

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

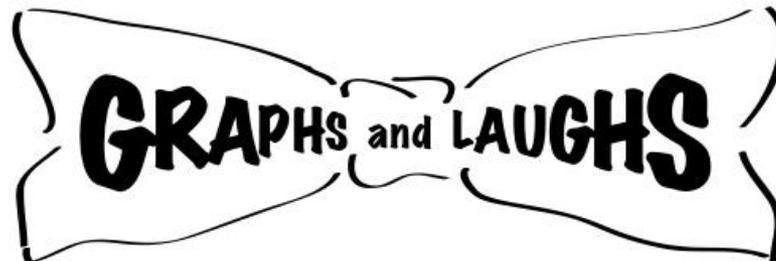
Presented by:

Elliot F. Eisenberg, Ph.D.

President: GraphsandLaughs, LLC

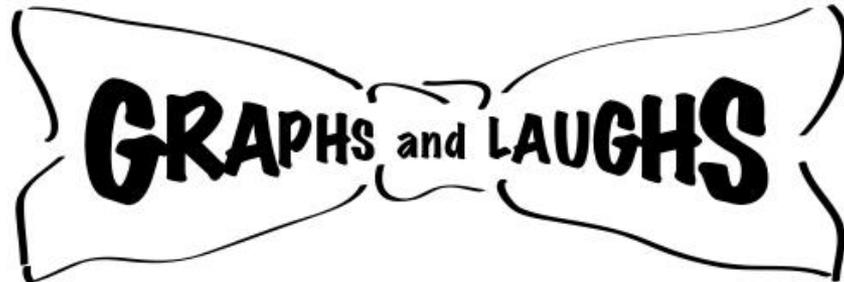
Middleton, WI

February 28, 2025



# The Economy Surprises

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

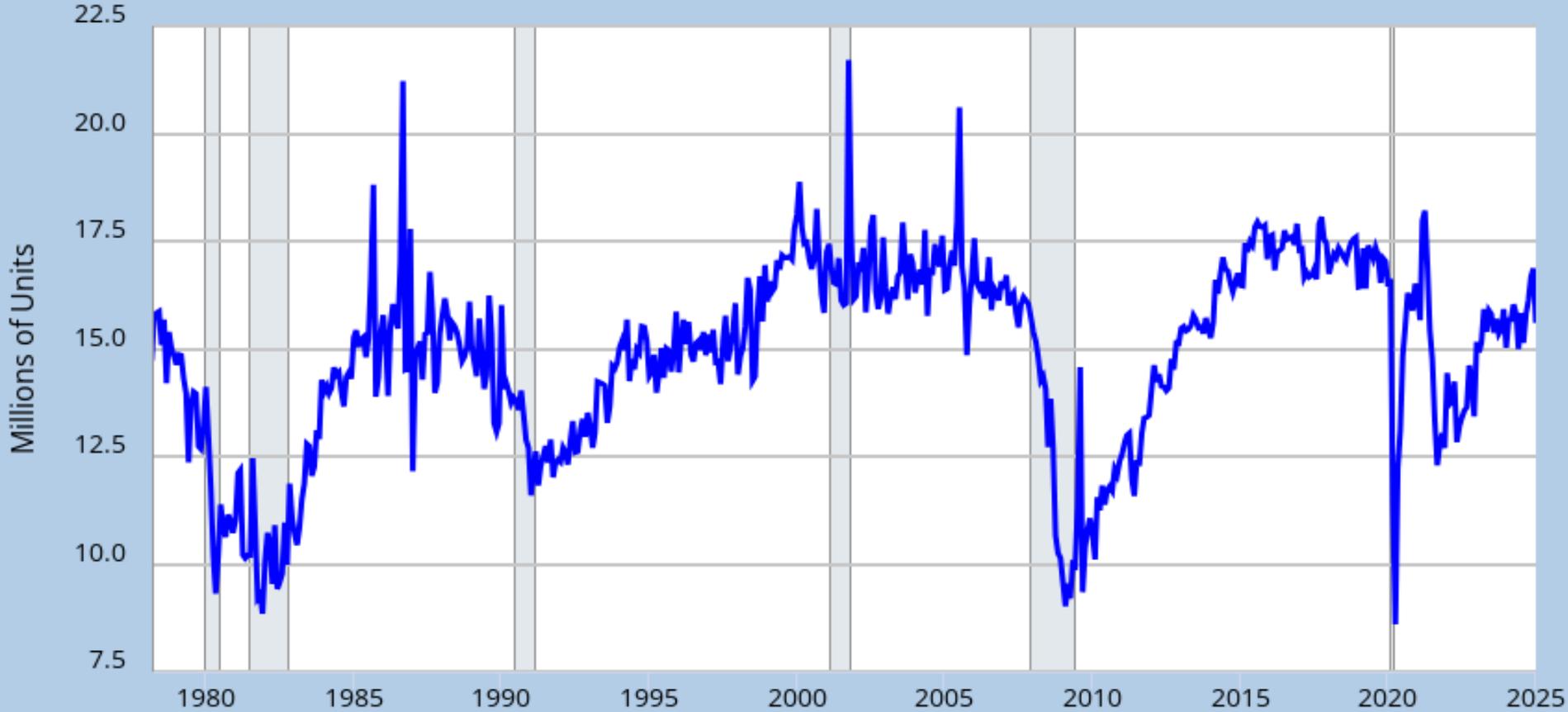


# US Light Vehicle Sales

Car sales are approaching 16 million/year

FRED 

— Light Weight Vehicle Sales: Autos and Light Trucks



Source: U.S. Bureau of Economic Analysis via FRED®

*Shaded areas indicate U.S. recessions.*

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

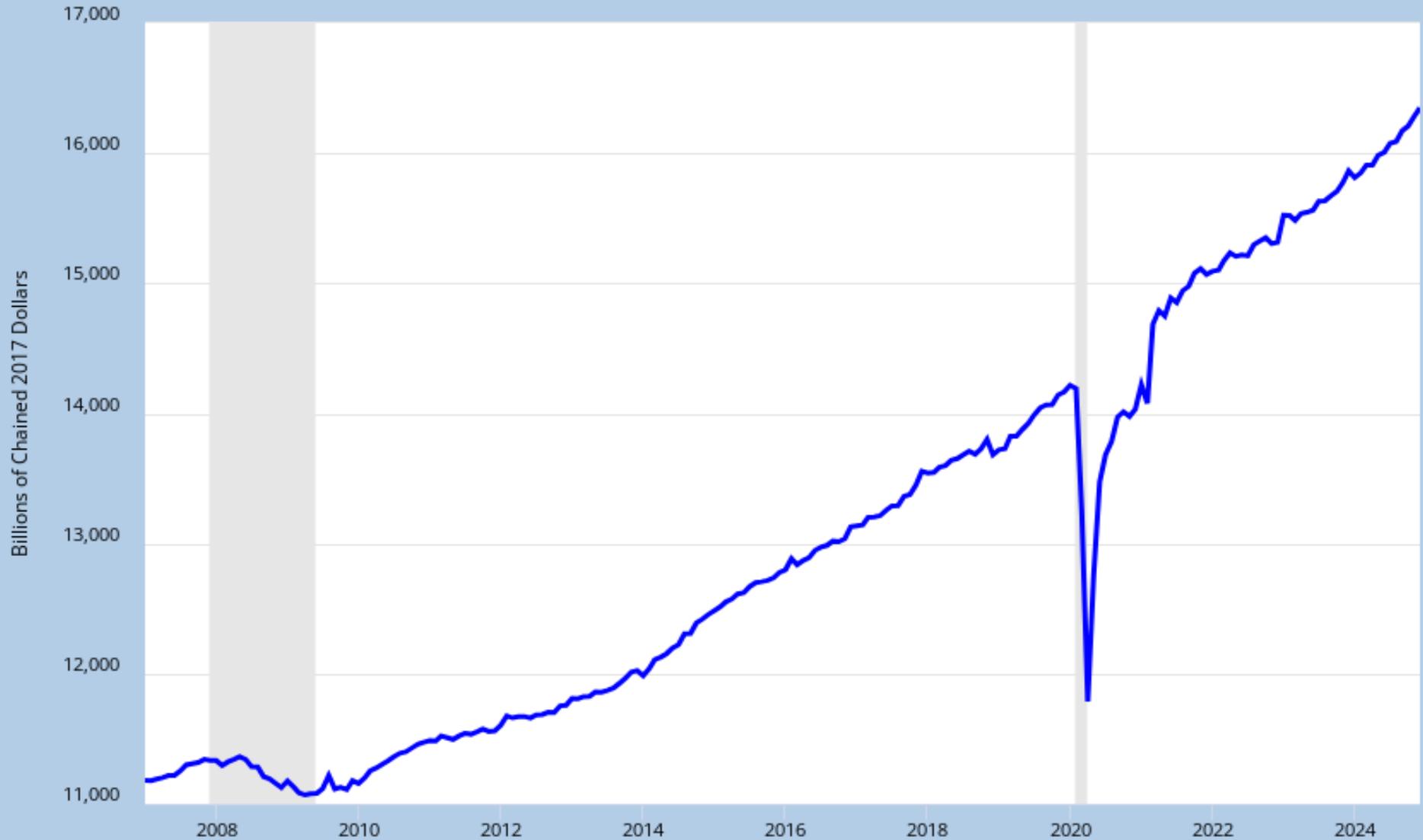
# Real Personal Consumption Expenditures

It remains on trend, keeping the economy growing

FRED



Real Personal Consumption Expenditures



Source: U.S. Bureau of Economic Analysis

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

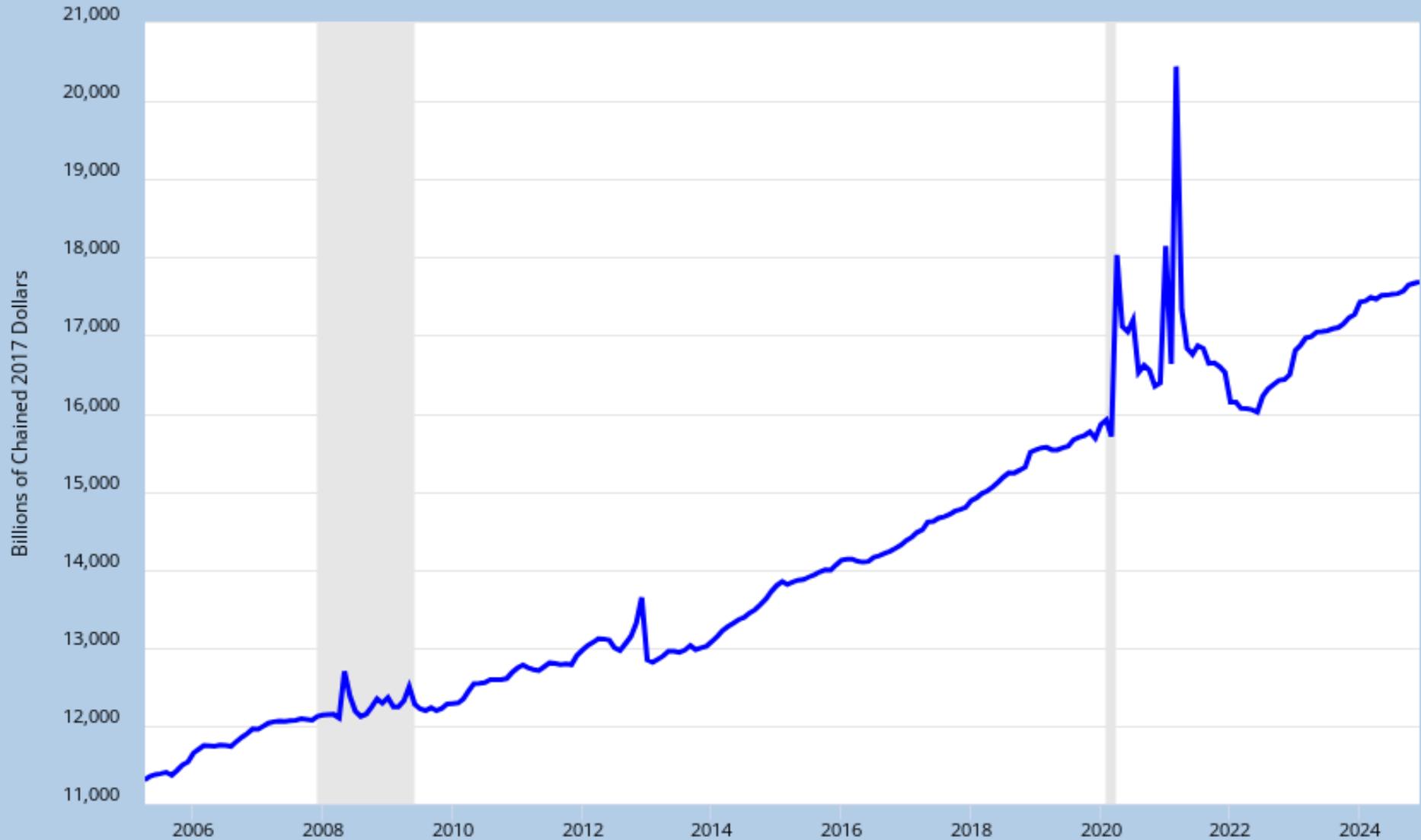
# Real Disposable Personal Income

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

FRED



— Real Disposable Personal Income



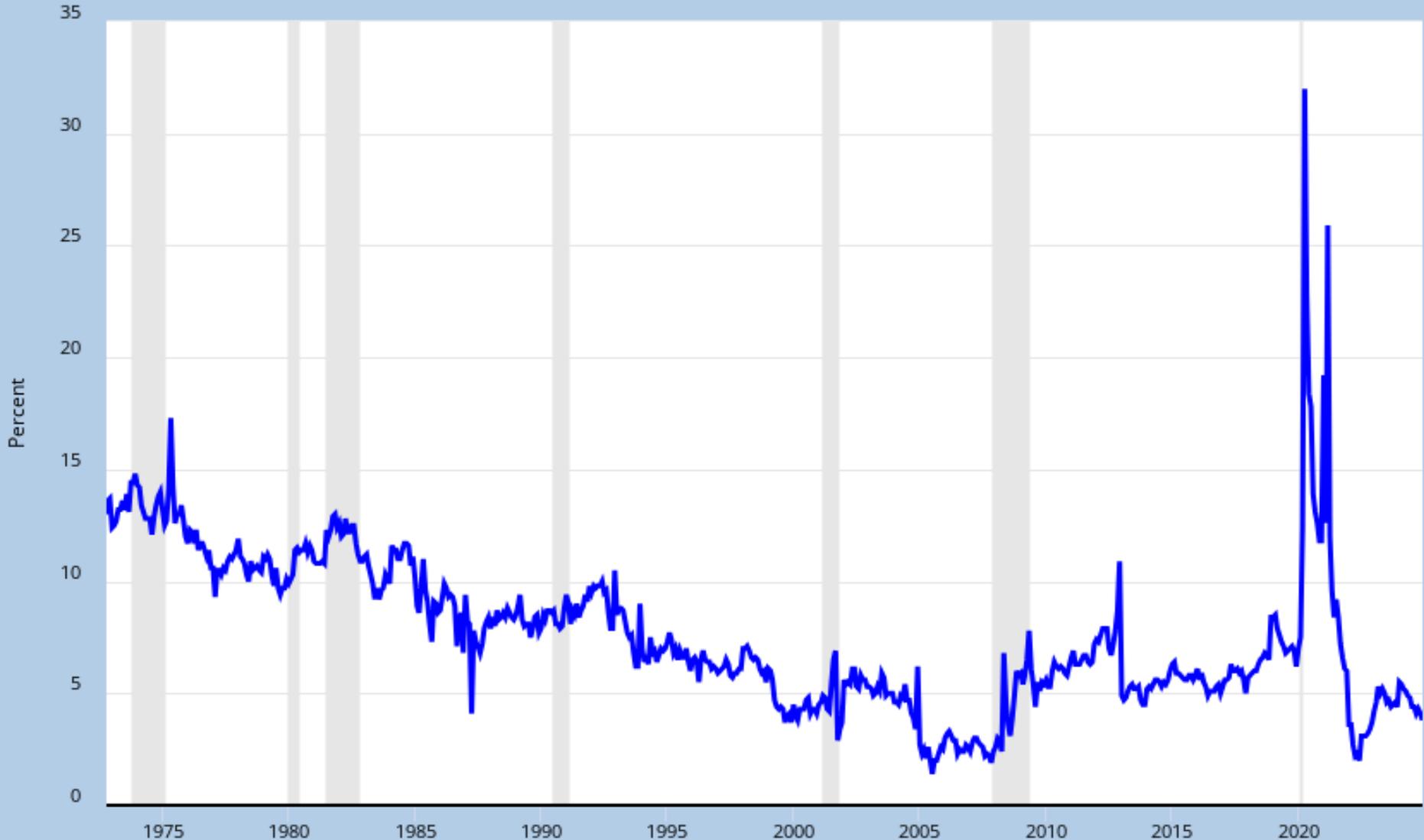
Source: U.S. Bureau of Economic Analysis

