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MARYLAND CHAPTER



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Hosting:

Dr. Anirban Basu

12pm EST, February 9, 2024

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The Good, The Bad, & The Ugly

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



On Behalf of
APFP of DC, MD & VA
WPF of MD & VA

February 9, 2024

The Good

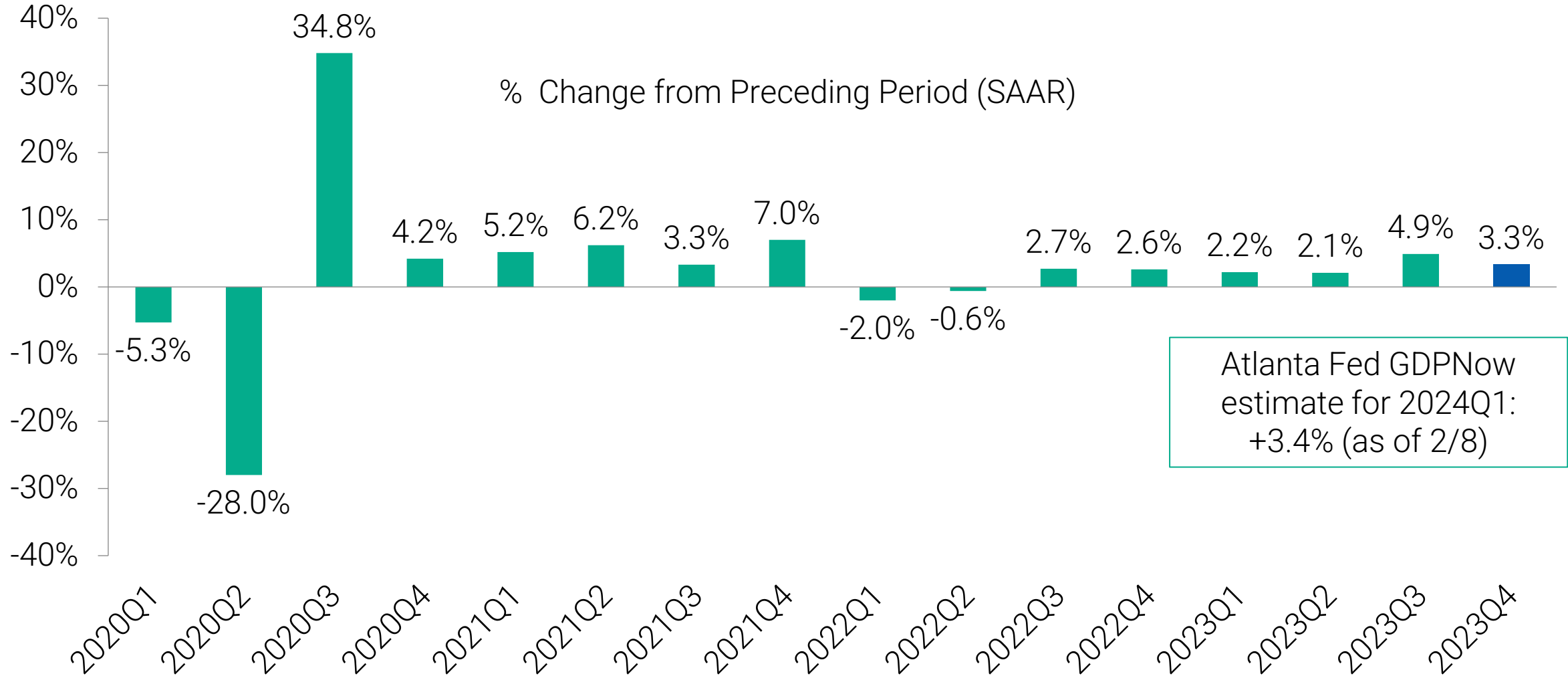
Current Momentum

SAGE | policy group



Where Eagles Dare

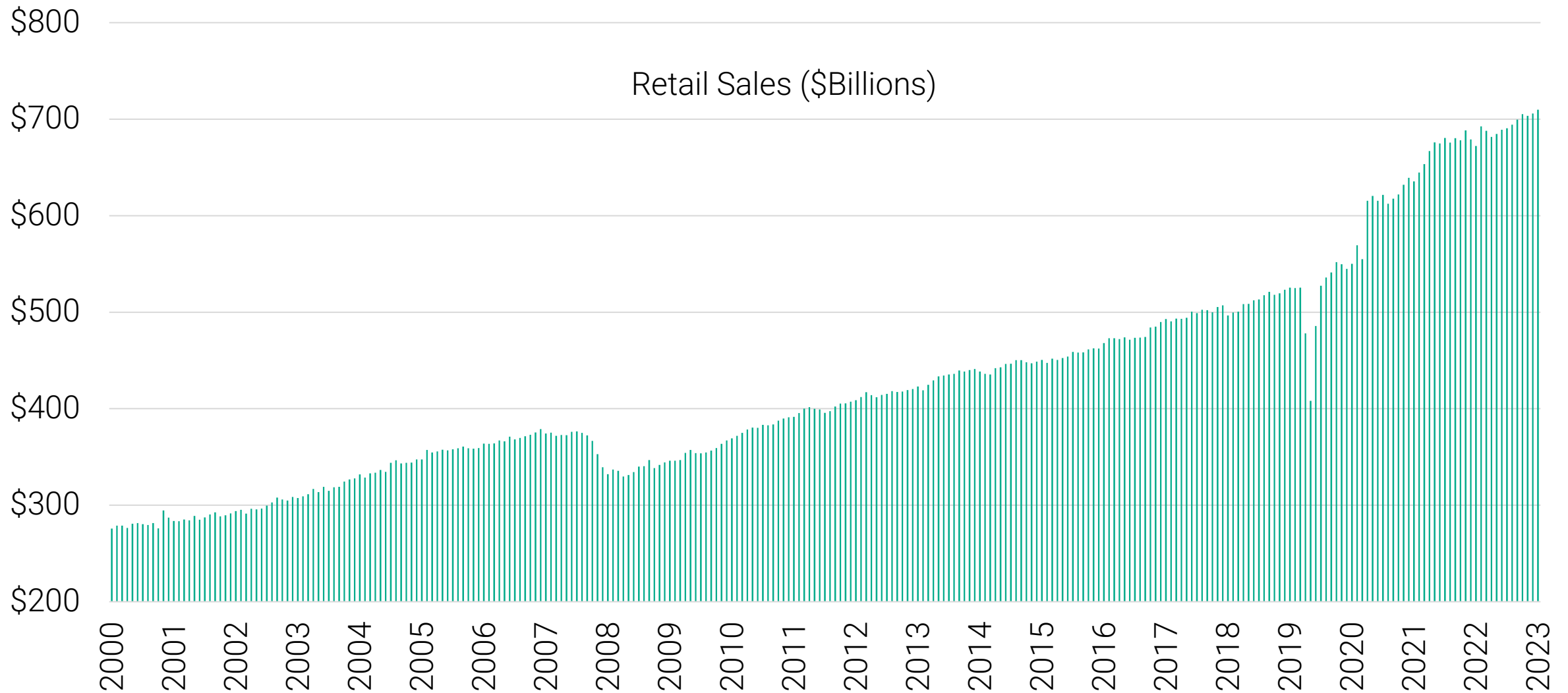
U.S. Gross Domestic Product Growth, 2020 – 2023Q4



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)

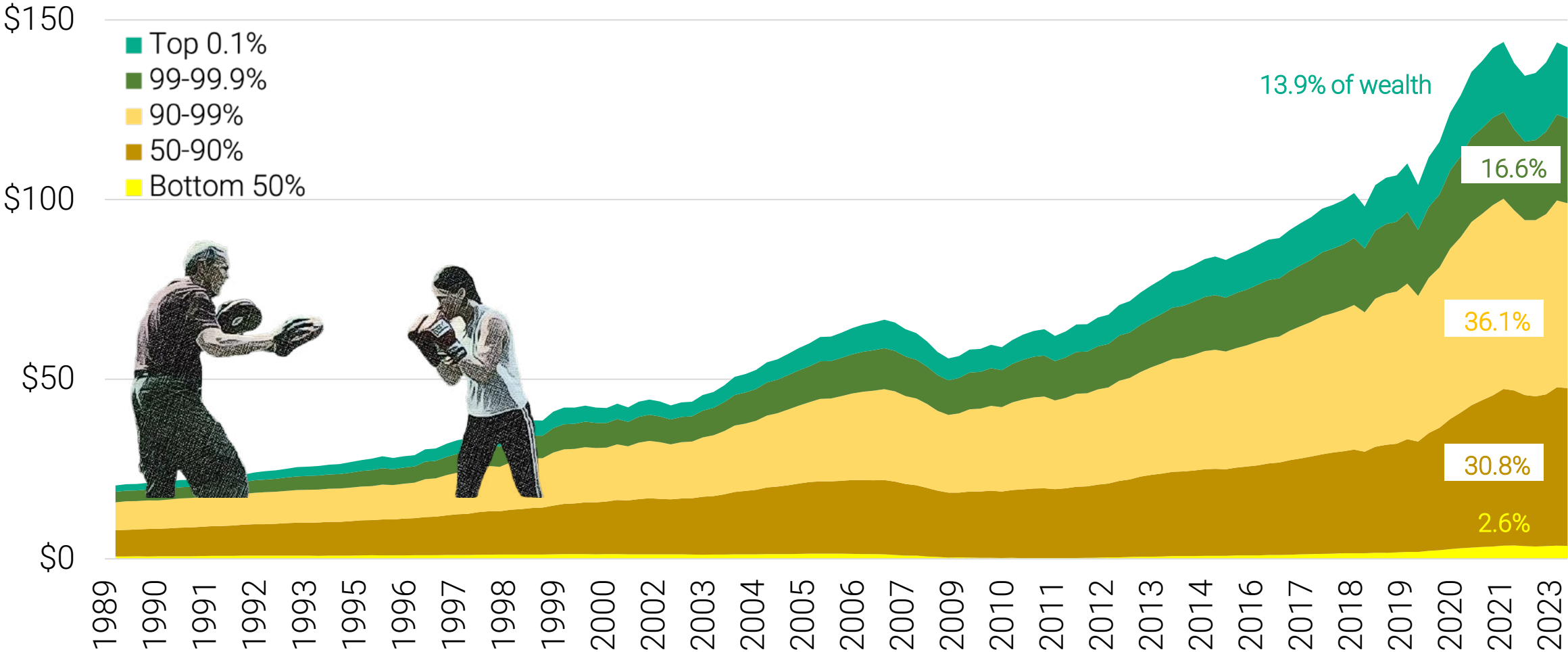
U.S. Retail Sales, 2000 – December 2023



Source: U.S. Census Bureau

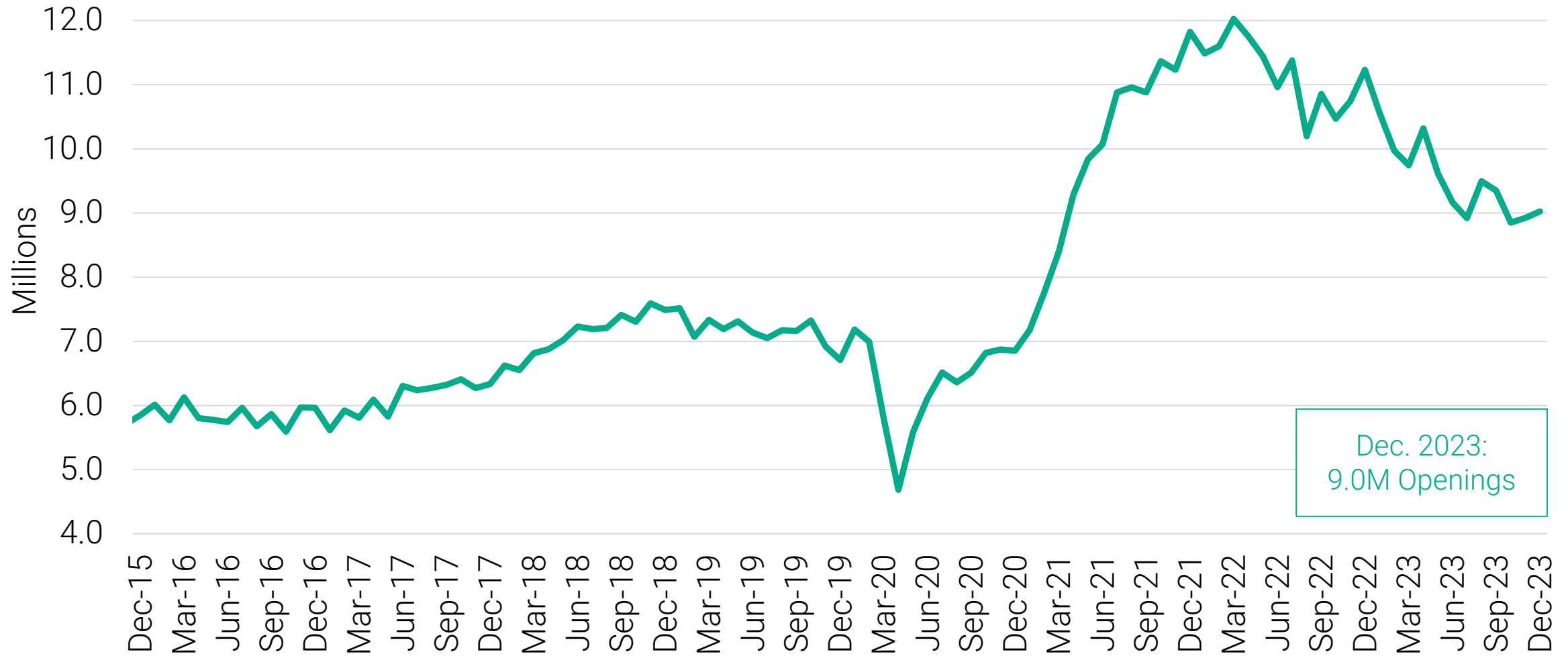
Million Dollar Baby (a 2004 Flick)

