

An aerial photograph of a suburban neighborhood, showing a grid of streets, numerous houses with varying roof colors (red, grey, blue), and many green trees. The scene is captured from a high angle, looking down on the community.

Economic Outlook: Resilient But Vulnerable

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Agenda

1. The Big Picture
2. Housing Demand
3. Risks And Shocks
4. Leading Vs Lagging Indicators
5. What A Recession Could Mean And Conclusions

“Give me a one-handed economist... All my economists say, ‘on the one hand...on the other’”.

- Harry Truman

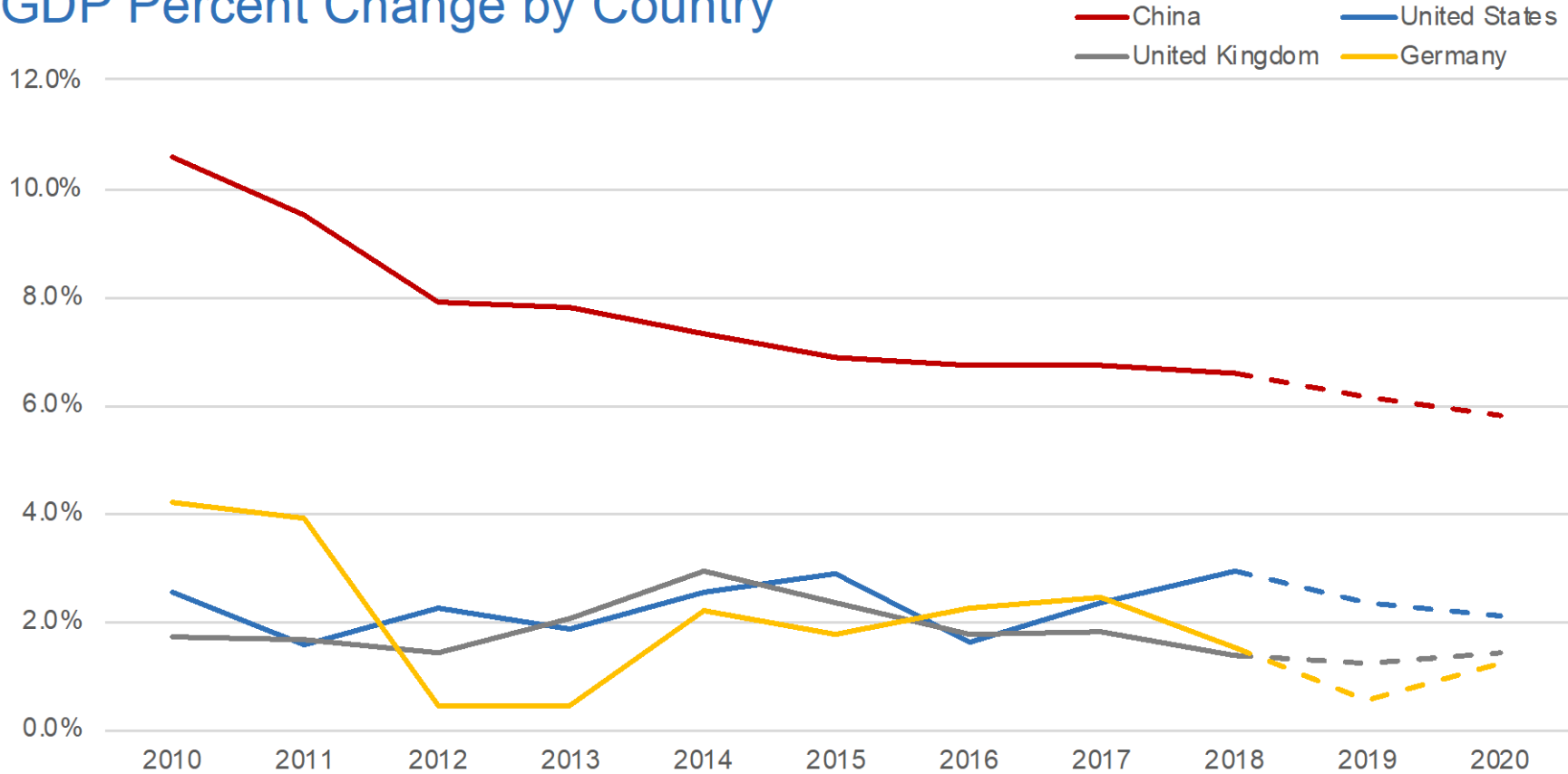




The Big Picture

Global Economies Continue The Trend Of Growing But Slowing

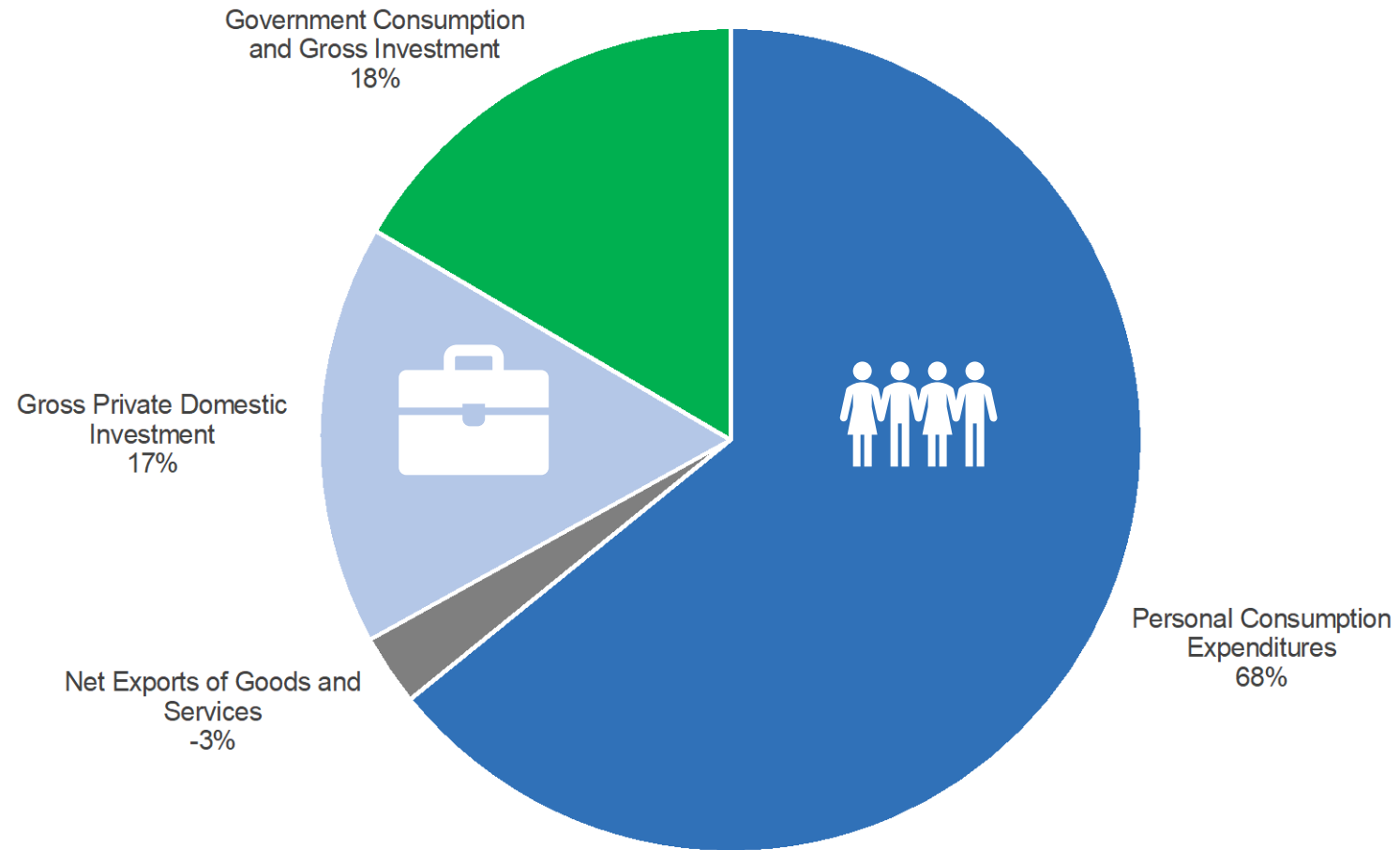
GDP Percent Change by Country



Source: IMF; Meyers Research

Consumers Are #1

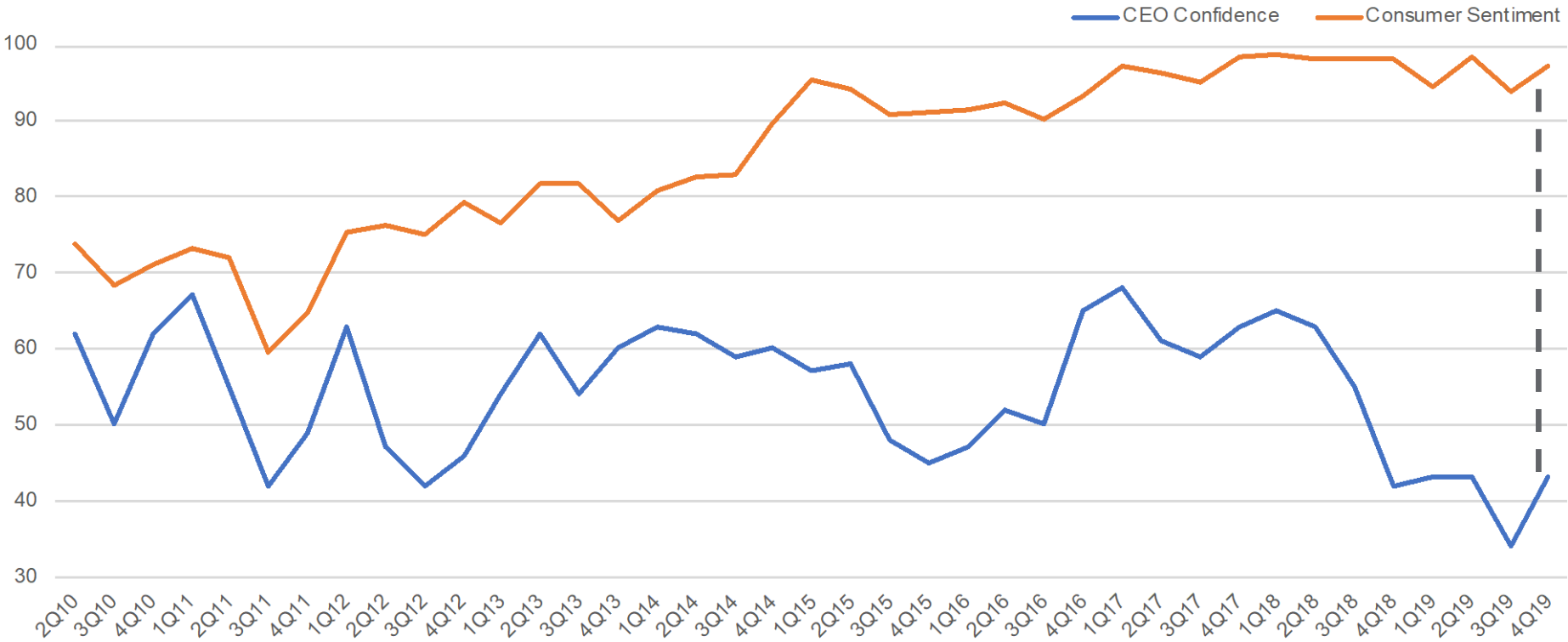
