

The Good, The Bad, & The Ugly

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Sage Policy Group, Inc.



On Behalf of
MRA/GTA Client
Appreciation Breakfast

October 4, 2024

The Good

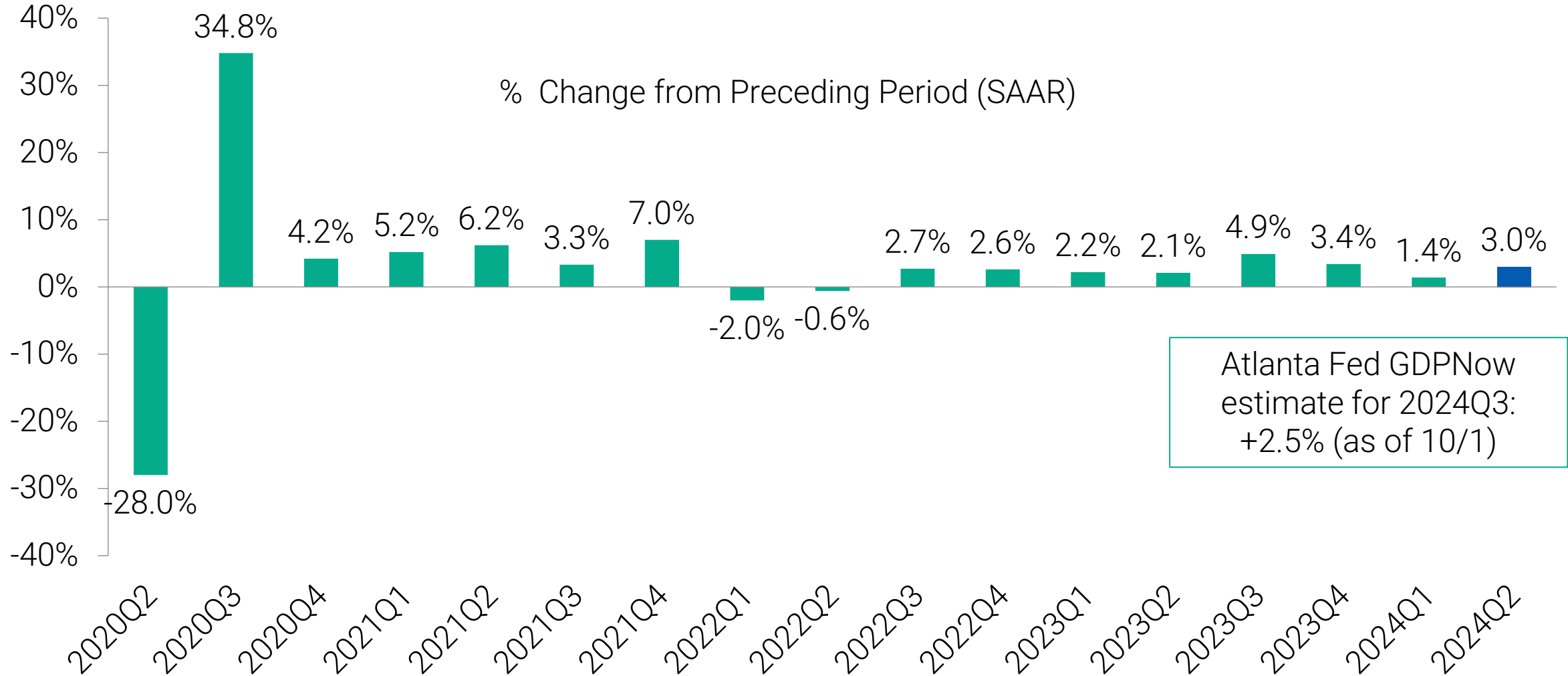
Current Momentum

SAGE | policy group



Where Eagles Dare

U.S. Gross Domestic Product Growth, 2020 – 2024Q2

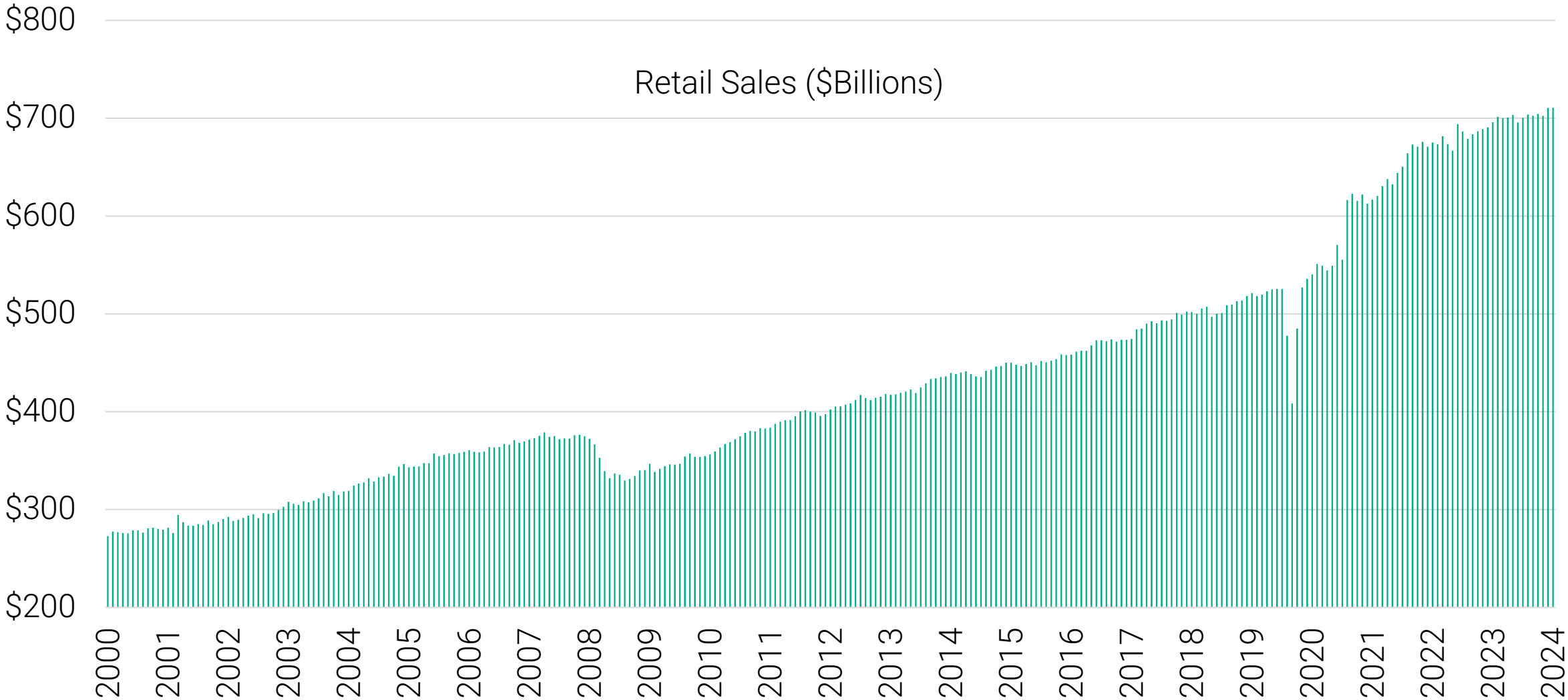


Source: U.S. Bureau of Economic Analysis *2024Q2: 3rd (final) estimate **Where Eagles Dare was a 1969 film

A Fistful of Dollars (a 1964 Film)

U.S. Retail Sales, 2000 – August 2024

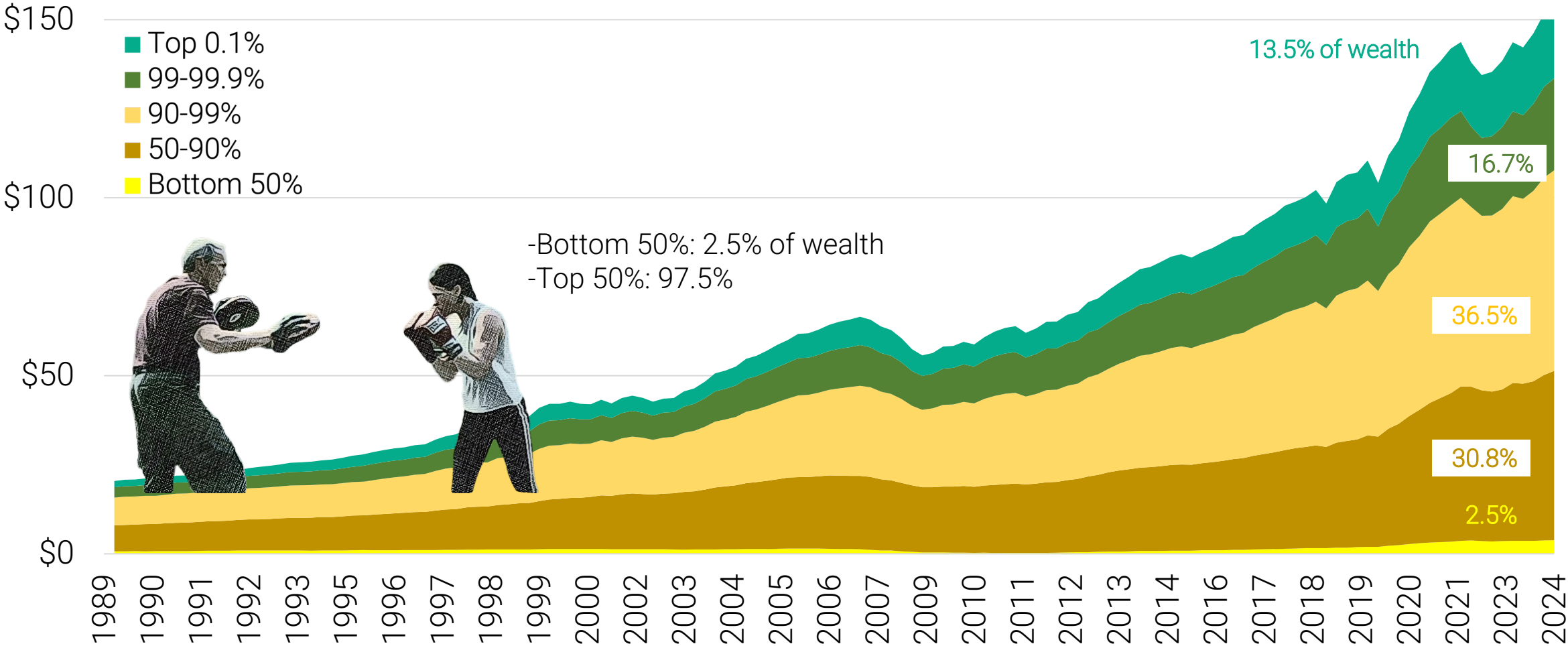
Retail Sales (\$Billions)



Source: U.S. Census Bureau

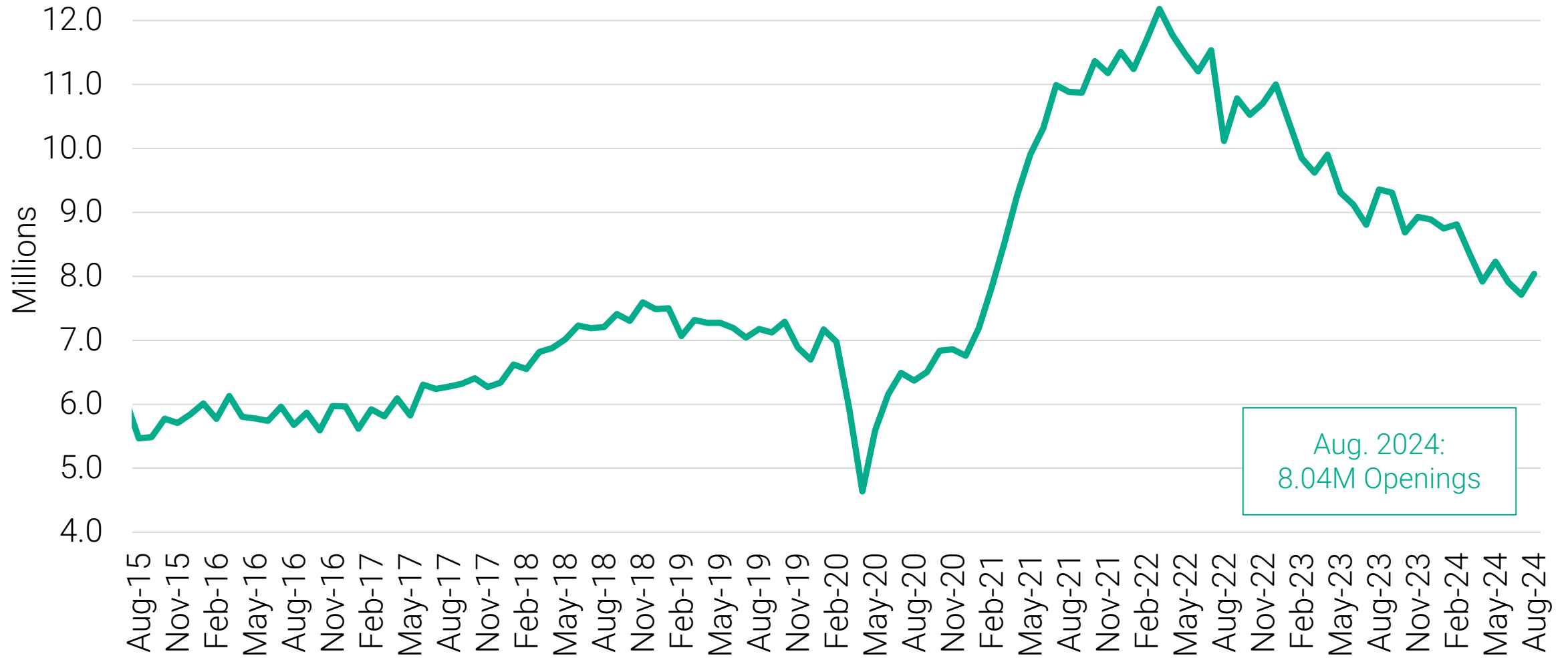
Million Dollar Baby (a 2004 Flick)

U.S. Household Wealth by Wealth Percentile Group (\$ Trillions)



Source: Federal Reserve Board, Distributional Financial Accounts (DFAs)