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



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

U.S. Job Openings, 2015 – December 2023

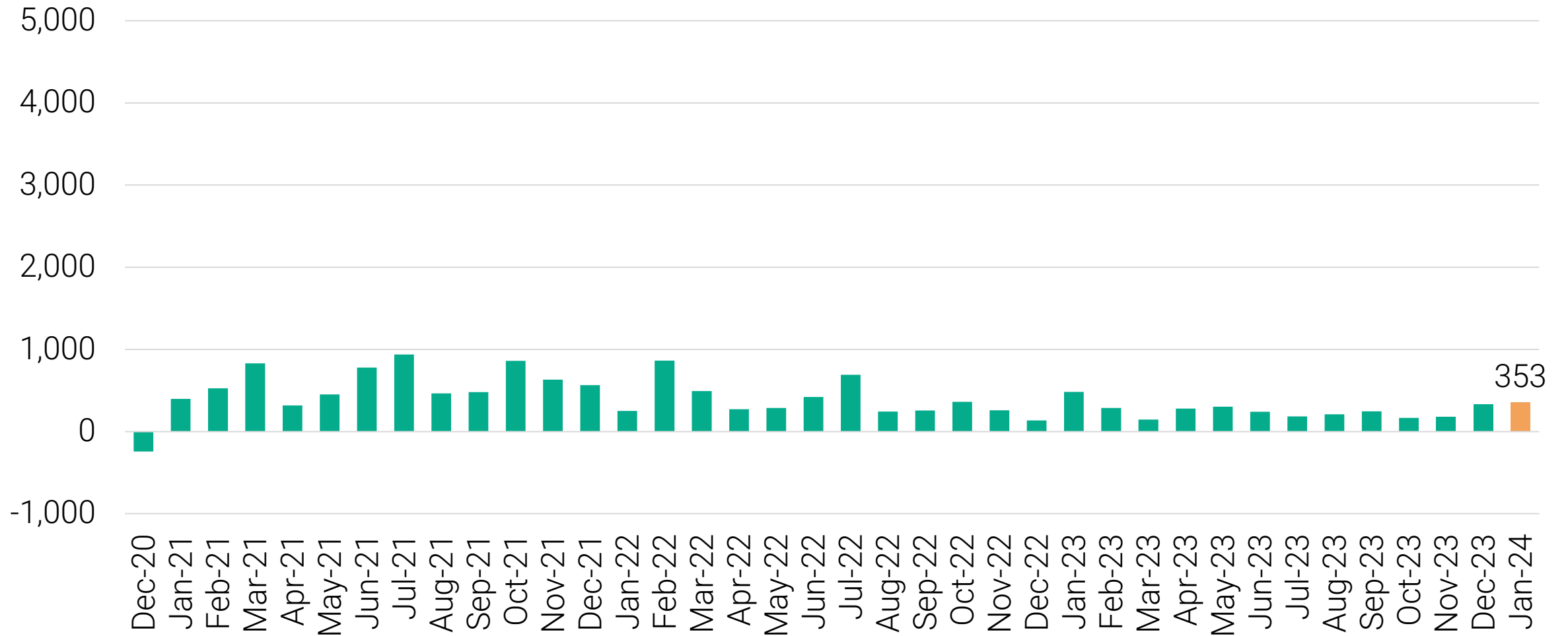


Source: U.S. Bureau of Labor Statistics

U.S. Job Growth, Monthly

December 2020 – January 2024

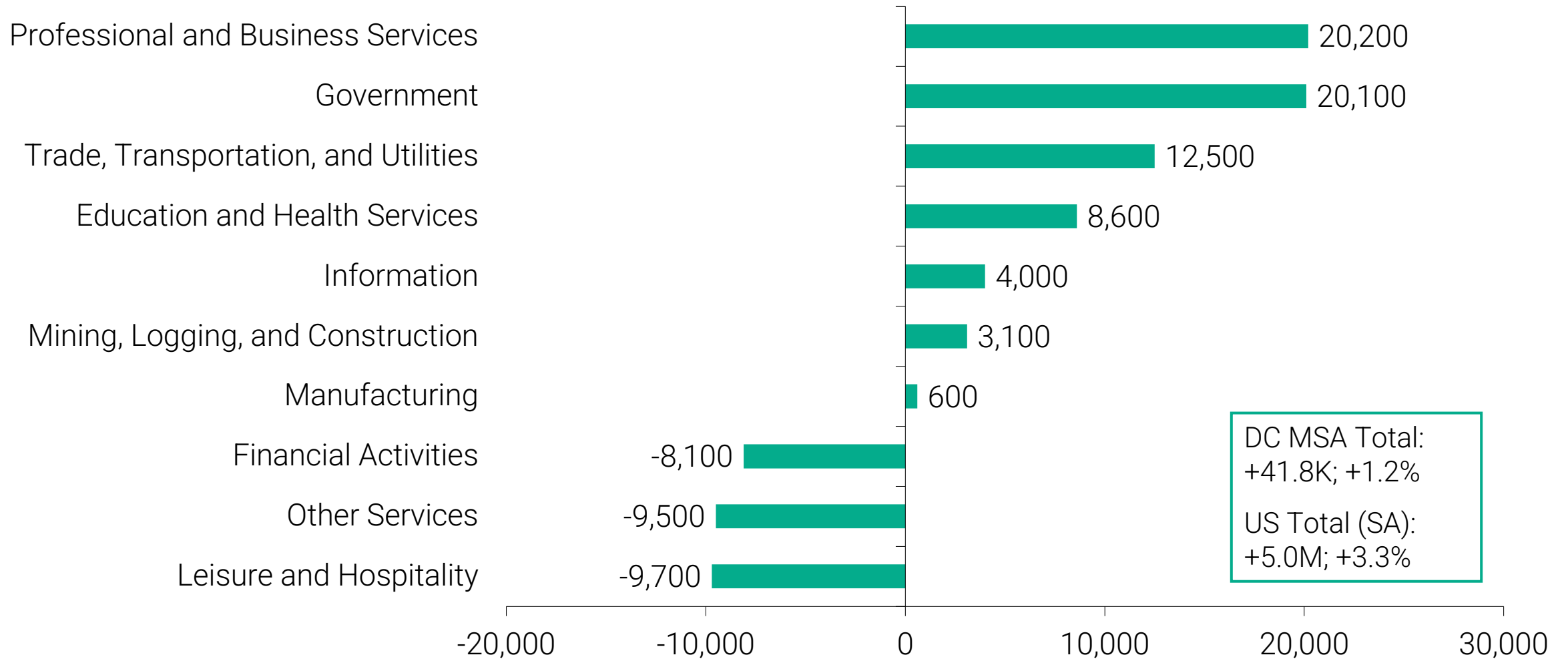
1-M Net Change, 000s



Source: U.S. Bureau of Labor Statistics

Washington, DC-Arlington-Alexandria MSA Nonfarm Employment

February 2020 v. December 2023 Absolute Change



Source: U.S. Bureau of Labor Statistics
*Data are not seasonally adjusted (NSA)

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: +3.3%



Unemployment Rates, 25 Largest Metros, December 2023

| Rank | MSA | % |
|------|--|------|
| 1 | Baltimore-Columbia-Towson, MD | 2.0% |
| 2 | Miami-Fort Lauderdale-West Palm Beach, FL | 2.4% |
| 2 | Minneapolis-St. Paul-Bloomington, MN-WI | 2.4% |
| 4 | Washington-Arlington-Alexandria, DC-VA-MD-WV | 2.5% |
| 5 | Atlanta-Sandy Springs-Roswell, GA | 2.8% |
| 6 | Orlando-Kissimmee-Sanford, FL | 3.0% |
| 6 | St. Louis, MO-IL | 3.0% |
| 8 | Charlotte-Concord-Gastonia, NC-SC | 3.1% |
| 8 | San Antonio-New Braunfels, TX | 3.1% |
| 8 | Tampa-St. Petersburg-Clearwater, FL | 3.1% |
| 11 | Boston-Cambridge-Nashua, MA-NH | 3.2% |
| 12 | Dallas-Fort Worth-Arlington, TX | 3.3% |

| Rank | MSA | % |
|------|--|------|
| 12 | Denver-Aurora-Lakewood, CO | 3.3% |
| 12 | Detroit-Warren-Dearborn, MI | 3.3% |
| 12 | Philadelphia-Camden-Wilm., PA-NJ-DE-MD | 3.3% |
| 16 | Phoenix-Mesa-Scottsdale, AZ | 3.4% |
| 17 | Houston-The Woodlands-Sugar Land, TX | 3.8% |
| 17 | Portland-Vancouver-Hillsboro, OR-WA | 3.8% |
| 19 | Seattle-Tacoma-Bellevue, WA | 3.9% |
| 20 | San Francisco-Oakland-Hayward, CA | 4.0% |
| 21 | Chicago-Naperville-Elgin, IL-IN-WI | 4.1% |
| 22 | San Diego-Carlsbad, CA | 4.3% |
| 23 | New York-Newark-Jersey City, NY-NJ-PA | 4.5% |
| 24 | Los Angeles-Long Beach-Anaheim, CA | 4.7% |
| 25 | Riverside-San Bernardino-Ontario, CA | 5.1% |