2019 Components of GDP



Source: Bureau of Economic Analysis; Meyers Research

Two Large Parts Of The Economy Are Working Against Each Other

Consumer Sentiment vs CEO Confidence



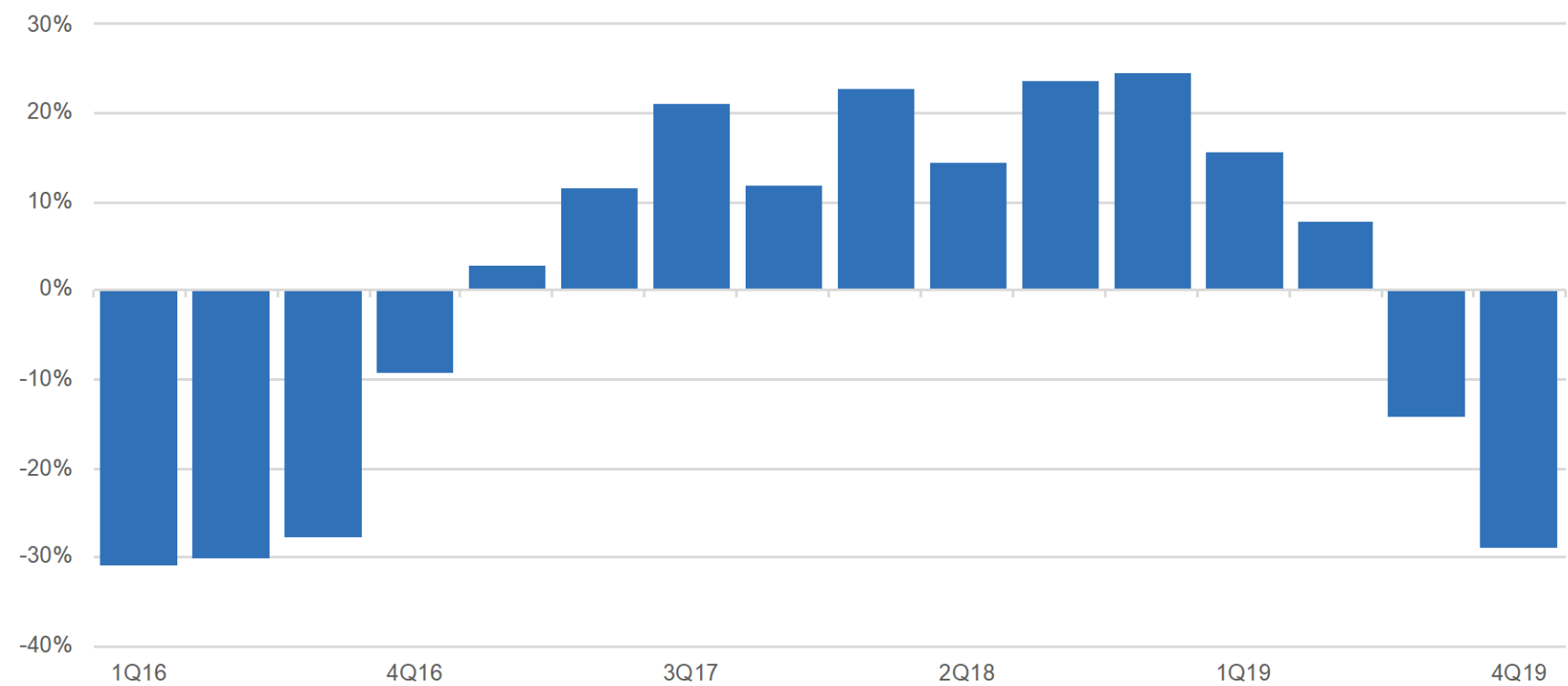
Source: University of Michigan; Conference Board; Meyers Research

