



PERFORMANCE IMPROVEMENT

# U.S. Economic Overview

Consumers and the Macro Economy

FEBRUARY 2023



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# Summary

# Summary

- Retail sales (*excl. autos/parts/gas stations*) increased 7.4% in January, and increased 2.6% over previous month
  - *Food Services/Dining increased 25.2% in January vs. 2022; Clothing / Accessories rose 6.3% and Sporting Goods increased 6.9% - Consumer Electronics continues to slide*
- The Consumer Sentiment Index moved just slightly and was 1.5 index points above January; recent economic trends, both positive and negative, have led to mixed attitudes among consumers with little net change in February
- Consumers continue to deplete savings and take on revolving credit to cover the gap between gains in personal income and inflation
  - *Personal disposable income rose 3.6% in December, still well below CORE CPI rate of 5.6%*
  - *Personal consumption expenditures increased 9.2% – revolving credit debt continues to climb, increasing 14.8%*
- Inventories for December 2022 were 14.4% above previous year; tepid consumer spending continues to challenge retailers as they move thru excess inventories and place commitments for upcoming seasons orders
- The Consumer Price Index increased 6.4 percent YOY, with Core SPI up 5.6%. The index for shelter was by far the largest contributor to the monthly all items increase, accounting for nearly half of the monthly all items increase, with the indexes for food, gasoline, and natural gas also contributing
- Global supply chain pressures decreased again in January; pressure declines attributes largely to declines in Korean delivery times, Chinese delivery times, and Euro Area backlogs
- Retailers are taking another look at labor costs and starting to analyze opportunities to do more with less, combating newly increased minimum wage rates, to eliminate non-value-added activities and increase store efficiencies to improve the customer experience
- Consumers shrugged off world events and inflationary pressures, opening their wallets and piling on revolving credit while enjoying the holidays thru gift giving and dining out
- Retailers now face significant challenges managing excess inventory and making careful decisions around purchase quantities for Spring 2024 goods while facing down a recession
- Housing sales and new home starts have plummeted, with a correlation to retail sales in sectors such as building supplies
- Despite inflationary pressures, consumers are continuing to spend, even though they are taking on debt and reducing personal savings
- Many indicators point to a recession, the question is when does the bubble pop?

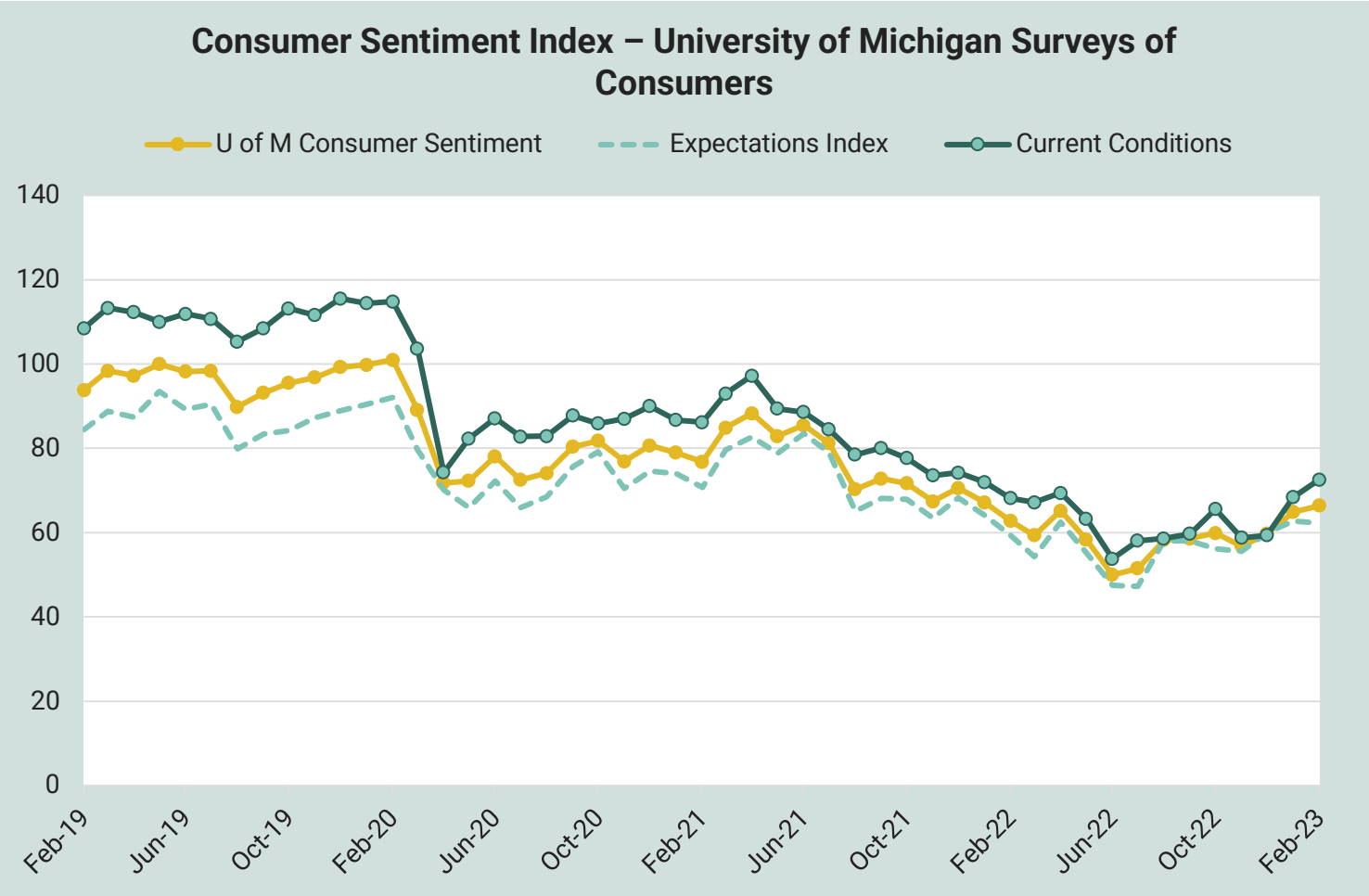
# Key Consumer Metrics

# Consumer Sentiment Index

The Consumer Sentiment Index moved just slightly and was 1.5 index points above January; recent economic trends, both positive and negative, have led to mixed attitudes among consumers with little net change in February

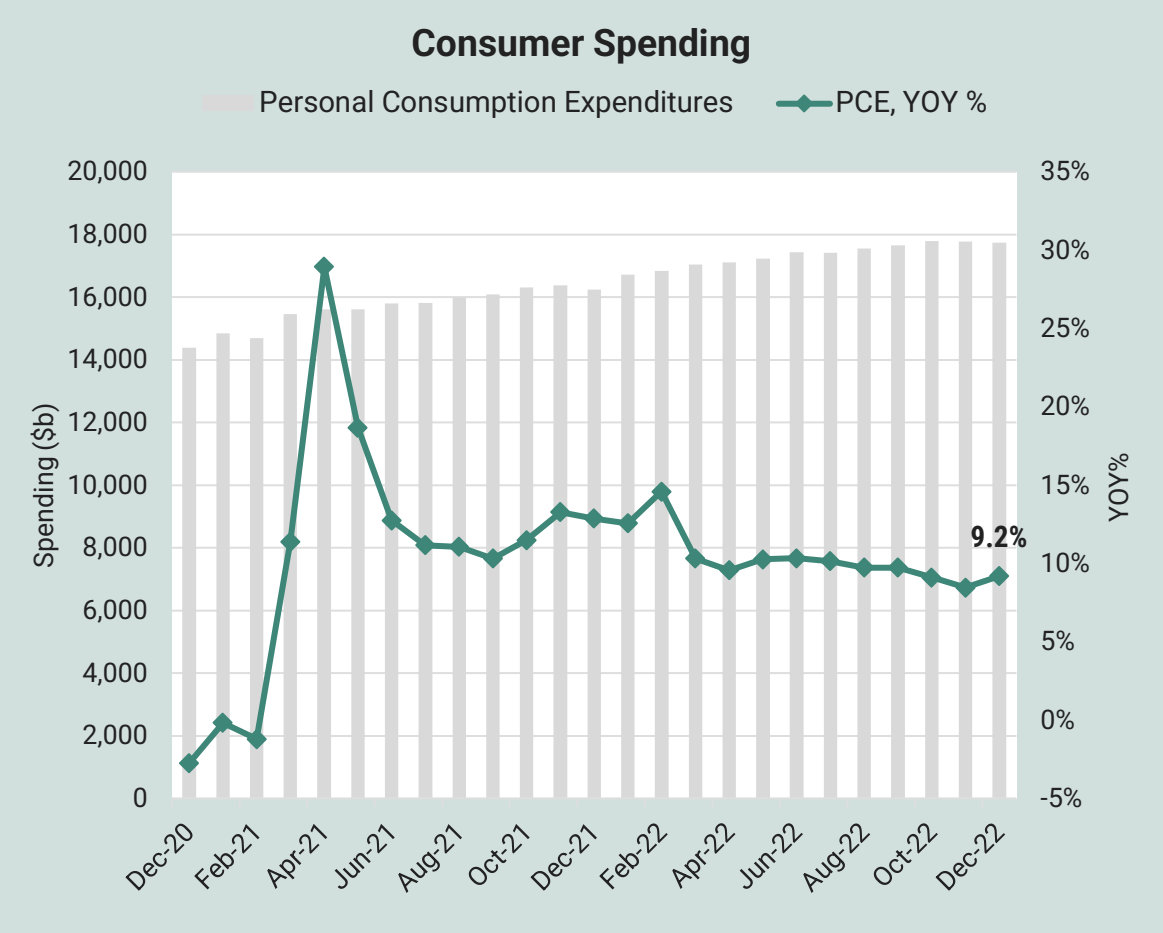
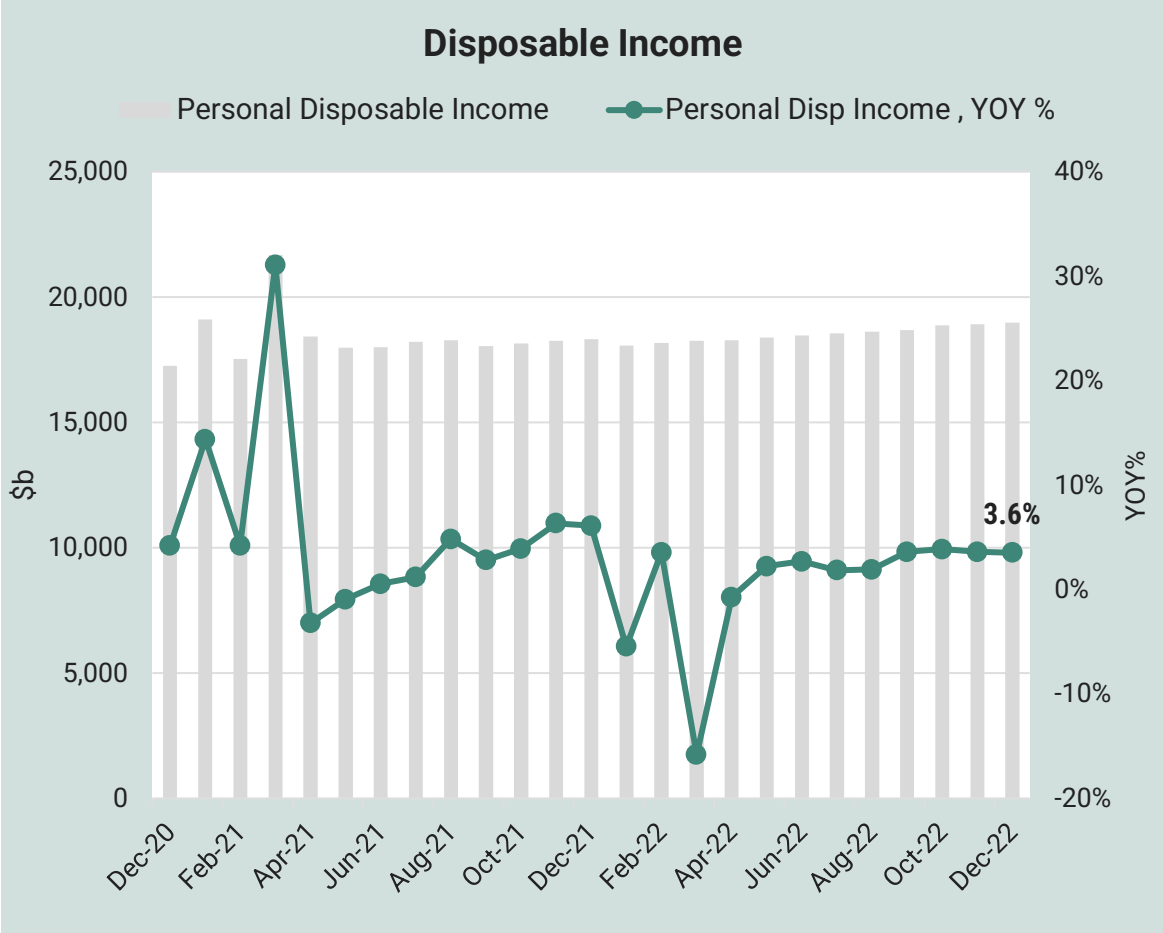
	Consumer Sentiment	Expectations Index	Current Conditions
2-Year High	88.3	83.5	97.2
2-Year Avg.	67.7	64.4	72.7
2- Year Low	50.0	47.3	53.8
Current	66.4	62.3	72.6
LY	62.8	59.4	68.2
YOY % Change	5.7%	4.9%	6.5%
Previous Month	64.9	62.7	68.4
MTM % Change	2.3%	-0.6%	6.1%

