



PERFORMANCE IMPROVEMENT

U.S. Economic Overview

Consumers and the Macro Economy

OCTOBER 2022



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Summary

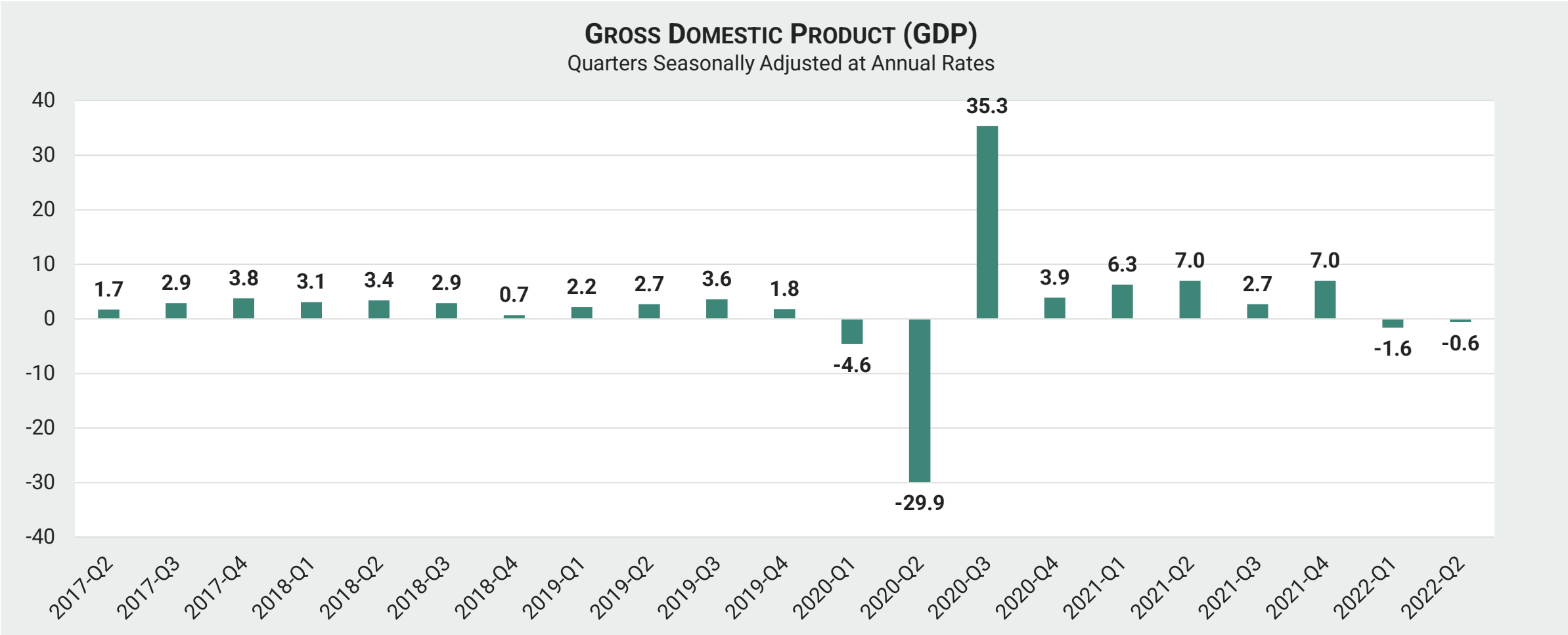
Conclusions

- Inflation continues to drive up prices, which is supporting the GDP levels and retail sales
 - The Consumer Price Index increased 8.2% in September with Core CPI increasing 6.6%; transportation and fuel prices continue to drive the overall index
 - Gas and crude oil prices began to rise again over the last few weeks – driven by the OPEC+ announcement to cut oil production – but remain lower than prices as the same time last year
 - The "third" GDP estimate released by the Bureau of Economic Analysis (9/29/2022) saw no changes to first quarter GDP, which decreased 1.6 percent
 - Retail sales increased 7.5%, slightly above the Core CPI increase of 6.6%, indicating little real growth
- Global SC pressures have eased (port congestion) and while ocean shipping costs seemed to have turned a corner, domestic freight is heavily impacted by fuel costs
 - Supply chain pressures eased for fifth straight month; YTD trends indicate supply chain pressures are beginning to fall back in line with historical levels
 - General freight trucking rose 17.5% over last year and deep-sea freight rose 29.6%, both continuing to impact operating margins
- Housing starts and new home sales, being heavily impacted by raising interest rates, are rippling through the economy
 - 30-year prime mortgage rate rose to 6.9% in September; new home sales were flat vs. 2021; housing starts decreased 15.3% in August
- Consumer sentiment has slightly increased but remains at historically low territory
 - Consumer Sentiment has increased in last two months and is now 9.8 points above the all-time low reached in June; the expectations index declined by 3% from last month due to continued consumer uncertainty over inflation
- Employment is still the relatively bright spot in the economy and employer labor pressures seem to be receding
- Consumers' financial situation showing signs of stress, as savings decline and revolving credit increases, both of which will impact recovery / future spending
 - Personal disposable income rose just 2.1%, well below the CORE CPI rate; expenditures increased 9.2%
 - Personal savings is down to 3.5% and revolving credit debt rose to over 15% vs. 2021 – both indicate consumers are dipping into rainy day funds, while also utilizing credit for more purchases as wages are unable to keep up with inflation
- Heading into the holidays, we have concerns over bloated inventories, rising inflation, the role of bricks and mortar vs. digital, and what the consumer psyche is for how and where they will spend their dollars

Broad Economic Indicators

Gross Domestic Product

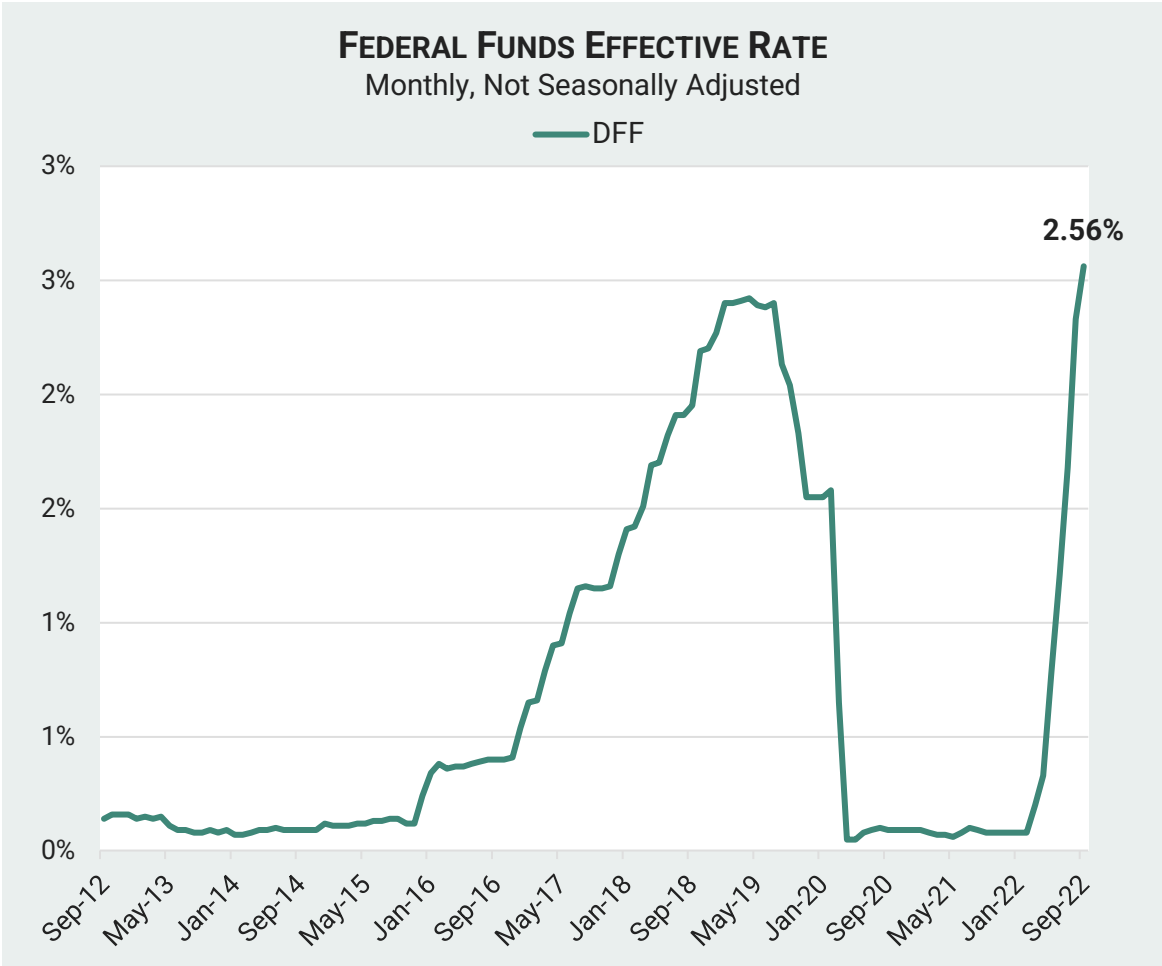
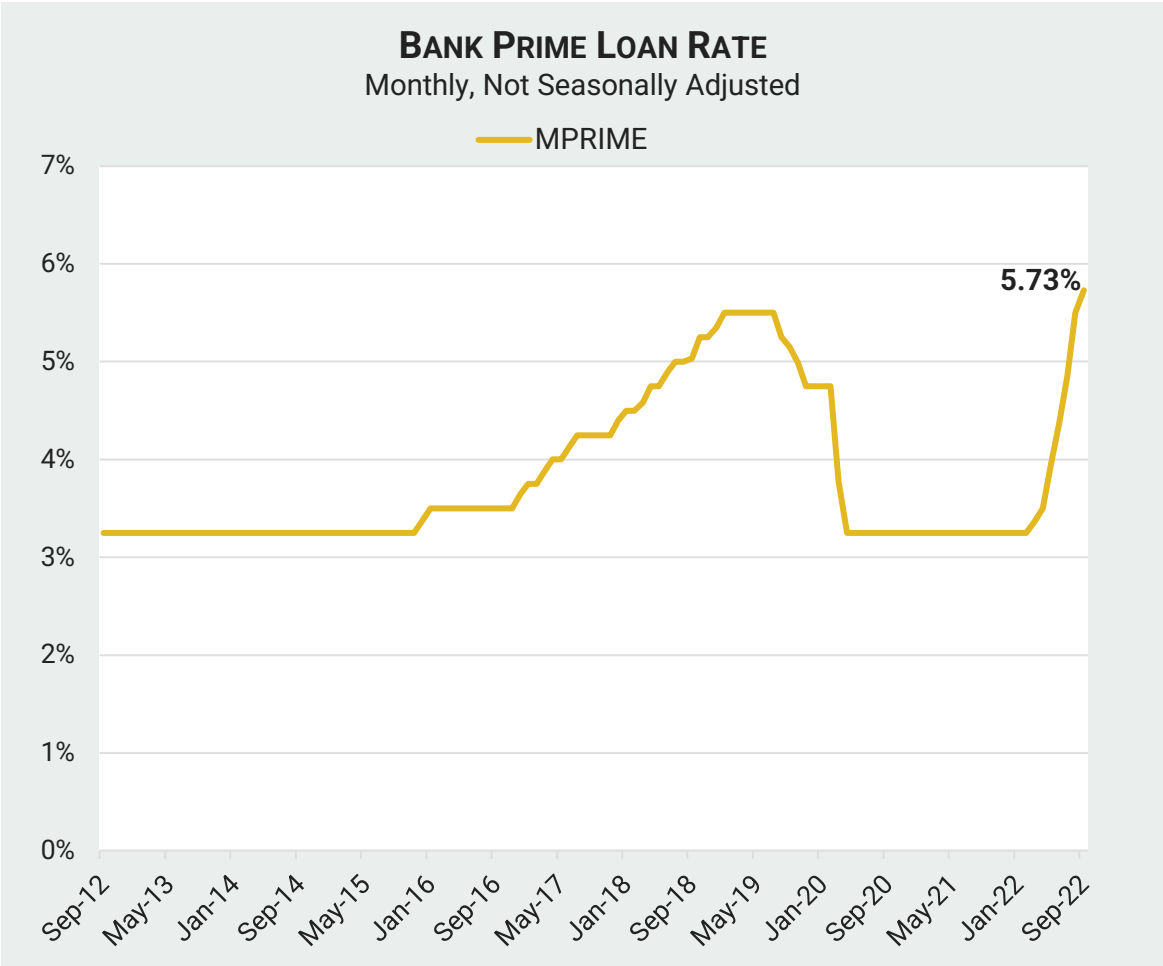
The "third" GDP estimate released by the Bureau of Economic Analysis (9/29/2022) saw no changes to first quarter GDP, which decreased 1.6 percent (same as previously published)



