



# Economic Update

OCC Mutual Forum



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June 25, 2024

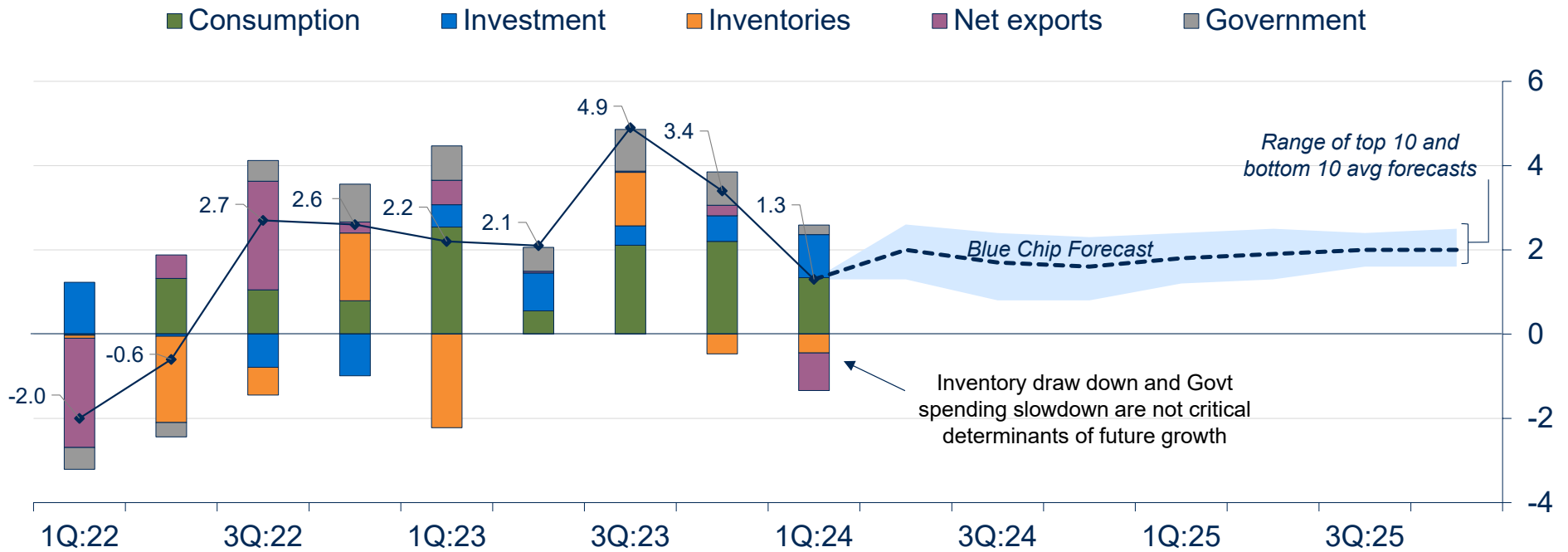


## Takeaways

- ❑ **Underlying GDP growth remains robust despite 1Q slowdown**
- ❑ **Labor market remains strong despite cooling**
- ❑ **Inflation remains stubbornly persistent**

# GDP growth slowed in 1Q, but Consensus calls for return to 2%

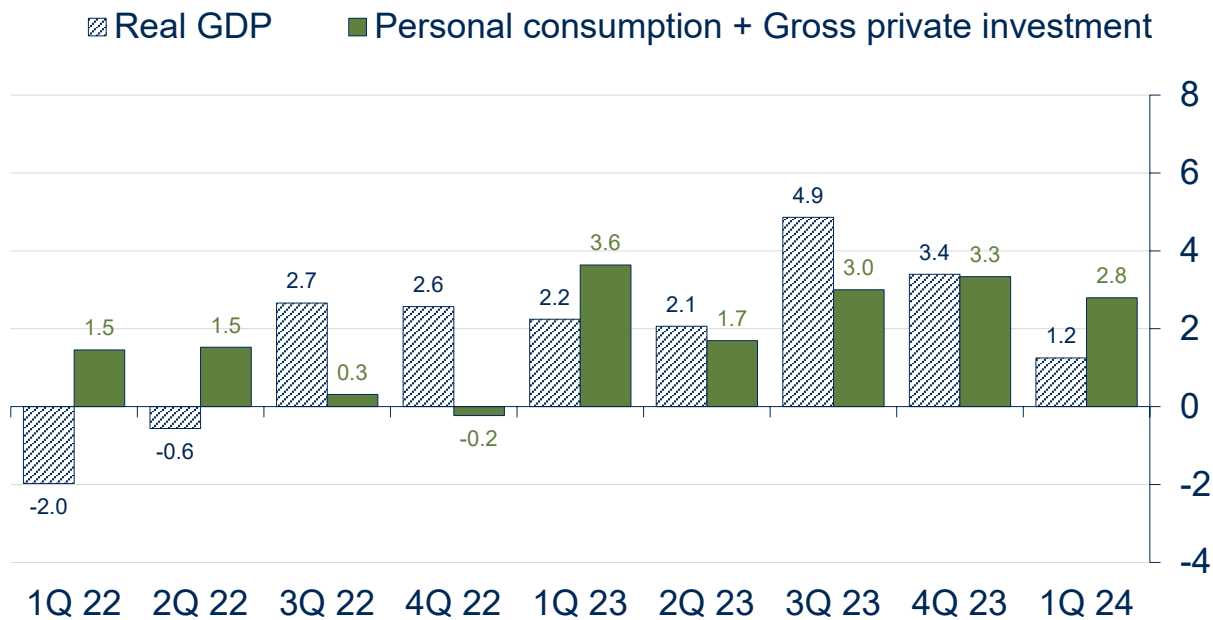
## Contributions to real GDP by component, %



