

U.S. Economic Overview

CONSUMERS AND
THE MACRO ECONOMY

January 2024



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Summary



Highlights – What You Need To Know

U.S. CONSUMERS: Consumer confidence again rose significantly in December's University of Michigan Survey of Consumers

- **Consumer sentiment** increased 13.7% in December, erasing declines from the previous four months, driven chiefly by expectations of improvement in U.S. inflation and easing of interest rates
 - Long-run inflation expectations fell from 3.2% last month to 2.9% this month
- **Personal disposable income*** 7.8% in November 2023; consumer expenditures, basically flat MTM, increased 6.3% YOY
- **Total Consumer Debt**
 - Credit card balances remain high and consumer debt continues to grow – revolving credit rose 9.9% vs. 2022
 - Total consumer credit increased 5%
 - We anticipate that new records will be set when the tally is in from December spending

RETAIL SALES (*excl. autos/parts & gas stations*)

- December sales rose 0.6 percent from November 2023, and 5.8 percent above last year
- Total 2023 sales increased 4.9% over 2022
- Food & Dining / Food Services increased 11.1% in December, with total year 2023 rising over 11%
- New vehicle sales increased 7.3% YOY, with CPI 1.3% above LY

AIR TRAVEL

- Air travel has remained steady and continues at a healthy pace; year-to-date TSA checkpoint numbers are up about 1%
- The price of air travel was down 9.4% vs. previous year



Highlights – What You Need To Know

BROAD ECONOMIC INDICATORS: Inflation continues to slow but interest rates remain a challenge

- **Interest rates: Bank Prime Loan Rate (8.5%) and Federal Funds Rate (5.33%)** were unchanged from previous month; expectations are generally looking to rate decreases in 2024
- **Gross Domestic Product:** Real gross domestic product (GDP) increased 4.9 percent in the third quarter of 2023, according to the “third” estimate released by the Bureau of Economic Analysis
 - The update reflected a revision slightly down to consumer spending
- **The Consumer Price Index** rose 3.4 percent over the last 12 months
 - The index for all items less food and energy increased 3.9 percent
 - Motor fuel index was down 2.3%
 - Housing increased 4.8% and Food Away From Home rose 5.2%

U.S. EMPLOYMENT: Unemployment remains low

- **Unemployment** steady at 3.7%; non-farm employment was up 1.7% month-to-month, with employment rising by 216,000

HOUSING: Mortgage rates (30-year fixed-rate) remain in the mid-six percent range, which has marginally increased homebuyer demand

- **New home sales** increased 1.4% in November, following a 16.5% increase in October; **housing starts** rose 9.3%
- The November **median U.S. new home price** declined 6% YOY and rose nearly 5% vs. previous month

SUPPLY CHAIN: Freight costs continue to remain stable

- In December, **general freight trucking** index was down 9.3% over last year and nearly 3% lower than the previous month
- **Deep sea freight** rates are down 9.6% YOY and flat MTM vs. November

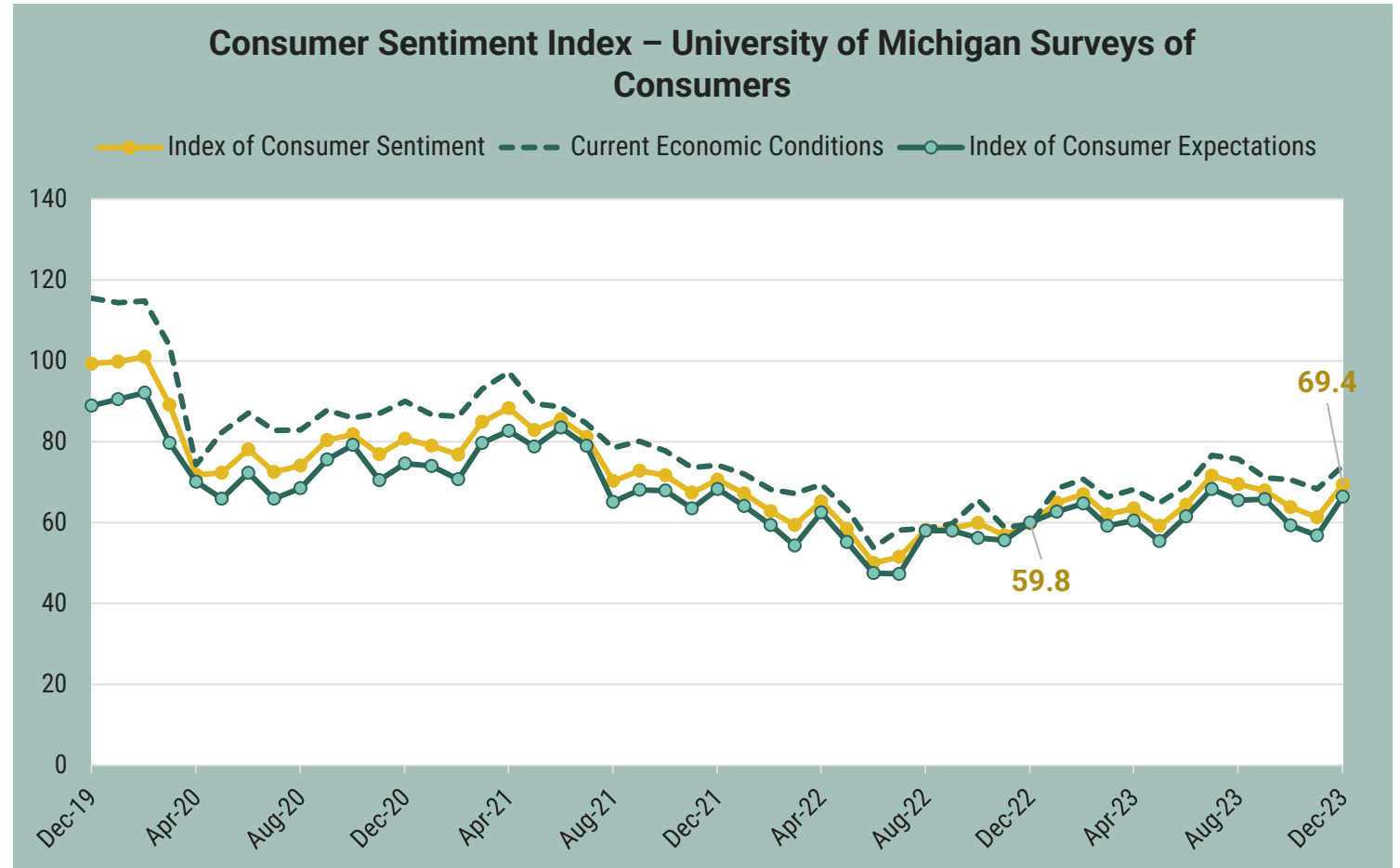
Key Consumer Metrics



Consumer Sentiment Index

Consumer sentiment increased 13.7% in December, erasing declines from the previous four months, driven chiefly by expectations of improvement in U.S. inflation

	Index of Consumer Sentiment	Current Economic Conditions	Index of Consumer Expectations
2-Year High	71.6	76.6	68.3
2-Year Avg.	62.5	66.9	59.7
2- Year Low	50.0	53.8	47.3
Current	69.7	73.3	67.4
LY	59.8	59.6	60.0
YOY % Change	16.6%	23.0%	12.3%
Previous Month	61.3	68.3	56.8
MTM % Change	13.7%	7.3%	18.7%

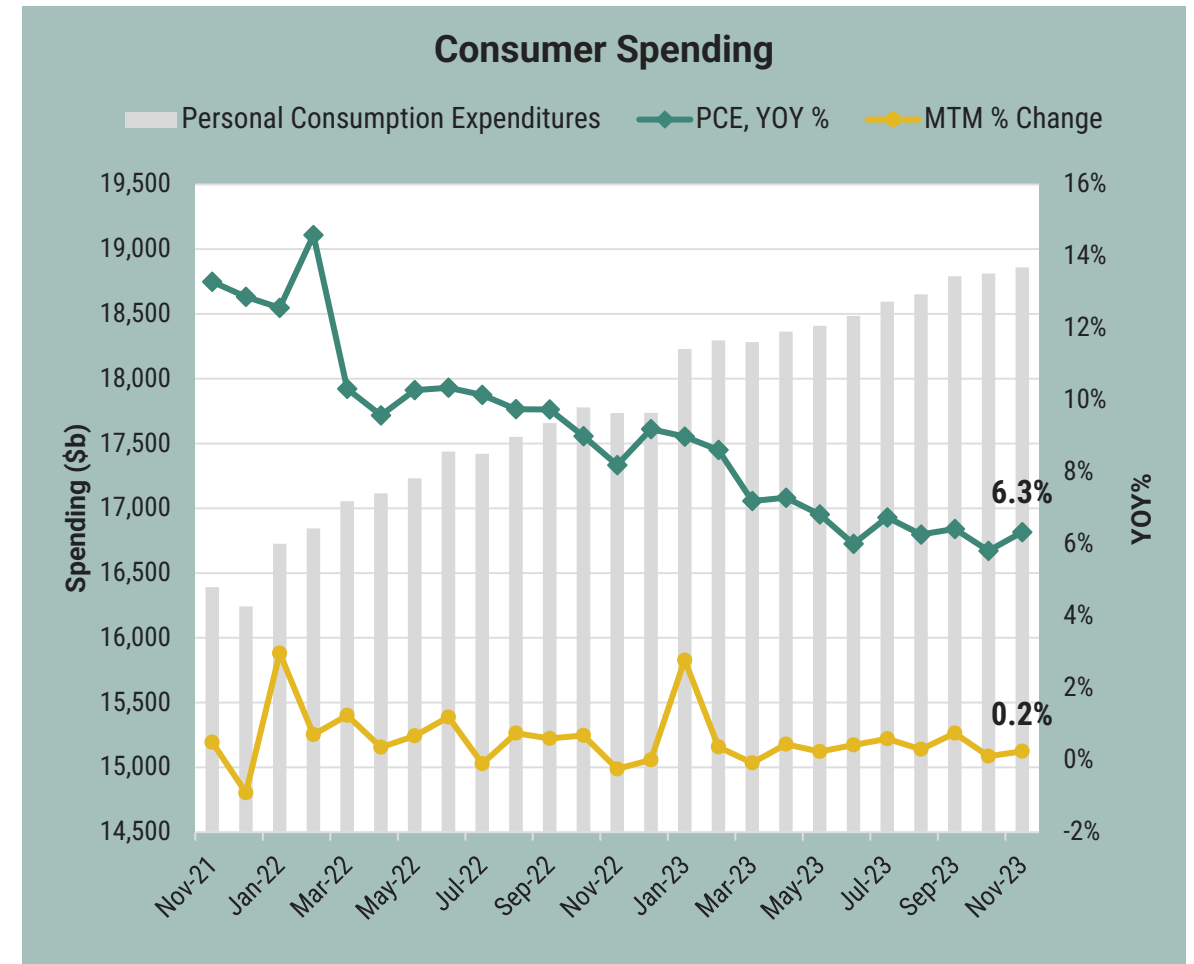
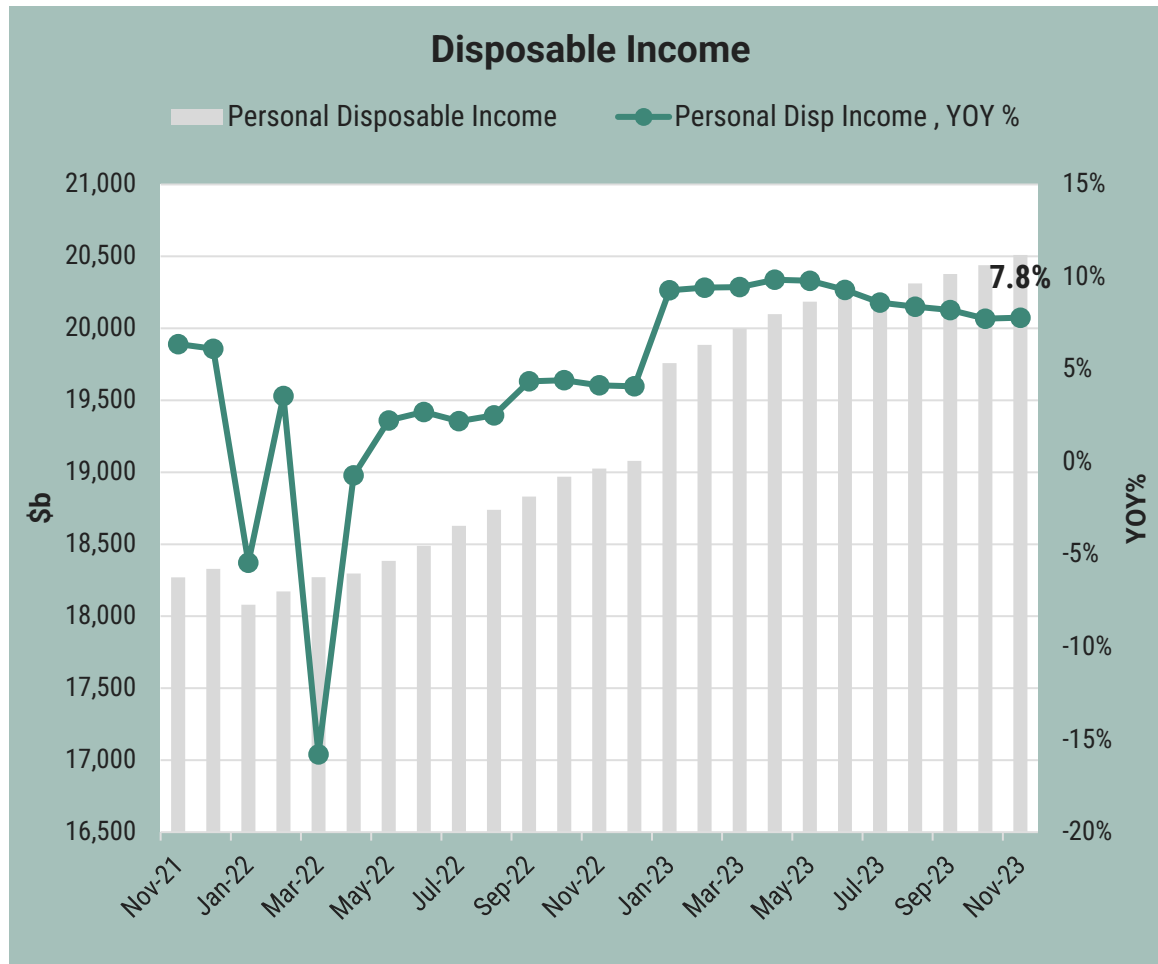


Source: The Surveys of Consumers are conducted by the Survey Research Center at the University of Michigan. (<https://data.sca.isr.umich.edu/survey-info.php>)



Consumer Income and Spending

Personal disposable income rose 7.8% in November 2023; consumer expenditures, basically flat MTM, increased 6.3% YOY