U.S. Job Openings, 2015 – August 2024

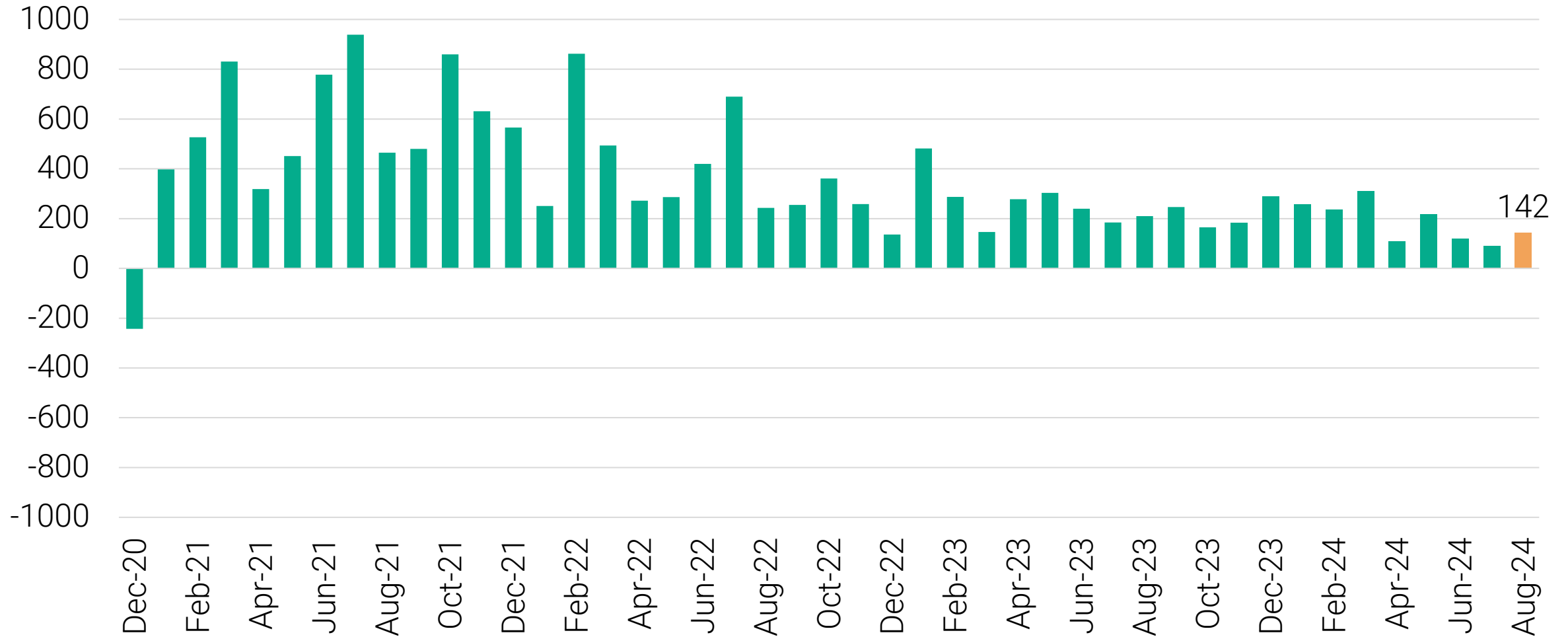


Source: U.S. Bureau of Labor Statistics

U.S. Job Growth, Monthly

December 2020 – August 2024

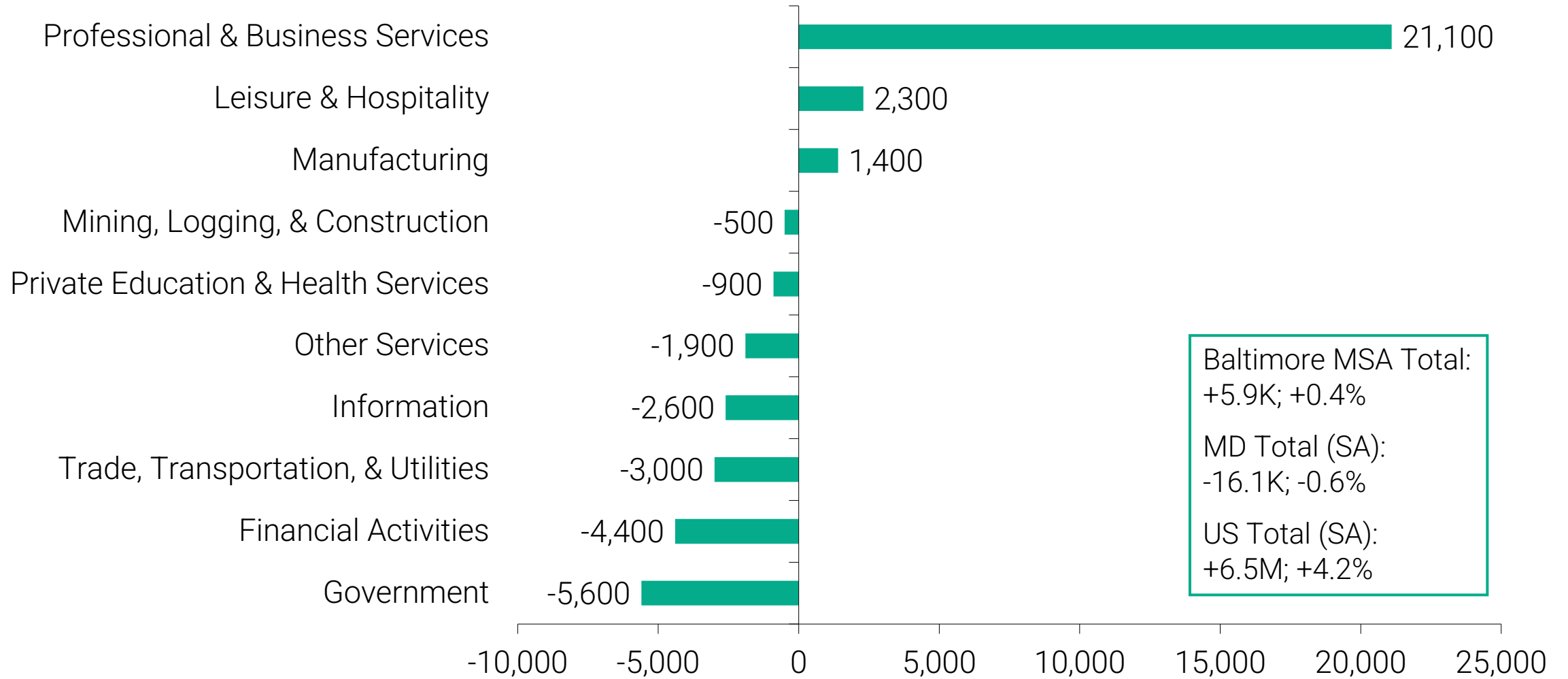
1-M Net Change, 000s



Source: U.S. Bureau of Labor Statistics

Baltimore-Columbia-Towson MSA Nonfarm Employment

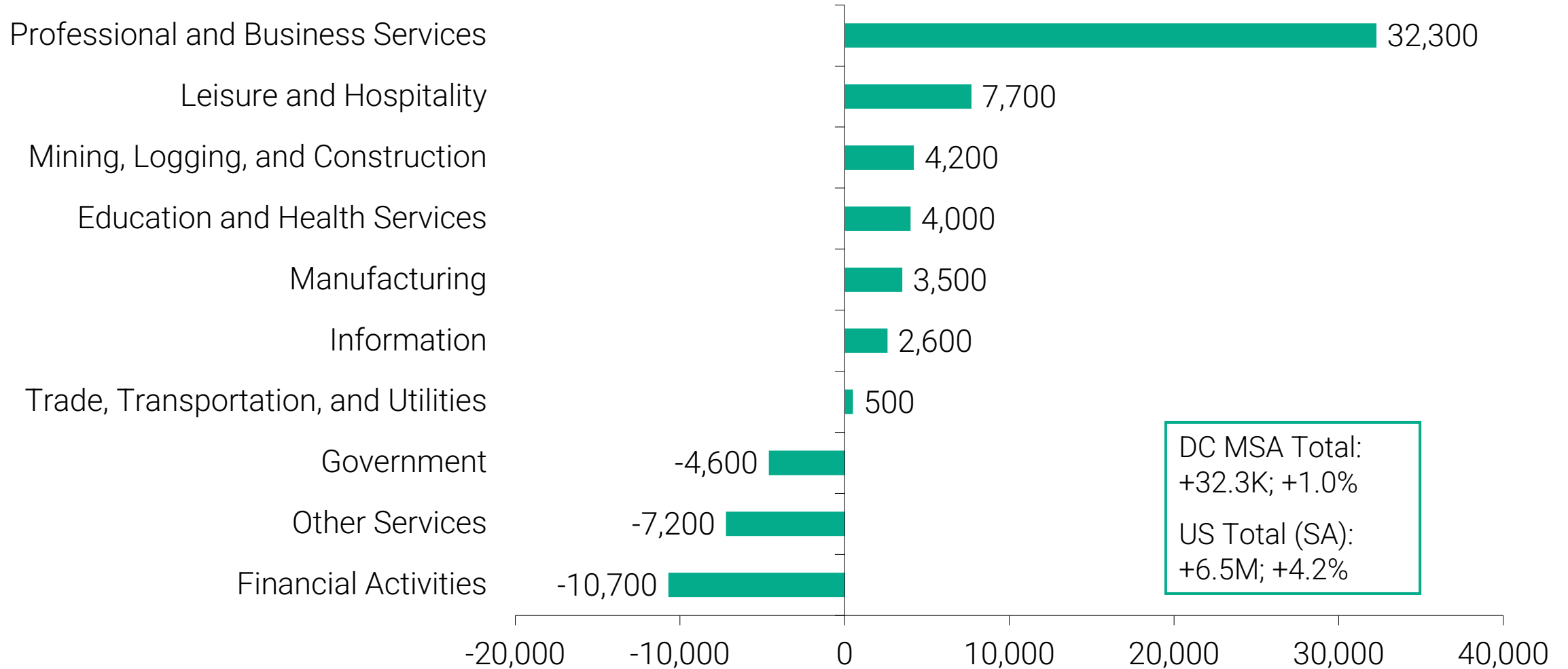
February 2020 v. August 2024 Absolute Change



Source: U.S. Bureau of Labor Statistics
*Data are not seasonally adjusted (NSA)

Washington, DC-Arlington-Alexandria MSA Nonfarm Employment

February 2020 v. August 2024 Absolute Change



Source: U.S. Bureau of Labor Statistics
*Data are not seasonally adjusted (NSA)

Employment Growth, 25 Largest Metros

February 2020 v. August 2024 % Change

Rank	MSA	%
1	Dallas-Fort Worth-Arlington, TX	12.0%
2	Tampa-St. Petersburg-Clearwater, FL	10.3%
3	San Antonio-New Braunfels, TX	9.8%
4	Charlotte-Concord-Gastonia, NC-SC	9.5%
4	Orlando-Kissimmee-Sanford, FL	9.5%
6	Phoenix-Mesa-Scottsdale, AZ	9.4%
7	Houston-The Woodlands-Sugar Land, TX	7.9%
8	Atlanta-Sandy Springs-Roswell, GA	7.4%
9	Miami-Fort Lauderdale-West Palm Beach, FL	7.1%
10	Riverside-San Bernardino-Ontario, CA	7.0%
11	Denver-Aurora-Lakewood, CO	6.5%
12	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	4.7%
13	St. Louis, MO-IL	4.1%

Rank	MSA	%
14	Seattle-Tacoma-Bellevue, WA	3.1%
15	San Diego-Carlsbad, CA	2.9%
16	New York-Newark-Jersey City, NY-NJ-PA	2.7%
17	Chicago-Naperville-Elgin, IL-IN-WI	2.3%
18	Detroit-Warren-Dearborn, MI	1.3%
19	Boston-Cambridge-Nashua, MA-NH	1.0%
19	Washington-Arlington-Alexandria, DC-VA-MD-WV	1.0%
21	Portland-Vancouver-Hillsboro, OR-WA	0.8%
22	Minneapolis-St. Paul-Bloomington, MN-WI	0.7%
23	Baltimore-Columbia-Towson, MD	0.4%
24	Los Angeles-Long Beach-Anaheim, CA	-0.5%
25	San Francisco-Oakland-Hayward, CA	-1.6%

U.S. % Change 2/2020 v. 8/2024: +4.2%

Current Employment Statistics (CES) Survey. Note: data are not seasonally adjusted.



Unemployment Rates, 25 Largest Metros, August 2024

Rank	MSA	%
1	Miami-Fort Lauderdale-West Palm Beach, FL	3.4%
2	Baltimore-Columbia-Towson, MD	3.5%
2	Phoenix-Mesa-Scottsdale, AZ	3.5%
4	Orlando-Kissimmee-Sanford, FL	3.6%
5	Tampa-St. Petersburg-Clearwater, FL	3.7%
5	Washington-Arlington-Alexandria, DC-VA-MD-WV	3.7%
7	Minneapolis-St. Paul-Bloomington, MN-WI	3.9%
7	St. Louis, MO-IL	3.9%
9	Atlanta-Sandy Springs-Roswell, GA	4.0%
9	San Antonio-New Braunfels, TX	4.0%
11	Dallas-Fort Worth-Arlington, TX	4.1%
11	Detroit-Warren-Dearborn, MI	4.1%

Rank	MSA	%
11	Portland-Vancouver-Hillsboro, OR-WA	4.1%
14	Boston-Cambridge-Nashua, MA-NH	4.3%
14	Charlotte-Concord-Gastonia, NC-SC	4.3%
16	Denver-Aurora-Lakewood, CO	4.4%
17	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	4.6%
18	Houston-The Woodlands-Sugar Land, TX	4.7%
18	San Francisco-Oakland-Hayward, CA	4.7%
20	Seattle-Tacoma-Bellevue, WA	4.8%
21	San Diego-Carlsbad, CA	5.0%
22	New York-Newark-Jersey City, NY-NJ-PA	5.3%
23	Chicago-Naperville-Elgin, IL-IN-WI	5.6%
24	Riverside-San Bernardino-Ontario, CA	6.0%
25	Los Angeles-Long Beach-Anaheim, CA	6.2%

Local Area Unemployment Statistics (LAUS) program. Note: data are not seasonally adjusted

