



PERFORMANCE IMPROVEMENT

U.S. Economic Overview

Consumers and the Macro Economy

DECEMBER 2022



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Summary

Summary

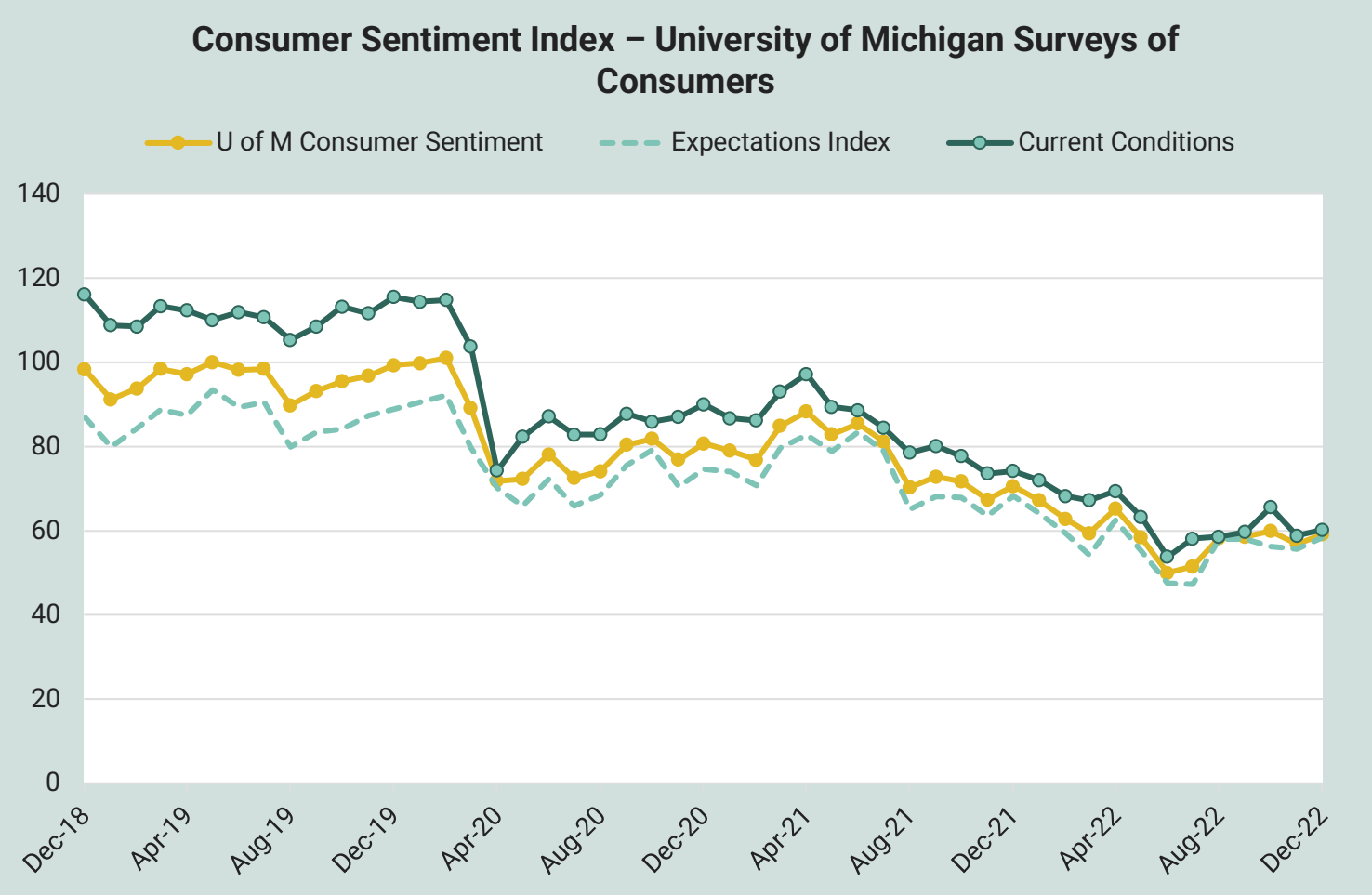
- Consumer Sentiment fell 16.3% YOY in December, with all components of the index down YOY; MTM the index rose slightly, a positive shift for retailers looking to drive December sales
- Consumers have less spending power and are dipping into savings / extending credit to cover the gap; personal savings was down 2.3% in October, and revolving credit debt continues to climb, increasing 15.2% in October
- Retail sales (excl. autos/parts/gas stations) increased 6.7%% in November, slightly exceeding the Core Inflation rate of 6%; sales were down .2% over previous month totals
- Sales growth is still not keeping up with Inflation, which is driving increased inventory levels
 - *Despite this consumers have returned to dining out, while they continue to buy online at the same rate.*
- Labor challenges continue as unemployment remains low, but job openings remain high, especially in accommodations and restaurants
- Q3 GDP increase was revised upward to 2.9 percent; the increase over Q2 was attributed to increases in exports and consumer spending that were partly offset by a decrease in housing investment
- The Consumer Price Index increased 7.1% in November and Core CPI increased 6.0%; transportation, fuel, and food at home (groceries) continue to drive the overall index, although the rate of increase has slowed across the board
 - *Retail gas prices continue to drop; the average U.S. price as of 12/12 (all Grades) was \$3.35*
- Supply chain costs continue to ease; general freight trucking is 5.3% below the 2-year high in March 2022; container freight rates continue to decline
- Retailers continue to focus on deep promotions and markdowns to move excess inventory into the final days of the holidays, as well as broad clearance sales after; combined discounts and rising costs will exude pressure on Q4 earnings

Key Consumer Metrics

Consumer Sentiment Index

Consumer Sentiment fell 16.3% YOY in December, with all components of the index down YOY; on a month-to-month basis the index did rise slightly, a positive shift for retailers looking to drive December sales

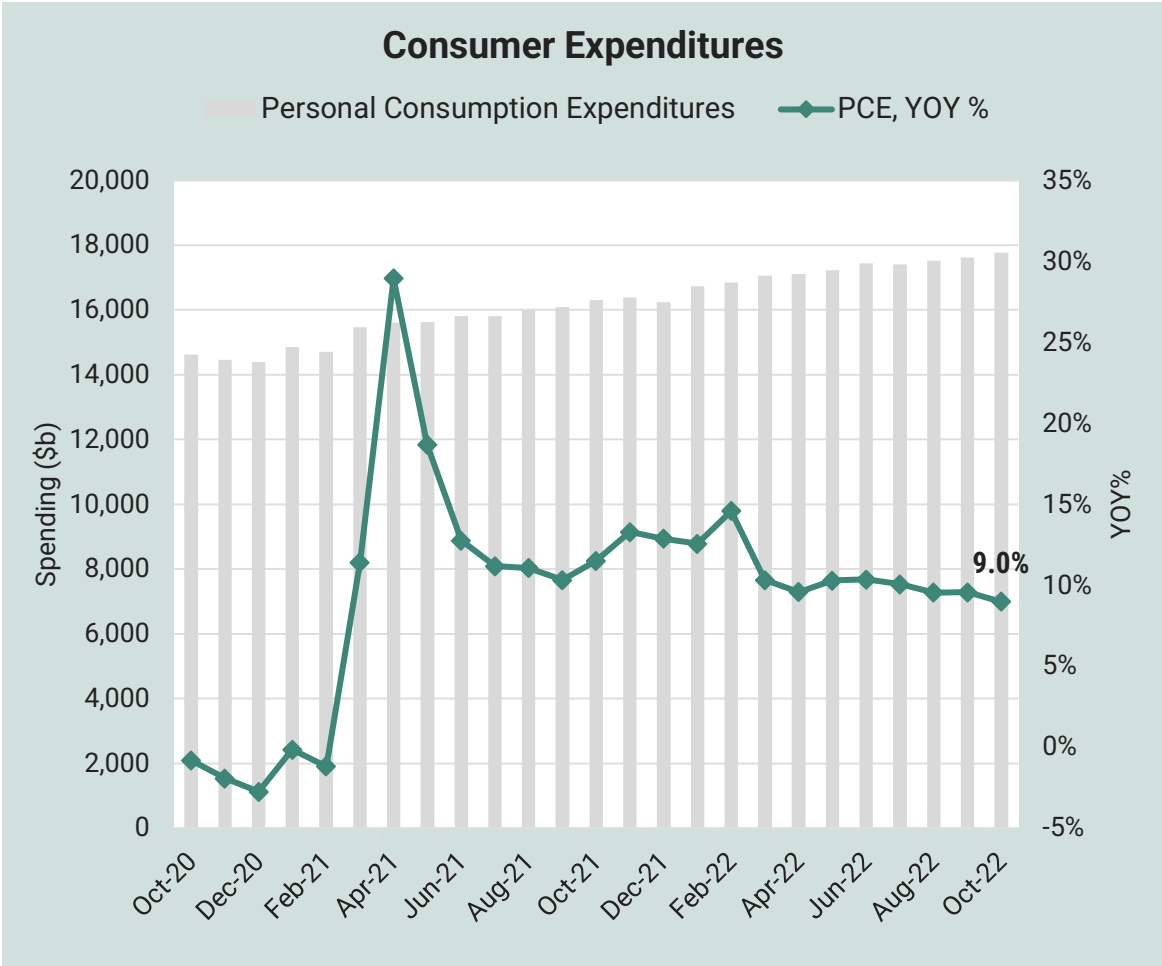
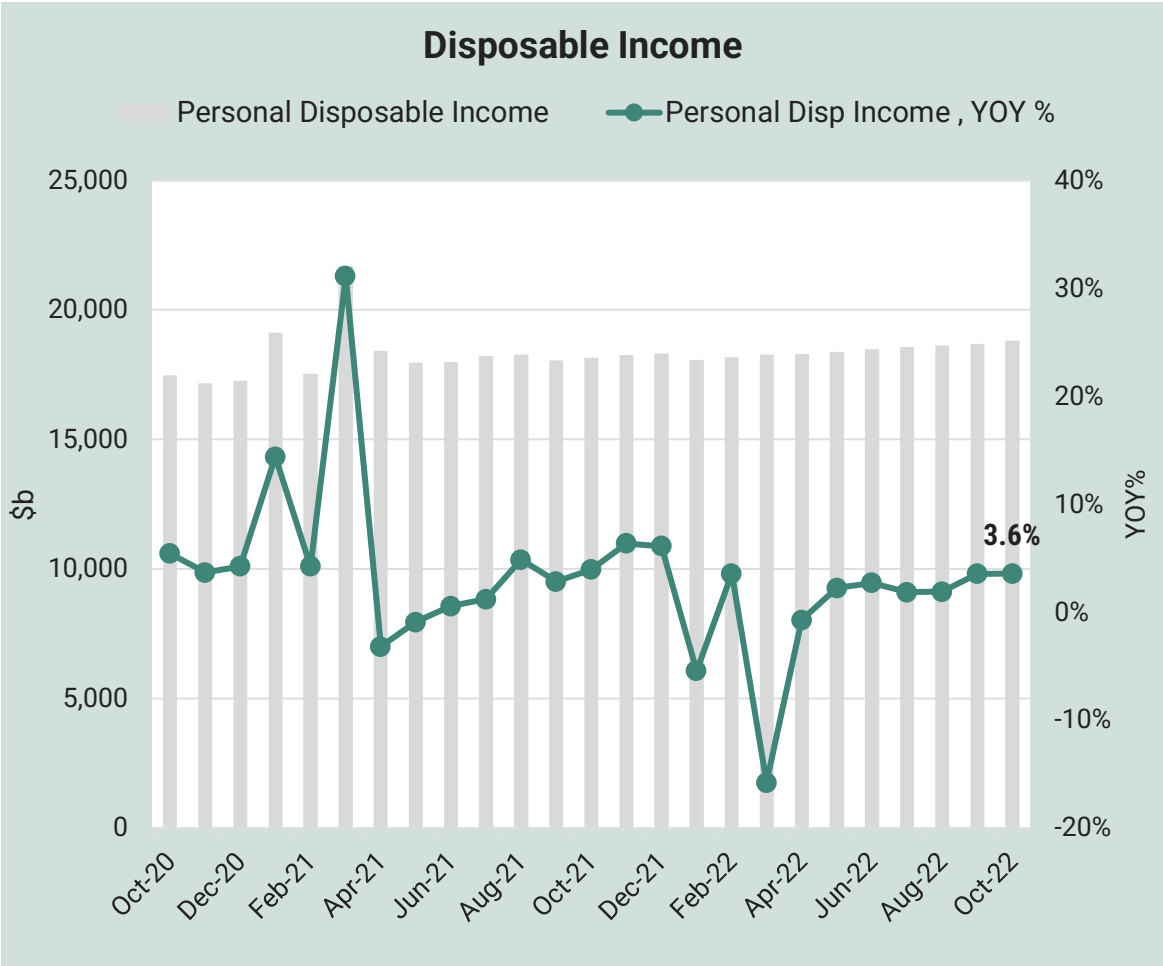
	Consumer Sentiment	Expectations Index	Current Conditions
2-Year High	88.3	83.5	97.2
2-Year Avg.	68.8	65.3	74.2
2-Year Low	50.0	47.3	53.8
Current	59.1	58.4	60.2
LY	70.6	68.3	74.2
YOY % Change	-16.3%	-14.5%	-18.9%
Previous Month	56.8	55.6	58.8
MTM % Change	4.0%	5.0%	2.4%