Source: Bureau of Economic Analysis (data through Mar 2024, second estimate ); Blue Chip (June 2024).

# Underlying GDP growth remains strong despite 1Q slowdown

Quarterly percent change at an annual rate, percentage points, %

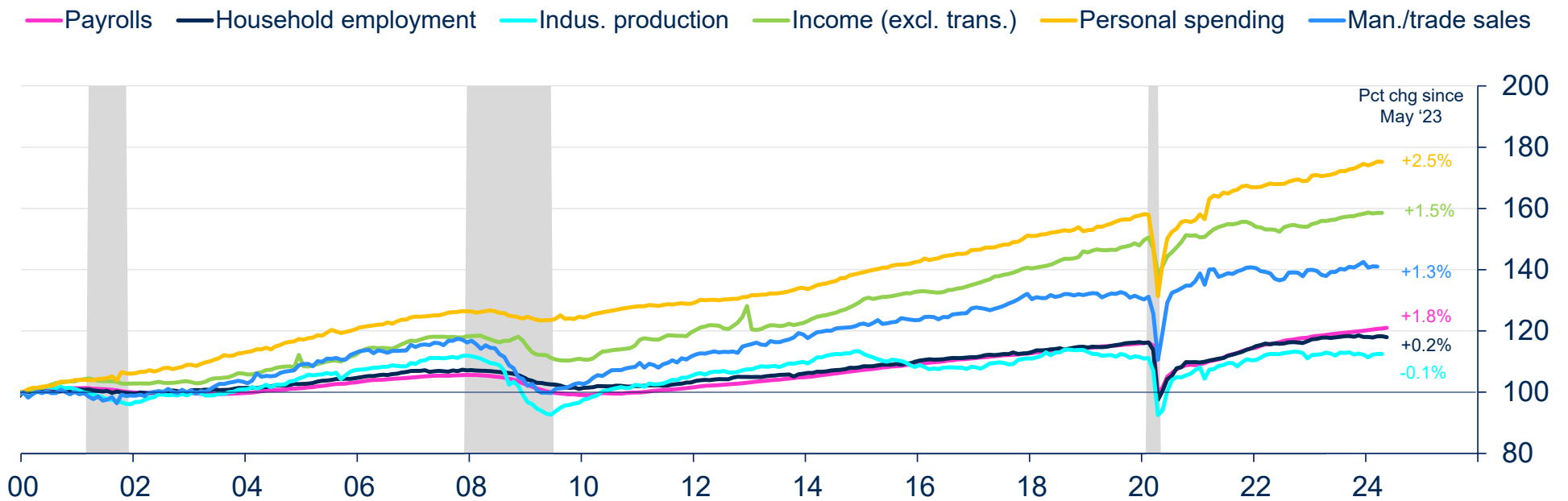


- Personal consumption and private fixed investment comprise 85 percent of total GDP and are referred to as private domestic final purchases.
- Personal consumption and gross private investment provide a better measure of underlying growth by removing more erratic spending such as net exports and government purchases.

Source: Bureau of Economic Analysis (data through Mar 2024, second estimate).

