

US Consumer and Retail Outlook

October 2018

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VP, Co-head of US Economics, Chief US Economist

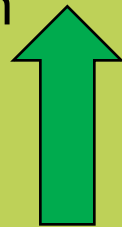
James Bohnaker
Associate Director, US Macro & Consumer Economics



Forces affecting consumer spending

Positive forces

- Employment growth
- Income tax cuts
- Accelerating wage rates
- Elevated consumer confidence
- Rising net worth
- Broadening income distribution



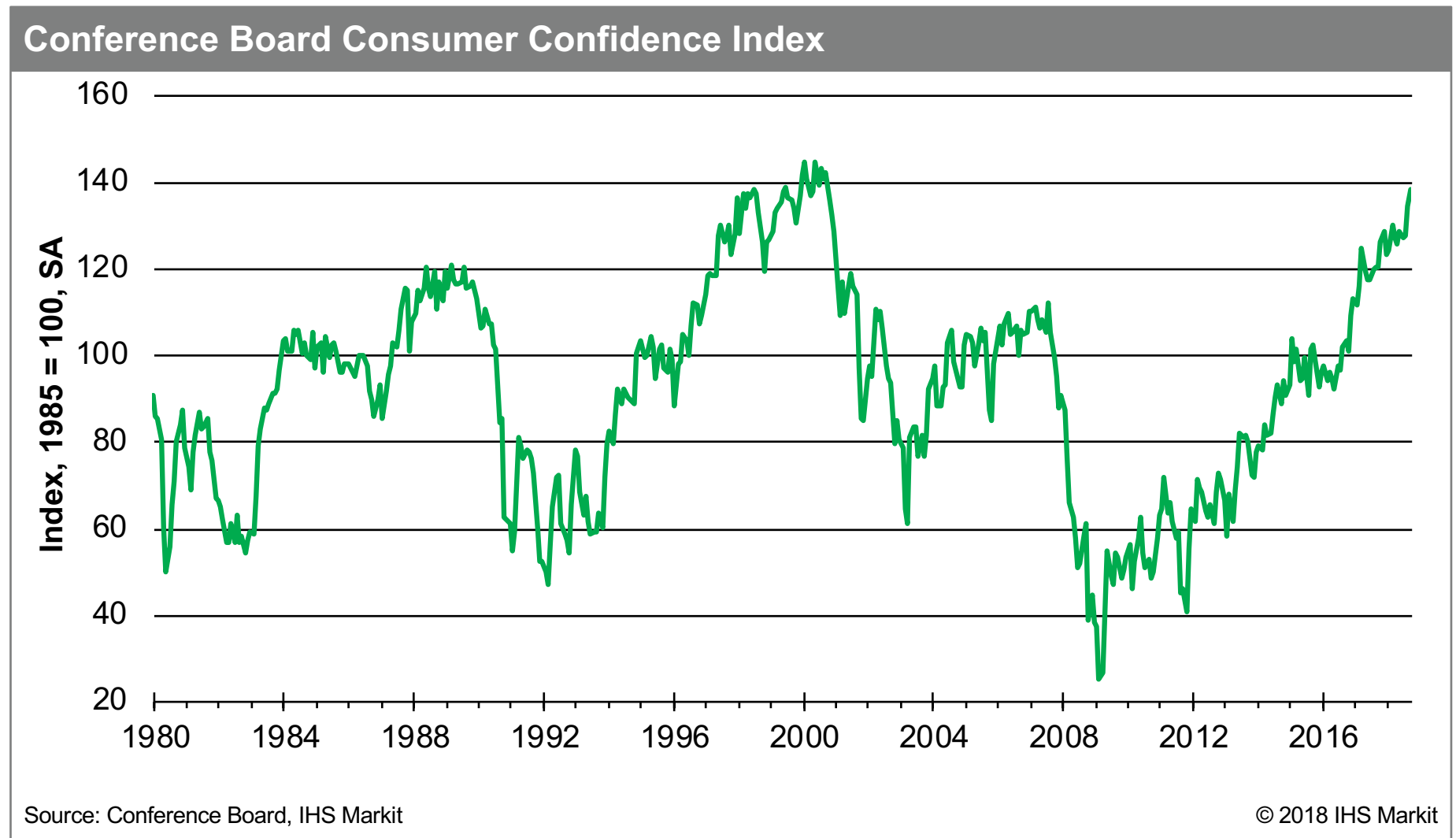
Negative forces

- Rising interest rates
- Rising inflation
- High student debt burdens
- Pent-up demand for autos is played out

