














US Consumer Report

ECONOMIC ANALYSIS:

CONSUMER SPENDING TEPID; HIGHER GAS PRICES TO CURTAIL OTHER SPENDING

- The US unemployment rate was unchanged in August, versus an expected drop of 10 basis points. Total nonfarm payroll employment increased by 151,000.
- Real personal consumer expenditures (PCE) dropped by 0.1% month over month in August, while real disposable income rose by 0.1% month over month.
- The core PCE deflator, which excludes food and energy prices, increased by 1.7% year over year for the month; the rate was slightly below the Federal Reserve's target of 2%.
- The gas price rose moderately from August, reaching US\$2.241 per gallon on October 16, 2016. The production cut by the Organization of the Petroleum Exporting Countries (OPEC) and crude oil hovering above US\$50 a barrel tend to drive gas prices higher, which reduces consumption spending in other categories.
- Real PCE dropped by 0.1% month over month in August, while real disposable personal income ticked up by 0.1%.



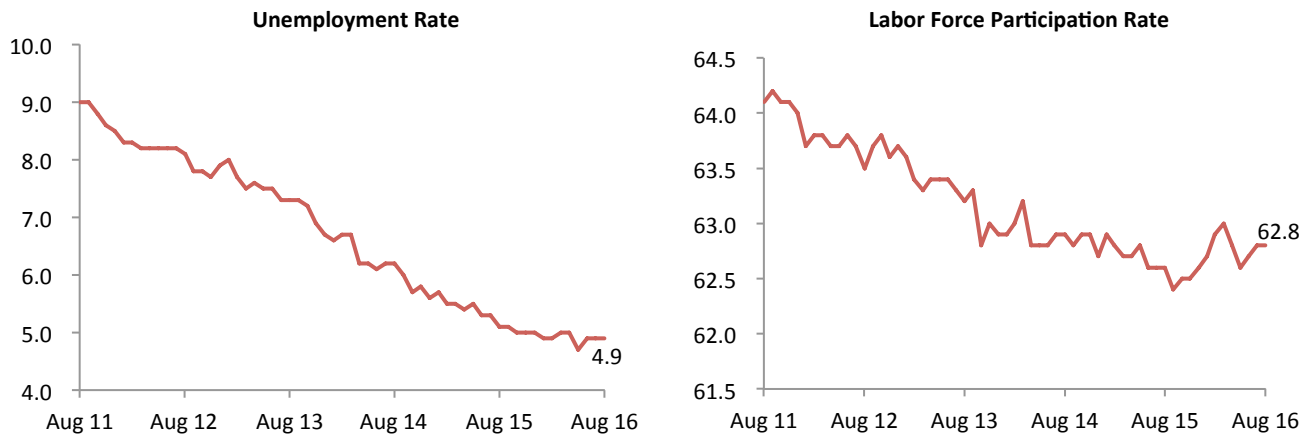
Indicator	Period	Actual	Survey	Prior	Impact on Economy
Job Market					
Unemployment Rate	Aug	4.9%	4.8%	4.9%	
Labor Force Participation Rate	Aug	62.8%	–	62.8%	N/A
Prices					
PCE Deflator (YoY)	Aug	1.0%	0.9%	0.8%	
Core PCE Deflator (YoY)	Aug	1.7%	1.7%	1.6%	
CPI (NSA, YoY)	Aug	1.1%	1.0%	0.8%	
Core CPI (NSA, YoY)	Aug	2.3%	2.2%	2.2%	
Consumer Spending					
Consumer Sentiment	Sep	91.2	–	89.8	
Real PCE (MoM)	Aug	(0.1)%	0.0%	0.3%	
Retail Sales Advance (MoM)	Sep	0.6%	0.6%	(0.2)%	
Consumers' Disposable Income and Credit					
Real Disposable Income (SAAR, US\$ Bil.)	Aug	12,697.3	–	12,686.8	
Personal Savings Rate	Aug	5.7%	–	5.6%	
Consumer Credit Outstanding (US\$ Bil.)	Jul	3,660.8	–	3,643.1	

Source: US Bureau of Labor Statistics/US Bureau of Economic Analysis/US Energy Information Administration (EIA)/University of Michigan/US Census Bureau/Federal Reserve Board/Fung Global Retail & Technology

Job Market

The US unemployment rate in August was unchanged at 4.9% for the third consecutive month, and was slightly higher than the 4.8% rate that had been expected. Total nonfarm payroll employment increased by 151,000, and the labor force participation rate during the month was unchanged from July, at 62.8%. Job gains were seen in professional and technical services, financial activities and healthcare. The mining industry continued to see job losses in August.

