



PERFORMANCE IMPROVEMENT

# U.S. Economic Overview

Consumers and the Macro Economy

MAY 2023



---

# Disclaimer

The material in this presentation has been prepared by Ankura Consulting Group, LLC (“Ankura”) and is general background information about the matters described herein to be used for informational purposes only. This information is given in summary form and does not purport to be complete. This information should not be considered legal or financial advice. You should consult with an attorney or other professional to determine what may be best for your individual needs.

Information in this presentation should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. No one should make any investment decision without first consulting his or her own financial advisor and conducting his or her own research and due diligence.

Ankura does not make any guarantee or other promise as to any results that may be obtained from using the information in this presentation. Ankura shall have no liability to the recipient of this presentation or to third parties, for the quality, accuracy, timeliness, continued availability or completeness of any data or calculations contained and/or referred to in this presentation nor for any special, direct, indirect, incidental or consequential loss or damage that may be sustained because of the use of the information contained and/or referred to in this presentation or otherwise arising in connection with the information contained and/or referred to in this presentation, provided that this exclusion of liability shall not exclude or limit any liability under any law or regulation applicable to Ankura that may not be excluded or restricted.

IRS Circular 230 Disclosure: Ankura and its affiliates do not provide tax or legal advice. Any discussion of tax matters in these materials (i) is not intended or written to be used, and cannot be used or relied upon, by you for the purpose of avoiding any tax penalties and (ii) may have been written in connection with the “promotion or marketing” of a transaction (if relevant) contemplated in these materials. Accordingly, you should seek advice based your particular circumstances from an independent tax advisor.

This presentation contains data compilations, writings and information that are confidential and proprietary to Ankura and protected under copyright and other intellectual property laws, and may not be reproduced, distributed or otherwise transmitted by you to any other person for any purpose unless Ankura’s prior written consent has been obtained.

---

# Contents

<b>1. Summary</b>	<b>4</b>
<b>2. Key Consumer Metrics</b>	<b>6</b>
<b>3. U.S. Retail Sales</b>	<b>12</b>
<b>4. Broad Economic Indicators</b>	<b>19</b>
<b>5. U.S. Employment</b>	<b>25</b>
<b>6. Supply Chain</b>	<b>29</b>
<b>7. Housing</b>	<b>33</b>
<b>8. About Ankura</b>	<b>37</b>

---

# Summary

# Summary

- **Consumer debt** reached a new high in Q1 – passing \$17 trillion for the first time ever, despite a slowdown in new mortgage loan originations
  - *Over the last year, rate of loans moving to delinquency (30+ days) has increased for auto, credit card, and mortgage loans*
  - *Revolving credit debt continues to climb, increasing 14.1% vs. last year*
- **Consumer sentiment** took a nosedive in May, dropping over 9% MTM, hitting its worst level since the historic low last June; consumers are worried about the economy amid a rash of negative news – especially concerning the standoff regarding the debt crisis standoff
- **Retail sales** were again disappointing – April sales increased 4.3%, well below core inflation rate of 5.5% and MTM sales increased just .6%
  - *Food services and drinking places were up 9.4%*
  - *Other than non-discretionary categories and e-commerce, most key retail segments experienced YOY sales declines in April*
- The **Consumer Price Index** increased 4.9% YOY, with Core CPI up 5.5%. The index for shelter was again a large contributor to the monthly all items increase, as was price inflation for food at and away from home
  - *Retail gas prices continue to decline, down 18% YOY to \$3.64 / gallon nationally through mid-May vs. \$4.43 last year*
- **Air travel** continues to increase among U.S. travelers; year-to-date, TSA checkpoint numbers are up 16.6%
  - *The cost of air travel declined 2.4% MTM, and was nearly 1% lower than last year*
- **30-year FRM rate** of 6.35%, above last year's rate of 5.3%; 15-year rate at 5.75%
- **Global supply chain** pressures decreased in April, with significant downward impact from Euro delivery times, stocks of purchases, and Korean delivery times; recent downward trend has been driven by improvements in Euro Area delivery times
- **Inventories** for March were 8.2% above 2022; companies continue to work thru excess, cutting outstanding orders with a meager outlook to the balance of the year
  - *With poor April sales, retailers must examine 2nd half of the year receipt and sales plans to ensure they align with current sales trends and account for the impact of increasingly cautious consumers*
- The **current economic environment** and low consumer sentiment is impacting how much consumers are willing to spend on non-essentials; retailers will need to sharpen their promotional focus, optimize inventory allocation, and closely manage expenses

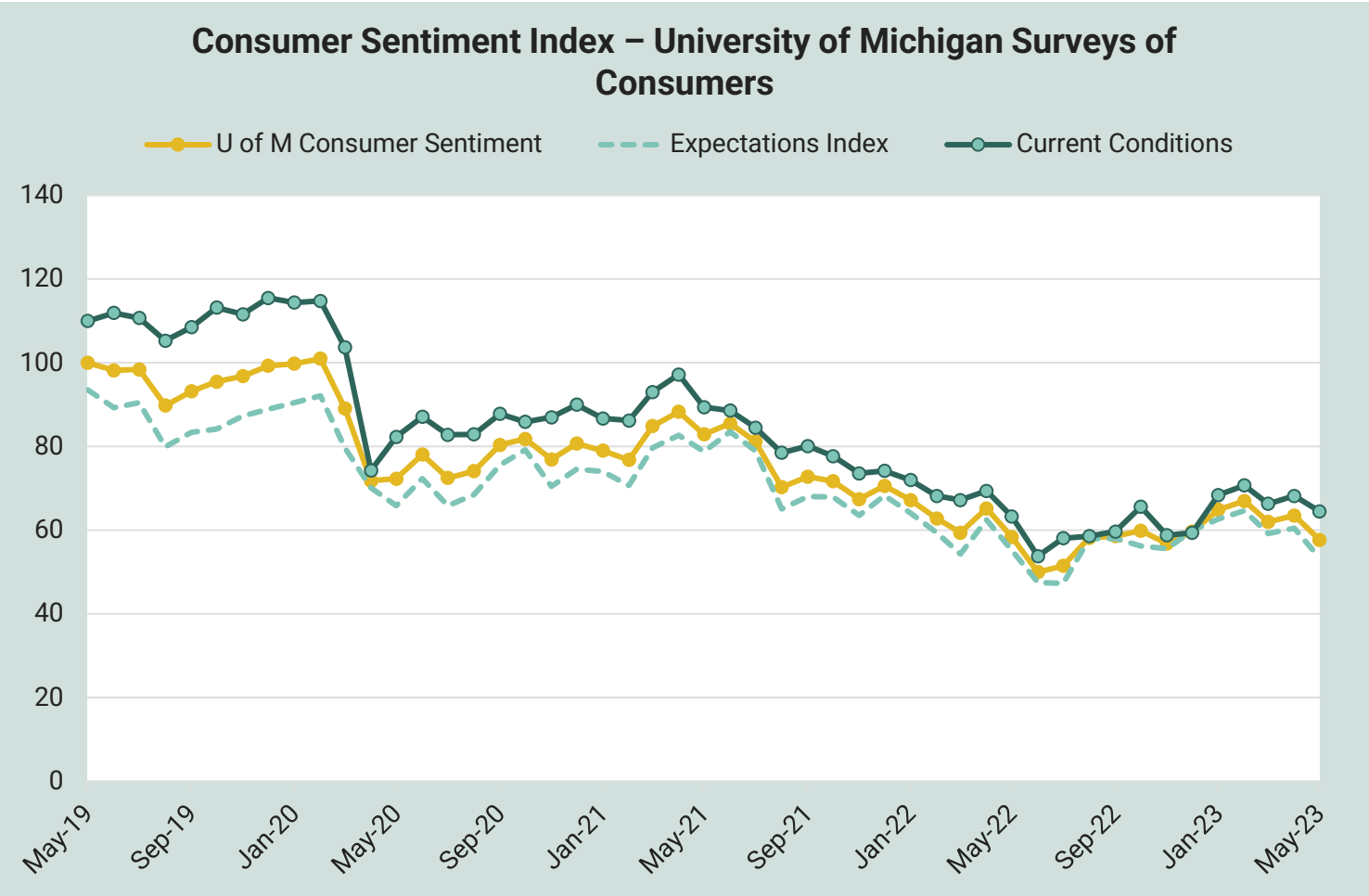
---

# Key Consumer Metrics

# Consumer Sentiment Index

Consumer sentiment dropped over 9% MTM, hitting worst level since the historic low last June; consumers are worried about the economy amid a rash of negative news – especially concerning the debt crisis standoff

	Consumer Sentiment	Expectations Index	Current Conditions
2-Year High	85.5	83.5	89.4
2-Year Avg.	65.0	62.1	69.6
2-Year Low	50.0	47.3	53.8
Current	57.7	53.4	64.5
LY	58.4	55.2	63.3
YOY % Change	-1.2%	-3.3%	1.9%
Previous Month	63.5	60.5	68.2
MTM % Change	-9.1%	-11.7%	-5.4%

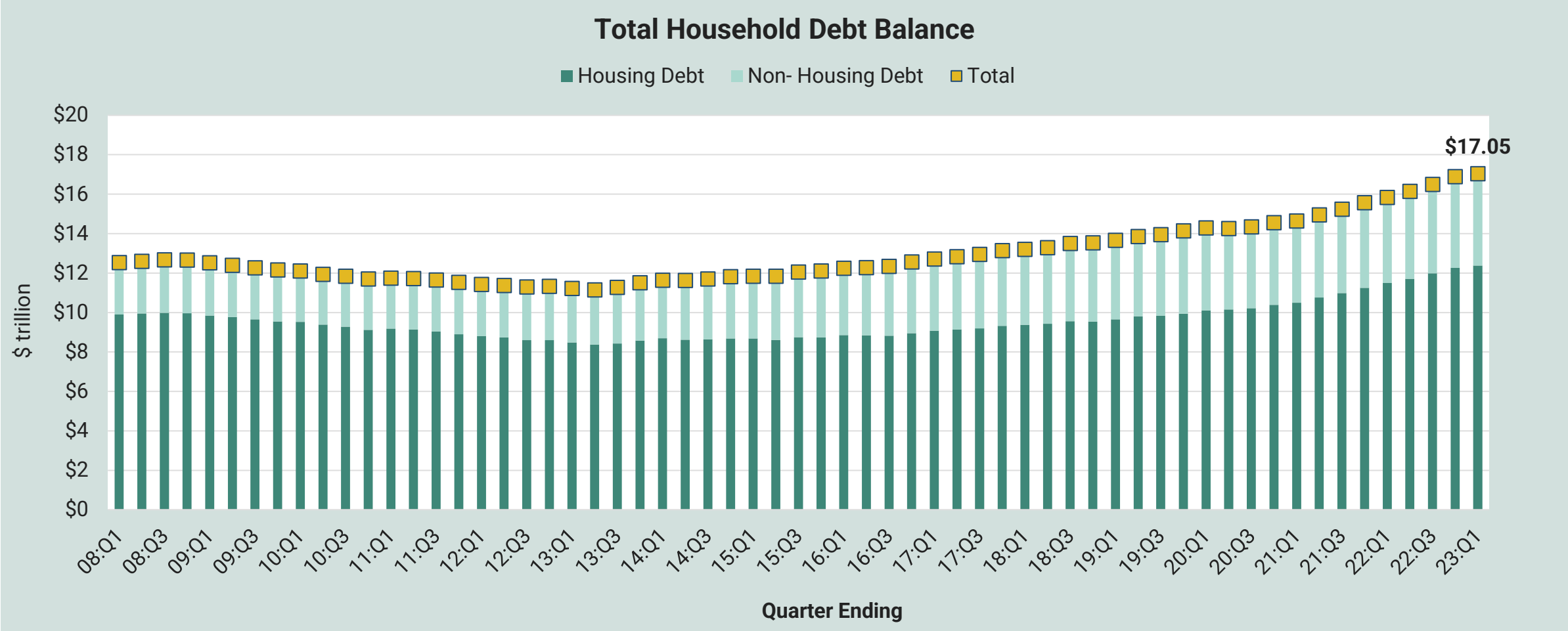


Source: The Surveys of Consumers are conducted by the Survey Research Center at the University of Michigan. (<https://data.sca.isr.umich.edu/survey-info.php>)



# Total Consumer Debt

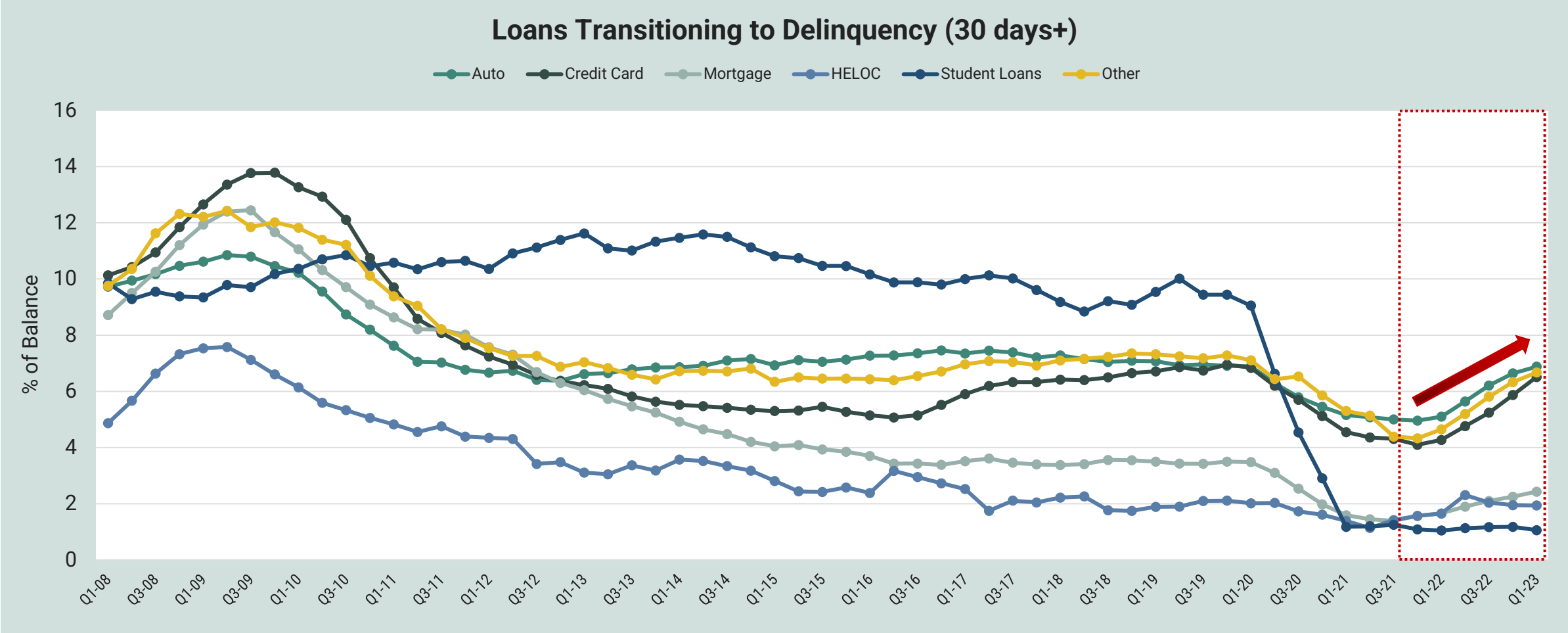
Total household debt rose by \$148 billion to \$17.05 trillion in Q1-2023; despite a slowdown in new mortgage loans, this is a new high and the first-time household debt has passed the \$17 trillion mark





