



Consumer confidence continues to build. Expenditures to follow?

The combination of low unemployment, positive financial asset performance and a solid outlook for both U.S. and global growth has benefited consumer confidence expectations. However, real consumer expenditures remains relatively stagnant as real disposable income growth has been modest through 9/30/17.

Figure 8: Consumer confidence expectations high



Source: Deutsche Bank, Bloomberg Finance LP

Figure 9: PCE and income growth less pronounced



Source: Deutsche Bank, Bloomberg Finance LP

Retail still challenged from secular headwinds

Online growth remains the primary disruptor for traditional brick & mortar. E-commerce is an increasing contributor to overall retail growth in the U.S., and we expect the trend to continue as consumers increasingly turn to mobile devices for shopping needs.

Figure 10: E-commerce is an increasing % of retail growth (ex-autos and gas)

Retail sales (\$bn)	2010	2011	2012	2013	2014	2015	2016	8mo. '18	9mo. '17
Ex autos and gas	\$2,627	\$2,757	\$2,800	\$2,950	\$3,080	\$3,189	\$3,304	\$2,394	\$2,476
E-commerce	170	200	230	261	299	340	391	368	310
Non e-commerce	2,457	2,557	2,630	2,689	2,781	2,848	2,913	2,125	2,166
E-commerce %	6.5%	7.2%	8.1%	8.8%	9.7%	10.7%	11.8%	11.2%	12.5%
Y/Y Increase (\$bn)									
Ex autos and gas		\$130	\$104	\$89	\$130	\$108	\$116	\$89	\$83
E-commerce		30	31	30	38	42	51	35	42
Non e-commerce		100	73	59	93	67	65	54	41
Y/Y Increase (%)									
Ex autos and gas		4.9%	3.8%	3.1%	4.4%	3.5%	3.6%	3.9%	3.5%
E-commerce		17.5%	15.4%	13.2%	14.5%	14.0%	14.9%	15.2%	15.6%
Non e-commerce		4.1%	2.9%	2.2%	3.4%	2.4%	2.3%	2.6%	1.9%
E-comm as a % of total growth		23%	30%	34%	29%	38%	44%	40%	51%

Source: Deutsche Bank, U.S. Census Bureau

Online sales excluding travel and auctions, measuring all worldwide buying on U.S. sites by computers and excluding mobile, tablet and shared devices, increased 17.5% in November, up from 15.5% in October. Similarly, apparel & accessories online sales growth accelerated to 23.4% in November from 20.0% in October. As strong as the figures are, we believe they potentially understate online growth. Mobile, including smartphones and tablets, represented 33.1% (24.1% smartphone; 9.0% tablets) of Cyber Monday revenue, according to Adobe. Smartphone revenue grew 39.2% YoY.

Please see DB Equity Research Analysts Paul Trussell's *12/21 Retail Trends Chartbook* and Mike Baker's *12/12 Unwrapping the Key Themes for 2018* report for additional thoughts and data points on the state of the U.S. retail market.