Figure 1. US: Unemployment Rate (Seasonally Adjusted, %); Labor Force Participation Rate (Seasonally Adjusted, %)



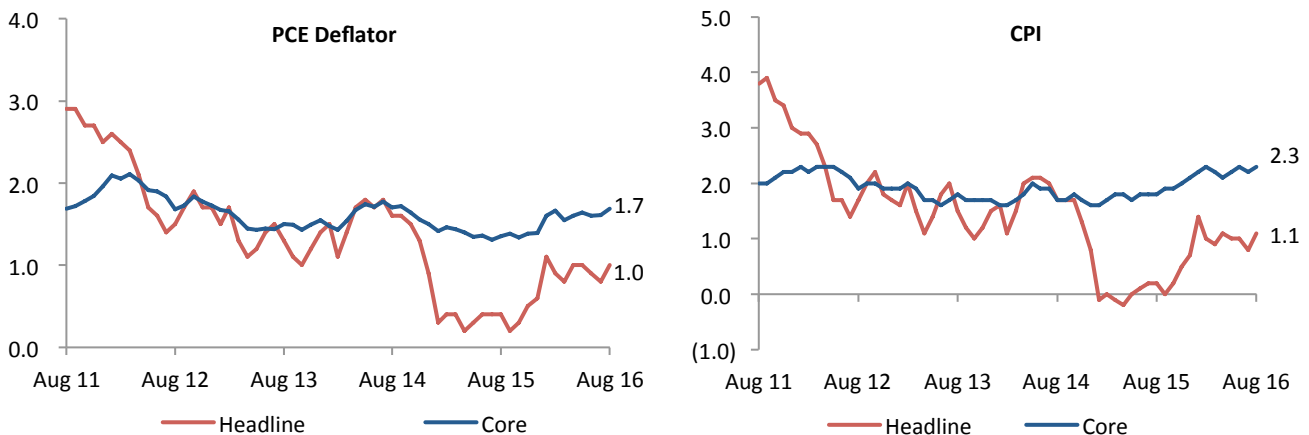
Source: US Bureau of Labor Statistics

Consumer Prices

The core PCE deflator, which excludes food and energy prices, increased by 1.7% year over year in August, missing the Fed's 2% target.

The PCE deflator, which is the Fed's preferred measurement of the inflation rate, rose by 1.0% year over year in August. The core PCE deflator, which excludes food and energy prices, increased by 1.7% year over year; the rate was below, but closer to, the Fed's 2% target than the July reading, and was in line with the consensus estimate.

Figure 2. US: PCE Deflator, YoY % Change; CPI, YoY % Change



Source: US Bureau of Economic Analysis

The US CPI increased by 1.1% year over year in August and by 0.2% month over month. Core CPI, which excludes food and energy price movements, was up by 2.3% year over year, achieving the Fed's target of 2%. However, the Fed considers next week's PCE deflator to be a better inflation measure.

Gas prices have risen moderately since August, reaching US\$2.241 per gallon on October 16, 2016. The OPEC production cut and crude oil hovering above US\$50 a barrel tend to drive gas prices higher, which reduces consumption spending in other categories.

The gas price fell from US\$2.40 per gallon in June to US\$2.15 per gallon in August this year. The price then rose moderately from August to October, reaching US\$2.241 per gallon on October 16, 2016. The OPEC production cut and crude oil hovering above US\$50 a barrel tend to drive gas prices higher, which reduces consumption spending in other categories.

