

APOLLO

Outlook for the US consumer

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Apollo Global Management

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Unless otherwise noted, information as of July 2023

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Overview

Reasons to be bullish on the US consumer

1. Job growth is still solid, jobless claims low
2. Net worth and excess savings still high
3. Wage growth still solid, real wage growth is positive

Reasons to be bearish on the US consumer

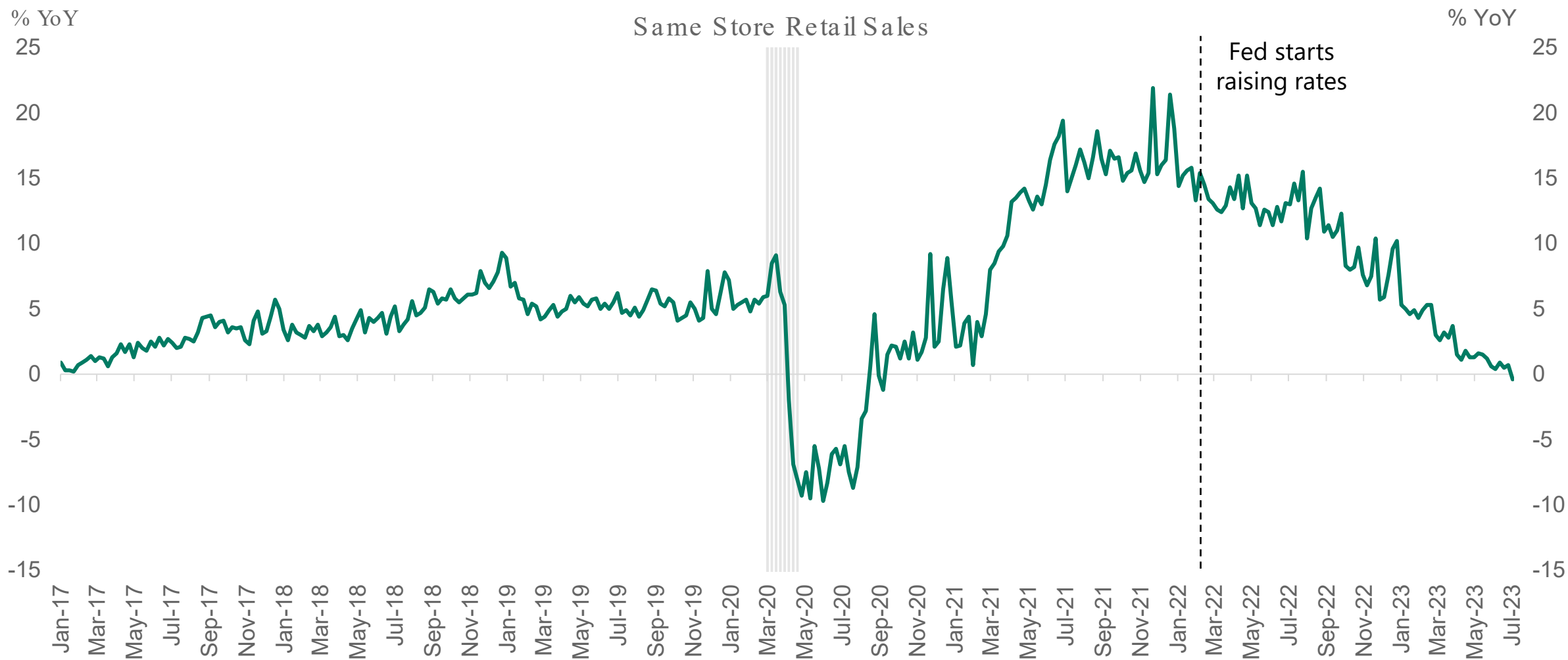
1. The pace of employment growth is slowing
2. Households running out of excess savings
3. Delinquency rates trending higher for credit cards and auto loans

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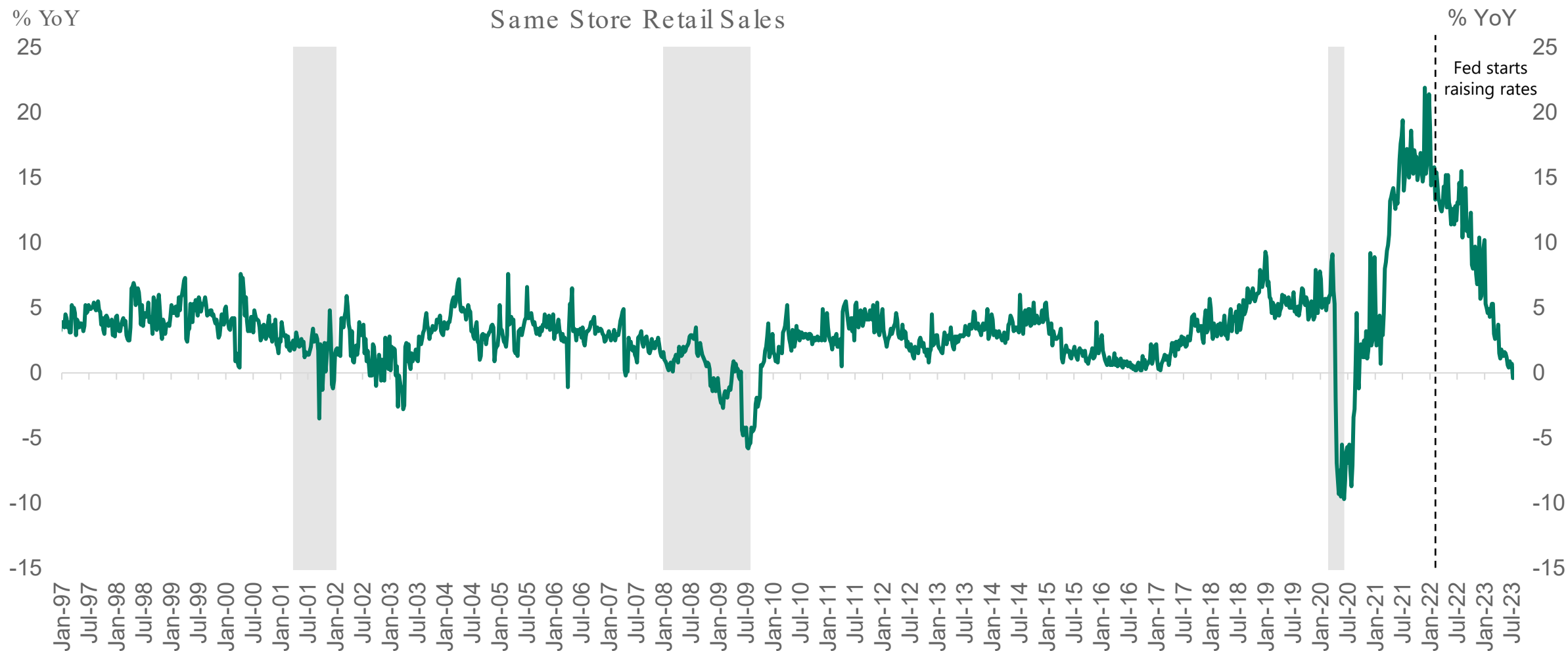
- Overview
- Leading indicators of consumer spending
- Health of the household sector balance sheet
- Outlook for spending on housing
- Outlook for spending on cars
- Outlook for spending on restaurants
- Outlook for spending on travel
- Outlook for spending on other consumer goods
- Conclusions

Overview

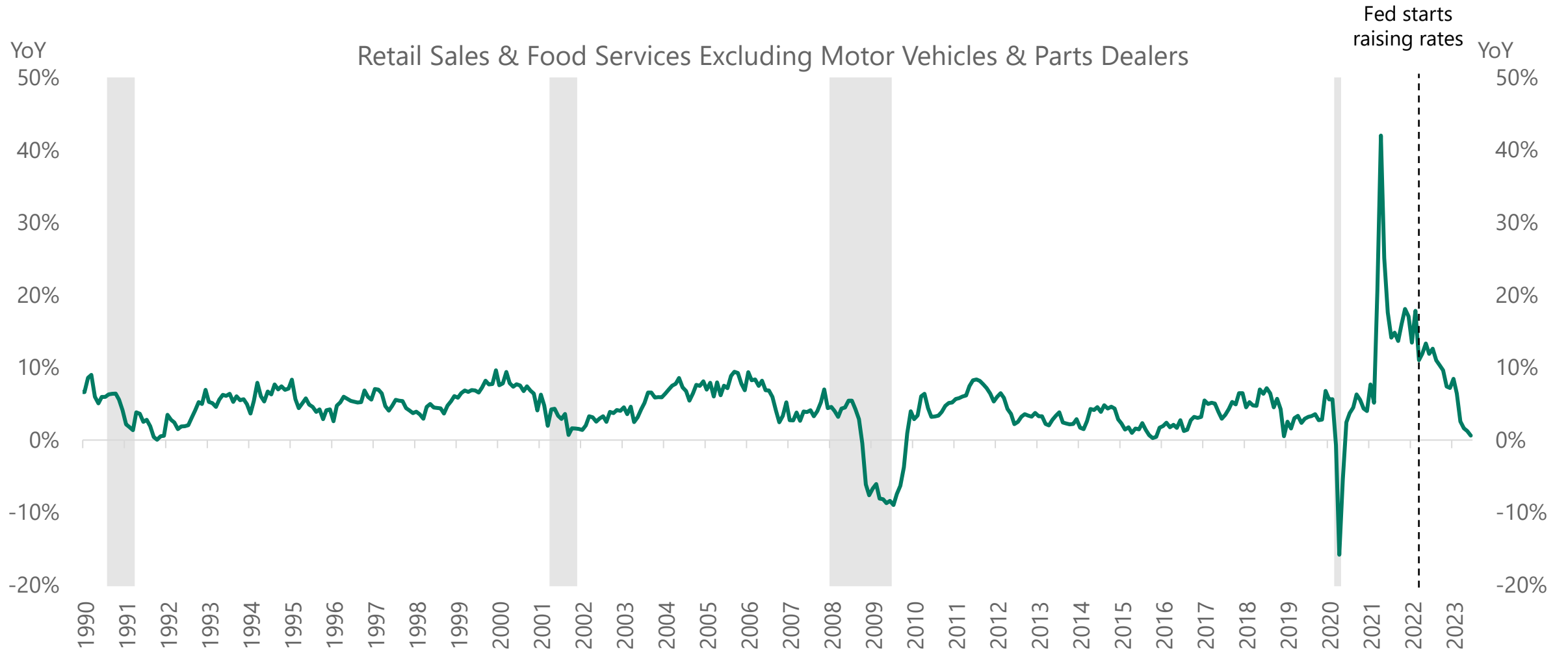
Weekly data for same store retail sales



Weekly data for same store retail sales

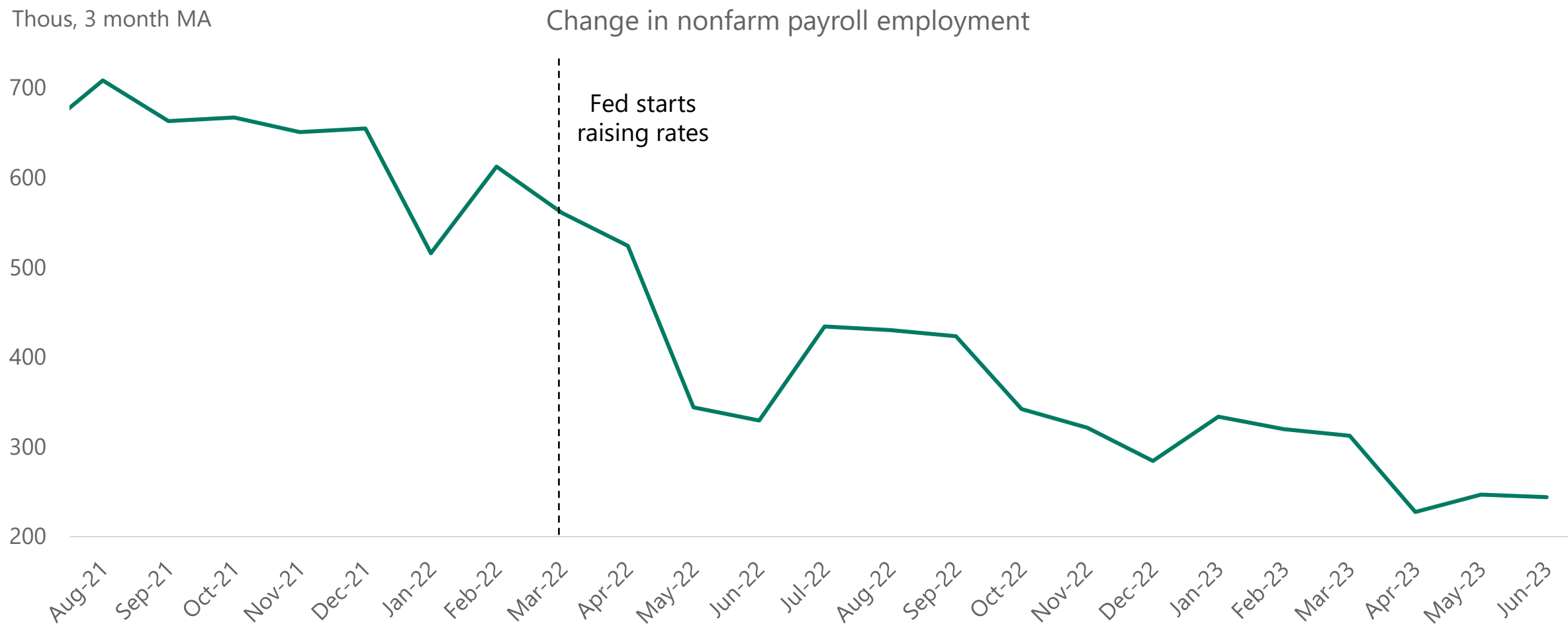


Retail sales continues to slide

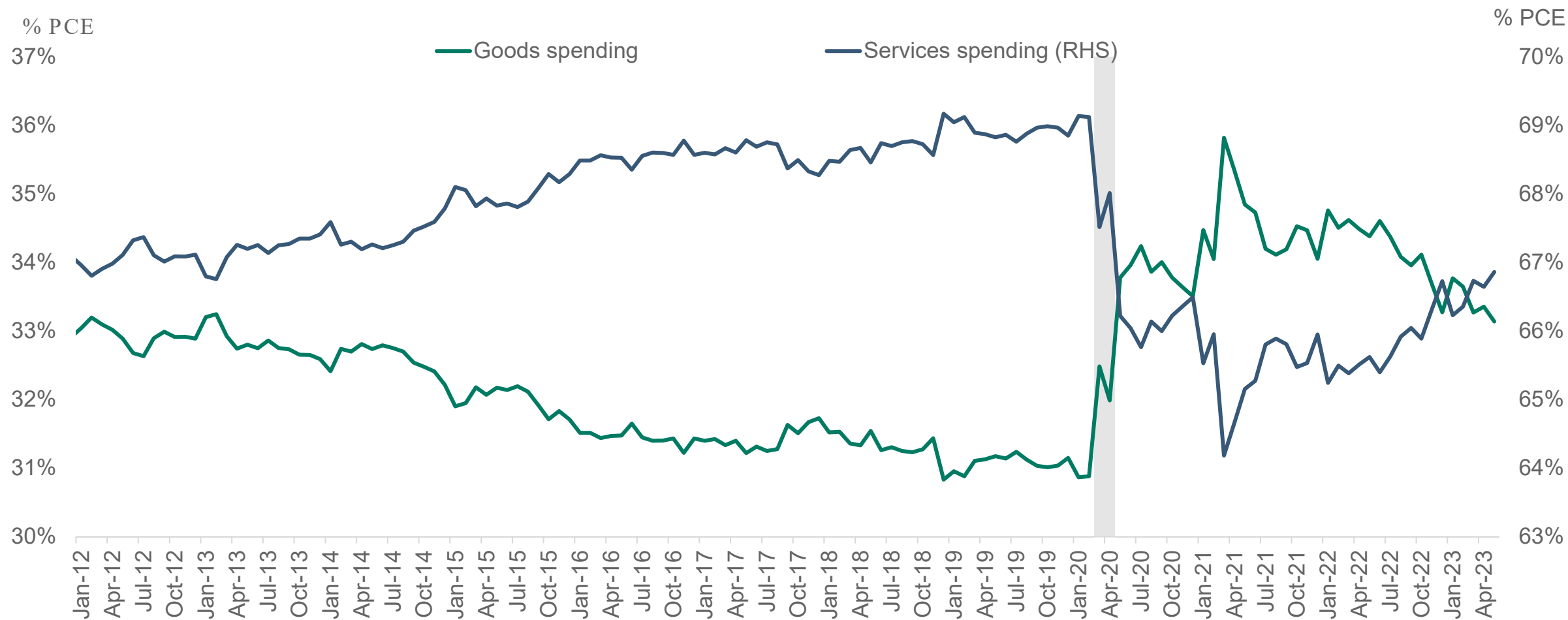


Source: Census Bureau, Haver Analytics, Apollo Chief Economist

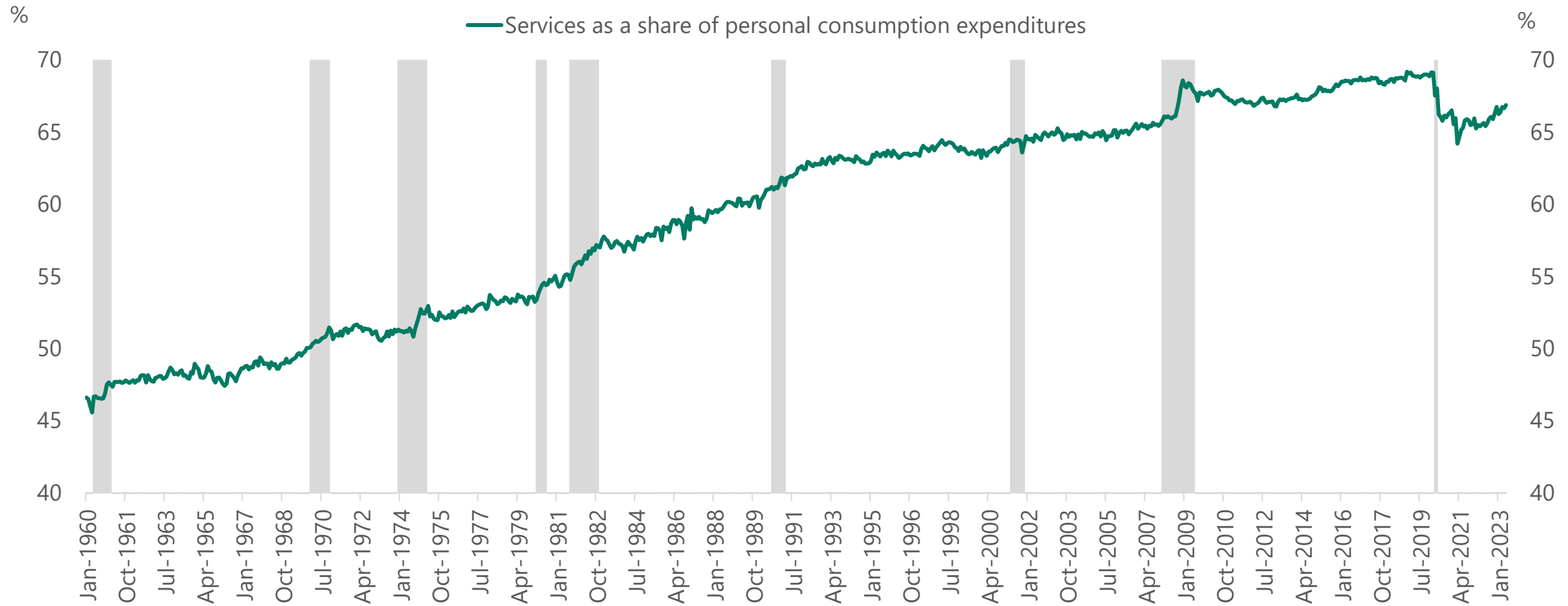
Employment growth keeps slowing



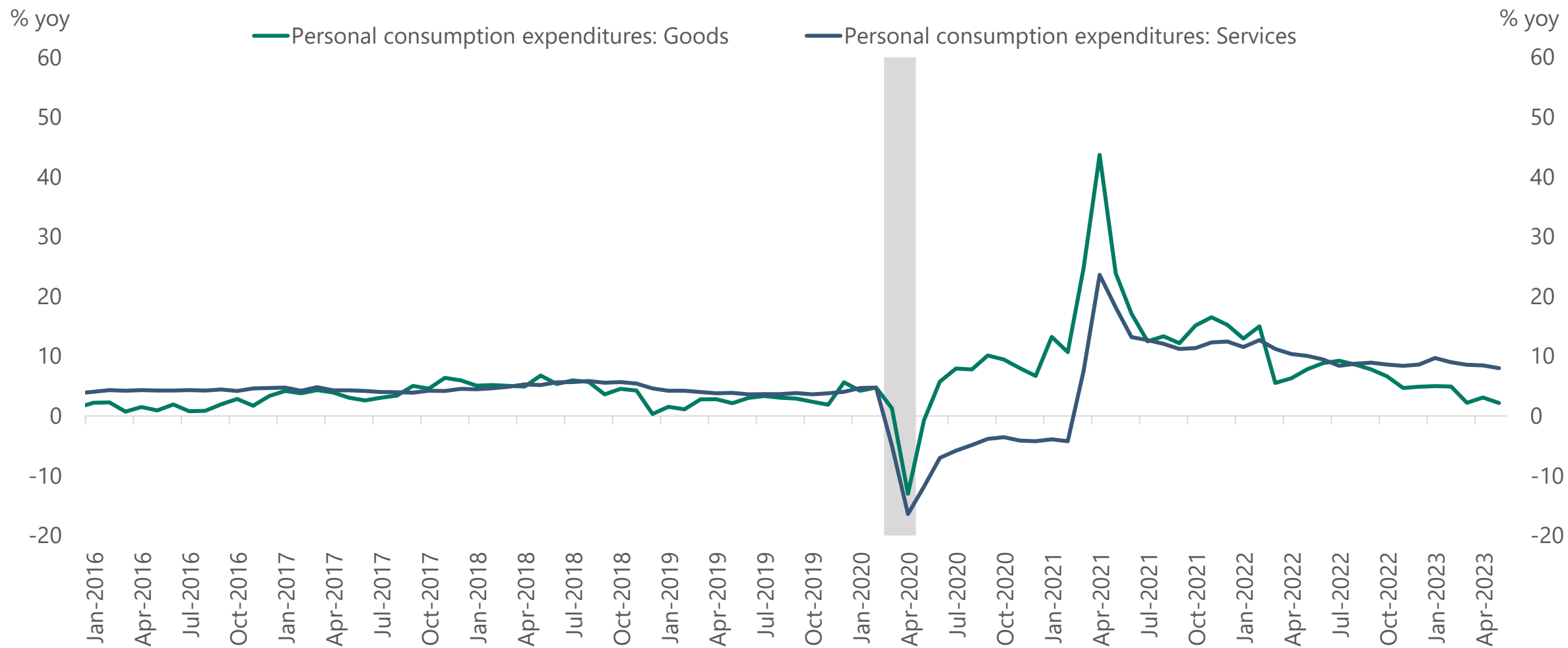
Share of consumer spending on services is coming back



The share of spending on services declined during the pandemic



Change in inflation-adjusted consumer expenditures on goods and services

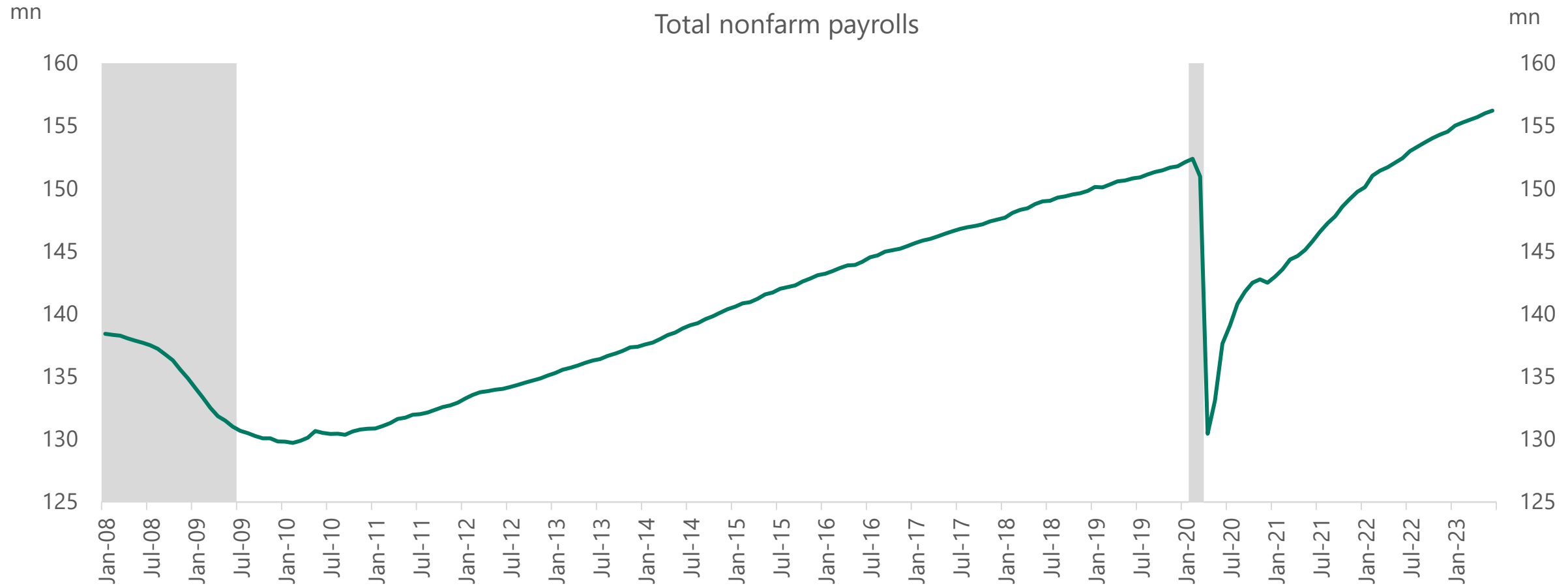


Where are different categories of retail spending today compared with February 2020?

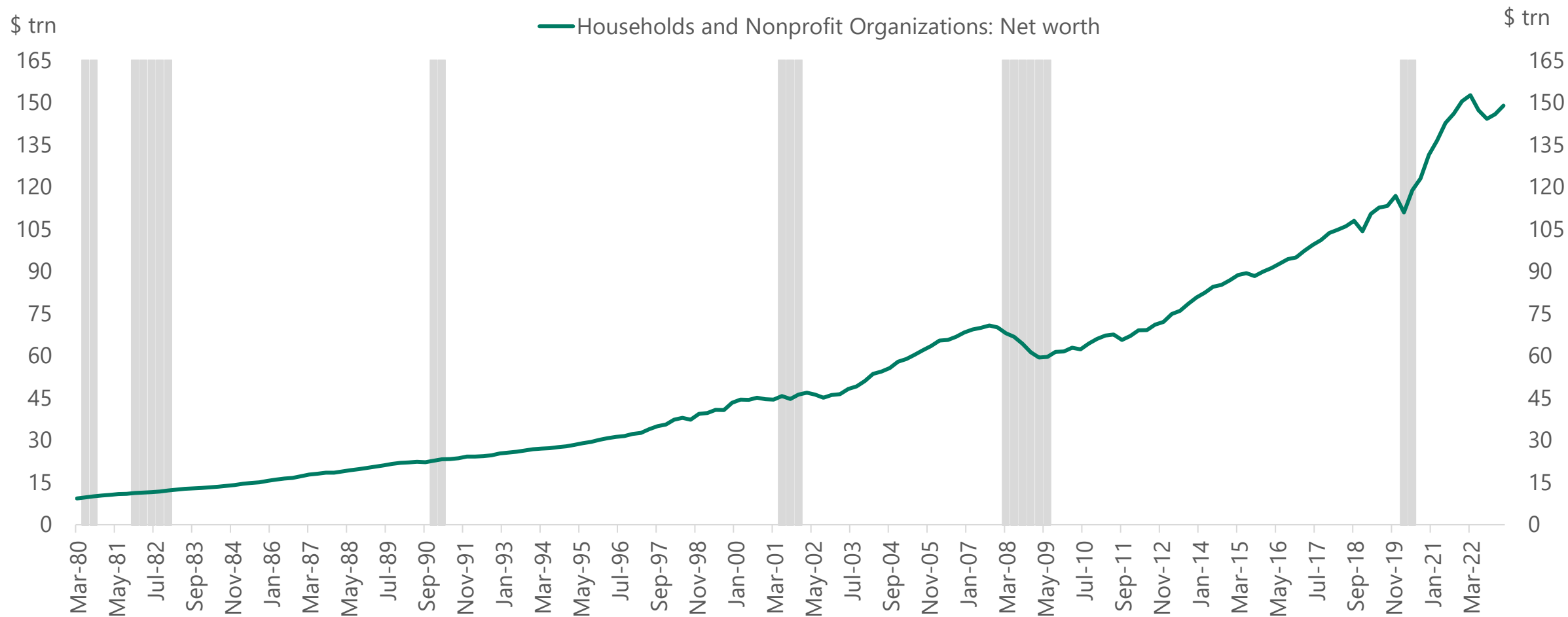
	Feb-2020	Mar-2020	Apr-2020	Jun-2020	Jan-2021	Jun-2021	Jan-2022	Jun-2022	Jan-2023	Jun-2023
Total	100	94	83	104	112	120	125	131	132	132
Department Stores excl Leased Departments	100	81	57	88	96	106	103	106	110	100
Electronics & Appliance Stores	100	82	46	80	99	115	101	106	106	107
Furniture & Home Furn & Electronics/Appliance Stores	100	80	42	90	108	115	109	112	116	109
Furniture & Home Furnishing Stores	100	78	39	97	115	115	115	116	123	111
Clothing & Accessory Stores	100	50	13	75	91	113	107	113	117	114
General Merchandise Stores	100	103	92	101	107	109	112	118	121	119
Health & Personal Care Stores	100	105	89	98	103	111	111	113	117	120
Food & Beverage Stores	100	126	109	109	110	114	120	124	126	125
Grocery Stores	100	128	110	109	109	113	120	124	127	126
Sporting Goods, Hobby, Book & Music Stores	100	82	55	121	126	128	121	128	130	126
Gasoline Stations	100	84	65	81	97	110	128	164	136	127
Motor Vehicle Dealers	100	72	61	103	111	124	125	122	128	128
Building Materials, Garden Equipment & Supply Dealers	100	100	99	114	120	124	131	133	133	129
Motor Vehicle & Parts Dealers	100	74	63	104	111	124	125	123	129	129
Food Services & Drinking Places	100	70	45	77	85	107	105	119	130	130
Retail Sales & Food Services	100	91	78	100	108	118	123	129	132	131
Retail Sales & Food Services Excl Motor Vehicles & Parts Dealers	100	95	81	100	108	117	122	131	133	132
Total Excl Motor Vehicle & Parts Dealers	100	100	88	104	112	119	125	133	133	132
Miscellaneous Stores Retailers	100	85	62	92	104	115	124	133	135	135
Automotive Parts, Acc & Tire Stores	100	91	86	114	108	120	128	131	135	142
Nonstore Retailers/online shopping	100	106	119	127	137	143	157	158	165	173

Macro factors driving consumer spending

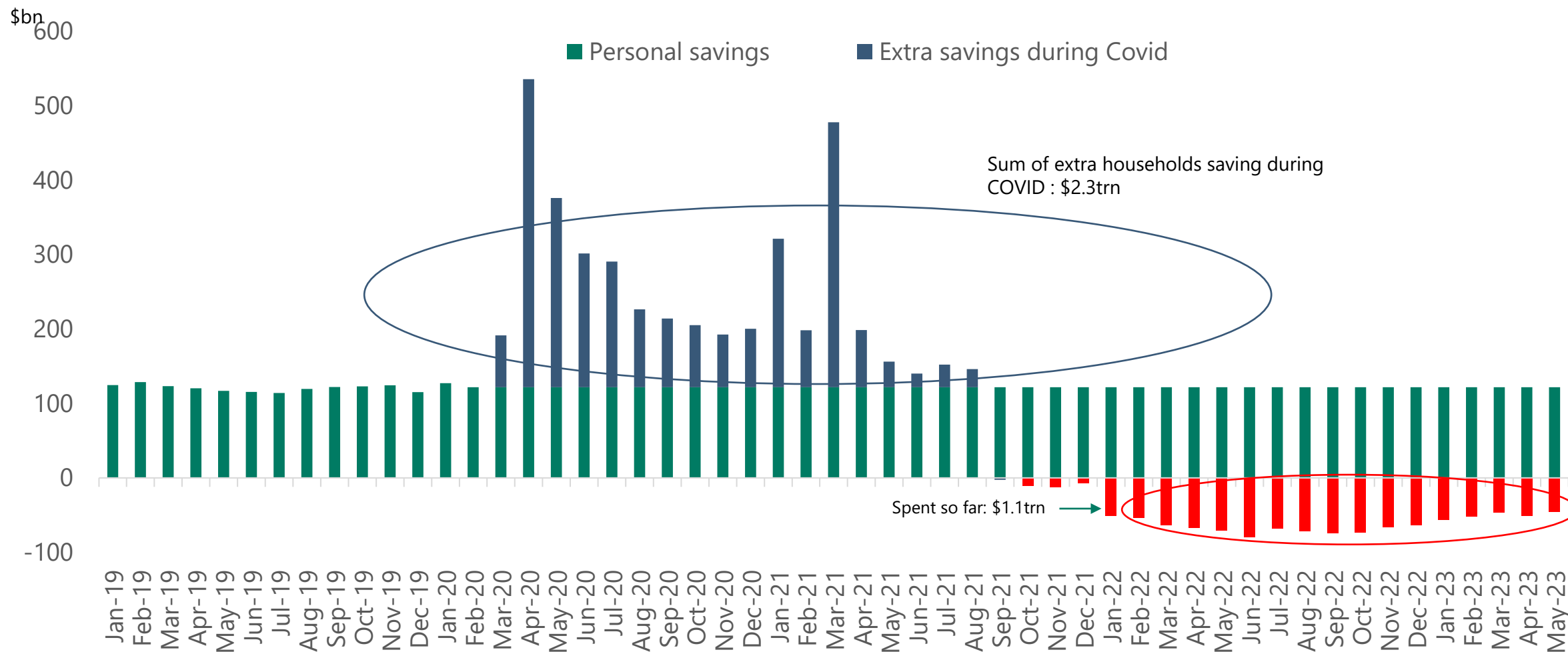
Total employment is now 4 mn jobs above February 2020 levels



