RELEASE DATE
FEB 2019

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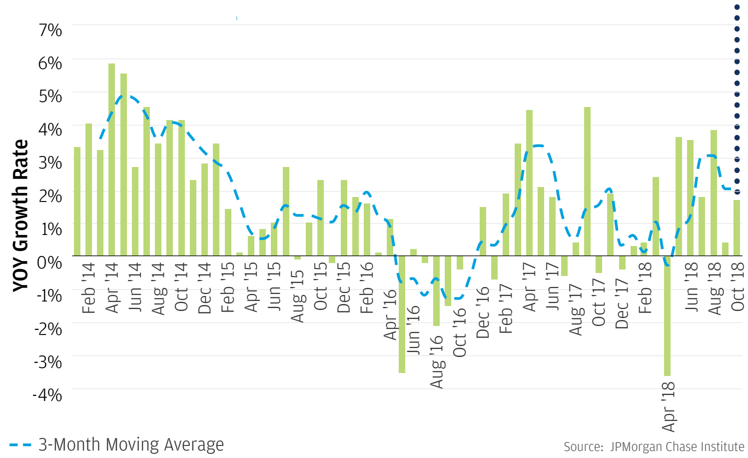
Local Commerce

October 2018

DATA THROUGH
OCT 2018 ↑ 1.7%

Highlights across all 14 metro areas

The Local Commerce Index increased 1.7 percent year-over-year in October 2018. This marks the sixth consecutive month of positive growth of the index, the longest streak since January 2015. Spending on fuel has been the largest contributor to overall growth for the fifth consecutive month, adding 1.0 percentage point in October 2018. Breaking down spending by age, consumers under the age of 35 continue to be a dominant driver of growth, with consumers under 25 contributing 0.6 percentage points to overall growth, and consumers aged 25 to 34 contributing 0.7 percentage points. However, continuing a trend seen in the previous five months, older consumers have dragged growth less than in months prior to May 2018. In October 2018, contributions from consumers 55 and over remained flat. Houston posted the lowest growth rate of all metro areas tracked by the LCI, with spending decreasing by 2.6 percent year-over-year in October 2018, continuing a pattern of high volatility, and high median and average growth. On the other hand, over the past 12 months, Columbus has had the second-highest average and median growth rates, but the third-least volatile growth rate.



About the Local Commerce Index

A note on naming conventions. Prior to August 2018, this index was named the Local Consumer Commerce Index (LCCI). The name was changed to the Local Commerce Index (LCI) to account for multiple views of local commerce.

A measure of consumer spending. The Local Commerce Index (LCI) is a measure of the monthly year-over-year growth rate of everyday debit and credit card spending at merchants in 14 US metro areas.

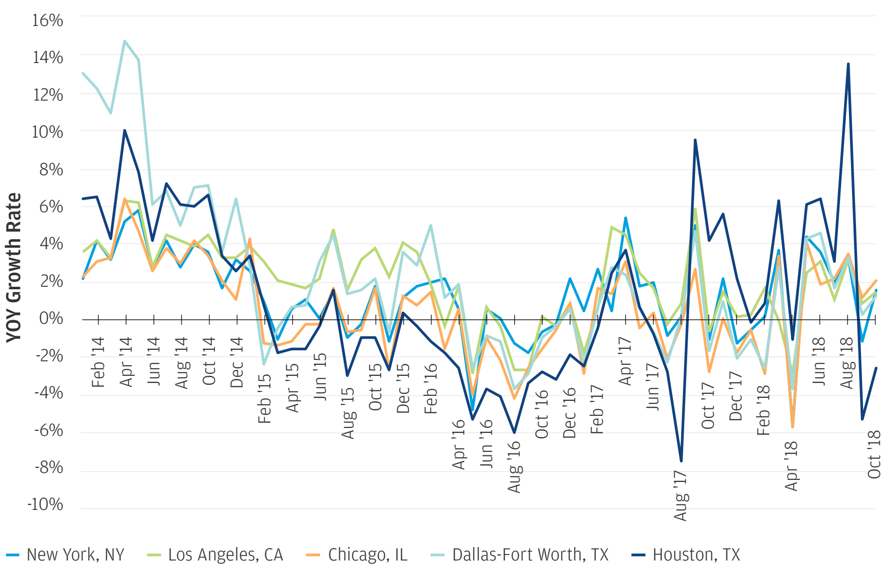
A unique lens. The LCI is constructed from over 22 billion anonymized credit and debit card transactions from over 64 million Chase customers. Unlike many existing sources of data on consumer spending, the Local Commerce Index captures actual transactions, instead of self-reported measures of how consumers think they spend. The Local Commerce Index'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 Local Commerce Index measures everyday spending across 14 metro areas: Atlanta, Chicago, Columbus, Dallas-Ft. Worth, Denver, Detroit, Houston, Miami, Los Angeles, New York, Phoenix, Portland (OR), San Diego, and San Francisco. Our portfolio of metro areas mirrors the geographic and economic diversity of larger metropolitan areas in the United States and accounts for 30 percent of retail sales nationwide.

