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Local Consumer Commerce

SEPTEMBER 2016



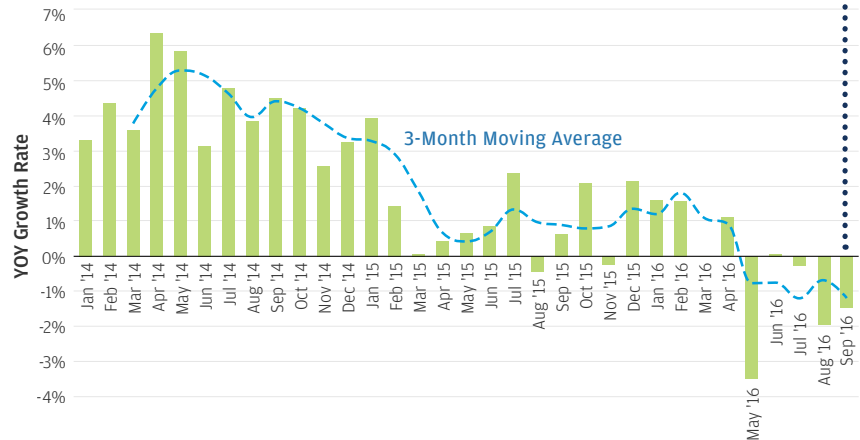
DATA THROUGH
SEPT 2016

↓ -1.5%

Growth across all 15 cities

Local consumer commerce dropped by 1.5 percent between September 2015 and September 2016, the third largest decline in year-over-year growth since the beginning of our series. Only a third of the cities we study experienced positive growth, with Denver growing the fastest at 6.9 percent. All five of the largest cities in our sample experienced reductions in spending. Spending at small businesses grew notably, adding 2.5 percentage points to year-over-year growth, but these gains were more than offset by declines in spending growth at mid-sized and large businesses. Although restaurant spending added 0.6 percentage points in September, it was the only product type to see an increase in year-over-year spending 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 US cities.

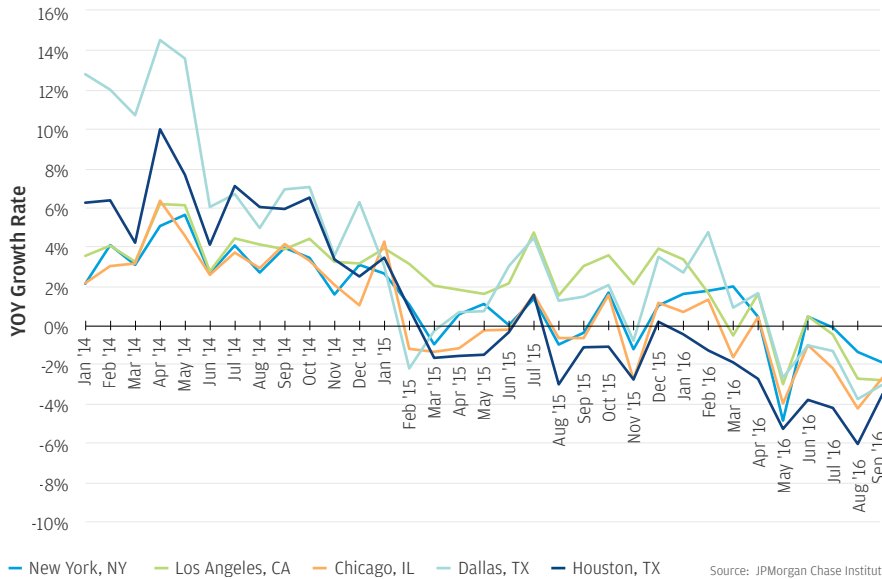
A unique lens. The LCCI is constructed from over 16 billion anonymized credit and debit card transactions from over 54 million Chase customers. Unlike many existing sources of data on consumer spending, the LCCI captures actual transactions, instead of self-reported measures of how consumers think they 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