CEOs Are Carrying The Weight Of The World



And Their Decisions Directly Impact The Economy

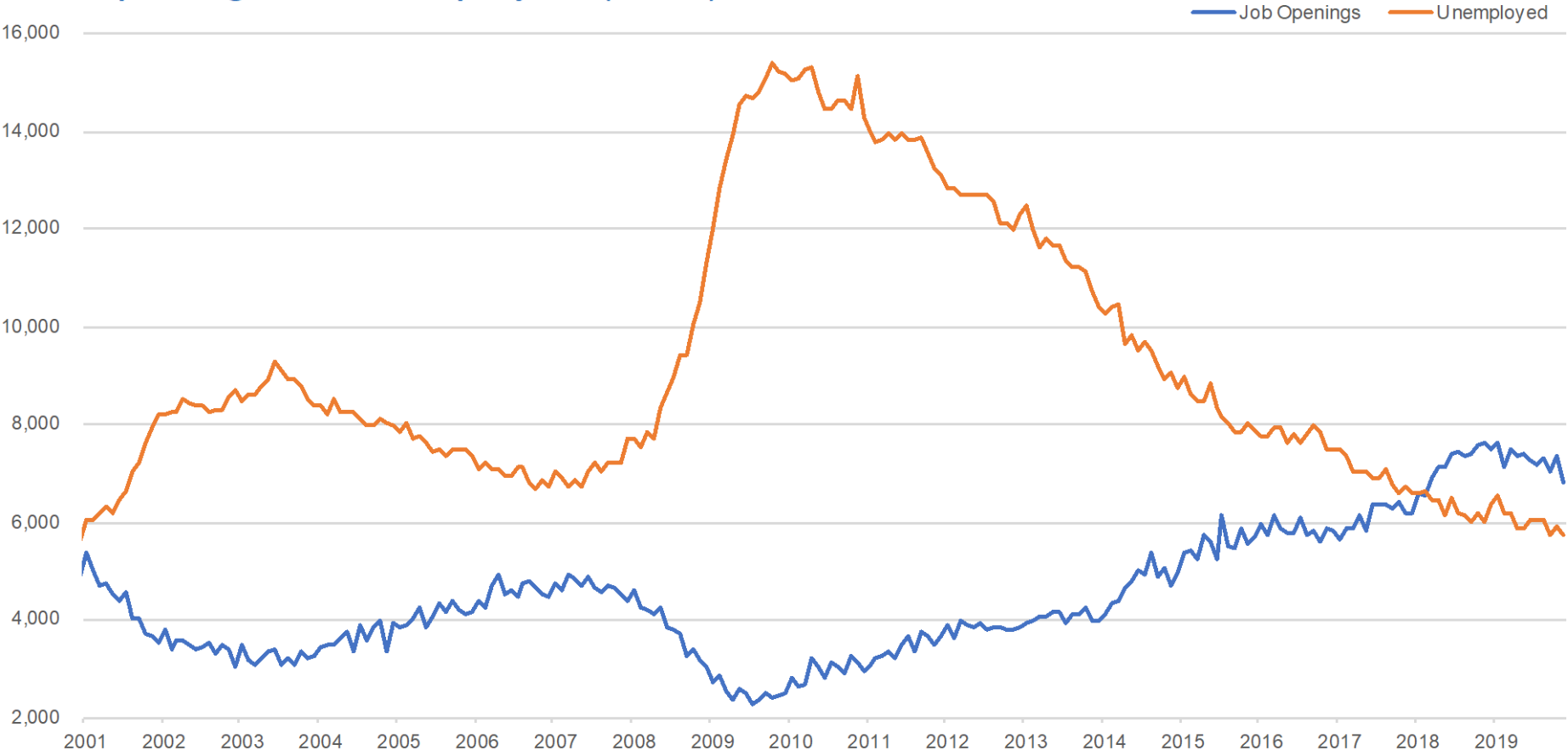
Net Private Domestic Investment (YOY Change)