A powerful tool. The Local Commerce Index 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



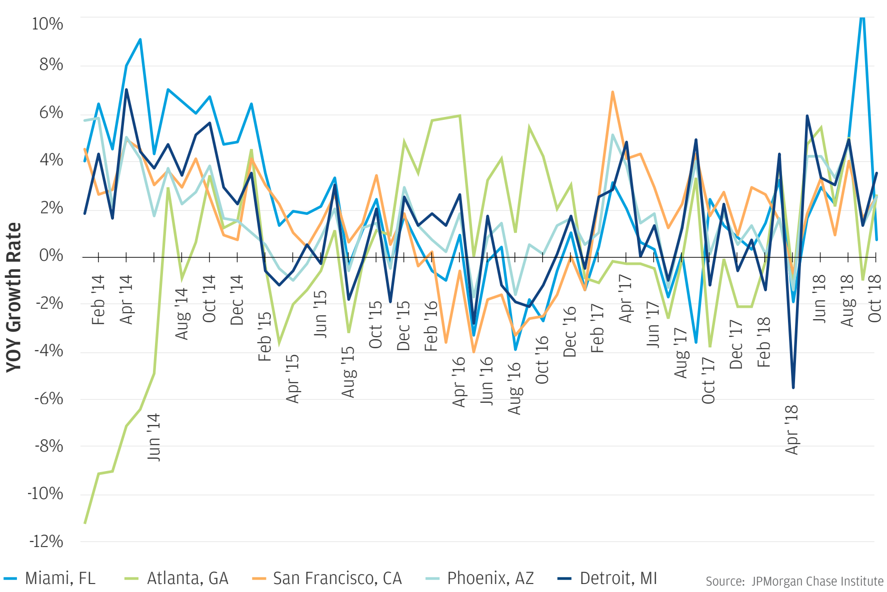
Source: JPMorgan Chase Institute

Houston: Spending at Houston-area merchants decreased by 2.6 percent year-over-year in October 2018—the lowest growth rate among larger metro areas tracked by the LCI. Over the past 12 months, Houston has experienced the highest average growth rate, the highest median growth rate, and the most volatile growth rate.

Chicago: For the second consecutive month, Chicago posted the highest growth rate among the larger metro areas tracked by the LCI, with a year-over-year growth rate of 2.0 percent.

The unweighted average in year–over–year spending growth across the large metro areas was an increase 0.1 percent in October 2018.

