

# **THE US ECONOMY: REMARKABLY RESILIENT, ~~SO FAR~~**

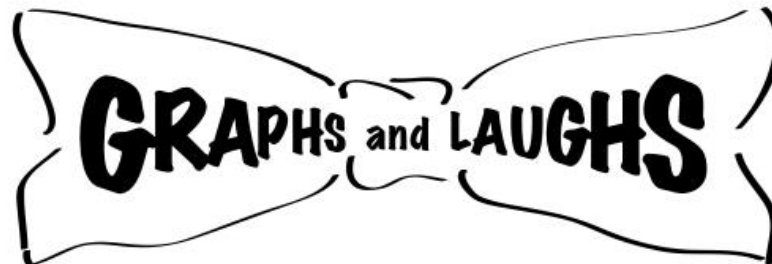
Presented by:

Elliot F. Eisenberg, Ph.D.

President: GraphsandLaughs, LLC

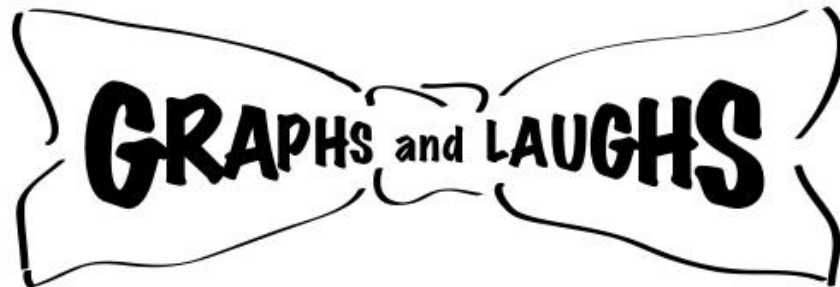
Normal, IL

February 6, 2025



# The Economy Surprises

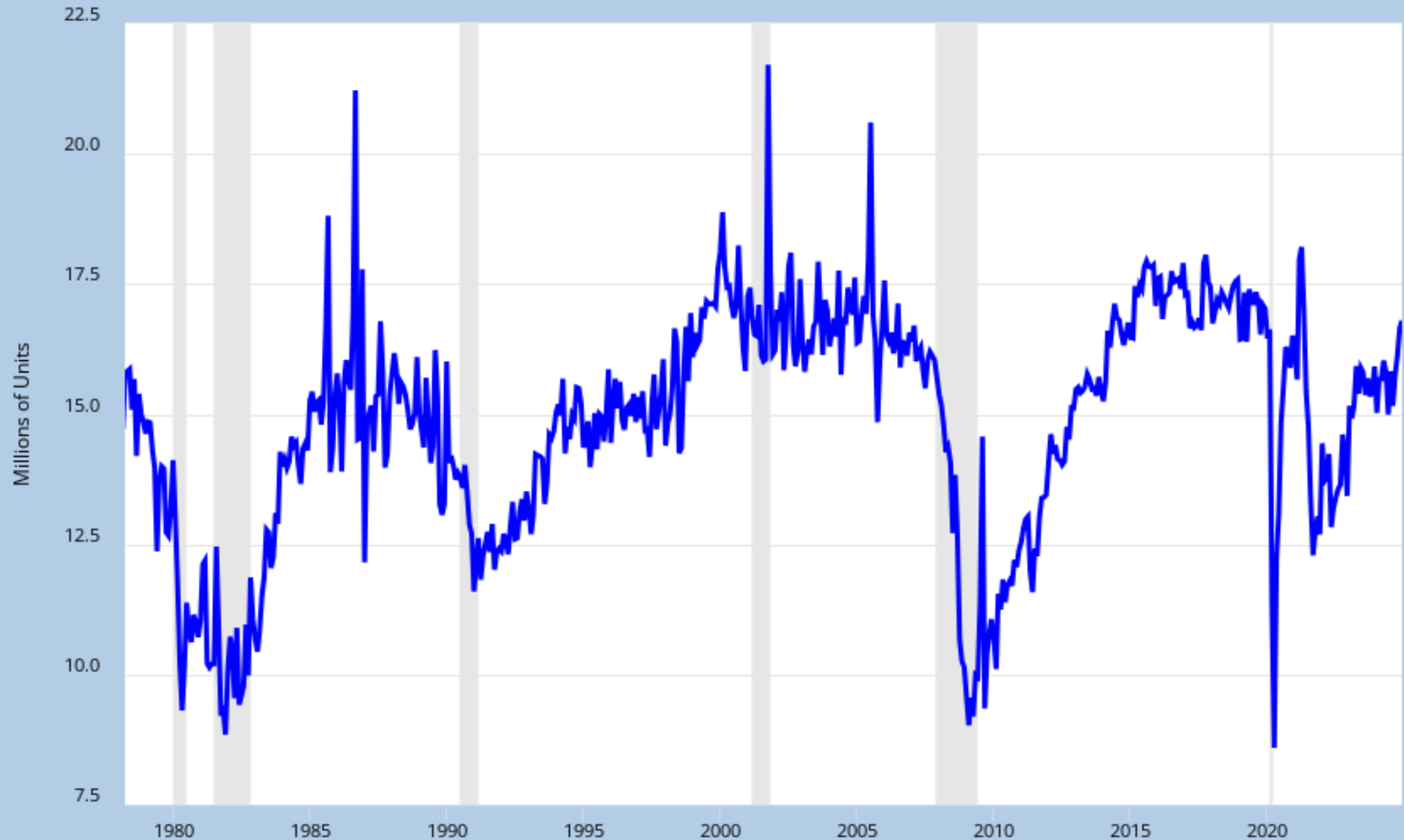
$$\text{GDP} = C + I + G + (X - M)$$



# US Light Vehicle Sales

Car sales are approaching 16 million/year

**FRED**  — Light Weight Vehicle Sales: Autos and Light Trucks

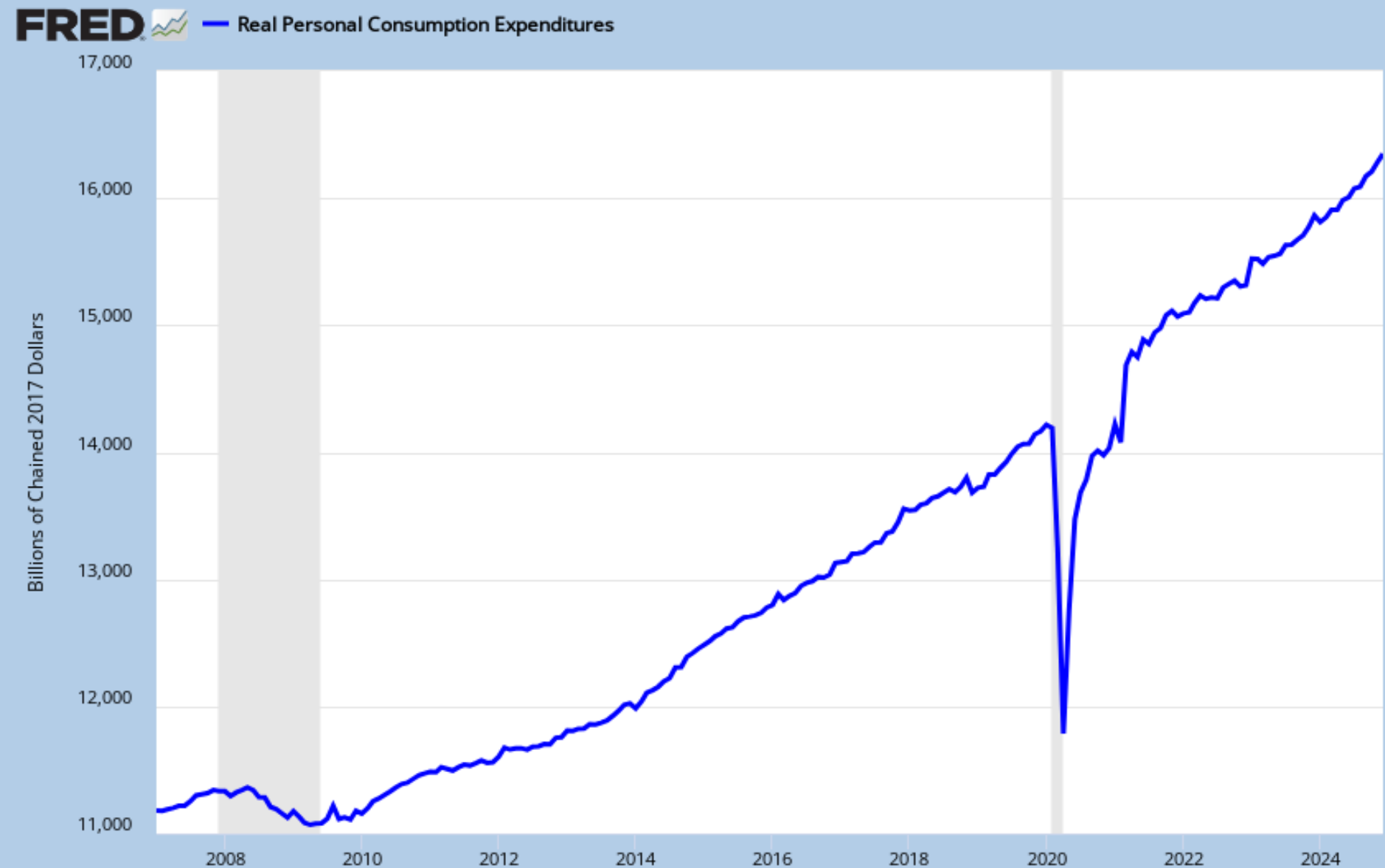


Source: U.S. Bureau of Economic Analysis

[myf.red/g/1Dkzh](https://myf.red/g/1Dkzh)

# Real Personal Consumption Expenditures

It remains on trend, keeping the economy growing



Source: U.S. Bureau of Economic Analysis

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# Real Disposable Personal Income

It is well above pre-Covid, but slightly below trend



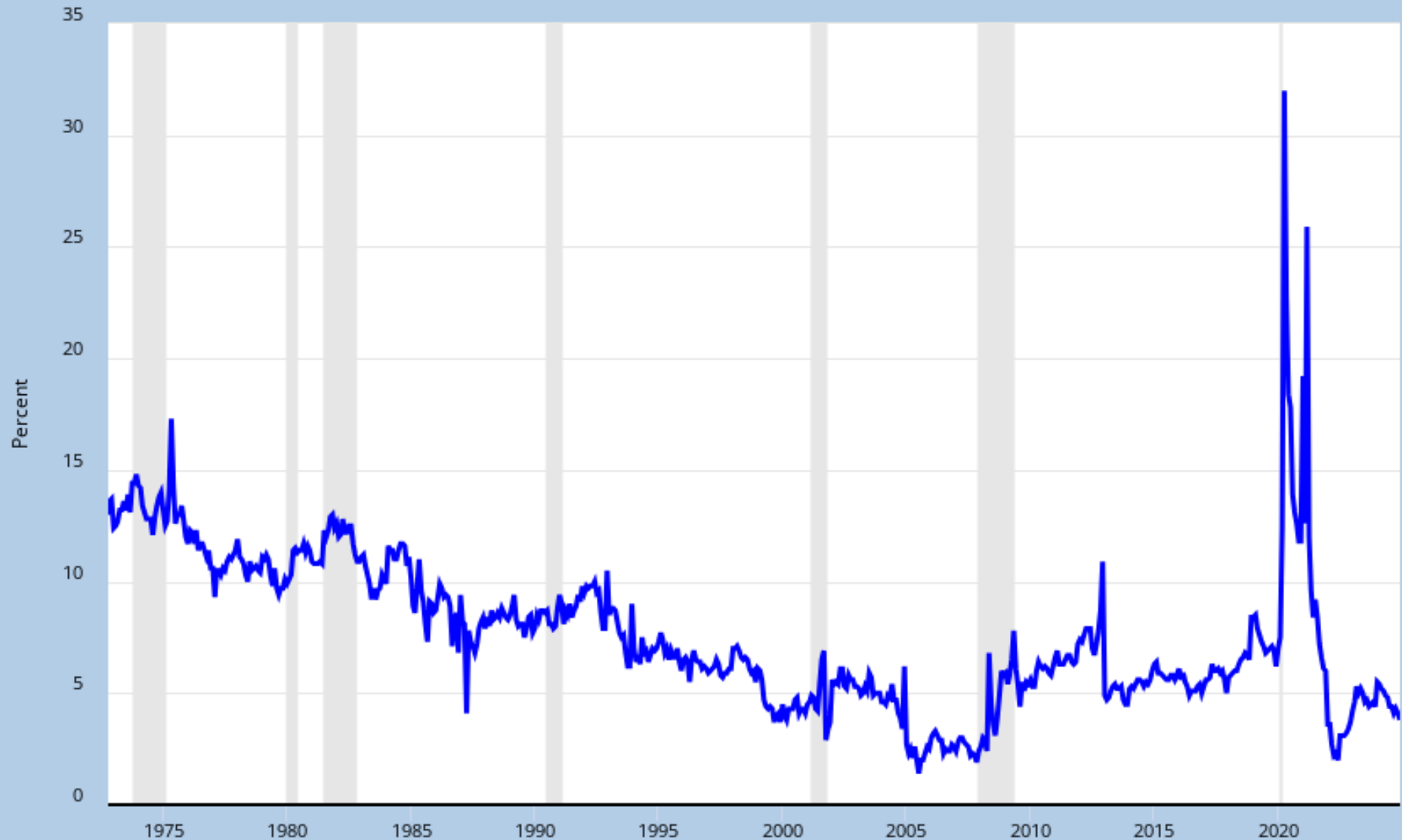
Source: U.S. Bureau of Economic Analysis

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# Household Savings Rate

It is starting to get quite low at 3.8%

**FRED**  — Personal Saving Rate

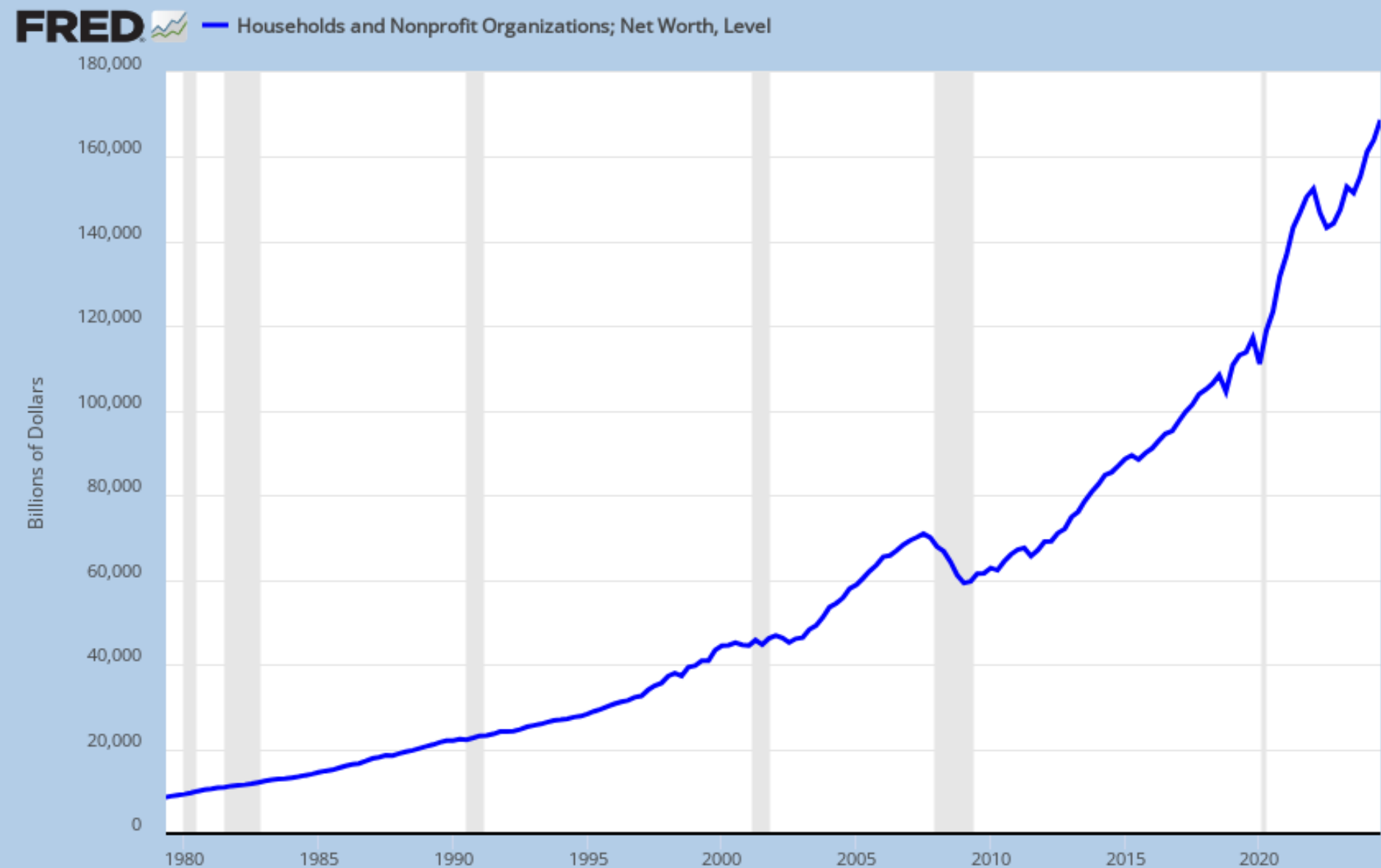


Source: U.S. Bureau of Economic Analysis

[myf.red/g/1Dkyv](https://myf.red/g/1Dkyv)

# Household Balance Sheets

Growth in household net worth has been excellent



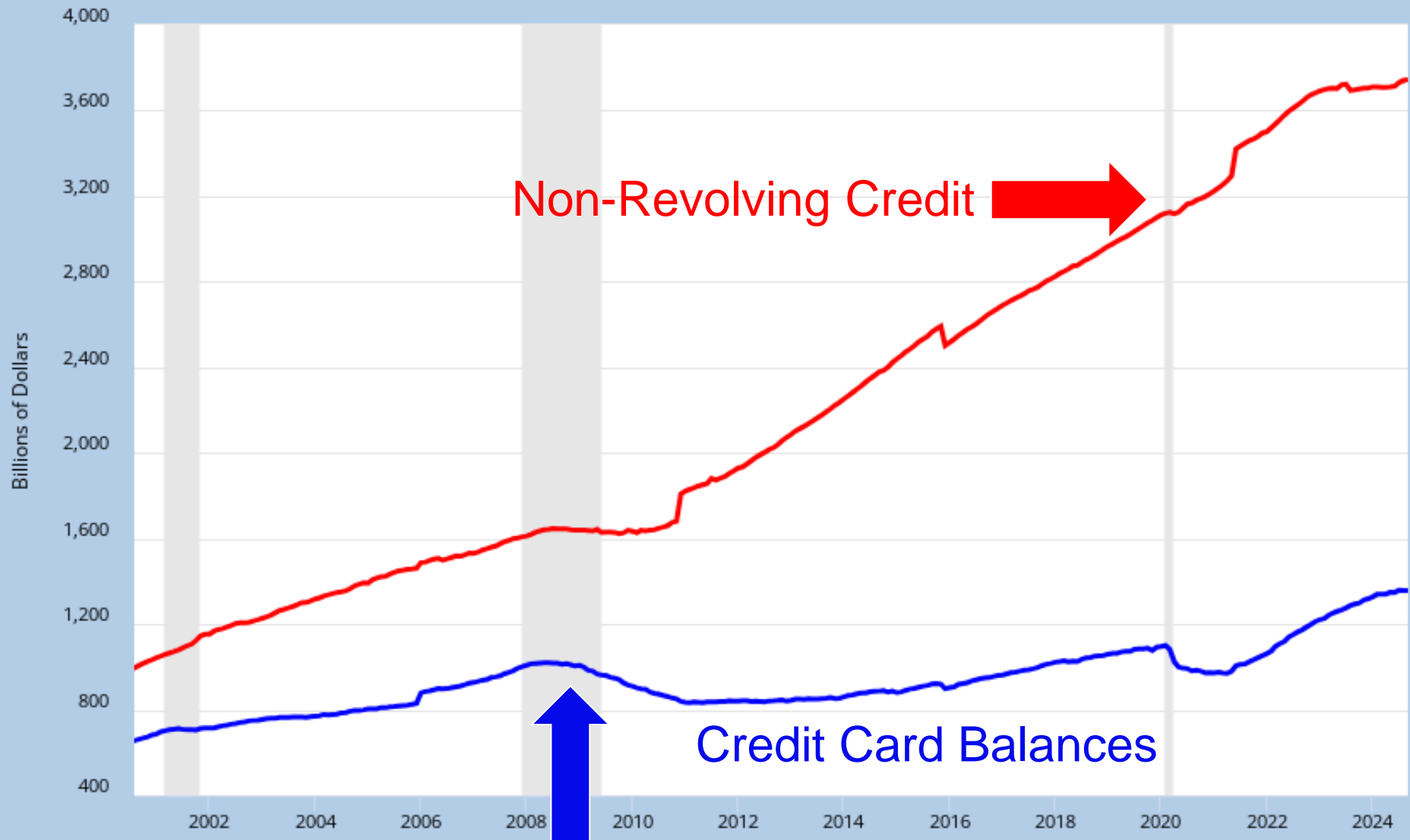
# Non-Revolving Credit Growth Slows

Revolving credit is well above its pre-Covid trend, but is slowing

FRED



— Revolving Consumer Credit Owned and Securitized  
— Nonrevolving Consumer Credit Owned and Securitized



