

The Good, The Bad, & The Ugly

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Sage Policy Group, Inc.



On Behalf of
Commonwealth Business
Travel Group

February 1, 2024

The Good

Current Momentum

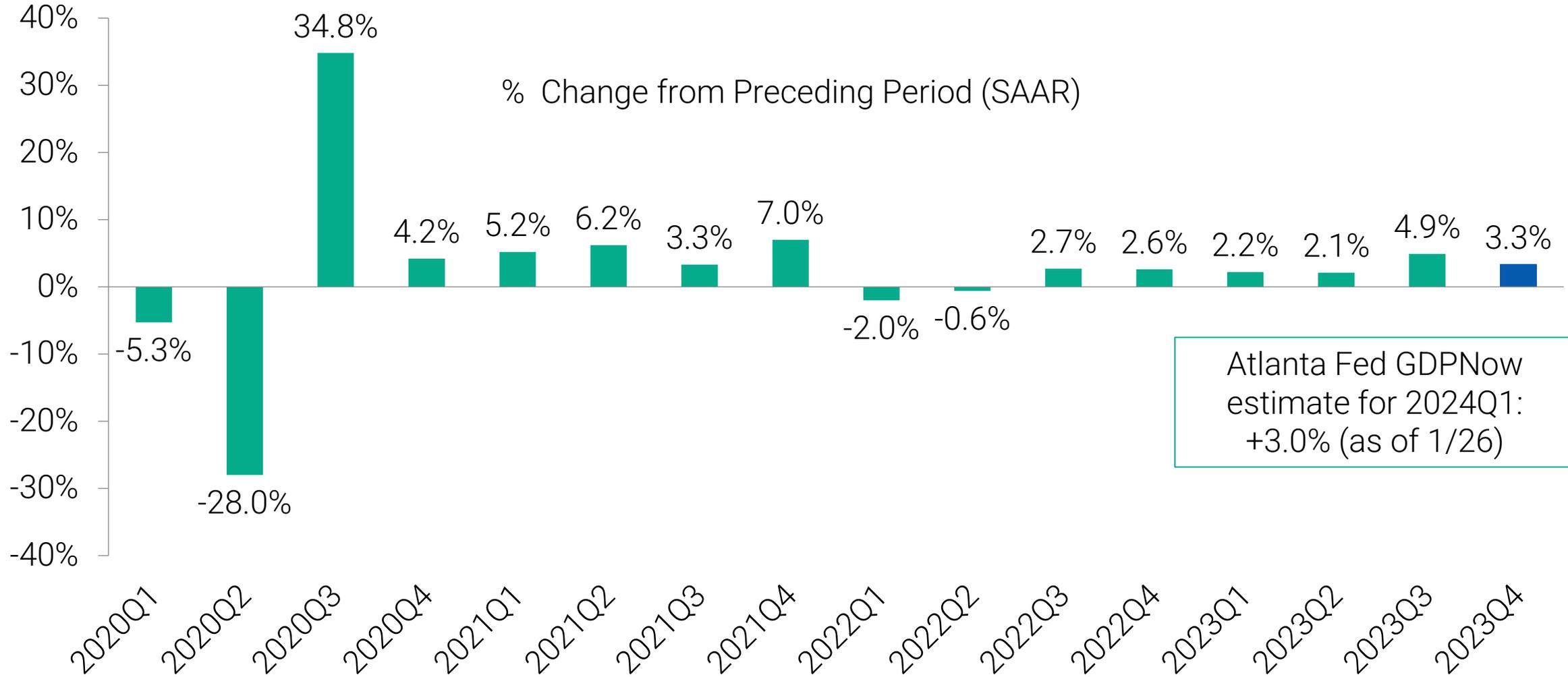
SAGE | policy group



Where Eagles Dare

U.S. Gross Domestic Product Growth, 2020 – 2023Q4

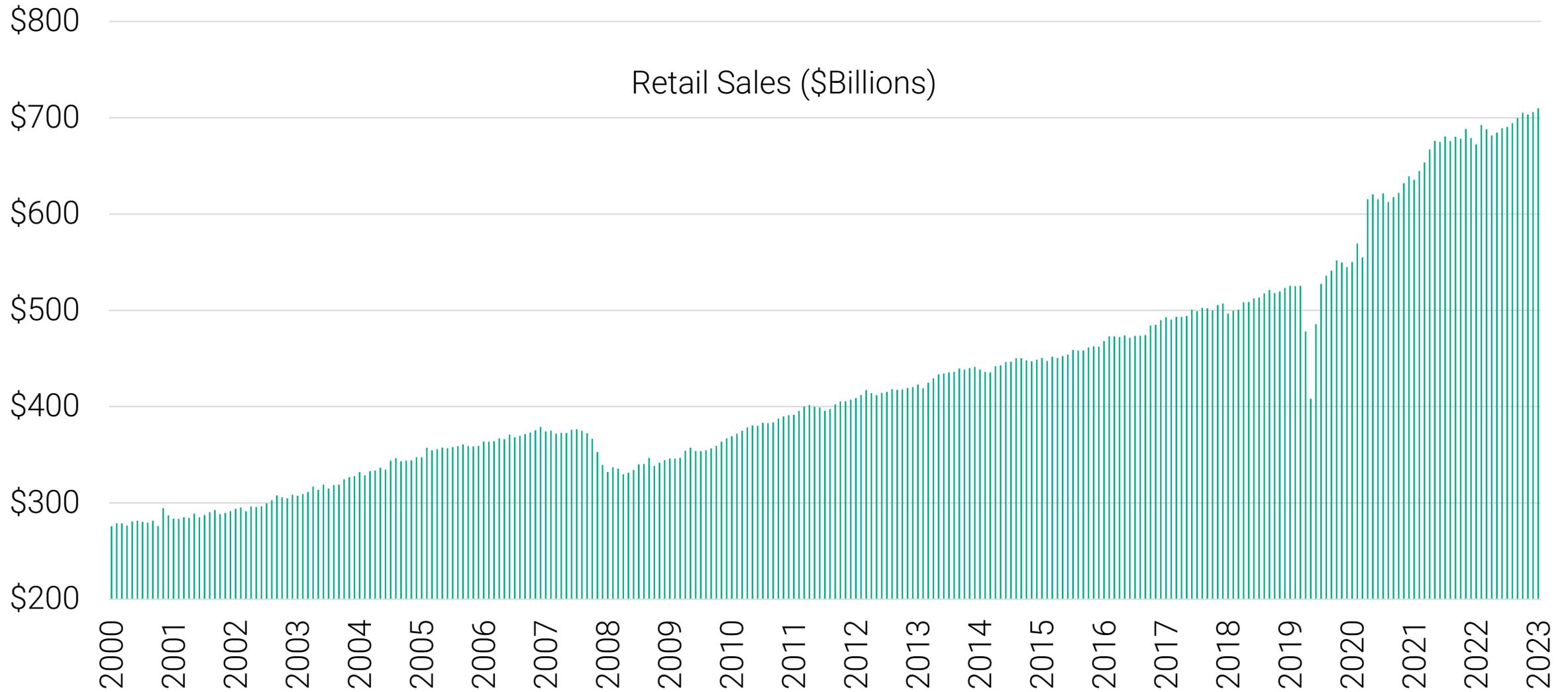
% Change from Preceding Period (SAAR)



Source: U.S. Bureau of Economic Analysis *2023Q4: 1st (advance) estimate **Where Eagles Dare was a 1969 film

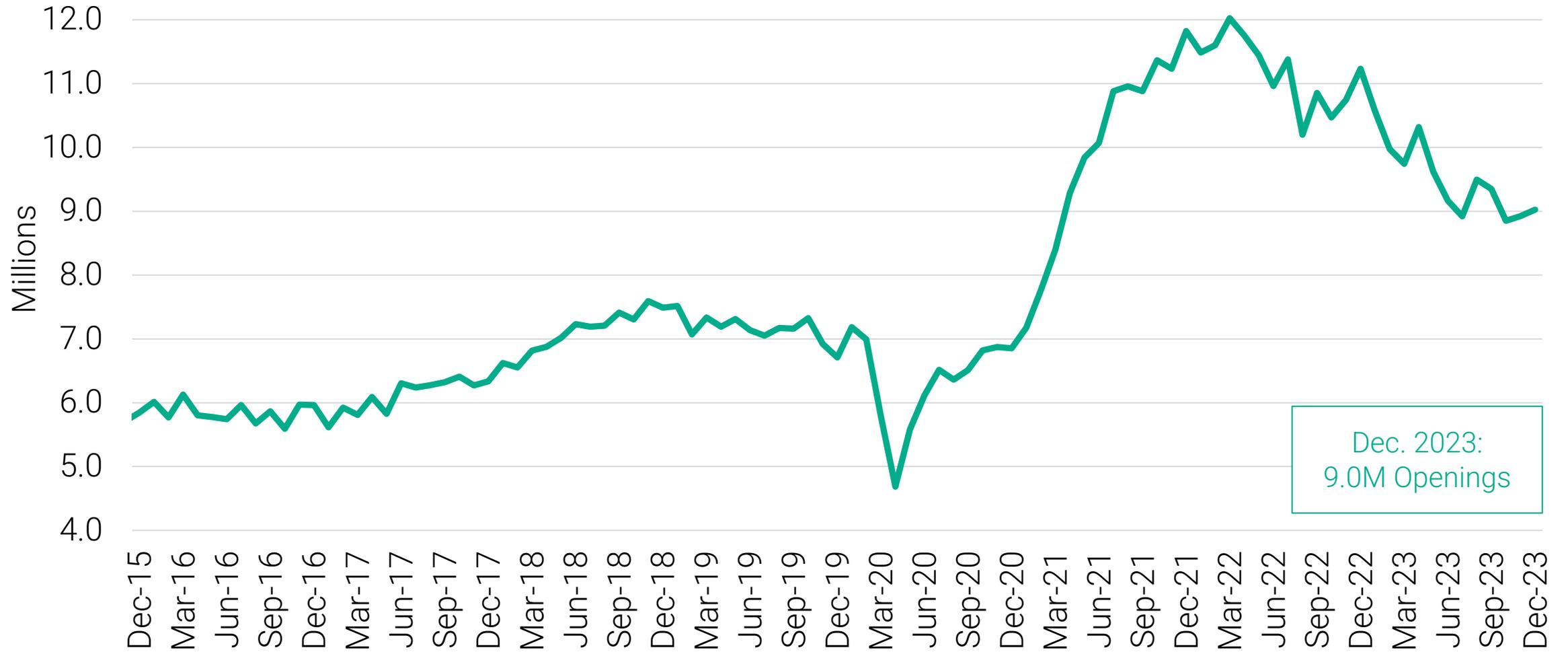
A Fistful of Dollars (a 1964 Film)

U.S. Retail Sales, 2000 – December 2023



Source: U.S. Census Bureau

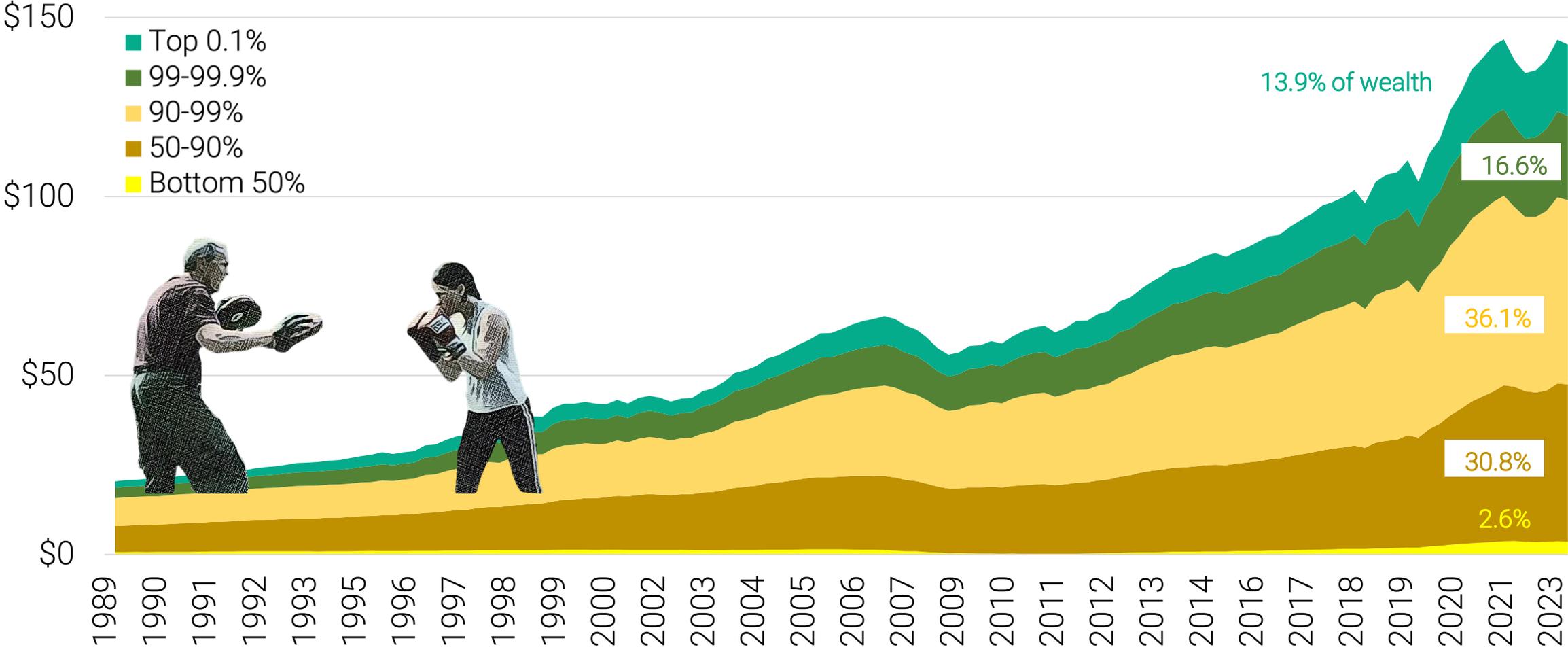
U.S. Job Openings, 2015 – December 2023



Source: U.S. Bureau of Labor Statistics

Million Dollar Baby (a 2004 Flick)

