

# U.S. Economic Overview

CONSUMERS AND THE MACRO ECONOMY

July 2024



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# Summary

# Consumers & Macro Economy Executive Summary



## Positive Trends

- Despite surging deep sea freight rates, port congestion has started to ease
- Food at Home prices remain stable, with CPI relatively flat for last several months and just 1% above 2023
- Average U.S. retail gas price were down nearly 3% YOY at \$3.58/gallon; crude oil prices were flat MTM
- Personal disposable income is up 3.7%
- YTD air travel volume increased .8% vs. 2023; the price of air travel is down 5.9% from last year
- Both hourly and weekly wage rate increases exceeded the change in inflation again in June
- Unemployment remains stable; non-farm employment was up 1.7% YOY and rose 206,000 vs. previous month



## Key Headwinds

- Global deep sea freight rates continue to surge, reaching record highs through July
- U.S. Consumer Misery Index remains near 7%
- Hard Goods, and Sporting Goods segments continue to show sales declines
- Bank Prime Loan and Federal Funds Rates remain unchanged
- Mortgage rates dipped below 7% but housing costs remain an issue as the housing affordability index declined nationally for the 4<sup>th</sup> consecutive month
- New home sales through May fell 16.5% over 2023, and 11.3% over previous month
- May 2024 housing starts were down over 19% YOY



## Concerns

- July 2024 consumer sentiment dropped slightly vs. previous month and is nearly 8% below LY
- June retail sales increased 3.8%, but sporting goods, hard goods, and home segments continue to lag
- Food and Dining sales increased just 4.4%, barely exceeding inflation for Food Away from Home, which increased 4.1%
- Revolving credit remains high and rose 6.6% YOY
- Consumer expenditures continue to increase faster than income
- May 2024 existing home sales declined .7% MTM – YOY sales declined 1.9%

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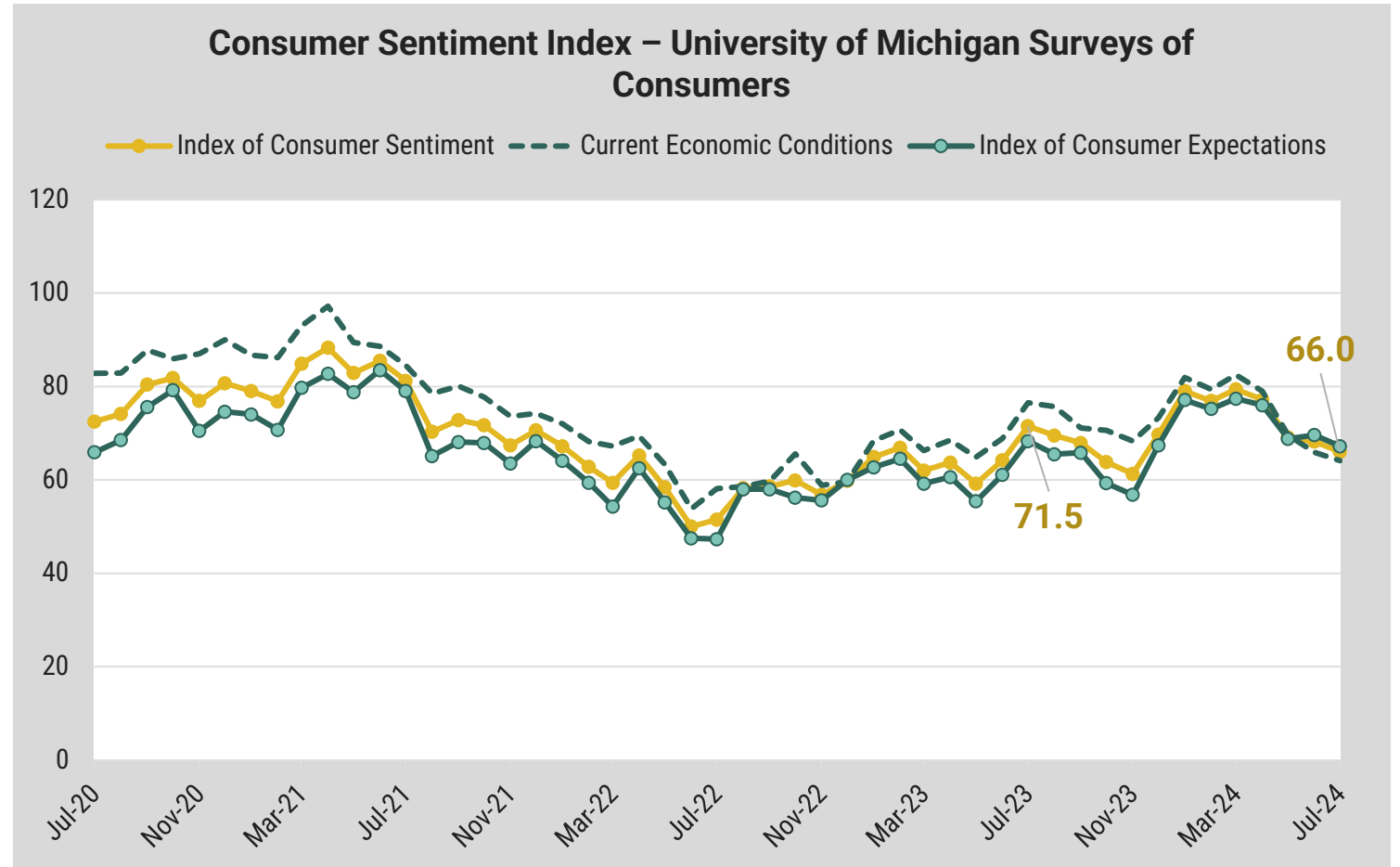
# Key Consumer Metrics



# Consumer Sentiment Index

July 2024 consumer sentiment dropped slightly vs. previous month; year-ahead inflation expectations fell for the second consecutive month, reaching 2.9%

JUNE 2024	Index of Consumer Sentiment	Current Economic Conditions	Index of Consumer Expectations
2-Year High	79.4	82.5	77.4
2-Year Avg.	65.8	69.0	63.7
2- Year Low	51.5	58.1	47.3
Current	66.0	64.1	67.2
LY	71.5	76.5	68.3
YOY % Change	-7.7%	-16.2%	-1.6%
Previous Month	68.2	65.9	69.6
MTM % Change	-3.2%	-2.7%	-3.4%



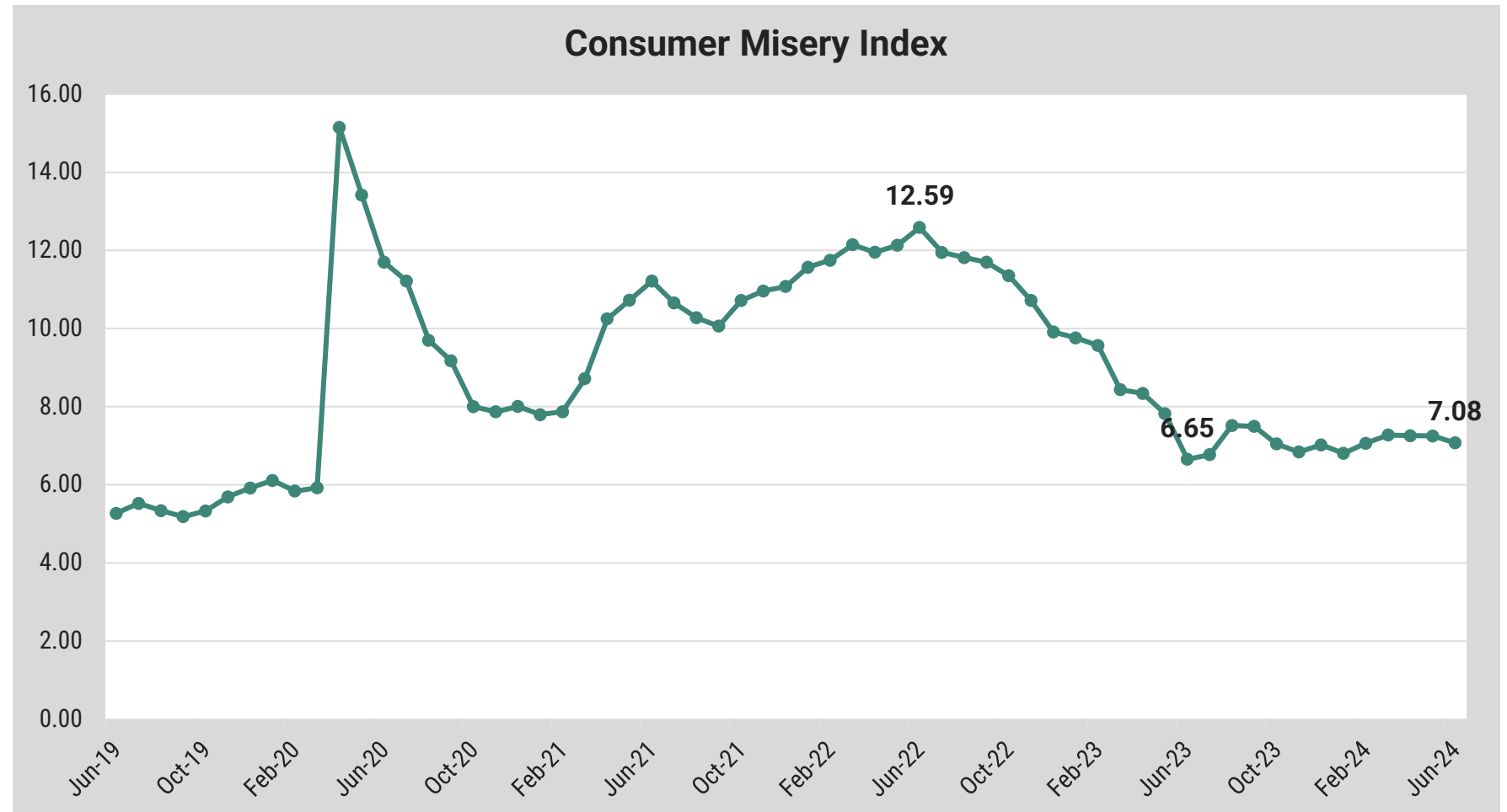
Source: The Surveys of Consumers are conducted by the Survey Research Center at the University of Michigan. (<https://data.sca.isr.umich.edu/survey-info.php>)



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

The U.S. Consumer Misery Index is currently at 7.08, essentially flat to previous month as consumers continue to deal with the impact of inflation

*The consumer misery index combines unemployment and inflation rates to gauge economic hardship. The index is calculated by simply adding the unemployment rate) to the inflation rate. A higher misery index suggests a greater level of economic hardship for the average consumer.*







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

*CPI rose 3 percent over the last 12 months. Core CPI rose 3.3 percent for the 12 months ending June, the smallest increase this year.*

*Food Away From Home +4.1%*

*Housing +4.4%*

*Fuel -2.5%*

*Air Fare -5.1%*

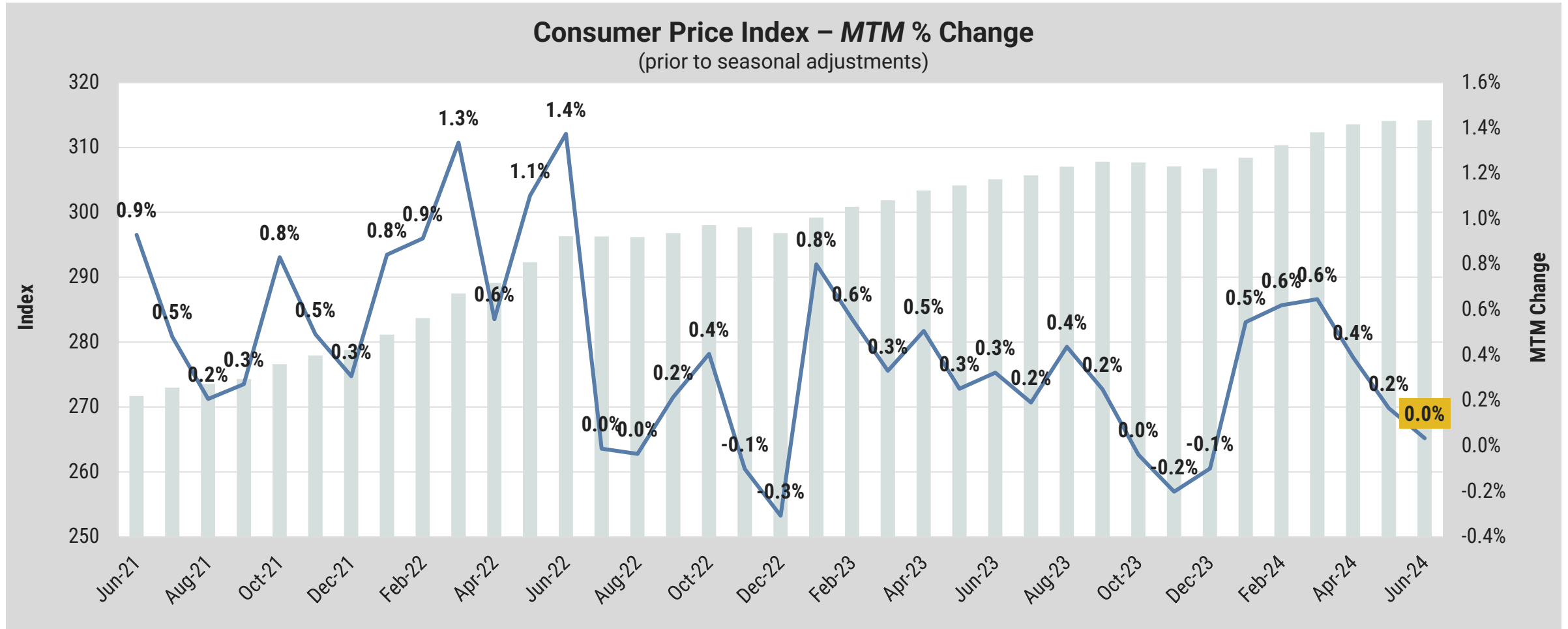
	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
<b>Total CPI</b>	3.1%	3.2%	3.5%	3.4%	3.3%	3.0%
<b>All Items Less Food &amp; Energy (Core CPI)</b>	3.9%	3.8%	3.8%	3.6%	3.4%	3.3%
Food at Home	1.2%	1.0%	1.2%	1.1%	1.0%	1.1%
Food Away From Home	5.1%	4.5%	4.2%	4.1%	4.0%	4.1%
Motor Fuel	-6.6%	-4.2%	1.0%	1.0%	2.0%	-2.5%
Apparel	0.1%	0.0%	0.4%	1.3%	0.8%	0.8%
Housing	4.6%	4.5%	4.7%	4.5%	4.6%	4.4%
Education	2.5%	2.7%	2.4%	2.5%	2.7%	2.8%
Medical Care	1.1%	1.4%	2.2%	2.6%	3.1%	3.3%
Transportation	1.6%	2.7%	4.0%	3.5%	2.9%	1.3%
Air Fare	-6.4%	-6.1%	-7.1%	-5.8%	-5.9%	-5.1%