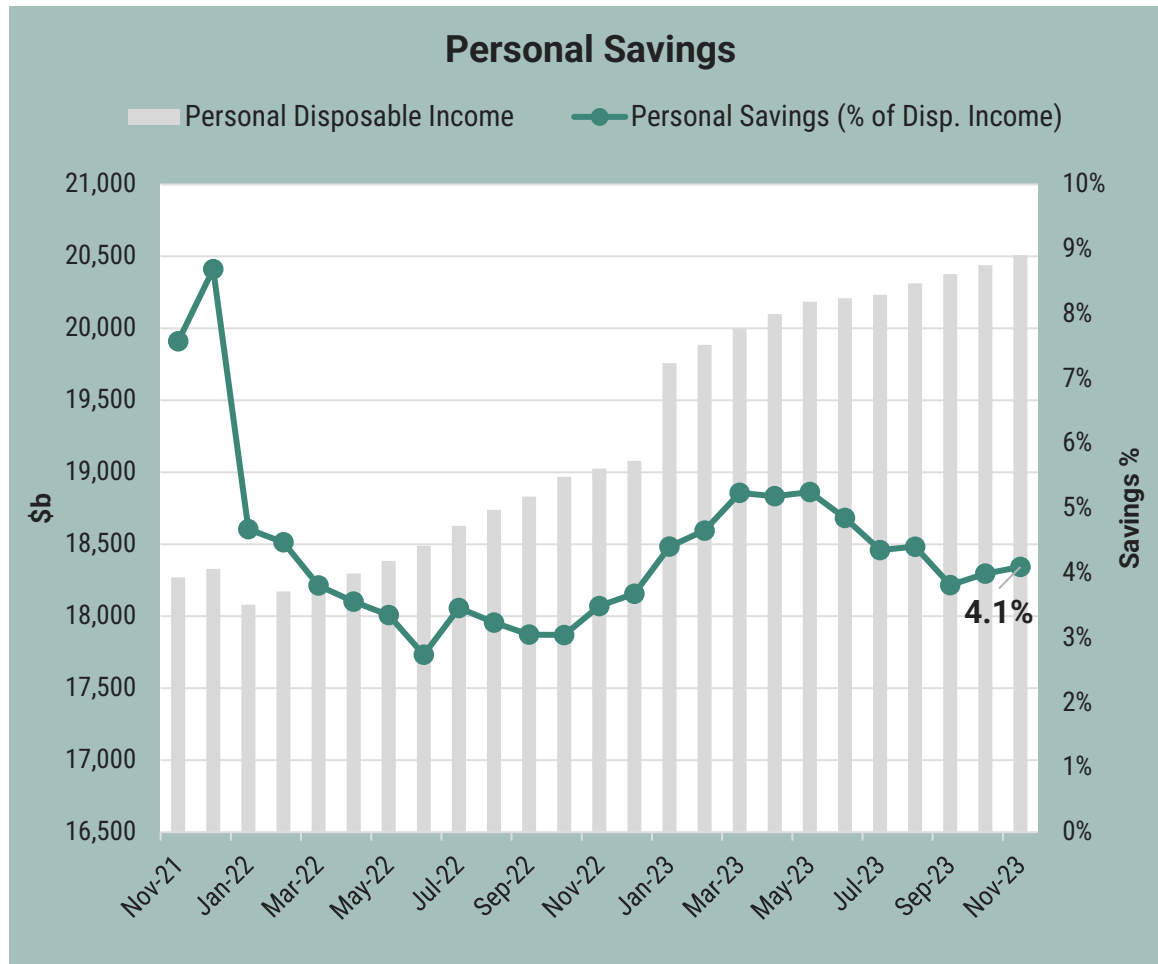


Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting

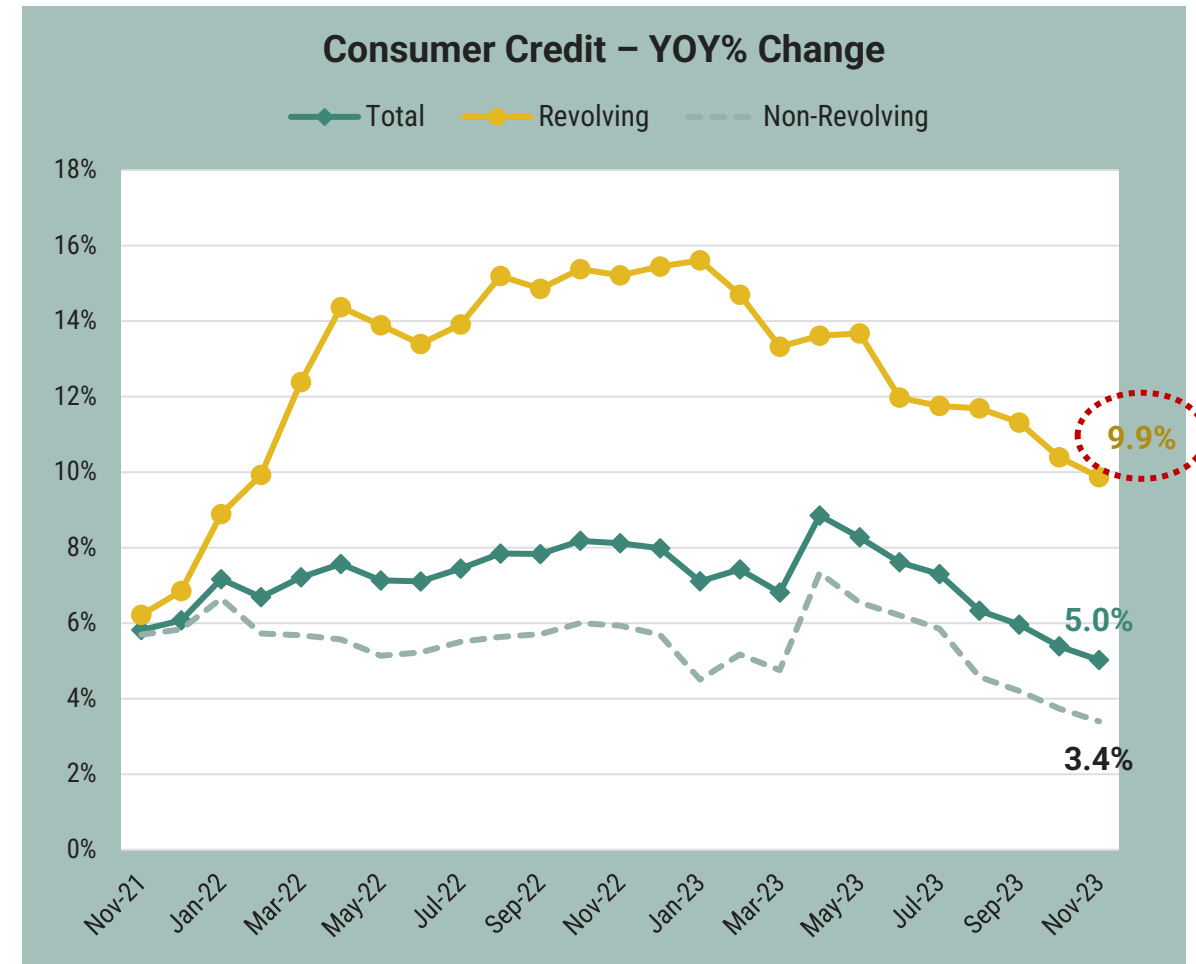


Personal Savings & Consumer Credit

Personal savings rate remains above 2022; revolving credit rose 9.9% vs. 2022; total consumer credit increased 5.0%



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

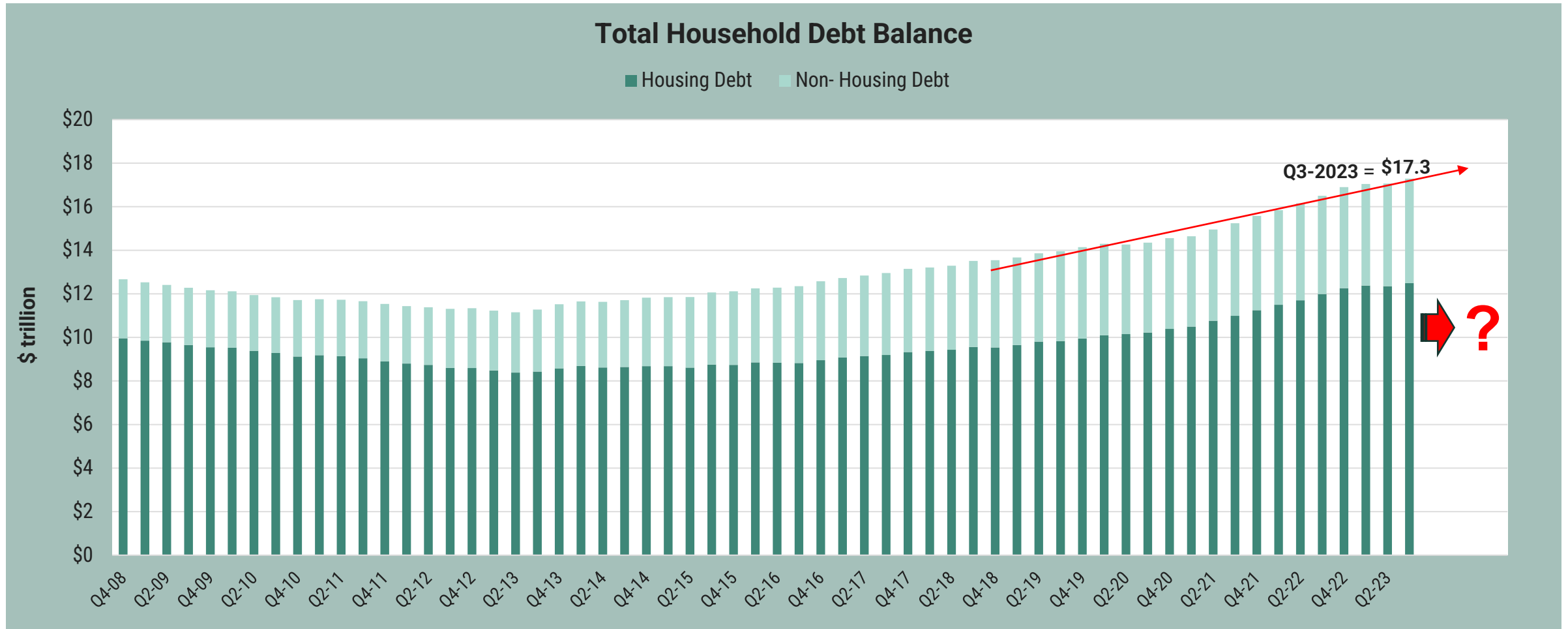


Source: U.S. Federal Reserve, 2-month lag in reporting



Total Consumer Debt

With consumer credit continuing to climb, we expect to see new record household debt levels when Q4 totals are reported; total Q3-2023 debt stood at \$17.3 trillion

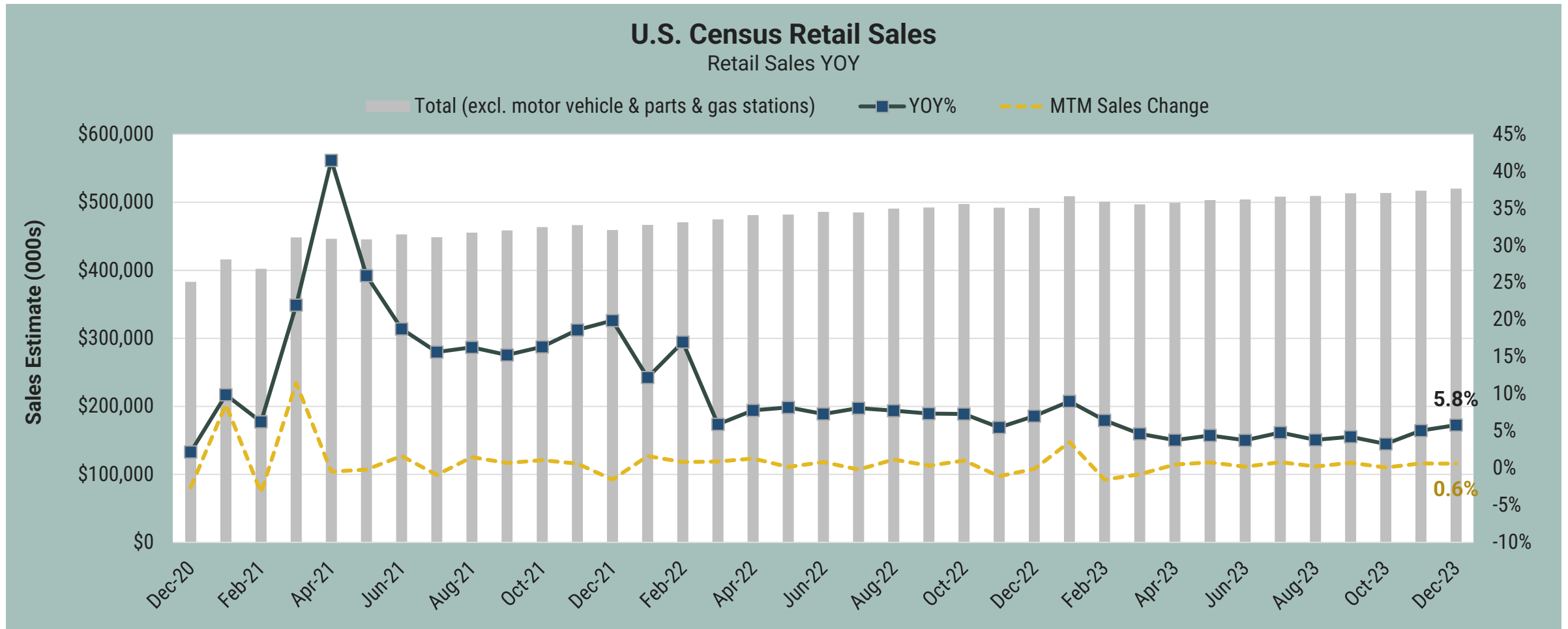


U.S. Retail Sales



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

December retail sales rose 0.6 percent from November 2023, and were 5.8 percent above last year



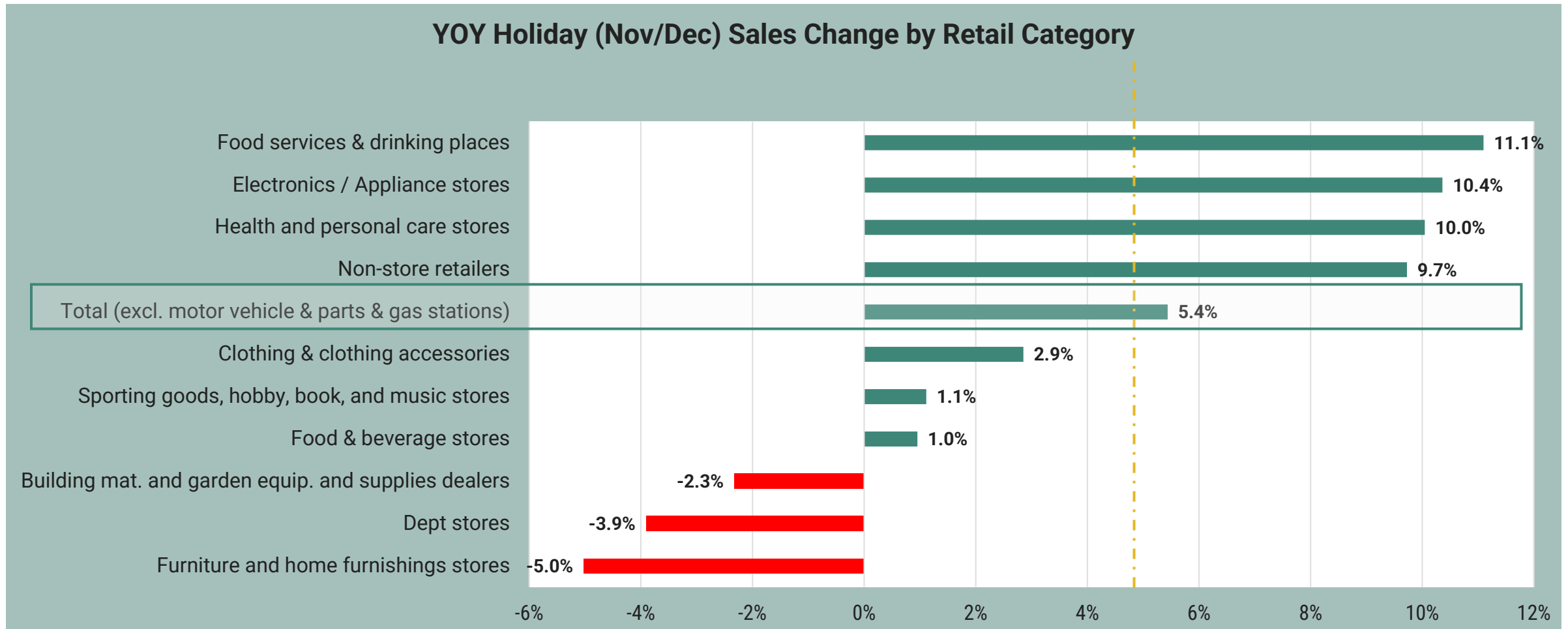
Source: U.S. Census Bureau



U.S. Retail Sales by Retail Category

For the **2023 holiday period**, total sales increased 5.4%, led by an 11% increase in food & dining; Electronics recovered from a mediocre 2023 to show strong increases during the holidays, while department stores and furnishings continue to decline