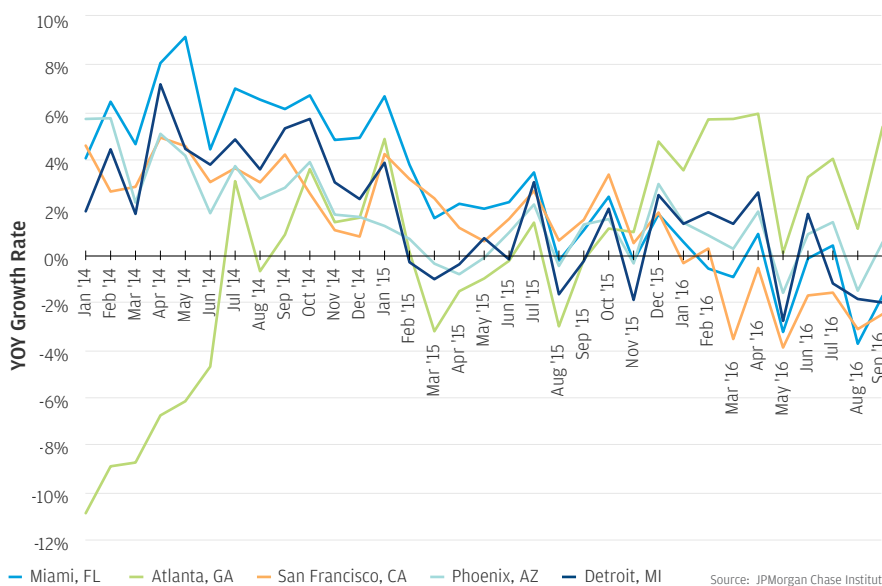


New York: Although every large metro area continued to experience year-over-year declines in growth, New York saw the smallest decline at -1.9 percent.

Houston: Houston has the lowest growth rate amongst all of the LCC cities at -3.5 percent; however, this decline is a marked improvement from the -6.1 percent year-over-year growth rate that was recorded in August 2016.

September 2016 marks the third consecutive month in which all of the largest LCC cities experienced declines in year-over-year growth; the average growth rate in this group was -2.8 percent.

Mid-Sized Metro Areas

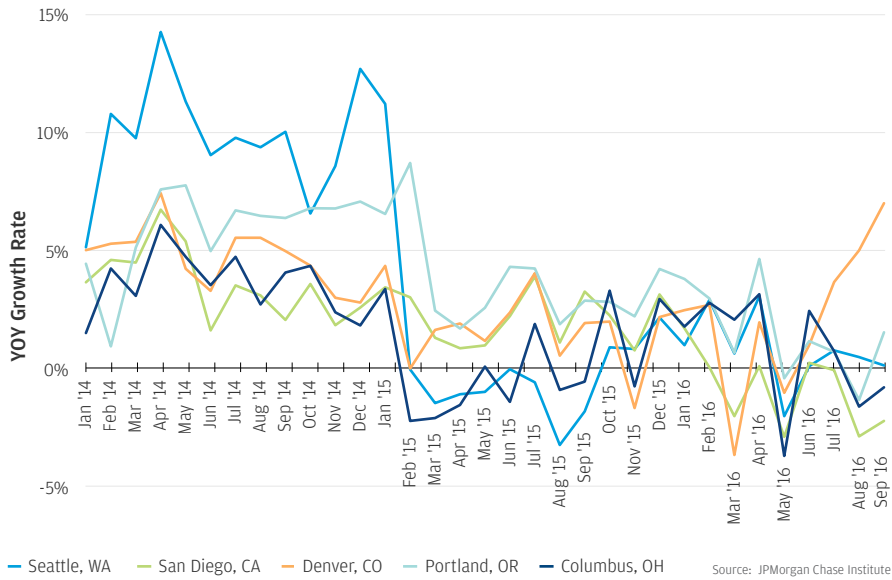


Atlanta: Local spending grew by 5.3 percent in between September 2015 and September 2016, the largest growth rate among mid-size LCC cities and a significant increase from one percent growth in August.