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 3.6% in November, still well below the CORE CPI rate (5.6%); personal consumption expenditures increased 9.2%

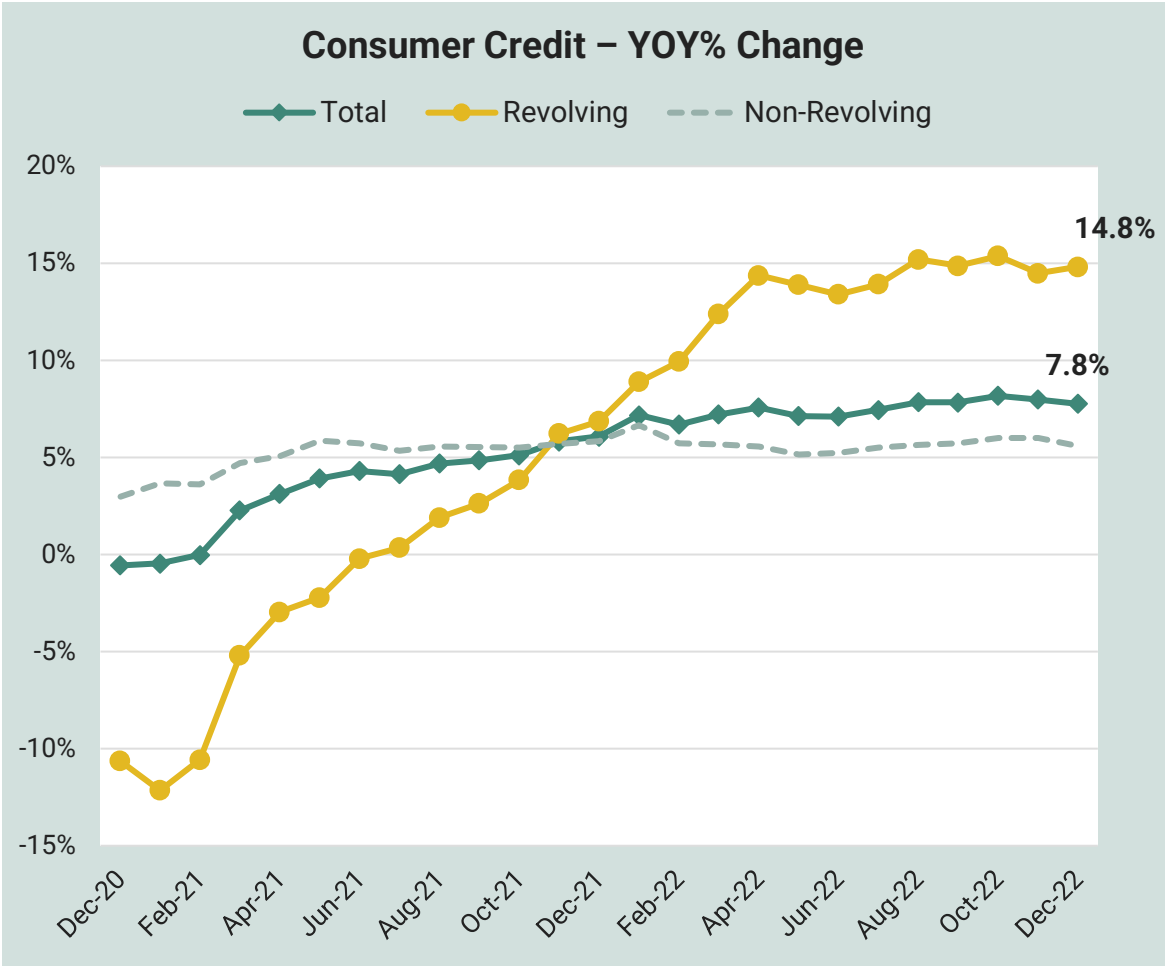
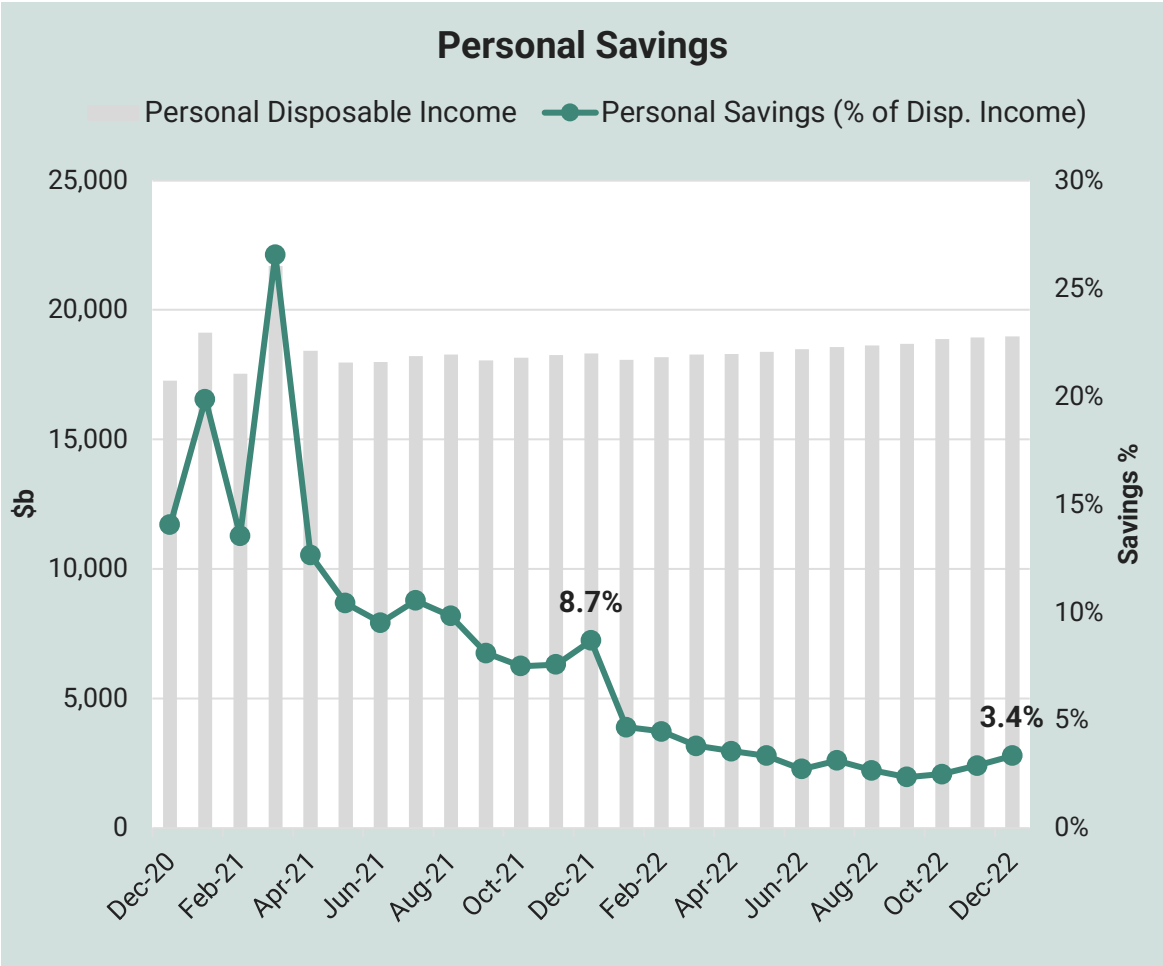


Source: U.S. Bureau of Economic Analysis



# Personal Savings & Consumer Credit

Personal savings rate of 3.4% remains well below 2021 (8.7%); revolving credit debt is 14.8% over 2021 – we continue to see decreasing “rainy-day funds” as consumers revolving debt load continues to climb



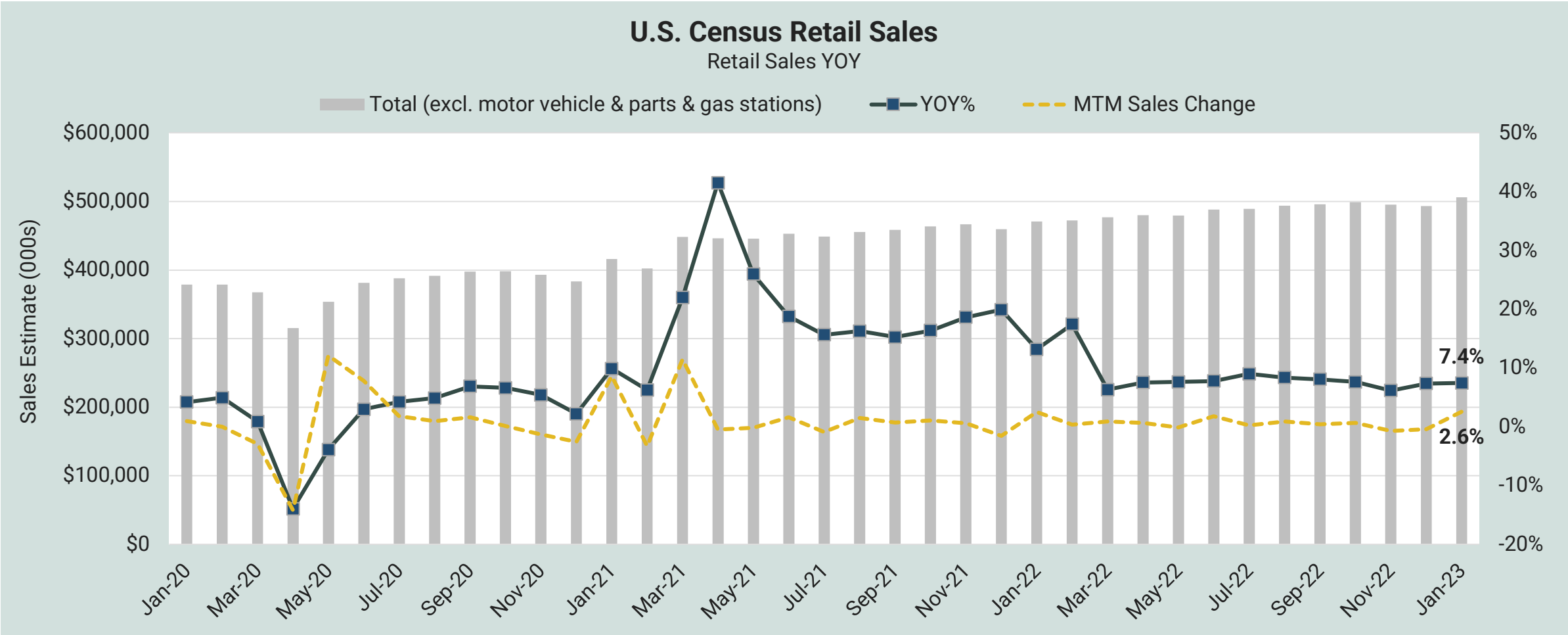
Source: U.S. Bureau of Economic Analysis