YOY Holiday (Nov/Dec) Sales Change by Retail Category

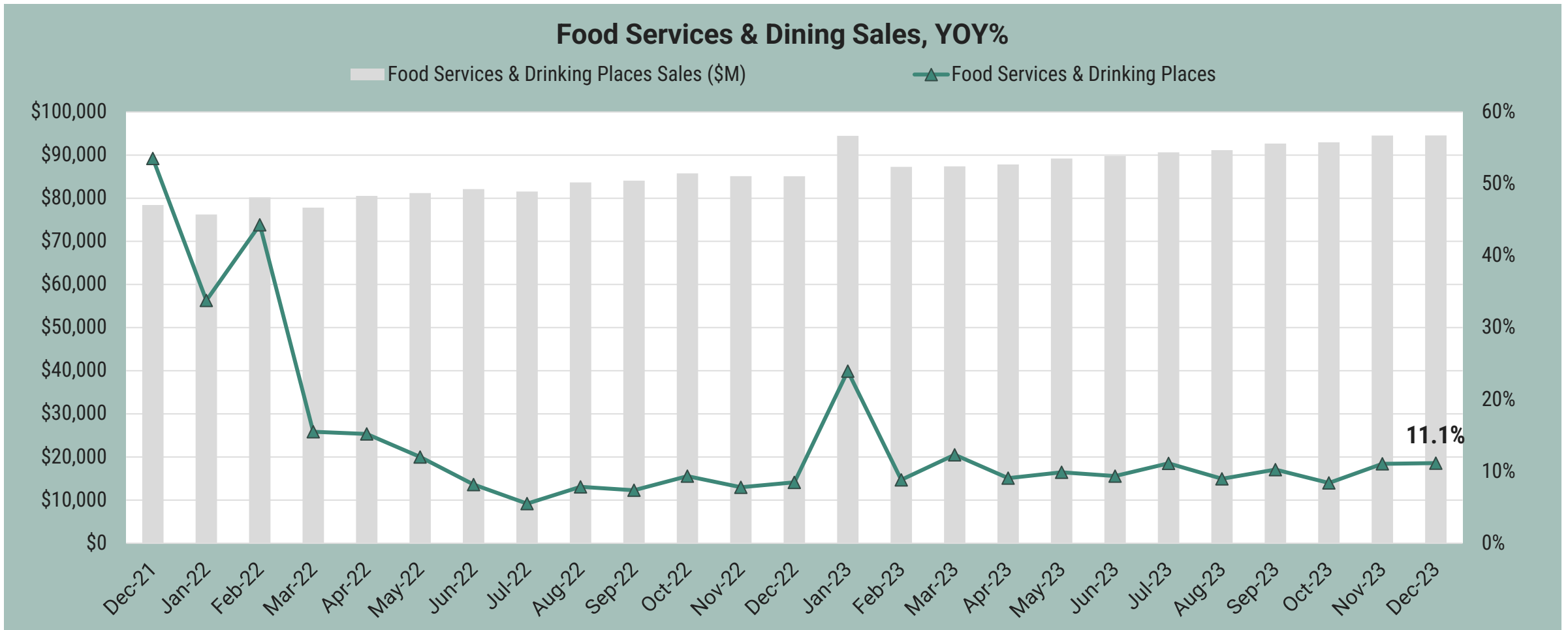


Source: U.S. Census Bureau

U.S. Retail Sales – Food Services & Dining



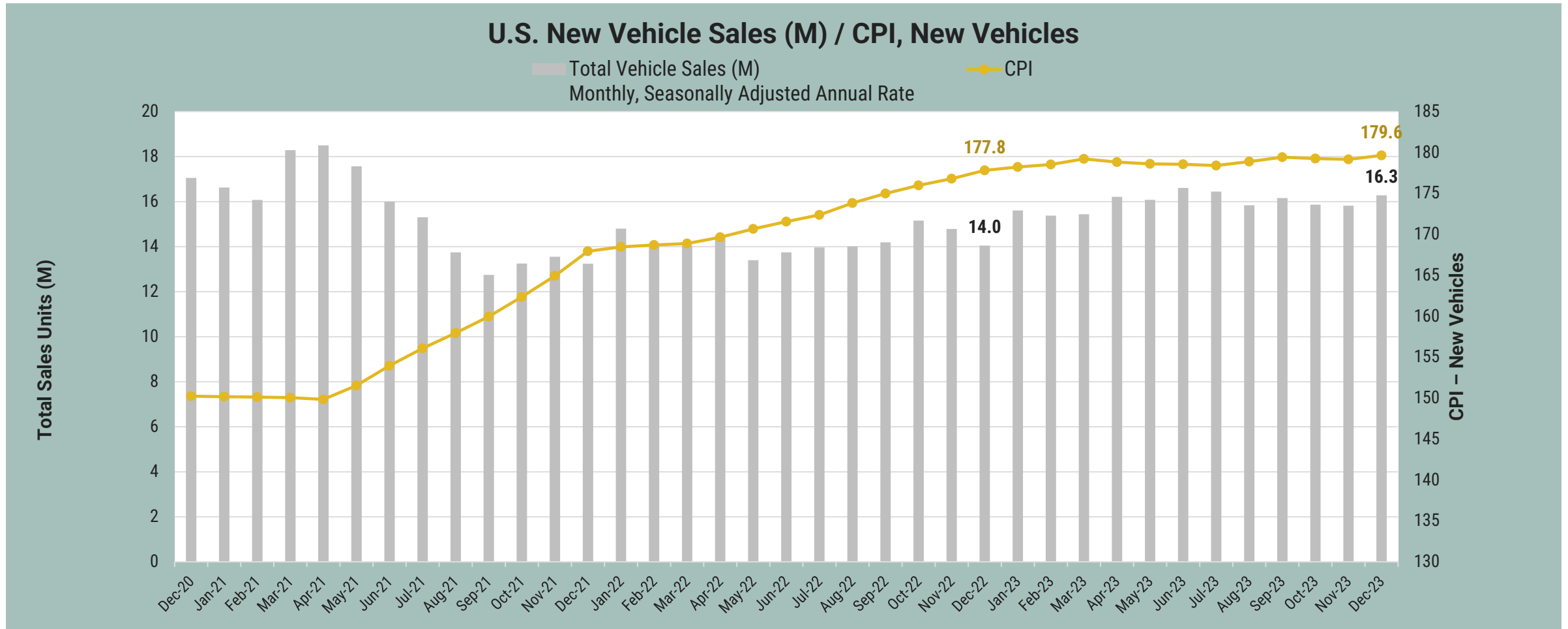
Food Services / Dining increased 11.1% in December and continues to grow sales; we expect this trend to continue in 2024



U.S. Vehicle Sales



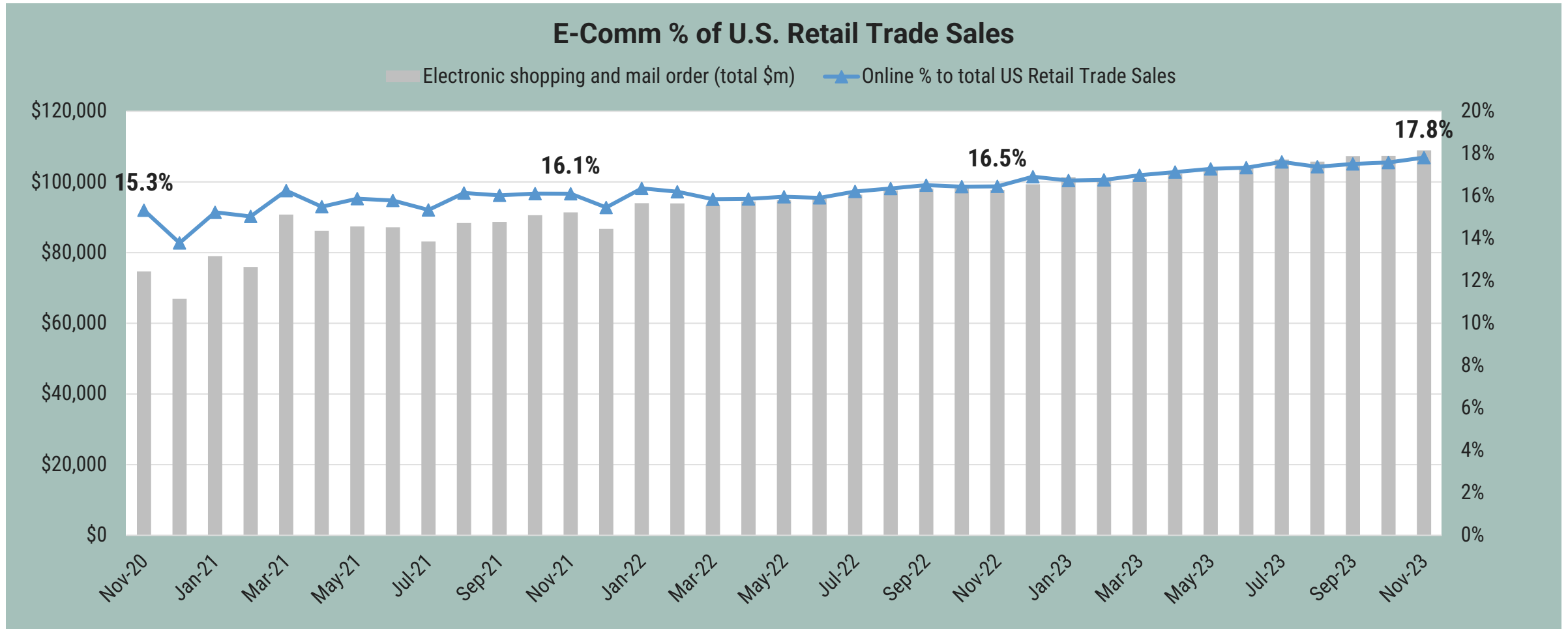
December new vehicle sales increased nearly 16% YOY; December CPI 1.0% above previous month





U.S. Retail Sales – E-Commerce % Total Retail

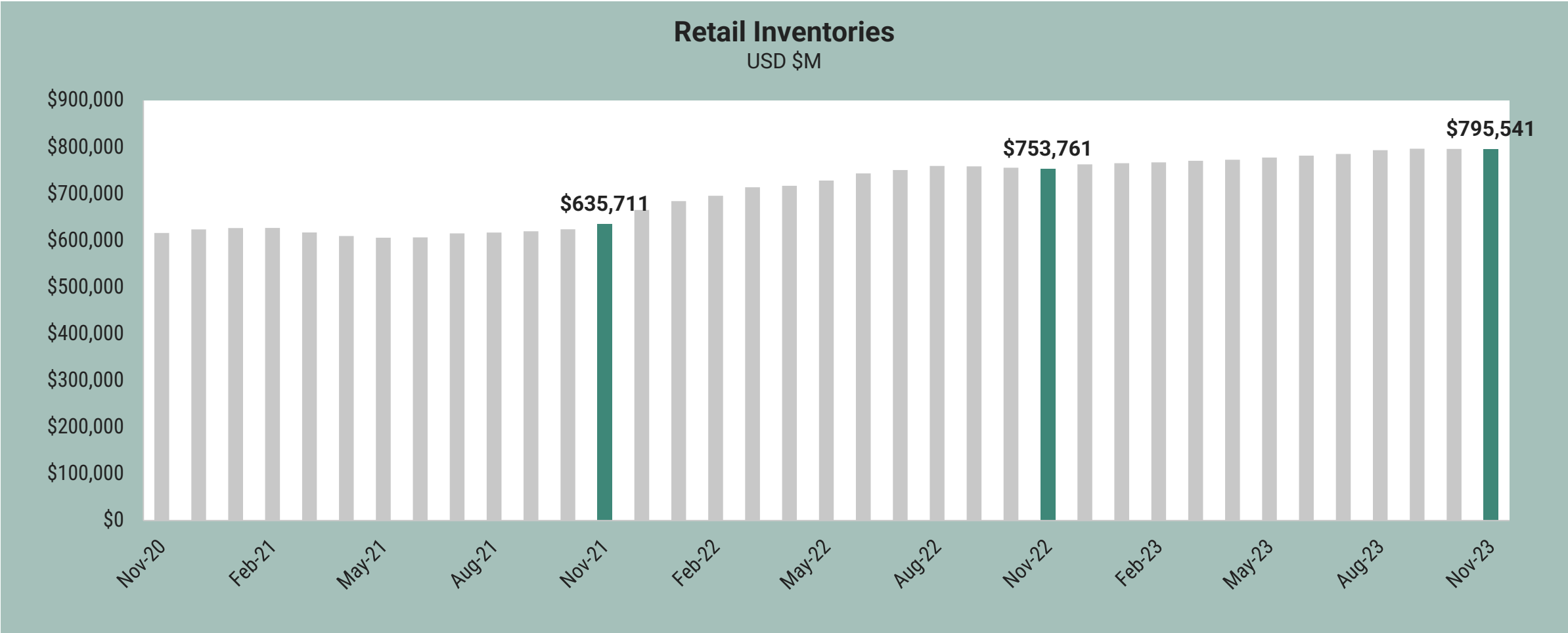
E-comm % of Retail Trade sales remained stable at 17%+ through November, results for December (*not yet released*) will show whether consumers relied more on e-commerce for holiday shopping in 2023 or flocked back to brick and mortar





