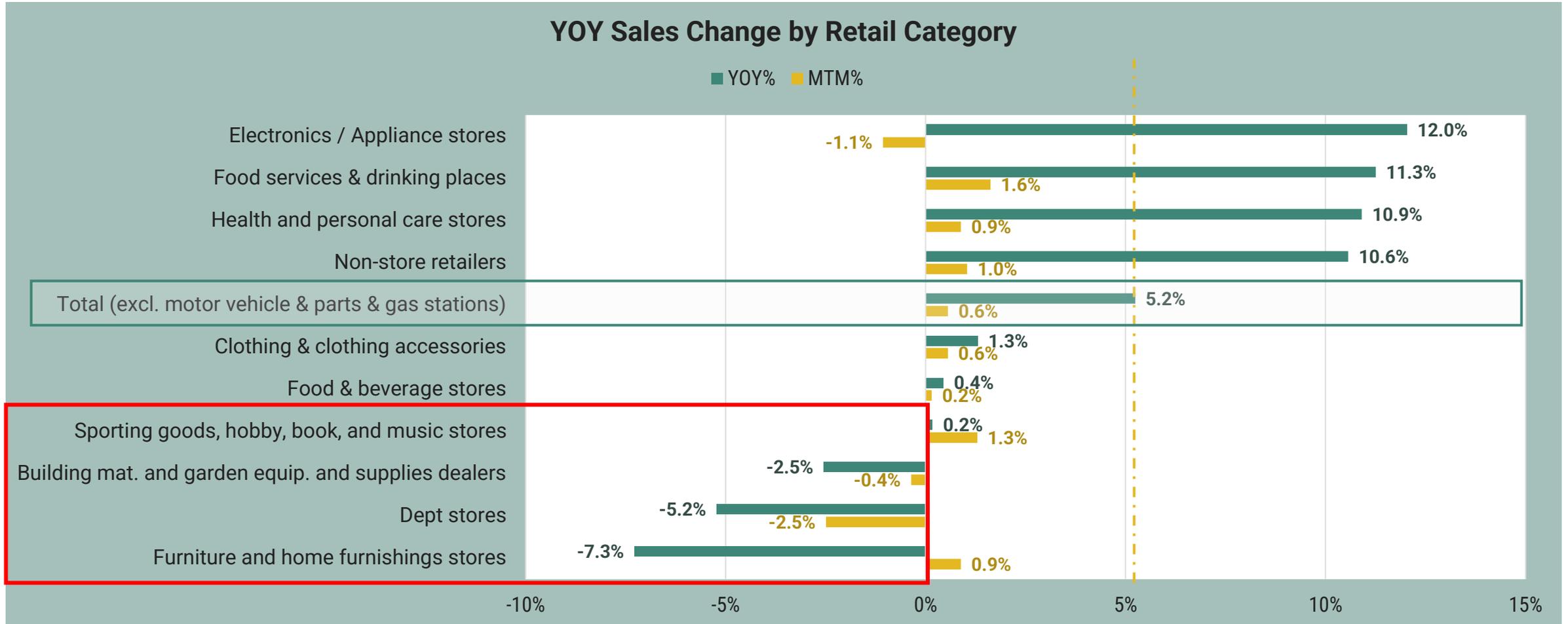


U.S. Retail Sales by Retail Category

Some key hard goods segments experienced significant YOY declines, though Consumer Electronics showed positive sales trends with the holidays coming into play; strong performance again in Dining, Personal Care and Non-Store segments

YOY Sales Change by Retail Category

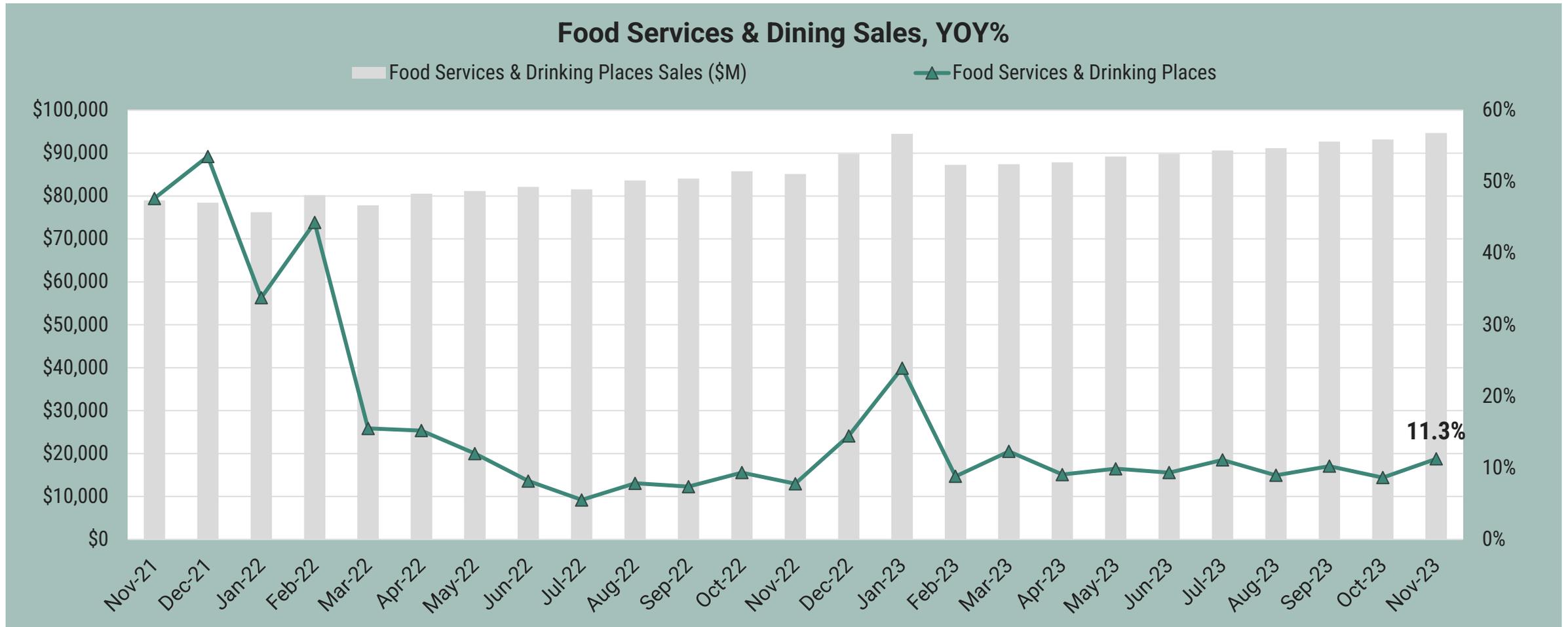
■ YOY% ■ MTM%





U.S. Retail Sales – Food Services & Dining

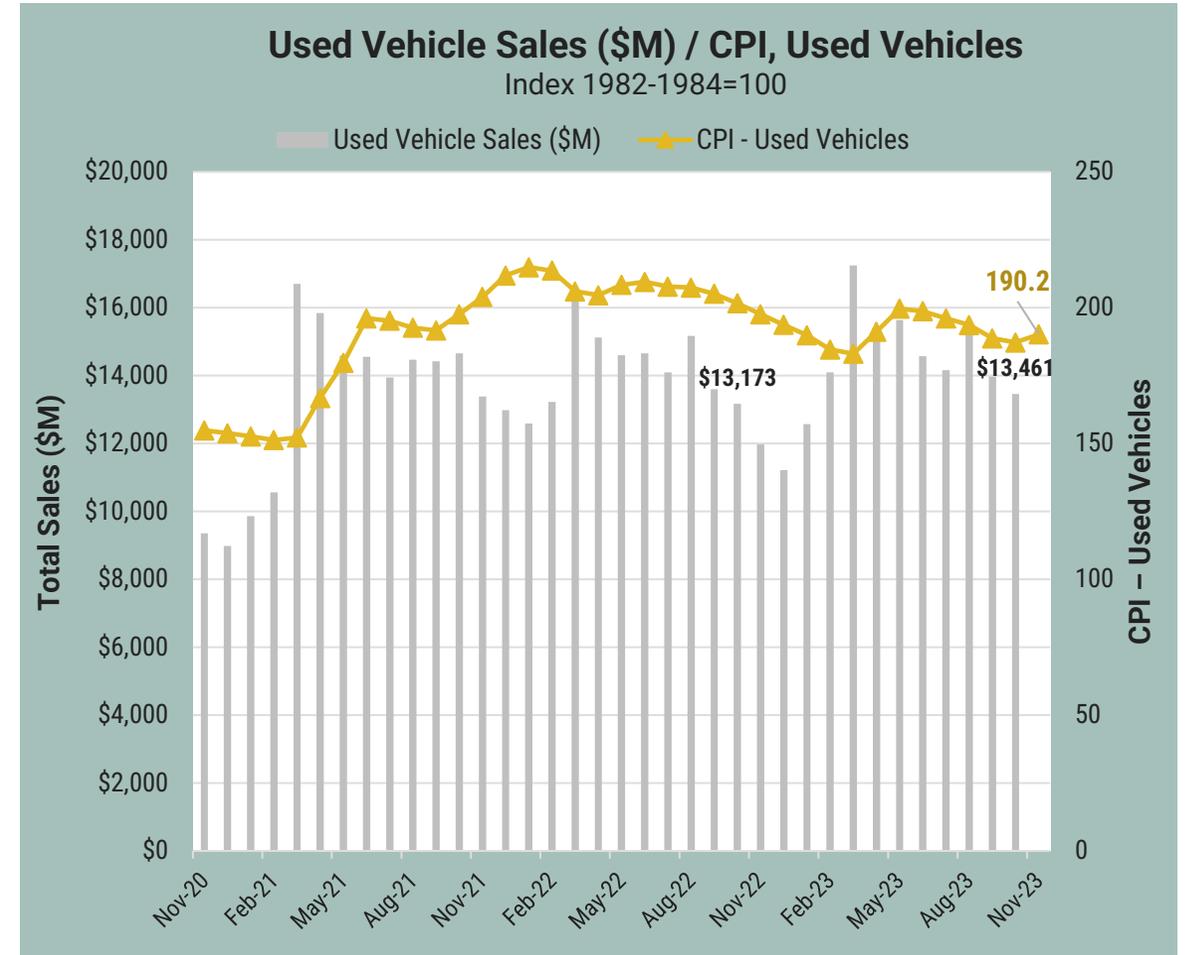
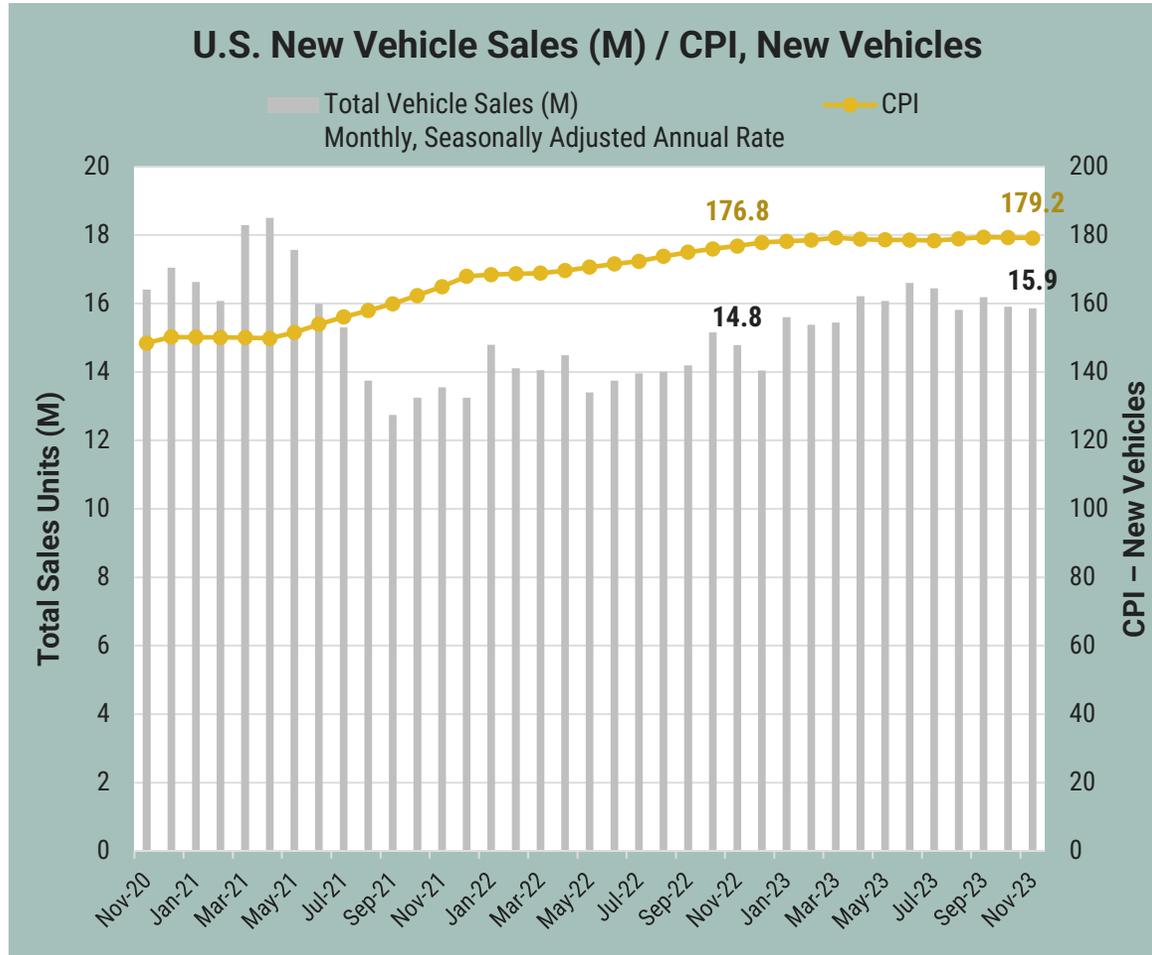
Food Services / Dining increased 11.3% in November and continues to grow sales, we expect this number to increase significantly for December





U.S. Vehicle Sales

New vehicle sales increased 7.3% YOY, with CPI 1.3% above LY; used vehicles sales (through October) increased 2.2% vs. last year, November CPI-Used Vehicles index was down 3.8%