Source: U.S. Bureau of Economic Analysis

Federal Reserve – Interest Rates

Interest rates continue to climb as the Fed looks to slow down inflation, impacting major purchases



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

Consumer Price Index

The Consumer Price Index increased 8.2% in September with Core CPI increasing 6.6%; transportation and fuel prices continue to drive the overall index

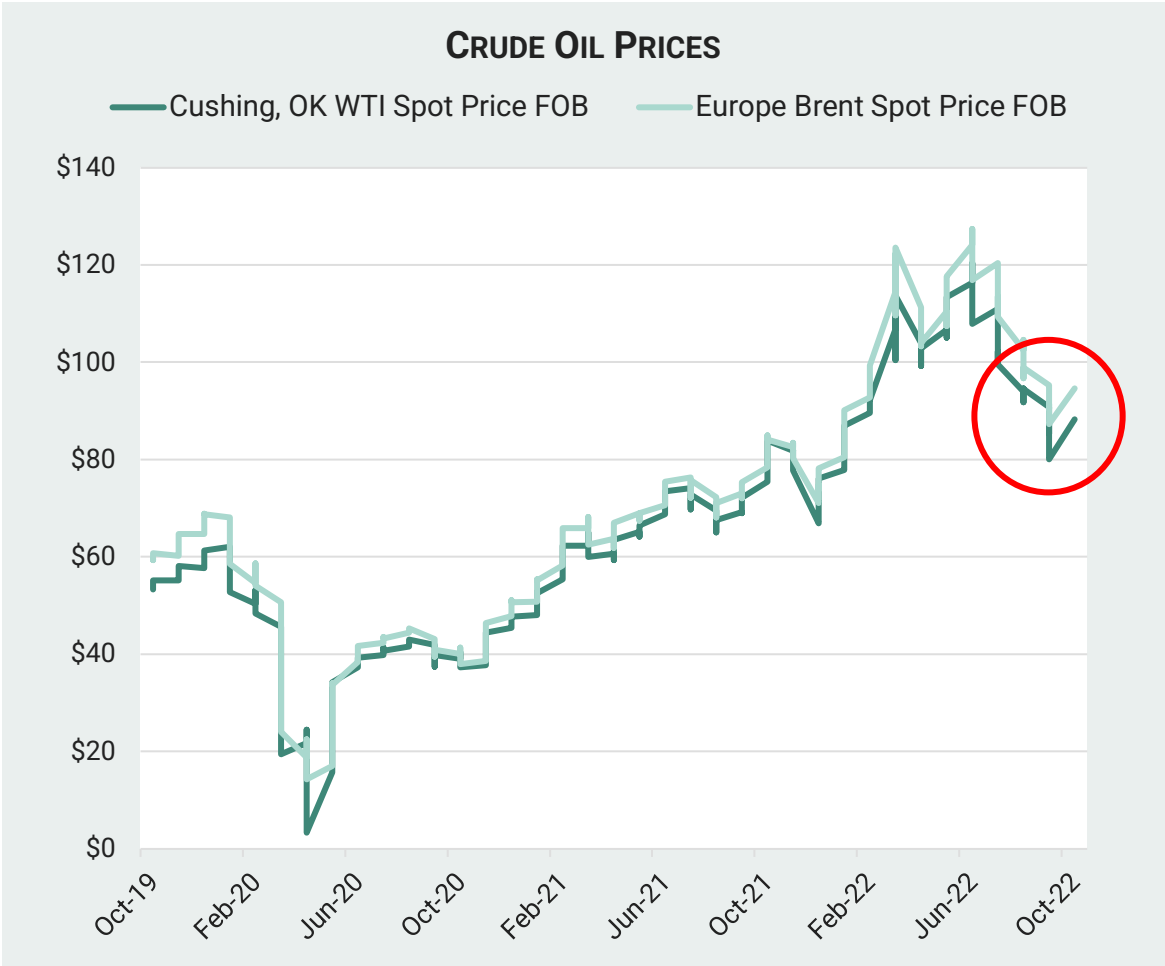
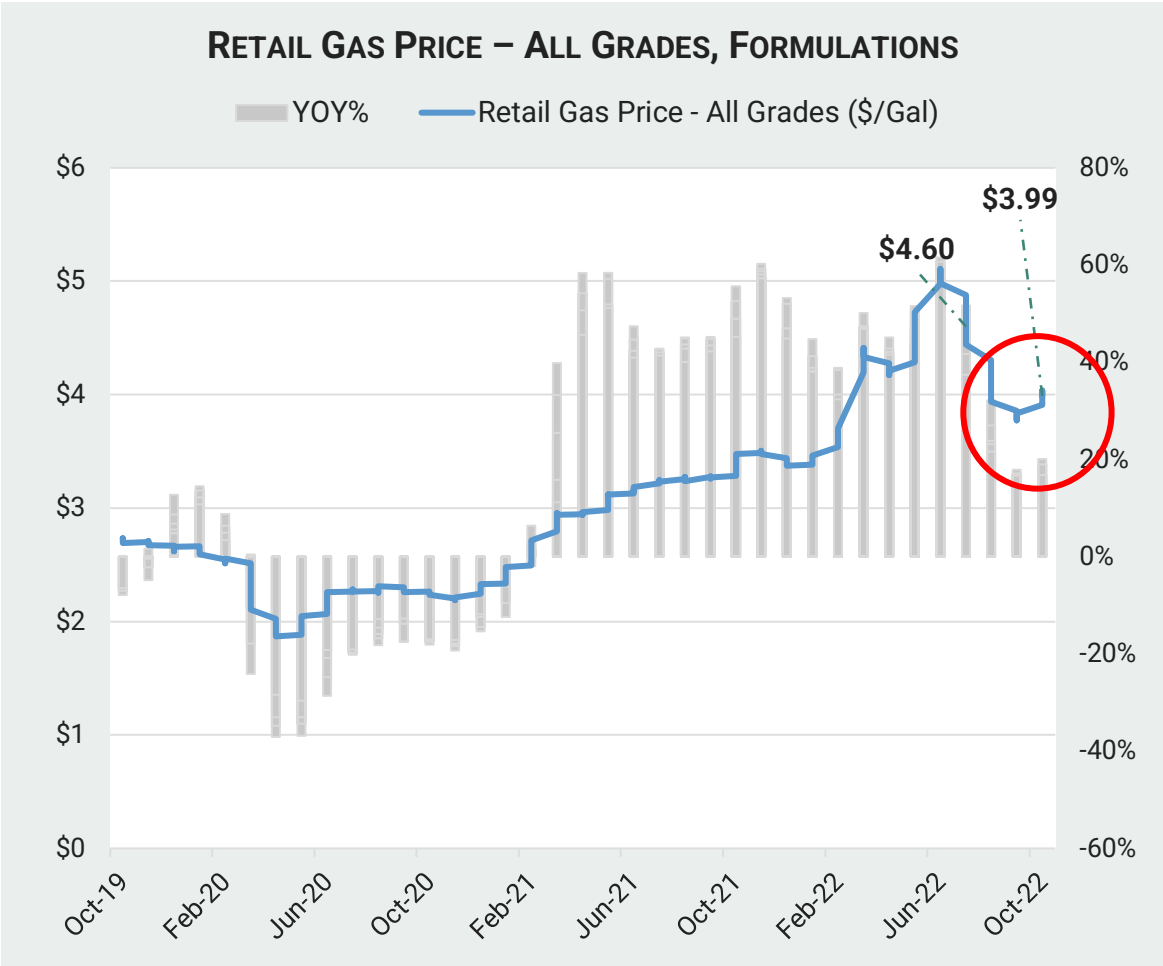
- Food at Home +13.0%
- Motor Fuel +18.8% – the lowest YOY change for several months but with OPEC+ cutback in oil output this may reverse trend in the months to come
- Transportation +12.6%

	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
Total CPI	8.3%	8.6%	9.1%	8.5%	8.3%	8.2%
All Items Less Food & Energy (Core CPI)	6.2%	6.0%	5.9%	5.9%	6.3%	6.6%
Food at Home	10.8%	11.9%	12.2%	13.1%	13.5%	13.0%
Food Away From Home	7.2%	7.4%	7.7%	7.6%	8.0%	8.5%
Motor Fuel	44.0%	49.1%	60.2%	44.5%	26.2%	18.8%
Apparel	5.4%	5.0%	5.2%	5.1%	5.1%	5.5%
Housing	6.5%	6.9%	7.3%	7.4%	7.8%	8.0%
Education	2.5%	2.5%	2.7%	2.6%	3.1%	3.1%
Medical Care	3.2%	3.8%	4.5%	4.8%	5.4%	6.0%
Transportation	19.9%	19.4%	19.7%	16.4%	13.4%	12.6%

Source: U.S. Bureau of Labor Statistics

Gasoline (Retail Price) and Crude Oil Prices

Gas and crude oil prices began to rise again – driven by the OPEC+ announcement to cut oil production – but remain lower than prices as the same time last year



Source: U.S. Energy Information Administration

Supply Chain

Global Supply Chain Index

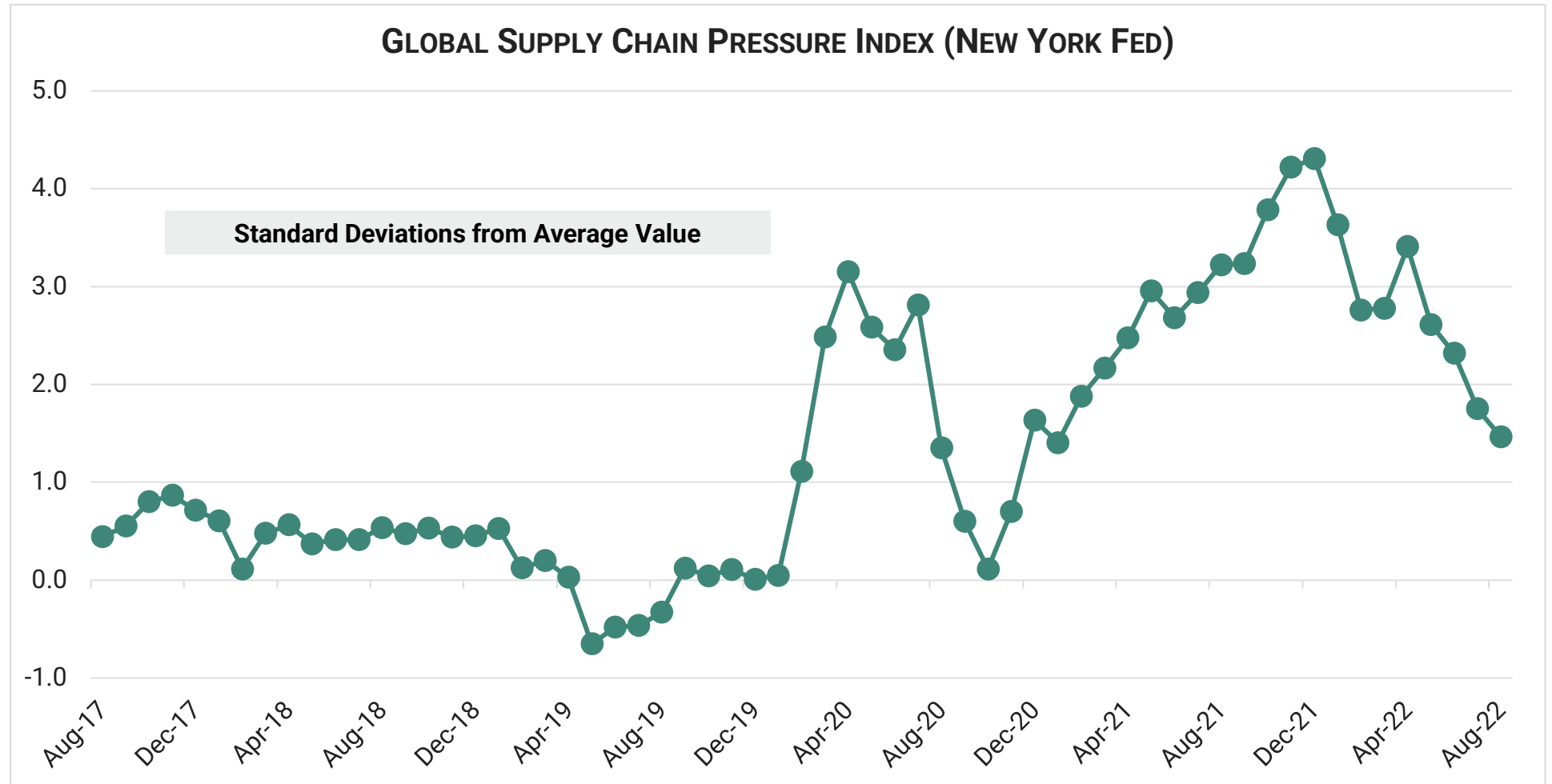
Global supply chain pressures decreased in September, marking a fifth consecutive month of easing; the YTD trends indicate supply chain pressures are beginning to fall back in line with historical levels

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.