Retail Inventories

November retail inventories increased 5.5% above 2022 and were flat MTM

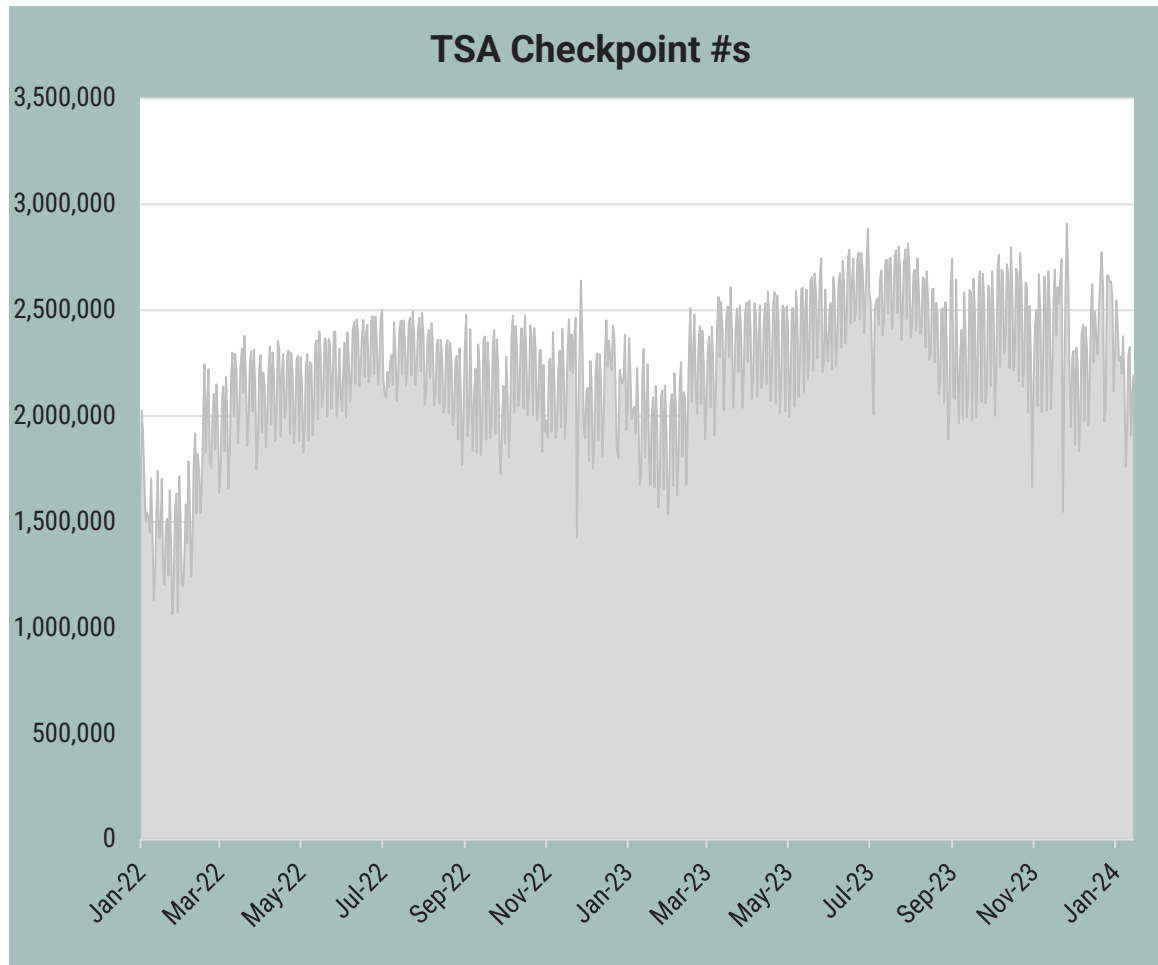


U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>

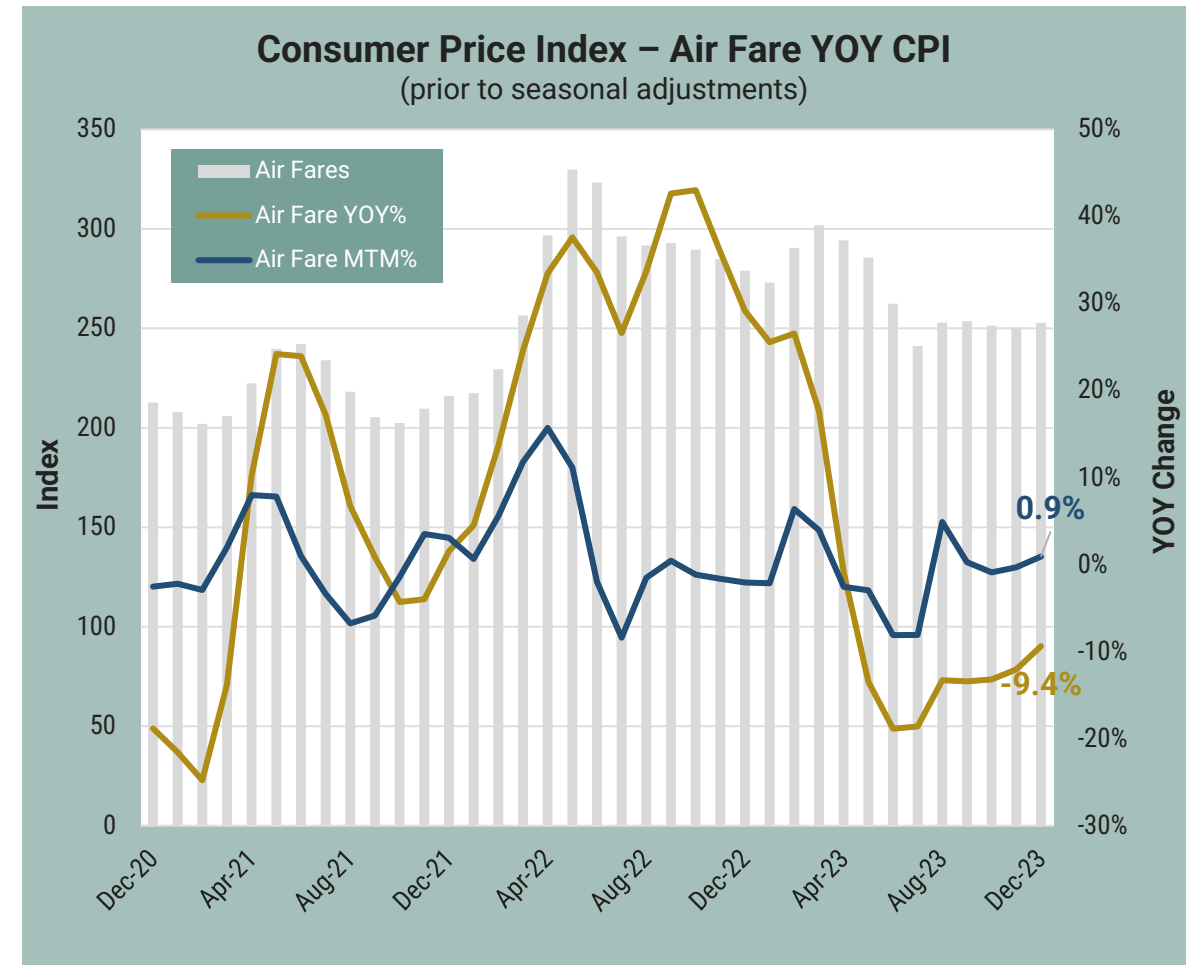


TSA Checkpoint Travel Numbers

Air travel has remained steady and continues at a healthy pace; year-to-date, TSA checkpoint numbers are up about 1% with the price of air travel down nearly 10% from last year



Source: U.S. Transportation Security Administration



Source: U.S. Bureau of Labor Statistics

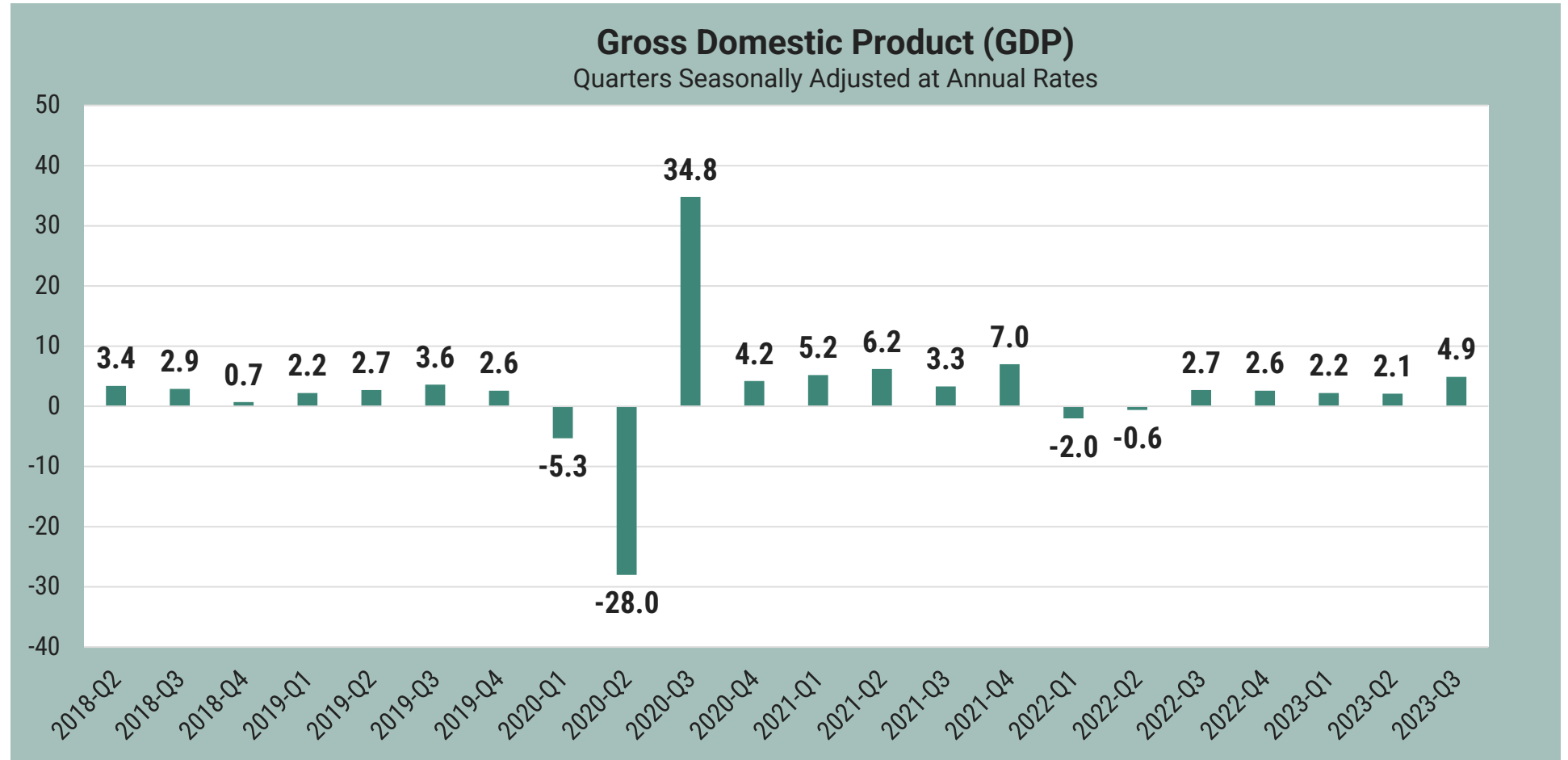
Broad Economic Indicators



Gross Domestic Product

Real gross domestic product (GDP) increased 4.9 percent in the third quarter of 2023, according to the “third” estimate released by the Bureau of Economic Analysis

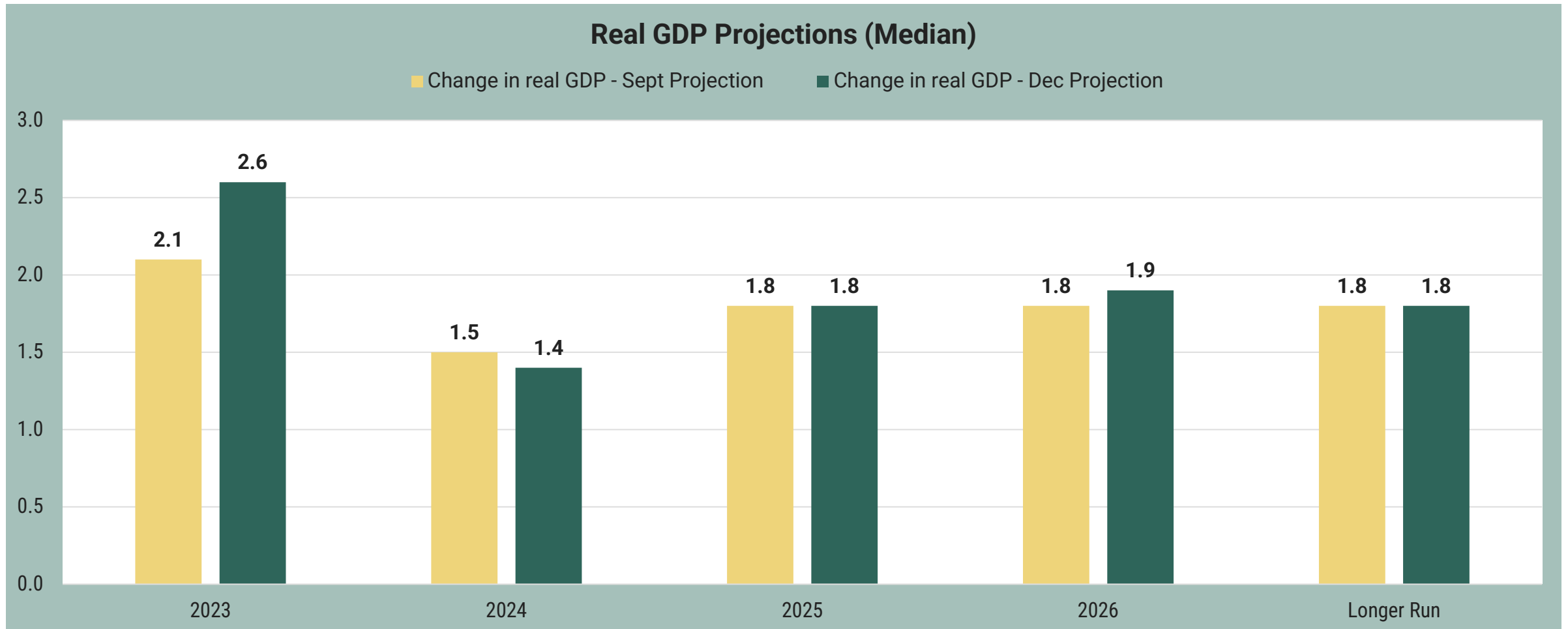
The third GDP estimate is based on more complete source data than were available for the “second” estimate issued last month; the update reflected a revision down to consumer spending. Imports, which are a subtraction in the calculation of GDP, were revised down.





GDP Projections - Projections of Federal Reserve Board

Recent positive momentum on curbing inflation has resulted in FOMC revising U.S. economic projections



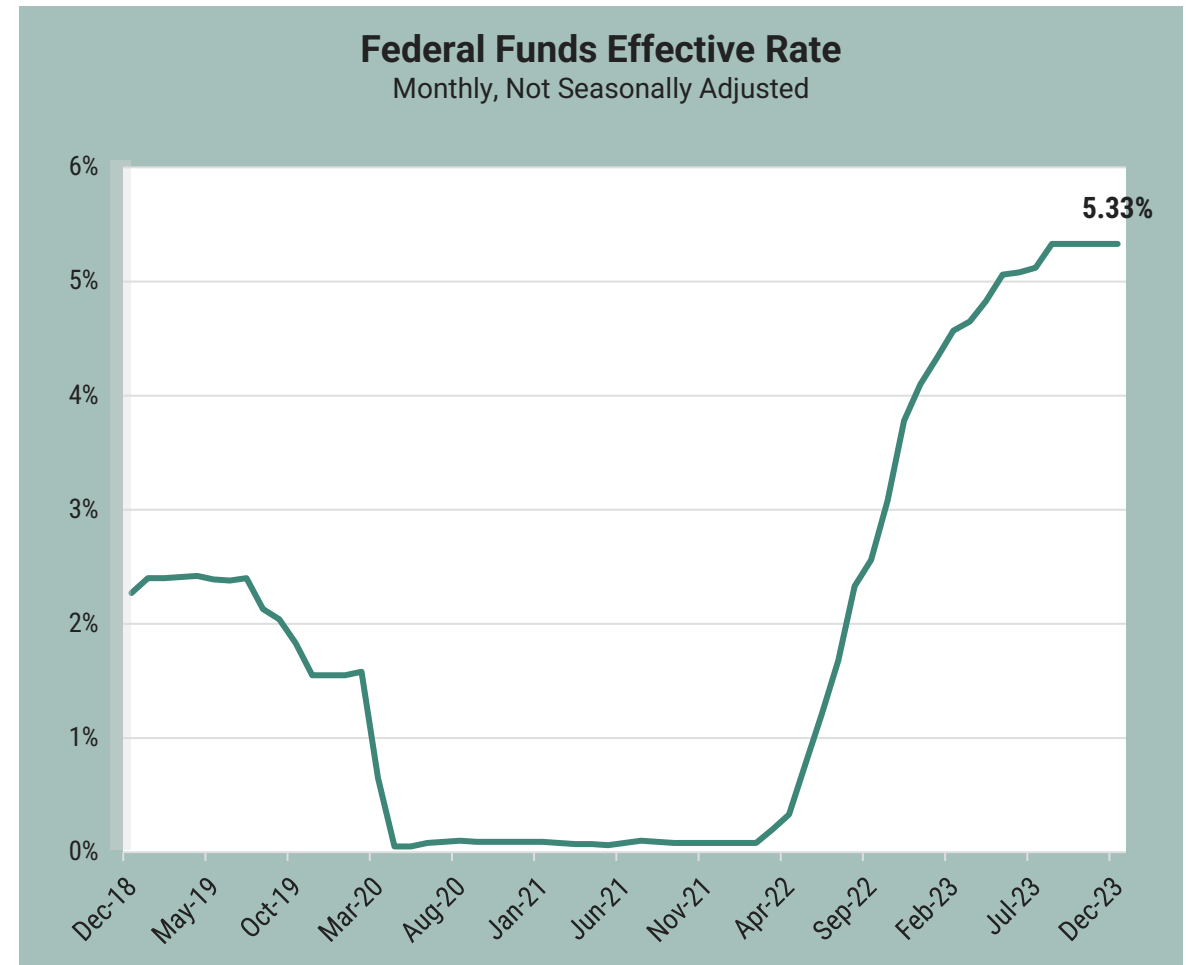
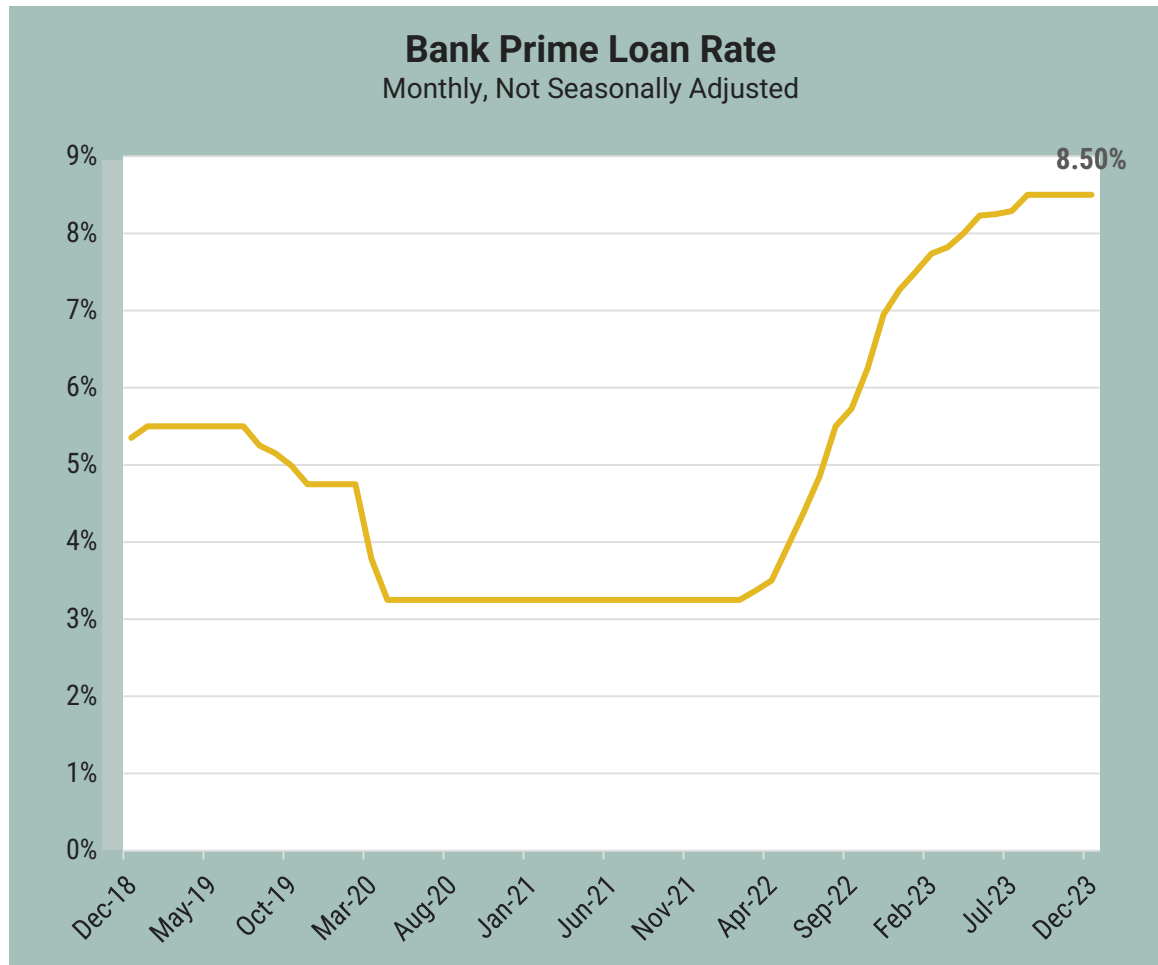
Source: Board of Governors Federal Reserve