# Measures of economic activity remain strong

## Monthly indicators used to determine recessions, Jan 2000 = 100

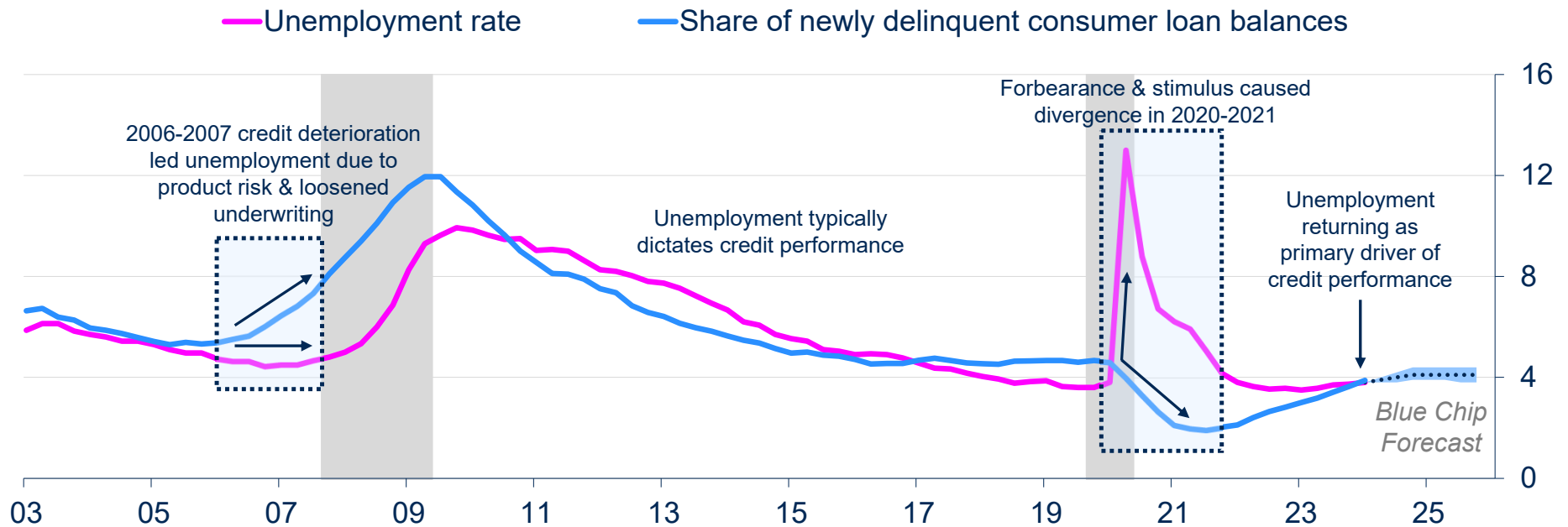


Sources: Federal Reserve Board (May 2024); BEA (April 2024); BLS (May 2024).

Note: The National Bureau of Economic Research, or NBER, is a private, non-profit, non-partisan organization dedicated to conducting economic research and designated as the official U.S. recession arbiter. According to NBER, a recession is a significant decline in economic activity that is spread across the economy and lasts more than a few months. The six-monthly indicators generally used by the NBER are presented above.

# Labor market heavily influences consumer credit performance

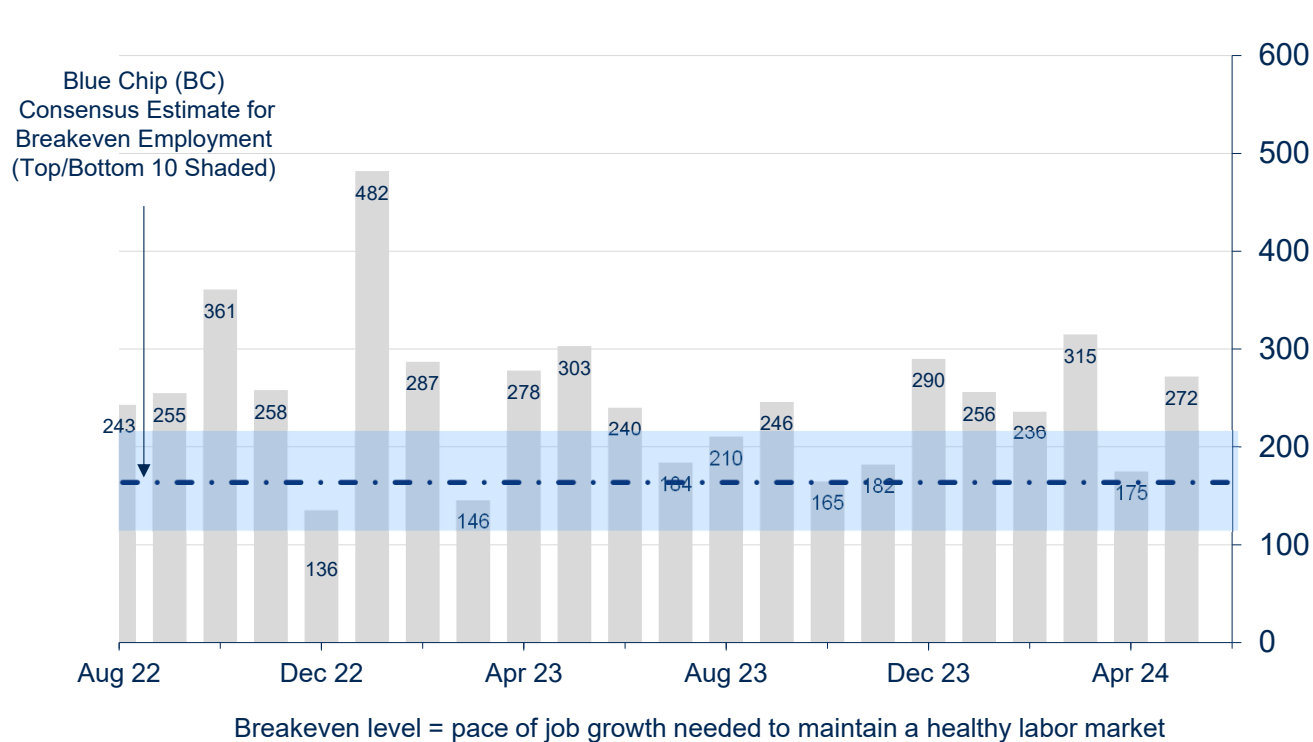
## Unemployment rate and share of newly delinquent consumer loan balances, %



Source: Bureau of Labor Statistics (data through Apr 2024); Blue Chip (June 2024); New York Fed Consumer Credit Panel/Equifax (1Q 2024); newly delinquent loan balances are those transitioning from current to 30+ days past due.

