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Quarterly Business Analysis

Mervin Jebaraj, Director

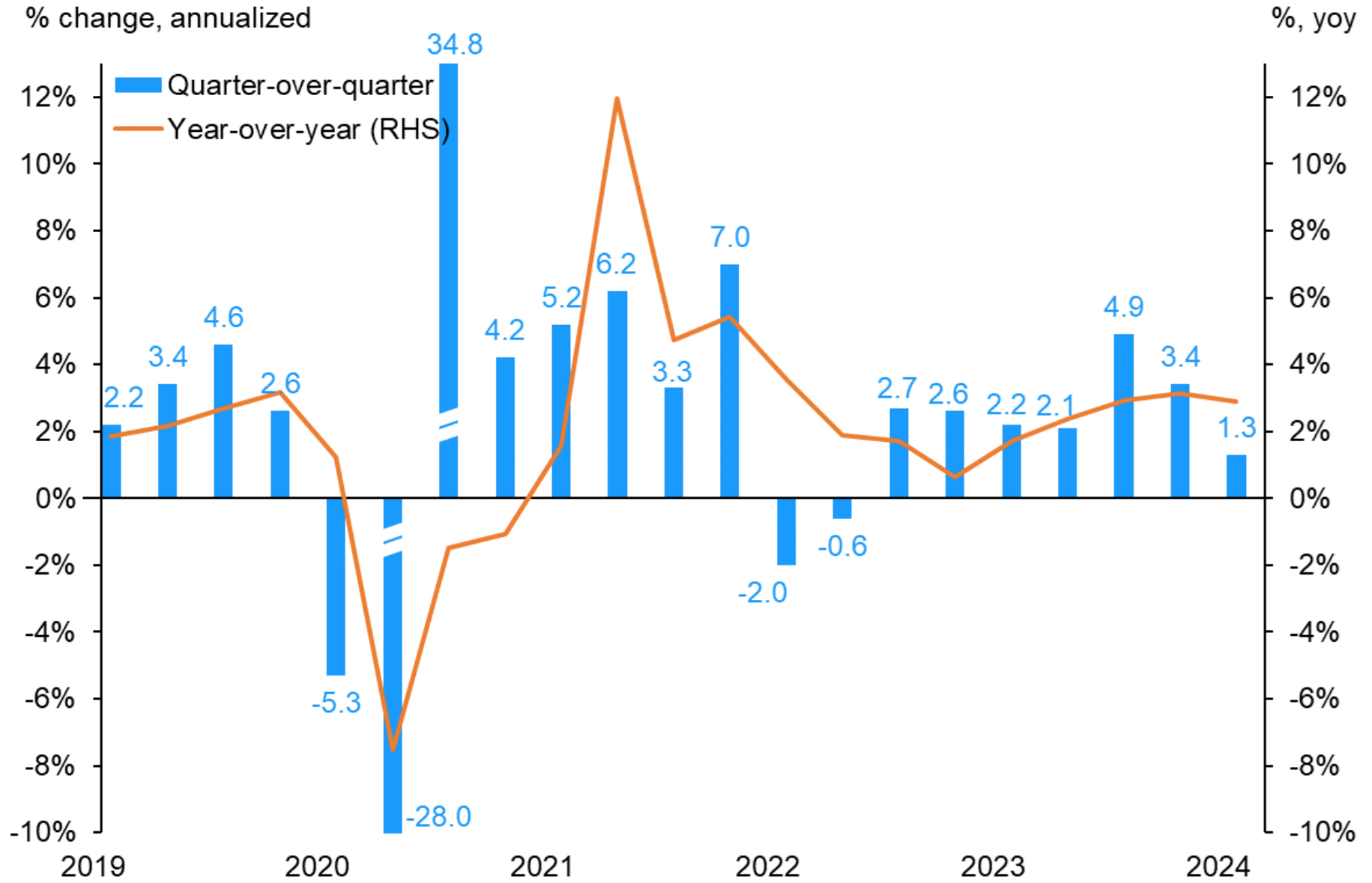
Center for Business and Economic Research

June 5, 2024

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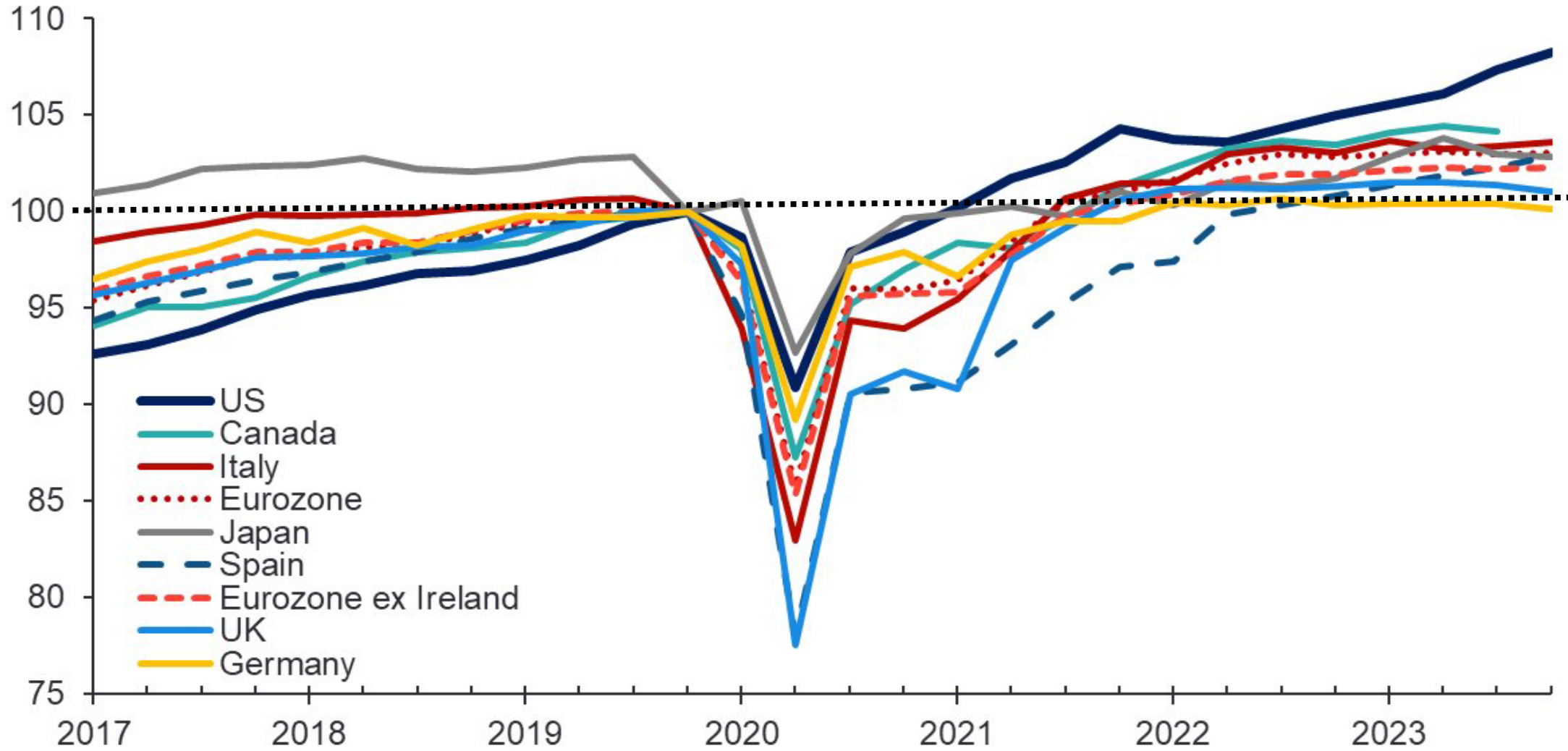
Real GDP Growth 2019 Q1 - 2024 Q1



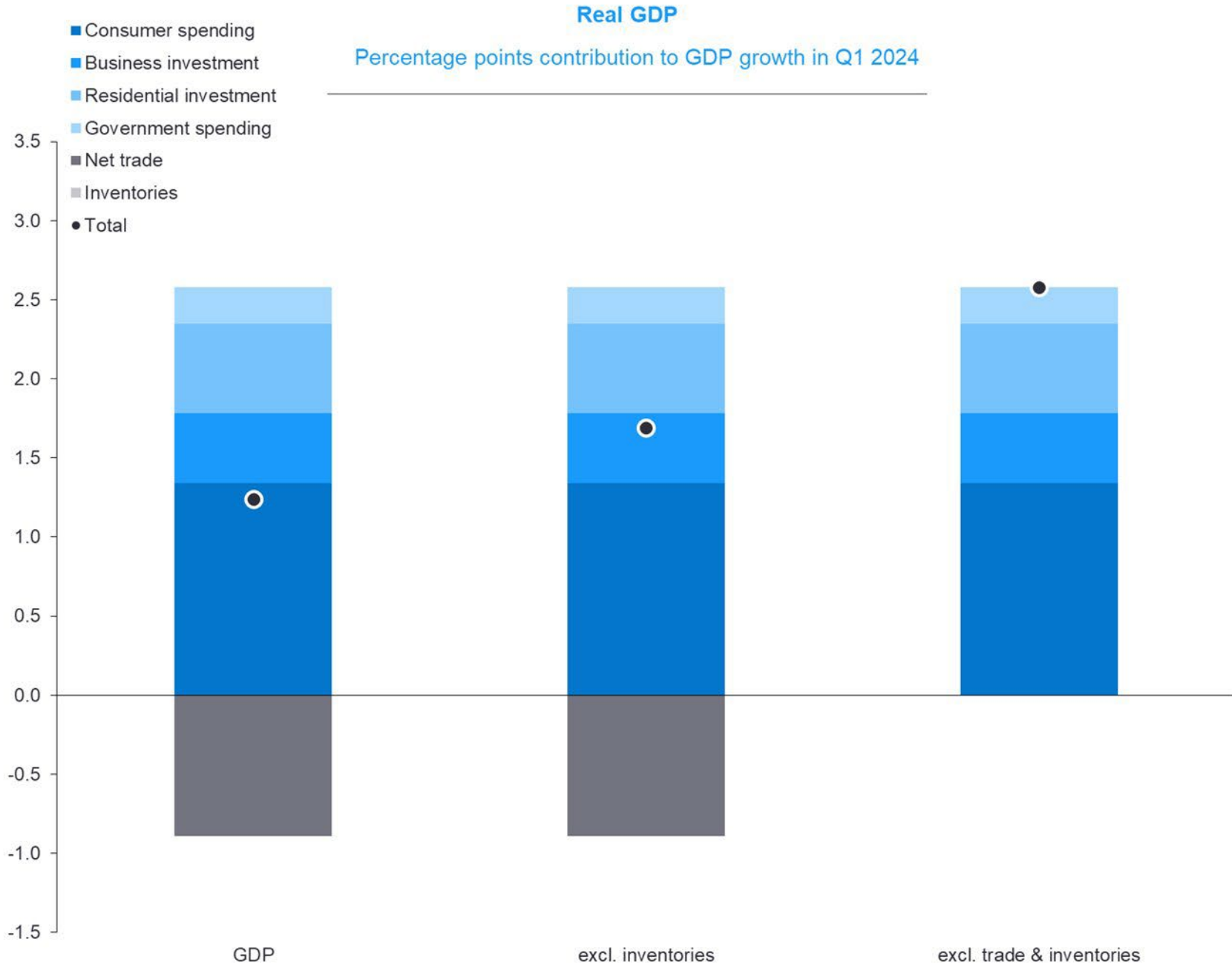
Source: BEA, EY-Parthenon



Real GDP 2019Q4=100

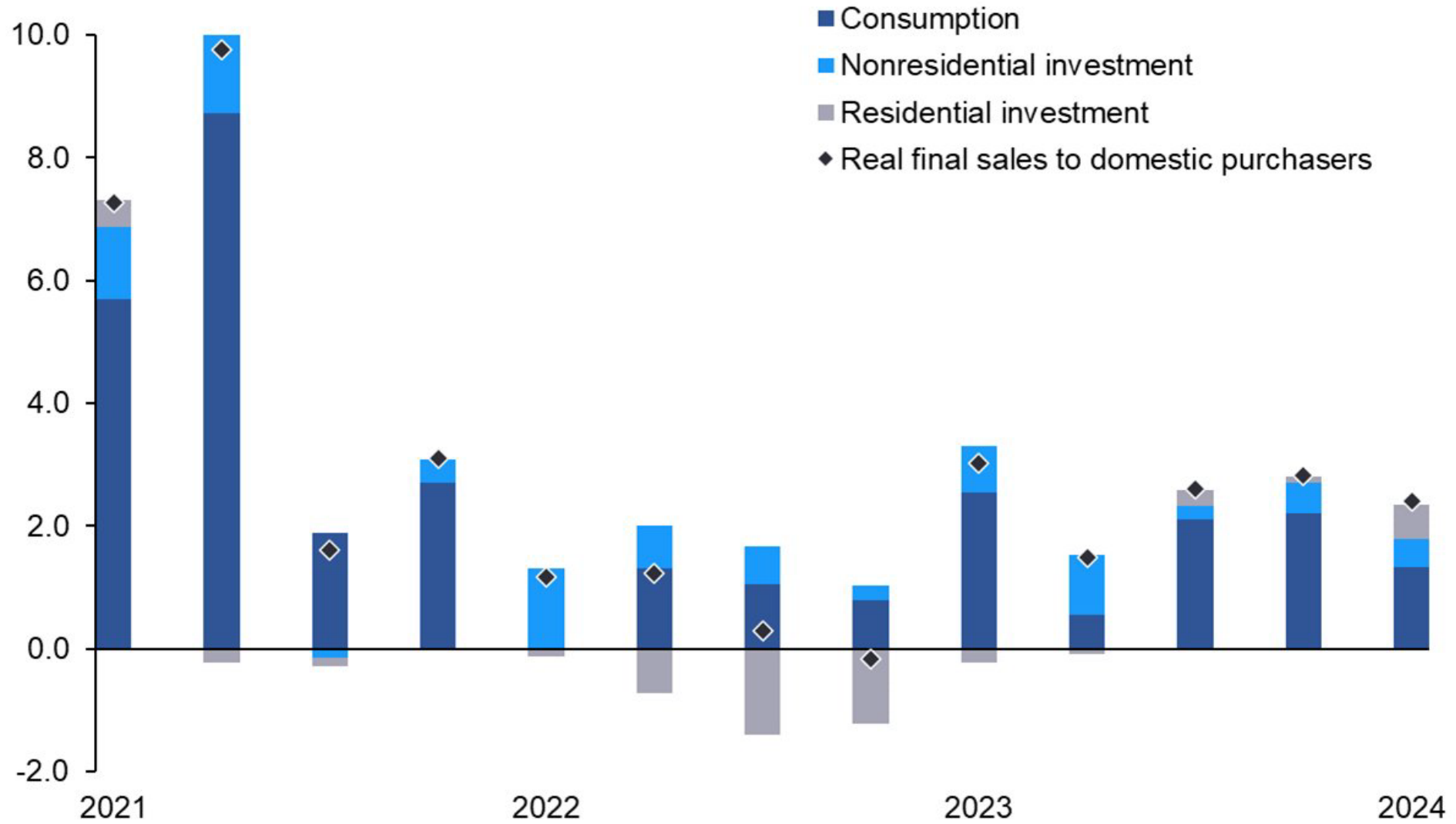


Source: Haver Analytics; EY-Parthenon



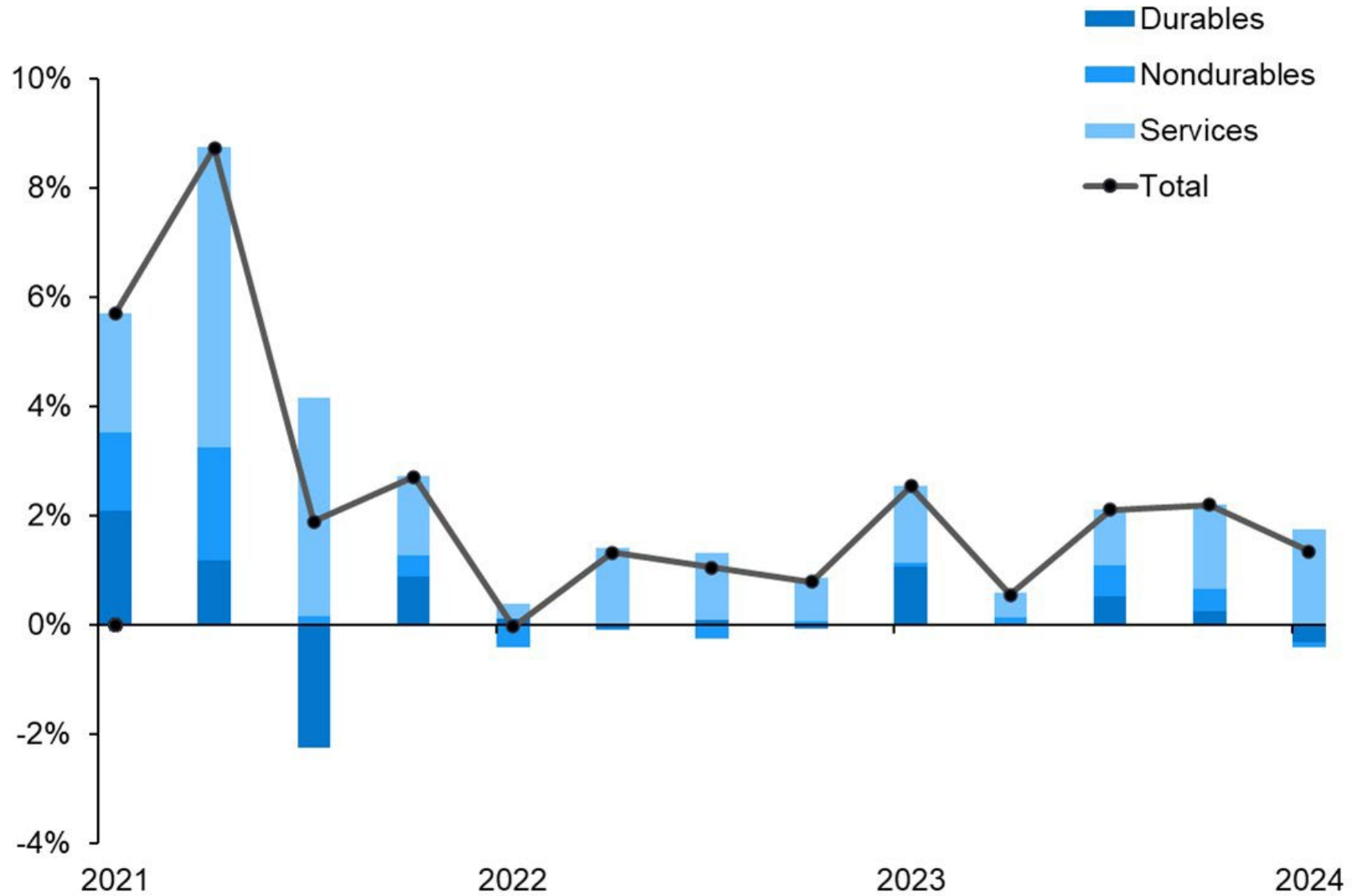
Source: BEA; EY-Parthenon

US domestic demand Q1 2021 - Q1 2024 (%pts, annualized)



Source: BEA; EY-Parthenon

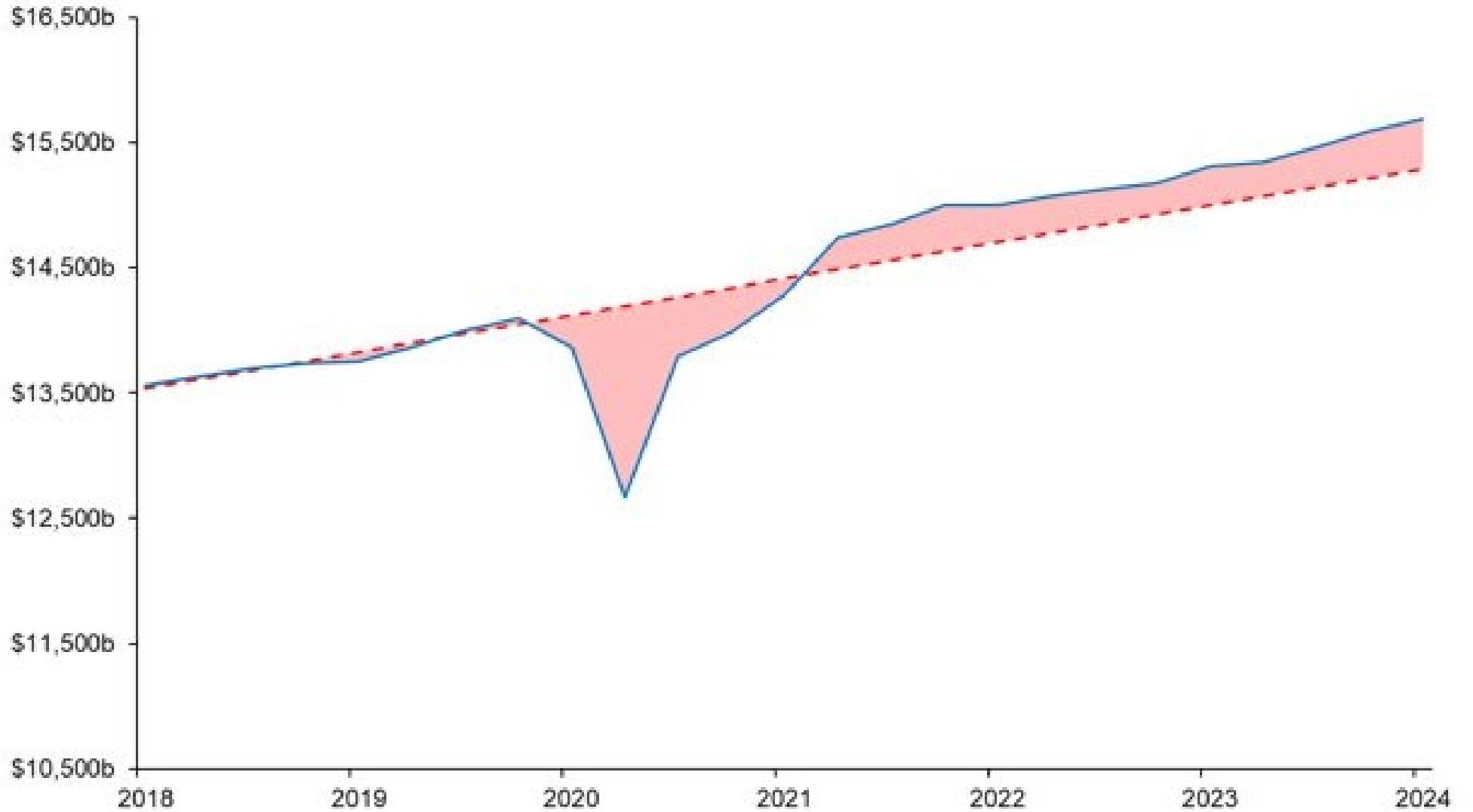
US: Consumer spending contribution to GDP 2021 Q1 - 2024 Q1