U.S. Unemployment Rate: 4.2%

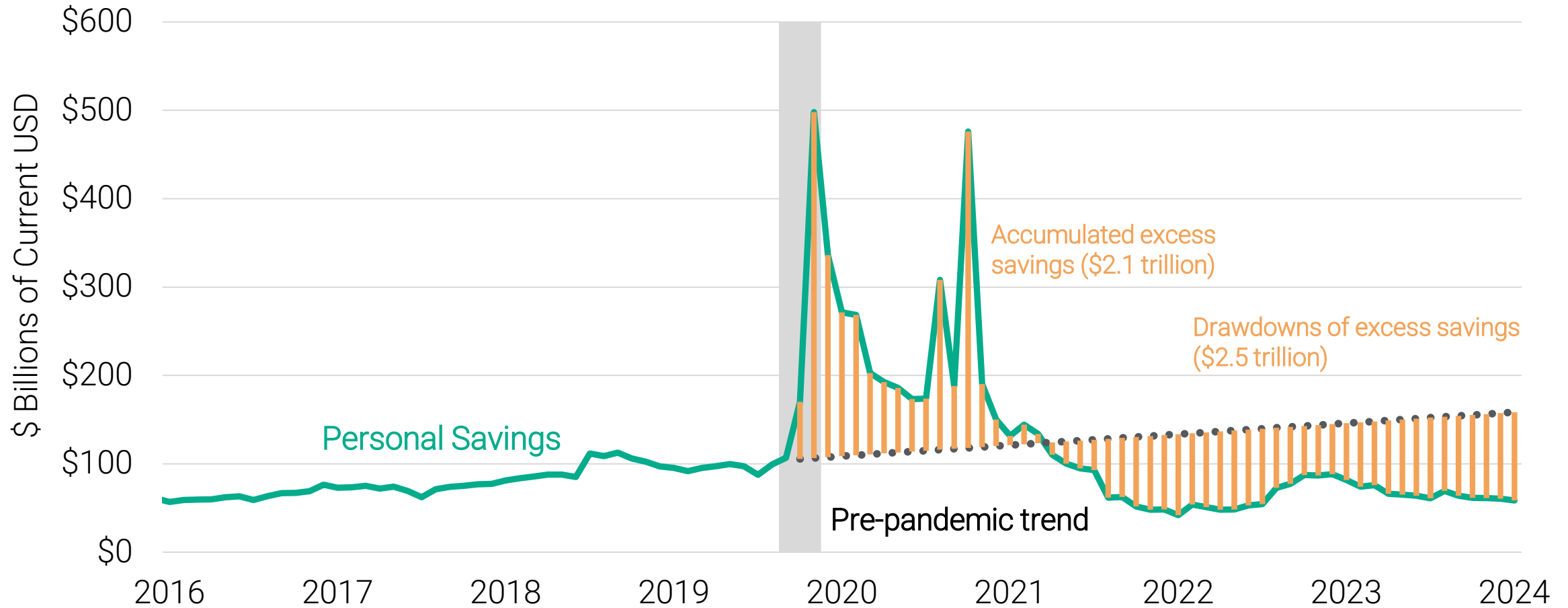


The Bad Not Sustainable



Drawdown of Pandemic Related Excess Savings

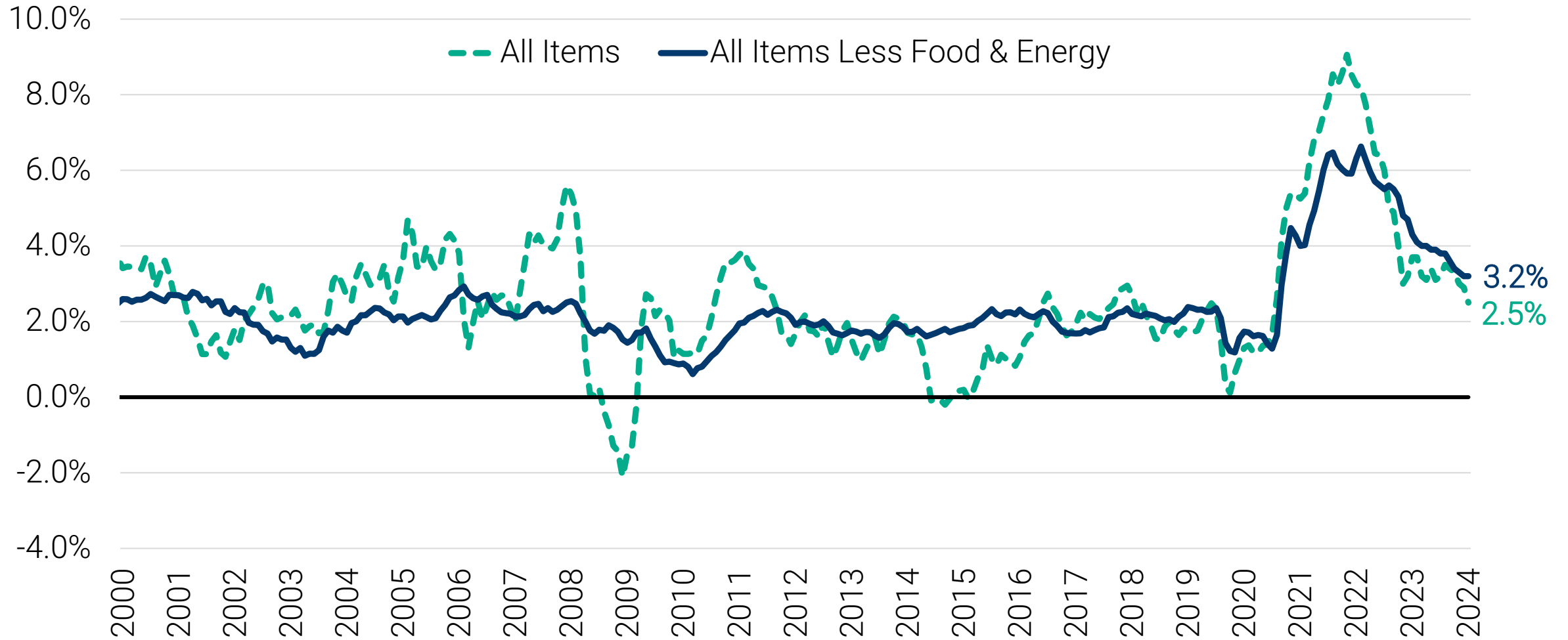
Aggregate Personal Savings Versus the Pre-pandemic Trend
(Abdelrahman and Oliveira, Federal Reserve Bank of San Francisco)



Source: Federal Reserve Bank of San Francisco

Consumer Price Index (NSA)

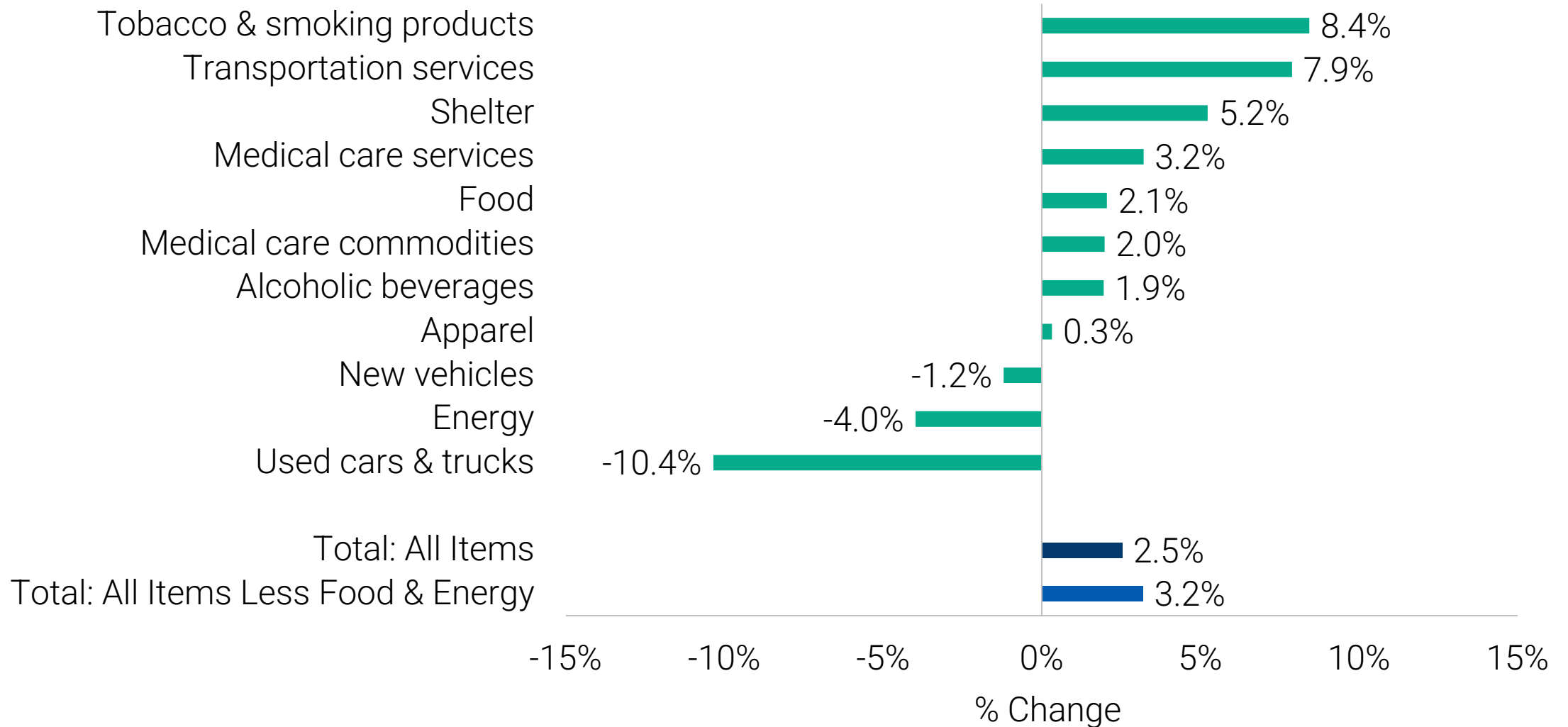
12-Month % Change, 2000 – August 2024



Source: U.S. Bureau of Labor Statistics

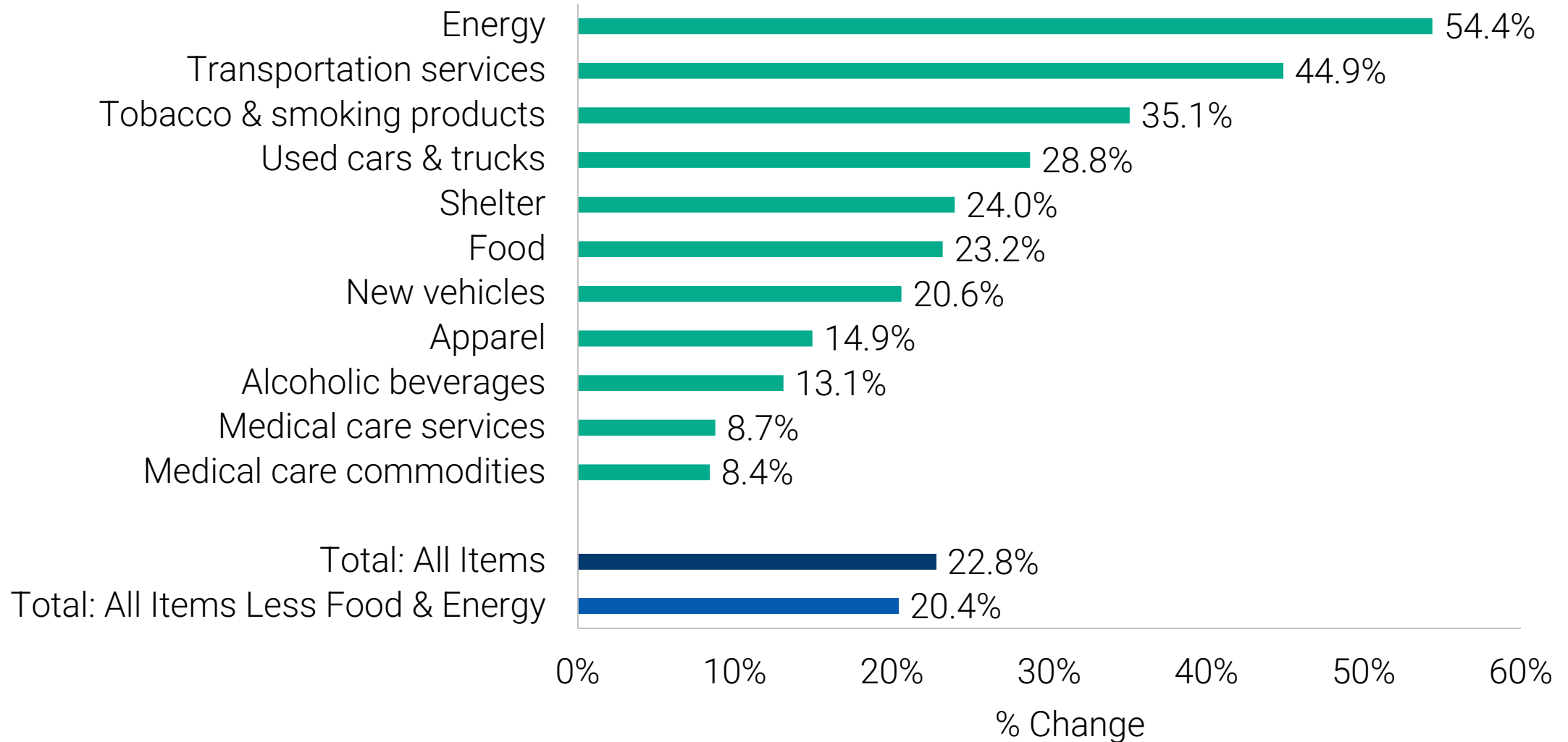
Consumer Price Index, Select Categories (NSA)

YOY % Change [August 2023 v. August 2024]



Consumer Price Index, Select Categories (NSA)

