

Local Consumer Commerce

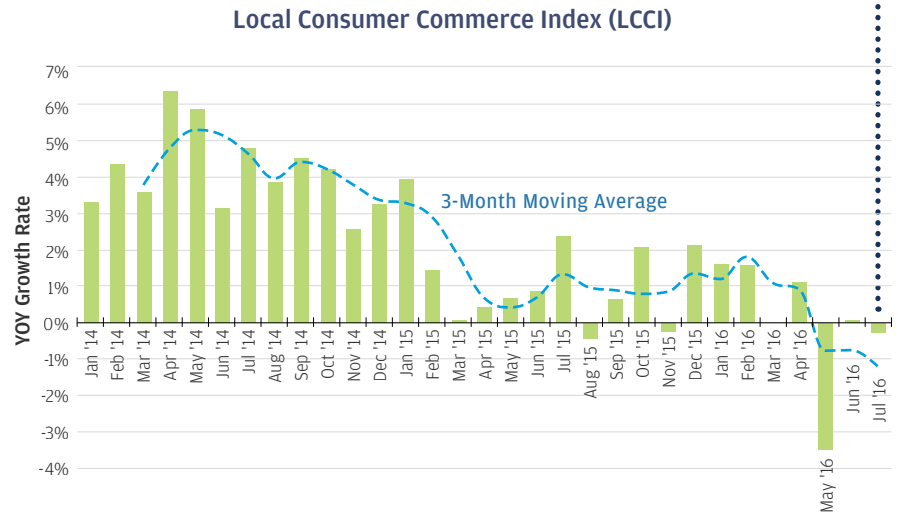
JULY 2016



DATA THROUGH
JULY 2016 **↓-0.2%**

Growth across all 15 cities

Local consumer commerce fell slightly by 0.2 percent between July 2015 and July 2016, following weak growth in June. Eight of the 15 cities in our sample experienced negative growth, including all five of the largest metro areas. Spending at small businesses contracted for the second time in our series. Moreover, reductions in spending at small and medium sized businesses more than offset increased spending at large businesses. Strong increases in spending on nondurable goods and at restaurants were not enough to offset reduced spending on fuel, durable goods, and other services.



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 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.

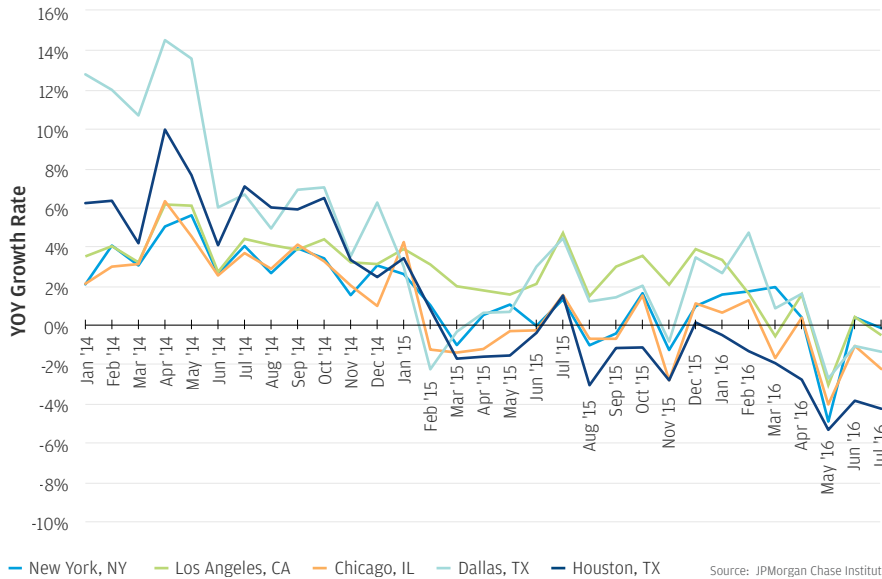
Our sample. The LCCI measures everyday spending across 15 cities: Atlanta, Chicago, Columbus, Dallas, Denver, Detroit, Houston, Miami, Los Angeles, New York, Phoenix, Portland (OR), San Diego, San Francisco, and Seattle. Our portfolio of cities mirrors the geographic and economic diversity of larger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