Mid-Sized Metro Areas



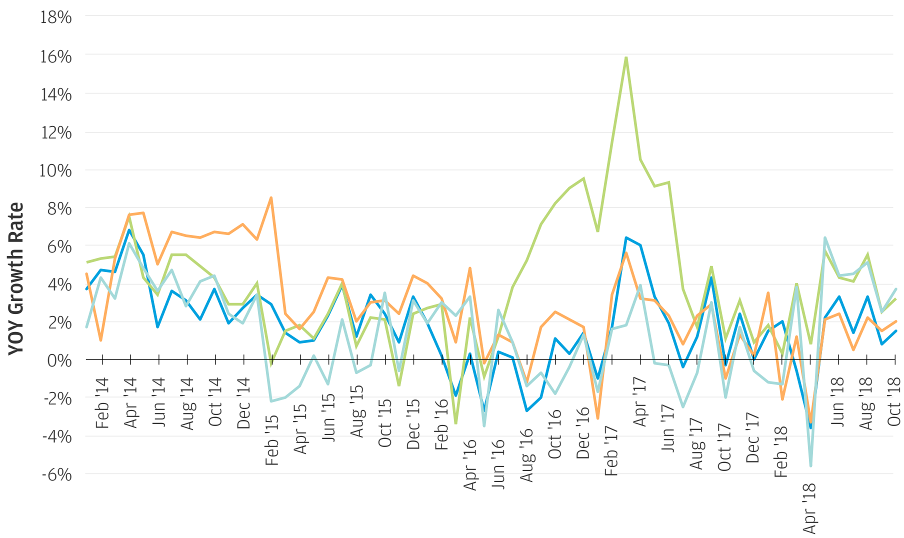
Source: JPMorgan Chase Institute

Miami: Spending at local merchants in Miami increased by 0.7 percent year-over-year in October 2018. This was the lowest growth rate among the mid-sized metro areas tracked by the LCI.

Detroit: Among the mid-sized metro areas we track, Detroit posted the highest growth rate with 3.5 percent.

The unweighted average in year–over–year local spending growth across the mid-sized metro areas was an increase of 2.4 percent in October 2018.

Smaller Metro Areas



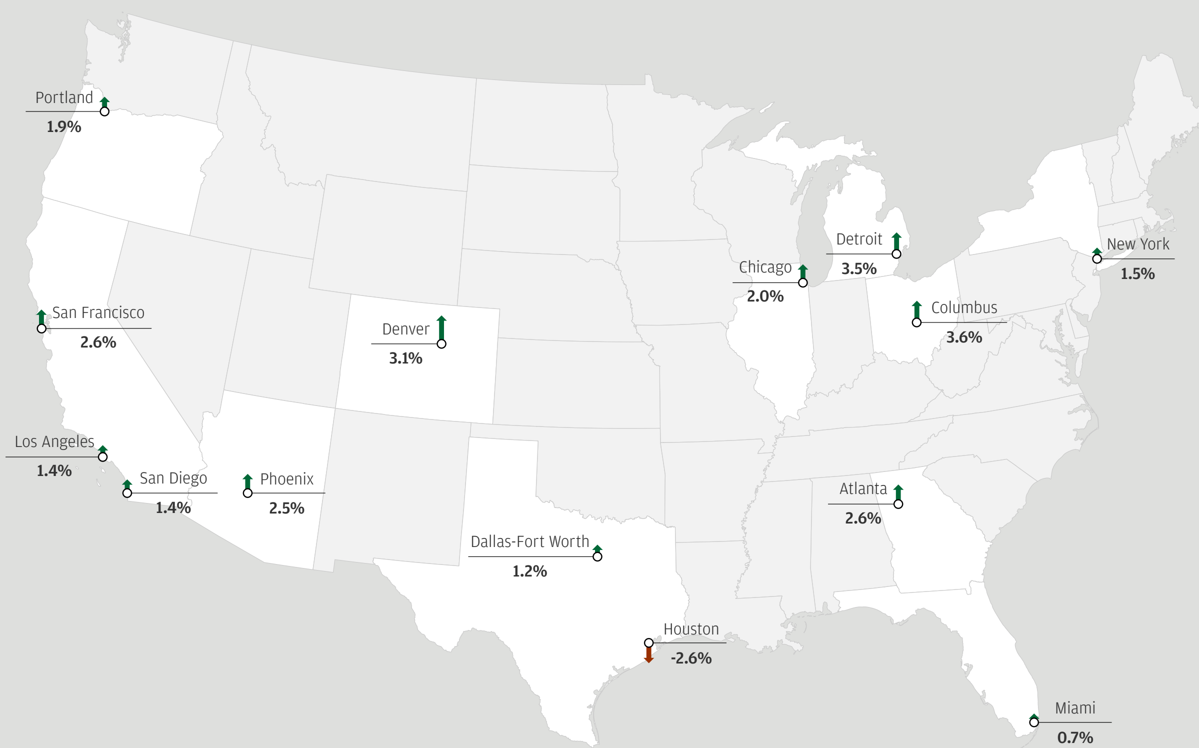
Source: JPMorgan Chase Institute

Columbus: For the second consecutive month Columbus metro areas posted the highest growth rate among smaller metro areas. Spending increased by 3.6 percent year-over-year in October 2018.