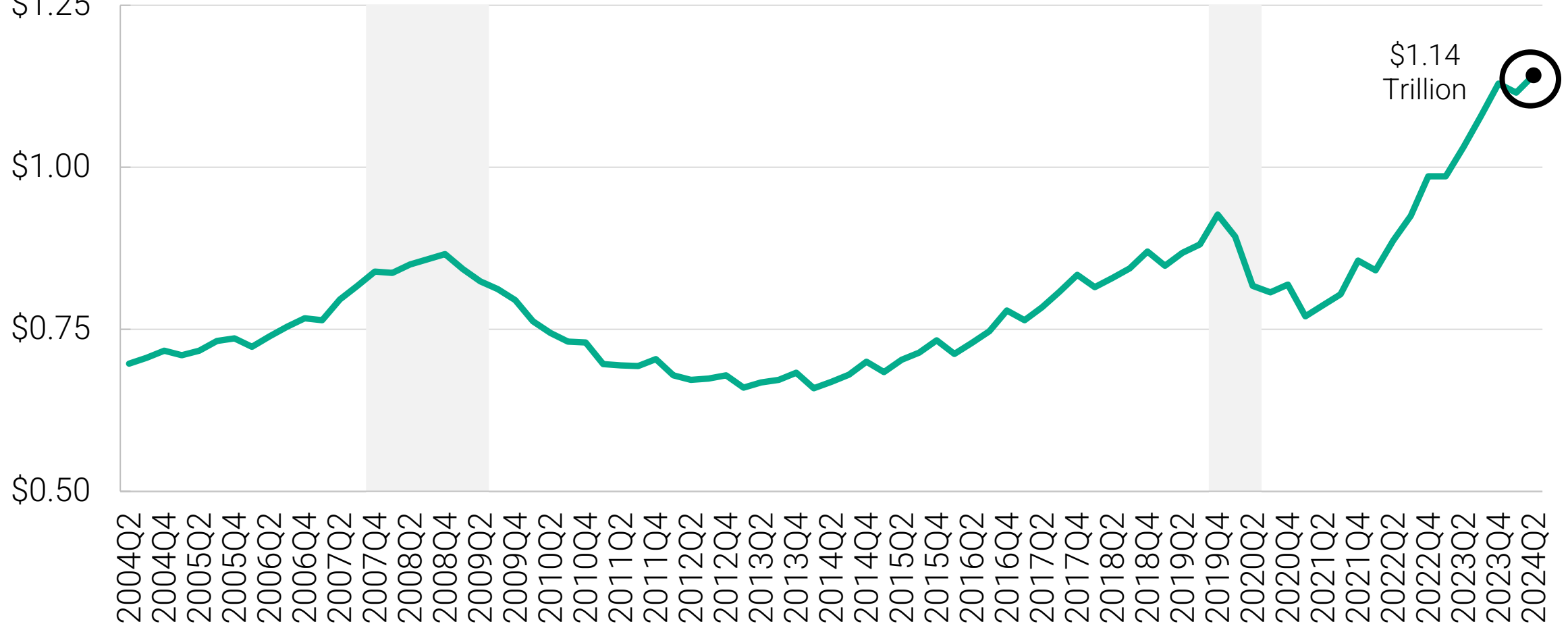
% Change May 2020 v. August 2024



For a Few Dollars More

U.S. Credit Card Debt, 2004 – 2024

\$ Trillions
\$1.25

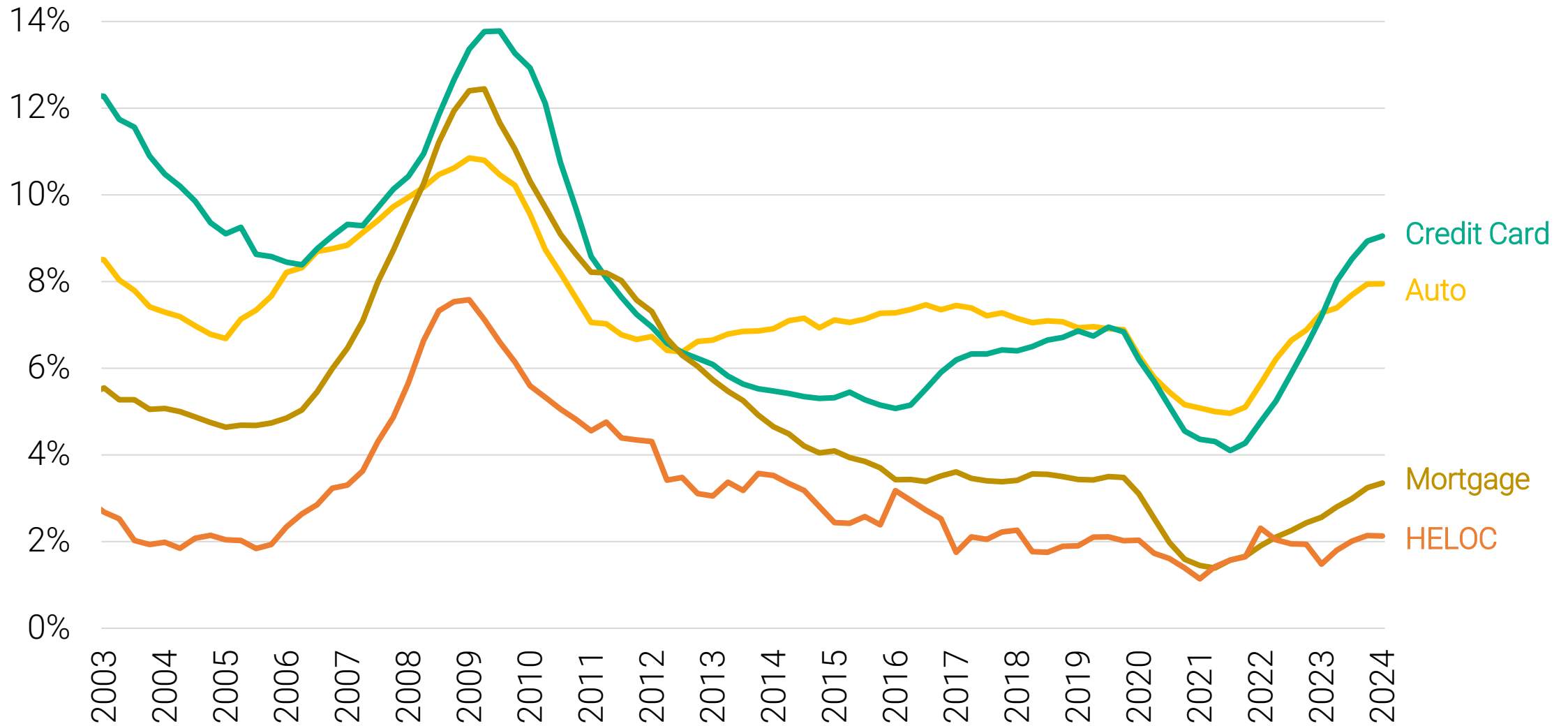


Shaded areas indicate U.S. recessions

Source: FRED; New York Fed Consumer Credit Panel/Equifax

Heartbreak Ridge (a 1986 Film)

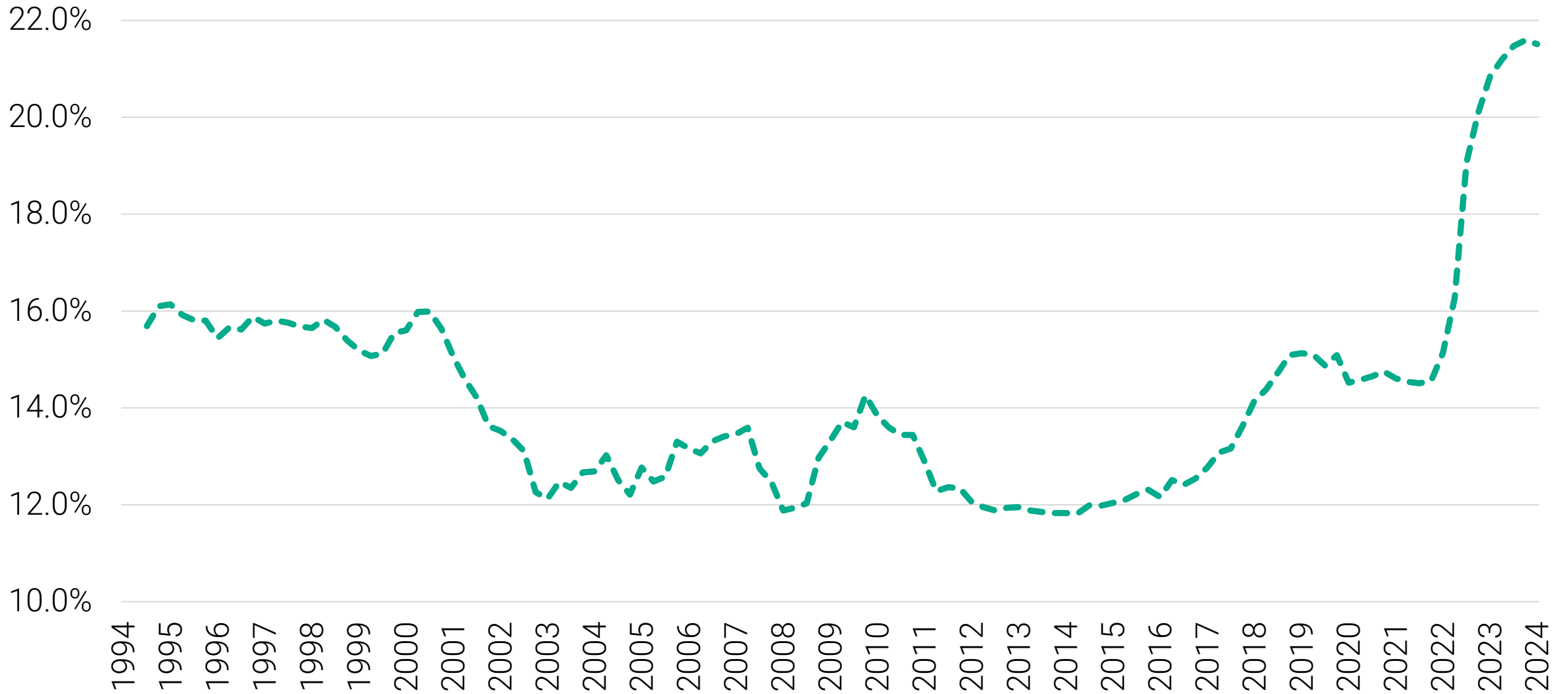
New Delinquent Balances (% of Balance 30+ Days Delinquent by Loan Type)



Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax

High Interest Grifter

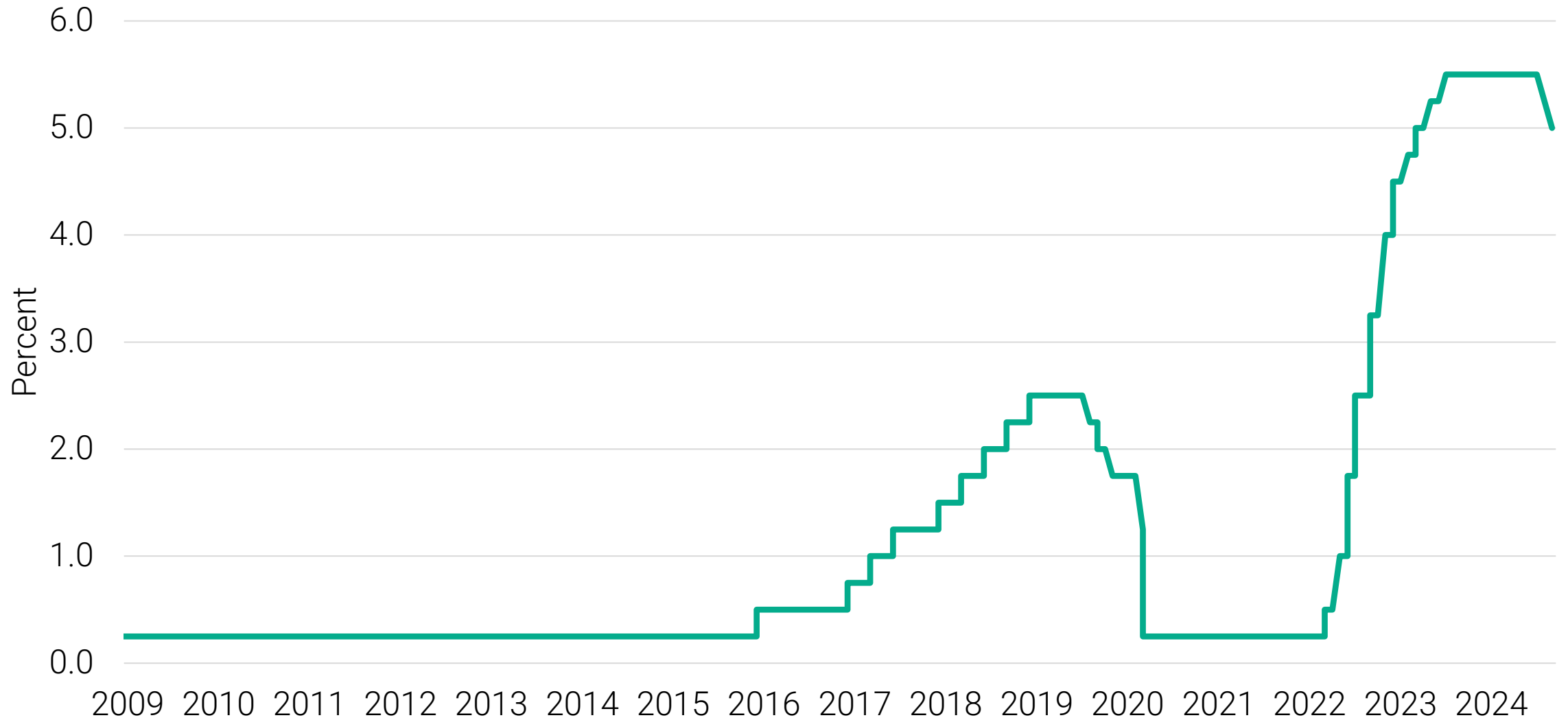
Commercial Bank Interest Rates On Credit Card Plans



Source: Board of Governors of the Federal Reserve System; *High Plains Drifter was a 1973 film

Not So Sudden Impact (a 1983 Film)

Federal Funds Rate, Target Rate Upper Limit, 2009 – 2024



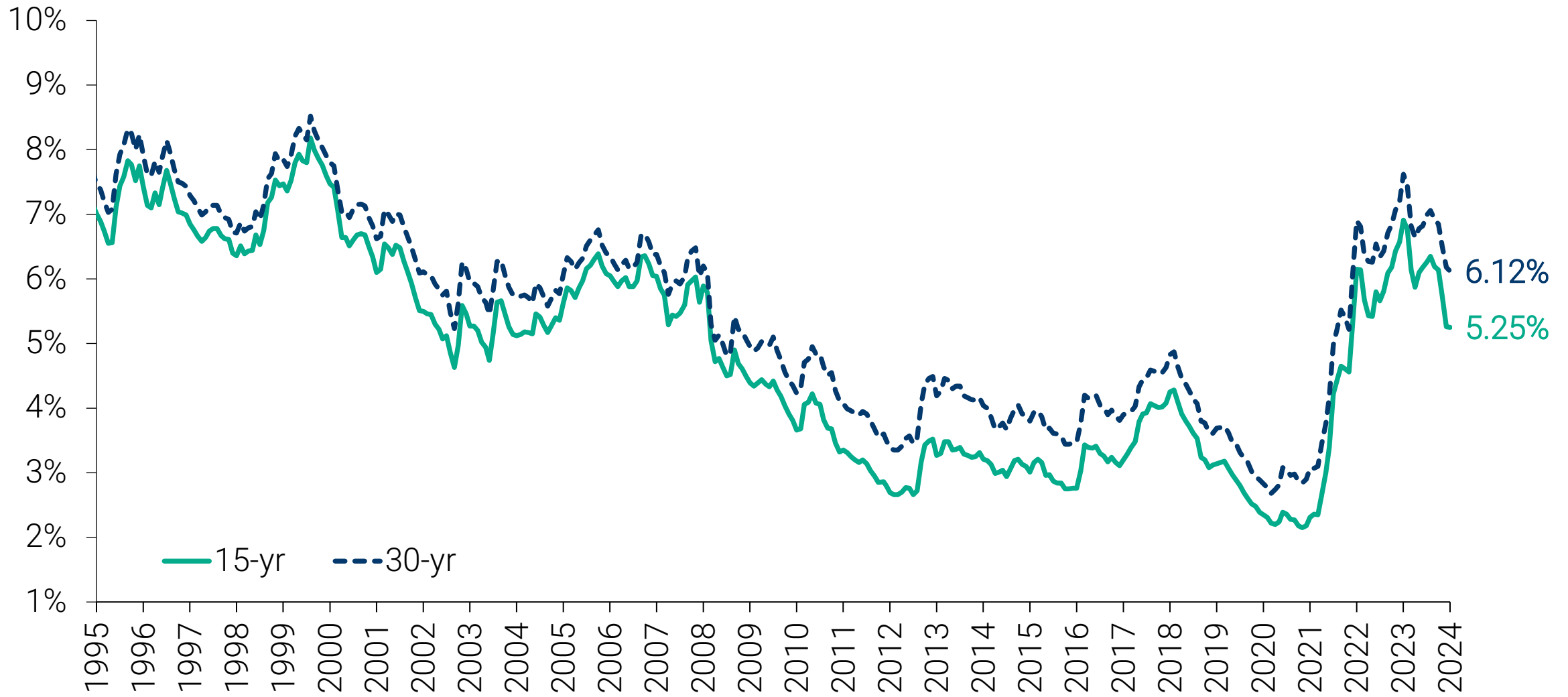
Source: Board of Governors of the Federal Reserve System

Monetary Policy Lags

- “A large body of research tells us it can take 18 months to two years or more for tighter monetary policy to materially affect inflation.” - Raphael Bostic, President and Chief Executive Officer, Federal Reserve Bank of Atlanta
- Some reasons for the lag: how fixed people’s expectations are; the gradual response of investment (both business investment and consumer investment in durables/dwellings); long-term contracts (rent); gradual transmission from sectors of the economy immediately affected (ex. lending) to other sectors.
- In the meantime, higher rates reduce investment, slow hiring and wage growth, and eventually increase unemployment.

