

Local Consumer Commerce

JUNE 2016

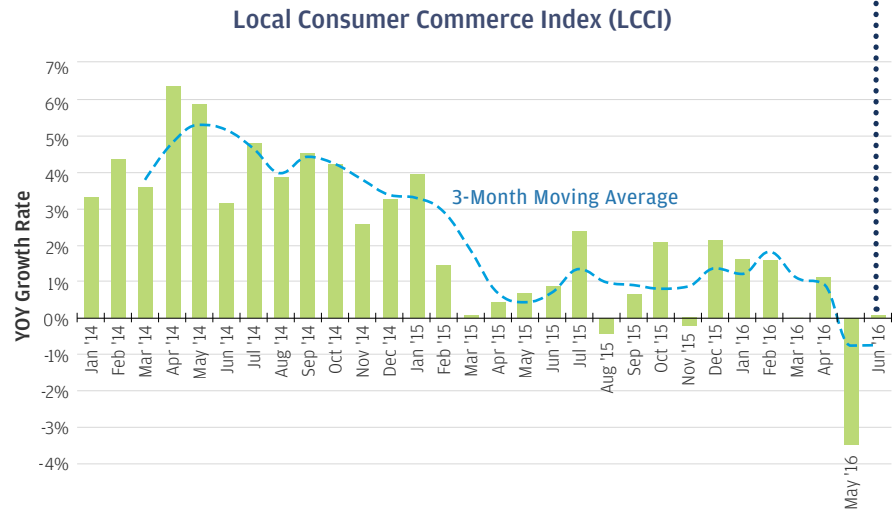


DATA THROUGH
JUNE 2016

↑ 0.1%

Growth across all 15 cities

Local consumer commerce grew slightly by 0.1 percent between June 2015 and June 2016, rebounding significantly from -3.5 percent in May. Ten cities experienced positive growth, with Atlanta growing the fastest at 3.1 percent year-over-year. The majority of the growth occurred at small businesses, which contributed 0.7 percentage points in June. Consumers continued to reduce expenditures on fuel and durables, but those reductions were slightly more than offset by growth in spending on nondurable goods, restaurants, and other services.



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.

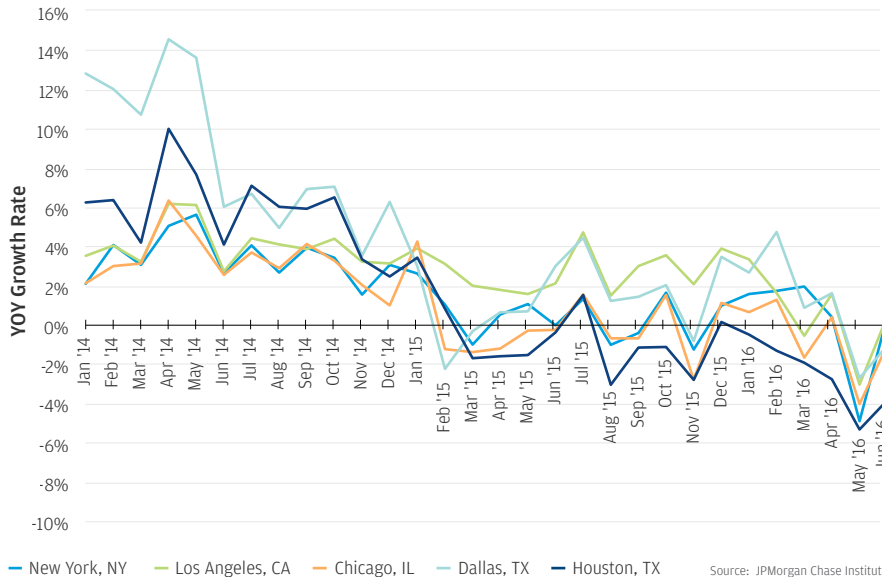
Our sample. The LCCI measures everyday spending across 15 cities: Atlanta, Chicago, Columbus, Dallas, Denver, Detroit, Houston, Miami, Los Angeles, New York, Phoenix, Portland (OR), San Diego, San Francisco, and Seattle. Our portfolio of cities mirrors the geographic and economic diversity of larger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