Source: BEA; EY-Parthenon



Real consumer spending: pre-covid trend versus actual
Q1 2018 - Q1 2024

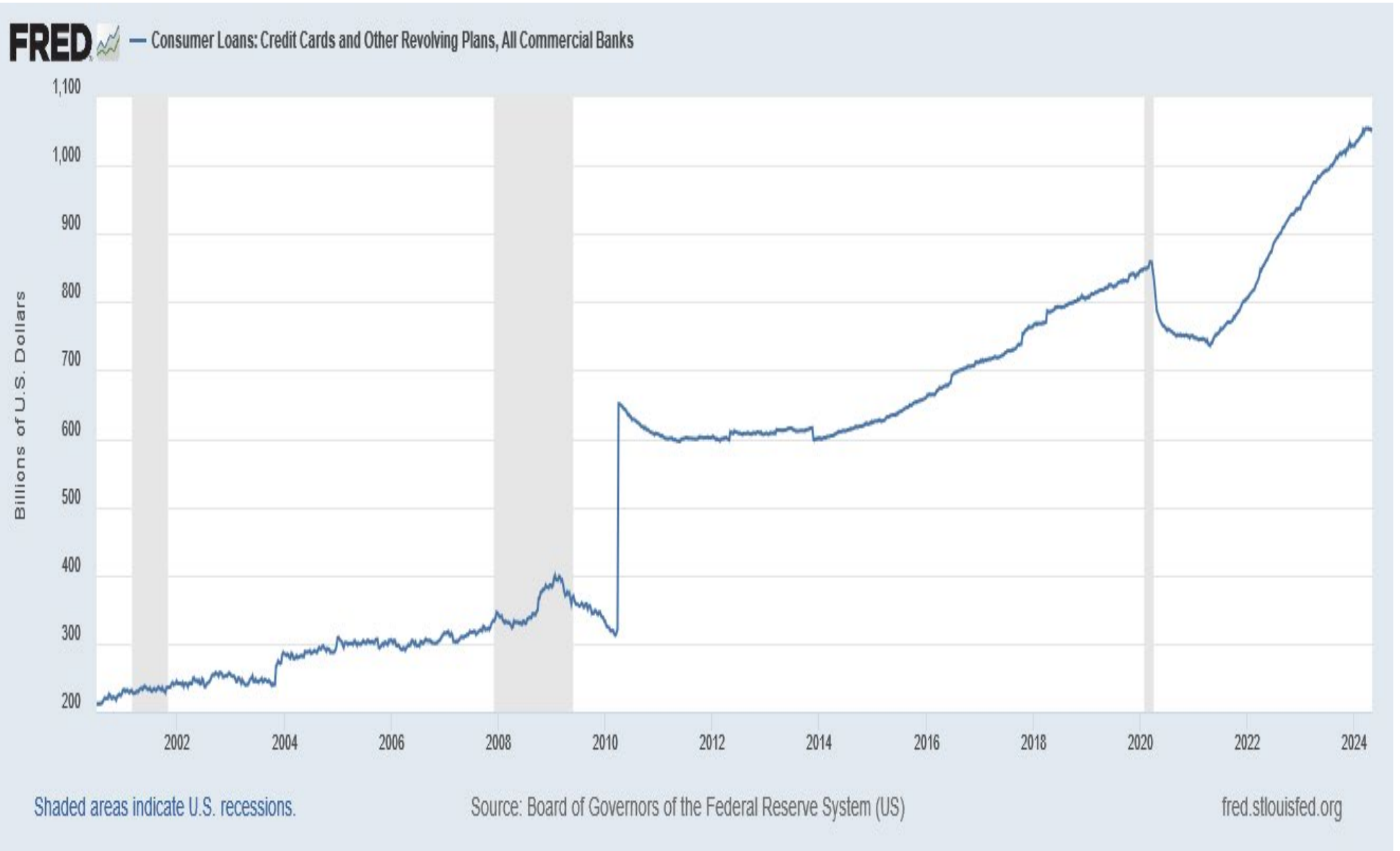


Source: BEA; EY-Parthenon

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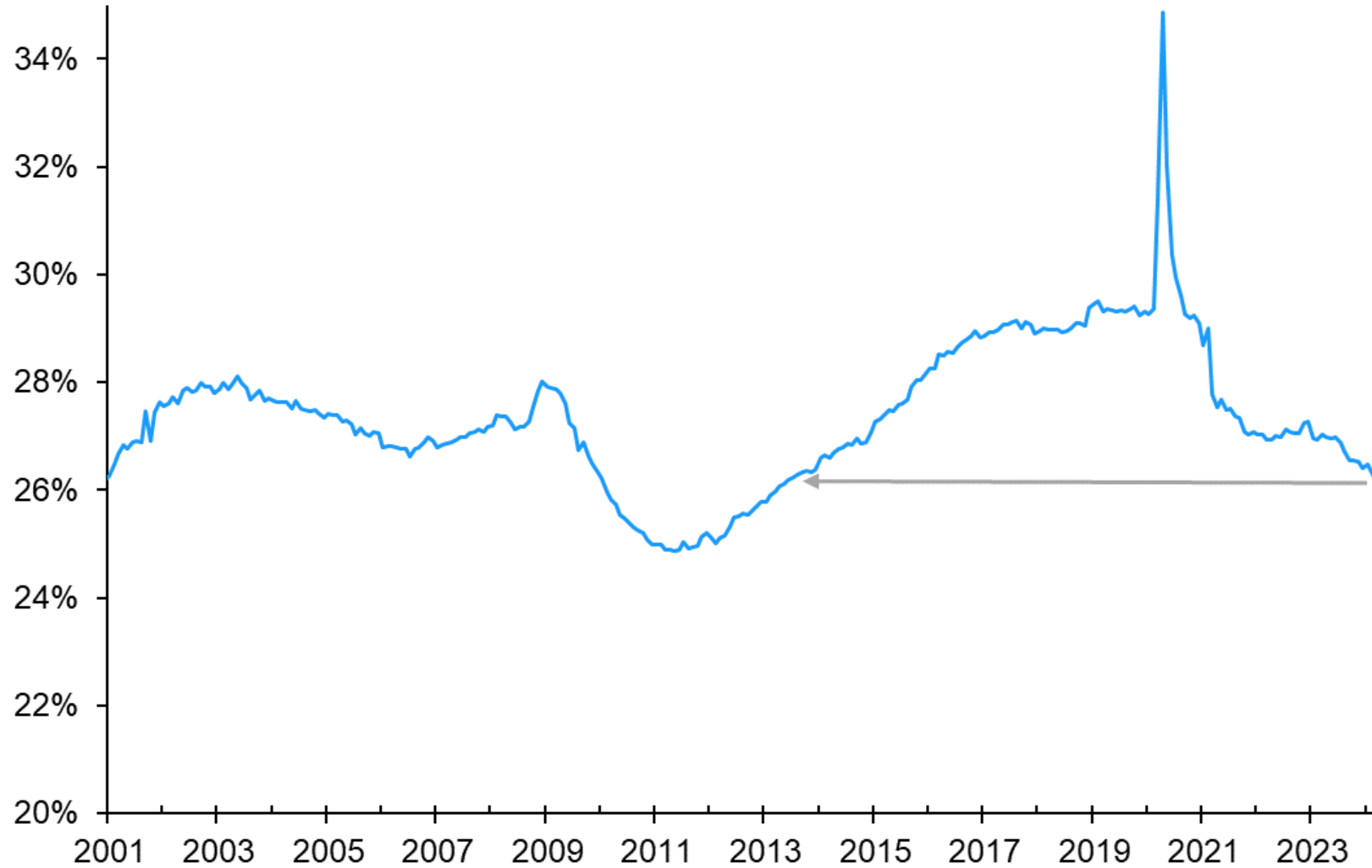
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Outstanding consumer credit relative to consumer spending (%)

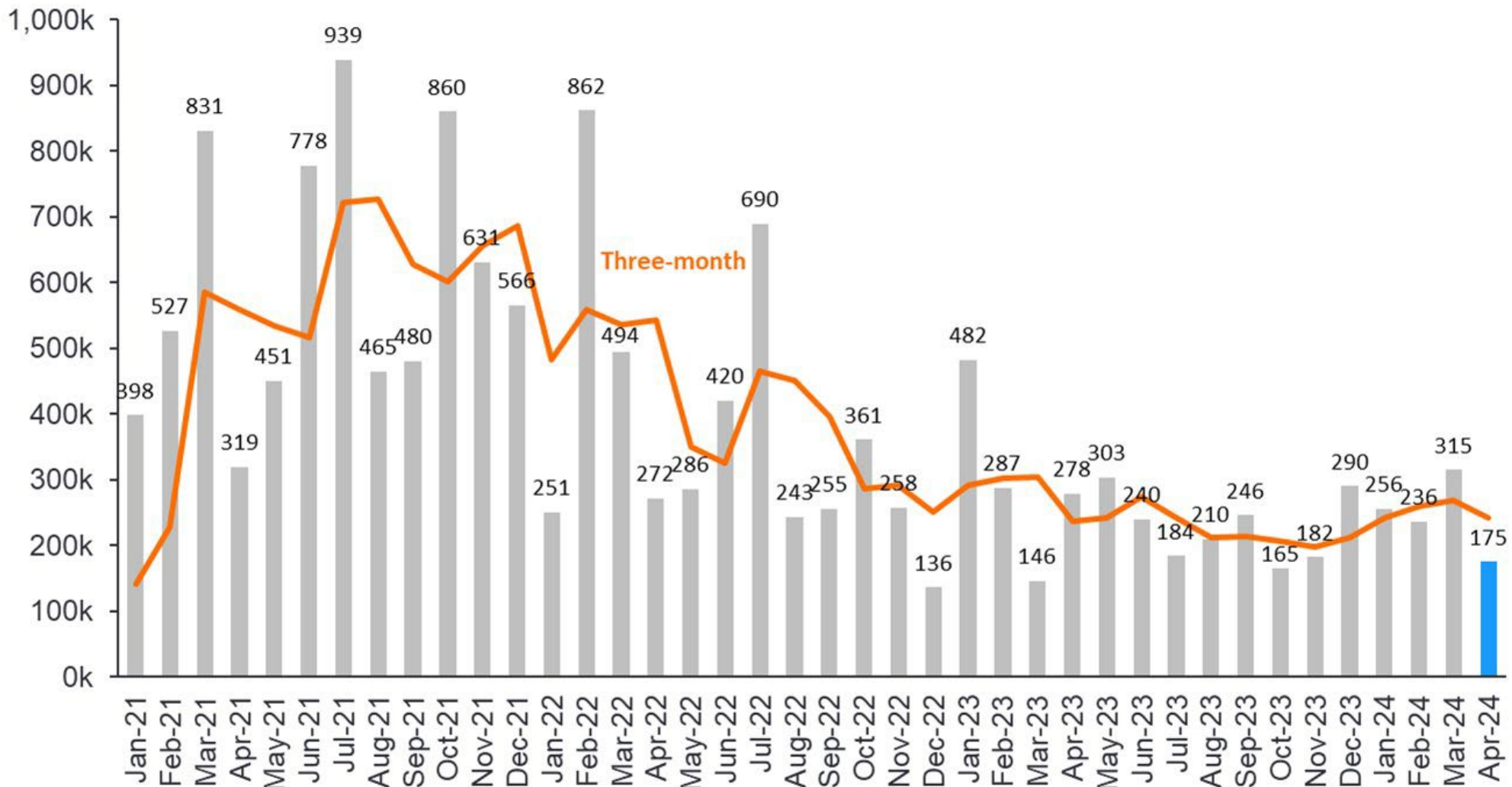
January 1980 - March 2024



Source: Federal Reserve Board; EY-Parthenon



Month-over-month change in total nonfarm employment January 2021 - April 2024

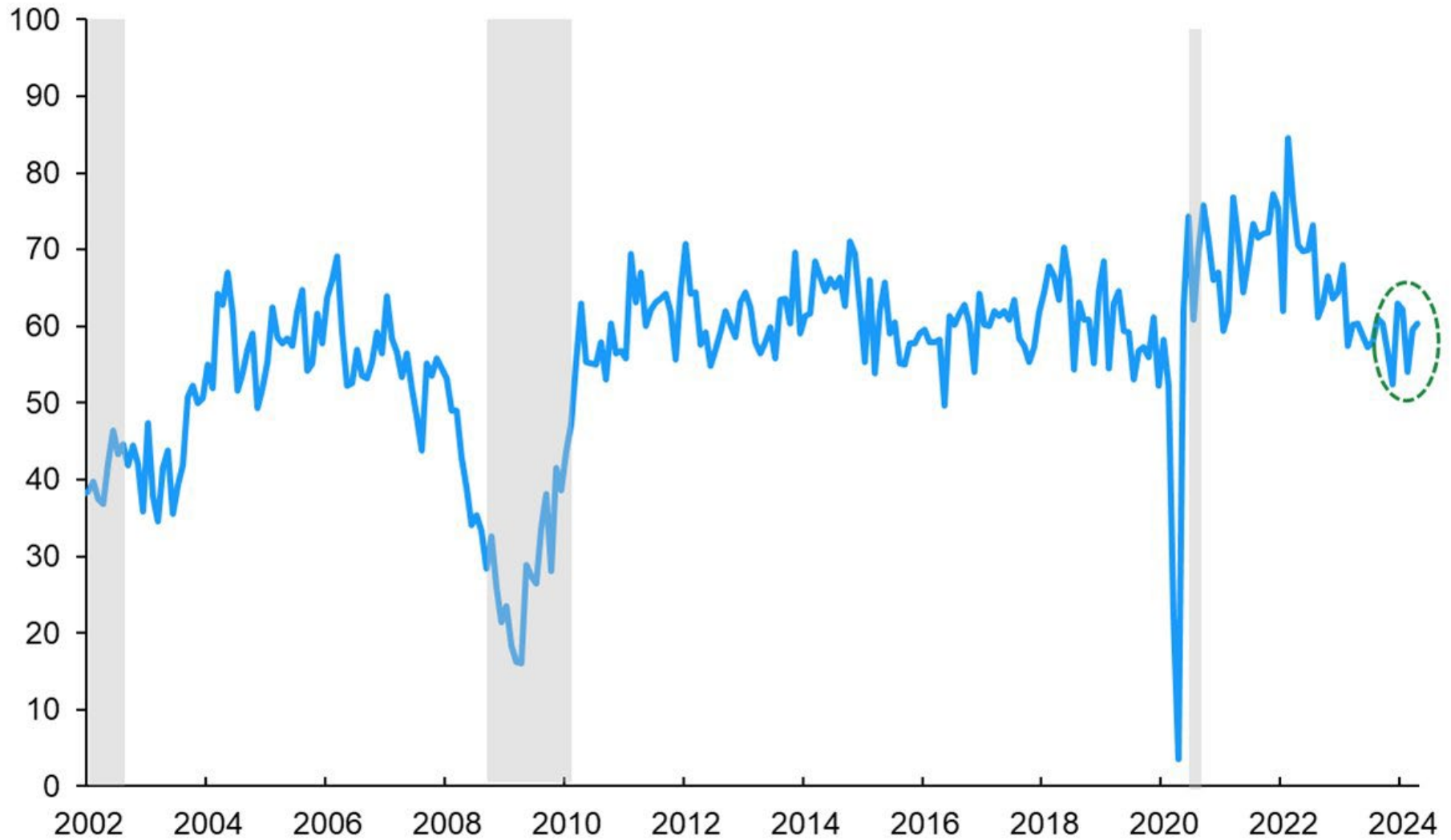


Source: BLS; EY-Parthenon



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

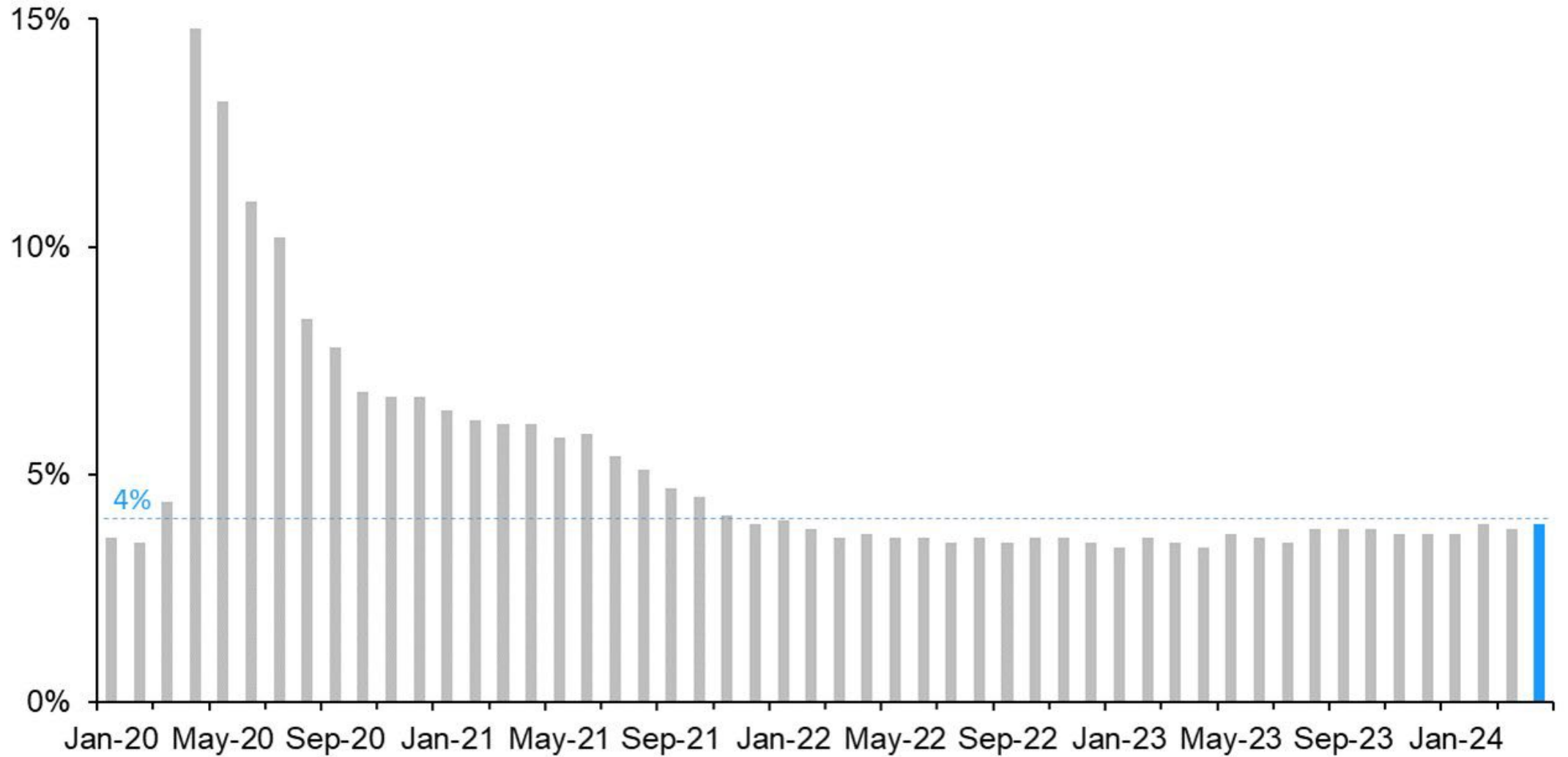


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Sources: Bureau of Labor Statistics; CEA calculations.

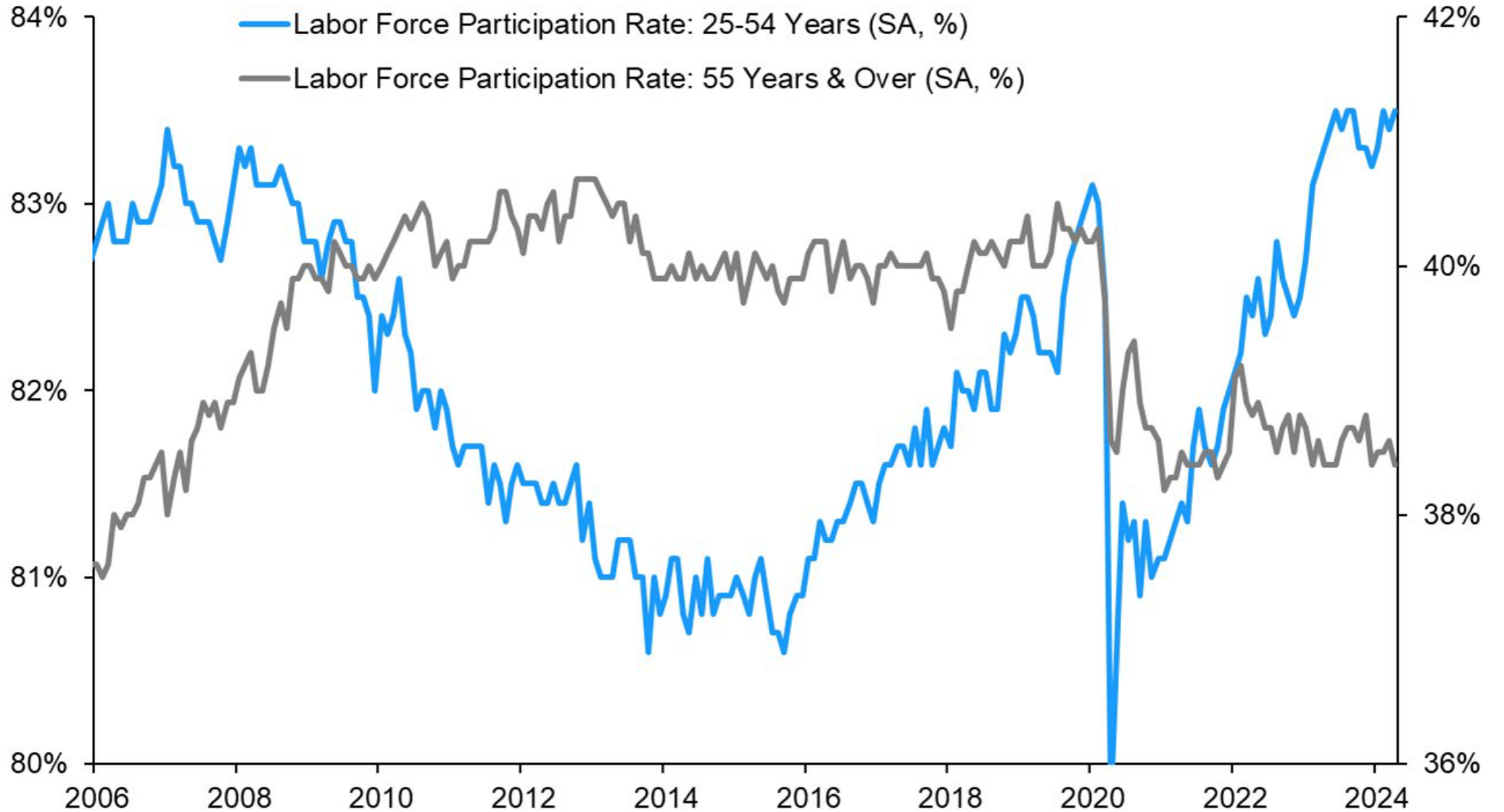


Unemployment Rate January 2020 - April 2024



Source: BLS; EY-Parthenon

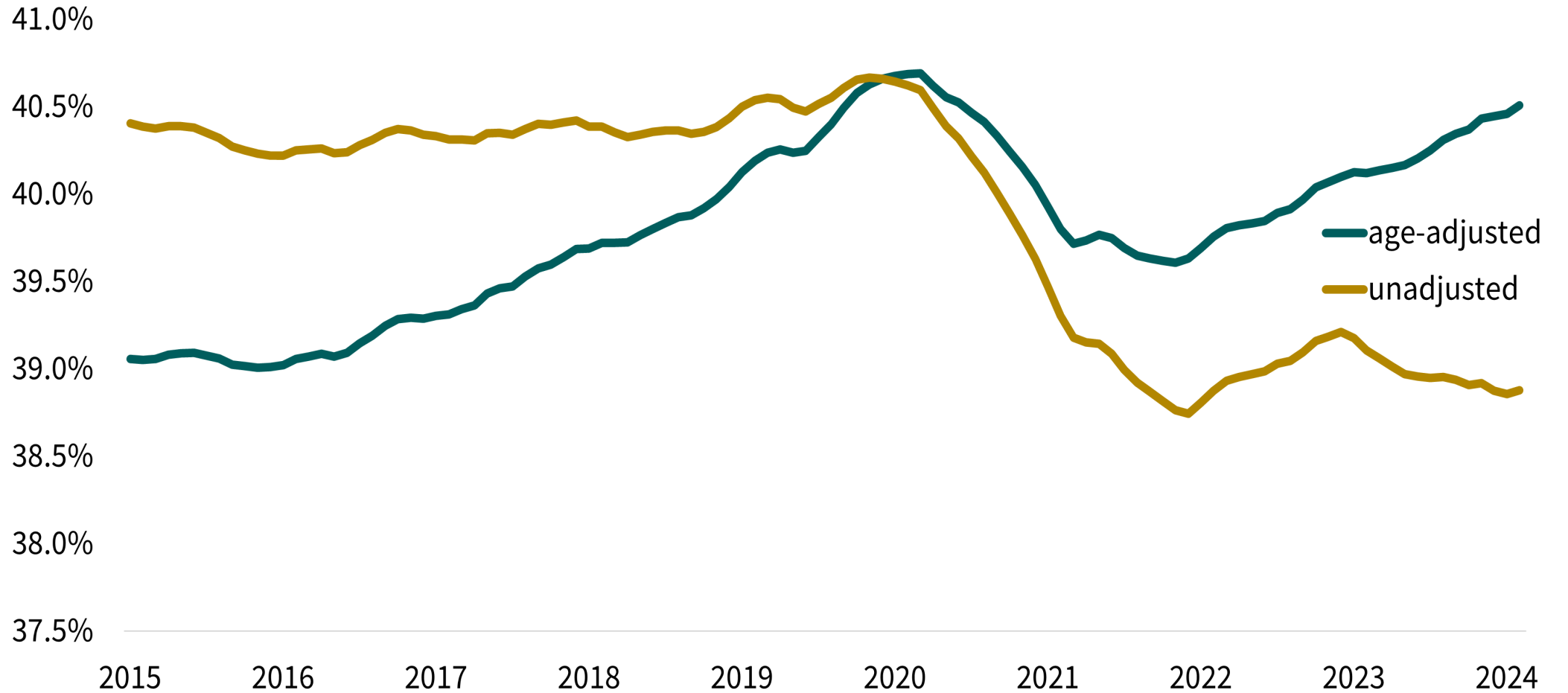
Labor force participation rates January 2006 - April 2024, Seasonally adjusted