Net worth of the US household sector is near record highs

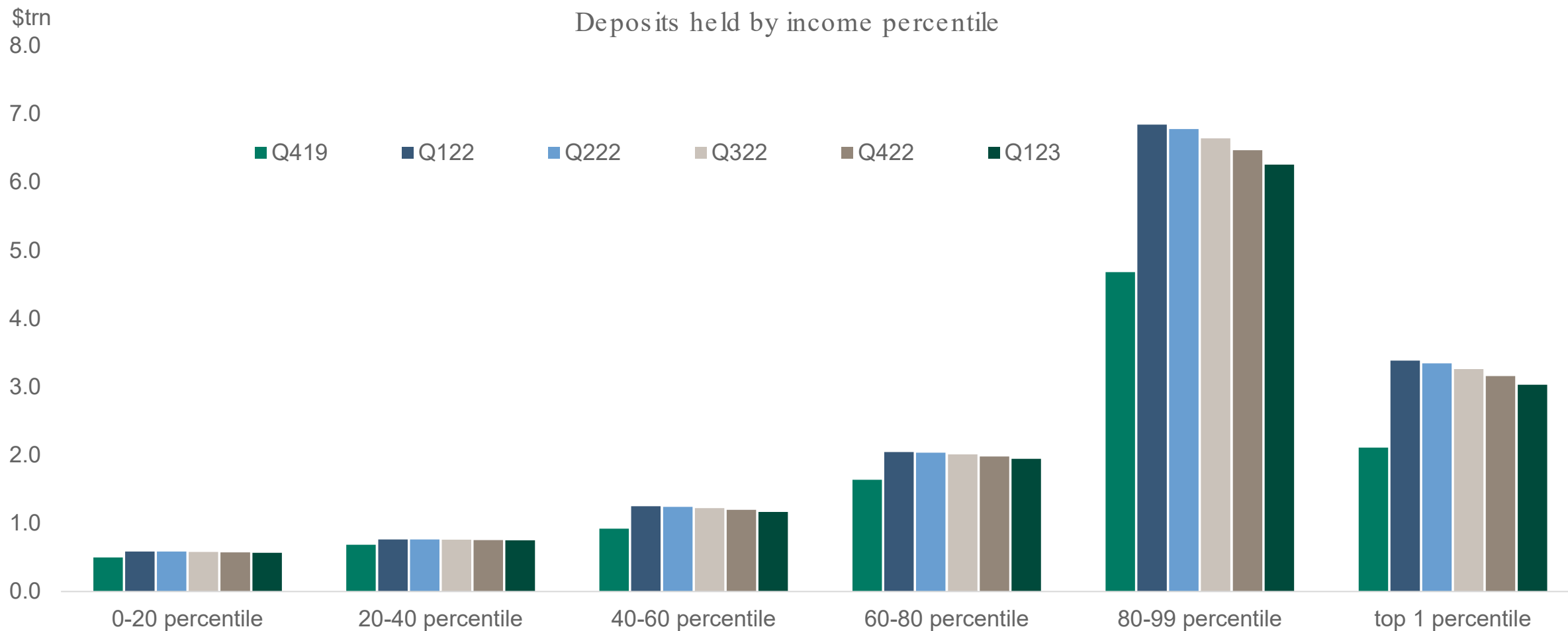


Households are running down their excess savings, but still about \$1.2trn left

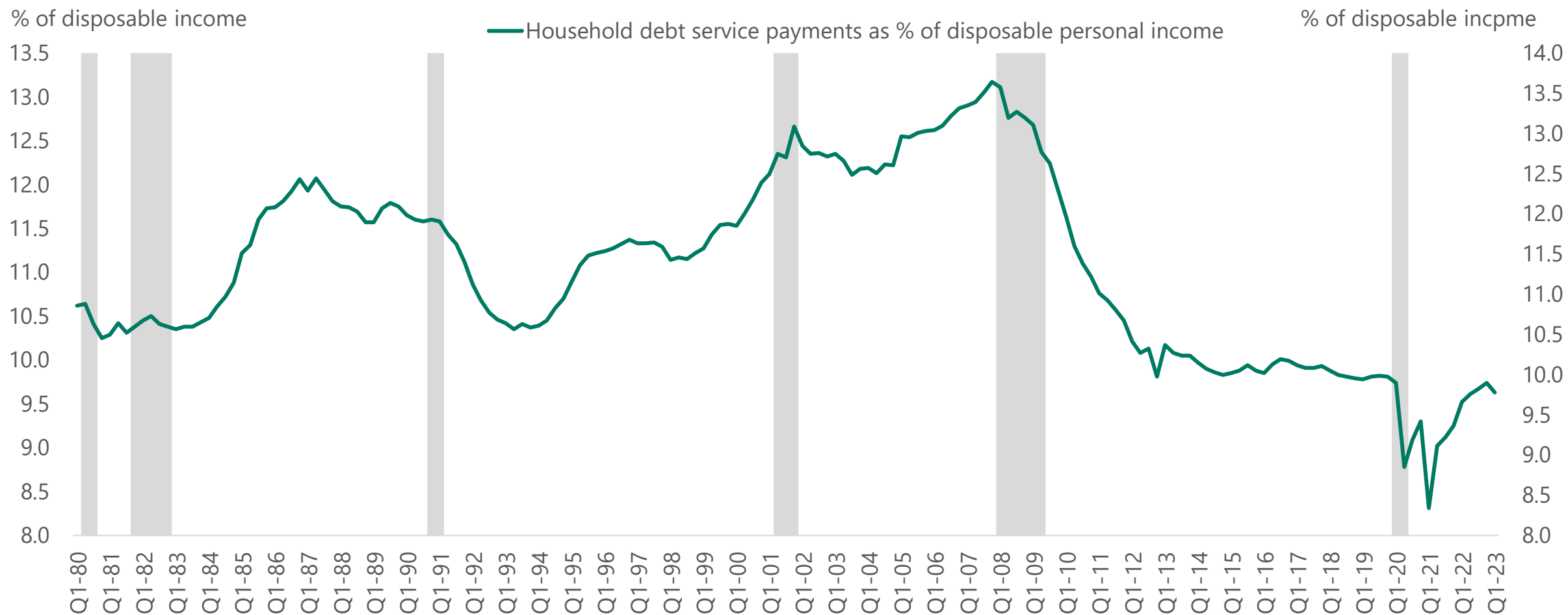


Note: Bloomberg, Apollo Chief Economist

Household savings across different income groups

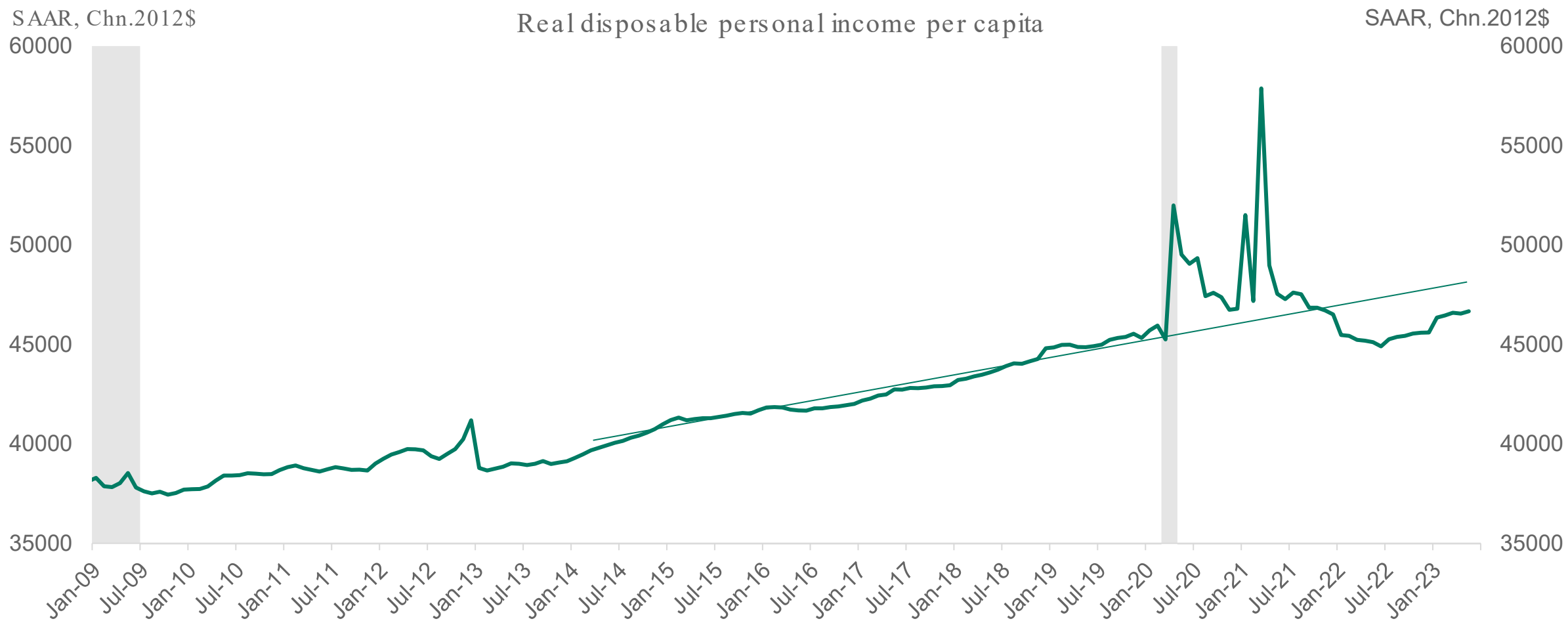


Household debt service payments as a share of income

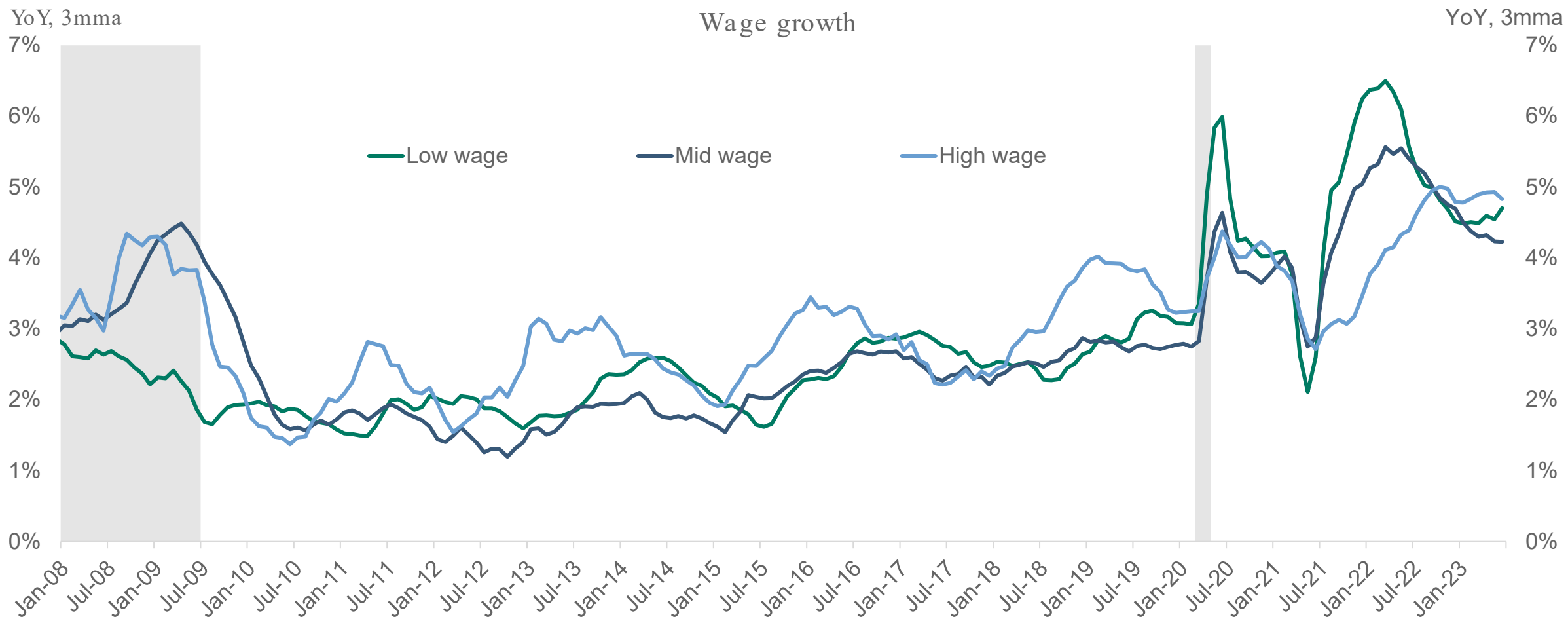


Source: FRB, Haver, Apollo Chief Economist

Inflation-adjusted incomes per capita below pre-pandemic trend

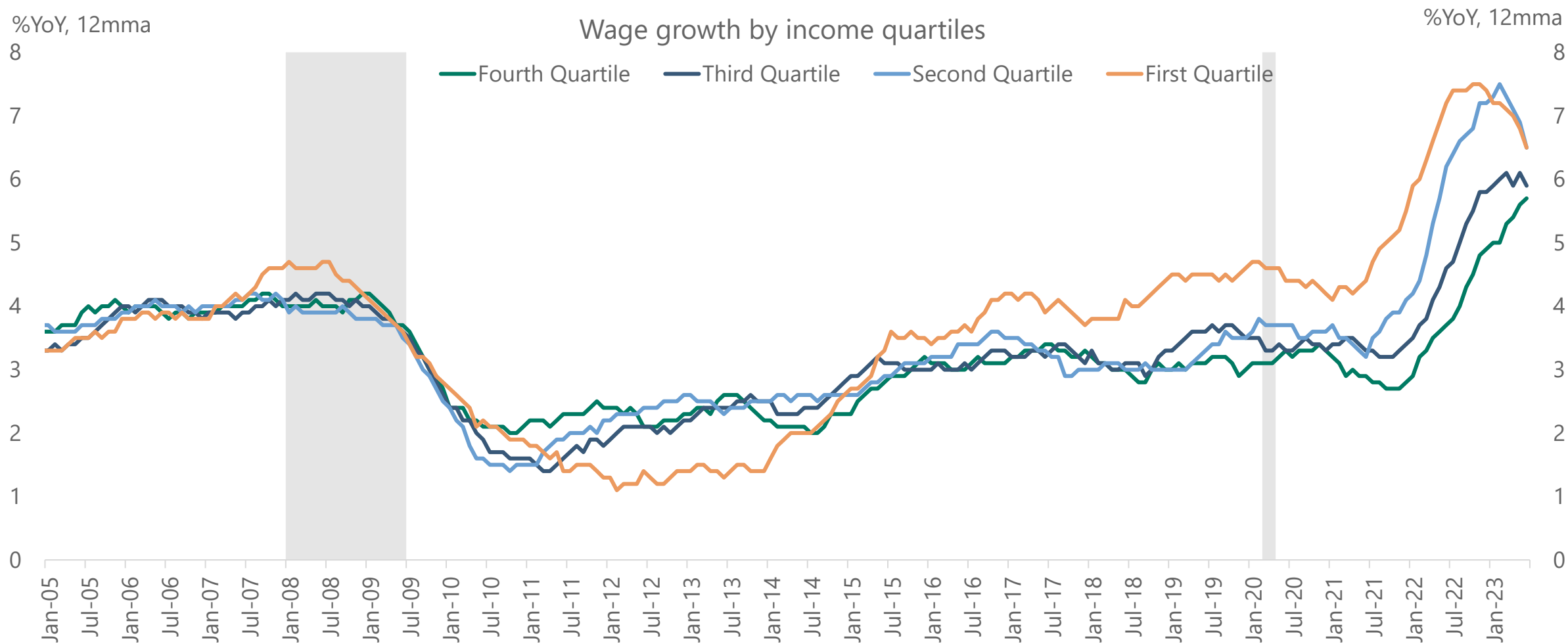


Wage inflation is sticky at 4.5%



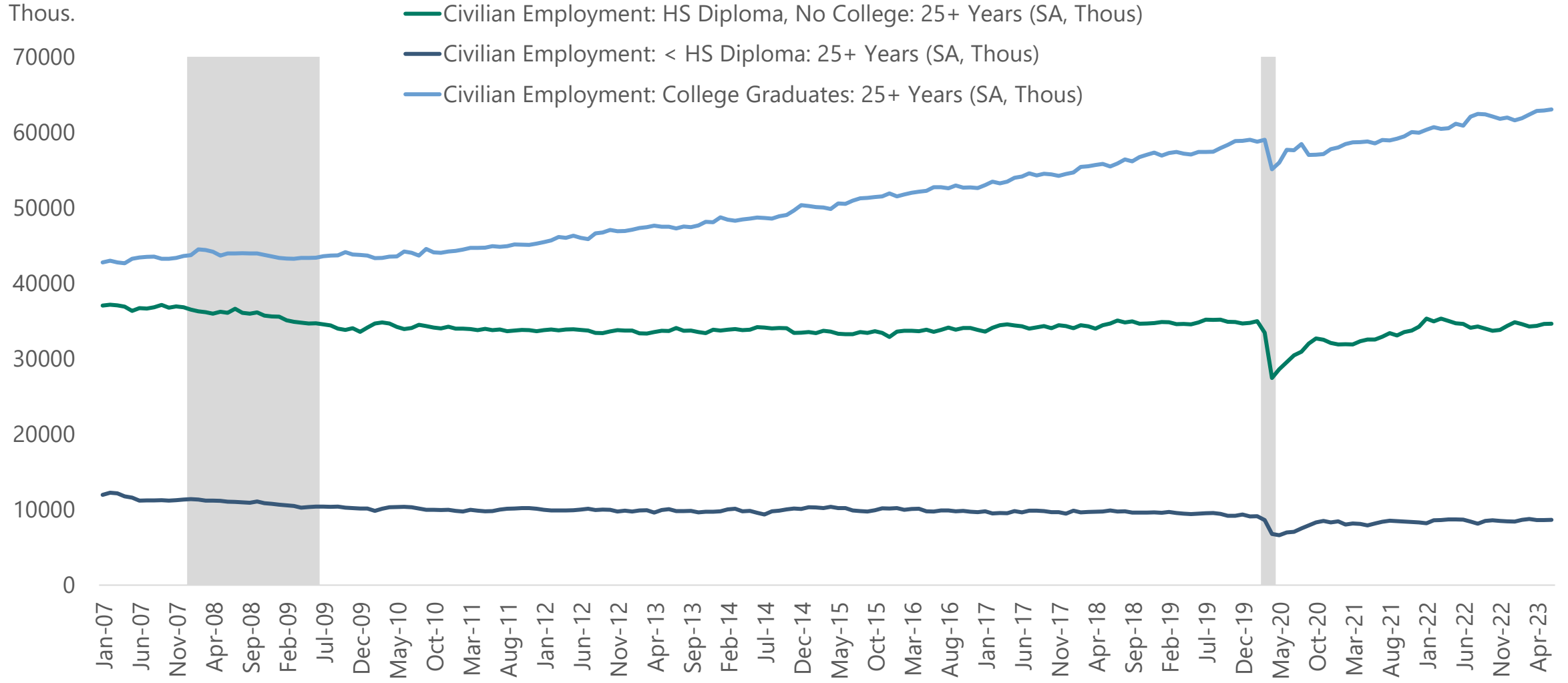
Source: BLS, Apollo Chief Economist. Note: Low wage workers are defined as the bottom third percentile in the wage distribution, mid wage workers as the mid third percentile and high wage workers as top third percentile

Wage growth still elevated across the income distribution



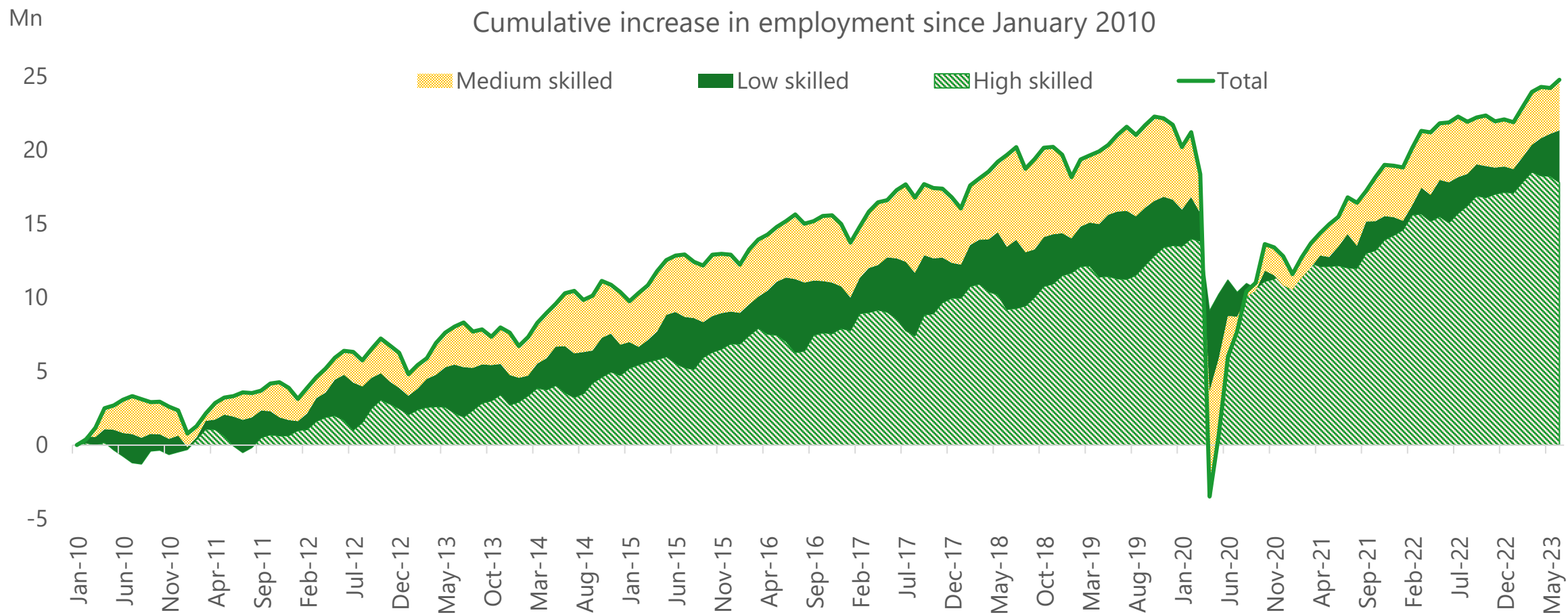
Source: Federal Reserve Bank of Atlanta, Haver, Apollo Chief Economist

Employment for workers, by education



Source: BLS, Haver, Apollo Chief Economist

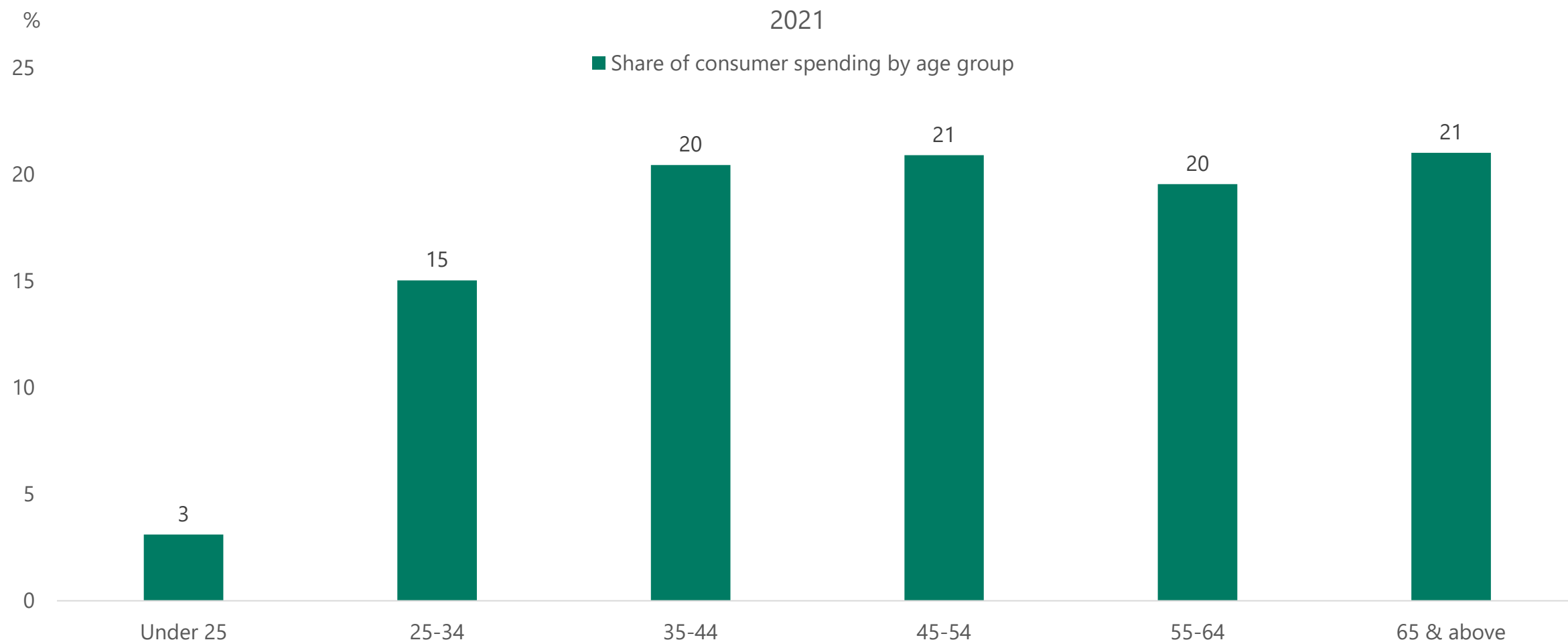
The composition of employment, by skill



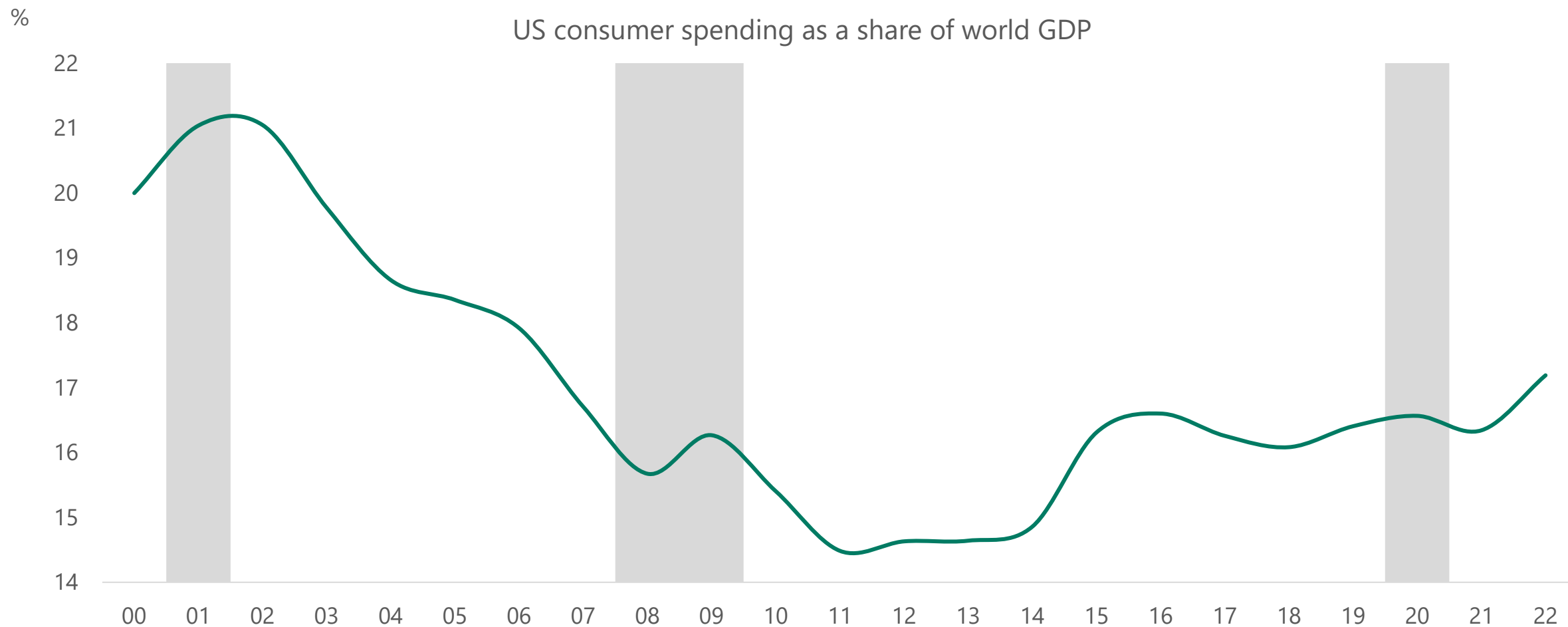
Source: BLS, Haver, Apollo Chief Economist

Note: High-skill occupational categories are management and financial operations and Professionals and related occupations; Medium-skill categories are sales and related occupations, office administrative support, construction, installation and repair, production occupations, and transportation and material moving; Low-skill categories are service occupations and farming, fishing, and forestry.