* For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections



Federal Reserve – Interest Rates

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

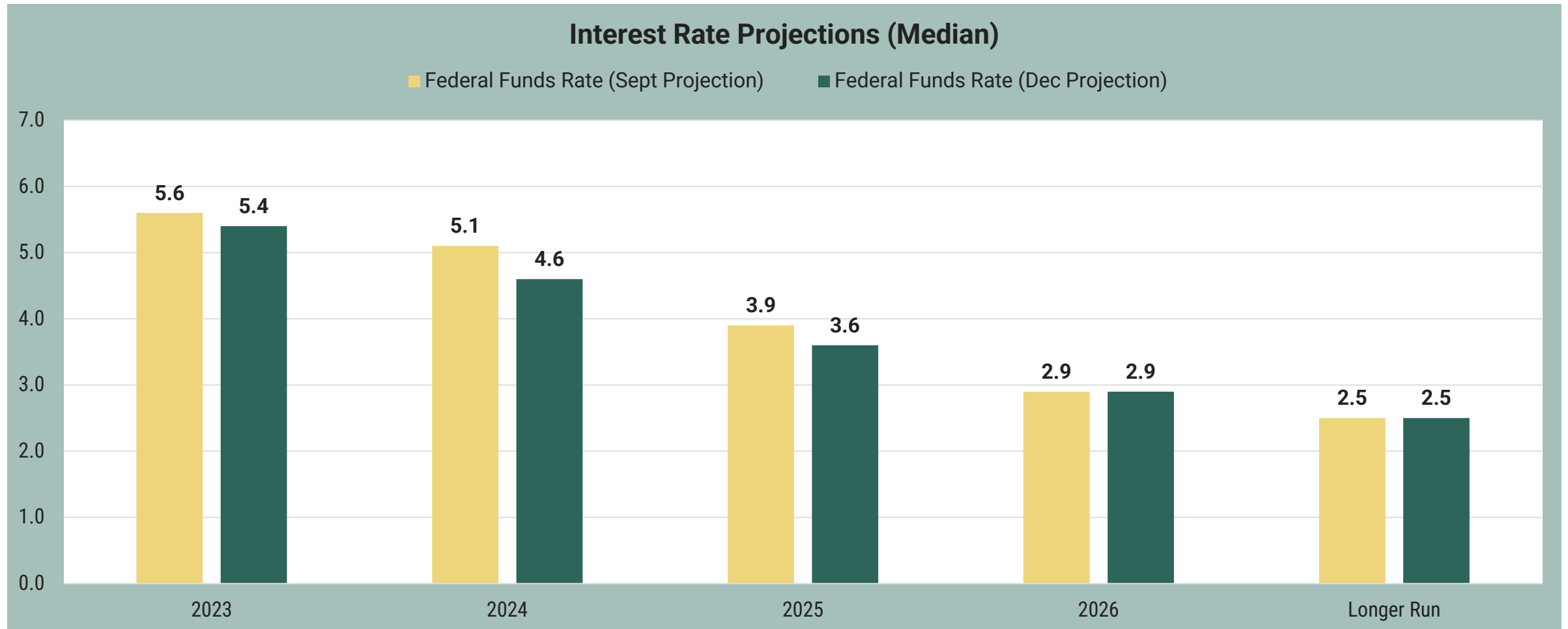


Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis



Interest Rate Projections - Projections of Federal Reserve Board

December's revised Fed estimates show Fed Funds rate declining to sub-five percent in 2024



Source: Board of Governors Federal Reserve

* For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections



Consumer Price Index *(non-seasonally adjusted)*

The Consumer Price Index for All Urban Consumers rose 3.4 percent over the last 12 months. The index for all items less food and energy increased 3.9 percent

Food Away From Home +5.2%

Housing +4.8%

Fuel -2.3%

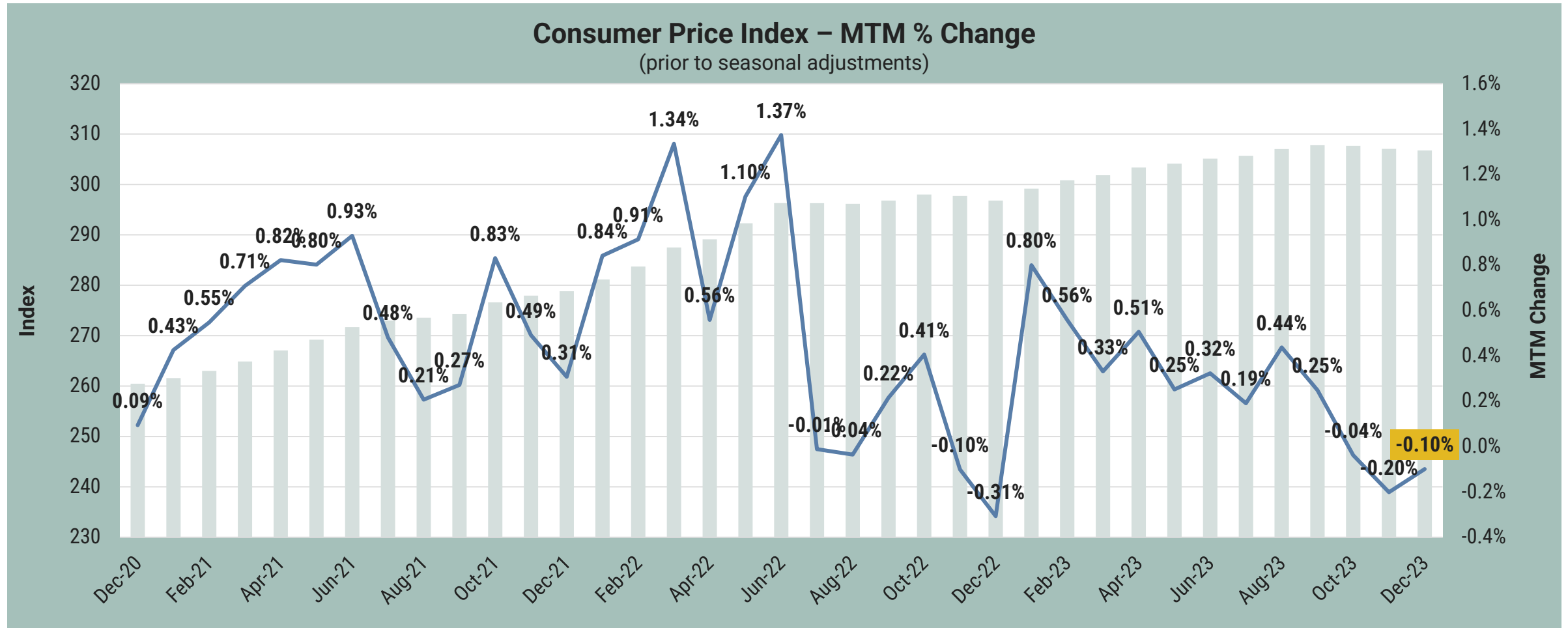
Air Fare -9.4%

	Jul-23	Aug-23	Oct-23	Oct-23	Nov-23	Dec-23
Total CPI	3.2%	3.7%	3.7%	3.2%	3.1%	3.4%
All Items Less Food & Energy (Core CPI)	4.7%	4.3%	4.1%	4.0%	4.0%	3.9%
Food at Home	3.6%	3.0%	2.4%	2.1%	1.7%	1.3%
Food Away From Home	7.1%	6.5%	6.0%	5.4%	5.3%	5.2%
Motor Fuel	-20.2%	-3.7%	2.7%	-5.6%	-9.2%	-2.3%
Apparel	3.2%	3.1%	2.3%	2.6%	1.1%	1.0%
Housing	6.2%	5.7%	5.6%	5.2%	5.2%	4.8%
Education	3.2%	2.9%	2.9%	2.7%	2.4%	2.4%
Medical Care	-0.5%	-1.0%	-1.4%	-0.8%	0.2%	0.5%
Transportation	-3.0%	1.4%	2.4%	0.8%	0.9%	2.9%
Air Fare	-18.6%	-13.3%	-13.4%	-13.2%	-12.0%	-9.4%



Consumer Price Index – Month-to-Month Trends

On a monthly basis, the CPI for All Urban Consumers (CPI-U) decreased .1% (prior to seasonal adjustments)

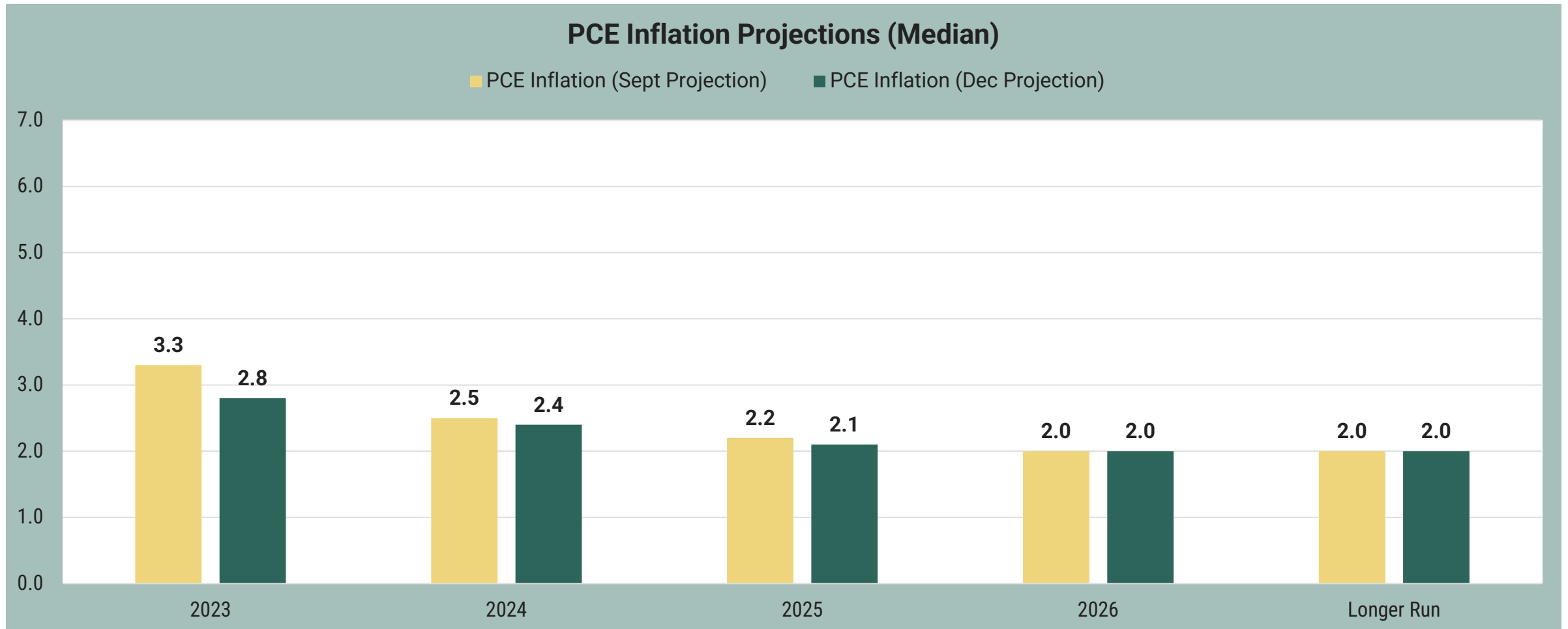


Source: U.S. Bureau of Labor Statistics



Projected PCE Inflation Rates – Projections of Federal Reserve Board

December's revised estimate of the FOMC show inflation easing more than expected in previous estimates, and remaining well below 3% for the foreseeable future



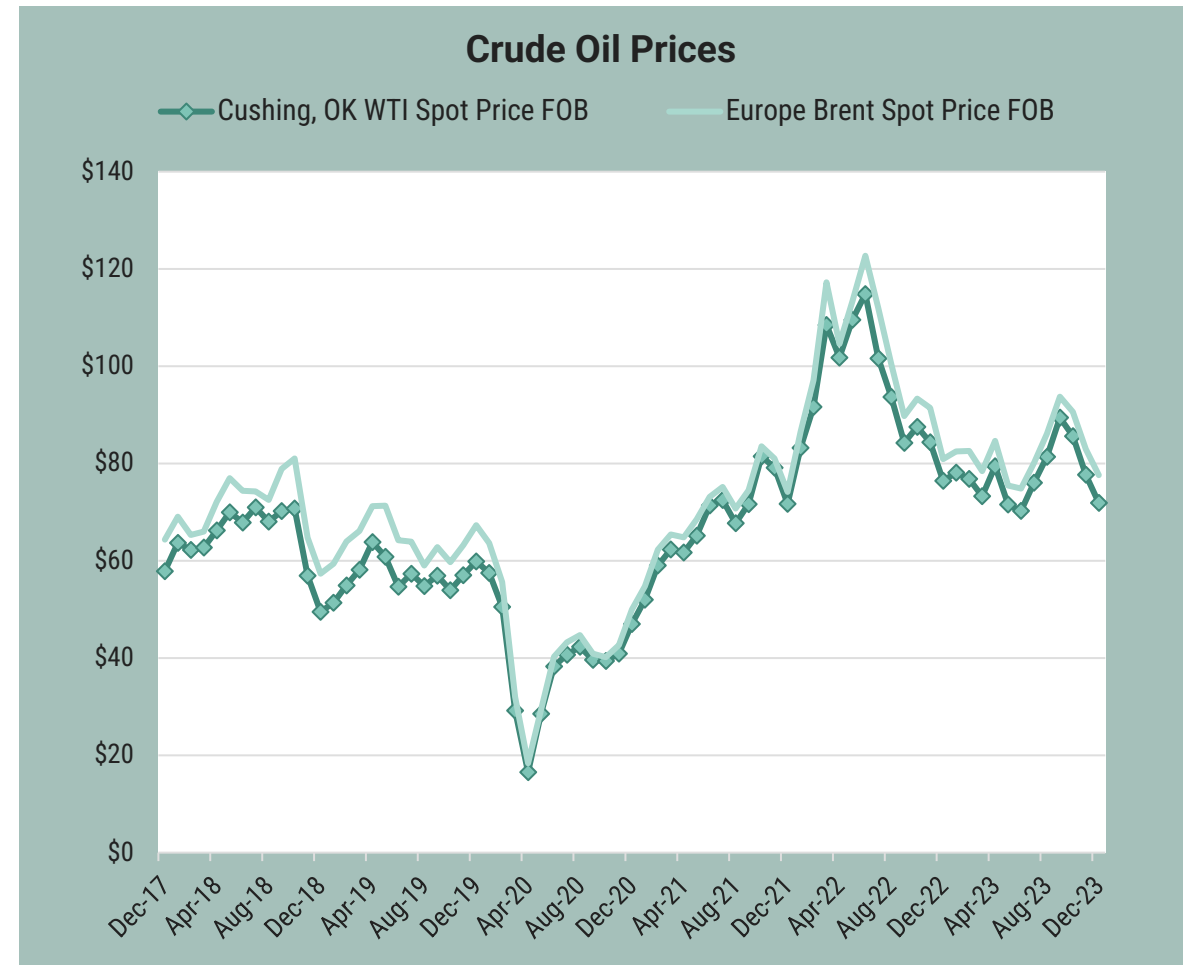
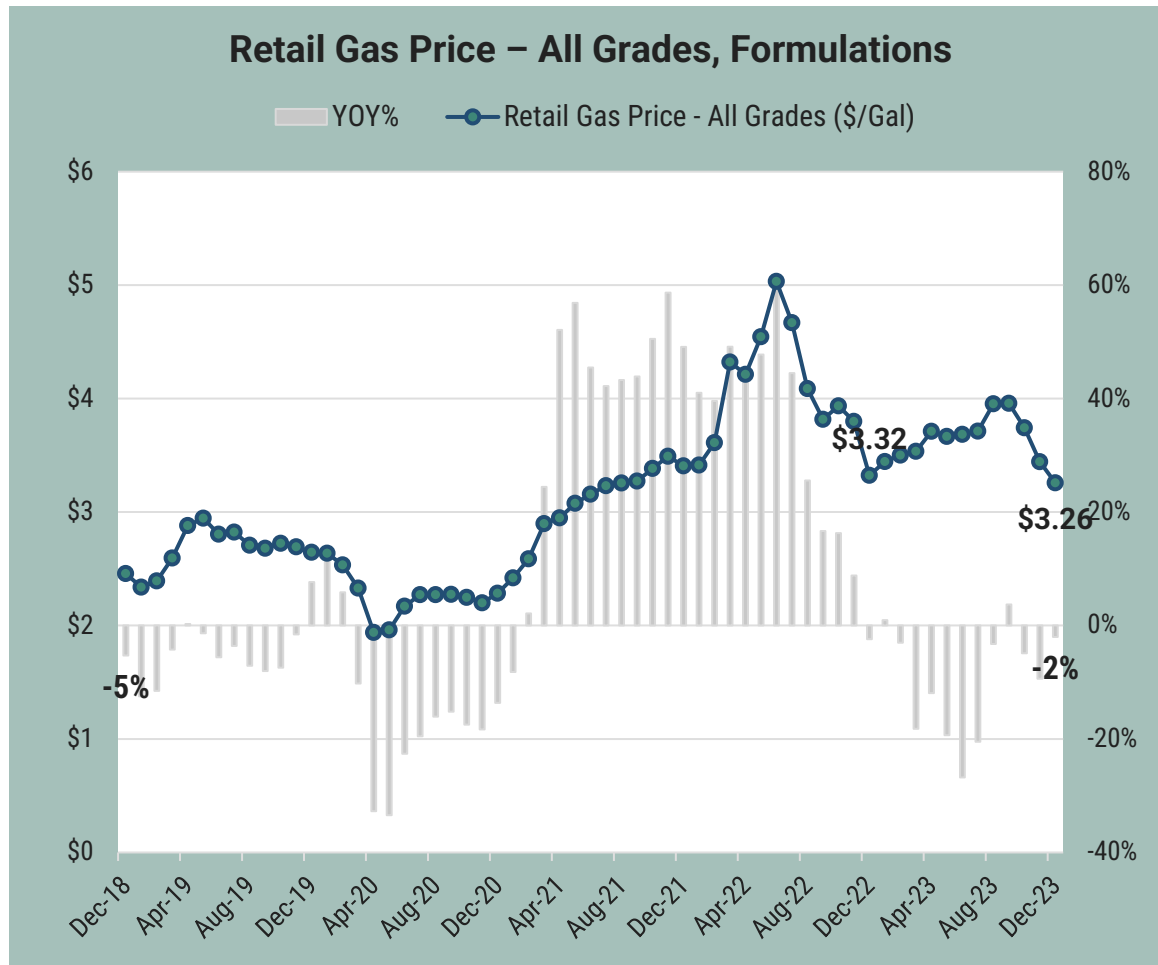
Source: Board of Governors Federal Reserve

