

Local Consumer Commerce

January 2017

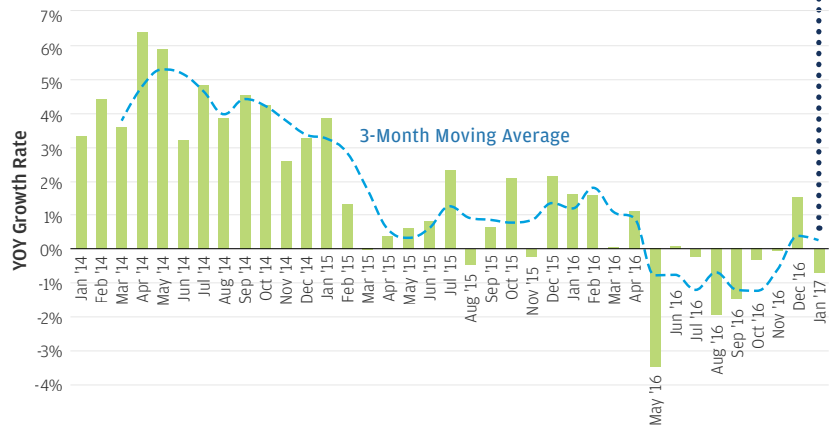


DATA THROUGH
JAN 2017 **↓ -0.7%**

Highlights across 15 cities

Local Consumer Commerce fell 0.7 percent year-over-year between January 2016 and January 2017. All 15 LCC cities had lower year-over-year growth rates in January 2017 compared to December 2016, and only four had positive growth rates. However, like the May 2016 drop in the LCCI, much of this decline was due to “day of week” (DOW) effects, insofar as January 2016 had an extra weekend. Despite large business growth remaining positive (1.1 percentage points) for the second consecutive month, this contribution was more than offset by declines in spending growth at small and mid-sized businesses. Restaurants experienced a rare decline in January 2017, subtracting 0.2 percentage points from growth.

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 U.S. cities.

A unique lens. The LCCI is constructed from over 19 billion anonymized credit and debit card transactions from over 59 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.

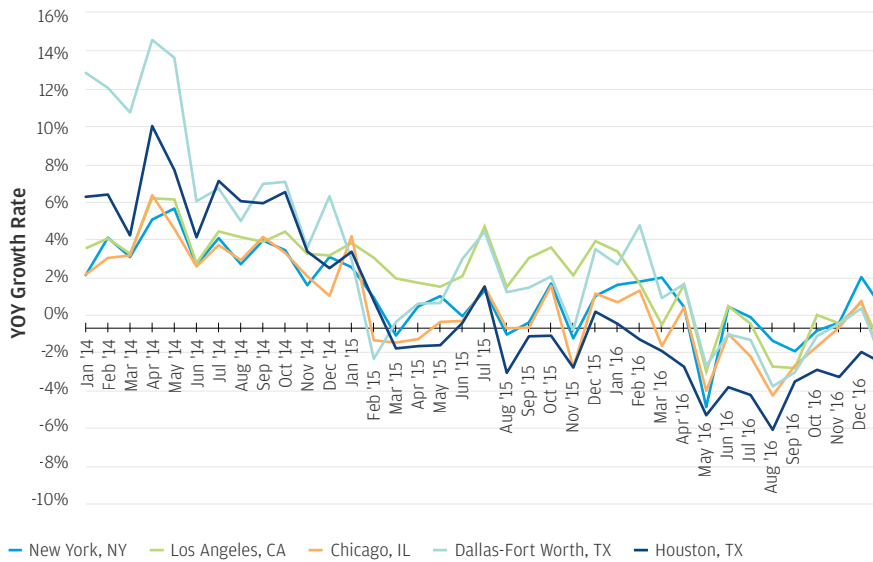
Our sample. The LCCI measures everyday spending across 15 cities: Atlanta, Chicago, Columbus, Dallas-Fort Worth, Denver, Detroit, Houston, Miami, Los Angeles, New York, Phoenix, Portland (OR), San Diego, San Francisco, and Seattle. Our portfolio of cities mirrors the geographic and economic diversity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