Largest Metro Areas

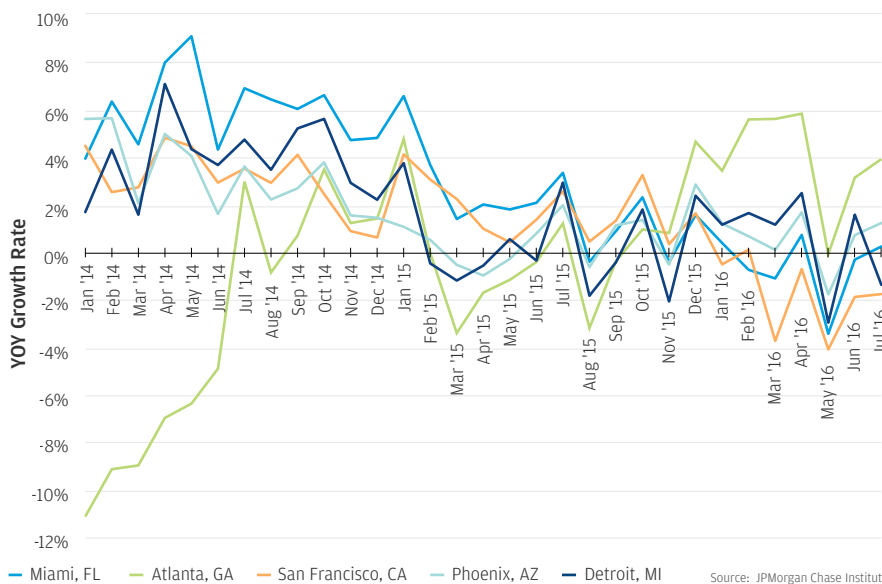


New York: In July 2016, all large cities experienced negative year-over-year growth in spending. New York saw the smallest contraction at a rate of -0.1 percent.

Houston: The growth rate in Houston was the lowest in the group. Spending declined 4.2 percent between July 2015 and July 2016.

The average growth rate across the group was -1.7 percent.

Mid-Sized Metro Areas

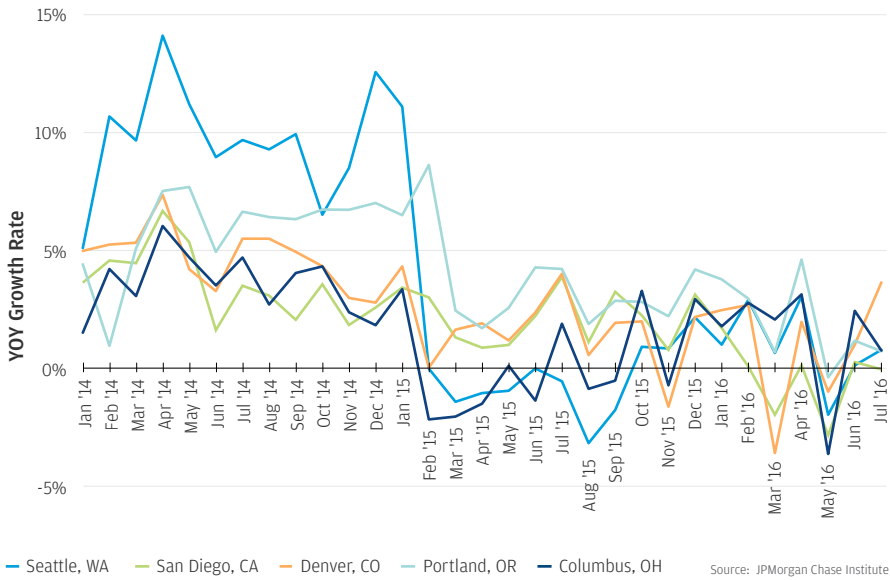


Atlanta: Local spending in July 2016 increased by 3.9 percent in Atlanta, making it the fastest growing of all cities in our sample.