U.S. Household Wealth by Wealth Percentile Group (\$ Trillions)

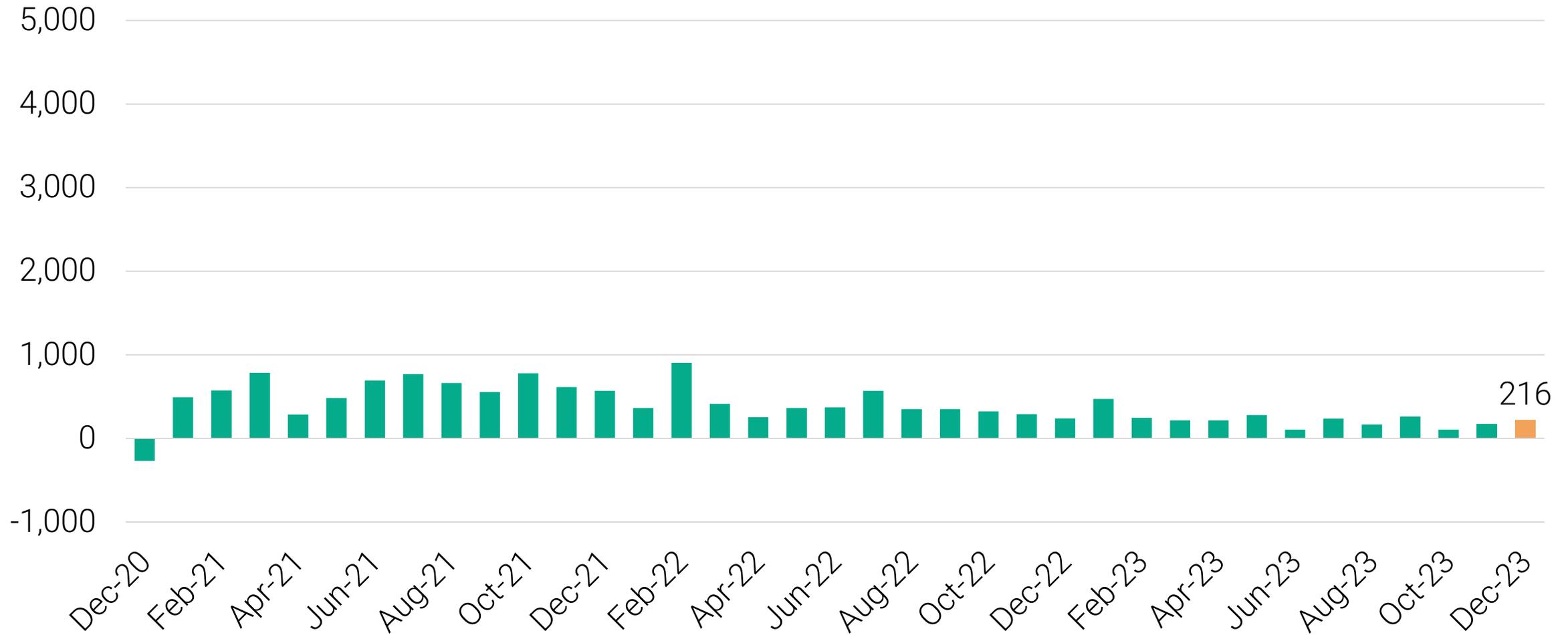


Source: Federal Reserve Board, Distributional Financial Accounts (DFAs)

U.S. Job Growth, Monthly

December 2020 – December 2023

1-M Net Change, 000s



Source: U.S. Bureau of Labor Statistics

Employment Growth, 25 Largest Metros

February 2020 v. December 2023 % Change

Rank	MSA	%
1	Dallas-Fort Worth-Arlington, TX	13.6%
2	Tampa-St. Petersburg-Clearwater, FL	10.1%
3	San Antonio-New Braunfels, TX	9.8%
4	Charlotte-Concord-Gastonia, NC-SC	8.8%
5	Orlando-Kissimmee-Sanford, FL	8.6%
6	Riverside-San Bernardino-Ontario, CA	8.5%
7	Phoenix-Mesa-Scottsdale, AZ	8.4%
8	Atlanta-Sandy Springs-Roswell, GA	8.2%
9	Miami-Fort Lauderdale-West Palm Beach, FL	7.3%
10	Houston-The Woodlands-Sugar Land, TX	6.7%
11	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	6.2%
12	San Diego-Carlsbad, CA	5.0%
13	Seattle-Tacoma-Bellevue, WA	3.9%

Rank	MSA	%
14	St. Louis, MO-IL	3.4%
15	Denver-Aurora-Lakewood, CO	3.3%
16	Boston-Cambridge-Nashua, MA-NH	2.9%
16	Portland-Vancouver-Hillsboro, OR-WA	2.9%
18	New York-Newark-Jersey City, NY-NJ-PA	2.6%
19	Los Angeles-Long Beach-Anaheim, CA	2.5%
20	Chicago-Naperville-Elgin, IL-IN-WI	2.4%
21	Baltimore-Columbia-Towson, MD	1.9%
22	San Francisco-Oakland-Hayward, CA	1.7%
23	Washington-Arlington-Alexandria, DC-VA-MD-WV	1.2%
24	Minneapolis-St. Paul-Bloomington, MN-WI	1.0%
25	Detroit-Warren-Dearborn, MI	-0.5%

Source: Bureau of Labor Statistics
Current Employment Statistics (CES) Survey. Note: data are not seasonally adjusted.

U.S. % Change 2/2020 v. 12/2023: +3.2%



Unemployment Rates, 25 Largest Metros, November 2023

Rank	MSA	%
1	Baltimore-Columbia-Towson, MD	1.8%
2	Minneapolis-St. Paul-Bloomington, MN-WI	1.9%
3	Miami-Fort Lauderdale-West Palm Beach, FL	2.3%
4	Washington-Arlington-Alexandria, DC-VA-MD-WV	2.5%
5	Boston-Cambridge-Nashua, MA-NH	2.7%
6	Orlando-Kissimmee-Sanford, FL	3.0%
6	St. Louis, MO-IL	3.0%
8	Atlanta-Sandy Springs-Roswell, GA	3.1%
8	Tampa-St. Petersburg-Clearwater, FL	3.1%
9	Charlotte-Concord-Gastonia, NC-SC	3.2%
9	Denver-Aurora-Lakewood, CO	3.2%
9	San Antonio-New Braunfels, TX	3.2%

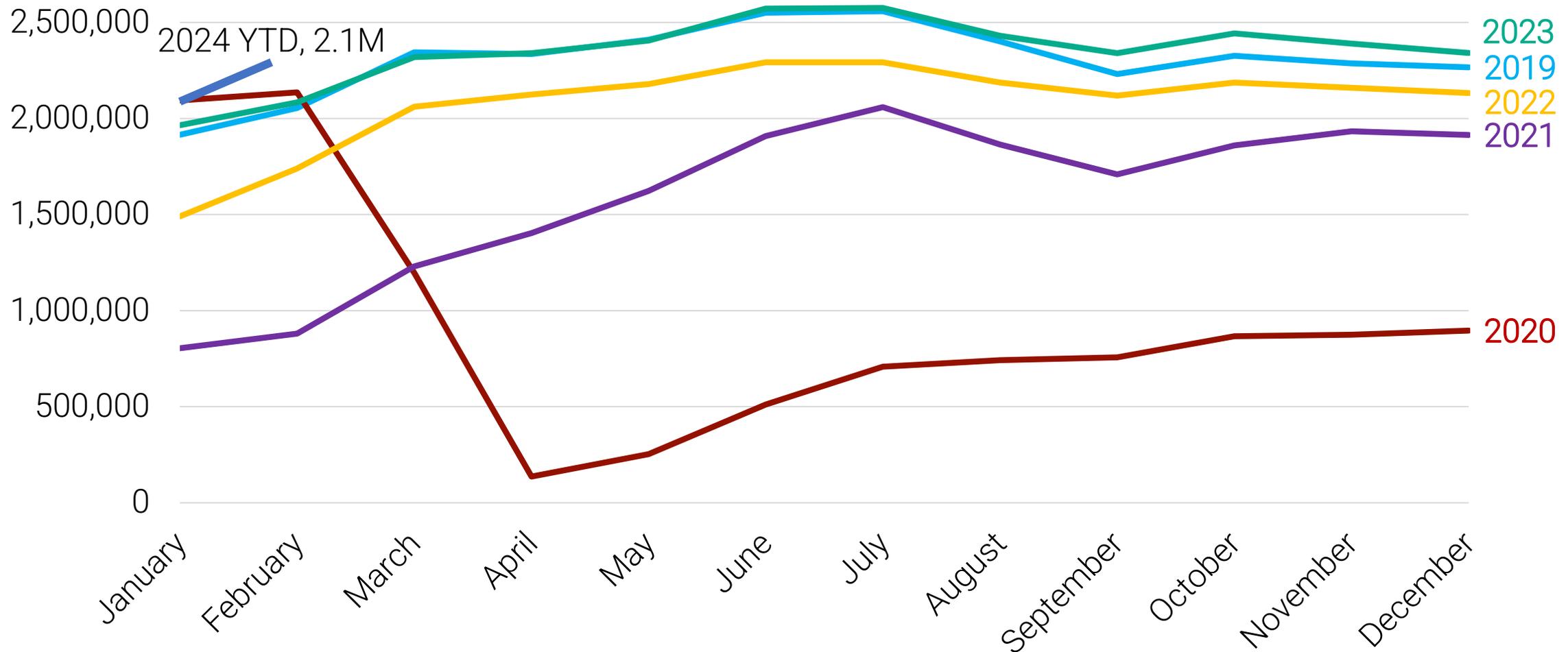
Rank	MSA	%
12	Dallas-Fort Worth-Arlington, TX	3.3%
12	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	3.3%
14	Portland-Vancouver-Hillsboro, OR-WA	3.4%
15	Phoenix-Mesa-Scottsdale, AZ	3.5%
16	Houston-The Woodlands-Sugar Land, TX	3.8%
17	Detroit-Warren-Dearborn, MI	3.9%
18	San Francisco-Oakland-Hayward, CA	4.0%
18	Seattle-Tacoma-Bellevue, WA	4.0%
20	New York-Newark-Jersey City, NY-NJ-PA	4.2%
20	San Diego-Carlsbad, CA	4.2%
22	Chicago-Naperville-Elgin, IL-IN-WI	4.3%
23	Los Angeles-Long Beach-Anaheim, CA	4.7%
24	Riverside-San Bernardino-Ontario, CA	5.1%

Source: Bureau of Labor Statistics
Local Area Unemployment Statistics (LAUS) program. Note: data are not seasonally adjusted

U.S. Unemployment Rate—Nov: 3.7% | Dec: 3.7%



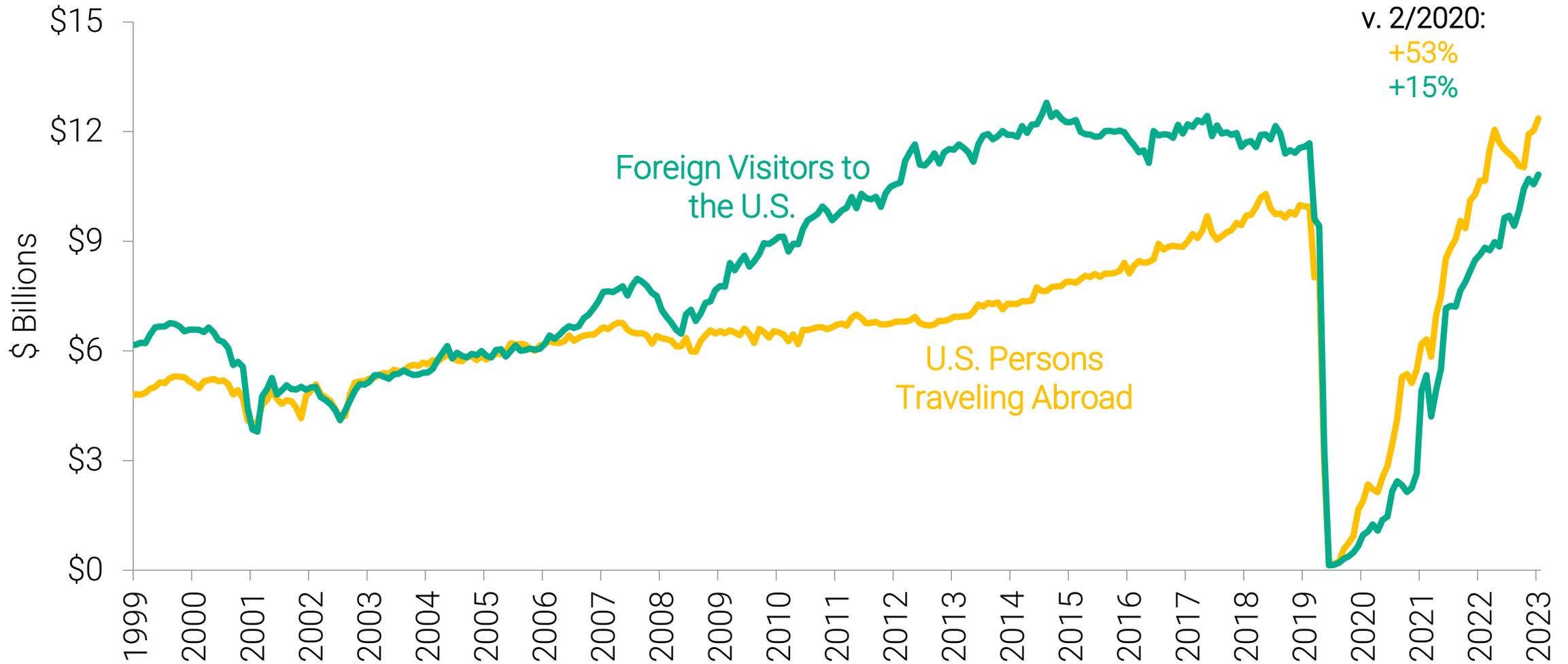
Daily Average TSA Checkpoint Travel Numbers



