The Good, The Bad, & The Ugly

By: Anirban Basu
MPP, MA, JD, PHD
Sage Policy Group, Inc.

On Behalf of

Washington County Chamber of Commerce

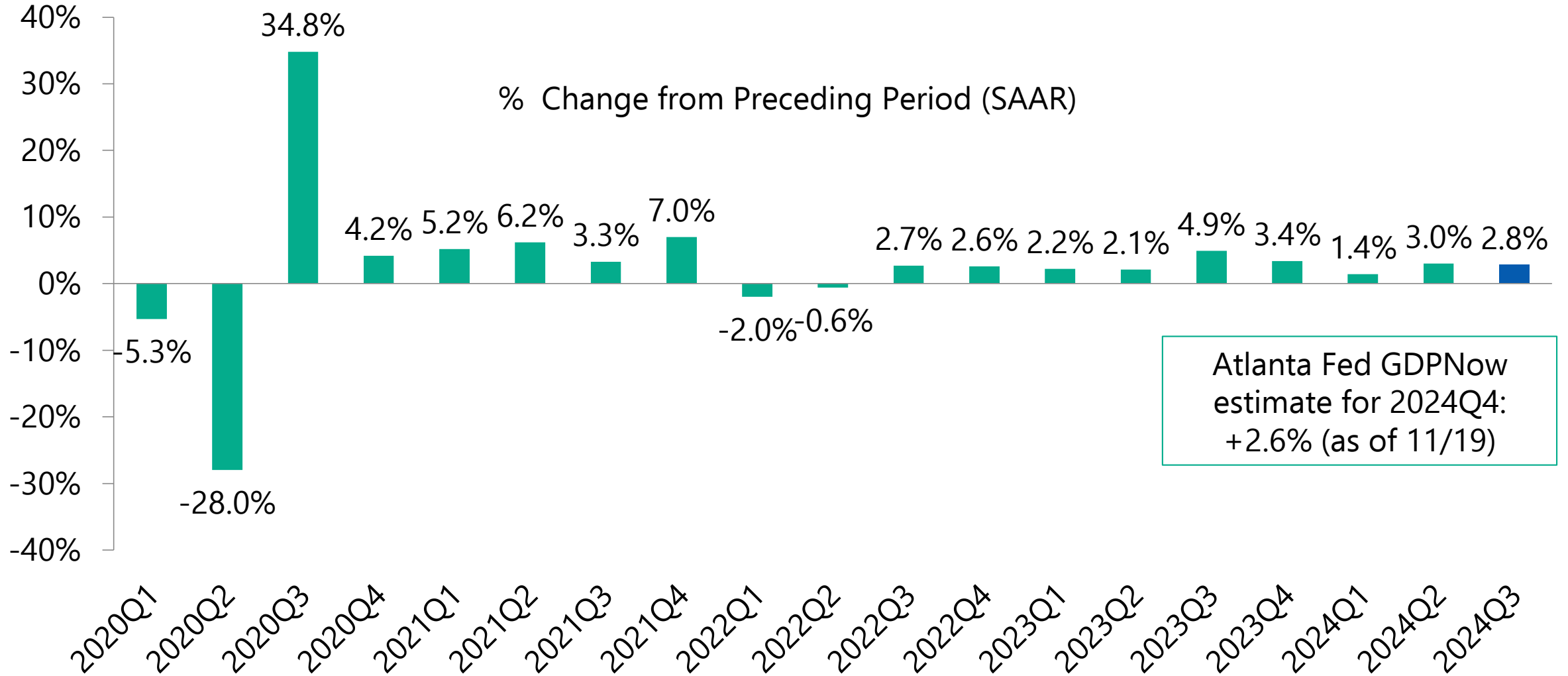22nd Annual Economic Summit

November 20, 2024

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The Good
Current Momentum
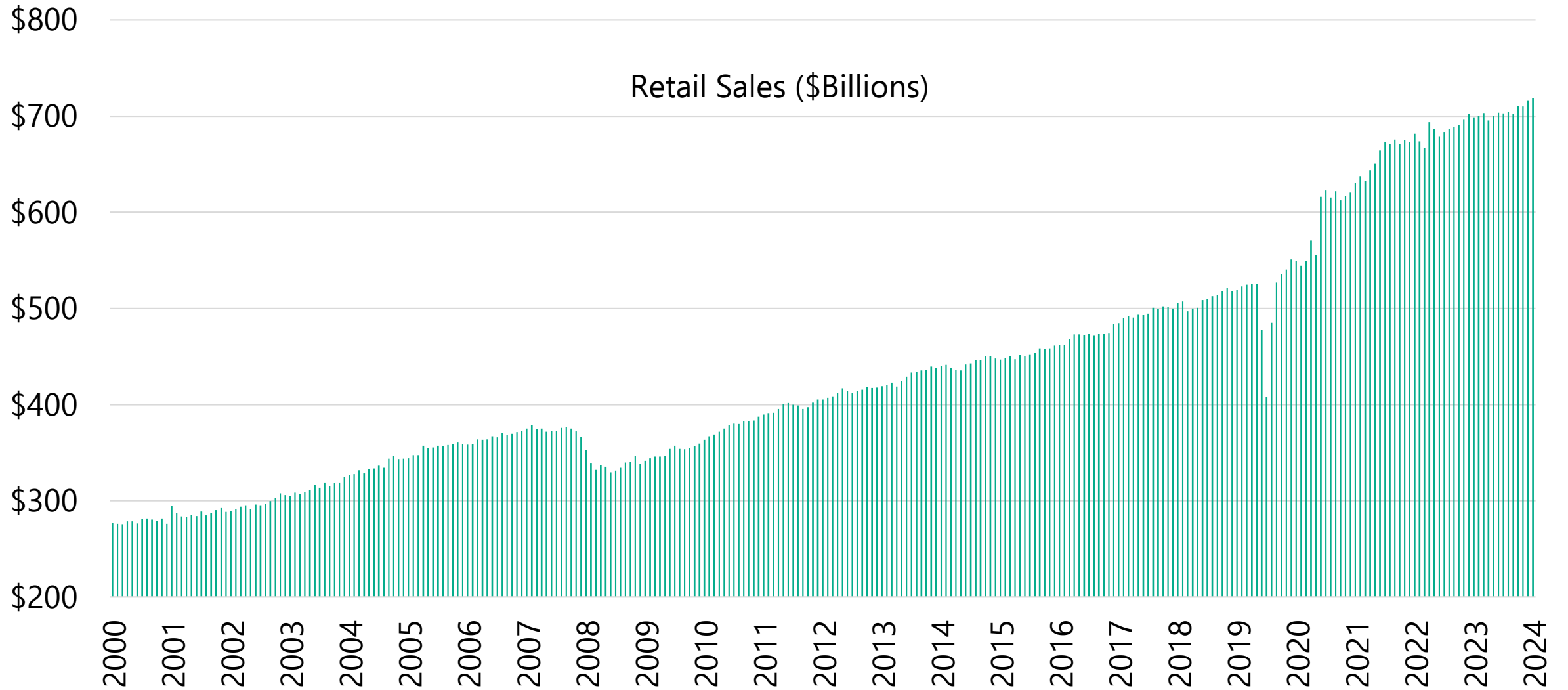
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Where Eagles Dare

U.S. Gross Domestic Product Growth, 2020 – 2024Q3

% Change from Preceding Period (SAAR)

Atlanta Fed GDPNow estimate for 2024Q4: +2.6% (as of 11/19)

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A Fistful of Dollars (a 1964 Film)
U.S. Retail Sales, 2000 – October 2024

Retail Sales ($Billions)

Source: U.S. Census Bureau

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Million Dollar Baby (a 2004 Flick)

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

Legend:
- Top 0.1%
- 99-99.9%
- 90-99%
- 50-90%
- Bottom 50%

-Bottom 50%: 2.5% of wealth
-Top 50%: 97.5%

13.5% of wealth
16.7%
36.5%
30.8%
2.5%

Y-axis: $0, $50, $100, $150

X-axis years: 1989, 1990, 1991, 1993, 1994, 1995, 1997, 1998, 1999, 2001, 2002, 2003, 2005, 2006, 2007, 2009, 2010, 2011, 2013, 2014, 2015, 2017, 2018, 2019, 2021, 2022, 2023
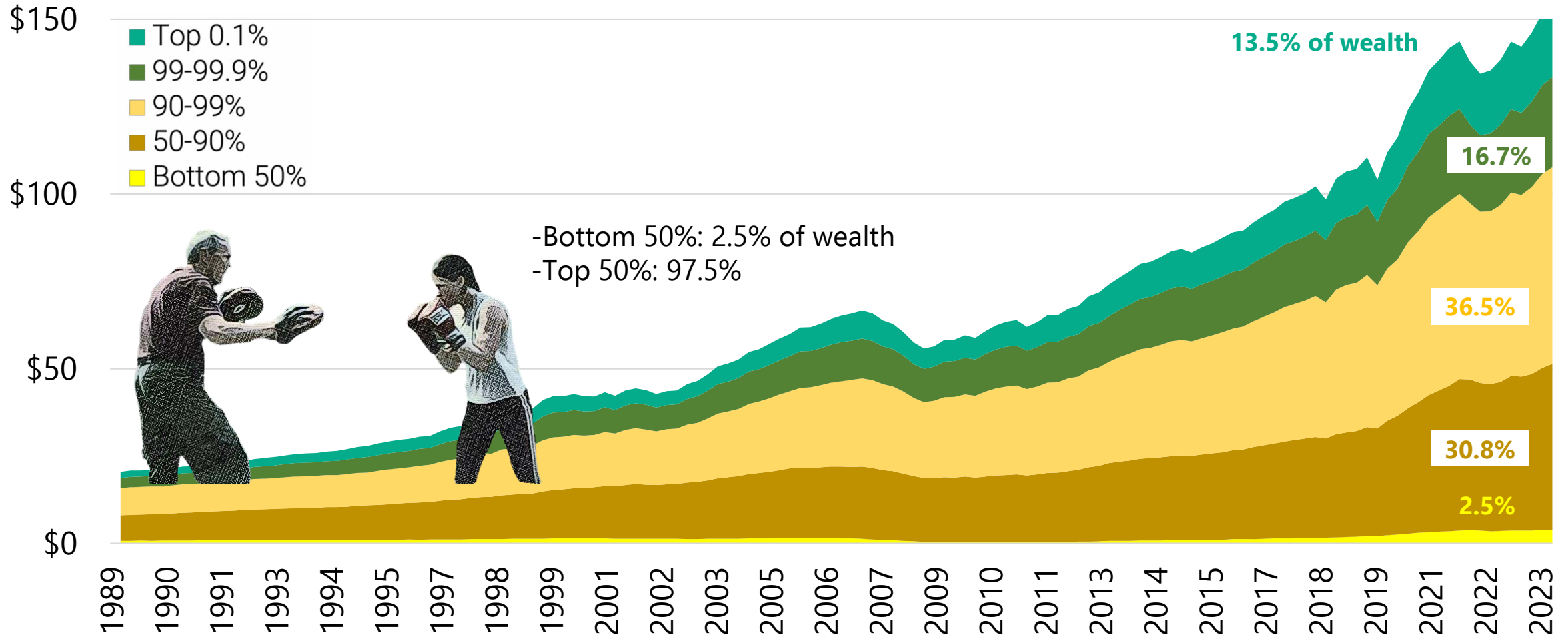
Source: Federal Reserve Board, Distributional Financial Accounts (DFAs)

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U.S. Job Openings, 2015 – September 2024

