

U.S. Economic Overview

CONSUMERS AND THE MACRO ECONOMY | CONSUMER HOLIDAY SUMMARY



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Summary

Highlights – What You Need To Know

U.S. CONSUMERS: Consumer confidence dropped again in November

- **Consumer sentiment** for the 4th straight month, falling 5% in November
 - Long-run economic outlook slid 12%, in part due to growing concerns about the negative effects of high interest rates
- **Personal disposable income*** rose 7.9% in September 2023; consumer expenditures increased 6.8% and were .7% above the previous month
- **Total Consumer Debt**
 - Total household debt increases again Q3-2023 to \$17.3 trillion
 - Credit card balances remain high and consumer debt continues to grow – consumers ability to make minimum payments and pay off balances is still a concern
 - Revolving credit debt up nearly 11% vs. 2022
- **Loan Delinquencies**
 - The delinquency rates for consumer loans has been rising since 2021 and is now at its highest level since 2019, due to a combination of factors, including rising inflation, interest rates, and rising debt load carried by consumers

RETAIL SALES

- **September retail** sales were down 0.1% from September 2023, and up 3.5% above last year
 - Key hard goods segments continue to show YOY declines, with strong increases in Food Services and Dining (8.6%), Non-Store retail (7.6%), and Health and Personal Care (9.6%); consumers continue to hold off purchases on durable goods
- **U.S. Vehicle Sales**
 - New vehicle sales increased 5.4% YOY, with CPI 2% above LY
 - Used vehicles sales (through September) increased 2.7% vs. last year, CPI for used vehicles down 6.6%
- **Air travel** continues to thrive
 - Air travel increased again among U.S. travelers; year-to-date, TSA checkpoint numbers are up 12.7%; the price of air travel was down .9% MTM, and 13.2% lower than last year - air travel for holidays should match or exceed pre-COVID levels
 - Air travel has fully recovered (and now ahead of) pre-COVID activity

Highlights – What You Need To Know

BROAD ECONOMIC INDICATORS: Inflation is slowing 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
- **Gross Domestic Product:** Q3 GDP increased 4.9%, exceeding analysts' expectations and well above the 2.1% increase in Q1 – the strong Q3 increase was driven in large part by consumer spending
- **The Consumer Price Index** October Consumer Price Index for rose 3.2%, with **Core CPI** up 4.0%
 - Motor fuel index was down 5.6%
 - Housing increased 5.2% and Food Away From Home rose 5.4%

U.S. EMPLOYMENT: Unemployment remains low

- **Unemployment** remains below 4%; non-farm employment was up 2.1% month-to-month, with employment rising by 150,000 (1.9%)

HOUSING: Mortgage rates have trended down with inflationary pressures receding; improving economy, improving inflation and lower mortgage rates could bring more homebuyers into the market

- **New home sales** increased 34% in August, driven largely by shortages of pre-owned inventory; new housing starts were down 7.2% YOY
- The **median U.S. home price** in September declined 12.3%; MTM the median price was down 3.3%

SUPPLY CHAIN: Freight costs remain stable

- In September, **general freight trucking** was down 6.2% over last year and increased 2.2% from the previous month
- **Deep sea freight** rates are down 21.3% YOY and 11.4% lower MTM

Ankura Consumer Holiday Survey

To gain deeper insights into how U.S. consumers perceive the economy and their own financial situations, as well as their holiday shopping and spending intentions for 2023, Ankura's Performance Improvement team surveyed a representative U.S. sample of more than 1,000 consumers from 10/2 – 10/4 with plans to shop for holiday gifts in 2023

Consumers' Economic Anxieties Could Make for a Challenging Holiday Season for Retailers

Seven Trends Retailers Should Consider to Beat the Holiday Blues



Consumers are Inflation-weary

Macro and micro economic data might be improving, but the consumer isn't "buying" it. Make sure your selection conveys value as consumers want more for less. Promote value in your holiday marketing and advertising.



Experience Matters to Consumers

Younger generations are focusing on "look and lifestyle," going out, and experience-based activity. Older generations are concentrating on family, renewing relationships, and weathering the financial storm. Retailers must understand their customers' needs, preferences, and concerns and tailor marketing messages and the "total experience" accordingly.



Consumer Economic Sentiment is Trending Down

Key demographic divisions popped up this year, with Gen Z and Millennials less concerned about their wallet and the state of the economy than their parents and grandparents. Driving conversion with a cash-strapped consumer will inevitably result in greater discounting and highly visible % off sales.



Stores Still Matter

18% of respondents say they will shop nearly 100% online and 35% will shop mostly online, but many shoppers, especially older generations, will visit stores to make the best use of limited funds. Shoppers still enjoy touching the product, "treasure hunting," and interacting with "live support."



Consumers No Longer Require Same-day Delivery

Our research finds that consumers do not require same and next day delivery as a key conversion driver. Instead, they are willing to compromise expediency for "the cheapest option" available. This is a good time to increase minimum purchase thresholds to obtain 'free' shipping.



Importance and Use of Technology Varies Widely

Younger generations are embracing established (social media) and emerging technologies (AI and AR) much more than older shoppers to enhance their experience and to improve their product search/recommendation journeys. This key difference among generations of consumers is critical to plan for in terms of marketing and communications.

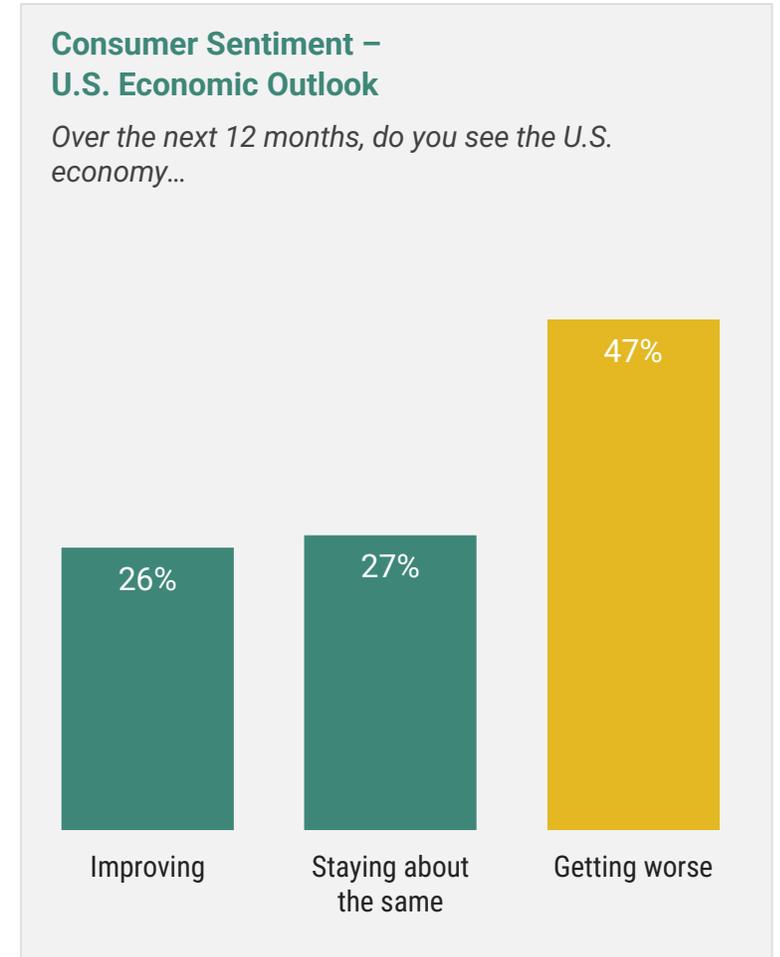
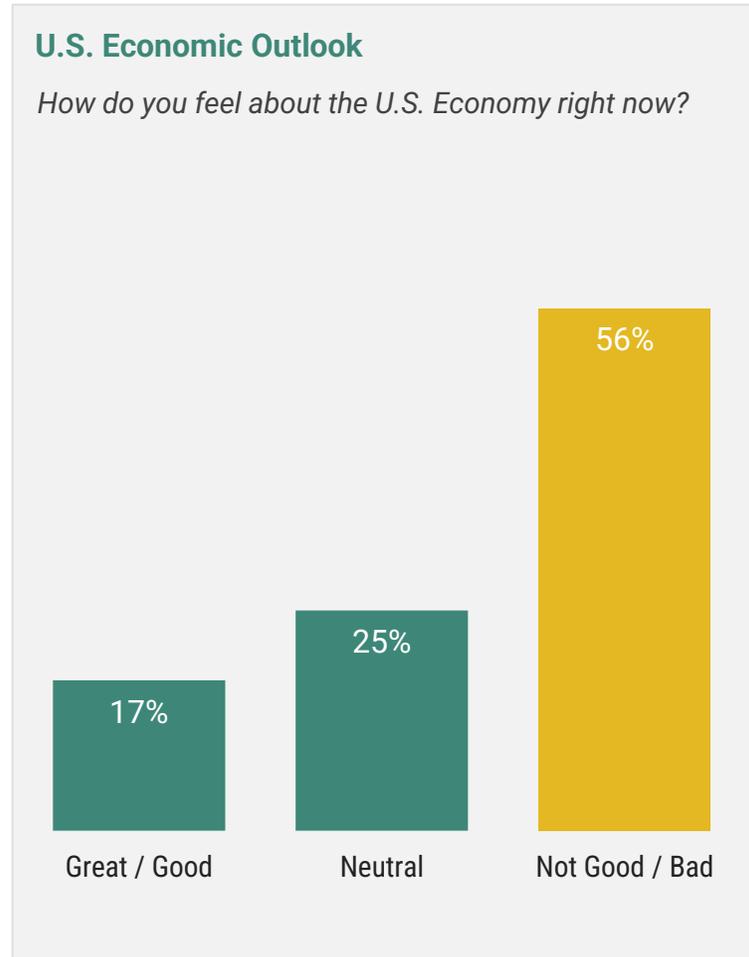
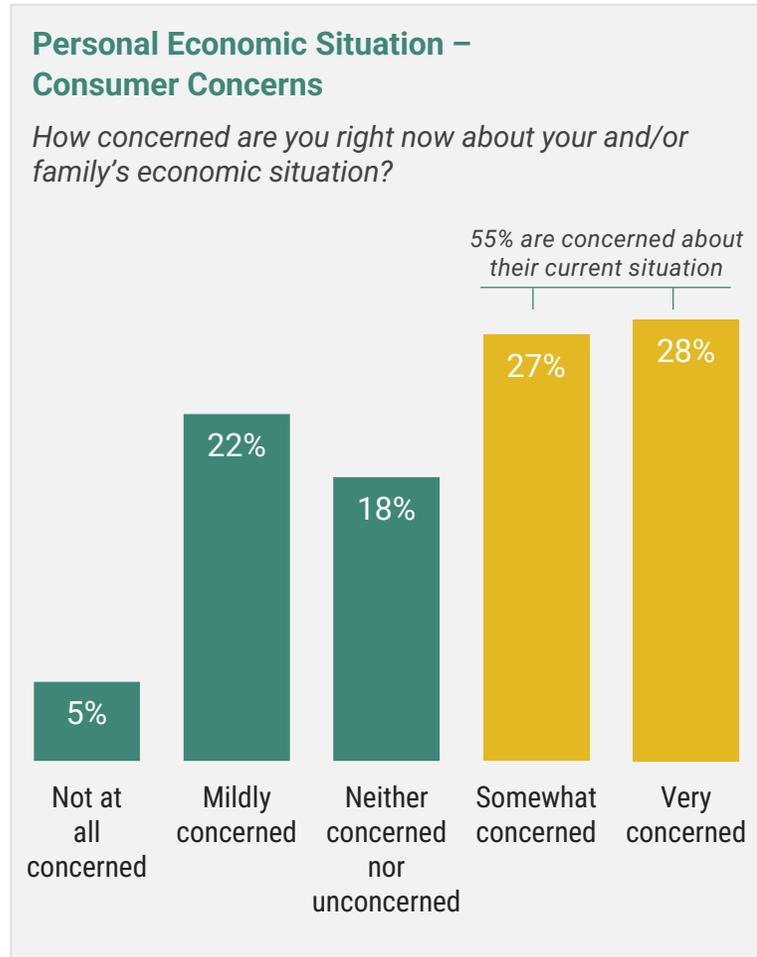


Gift Cards Are Still Hot

As was the case in 2022, gift cards will be substantial part of 2023 holiday spending. Gift cards must be presented both online and in-store, reinforced with store associate prompts. While gift cards can shift sales away from holiday items to purchases in early 2024, these sales bring in cash early and secure.

Consumer Sentiment

With so much uncertainty around interest rates and inflation, U.S. consumer sentiment is no better than last year, and for some shoppers, worse – nearly 60% do not feel good about the U.S. Economy or their personal economic situation

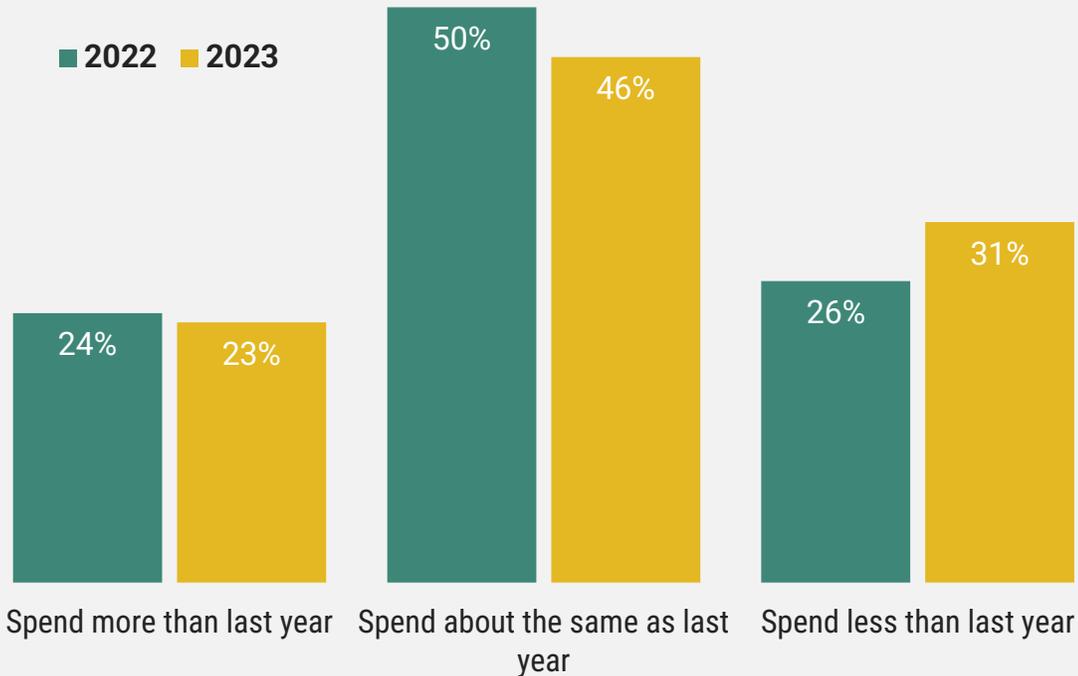


Consumer Spending Expectations

When asked about expected spending for the holiday season, shoppers indicated that overall spending is likely to decline; 31% (v. 26% in 2022) expect to spend less during the 2023 holiday than last year, driven largely by inflation concerns

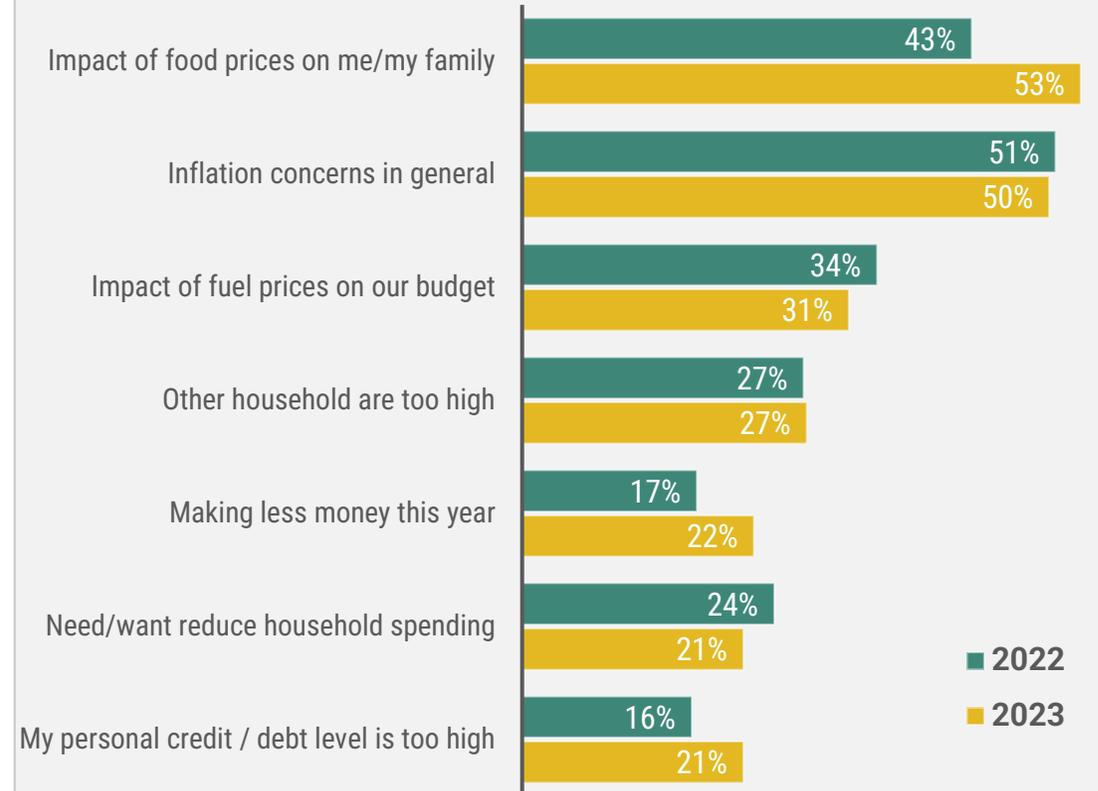
Personal Holiday Spending

For the holidays do you expect to spend more, less, or the same as last year?



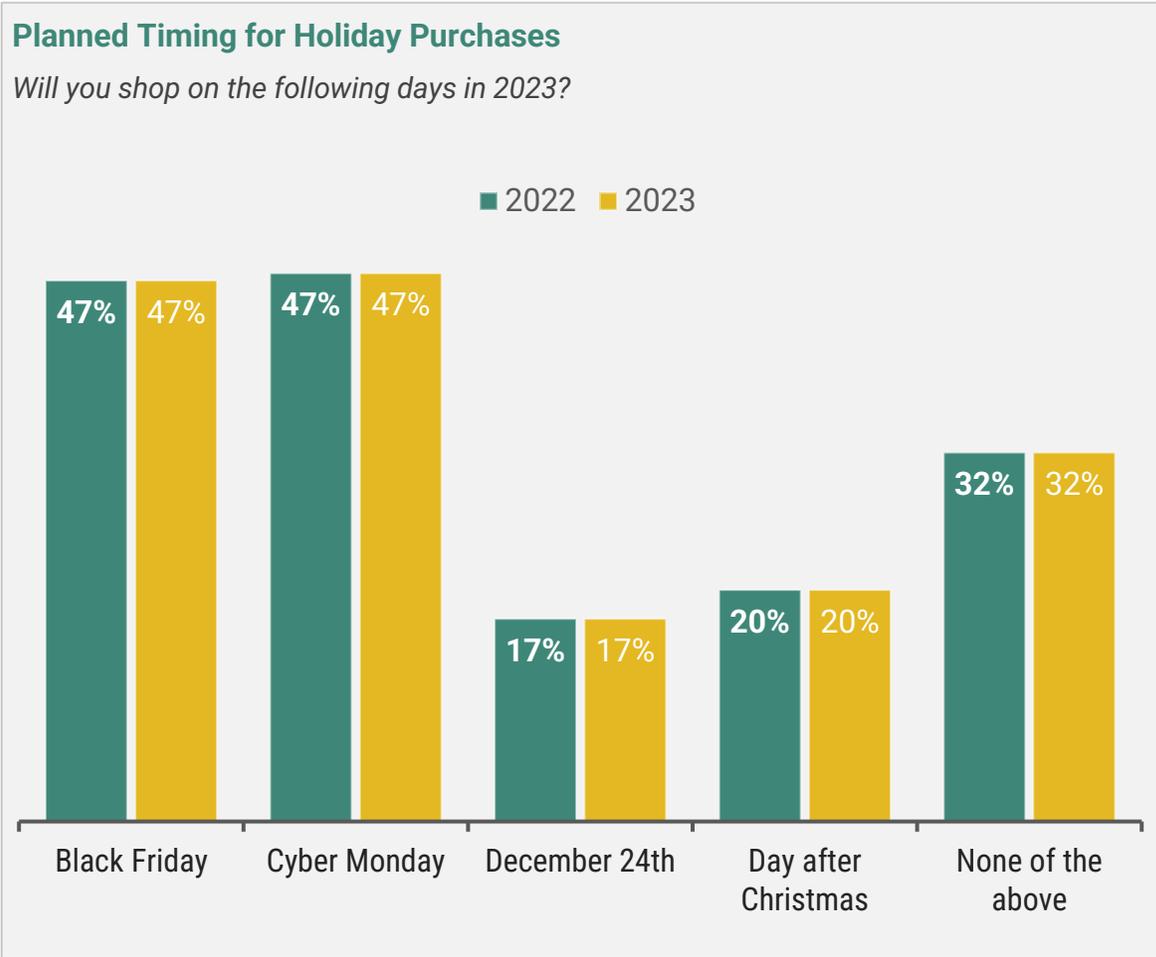
Reasons to Spend Less in 2023

Why will you be spending less on holidays in 2023 than last year?