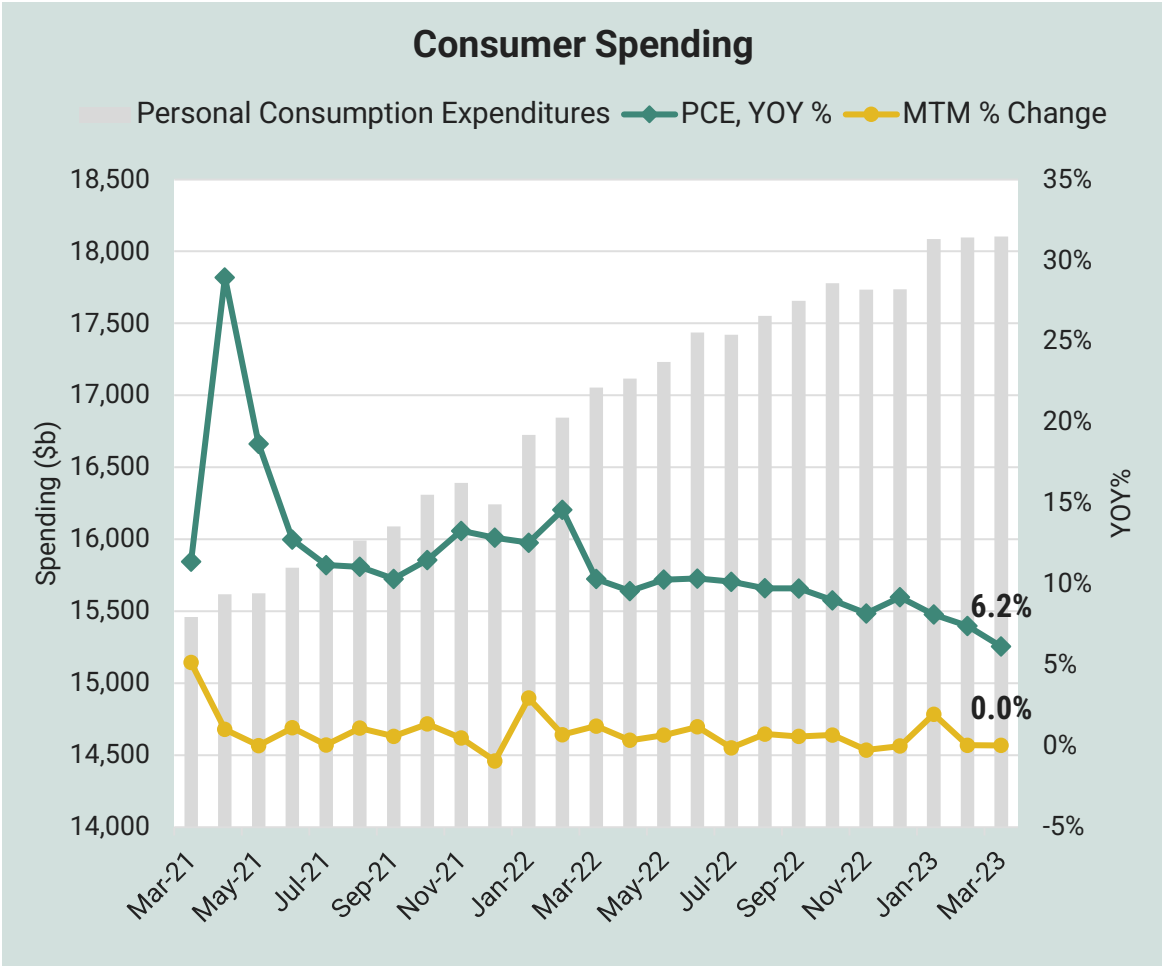
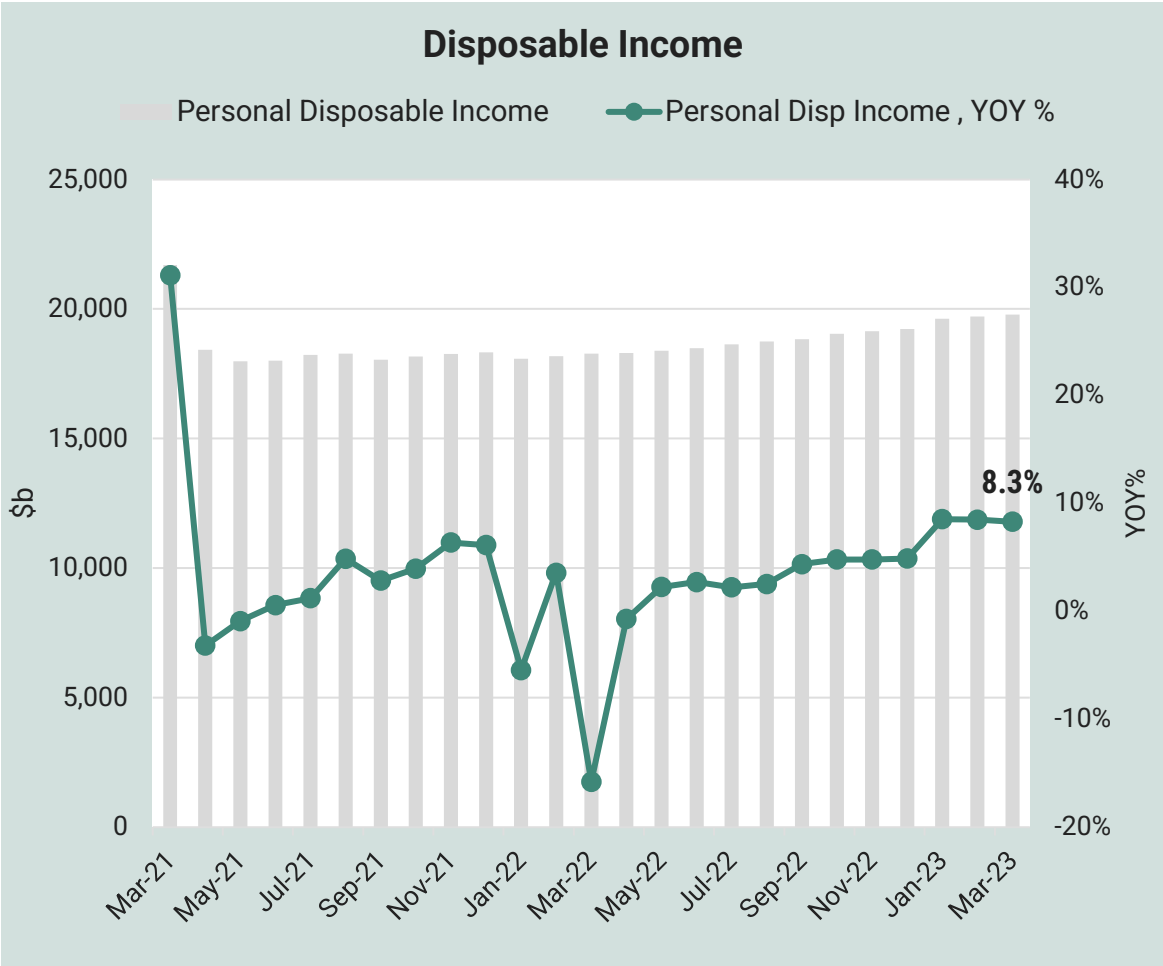
# Consumer Debt – Delinquencies

The rate of loans moving to delinquency (30+) has increased over the last year for auto, credit cards, mortgages, and “other”



# Consumer Income and Spending

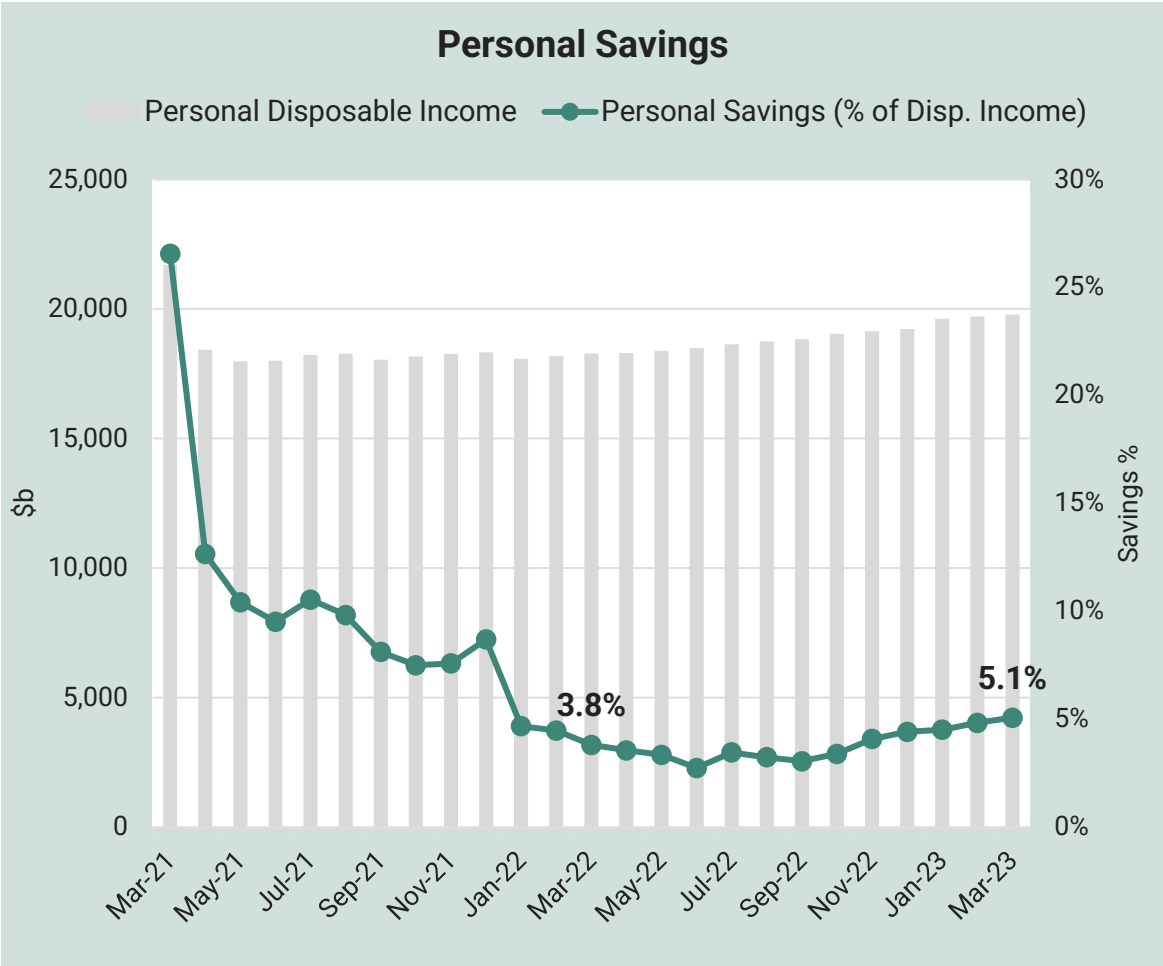
Personal disposable income rose 8.3% in March 2023; consumer expenditures increased 6.2% YOY and were flat compared to previous months



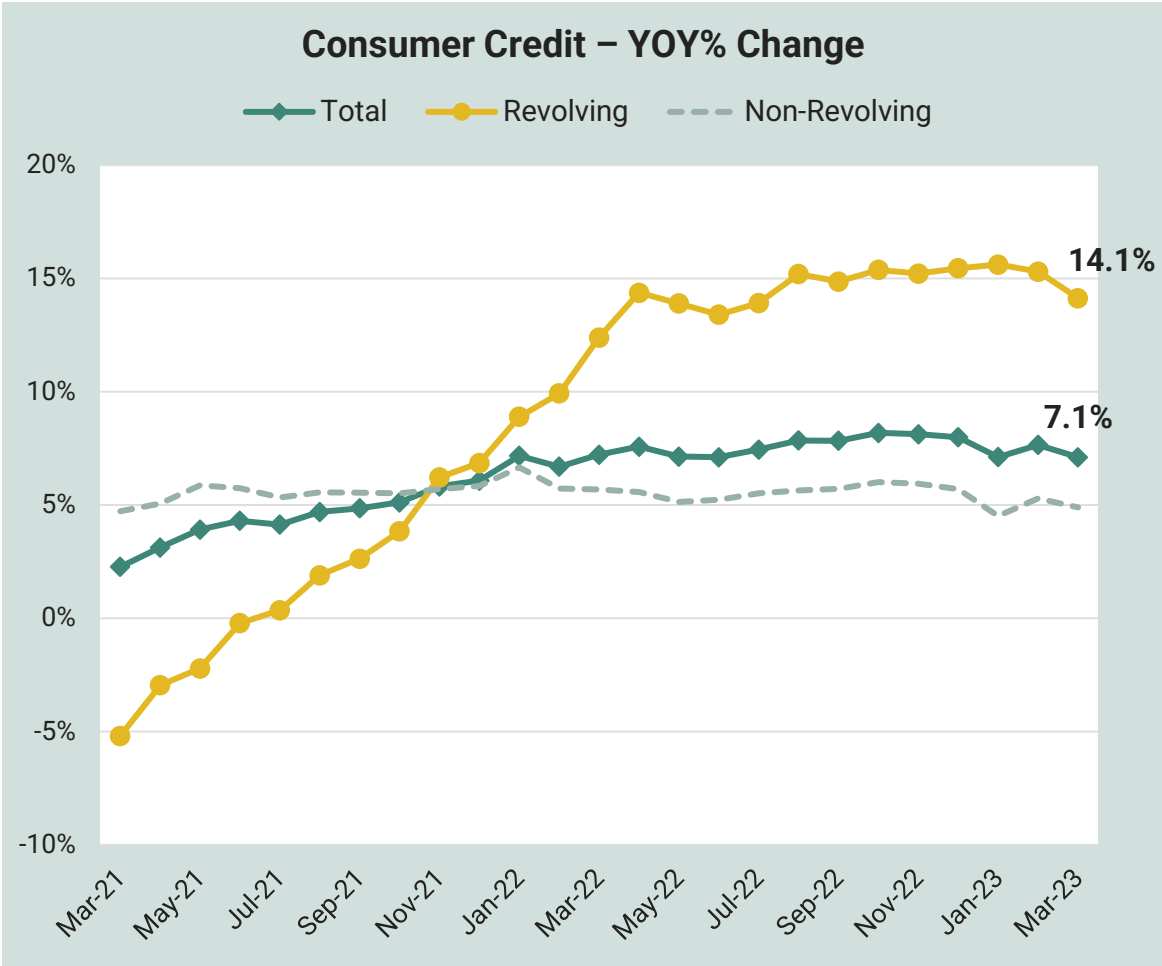
Source: U.S. Bureau of Economic Analysis, 2-month lag in reporting