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

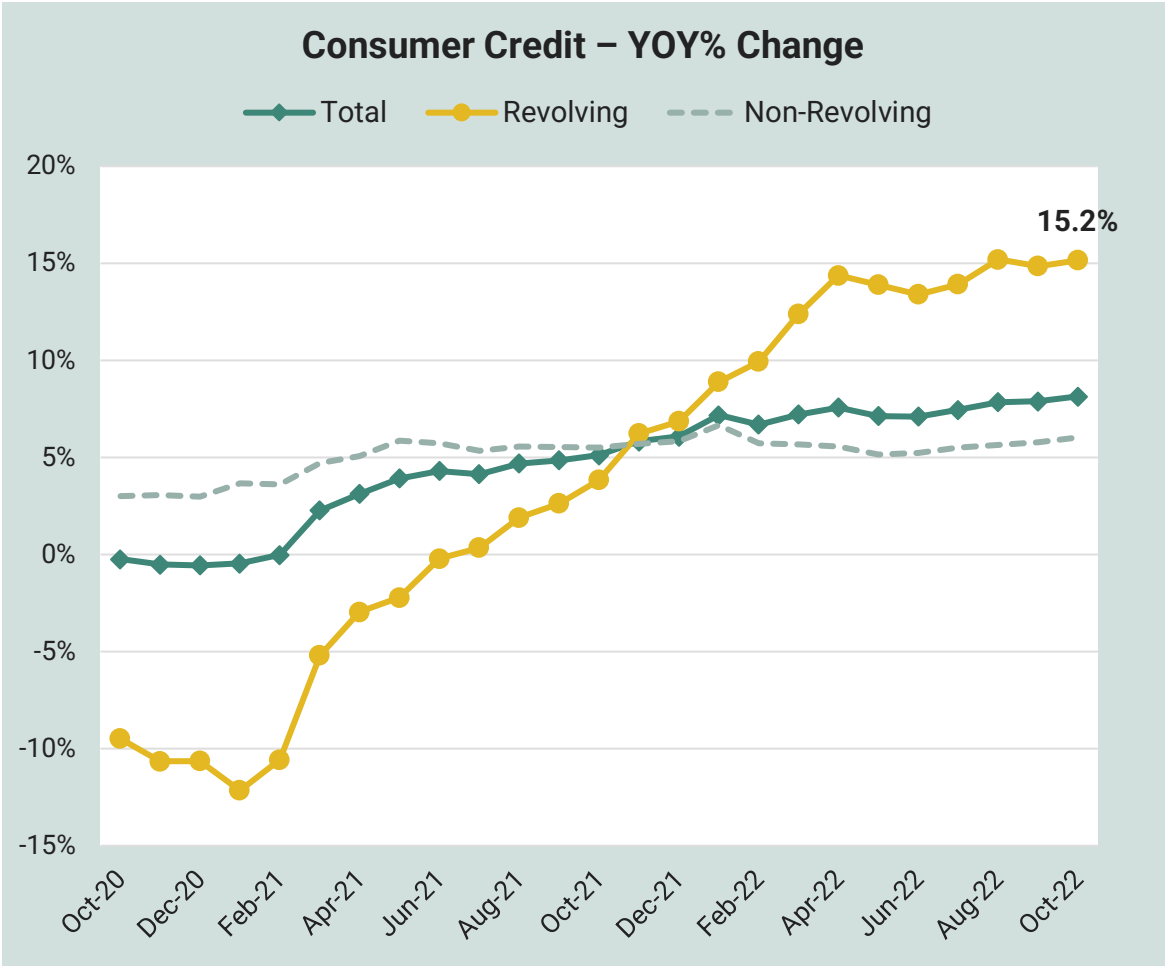
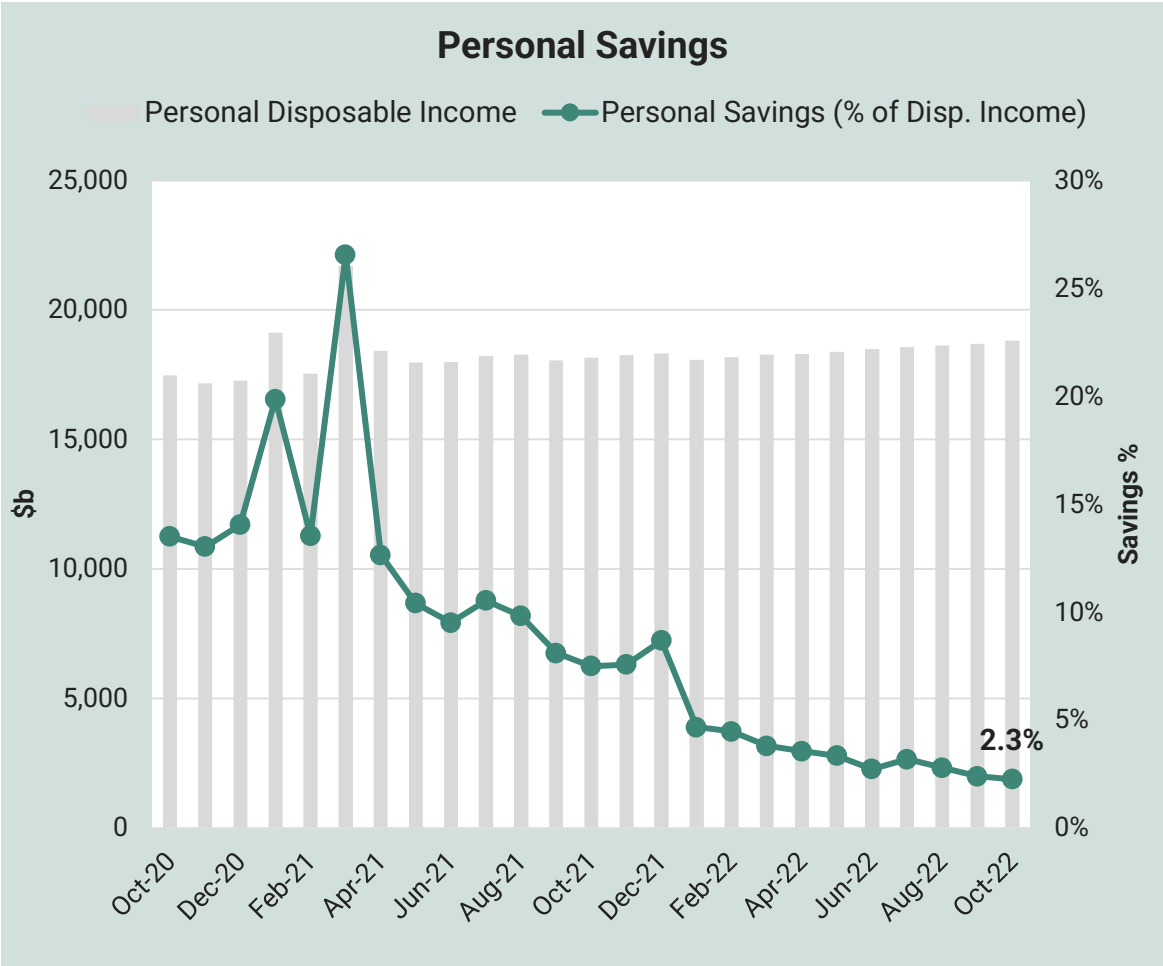
Personal disposable income rose nearly 4.0% in October, well below the CORE CPI rate; expenditures increased 9%



Source: U.S. Bureau of Economic Analysis

Personal Savings & Consumer Credit

Personal savings dropped again – down 2.3% in October, and revolving credit debt continues to climb

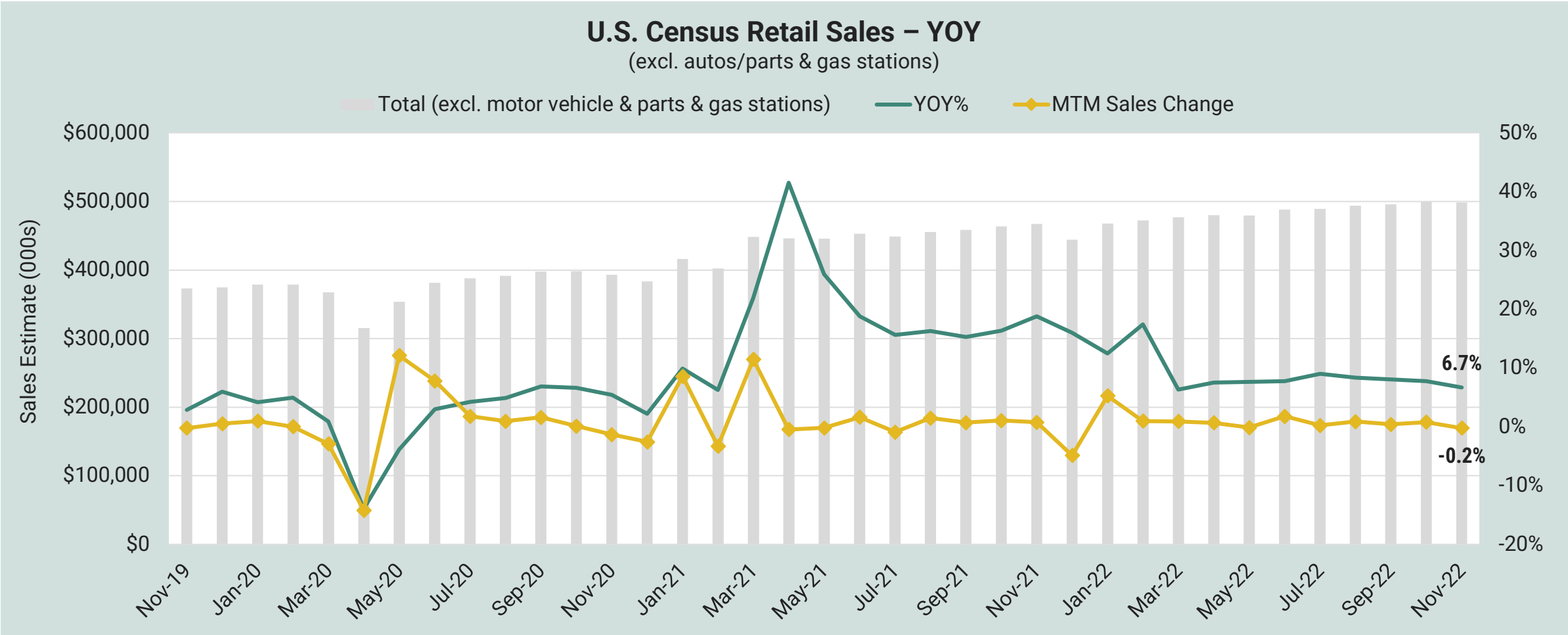


Source: U.S. Bureau of Economic Analysis

U.S. Retail Sales

U.S. Retail Sales

Retail sales (excl. autos/parts/gas stations) increased 6.7% in November, slightly exceeding the Core Inflation rate of 6%; sales were down .2% over previous month totals

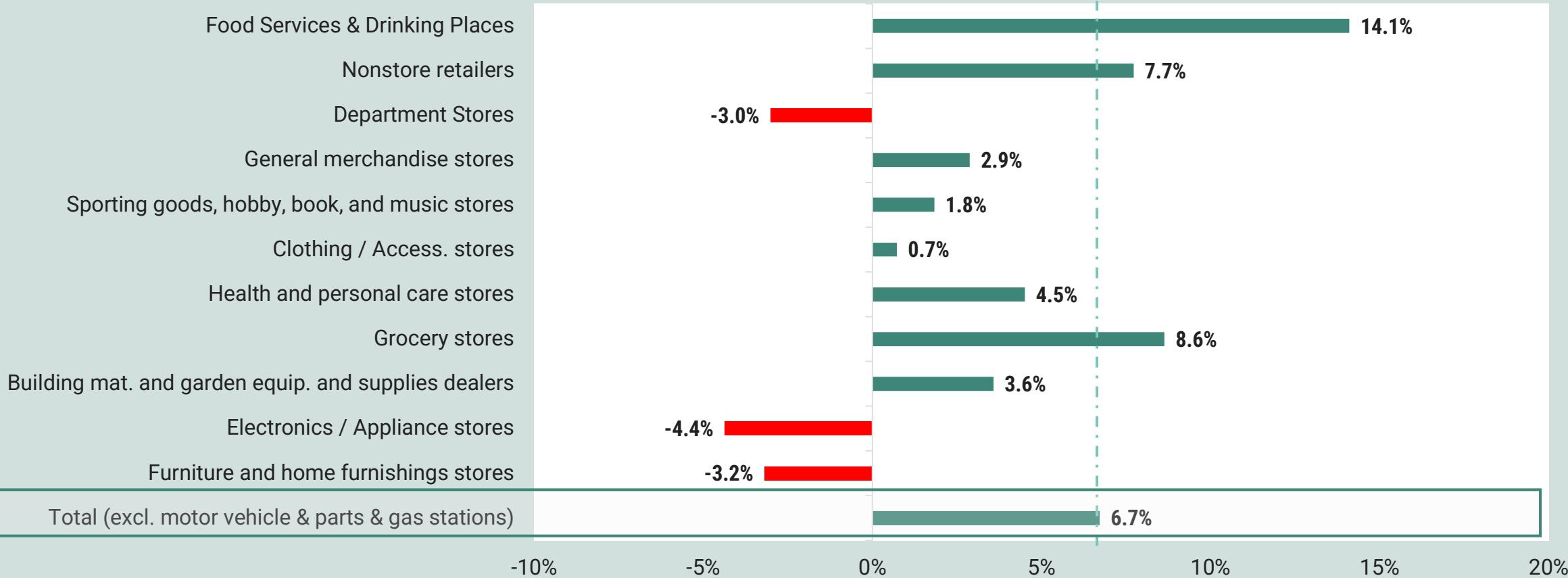


Source: U.S. Census Bureau

U.S. Retail Sales by Retail Category

Food Services / Dining increased 14.1% and Non-Store Retailer sales rose 7.7% over 2021; inflated prices continue to drive grocery sales while hard goods retailers see declines as they anniversary sales spikes resulting from pandemic spending

