

Local Consumer Commerce

OCTOBER 2016

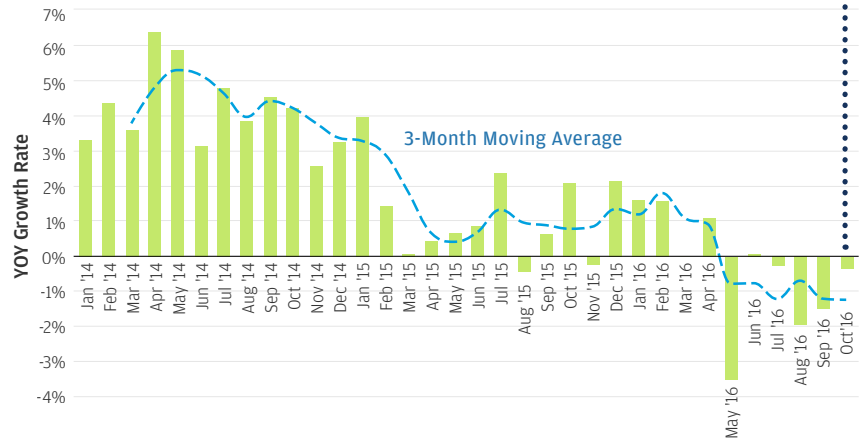


DATA THROUGH
OCT 2016 **↓-0.3%**

Growth across all 15 cities

Local consumer commerce declined by 0.3 percent between October 2015 and October 2016. This marks the fourth consecutive month of negative growth, but the magnitude of these spending reductions fell significantly between August and October. Of our 15 cities, 5 saw positive growth while 8 saw negative growth. Two cities, Los Angeles and Phoenix, experienced virtually flat growth. Denver grew the fastest of all cities at 7.9 percent year-over-year. Growth contributions from large businesses rebounded significantly from September 2016, adding 1.2 percentage points. However, this rebound was offset by declines in growth contributions from small and medium businesses.

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 18 billion anonymized credit and debit card transactions from over 58 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.

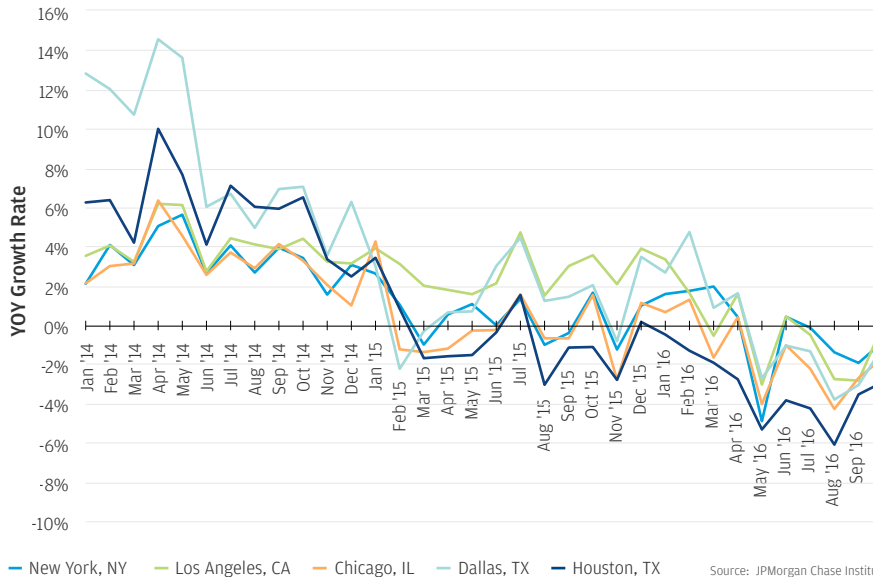
Our sample. The LCCI measures everyday spending across 15 cities: Atlanta, Chicago, Columbus, Dallas, Denver, Detroit, Houston, Miami, Los Angeles, New York, Phoenix, Portland (OR), San Diego, San Francisco, and Seattle. Our portfolio of cities mirrors the geographic and economic diversity of larger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