Lend 'Em High (Hang 'Em High, 1968)

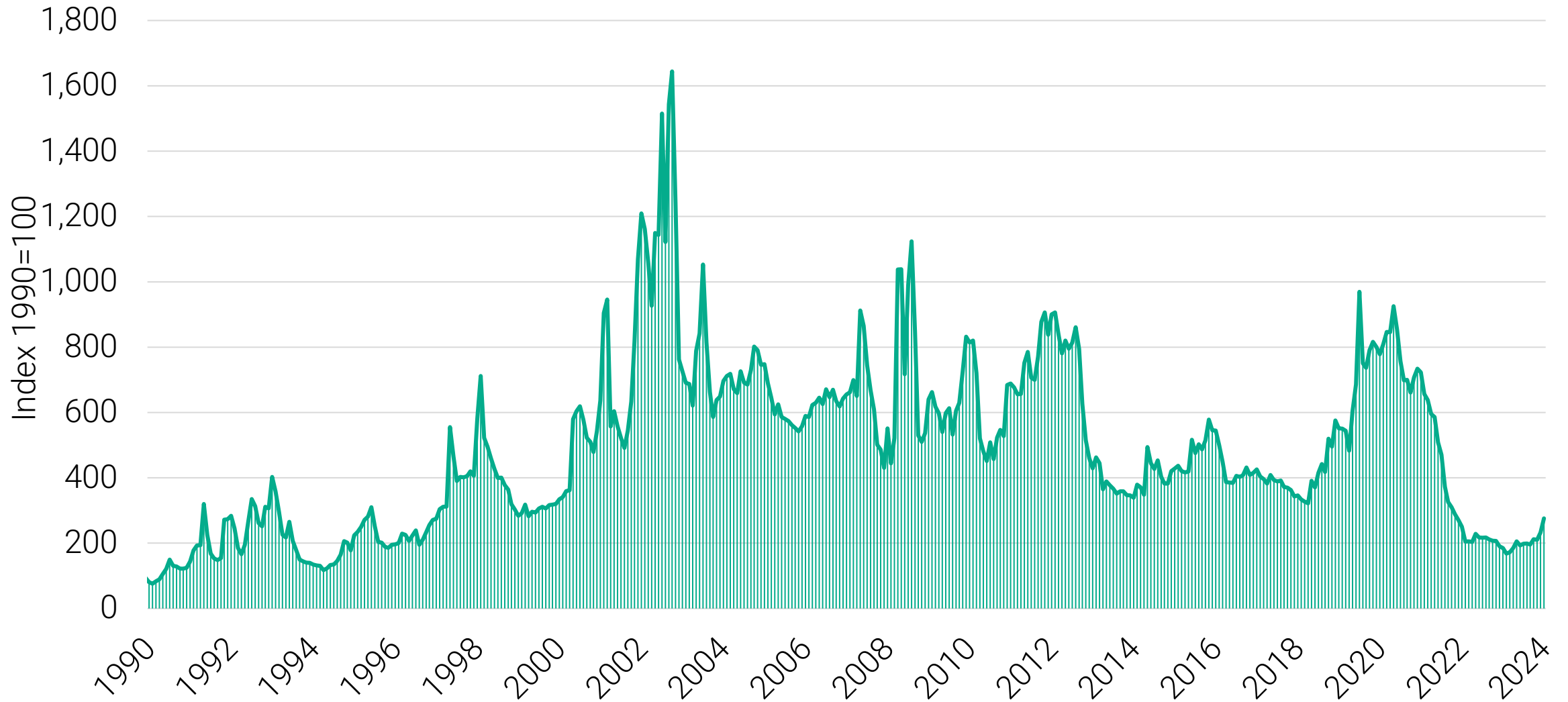
U.S. 15-Year & 30-Year Fixed Mortgage Rates, 1995 – October 2024*



Source: Freddie Mac *Week ending 10/3/2024

U.S. Mortgage Loan Applications Composite Index

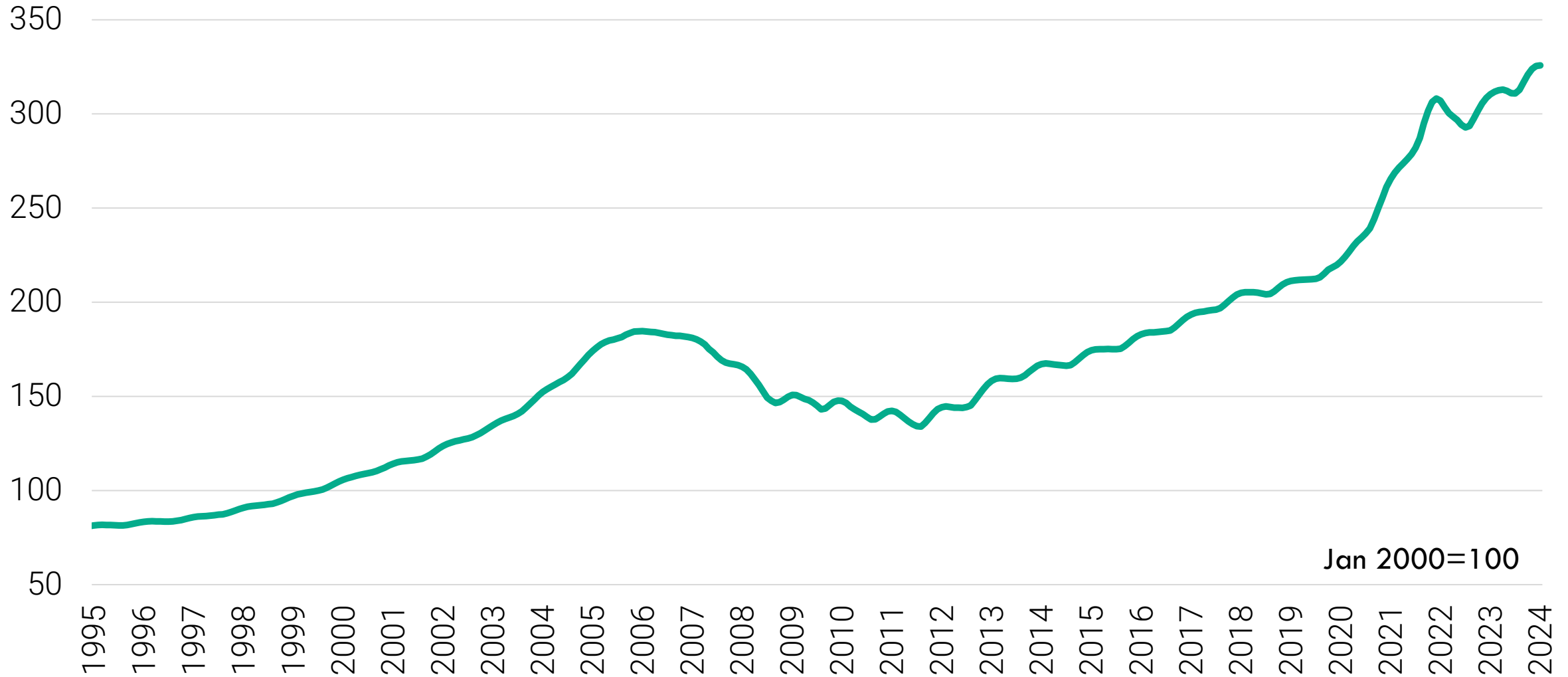
1990 – September 2024



Source: Mortgage Bankers Association (MBA)

S&P Case-Shiller Home Price Index

1995 – July 2024

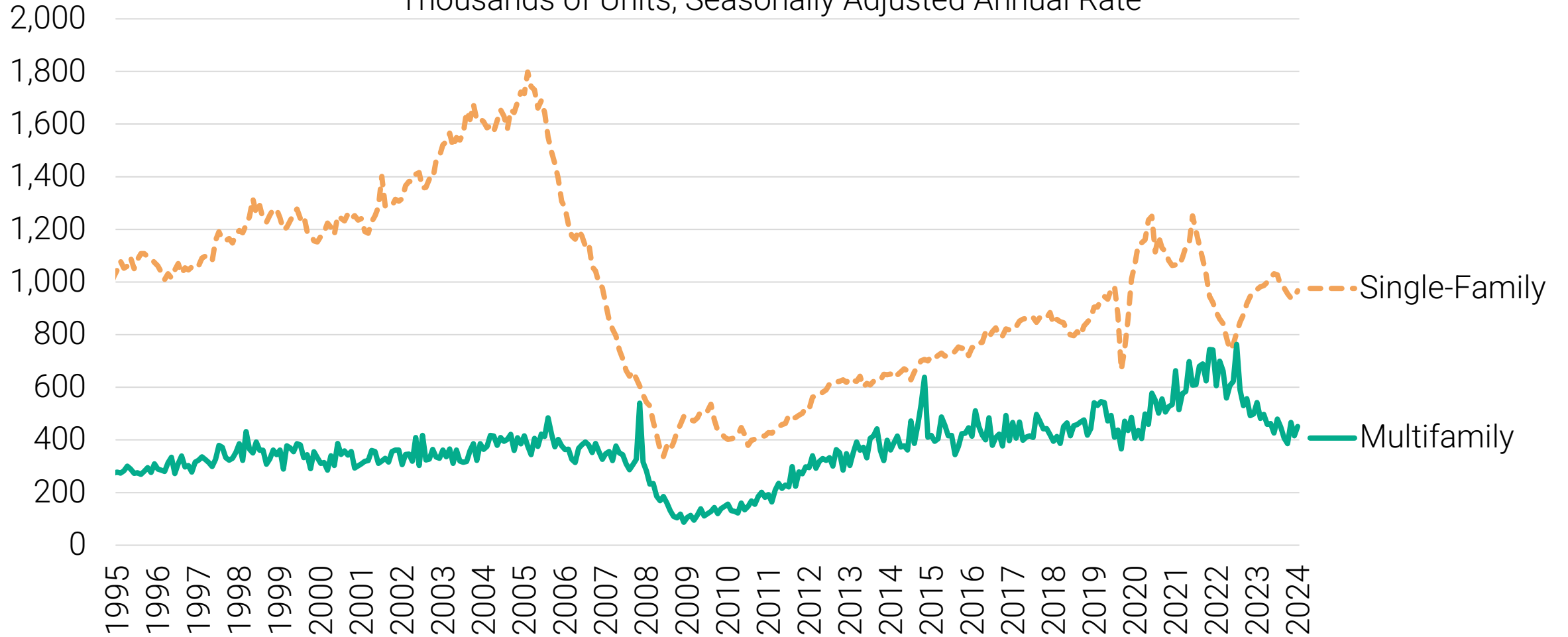


Source: Standard & Poor's

U.S. Residential Building Permits

1995 – August 2024

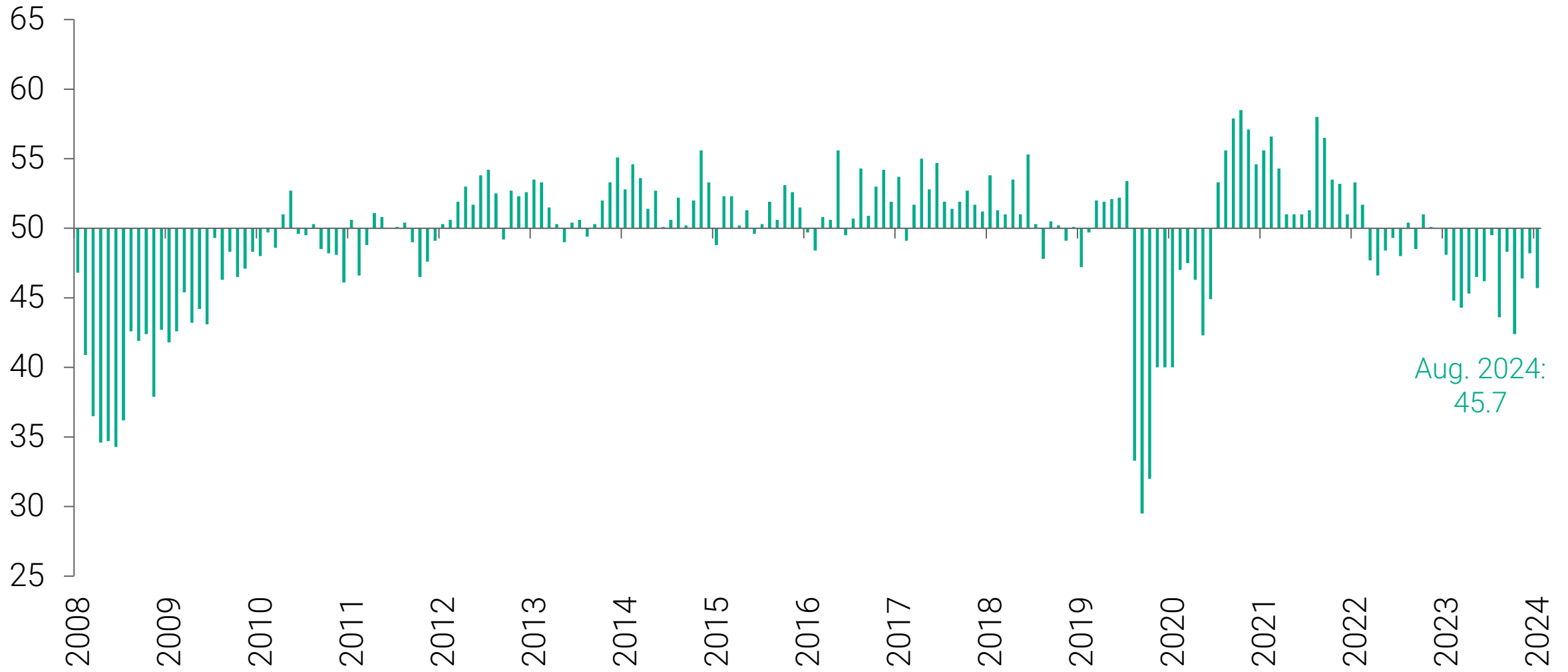
Thousands of Units, Seasonally Adjusted Annual Rate