Millions

Sep. 2024:
7.4M Openings

Source: U.S. Bureau of Labor Statistics

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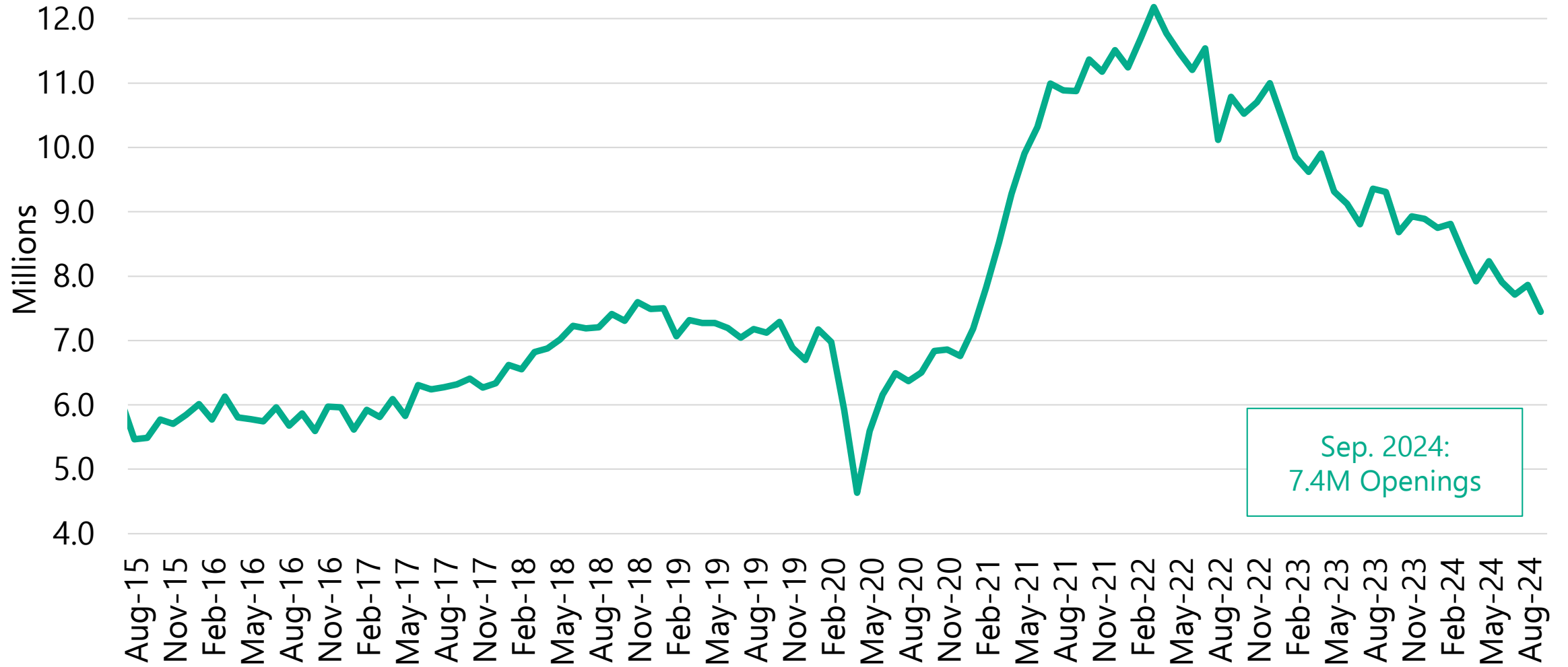
U.S. Job Growth, Monthly
December 2020 – October 2024

1-M Net Change, 000s

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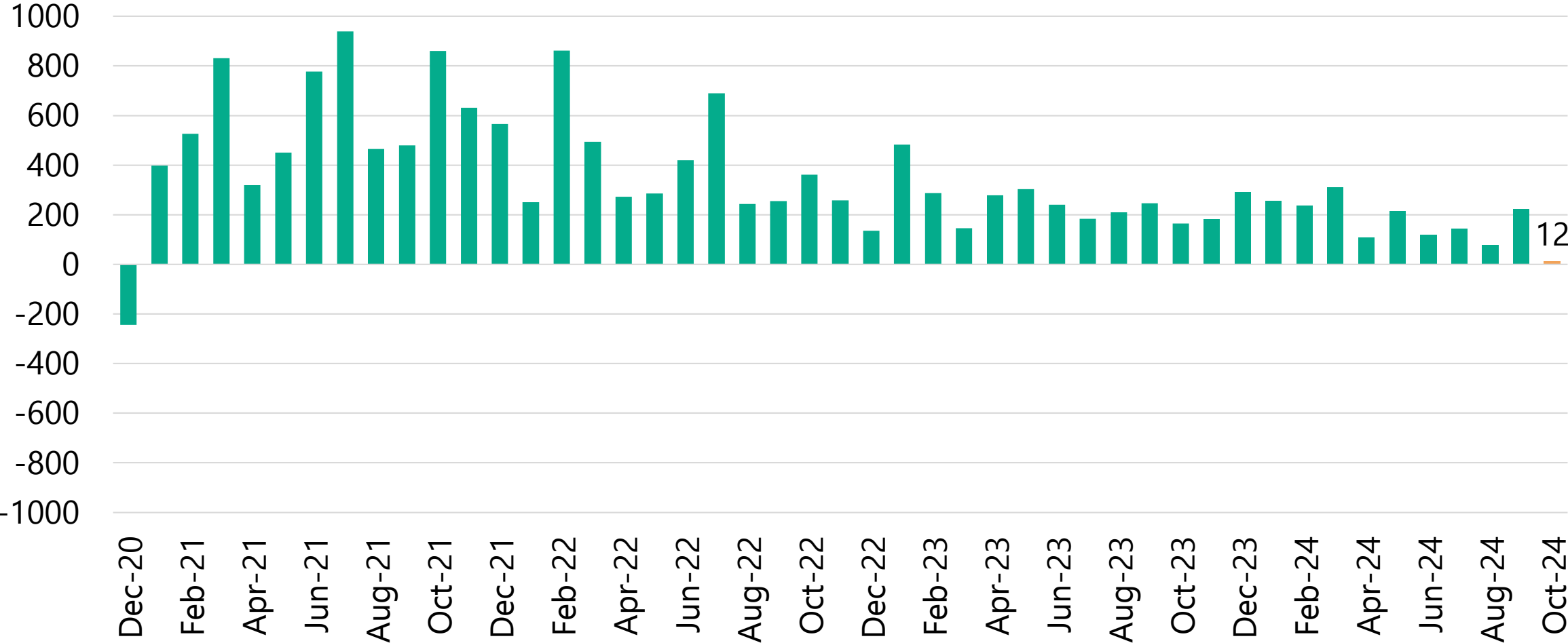
Hagerstown-Martinsburg MSA Nonfarm Employment
February 2020 v. October 2024 Absolute Change

Category	Value
Government	1,300
Trade, Transportation, & Utilities	900
Professional & Business Services	600
Mining, Logging, & Construction	500
Other Services	400
Private Education & Health Services	200
Manufacturing	-200
Information	-300
Leisure & Hospitality	-500
Financial Activities	-700

Hagerstown MSA Total:
+2.2K; +2.1%

MD Total:
-18.3K; -0.7%

US Total:
+6.7M; +4.4%
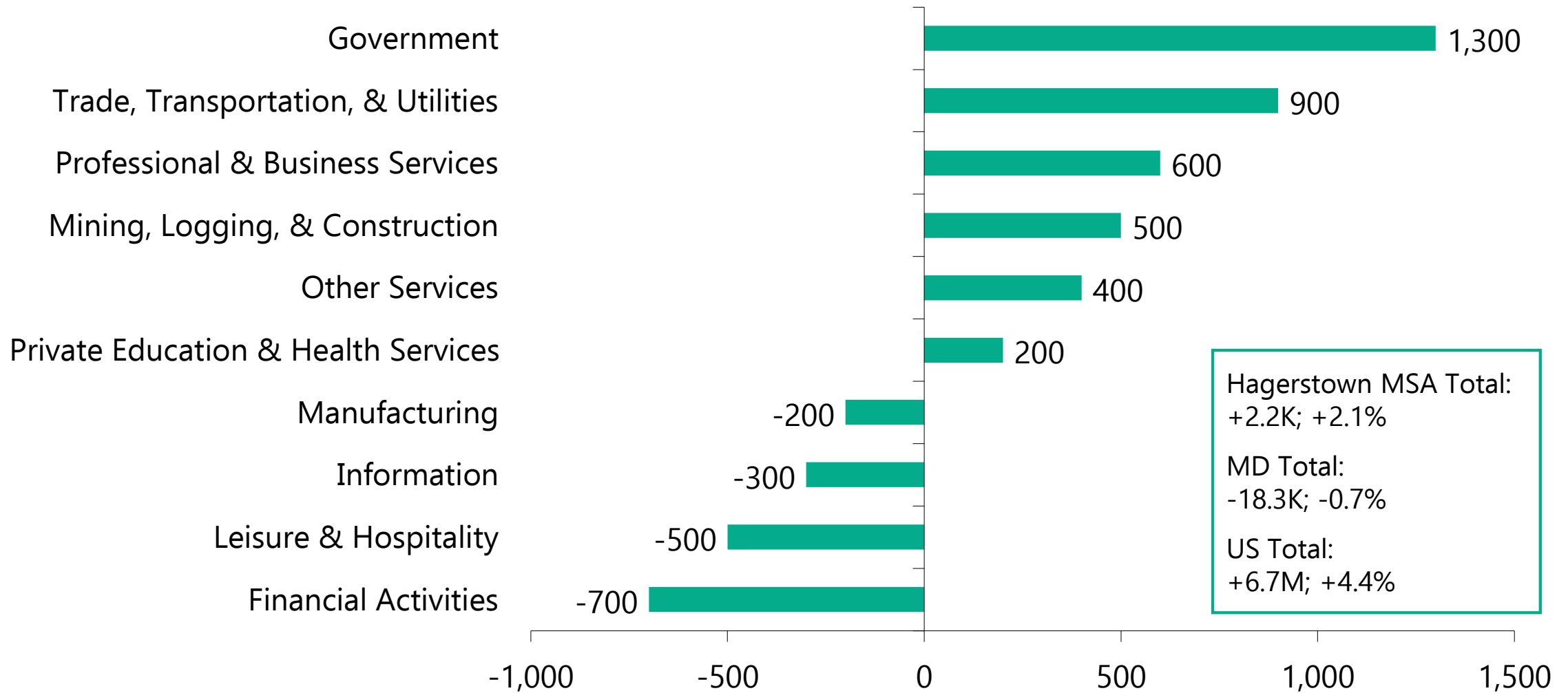
Source: U.S. Bureau of Labor Statistics
*Data are not seasonally adjusted (NSA)

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Employment Growth, 25 Largest Metros
February 2020 v. October 2024 % Change

Rank	MSA	%	Rank	MSA	%
1	Dallas-Fort Worth-Arlington, TX	13.4%	14	San Diego-Carlsbad, CA	4.0%
2	San Antonio-New Braunfels, TX	11.2%	15	New York-Newark-Jersey City, NY-NJ-PA	3.6%
3	Phoenix-Mesa-Scottsdale, AZ	11.0%	16	Chicago-Naperville-Elgin, IL-IN-WI	2.6%
4	Charlotte-Concord-Gastonia, NC-SC	10.2%	**17**	**Washington-Arlington-Alexandria, DC-VA-MD-WV**	**1.9%**
5	Tampa-St. Petersburg-Clearwater, FL	9.8%			
6	Orlando-Kissimmee-Sanford, FL	9.7%	18	Detroit-Warren-Dearborn, MI	1.3%
7	Houston-The Woodlands-Sugar Land, TX	8.8%	19	Seattle-Tacoma-Bellevue, WA	1.1%
8	Riverside-San Bernardino-Ontario, CA	8.6%	20	Boston-Cambridge-Nashua, MA-NH	1.0%
9	Miami-Fort Lauderdale-West Palm Beach, FL	7.7%	**21**	**Baltimore-Columbia-Towson, MD**	**0.9%**
10	Atlanta-Sandy Springs-Roswell, GA	7.6%	22	Minneapolis-St. Paul-Bloomington, MN-WI	0.8%
11	Denver-Aurora-Lakewood, CO	6.9%	23	Portland-Vancouver-Hillsboro, OR-WA	0.6%
12	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	5.8%	24	Los Angeles-Long Beach-Anaheim, CA	0.4%
13	St. Louis, MO-IL	4.7%	25	San Francisco-Oakland-Hayward, CA	-0.9%

