



United States Economic Overview



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Summary



Consumers & Macro Economy Executive Summary



Positive Trends

- The Federal Reserve announced a larger than expected (50-basis point) rate cut that is expected to lower interest rates across the board, including mortgage rates, potentially stimulating the housing market
- Consumer sentiment has started to rebound; the positive shift in September was fueled by a more optimistic outlook for personal finances and the economy
- The Consumer Misery Index for August 2024 was 6.79, a decrease from the previous month's value of 7.2
- CPI rose 2.5 percent for the 12 months ending August, the smallest 12-month increase since February 2021
- Average U.S. retail gas price were down 11.3% YOY at \$3.51/gallon
- Global deep sea freight rates declined significantly over the last several months



Key Headwinds

- Mortgage rates dropped again but housing affordability remains a challenge, and the inventory of available homes hinders sales
- While new home sales through July rose nearly 6% YOY and 10.6% over previous month, housing starts were down 16%
- Total household debt reached a new high of \$17.8 trillion in the second quarter; non-housing (mortgage) debt has increased nearly 17% since Q2-2021 and now stands at \$4.9 trillion
- Recent data from the NY Fed indicates that credit card and auto loan delinquencies continue to climb beyond pre-pandemic rates, highlighting financial strain among younger and lower-income households
- Pending ports strike in the Southeast has companies scrambling to receive goods before holiday push



Concerns

- Retail sales increased 3.3% in August; department, sporting goods and home segments continue to see declines
- Dining out sales grew at a slower pace than the Consumer Price Index for Food Away from Home
- Revolving credit rose 7% vs. 2023; total consumer credit increased 2.2%; savings rate continues its decline - recent data from the NY Fed indicates that credit card and auto loan delinquencies continue to climb beyond pre-pandemic rates, highlighting financial strain among younger and lower-income households
- Consumer expenditures continue to increase faster than income; personal disposable income rose 3.6% but expenditures increased 5.3%.
- More consumers are holding multiple jobs to make ends meet

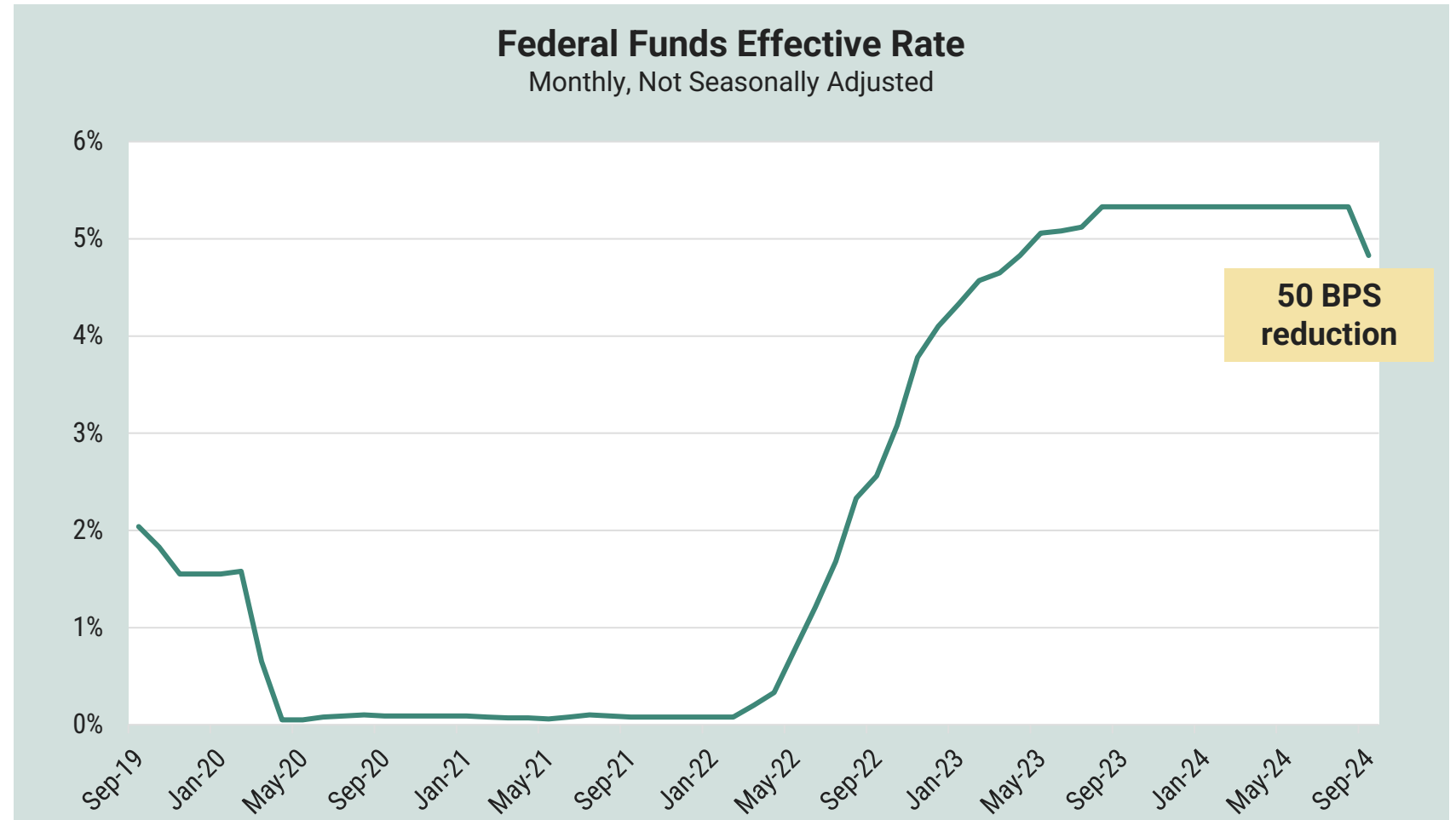
Broad Economic Indicators



Federal Reserve – Interest Rates

The Fed believes the economy is expanding steadily and inflation is improving, so they lowered interest rates by 0.5% to between 4.75% and 5%, the move is expected to lower interest rates across the board

The Federal Reserve announced a surprising 50-basis point rate cut at its September 18th meeting. This marks the first reduction since 2020. The Fed cited progress in inflation and a shifting balance of risks as factors influencing their decision. While the 50 BPS cut was larger than unexpected, it aligns with recent economic indicators suggesting a potential slowdown. The Fed's move is expected to lower interest rates across the board, including mortgage rates, potentially providing relief to borrowers and stimulating the housing market.



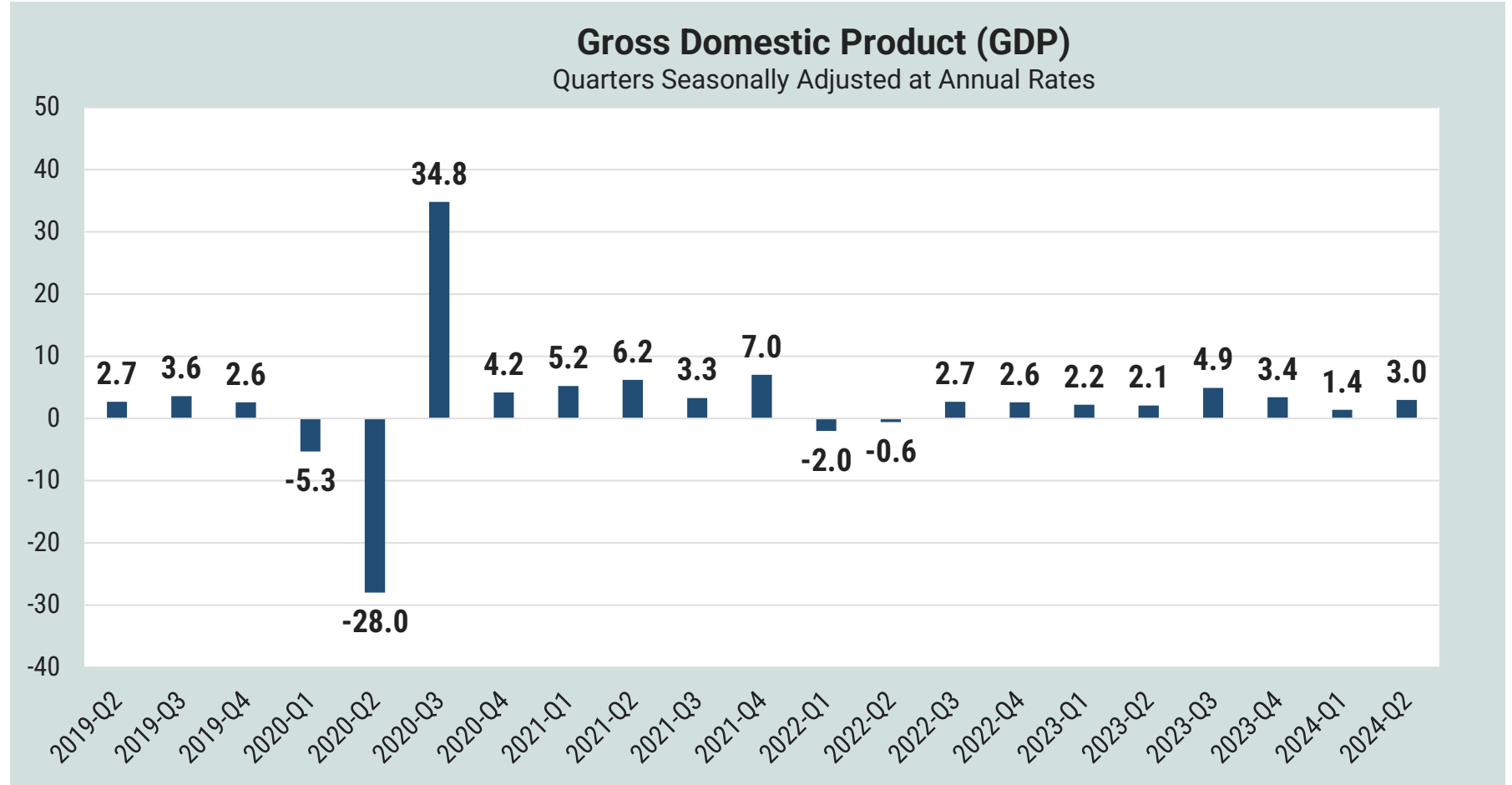
Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis



Gross Domestic Product

Q2-2024 GDP increased at an annual rate of 3%; in the first quarter of 2024, real GDP increased 1.4%

The increase in real GDP primarily reflected increases in consumer spending, private inventory investment, and nonresidential fixed investment. Compared to Q1, the acceleration in real GDP in the second quarter primarily reflected an upturn in private inventory investment and an acceleration in consumer spending. These movements were partly offset by a downturn in residential fixed investment.



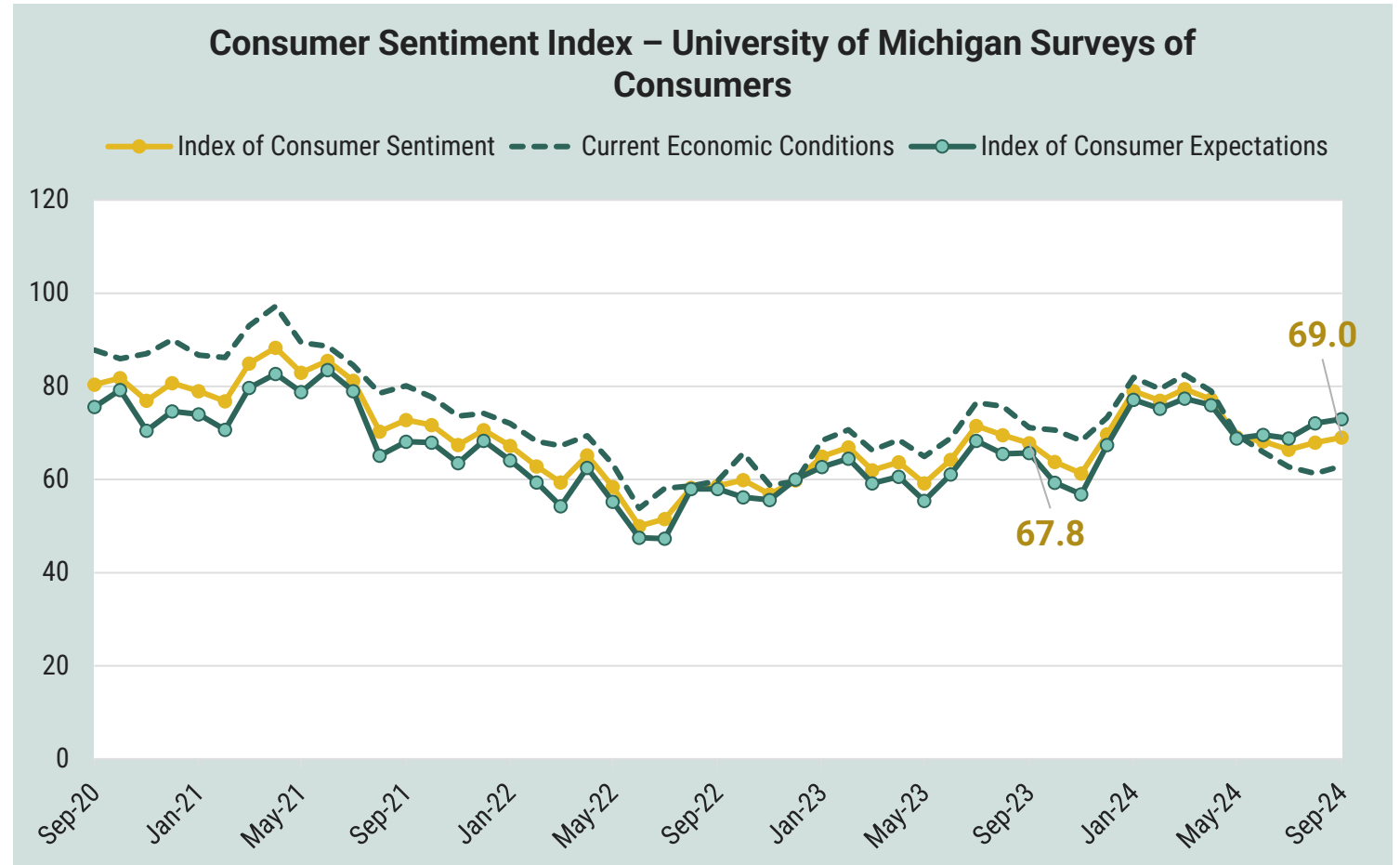
Key Consumer Metrics



Consumer Sentiment Index

Consumer sentiment has started to rebound; the positive shift in September was fueled by improved perceptions of buying conditions for durable goods and a more optimistic outlook for personal finances and the economy

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.	66.9	69.3	65.4
2- Year Low	56.8	58.8	55.4
Current	69.0	62.9	73.0
LY	67.8	71.1	65.7
YOY % Change	1.8%	-11.5%	11.1%
Previous Month	67.9	61.3	72.1
MTM % Change	1.6%	2.6%	1.2%



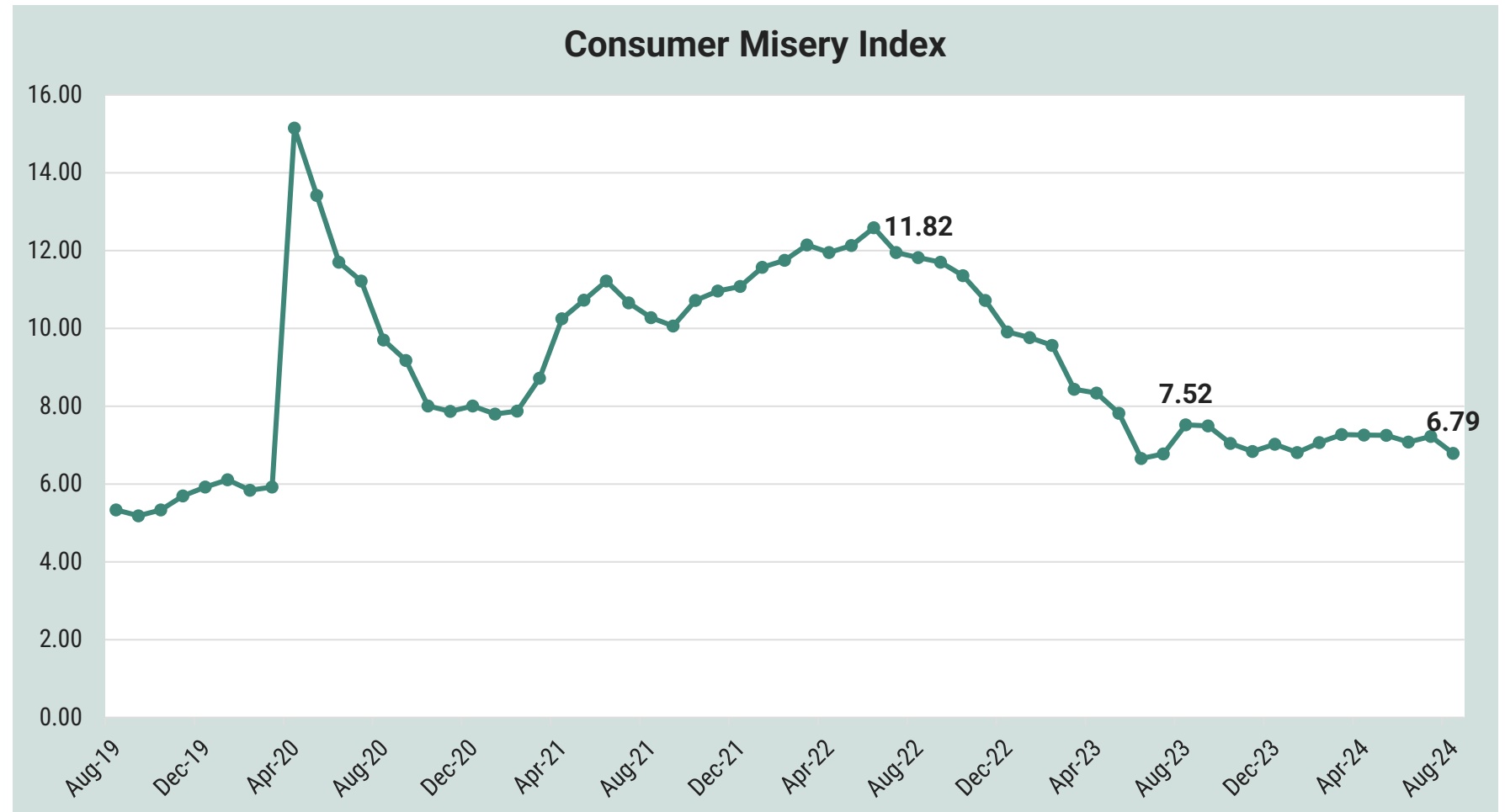
Source: The Surveys of Consumers are conducted by the Survey Research Center at the University of Michigan. (<https://data.sca.isr.umich.edu/survey-info.php>)



Consumer Misery Index *(non-seasonally adjusted)*

The Consumer Misery Index for August 2024 was 6.79, a decrease from the previous month's value of 7.2 and a significant drop from 7.5 a year ago

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)*

The all-items index rose 2.5 percent for the 12 months ending August, the smallest 12-month increase since February 2021.

The all items less food and energy index rose 3.2 percent over the last 12 months.

