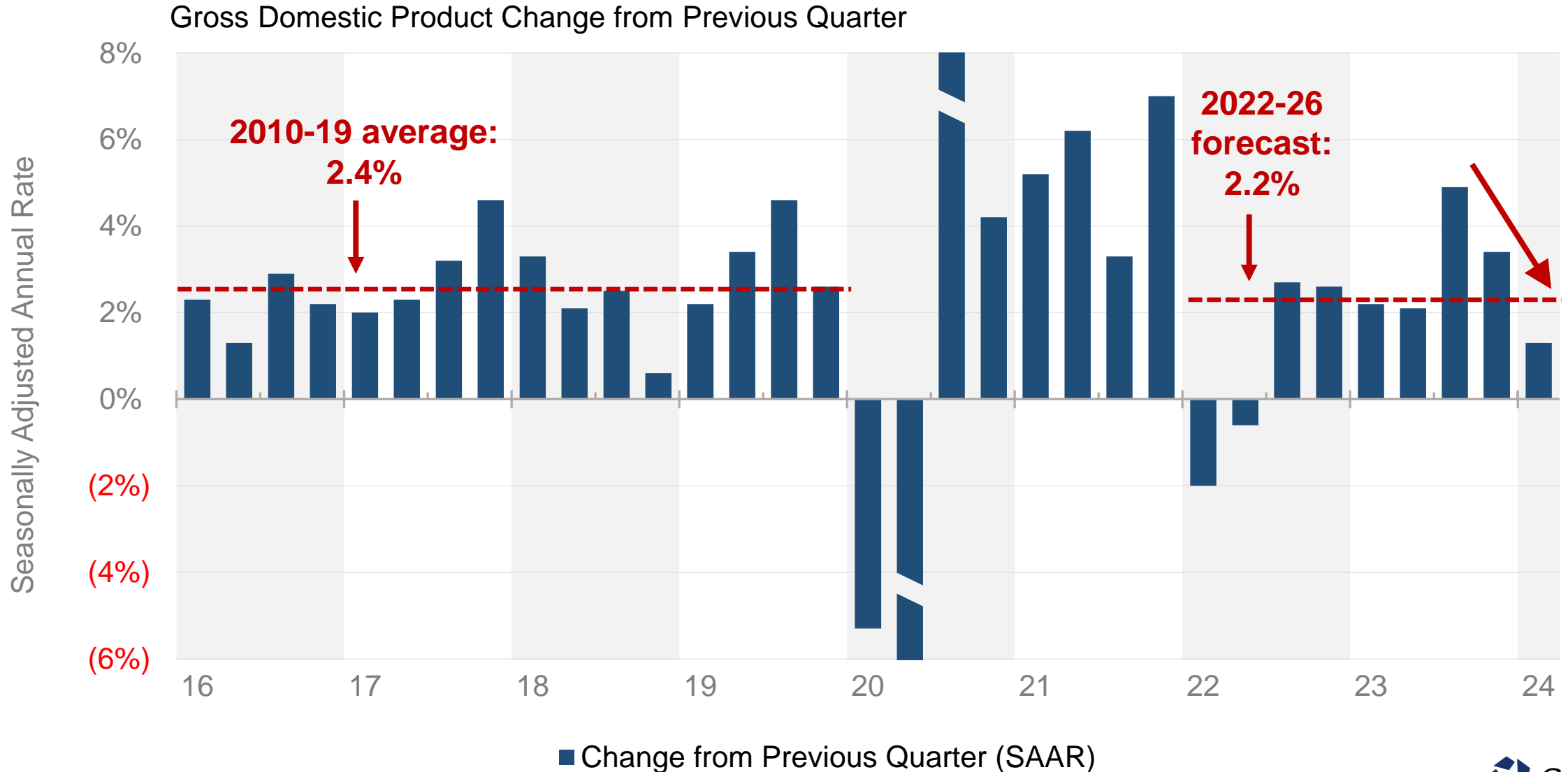




# Economic Trends and Risks

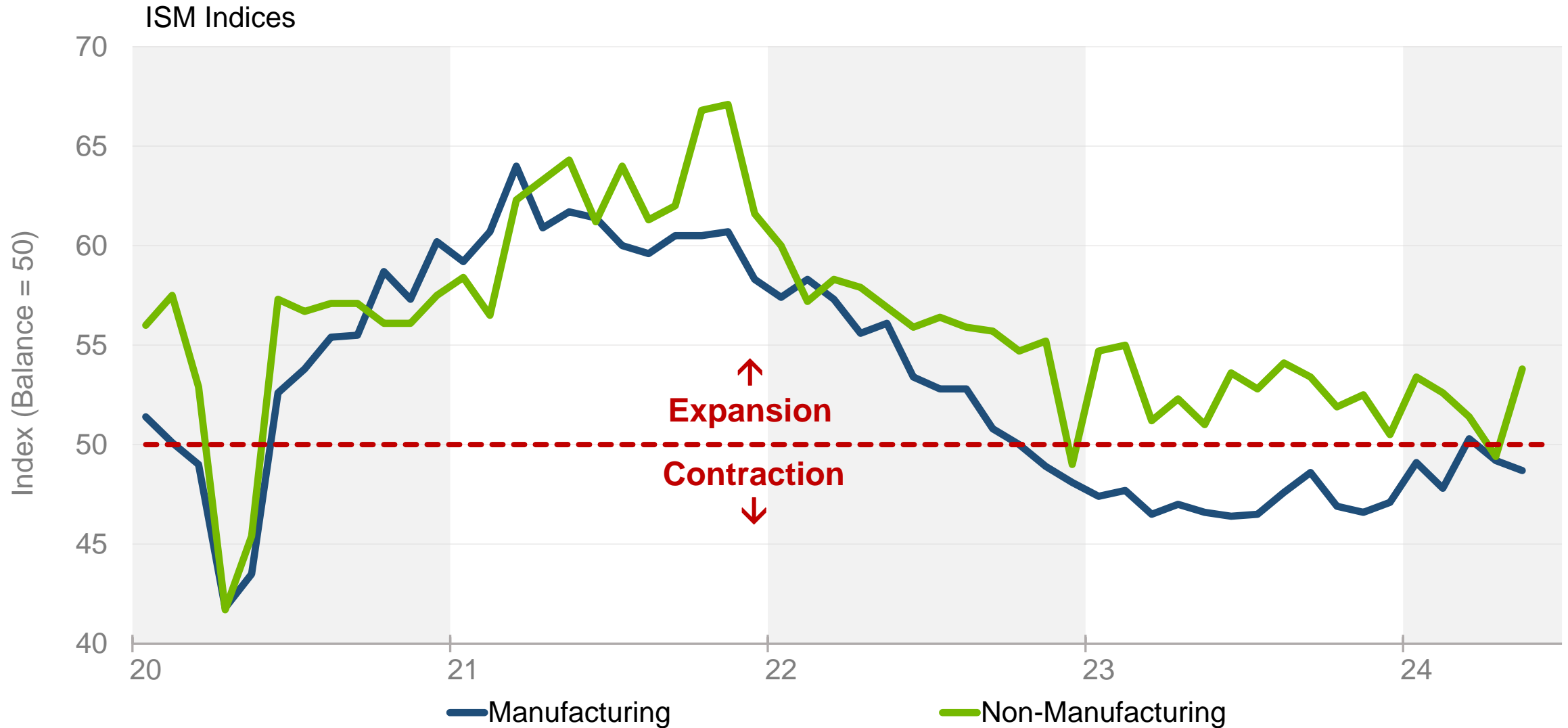
Appraisal Institute  
Southern California Chapter  
June 6, 2024 ✦ Riverside