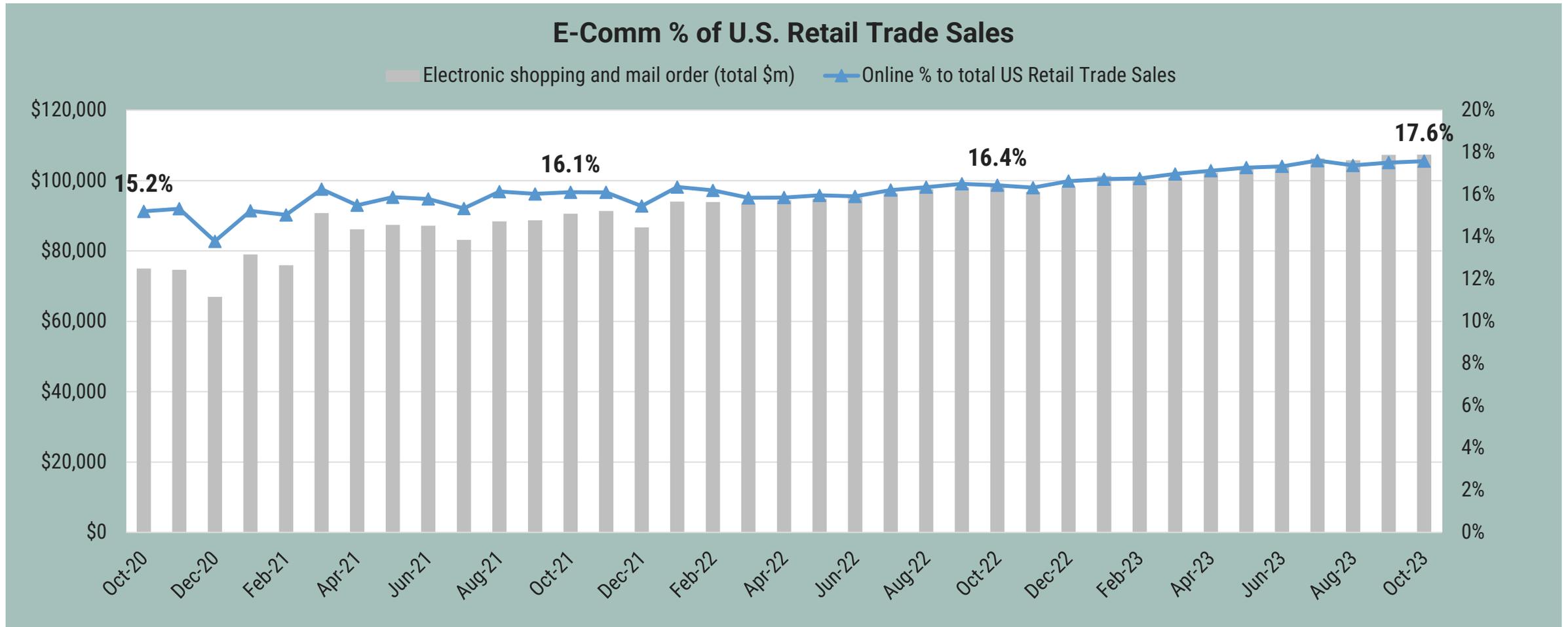
U.S. Bureau of Economic Analysis, Total Vehicle Sales [TOTALSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/TOTALSA>, October 15, 2023

U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Used Cars and Trucks in U.S. City Average [CUSR0000SETA02], retrieved from FRED, Federal Reserve Bank of St. Louis



U.S. Retail Sales – E-Commerce % Total Retail

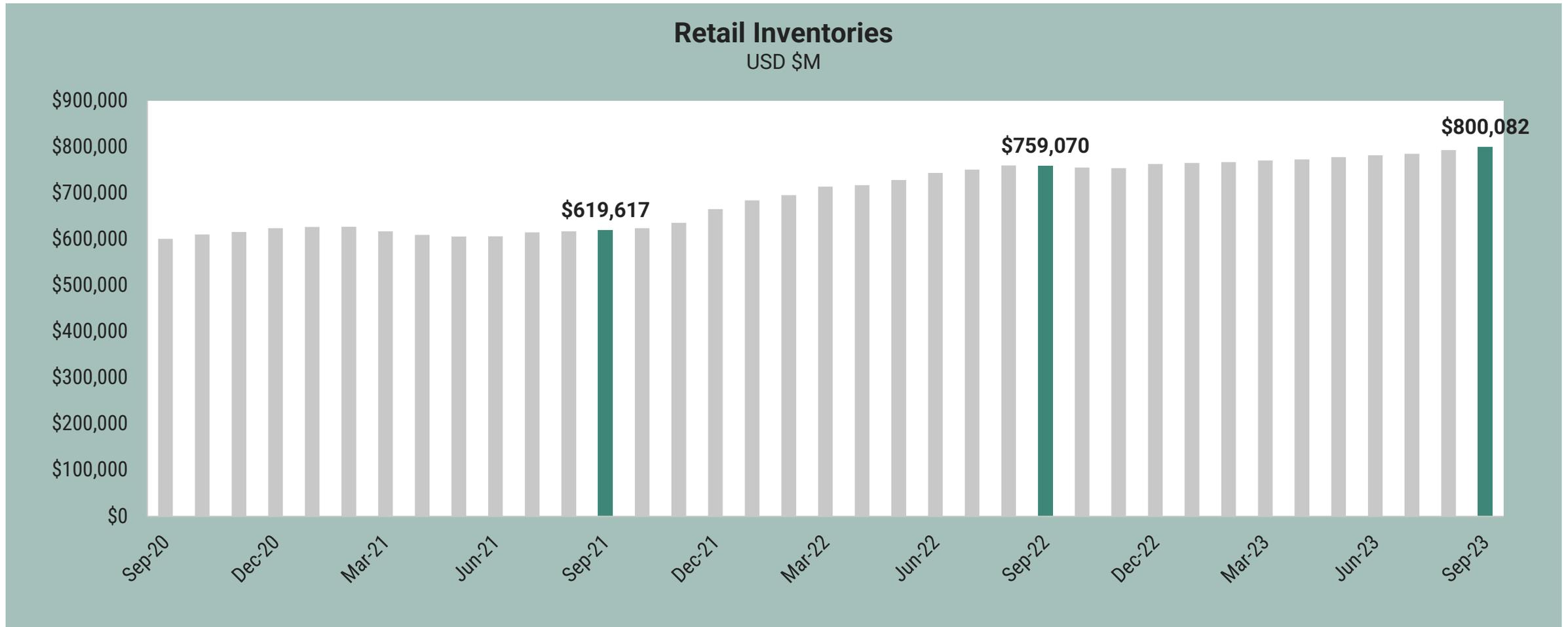
E-comm % of Total Retail Trade sales remained stable at 17%+ through Oct 2023 (Q3), results for Q4 will show whether consumers relied more on e-commerce for holiday shopping in 2023 than in 2022, or flocked back to brick and mortar





Retail Inventories

October retail inventories increased 5.3% above 2022 and essentially flat MTM

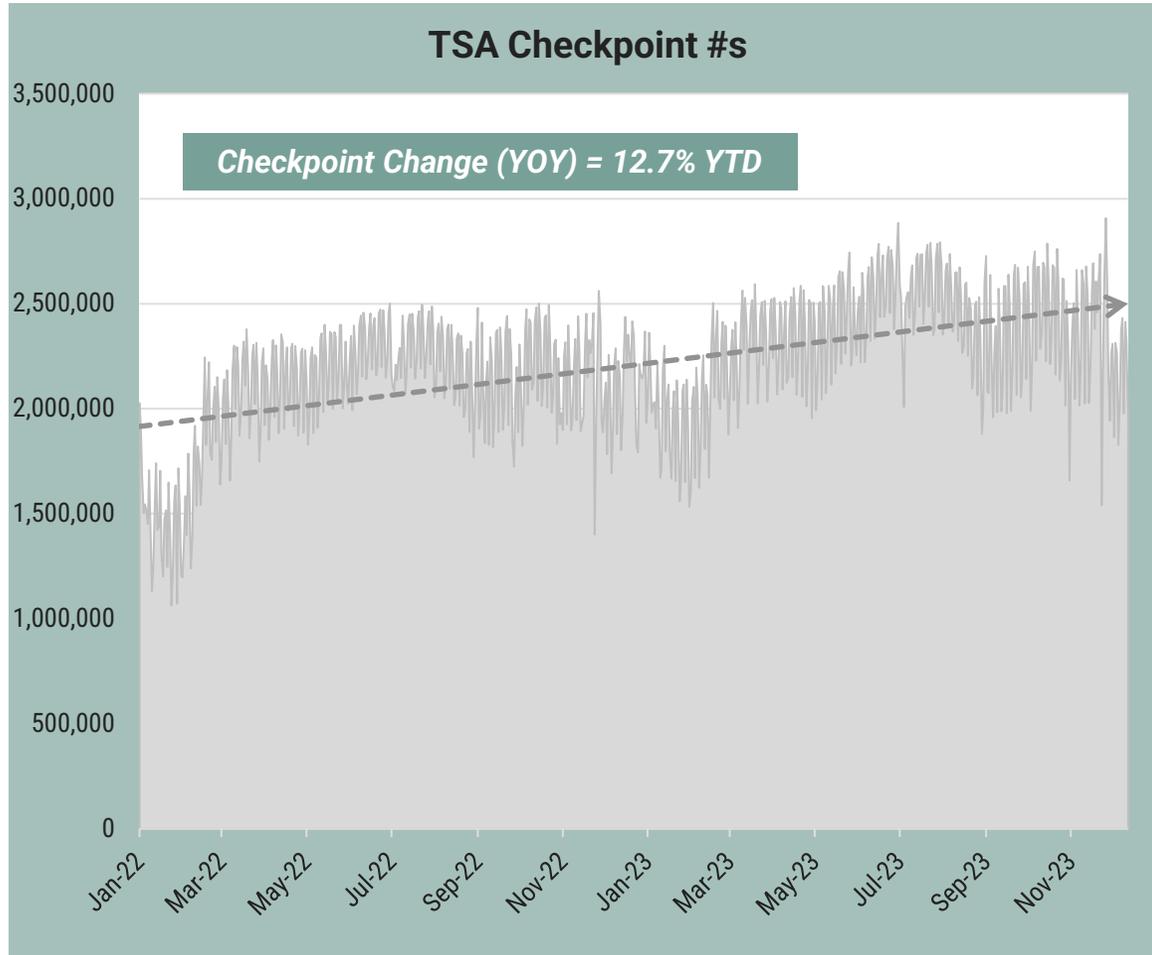


U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>

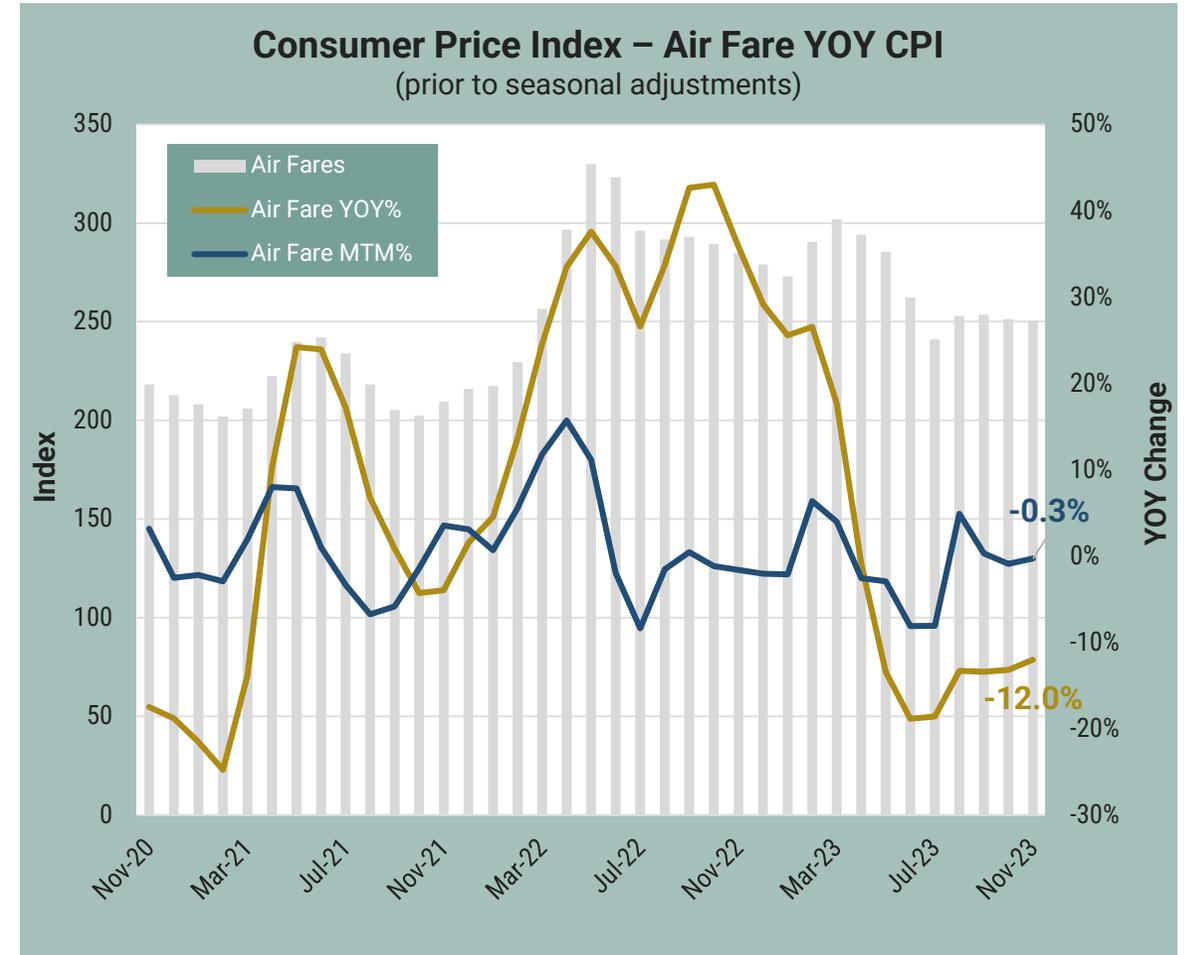


TSA Checkpoint Travel Numbers

Air travel increased again among U.S. travelers; year-to-date, TSA checkpoint numbers are up 12.7%; the price of air travel was down .3% MTM, and 12% lower than last year