Source: Bureau of Economic Analysis

The Labor Market Is Driving Consumer Confidence

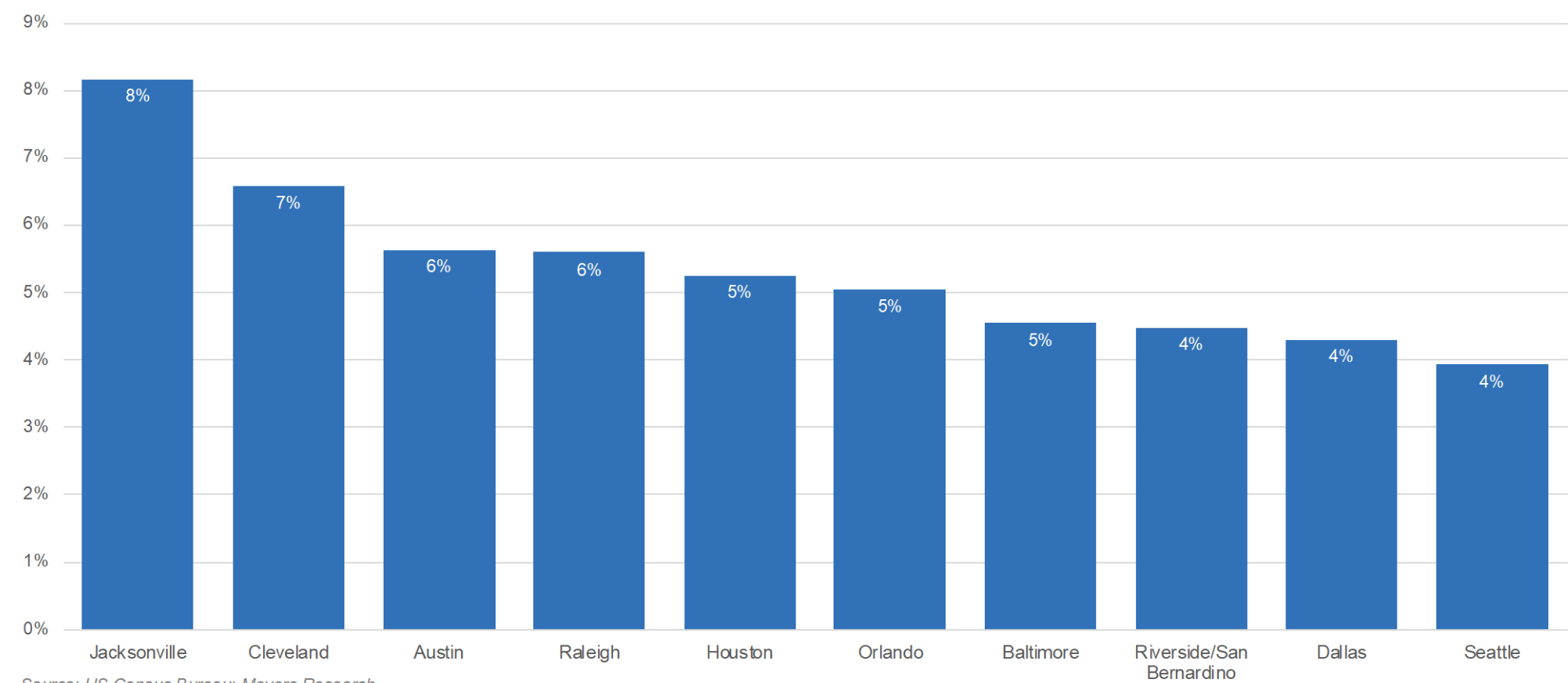
Job Openings vs Unemployed (000s)