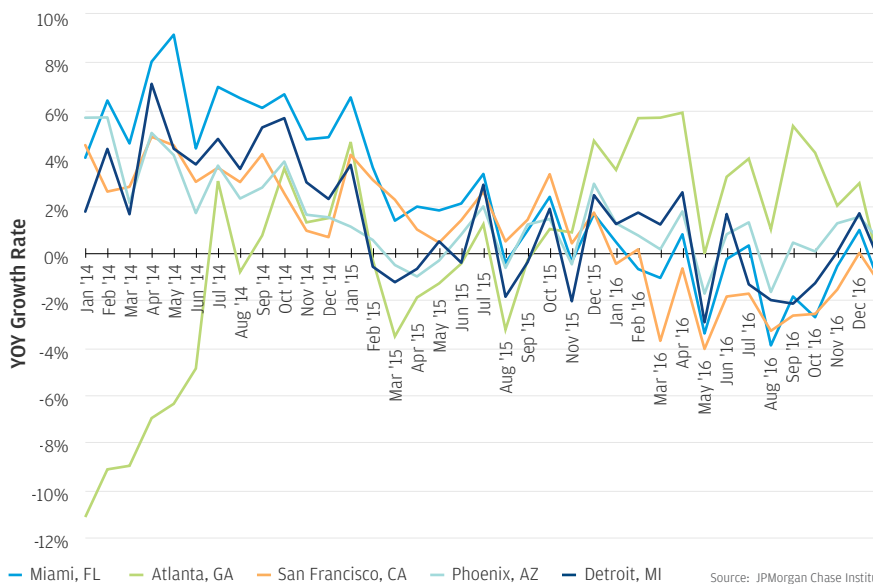
Source: JPMorgan Chase Institute

New York: New York fell from a 2 percent growth rate in December 2016 to a 0.3 percent growth rate in January 2017. Despite this contraction, New York experienced the highest growth rate of all large LCC cities in January.

Chicago: Chicago experienced a year-over-year spending decline of 2.9 percent in January 2017, a steep decline from the 0.7 percent growth in December 2016. Moreover, Chicago had the lowest growth rate of all the large LCC cities in January.

On average, local spending in large cities declined by 1.9 percent between January 2016 and January 2017.

Mid-Sized Metro Areas



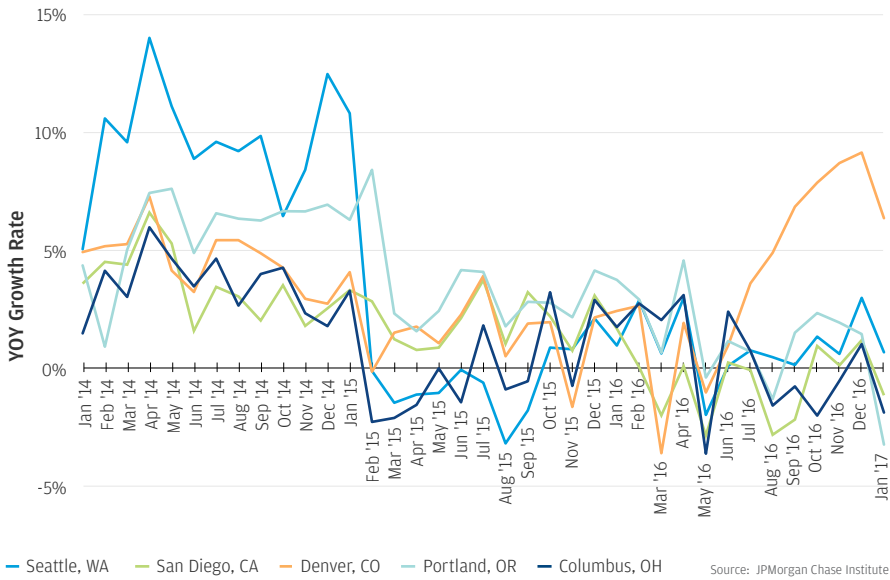
Source: JPMorgan Chase Institute

Atlanta: Local spending in Atlanta declined by 1 percent between January 2016 and January 2017, the first contraction for the city since May 2016.