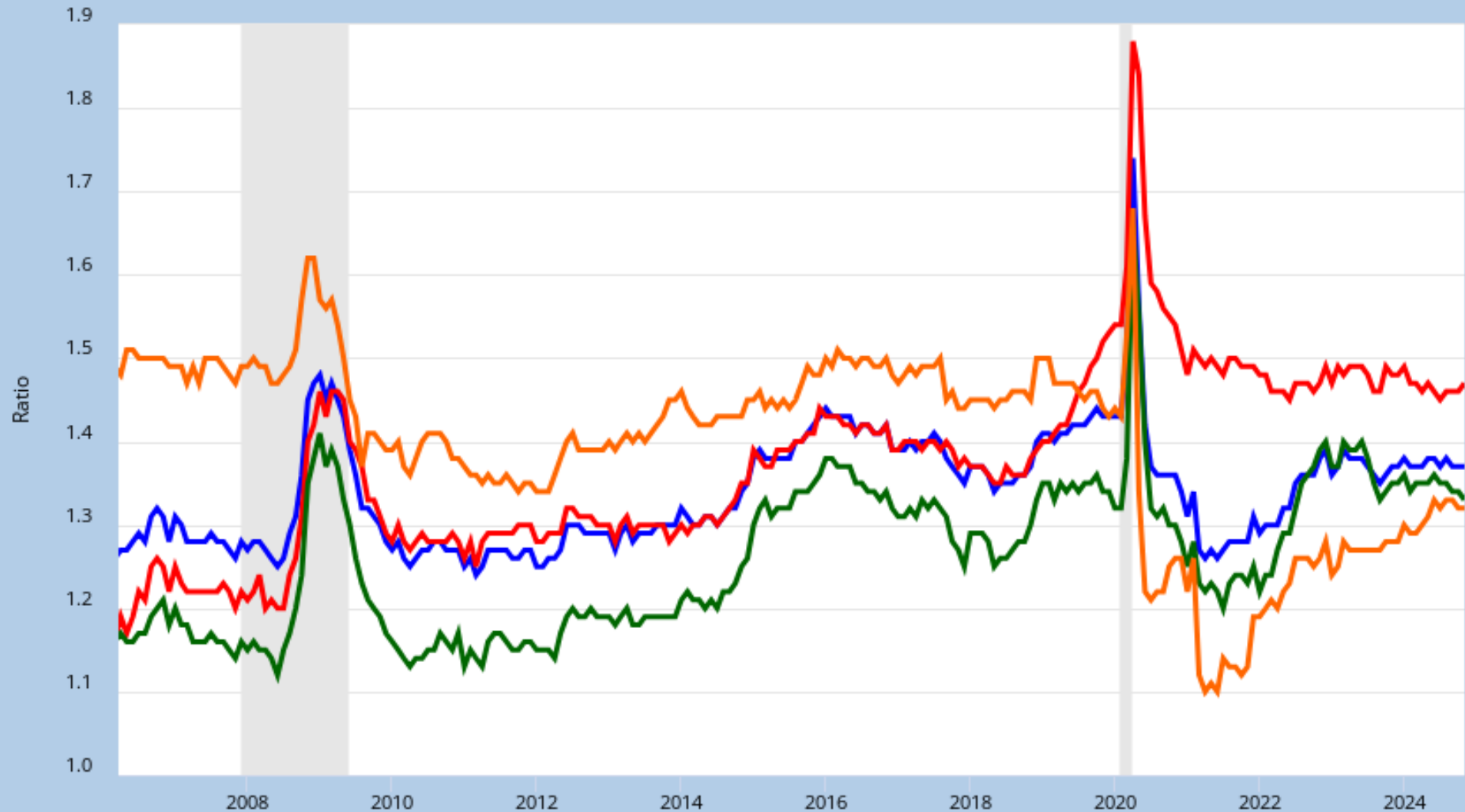


# Inventory to Sales Ratios

All ratios are at or near pre-Covid levels

**FRED**

- Total Business: Inventories to Sales Ratio
- Manufacturers: Inventories to Sales Ratio
- Merchant Wholesalers: Inventories to Sales Ratio
- Retailers: Inventories to Sales Ratio



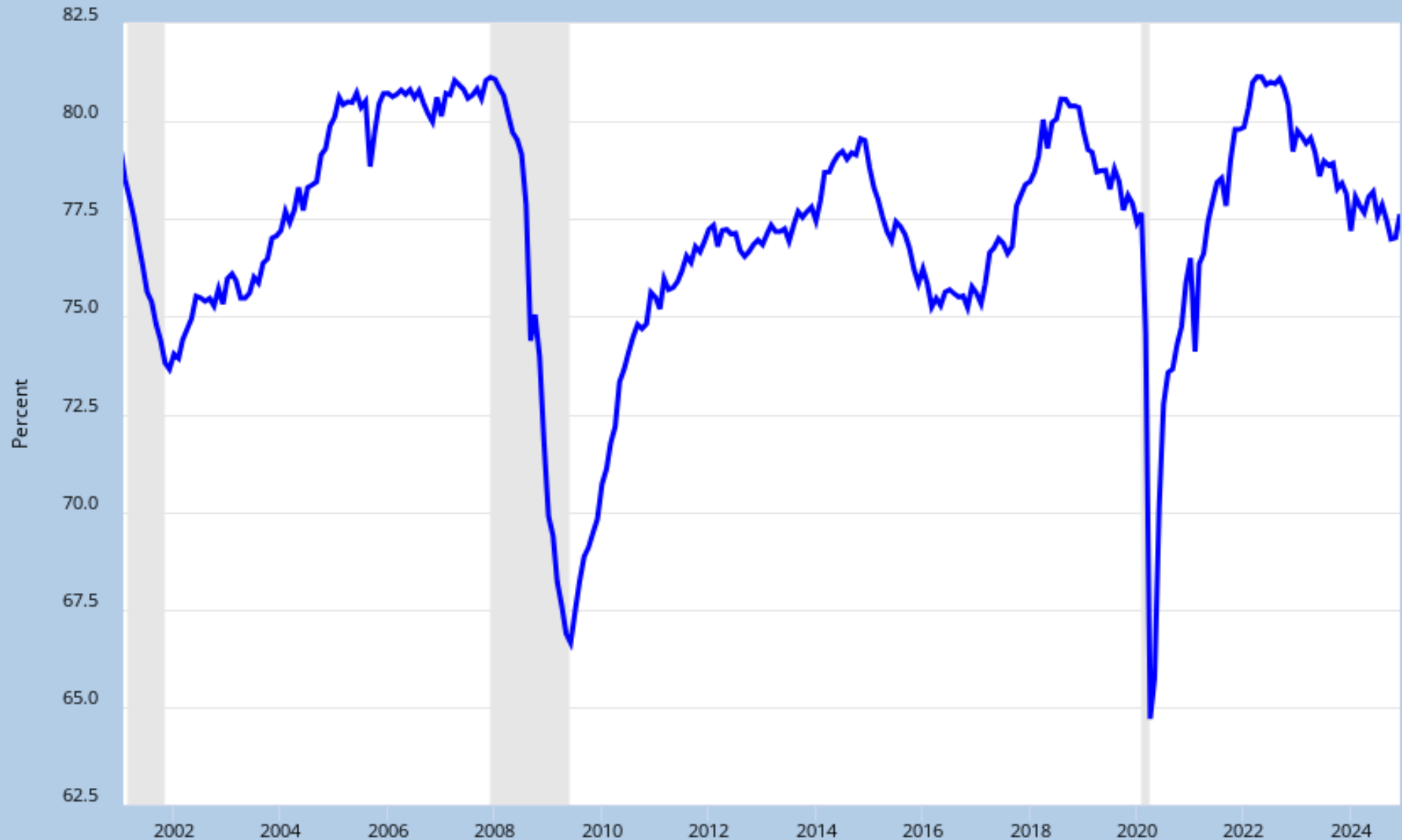
Source: U.S. Census Bureau

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# Capacity Utilization Rates Soften

No longer above pre-Covid levels, and steadily weakening

**FRED**  — Capacity Utilization: Total Index

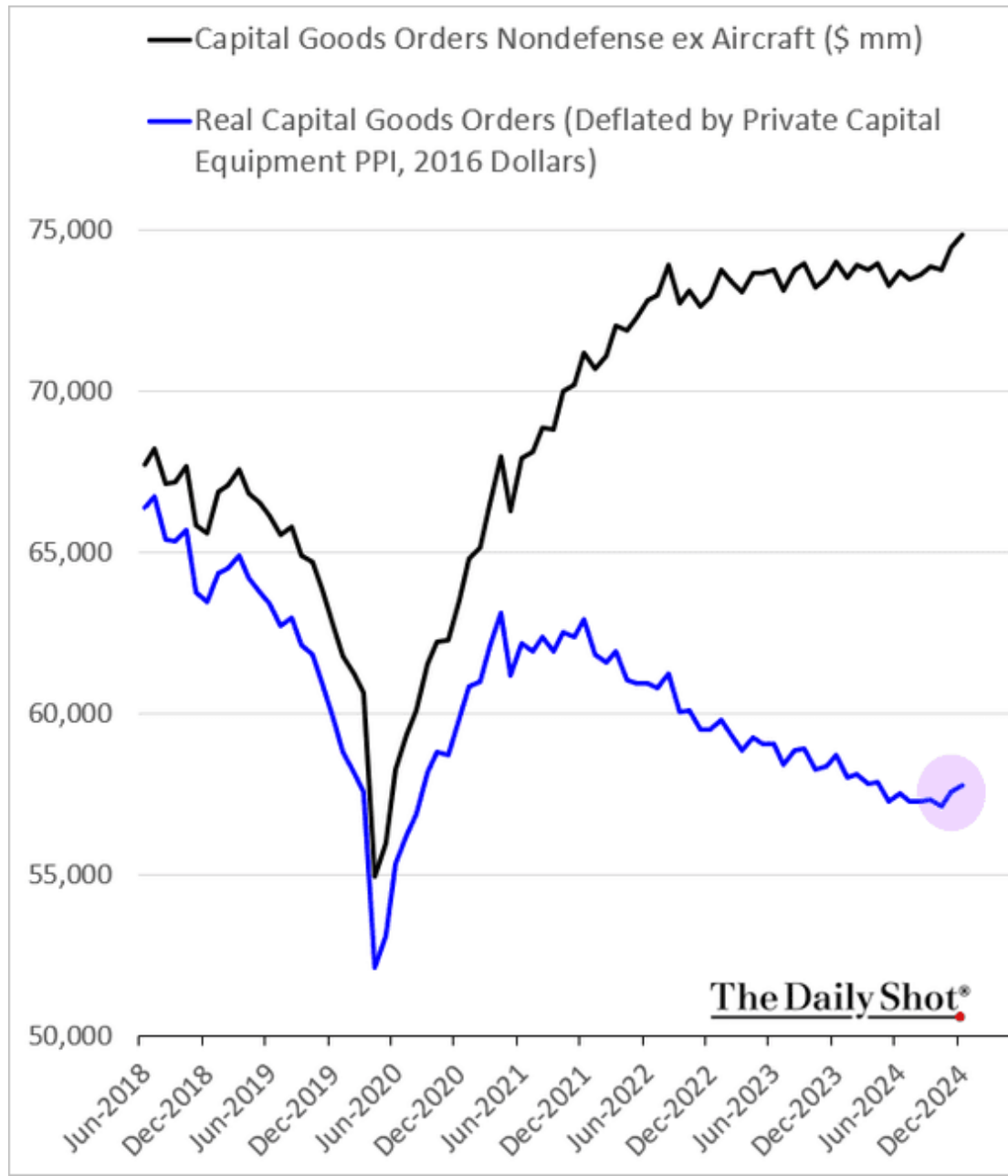


Source: Board of Governors of the Federal Reserve System (US)

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# Real Capital Goods Orders

Firms are investing in IP. Think software and AI, but not much else



# Trump is the 47<sup>th</sup> President

As for his major economic policies...