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# U.S. Retail Sales

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

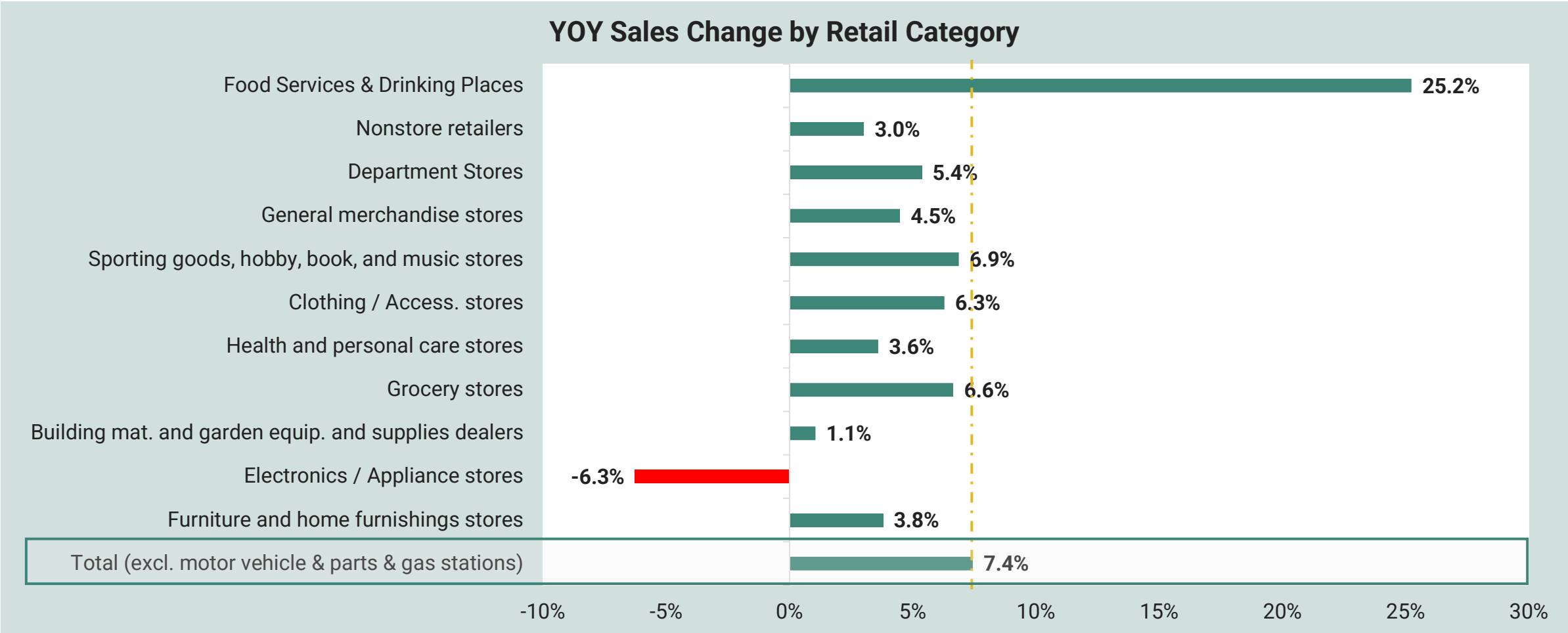
Retail Sales increased 7.4% YOY in January, and increased 2.6% over previous month



Source: U.S. Census Bureau

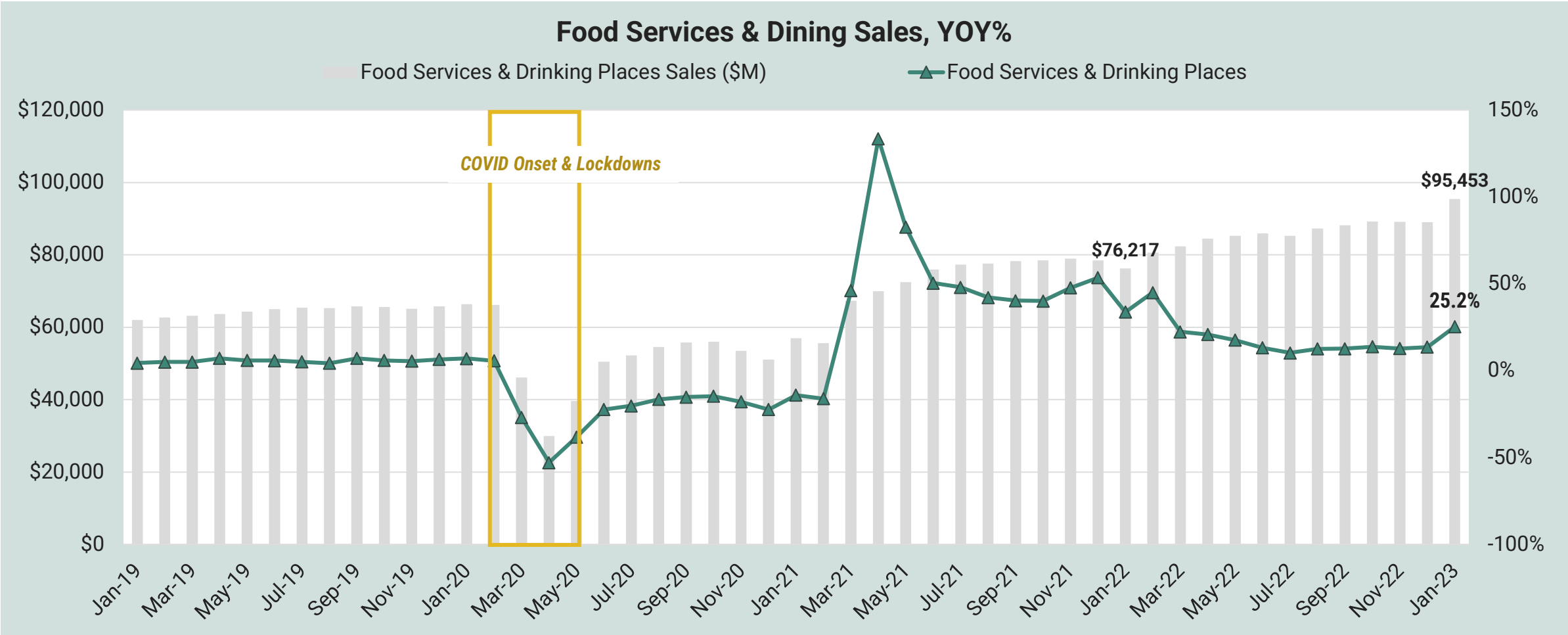
# U.S. Retail Sales by Retail Category

**Food Services/Dining increased 25.2% in January versus previous year; Clothing / Accessories rose 6.3% and Sporting Goods increased 6.9% - Building Materials had modest gains - Consumer Electronics continues to slide**



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

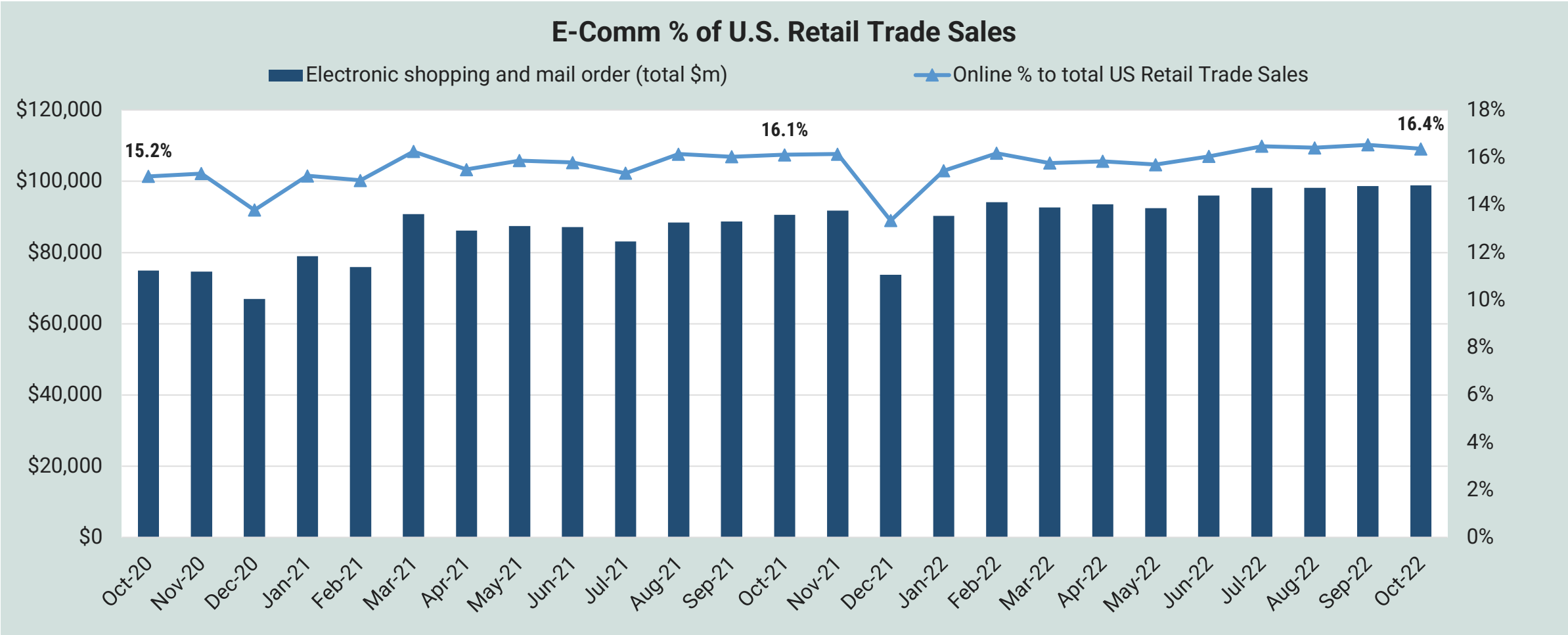
**Food Services / Dining experienced a significant YOY increase in January, jumping over 25% vs. 2022; with rising food costs still at or above pre-covid levels – consumers are still enjoying socializing and dining out**



Source: U.S. Census Bureau

# U.S. Retail Sales – E-Commerce

E-comm % of Retail Trade Sales remained above 16% through October; Q4 performance not yet reported



Source: U.S. Census Bureau

# Retail Inventories

Inventories for December 2022 were 14.4% above previous year; tepid consumer spending continues to challenge retailers as they move thru excess inventories and place their bets on commitments for upcoming seasons orders



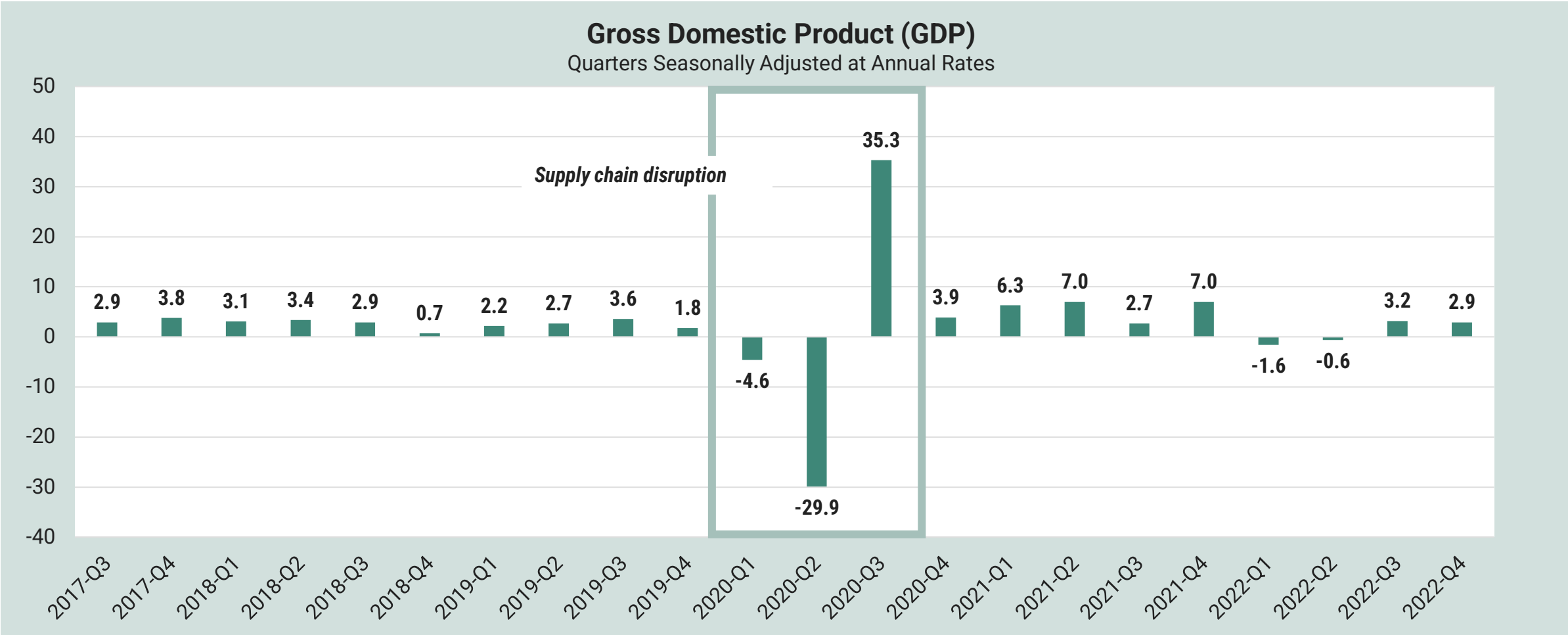
U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>