Source: U.S. Bureau of Labor Statistics



# Consumer Price Index – Month-to-Month Trends

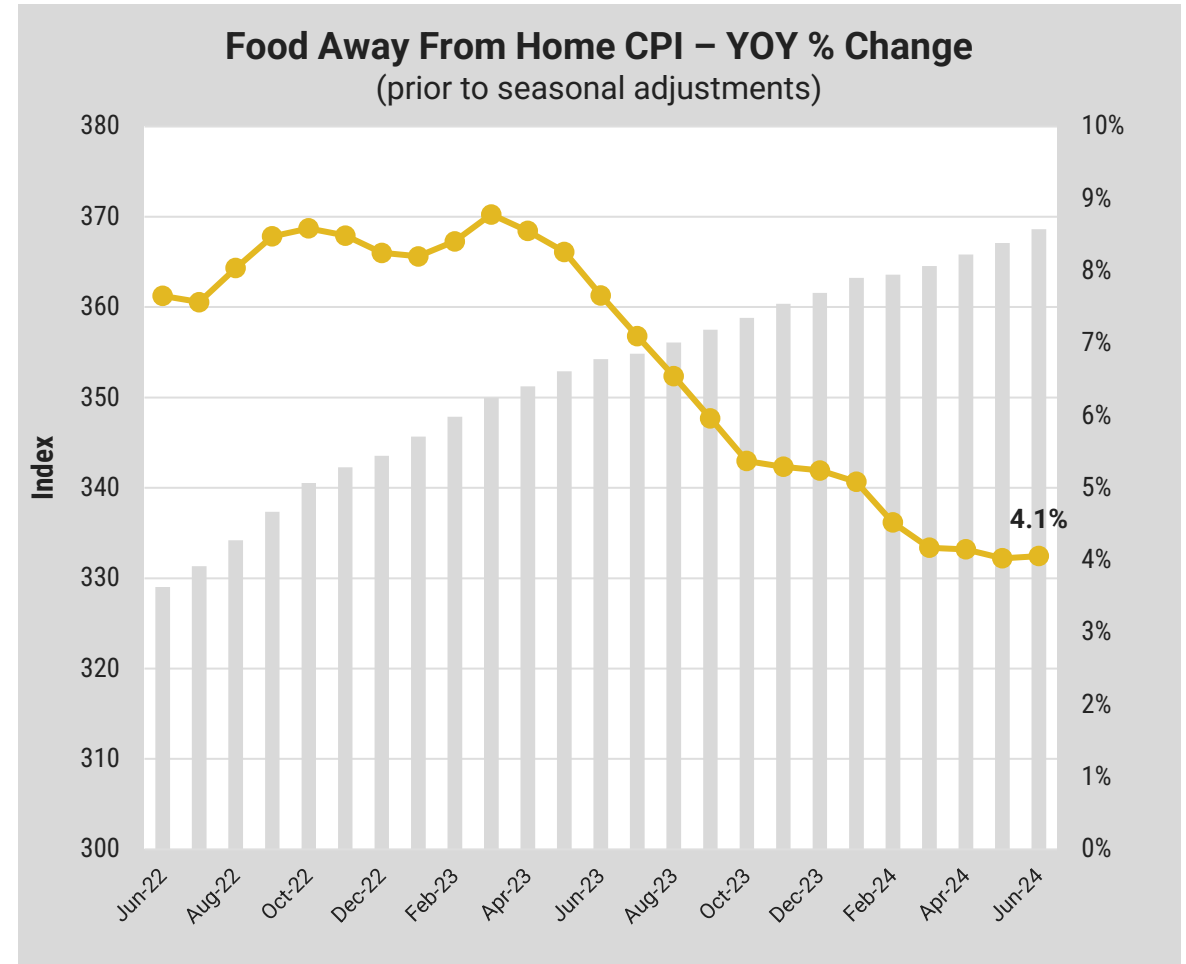
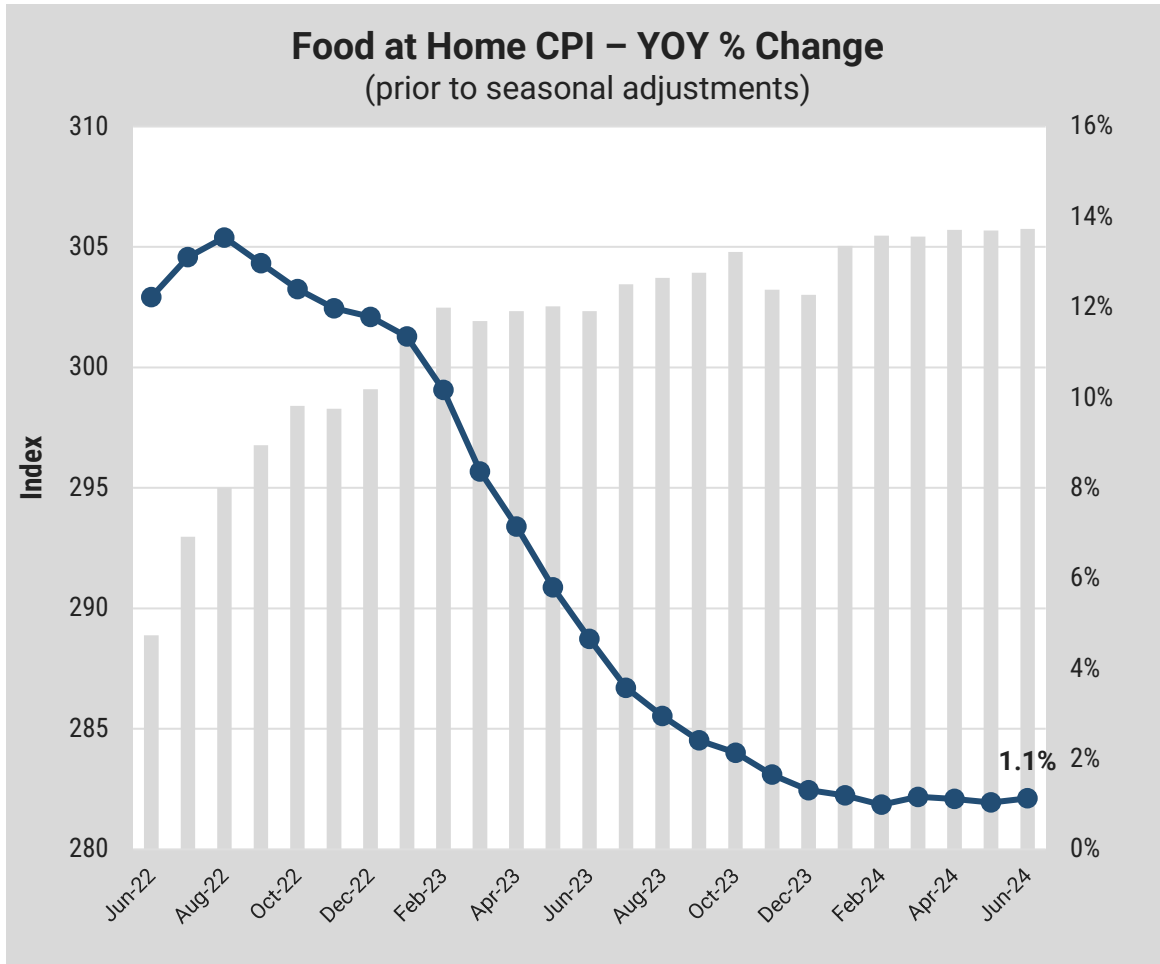
Compared to previous month, CPI for All Urban Consumers (CPI-U) was flat (prior to seasonal adjustments)



# U.S. Food Prices



The rate of increase in U.S. Food prices (monthly CPI) remains low; Food Away From Home rose 4.1%

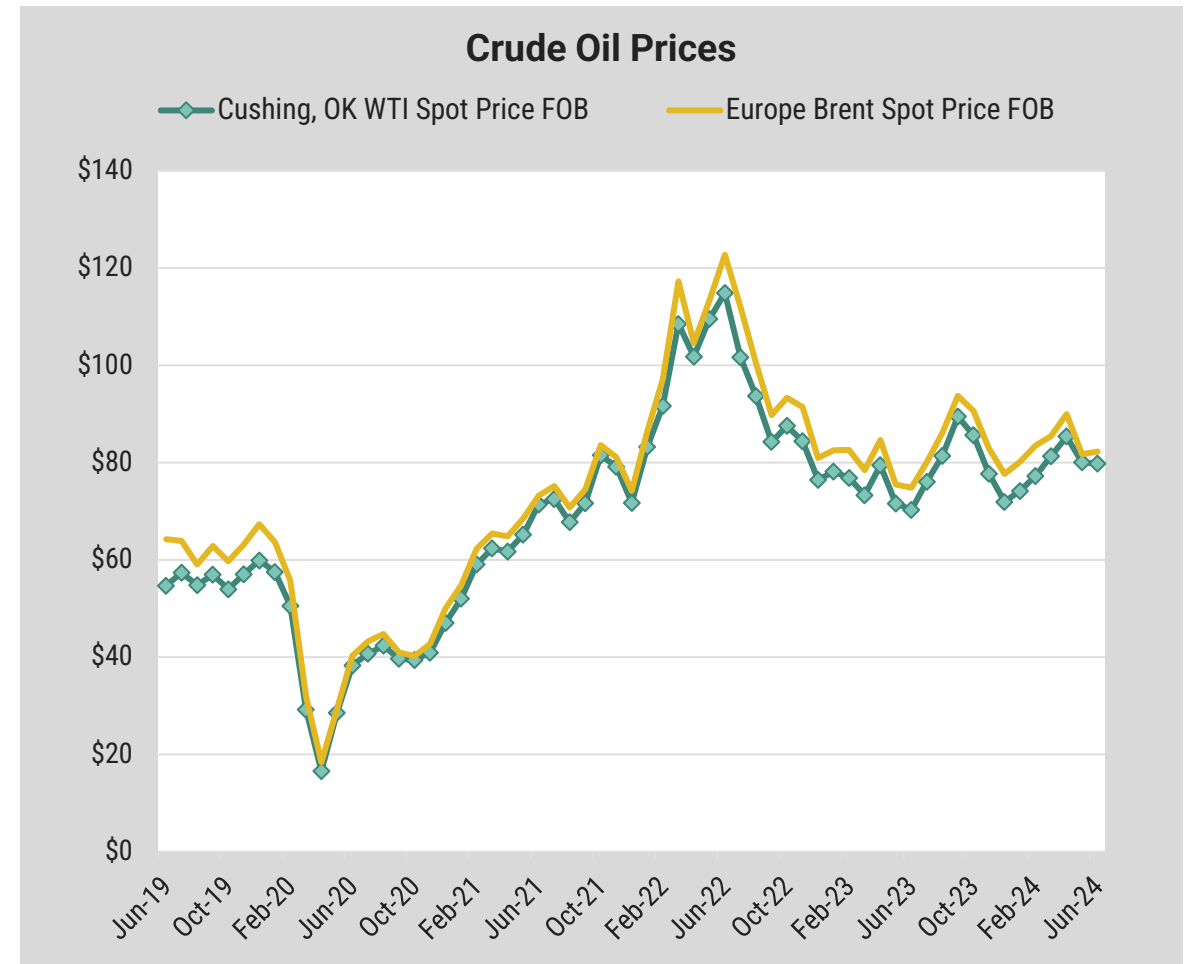
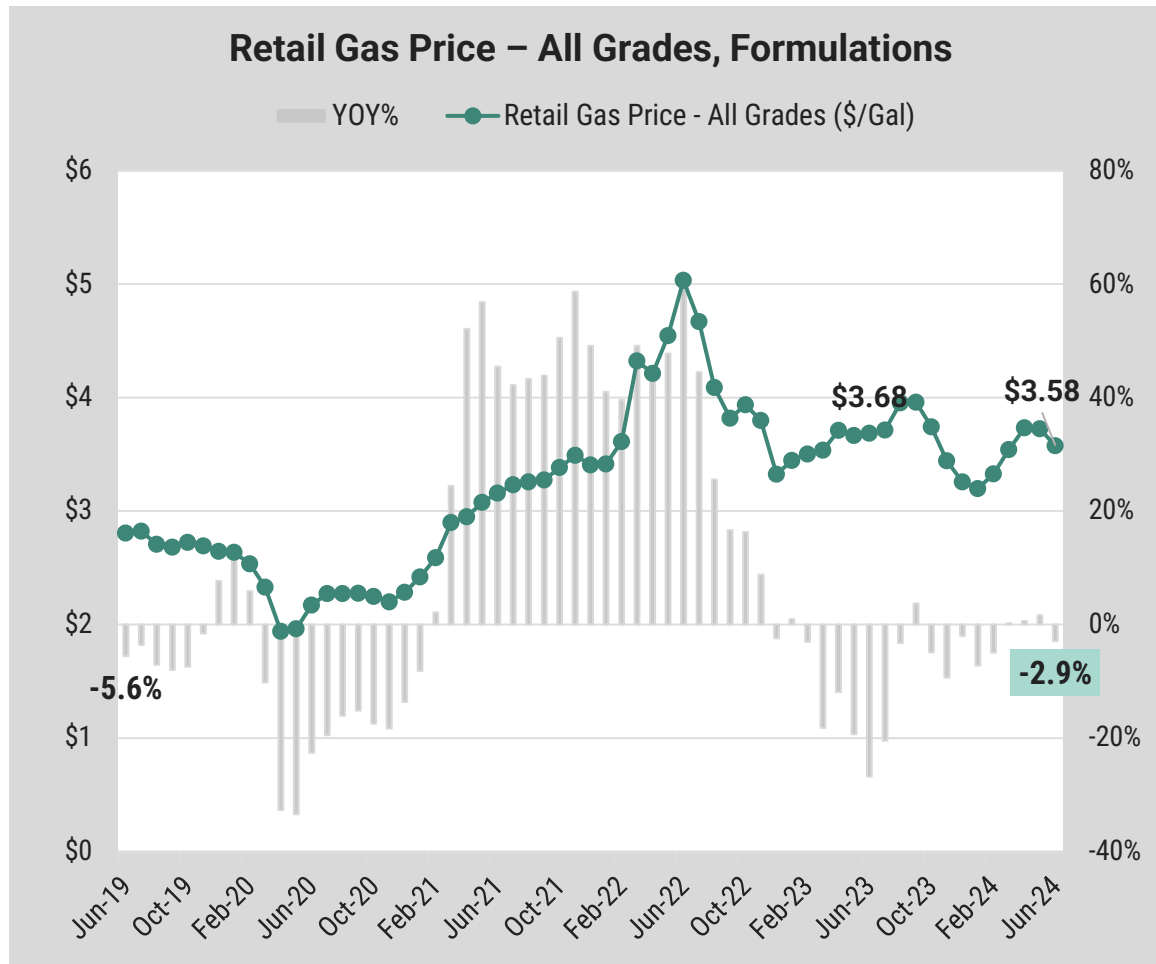


Source: U.S. Bureau of Labor Statistics



# Gasoline (Retail Price) and Crude Oil Prices

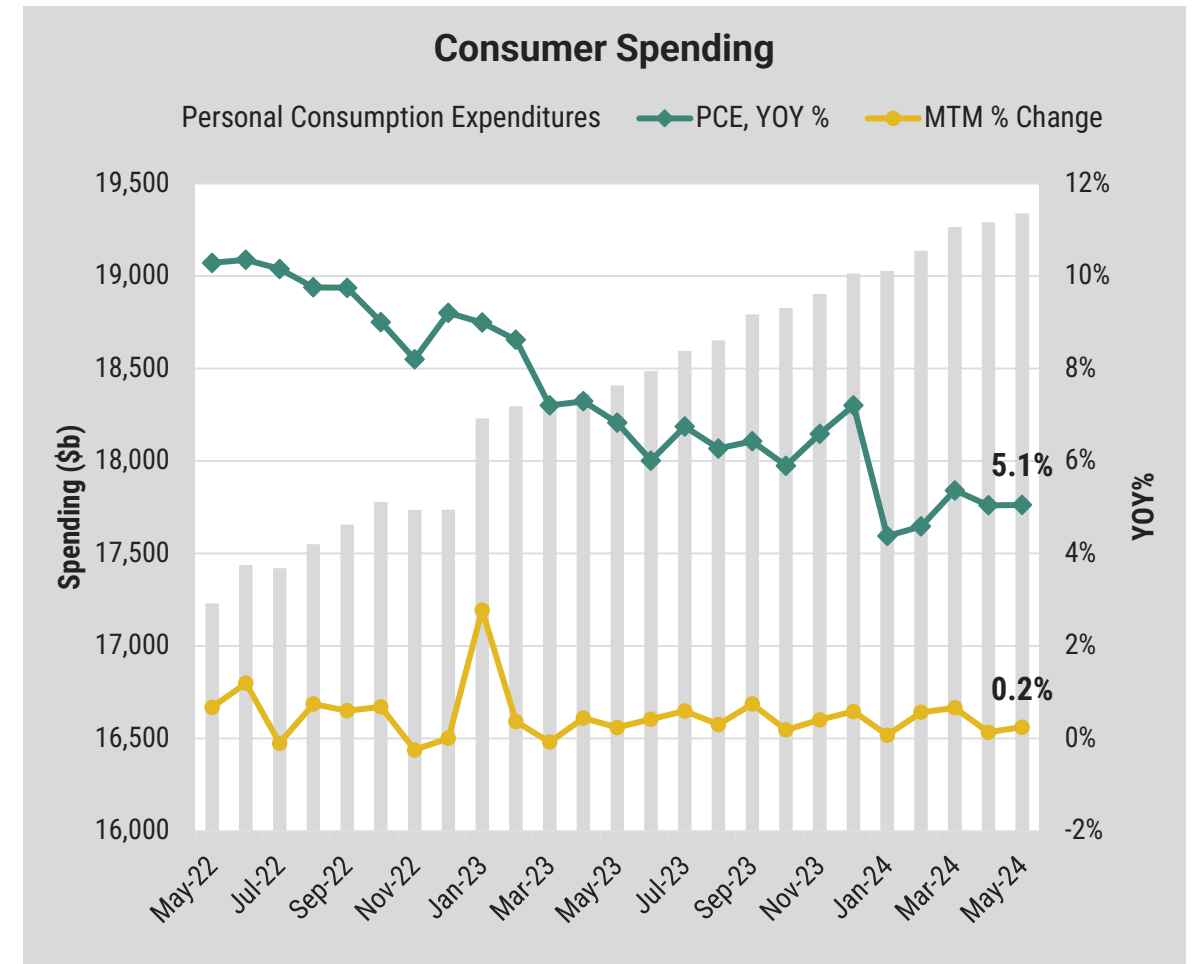
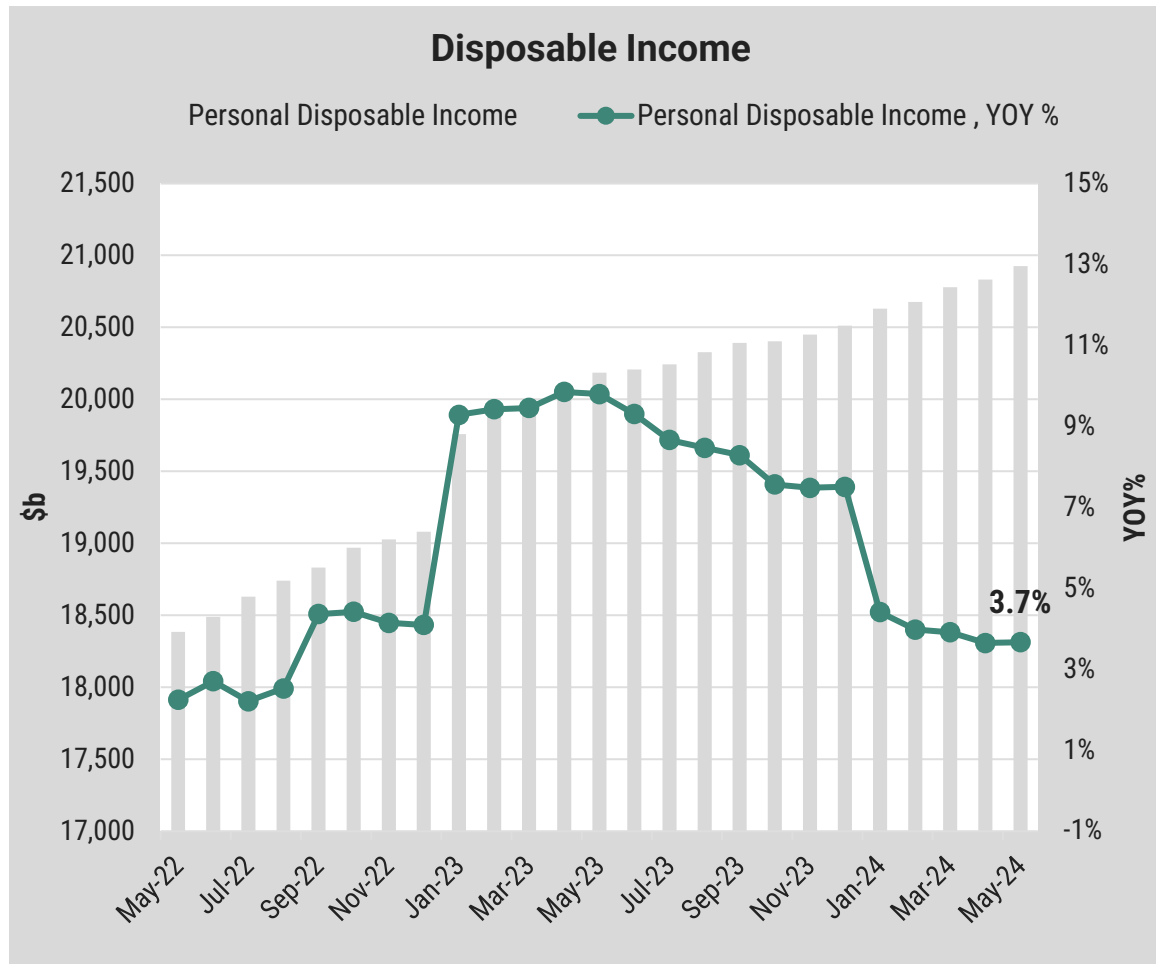
Average U.S. retail gas price were down nearly 3% YOY at \$3.58/gallon; crude oil prices were flat MTM