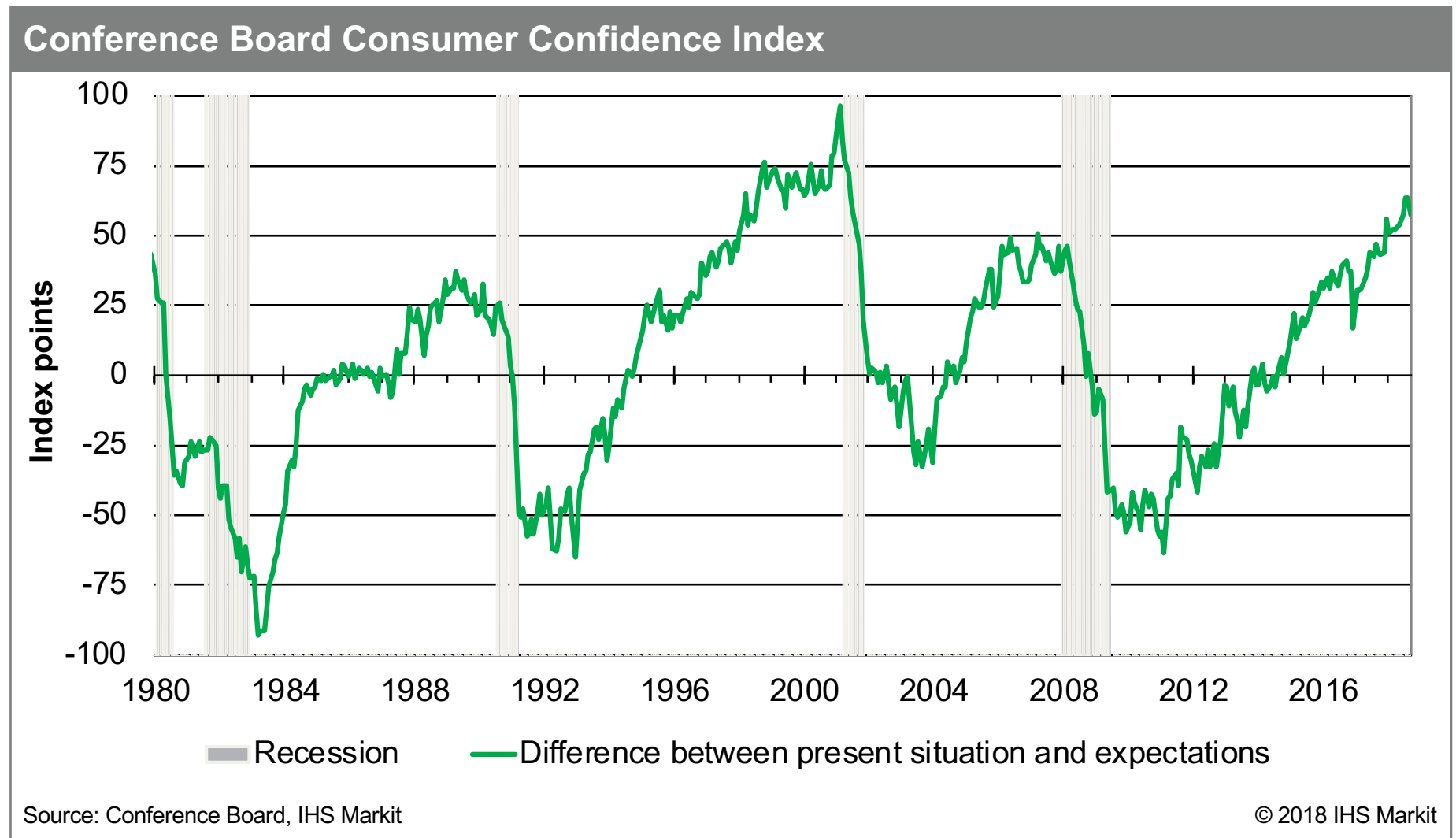


Consumer confidence

Consumer confidence is riding ever higher

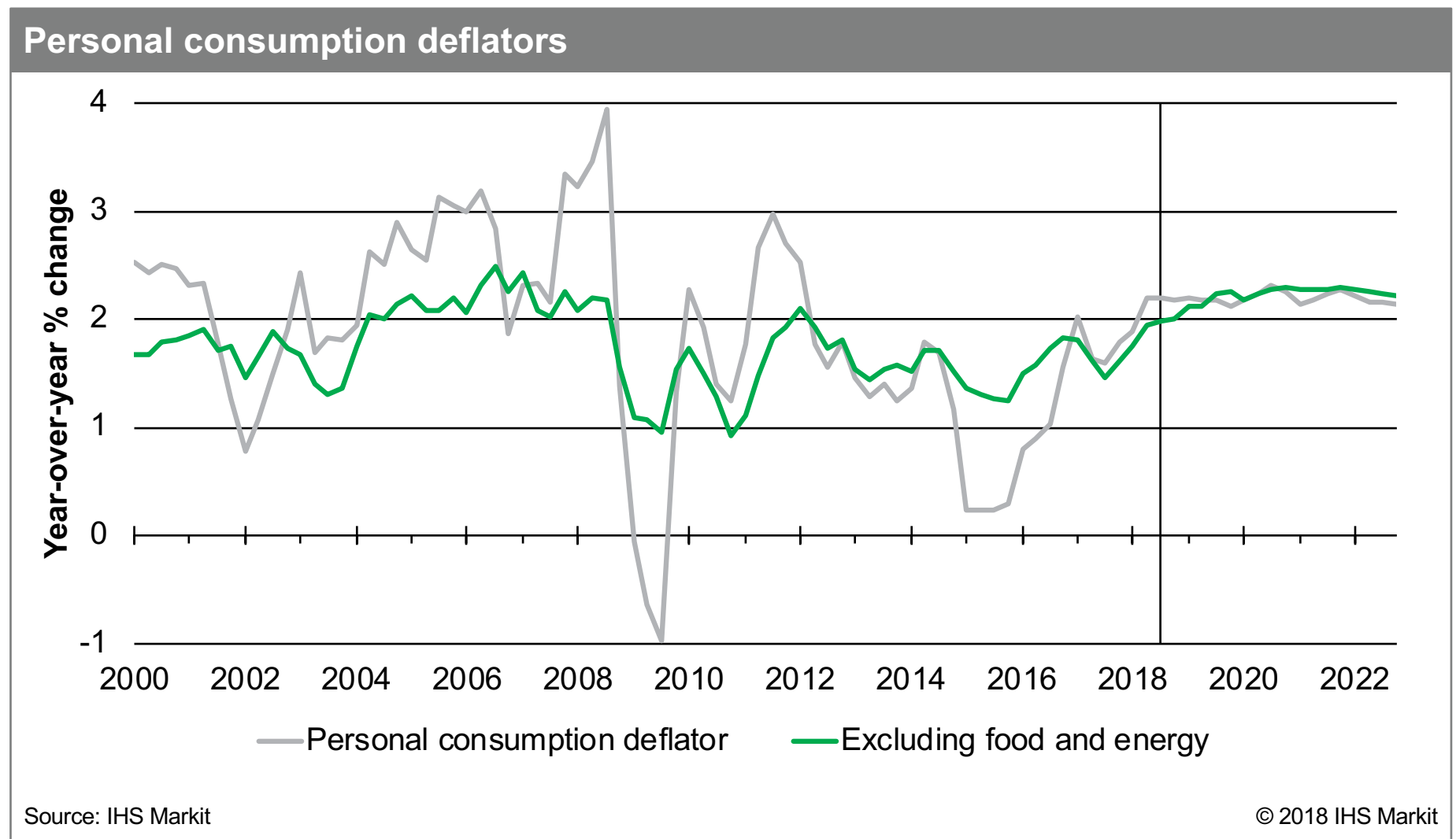


Gap between current conditions and consumer expectations

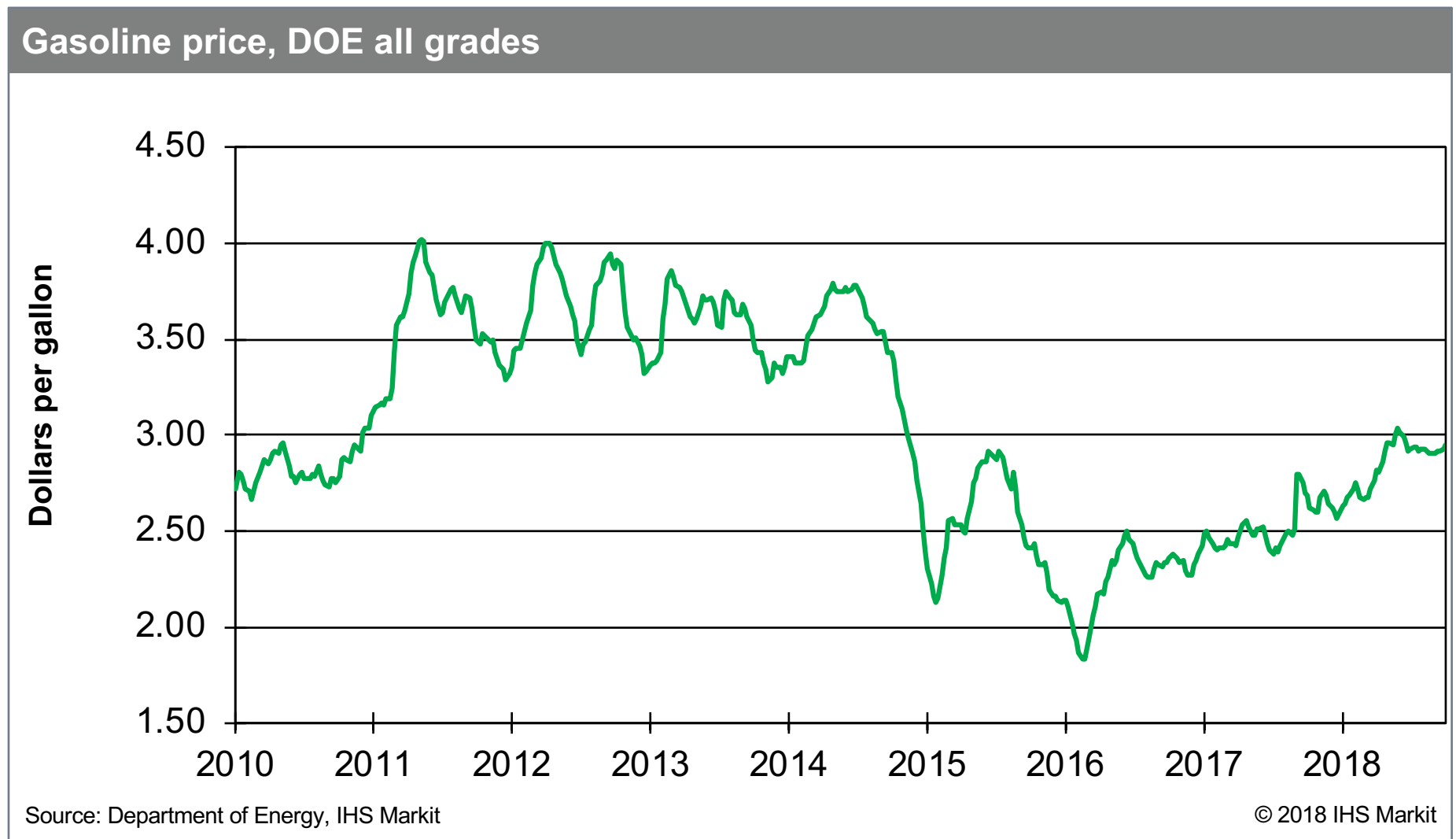


Consumer Prices

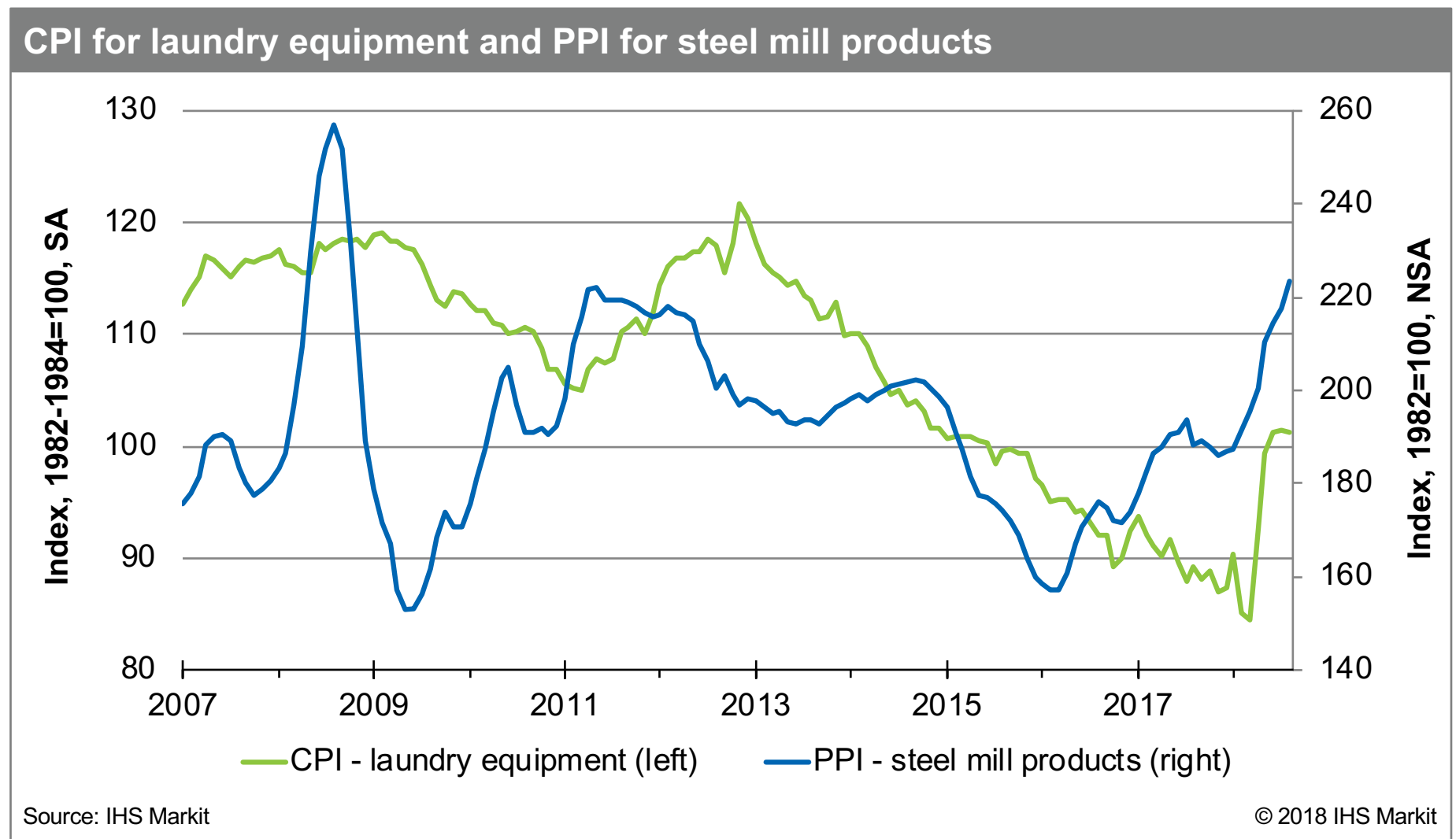
Consumer price inflation has reached the Federal Reserve's 2% target



Pump prices have stalled since the summer

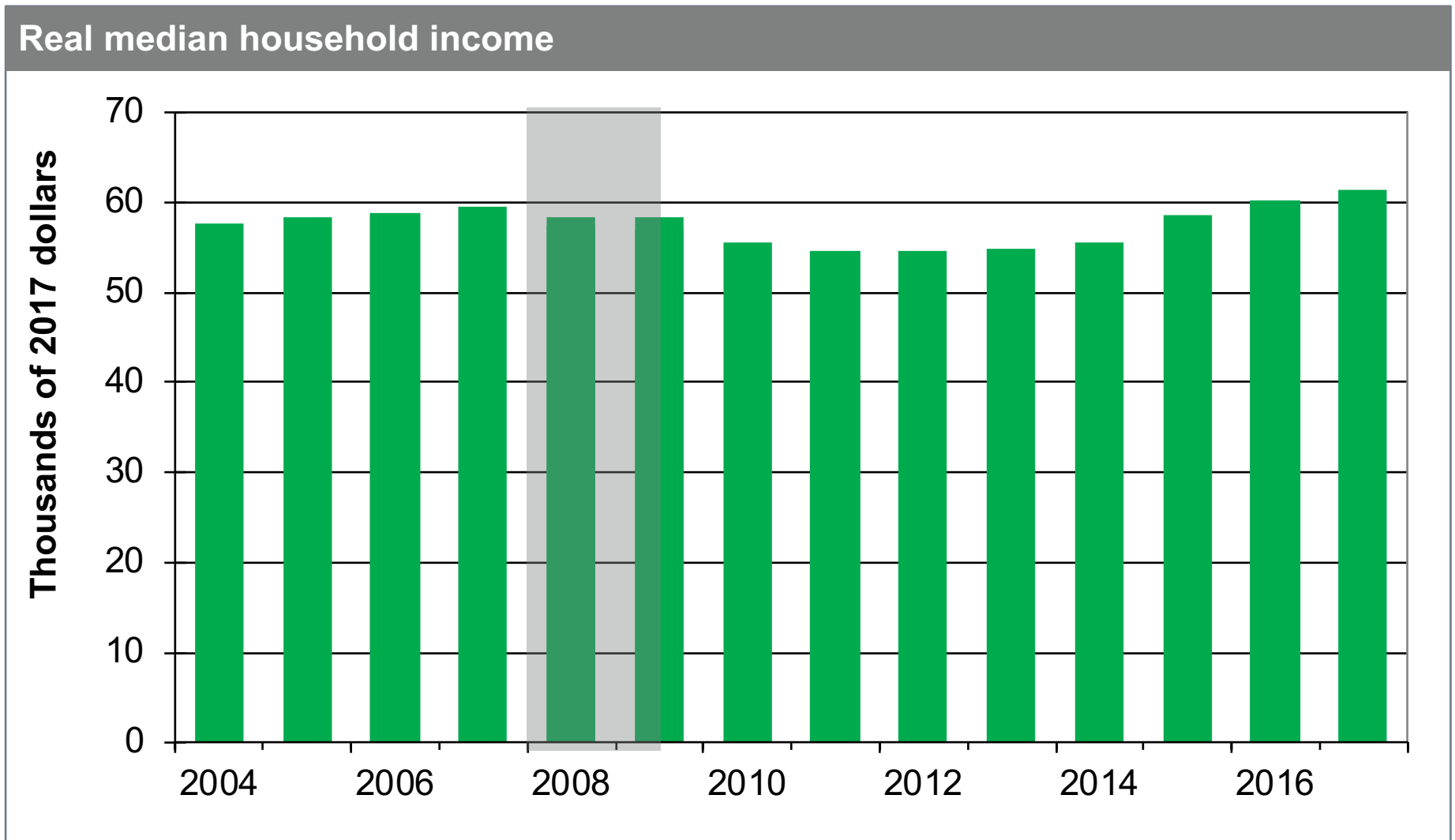


Prices and tariffs

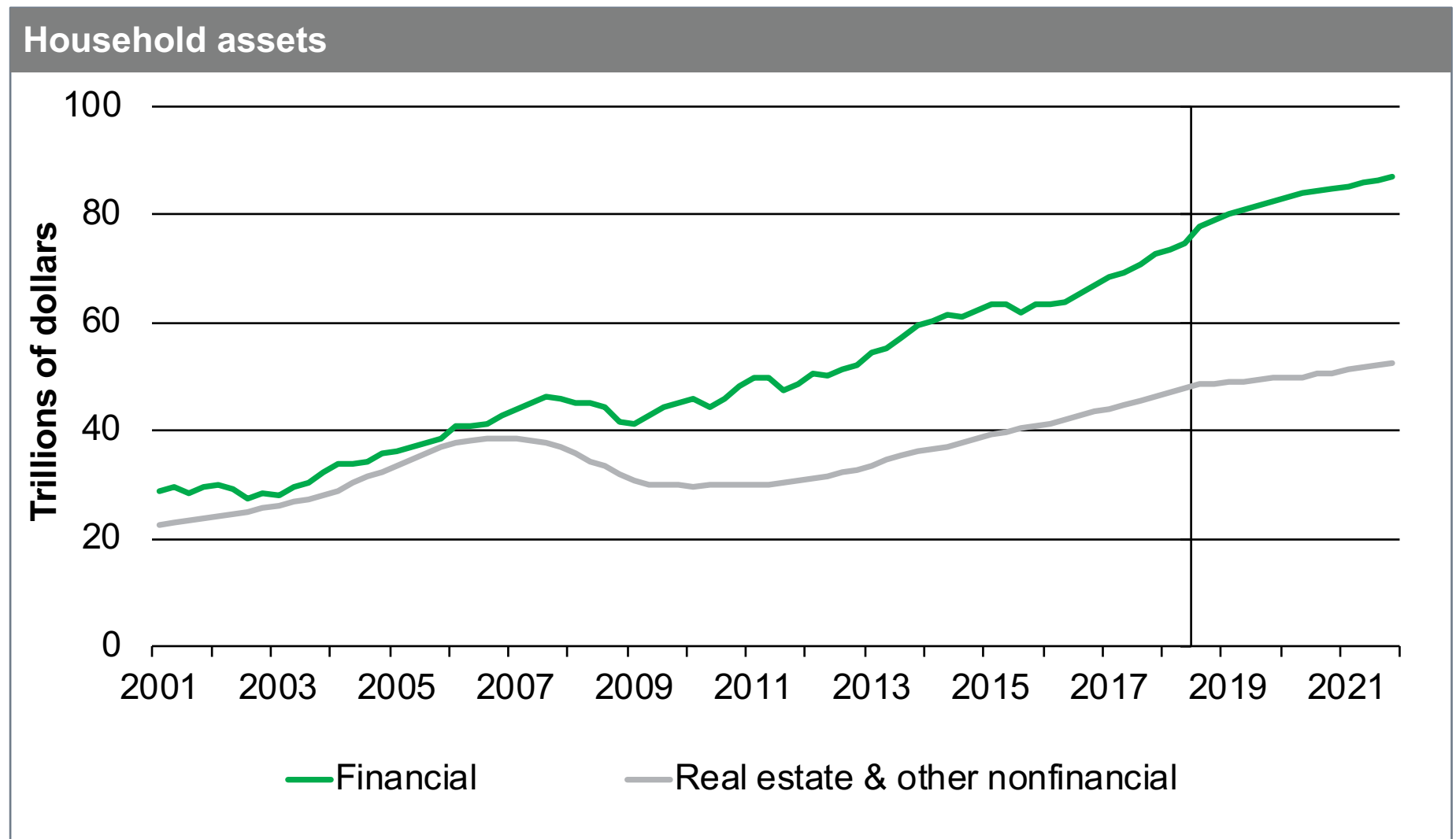


Income and Wealth

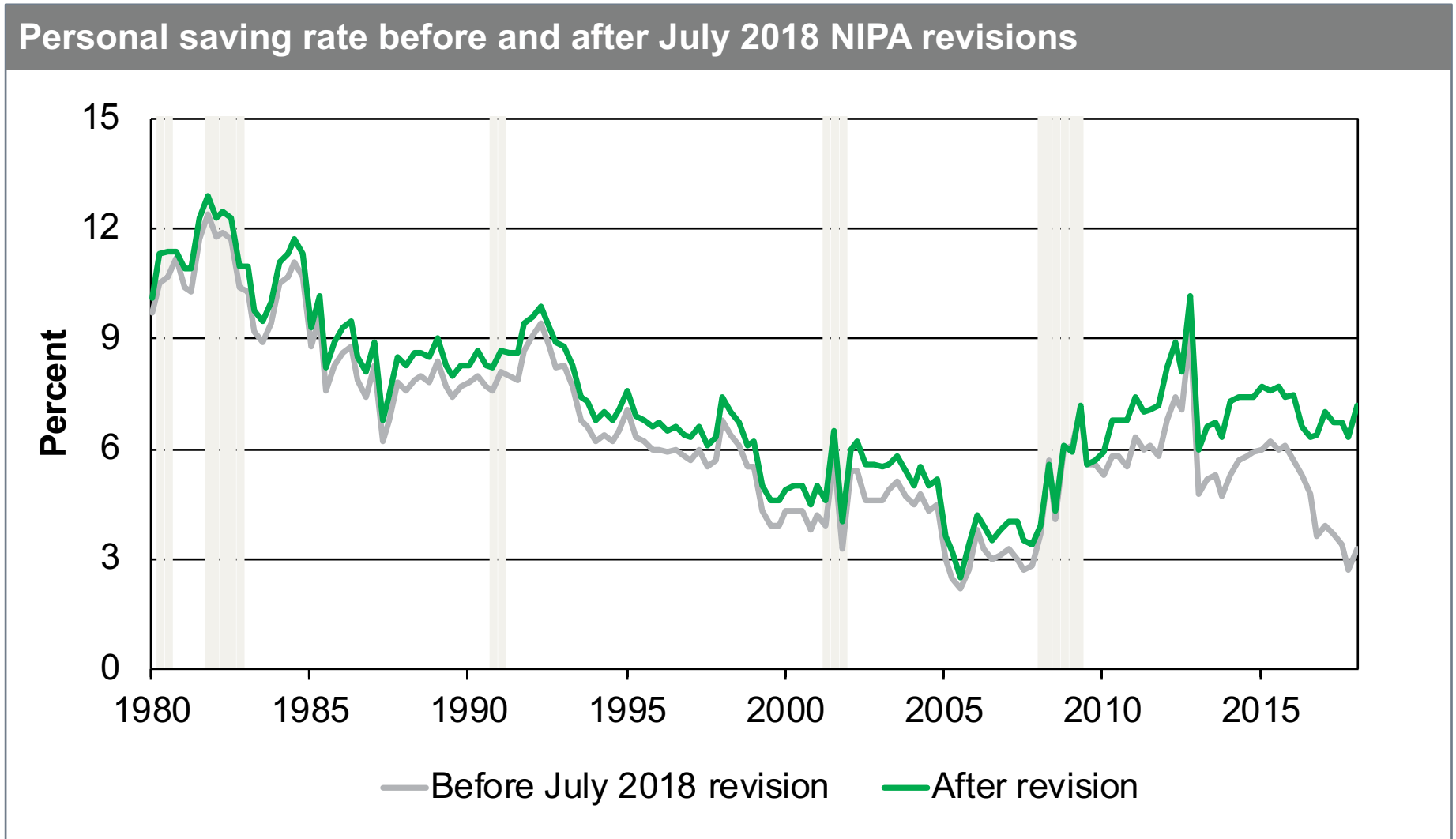
Real median household income made strides in last three years