# Broad Economic Indicators



# Gross Domestic Product

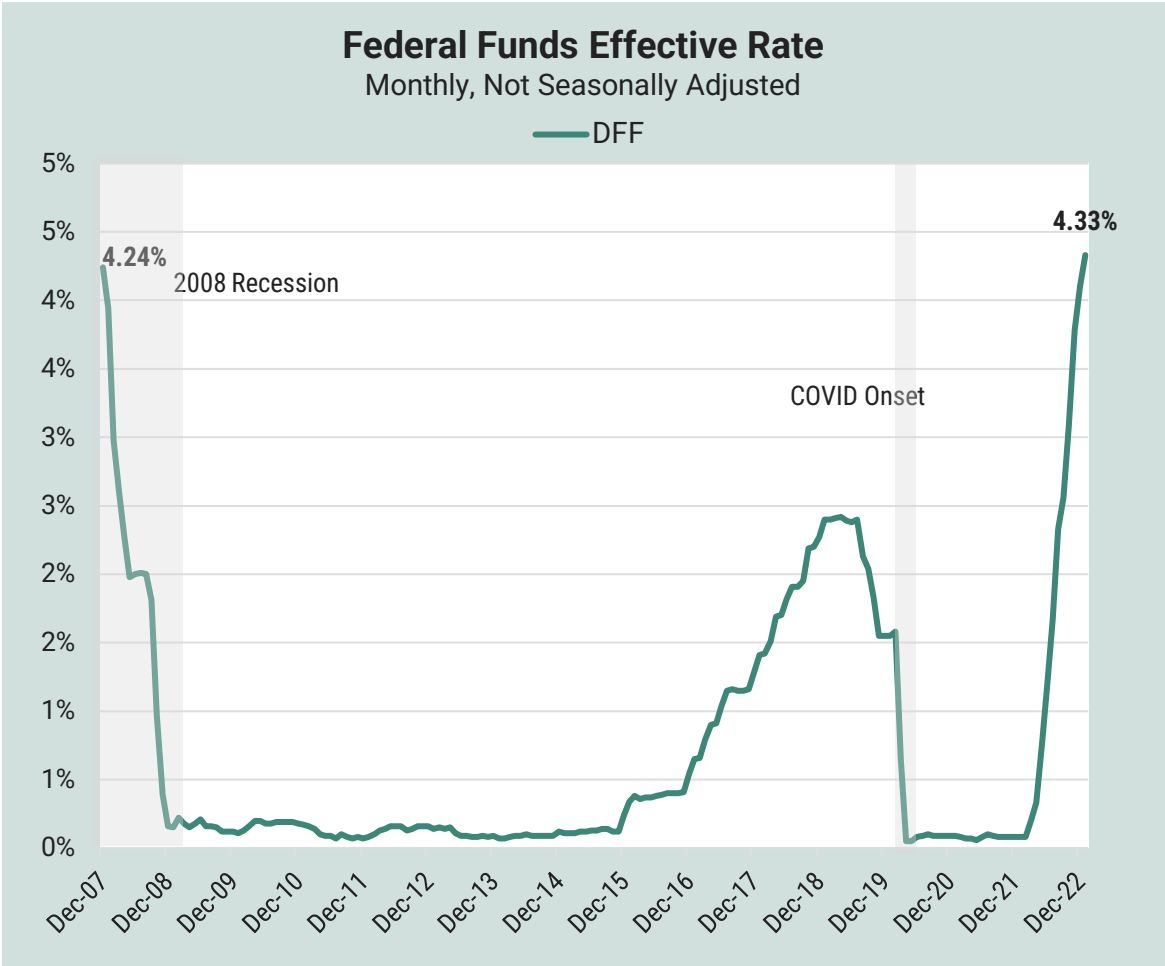
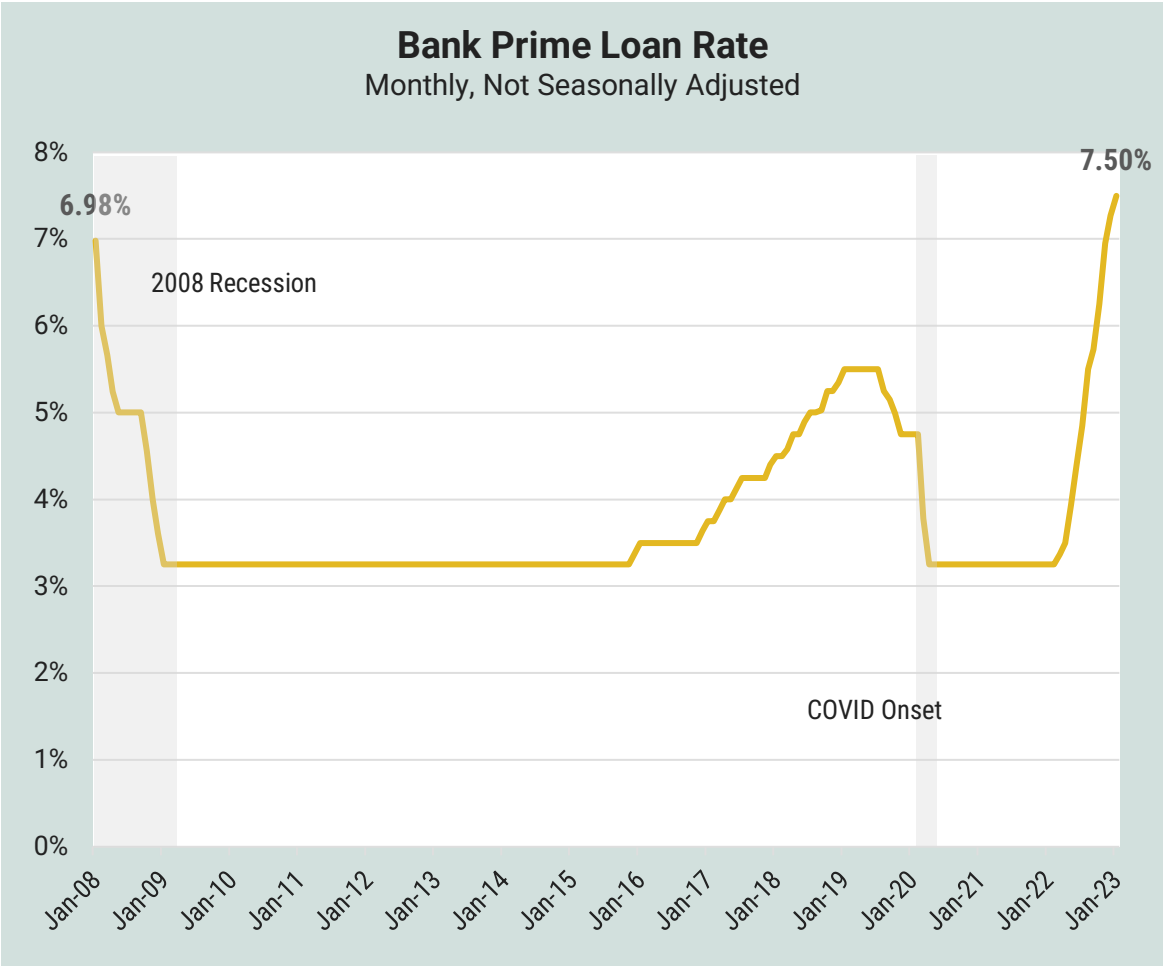
Real gross domestic product (GDP) increased 2.9 percent in Q4-2022, driven by private inventory investment, consumer spending, federal government spending, state and local government spending, and nonresidential fixed investment



Source: U.S. Bureau of Economic Analysis

# Federal Reserve – Interest Rates

Bank Prime Loan Rate rose to nearly 7.5%; Federal Funds Rate increased to 4.33% through mid-January



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

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

***The Consumer Price Index increased 6.4 percent YOY, with Core SPI up 5.6%. The index for shelter was by far the largest contributor to the monthly all items increase, accounting for nearly half of the monthly all items increase, with the indexes for food, gasoline, and natural gas also contributing***

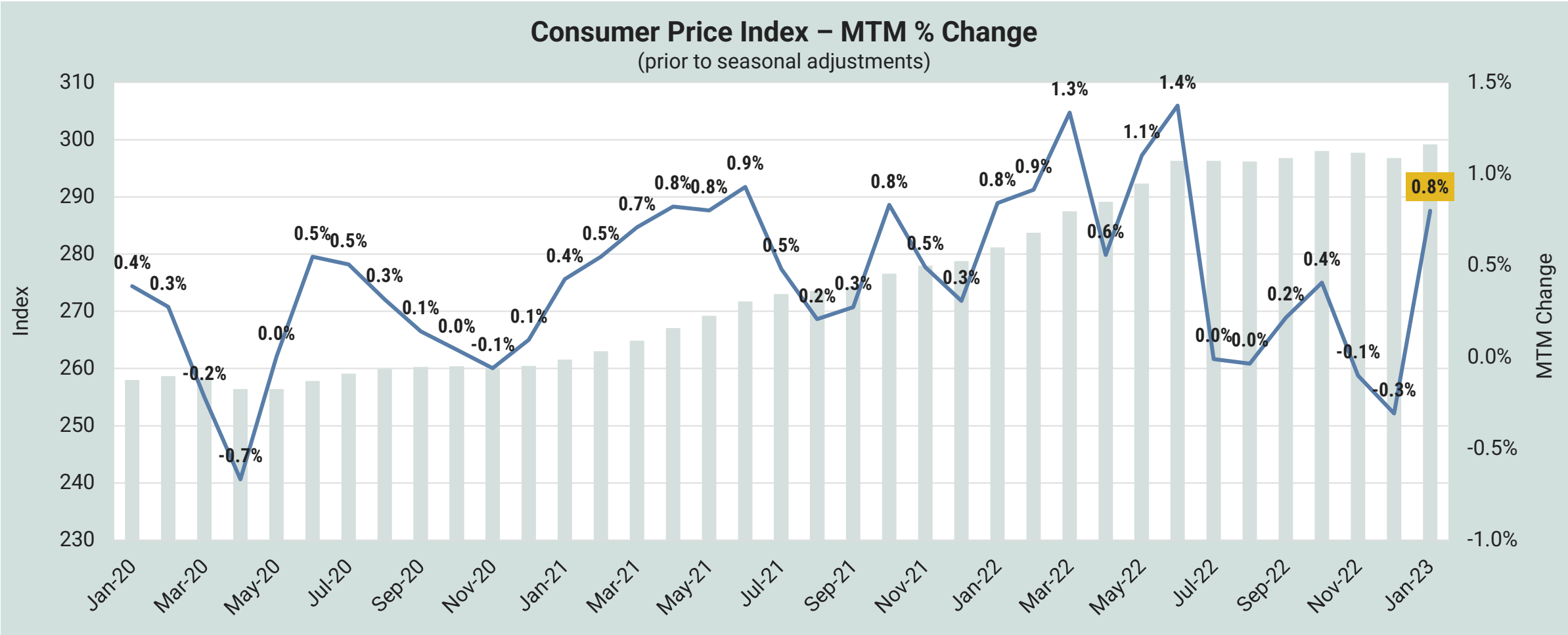
- *Food at Home 11.3%*
- *Food Away From Home 8.2%*
- *Housing 8.2%*
- *Fuel 1.9%*

	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
Total CPI	8.3%	8.2%	7.7%	7.1%	6.5%	6.4%
All Items Less Food & Energy (Core CPI)	6.3%	6.6%	6.3%	6.0%	5.7%	5.6%
Food at Home	13.5%	13.0%	12.4%	12.0%	11.8%	11.3%
Food Away From Home	8.0%	8.5%	8.6%	8.5%	8.3%	8.2%
Motor Fuel	26.2%	18.8%	18.1%	10.8%	-0.9%	1.9%
Apparel	5.1%	5.5%	4.1%	3.6%	2.9%	3.1%
Housing	7.8%	8.0%	7.9%	7.8%	8.1%	8.2%
Education	3.1%	3.1%	3.0%	3.1%	3.3%	3.4%
Medical Care	5.4%	6.0%	5.0%	4.2%	4.0%	3.1%
Transportation	13.4%	12.6%	11.2%	7.8%	3.9%	3.8%