# Consumer Income and Spending (2-month lag)

Personal disposable income rose 3.7%; consumer expenditures increased 5.1% YOY

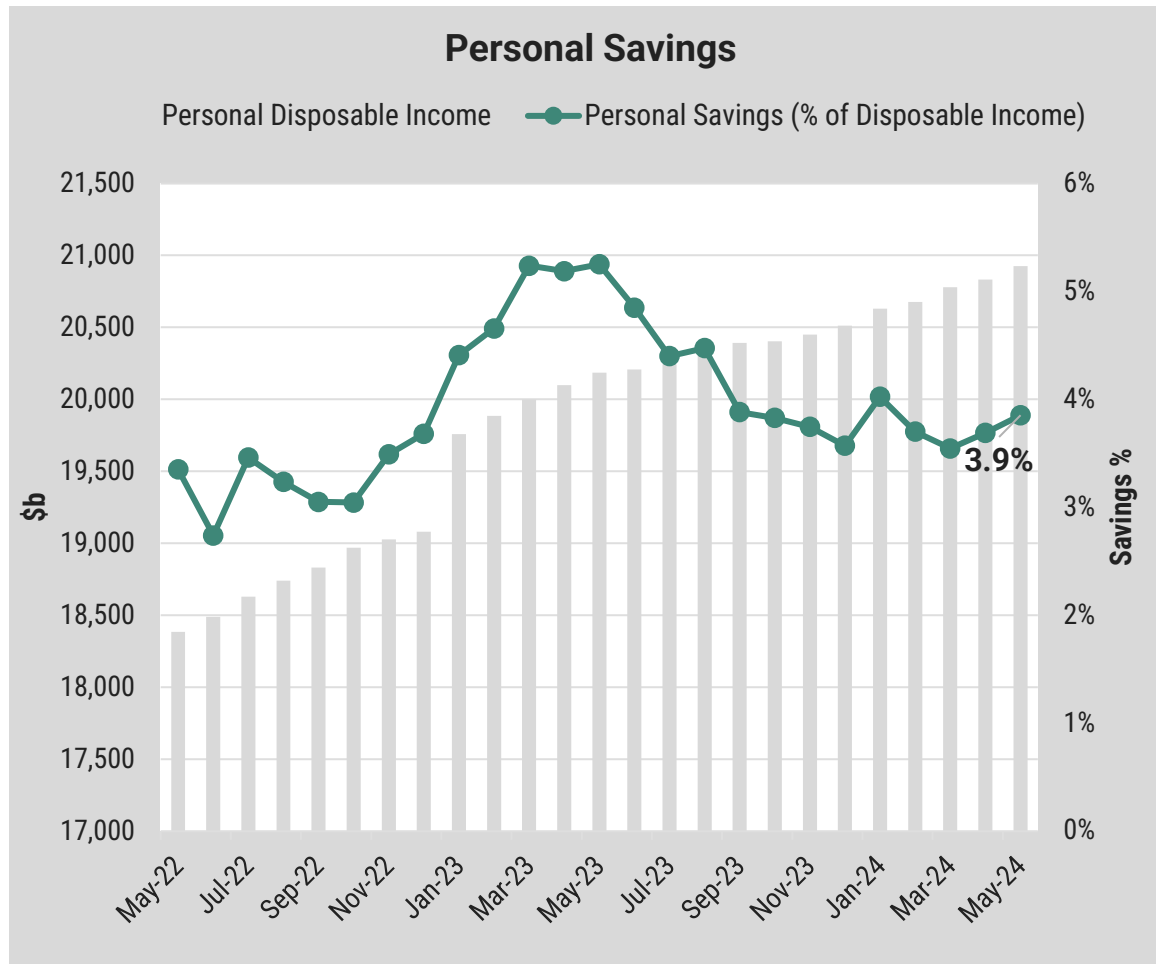


Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting

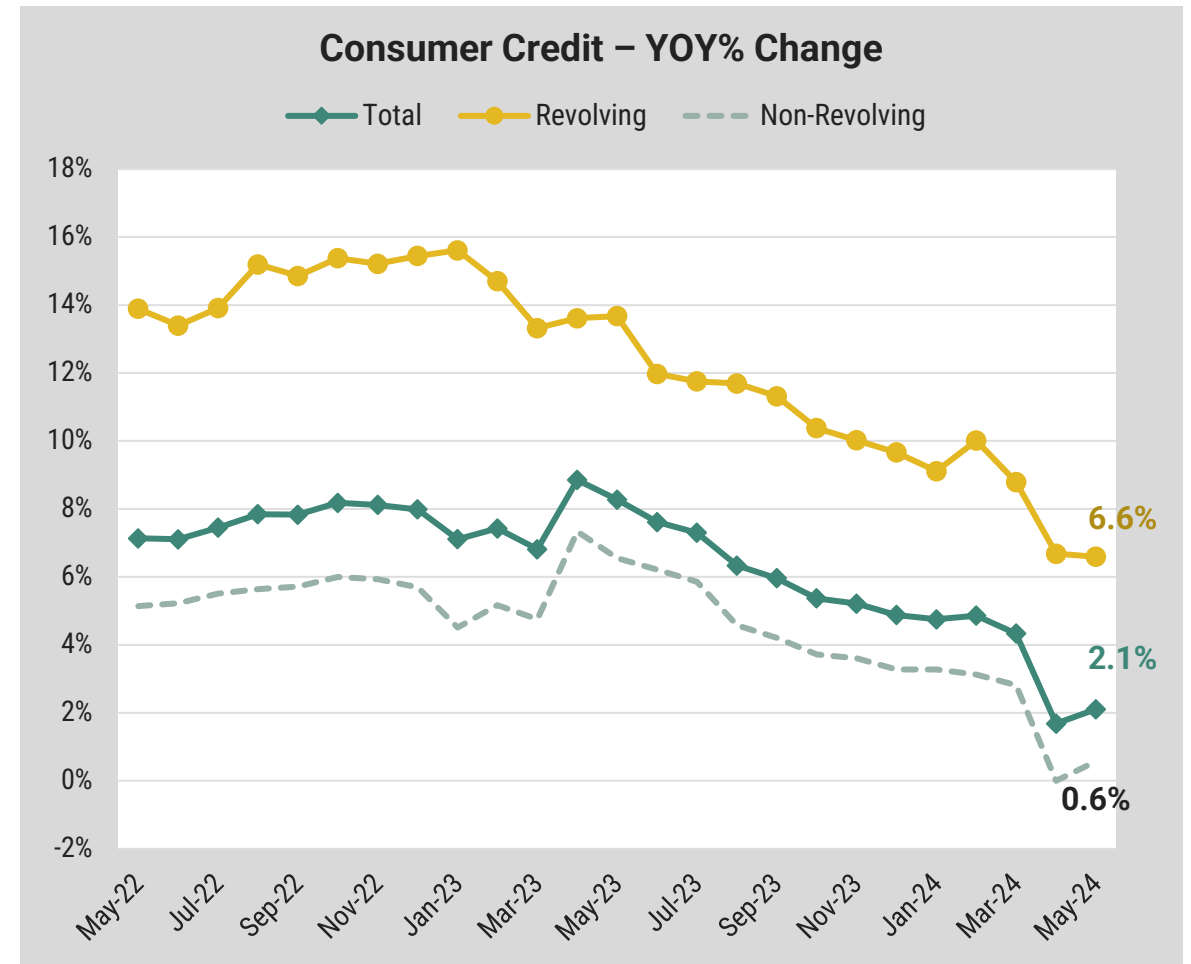


# Personal Savings & Consumer Credit (2-month lag)

Personal savings increased 3.9% above 2023; revolving credit rose 6.6% vs. 2023; total consumer credit increased 2.1%



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

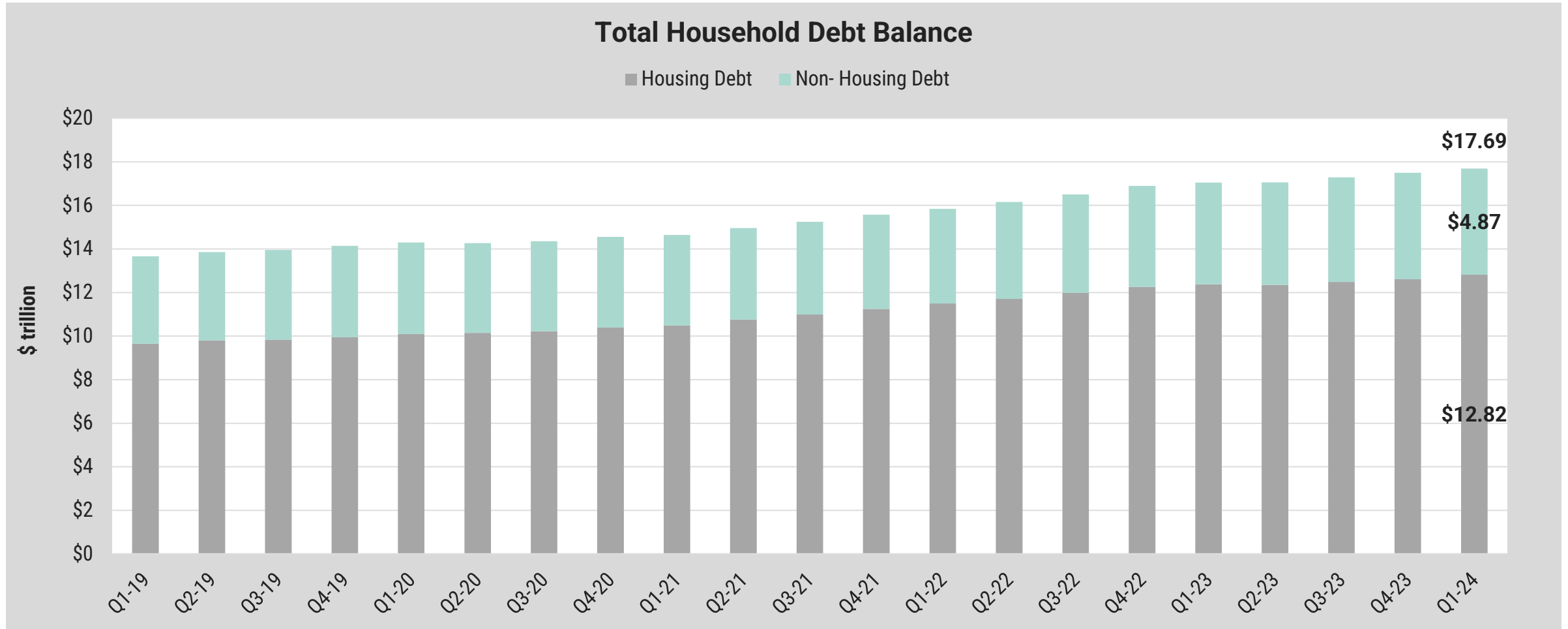


Source: U.S. Federal Reserve, 2-month lag in reporting



# Total Consumer Debt

**Q1-2024 total household debt stands at \$17.69 trillion; mortgage balances are \$12.44 trillion in Q1, with balances on auto loans \$1.62 trillion**



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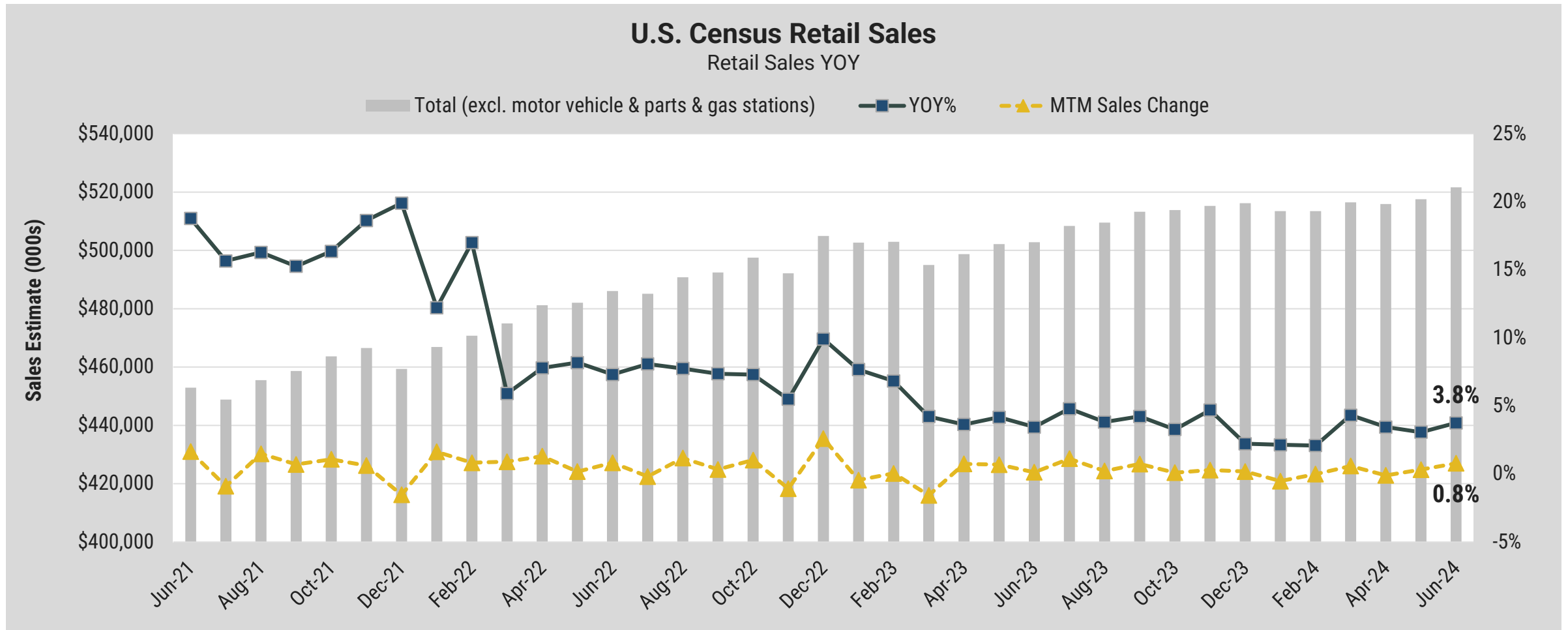
# U.S. Retail Sales