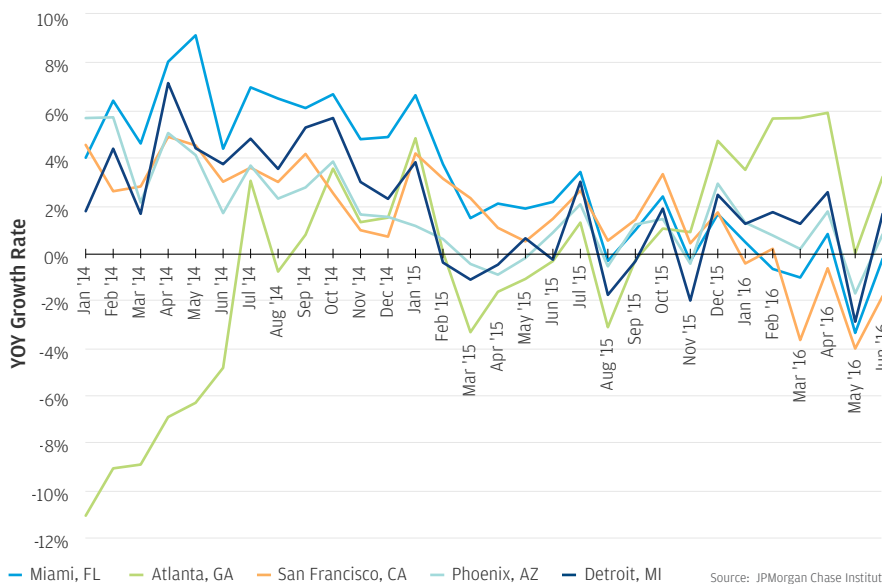


Los Angeles and New York: In June 2016, Los Angeles and New York grew the fastest of all large cities, with year-over-year growth at 0.4 percent for both cities. Note that the second quarter of 2016 was more volatile for New York than any other large city. Year-over-year growth in May was 5.3 percent lower than growth in April, and year-over-year growth in June was 5.3 percent higher than growth in May.

Houston: The growth rate in Houston was the lowest in the group. At -3.8 percent, it experienced the largest decline in year-over-year growth of all large cities by a significant margin - the next lowest growth rate was Dallas at -1.1 percent.

The average growth rate across the group was -1 percent.

Mid-Sized Metro Areas

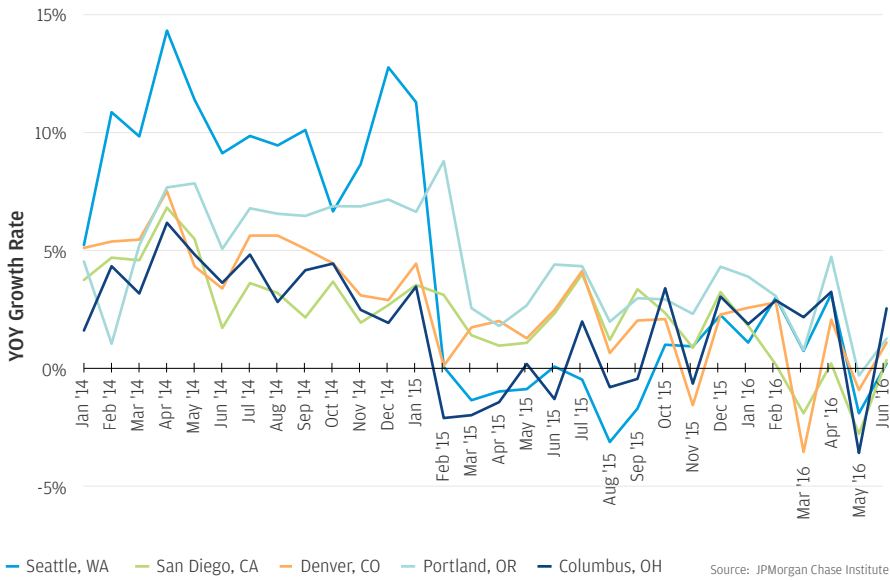


Atlanta: Local spending in June 2016 increased by 3.1 percent in Atlanta, maintaining its position as the fastest growing city of all cities in our sample.

