Quarterly Business Analysis

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June 5, 2024

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Real GDP Growth
2019 Q1 - 2024 Q1

% change, annualized

<table>
<thead>
<tr>
<th>Year</th>
<th>Quarter-over-quarter</th>
<th>Year-over-year (RHS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>2.2</td>
<td>3.4</td>
</tr>
<tr>
<td>2020</td>
<td>3.4</td>
<td>3.4</td>
</tr>
<tr>
<td>2021</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>2022</td>
<td>4.1</td>
<td>3.3</td>
</tr>
<tr>
<td>2023</td>
<td>5.2</td>
<td>7.0</td>
</tr>
<tr>
<td>2024</td>
<td>6.2</td>
<td>4.9</td>
</tr>
</tbody>
</table>

% yoy

Source: BEA, EY-Parthenon
Real GDP

Percentage points contribution to GDP growth in Q1 2024

Source: BEA; EY-Parthenon
US domestic demand
Q1 2021 - Q1 2024 (%pts, annualized)

Source: BEA; EY-Parthenon
US: Consumer spending contribution to GDP
2021 Q1 - 2024 Q1

Source: BEA; EY-Parthenon
Shaded areas indicate U.S. recessions. Source: Board of Governors of the Federal Reserve System (US)
Outstanding consumer credit relative to consumer spending (%)

January 1980 - March 2024

Source: Federal Reserve Board; EY-Parthenon
Month-over-month change in total nonfarm employment
January 2021 - April 2024

Source: BLS; EY-Parthenon
Percent of private sector industries with employment increasing

January 2002 - April 2024

Source: BLS; EY-Parthenon, * plus one-half of the industries with unchanged employment
Yearly nominal wage growth outpaced inflation for 11 months through March.
Nominal average hourly earnings, all employees, and headline CPI-U inflation
Percent, year-on-year

Council of Economic Advisers
Sources: Bureau of Labor Statistics; CEA calculations.
55+ labor force participation has nearly recovered
LFPR, 12-month trailing average, age-adjusted, to Feb 2024

Age adjustment: reweights series keeping age distribution constant at 2019 distribution
Labor demand versus supply
January 2017 - April 2024, millions*

* Three-month average.
Source: BLS; EY-Parthenon
Job-finding rate for those unemployed in the previous month

Source: Goldman Sachs analysis of Bureau of Labor Statistics data  •  By The New York Times
Real business investment
2021 Q1-2024 Q1, contribution to GDP growth, annualized

Source: BEA; EY-Parthenon
Productivity across economies
Output per employed person (2019 Q4 = 100)

Source: EY-Parthenon
Year-over-year percent change in CPI
January 2014 - April 2024

Source: BLS; EY-Parthenon
United States produces more crude oil than any country, ever

Average annual crude oil and condensate production from top three global producers (2013–2023)

million barrels per day

<table>
<thead>
<tr>
<th>Year</th>
<th>Russia</th>
<th>Saudi Arabia</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>10.2</td>
<td>10.8</td>
<td>11.5</td>
</tr>
<tr>
<td>2014</td>
<td>10.3</td>
<td>10.7</td>
<td>11.4</td>
</tr>
<tr>
<td>2015</td>
<td>10.4</td>
<td>10.8</td>
<td>11.5</td>
</tr>
<tr>
<td>2016</td>
<td>10.5</td>
<td>10.9</td>
<td>11.6</td>
</tr>
<tr>
<td>2017</td>
<td>10.6</td>
<td>11.0</td>
<td>11.7</td>
</tr>
<tr>
<td>2018</td>
<td>10.7</td>
<td>11.1</td>
<td>11.8</td>
</tr>
<tr>
<td>2019</td>
<td>10.8</td>
<td>11.2</td>
<td>11.9</td>
</tr>
<tr>
<td>2020</td>
<td>10.9</td>
<td>11.3</td>
<td>12.0</td>
</tr>
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<td>11.0</td>
<td>11.4</td>
<td>12.1</td>
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<td>11.1</td>
<td>11.5</td>
<td>12.2</td>
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<td>2023</td>
<td>11.2</td>
<td>11.6</td>
<td>12.3</td>
</tr>
</tbody>
</table>