Figure 3. US: Gasoline Prices (Non-seasonally Adjusted), US\$ per Gallon



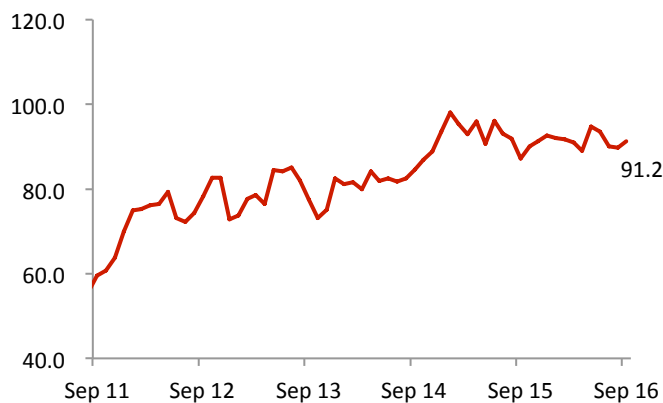
Source: EIA

Consumer Spending

The University of Michigan Consumer Sentiment Index stood at 91.2 in September, higher than 89.8 the previous month.

The University of Michigan Consumer Sentiment Index stood at 91.2 in September, up from 89.8 in August. The improvement was driven by gains among higher income households. However, the gauge has hardly budged throughout the year, with the average level of the index standing at 91.4.

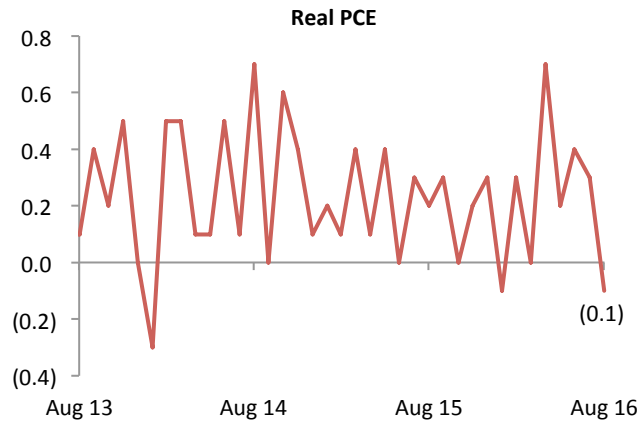
Figure 4. US: Consumer Sentiment



Source: University of Michigan

Real PCE in August decreased by 0.1% month over month. The modest drop reflected a decrease in spending on durable goods, which was partially offset by an increase in spending on services.

Figure 5. US: Real PCE (Seasonally Adjusted), MoM % Change

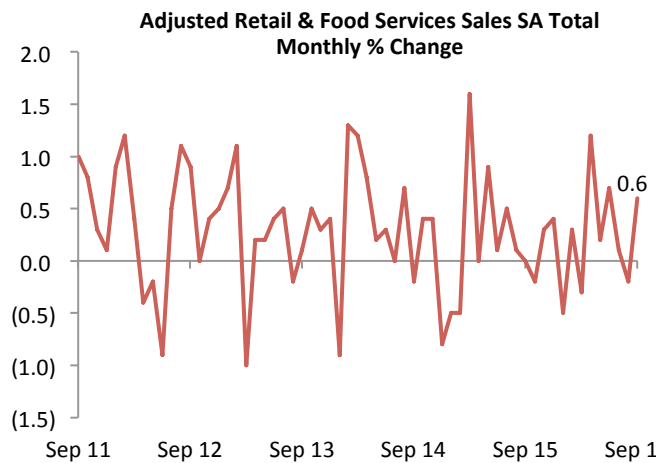


Source: US Bureau of Economic Analysis

In the US, advance estimates of September retail sales were US\$459.8 billion, up by 0.6% month over month and 2.7% year over year, buoyed by stronger auto sales and higher gasoline prices.

Auto retail sales increased by 1.1% month over month and retail sales of gas stations increased by 2.4% month over month. Control group sales, which are used for the estimate of personal consumption expenditure, were weak, up 0.1%.