San Francisco: The city experienced a decrease in spending of 1.9 percent between June 2015 and June 2016, a smaller decrease than the 4.1 percent decline experienced between May 2015 and May 2016.

The average growth rate across the mid-sized cities in our sample was 0.7 percent.

Smaller Metro Areas

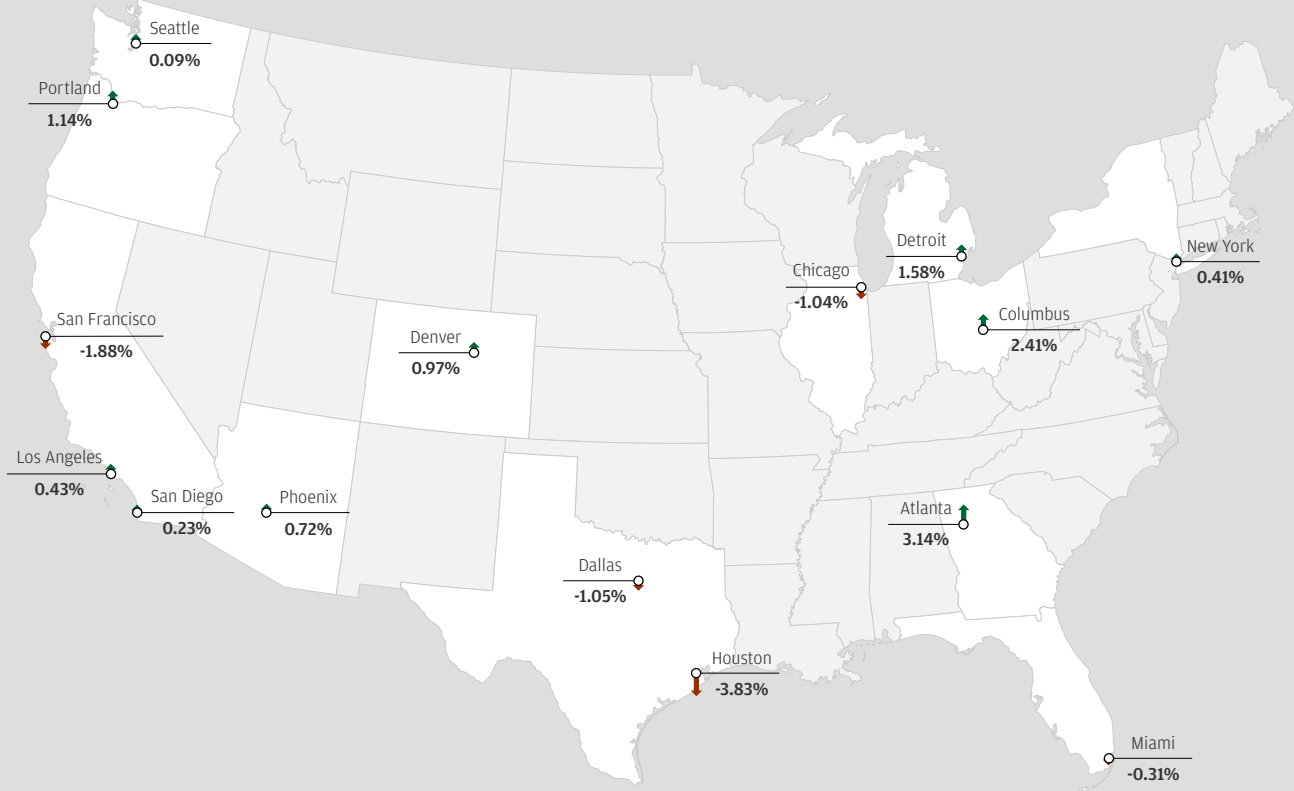


Columbus: In June 2016, local consumer commerce in the Columbus metro area grew by 2.4 percent relative to June 2015. It grew the fastest of all small cities, which is a significant pivot from experiencing the largest contraction of the group in May.