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

# 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)

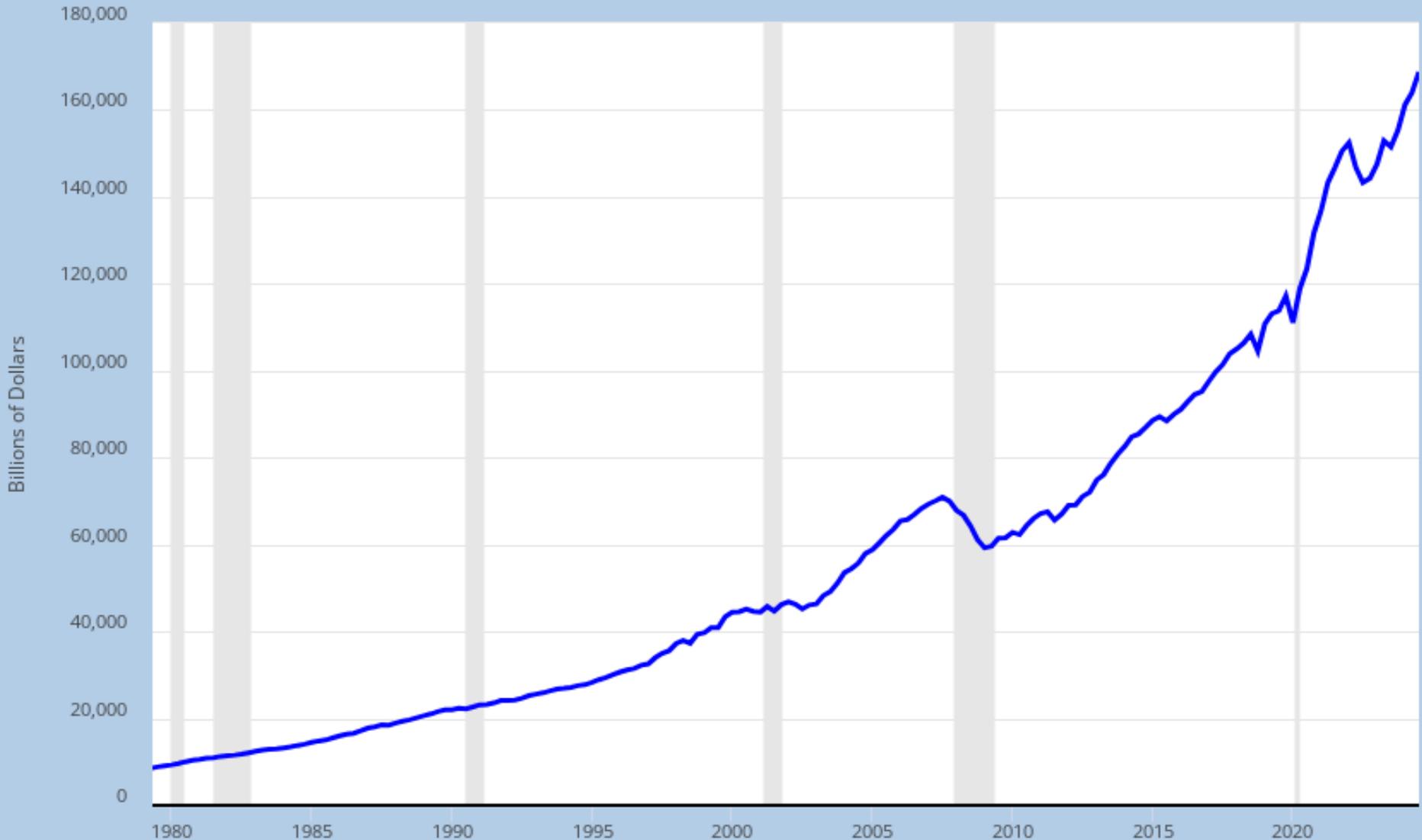
# Household Balance Sheets

## Growth in household net worth has been excellent

FRED



— Households and Nonprofit Organizations; Net Worth, Level

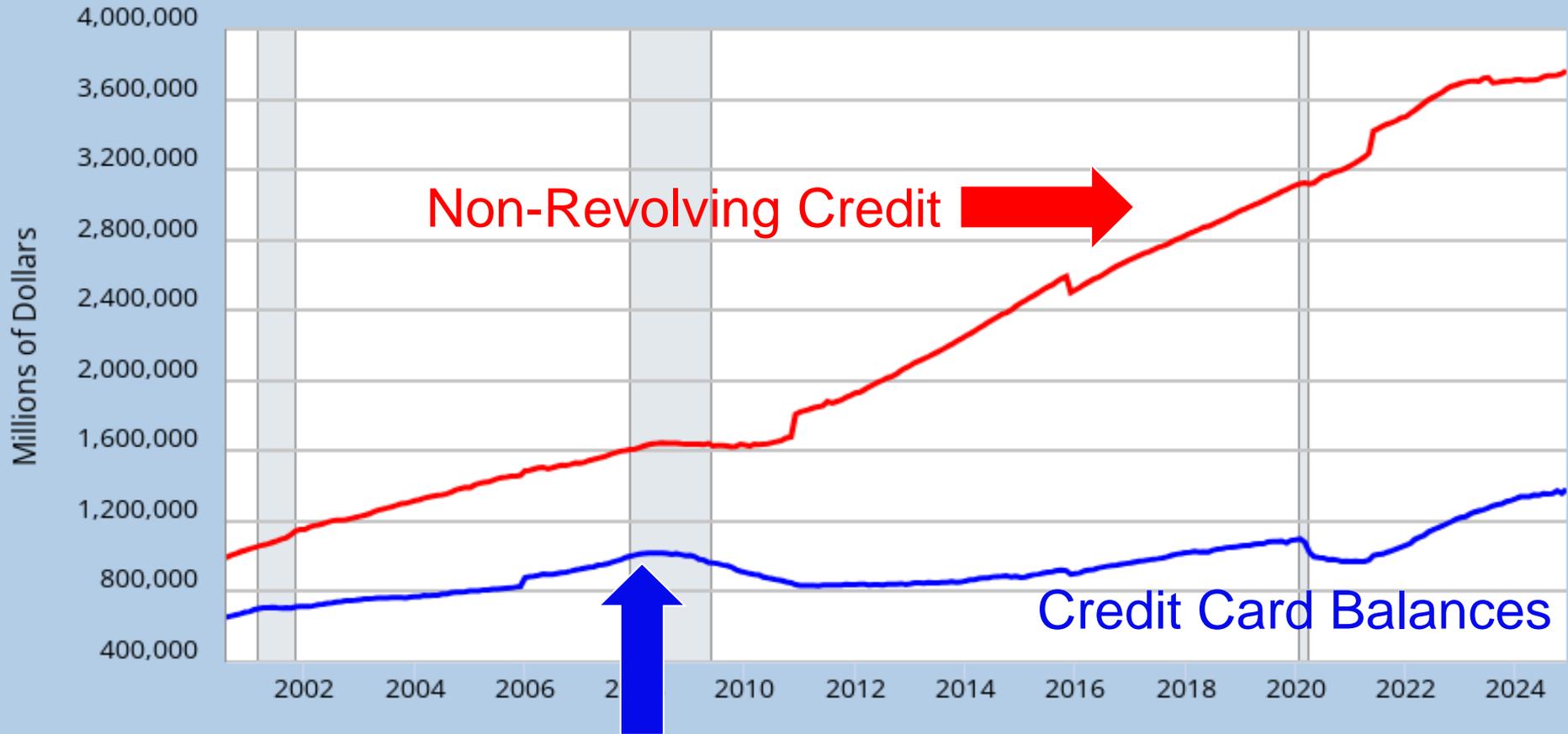


# Non-Revolving Credit Growth Slows

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

FRED 

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



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

*Shaded areas indicate U.S. recessions.*

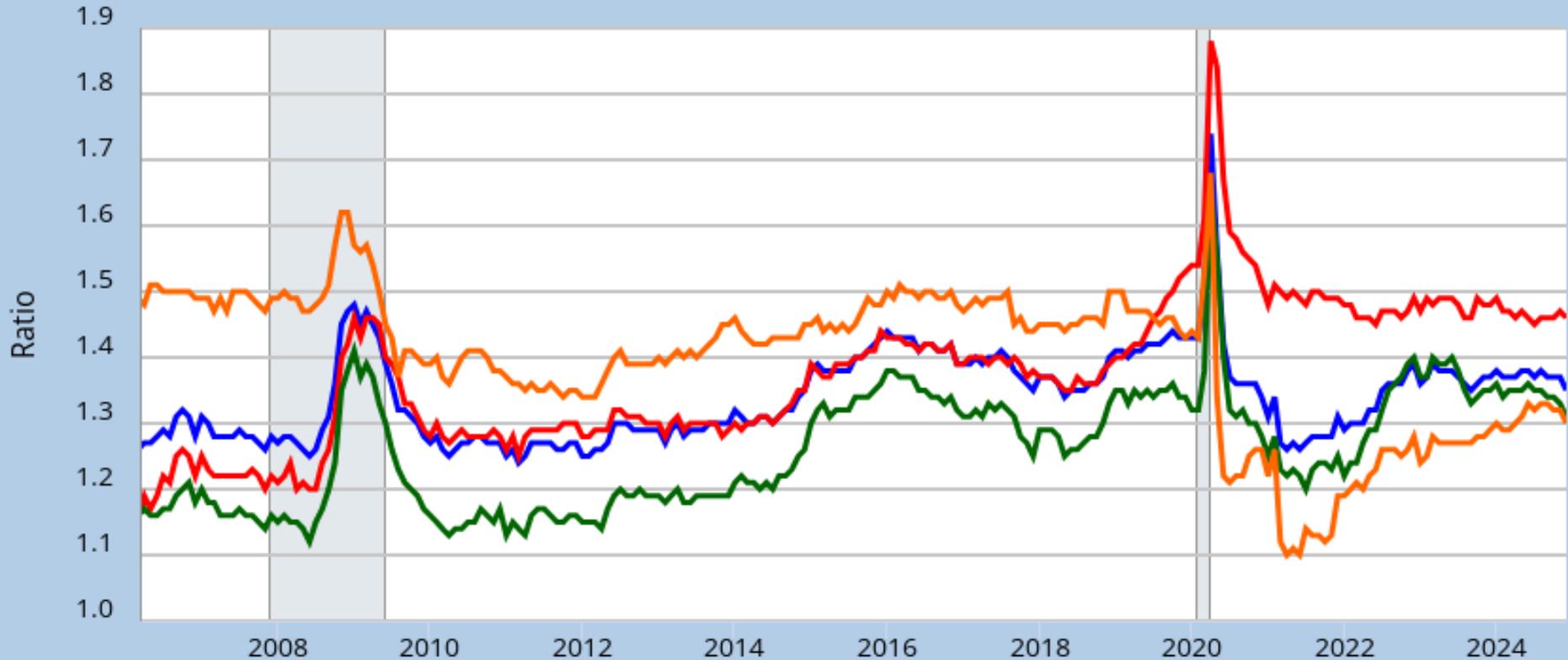
[myf.red/g/1DwYB](https://myf.red/g/1DwYB)

# 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



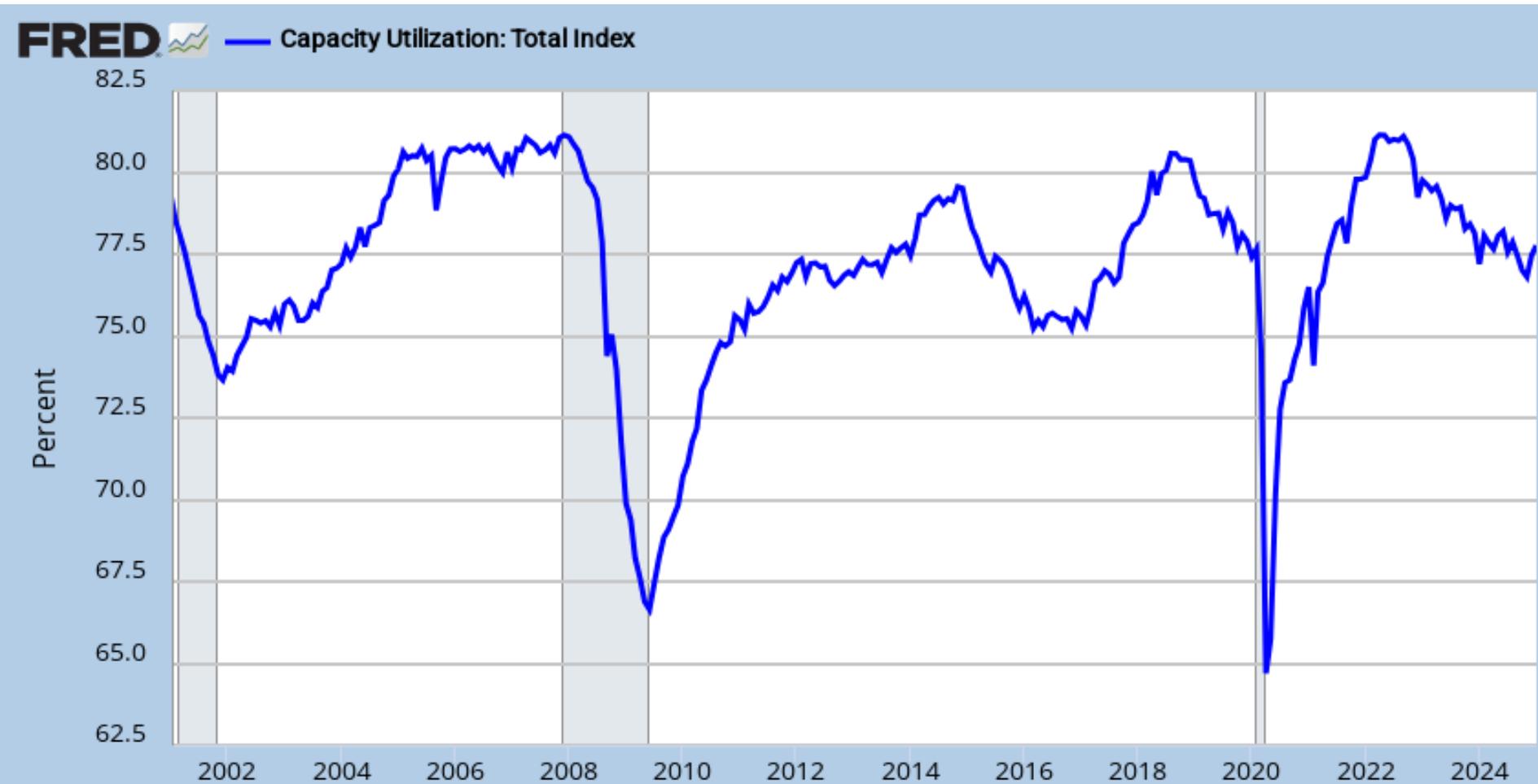
Source: U.S. Census Bureau via FRED®

*Shaded areas indicate U.S. recessions.*

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

# Capacity Utilization Rates Soften

No longer above pre-Covid levels, and steadily weakening



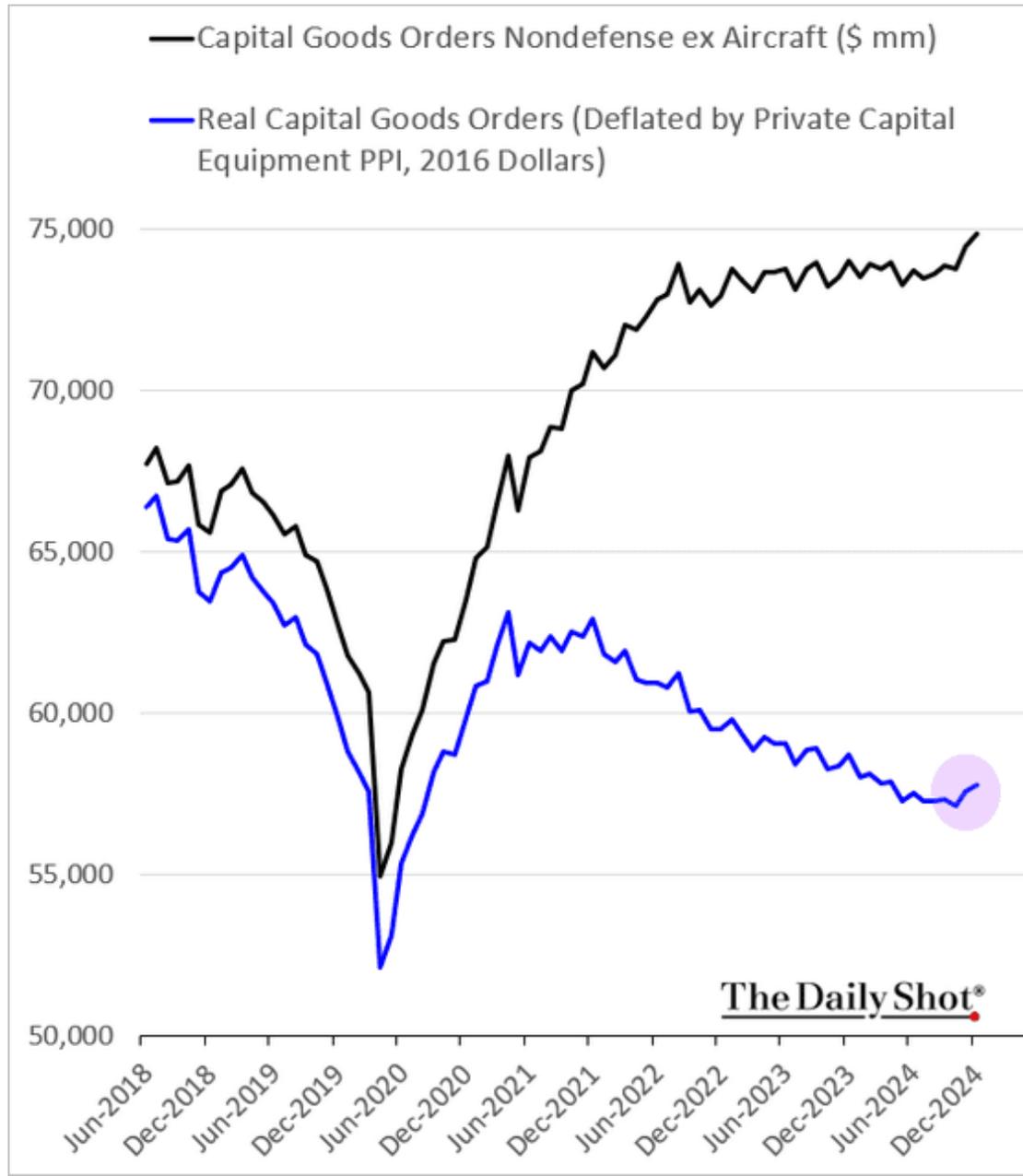
Source: Board of Governors of the Federal Reserve System (US) via FRED®