# Strong momentum last year led to a slowdown in 2024

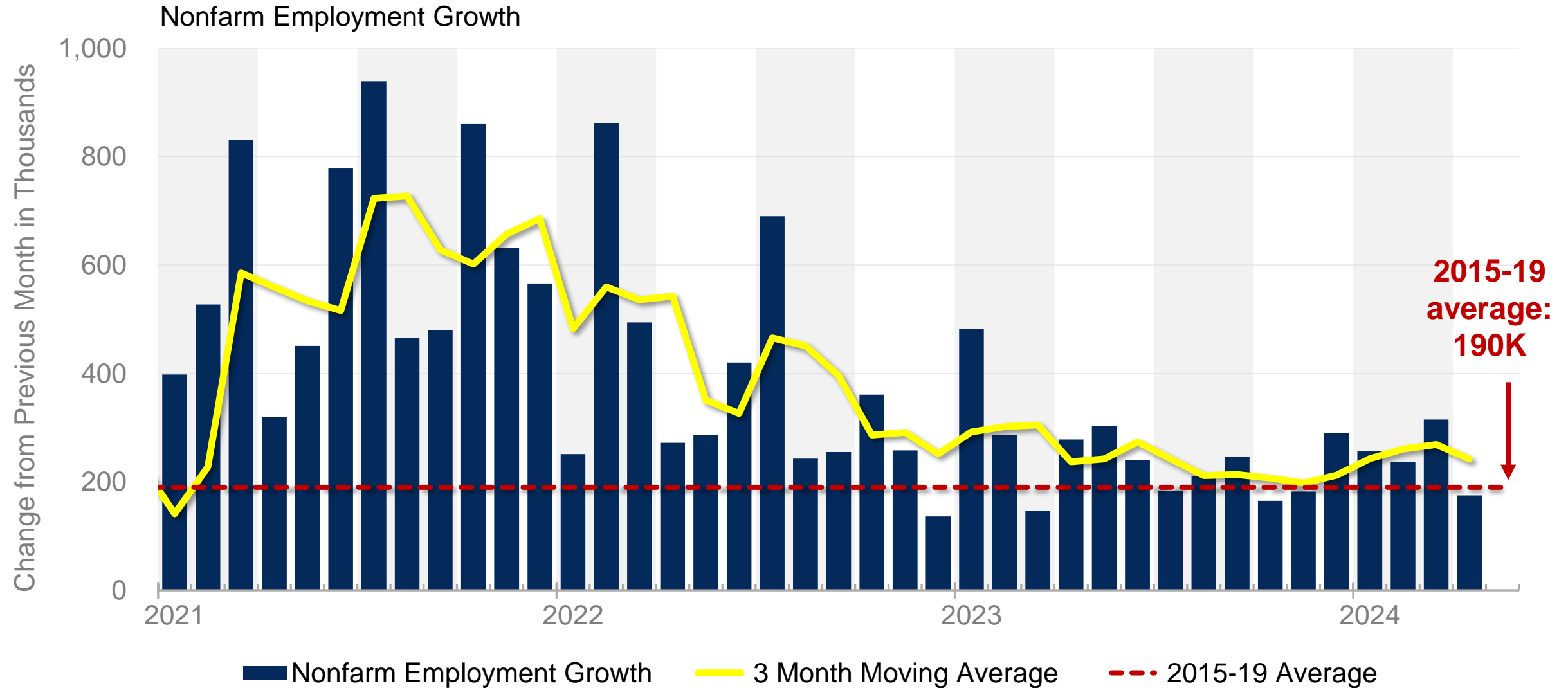


Source: Bureau of Economic Analysis

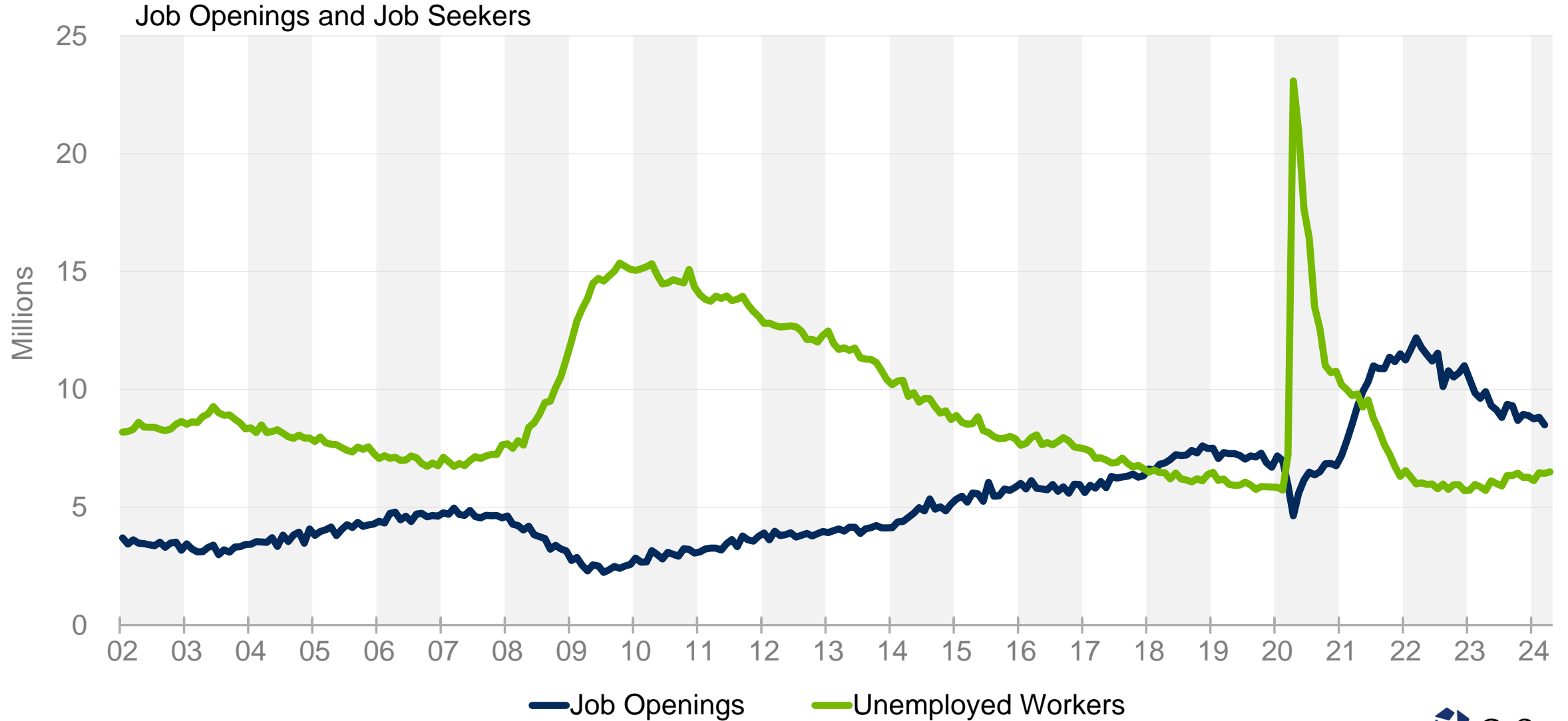
# Factory activity is lagging, while services are more resilient