People age 55 and above account for 41% of total consumer spending

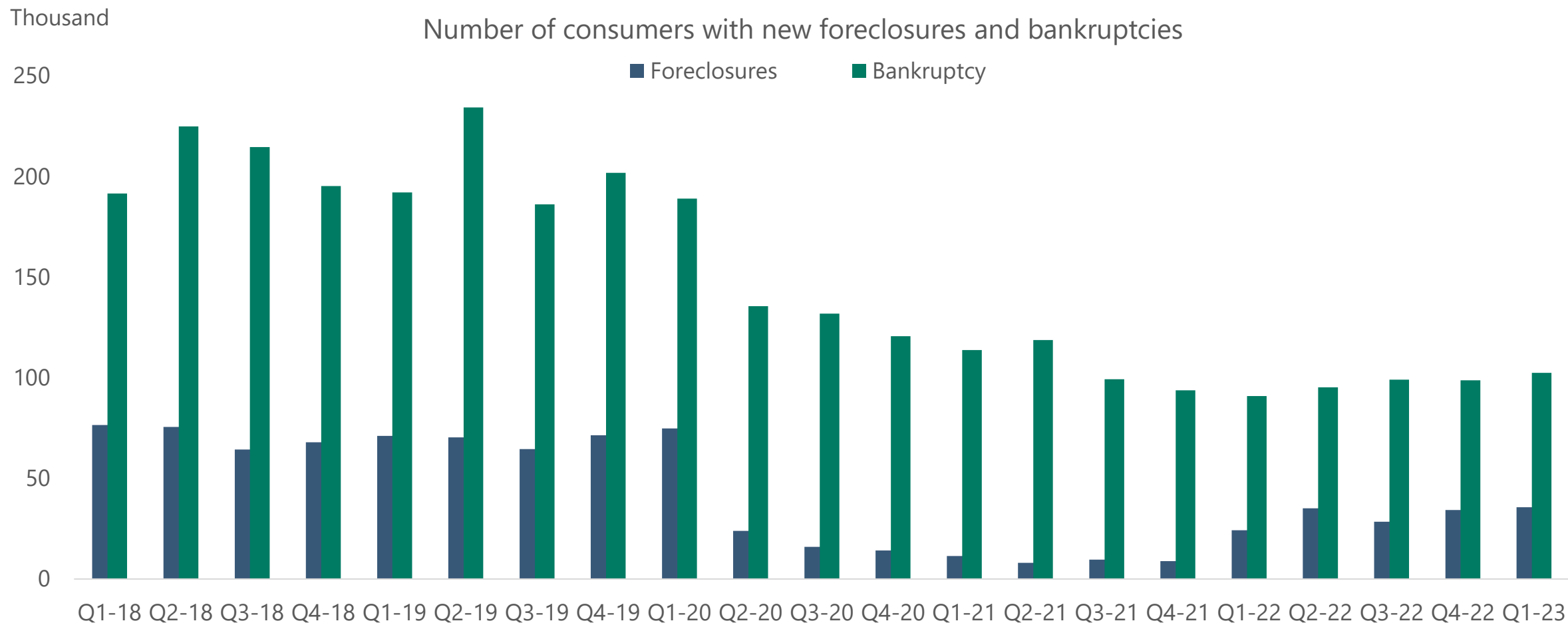


US consumer makes up 17% of global GDP



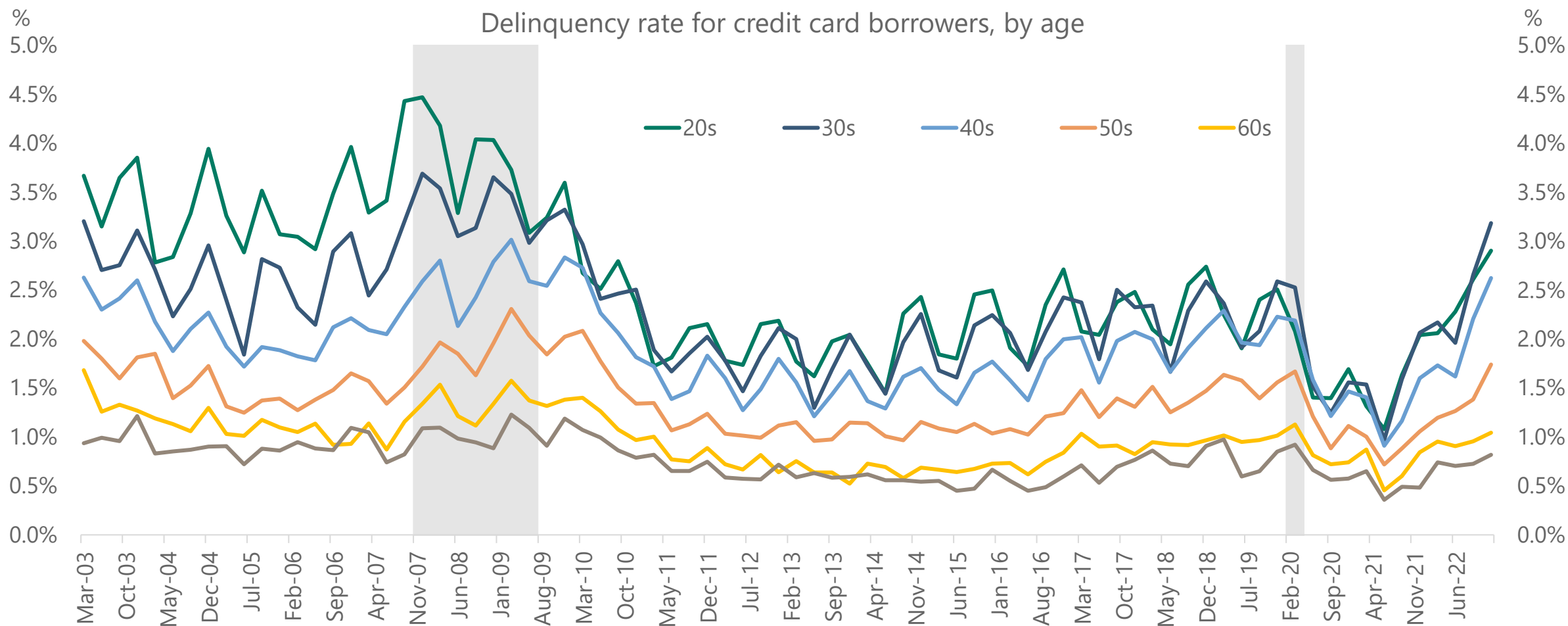
Health of the household sector balance sheet

Foreclosures and bankruptcies starting to rise



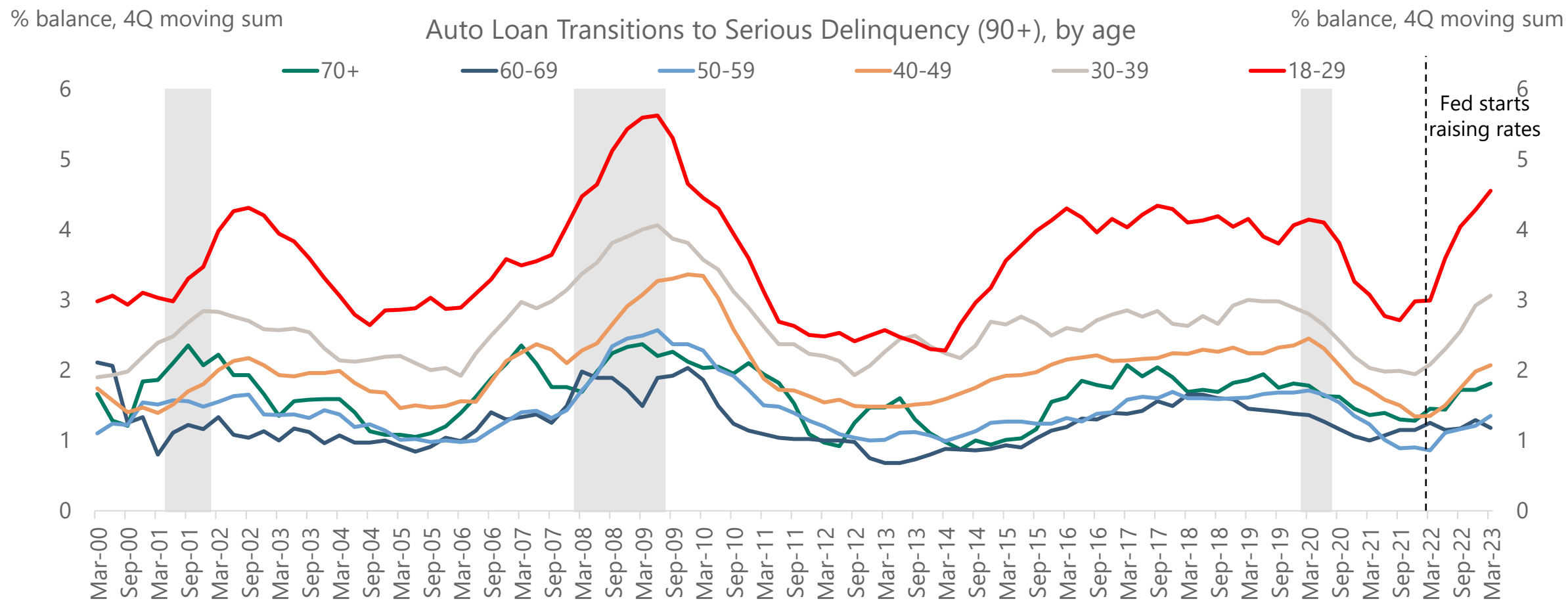
Source: FRBNY, Equifax, Haver, Apollo Chief Economist

Credit card delinquency rate higher for younger borrowers



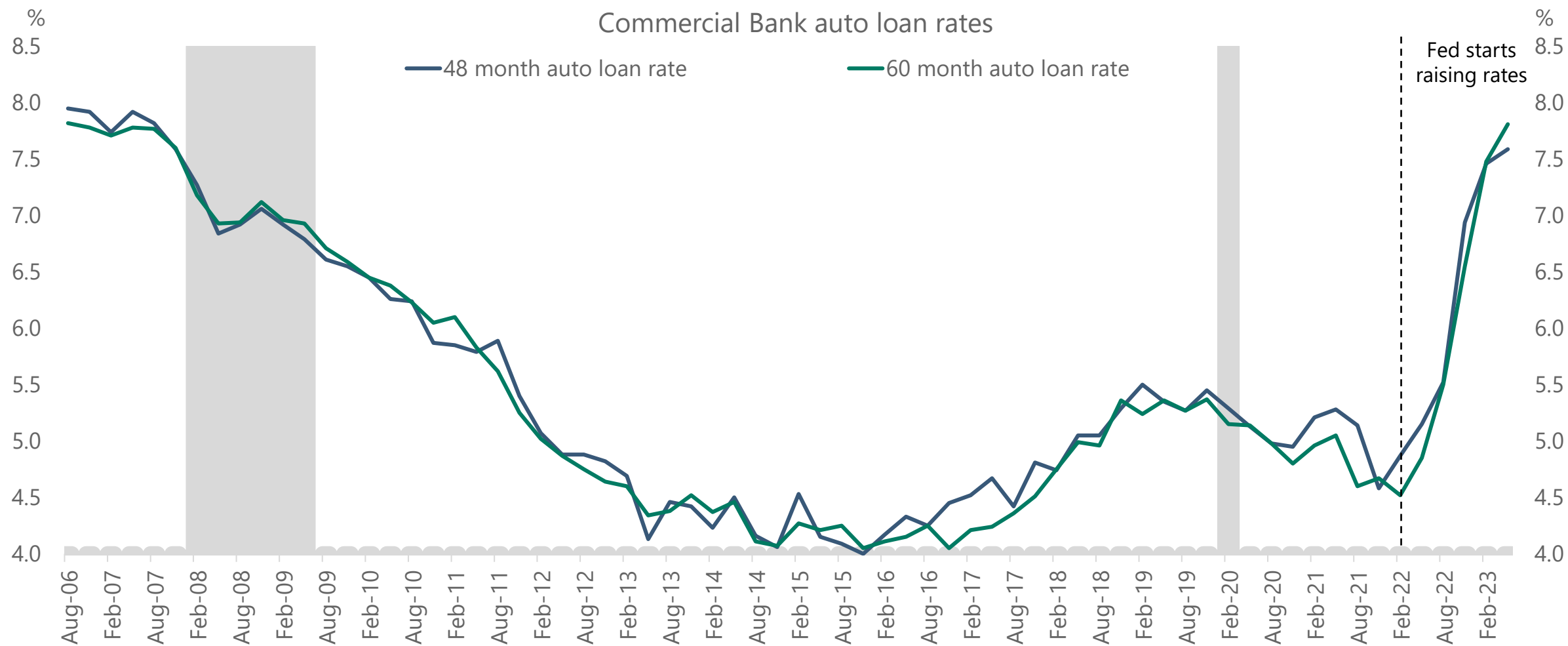
Source: New York Fed Consumer Credit Panel / Equifax, Apollo Chief Economist

Auto loan transitions to serious delinquency approaching 2008 levels



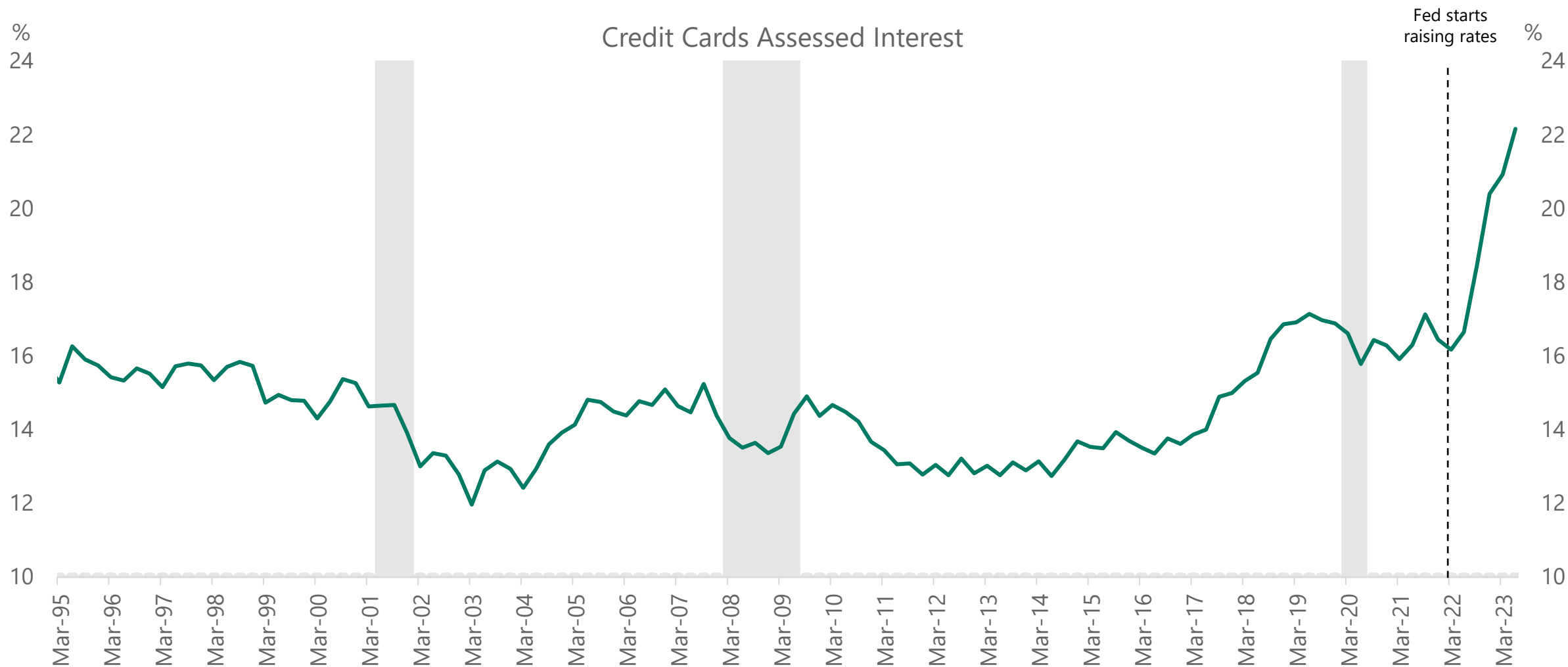
Source: FRBNY Consumer Credit Panel, Equifax, Haver Analytics, Apollo Chief Economist

Interest rate on auto loans

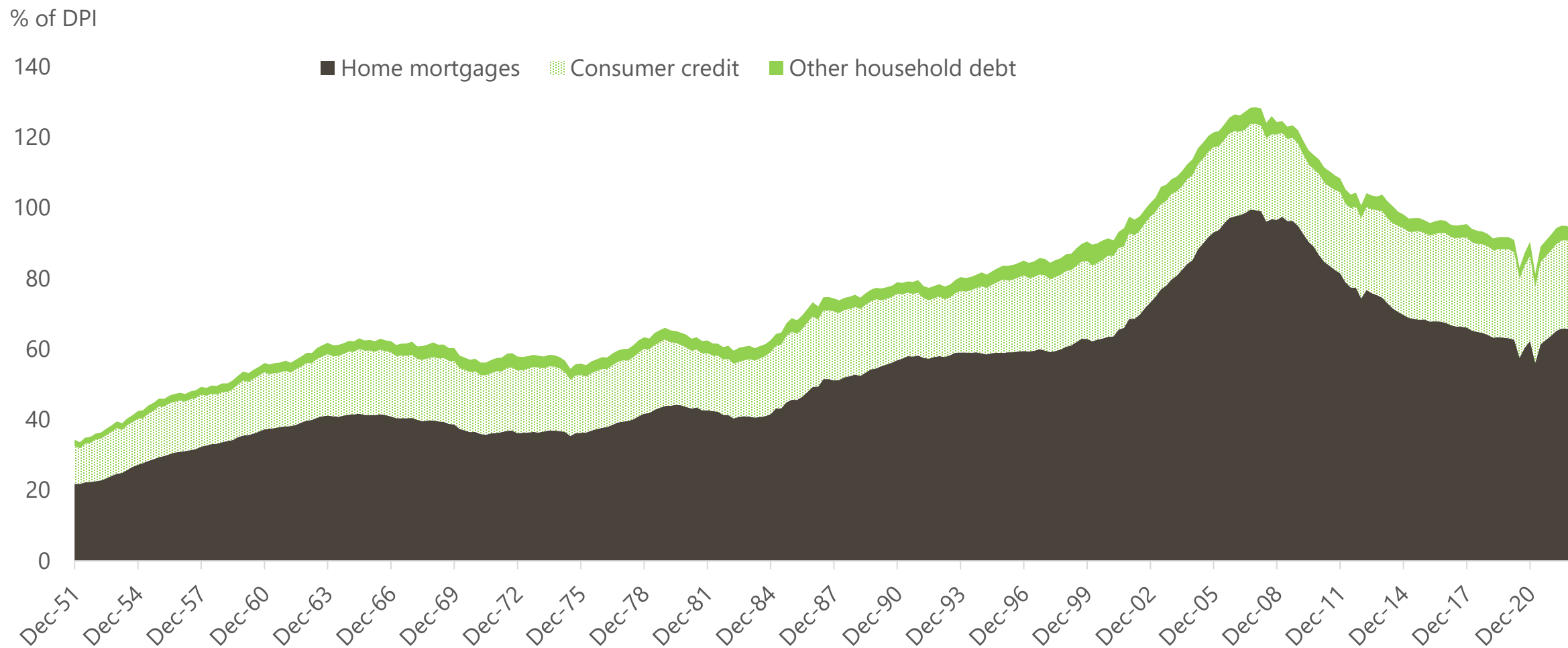


Source: FRB, Bloomberg, Apollo Chief Economist

Interest rate on credit cards



Household sector leverage well below 2007 levels

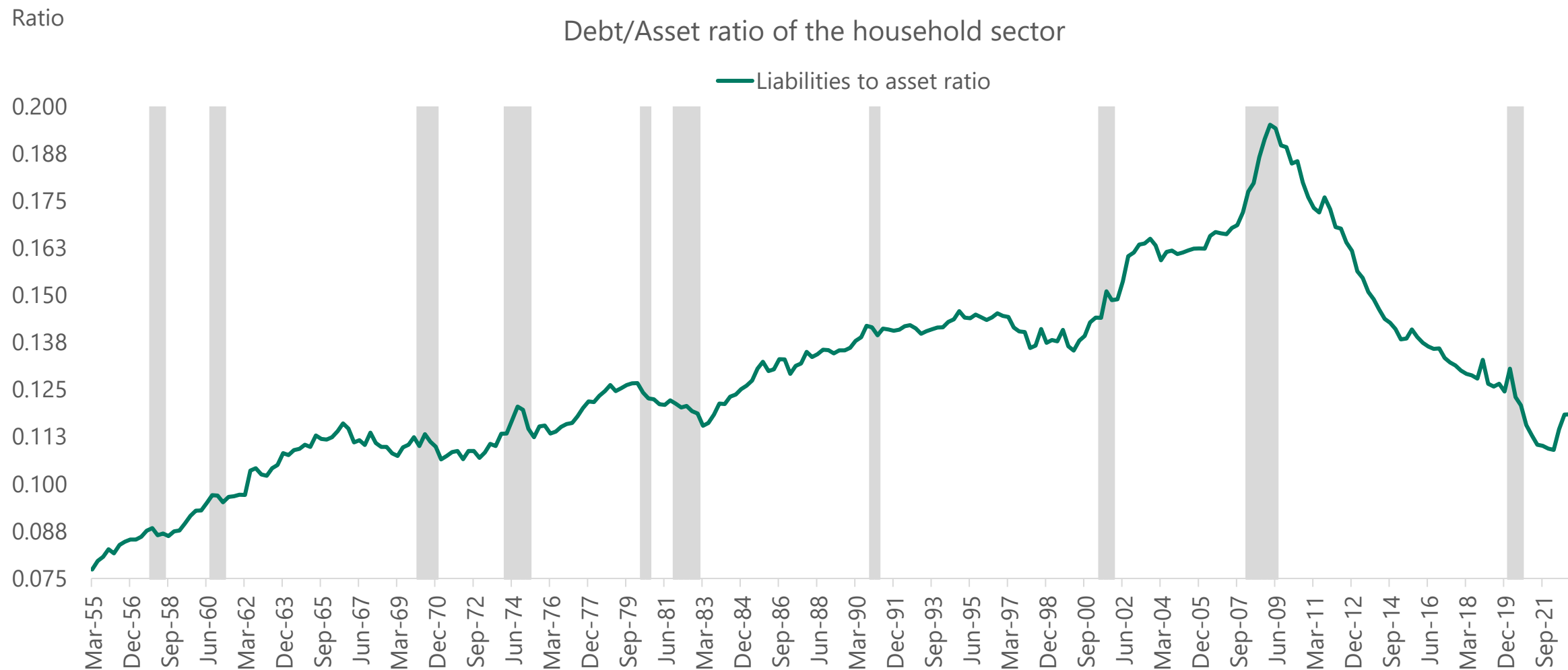


Delinquency rates for auto loans and credit cards

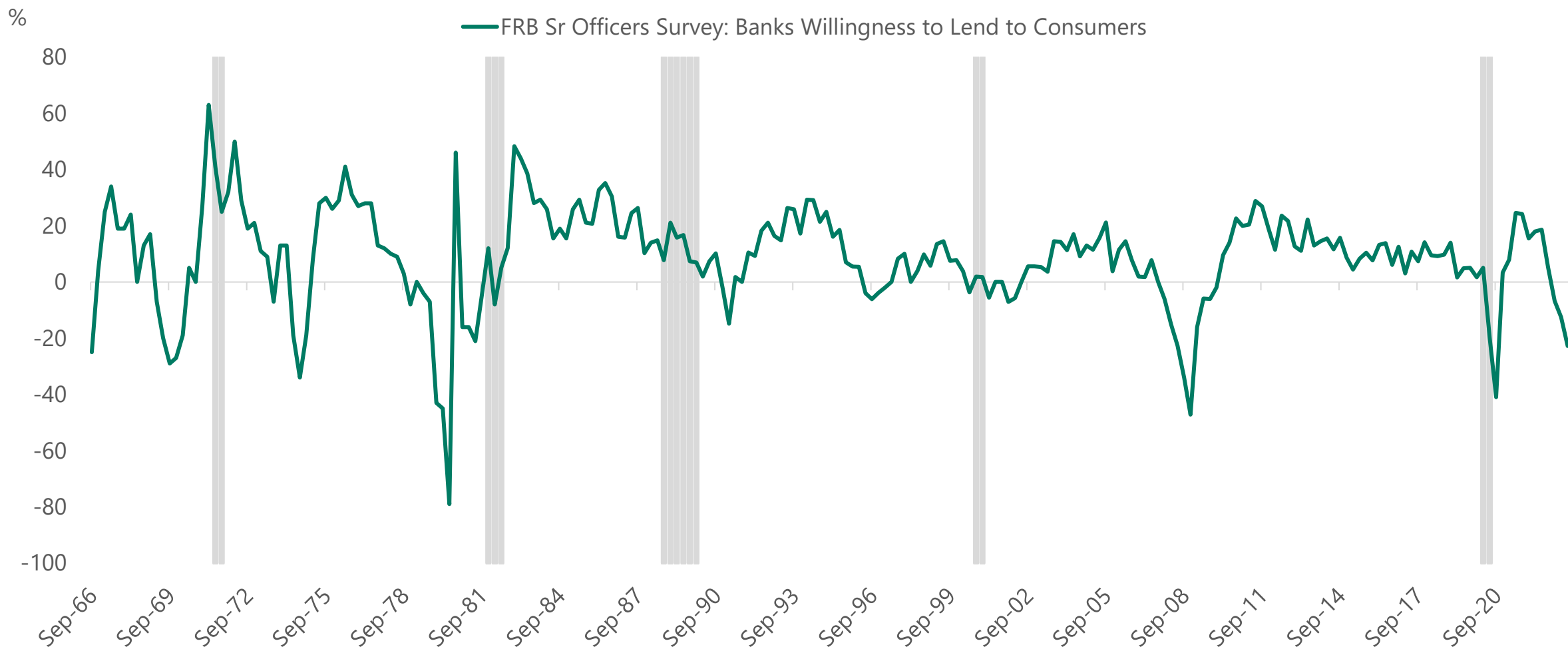
Auto Loans					Credit Cards					Mortgages				
+60 day delinquency rate					+90 day delinquency rate					Distribution of Delinquency				
	June 2023	May 2023	June 2022	June 2019		June 2023	May 2023	June 2022	June 2019		June 2023	May 2023	June 2022	June 2019
Super Prime	0.0%	0.0%	0.0%	0.0%	Super Prime	0.00%	0.00%	0.00%	0.00%	Current	95.3%	95.4%	95.8%	94.0%
Prime plus	0.01%	0.01%	0.01%	0.01%	Prime plus	0.01%	0.01%	0.01%	0.01%	30-59 DPD	2.7%	2.5%	2.2%	3.3%
Prime	0.13%	0.14%	0.12%	0.12%	Prime	0.18%	0.20%	0.17%	0.16%	60-89 DPD	1.3%	1.3%	1.2%	1.7%
Near prime	0.55%	0.59%	0.48%	0.39%	Near prime	1.21%	1.20%	0.94%	1.07%	90+	0.7%	0.7%	0.7%	0.9%
Subprime	12.30%	11.84%	11.06%	7.39%	Subprime	18.31%	19.04%	15.21%	17.39%	Foreclosure	0.1%	0.1%	0.1%	0.2%
Total	1.94%	1.86%	1.63%	1.23%	Total	2.02%	2.06%	1.53%	1.71%					

Source: Transunion Monthly Industry Snapshot June 2023

Household liabilities to assets

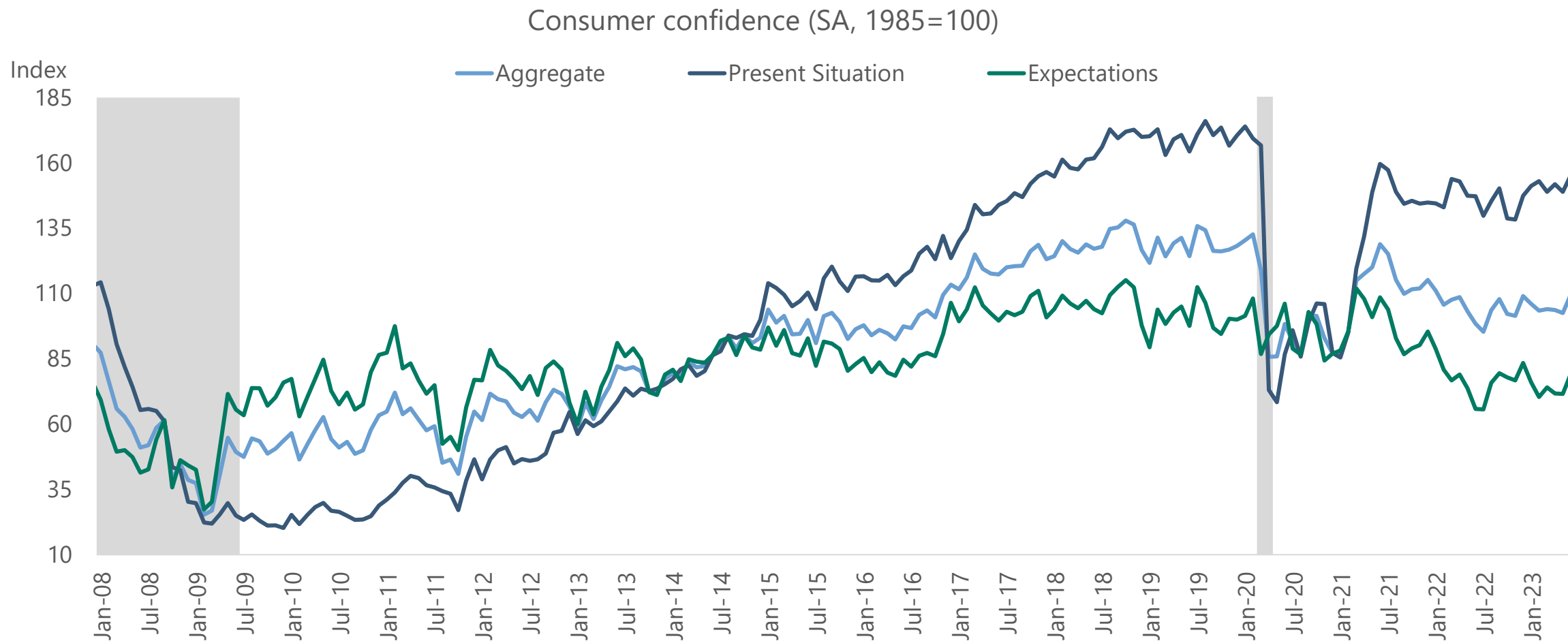


Banks less willing to lend to consumers



Source: FRB, Haver, Apollo Chief Economist

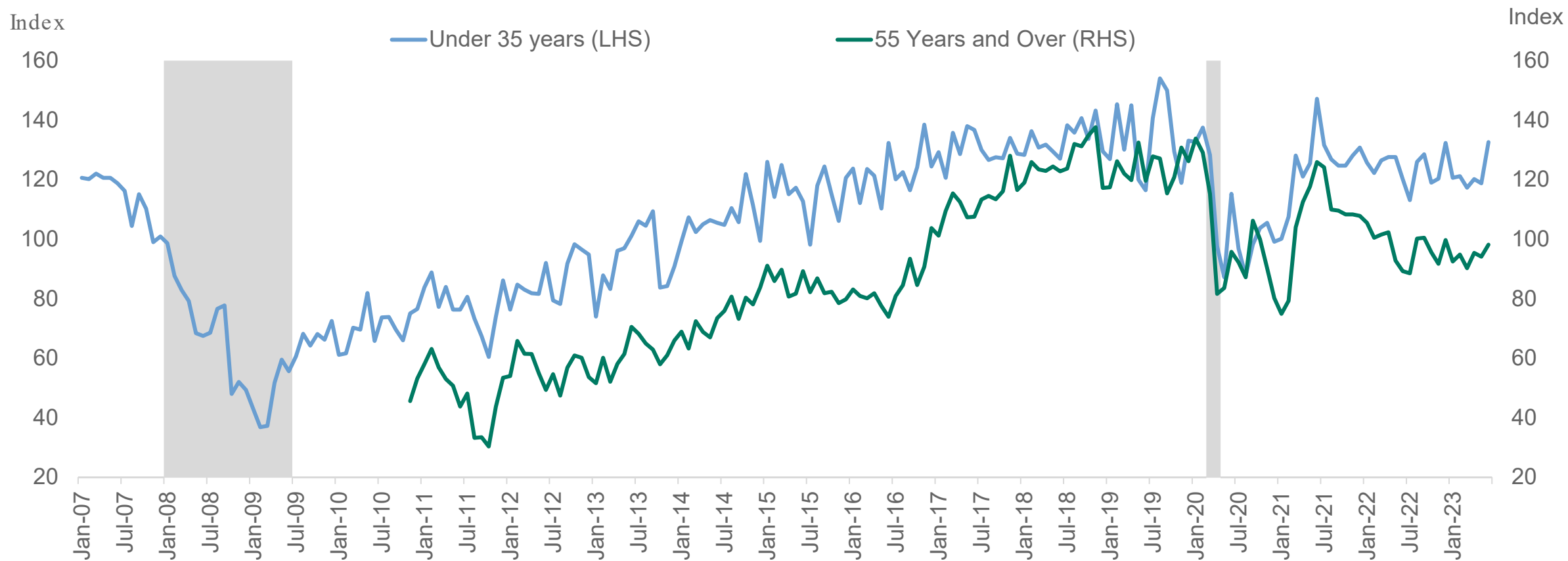
Consumer confidence still solid



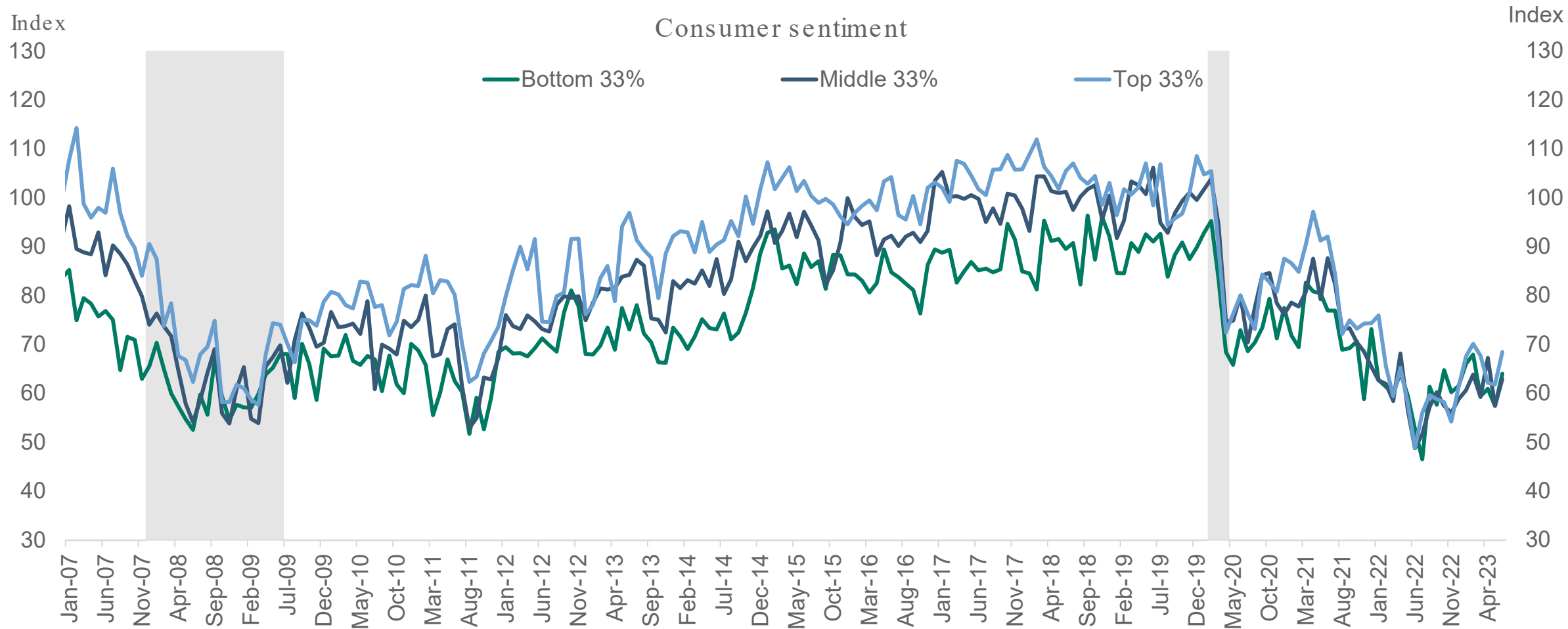
Source: Conference Board, Haver Analytics, Apollo Chief Economist

Consumer confidence across generations

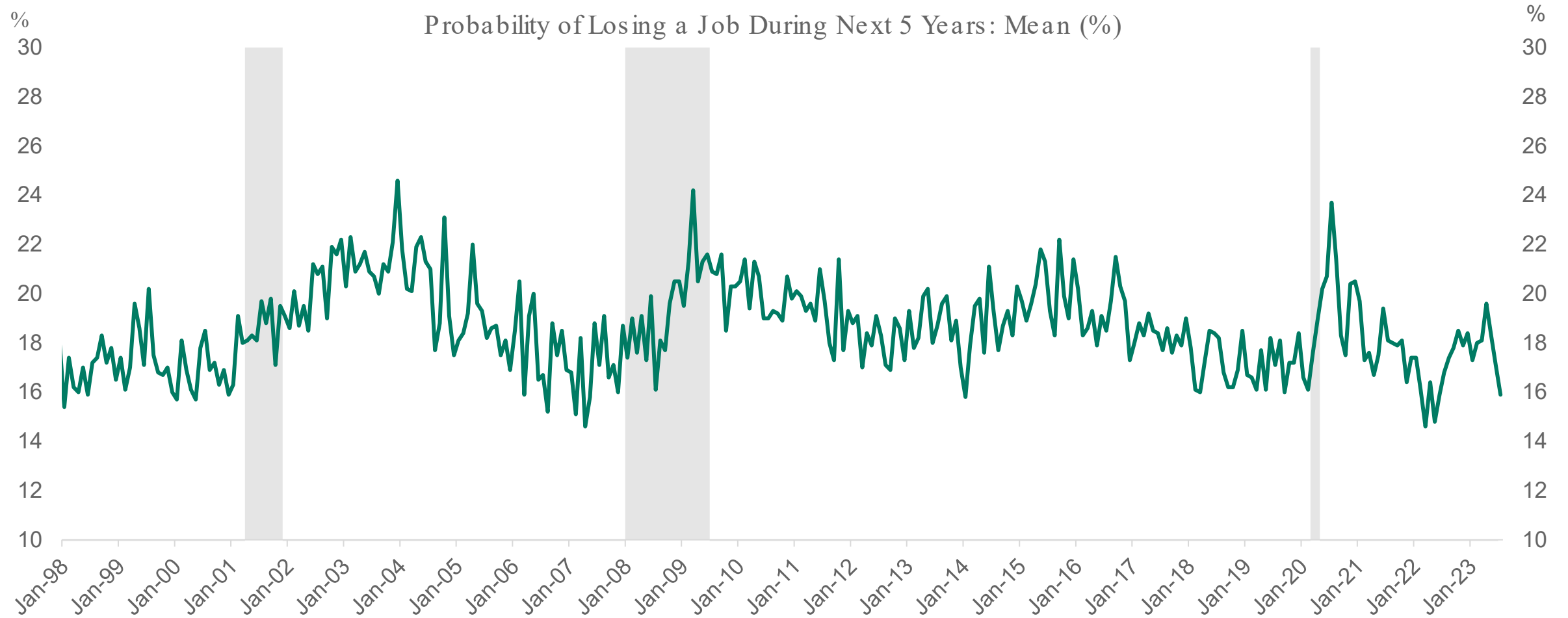
Consumer confidence by Age (SA, Index)