* For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections



Gasoline (Retail Price) and Crude Oil Prices

Retail gas price declined again in December, down 2% vs. 2022; average U.S. retail price was \$3.26/gallon; crude oil prices dropped MTM for the 3rd consecutive month



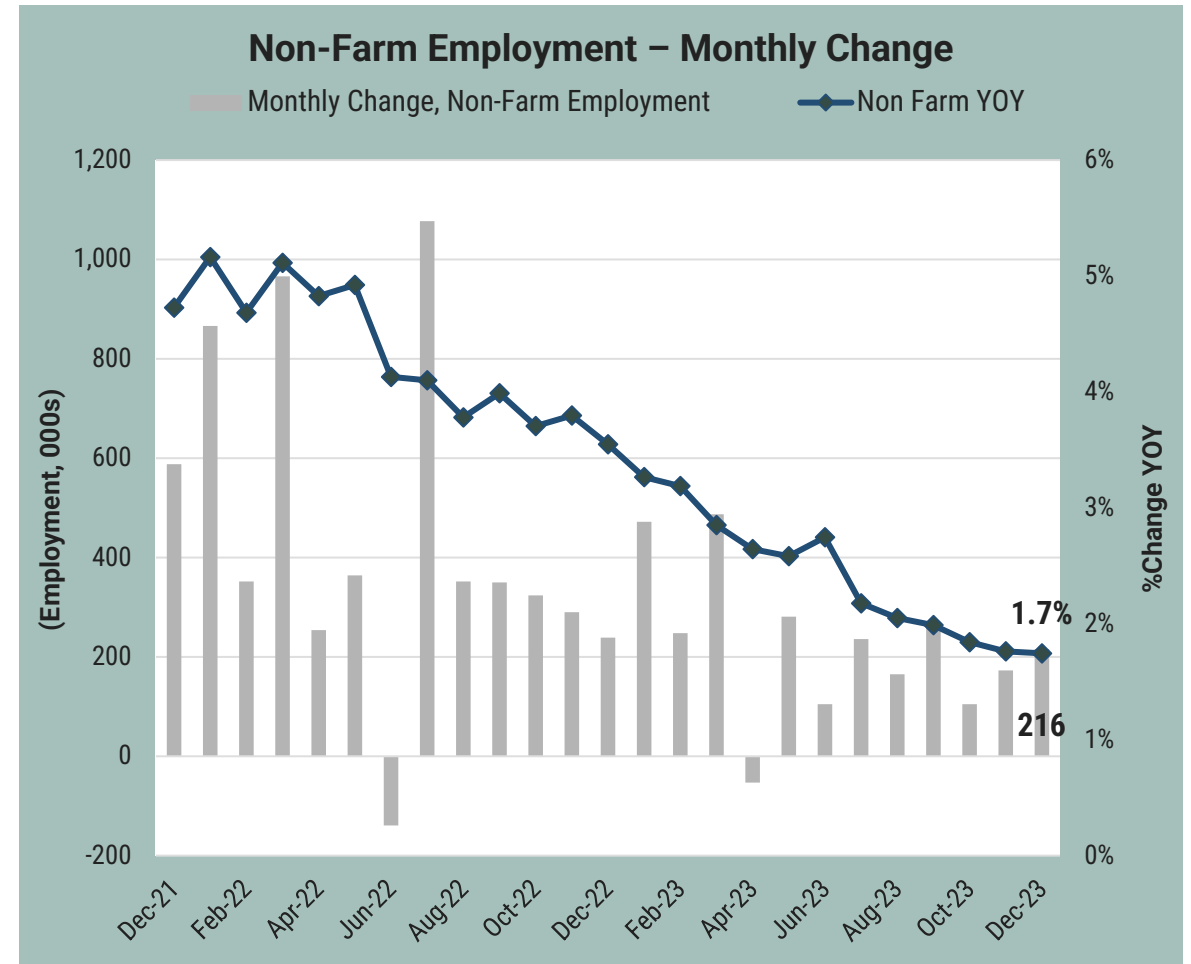
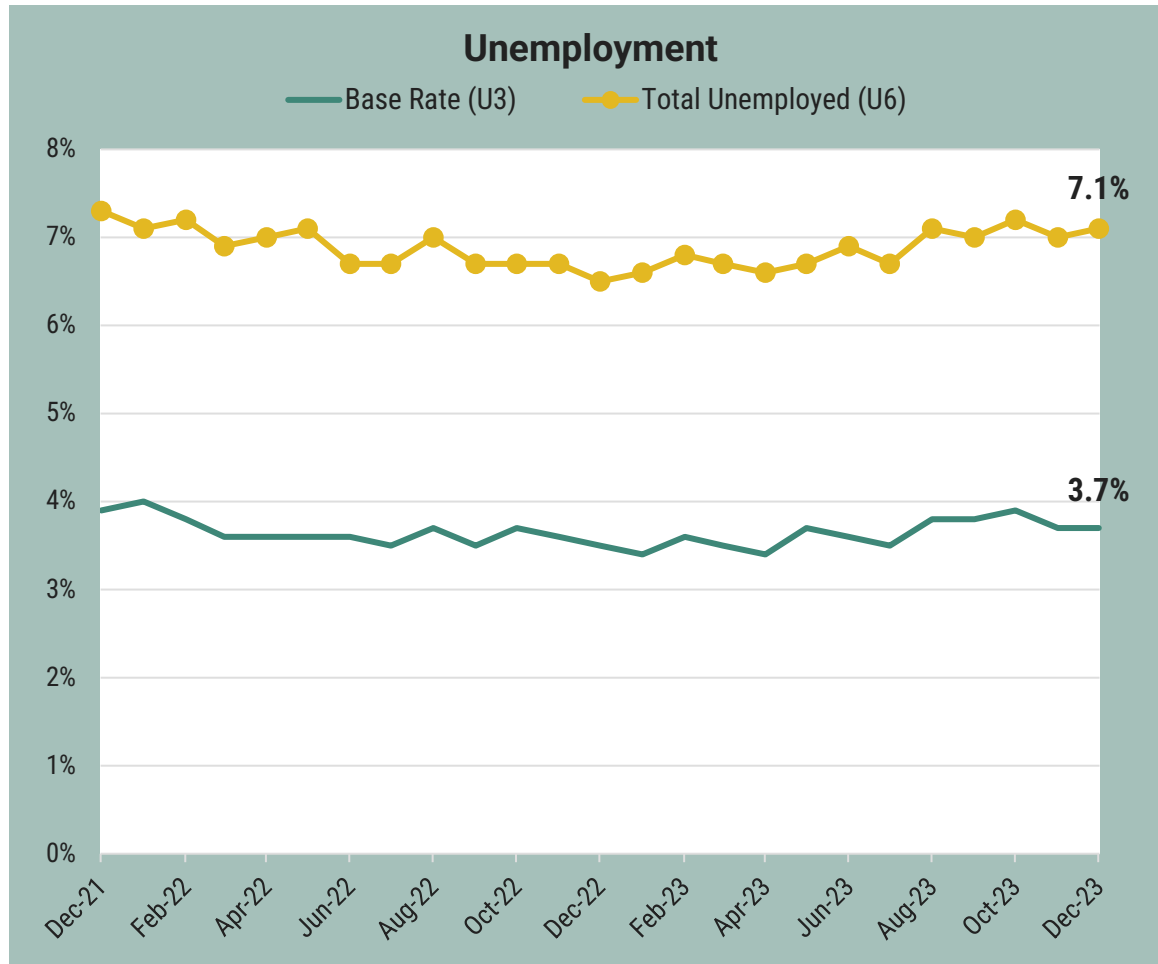
Source: U.S. Energy Information Administration

U.S. Employment



U.S. Employment Overview

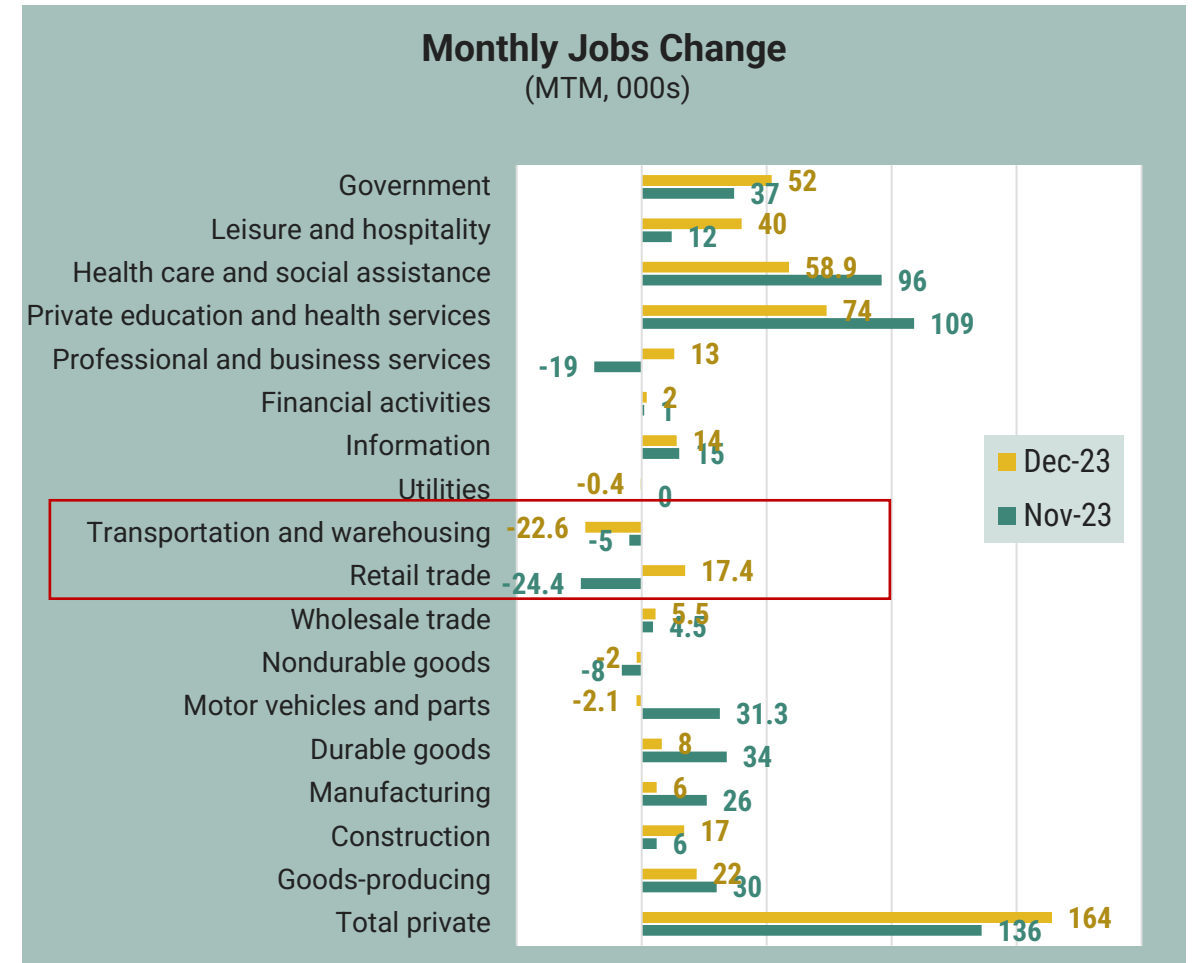
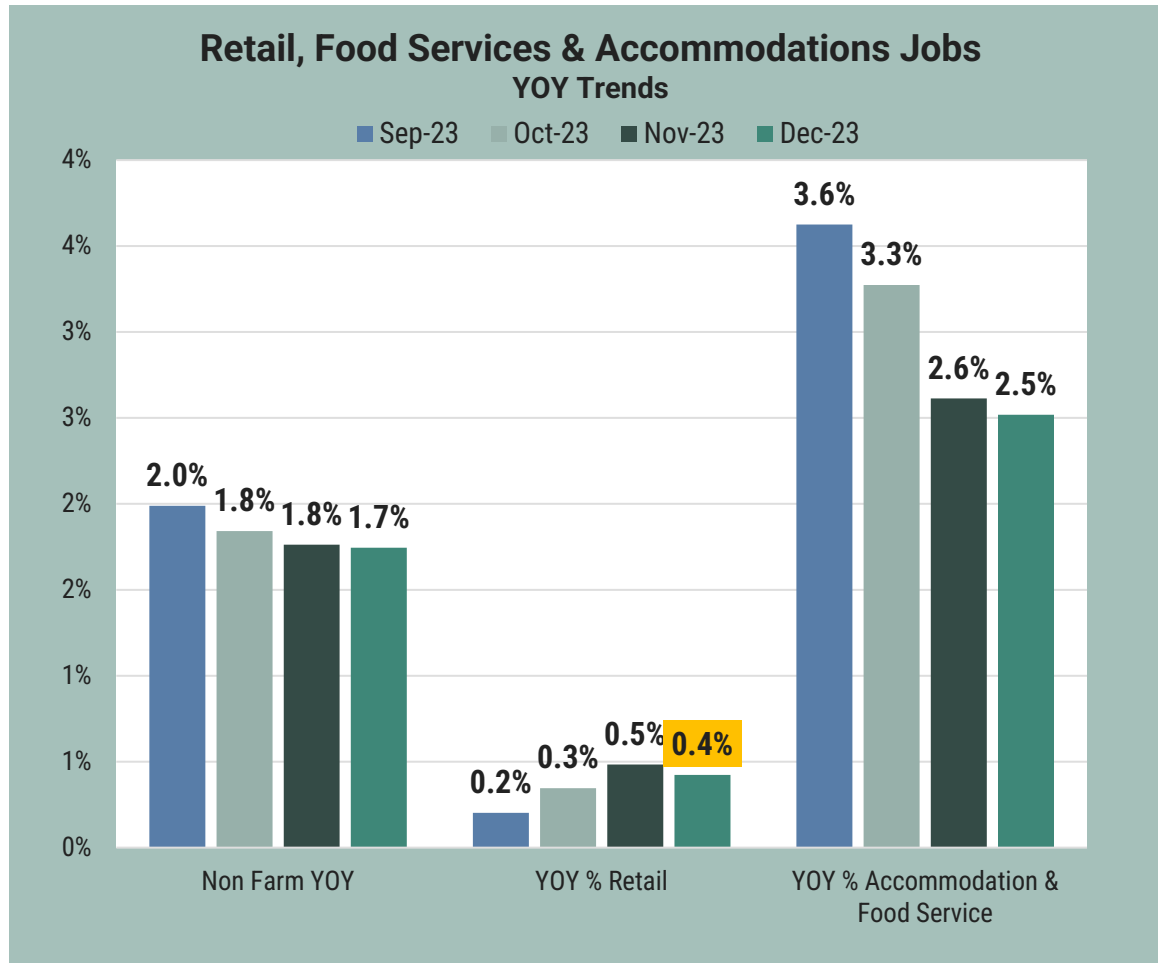
Unemployment remained at 3.7%; non-farm employment was up 1.7% month-to-month, with employment rising by 216,000; employment continued to trend up in government, health care, social assistance, and construction