San Diego: With spending increasing by 1.4 percent year-over-year, San Diego posted the lowest growth rate among the smaller metro areas for the second consecutive month. This growth is up from 0.7 percent in September 2018, however.

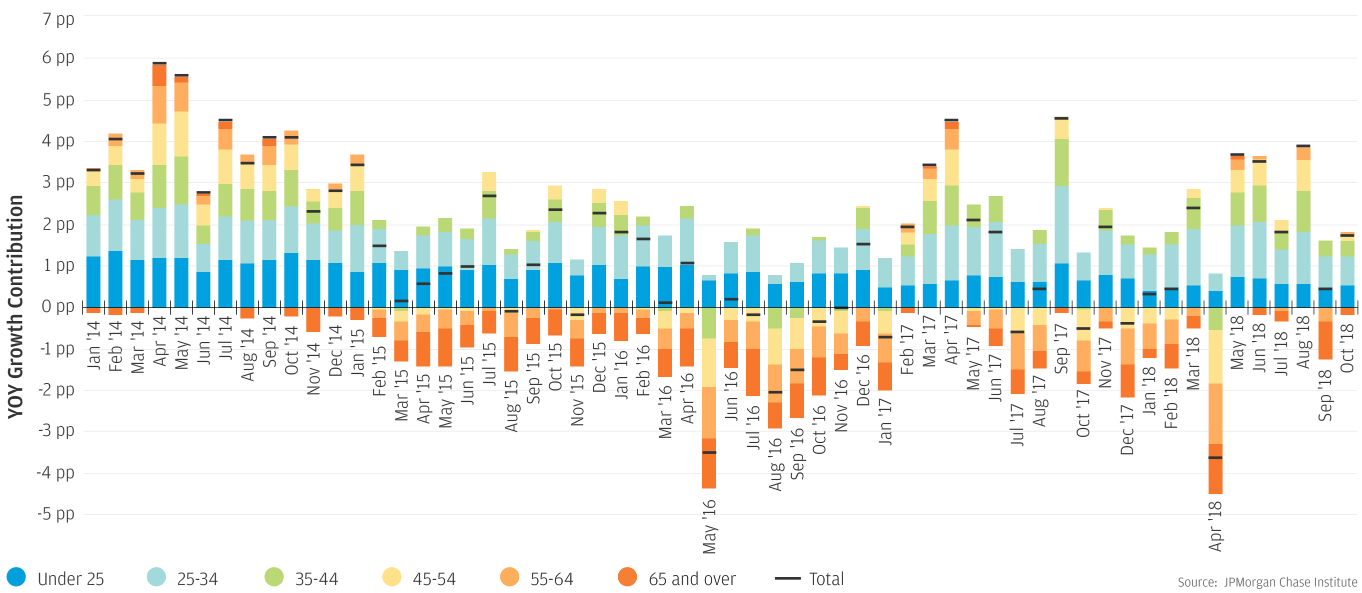
The unweighted average in year–over–year local spending growth across the smaller metro areas was an increase of 2.5 percent in October 2018.