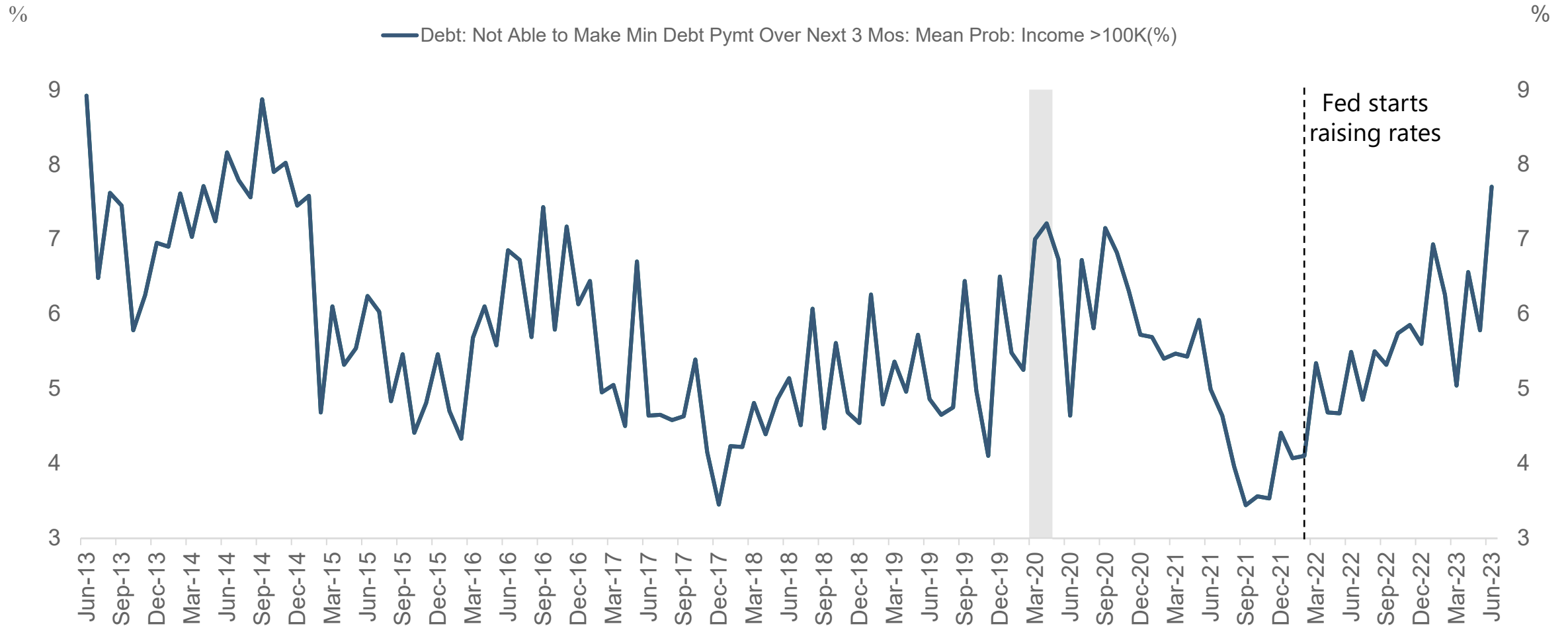
Consumer sentiment across the income distribution



Households less worried about losing their jobs



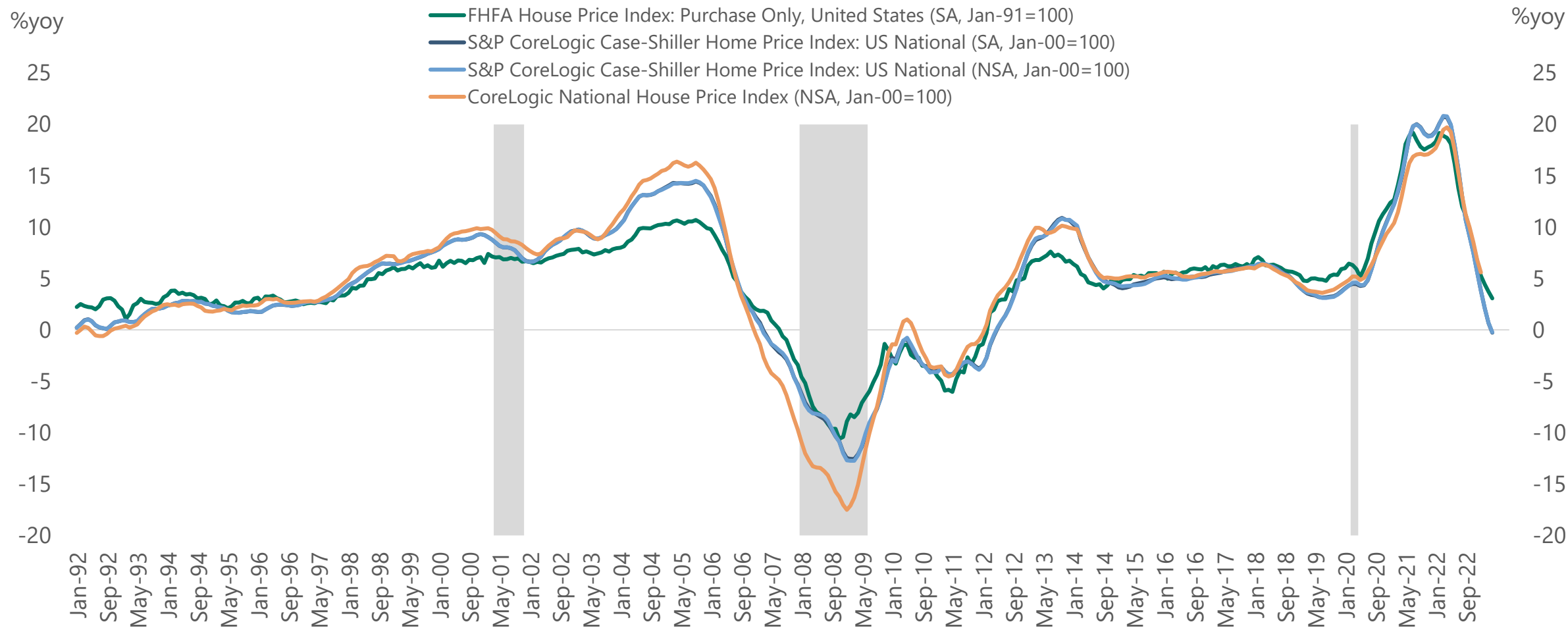
Higher income households starting to worry about whether they can make minimum debt payments



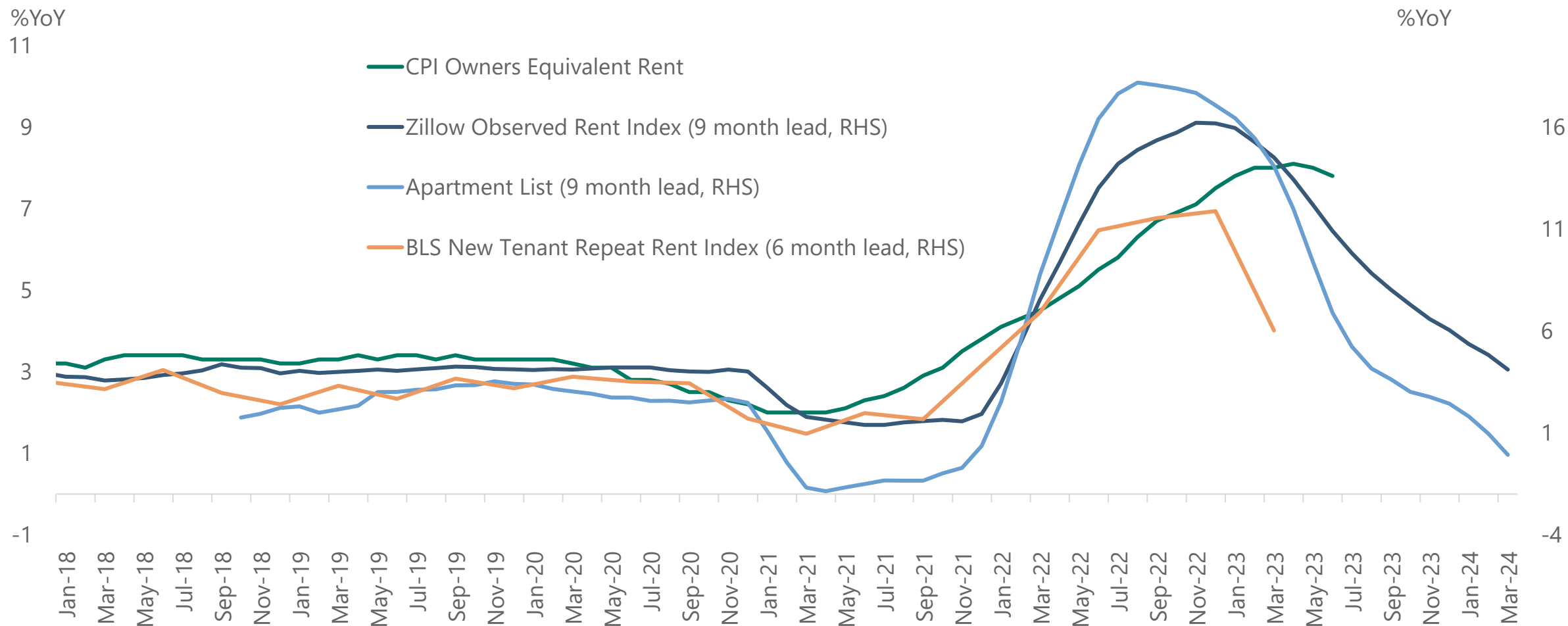
Source: FRBNY, Haver Analytics, Apollo Chief Economist. Note: The data shows the average probability of not being able to make minimum debt payment over the next three months for people earning (income) greater than 100k.

Outlook for spending on housing

Home price inflation coming down

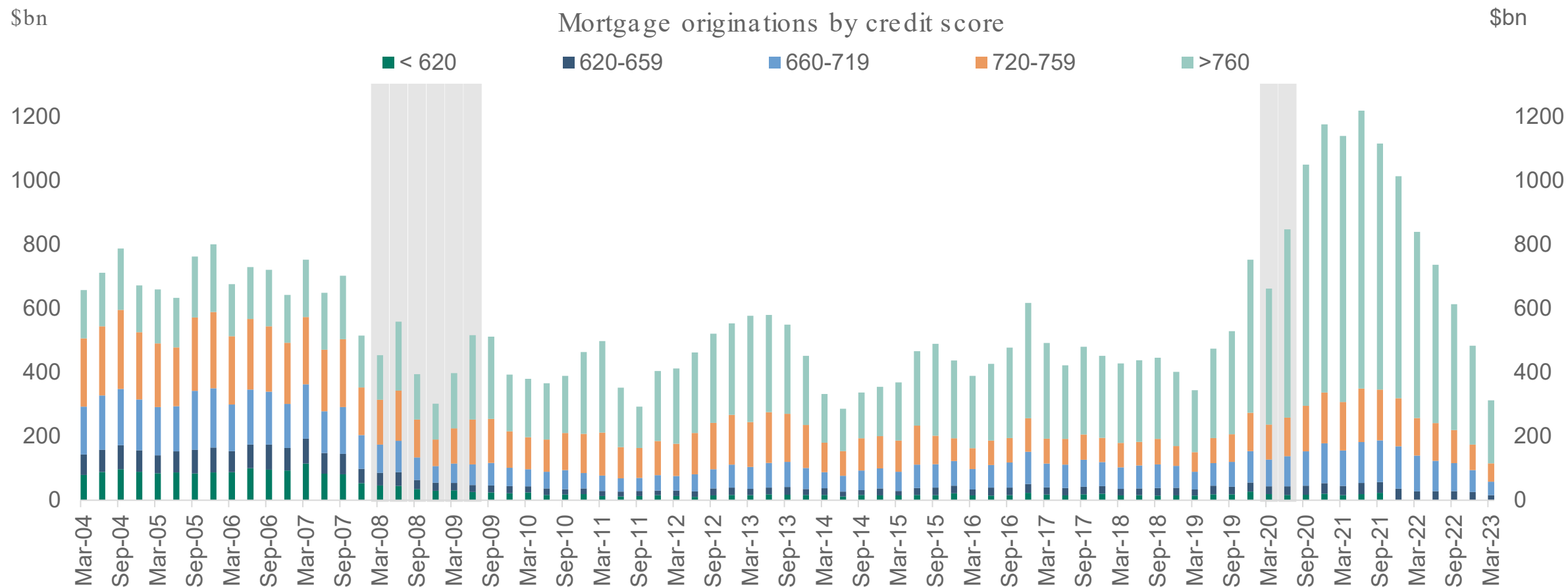


Housing inflation



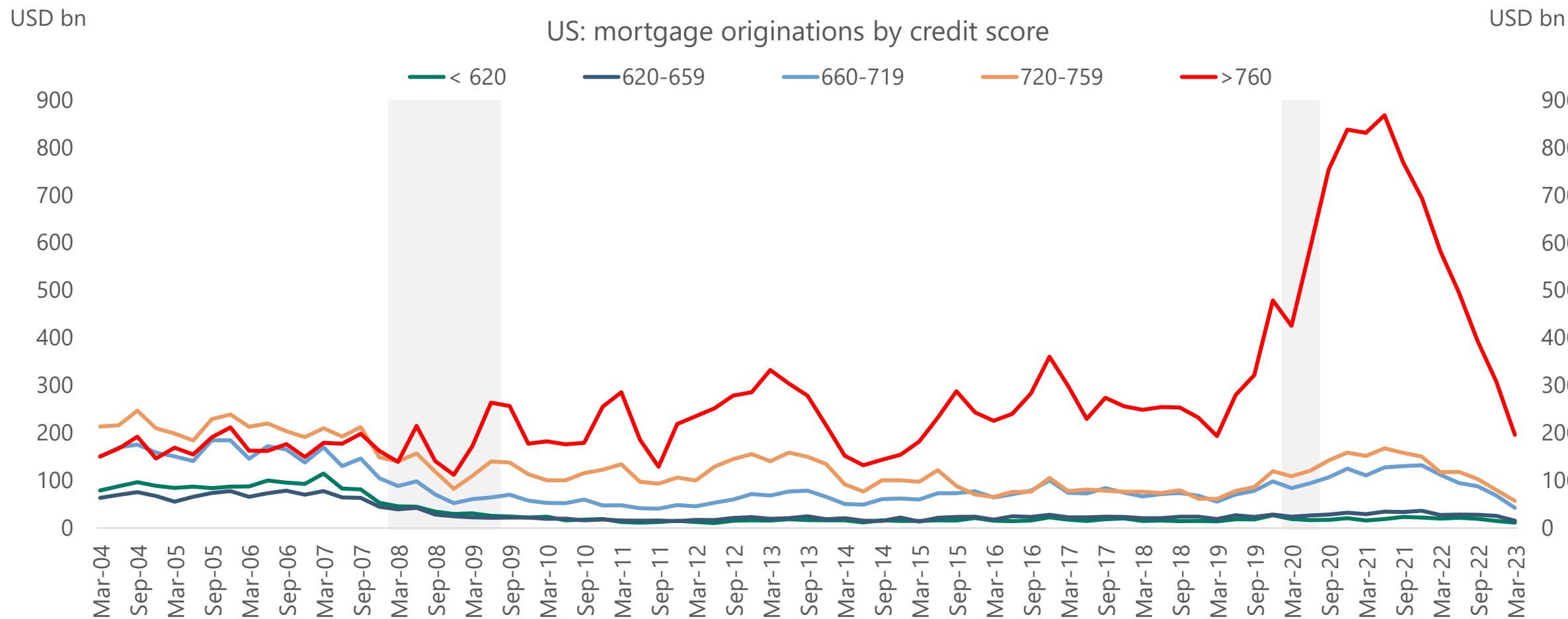
Source: Zillow, BLS, Haver Analytics, Apollo Chief Economist

Purchase and refi activity during the pandemic driven by households with high credit scores



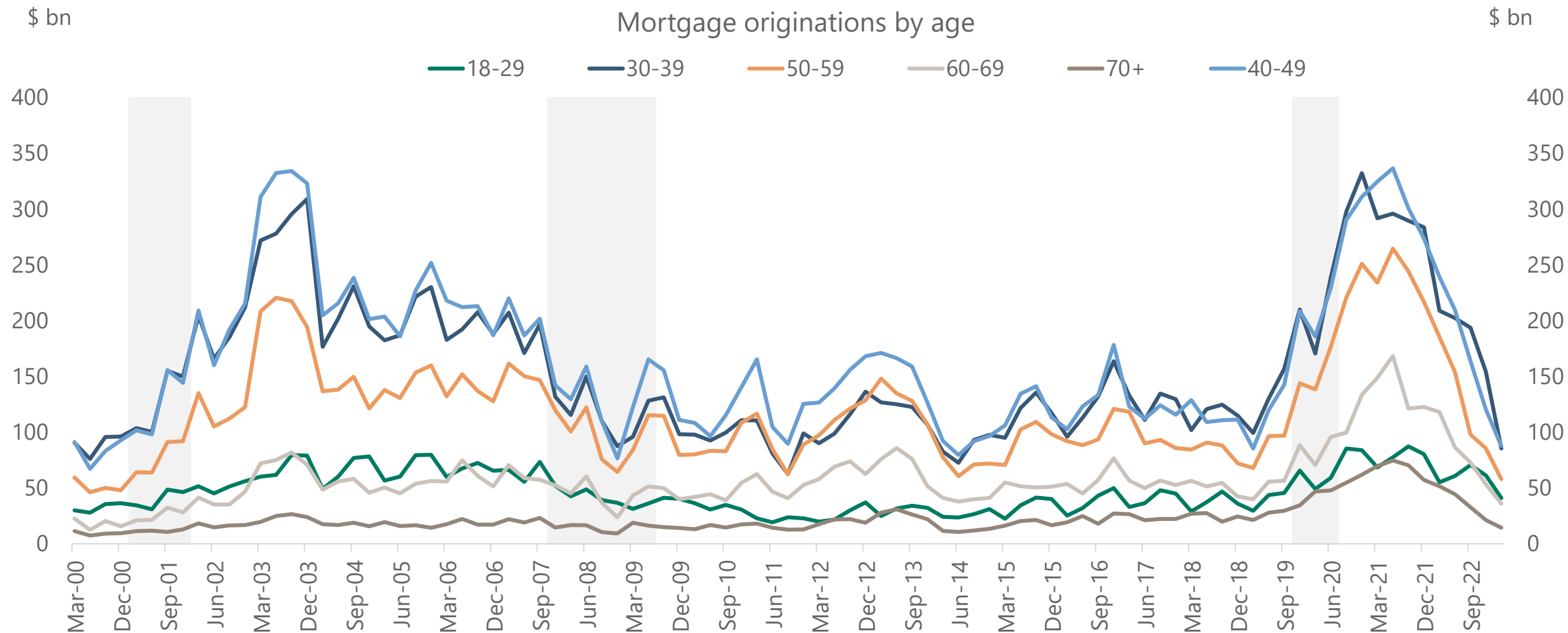
Source: FRBNY Consumer Credit Panel, Equifax, Haver Analytics, Apollo Chief Economist.

US mortgage credit originations, by credit score



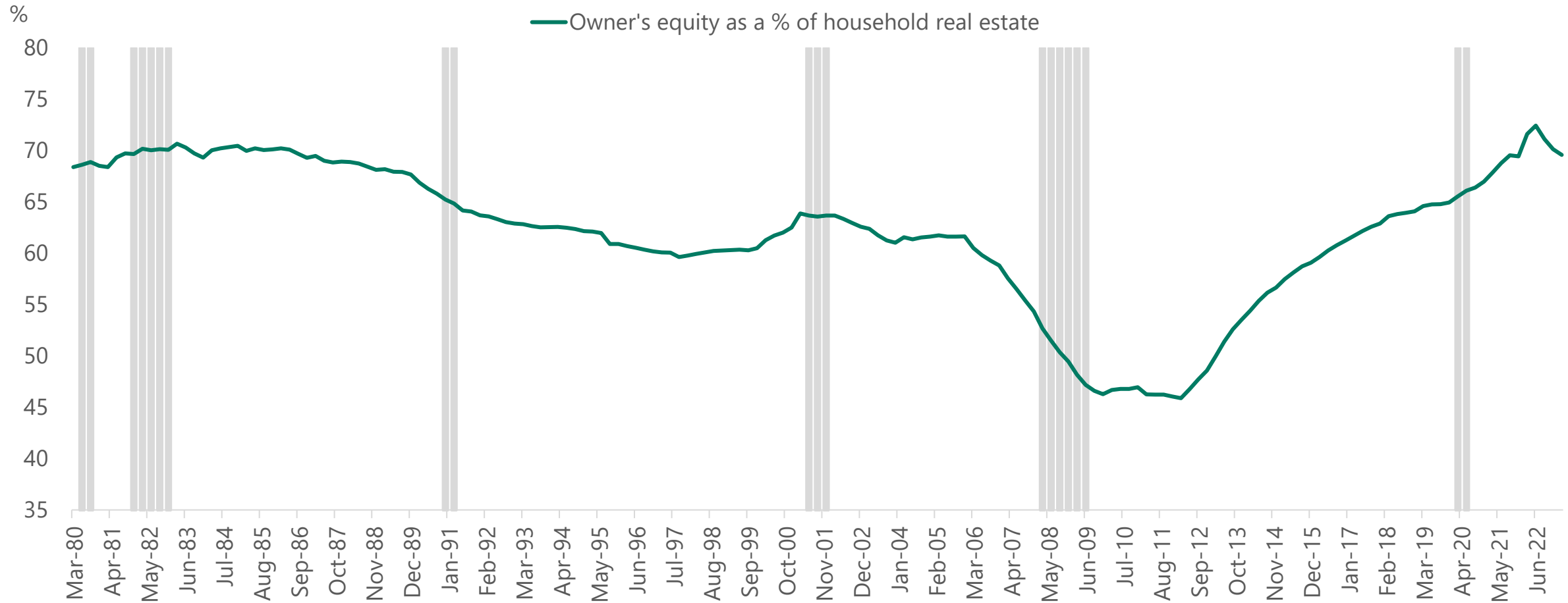
Source: FRBNY Consumer Credit Panel, Equifax, Haver Analytics, Apollo Chief Economist.

Mortgage origination falling across age groups

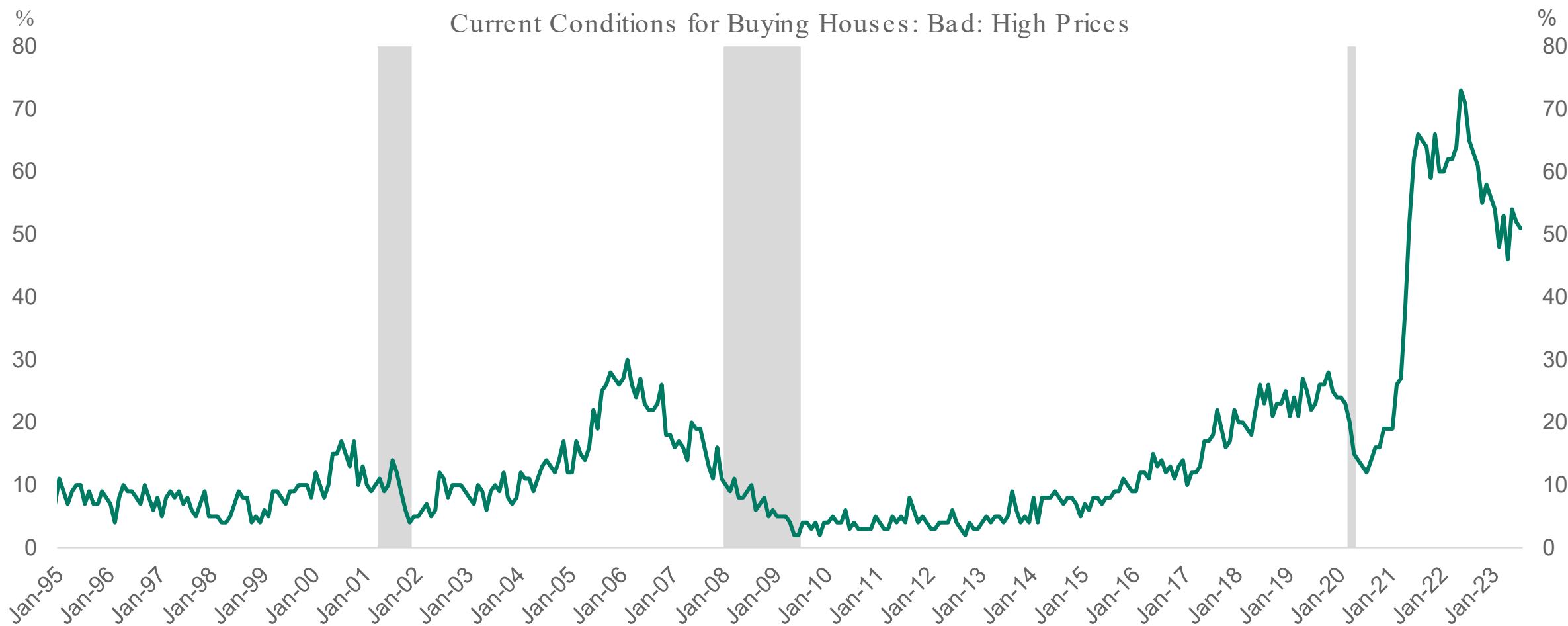


Source: NY Fed, Bloomberg, Apollo Chief Economist

Households have less debt in their homes: Homeowner's equity near highest level in decades

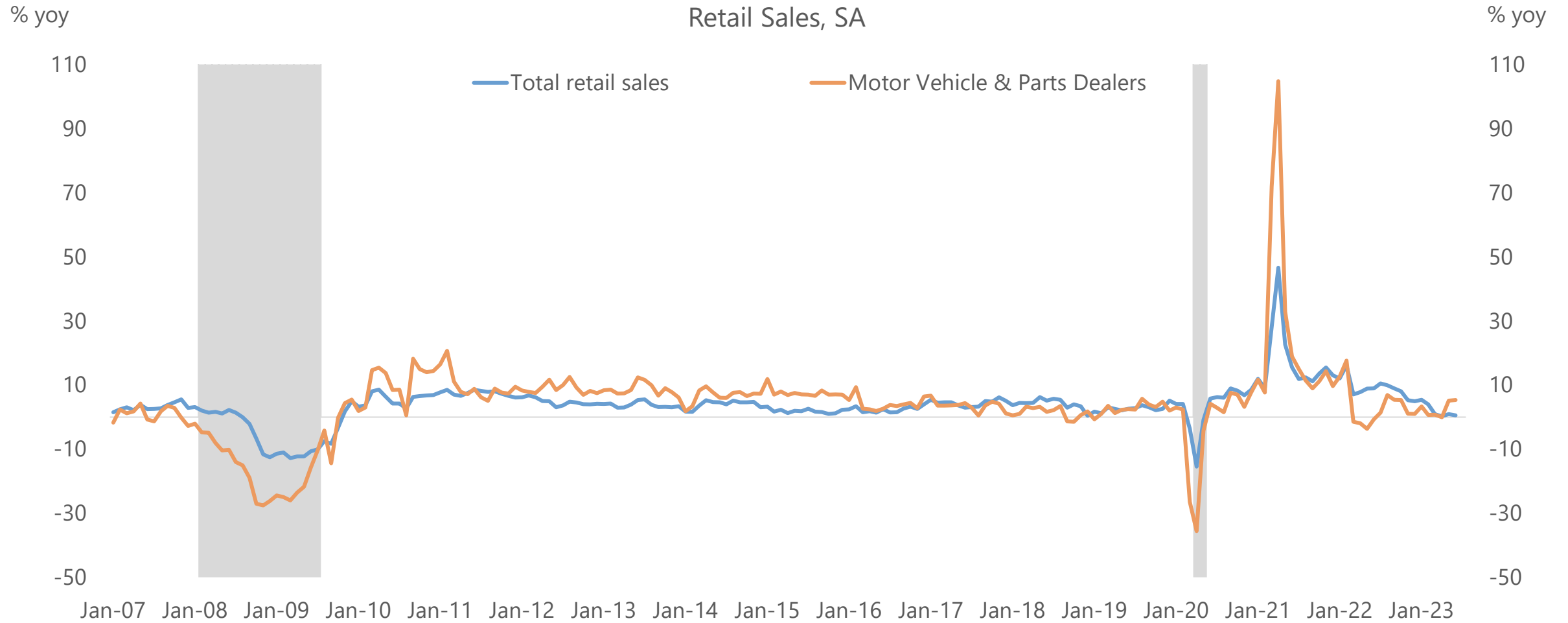


Consumers' outlook for house prices improving a bit

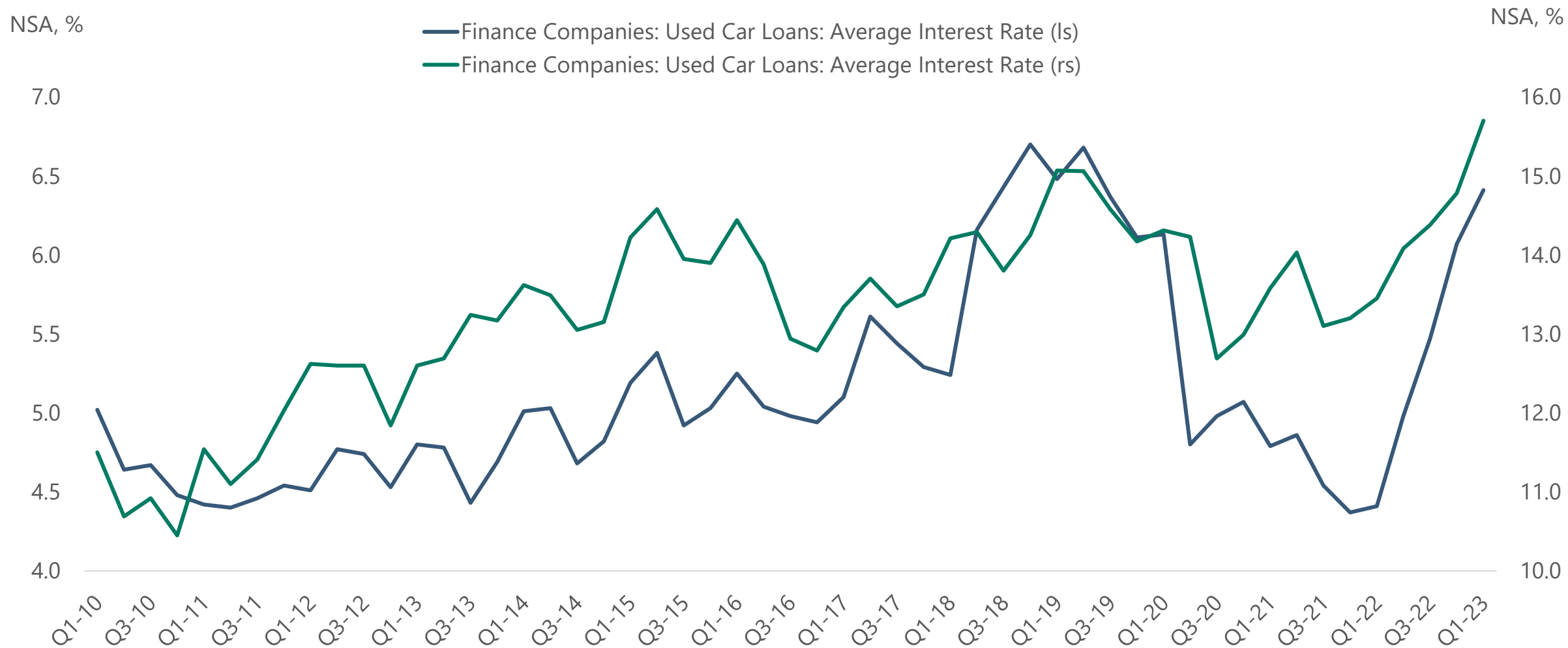


Outlook for spending on cars

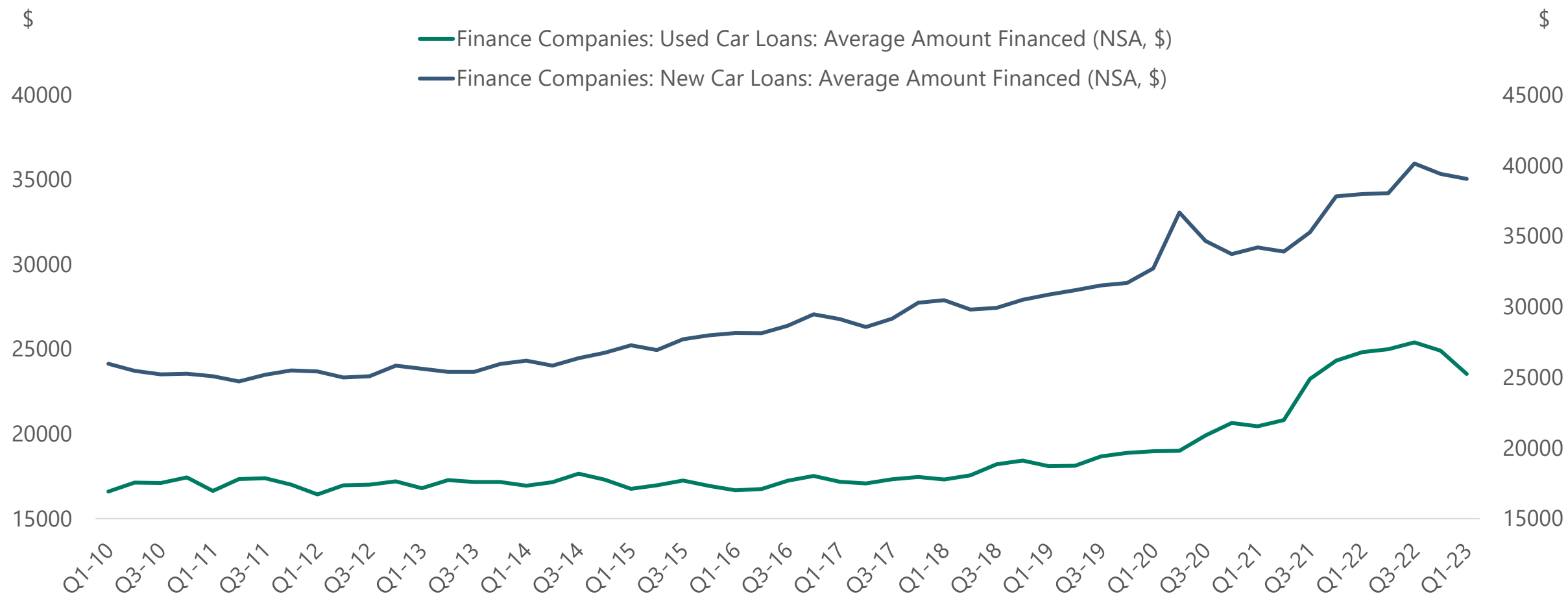
Motor vehicle sales, from retail sales data