Industry Employment Trends

Accommodations and Food Services monthly jobs continue rise as consumers dine out and travel at growing rates; the number of jobs in Retail rose while Transportation / Warehousing declined in December

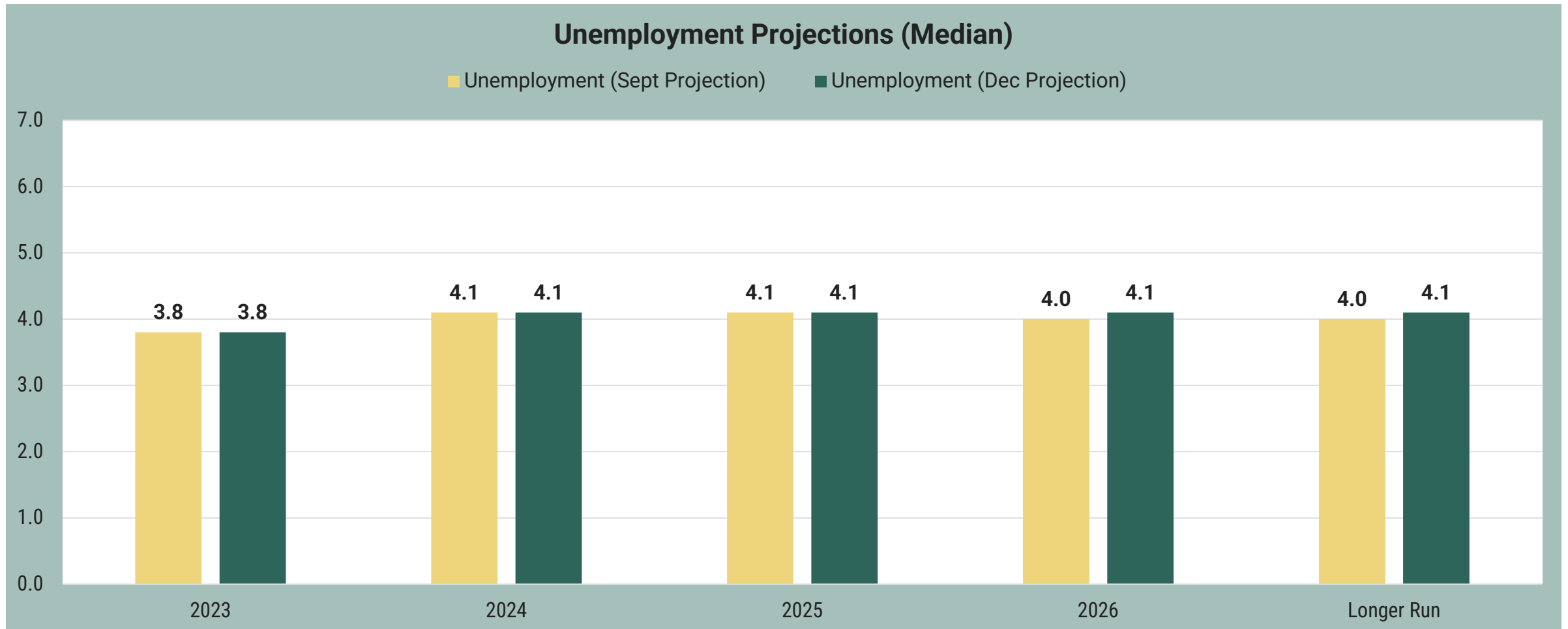


Source: U.S. Bureau of Labor Statistics



Unemployment Projections – Projections of Federal Reserve Board

Projected unemployment rate did not change appreciably vs. earlier forecasts and is expected to remain at around 4%



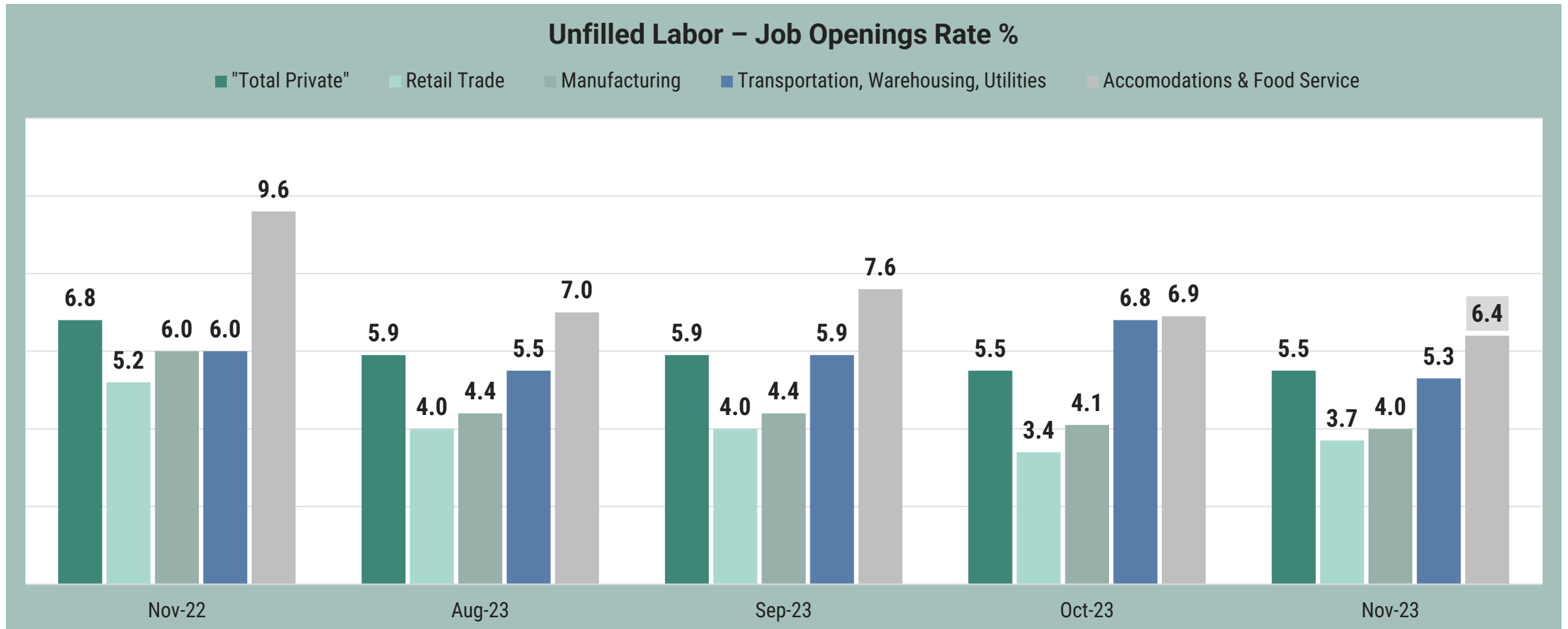
Source: Board of Governors Federal Reserve

* For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections



Private Industry Labor – Job Openings

In November, unfilled job openings rates remained stable, with a drop from 6.8% to 5.3% in Transportation, Warehousing and Utilities



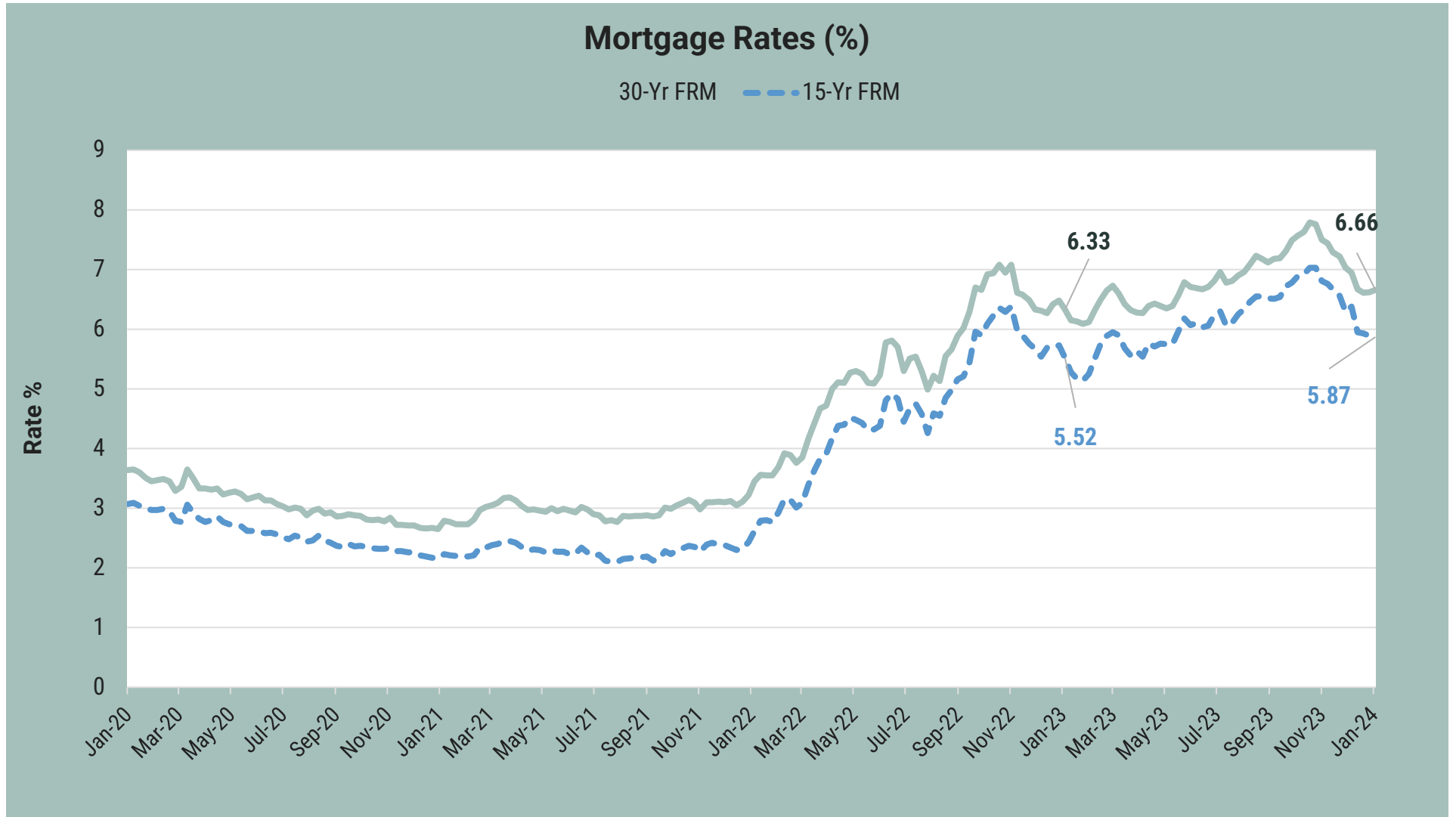
Source: U.S. Bureau of Labor Statistics; job openings rate = number of job openings on the last business day of the month as a percent of total employment plus job openings

Housing

Mortgage Rates



Mortgage rates remain in the mid-six percent range, which has marginally increased homebuyer demand. Even this slight uptick in demand, combined with tight inventory, continues to cause prices to rise meaning affordability remains a major headwind for buyers.

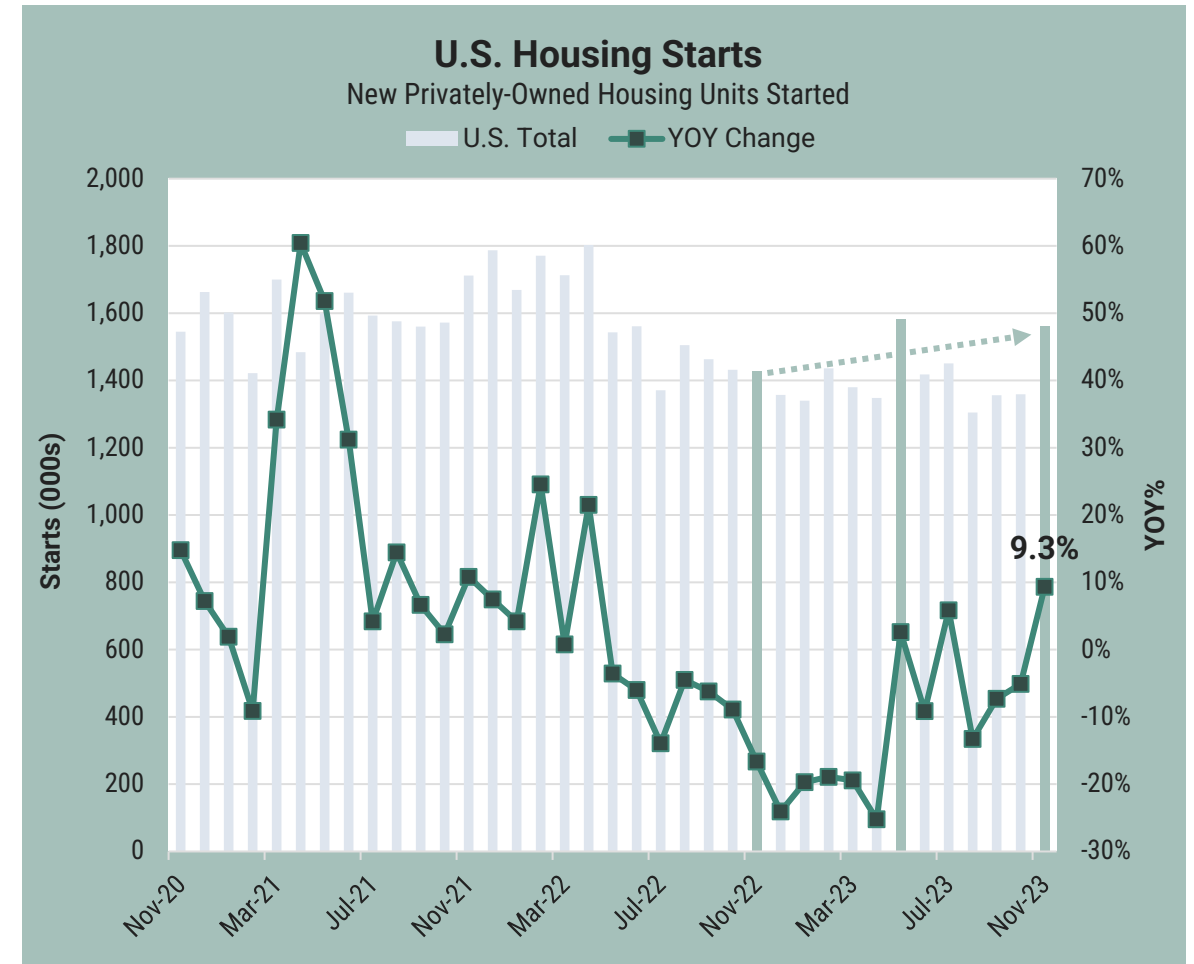
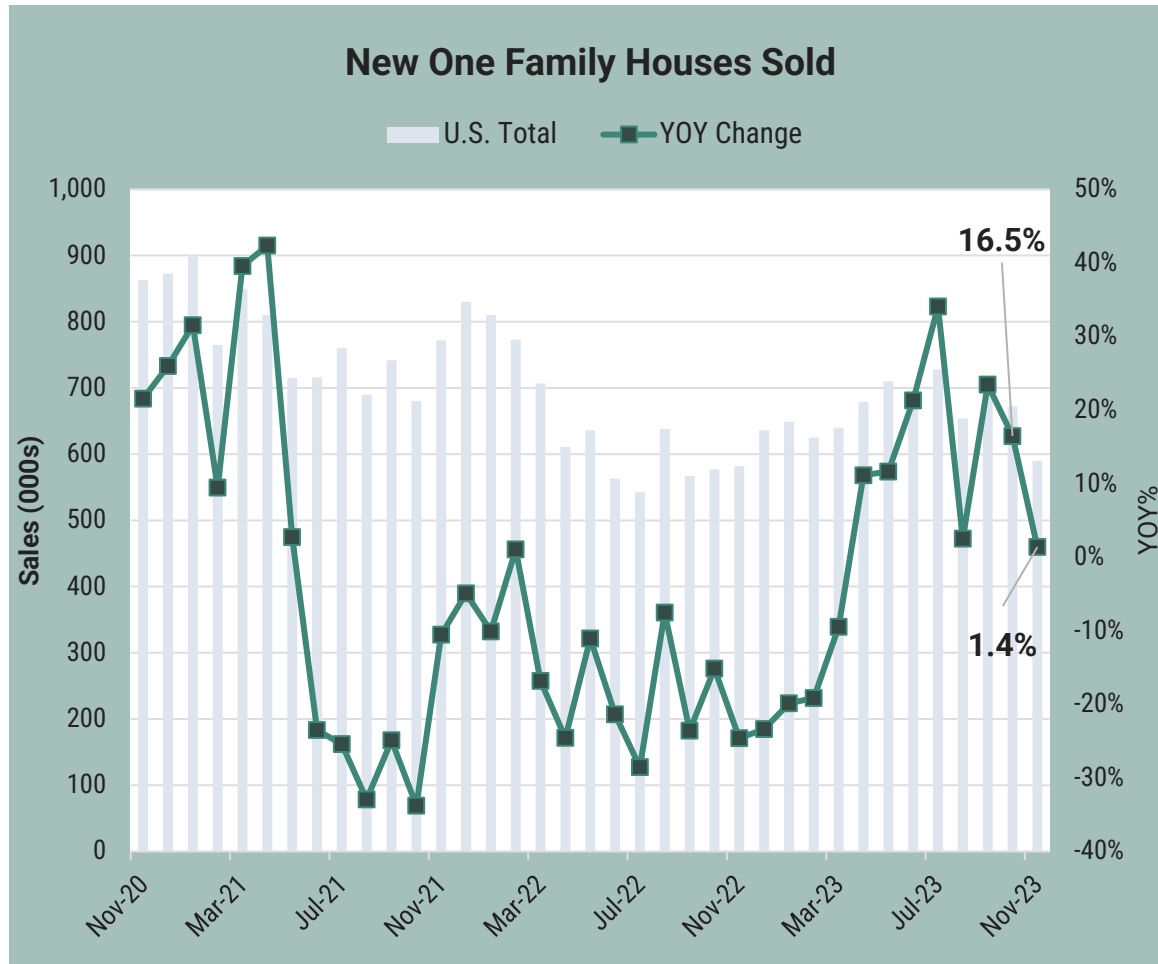


