

# U.S. Economic Overview

CONSUMERS AND THE MACRO ECONOMY

June 2024



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# Summary

# Consumers & Macro Economy Executive Summary



## Positive Trends

- Food prices remain stable, with CPI relatively flat for last several months and just 1% above 2023
- Personal disposable income is up 3.7%
- Air Travel was flat MTM, with air fares decreasing 6% YOY
- Both hourly and weekly wage rate increases exceeded the change in inflation in May
- Unemployment remains stable; non-farm employment was up 1.8% YOY and rose 272,000 vs. previous month



## Key Headwinds

- Global deep sea freight rates have surged to record highs in May, with congestion building earlier than normal at key ports
- U.S. Consumer Misery Index remains near 7.3%
- Hard Goods, Department Stores 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 3rd consecutive month falling below April 2023 index
- New home sales through April fell 7.7% over 2023, and 4.7% over previous month
- May 2024 housing starts were down over 19% YOY



## Concerns

- May retail sales increased just 2.6%
- Food and Dining sales increased at its lowest rate since December 2023 – CPI for Food Away from Home increased 4%
- Revolving credit remains high
- Total consumer credit is up 4.6%
- Consumer expenditures are increasing faster than income
- May 2024 existing home sales declined .7% MTM – YOY sales declined 1.9%
- CPI is flattening but concerns remain regarding food away from home (dining) and housing
- General freight trucking index was down 11.2% YOY and while not in a tight market yet, forecasts point to potential increases through the year, with contract rates potentially exceeding spot rates

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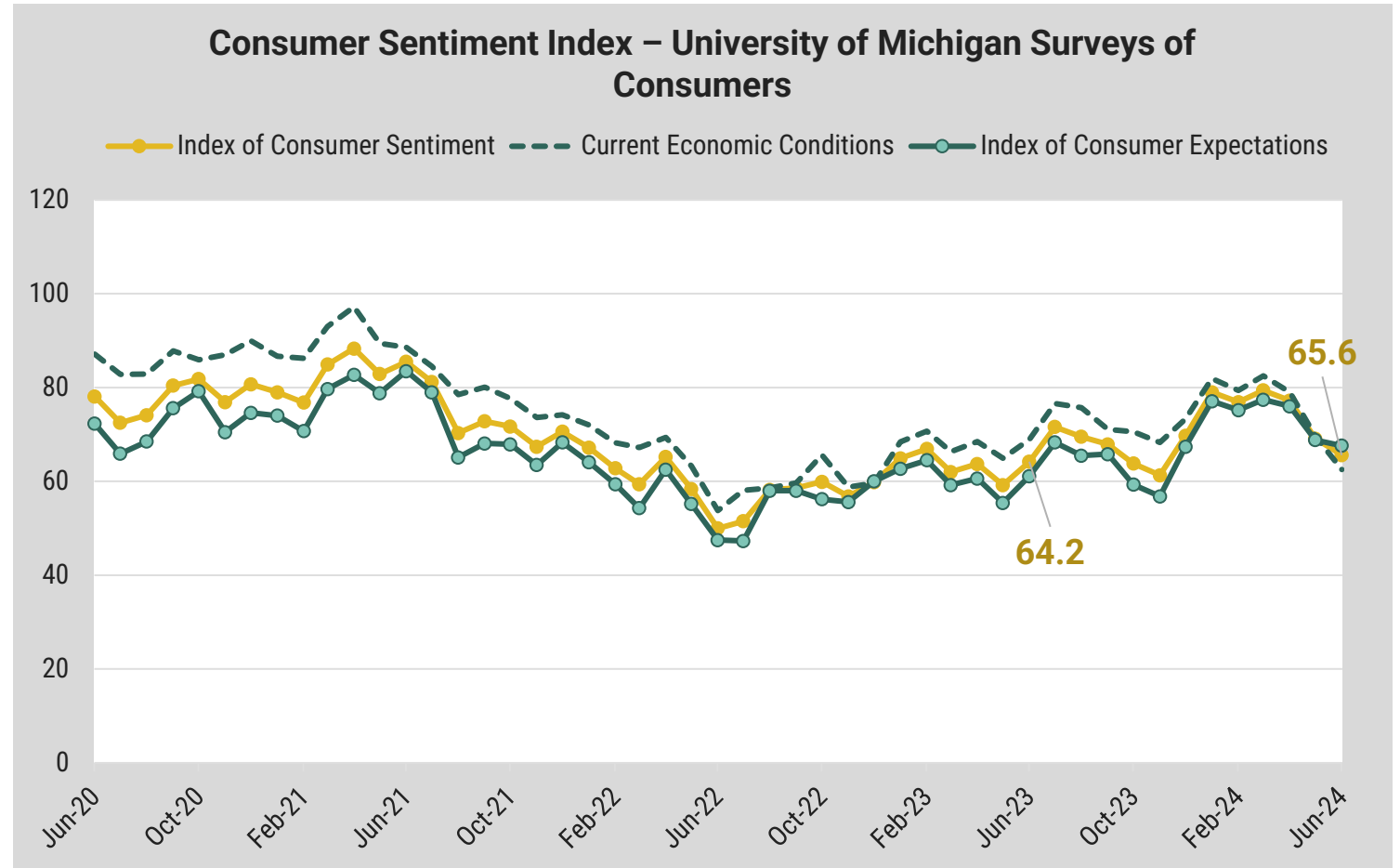
# Key Consumer Metrics



# Consumer Sentiment Index

Consumer sentiment dropped slightly in June compared to previous month; sentiment re: personal finances declined, due to slightly elevated inflation concerns as well as weakening incomes – overall, consumers perceive few changes in the economy from May

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.	65.1	68.5	62.9
2- Year Low	50.0	53.8	47.3
Current	65.6	62.5	67.6
LY	64.2	68.9	61.1
YOY % Change	2.2%	-9.3%	10.6%
Previous Month	69.1	69.6	68.8
MTM % Change	-5.1%	-10.2%	-1.7%



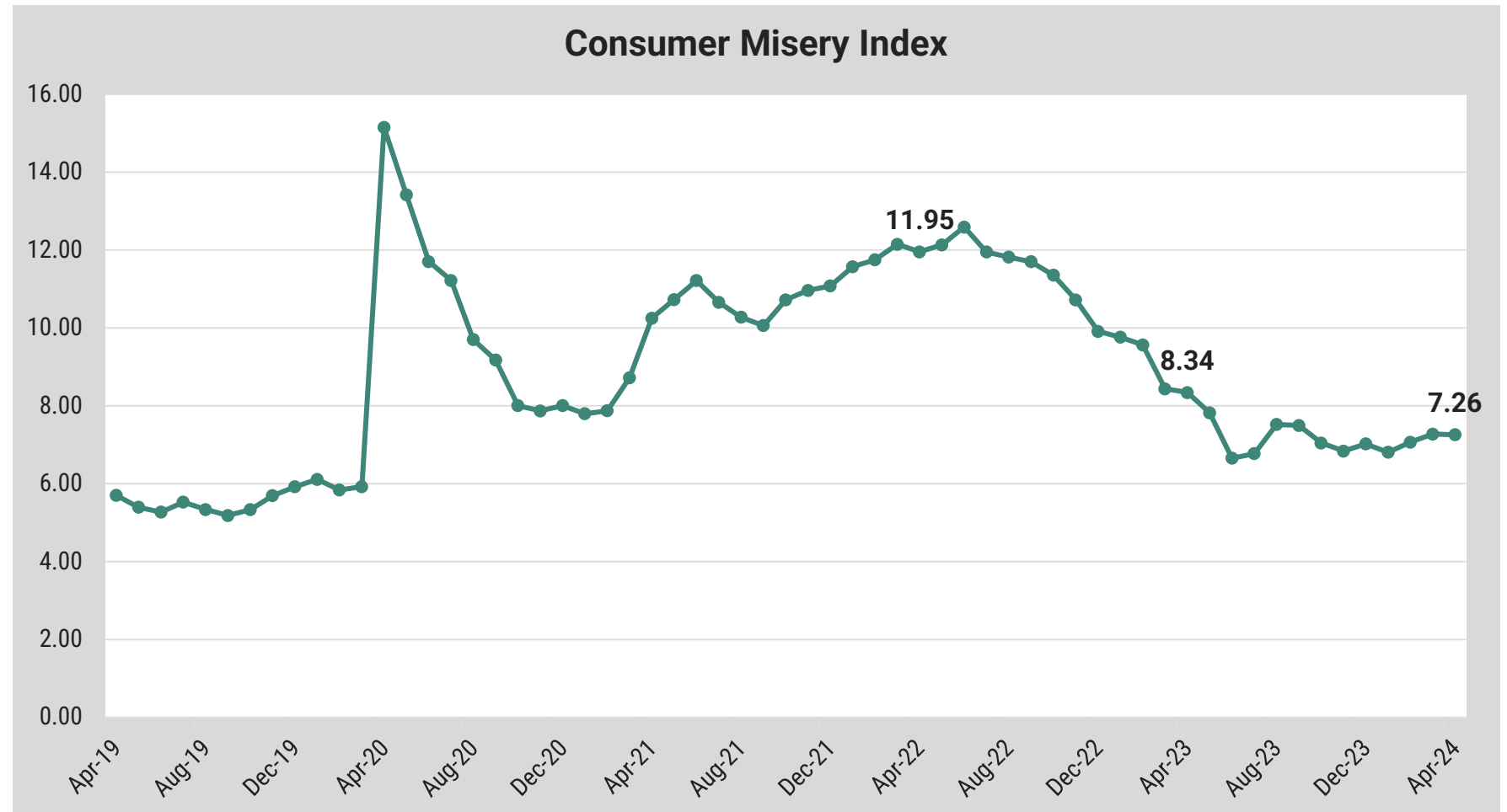
Source: The Surveys of Consumers are conducted by the Survey Research Center at the University of Michigan. (<https://data.sca.isr.umich.edu/survey-info.php>)



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

The U.S. Consumer Misery Index is currently at 7.26, flat to previous month and well below April 2023 as consumers are trying to manage thru hardships with inflation, increasing insurance rates, and other expenses forcing reduced spending

*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 3.3 percent over the last 12 months; Core CPI increased 3.4 percent over the year. The all-items index rose 3.3 percent for the 12 months ending May, a smaller increase than the 3.4-percent increase for the 12 months ending April.*

*Food Away From Home +4.0%*

*Housing +4.6%*

*Fuel +2.0%*

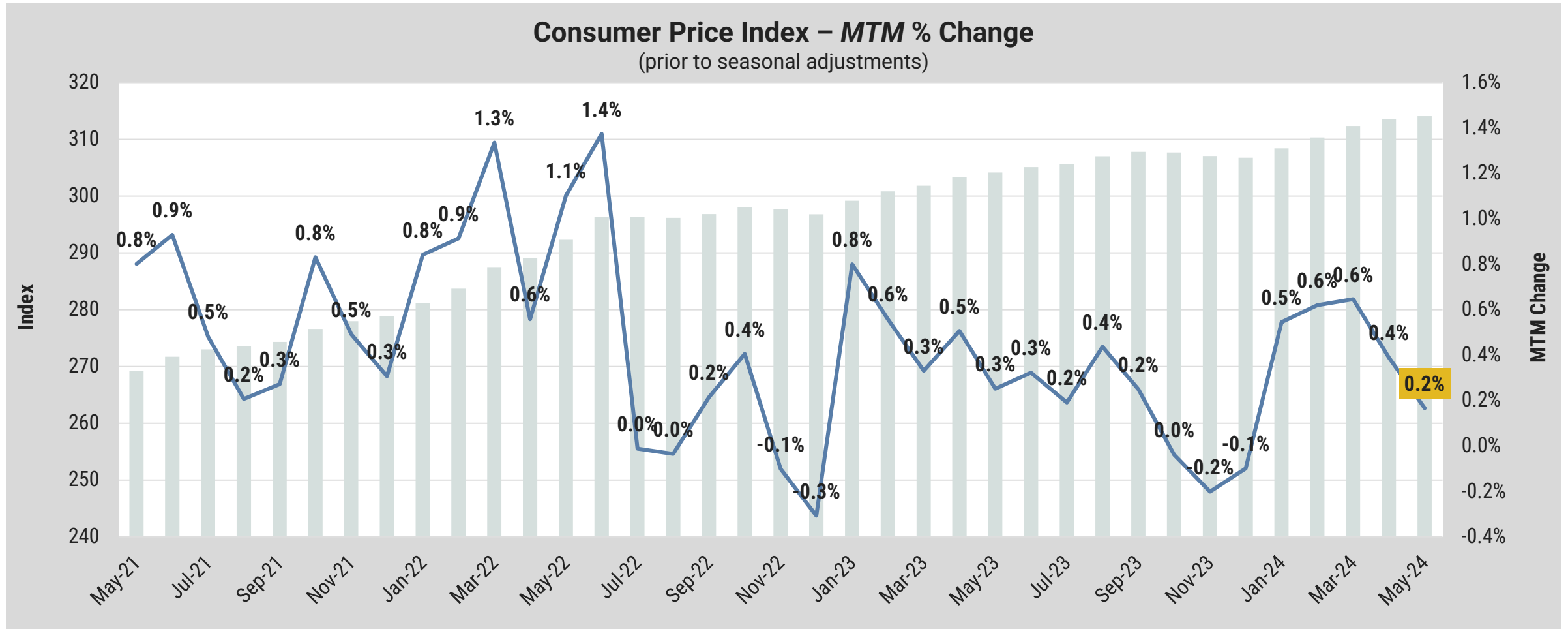
*Air Fare -5.9%*

	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
<b>Total CPI</b>	3.4%	3.1%	3.2%	3.5%	3.4%	3.3%
<b>All Items Less Food &amp; Energy (Core CPI)</b>	3.9%	3.9%	3.8%	3.8%	3.6%	3.4%
Food at Home	1.3%	1.2%	1.0%	1.2%	1.1%	1.0%
Food Away From Home	5.2%	5.1%	4.5%	4.2%	4.1%	4.0%
Motor Fuel	-2.3%	-6.6%	-4.2%	1.0%	1.0%	2.0%
Apparel	1.0%	0.1%	0.0%	0.4%	1.3%	0.8%
Housing	4.8%	4.6%	4.5%	4.7%	4.5%	4.6%
Education	2.4%	2.5%	2.7%	2.4%	2.5%	2.7%
Medical Care	0.5%	1.1%	1.4%	2.2%	2.6%	3.1%
Transportation	2.9%	1.6%	2.7%	4.0%	3.5%	2.9%
Air Fare	-9.4%	-6.4%	-6.1%	-7.1%	-5.8%	-5.9%



# Consumer Price Index – Month-to-Month Trends

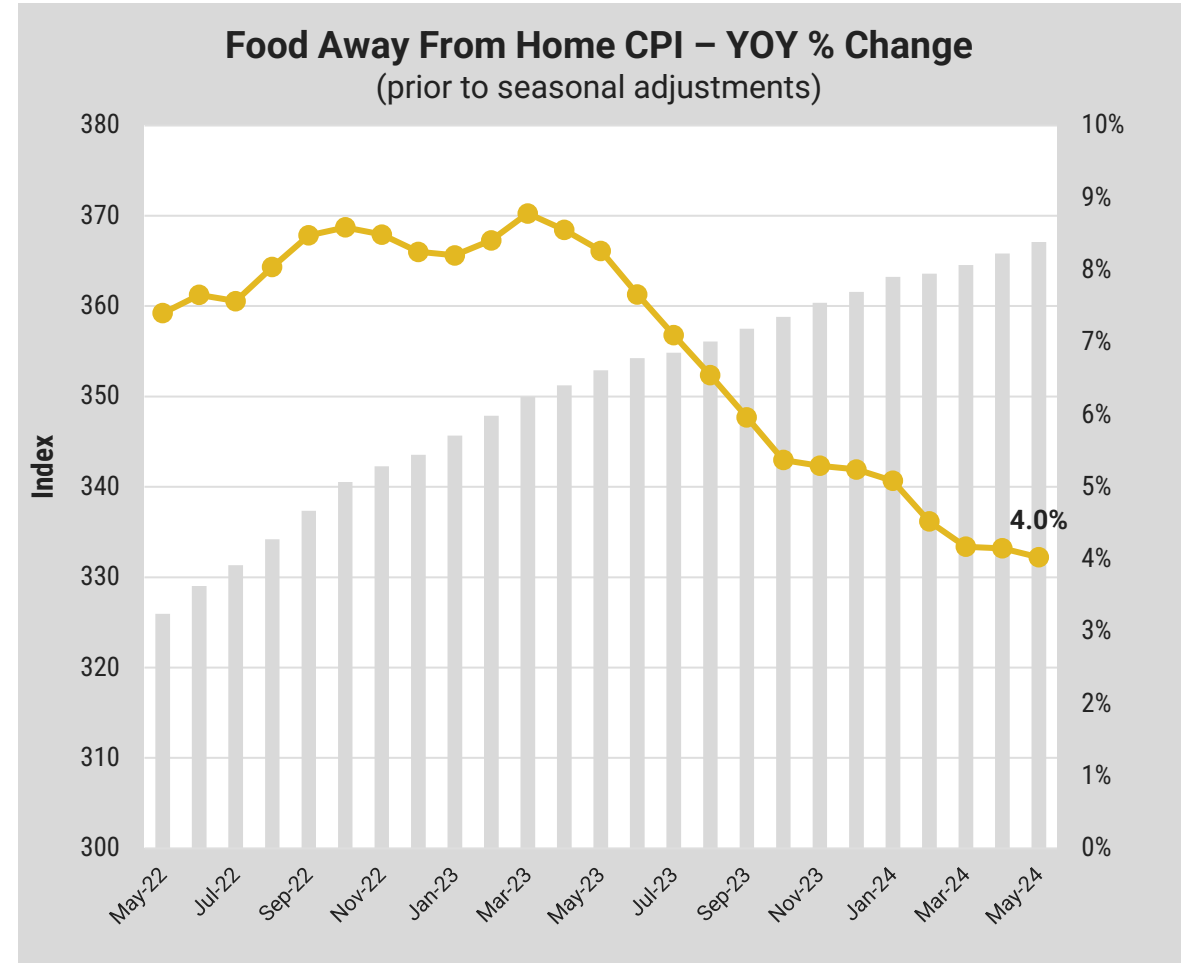
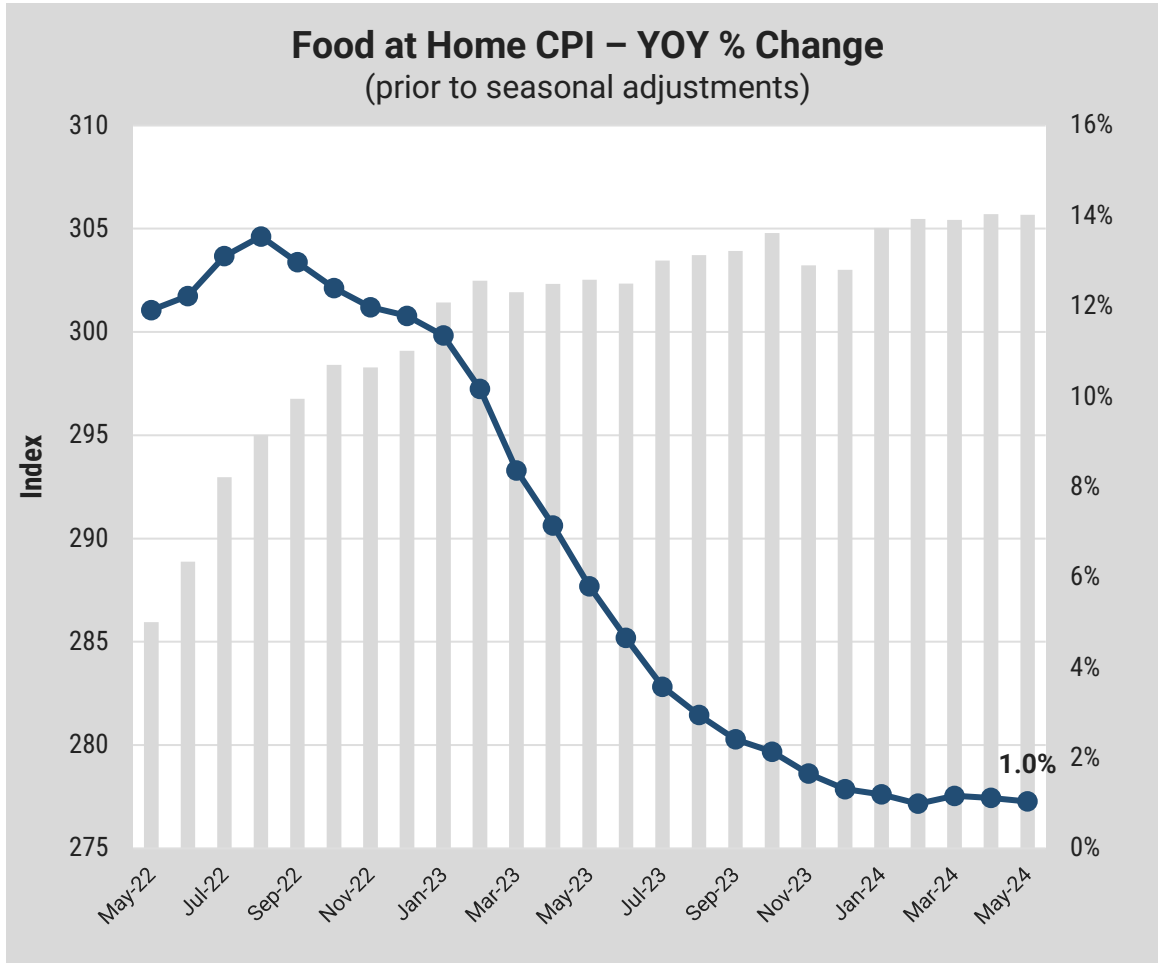
Compared to previous month, CPI for All Urban Consumers (CPI-U) increased .2% (prior to seasonal adjustments)



