

Local Consumer Commerce

MAY 2016

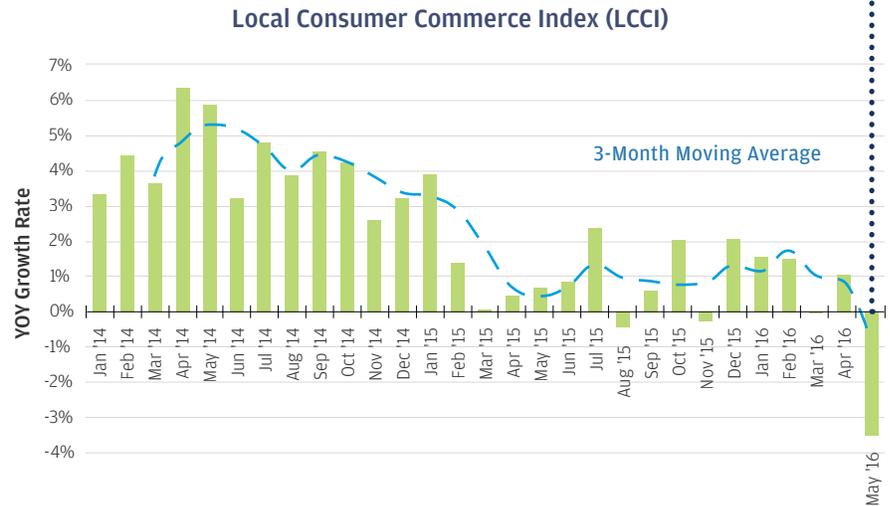


DATA THROUGH
MAY 2016

↓ -3.5%

Growth across all 15 cities

Local consumer spending declined notably by 3.5 percent between May 2015 and May 2016. The reduction in spend was largely a function of structural factors such as the number of weekend days relative to May 2015, but also material declines in spending at establishments like restaurants, grocery stores, and stores supplying other retail. Moreover, fuel spending growth remains strongly negative, if less so than early 2015. Additional information about May's number can be found in the [memo](#) supplemental to this report.



About the Local Consumer Commerce Index

A measure of consumer spending. The LCCI is a measure of the monthly year-over-year growth rate of everyday debit and credit card spending across 15 U.S. cities.

A unique lens. The LCCI is constructed from over 16 billion anonymized credit and debit card transactions from over 54 million Chase customers. Unlike many existing sources of data on consumer spending, the LCCI captures actual transactions, instead of self-reported measures of how consumers think they spend. The LCCI's geographically specific data provide a granular and timely view of how cities and their surrounding metro areas are faring on a monthly basis. The index also captures economic activity in consumer facing retail and services sectors that previously have not been well understood by other data sources. These include activities in sectors such as food trucks, new businesses, and personal services.

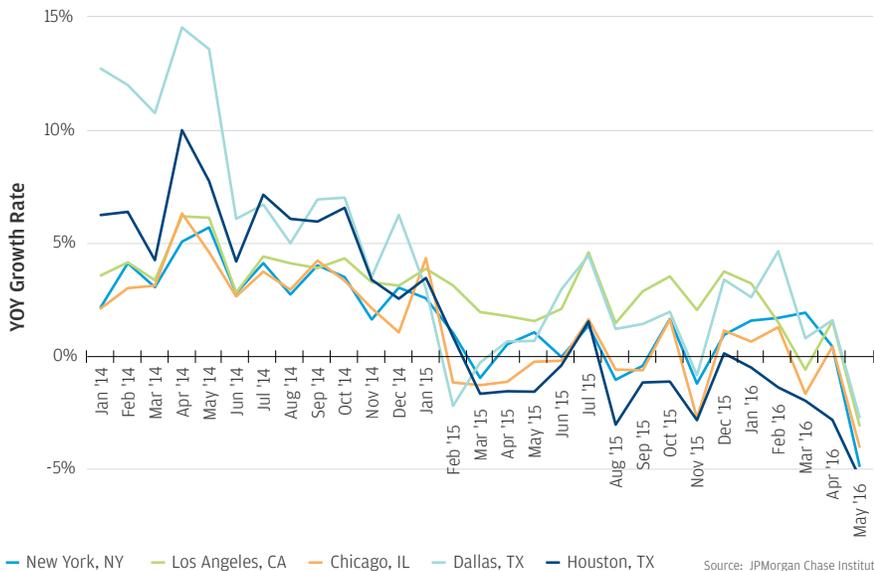
Our sample. The LCCI measures everyday spending across 15 cities: Atlanta, Chicago, Columbus, Dallas, Denver, Detroit, Houston, Miami, Los Angeles, New York, Phoenix, Portland (OR), San Diego, San Francisco, and Seattle. Our portfolio of cities mirrors the geographic and economic diversity of larger metropolitan areas in the United States and accounts for 32 percent of retail sales nationwide.