(Average Price: Bread, White, Pan (Cost per Pound/453.6 Grams) in U.S. City Average/Average Hourly Earnings of Production and Nonsupervisory Employees, Total Private) * 60
(Average Price: Milk, Fresh, Whole, Fortified (Cost per Gallon/3.8 Liters) in U.S. City Average/Average Hourly Earnings of Production and Nonsupervisory Employees, Total Private) * 60
(Average Price: Eggs, Grade A, Large (Cost per Dozen) in U.S. City Average/Average Hourly Earnings of Production and Nonsupervisory Employees, Total Private) * 60

Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

fred.stlouisfed.org
Consumer packaged goods inflation has returned to pre-pandemic levels

Average annual unit price change (%)
Year-over-year percent change in consumer price index (CPI)
January 2020 - April 2024

Source: BLS; EY-Parthenon
Note: Effective HO insurance rate calculated as annual HO premium per $1,000 of home value. HO Insurance cost burden calculated as the share of a mortgage borrower’s monthly income that was paid toward HO premiums. Single-family owner-occupied property with a fully amortizing 30-year fixed-rate purchase mortgage.

Source: Closing costs data where the mortgages were funded by Freddie Mac.
12-Month Change (percent)

Source: BLS Consumer Price Index (CPI), CoreLogic Single-Family Rent Index (SFRI January 2024)
Inflation since Biden took office is the highest since Carter

Consumer Price Index change from inauguration month to the 40th month of each president's first term.

<table>
<thead>
<tr>
<th>President</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carter</td>
<td>37.8%</td>
</tr>
<tr>
<td>Reagan</td>
<td>18.5%</td>
</tr>
<tr>
<td>H.W. Bush</td>
<td>15.0%</td>
</tr>
<tr>
<td>Clinton</td>
<td>9.3%</td>
</tr>
<tr>
<td>W. Bush</td>
<td>6.7%</td>
</tr>
<tr>
<td>Obama</td>
<td>8.1%</td>
</tr>
<tr>
<td>Trump</td>
<td>5.1%</td>
</tr>
<tr>
<td>Biden</td>
<td>19.3%</td>
</tr>
</tbody>
</table>

Source: Consumer Price Index (seasonally adjusted) via FRED
FRED

Federal Funds Effective Rate
Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis
30-Year Fixed Rate Mortgage Average in the United States

Shaded areas indicate U.S. recessions.

Sources: Board of Governors; FHLMC

fred.stlouisfed.org
When do you expect the Fed will begin cutting interest rates?

- September 17-18, 2024: 44%
- July 30-31, 2024: 24%
- November 6-7, 2024: 17%
- Q1 2025: 5%
- 2H 2025: 2%
- June 11-12, 2024: 2%
- 2026 or later: 0%
- Q2 2025: 0%

Source: National Association for Business Economics May Outlook Survey
NWA Number of Houses Sold

Source: Skyline Report, MLS Database
EXHIBIT 4

While the average rate is the lowest for Millennials and Gen Xers, 4-5% have rates above 7%

Mortgage interest rate dispersion by generation: Active single-family owner-occupied purchase + refi loans conforming + jumbo

<table>
<thead>
<tr>
<th>Generation</th>
<th>≤ 3%</th>
<th>3.01%-4%</th>
<th>4.01%-5%</th>
<th>5.01%-6%</th>
<th>6.01%-7%</th>
<th>≥ 7.01%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silent (1928-1945)</td>
<td>21%</td>
<td>34%</td>
<td>22%</td>
<td>10%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Boomers (1945-1964)</td>
<td>28%</td>
<td>33%</td>
<td>18%</td>
<td>9%</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Gen X (1965-1980)</td>
<td>31%</td>
<td>33%</td>
<td>16%</td>
<td>9%</td>
<td>7%</td>
<td>5%</td>
</tr>
<tr>
<td>Millennials (1981-1996)</td>
<td>31%</td>
<td>34%</td>
<td>15%</td>
<td>9%</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>Gen Z (1997-2012)</td>
<td>17%</td>
<td>24%</td>
<td>11%</td>
<td>16%</td>
<td>18%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Note: Based on all active loans originated since 1990, active as of January 2024.
Source: Freddie Mac calculations using NMDB
NWA Average Home Prices