Spending growth across 14 metro areas in October 2018

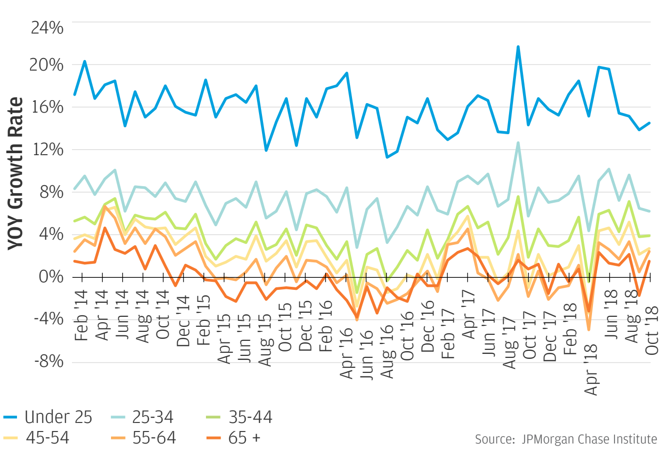


Spending by Age

Growth Contributions by Age Group



Growth Rates by Age Group

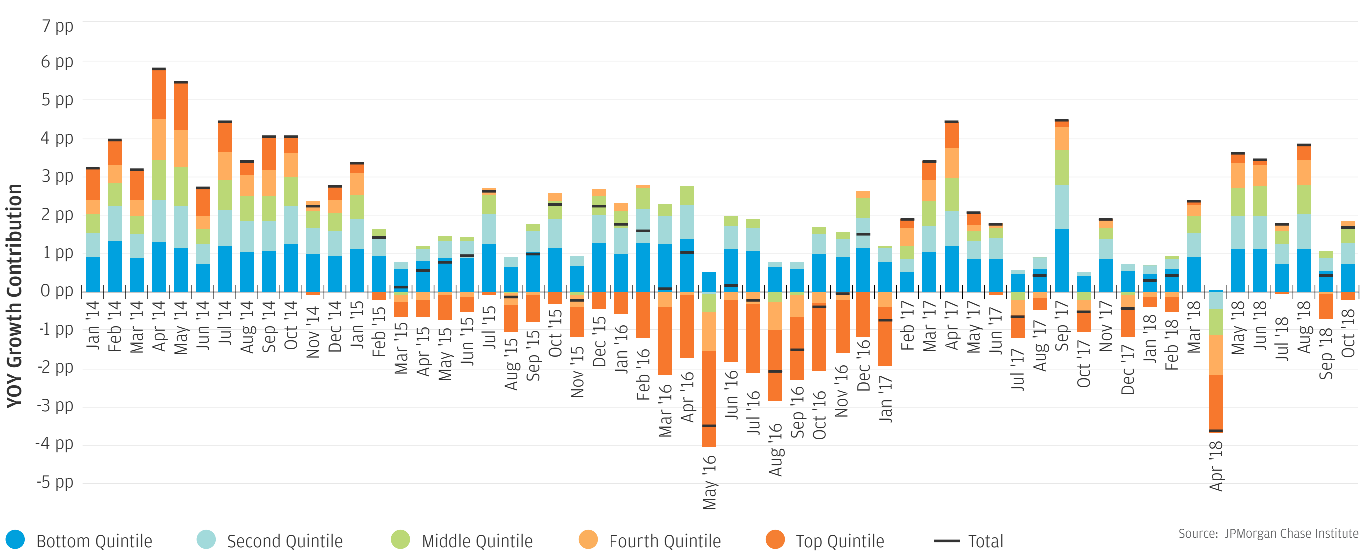


Millennials: Consumers under 35 contributed 1.2 percentage points to growth in October 2018, with consumers under 25 contributing 0.5 percentage points to growth and consumers between 25 and 34 contributing 0.7 percentage points.

Older Consumers: Contributions from consumers 55 and over remained flat in October 2018, with contributions from consumers between 55 and 64 contributing 0.1 percentage points to growth and contributions from consumers 65 and older subtracting 0.1 percentage points. Over the past six months, older consumers have dragged growth less than they tended to during prior months in the series.