Household assets revised upward, still rising

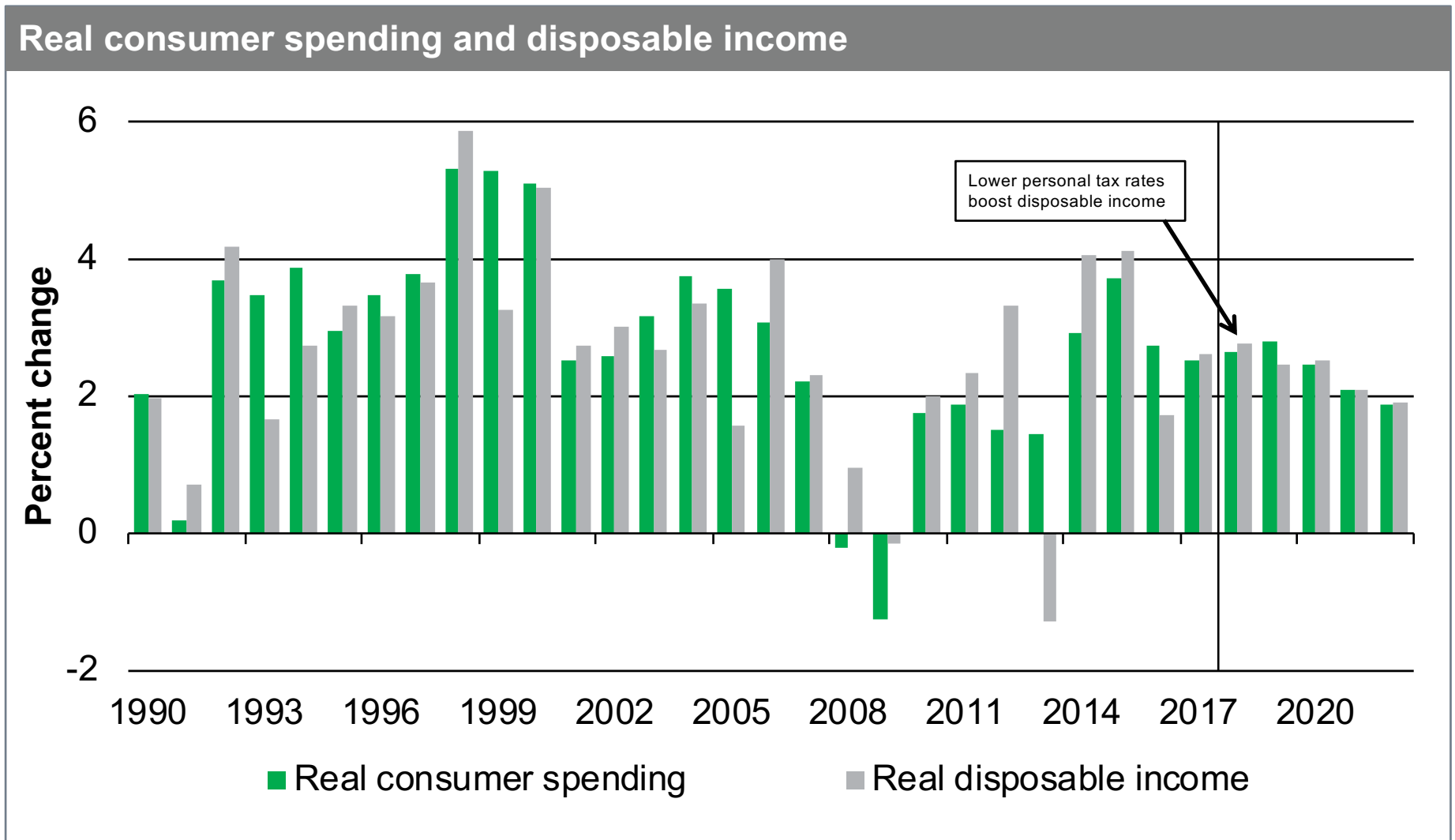


Personal saving rate revision

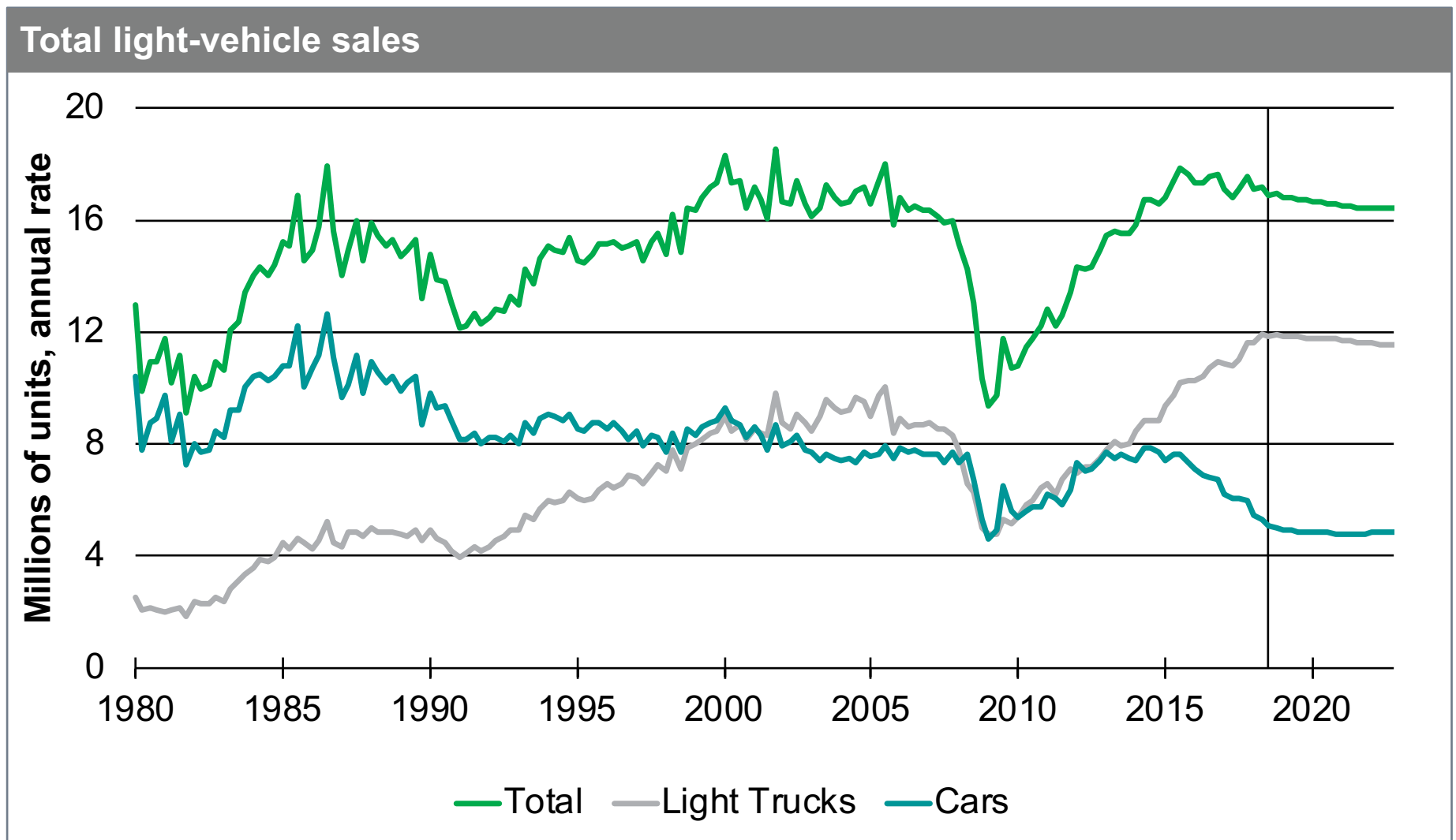


Consumer spending

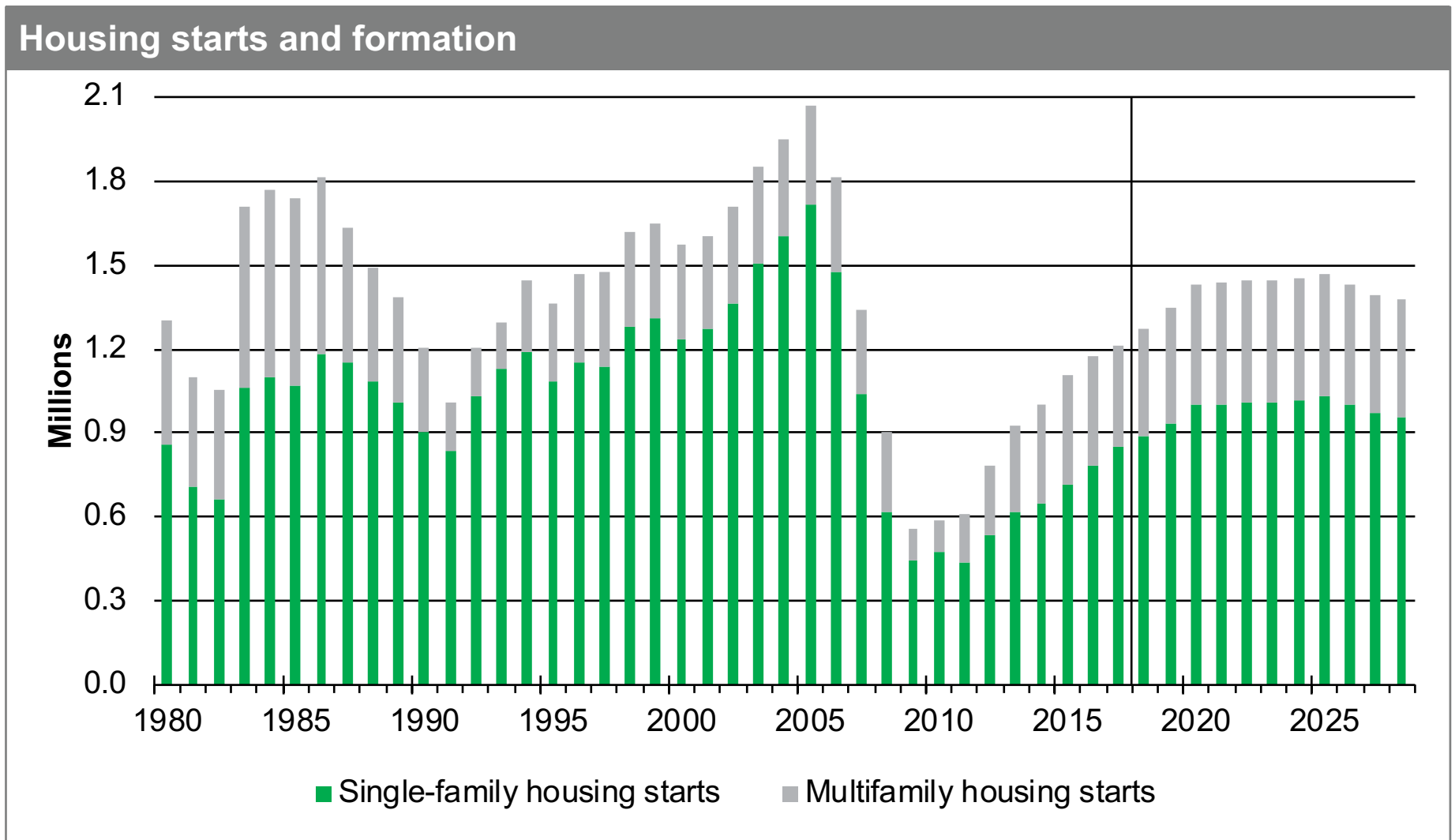
Tax cuts and job growth are boosting real disposable income, supporting consumer spending and saving



