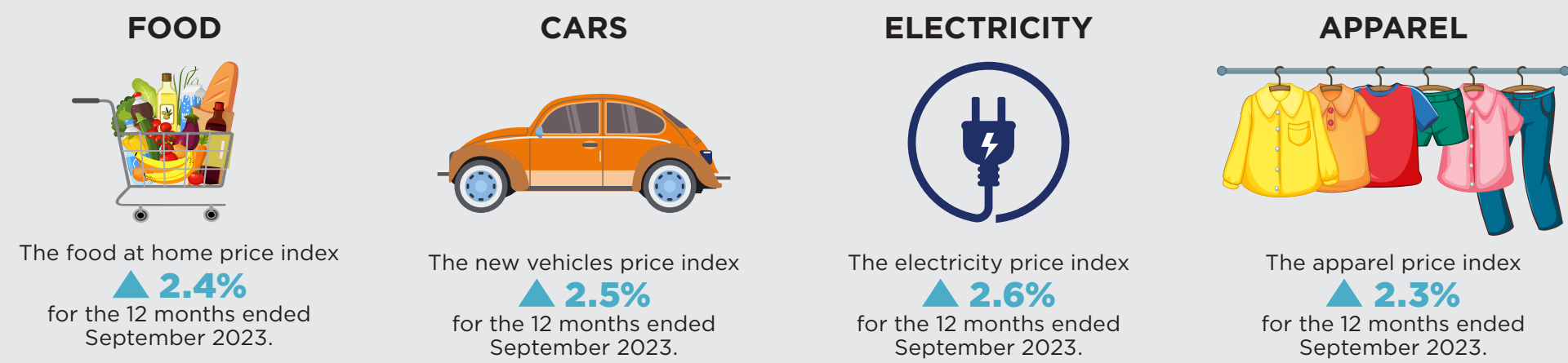


On the surface, the U.S. economy appears to be humming along. Total U.S. retail sales have exhibited growth year-over-year, with consumer spending supported by low unemployment rates. However, there are underlying economic issues that threaten to crack the foundation and have already started to weaken certain sectors.

BUY

Unadjusted core retail sales in September 2023 totaled an estimated \$411.1 billion. This represents an increase of 4.8% year-over-year and a year-to-date increase of 3.9%. This seems to demonstrate a resilience amongst consumers' willingness to spend. However, following record-high inflation last year, prices this year continue to increase, though more moderately, for many necessary items.

Source U.S. Census Bureau



TOTAL INFLATION: The total annual inflation rate in the U.S. was up 3.7% for the 12 months ended September 2023.



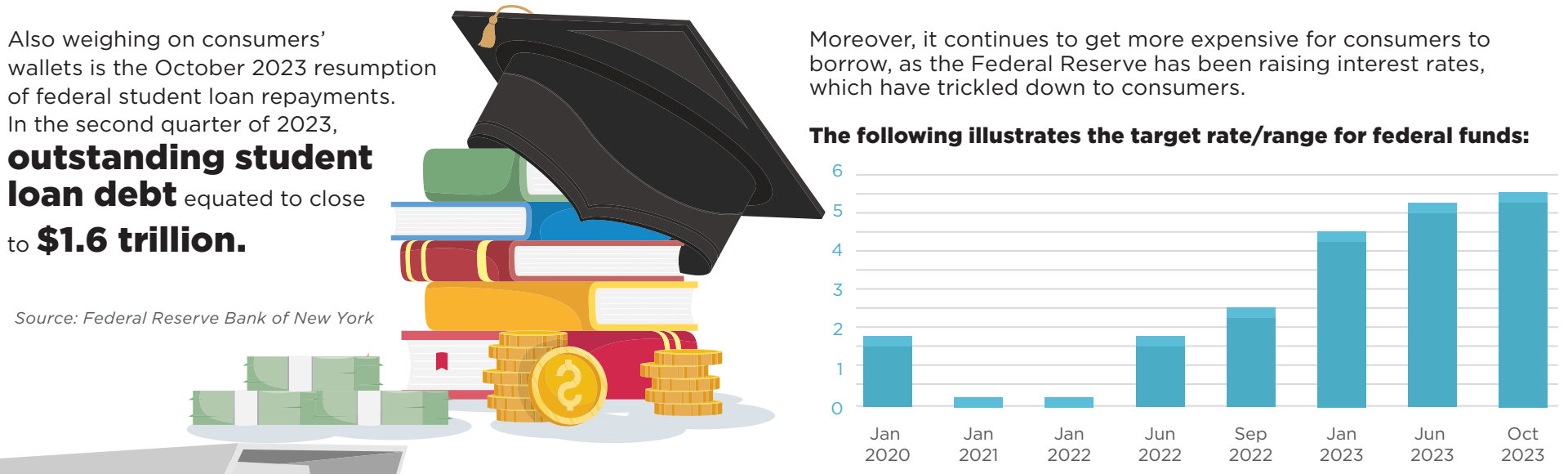
BORROW

Both corporate and consumer debt levels continue to impact the economy and will likely continue to do so in the coming months.



Conversely, **personal savings rates**, as a percentage of disposable income, stood at **3.9% in August 2023**, down from 4.1% in July and 4.9% in June.

Source: Bureau of Economic Analysis, U.S. Department of Commerce



STEAL:

As retailers contend with consumers having increased caution when spending, some have also faced higher shrink levels as well. Major retailers such as Target, Walmart, CVS, Dollar General, Dollar Tree, Lowe's, Macy's, Dick's Sporting Goods, Foot Locker, Kohl's, TJ Maxx, and Best Buy have all reported rising shrink in recent quarters. While some of the shrink can potentially be attributed to lower staffing levels, as retailers work to keep payroll expenses in check, a portion can also be attributed to theft.

OUTLOOK:
WILL CONSUMERS
TAKE CAUTION?

During the fourth quarter and holiday season, it remains to be seen if consumers will continue to spend, or if they will scale back. Price will likely remain a focus. Thus far in 2023, many companies have been enjoying stronger gross margin as freight costs have come down from historic highs during the brunt of the supply chain issues last year, but companies have been slower to pass on declines to customers. While forecasts indicate that retail sales should experience low-single-digit growth during the holiday season, discounting could be more prevalent if consumers seem less willing to spend.