Source: Skyline Report, MLS Database
NWA Absorption and Completed Inventory

- **Complete, but Unoccupied**
- **Annual Absorption**
Selected Cities Multifamily Average Vacancy Rates by City

- Bentonville: 4.9%
- Fayetteville: 1.7%
- Rogers: 6.6%
- Siloam Springs: 0.9%
- Springdale: 2.0%
Total for-sale and for-rent vacant housing is 1.5 million units below a balanced market

Source: Freddie Mac calculations using U.S. Census Bureau data
OVERALL VACANCY AND ASKING RENT

Source: Cushman & Wakefield Research
Are We Facing a Doom Loop in Commercial Real Estate?
Percentage of paid full days worked from home

*We estimate the pre-COVID rate using the 2019 American Time Use Survey*
Offices Are the Most Distressed Property Type in the US
Cumulative value of troubled assets by type through the end of 2023

- Outstanding distress (bankruptcy, default, tenant problems, other known issues)
- Potential Distress (delinquent repayments, forbearance, leasing problems, etc.)

Source: MSCI Real Assets
Note: "Others" captures types not included in MSCI’s standard volume statistics, such as self storage and manufactured housing

Bloomberg
Banks Account For Less Than Half of CRE Loans; Offices 17%

CRE loan exposure, %

**By Lender Type**
- Banks
  - Top 25
  - $10 bil - $160 bil
  - $1 bil - $10 bil
  - $100 mil - $1 bil
  - <$100 mil
- Other
- CMBS, CDOs, ABS
- Life insurers
- GSE portfolios/MBS

**By Property Type**
- Multifamily
- Office
- Industrial
- Retail
- Hotel/motel
- Health care
- Other

Sources: FDIC, MBA, Moody’s Analytics

Moody’s Analytics
Smaller Banks More Exposed As CRE Debt Comes Due

CRE Exposure by bank size, % of bank assets

- Large (Top 25, >$160B*): [Bar chart showing exposure]
- Regional (133; $10-160B): [Bar chart showing exposure]
- Community (849; $1-10B): [Bar chart showing exposure]
- Small (2890; $100M-$1B): [Bar chart showing exposure]
- Smallest (729; <$100M): [Bar chart showing exposure]

CRE loan maturities by year, $ bil

- 2023: [Bar chart showing loan maturities]
- 2024: [Bar chart showing loan maturities]
- 2025: [Bar chart showing loan maturities]
- 2026: [Bar chart showing loan maturities]
- 2027: [Bar chart showing loan maturities]
- 2028: [Bar chart showing loan maturities]
- 2029: [Bar chart showing loan maturities]
- 2030: [Bar chart showing loan maturities]

Sources: FDIC, MBA, Moody's Analytics

* # of banks; asset size

Moody's Analytics
Share of Delinquent Loans in CRE CLOs Surges

Loans more than 30 days delinquent or in special servicing jumped to 8.6% in January

- **30 days delinquent**
- **60+ days delinquent, in special servicing or worse**

Source: CRED iQ
Note: Each column’s sum represents the share of loans that CRED iQ considers distressed. Other definitions of distress exclude loans that are 30 days late.
Commutes Hinder Office Return

Source: U.S. Census Bureau 2019 American Community Survey (travel time); Kastle Systems (office occupancy)
Commuting: Percent of Workers Traveling Fewer than 30 Minutes

Source: U.S. Census Bureau

- Fayetteville-Springdale-Rogers MSA
- Austin-Round Rock-Georgetown MSA
- Des Moines-West Des Moines, MSA
- Madison MSA
- Durham-Chapel Hill MSA
- Raleigh-Cary MSA
- Provo-Orem MSA
- Arkansas
- US

For each area, the diagram shows the percentage of workers commuting for 30 minutes or less in 2018, 2020, and 2022.
Questions and Comments?

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