

# U.S. Economic Overview

CONSUMERS AND THE MACRO ECONOMY

August 2024



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# Summary



# Consumers & Macro Economy Executive Summary



## Positive Trends

- CPI rose 2.9 percent for the 12 months ending July, the smallest 12-month increase since March 2021
- 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 2.3% YOY at \$3.60/gallon
- YTD air travel volume increased .8% vs. 2023; the price of air travel is down 2.8% from last year
- Hourly and weekly wage rate increases exceeded the change in inflation again in July
- Q2-2024 GDP increased at an annual rate of 2.8%; in the first quarter of 2024, real GDP increased 1.4%
- Unemployment remains stable; non-farm employment was up 1.6% YOY



## Key Headwinds

- Global deep sea freight rates have moderated recently but remain significantly elevated compared to historical levels
- Concerns grow regarding potential labor disruptions at East Coast ports
- The U.S. Consumer Misery Index has risen slightly month-over-month, indicating continued economic strain
- Sales declines continue in the Hard Goods and Sporting Goods sectors
- Interest rates remain unchanged for both Prime Loans and the Federal Funds Rate
- Mortgage rates have dipped below 6.5%, but housing affordability remains a challenge, as the housing affordability index has declined nationally for five consecutive months
- New home sales and housing starts both decreased in June compared to the previous year



## Concerns

- Consumer sentiment has plateaued, with high prices continuing to squelch optimism, particularly among lower-income households
- Retail sales increased 3.4% in July, although certain hard goods categories remain sluggish; cautious consumer spending outlook for Holidays
- Dining sales grew at a slower pace than overall, rising by 3.4% compared to the 4.1% increase in the Consumer Price Index for Food Away from Home
- Revolving credit continues to climb, increasing by 6.6% year-over-year
- Total household debt reached a new high of \$17.8 trillion in the second quarter
- Consumer expenditures continue to increase faster than income; credit card delinquencies rose 8.5% YoY
- June 2024 existing home sales declined 5.4% MTM

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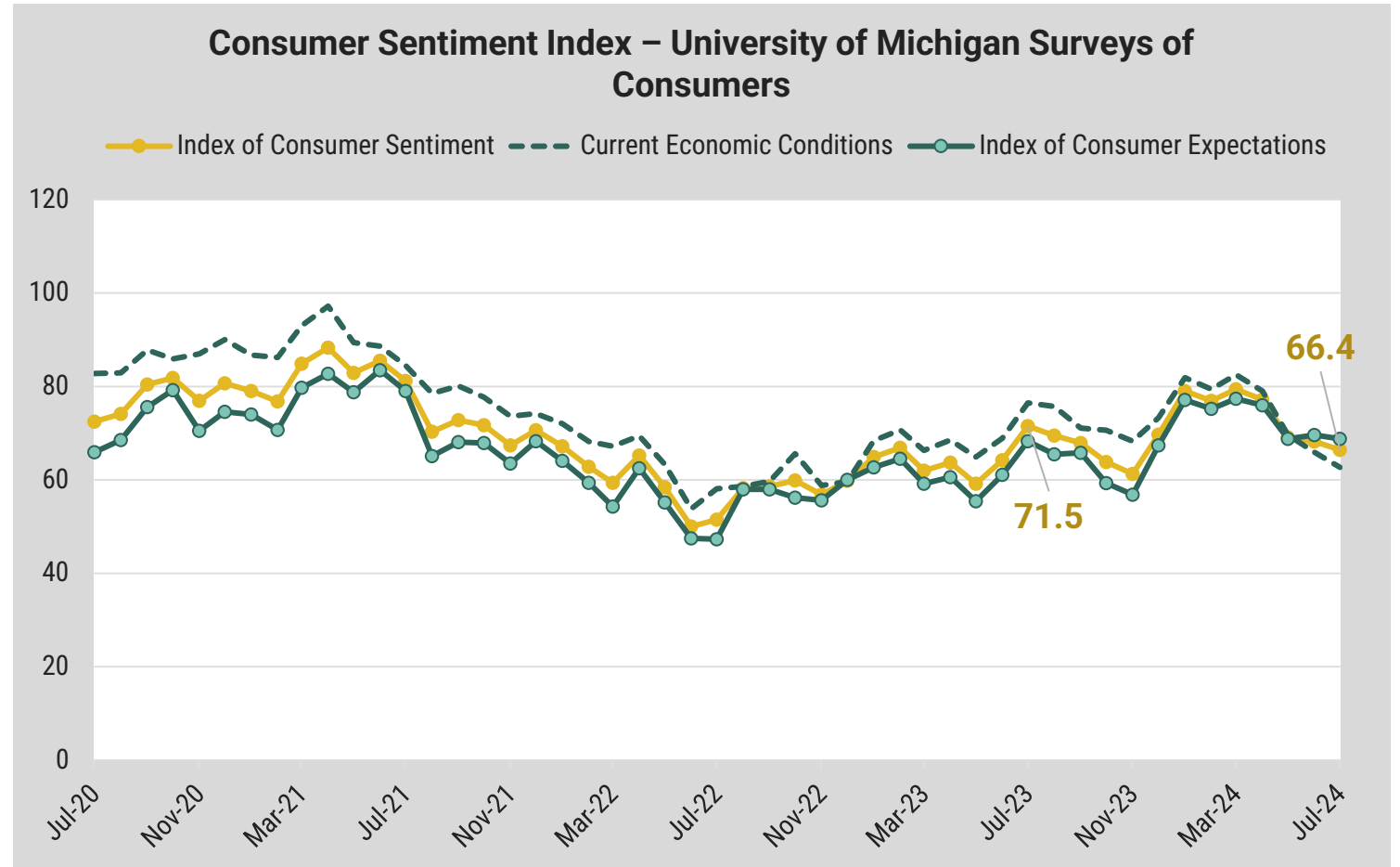
# Key Consumer Metrics



# Consumer Sentiment Index

Consumer sentiment has remained stagnant over the past three months, with persistent high prices continuing to dampen consumer optimism, especially among lower-income households

JULY 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	63.8
2- Year Low	51.5	58.1	47.3
Current	66.4	62.7	68.8
LY	71.5	76.5	68.3
YOY % Change	-7.1%	-18.0%	0.7%
Previous Month	68.2	65.9	69.6
MTM % Change	-2.6%	-4.9%	-1.1%



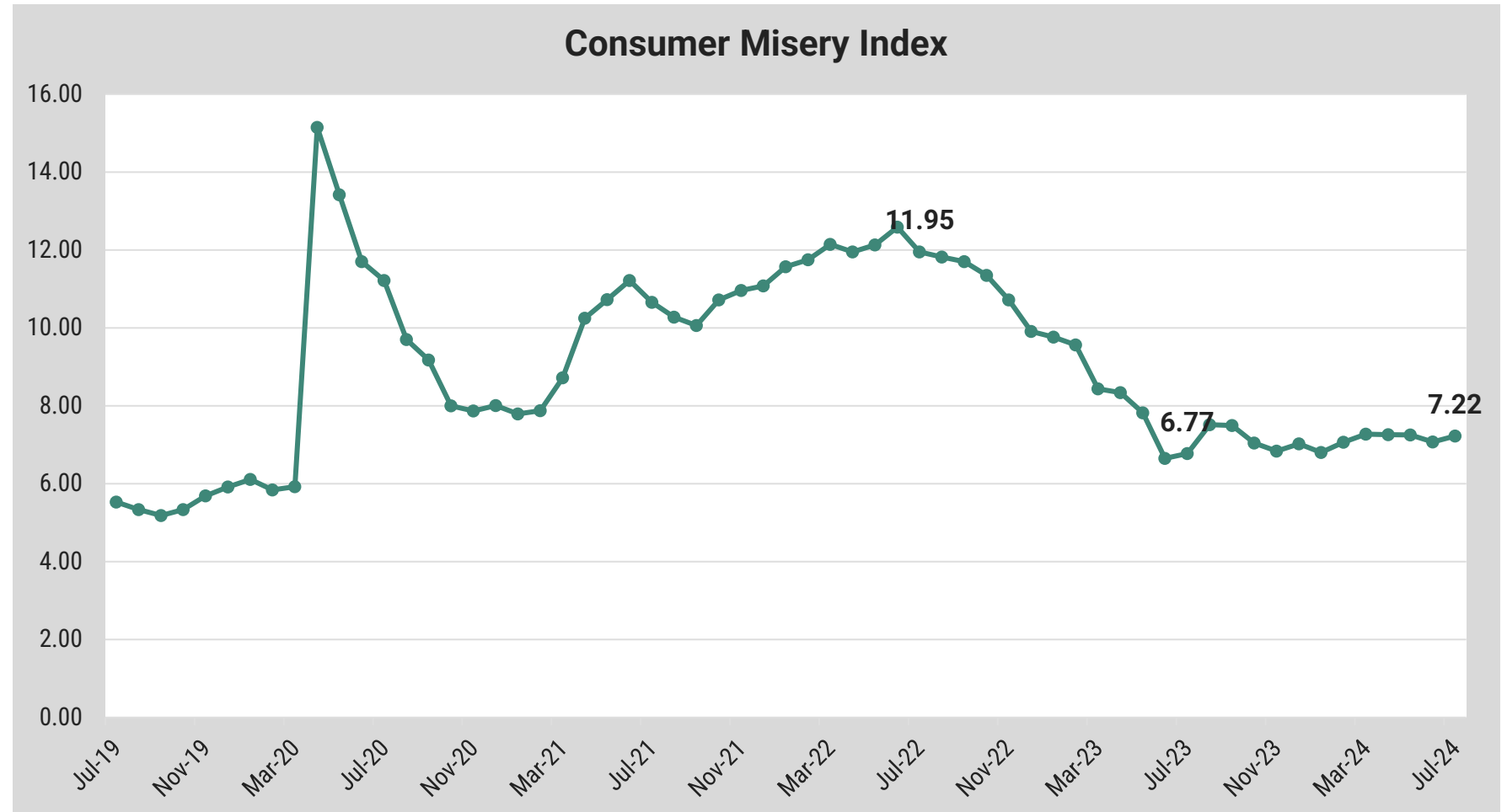
Source: The Surveys of Consumers are conducted by the Survey Research Center at the University of Michigan. (<https://data.sca.isr.umich.edu/survey-info.php>)



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

The U.S. Consumer Misery Index is currently at 7.22, essentially flat to previous month as consumers continue to deal with the impact of inflation on top of rising consumer credit card debt

*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 2.9 percent for the 12 months ending July, the smallest 12-month increase since March 2021. The all items less food and energy index rose 3.2 percent over the last 12 months and was the smallest 12-month increase in that index since April 2021.*

*Food Away From Home +4.1%*

*Housing +4.4%*

*Fuel -2.3%*

*Air Fare -2.8%*

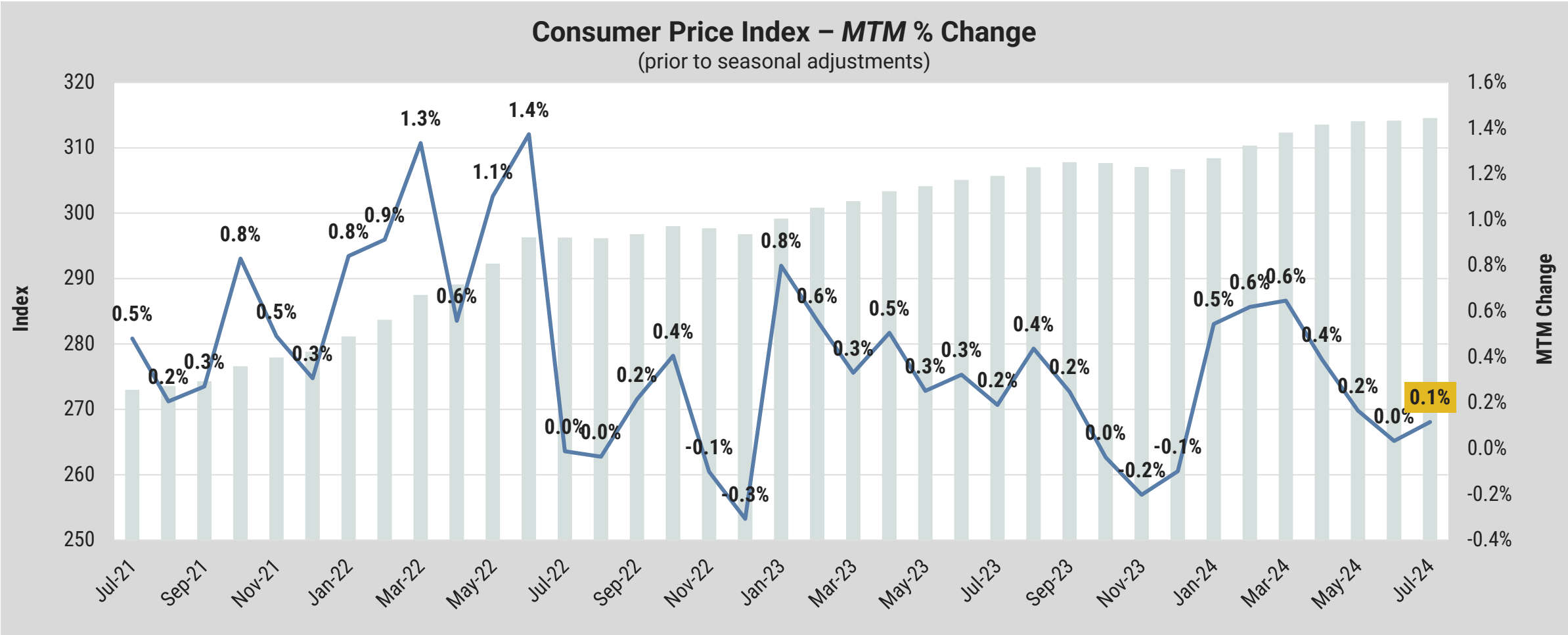
	Feb-24	Mar-24	Apr-24	May-24	Jun-24	July-24
<b>Total CPI</b>	3.2%	3.5%	3.4%	3.3%	3.0%	2.9%
<b>All Items Less Food &amp; Energy (Core CPI)</b>	3.8%	3.8%	3.6%	3.4%	3.3%	3.2%
Food at Home	1.0%	1.2%	1.1%	1.0%	1.1%	1.1%
Food Away From Home	4.5%	4.2%	4.1%	4.0%	4.1%	4.1%
Motor Fuel	-4.2%	1.0%	1.0%	2.0%	-2.5%	-2.3%
Apparel	0.0%	0.4%	1.3%	0.8%	0.8%	0.2%
Housing	4.5%	4.7%	4.5%	4.6%	4.4%	4.4%
Education	2.7%	2.4%	2.5%	2.7%	2.8%	2.8%
Medical Care	1.4%	2.2%	2.6%	3.1%	3.3%	3.2%
Transportation	2.7%	4.0%	3.5%	2.9%	1.3%	1.0%
Air Fare	-6.1%	-7.1%	-5.8%	-5.9%	-5.1%	-2.8%