U.S. % Change 2/2020 v. 10/2024: +4.4%

Unemployment Rates, 25 Largest Metros, September 2024

Rank	MSA	%	Rank	MSA	%
1	**Baltimore-Columbia-Towson, MD**	**2.8%**	13	Portland-Vancouver-Hillsboro, OR-WA	3.8%
2	Miami-Fort Lauderdale-West Palm Beach, FL	2.9%	13	San Antonio-New Braunfels, TX	3.8%
3	Minneapolis-St. Paul-Bloomington, MN-WI	3.0%	15	Dallas-Fort Worth-Arlington, TX	3.9%
4	**Washington-Arlington-Alexandria, DC-VA-MD-WV**	**3.1%**	16	Denver-Aurora-Lakewood, CO	4.1%
			17	Detroit-Warren-Dearborn, MI	4.3%
5	Charlotte-Concord-Gastonia, NC-SC	3.3%	17	New York-Newark-Jersey City, NY-NJ-PA	4.3%
5	St. Louis, MO-IL	3.3%	17	San Francisco-Oakland-Hayward, CA	4.3%
7	Atlanta-Sandy Springs-Roswell, GA	3.4%	17	Seattle-Tacoma-Bellevue, WA	4.3%
7	Boston-Cambridge-Nashua, MA-NH	3.4%	21	Houston-The Woodlands-Sugar Land, TX	4.4%
7	Orlando-Kissimmee-Sanford, FL	3.4%	22	San Diego-Carlsbad, CA	4.6%
7	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	3.4%	23	Chicago-Naperville-Elgin, IL-IN-WI	5.1%
7	Phoenix-Mesa-Scottsdale, AZ	3.4%	24	Riverside-San Bernardino-Ontario, CA	5.4%
12	Tampa-St. Petersburg-Clearwater, FL	3.6%	25	Los Angeles-Long Beach-Anaheim, CA	5.6%

U.S. Unemployment Rate—Sep: 4.1% | Oct: 4.1%

Maryland Unemployment Rates by County, September 2024

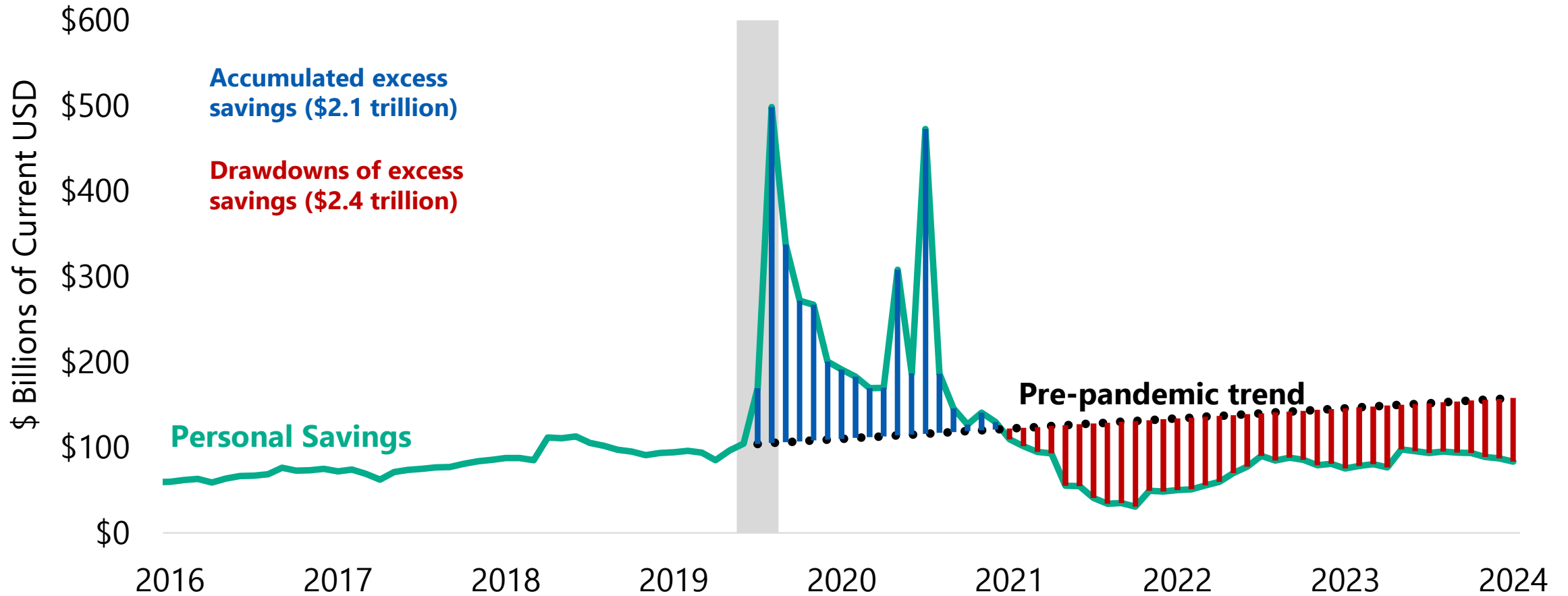| Rank	County	%	Rank	County	%
1	Carroll County	2.2%	13	Baltimore County	2.8%
2	Howard County	2.3%	13	Cecil County	2.8%
2	Queen Anne's County	2.3%	13	Talbot County	2.8%
4	Anne Arundel County	2.4%	**13**	**Washington County**	**2.8%**
4	Calvert County	2.4%	17	Charles County	2.9%
4	St. Mary's County	2.4%	18	Prince George's County	3.0%
7	Caroline County	2.5%	18	Wicomico County	3.0%
8	Frederick County	2.6%	18	Worcester County	3.0%
8	Garrett County	2.6%	21	Dorchester County	3.1%
8	Harford County	2.6%	22	Allegany County	3.2%
8	Montgomery County	2.6%	23	Somerset County	3.7%
12	Kent County	2.7%	24	Baltimore City	3.8%

Maryland Unemployment Rate: 2.9%

The Bad
Not Sustainable
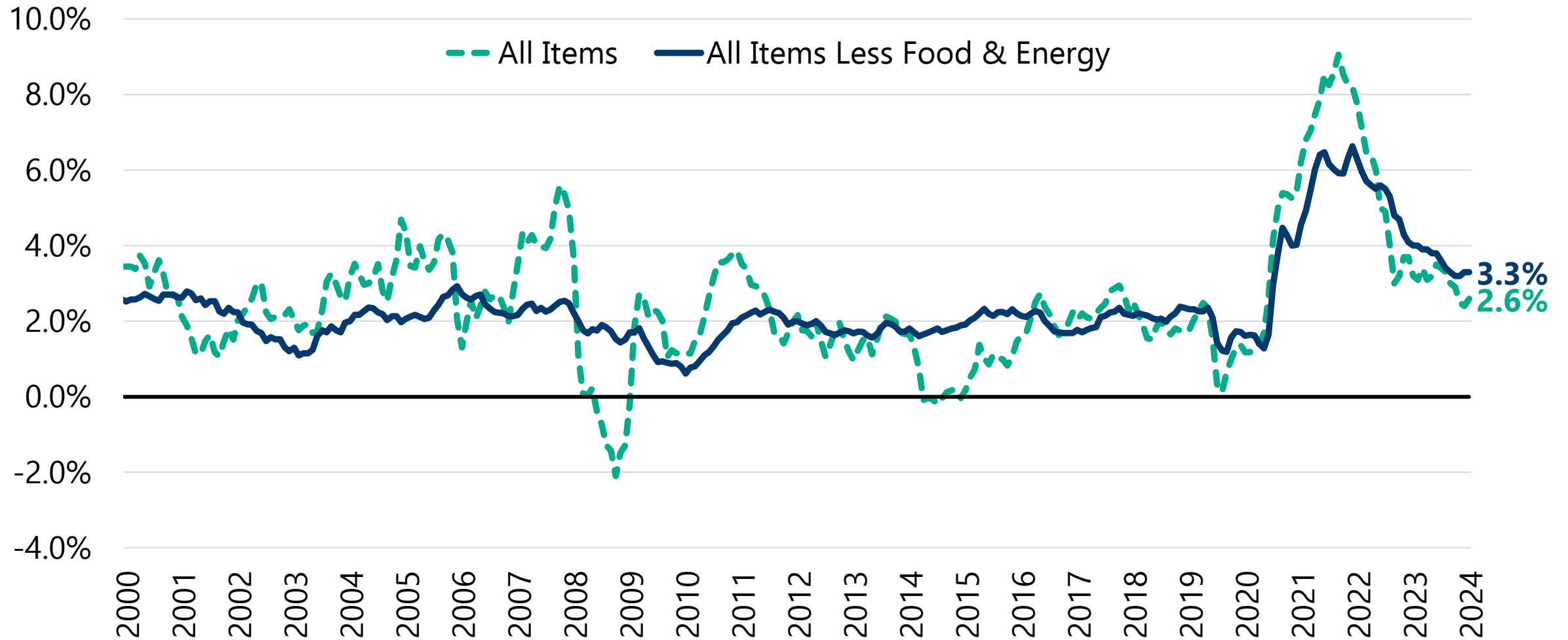
Drawdown of Pandemic Related Excess Savings

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

Accumulated excess savings ($2.1 trillion)

Drawdowns of excess savings ($2.4 trillion)

Pre-pandemic trend

Personal Savings

$ Billions of Current USD

$600
$500
$400
$300
$200
$100
$0

2016 2017 2018 2019 2020 2021 2022 2023 2024

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Consumer Price Index (NSA)
12-Month % Change, 2000 – October 2024

3.3%
2.6%

All Items — — —   All Items Less Food & Energy ———

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Consumer Price Index, Select Categories (NSA)
YOY % Change [October 2023 v. October 2024]

Category	% Change
Transportation services	8.2%
Tobacco & smoking products	6.8%
Shelter	4.9%
Medical care services	3.8%
Food	2.1%
Alcoholic beverages	1.6%
Medical care commodities	1.0%
Apparel	0.3%
New vehicles	-1.3%
Used cars & trucks	-3.4%
Energy	-4.9%
Total: All Items	2.6%
Total: All Items Less Food & Energy	3.3%
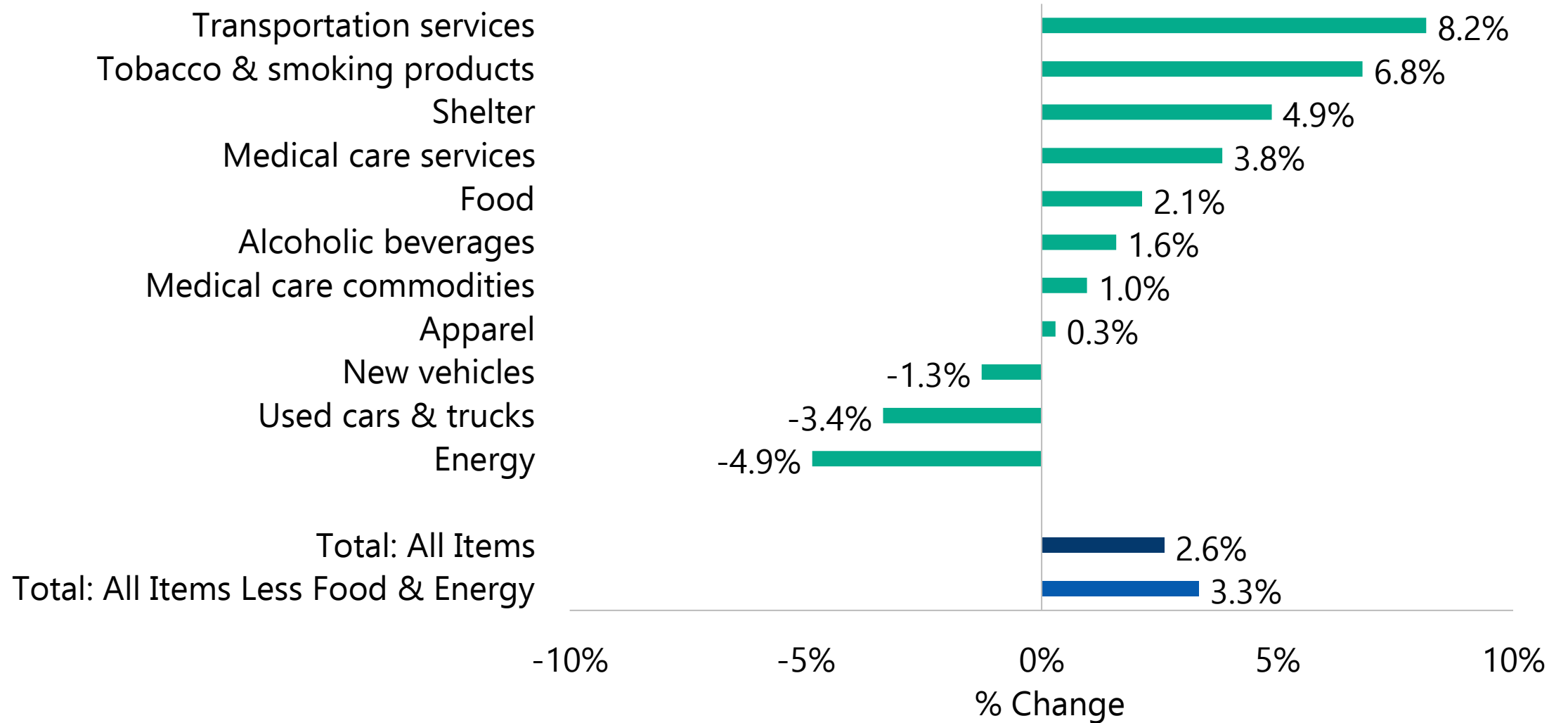
% Change