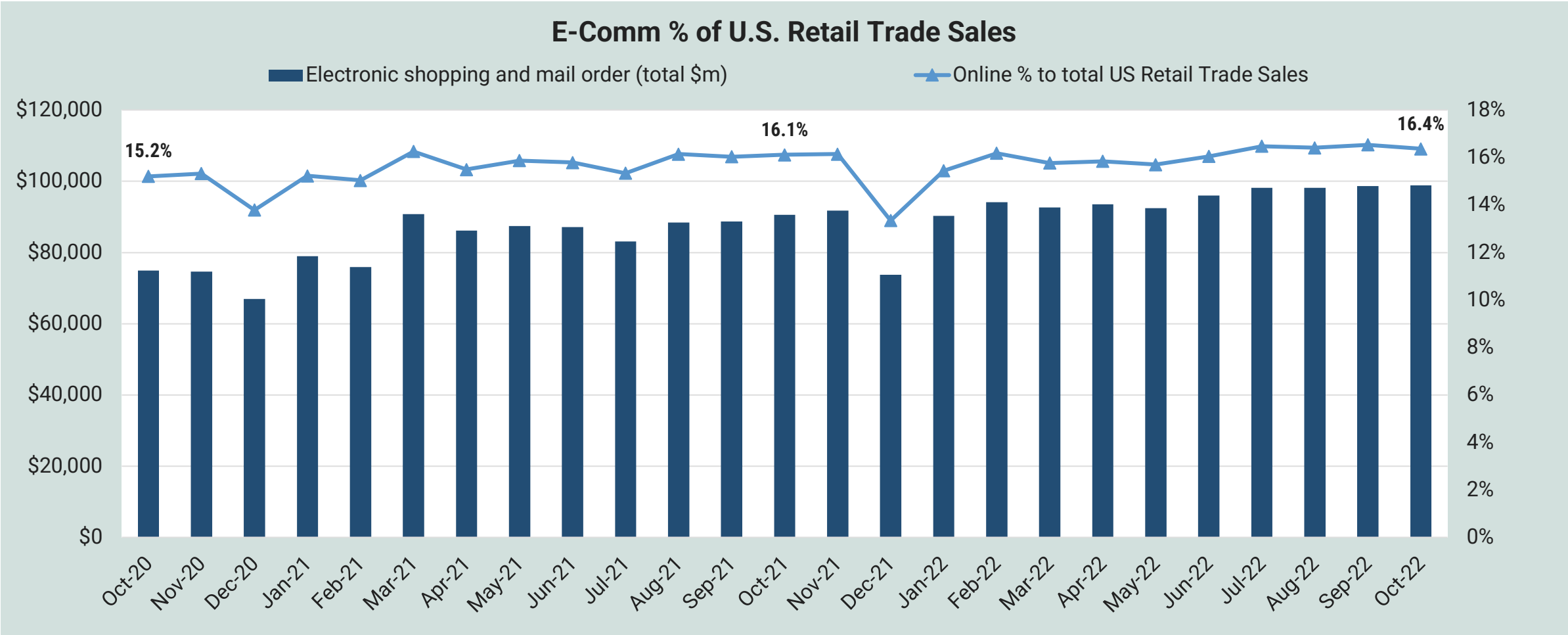
YOY Sales Change by Retail Category



Source: U.S. Census Bureau

U.S. Retail Sales – E-Commerce

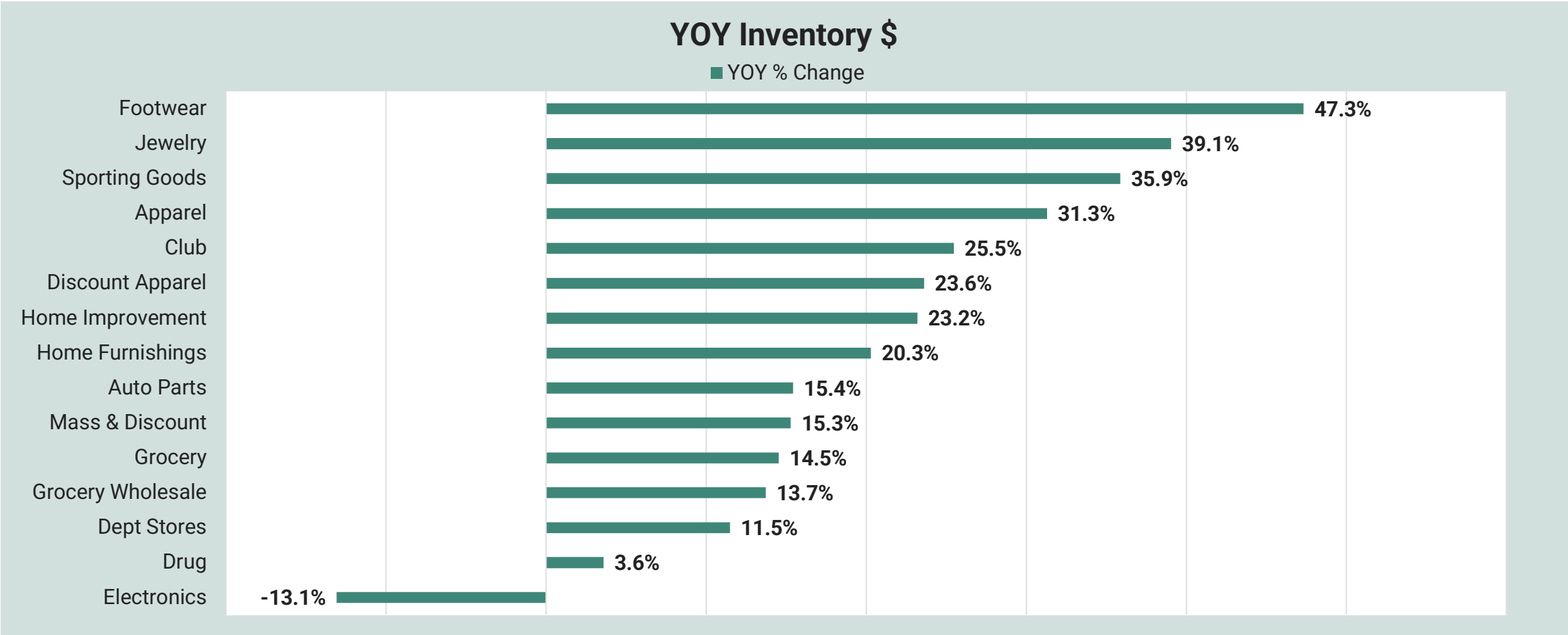
E-comm % of Retail Trade Sales remained above 16% through October as consumers flocked back into bricks and mortar



Source: U.S. Census Bureau

Retail Inventories, Total \$ – Q3 Reporting

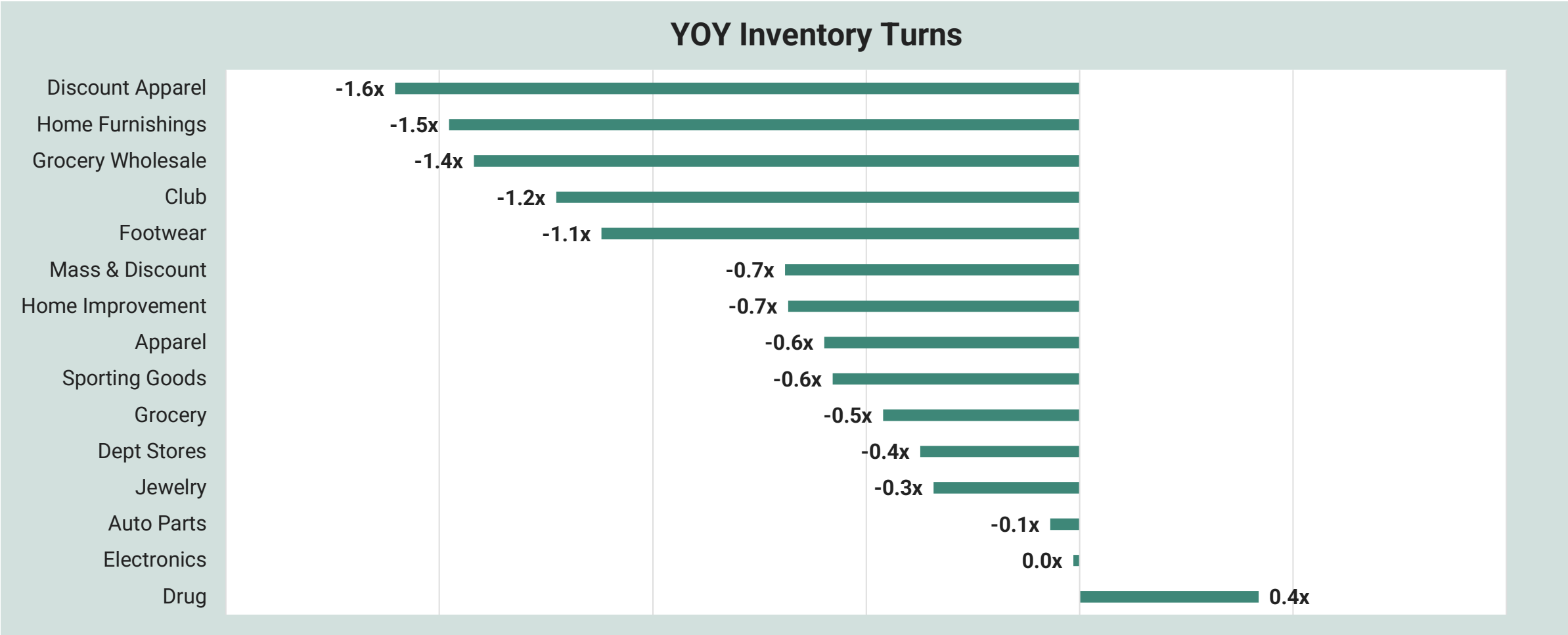
Inventories continue to grow as retailers adjust from chasing inventory LY to clearing inventory TY resulting from slowed consumer spending – moving thru the excess to improve cash positions remains a focus of the last half of December



Source: S&P Global Market Intelligence, Ankura analysis

Retail Inventories, Turns – Q3 Reporting

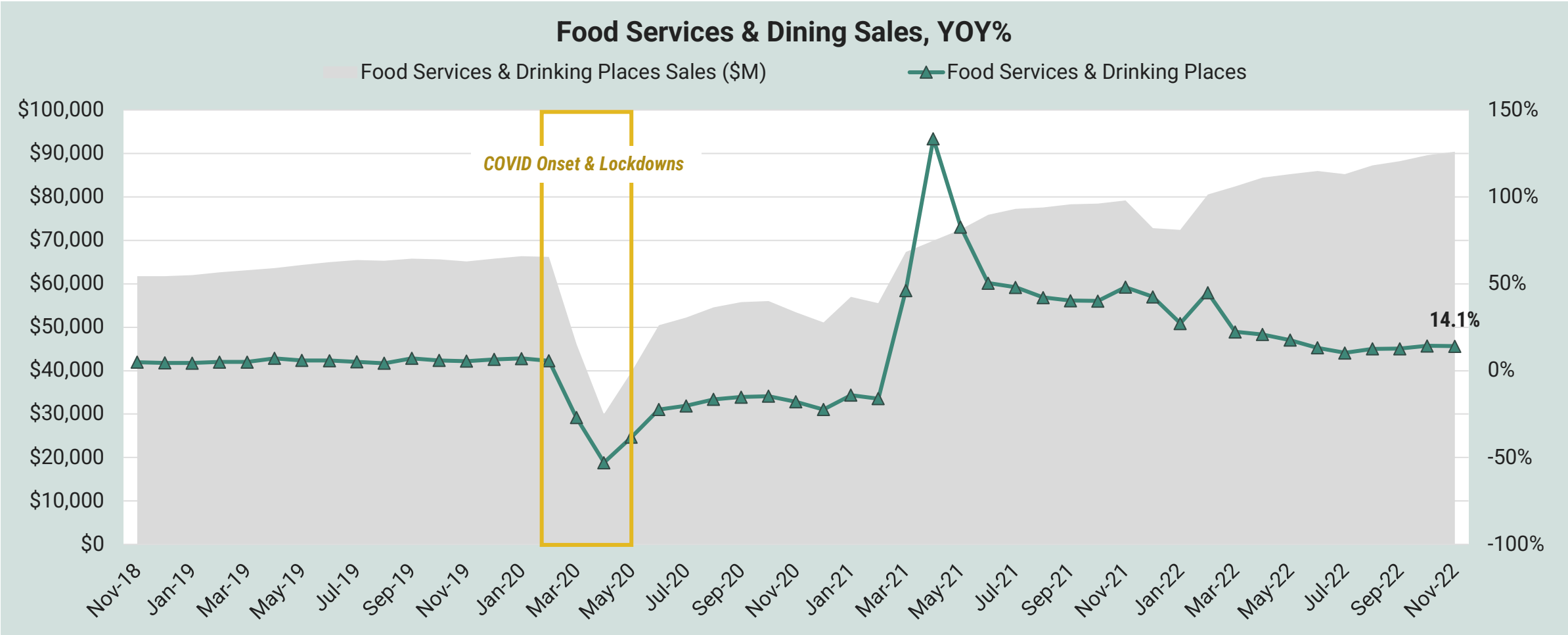
The corresponding slowdown in inventory turns may cause liquidity challenges for retailers if unsuccessful