Energy

Deregulation

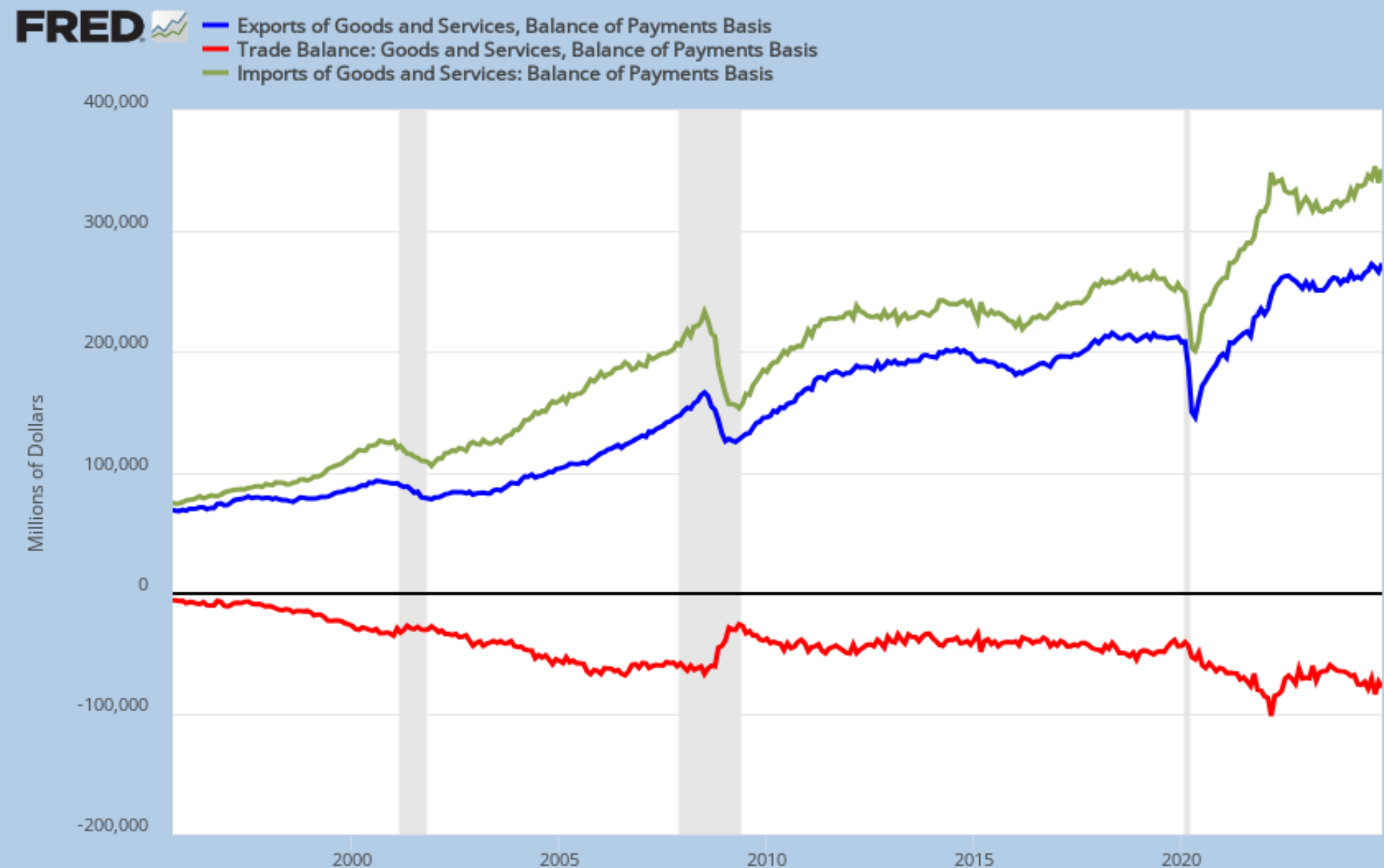
Tax cuts

Immigration reform

Tariffs / Trade policy

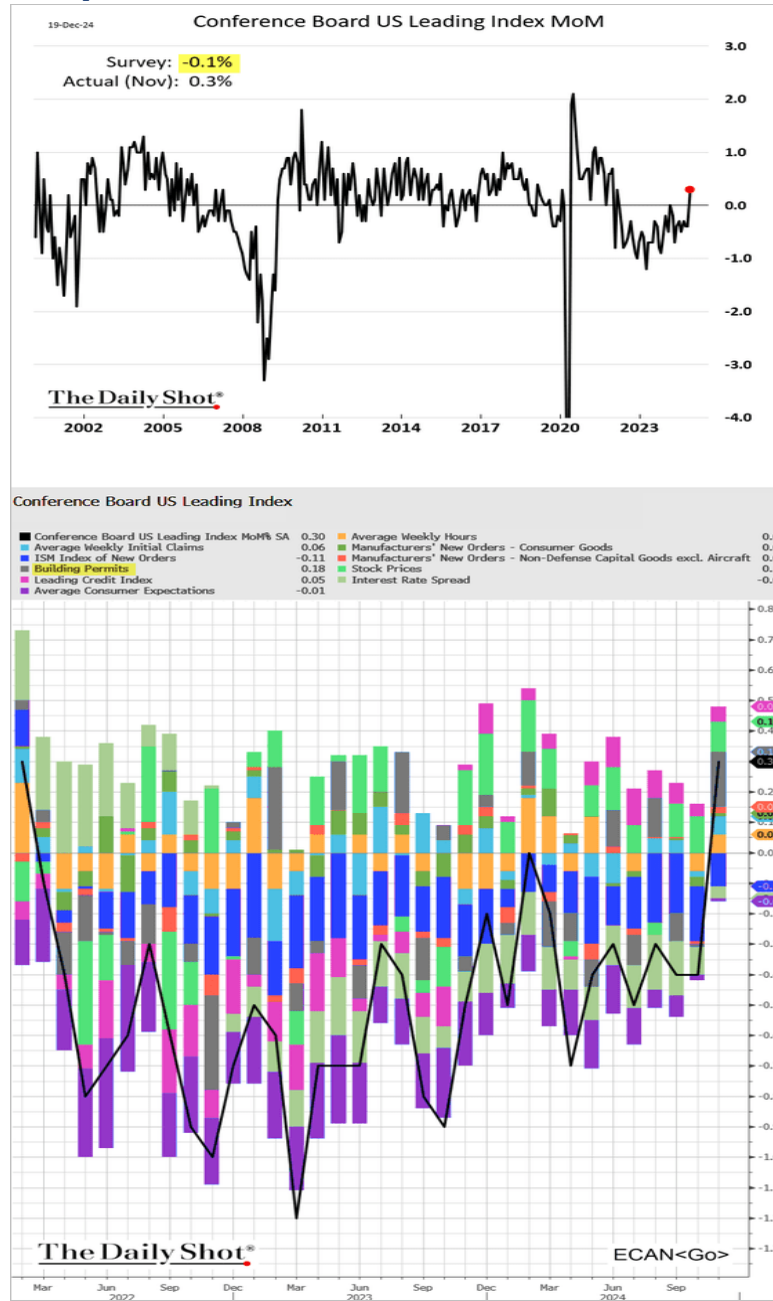
# The Trade Deficit Worsens

Exports are up a bit but imports are up more




# Conference Board Leading Economic Indicators

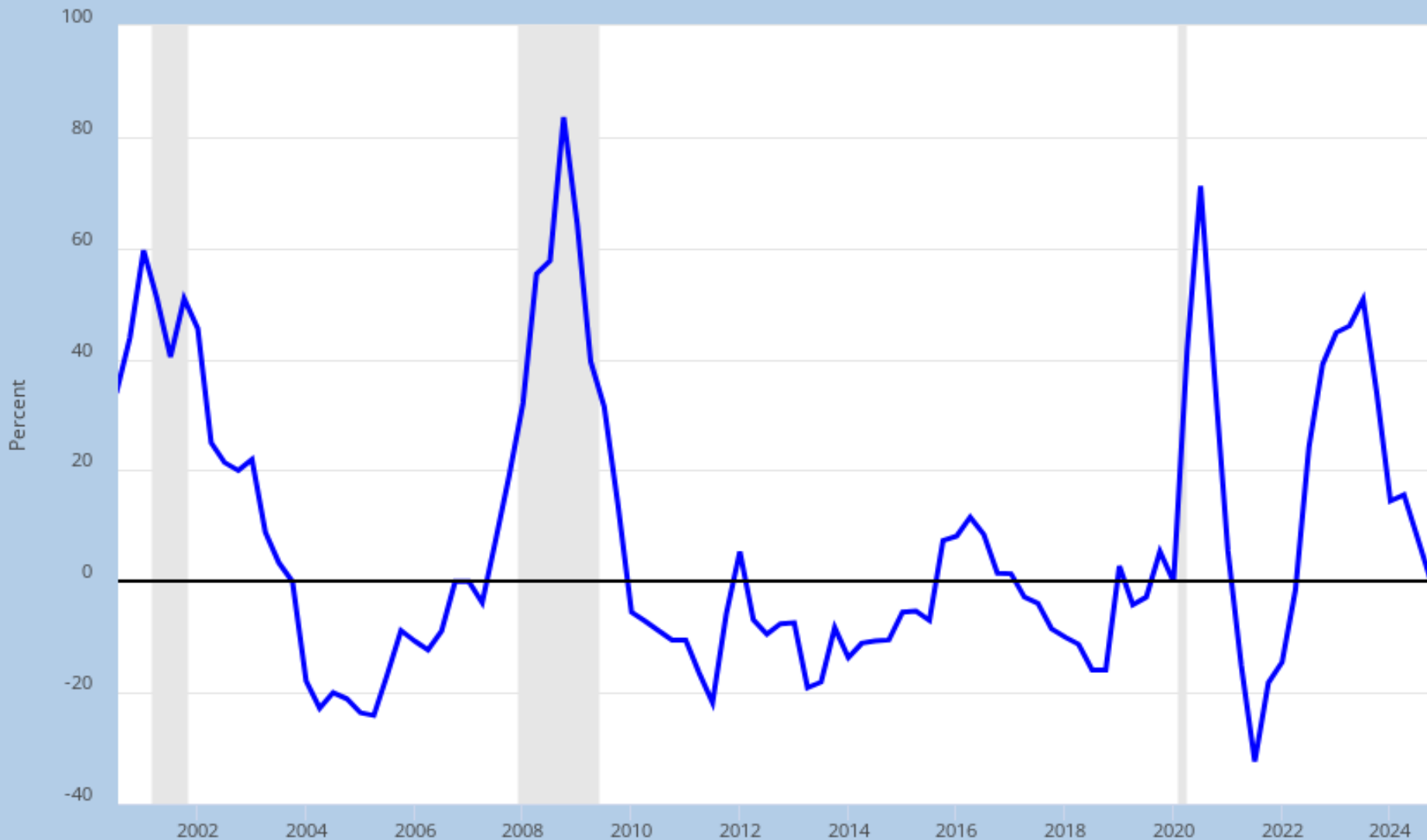
Up for the first time in 33 months!



# Banks are No Longer Tightening C&I Loan Standards

Still tight enough to have usually caused recessions in the past

**FRED**  — Net Percentage of Domestic Banks Tightening Standards for Commercial and Industrial Loans to Large and Middle-Market Firms

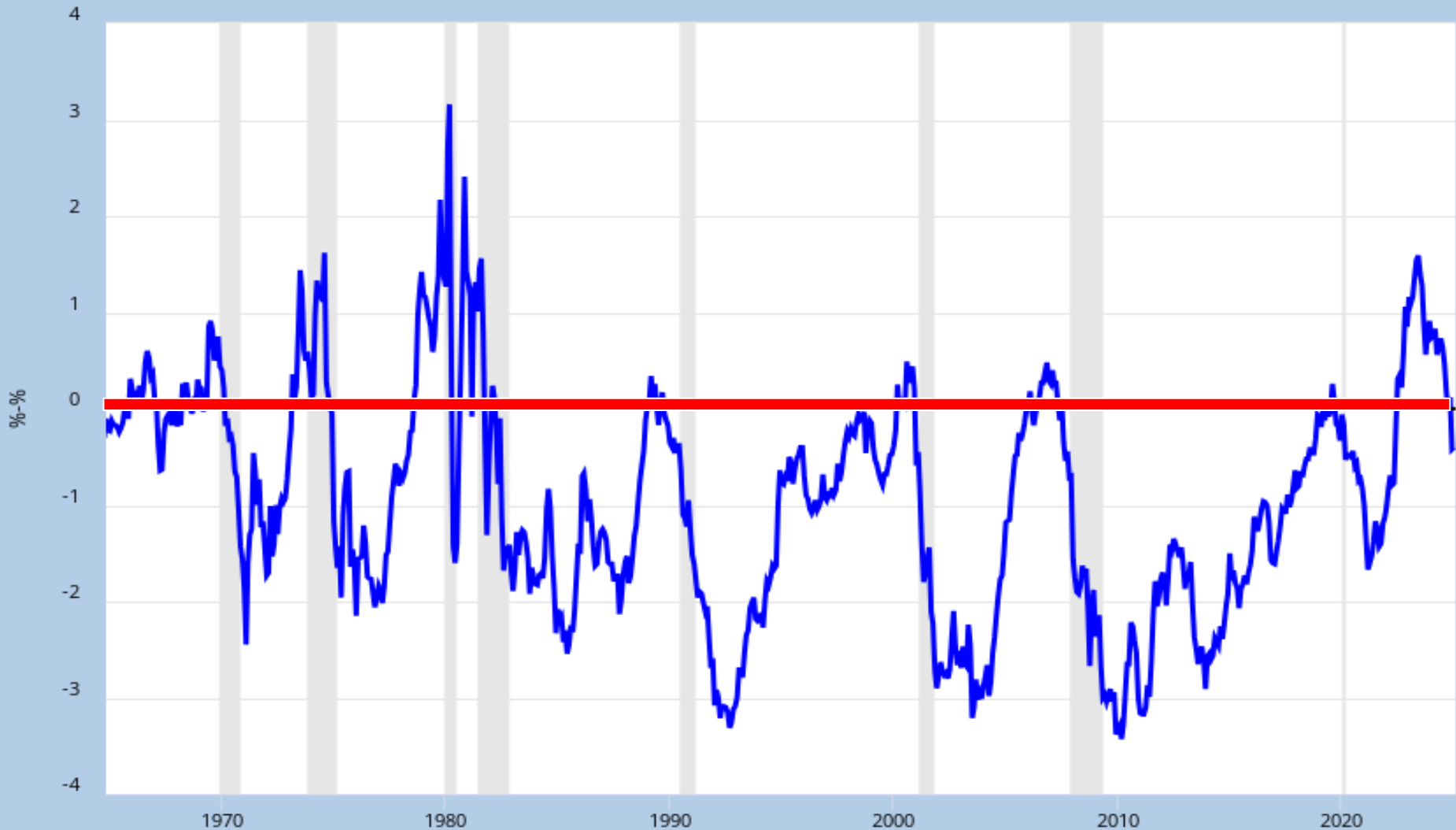


# The Yield Curve is No Longer Inverted

Yield Curve Inversion Test: 1-Year Treasury Yield – 10-Year Treasury Yield

**FRED**

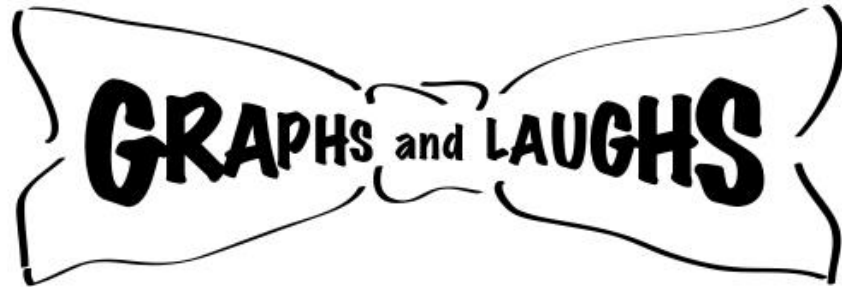
— Market Yield on U.S. Treasury Securities at 1-Year Constant Maturity, Quoted on an Investment Basis—Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis





# Labor Markets:

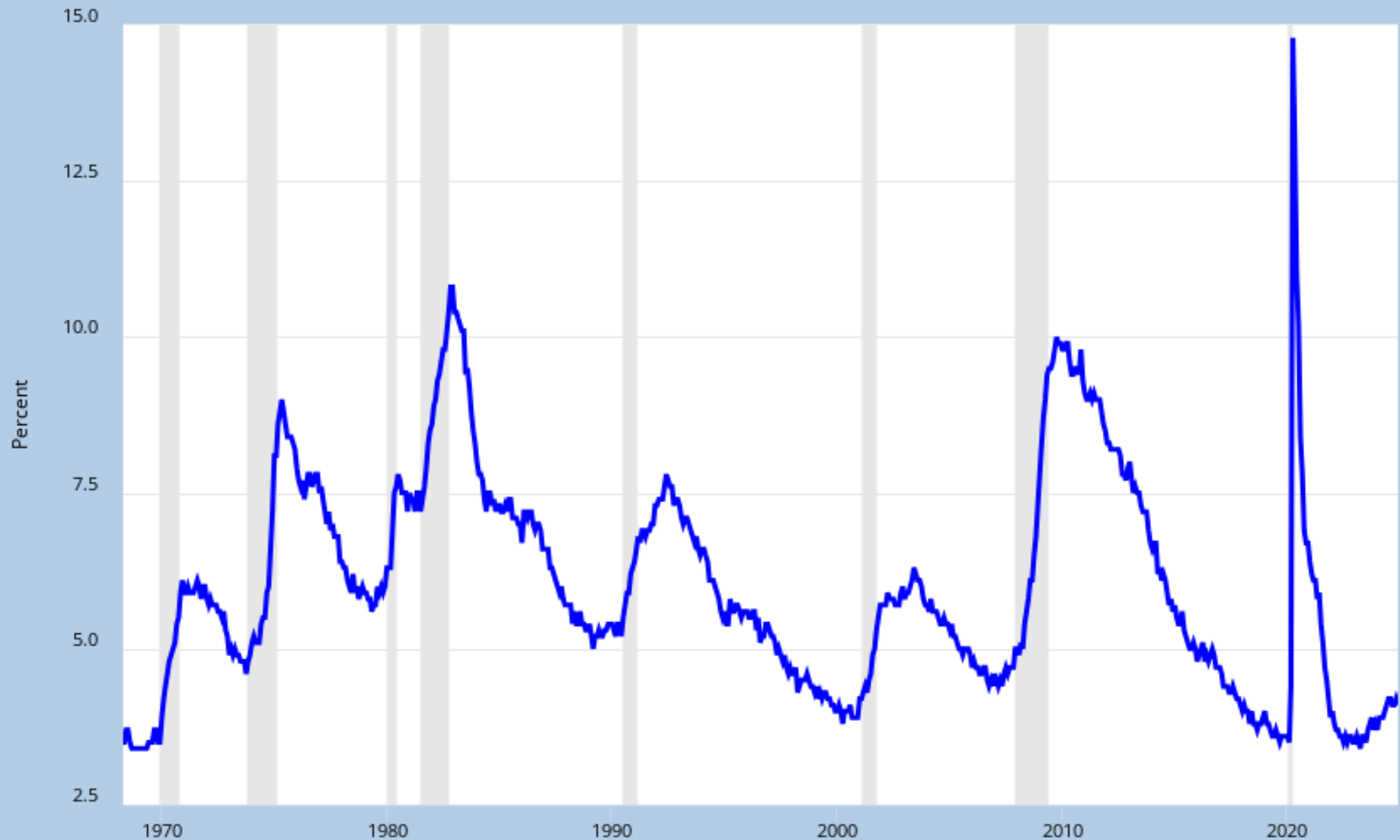
## They are Softening



# The Unemployment Rate

The rate is low at 4.1%

**FRED**  — Unemployment Rate

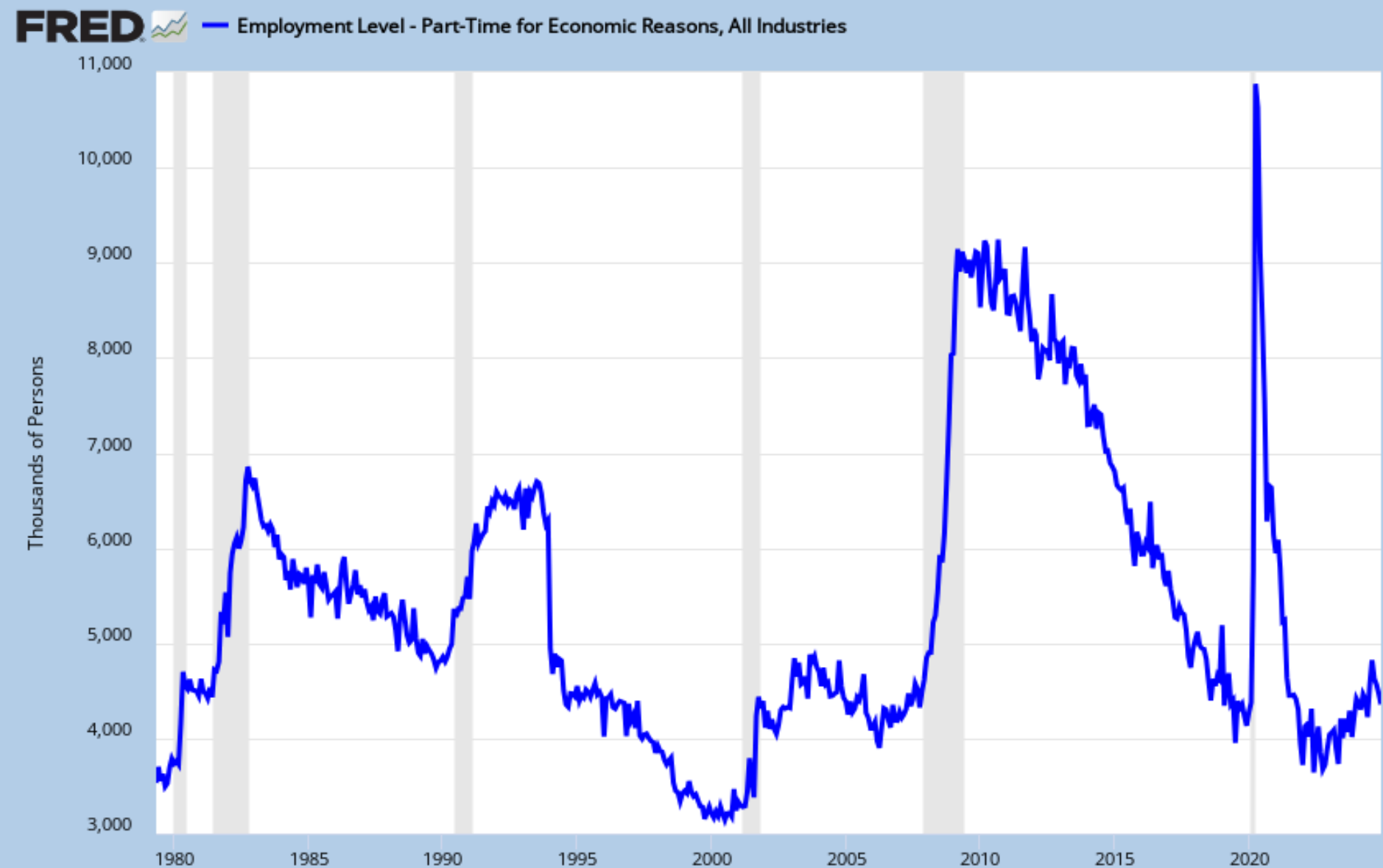


Source: U.S. Bureau of Labor Statistics

[myf.red/g/1CRqS](https://myf.red/g/1CRqS)

# Working Part Time and Unhappy About It!

It is clearly rising and quickly

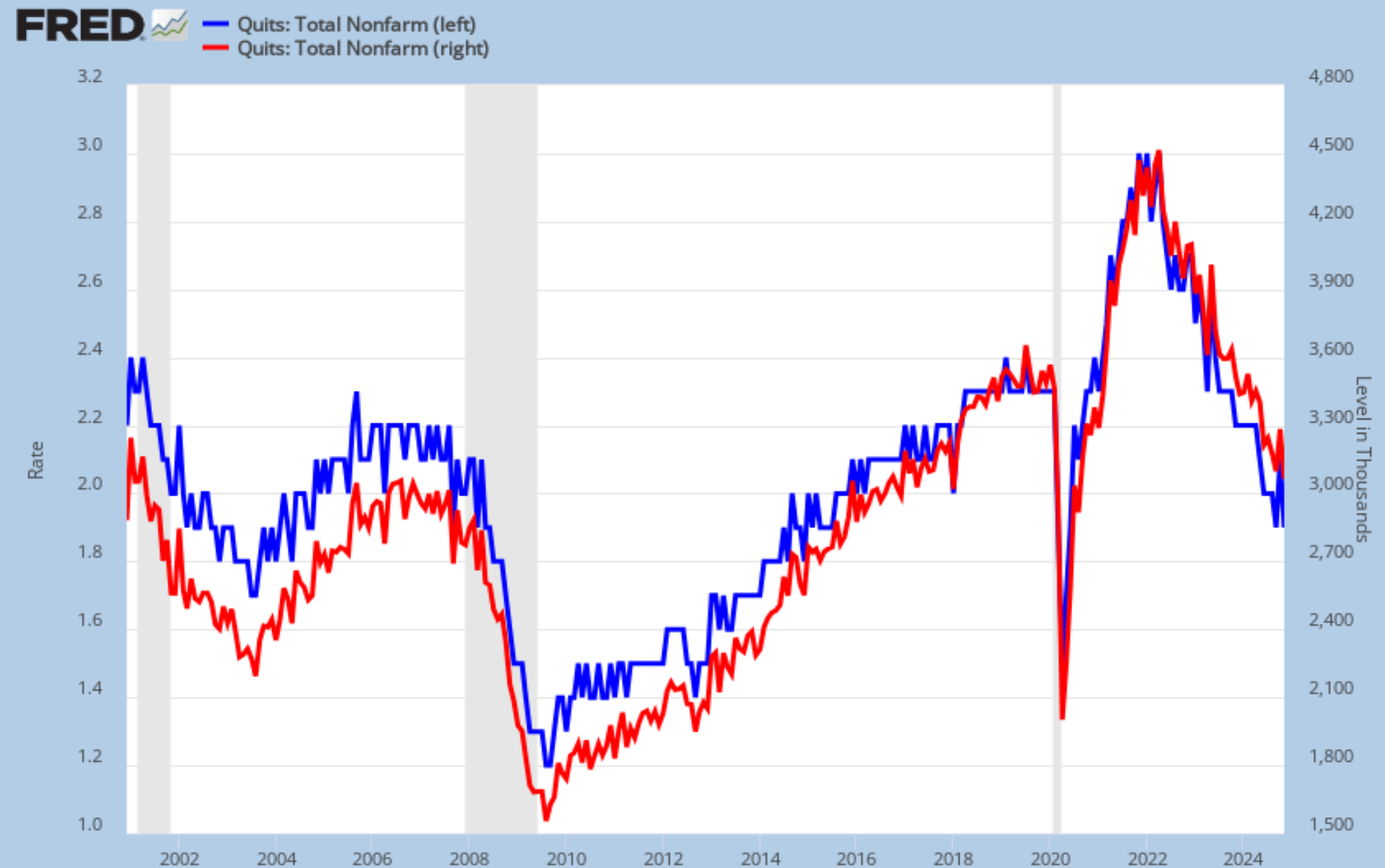


Source: U.S. Bureau of Labor Statistics

[myf.red/g/1CV9X](https://myf.red/g/1CV9X)