* Source: FreddieMac Mortgage Market Survey



Housing – New Home Sales and Starts *(two-month lag)*

New home sales increased 1.4% in November, following a 16.5% increase in October; housing starts rose 9.3% over last year, reaching the highest level since May 2023



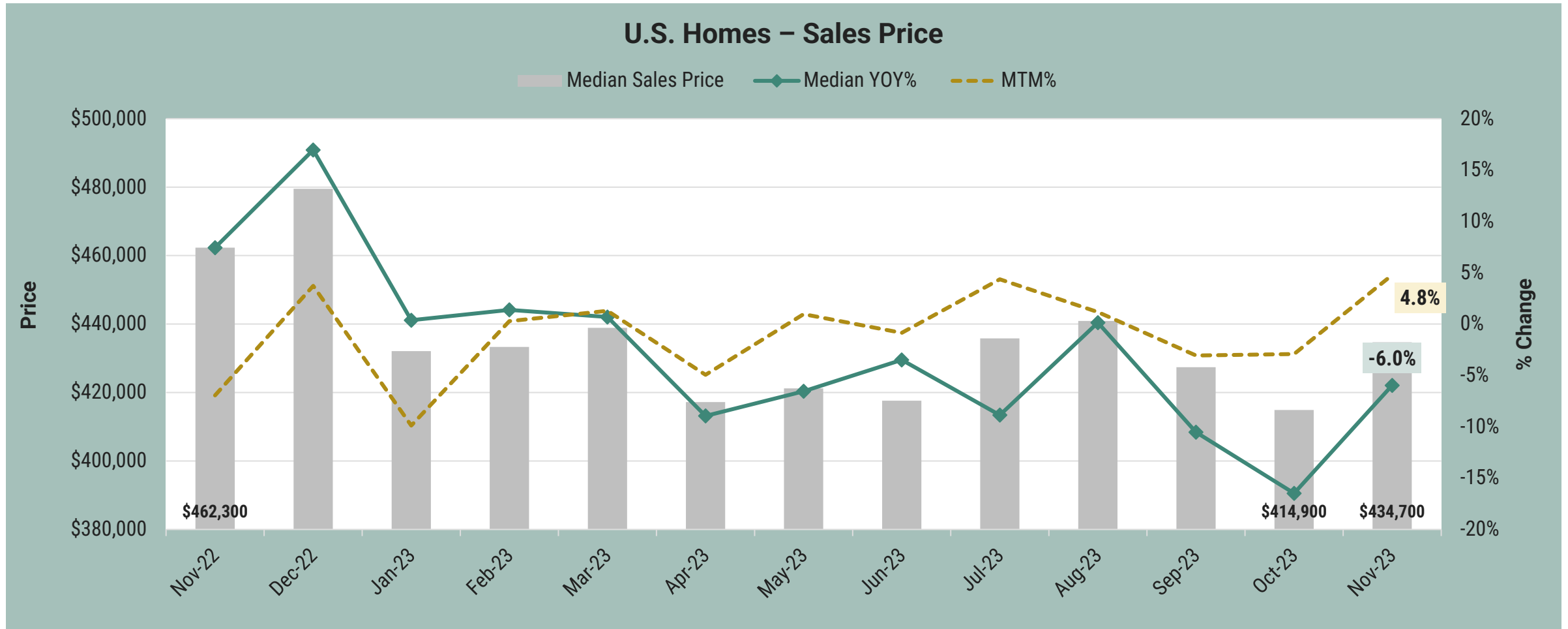
U.S. Census Bureau and U.S. Department of Housing and Urban Development, New One Family Houses Sold: United States, retrieved from FRED, Federal Reserve Bank of St. Louis

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;



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

The November median U.S. new home price declined 6%; MTM the median price rose nearly 5%



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

Supply Chain

Global Supply Chain Index



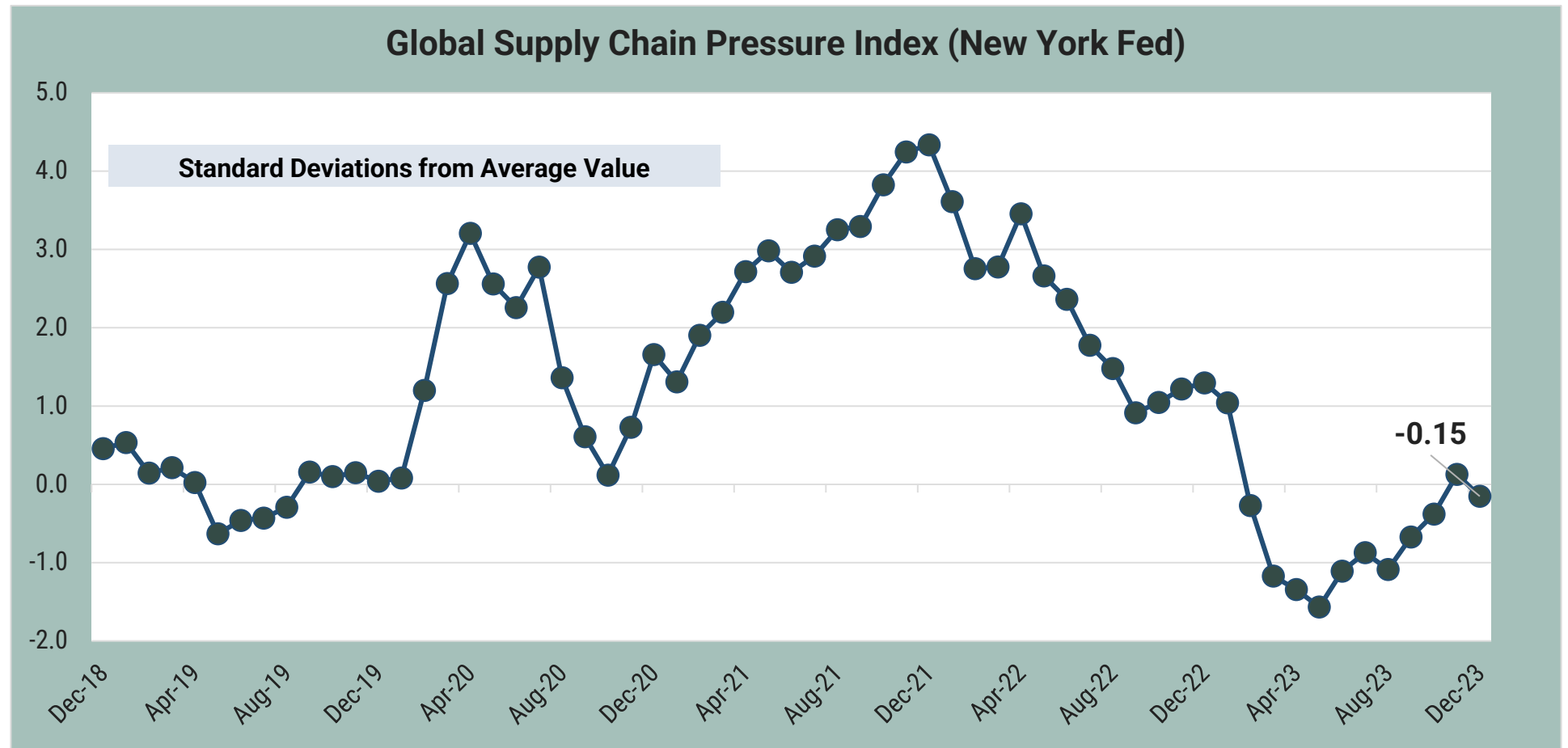
The GSCPI tracks the state of global supply chains using data from the transportation and manufacturing sectors.

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 fell to -0.15 in December, down from 0.13 in November (revised up from an initial reading of 0.11). GSCPI readings measure standard deviations from the index's historical average.

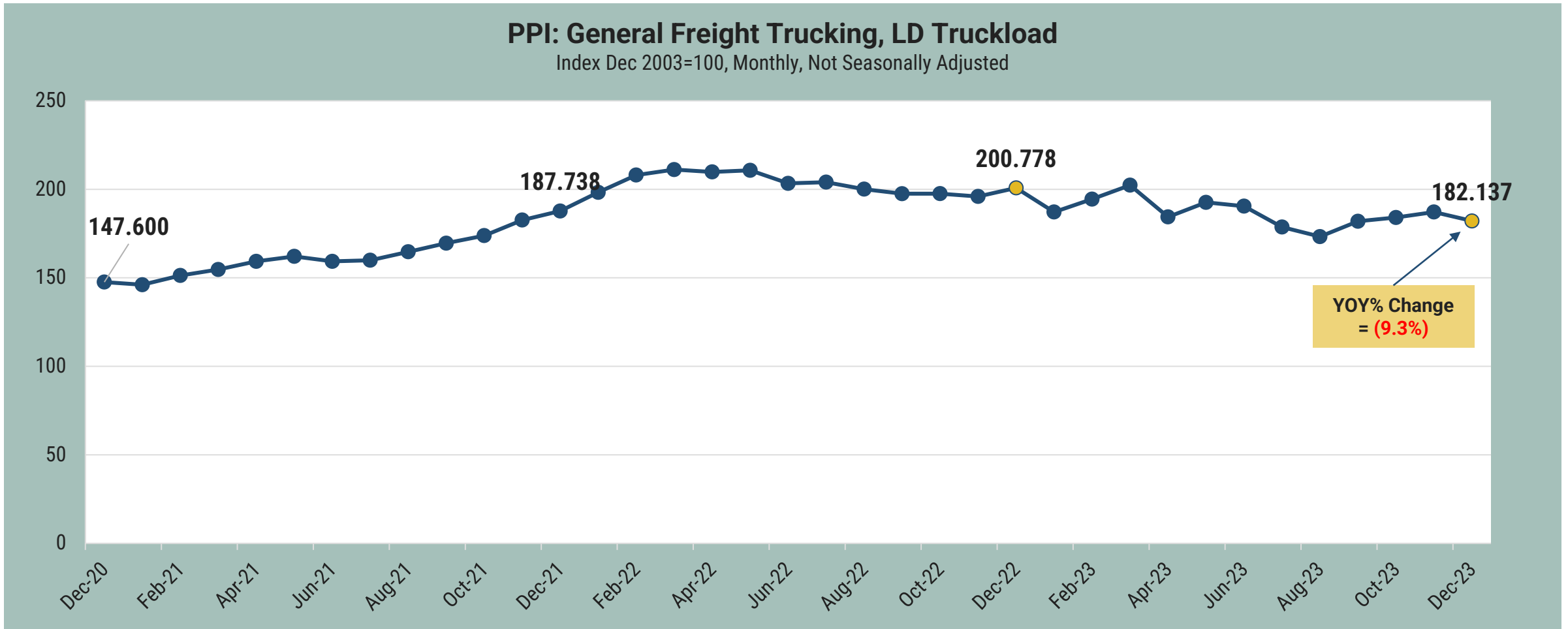


Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index, <https://www.newyorkfed.org/research/gscpi.html>.



Freight Inflation - Trucking

In December, general freight trucking index was down 9.3% over last year and nearly 3% lower than the previous month

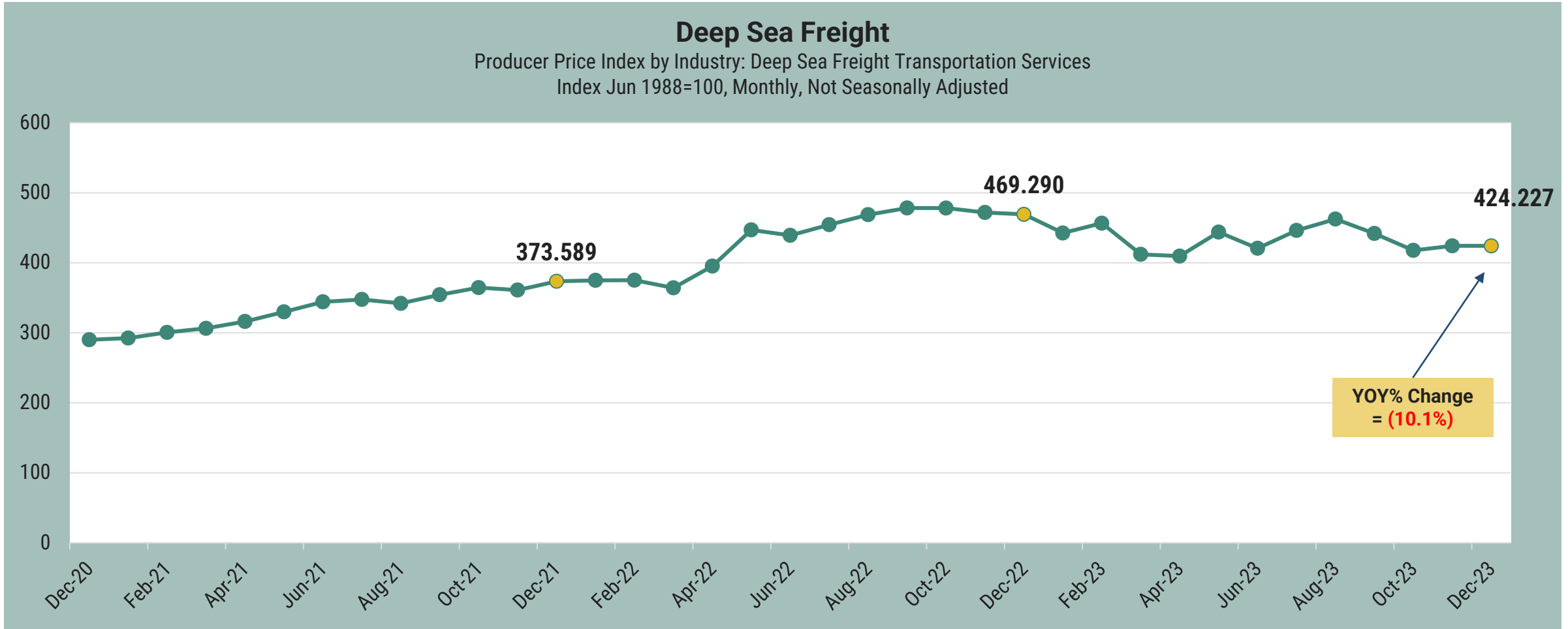


Source: U.S. Bureau of Labor Statistics, FRED, Federal Reserve Bank of St. Louis

Deep Sea Freight



Deep sea freight rates are down 9.6% YOY and flat MTM vs. November



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

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