San Francisco: By contrast, spending in San Francisco declined by 1.8 percent between July 2015 and July 2016. The city experienced the lowest growth of all mid-sized cities.

The average growth rate across the mid-sized cities in our sample was 0.5 percent.

Smaller Metro Areas

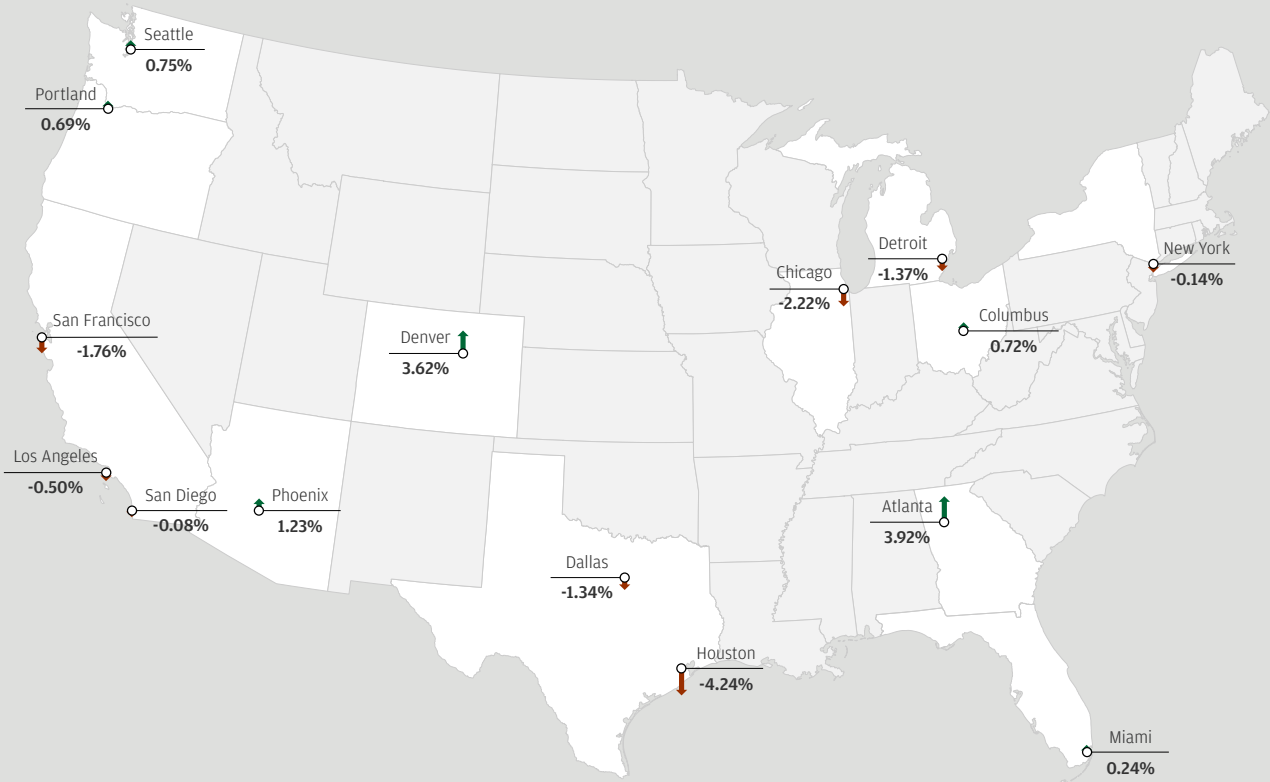


Denver: In July 2016, local consumer commerce in the Denver metro area grew by 3.6 percent relative to July 2015. It grew the fastest of all small cities, outpacing the second fastest growth rate of 0.8 percent in Seattle.

San Diego: San Diego experienced the lowest growth rate among small cities, declining by 0.1 percent between July 2015 and July 2016. It was the only small city to see a reduction in spending over the period.