Source: BLS; EY-Parthenon

55+ labor force participation has nearly recovered

LFPR, 12-month trailing average, age-adjusted, to Feb 2024

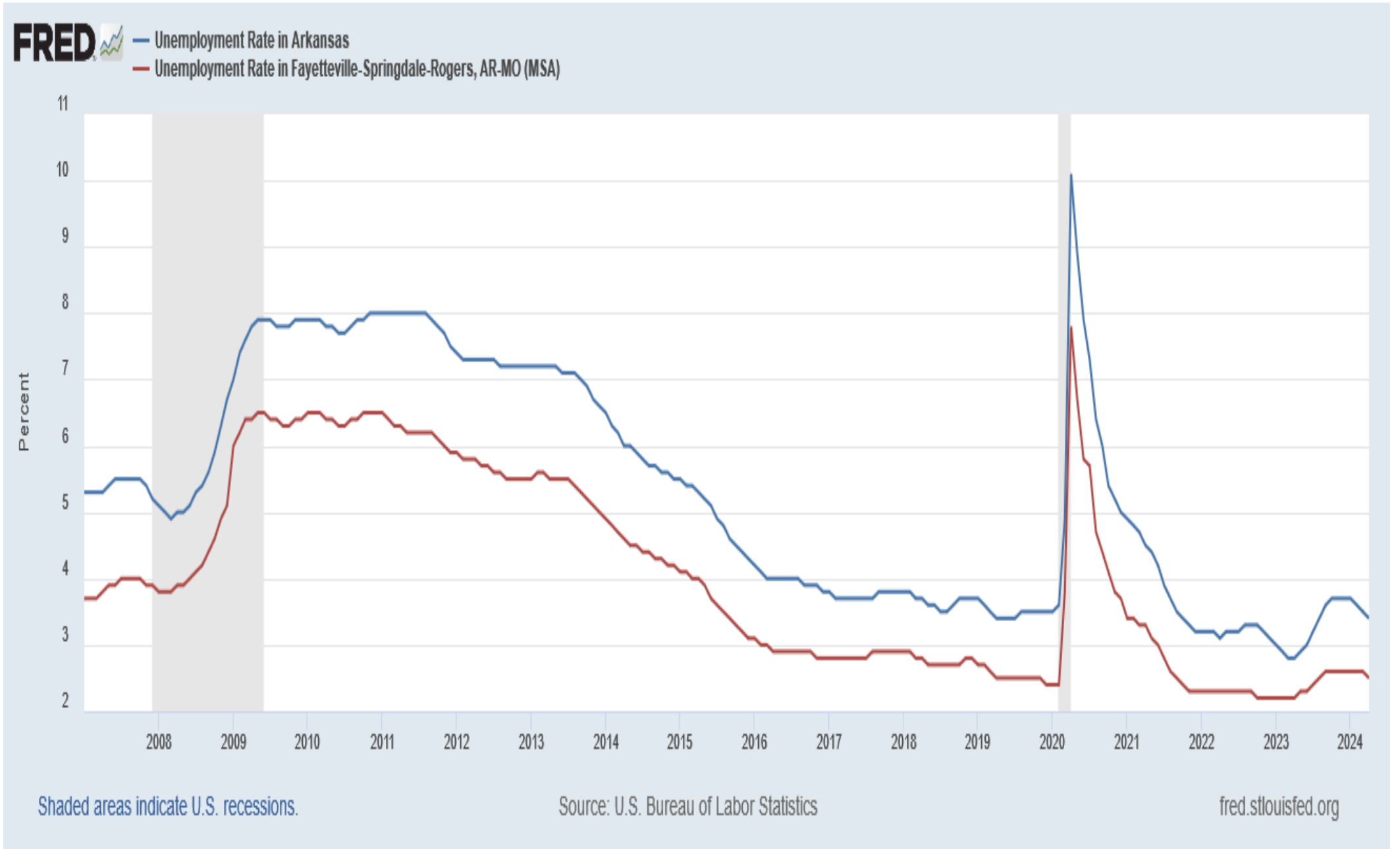


Age adjustment: reweights series keeping age distribution constant at 2019 distribution
Jed Kolko analysis of BLS Current Population Survey microdata

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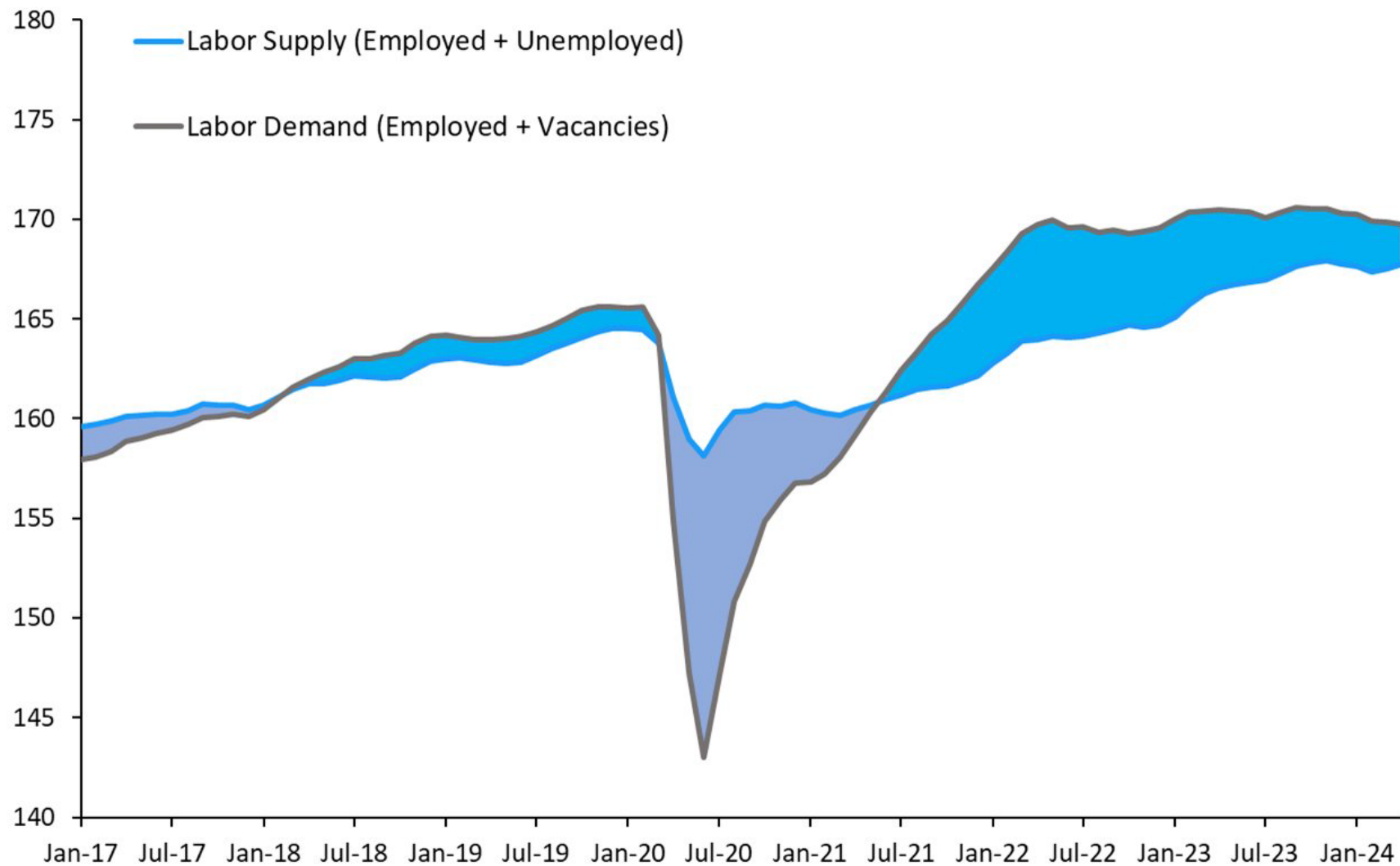


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Labor demand versus supply January 2017 - April 2024, millions*



* Three-month average.

Source: BLS; EY-Parthenon

Job-finding rate for those unemployed in the previous month



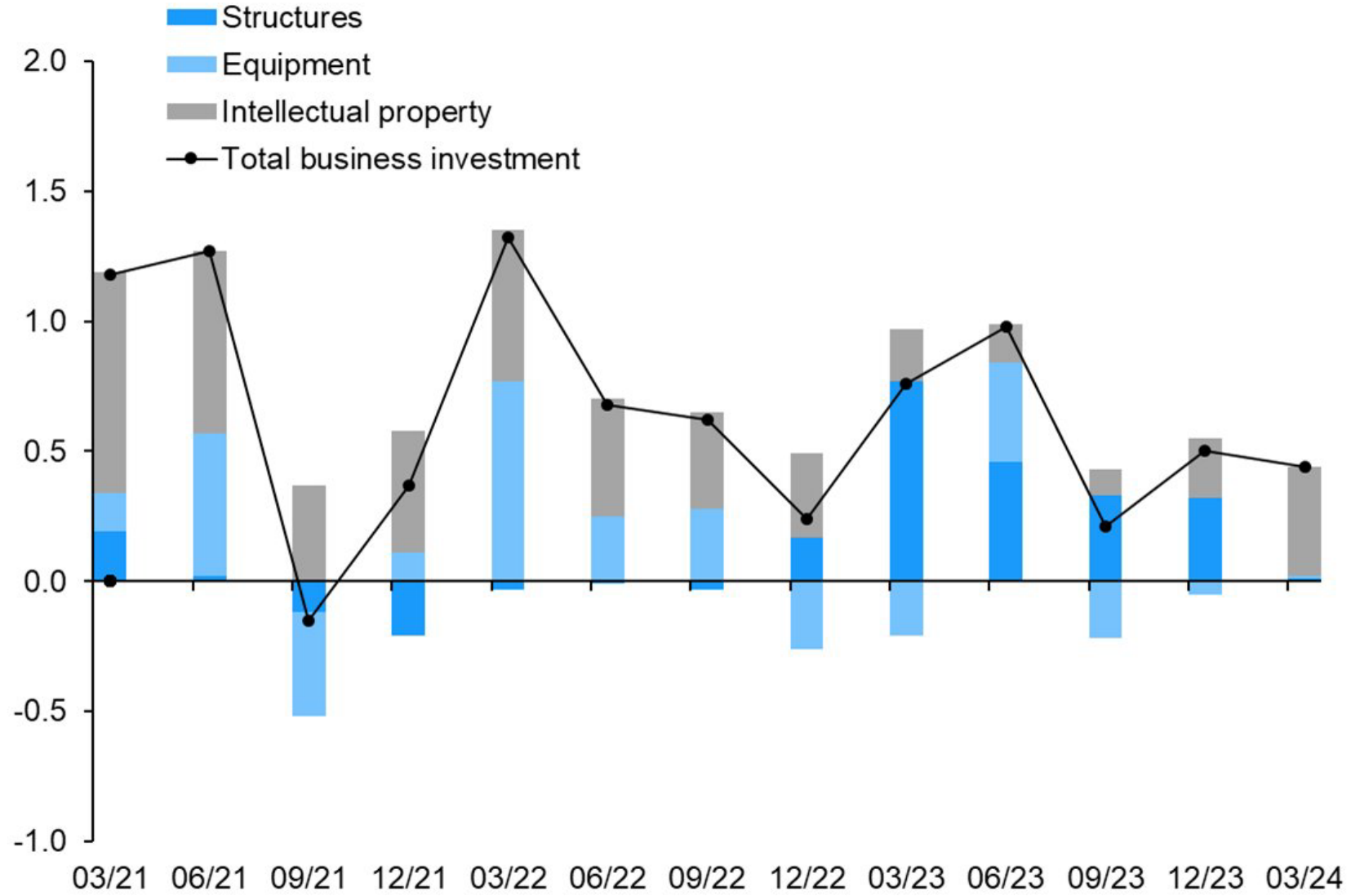
Source: Goldman Sachs analysis of Bureau of Labor Statistics data • By The New York Times

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

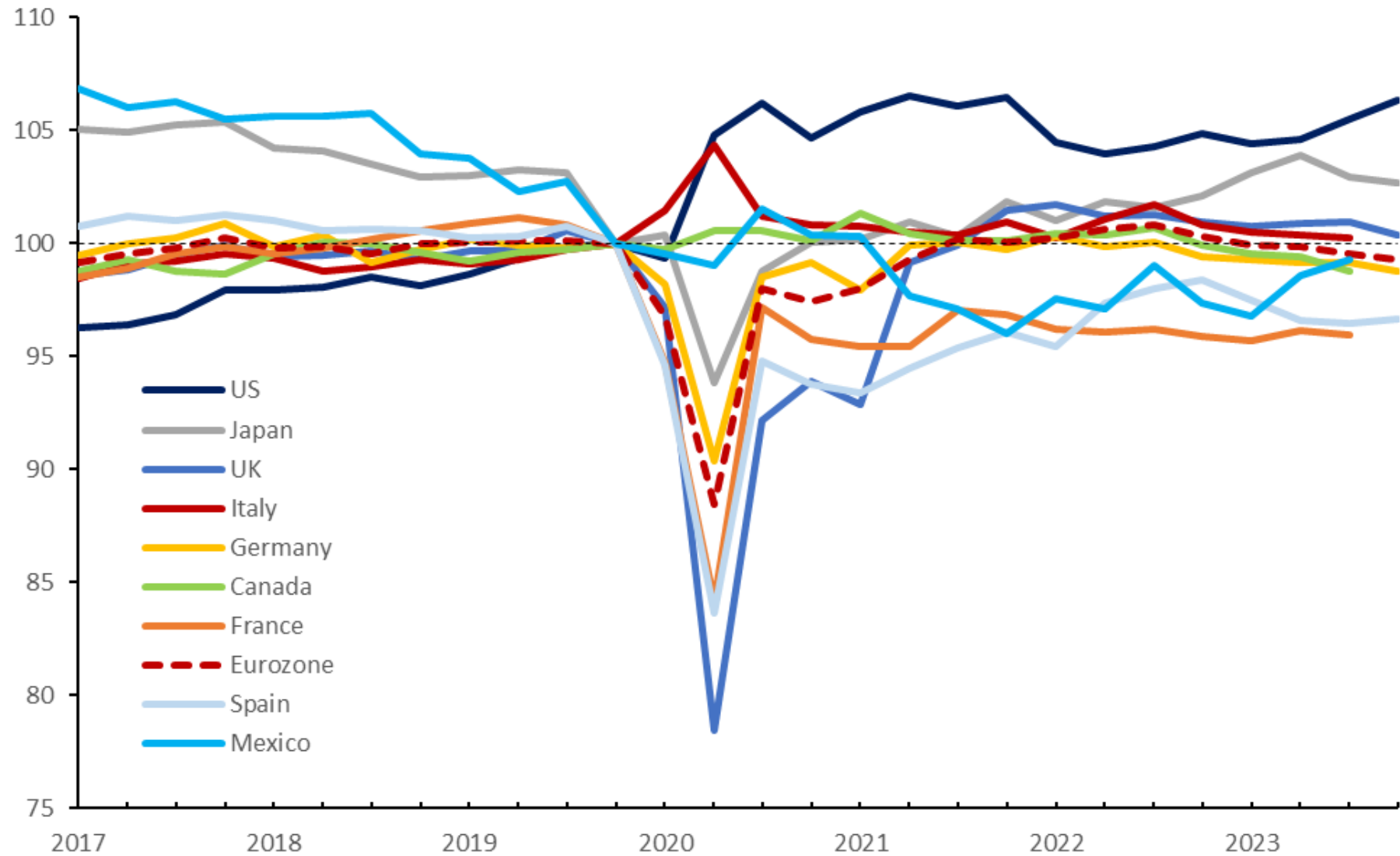
Real business investment 2021 Q1-2024 Q1, contribution to GDP growth, annualized



Source: BEA; EY-Parthenon

Productivity across economies

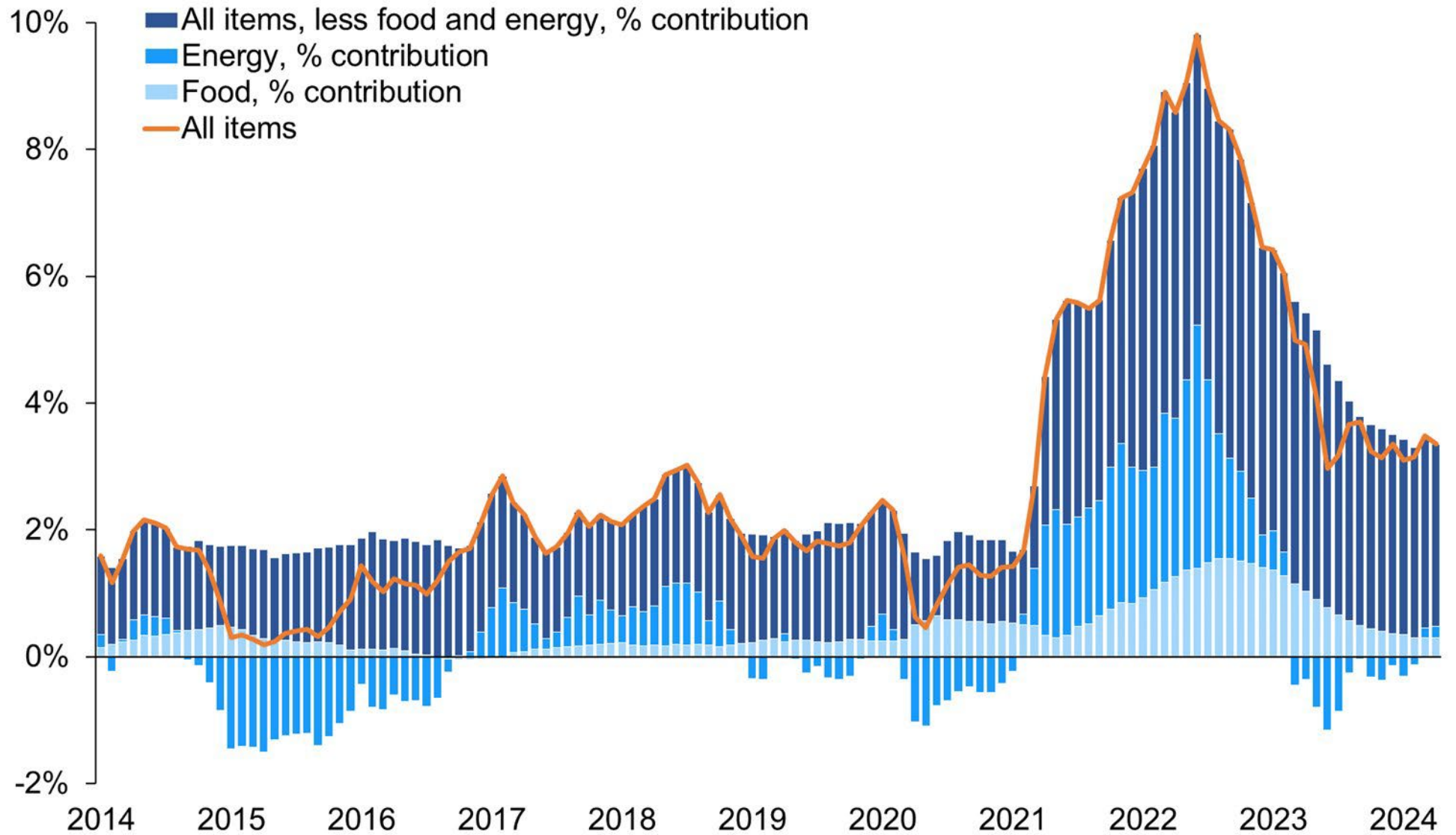
Output per employed person (2019 Q4 = 100)