Source: U.S. Transportation Security Administration



Source: U.S. Bureau of Labor Statistics

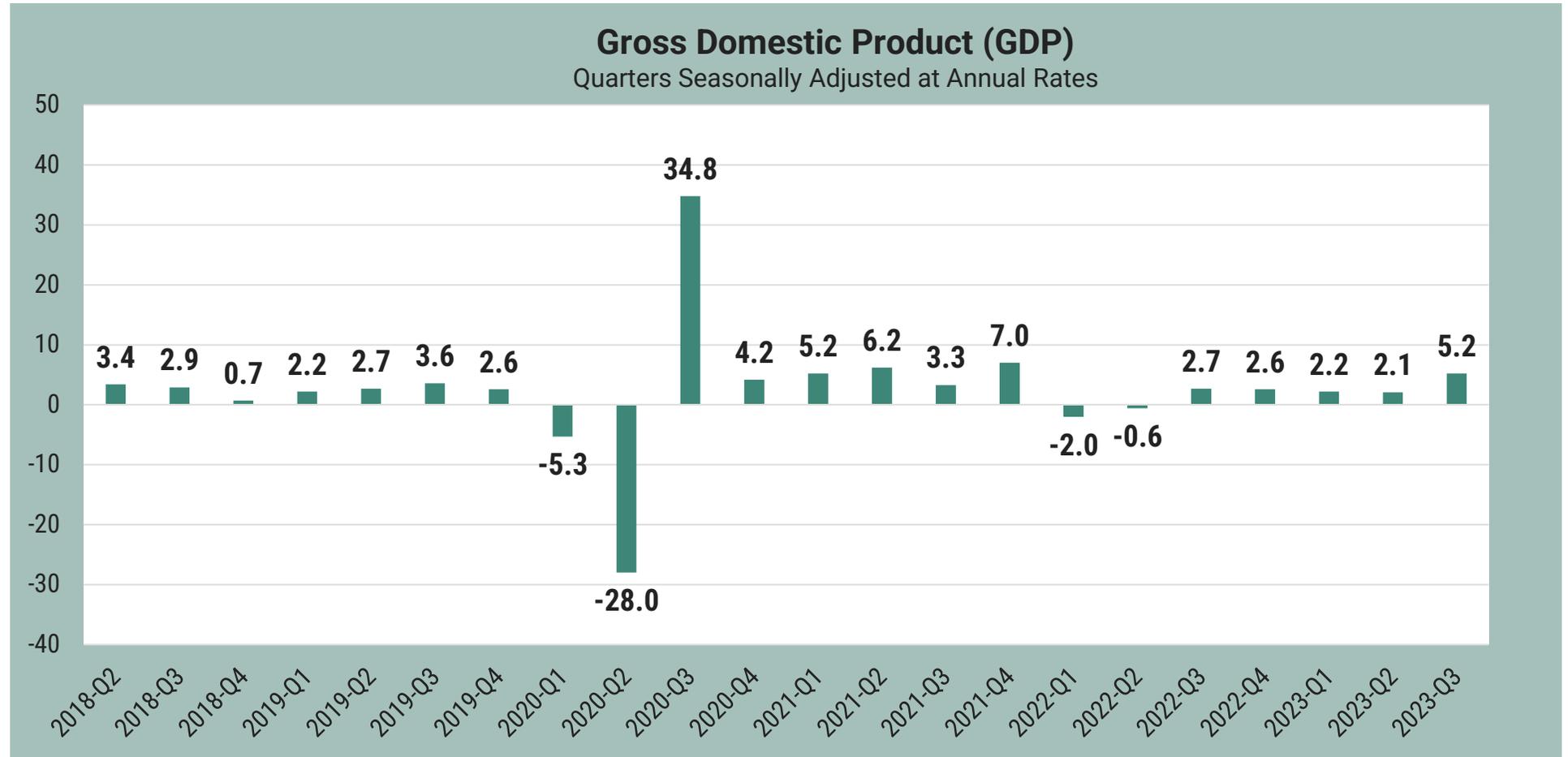
Broad Economic Indicators



Gross Domestic Product

Real gross domestic product (GDP) increased 5.2 percent in the third quarter of 2023, according to the "second" estimate released by the Bureau of Economic Analysis; Q2 real GDP increased 2.1 percent.

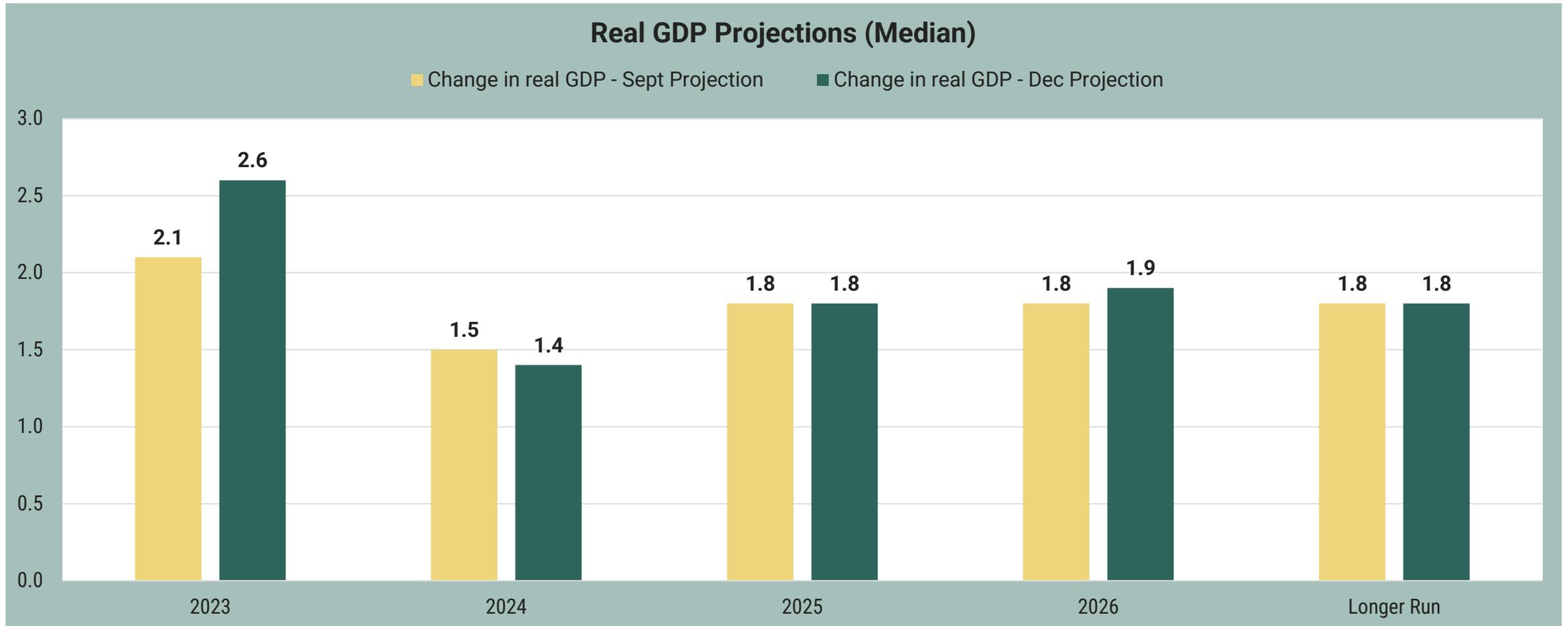
GDP uptick reflected increases in consumer spending, private inventory investment, exports, state and local government spending, federal government spending, residential fixed investment, and nonresidential fixed investment. Imports increased.





GDP Projections - Projections of Federal Reserve Board

Recent positive momentum on curbing inflation has resulted in FOMC revising U.S. economic projections



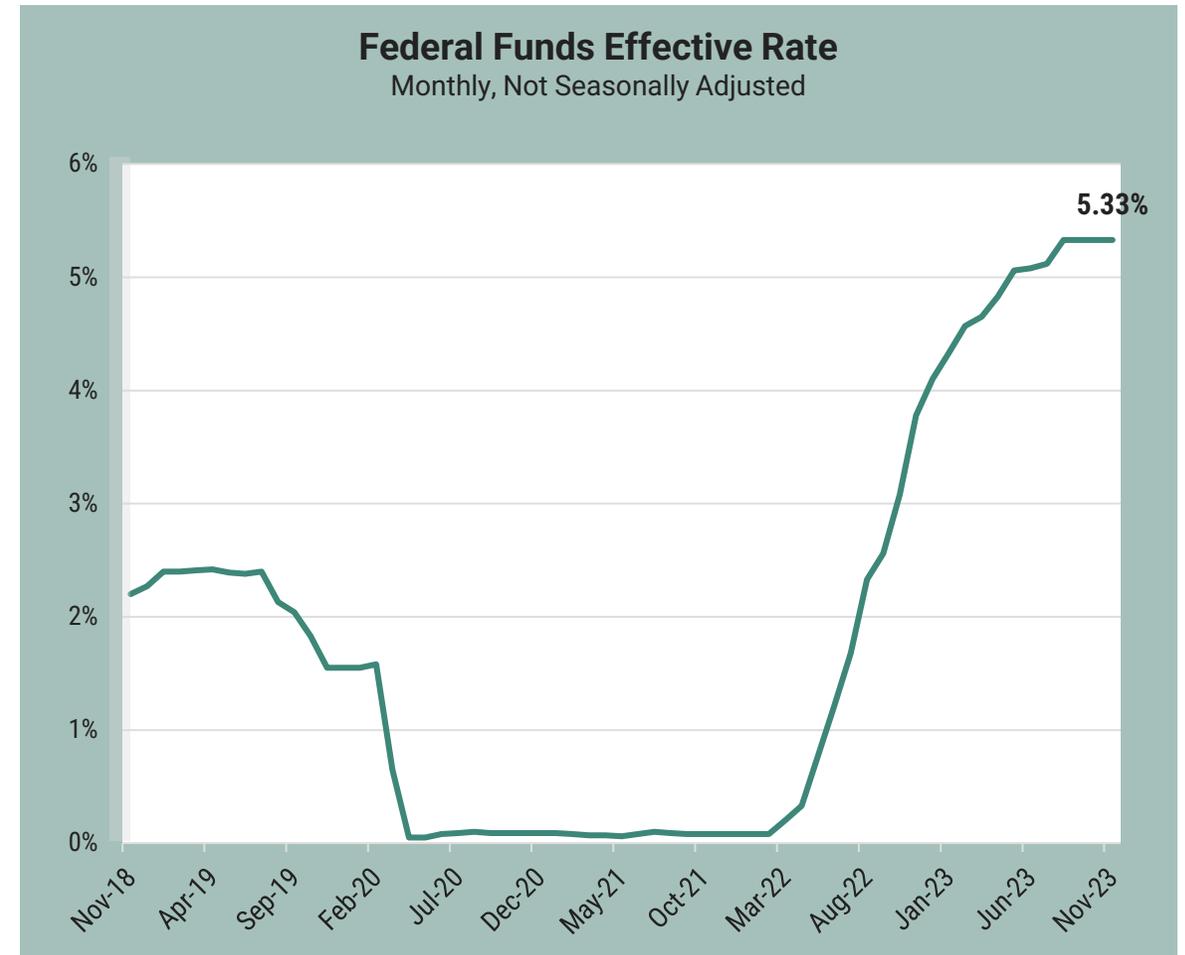
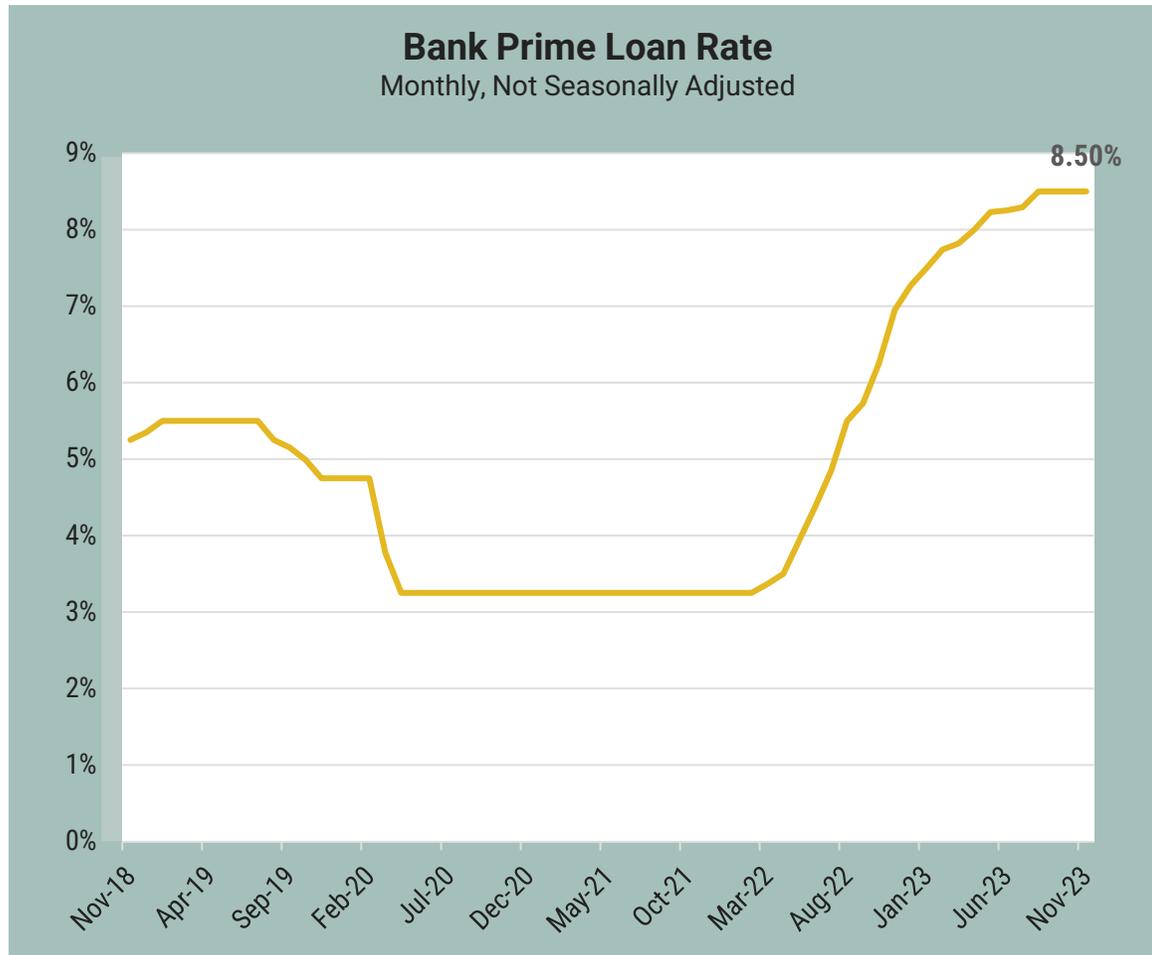
Source: Board of Governors Federal Reserve