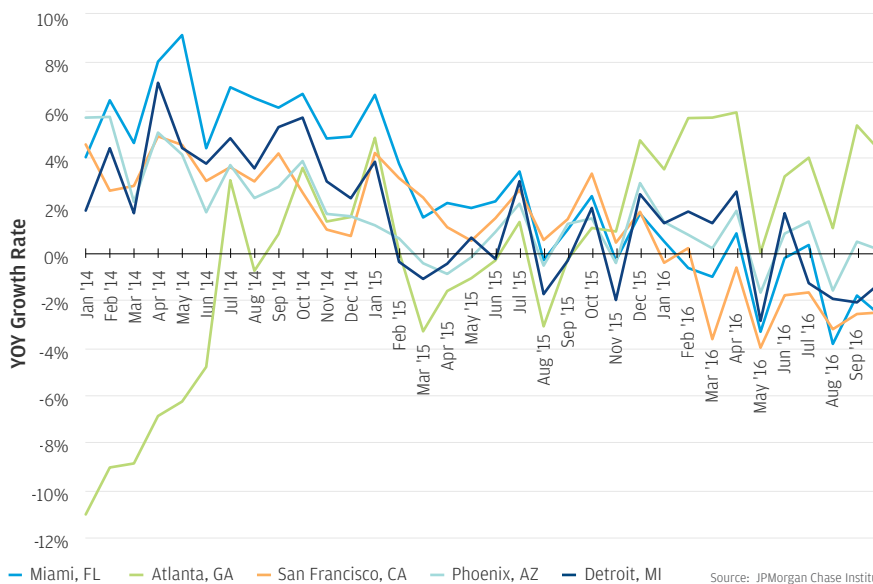


Los Angeles: Los Angeles had flat growth in October 2016 and was the only large LCC city that did not see a decline in spending year-over-year.

Houston: Although Houston continued to improve from the 6.9 percent drop in growth in August 2016, it still had the lowest growth rate amongst the LCC cities at -2.9 percent.

Every large city experienced a higher growth rate in October than September. The average growth rate among large cities was -1.3 percent.

Mid-Sized Metro Areas

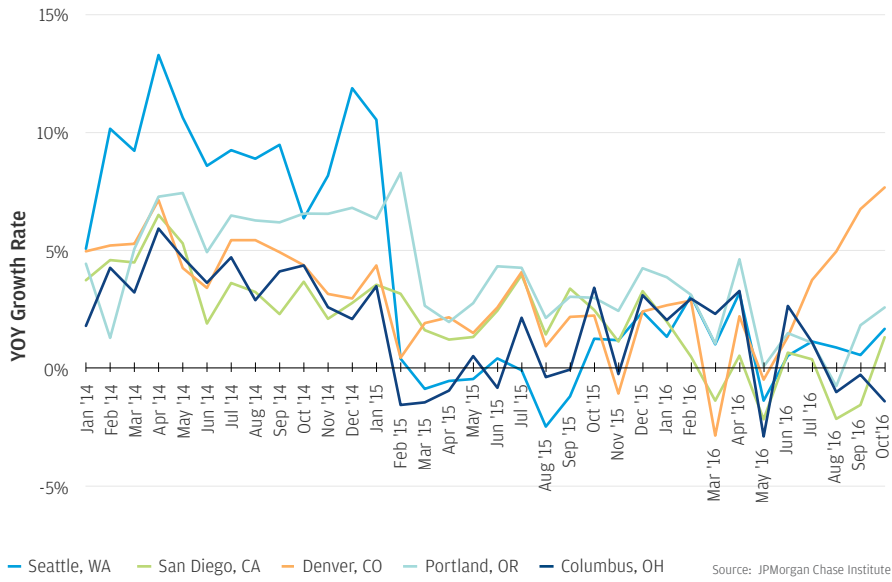


Atlanta: Local spending in Atlanta grew by 4.2 percent in October 2016, cooling off slightly from the 5.3 percent growth rate reported for September 2016.