# Personal Savings & Consumer Credit

Personal savings rate rose slightly in March to 5.1%; revolving credit debt continues to rise YOY – 14.1% over 2022



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



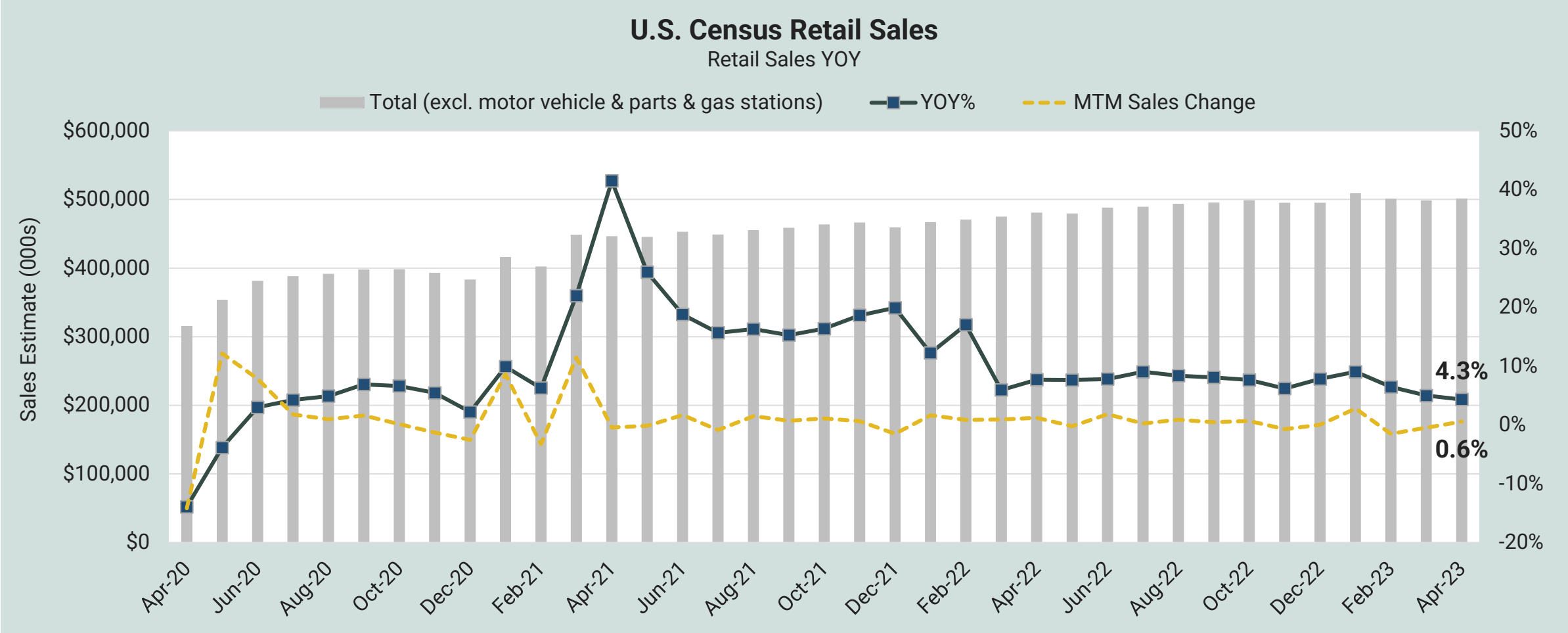
Source: U.S. Federal Reserve, 2-month lag in reporting

---

# U.S. Retail – Sales & Inventories

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

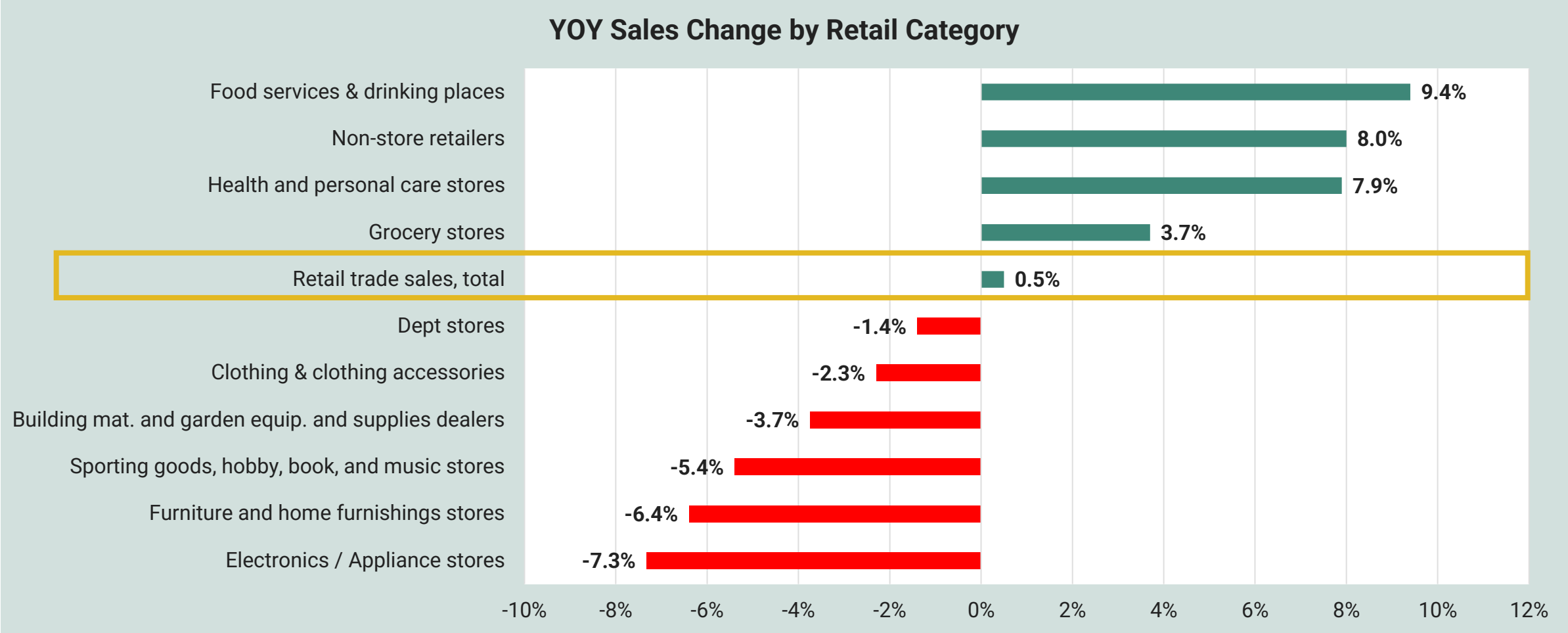
**April retail sales increased 4.3% over 2022 – MTM sales increased just .6%**



Source: U.S. Census Bureau

# U.S. Retail Sales by Retail Category

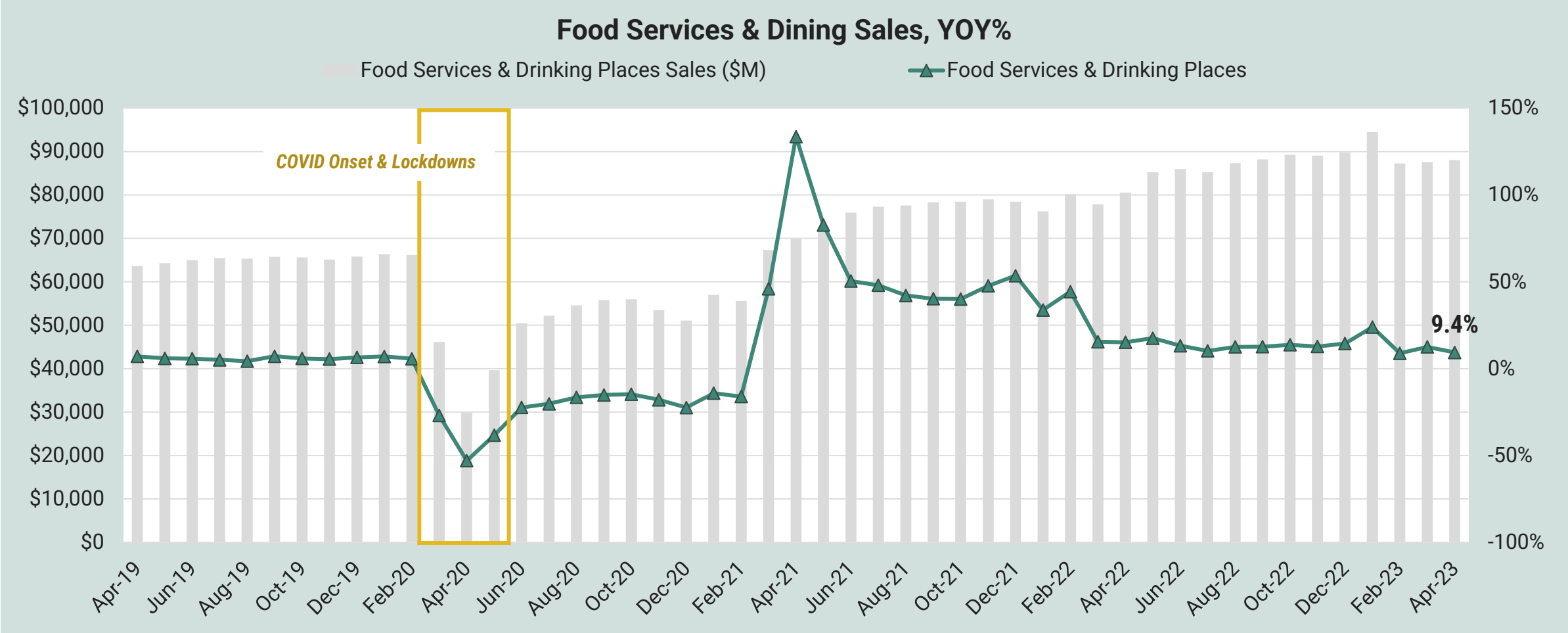
Other than non-discretionary categories and e-commerce, key retail segments experienced YOY sales declines in April; food services and dining increased 9.4%