Source: U.S. Bureau of Labor Statistics



# Consumer Price Index – Month-to-Month Trends

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

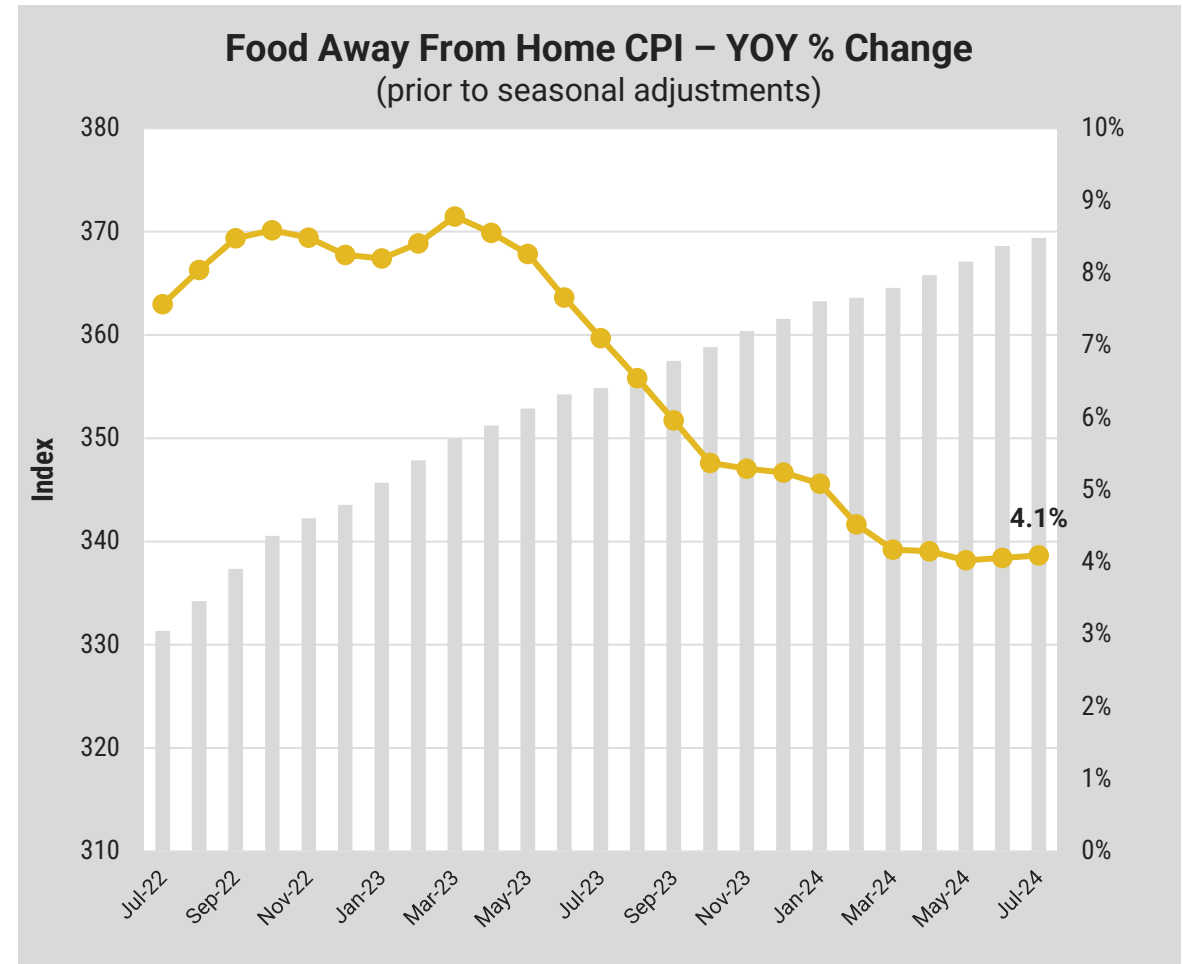
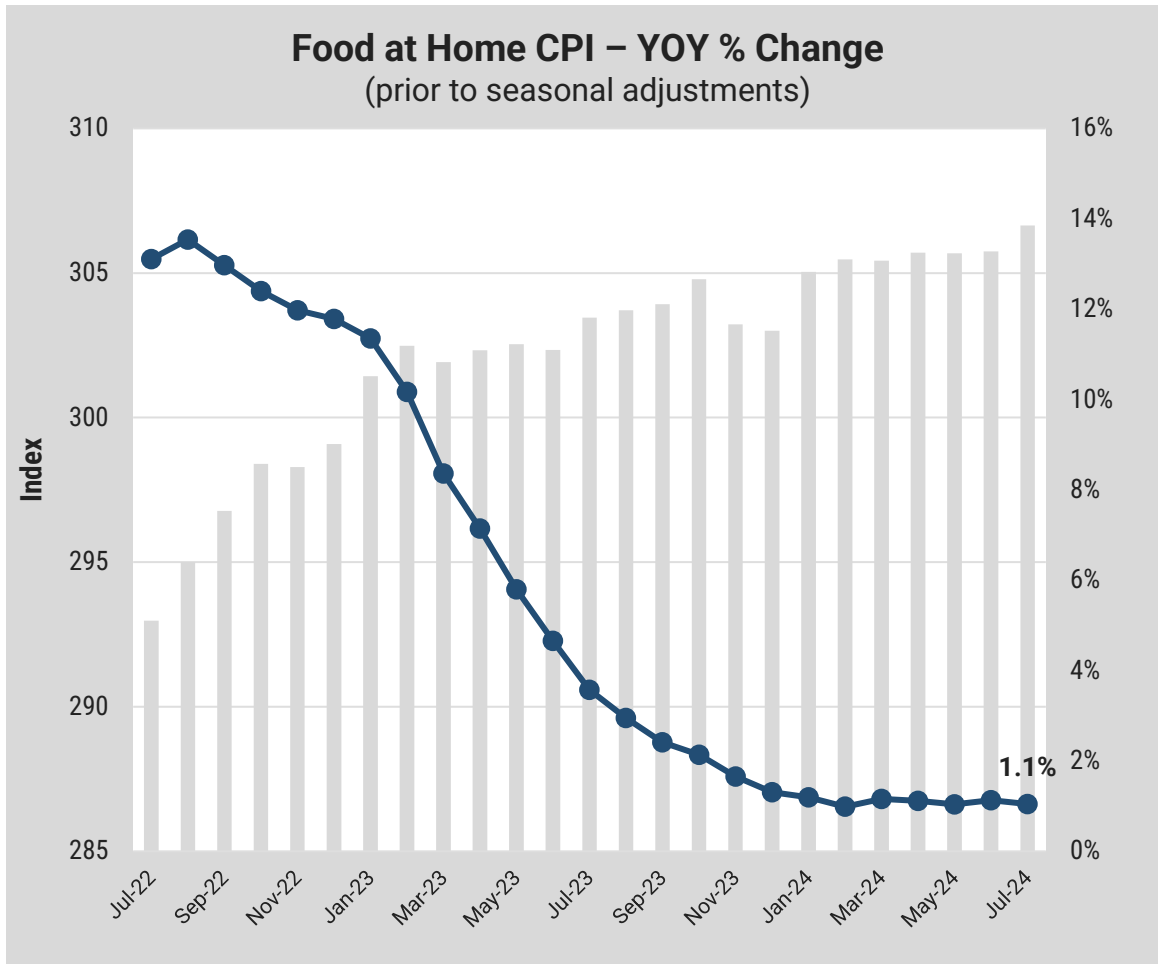


Source: U.S. Bureau of Labor Statistics

# U.S. Food Prices



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

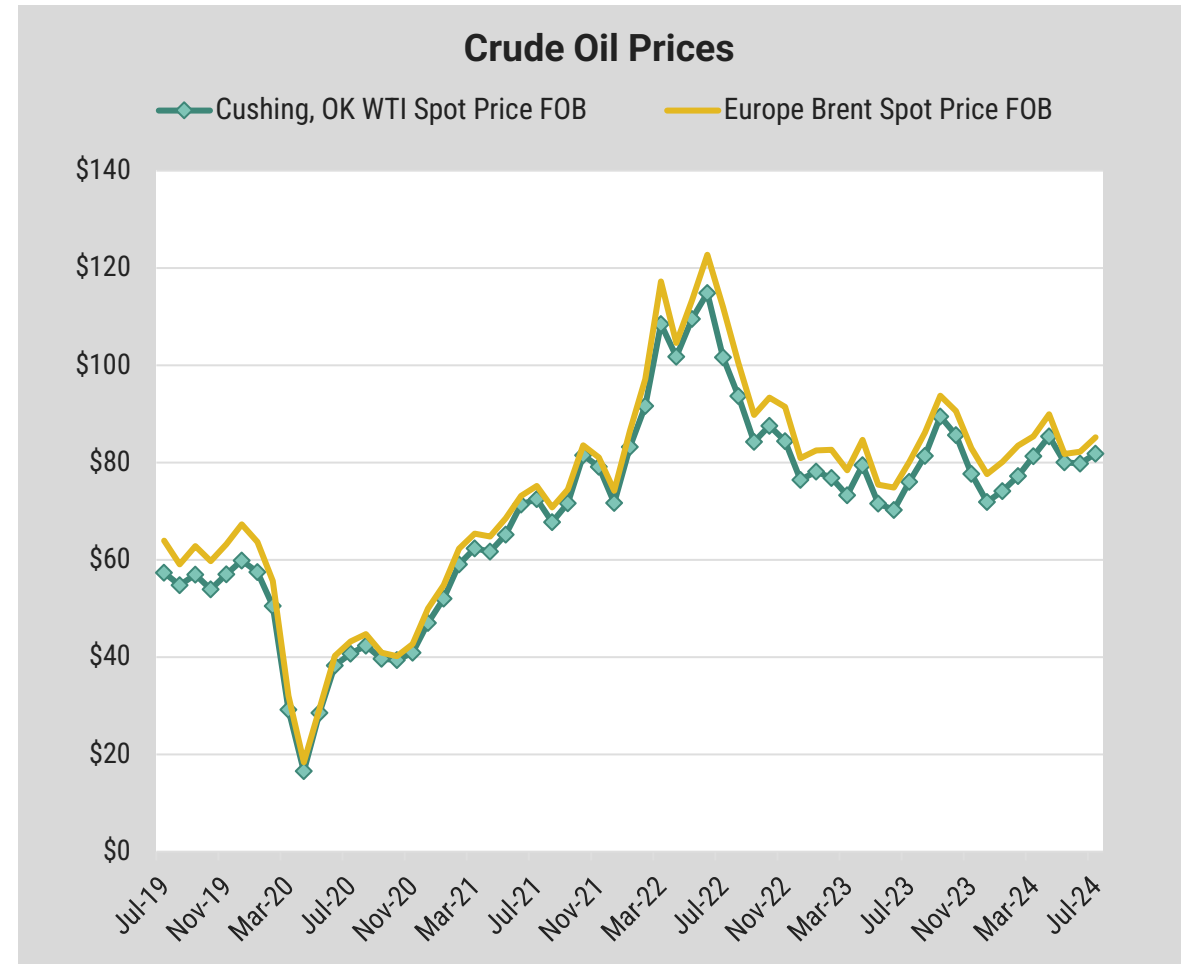
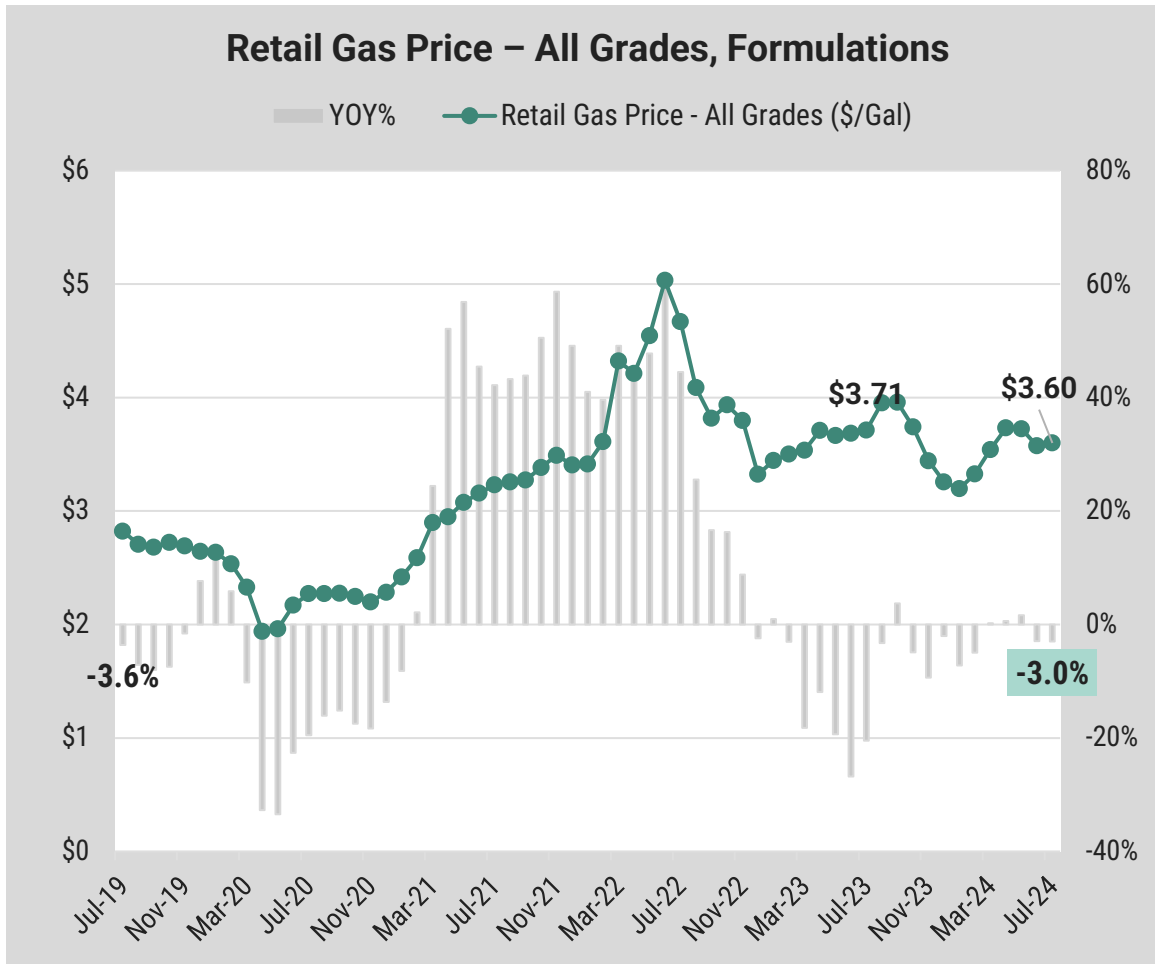


Source: U.S. Bureau of Labor Statistics



# Gasoline (Retail Price) and Crude Oil Prices

Average U.S. retail gas price were down 3% YOY at \$3.60/gallon

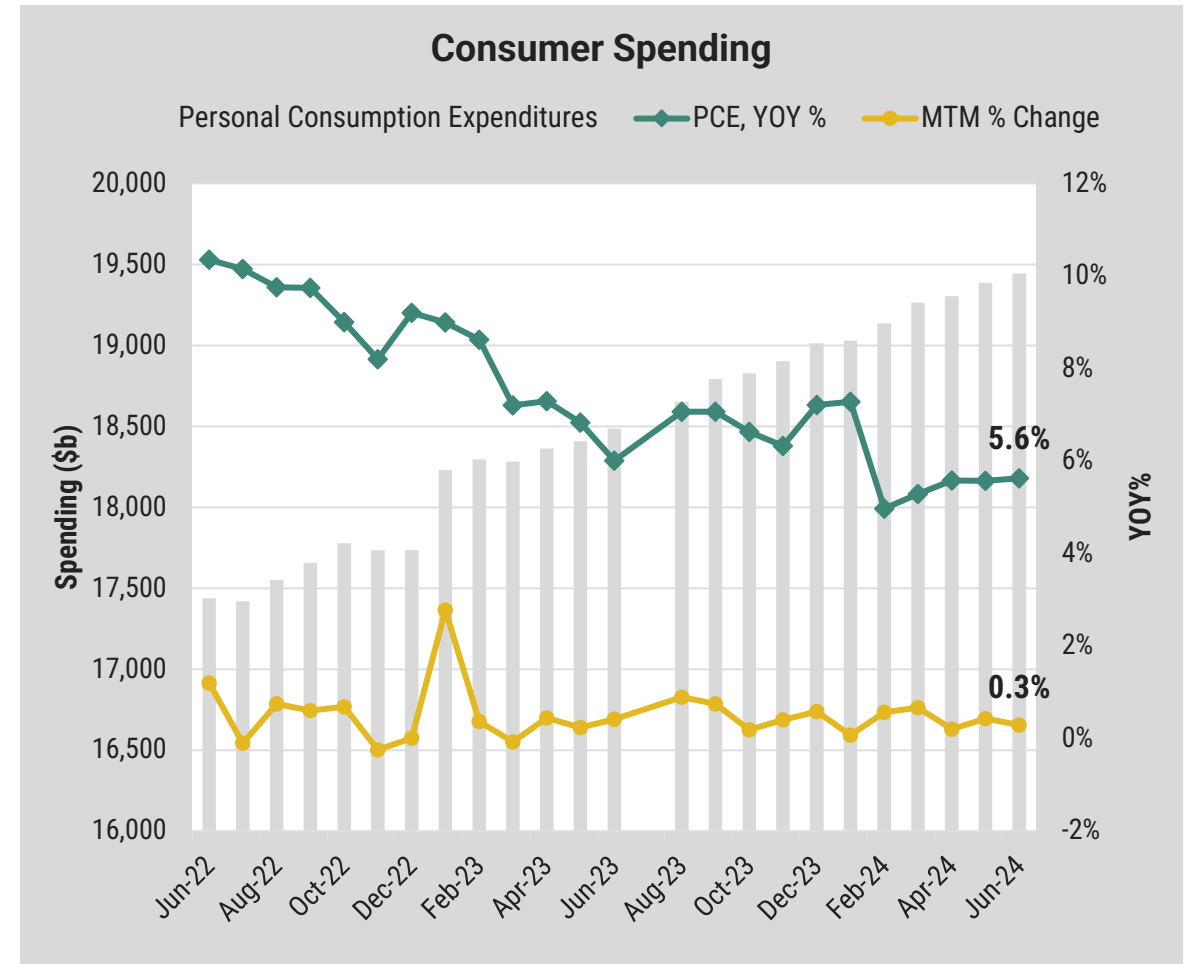
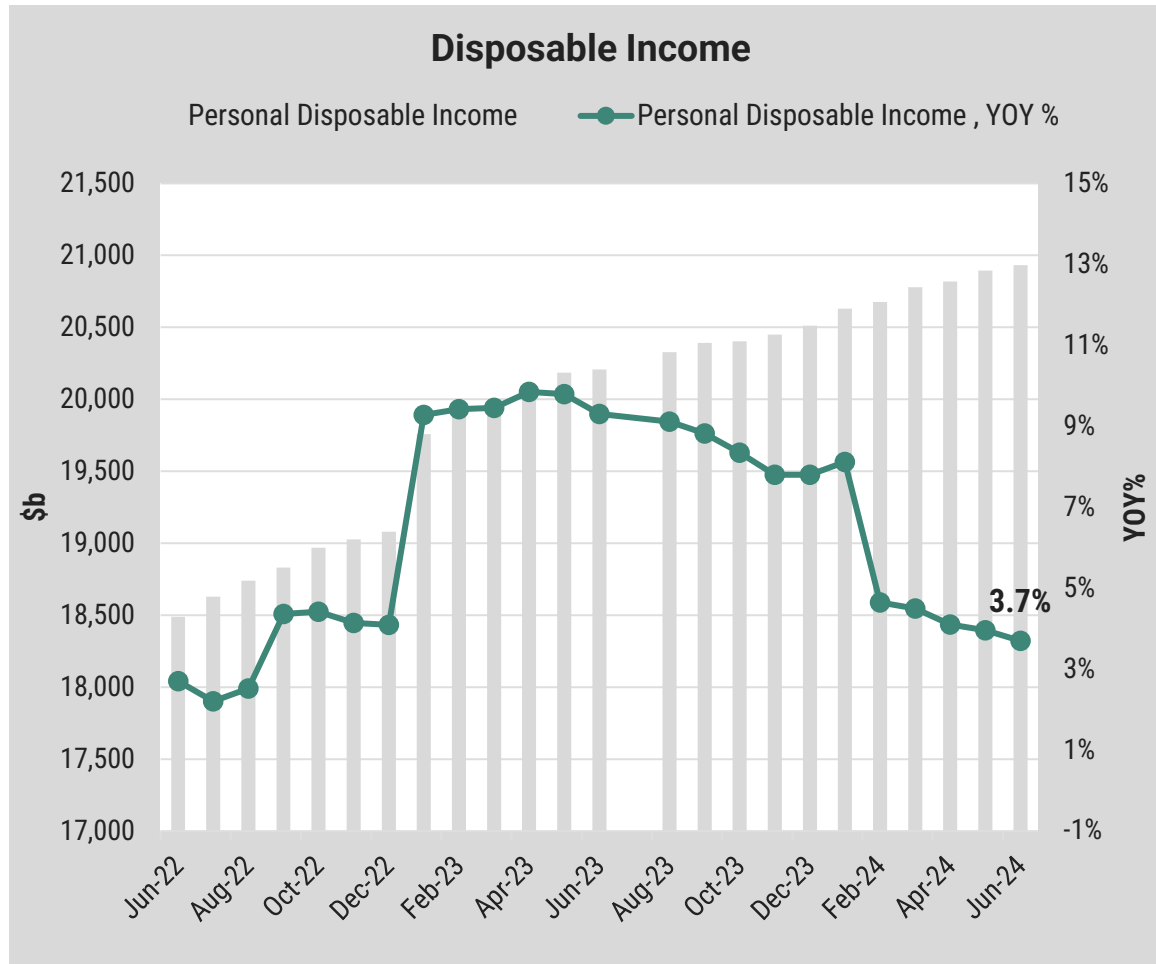