# Faster population growth boosts breakeven employment level

## Monthly growth in nonfarm payrolls, in thousands

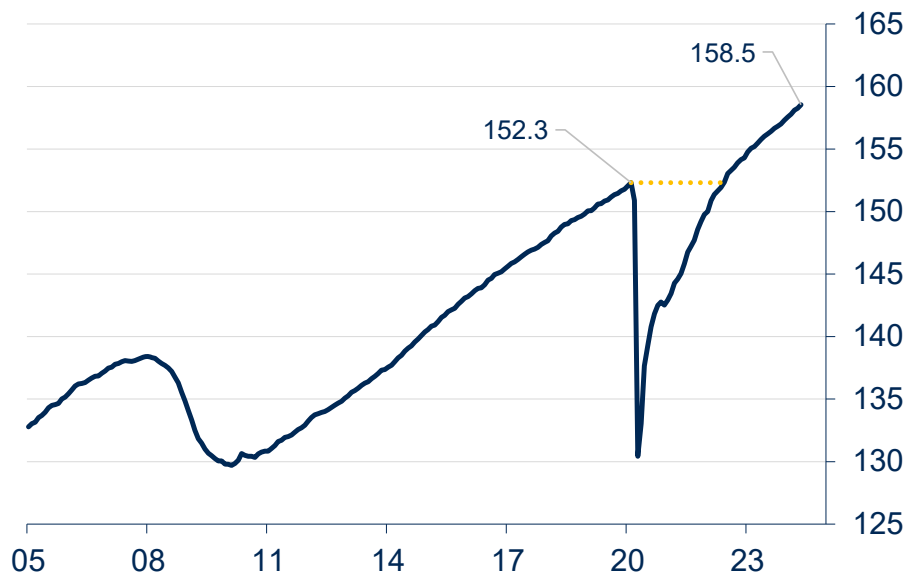


- Measuring breakeven employment is difficult because population and labor force growth are challenging to measure in real time.
- When job growth exceeds the breakeven level, the unemployment rate falls.
- Population growth that is faster than measured would increase the breakeven level.
- Labor market may not be running as hot as previously expected.

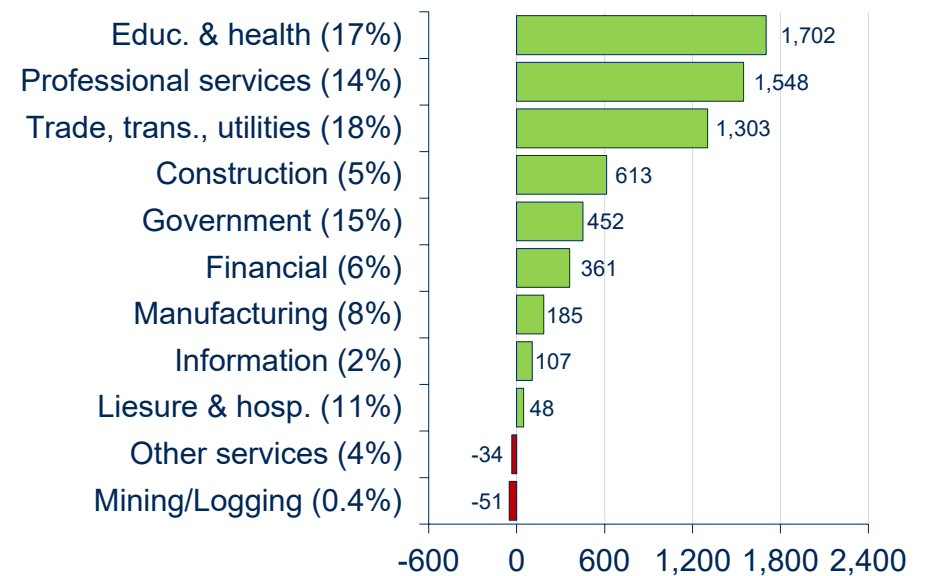
Source: Bureau of Labor Statistics (data through May 2024). Blue Chip Consensus (June 2024)