Food Away From Home +4.0%

Housing +4.4%

Fuel -10.4%

Air Fare -1.3%

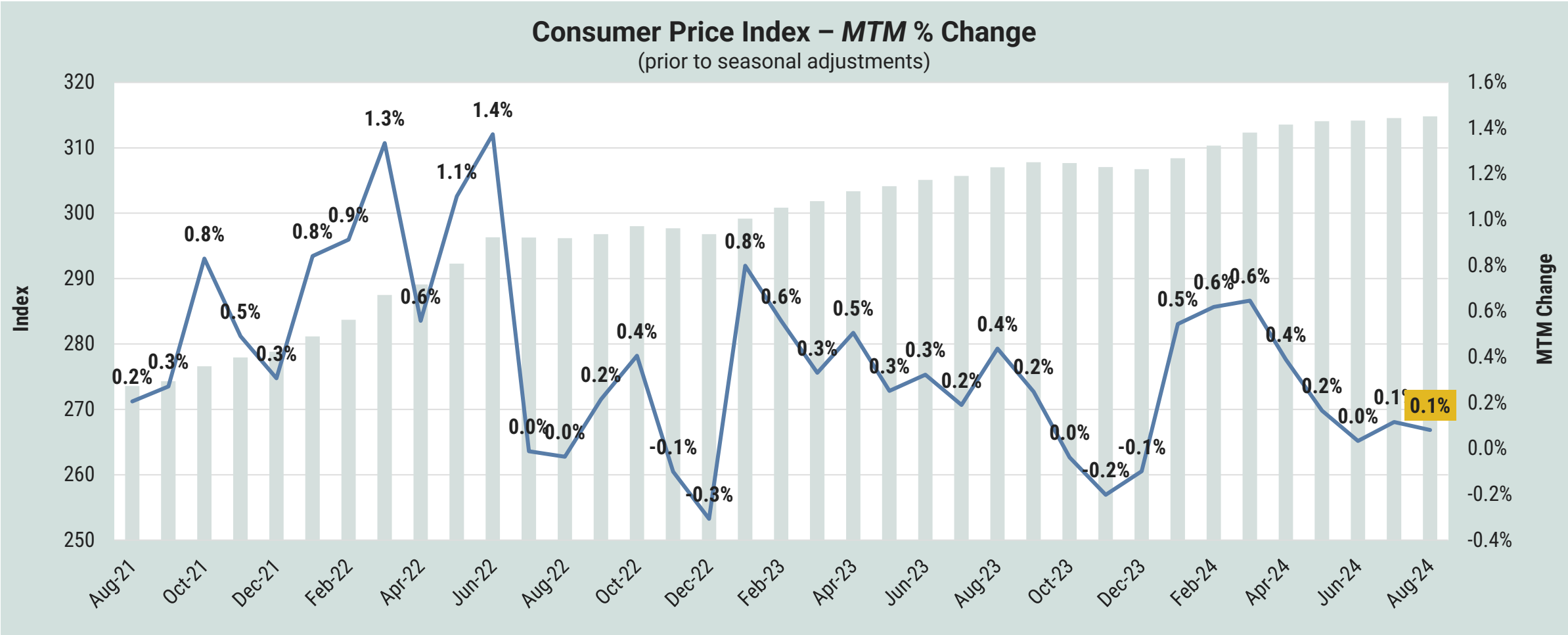
	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
Total CPI	3.5%	3.4%	3.3%	3.0%	2.9%	2.5%
All Items Less Food & Energy (Core CPI)	3.8%	3.6%	3.4%	3.3%	3.2%	3.2%
Food at Home	1.2%	1.1%	1.0%	1.1%	1.1%	0.9%
Food Away From Home	4.2%	4.1%	4.0%	4.1%	4.1%	4.0%
Motor Fuel	1.0%	1.0%	2.0%	-2.5%	-2.3%	-10.4%
Apparel	0.4%	1.3%	0.8%	0.8%	0.2%	0.3%
Housing	4.7%	4.5%	4.6%	4.4%	4.4%	4.4%
Education	2.4%	2.5%	2.7%	2.8%	2.8%	3.1%
Medical Care	2.2%	2.6%	3.1%	3.3%	3.2%	3.0%
Transportation	4.0%	3.5%	2.9%	1.3%	1.0%	-1.0%
Air Fare	-7.1%	-5.8%	-5.9%	-5.1%	-2.8%	-1.3%

Source: U.S. Bureau of Labor Statistics



Consumer Price Index – Month-to-Month Trends

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

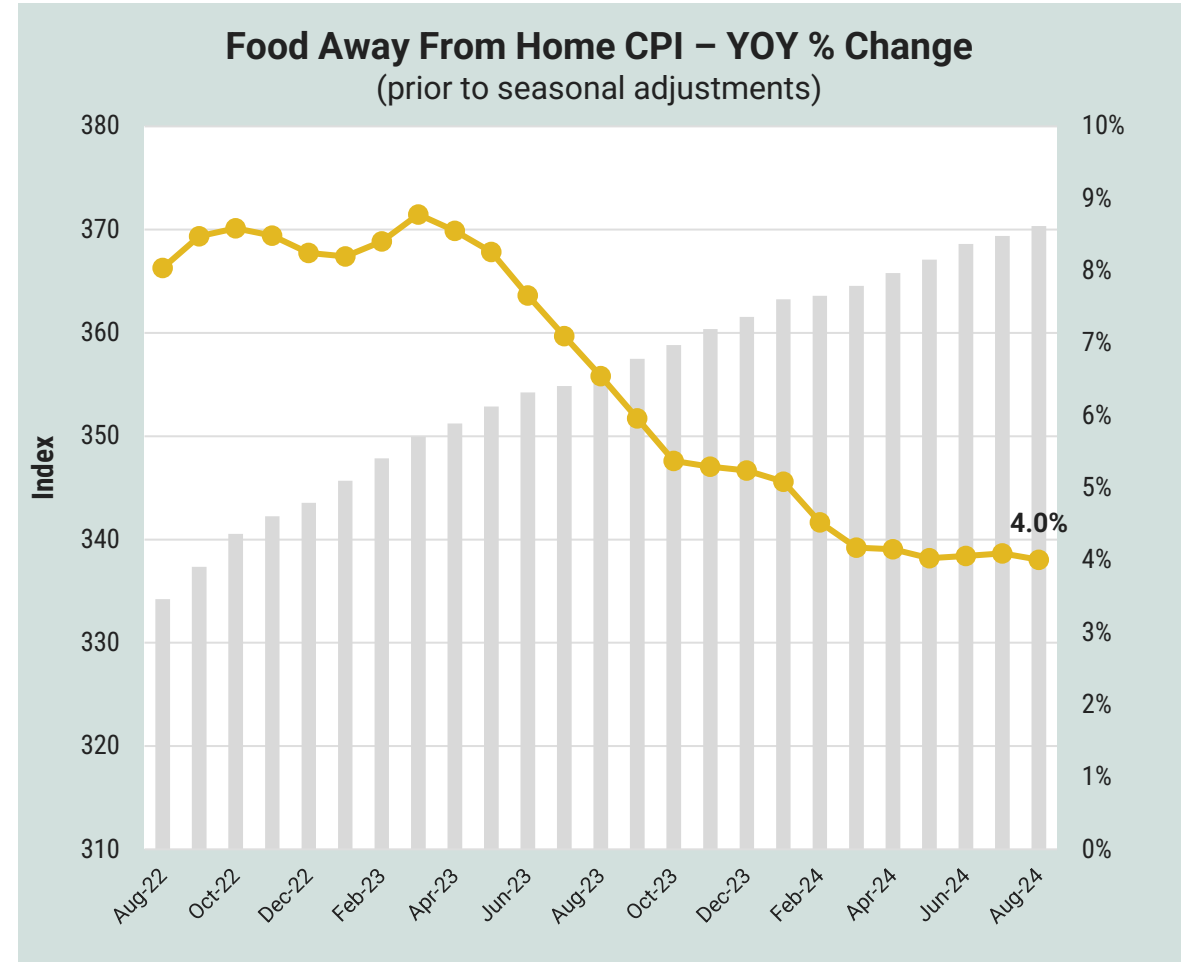
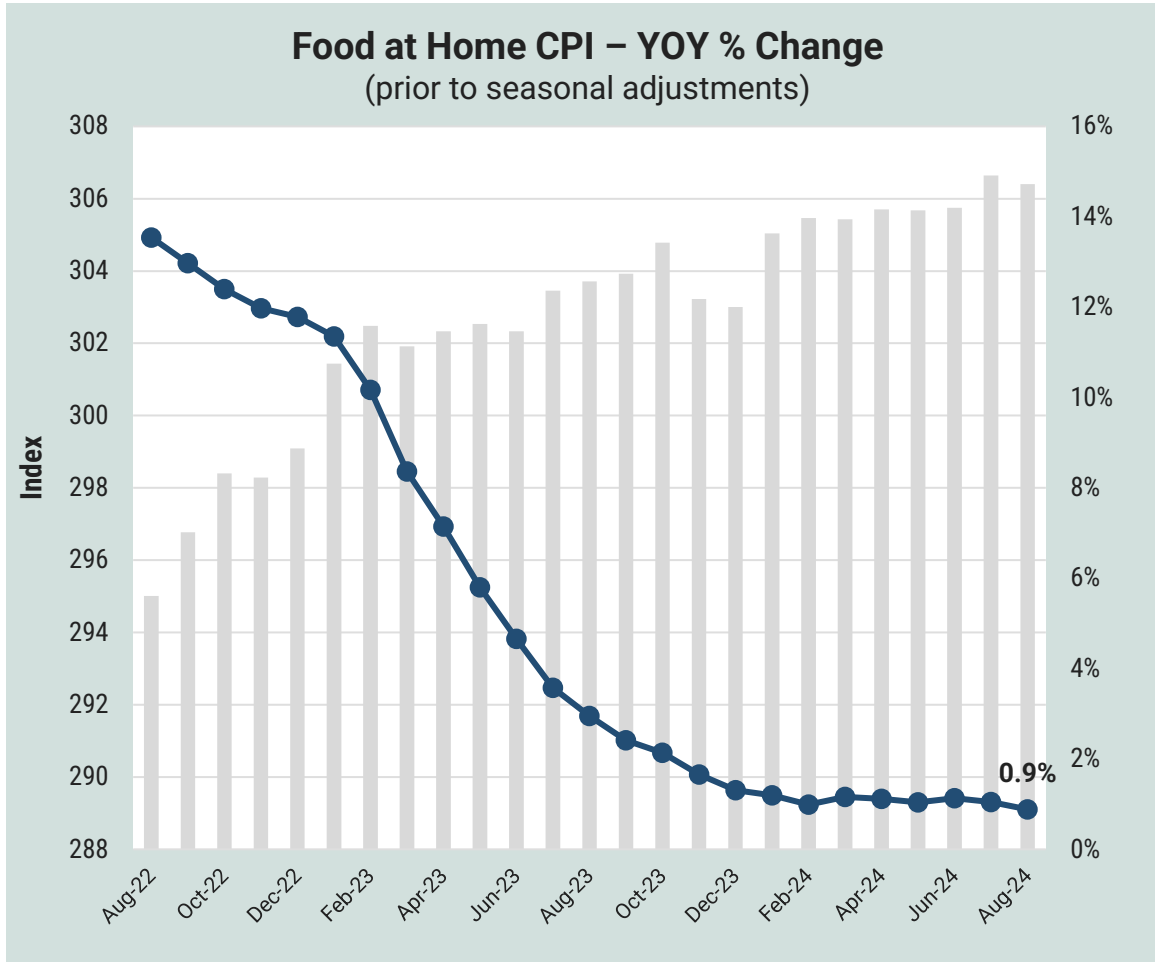


Source: U.S. Bureau of Labor Statistics

U.S. Food Prices



The rate of increase in U.S. Food prices (monthly CPI) remains low; Food Away From Home rose 4%

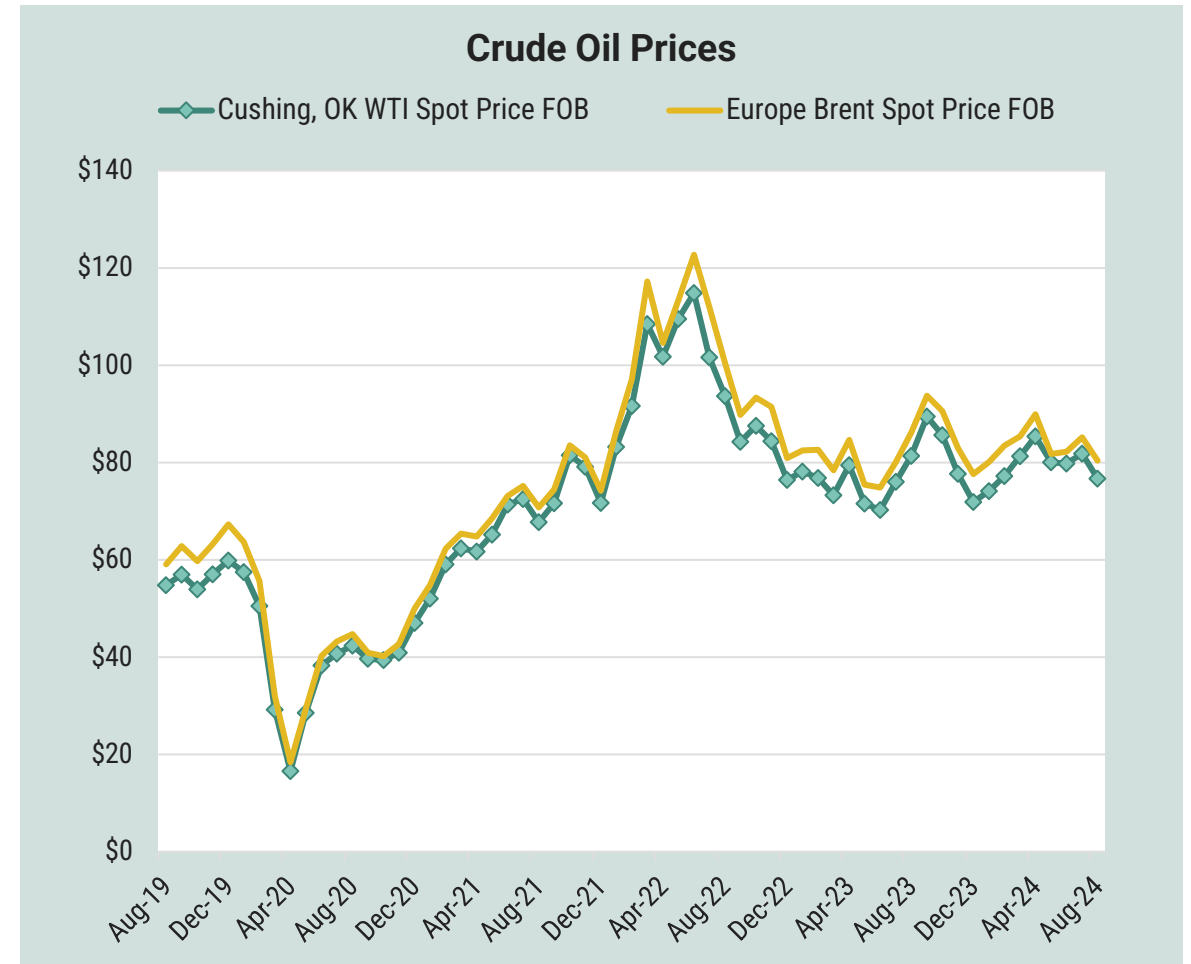
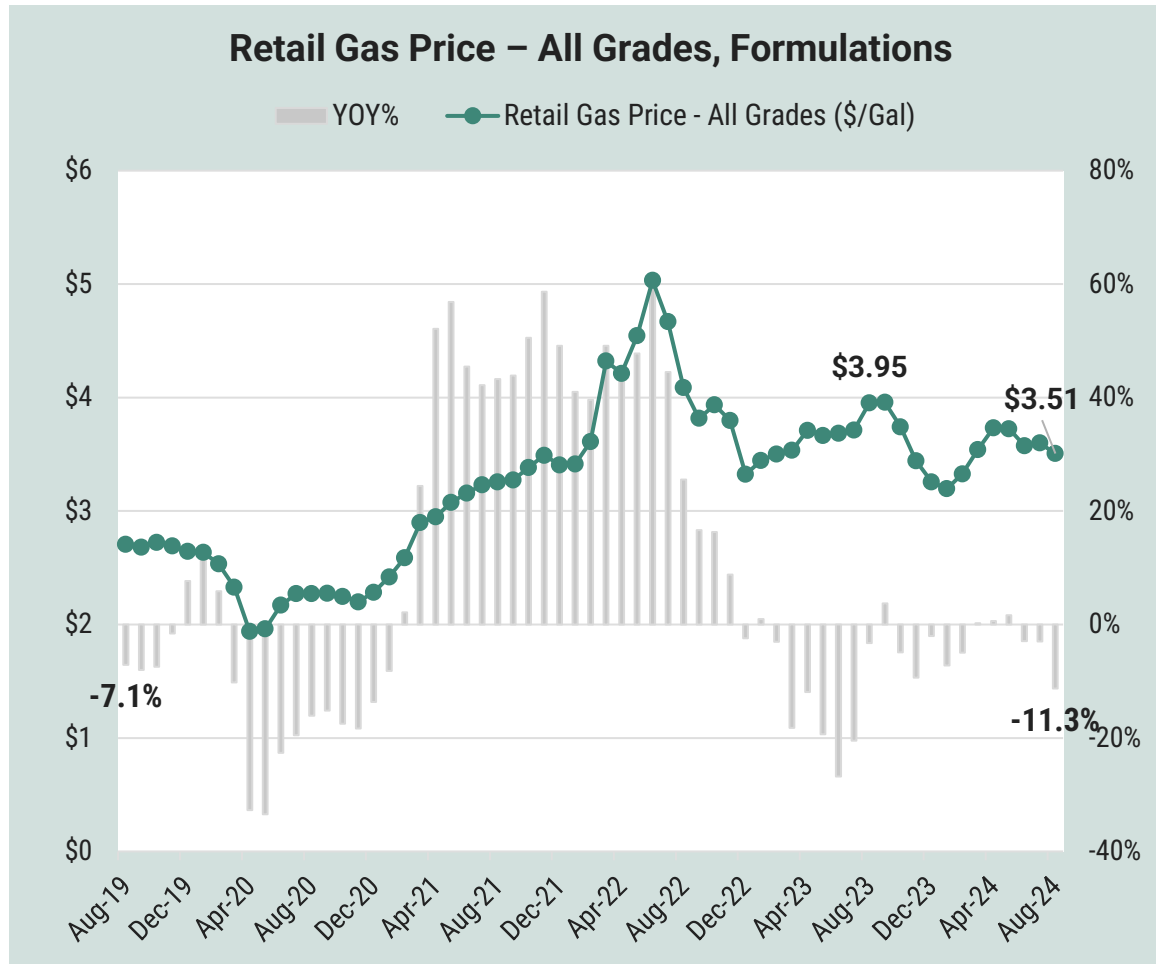