Light trucks will continue to outsell cars



The recovery in housing starts is nearing completion

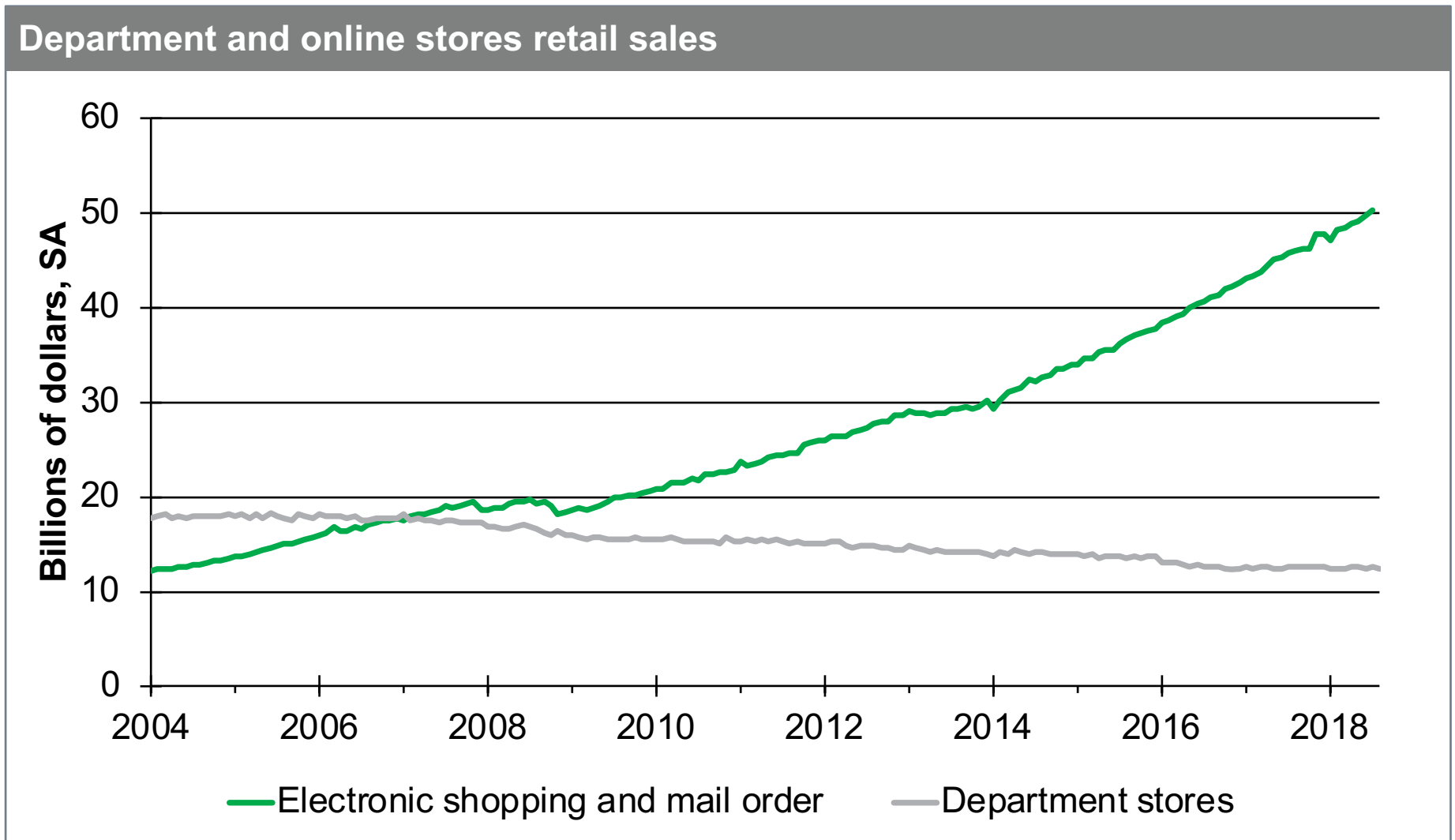


Retail trade

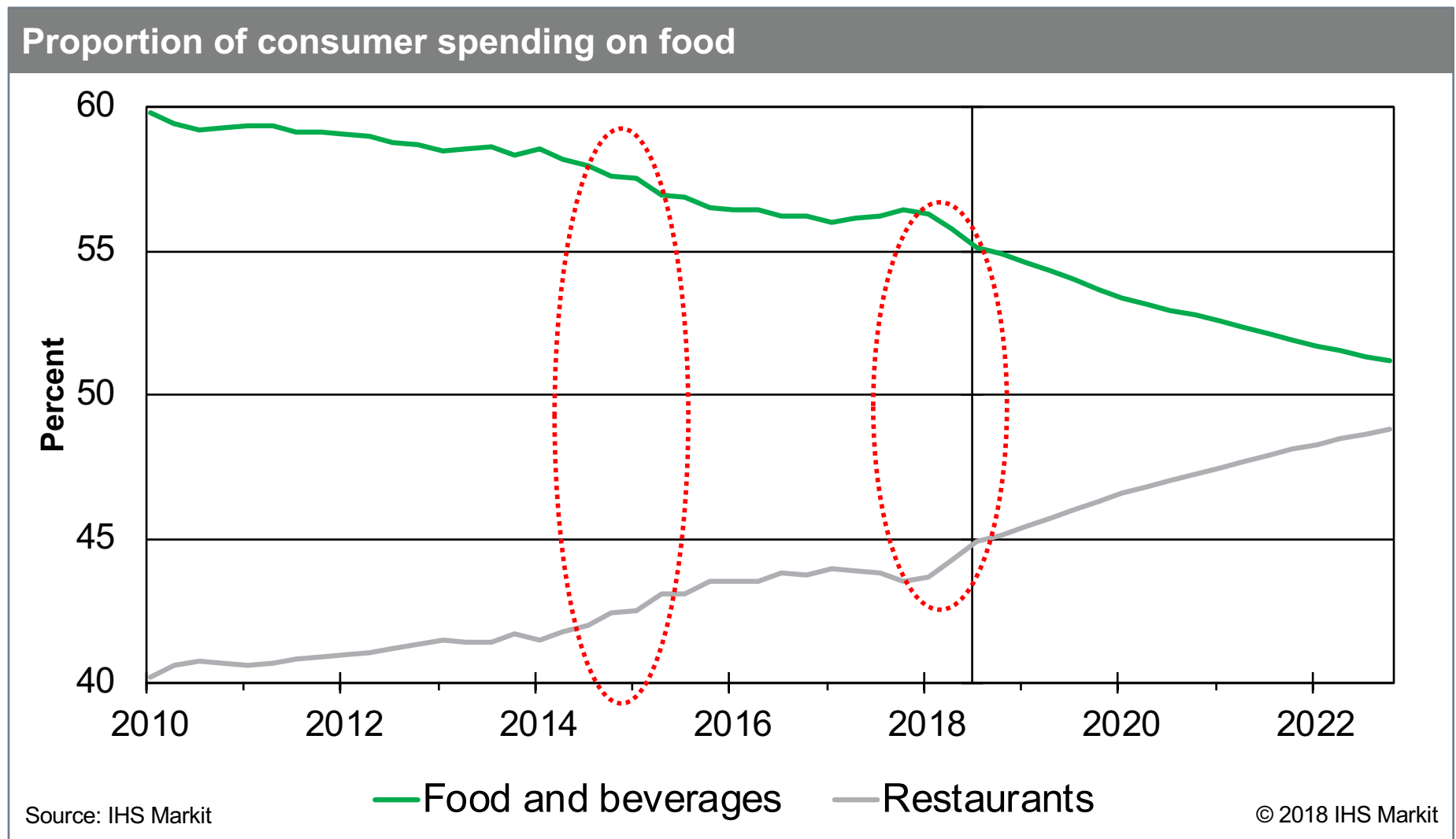
Retail sales outlook



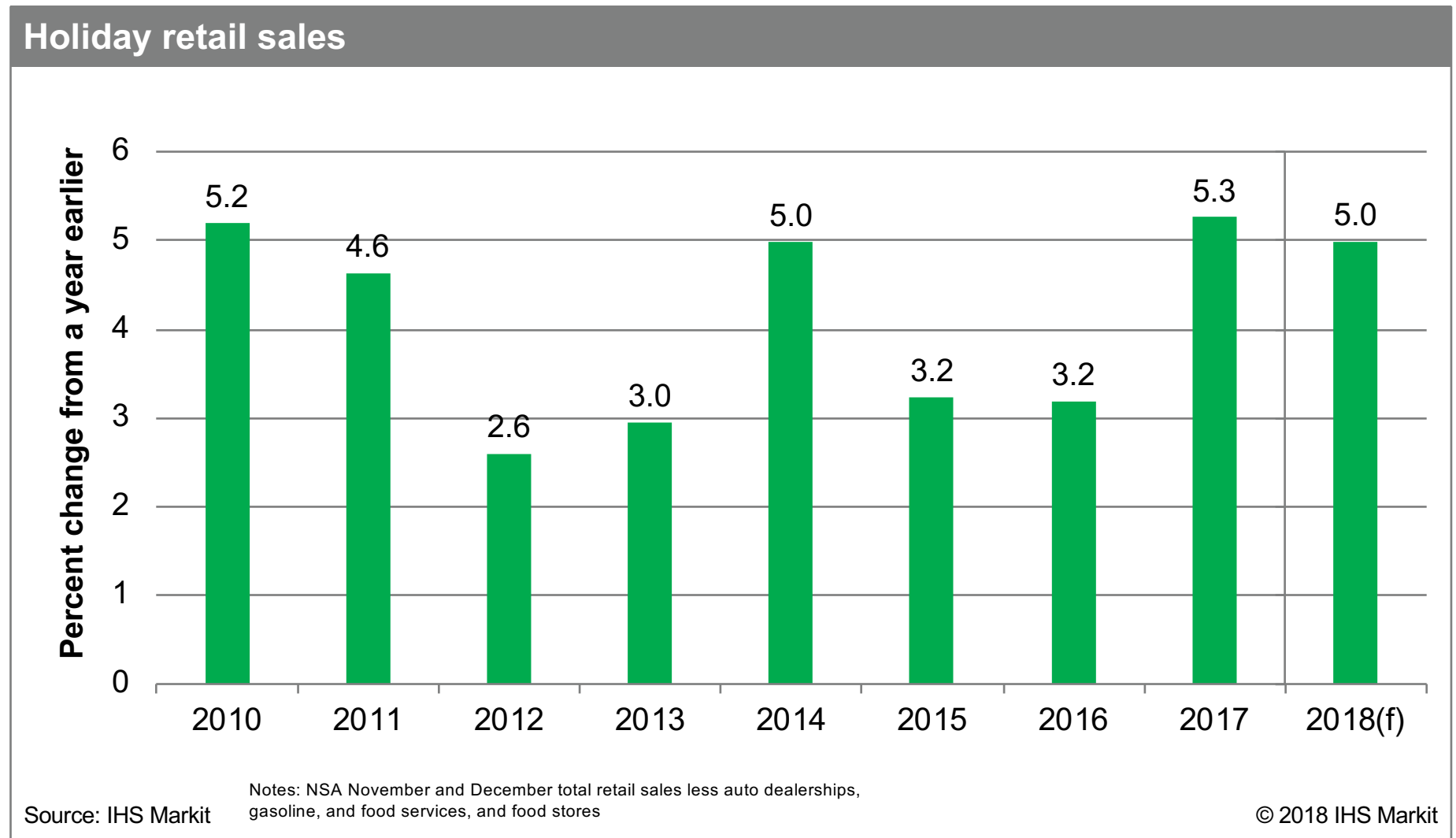
Clicks outpacing the bricks



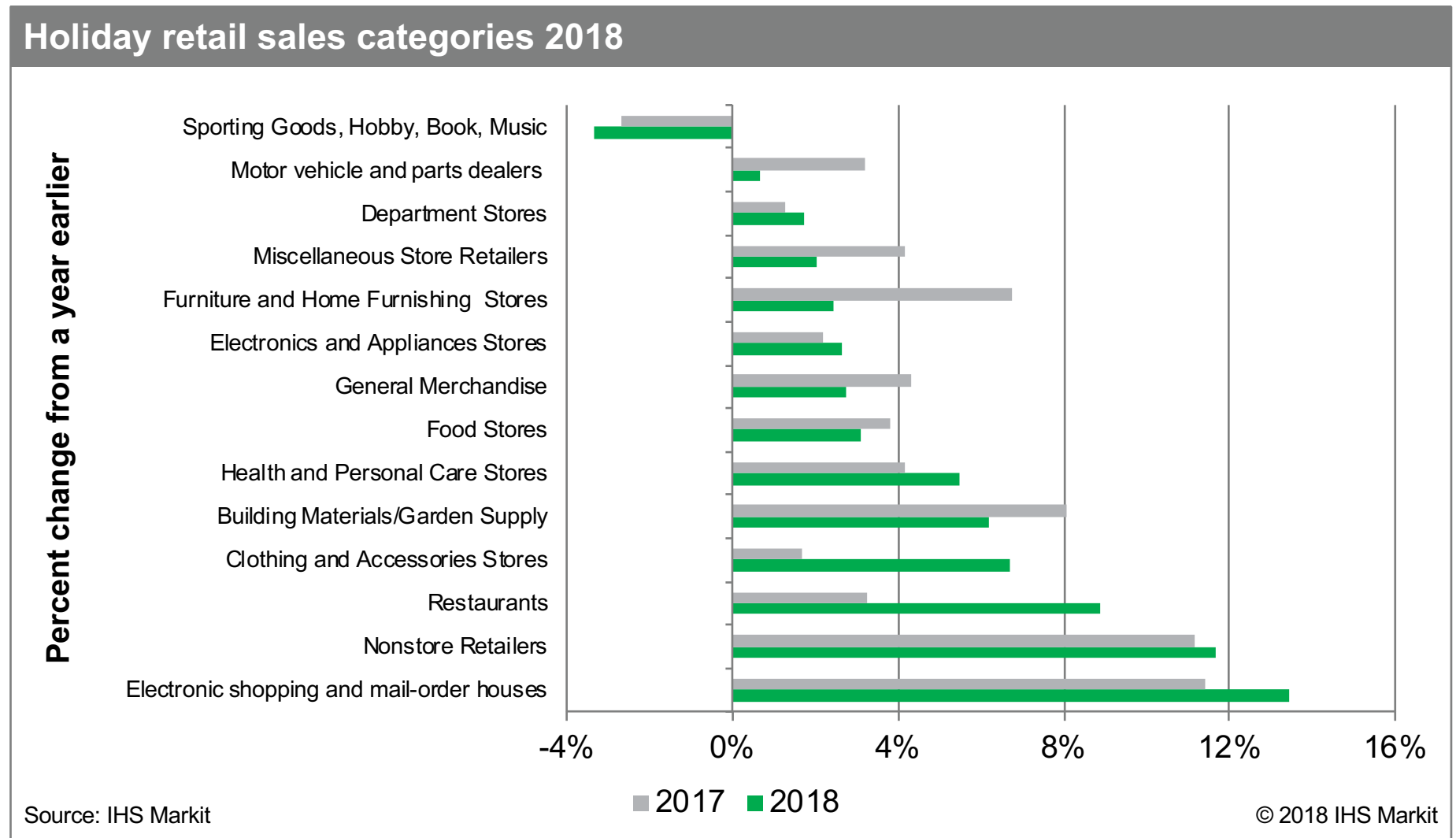
Restaurants to eat up greater share of spending on food



Holiday retail sales shaping up to be another good year



Almost all retail categories expected to grow in 2018 Holiday season



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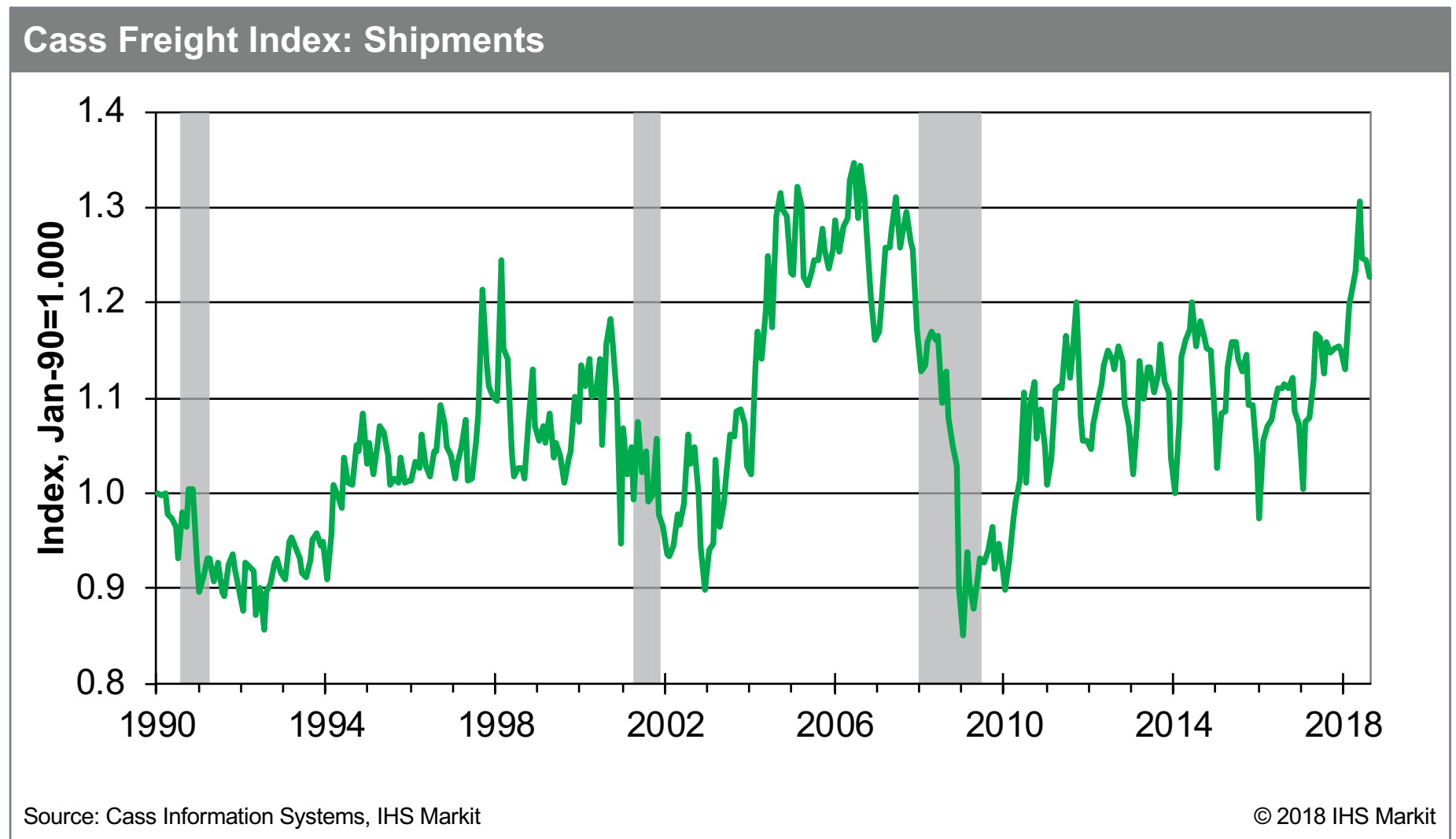
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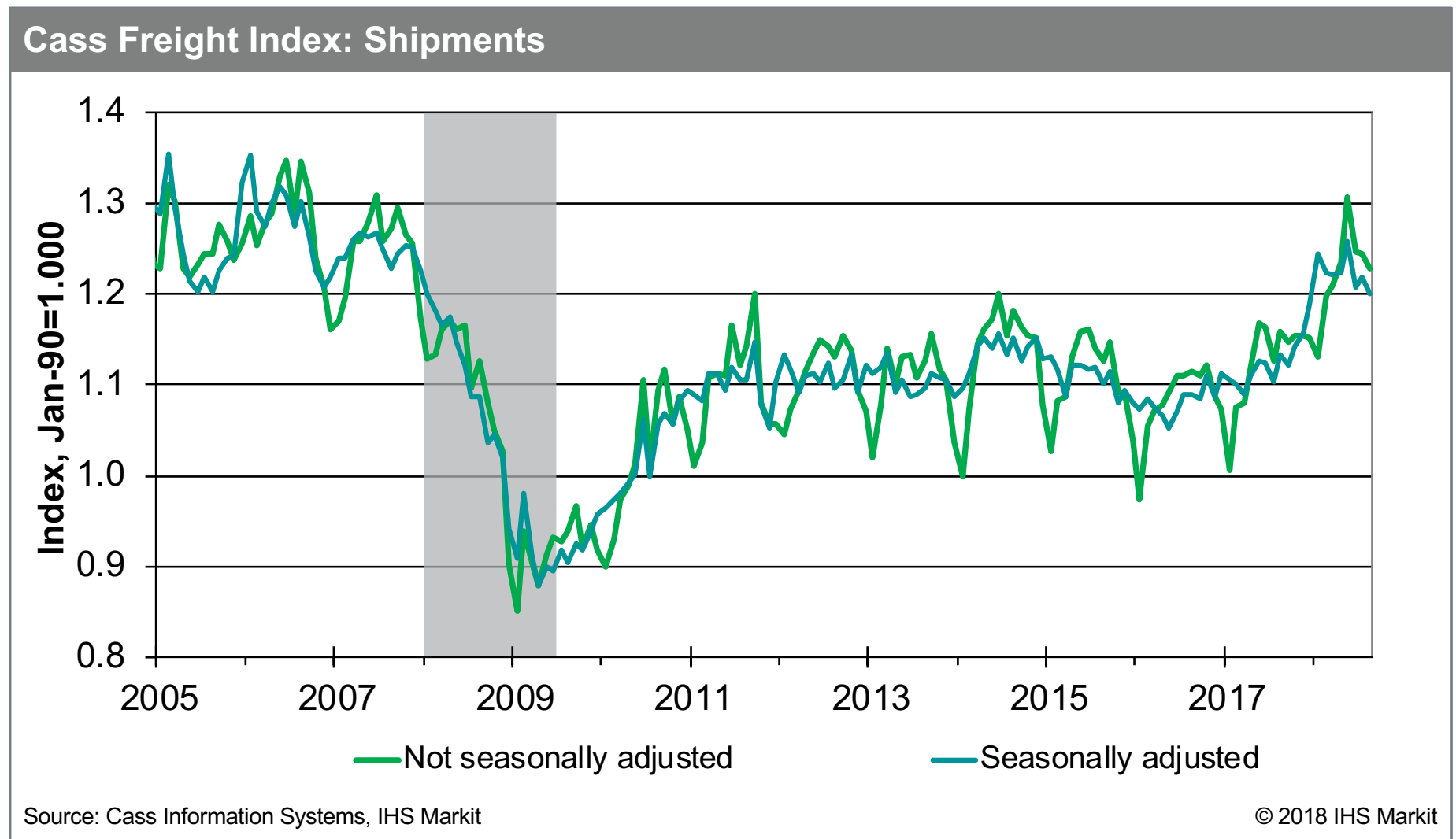
Back-up Slides