# Hints of a slowing labor market

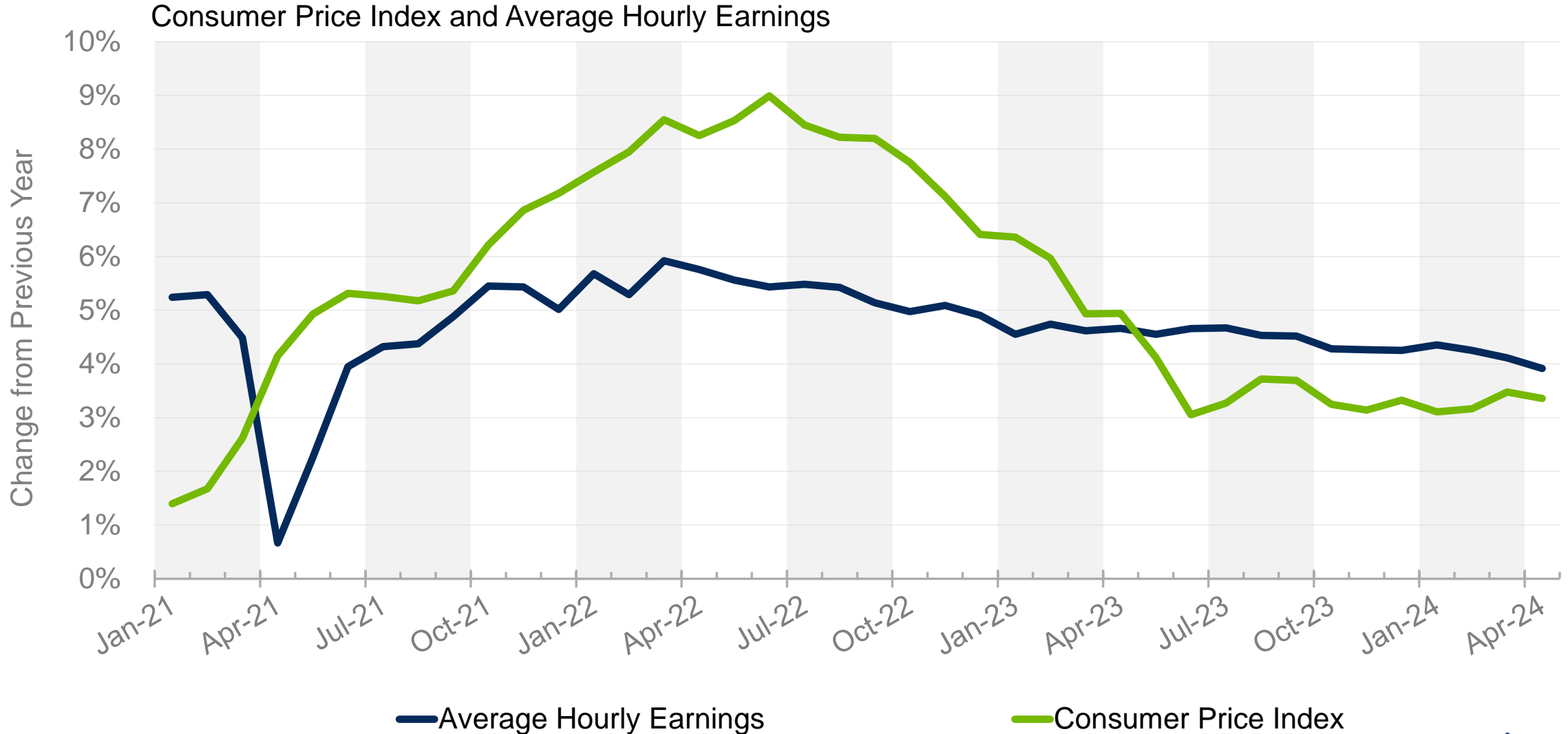


# But the labor shortage continues, for now



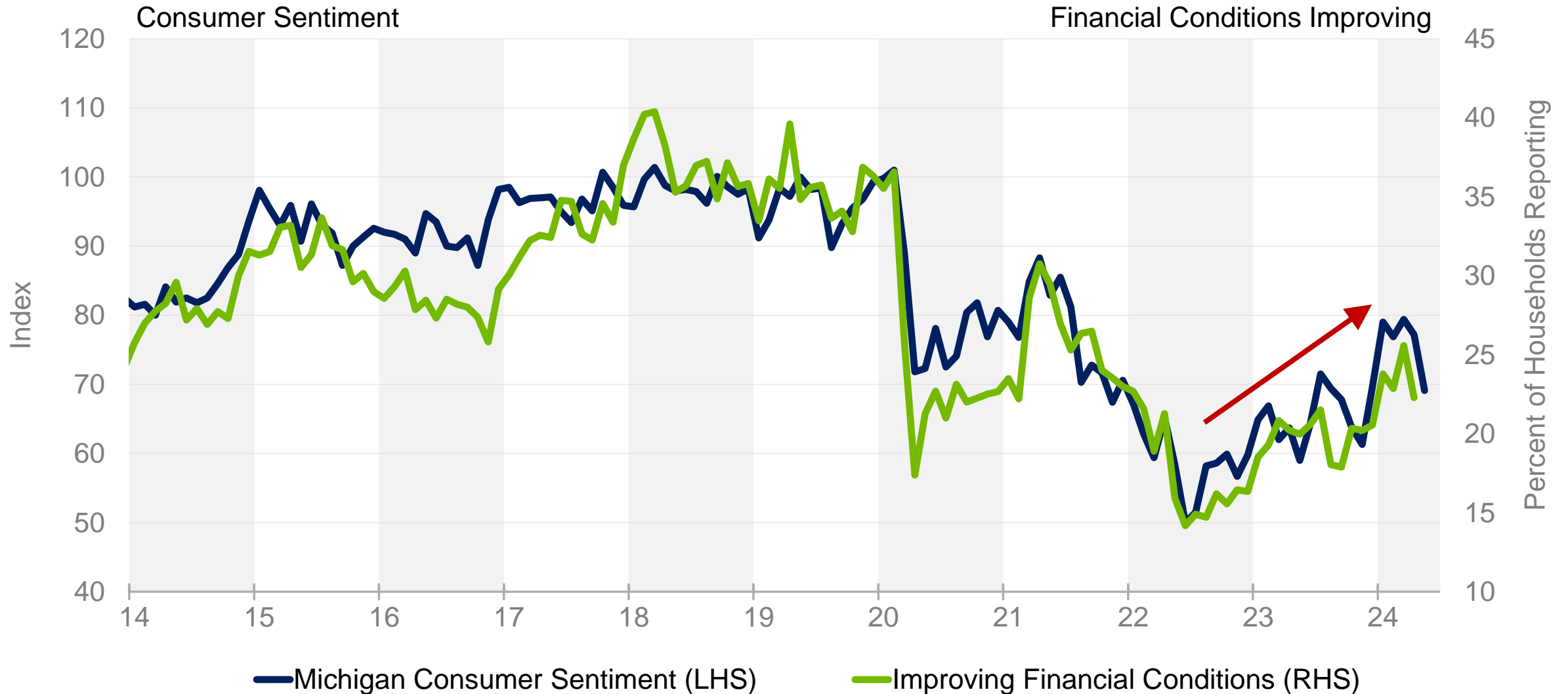
Source: Bureau of Labor Statistics

# Wage growth wallops inflation



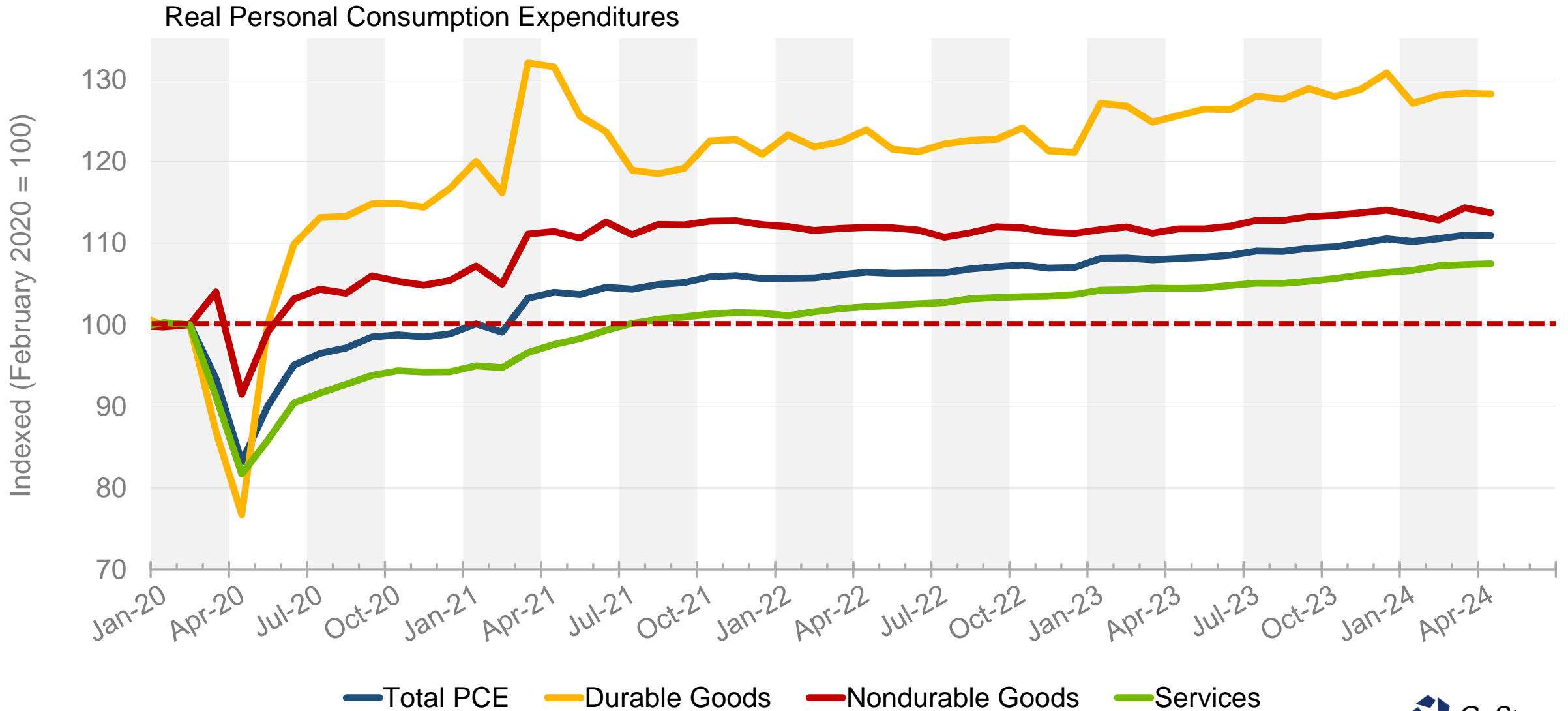
Source: Bureau of Labor Statistics, February 2024