Small cities in our sample grew on average by 1.1 percent.

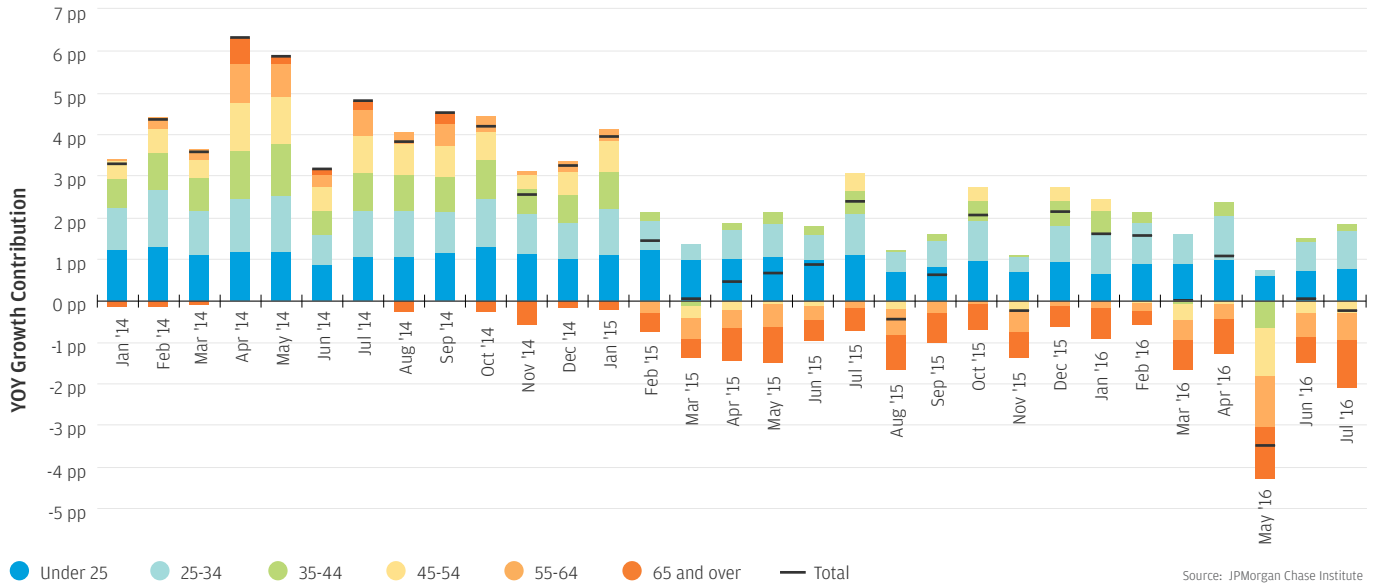
Spending growth across 15 metro areas in July 2016