Source: U.S. Transportation Security Administration (TSA)

Travel Spending in the U.S. and Abroad

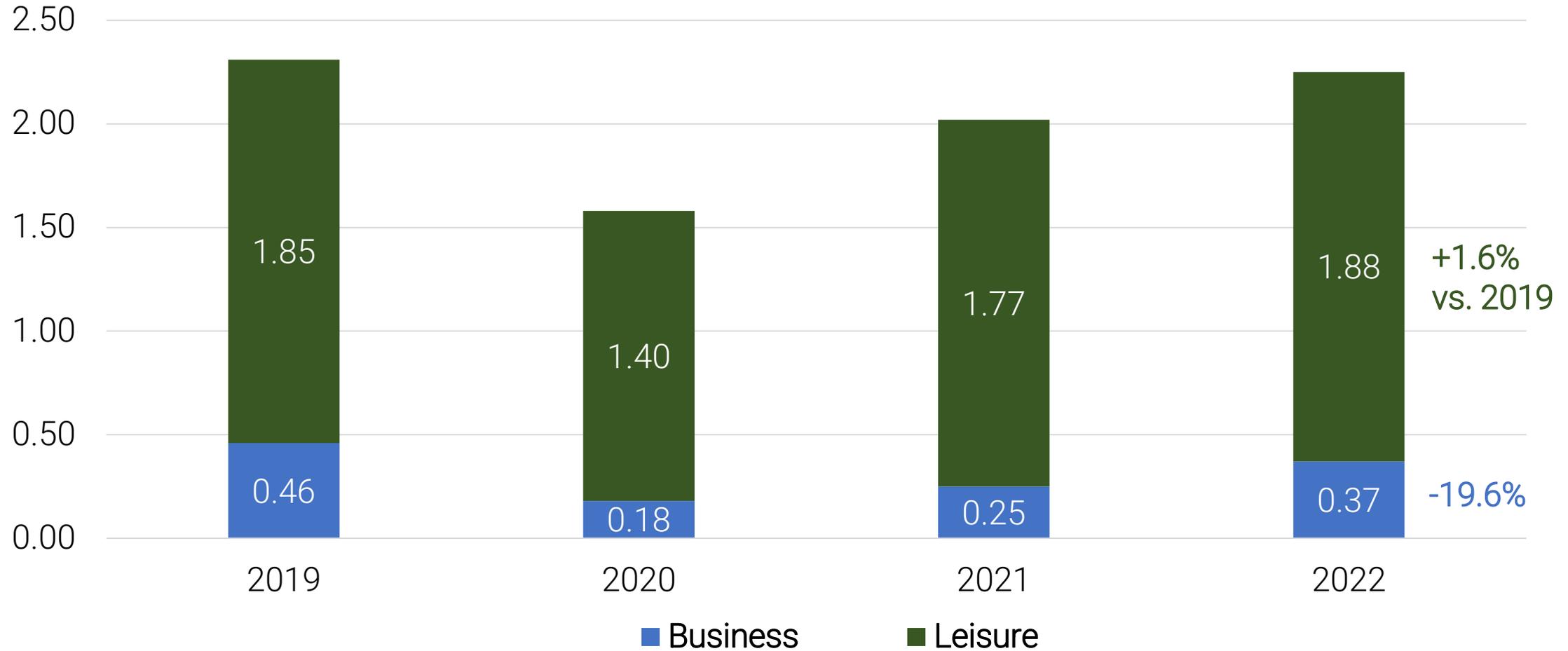
1999 – November 2023



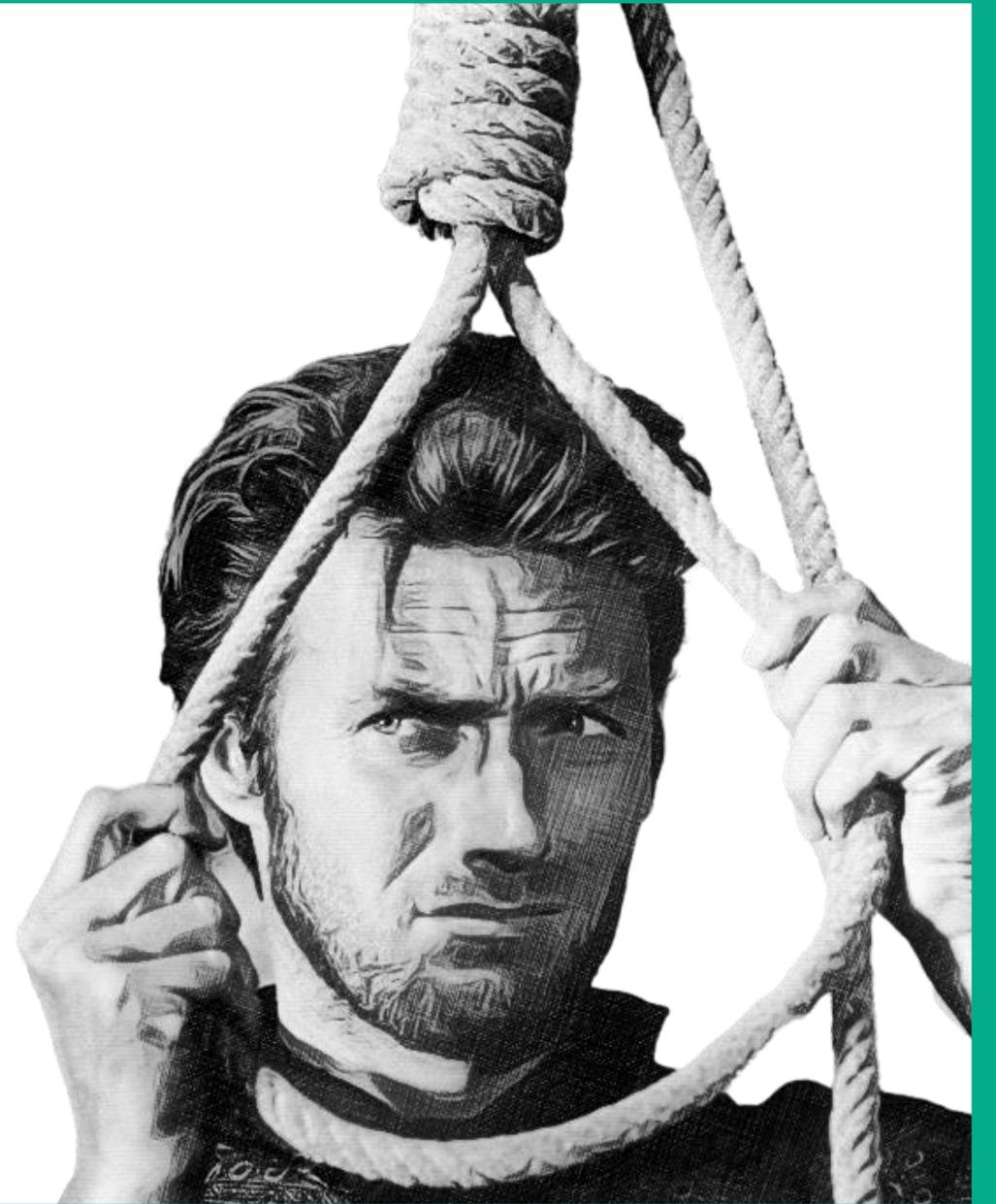
Source: International Trade Administration, National Travel and Tourism Office (NTTO). *Spending reflects the purchases of goods and services by the U.S. persons abroad and foreign visitors in the U.S. for business and other reasons. Spending categories include food, lodging, recreation, local transportation, but exclude the amount spent on means of transportation to and from the U.S., as well as spending by those traveling for medical, educational or employment purposes.

U.S. Domestic Trips by Purpose, 2019–2022

Domestic Trips (Millions)

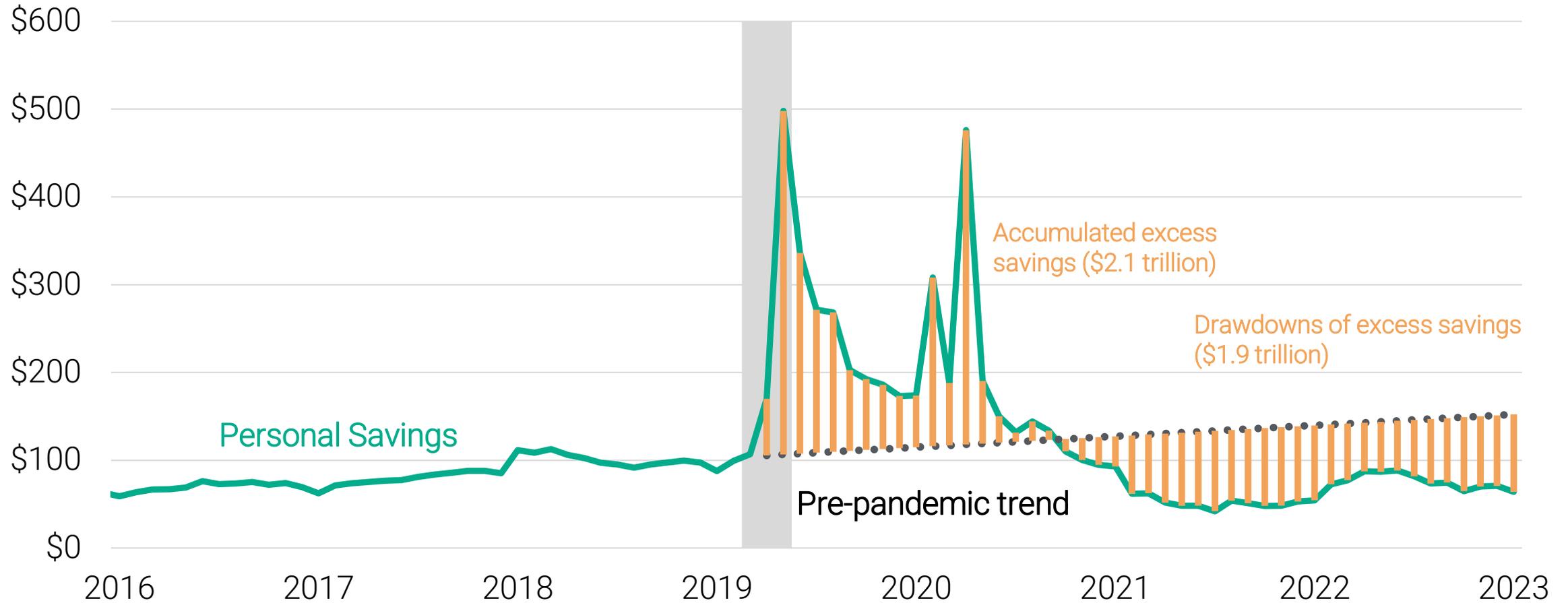


The Bad Not Sustainable



Drawdown of Pandemic Related Excess Savings

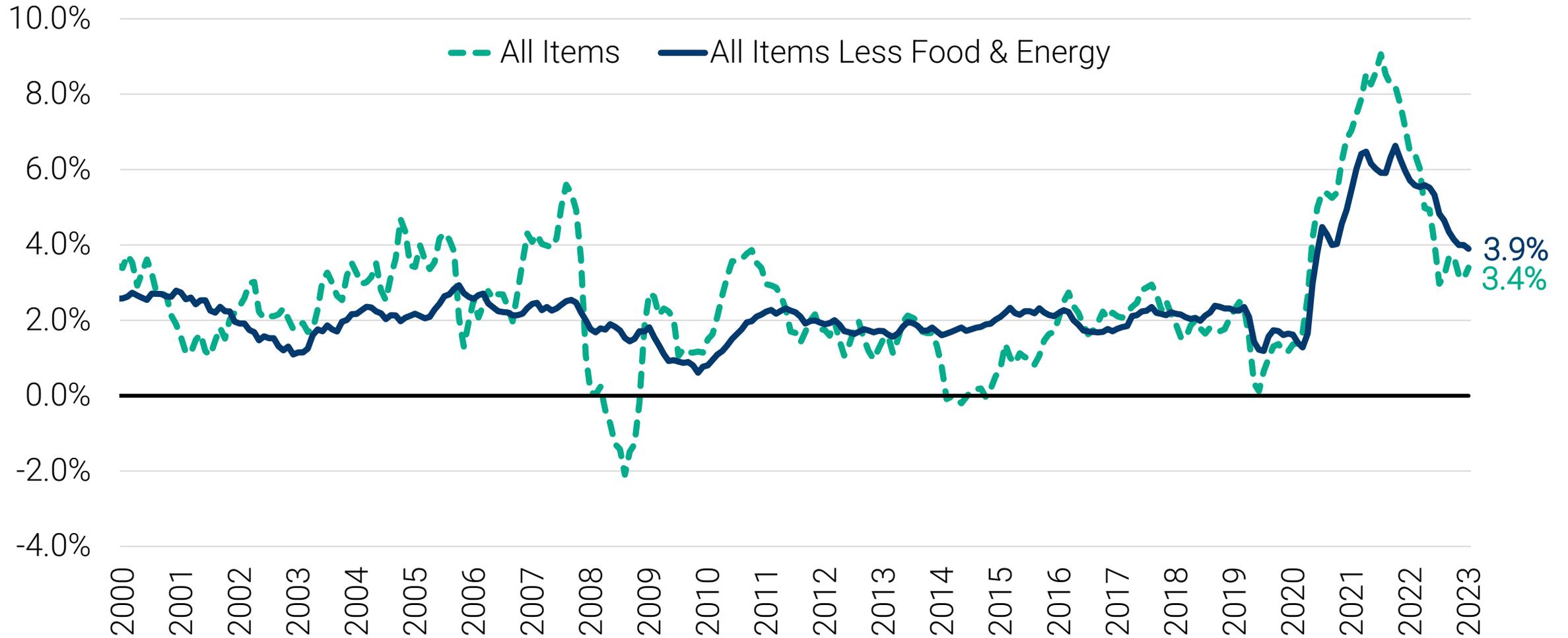
Aggregate Personal Savings Versus the Pre-pandemic Trend
(Abdelrahman and Oliveira, Federal Reserve Bank of San Francisco)