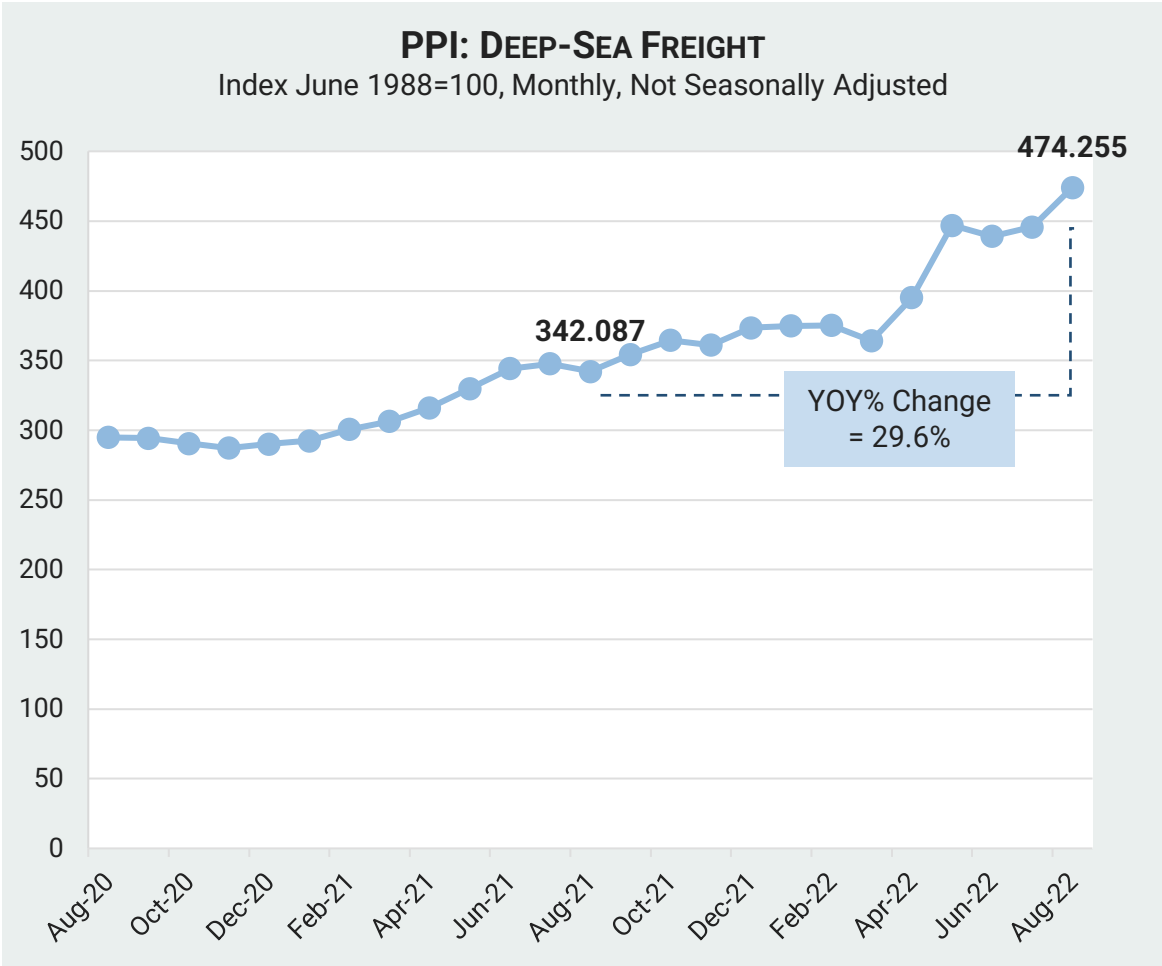
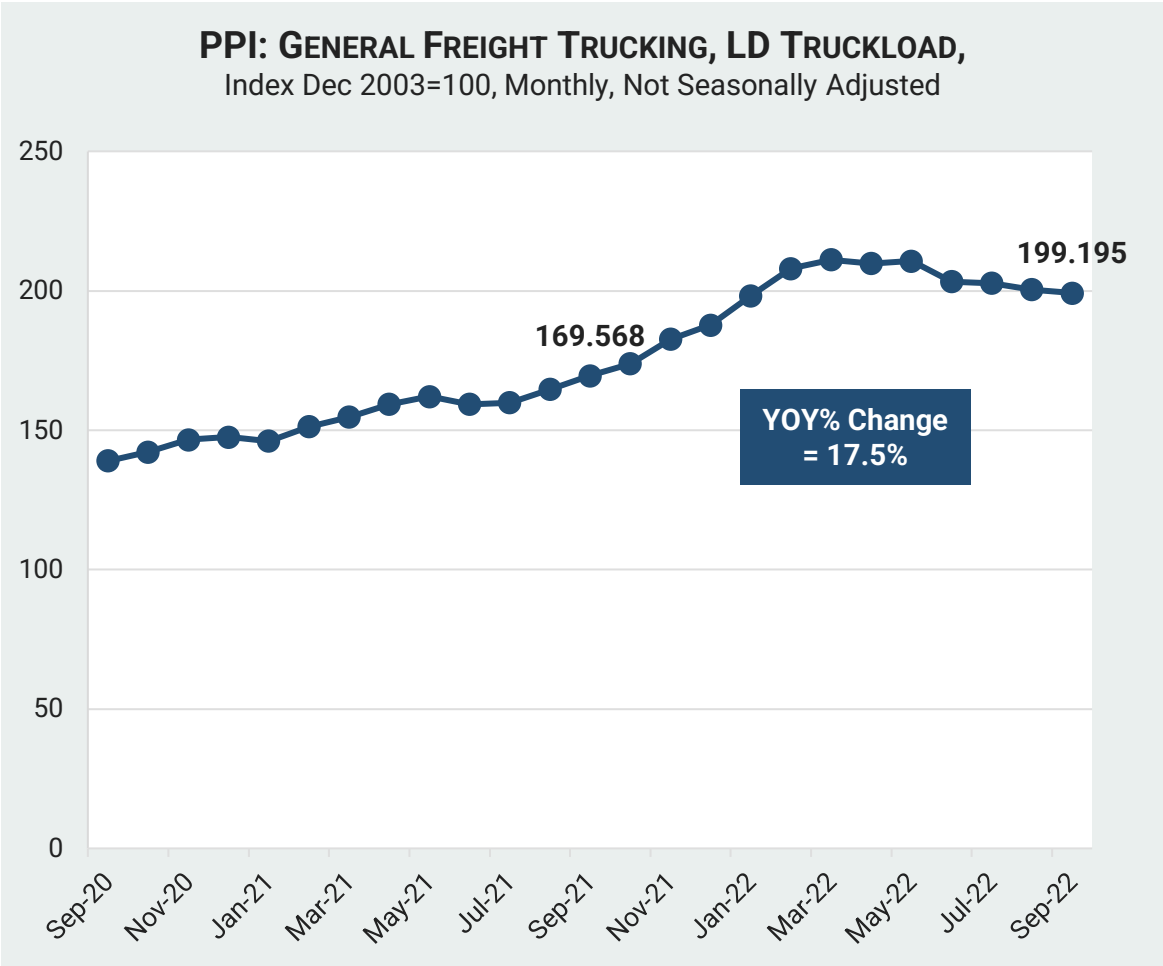
The GSCPI is a product of the Applied Macroeconomics and Econometrics Center (AMEC).

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



Freight Inflation

General freight trucking rose 17.5% over last year and deep-sea freight rose 29.6%, continuing to impact operating margins

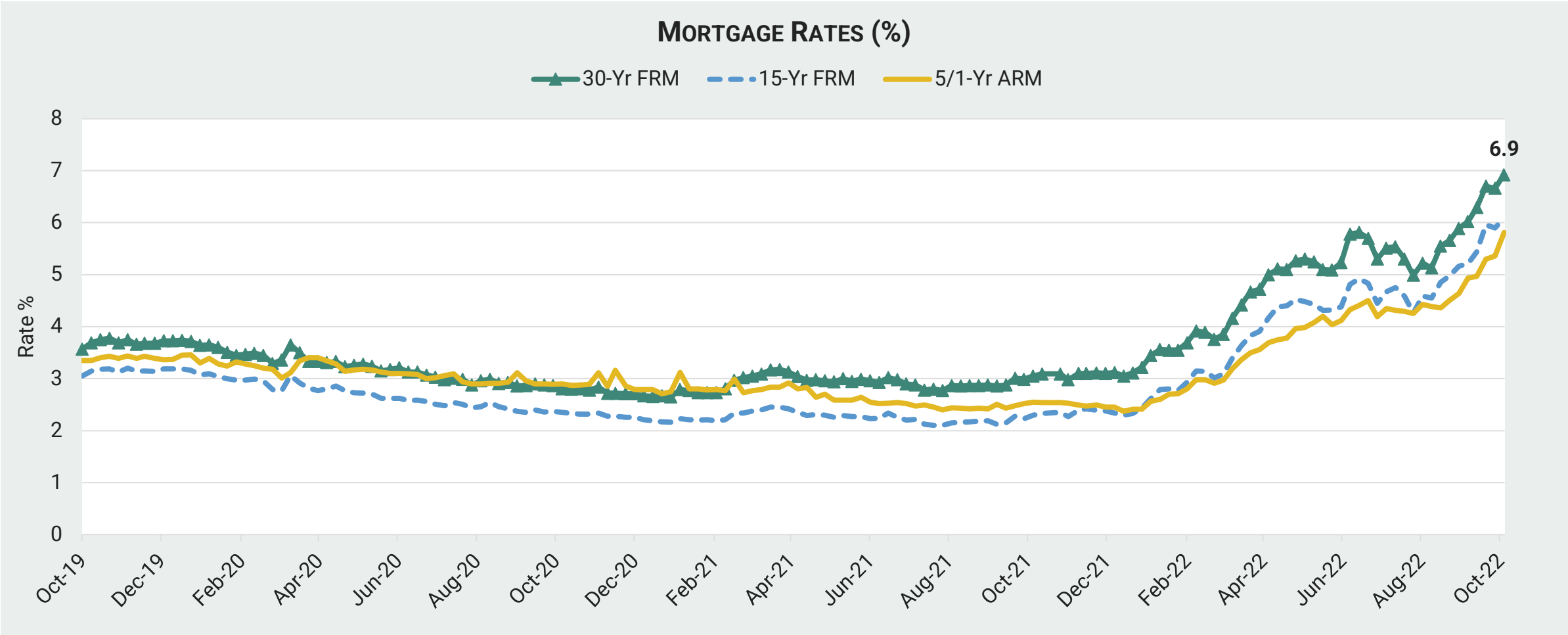


Source: U.S. Bureau of Labor Statistics, FRED, Federal Reserve Bank of St. Louis

Housing

Mortgage Rates

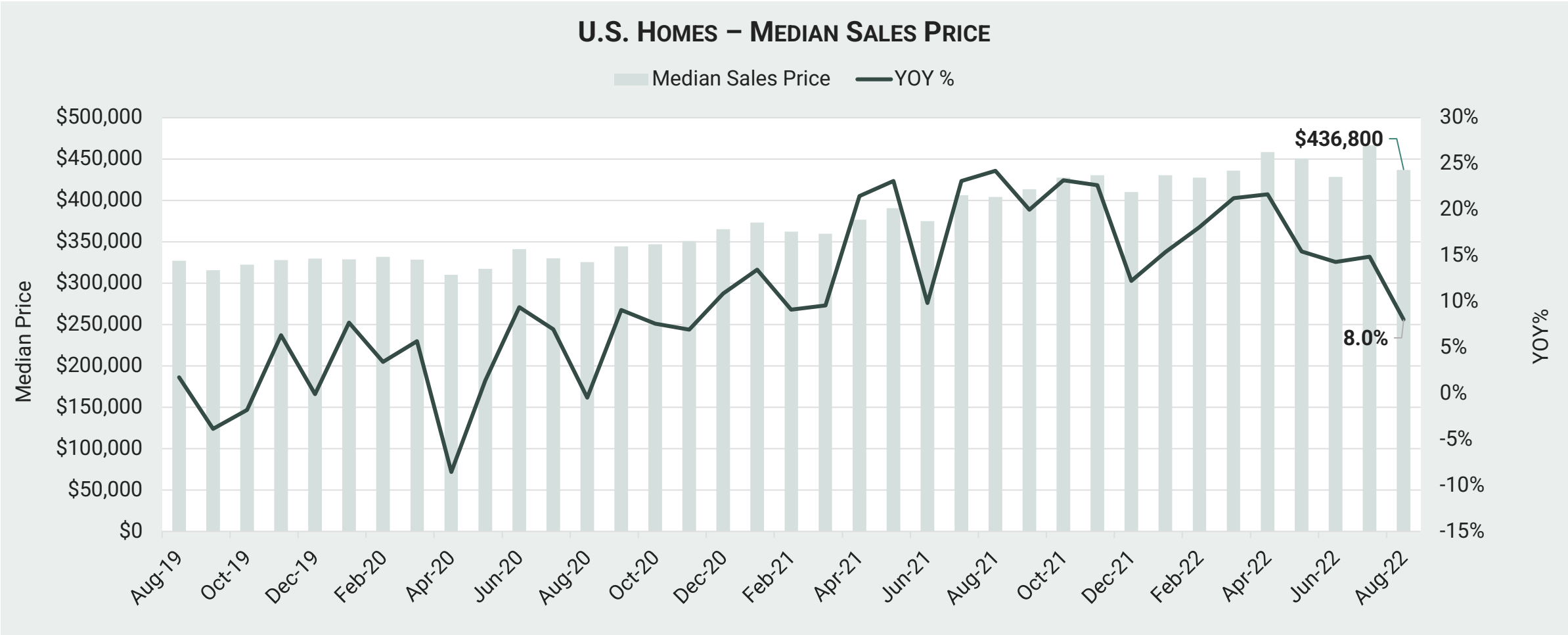
30-year prime rose to 7% in September; housing markets have felt the impact