Consumer Price Index, Select Categories (NSA)
% Change May 2020 v. October 2024

Category	% Change
Energy	49.0%
Transportation services	48.0%
Tobacco & smoking products	35.9%
Used cars & trucks	29.2%
Shelter	24.6%
Food	23.9%
New vehicles	20.3%
Apparel	16.2%
Alcoholic beverages	13.6%
Medical care services	9.8%
Medical care commodities	7.4%
Total: All Items	23.1%
Total: All Items Less Food & Energy	21.1%

% Change

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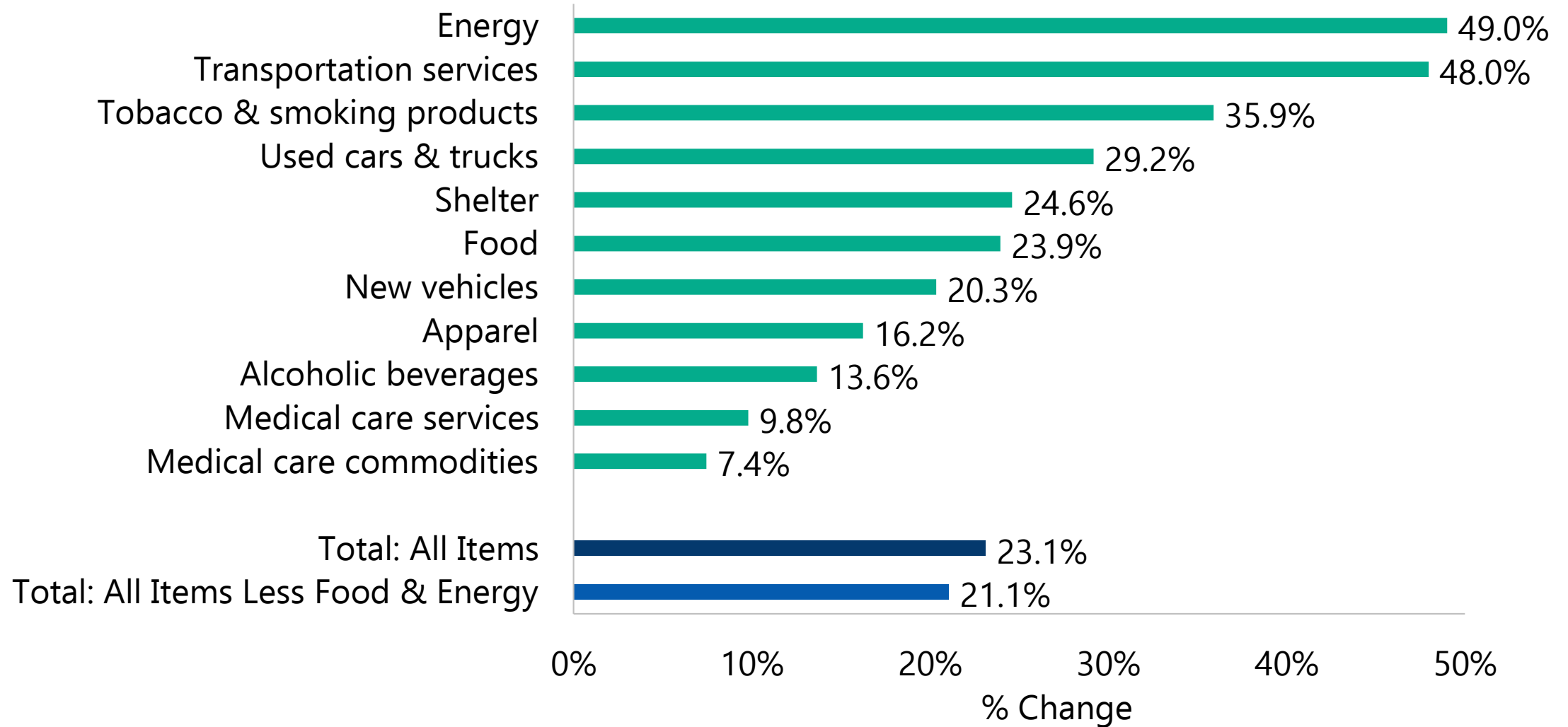
For a Few Dollars More
U.S. Credit Card Debt, 2004 – 2024

$ Trillions

$1.17 Trillion
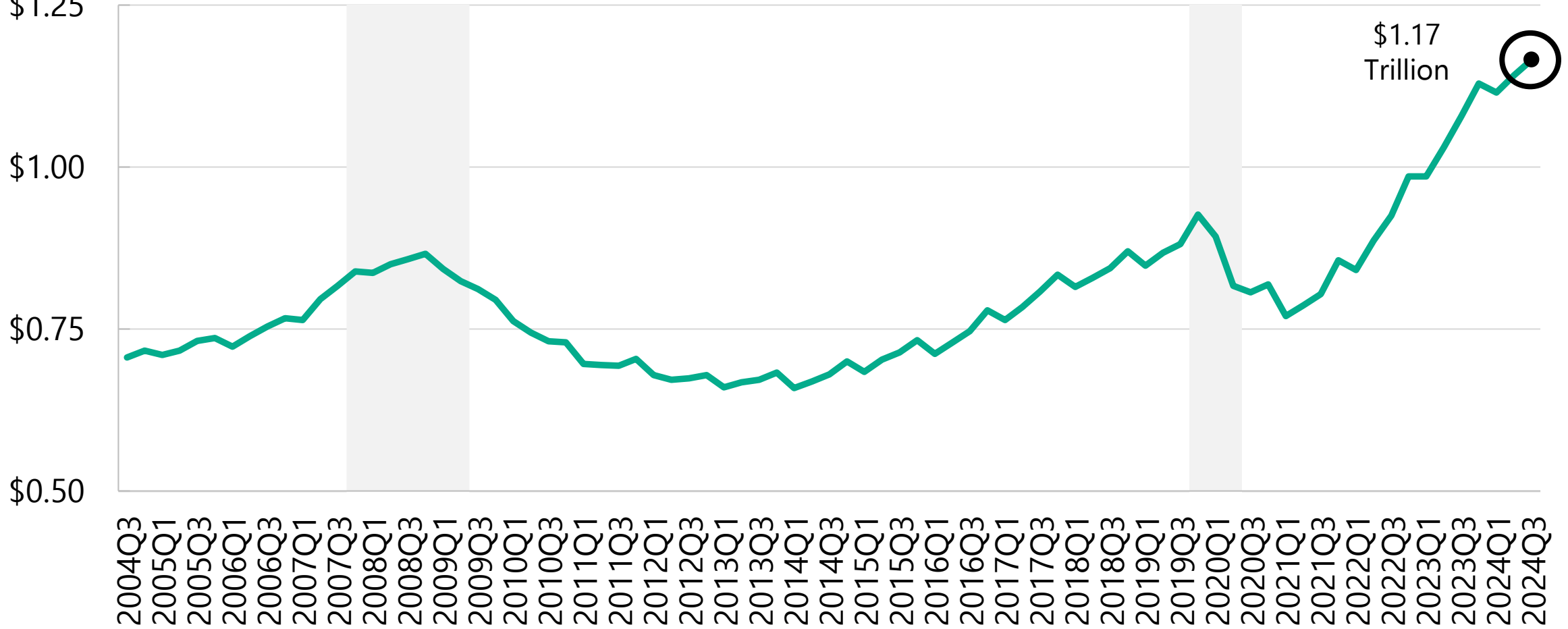
Shaded areas indicate U.S. recessions

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

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Heartbreak Ridge (a 1986 Film)

New Delinquent Balances (% of Balance 30+ Days Delinquent by Loan Type)

Credit Card
Auto
Mortgage
HELOC

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Not So **Sudden Impact (a 1983 Film)**

Federal Funds Rate, Target Rate Upper Limit, 2009 – 2024
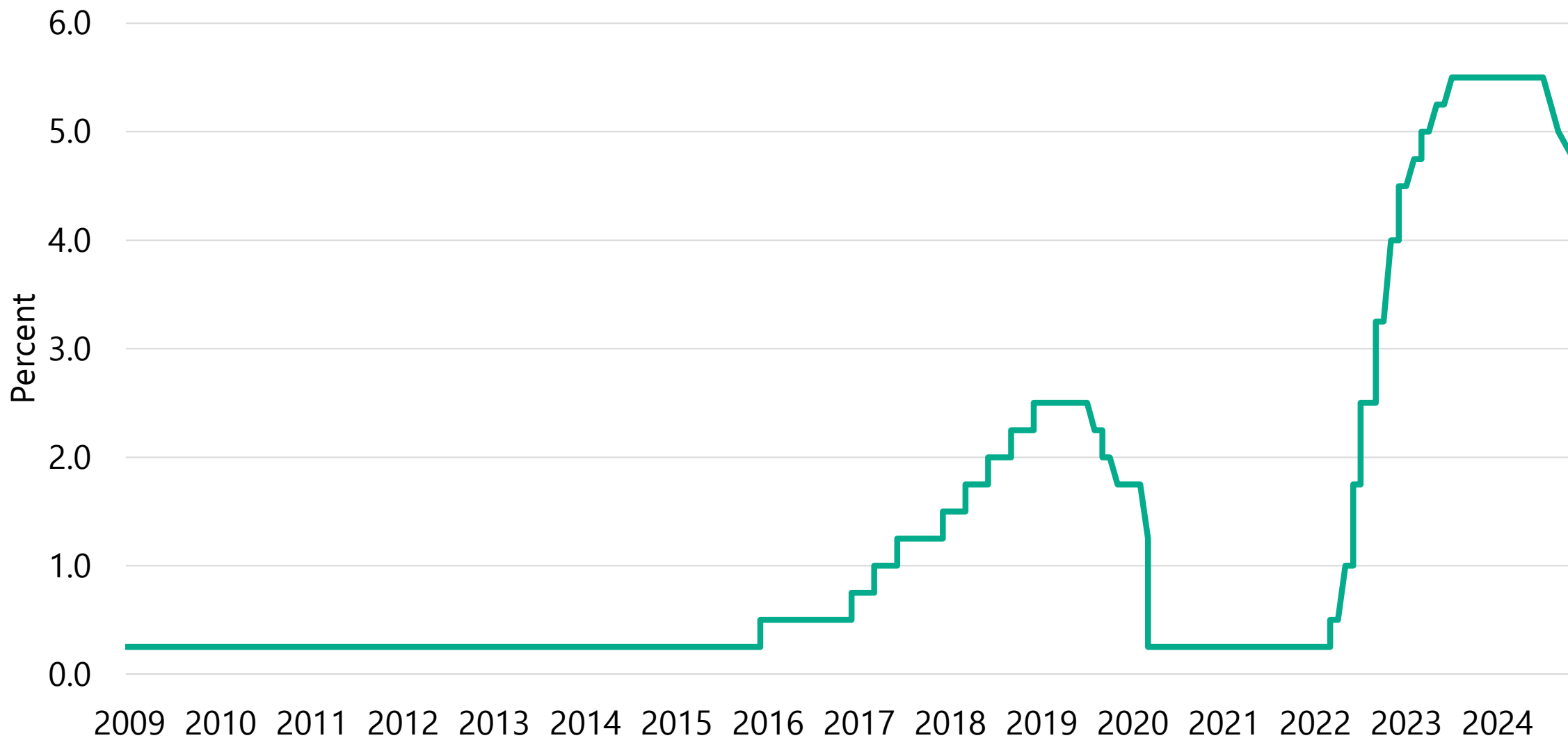
Source: Board of Governors of the Federal Reserve System

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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 – November 2024*