Phoenix: Phoenix grew 0.4 percent year-over-year in January 2017, the largest growth rate among the mid-size LCC cities.

On average, local spending in mid-sized cities declined by 0.8 percent between January 2016 and January 2017.

Smaller Metro Areas

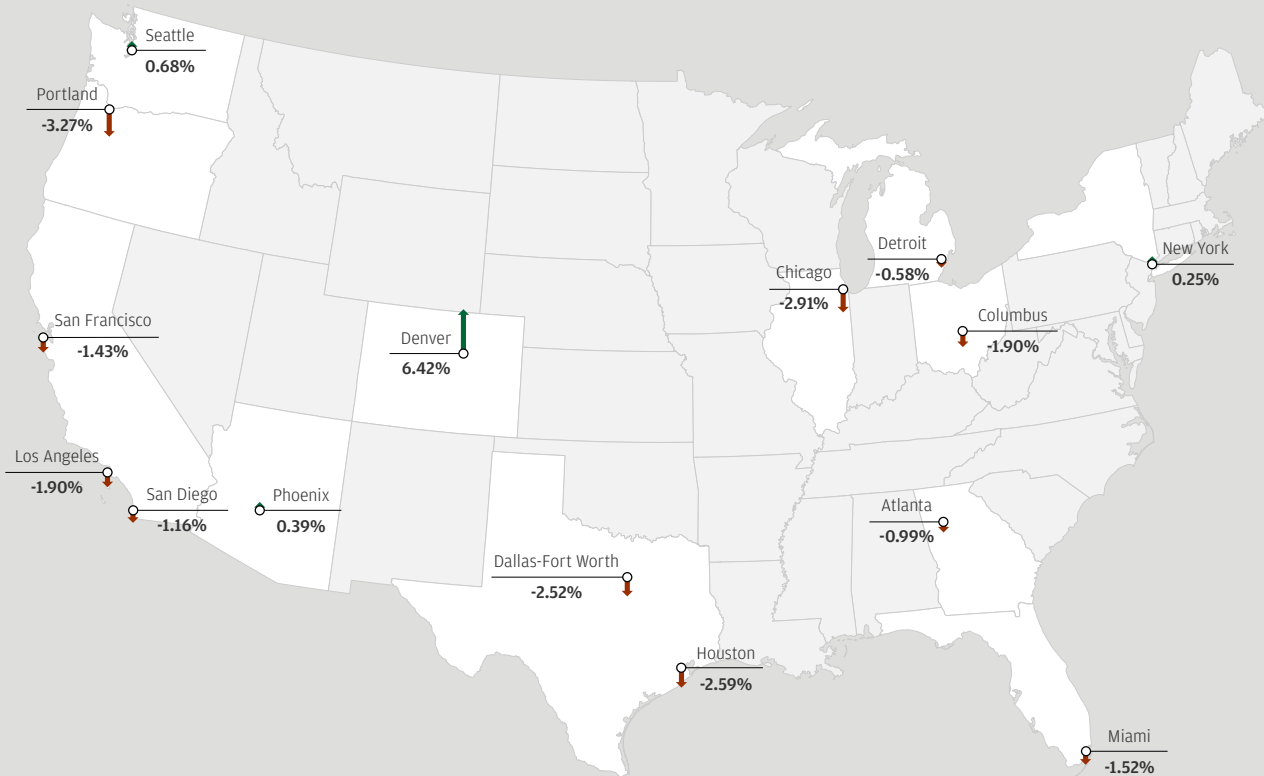


Denver: Growth in Denver slowed in January 2017, growing at 6.4 percent. Nonetheless, Denver had the largest growth rate of the small LCC cities in January.

Portland: Portland experienced a 3.3 percent spending decline in January 2017, the lowest growth rate among the small LCC cities.

On average, local spending in small cities grew by 0.2 percent between January 2016 and January 2017. This represents a steep decline from the 3.2 percent average growth rate in December 2016.