Source: EY-Parthenon

Year-over-year percent change in CPI

January 2014 - April 2024



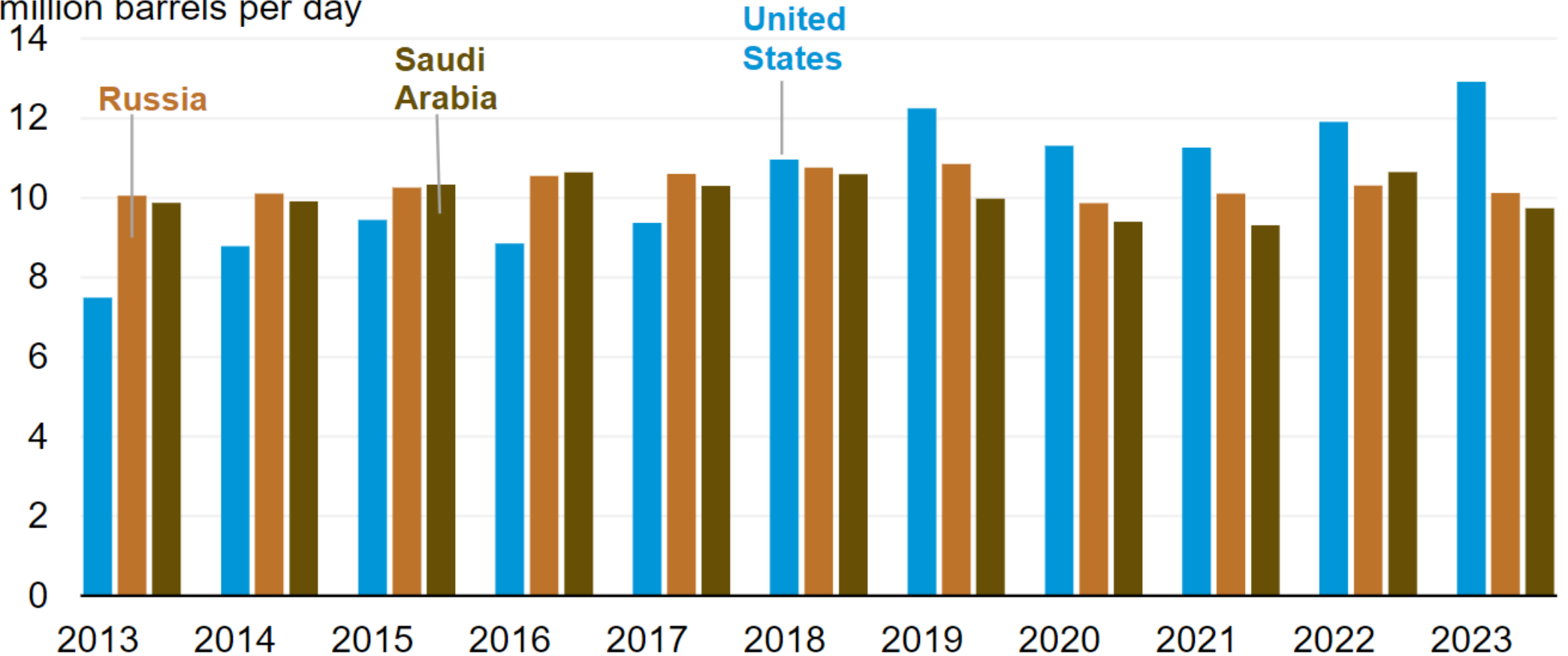
Source: BLS; EY-Parthenon

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

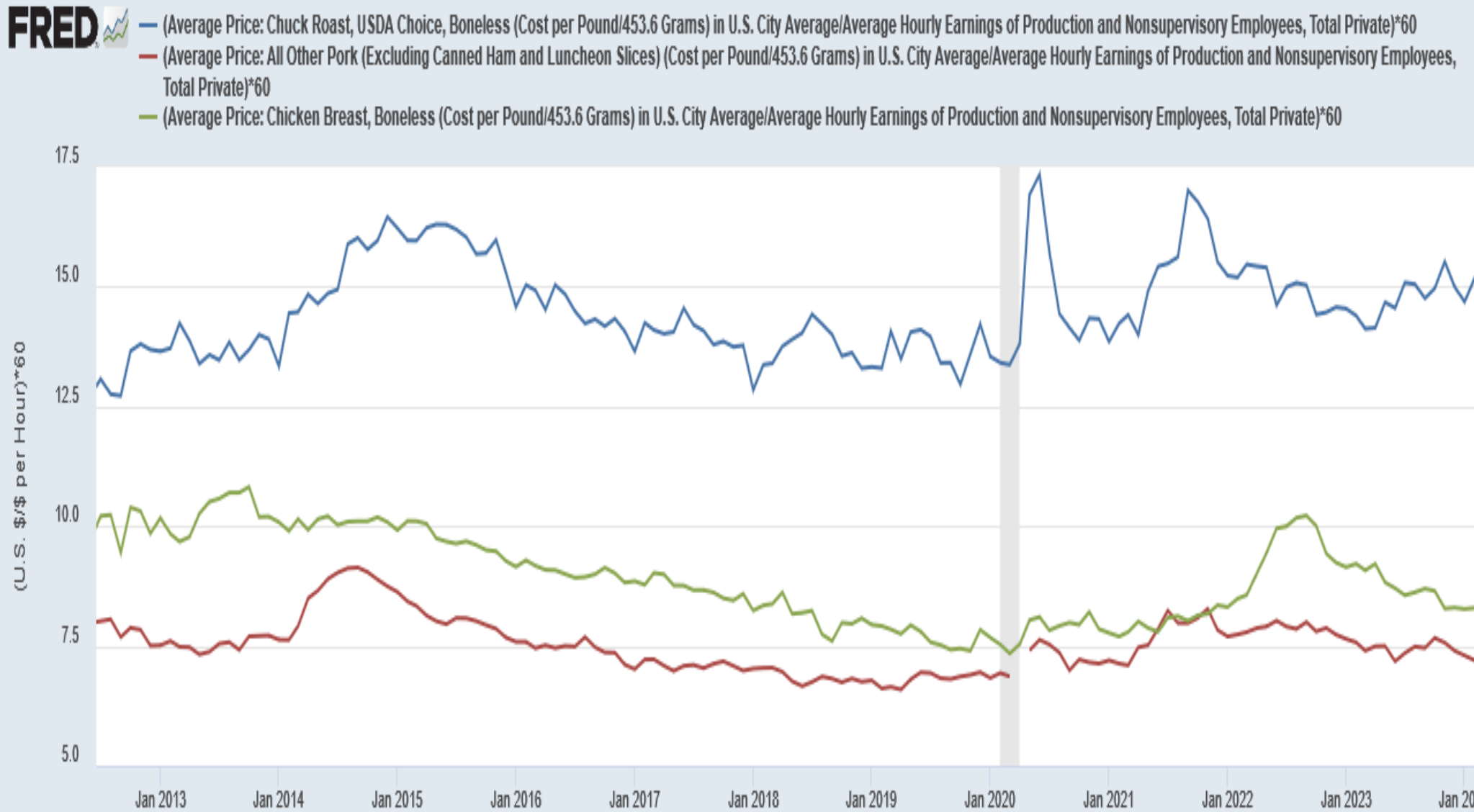


Data source: U.S. Energy Information Administration, [International Energy Statistics](#)

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Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

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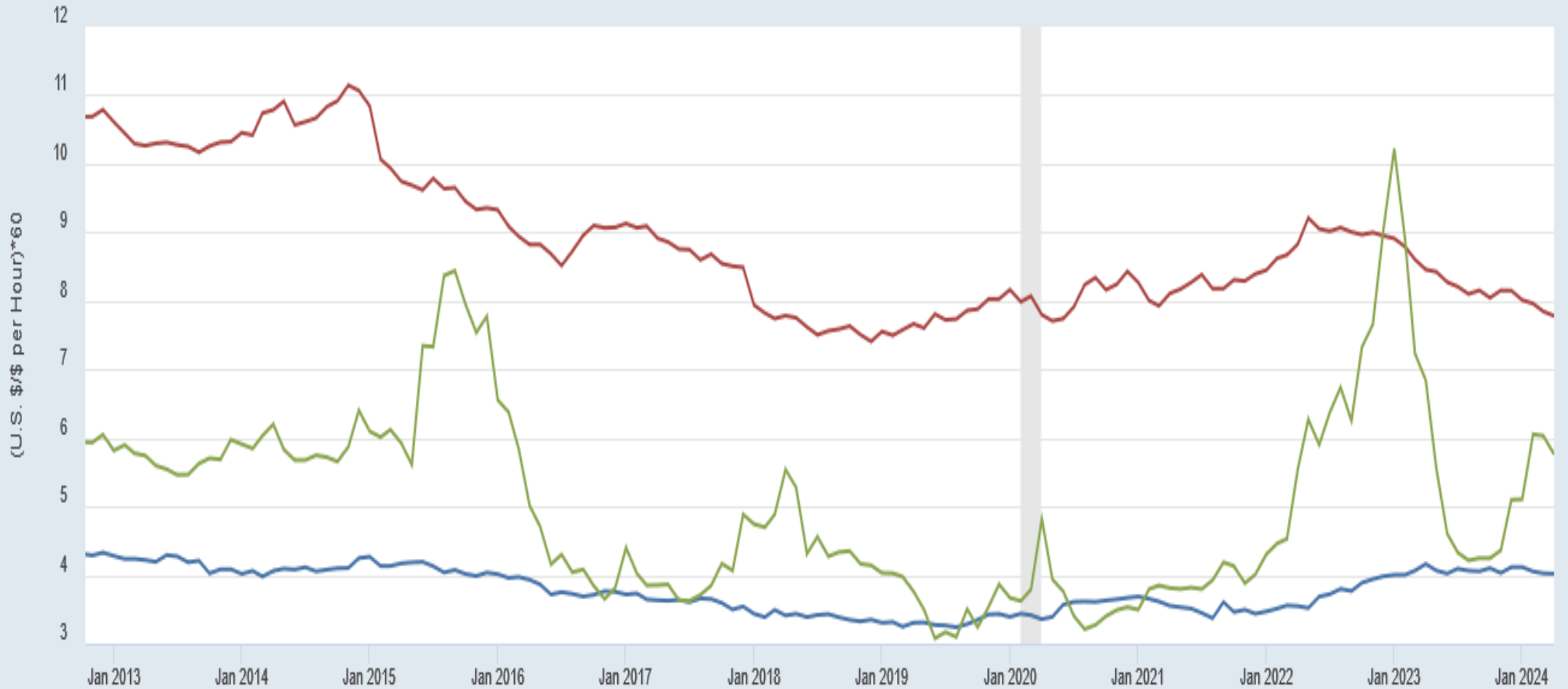
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- (Average Price: Bread, White, Pan (Cost per Pound/453.6 Grams) in U.S. City Average/Average Hourly Earnings of Production and Nonsupervisory Employees, Total Private)*60
- (Average Price: Milk, Fresh, Whole, Fortified (Cost per Gallon/3.8 Liters)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

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Consumer packaged goods inflation has returned to pre-pandemic levels

Average annual unit price change (%)

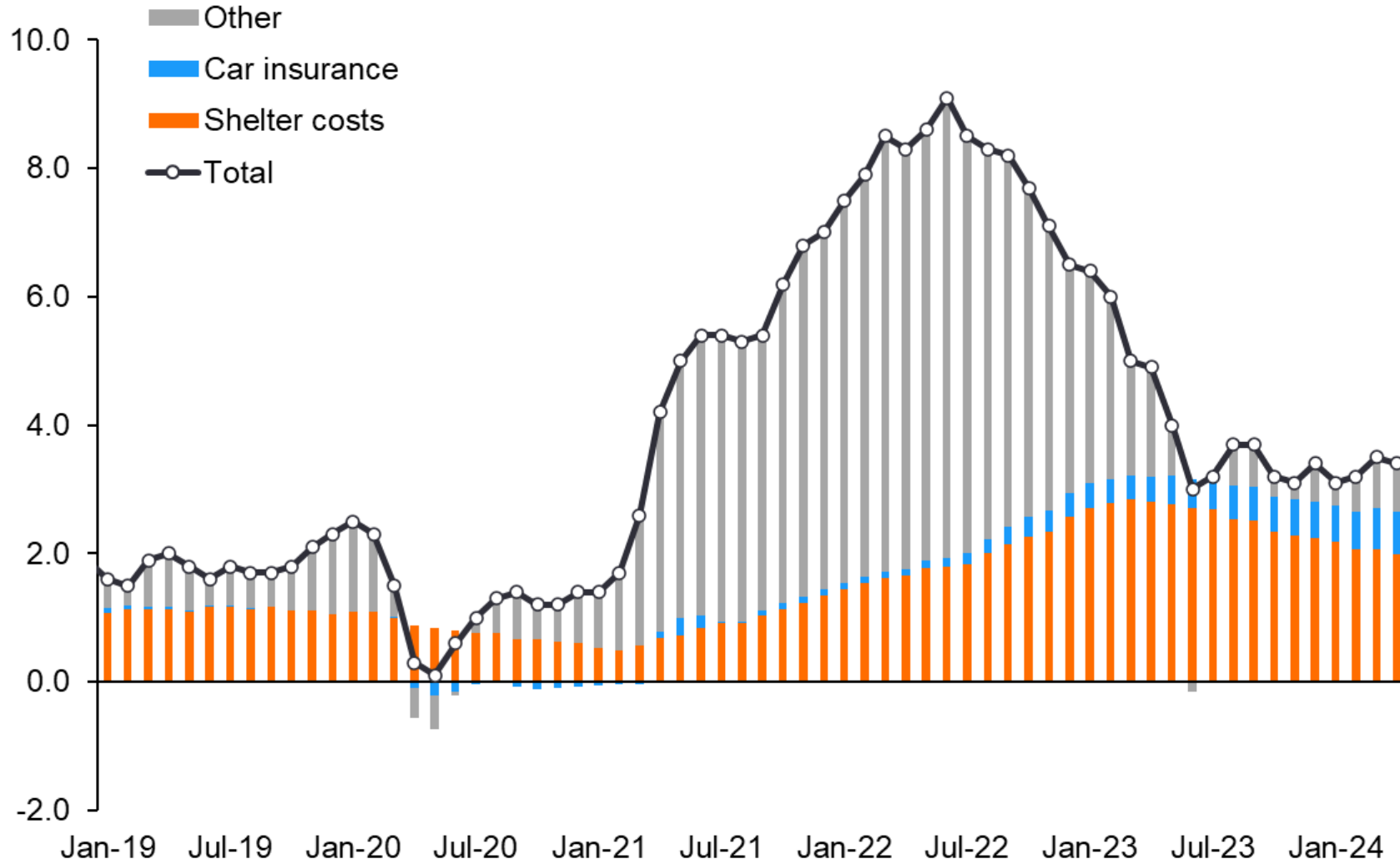


Source: NIQ

© FT

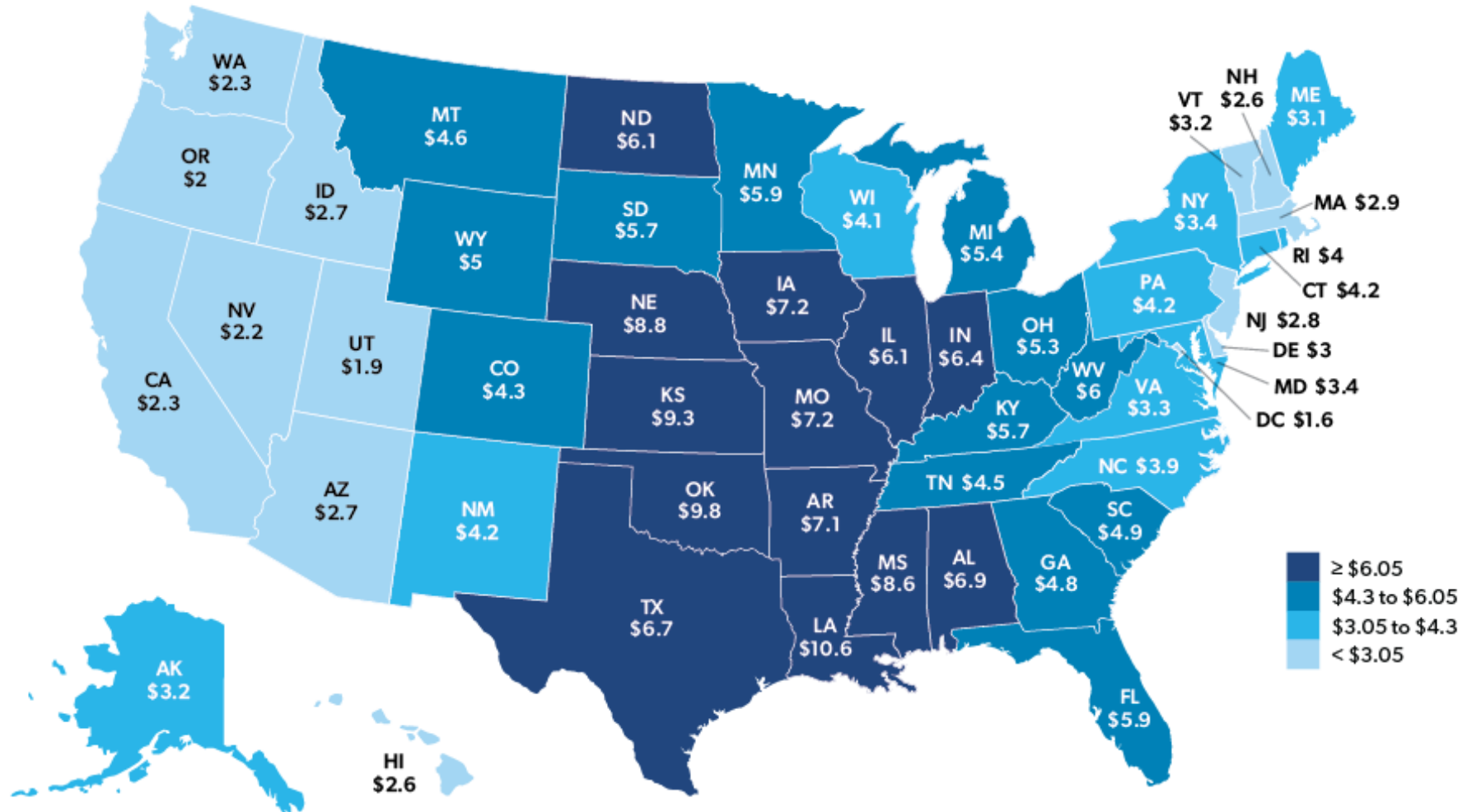
Year-over-year percent change in consumer price index (CPI)

January 2020 - April 2024



Source: BLS; EY-Parthenon

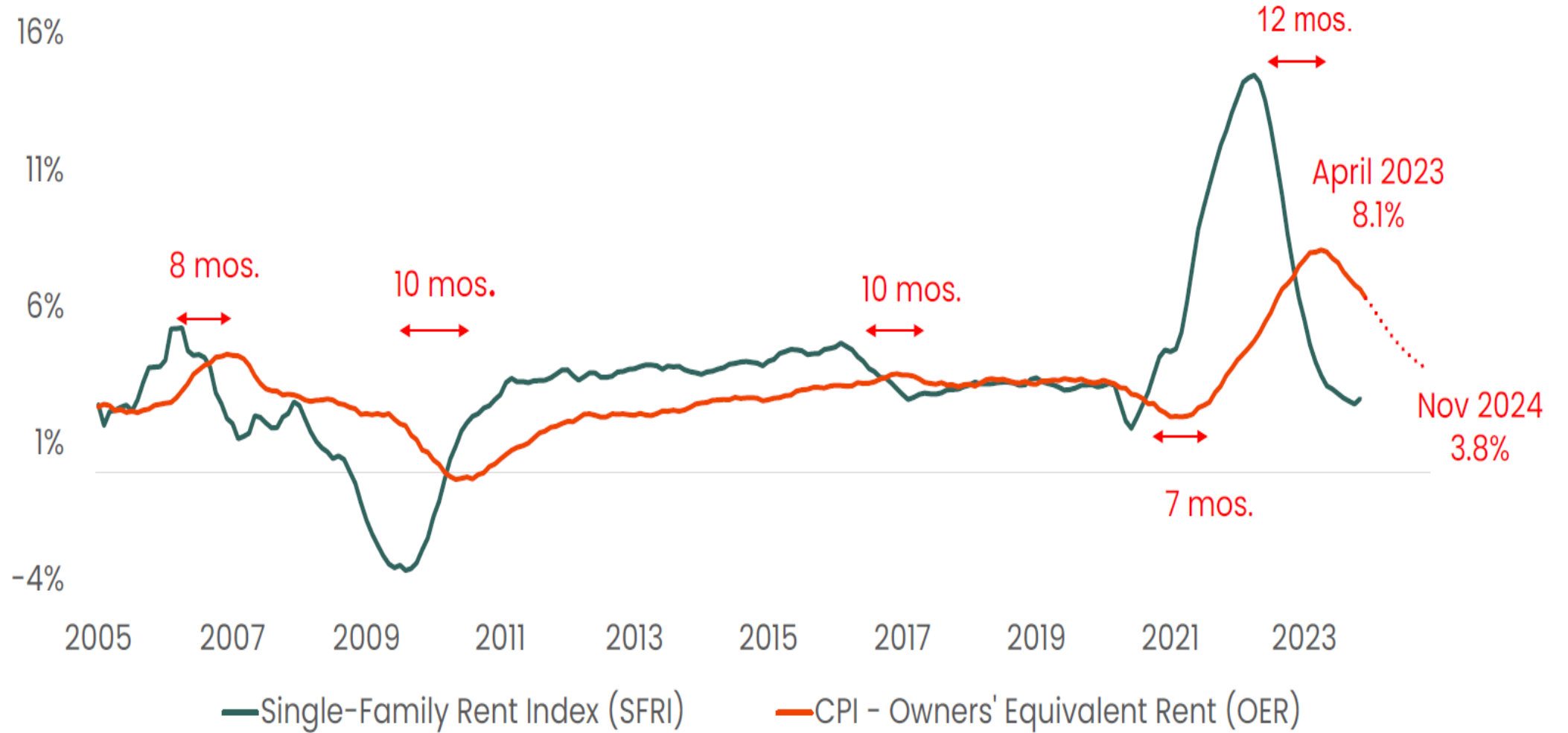
2023 effective HO insurance rate



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)

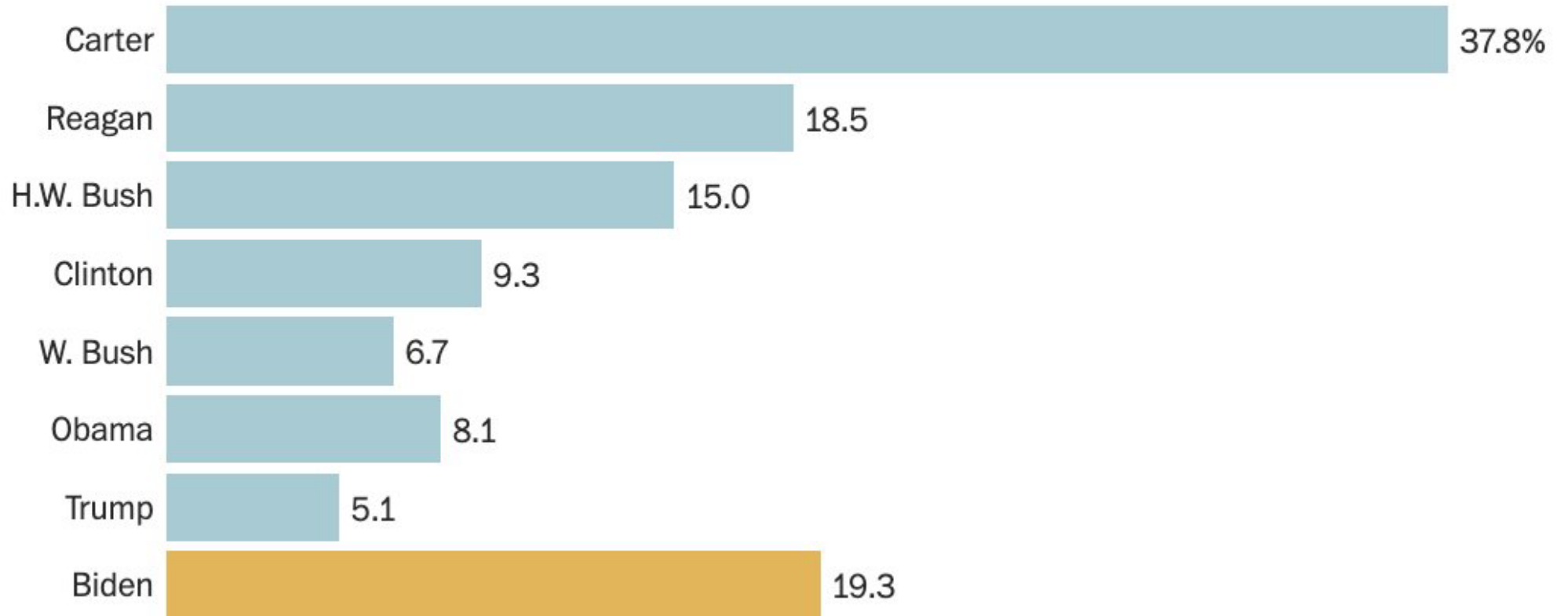


Source: BLS Consumer Price Index (CPI), CoreLogic Single-Family Rent Index (SFRI January 2024)



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.