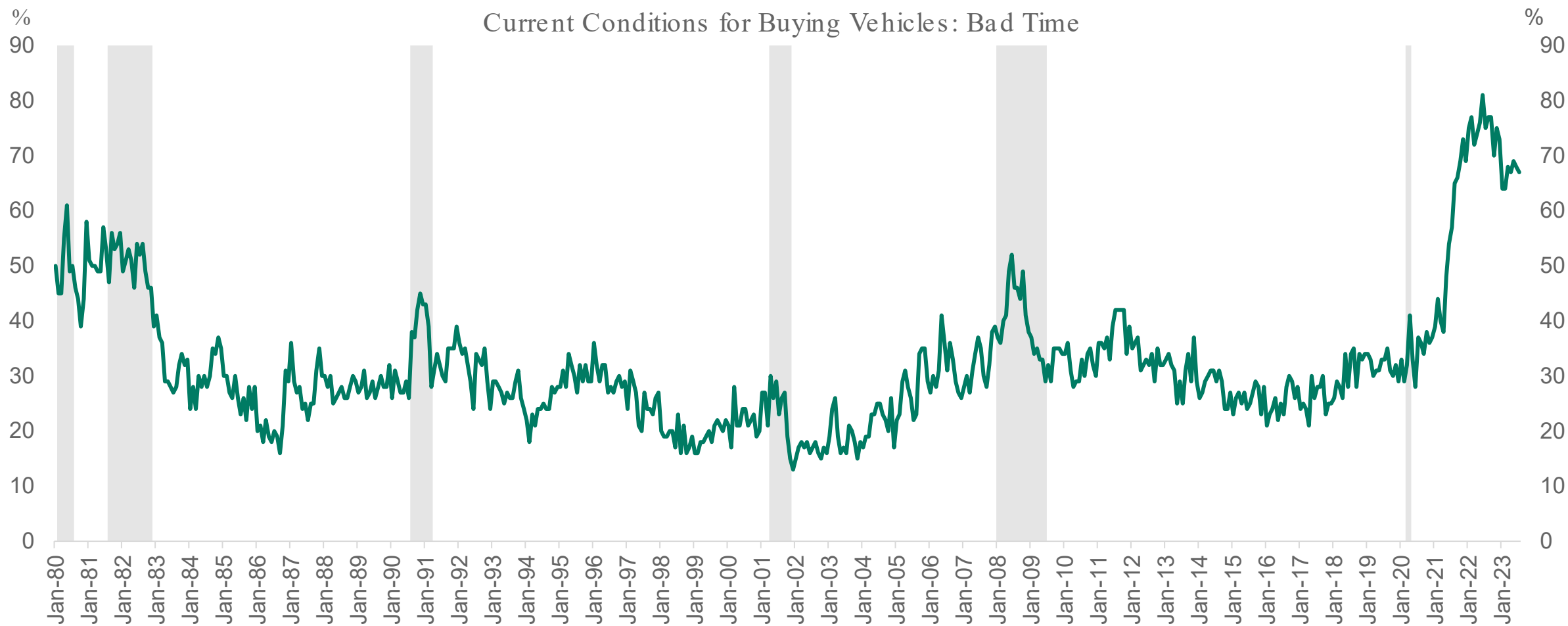
Interest rates on auto loans have increased less than the Fed funds rate



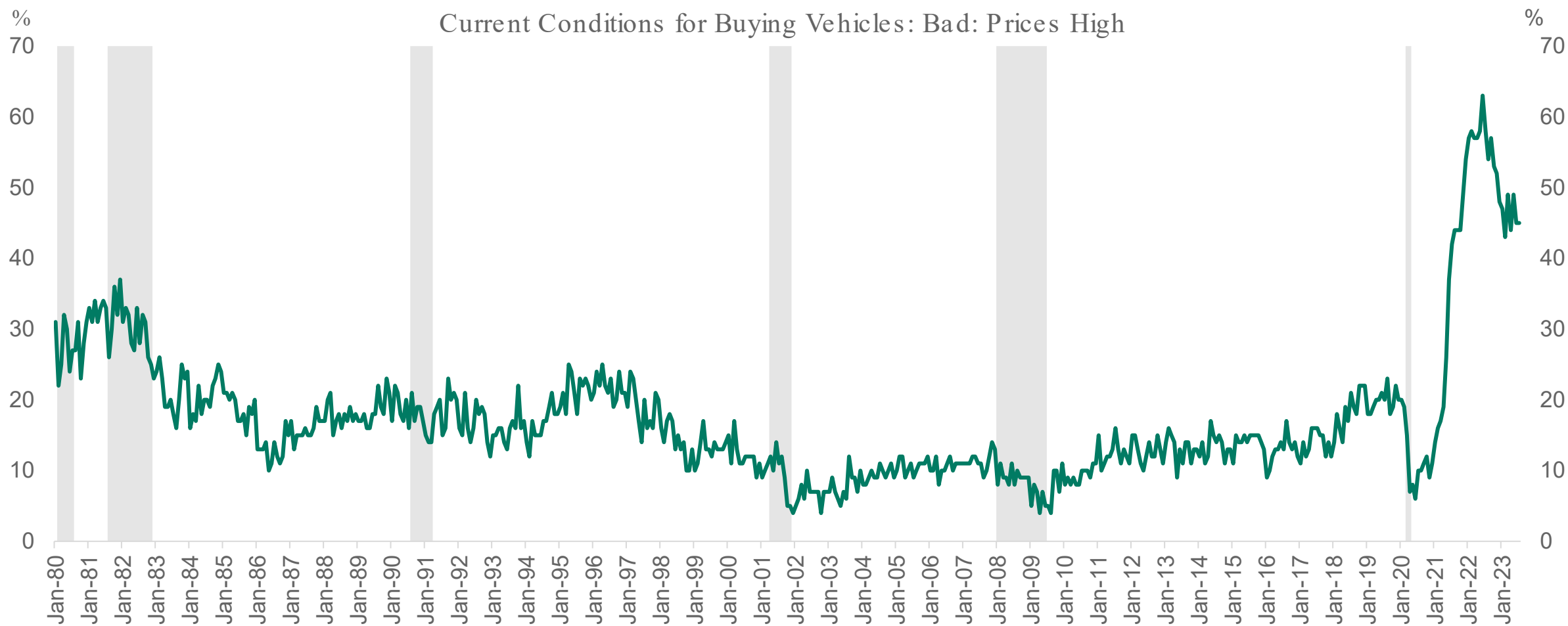
Average amount financed for new and used car loans



Sentiment improving among car buyers



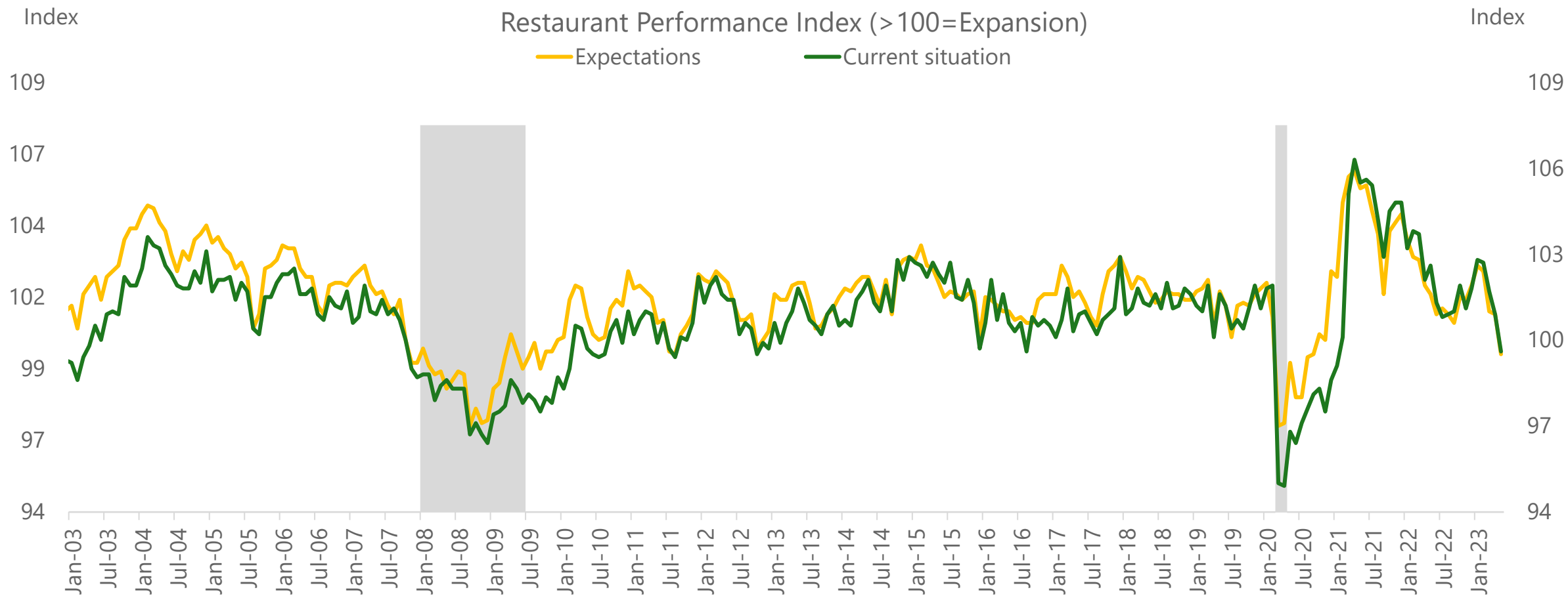
Declining car prices is helping demand



Source: University of Michigan, Haver Analytics, Apollo Chief Economist

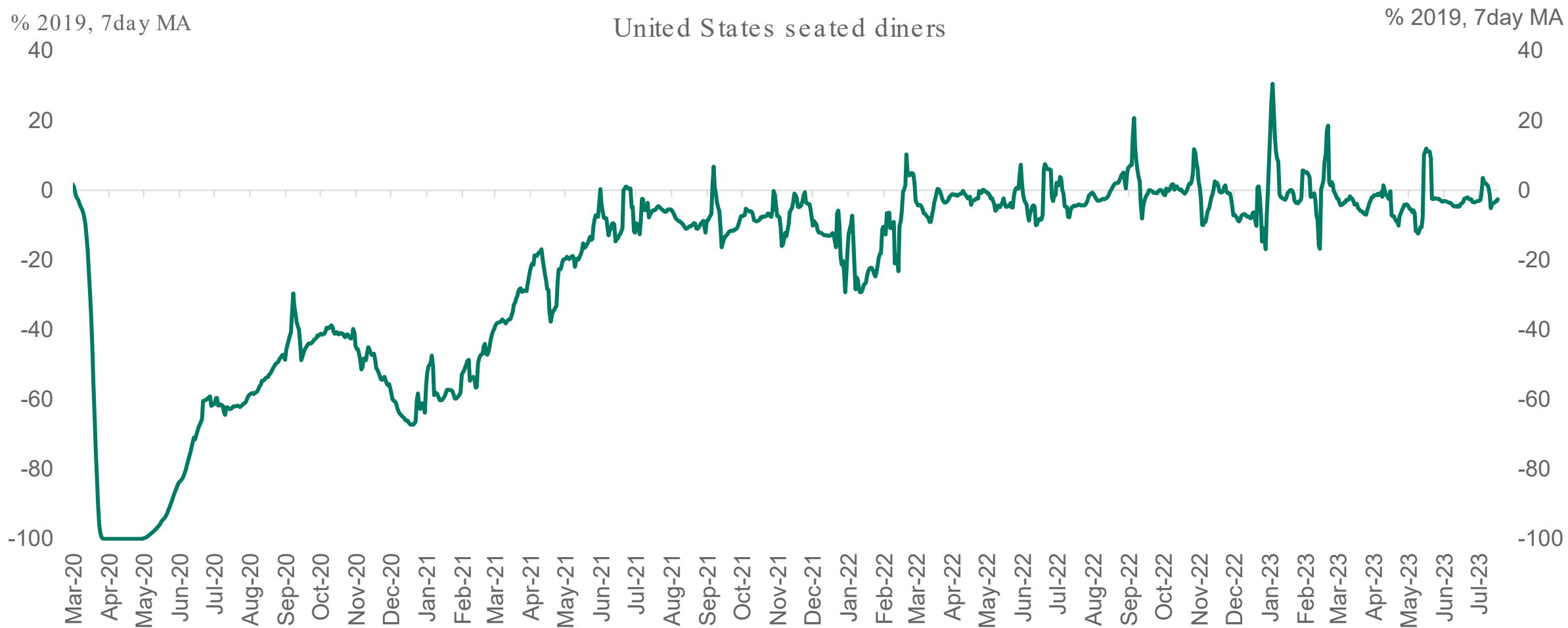
Outlook for spending on restaurants

Restaurant demand declining

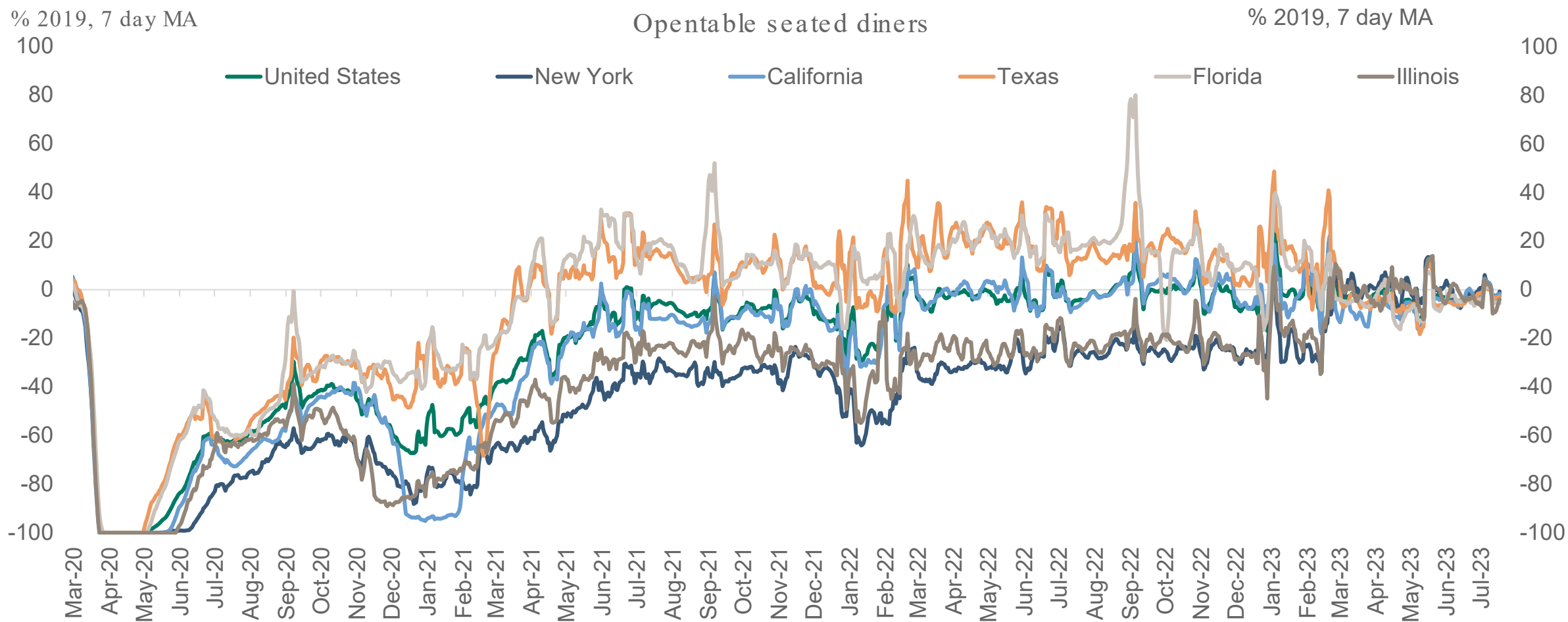


Source: National Restaurant Association, Haver, Apollo Chief Economist

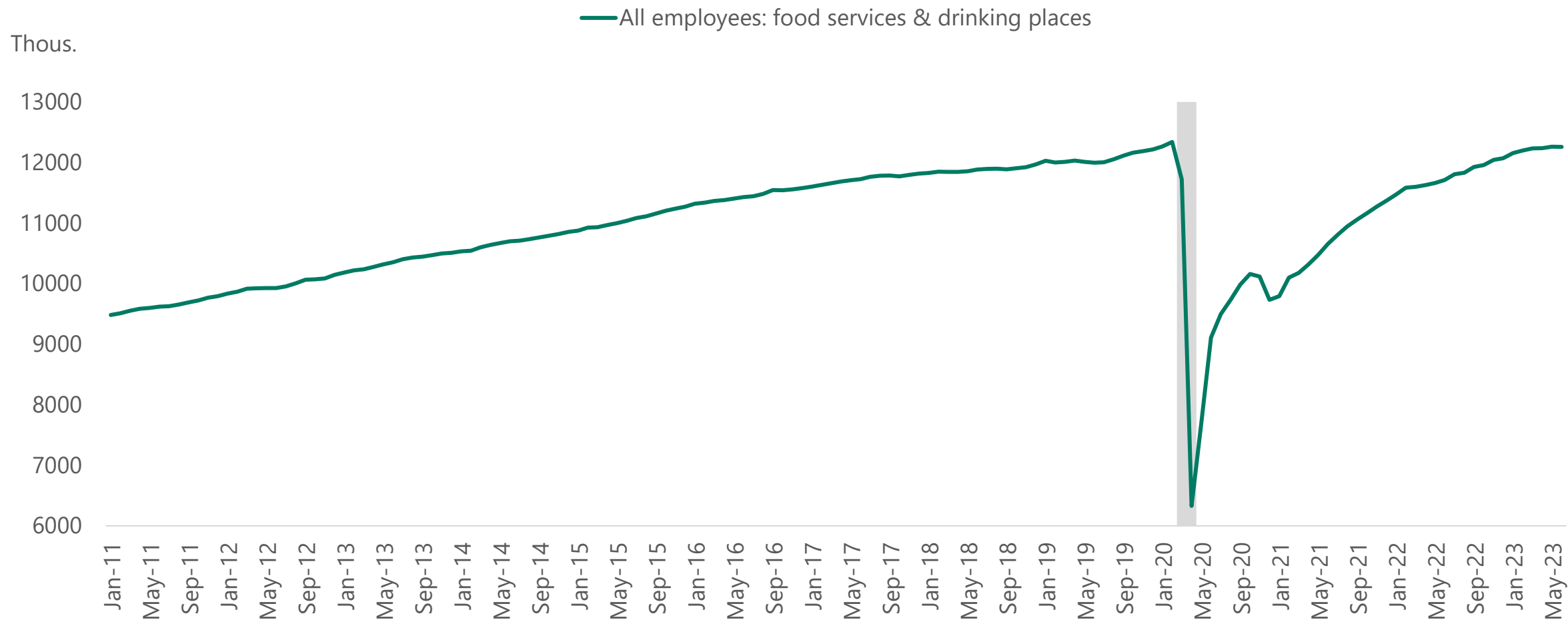
Daily data for restaurant bookings



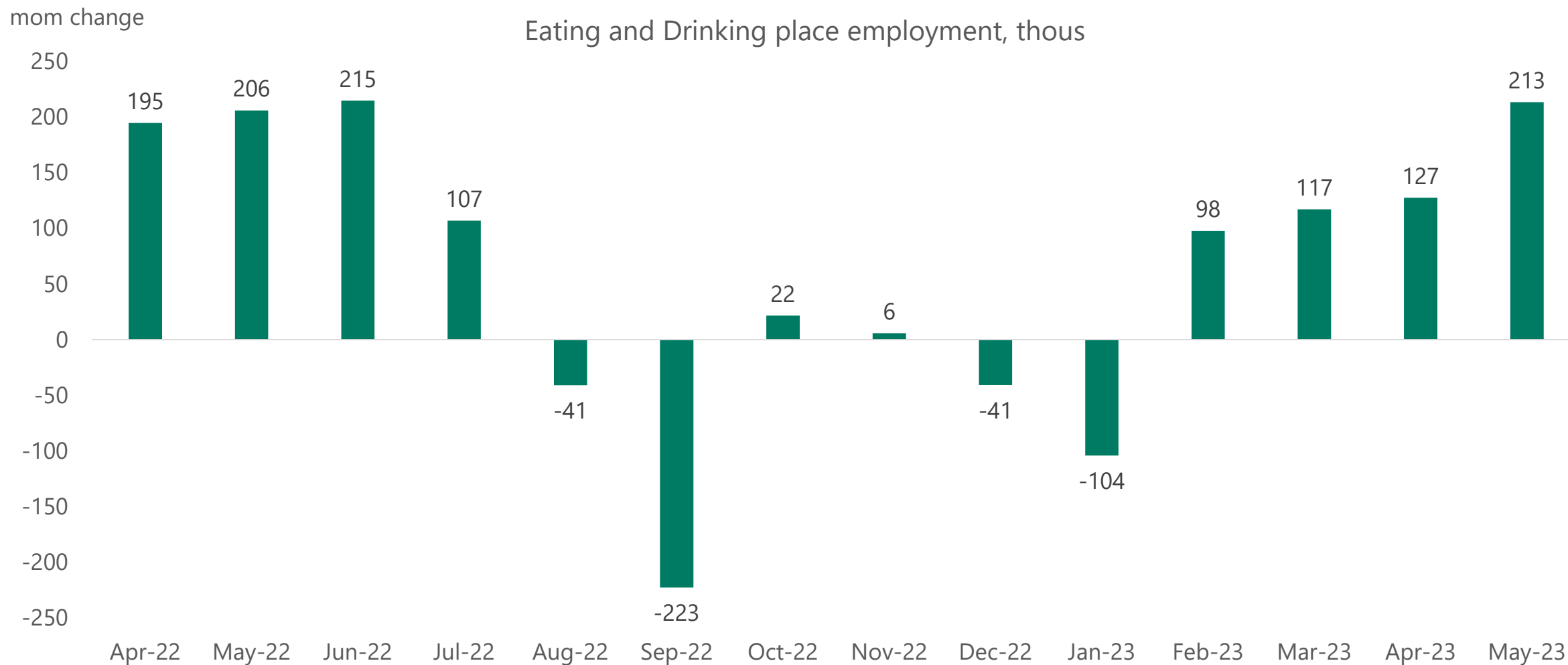
Daily data for restaurant bookings, different cities



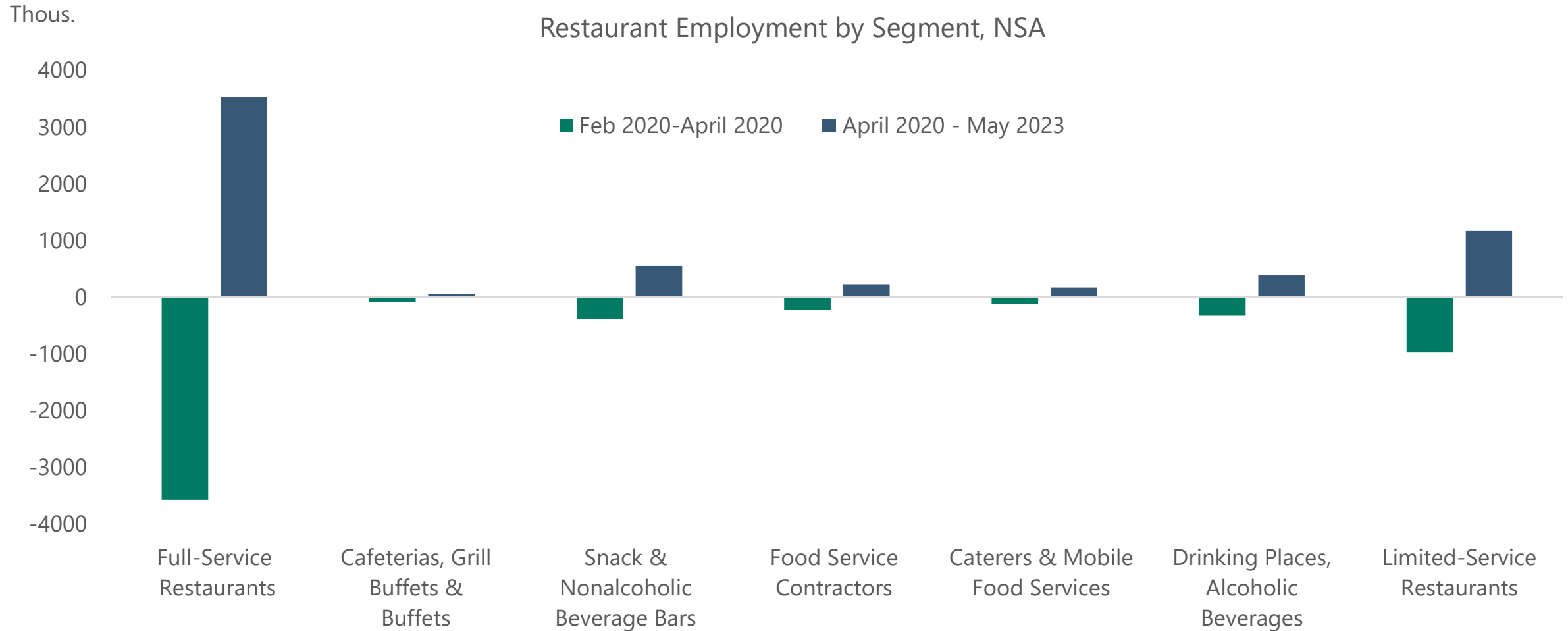
Employment in restaurants and bars at pre-pandemic levels



Employment growth for Eating and Drinking places



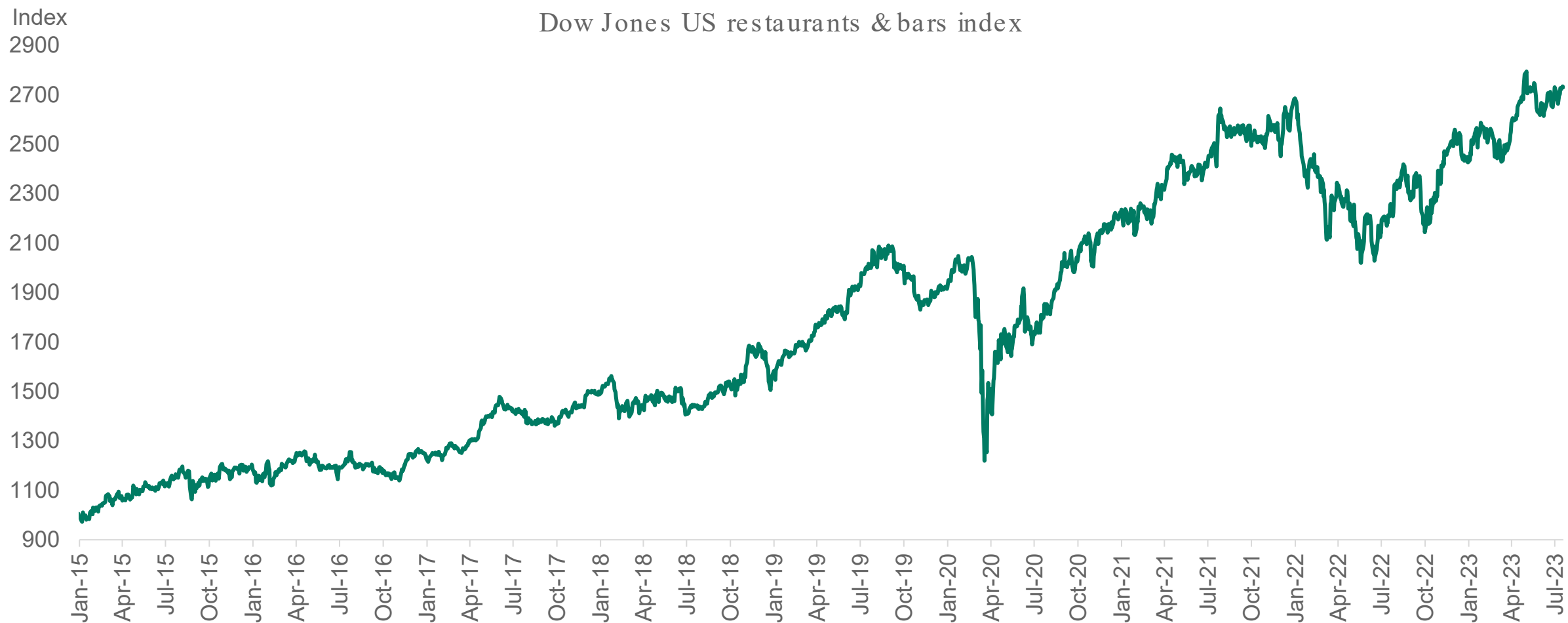
Growth in restaurant employment, by type of restaurant