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

June retail sales were up 3.8% YOY and about 1% MTM



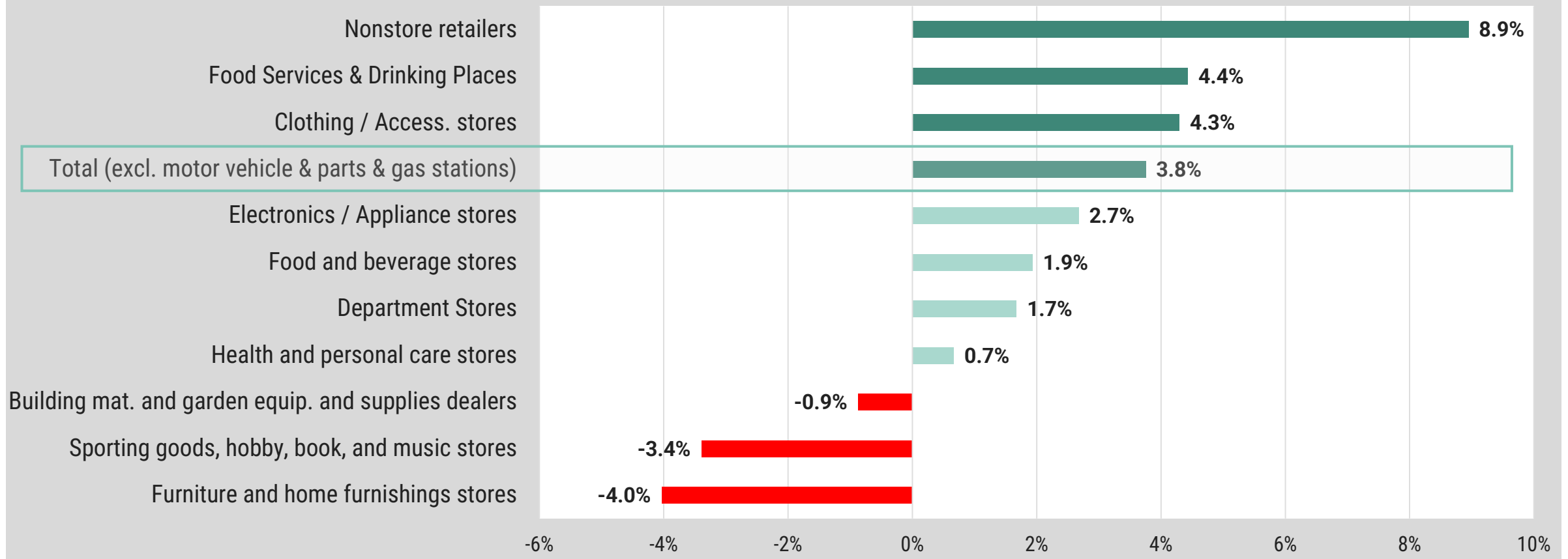
Source: U.S. Census Bureau



# U.S. Retail Sales by Retail Category

**June sales increase was driven by an 8.9% increase for non-store (online) retailers and 4%+ increase in Food Services and Dining, and Clothing and Accessories; sporting goods, hard goods, and home segments continue to lag and were down YOY**

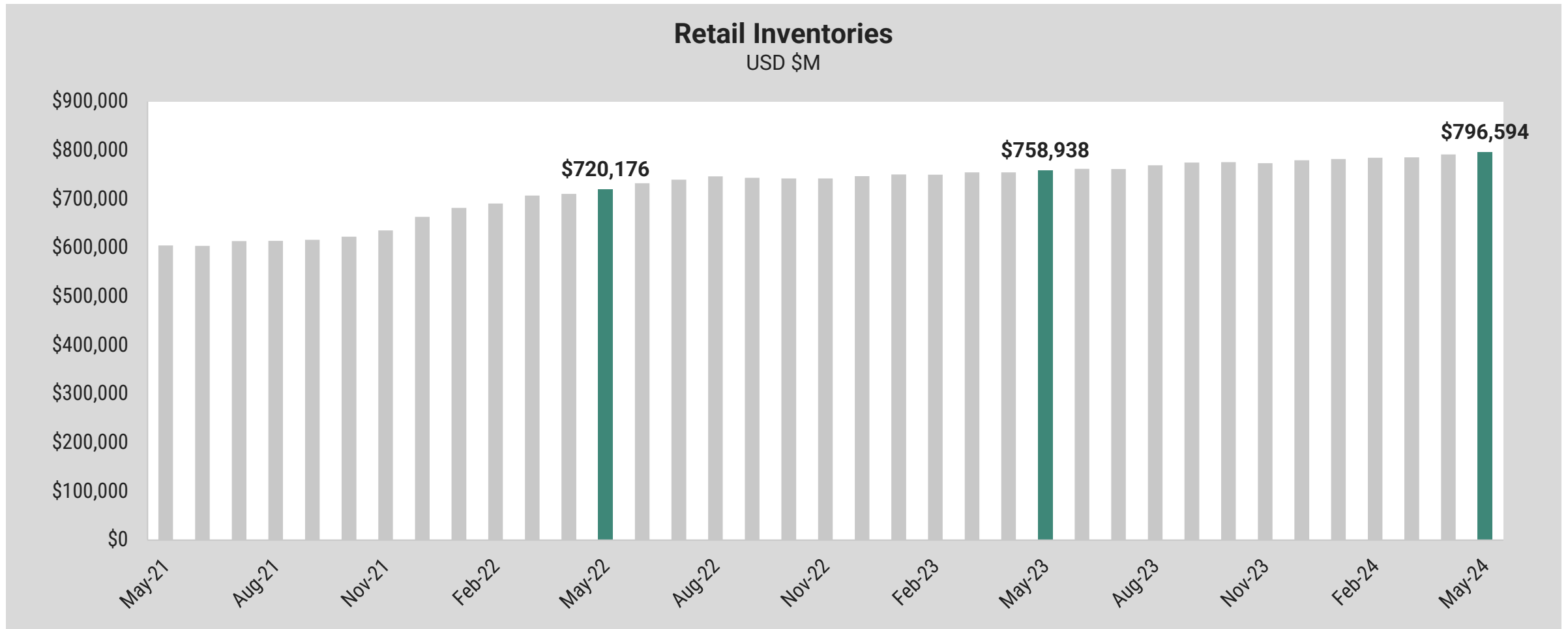
**Retail Trade Sales - YOY % Change by Category**





# Retail Inventories *(2-month lag)*

**May retail inventories increased 5% above 2023 and were flat to previous month, continued sluggish consumer spending will likely force deeper markdowns in summer products**

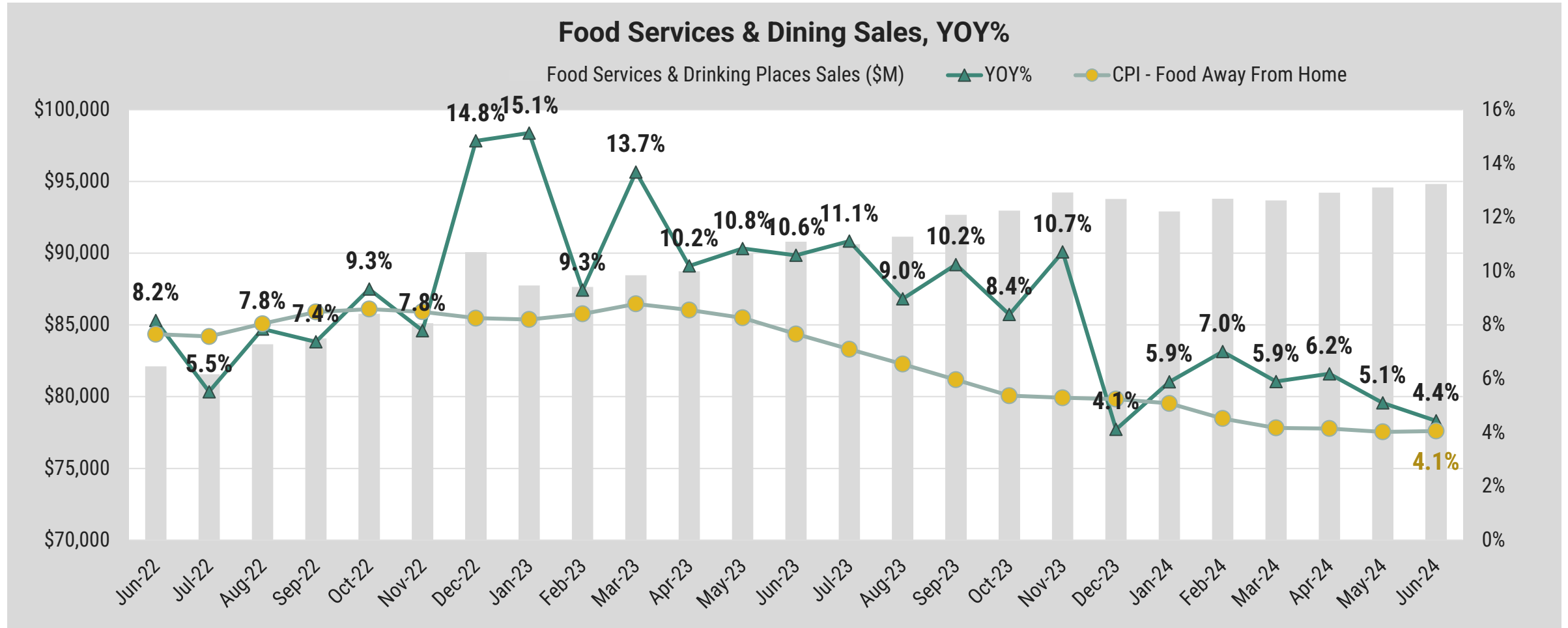


U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>

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



**Food Services / Dining increased 4.4% in June; prices for Food Away From Home rose 4.1%**

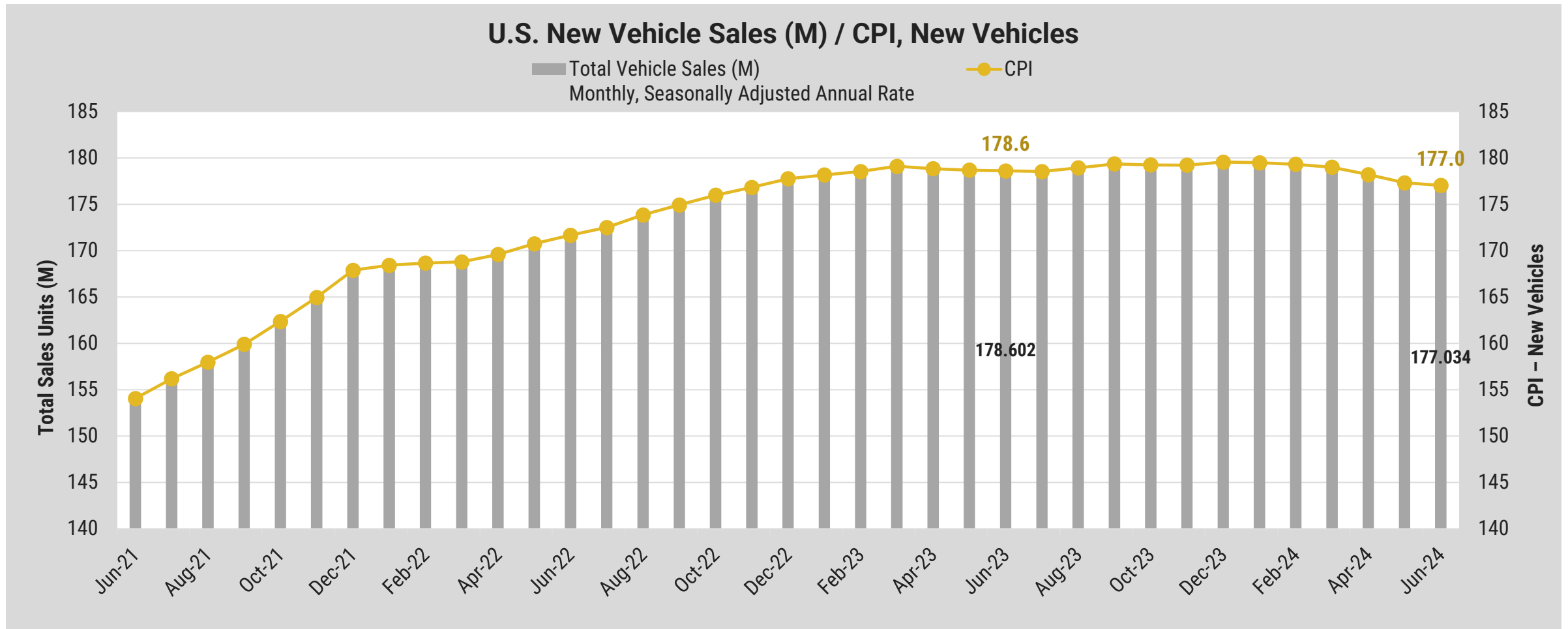


Source: U.S. Census Bureau



# U.S. Vehicle Sales (2-month lag)

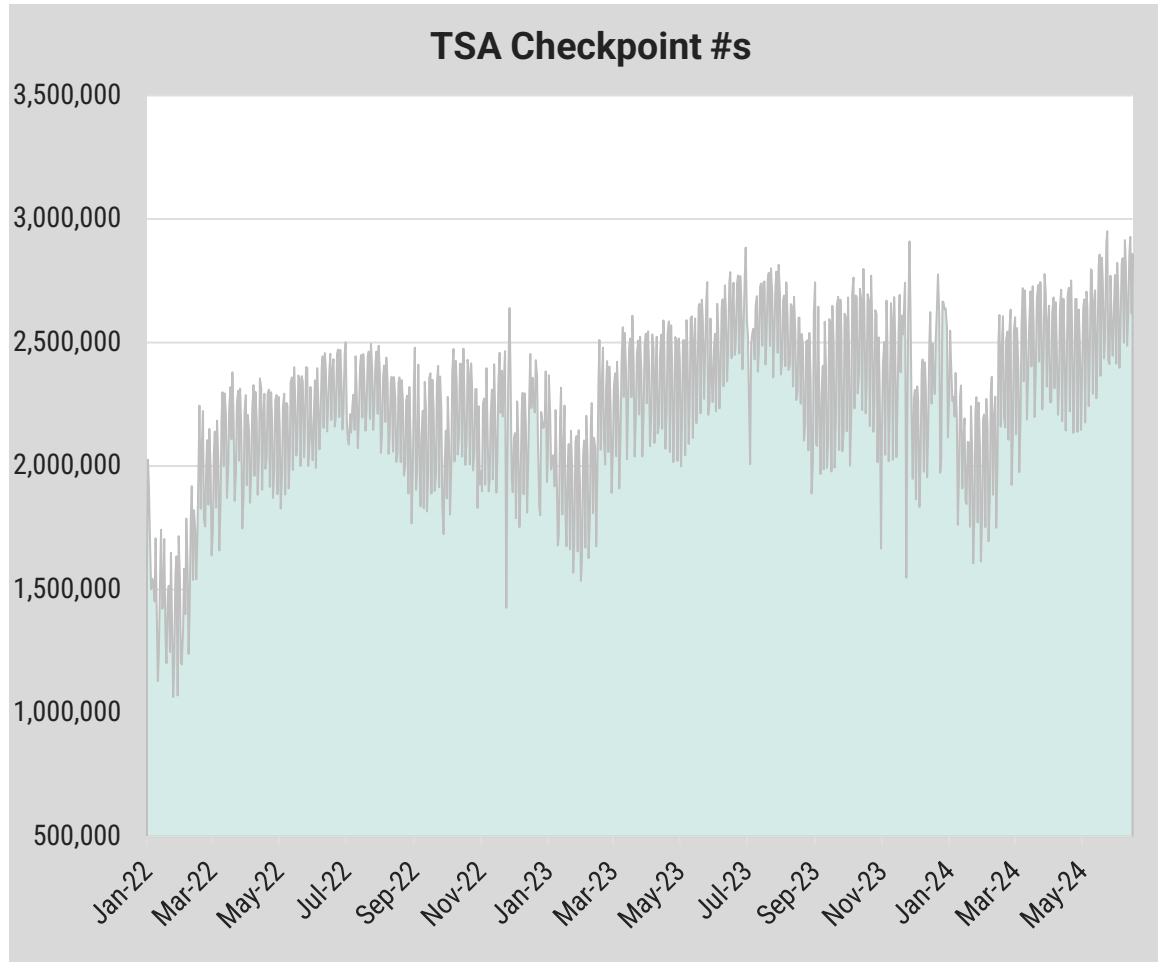
June new vehicle sales were down 1% YOY; auto prices (CPI) was down slightly YOY