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

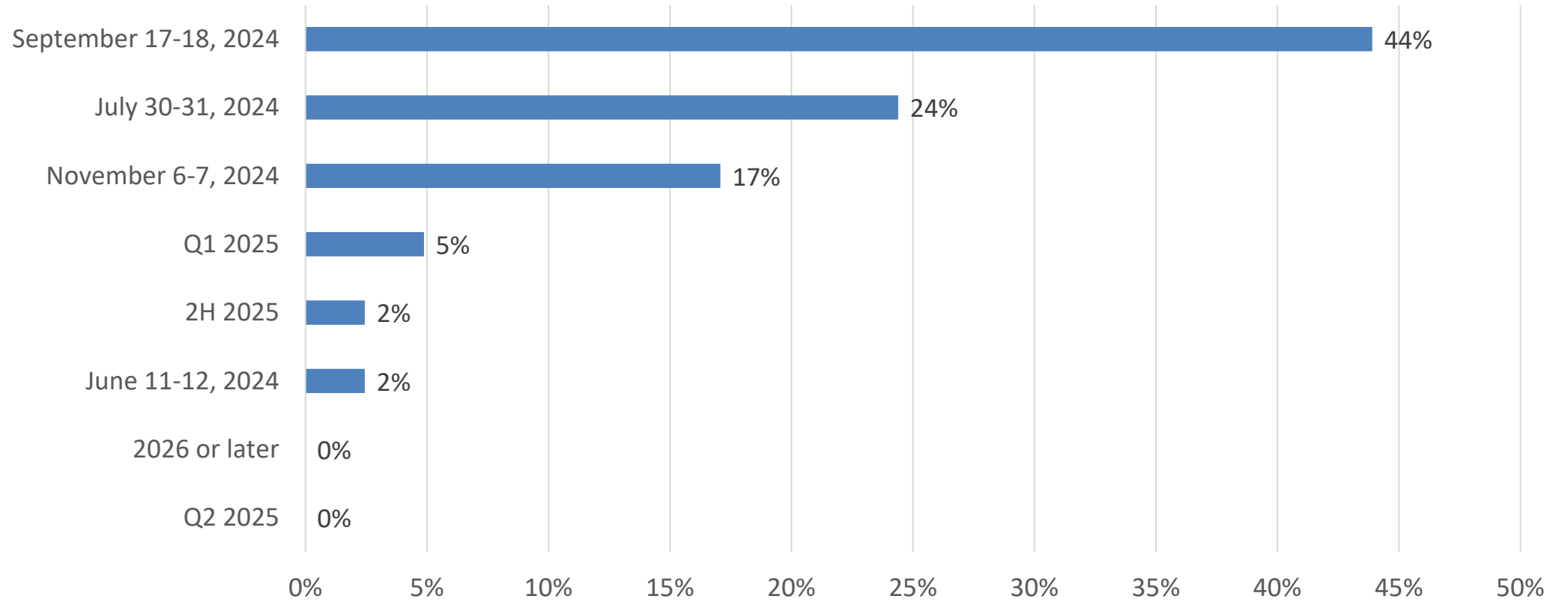


Shaded areas indicate U.S. recessions.

Sources: Board of Governors; FHLMC

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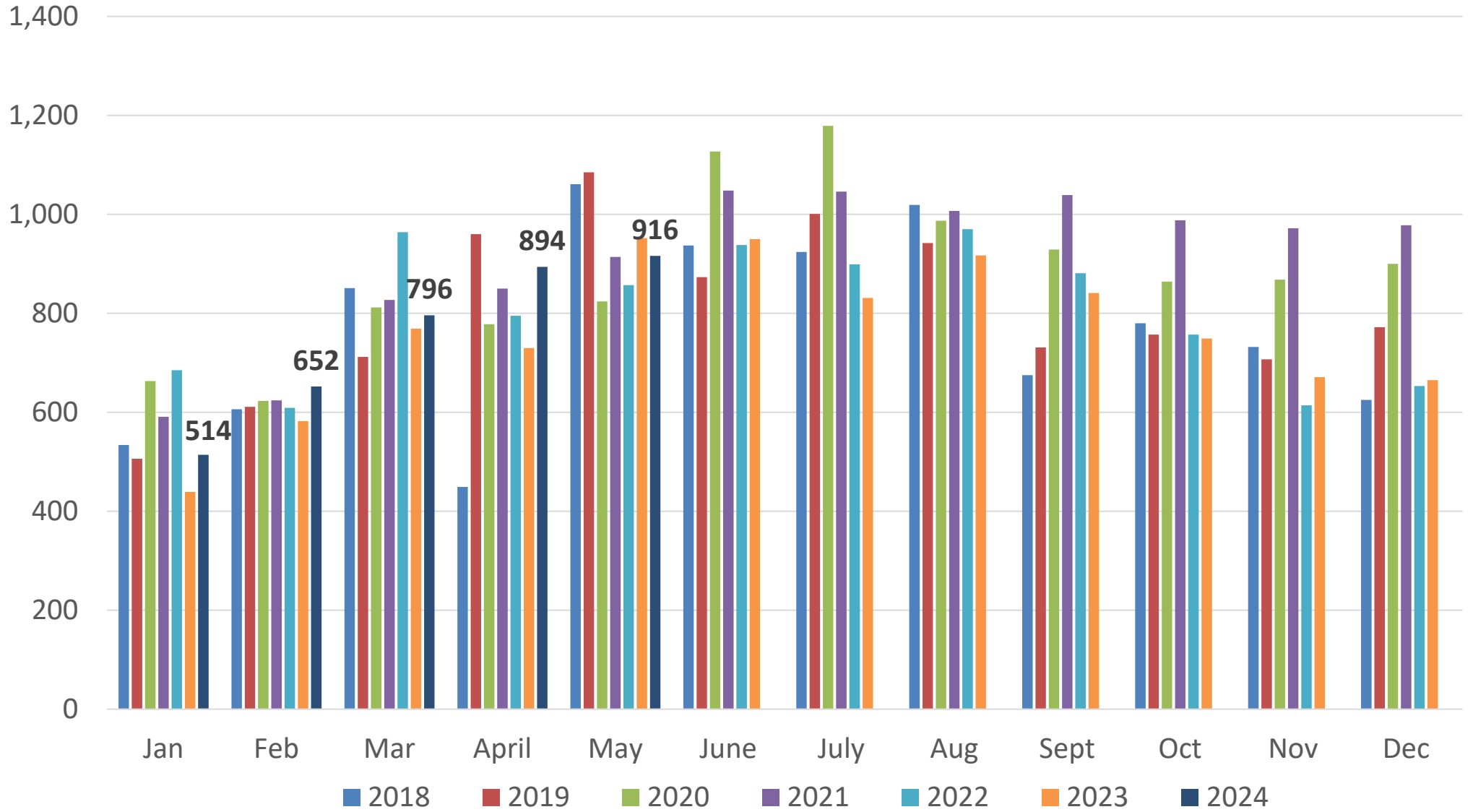
When do you expect the Fed will begin cutting interest rates?



Source: National Association for Business Economics May Outlook Survey



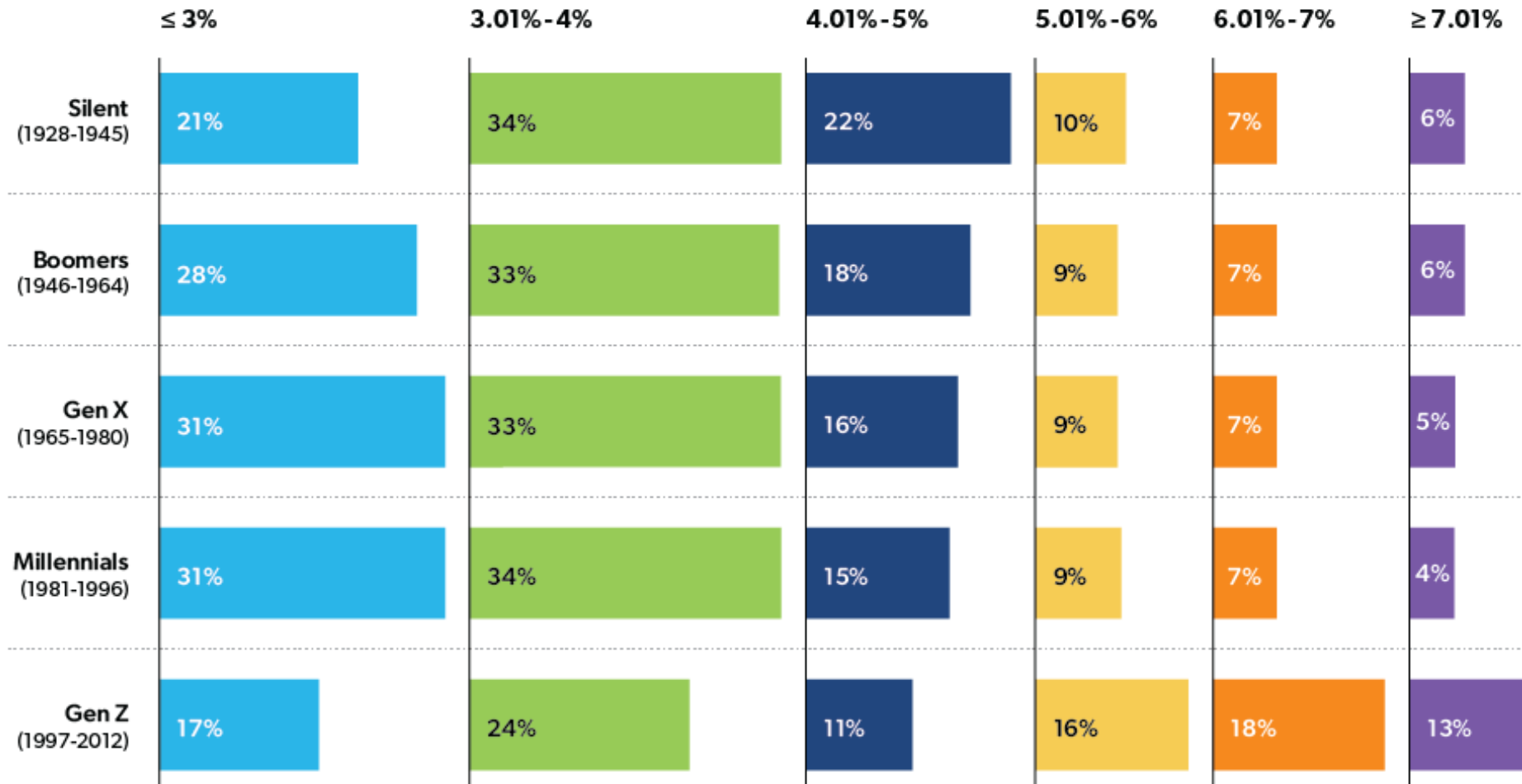
NWA Number of Houses Sold



Source: Skyline Report, MLS Database

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



Note: Based on all active loans originated since 1990, active as of January 2024.

Source: Freddie Mac calculations using NMDB

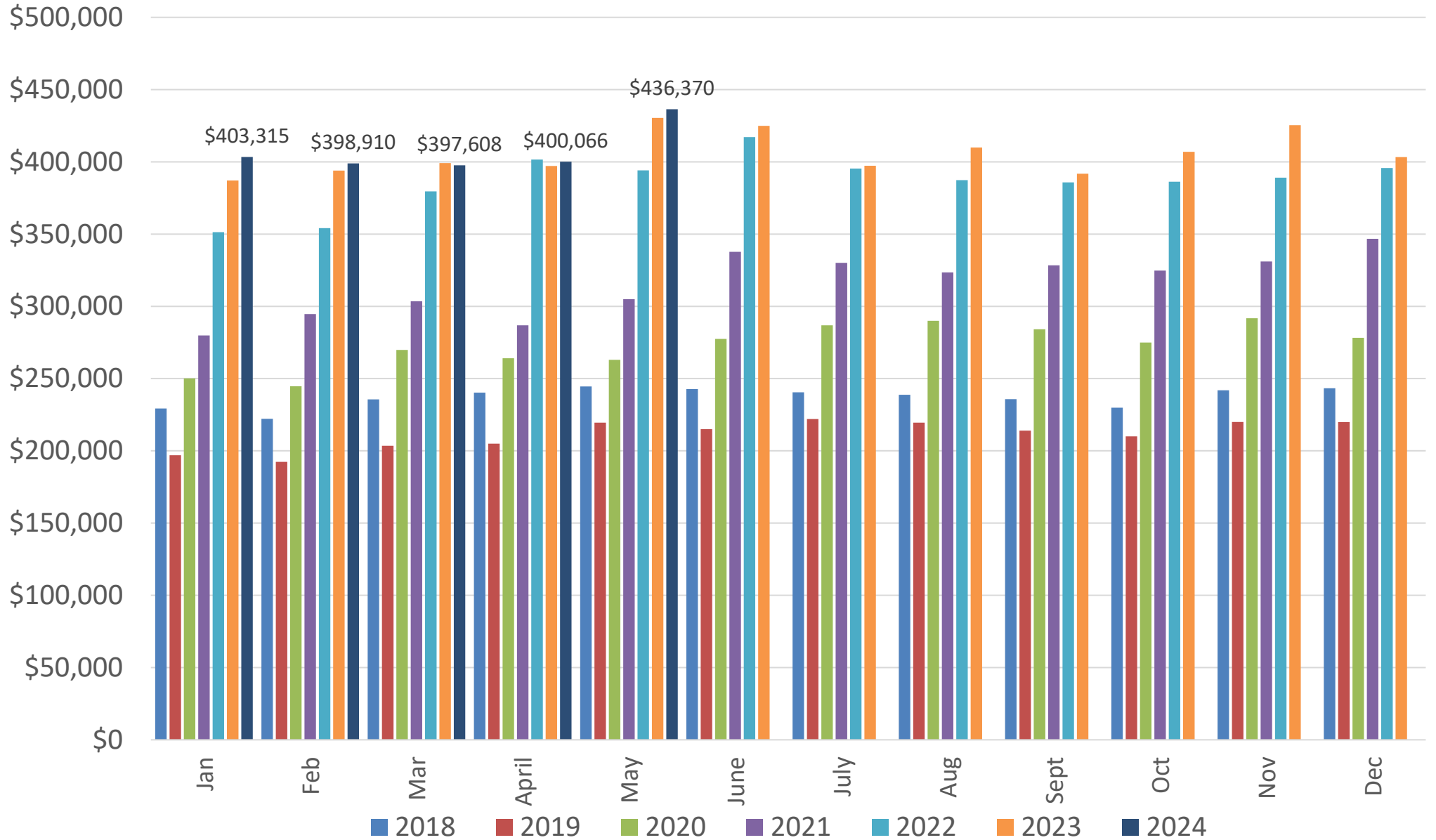
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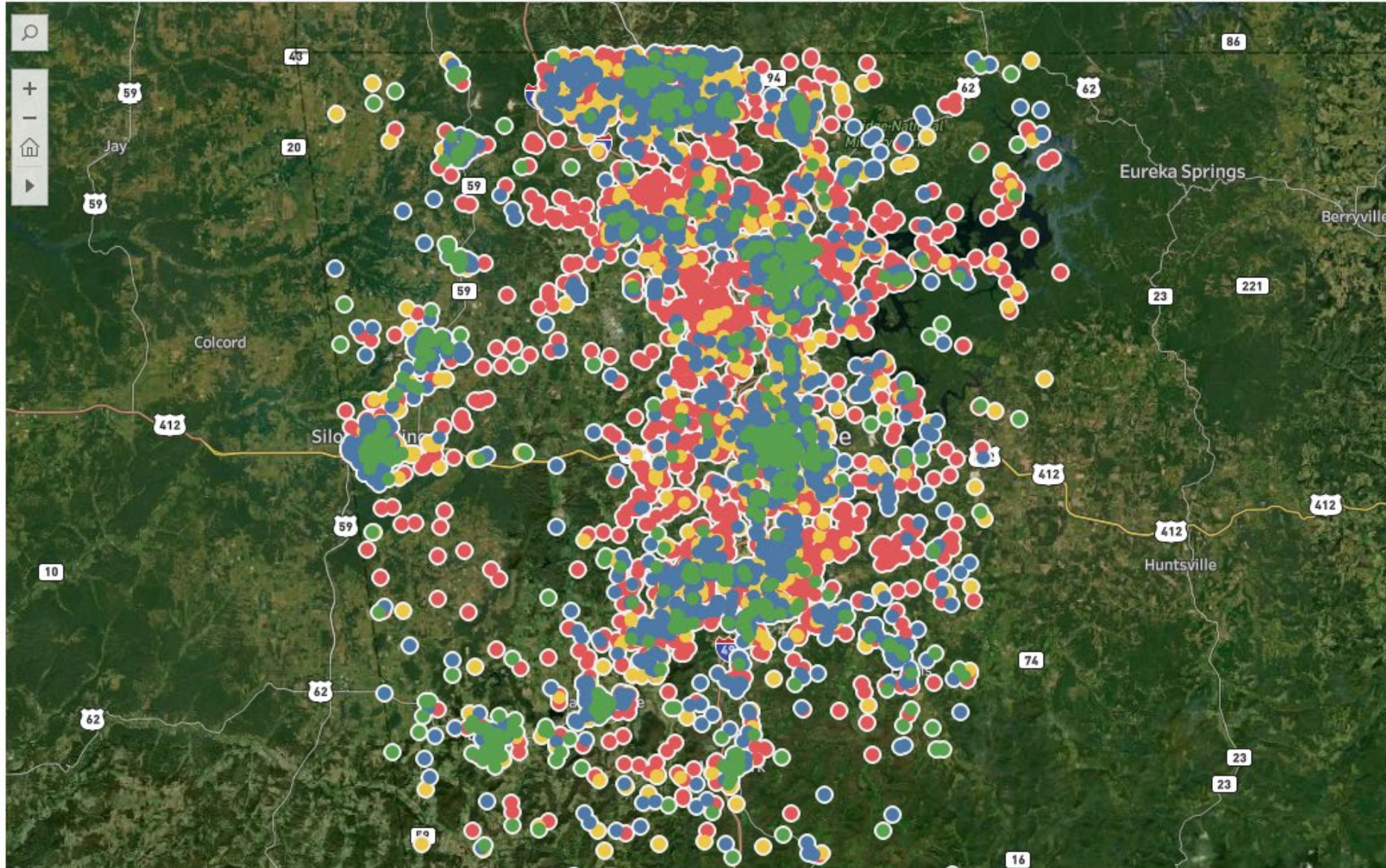
NWA Average Home Prices



Source: Skyline Report, MLS Database

NWA Single-Family Housing Map

<https://cber.uark.edu/housing-data/>



Owner Non-Owner Occupied
(All)

School District
(All)

City
(All)

County Name
(All)

Home Sales by Price Range
(All)

Home Sales by Sq.Ft.
(All)

New Construction
(All)

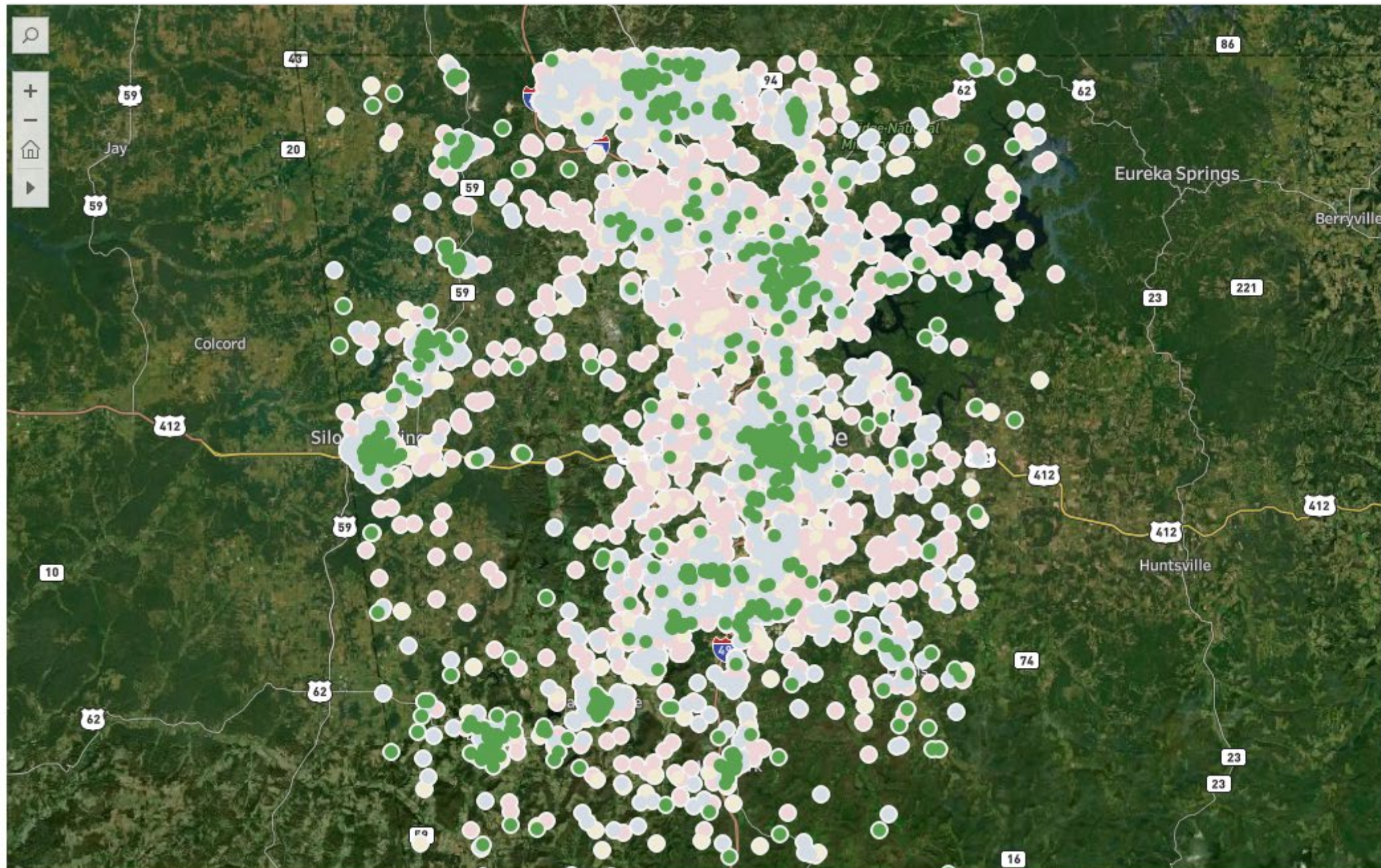
Housing Type
(All)

Home Sales by Affordability

- Affordable for less than ...
- Affordable for 50%-80%...
- Affordable for 80%-100...
- Affordable for greater t...