# Consumers are seeing better days ....



Sources: University of Michigan, Federal Reserve Bank of New York

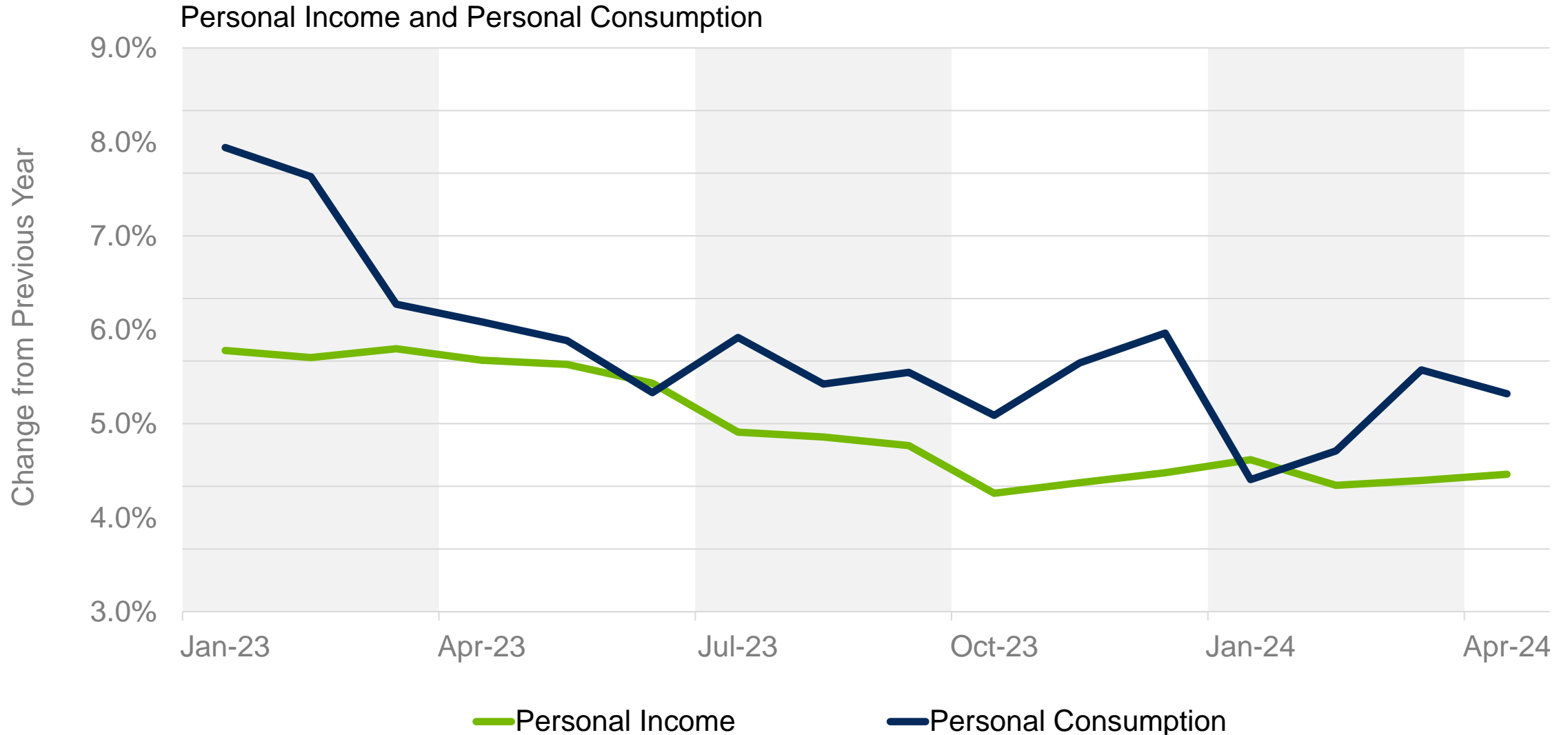
# .... and they keep spending



Source: Bureau of Economic Analysis

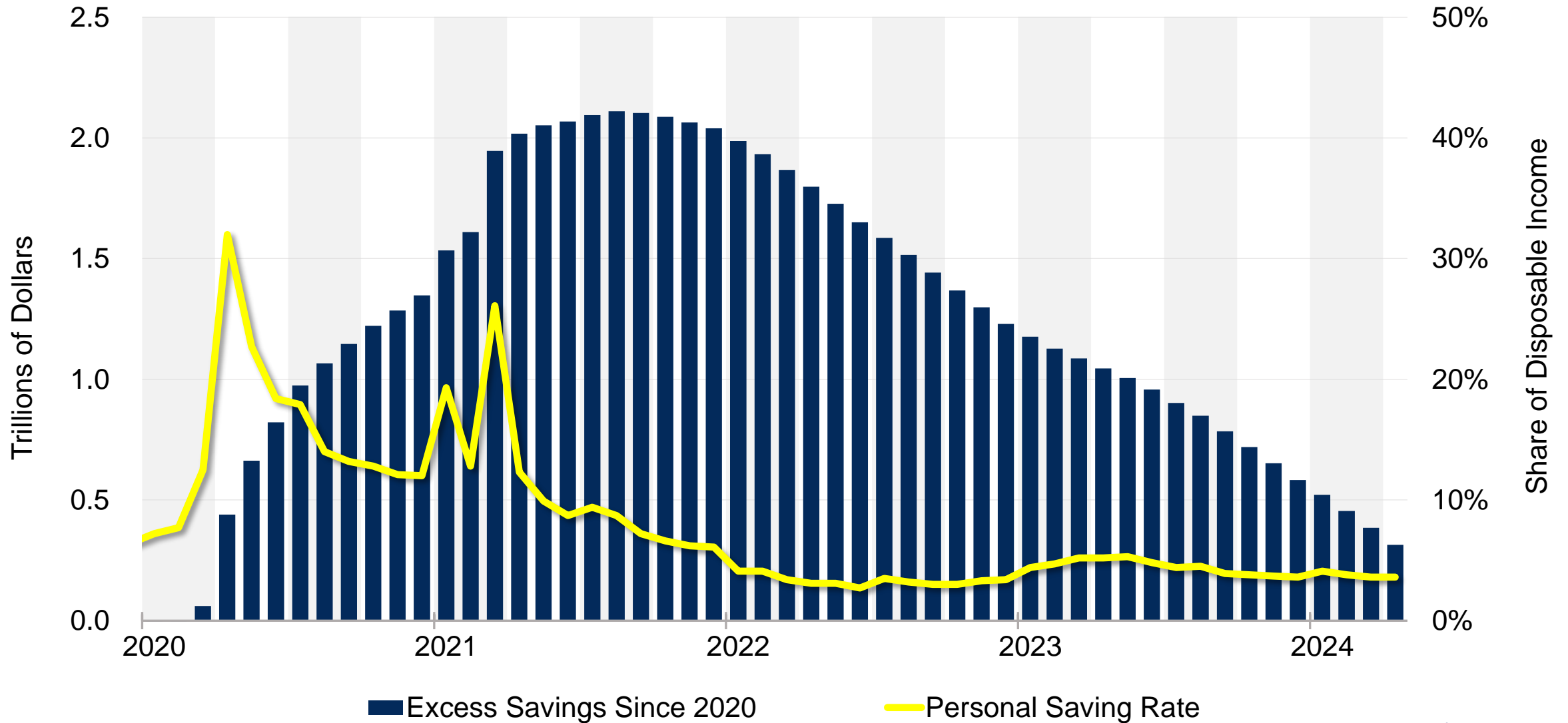


# Spending has been growing faster than incomes



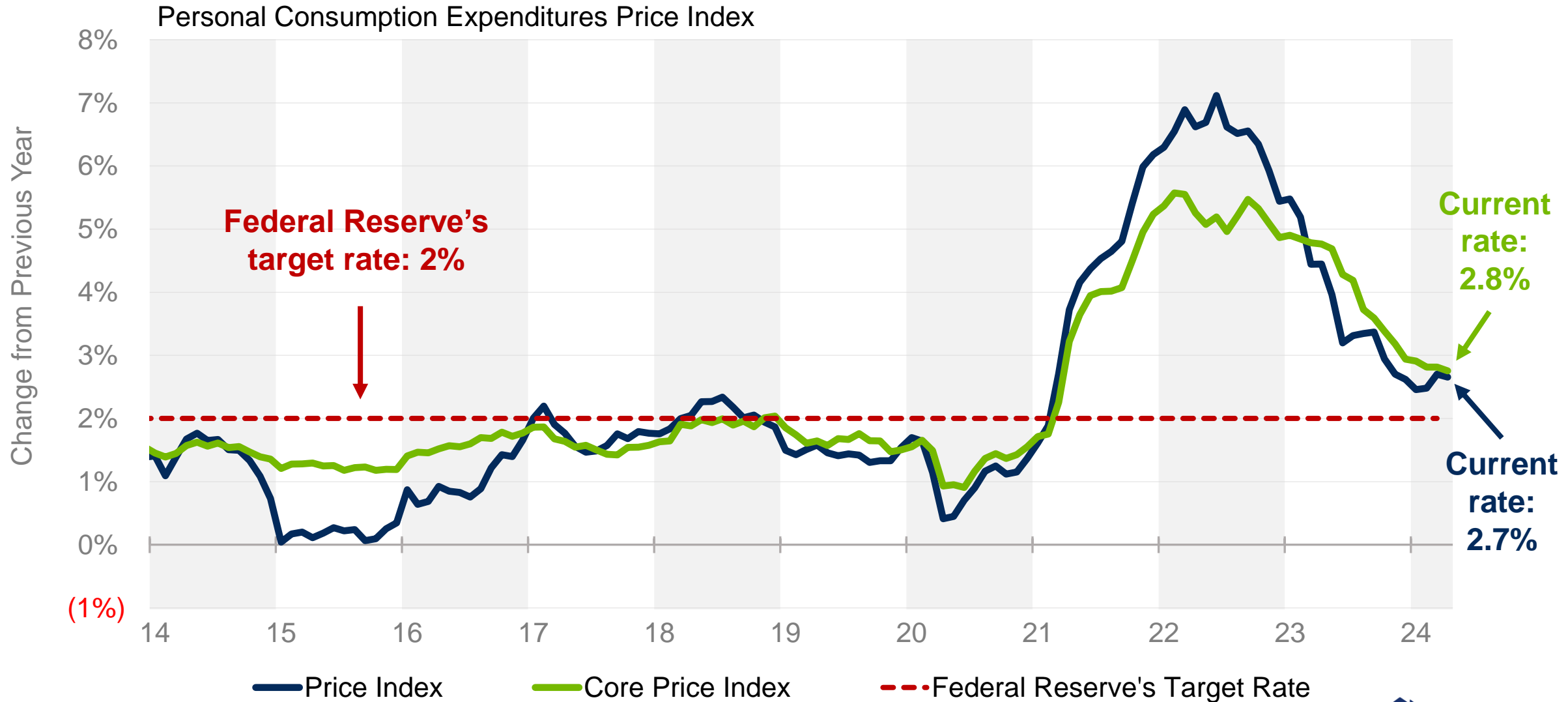
Source: Bureau of Economic Analysis

# Excess savings are winding down



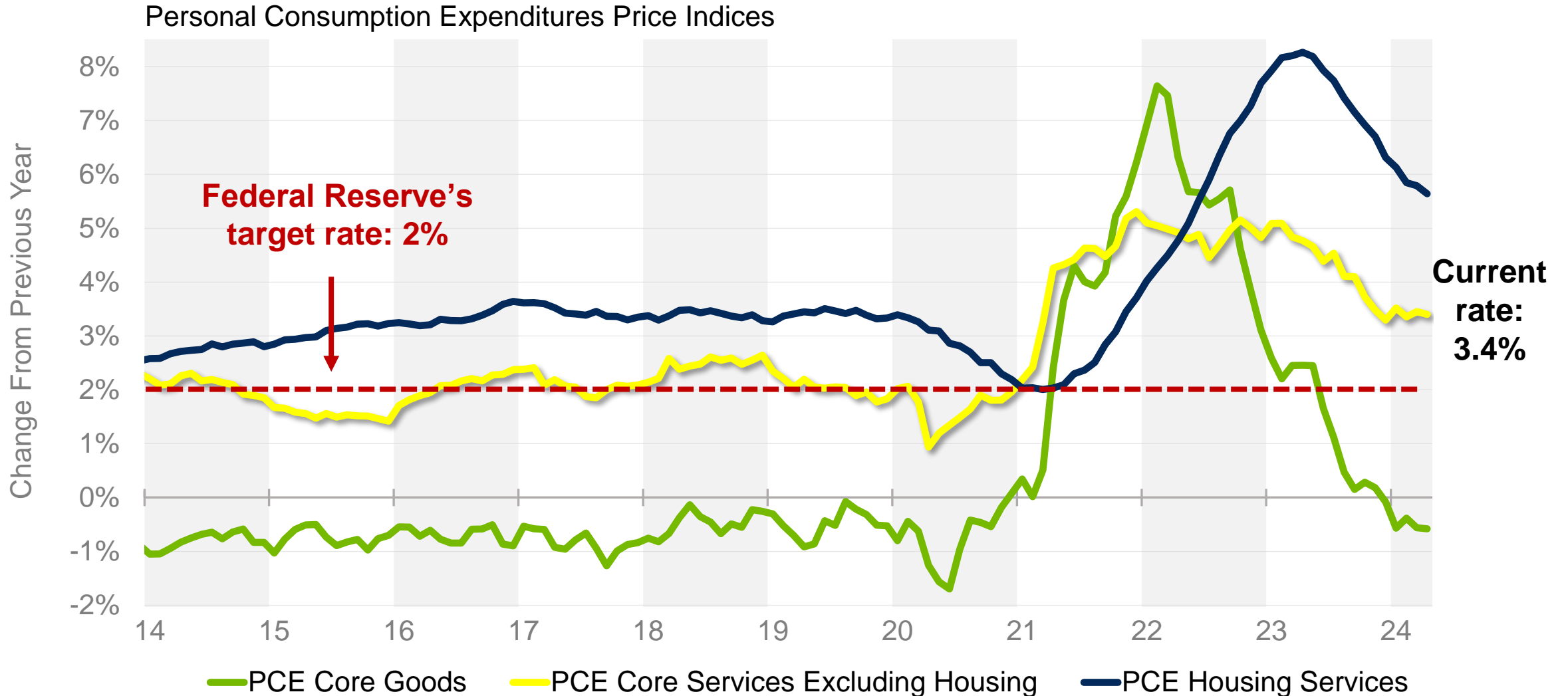
Source: Census Bureau