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

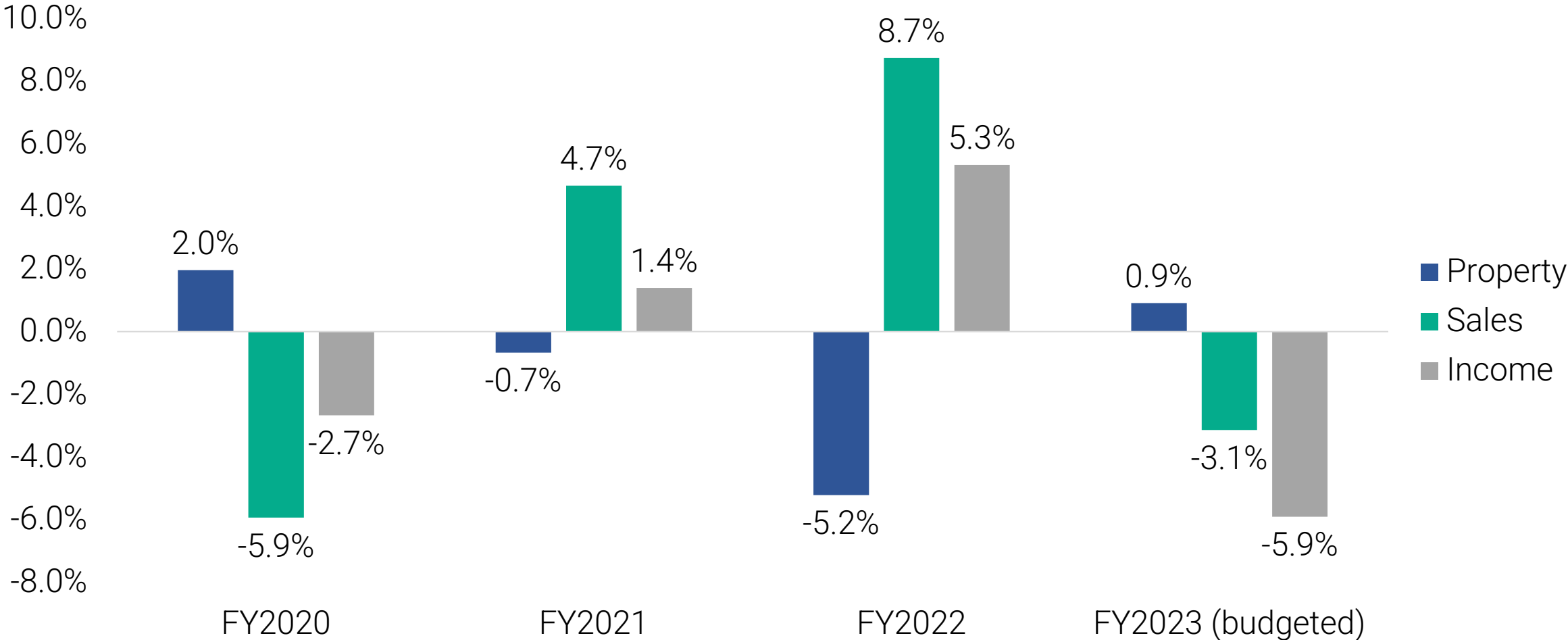
U.S. Unemployment Rate—Dec/Jan: 3.7%



National League of Cities City Fiscal Conditions Survey

Sales and Income Tax Revenues Expected to Fall in FY2023

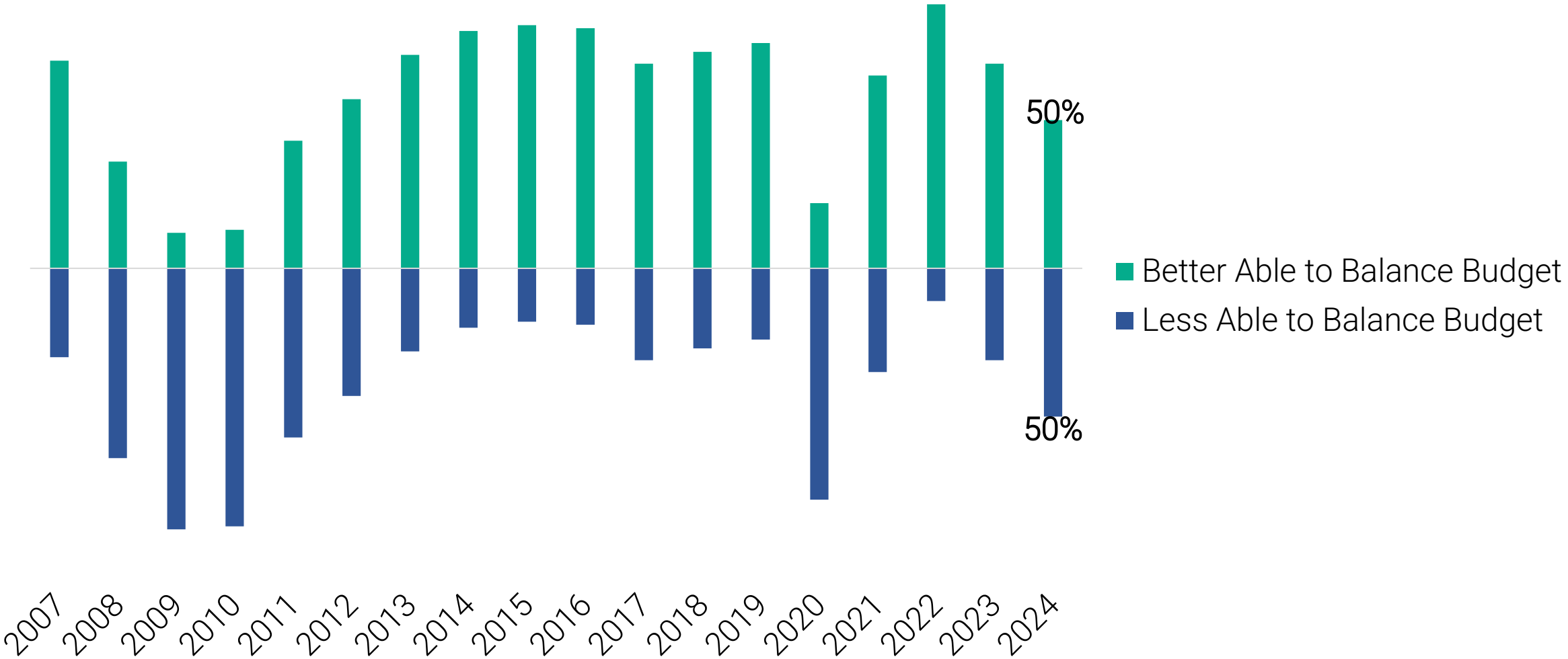
% Change in Tax Revenues



Source: National League of Cities, "City Fiscal Conditions 2023"

National League of Cities City Fiscal Conditions Survey

Cities Remain Cautious About Ability to Balance 2024 Budgets



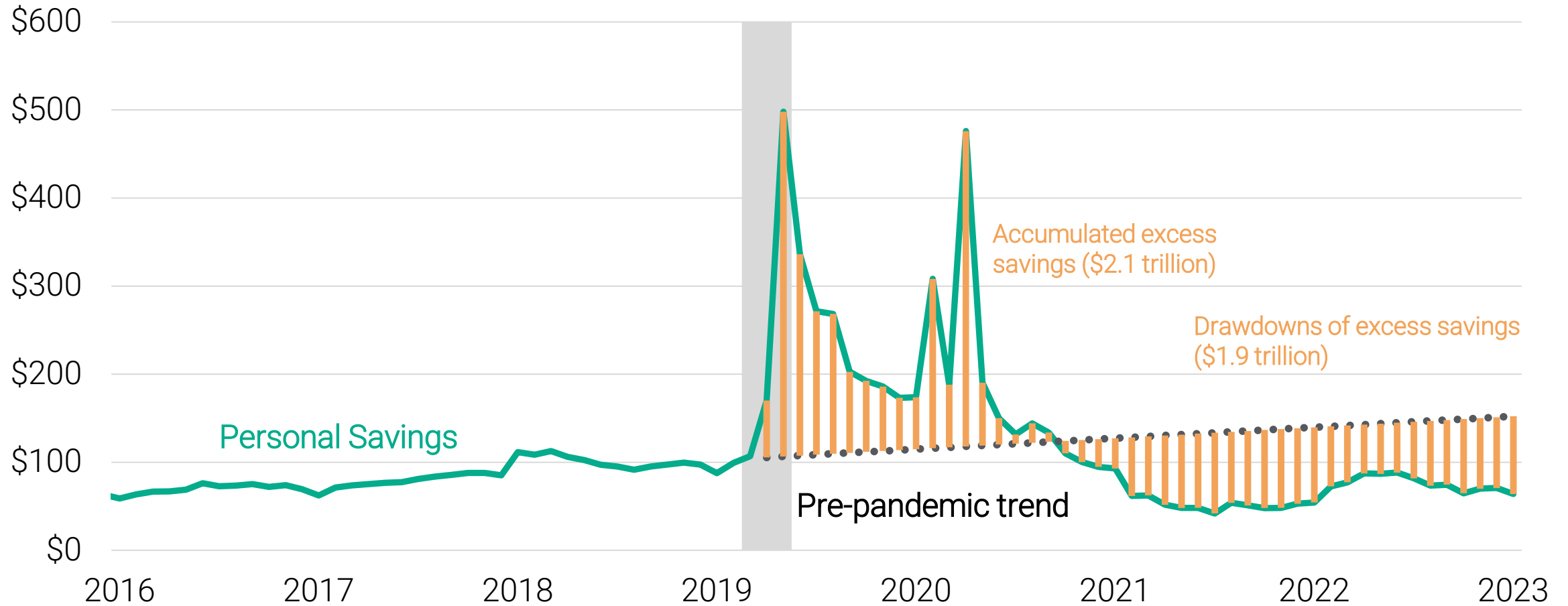
Source: National League of Cities, "City Fiscal Conditions 2023"

The Bad Not Sustainable



Drawdown of Pandemic Related Excess Savings

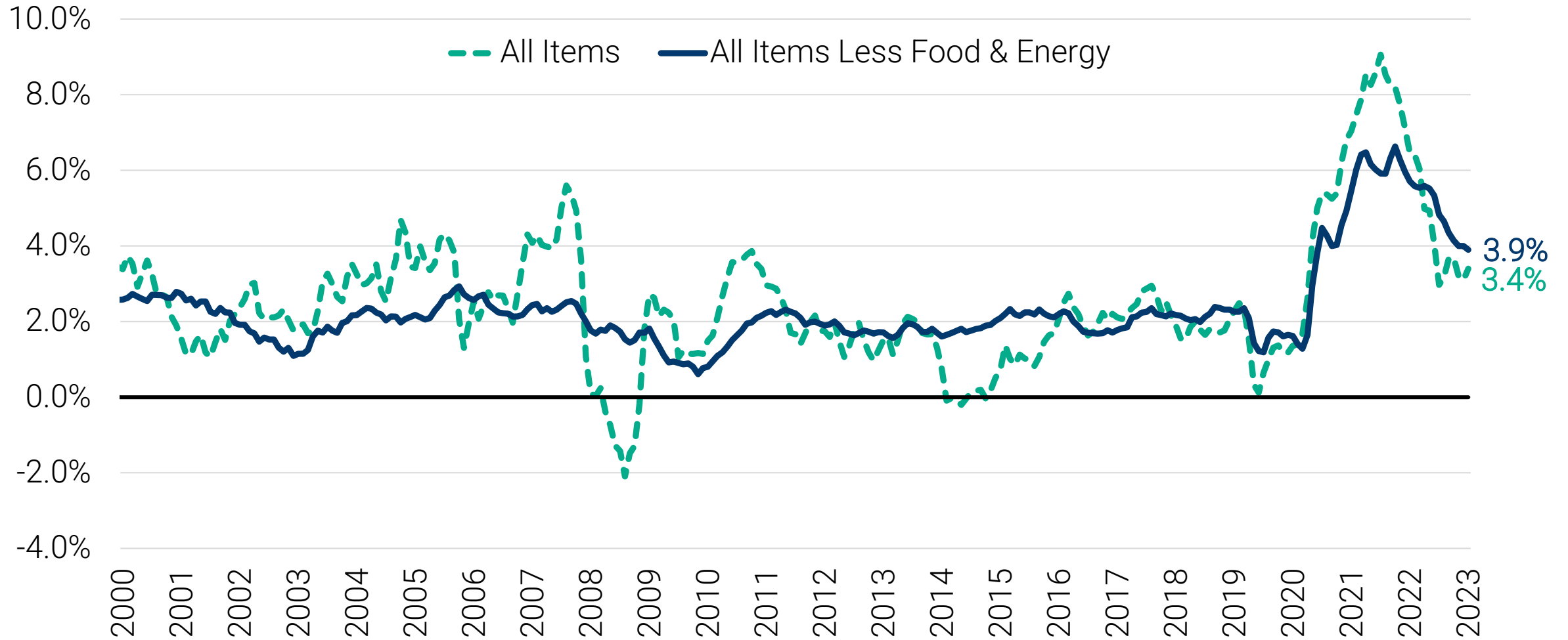
Aggregate Personal Savings Versus the Pre-pandemic Trend
(Abdelrahman and Oliveira, Federal Reserve Bank of San Francisco)



Source: Federal Reserve Bank of San Francisco

Consumer Price Index (NSA)