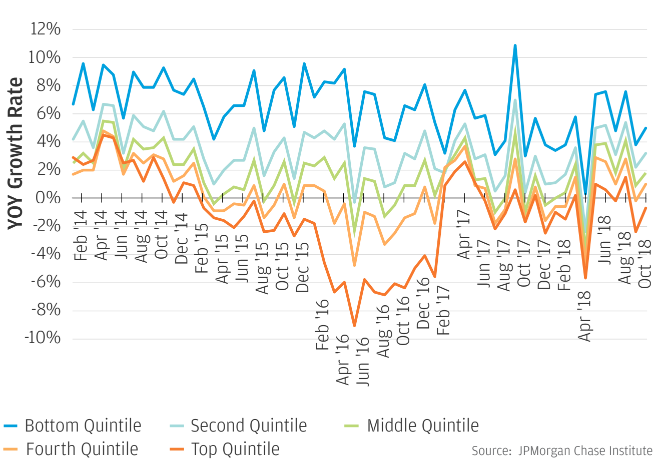
Spending by Income

Growth Contributions by Income Quintile



Source: JPMorgan Chase Institute

Growth Rates by Income Quintile



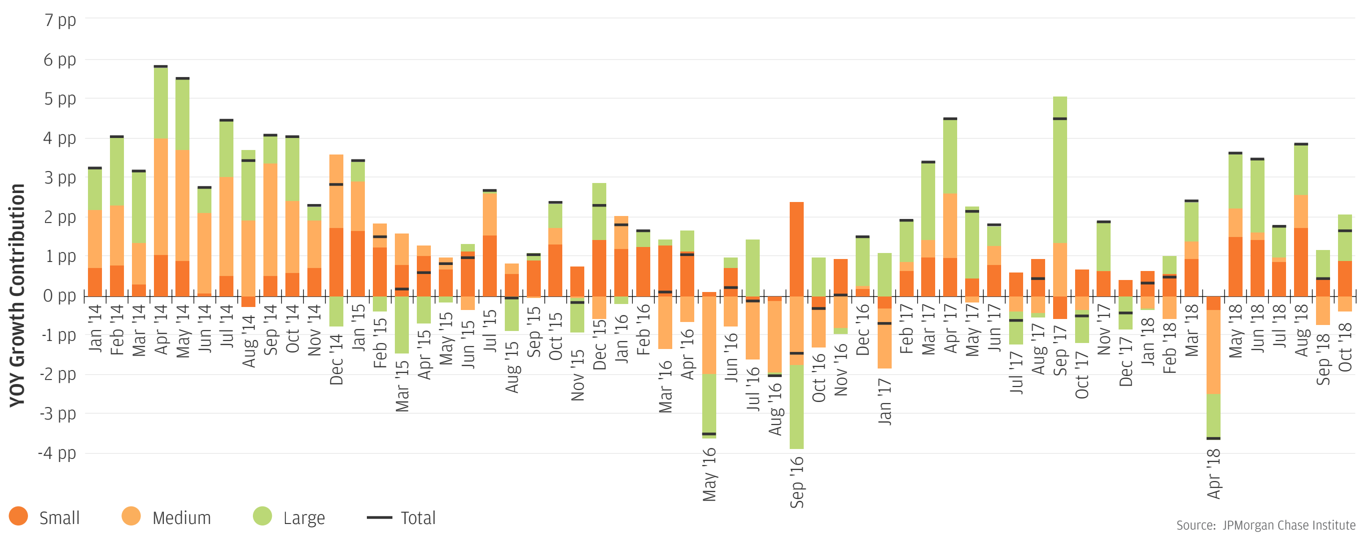
Source: JPMorgan Chase Institute

Low Income Consumers: Spending by consumers in the bottom income quintile contributed 0.8 percentage points to year–over–year growth in October 2018.

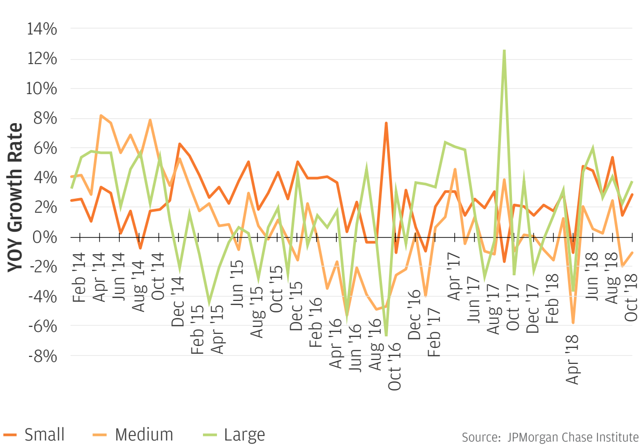
High Income Consumers: Spending by consumers in the top income quintile subtracted 0.2 percentage points from growth. Since February 2017, spending by consumers in the top income quintile has tended to subtract less from growth than during 2015 and 2016.