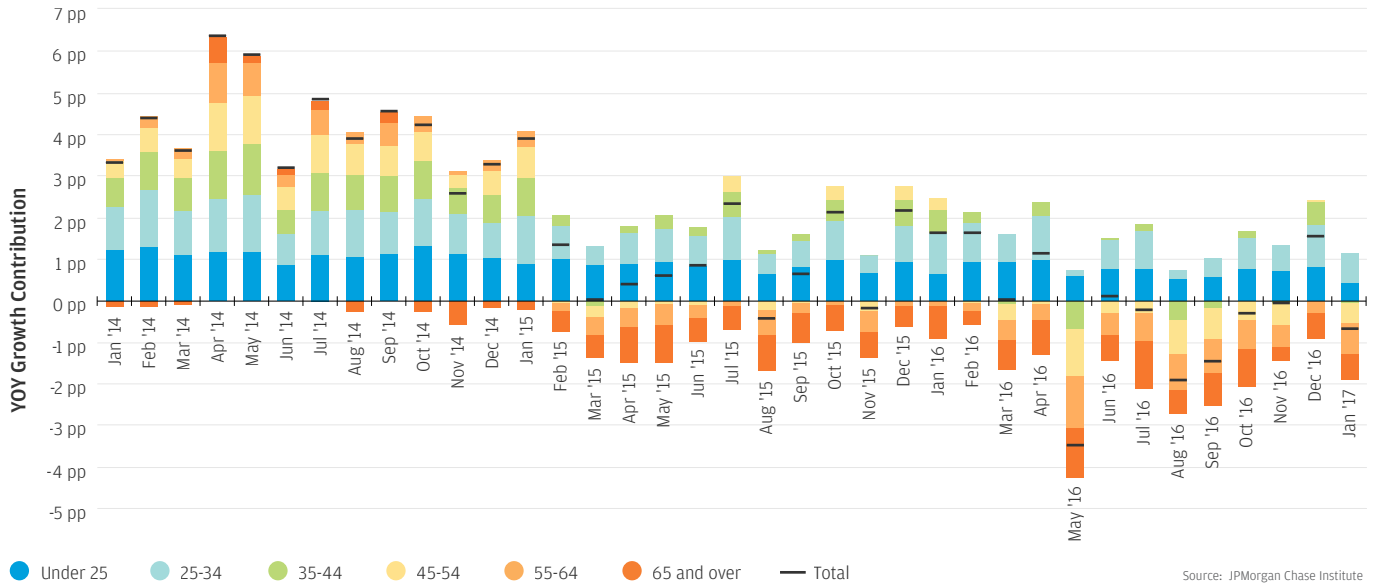
Spending growth across 15 metro areas in January 2017





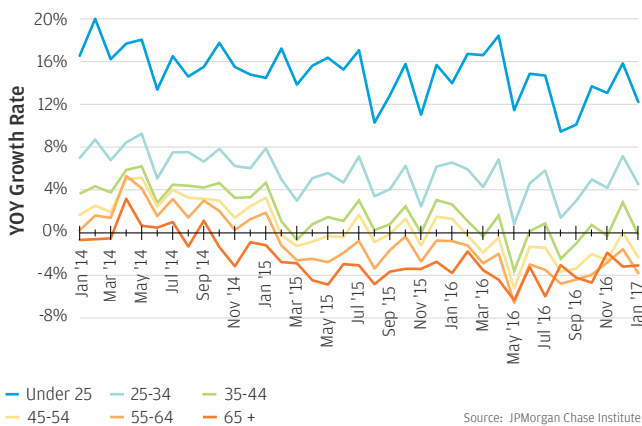
Spending by Age

Growth Contributions by Age Group



Source: JPMorgan Chase Institute

Growth Rates by Age Group



Source: JPMorgan Chase Institute

Millennials: Consumers under 35 contributed 1.2 percentage points to growth in January 2017, with consumers under 25 contributing 0.5 percentage points and consumers between 25 through 34 contributing 0.7 percentage points.