# Recent progress on inflation has slowed ....



Source: Bureau of Economic Analysis

# .... and sticky inflation has kept the Fed on hold

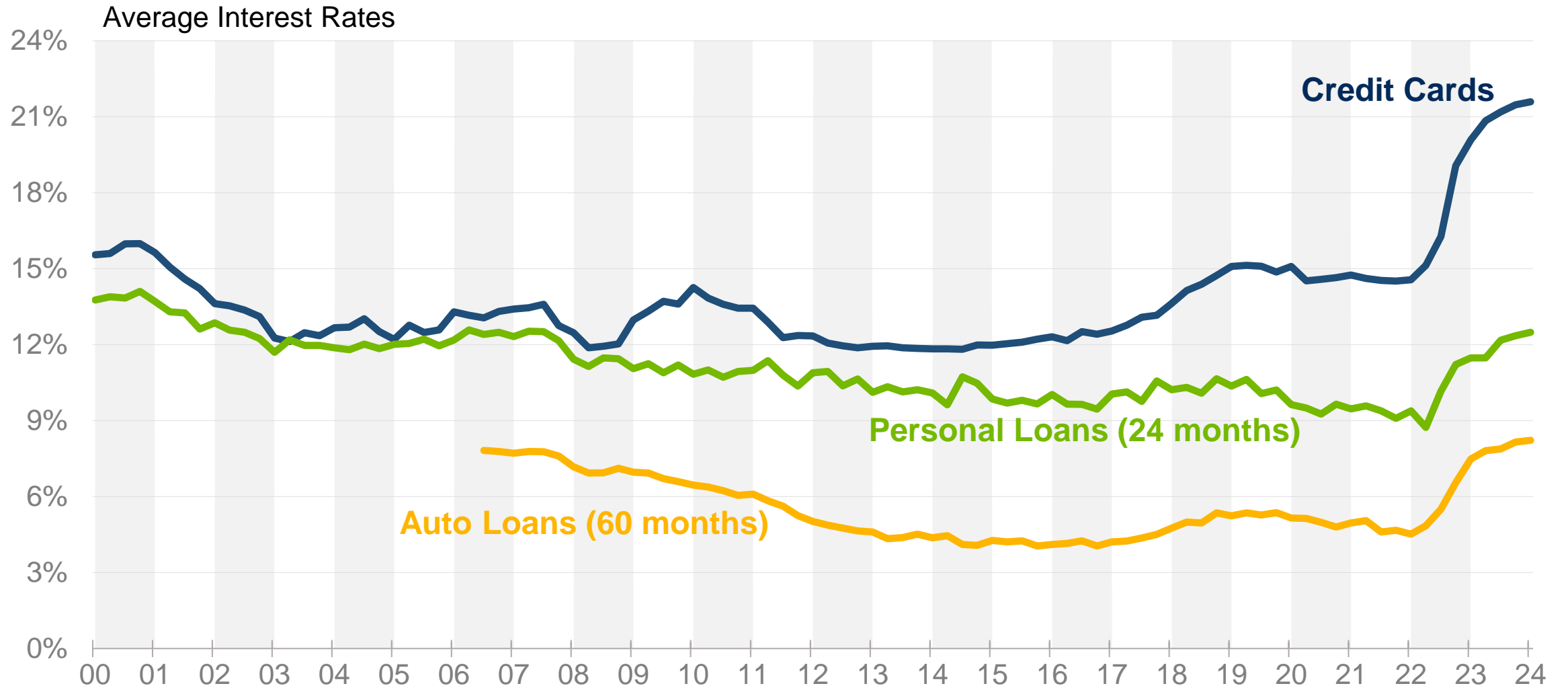


Source: U.S. Bureau of Economic Analysis

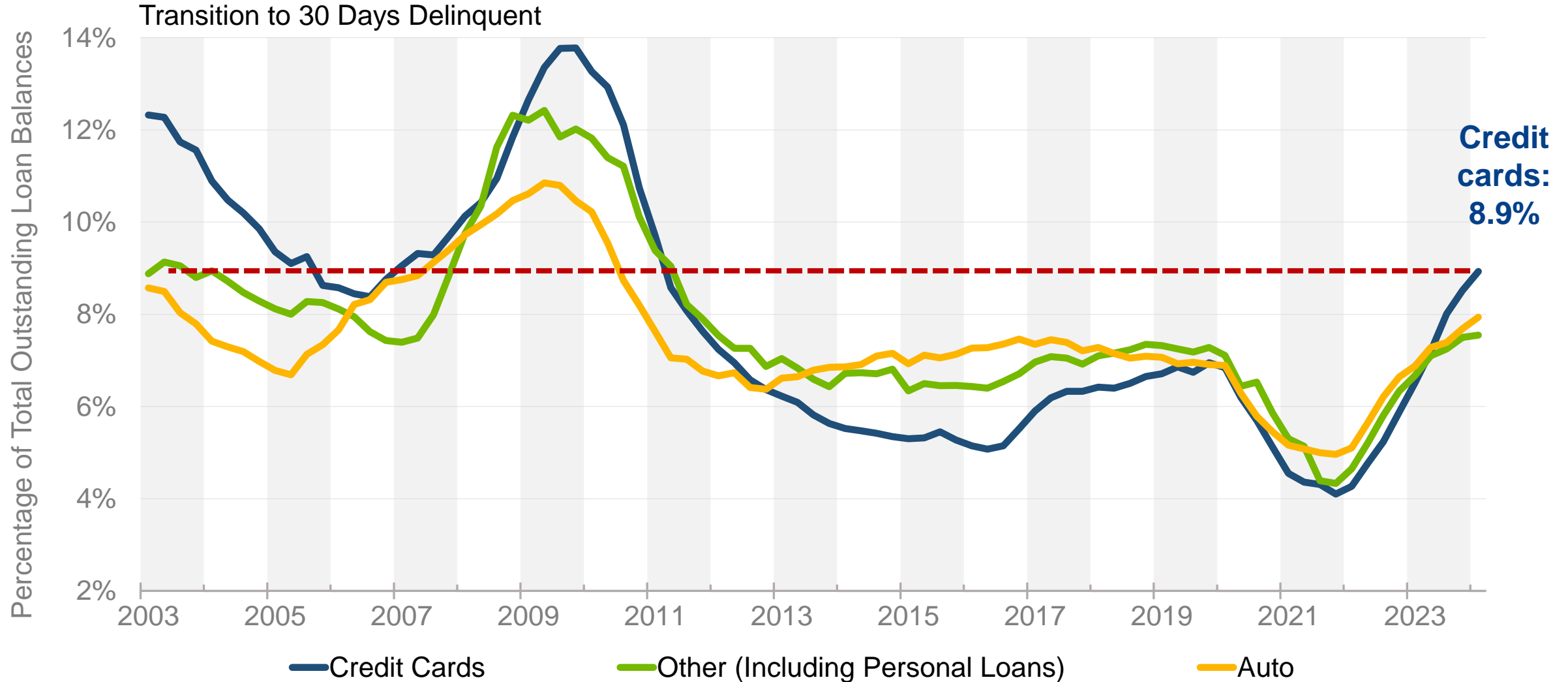
# RISKS



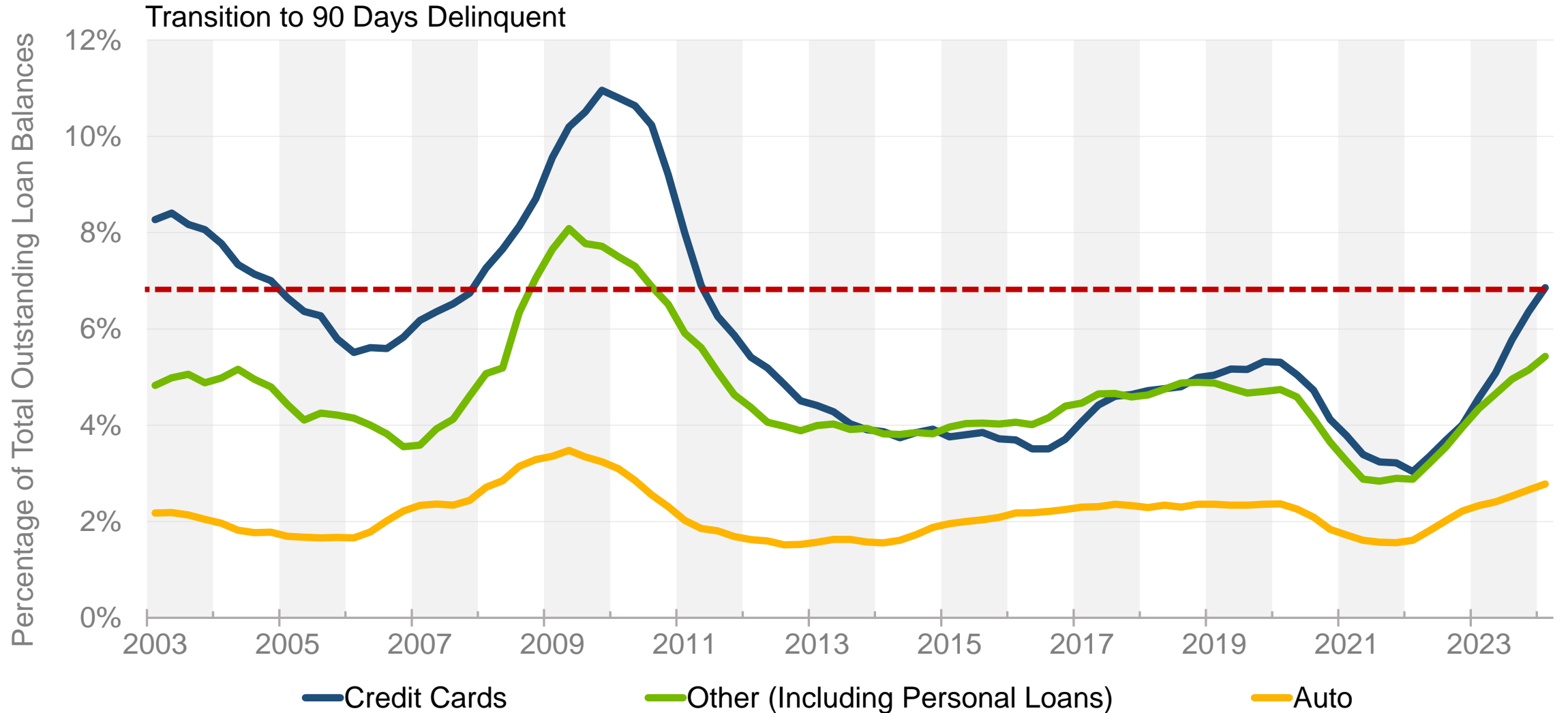
# Interest rates on consumer credit are spiking



# Early delinquency rates back above pre-pandemic levels



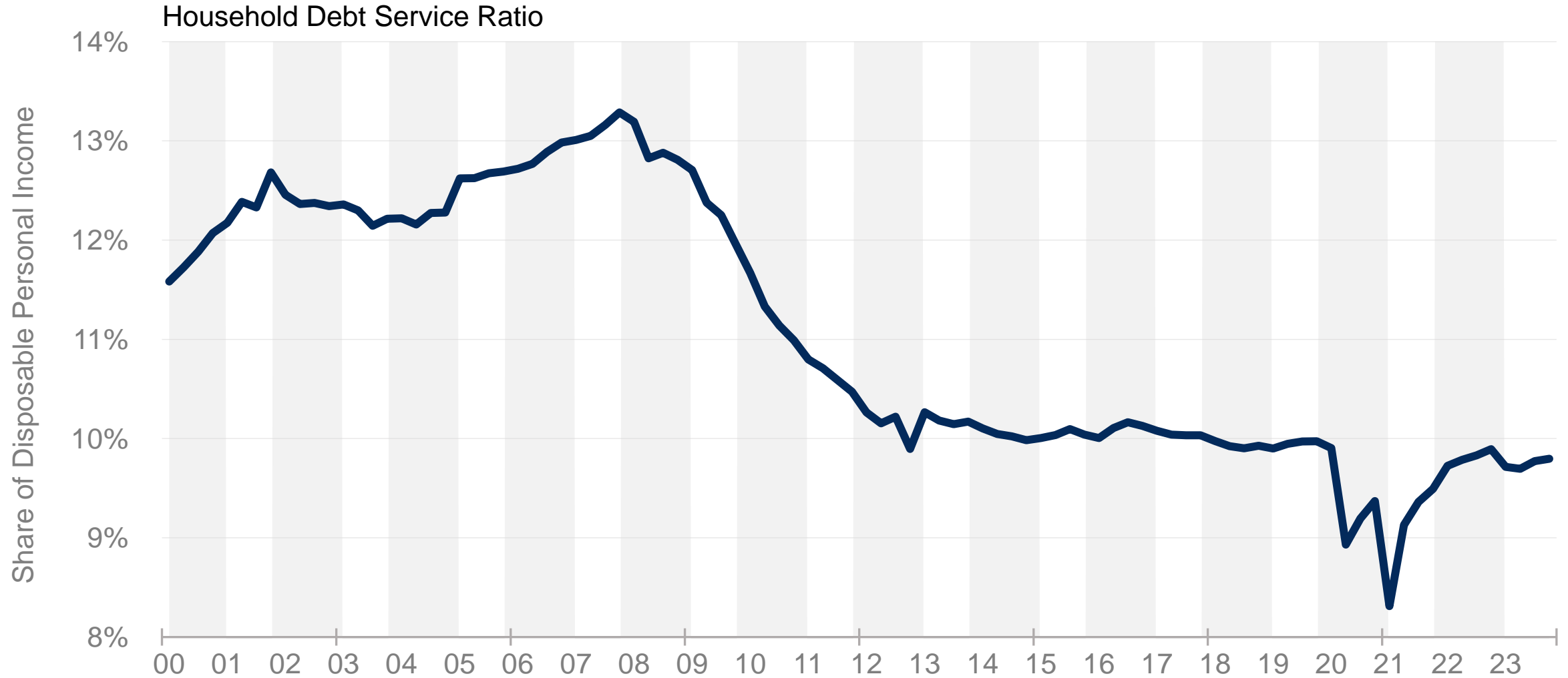
# Severe delinquency rates seem less concerning