A powerful tool. The LCCI is a powerful tool for city development officials, businesses and investors, and statistical agencies to better understand the everyday economic health of consumers, businesses, and the places they care about.



Spending by Metro Area

LCC Growth in Largest Metro Areas

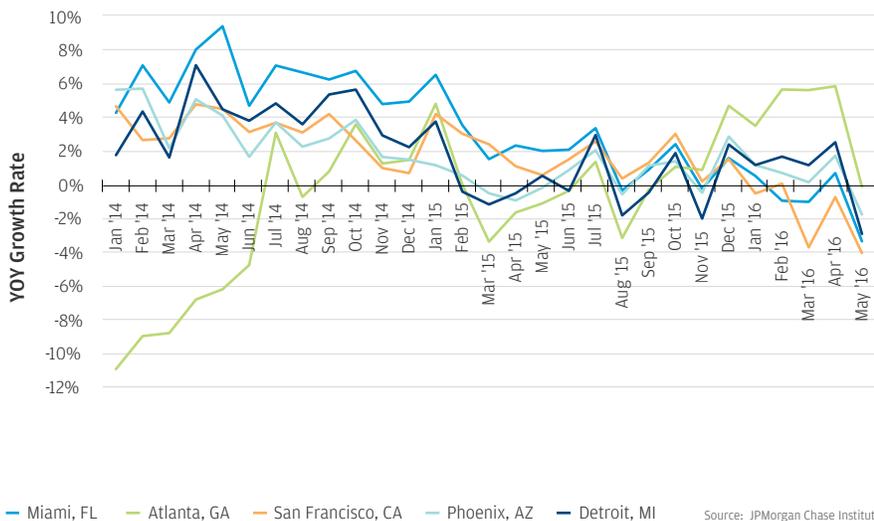


Los Angeles: In May 2016, all large cities experienced declines in spending, but Los Angeles declined the least at -3.1 percent.

Houston: The growth rate in Houston was the lowest in the group, and the city has experienced the largest slowdown in growth since the start of 2016 (from -0.5 percent in January to -5.4 percent in May).

The average growth rate across the group was -4 percent.