San Francisco: San Francisco experienced the largest decline in spending growth among our mid-size cities at -2.7 percent.

The average growth rate across the mid-sized cities in our sample was -0.2 percent.

Smaller Metro Areas

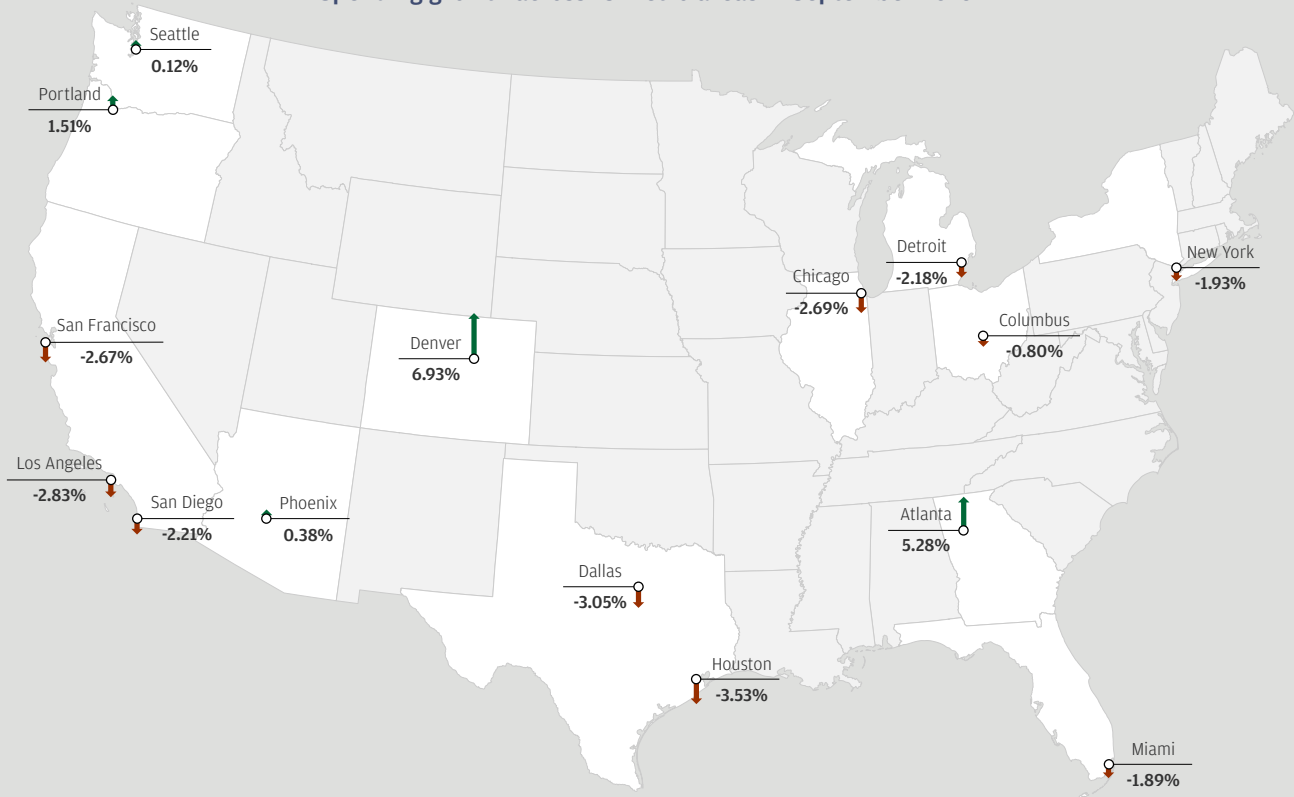


Denver: In September 2016, local consumer commerce in the Denver metro area grew by 6.9 percent relative to September 2015, growing the fastest of all LCCI cities.

San Diego: San Diego experienced a decline of 2.2 percent, the steepest decline amongst the small LCCI cities.