Service sector spending significantly above pre-pandemic levels

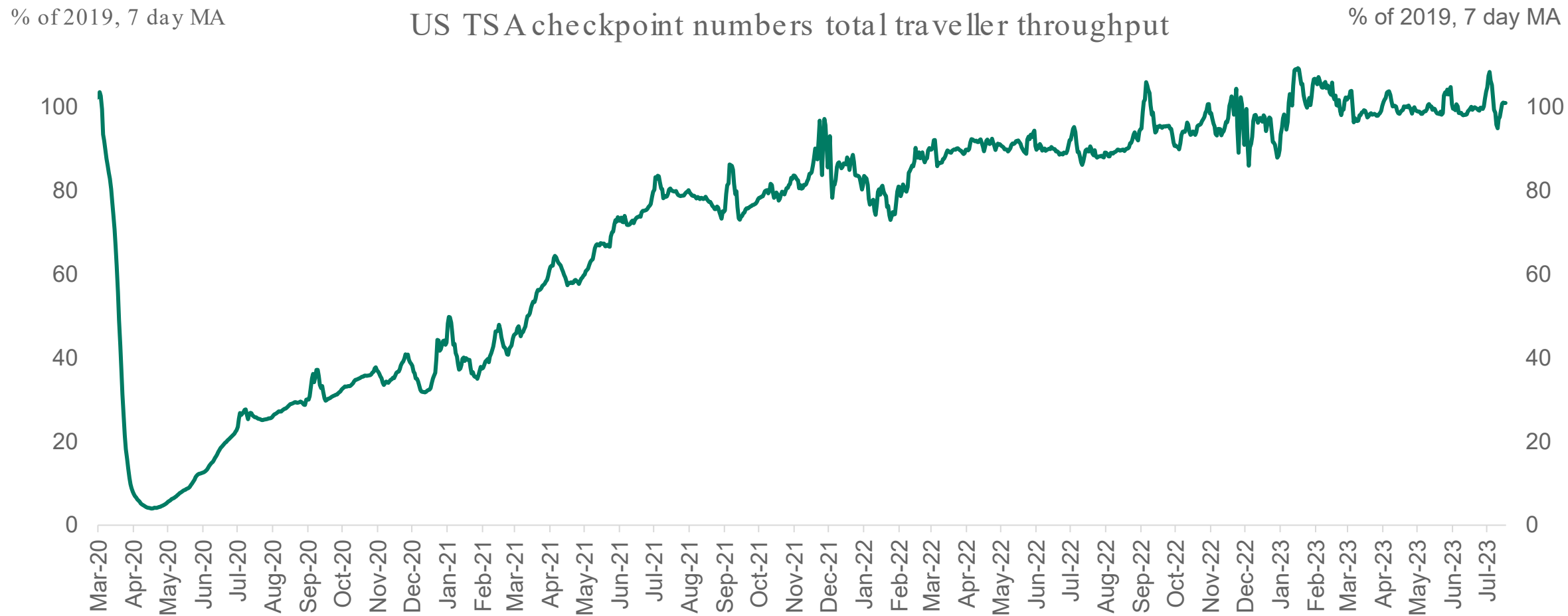


Stock price index for restaurants and bars

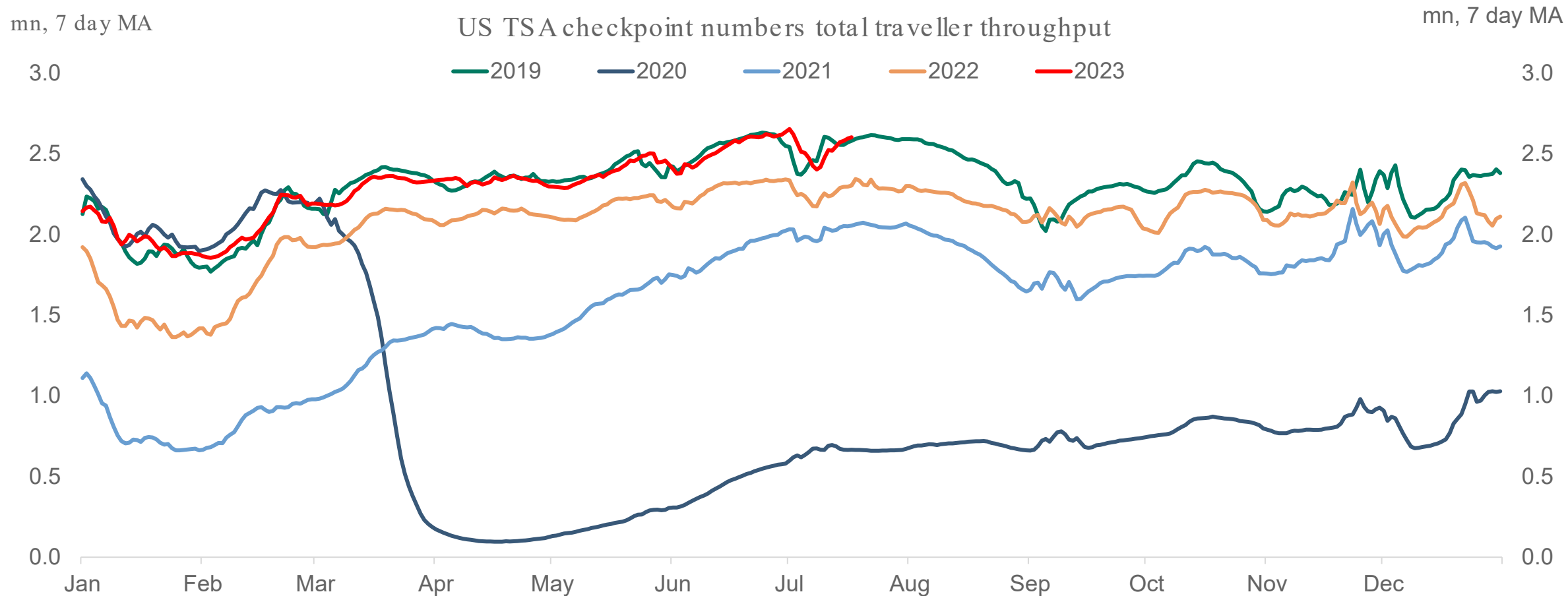


Outlook for spending on travel

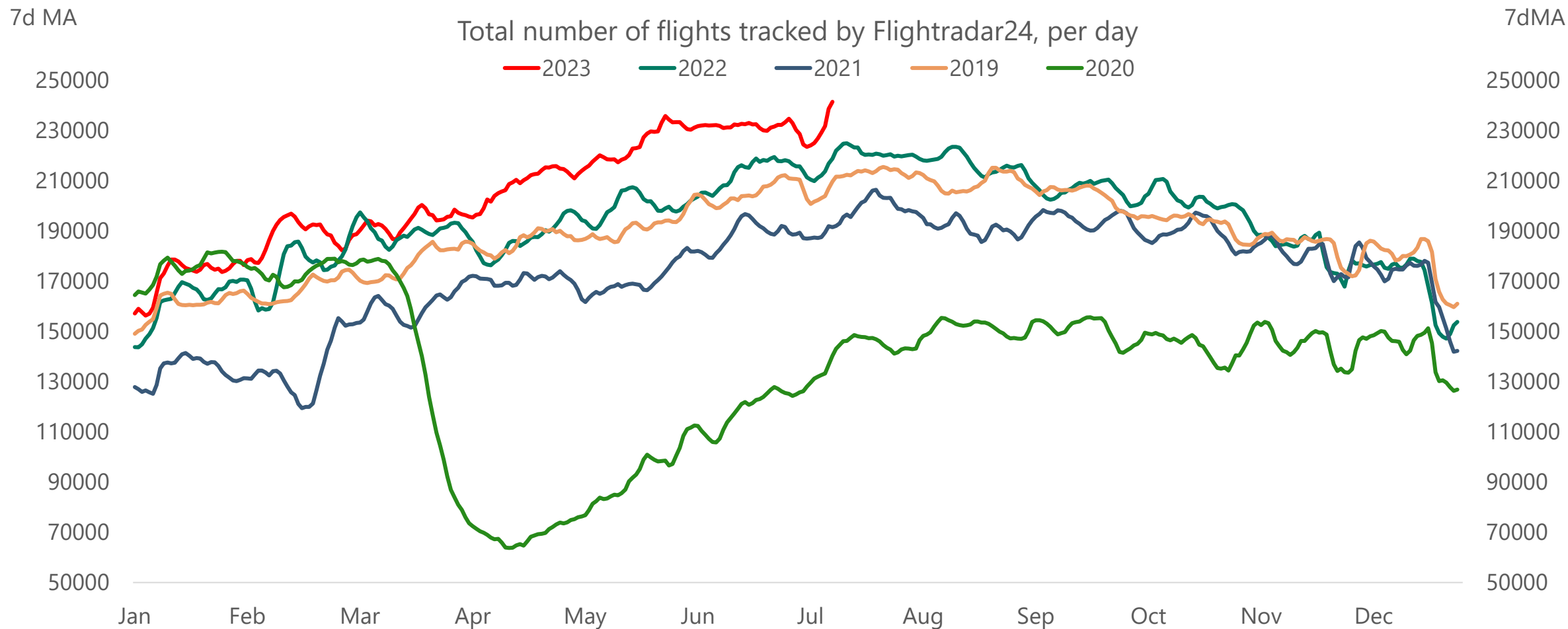
TSA: US air travel still strong



US air travel still strong



Global air traffic still high

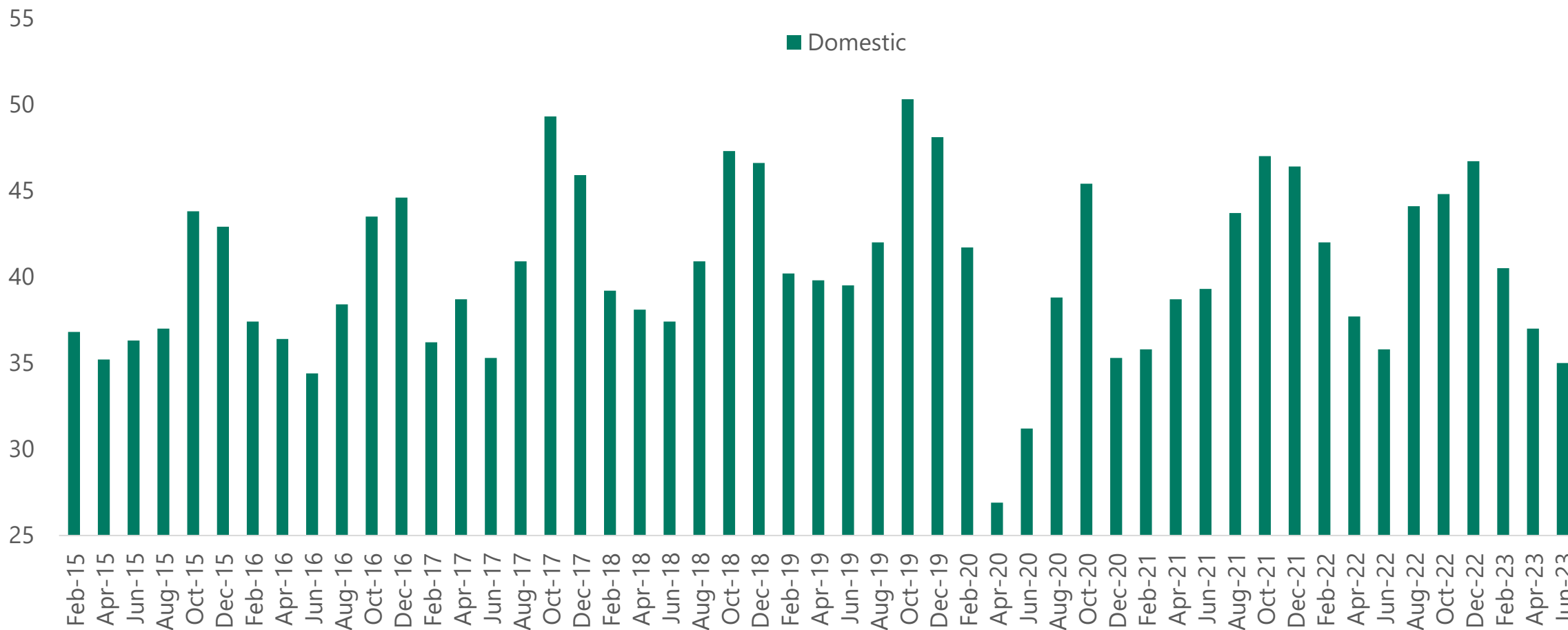


Vacation intentions: Within the US, starting to soften

% respondents, SA

Vacation intended within 6 months:

■ Domestic

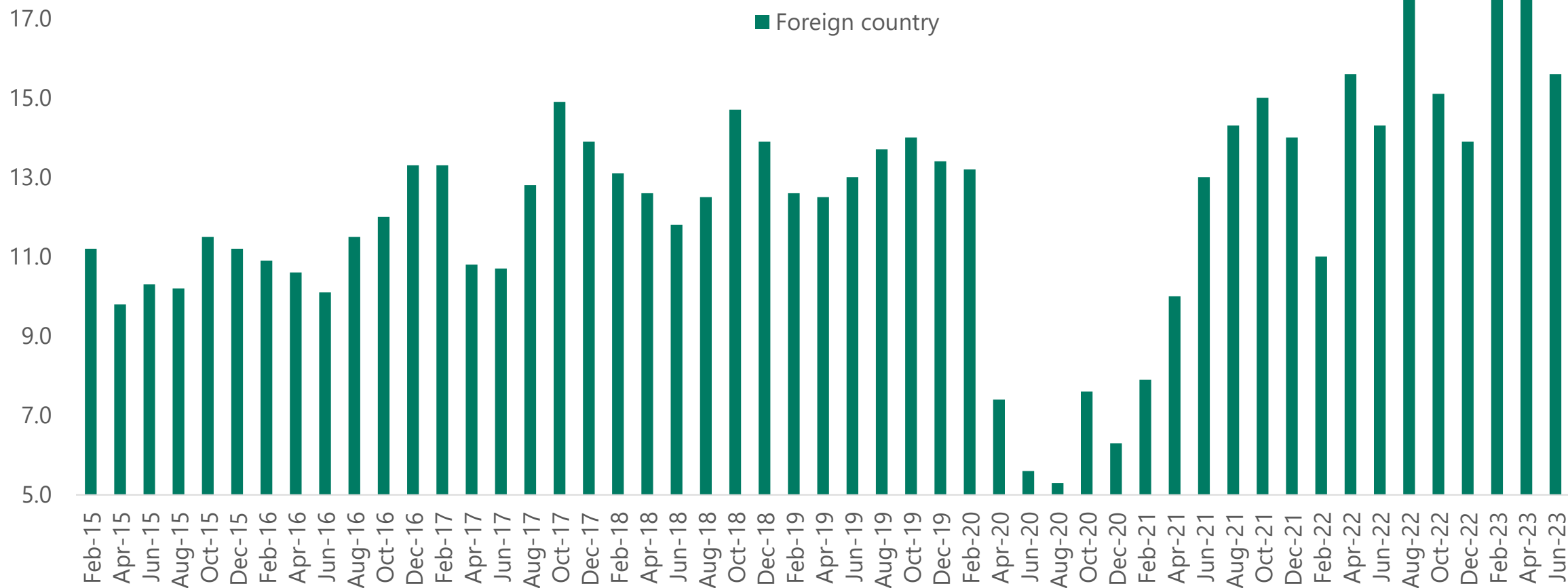


Source: Conference Board, Apollo Chief Economist

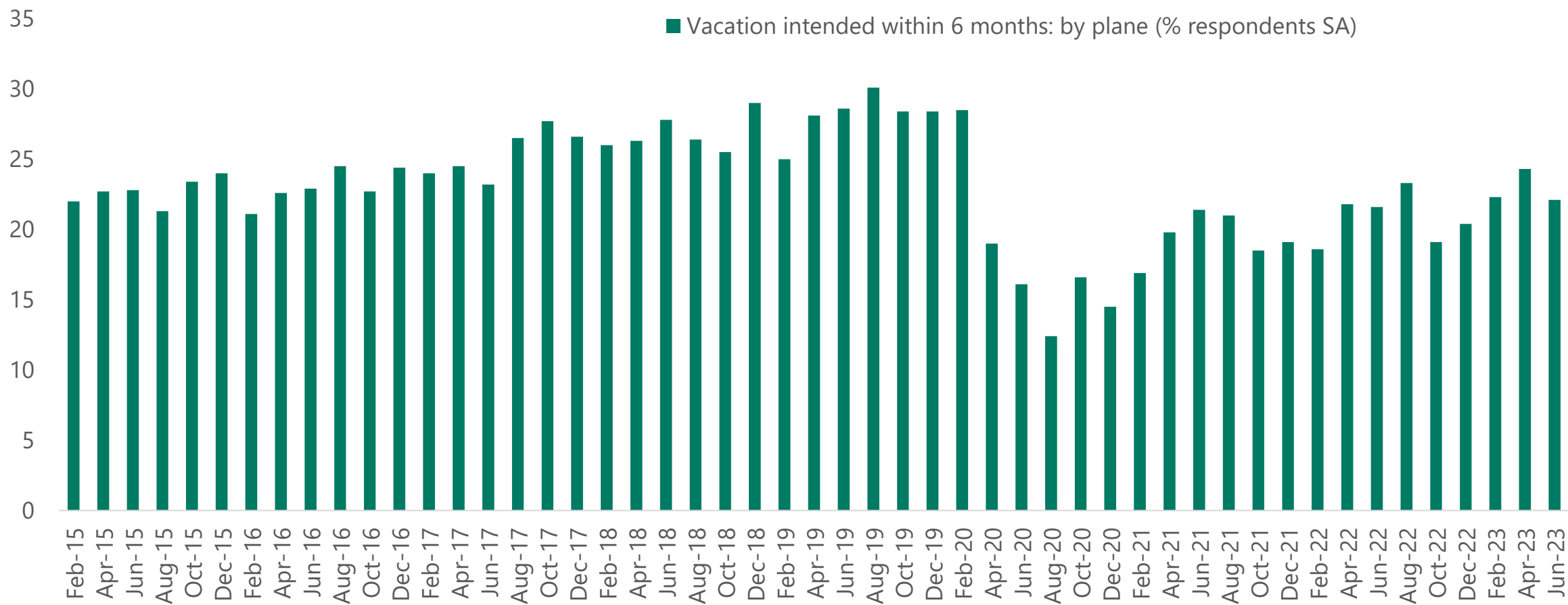
Vacation intentions to a foreign country

% respondents, SA

Vacation intended within 6 months:



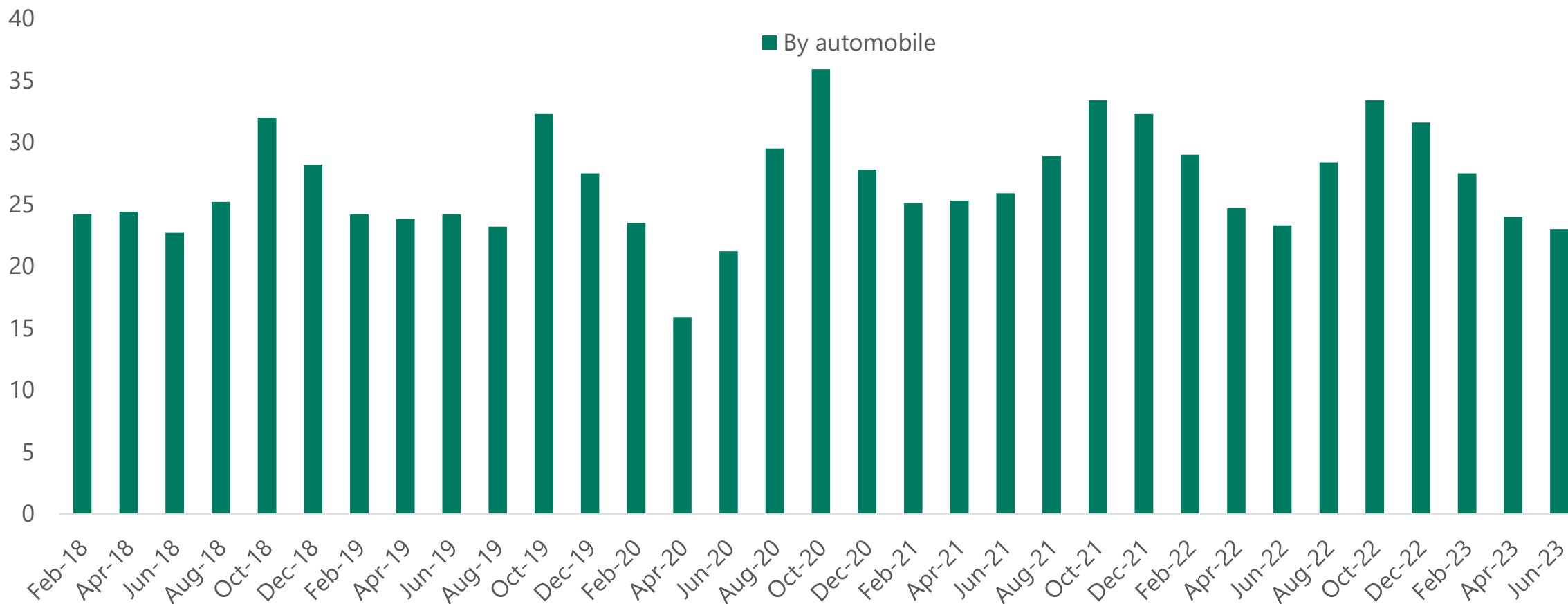
Vacation intentions: By plane



Vacation intentions: By car

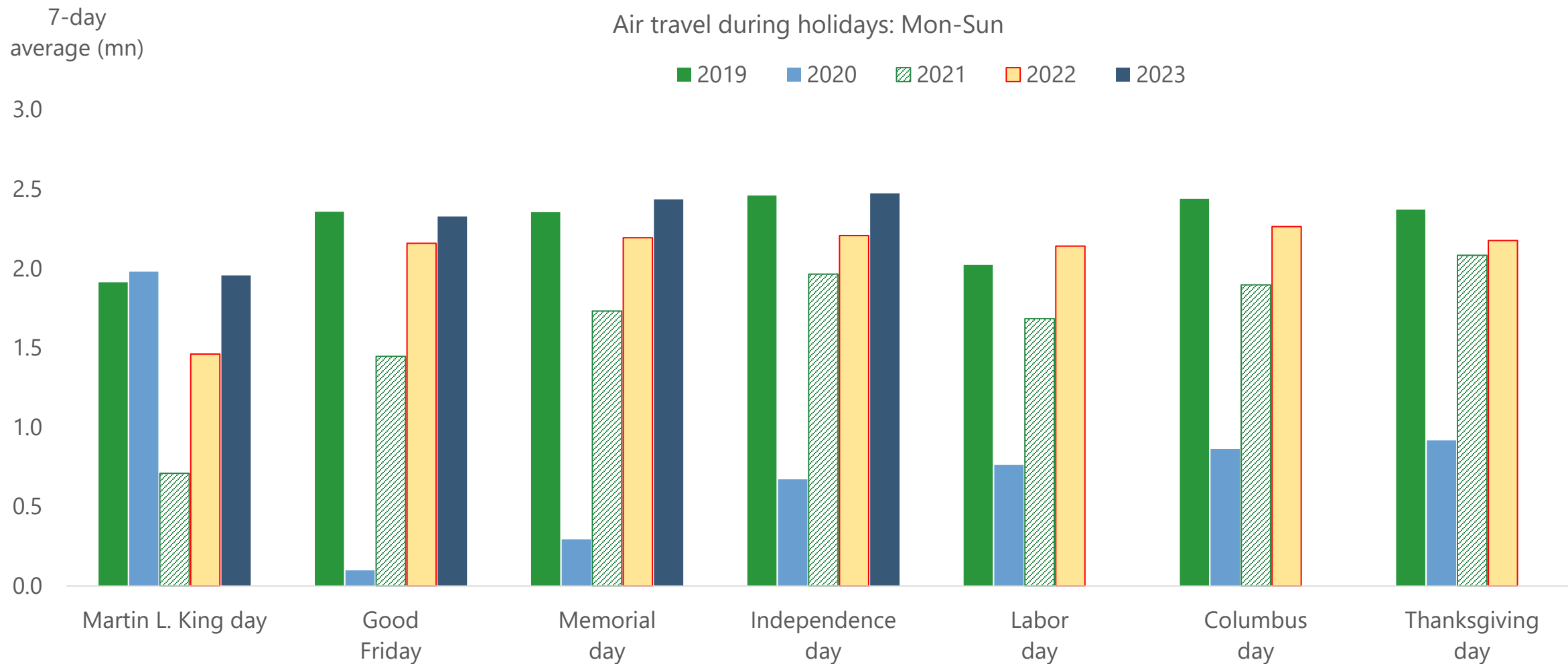
% respondents, SA

Vacation intended within 6 months:

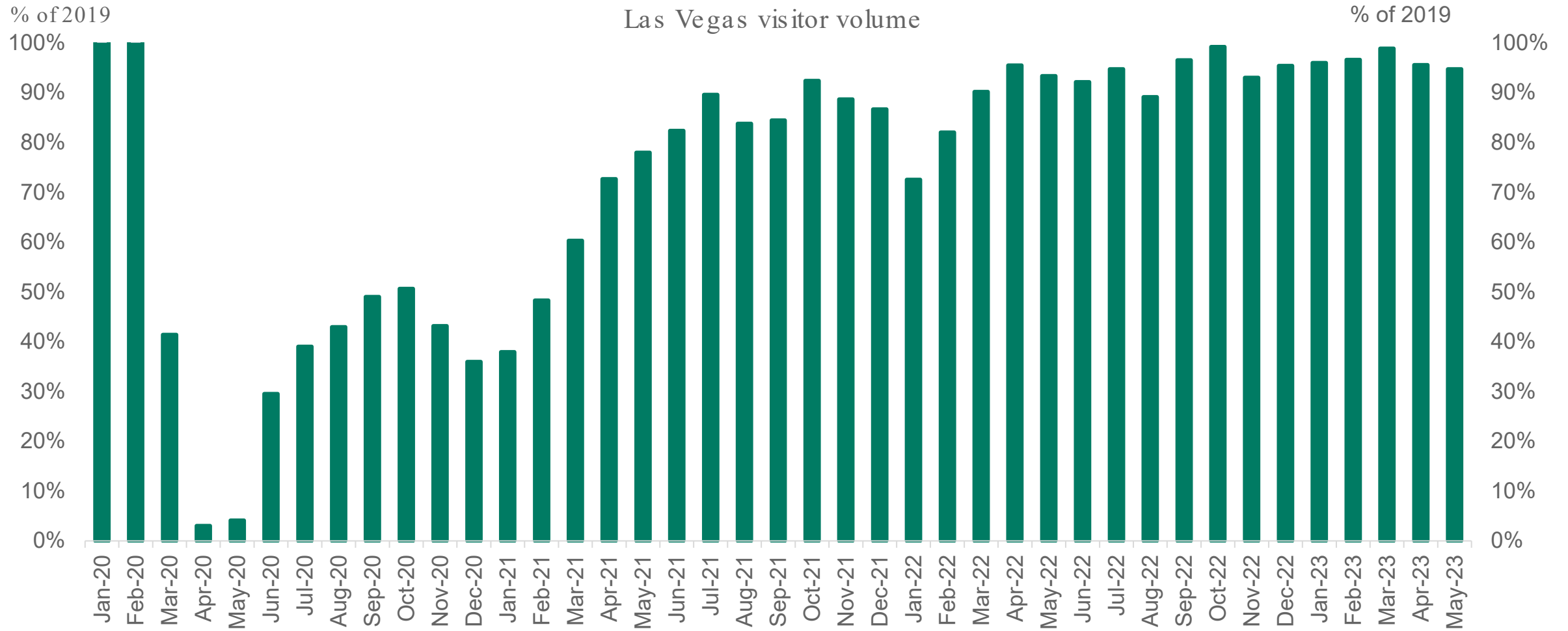


Source: Conference Board, Apollo Chief Economist

Air travel during holidays, comparing 2023 with prior years

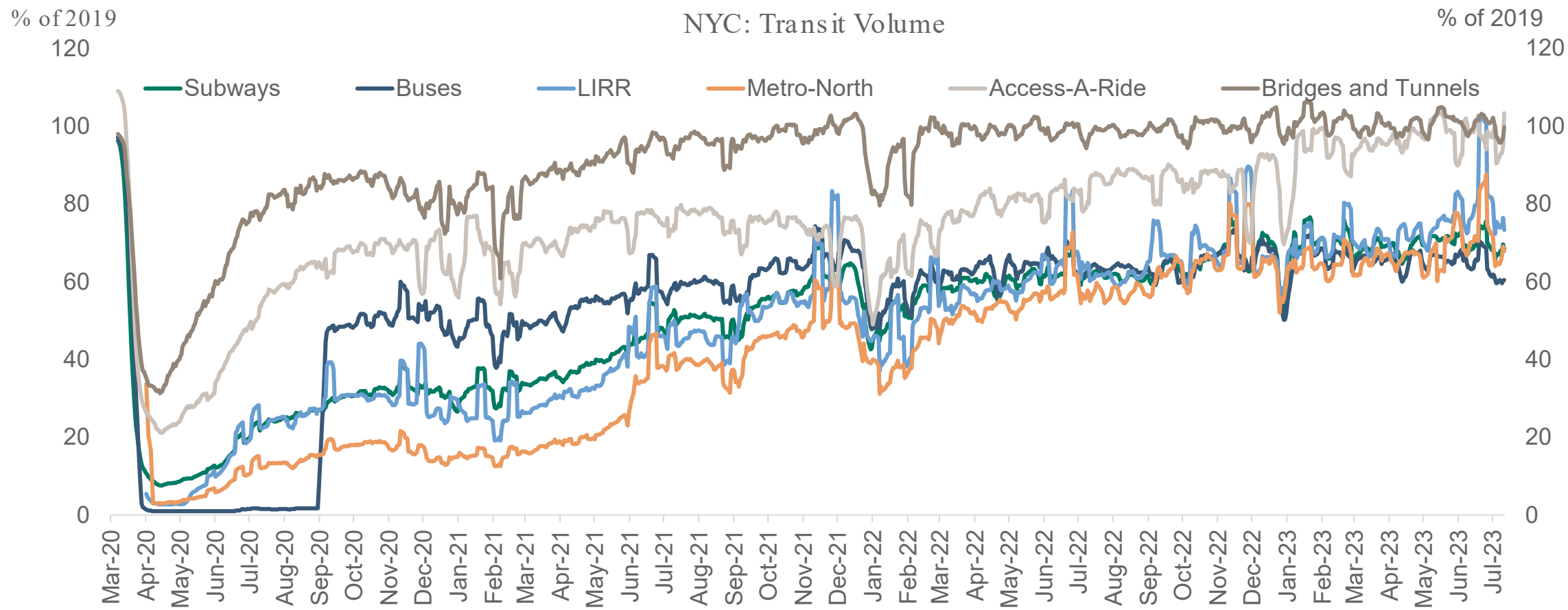


Las Vegas visitor volumes have fully recovered

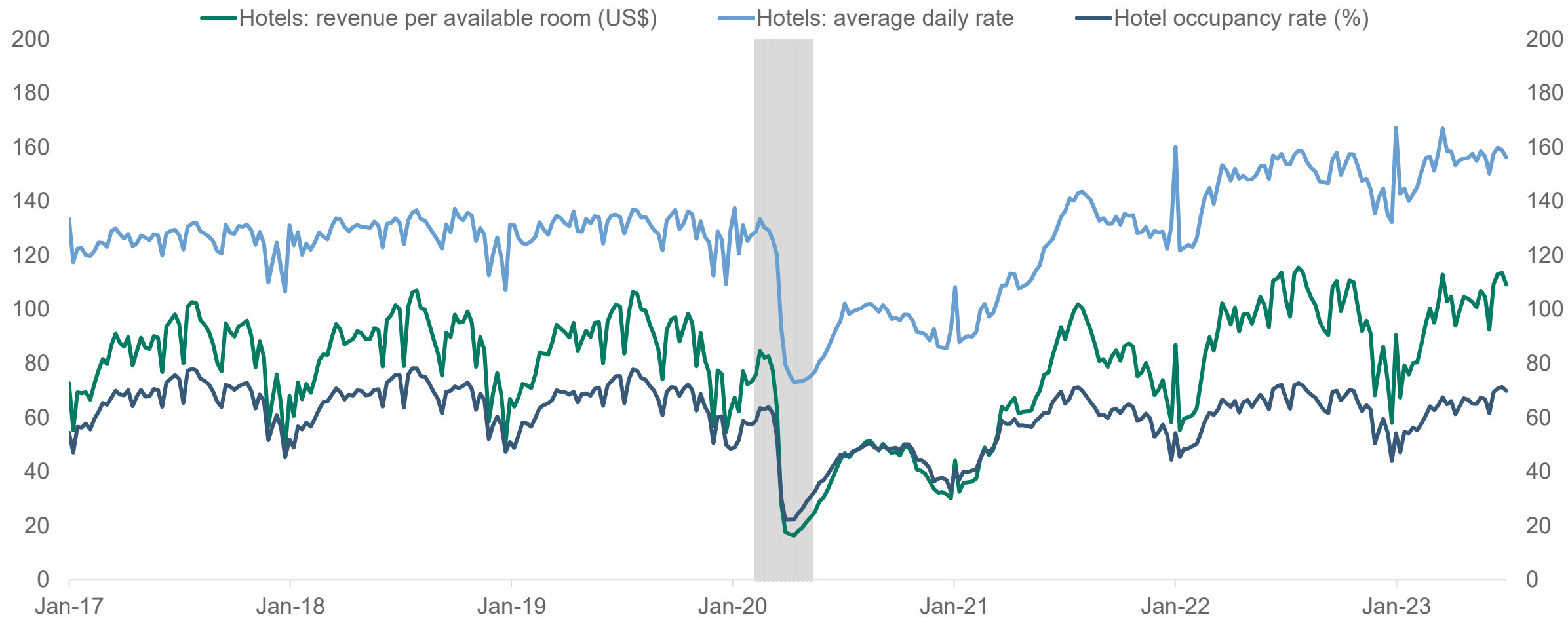


Source: Las Vegas Convention and Visitors Authority, Apollo Chief Economist

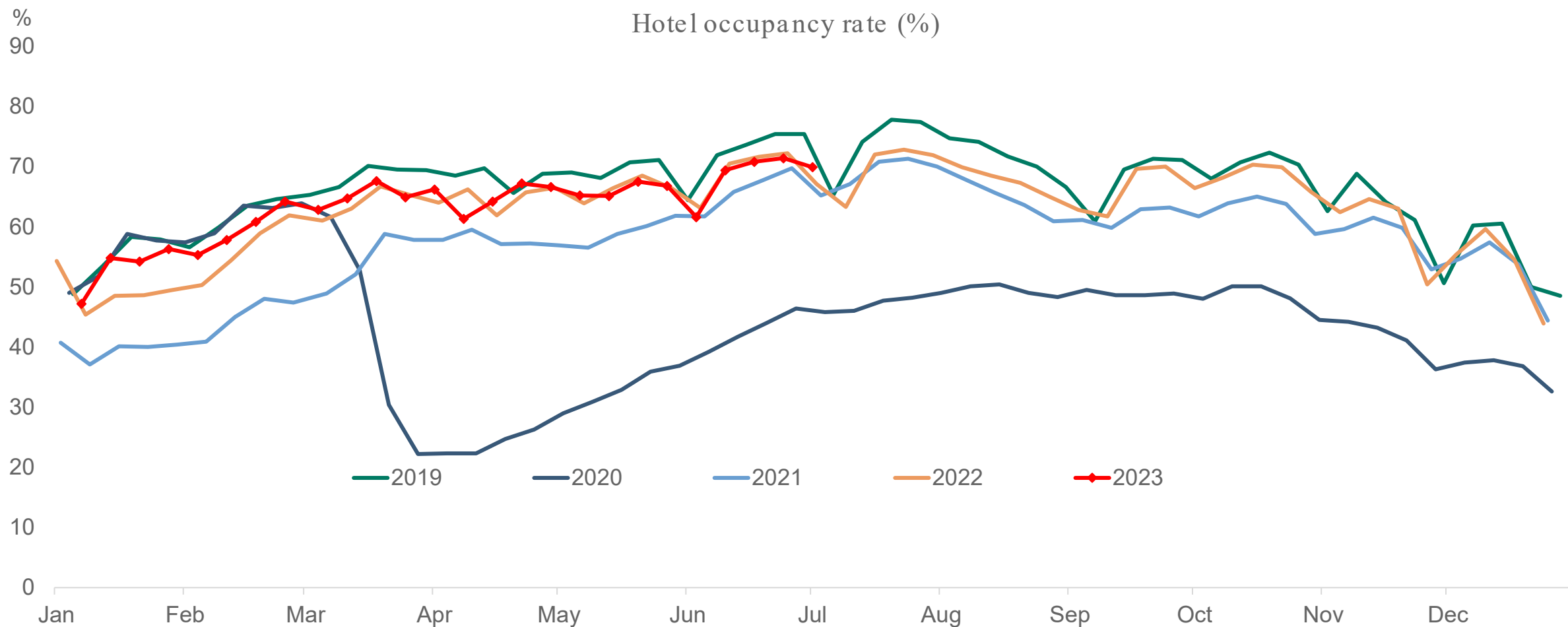
NYC mobility indicators



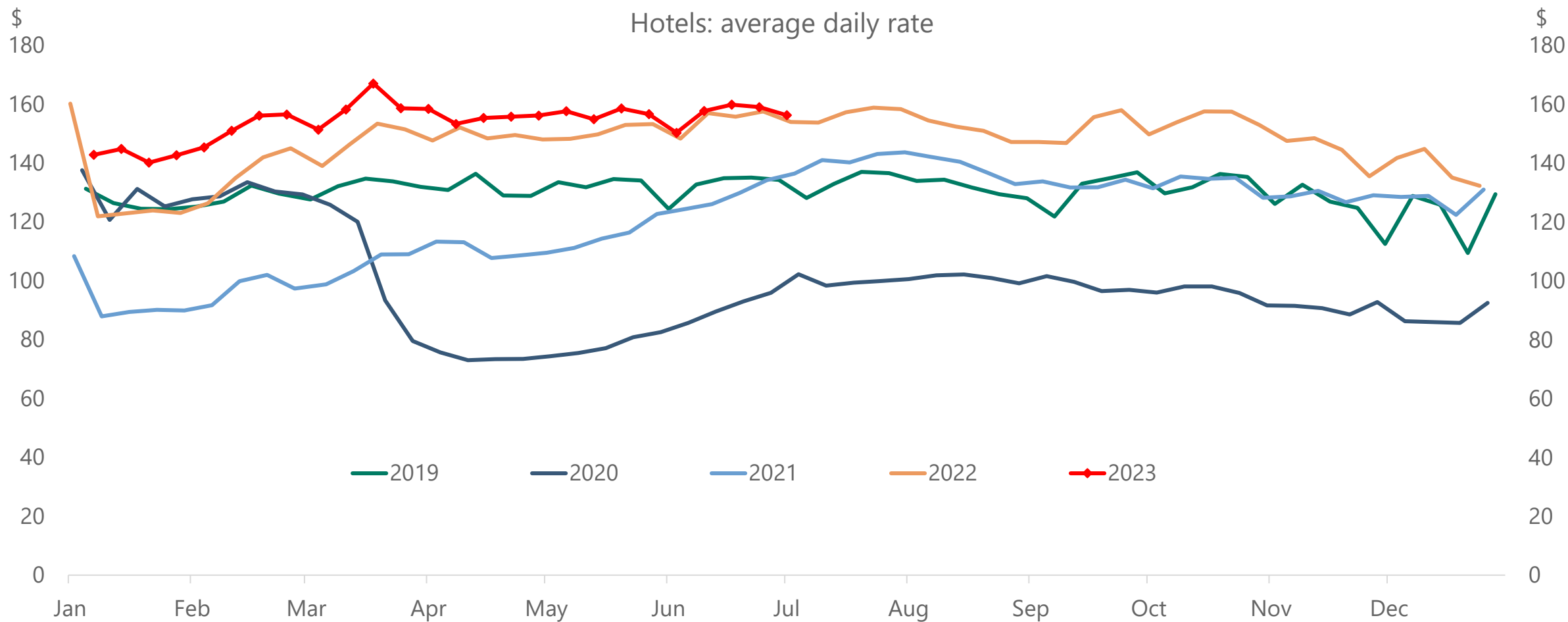
Weekly data for hotel demand



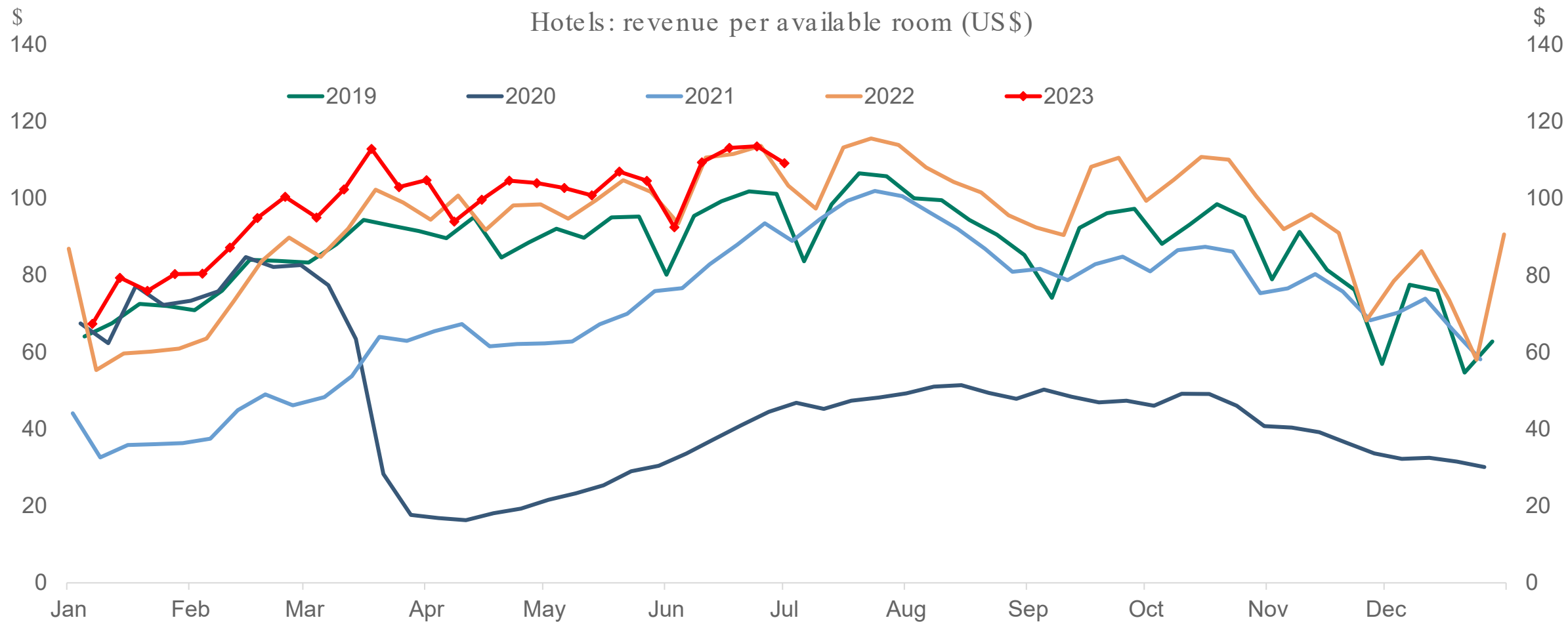
Weekly data for hotel demand



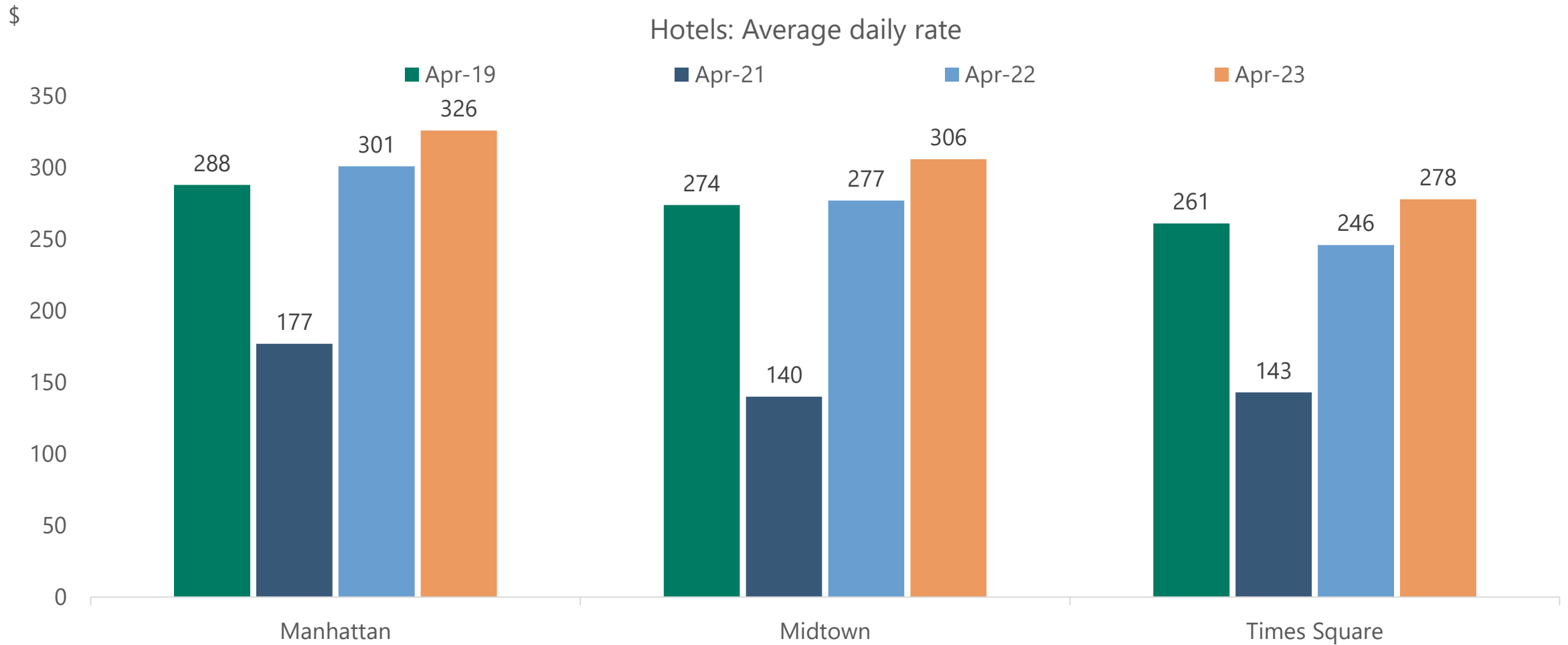
Weekly data for hotel demand



Weekly data for hotel demand

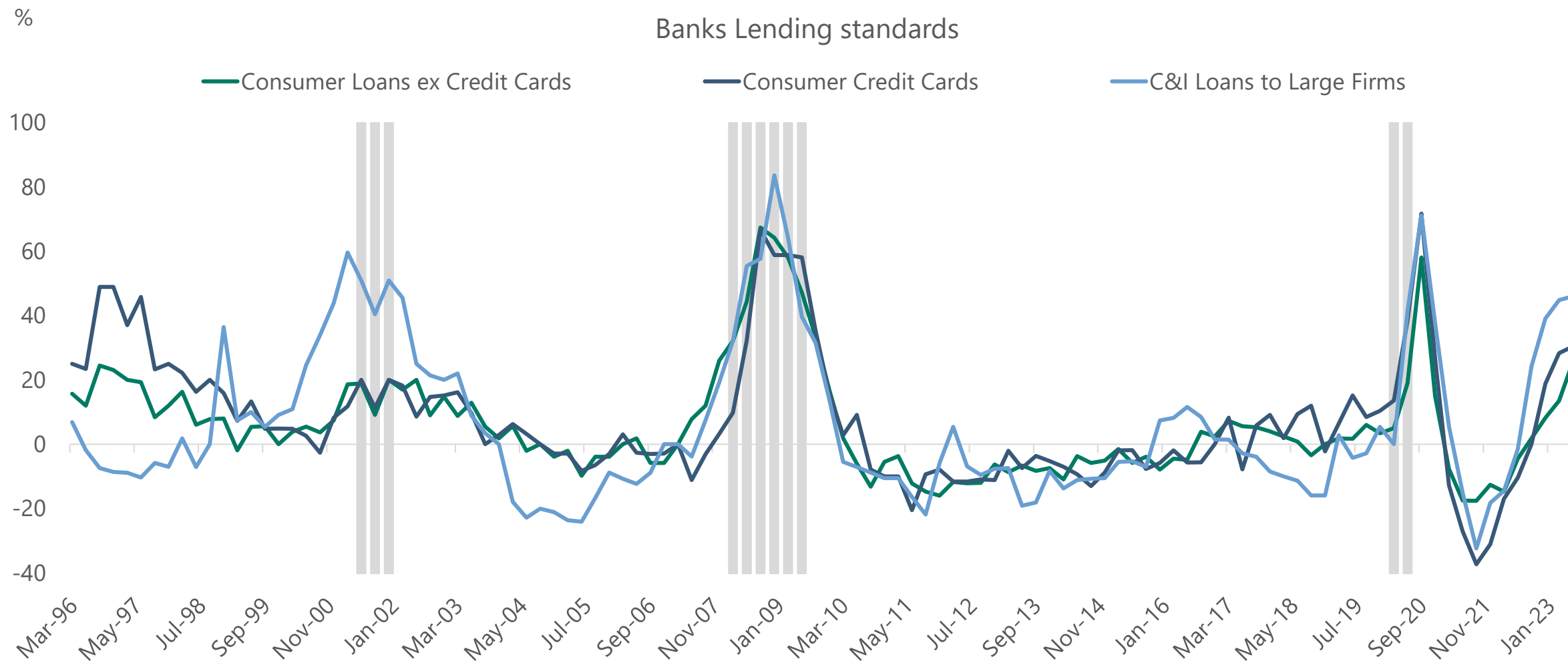


Hotel prices are now above pre-pandemic levels



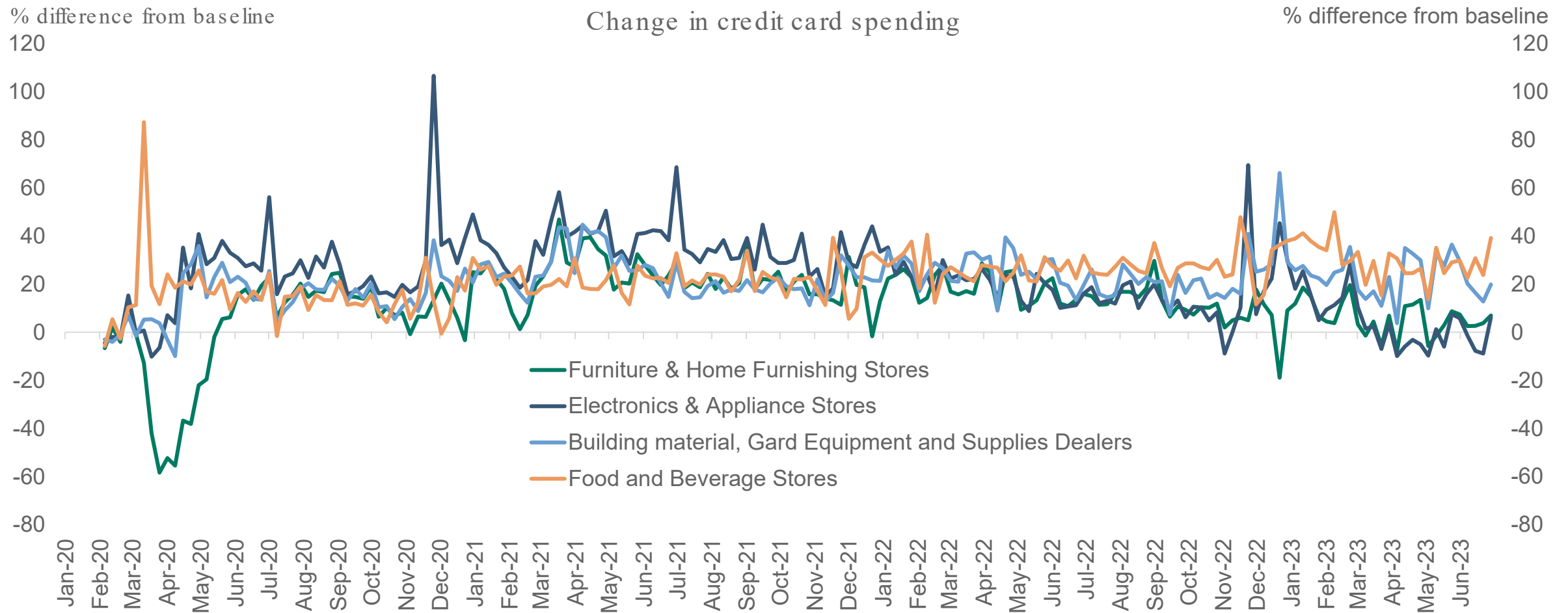
Outlook for spending on other consumer goods

Tightening lending standards will weigh on consumer spending



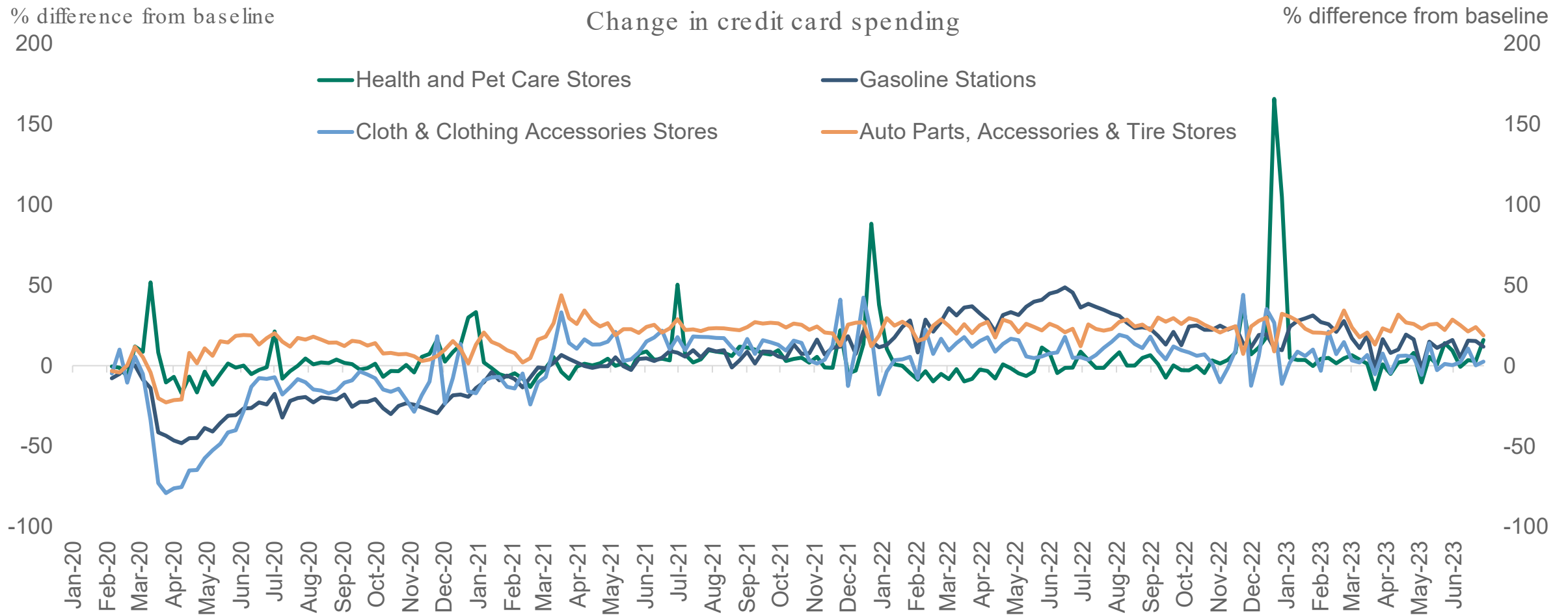
Source: FRB, Haver, Apollo Chief Economist

US consumer still solid, some weakness emerging in furniture and electronics sales



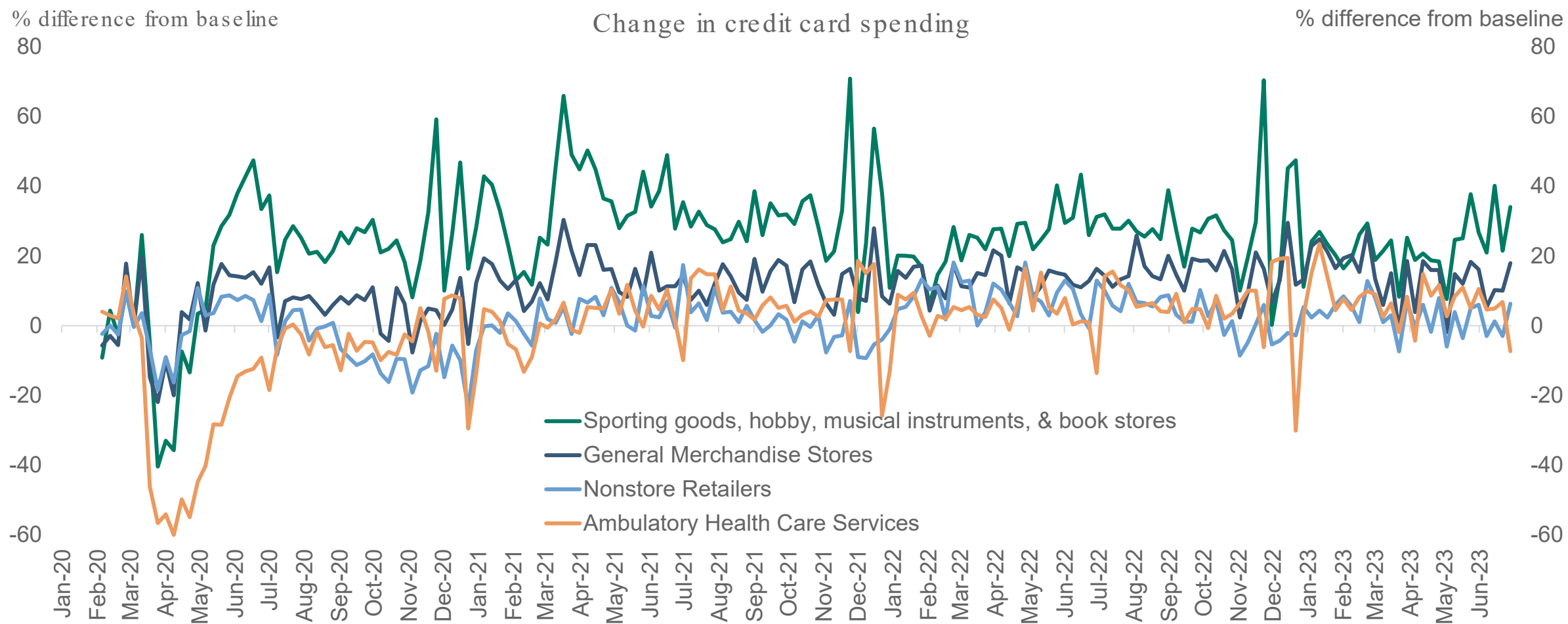
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects, based on daily data. The typical level corresponds to a value of zero.

US consumer credit card spending



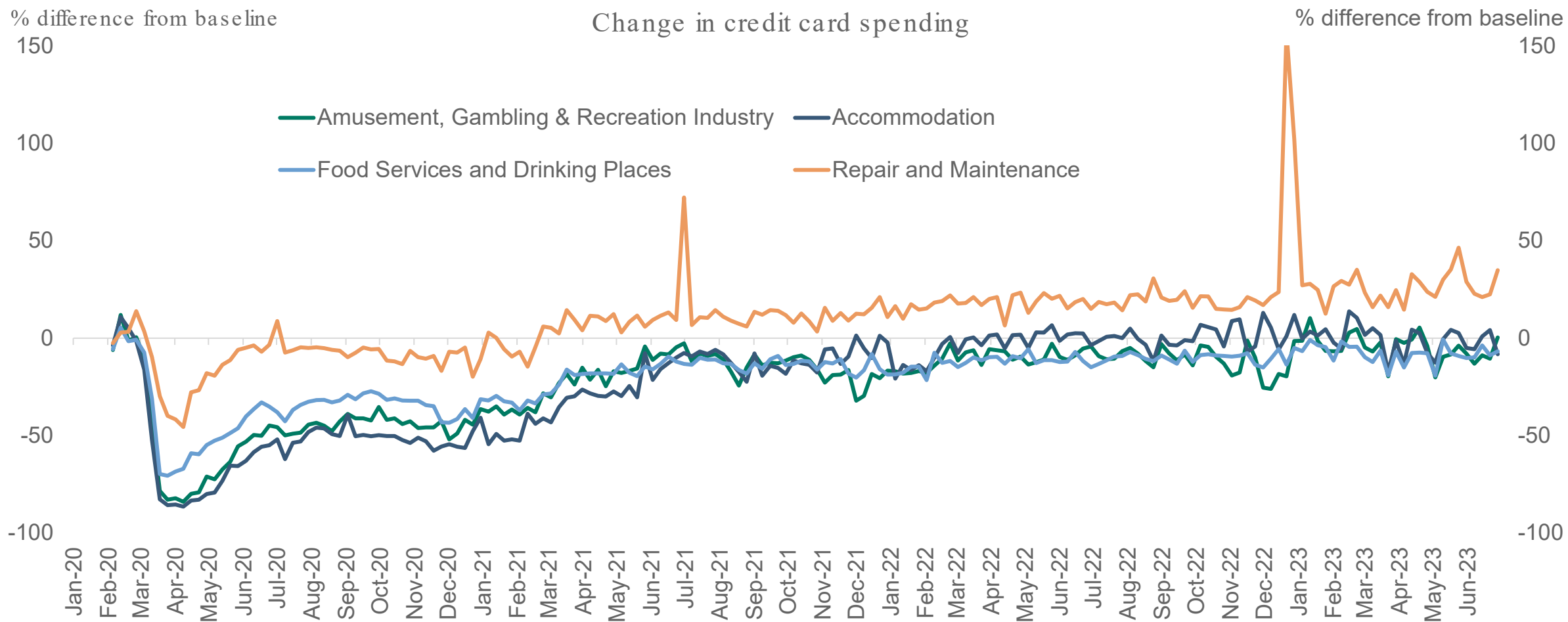
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects, based on daily data. The typical level corresponds to a value of zero.

US consumer credit card spending



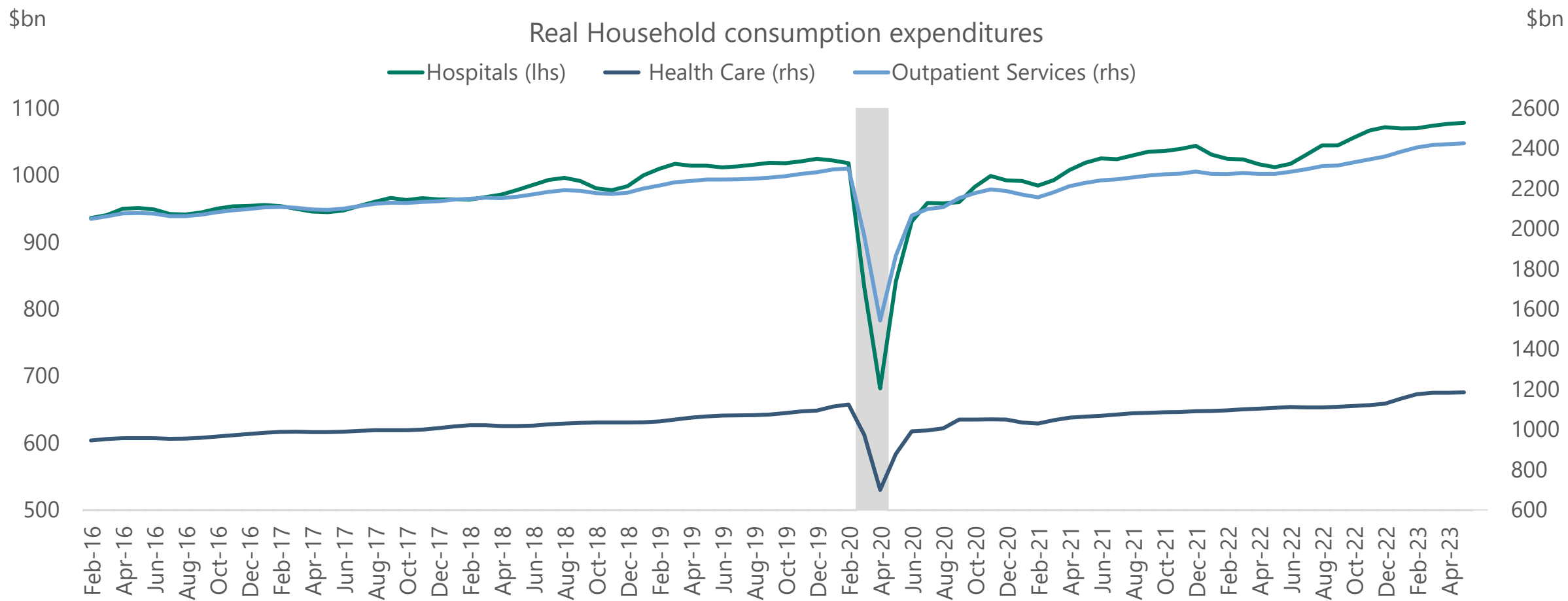
Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects, based on daily data. The typical level corresponds to a value of zero.

US consumer credit card spending

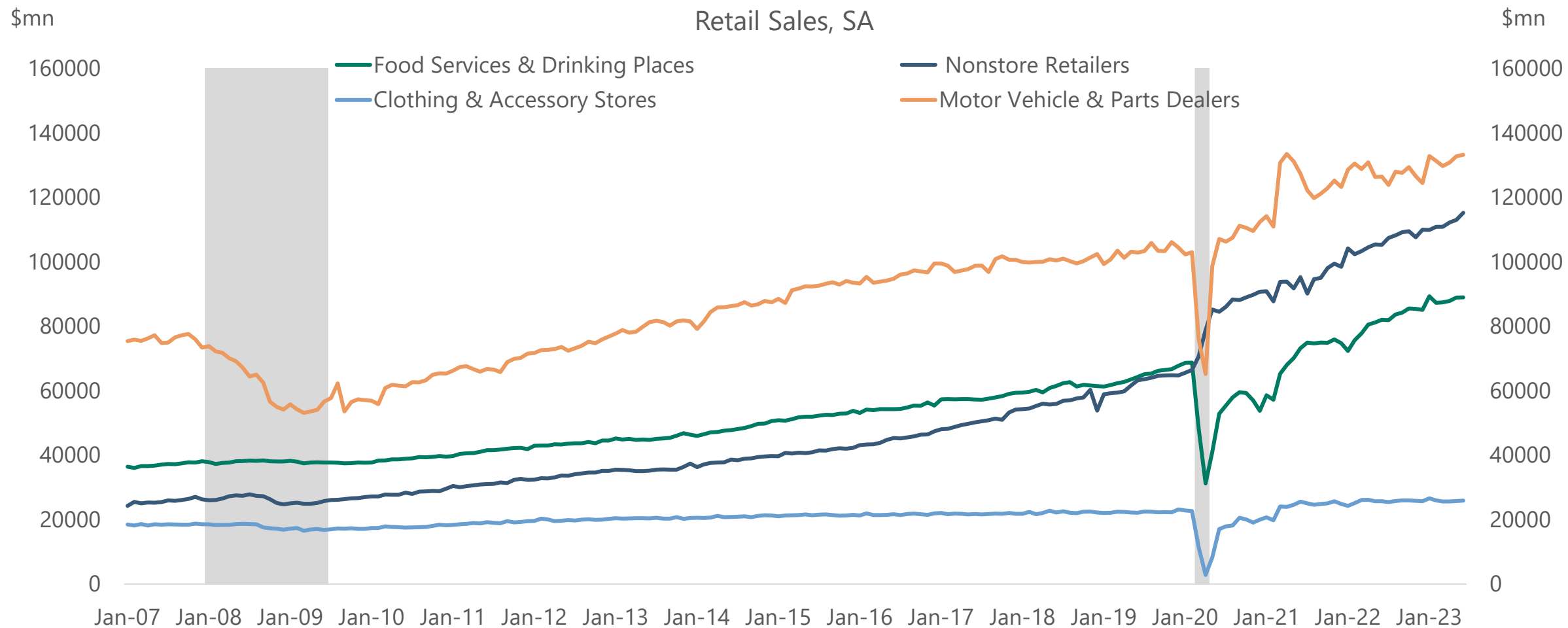


Source: BEA, Haver analytics, Apollo Chief Economist. Note: The weekly values represent the predicted percentage difference from the typical level of spending (prior to the pandemic declared by the World Health Organization on March 11, 2020) after adjusting for day-of-week, month, and year effects, based on daily data. The typical level corresponds to a value of zero.