# Quit Rates Are Rapidly Reversing

Workers were quitting in droves, but not now

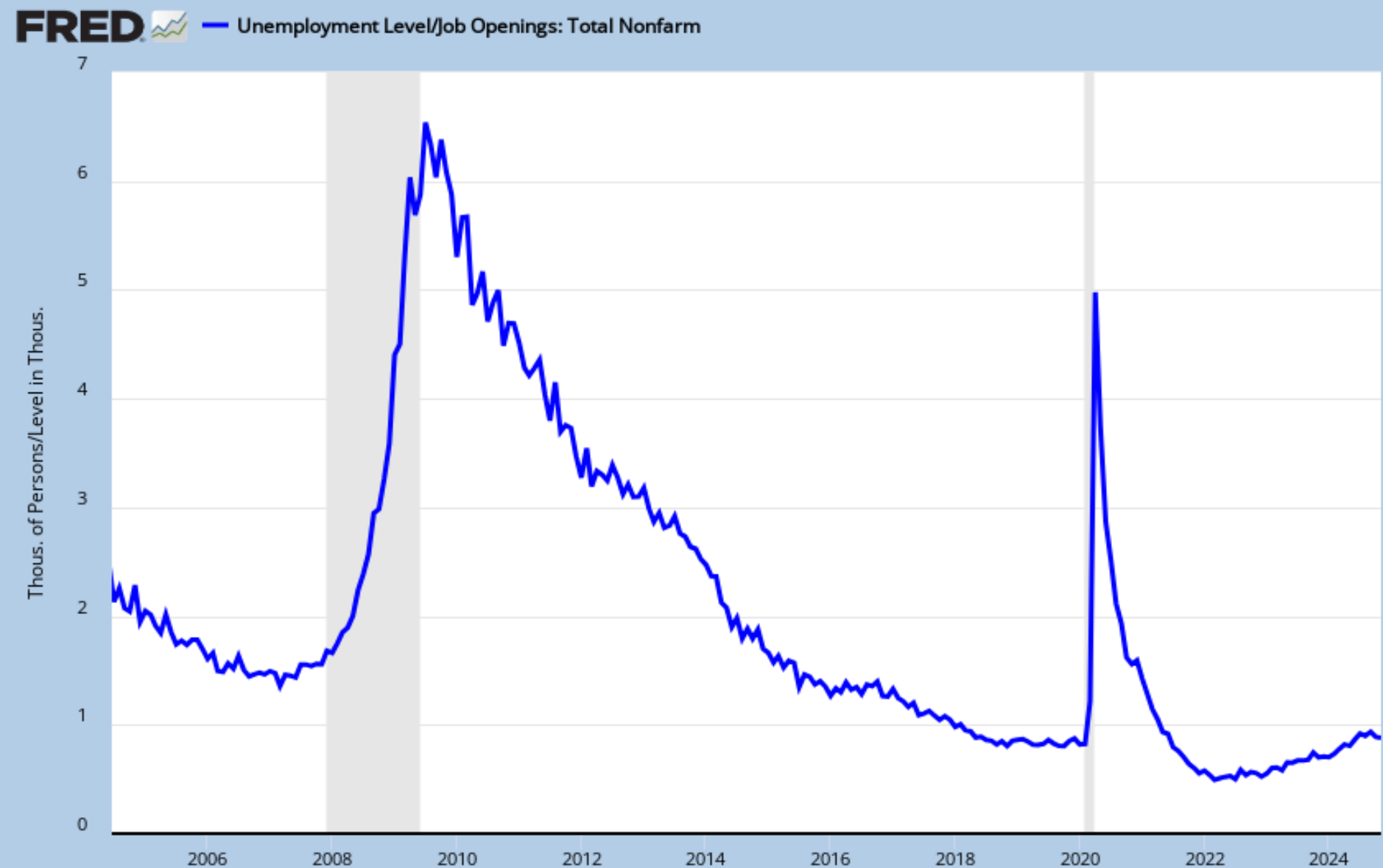


Source: U.S. Bureau of Labor Statistics

[myf.red/g/1CKoV](https://myf.red/g/1CKoV)

# Labor Market is Meaningfully Loosening

There are 0.90 unemployed persons/job, or 1.13 jobs/unemployed person

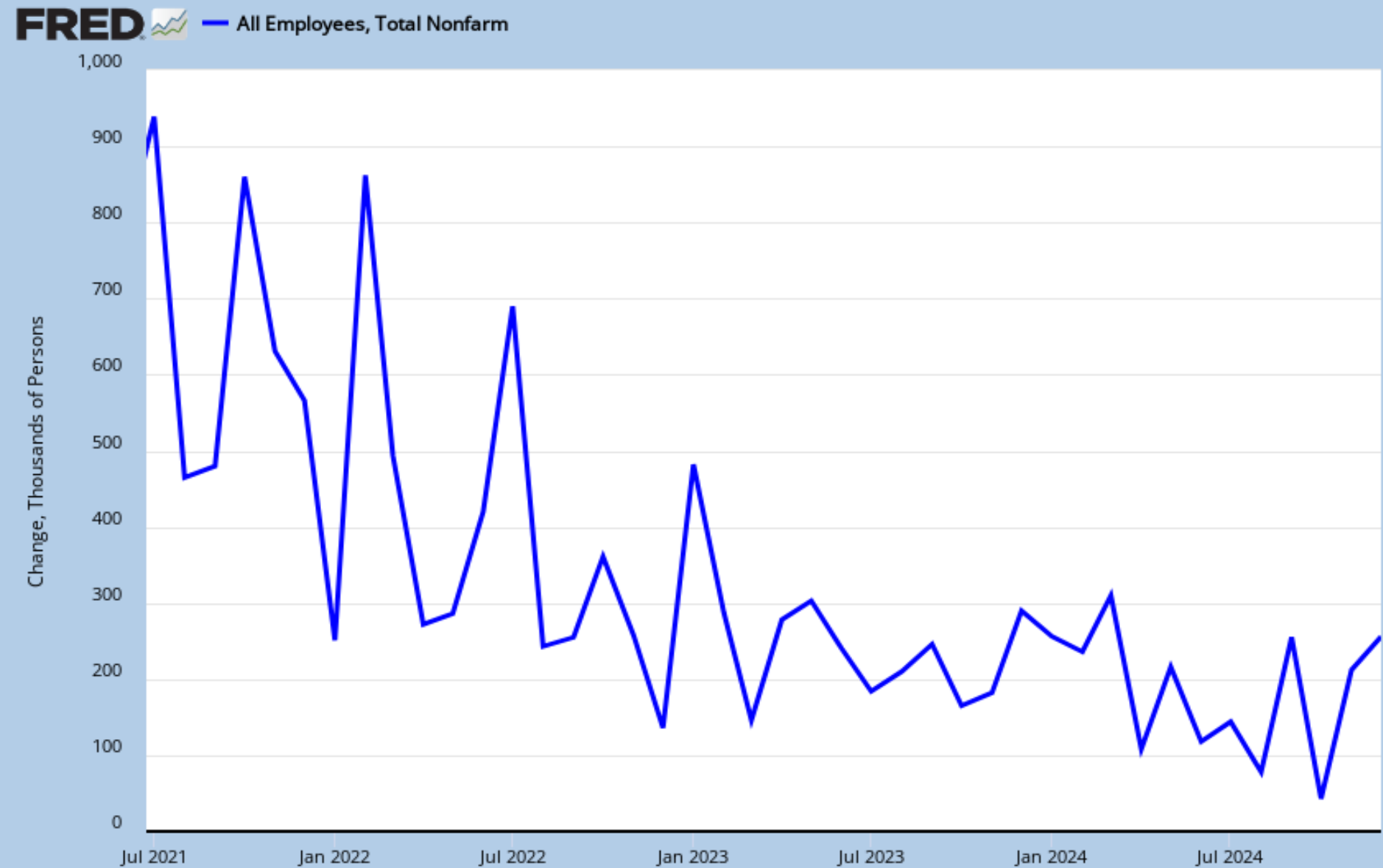


Source: U.S. Bureau of Labor Statistics

[myf.red/g/1D2NT](https://myf.red/g/1D2NT)

# Historical Job Growth

It is lower but will it fall further?

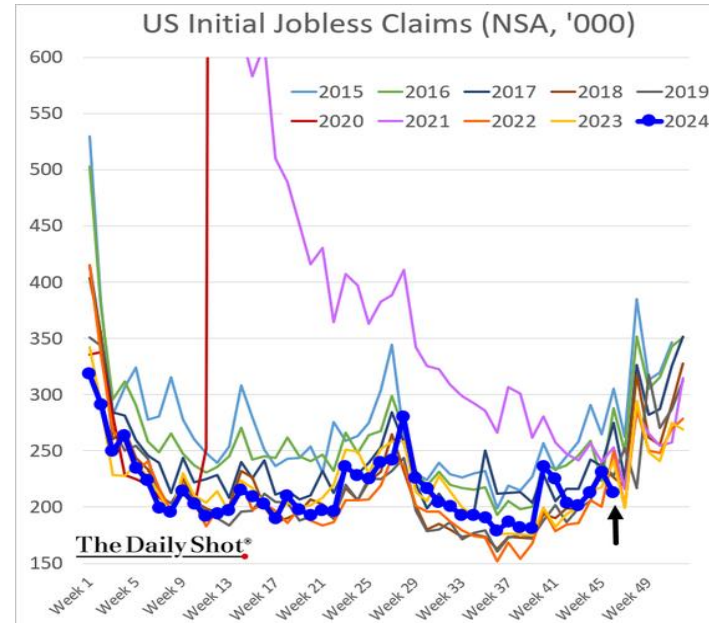


Source: U.S. Bureau of Labor Statistics

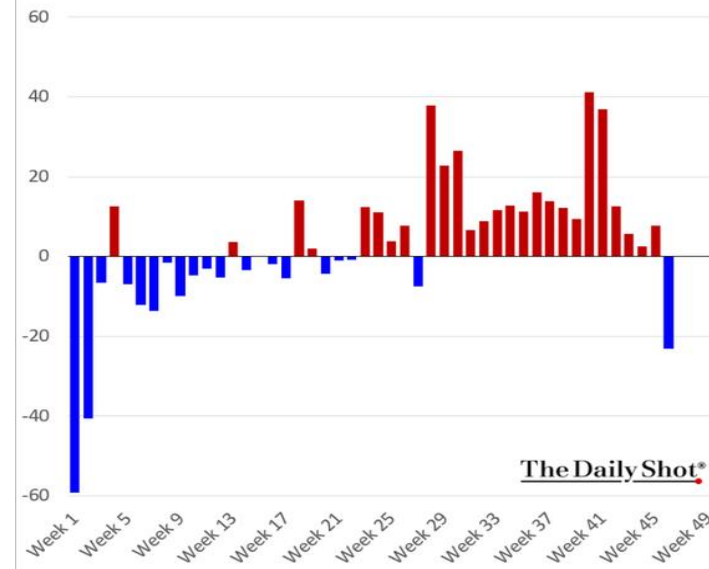
[myf.red/g/1CRqP](https://myf.red/g/1CRqP)

# Involuntary Separation: 2024

The numbers are very low



US Initial Jobless Claims (NSA, '000):  
2024 vs. Average of 2018, 2019, 2022 and 2023



# Continuing Unemployment Claims


It appears to be rising slowly

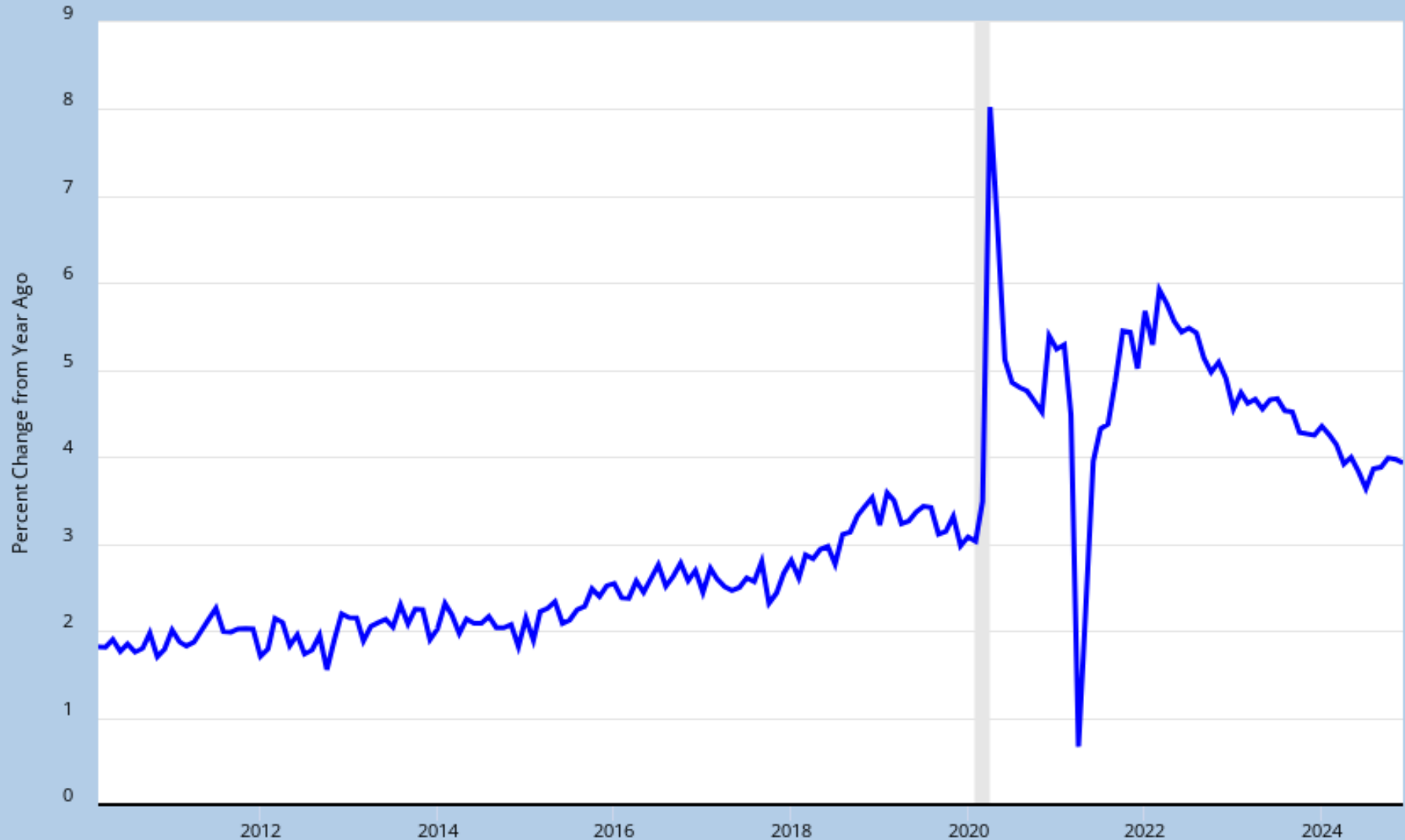




# Y-o-Y Percent Change in Hourly Earnings

Wage growth is rising and is now a strong 3.9%

**FRED**  — Average Hourly Earnings of All Employees, Total Private



Source: U.S. Bureau of Labor Statistics

[myf.red/g/1CRr5](https://myf.red/g/1CRr5)

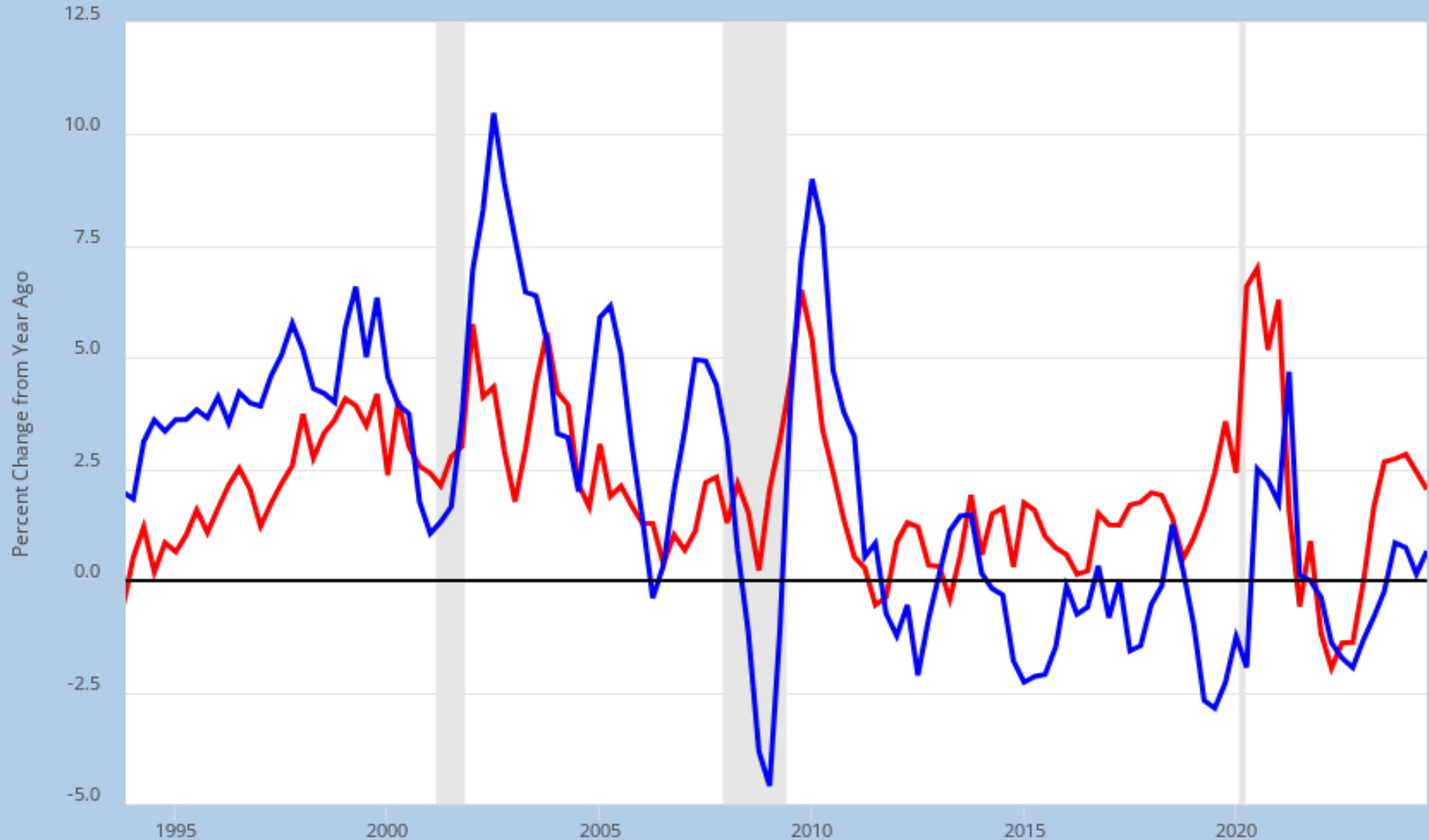
# Labor Productivity Growth

It is now suddenly much better

**FRED**



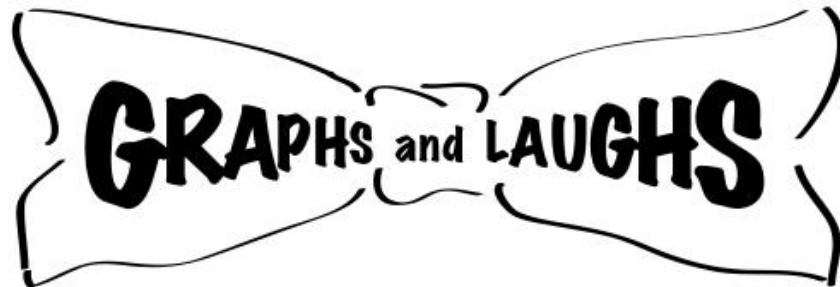
- Nonfarm Business Sector: Labor Productivity (Output per Hour) for All Workers
- Manufacturing Sector: Labor Productivity (Output per Hour) for All Workers