Source: Federal Reserve Bank of New York, 2024Q1

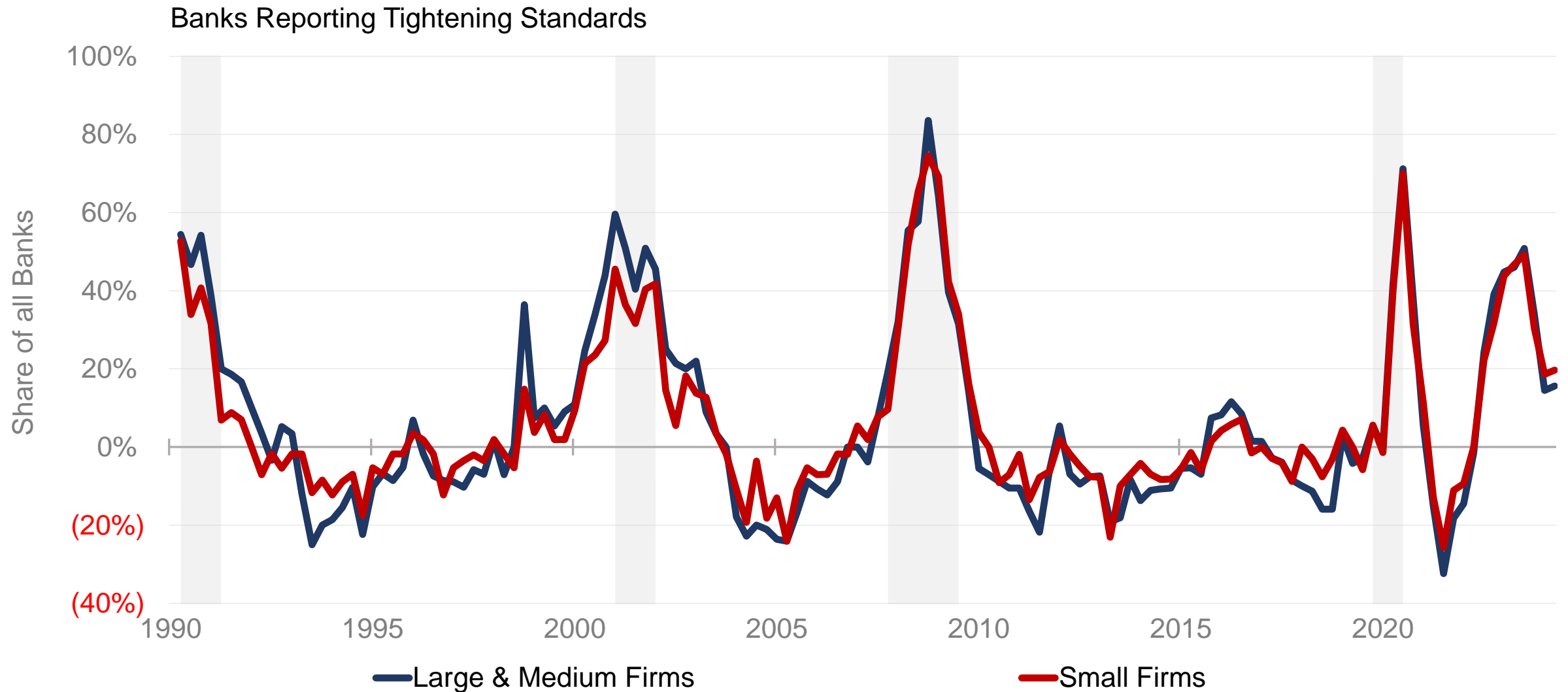


# But households are able to manage their debt payments



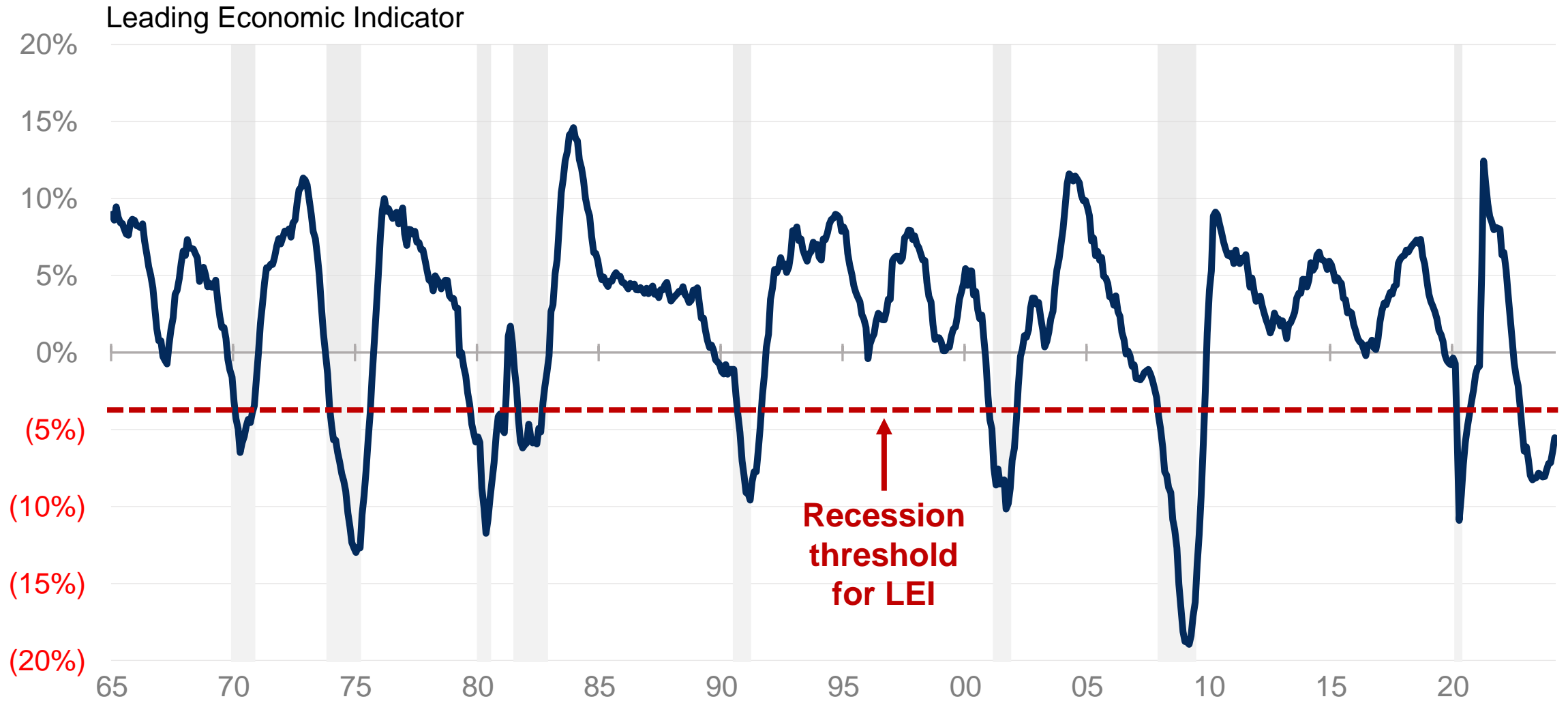
Source: Federal Reserve Board

# Banks becoming less cautious



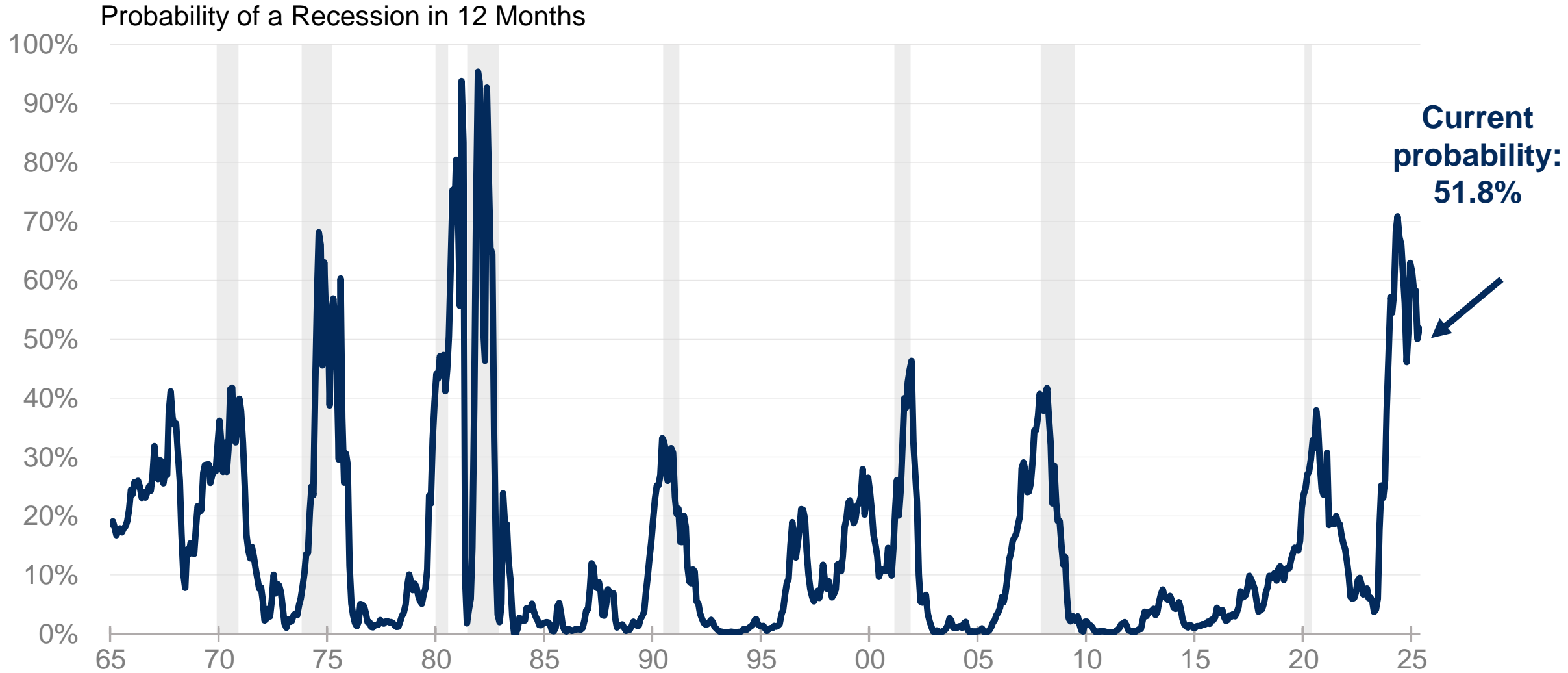
Source: Federal Reserve Board, Senior Loan Officer Opinion Survey, 2024 Q2