Source: U.S. Census Bureau

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

Food services/dining continues to show YOY gains, increasing 9.4% in April

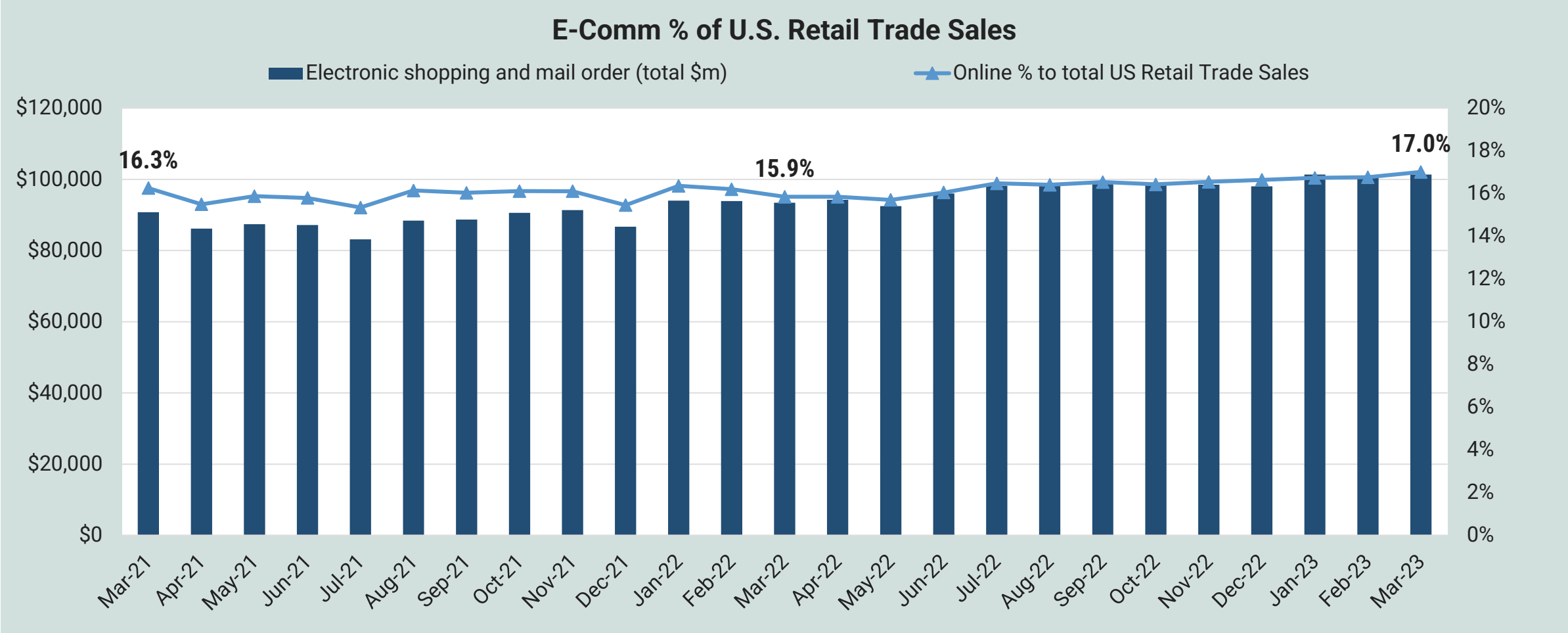


Source: U.S. Census Bureau



# U.S. Retail Sales – E-Commerce

E-comm % of retail trade sales increased to 17% through March 2023



Source: U.S. Census Bureau

# Retail Inventories

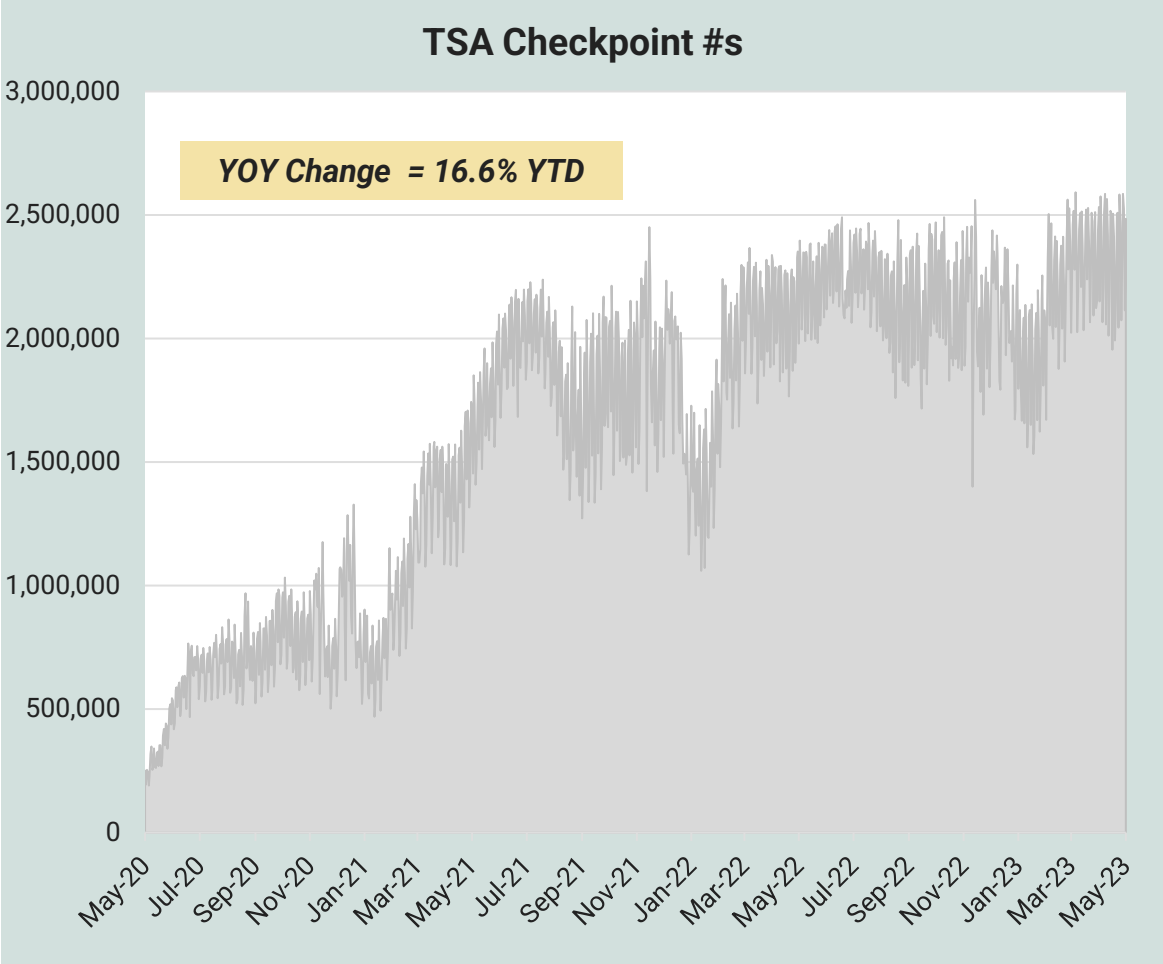
Inventories for March were 8.2% above 2022; companies continue to work thru excess products and face challenges going forward as retail sales slowed for many segments in April



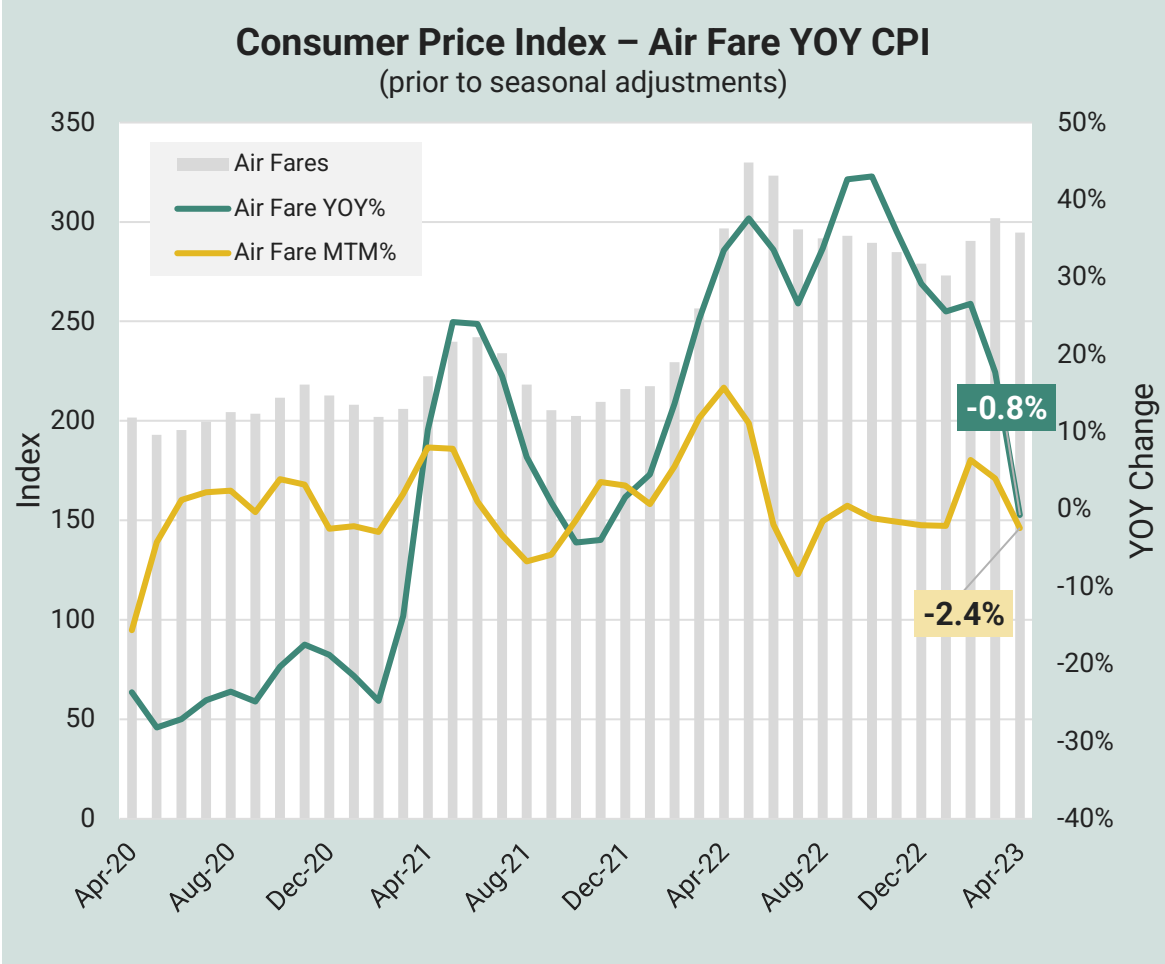
U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>

# TSA Checkpoint Travel Numbers

Air travel continues to increase among U.S. travelers; year-to-date, TSA checkpoint numbers are up 16.6%; the price of air travel declined 2.4% MTM, and was nearly 1% lower than last year



Source: U.S. Transportation Security Administration



Source: U.S. Bureau of Labor Statistics

---

# Broad Economic Indicators

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

**The Consumer Price Index increased 4.9% YOY, with Core CPI up 5.5%. The index for shelter was again a large contributor to the monthly all items increase, as was price inflation for food at and away from home**

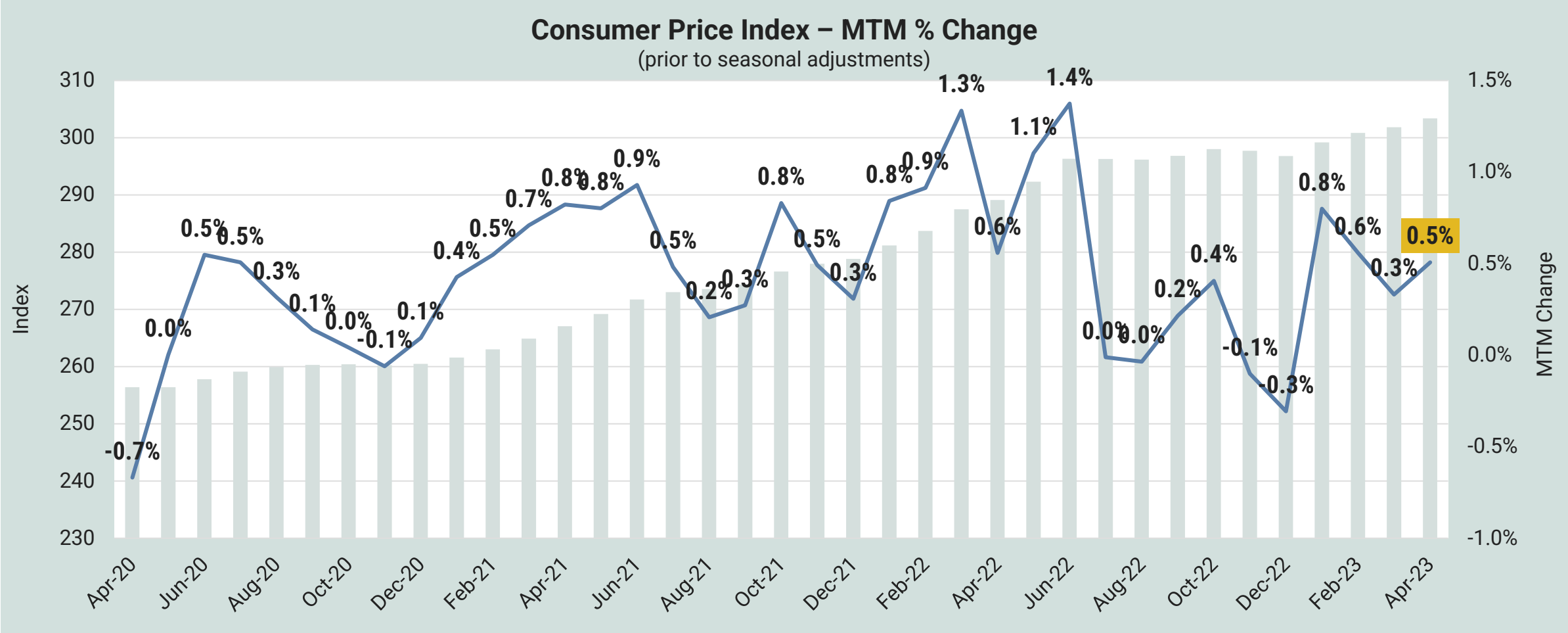
- Food at Home +7.1%
- Food Away From Home +8.6%
- Housing +7.5%
- Fuel -12.4%
- Air Fares -0.8%

	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23
<b>Total CPI</b>	<b>7.1%</b>	<b>6.5%</b>	<b>6.4%</b>	<b>6.0%</b>	<b>5.0%</b>	<b>4.9%</b>
<b>All Items Less Food &amp; Energy (Core CPI)</b>	<b>6.0%</b>	<b>5.7%</b>	<b>5.6%</b>	<b>5.5%</b>	<b>5.6%</b>	<b>5.5%</b>
Food at Home	12.0%	11.8%	11.3%	10.2%	8.4%	7.1%
Food Away From Home	8.5%	8.3%	8.2%	8.4%	8.8%	8.6%
Motor Fuel	10.8%	-0.9%	1.9%	-1.7%	-17.3%	-12.4%
Apparel	3.6%	2.9%	3.1%	3.3%	3.3%	3.6%
Housing	7.8%	8.1%	8.2%	8.2%	7.8%	7.5%
Education	3.1%	3.3%	3.4%	3.3%	3.5%	3.6%
Medical Care	4.2%	4.0%	3.1%	2.3%	1.5%	1.1%
Transportation	7.8%	3.9%	3.8%	2.6%	-1.0%	0.2%
Air Fare	35.9%	29.1%	25.6%	26.5%	17.7%	-0.8%