Source: U.S. Census Bureau

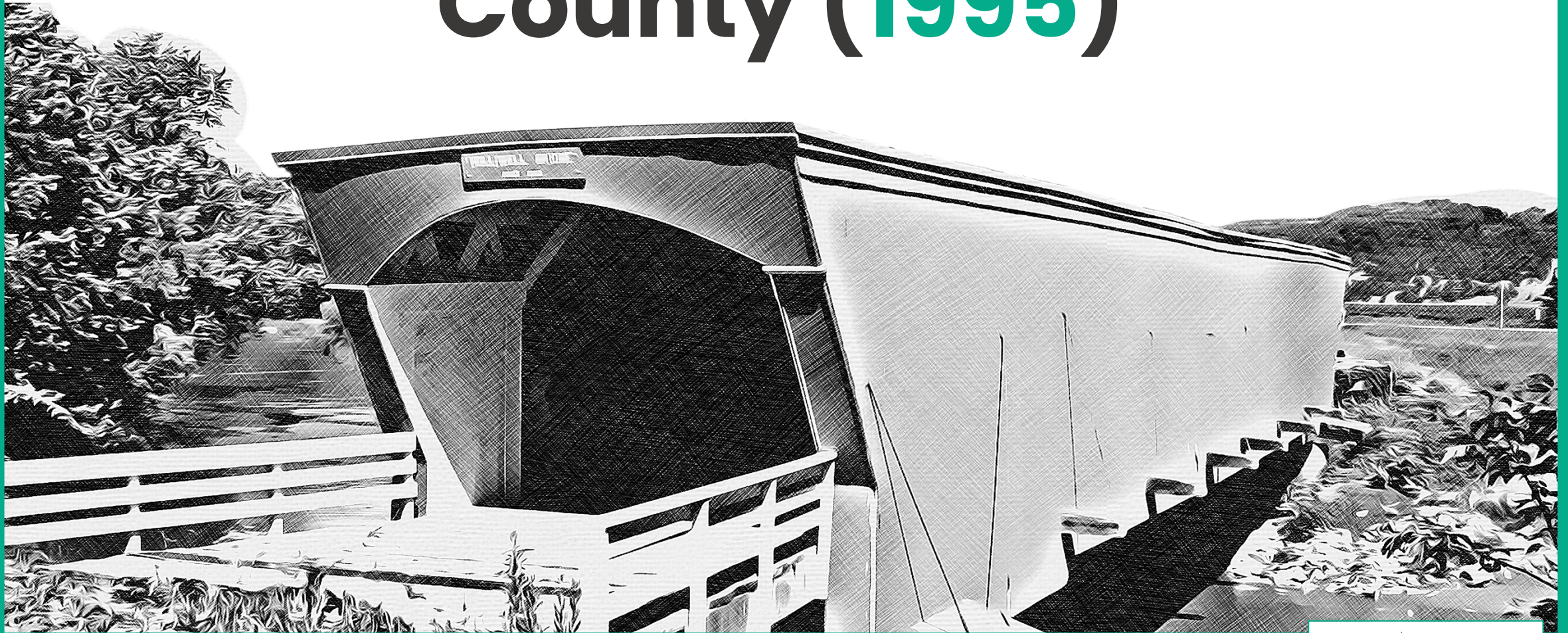
Architecture Billings Index

2008 – August 2024



Aug. 2024:
45.7

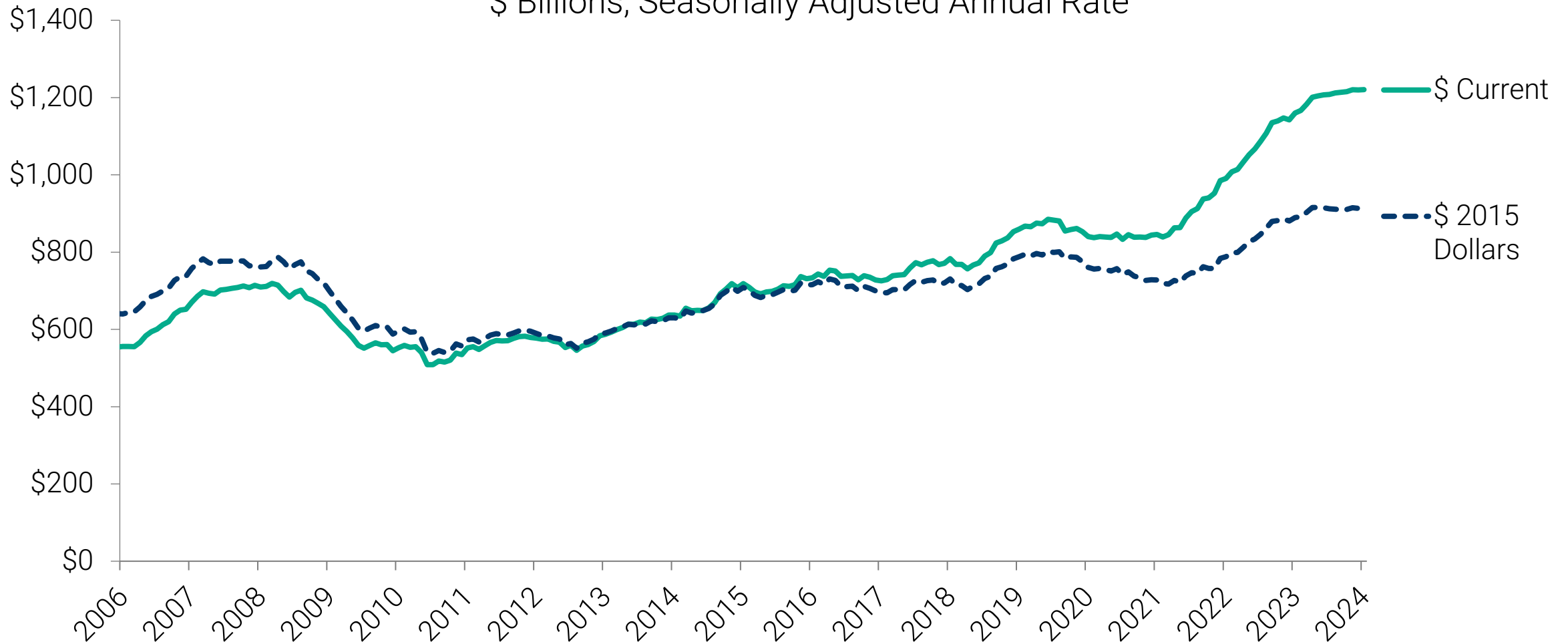
The Bridges of Madison County (1995)



Total Nonresidential Construction Spending

Current/Constant Dollars, 2006 – August 2024

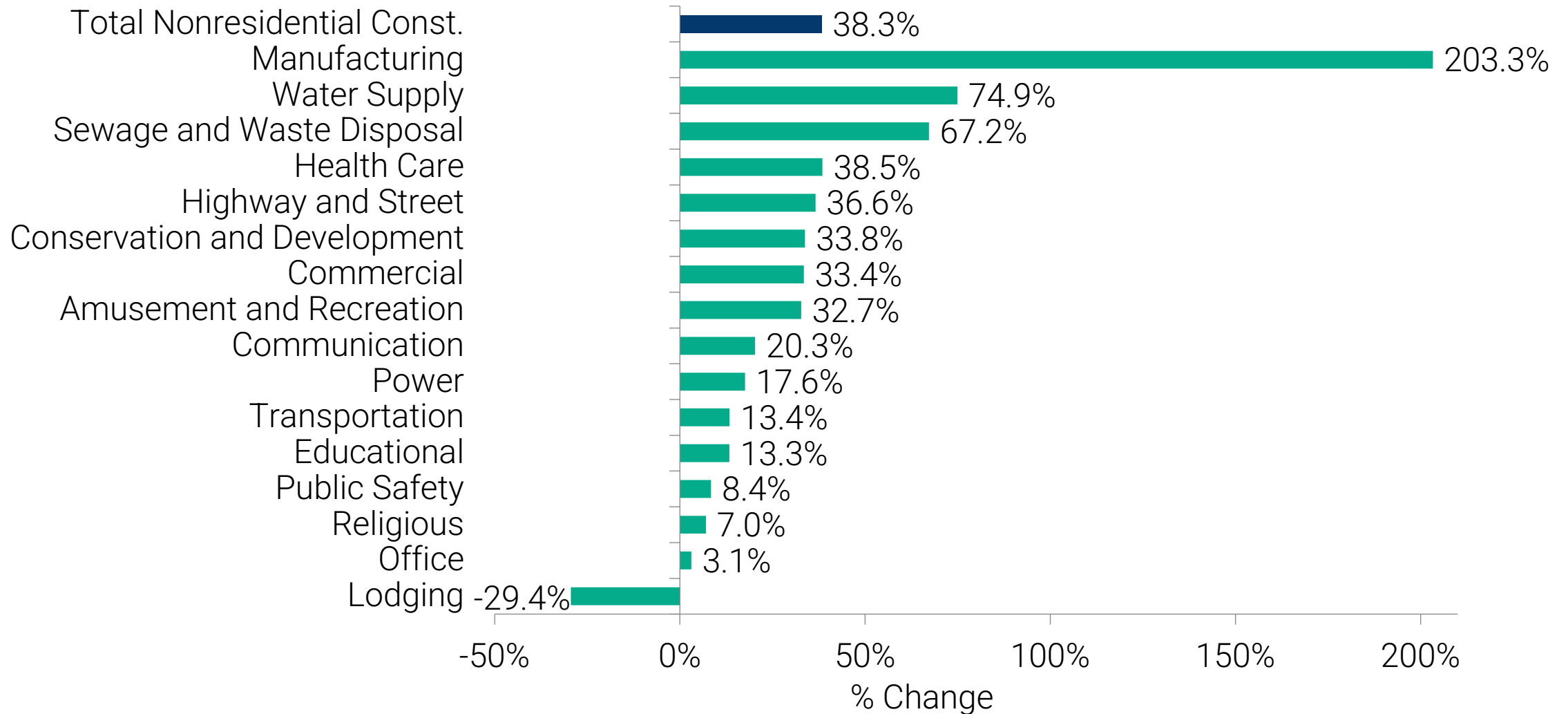
\$ Billions, Seasonally Adjusted Annual Rate

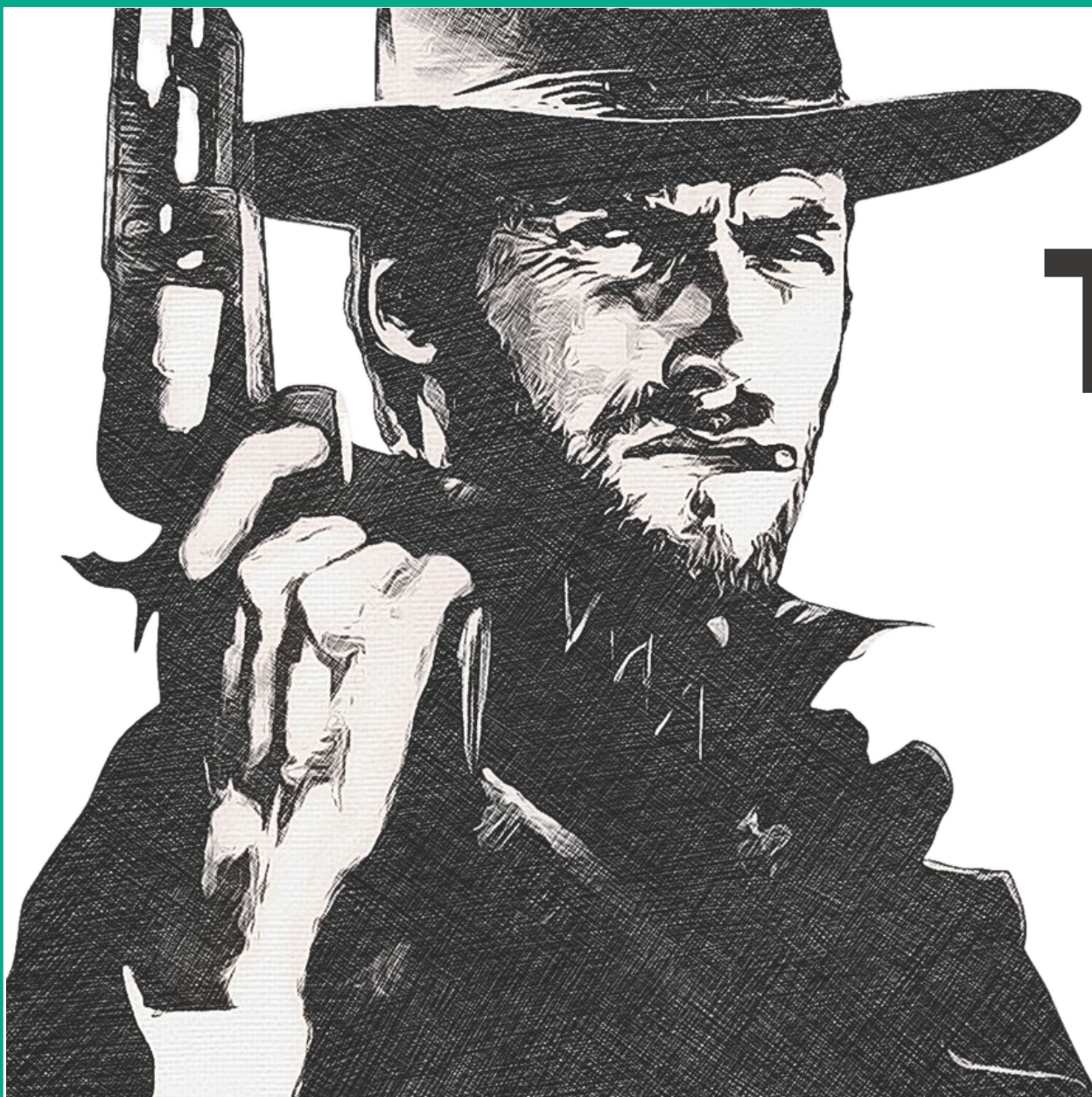


Source: U.S. Census Bureau; U.S. Bureau of Labor Statistics
*Adjusted with U.S. Bureau of Labor Statistics Consumer Price Index, All Urban Consumers, U.S. City Average

Nonresidential Construction Spending by Subsector

February 2020 v. August 2024 (Current \$)