Figure 6. US: Retail Sales (Seasonally Adjusted), MoM % Change



Source: US Census Bureau

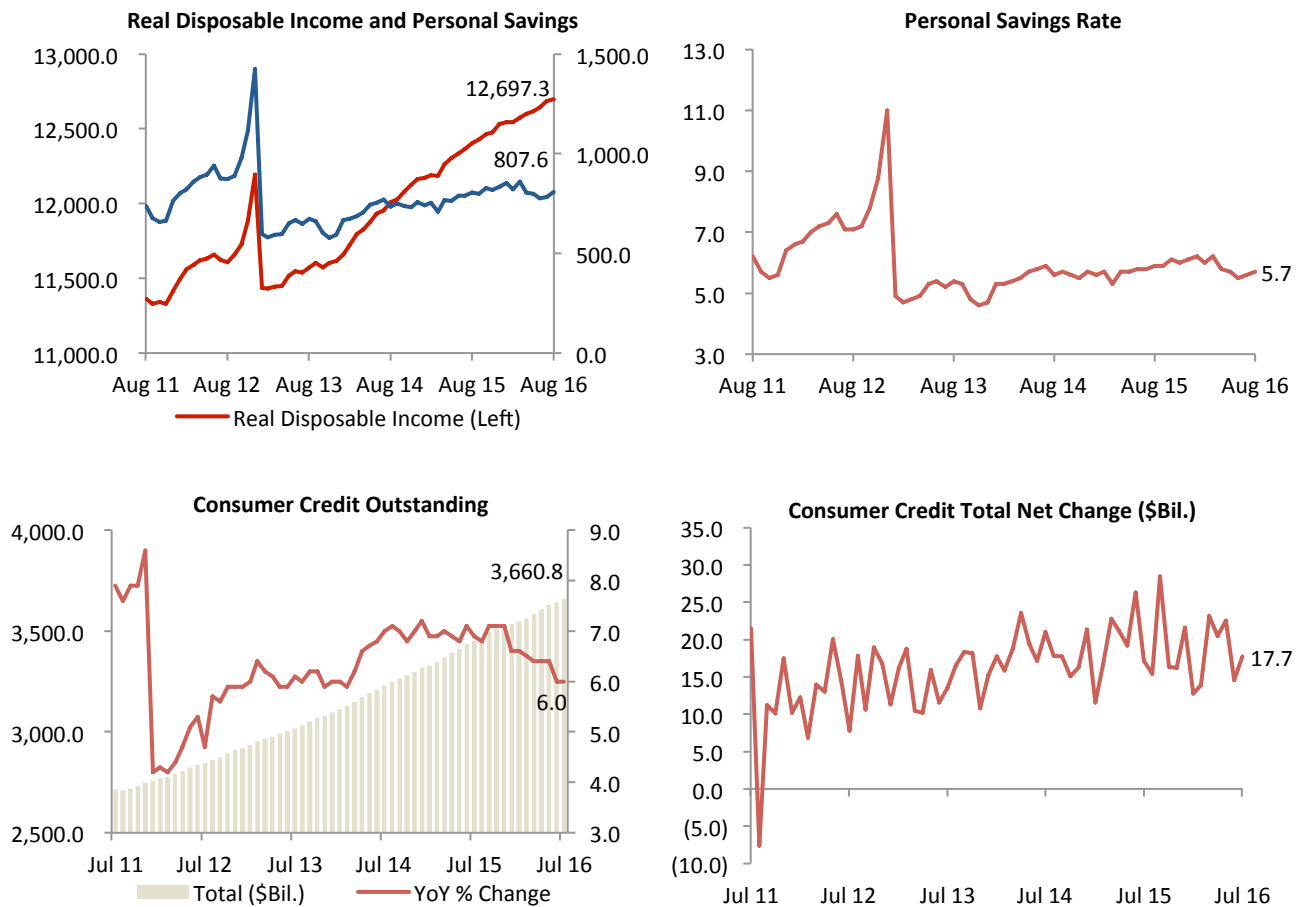
Consumers' Disposable Income and Credit

Real disposable income rose by 0.1% month over month in August.

Real disposable personal income totaled US\$12,697 billion, ticking up by 0.1% month over month in August, reflecting increases in wages and salaries, assets and government social benefits. Personal savings stood at US\$807.6 billion in August, and the savings rate was 5.7%.

In July, consumer credit outstanding totaled US\$3,660.8 billion, up 6.0% year over year, or US\$17.7 billion month over month.

Figure 7. US: Real Disposable Income and Personal Savings (Seasonally Adjusted Annual Rate), \$ Bil.; Federal Reserve Consumer Credit Outstanding (Seasonally Adjusted)



Source: US Bureau of Economic Analysis/Federal Reserve Board

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