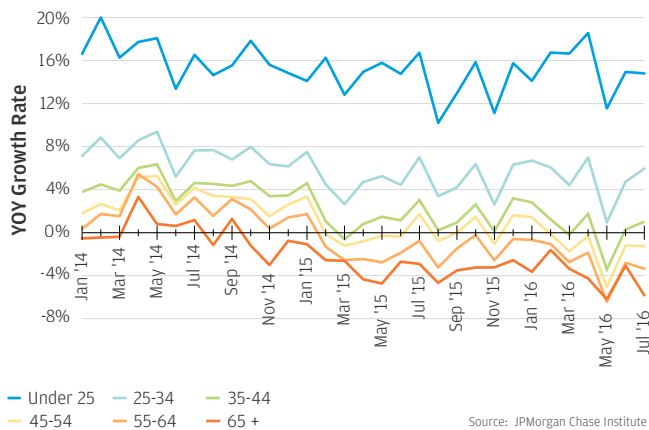
Spending by Age

Growth Contributions by Age Group



Source: JPMorgan Chase Institute

Growth Rates by Age Group



Source: JPMorgan Chase Institute

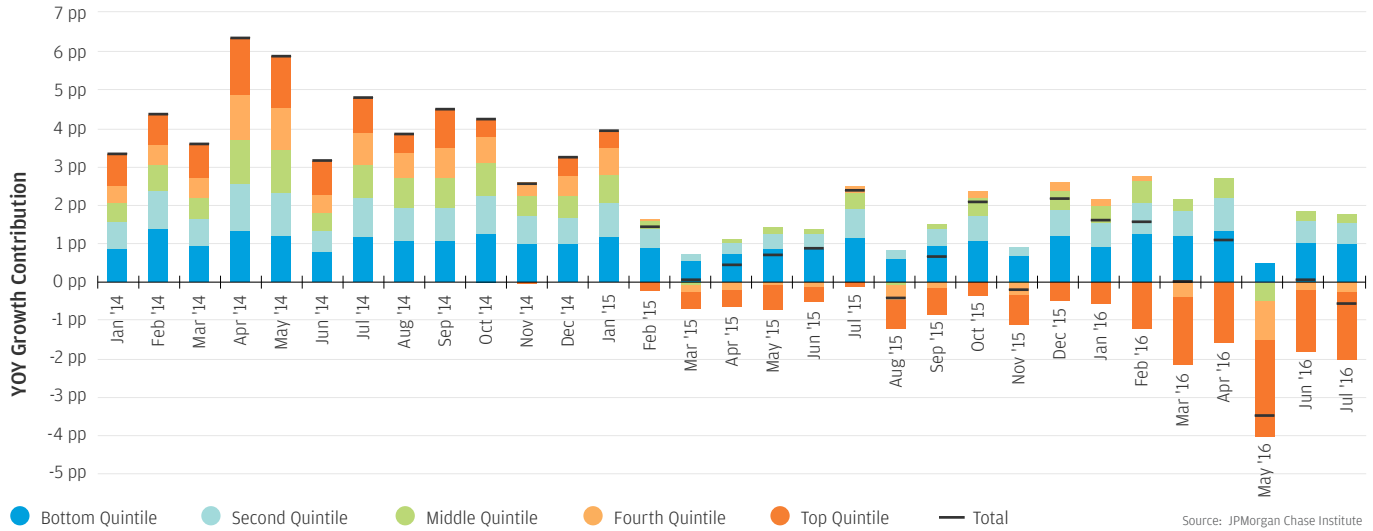
Millennials: Since the start of 2016, consumers under 25 contributed about 0.8 percentage points to overall spending growth on average. Consumers under 25 and consumers between the ages of 25 and 34 contributed 0.8 and 0.9 percentage points to growth in July, respectively.

Seniors: By contrast, consumers between 55 and 64, and consumers over 65 years of age subtracted 0.7 and 1.2 percentage points, respectively, in July. Consumers over 54 have subtracted from overall growth since February 2015, and the reduction in July continues that trend.



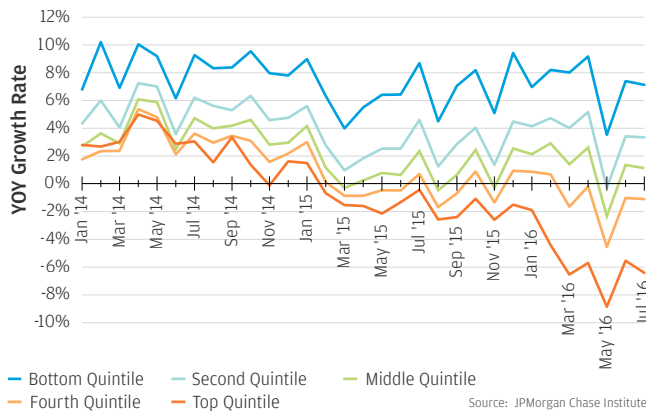
Spending by Income

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 1 percentage point to growth in July 2016, the largest overall contribution in that month.