# There are six million more jobs today than in 2020

Total nonfarm employee, SA, in '000s



Chg in payrolls by industry since Feb 2020, in '000s

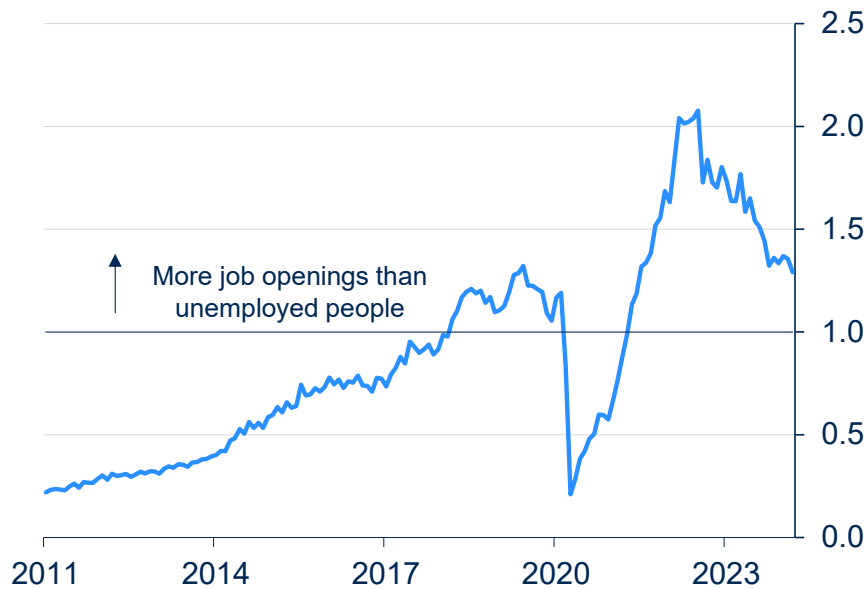


Source: Bureau of Labor Statistics (data through May 2024).

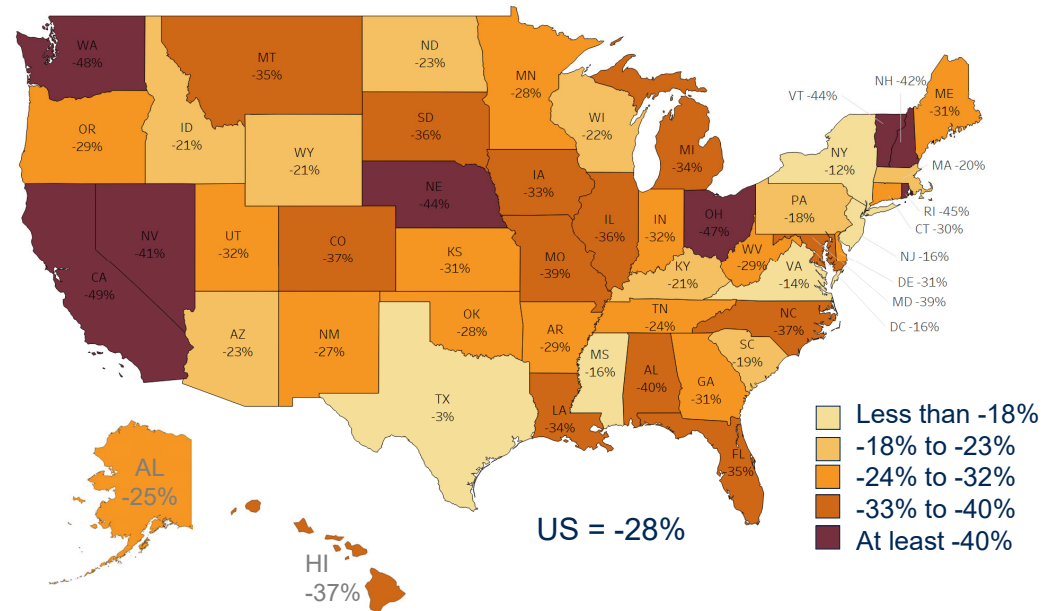


# Signs of labor market cooling as job openings decline

Job openings per unemployed person



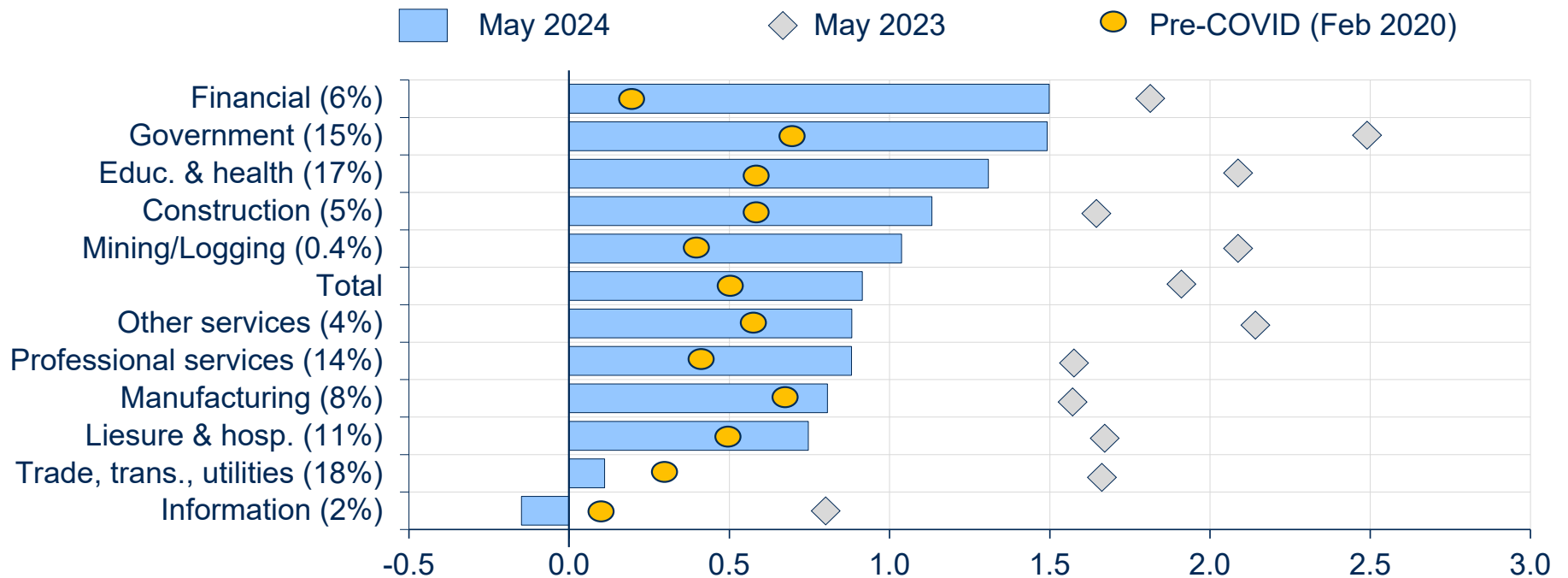
YoY percent change in openings to unemployed ratio, %