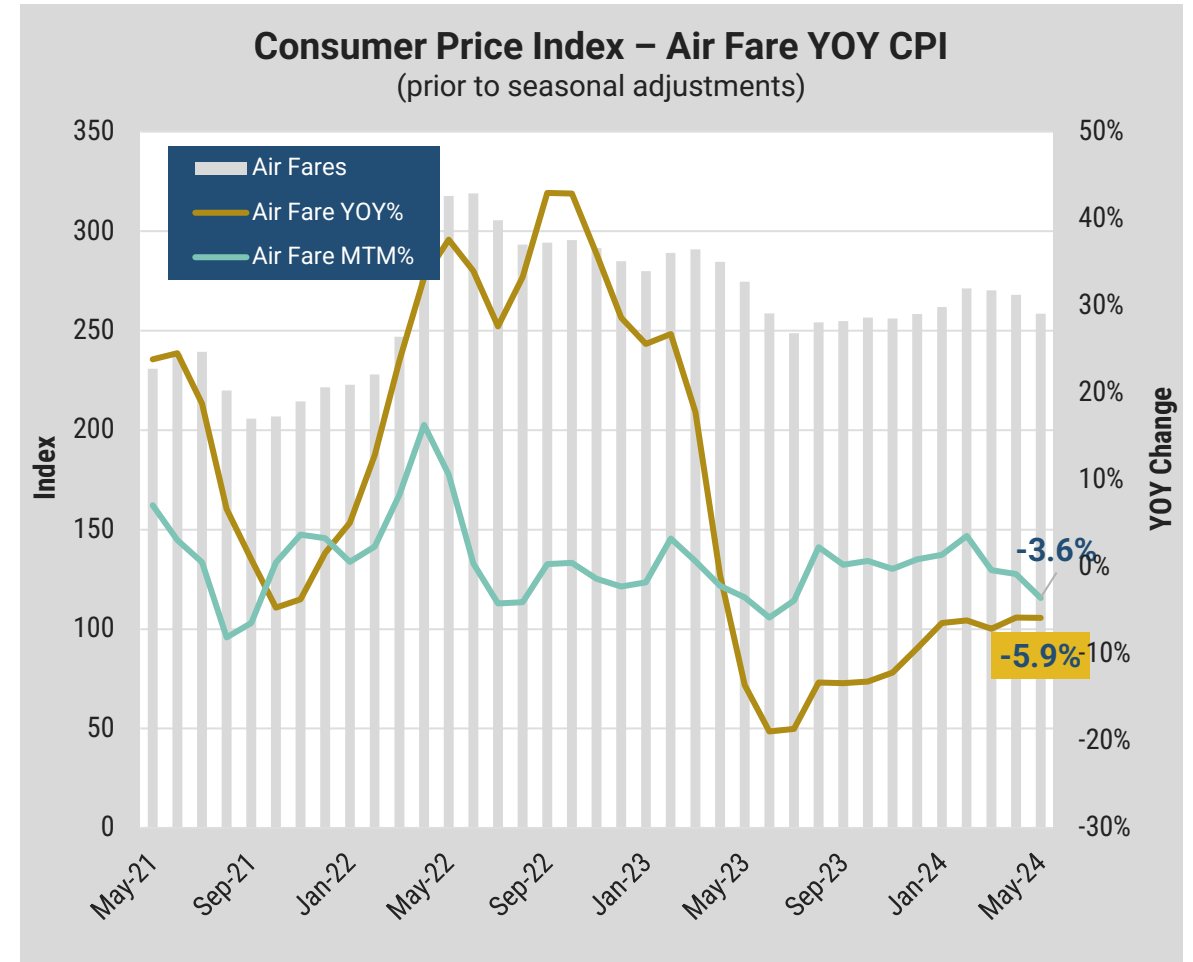


# TSA Checkpoint Travel Numbers

YTD air travel volume increased .8% vs. 2023; the price of air travel is down 5.9% from last year and 3.6% vs. MTM



Source: U.S. Transportation Security Administration



Source: U.S. Bureau of Labor Statistics

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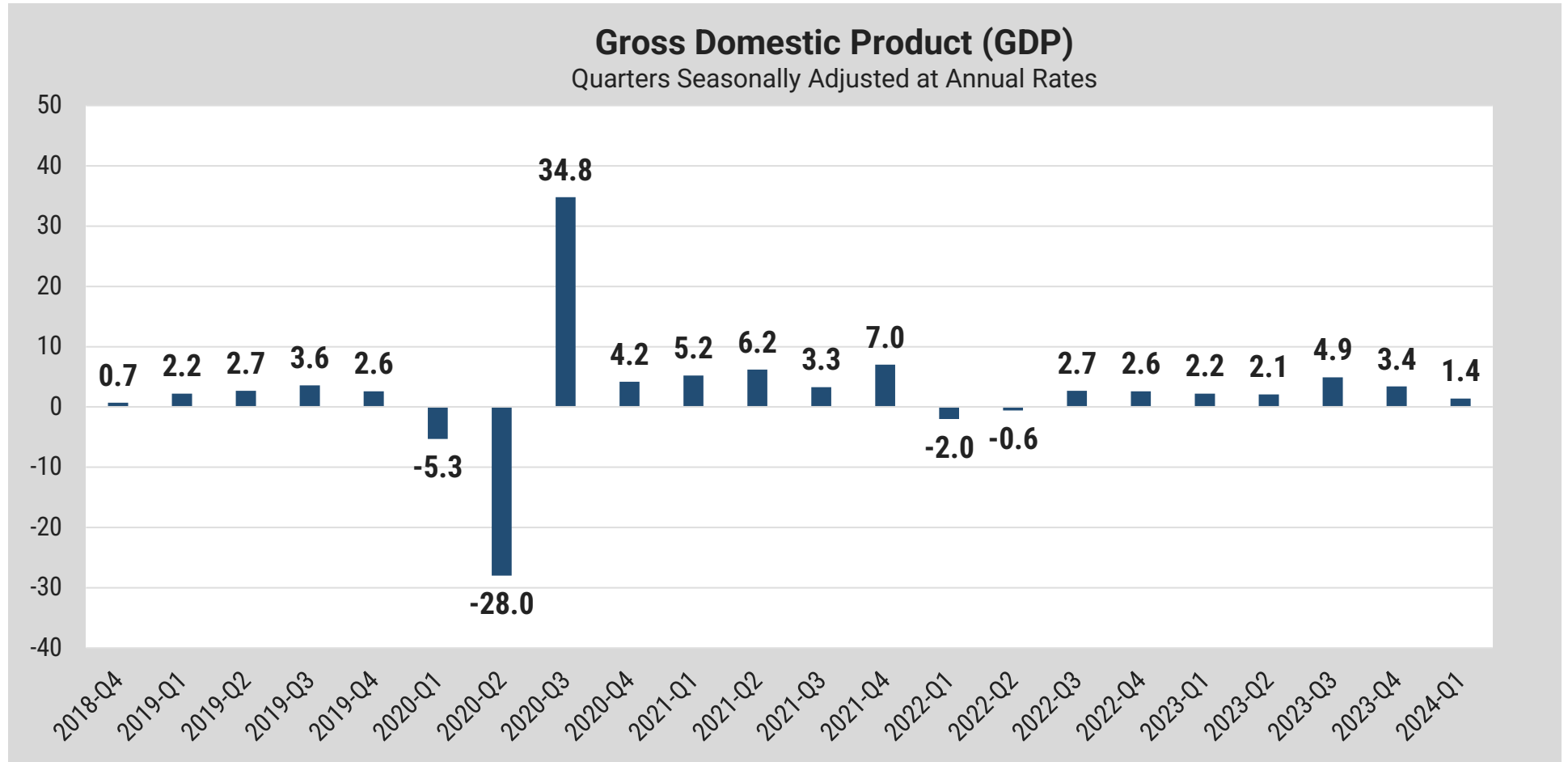
# Broad Economic Indicators



# Gross Domestic Product

**Q1-2024 GDP increased at an annual rate of 1.4 percent in the first quarter of 2024, according to the "third" estimate released by the Bureau of Economic Analysis; in the fourth quarter of 2023, real GDP increased 3.4 percent**

*Q1-2024 GDP increased 1.4 percent (3<sup>rd</sup> estimate); the upward revision primarily reflected a downward revision to imports, and upward revisions to nonresidential fixed investment and government spending. These revisions were partly offset by a downward revision to consumer spending*

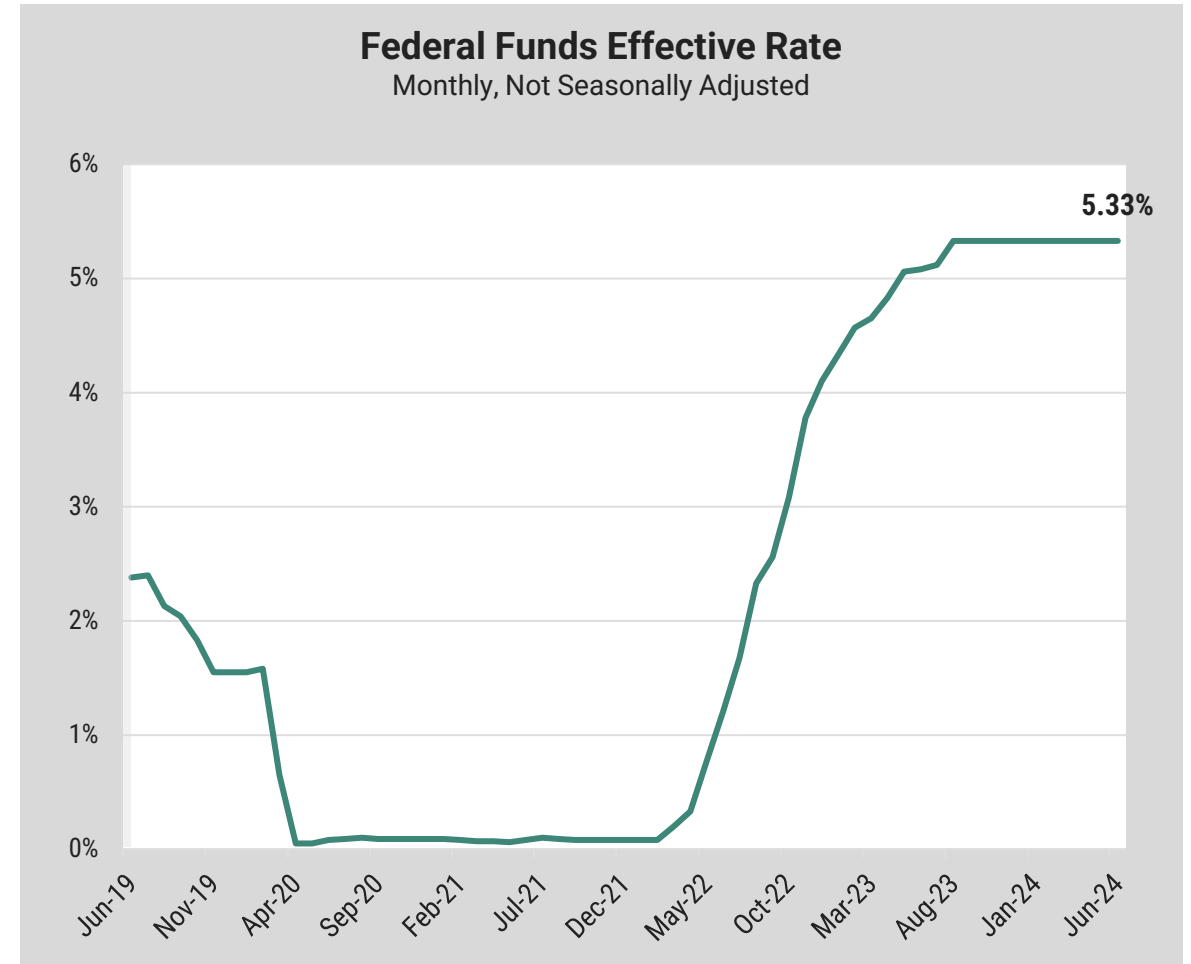
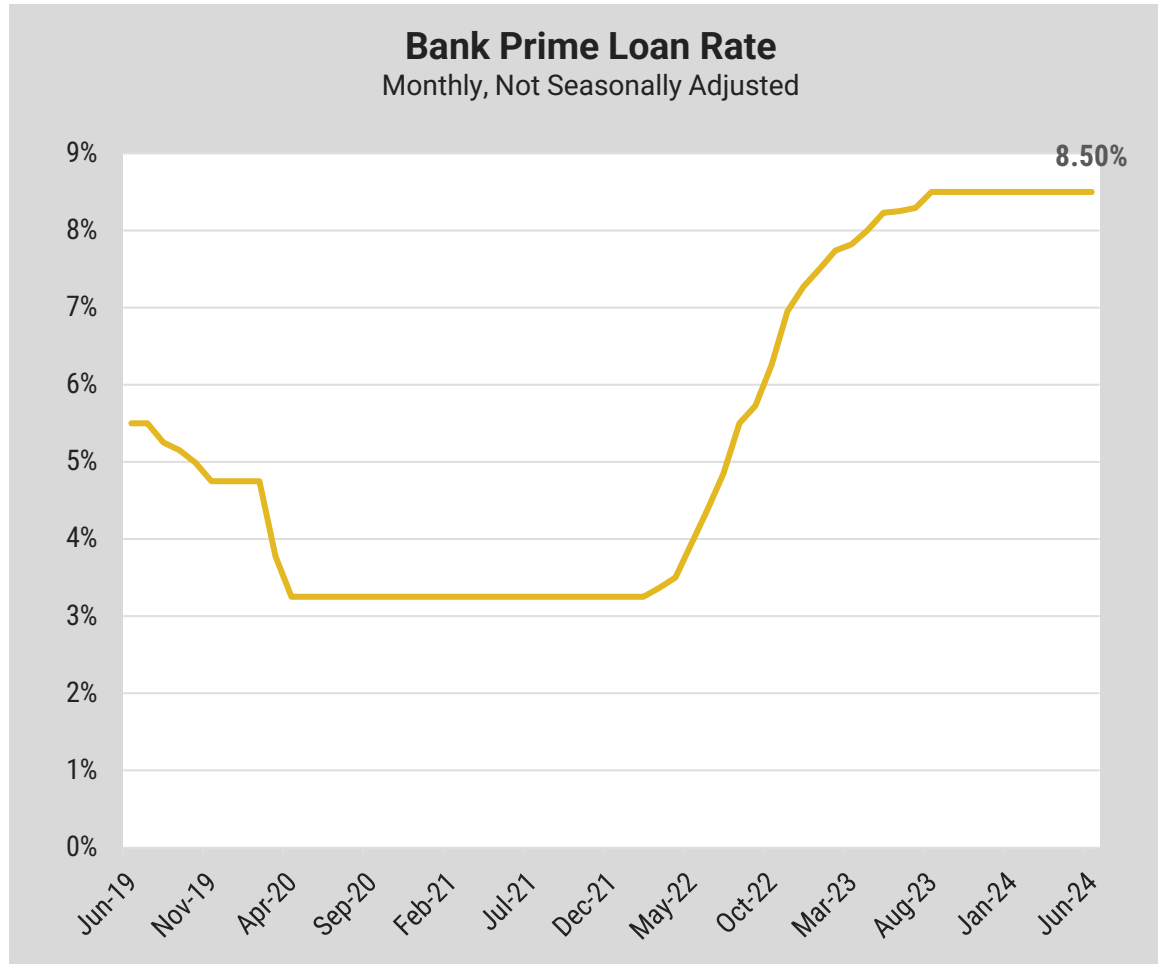






# Federal Reserve – Interest Rates

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



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

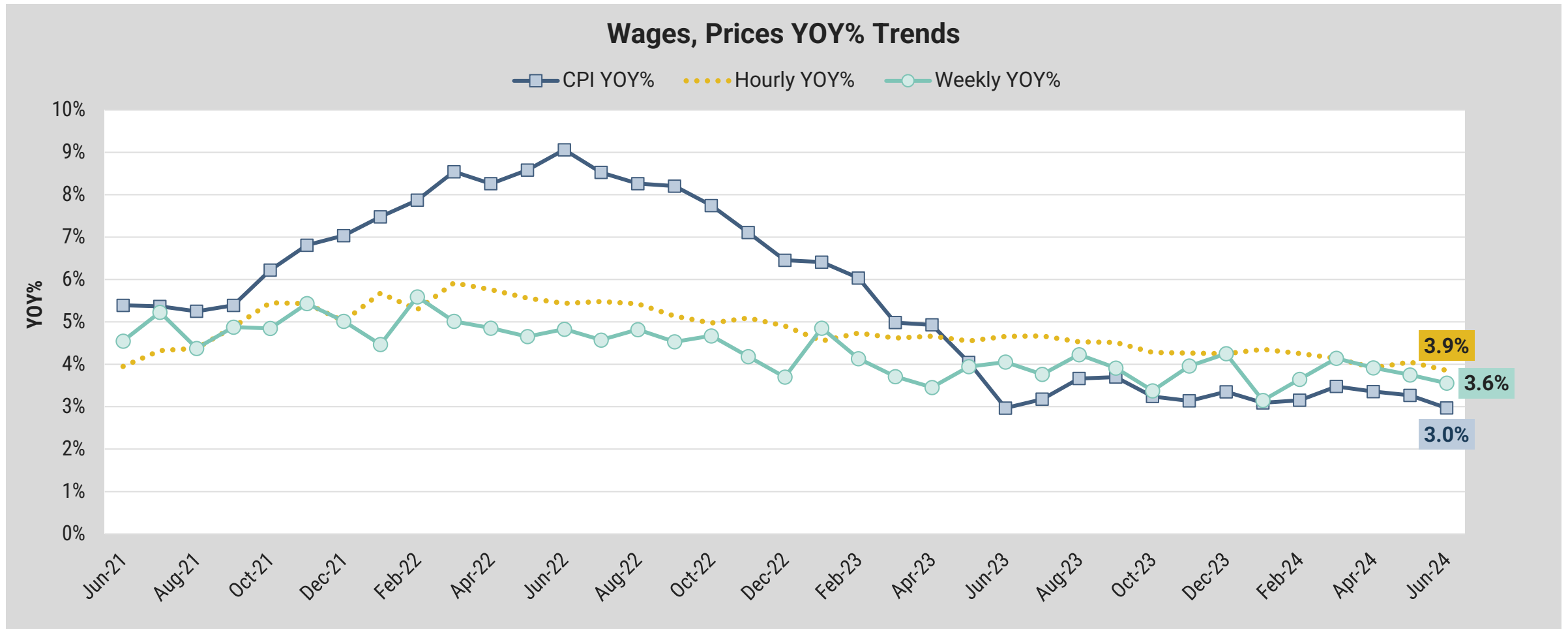
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# U.S. Employment