Source: Bureau of Labor Statistics; Meyers Research

Job Growth Continues To Outperform

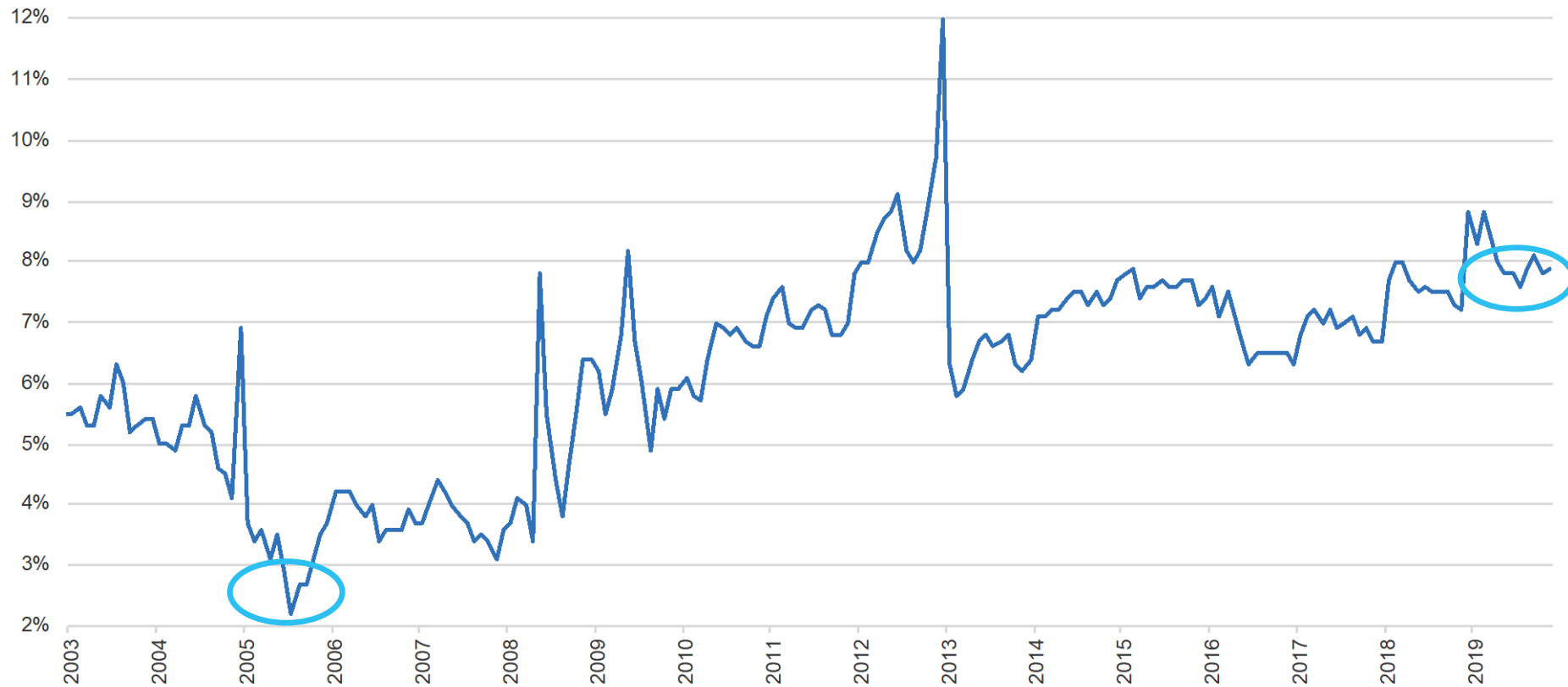
1-Year Professional and Business Services Job Growth Rate