Miami: Miami experienced the largest decline among the mid-size LCC cities with a 2.8 percent decline in growth.

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

Smaller Metro Areas

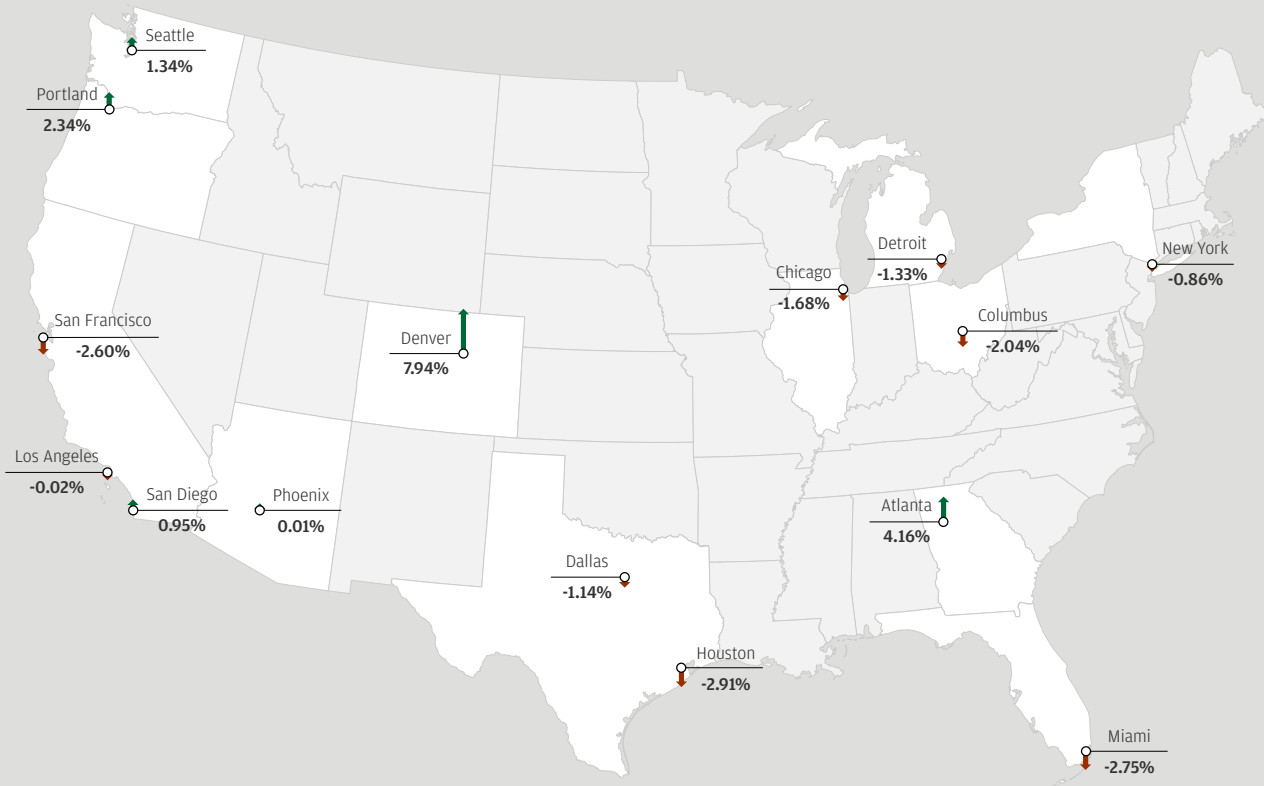


Denver: Denver continued growing at a rapid pace, registering a year-over-year increase of 7.9 percent in October 2016.

Columbus: Columbus registered a decline of 2 percent in October 2016, and was the only small city to see negative growth.

Small cities continued to lead the pack as a unit with a 2.1 percent average growth rate in October 2016.