Timing of Holiday Purchases and Participation in Key Shopping Events

Planned timing for starting holiday purchases has seen minimal change when compared to 2022; significant shopping days will see approximately the same participation levels with consumers as last year



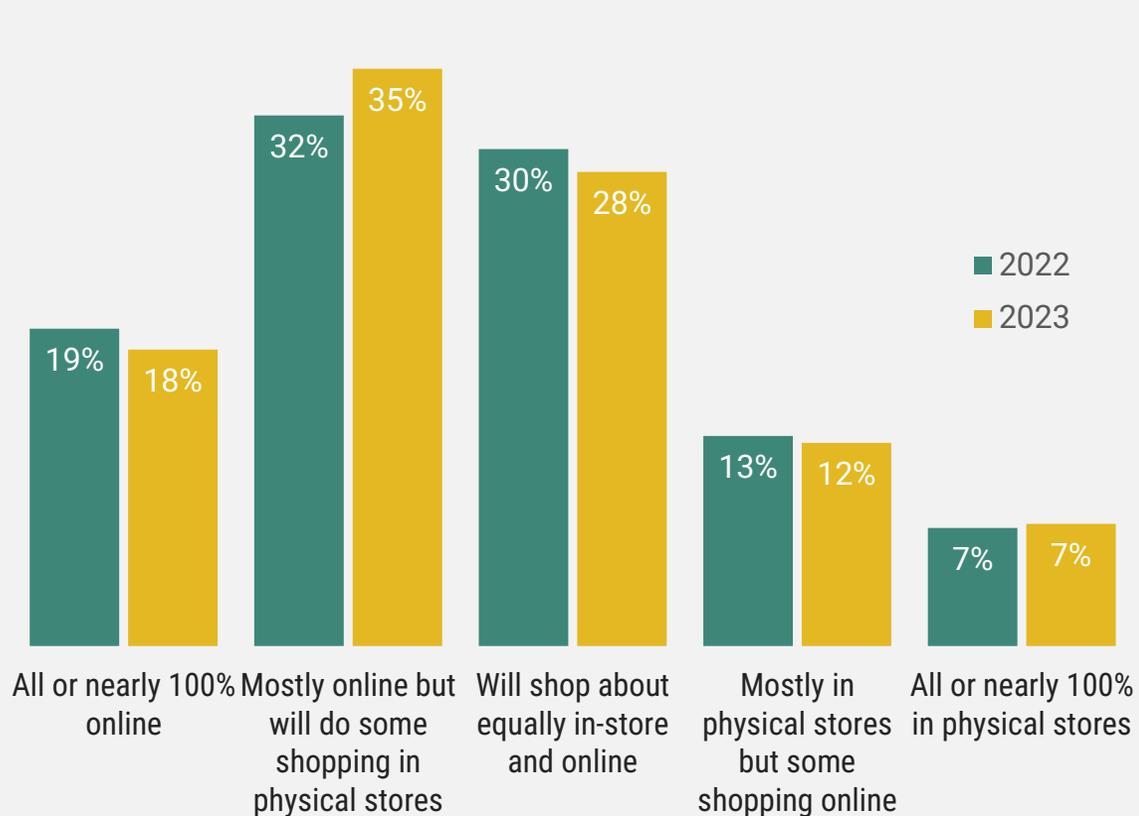
The full survey and its accompanying data and graphics can be found at the link here [\[Consumers' Economic Anxieties Could Make for a Challenging Holiday Season for Retailers, \(ankura.com\)\]](https://ankura.com/consumers-economic-anxieties-could-make-for-a-challenging-holiday-season-for-retailers)

Channel Preferences

Online shopping will be roughly equivalent to 2022; 18% say they will shop nearly 100% online (no change YOY) and 35% (no change YOY) will shop mostly online – driven largely by overall convenience

Channel Preferences for Holiday Shopping

When you shop for holiday gifts this year, will you shop...



Top Reasons to Shop Online

What are the top reasons you will shop ONLINE for holiday purchases?

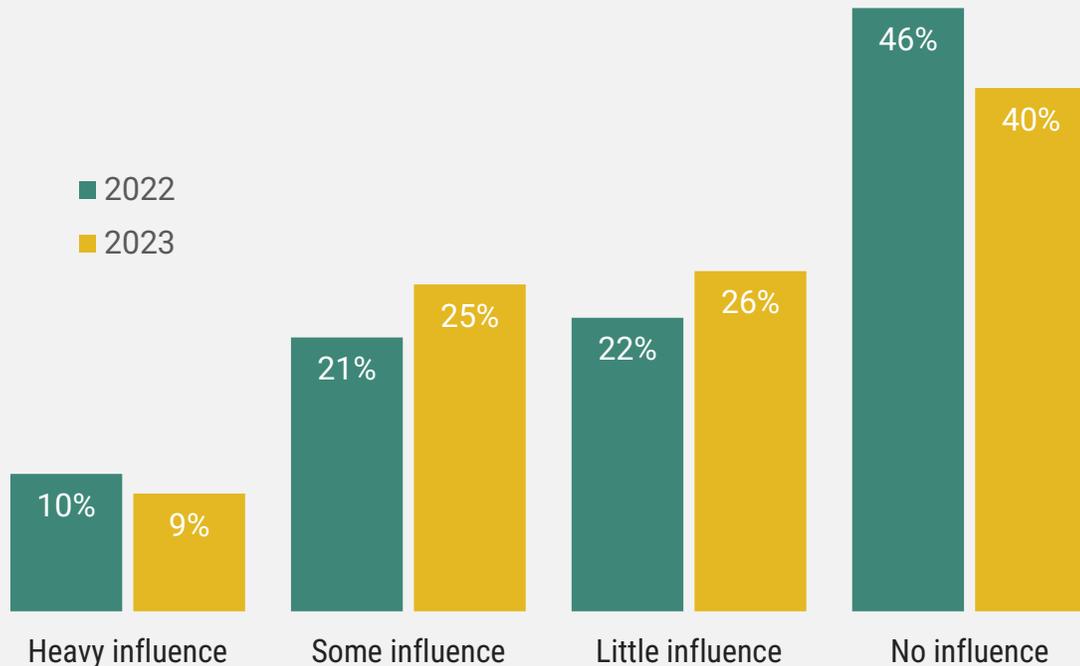


Social Media and Loyalty Programs

Social media overall continues to gain strength – in 2022, 46% overall said social media had NO influence; in 2023 that dropped to 40% - nearly 60% of shoppers age 55+ report that retailer loyalty programs are influential

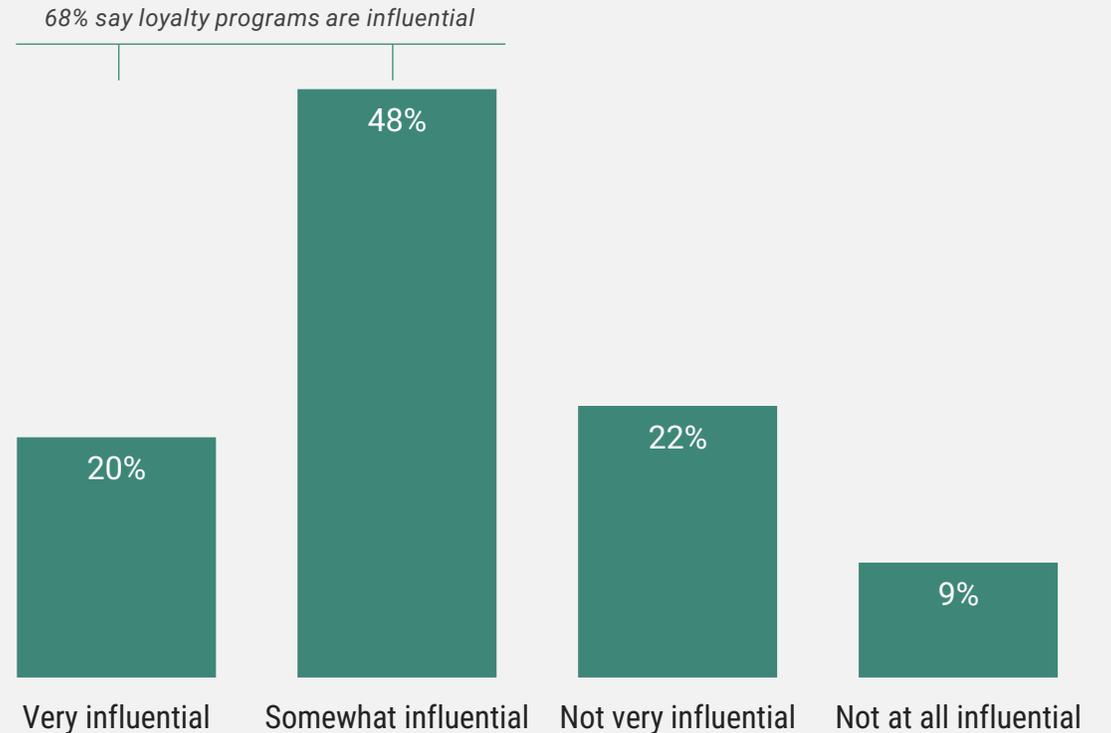
Social Media Impact

How much will social media influence your gift purchasing decisions this year?



Loyalty Program Influence

How influential are shopper loyalty / rewards programs to you when deciding where to purchase holiday gift items?



Key Shopping Drivers

Promotions will be significant for consumers, with “% off” sales being the most attractive offer; when it comes to shipping, our research finds that consumers may be willing to compromise expediency for “the cheapest option” available

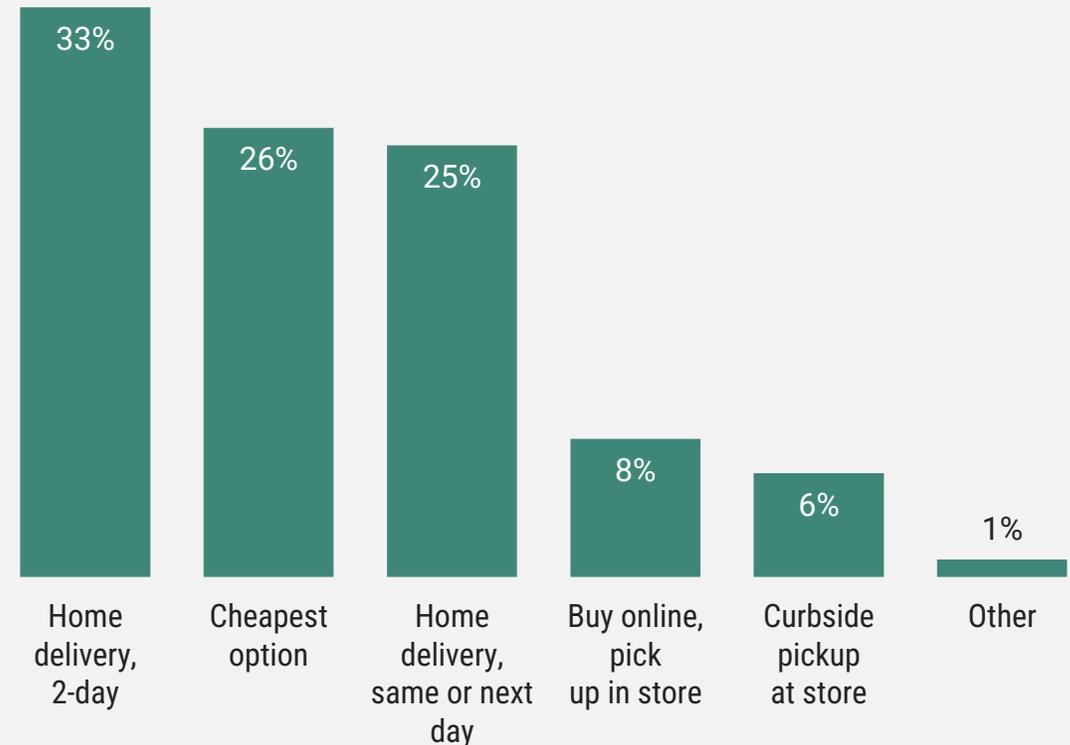
Consumer Preferred Promotions

What type of holiday sale / event would prompt you to make a purchase that you may not have planned?



Online Shopping – Shipping / Pickup Preferences

When you shop online, which of the following is your preferred option for receiving your product(s)?

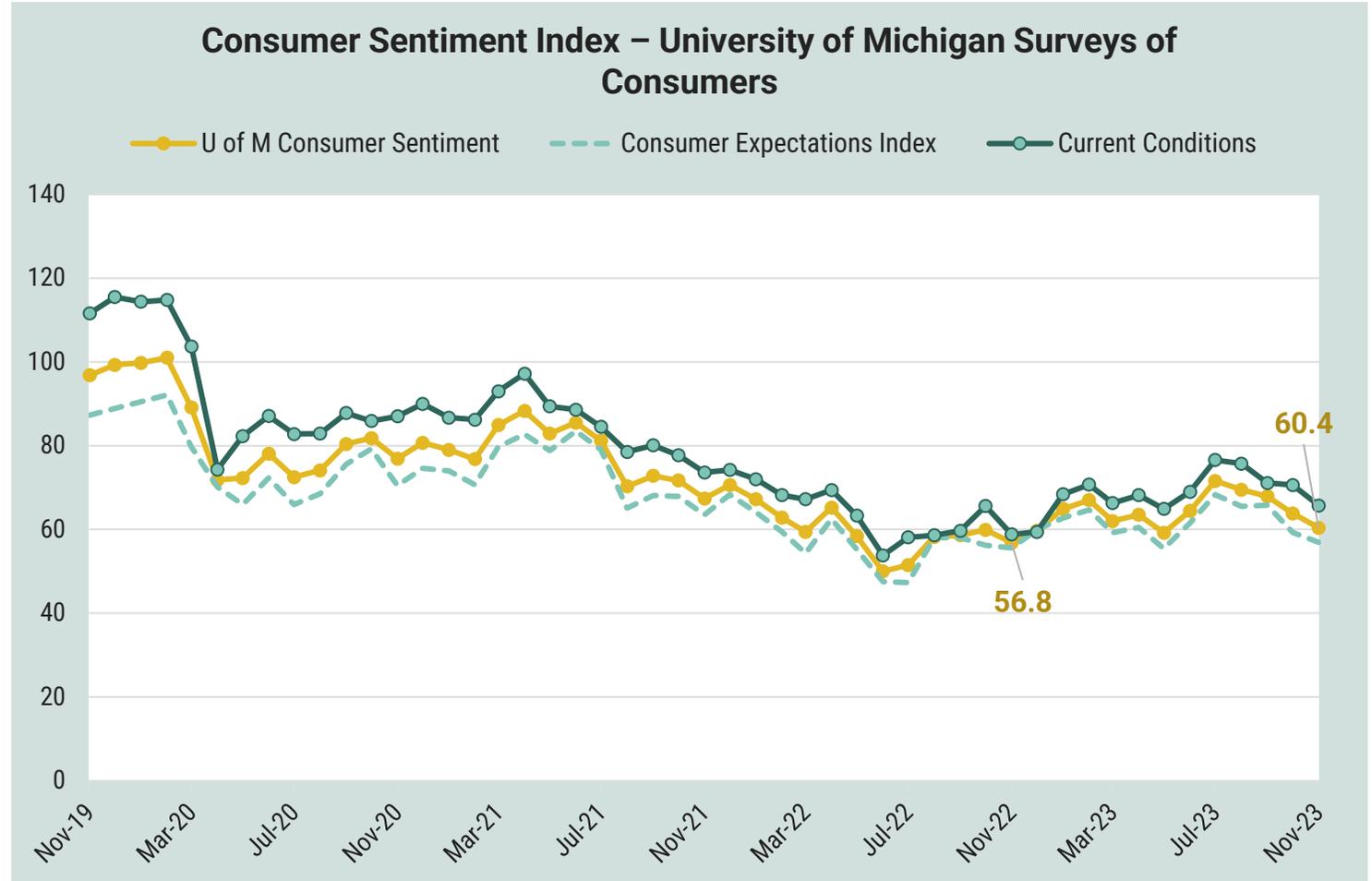


Key Consumer Metrics

Consumer Sentiment Index

Consumer sentiment declined for the 4th straight month, falling 5% in November; long-run economic outlook slid 12%, in part due to growing concerns about the negative effects of high interest rates

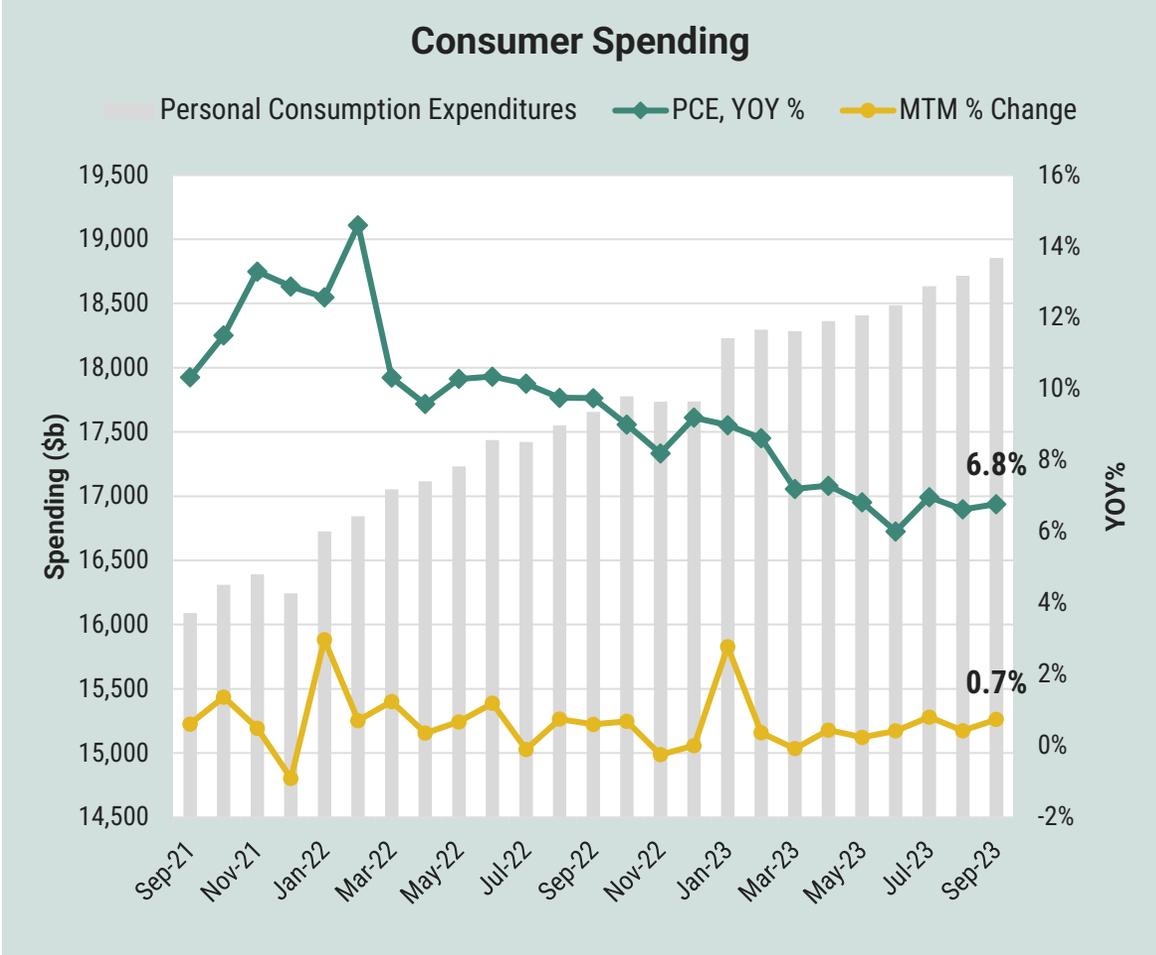
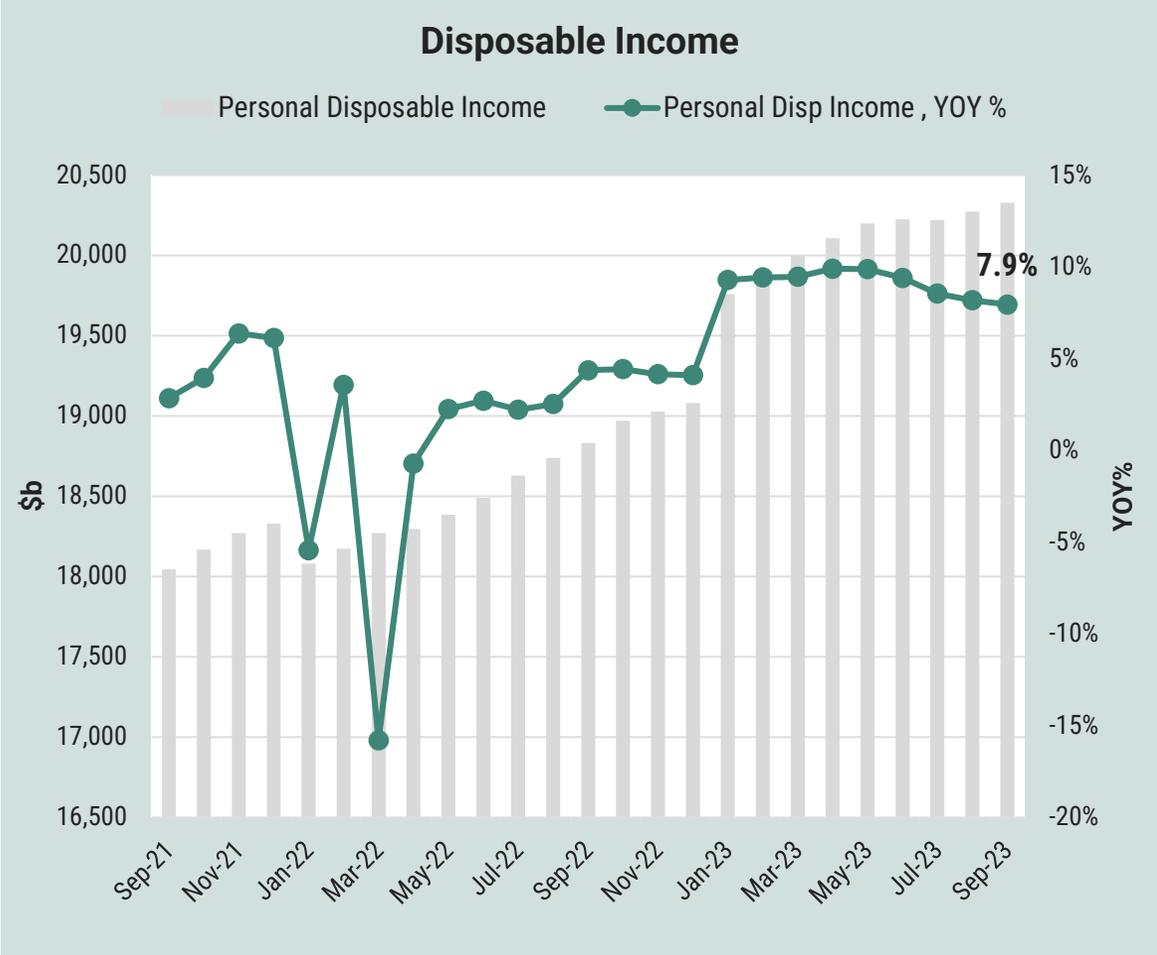
	Consumer Sentiment	Expectations Index	Current Conditions
2-Year High	71.6	68.3	76.6
2-Year Avg.	62.4	59.6	66.8
2-Year Low	50.0	47.3	53.8
Current	60.4	56.9	65.7
LY	56.8	55.6	58.8
YOY % Change	6.3%	2.3%	11.7%
Previous Month	63.8	59.3	70.6
MTM % Change	-5.3%	-4.0%	-6.9%