Seattle: While Seattle grew the least among all small cities, it still saw an increase of 0.1 percent in June.

Small cities in our sample grew on average by 1 percent.

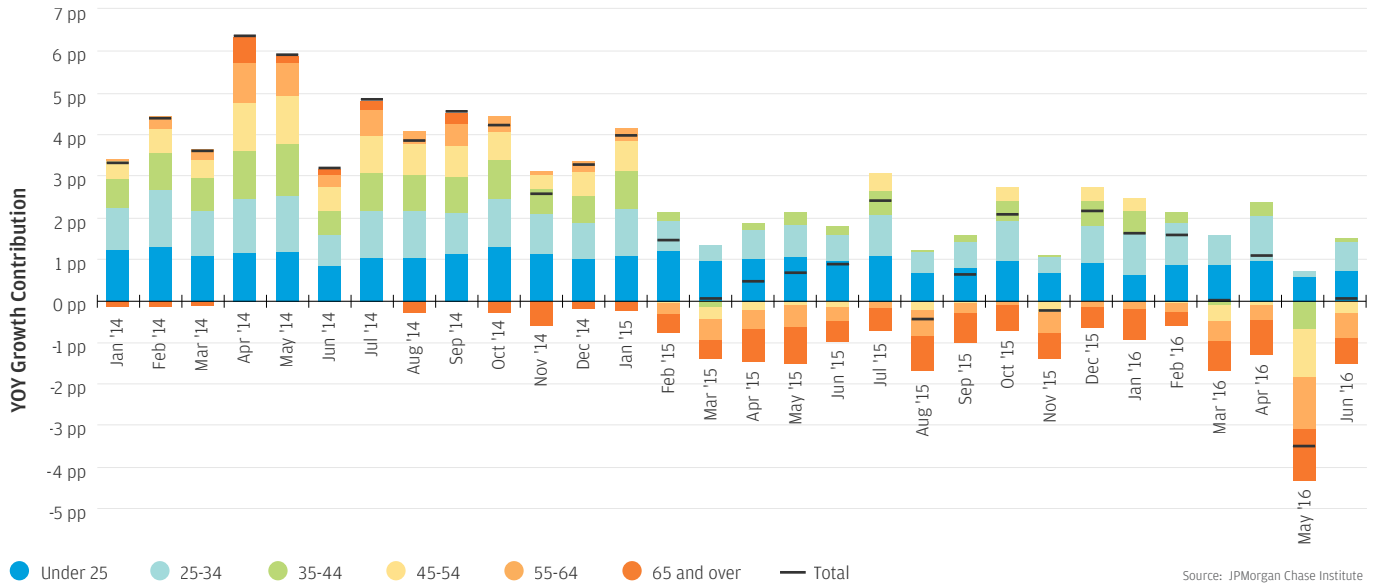
Spending growth across 15 metro areas in June 2016





