

Local Consumer Commerce

AUGUST 2016



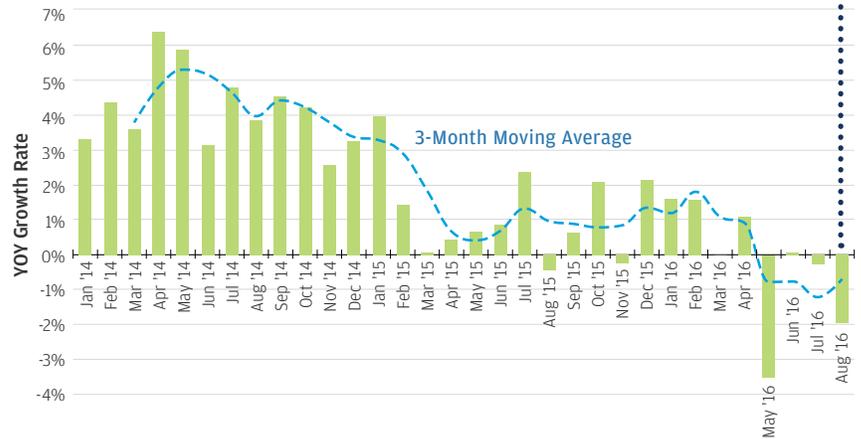
DATA THROUGH
AUG 2016

↓-1.9%

Growth across all 15 cities

Local consumer commerce fell sharply by 1.9 percent between August 2015 and August 2016, the second most significant decline in year-over-year growth yet. Only three cities experienced positive growth, with Denver growing the fastest at 5 percent year-over-year. Large businesses contributed 0.2 percentage points to growth in August, but this growth was entirely offset by the reduction in spending at small businesses. Reductions in spending at mid-sized businesses subtracted 1.9 percentage points from overall growth. Consumers increased expenditures on services and restaurants, but those increases were more than offset by continued declines in durables and fuel spending.

Local Consumer Commerce Index (LCCI)



Source: JPMorgan Chase Institute

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 US 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.

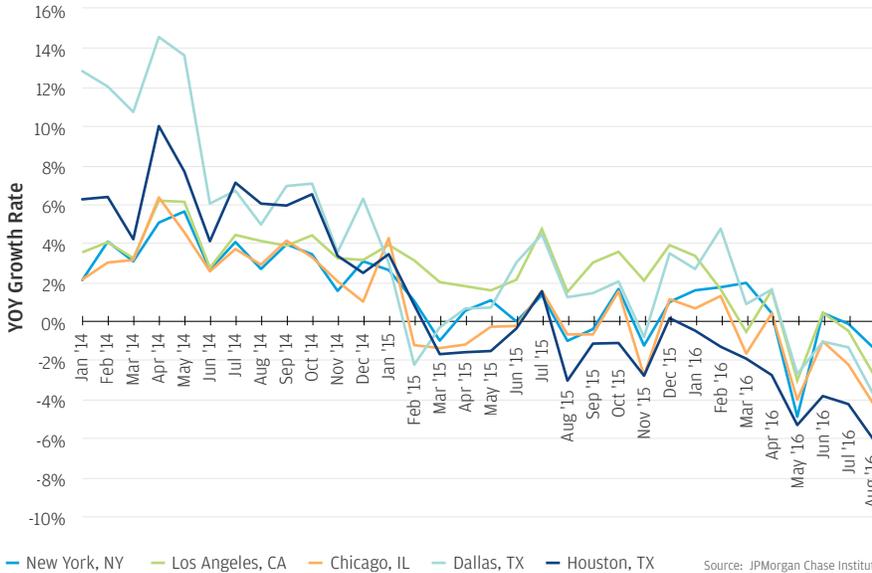
Our sample. The LCCI measures everyday spending across 15 cities: Atlanta, Chicago, Columbus, Dallas, Denver, Detroit, Houston, Miami, Los Angeles, New York, Phoenix, Portland (OR), San Diego, San Francisco, and Seattle. Our portfolio of cities mirrors the geographic and economic diversity of larger 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