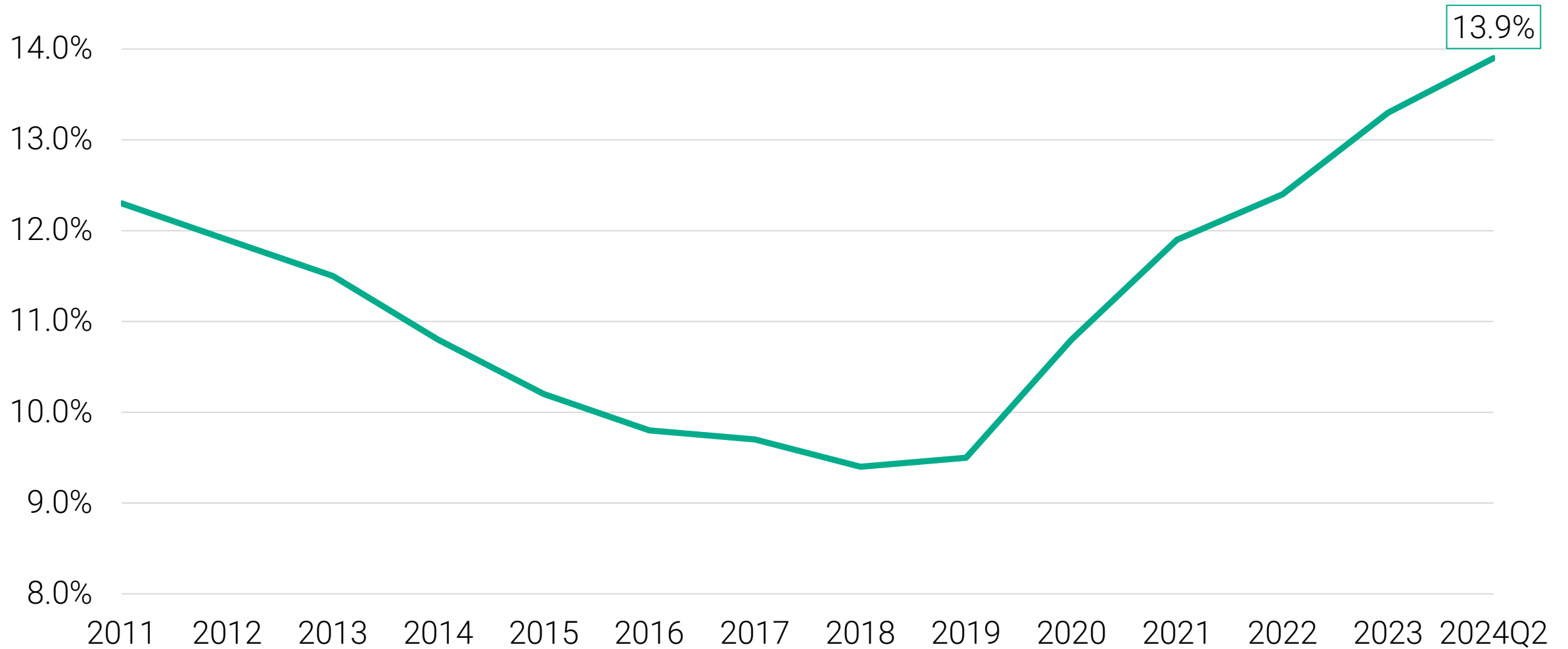


The Ugly

Office Market

Every Which Way **But** Down

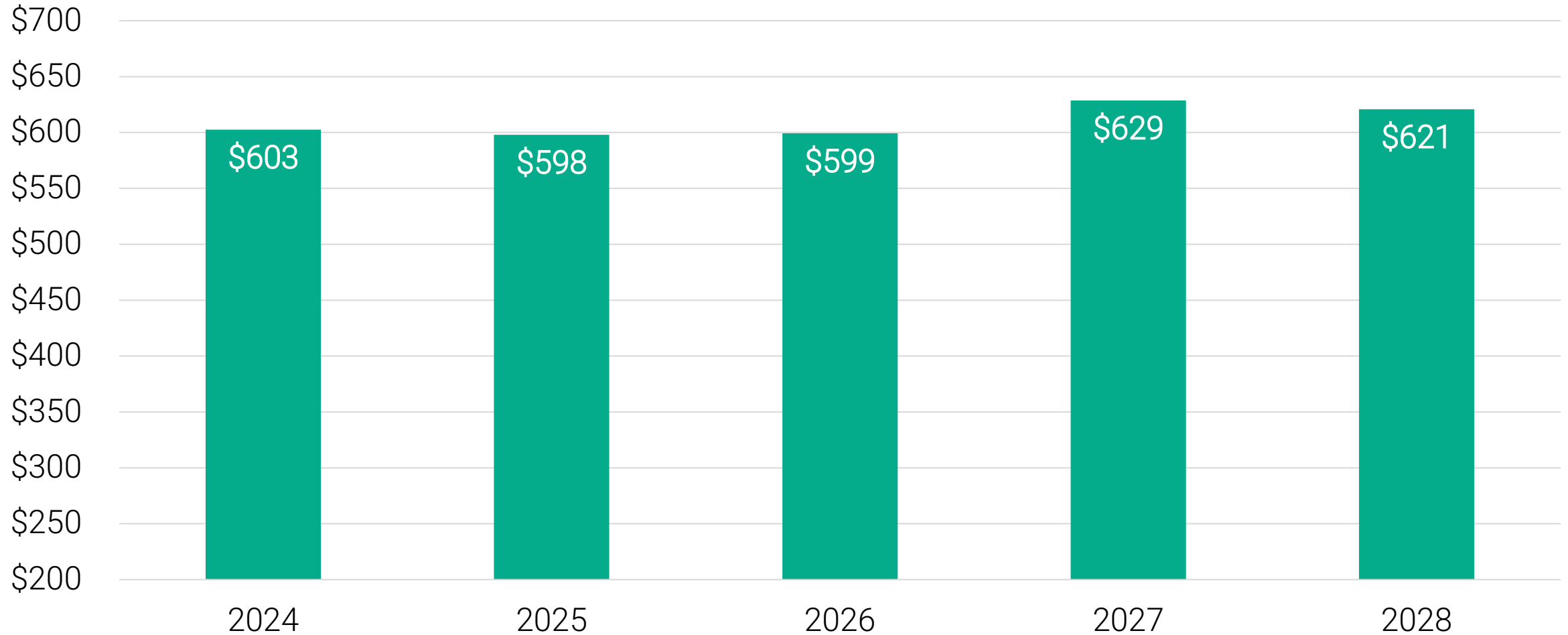
U.S. Office Vacancy, 2011 – 2024



Source: Costar; *Every Which Way But Loose was a 1978 film

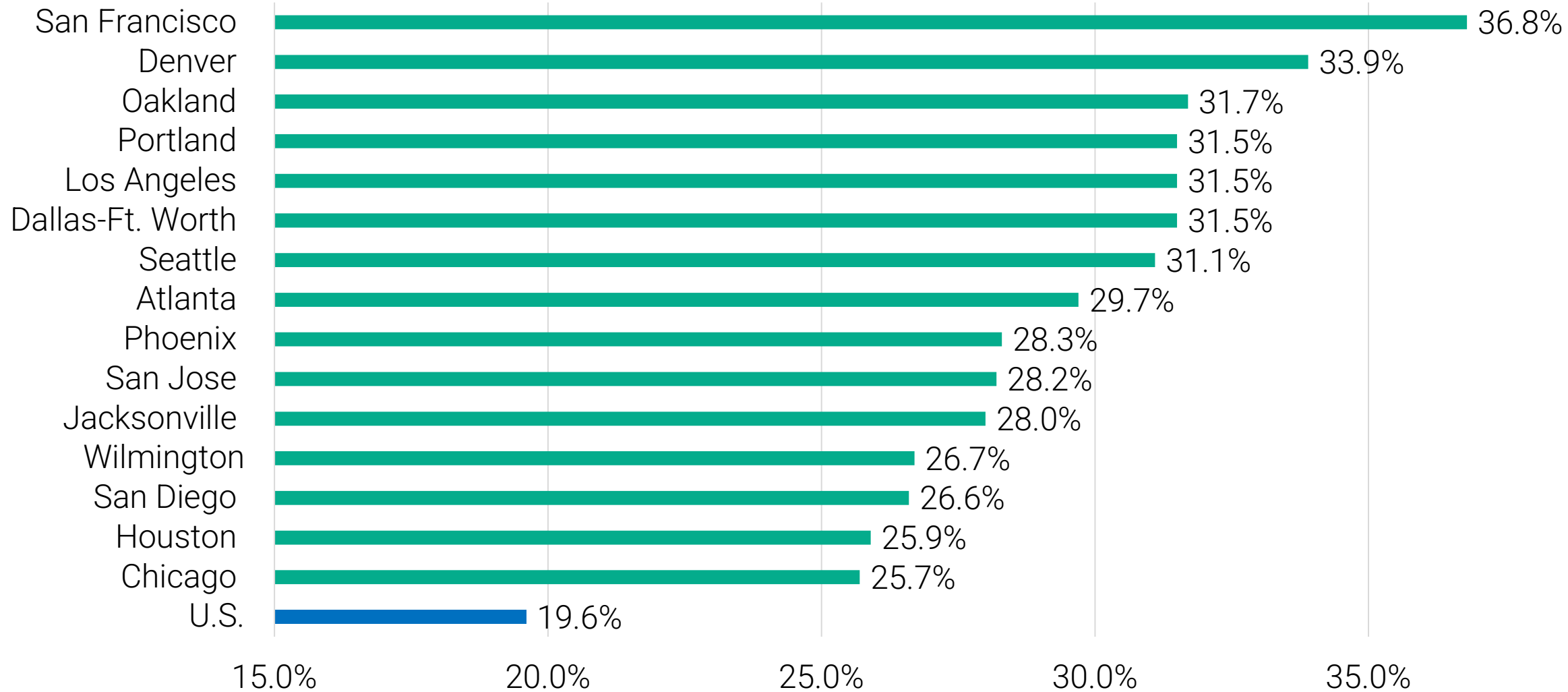
CRE Debt Maturities: \$3.0 Trillion in the Next 5 Years

Maturing CRE Loans (\$Billions)