Source: U.S. Bureau of Labor Statistics

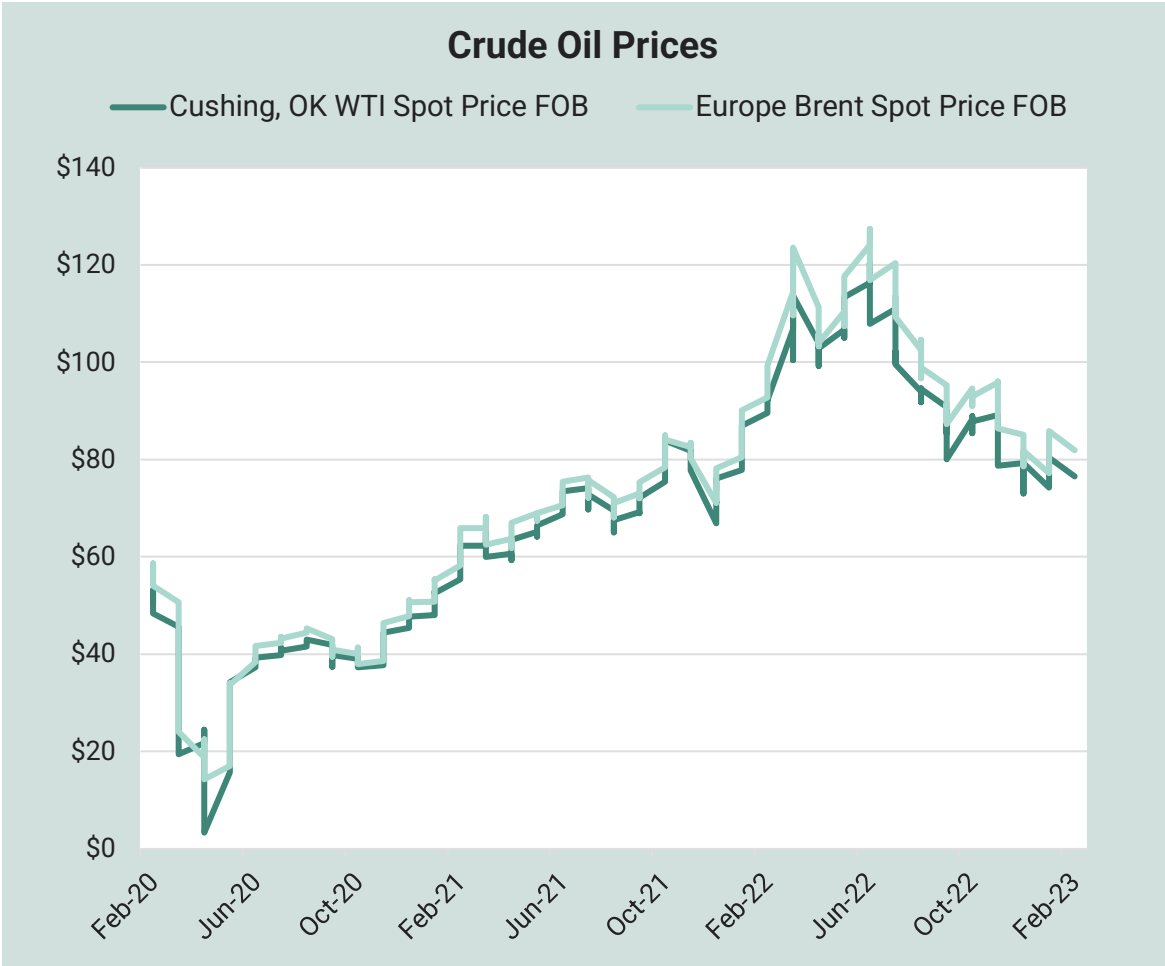
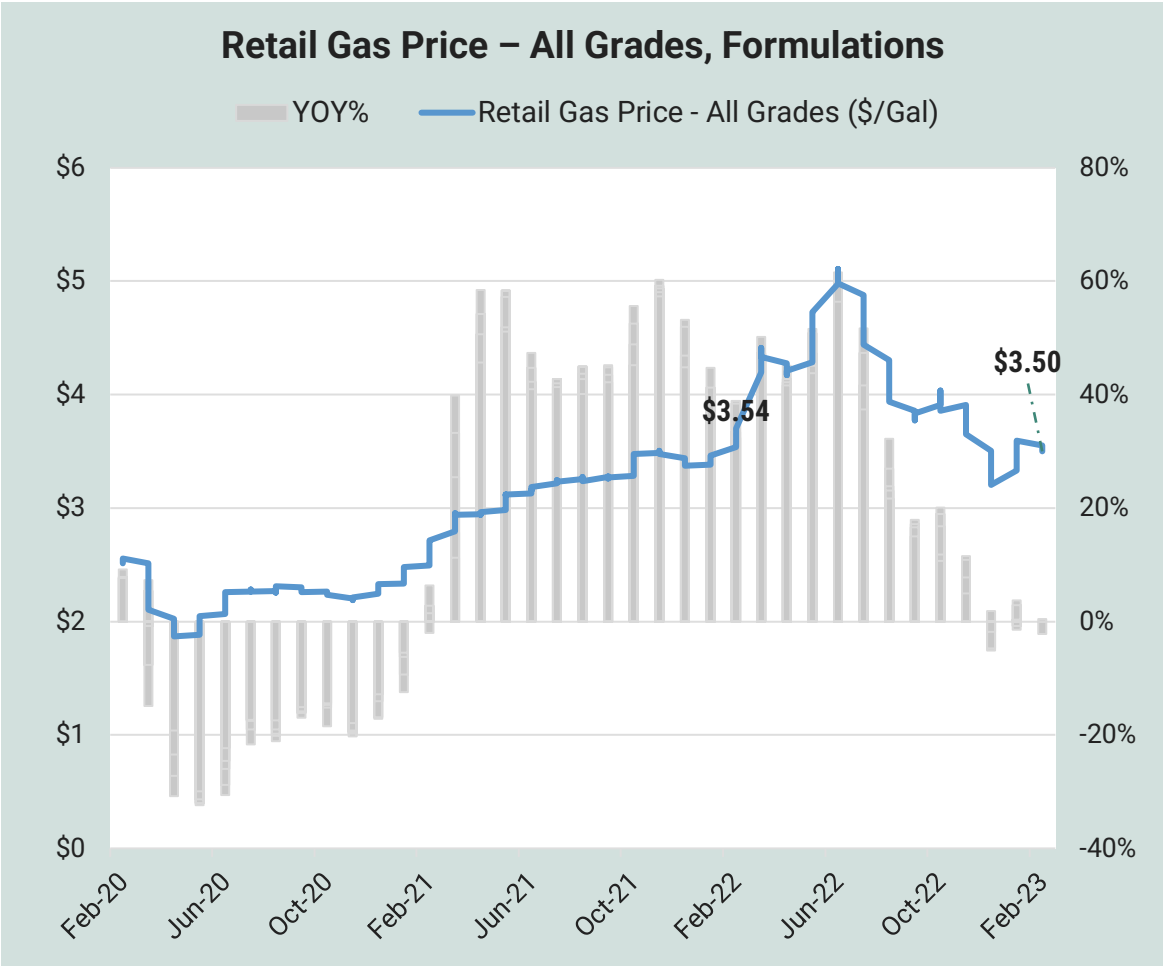
# Consumer Price Index – Month-to-Month Trends

On a monthly basis, the CPI for All Urban Consumers (CPI-U) increased 0.8 percent (prior to seasonal adjustments)



# Gasoline (Retail Price) and Crude Oil Prices

Retail gas prices remain stable, and are now slightly below previous year prices

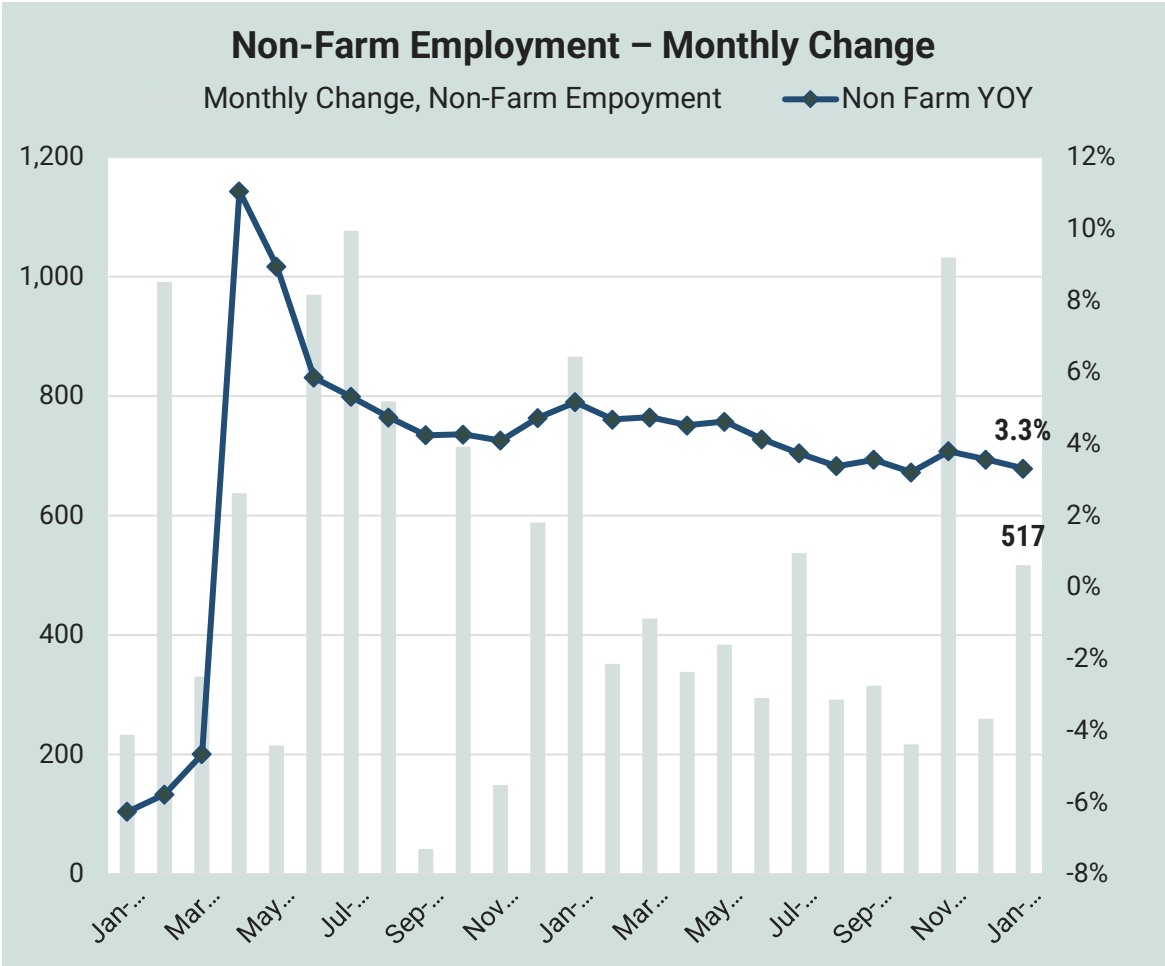
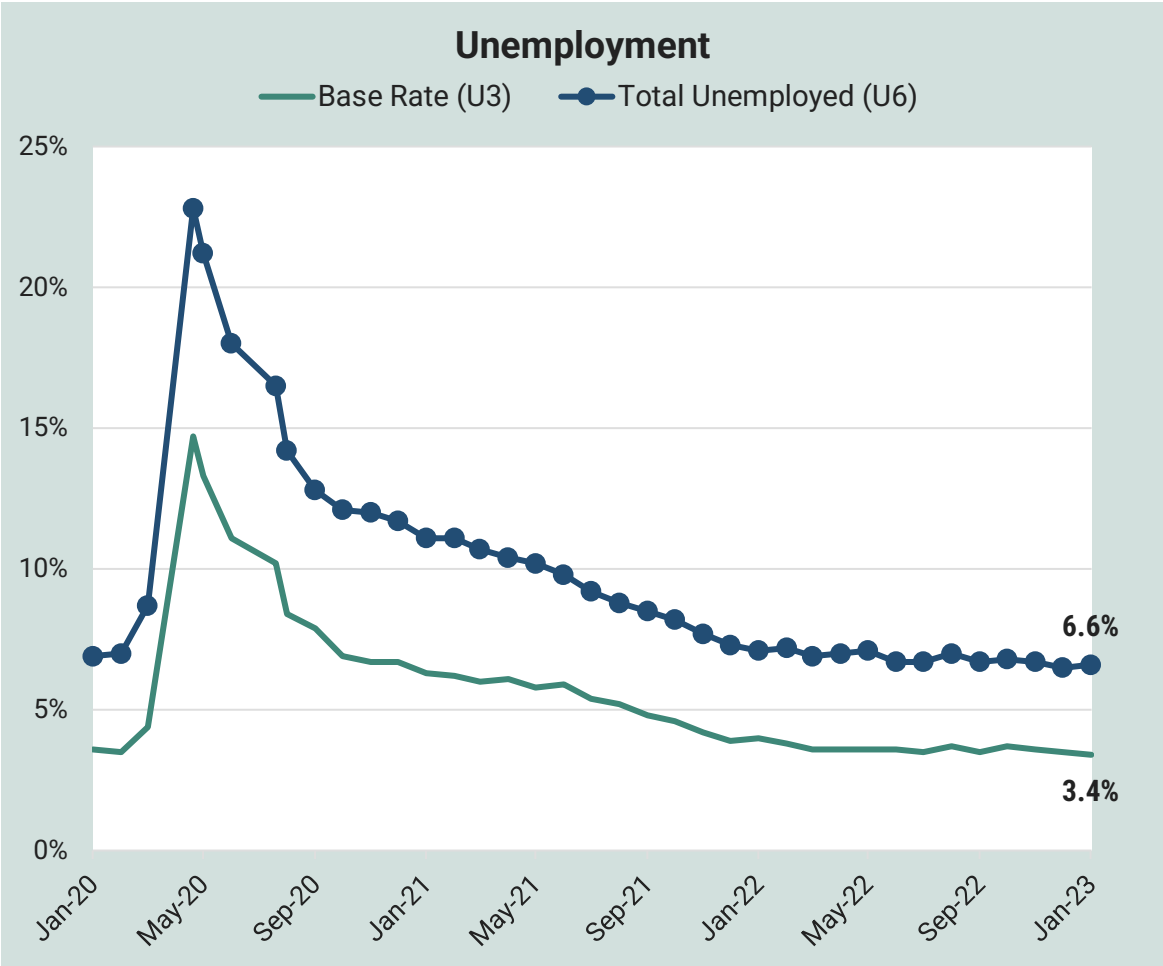