Source: Federal Reserve Bank of San Francisco

Consumer Price Index (NSA)

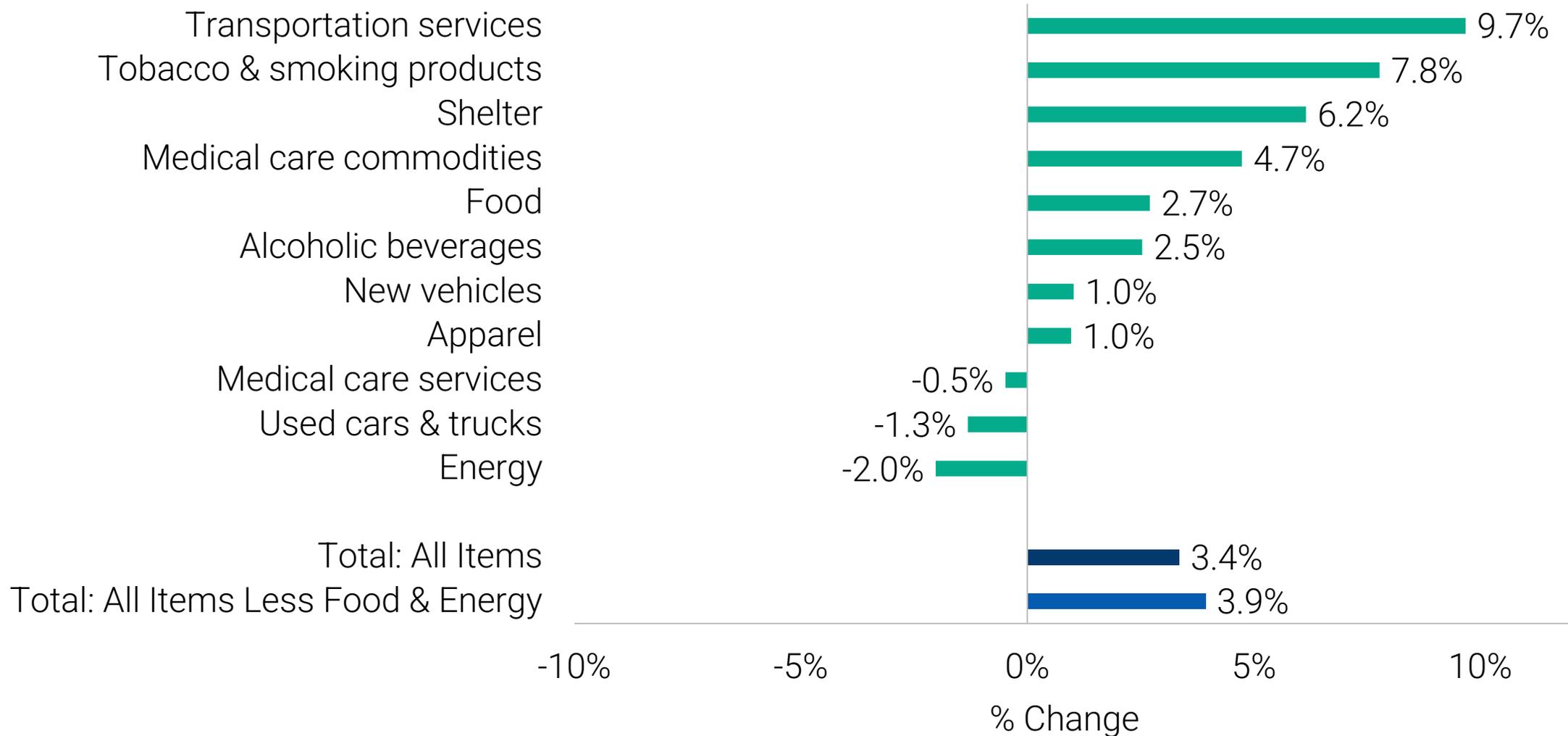
12-Month % Change, 2000 – December 2023



Source: U.S. Bureau of Labor Statistics

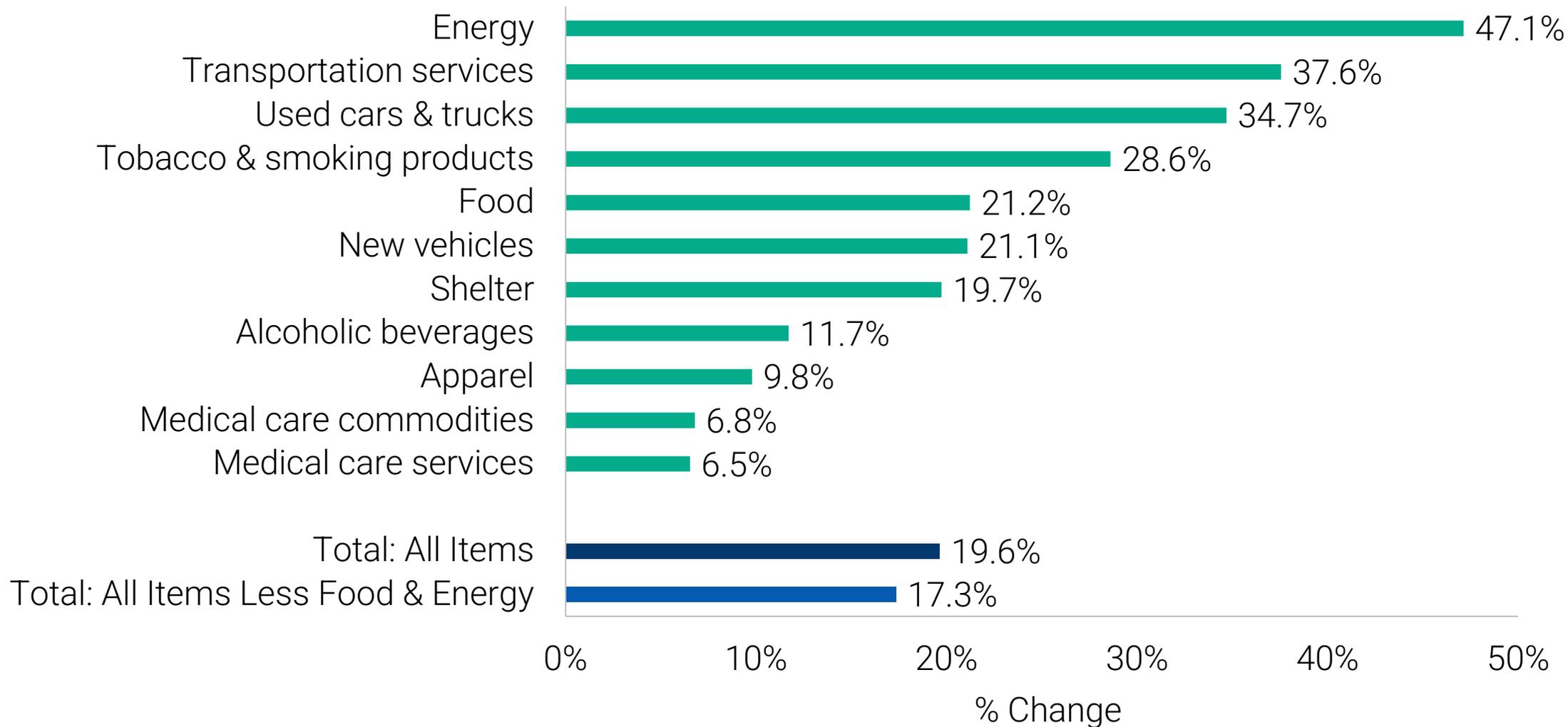
Consumer Price Index, Select Categories (NSA)

YOY % Change [December 2022 v. December 2023]



Consumer Price Index, Select Categories (NSA)