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

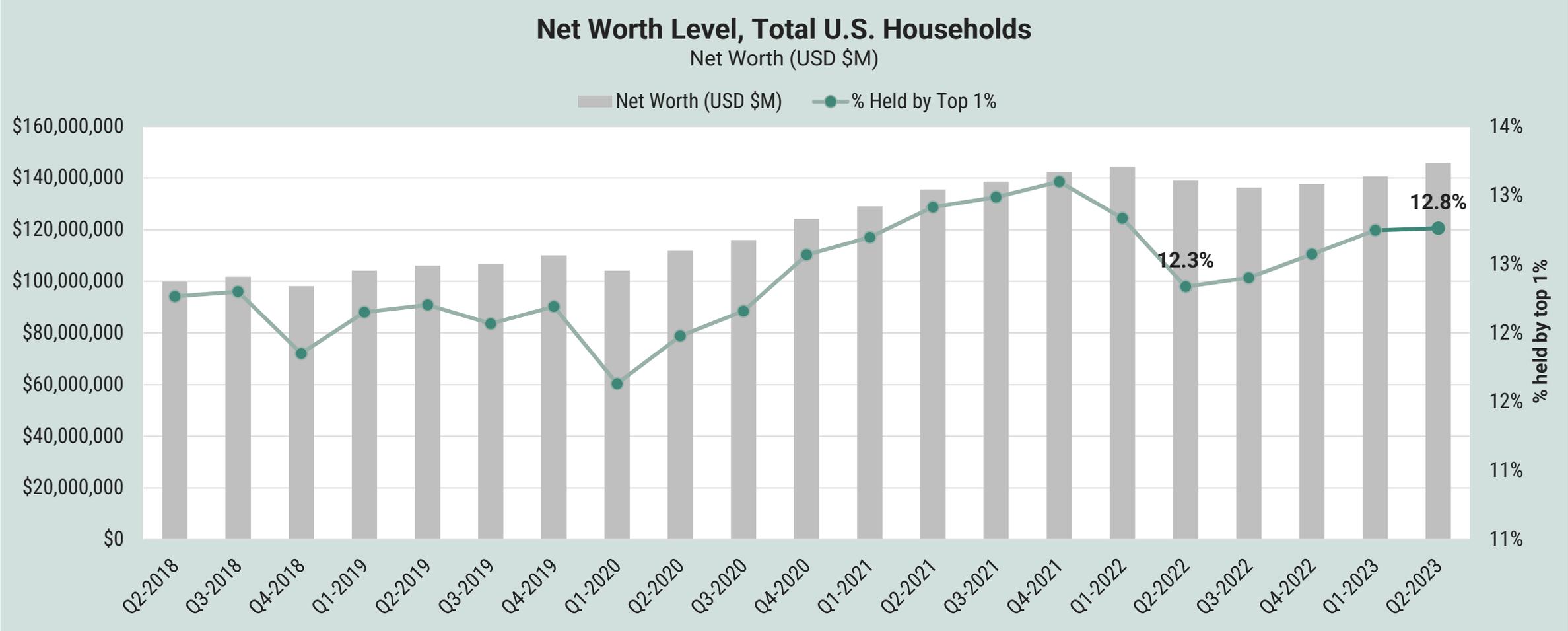
Personal disposable income rose 7.9% in September 2023; consumer expenditures increased 6.8% and was .7% above the previous month



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

Total U.S. Household Wealth Increasing but Concentrated

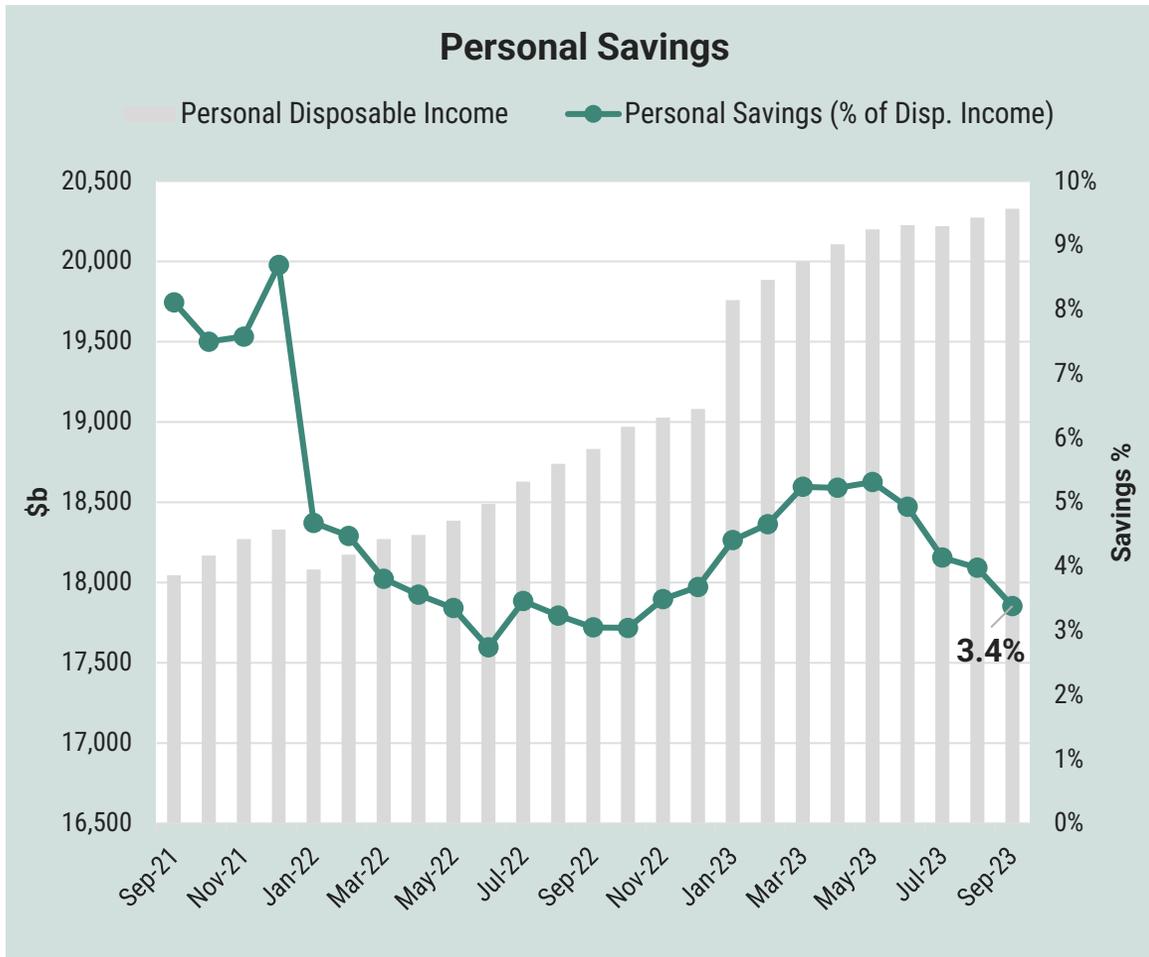
For a large segment of holiday shoppers, 2023 spending will be greatly impacted by inflation concerns; retailers must recognize that 50% of the US population possesses only 2.5% of household assets, making value a crucial factor for many



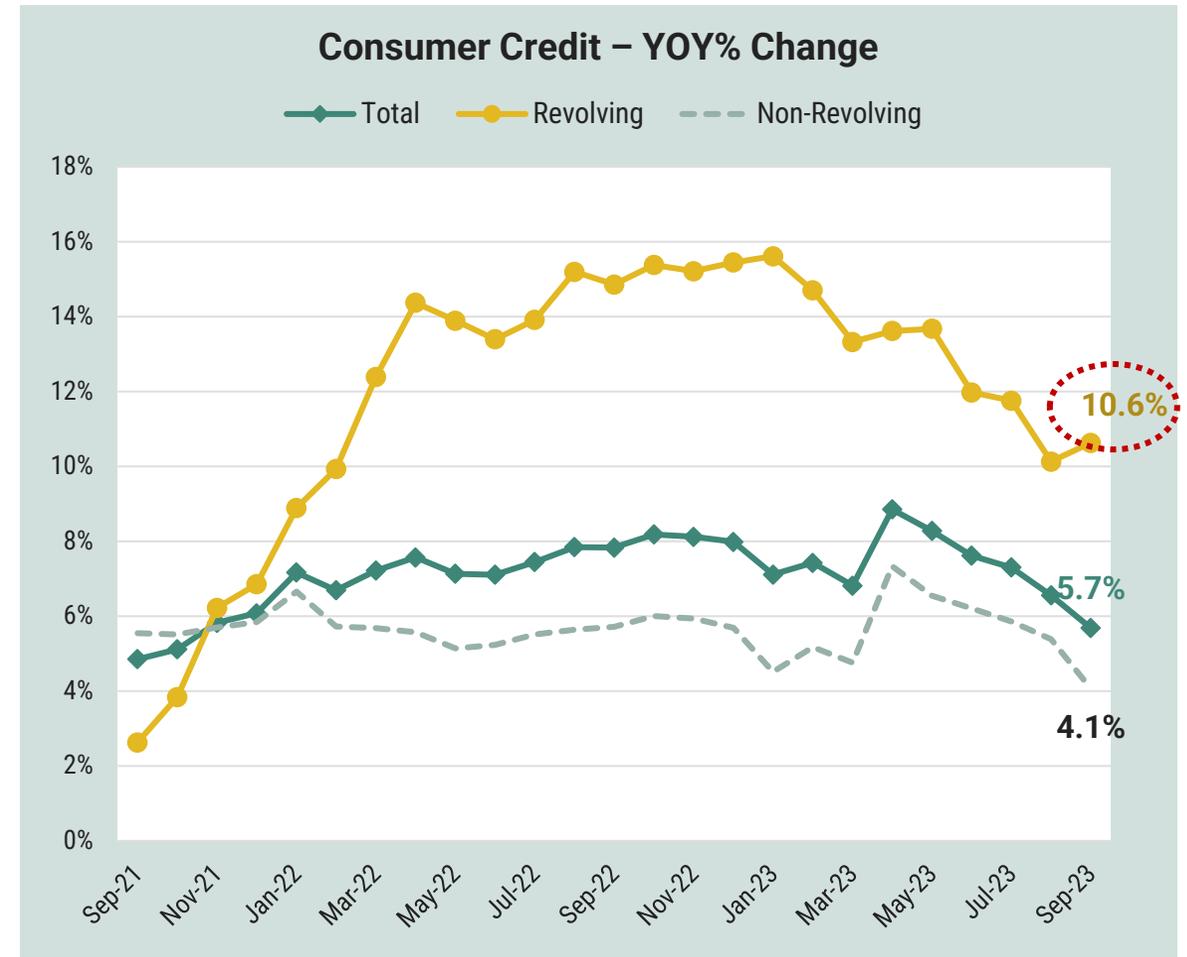
Board of Governors of the Federal Reserve System (US), Households; retrieved from FRED, Federal Reserve Bank of St. Louis;

Personal Savings & Consumer Credit

Personal savings rate remains above 2022 but has been dropping MTM; revolving credit debt continues to climb, increasing nearly 11% vs. 2022; total consumer credit increased 5.7%



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

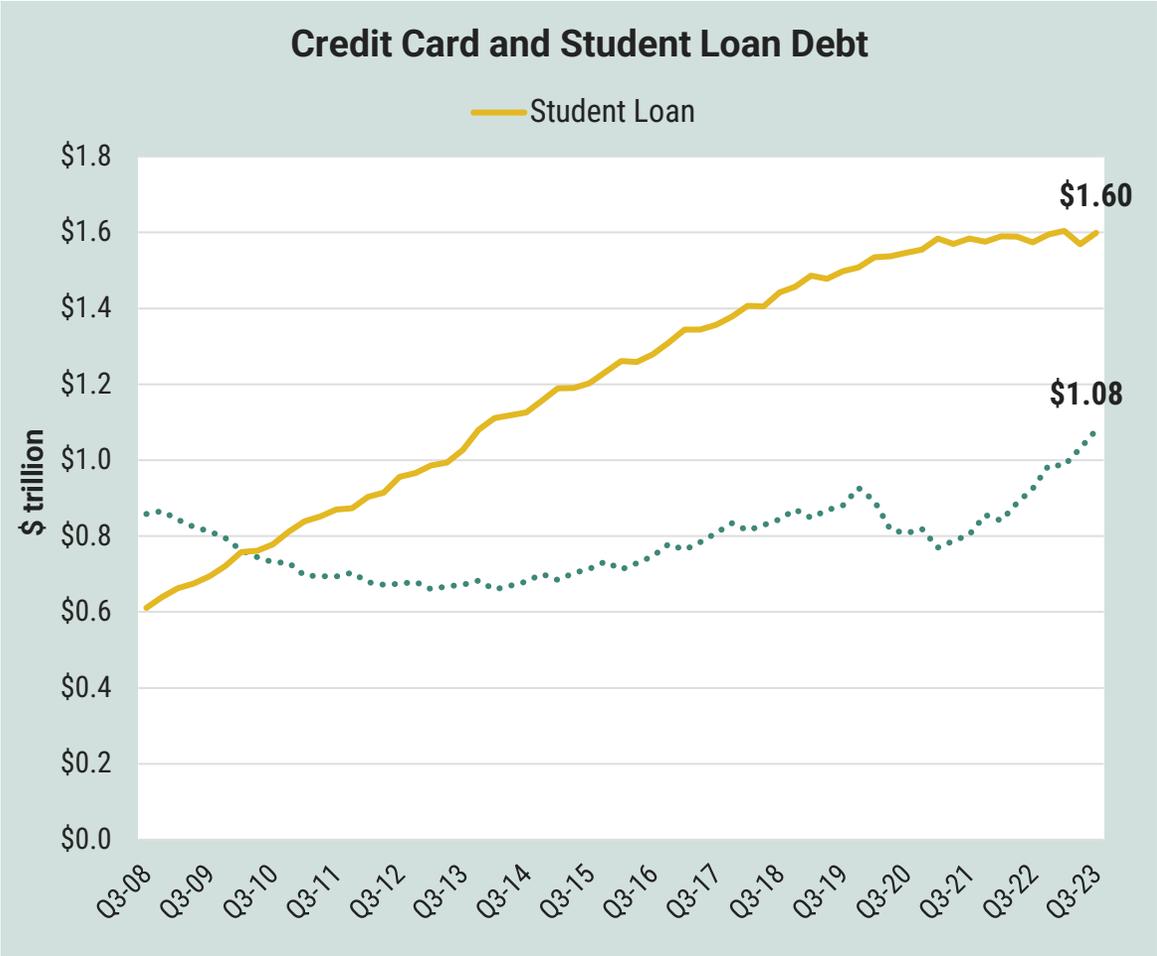
Total household increases again Q3-2023 to \$17.3 trillion; credit card balances remain high and consumer debt continues to grow – consumers ability to make minimum payments and pay off balances is still a concern



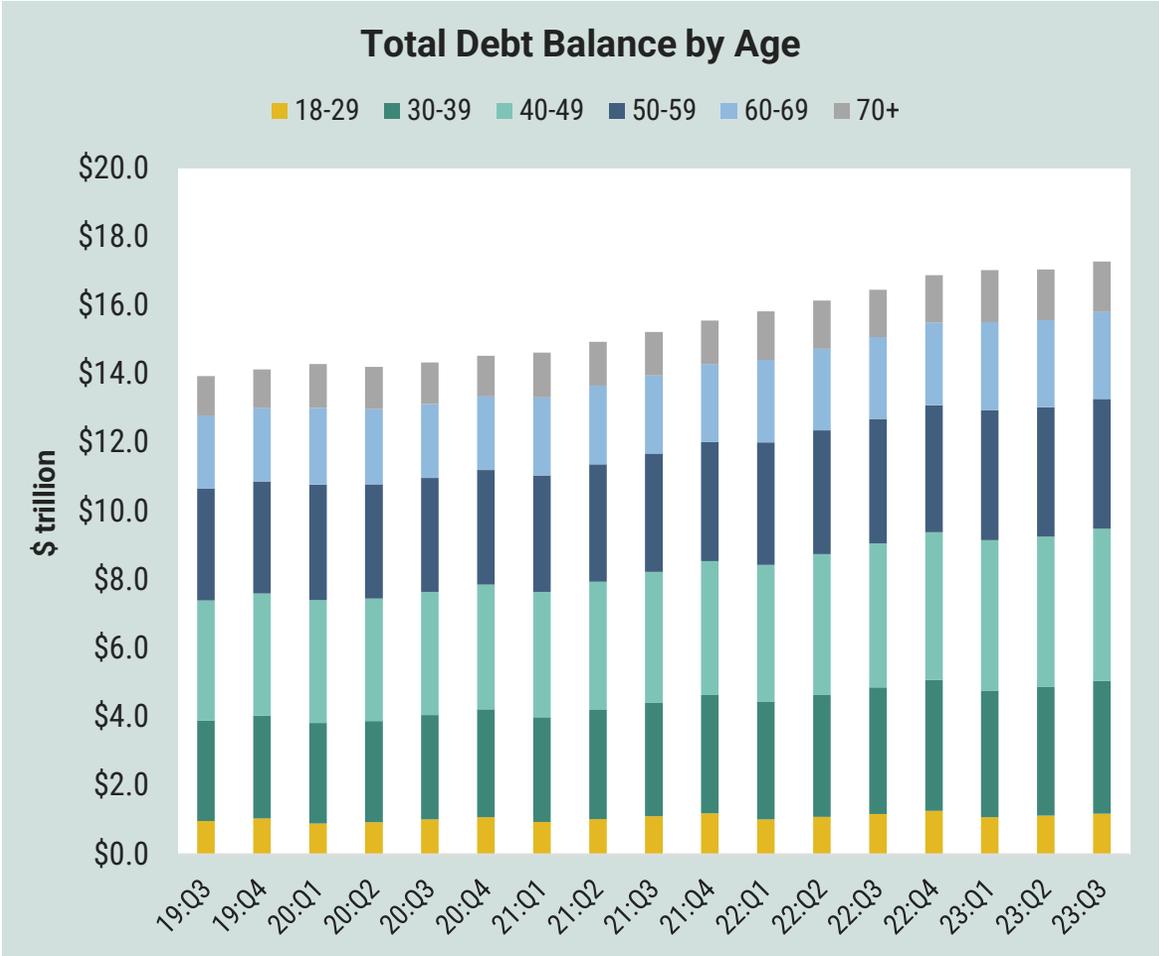
<https://www.newyorkfed.org/microeconomics/hhdc.html>