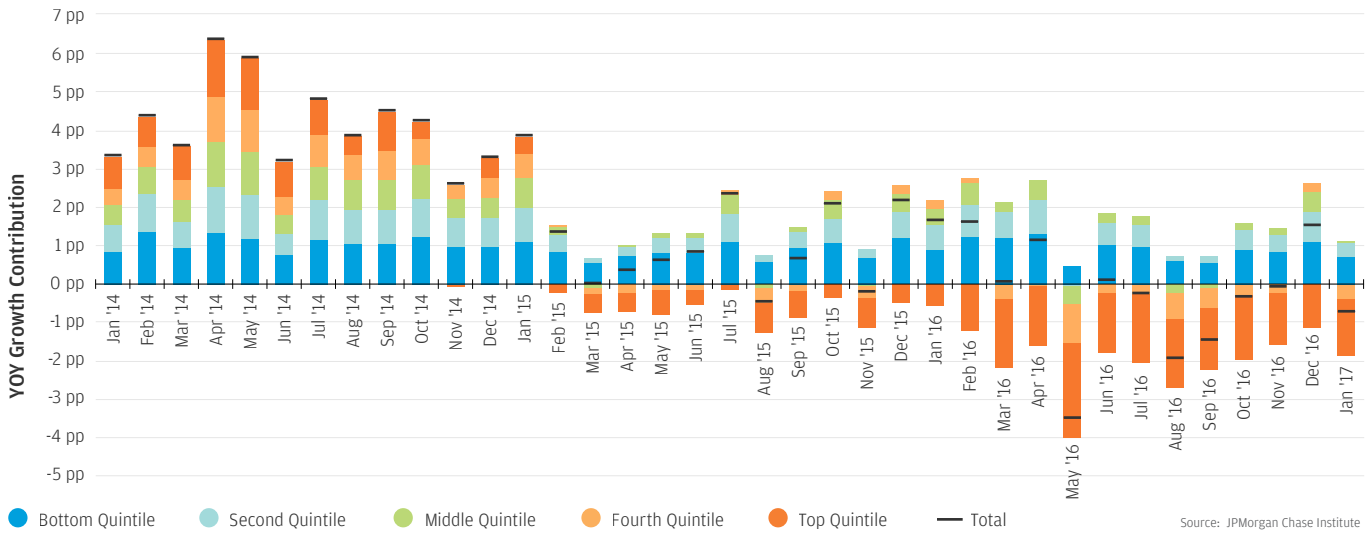
Baby Boomers: Consumers 55 and up continued to be a drag on growth in January 2017, with consumers between 55 and 64 subtracting 0.7 percentage points from growth and consumers 65 and up subtracting 0.6 percentage points.

Consumers aged 65 and over were the only group to not see a lower growth contribution in January than December, despite “day of week” effects. However, these consumers still experienced a decline in year-over-year growth.



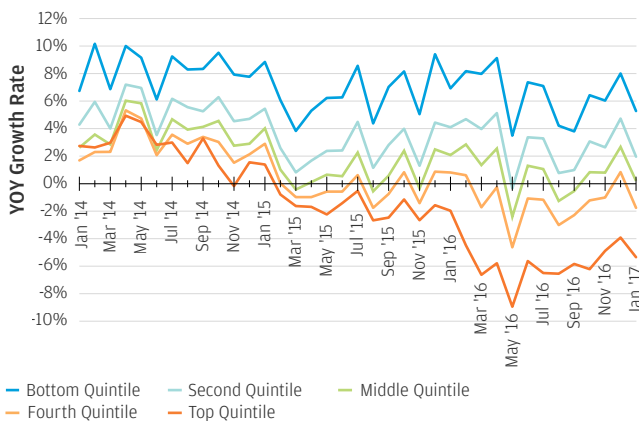
Spending by Income

Growth Contributions by Income Quintile



Source: JPMorgan Chase Institute

Growth Rates by Income Quintile



Source: JPMorgan Chase Institute

Low Income Consumers: Consumers in the bottom income quintile contributed 0.8 percentage points to growth in January 2017, the largest contribution from any income quintile in that month.