* For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections



Federal Reserve – Interest Rates

Bank Prime Loan Rate (8.5%) and Federal Funds Rate (5.33%) were unchanged from previous month

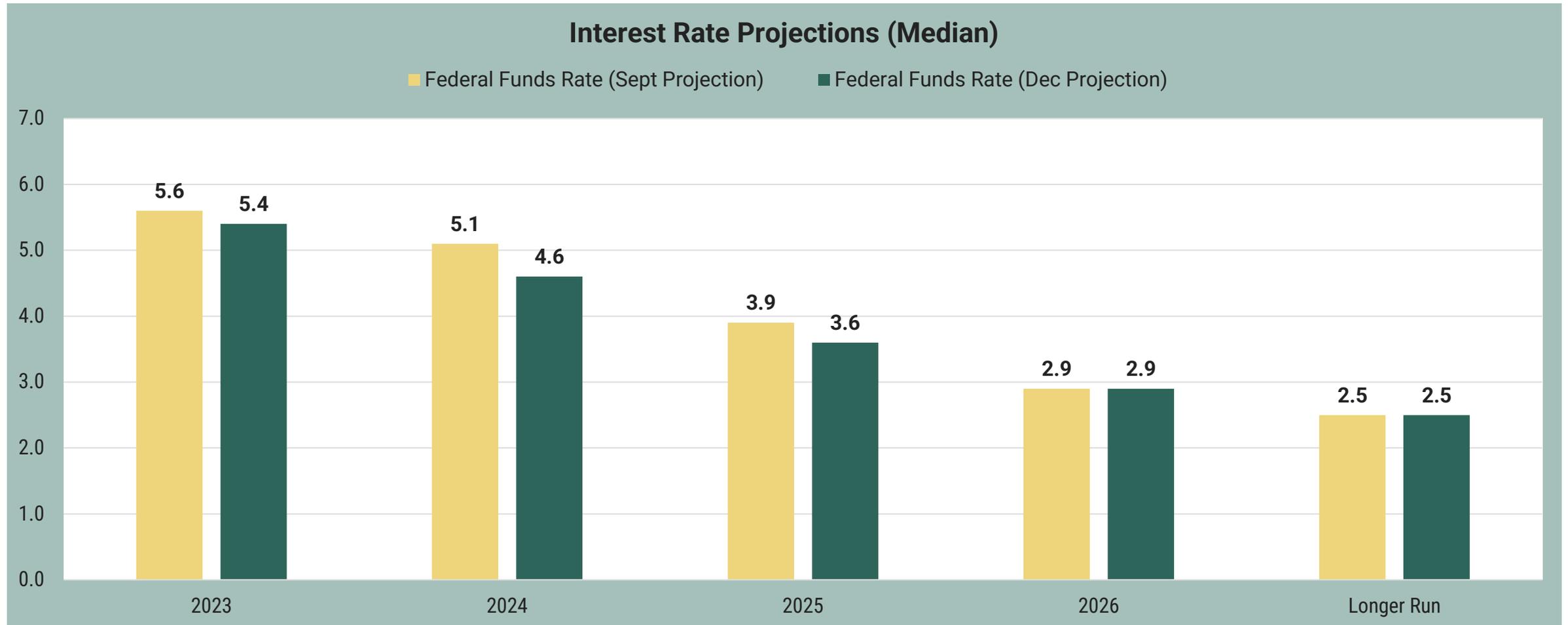


Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis



Interest Rate Projections - Projections of Federal Reserve Board

Revised Fed estimates show Fed Funds rate declining to sub-five percent in 2024



Source: Board of Governors Federal Reserve

* For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections



Consumer Price Index *(non-seasonally adjusted)*

The Consumer Price Index for All Urban Consumers rose 3.1 percent over the last 12 months. The index for all items less food and energy increased 4.0 percent

Food Away From Home +5.3%

Housing +5.2%

Fuel -9.2%

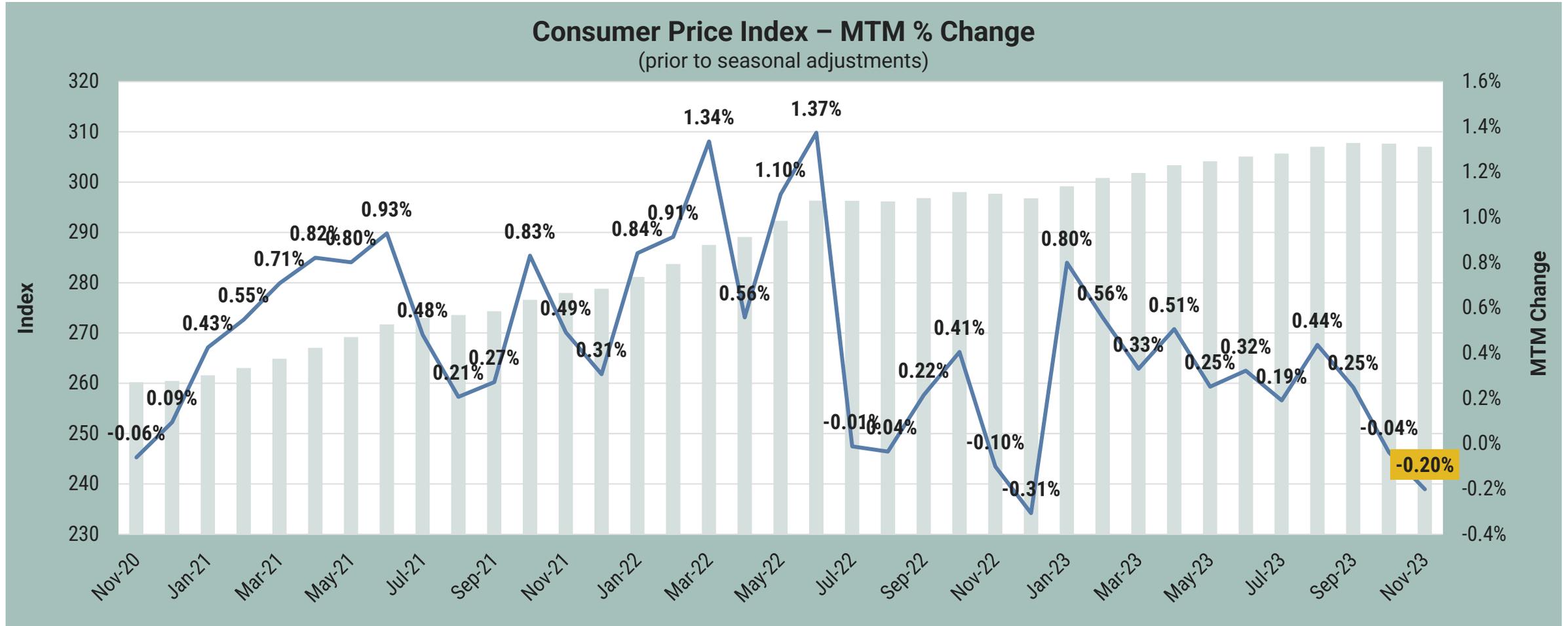
Air Fare -12%

	Jun-23	Jul-23	Sep-23	Sep-23	Oct-23	Nov-23
Total CPI	3.0%	3.2%	3.7%	3.7%	3.2%	3.1%
All Items Less Food & Energy (Core CPI)	4.8%	4.7%	4.3%	4.1%	4.0%	4.0%
Food at Home	4.7%	3.6%	3.0%	2.4%	2.1%	1.7%
Food Away From Home	7.7%	7.1%	6.5%	6.0%	5.4%	5.3%
Motor Fuel	-26.7%	-20.2%	-3.7%	2.7%	-5.6%	-9.2%
Apparel	3.1%	3.2%	3.1%	2.3%	2.6%	1.1%
Housing	6.3%	6.2%	5.7%	5.6%	5.2%	5.2%
Education	3.1%	3.2%	2.9%	2.9%	2.7%	2.4%
Medical Care	0.1%	-0.5%	-1.0%	-1.4%	-0.8%	0.2%
Transportation	-5.1%	-3.0%	1.4%	2.4%	0.8%	0.9%
Air Fare	-18.9%	-18.6%	-13.3%	-13.4%	-13.2%	-12.0%

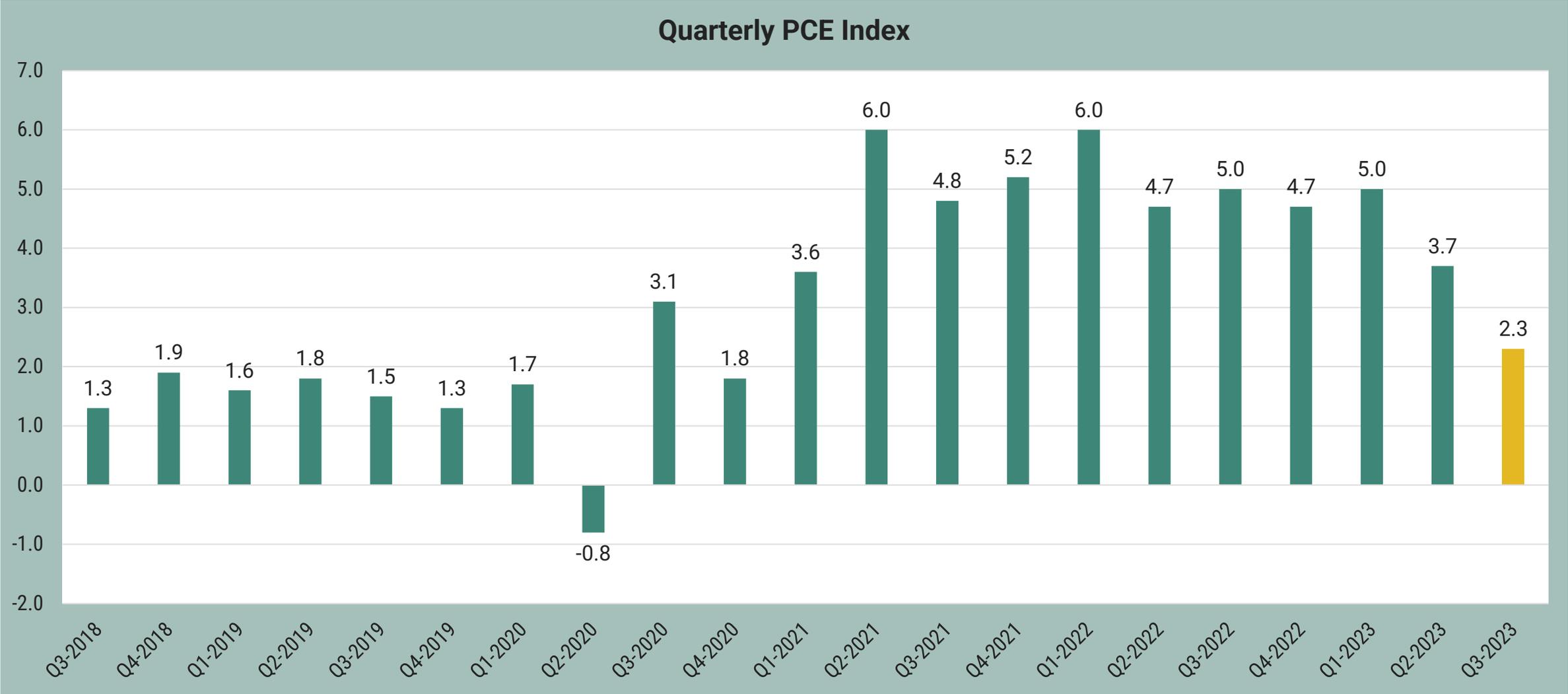


Consumer Price Index – Month-to-Month Trends

On a monthly basis, the CPI for All Urban Consumers (CPI-U) decreased 0.20% (prior to seasonal adjustments)



Quarterly PCE Index

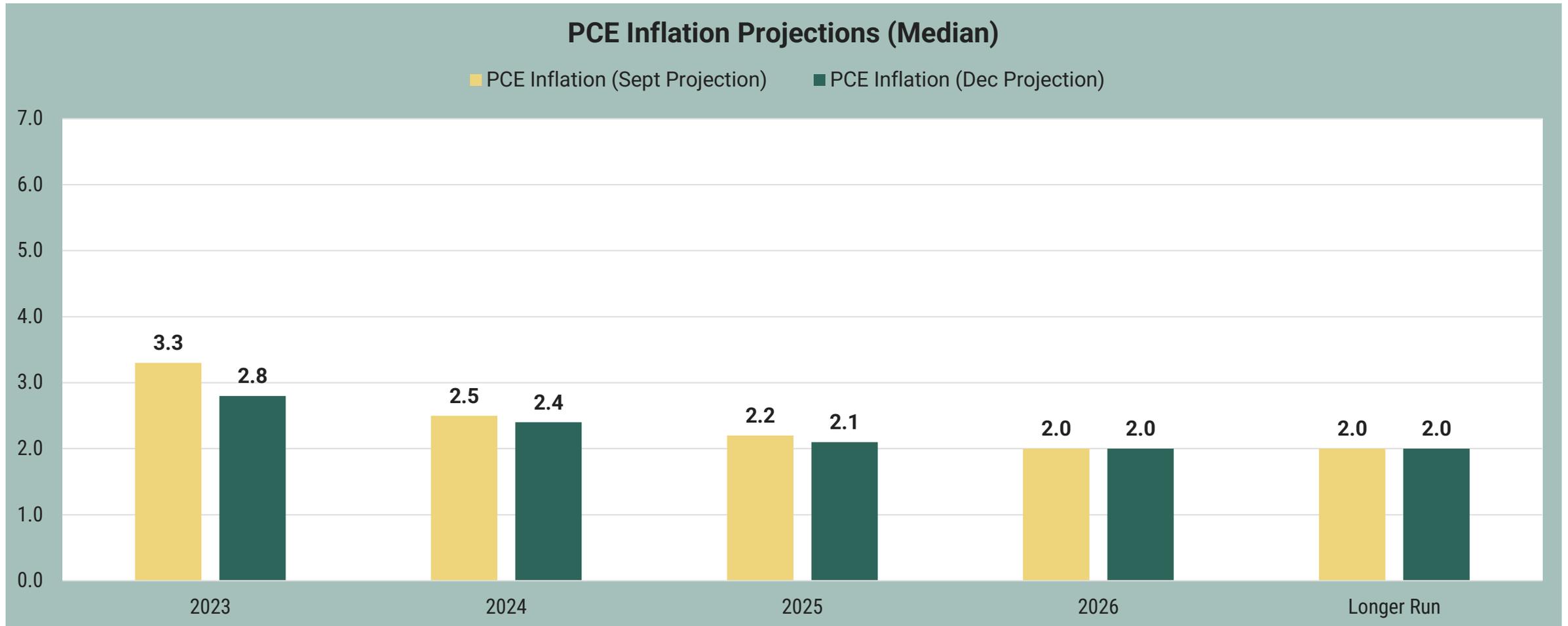


Source: U.S. Bureau of Labor Statistics, PCE Index is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. The PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior.