Source: U.S. Energy Information Administration



# Consumer Income and Spending (2-month lag)

**Personal disposable income rose 3.7%; consumer expenditures increased 5.6% YOY but consumers continue to take on debt, turning to plastic to fund their purchases**

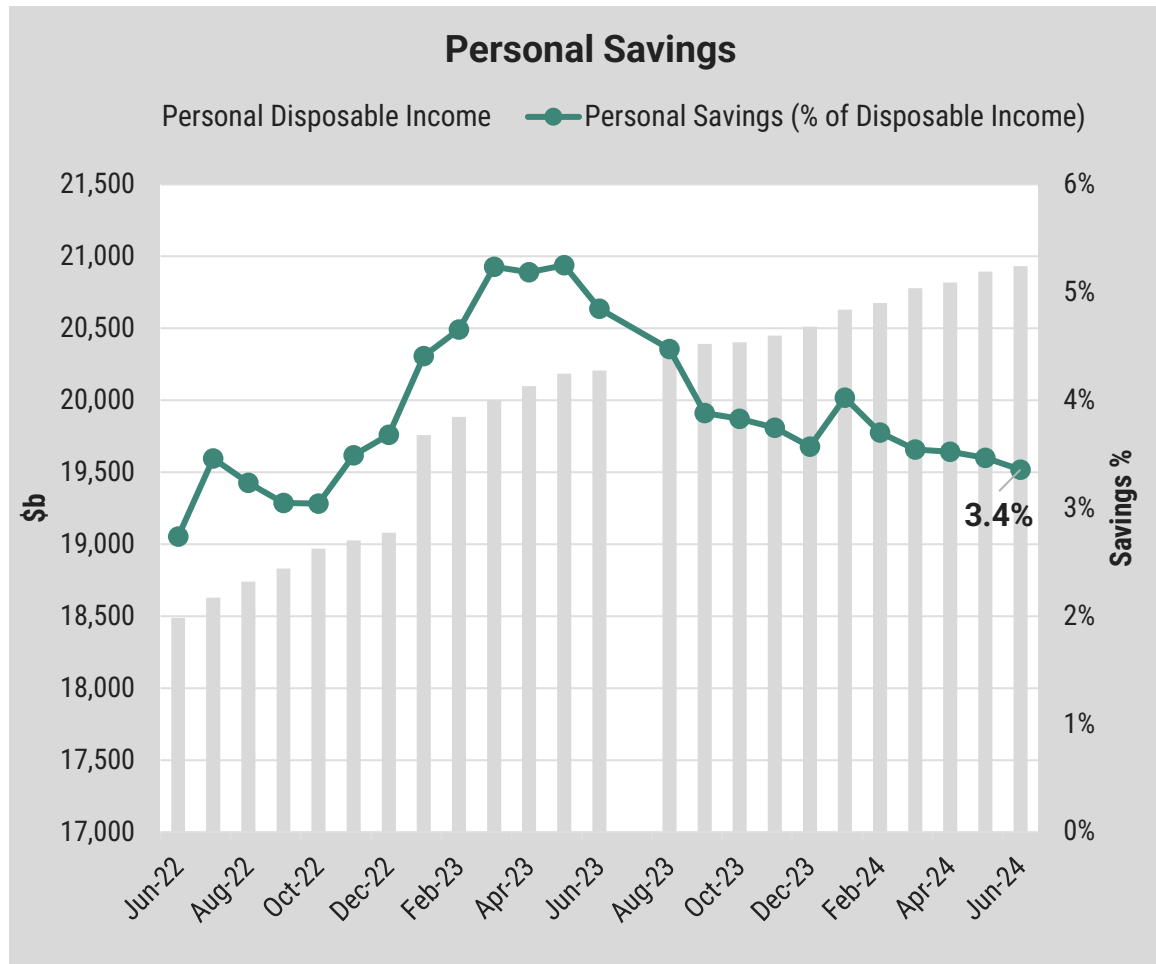


Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting

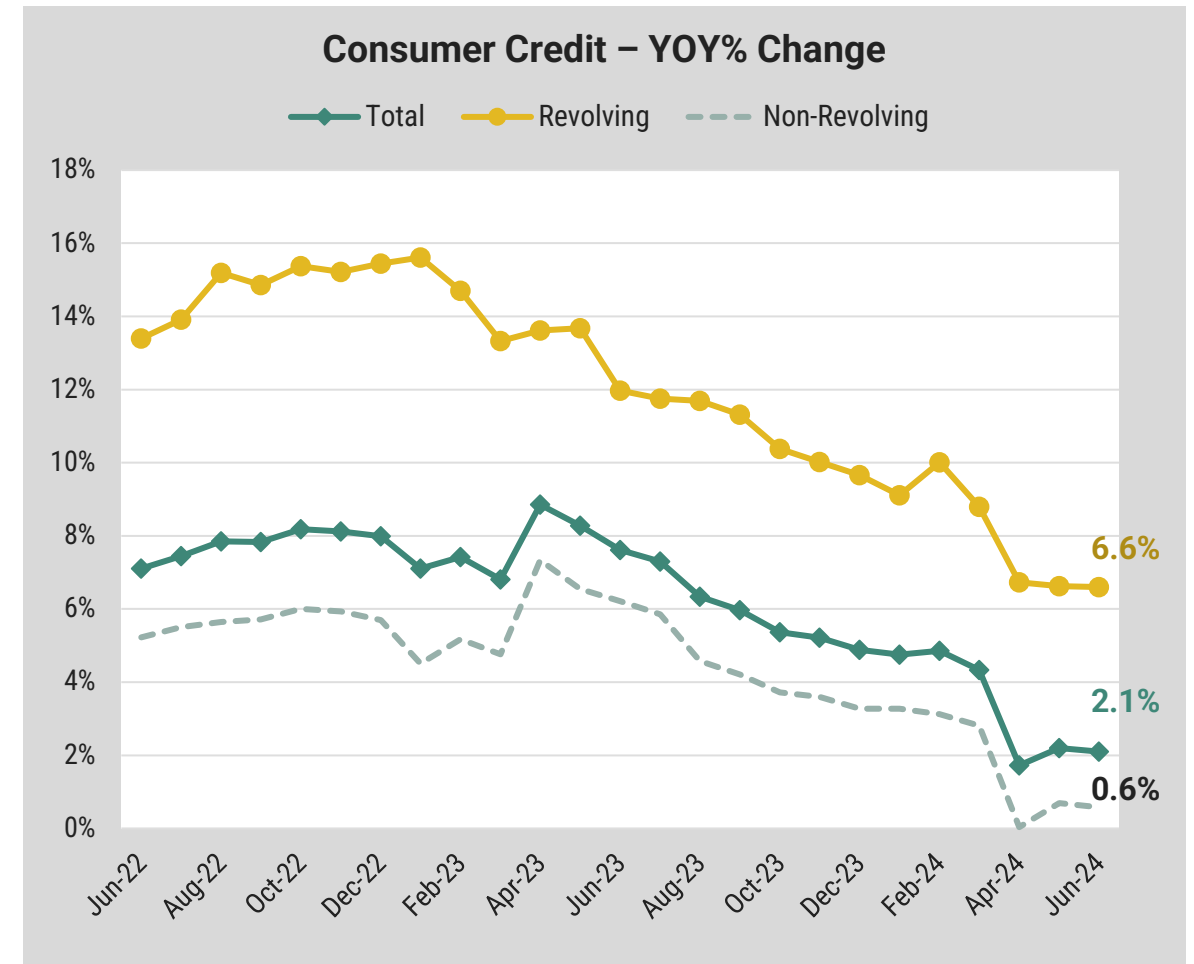


# Personal Savings & Consumer Credit (2-month lag)

Revolving credit rose 6.6% vs. 2023; total consumer credit increased 2.1, with credit card delinquency rates rising 8.5% from the previous quarter



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



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



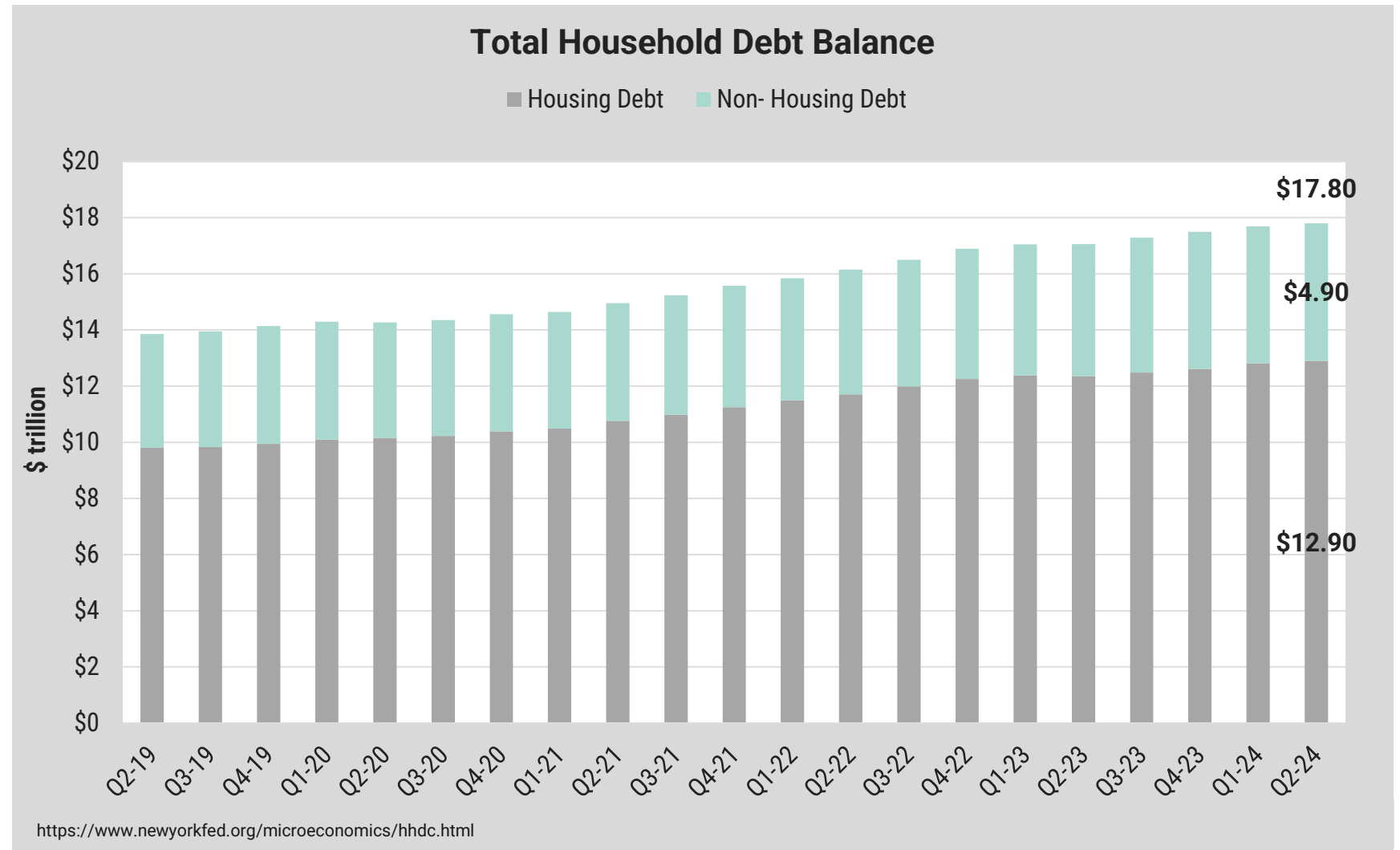
# Total Consumer Debt

**Total household debt climbs to \$17.8 trillion in Q2 2024. Mortgage balances increased by \$77 billion, auto loans increased by \$10 billion and credit card balances increased by \$27 billion. Home equity lines are also being tapped as alternatives**

*Q2-2024 total household debt stands at \$17.8 trillion; mortgage balances were up \$77 billion to reach \$12.52 trillion, while auto loans increased by \$10 billion to reach \$1.63 trillion and credit card balances increased by \$27 billion to reach \$1.14 trillion.*

*Homeowners continued to increase balances on home equity lines of credit as an alternative way to extract home equity; HELOC limits rose by \$3 billion, marking the ninth consecutive quarterly increase.*

*Aggregate delinquency rates remained unchanged from the previous quarter, with 3.2 percent of outstanding debt in some stage of delinquency.*



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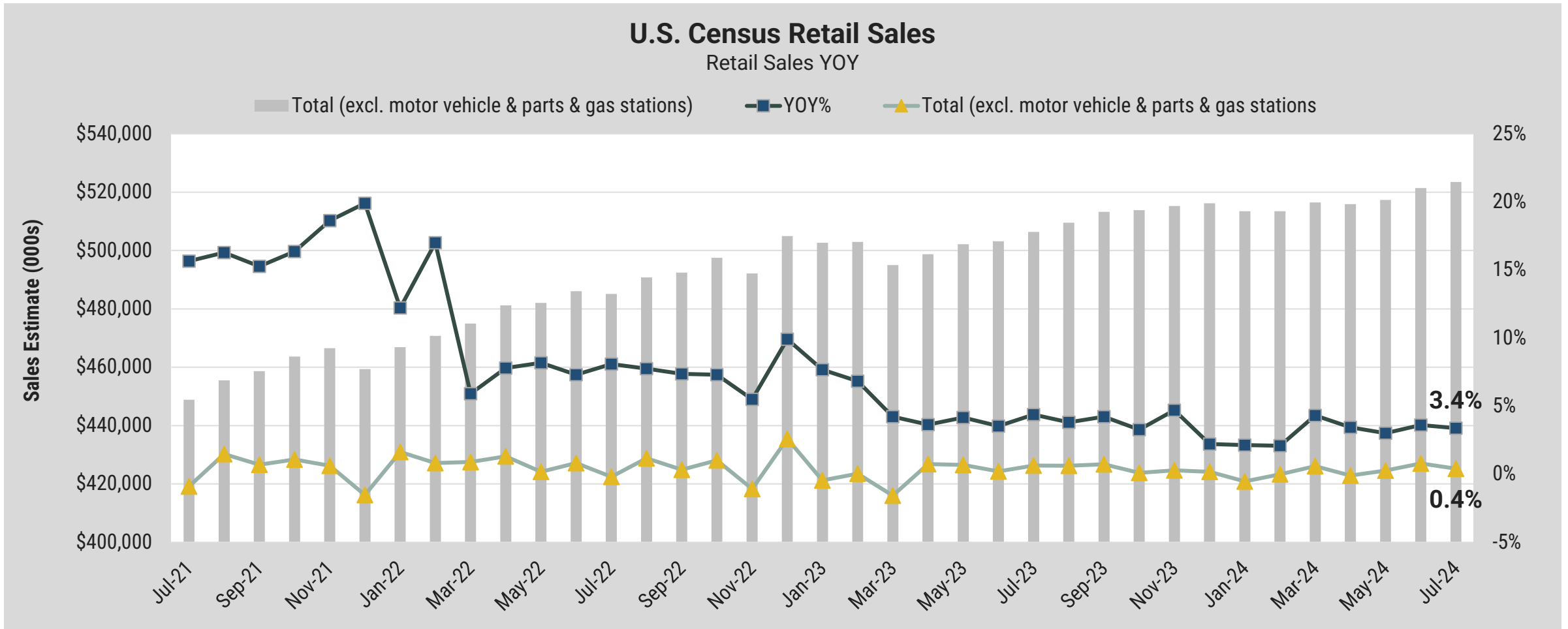
# U.S. Retail Sales



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



**July sales were up 3.4% YOY and .4% MTM, as retailers were in the peak of summer clearance sales**



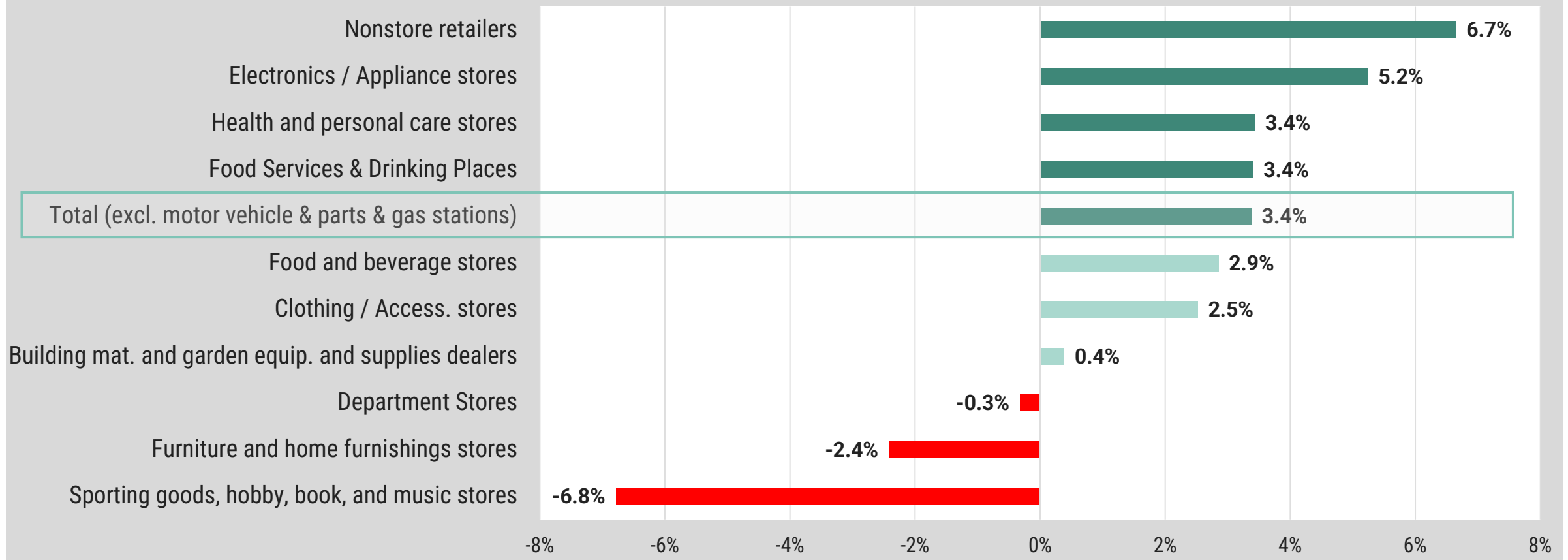
Source: U.S. Census Bureau



# U.S. Retail Sales by Retail Category

July sales were driven by an 6.7% increase for non-store (online) retailers, a 5.2% bump for Consumer Electronics / Appliances and 3.4% increase in Food Services and Dining; department, sporting goods and home segments continue to lag