6.78%

5.99%

15-yr — — 30-yr

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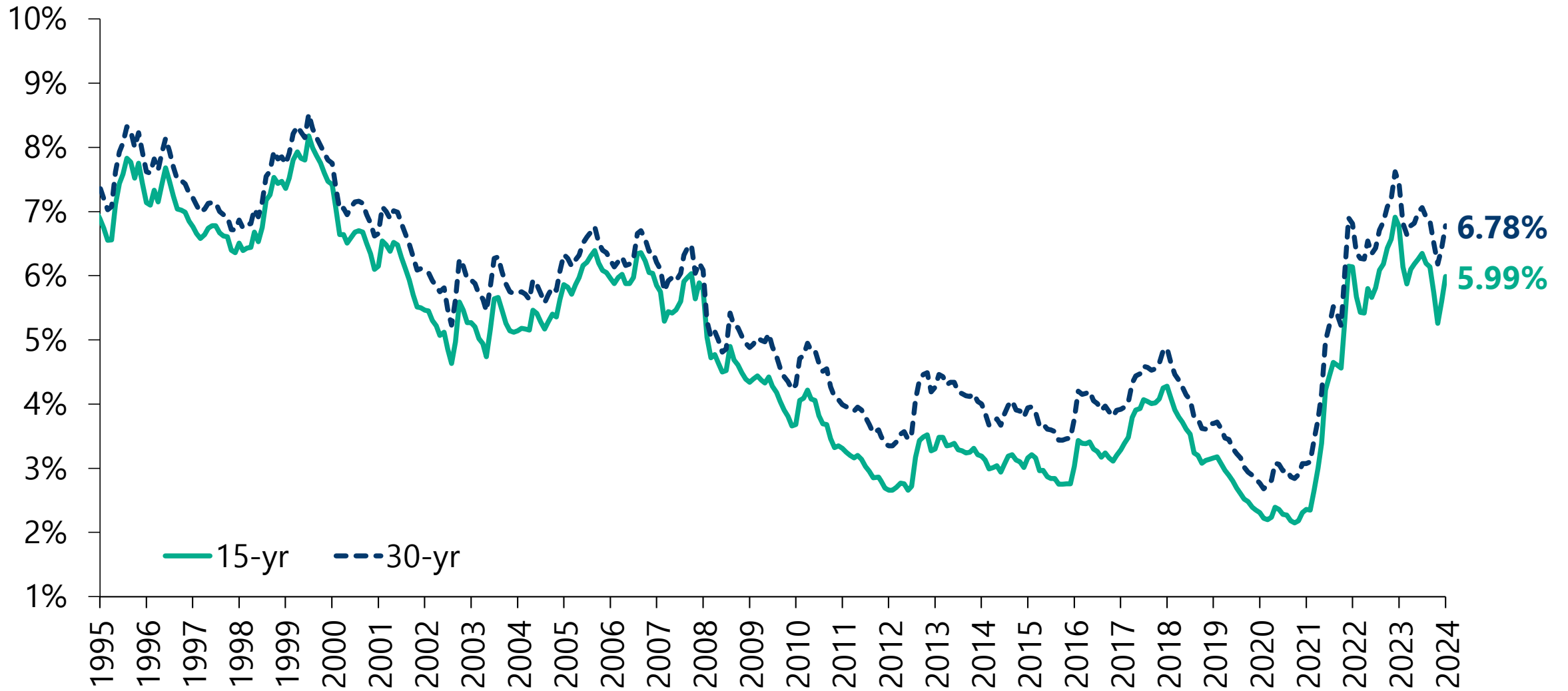
U.S. Mortgage Loan Applications Composite Index
1990 – November 2024
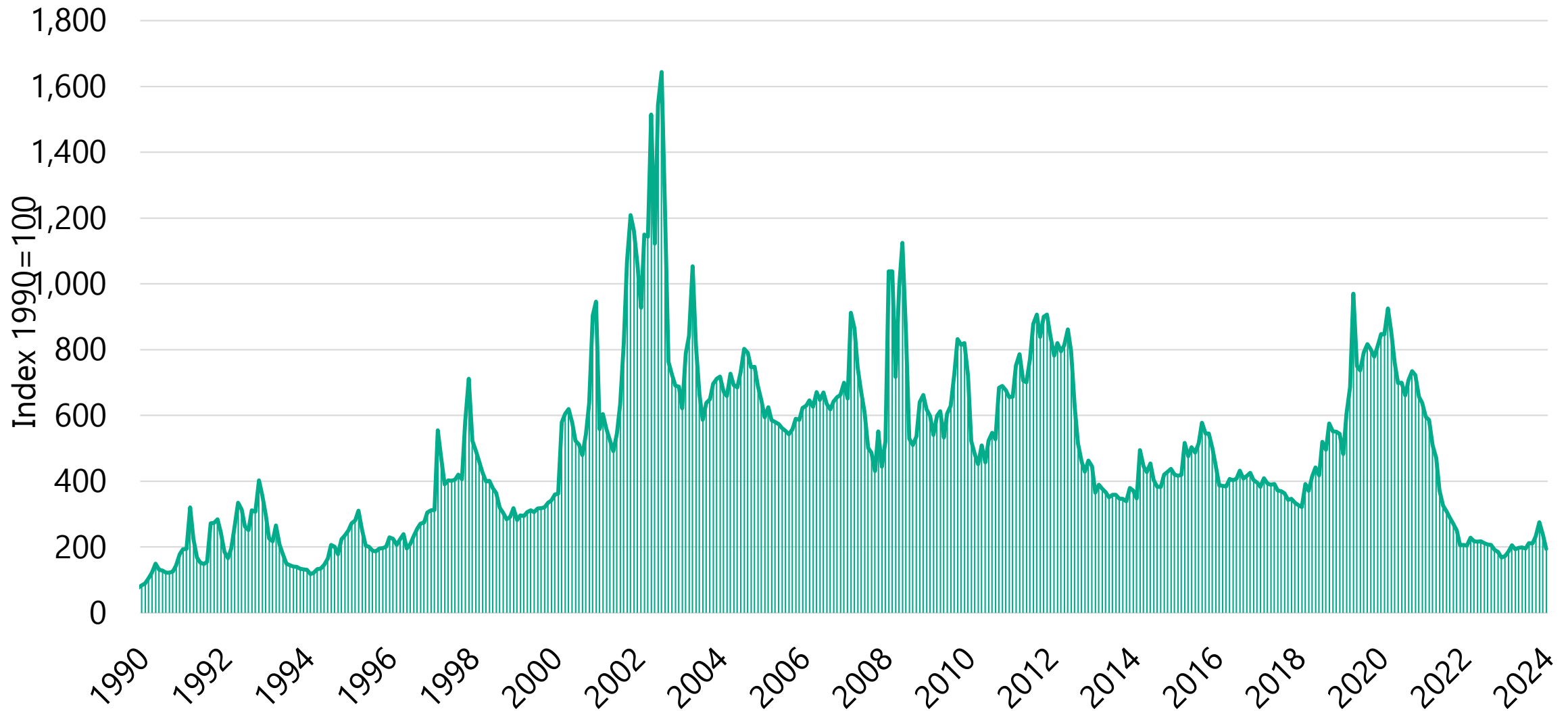
Source: Mortgage Bankers Association (MBA)
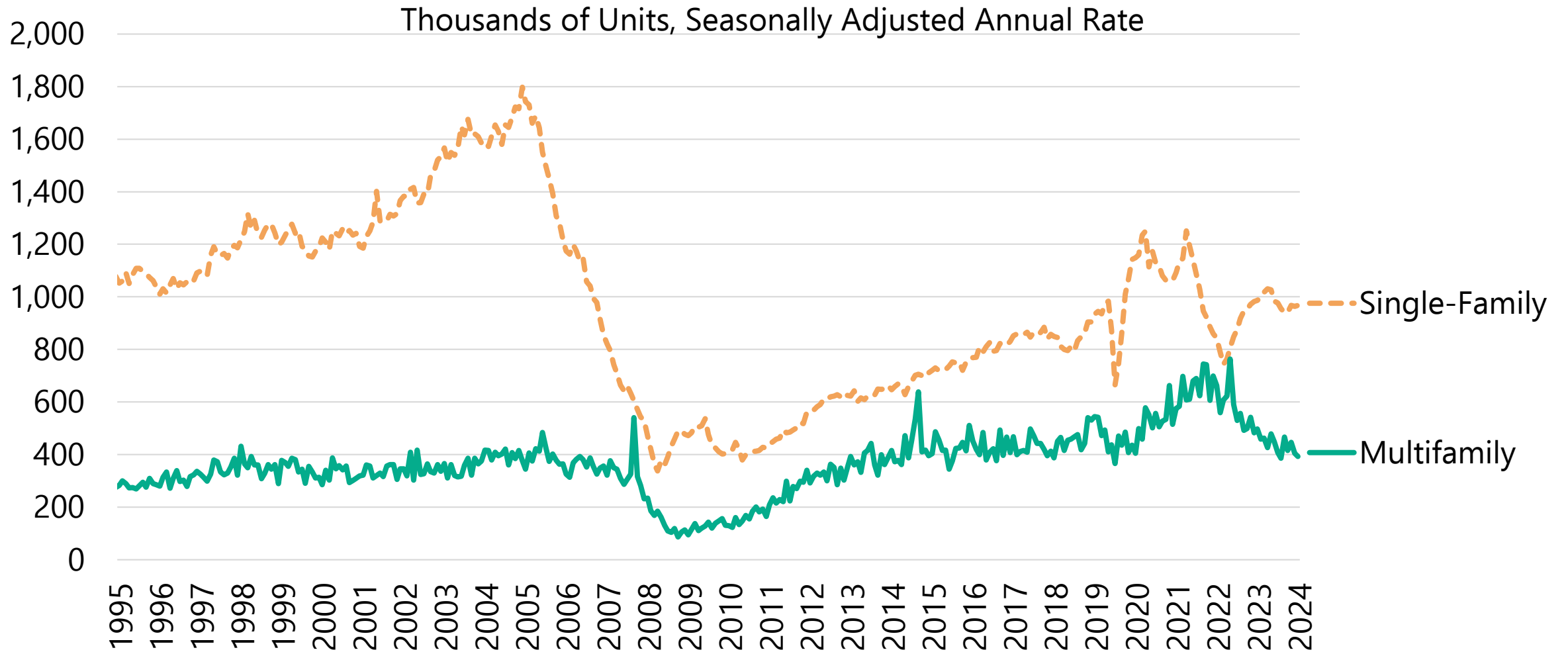
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S&P Case-Shiller Home Price Index
1995 – August 2024

Jan 2000=100

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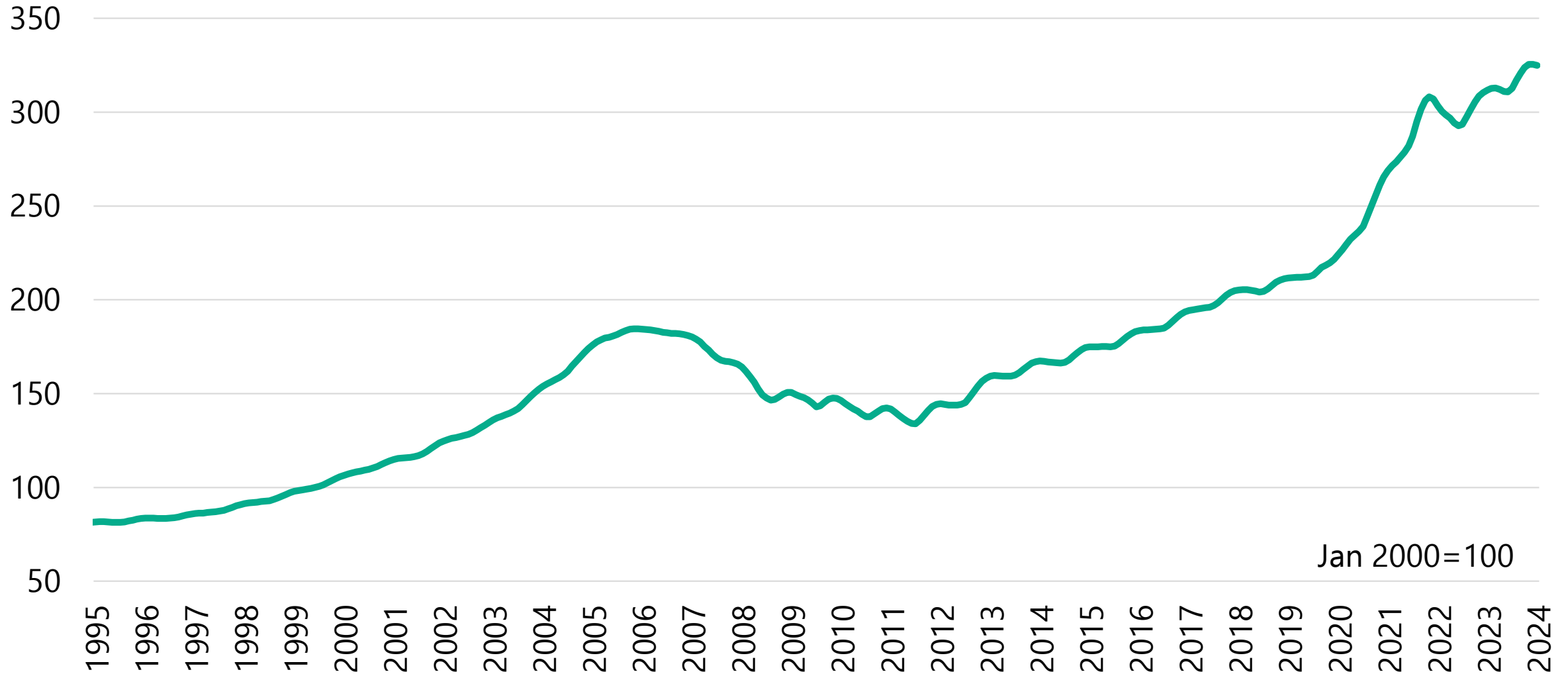
U.S. Residential Building Permits
1995 – October 2024