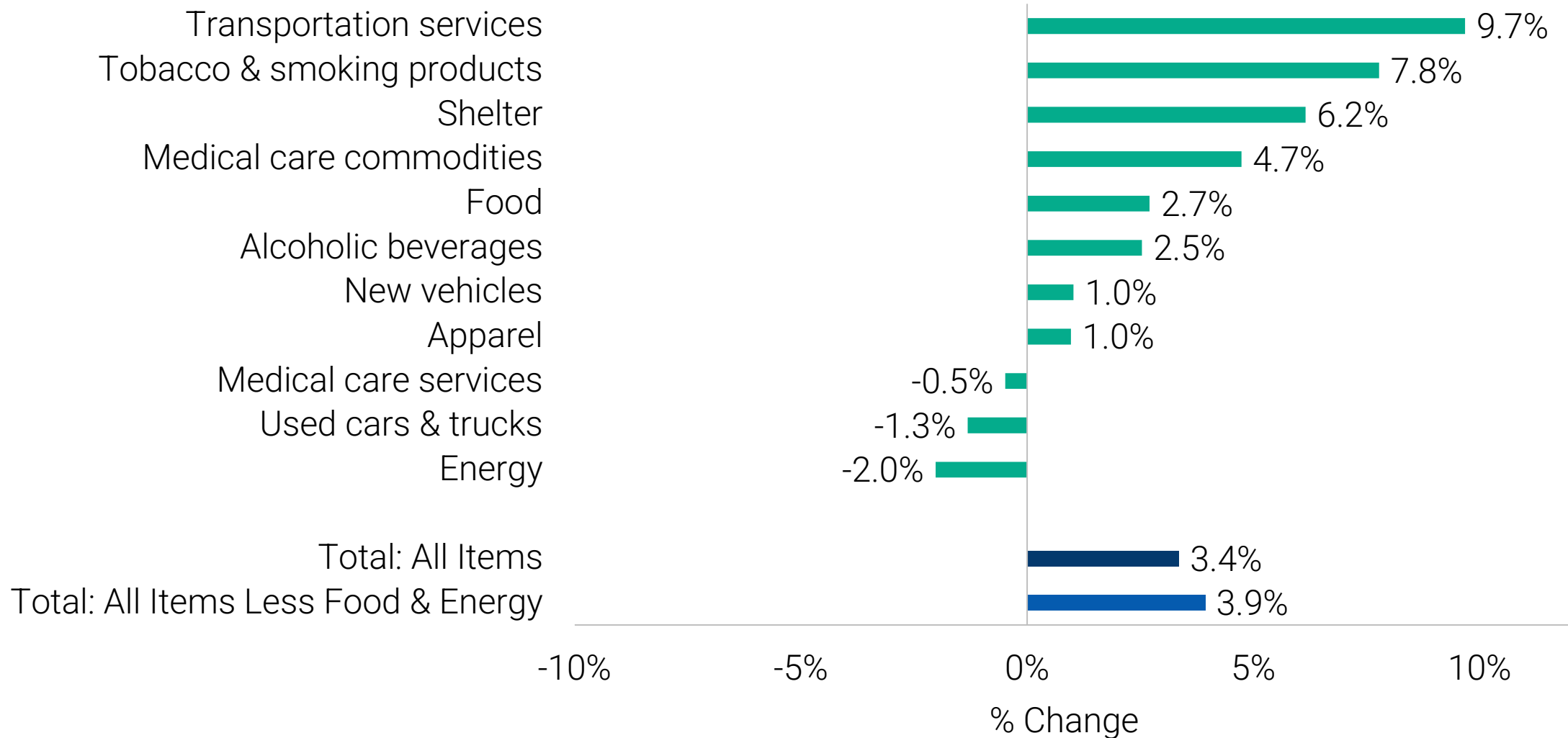
12-Month % Change, 2000 – December 2023



Source: U.S. Bureau of Labor Statistics

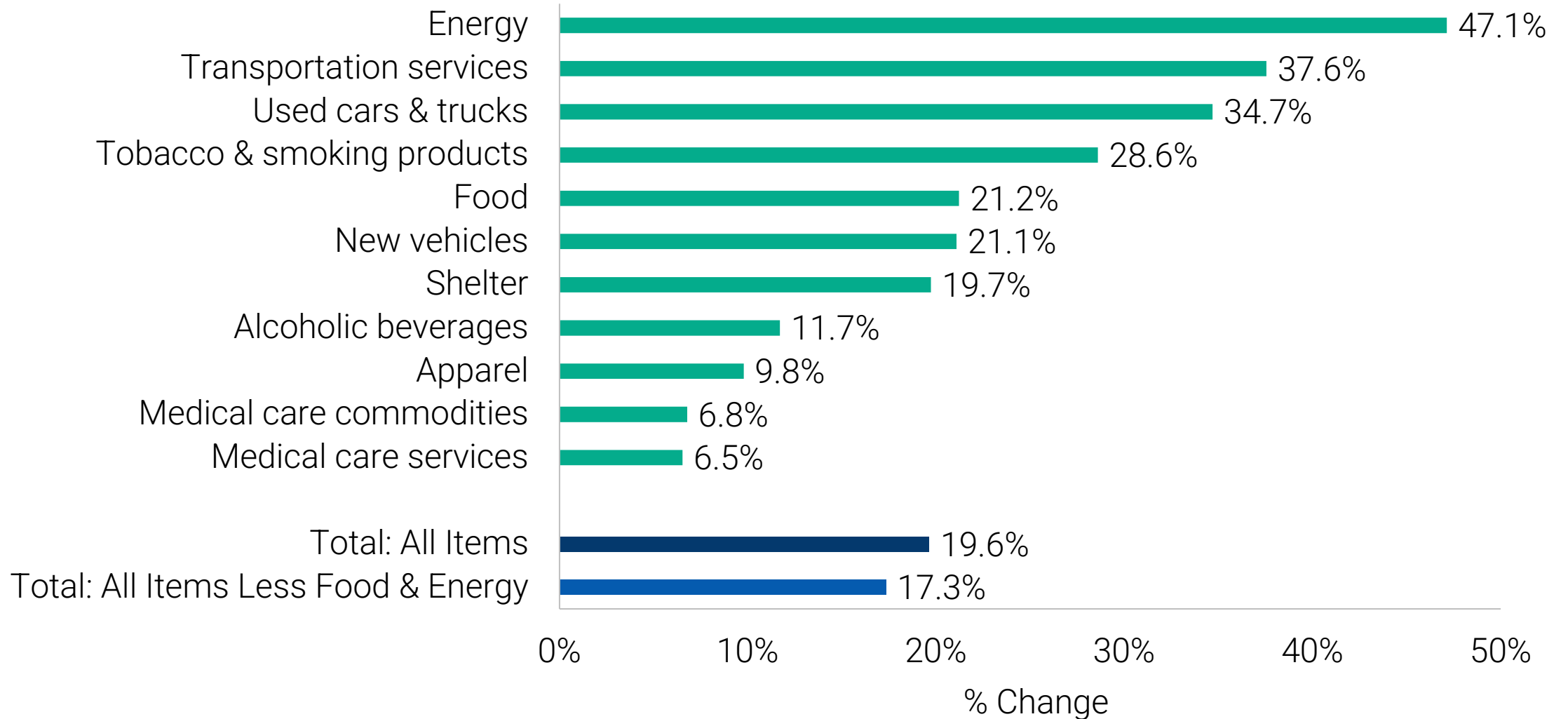
Consumer Price Index, Select Categories (NSA)

YOY % Change [December 2022 v. December 2023]



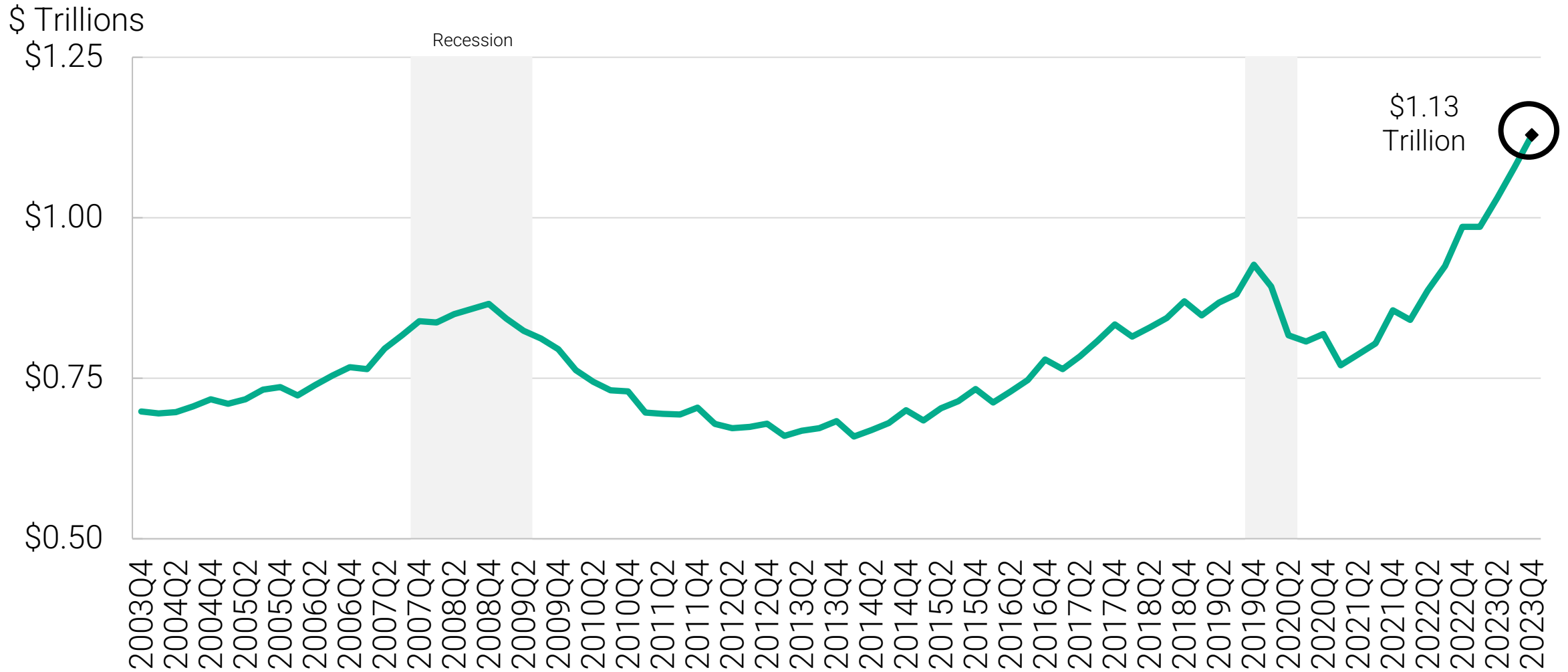
Consumer Price Index, Select Categories (NSA)

% Change May 2020 v. December 2023



For a Few Dollars More

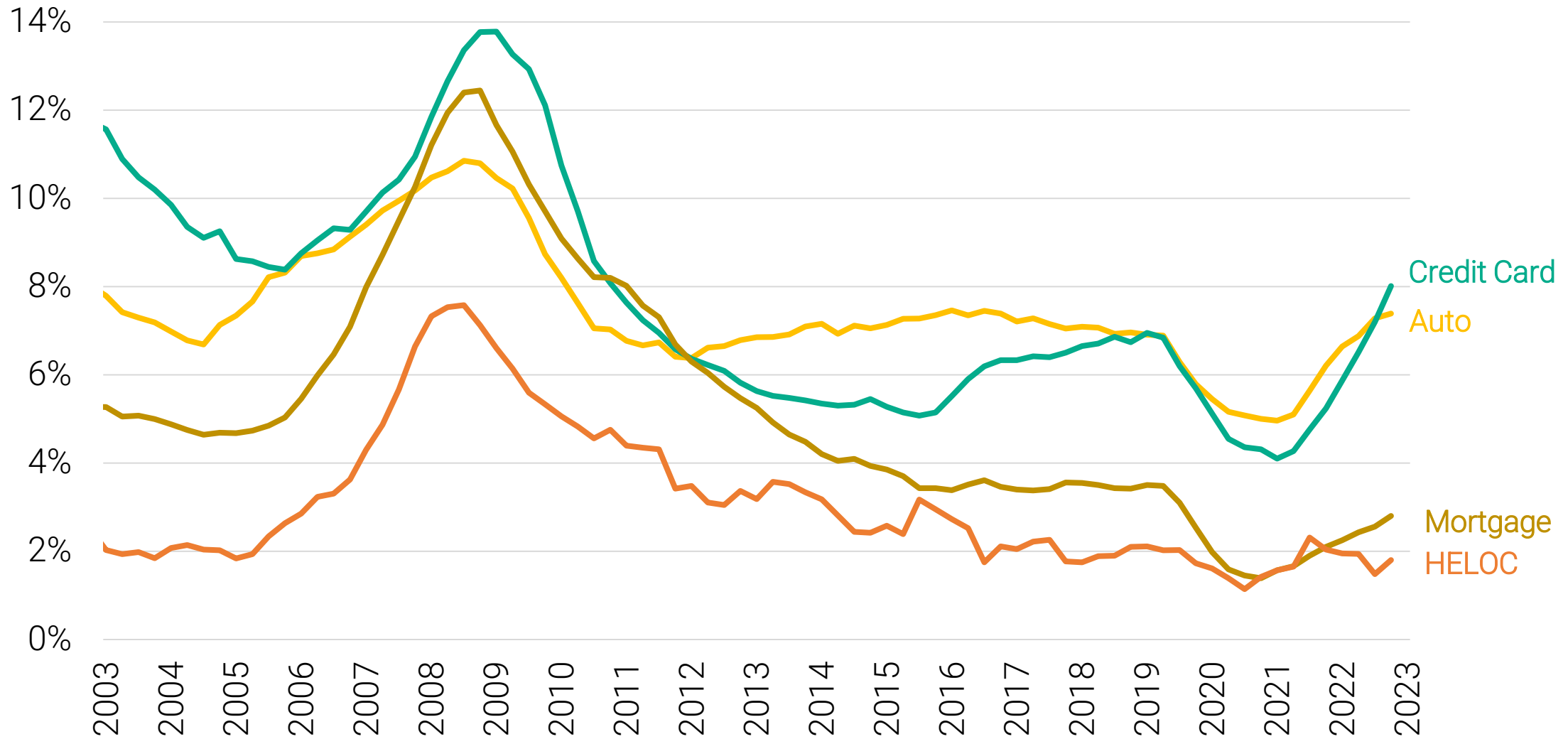
U.S. Credit Card Debt, 2003 – 2023



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

Heartbreak Ridge (a 1986 Film)