Source: U.S. Energy Information Administration

# U.S. Employment

# U.S. Employment Overview

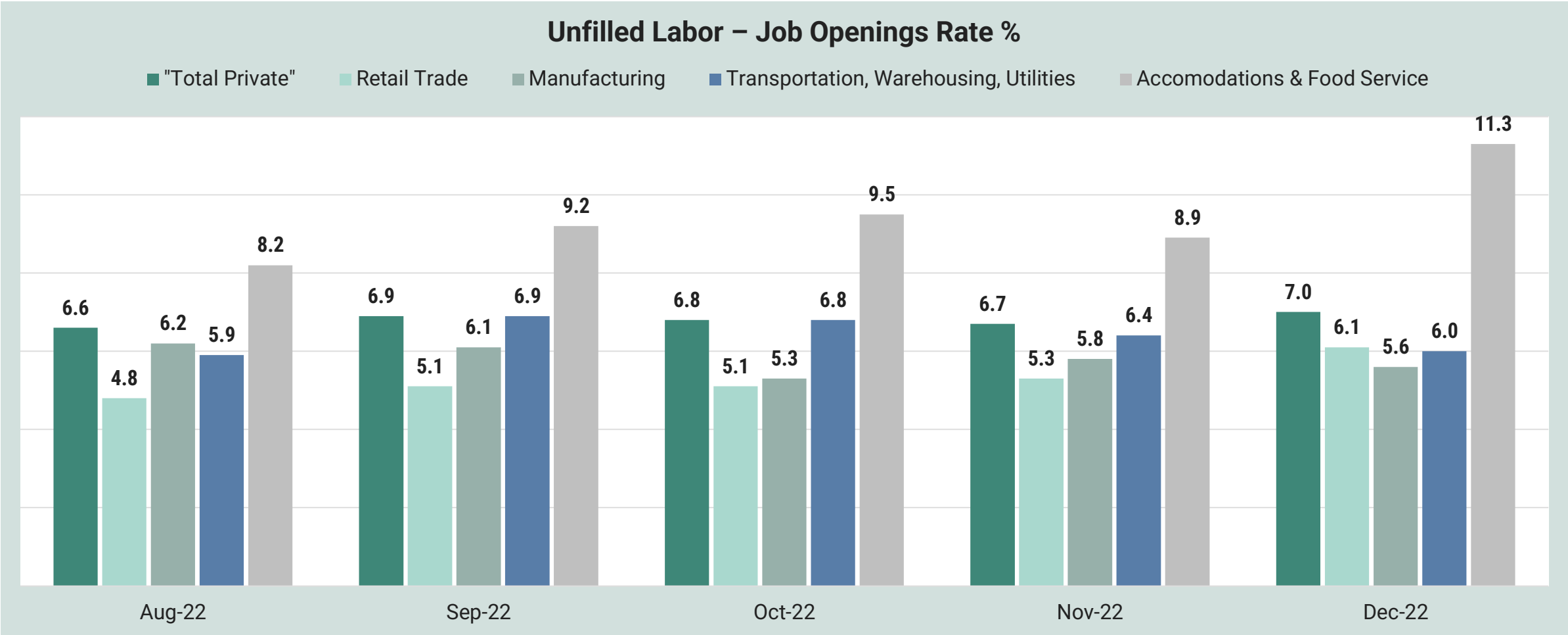
Unemployment dropped slightly to 3.4%; non-farm employment was up 3.3% month-to-month, with employment rising by 517,000 in January



Source: U.S. Bureau of Labor Statistics

# Private Industry Labor – Job Openings

Job openings generally remained stable through December 2022 but in Accommodations & Food Services the job openings rate spiked to 11.3%

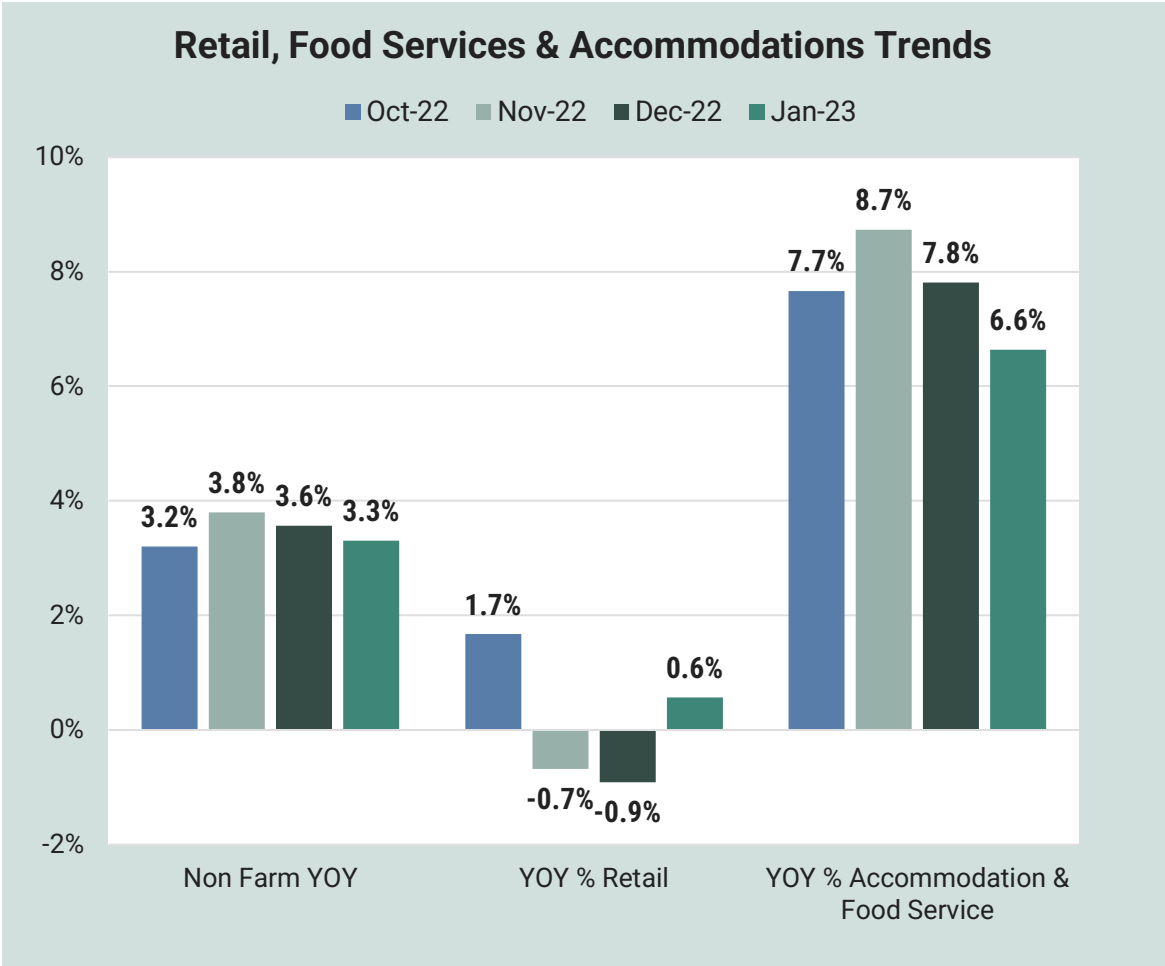
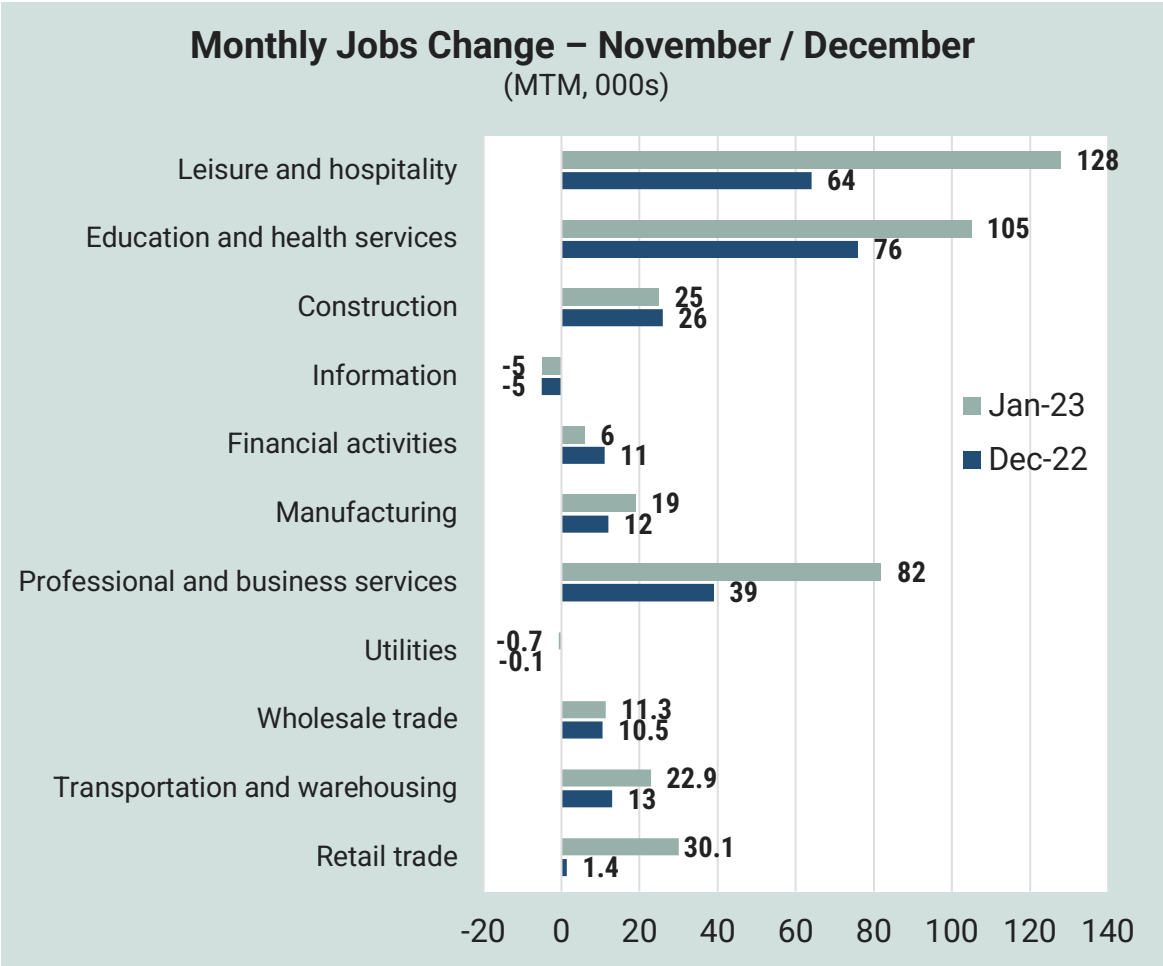


Source: U.S. Bureau of Labor Statistics; job openings rate = number of job openings on the last business day of the month as a percent of total employment plus job openings