*Shaded areas indicate U.S. recessions.*

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

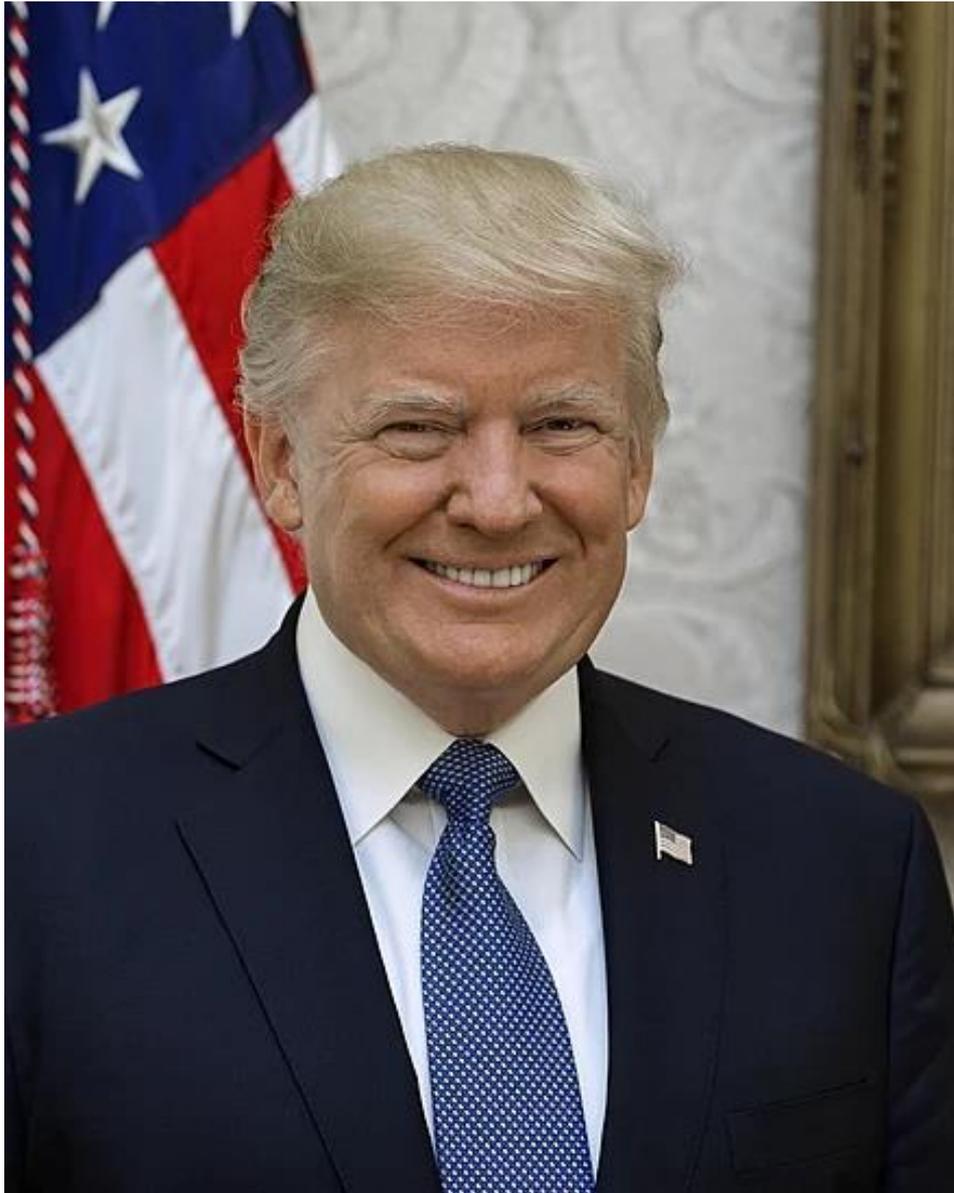
# Real Capital Goods Orders

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

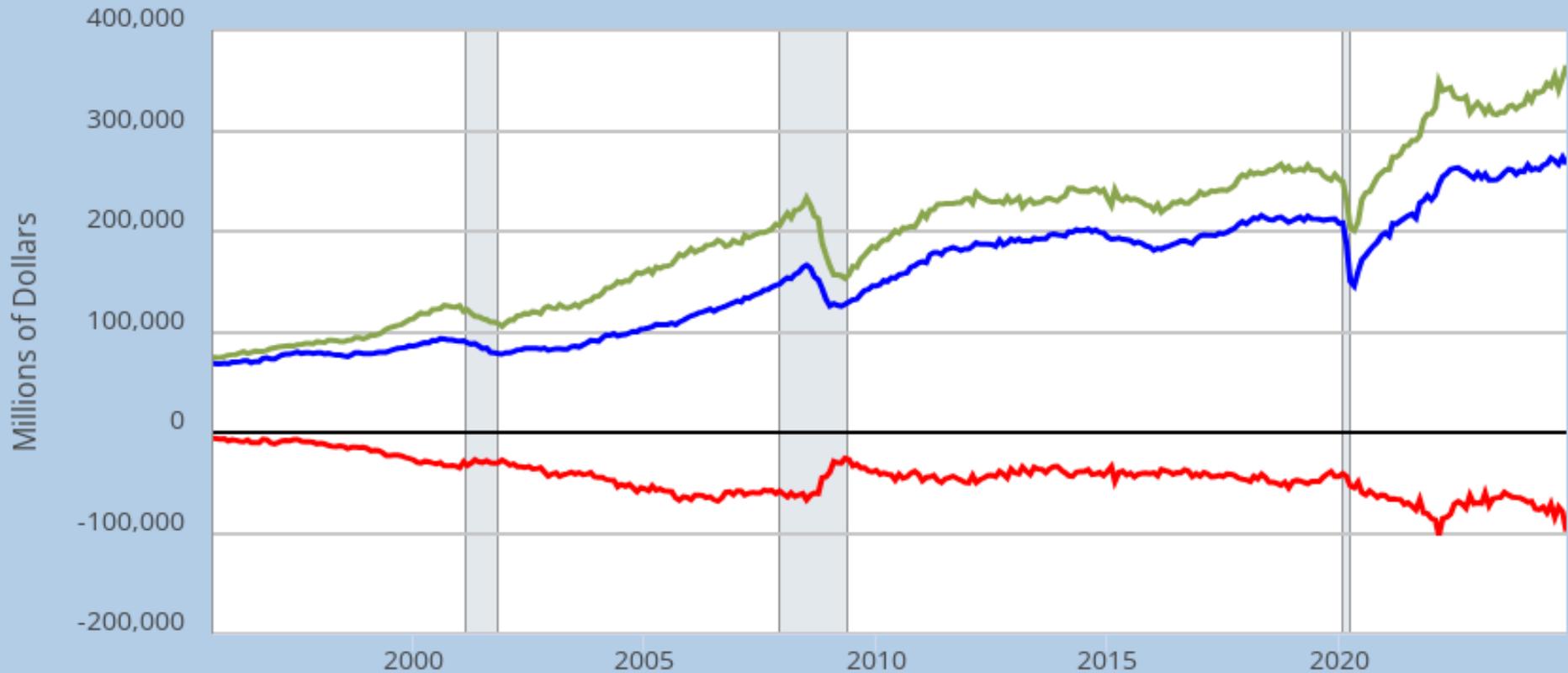
Tariffs / Trade policy

# The Trade Deficit Worsens

Exports are up a bit, but imports are up much more



- Exports of Goods and Services, Balance of Payments Basis
- Trade Balance: Goods and Services, Balance of Payments Basis
- Imports of Goods and Services: Balance of Payments Basis



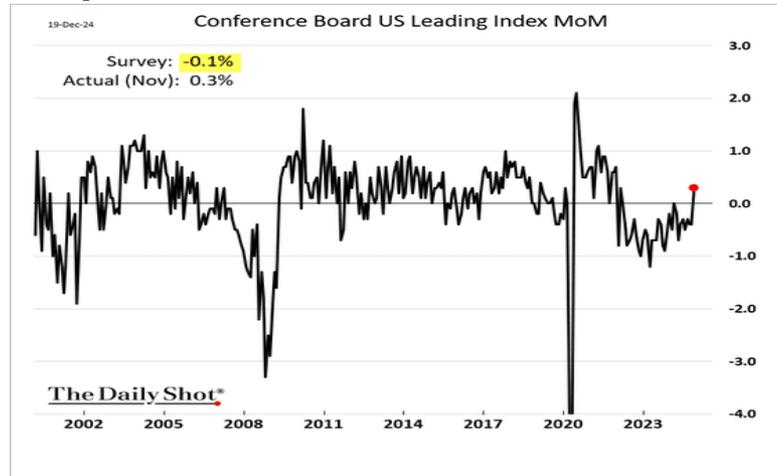
Sources: U.S. Bureau of Economic Analysis; U.S. Census Bureau via FRED®

*Shaded areas indicate U.S. recessions.*

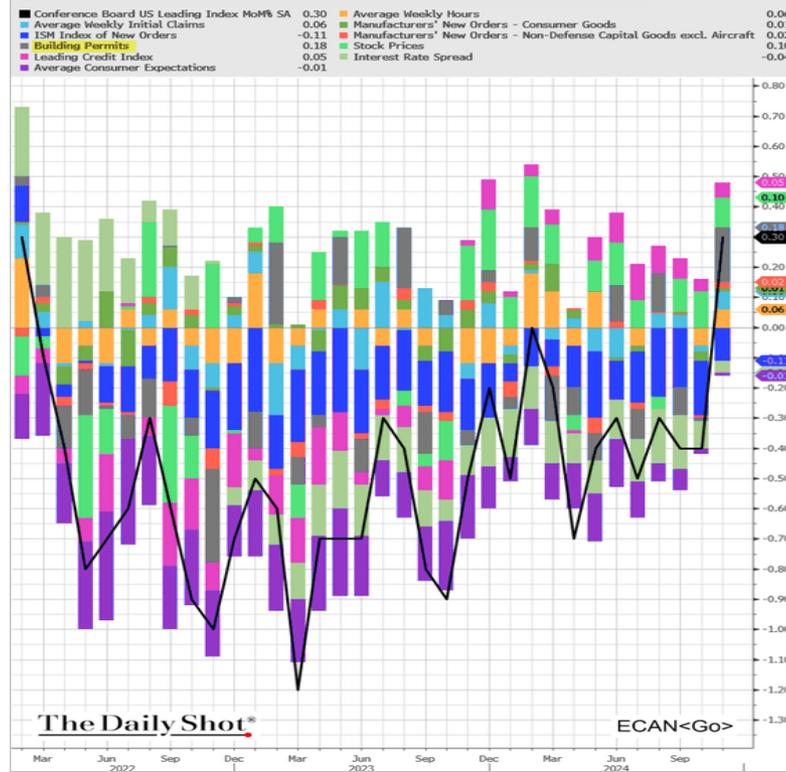
[myf.red/g/1Dr8y](https://myf.red/g/1Dr8y)

# Conference Board Leading Economic Indicators

## Up for the first time in 33 months!



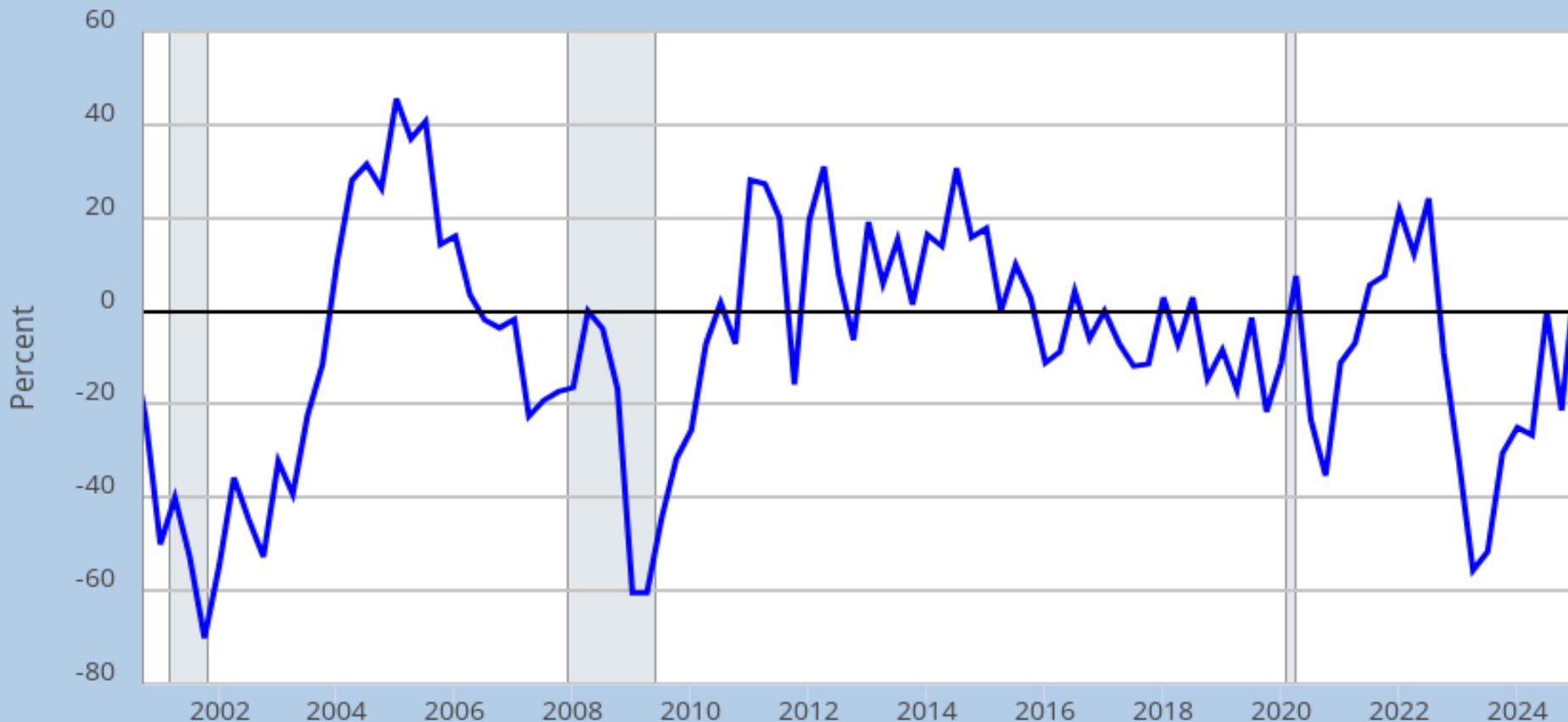
Conference Board US Leading Index



# Banks are Still Tightening C&I Loan Standards

Still tight enough to have usually caused recessions in the past

**FRED**  — Net Percentage of Domestic Banks Reporting Stronger Demand for Commercial and Industrial Loans from Large and Middle-Market Firms



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

*Shaded areas indicate U.S. recessions.*

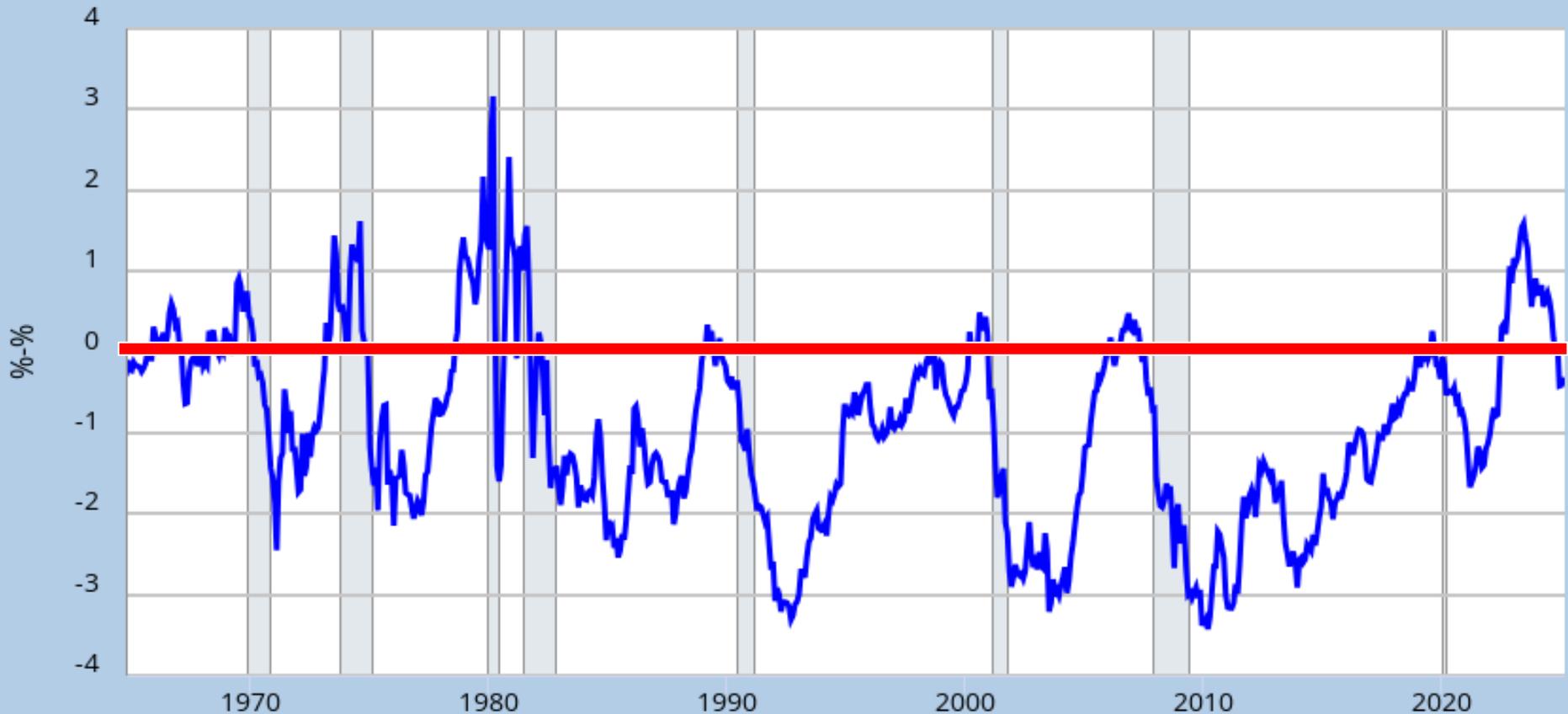
[myf.red/g/1DRHA](https://myf.red/g/1DRHA)

# The Yield Curve is Barely 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

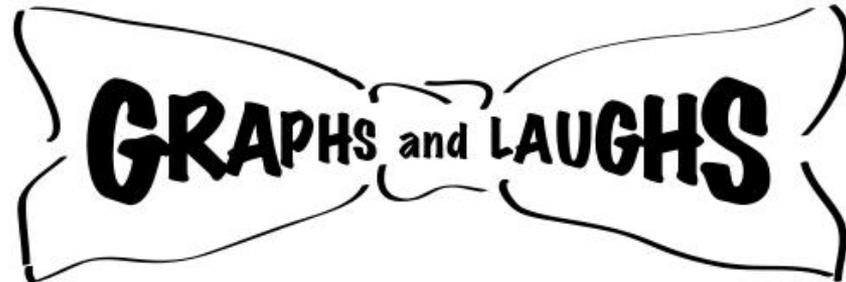


Source: Board of Governors of the Federal Reserve System (US) via FRED®

*Shaded areas indicate U.S. recessions.*

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

# Labor Markets: They are Softening



# The Unemployment Rate

The rate is low at 4.0%



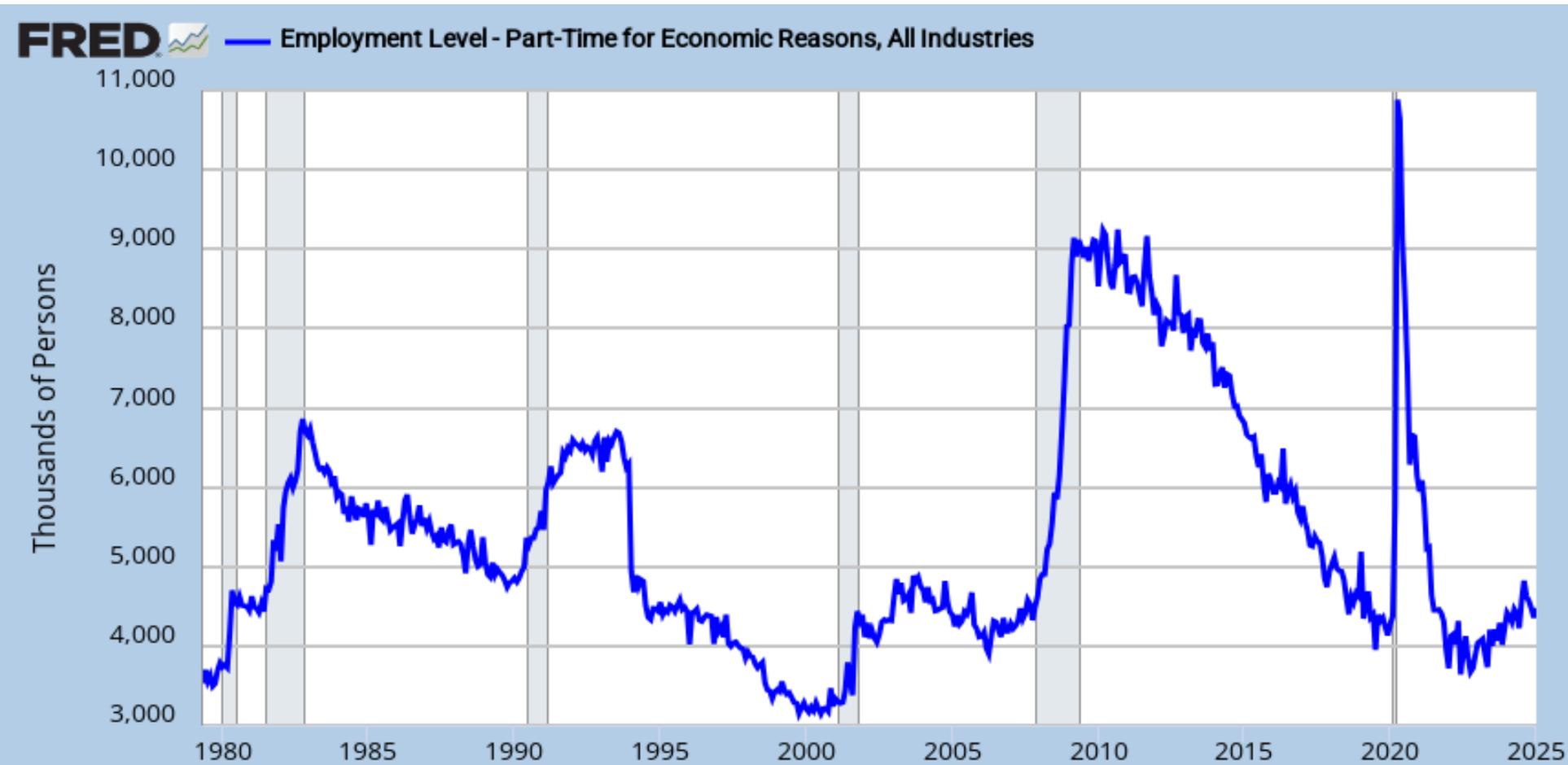
Source: U.S. Bureau of Labor Statistics via FRED®

*Shaded areas indicate U.S. recessions.*

[myf.red/g/1Dy2c](https://myf.red/g/1Dy2c)