Source: U.S. Bureau of Labor Statistics



Gasoline (Retail Price) and Crude Oil Prices

Average U.S. retail gas prices were down 11.3% YOY at \$3.51/gallon

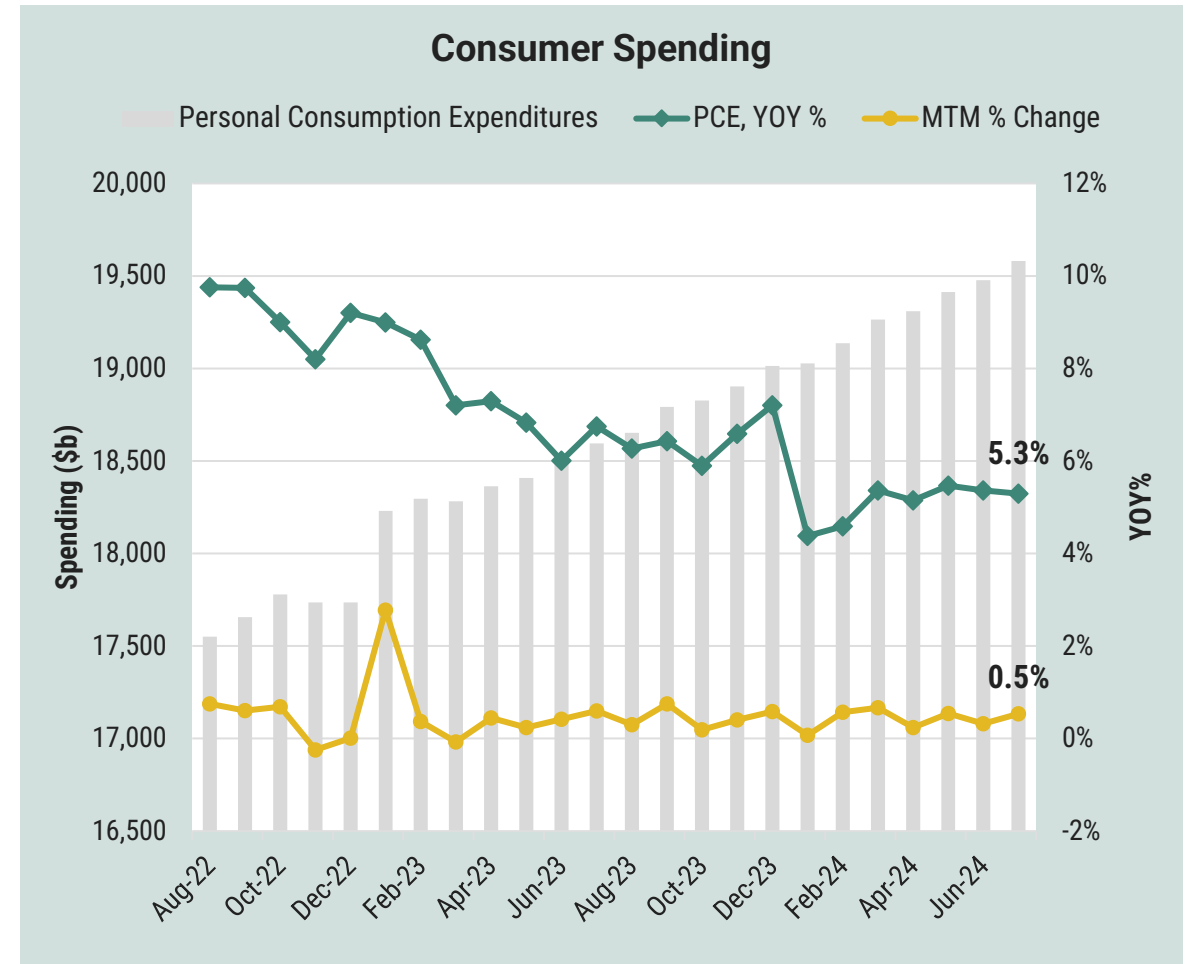
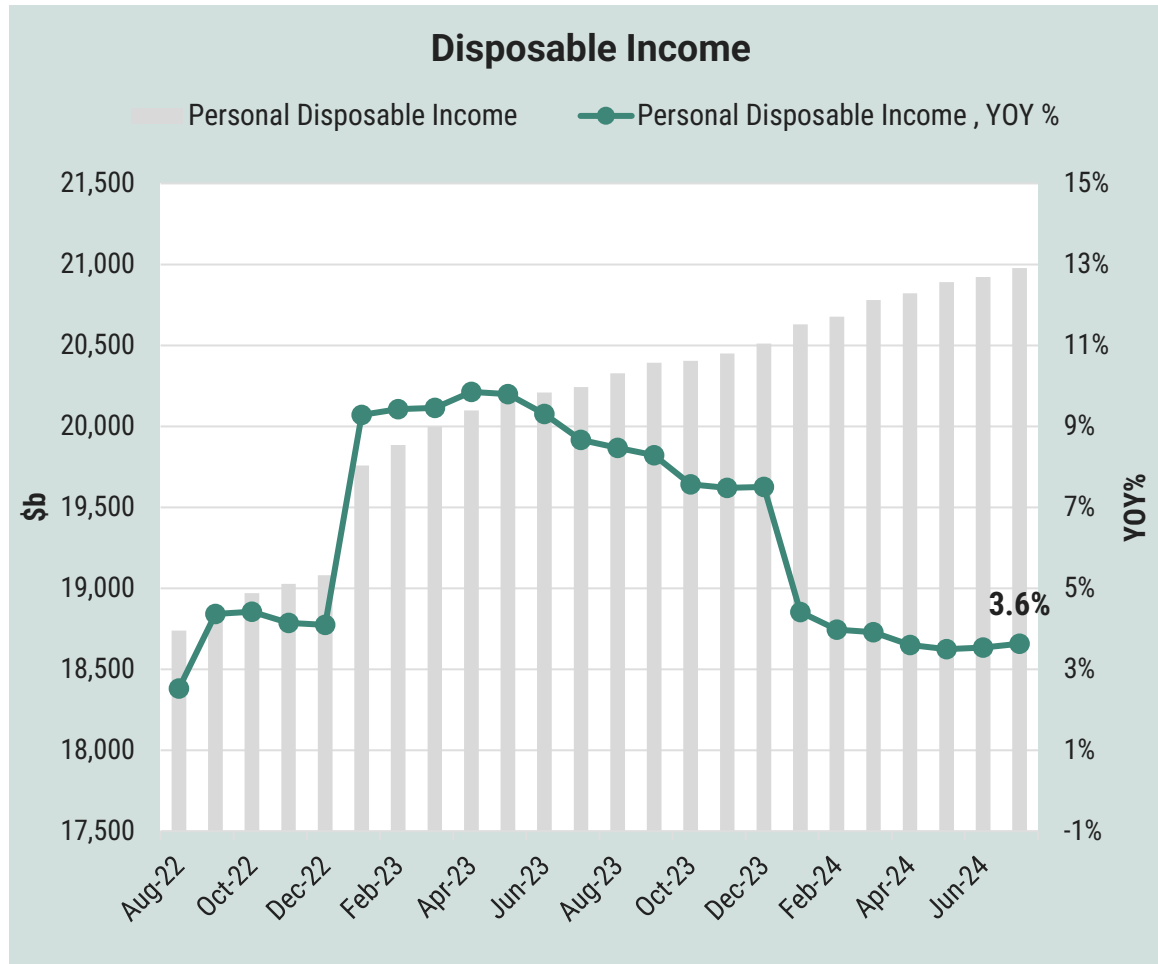


Source: U.S. Energy Information Administration



Consumer Income and Spending (2-month lag)

Personal disposable income rose 3.6%; consumer expenditures increased 5.3% YOY but consumers continue to take on debt, turning to more revolving credit to fund their purchases

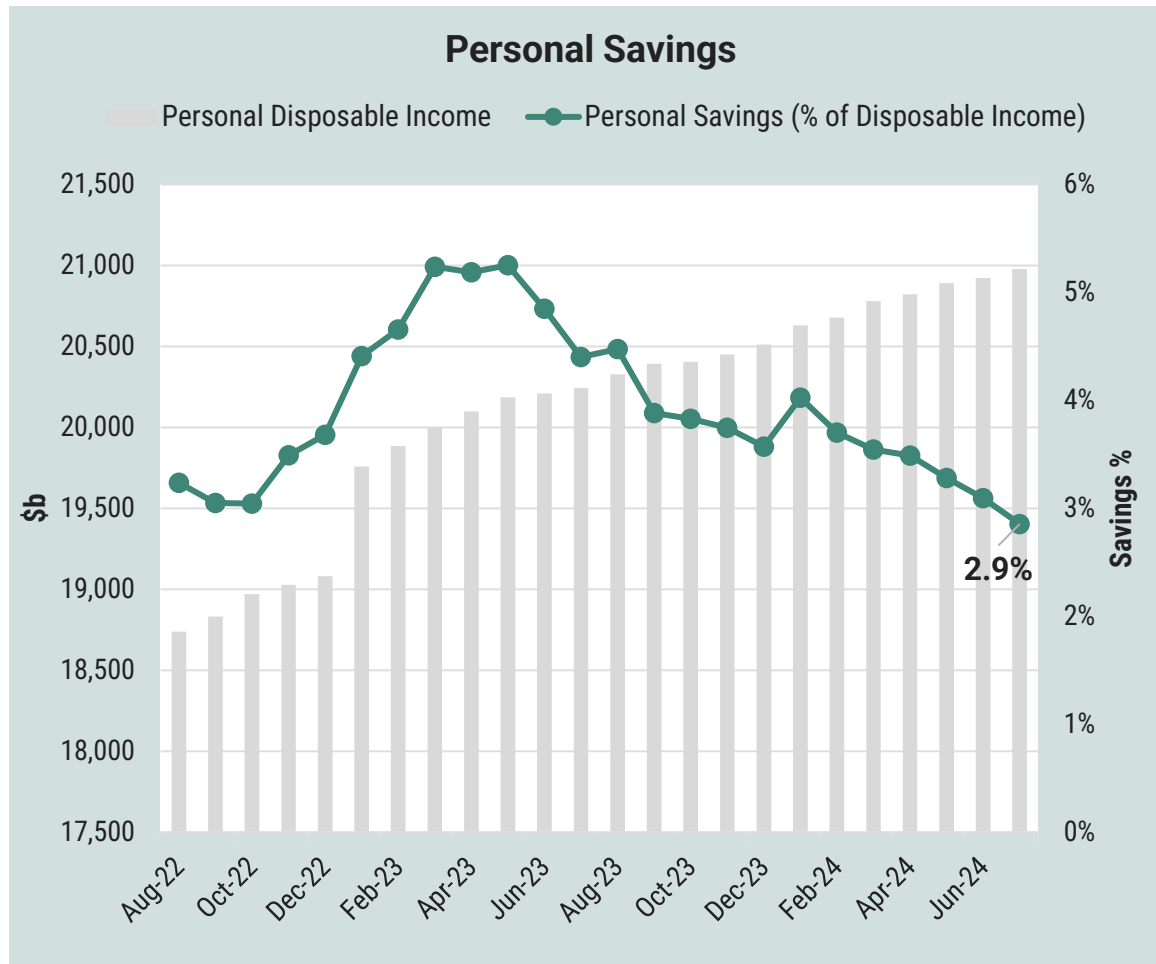


Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting

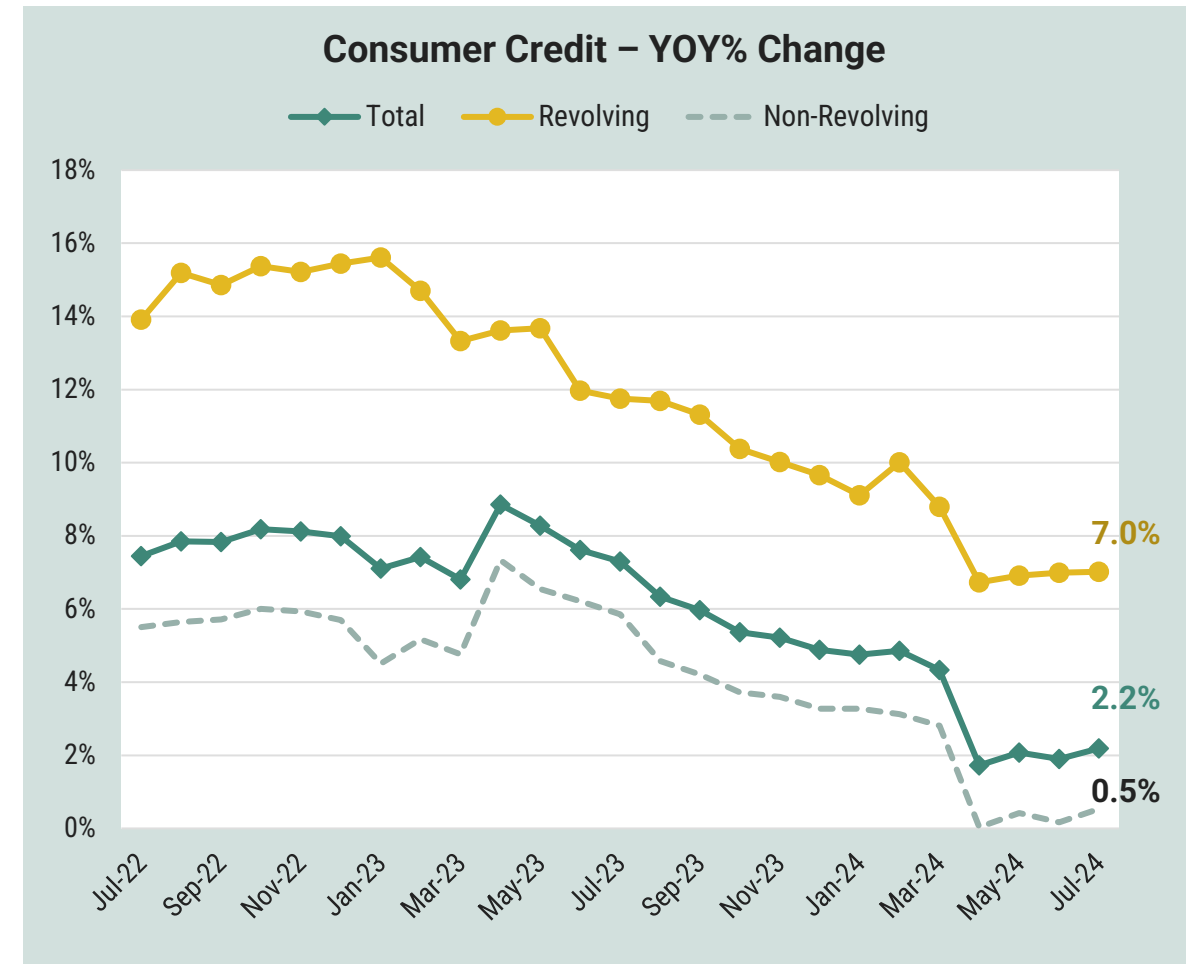


Personal Savings & Consumer Credit (2-month lag)

Revolving credit rose 7% vs. 2023; total consumer credit increased 2.2%; while savings rates continues its decline



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



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



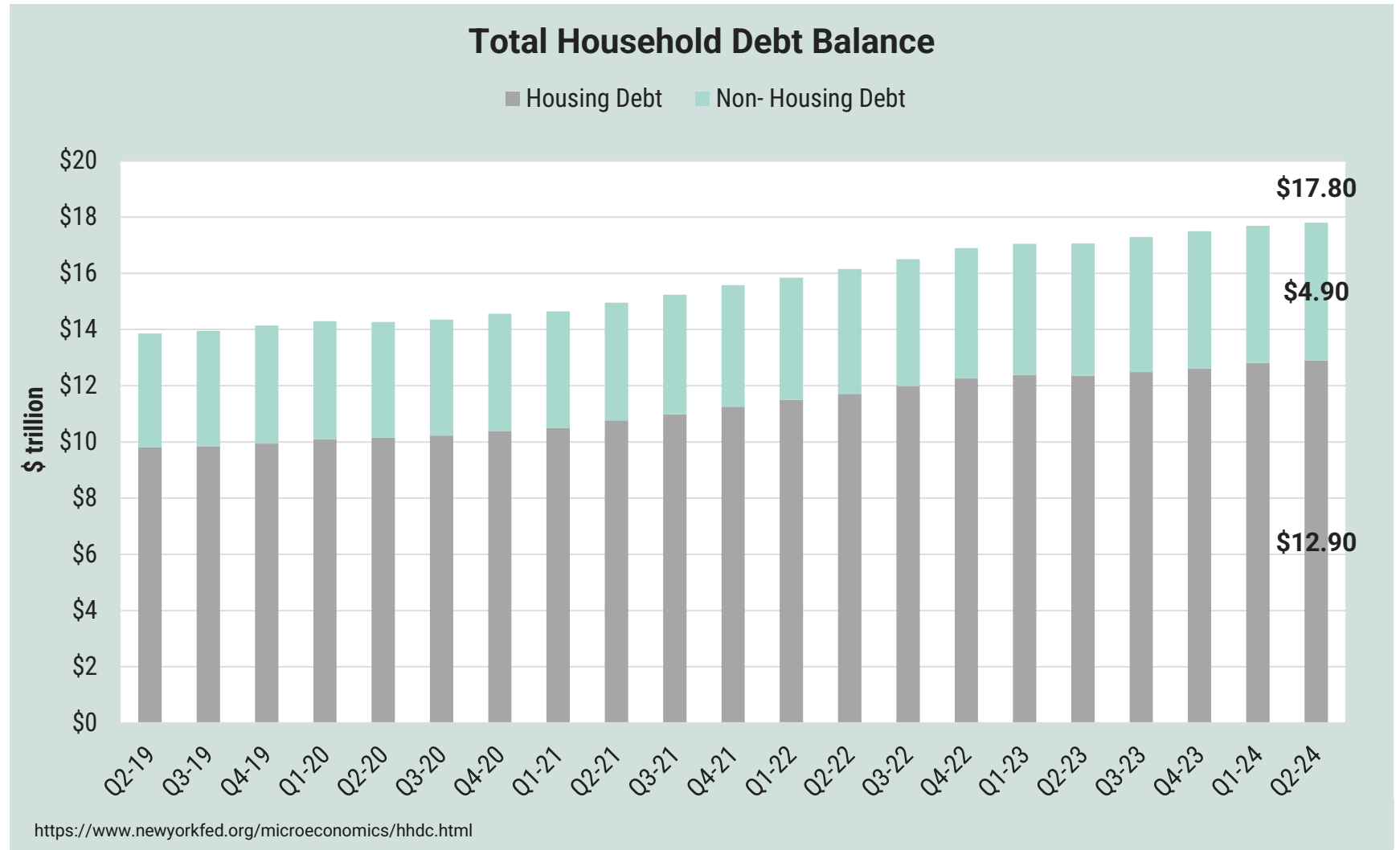
Total Consumer Debt

Total household debt is \$17.8 trillion through 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.

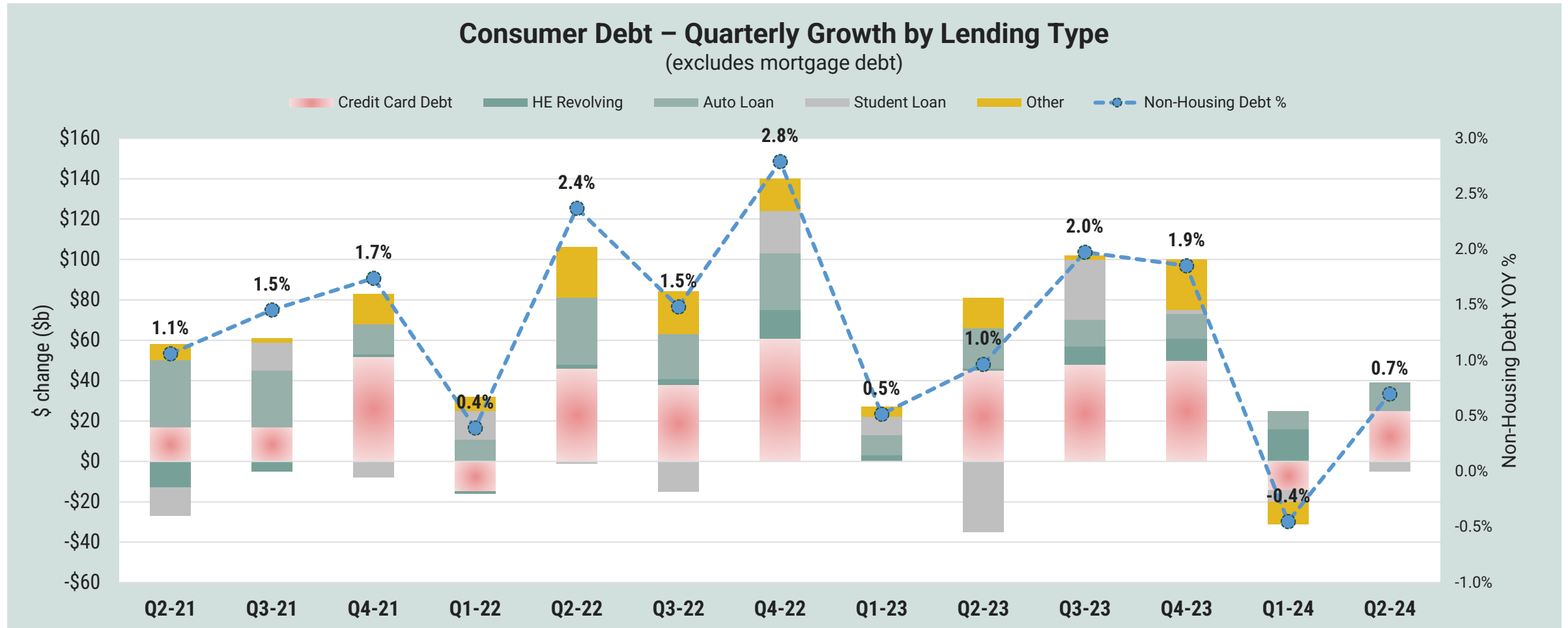
Aggregate delinquency rates remained unchanged from the previous quarter, with 3.2 percent of outstanding debt in some stage of delinquency.