LCC Growth in Mid-Sized Metro Areas

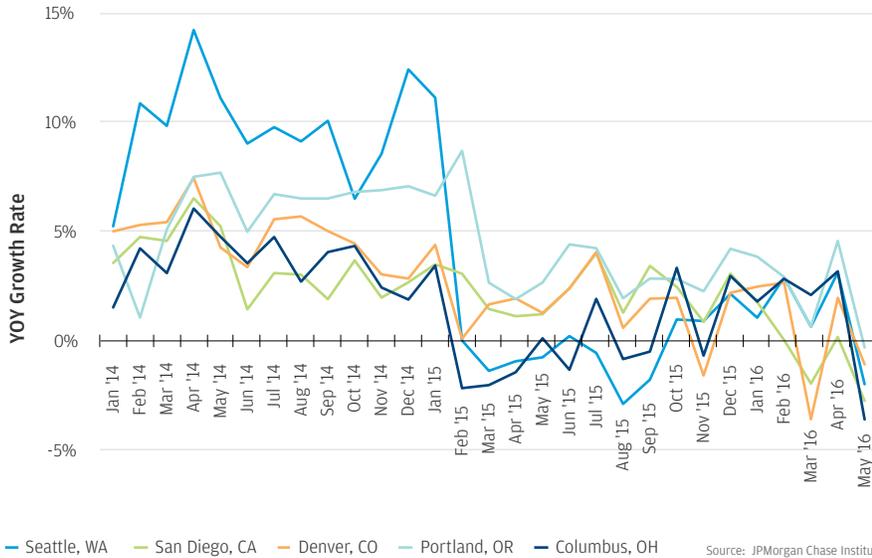


Atlanta: Local spending in May 2016 declined slightly at -0.2 percent in Atlanta. Out of all the cities in our sample, Atlanta was the most resistant to, among other things, the loss of high spending days.

San Francisco: The city experienced another contraction in spending with a growth rate of -4.1 percent, which is larger than the contraction of -3.8 percent experienced in March.

The average growth rate across the mid-sized cities in our sample was -2.5 percent.

LCC Growth in Smallest Metro Areas



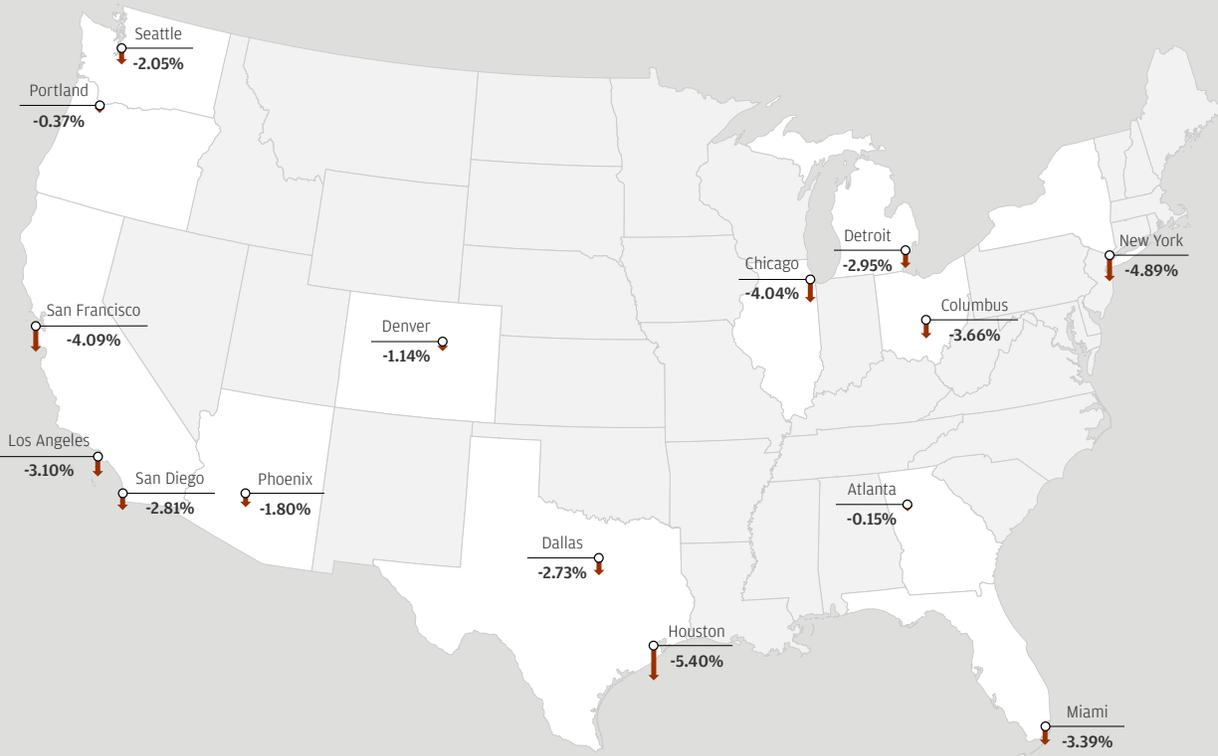
Portland: In May 2016, local consumer commerce in the Portland metro area contracted slightly at a rate of -0.4 percent, the smallest contraction among all cities in the smallest metro area group.