# U.S. Food Prices



The rate of increase in U.S. Food prices (monthly CPI) remains low; despite rising price of Food Away From Home, restaurant sales continue to increase

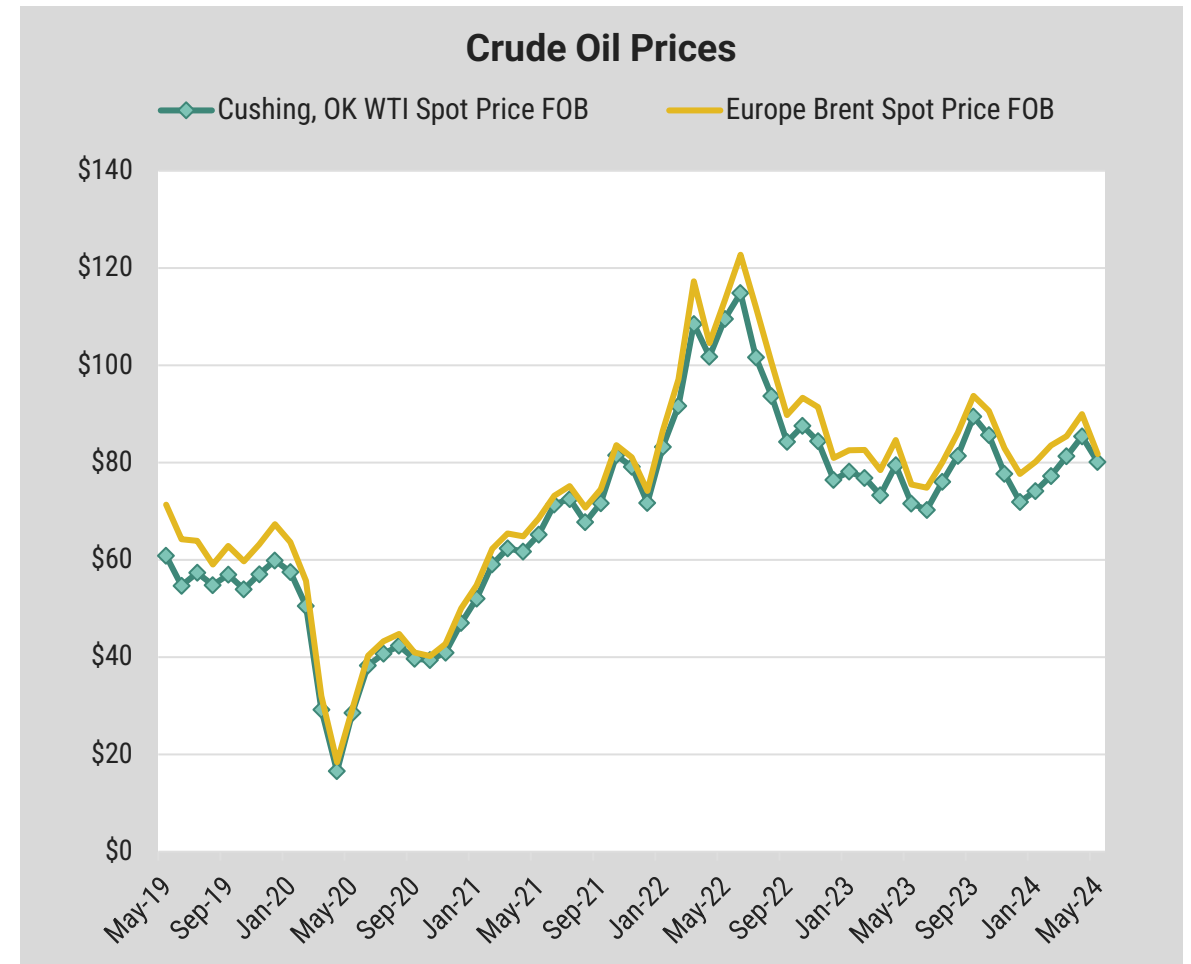
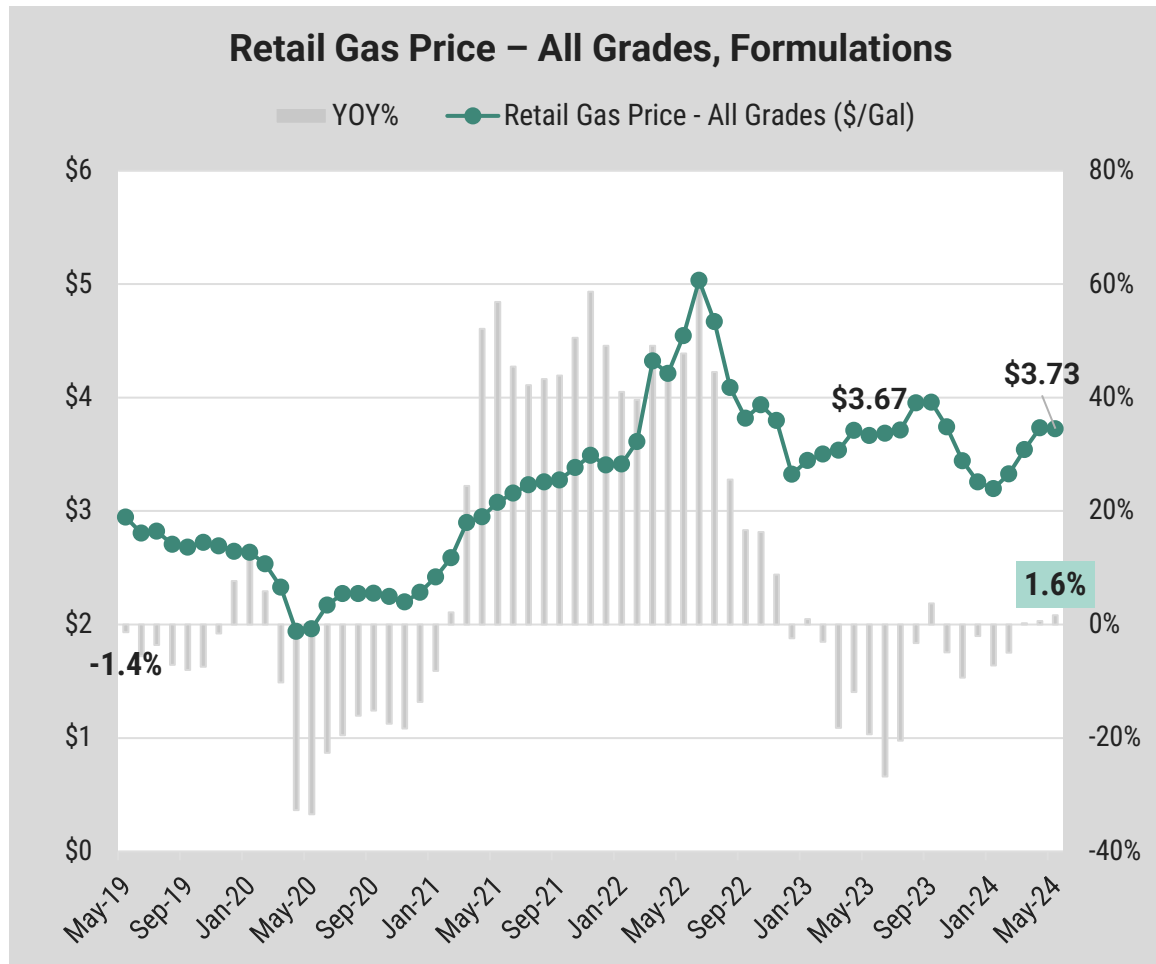


Source: U.S. Bureau of Labor Statistics



# Gasoline (Retail Price) and Crude Oil Prices

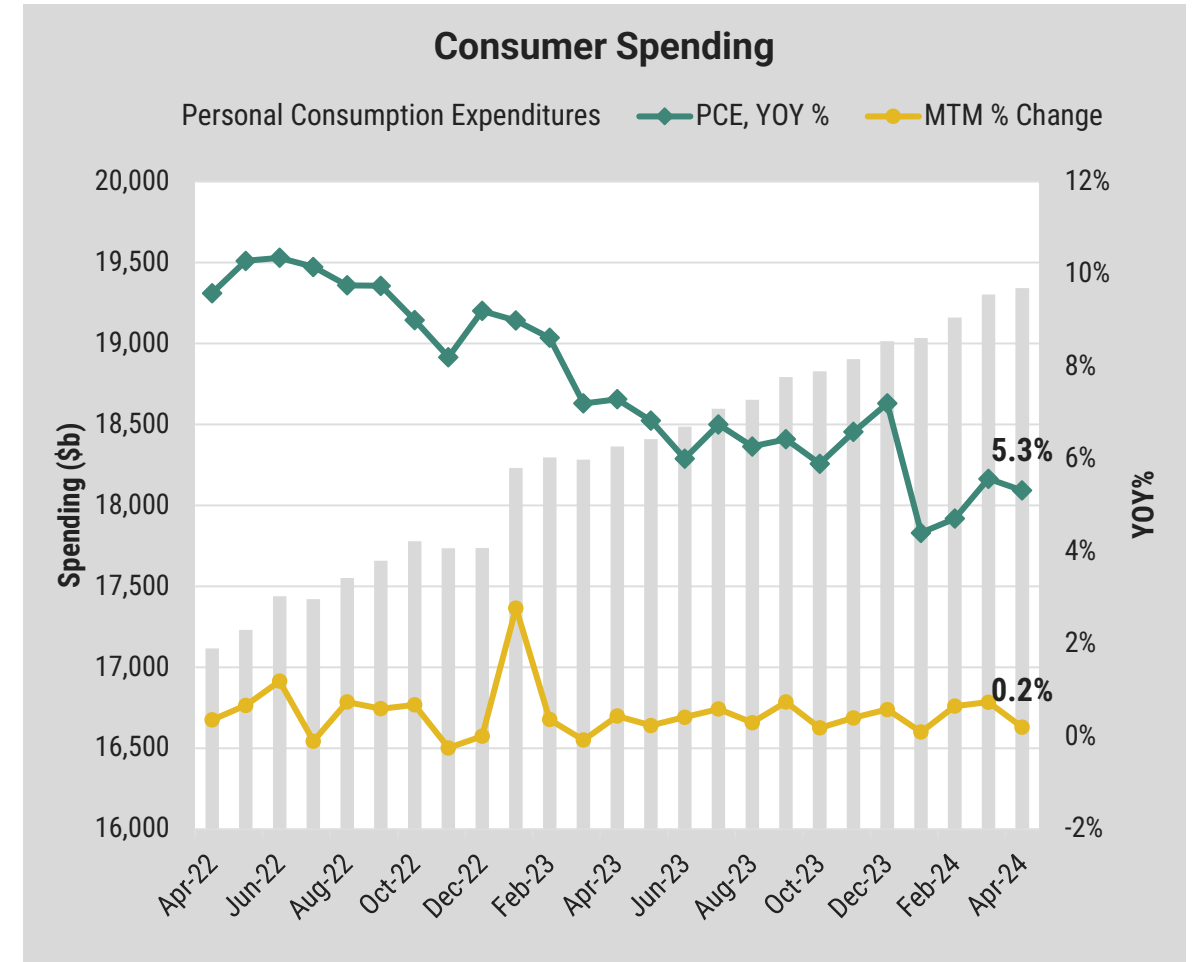
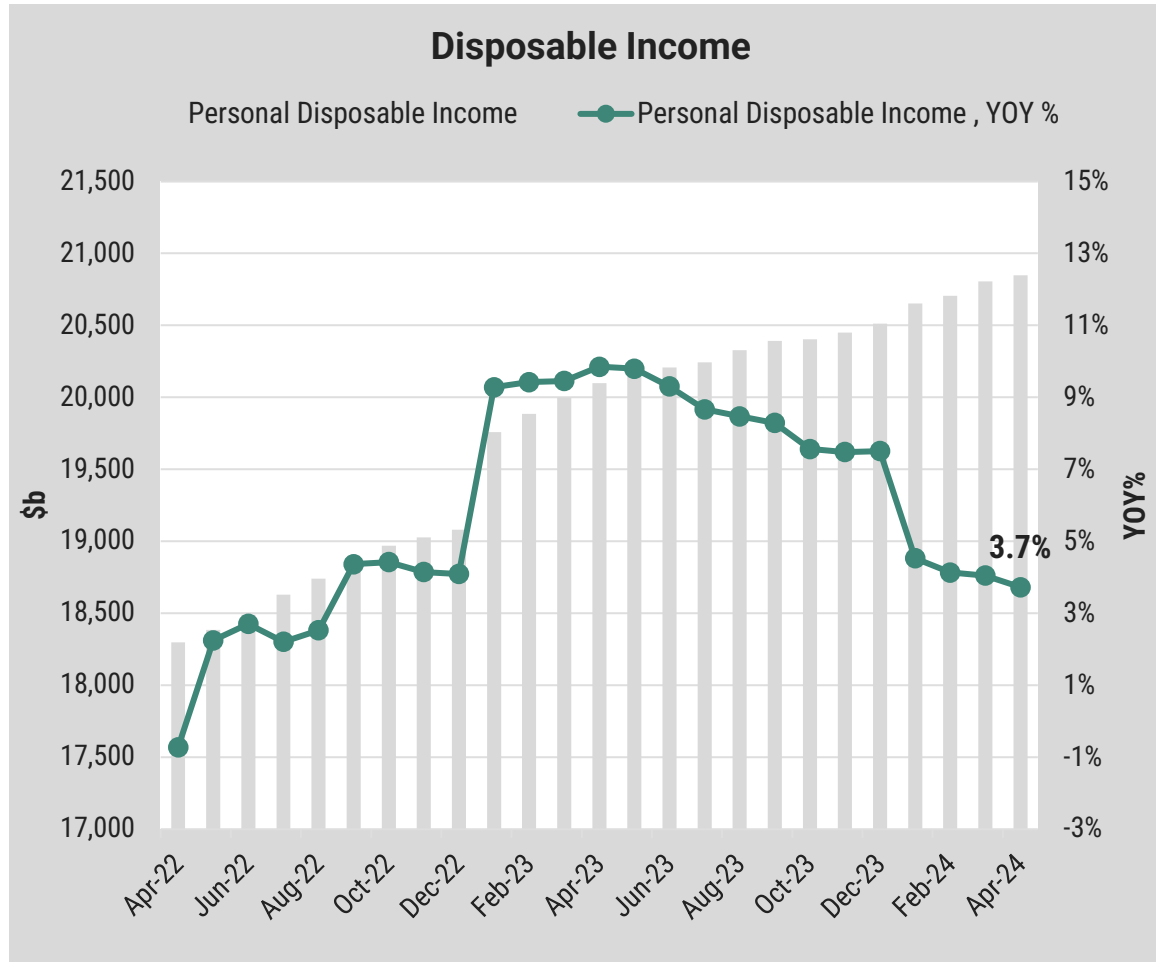
Average U.S. retail gas price was up slightly YOY at \$3.73/gallon; crude oil prices declined MTM





