Economics

US Consumer Markets Outlook

US Consumer and Retail Outlook

October 2018

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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

Conference Board Consumer Confidence Index

Source: Conference Board, IHS Markit © 2018 IHS Markit
Consumer Prices
Consumer price inflation has reached the Federal Reserve’s 2% target

Personal consumption deflators

Source: IHS Markit

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Pump prices have stalled since the summer

Gasoline price, DOE all grades

Source: Department of Energy, IHS Markit
Prices and tariffs

CPI for laundry equipment and PPI for steel mill products

Source: IHS Markit

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Income and Wealth
Real median household income made strides in last three years
Household assets revised upward, still rising
Personal saving rate revision

Personal saving rate before and after July 2018 NIPA revisions

Percent

Before July 2018 revision  After 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

Total light-vehicle sales

- Green line: Total
- Gray line: Light Trucks
- Blue line: Cars

Millions of units, annual rate

Years: 1980 to 2020

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The recovery in housing starts is nearing completion

Housing starts and formation

- Single-family housing starts
- Multifamily housing starts

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Retail trade
Retail sales outlook

Retail sales outlook

- Total retail sales
- Furniture and home furnishing
- Electronics
- Building materials
- Food stores
- Health and personal care stores
- Apparel stores
- Sporting goods and hobby
- General merchandise
- Miscellaneous store retailers
- Non-store retailers
- Restaurants

Percent change, current dollars

2016  2017  2018  2019
Clicks outpacing the bricks

Department and online stores retail sales

- Electronic shopping and mail order
- Department stores
Restaurants to eat up greater share of spending on food

Proportion of consumer spending on food

Source: IHS Markit

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Holiday retail sales shaping up to be another good year

Note: NSA November and December total retail sales less auto dealerships, gasoline, and food services, and food stores
Almost all retail categories expected to grow in 2018 Holiday season

Holiday retail sales categories 2018

Source: IHS Markit © 2018 IHS Markit
Back-up Slides
Shipping Activity
Shipping activity has spiked in 2018

Cass Freight Index: Shipments

Source: Cass Information Systems, IHS Markit

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Shipping activity has spiked in 2018
Shipping activity has spiked in 2018
Consumer sentiment is upbeat, supported by improving household finances and robust job growth

University of Michigan Index of Consumer Sentiment

Source: University of Michigan, IHS Markit

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Consumer sentiment by household income

Source: University of Michigan, IHS Markit

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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

Real mean household income by quintile

Percent change between years

-10 -5 0 5 10 15
Lowest quintile Second quintile Third quintile Fourth quintile Highest quintile Top 5 percent

American household average income

American real household income

Thousands of 2017 dollars

1997 1999 2001 2003 2005 2007 2009 2011 2013 2015 2017

Median  Mean
Poverty rate pushed lower over last three years
Goods vs. services inflation vary widely

Core consumer prices excluding food and energy

Percent change from a year earlier


CPI core goods  CPI core services
Pump prices have stalled since the summer

Source: Department of Energy, IHS Markit

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### August retail sales report

#### Retail Sales -- August 2018
(Seasonally adjusted)

<table>
<thead>
<tr>
<th>Category</th>
<th>Level $ Bil.</th>
<th>Monthly Percent Change</th>
<th>% Chg. from Aug-17</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>509.0</td>
<td>0.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Exc. Automotive Dealers</td>
<td>407.3</td>
<td>0.9</td>
<td>1.4</td>
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<tr>
<td>Exc. Autos and Gas</td>
<td>362.9</td>
<td>0.9</td>
<td>1.2</td>
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<tr>
<td>Control</td>
<td>337.9</td>
<td>1.0</td>
<td>1.2</td>
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<tr>
<td>Motor Vehicle &amp; Parts Dealers</td>
<td>101.7</td>
<td>-0.1</td>
<td>0.6</td>
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<tr>
<td>Furniture &amp; Home Furnishings</td>
<td>10.2</td>
<td>0.0</td>
<td>-1.8</td>
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<tr>
<td>Electronics &amp; Appliances</td>
<td>8.3</td>
<td>-0.4</td>
<td>0.1</td>
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<tr>
<td>Building &amp; Garden Supplies</td>
<td>32.5</td>
<td>0.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>62.3</td>
<td>0.8</td>
<td>0.1</td>
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<tr>
<td>Restaurants &amp; Bars</td>
<td>61.9</td>
<td>1.6</td>
<td>2.8</td>
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<tr>
<td>Health &amp; Personal Care</td>
<td>29.4</td>
<td>0.3</td>
<td>1.6</td>
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<tr>
<td>Gasoline Stations</td>
<td>44.4</td>
<td>0.8</td>
<td>2.9</td>
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<td>Clothing &amp; Accessories</td>
<td>23.2</td>
<td>2.2</td>
<td>2.9</td>
</tr>
<tr>
<td>Sporting Goods, Books, Etc.</td>
<td>6.6</td>
<td>-1.6</td>
<td>-1.0</td>
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<tr>
<td>General Merchandise</td>
<td>60.0</td>
<td>1.0</td>
<td>-0.2</td>
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<td>Department Stores</td>
<td>12.5</td>
<td>1.4</td>
<td>-2.2</td>
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<tr>
<td>Nonstore Retailers</td>
<td>57.5</td>
<td>1.5</td>
<td>0.9</td>
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<tr>
<td>Electronic &amp; Mail Order</td>
<td>----</td>
<td>1.2</td>
<td>1.2</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>10.9</td>
<td>-2.3</td>
<td>-1.5</td>
</tr>
</tbody>
</table>

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

Electronic shopping and mail order sales

Billions of dollars

Seasonally adjusted  Nonseasonally adjusted
Holiday retail sales shaping up to be another good year

Holiday retail sales

Source: IHS Markit

Notes: NSA November and December total retail sales less auto dealerships, gasoline, and food services, and food stores

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

Source: IHS Markit © 2018 IHS Markit
Online will take a bigger share of the pie

Online holiday retail sales

Source: IHS Markit

Percent

Online share of total holiday retail

Online holiday retail sales, y/y growth

Source: IHS Markit

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General merchandise subcategory sales

Retail sales: general merchandise by subcategory, SA

- Department Stores
- Warehouse Clubs & Superstores
- Dollar & Other
Clothing store subcategory sales

Clothing store sales, SA

Billions of dollars


Family (left axis)  Men (Right)  Women (Right)
E-commerce retail share expanding

E-commerce retail share of total retail sales excluding food, gas, and autos, SA

Source: IHS Markit

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Americans’ time spent shopping