Source: Bureau of Labor Statistics JOLTS/Haver (data through Apr 2024).

# Job openings cooling across all industries

## Job openings by industry, Z-scores

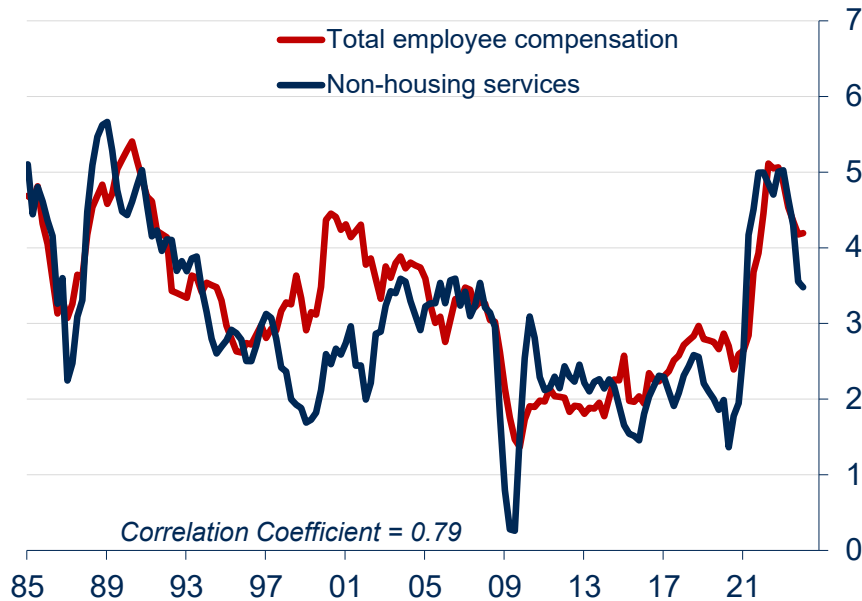


Source: Bureau of Labor Statistics (data through May 2024).

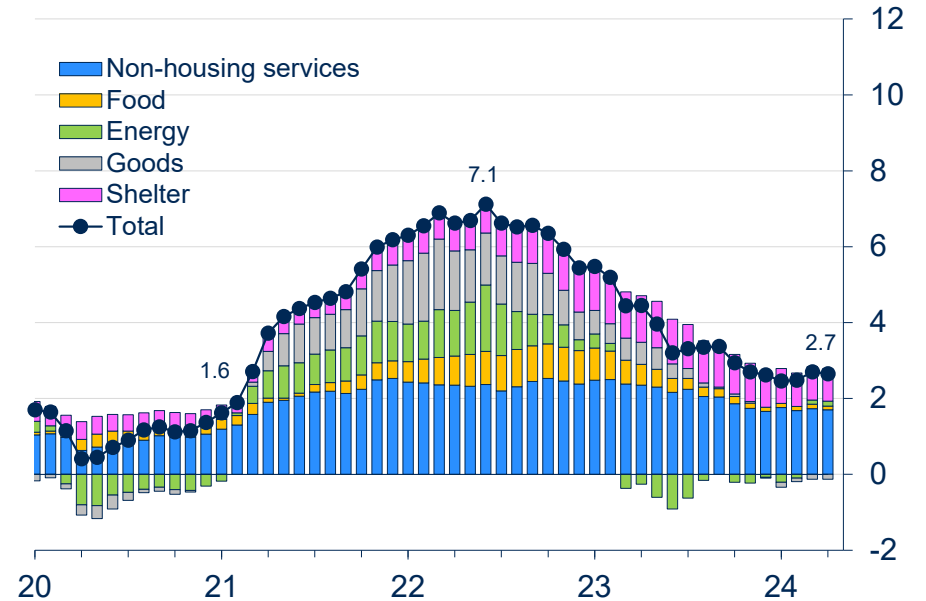
Note: Z-score is the number of standard deviations a given data point lies above or below mean.