# Consumer Income and Spending (2-month lag)

Personal disposable income rose 3.7%; consumer expenditures increased 5.3% YOY

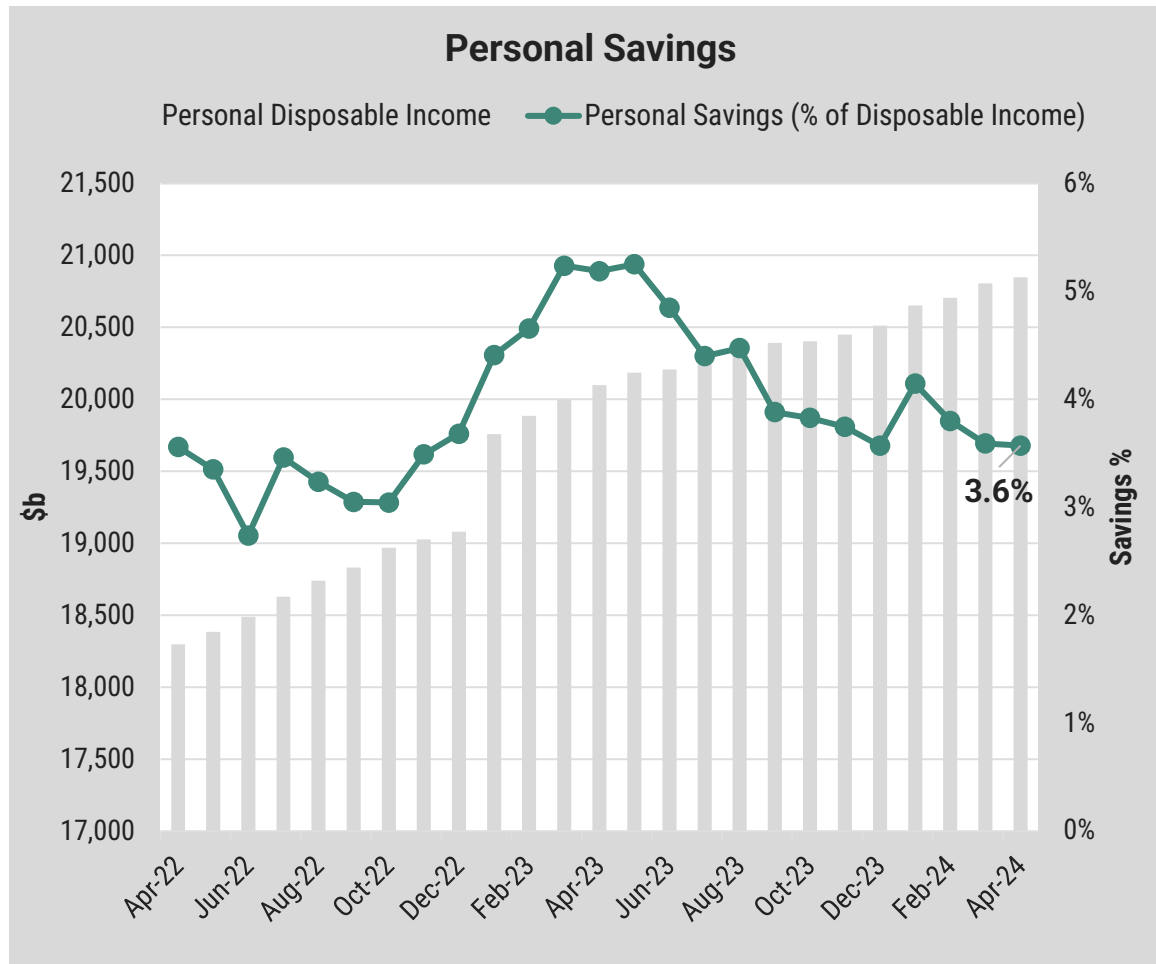


Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting

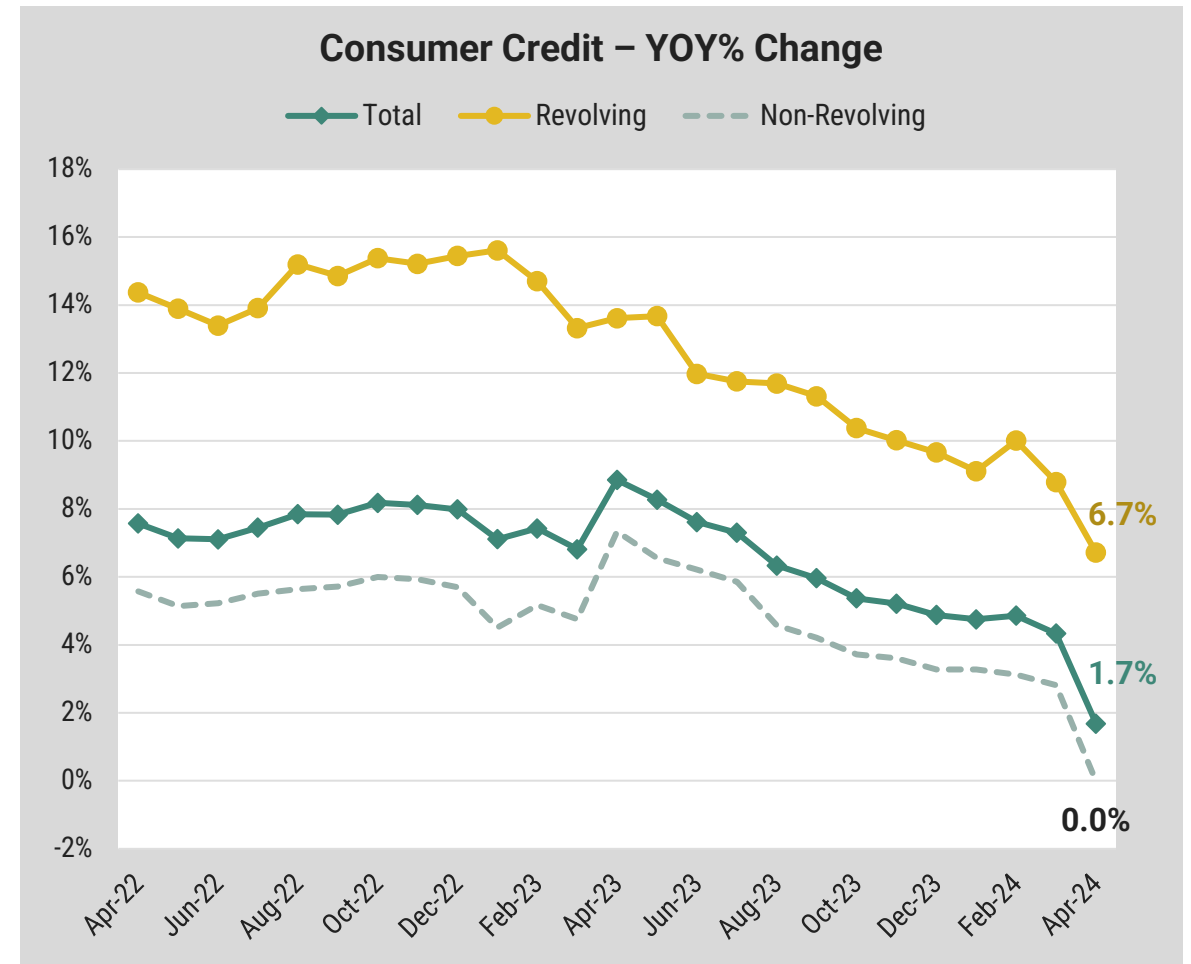


# Personal Savings & Consumer Credit (2-month lag)

Personal savings increased 3.6% above 2023; revolving credit rose 6.7% vs. 2023; total consumer credit increased 1.7%



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

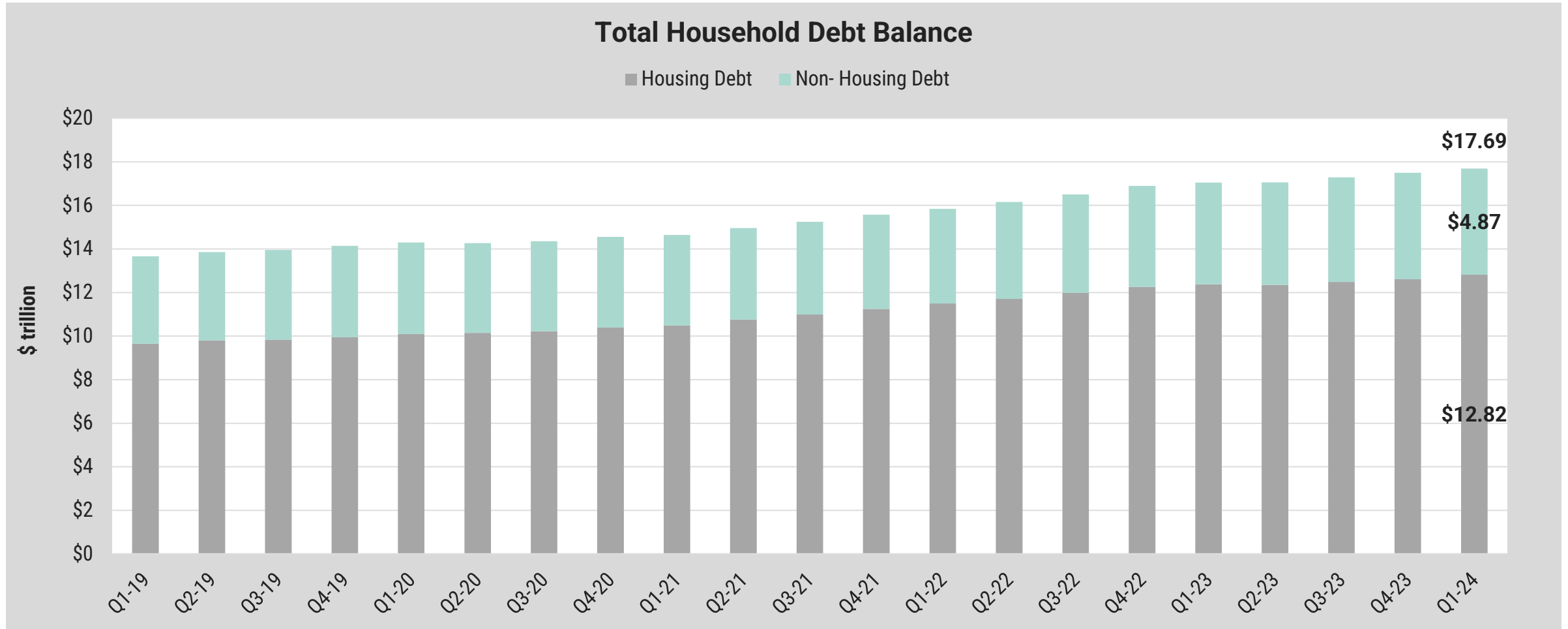


Source: U.S. Federal Reserve, 2-month lag in reporting



# Total Consumer Debt

**Q1-2024 total household debt rose, standing at \$17.69 trillion; mortgage balances increased by \$190 billion to \$12.44 trillion in Q1, while balances on auto loans climbed \$9 billion to \$1.62 trillion**



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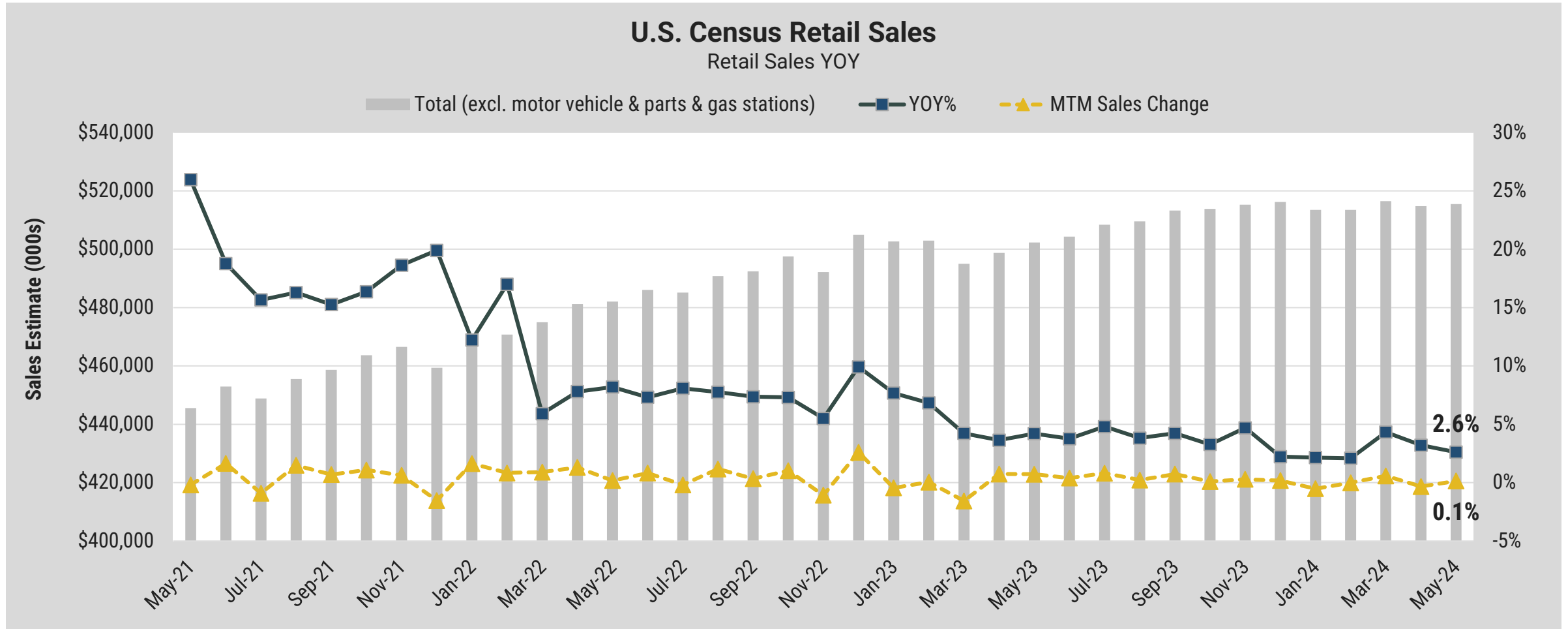
# U.S. Retail Sales





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

May retail sales were up 2.6% YOY and flat MTM



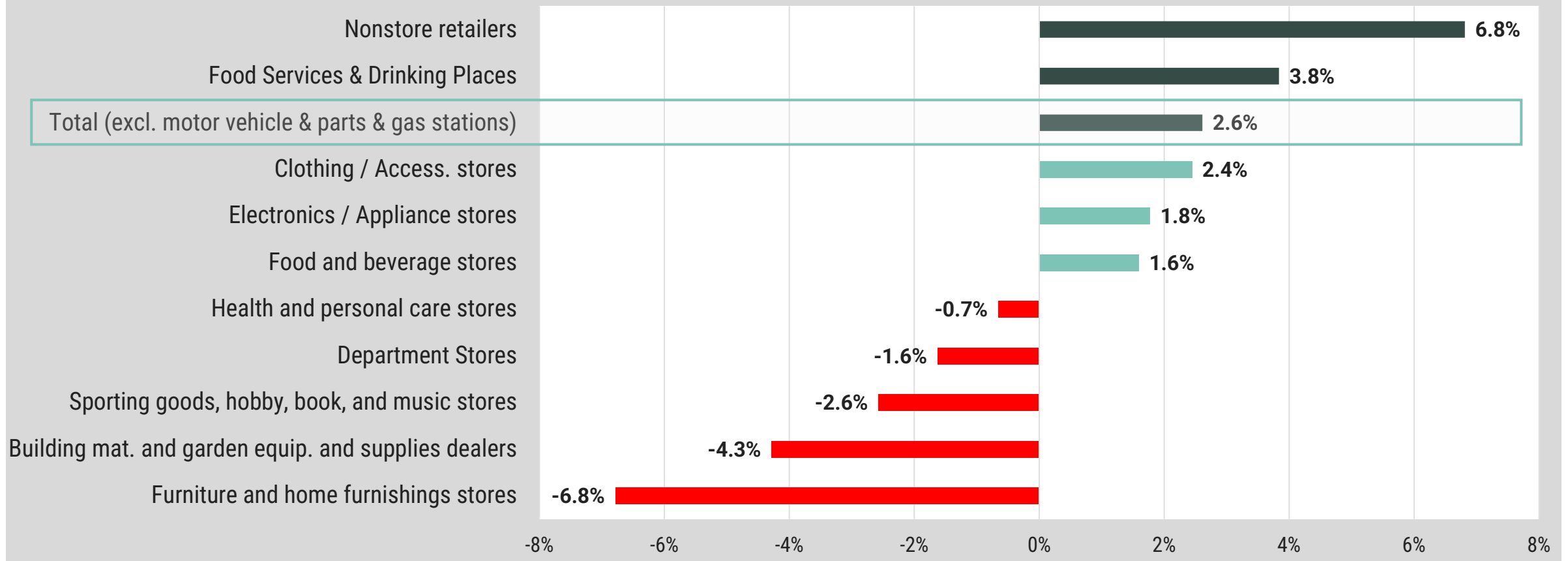
Source: U.S. Census Bureau



# U.S. Retail Sales by Retail Category

**Moderate May sales increase was driven by a 6.8% increase for non-store (online) retailers and 3.8% increase in Food Services and Dining; Department stores, sporting, hard goods and home segments continue to lag and were down YOY**

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





# Retail Inventories (2-month lag)

**April retail inventories increased 4.8% above 2023 and were flat to previous month, likely as we see slowdown in consumer spending which will likely force deeper markdowns in spring/summer products**

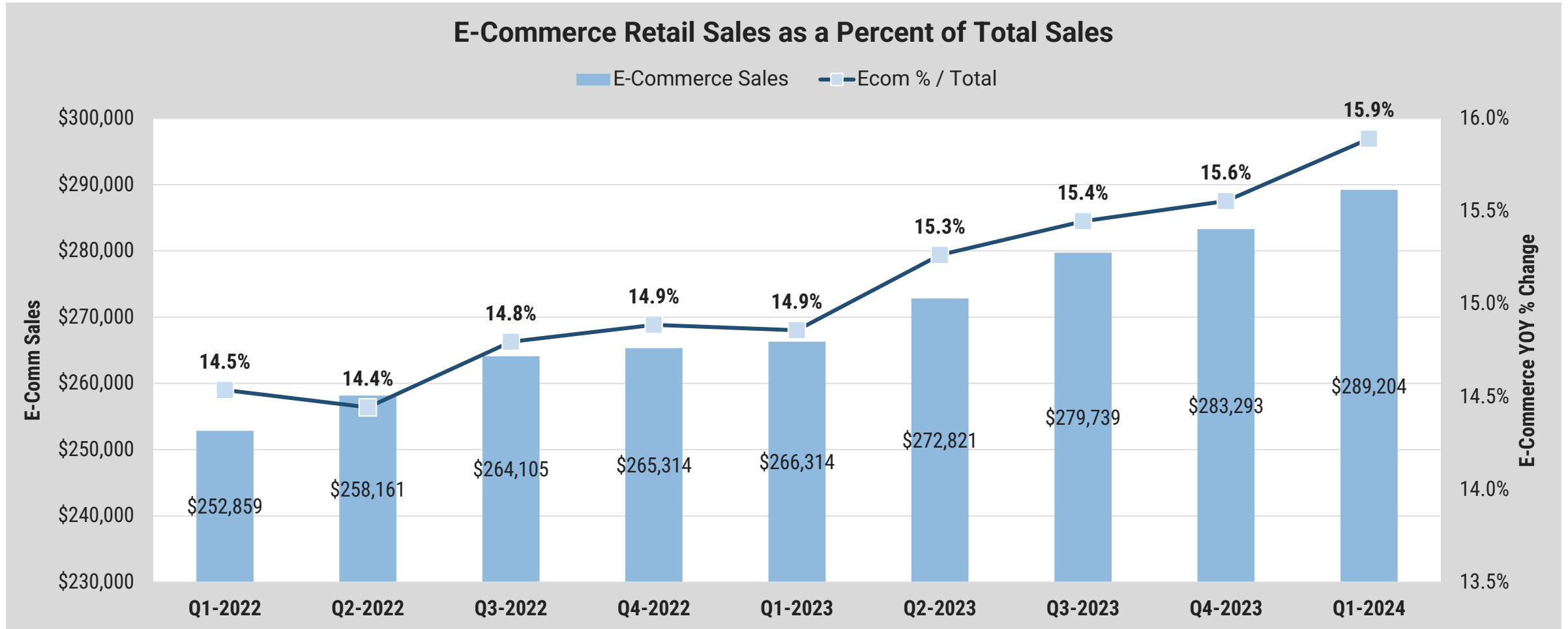


U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>



# U.S. Retail Sales\* – E-Commerce % Total Retail

Through Q1 e-commerce % of total retail sales climbed to nearly 16% of total sales; Q1 online sales grew 8.6% from 2023 as consumers continue to embrace the convenience factor



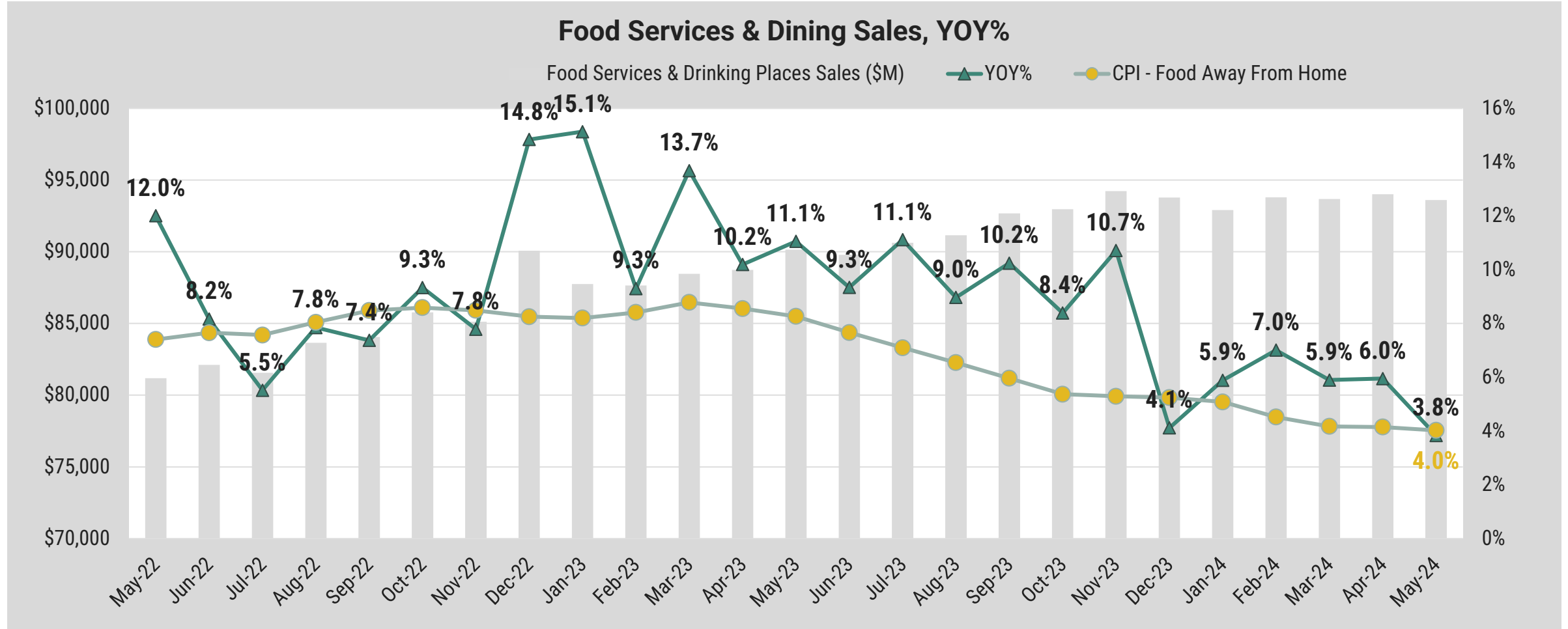
Source: U.S. Census Bureau

\*Note: Retail sales excludes Food Services & Dining, Gas Stations, and Auto Dealers and Parts