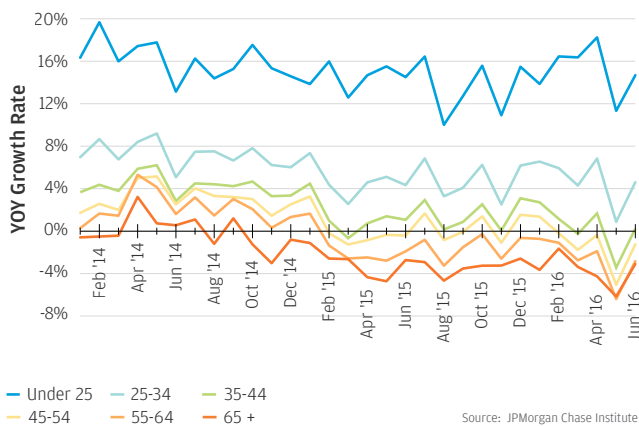
Spending by Age

Growth Contributions by Age Group



Source: JPMorgan Chase Institute

Growth Rates by Age Group



Source: JPMorgan Chase Institute

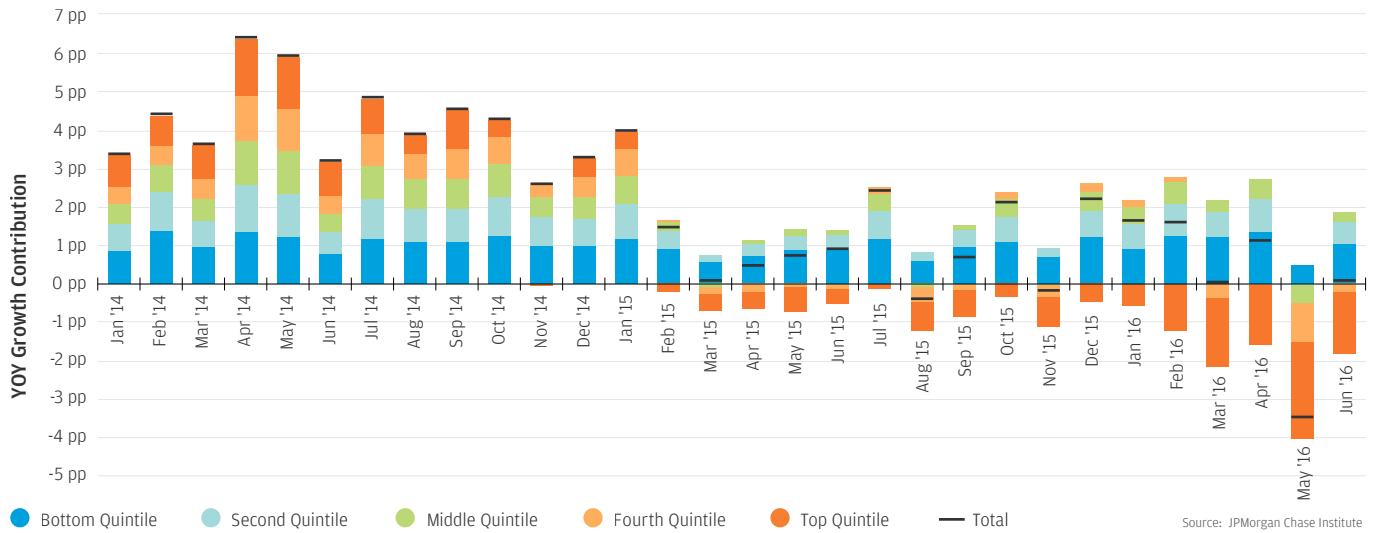
Millennials: Since the start of 2016, consumers under 25 contributed about 0.8 percentage points to overall spending growth on average. Consumers under 25 and consumers between the ages of 25 and 34 contributed 0.8 and 0.7 percentage points to growth in June, respectively.

Seniors: By contrast, consumers between 55 and 64, and consumers over 65 years of age subtracted 0.6 percentage points apiece in June. Consumers over 65 years of age had seen progressively larger declines in spending in each month during the February to May time period; June is the first month to break from that trend.



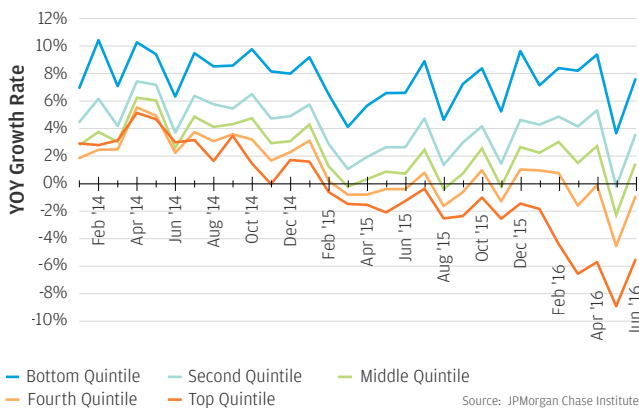
Spending by Income

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 June 2016, the largest overall contribution in that month.