Across all small cities in our sample, only Seattle saw a lower year-over-year growth rate in September relative to August. The average growth rate amongst the small cities in September was 1.1 percent, a significant improvement from the -0.1 percent average in August.

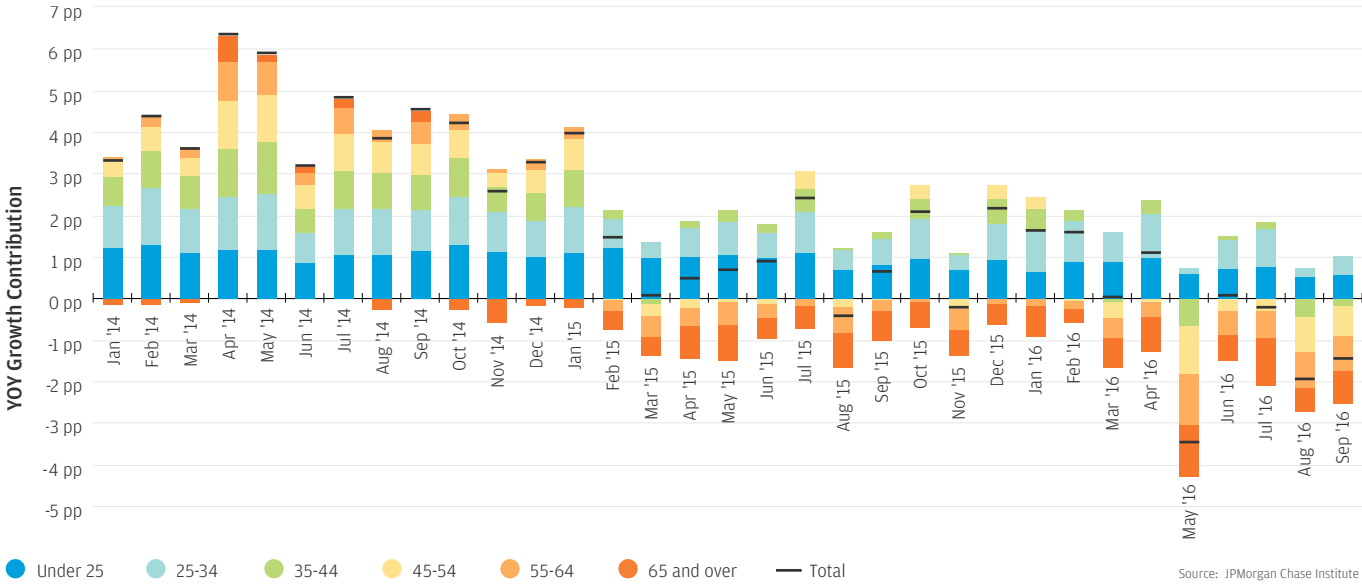
Spending growth across 15 metro areas in September 2016





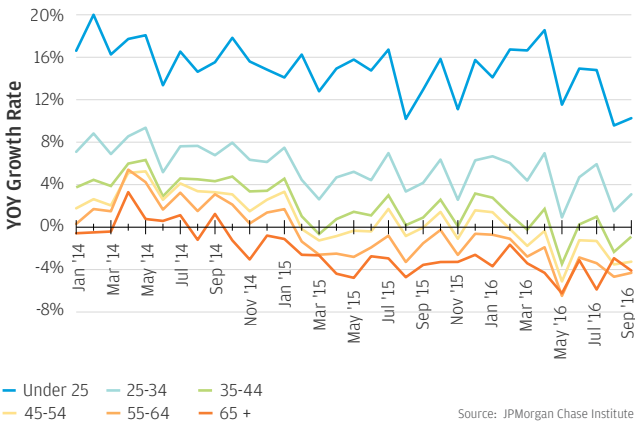
Spending by Age

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 35 contributed about 0.7 percentage points to overall spending growth on average. Consumers under 25 and consumers between the ages of 25 and 34 contributed 0.6 and 0.5 percentage points to growth in September, respectively.