Total Credit Card and Student Loan Debt

NY Fed report shows that “The continued rise in credit card delinquency rates is broad based across area income and region, but particularly pronounced among millennials and those with auto loans or student loans”



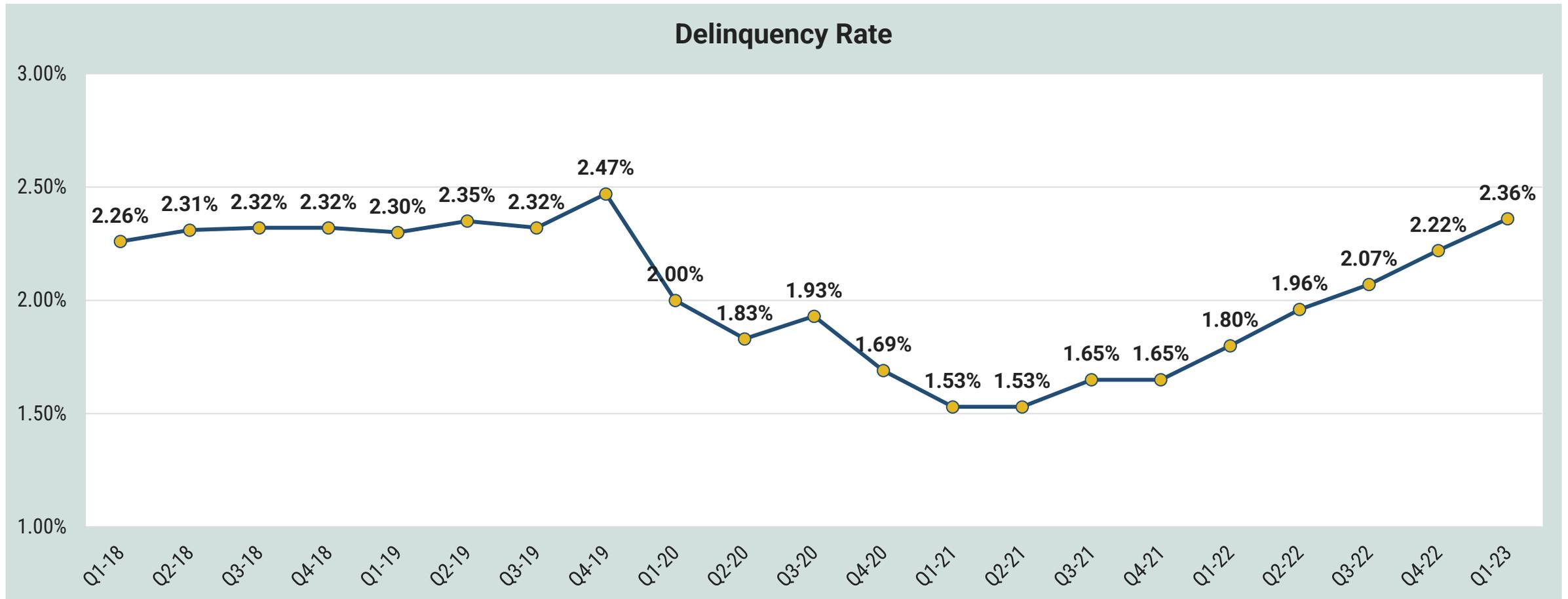
<https://www.newyorkfed.org/microeconomics/hhdc.html>



Source: New York Fed Consumer Credit Panel/Equifax

Delinquency Rate on Consumer Loans, All Commercial Banks

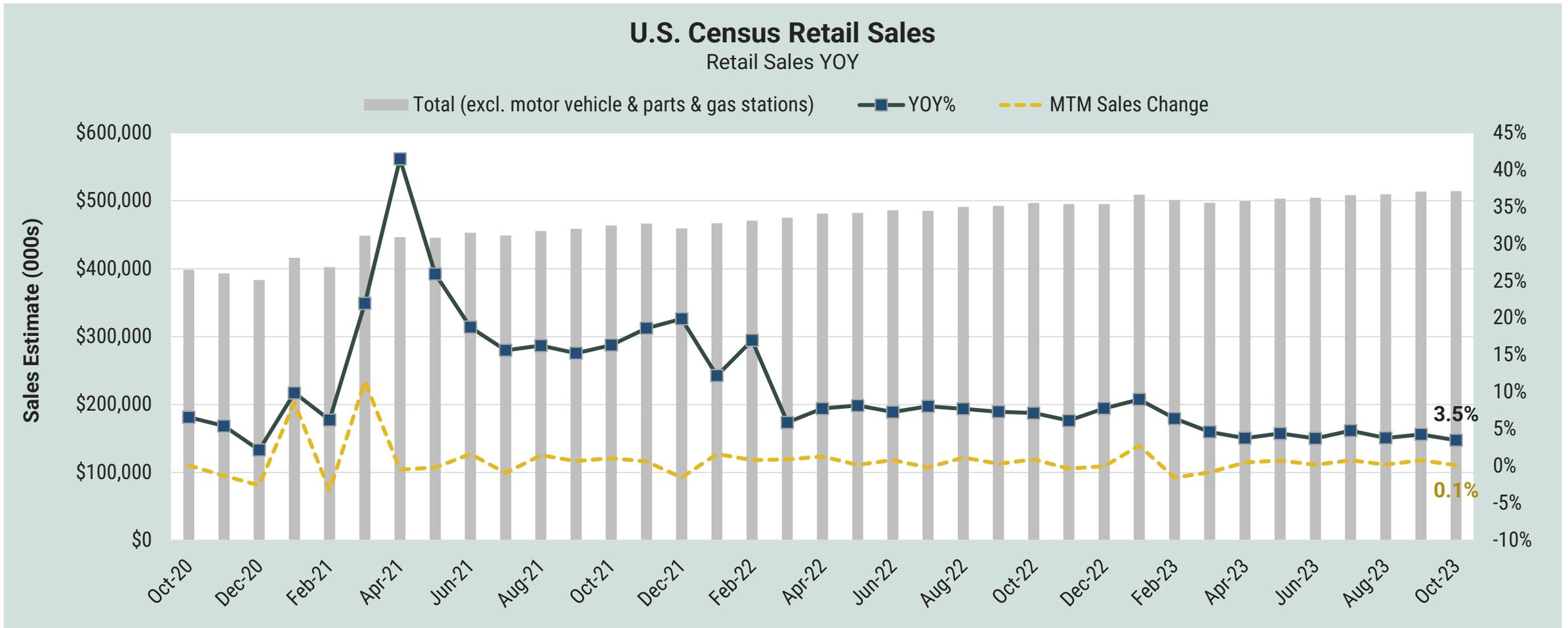
The delinquency rates for consumer loans has been rising since 2021 and is now at its highest level since 2019, due to a combination of factors, including rising inflation, interest rates, and rising debt load carried by consumers



U.S. Retail Sales

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

Retail sales were down 0.1 percent from September 2023, and up 3.5 percent above last year



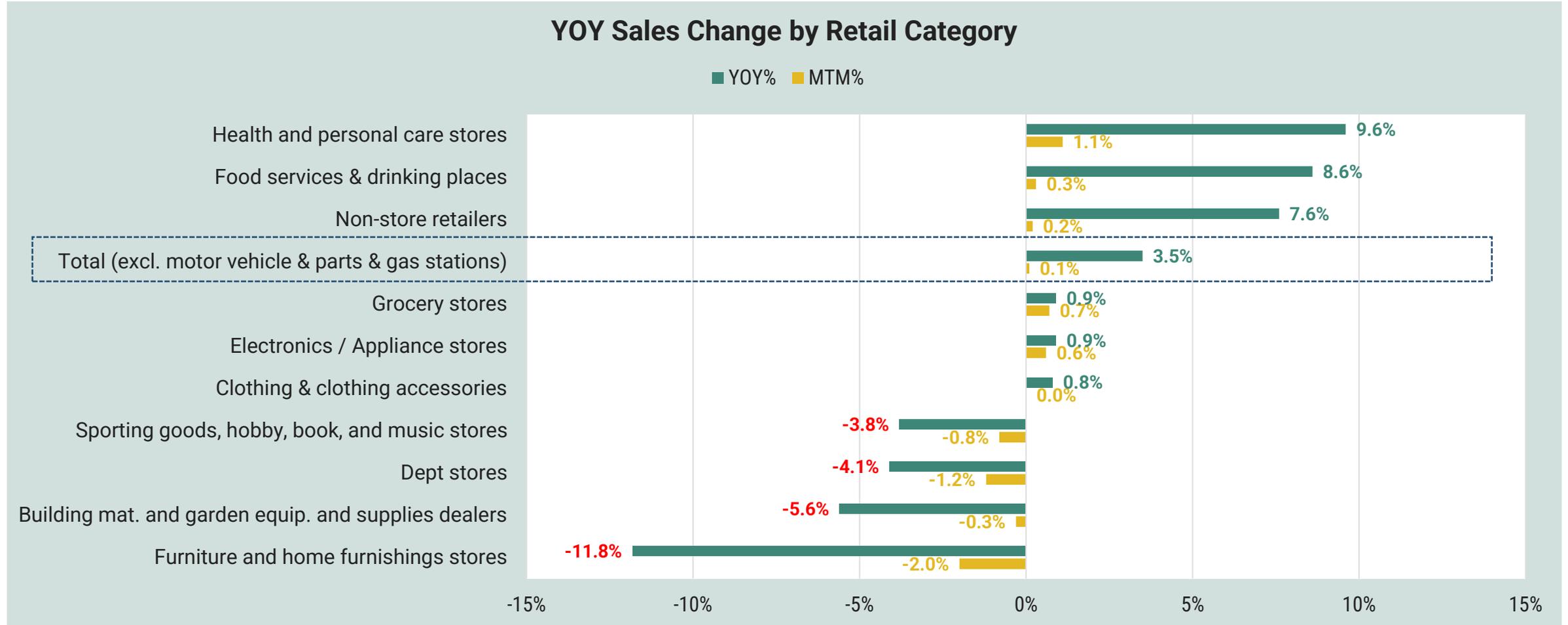
Source: U.S. Census Bureau

U.S. Retail Sales by Retail Category

Key hard goods segments continue to show YOY declines, with strong increases in Food Services and Dining (8.6%), Non-Store retail (7.6%), and Health and Personal Care (9.6%); consumers continue to hold off purchases on durable goods

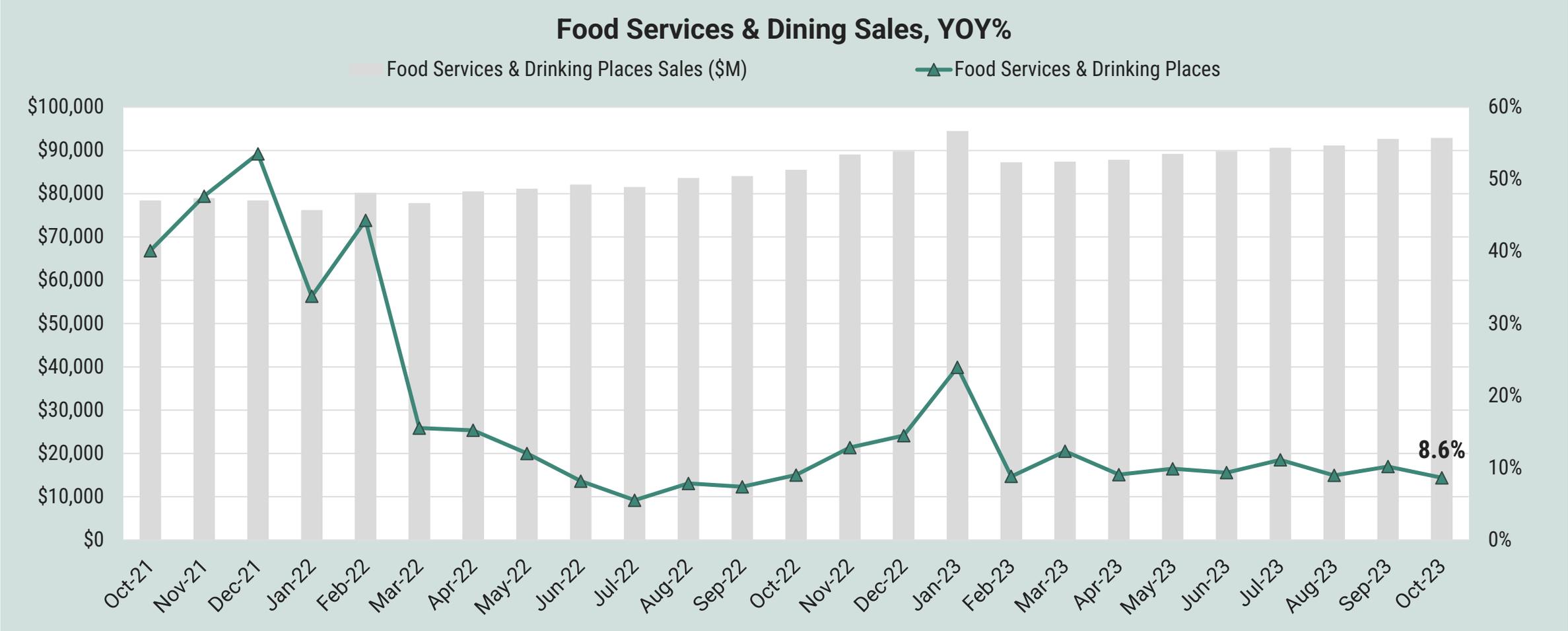
YOY Sales Change by Retail Category

■ YOY% ■ MTM%



U.S. Retail Sales – Food Services & Dining

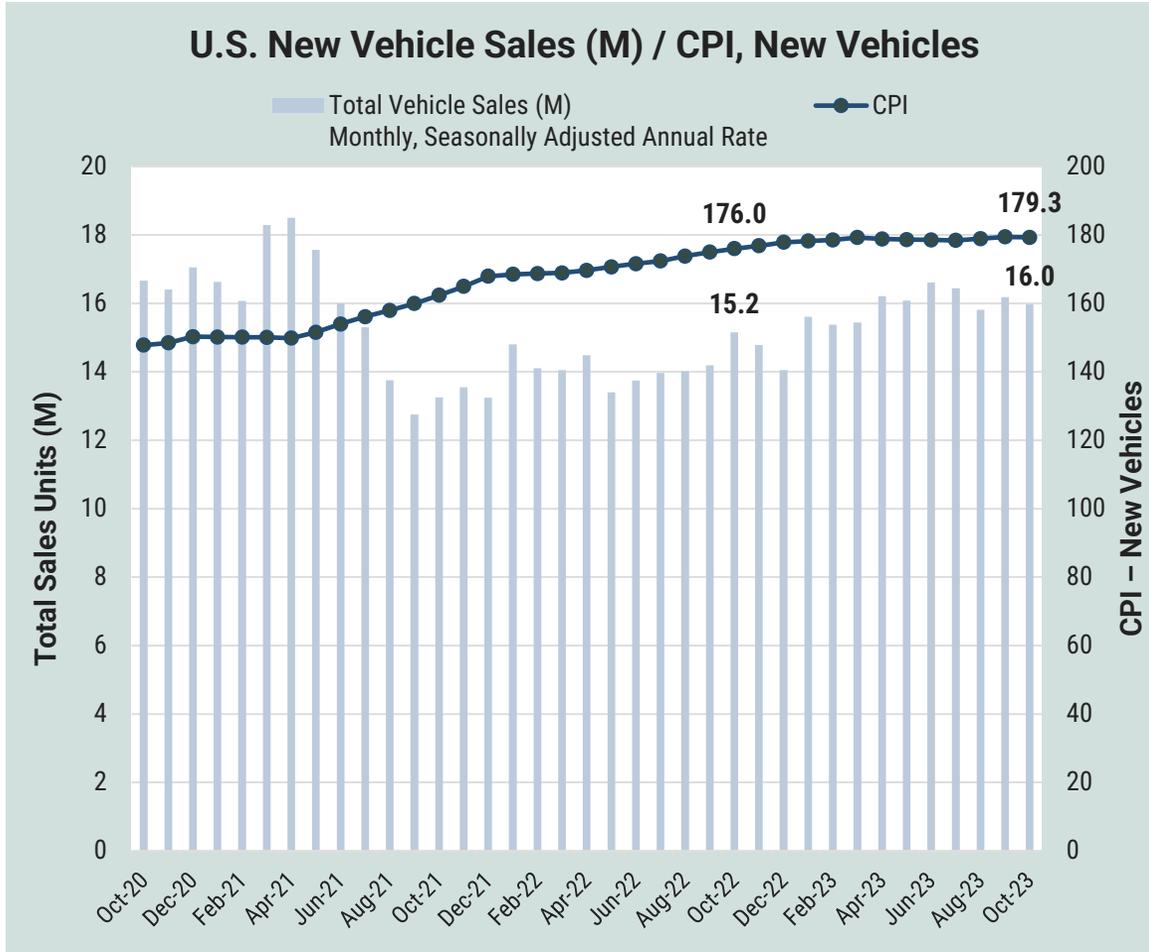
Food Services / Dining increased 8.6% in October, despite a 5.4% rise in the CPI for Food Away From Home



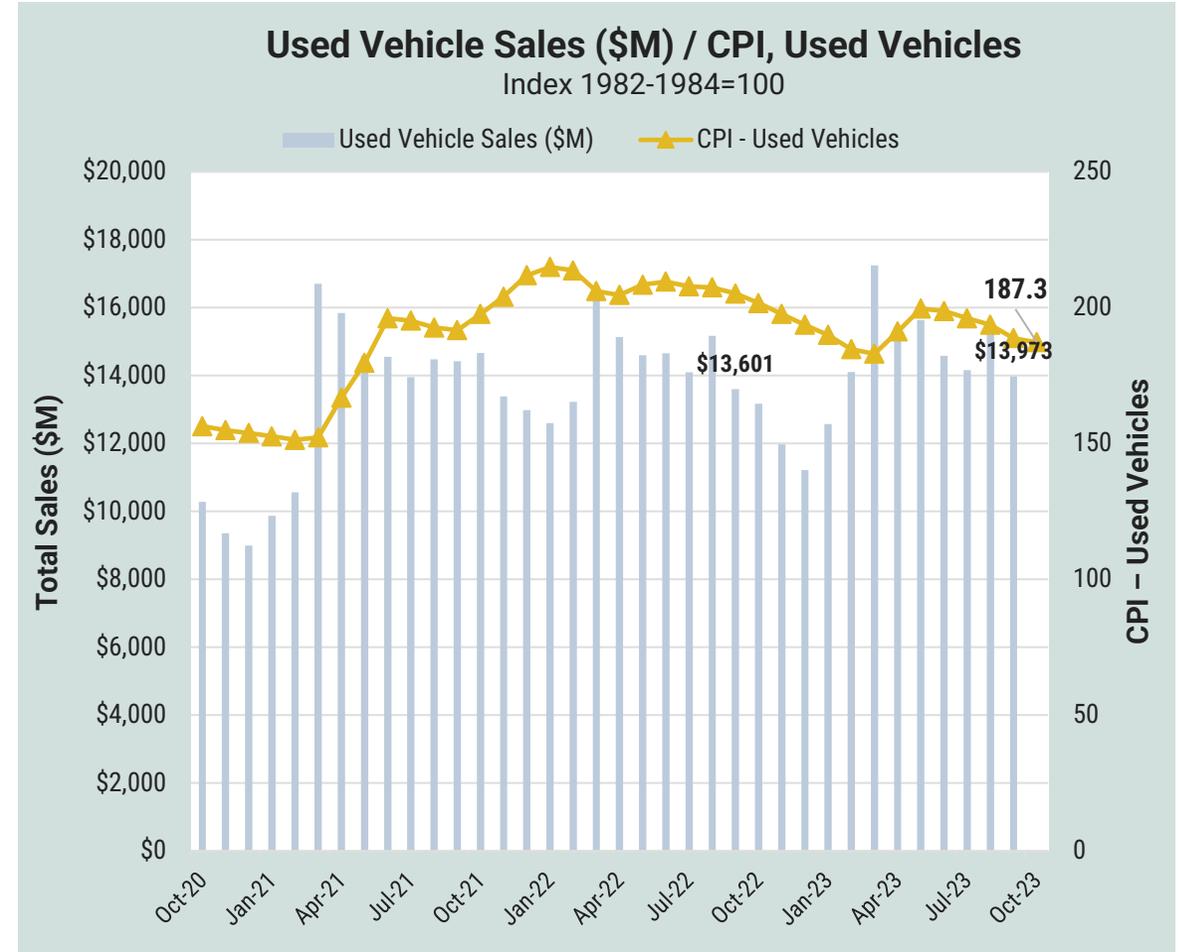
Source: U.S. Census Bureau

U.S. Vehicle Sales

New vehicle sales increased 5.4% YOY, with CPI 2% above LY; used vehicles sales (through September) increased 2.7% vs. last year, CPI-Used Vehicles down 6.6