Source: S&P Global Market Intelligence, Ankura analysis

U.S. Retail Sales – Food Services & Dining

Consumers continue to enjoy the re-found freedom of dining out; Food Services/Dining increased 14.1% in November

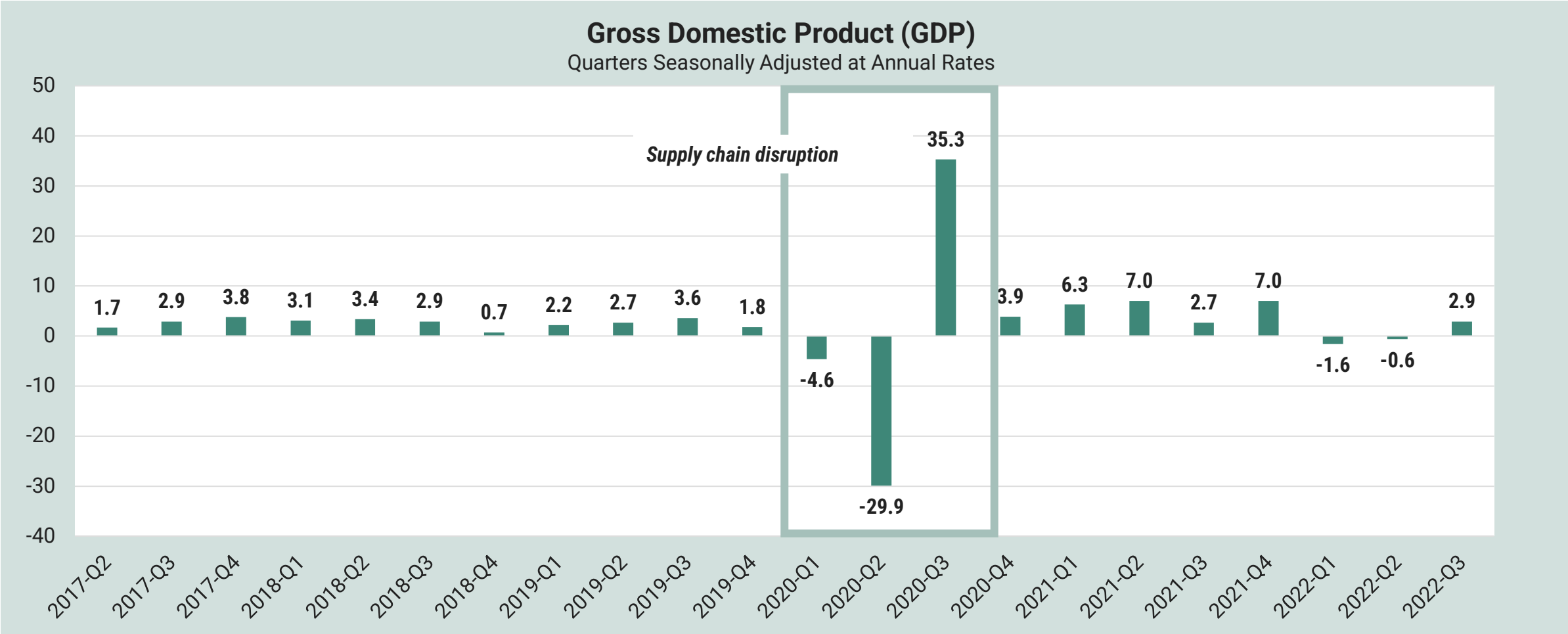


Source: U.S. Census Bureau

Broad Economic Indicators

Gross Domestic Product

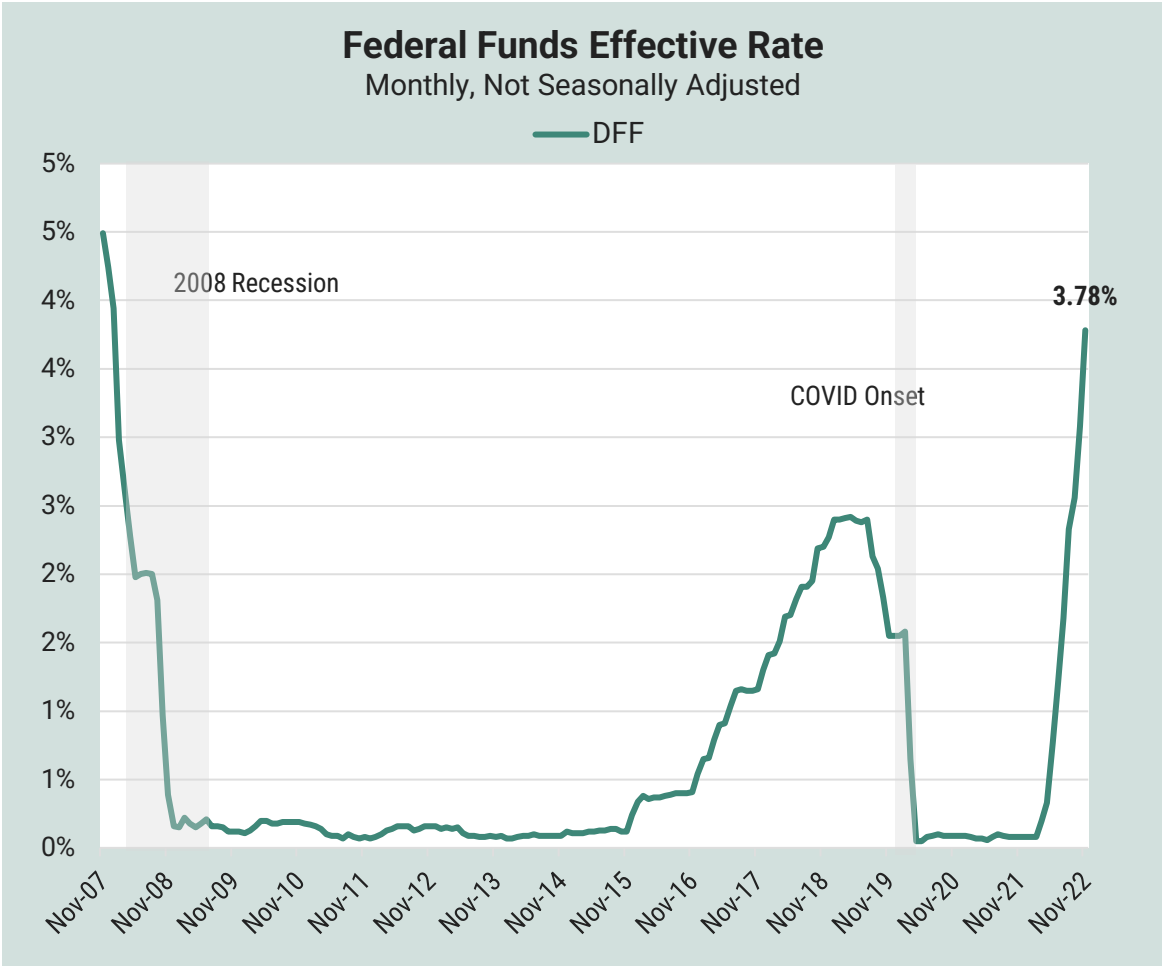
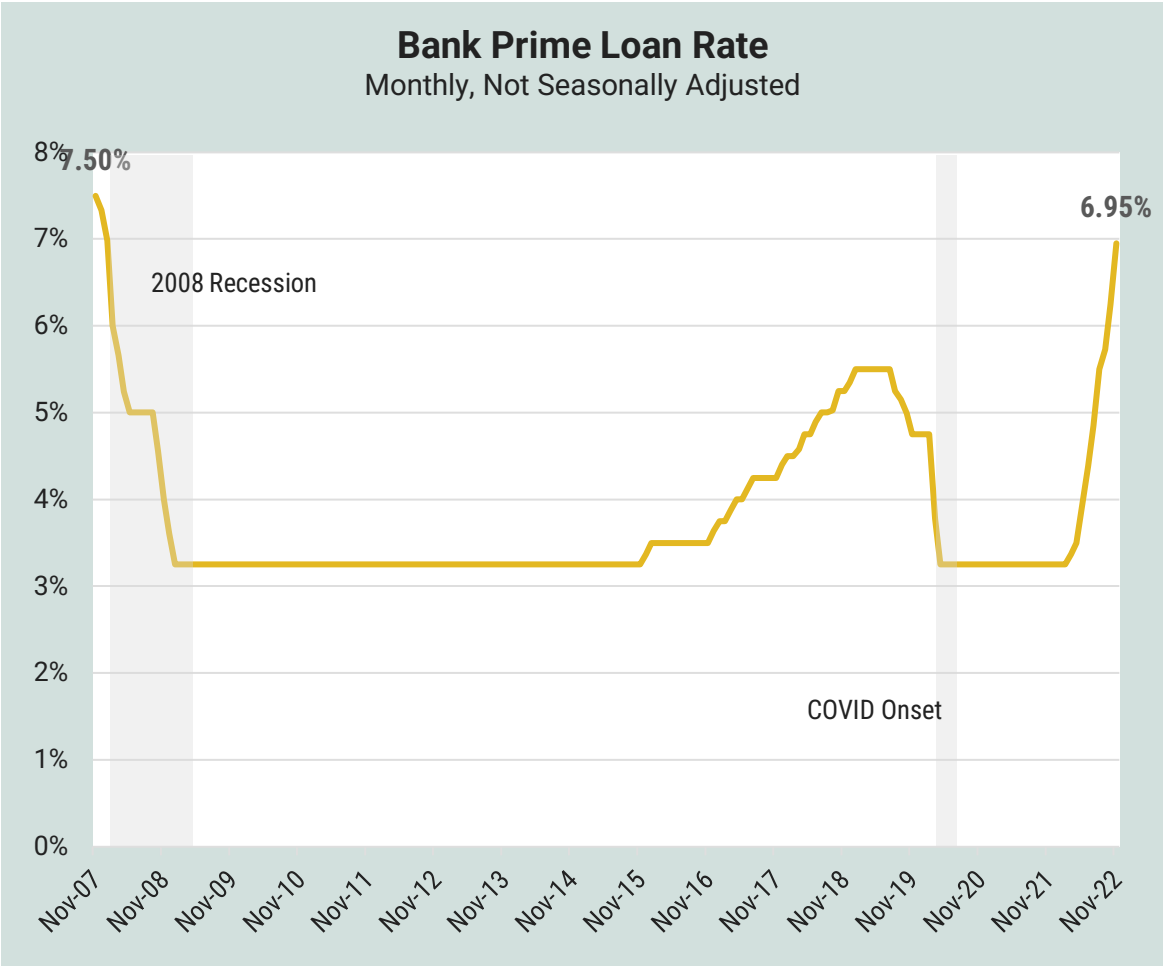
Q3 GDP increase was revised upward to 2.9 percent; the increase over Q2 was attributed to increases in exports and consumer spending that were partly offset by a decrease in housing investment



Source: U.S. Bureau of Economic Analysis

Federal Reserve – Interest Rates

Bank Prime Loan Rate rose to nearly 7%; Federal Funds up to 3.78% through mid-November with additional increases expected



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

Consumer Price Index

The Consumer Price Index increased 7.1% in November and Core CPI increased 6.0%; transportation, fuel, and food at home (groceries) continue to drive the overall index, although the rate of increase has slowed across the board