# Leading economic index still signals a recession ahead ....



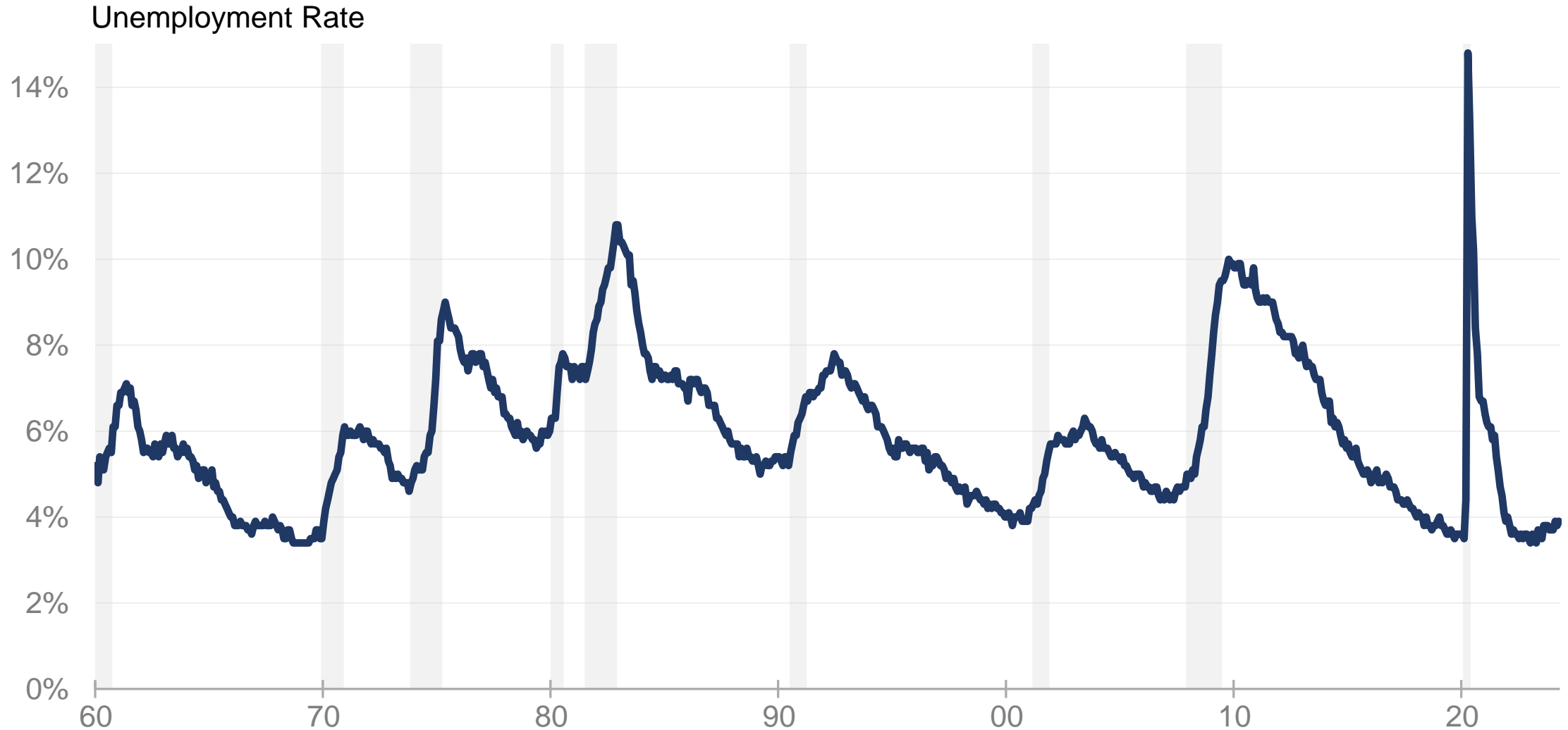
Source: Conference Board

# .... as do financial markets



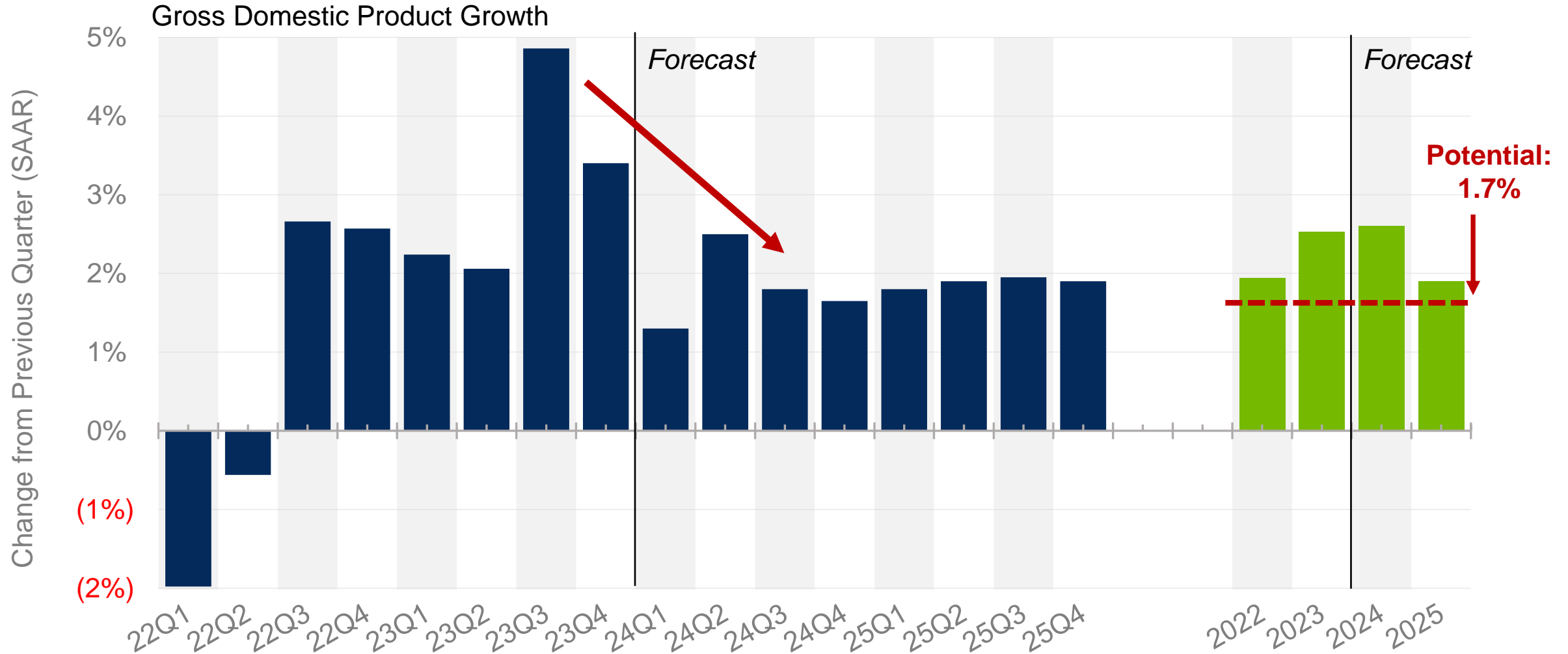
Source: Federal Reserve Bank of New York

# Unemployment rate always troughs into recessions



Sources: Bureau of Labor Statistics and National Bureau of Economic Research

# But we still expect a slowdown



# Slower growth ahead, rate cuts will wait

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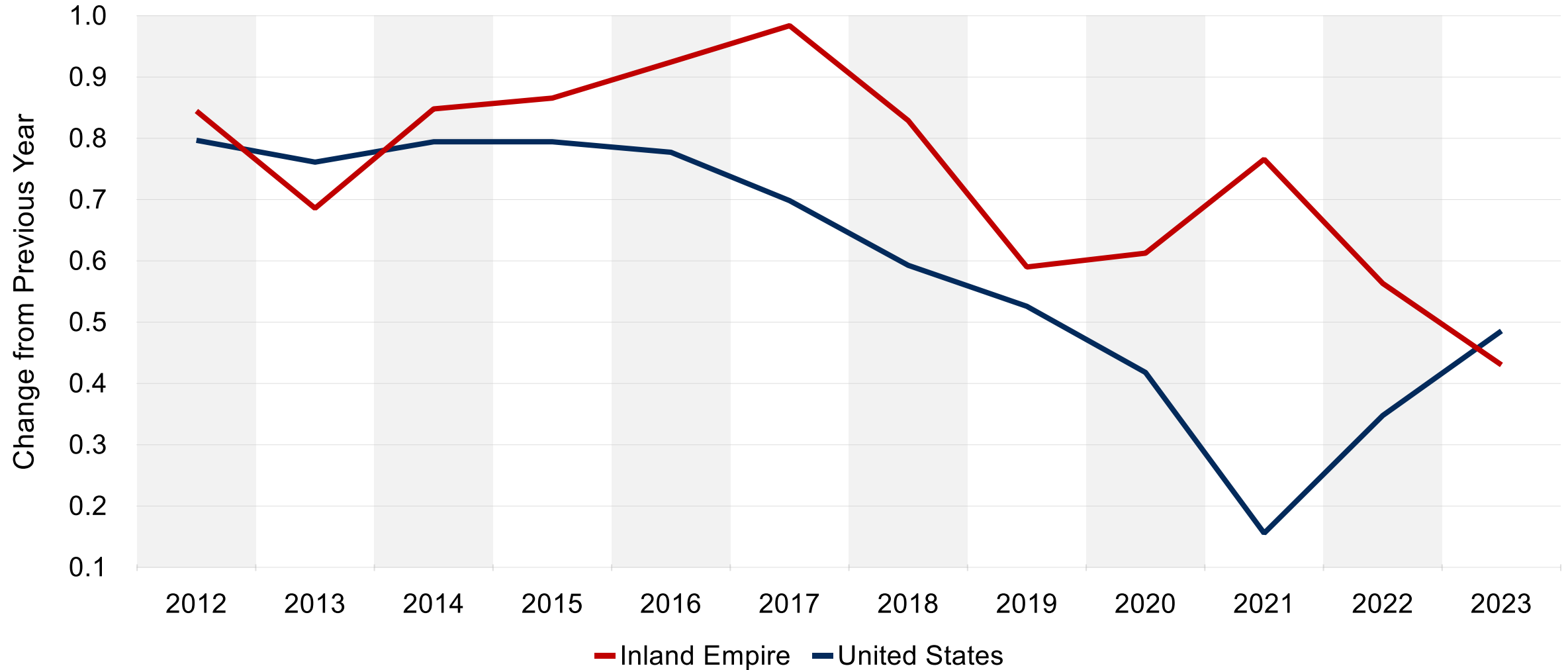
- ▶ Consumers are still holding the economy up, with solid job and wage gains
- ▶ But spending is slowing, and households are getting stretched
- ▶ Inflation has eased meaningfully but remains a bit too high for comfort
- ▶ The Federal Reserve appears to be waiting a bit before cutting rates
- ▶ Higher borrowing costs are weighing on business activity and consumers
- ▶ Risks are tilted to the downside:
  - ↓ Consumer spending can slow more quickly
  - ↓ Geopolitical risks are mounting
  - ↓ All dependable indicators are pointing to a recession
  - ↓ Coming election uncertainty

# Inland Empire



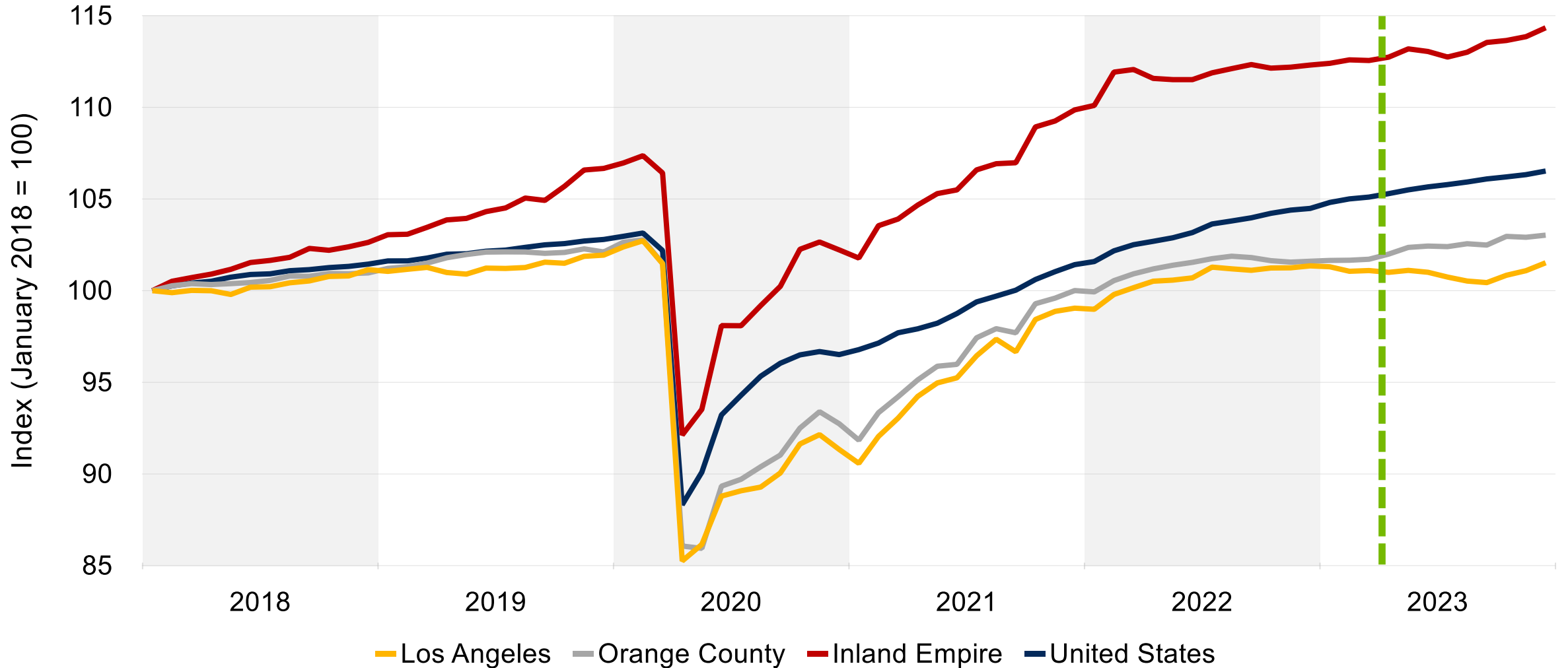


# Population Growth



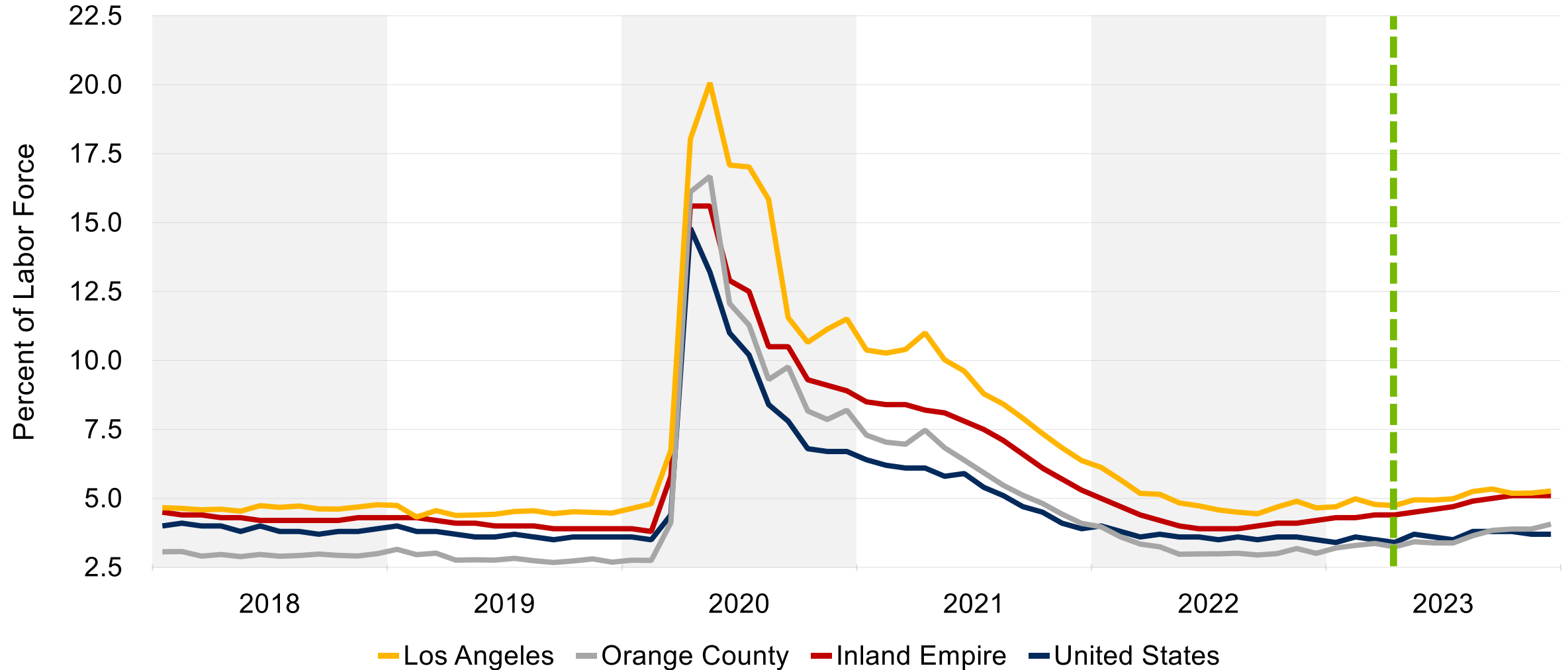
Source: U.S. Census Bureau and Oxford Economics