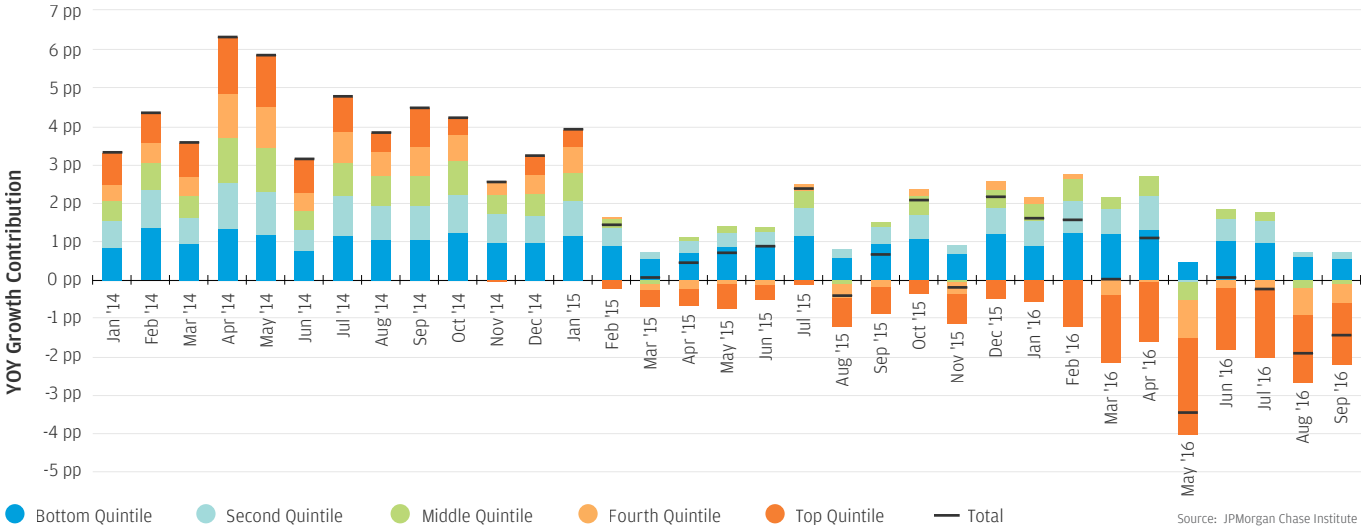
35-44: Consumers between 35 and 44 years of age remain a drag on growth for the second consecutive month. In September, these consumers subtracted 0.2 percentage points from overall growth.

Baby Boomers: Consumers between 55 and 64, and consumers over 65 years of age subtracted 0.8 percentage points apiece in September. Consumers 55 and over have been a consistent drag on growth since February 2015; consumers 45 and over have been a consistent drag on growth since March 2016.

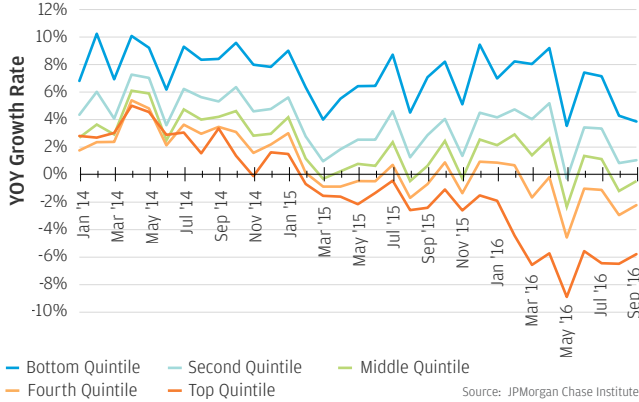


Spending by Income

Growth Contributions by Income Group



Growth Rates by Income Quintile



Low Income Consumers: Consumers in the lowest 20 percent contributed 0.6 percentage points to growth in September 2016, the largest overall contribution in that month.