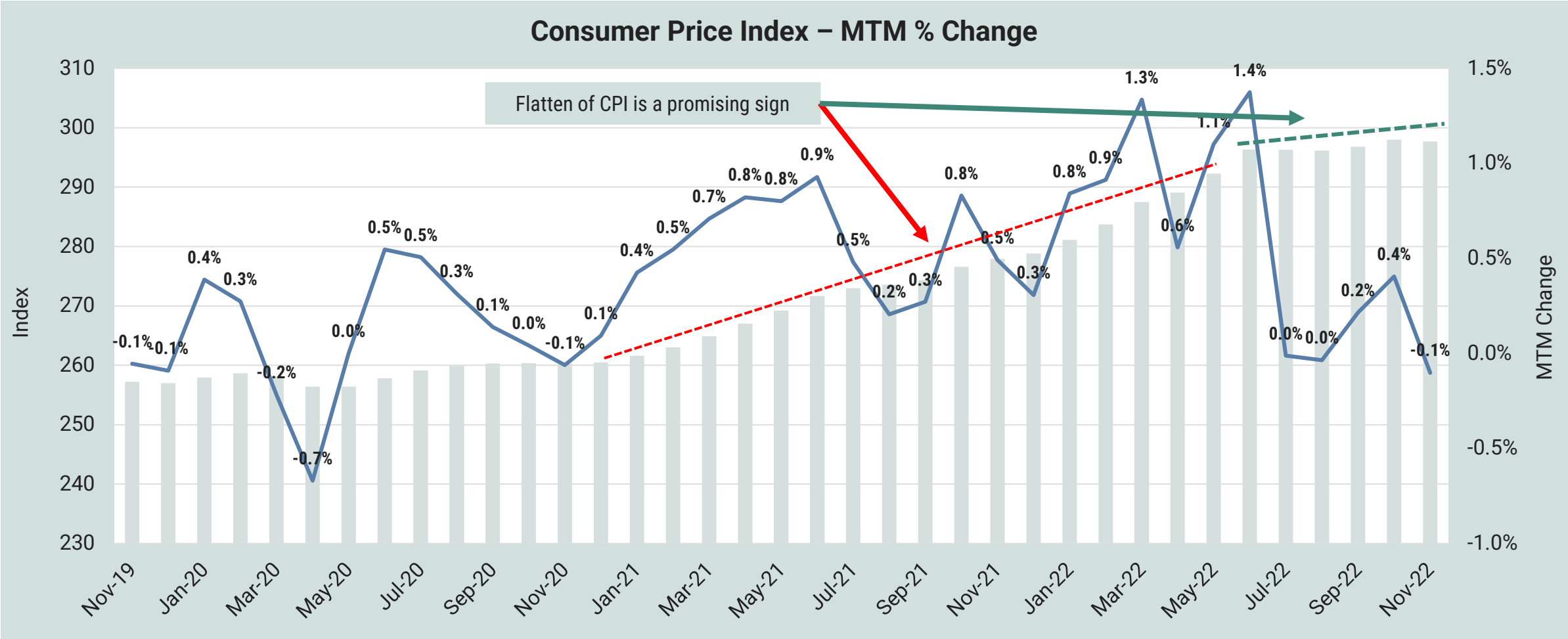
- Food at Home +12.0%
- Motor Fuel +10.8%
- Housing +7.8%
- Transportation +7.8%

	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
Total CPI	9.1%	8.5%	8.3%	8.2%	7.7%	7.1%
All Items Less Food & Energy (Core CPI)	5.9%	5.9%	6.3%	6.6%	6.3%	6.0%
Food at Home	12.2%	13.1%	13.5%	13.0%	12.4%	12.0%
Food Away From Home	7.7%	7.6%	8.0%	8.5%	8.6%	8.5%
Motor Fuel	60.2%	44.5%	26.2%	18.8%	18.1%	10.8%
Apparel	5.2%	5.1%	5.1%	5.5%	4.1%	3.6%
Housing	7.3%	7.4%	7.8%	8.0%	7.9%	7.8%
Education	2.7%	2.6%	3.1%	3.1%	3.0%	3.1%
Medical Care	4.5%	4.8%	5.4%	6.0%	5.0%	4.2%
Transportation	19.7%	16.4%	13.4%	12.6%	11.2%	7.8%

Source: U.S. Bureau of Labor Statistics

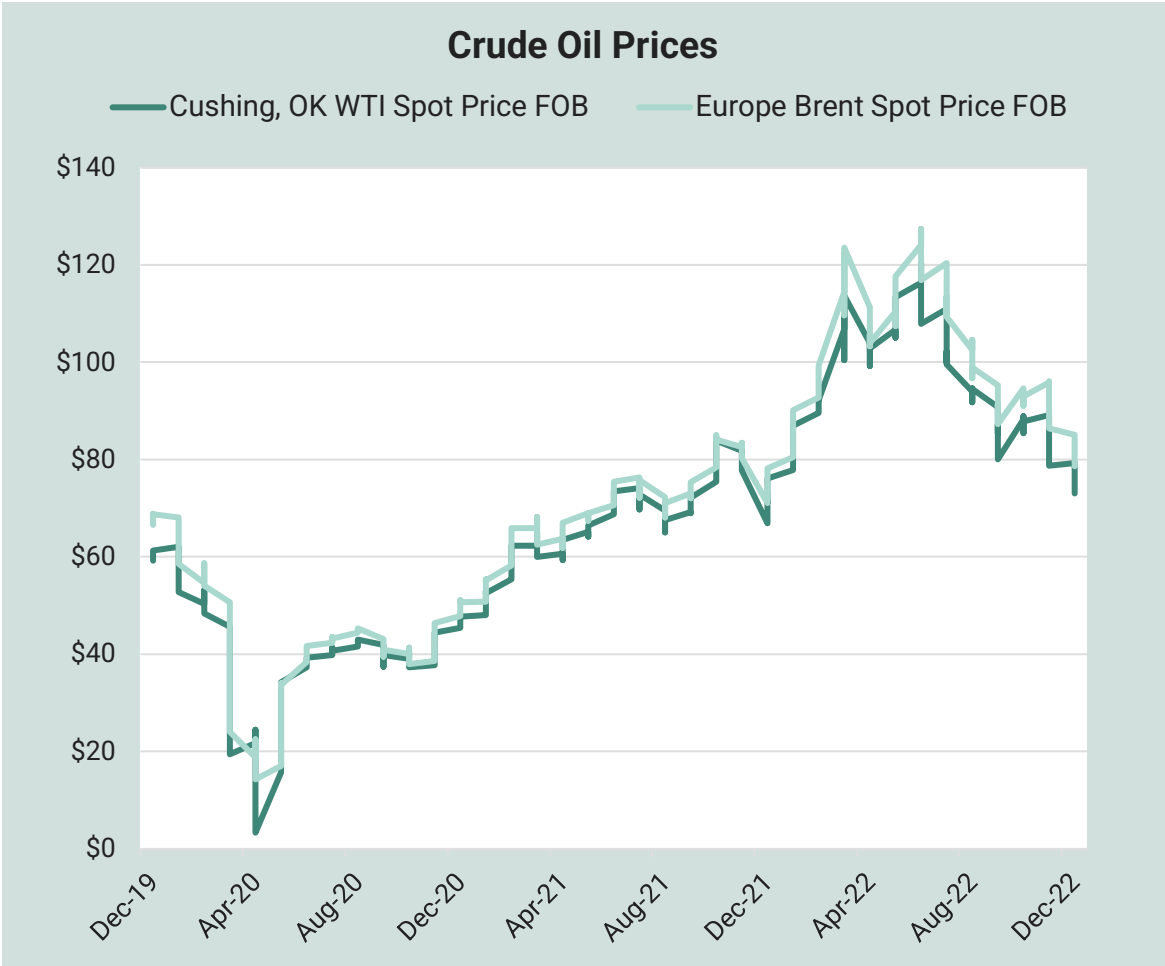
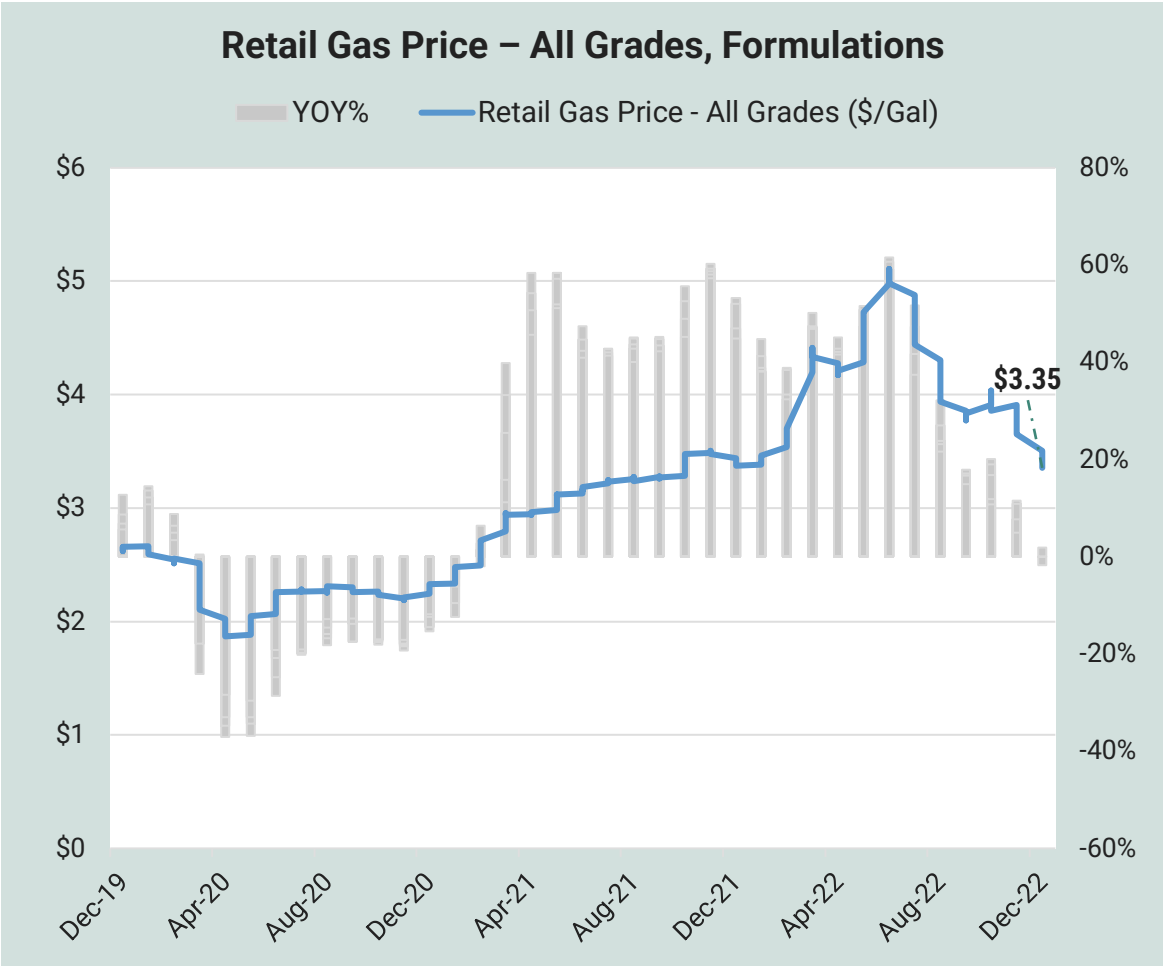
Consumer Price Index – Month-to-Month Trends

Monthly trend in CPI indicates positive trends in overall inflation – helping drive Consumer Sentiment slightly higher entering December holiday sales period



Gasoline (Retail Price) and Crude Oil Prices

Retail gas prices continue to decline – the average U.S. price as of 12/12 (all Grades) was \$3.35; crude prices also declined