Shipping Activity

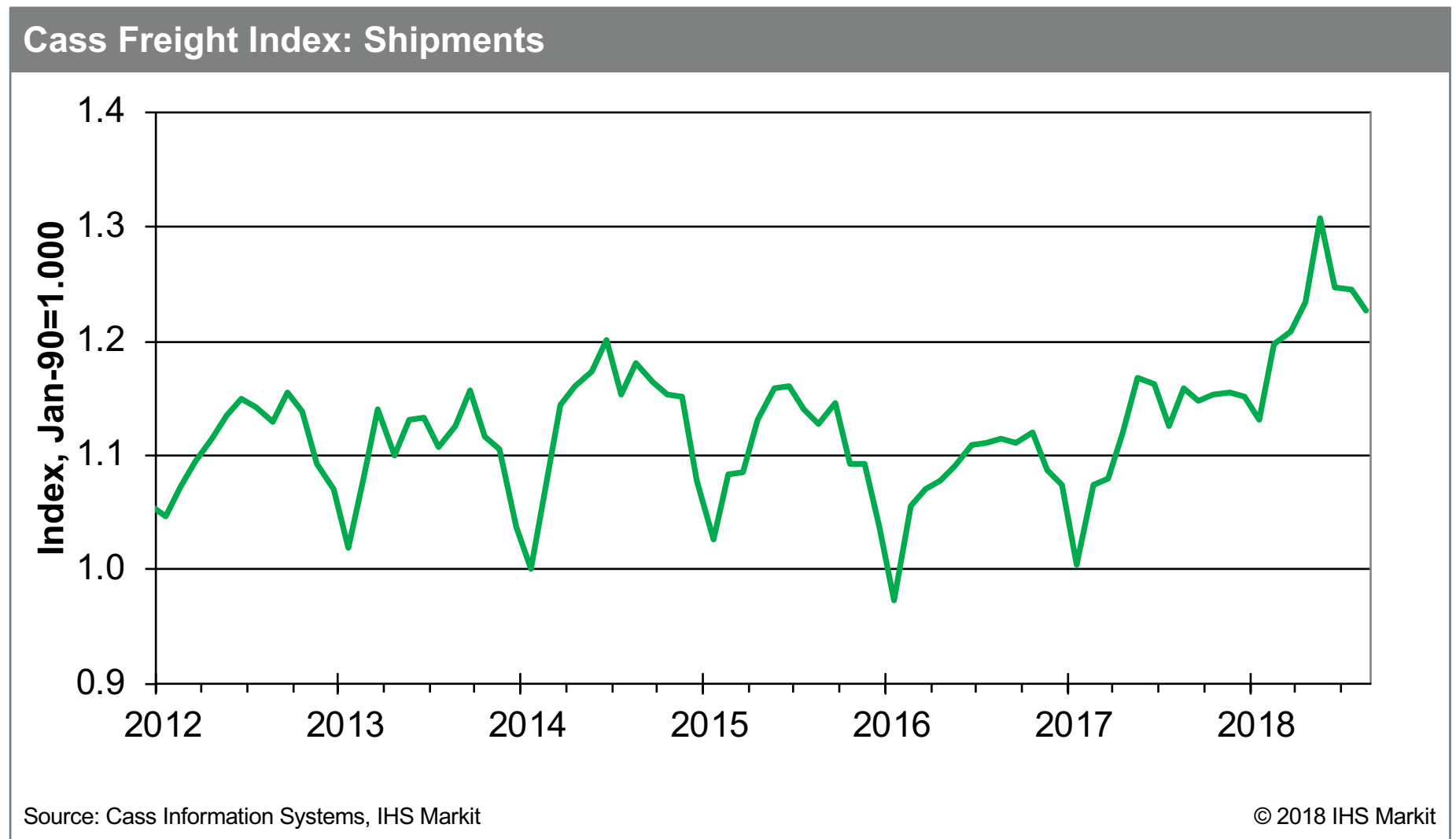
Shipping activity has spiked in 2018



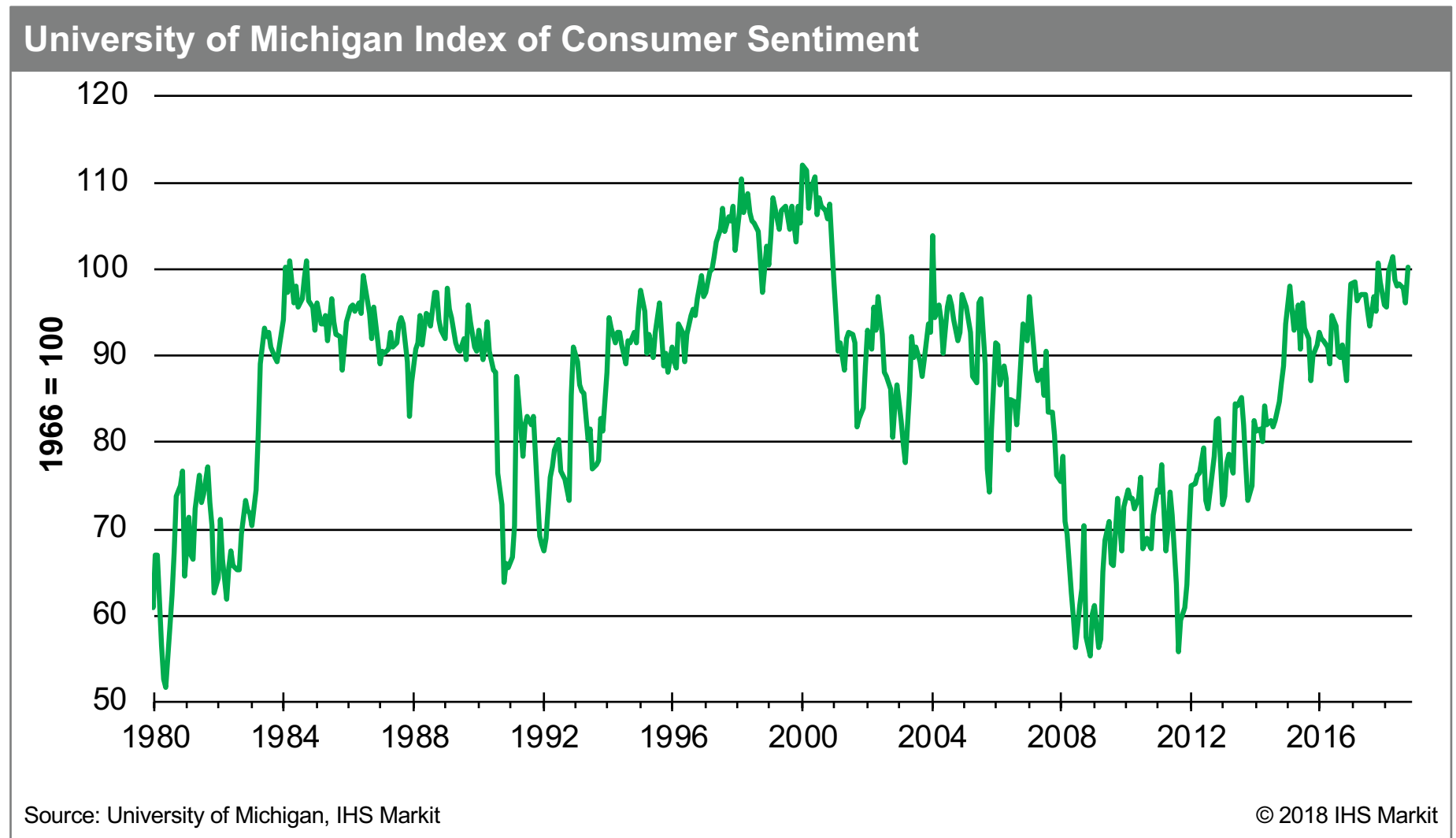
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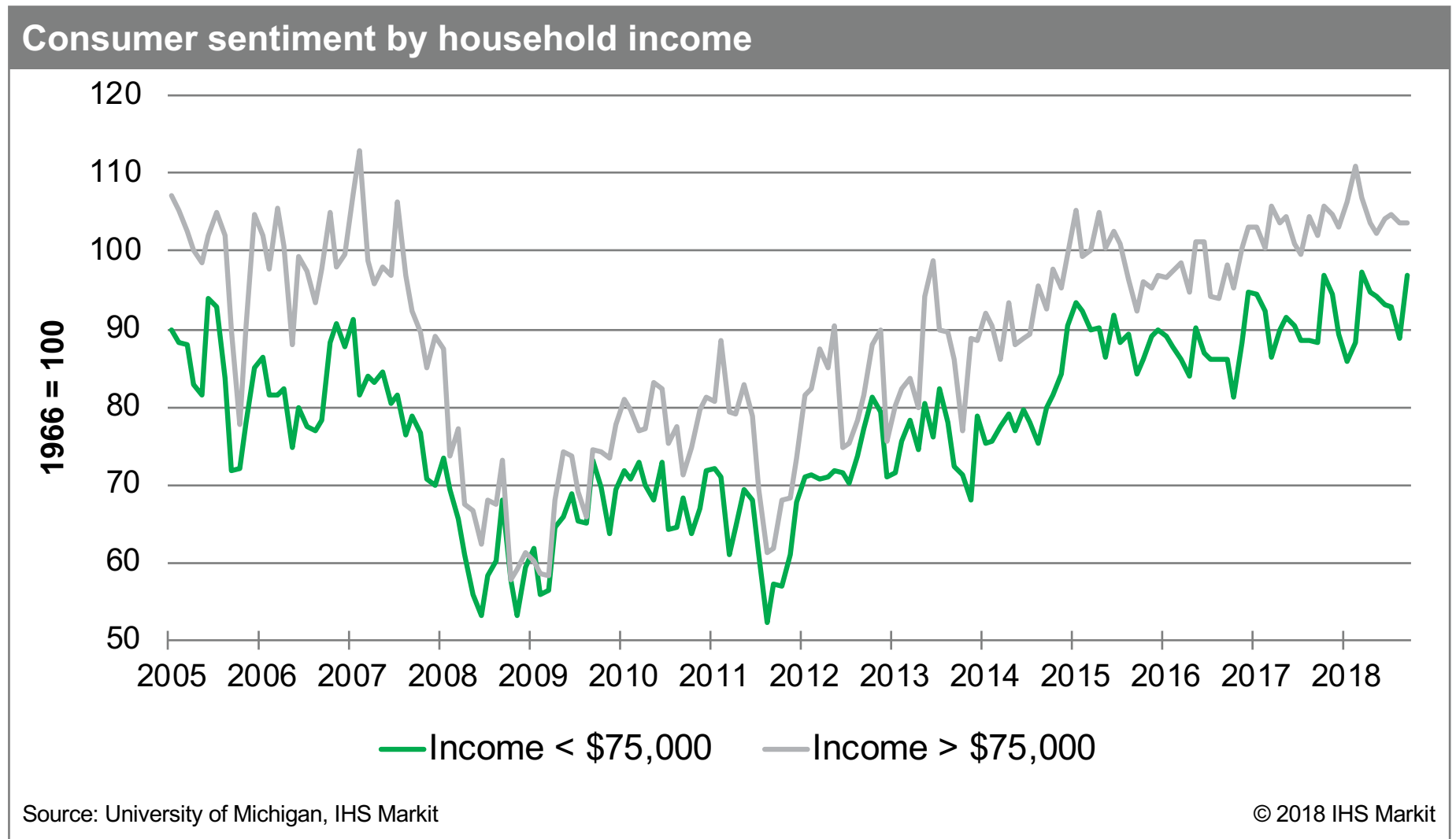
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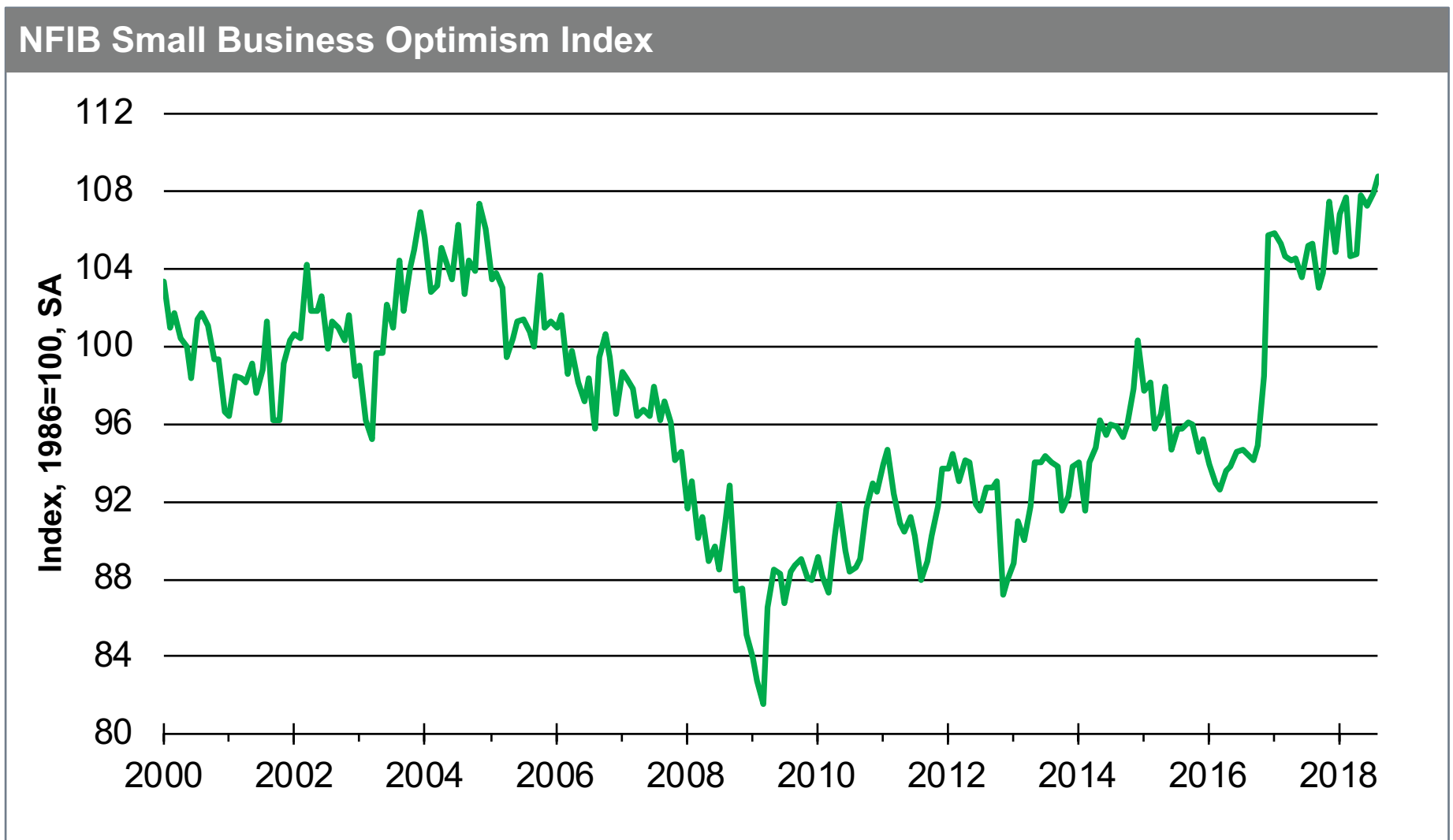
Consumer sentiment is upbeat, supported by improving household finances and robust job growth