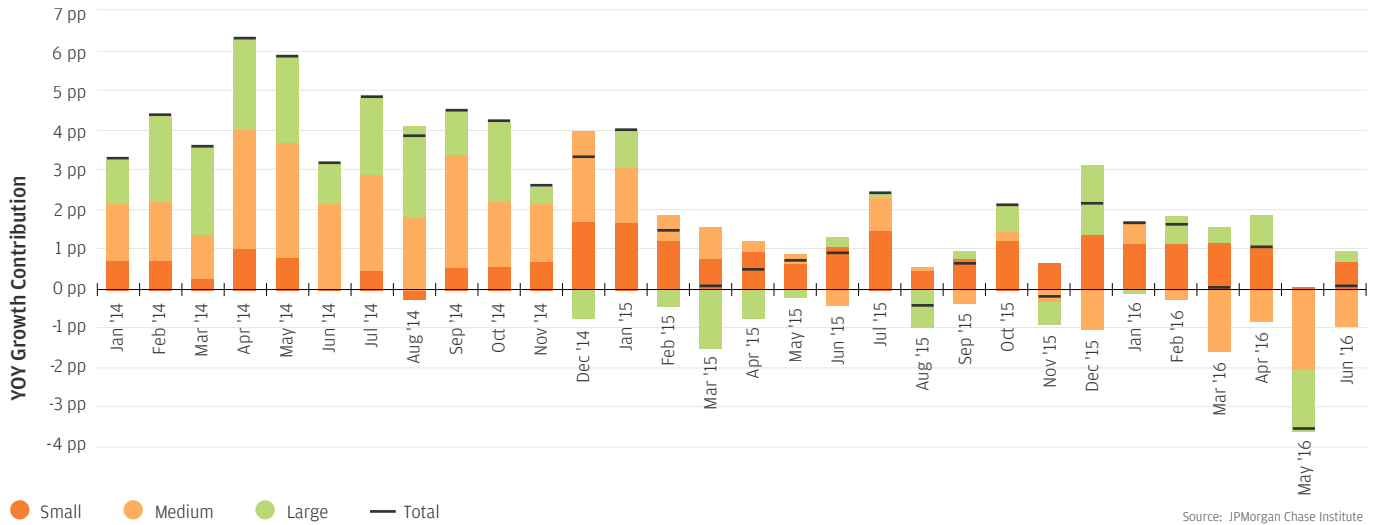
High Income Consumers: In contrast, consumers in the top 20 percent subtracted 1.6 percentage points from growth in June 2016.

Both the top and fourth quintiles experienced negative growth in June 2016, jointly subtracting 1.8 percentage points from overall growth. However, this is a material improvement compared to May, when these groups jointly subtracted 3.5 percentage points from overall growth.



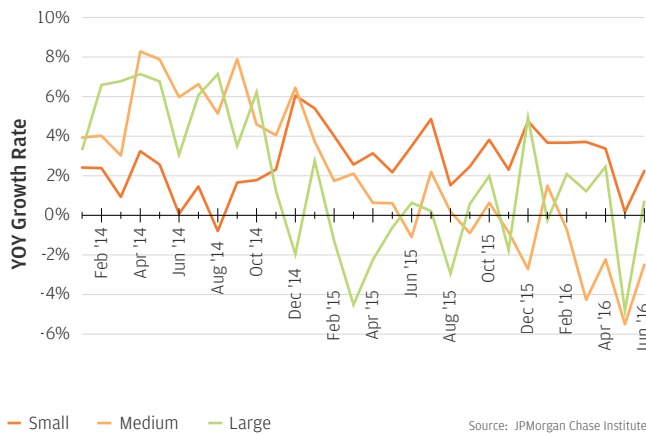
Spending by Size of Business

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 0.9 percentage points on average over the first six months of 2016, and 0.7 percentage points in June.