Source: U.S. Bureau of Labor Statistics

# Consumer Price Index – Month-to-Month Trends

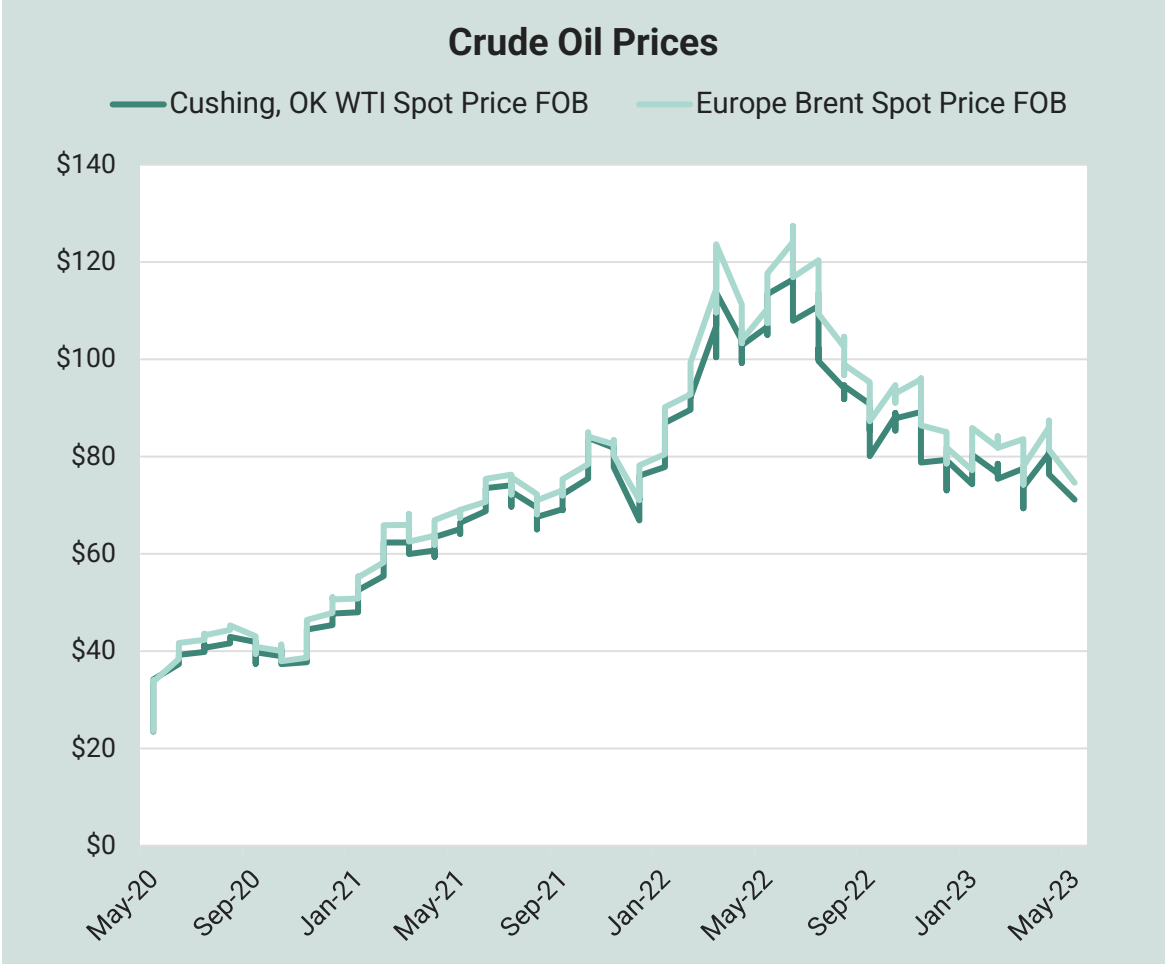
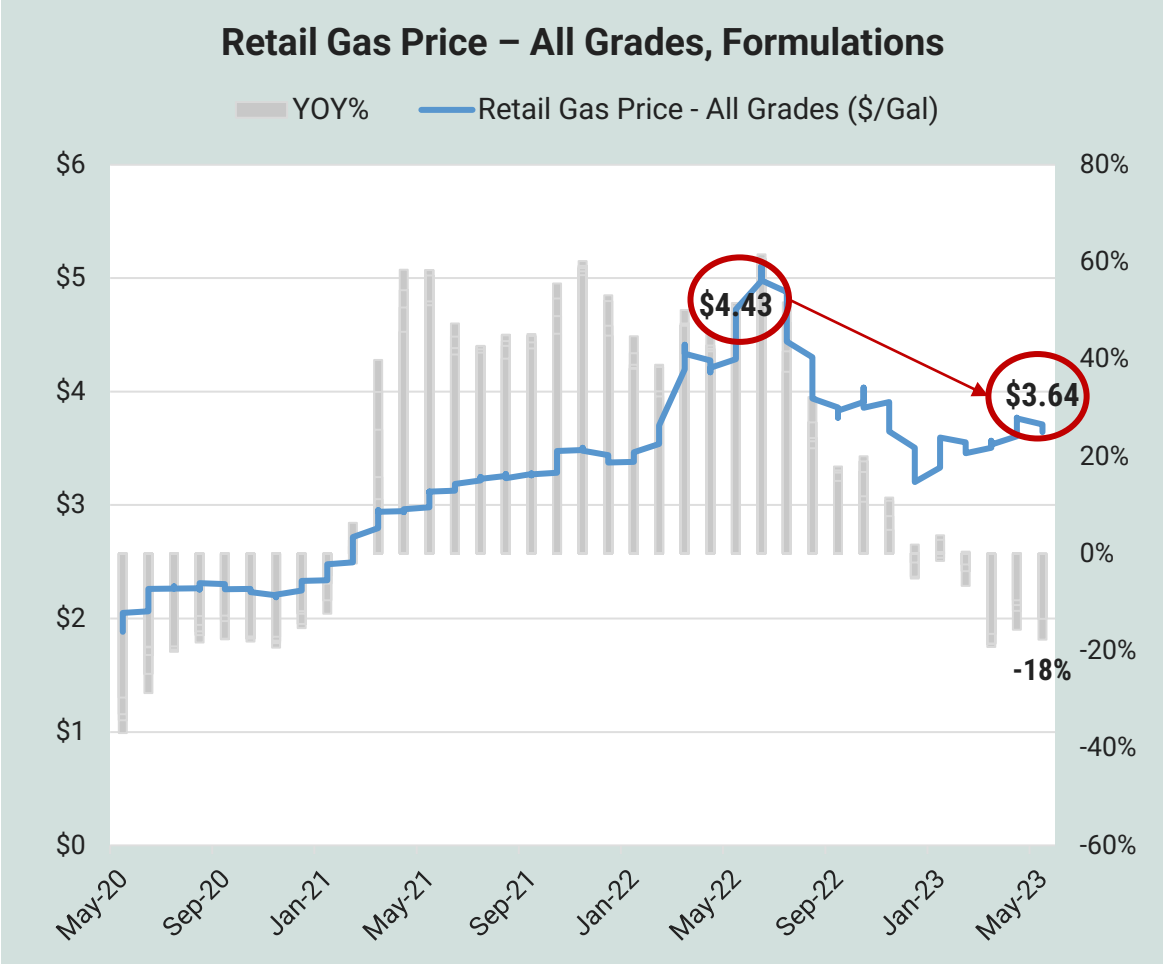
On a *monthly* basis, the CPI for All Urban Consumers (CPI-U) increased 0.5% (prior to seasonal adjustments)



Source: U.S. Bureau of Labor Statistics

# Gasoline (Retail Price) and Crude Oil Prices

Retail gas prices continue to decline, down 18% YOY to \$3.64/gallon nationally through mid-May vs. \$4.43 last year

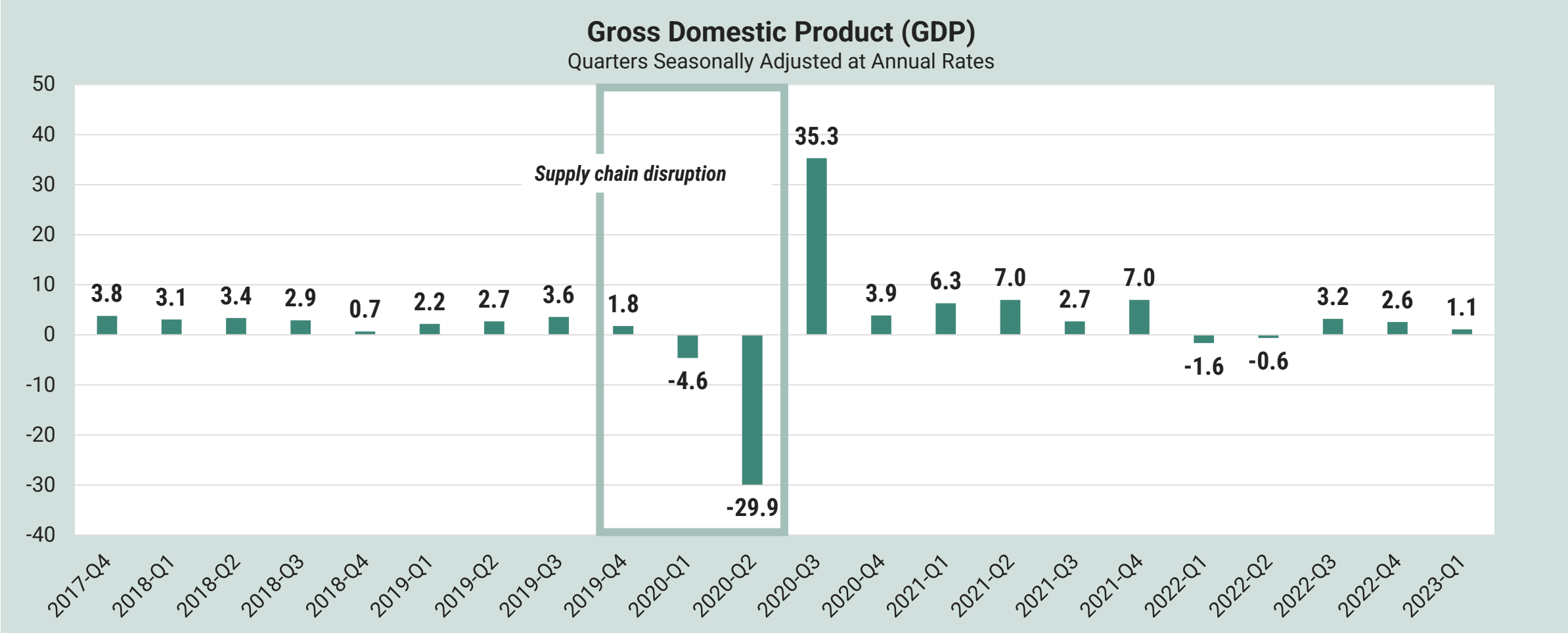


Source: U.S. Energy Information Administration



# Gross Domestic Product

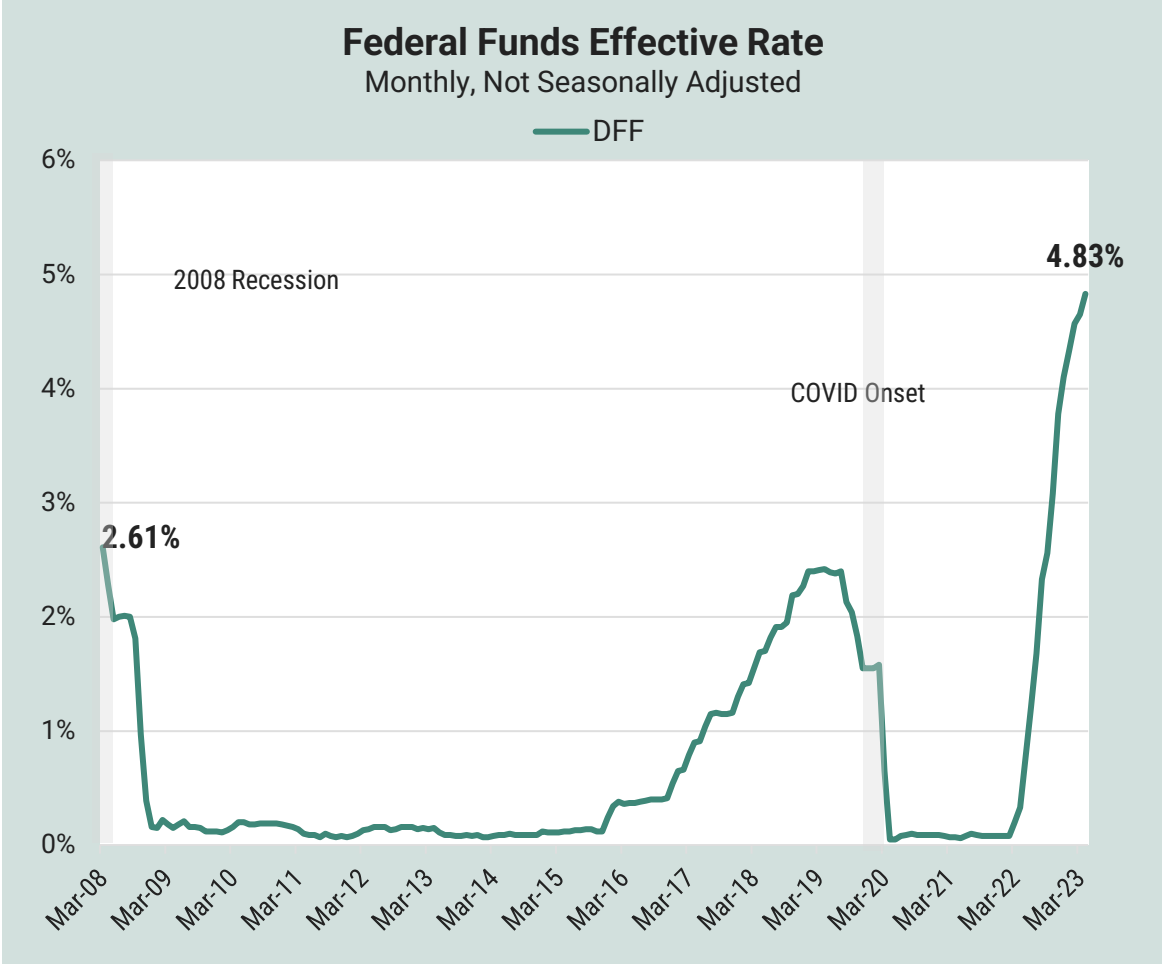
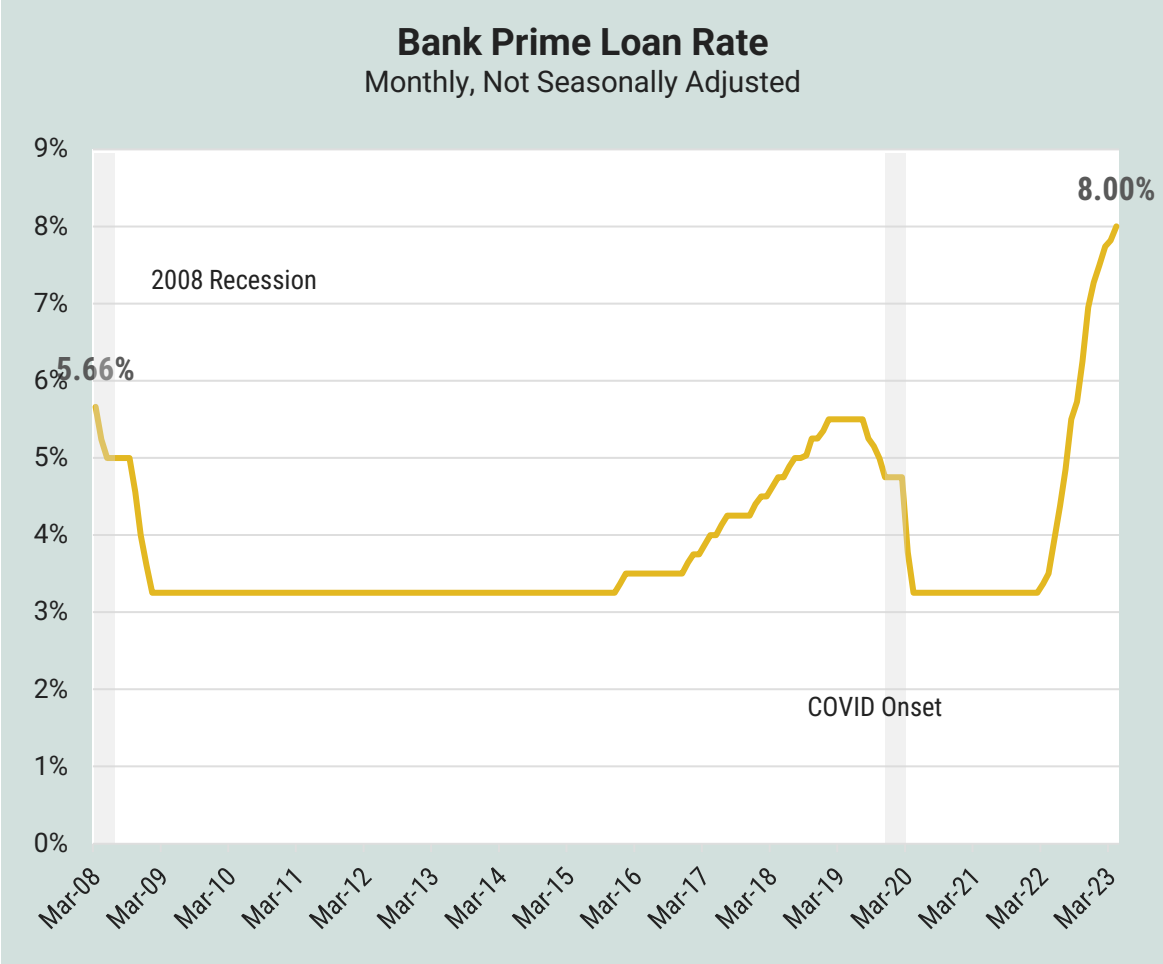
GDP increased 1.1% in Q1-2023, reflecting increases in consumer spending, exports, federal government spending, state and local government spending, and nonresidential fixed investment.