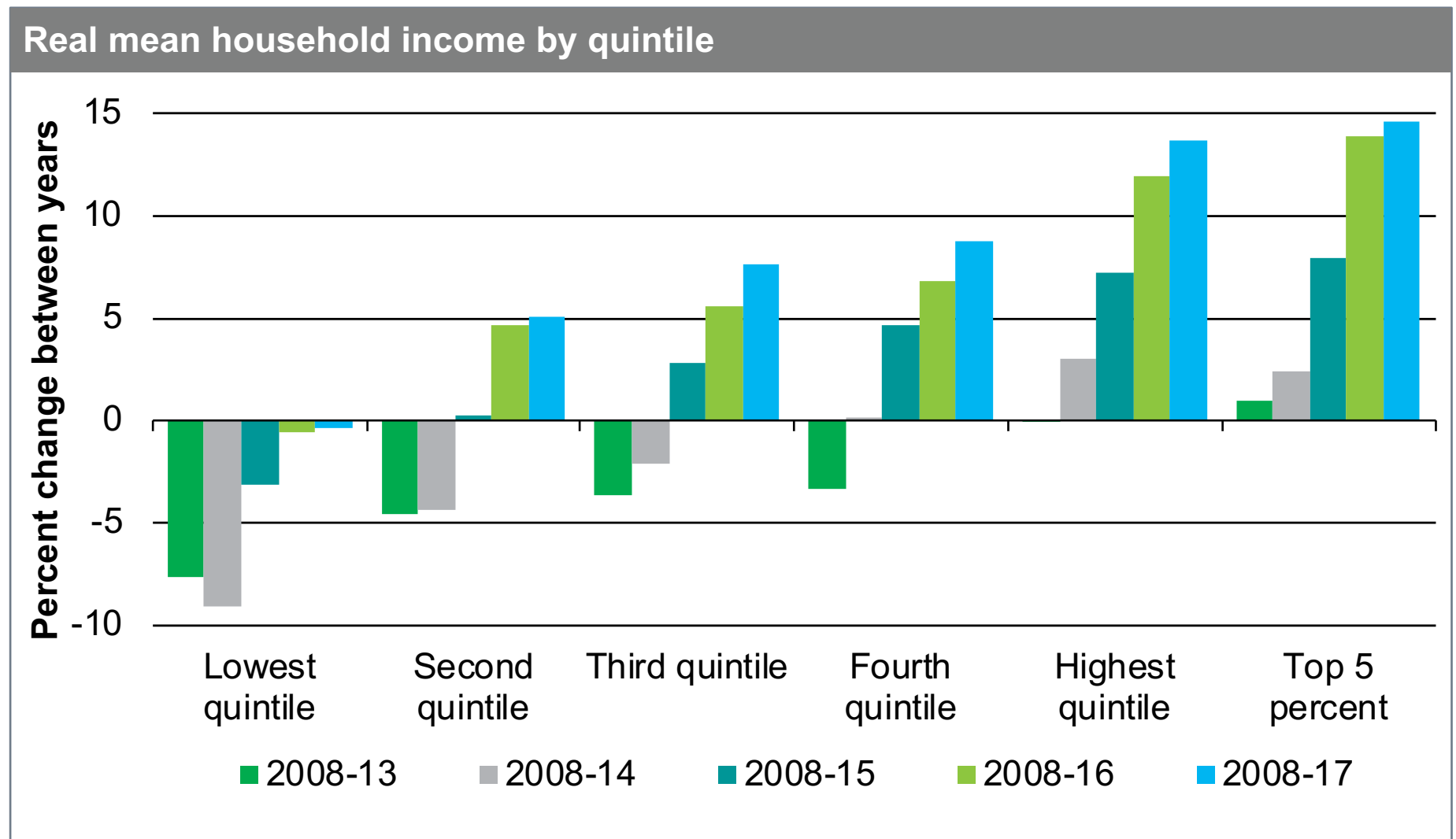
Consumer sentiment by household income



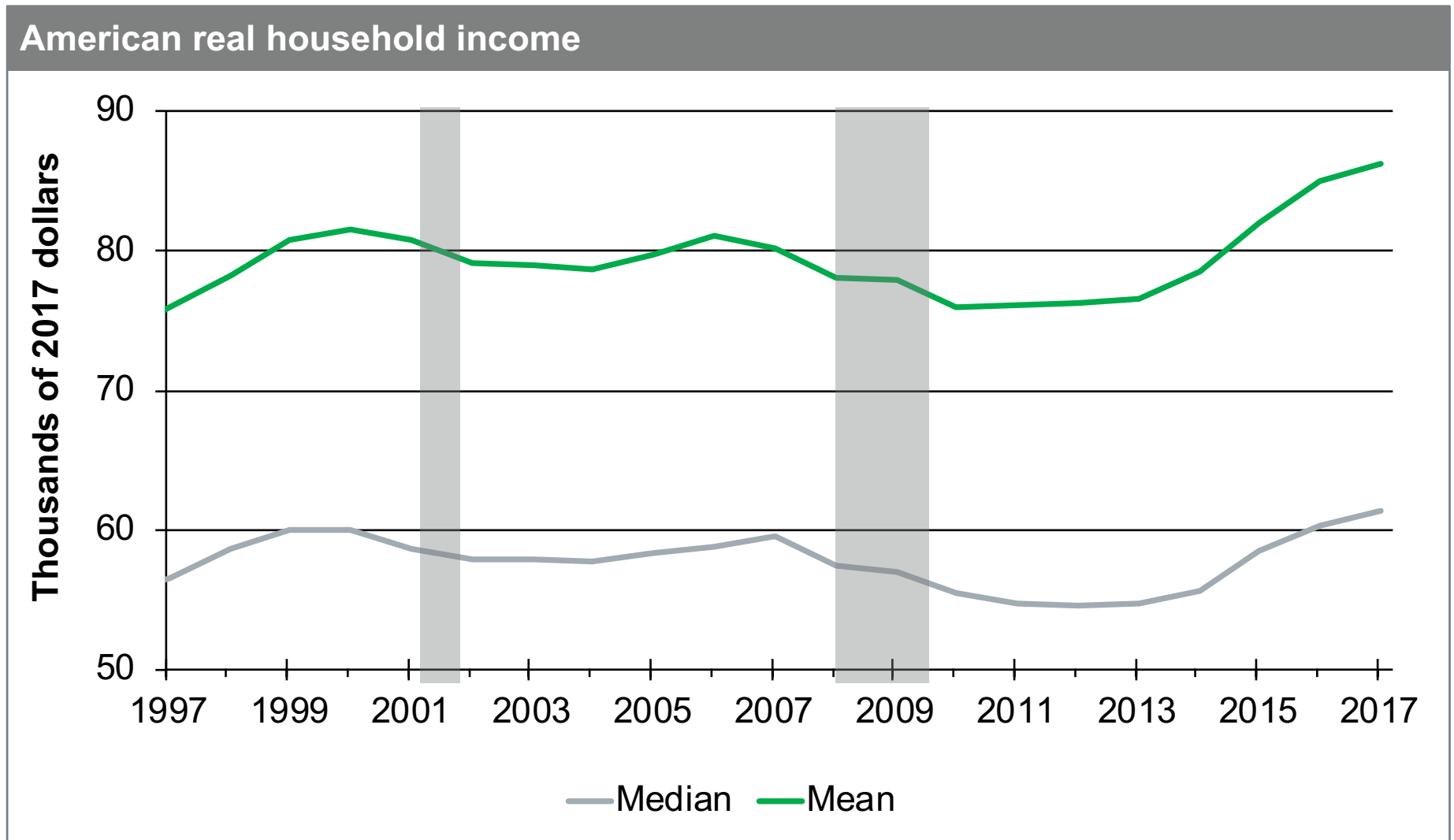
Small business optimism surged after the 2016 election and has exceeded its 45-year record high



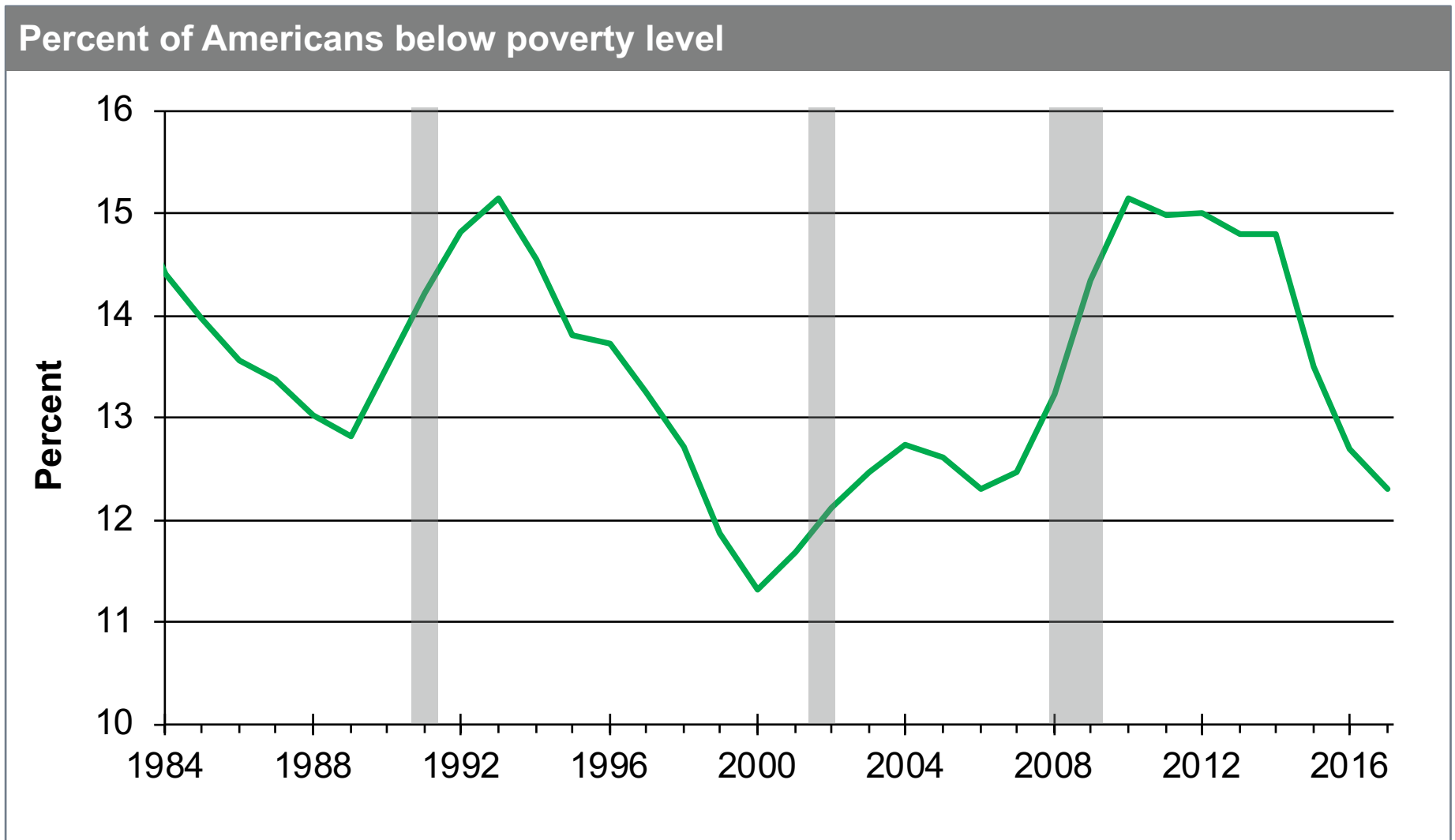
Incomes pushed past prerecession levels for most households in last three years



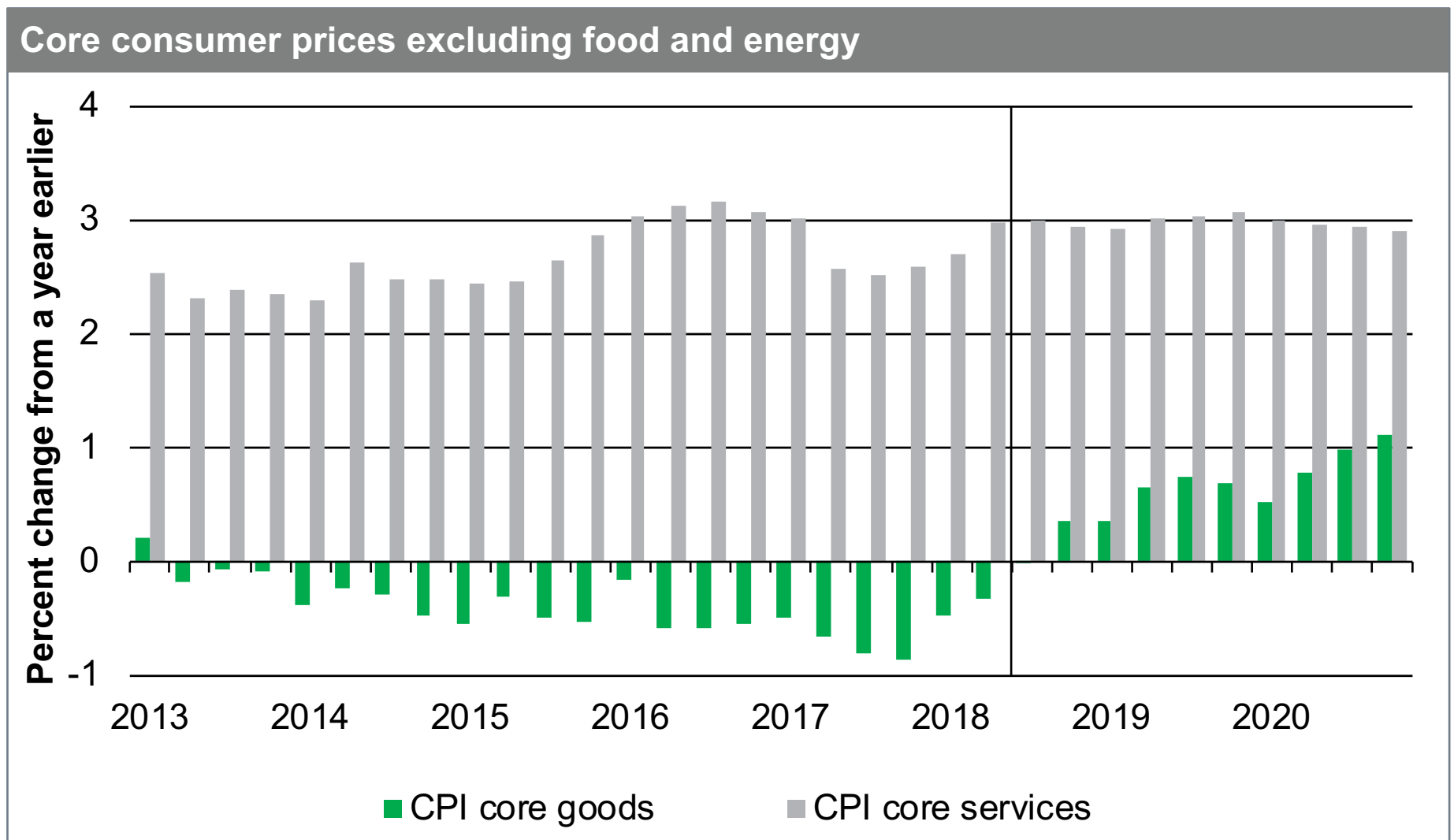
American household average income



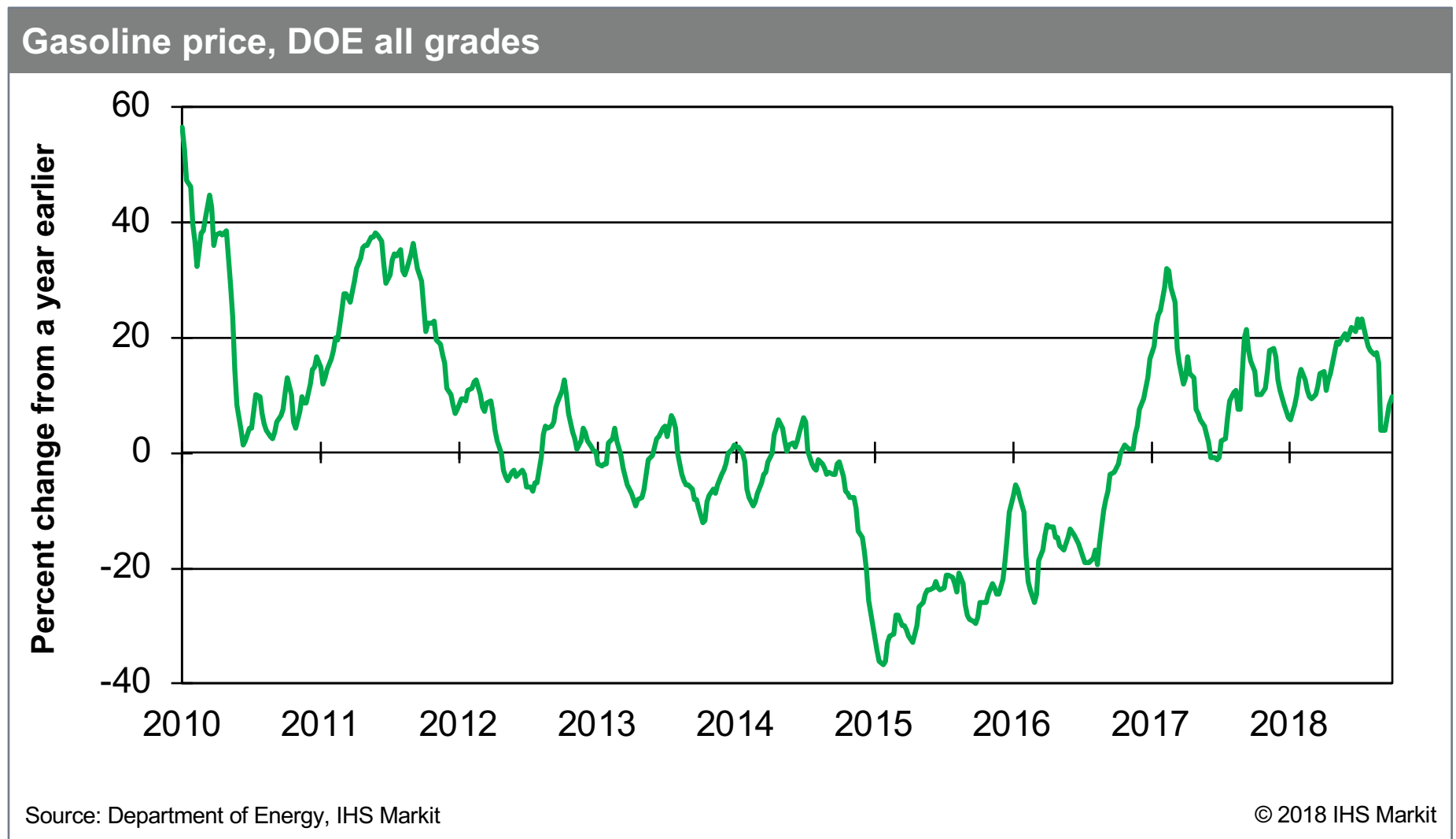
Poverty rate pushed lower over last three years