Projected PCE Inflation Rates - Projections of Federal Reserve Board

Revised estimate of the FOMC show inflation easing more than expected in previous estimates, and remaining well below 3% for the foreseeable future



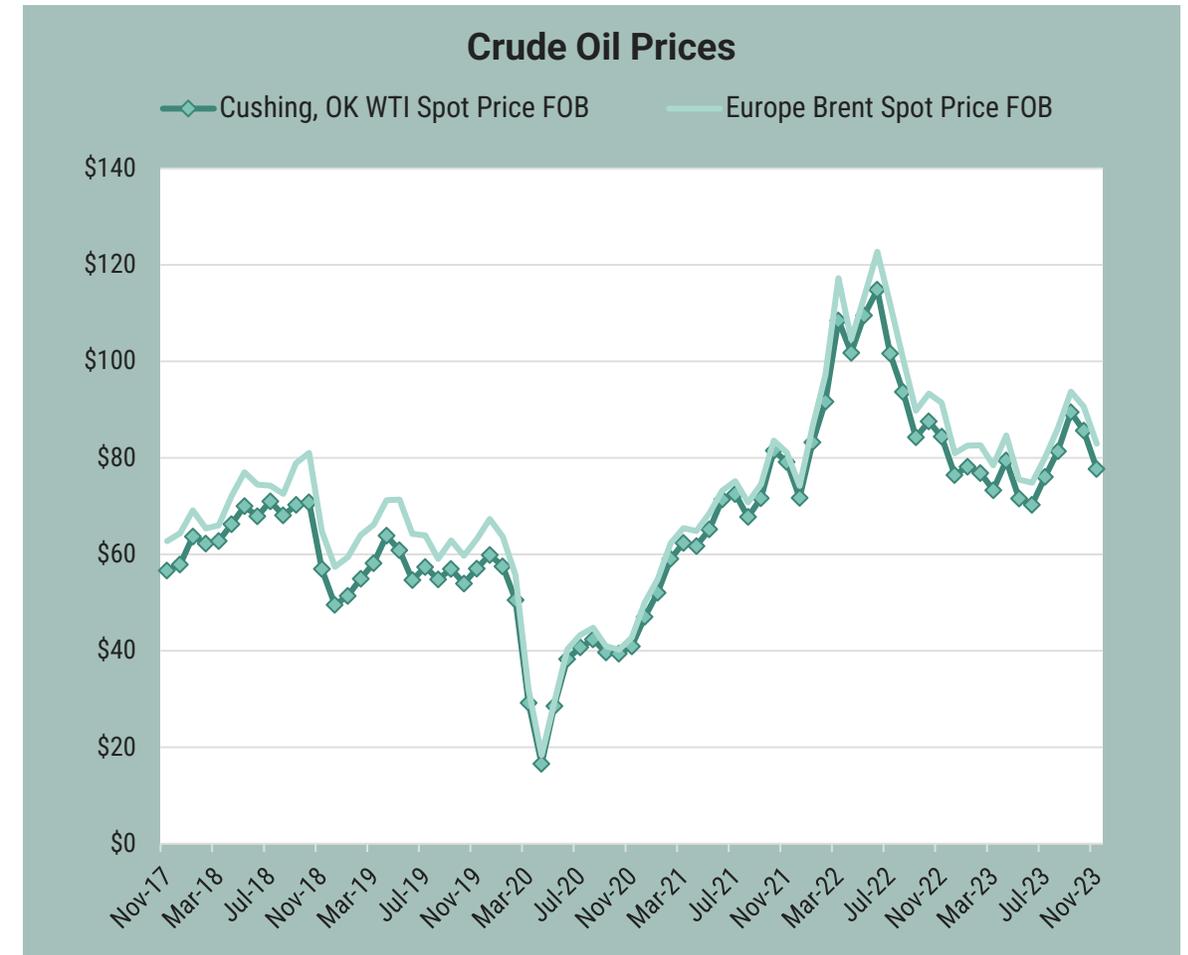
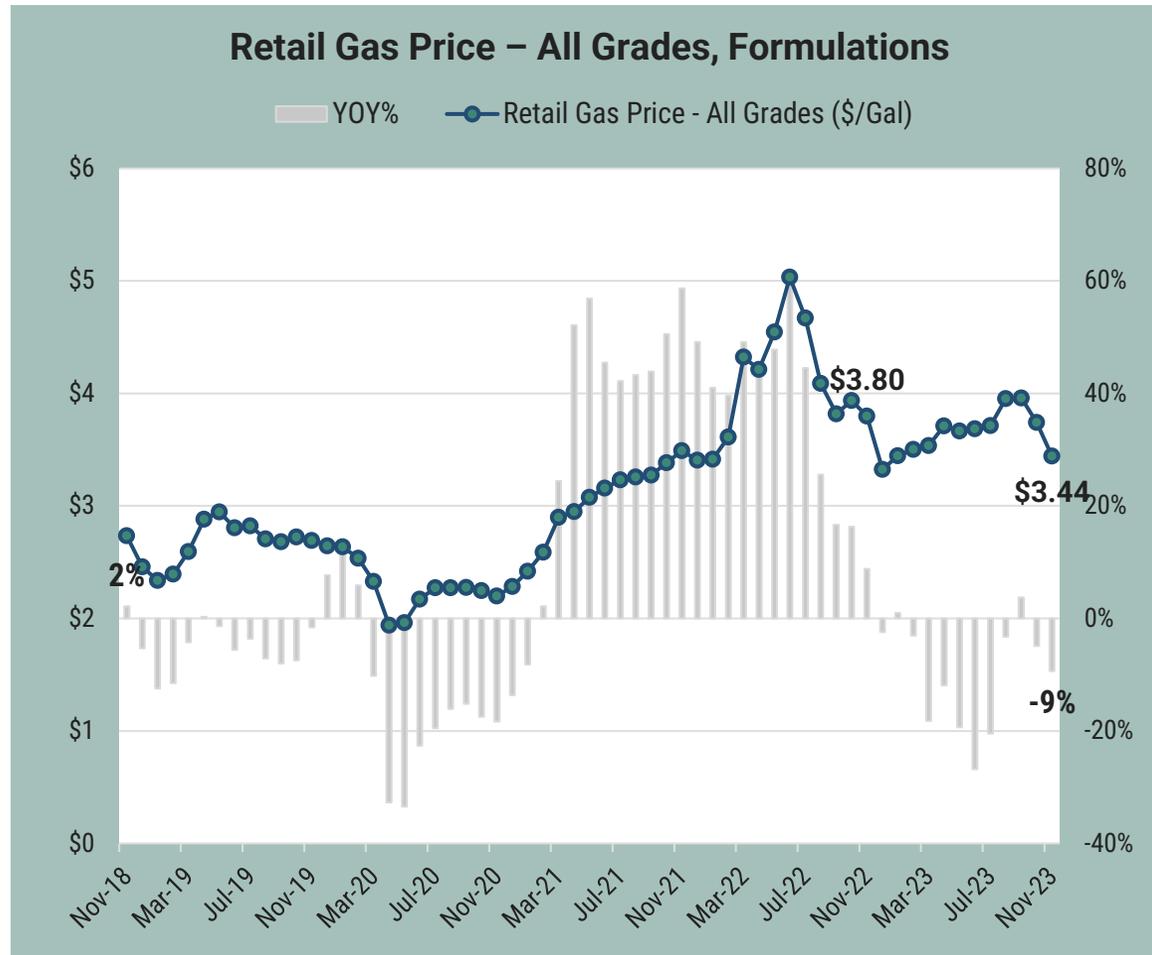
Source: Board of Governors Federal Reserve

* For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections



Gasoline (Retail Price) and Crude Oil Prices

Retail gas price declined again in November, down 9% vs. 2022; average U.S. retail price was \$3.44/gallon; crude oil prices dropped MTM for the 2nd consecutive month

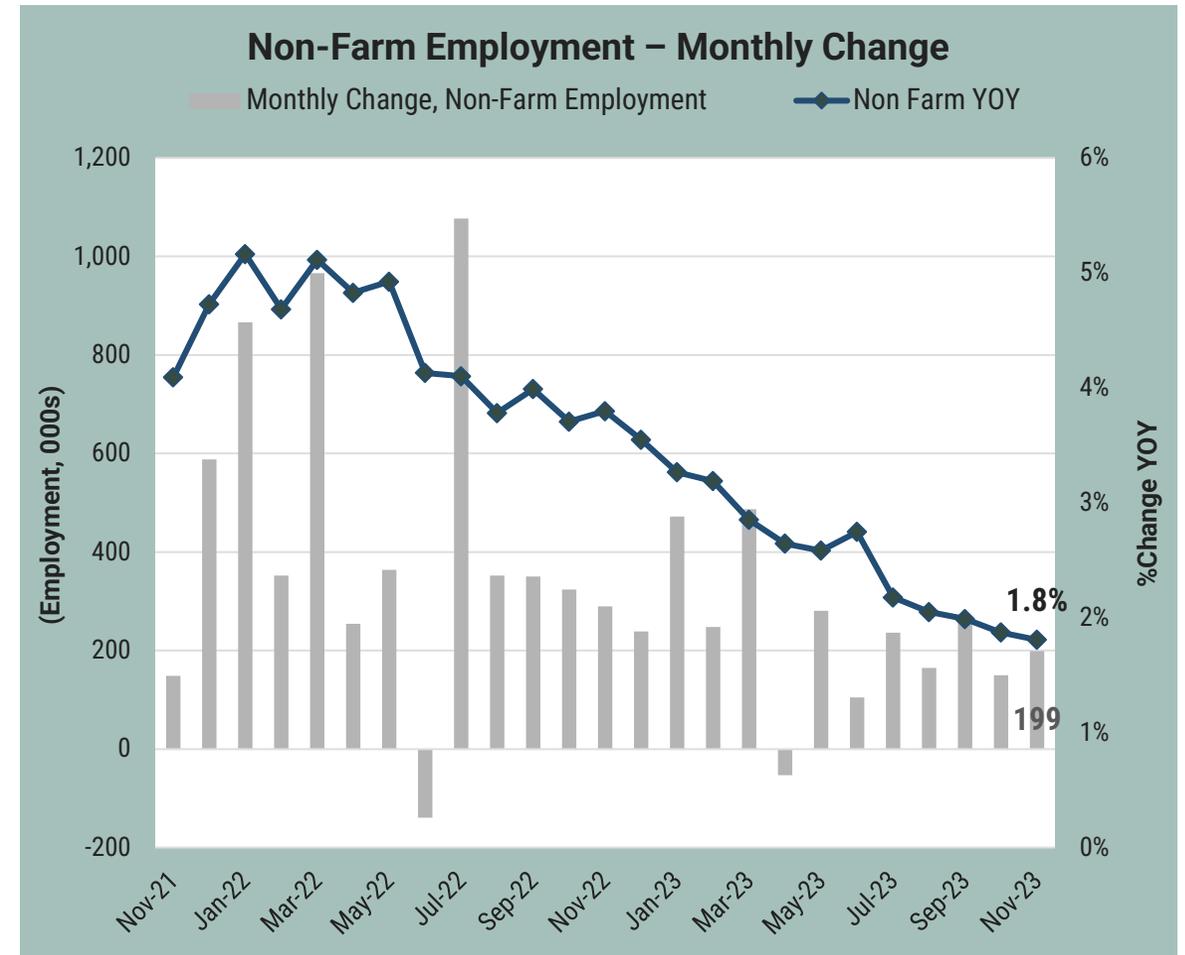
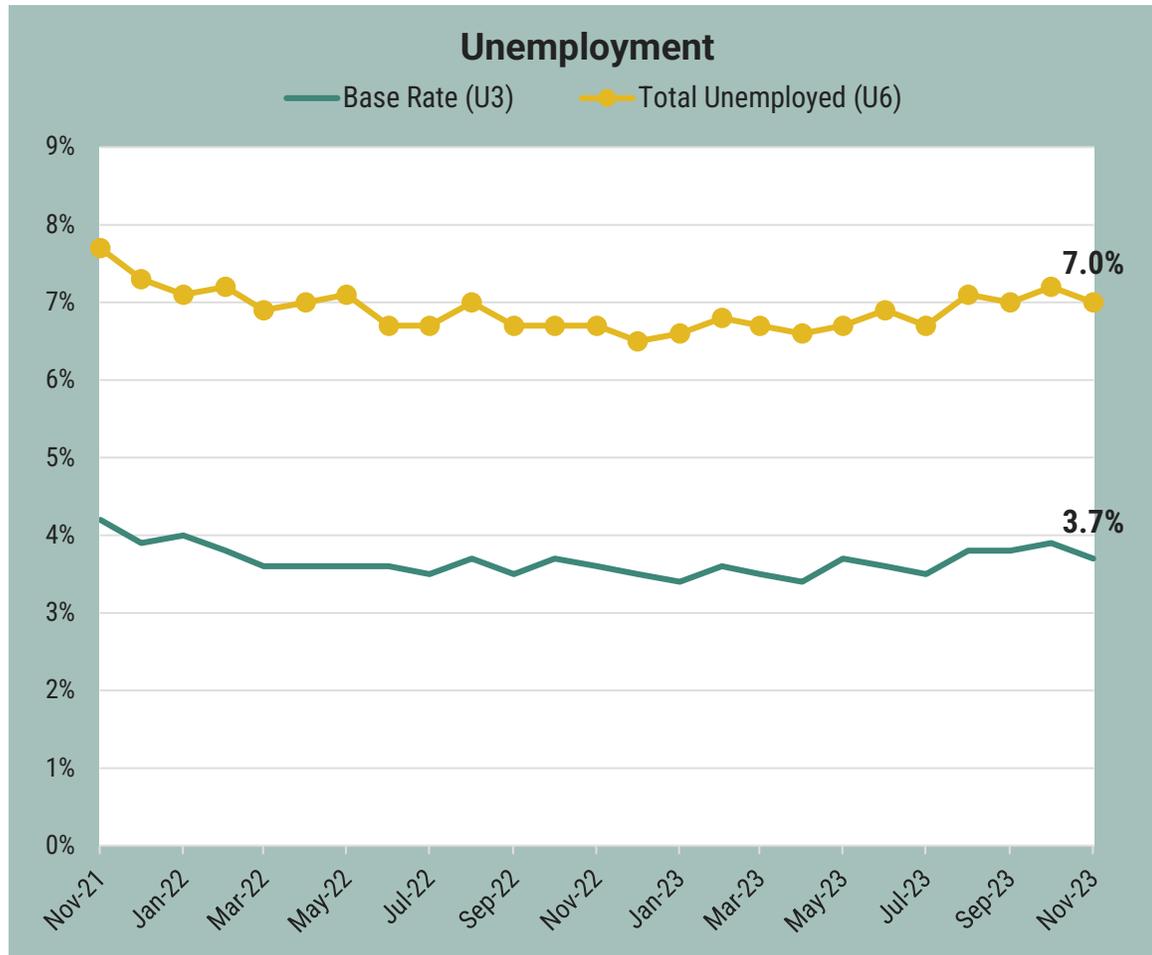