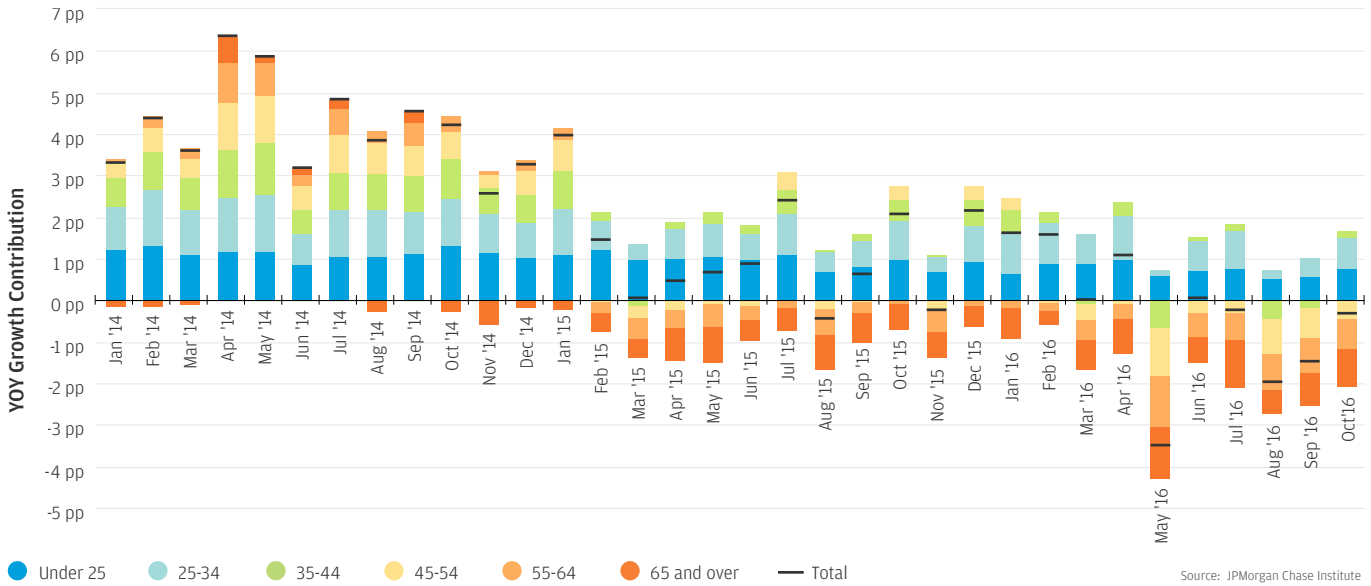
Spending growth across 15 metro areas in October 2016