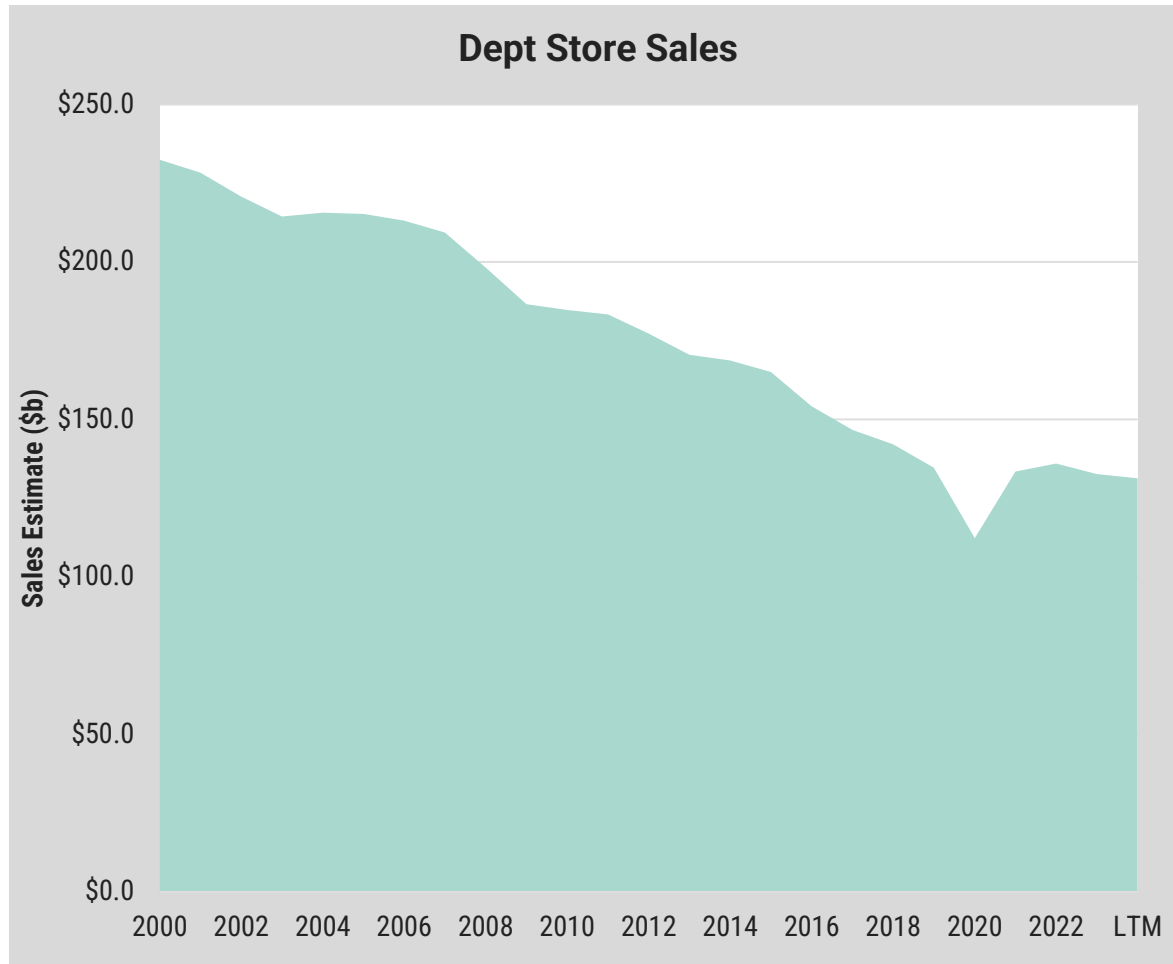
### Retail Trade Sales - YOY % Change by Category



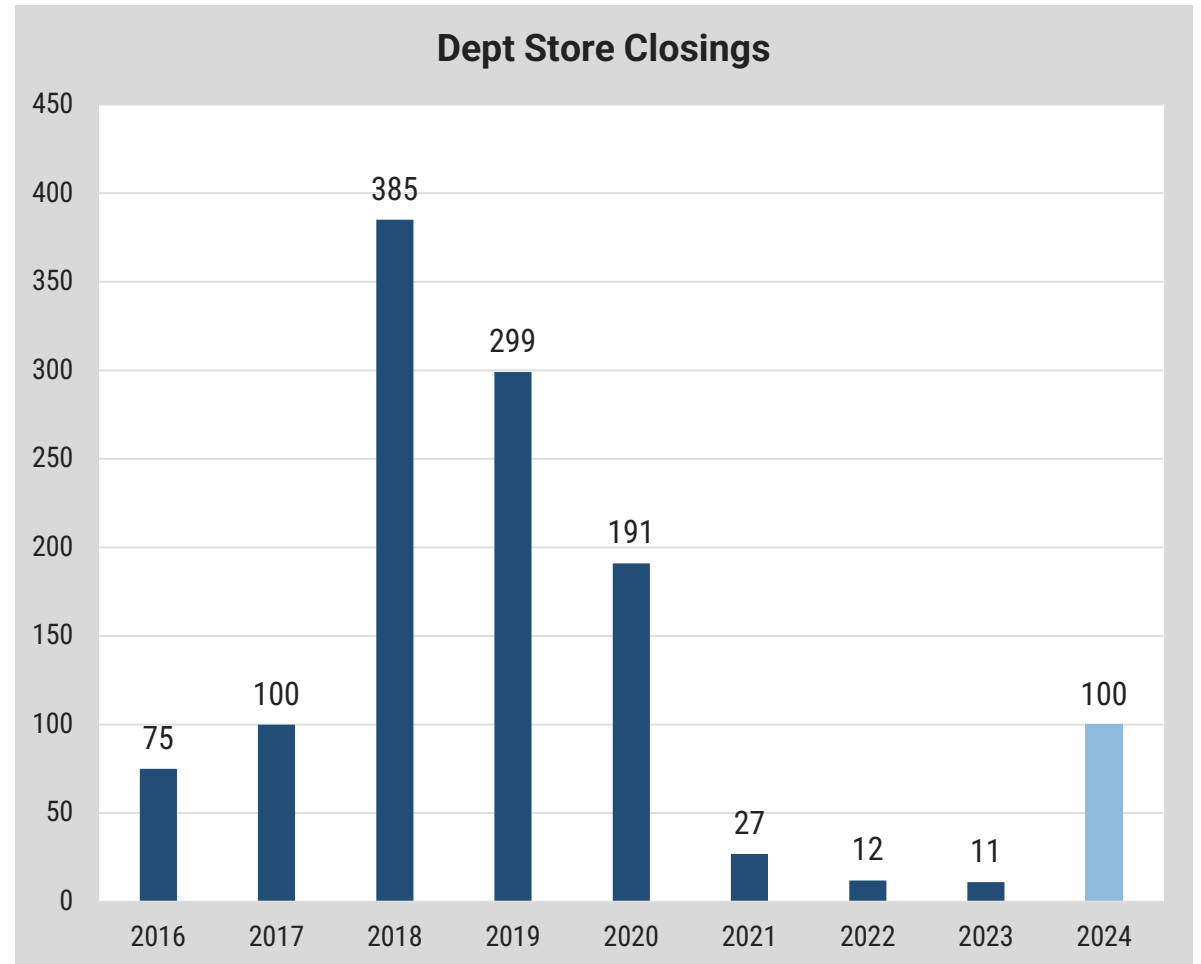


# Department Store Sales and Store Closings

Department stores are facing unprecedented challenges as Millennials and Gen Z choose to opt away from this traditional Baby Boomer favorite, with competitors encroaching on their market share



Source: U.S. Census Bureau



Source: Green Street, Wall Street Journal (8/6/3034); 2024 is estimated



# Retail Inventories *(2-month lag)*

**June retail inventories increased 5.8% above 2023 and were flat to previous month, weak consumer demand over holidays could lead to stockpiles and deeper markdowns**

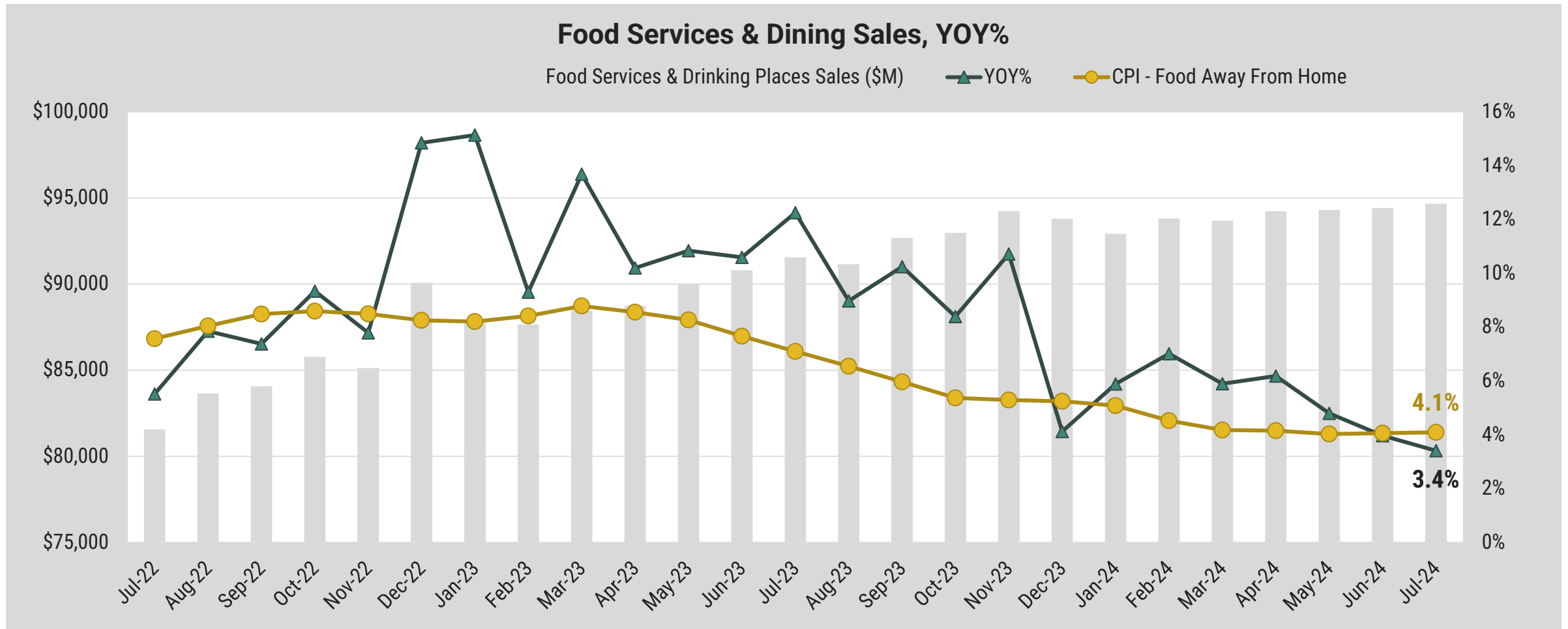


U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>



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

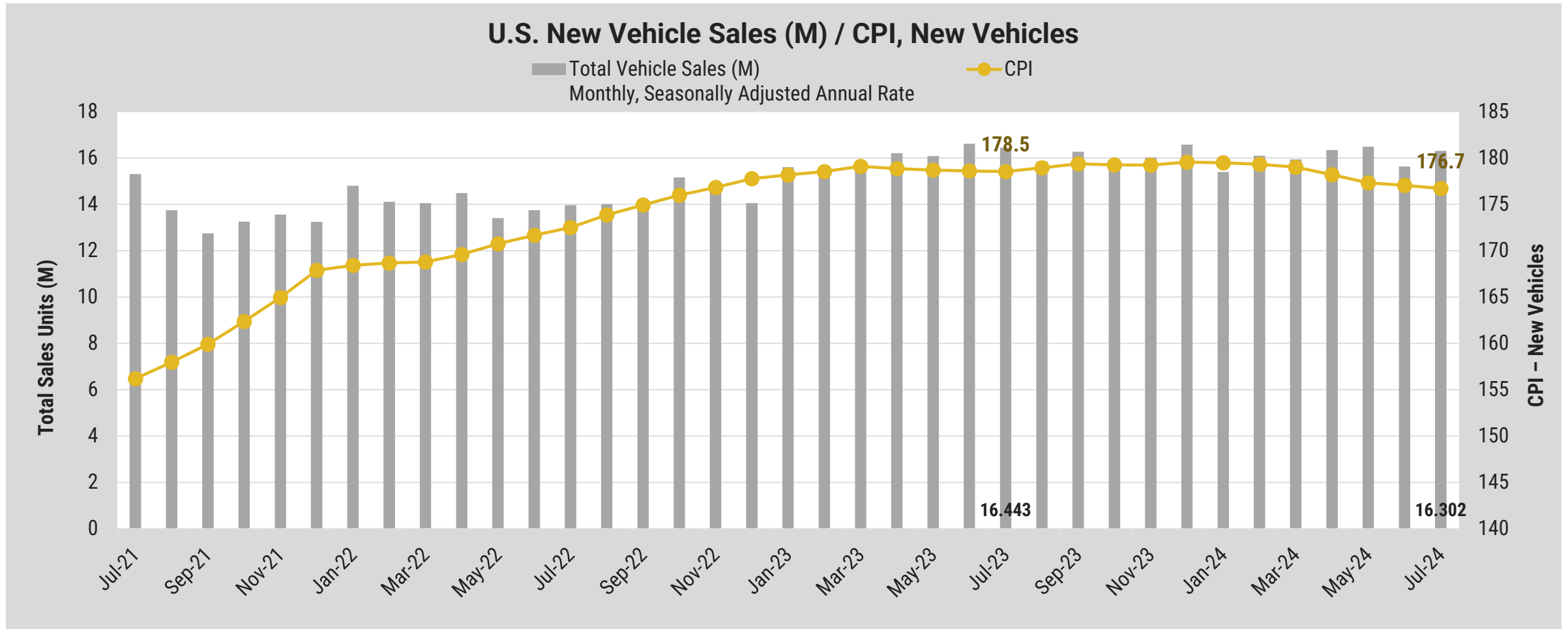
**Food Services / Dining increased 3.4% in July; while prices for Food Away From Home rose 4.1%**





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

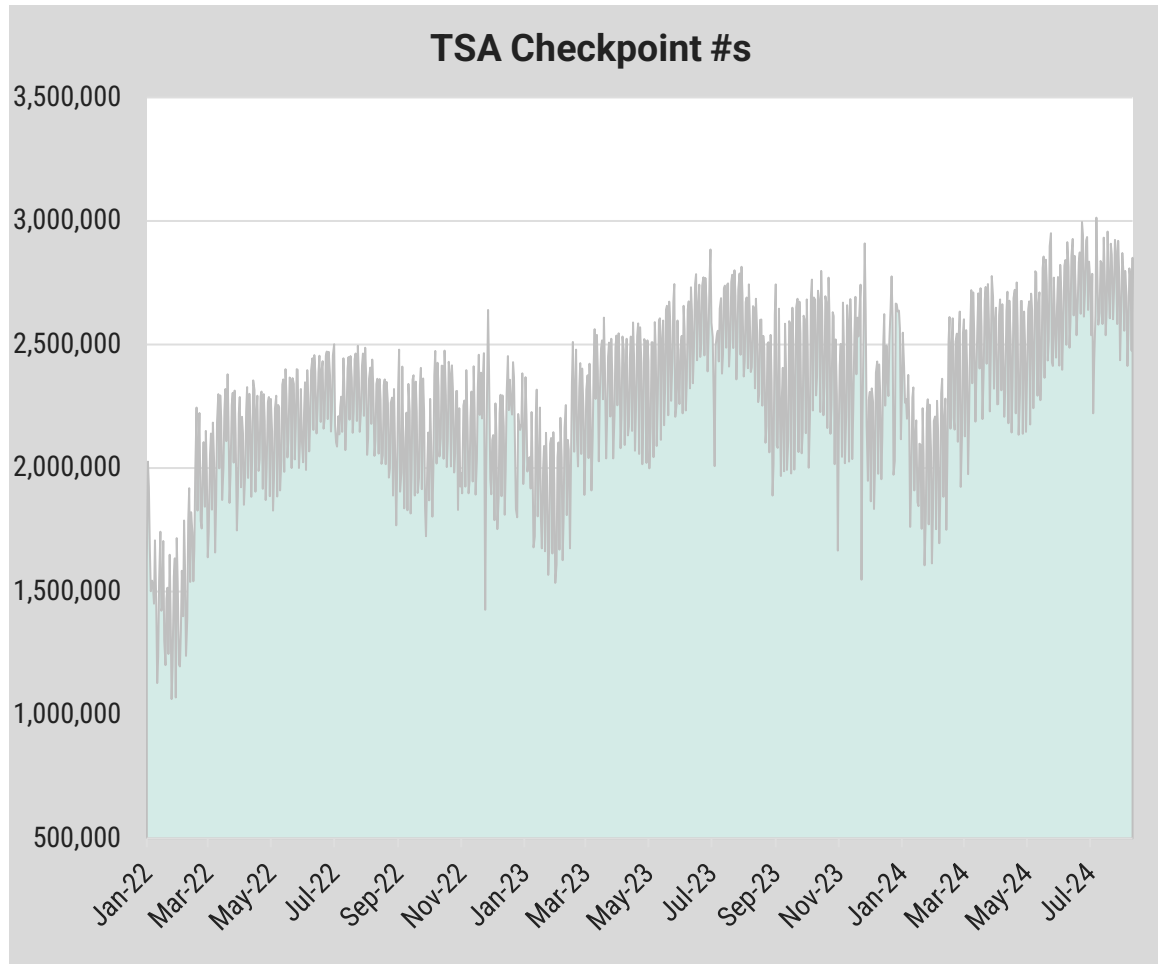
July new vehicle sales were down 1% YOY; auto prices (CPI) was down slightly YOY as car lots are filling up with unsold vehicles and consumers face higher interest rates