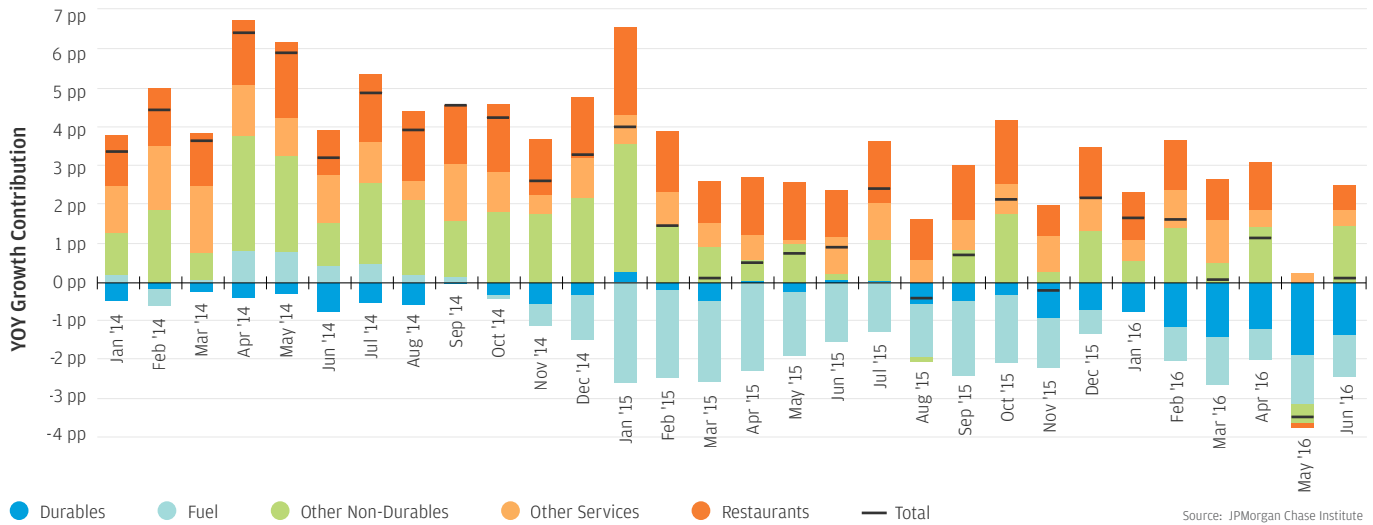
Mid-Sized Businesses: Mid-sized businesses subtracted 0.9 percentage points from overall growth in June, and were the only class of business to experience a spending decline in that month.

Large Businesses: In the first six months of 2016, large businesses contributed 0.1 percentage points to local consumer commerce growth on average; they added 0.2 percentage points in June.



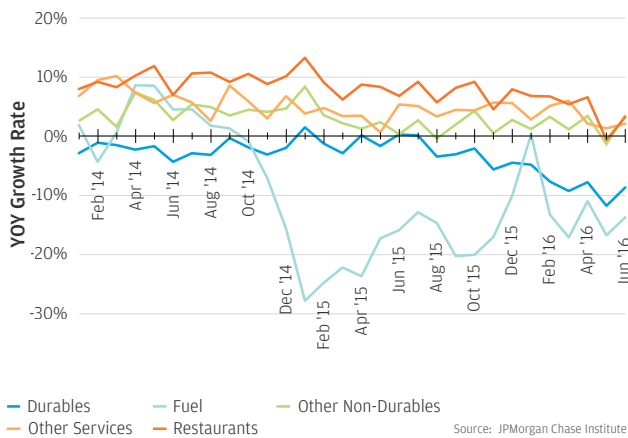
Spending by Product Type

Growth Contributions by Product Type



Source: JPMorgan Chase Institute

Growth Rates by Product Type



Source: JPMorgan Chase Institute

Restaurants: In May 2016, restaurant spending declined, albeit slightly, for the first time in our local consumer commerce series. In June, restaurant spending rebounded to add 0.6 percentage points to overall growth.