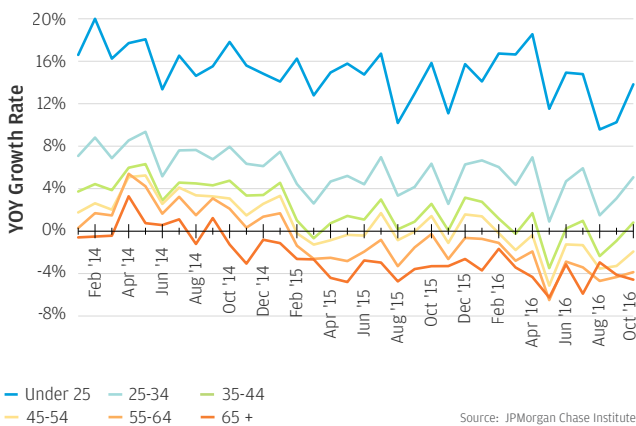
Spending by Age

Growth Contributions by Age Group



Source: JPMorgan Chase Institute

Growth Rates by Age Group



Source: JPMorgan Chase Institute

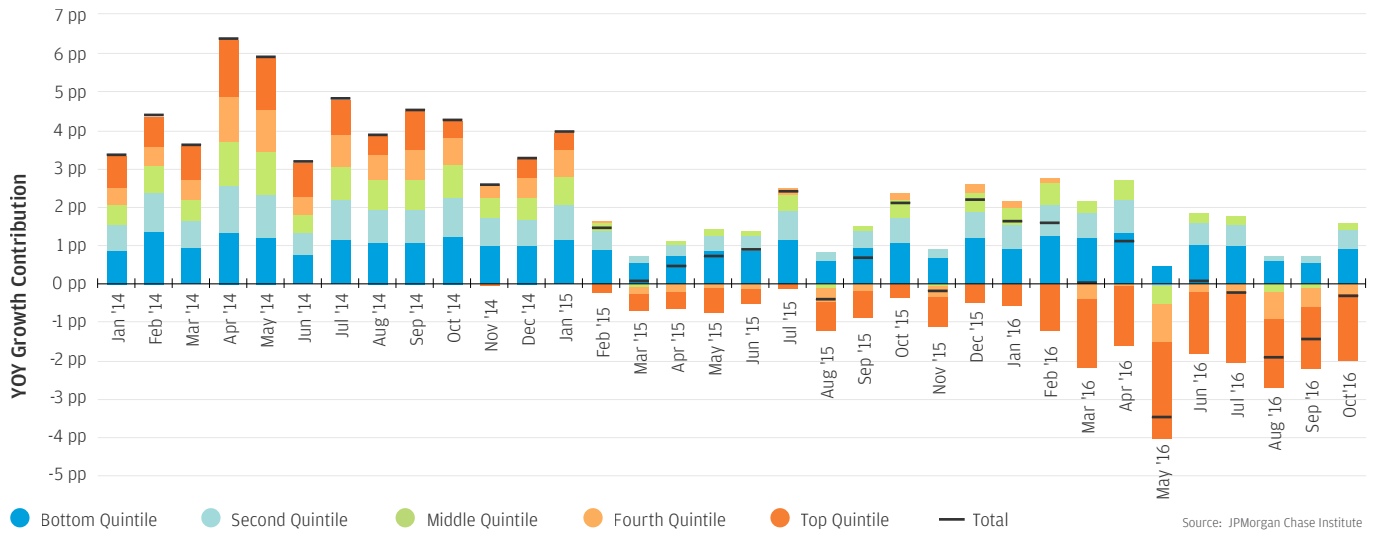
Millennials: Consumers under 35 continued to make positive contributions to growth in October 2016. In that month, consumers under 25 and those between 25 and 35 contributed 0.8 percentage points to growth apiece.

Baby Boomers: By contrast, consumers between 55 and 64, and consumers 65 and over subtracted 0.7 and 0.9 percentage points apiece in October, respectively. Only consumers 65 and over saw a lower rate of growth in October than September.

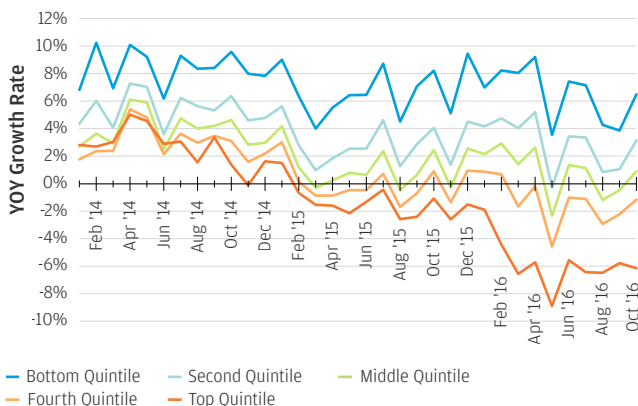


Spending by Income

Growth Contributions by Income Group



Growth Rates by Income Quintile



Low Income Consumers: Consumers in the lowest 20 percent contributed 0.9 percentage points to growth in October 2016, the largest overall contribution in that month.