Consumer Credit Growth by Lending Type *(excluding mortgage debt)*

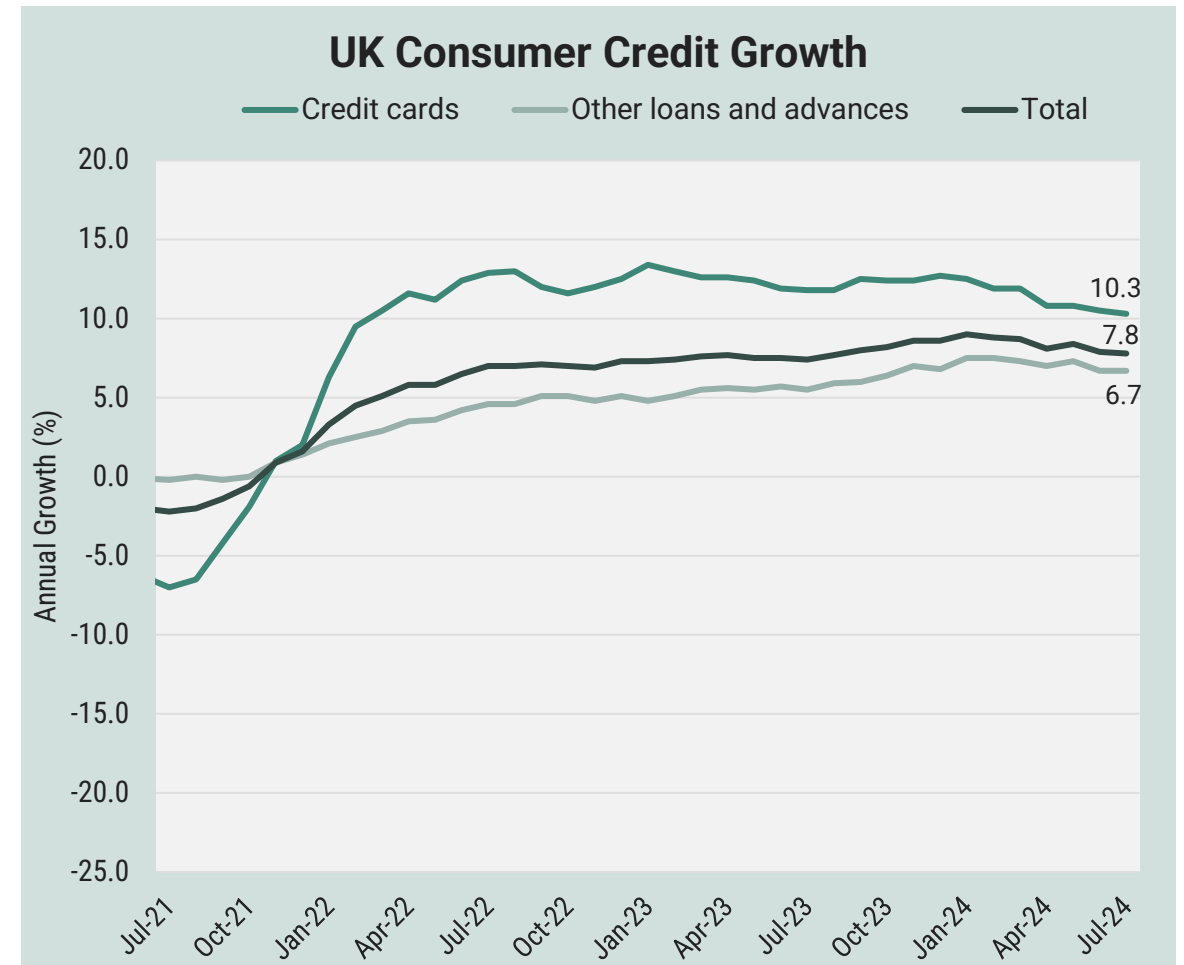
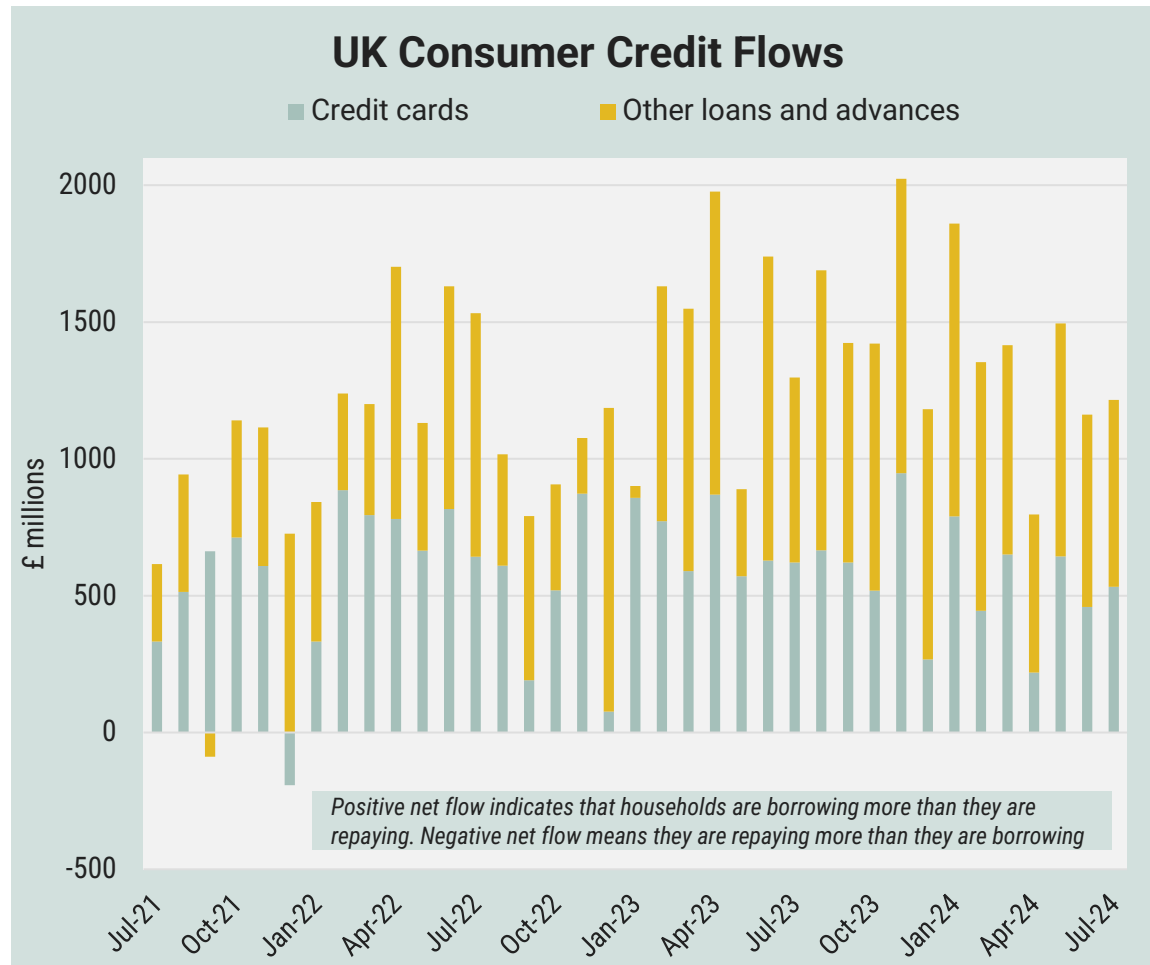
Non-housing (mortgage) debt has increased nearly 17% since Q2-2021 and now stands at \$4.9 trillion





Consumer Credit Shrinking Outside U.S.

Net consumer credit flows in the UK remained positive into July, albeit at a slower rate than previous months – total credit growth *declined* slightly to 7.8% in July, driven by falling credit card borrowing – opposite of U.S. consumers.....

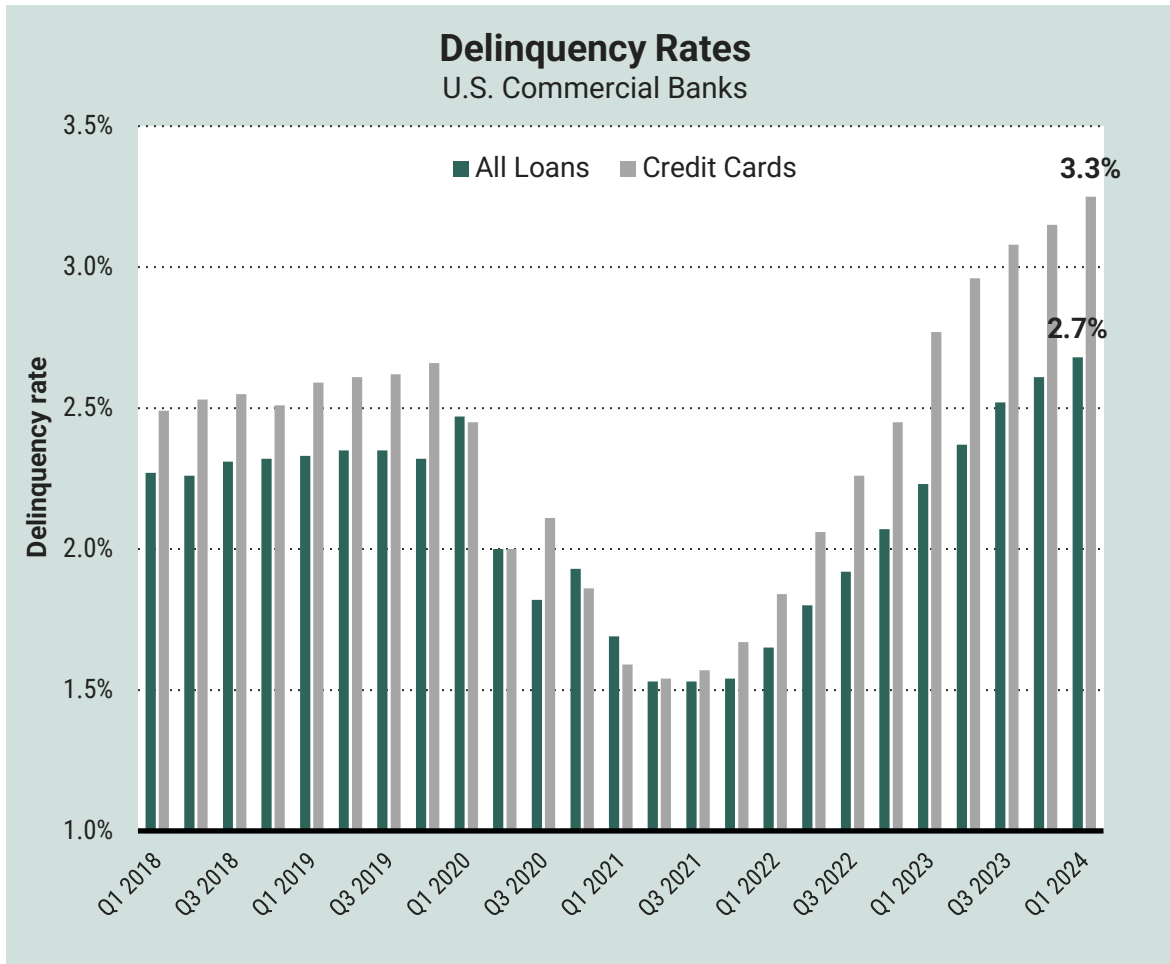


Source: <https://www.bankofengland.co.uk/statistics/money-and-credit>, Consumer credit (M&C Tables B and C)

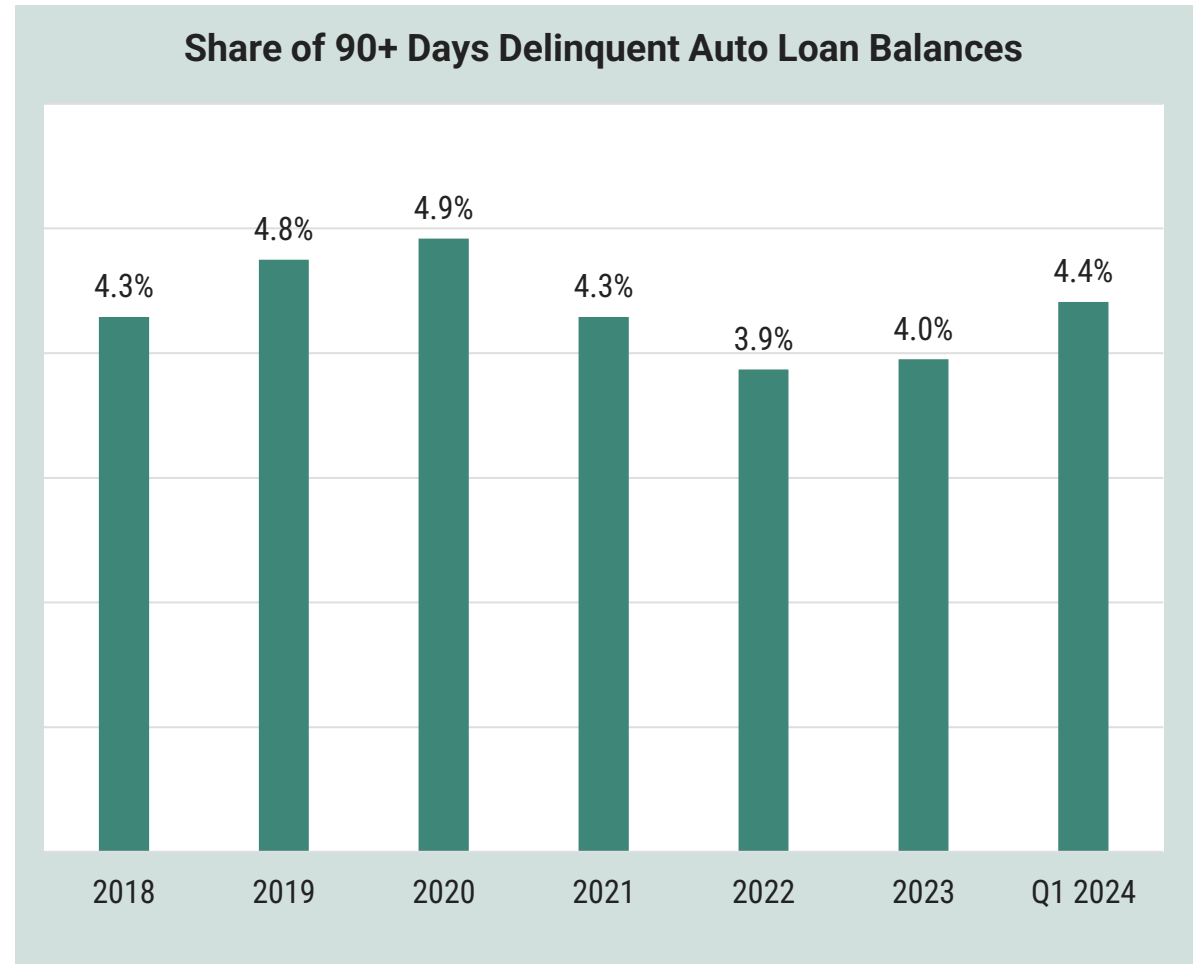


Loan Delinquencies Continue to Climb

Recent data from the NY Fed indicates that credit card and auto loan delinquencies continue to climb beyond pre-pandemic rates, highlighting financial strain among younger and lower-income households



Source(s): Federal Reserve; St. Louis Fed



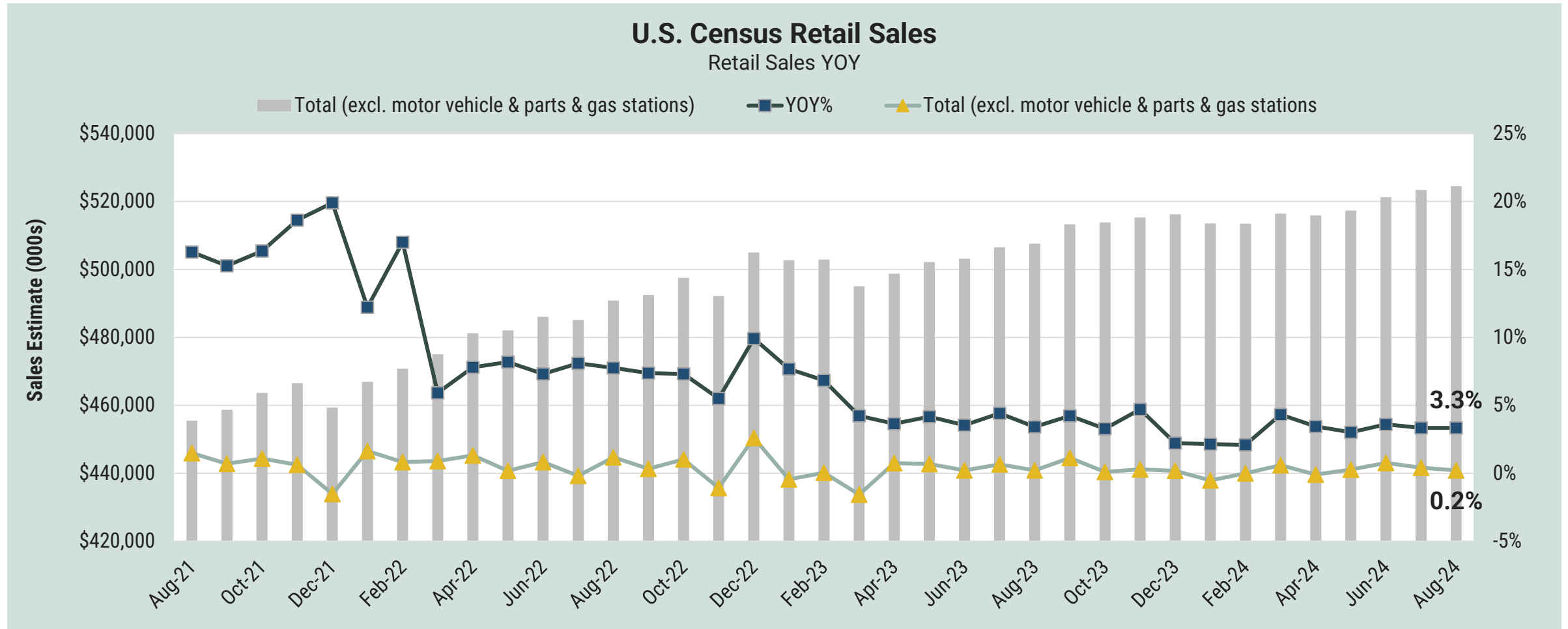
Source(s): NY Fed, Statista

U.S. Retail Sales

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



July sales were up 3.3% YOY and .2% MTM



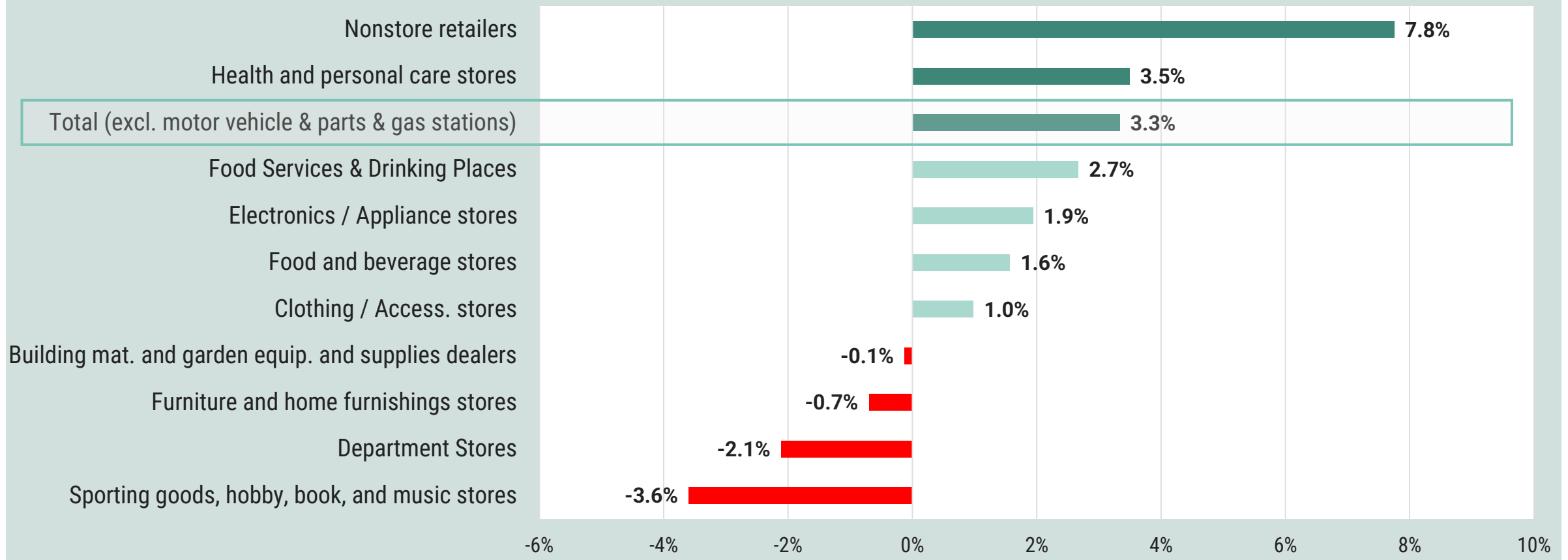
Source: U.S. Census Bureau



U.S. Retail Sales by Retail Category

August sales were driven by an 7.8% increase for non-store (online) retailers and 3.5% rise for Health & Personal Care; Food Services and Dining increased 2.7% while department, sporting goods and home segments continue to see significant declines