Source: U.S. Bureau of Labor Statistics

[myf.red/g/1zmRx](https://myf.red/g/1zmRx)

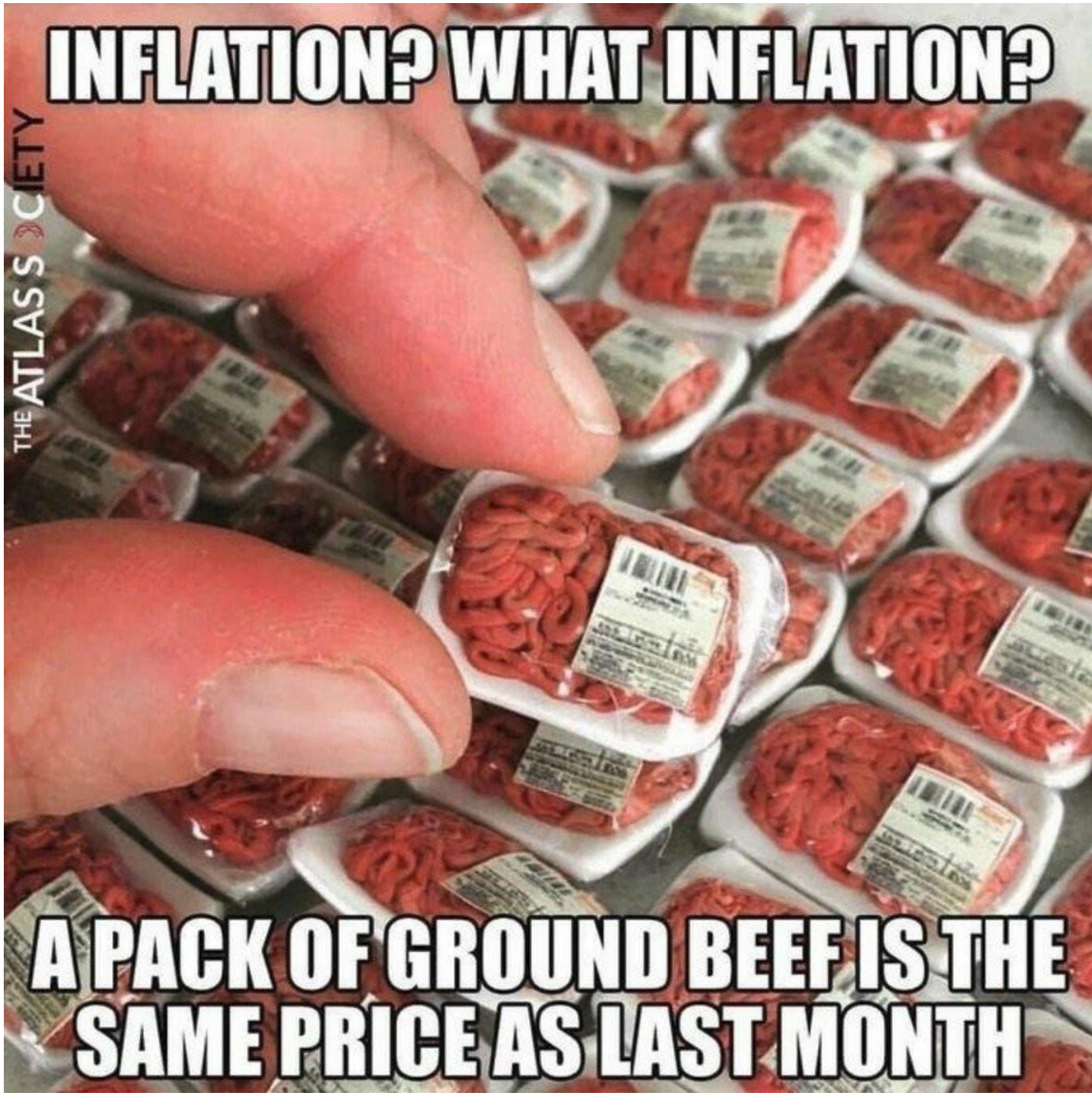
# Inflation & The Fed



**INFLATION? WHAT INFLATION?**

THE ATLAS SOCIETY

**A PACK OF GROUND BEEF IS THE  
SAME PRICE AS LAST MONTH**



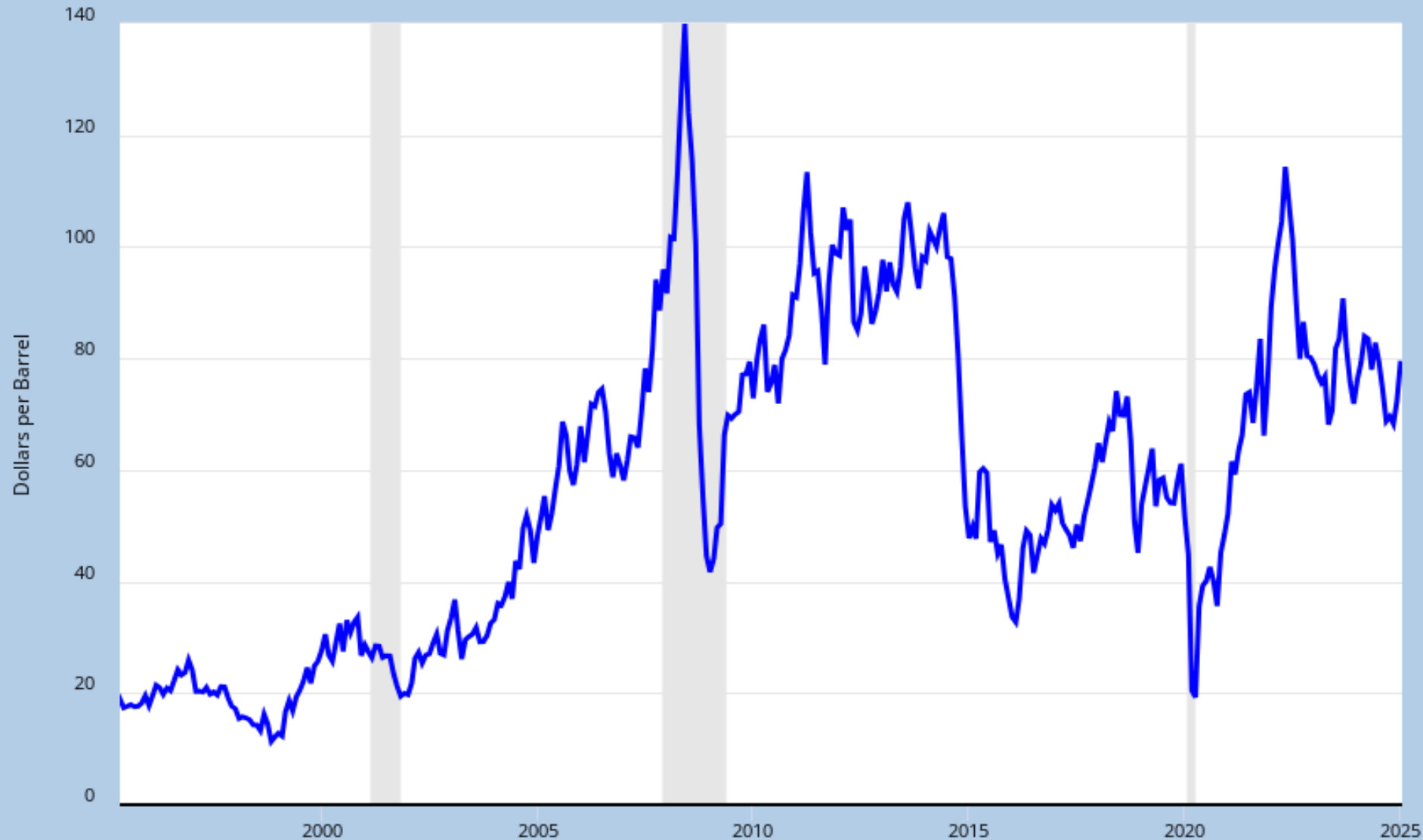
# Oil Prices Stabilize

OPEC+ production countered by production increases elsewhere and a weak China

**FRED**



— Crude Oil Prices: West Texas Intermediate (WTI) - Cushing, Oklahoma



Source: U.S. Energy Information Administration

[myf.red/g/1D2Or](https://myf.red/g/1D2Or)

# CPI: Inflationary Pressures Weaken

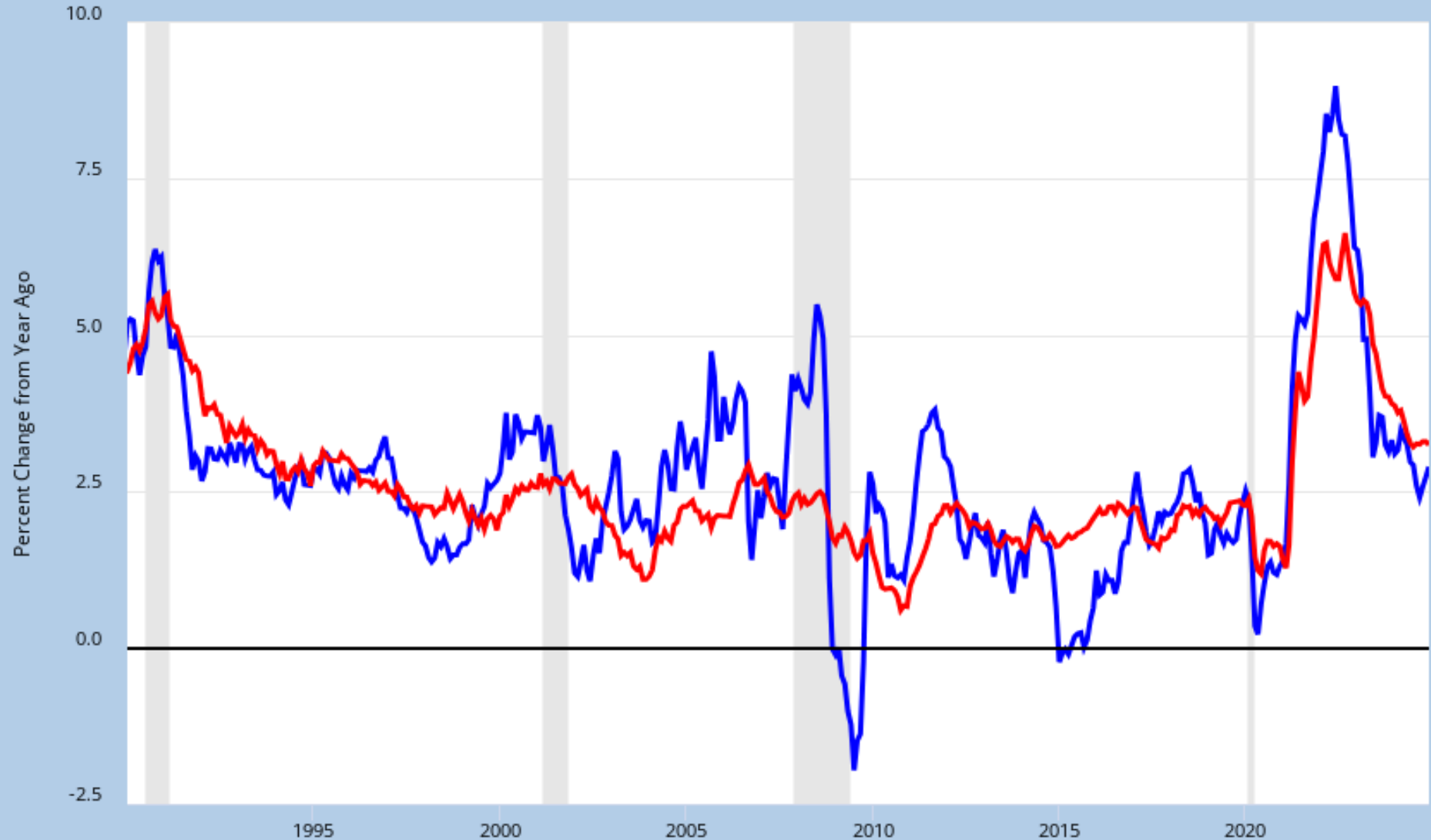
The core numbers were falling nicely

**FRED**



— Consumer Price Index for All Urban Consumers: All Items in U.S. City Average

— Consumer Price Index for All Urban Consumers: All Items Less Food and Energy in U.S. City Average



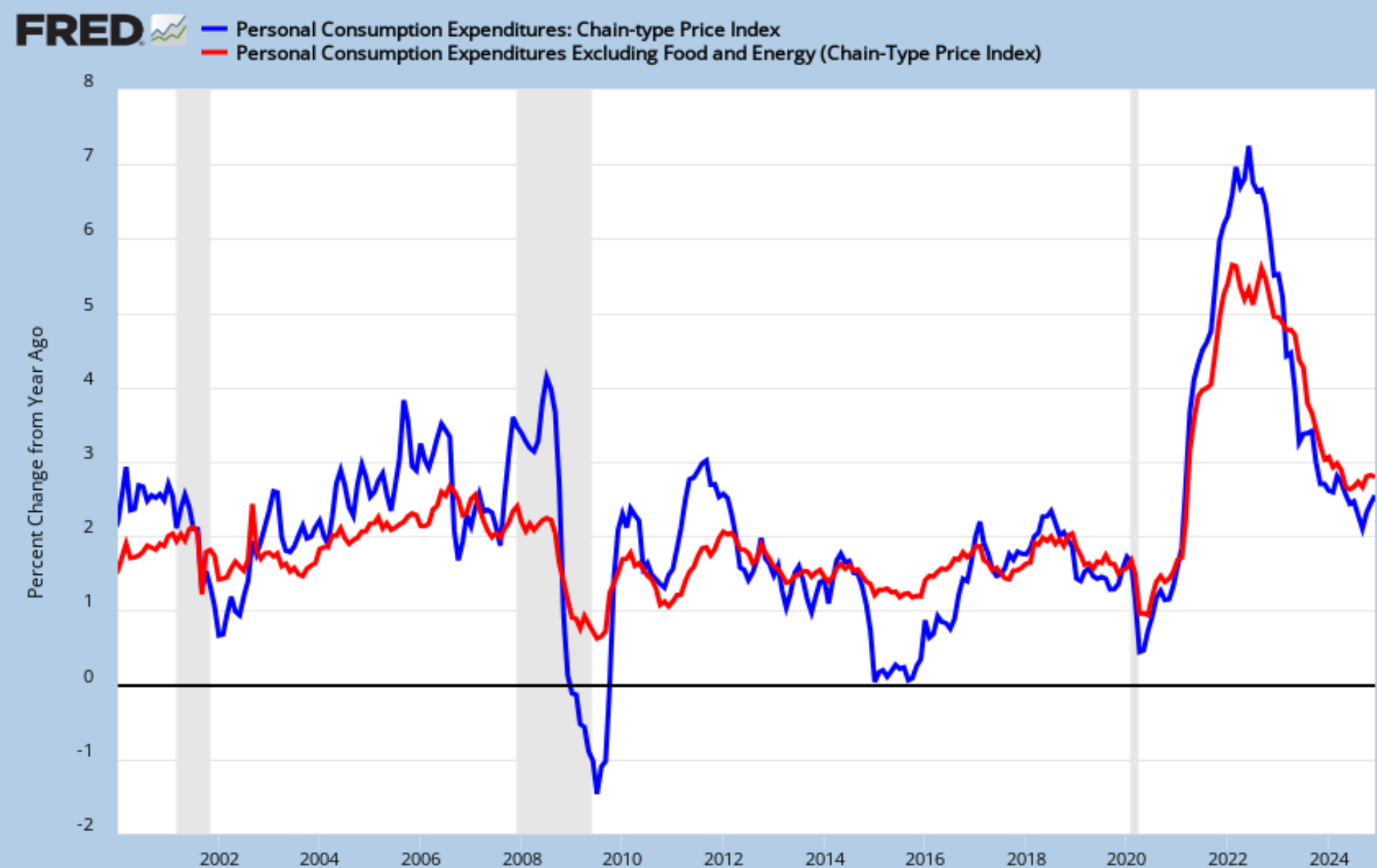
Source: U.S. Bureau of Labor Statistics

[myf.red/g/1D2OF](https://myf.red/g/1D2OF)



# Core PCE Price Index

Focus on core (red) inflation



Source: U.S. Bureau of Economic Analysis

[myf.red/g/1Dkz3](https://myf.red/g/1Dkz3)