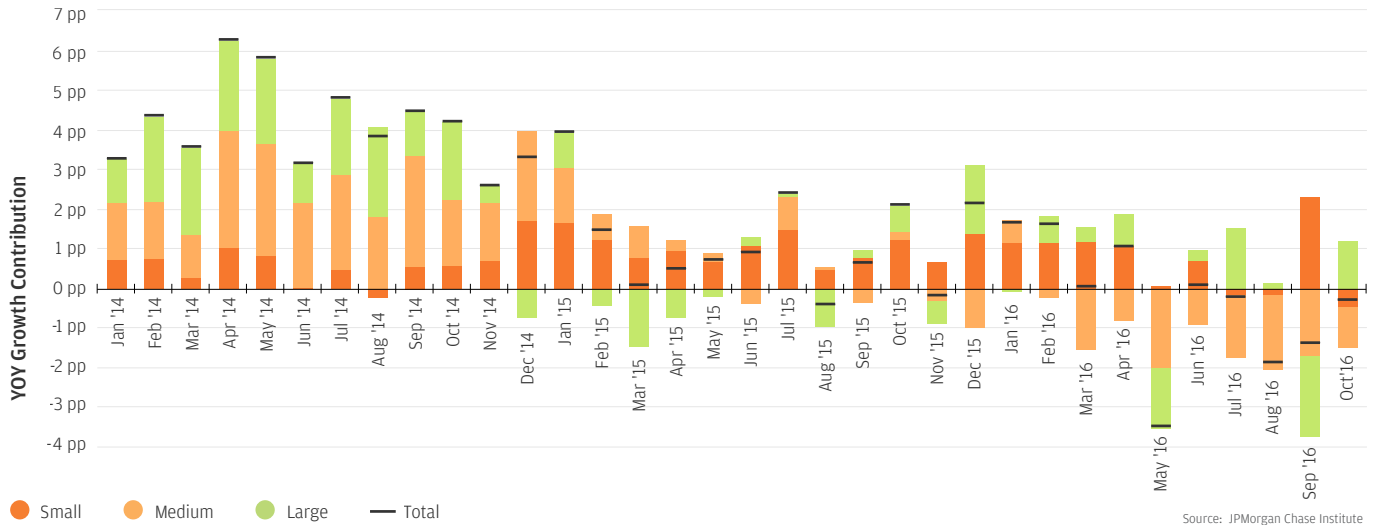
High Income Consumers: In contrast, consumers in the top 20 percent subtracted 1.7 percentage points from growth in October 2016. Consumers in the top 20 percent were the only group to see a lower rate of year-over-year spending growth in October than September.

The top forty percent of consumers continued to be a drag on growth in October 2016, slightly overshadowing the positive growth contributed by the bottom sixty percent in that month.



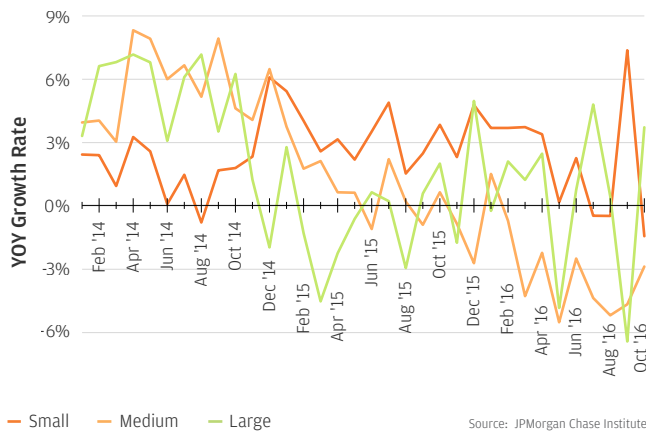
Spending by Size of Business

Growth Contributions by Size of Business



Source: JPMorgan Chase Institute

Growth Rates by Size of Business



Source: JPMorgan Chase Institute

Small Businesses: Small business growth contributions fell sharply in October 2016, subtracting 0.5 percentage points from growth in that month. This is a significant decline relative to the 2.3 percentage point contribution in September. Note that this is only the fourth time in our series that small businesses have detracted from growth.