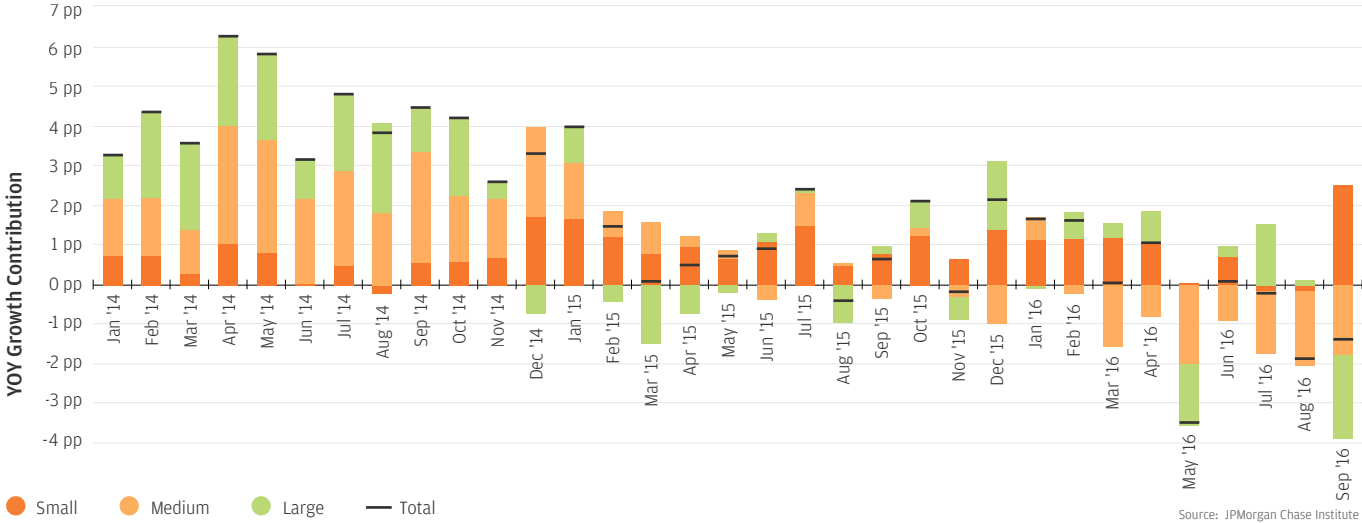
Middle Income Consumers: Consumers between the 20th and 80th percentile by income offset the majority of growth from low income consumers, collectively subtracting 0.4 percentage points from growth in September.

High Income Consumers: Consumers in the top 20 percent subtracted 1.6 percentage points from growth in September 2016.