Largest Metro Areas

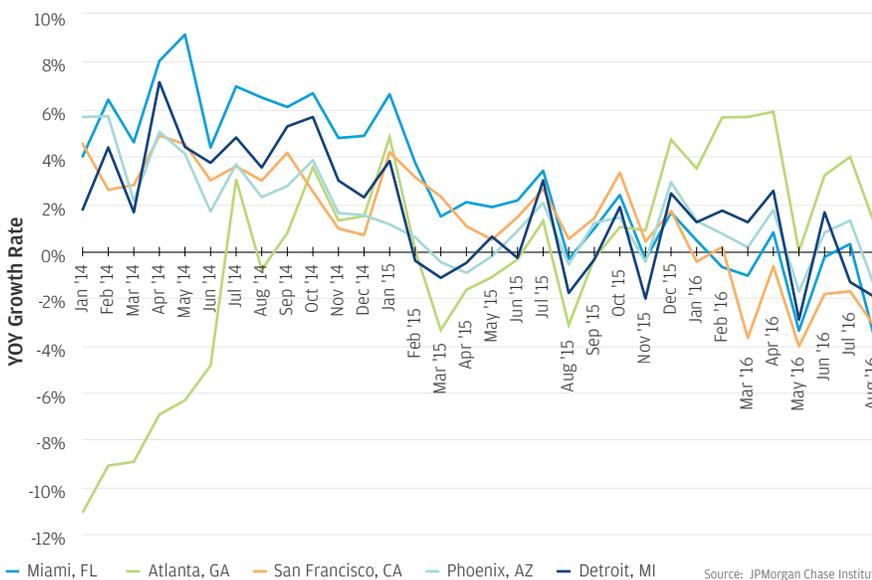


New York: In August 2016, every large city experienced substantive year-over-year declines in growth. However, New York saw the smallest decline at -1.4 percent.

Houston: The growth rate in Houston was the lowest in the group. At -6.1 percent, it experienced the largest decline in year-over-year of all the LCC cities.

The average growth rate across the group was -3.7 percent.

Mid-Sized Metro Areas

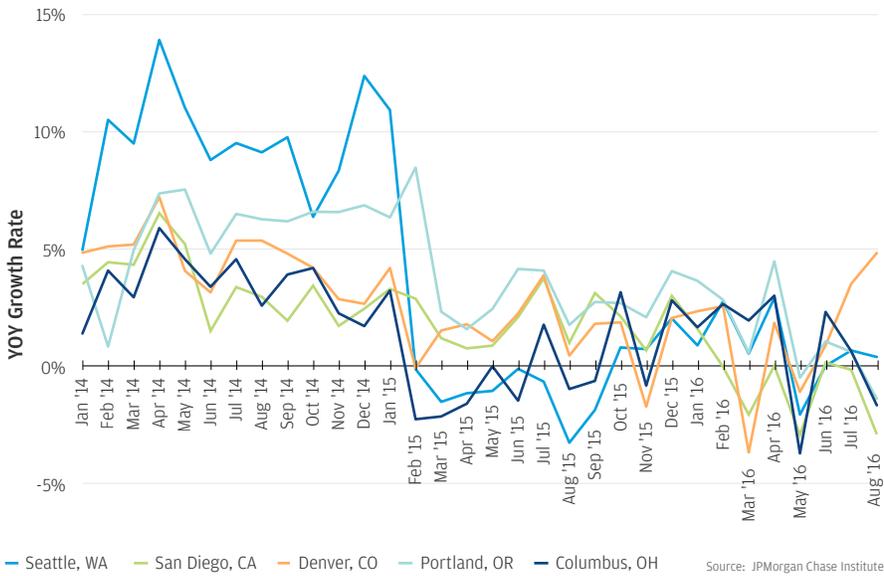


Atlanta: Local spending in August 2016 increased by 1.0 percent in Atlanta, one of only three LCCI cities to experience growth in August 2016.