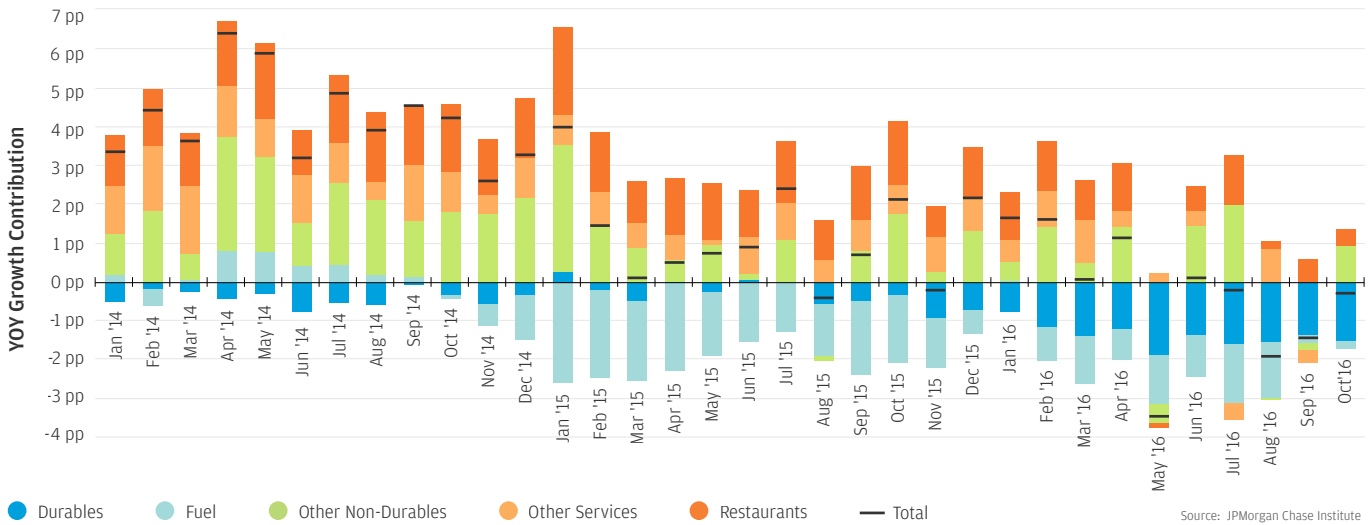
Mid-Sized Businesses: Mid-sized businesses subtracted 1 percentage point from overall growth in October; mid-size businesses have been a consistent drag on growth since February 2016.

Large Businesses: Large businesses recovered significantly from the 2 percentage point subtraction from overall growth in September 2016, contributing 1.2 percentage points to growth in October.



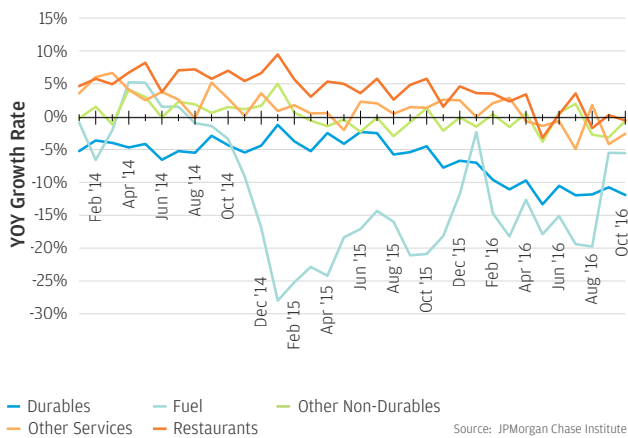
Spending by Product Type

Growth Contributions by Product Type



Source: JPMorgan Chase Institute

Growth Rates by Product Type



Source: JPMorgan Chase Institute

Restaurants: Restaurant spending contributed 0.4 percentage points to growth in October 2016, cooling off slightly from the 0.6 percentage point contribution in September 2016.