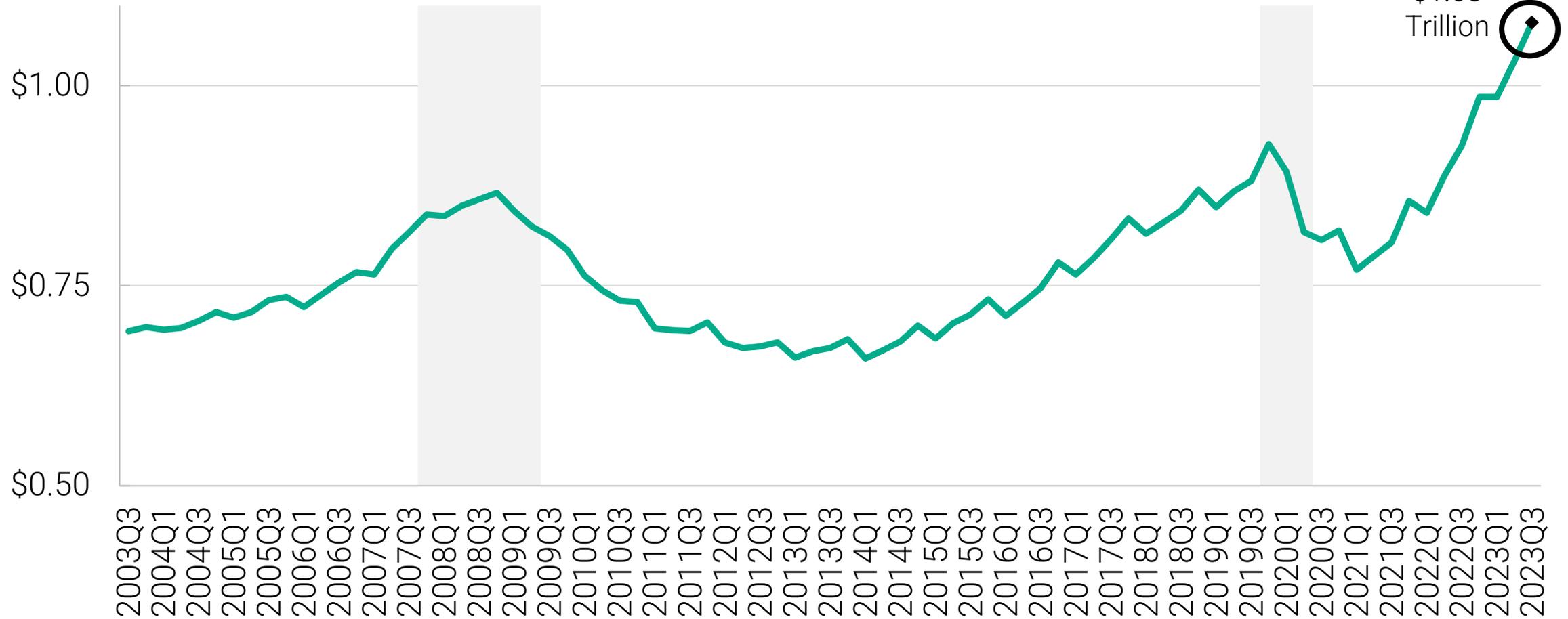
% Change May 2020 v. December 2023



For a Few Dollars More

U.S. Credit Card Debt, 2003 – 2023

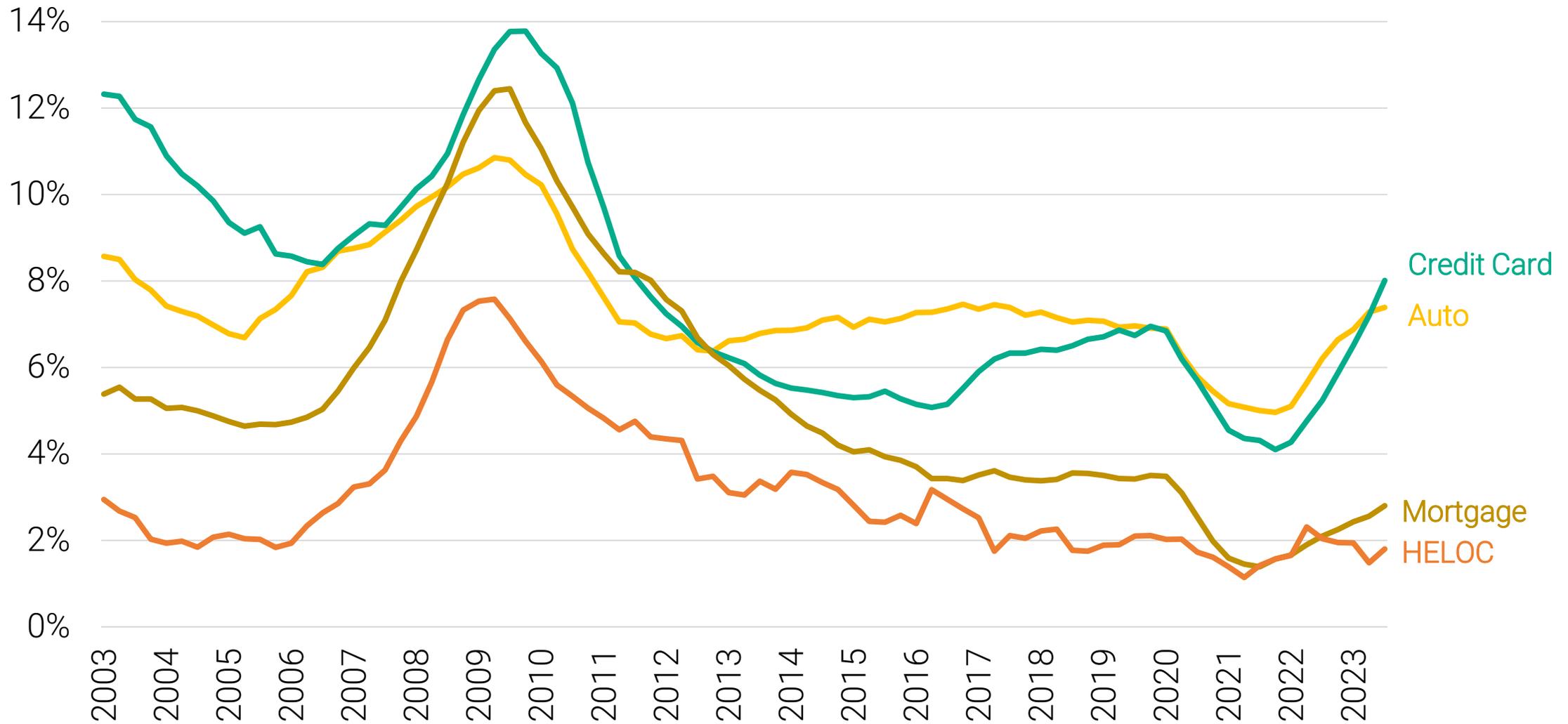
\$ Trillions



Source: FRED; New York Fed Consumer Credit Panel/Equifax

Heartbreak Ridge (a 1986 Film)

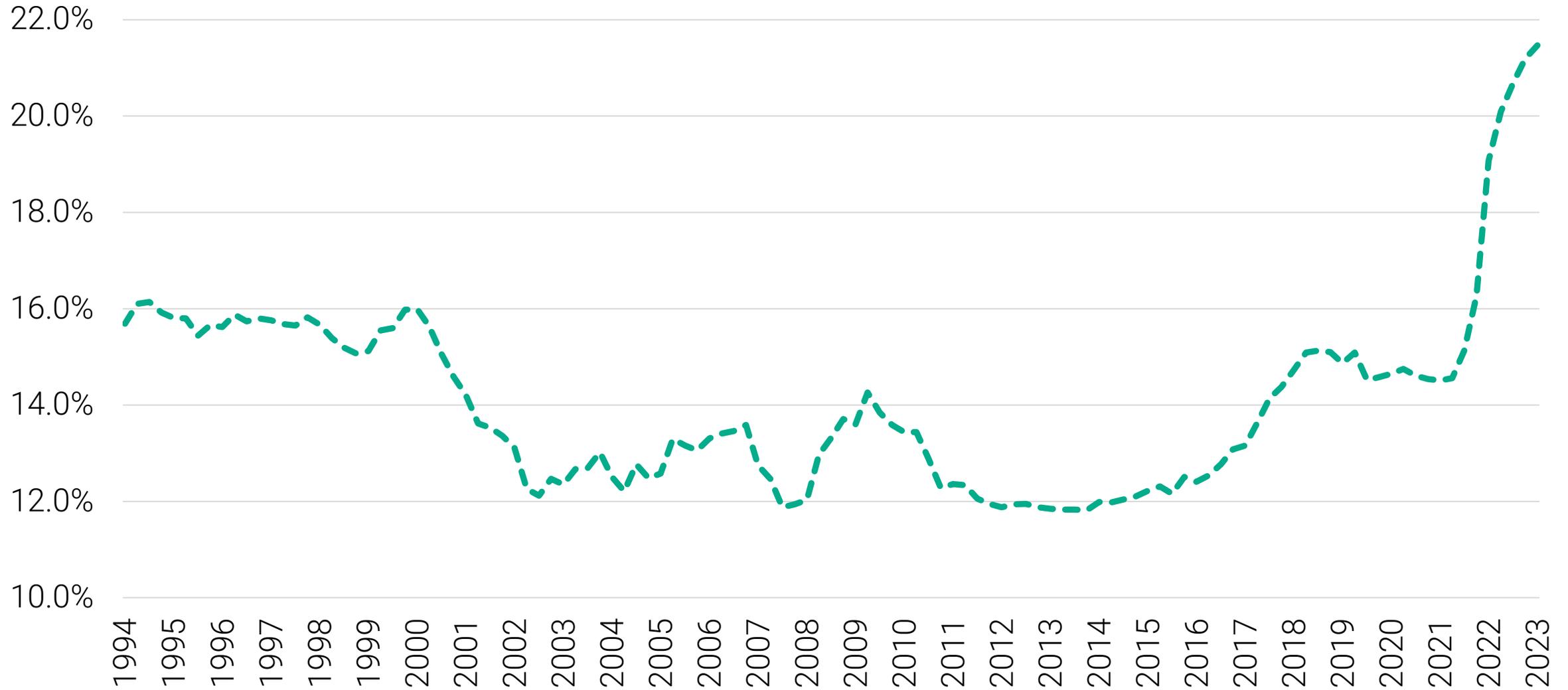
Transition into Delinquency (% of Balance 30+ Days Delinquent by Loan Type)



Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax

High Interest Grifter

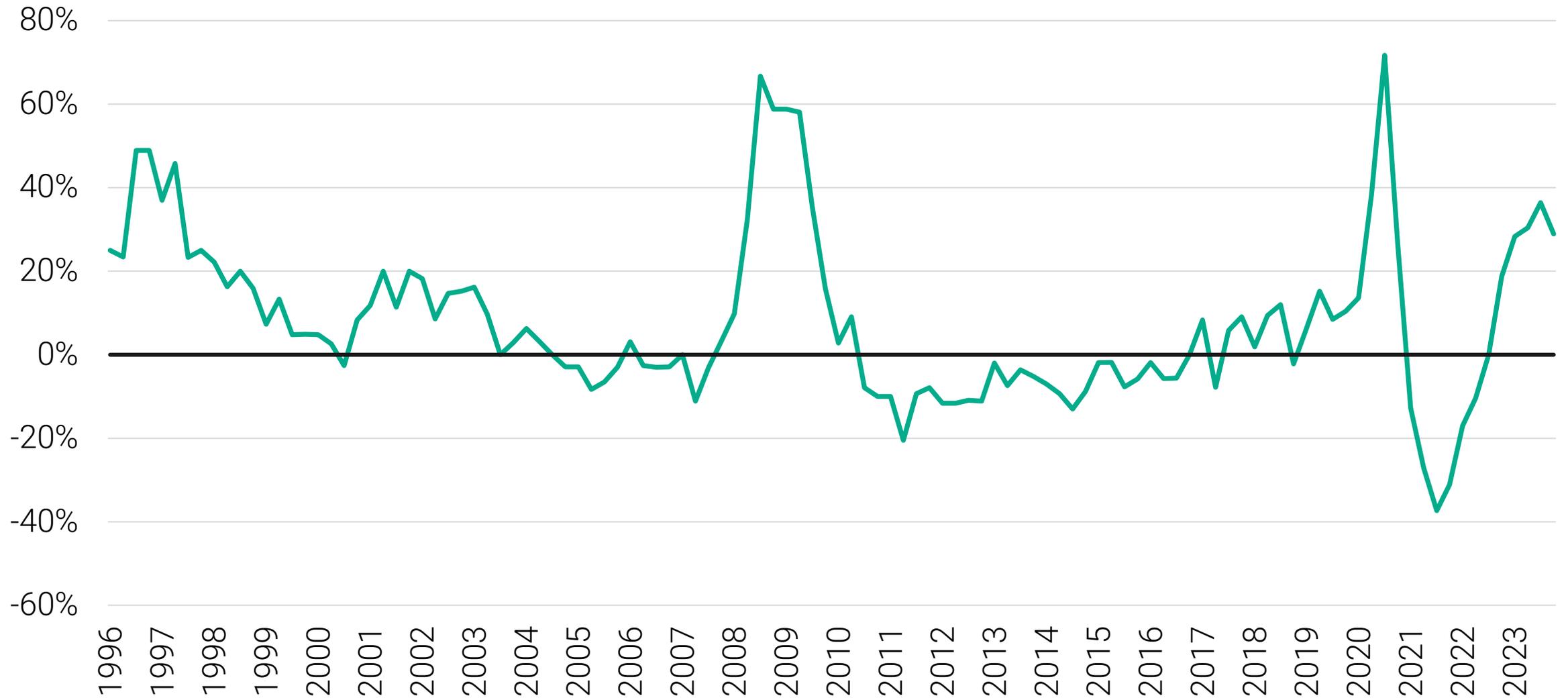
Commercial Bank Interest Rates On Credit Card Plans



Source: Board of Governors of the Federal Reserve System; *High Plains Drifter was a 1973 film

Heartbreak Ridge (a 1986 Film) II

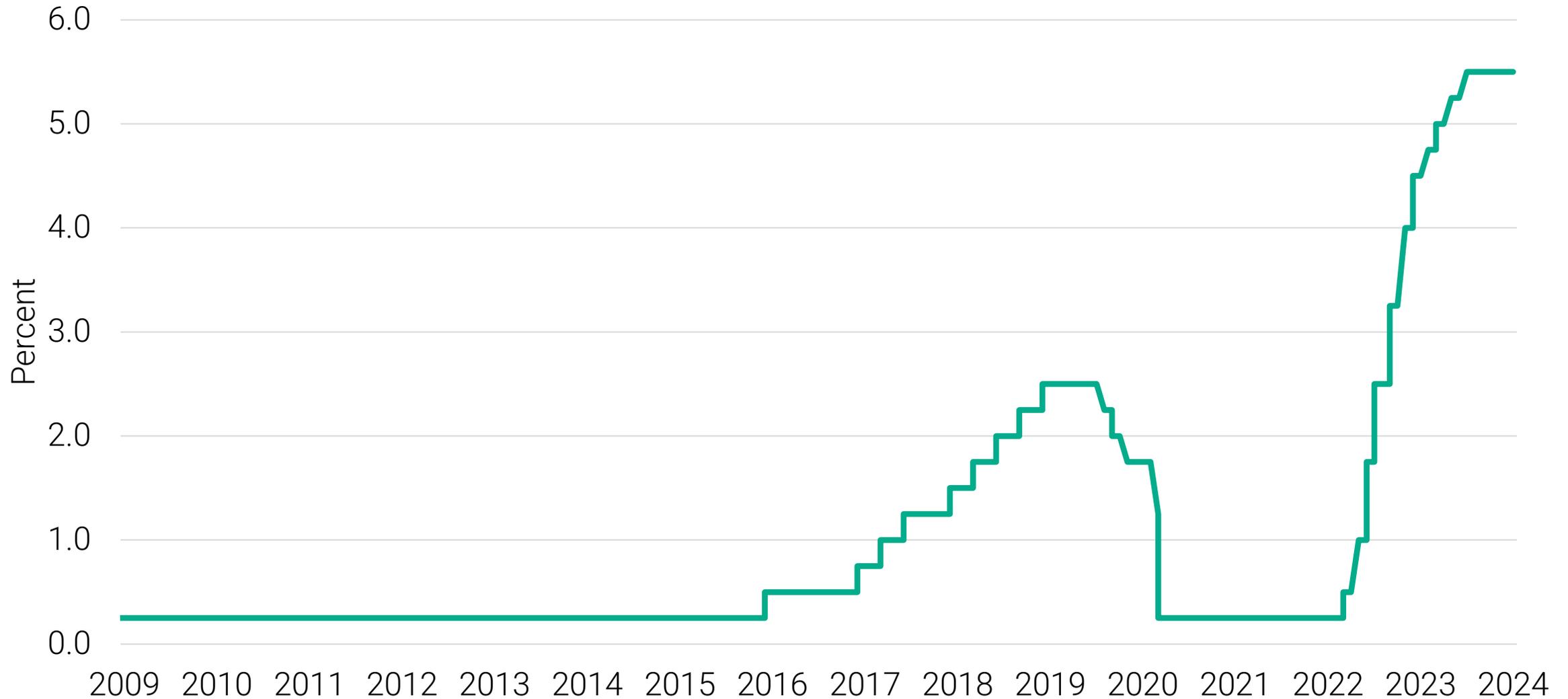
Net Percentage of Domestic Banks Tightening Standards for Credit Card Loans



Source: Board of Governors of the Federal Reserve System, Senior Loan Officer Opinion Survey on Bank Lending Practices

Not So Sudden Impact (a 1983 Film)