# Working Part Time and Unhappy About It!

It is clearly rising and quickly



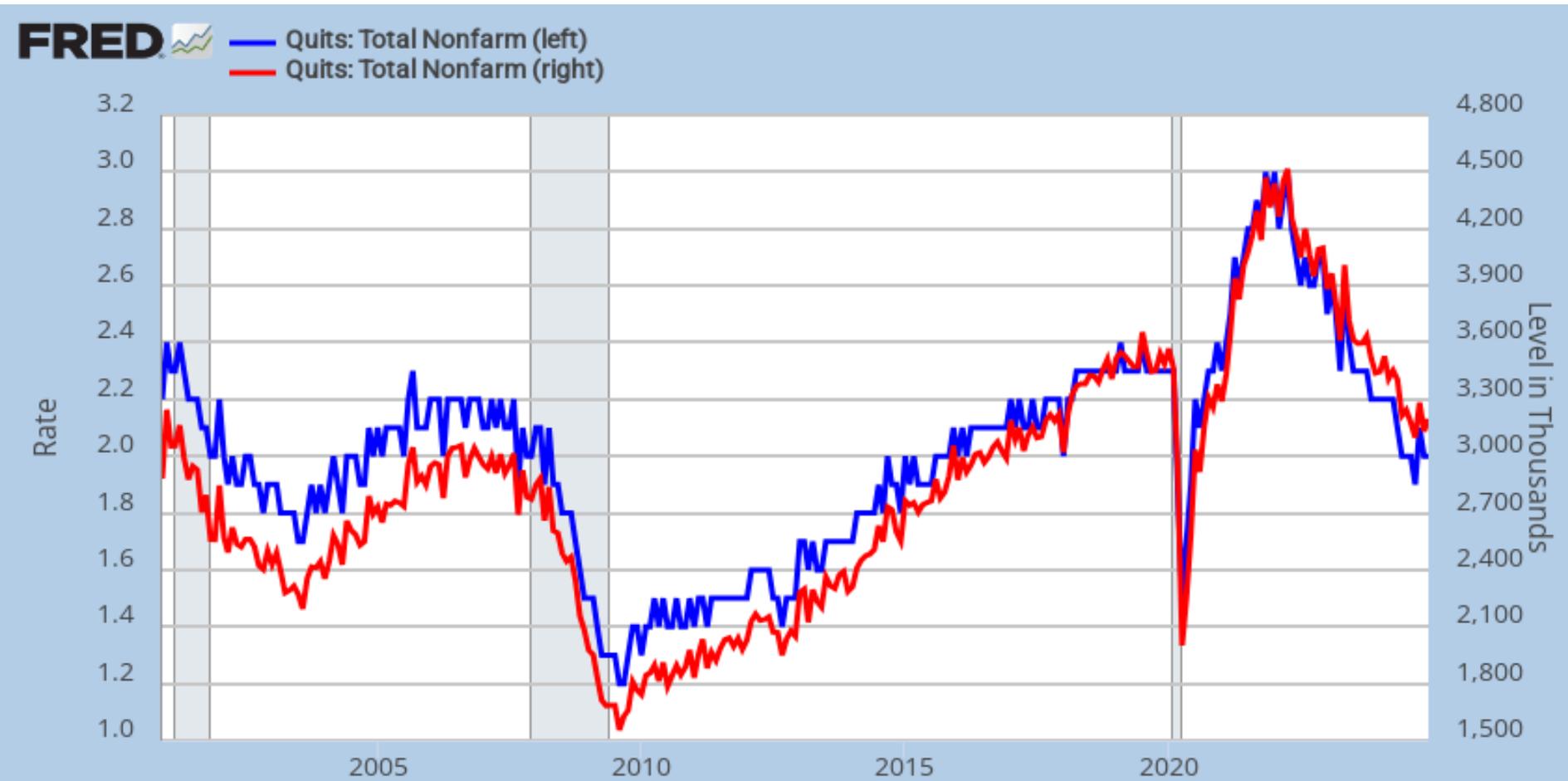
Source: U.S. Bureau of Labor Statistics via FRED®

*Shaded areas indicate U.S. recessions.*

[myf.red/g/1Dy2e](https://myf.red/g/1Dy2e)

# Quit Rates Are Rapidly Reversing

Workers were quitting in droves, but not now



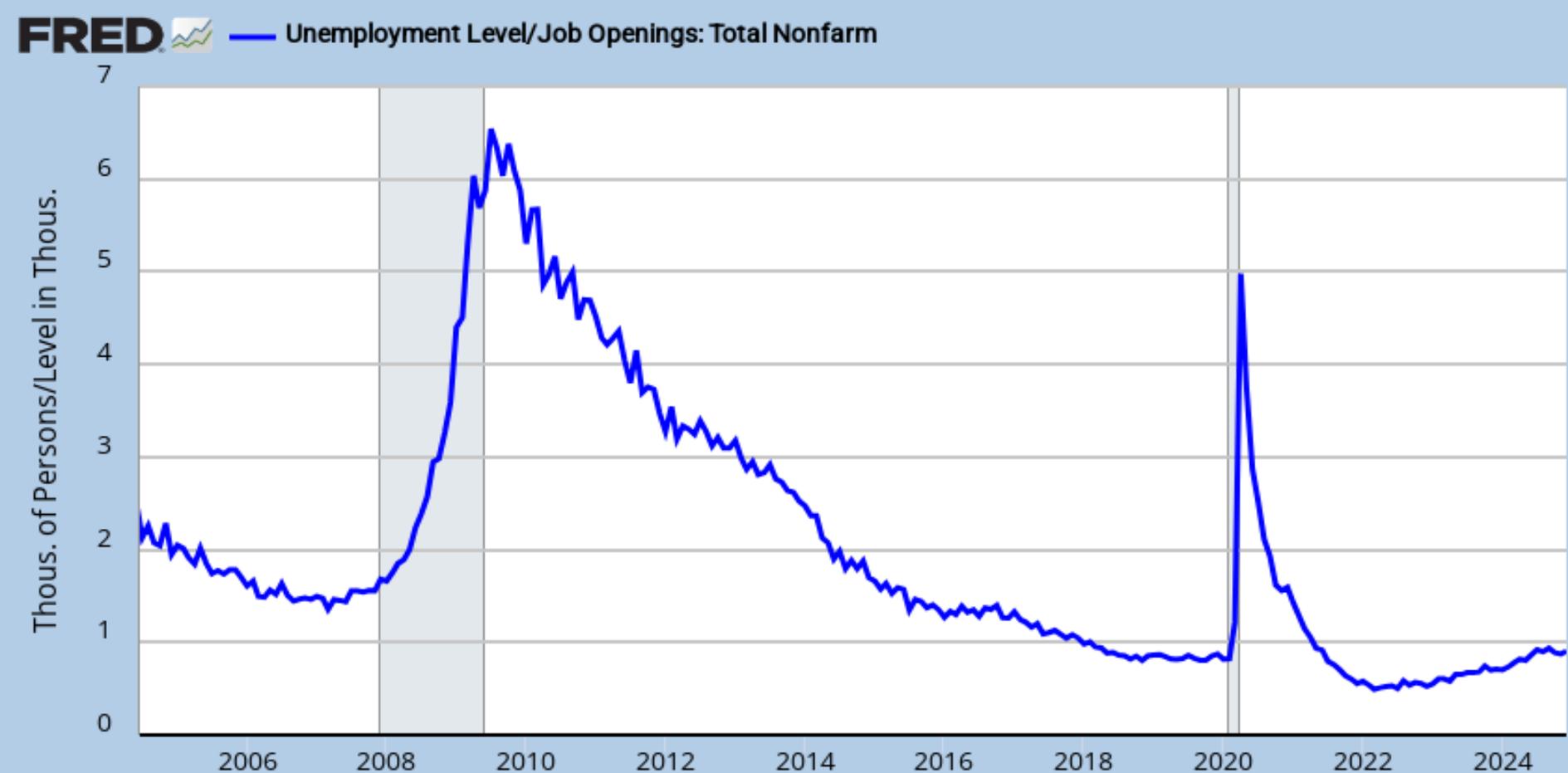
Source: U.S. Bureau of Labor Statistics via FRED®

*Shaded areas indicate U.S. recessions.*

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

# Labor Market is Meaningfully Loosening

There are 0.90 unemployed persons/job, or 1.1 jobs/unemployed person



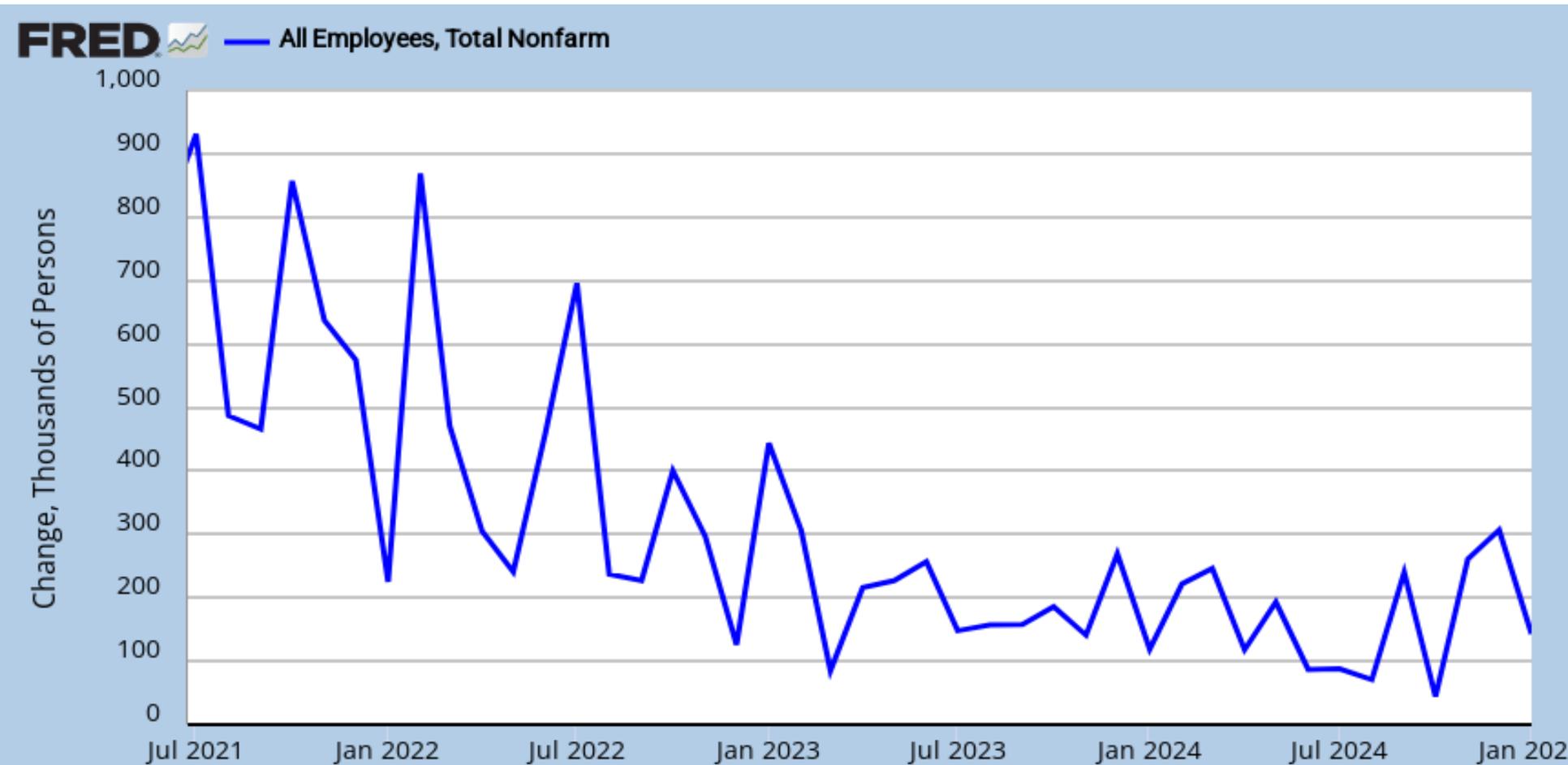
Source: U.S. Bureau of Labor Statistics via FRED®

*Shaded areas indicate U.S. recessions.*

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

# Historical Job Growth

It is lower but is it stabilizing?



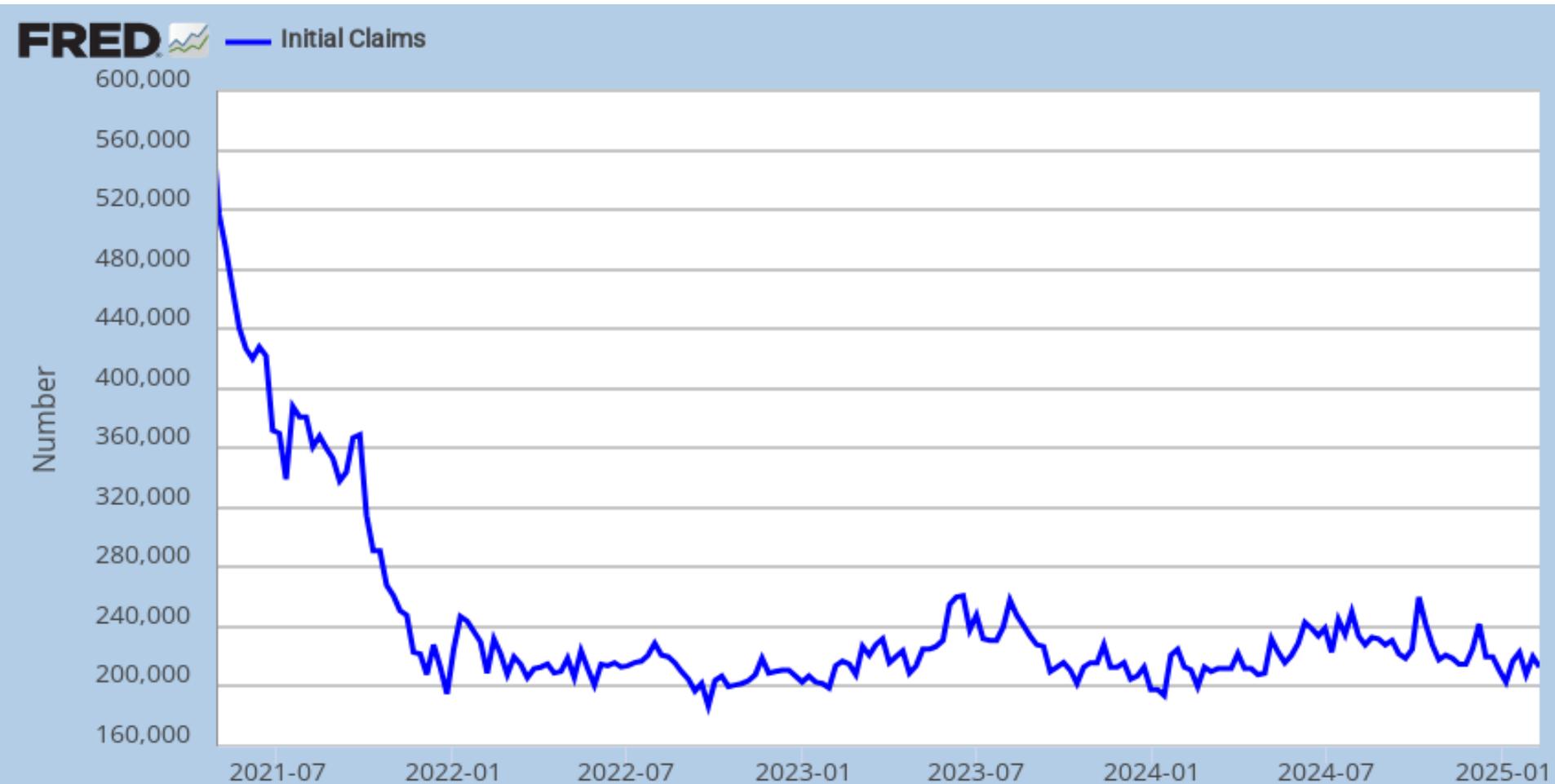
Source: U.S. Bureau of Labor Statistics via FRED®

*Shaded areas indicate U.S. recessions.*

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

# Involuntary Separations

Claims have been slowly and steadily rising



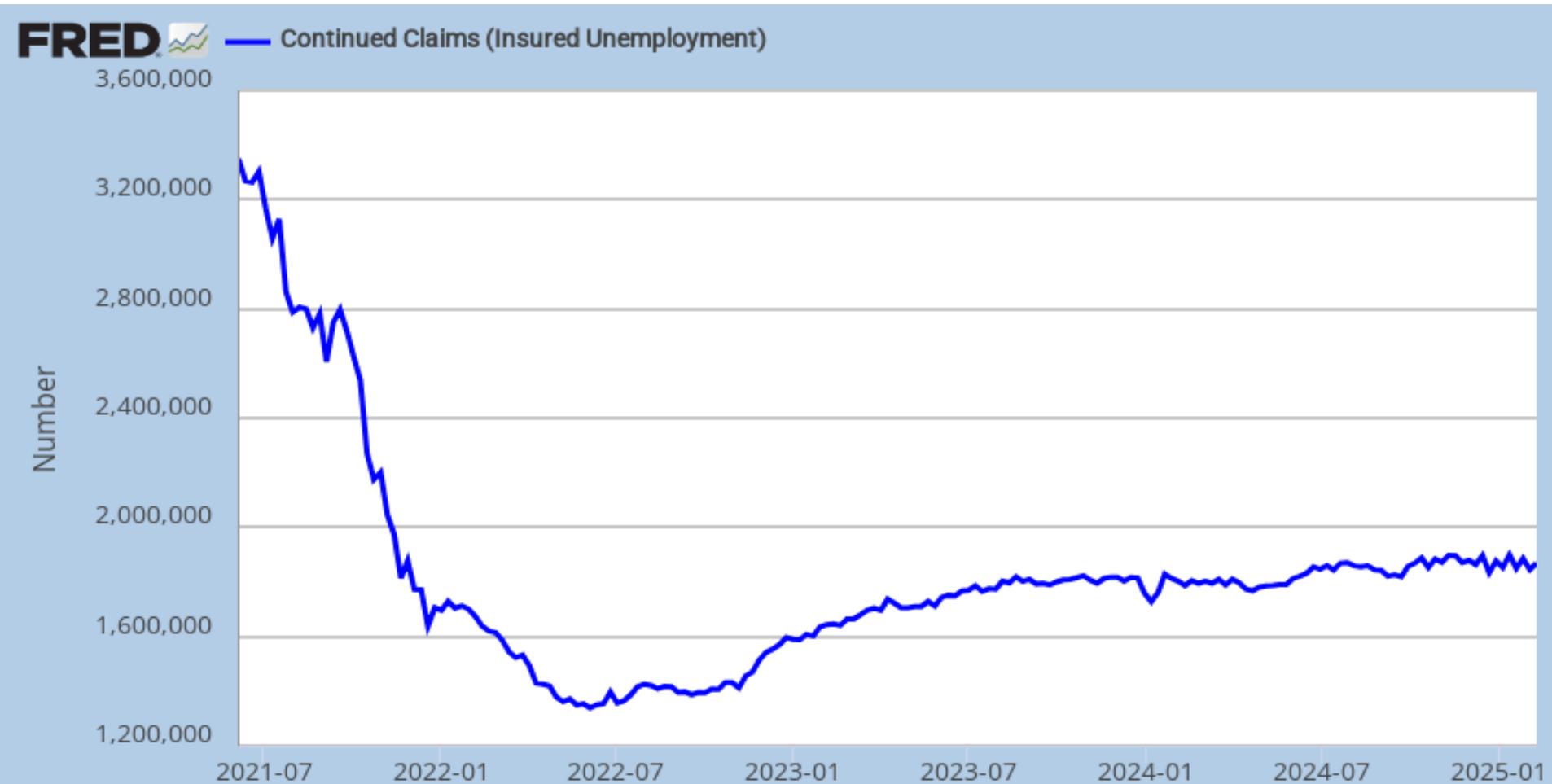
Source: U.S. Employment and Training Administration via FRED®