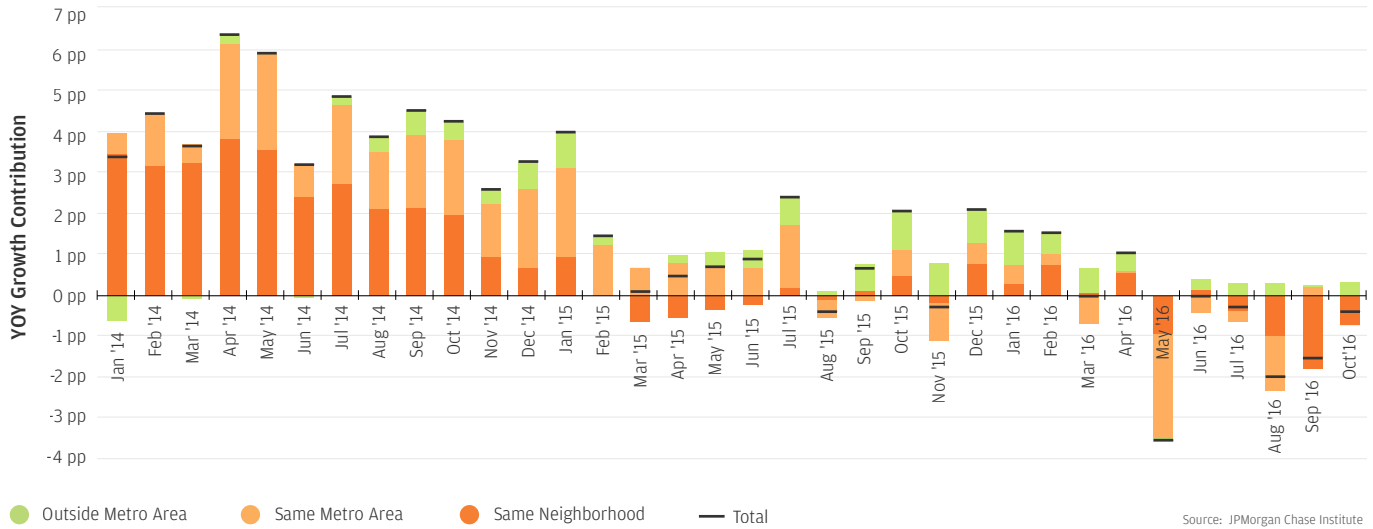
Durables: Durable spending subtracted 1.5 percentage points from overall growth in October 2016. Spending growth for durables had been declining consistently since the summer of 2015, but the decline appears to have leveled off in the past few months.

Nondurables: With a contribution of 0.9 percentage points, year-over-year spending growth on nondurables recovered in October after the decline experienced in September 2016. Relative to September, nondurables saw the largest positive change in year-over-year spending growth (1.1 percentage points) of all product types.



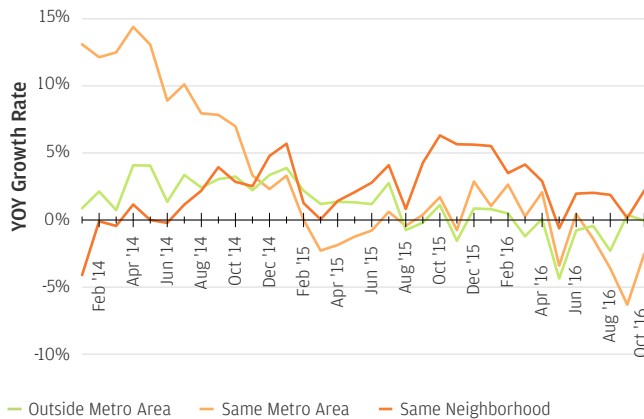
Spending by Consumer Residence

Growth Contributions by Consumer Residence



Source: JPMorgan Chase Institute

Growth Rates by Consumer Residence



Source: JPMorgan Chase Institute

Same Neighborhood: Declining spend from customers that reside in the same in the same neighborhood as the merchant moderated somewhat in October 2016, subtracting only 0.7 percentage points from growth in that month compared 1.8 percentage points in September.

Same Metro Area: Spending by consumers in the same metro area as the merchant (but not the same neighborhood) fell in October 2016, contributing virtually nothing to growth in that month.

Outside Metro Area: Out of metro area spend contributed 0.3 percentage points to growth in October 2016, marking the fifth consecutive month of non-negative growth contributions.

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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