Federal Funds Rate, Target Rate Upper Limit, 2009 – 2024



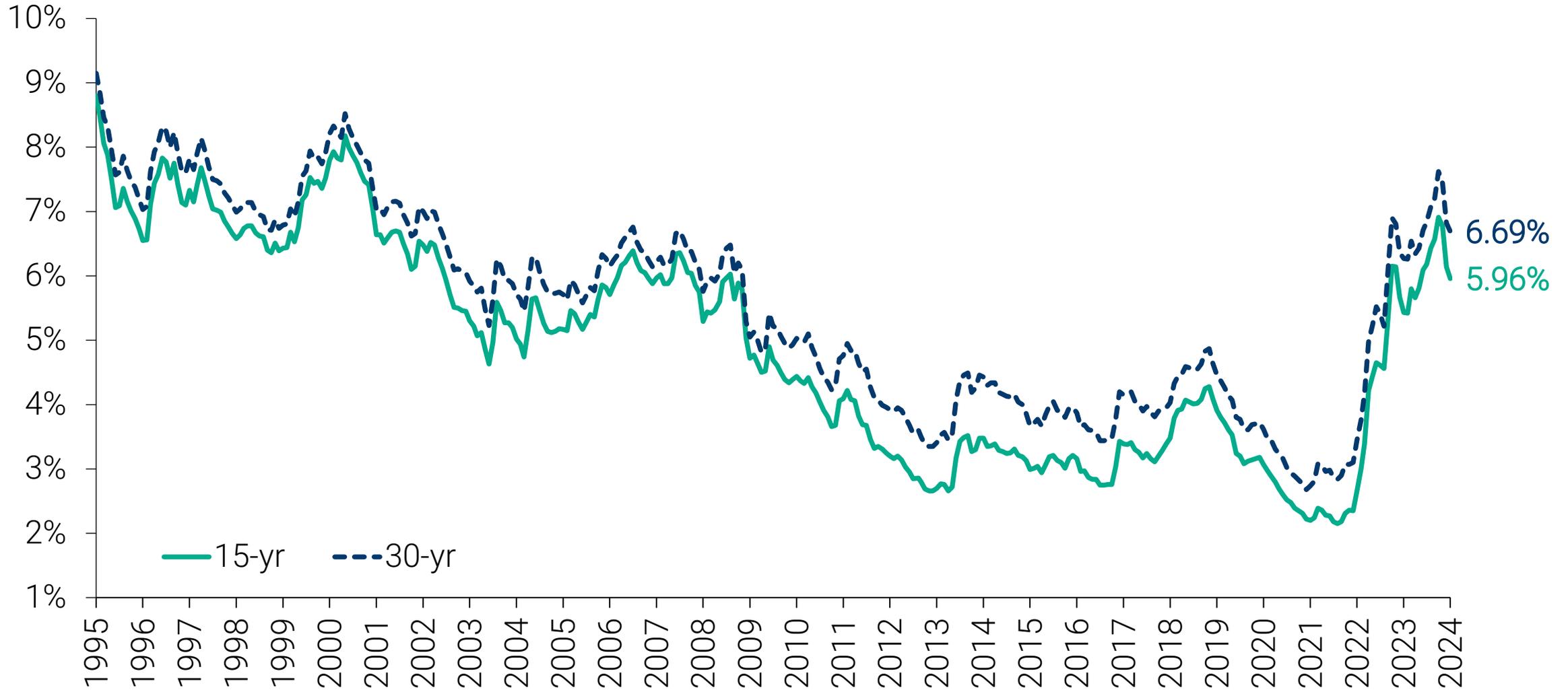
Source: Board of Governors of the Federal Reserve System

Monetary Policy Lags

- “A large body of research tells us it can take 18 months to two years or more for tighter monetary policy to materially affect inflation.” - Raphael Bostic, President and Chief Executive Officer, Federal Reserve Bank of Atlanta
- Some reasons for the lag: how fixed people’s expectations are; the gradual response of investment (both business investment and consumer investment in durables/dwellings); long-term contracts (rent); gradual transmission from sectors of the economy immediately affected (ex. lending) to other sectors.
- In the meantime, higher rates reduce investment, slow hiring and wage growth, and eventually increase unemployment.

Lend 'Em High (Hang 'Em High, 1968)

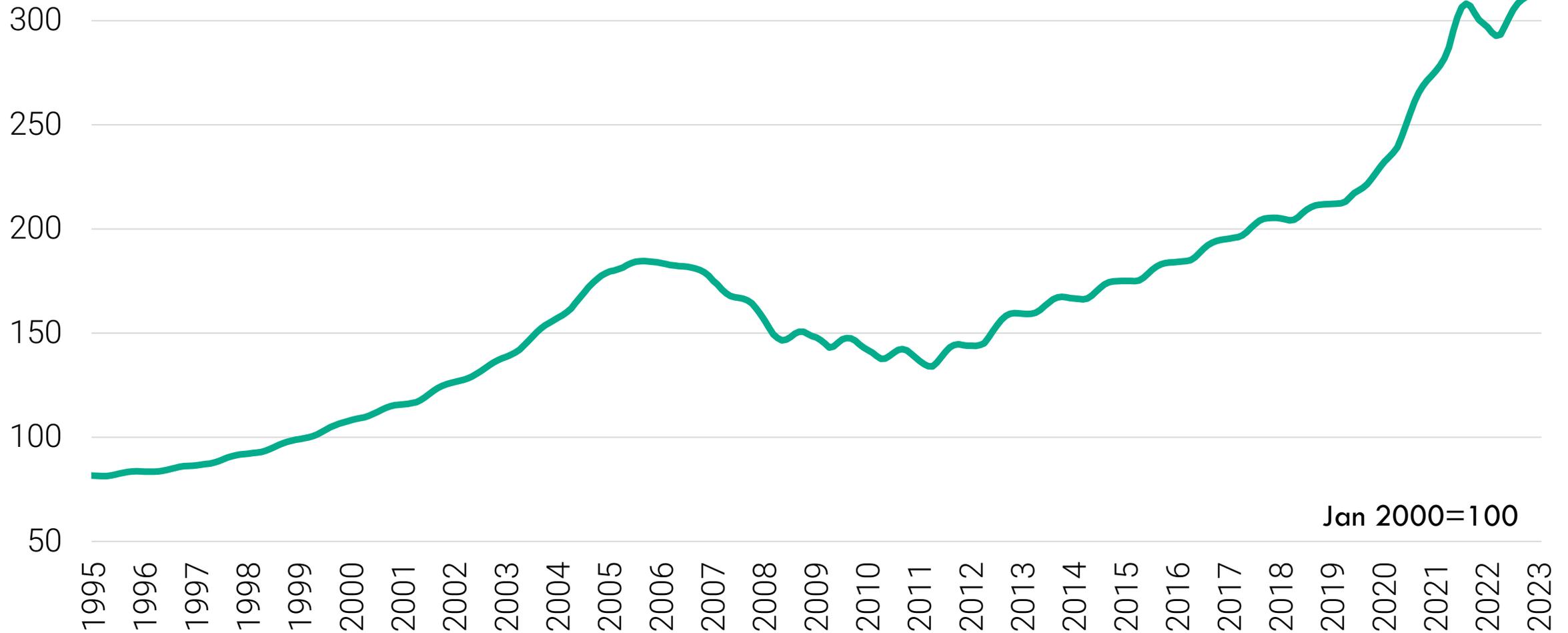
U.S. 15-Year & 30-Year Fixed Mortgage Rates, 1995 – January 2024*



Source: Freddie Mac *Week ending 1/25/2024

S&P Case-Shiller Home Price Index

1995 – November 2023

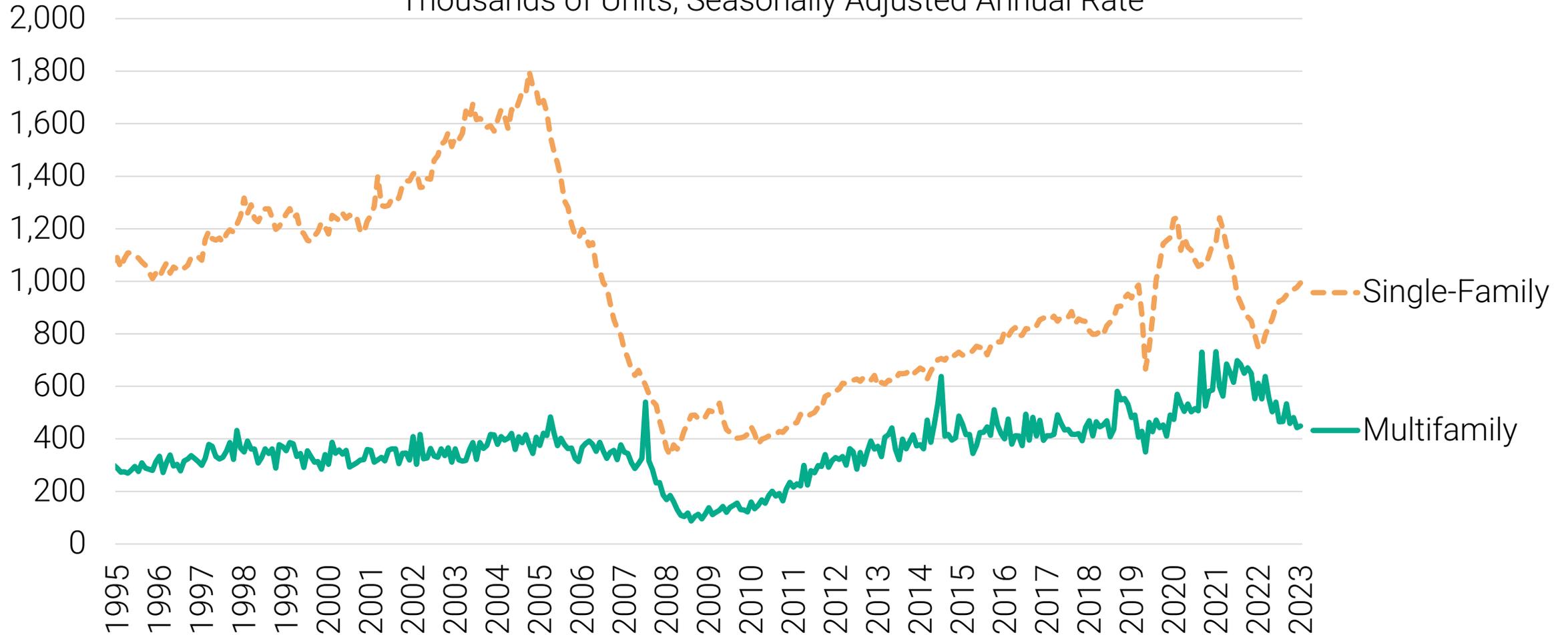


Source: Standard & Poor's

U.S. Residential Building Permits

1995 – December 2023

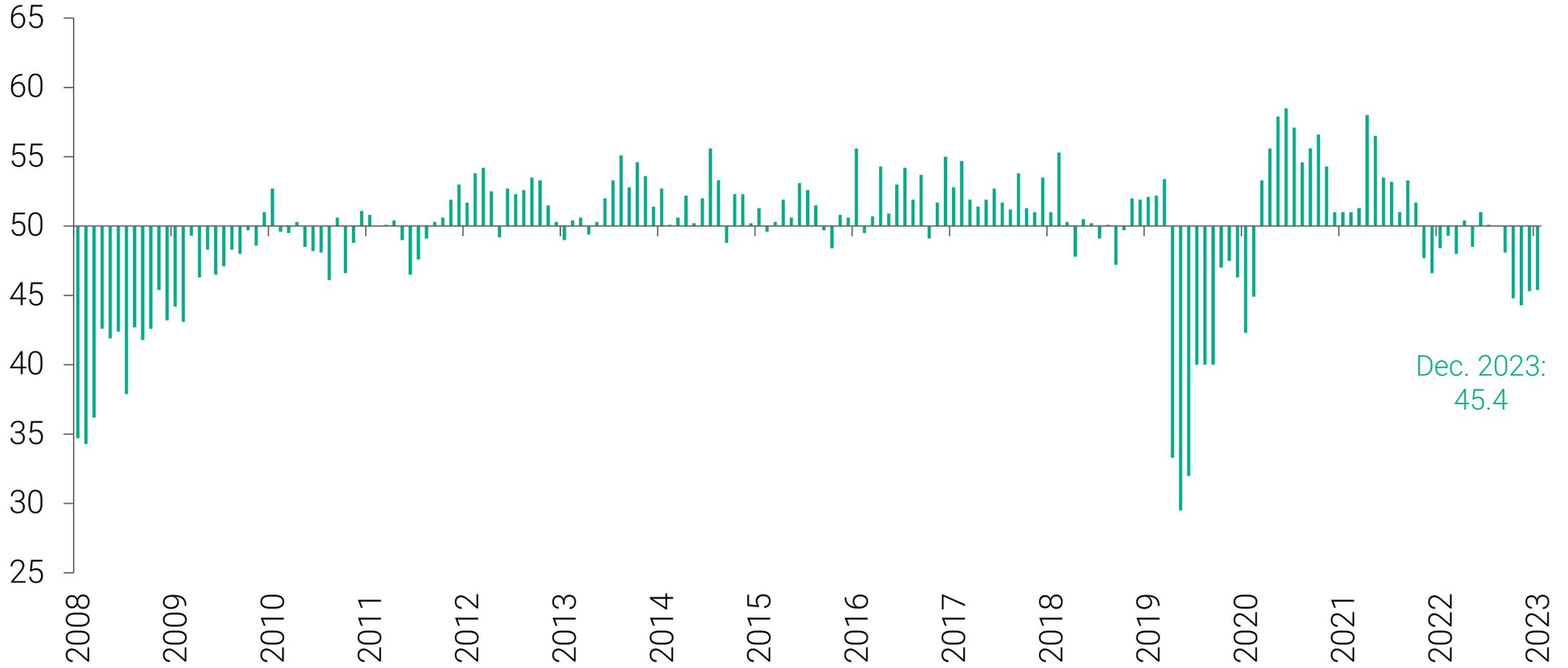
Thousands of Units, Seasonally Adjusted Annual Rate