# Wage growth remains high and pressures non-housing services

Year-over-year change, %



Contribution to annual headline PCE inflation, %

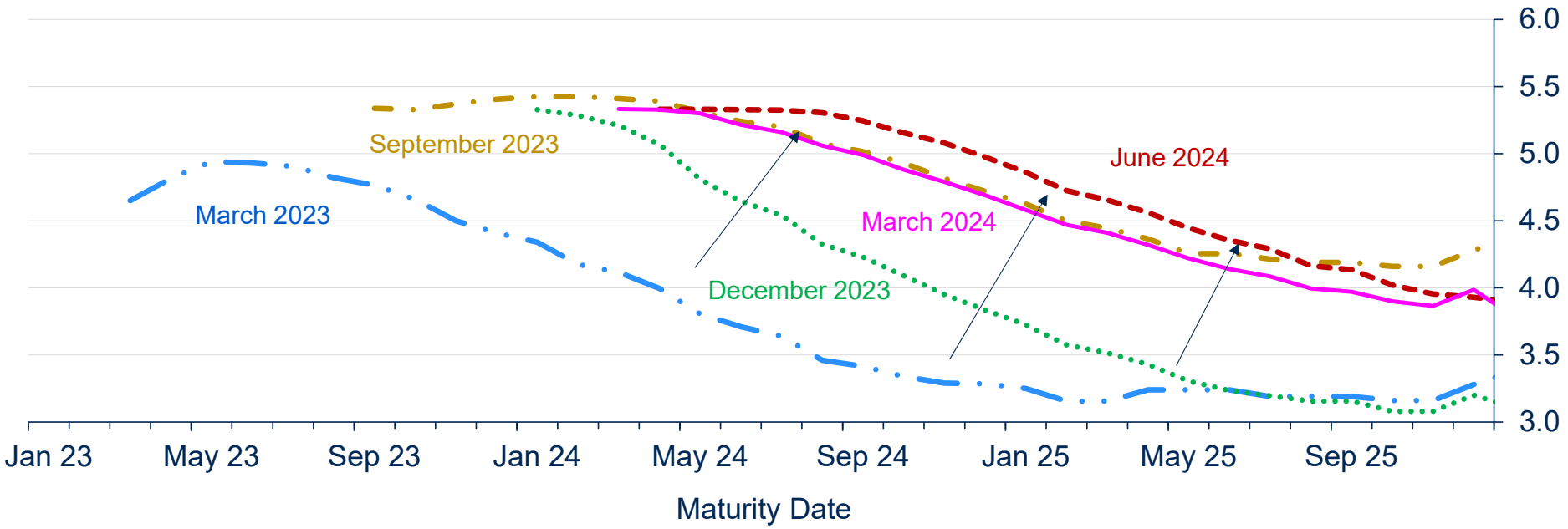


Source: Bureau of Economic Analysis (data through 1Q24).

Note: Compensation is denoted by the Employment Cost Index for all employees. Non-housing services are also referred to as PCE Core Services Excl. Housing makeup roughly 55% of Core PCE.