Miami: Growth in Miami dropped by 3.9 percentage points in August 2016, the largest decline amongst the mid-size metro areas.

The average growth rate across the mid-sized cities in our sample was -2 percent.

Smaller Metro Areas

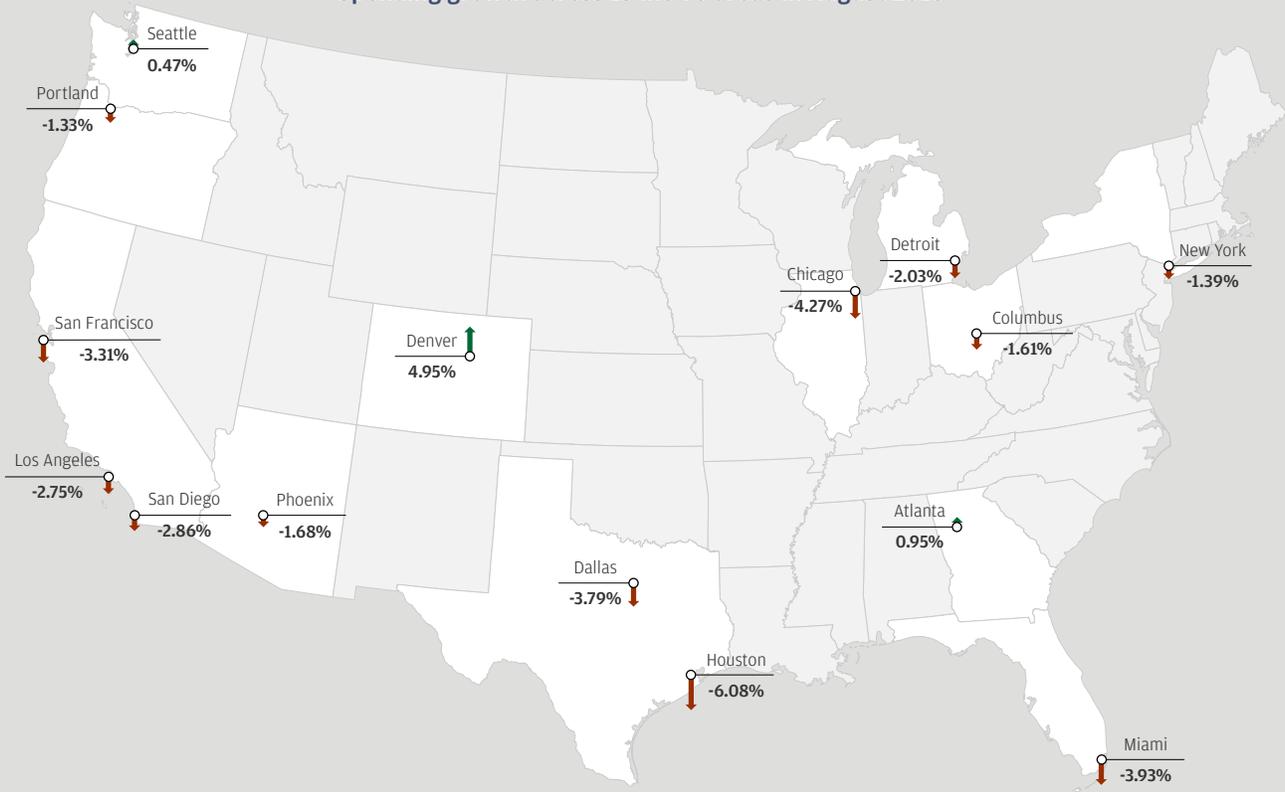


Denver: In August 2016, local consumer commerce in the Denver metro area grew by 5.0 percent relative to August 2015, growing the fastest of all LCCI cities.