Source: Trepp analysis of Federal Reserve data

Highest Downtown Office Vacancy Rates, 2024Q2



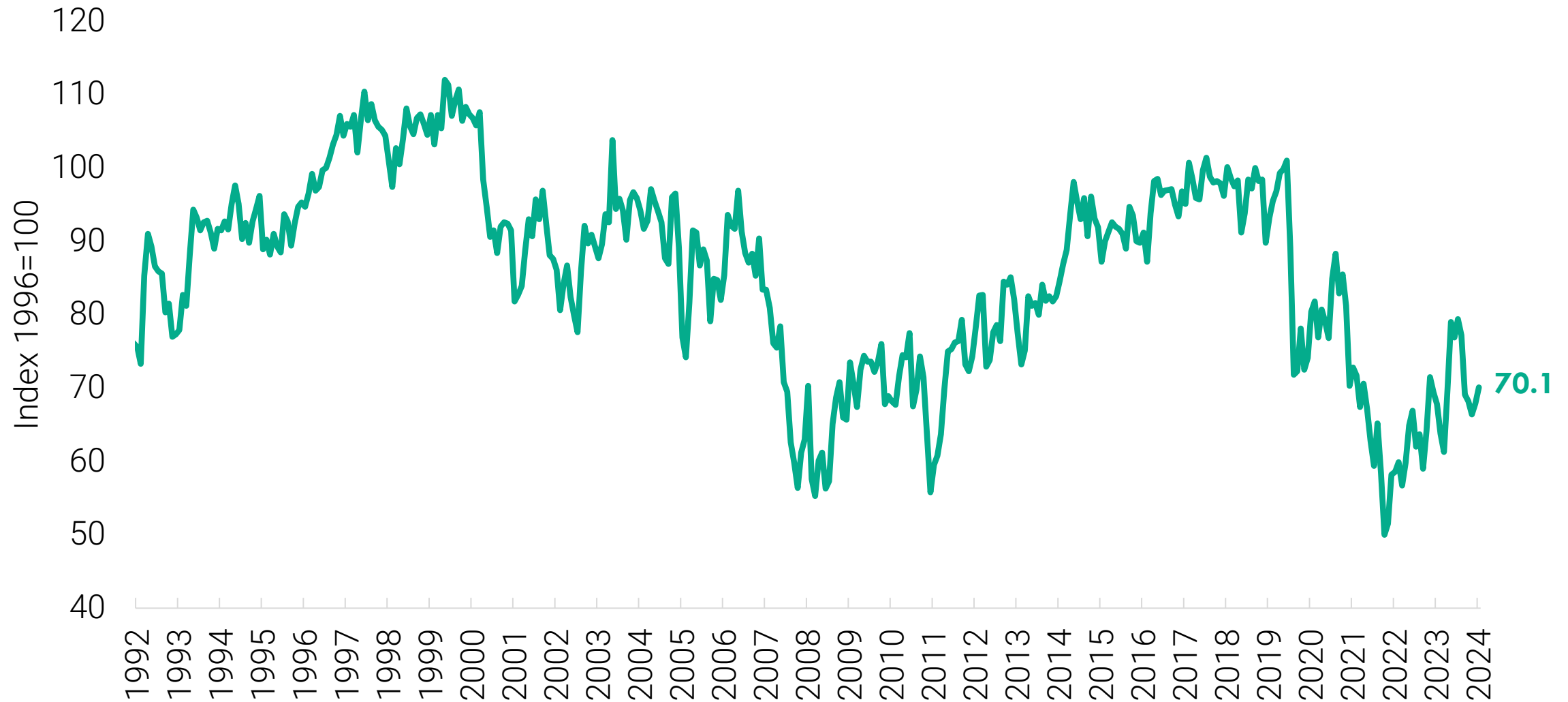
Source: CBRE

**Go Ahead,
Make My Day**



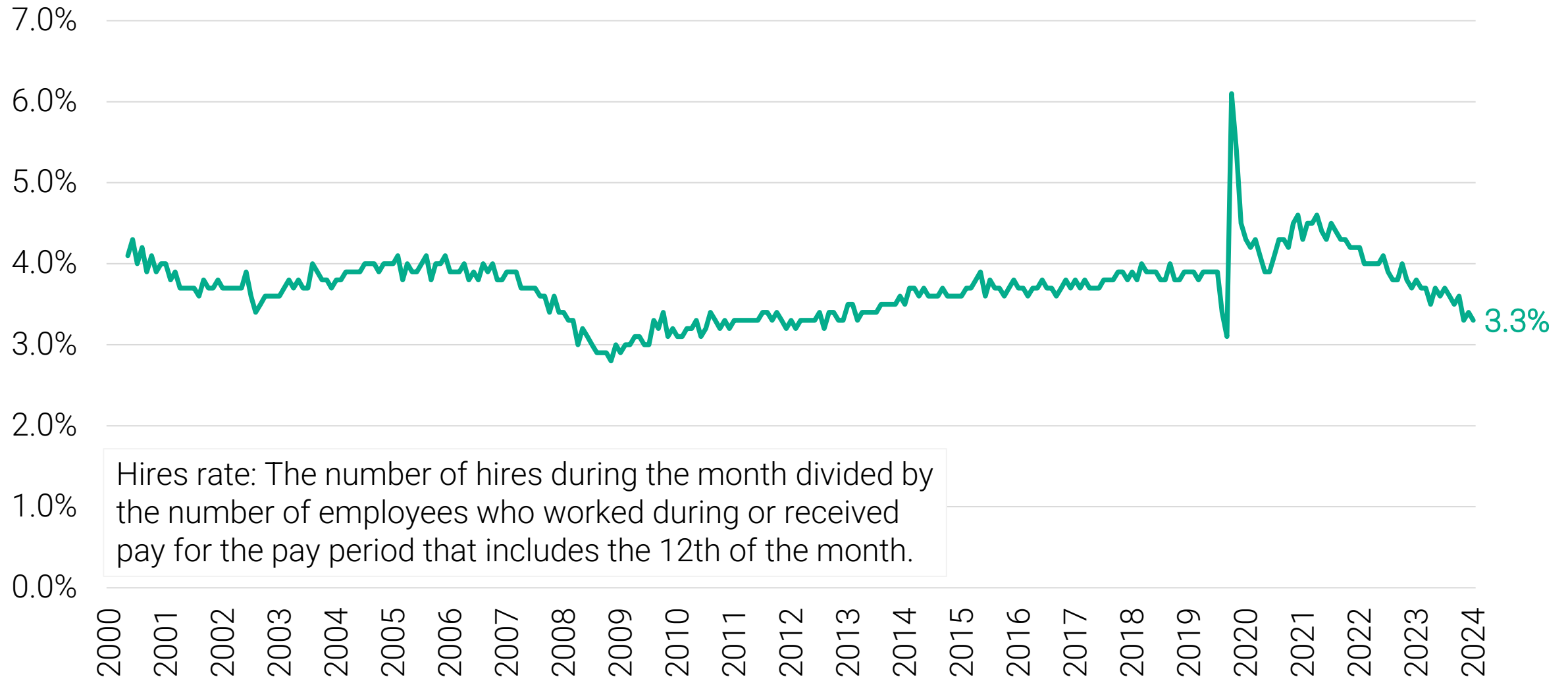
University of Michigan Index of Consumer Sentiment

1992 – September 2024



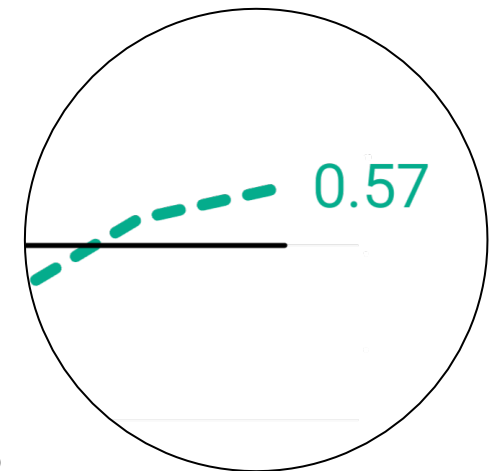
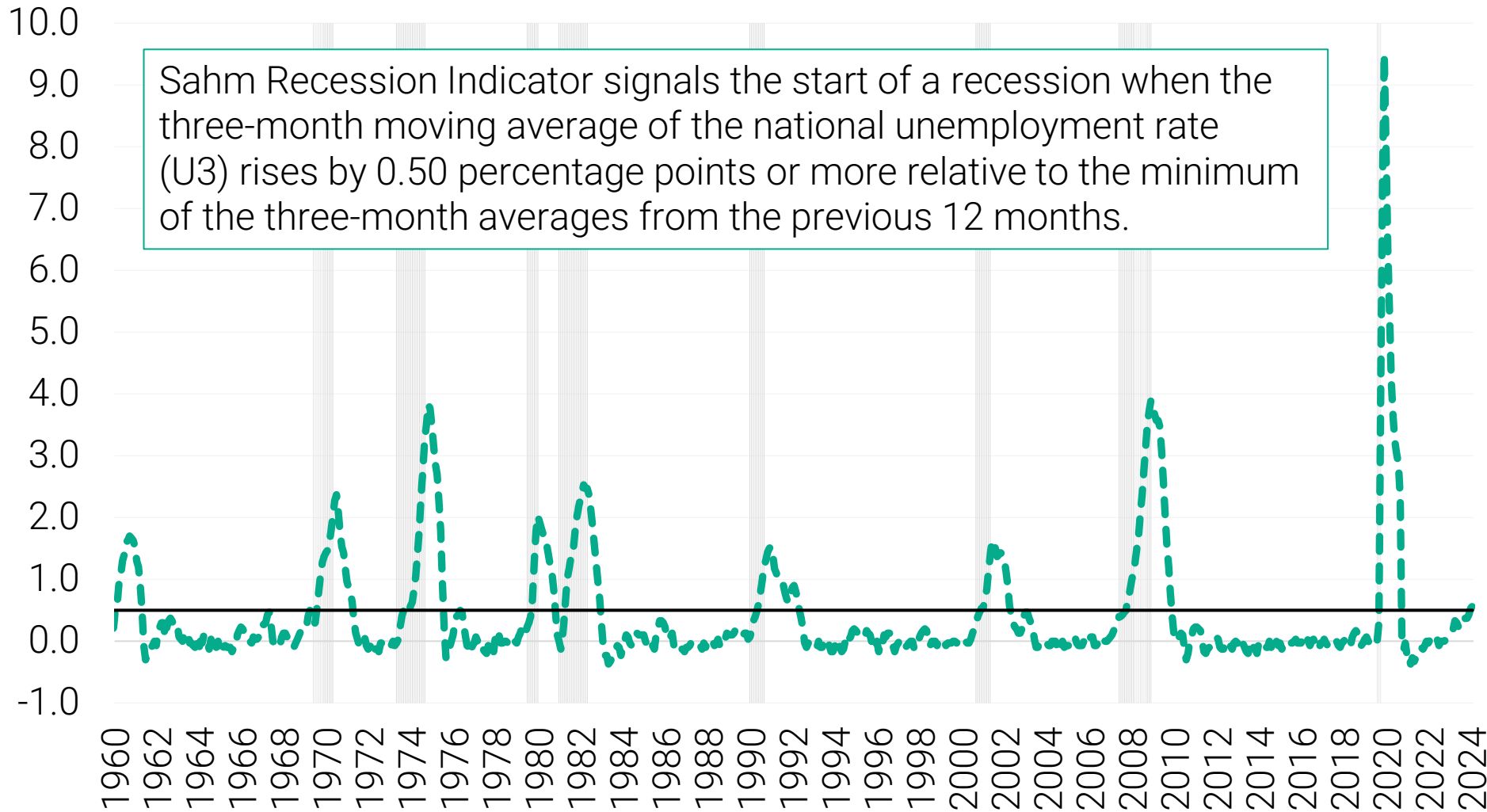
Source: University of Michigan

U.S. Hires Rate, 2000 – August 2024



Hires rate: The number of hires during the month divided by the number of employees who worked during or received pay for the pay period that includes the 12th of the month.

Sahm Rule Recession Indicator, 1960 – August 2024

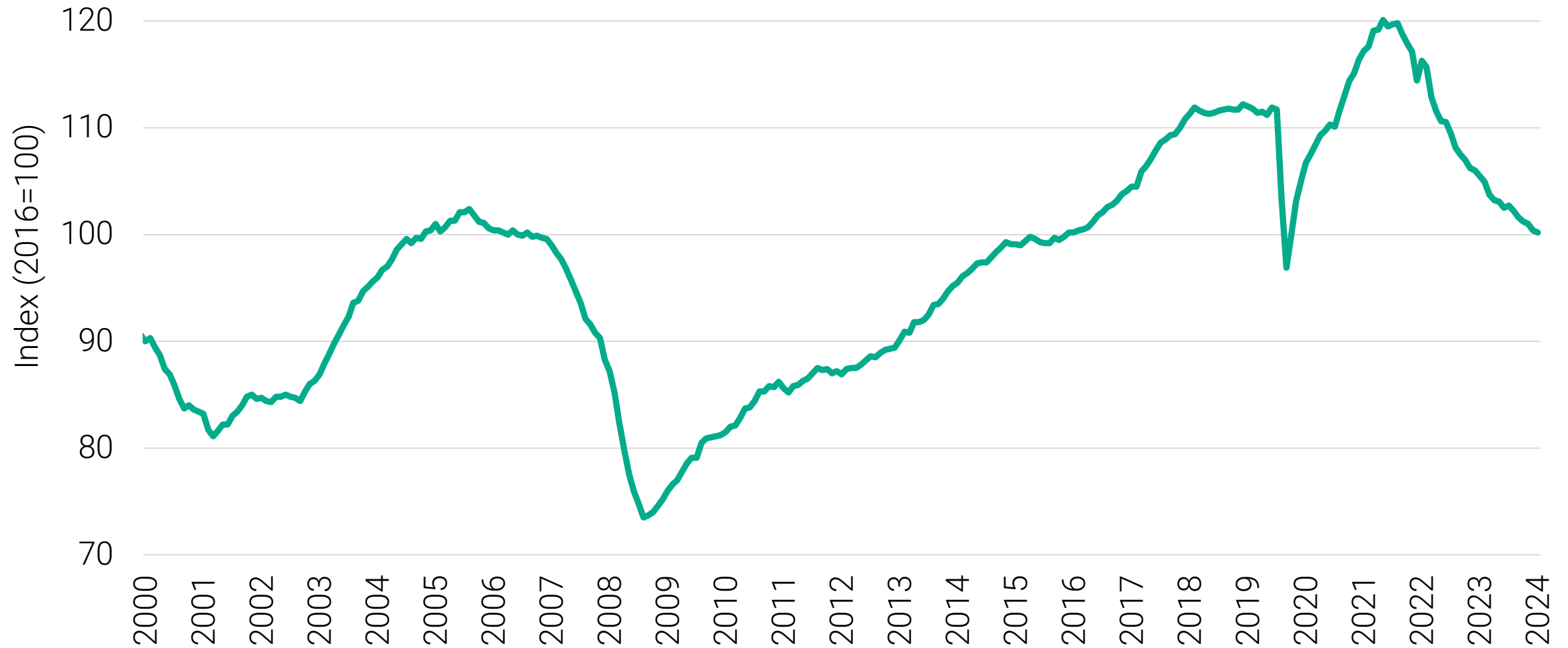


Shaded areas indicate U.S. recessions

Source: Sahm, Claudia, Real-time Sahm Rule Recession Indicator [SAHMREALTIME], retrieved from FRED, Federal Reserve Bank of St. Louis

Conference Board: U.S. Leading Economic Index

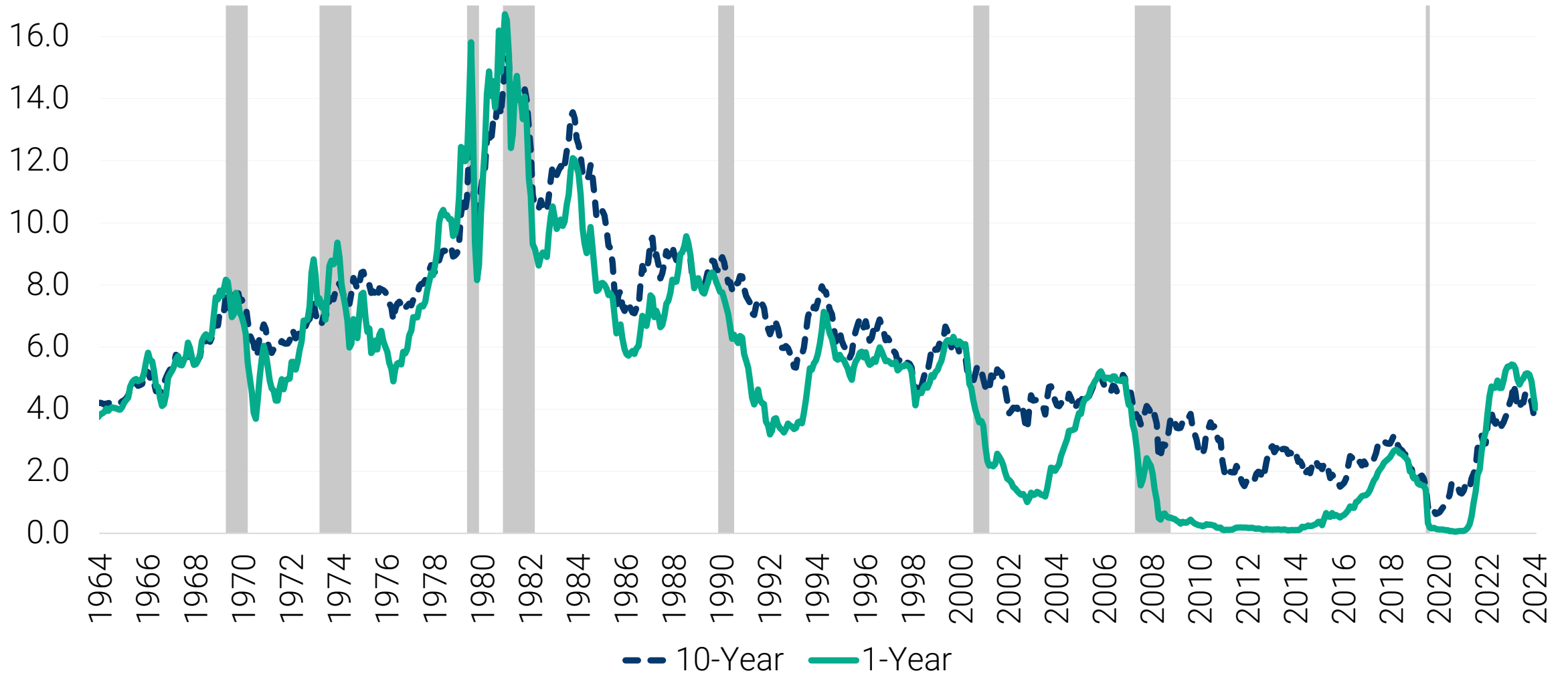
2000 – August 2024



Source: The Conference Board

U.S. Treasury Yields : 10-Year v. 1-Year

1964 – September 2024



Shaded areas indicate U.S. recessions

Source: Federal Reserve Bank of St. Louis

Go **Where** You're Lookin', and Look **Where** You're Goin'

- We are a deeply indebted society currently facing high borrowing costs;
- That makes me pessimistic regarding the near-term outlook;
- Geopolitics and federal elections don't help – sources of additional concern, distraction, and risk;
- It will come nearly a year after I initially anticipated, but recession is coming in 2025 -- maybe.

Thank You

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Q&A