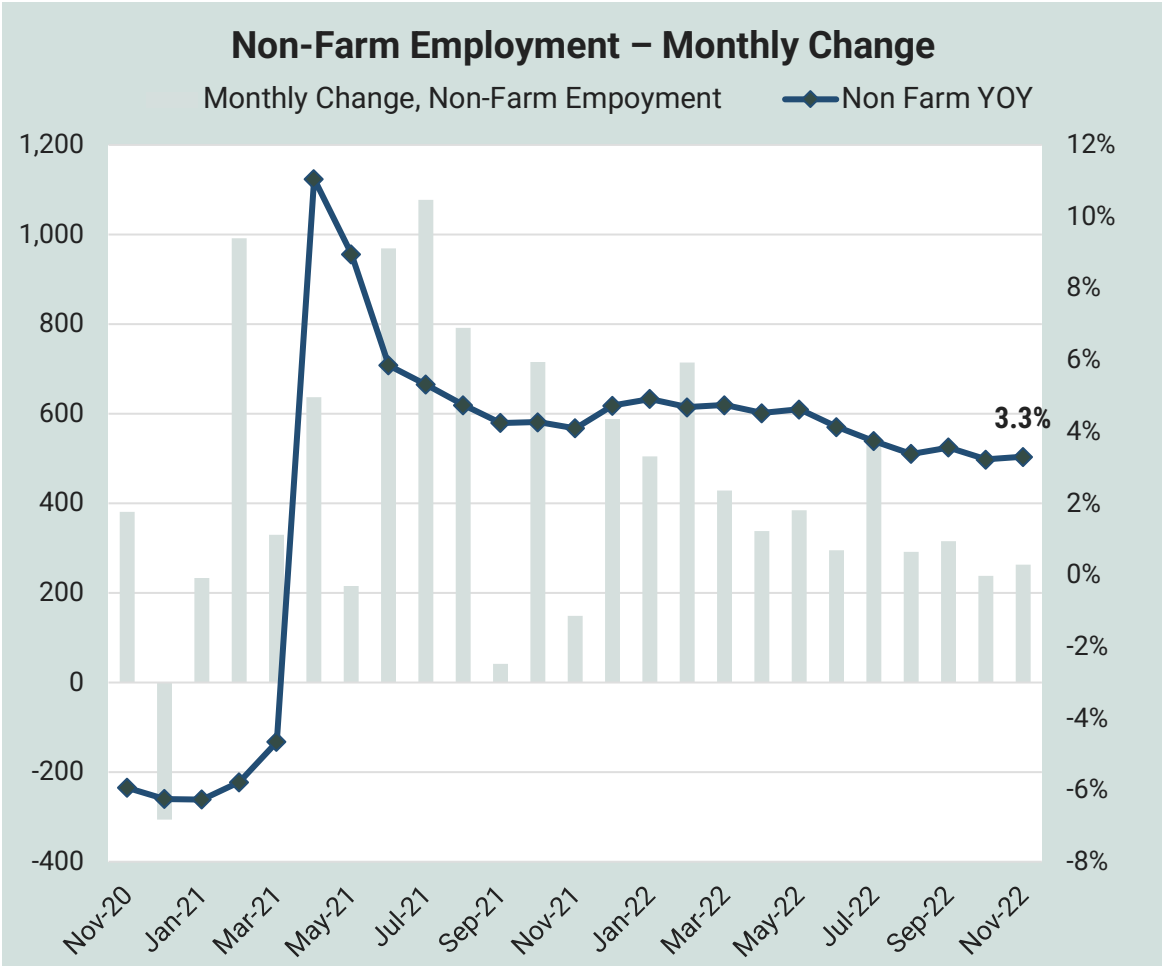
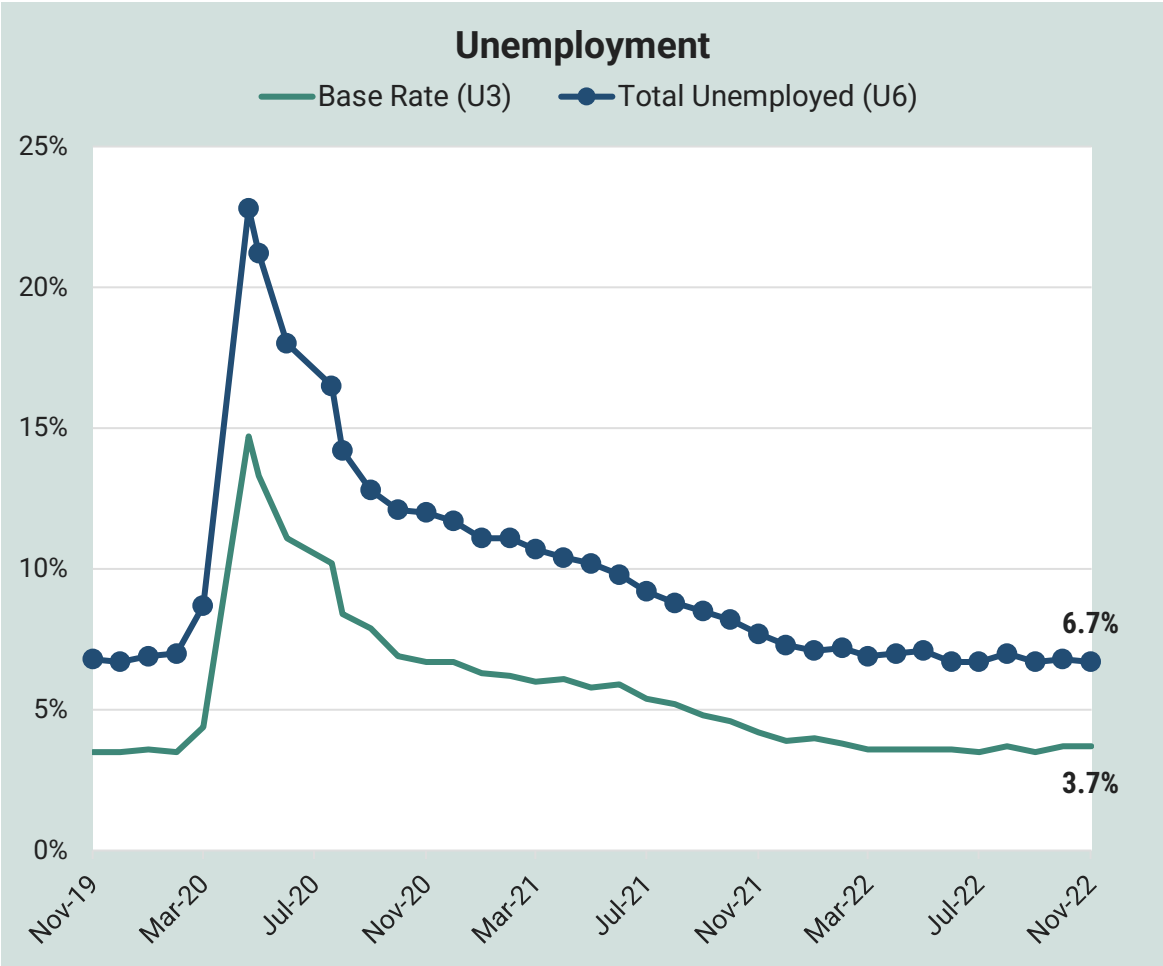


Source: U.S. Energy Information Administration

U.S. Employment

U.S. Employment Overview

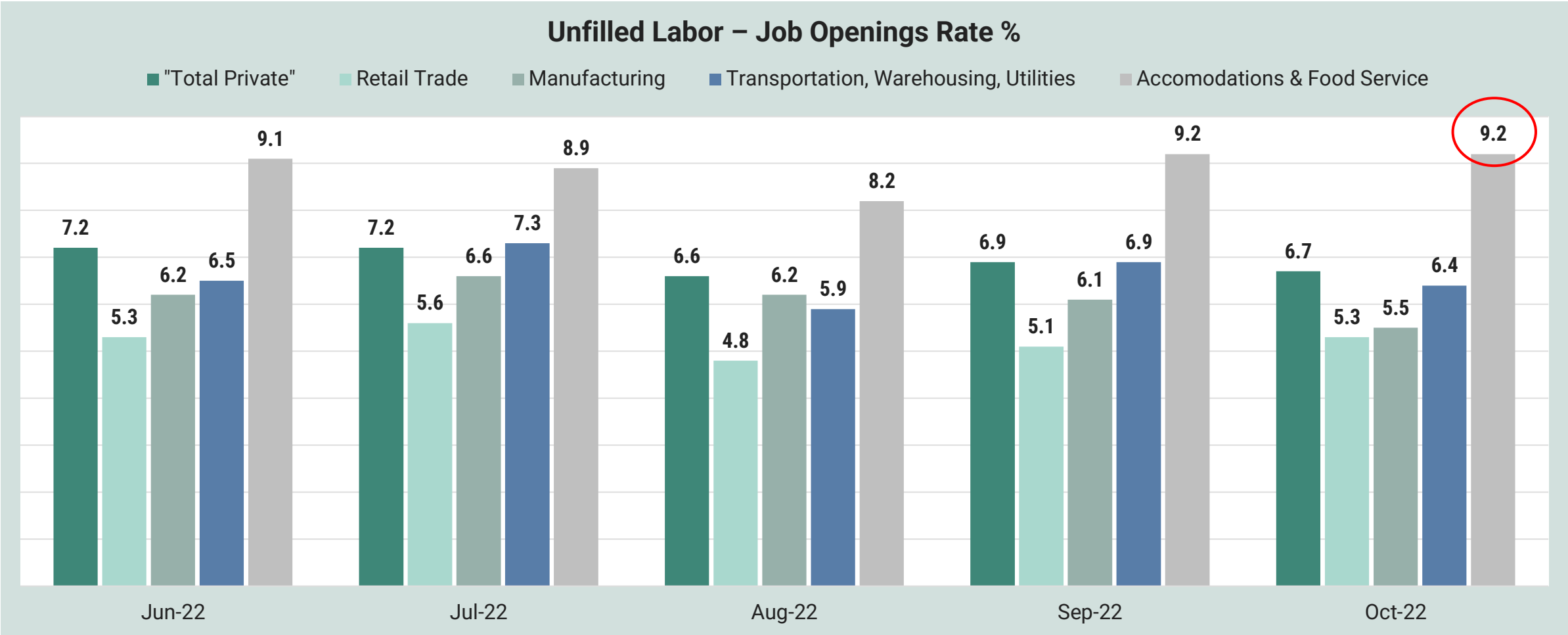
Unemployment remained below 4%; non-farm employment was up 3.3% month-to-month



Source: U.S. Bureau of Labor Statistics

Private Industry Labor – Job Openings

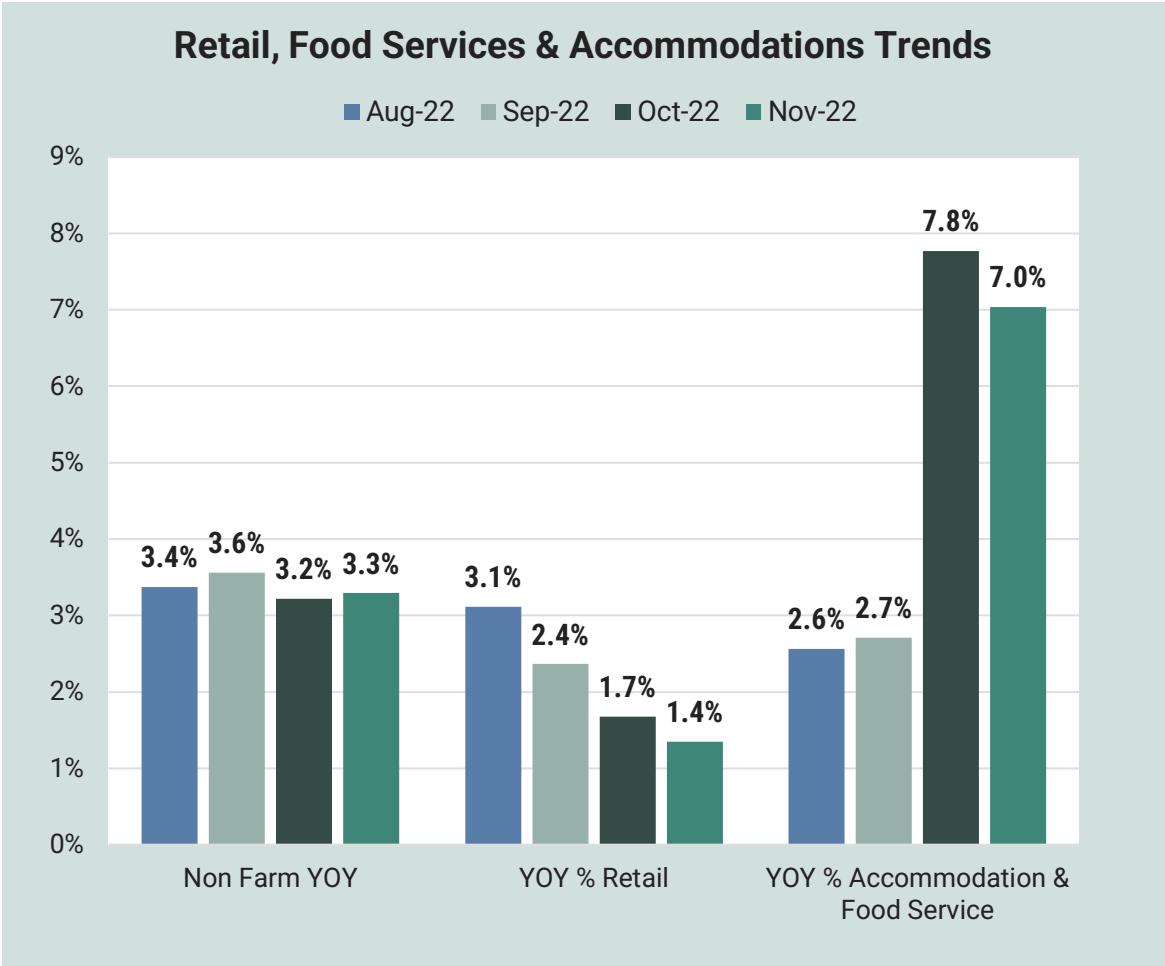
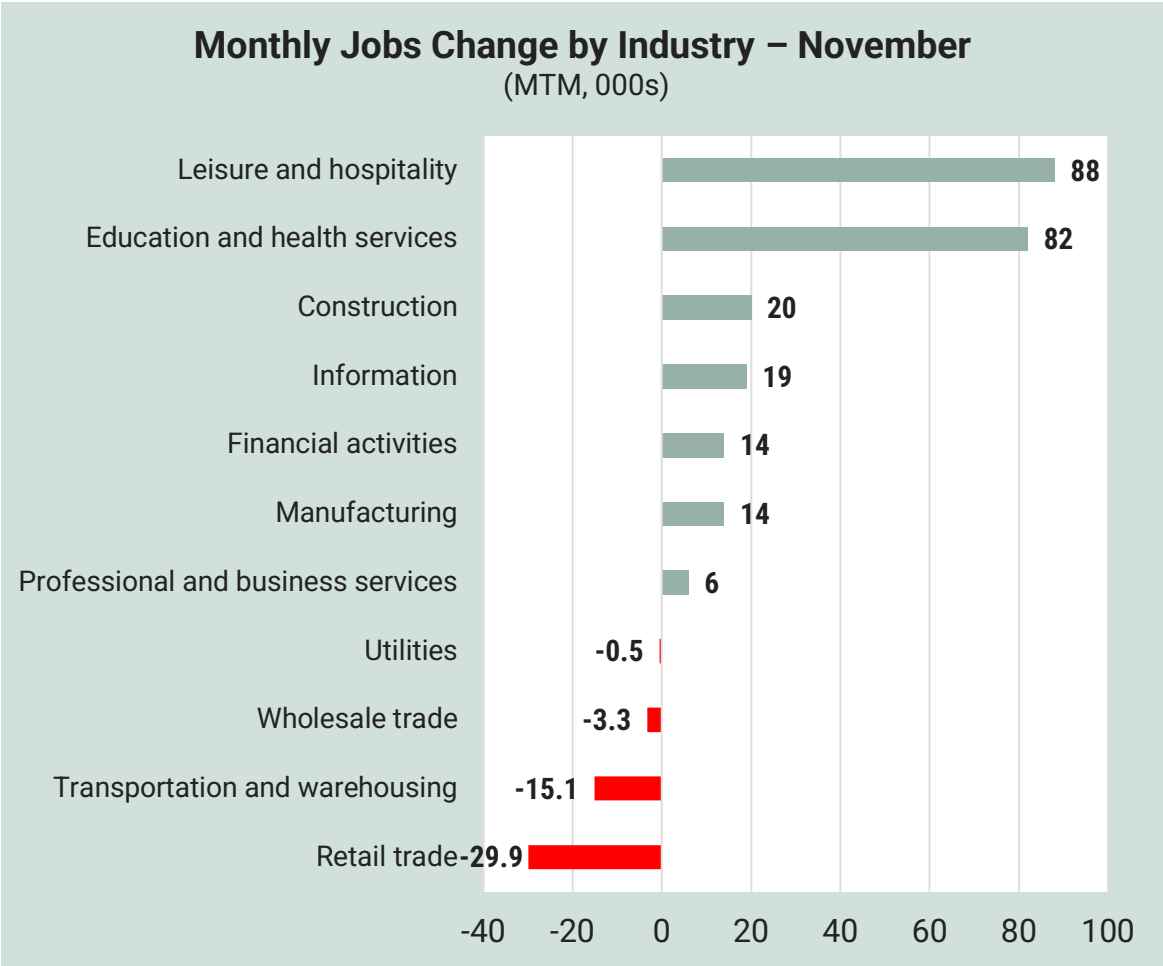
Job openings remain a challenge; Accommodations and Food Services rose to 9.2% through October