# Futures market expects Fed Funds to remain increased longer

Implied Federal Funds rate, %



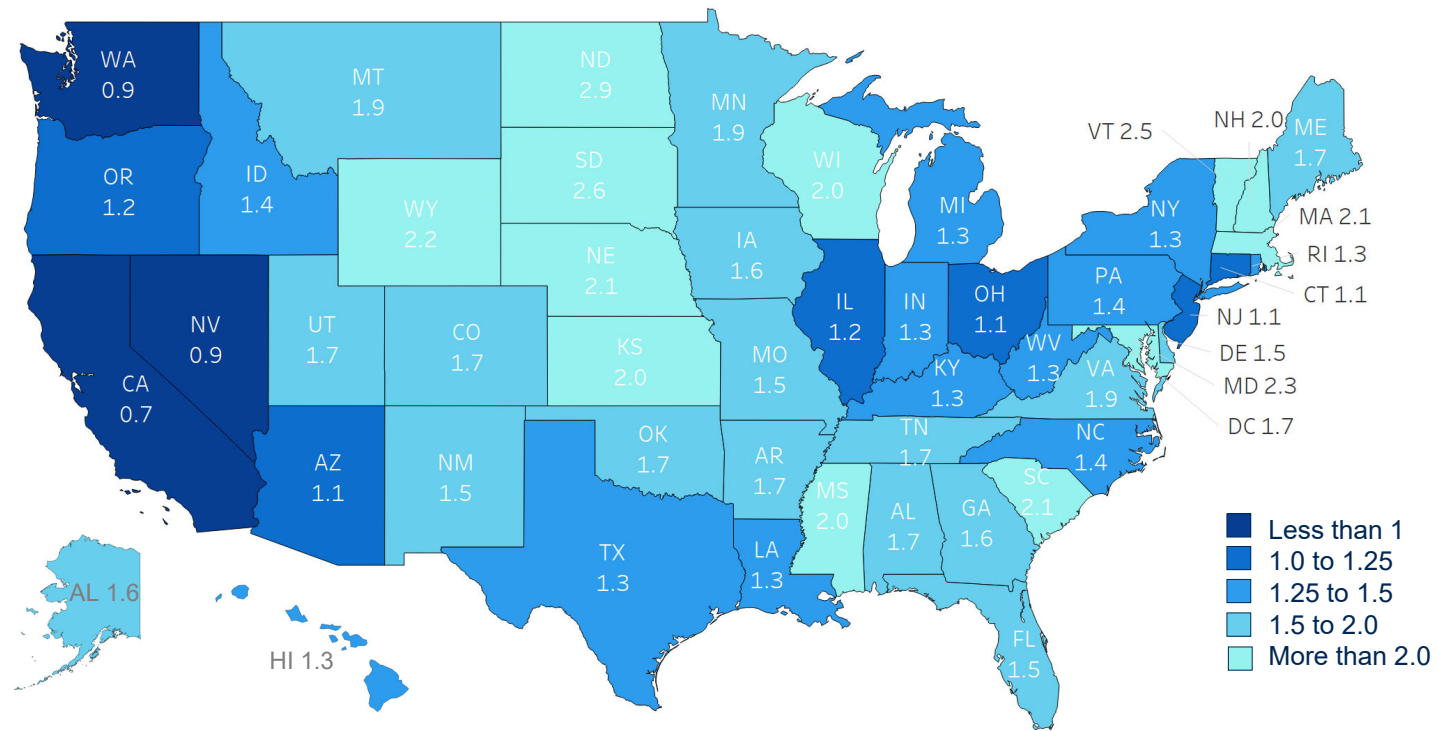
Source: Chicago Board of Trade; Bloomberg (June 17, 2024);  
Note: 30-day Fed Funds Futures expiring on future horizons.

## Conclusion

- ❑ **Despite recent cooling, labor market remains strong**
- ❑ **Last mile of inflation battle is challenging**
- ❑ **Fewer interest rate cuts expected this year**

# Appendix

## Job openings per unemployed person by state, Mar '24

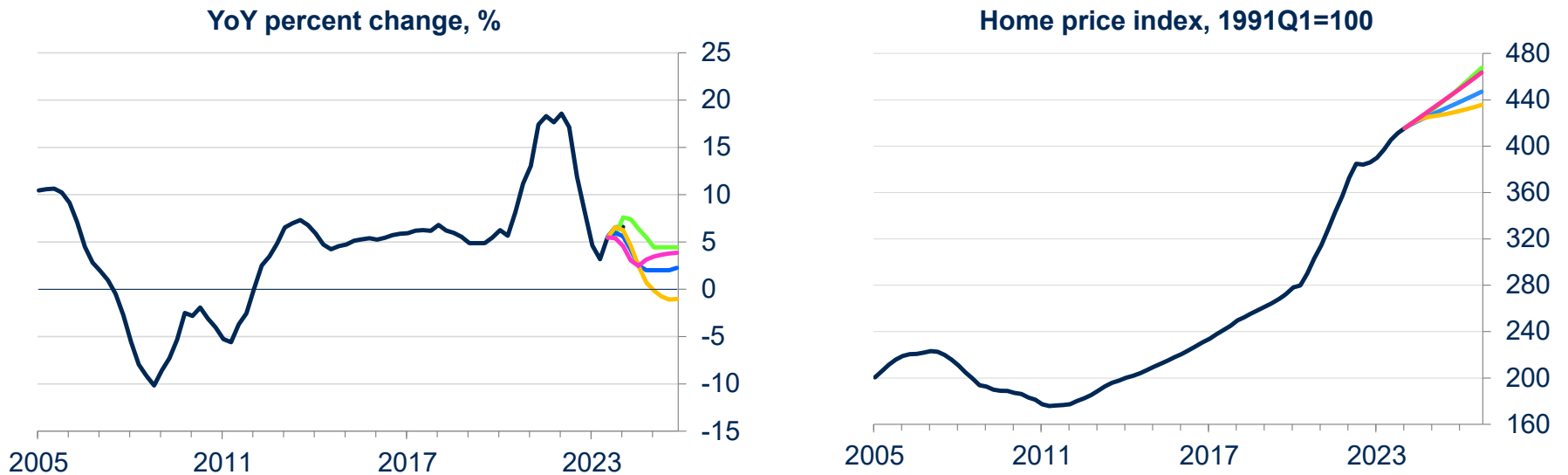


Source: Bureau of Labor Statistics JOLTS/Haver (data through Apr 2024).

# Economists expect national home price growth to moderate

## Single-family home price forecast

— Economy.com   
 — Goldman Sachs   
 — Black Knight   
 — Oxford



Source: FHFA (data through 1Q:24); Oxford Economics (May 2024 forecast); Moody's Economy.com (June 2024 baseline); Goldman Sachs (June 2024 forecast); Black Knight (Apr 2024). Historical HPI is based on FHFA single-family purchase-only index.