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

Housing – New Home Prices

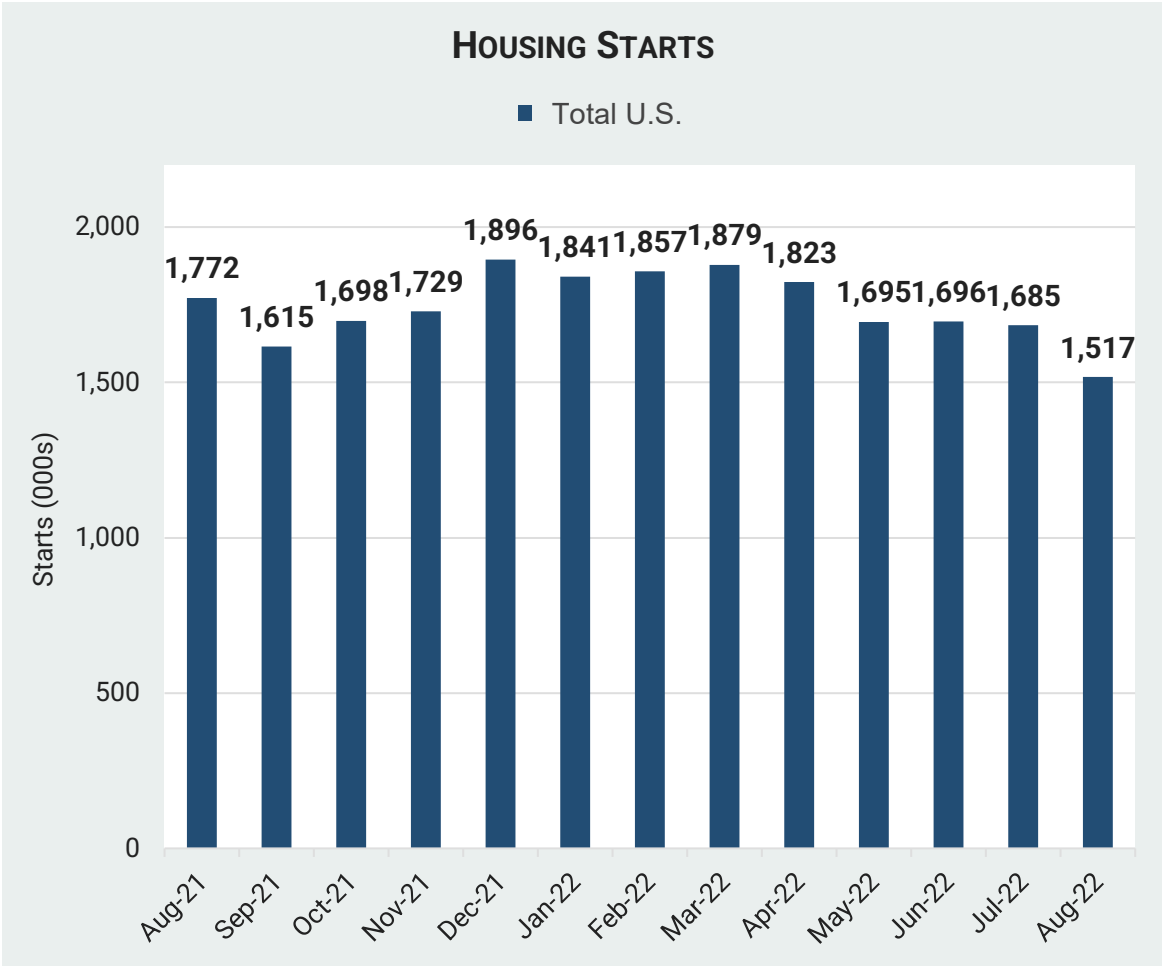
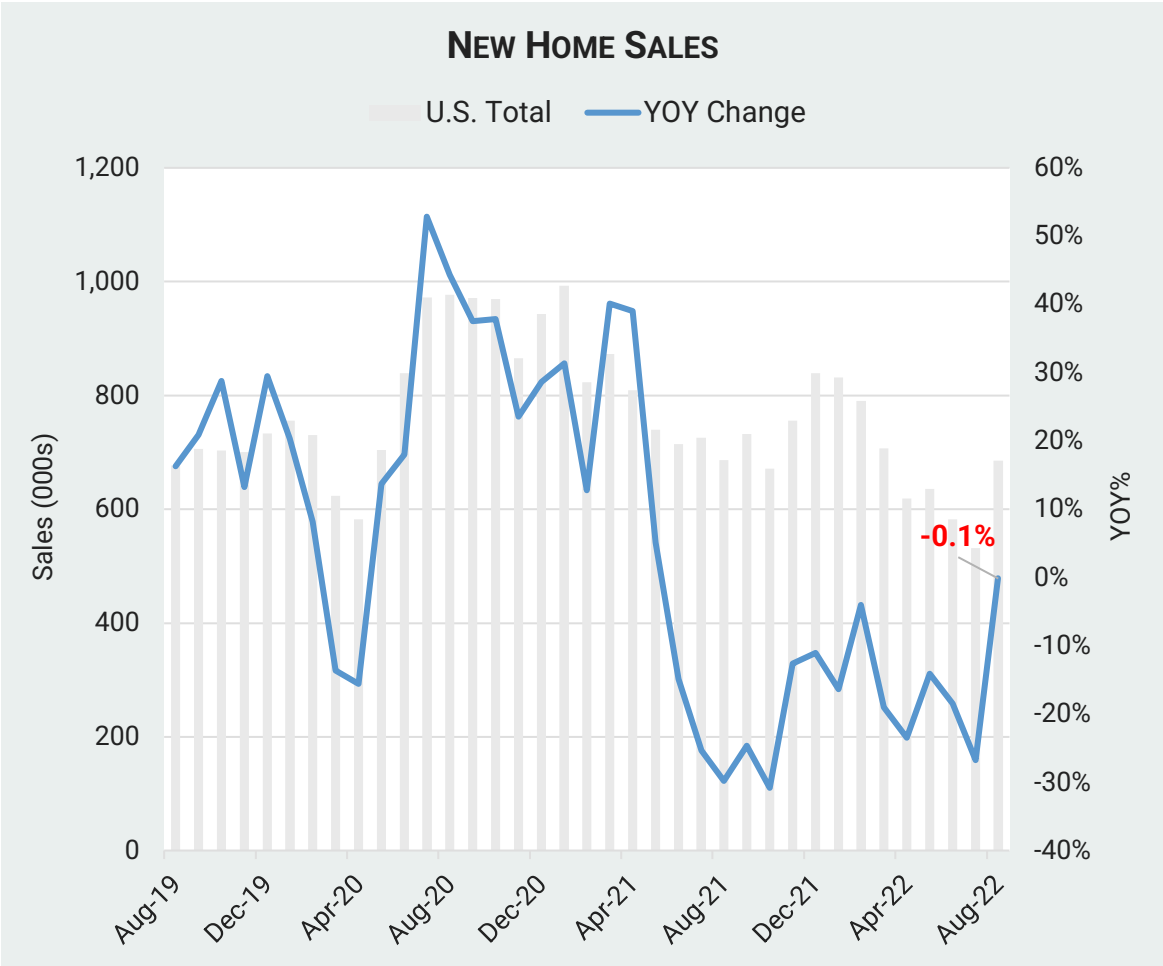
Median sales price of a new home in the U.S. is \$436,800 - dropping MTM and still 8.0% above previous year



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

Housing – New Home Sales and Starts

New home sales were flat vs. 2021; housing starts decreased 15.3% in August

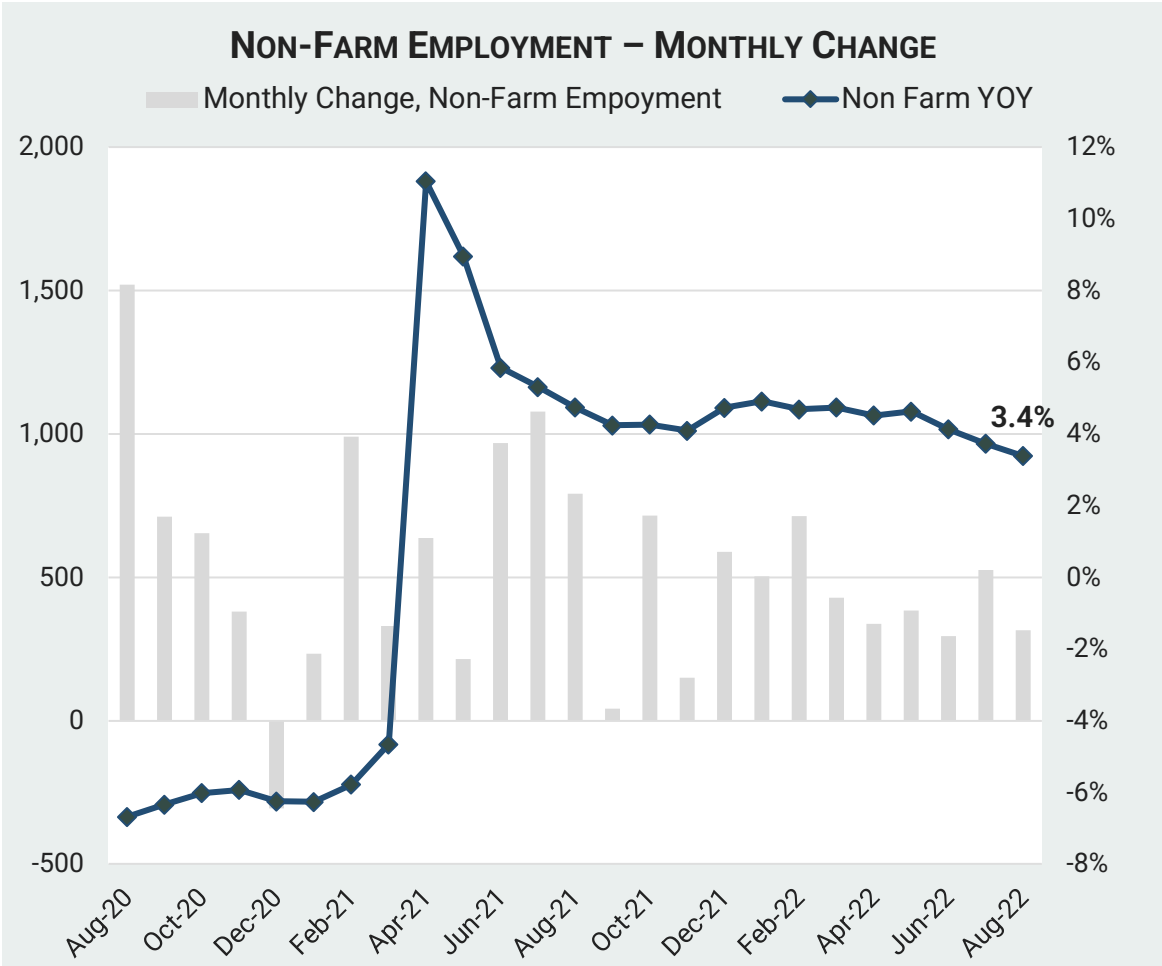
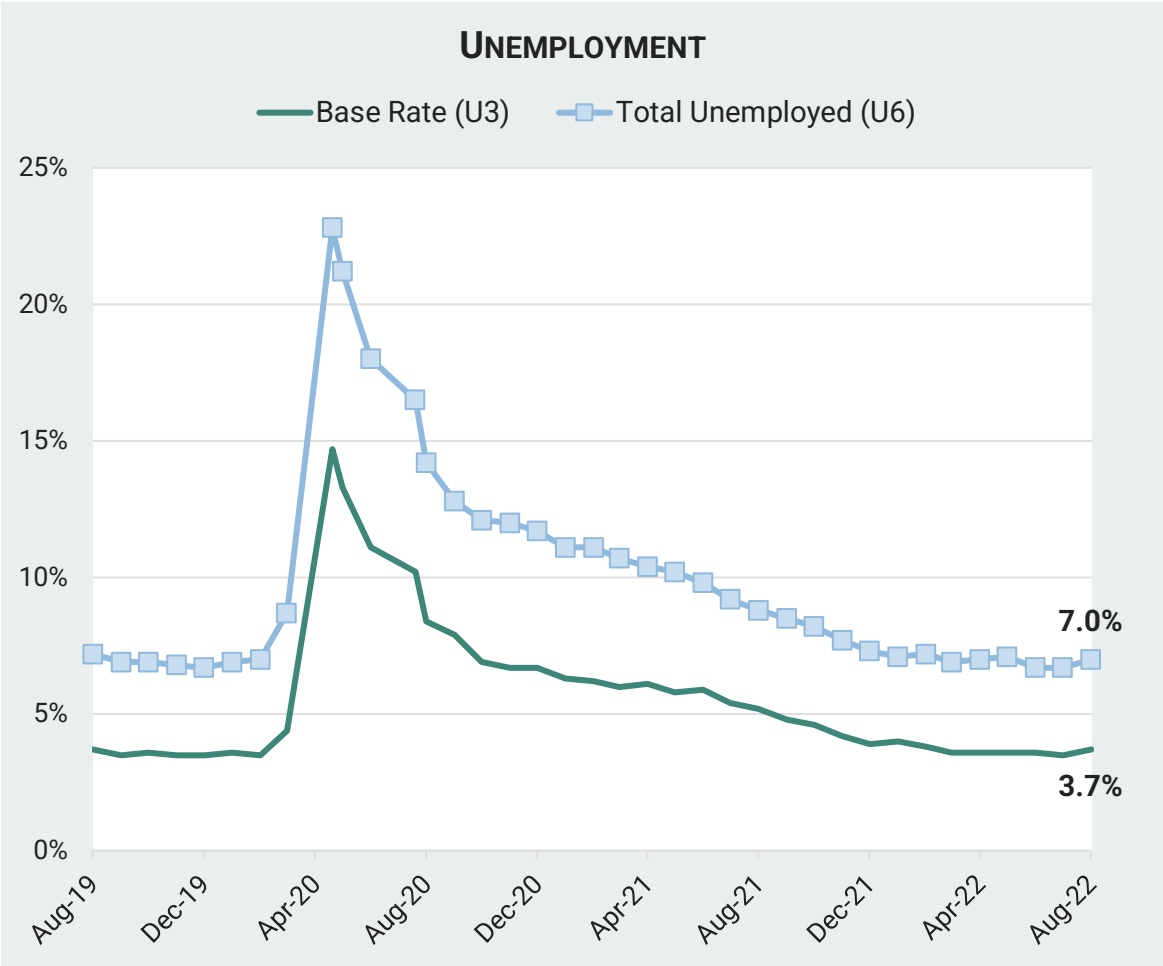