San Diego: San Diego experienced a decline of 2.9 percent, the steepest decline amongst the small LCCI cities.

The average growth rate amongst the small cities was -0.1 percent.

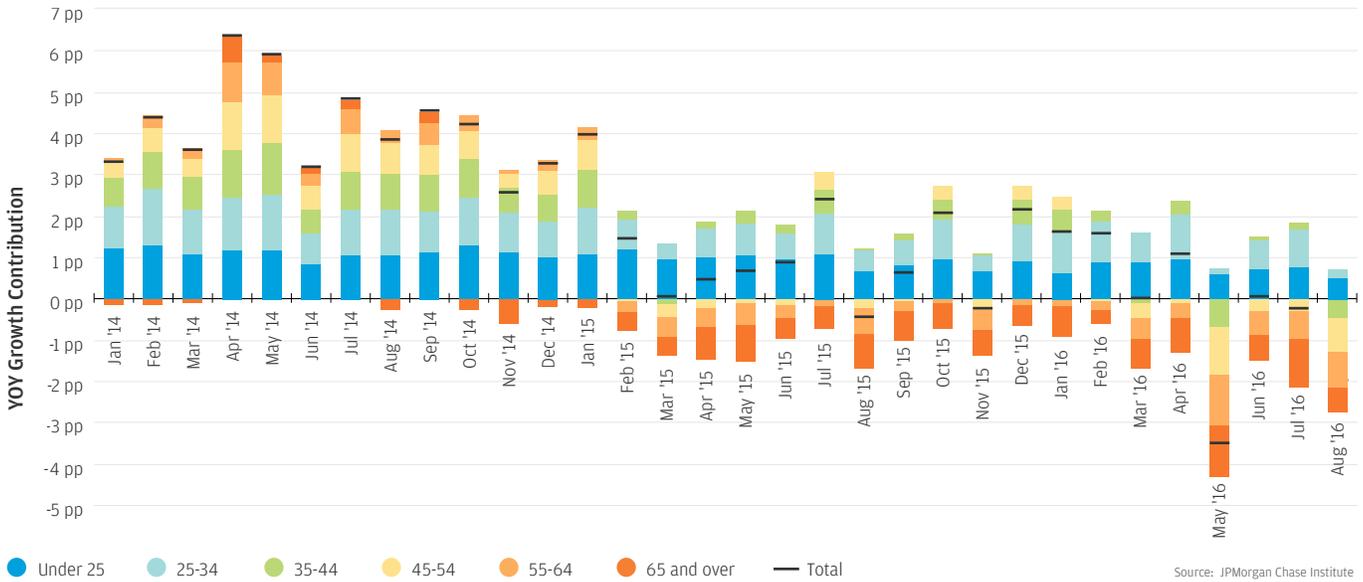
Spending growth across 15 metro areas in August 2016





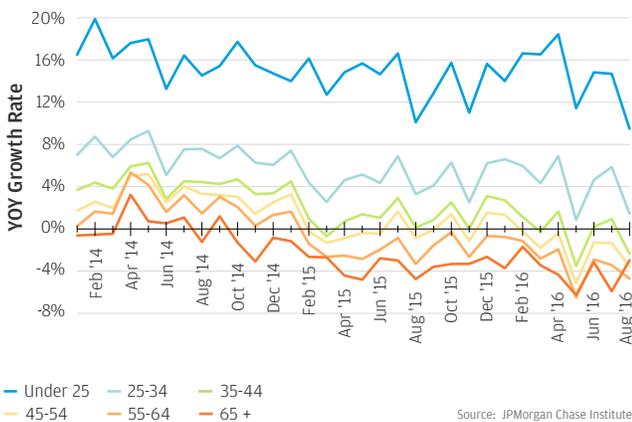
Spending by Age

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 0.5 and 0.2 percentage points to growth in August, respectively.