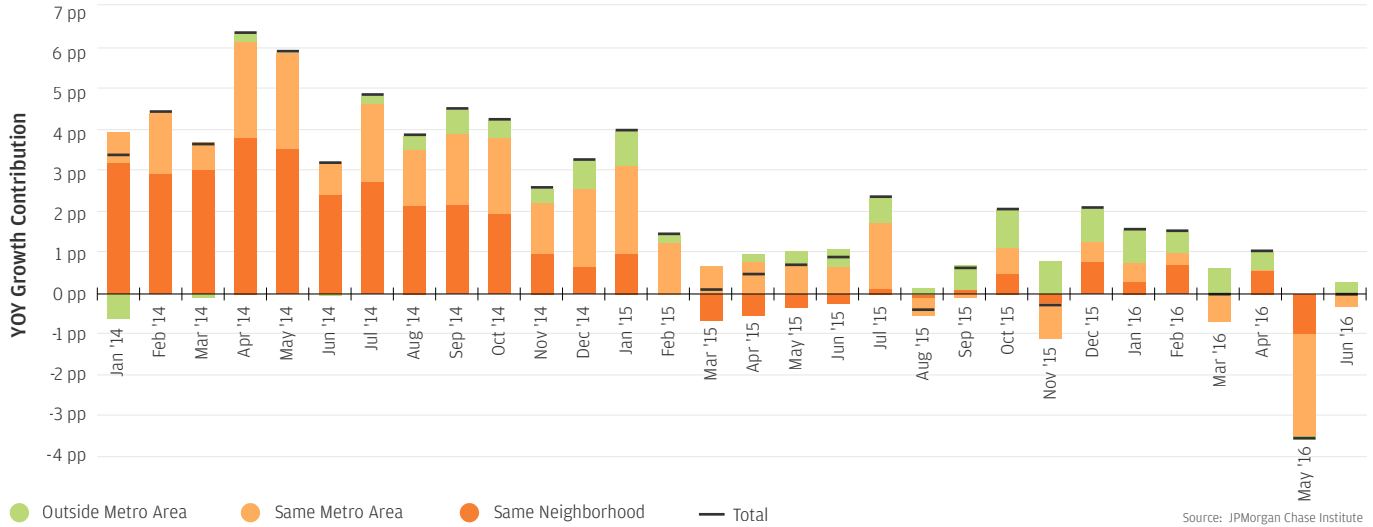
Durables: Durable spending subtracted 1.4 percentage points from growth in June, and has been a larger drag on growth than fuel in every month in 2016.

Nondurables: Nondurable spending added 1.5 percentage points to growth in June, more than any other product type. It was complemented by moderate growth in restaurants and other services.



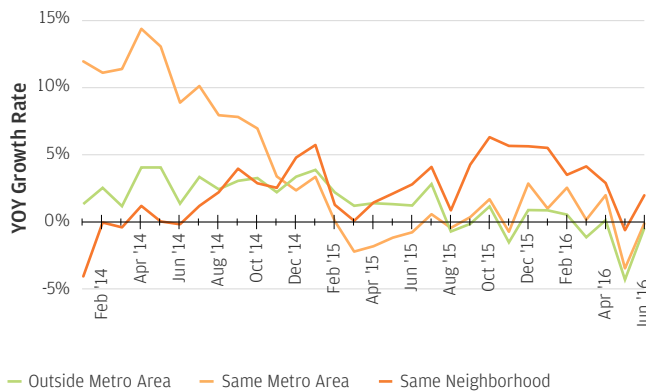
Spending by Consumer Residence

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 subtracting 1 percentage point from growth in May, same neighborhood sales rebounded slightly to virtually flat growth in June.

Same Metro Area: In the first half of 2016, decreases in spending by consumers at businesses in the same metro area lowered overall growth by a monthly average of 0.4 percentage points. June saw same metro area spending subtract 0.3 percentage points to overall growth.

Outside Metro Area: Following the rare decline experienced in May, out of metro spending added 0.3 percentage points to growth in June.

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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