# Wages vs. Inflation – YOY % Change

Both hourly and weekly wage rate increases exceeded the change in inflation in June – this continues to be a key challenge for retailers, with high impact to operating costs

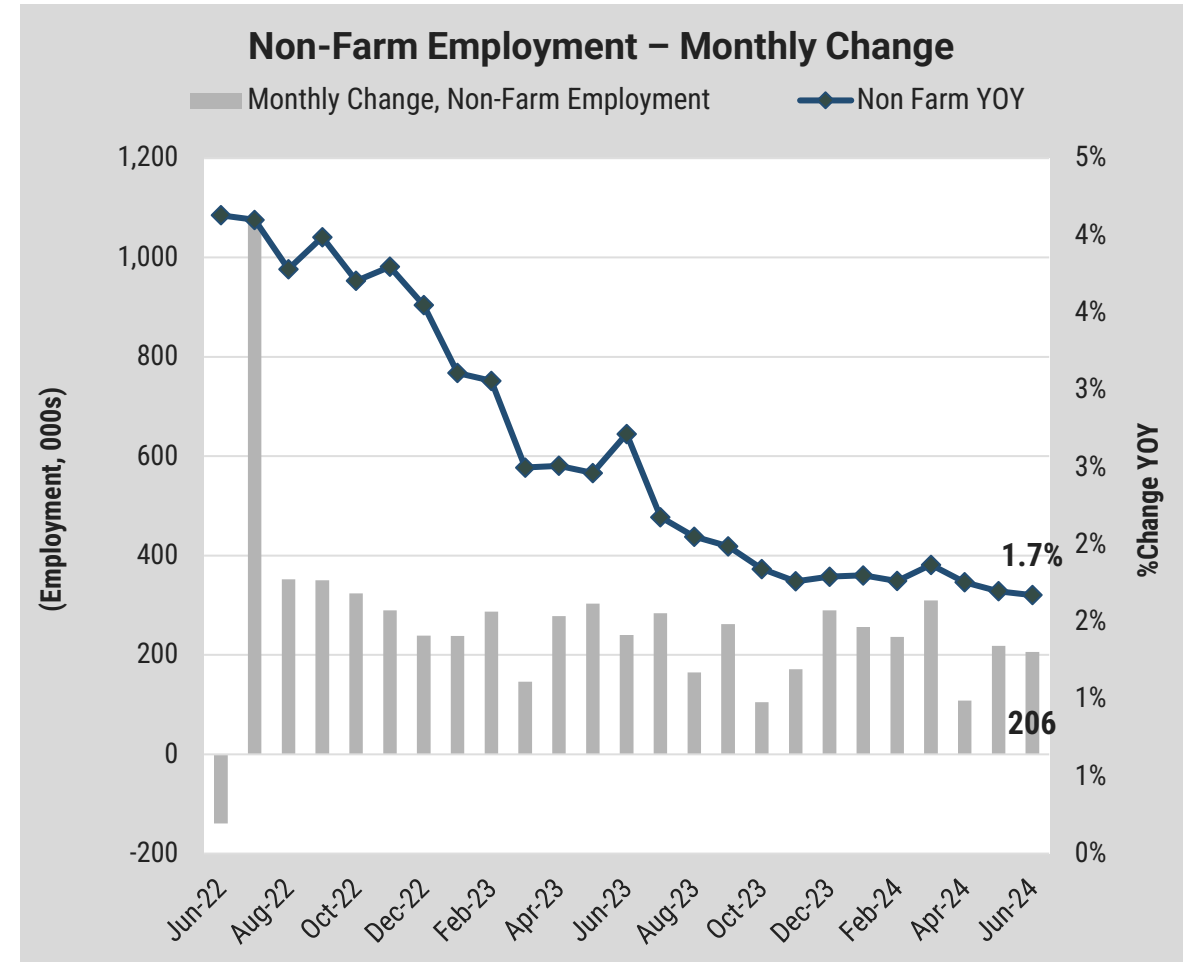
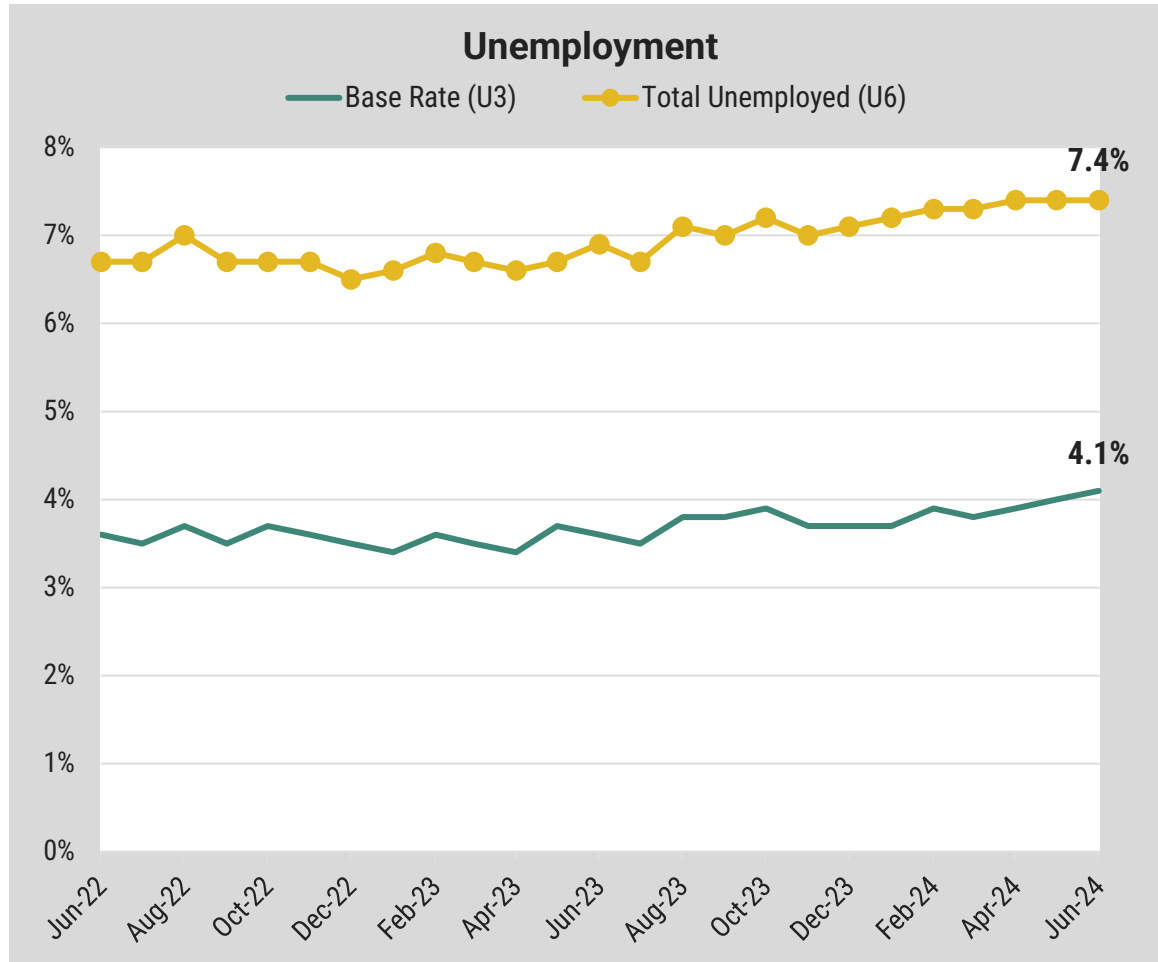


Source: U.S. Bureau of Labor Statistics



# U.S. Employment Overview

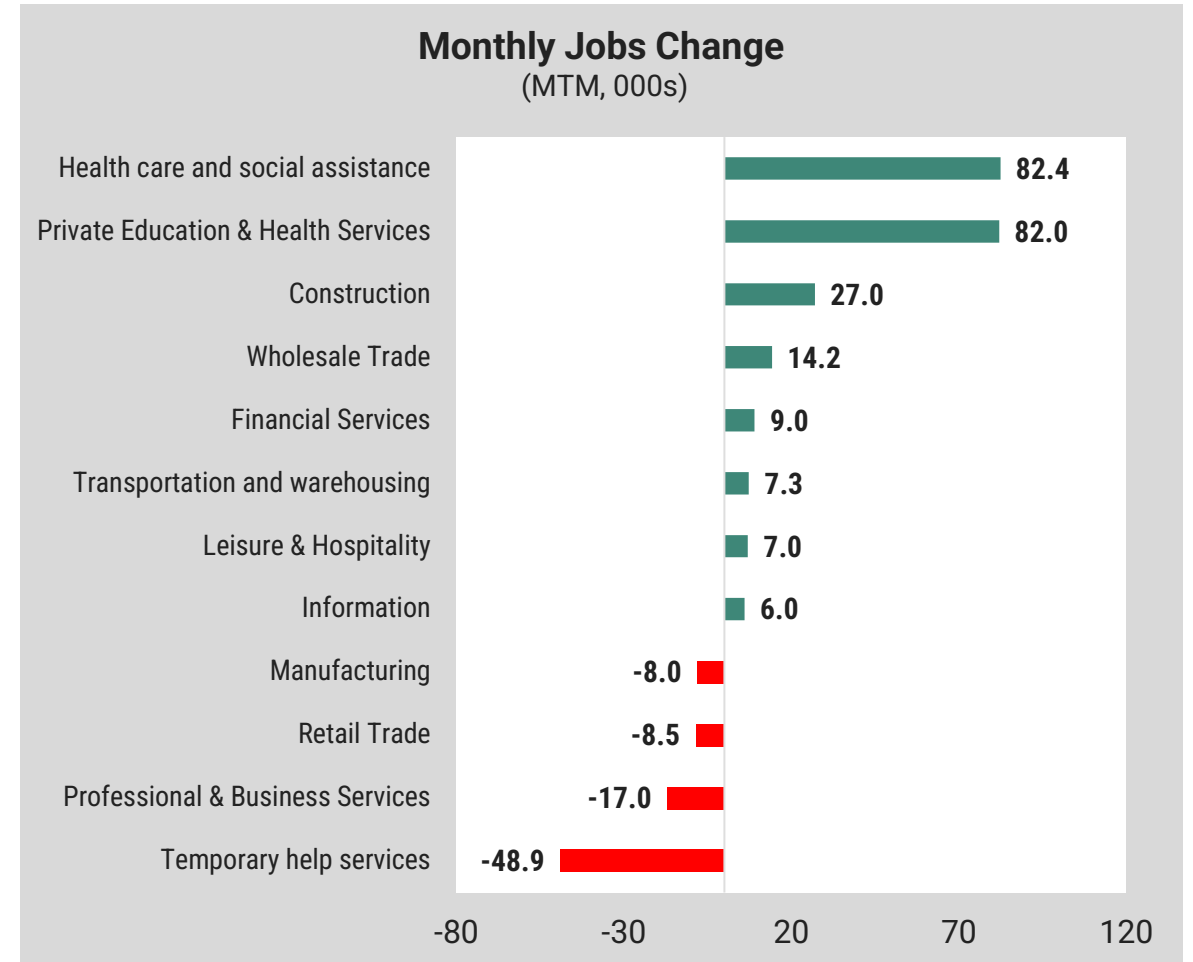
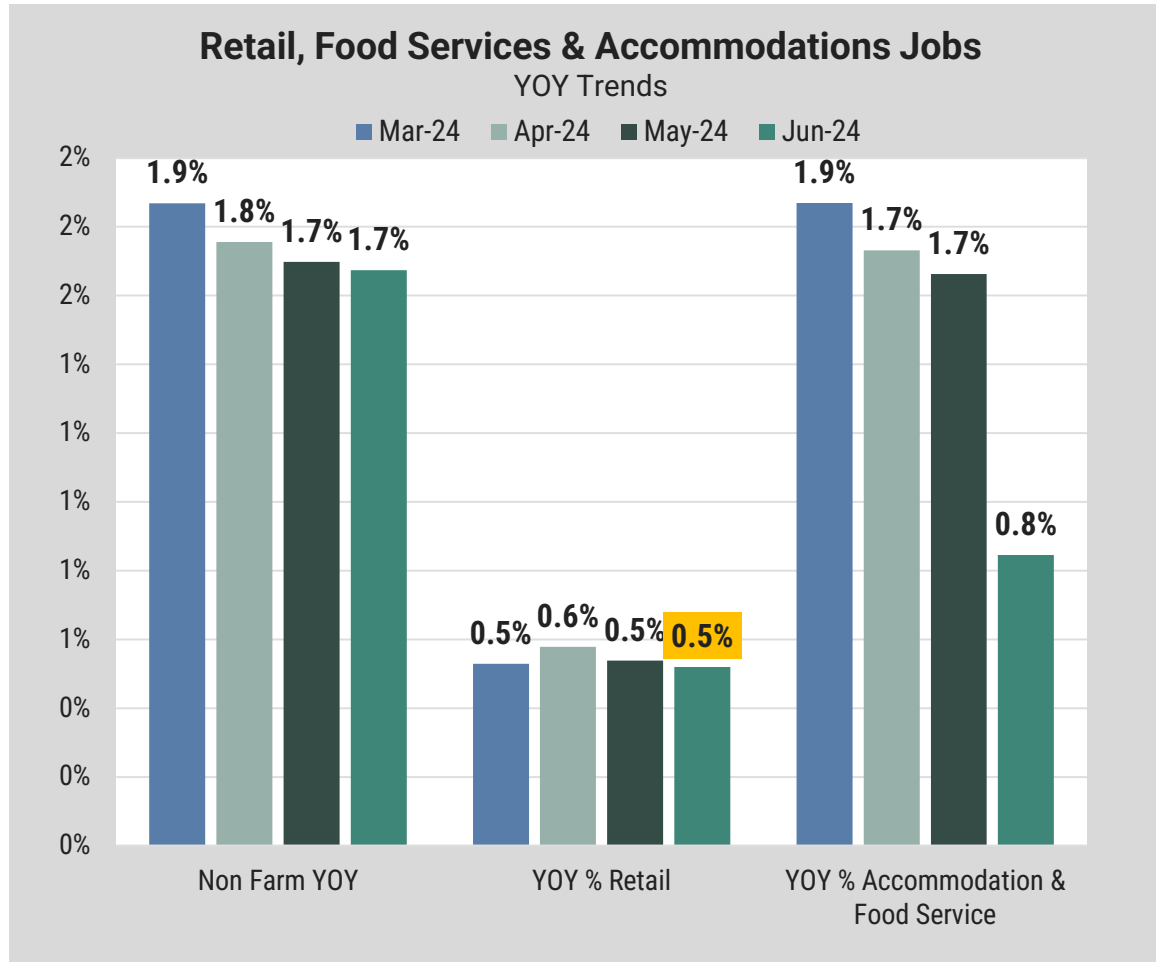
Unemployment rose slightly to 4.1%; non-farm employment was up 1.7% YOY and rose 206,000 vs. previous month





# Industry Employment Trends

Private Education and Health Care were top increases again in June, professional, business services and temp services took largest drop