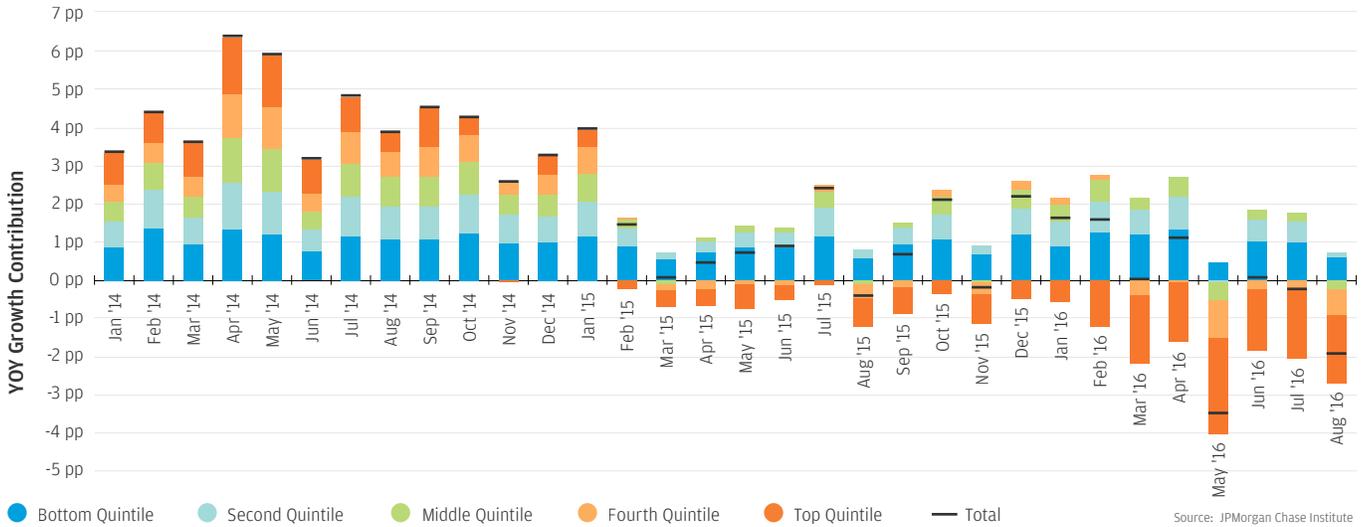
35-44 Year Olds: August marks the third time in 2016 that declines in spending among 35-44 year old consumers reduced overall growth. The group subtracted 0.4 percentage points from growth, the second largest contraction for these consumers in our series. Prior to 2016, spending among 35-44 year olds contracted only once, in March of 2015.

Seniors: Consumers between 55 and 64, and consumers over 65 years of age subtracted 0.9 and 0.6 percentage points, respectively, in August. Consumers over 55 have consistently reduced overall growth since February 2015.



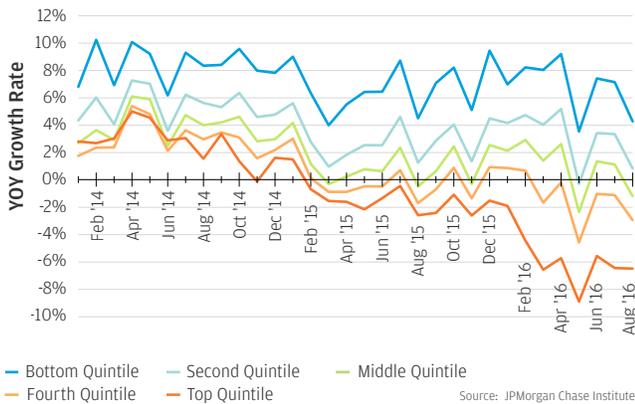
Spending by Income

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 0.6 percentage points to growth in August 2016, the largest overall contribution in that month.