U.S. Employment



U.S. Employment Overview

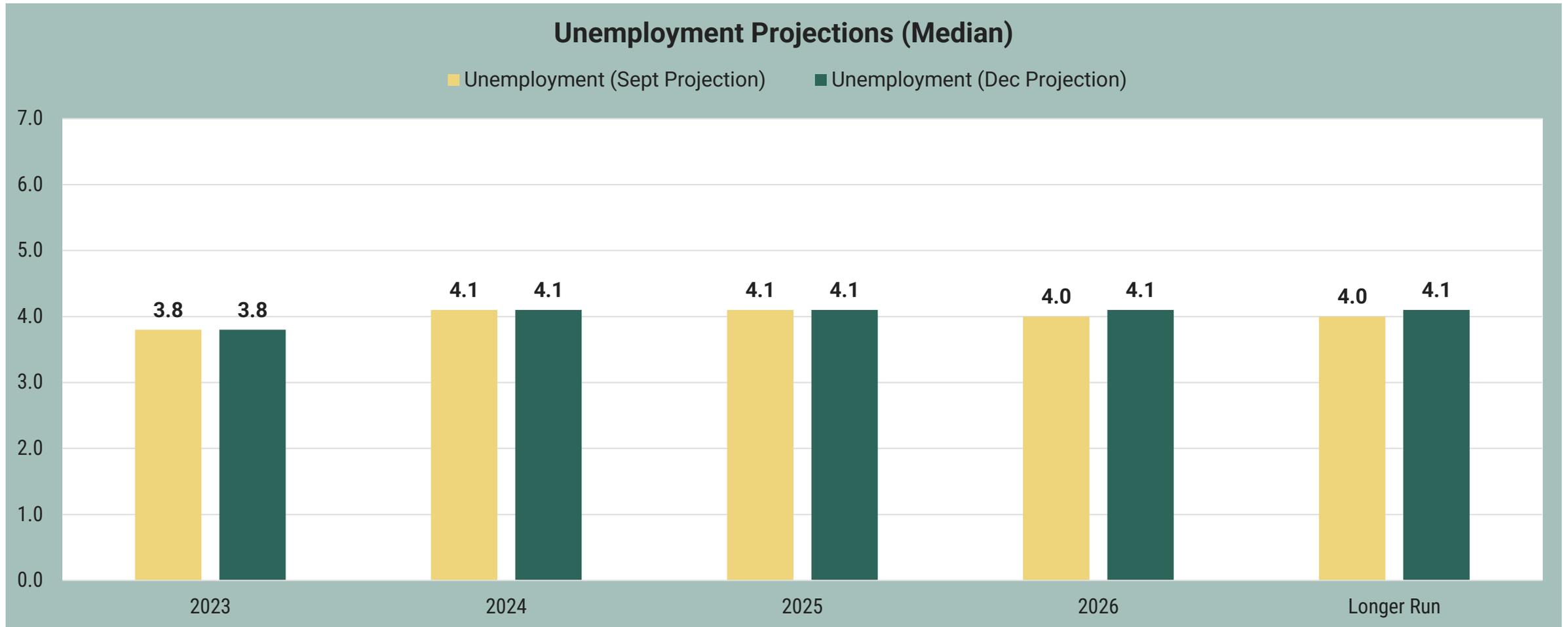
Unemployment dropped to 3.7%; non-farm employment was up 1.8% month-to-month, with employment rising by 199,000





Unemployment Projections – Projections of Federal Reserve Board

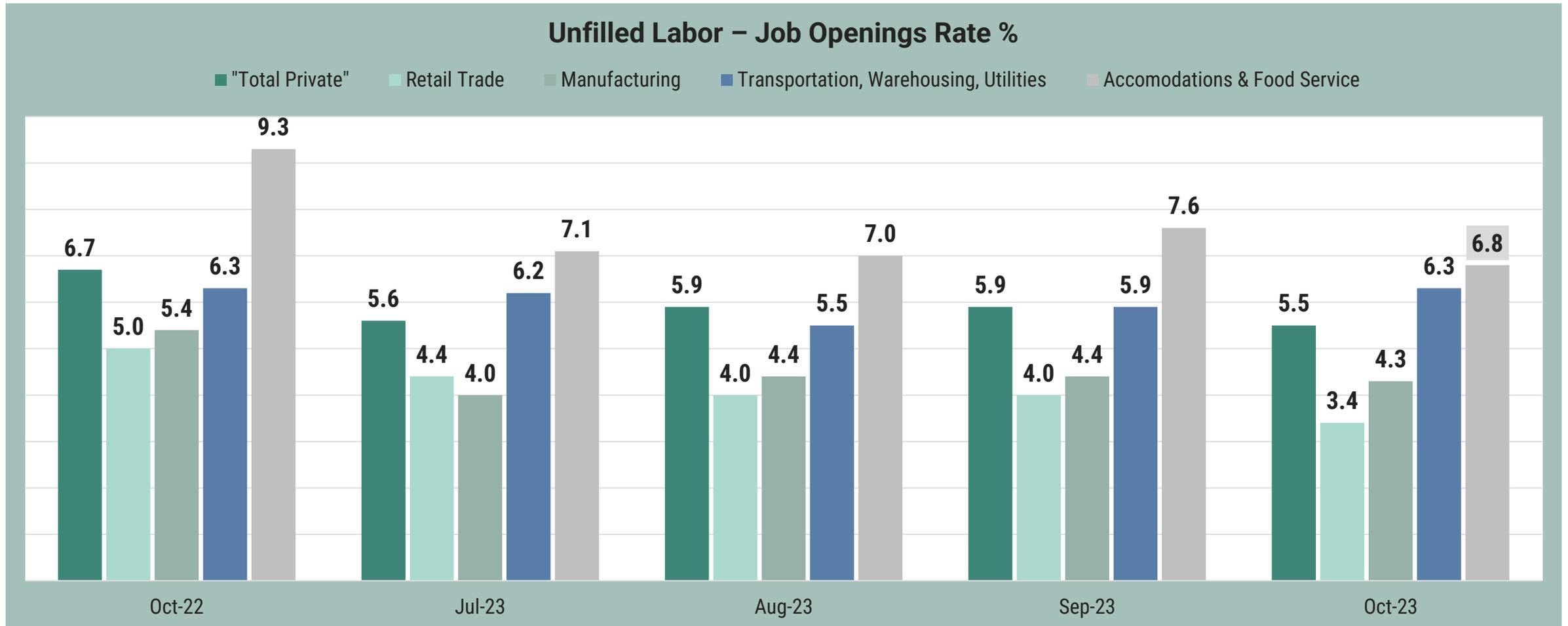
Projected unemployment rate did not change appreciably vs. earlier forecasts and is expected to remain at around 4%





Private Industry Labor – Job Openings

Through October, unfilled job openings rates remained stable, with a drop from 7.6% to 6.8% in Accommodations and Food Service

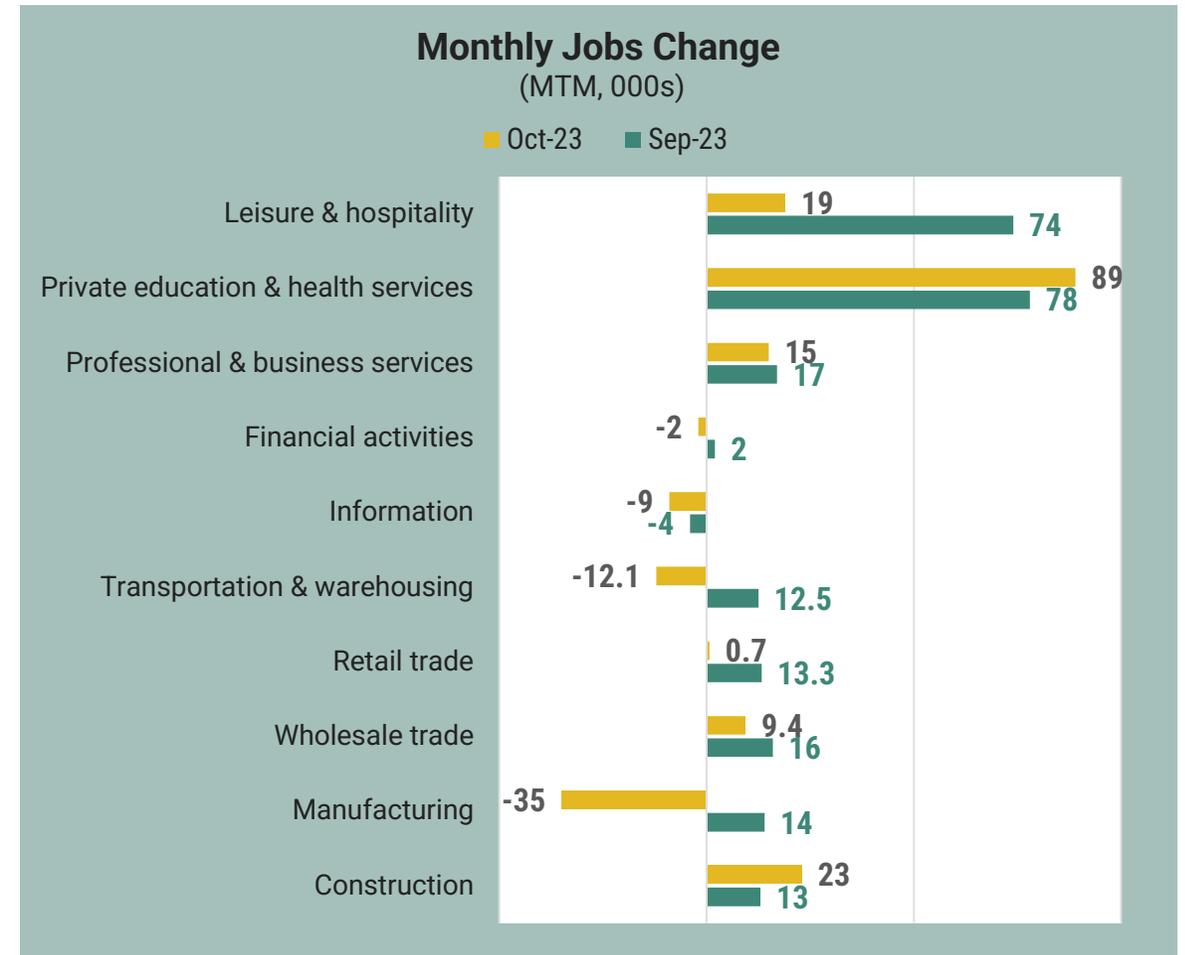
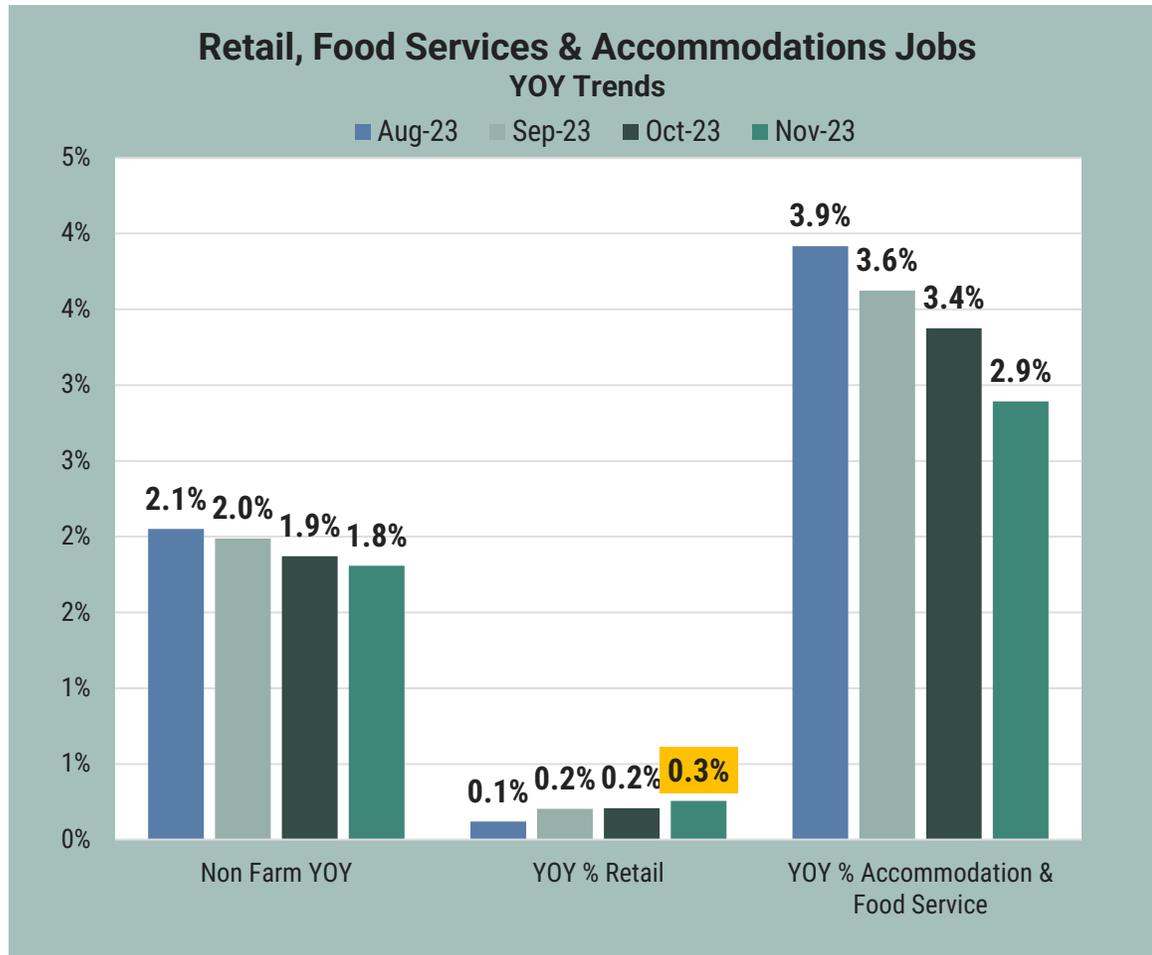