Spending by Size of Business

Growth Contributions by Size of Business



Growth Rates by Size of Business



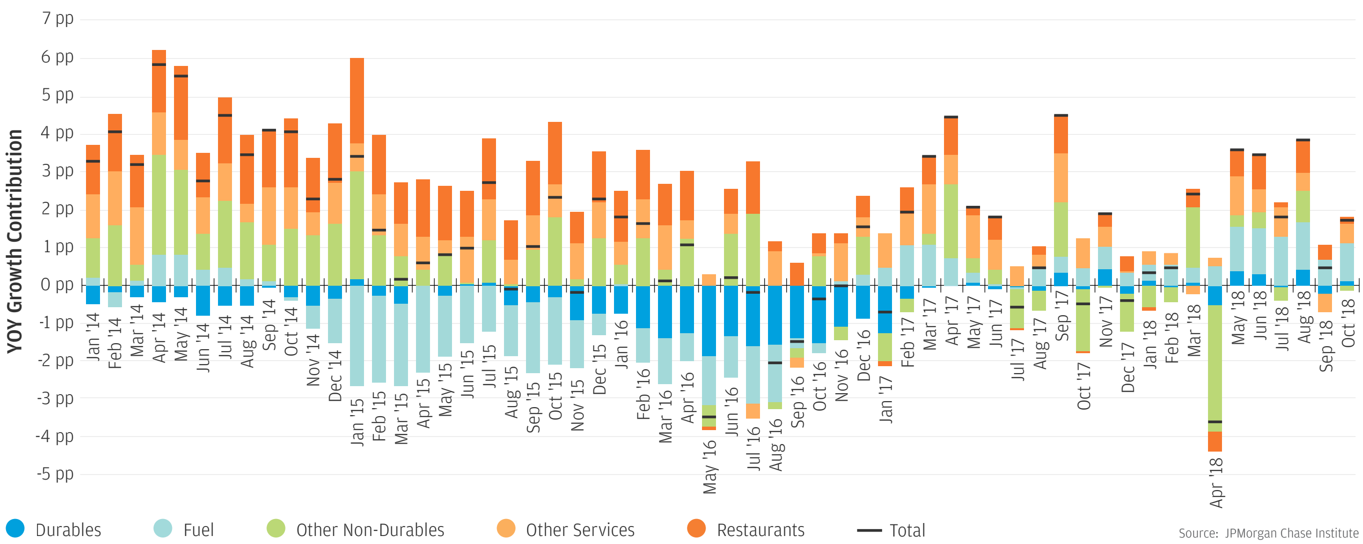
Small Businesses: Spending at small businesses contributed 0.9 percentage points to year–over–year growth in October 2018.

Mid-sized Businesses: Spending at mid-sized businesses subtracted 0.4 percentage points from growth in October 2018.

Large Businesses: Spending at large businesses contributed 1.2 percentage points to growth in October 2018.