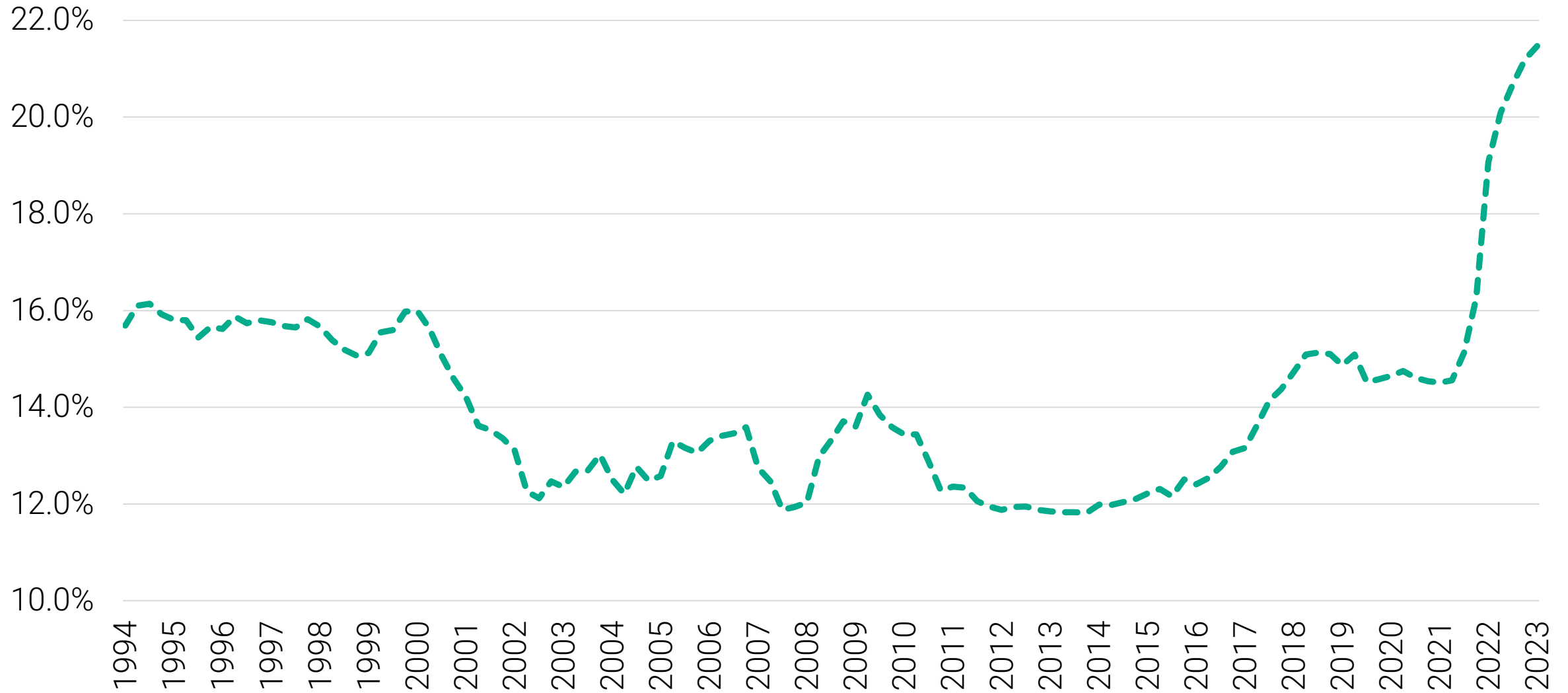
New Delinquent Balances (% of Balance 30+ Days Delinquent by Loan Type)



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

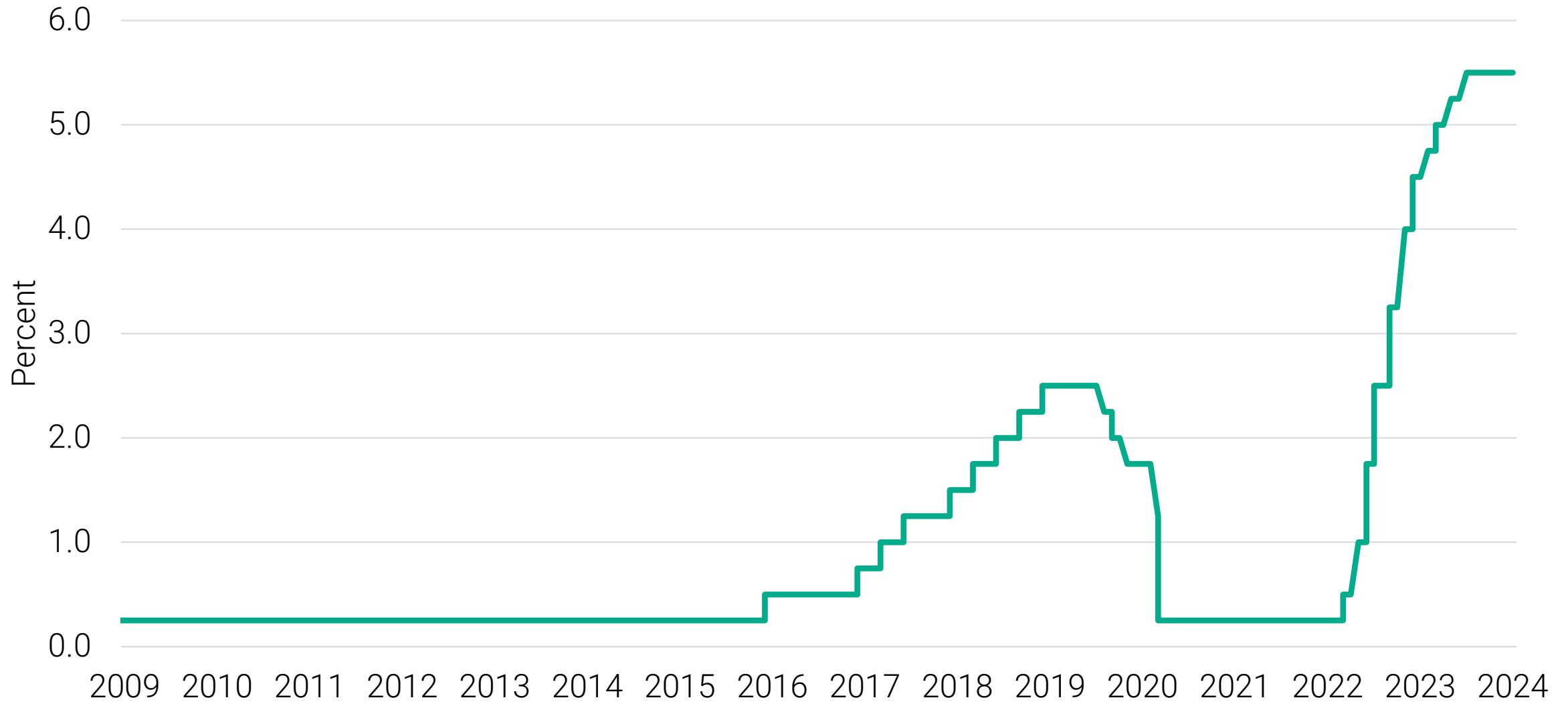
Net Percentage of Domestic Banks Tightening Standards for Credit Card Loans



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



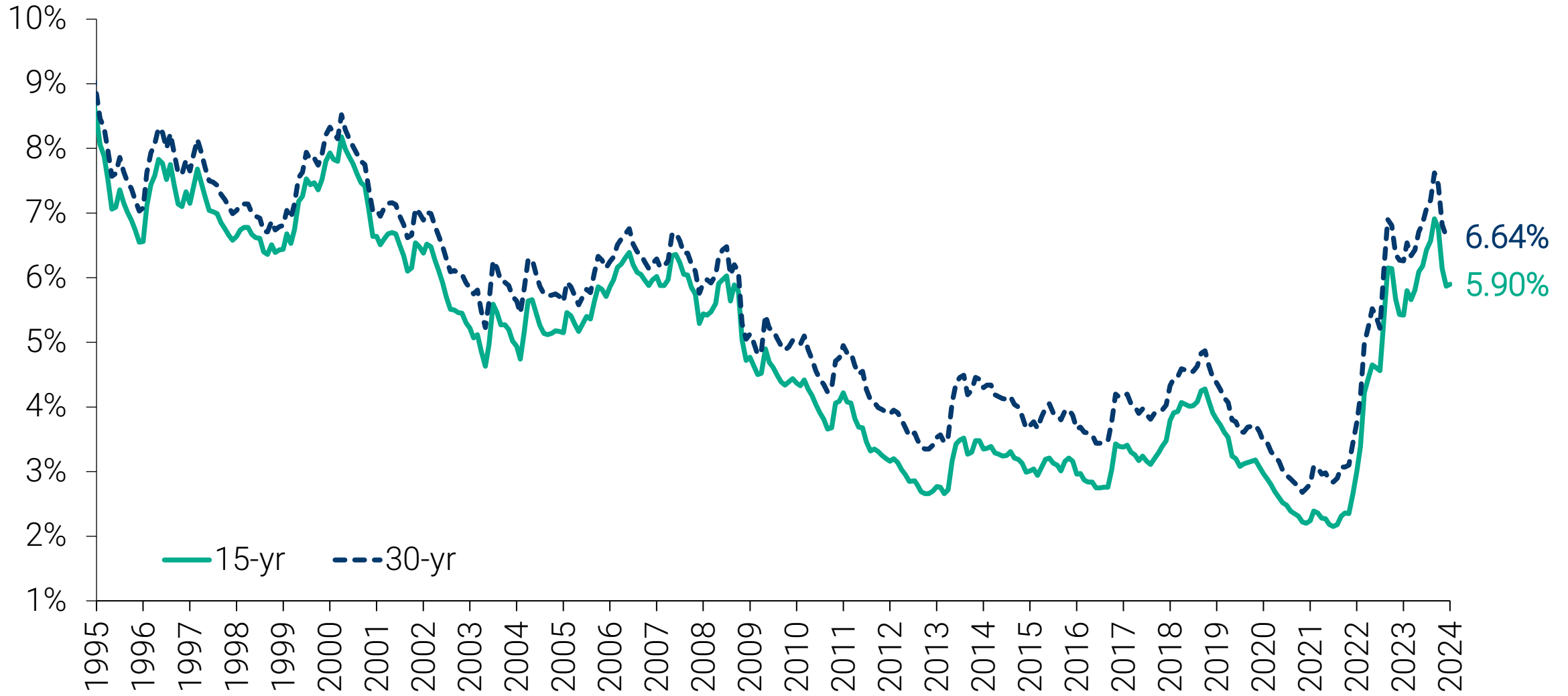
Source: Board of Governors of the Federal Reserve System

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)

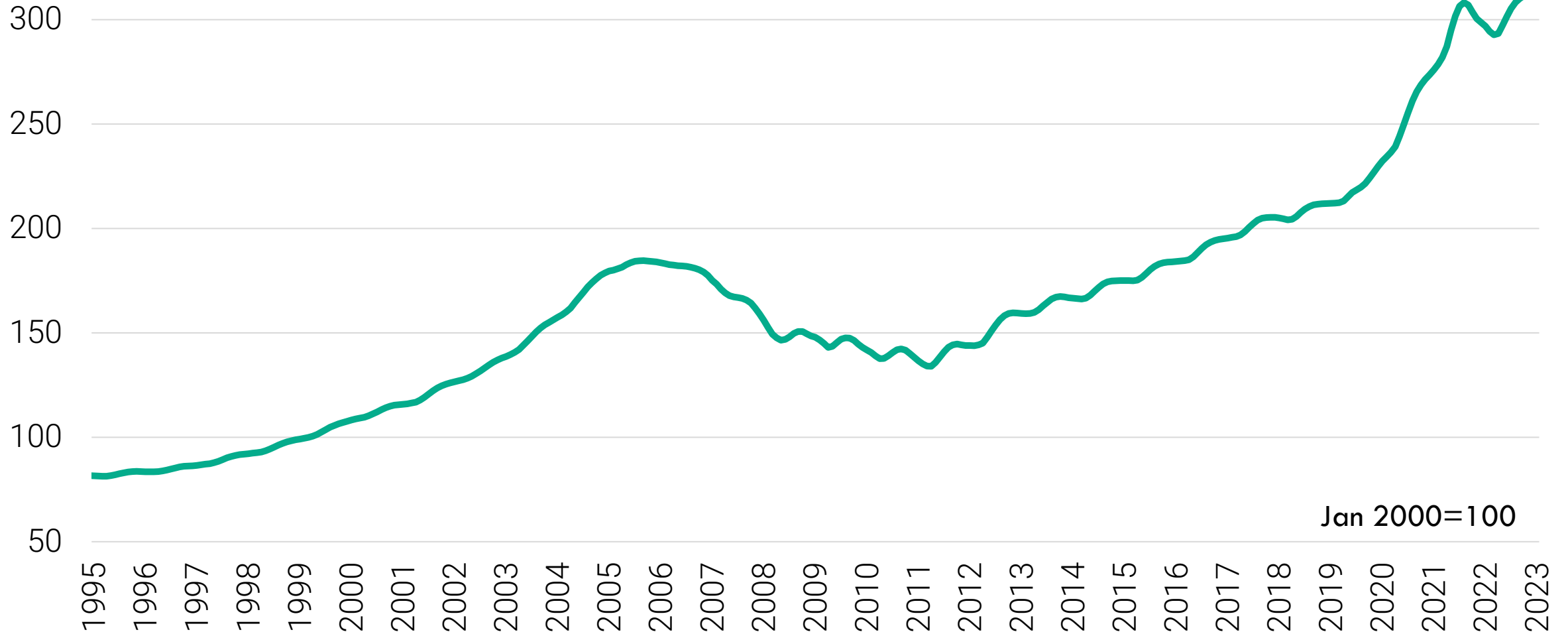
U.S. 15-Year & 30-Year Fixed Mortgage Rates, 1995 – February 2024*