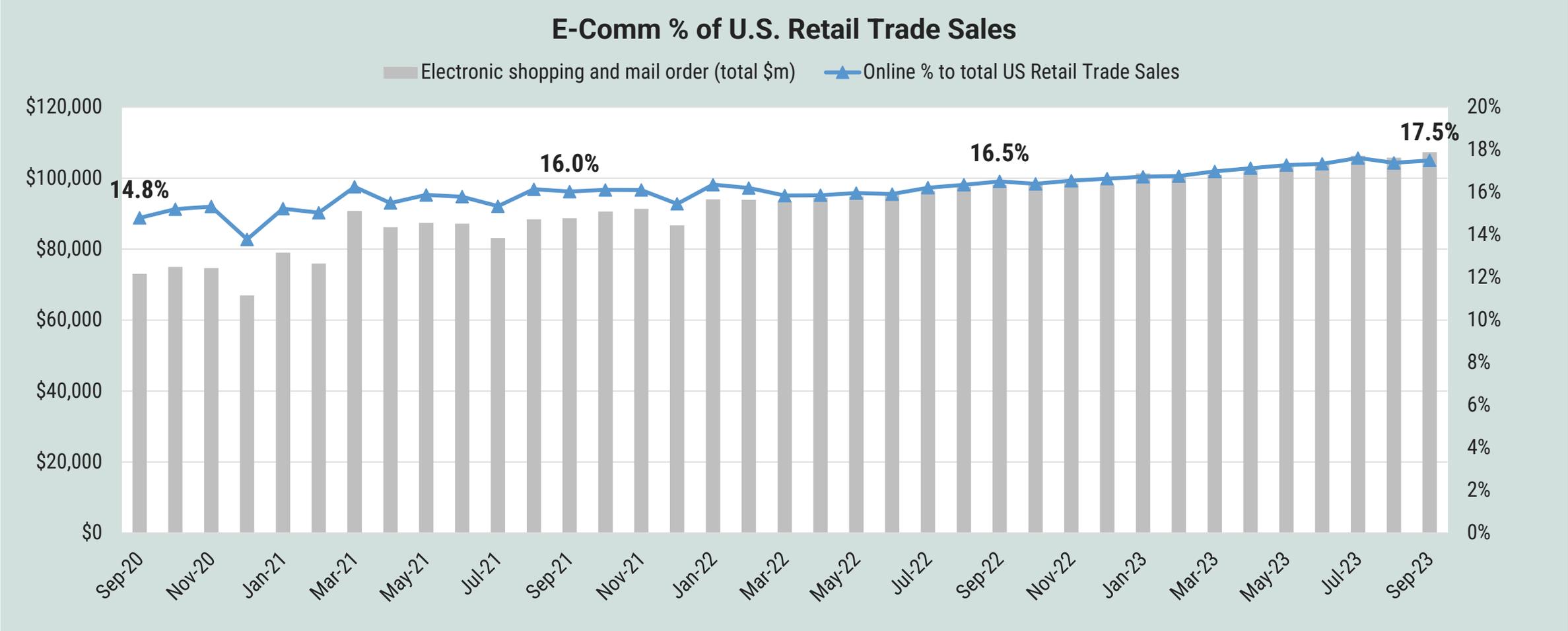
U.S. Bureau of Economic Analysis, Total Vehicle Sales [TOTALSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/TOTALSA>, October 15, 2023



U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Used Cars and Trucks in U.S. City Average [CUSR0000SETA02], retrieved from FRED, Federal Reserve Bank of St. Louis

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

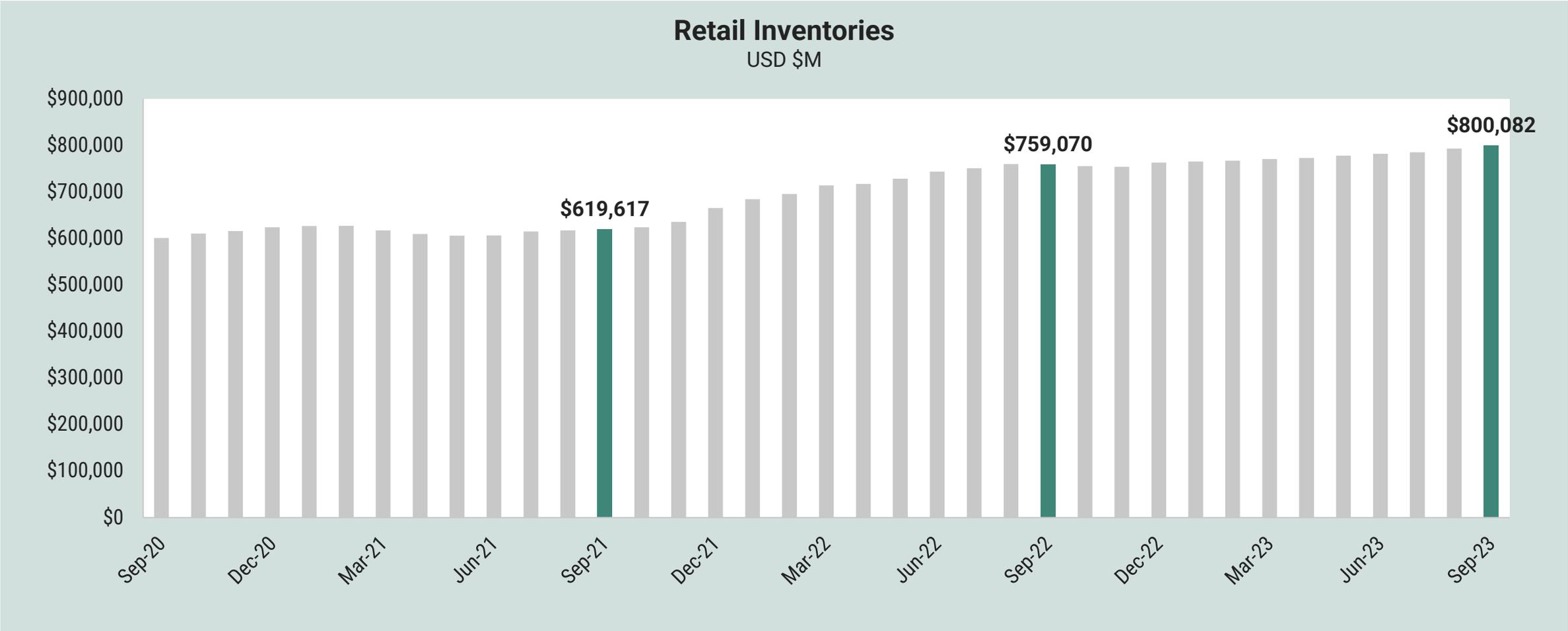
E-comm % of Total Retail Trade sales remained stable at 17%+ through Sept 2023, consumers still enjoy bricks and mortar for the in-person experience



Source: U.S. Census Bureau

Retail Inventories

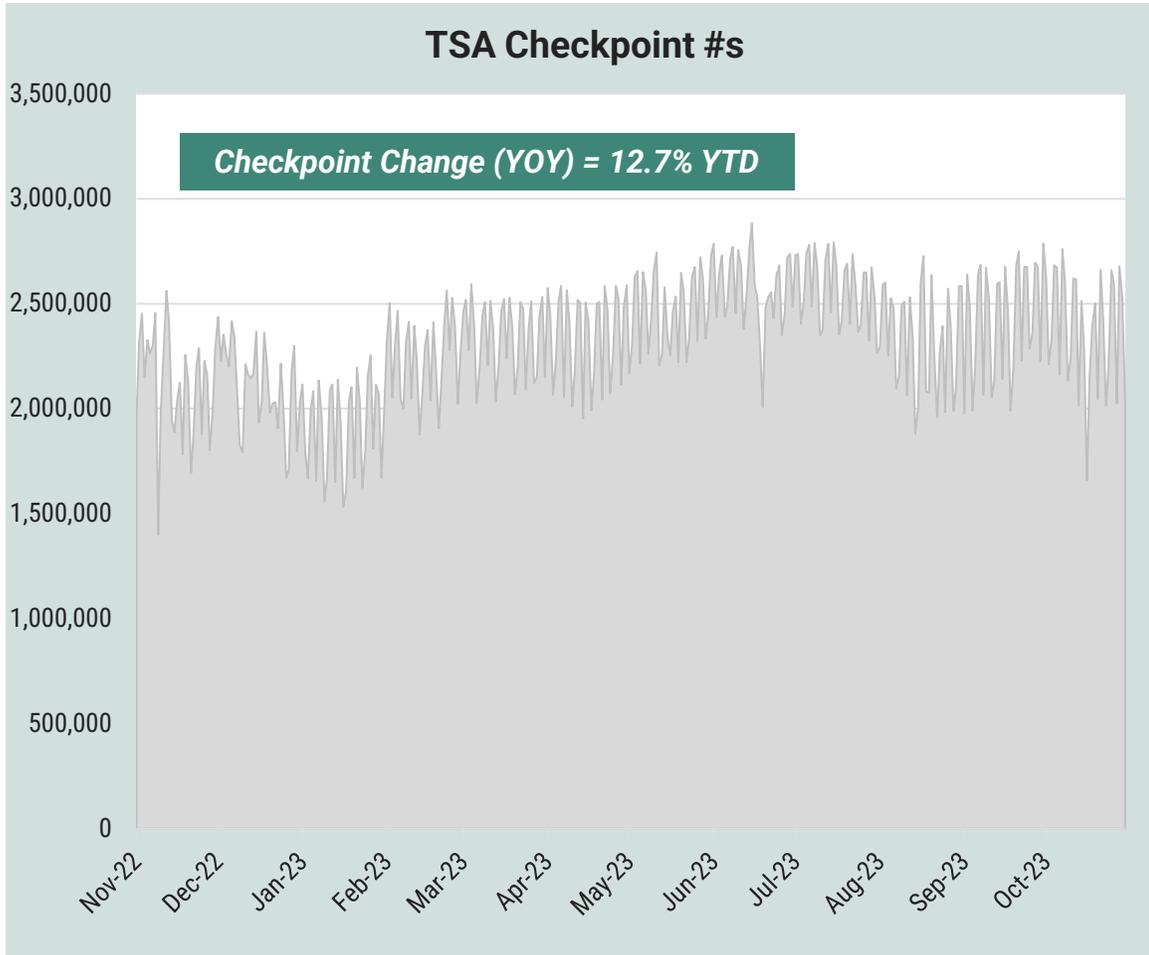
August retail inventories increased 5.4% above 2022 and essentially flat MTM



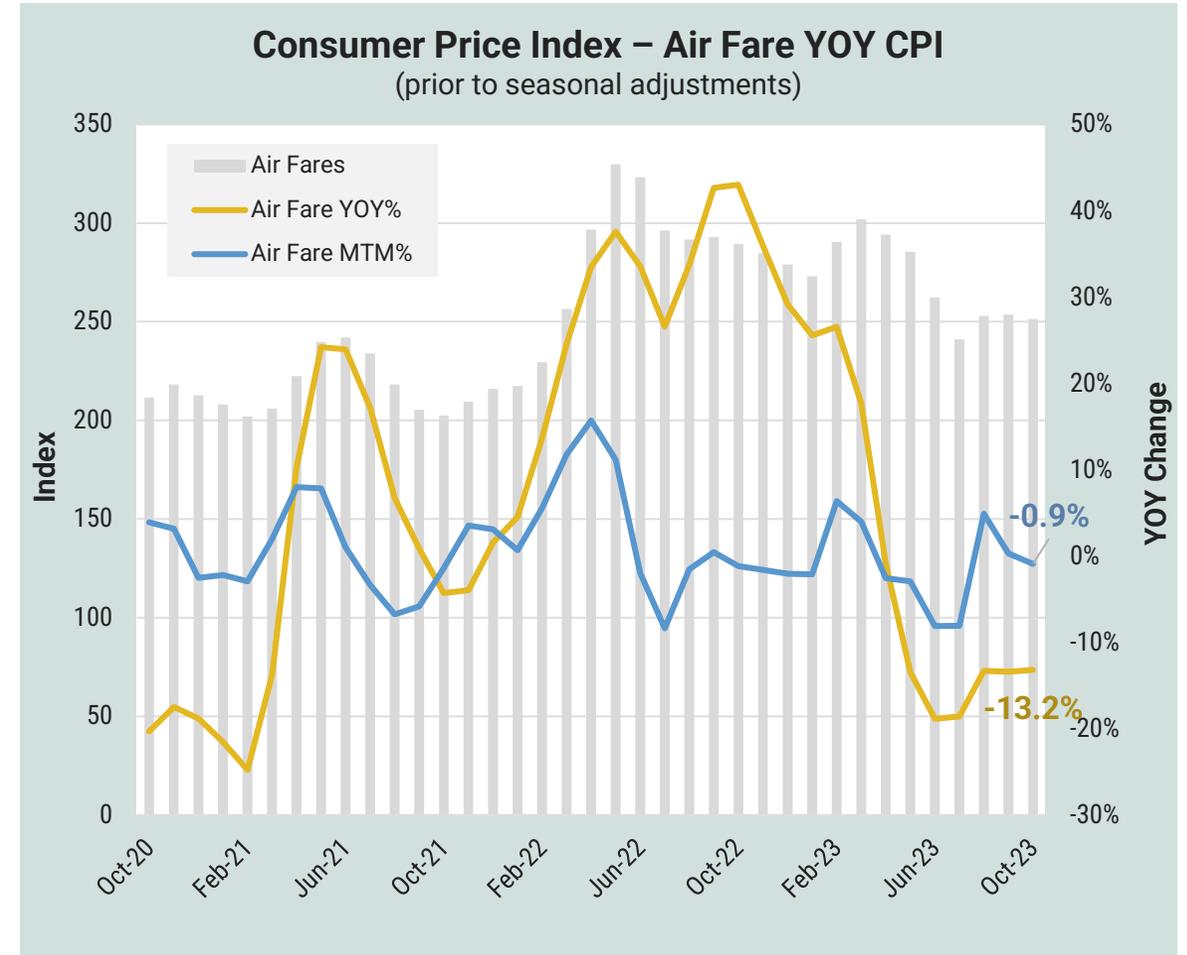
U.S. Census Bureau, Retailers Inventories [RETAILIMSA], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/RETAILIMSA>

TSA Checkpoint Travel Numbers

Air travel increased again among U.S. travelers; year-to-date, TSA checkpoint numbers are up 12.7%; the price of air travel was down .9%t MTM, and 13.2% lower than last year - air travel for holidays should match or exceed pre-COVID levels



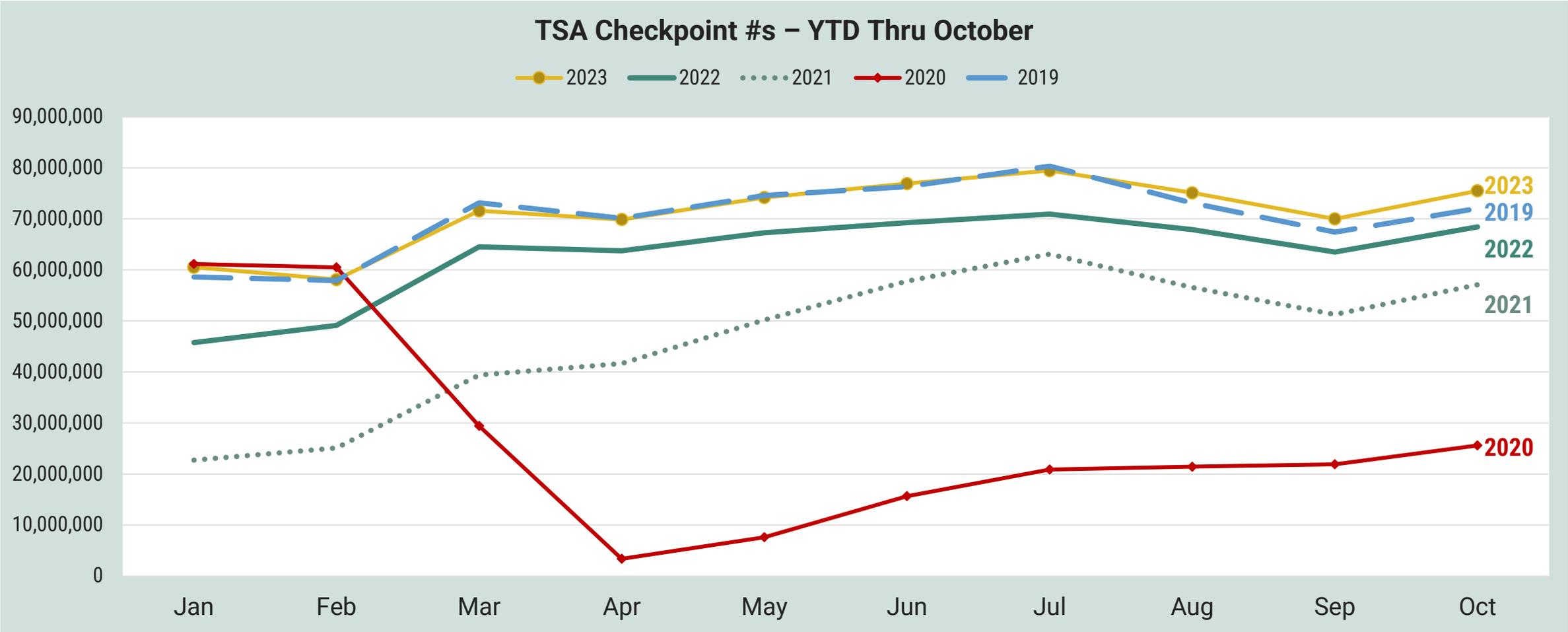
Source: U.S. Transportation Security Administration