Source: U.S. Census Bureau

U.S. Employment

U.S. Employment Overview

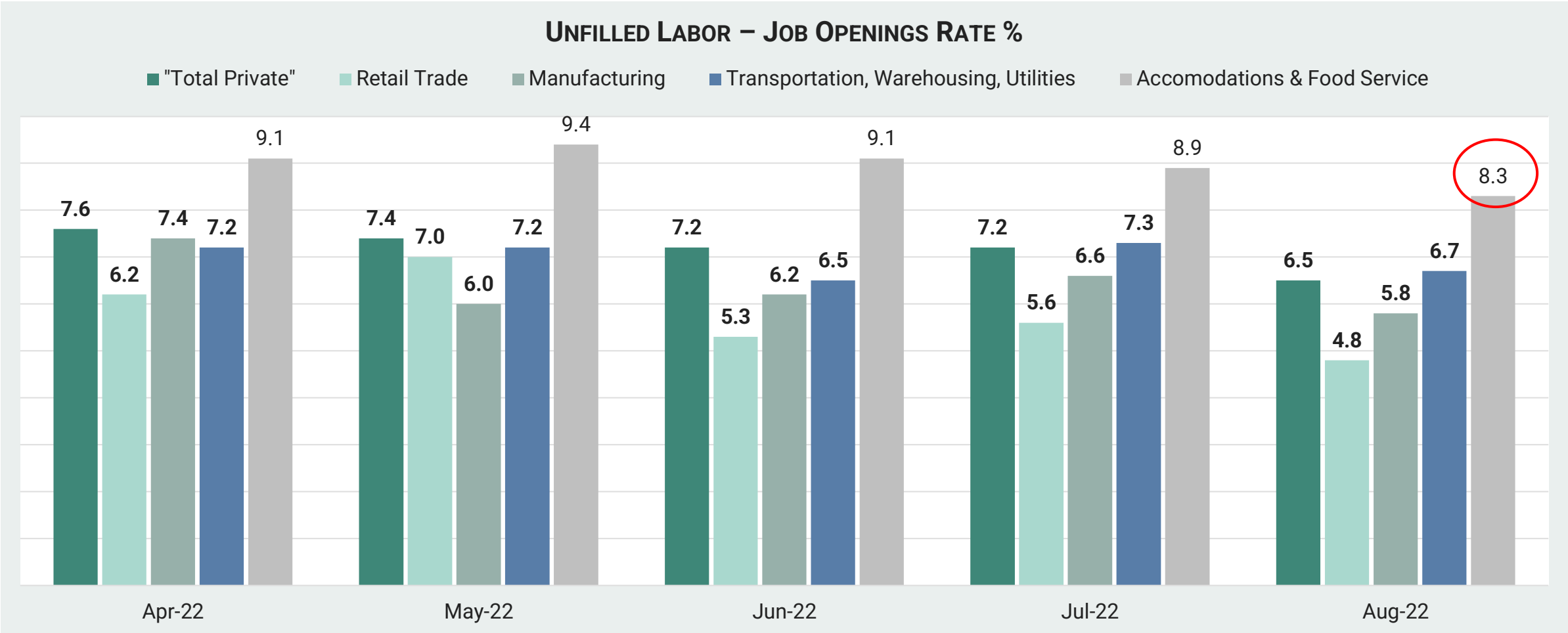
Unemployment remained below 4%; non-farm employment was up 3.4% month-to-month



Source: U.S. Bureau of Labor Statistics

Private Industry Labor – Job Openings

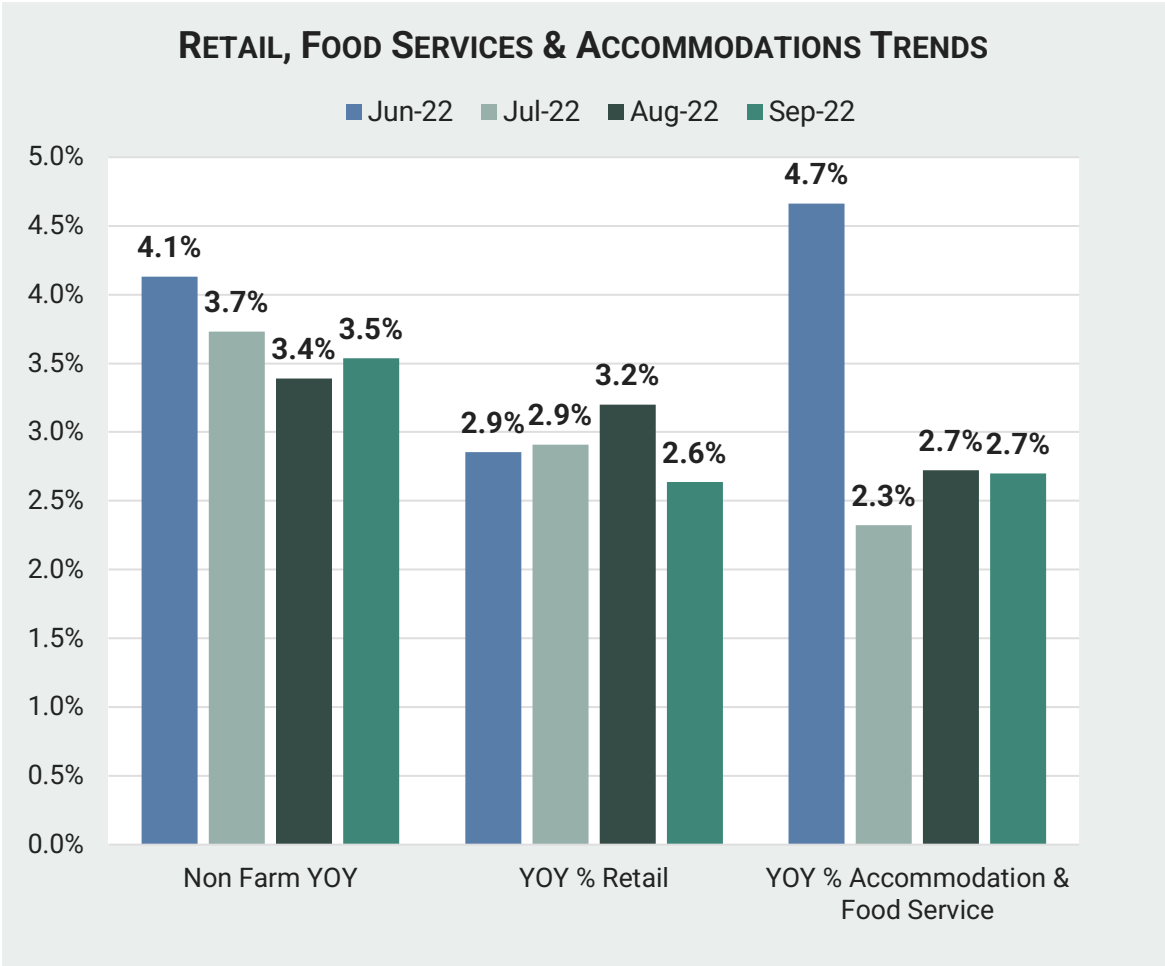
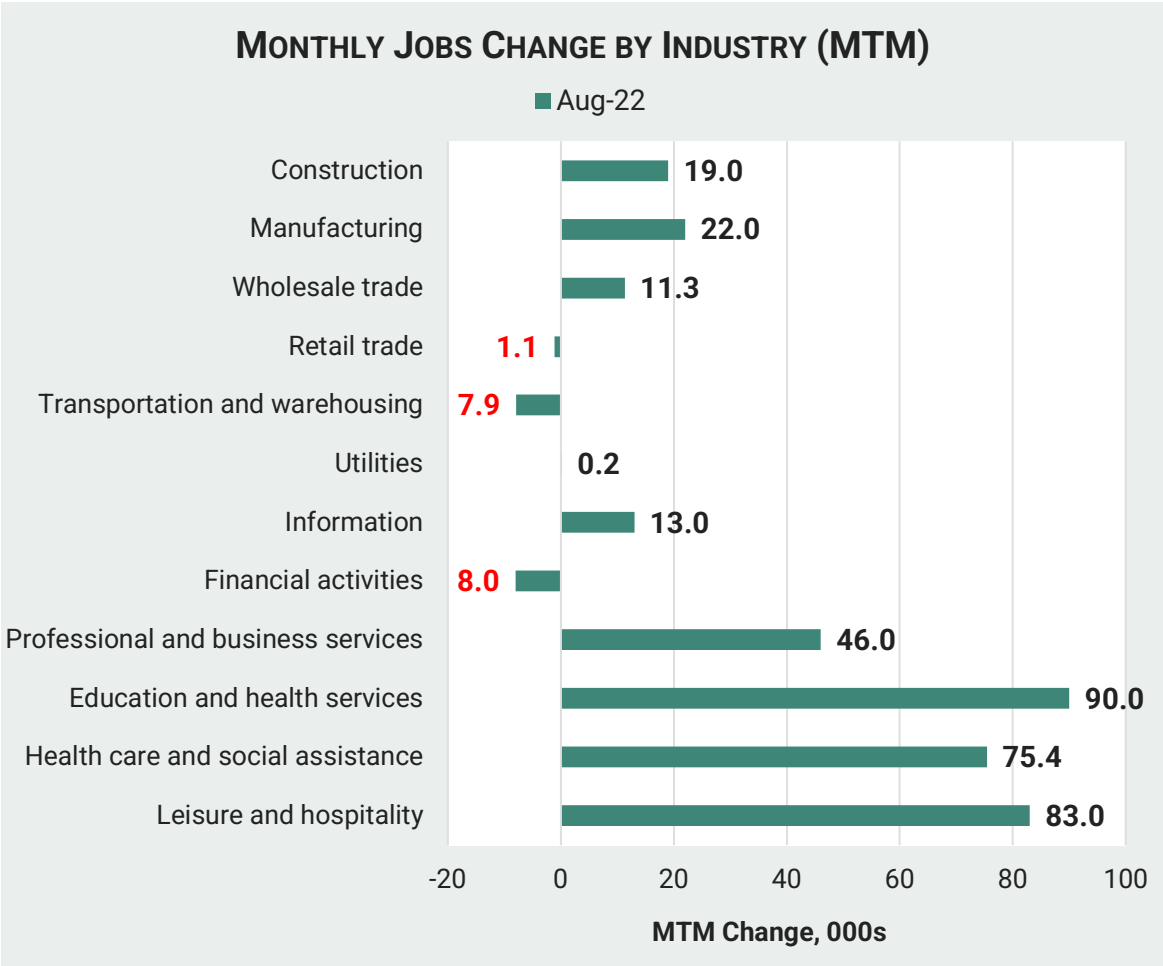
Job openings persist across most business sectors in the U.S.; Accommodations and Food Services remain over 8%