Source: Freddie Mac *Week ending 2/8/2024

S&P Case-Shiller Home Price Index

1995 – November 2023



Source: Standard & Poor's

New Single-Family Houses Sold (NSA), 1963 – 2023

Thousands

1,400

1,200

1,000

800

600

400

200

0

1963

1966

1969

1972

1975

1978

1981

1984

1987

1990

1993

1996

1999

2002

2005

2008

2011

2014

2017

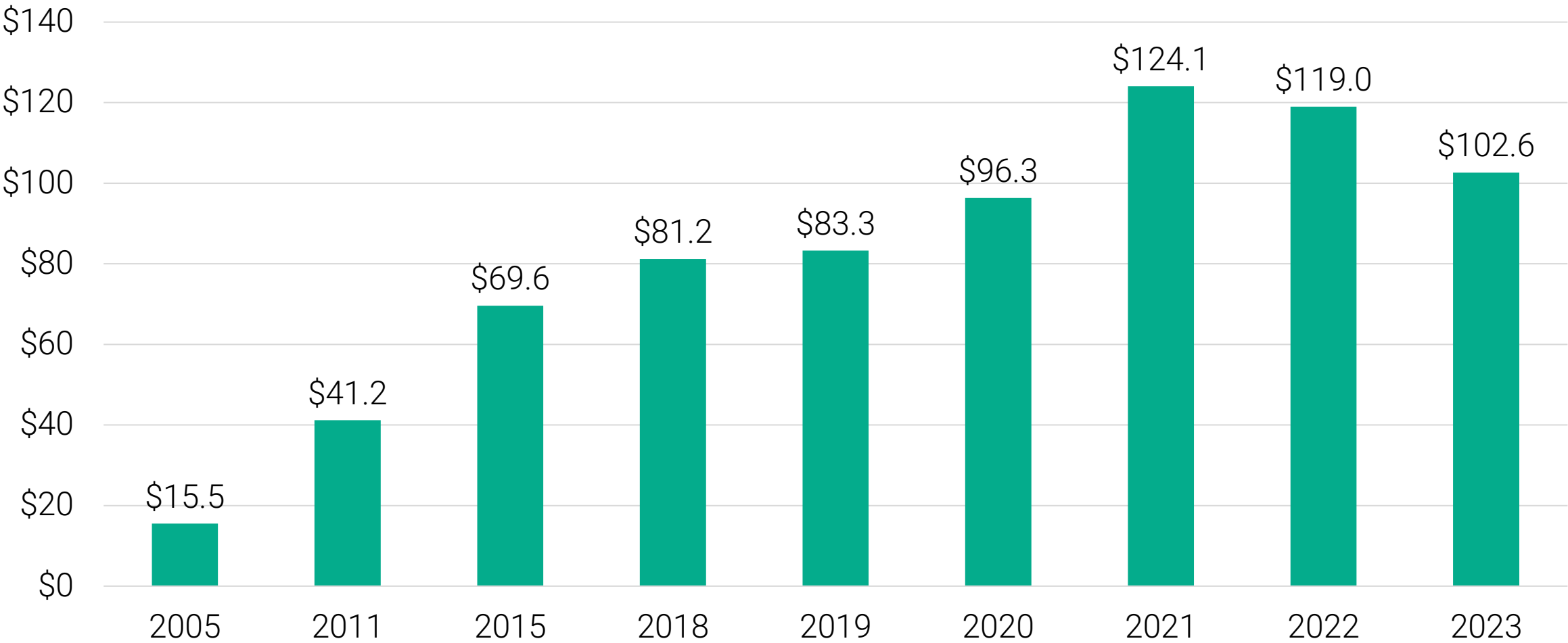
2020

2023

Source: U.S. Census Bureau

Estimated Residential Real Estate Agent Commissions

\$Billions

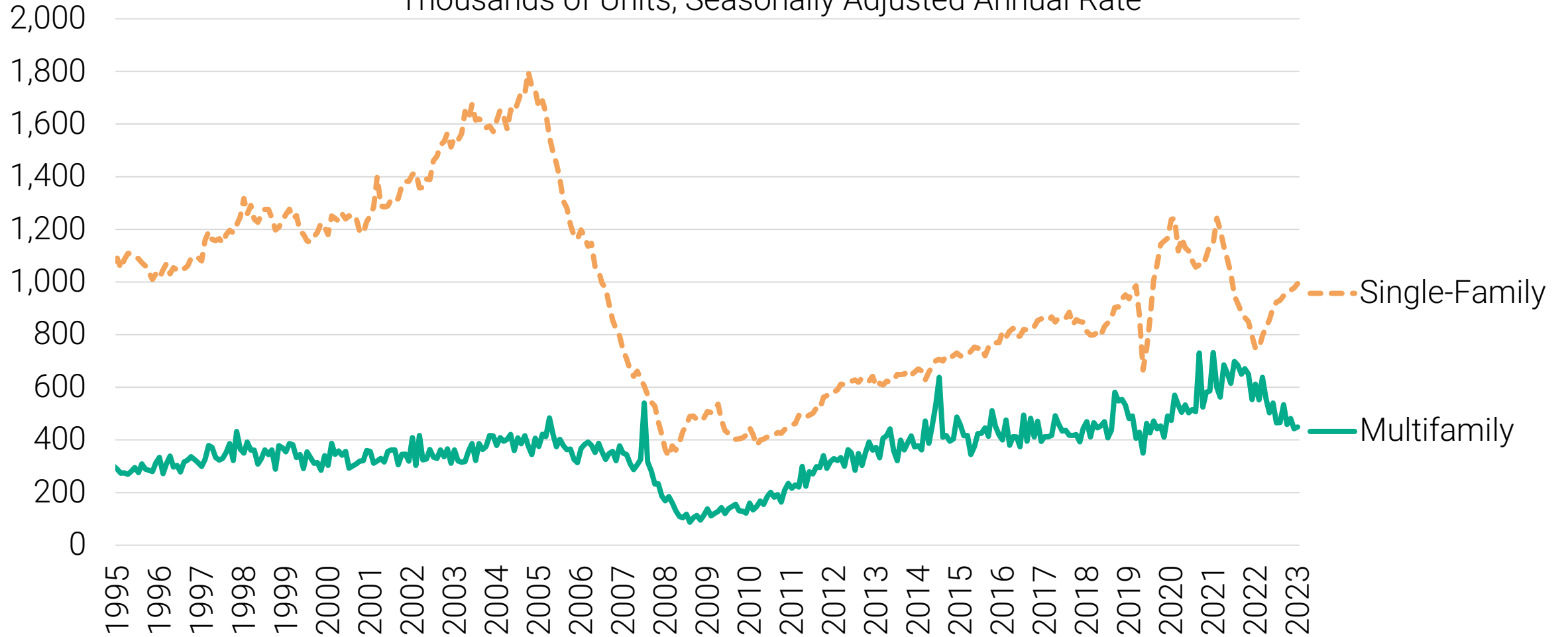


Source: Sage Policy Group calculations

U.S. Residential Building Permits

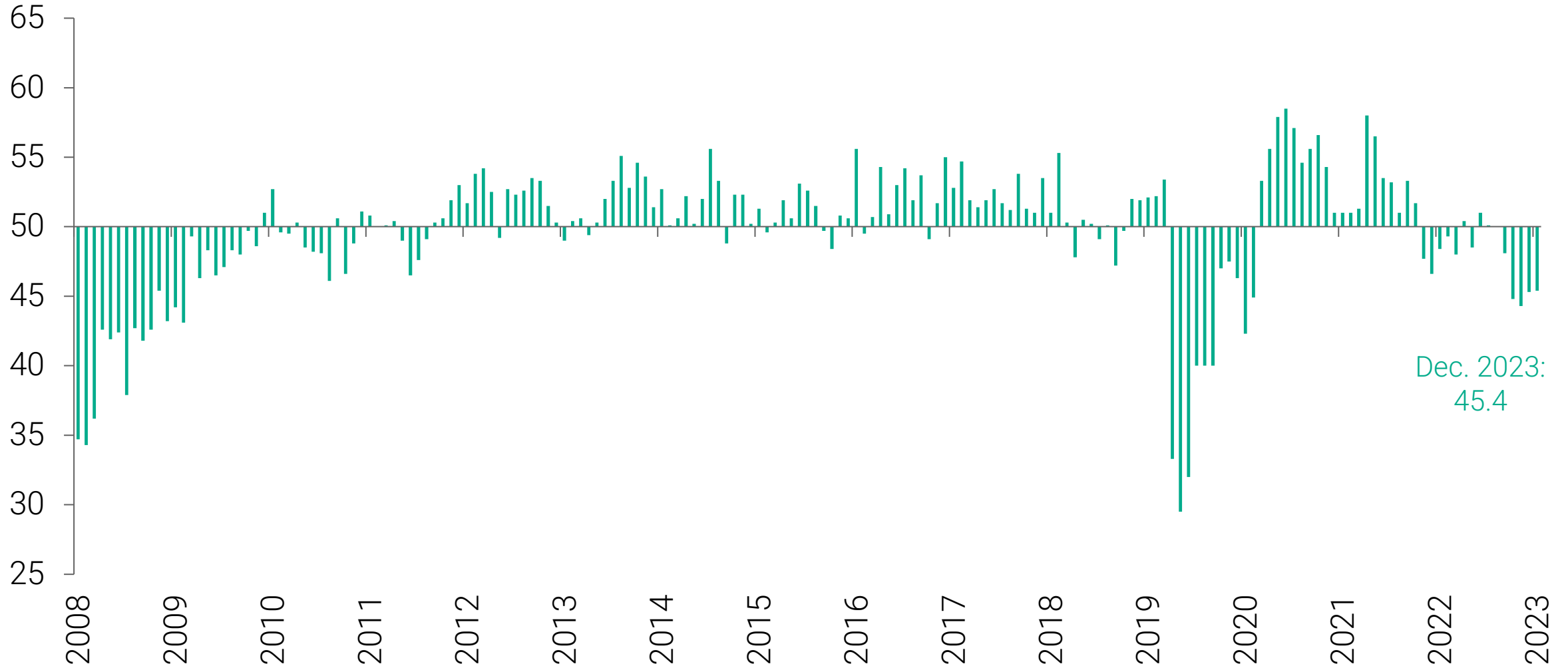