Source: U.S. Bureau of Labor Statistics; job openings rate = number of job openings on the last business day of the month as a percent of total employment plus job openings



Industry Employment Trends

Retail Trade monthly jobs up slightly to LY; Leisure & Hospitality again saw yearly and MTM gains



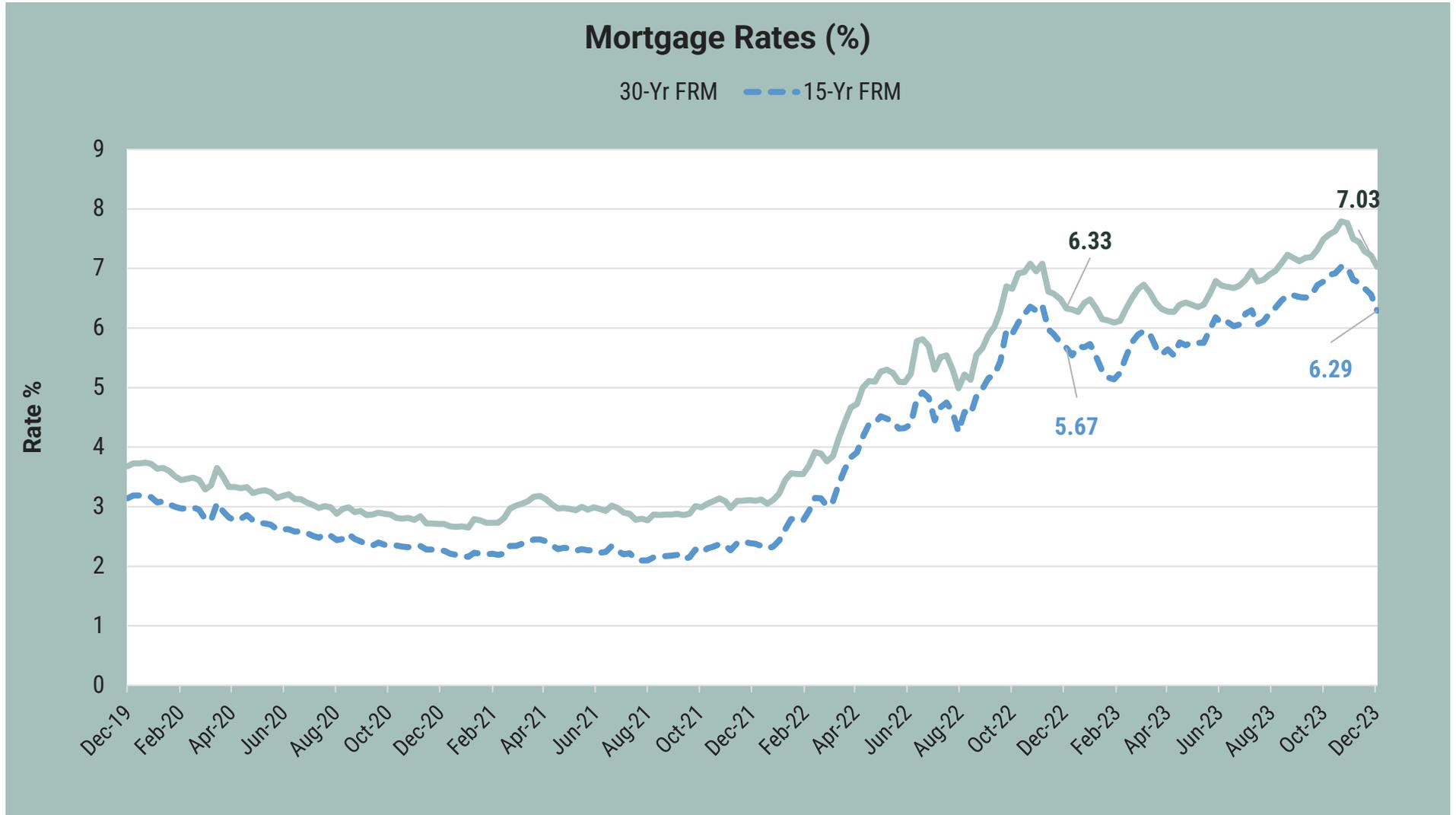
Source: U.S. Bureau of Labor Statistics

Housing

Mortgage Rates



*The 30-year fixed-rate mortgage hovered around 7 percent this week, marking a drop from its recent peak of nearly 7.80 percent six weeks ago. Initially, the decline in rates led to a rebound in purchase applications, but this resurgence was short-lived as purchase demand dwindled last week. While lower rates benefit consumers, it seems that further reductions may be necessary to reignite demand in the market.**

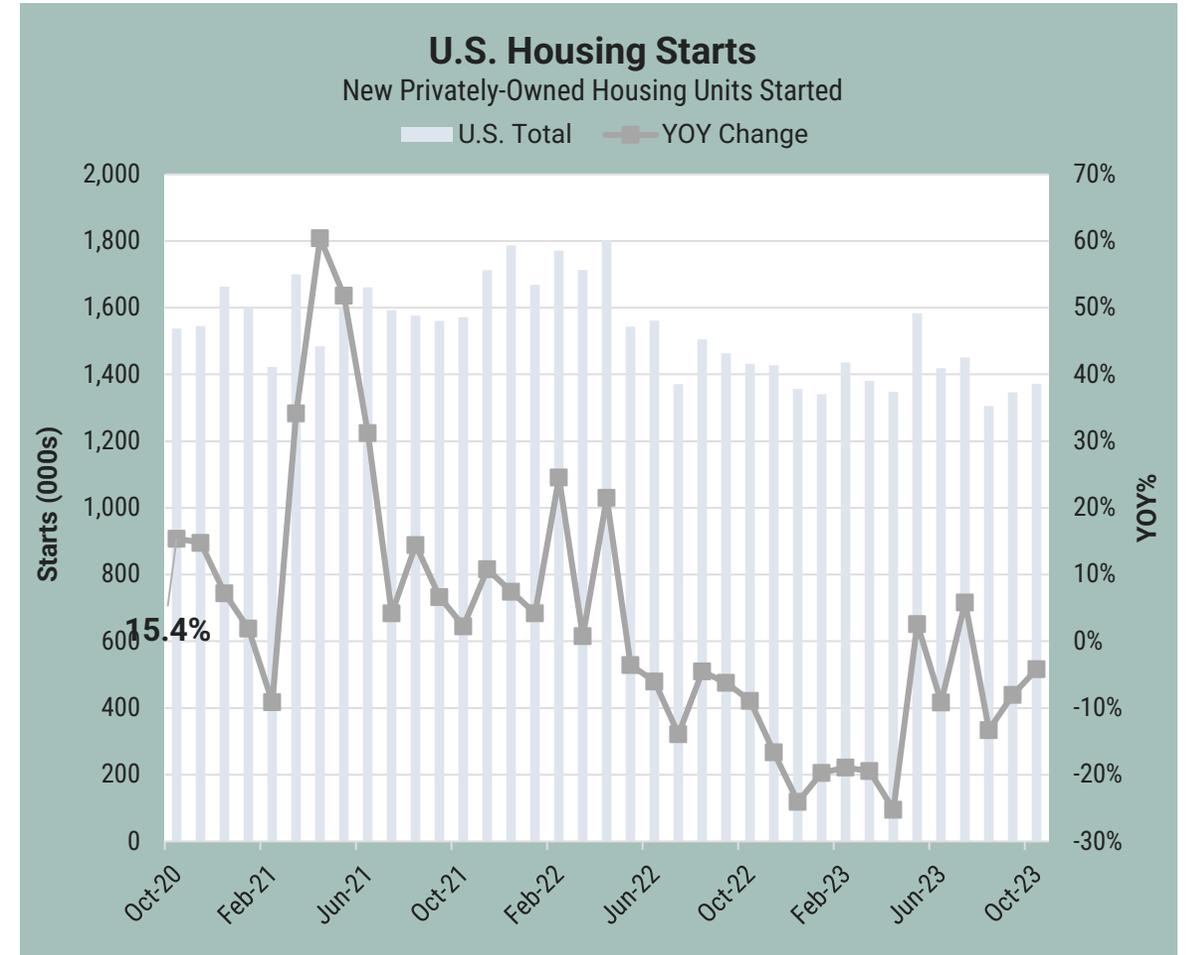
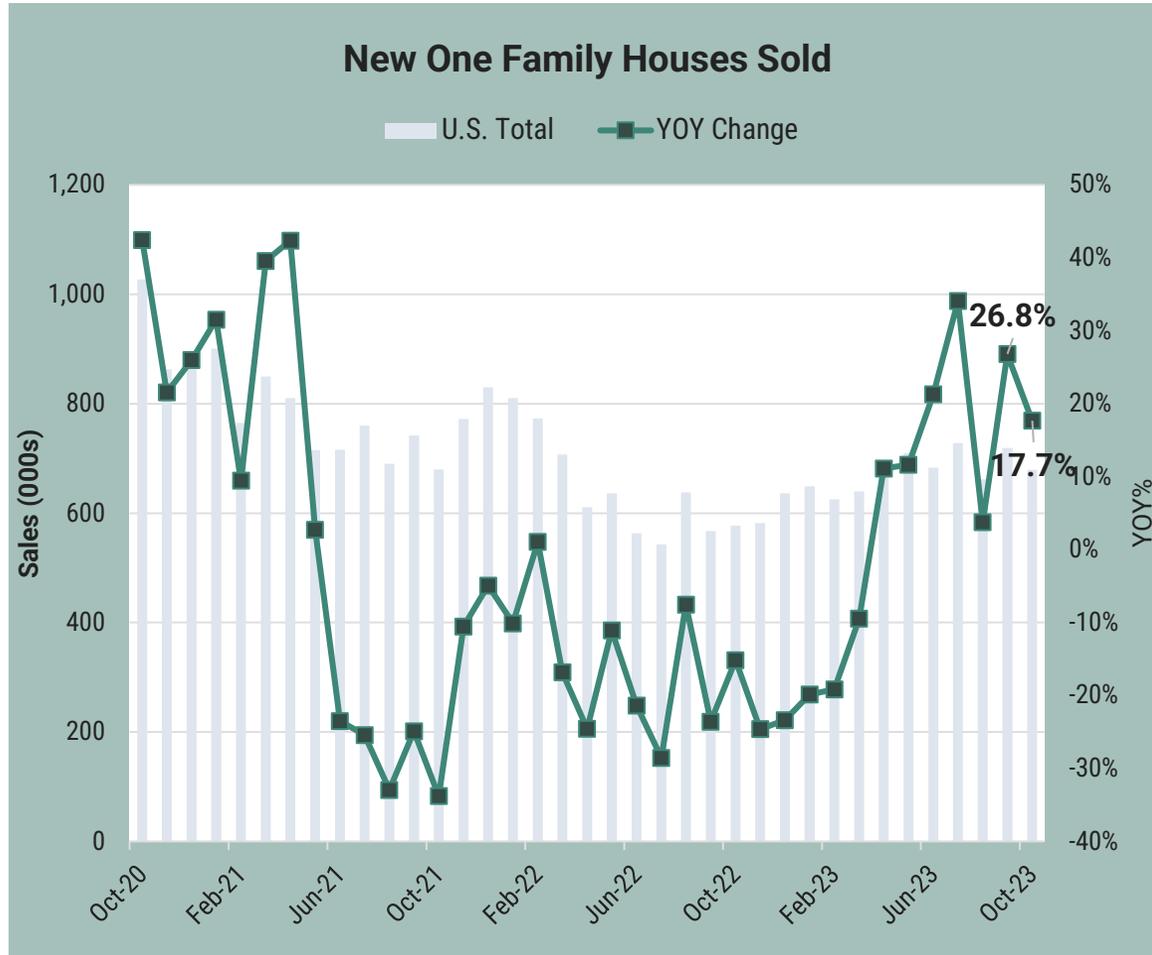


* Source: FreddieMac Mortgage Market Survey



Housing – New Home Sales and Starts

New home sales increased nearly 18% in October, following a 26.8% increase in September; housing starts dropped 4.2%