# Federal Reserve Behavior


Most likely scenario

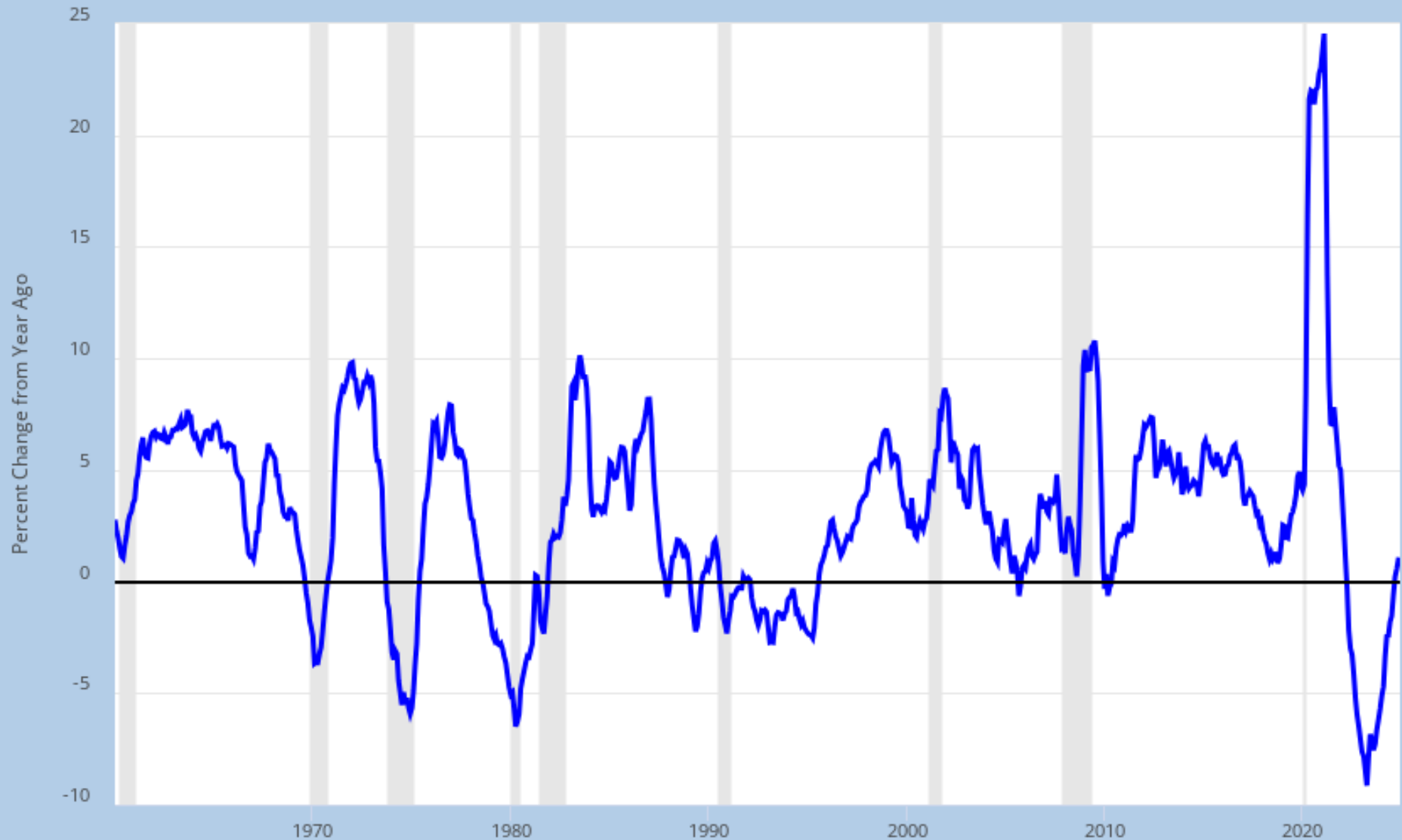
- On 7/31/24 it remained at 5.375%
- On 9/19/24 it fell to 4.875%
- On 11/7/24 it fell to 4.625%
- Fed funds will fall somewhat further



# Monetary Stock is

## The money supply is again growing

**FRED**  — Real M2 Money Stock

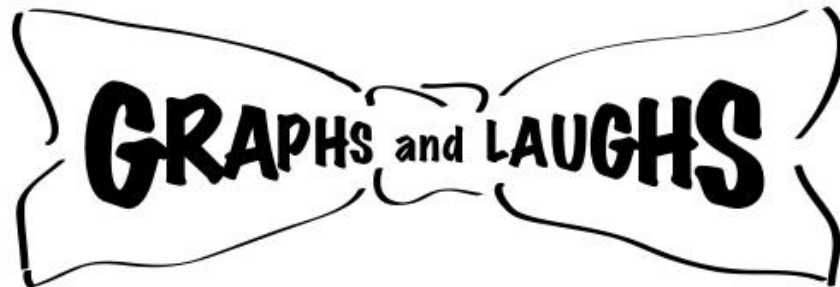


Source: Federal Reserve Bank of St. Louis

[myf.red/g/1Dgt9](https://myf.red/g/1Dgt9)

# How About Housing?

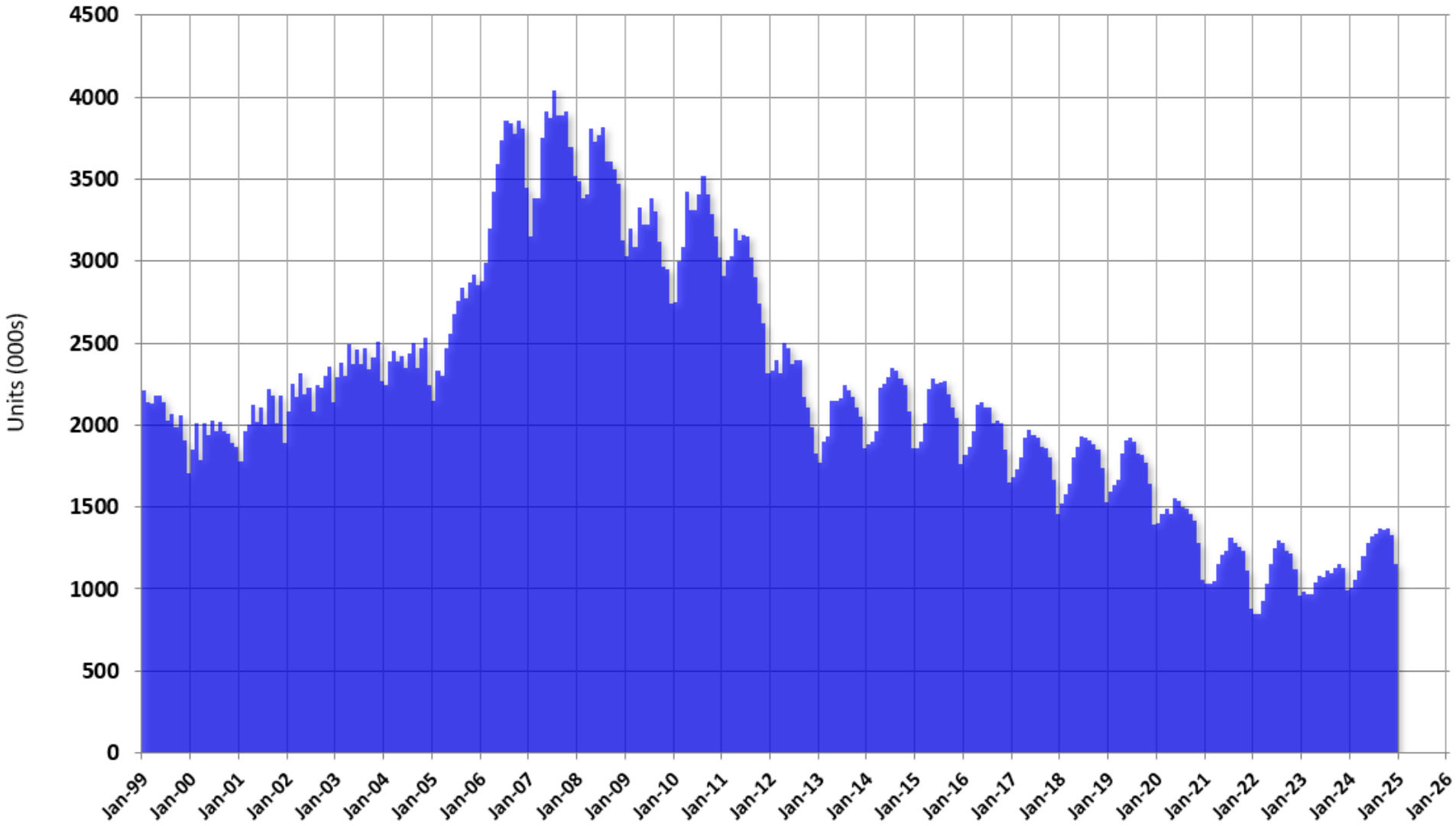
(It's better than you think)



# Housing Inventory is Slowly Rising

But it remains painfully low

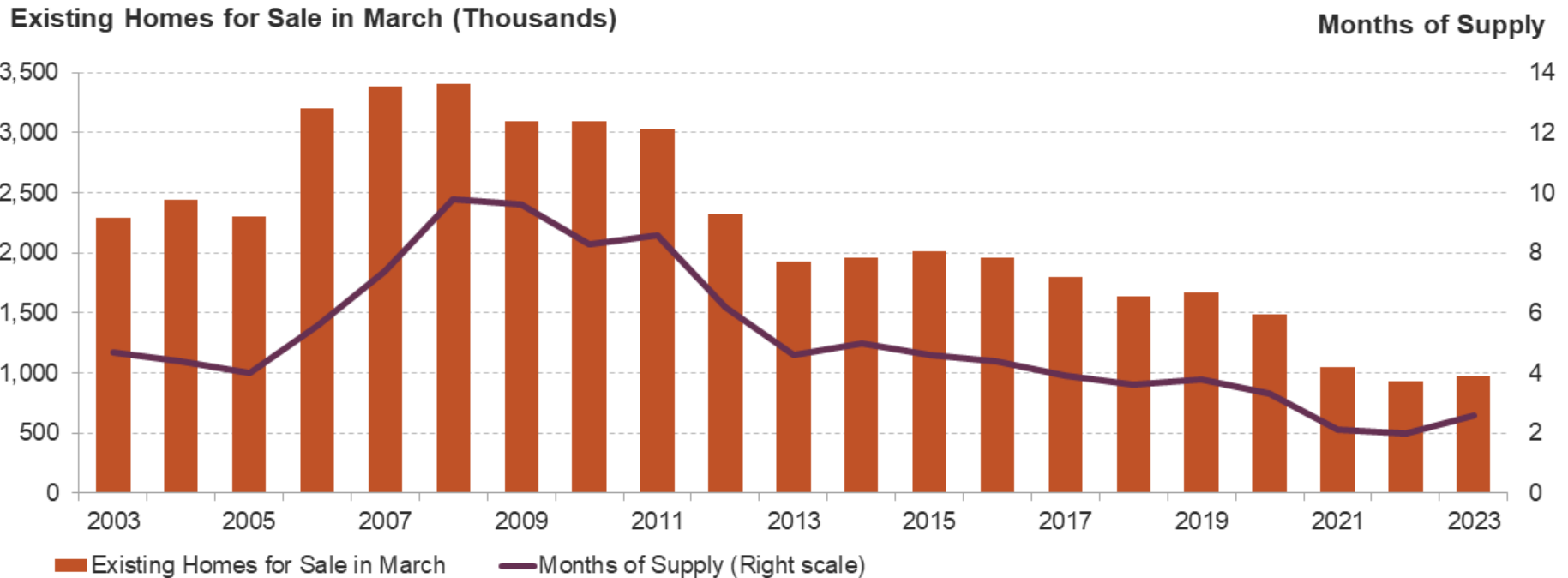
Existing Home Inventory



# Inventory is Finally Growing

## Months supply of inventory is the key variable

Figure 1: Supply of Homes for Sale Remained Near Record Lows in Early 2023



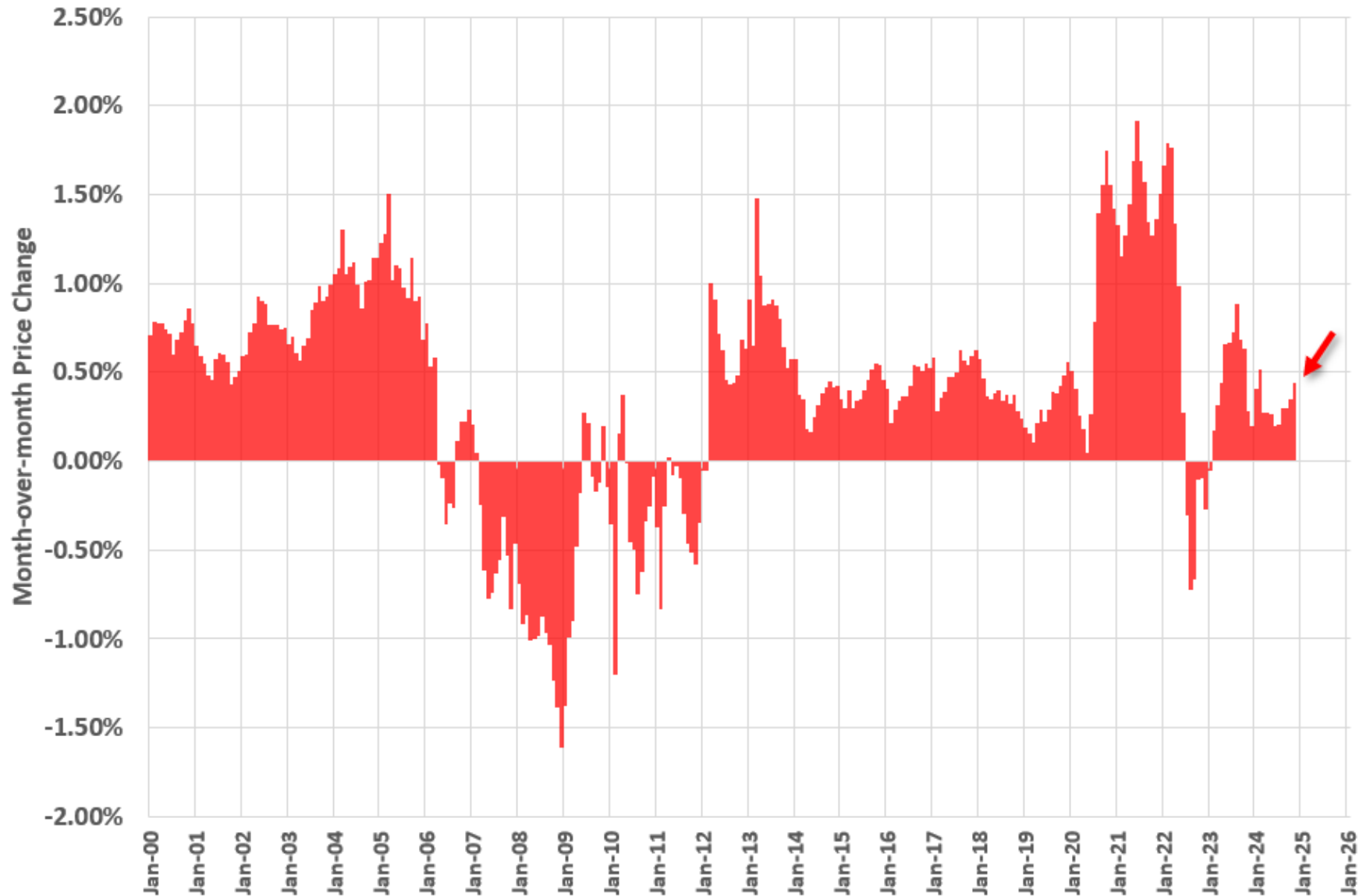
Notes: Months of supply measures how long it would take homes on the market to sell at the current rate. Six months is typically considered a balanced market.

Source: JCHS tabulations of NAR, Existing Home Sales.

# Case-Shiller M-o-M Price Changes

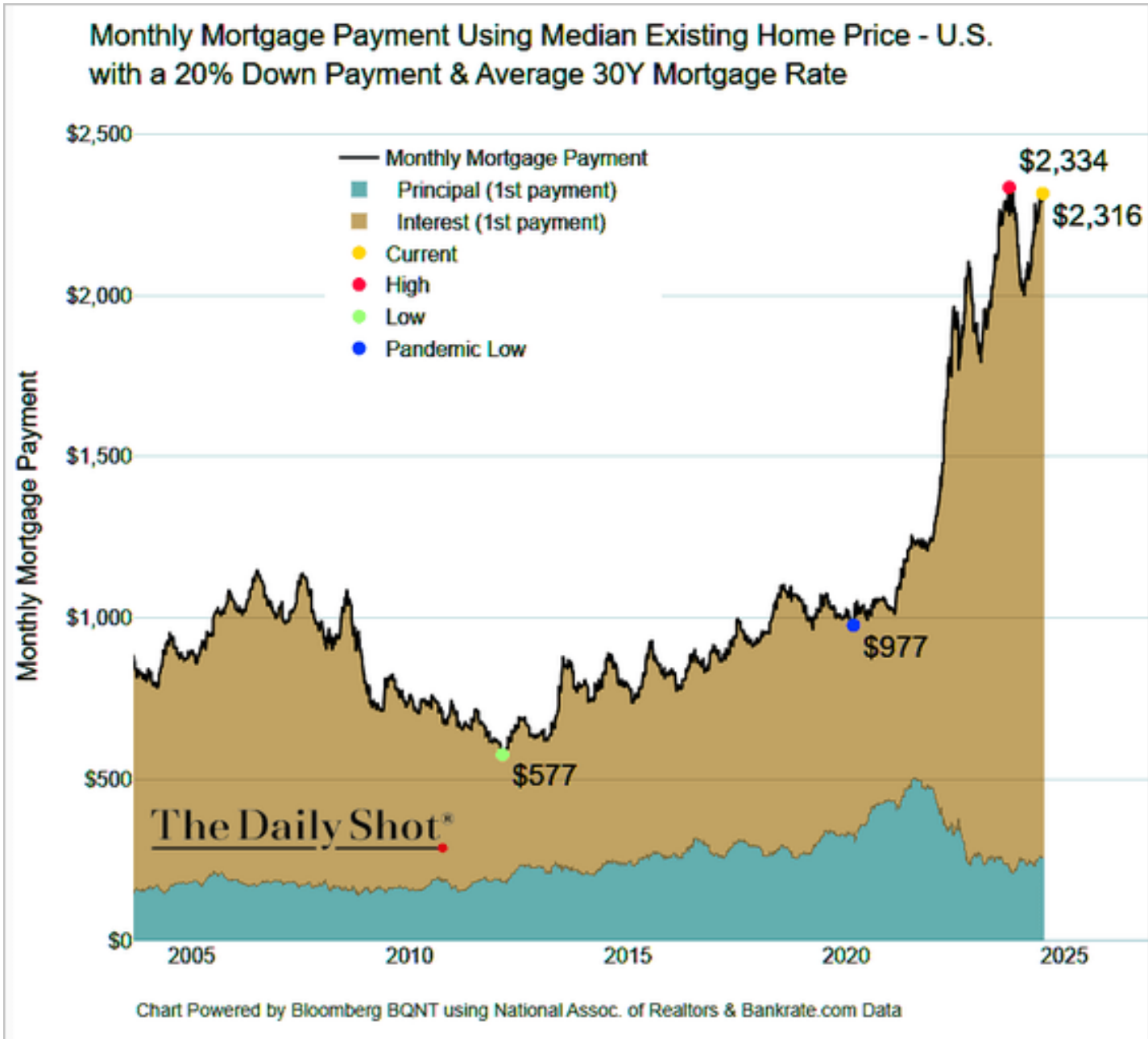
House price appreciating has been slowing