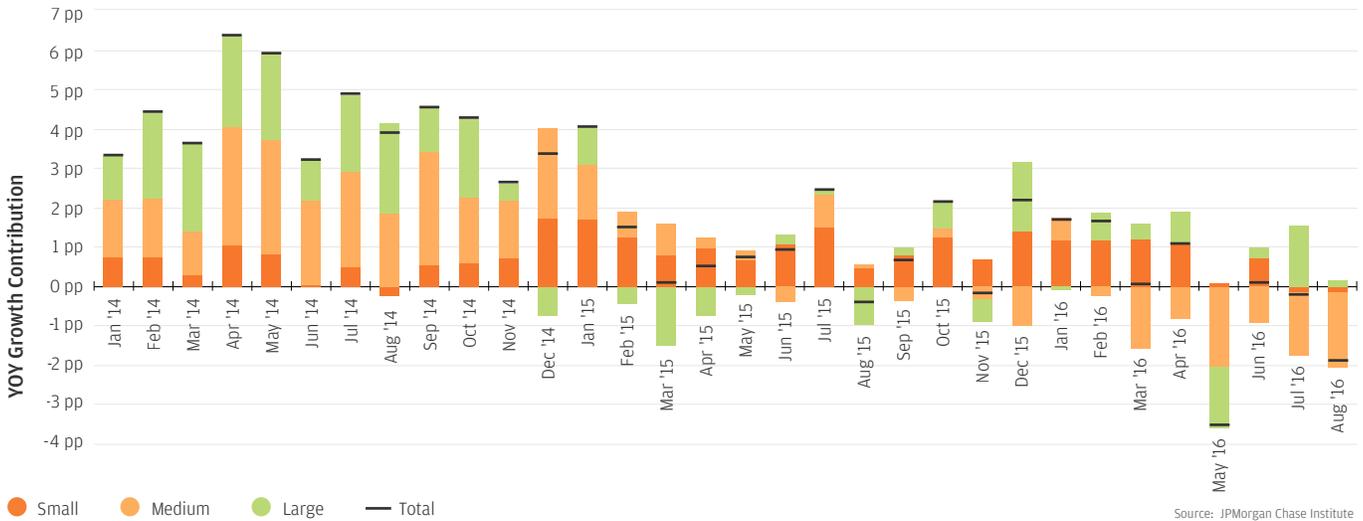
High Income Consumers: In contrast, consumers in the top 20 percent subtracted 1.8 percentage points from growth in August 2016.

The top three quintiles experienced negative growth in August 2016, jointly subtracting 2.7 percentage points from overall growth.



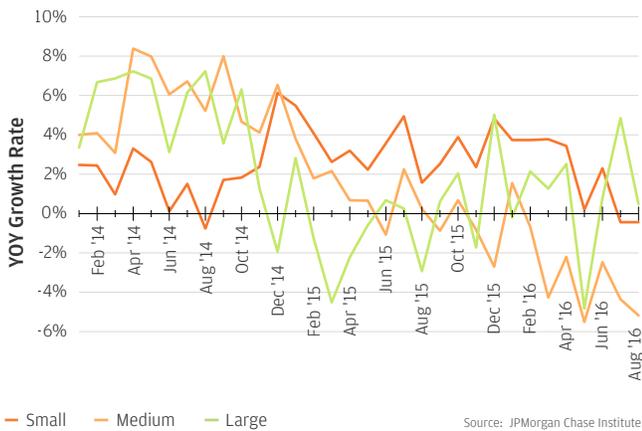
Spending by Size of Business

Growth Contributions by Size of Business



Source: JPMorgan Chase Institute

Growth Rates by Size of Business



Source: JPMorgan Chase Institute

Small Businesses: Small businesses contributed 0.6 percentage points on average over the first eight months of 2016, but subtracted 0.2 percentage points in August.