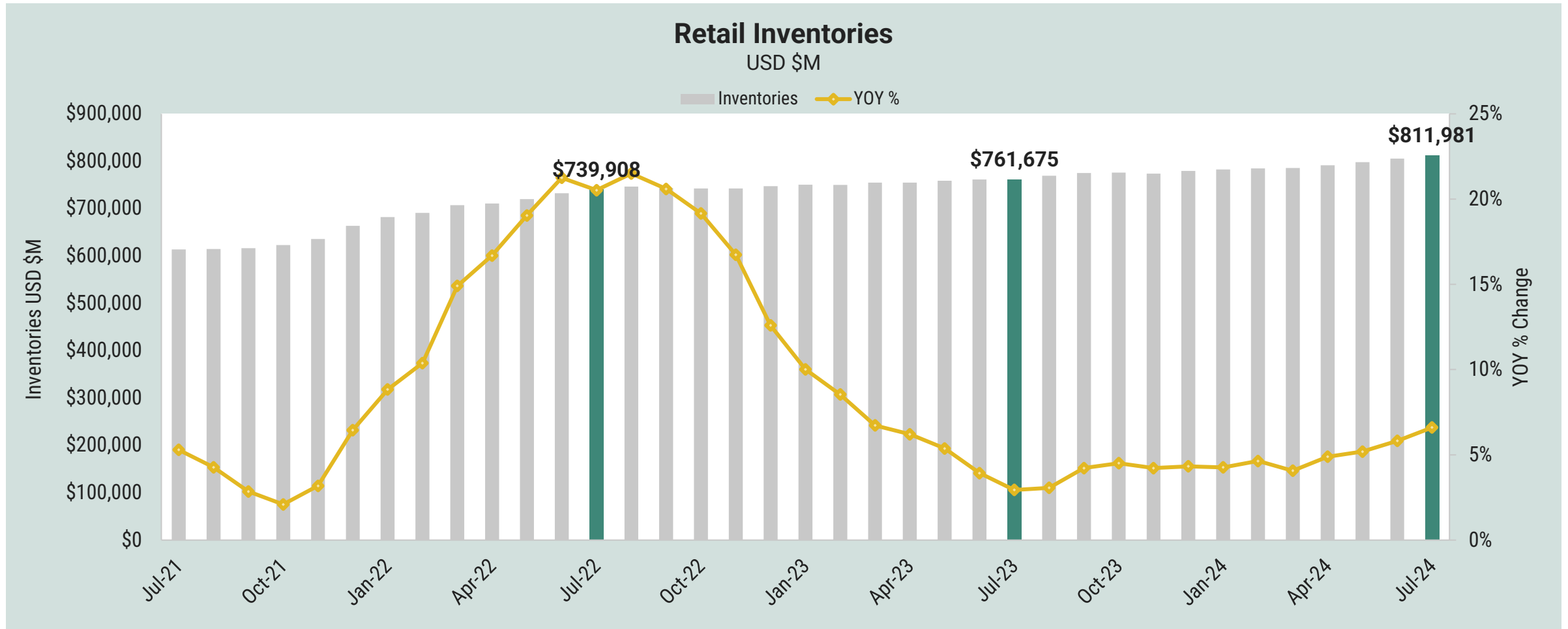
Retail Trade Sales - YOY % Change by Category





Retail Inventories (2-month lag)

July retail inventories increased 6.6% above 2023 and were up 1% to previous month, weak consumer demand over holidays could lead to stockpiles and deeper markdowns, many retailers moved up ship dates due to port strike threats

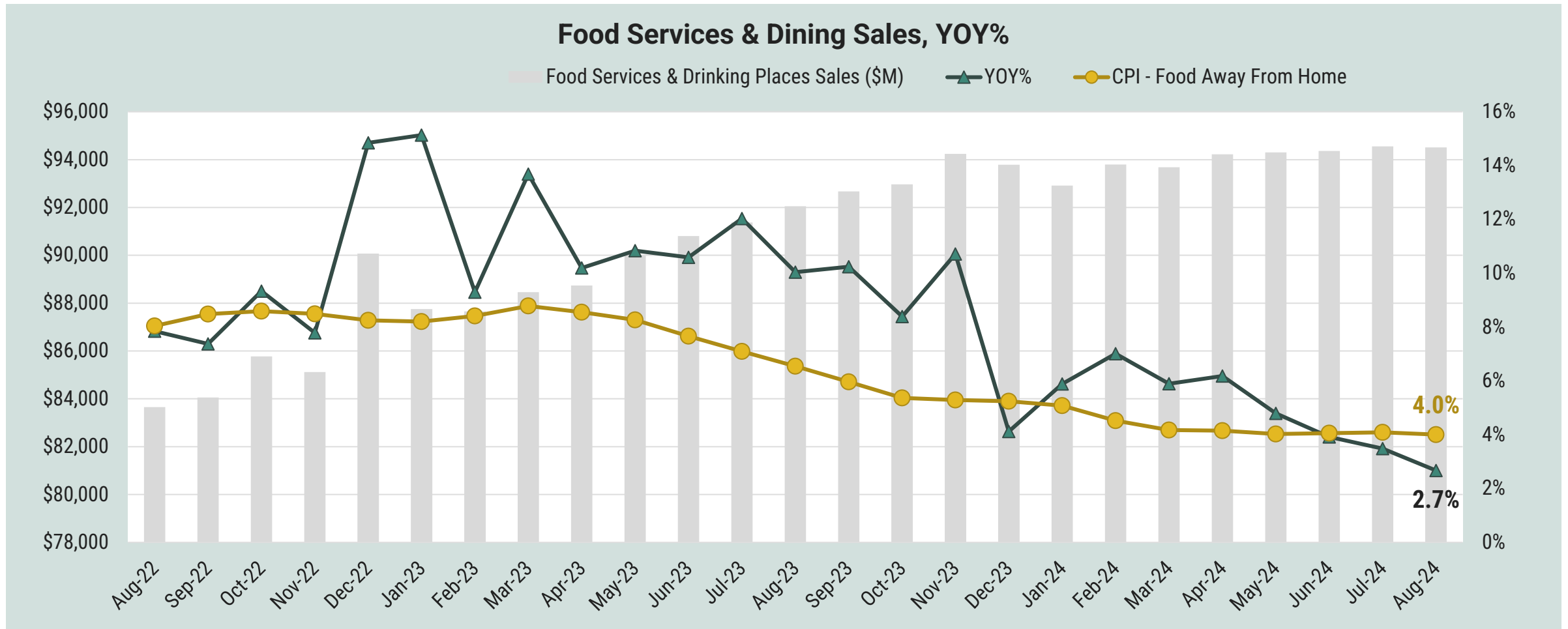


U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>



U.S. Retail Sales – Food Services & Dining

Food Services / Dining increased 2.7% in August – below the inflation rate for Food Away From Home which rose 4%



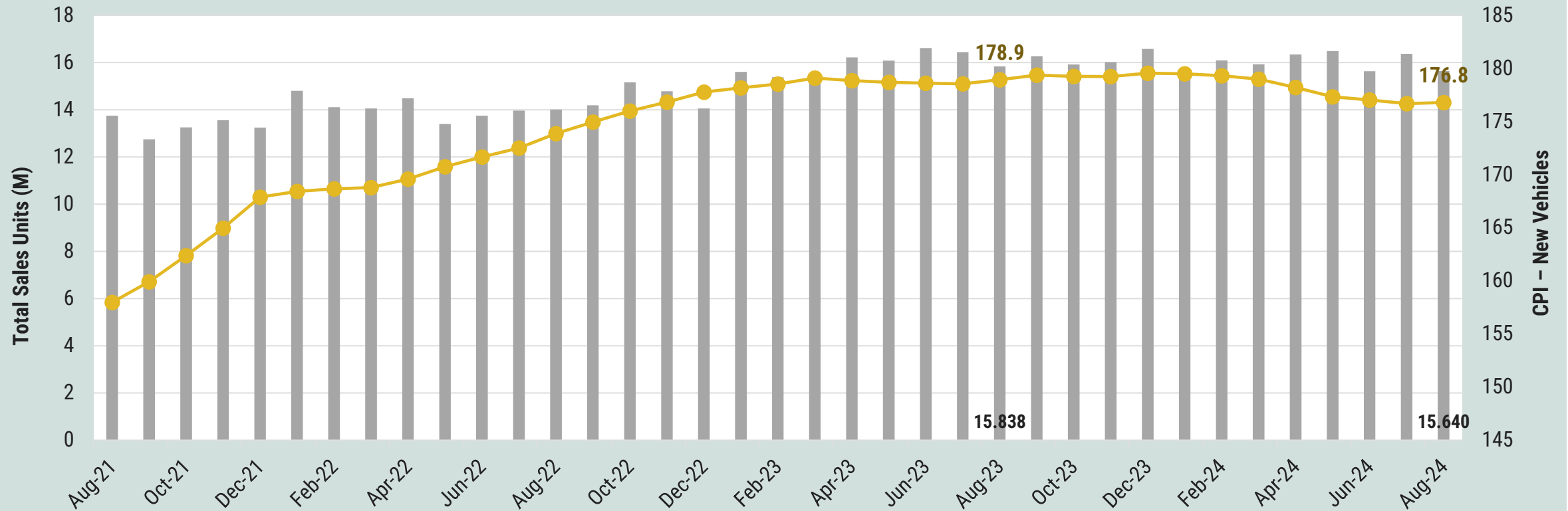


U.S. Vehicle Sales (2-month lag)

July new vehicle sales were down 1% YOY; auto prices (CPI) were down slightly YOY as car lots continue to grapple with unsold vehicles and consumers face higher interest rates – incentives are on the increase to move thru inventories

U.S. New Vehicle Sales (M) / CPI, New Vehicles

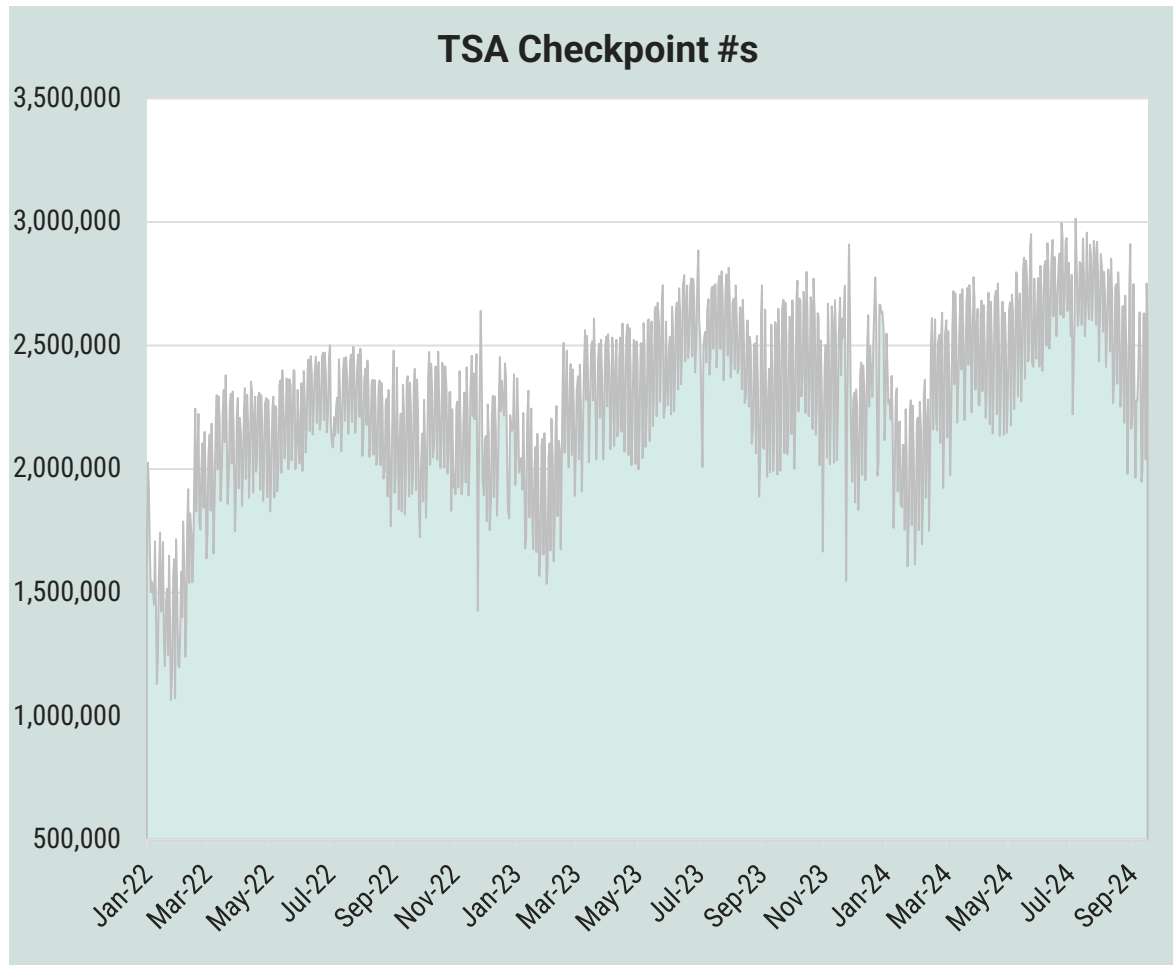
■ Total Vehicle Sales (M) ● CPI



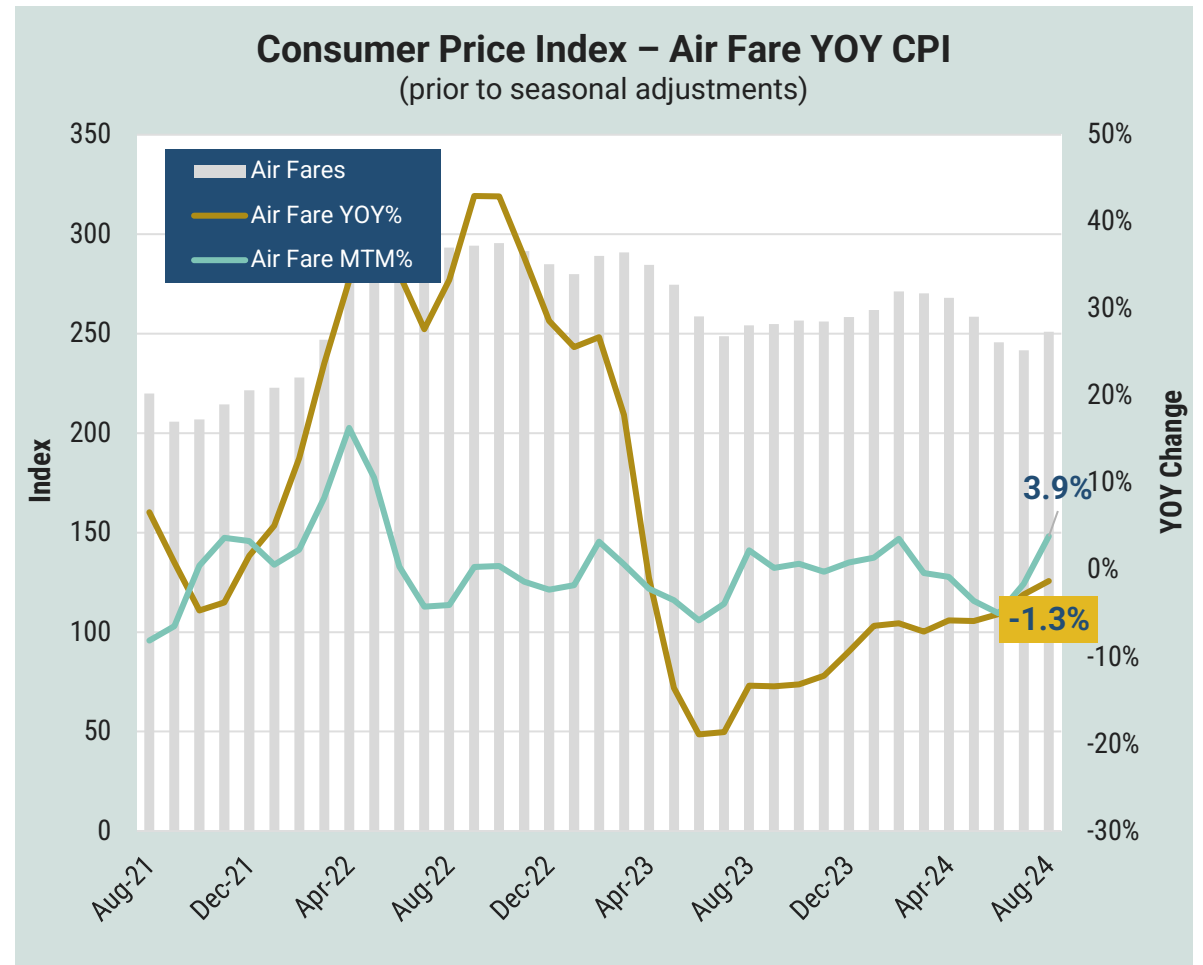


TSA Checkpoint Travel Numbers

YTD air travel volume increased .8% vs. 2023; the price of air travel is down 1.3% from last year and up 3.9% vs. MTM