Goods vs. services inflation vary widely



Pump prices have stalled since the summer



August retail sales report

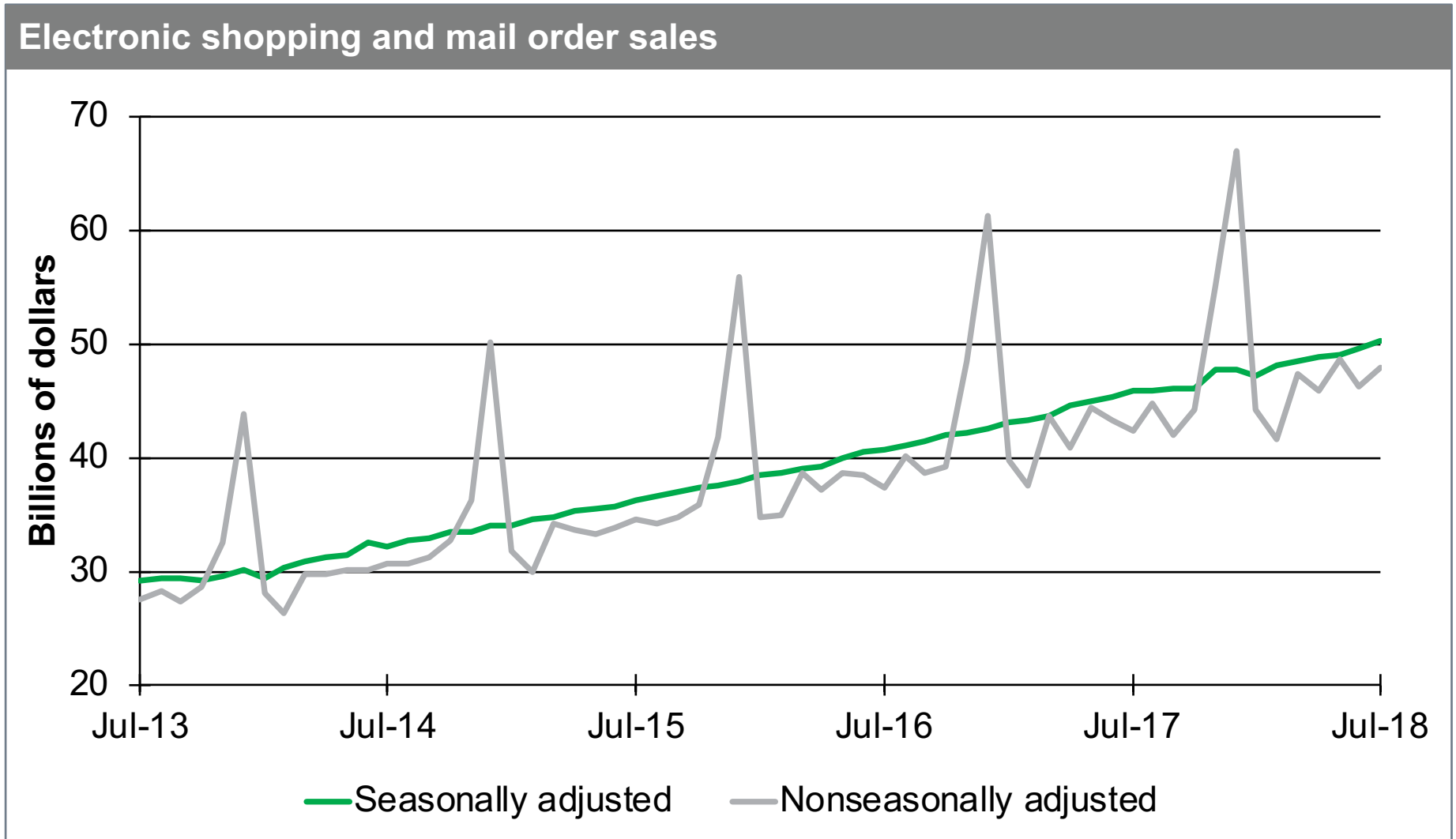
Retail Sales -- August 2018

(Seasonally adjusted)

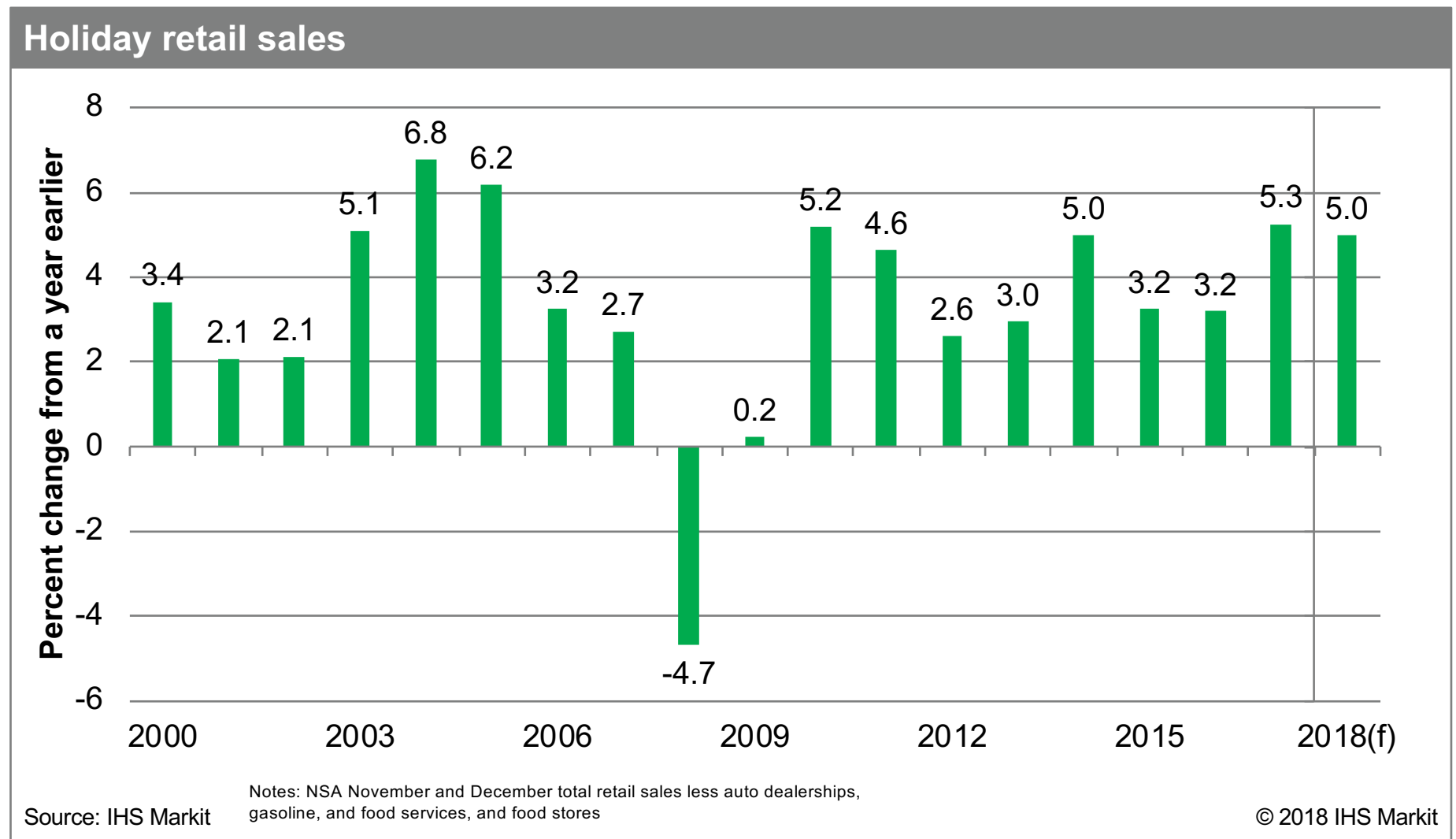
	Level \$ Bil.		Monthly Percent Change					% Chg. from Aug-17	
	Aug-18	Jul-18	Aug-18	Jul-18	Jun-18	May-18	Apr-18		
Total	509.0	508.6	0.1	0.7	0.2	1.2	0.3	6.6	0.4
Exc. Automotive Dealers	407.3	406.0	0.3	0.9	0.3	1.4	0.4	7.3	1.3
Exc. Autos and Gas	362.9	362.4	0.2	0.9	0.3	1.2	0.4	5.9	0.6
Control*	337.9	337.4	0.2	1.0	0.3	1.2	0.5	6.1	0.5
Motor Vehicle & Parts Dealers	101.7	102.6	-0.8	-0.1	-0.1	0.6	0.2	4.0	-0.9
Furniture & Home Furnishings	10.2	10.2	-0.3	0.0	0.3	-1.8	2.7	3.5	0.0
Electronics & Appliances	8.3	8.3	0.4	-0.4	0.9	0.1	0.6	3.9	0.0
Building & Garden Supplies	32.5	32.5	0.0	0.1	0.0	2.1	-0.6	3.3	0.0
Food & Beverage	62.3	62.3	0.0	0.8	-0.1	0.1	0.4	4.3	0.0
Restaurants & Bars	61.9	61.8	0.2	1.6	1.7	2.8	-0.2	10.1	0.1
Health & Personal Care	29.4	29.3	0.5	0.3	0.6	1.6	1.2	4.9	0.1
Gasoline Stations	44.4	43.7	1.7	0.8	0.6	2.9	0.4	20.3	0.7
Clothing & Accessories	23.2	23.6	-1.7	2.2	-1.0	2.9	1.5	6.3	-0.4
Sporting Goods, Books, Etc.	6.6	6.6	0.2	-1.6	-2.2	-1.0	-0.6	-3.9	0.0
General Merchandise	60.0	60.0	0.1	1.0	-0.2	1.4	-0.5	3.7	0.0
Department Stores	12.5	12.6	-1.0	1.4	-2.2	1.5	0.5	-0.7	-0.1
Nonstore Retailers	57.5	57.1	0.7	1.5	0.9	0.3	1.2	10.4	0.4
Electronic & Mail Order	----	50.3	----	1.2	1.2	0.6	0.6	----	----
Miscellaneous	10.9	10.6	2.3	-2.3	-1.5	1.9	0.0	3.3	0.2

*Retail sales excluding sales of automotive dealers, building/garden supply stores, and gasoline stations

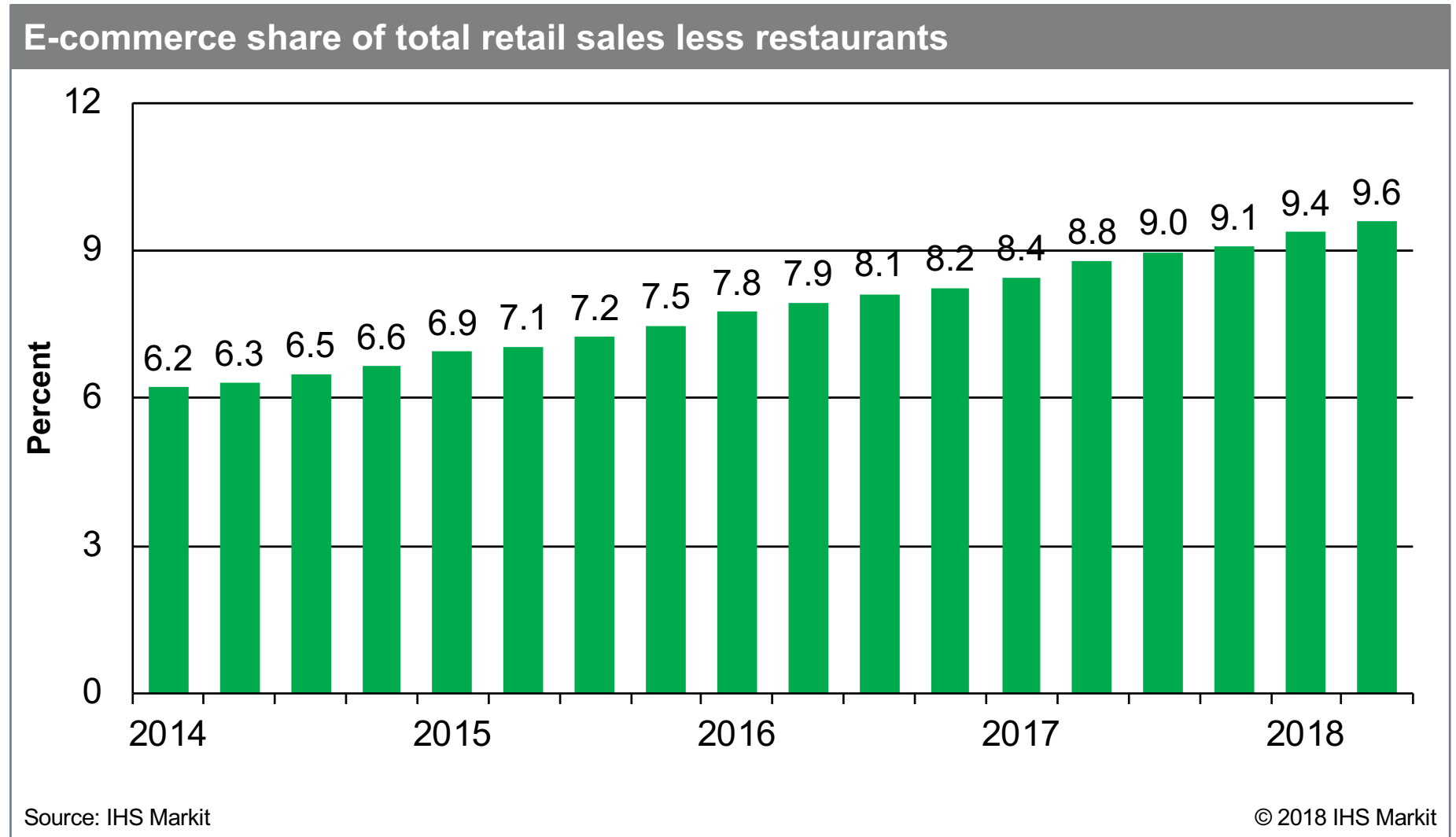
Online shopping retail sales



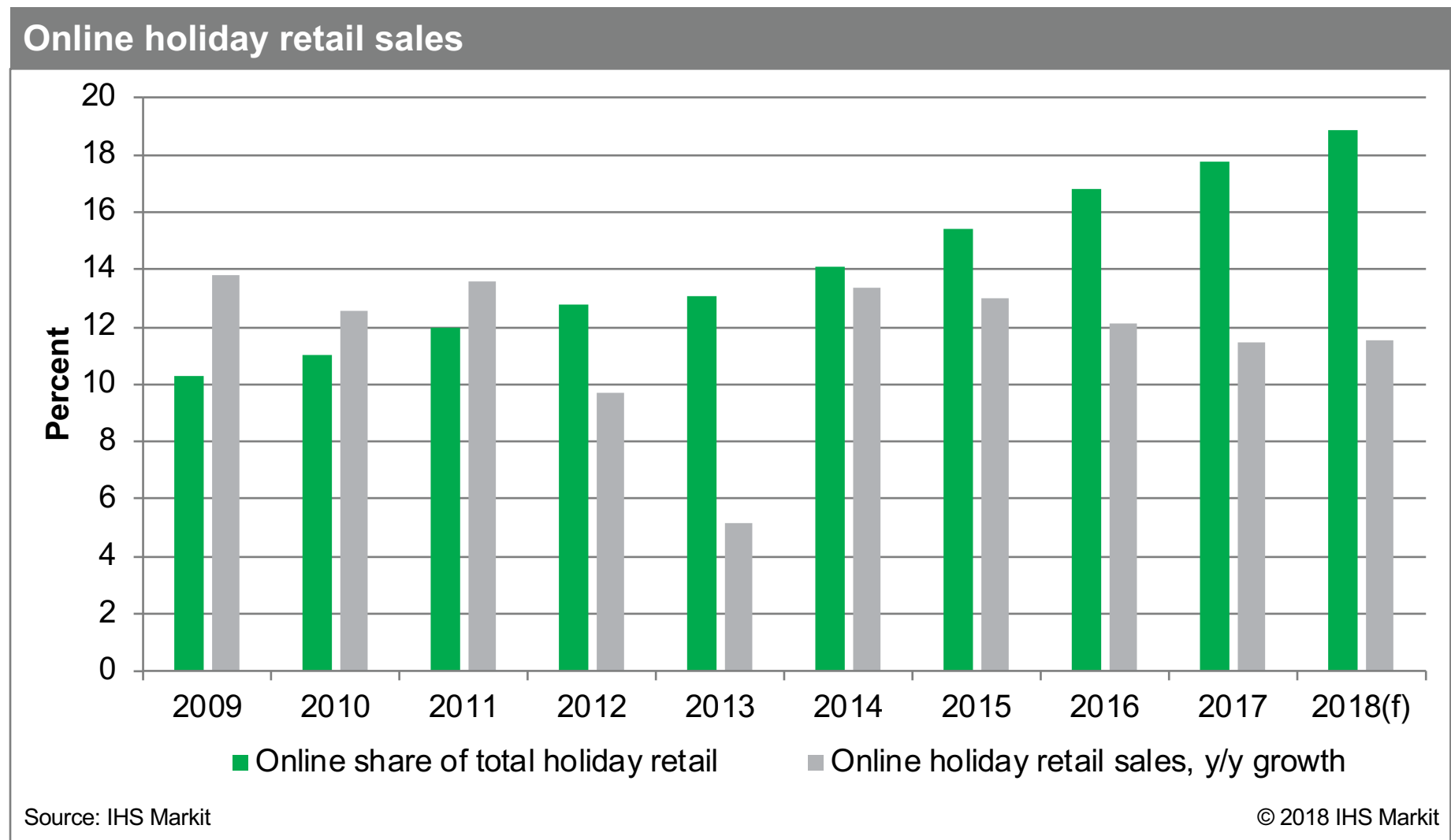
Holiday retail sales shaping up to be another good year