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



**Food Services / Dining increased 3.8% in May; prices for Food Away From Home rose 4%**

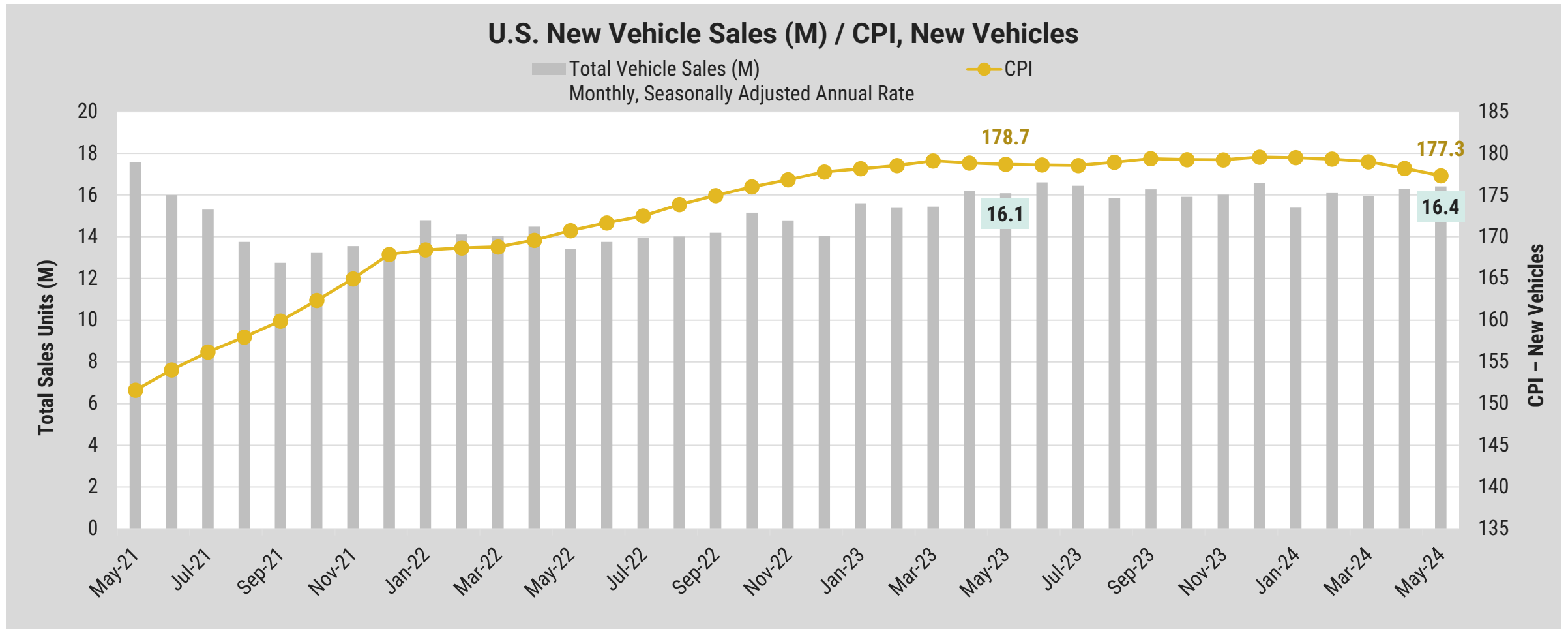


Source: U.S. Census Bureau



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

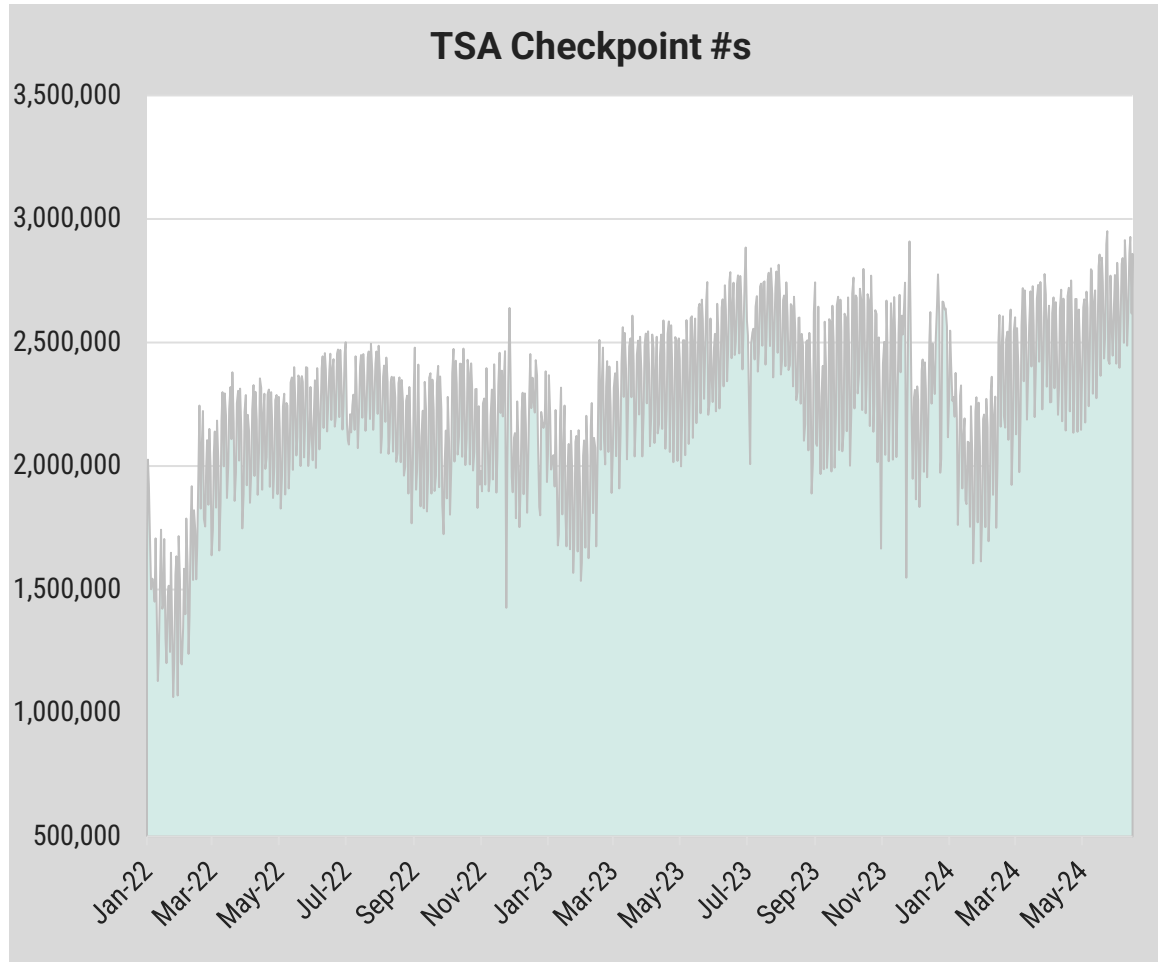
May new vehicle sales were up 2% YOY; auto CPI was down slightly YOY



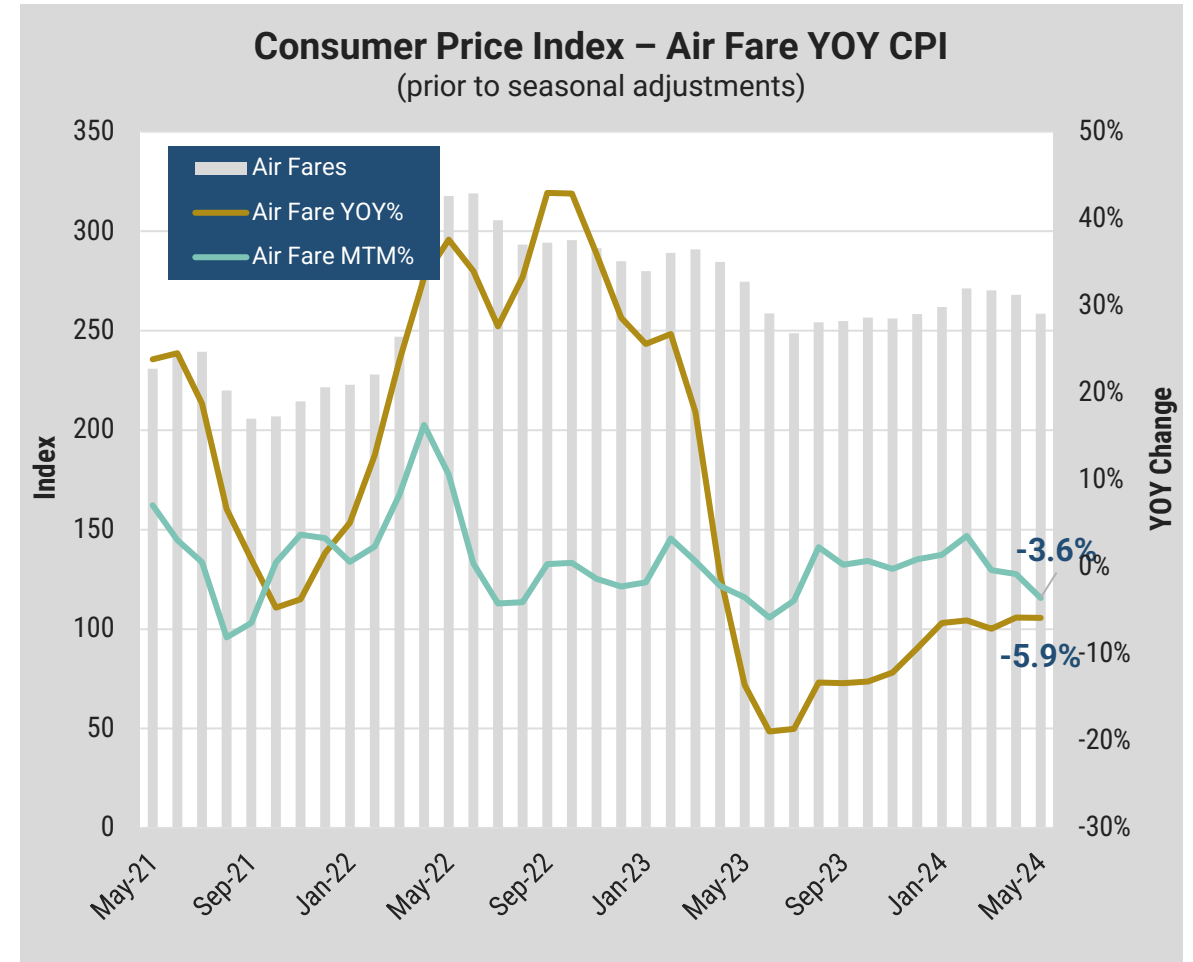


# TSA Checkpoint Travel Numbers

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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# Q1-2024 Retail Financials

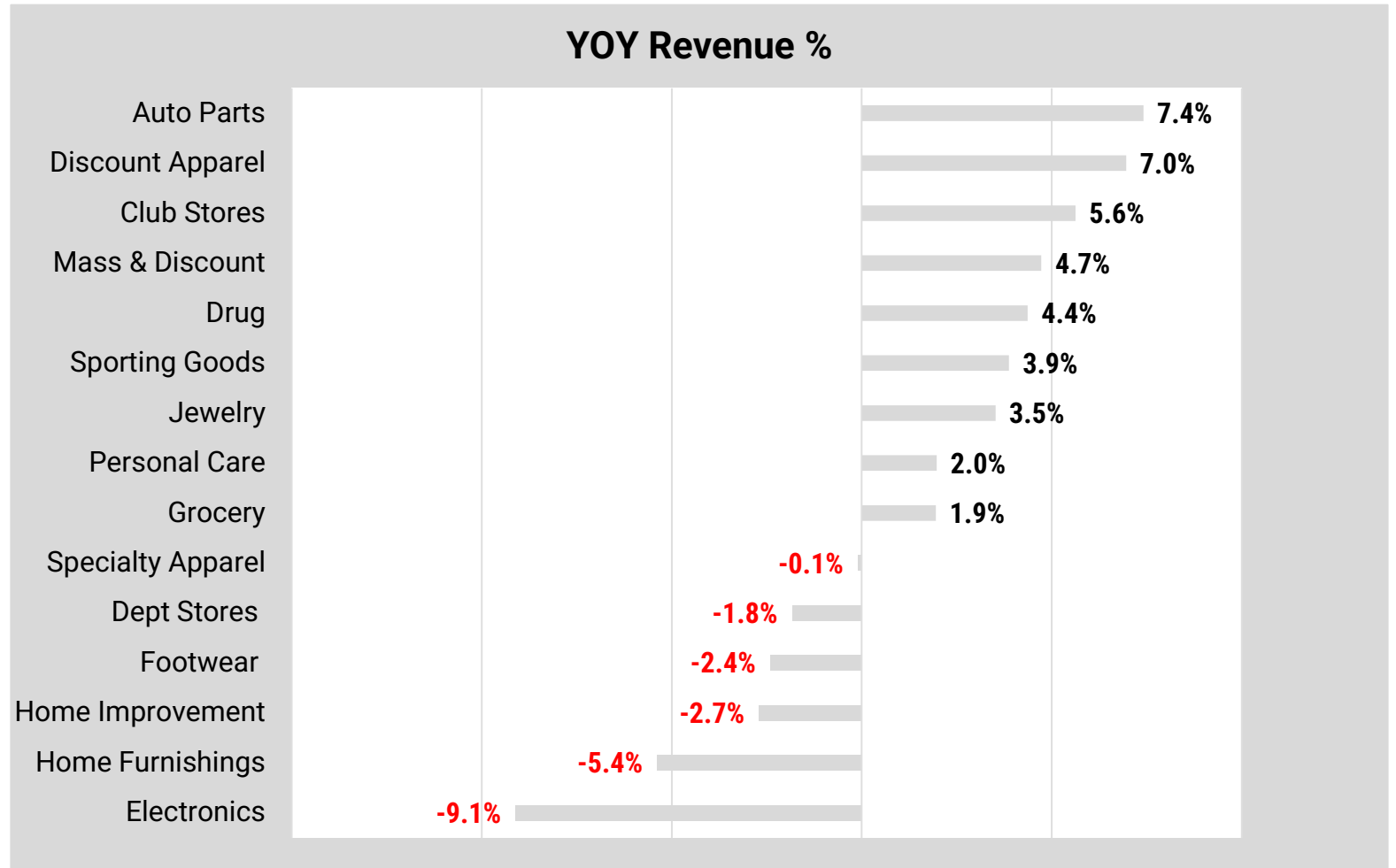




# Q1-2024 KPIs – Revenue Growth

About ½ of the key retail segments tracked\* showed negative YOY revenue growth – Home Improvement, Home Furnishings, Footwear, Department Stores and Electronics continue to show sales declines

	Revenue YOY%	YOY Trend
Auto Parts	7.4%	↑
Discount Apparel	7.0%	↑
Club Stores	5.6%	↑
Mass & Discount	4.7%	↑
Drug	4.4%	↑
Sporting Goods	3.9%	↑
Jewelry	3.5%	↑
Personal Care	2.0%	↑
Grocery	1.9%	↑
Specialty Apparel	-0.1%	↓
Dept Stores	-1.8%	↓
Footwear	-2.4%	↓
Home Improvement	-2.7%	↓
Home Furnishings	-5.4%	↓
Electronics	-9.1%	↓



Source: CapIQ, Company SEC Filings, Ankura analysis

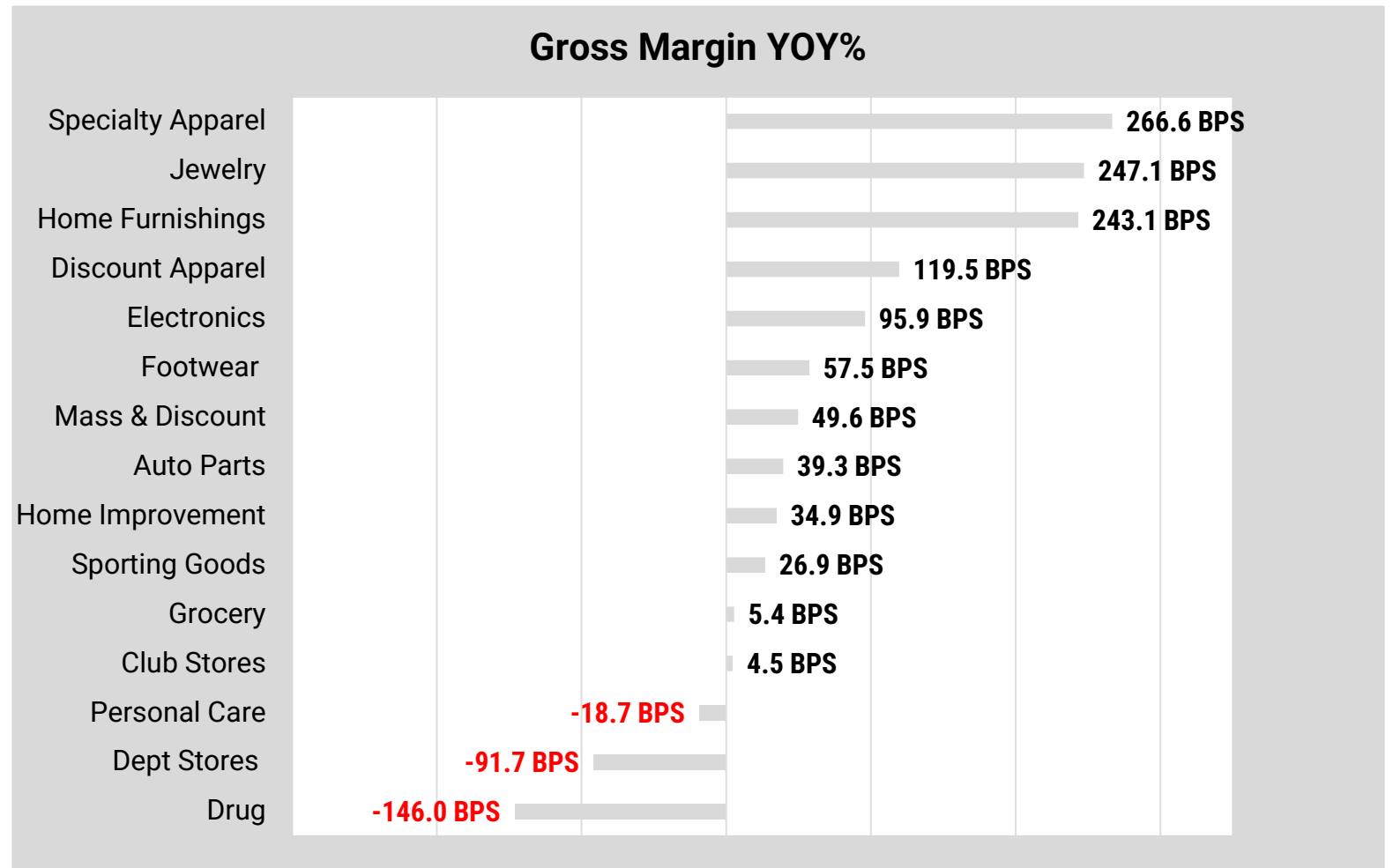
\* Ankura tracks and analyzes quarterly financial reports for 102 U.S. retailers