Source: U.S. Transportation Security Administration



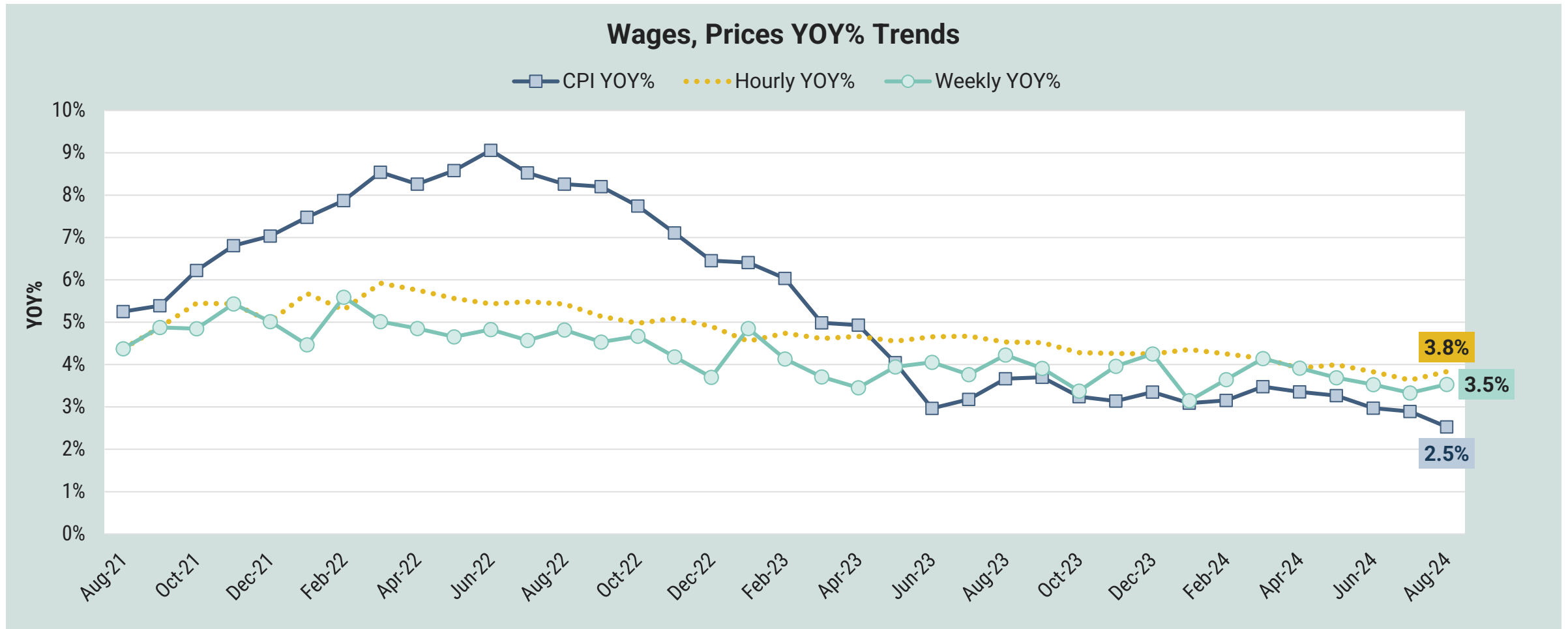
Source: U.S. Bureau of Labor Statistics

U.S. Employment



Wages vs. Inflation – YOY % Change

Both hourly and weekly wage rate increases again exceeded the change in inflation – retailers continue to face challenges with operating costs and efficiencies driven in part by wage rate increases

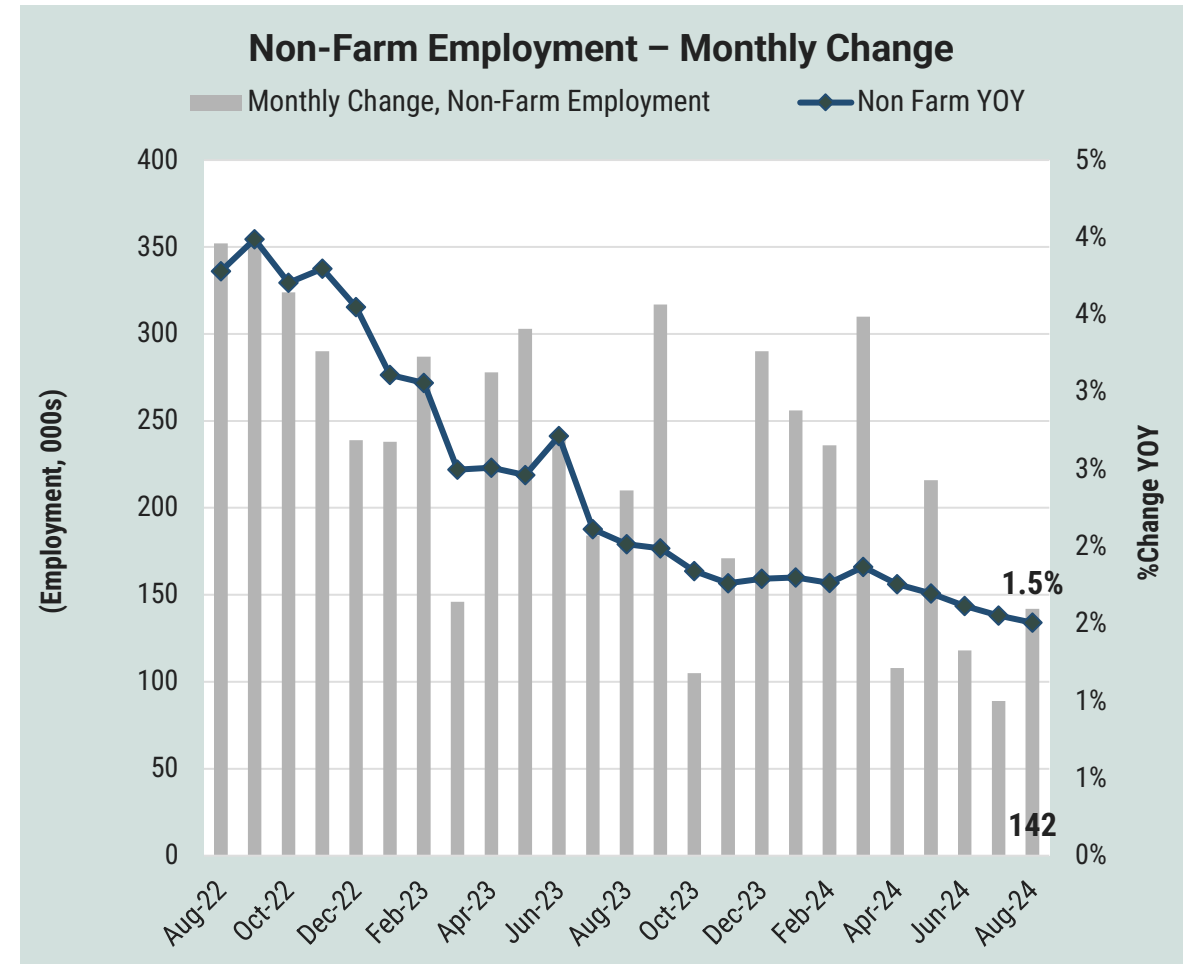
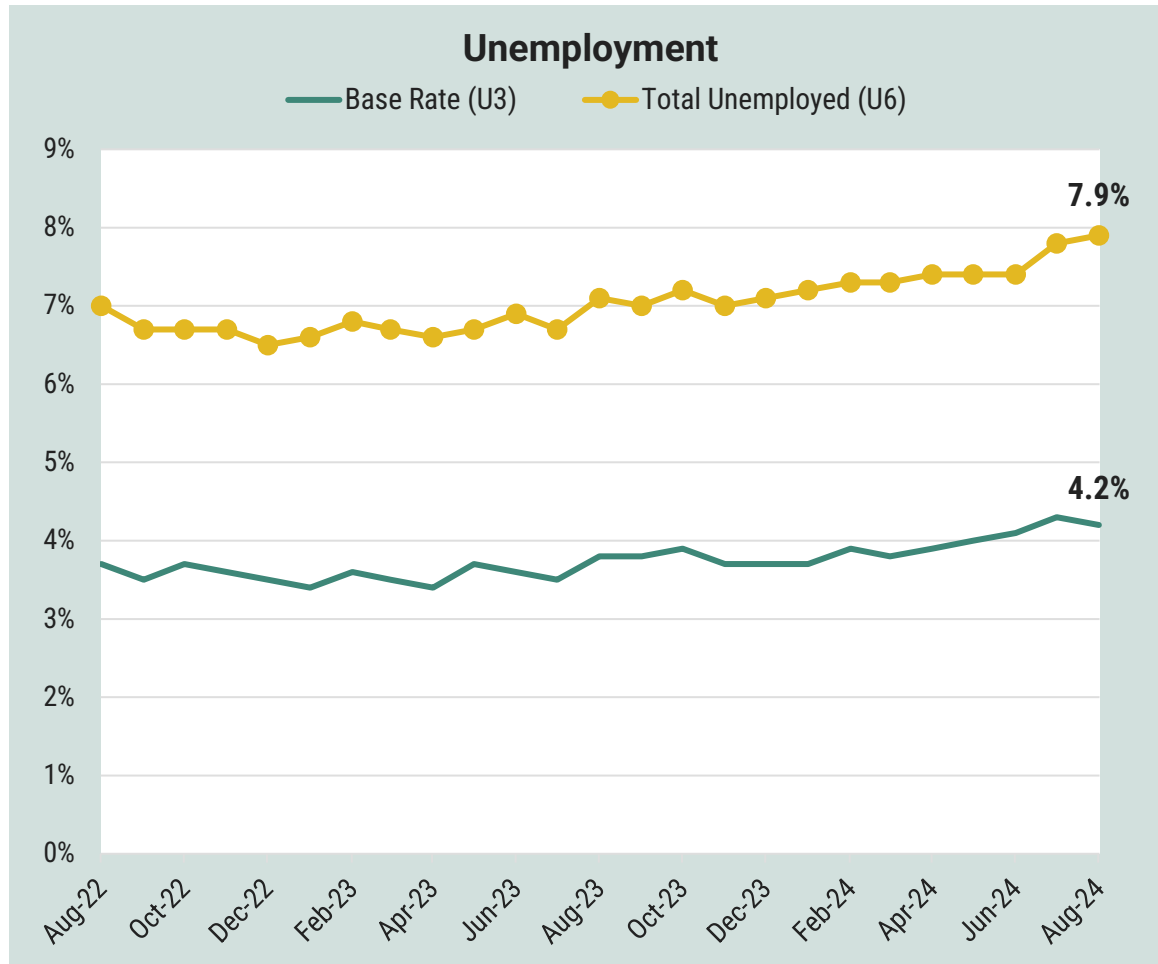


Source: U.S. Bureau of Labor Statistics



U.S. Employment Overview

Unemployment dropped slightly to 4.2%; non-farm employment was up 1.5% YOY and rose 142,000 vs. previous month

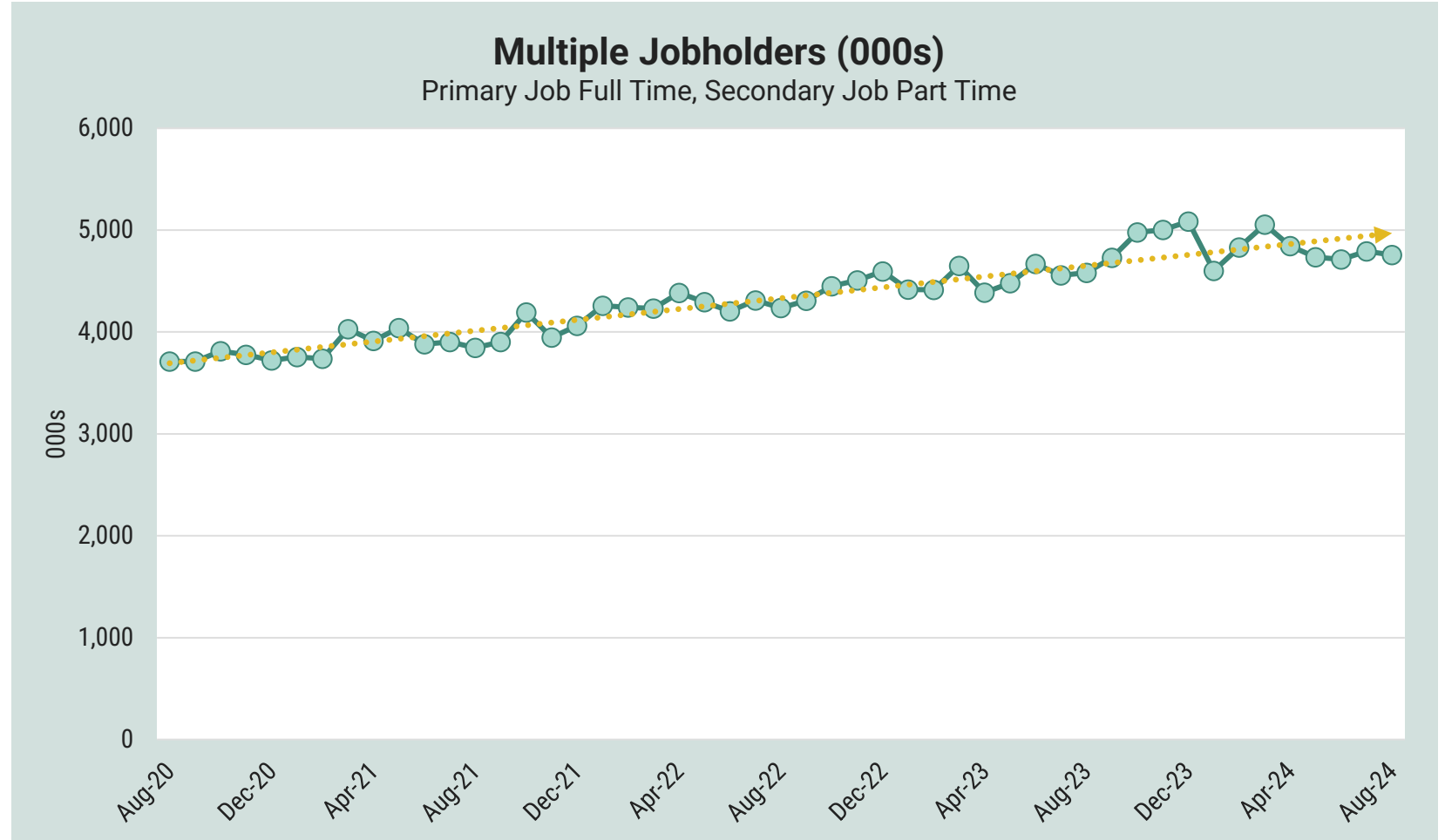




Multiple Jobholders – U.S.

The number of Americans holding multiple jobs has been steadily increasing, driven by economic uncertainty, inflation, and the desire for greater flexibility

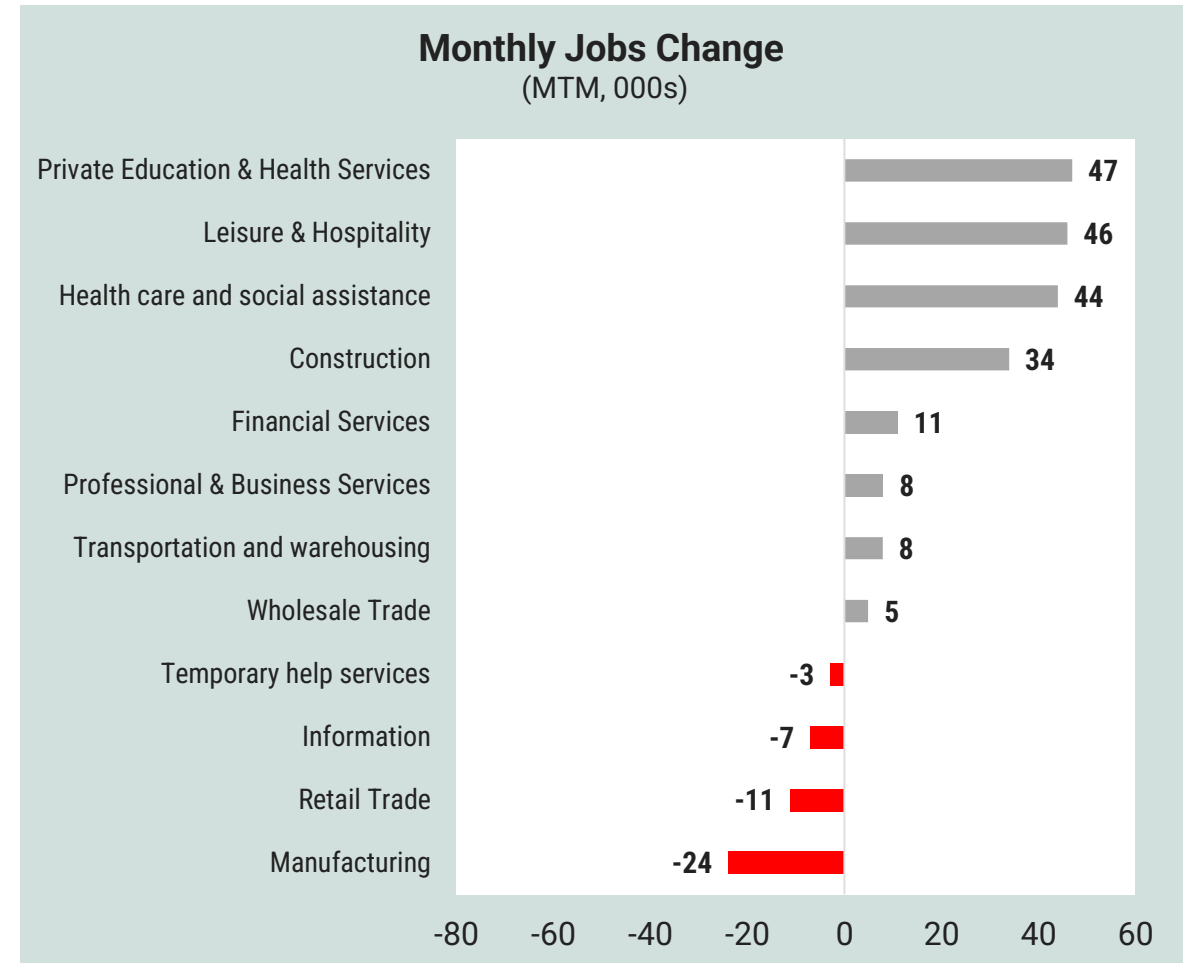
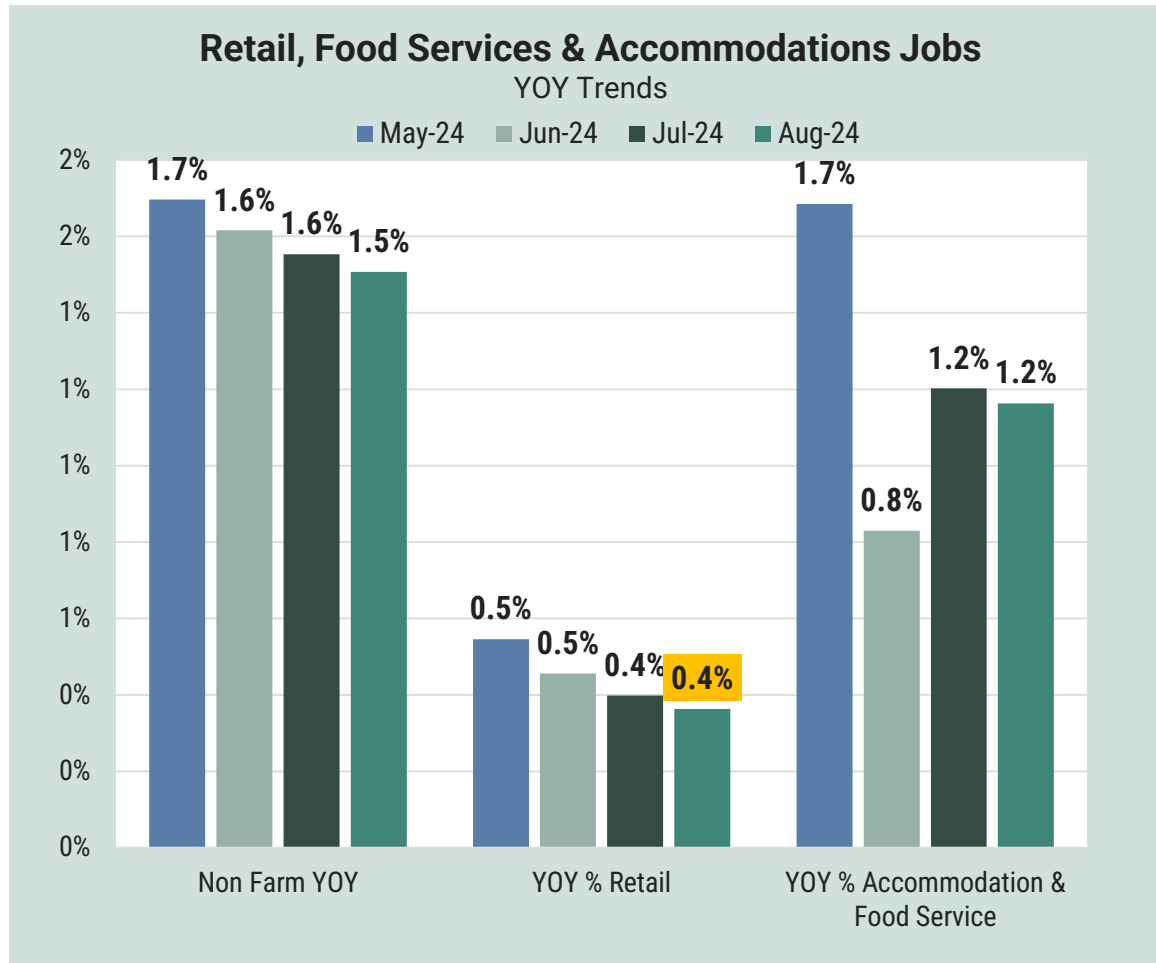
The number of Americans holding multiple jobs has steadily increased over the past few decades. Several factors contribute to this trend, including economic uncertainty, rising living costs, and a desire for greater flexibility. As the job market has become more competitive and wages have stagnated, many individuals have turned to multiple jobs to supplement their income. Additionally, the rise of gig economy platforms has made it easier to find part-time or freelance work, enabling people to take on multiple jobs without committing to a traditional 9-to-5 position. While this trend has resulted in a more diverse workforce with varied work arrangements, it has also raised concerns about potential negative impacts on employee well-being and work-life balance.