Columbus: Columbus contracted the most of all small cities, at a rate of -3.7 percent.

Small cities in our sample contracted on average by -2 percent.

Source: JPMorgan Chase Institute

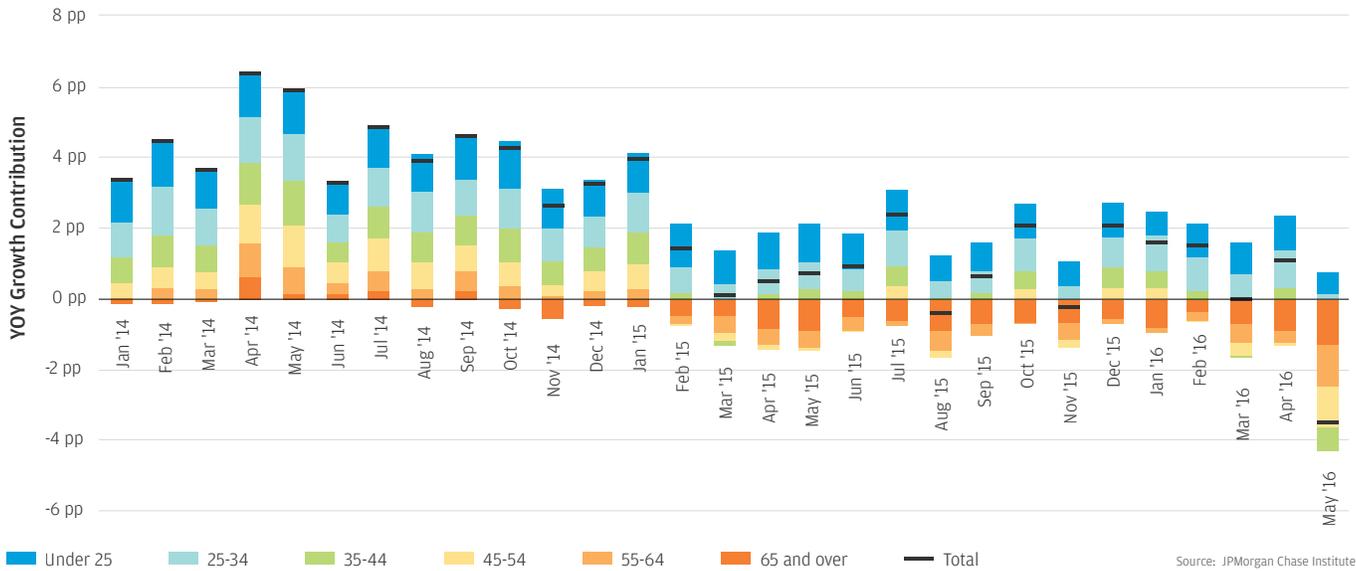
Spending growth across 15 metro areas in May 2016





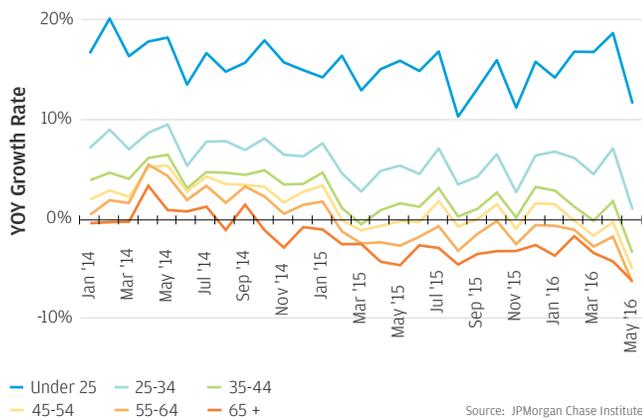
Spending by Age

Growth Contributions by Age Group



Source: JPMorgan Chase Institute

Growth Rates by Age Group



Source: JPMorgan Chase Institute

Millennials: Since the start of 2016, consumers under 25 contributed about 0.8 percentage points to overall spending growth on average. Consumers under 25 and consumers between the ages of 25 and 34 contributed 0.6 and 0.1 percentage points to growth in May, respectively.