Geographic Modifier
Show All

NWA Single-Family Housing Map



Owner Non-Owner Occupied

(All) ▼

School District

(All) ▼

City

(All) ▼

County Name

(All) ▼

Home Sales by Price Range

(All) ▼

Home Sales by Sq.Ft.

(All) ▼

New Construction

(All) ▼

Housing Type

(All) ▼

Home Sales by Affordability

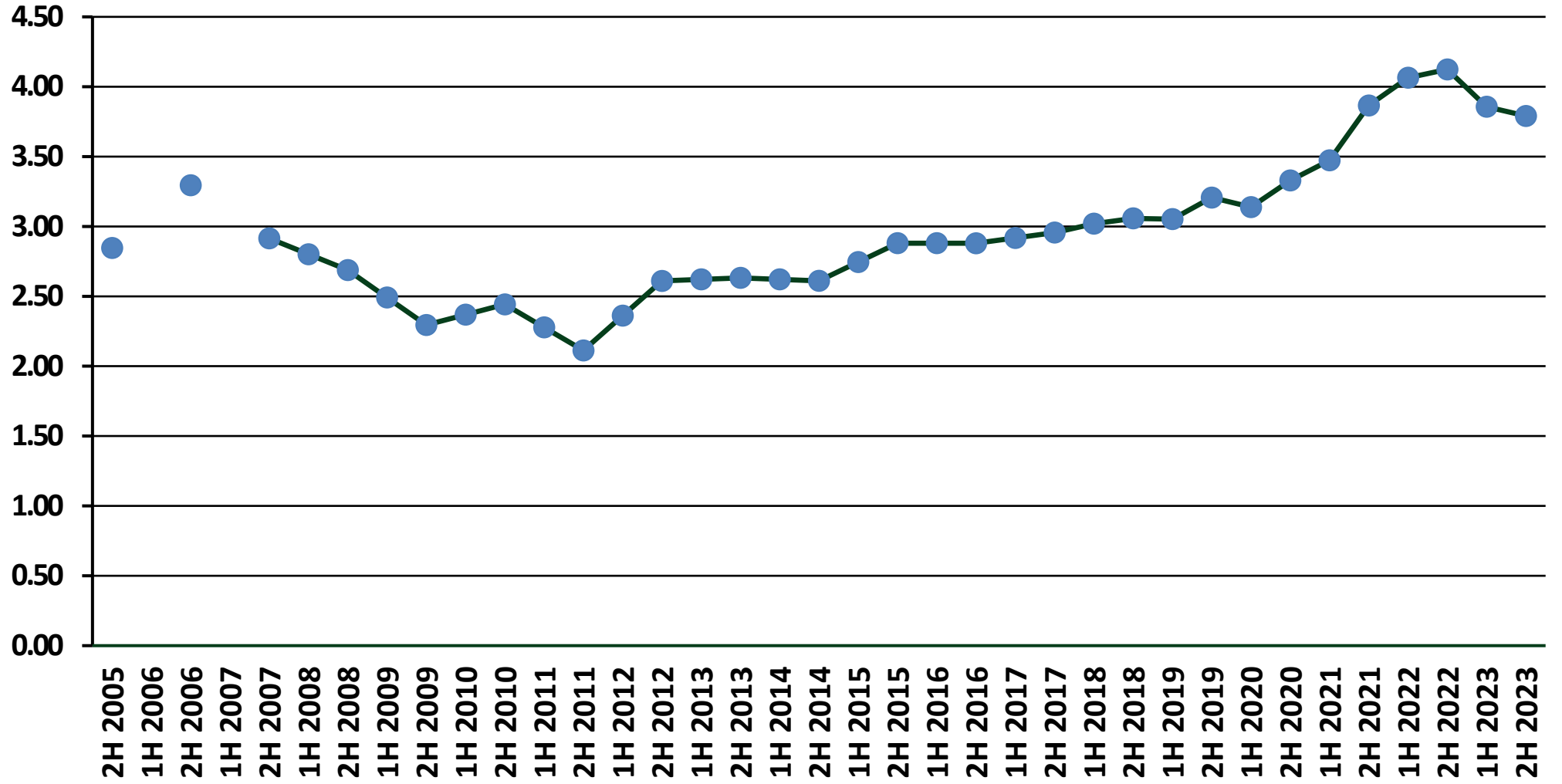
- Affordable for less than ...
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Geographic Modifier