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 healthy MTM jobs increases but retail dropped considerably in November as a precaution



Source: U.S. Bureau of Labor Statistics

Supply Chain

Global Supply Chain Index

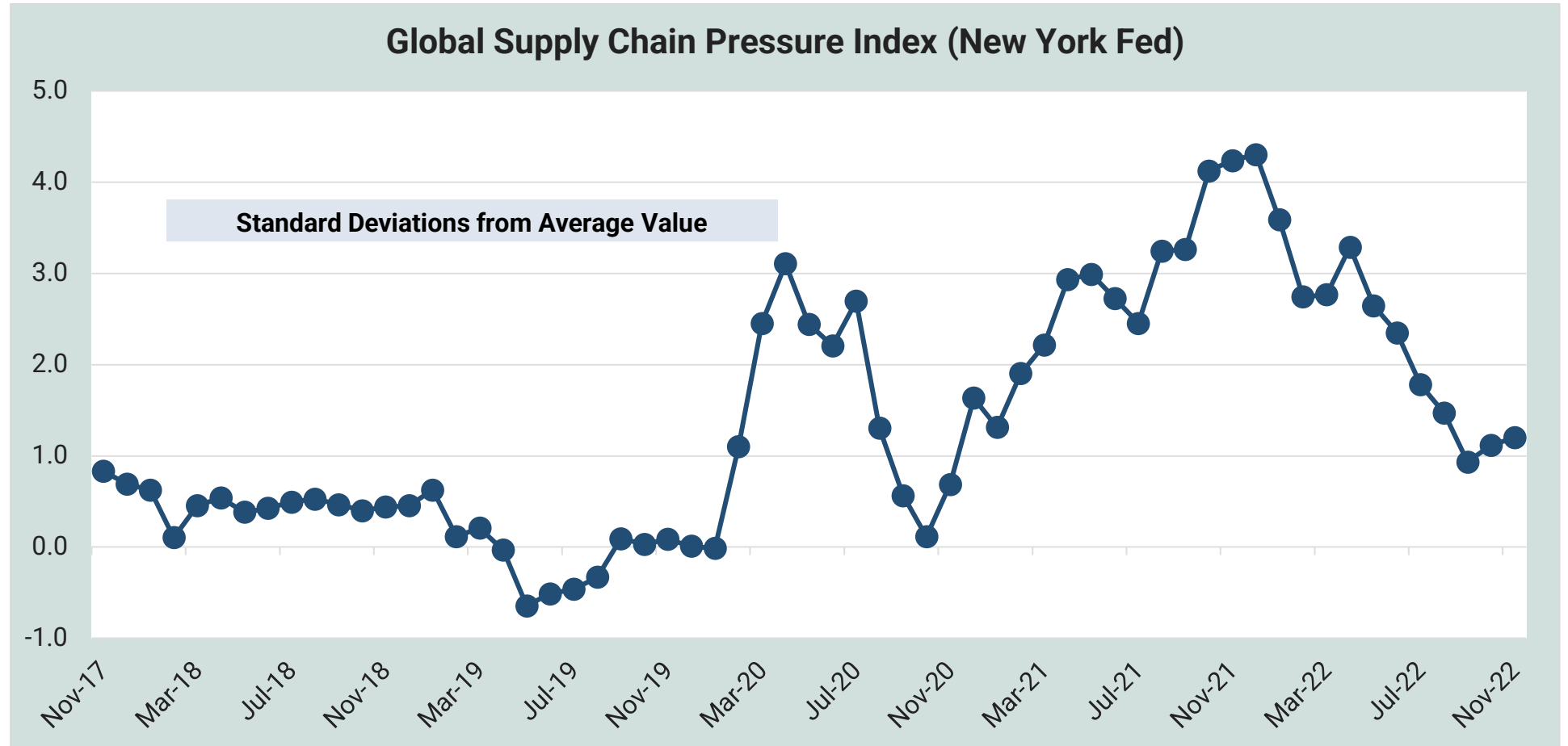
Global supply chain pressures increased again in November; largest driver of the rise in supply chain pressures was Chinese delivery times; improvements present in U.S. delivery times and Taiwanese purchases.

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.

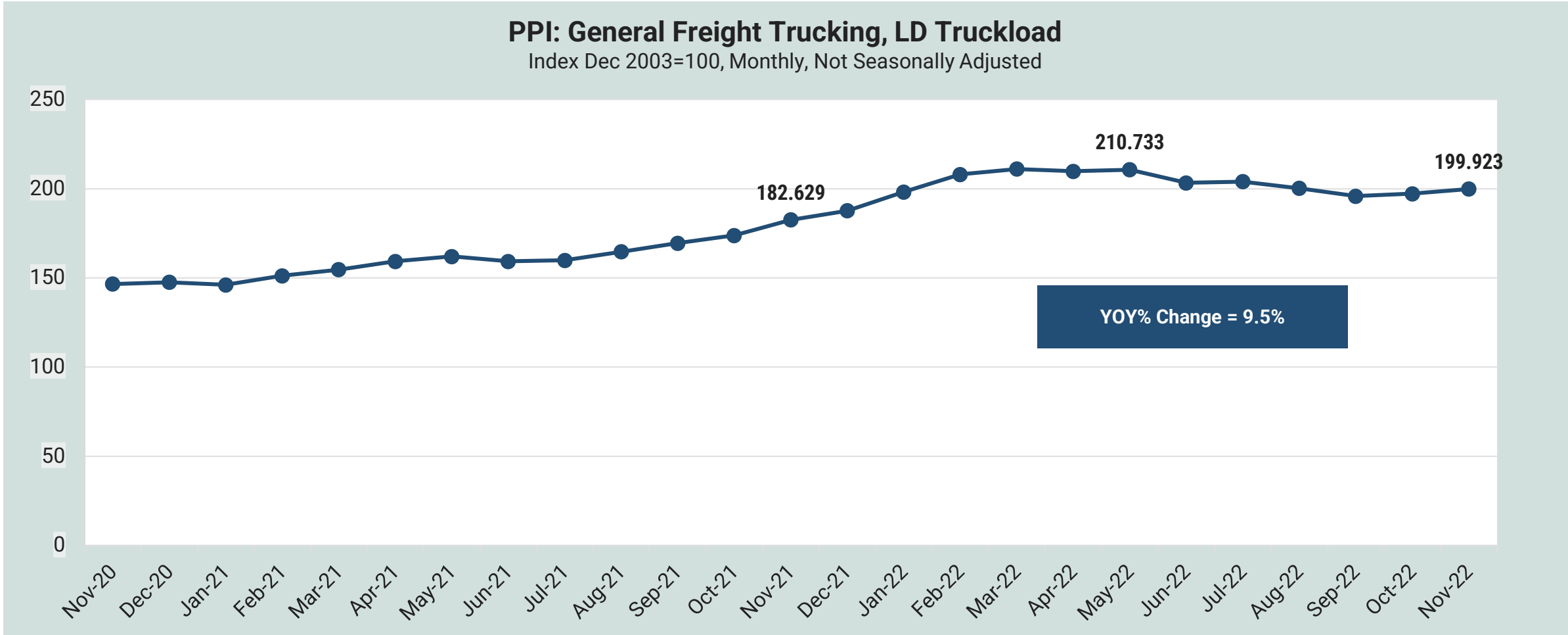
The GSCPI is a product of the Applied Macroeconomics and Econometrics Center (AMEC).

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



Freight Inflation - Trucking

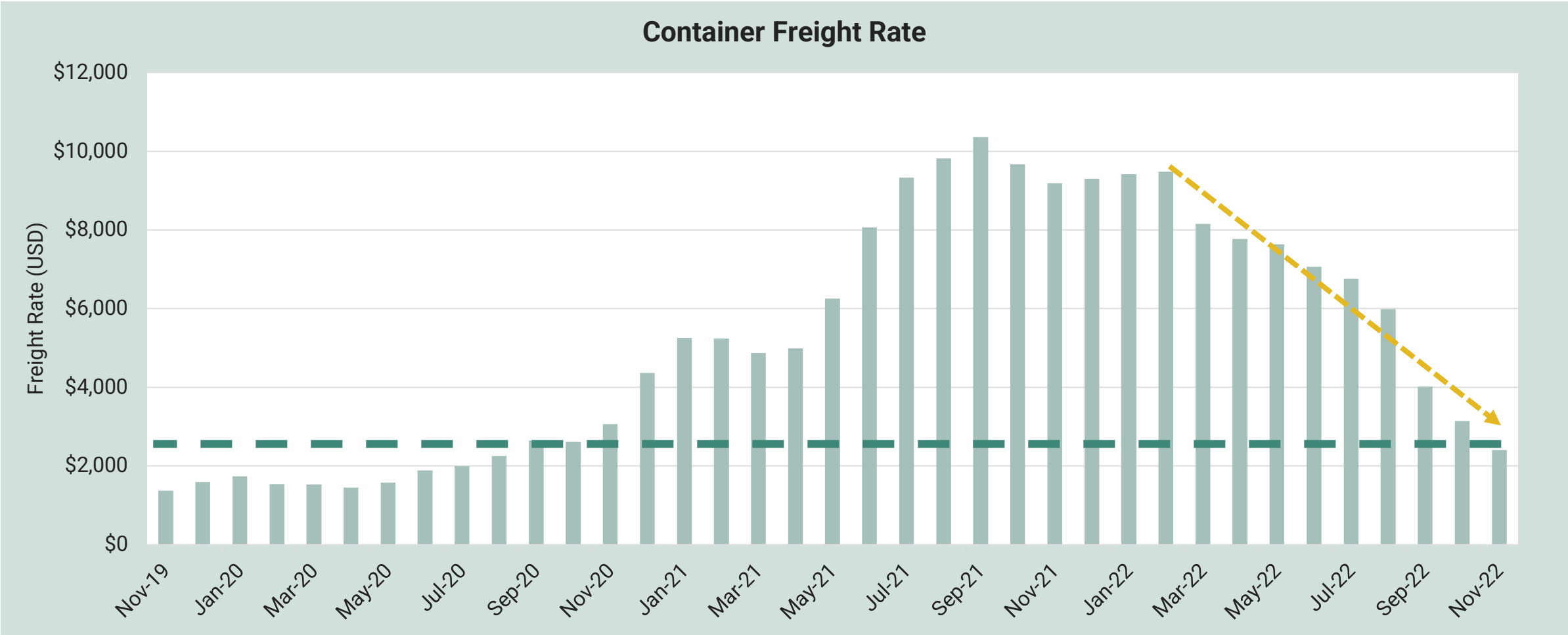
General freight trucking is 9.5% over last year but 5.3% below the 2-year high in March 2022



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

Global Container Freight Rate Index

Container rates have declined drastically in recent months, but are still elevated as we see trending to historic norms after the steep increases in 2021