Industry Employment Trends

August job gains were concentrated in the healthcare sector, private education, construction, and leisure and hospitality while manufacturing and retail took the largest hits

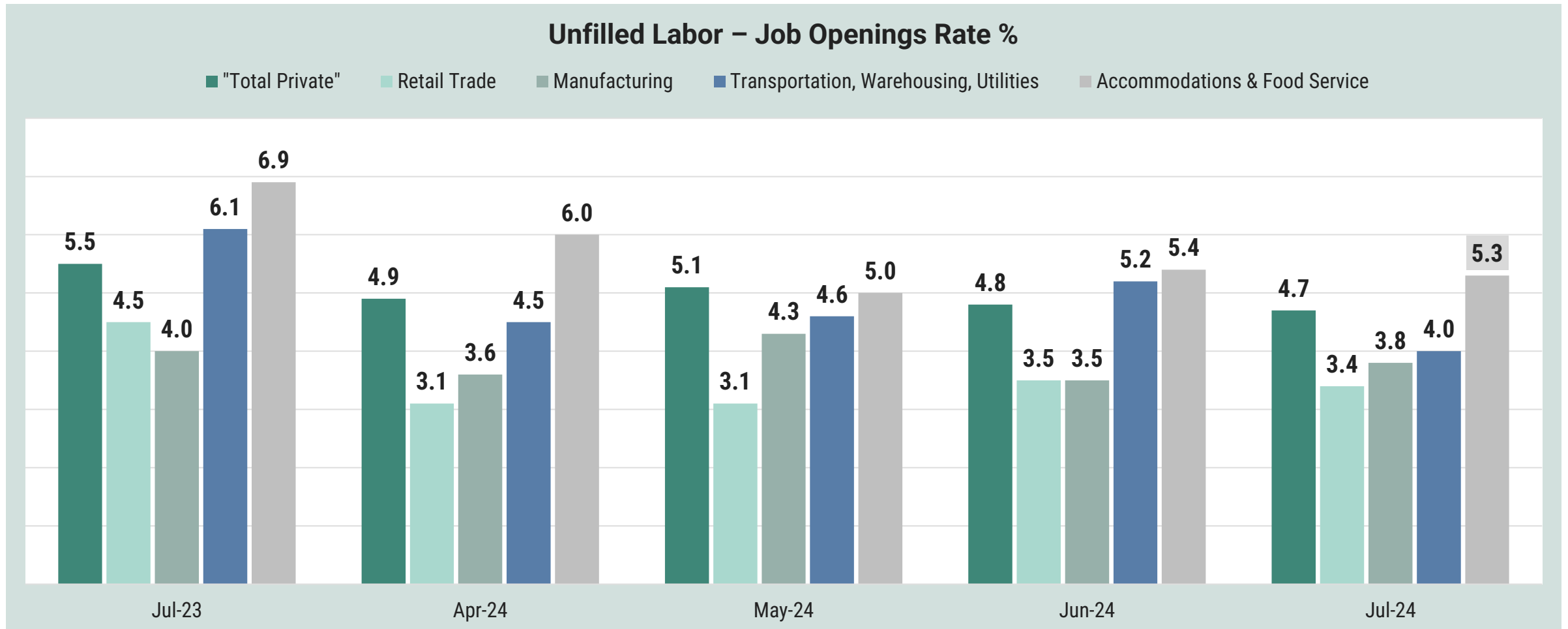


Source: U.S. Bureau of Labor Statistics



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



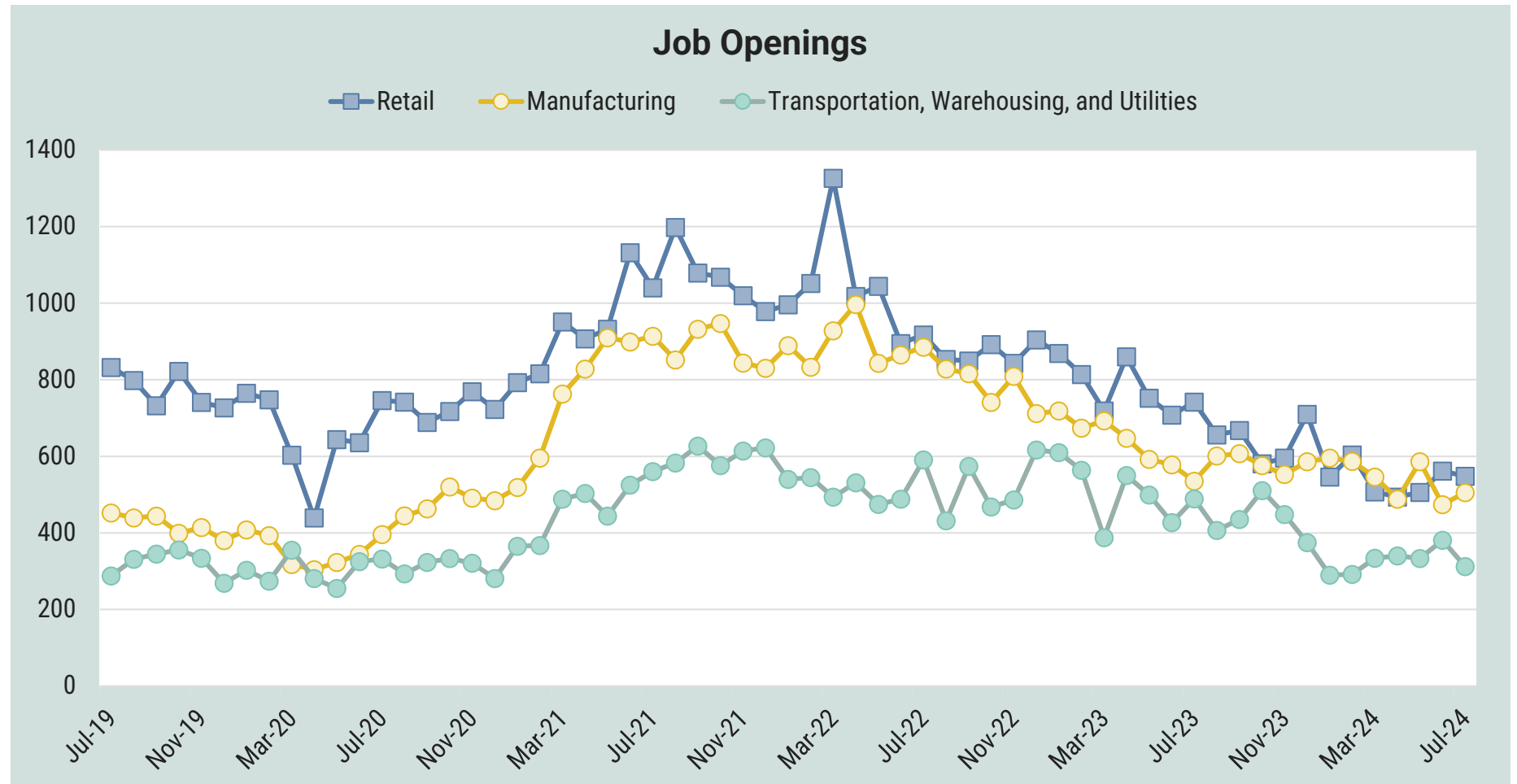
Source: U.S. Bureau of Labor Statistics; job openings rate = number of job openings on the last business day of the month as a percent of total employment plus job openings



Job Openings (2-month lag)

After months of strong demand, employers are finding it easier to fill roles like retail clerks and warehouse workers as consumers face more pressure to keep up with rising expenses

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.



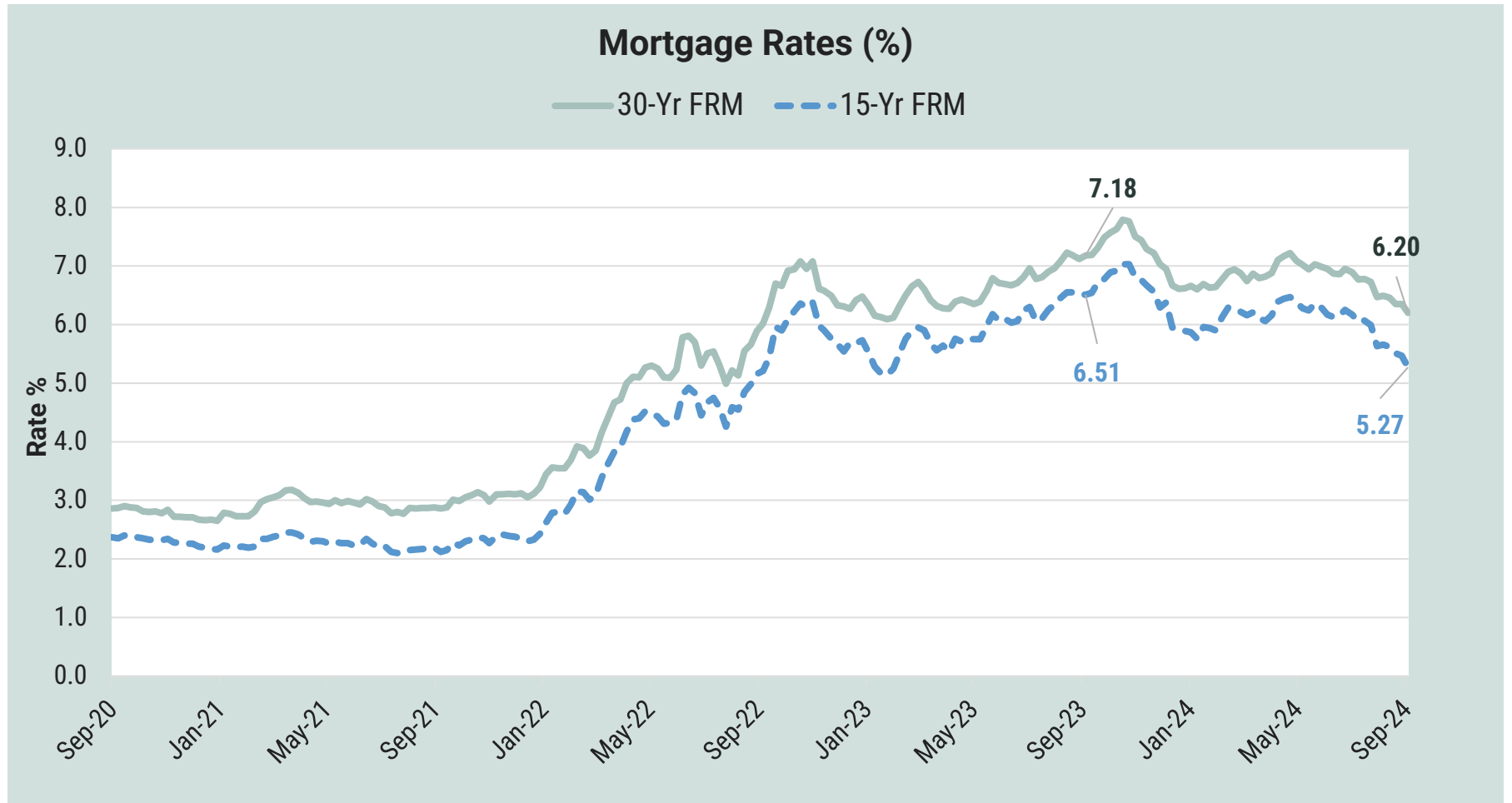
Housing

Mortgage Rates



Mortgage rates dropped to 6.2% but availability (homes inventory) remains a challenge for homebuyers

The Federal Reserve cut the federal funds rate by 50 basis points on September 18, 2024, the first rate cut since 2020. This move is expected to lower interest rates across the board, including mortgage rates, potentially presenting an opportunity for home buyers to lock in favorable rates and boost the housing market.

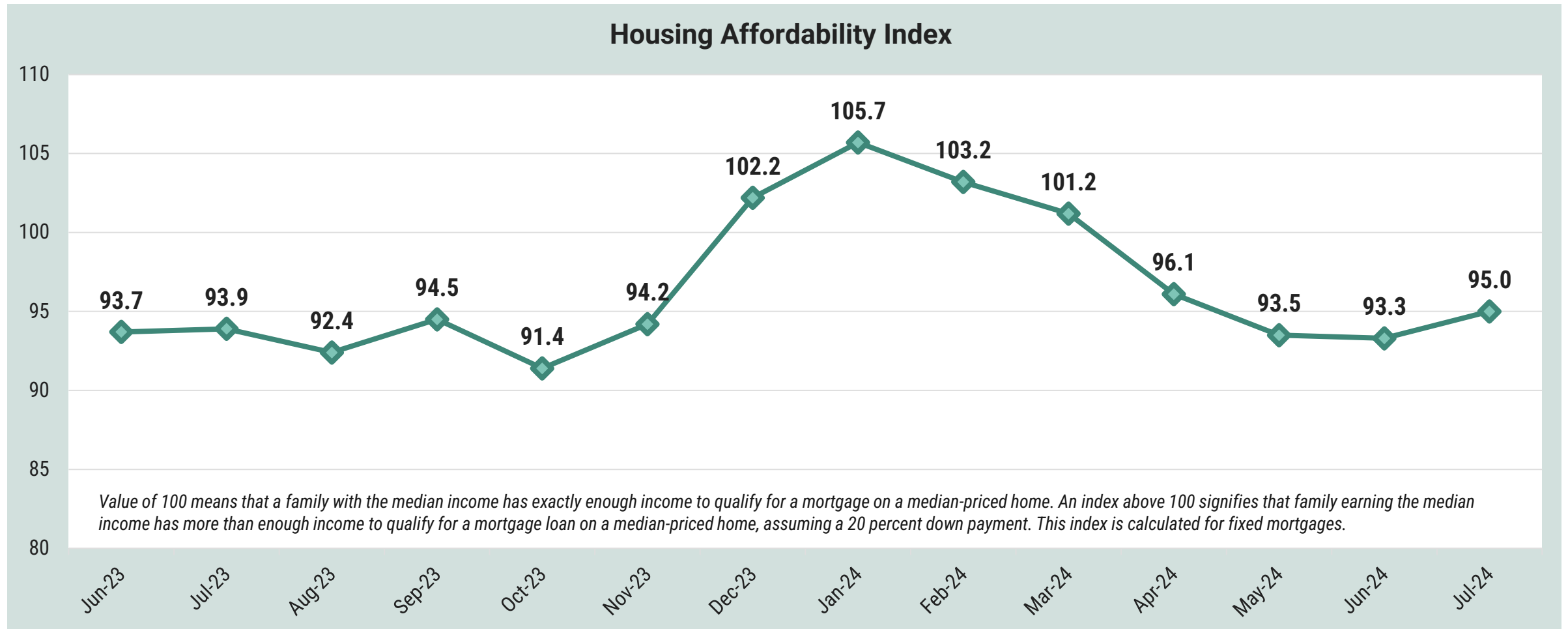


* Source: FreddieMac Mortgage Market Survey

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



In July, housing affordability improved slightly MTM nationally and is above 2023 index



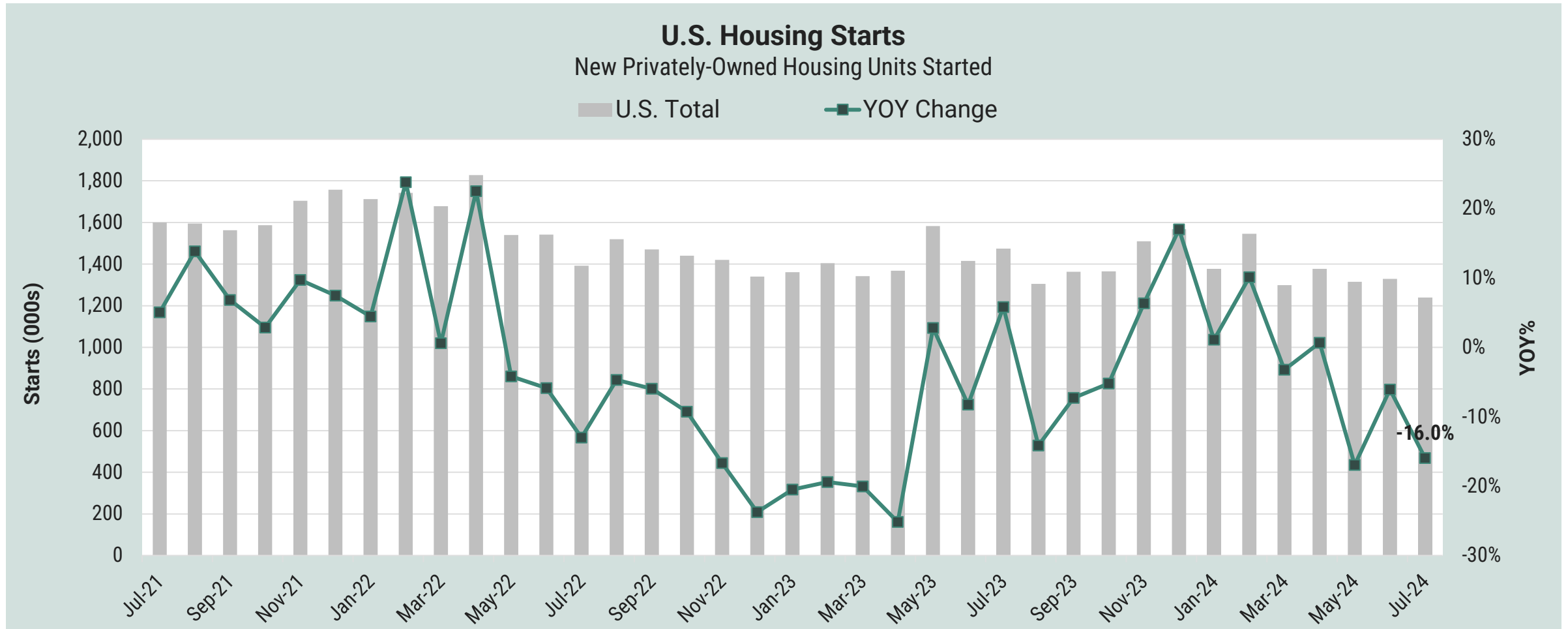
Source: National Association of Realtors, Housing Affordability Index (Fixed) [FIXHAI], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/FIXHAI>

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



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

Through July 2024, housing starts were down 16% YOY, which could continue to impact sales recovery in Home Improvement and Home Furnishings retailers