*Shaded areas indicate U.S. recessions.*

[myf.red/g/1DJm1](https://myf.red/g/1DJm1)

# Continuing Unemployment Claims

It appears to be rising slowly



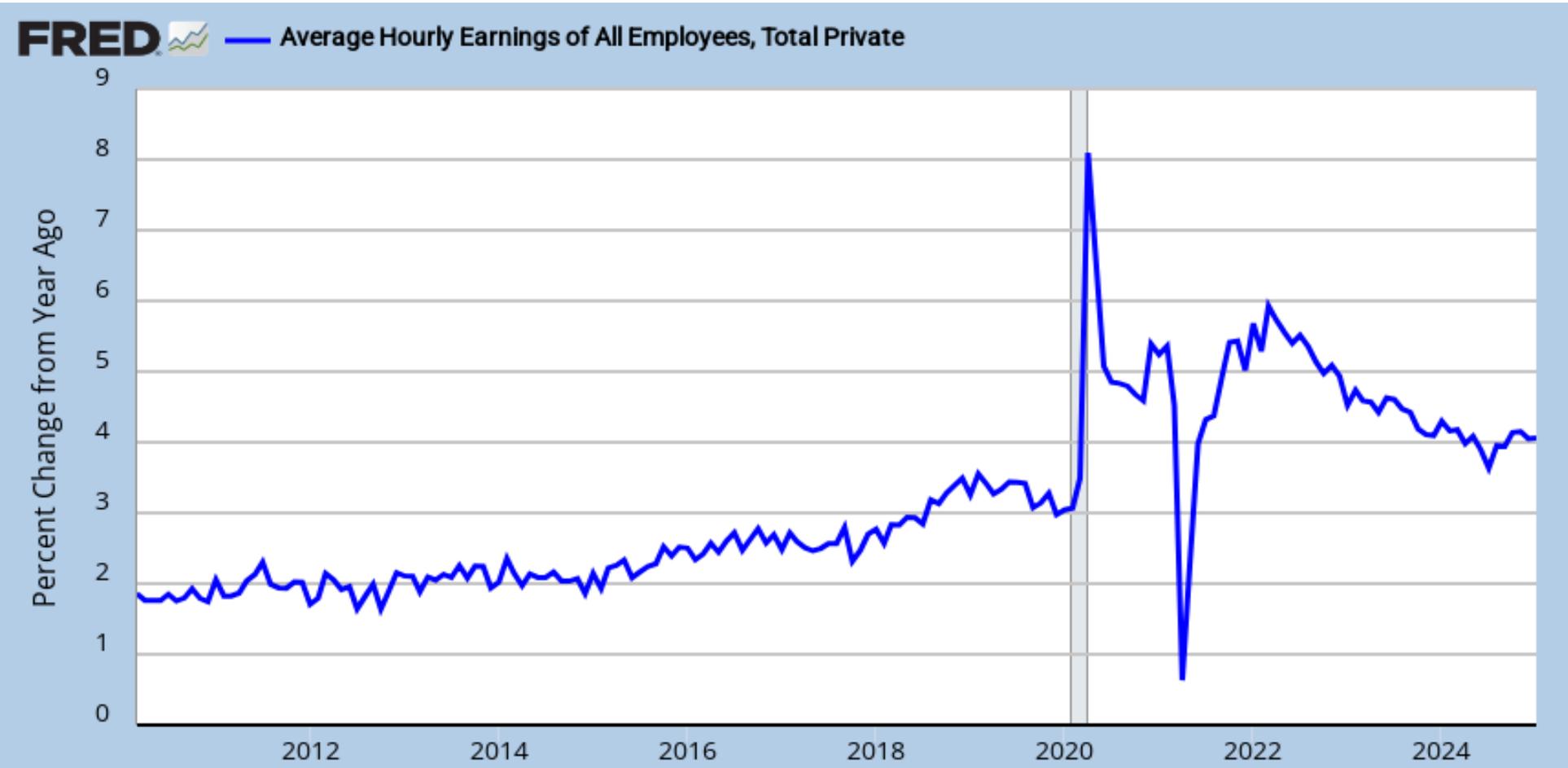
Source: U.S. Employment and Training Administration via FRED®

*Shaded areas indicate U.S. recessions.*

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

# Y-o-Y Percent Change in Hourly Earnings

Wage growth is rising and is now a strong 4.1%



Source: U.S. Bureau of Labor Statistics via FRED®  
*Shaded areas indicate U.S. recessions.*

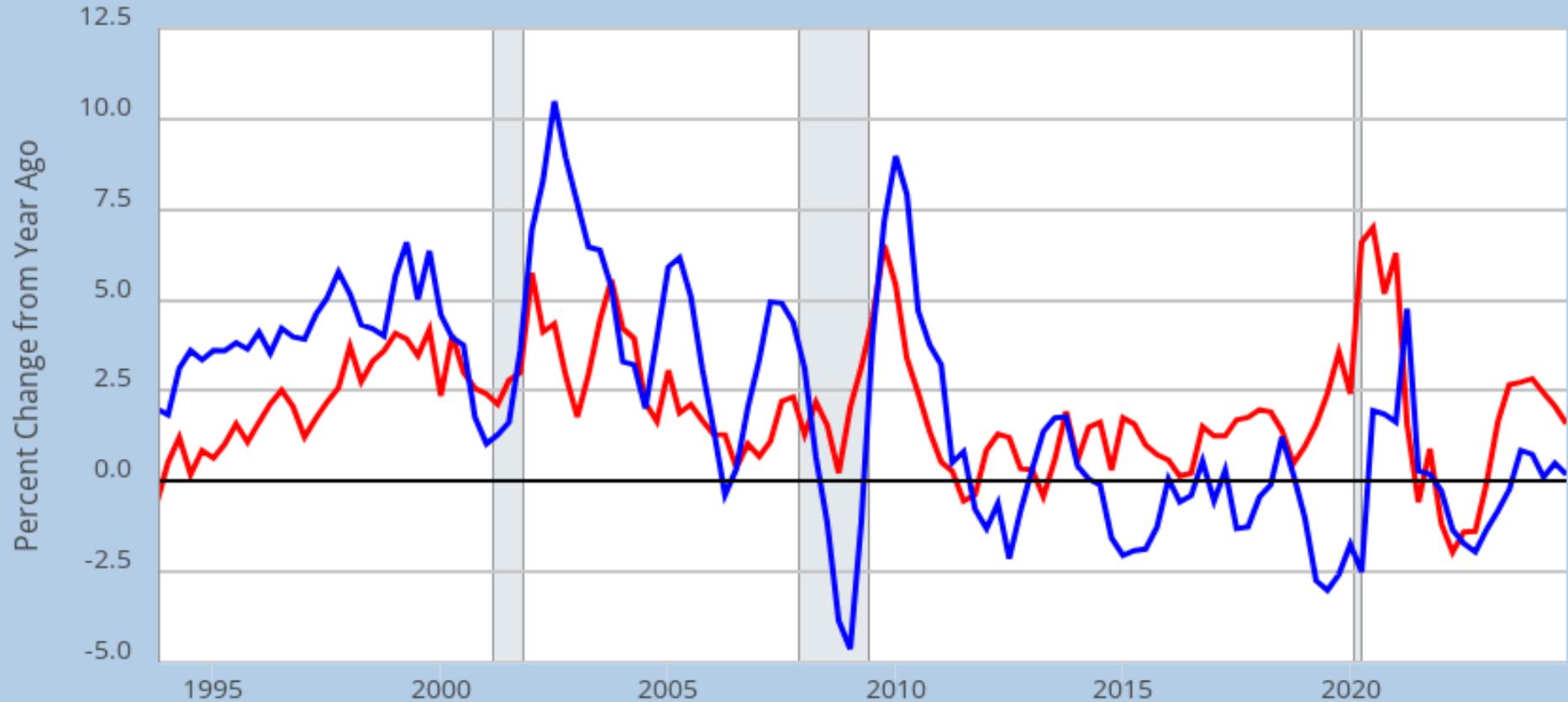
[myf.red/g/1DwYV](https://myf.red/g/1DwYV)

# 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

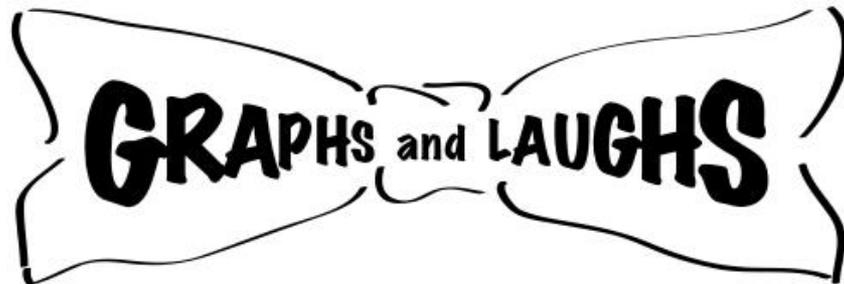


Source: U.S. Bureau of Labor Statistics via FRED®

*Shaded areas indicate U.S. recessions.*

[myf.red/g/1Du2A](https://myf.red/g/1Du2A)

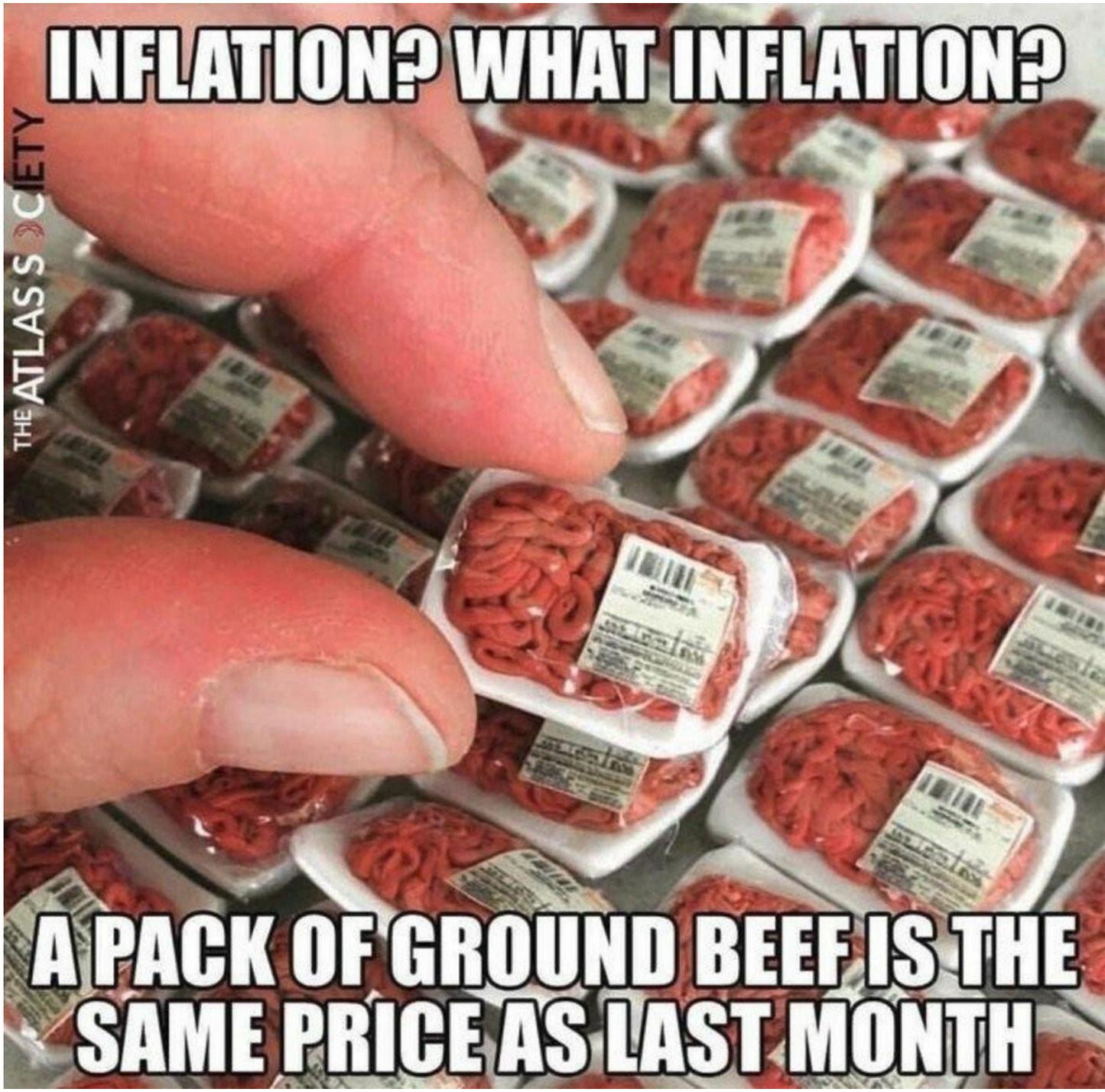
# Inflation & The Fed



**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



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



Source: U.S. Energy Information Administration via FRED®

*Shaded areas indicate U.S. recessions.*

[myf.red/g/1Dy4V](https://myf.red/g/1Dy4V)

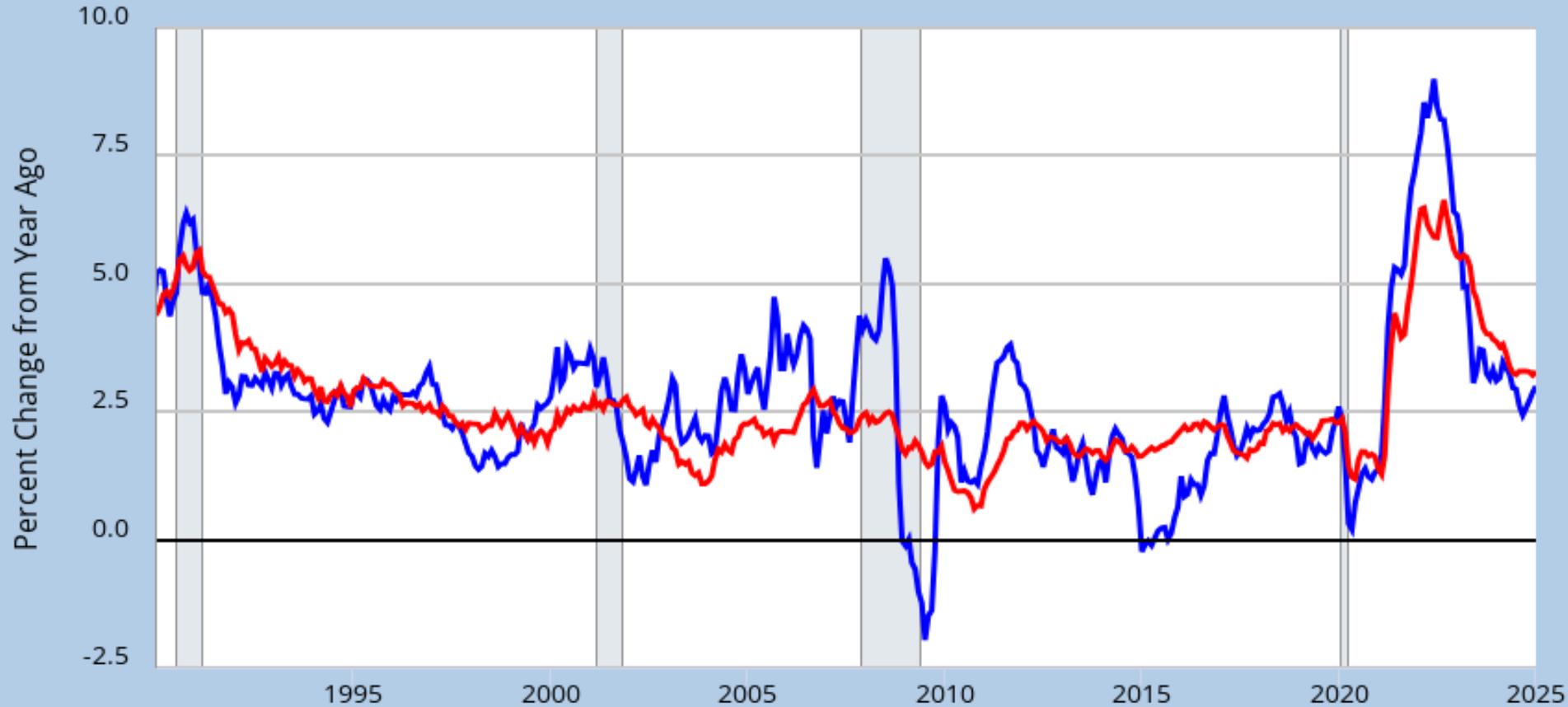
# CPI: Inflationary Pressures Weaken

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 via FRED®

*Shaded areas indicate U.S. recessions.*

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

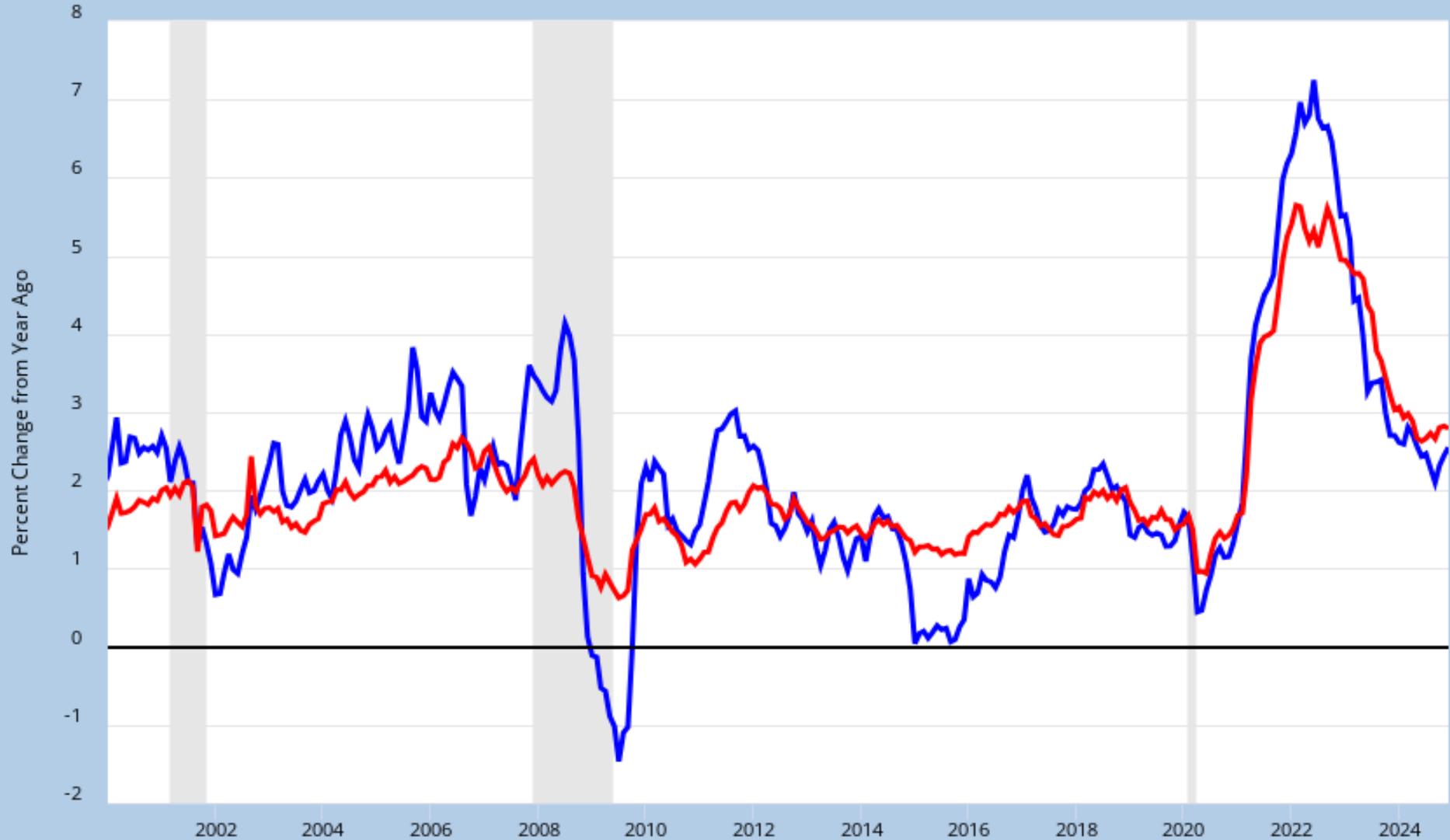
# Core PCE Price Index

Focus on core (red) inflation

FRED 

— Personal Consumption Expenditures: Chain-type Price Index

— Personal Consumption Expenditures Excluding Food and Energy (Chain-Type Price Index)