Show All ▼

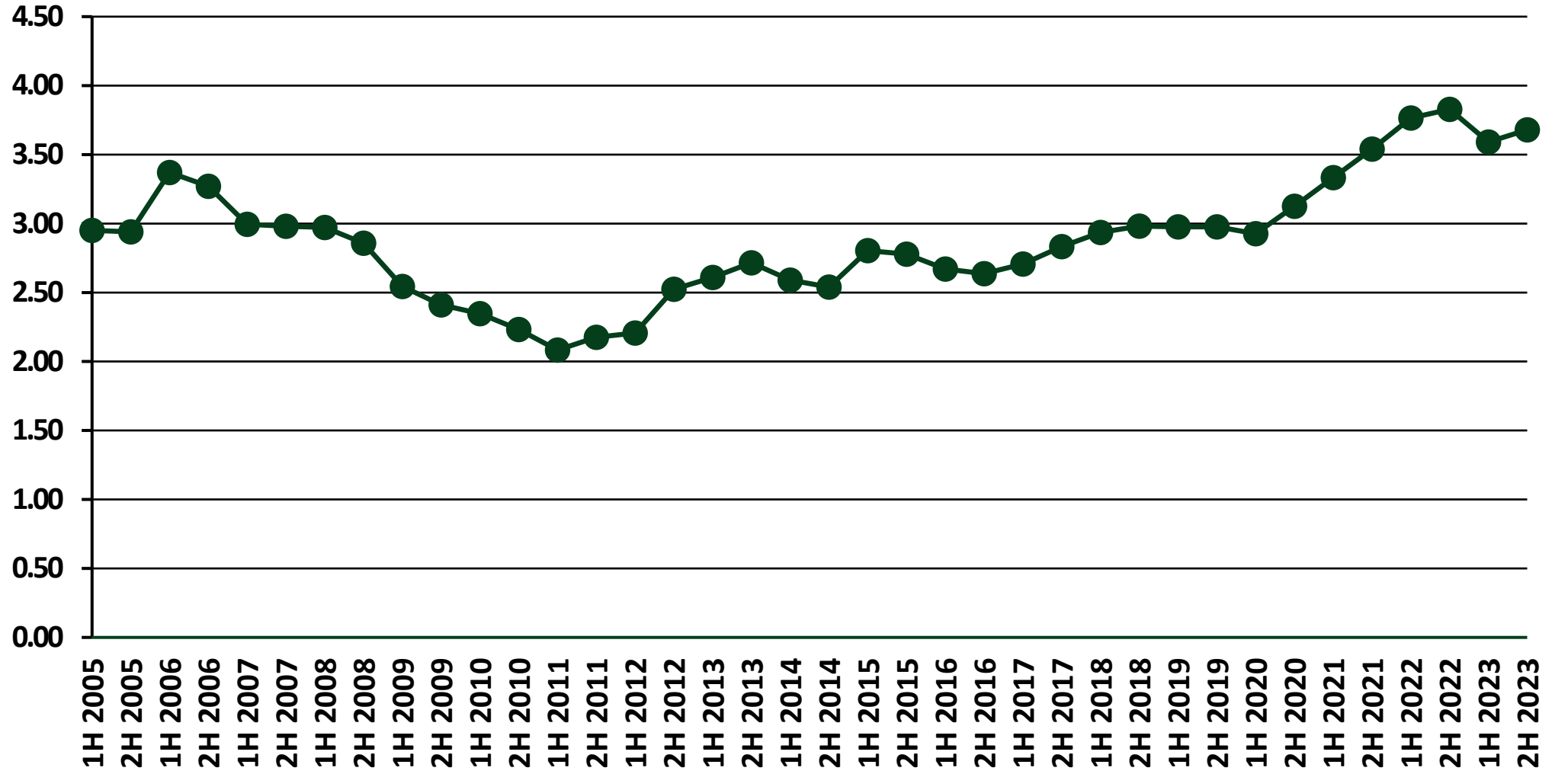


Benton County Housing Median Multiple



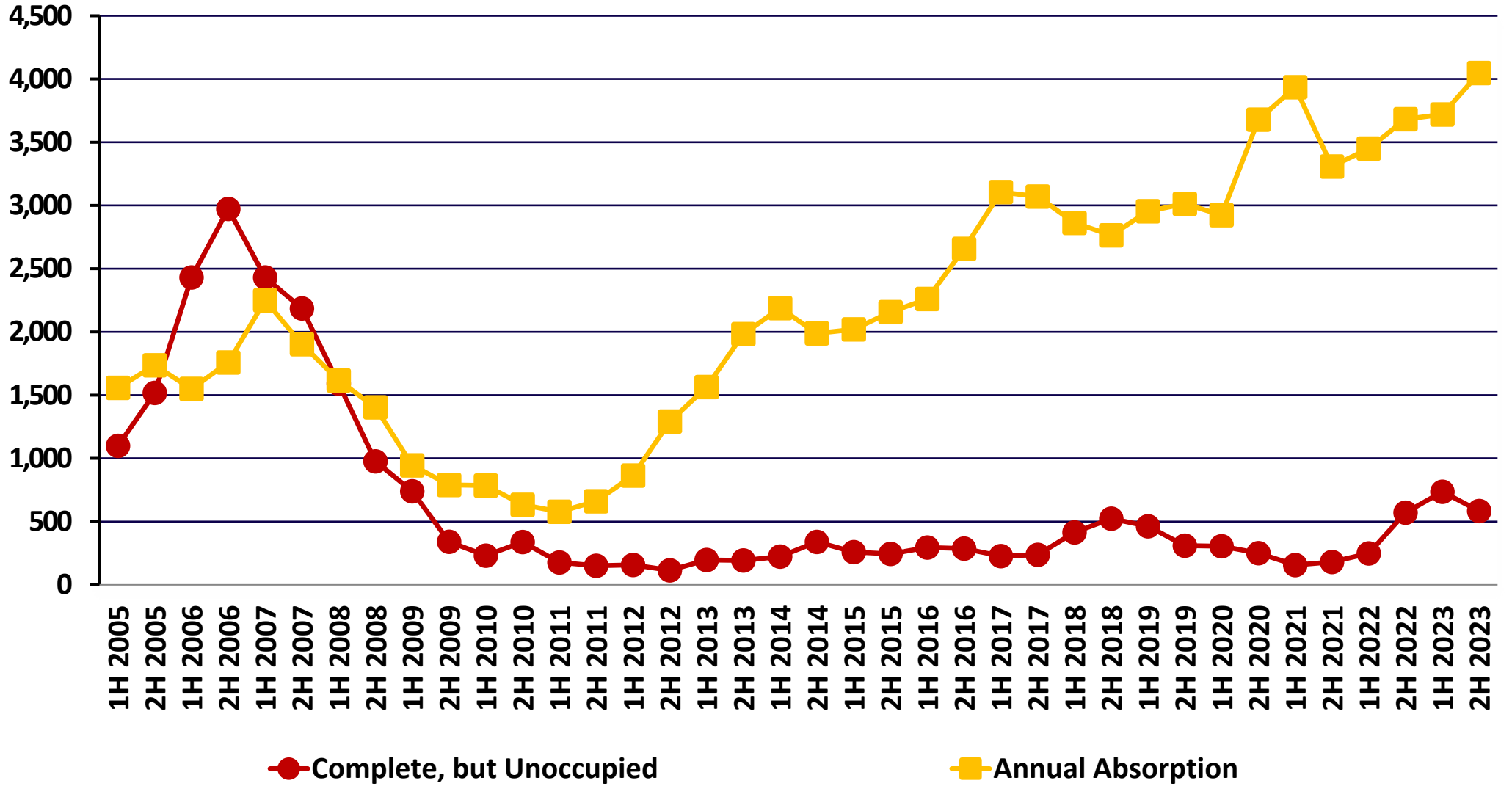


Washington County House Median Multiple

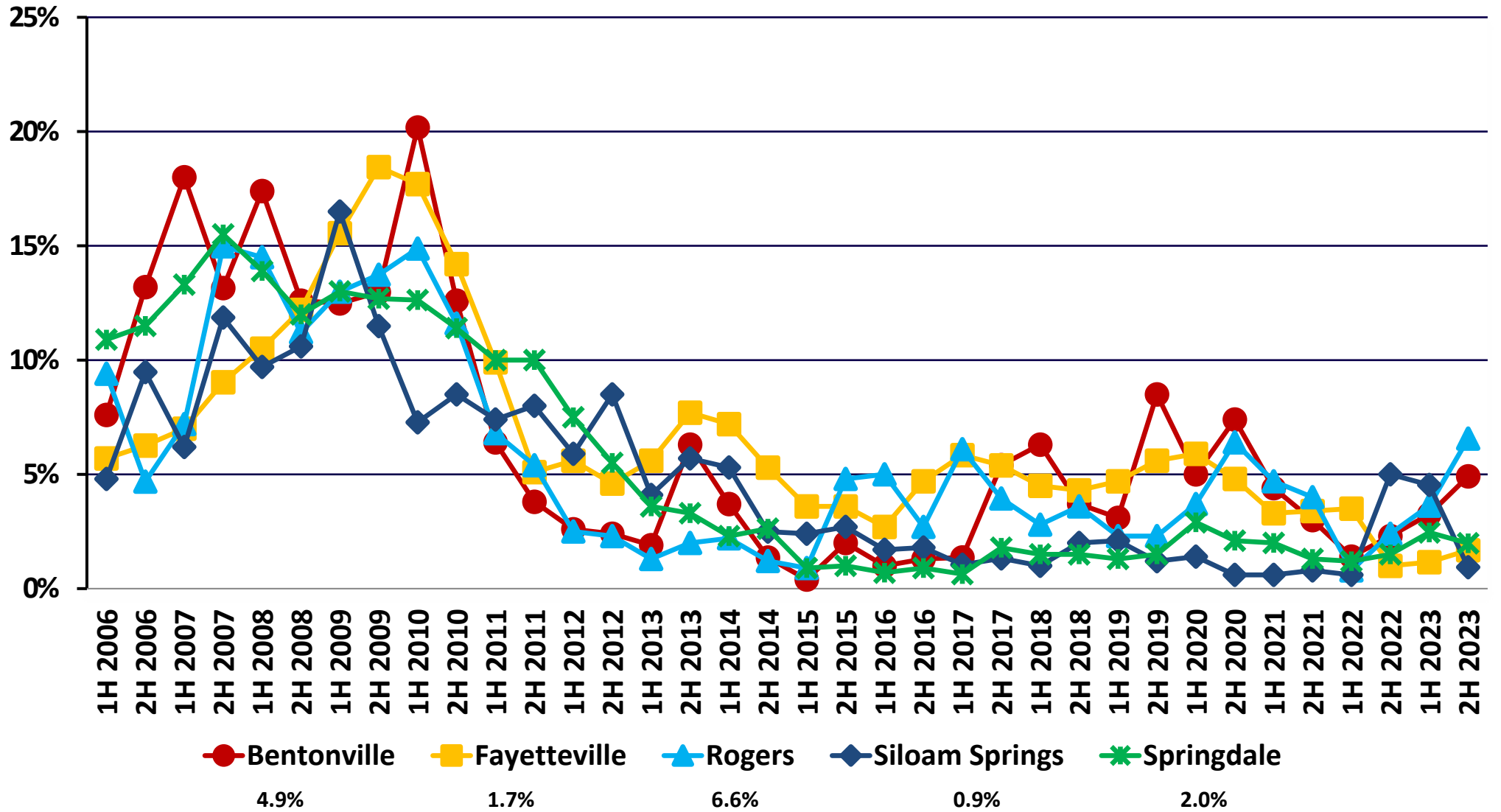




NWA Absorption and Completed Inventory



Selected Cities Multifamily Average Vacancy Rates by City



4.9%

1.7%

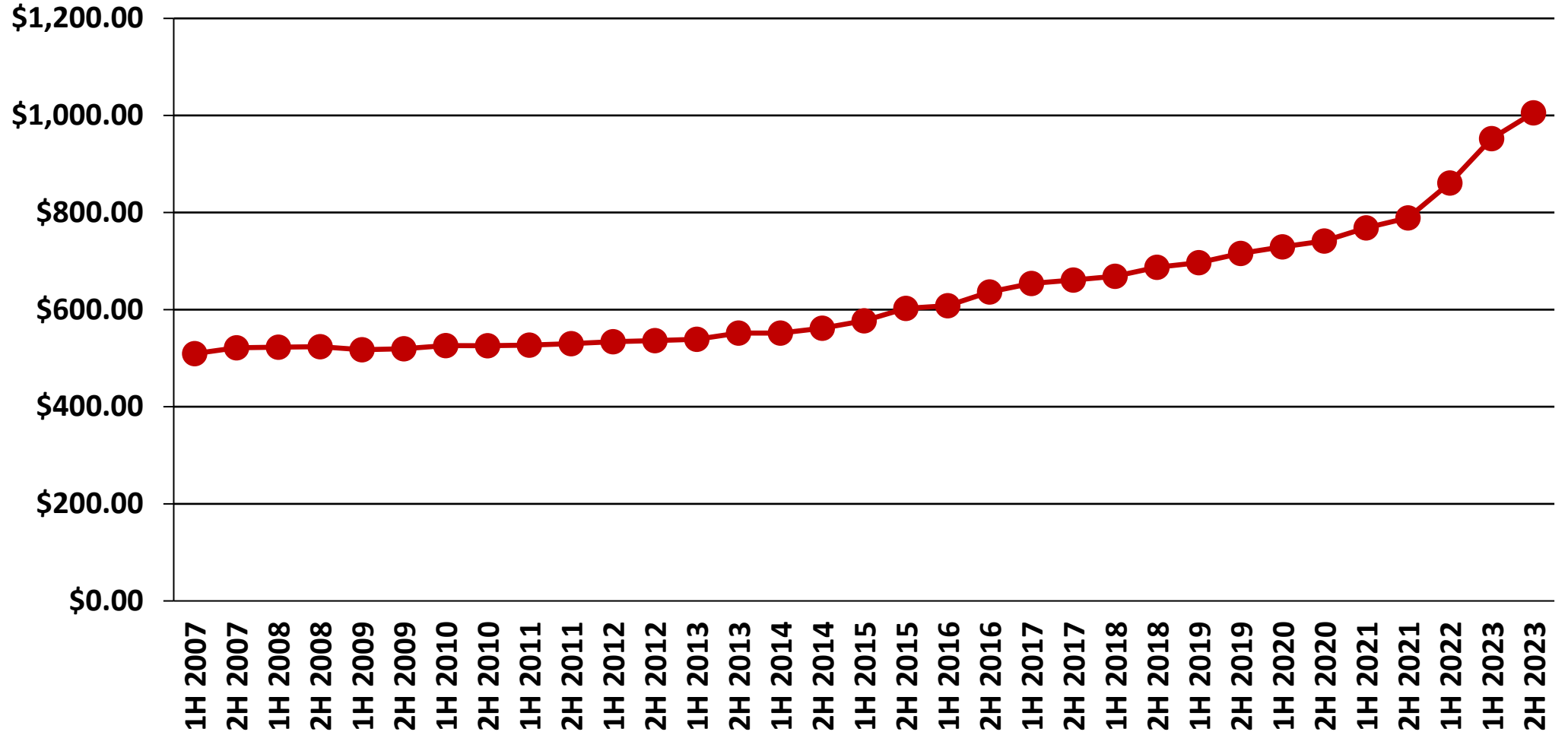
6.6%

0.9%

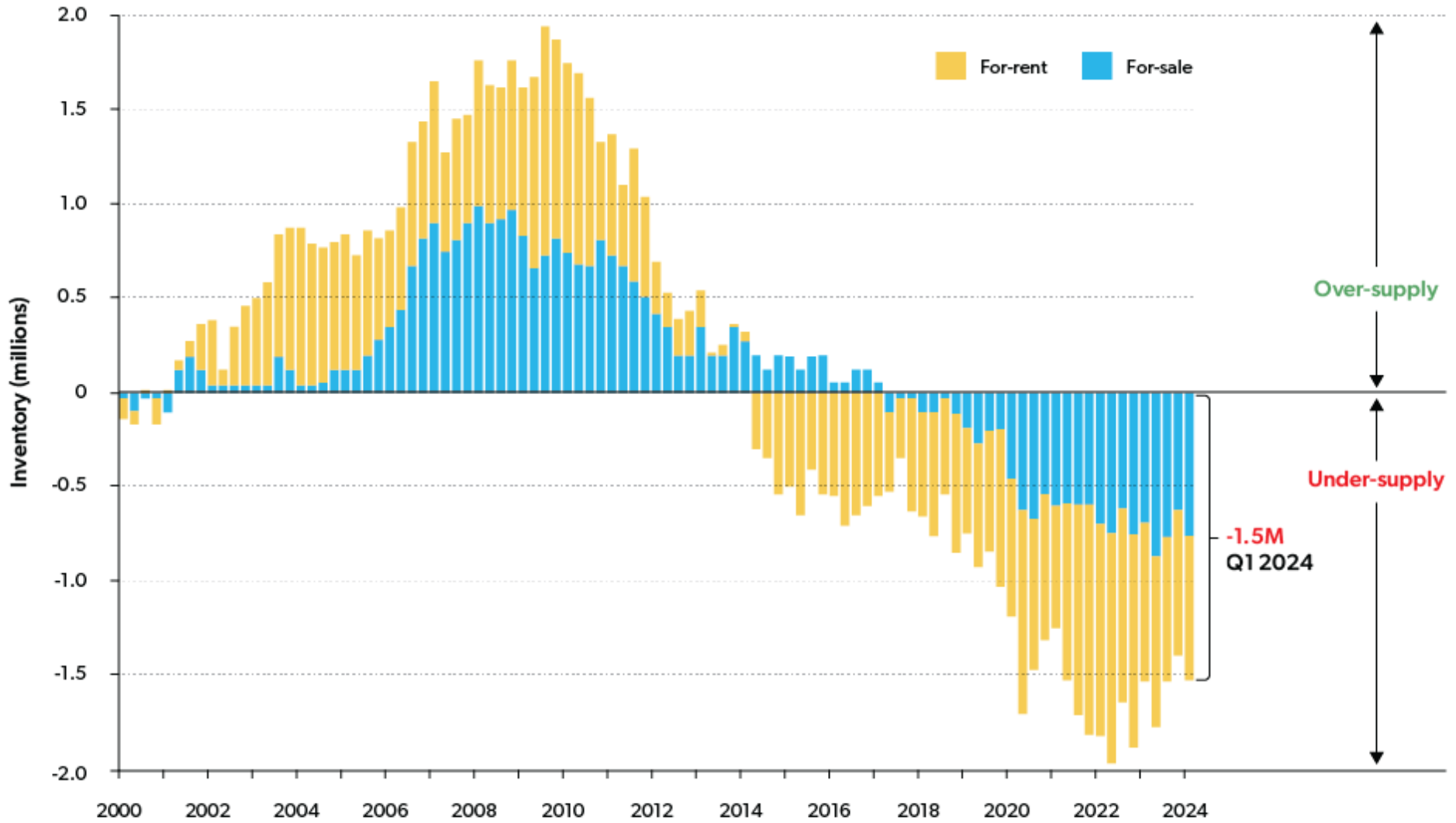
2.0%



Northwest Arkansas Price per Unit



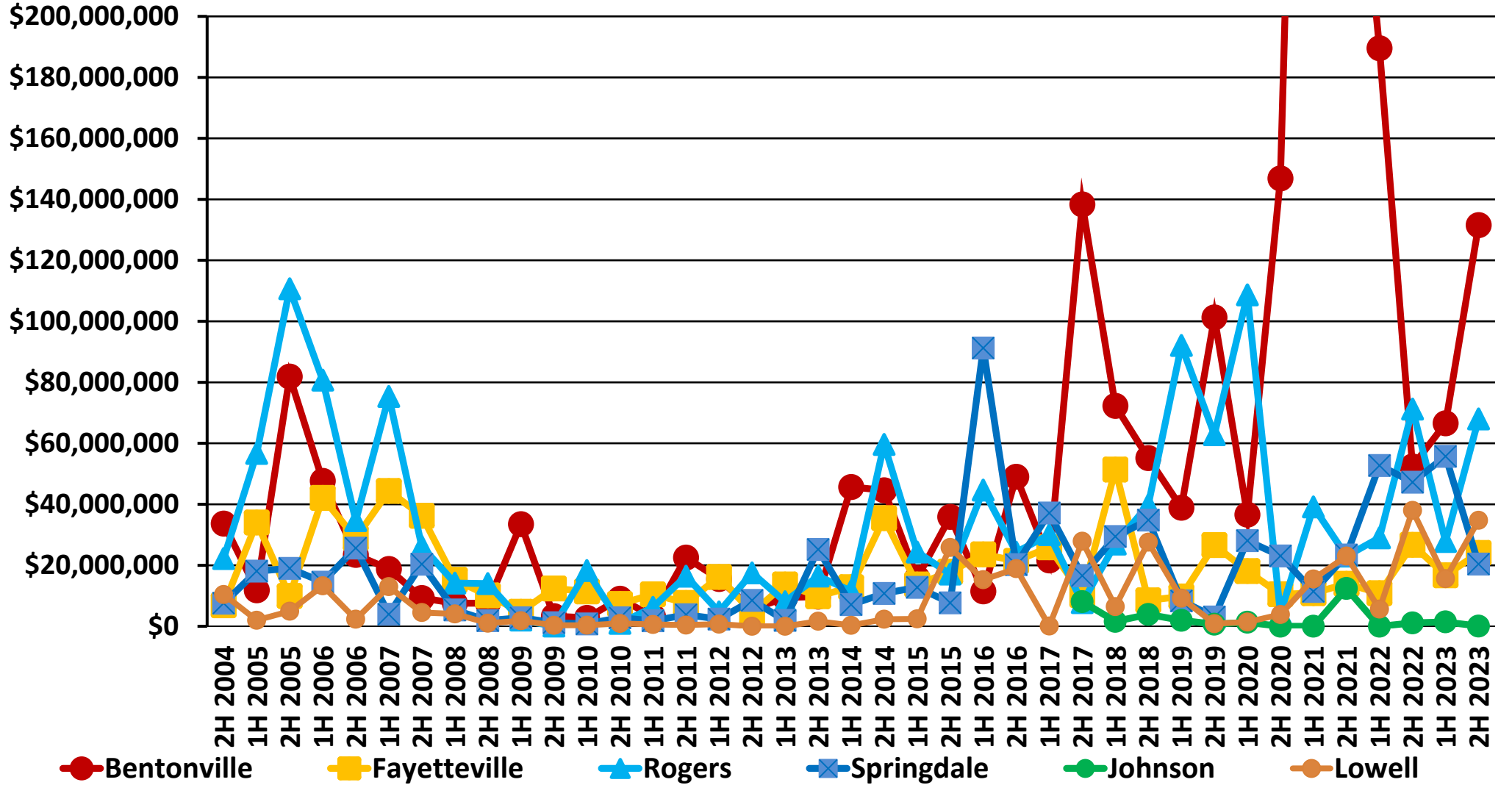
Total for-sale and for-rent vacant housing is 1.5 million units below a balanced market



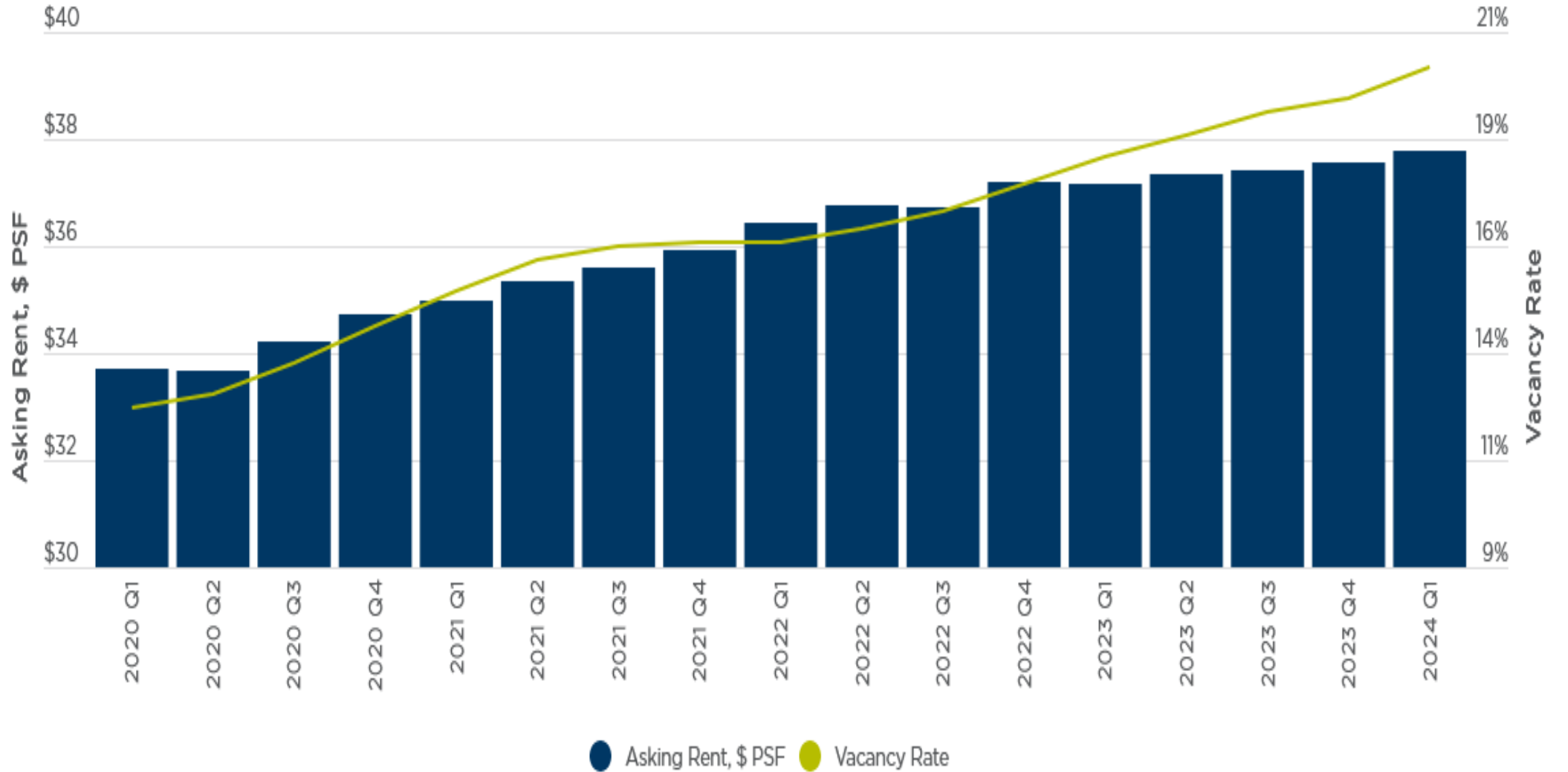
Source: Freddie Mac calculations using U.S. Census Bureau data



Commercial Building Permit Values



OVERALL VACANCY AND ASKING RENT



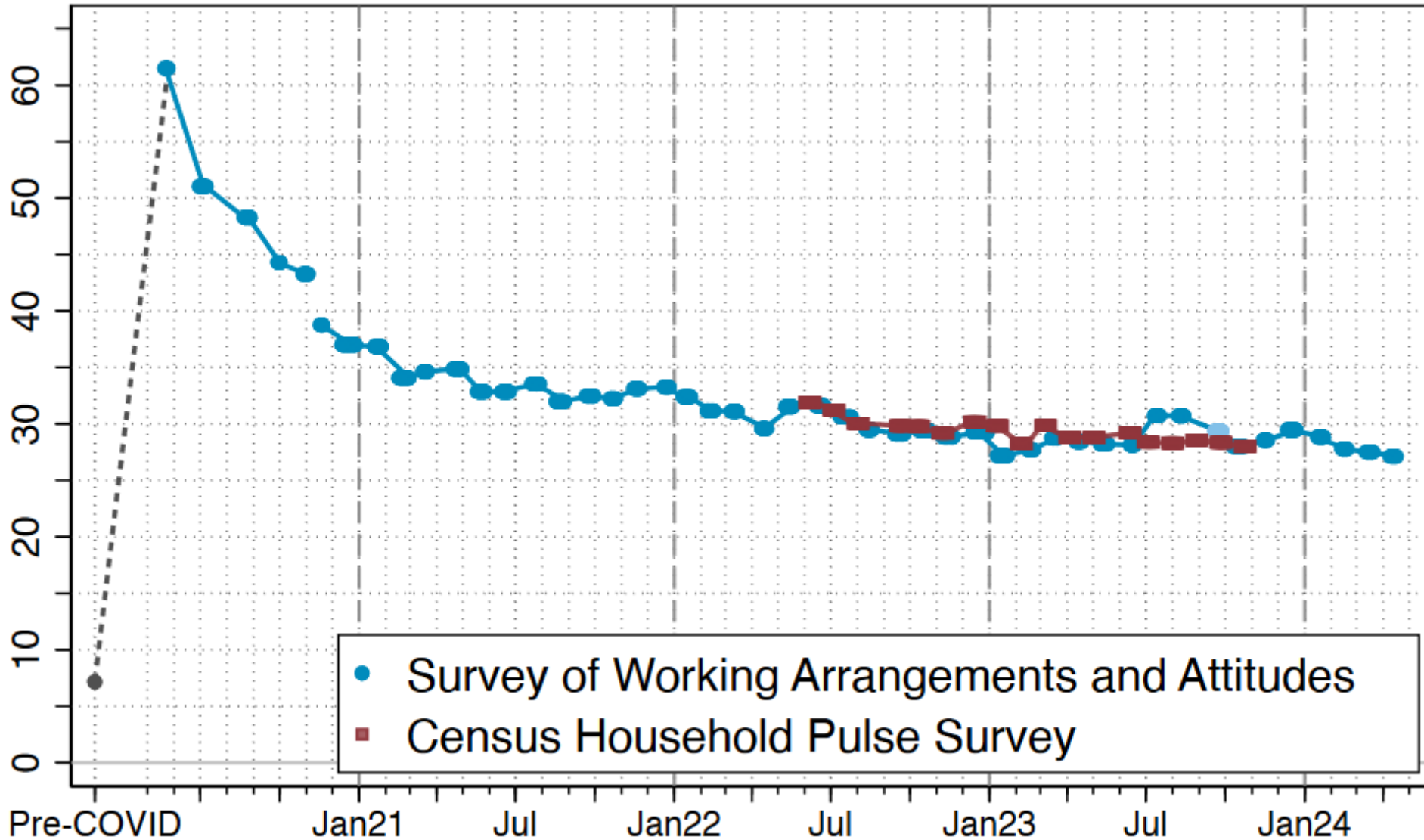
Source: Cushman & Wakefield Research

Are We Facing a Doom
Loop in Commercial
Real Estate?



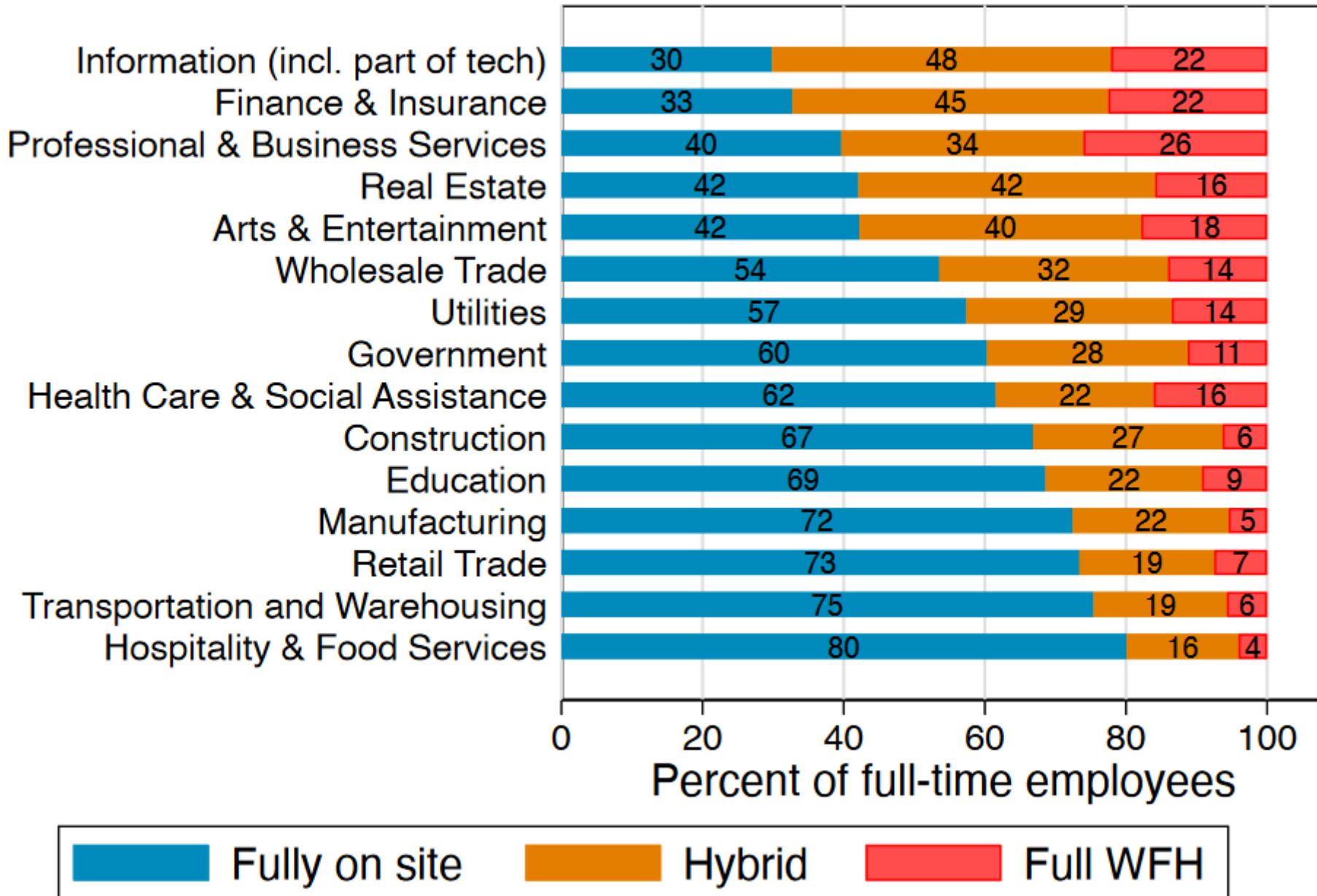


Percentage of paid full days worked from home



*We estimate the pre-COVID rate using the 2019 American Time Use Survey

Working Arrangements by Industry Jan to Apr 2024

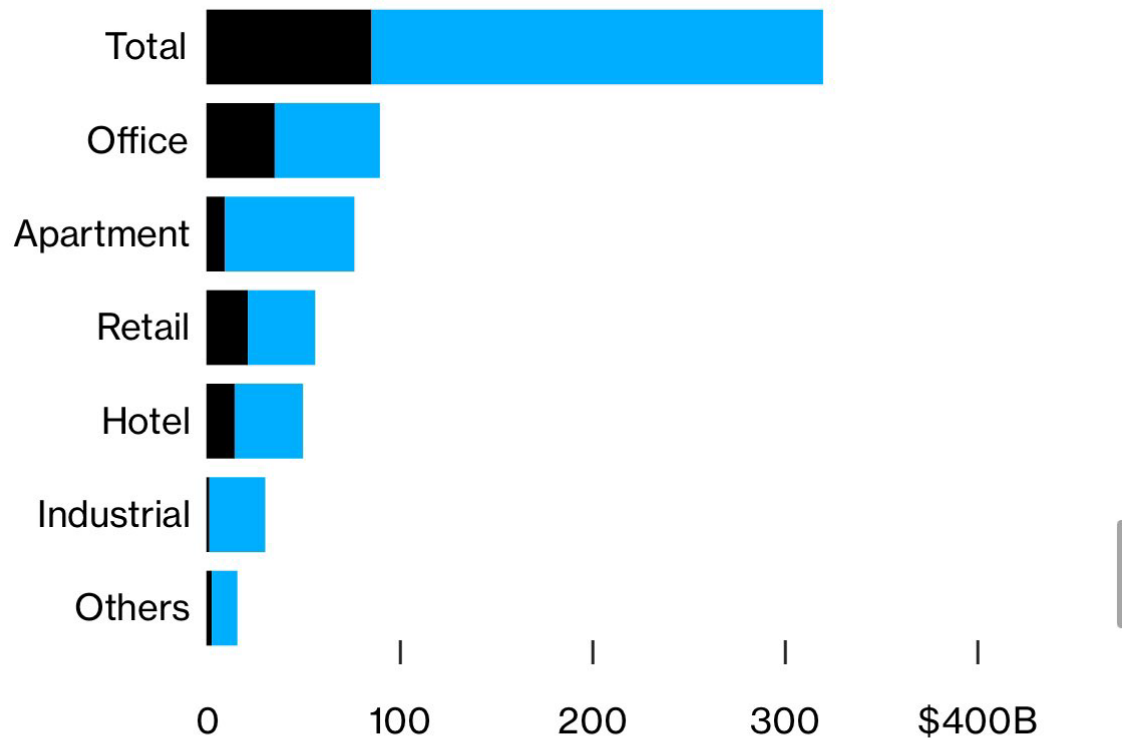




Offices Are the Most Distressed Property Type in the US

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.)



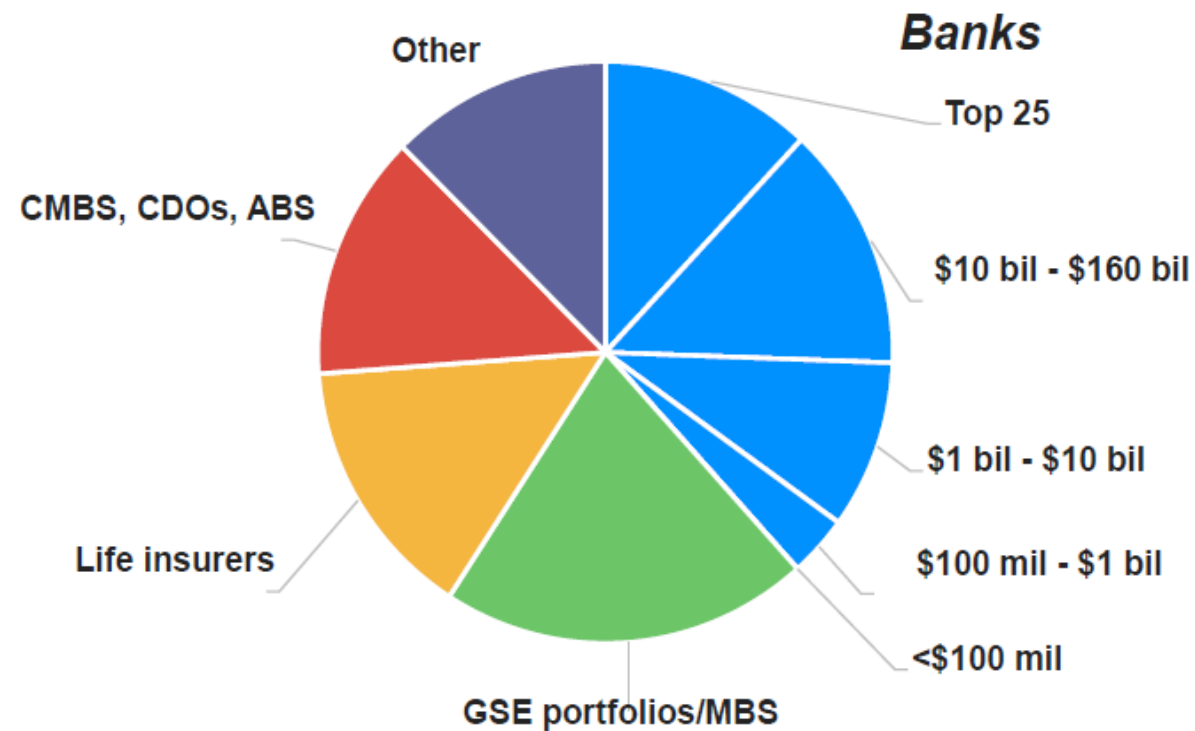
Source: MSCI Real Assets

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

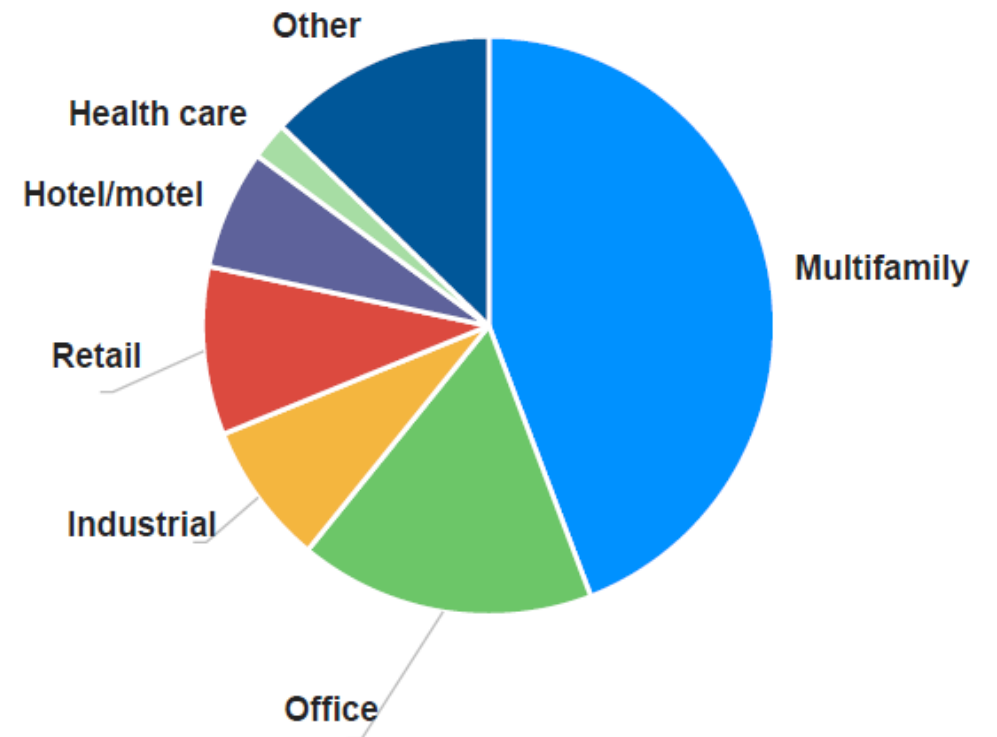
Banks Account For Less Than Half of CRE Loans; Offices 17%