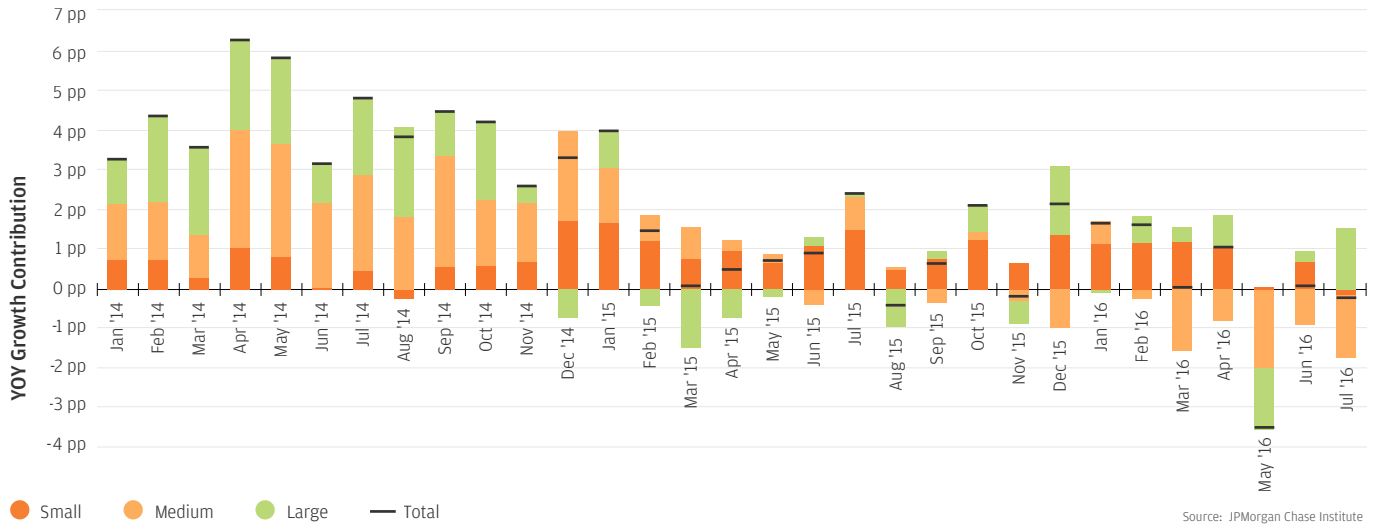
High Income Consumers: In contrast, consumers in the top 20 percent subtracted 1.8 percentage points from growth in July 2016, which follows the subtraction of 1.6 percentage points in June.

The growth contributions for every quintile in July were equal to or lower than their respective growth contributions in June. Consumers in the top quintile only experienced a larger spending reduction in May 2016.



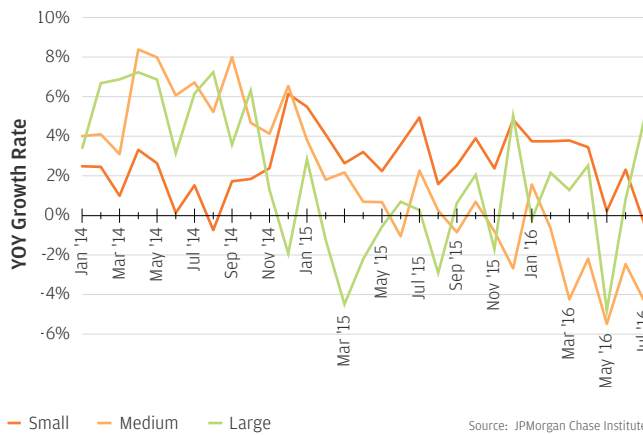
Spending by Size of Business

Growth Contributions by Size of Business



Source: JPMorgan Chase Institute

Growth Rates by Size of Business



Source: JPMorgan Chase Institute

Small Businesses: Spending at small businesses subtracted 0.1 percentage points from overall growth in July, contracting for the second time in our series. Only August 2014 saw a larger reduction in small business spending, a subtraction of 0.3 percentage points.