Source: U.S. Census Bureau

Architecture Billings Index

2008 – December 2023



Dec. 2023:
45.4

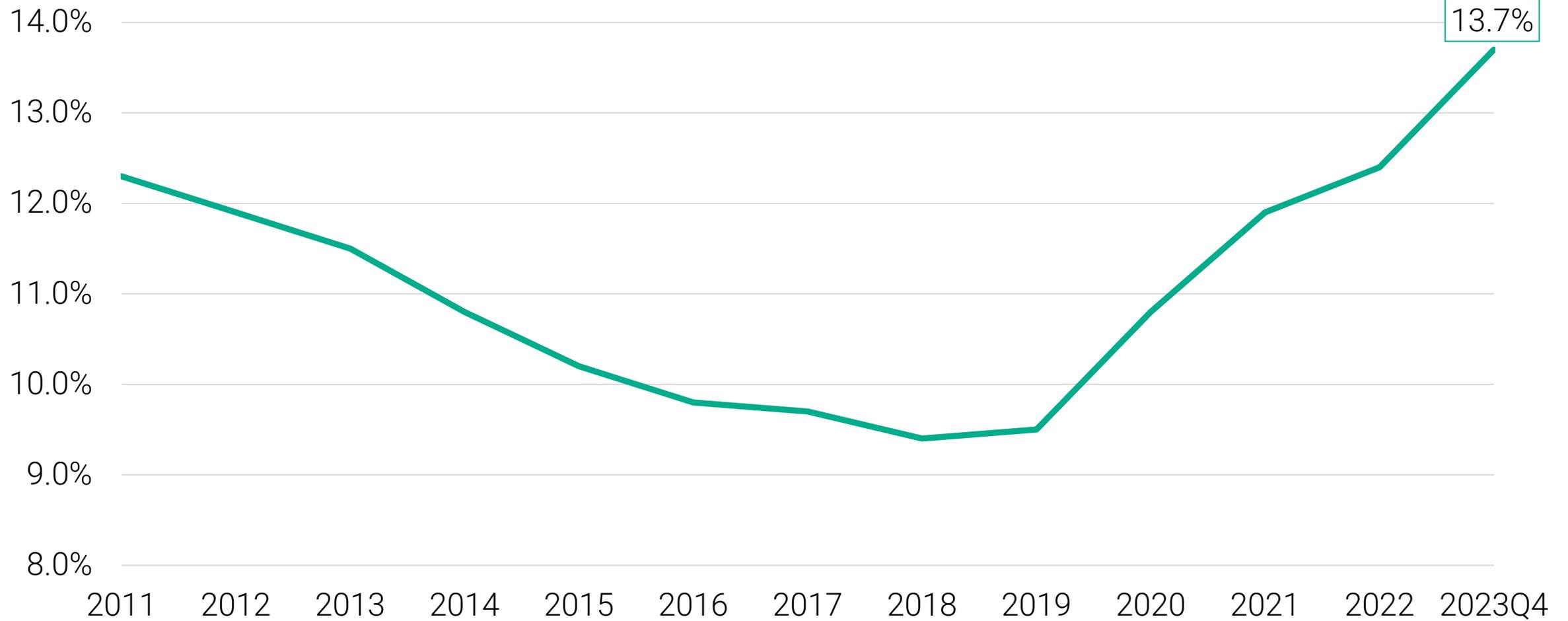


The Ugly

Office Market

Every Which Way **But** Down

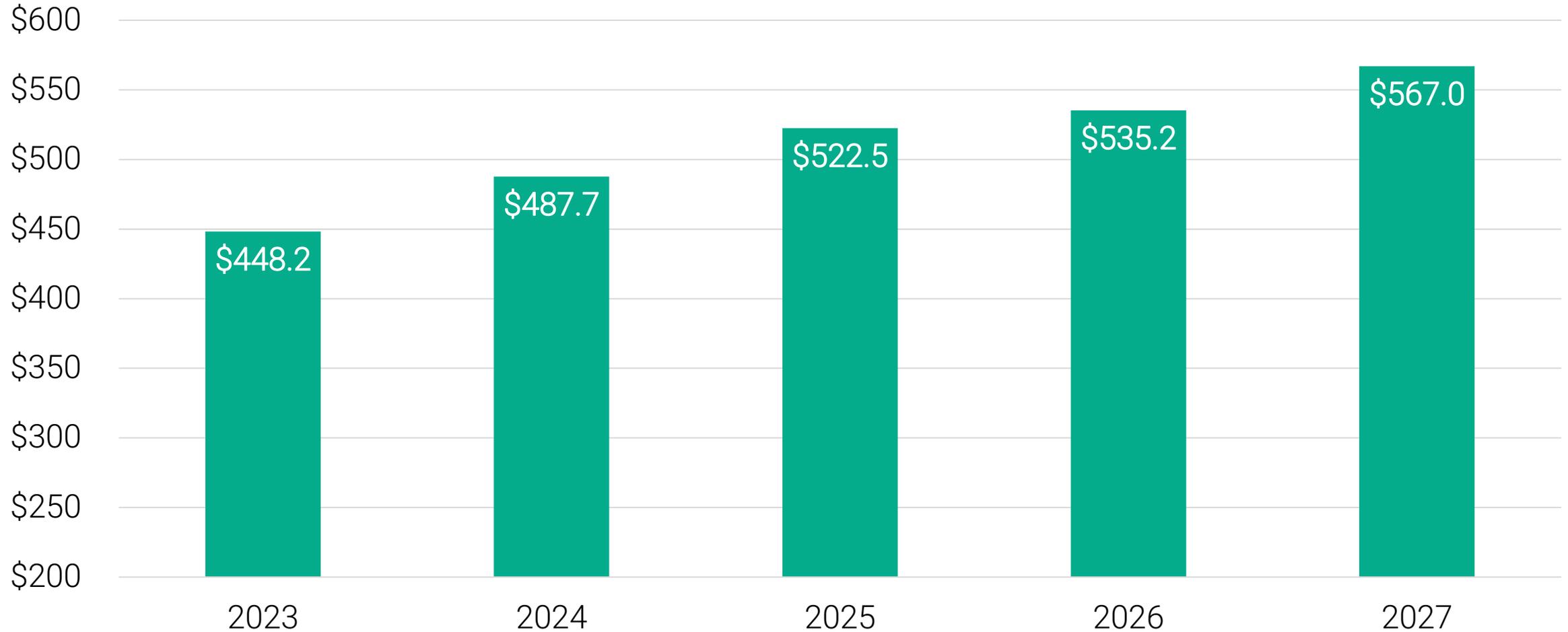
U.S. Office Vacancy, 2011 – 2023



Source: Costar; *Every Which Way But Loose was a 1978 film

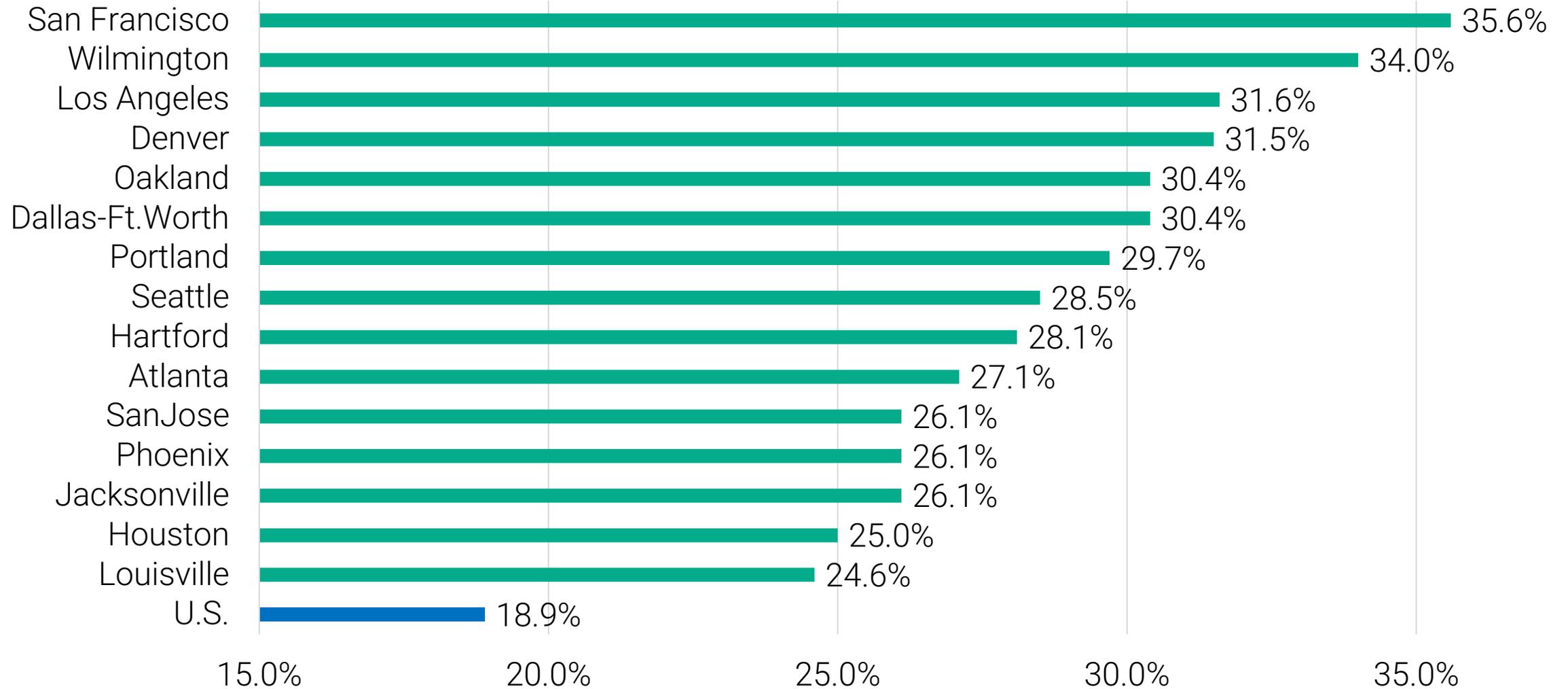
CRE Debt Maturities: \$2.5 Trillion in the Next 5 Years

Maturing CRE Loans (\$Billions)



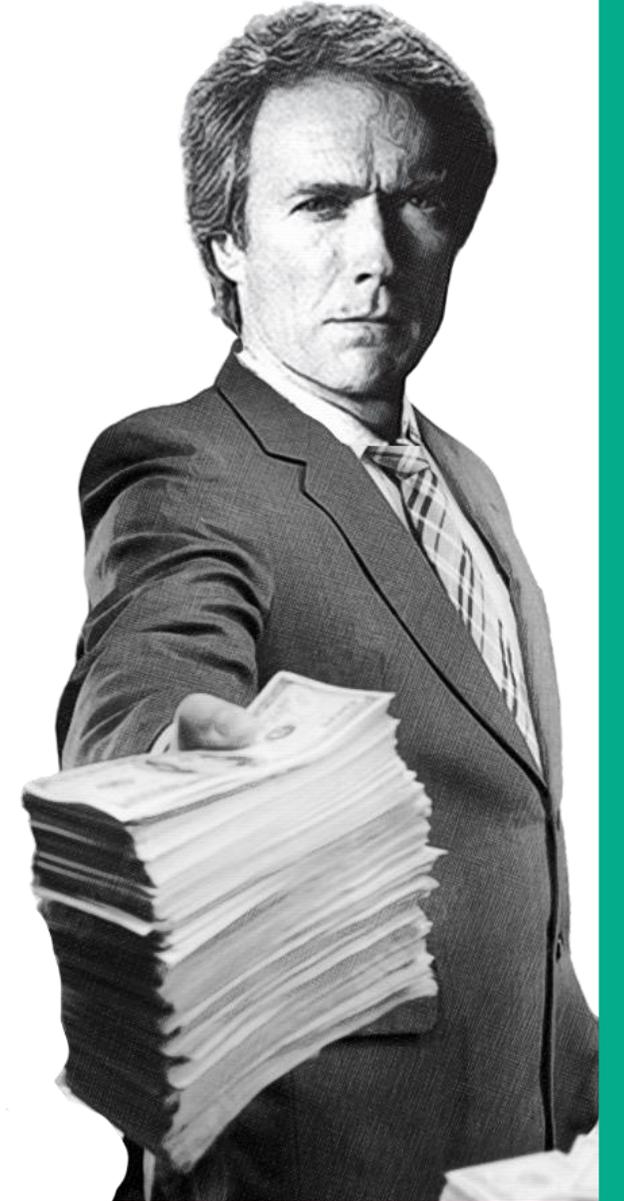
Source: Trepp analysis of Federal Reserve data