1995 – December 2023

Thousands of Units, Seasonally Adjusted Annual Rate



Architecture Billings Index

2008 – December 2023



Source: The American Institute of Architects

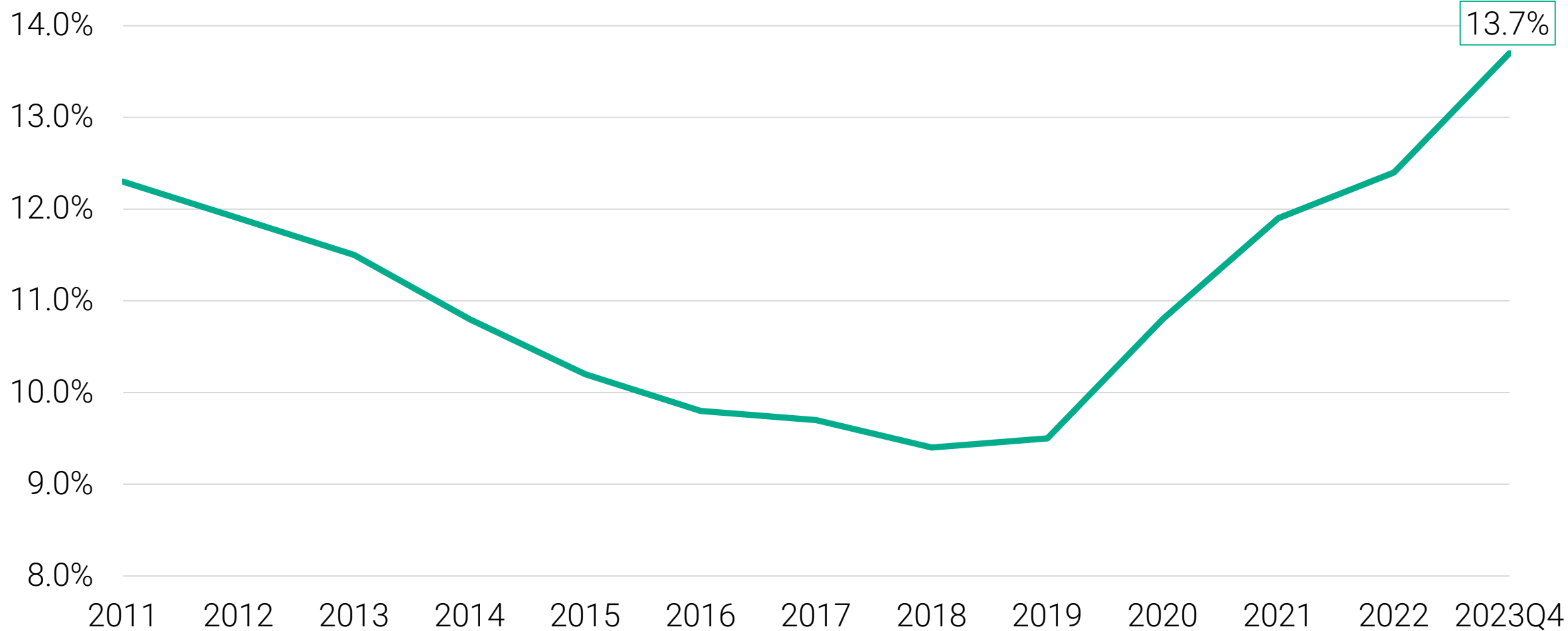


The Ugly

Office Market

Every Which Way **But** Down

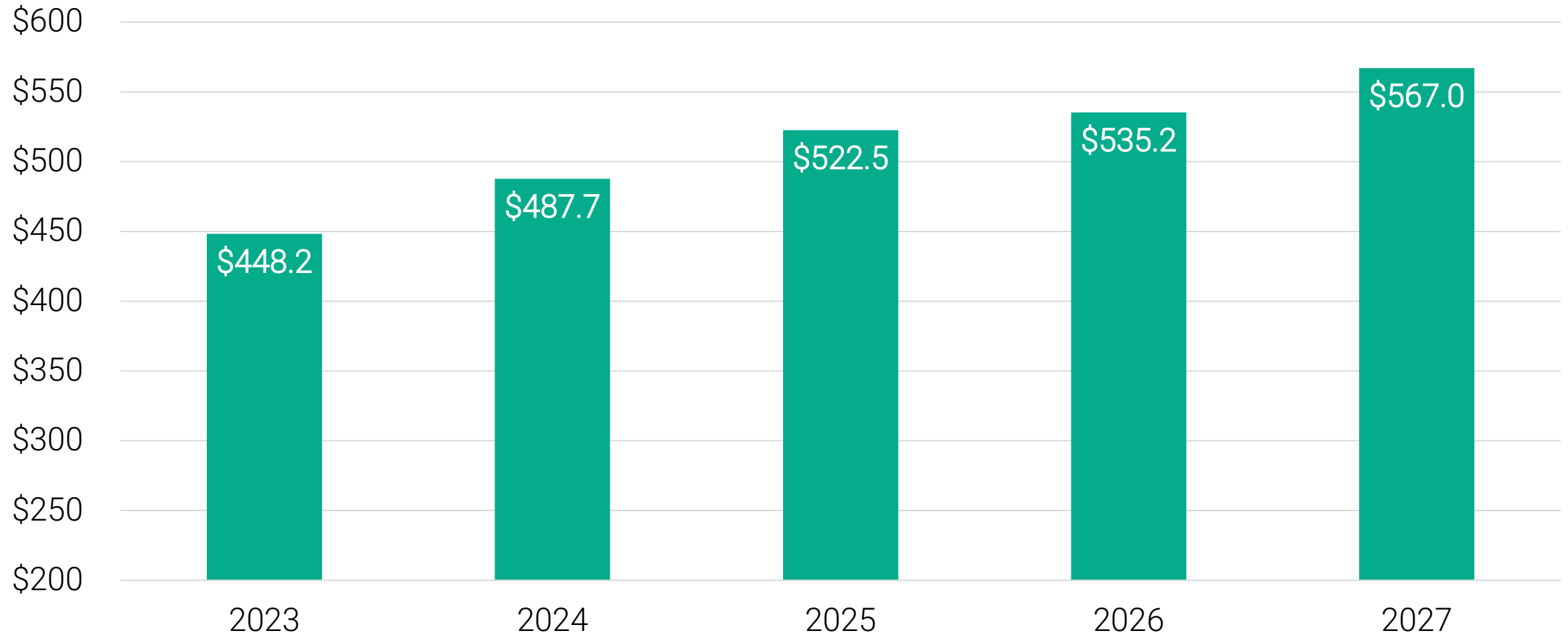
U.S. Office Vacancy, 2011 – 2023



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

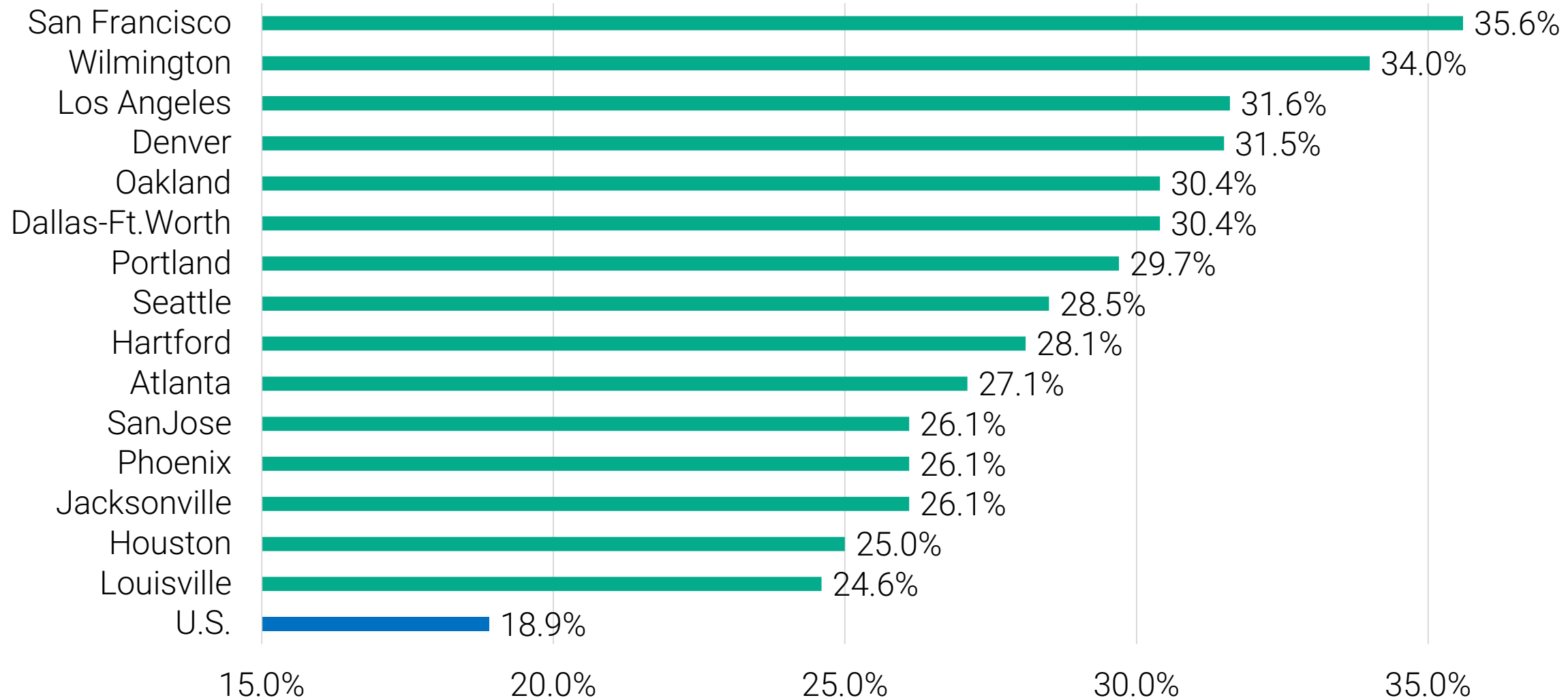
CRE Debt Maturities: \$2.5 Trillion in the Next 5 Years

Maturing CRE Loans (\$Billions)



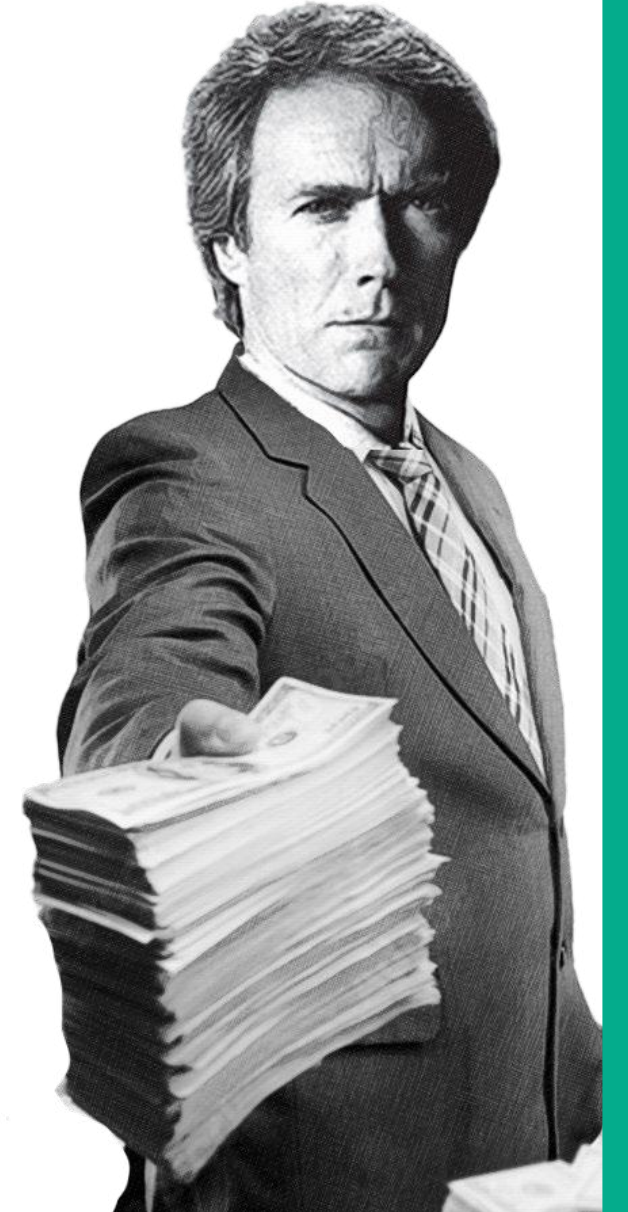
Source: Trepp analysis of Federal Reserve data