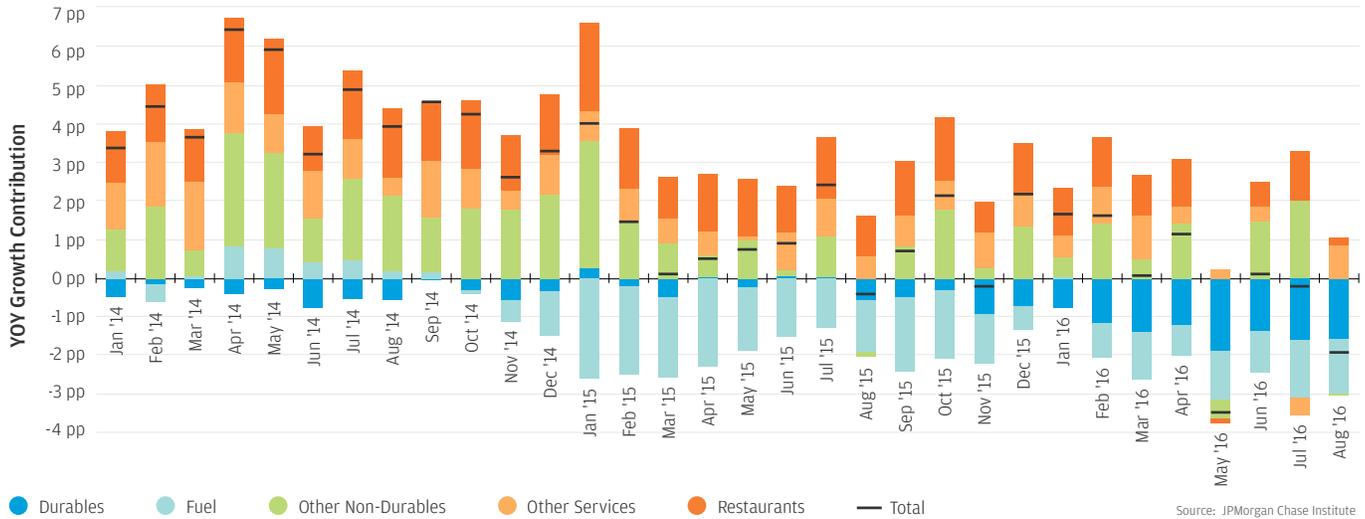
Mid-Sized Businesses: Mid-sized businesses subtracted 1.9 percentage points from overall growth in August. This is the second largest reduction in spending at mid-sized businesses since the beginning of our series.

Large Businesses: In the first eight months of 2016, large businesses contributed 0.3 percentage points to local consumer commerce growth on average; they added 0.2 percentage points in August.



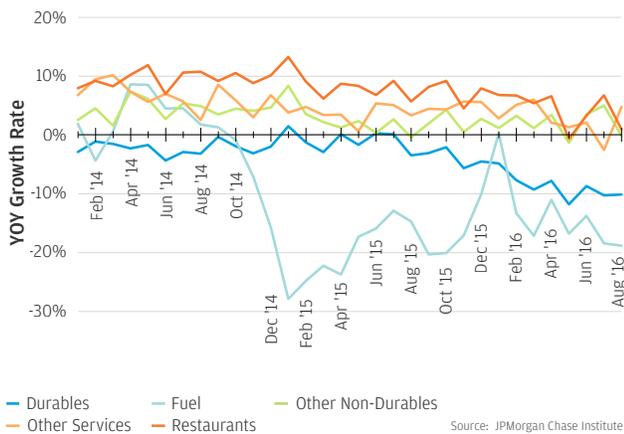
Spending by Product Type

Growth Contributions by Product Type



Source: JPMorgan Chase Institute

Growth Rates by Product Type



Source: JPMorgan Chase Institute

Restaurants: Restaurant spending continued to grow in August, albeit at a slower pace than recent months. Restaurant spending added 0.2 percentage points to overall growth.

Durables: Durable spending subtracted 1.5 percentage points from growth in August. Durables had been the largest drag on growth in every month of 2016 until August, when it was matched by fuel.