Case-Shiller National Index, Month-over-month, Seasonally Adjusted



# Median Mortgage Payment

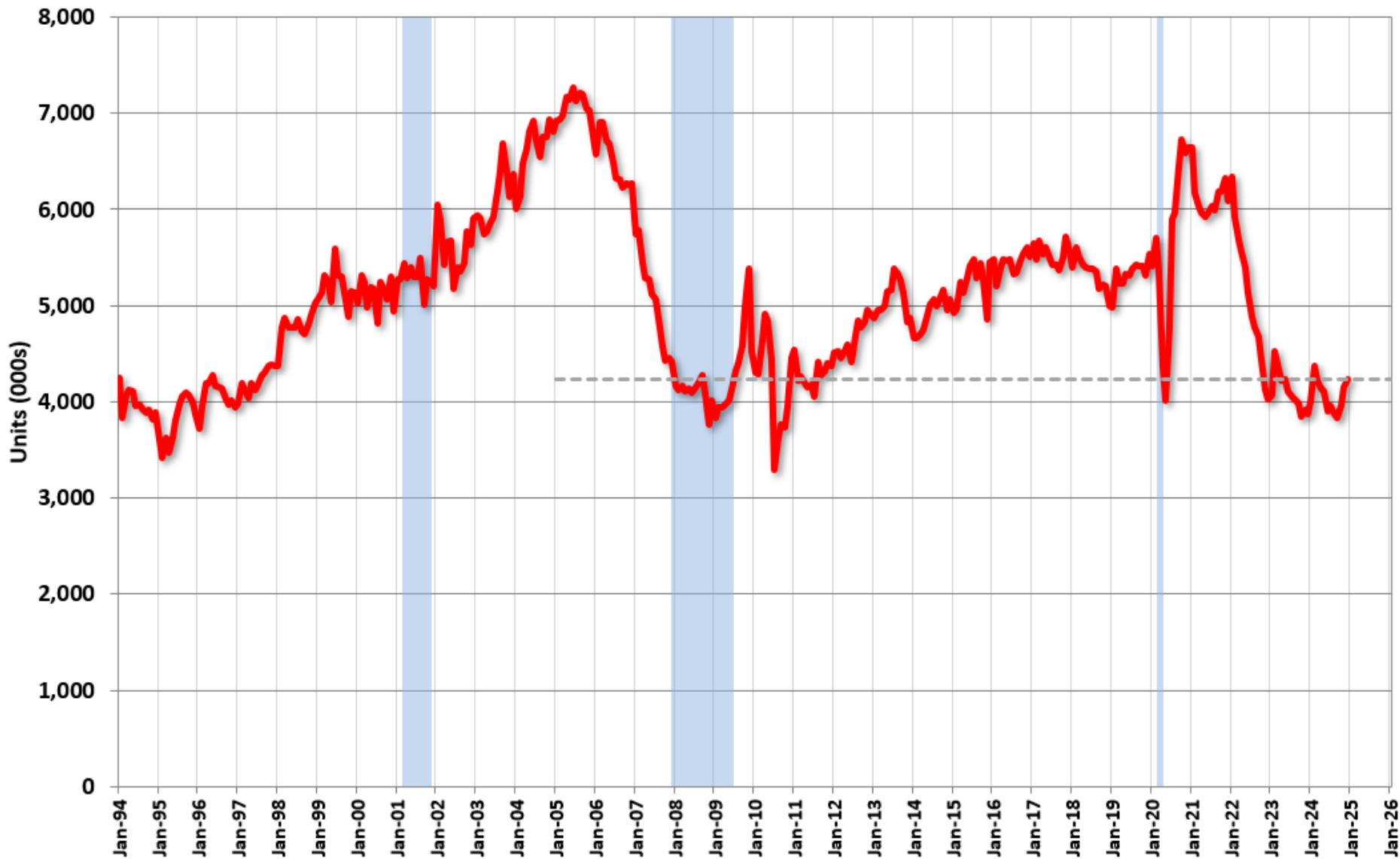
The rise has been breathtaking



# Existing Home Sales Are Soft

They should rise in 2025 as rates decline and inventory rises

Existing Home Sales (SAAR)

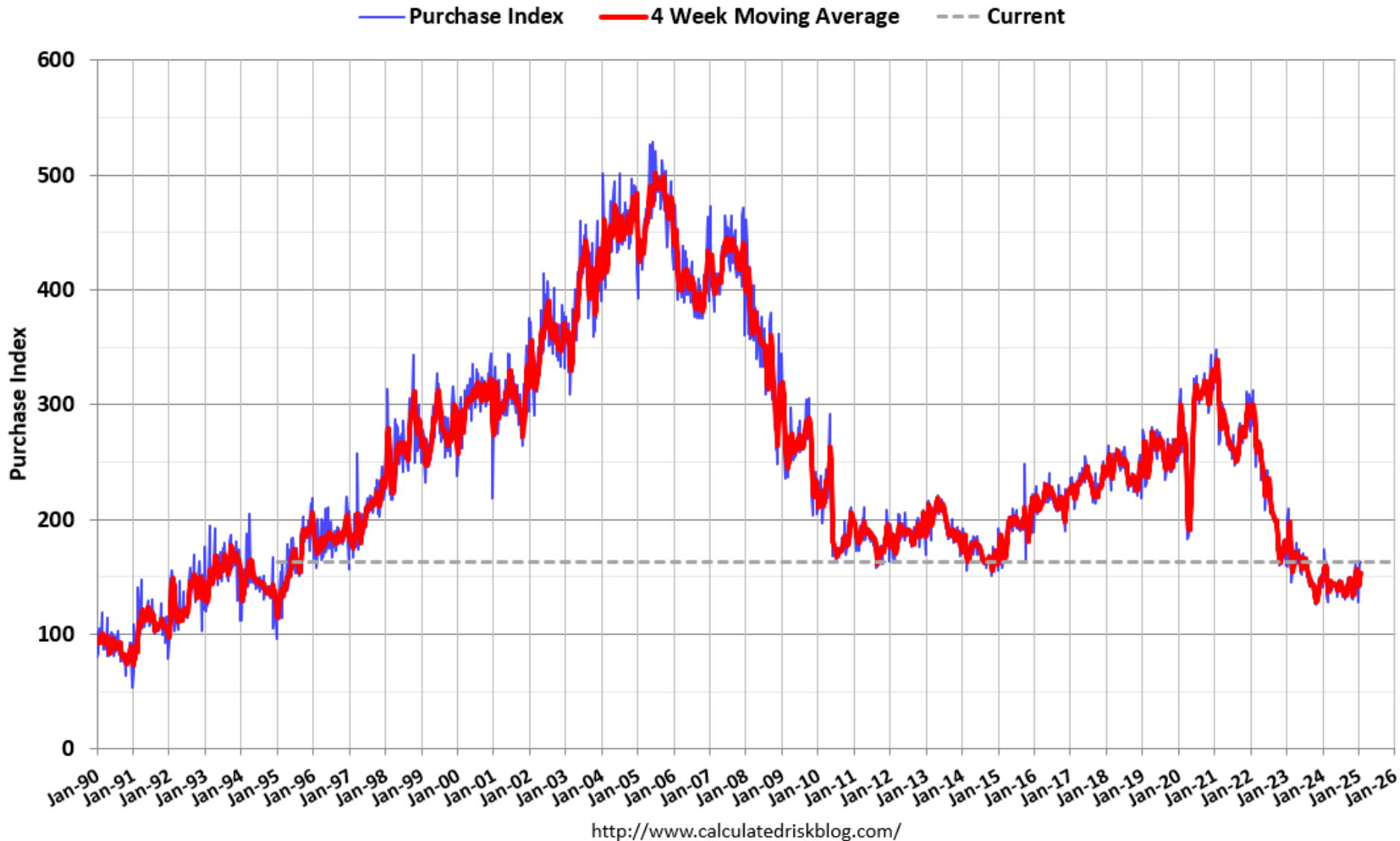


# Mortgage Purchase Applications Level

1<sup>st</sup> time applications are at levels last seen in the mid-1990s

Purchase volume was \$1.2 trillion in 2023, rose to \$1.3 trillion in 2024, and \$1.4 trillion in '25

## MBA Purchase Applications Index



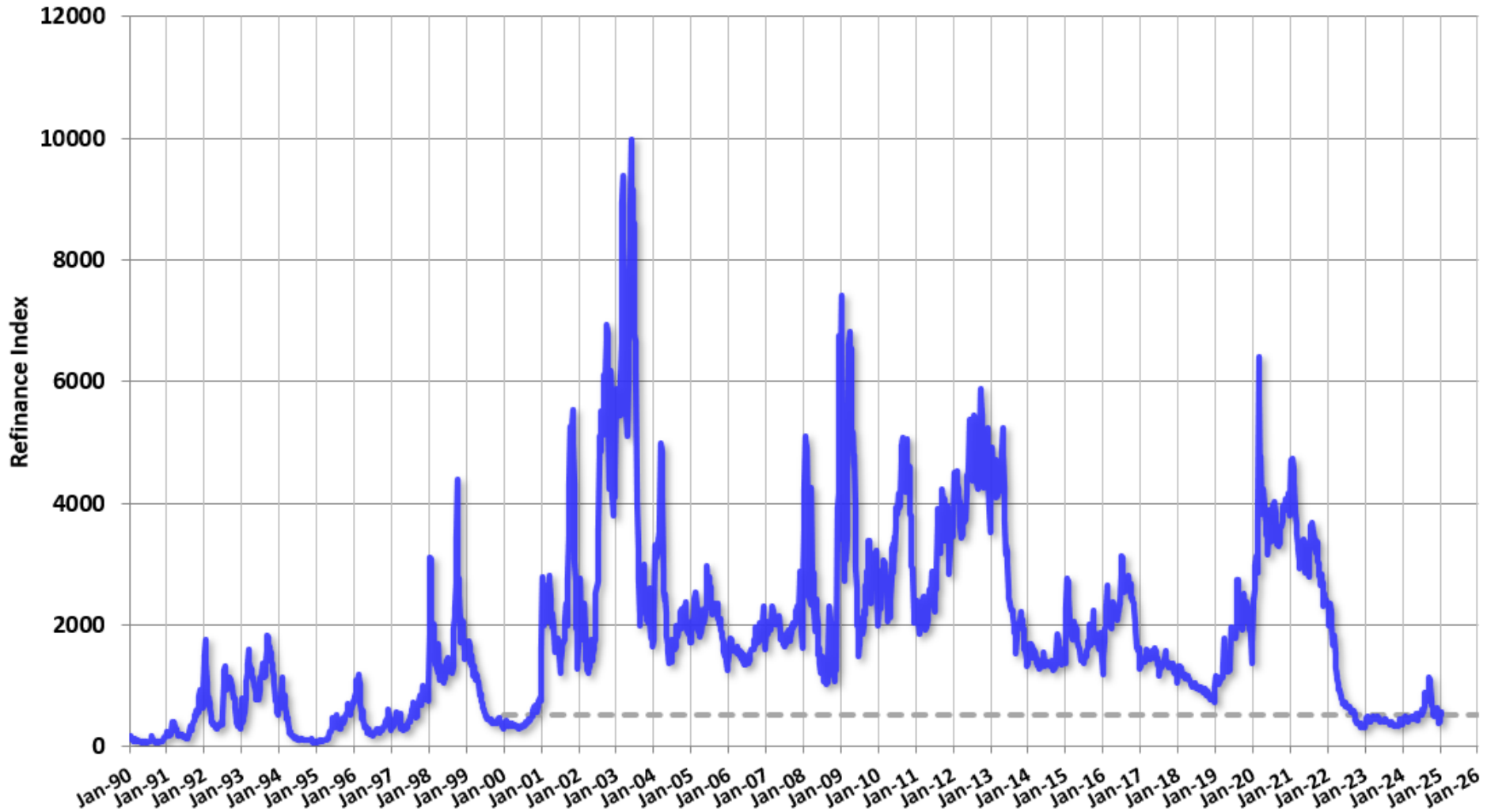


# Refinance Activity Was A Bit Better

Refi was \$220 billion in '23, maybe \$495 billion in '24 and \$600 billion in 2025

MBA Refinance Applications Index

— Current    — Refinance Index

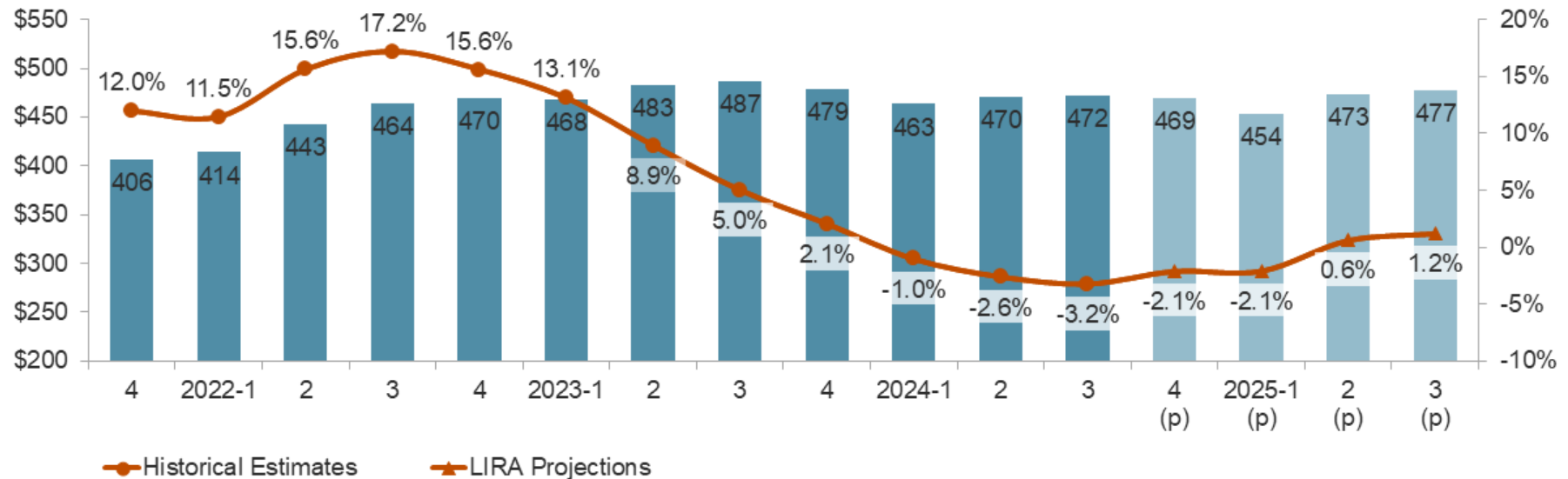


# Housing Improvements & Repairs

Slower price appreciation, lower rates and rising inventories should boost sales

## Leading Indicator of Remodeling Activity – Third Quarter 2024

Homeowner Improvements & Repairs  
Four-Quarter Moving Totals  
Billions



Notes: Improvements include remodels, replacements, additions, and structural alterations that increase the value of homes. Routine maintenance and repairs preserve the current quality of homes. Historical estimates since 2021 are produced using the LIRA model until American Housing Survey benchmark data become available.

# Single-Family and Multifamily Starts

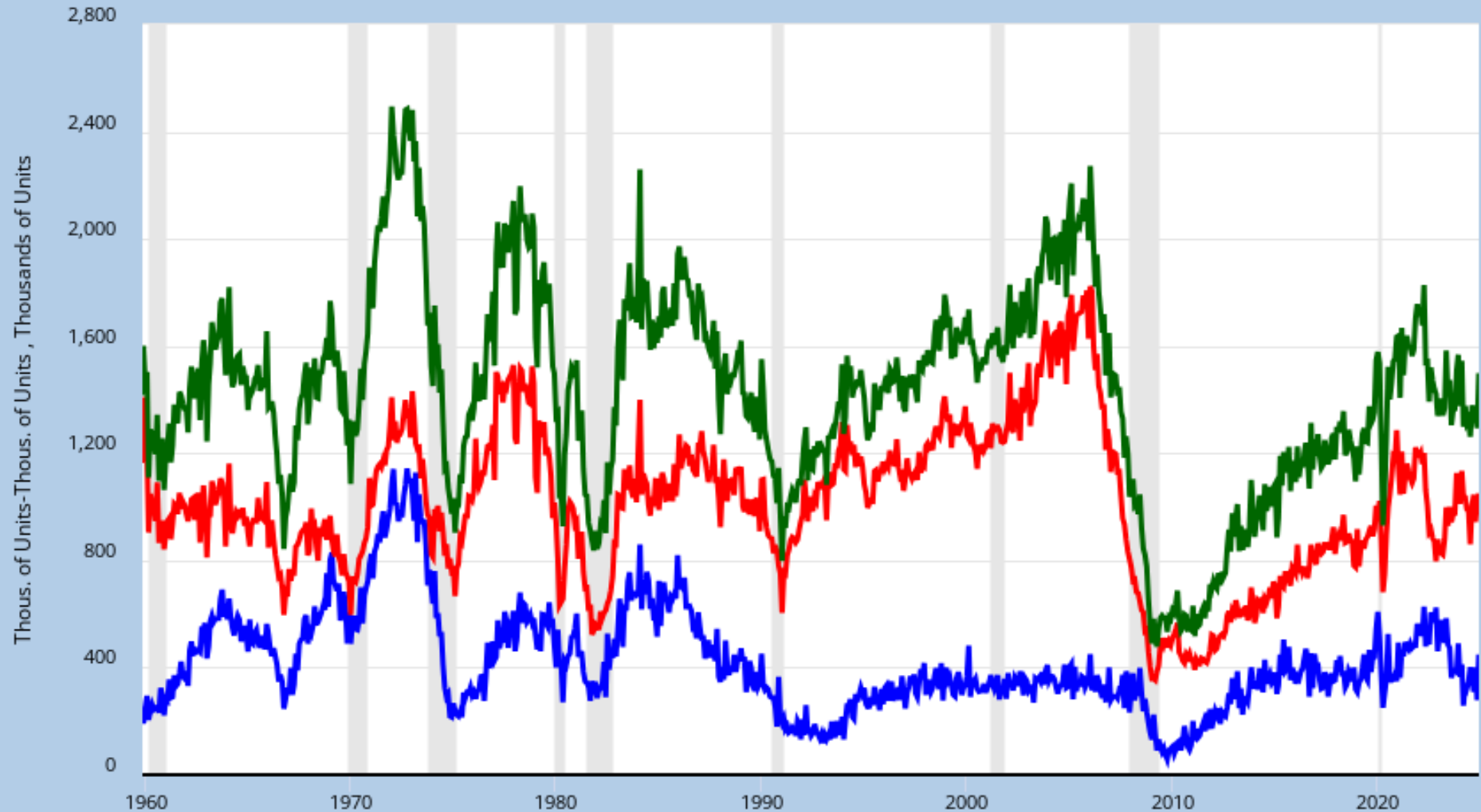
SF starts are very strong, MF starts struggle

FRED

— New Privately-Owned Housing Units Started: Total Units—New Privately-Owned Housing Units Started: Single-Family Units

— New Privately-Owned Housing Units Started: Single-Family Units

— New Privately-Owned Housing Units Started: Total Units



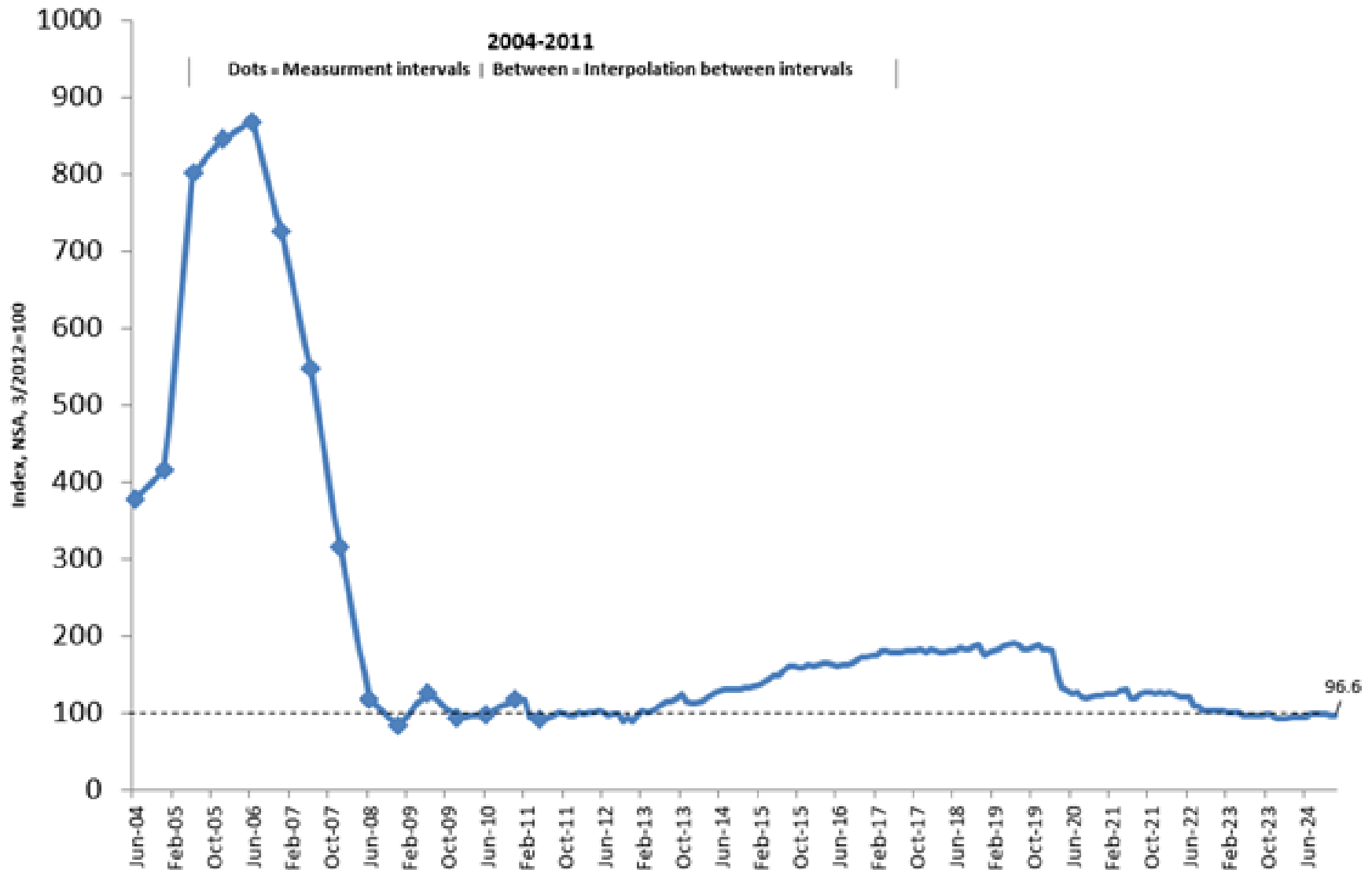
Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development [fred.stlouisfed.org/g/1D2K4](https://fred.stlouisfed.org/g/1D2K4)

# Credit is Generally Hard to Get

It was getting easier, but Covid stopped that!