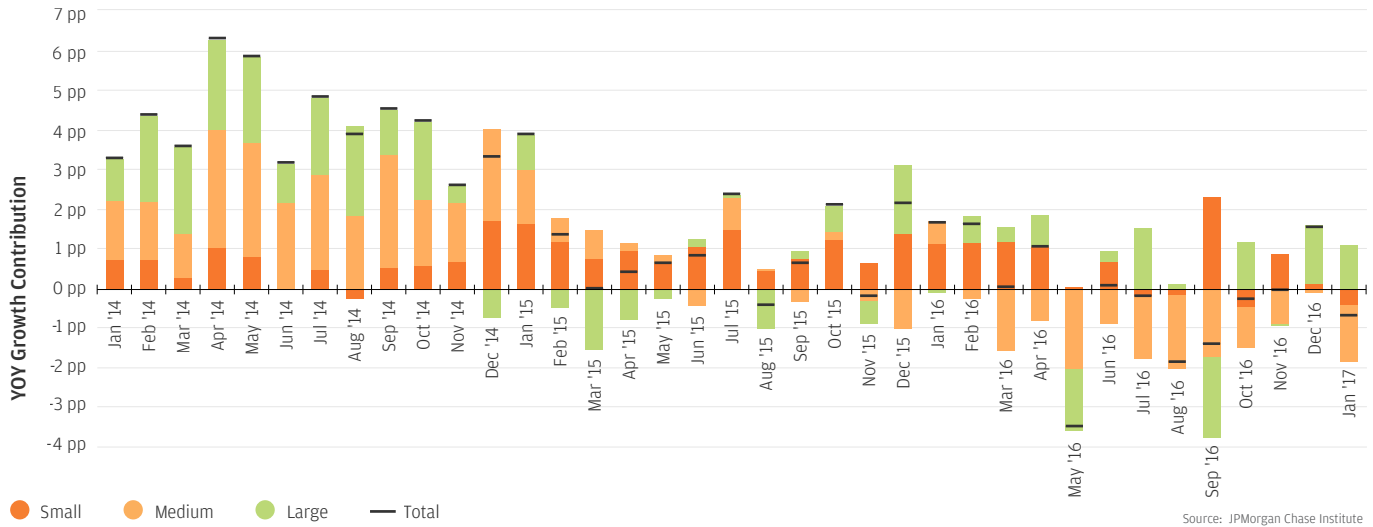
High Income Consumers: Consumers in the highest income quintile subtracted 1.5 percentage points from growth in January 2017. Consumers in the highest income quintile have been a consistent drag on growth since February 2015.

All income groups had lower growth rates in January 2017 relative to December 2016.



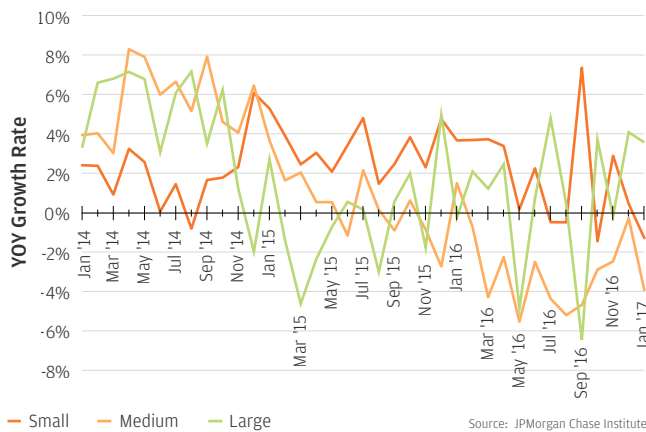
Spending by Size of Business

Growth Contributions by Size of Business



Source: JPMorgan Chase Institute

Growth Rates by Size of Business



Source: JPMorgan Chase Institute

Small Businesses: Contributions from small businesses declined from a positive 0.1 percentage point contribution in December 2016 to a 0.4 percentage point contraction in January 2017.