Highest Downtown Office Vacancy Rates, 2023Q4



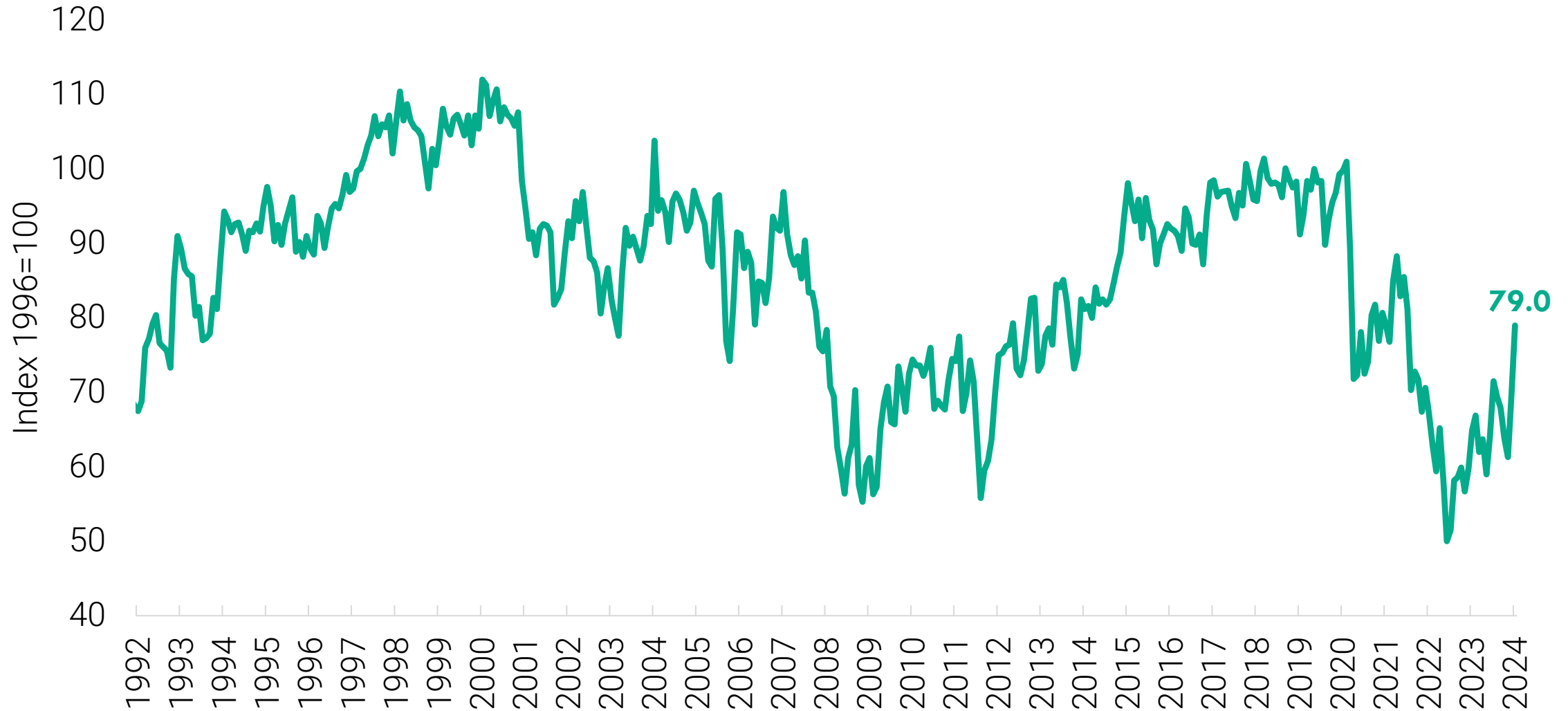
Source: CBRE

**Go Ahead,
Make My Day**



University of Michigan Index of Consumer Sentiment

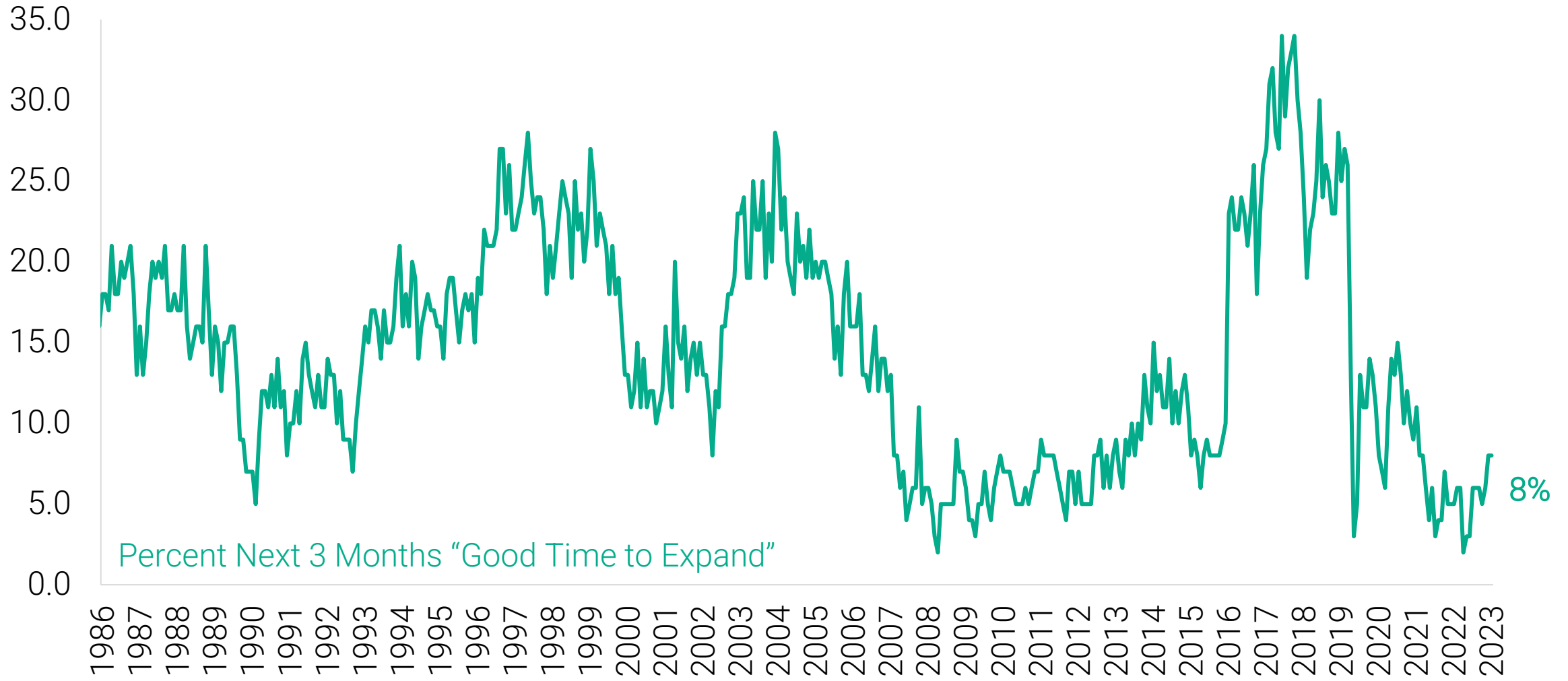
1992 – January 2024



Source: University of Michigan

NFIB Index of Small Business Optimism

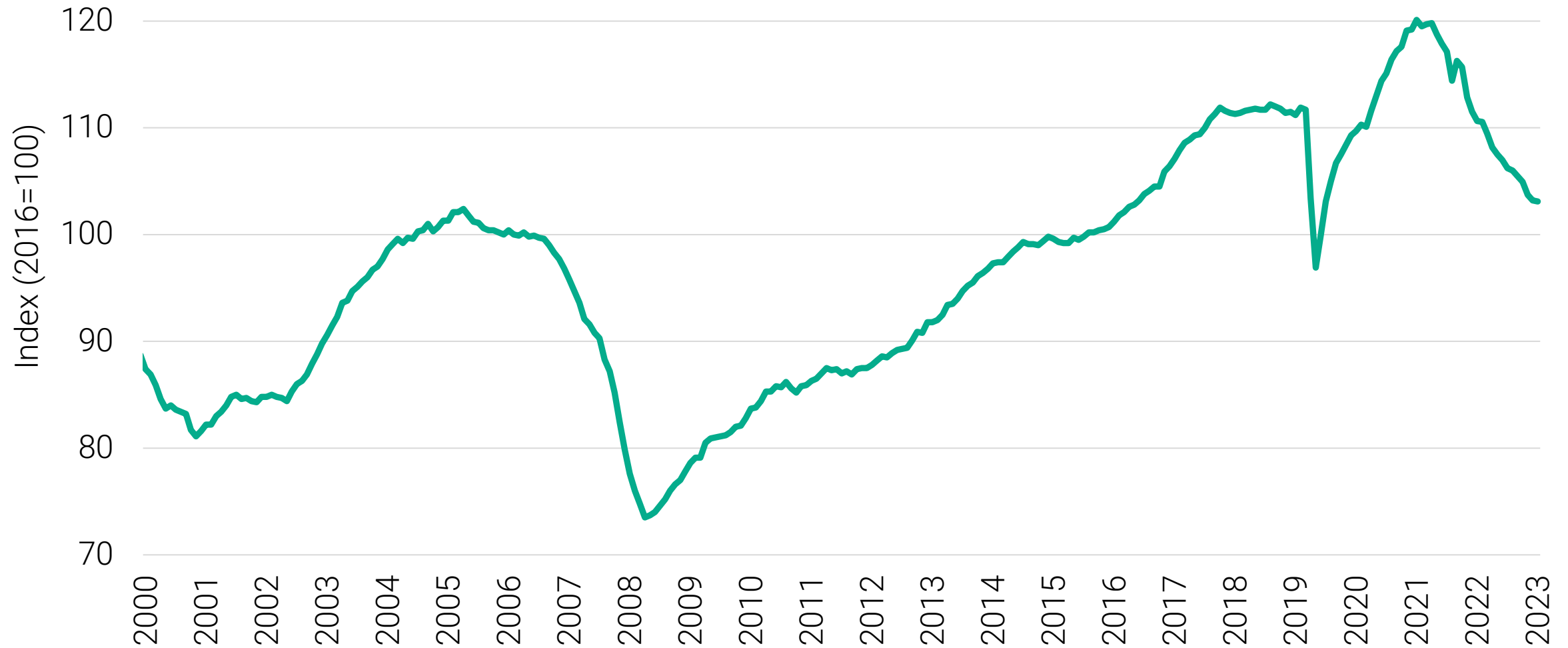
1986 – December 2023



Source: National Federation of Independent Business (NFIB)

Conference Board: U.S. Leading Economic Index

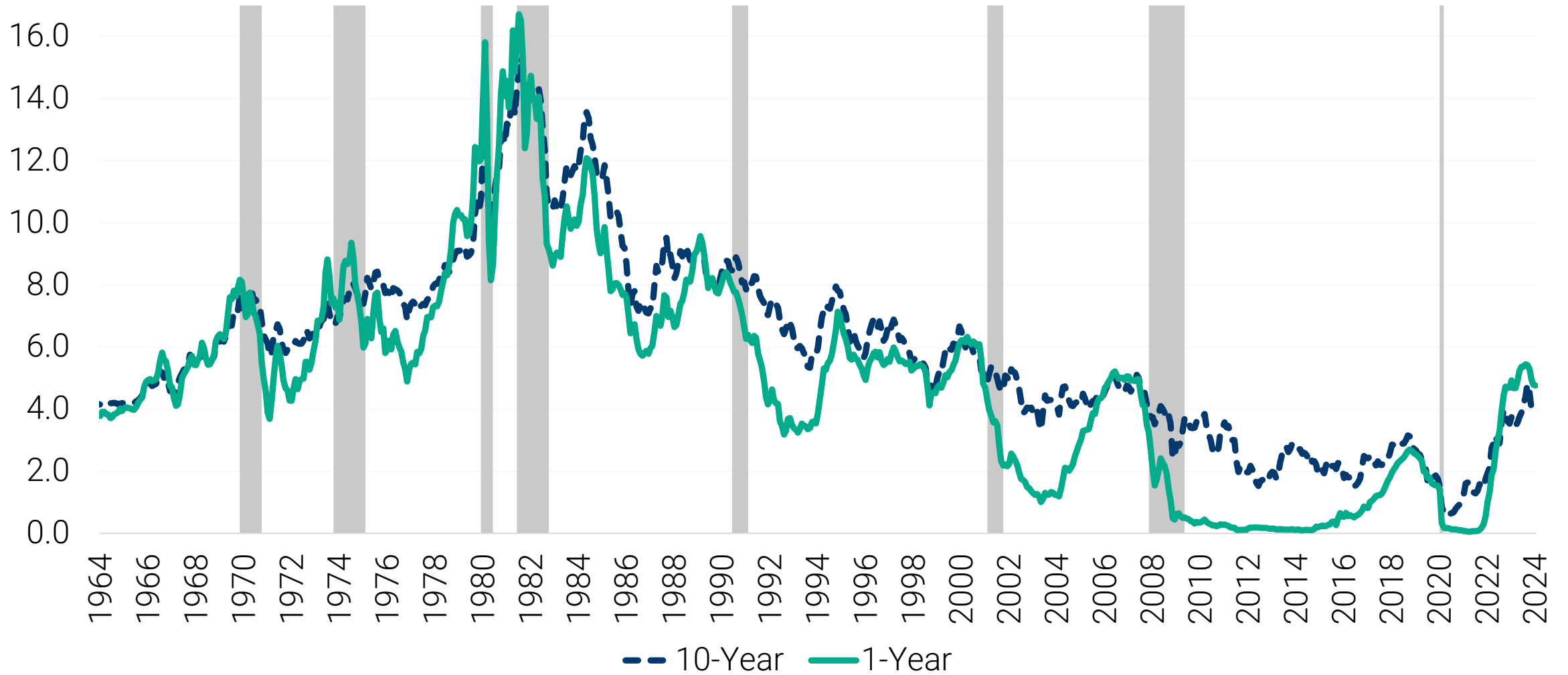
2000 – December 2023



Source: The Conference Board

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

1964 – February 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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