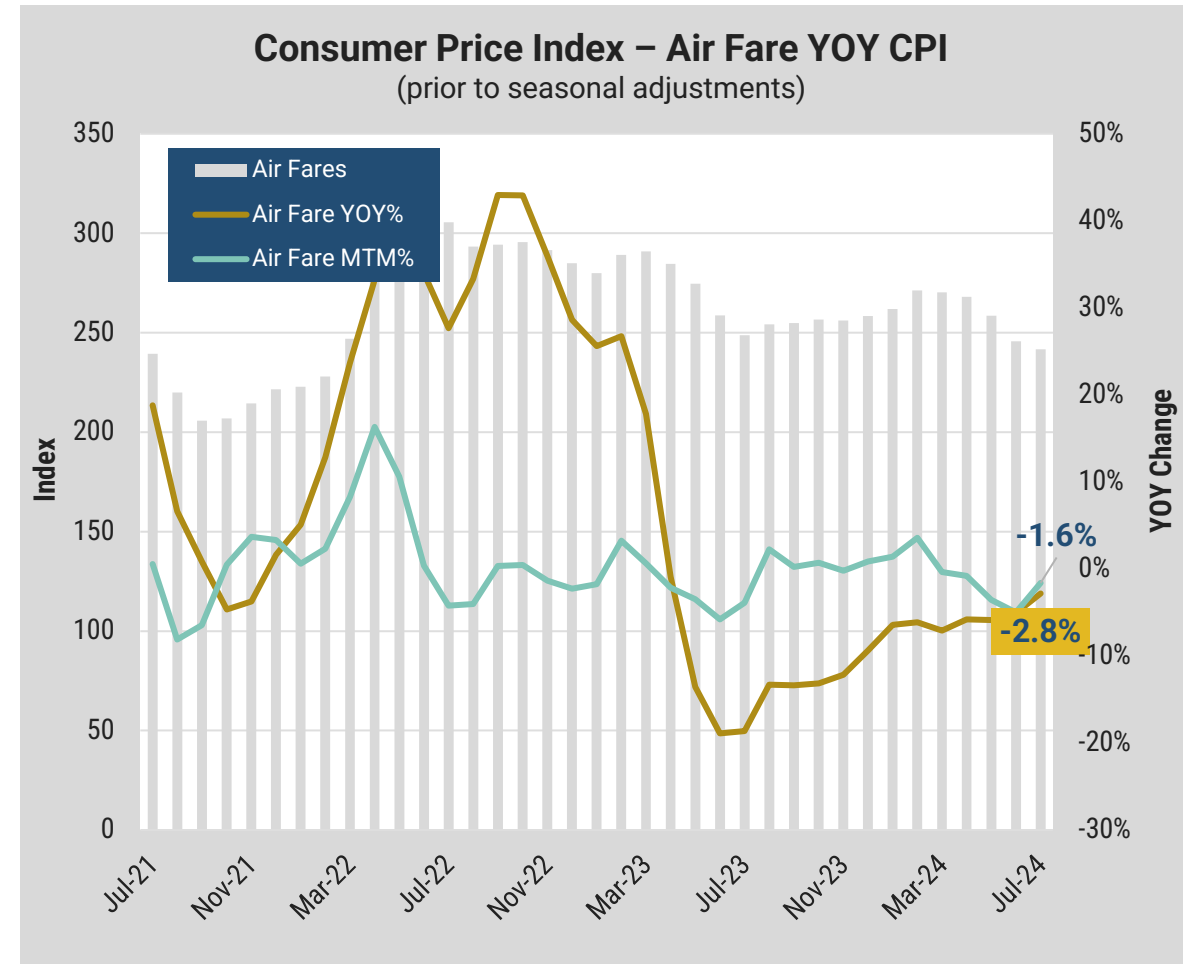


# TSA Checkpoint Travel Numbers

YTD air travel volume increased .8% vs. 2023; the price of air travel is down 2.8% 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

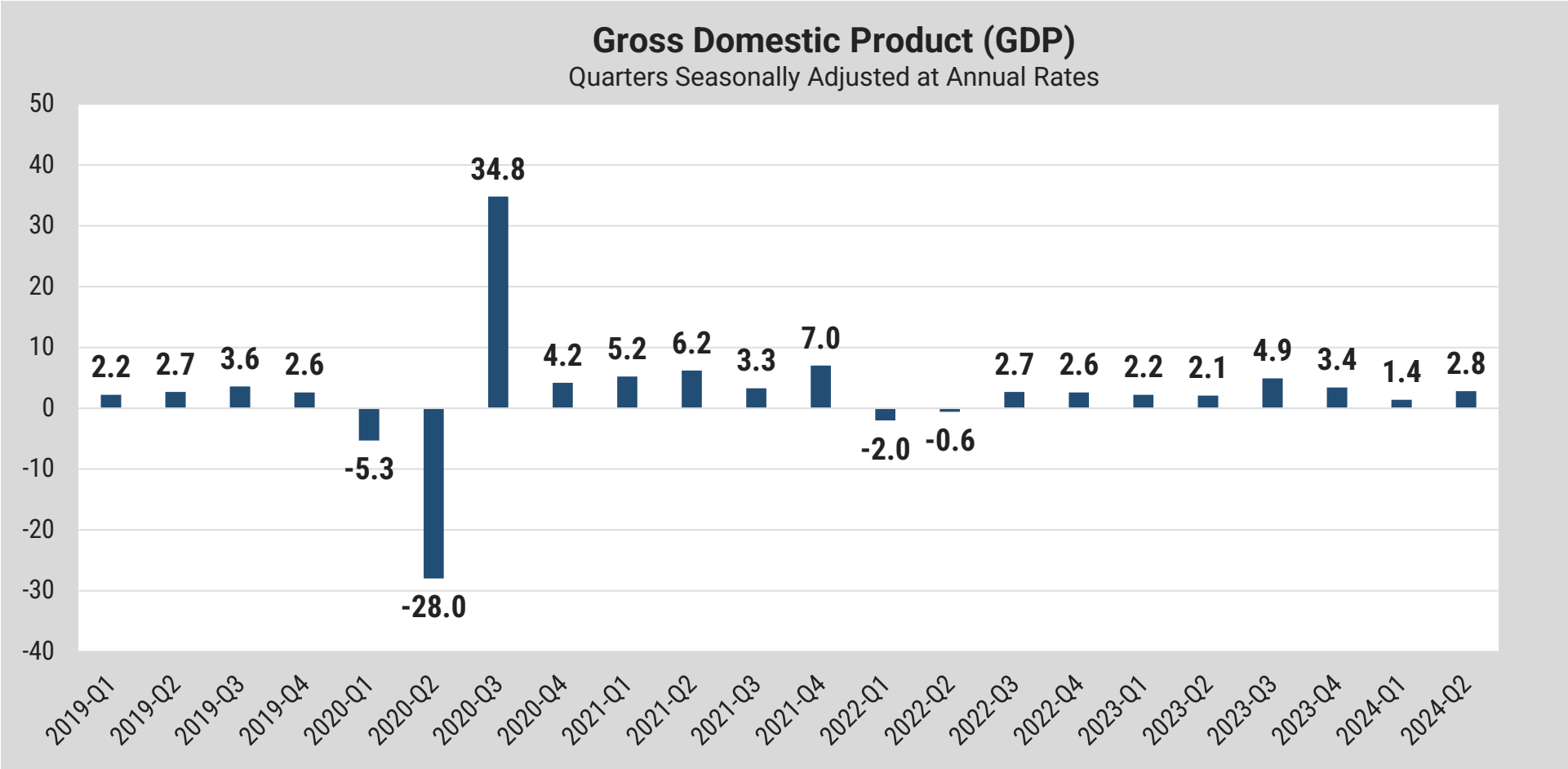




# Gross Domestic Product

Q2-2024 GDP increased at an annual rate of 2.8%; in the first quarter of 2024, real GDP increased 1.4%

*The increase in the second quarter primarily reflected increases in consumer spending, inventory investment, and business investment. Imports, which are a subtraction in the calculation of GDP, increased*

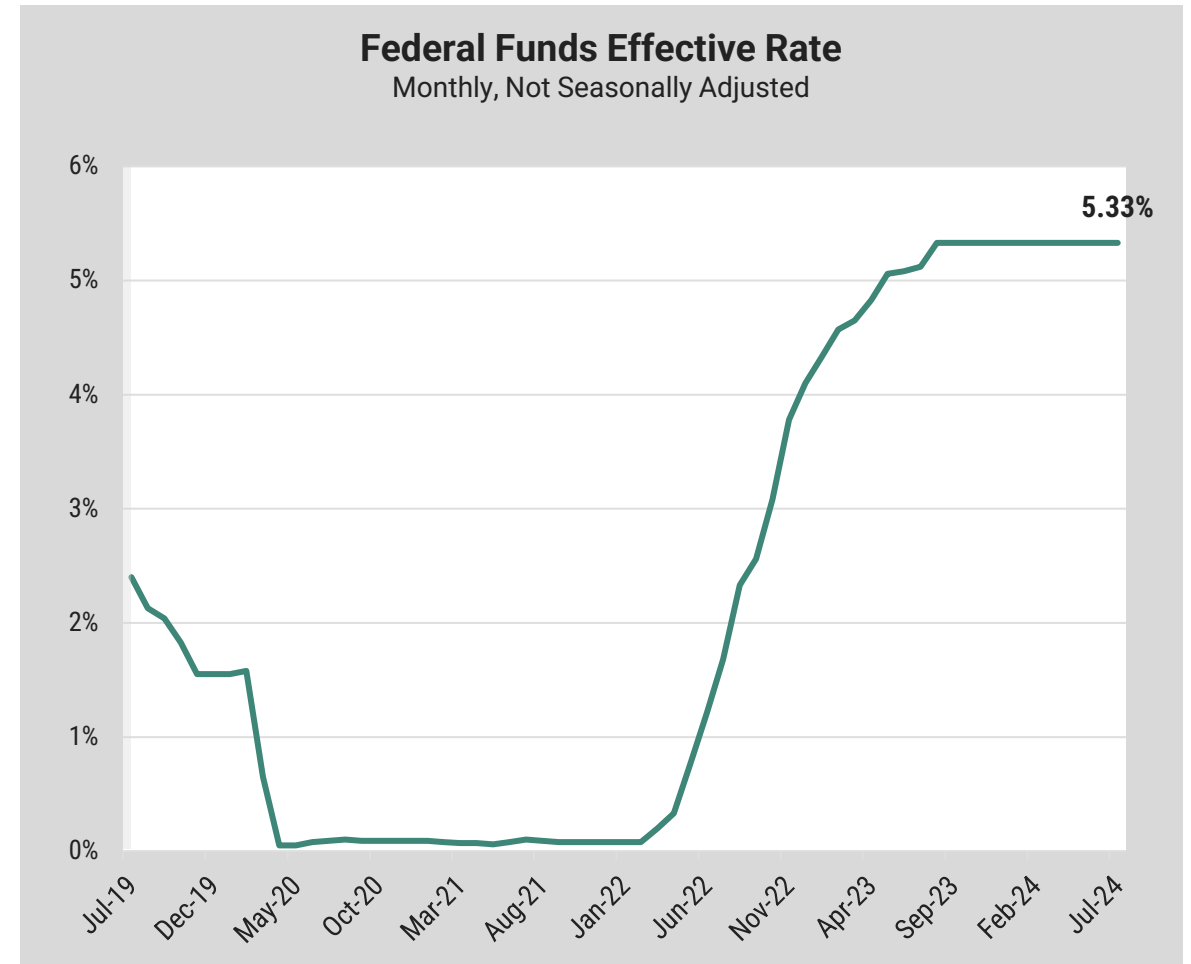
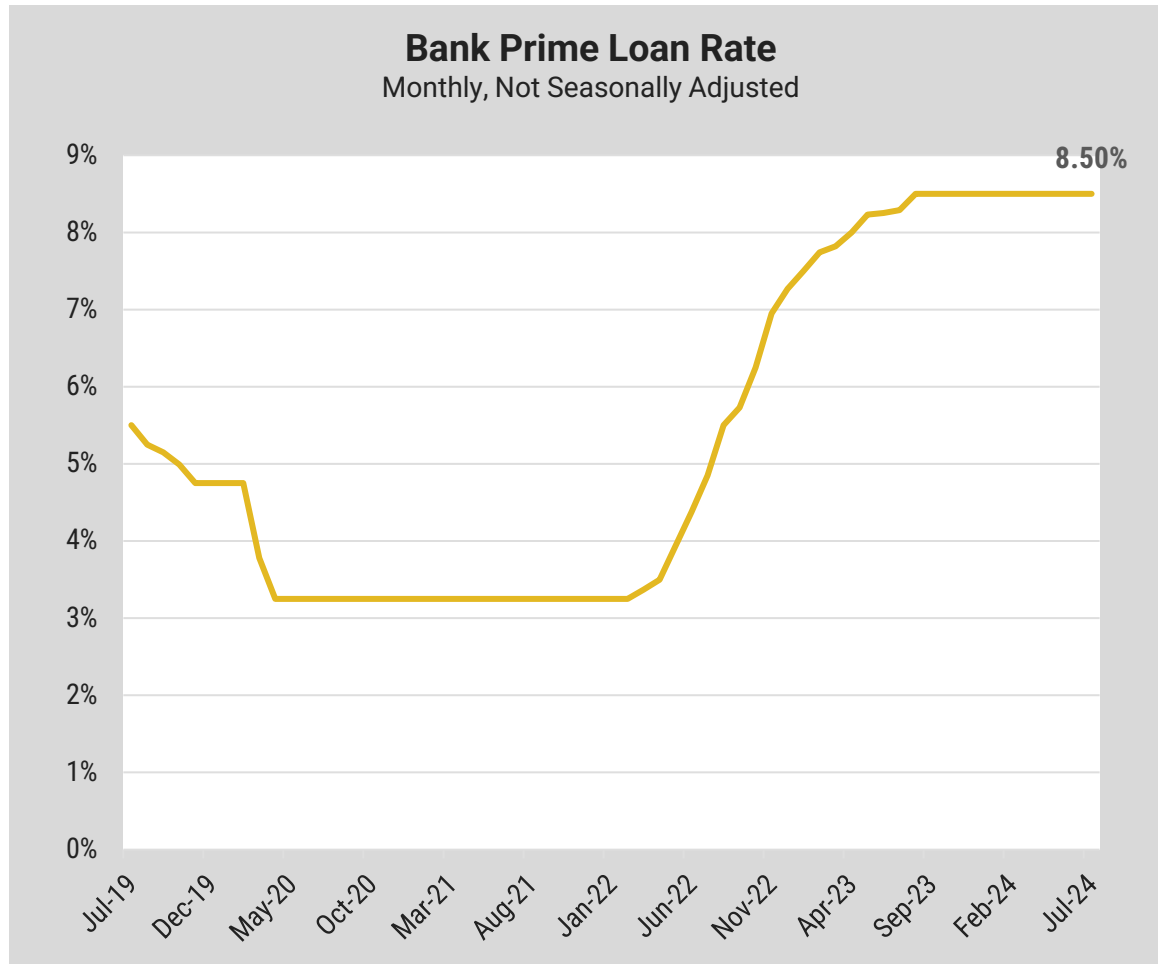


Source: U.S. Bureau of Economic Analysis



# 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

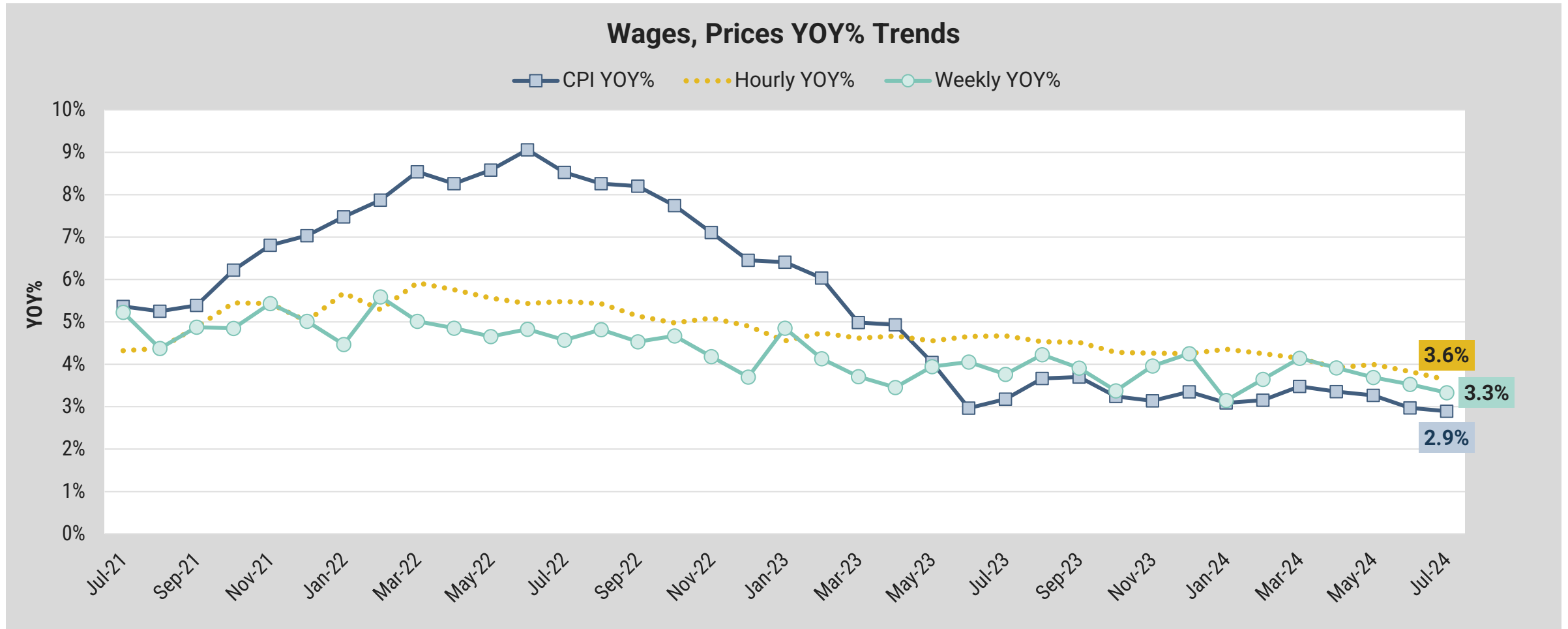
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# U.S. Employment