Mid-Career: In contrast to most months in the LCCI series, consumers between 35 and 44 subtracted an unusually large amount for the group (0.6 percentage points) from overall growth.

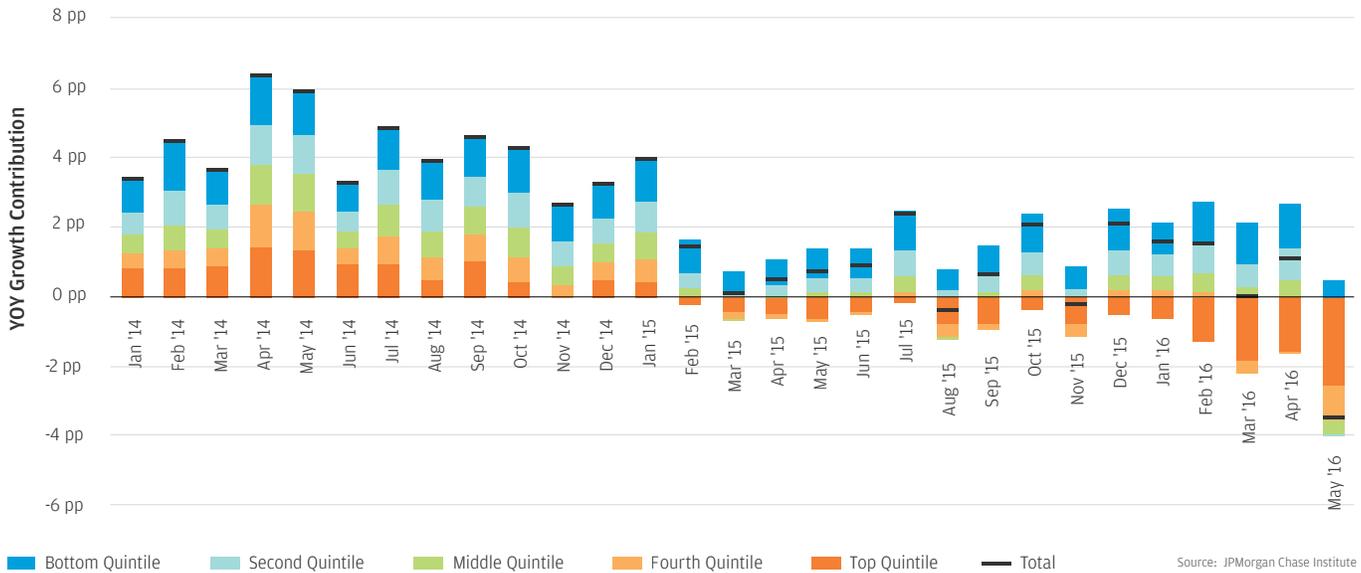
Seniors: By contrast, consumers over 65 years of age subtracted 1.2 percentage points in May, which continues a trend of persistent reductions in growth contributions by this group that began in the fourth quarter of 2014.

Spending growth among all age groups slowed between May 2015 and May 2016.



Spending by Income

Growth Contributions by Income Group



Source: JPMorgan Chase Institute

Growth Rates by Income Quintile



Source: JPMorgan Chase Institute

Low Income Consumers: Consumers in the lowest 20 percent contributed 0.5 percentage points to growth during the month of May 2016, the largest overall contribution in that month.

Middle Income Consumers: May 2016 saw the largest contraction in the LCCI series from middle income consumers, who subtracted 0.5 percentage points from overall growth.