Source: U.S. Bureau of Labor Statistics

TSA Checkpoint Travel Numbers

Air travel has fully recovered (and now ahead of) pre-COVID activity

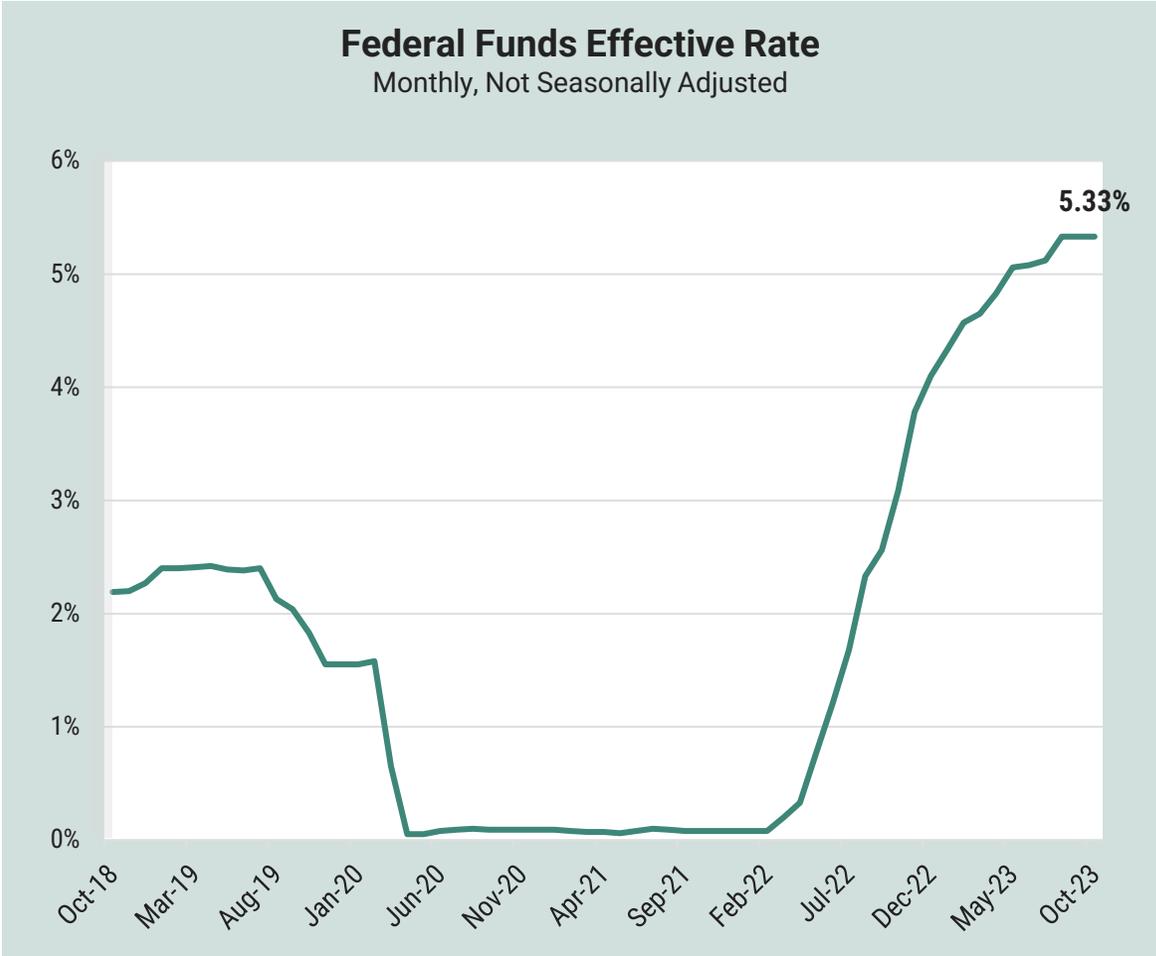
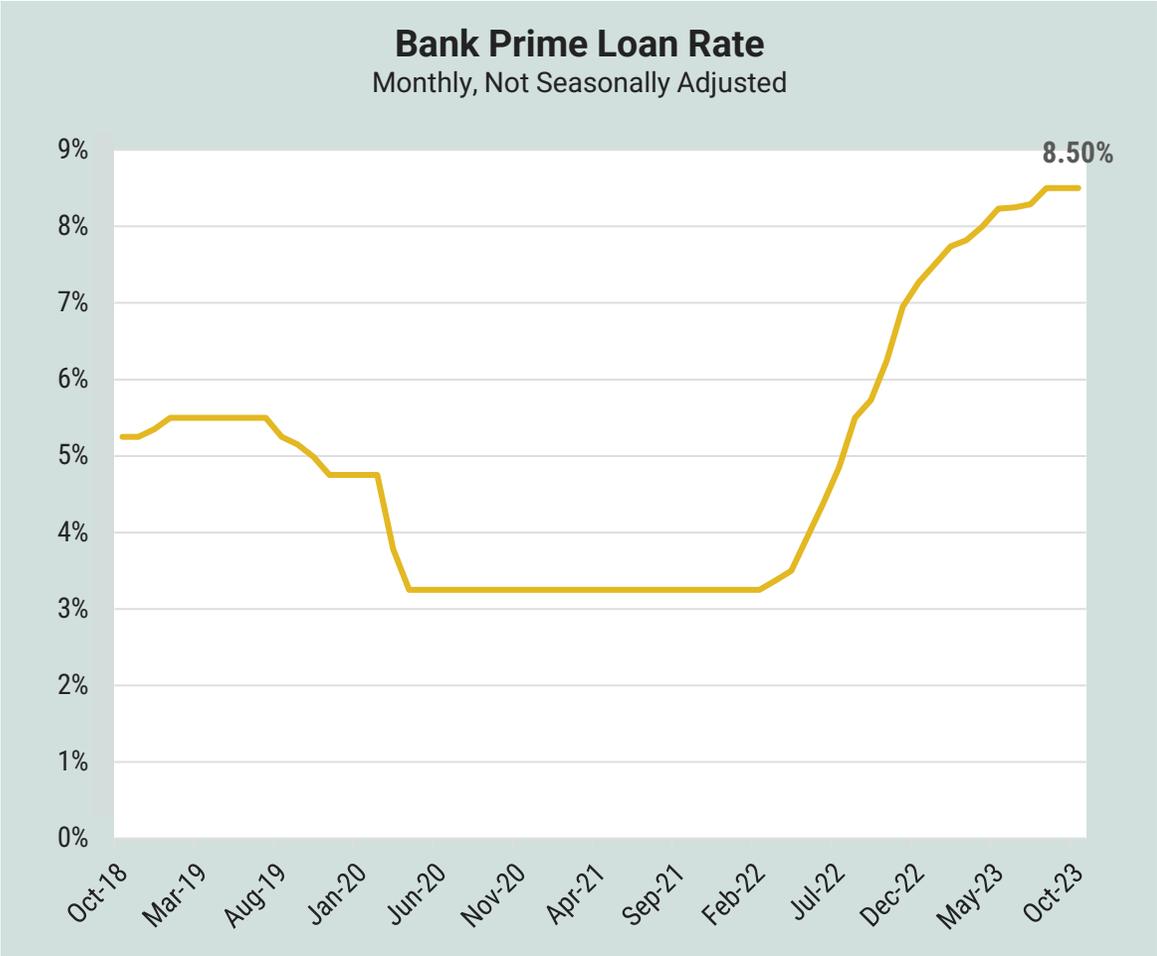


Source: U.S. Transportation Security Administration

Broad Economic Indicators

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

Consumer Price Index *(non-seasonally adjusted)*

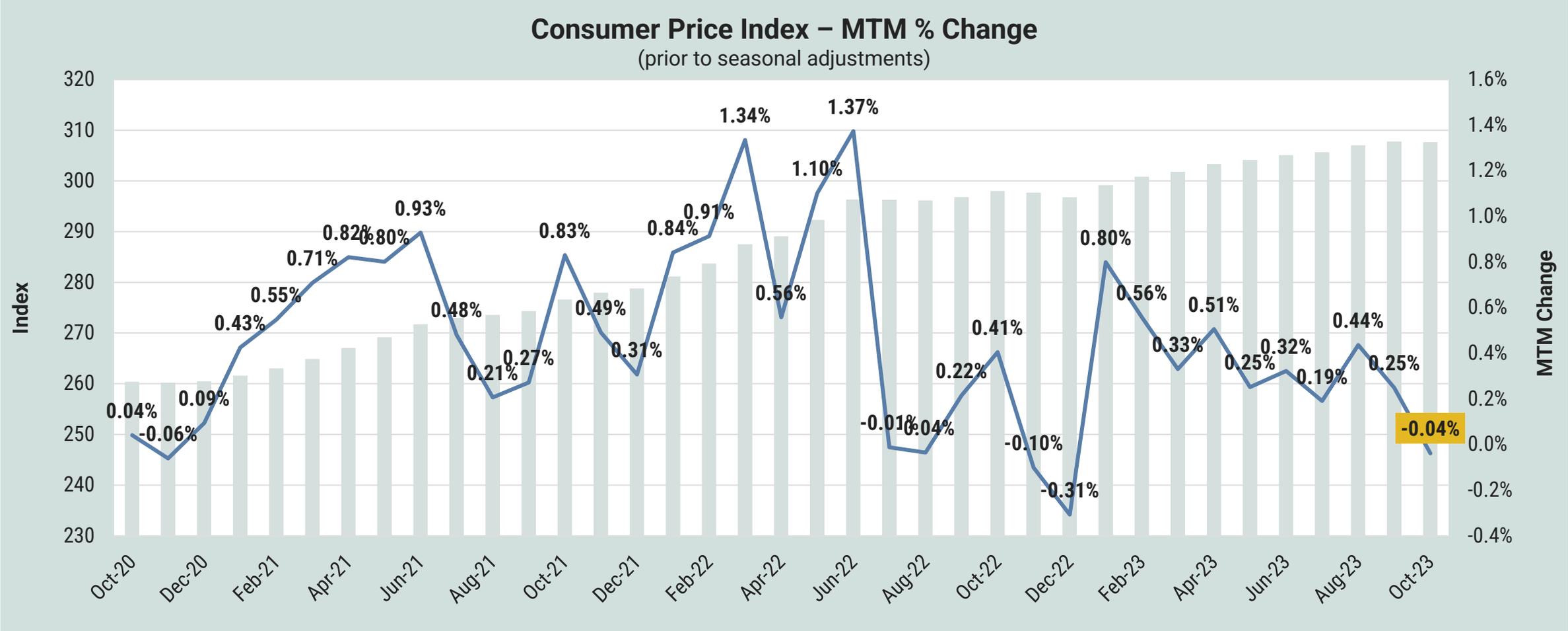
In October, the Consumer Price Index for All Urban Consumers rose 3.2 percent over the last 12 months. The index for all items less food and energy increased 4.0 percent over the year

- Food Away From Home +5.4%
- Housing +5.2%
- Fuel -5.6%
- Air Fare -13.2%

	May-23	Jun-23	Aug-23	Aug-23	Sep-23	Oct-23
Total CPI	4.0%	3.0%	3.2%	3.7%	3.7%	3.2%
All Items Less Food & Energy (Core CPI)	5.3%	4.8%	4.7%	4.3%	4.1%	4.0%
Food at Home	5.8%	4.7%	3.6%	3.0%	2.4%	2.1%
Food Away From Home	8.3%	7.7%	7.1%	6.5%	6.0%	5.4%
Motor Fuel	-20.0%	-26.7%	-20.2%	-3.7%	2.7%	-5.6%
Apparel	3.5%	3.1%	3.2%	3.1%	2.3%	2.6%
Housing	6.8%	6.3%	6.2%	5.7%	5.6%	5.2%
Education	3.4%	3.1%	3.2%	2.9%	2.9%	2.7%
Medical Care	0.6%	0.1%	-0.5%	-1.0%	-1.4%	-0.8%
Transportation	-2.0%	-5.1%	-3.0%	1.4%	2.4%	0.8%
Air Fare	-13.4%	-18.9%	-18.6%	-13.3%	-13.4%	-13.2%

Consumer Price Index – Month-to-Month Trends

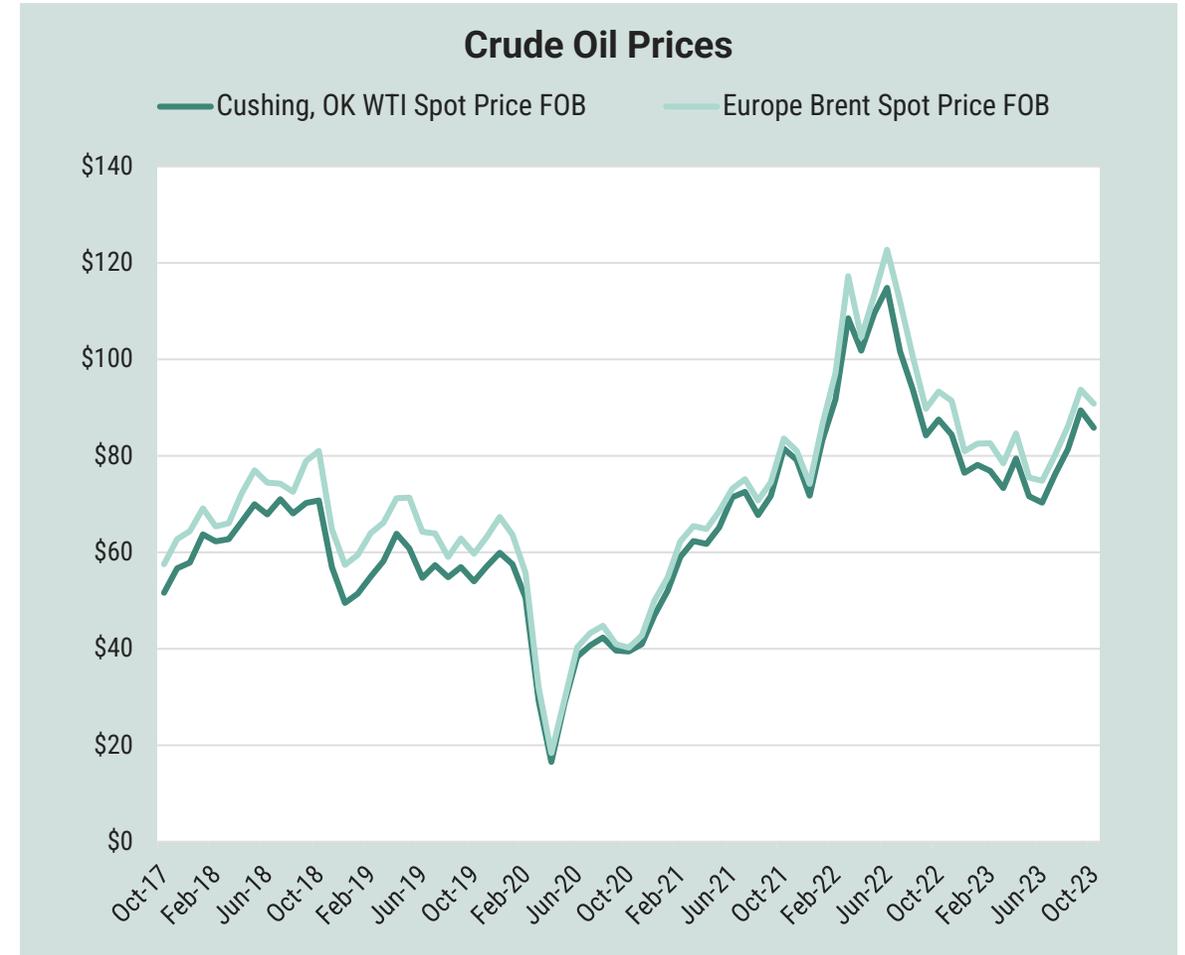
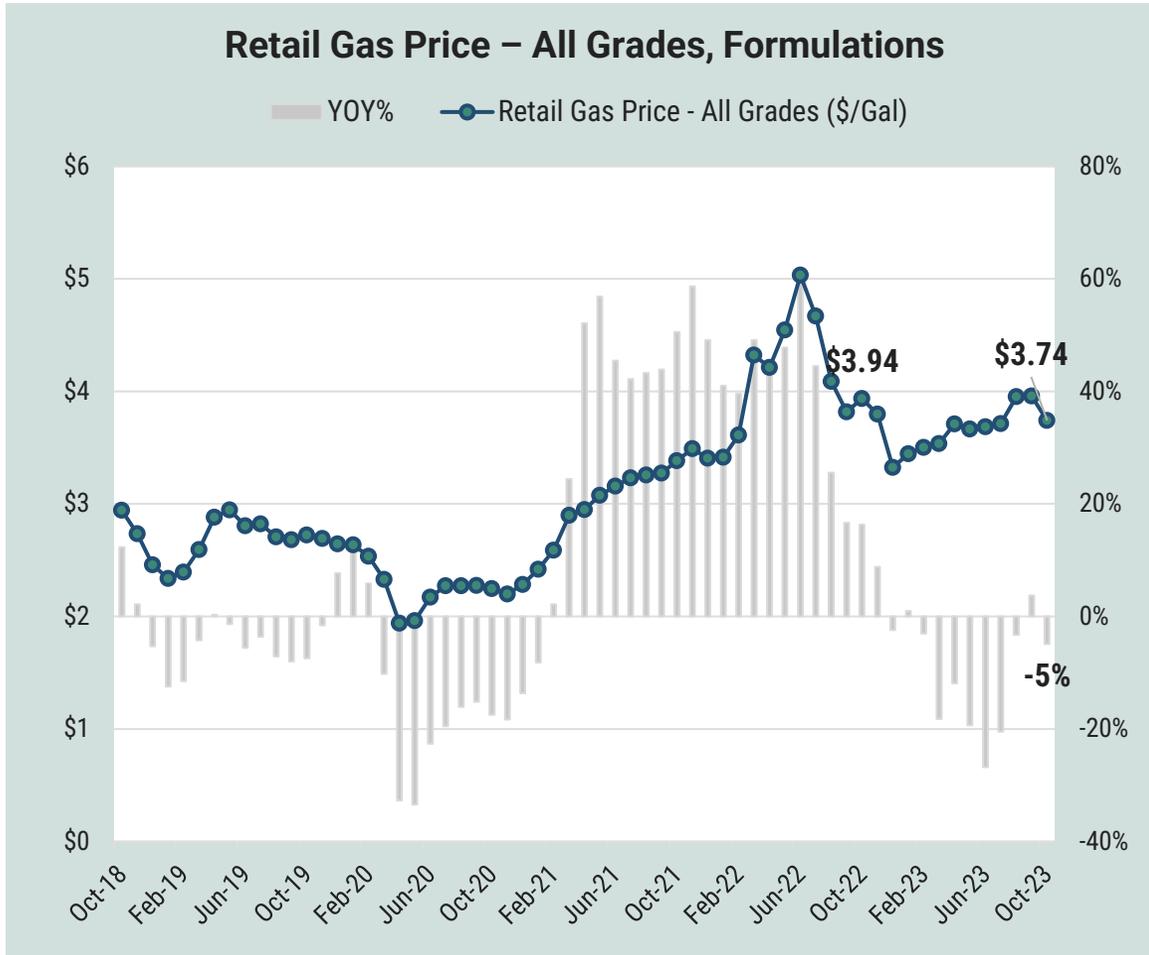
On a *monthly* basis, the CPI for All Urban Consumers (CPI-U) decreased 0.04% (prior to seasonal adjustments)



Source: U.S. Bureau of Labor Statistics

Gasoline (Retail Price) and Crude Oil Prices

Retail gas eased again in October; average U.S. retail price / gal was down 5% from 2022 at an average of \$3.74/gallon

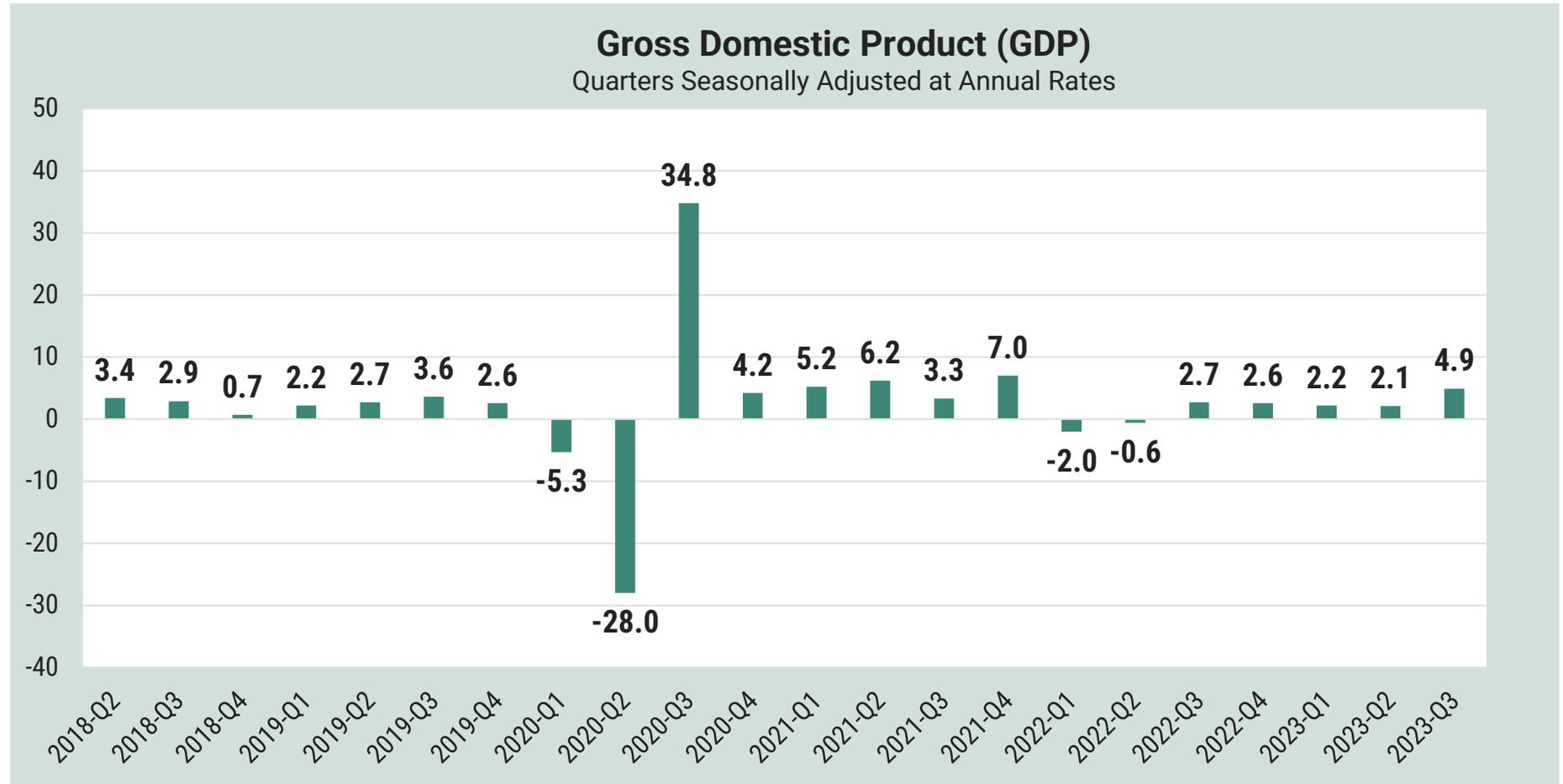


Source: U.S. Energy Information Administration

Gross Domestic Product

Q3 GDP increased 4.9%, exceeding analysts' expectations and well above the 2.1% increase in Q1 – the strong Q3 increase was driven in large part by consumer spending