# Wages vs. Inflation – YOY % Change

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

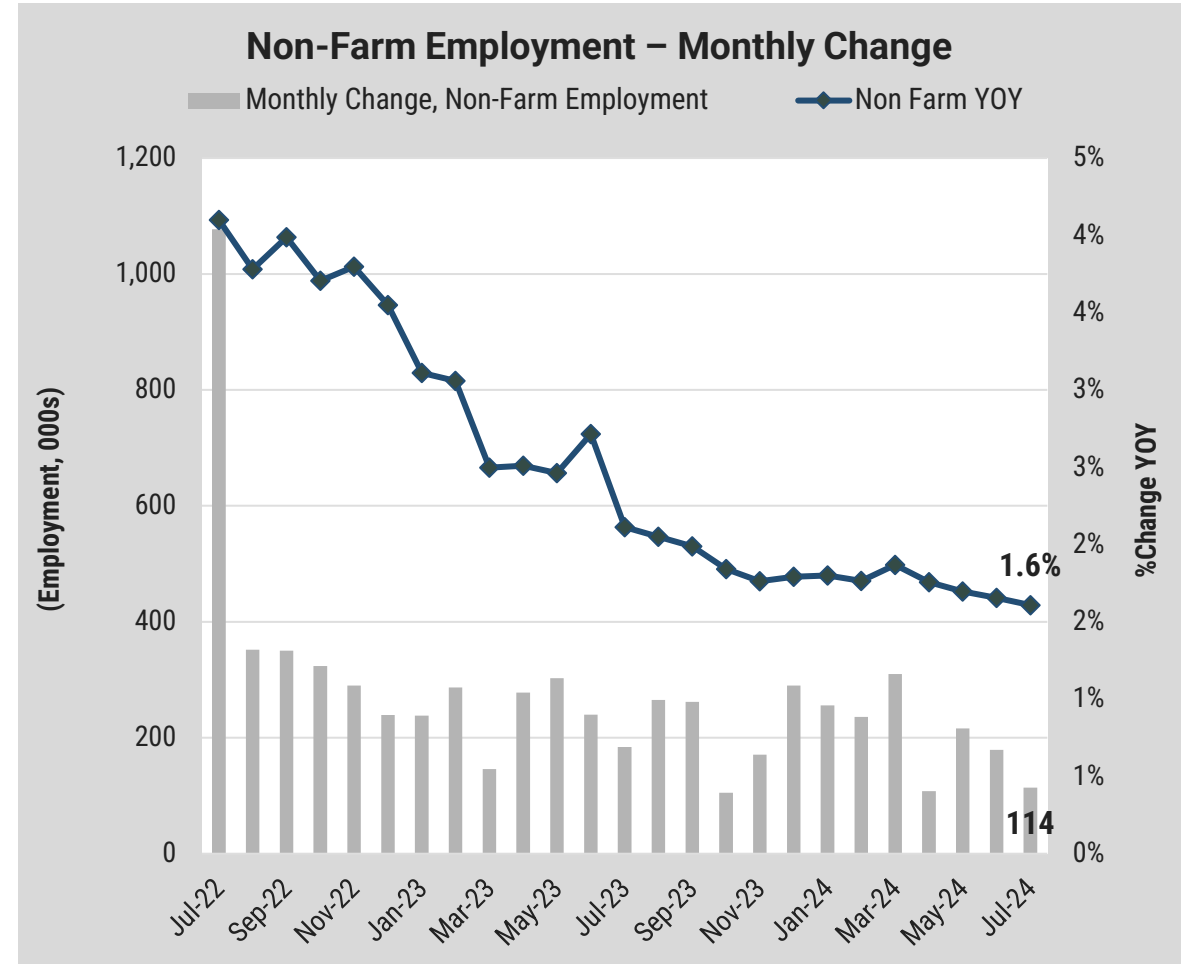
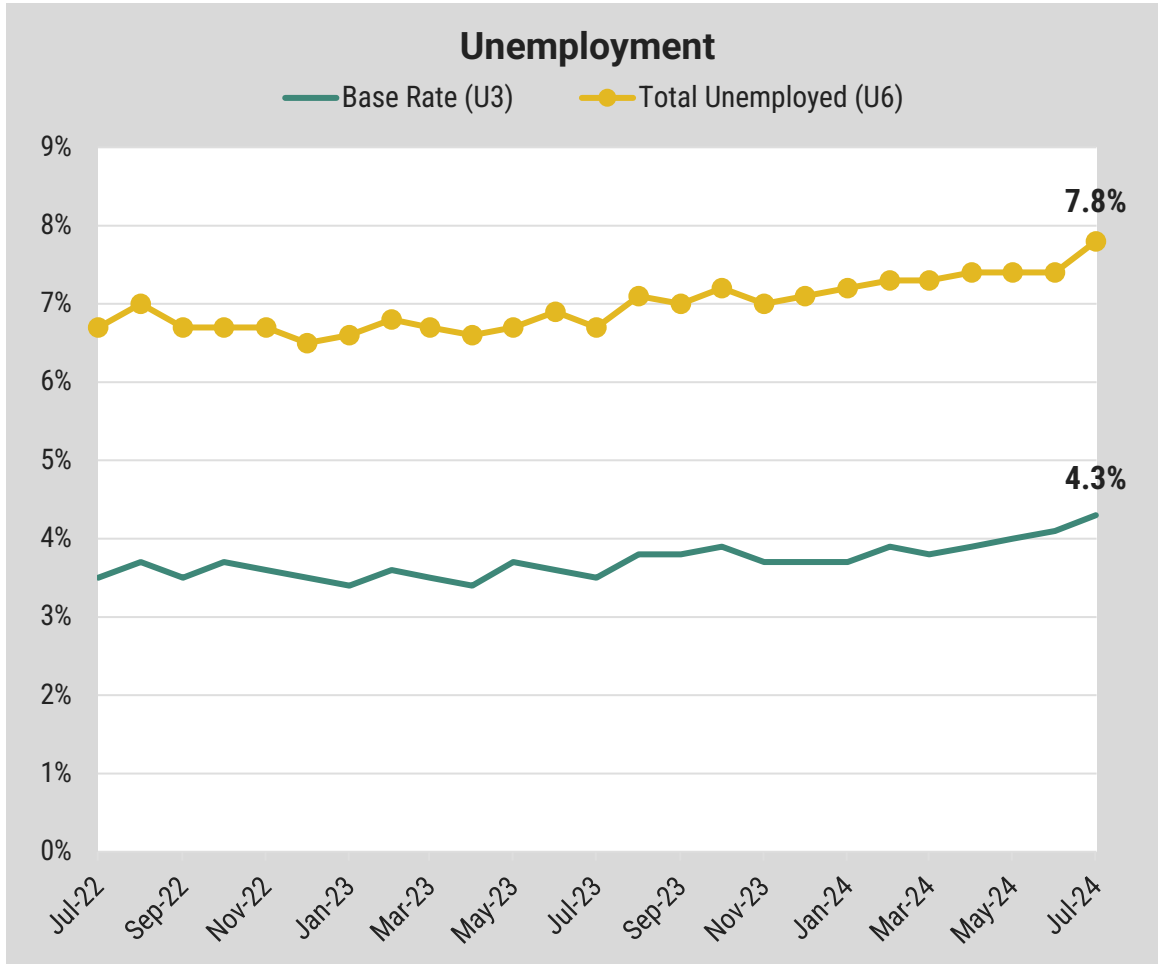


Source: U.S. Bureau of Labor Statistics

# U.S. Employment Overview



Unemployment rose slightly to 4.3%; non-farm employment was up 1.6% YOY and rose 114,000 vs. previous month

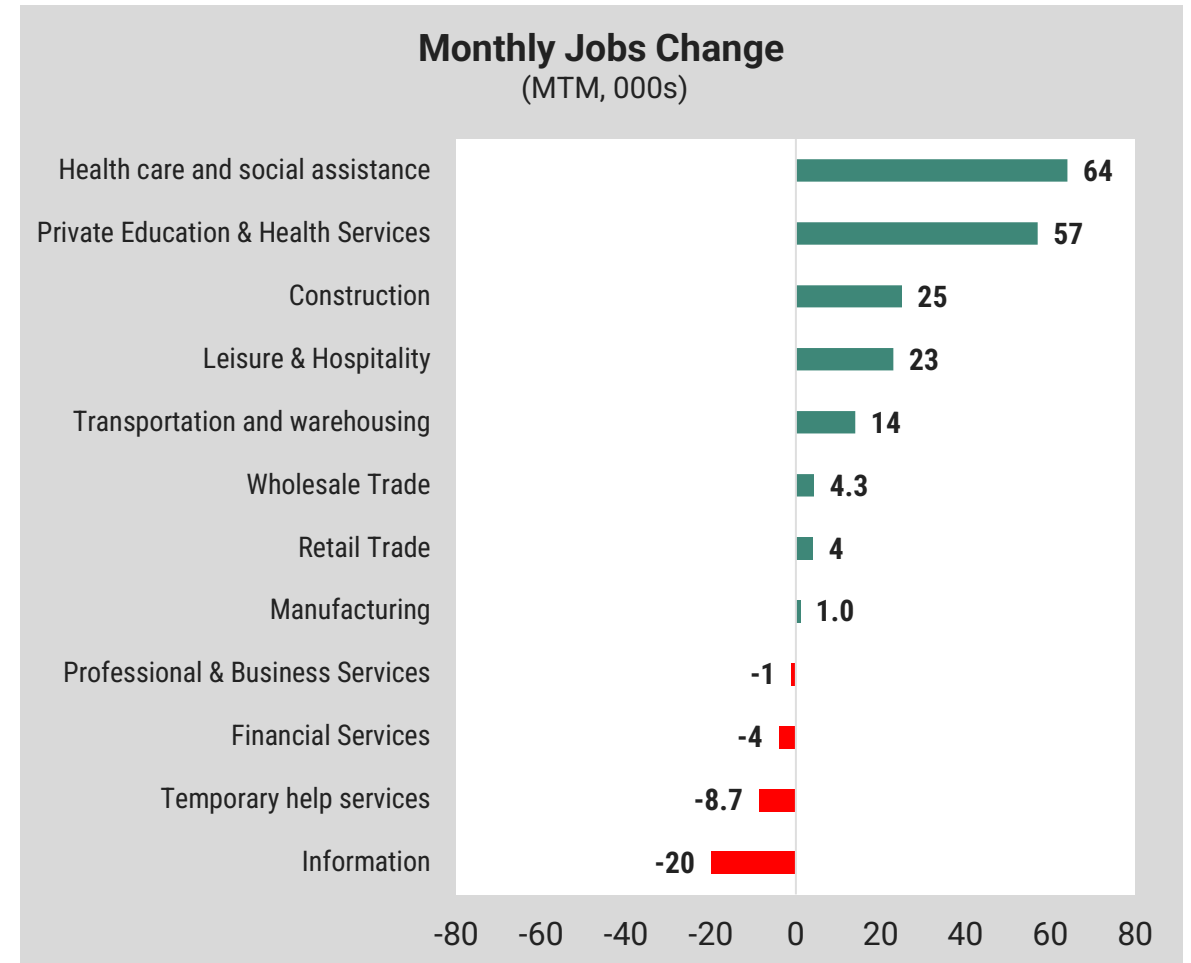
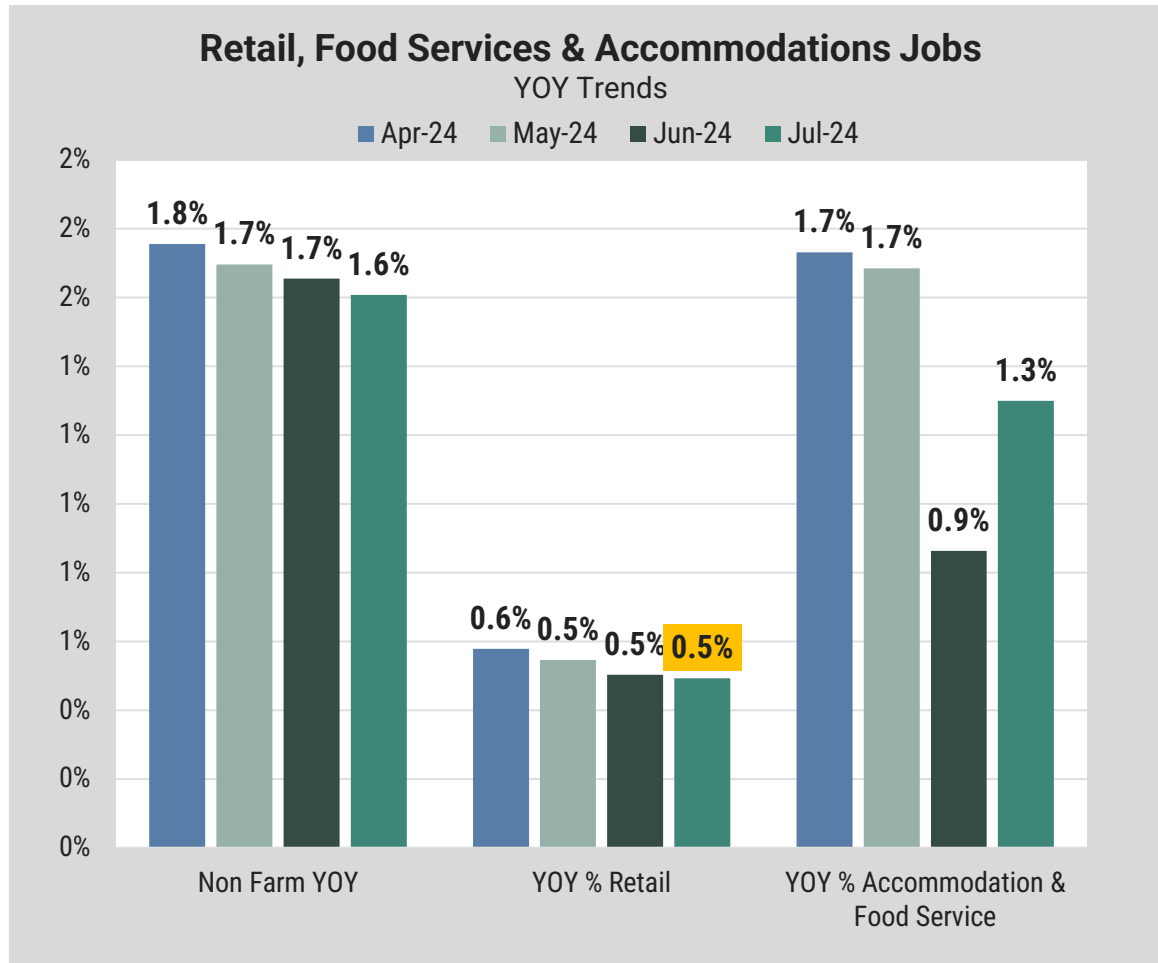


Source: U.S. Bureau of Labor Statistics



# Industry Employment Trends

July's job gains were concentrated in the healthcare sector, private education, construction, and leisure and hospitality while temporary help services and information technology companies took the largest hit