# Q1-2024 KPIs – Gross Margin %

Yet, most retail segments saw an increase YOY in total gross margin %

	GM\$ YOY%	YOY Trend
Specialty Apparel	266.6 BPS	↑
Jewelry	247.1 BPS	↑
Home Furnishings	243.1 BPS	↑
Discount Apparel	119.5 BPS	↑
Electronics	95.9 BPS	↑
Footwear	57.5 BPS	↑
Mass & Discount	49.6 BPS	↑
Auto Parts	39.3 BPS	↑
Home Improvement	34.9 BPS	↑
Sporting Goods	26.9 BPS	↑
Grocery	5.4 BPS	↑
Club Stores	4.5 BPS	↑
Personal Care	-18.7 BPS	↓
Dept Stores	-91.7 BPS	↓
Drug	-146.0 BPS	↓

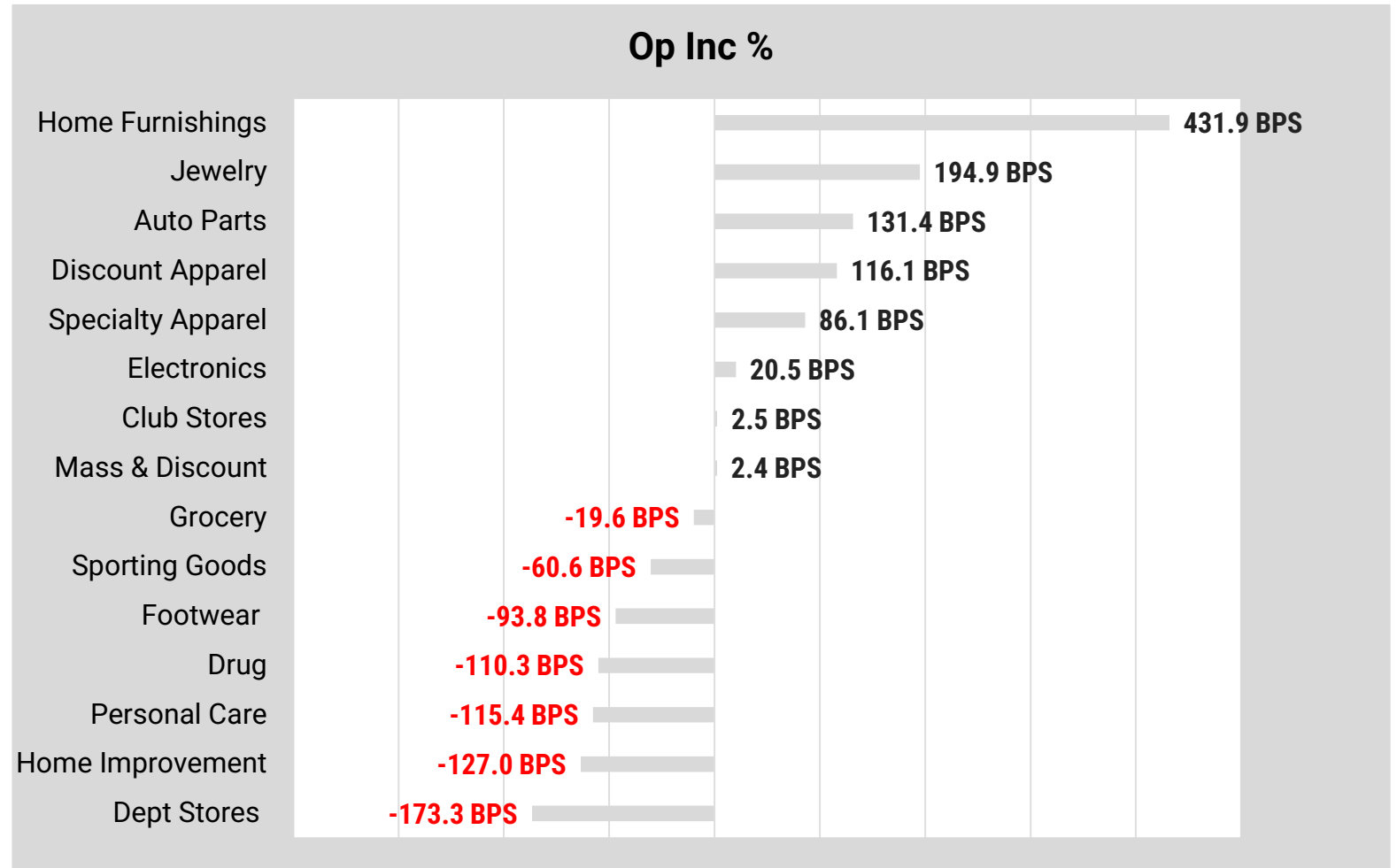




# Q1-2024 KPIs – Operating Income %

**Biggest rebound YOY was in Home Furnishings, where operating income for the segment improved 430+ BPS compared to nearly flat in 2023; yet Department Stores has the widest negative change by nearly 175 BPS as cost pressures mount**

	Op Inc %	YOY Trend
Home Furnishings	431.9 BPS	↑
Jewelry	194.9 BPS	↑
Auto Parts	131.4 BPS	↑
Discount Apparel	116.1 BPS	↑
Specialty Apparel	86.1 BPS	↑
Electronics	20.5 BPS	↑
Club Stores	2.5 BPS	↑
Mass & Discount	2.4 BPS	↑
Grocery	-19.6 BPS	↓
Sporting Goods	-60.6 BPS	↓
Footwear	-93.8 BPS	↓
Drug	-110.3 BPS	↓
Personal Care	-115.4 BPS	↓
Home Improvement	-127.0 BPS	↓
Dept Stores	-173.3 BPS	↓

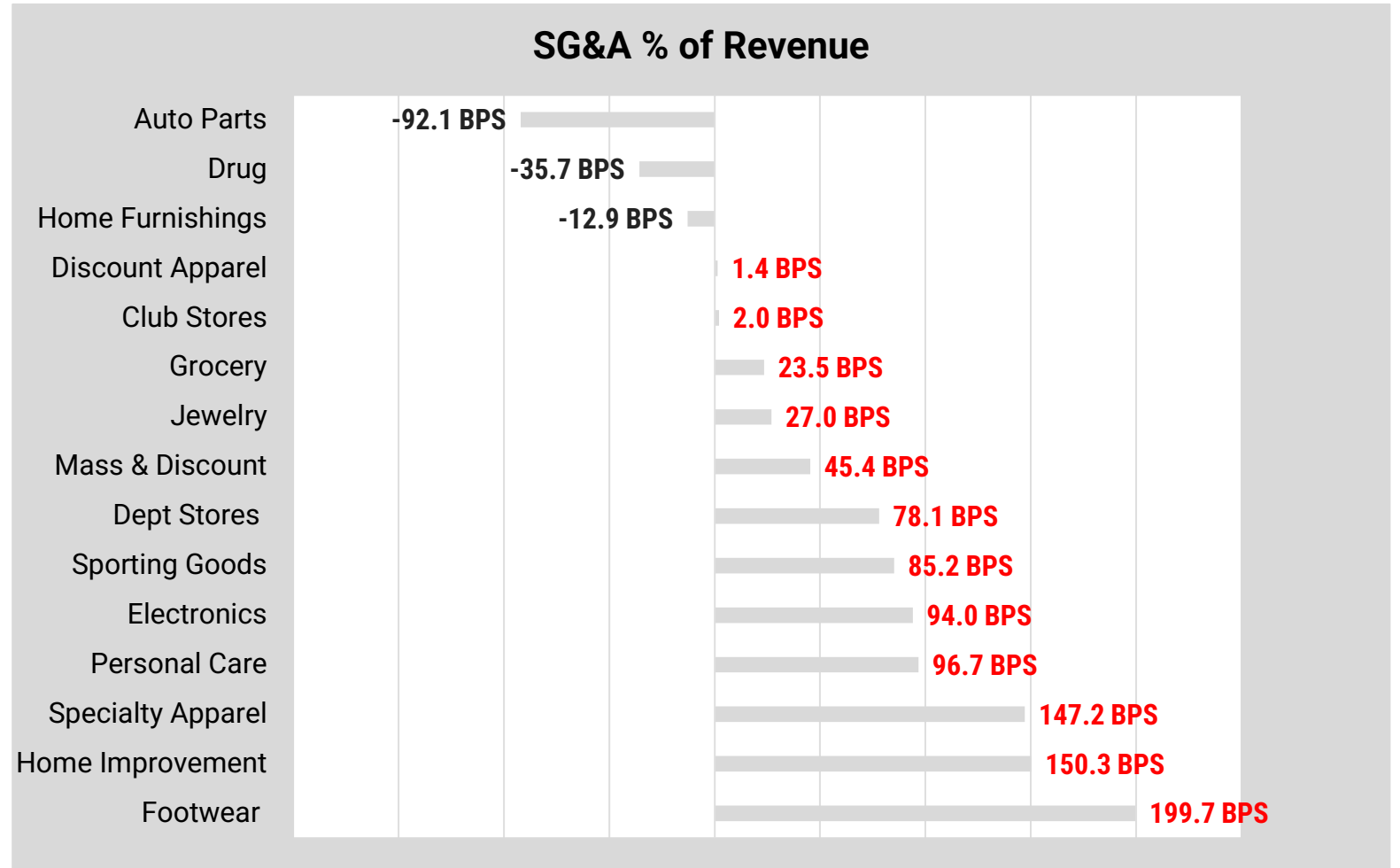




# Q1-2024 KPIs – SG&A %

Three retail segments Auto Parts, Drug and Home Furnishings improved YOY in SG&A expense as a % of total revenue; while all other segments worsened noticeably as retailers continue to combat operating costs increases

	SG&A YOY%	YOY Trend
Auto Parts	-92.1 BPS	+
Drug	-35.7 BPS	+
Home Furnishings	-12.9 BPS	+
Discount Apparel	1.4 BPS	-
Club Stores	2.0 BPS	-
Grocery	23.5 BPS	-
Jewelry	27.0 BPS	-
Mass & Discount	45.4 BPS	-
Dept Stores	78.1 BPS	-
Sporting Goods	85.2 BPS	-
Electronics	94.0 BPS	-
Personal Care	96.7 BPS	-
Specialty Apparel	147.2 BPS	-
Home Improvement	150.3 BPS	-
Footwear	199.7 BPS	-

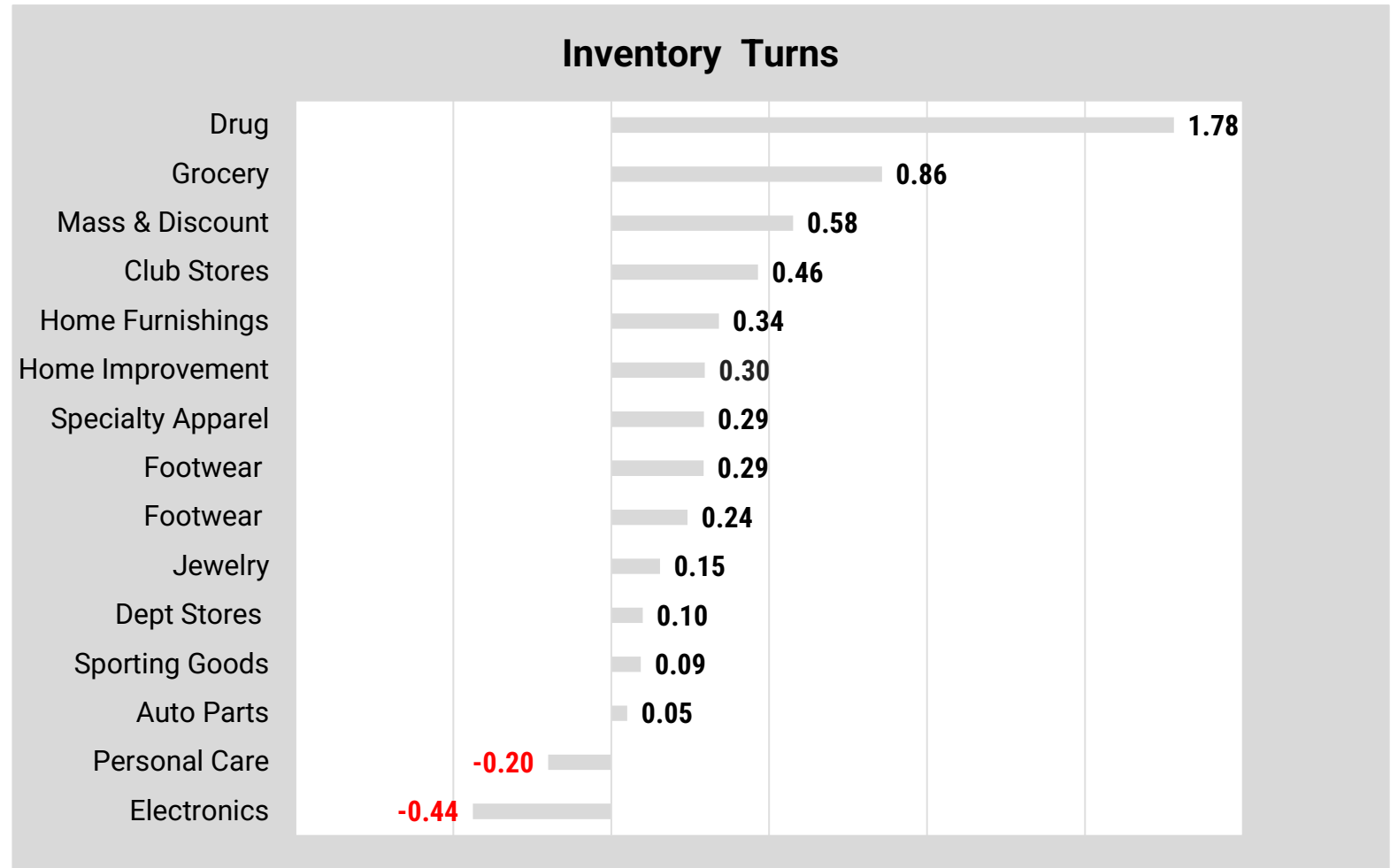




# Q1-2024 KPIs – Inventory Turns

Most retail segments managed inventory well and saw an increase in turns, with the exception of personal care and electronics

	GM\$ YOY%	YOY Trend
Drug	1.78	↑
Grocery	0.86	↑
Mass & Discount	0.58	↑
Club Stores	0.46	↑
Home Furnishings	0.34	↑
Home Improvement	0.30	↑
Specialty Apparel	0.29	↑
Footwear	0.29	↑
Footwear	0.24	↑
Jewelry	0.15	↑
Dept Stores	0.10	↑
Sporting Goods	0.09	↑
Auto Parts	0.05	↑
Personal Care	-0.20	↓
Electronics	-0.44	↓



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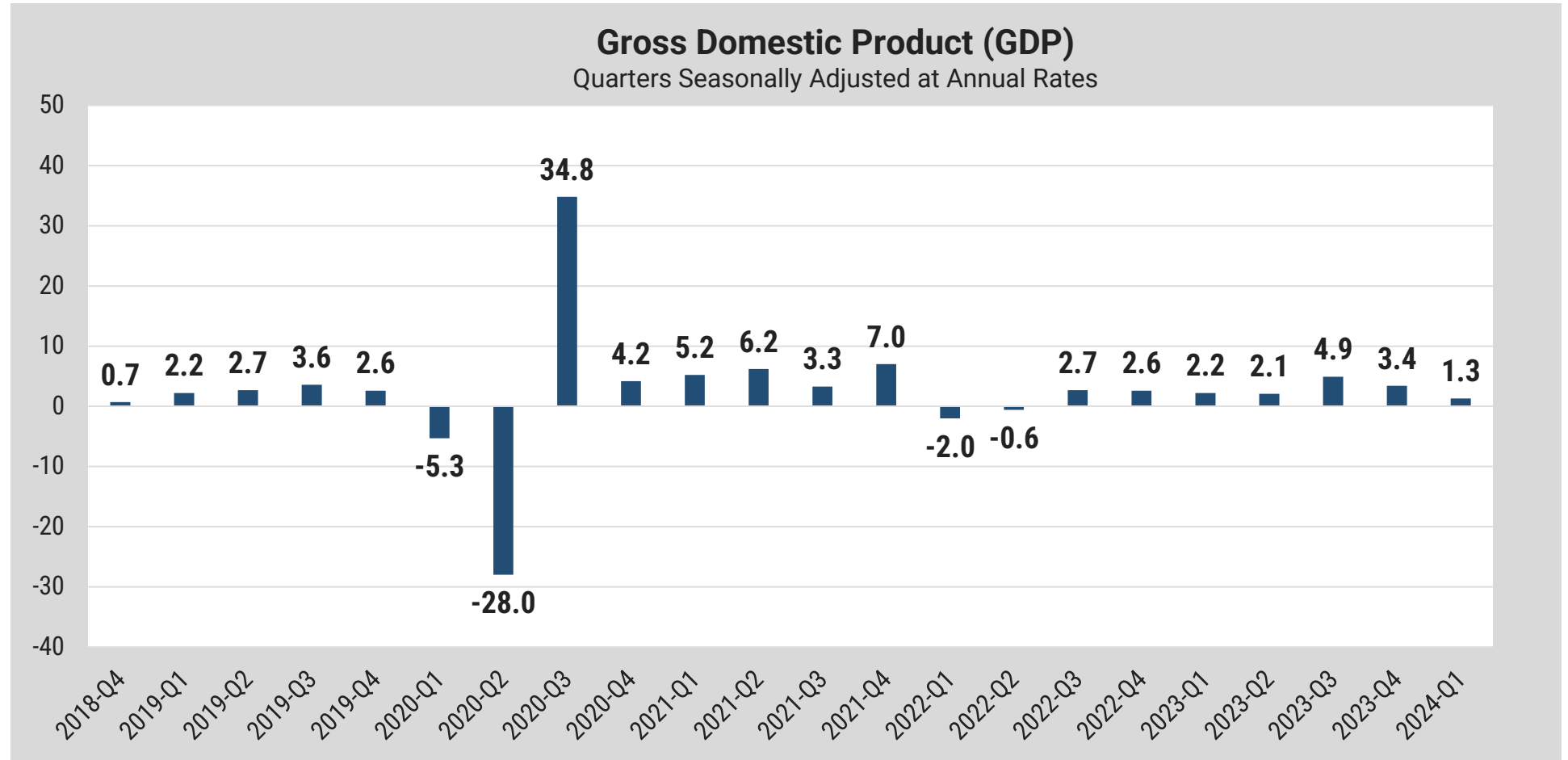
# Broad Economic Indicators



# Gross Domestic Product

Q1-2024 GDP increased at an annual rate of 1.3% according to the 2<sup>nd</sup> estimate of the Bureau of Economic Analysis