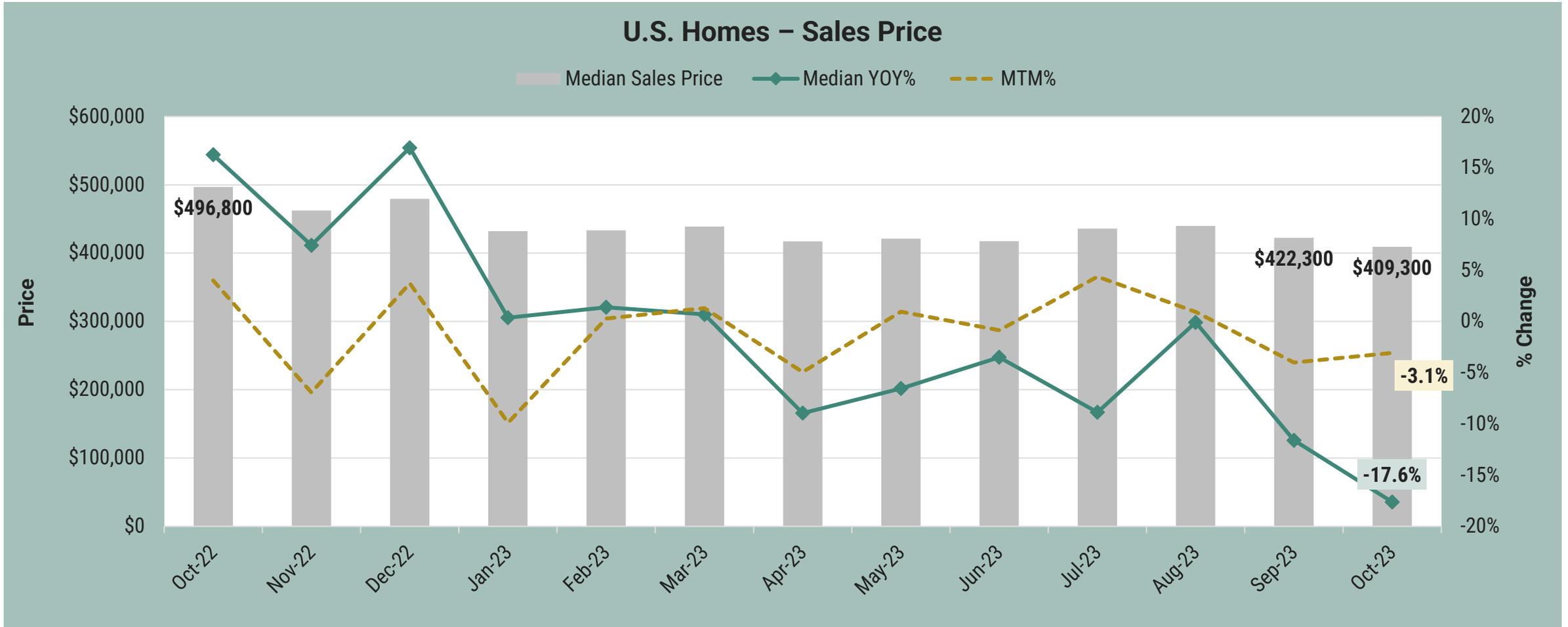
U.S. Census Bureau and U.S. Department of Housing and Urban Development, New One Family Houses Sold: United States, retrieved from FRED, Federal Reserve Bank of St. Louis

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 October median U.S. new home price declined 12.3%; MTM the median price was down 3.1%



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

Supply Chain

Global Supply Chain Index



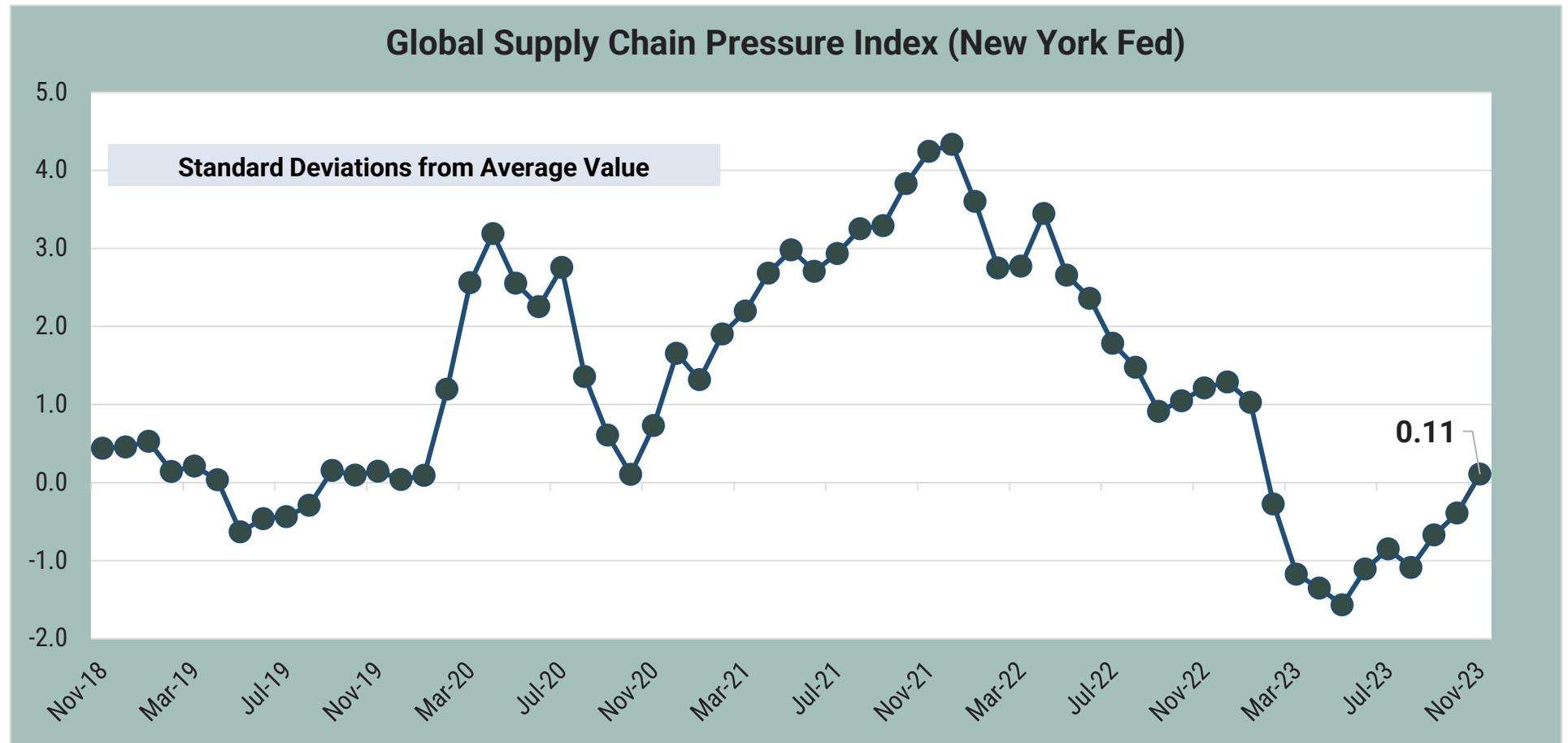
The GSCPI tracks the state of global supply chains using data from the transportation and manufacturing sectors.

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>

The GSCPI rose to 0.11 in November, up from -0.39 in October (revised up from an initial reading of -1.78). This major revision for October is due to a change in exchange rate weighting methodology.

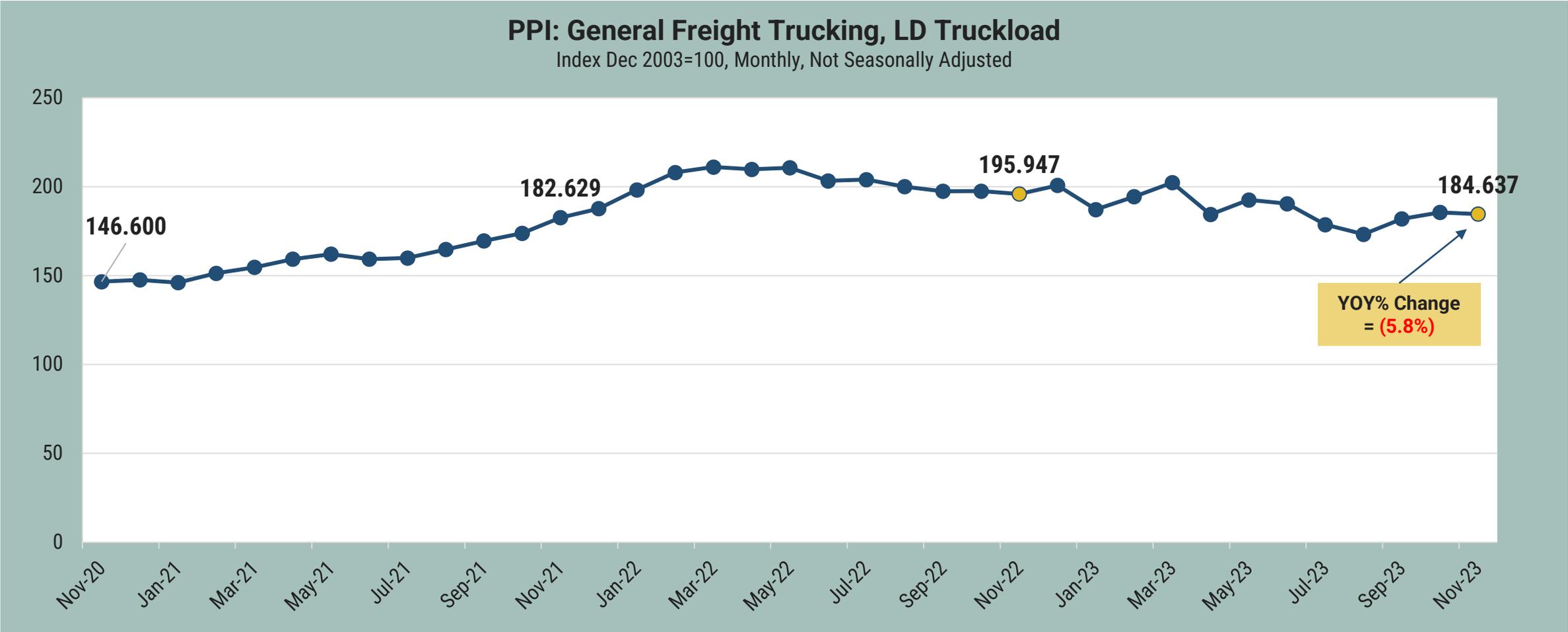


Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index, <https://www.newyorkfed.org/research/gscpi.html>.



Freight Inflation - Trucking

In November, general freight trucking index was down 5.8% over last year and .5% lower than the previous month

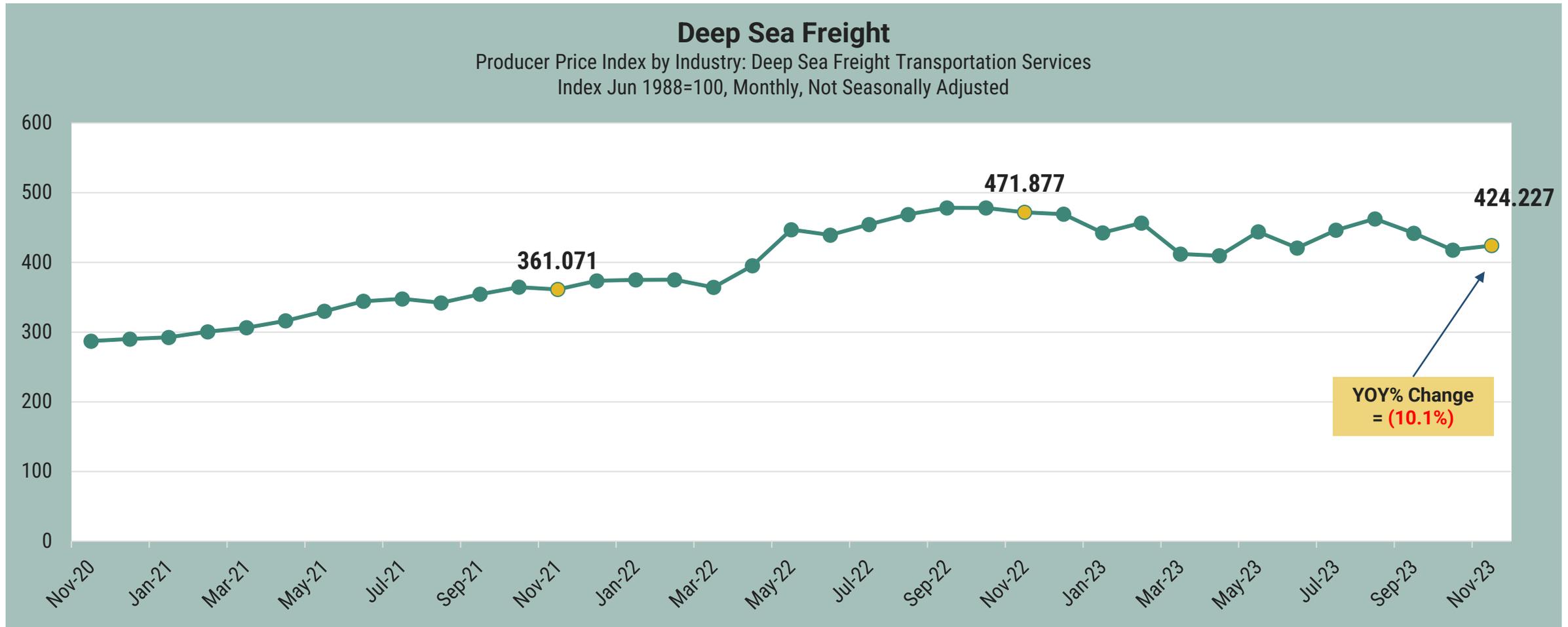


Source: U.S. Bureau of Labor Statistics, FRED, Federal Reserve Bank of St. Louis



Deep Sea Freight

Deep sea freight rates are down 10.1% YOY and 1.6% higher MTM



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

About Ankura

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44

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serving 3,000 clients

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Keith Jelinek
Senior Managing Director
1.248.894.8264
keith.jelinek@ankura.com



Mike Casey
Managing Director
+1.216.312.7702
michael.casey@ankura.com



Rick Maicki
Senior Managing Director
+1.216.906.1580
rick.maicki@ankura.com



Chris Ventry
Managing Director
+1.646.413.9352
chris.ventry@ankura.com



Tom Clarke
Senior Managing Director
+1. 248.312.9423
tom.clarke@ankura.com



Laura Wheeler
Managing Director
1.646.320.5799
laura.wheeler@ankura.com





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