Highest Downtown Office Vacancy Rates, 2023Q4



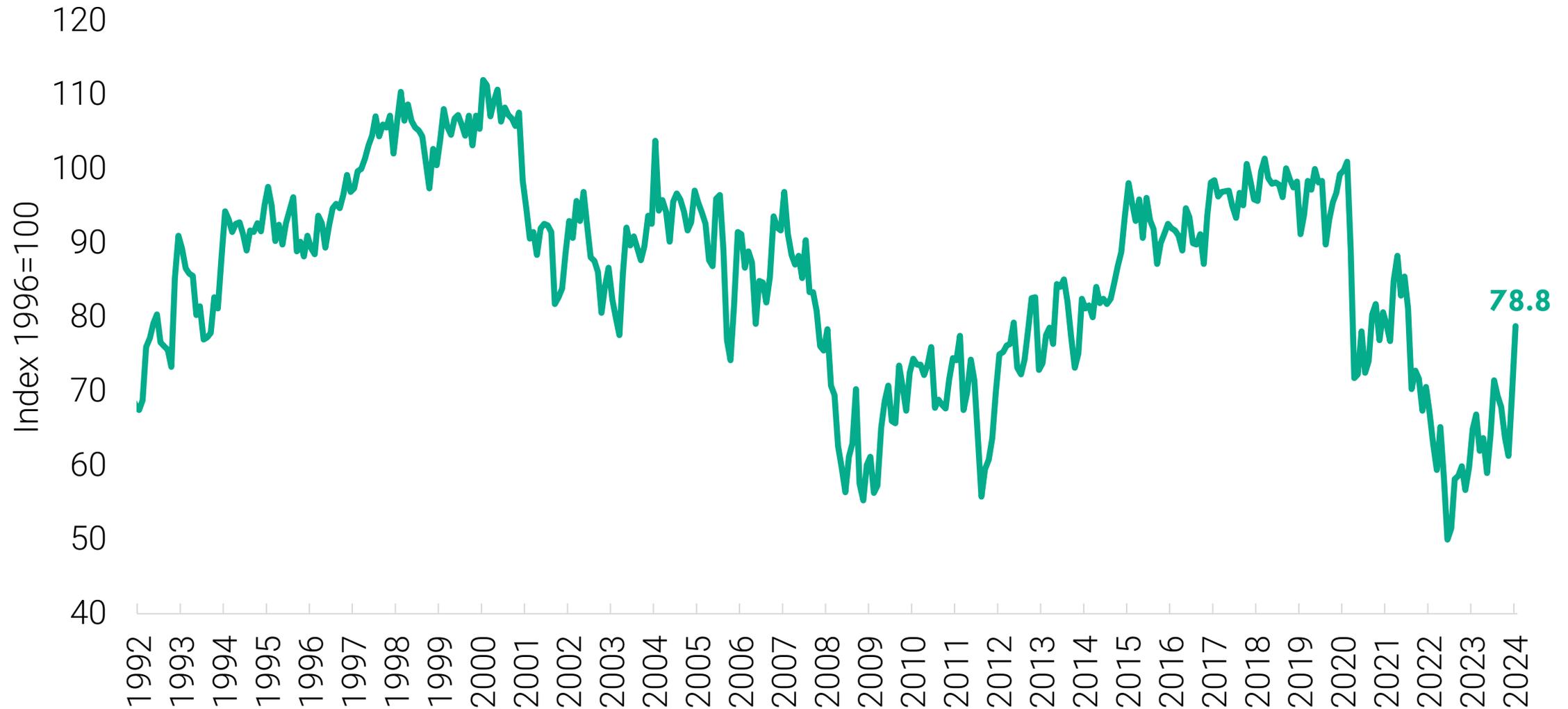
Source: CBRE

**Go Ahead,
Make My Day**



University of Michigan Index of Consumer Sentiment

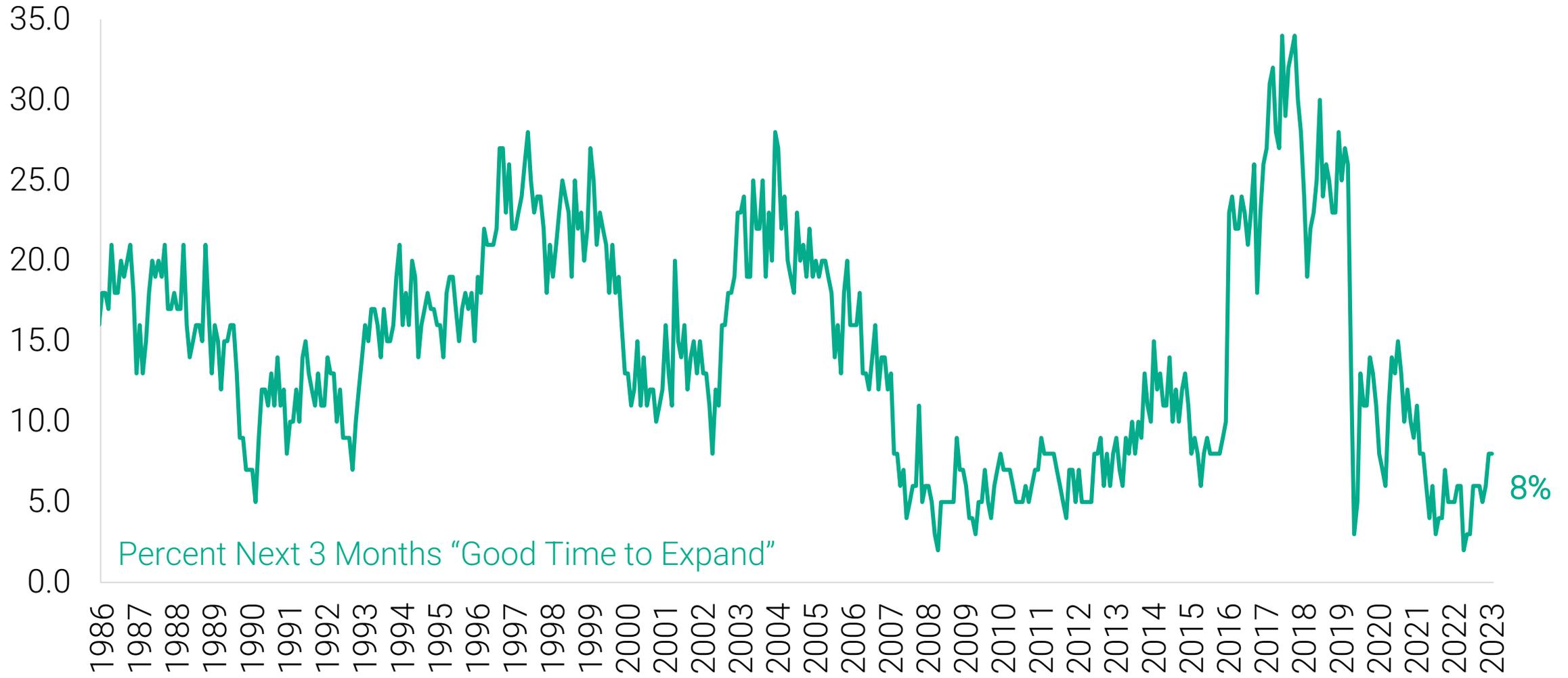
1992 – January 2024



Source: University of Michigan

NFIB Index of Small Business Optimism

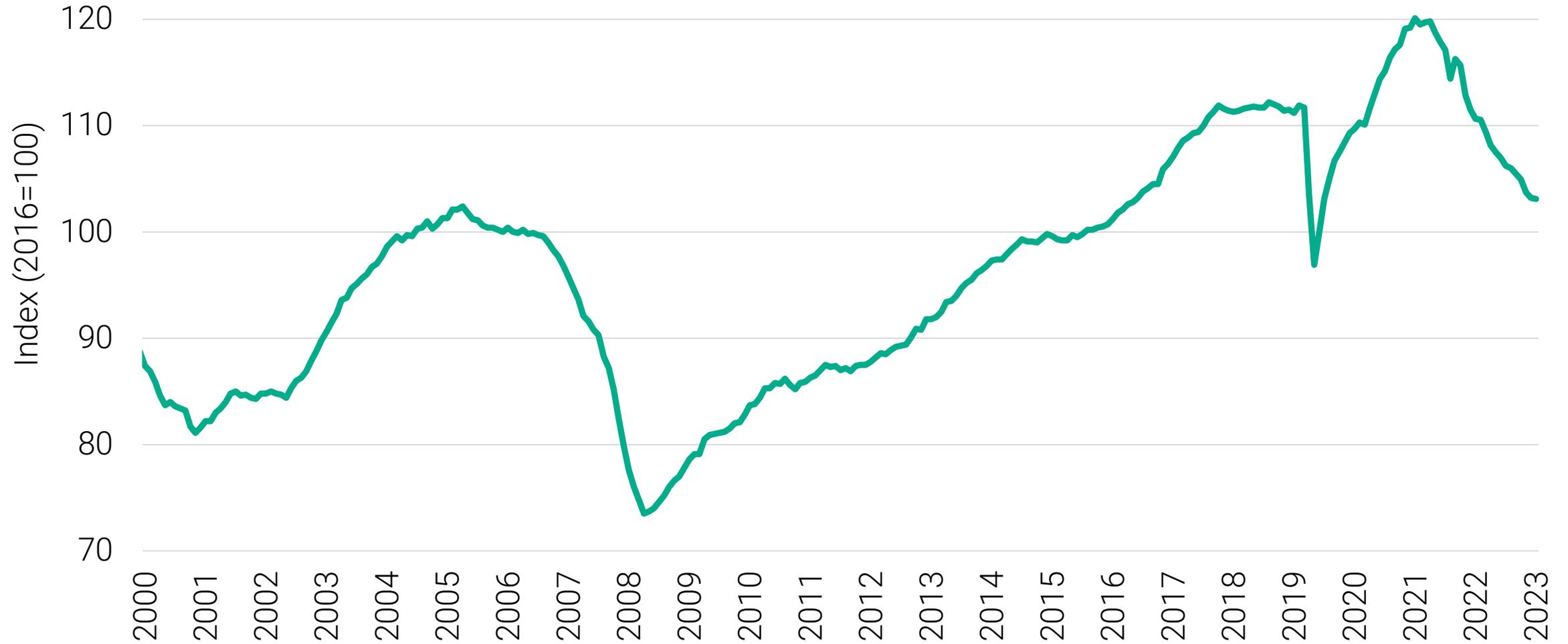
1986 – December 2023



Source: National Federation of Independent Business (NFIB)

Conference Board: U.S. Leading Economic Index

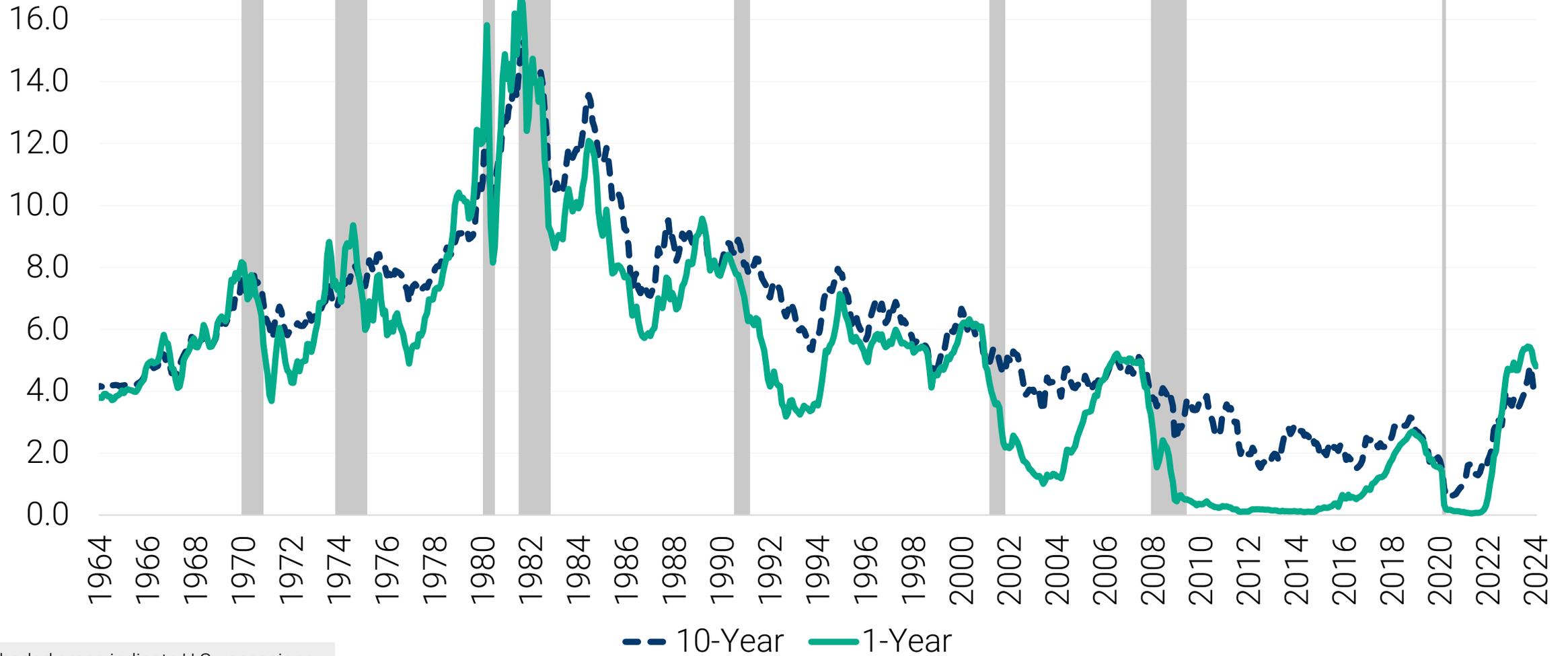
2000 – December 2023



Source: The Conference Board

U.S. Treasury Yields : 10-Year v. 1-Year

1964 – January 2024



Shaded areas indicate U.S. recessions

Source: Federal Reserve Bank of St. Louis

Go **Where** You're Lookin', and Look **Where** You're Goin'

- We are a deeply indebted society currently facing high borrowing costs;
- That makes me pessimistic regarding the near-term outlook;
- Geopolitics and federal elections don't help – sources of additional concern, distraction, and risk;
- It will come nearly a year after I initially anticipated, but recession is coming in 2024.

Thank You

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Q&A