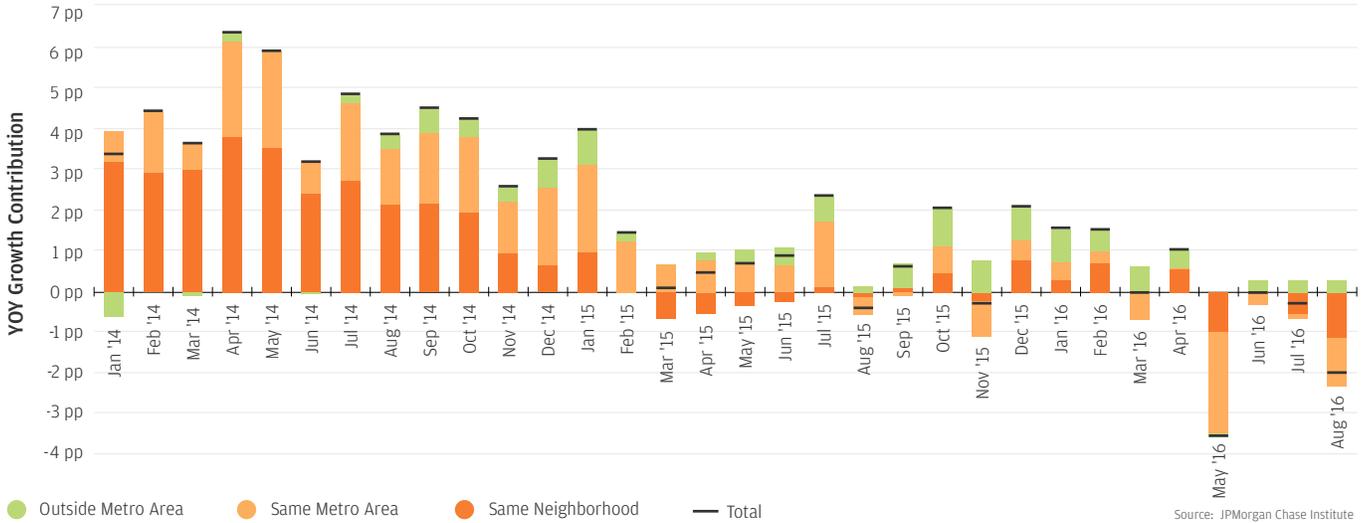
Fuel: Declines in fuel spending also subtracted 1.5 percentage points from growth. Spending on fuel has declined or seen flat growth in every month since October 2014.

Other Services: Spending on other services contributed 0.9 percentage points to growth in August 2016, more than any other group that month.



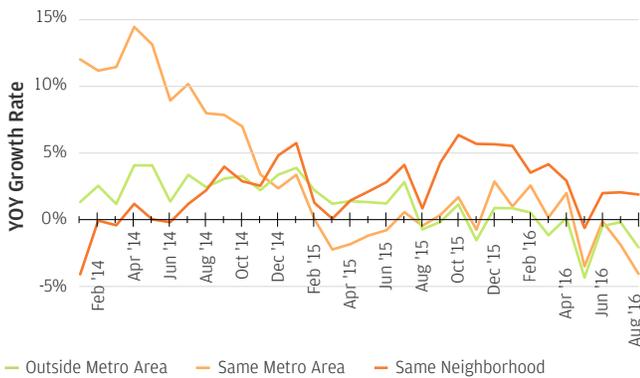
Spending by Consumer Residence

Growth Contributions by Consumer Residence



Source: JPMorgan Chase Institute

Growth Rates by Consumer Residence



Source: JPMorgan Chase Institute

Same Neighborhood: Spending by customers from the same neighborhood has experienced a decline in growth since the end of 2015. Same neighborhood sales continued their downward trend in August 2016, subtracting 1.1 percentage points from growth.

Same Metro Area: August saw same metro area spending subtract 1.2 percentage points from overall growth.

Outside Metro Area: Following the rare decline experienced in May, out of metro spending has stabilized. Spending by these consumers has added 0.3 percentage points to growth in June, July, and August.

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.

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