Source: U.S. Bureau of Economic Analysis

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

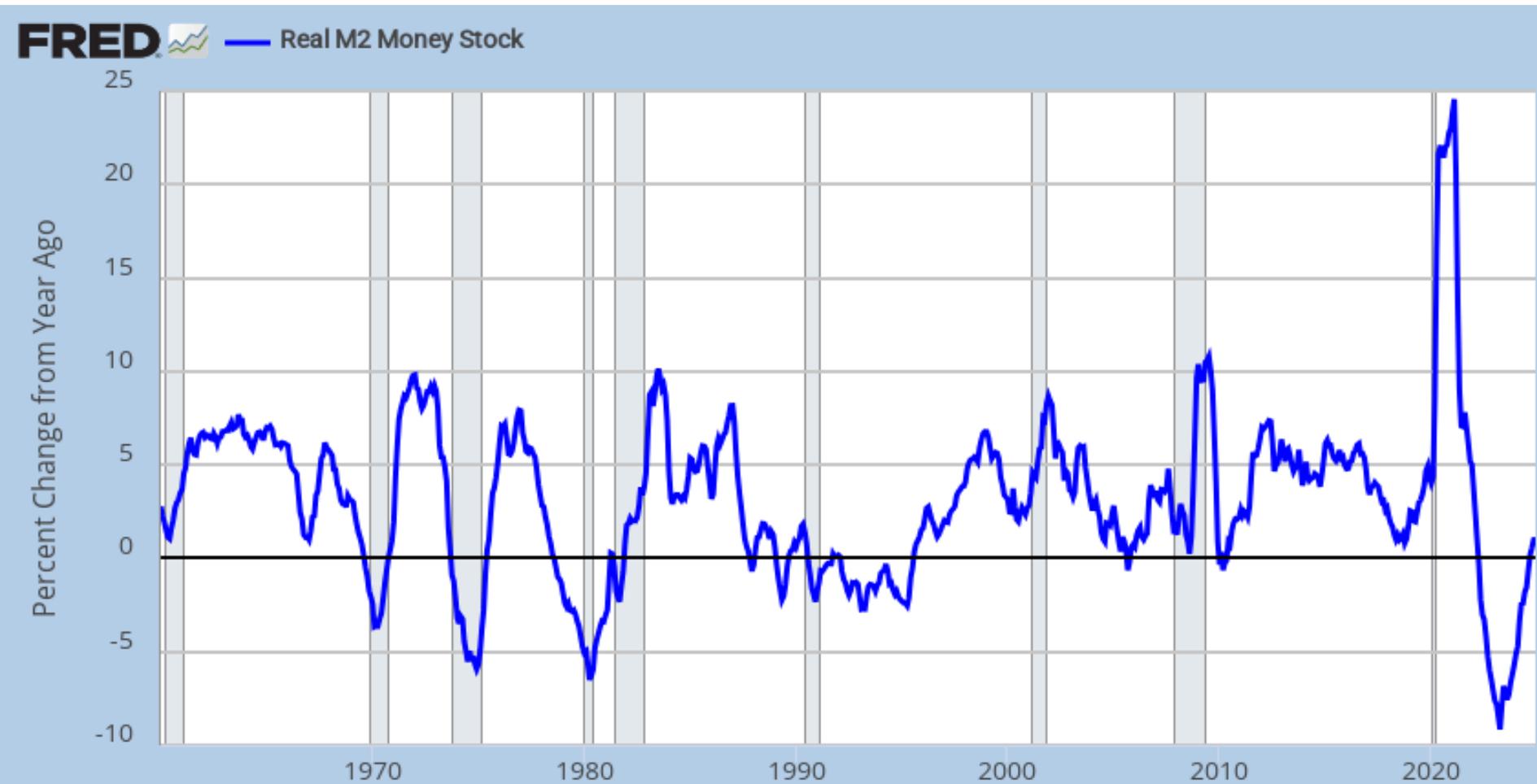
# Federal Reserve Behavior

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 Shrinks

The money supply is again growing



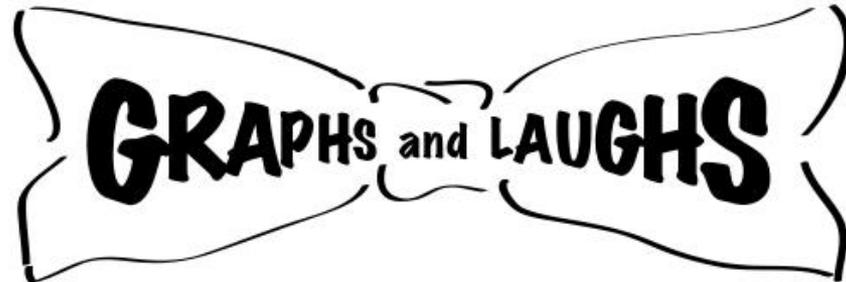
Source: Federal Reserve Bank of St. Louis via FRED®

*Shaded areas indicate U.S. recessions.*

[myf.red/g/1DRI8](https://myf.red/g/1DRI8)

# How About Housing?

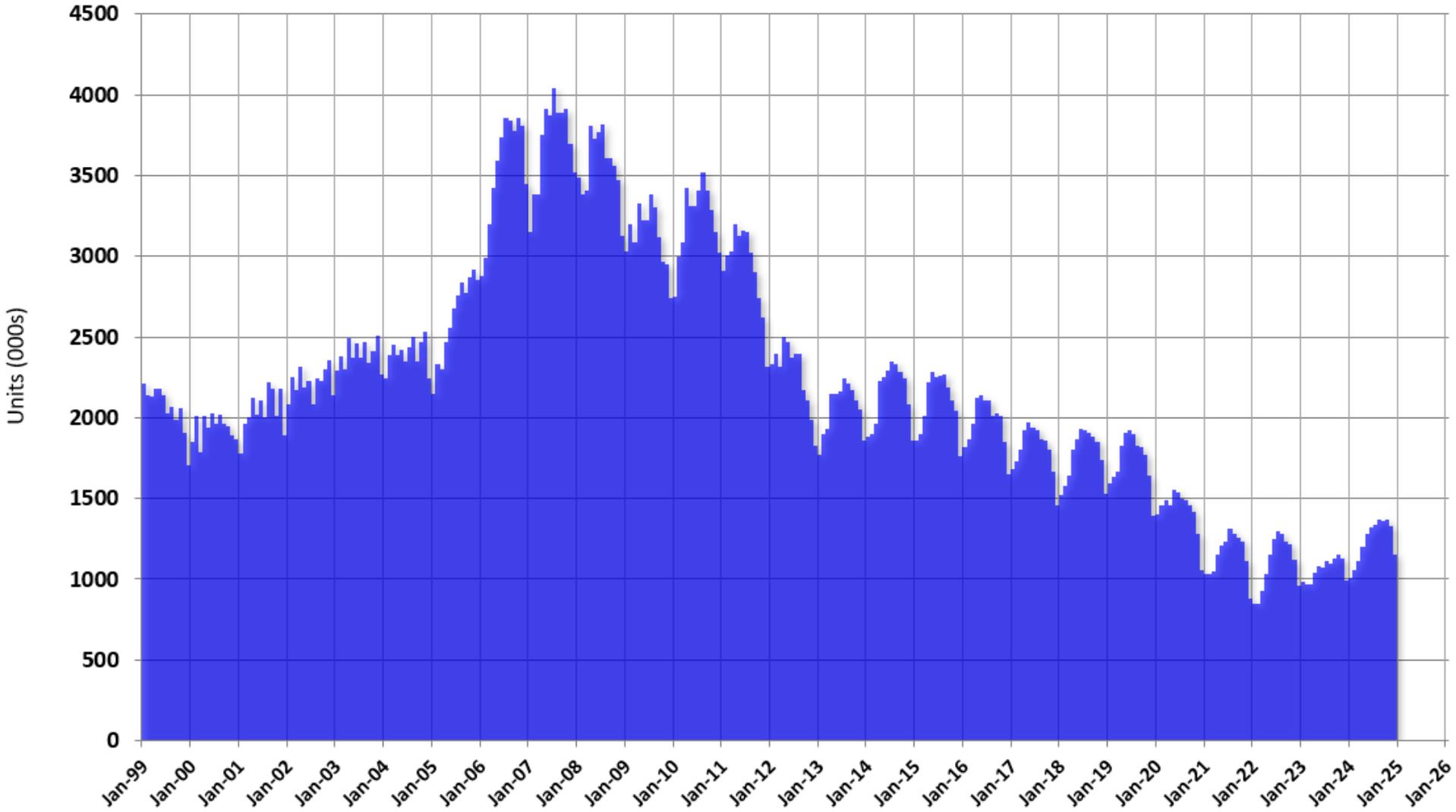
(It's better than you think)



# Housing Inventory is Slowly Rising

But it remains painfully low

## Existing Home Inventory



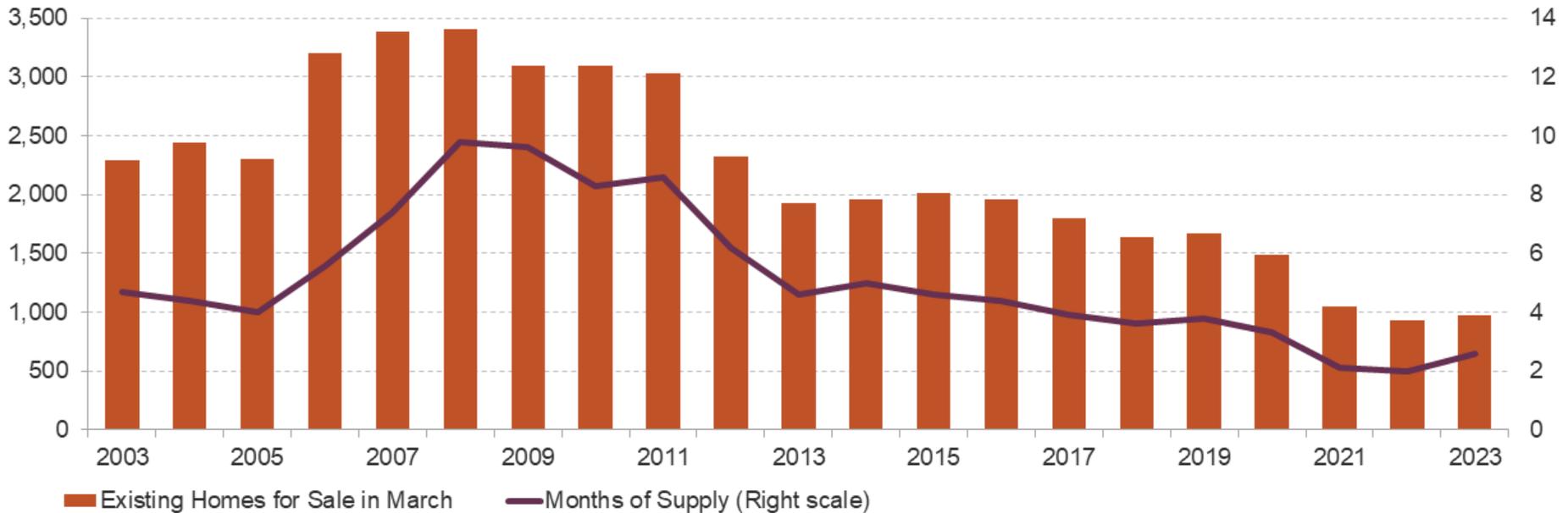
# Inventory is Finally Growing

## Months supply of inventory is the key variable

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

Existing Homes for Sale in March (Thousands)

Months of Supply

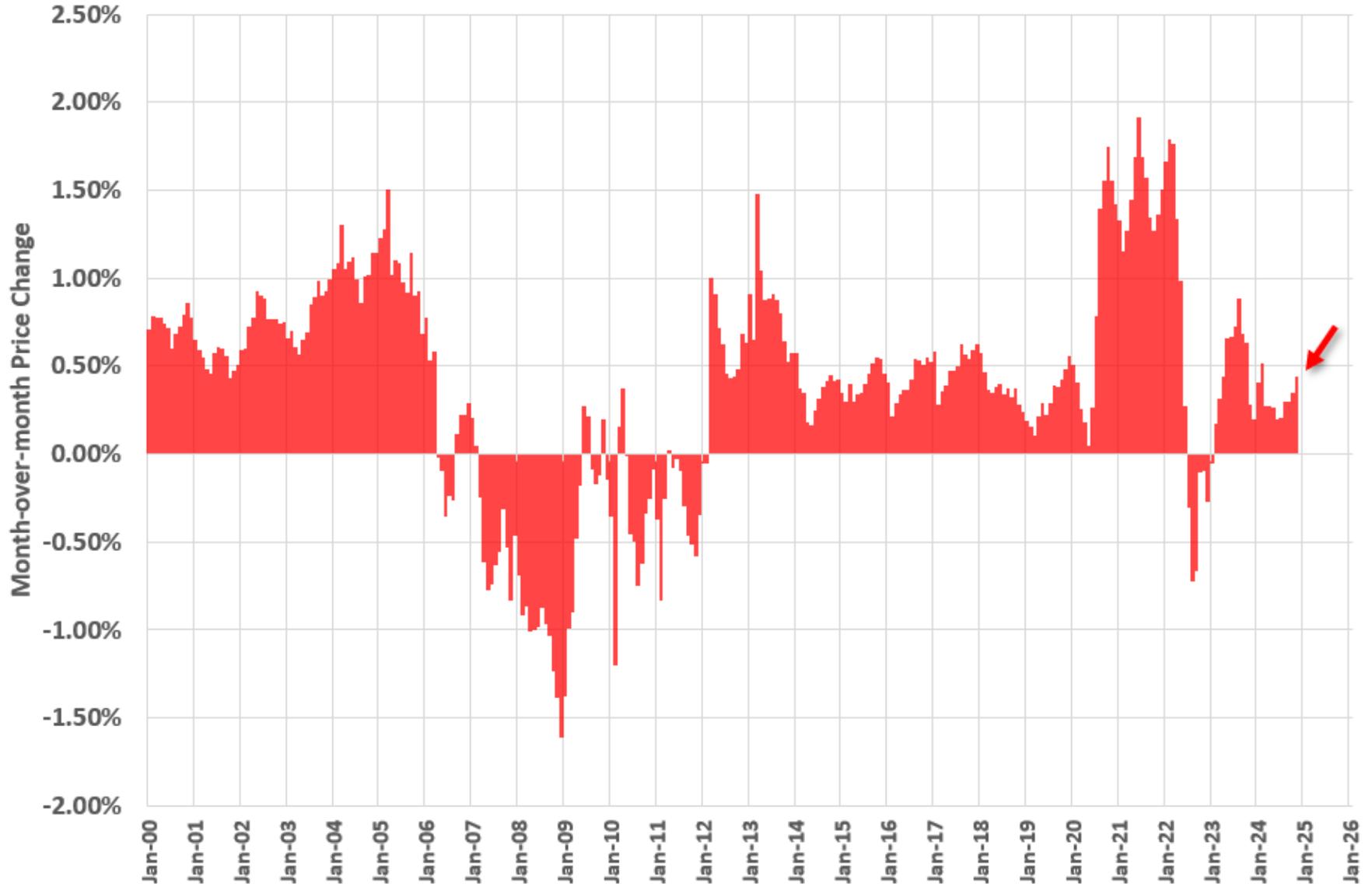


Notes: Months of supply measures how long it would take homes on the market to sell at the current rate. Six months is typically considered a balanced market.  
Source: JCHS tabulations of NAR, Existing Home Sales.

# Case-Shiller M-o-M Price Changes

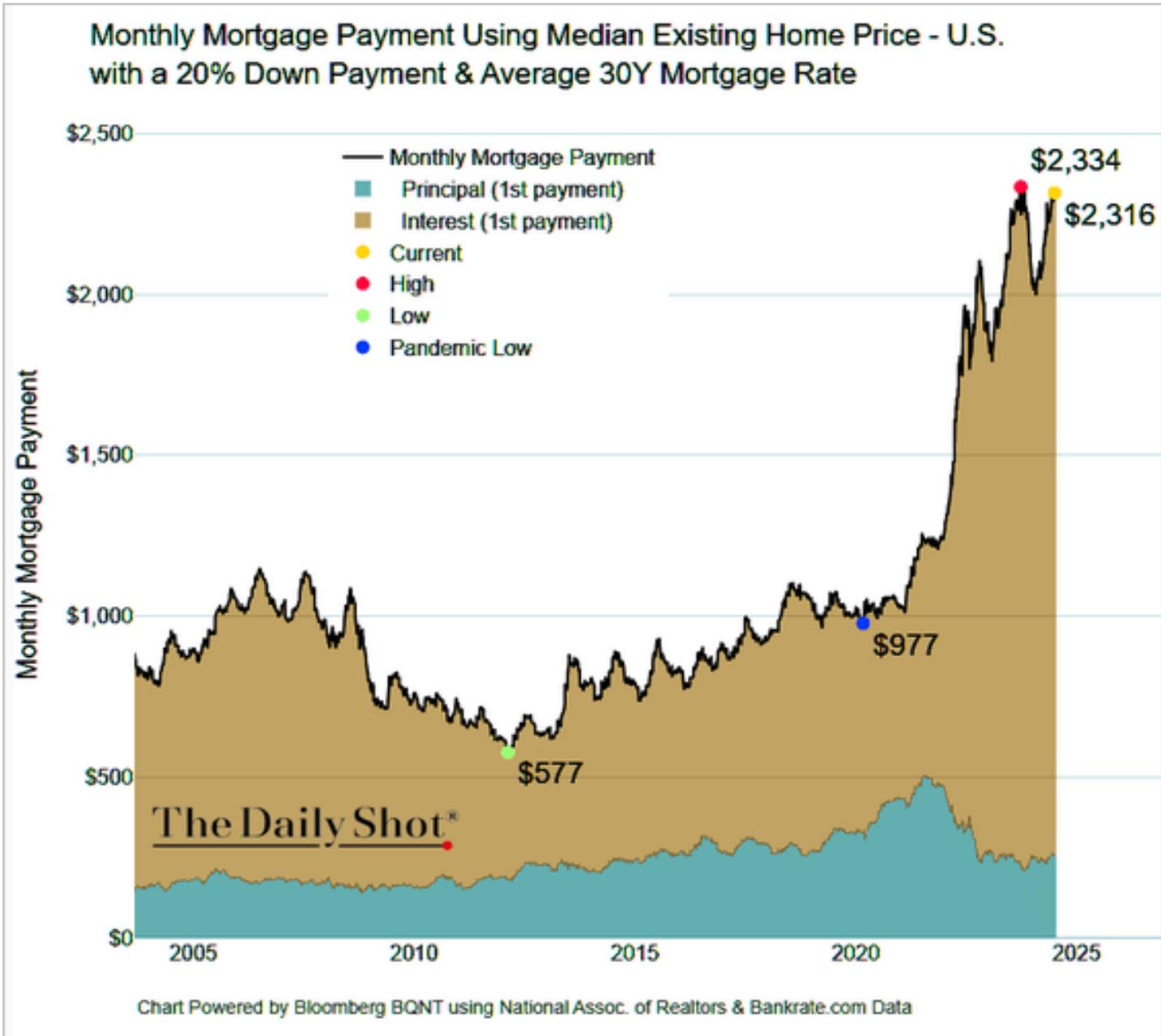
House price appreciating has been slowing