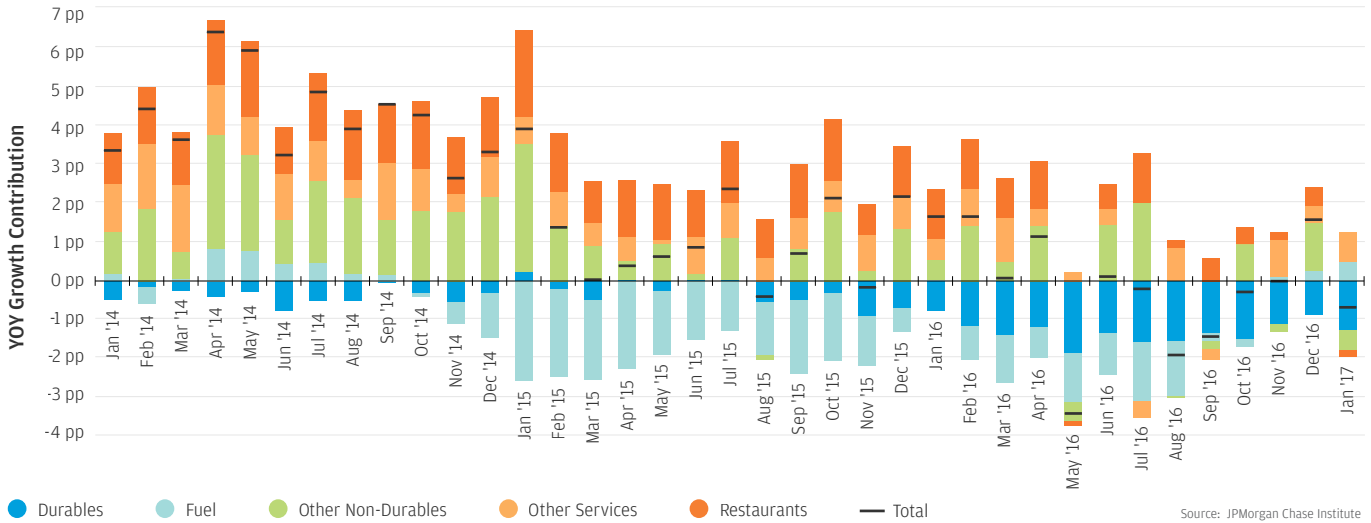
Mid-Sized Businesses: Mid-sized businesses experienced a 1.4 percentage point decline in January. Mid-sized businesses have consistently experienced declines in spending since February 2016.

Large Businesses: Large businesses contributed 1.1 percentage points to growth in January 2017, declining slightly from the 1.5 percentage point contribution in December 2016.

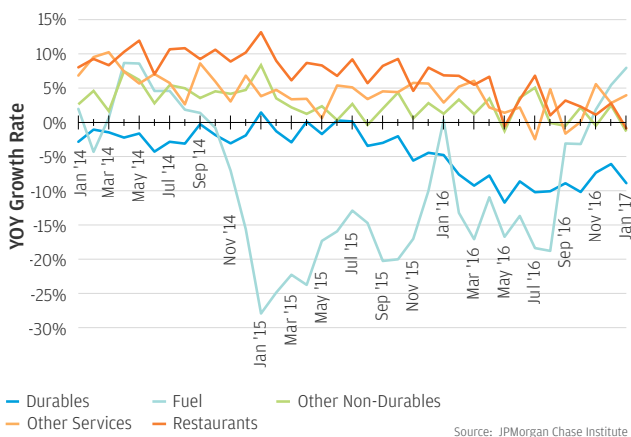


Spending by Product Type

Growth Contributions by Product Type



Growth Rates by Product Type



Durables: Durable goods continued to be a drag on growth in the New Year, subtracting 1.3 percentage points from overall growth in January 2017.