Source: U.S. Bureau of Economic Analysis

# Federal Reserve – Interest Rates

**Bank Prime Loan Rate rose to 8.0%; Federal Funds Rate increased to 4.83% through April 1**



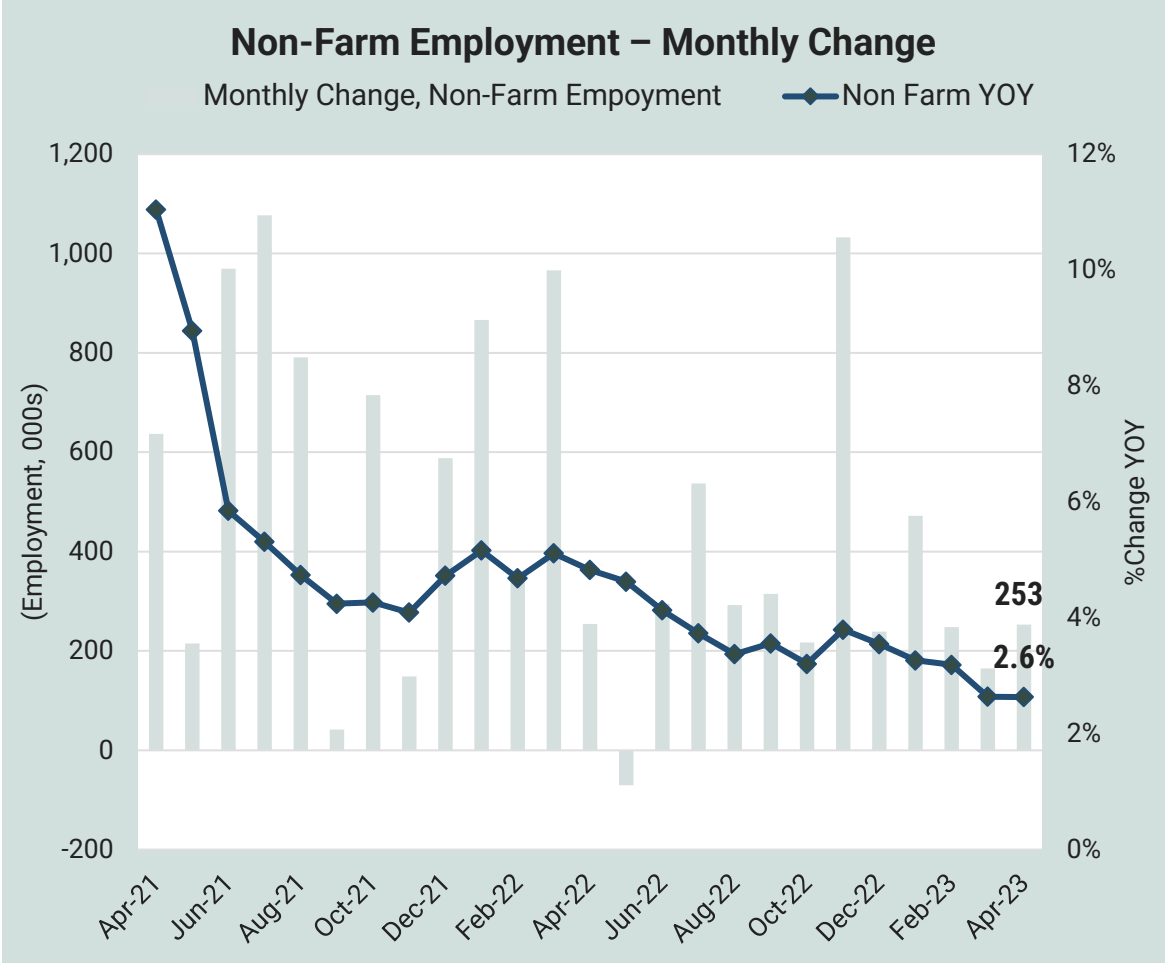
Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis

---

# U.S. Employment

# U.S. Employment Overview

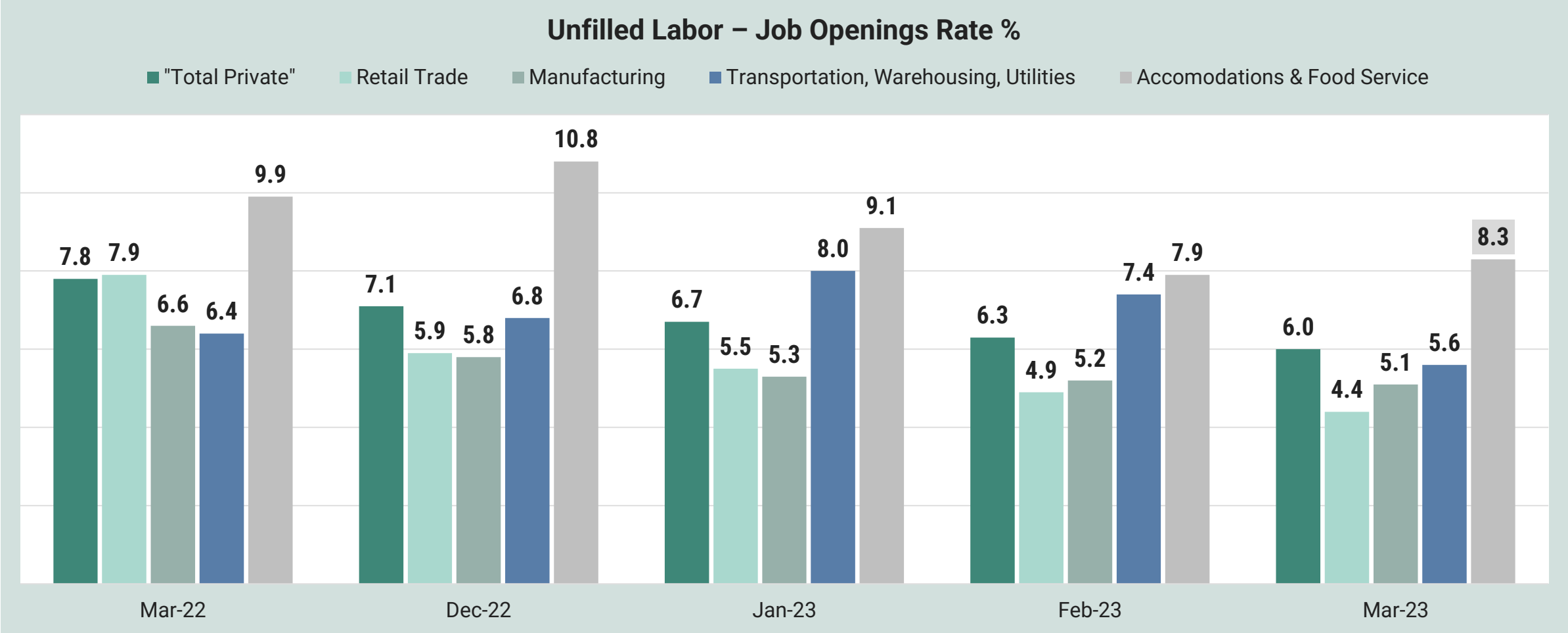
Unemployment dropped again, now at 3.4%; non-farm employment was up 2.6% month-to-month, with employment rising by 253,000 in April



Source: U.S. Bureau of Labor Statistics

# Private Industry Labor – Job Openings

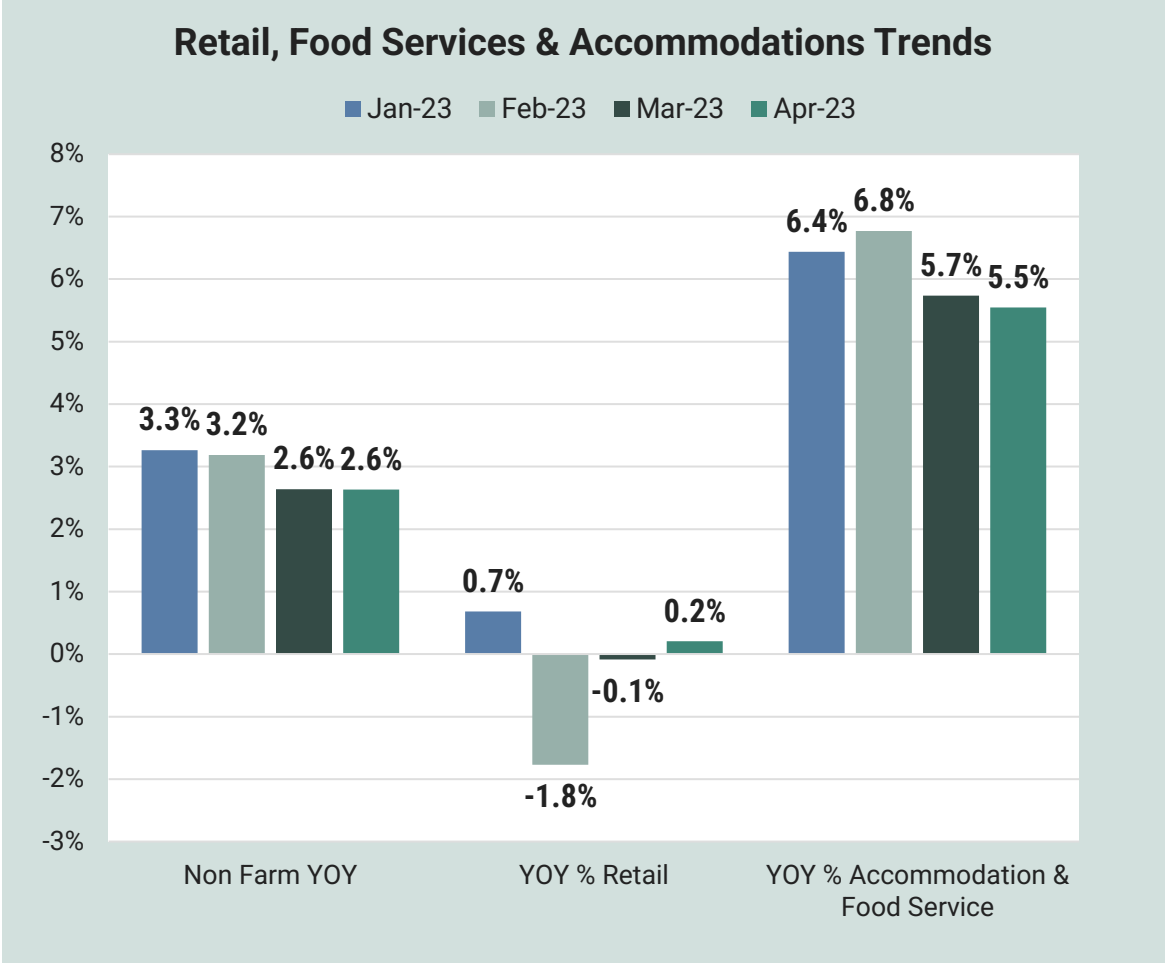
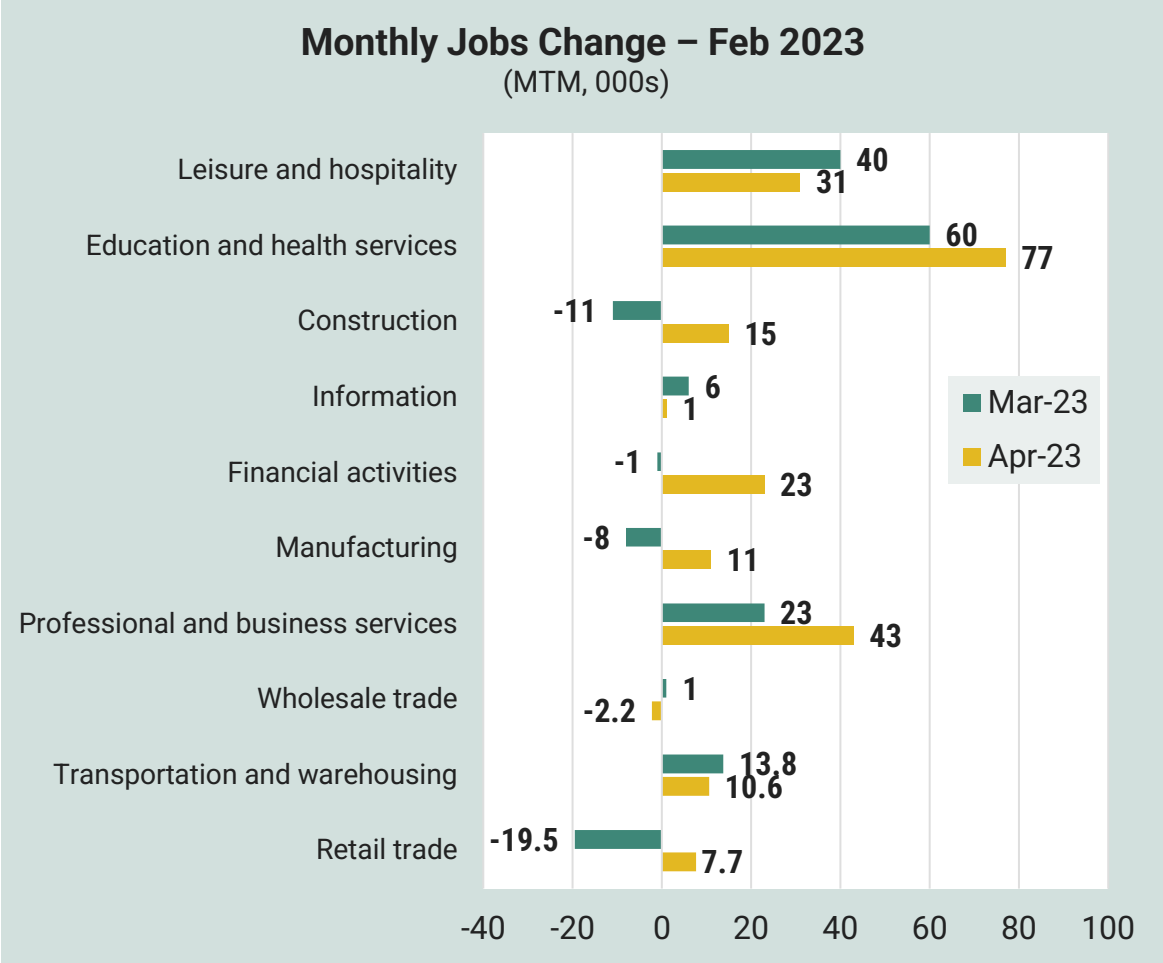
Unfilled job openings dropped in March 2023 except for accommodations & food services, which rose slightly to 8.3%