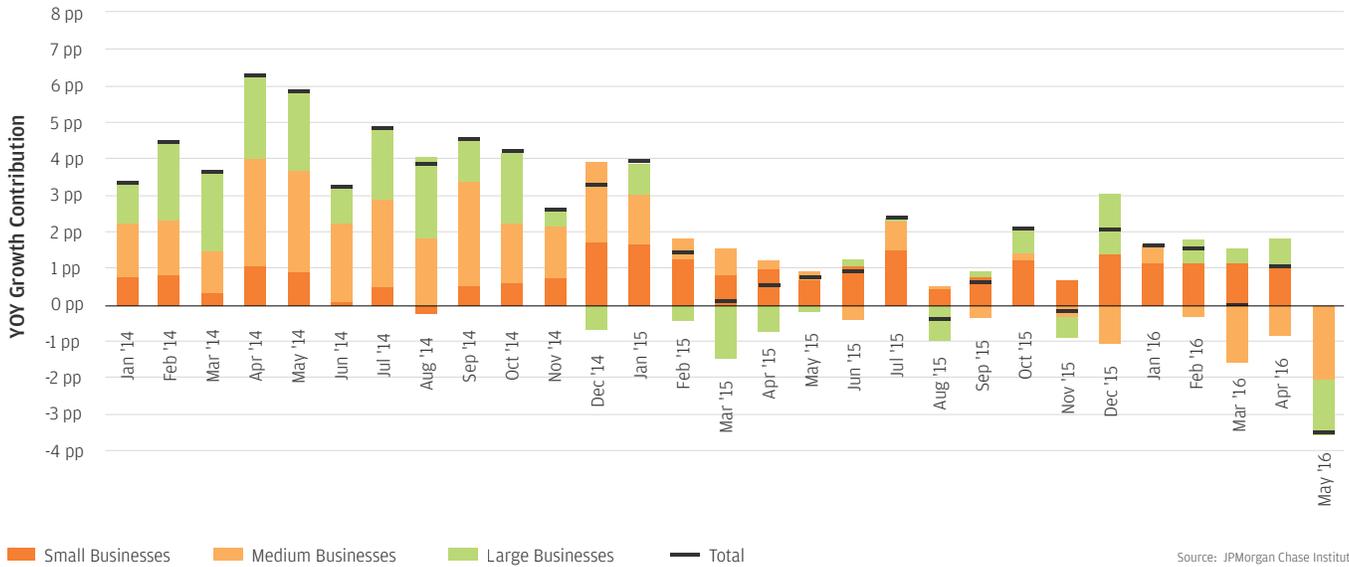
High Income Consumers: In contrast, consumers in the top 20 percent by income subtracted 2.5 percentage points from growth in May 2016, the lowest across all income groups.

The top quintile has experienced a fairly consistent decline in spending growth since the beginning of 2016. Contributions from the top quintile group have been a drag on growth since February 2015.



Spending by Size of Business

Growth Contributions by Size of Business



Source: JPMorgan Chase Institute

Growth Rates by Size of Business



Source: JPMorgan Chase Institute

Small Business: Small businesses contributed 0.9 percentage points on average over the first five months of 2016, despite virtually flat growth in May.

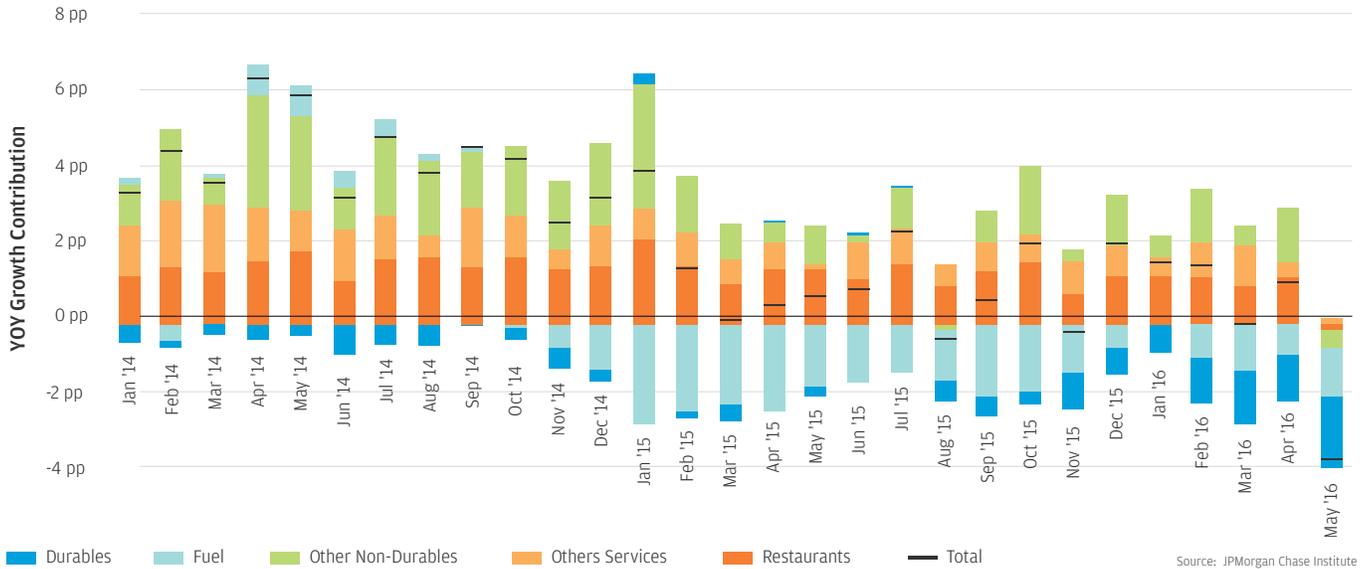
Mid-Sized Business: Mid-sized businesses reduced their contribution in May by 2 percentage points.