**Mortgage Credit Availability Index (NSA, 3/2012 = 100)**

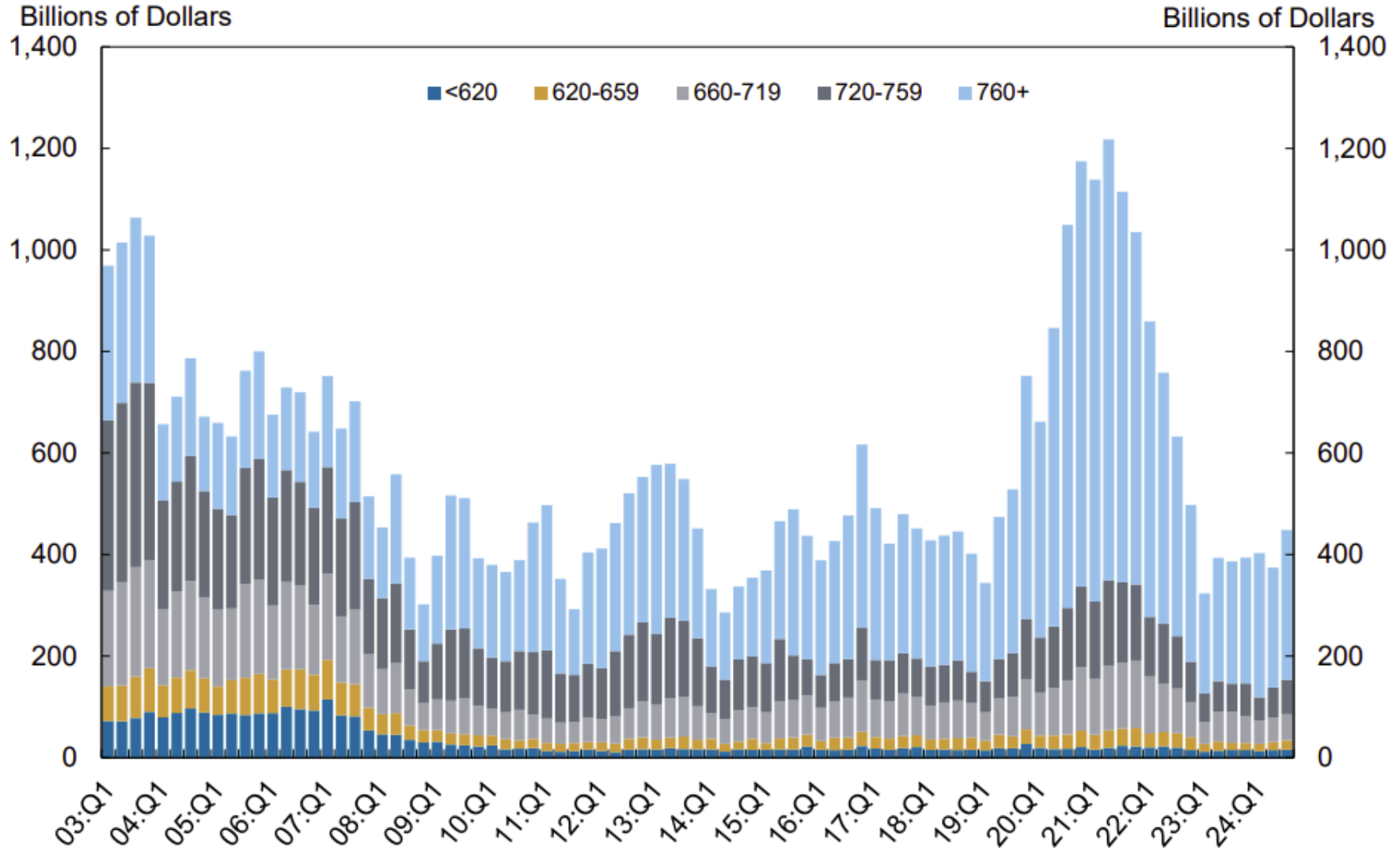
Expanded Historical Series



# Mortgage Quality

It has meaningfully improved and remains high

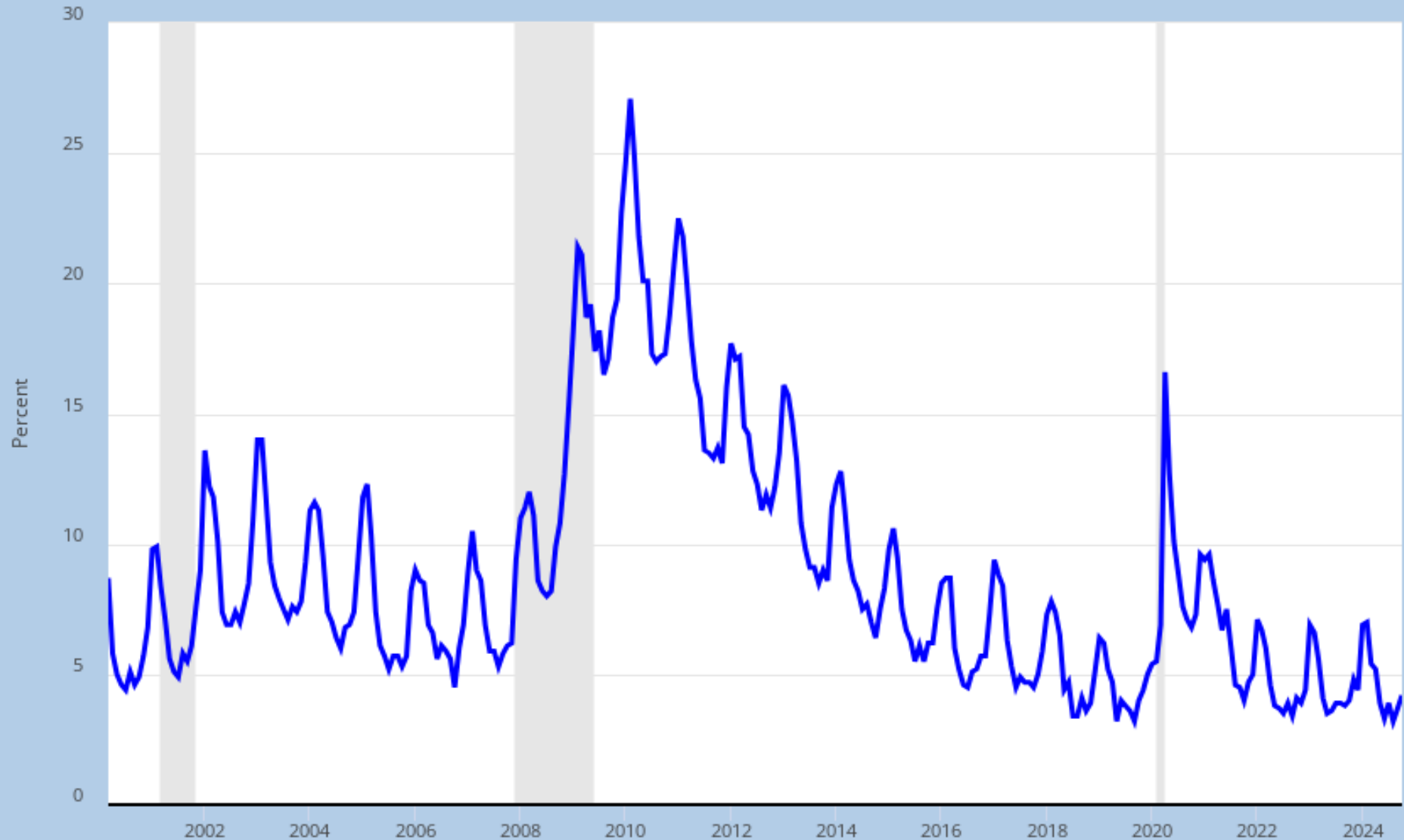
## Mortgage Originations by Credit Score\*



# Construction Unemployment

Is at lowest level in at least two decades

**FRED**  — Unemployment Rate - Construction Industry, Private Wage and Salary Workers



Source: U.S. Bureau of Labor Statistics

[myf.red/g/1ymph](https://myf.red/g/1ymph)

# Construction Costs are Way Up

The increases since Covid-19 are astounding

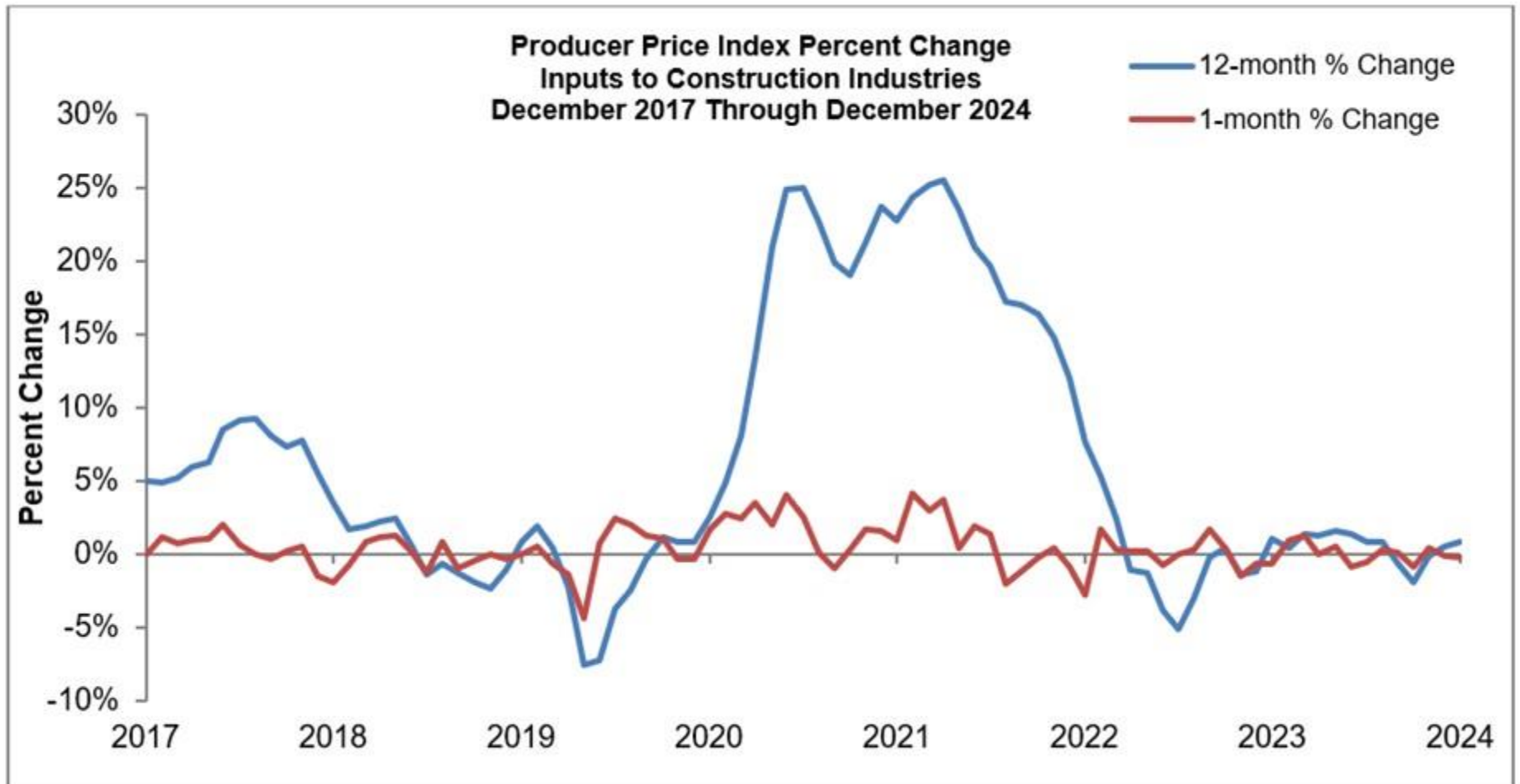
Producer Price Index, December 2024

	1-Month % Change	12-Month % Change	Change Since Feb 2020
<b>Inputs To Industries</b>			
Inputs to construction	-0.2%	0.9%	38.6%
Inputs to multifamily construction	-0.2%	1.9%	39.3%
Inputs to nonresidential construction	-0.2%	0.6%	39.2%
Inputs to commercial construction	-0.1%	0.8%	40.2%
Inputs to healthcare construction	-0.1%	1.0%	39.9%
Inputs to industrial construction	-0.2%	1.3%	36.1%
Inputs to other nonresidential construction	-0.2%	0.5%	38.9%
Inputs to maintenance and repair construction	-0.3%	1.1%	36.6%
<b>Commodities</b>			
Adhesives and sealants	0.0%	1.4%	35.3%
Brick and structural clay tile	0.0%	4.6%	31.0%
Concrete products	0.1%	4.1%	40.8%
Construction machinery and equipment	-0.5%	0.7%	29.6%
Construction sand, gravel, and crushed stone	0.2%	7.7%	40.7%
Copper wire and cable	-2.3%	7.5%	40.4%
Crude petroleum	0.5%	-0.8%	40.8%
Fabricated structural metal products	0.0%	-0.5%	54.5%
Gypsum products	0.5%	5.4%	50.7%
Hot rolled steel bars, plates, and structural shapes	2.5%	-4.8%	45.9%
Insulation materials	0.2%	7.3%	47.0%
Iron and steel	-2.5%	-10.6%	39.2%
Lumber and wood products	0.2%	1.3%	25.9%
Natural gas	57.7%	22.5%	88.0%
Plumbing fixtures and fittings	0.1%	2.1%	20.1%
Prepared asphalt, tar roofing and siding products	-0.1%	1.6%	43.6%
Softwood lumber	1.1%	12.9%	18.5%
Steel mill products	-3.0%	-11.5%	44.1%
Switchgear, switchboard, industrial controls equipment	1.6%	6.8%	49.7%
Unprocessed energy materials	10.0%	4.1%	65.4%

Source: U.S. Bureau of Labor Statistics

# Construction Cost Inflation

The increases are stabilizing



Source: U.S. Bureau of Labor Statistics



# Housing Demographics are Good

Millennials are numerous as are the older Gen-Z population

U.S. population by age, 2020

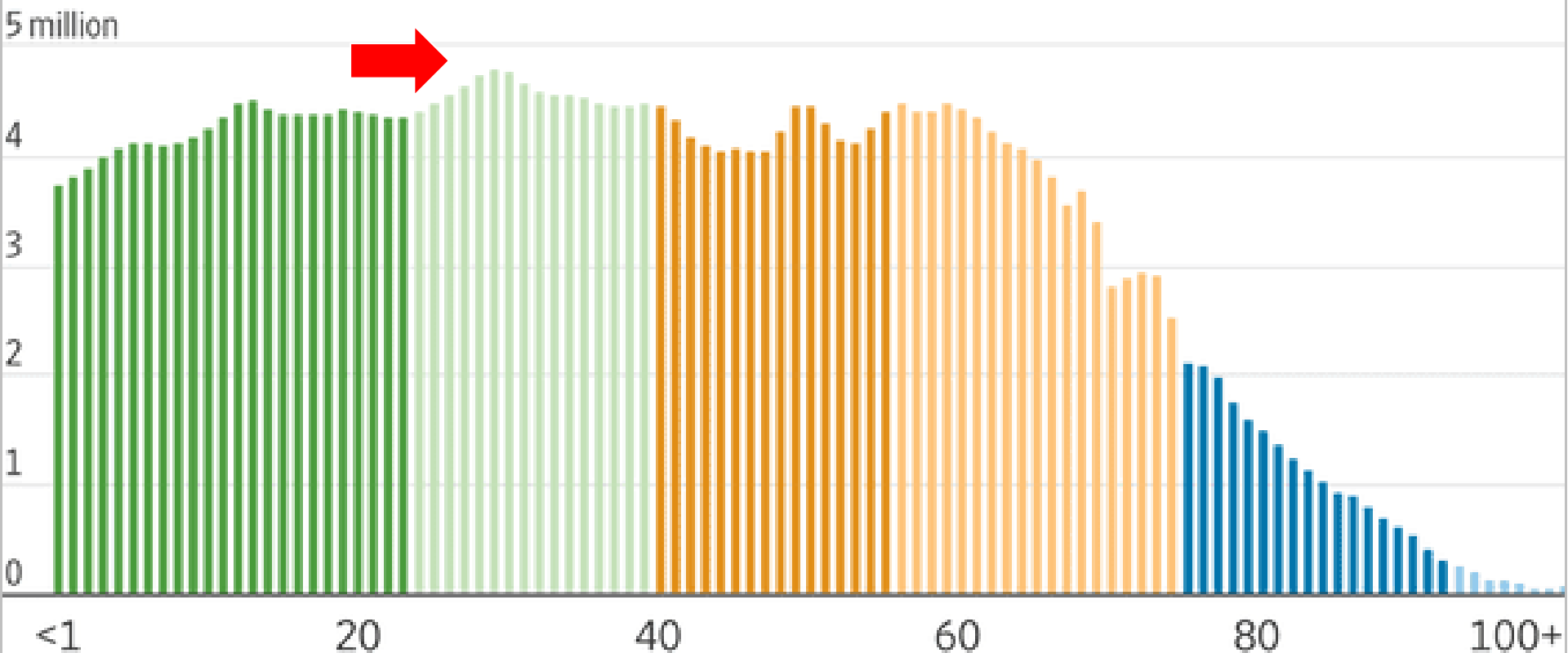
■ Post Millennial (After 1996)   ■ Millennial (1981-1996)  
■ GenX (1965-1980)   ■ Baby Boom (1946-1964)  
■ Silent (1928-1945)   ■ Greatest (Before 1928)

Posted on

The Daily Shot

19-Dec-2023

@SoberLook



Source: United Nations

# KEY TAKEAWAYS

- 1) 2025 will be a decent year
- 2) The Fed will keep cutting rates
- 3) Job growth probably slows more
- 4) Inflation should keep decelerating
- 5) Watch inflation and unemployment

# ANY QUESTIONS?

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