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



# Median Mortgage Payment

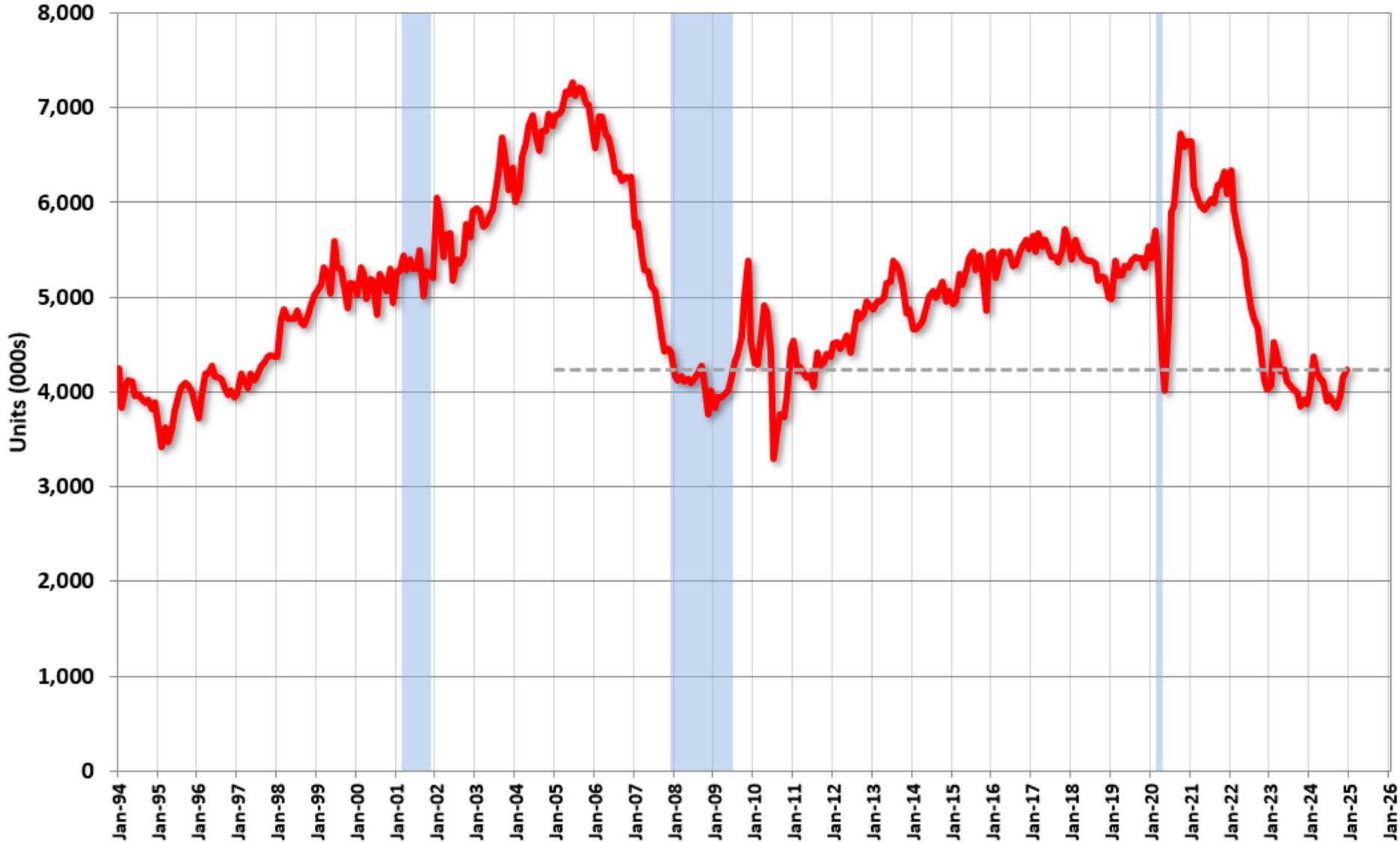
The rise has been breathtaking



# Existing Home Sales Are Soft

They should rise in 2025 as rates decline and inventory rises

Existing Home Sales (SAAR)



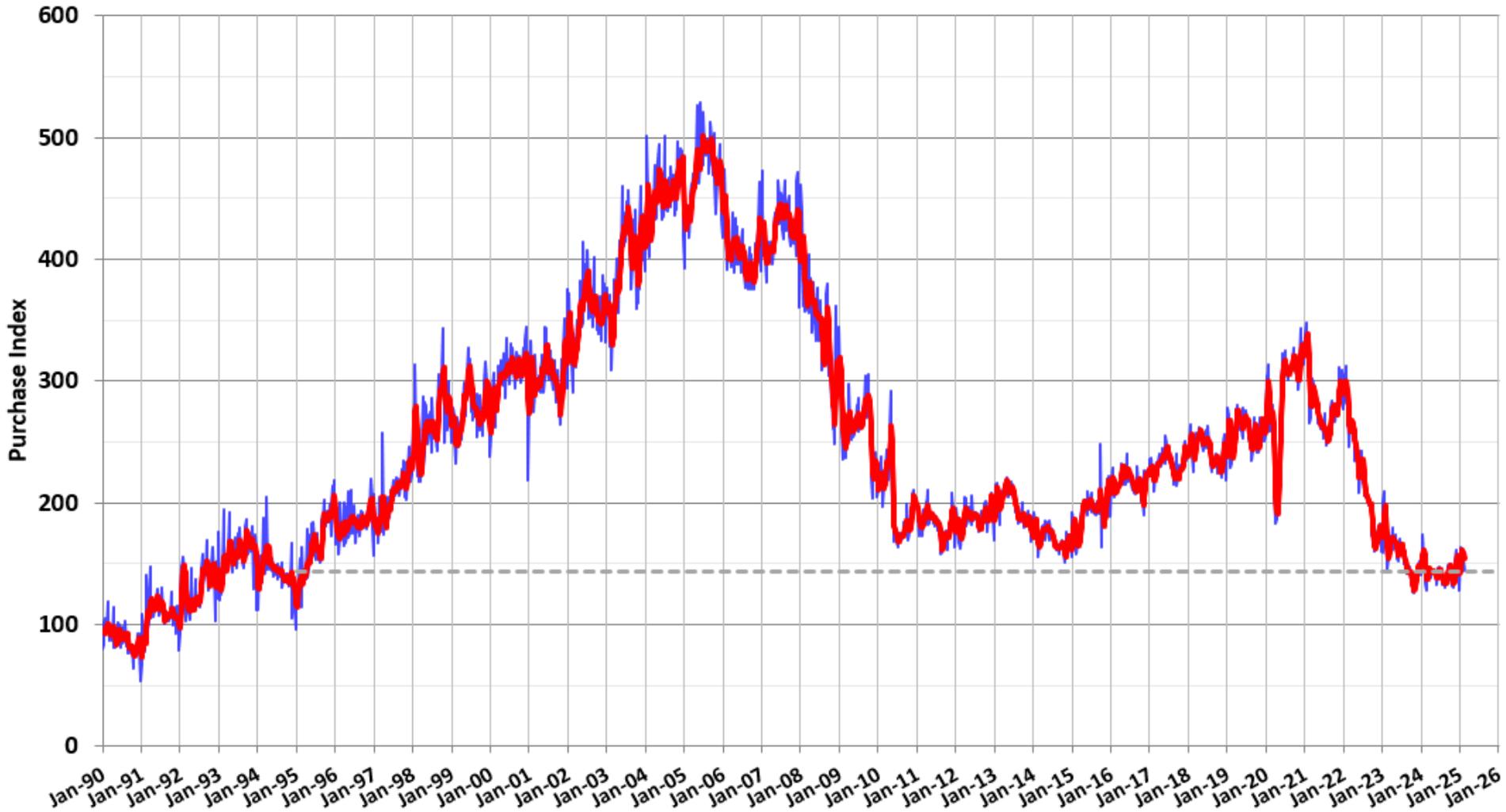
# Mortgage Purchase Applications Level

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

Purchase Index    4 Week Moving Average    Current

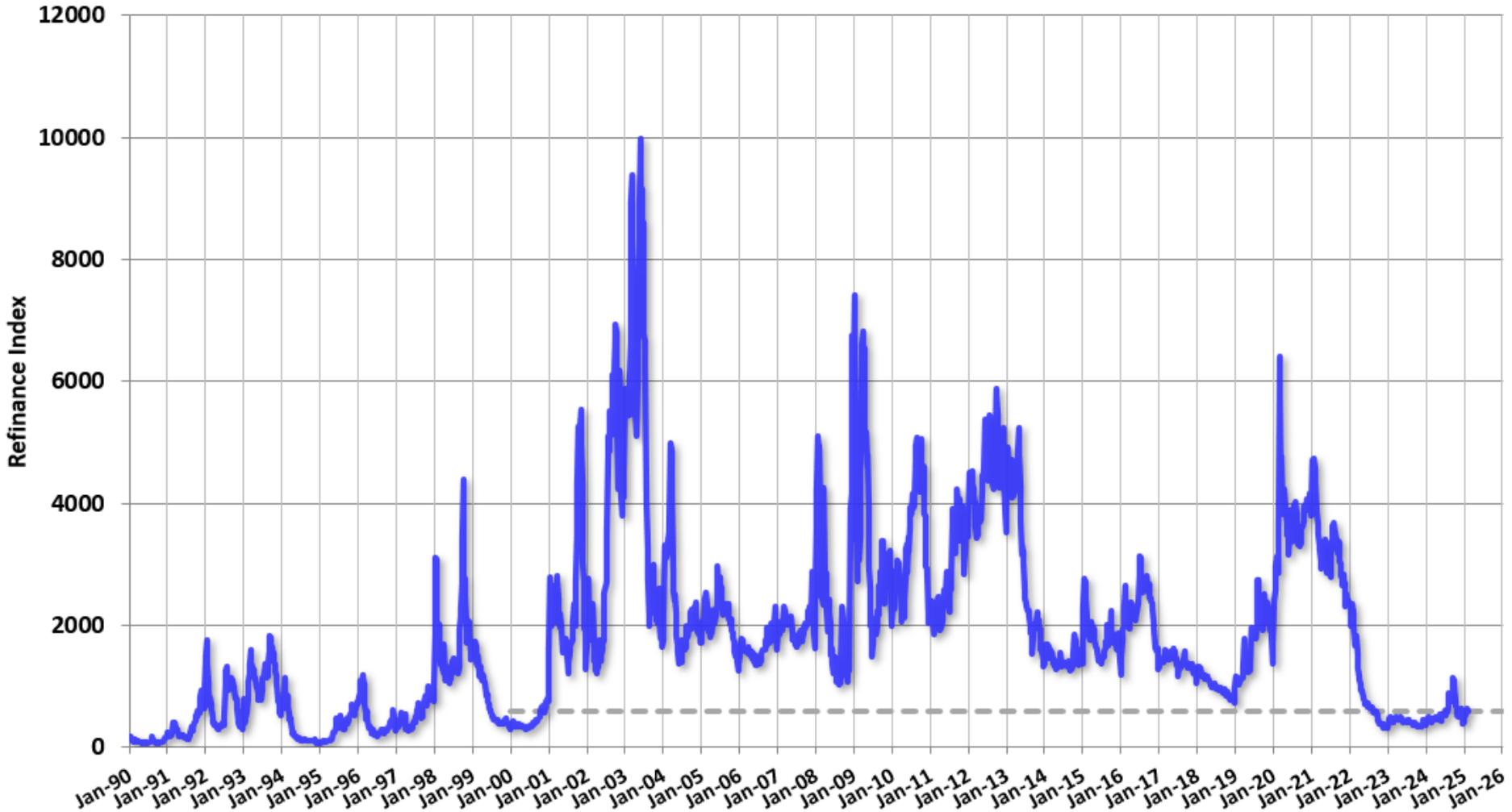


# Refinance Activity Was A Bit Better

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

### MBA Refinance Applications Index

--- Current    — Refinance Index

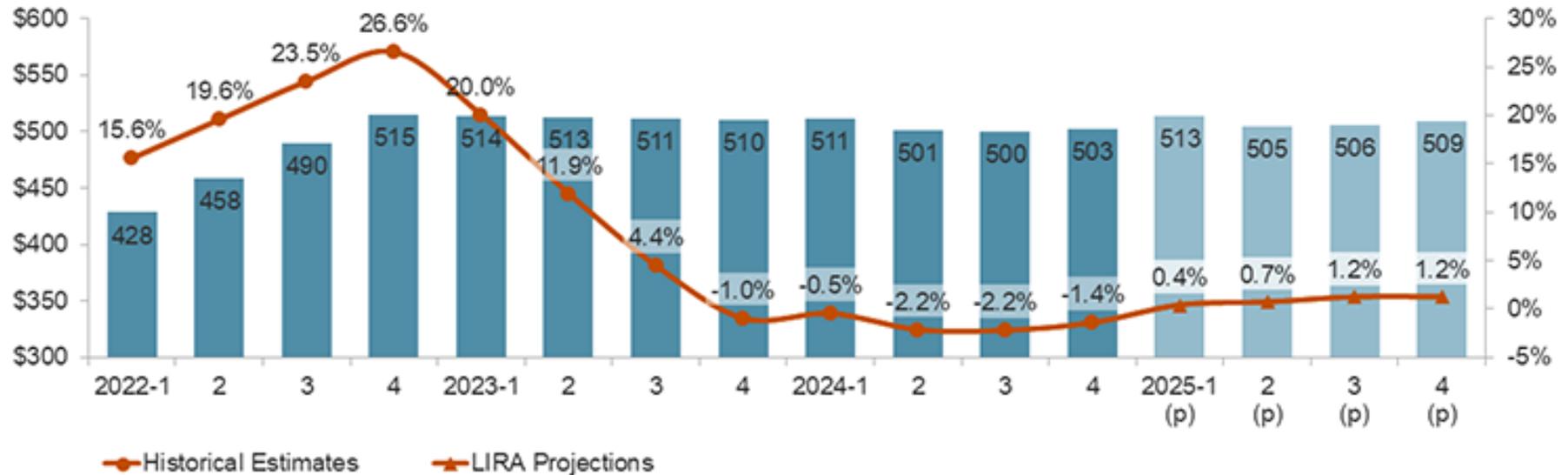


# Housing Improvements & Repairs

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

## Leading Indicator of Remodeling Activity – Fourth 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 2023 are produced using the LIRA model until American Housing Survey benchmark data become available.

# Single-Family and Multifamily Starts

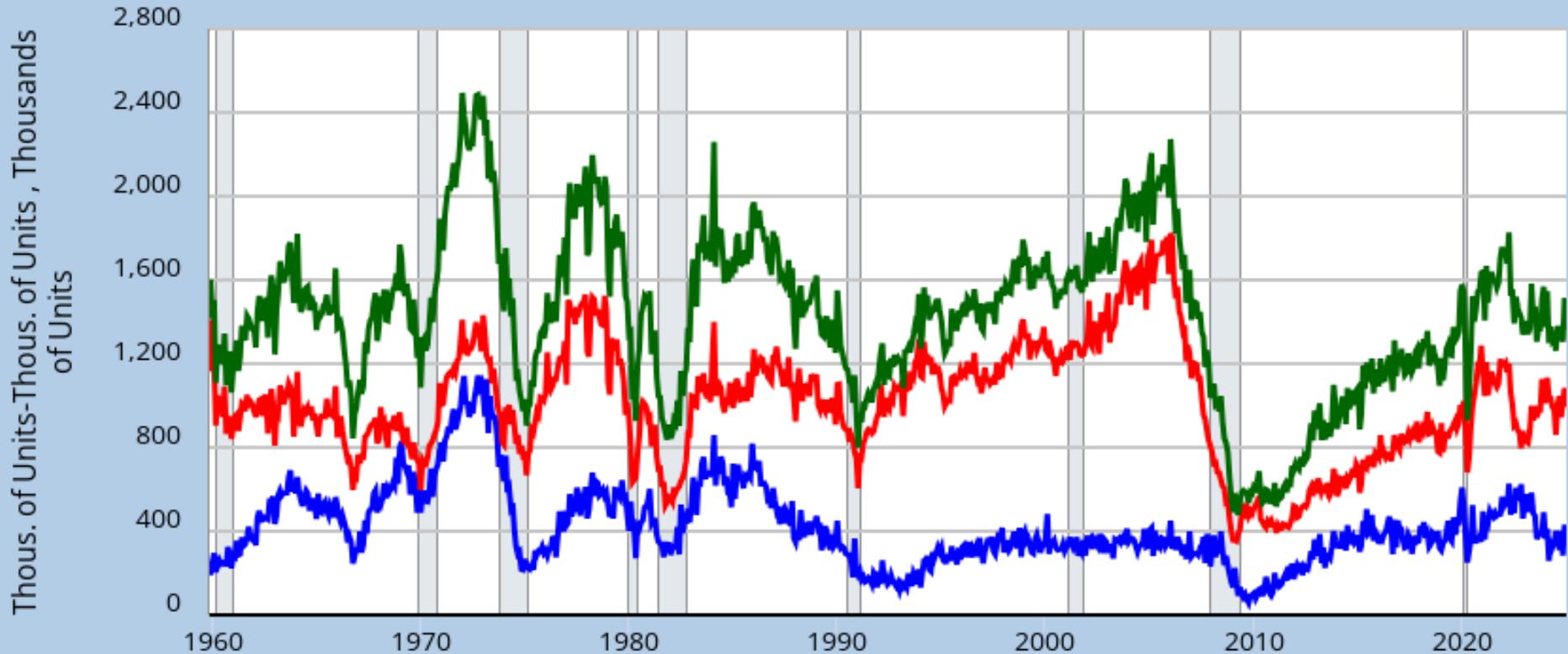
SF starts are OK, MF starts struggle



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

— 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 via FRED®

*Shaded areas indicate U.S. recessions.*

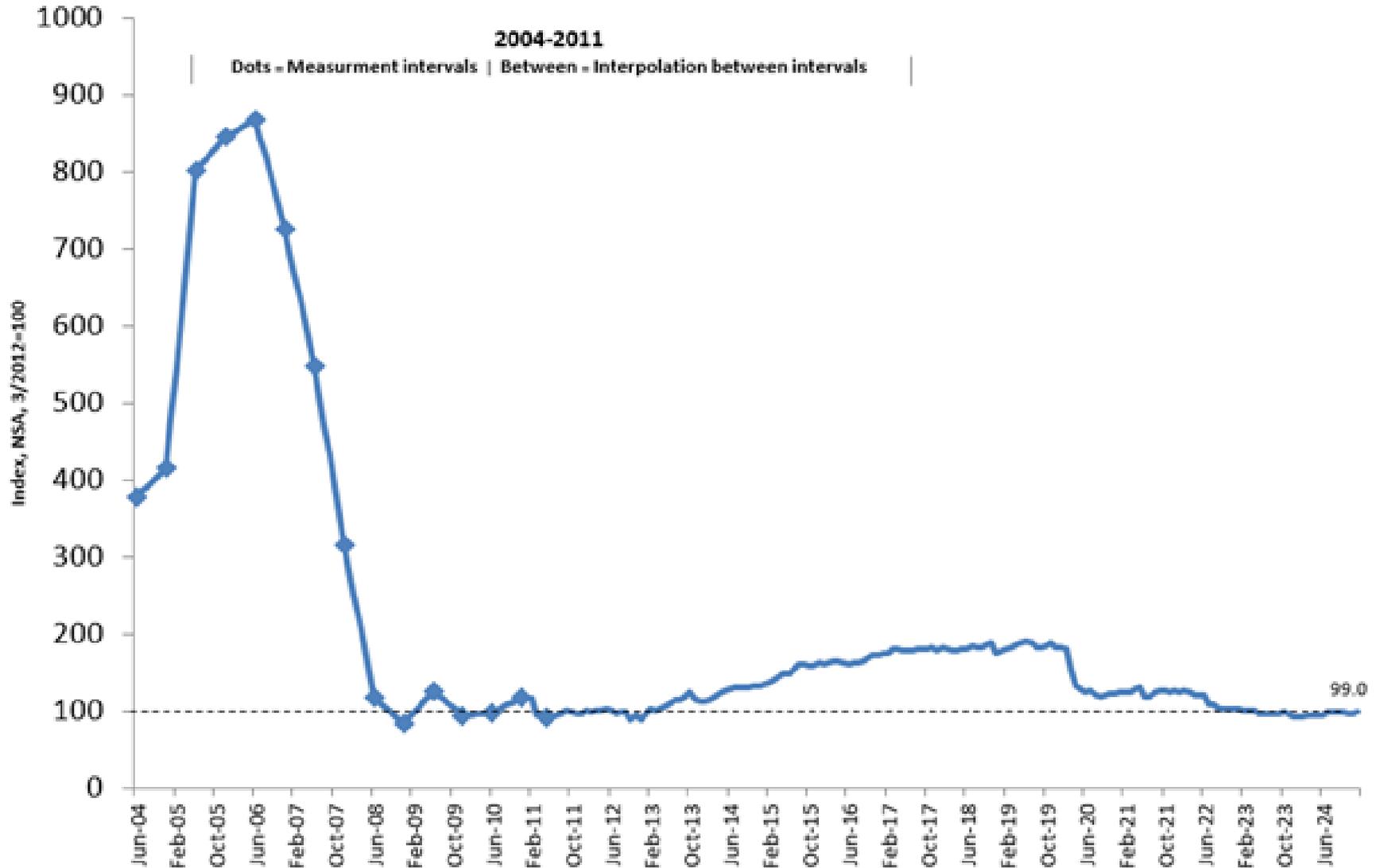
[myf.red/g/1DPDP](https://myf.red/g/1DPDP)

# Credit is Generally Hard to Get

It was getting easier, but Covid stopped that!