# Industry Employment Trends

Several industries showed MTM jobs increases; retail increased in January and Leisure & Hospitality spiked in January, following a December increase



Source: U.S. Bureau of Labor Statistics

# Supply Chain

# Global Supply Chain Index

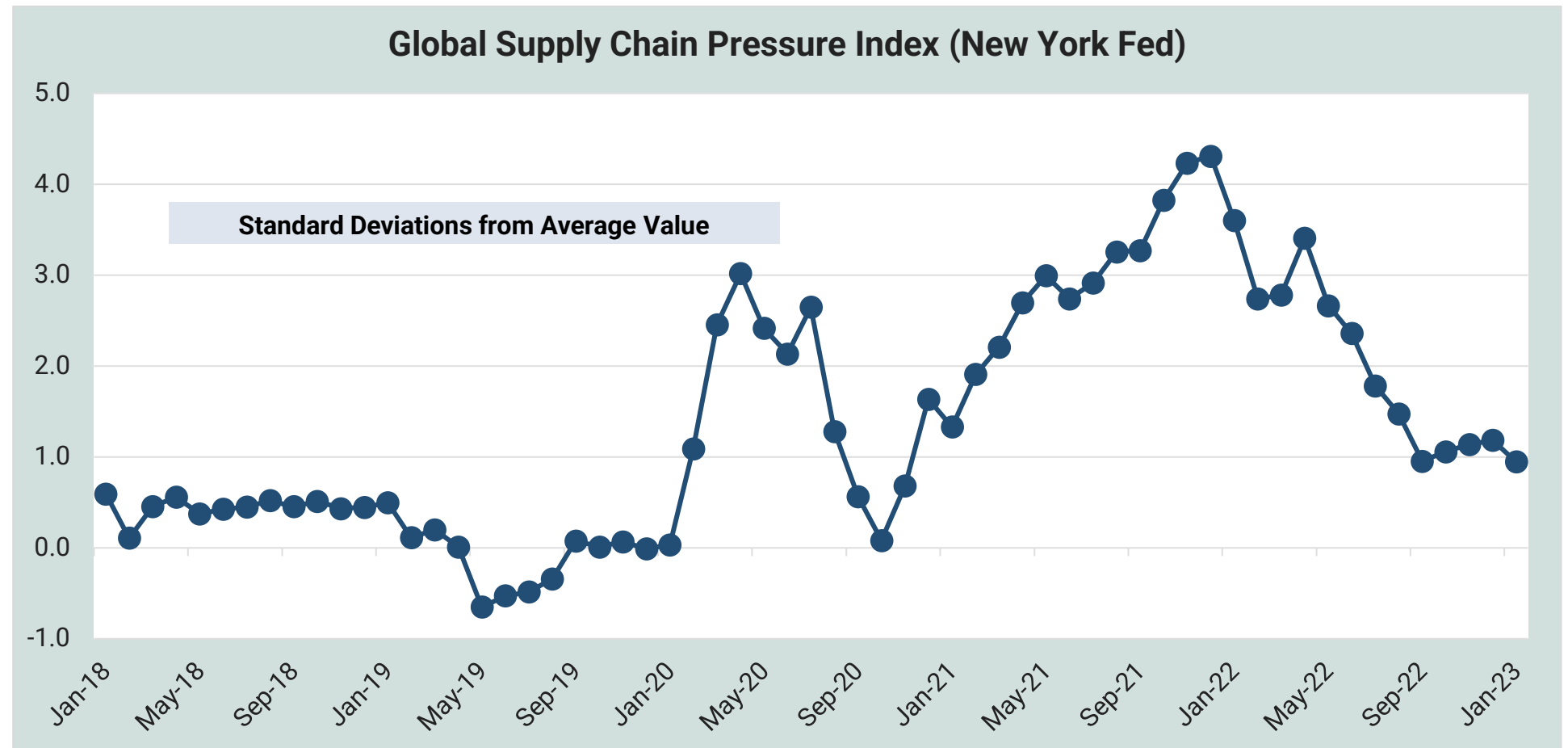
**Global supply chain pressures decreased again in January; pressure declines attributes largely to declines in Korean delivery times, Chinese delivery times, and Euro Area backlogs**

*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.*

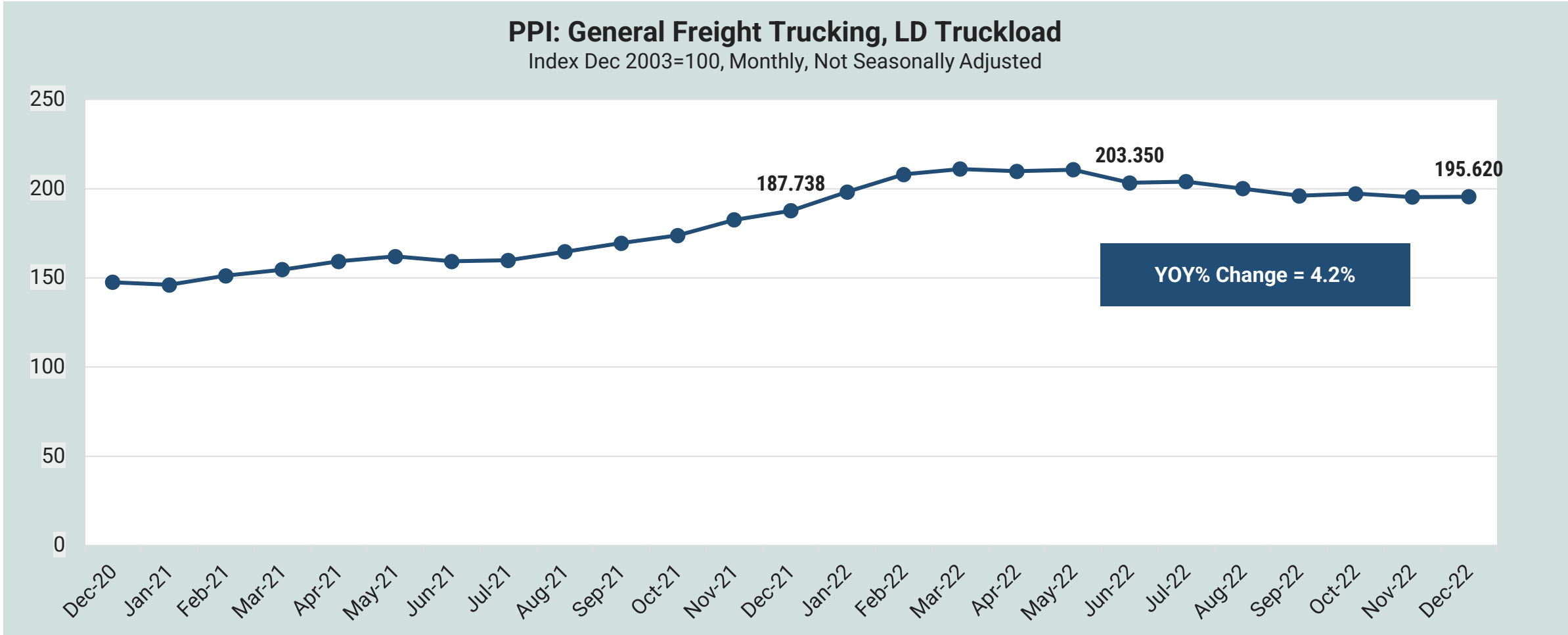
*The GSCPI is a product of the Applied Macroeconomics and Econometrics Center (AMEC).*

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



# Freight Inflation - Trucking

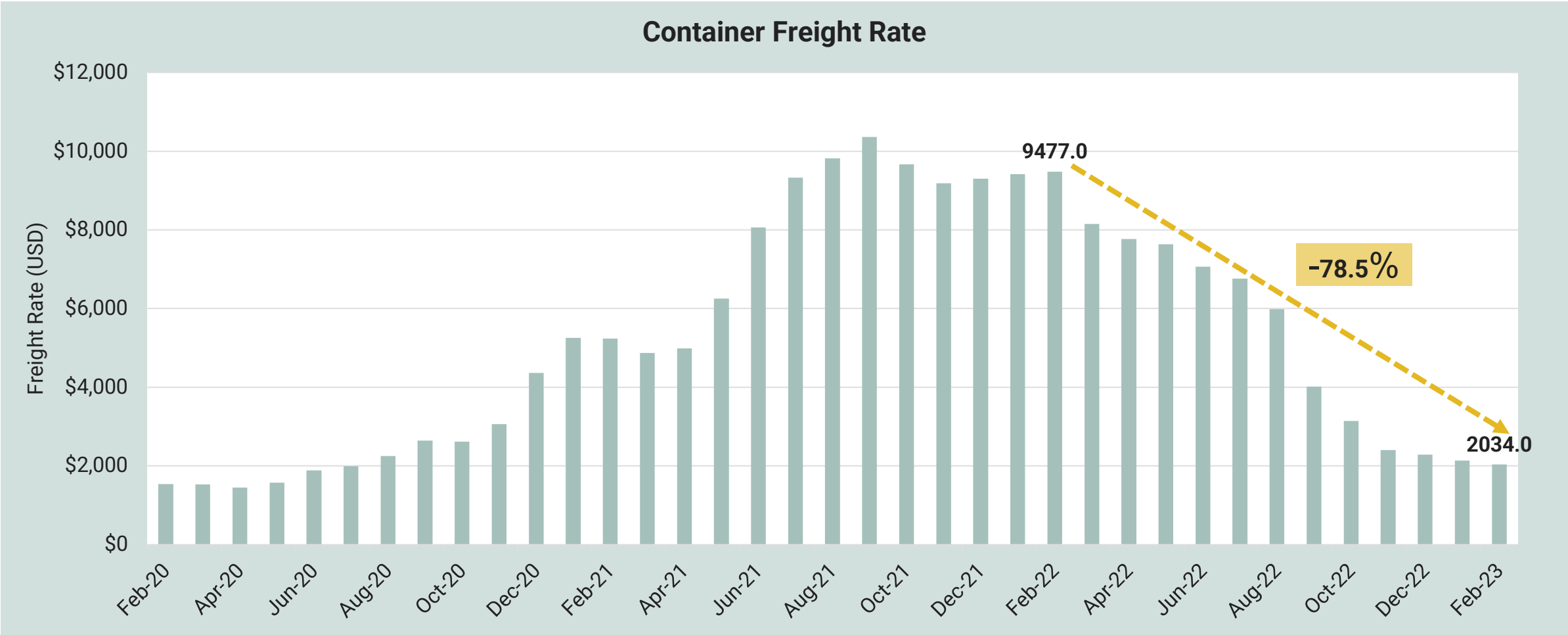
Through December 2022, general freight trucking is 4.2% over last year and flat to previous month



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

# Global Container Freight Rate Index

Container rates have stabilized; Drewry’s composite World Container Index continues to decrease – as of Feb 1, rates were nearly 79% below last year



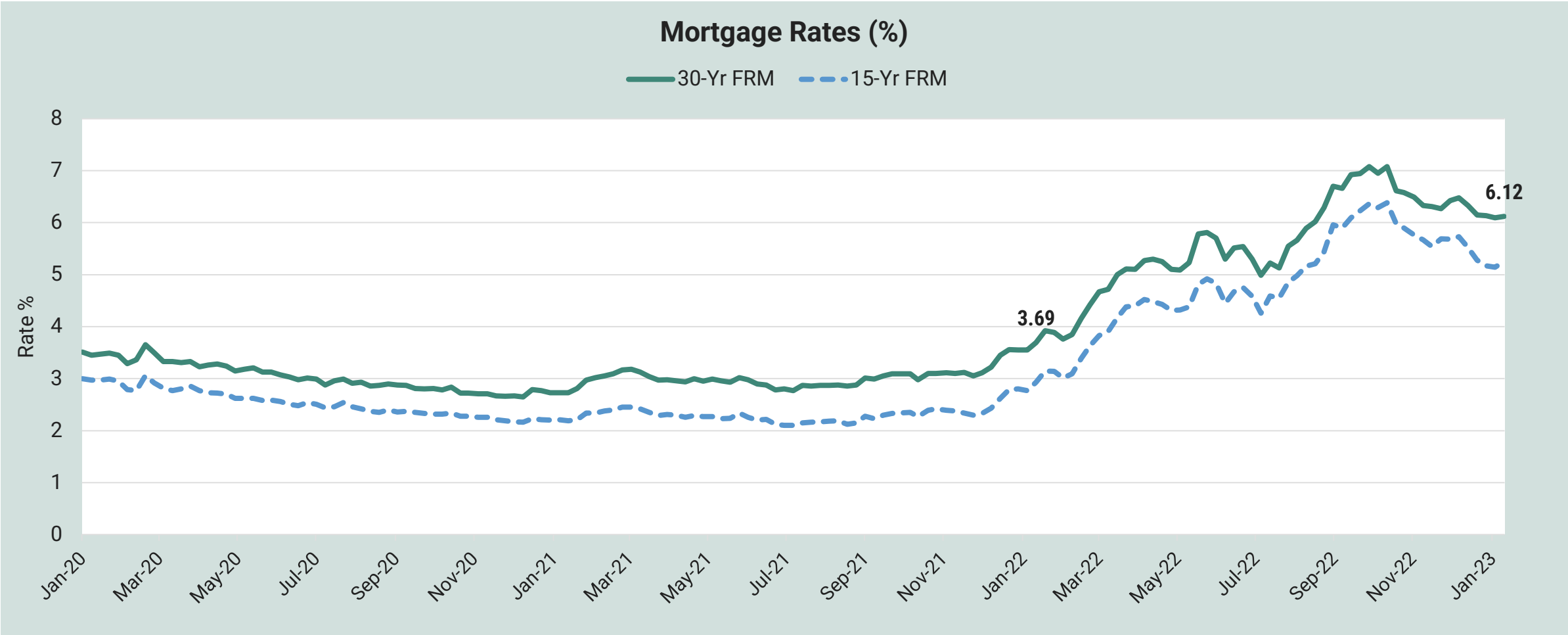
Source: Drewry, <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>