CRE loan exposure, %

By Lender Type



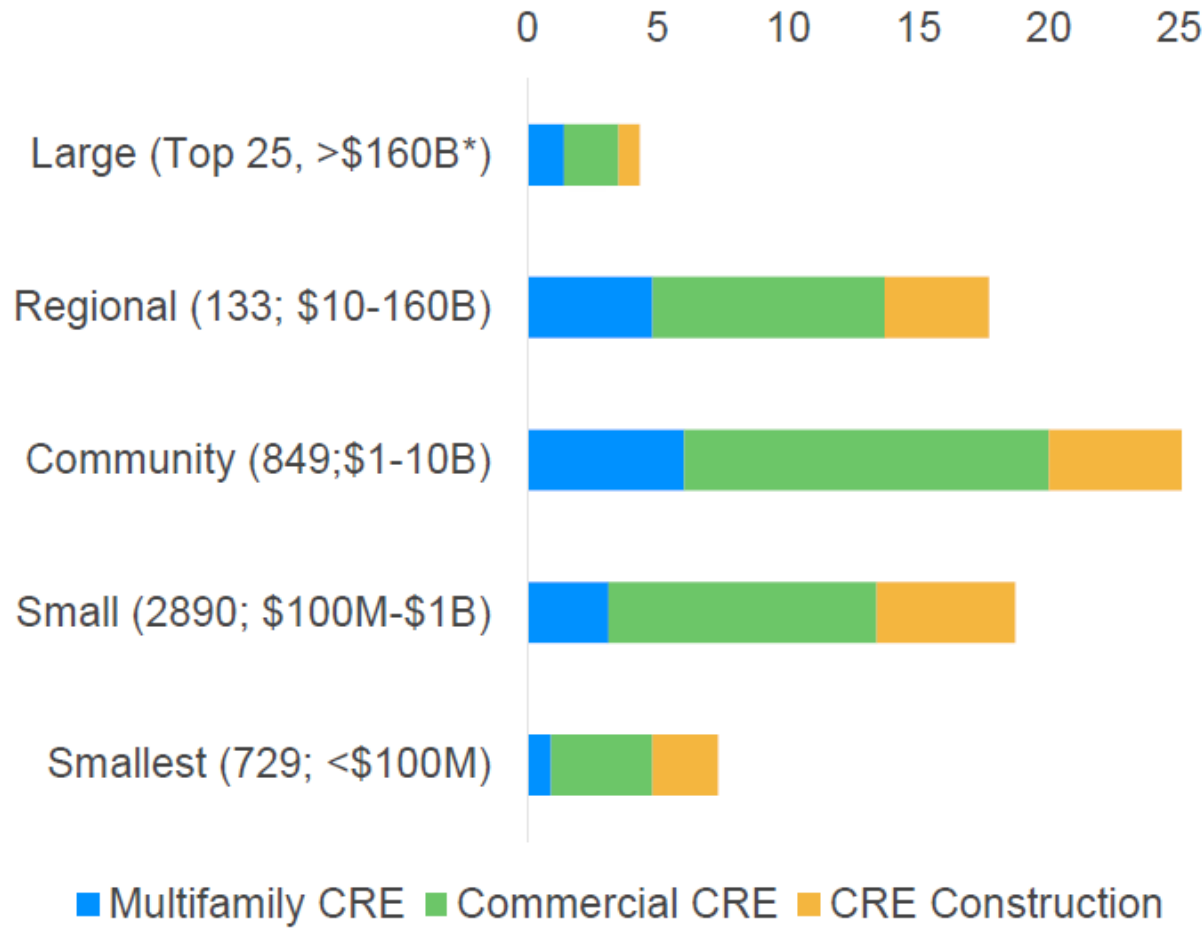
By Property Type



Sources: FDIC, MBA, Moody's Analytics

Smaller Banks More Exposed As CRE Debt Comes Due

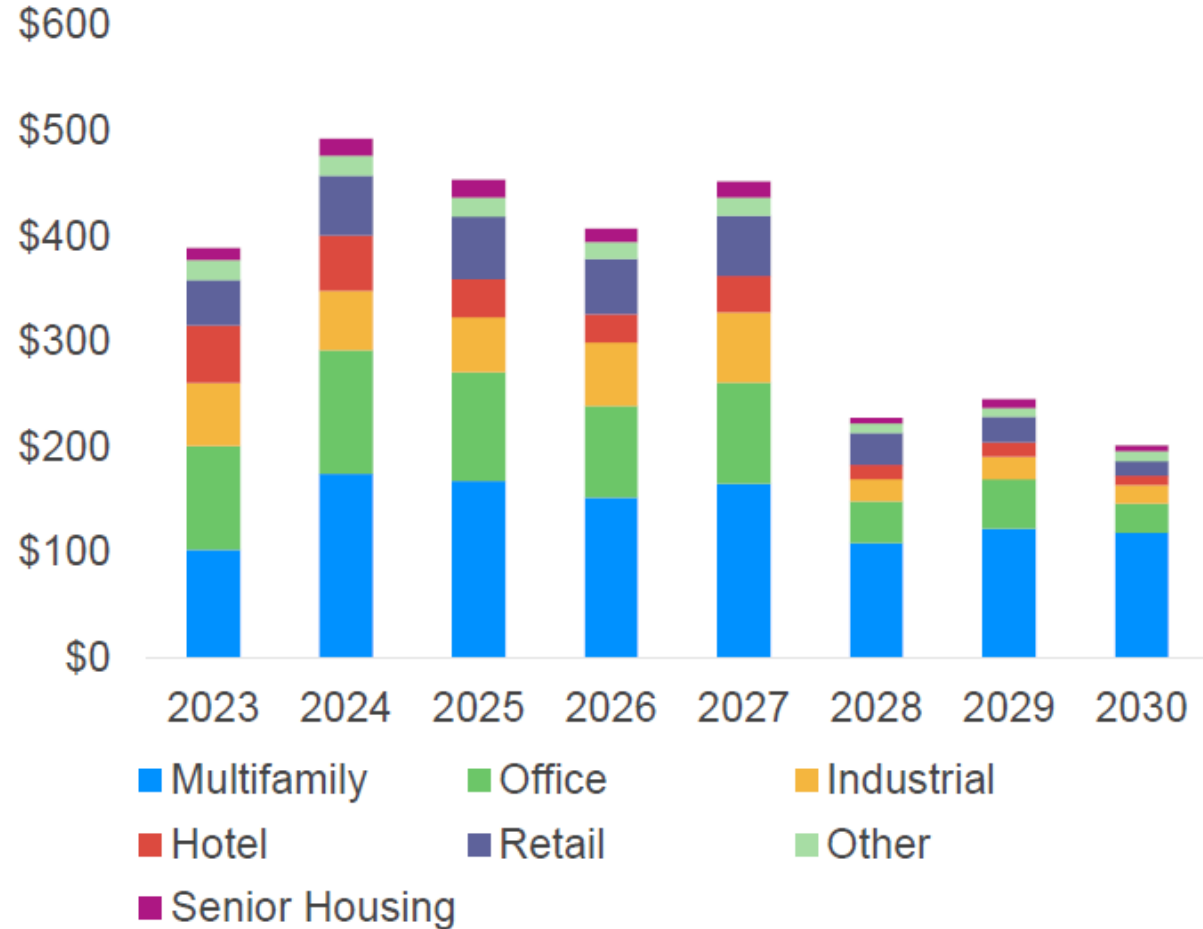
CRE Exposure by bank size, % of bank assets



Sources: FDIC, MBA, Moody's Analytics

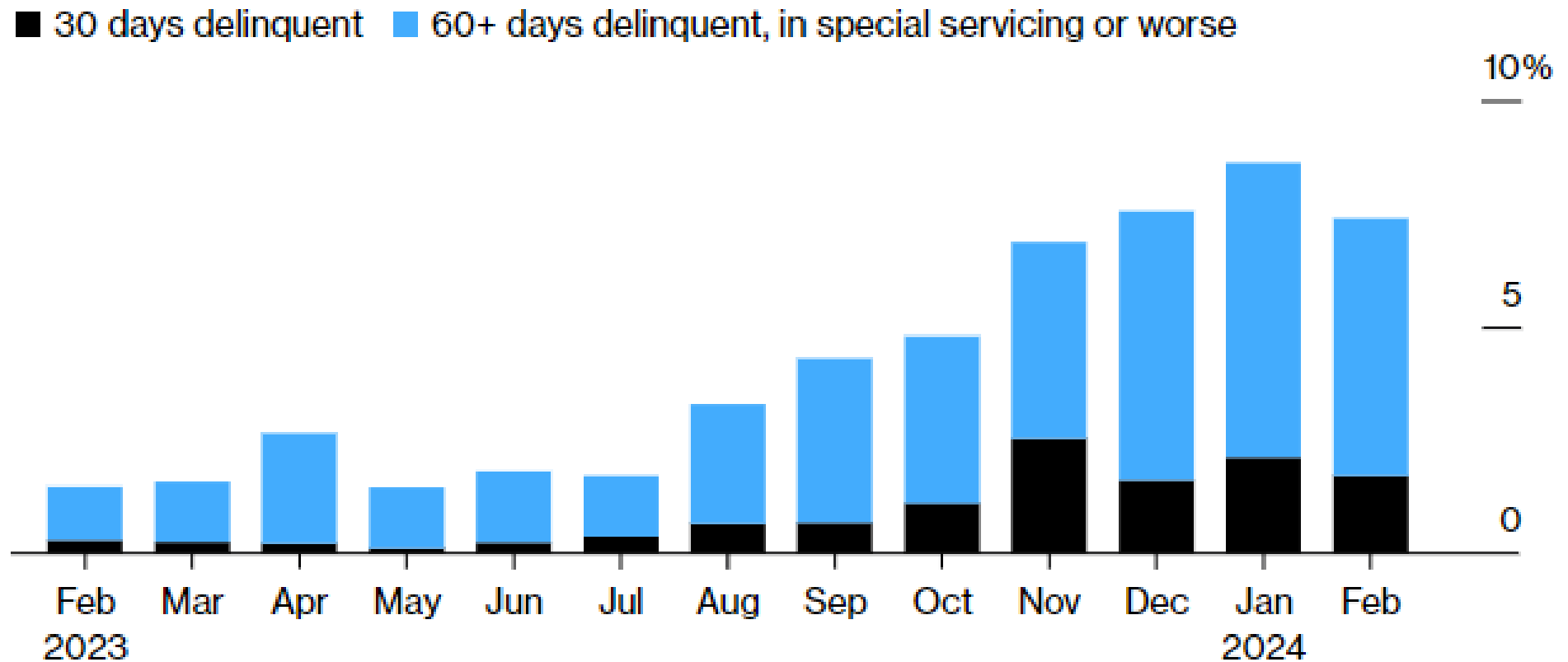
* # of banks; asset size

CRE loan maturities by year, \$ bil



Share of Delinquent Loans in CRE CLOs Surges

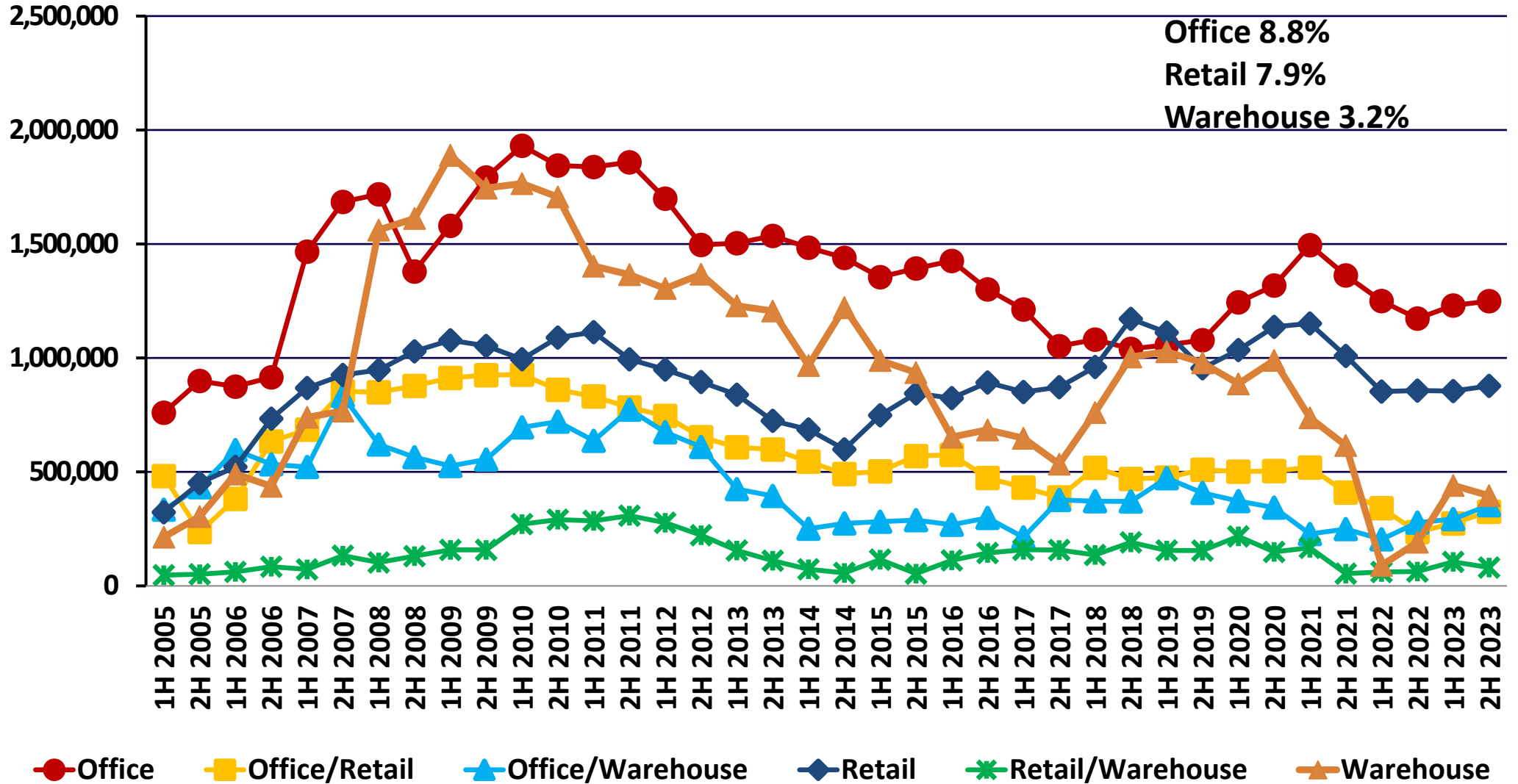
Loans more than 30 days delinquent or in special servicing jumped to 8.6% in January



Source: CRED iQ

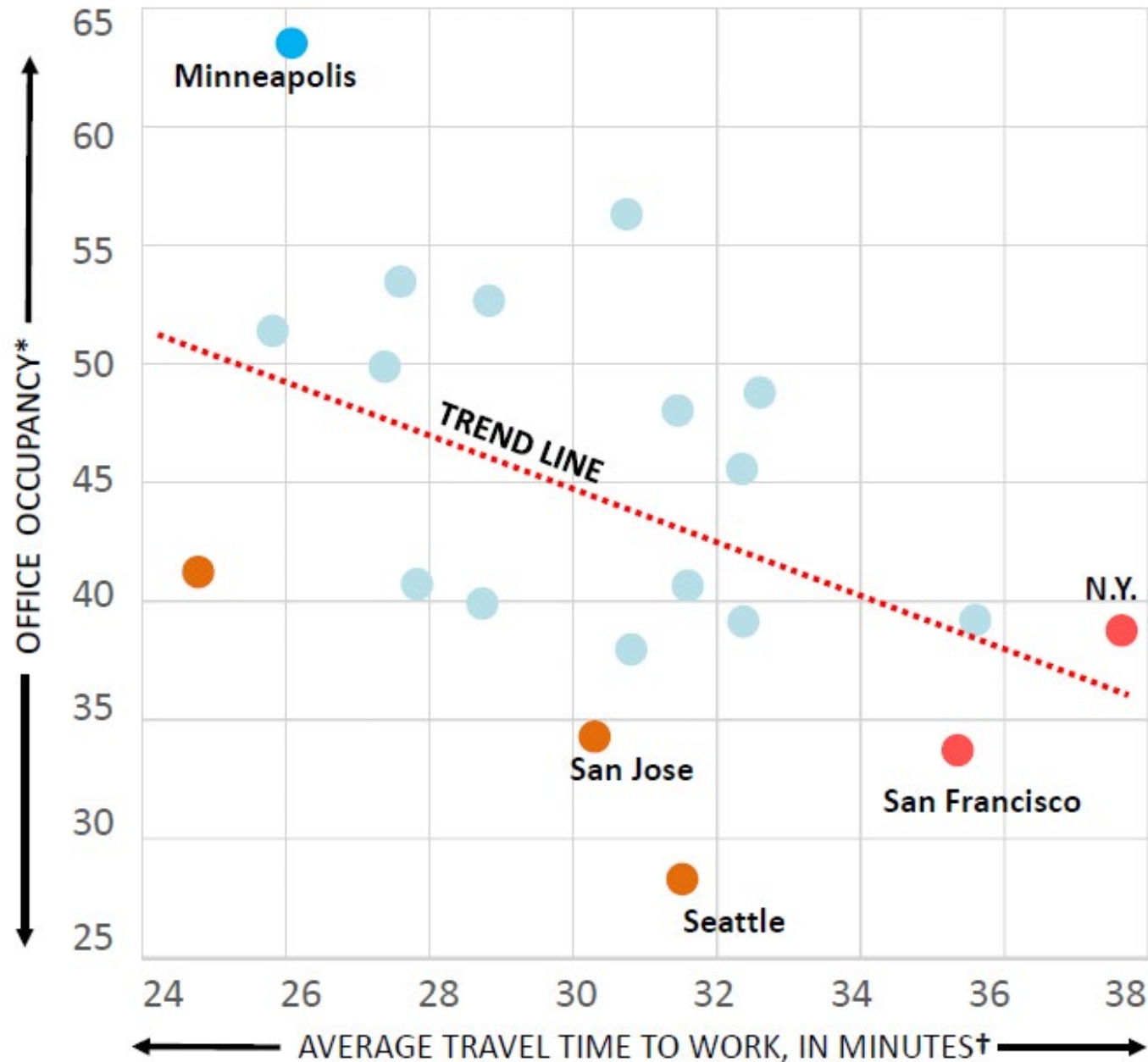
Note: Each column's sum represents the share of loans that CRED iQ considers distressed. Other definitions of distress exclude loans that are 30 days late.

Northwest Arkansas Available Square Footage





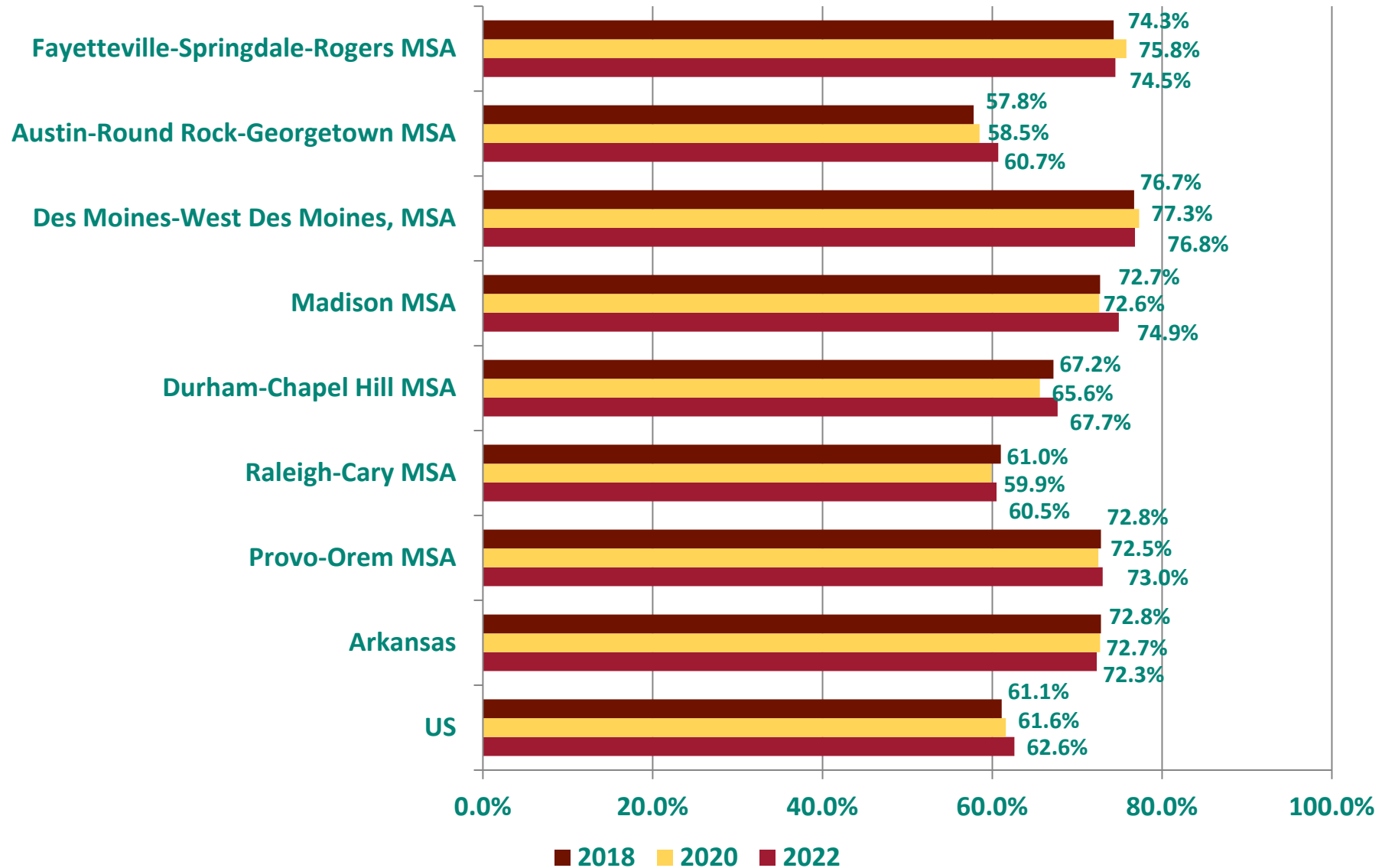
Commutes Hinder Office Return



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



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Questions and Comments?

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