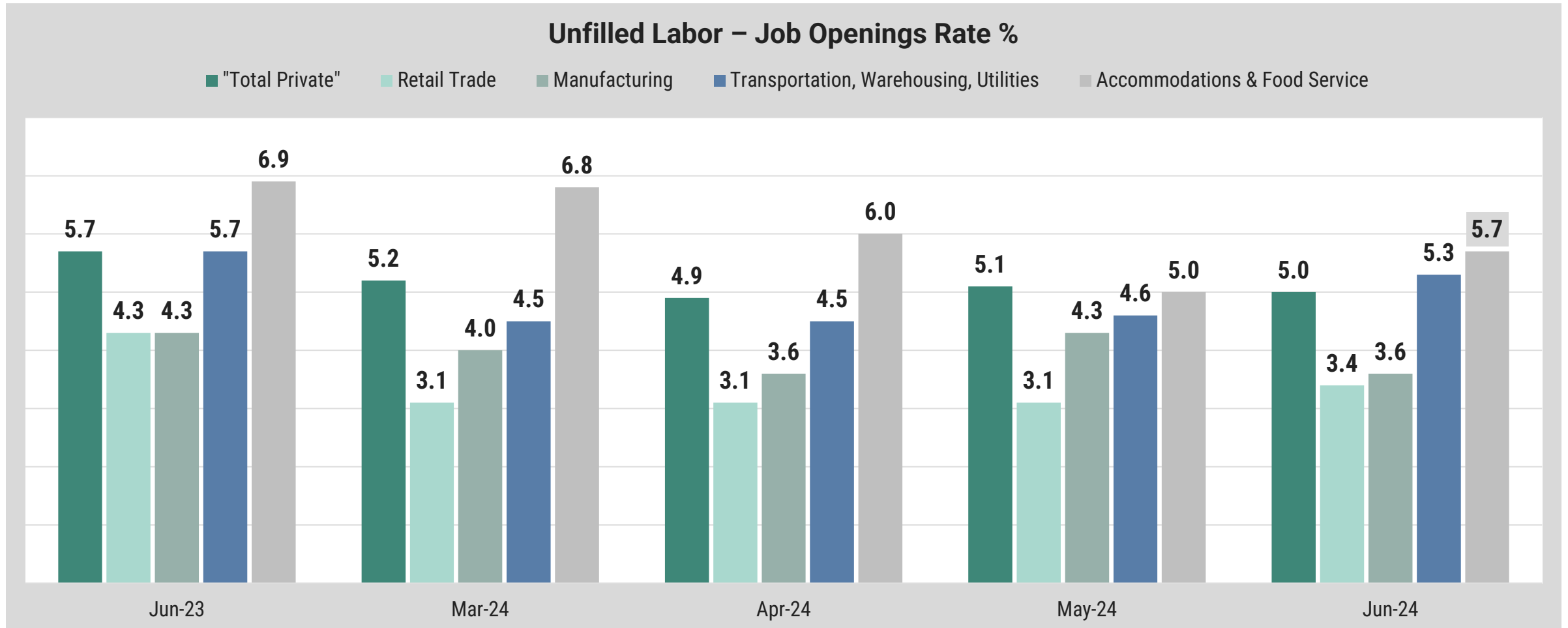


Source: U.S. Bureau of Labor Statistics



# 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



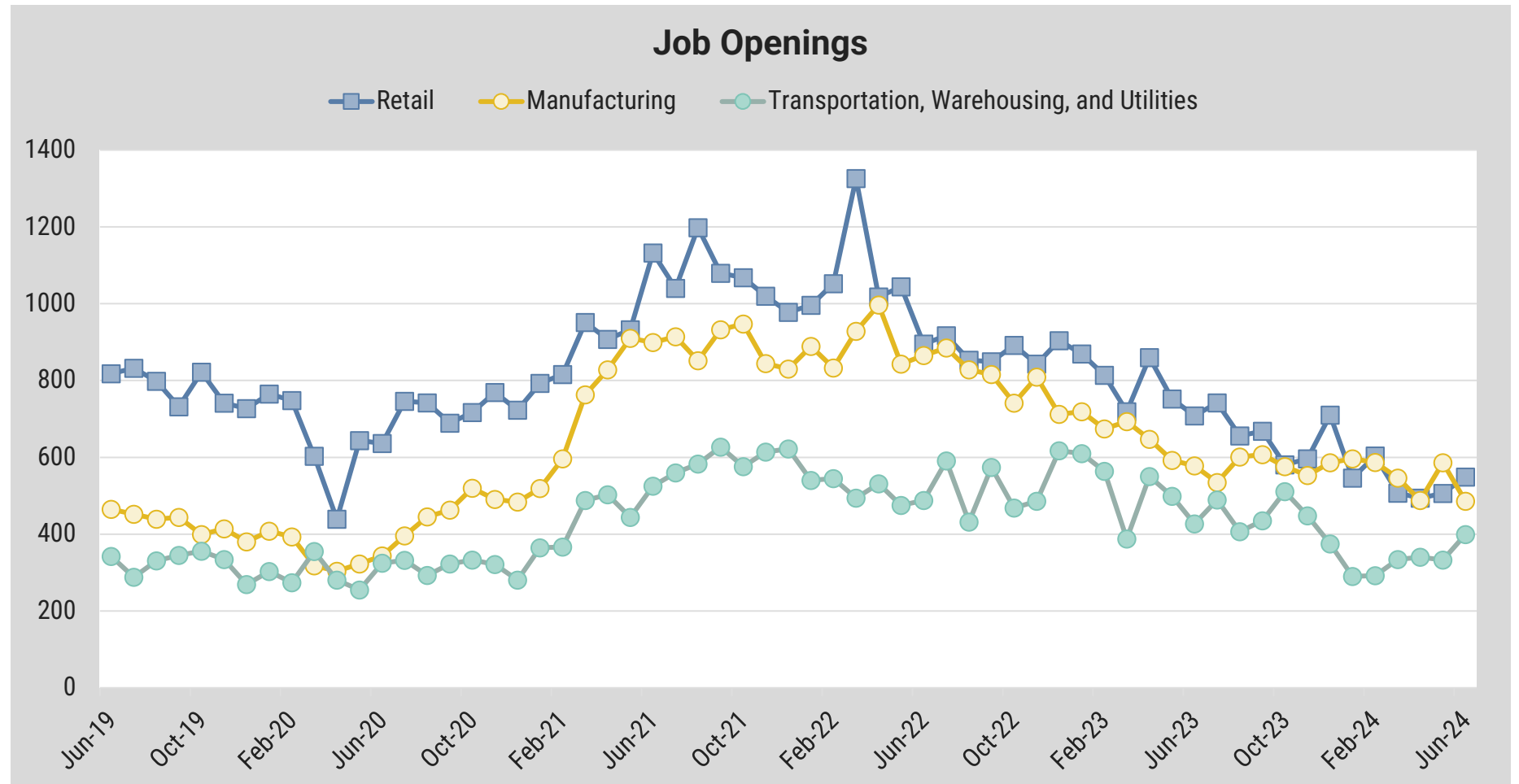
Source: U.S. Bureau of Labor Statistics; job openings rate = number of job openings on the last business day of the month as a percent of total employment plus job openings



# Job Openings (2-month lag)

After months of strong demand, employers are finding it easier to fill roles like retail clerks and warehouse workers

*Finding employment has been a bright spot for lower-wage workers for months. Retail, hospitality and leisure executives have had difficulty in finding sufficient retail clerks, warehouse workers, cooks, housekeepers, and others. This trend is shifting, becoming one of the key factors influencing the labor market.*





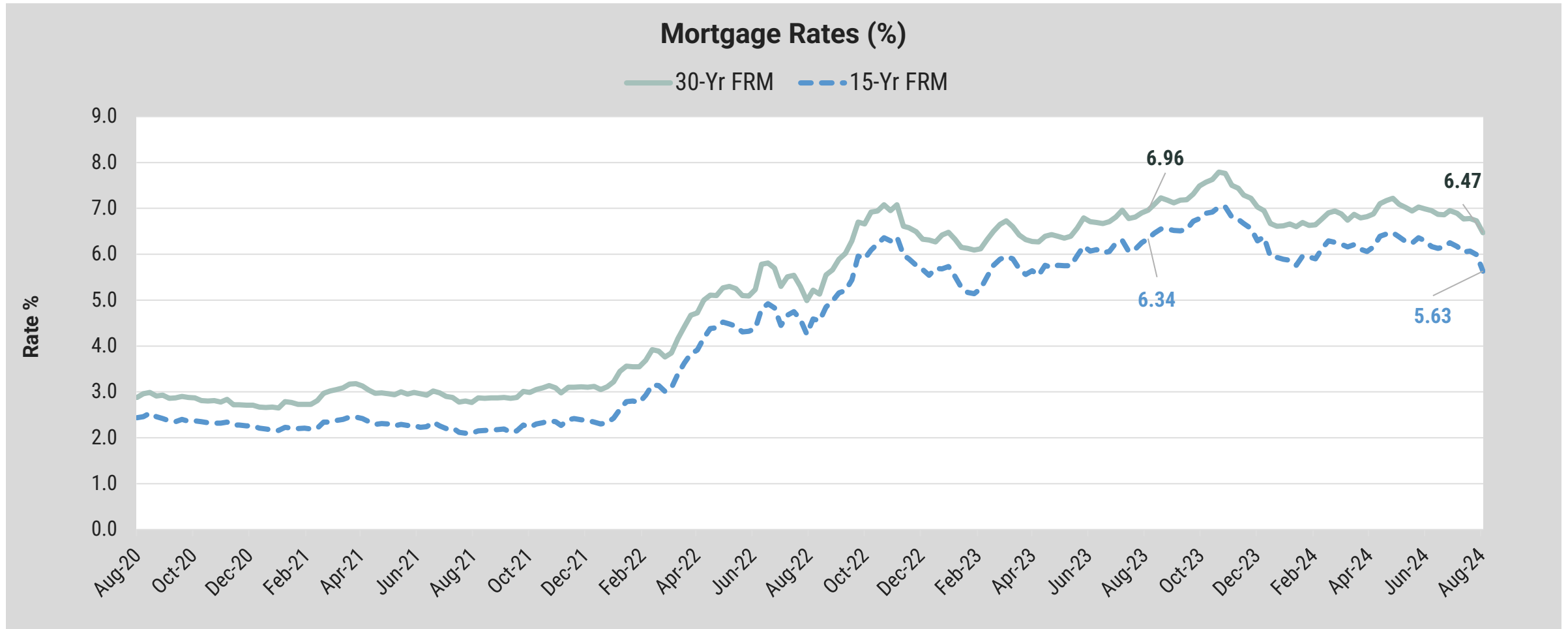
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# Housing



# Mortgage Rates

Mortgage rates dropped below 6.5% but inflation remains a concern for housing, making affordability and availability a challenge for homebuyers

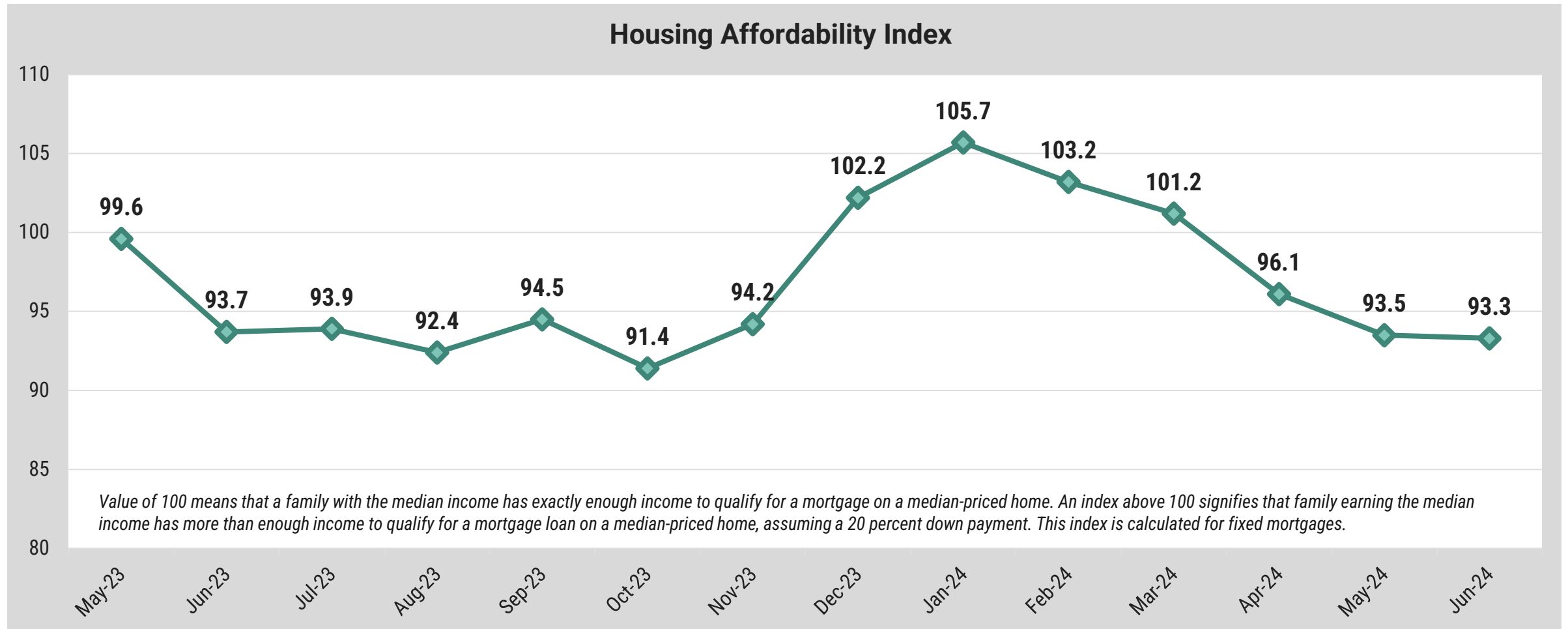


\* Source: FreddieMac Mortgage Market Survey



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

In June, housing affordability was flat MTM nationally



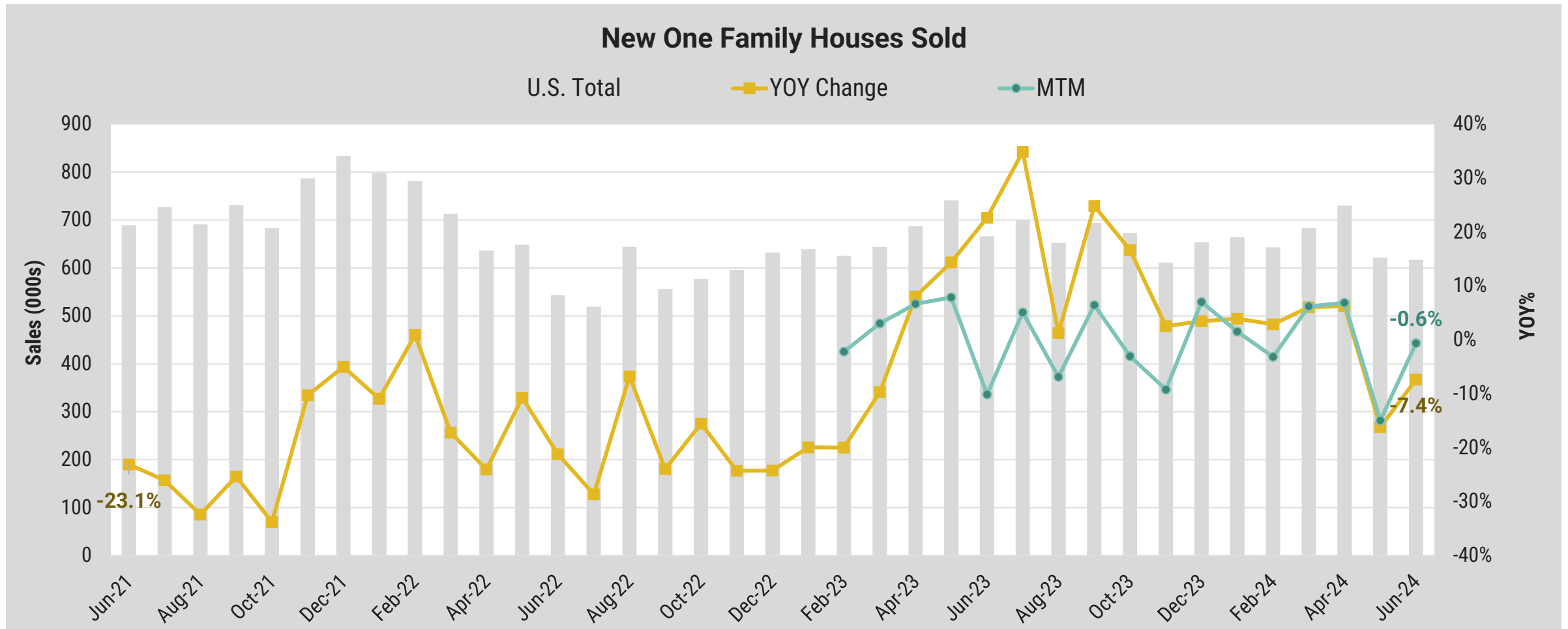
Source: National Association of Realtors, Housing Affordability Index (Fixed) [FIXHAI], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/FIXHAI>

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 June fell 7.4% over 2023, and .6% over previous month

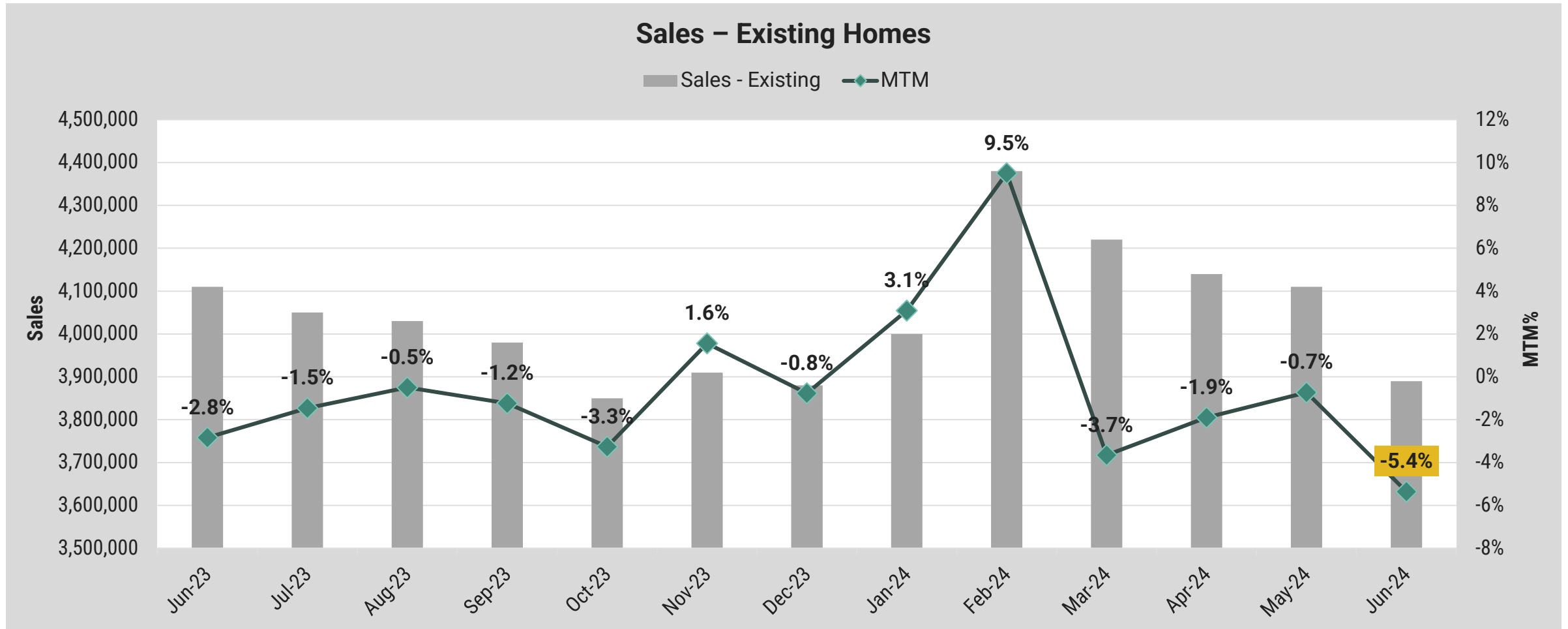


U.S. Census Bureau and U.S. Department of Housing and Urban Development, New One Family Houses Sold: United States, retrieved from FRED, Federal Reserve Bank of St. Louis