Thousands of Units, Seasonally Adjusted Annual Rate

Single-Family

Multifamily

Source: U.S. Census Bureau

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Architecture Billings Index

2008 – October 2024

Oct. 2024: 50.3

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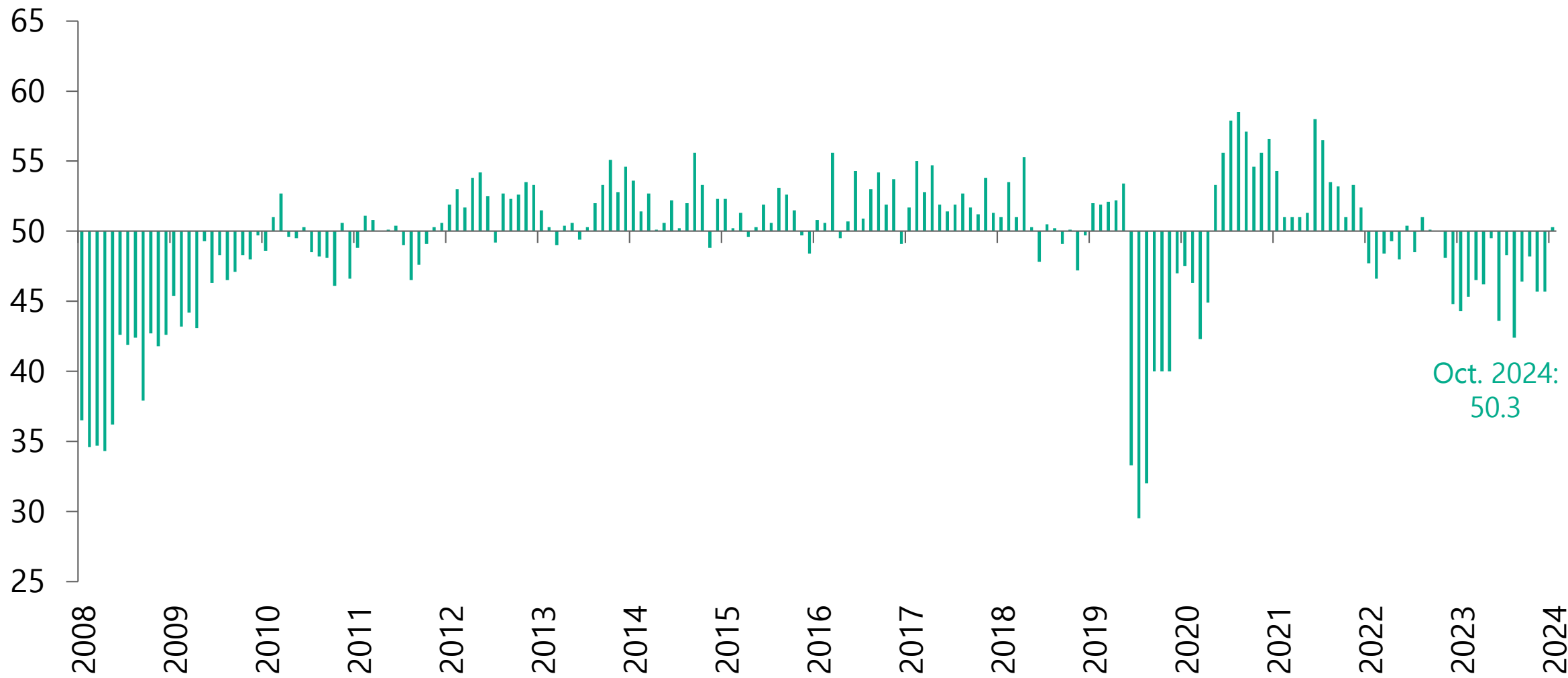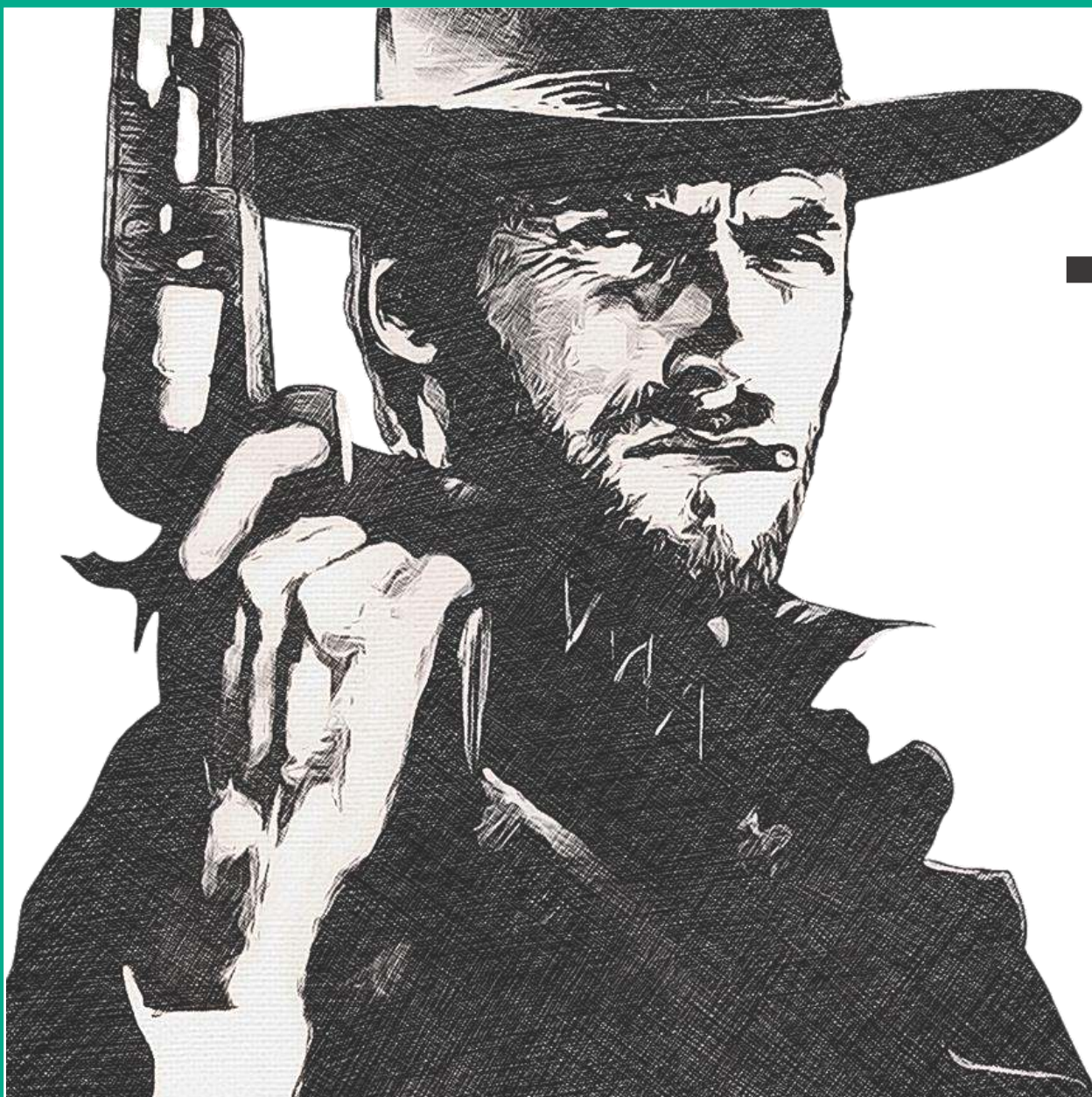
The Ugly

Office Market

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Every Which Way **But** Down
U.S. Office Vacancy, 2011 – 2024

13.8%

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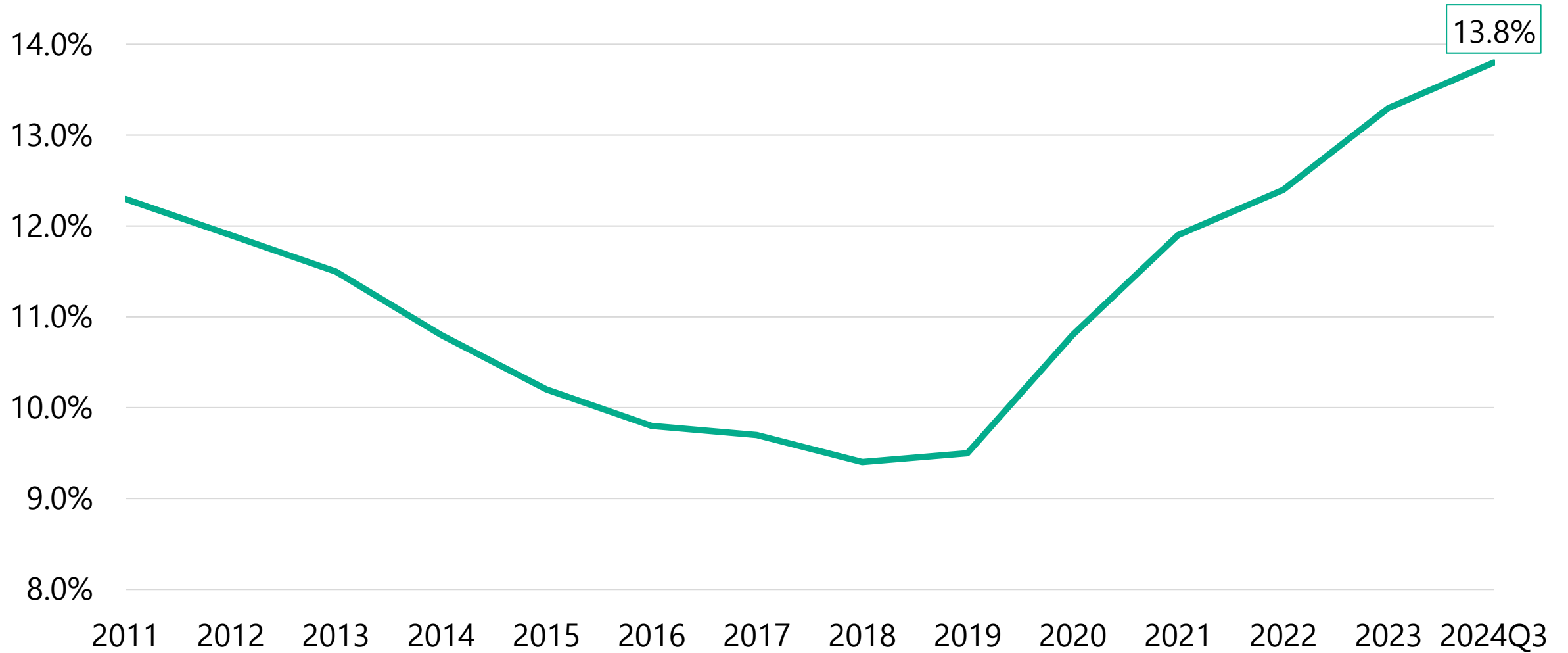
CRE Debt Maturities: $3.0 Trillion in the Next 5 Years