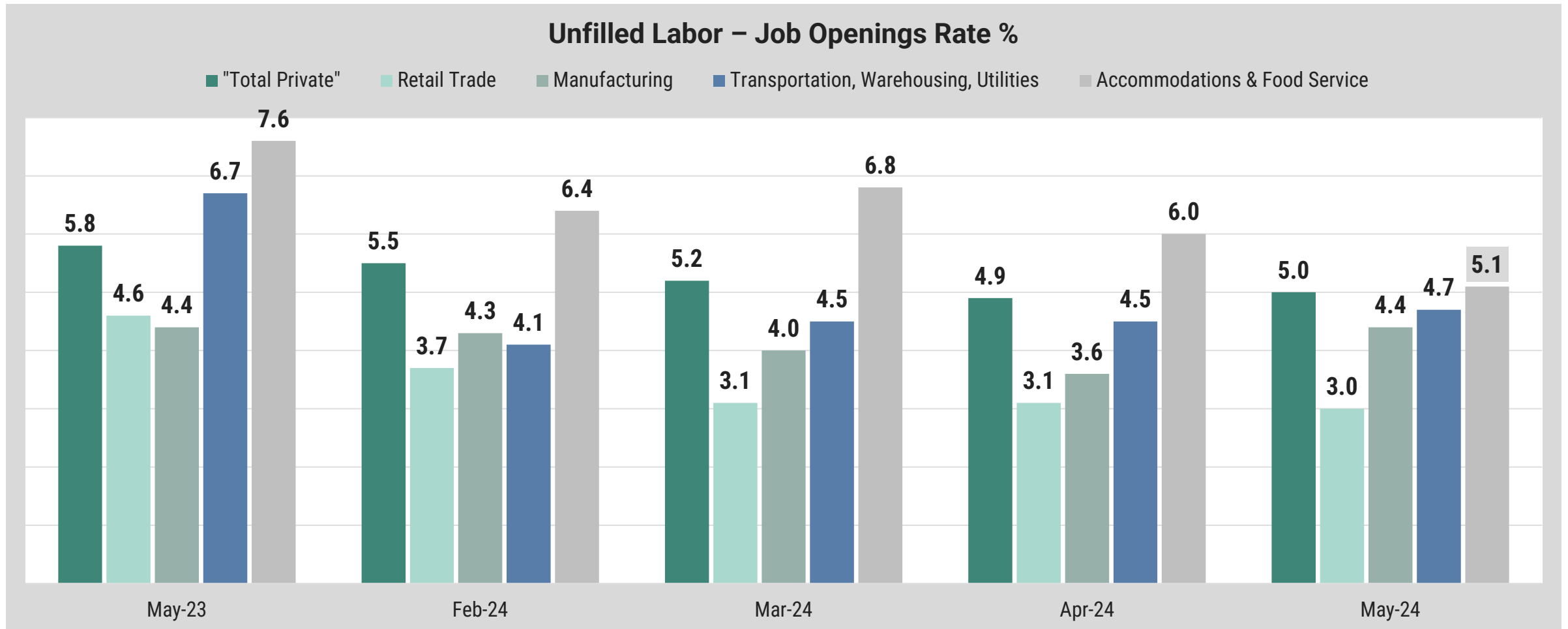


Source: U.S. Bureau of Labor Statistics



# Private Industry Labor – Job Openings *(2-month lag)*

Unfilled job openings rate remained relatively stable with accommodations and food service continuing to show largest amounts of unfilled positions



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

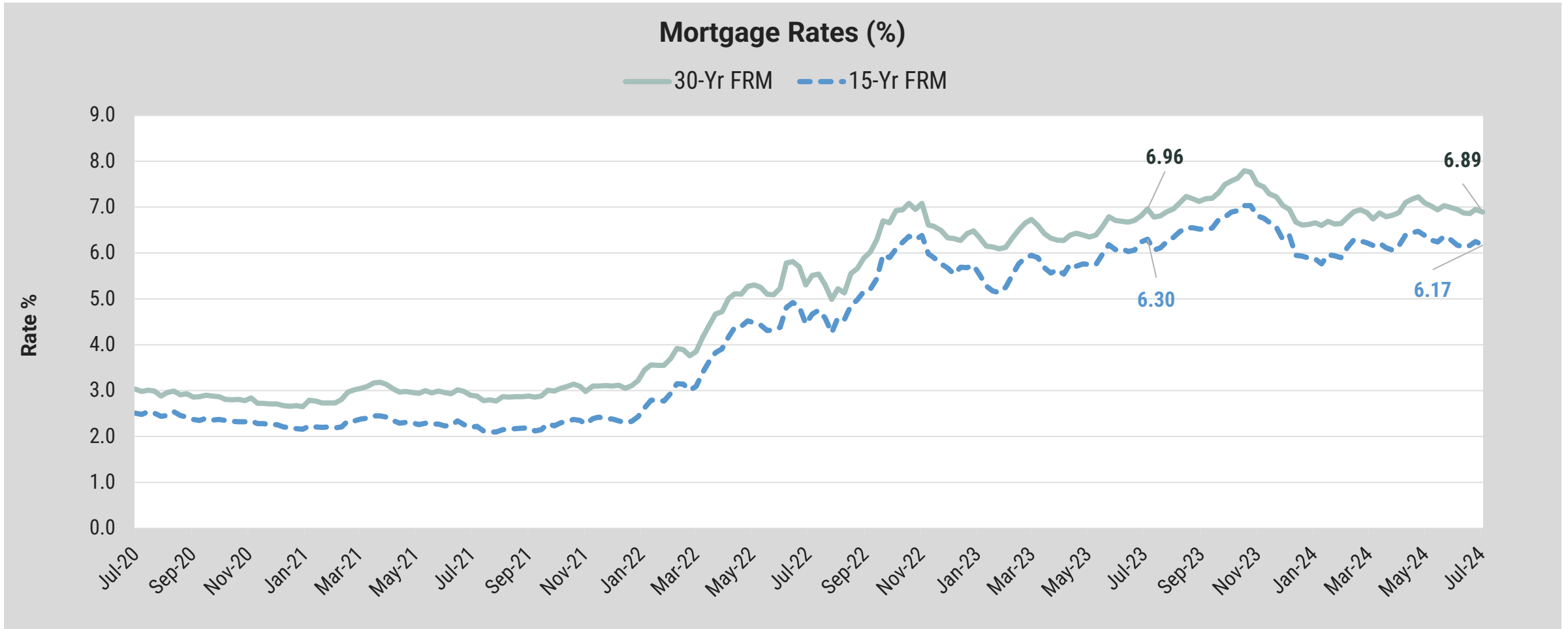
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# Housing

# Mortgage Rates



Mortgage rates remained slightly below 7%; inflation remains a concern for housing, making affordability and availability a challenge for homebuyers



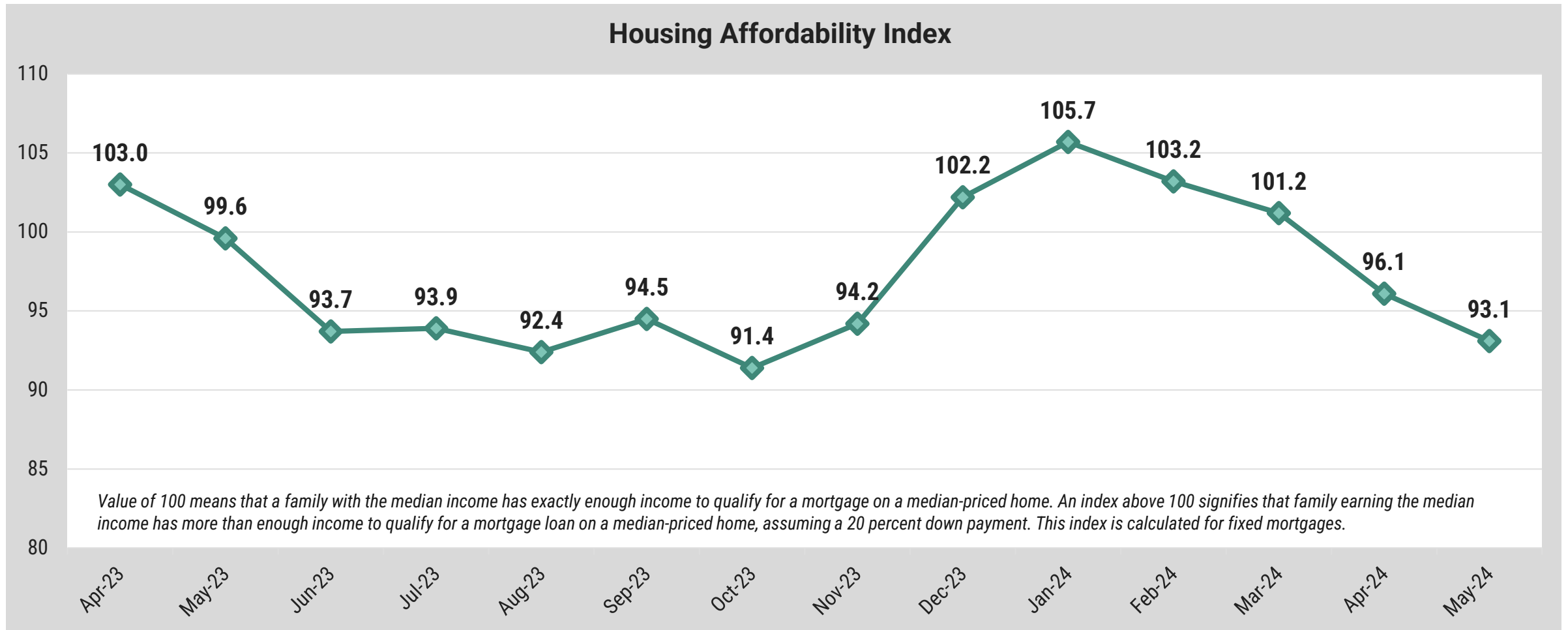
\* Source: FreddieMac Mortgage Market Survey





# National Association of Realtors: Housing Affordability Index (2-month lag)

In May, housing affordability declined nationally for the 4<sup>th</sup> consecutive month



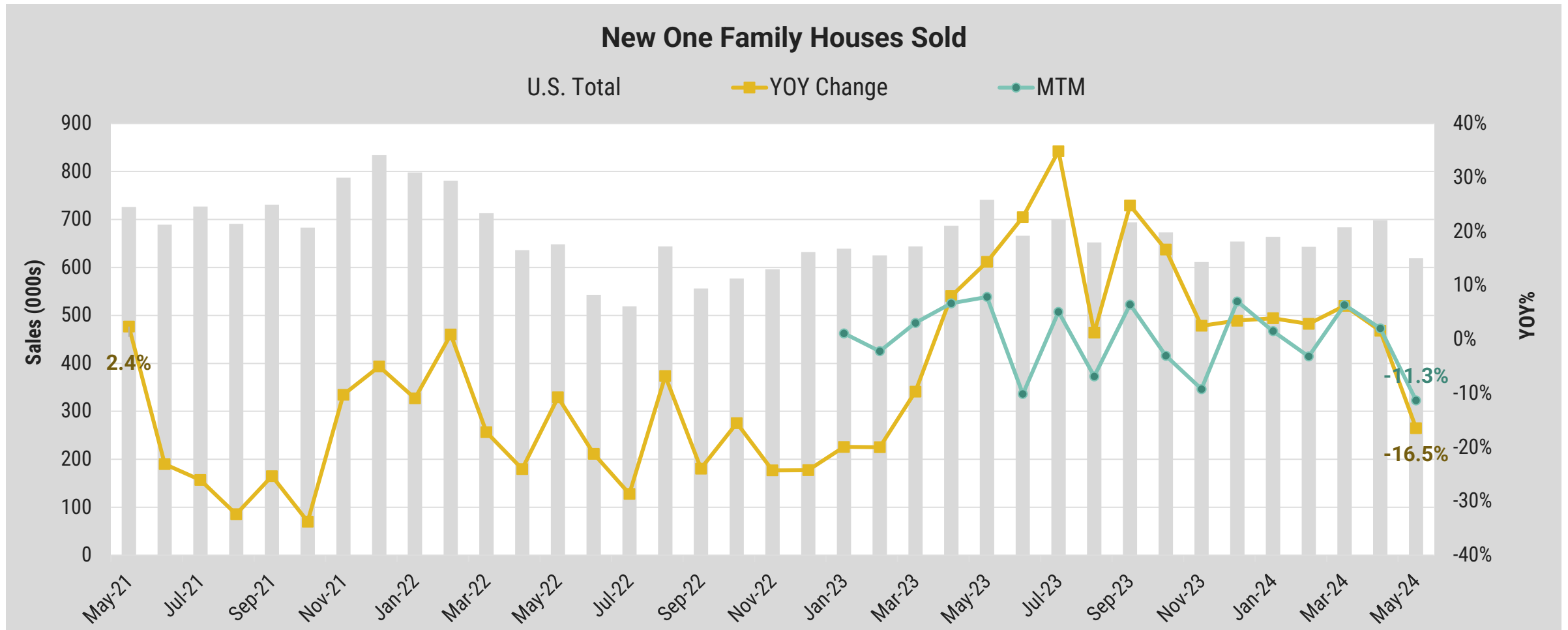
Source: National Association of Realtors, Housing Affordability Index (Fixed) [FIXHAI], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/FIXHAI>

Note: Measures the degree to which a typical family can afford the monthly mortgage payments on a typical home.



# Housing – New Home Sales (2-month lag)

New home sales through May fell 16.5% over 2023, and 11.3% over previous month

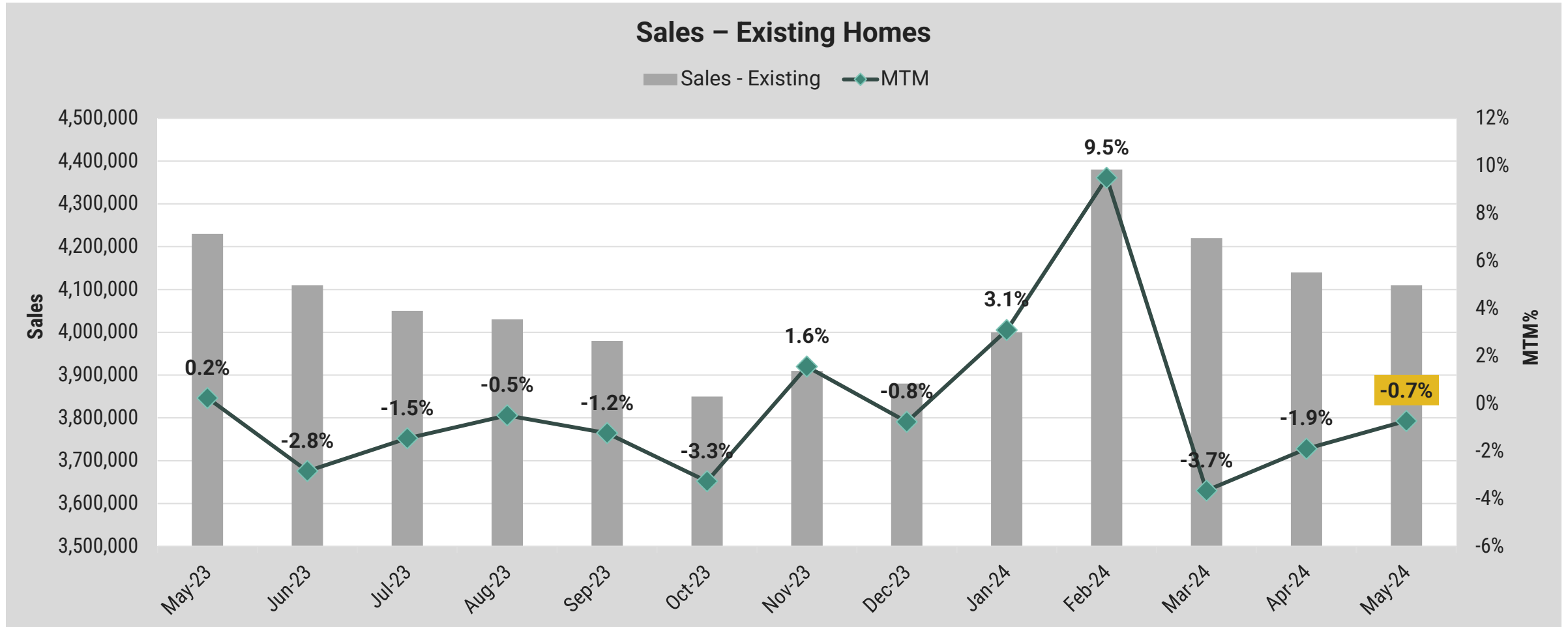


U.S. Census Bureau and U.S. Department of Housing and Urban Development, New One Family Houses Sold: United States, retrieved from FRED, Federal Reserve Bank of St. Louis