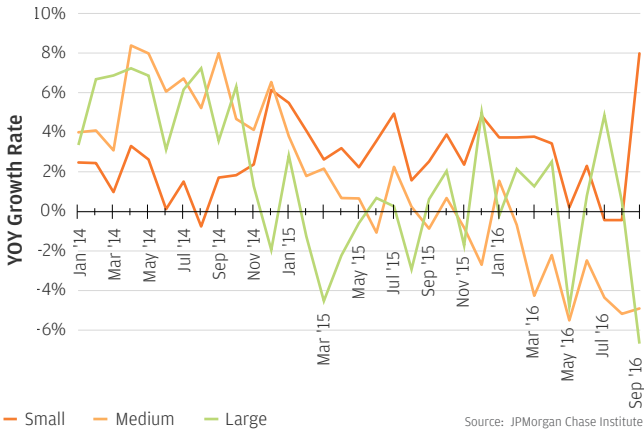
Spending by Size of Business

Growth Contributions by Size of Business



Source: JPMorgan Chase Institute

Growth Rates by Size of Business



Source: JPMorgan Chase Institute

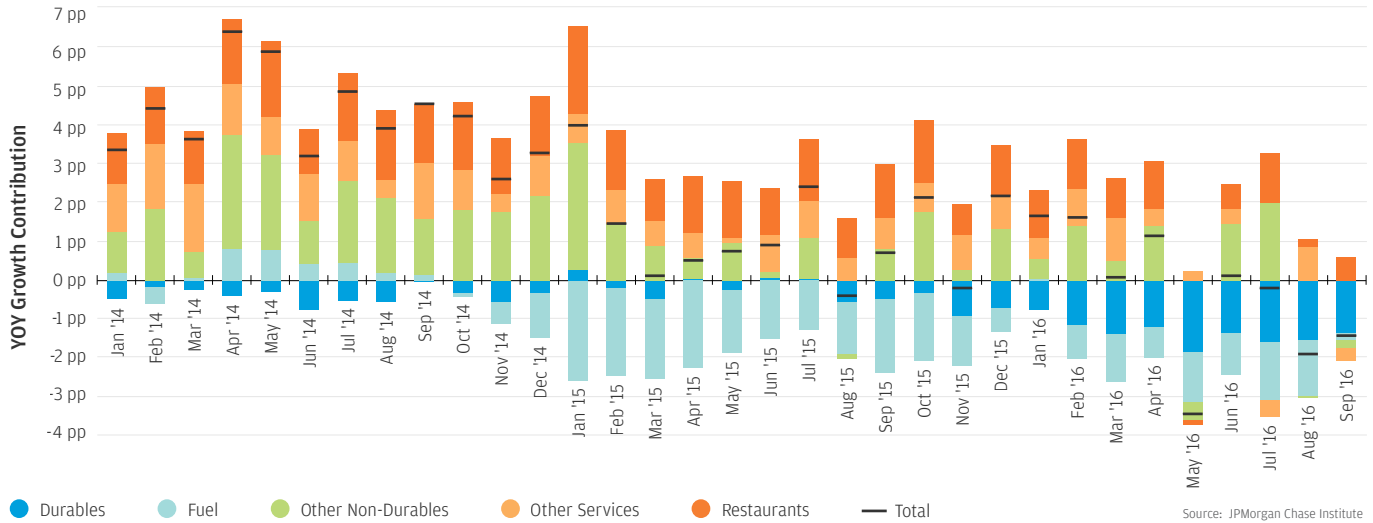
Small Businesses: Small businesses recovered significantly from the rare declines experienced in July and August of 2016, contributing 2.5 percentage points to growth in September.

Mid-Sized and Large Businesses: The substantial growth in spending at small businesses was more than offset by declines in spending at mid-sized and large businesses. In September, these businesses subtracted 1.8 and 2.1 percentage points from overall growth, respectively.