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

# Industry Employment Trends

Retail Trade monthly jobs increased slightly in April, leisure & hospitality again saw healthy MTM gains; transportation and warehousing also increased again after a significant drop early in the year



Source: U.S. Bureau of Labor Statistics

---

# Supply Chain



# Global Supply Chain Index

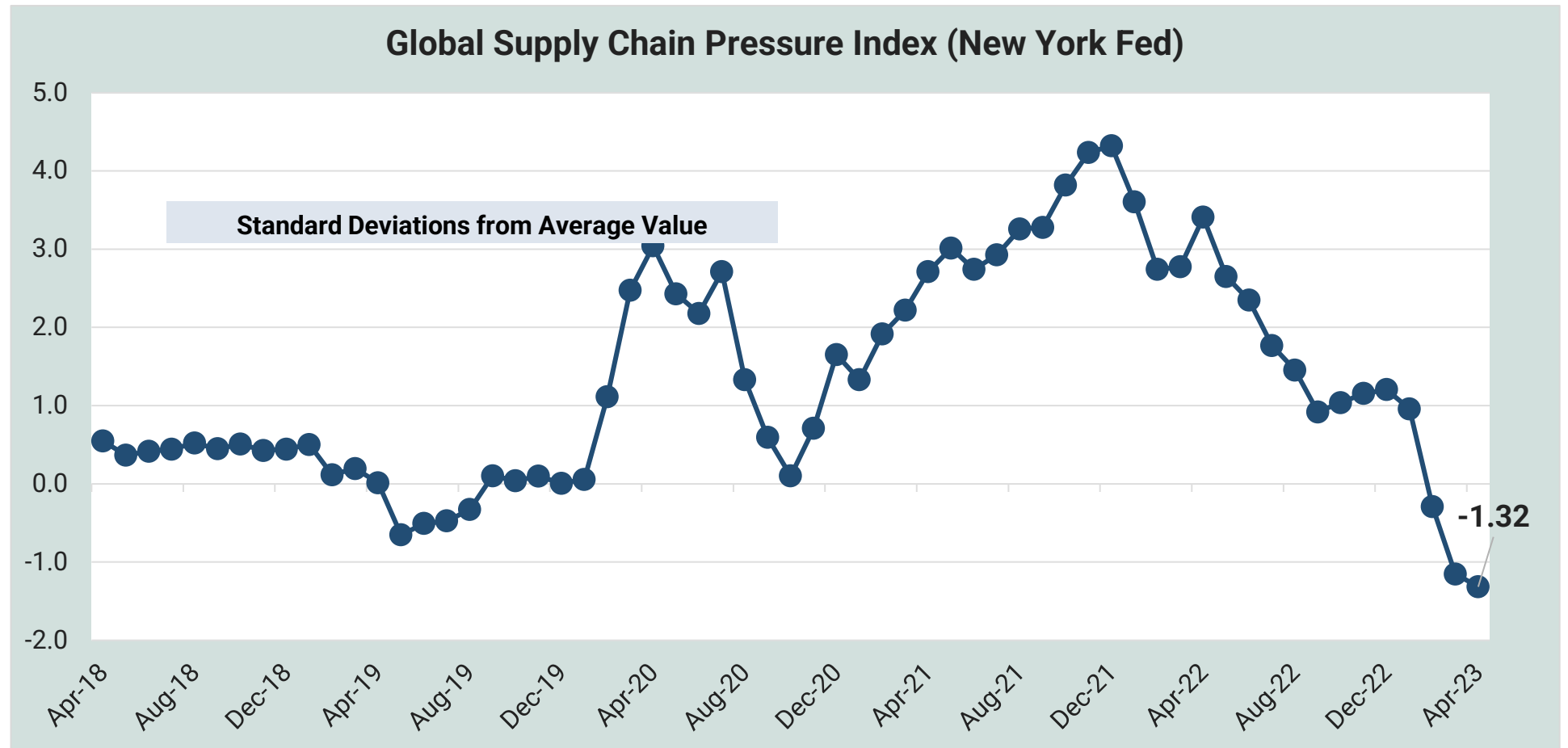
**Global supply chain pressures decreased April, with significant downward impact from Euro delivery times, stocks of purchases, and Korean delivery times; recent downward trend has been driven by improvements in Euro Area delivery times**

*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.*

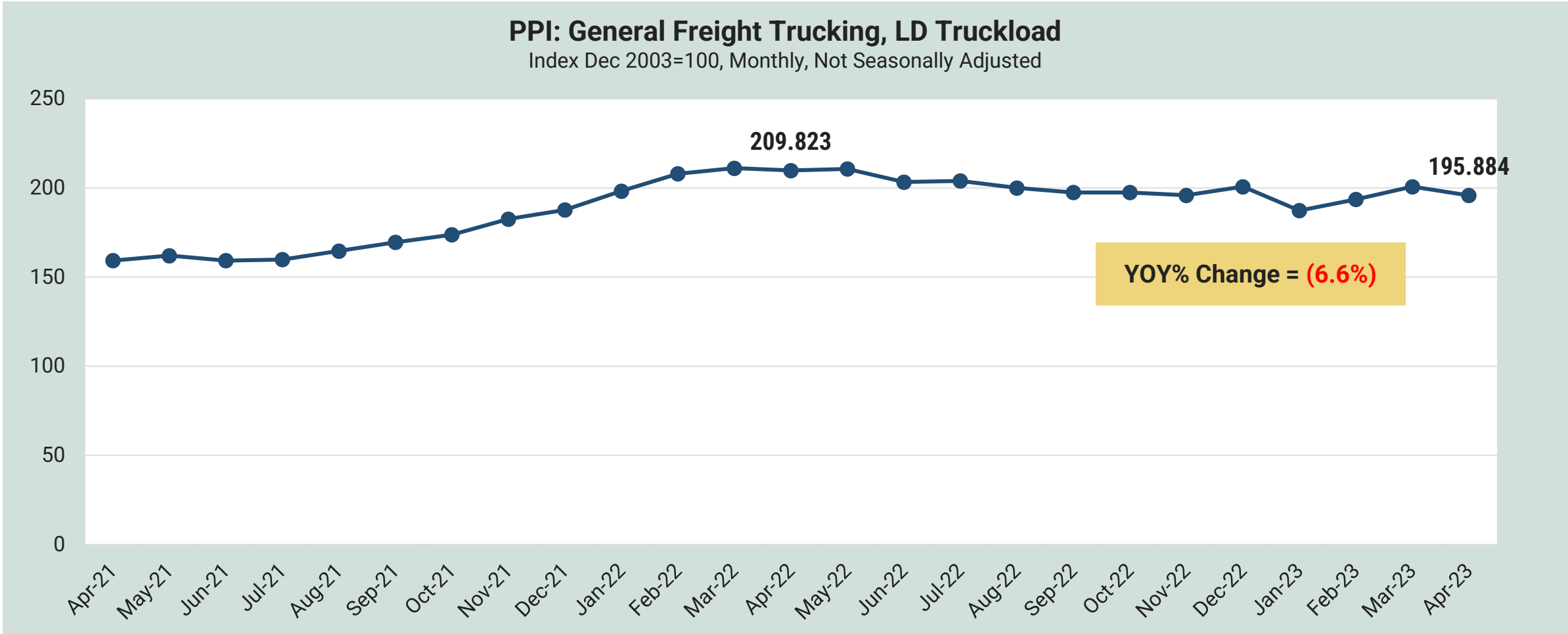
*The GSCPI is a product of the Applied Macroeconomics and Econometrics Center (AMEC).*

<https://www.newyorkfed.org/research/policy/gscpi#/overview>



# Freight Inflation - Trucking

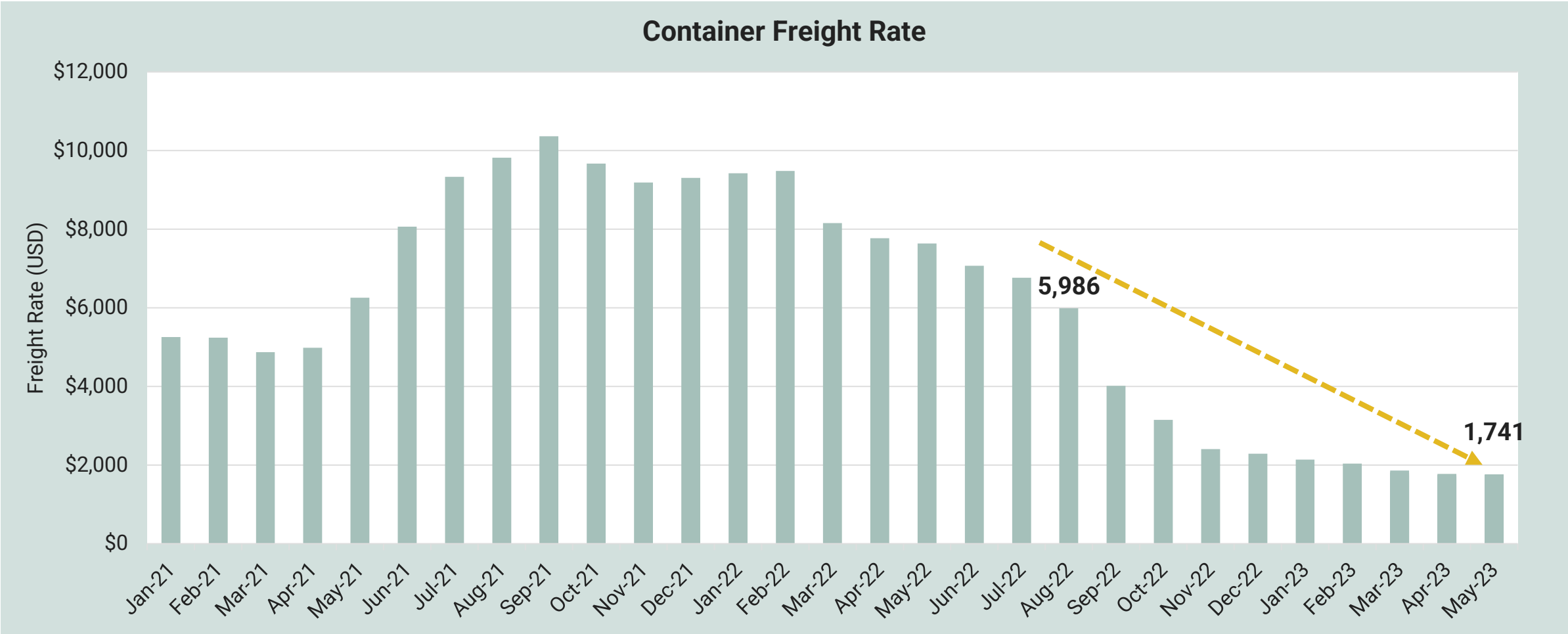
Through April, general freight trucking cost is down 6.6% over last year and 2.4% lower than previous months



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

# Global Container Freight Rate Index

Container rates remain stable; Drewry's composite World Container has remained well below year ago levels