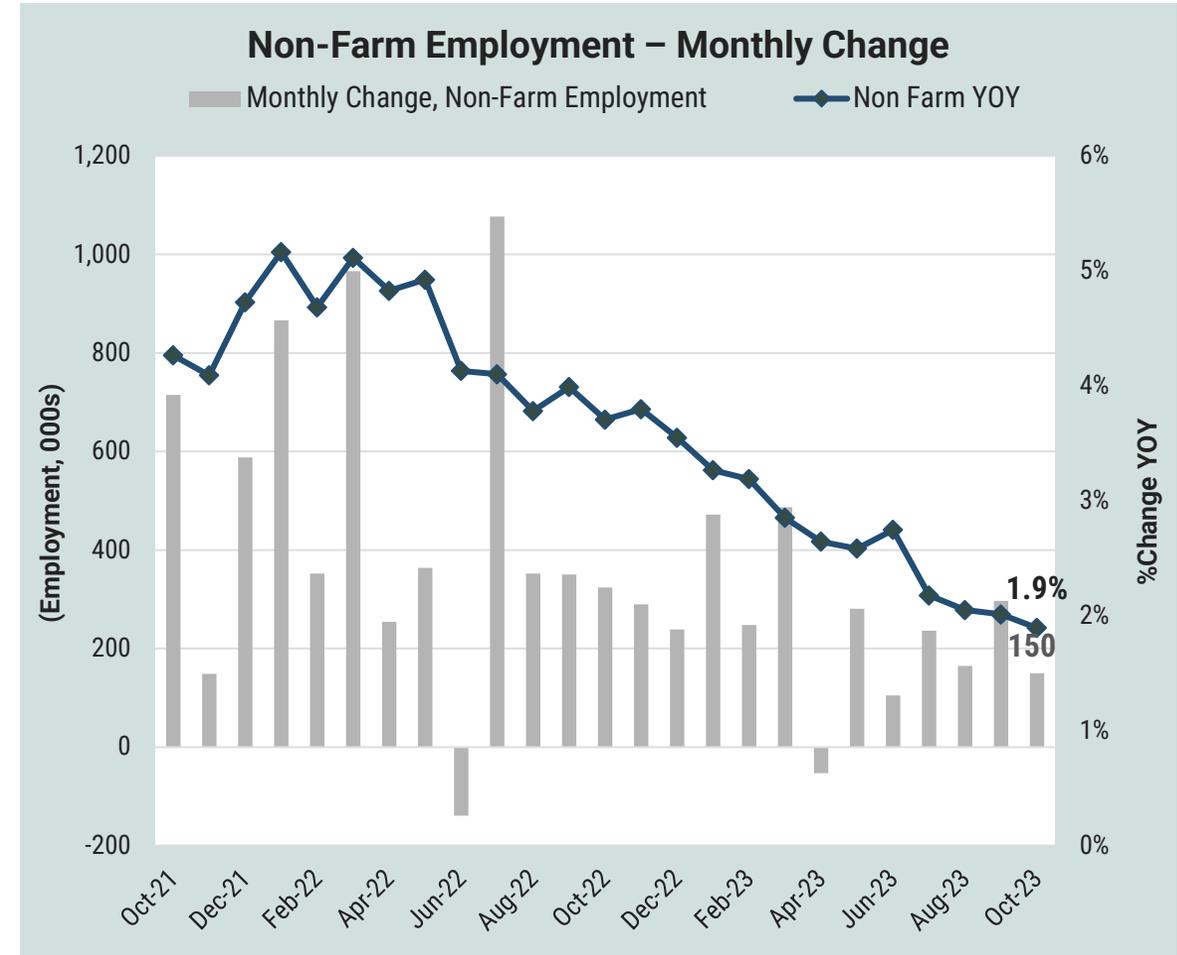
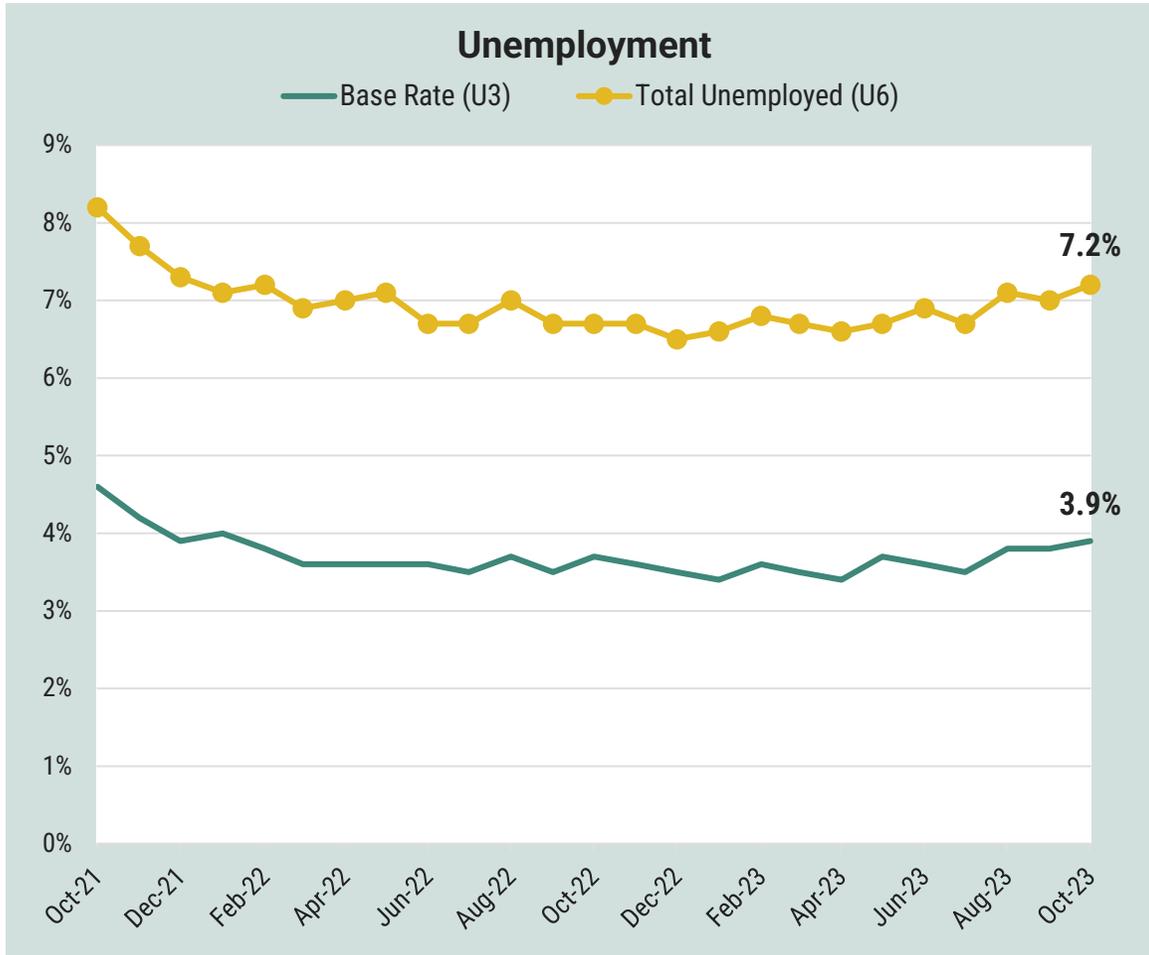
Real gross domestic product (GDP) increased at an annual rate of 4.9 percent in the third quarter of 2023, according to the "advance" estimate. In the second quarter, real GDP increased 2.1 percent. The increase in the third quarter primarily reflected increases in consumer spending and inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.



U.S. Employment

U.S. Employment Overview

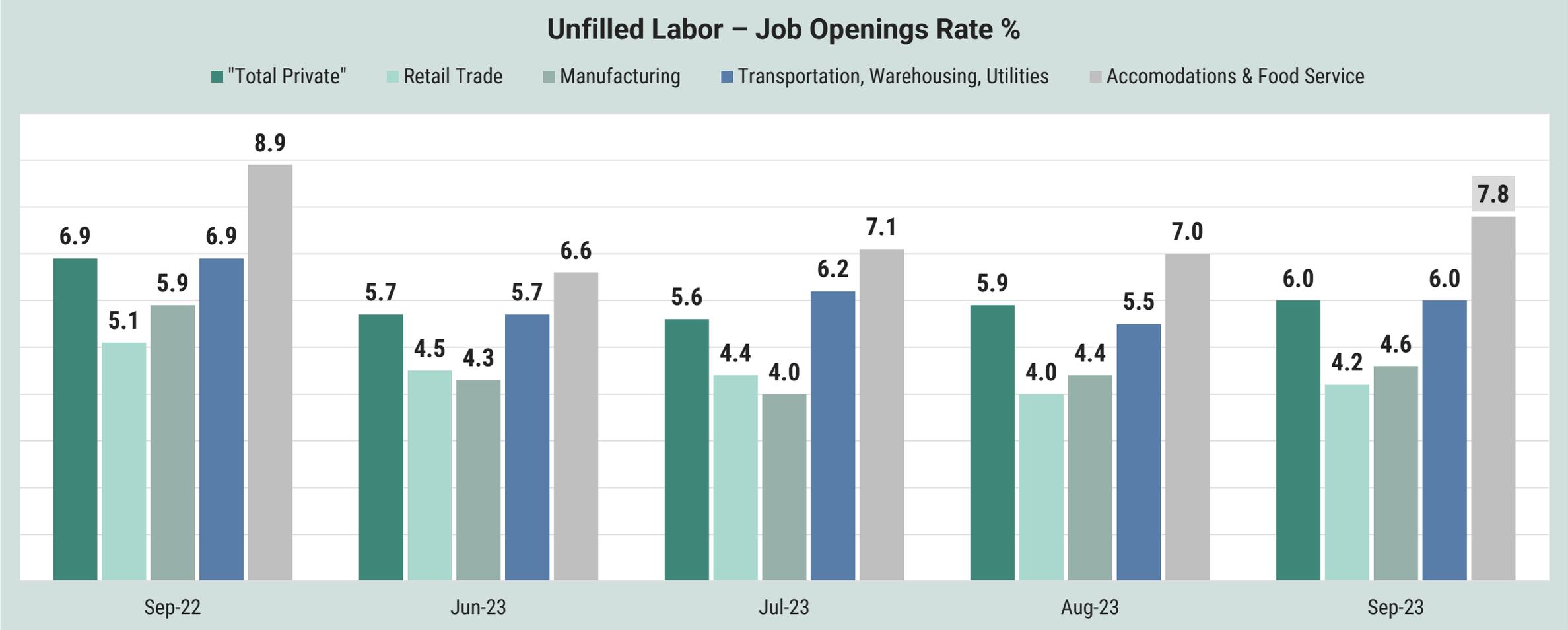
Unemployment remains below 4%; non-farm employment was up 2.1% month-to-month, with employment rising by 150,000 (1.9%)



Source: U.S. Bureau of Labor Statistics

Private Industry Labor – Job Openings

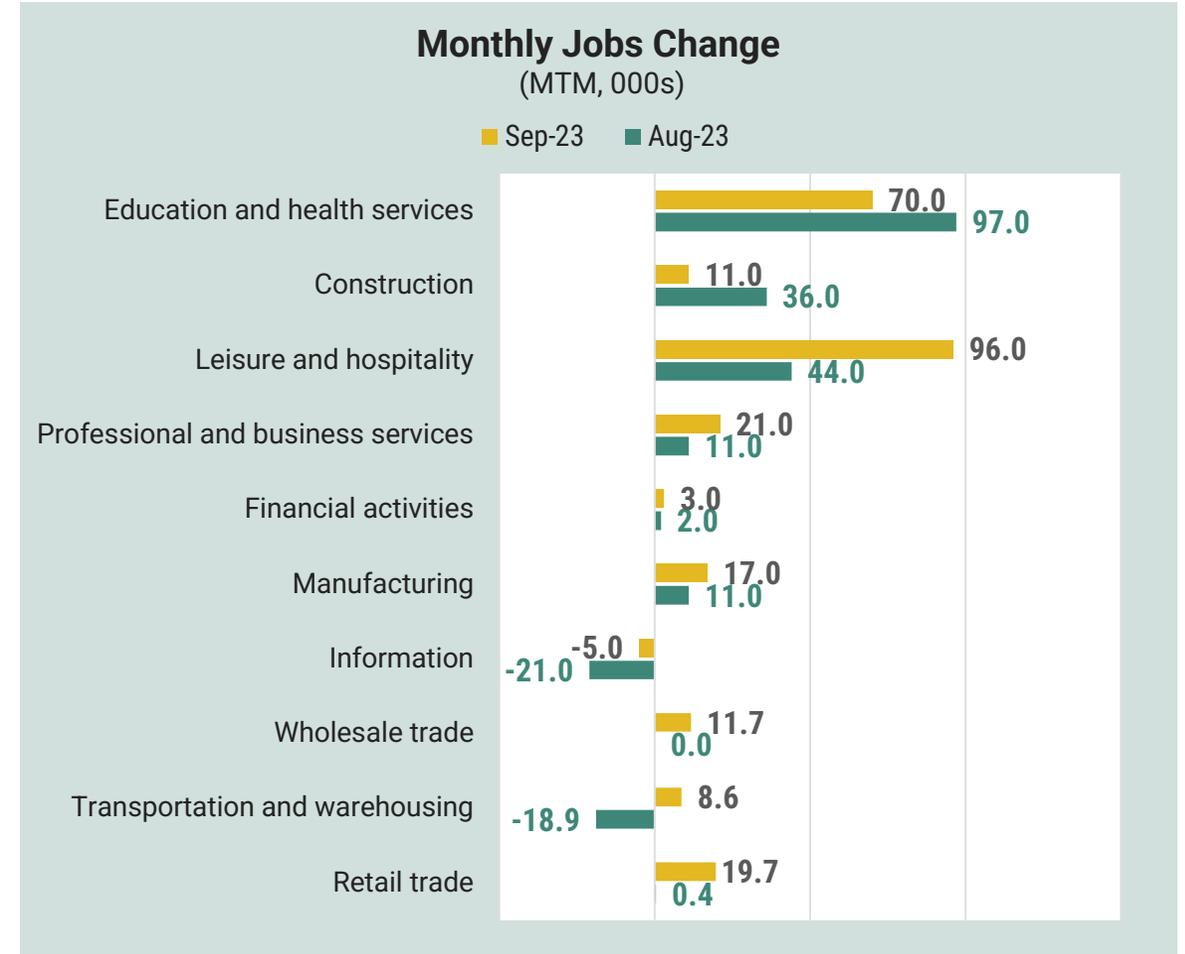
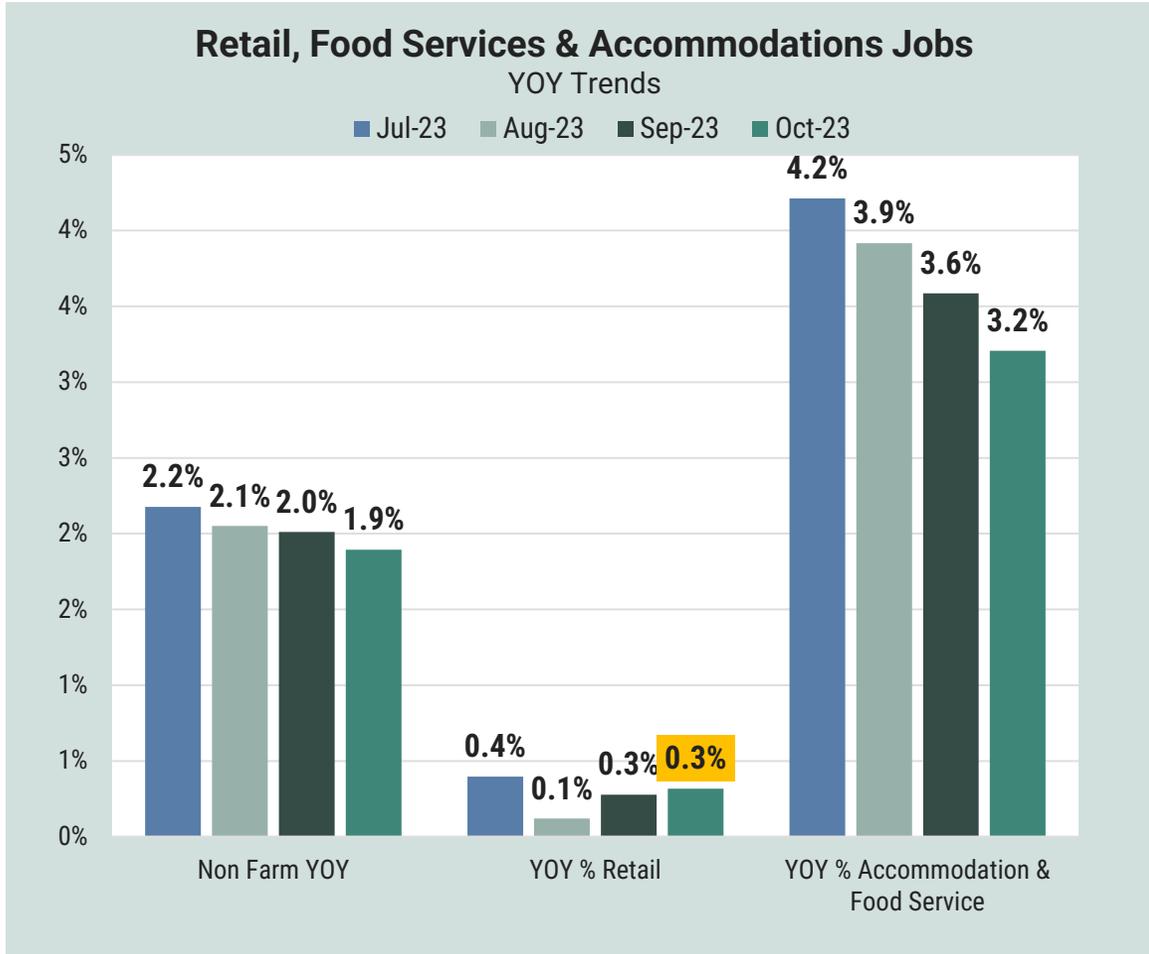
Through September, unfilled job openings rates remained stable, with a jump from 7% to 7.8% in Accommodations and Food Service



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

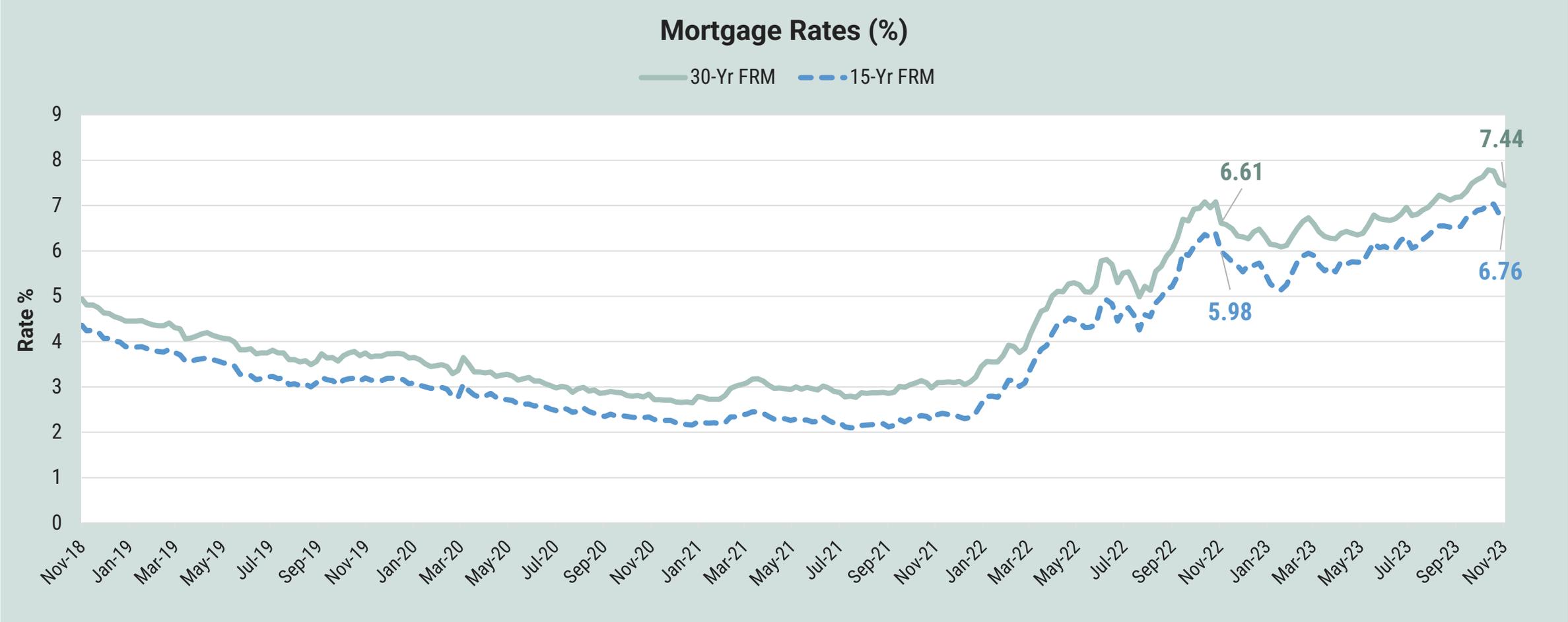
Retail Trade monthly jobs were flat to LY; Leisure & Hospitality again saw yearly and MTM gains with retailers and dining establishments are heavily recruiting for part-time holiday help