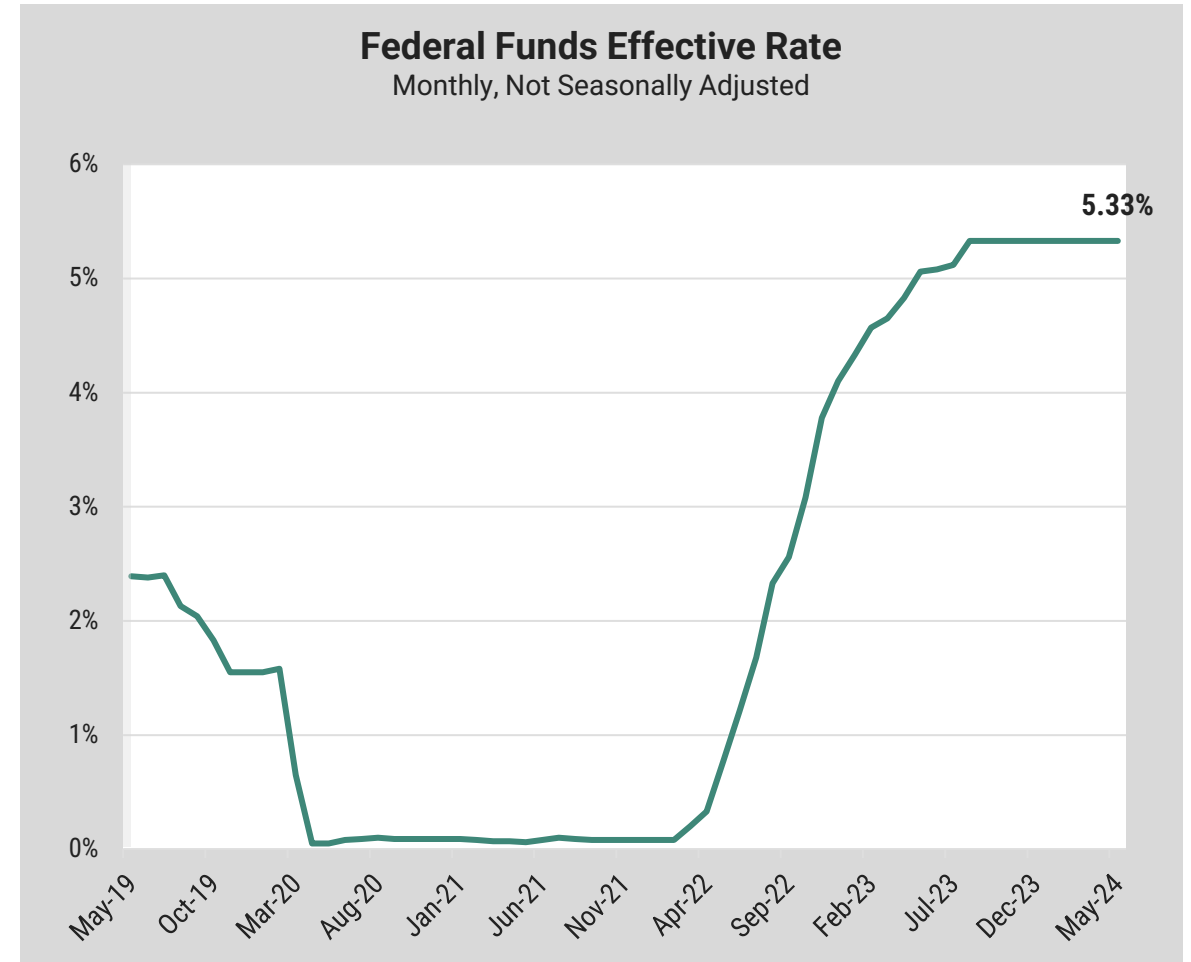
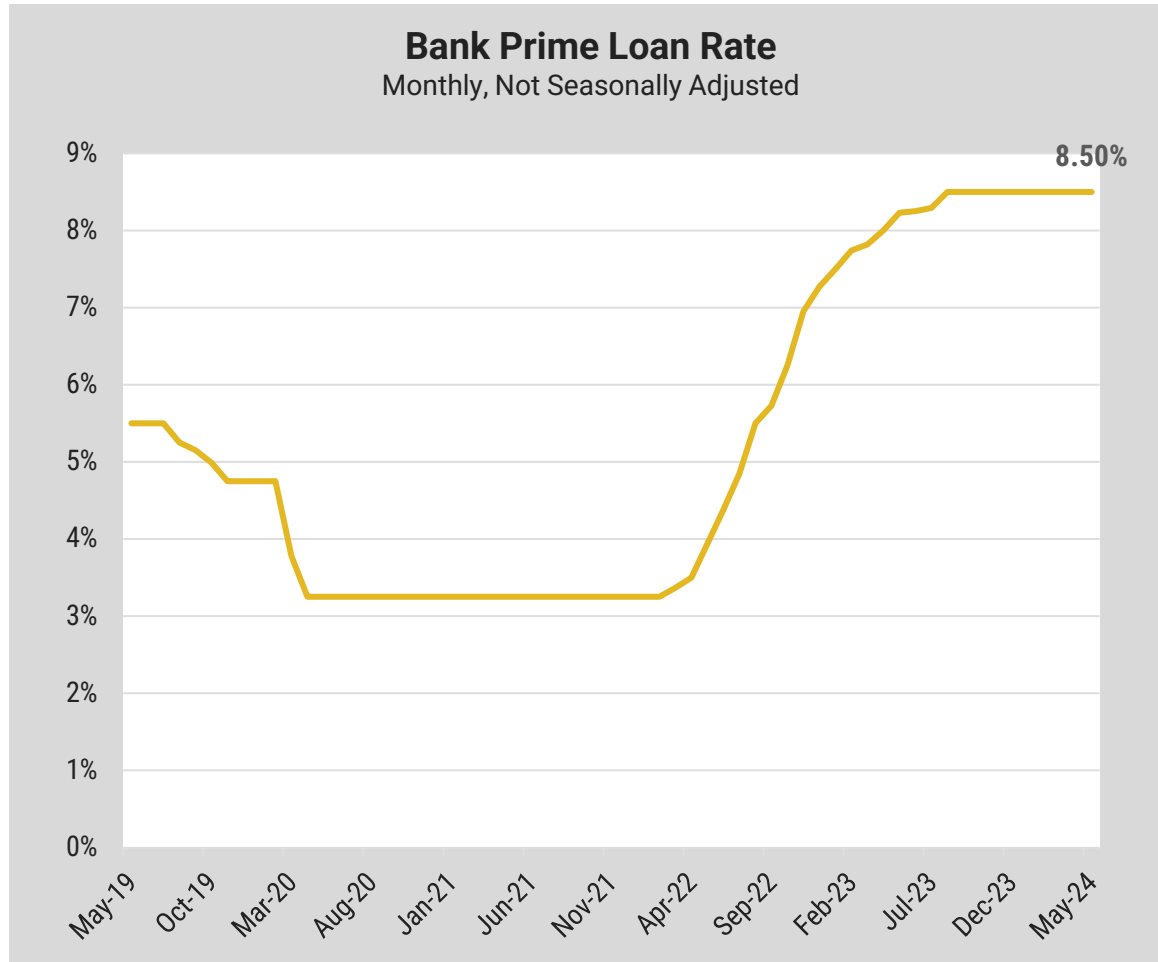
*Real gross domestic product increased at an annual rate of 1.3 percent in the first quarter of 2024; the increase in the first quarter primarily reflected increases in consumer spending and housing investment that were partly offset by a decrease in inventory investment*





# 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



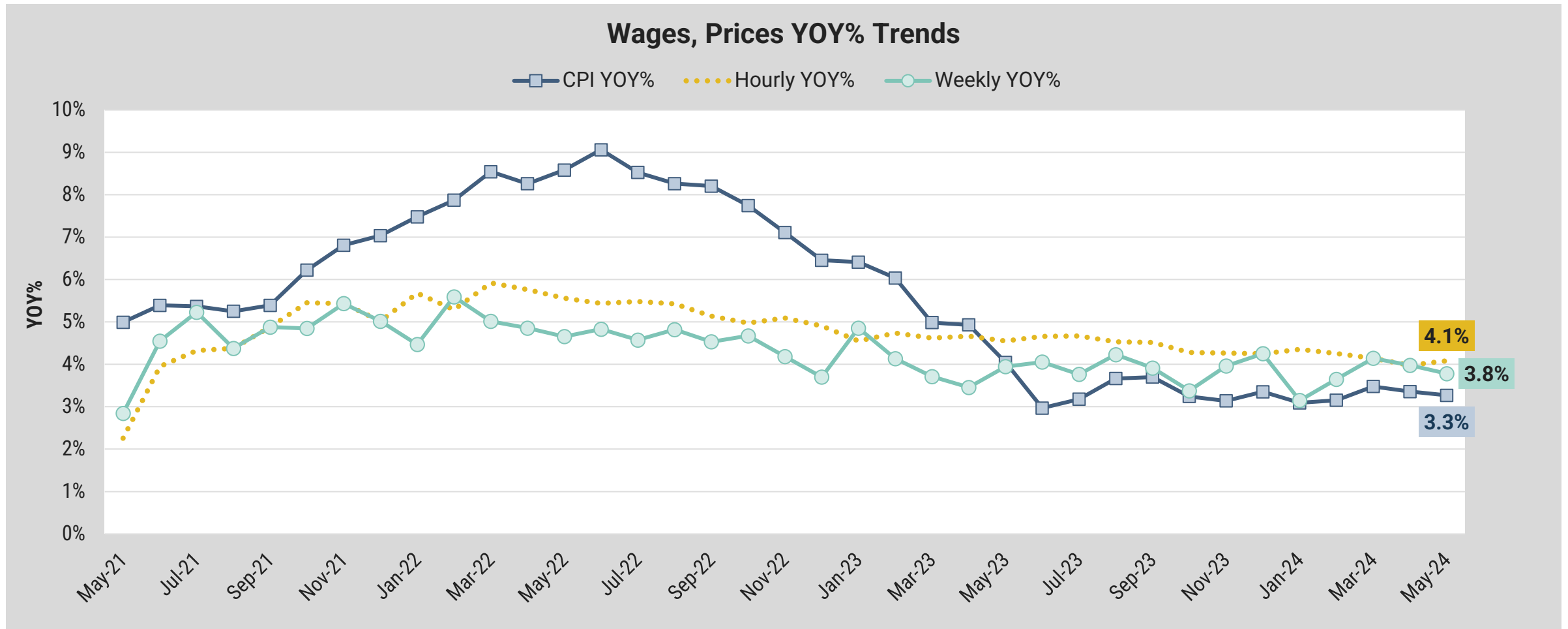
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# U.S. Employment



# Wages vs. Inflation – YOY % Change

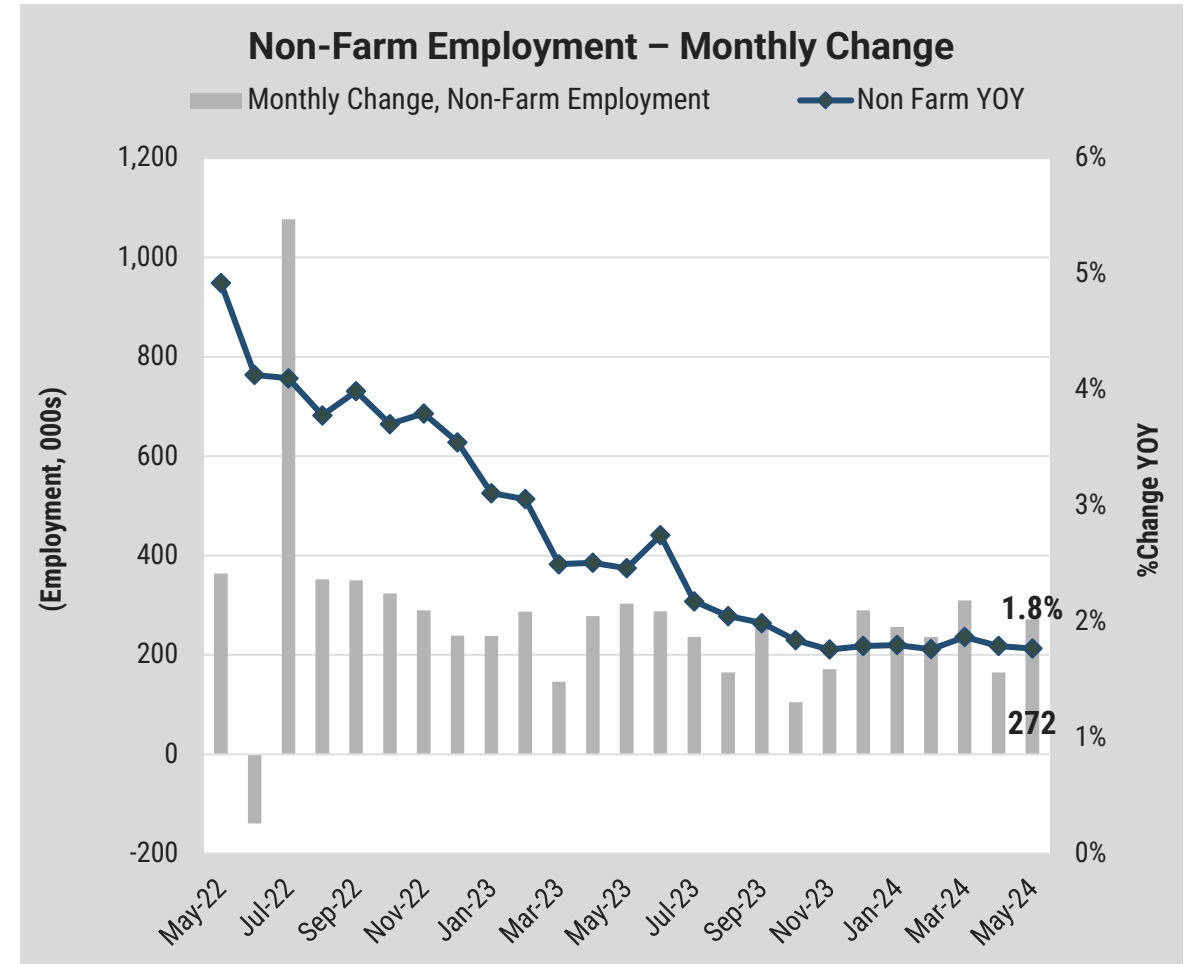
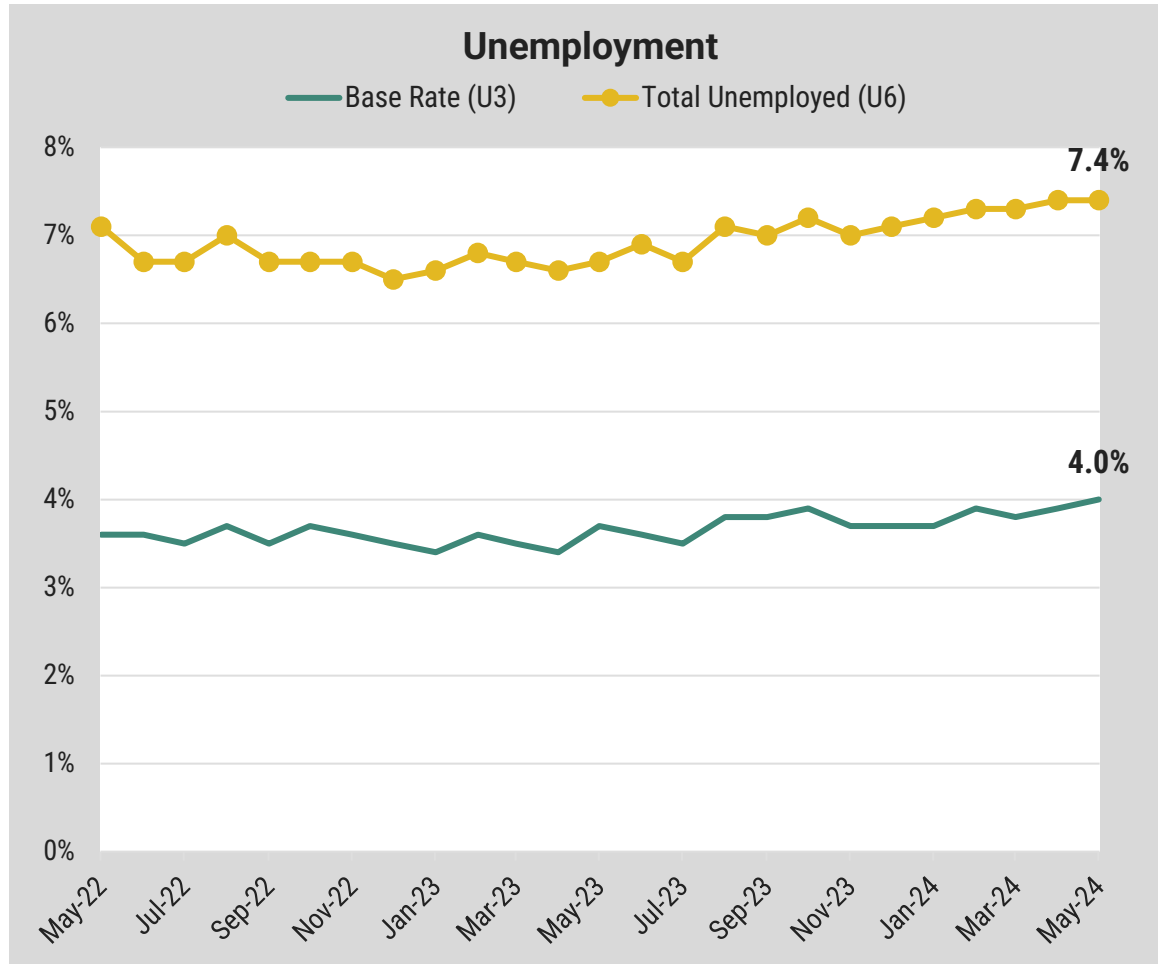
**Both hourly and weekly wage rate increases exceeded the change in inflation in May – this continues to be the number one issue retailers are facing to manage, with high impacts to operating costs**