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

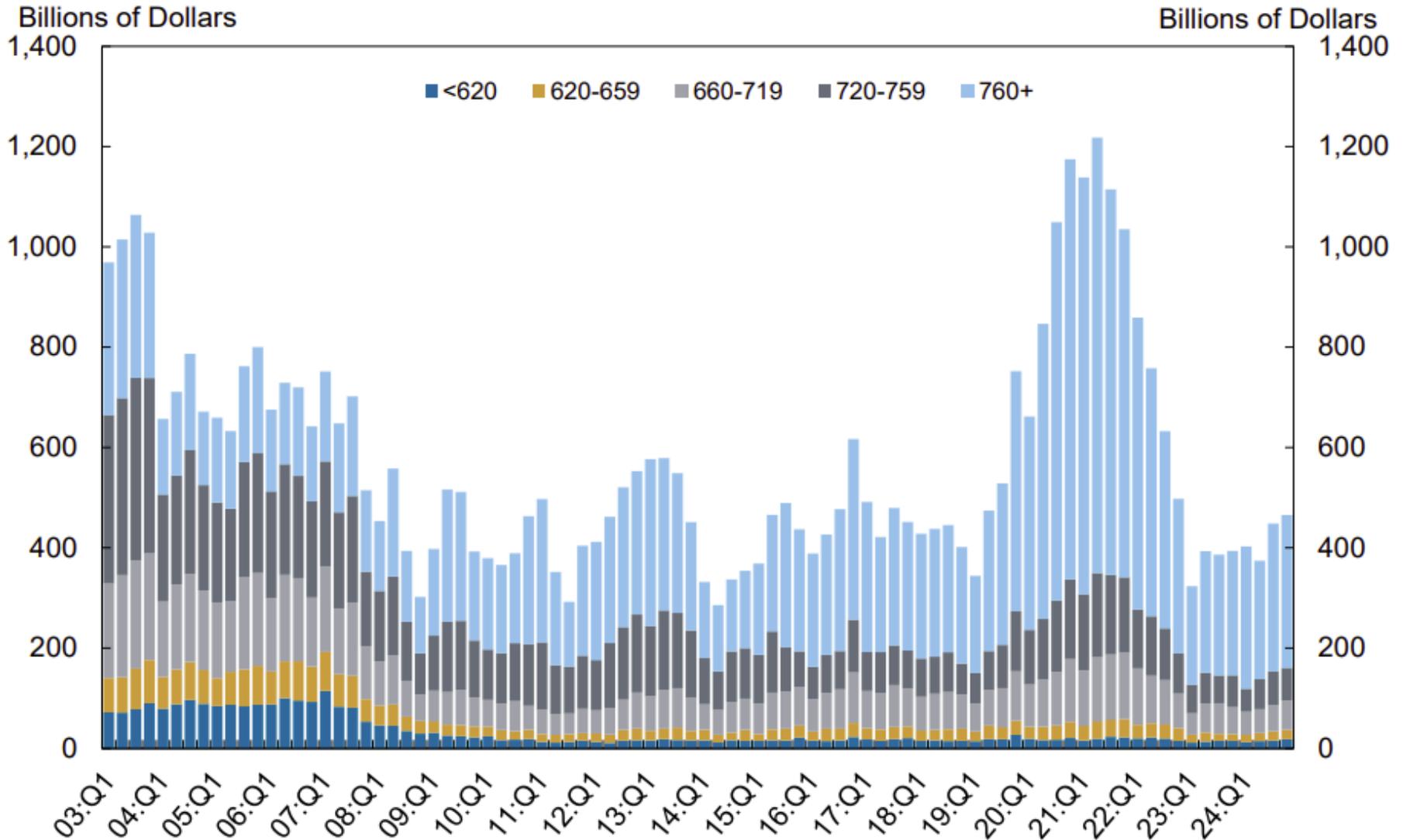
Expanded Historical Series



# Mortgage Quality

It has meaningfully improved and remains high

## Mortgage Originations by Credit Score\*

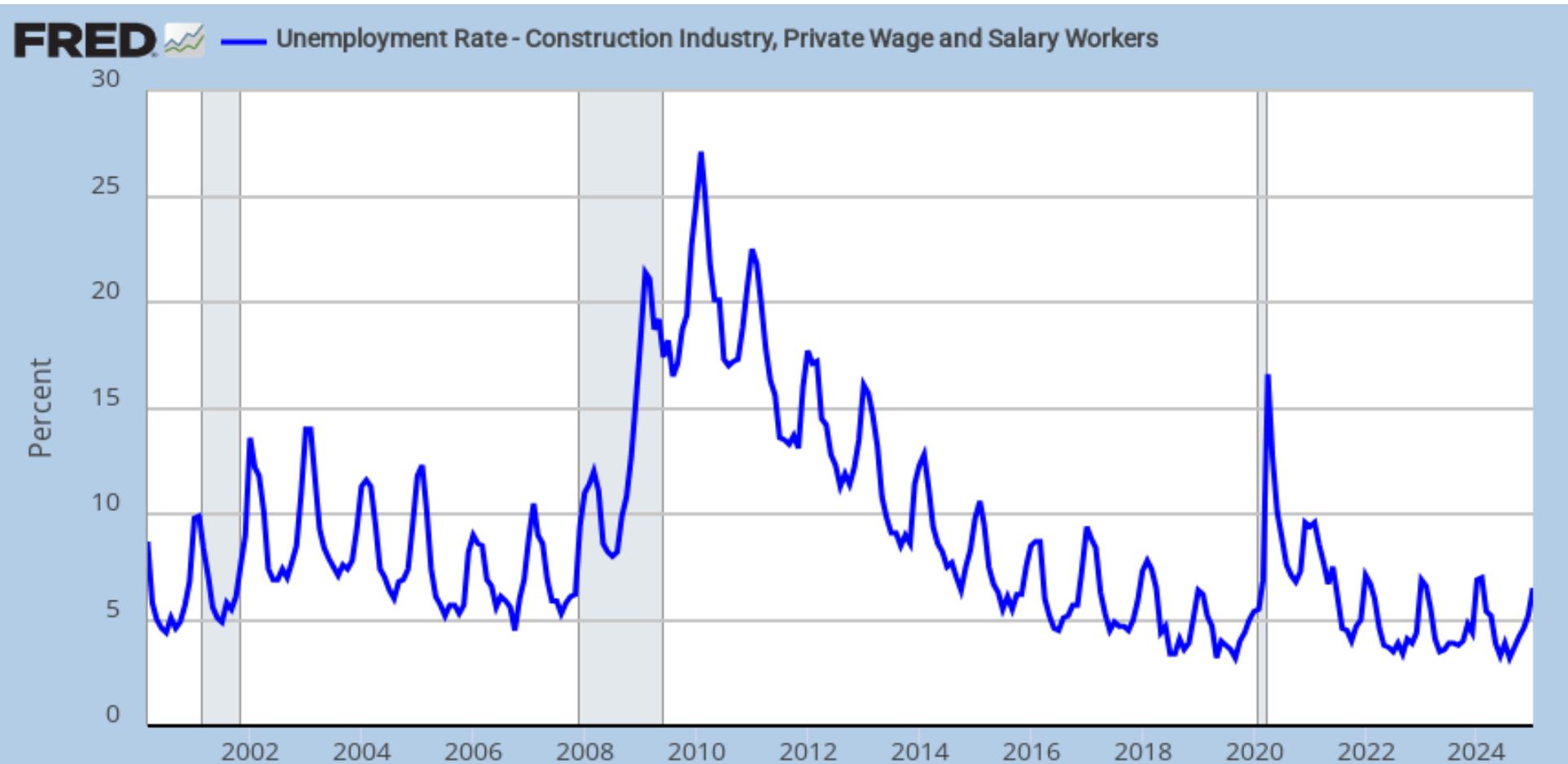


Source: New York Fed Consumer Credit Panel/Equifax

\* Credit Score is Equifax Riskscore 3.0

# Construction Unemployment

Is at lowest level in at least two decades



Source: U.S. Bureau of Labor Statistics via FRED®

*Shaded areas indicate U.S. recessions.*

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

# Construction Costs are Way Up

The increases since Covid-19 are astounding

Producer Price Index, January 2025

	1-Month % Change	12-Month % Change	Change Since Feb 2020
<b>Inputs To Industries</b>			
Inputs to construction	1.4%	1.3%	40.5%
Inputs to multifamily construction	0.8%	1.6%	40.3%
Inputs to nonresidential construction	0.9%	0.7%	40.5%
Inputs to commercial construction	0.5%	0.8%	40.9%
Inputs to healthcare construction	0.7%	1.0%	40.9%
Inputs to industrial construction	0.7%	1.3%	37.1%
Inputs to other nonresidential construction	1.1%	0.7%	40.4%
Inputs to maintenance and repair construction	1.8%	1.8%	39.1%
<b>Commodities</b>			
Adhesives and sealants	-0.3%	1.3%	35.4%
Brick and structural clay tile	0.7%	4.6%	32.0%
Concrete products	0.5%	3.6%	41.4%
Construction machinery and equipment	0.3%	0.8%	30.5%
Construction sand, gravel, and crushed stone	-0.2%	6.3%	42.3%
Copper wire and cable	0.7%	7.9%	41.4%
Crude petroleum	14.8%	8.4%	60.7%
Fabricated structural metal products	0.3%	-1.2%	53.8%
Gypsum products	-0.1%	5.5%	48.2%
Hot rolled steel bars, plates, and structural shapes	10.4%	2.8%	56.3%
Insulation materials	0.4%	5.6%	47.4%
Iron and steel	1.2%	-13.6%	39.9%
Lumber and wood products	0.0%	1.3%	25.8%
Natural gas	13.7%	21.3%	116.9%
Plumbing fixtures and fittings	1.0%	2.0%	20.5%
Prepared asphalt, tar roofing and siding products	-0.2%	1.7%	43.2%
Softwood lumber	-1.8%	9.5%	16.4%
Steel mill products	0.2%	-16.6%	43.1%
Switchgear, switchboard, industrial controls equipment	0.0%	5.3%	49.3%
Unprocessed energy materials	13.0%	10.5%	87.0%

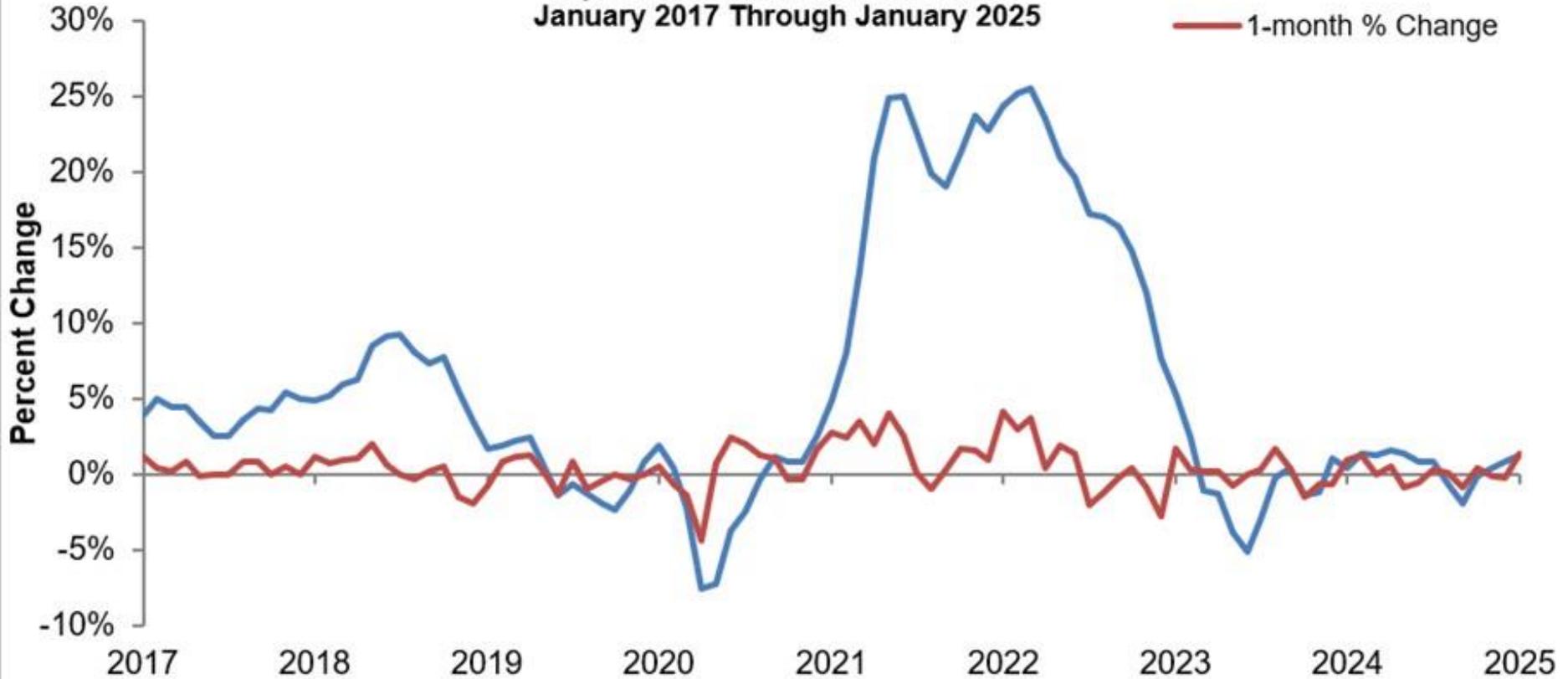
Source: U.S. Bureau of Labor Statistics

# Construction Cost Inflation

The increases are stabilizing

Producer Price Index Percent Change  
Inputs to Construction Industries  
January 2017 Through January 2025

12-month % Change  
1-month % Change



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)

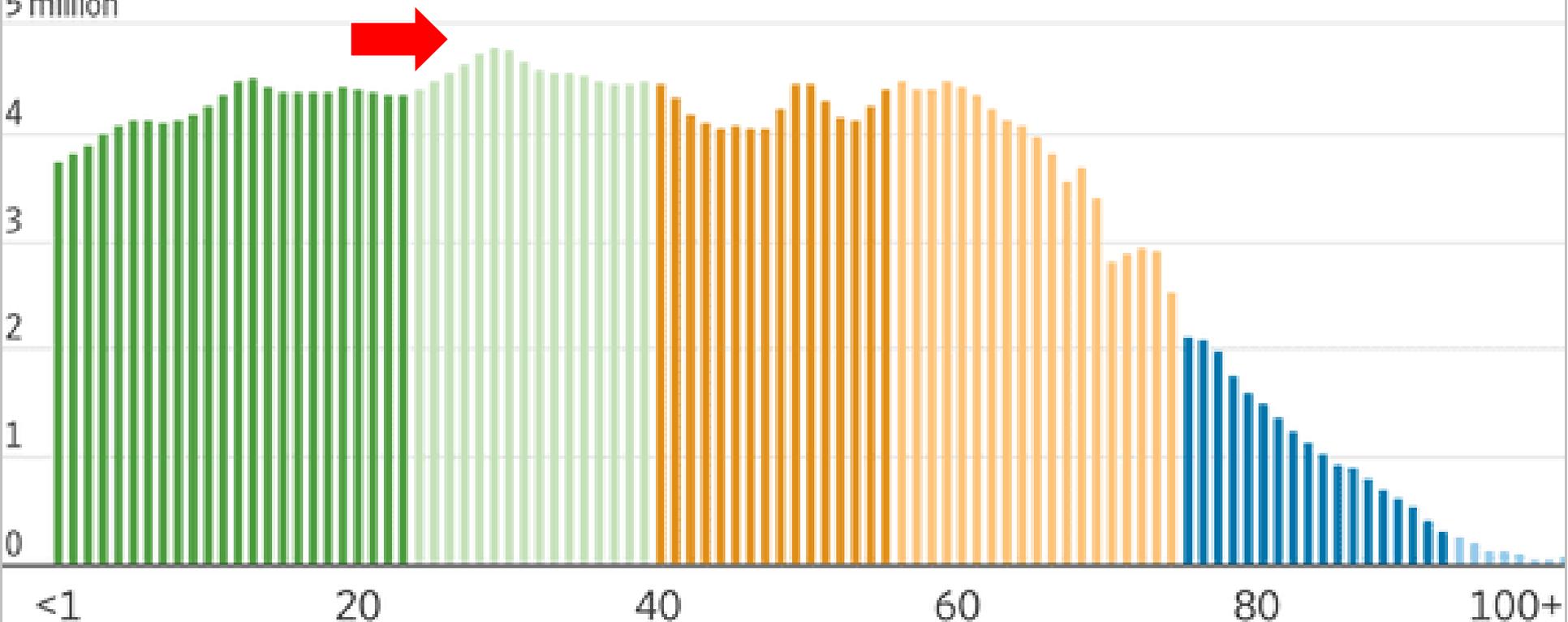
Posted on

The Daily Shot

19-Dec-2023

@SoberLook

5 million



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?

Elliot F. Eisenberg, Ph.D.

**Cell:** 202.306.2731

[elliott@graphsandlaughs.net](mailto:elliott@graphsandlaughs.net)

[www.econ70.com](http://www.econ70.com)

Do you want to get my daily 70-word economics email?  
Please give me your business card or text "bowtie" to 66866

Thank YOU all very very much!

@ECON70