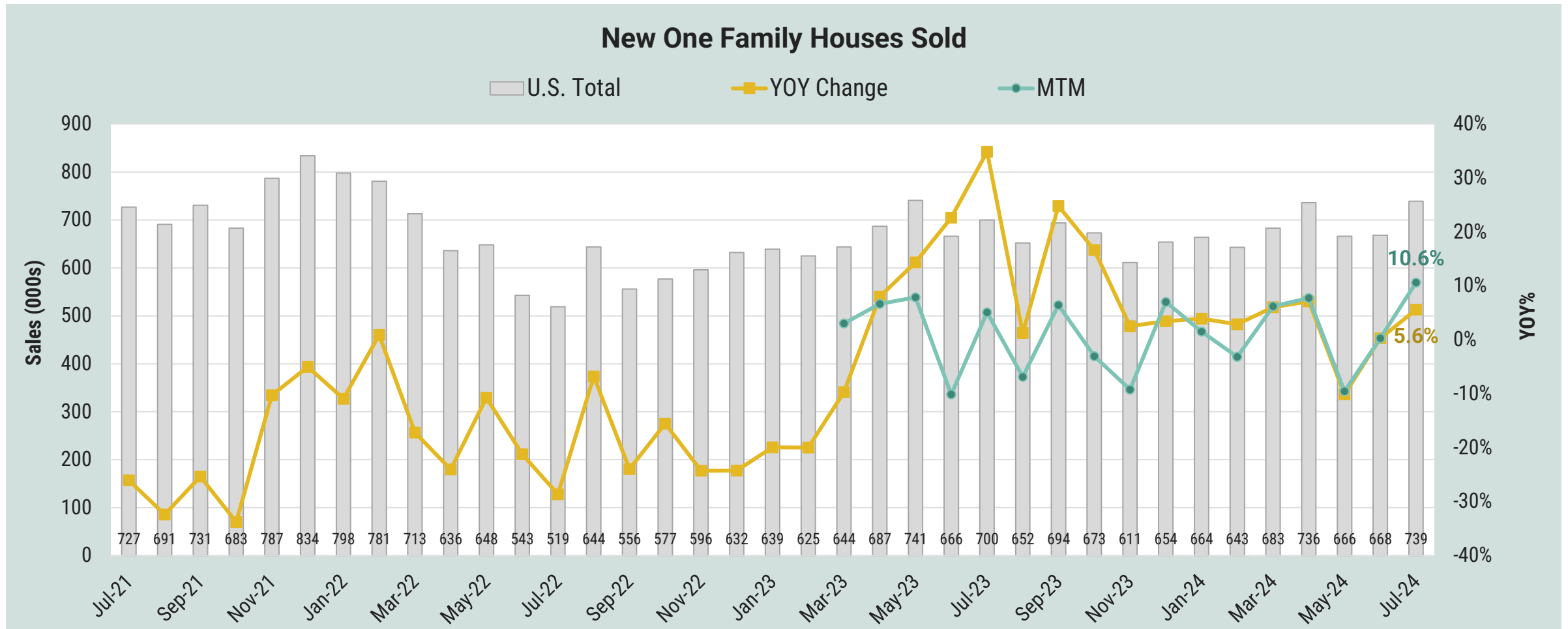


U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Privately-Owned Housing Units Started, retrieved from FRED, Federal Reserve Bank of St. Louis;



Housing – New Home Sales (2-month lag)

New home sales through July rose nearly 6% YOY and 10.6% over previous month

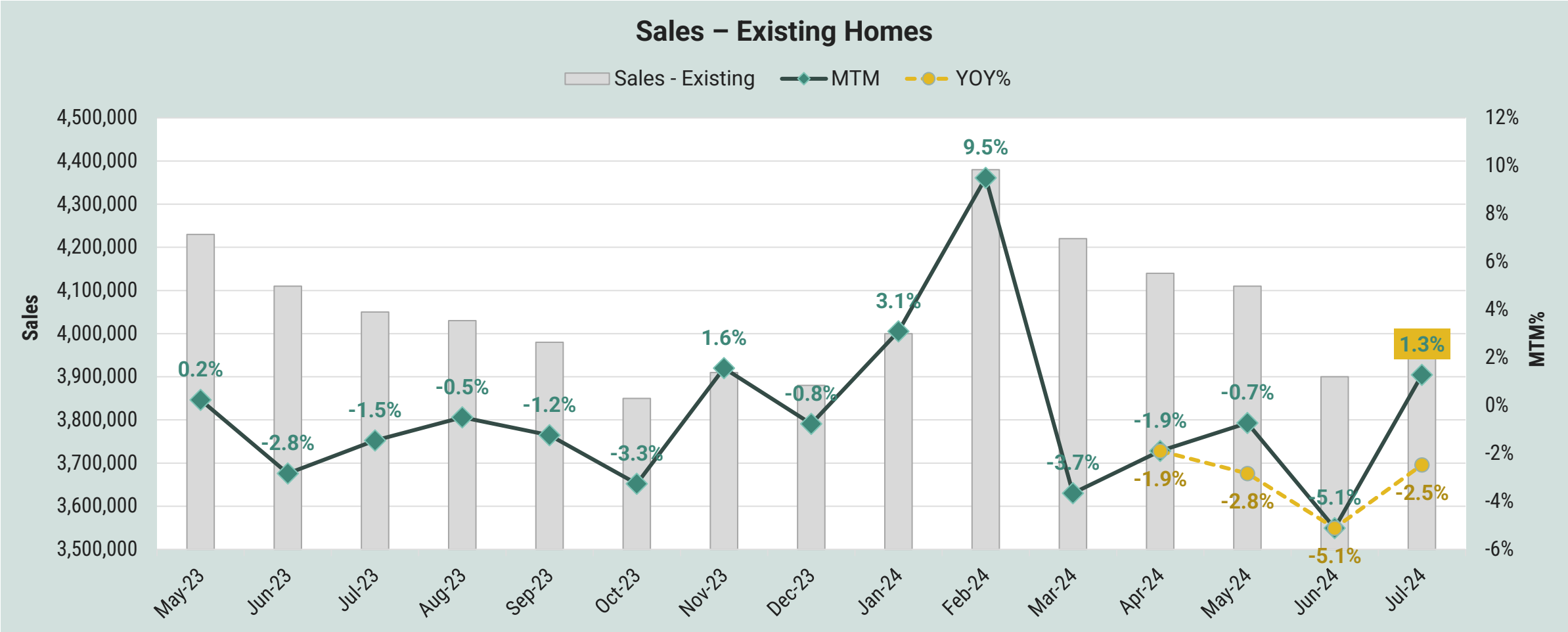


U.S. Census Bureau and U.S. Department of Housing and Urban Development, New One Family Houses Sold: United States, retrieved from FRED, Federal Reserve Bank of St. Louis



Housing – Existing Home Sales (2-month lag)

July 2024 existing home sales increased 1.3% MTM – YOY sales also declined (-2.5%)

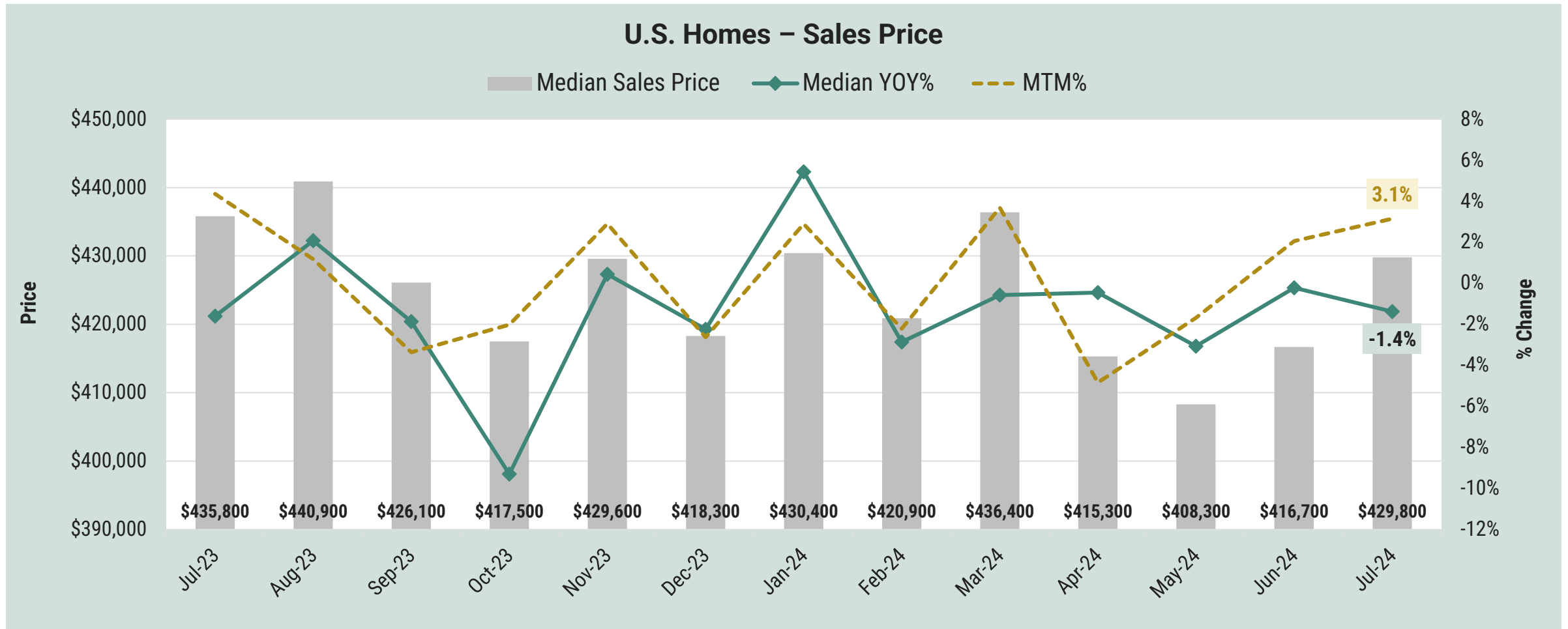


Source: National Association of Realtors



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

The July median U.S. new home price declined 1.4%; MTM median price increased 3.1%



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

Supply Chain

Global Supply Chain Index



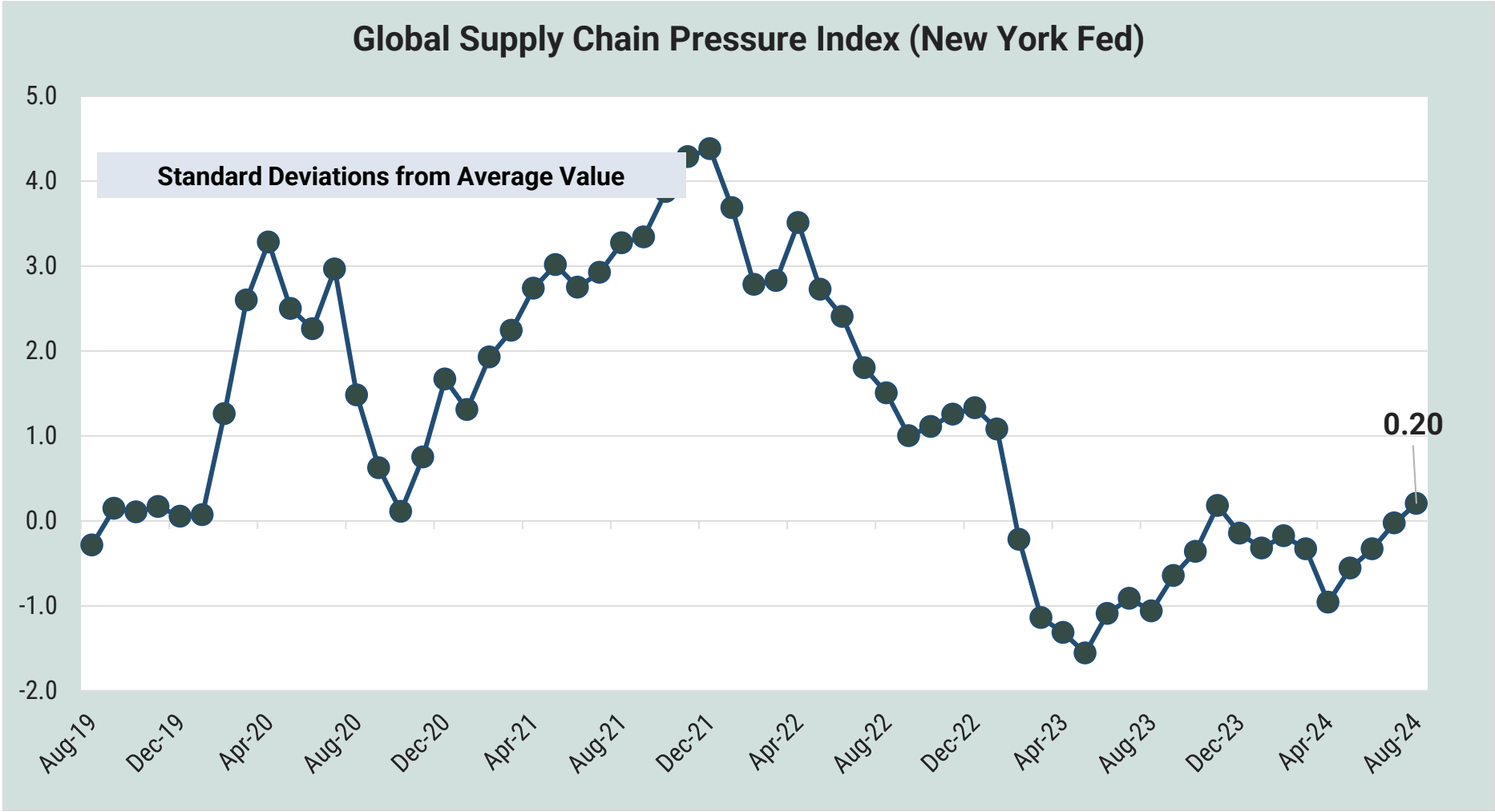
The GSCPI tracks the state of global supply chains using data from the transportation and manufacturing sectors.

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 .20 in August

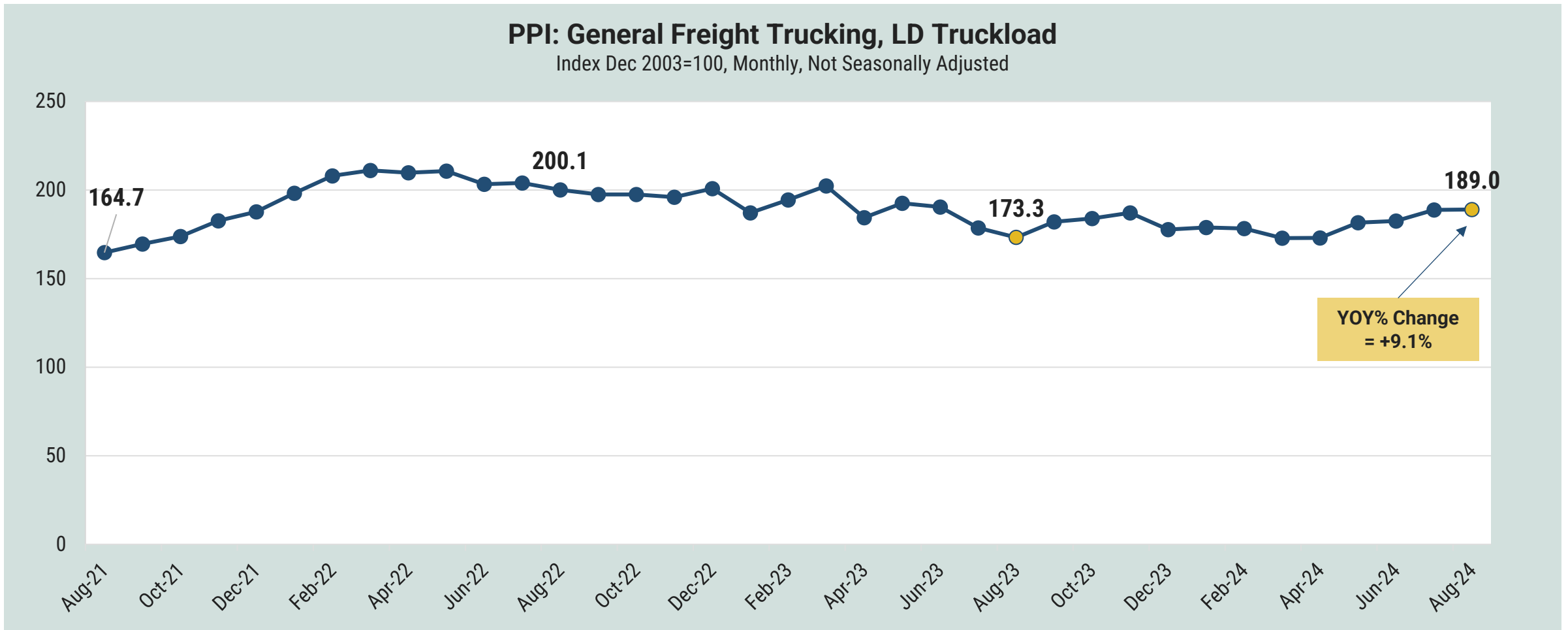


Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index, <https://www.newyorkfed.org/research/gscpi.html>.



Freight Inflation - Trucking

The general freight trucking index was up 9.1% YOY in August

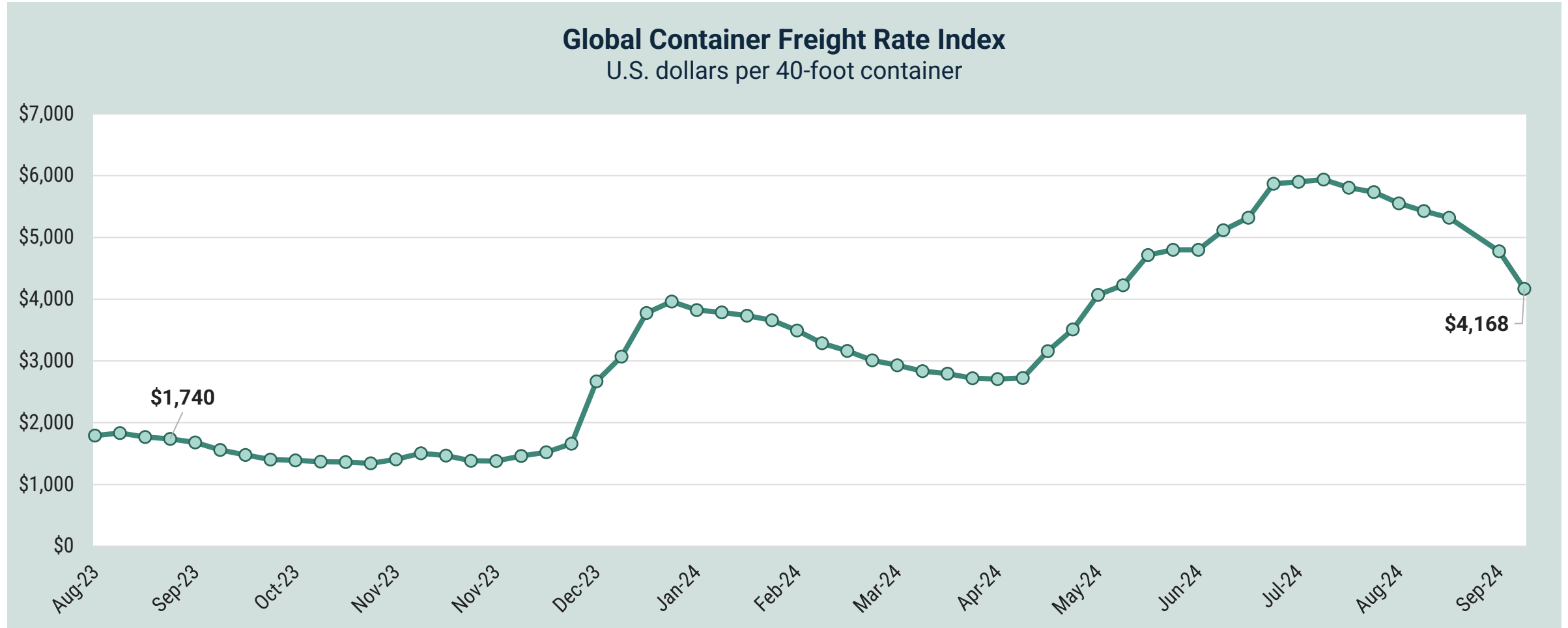


Source: U.S. Bureau of Labor Statistics, FRED, Federal Reserve Bank of St. Louis

Deep Sea Freight



The Drewry WCI composite index, currently \$4,168 per 40ft container, continues to decline and is nearly 30% lower than the rate in mid-July



Source: <https://www.drewry.co.uk/>

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