Large Business: In the first four months of 2016, the large business contribution to the growth of local consumer commerce was virtually flat on average; they subtracted 1.5 percentage points in May.



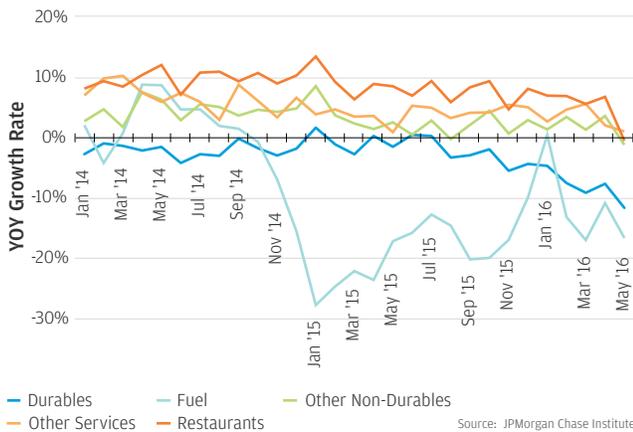
Spending by Product Type

Growth Contributions by Product Type



Source: JPMorgan Chase Institute

Growth Rates by Product Type



Source: JPMorgan Chase Institute

Fuel: Fuel retailers continued to drag down growth in May, subtracting 1.2 percentage points from overall spending growth. Contractions in fuel spending did appear to be getting smaller in late 2015. However, since the start of 2016, spending has decelerated substantially. By May, fuel spending subtracted 1.2 percentage points from overall growth.