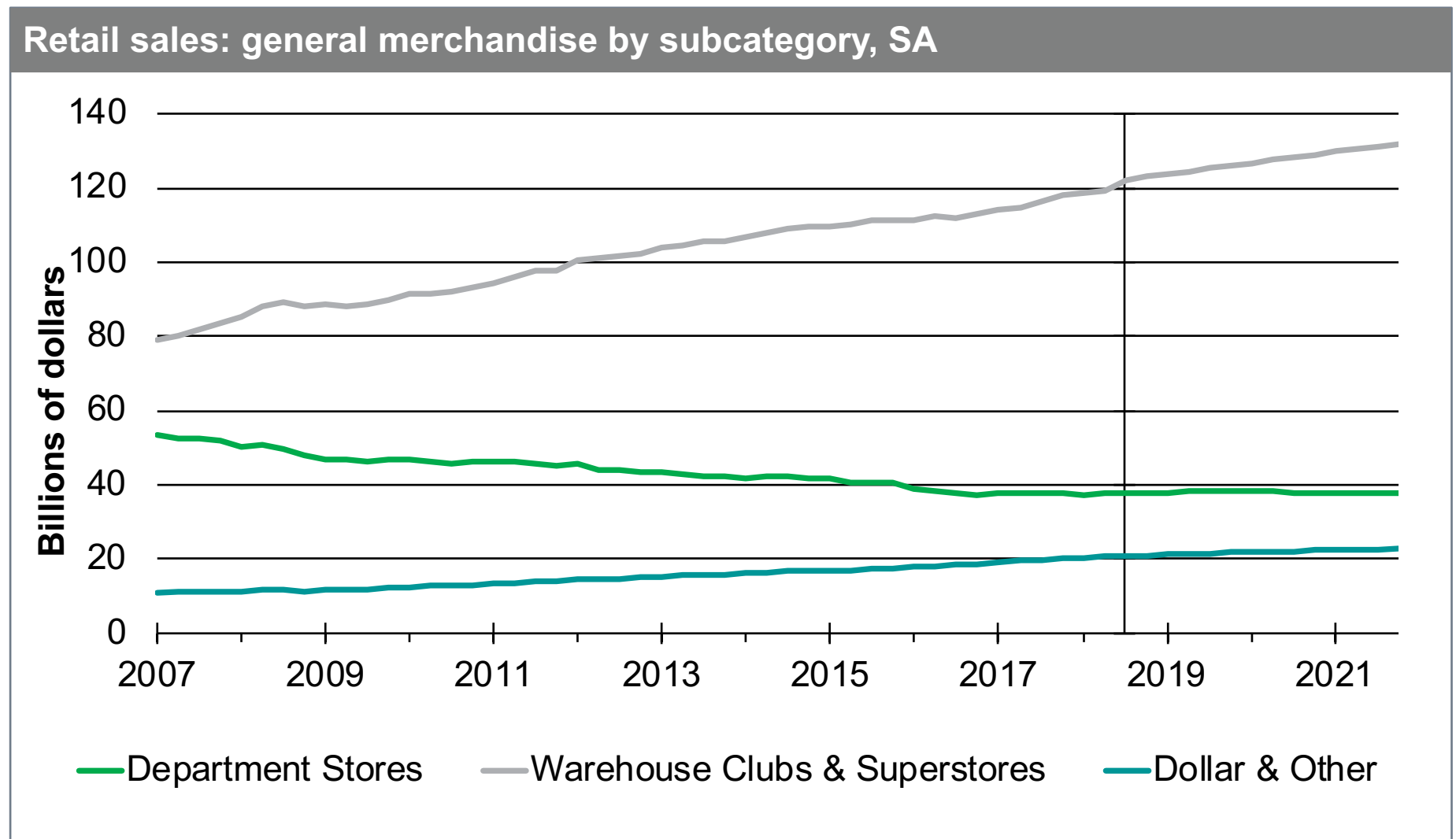
E-commerce share of retail trade surged in first half of the year



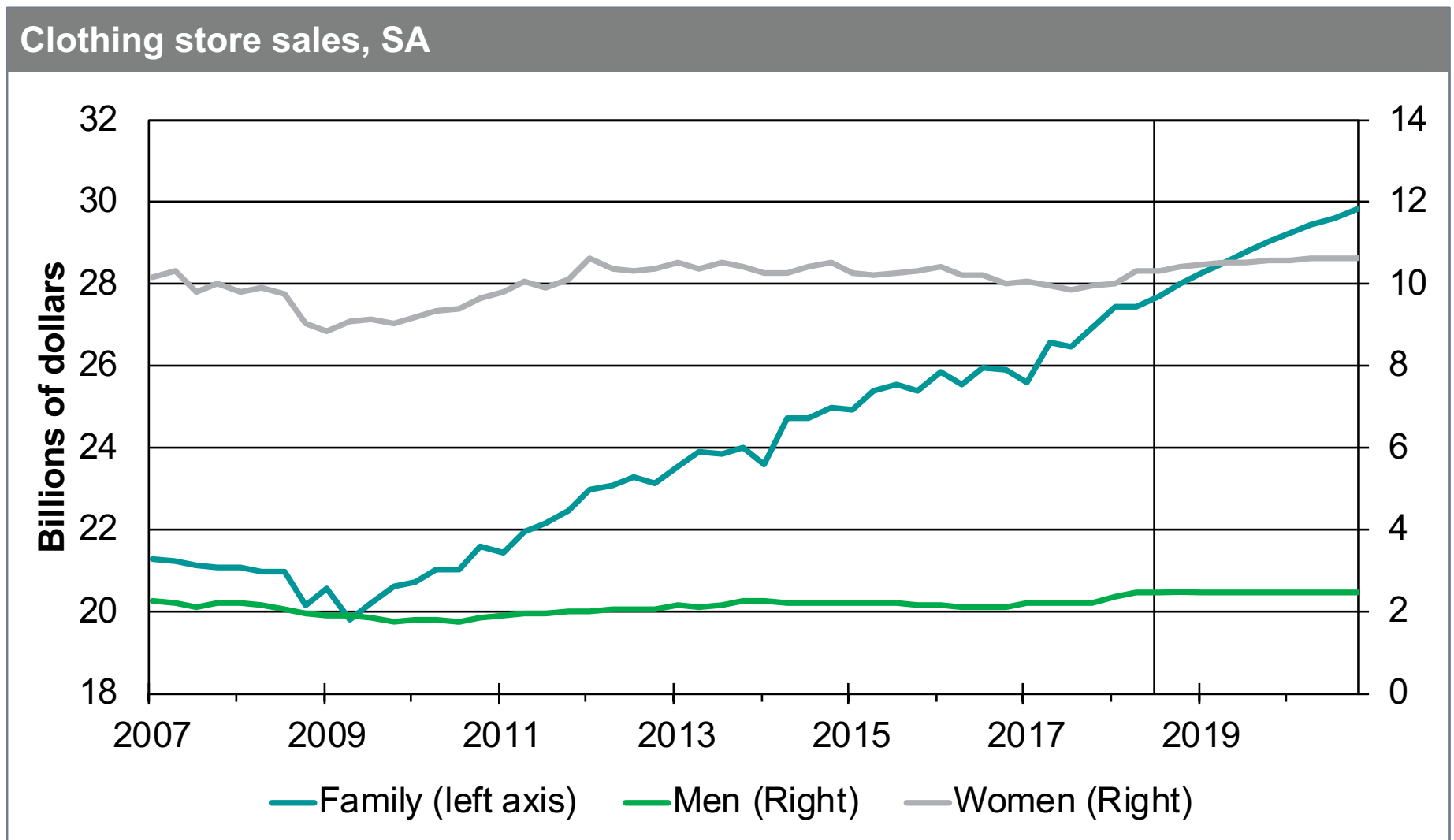
Online will take a bigger share of the pie



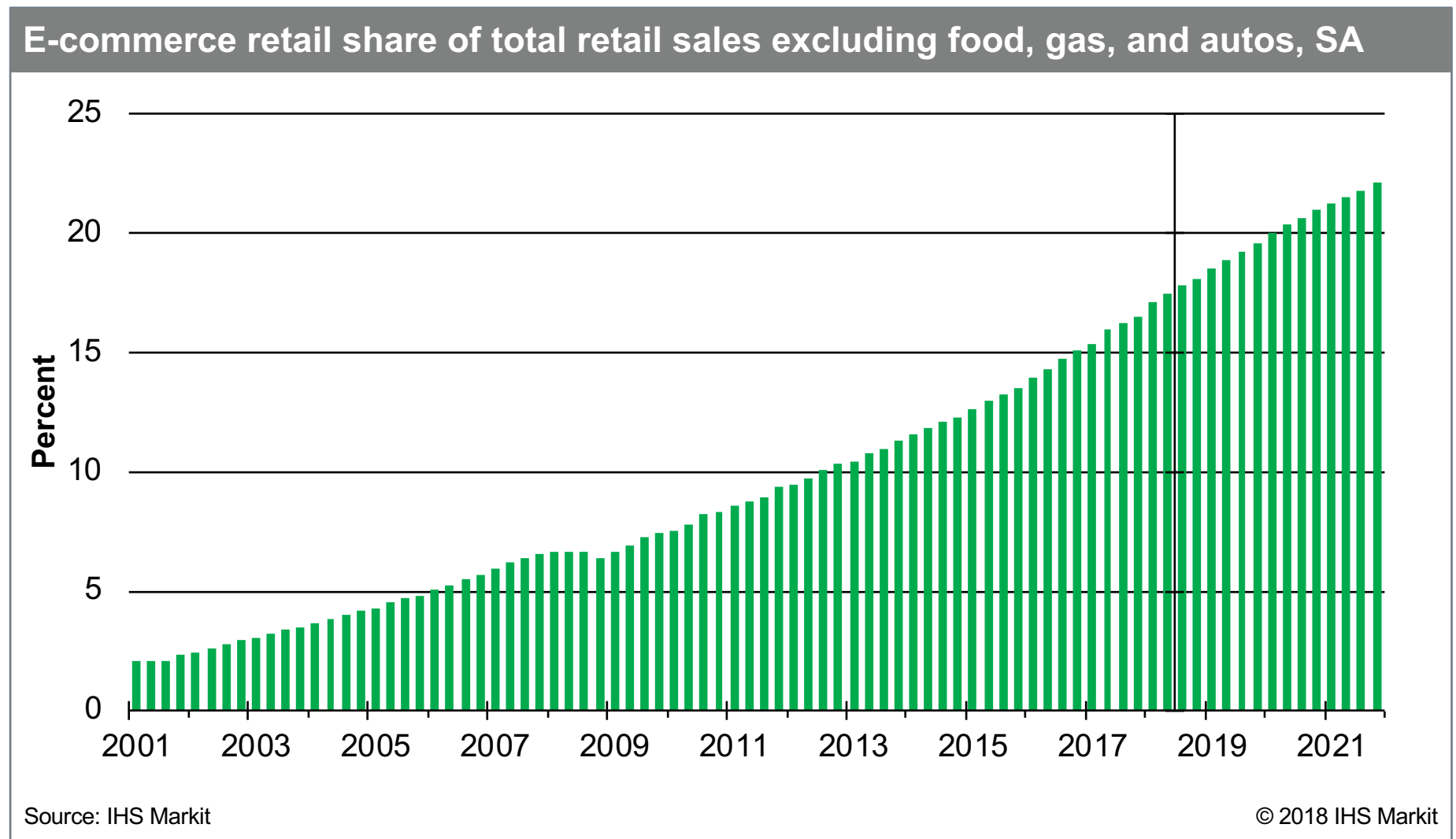
General merchandise subcategory sales



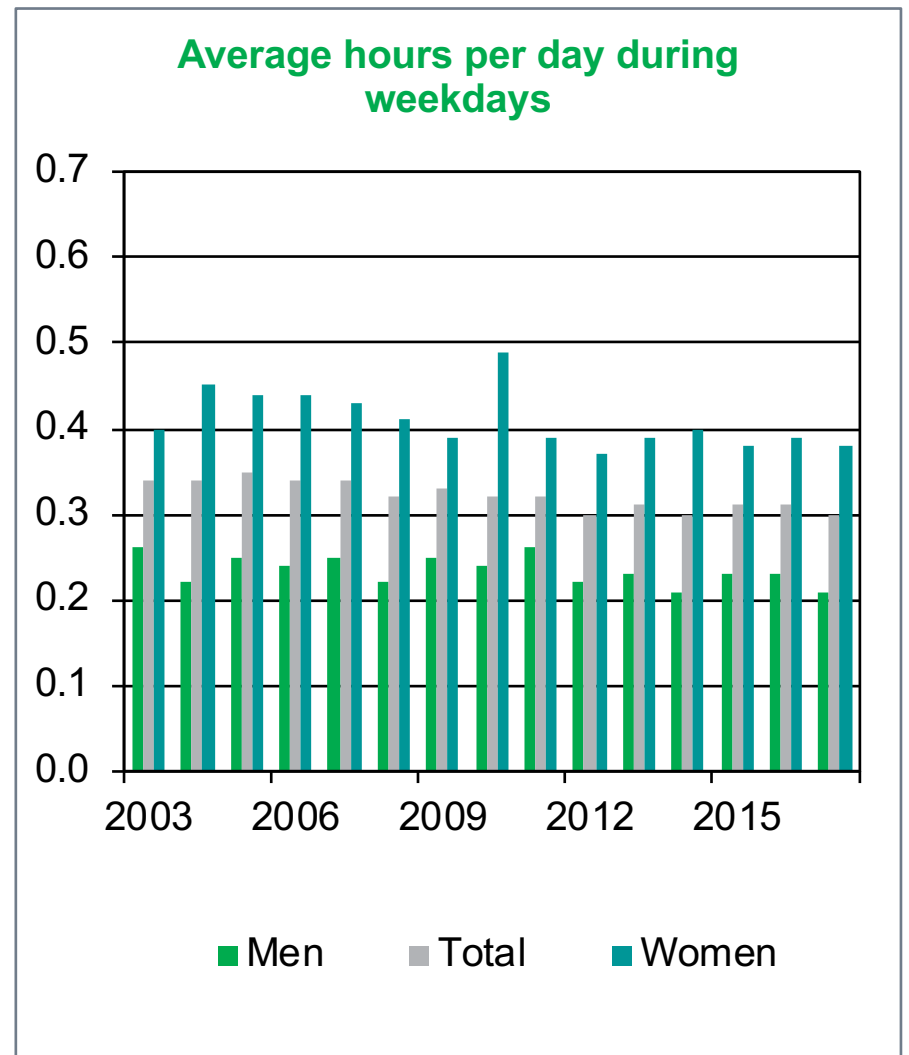
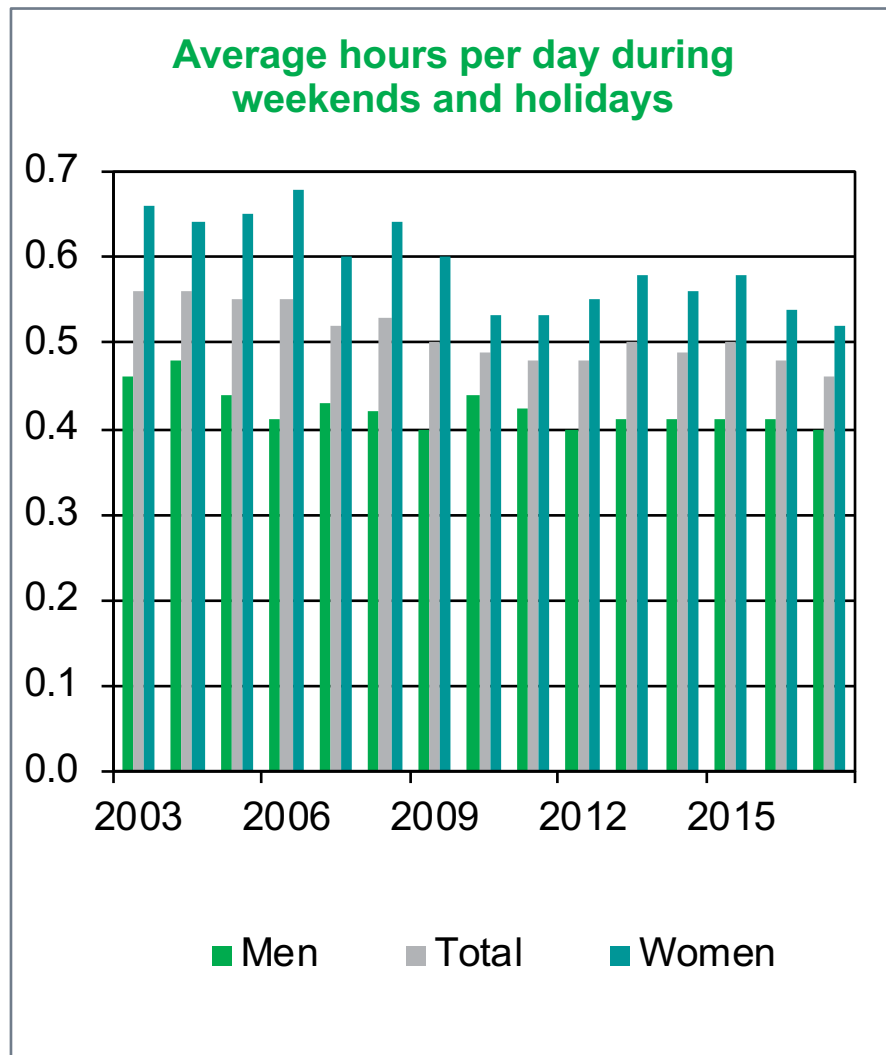
Clothing store subcategory sales



E-commerce retail share expanding



Americans' time spent shopping



Source: Bureau of Labor Statistics: American Time Use Survey