Maturing CRE Loans ($Billions)

Year	Value
2024	$603
2025	$598
2026	$599
2027	$629
2028	$621

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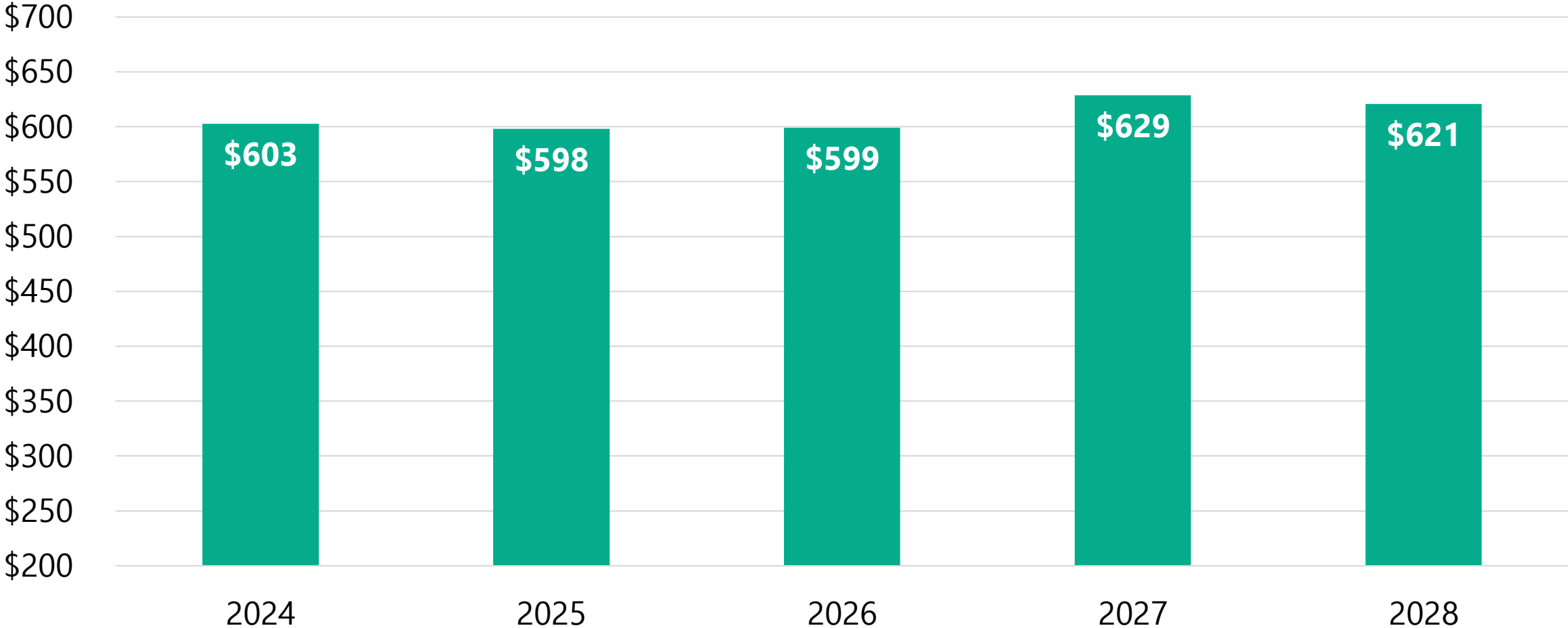
Highest Downtown Office Vacancy Rates, 2024Q3

City	Vacancy Rate
San Francisco	36.9%
Denver	33.8%
Oakland	33.0%
Los Angeles	32.8%
San Jose	32.7%
Seattle	32.1%
Dallas-Ft. Worth	32.0%
Portland	31.7%
Atlanta	30.0%
Phoenix	28.7%
Minneapolis-St. Paul	28.3%
San Antonio	27.9%
Houston	27.4%
Wilmington	27.0%
Jacksonville	27.0%
U.S.	19.6%
Baltimore	22.0%

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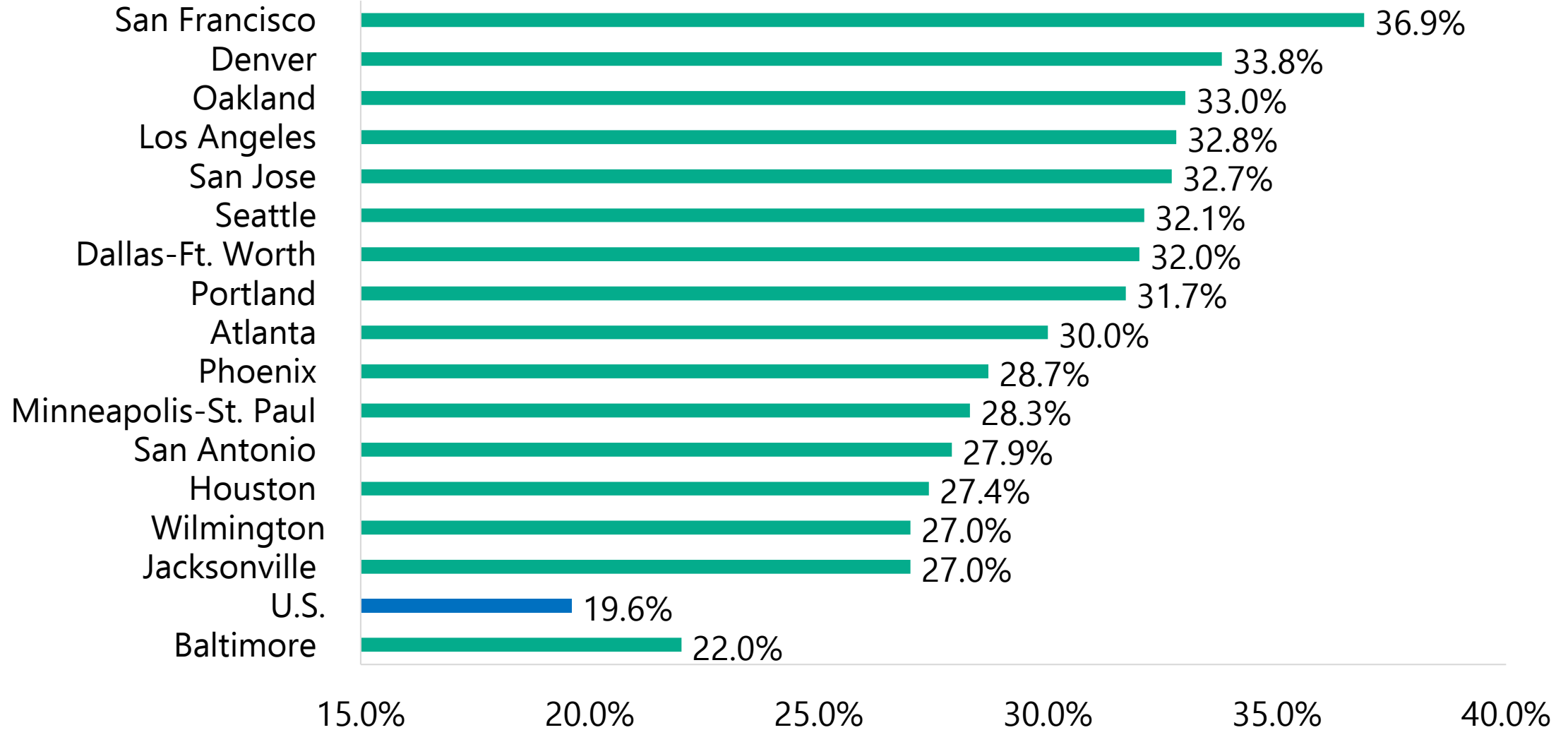
Go Ahead, Make My Day
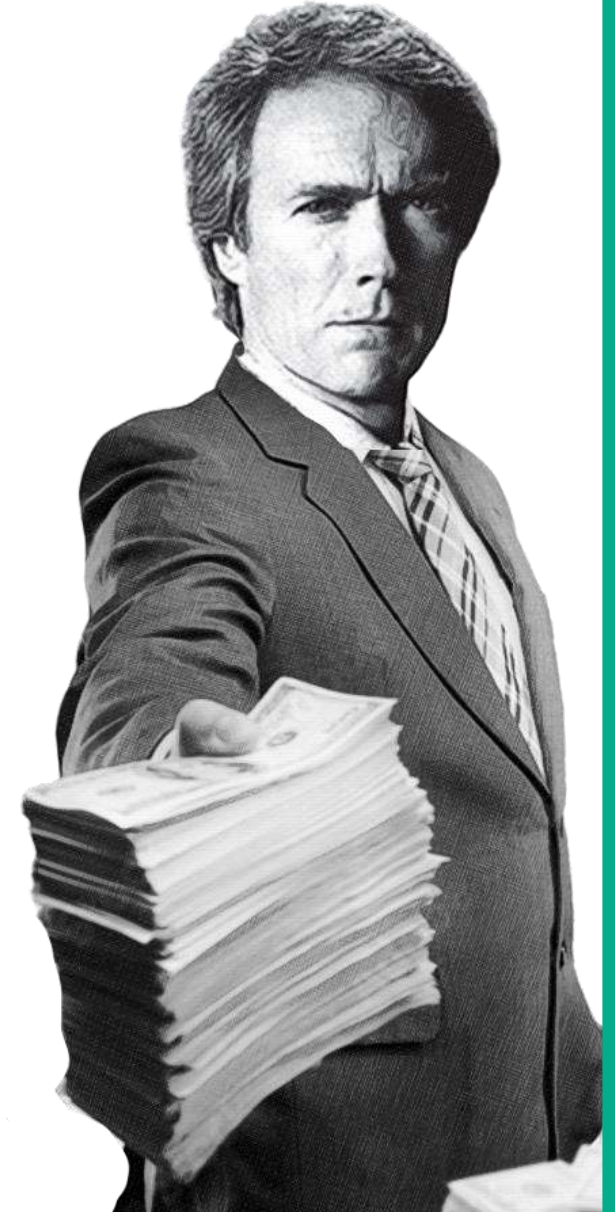
University of Michigan Index of Consumer Sentiment
1992 – November 2024

Index 1996=100

73.0
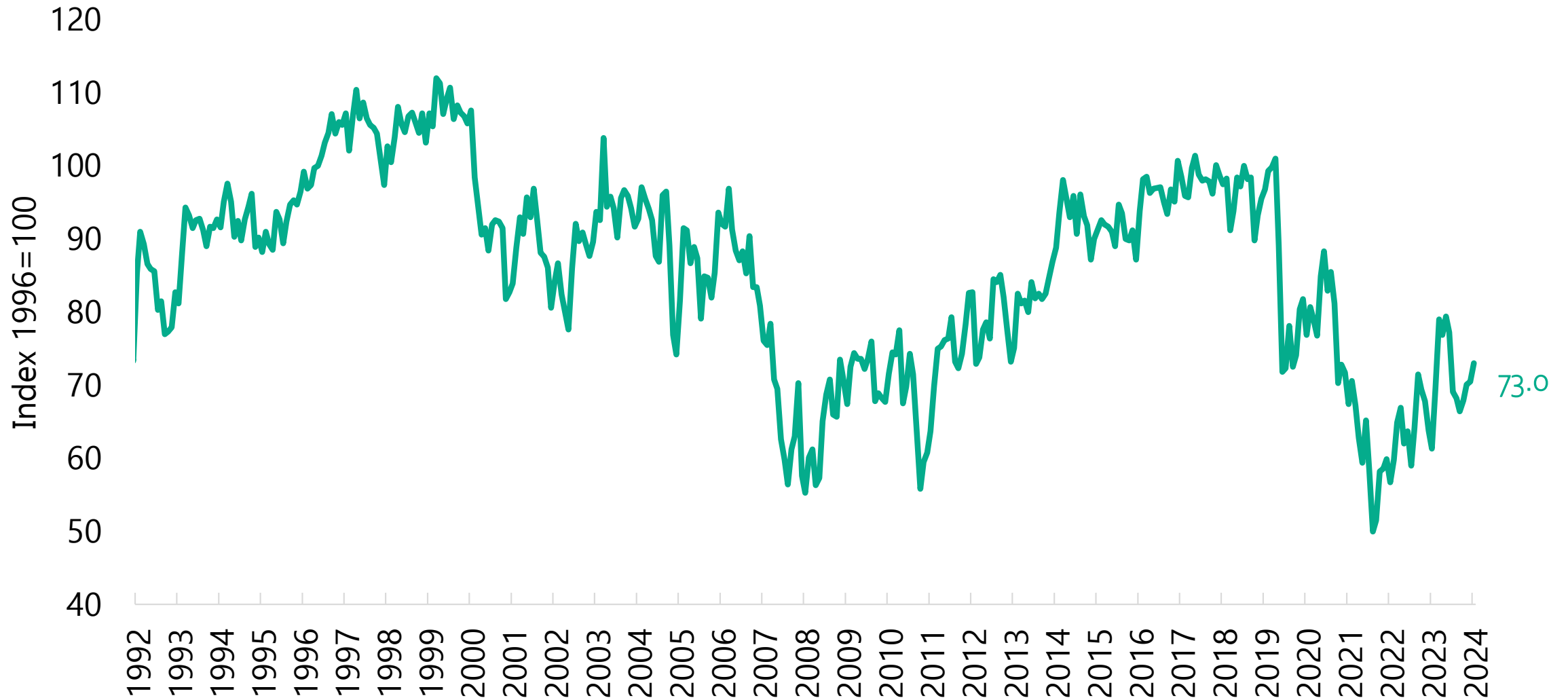
Source: University of Michigan

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NFIB Index of Small Business Optimism
1986 – October 2024