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

Most industries showed MTM jobs increases, despite the ability to fill all available open positions

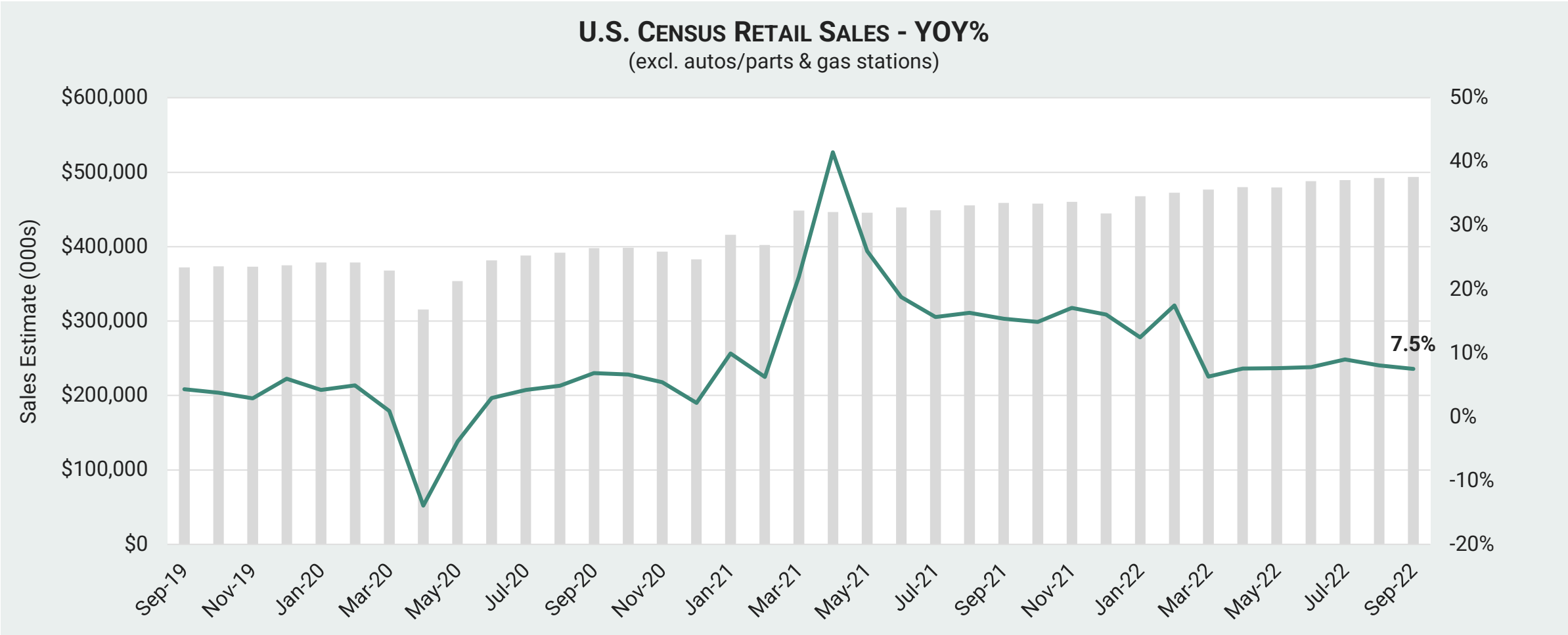


Source: U.S. Bureau of Labor Statistics

U.S. Retail Sales

U.S. Retail Sales

Retail sales (excl. autos/parts/gas stations) increased 7.5% in September, slightly above the Core CPI increase of 6.6%, indicating little real growth

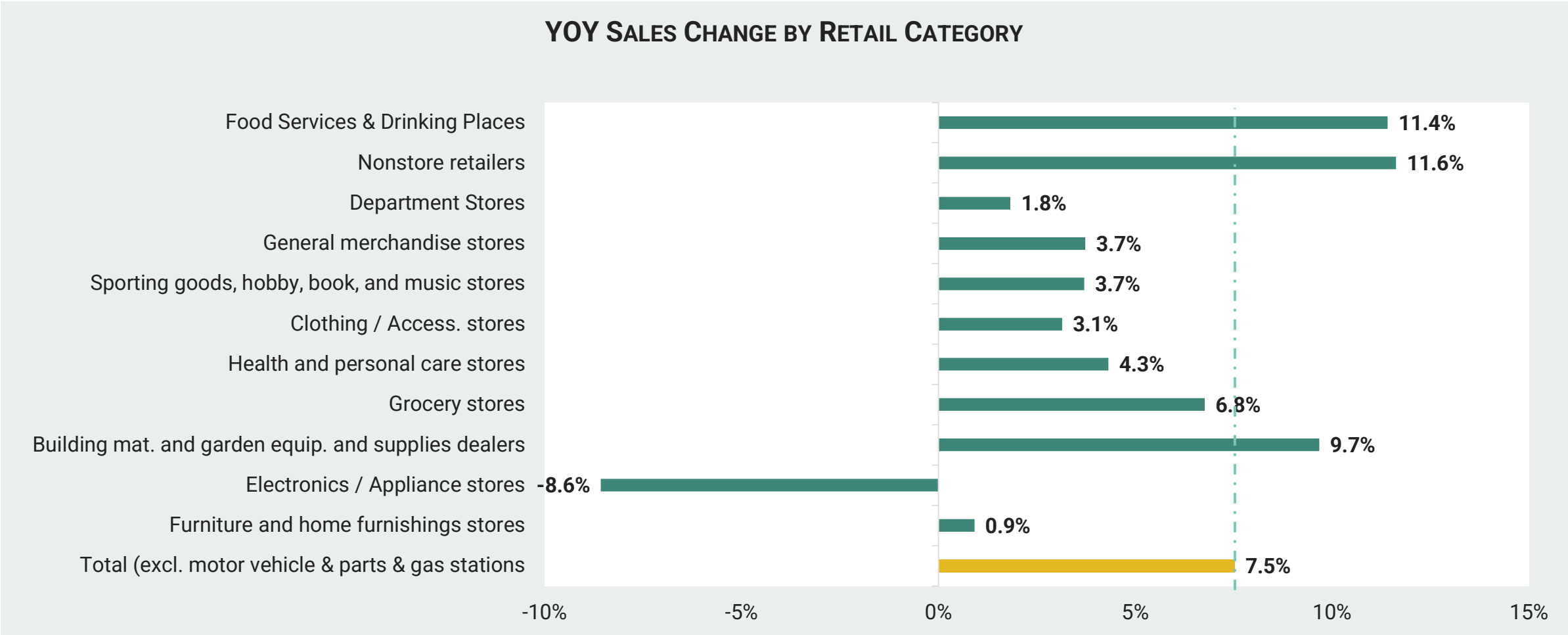


Source: U.S. Census Bureau

U.S. Retail Sales by Retail Category

Home Improvement stores rose nearly 10% over 2021; Consumer Electronics was down nearly 9% - only three segments of retail / consumer services exceeded the overall average of 7.5%

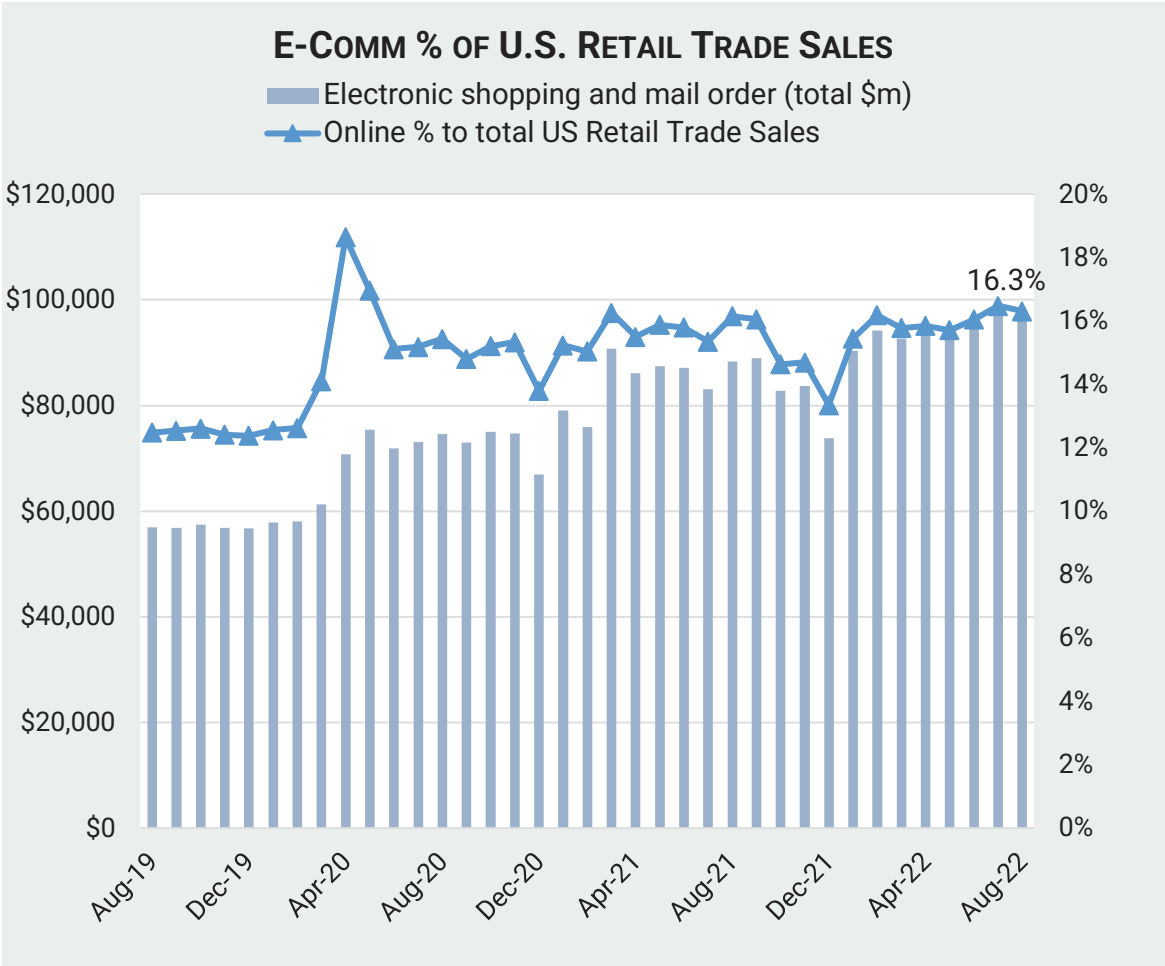
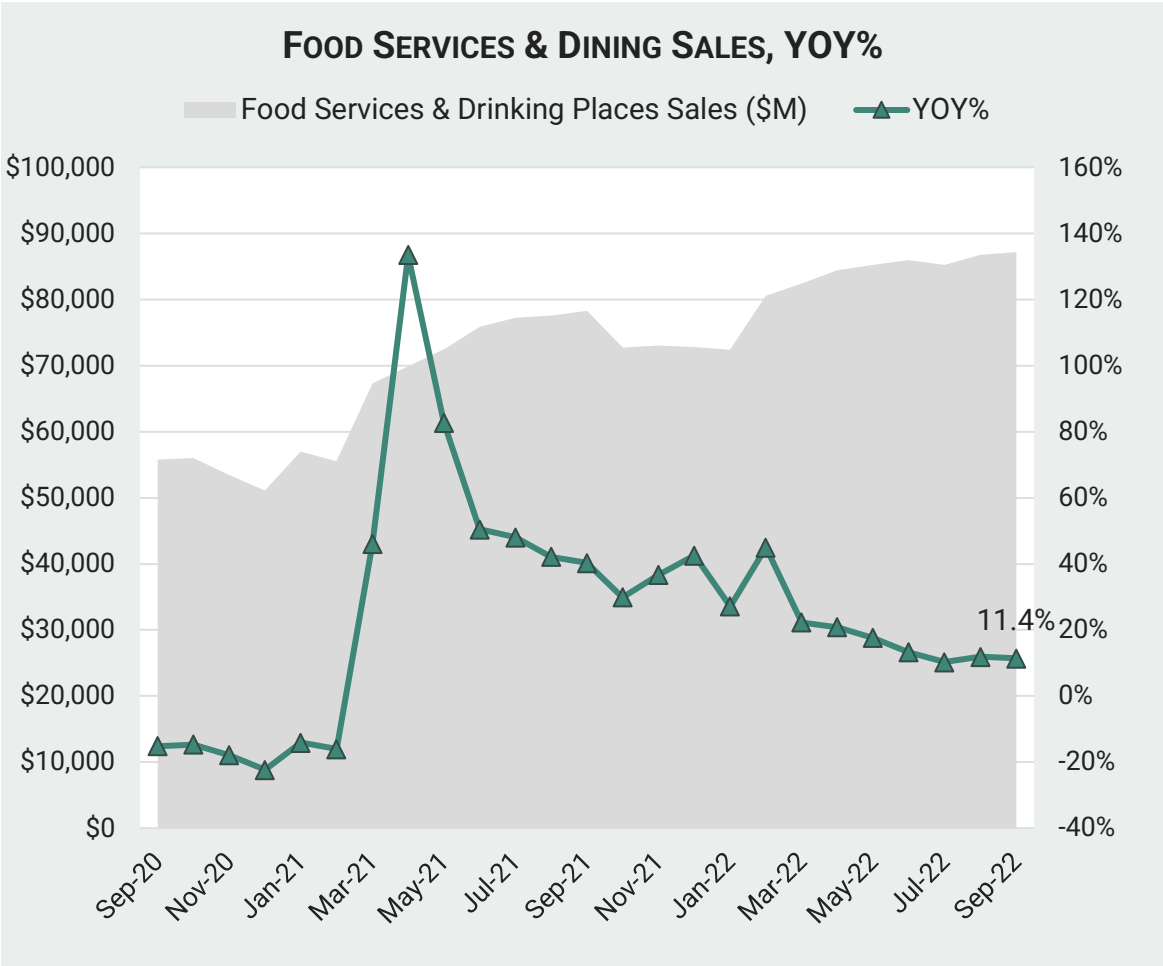
YOY SALES CHANGE BY RETAIL CATEGORY