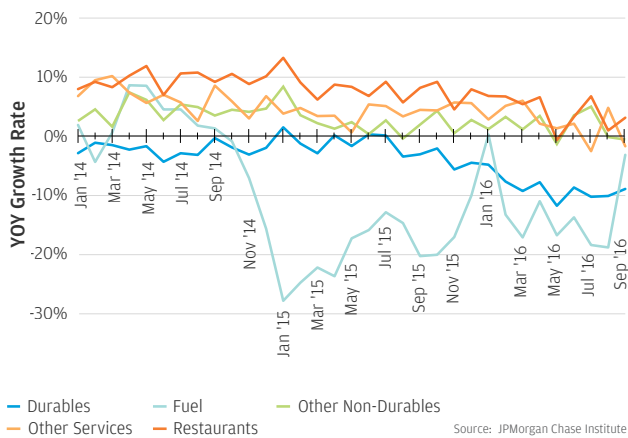


Spending by Product Type

Growth Contributions by Product Type



Growth Rates by Product Type



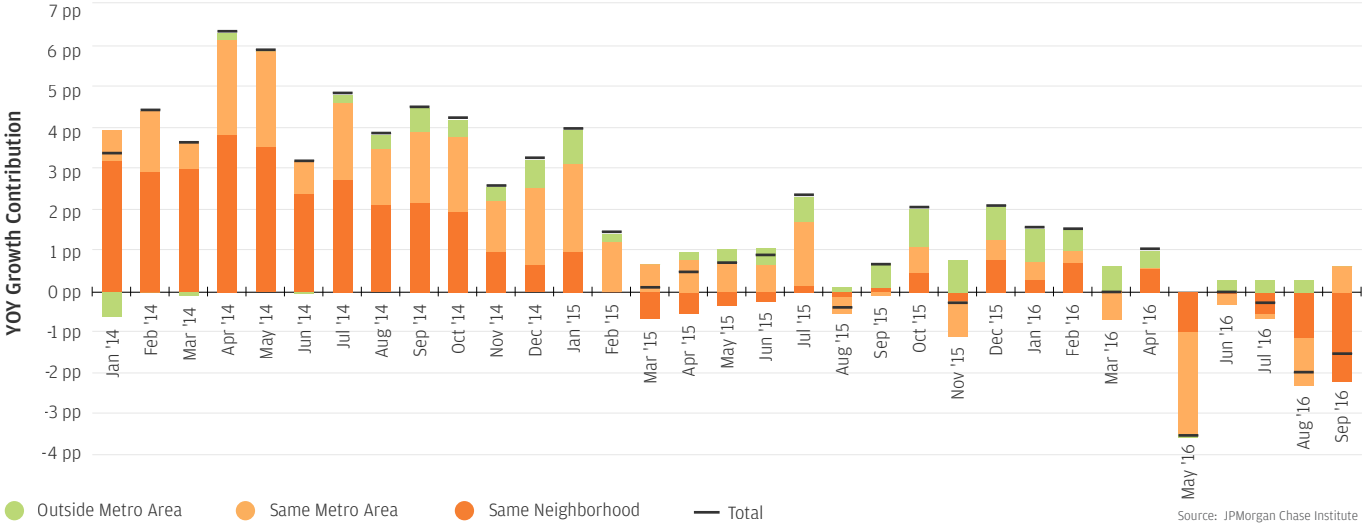
Restaurants: Restaurant spending continued to grow in September 2016, contributing 0.6 percentage points to growth. Restaurants constitute the only product type that saw positive growth in that month.

Fuel: Fuel spending recovered significantly in September 2016, subtracting only 0.2 percentage points from growth. This level of growth departs strongly from a downward trend that began at the beginning of 2016.

Nondurables: Year-over-year spending growth on nondurables declined in September, in contrast to virtually flat growth in August. Spending contractions for these goods have been relatively rare events; September marks the third instance in our series.

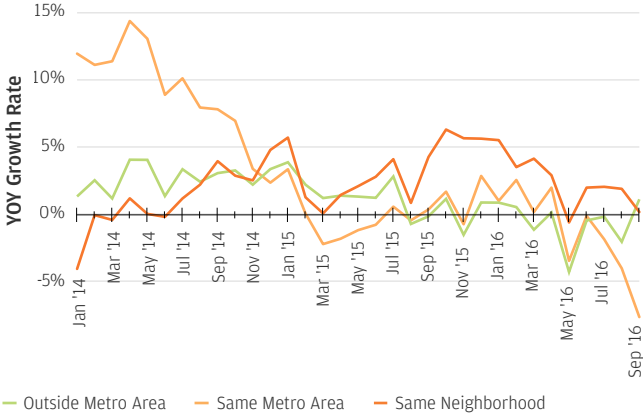
Spending by Consumer Residence

Growth Contributions by Consumer Residence



Source: JPMorgan Chase Institute

Growth Rates by Consumer Residence



Source: JPMorgan Chase Institute

Same Neighborhood: Spending from customers that live in the same neighborhood as the merchant has experienced a downward trend throughout much of 2016. These consumers continued this trend in September 2016, subtracting 2.2 percentage points from overall growth.

Same Metro Area: September saw spending by consumers in the same metro area as the merchant (but not the same neighborhood) add 0.6 percentage points to overall growth.

Outside Metro Area: Out of metro area spend experienced flat growth in September 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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