Housing

Mortgage Rates

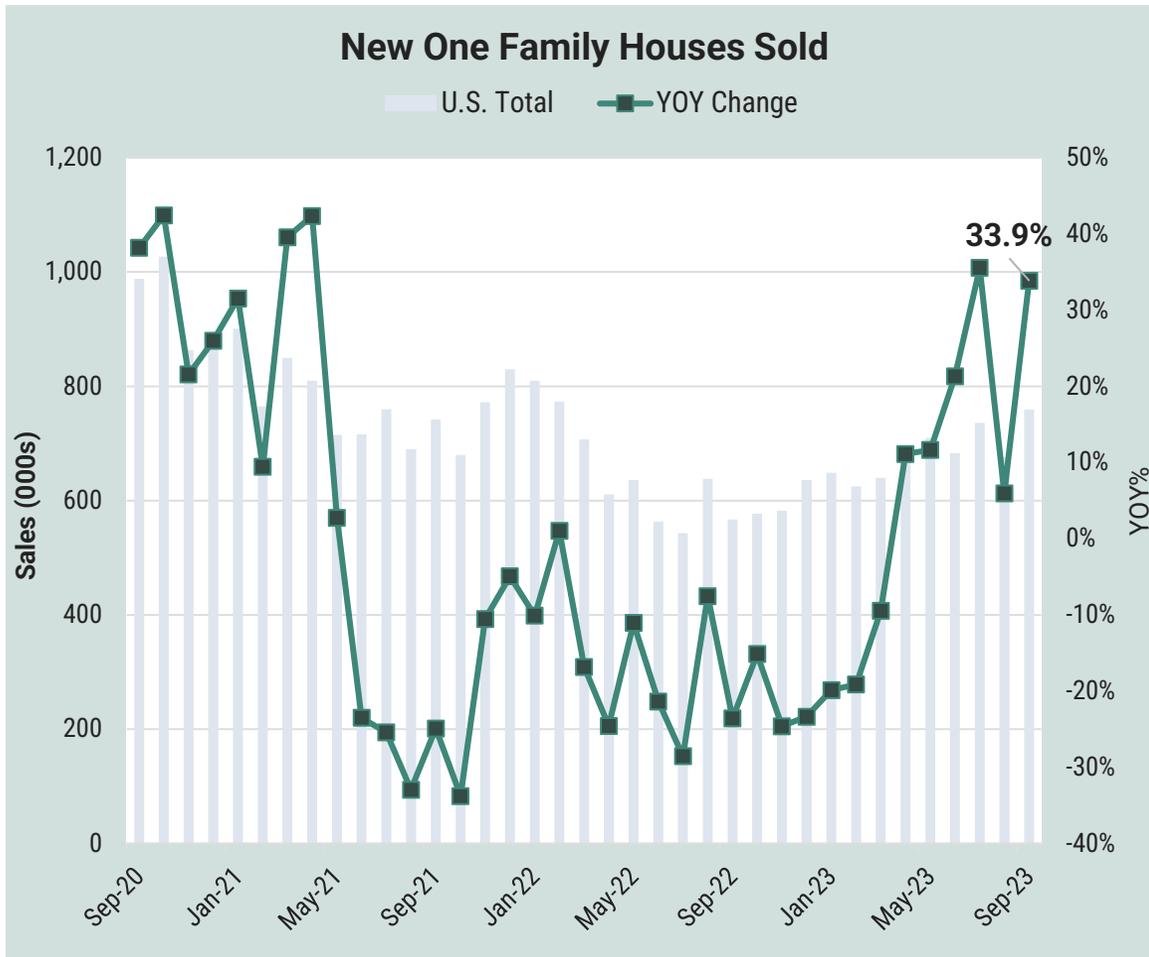
Mortgage rates have trended down with inflationary pressures receding; improving economy, improving inflation and lower mortgage rates could bring more homebuyers into the market



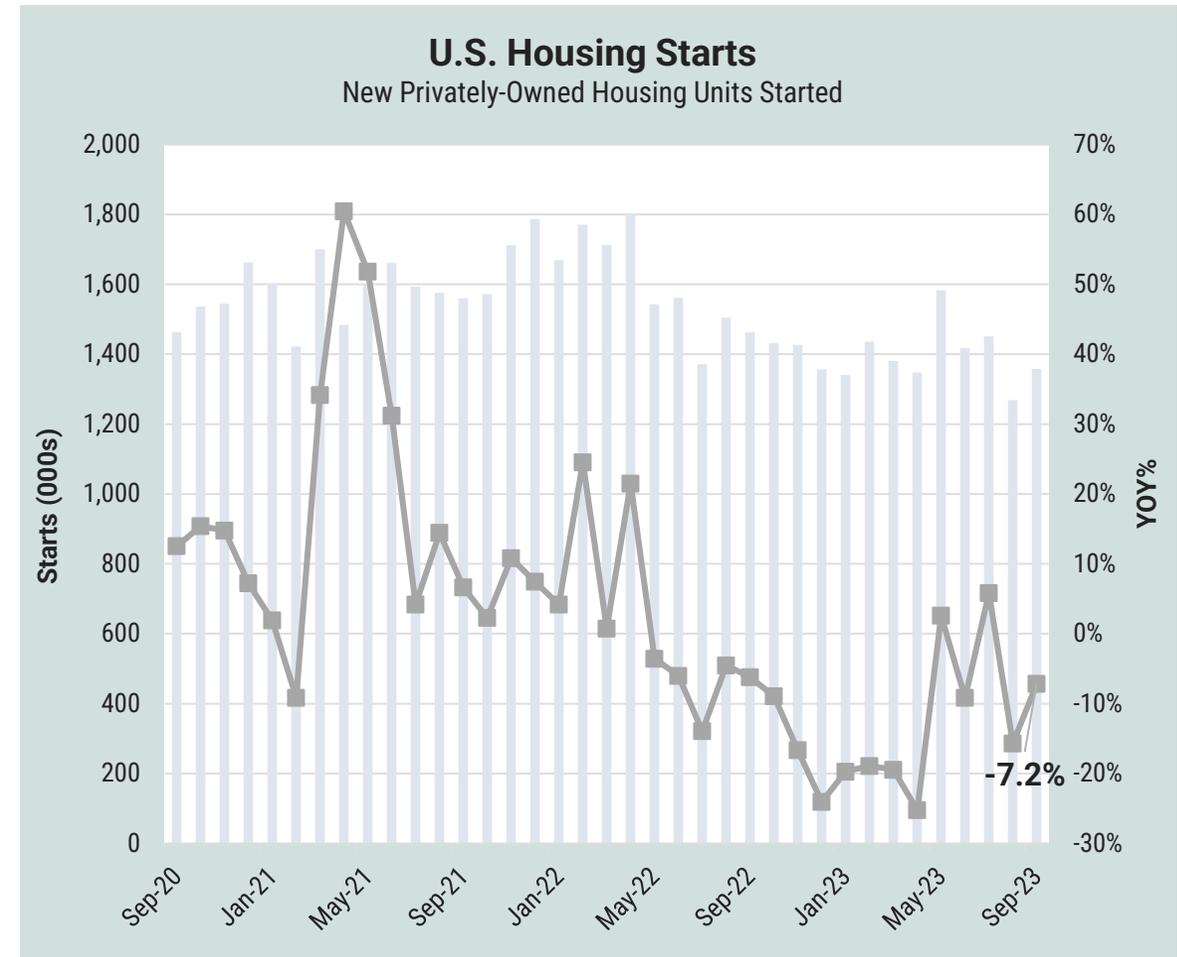
Source: FreddieMac Mortgage Market Survey

Housing – New Home Sales and Starts

New home sales increased 34% in August, driven largely by shortages of pre-owned inventory; new housing starts were down 7.2% YOY



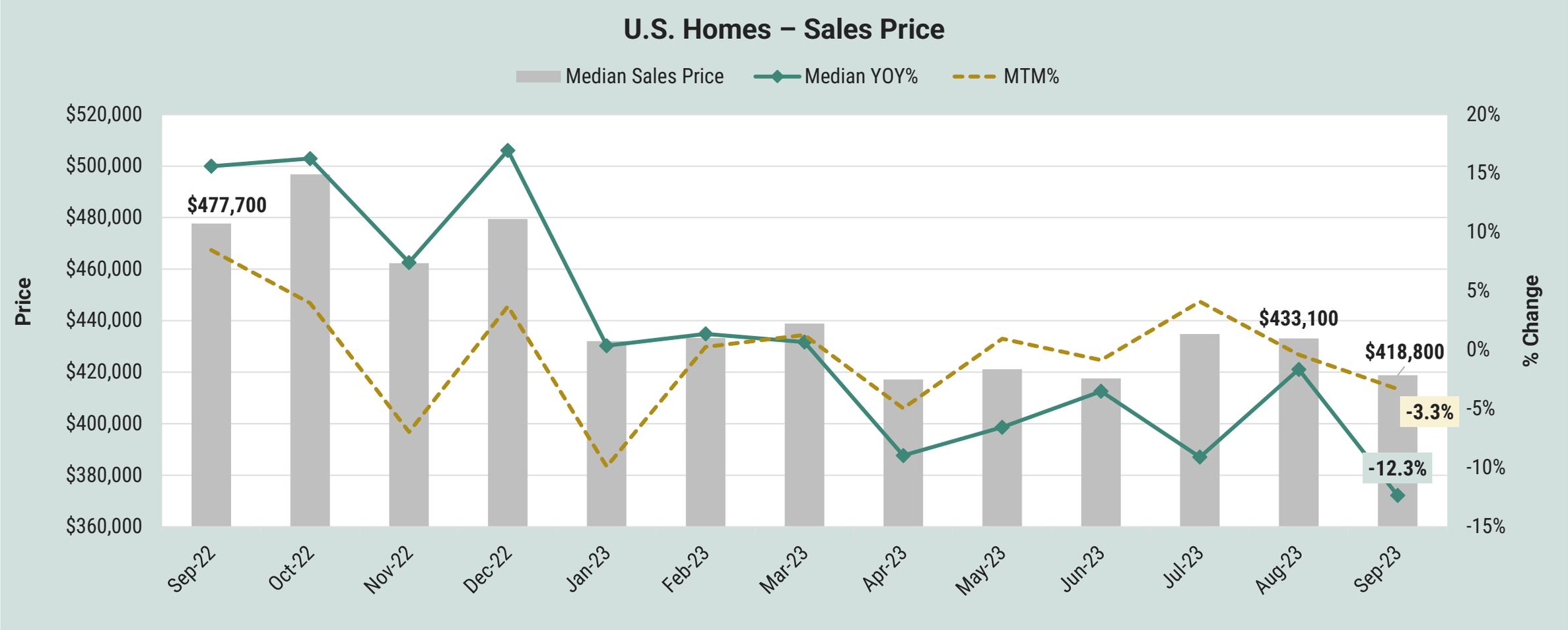
U.S. Census Bureau and U.S. Department of Housing and Urban Development, New One Family Houses Sold: United States, retrieved from FRED, Federal Reserve Bank of St. Louis



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

The median U.S. home price in September declined 12.3%; MTM the median price was down 3.3%



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

Supply Chain

Global Supply Chain Index

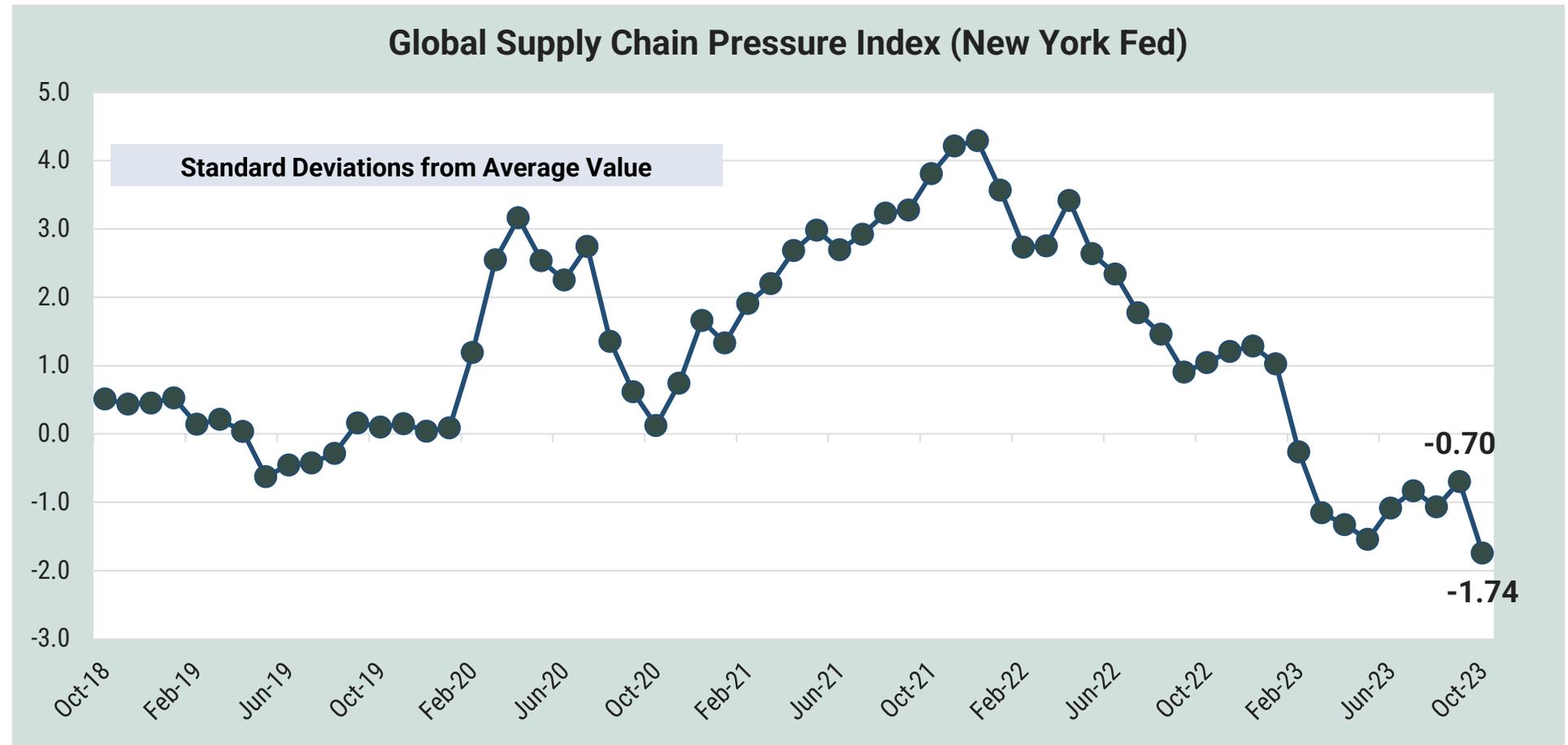
The GSCPI dropped to -1.74 in October, down from -0.70 in September (revised down from an initial reading of -0.69)

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.

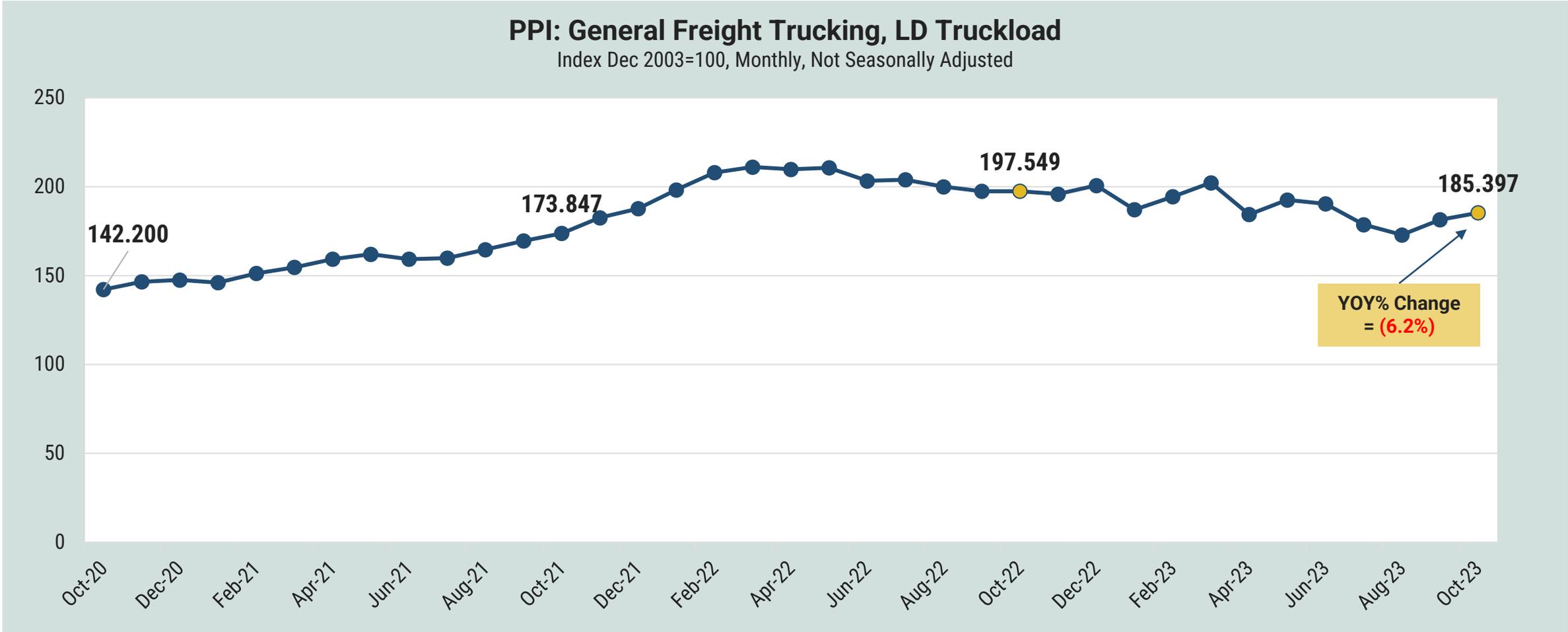
The GSCPI is a product of the Applied Macroeconomics and Econometrics Center (AMEC).

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



Freight Inflation - Trucking

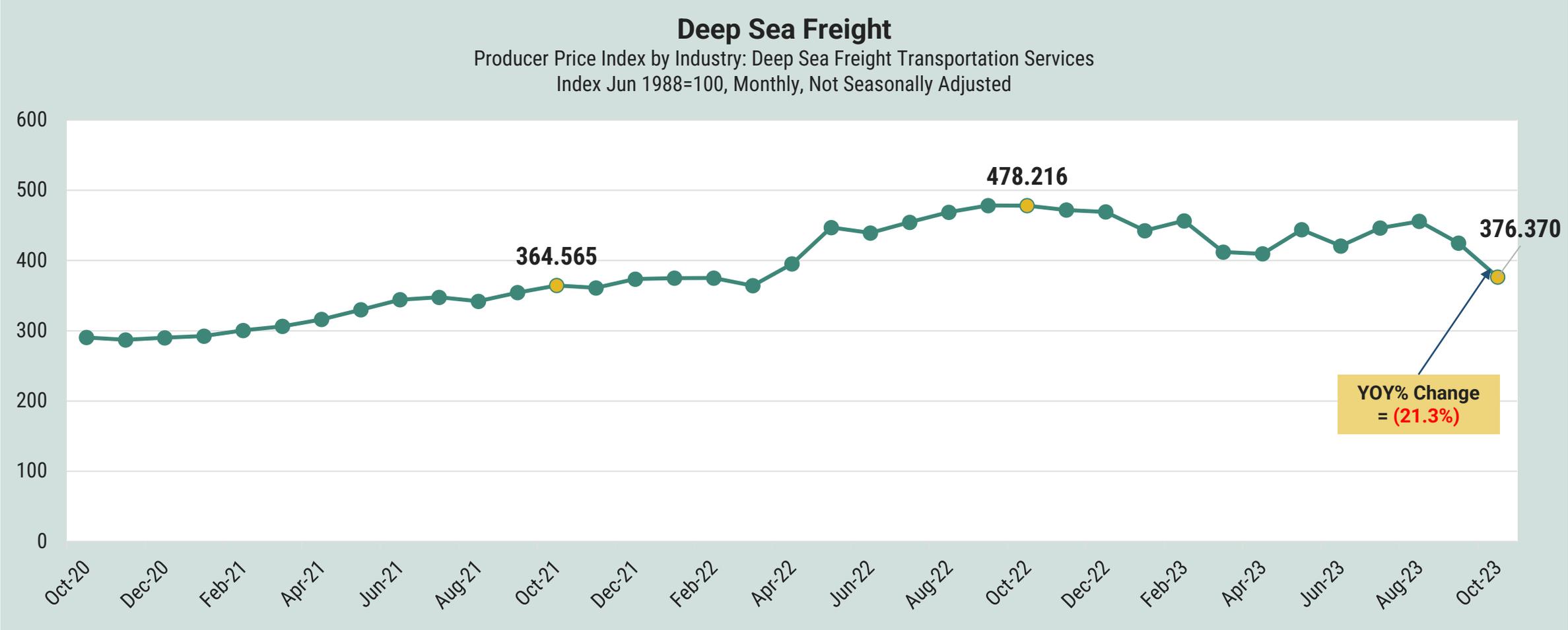
In September, general freight trucking was down 6.2% over last year and increased 2.2% from the previous month



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

Deep Sea Freight

Deep sea freight rates are down 21.3% YOY and 11.4% lower MTM



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

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