Source: U.S. Census Bureau

U.S. Retail Sales – Food Services & Dining and E-Commerce

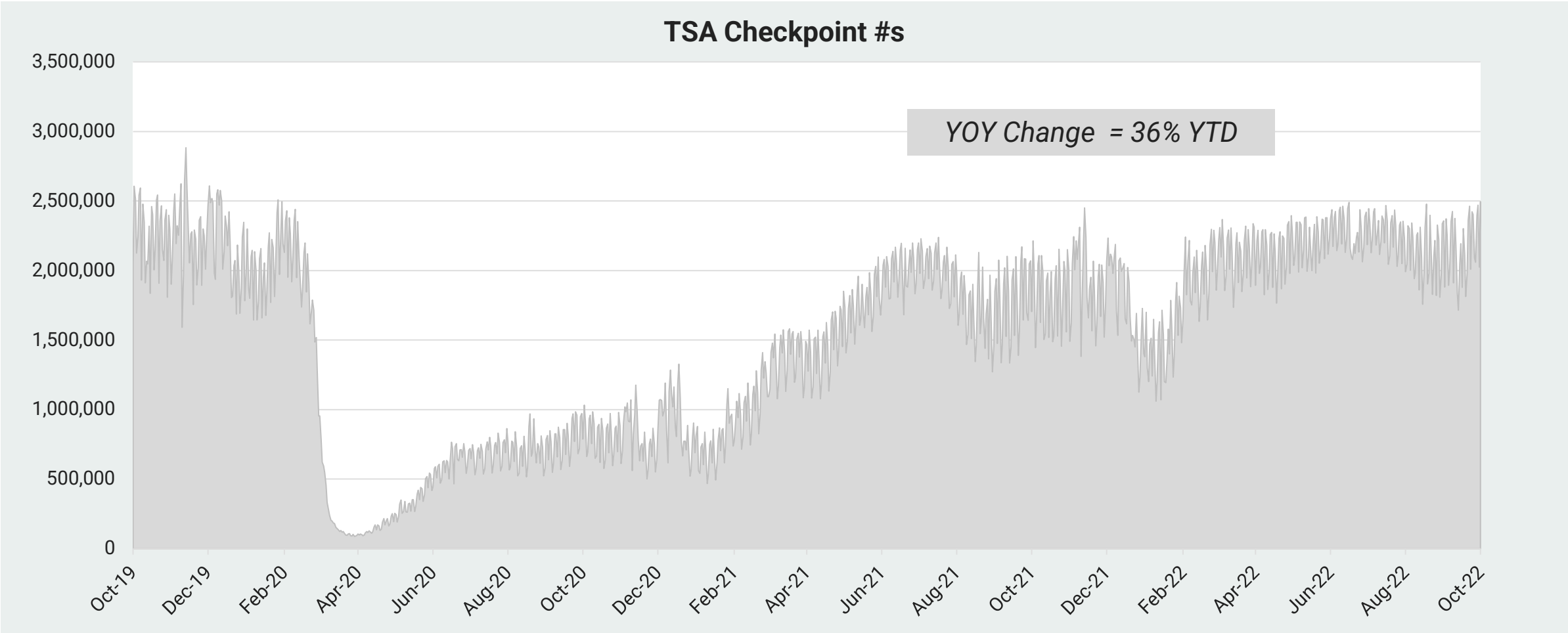
Food Services/Dining increased 11.4% vs. LY; E-comm % of Total Retail Trade Sales remained above 16% through August



Source: U.S. Census Bureau

TSA Checkpoint Travel Numbers

U.S. travelers are still traveling by air at a rate well above 2021, up 36% YTD



Source: U.S. Transportation Security Administration

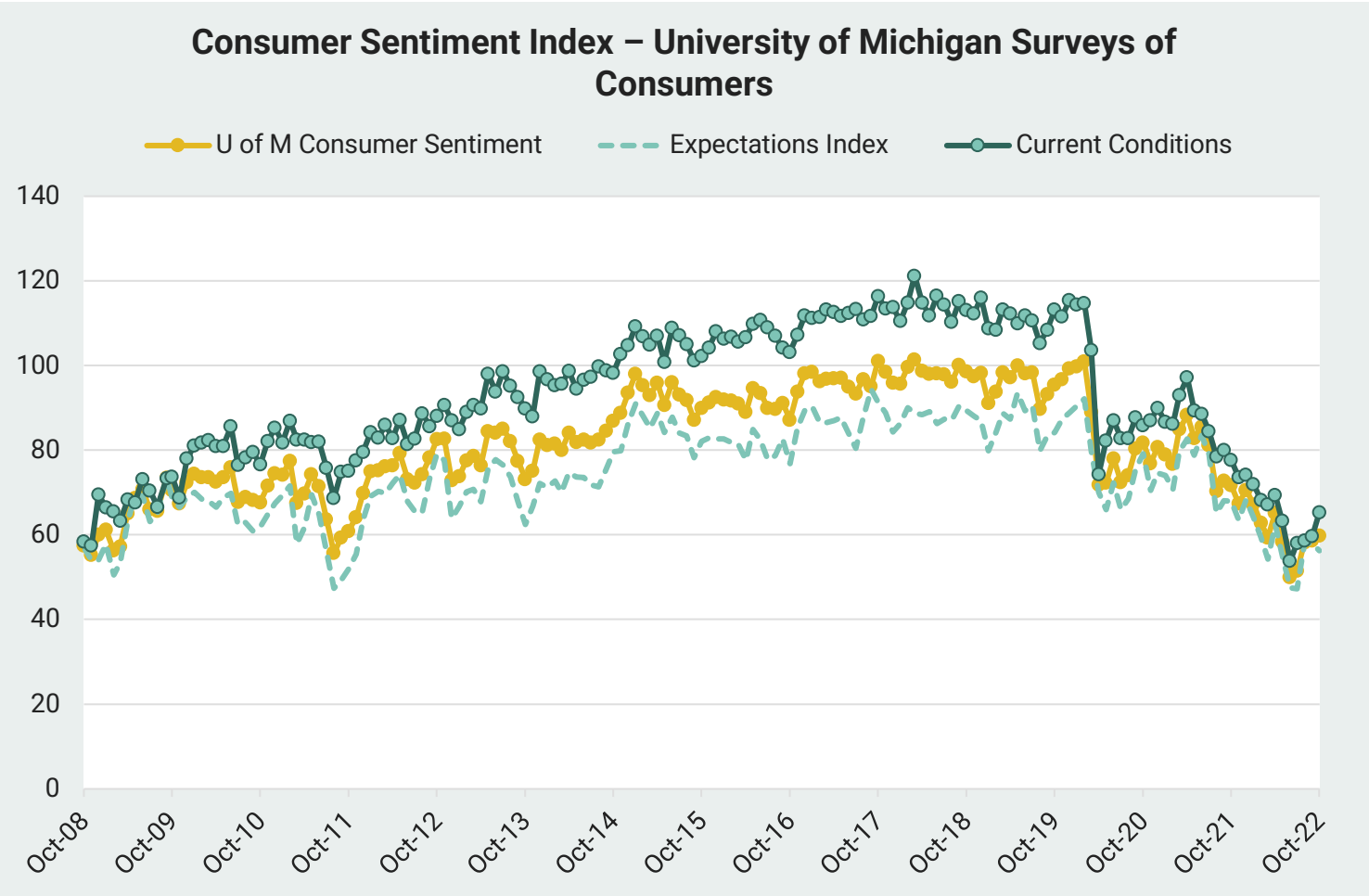
Key Consumer Metrics

Consumer Sentiment Index

Consumer Sentiment has increased in last two months and is now 9.8 points above the all-time low reached in June; the expectations index declined by 3% from last month due to continued consumer uncertainty over inflation