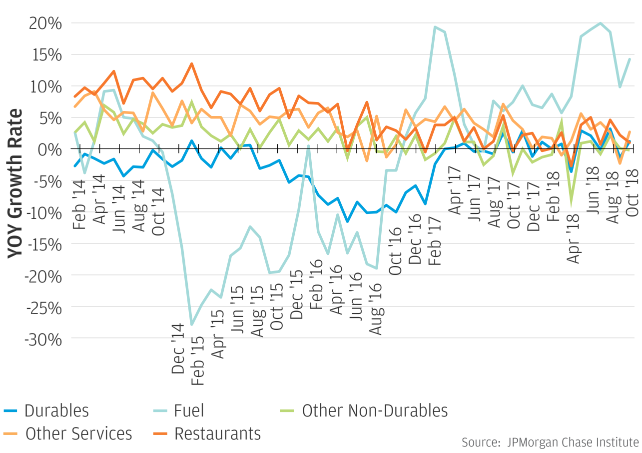
Spending by Product Type

Growth Contributions by Product Type



Source: JPMorgan Chase Institute

Growth Rates by Product Type



Source: JPMorgan Chase Institute

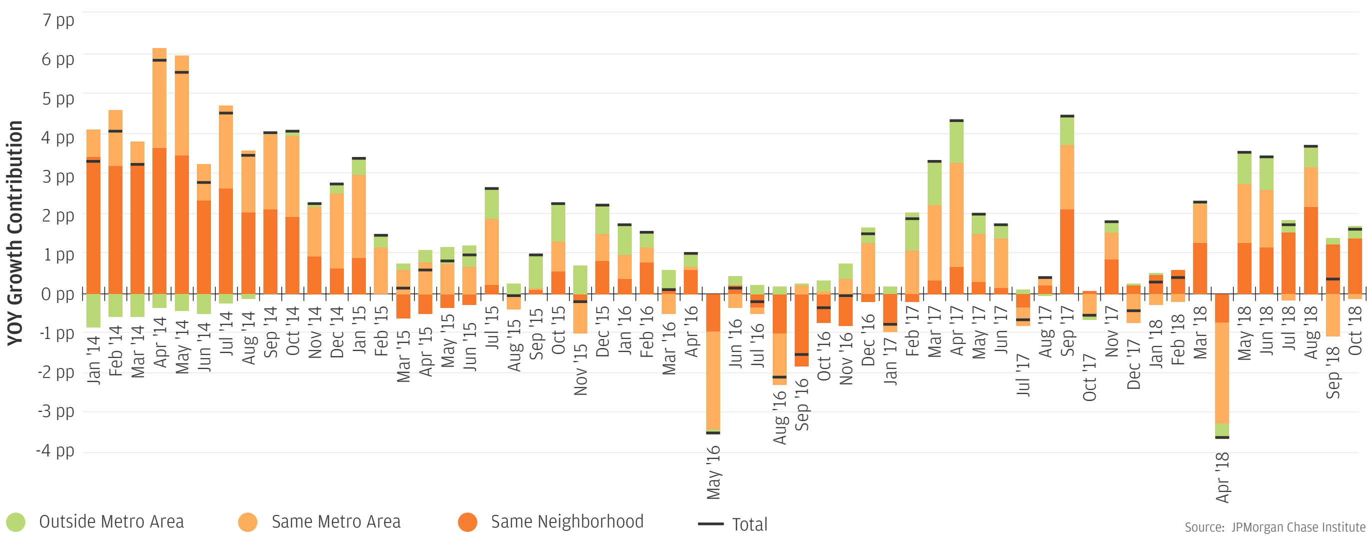
Fuel: Spending on fuel contributed 1.0 percentage point to year–over–year growth in October 2018. For the fifth consecutive month, spending on fuel made the largest contribution to growth of any product type.

Restaurants: Spending at restaurants contributed 0.2 percentage points to growth in October 2018.

Non-durables: Contributions to growth from spending on non-durable goods subtracted 0.1 percentage points from growth, the lowest, and only negative, contribution of any product type.

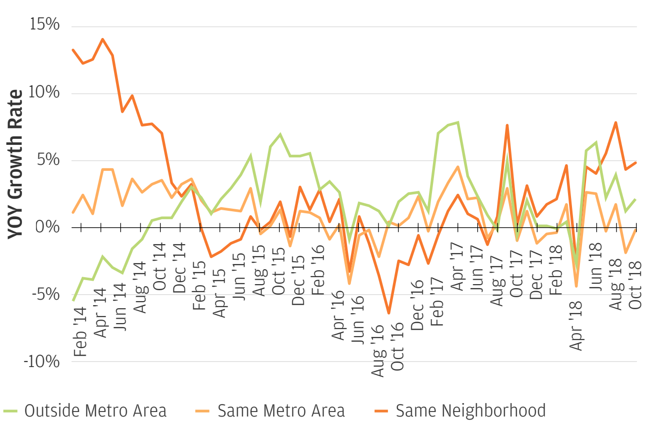
Spending by Consumer Residence

Growth Contributions by Consumer Residence



Source: JPMorgan Chase Institute

Growth Rates by Consumer Residence



Source: JPMorgan Chase Institute

Same Neighborhood: Spending by consumers who reside in the same neighborhood as the merchant contributed 1.4 percentage points to year-over-year growth.

Same Metro Area: The contribution to year–over–year growth by spending by consumers in the same metro area as the merchant (but not the same neighborhood) remained flat in October 2018.

Outside Metro Area: Spending by consumers who reside in a different metro area than the merchant contributed 0.3 percentage points to growth in October 2018.

Measuring Local Commerce

Local commerce is the everyday spending of individuals on goods and services that impacts a local community. We observe local 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, 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.

Acknowledgements

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Finally, we would like to acknowledge Jamie Dimon, CEO of JPMorgan Chase & Co., for his vision and leadership in establishing the Institute and enabling the ongoing research agenda. Along with support from across the Firm—notably from Peter Scher, Max Neurkirchen, Joyce Chang, Patrik Ringstroem, Lori Beer, and Judi Miller—the Institute has had the resources and support to pioneer a new approach to contribute to global economic analysis and insight.