# Housing – Existing Home Sales (2-month lag)

May 2024 existing home sales declined .7% MTM – YOY sales declined 1.9%

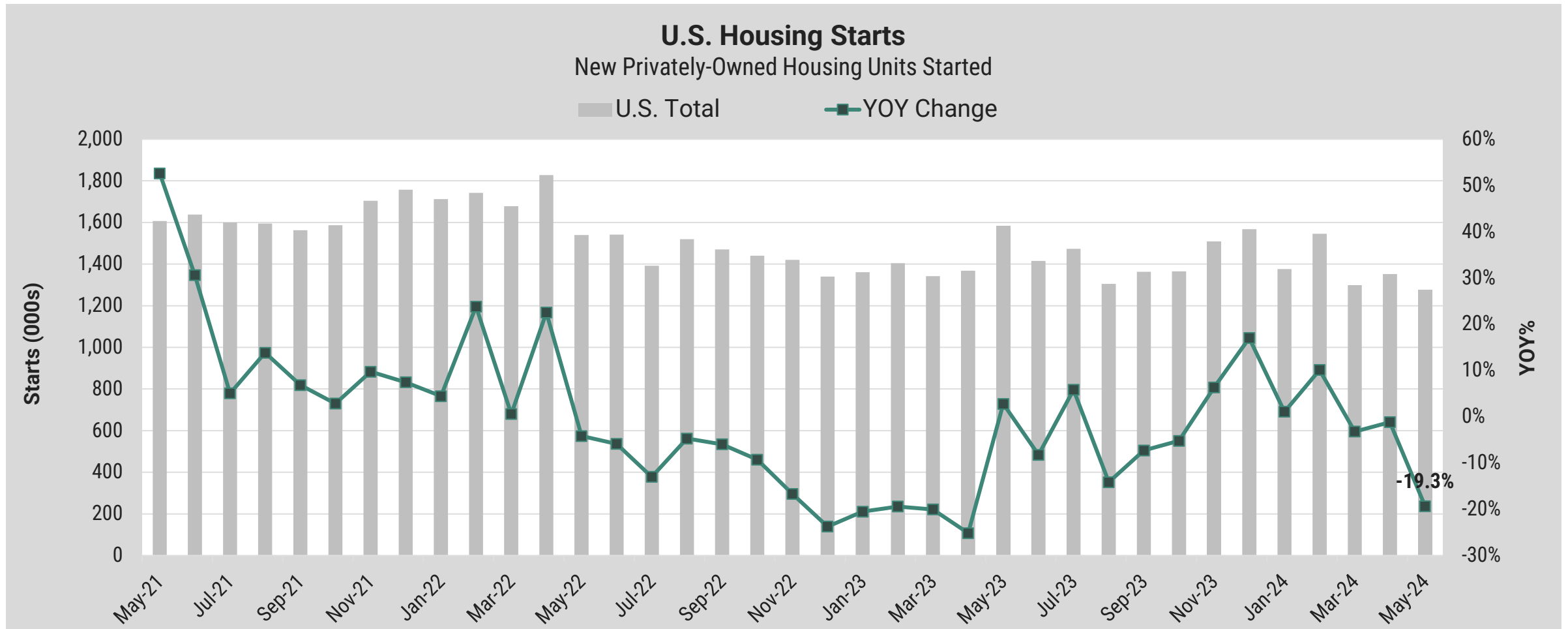


Source: National Association of Realtors



# U.S. Housing Starts (2-month lag)

**May 2024 housing starts were down over 19% YOY, which will continue to have a significant and longer recovery impact on the Home Improvement and Home Furnishings retailers**

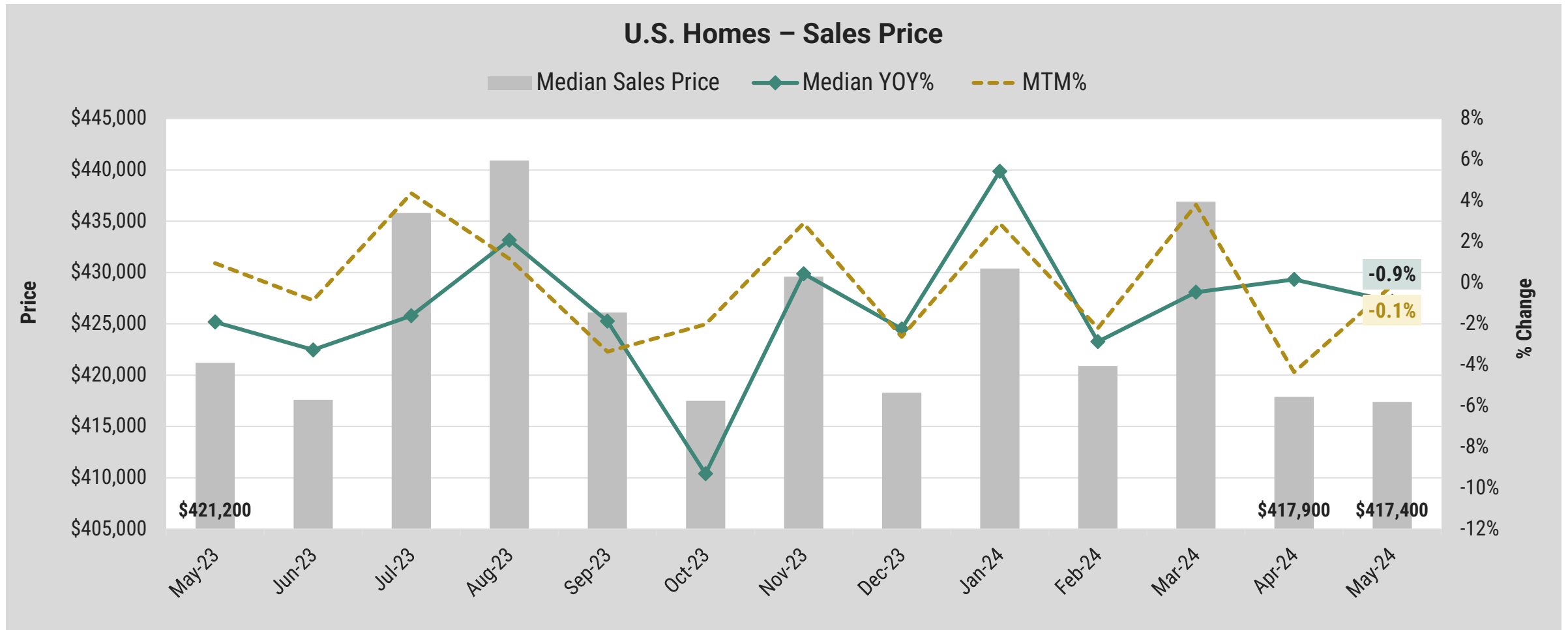


U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Privately-Owned Housing Units Started, retrieved from FRED, Federal Reserve Bank of St. Louis;



# U.S. Housing – New Home Prices *(two-month lag)*

The May median U.S. new home price decreased .9% with MTM median price flat at \$417,400



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

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# Supply Chain

# Global Supply Chain Index



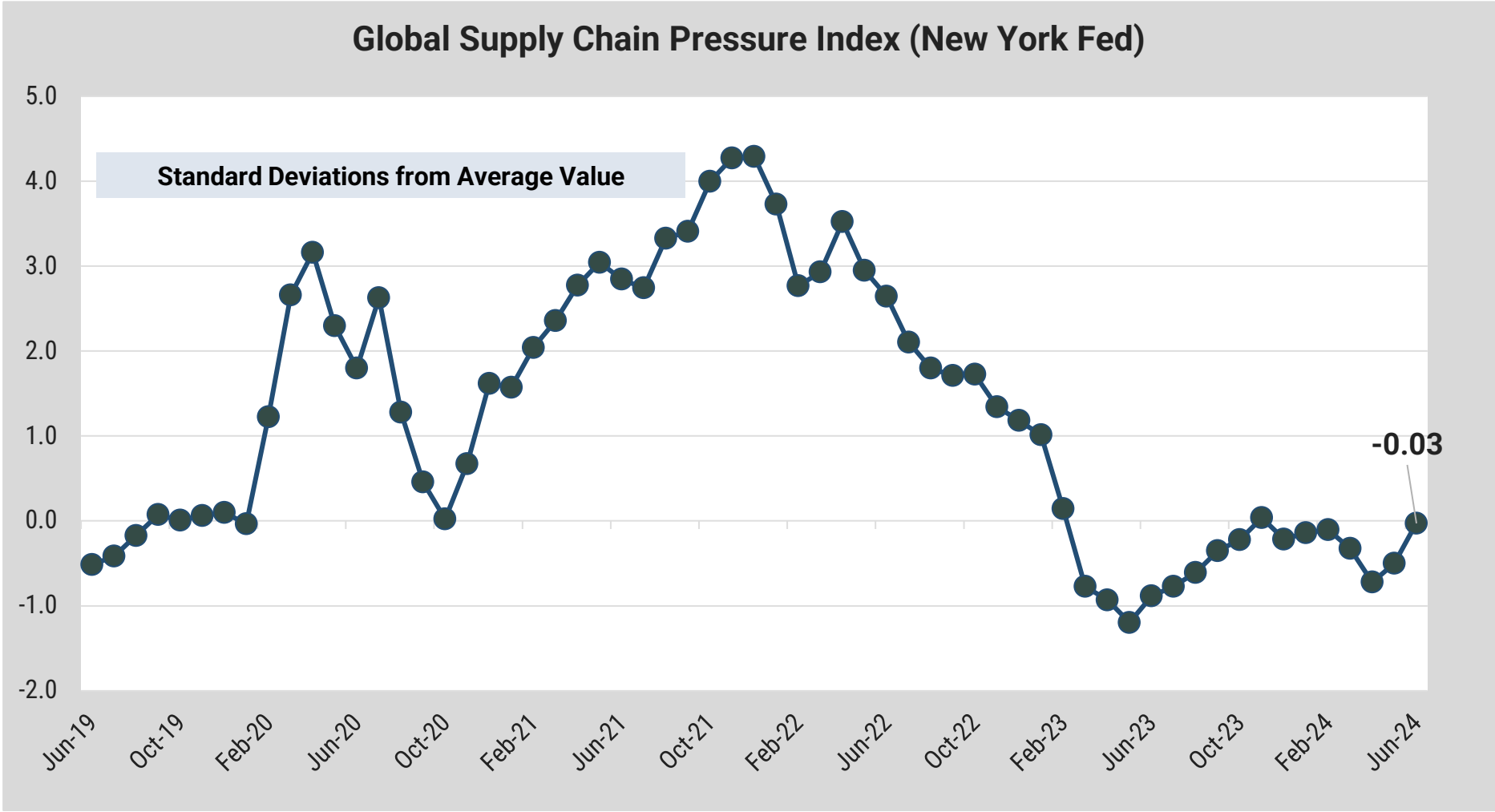
The GSCPI tracks the state of global supply chains using data from the transportation and manufacturing sectors.

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 **-.03** in June

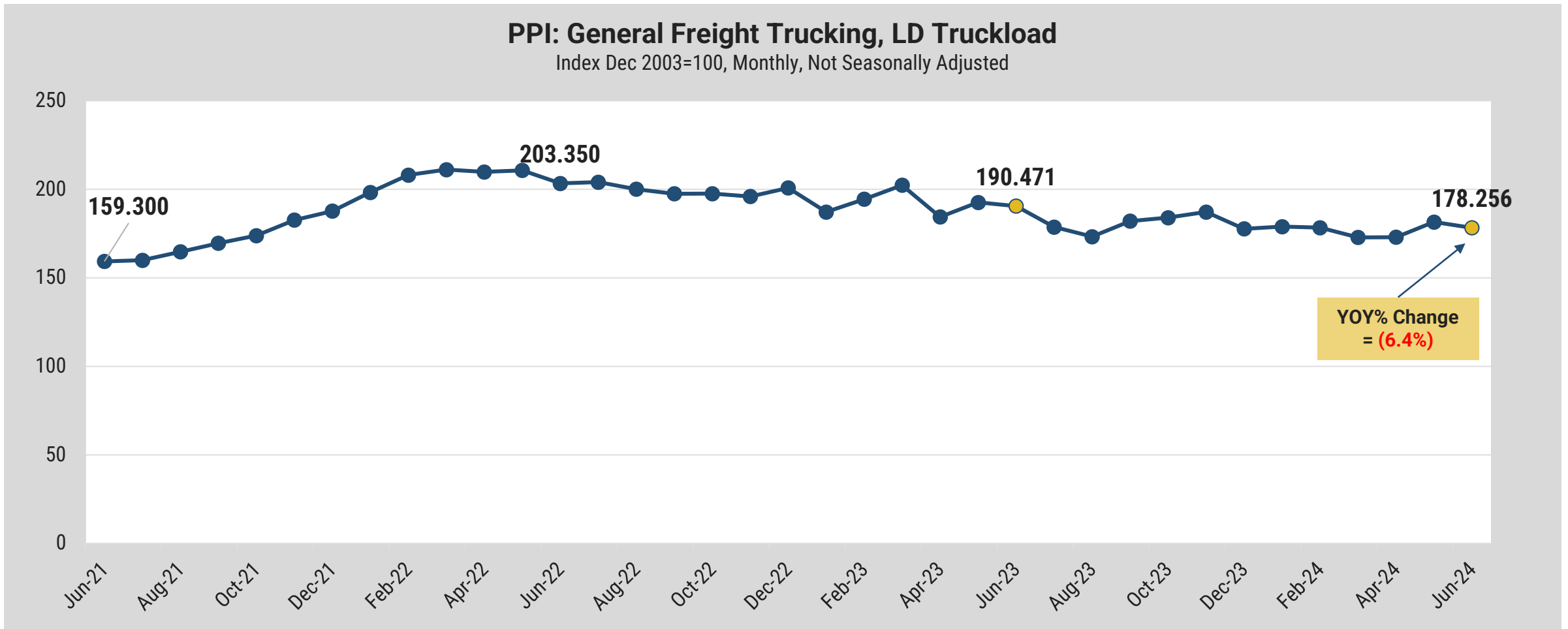


Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index, <https://www.newyorkfed.org/research/gscpi.html>.



# Freight Inflation - Trucking

The general freight trucking index was down more than 6% over last year and nearly 2% MTM



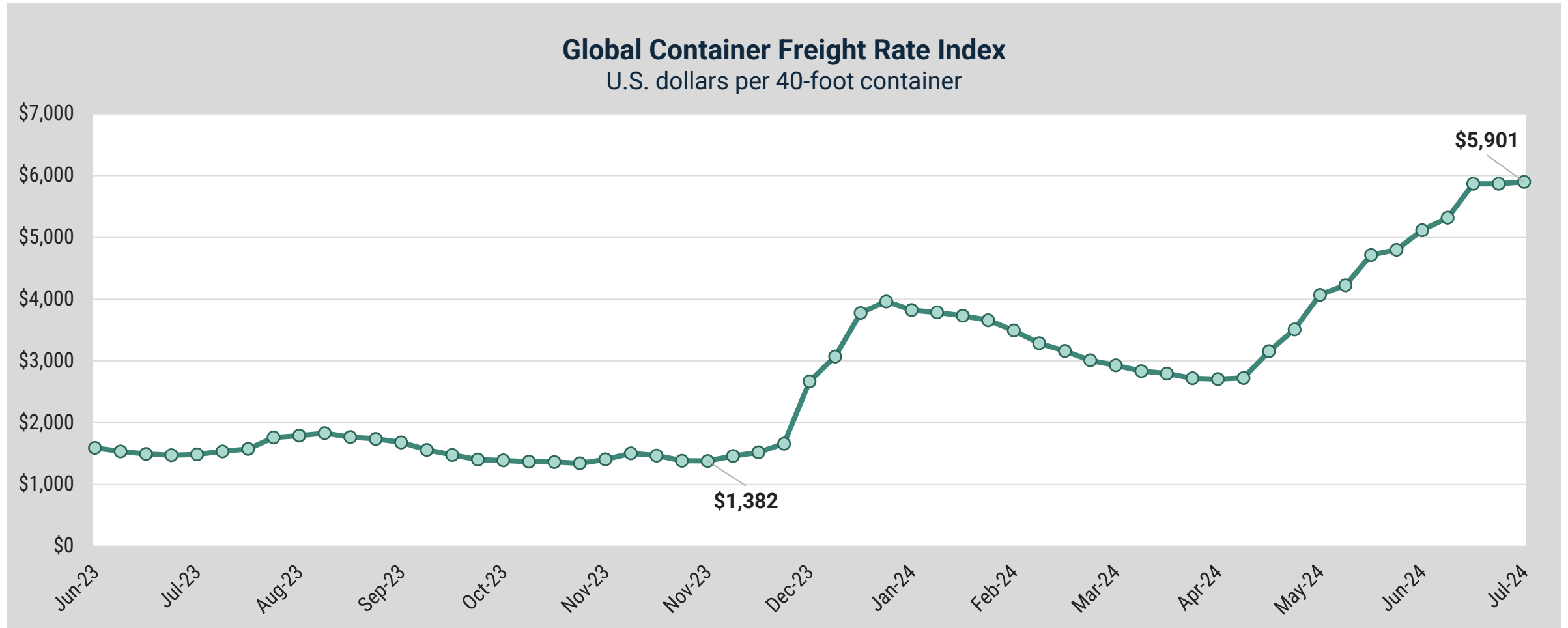
Source: U.S. Bureau of Labor Statistics, FRED, Federal Reserve Bank of St. Louis



# Deep Sea Freight



Since reaching a multi-year low of \$1,382 per 40-foot container in late 2023, global freight rates have surged to record highs above \$5,900 in July 2024, combined with increases in congestion at major ports



Source: Drewry, graph in Statista retrieved June 26, 2024, from <https://www.statista.com/statistics/1440707/global-container-freight-index/>

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44  
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