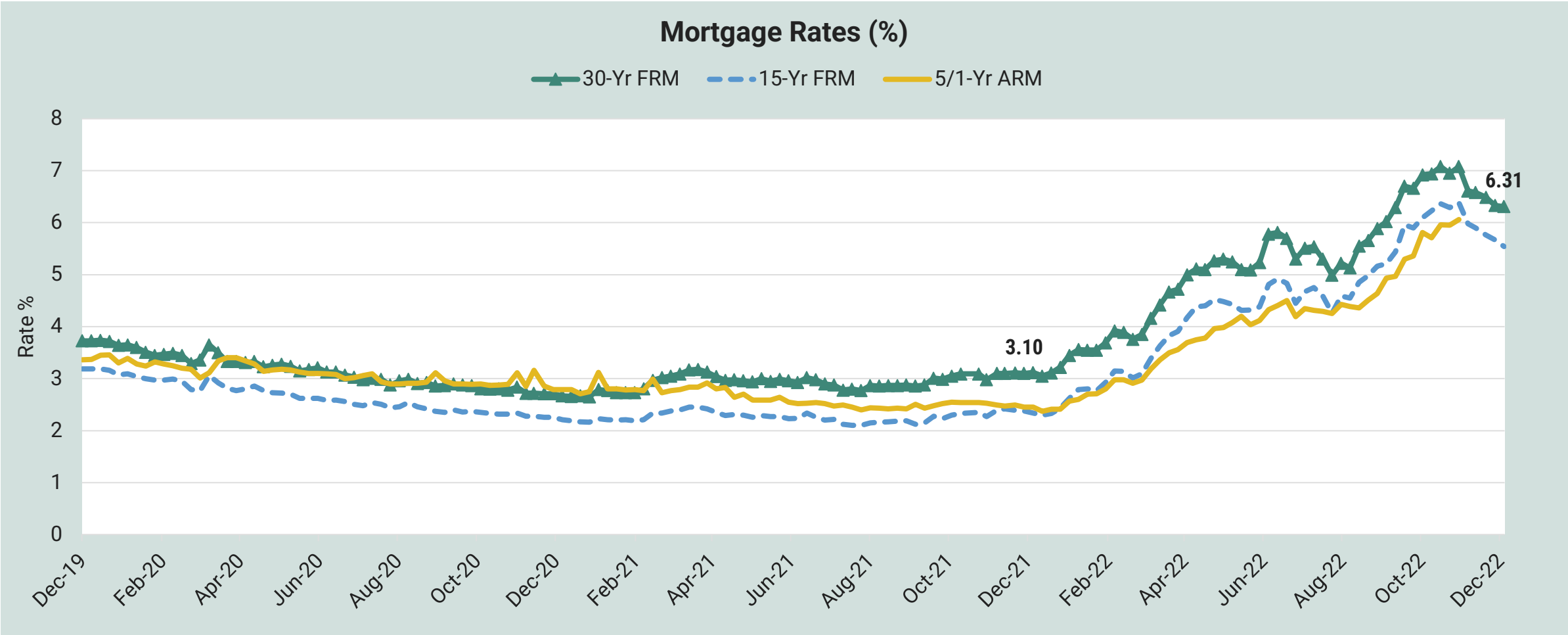


Source: Statista.com, MacroMicro; Drewry

Housing

Mortgage Rates

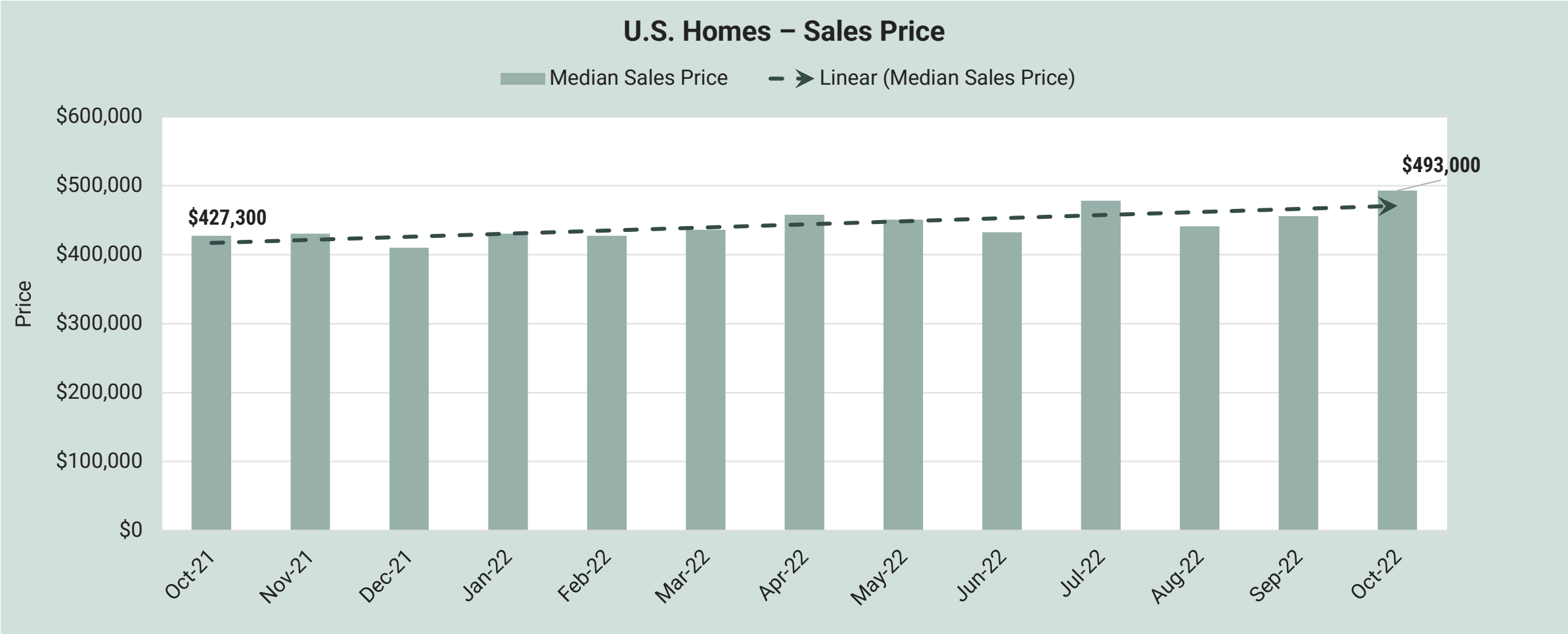
30-year prime stood at 6.31% in December; housing markets continue to feel the impact of inflation and mortgage rates



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

Housing – New Home Prices

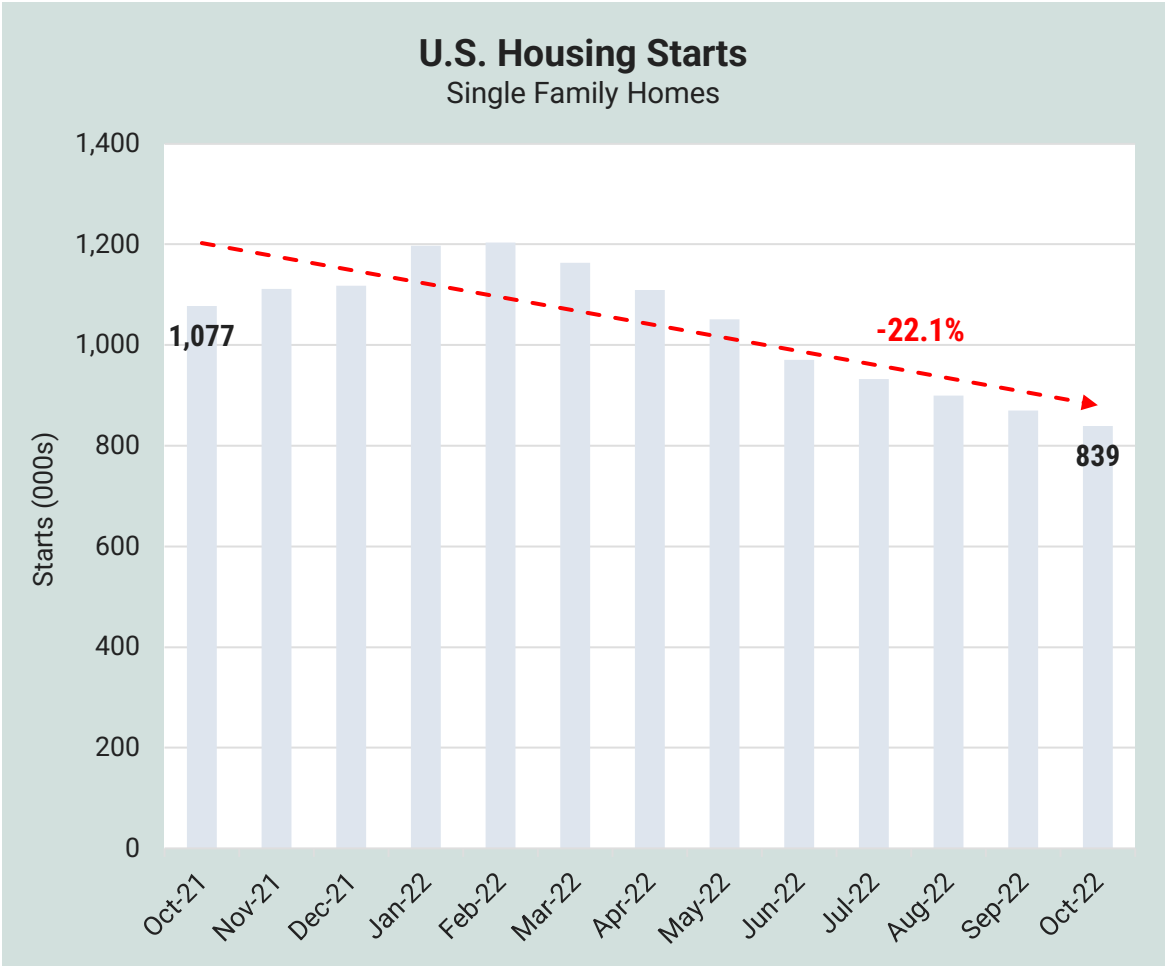
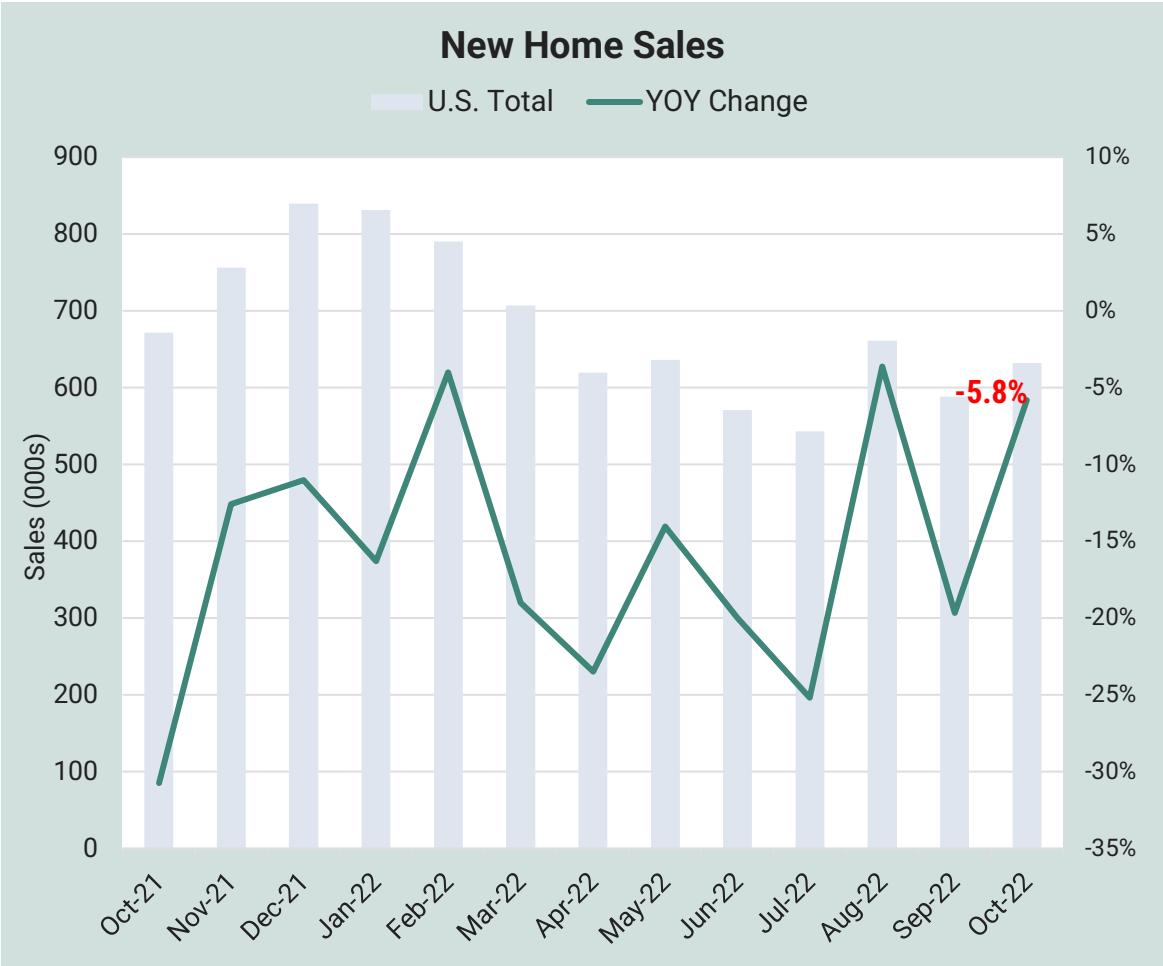
In October, the median new home sales price was \$493,000, 15.4% above last year



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

Housing – New Home Sales and Starts

Sales of new single-family houses in October 2022 were down 5.8% vs. 2021; single family housing starts decreased 22.1% in October



Source: U.S. Census Bureau

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PROTECT, CREATE, AND RECOVER VALUE.



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