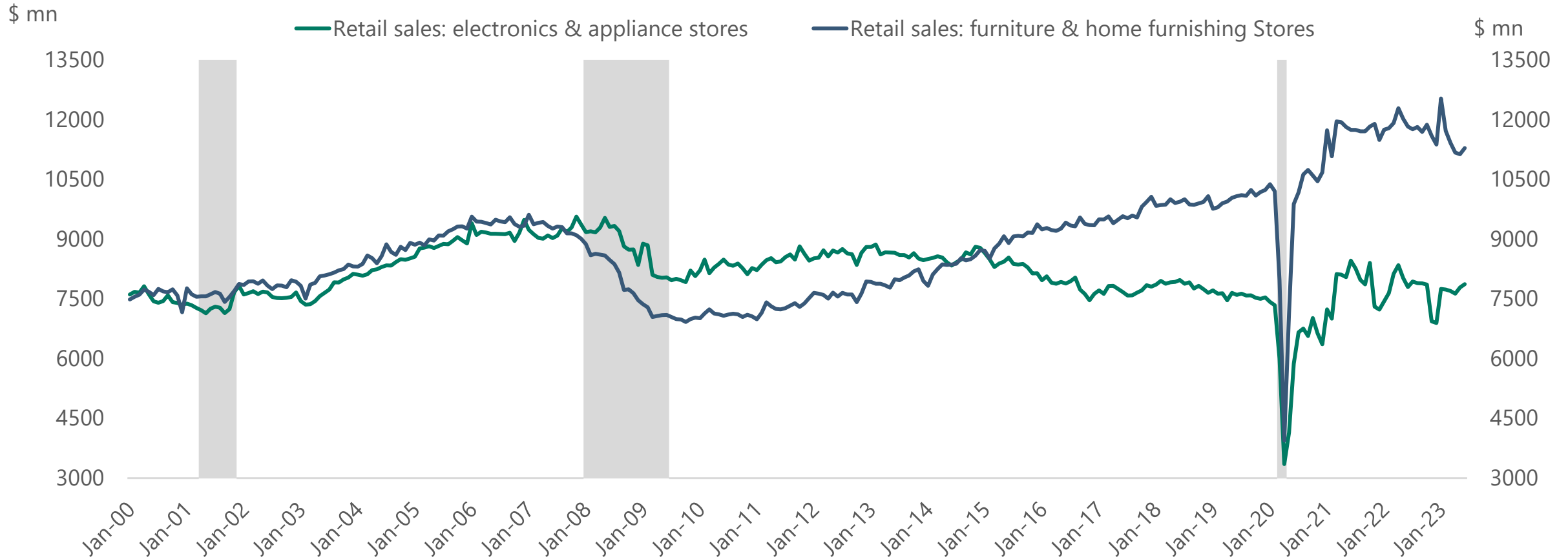
Health care spending at pre-pandemic trend



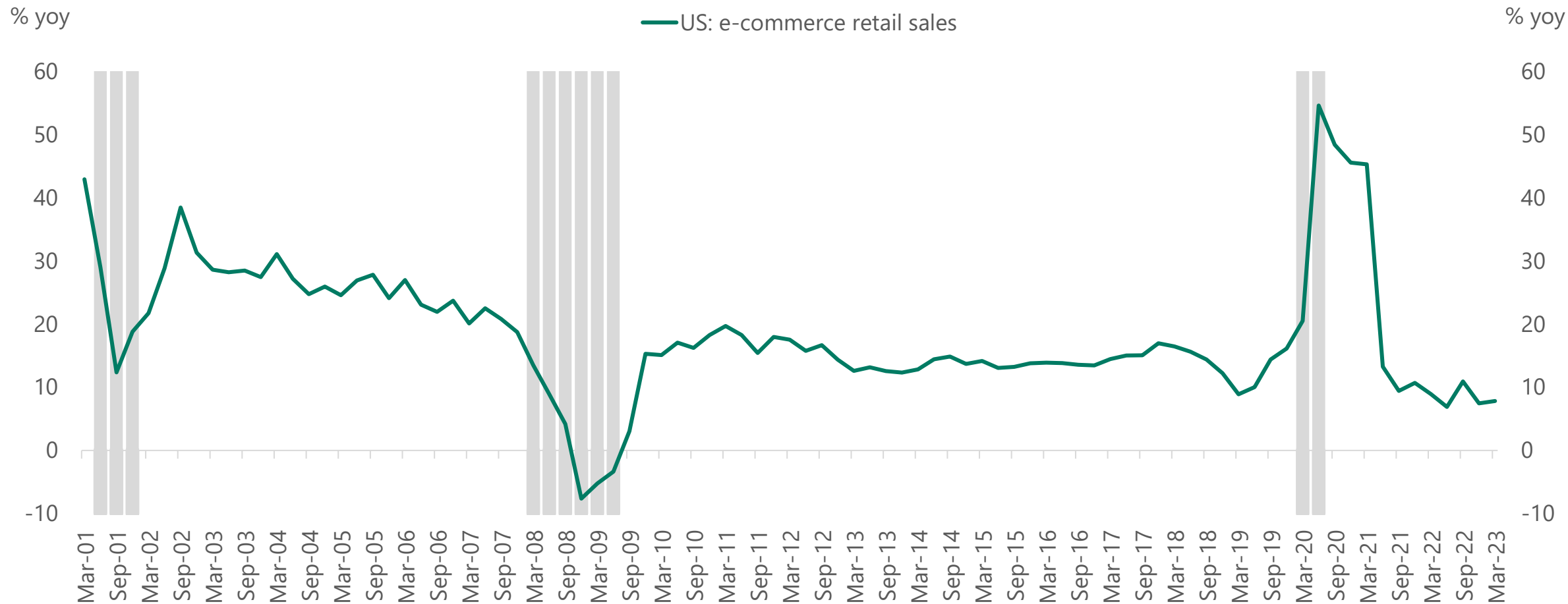
Retail sales across different spending categories



Some slowdown in sales of Furniture and Electronics and appliances, likely because these items require financing

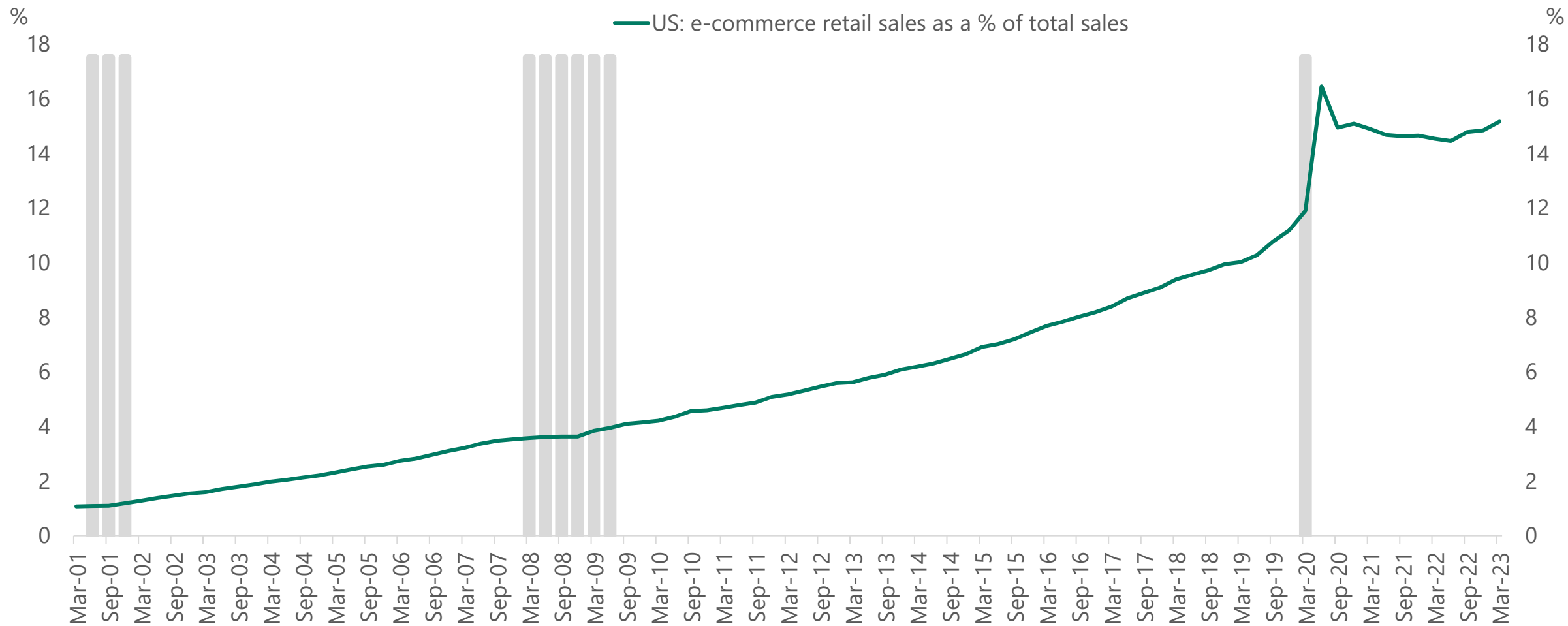


E-commerce retail sales stabilizing



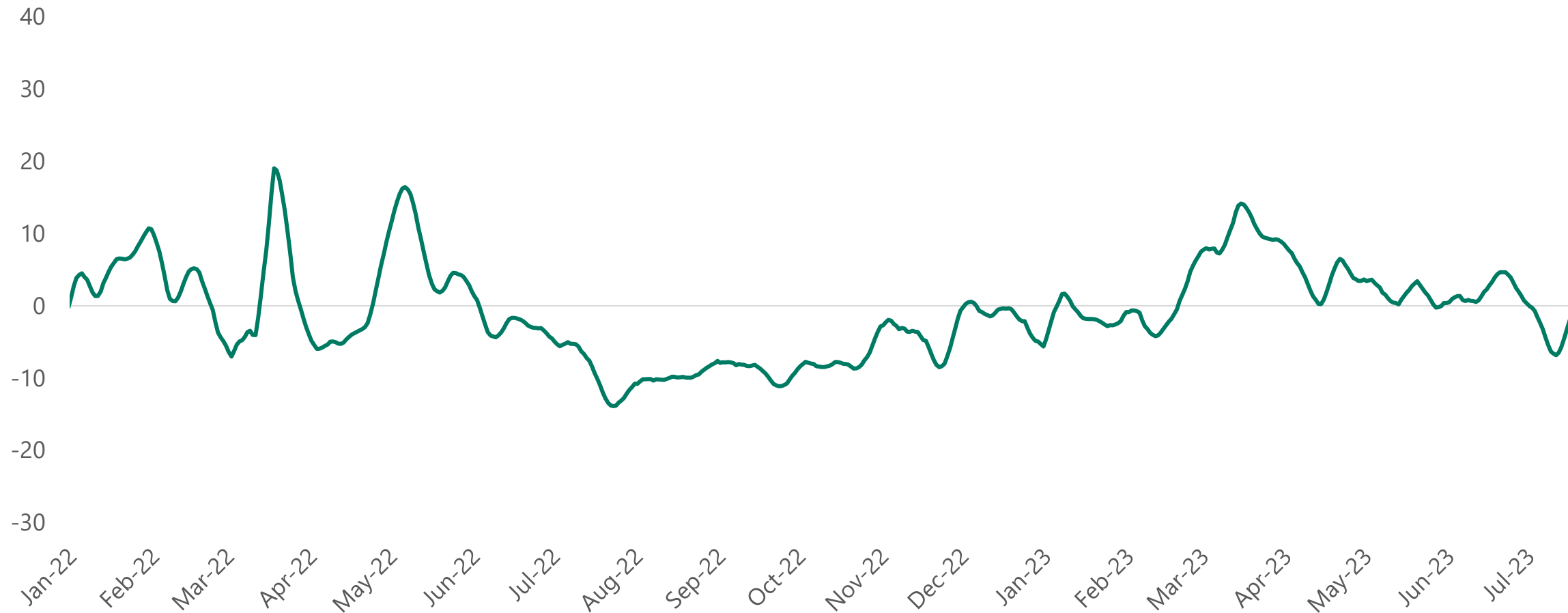
Source: Census Bureau, Haver, Apollo Chief Economist

Online shopping as a share of total consumer spending



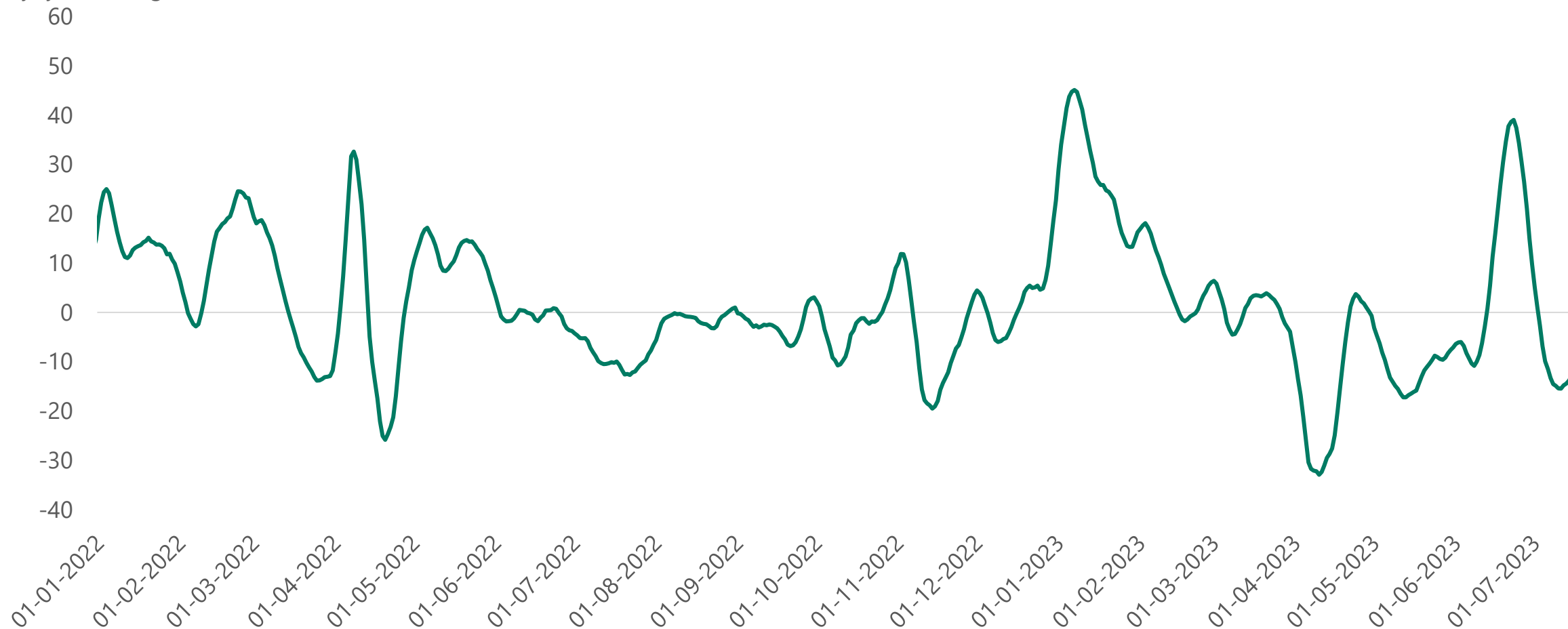
Consumer spending & transactions: Casual dining

% yoy, 7d average



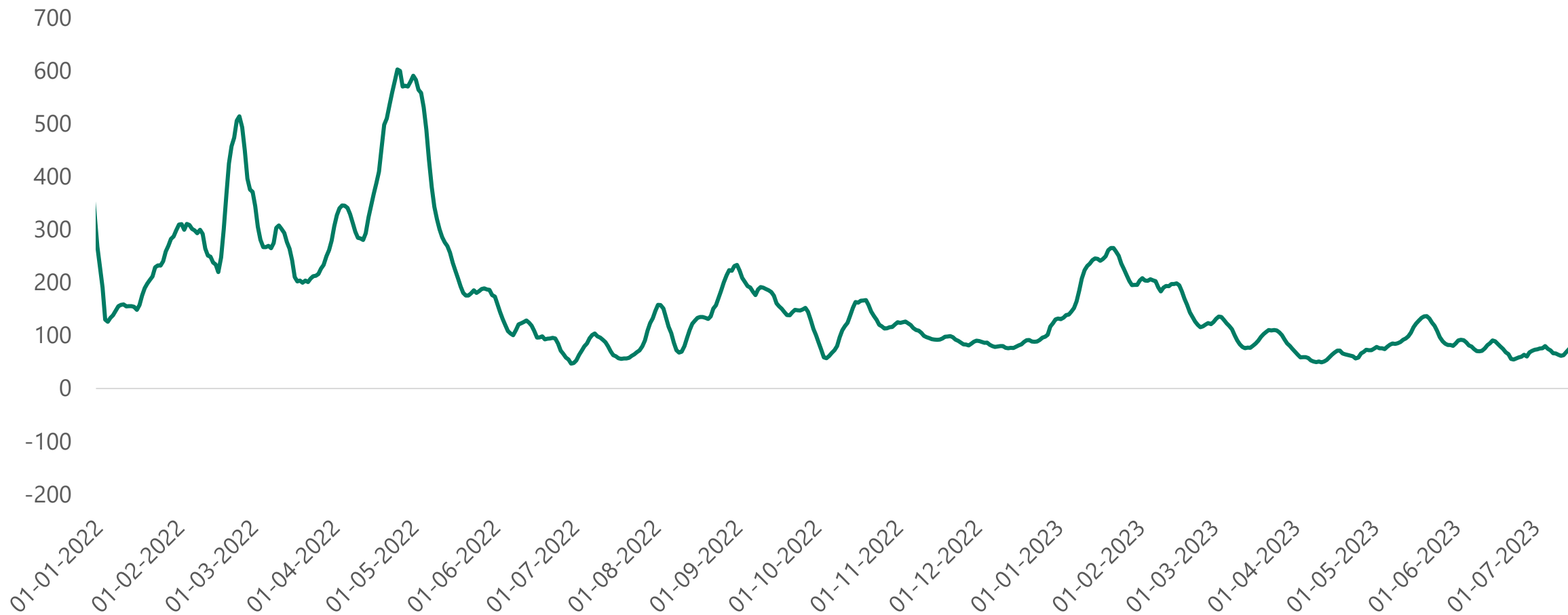
Consumer spending & transactions: Cosmetics, beauty supplies, and perfume stores

% yoy, 7d average



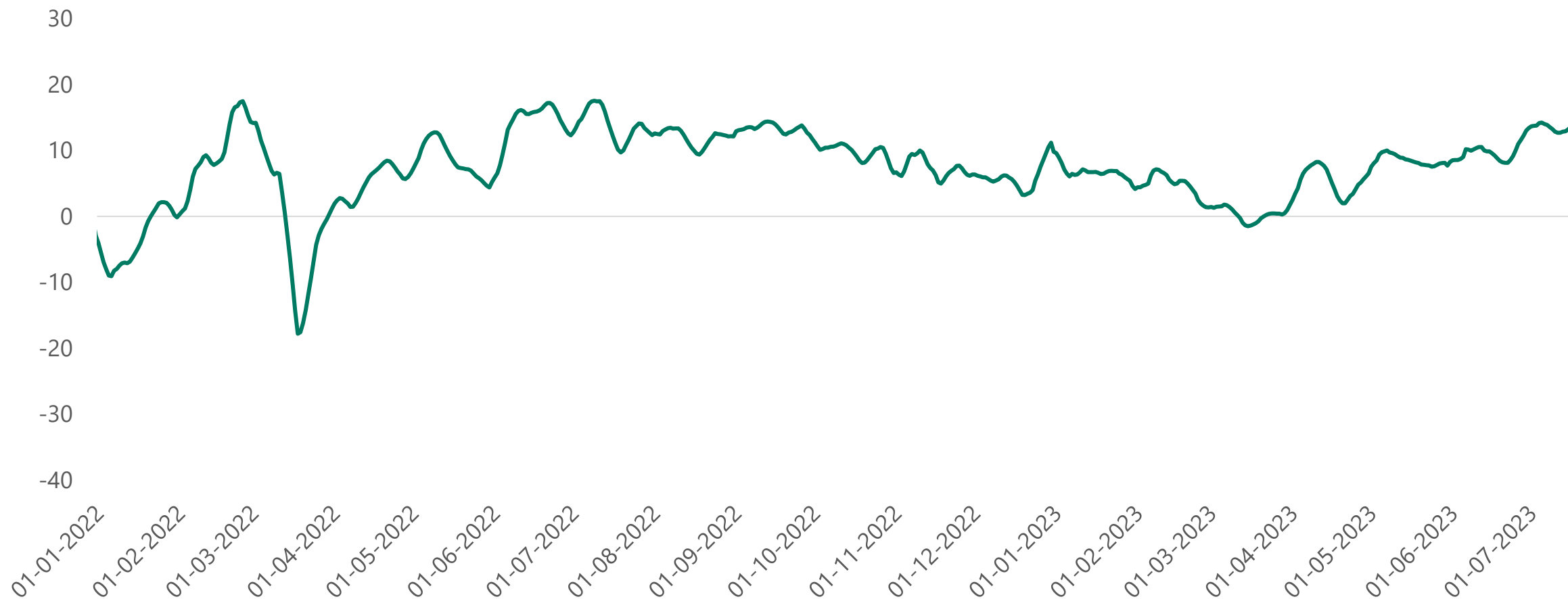
Consumer spending & transactions: Cruise travel

% yoy, 7d average



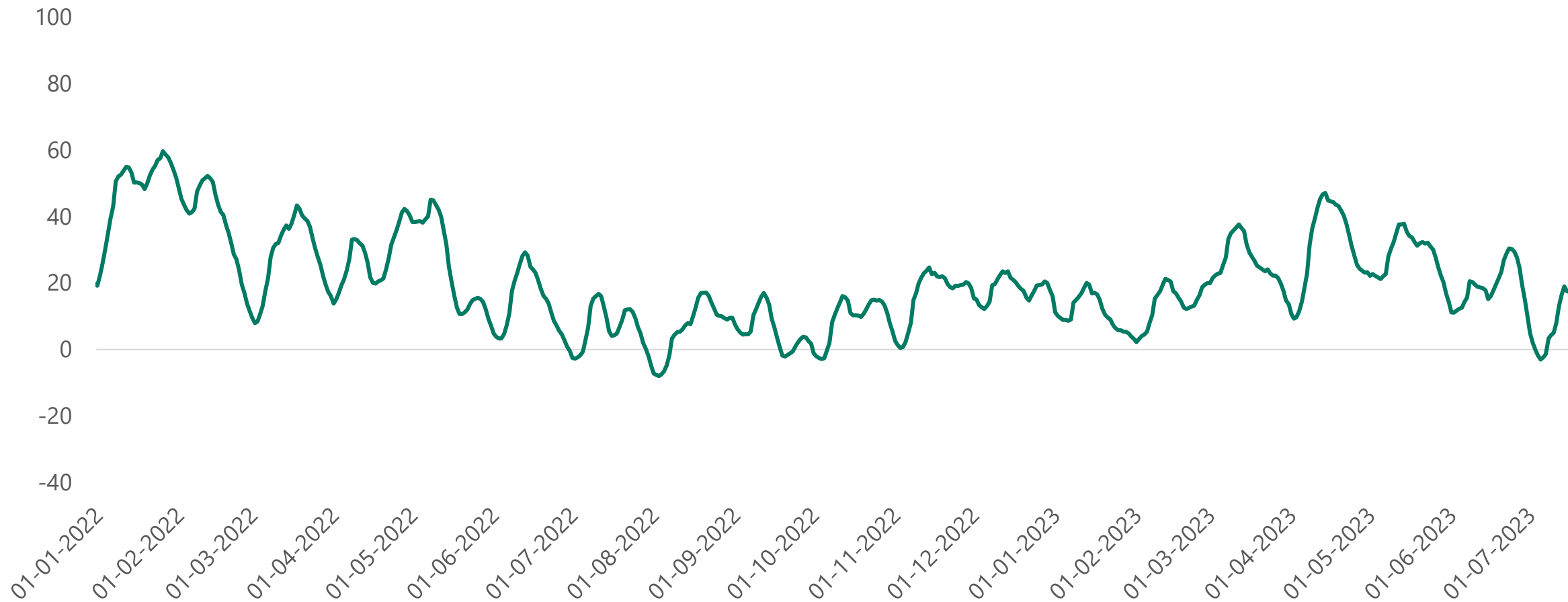
Consumer spending & transactions: General Retail

% yoy,7d average



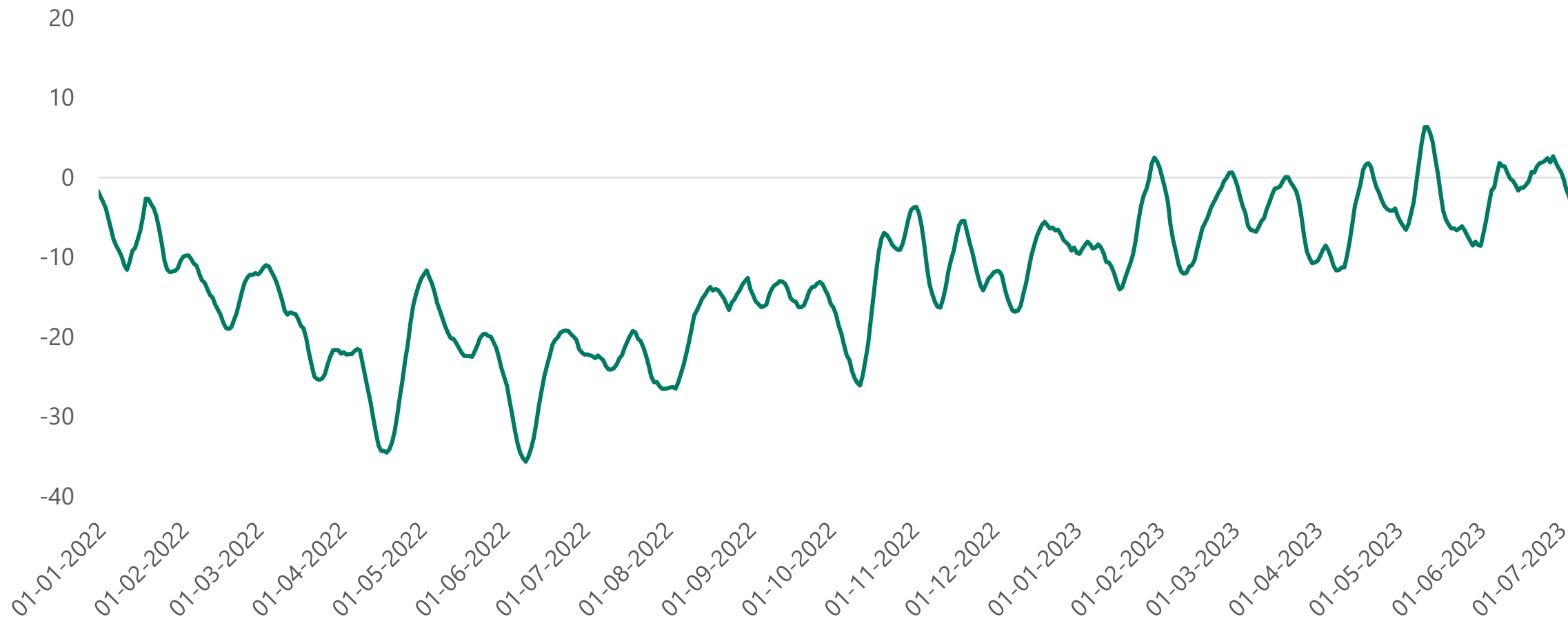
Consumer spending & transactions: Moving, storage and Freight services

% yoy, 7d average



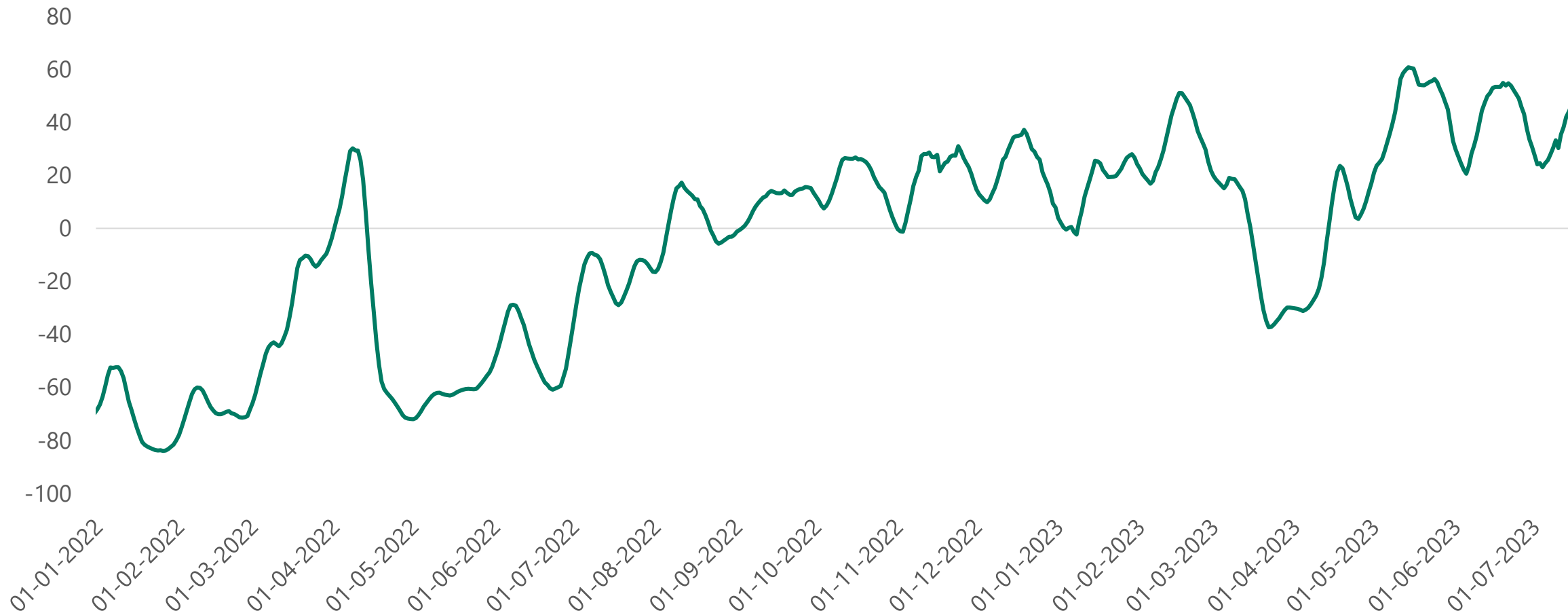
Consumer spending & transactions: Online travel

% yoy, 7d average



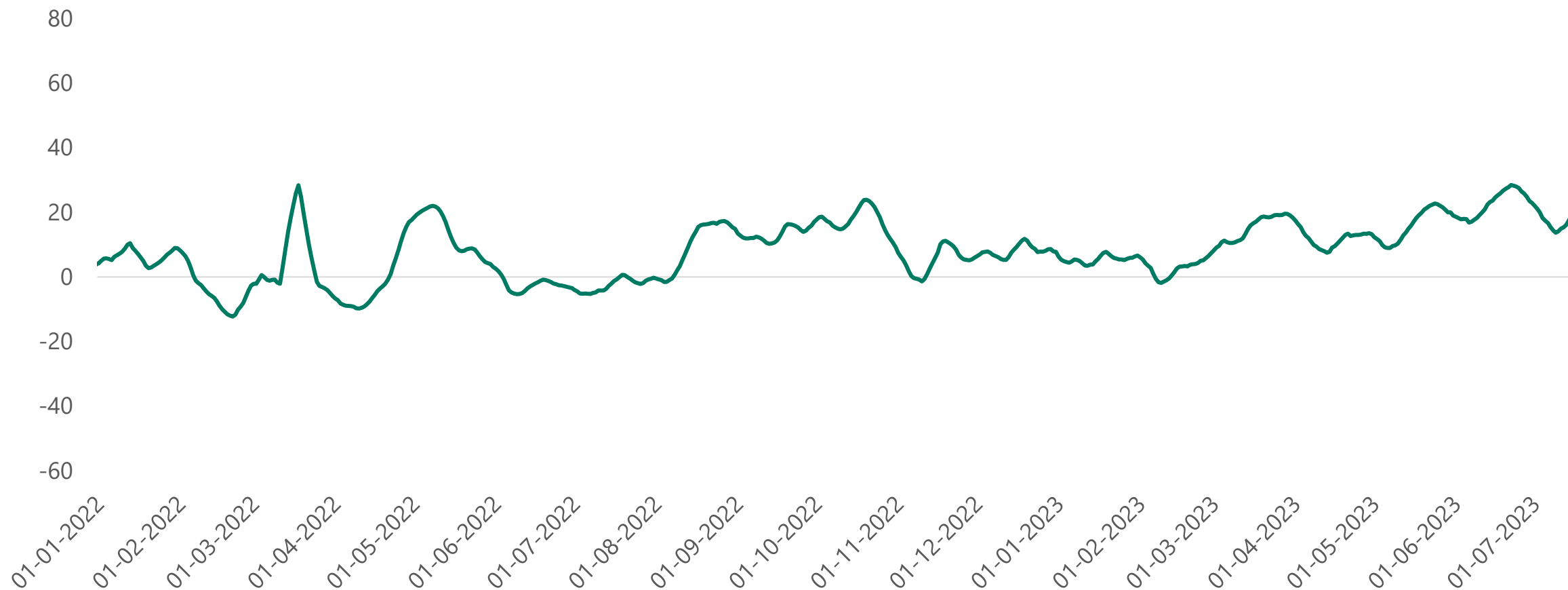
Consumer spending & transactions: Package Shipping and Logistics

% yoy, 7d average



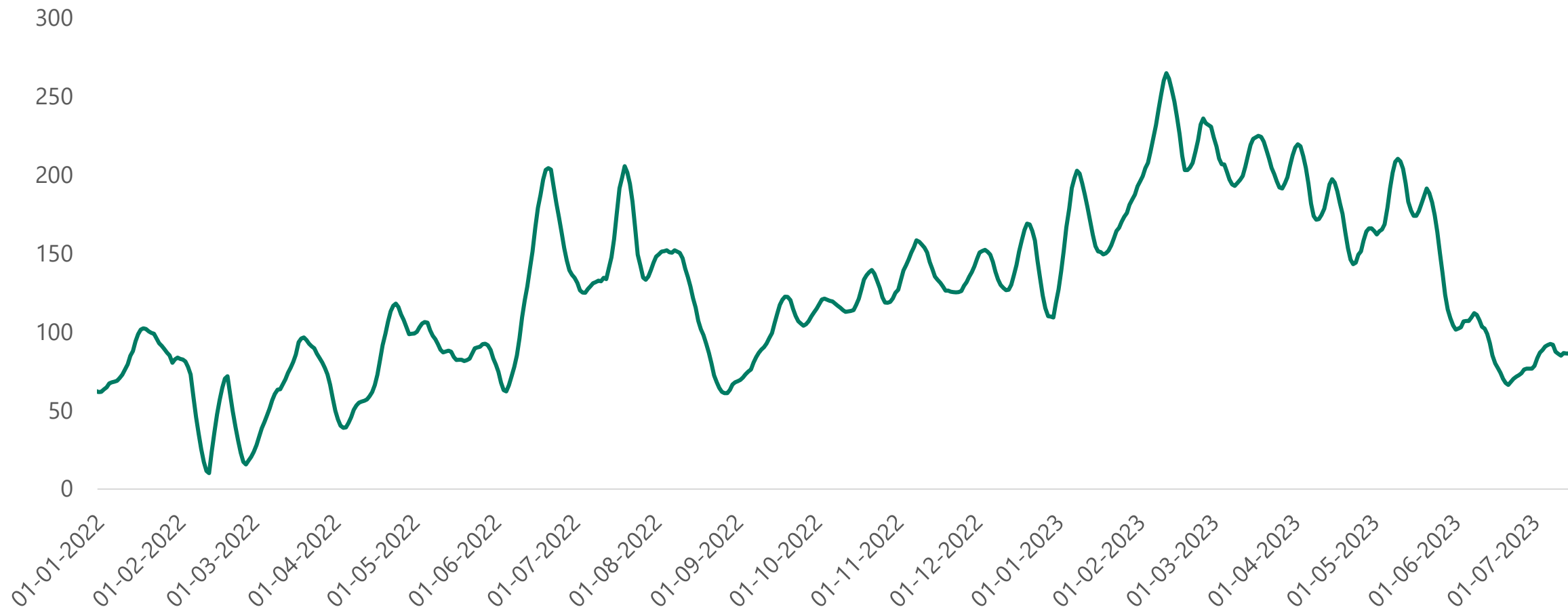
Consumer spending & transactions: Ride Share

% yoy, 7d average



Consumer spending & transactions: Sports Betting

% yoy, 7d average



Conclusions

Overview

Reasons to be bullish on the US consumer

1. Job growth is still solid, jobless claims low
2. Net worth and excess savings still high
3. Wage growth still solid, real wage growth is positive

Reasons to be bearish on the US consumer

1. The pace of employment growth is slowing
2. Households starting to run out of excess savings
3. Delinquency rates trending higher for credit cards and auto loans



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Torsten Slok joined Apollo in August 2020 as Chief Economist and he leads Apollo's macroeconomic and market analysis across the platform.

Prior to joining, Mr. Slok worked for 15 years as Chief Economist at Deutsche Bank where his team was top ranked in the annual Institutional Investor survey for a decade, including #1 in 2019. Prior to joining Deutsche Bank Mr. Slok worked at the IMF in Washington, DC and at the OECD in Paris.

Mr. Slok has a Ph.D in Economics and has studied at the University of Copenhagen and Princeton University.