# U.S. Employment Overview

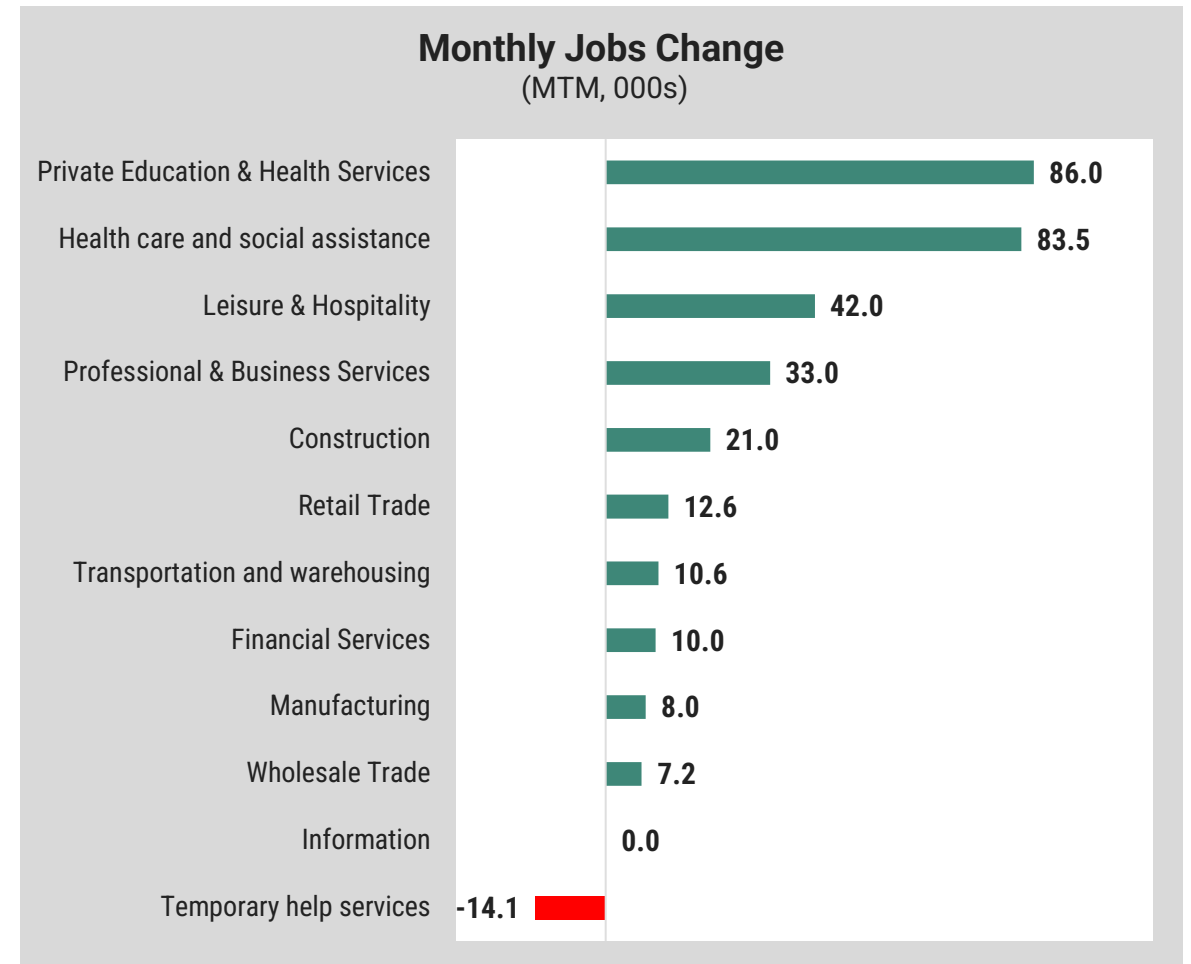
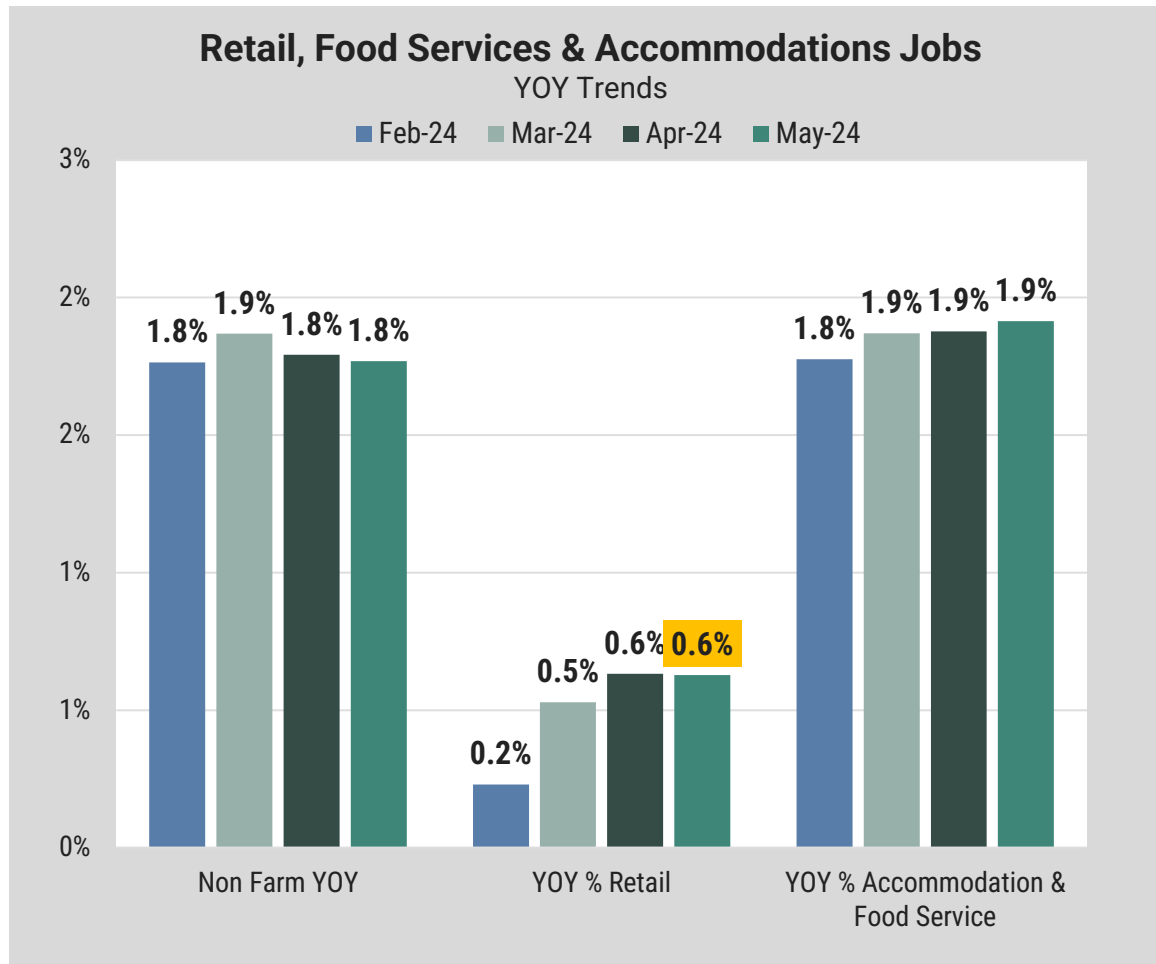
Unemployment rose slightly to 4%; non-farm employment was up 1.8% YOY and rose 272,000 vs. previous month





# Industry Employment Trends

Private Education and Health Care were top increases in May, while temp services took largest drop

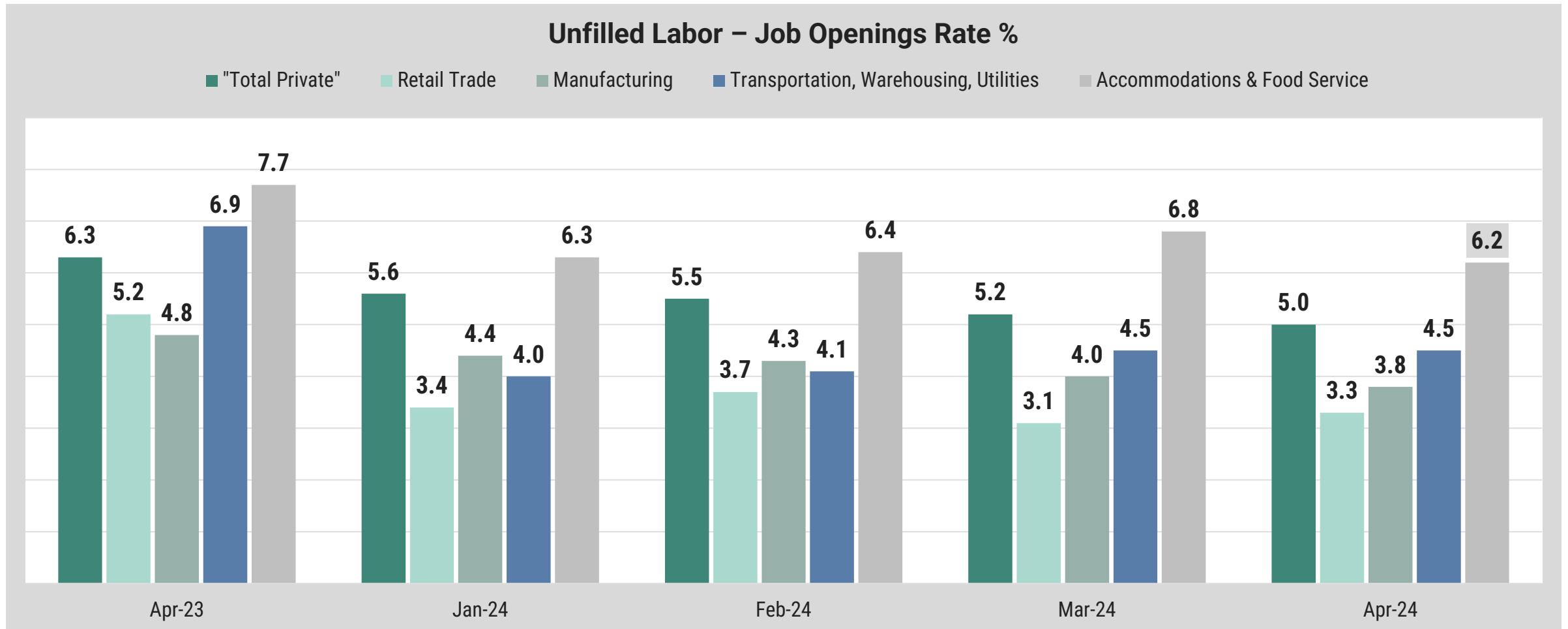


Source: U.S. Bureau of Labor Statistics



# Private Industry Labor – Job Openings

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

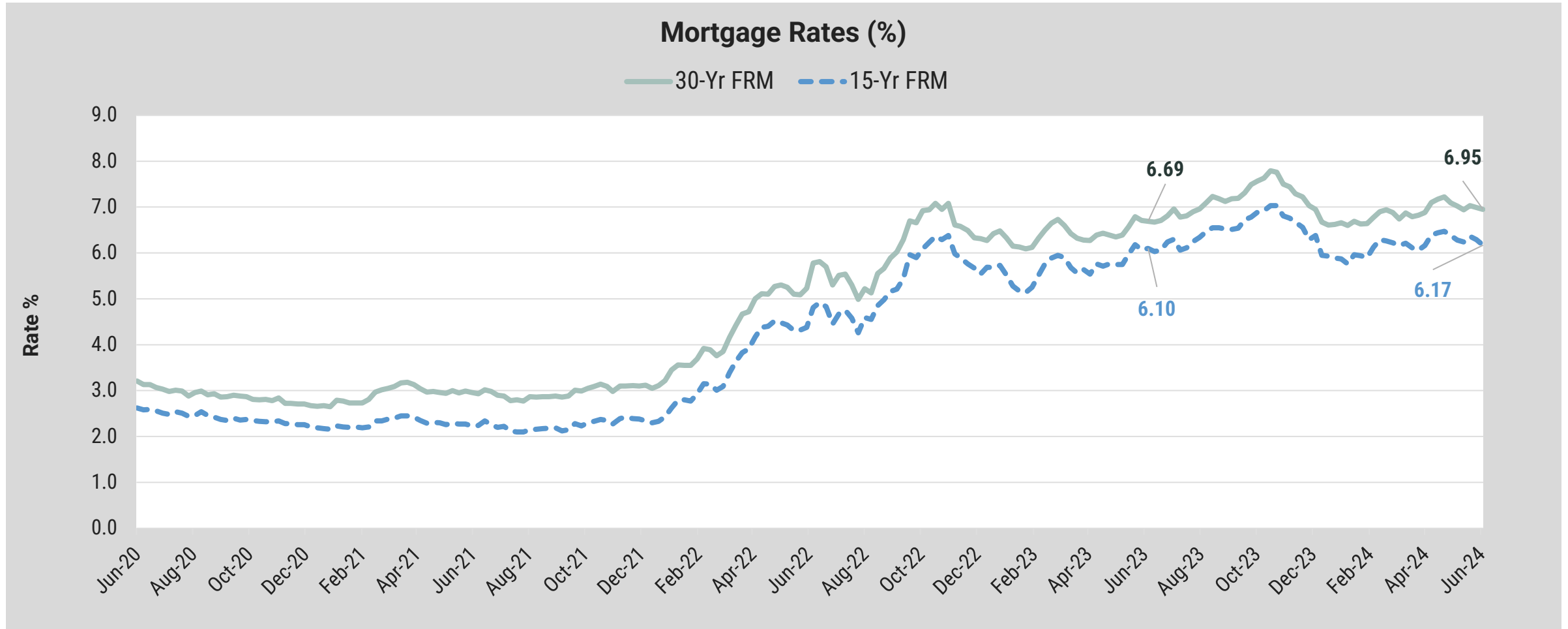
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# Housing



# Mortgage Rates

Mortgage rates dipped below 7% as economic growth cools; inflation remains a concern, especially for housing, making affordability and availability a challenge for homebuyers.

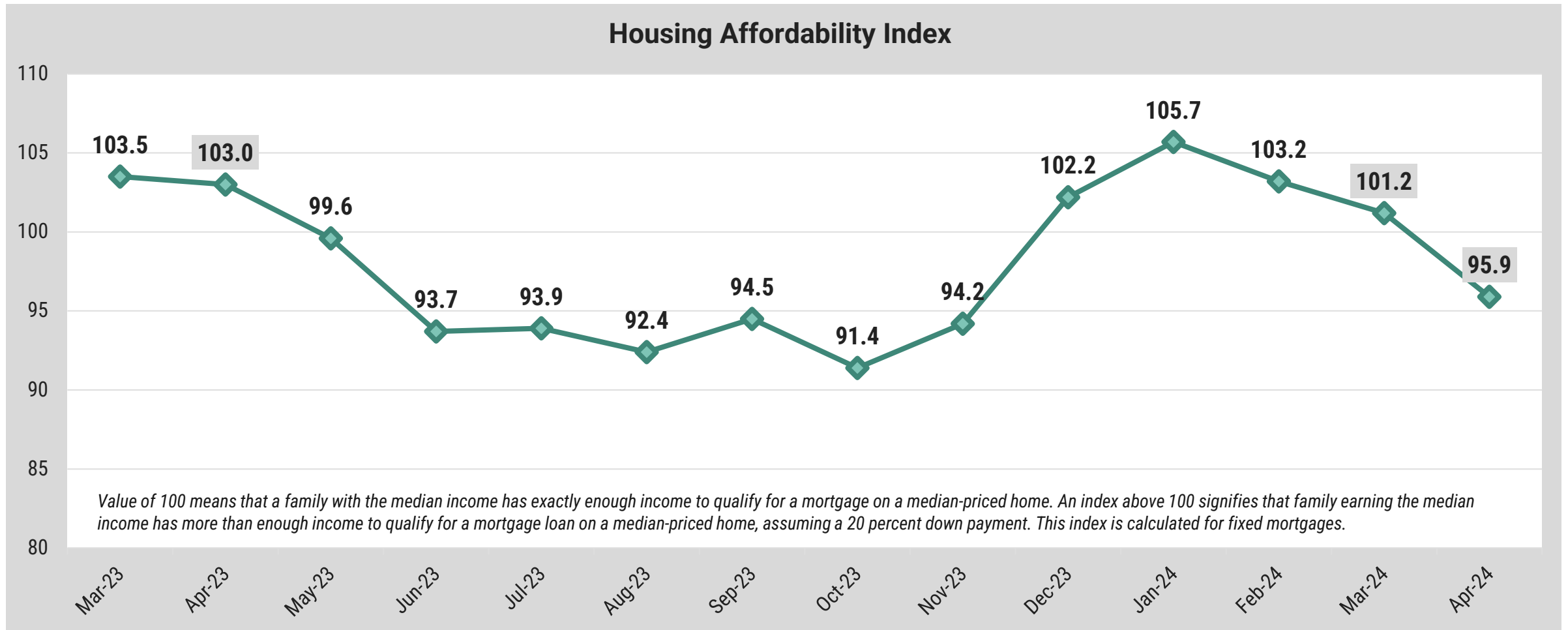


\* Source: FreddieMac Mortgage Market Survey



# National Association of Realtors: Housing Affordability Index

In April, housing affordability declined nationally for the 3<sup>rd</sup> consecutive month fell below April 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>

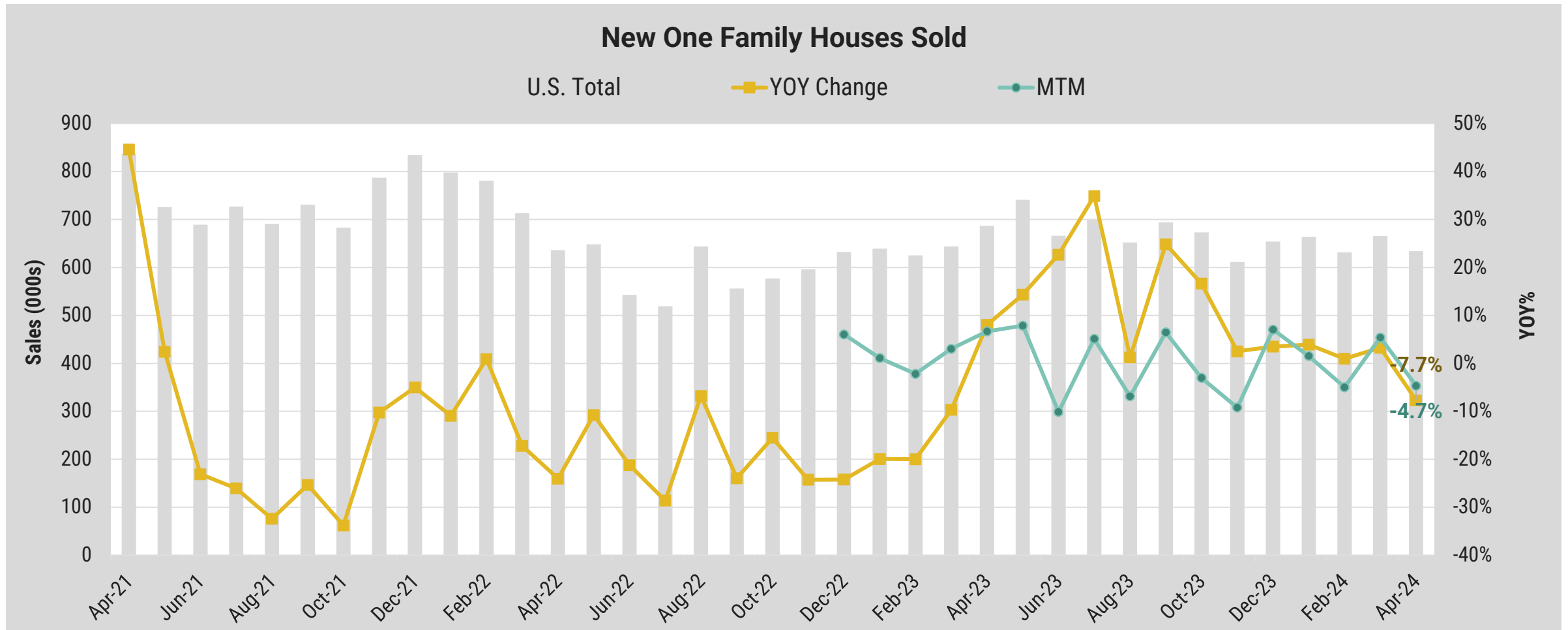
Note: Measures the degree to which a typical family can afford the monthly mortgage payments on a typical home.