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

June 2024 existing home sales declined 5.4% MTM – YOY sales also declined 5.4%

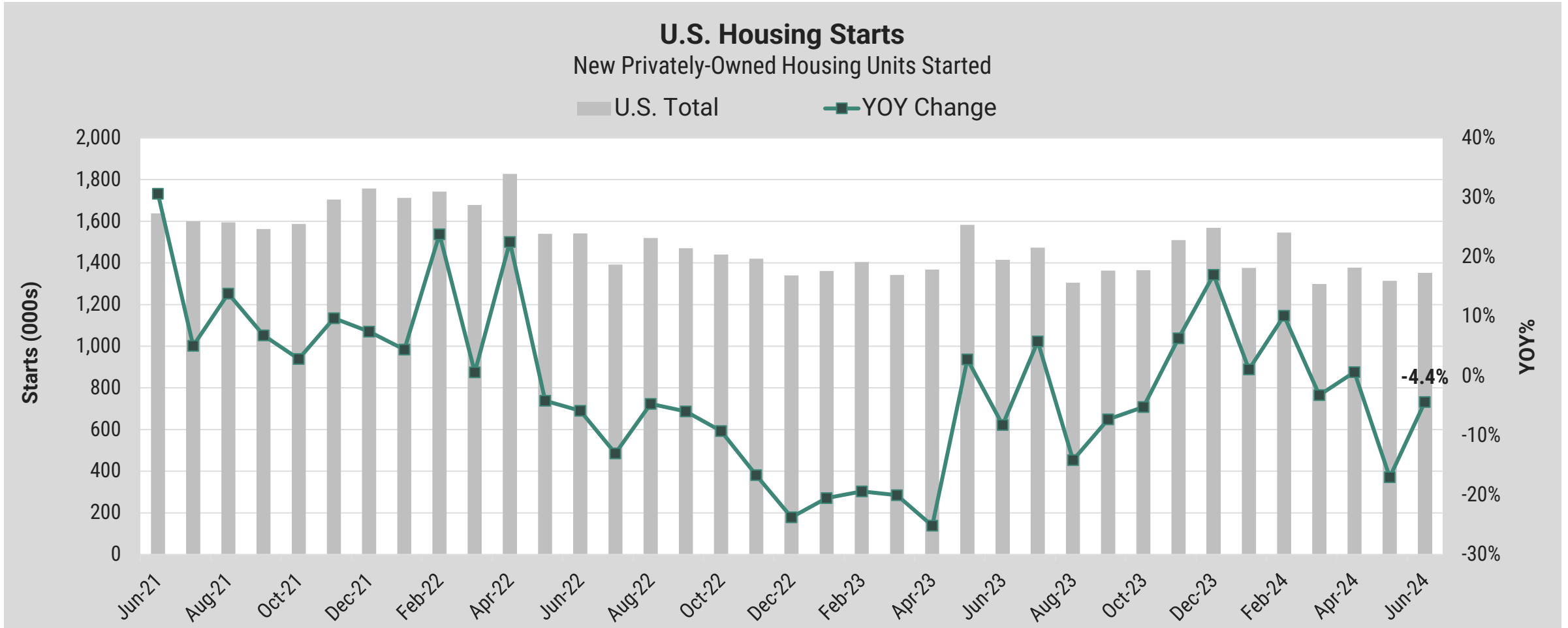


Source: National Association of Realtors



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

**June 2024 housing starts were down over 4% YOY, which could continue impact sales recovery in Home Improvement and Home Furnishings retailers**

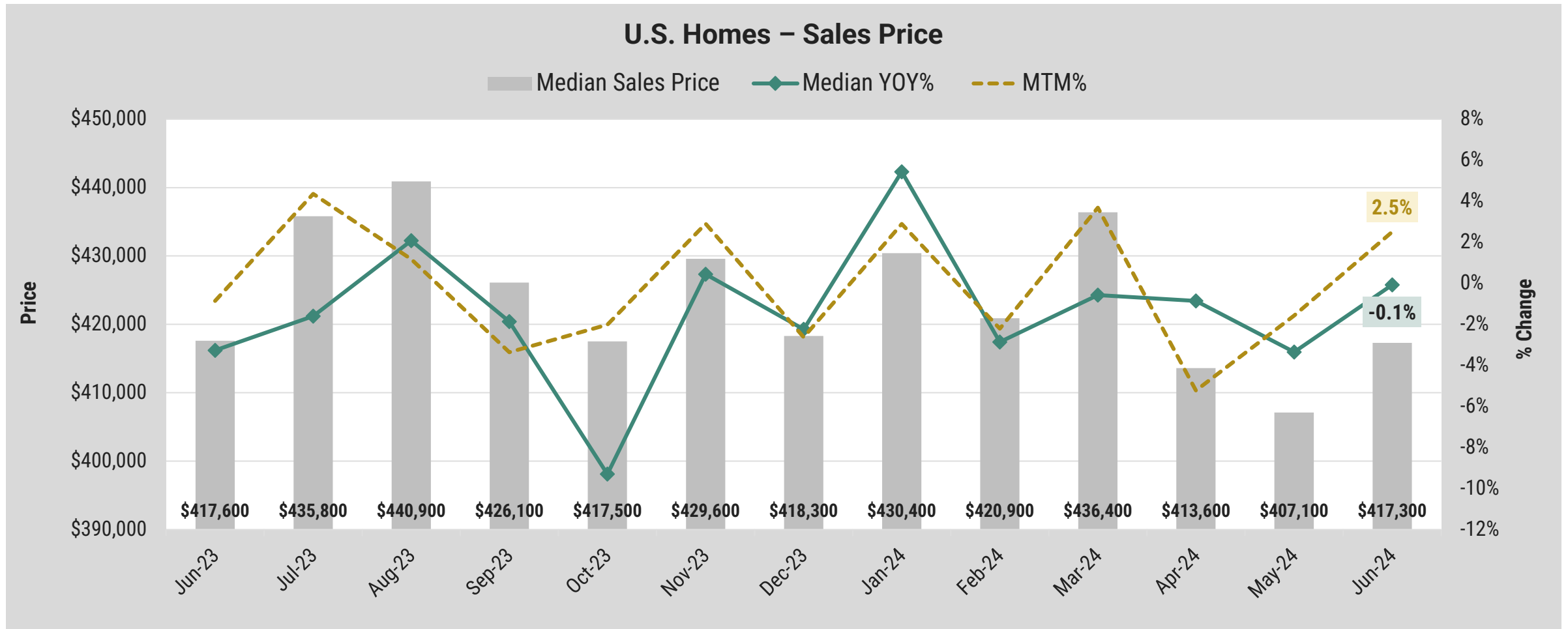


U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Privately-Owned Housing Units Started, retrieved from FRED, Federal Reserve Bank of St. Louis;



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

The June median U.S. new home price was essentially flat YOY; MTM median price increased 2.5%



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

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# Supply Chain



# Global Supply Chain Index



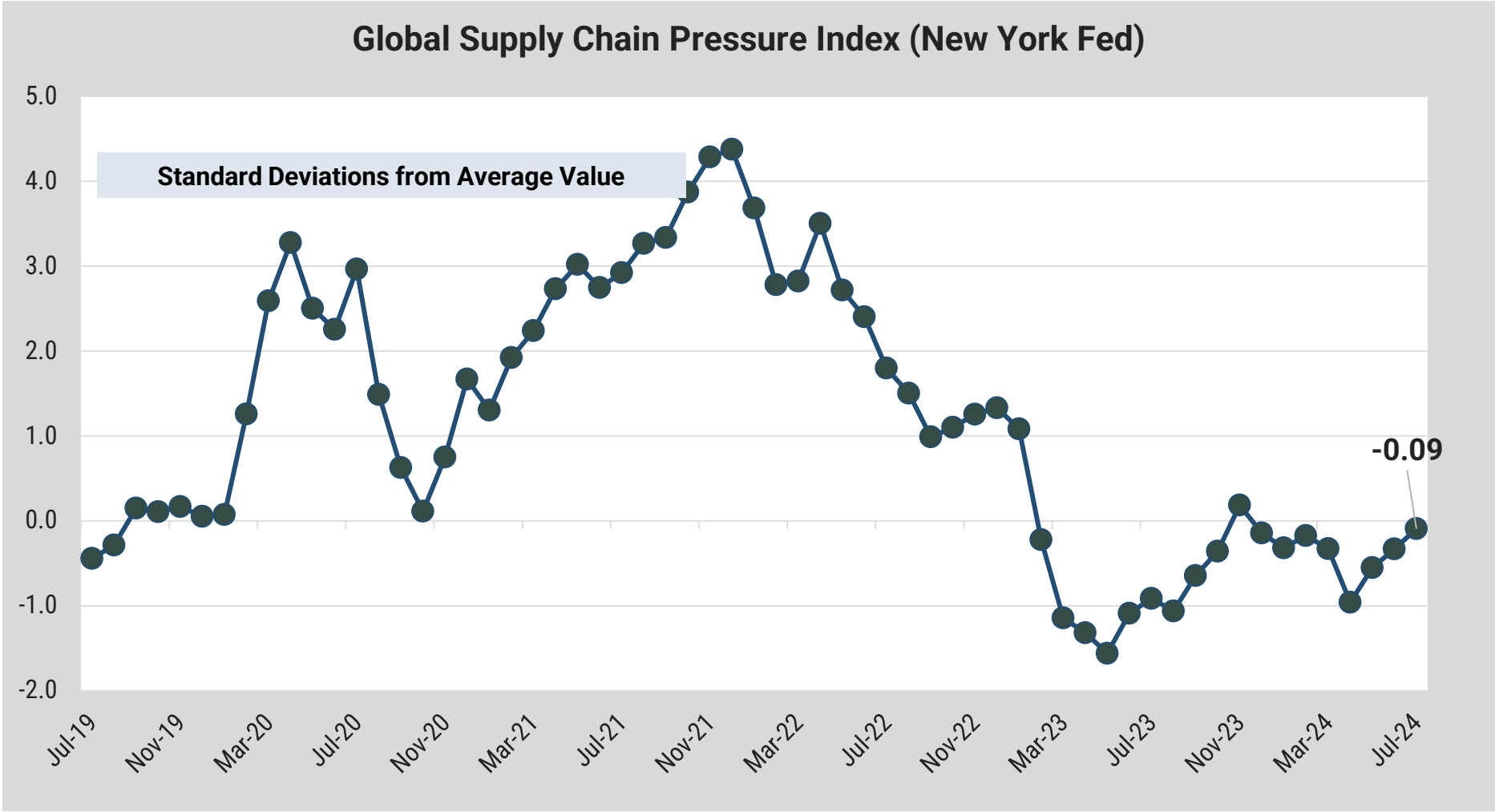
The GSCPI tracks the state of global supply chains using data from the transportation and manufacturing sectors.

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 **-0.09** in July

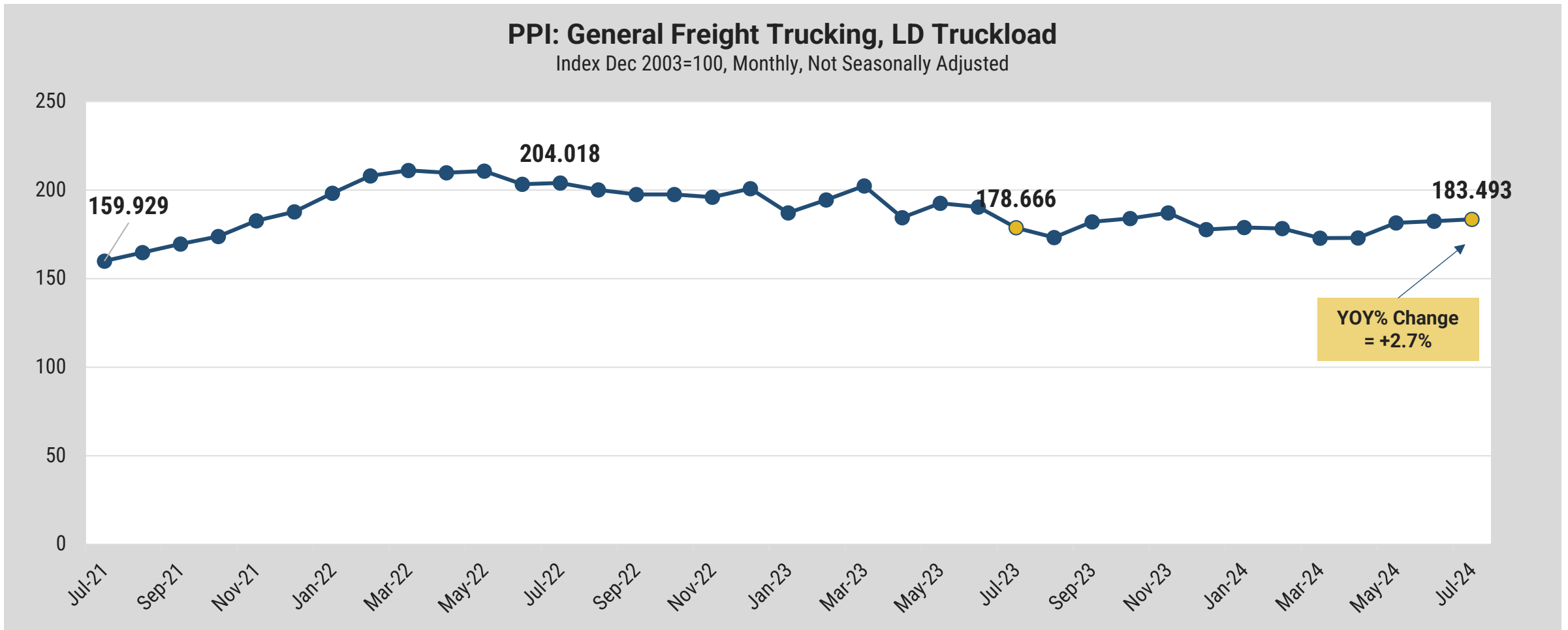


Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index, <https://www.newyorkfed.org/research/gscpi.html>.



# Freight Inflation - Trucking

The general freight trucking index was up nearly 3% in July and .6% MTM

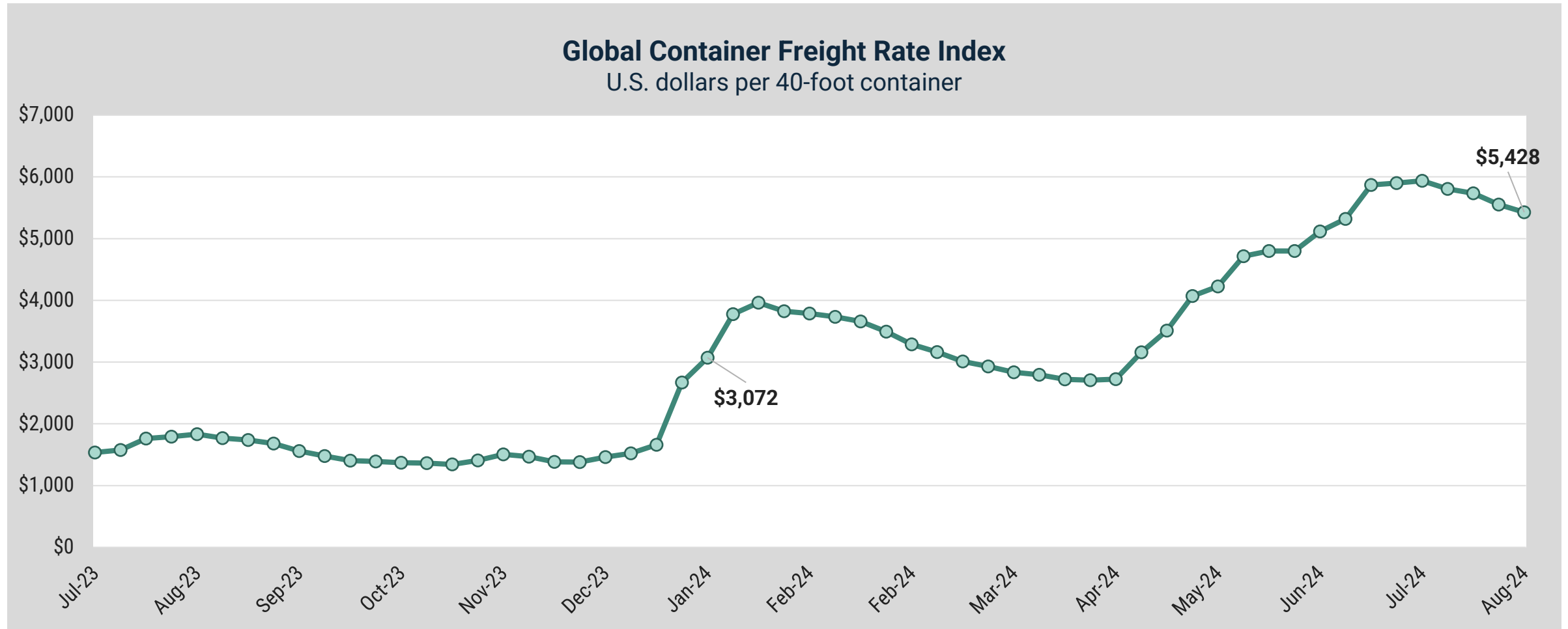


Source: U.S. Bureau of Labor Statistics, FRED, Federal Reserve Bank of St. Louis

# Deep Sea Freight



Global freight rates surged to record highs above \$5,900 in July 2024, combined with increases in congestion at major ports; rates have eased somewhat over the last few months but remain at historically high levels



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

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# About Ankura

# Ankura Global Reach

35+  
offices globally

44  
languages spoken

2,000+ professionals

serving 3,000 clients

across 115+ countries

- Ann Arbor • Atlanta • Beijing • Boston • Brussels • Chicago • Dallas • Denver • Dubai • Fairfield • Frankfurt am Main • Gurugram • Hong Kong • Houston
- Irvine • London • Los Angeles • Melbourne • Miami • Mumbai • Nashville • New York • Perth • Philadelphia • Phoenix • Riyadh • San Francisco
- San Juan • Seattle • Shanghai • Singapore • Sydney • Tampa • Toronto • Vancouver • Washington, DC



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- | Healthcare & Life Sciences | Hospitality, Gaming, & Leisure | Human Capital & Labor Strategies
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The Ankura team consists of more than 2,000 professionals serving 3,000+ clients across 55 countries who are leaders in their respective fields and areas of expertise. Collaborative lateral thinking, hard-earned experience, expertise, and multidisciplinary capabilities drive results and Ankura is unrivalled in its ability to assist clients to Protect, Create, and Recover Value.

For more information, please visit:  
[ankura.com](https://www.ankura.com).



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



**Juliana Malhotra**  
Managing Director  
+1.281.515.3081  
juliana.malhotra@ankura.com



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



**David Tait**  
Managing Director  
+1.917.209.3489  
david.tait@ankura.com



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



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



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





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