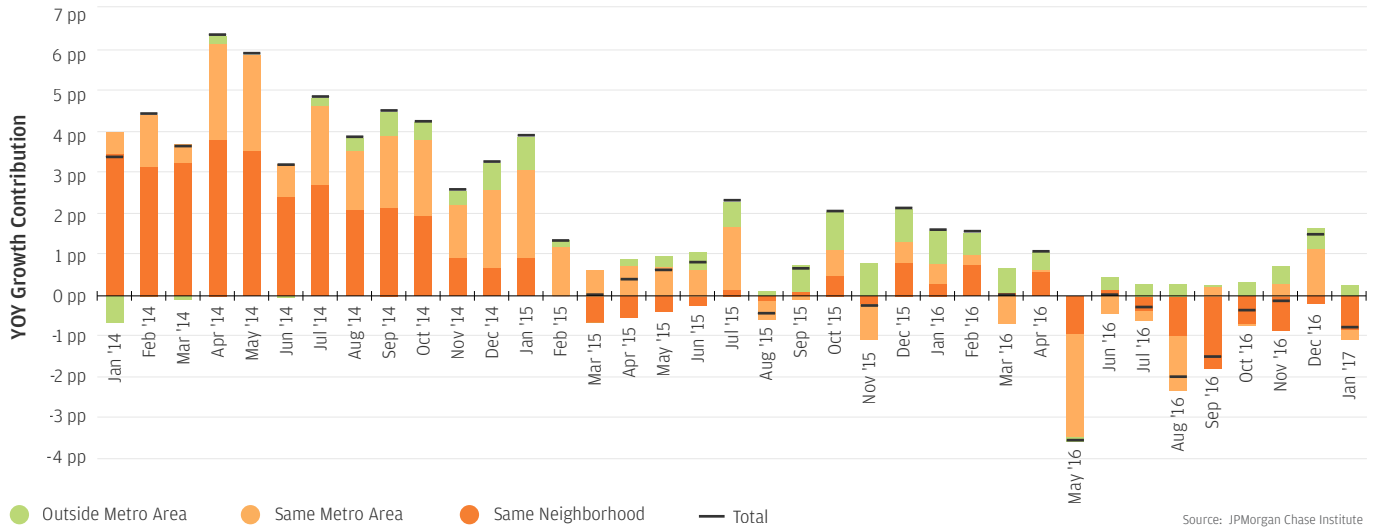
Fuel: Fuel spending continued to pick up from its trend-breaking growth contribution of 0.1 percentage points in November 2016, contributing 0.5 percentage points to growth in January 2017.

Restaurants: For the first time since May 2016, restaurant spending experienced a year-over-year decline, subtracting 0.2 percentage points from growth in January 2017. Note that this is only the second contraction experienced by restaurants in our entire series. The first was in May 2016, a previous month that also experienced large downward pressure on overall growth due to a “day of week” effect.



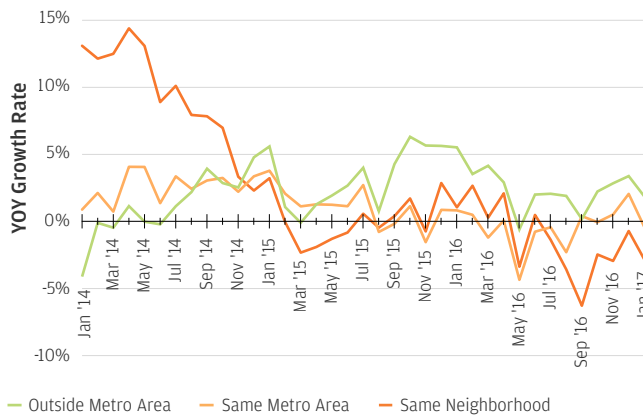
Spending by Consumer Residence

Growth Contributions by Consumer Residence



Source: JPMorgan Chase Institute

Growth Rates by Consumer Residence



Source: JPMorgan Chase Institute

Same Neighborhood: Spending from customers that reside in the same neighborhood as the merchant subtracted 0.8 percentage points from growth in January 2017.

Same Metro Area: Spending by consumers in the same metro area as the merchant (but not the same neighborhood) subtracted 0.2 percentage points from growth in January 2017, the first contraction since August 2016.

Outside Metro Area: Out of metro area spend contributed 0.3 percentage points to growth in January 2017.

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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