# Nonfarm Job Growth Since January 2018



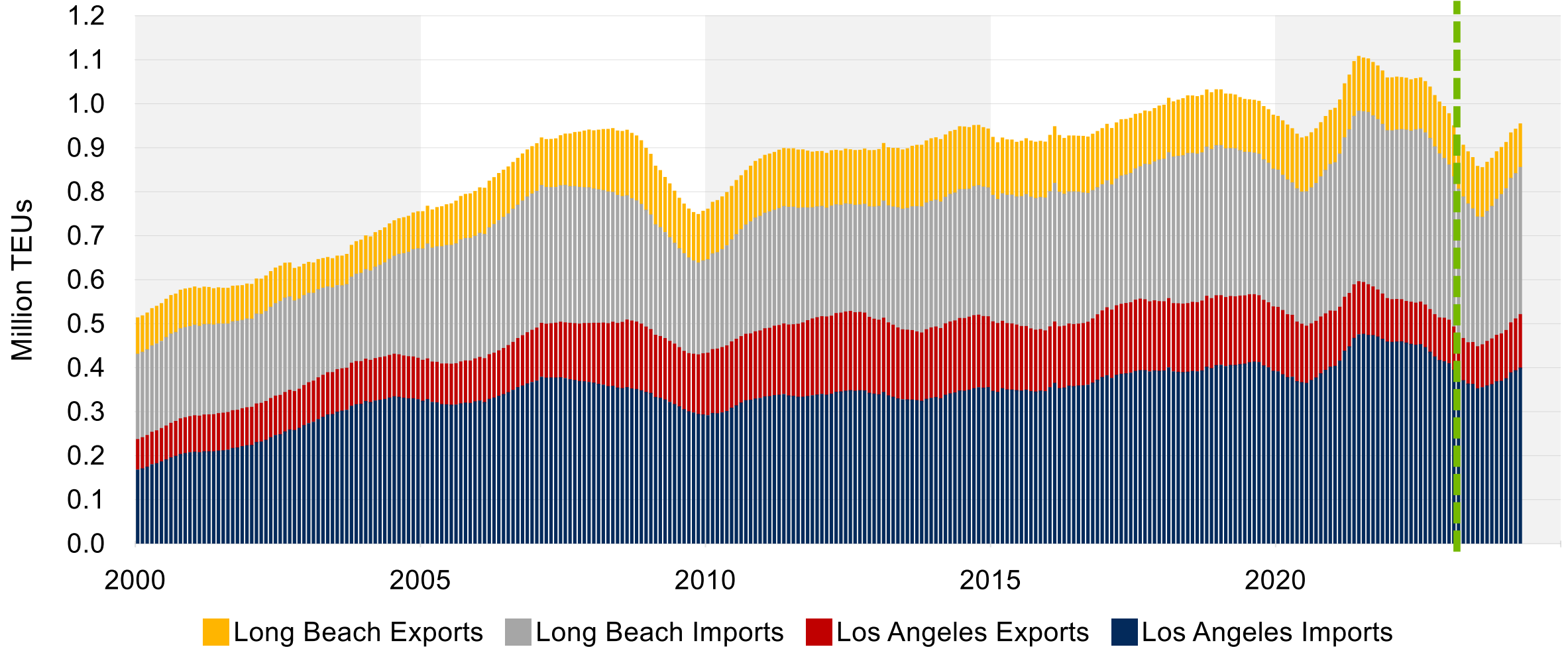
Source: U.S. Bureau of Labor Statistics (BLS), 4/2024

# Southern California Unemployment Rates



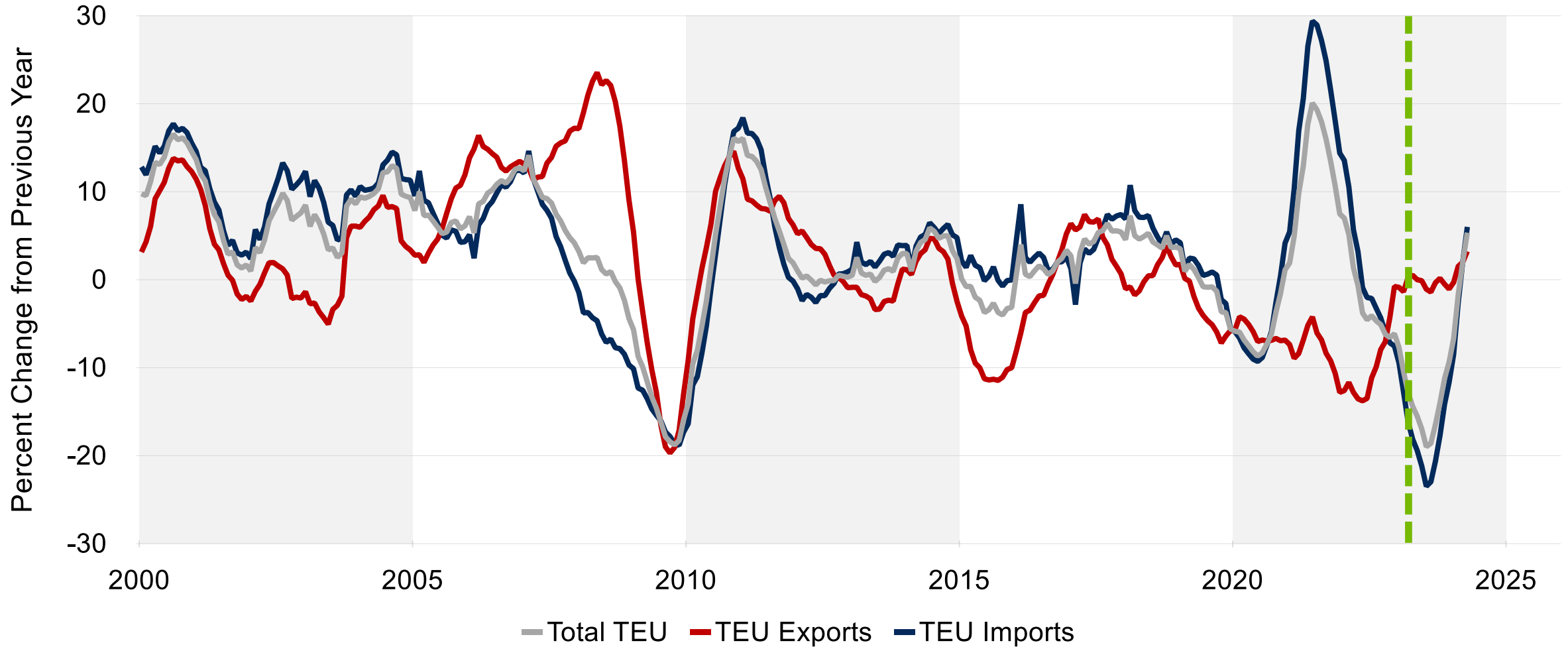
Source: U.S. Bureau of Labor Statistics (BLS), 4/2024

# Los Angeles Twin Port Activity



Source: Port of Los Angeles, Port of Long Beach, 4/2024.  
Note: All figures smoothed using 12-month moving average.

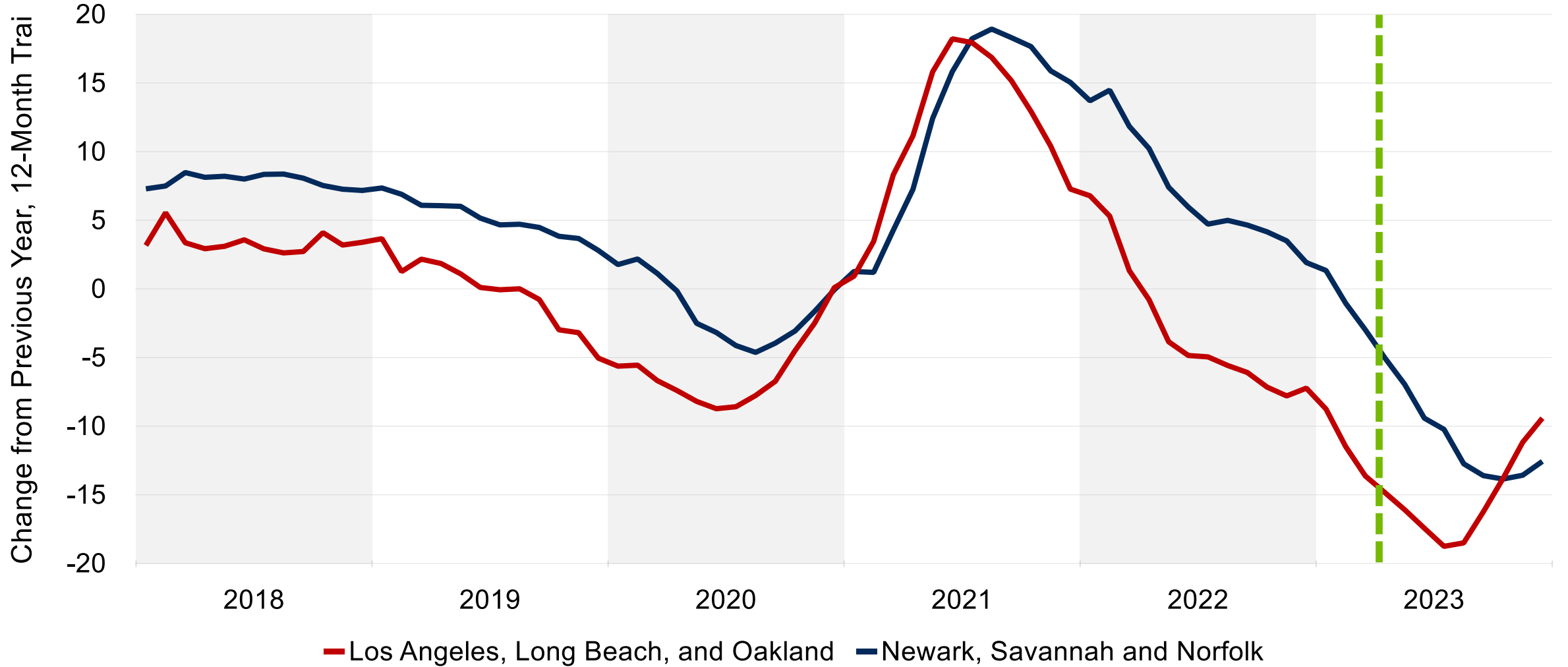
# Los Angeles Twin Port Growth



Source: Port of Los Angeles, Port of Long Beach, 4/2024

Note: All figures smoothed using 12-month moving average. TEU = Twenty-Foot Equivalent Unit

# Loaded TEUs



Source: Various Ports, 4/2024



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## PRESENTED BY:

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