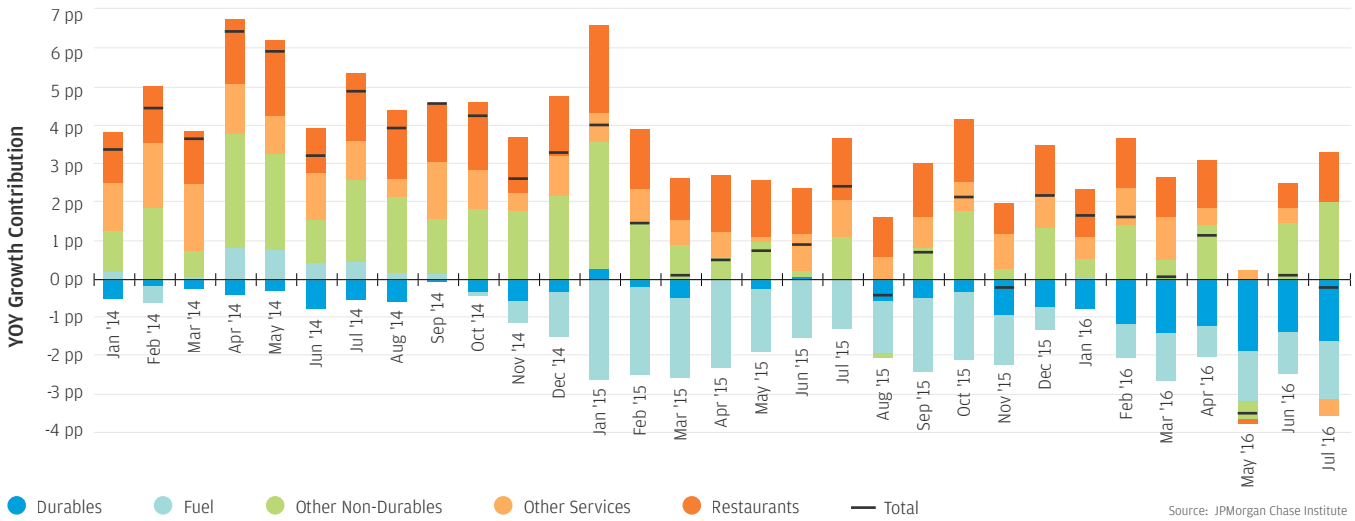
Mid-Sized Businesses: Mid-sized businesses subtracted 1.6 percentage points from overall growth in July.

Large Businesses: By contrast, spending at large businesses contributed 1.5 percentage points to growth in July, marking the most substantial growth for these firms in 2016. This is a dramatic turnaround from May, when large businesses subtracted 1.5 percentage points from growth. Despite May's decline, however, growth in spending at large businesses has been positive for most of 2016.

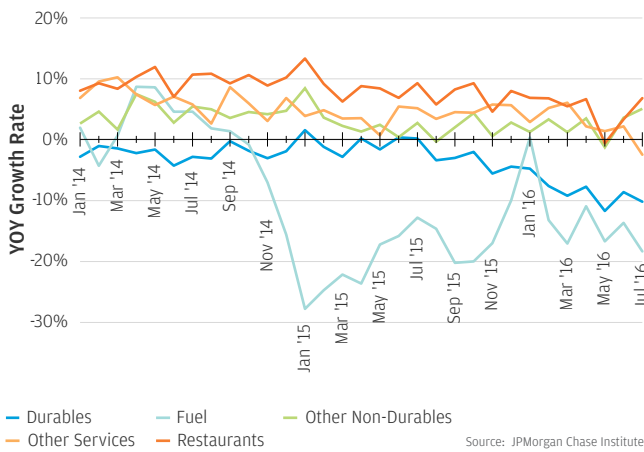


Spending by Product Type

Growth Contributions by Product Type



Growth Rates by Product Type



Restaurants: Following our series' first spending contraction at restaurants in May 2016, restaurants contributed 0.6 percentage points to overall growth in June and 1.3 percentage points in July.