# Housing – New Home Sales

New home sales through April fell 7.7% over 2023, and 4.7% over previous month

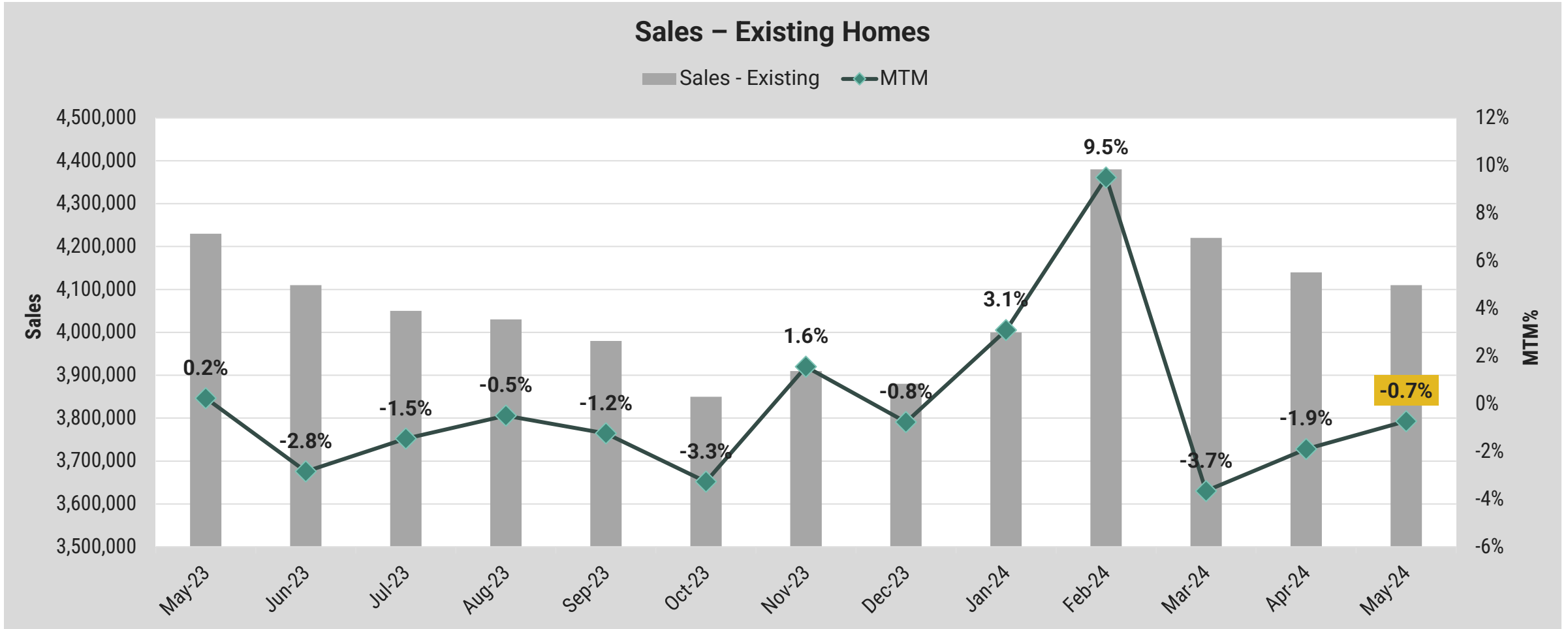


U.S. Census Bureau and U.S. Department of Housing and Urban Development, New One Family Houses Sold: United States, retrieved from FRED, Federal Reserve Bank of St. Louis

# Housing – Existing Home Sales



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

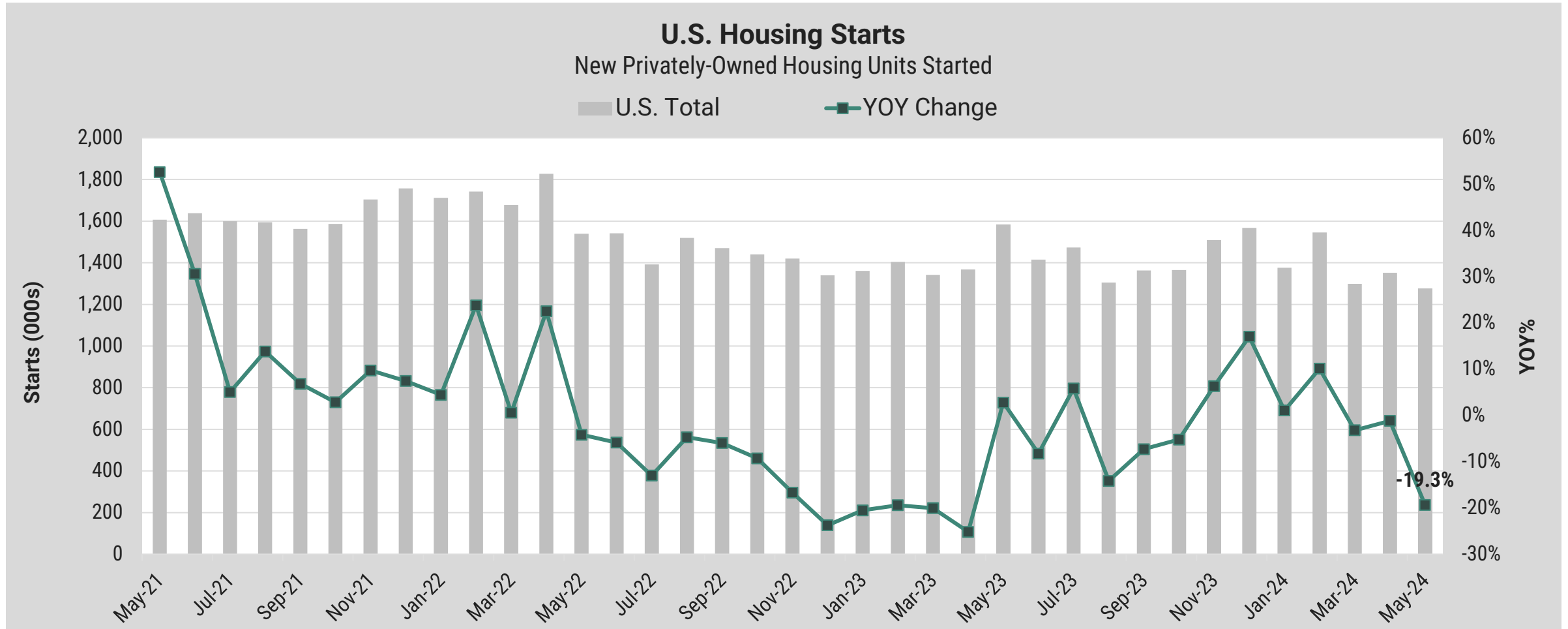


Source: National Association of Realtors



# U.S. Housing Starts

**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**

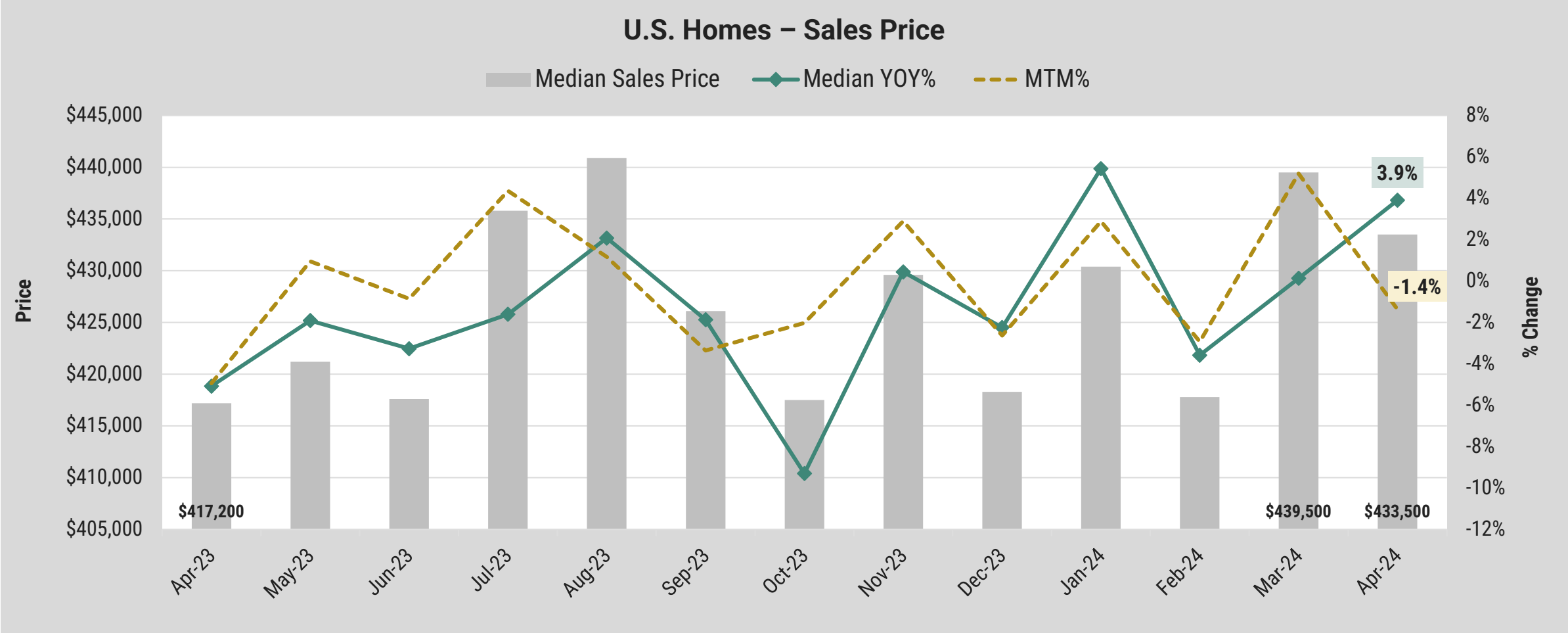


U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Privately-Owned Housing Units Started, retrieved from FRED, Federal Reserve Bank of St. Louis;



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

The April median U.S. new home price increased 3.9% with MTM median price down 1.4% to \$433,500



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

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# Supply Chain

# Global Supply Chain Index



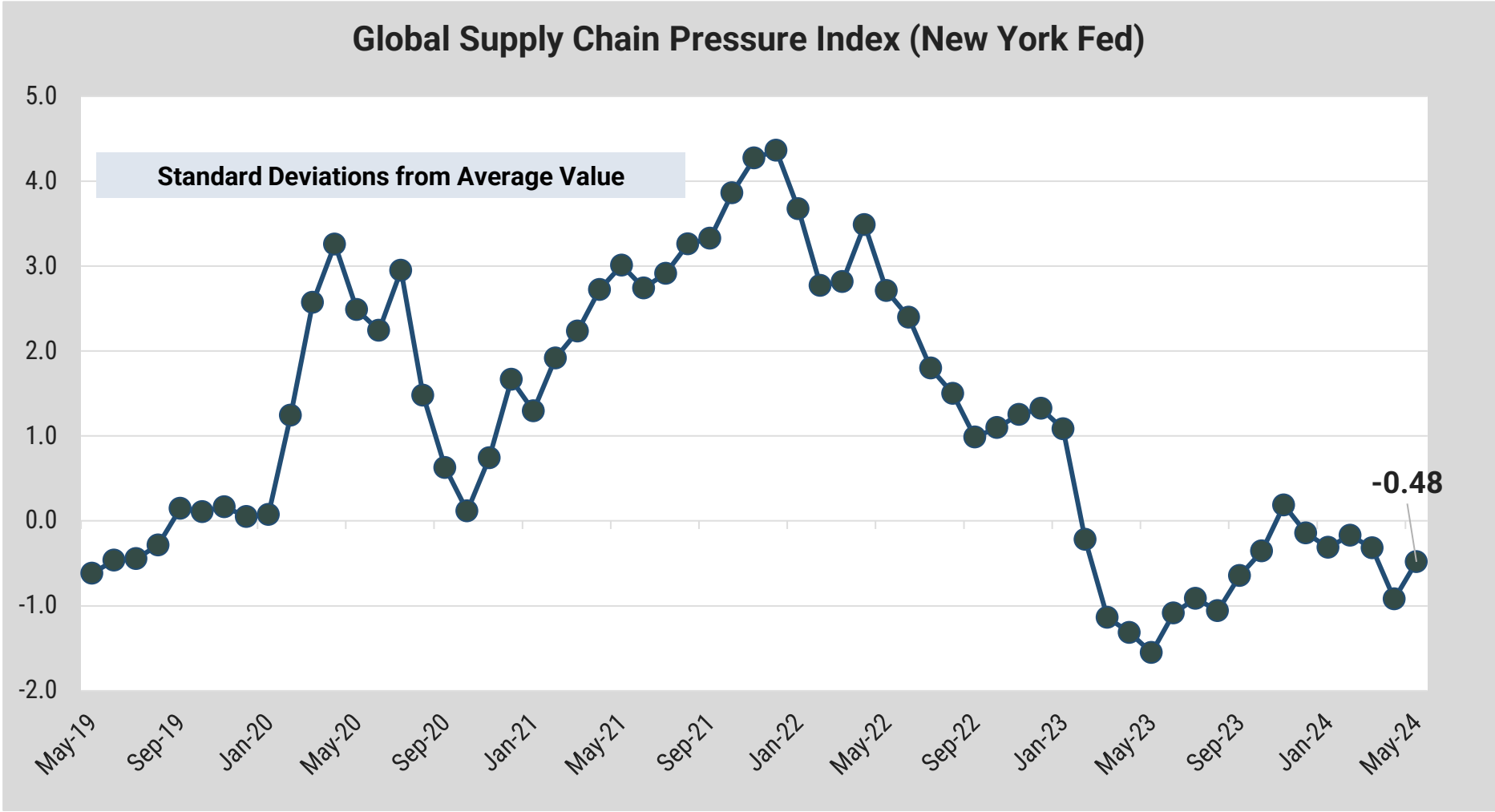
The GSCPI tracks the state of global supply chains using data from the transportation and manufacturing sectors.

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 **-.48** in May

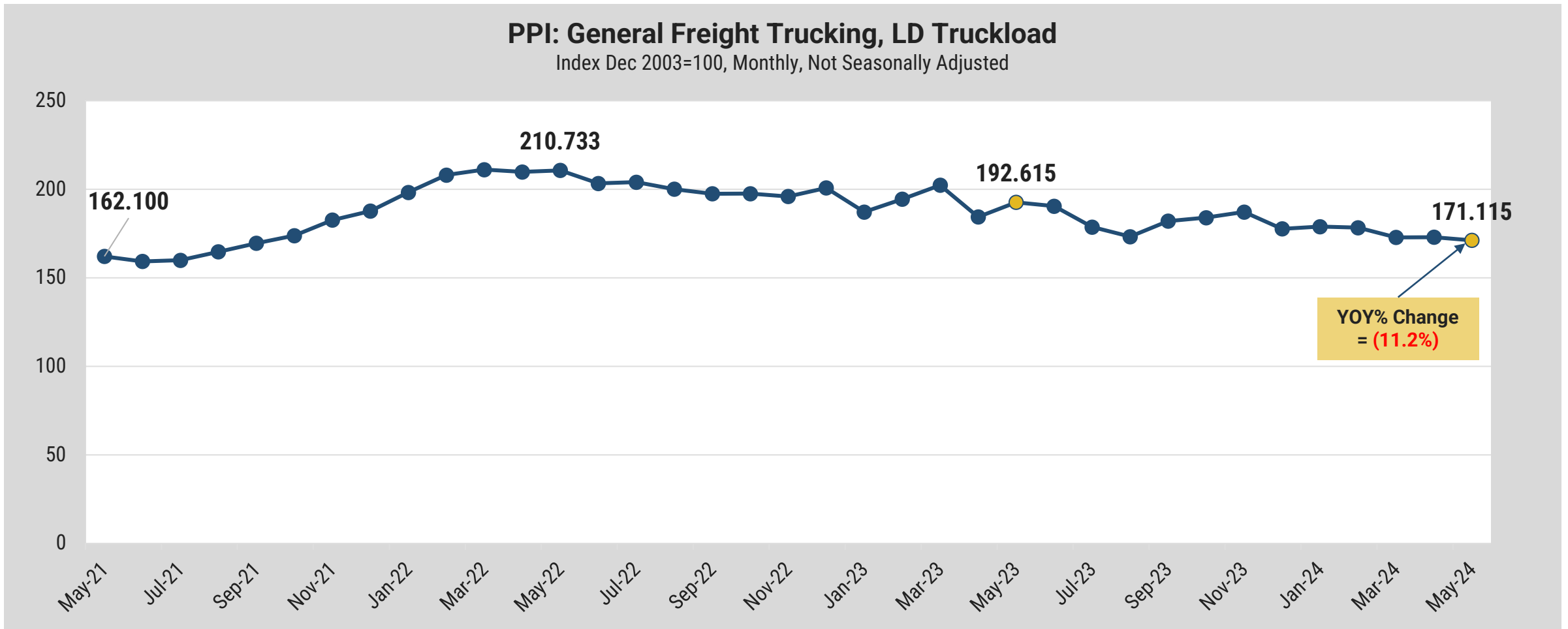


Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index, <https://www.newyorkfed.org/research/gscpi.html>.



# Freight Inflation - Trucking

The general freight trucking index was down more than 11% over last year

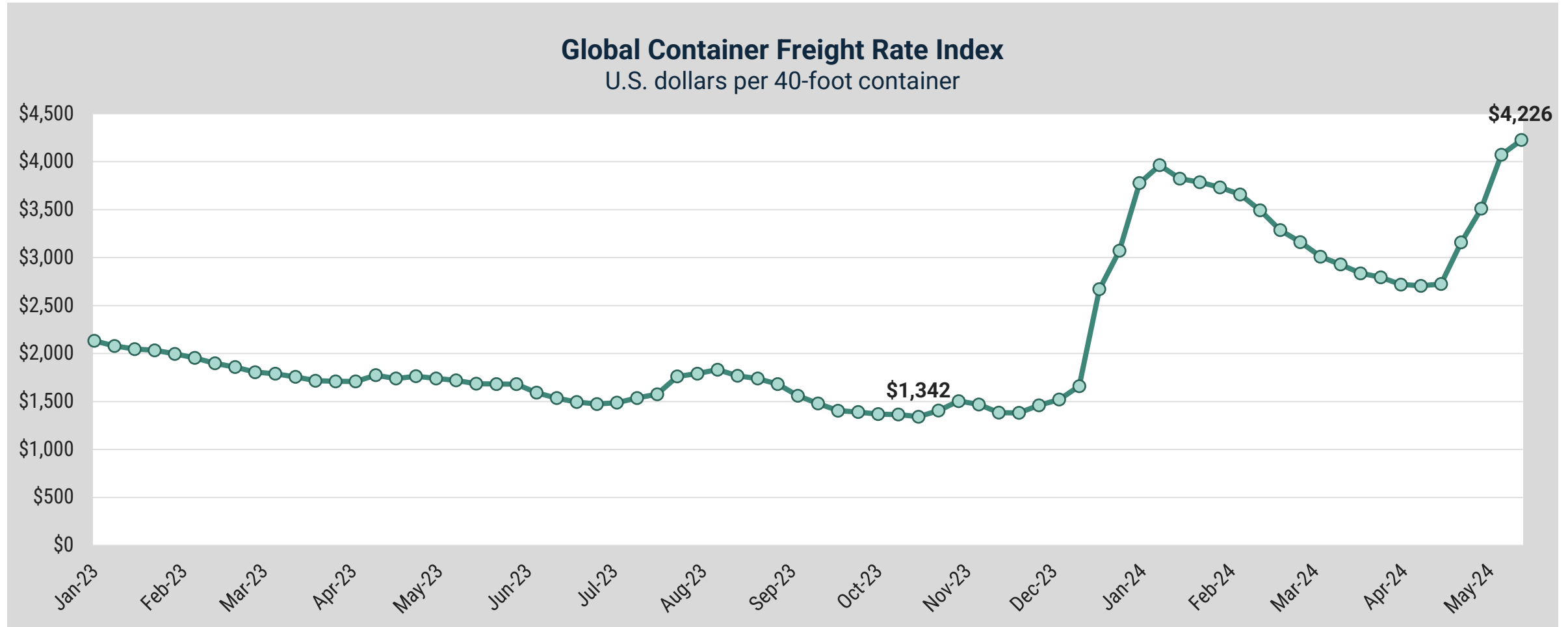


Source: U.S. Bureau of Labor Statistics, FRED, Federal Reserve Bank of St. Louis

# Deep Sea Freight



Since reaching a multi-year low of \$1,342 per 40-foot container in October 2023, global freight rates have surged to record highs above \$4,200 in May 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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# About Ankura

# Ankura Global Reach

35+  
offices globally

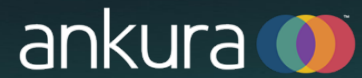
44  
languages spoken

2,000+ professionals

serving 3,000 clients

across 115+ countries

- Ann Arbor • Atlanta • Beijing • Boston • Brussels • Chicago • Dallas • 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
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