Percent Next 3 Months "Good Time to Expand"
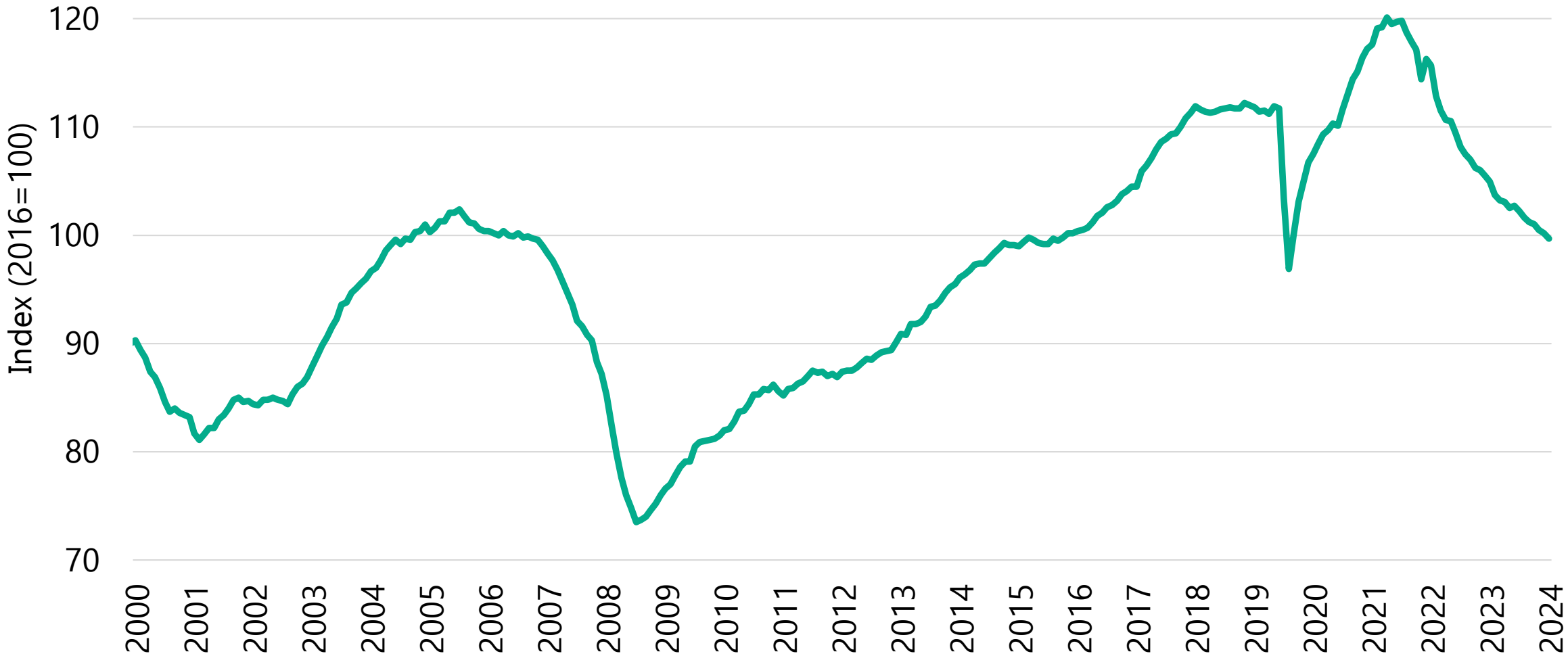
6%

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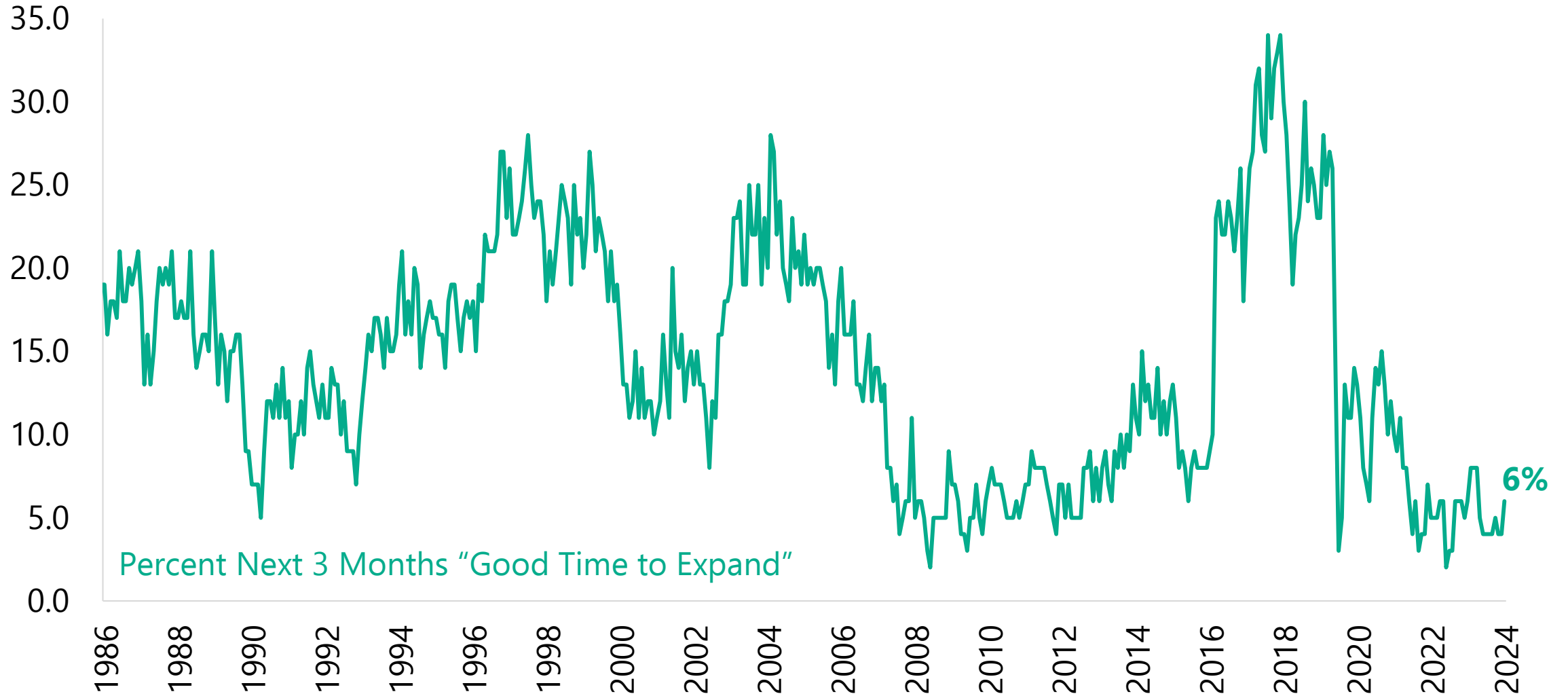
U.S. Hires Rate, 2000 – September 2024
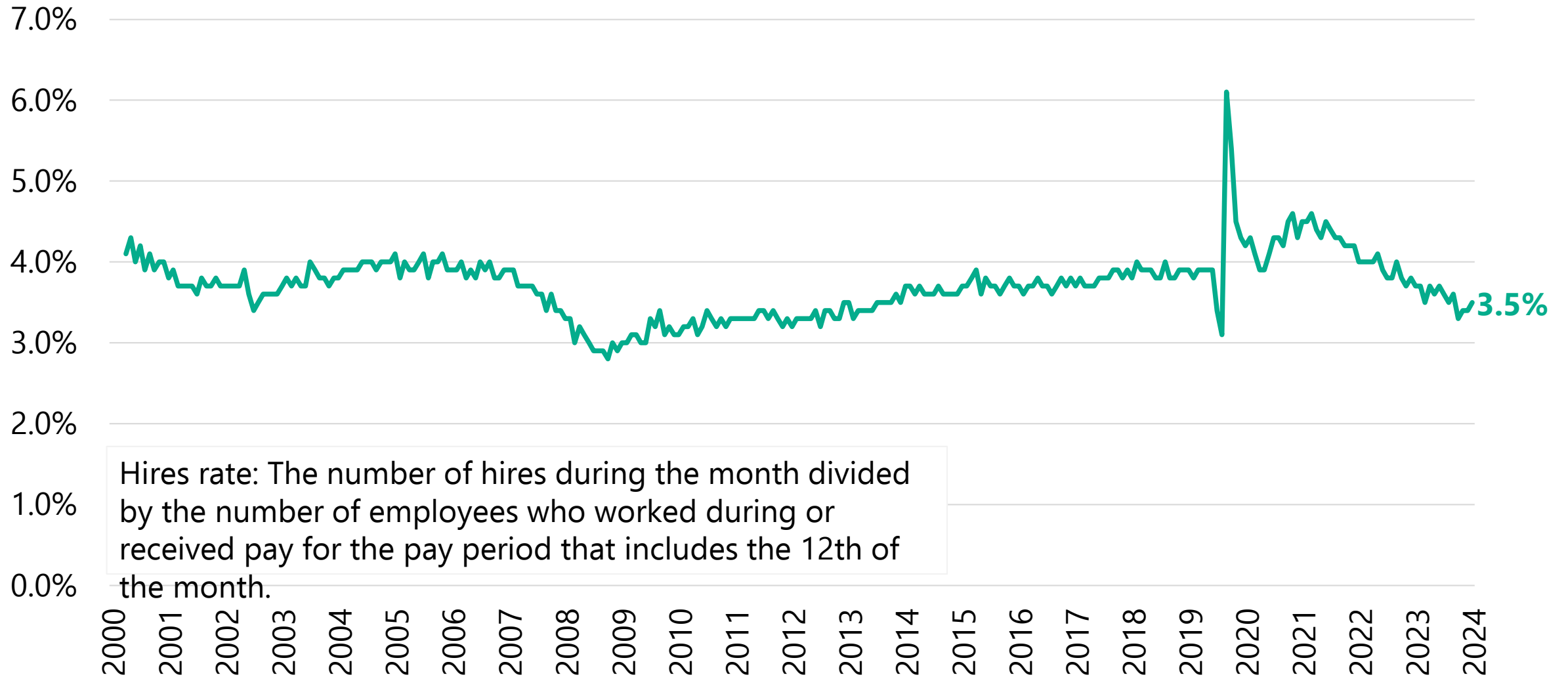
Hires rate: The number of hires during the month divided by the number of employees who worked during or received pay for the pay period that includes the 12th of the month.

3.5%

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Conference Board: U.S. Leading Economic Index
2000 – September 2024

Index (2016=100)

Source: The Conference Board

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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 policy uncertainty don't help – sources of additional concern, distraction, and risk;

- Expect a slowdown next year, but baseline case no longer calls for recession.

Thank You

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SCAN ME

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Q&A