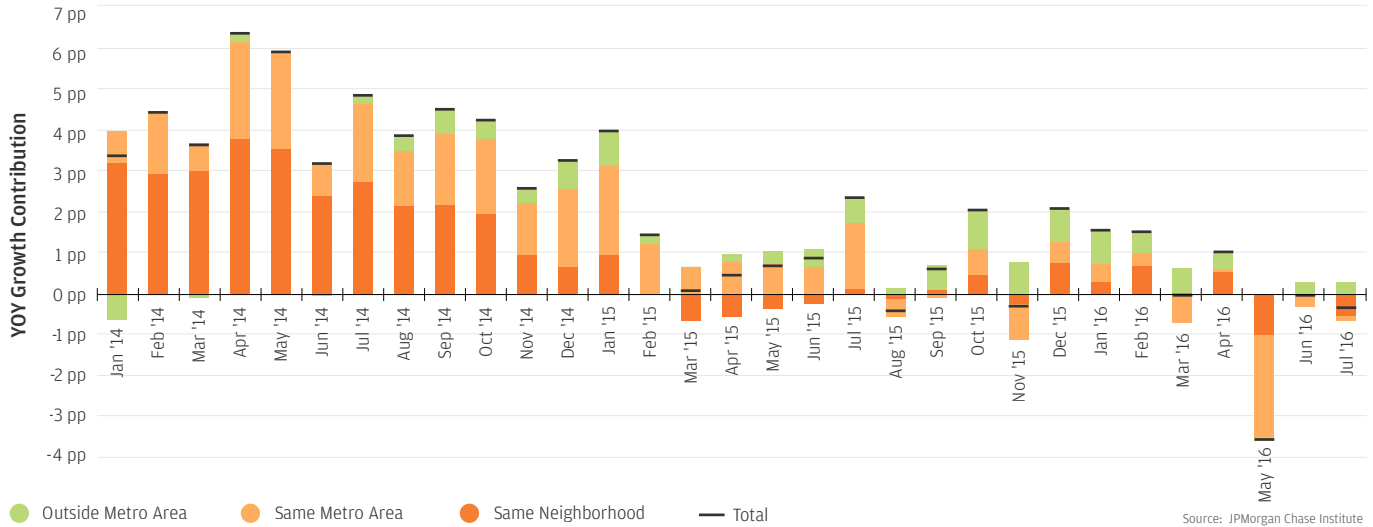
Durables: Durable spending subtracted 1.6 percentage points from growth in July, the largest drag on growth in that month. Durable spending has been on a notable downward trend since July 2015.

Other Services: Spending on other services declined for the first time in our series in July 2016, subtracting 0.4 percentage points from growth. Together with larger reductions in spending on durables and fuel, the spending drop more than offset strong growth in nondurable and restaurant spending.



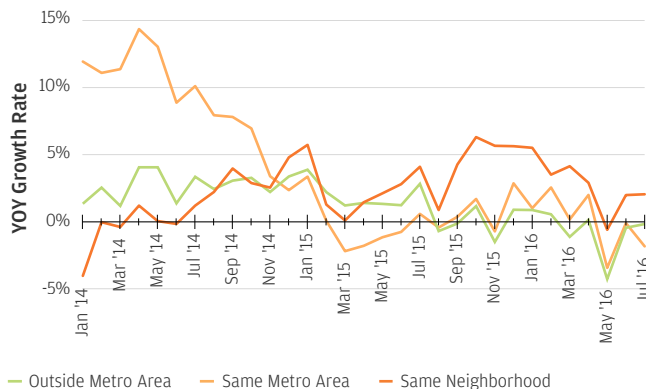
Spending by Consumer Residence

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 reduced their spending more than customers outside of their neighborhood in July 2016. They were a drag on spending growth in each month over the May to July period, ultimately subtracting 0.5 percentage points from overall growth in July.

Same Metro Area: Spending by customers in the same metro area, but not the same neighborhood, has also seen contractions over the May to July period. However, the magnitude of these reductions has grown smaller. In July, these consumers reduced overall spending growth by 0.1 percentage points.

Outside Metro Area: Spending by consumers outside of the metro area added 0.3 percentage points to overall growth in July 2016.

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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