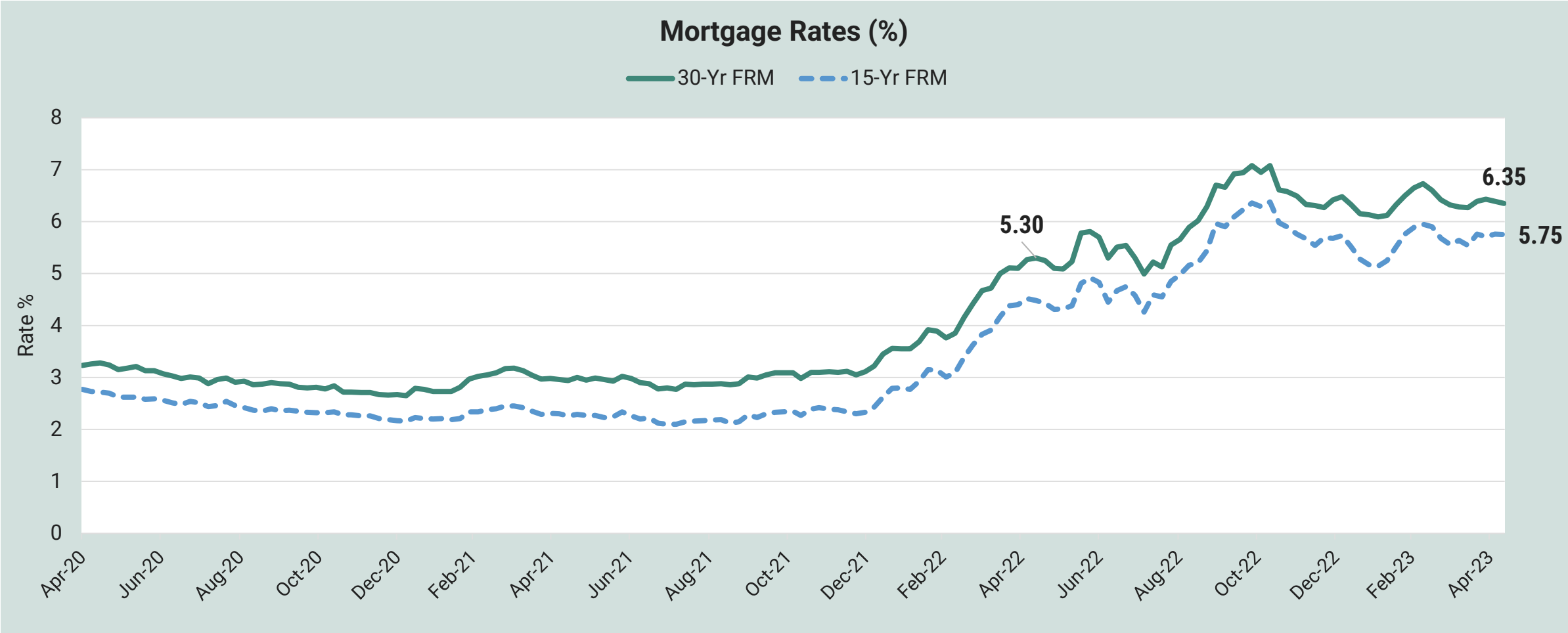
Source: Drewry, <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>

---

# Housing

# Mortgage Rates

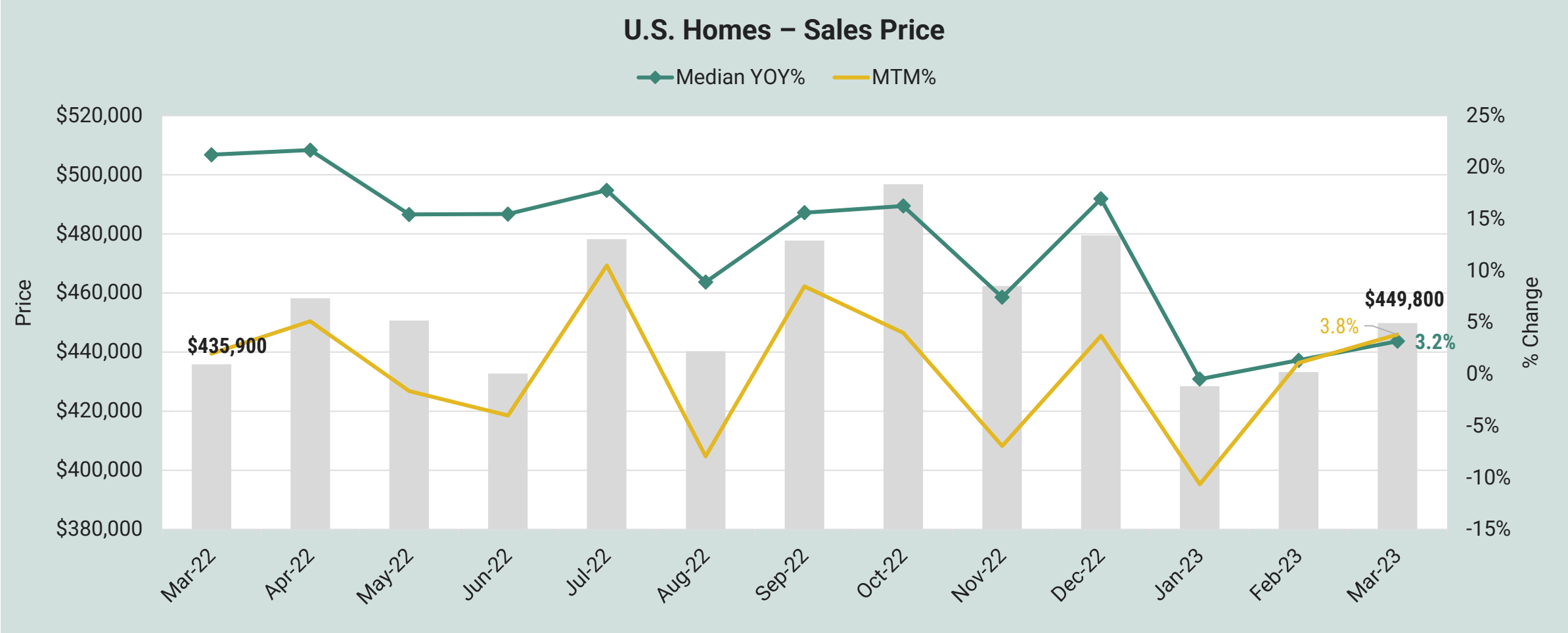
30-year FRM rate of 6.35%, above last year's rate of 5.3%; 15-year rate at 5.75%



Source: FreddieMac Mortgage Market Survey

# U.S. Housing – New Home Prices

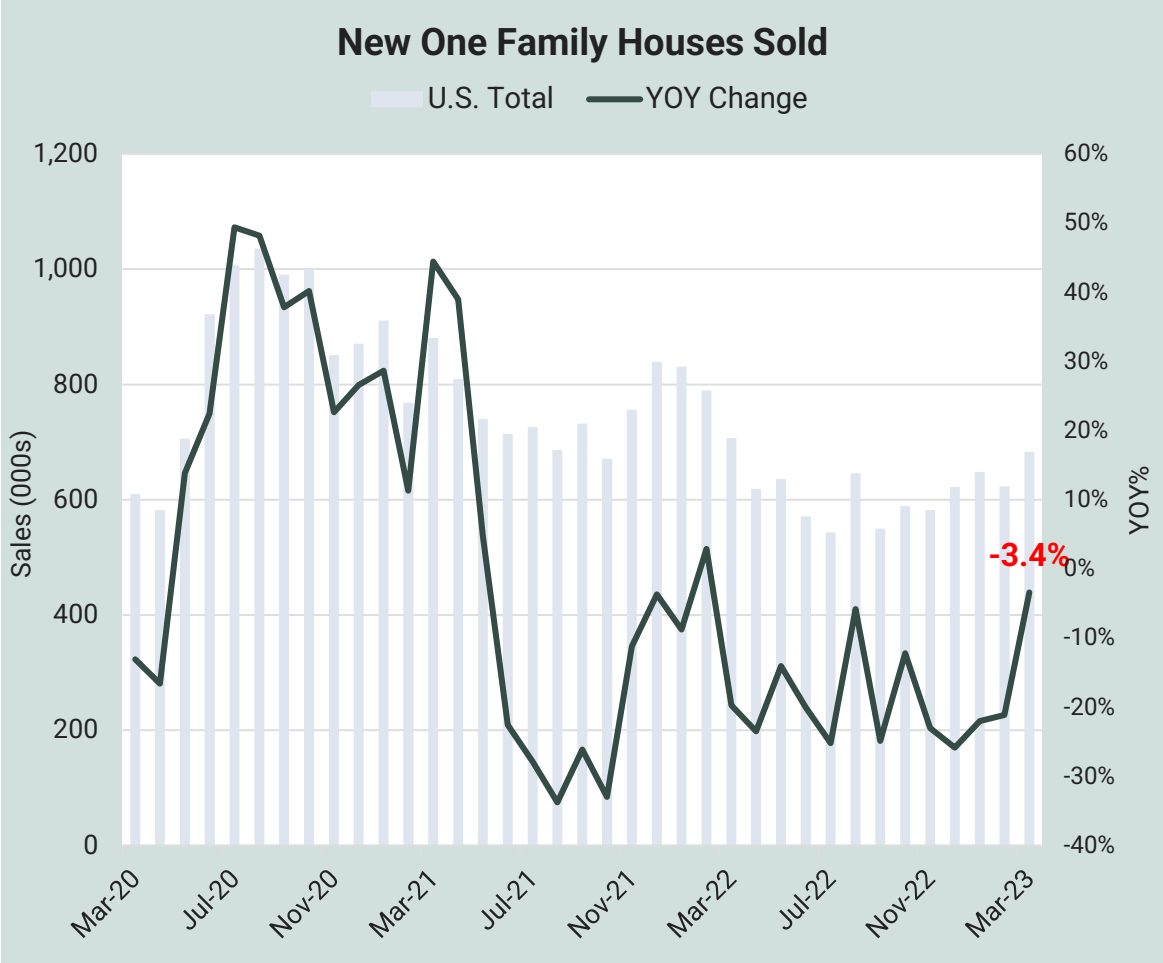
The median U.S. home price in March is 3.2% higher than last year – on a monthly basis, prices rose 3.8%



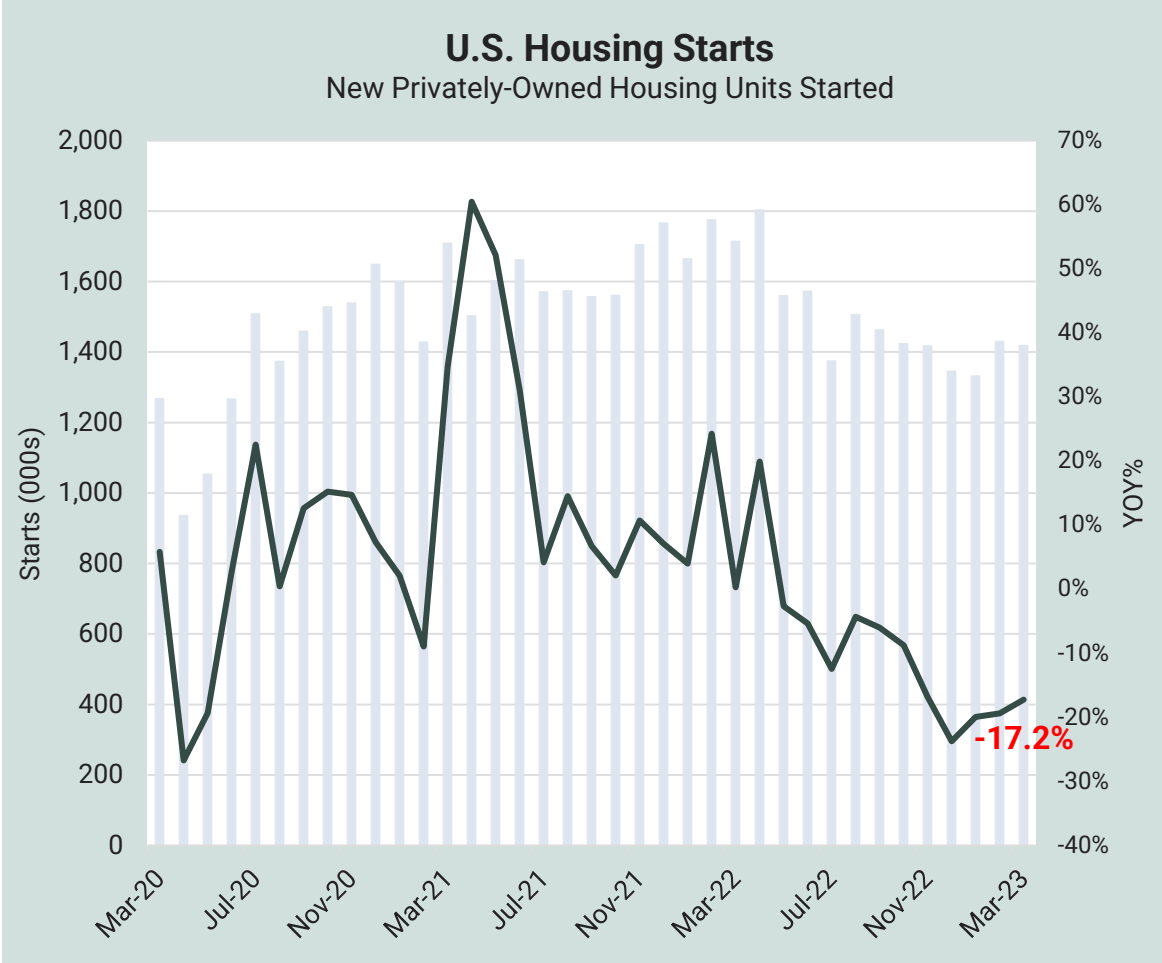
Source: U.S. Census Bureau, Federal Reserve Bank of St. Louis, Economic Research Division

# Housing – New Home Sales and Starts

**Housing market continues to feel impact of rising mortgage rates and inflation in general – new home sales declined 3.4% and housing starts decreased 17.2%**



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

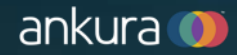


U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Privately-Owned Housing Units Started, retrieved from FRED, Federal Reserve Bank of St. Louis;

---

# About Ankura





WE ARE A GLOBAL ADVISORY FIRM COMMITTED TO HELPING OUR CLIENTS  
PROTECT, CREATE, AND RECOVER VALUE.



Our experts bring acumen and a depth of knowledge gained from careers spent in executive level decision-making roles at companies and consultancies in some of the world's most recognizable names.

## Industry Depth



Retail & Consumer Products



Apparel/Textiles



Automotive



Food & Beverage



Supply Chain



Education



Energy, Mining & Natural Resources



Financial Services



Hospitality, Gaming & Leisure



Manufacturing, & Industrials



Government & Public Sector



Healthcare & Life Sciences



Building Products & Construction



Technology, Media & Telecommunications



Transportation



Real Estate

# Contact us

Ankura Consulting Group, LLC is an independent global expert services and advisory firm that delivers services and end-to-end solutions to help clients at critical inflection points related to conflict, crisis, performance, risk, strategy, and transformation.

The Ankura team consists of more than 1,800 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:  
[www.ankura.com](http://www.ankura.com).



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



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



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



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



**Tom Clarke**  
Senior Managing Director  
+1. 248.312.9423  
tom.clarke@ankura.com



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





PERFORMANCE IMPROVEMENT

[ankura.com](https://ankura.com)