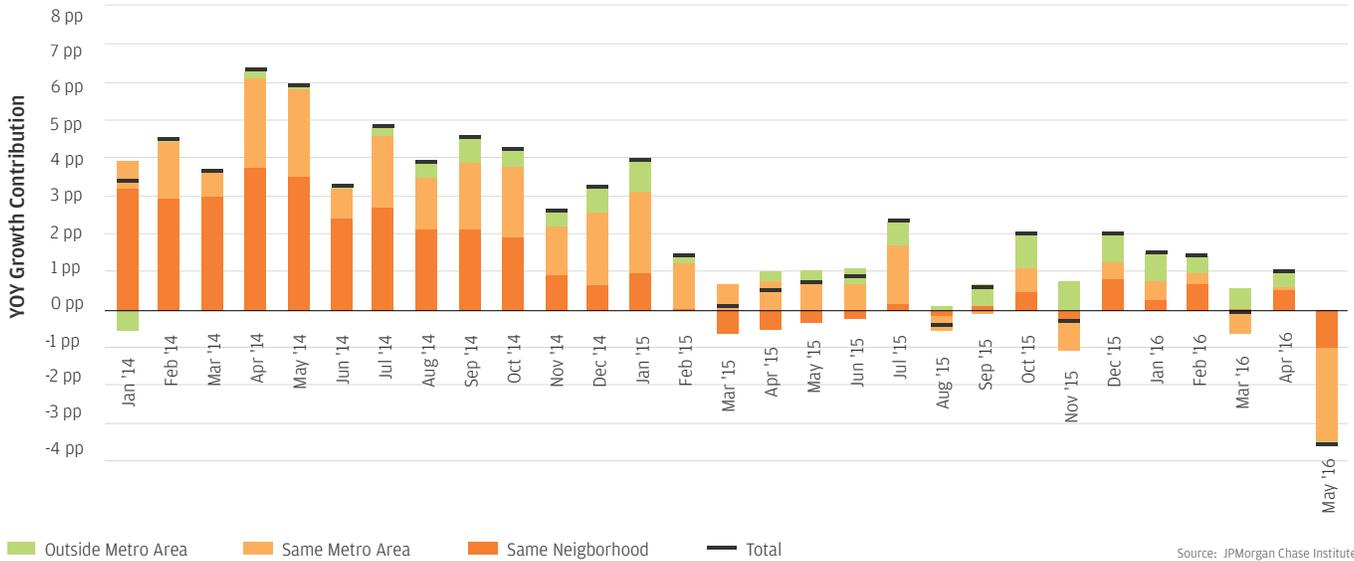
Durables: Durable spending subtracted 1.9 percentage points from growth in May, and consistently subtracted more from growth than fuel in every month in 2016.

Other Services: Other services was the only product category to experience even slight growth in May, adding 0.2 percentage points.



Spending by Consumer Residence

Growth Contributions by Consumer Residence



Source: JPMorgan Chase Institute

Growth Rates by Consumer Residence



Source: JPMorgan Chase Institute

Same Neighborhood: Customers from the same neighborhood have experienced relatively volatile growth over the past year. After experiencing weak, but positive growth in April, same neighborhood sales subtracted 1 percentage point from growth in May.

Same Metro Area: In the first five months of 2016, the year-over-year growth contributions of consumers from the same metro area as a business fell by 0.4 percentage points on average. The subtraction of 2.4 percentage points from growth in May is indicative of a general decline in this activity over time.

Outside Metro Area: For the first time since January of 2014, May spending by customers that live outside the metro area subtracted from overall growth (-0.1 percentage points).

Measuring Local Consumer Commerce

Local consumer commerce is the everyday spending of individuals on goods and services that impacts a local community. We observe local consumer commerce through the credit- and debit-card transactions of JPMorgan Chase customers for which we can establish a geographic location. This approach shares some conceptual similarities with other established measures (for example, the U.S. Census Bureau Monthly Retail Trade Survey and the U.S. Census Bureau Quarterly Services Survey), but differs in several significant ways.

In particular, our card-based perspective captures another important sector of commerce: spending at non-employer businesses, new businesses, and other small businesses that are often difficult to reach through establishment surveys. Moreover, in addition to restaurant spending observed by other data sources, our approach captures spending on a wide range of individual consumption-oriented services, including the barber and beauty shops, doctors and dentists,¹ hotels, gyms, and local transportation providers that play a significant role in local economies.

Our card-based approach offers a detailed view of the types of products consumers purchase. However, this view does not capture spending by consumers through cash, checks, electronic transfers, or purchase orders. Importantly, the extent to which consumers use credit and debit cards to purchase services and goods varies significantly across product categories. In particular, differences in payment methods by product type lead us to a different perspective on the consumption of durable goods.

We classify firms as small, medium, or large based on market share calculated from transaction data and external Census and Small Business Administration (SBA) data. Firms with more than 8 percent market share are classified as large, and firms that qualify for SBA loans are classified as small. All other firms are considered medium.

For additional details on the construction of the data asset, see the online methodological appendix. The website also contains all of the data presented in this update, including the growth rate, share of spend, and growth contribution for each metro area by consumer age, income quintile, consumer residence relative to the business, product type, and business size.

Endnotes

1 We observe the out-of-pocket card-based spending of consumers at healthcare providers.