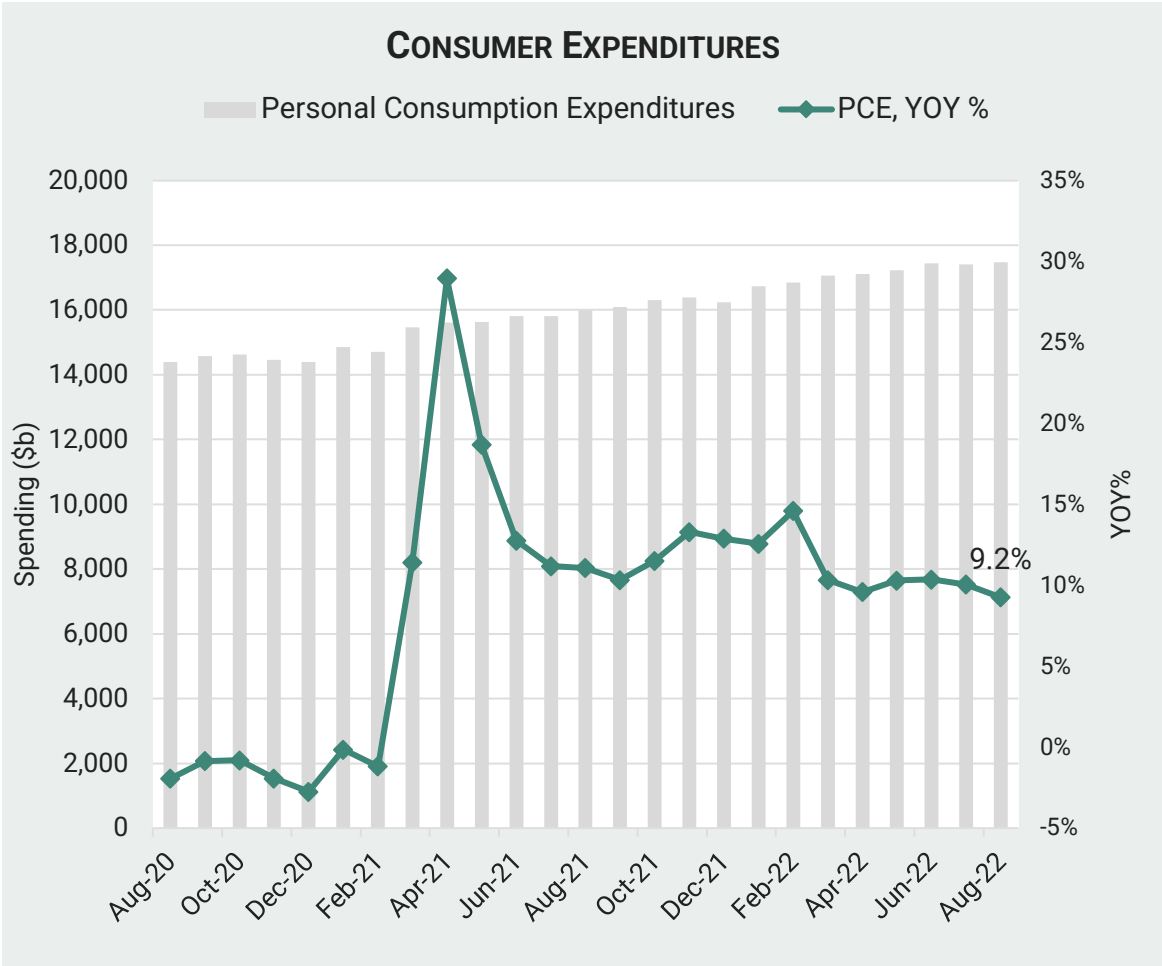
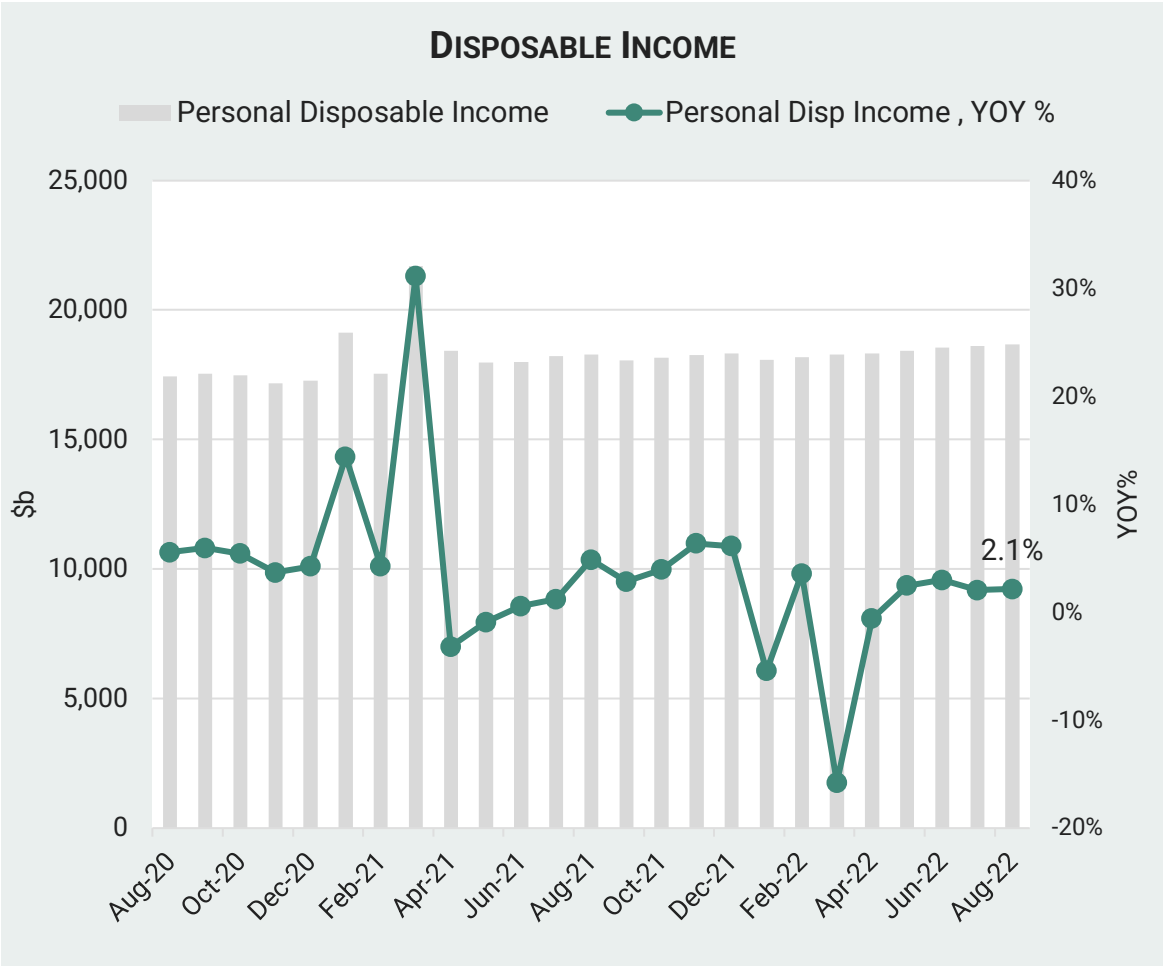
	CONSUMER SENTIMENT	EXPECTATIONS INDEX	CURRENT CONDITIONS
2-YEAR HIGH	88.3	83.5	97.2
2-YEAR AVG.	70.5	66.7	76.3
2-YEAR LOW	50.0	47.3	53.8
CURRENT	59.8	56.2	65.3
PREVIOUS MONTH	58.6	58.0	59.7
% CHANGE PREV. MONTH	+2.1%	-3.1%	-8.6%

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

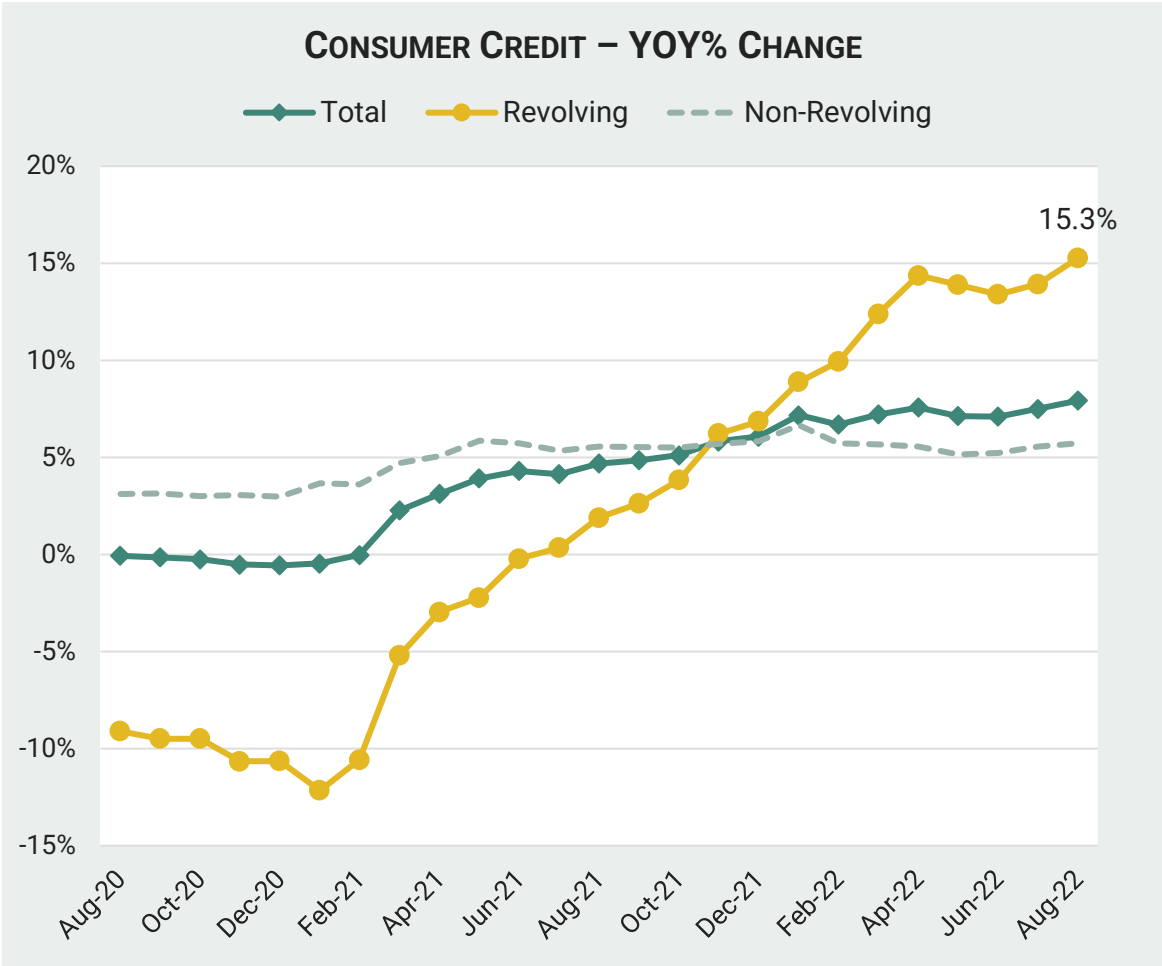
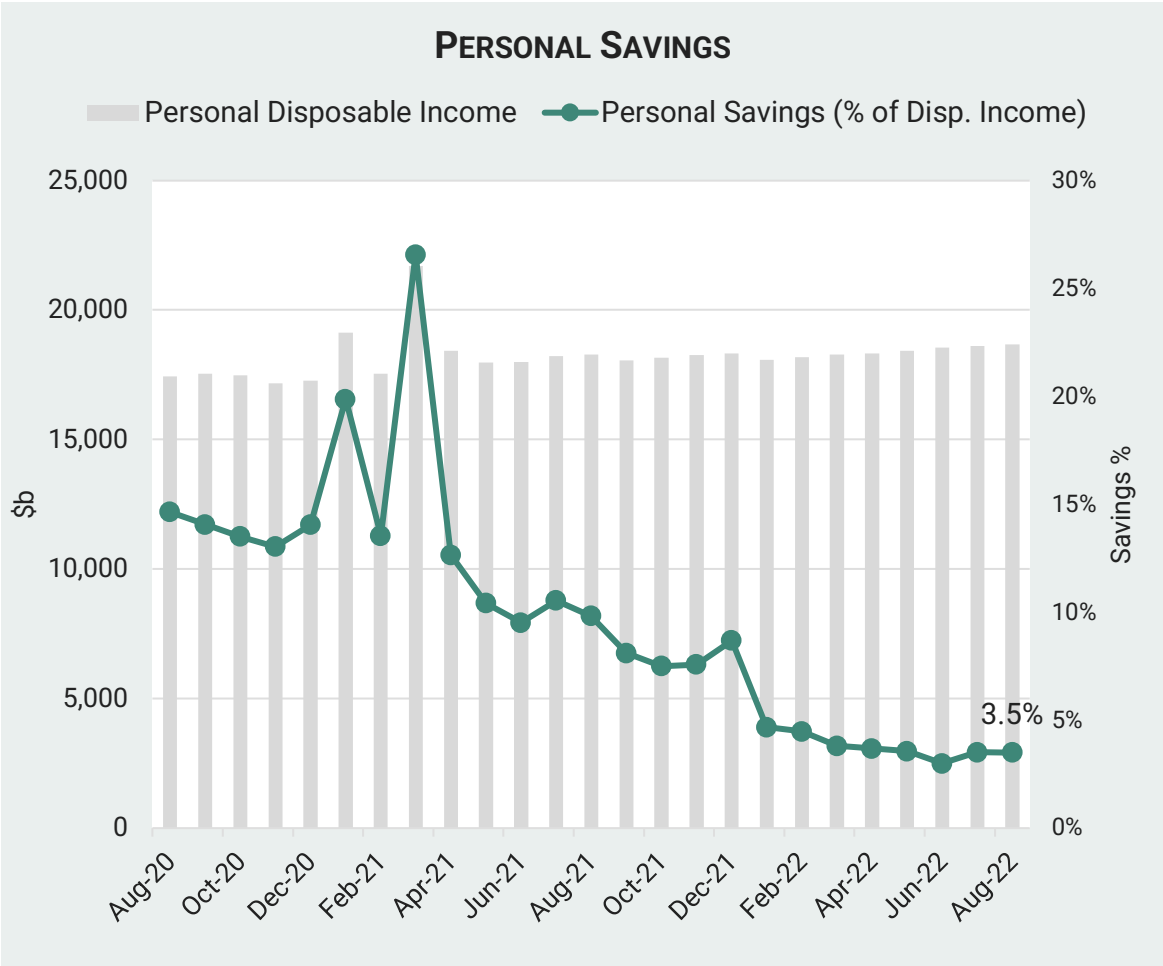
Personal disposable income rose just 2.1%, well below the CORE CPI rate; expenditures increased 9.2%



Source: U.S. Bureau of Economic Analysis

Personal Savings & Consumer Credit

Personal savings is down to 3.5% and revolving credit debt rose to over 15% vs. 2021



Source: U.S. Bureau of Economic Analysis

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PROTECT, CREATE, AND RECOVER VALUE.



Industry Depth

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Apparel/Textiles



Automotive



Food & Beverage



Supply Chain



Education



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Building Products & Construction



Technology, Media & Telecommunications



Transportation



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