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# Housing

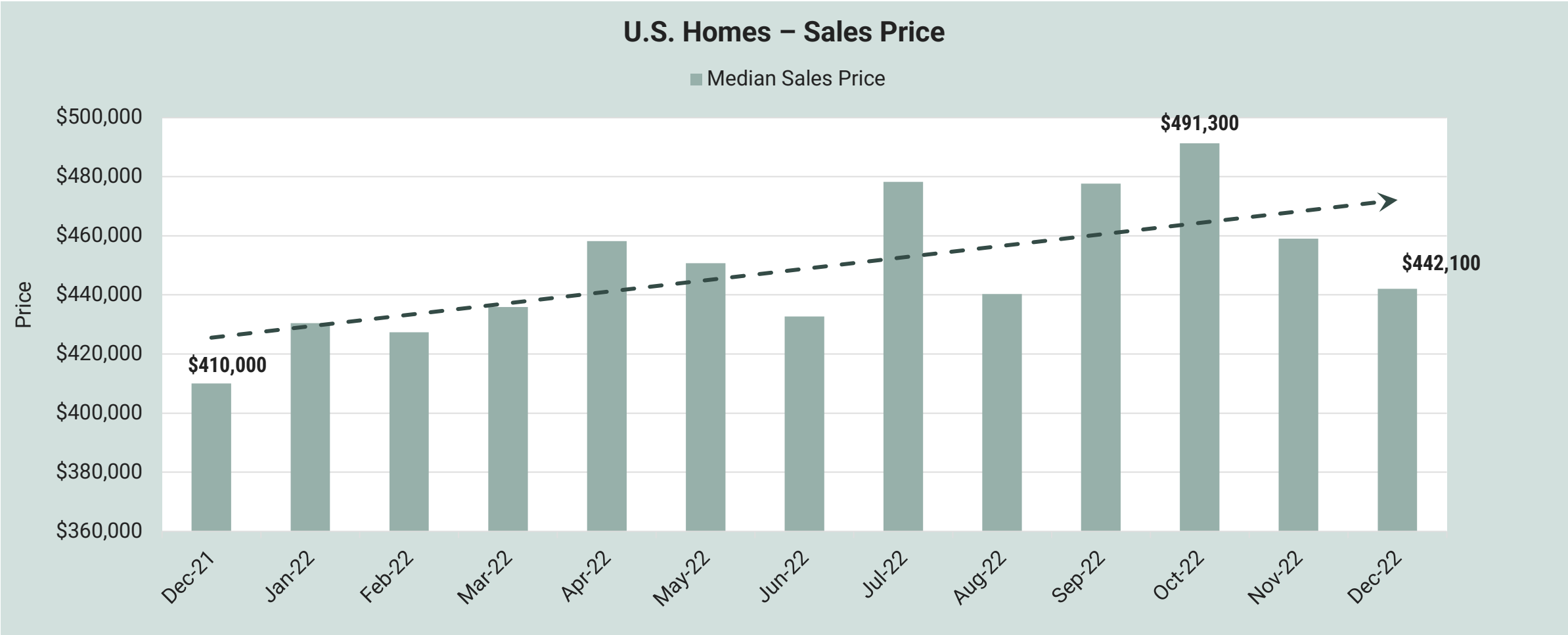
# Mortgage Rates

30-year FRM rate stood at 6.12% in January, compared to 3.69% in 2022; housing markets continue to feel the impact as well as those sectors associated with them



# U.S. Housing – New Home Prices

Through December, the median new home sales price was \$442,100, 7.8% above last year but 10% lower than the 2022 peak of \$491,300 in October

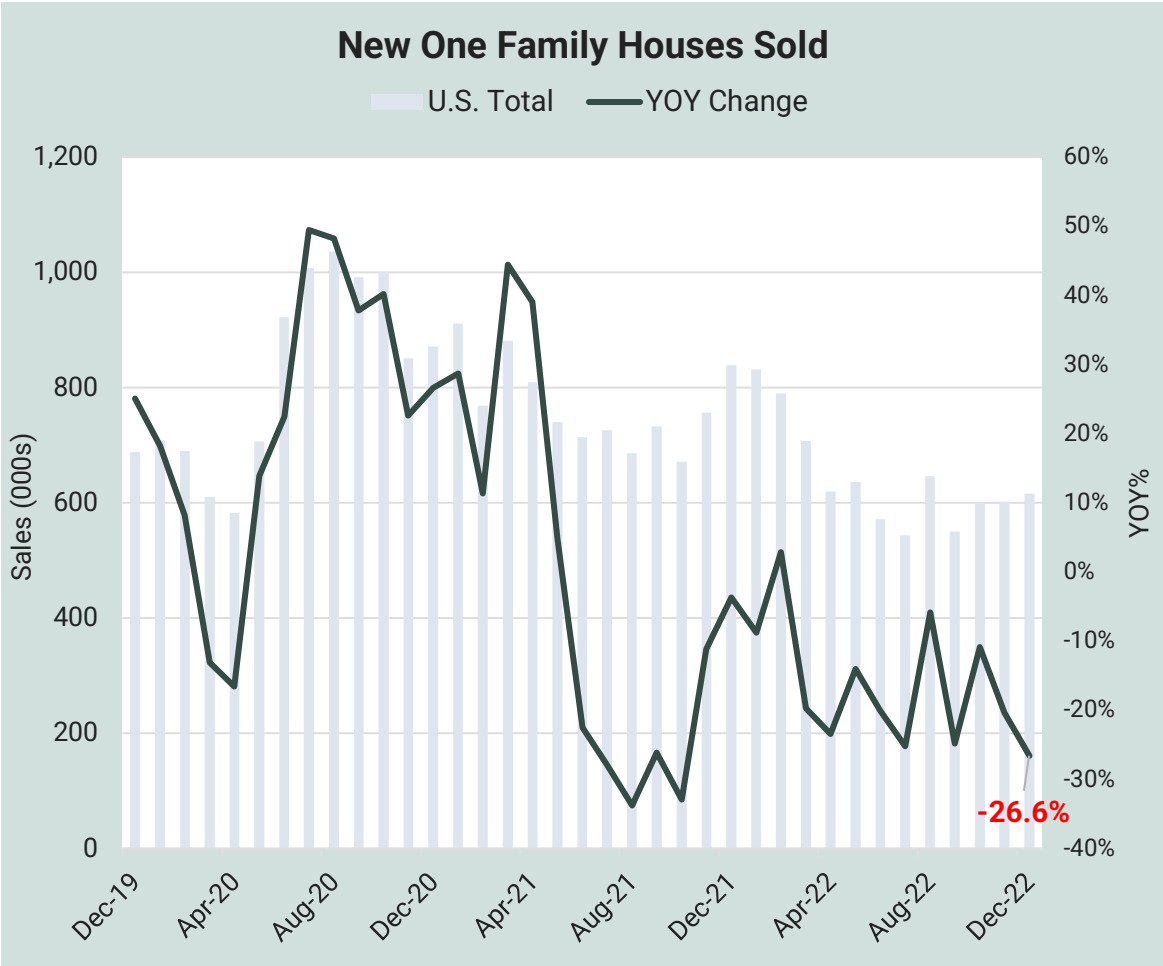


Source: U.S. Census Bureau, Federal Reserve Bank of St. Louis, Economic Research Division

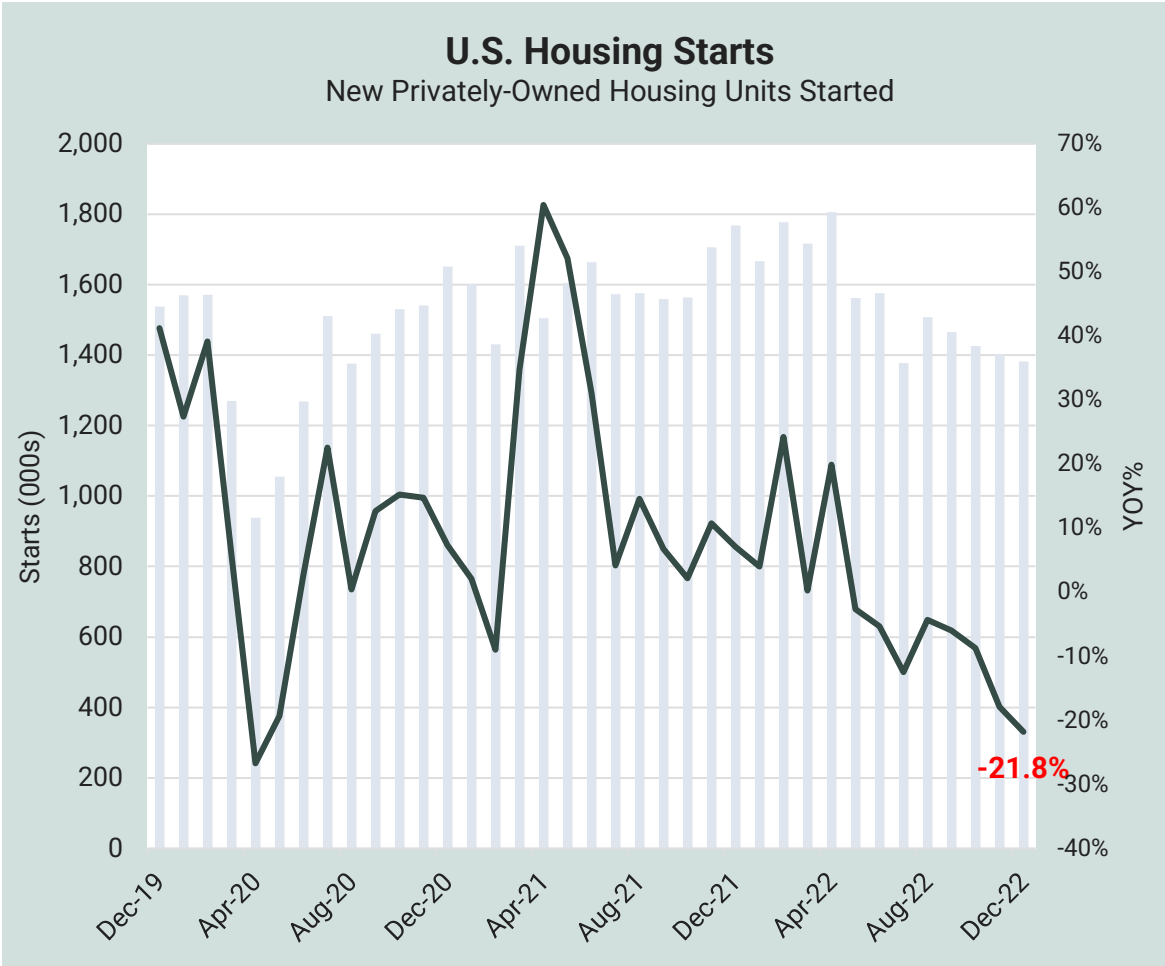


# Housing – New Home Sales and Starts

New home sales declined nearly 27% in December; U.S. housing starts decreased 21.8%



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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Apparel/Textiles



Automotive



Food & Beverage



Supply Chain



Education



Energy, Mining  
& Natural Resources



Financial Services



Hospitality,  
Gaming & Leisure



Manufacturing, &  
Industrials



Government & Public  
Sector



Healthcare  
& Life Sciences



Building Products &  
Construction



Technology, Media &  
Telecommunications



Transportation



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