Source: US Census Bureau; Meyers Research

Prudent Ratio Of Spending And Saving

Personal Savings Rate



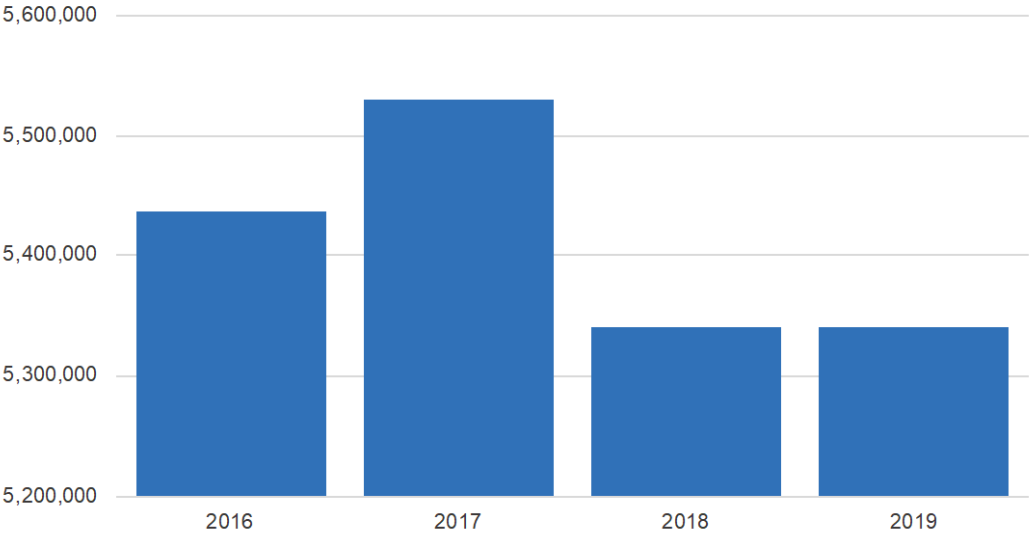
Source: Bureau of Economic Analysis; Meyers Research



Housing Demand

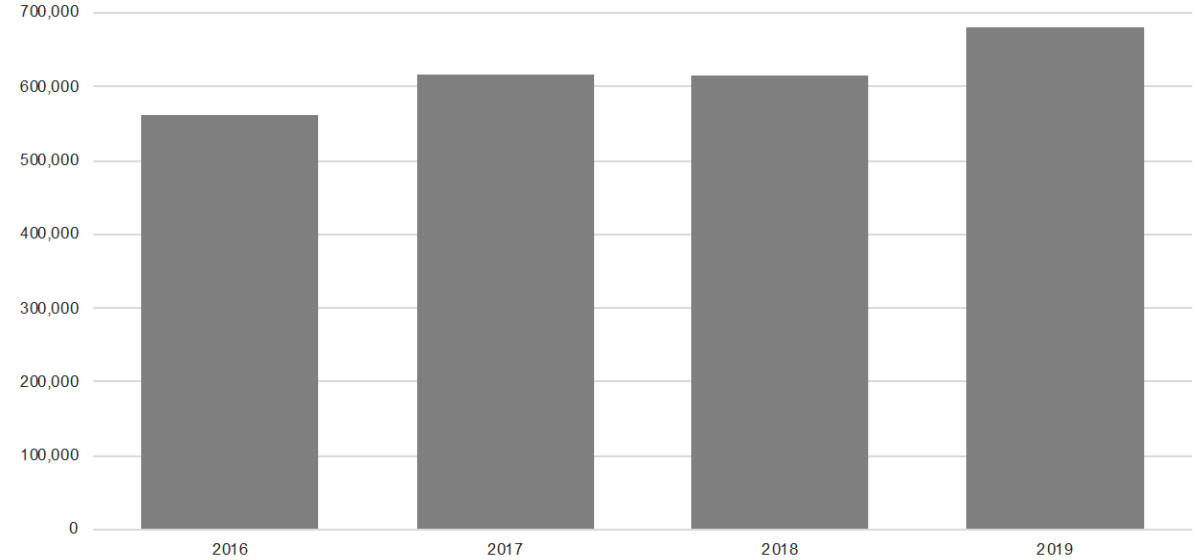
Total Home Sales Up Thanks To The New Home Market

Existing Home Sales



Source: National Association Of Realtors; Meyers Research

New Home Sales



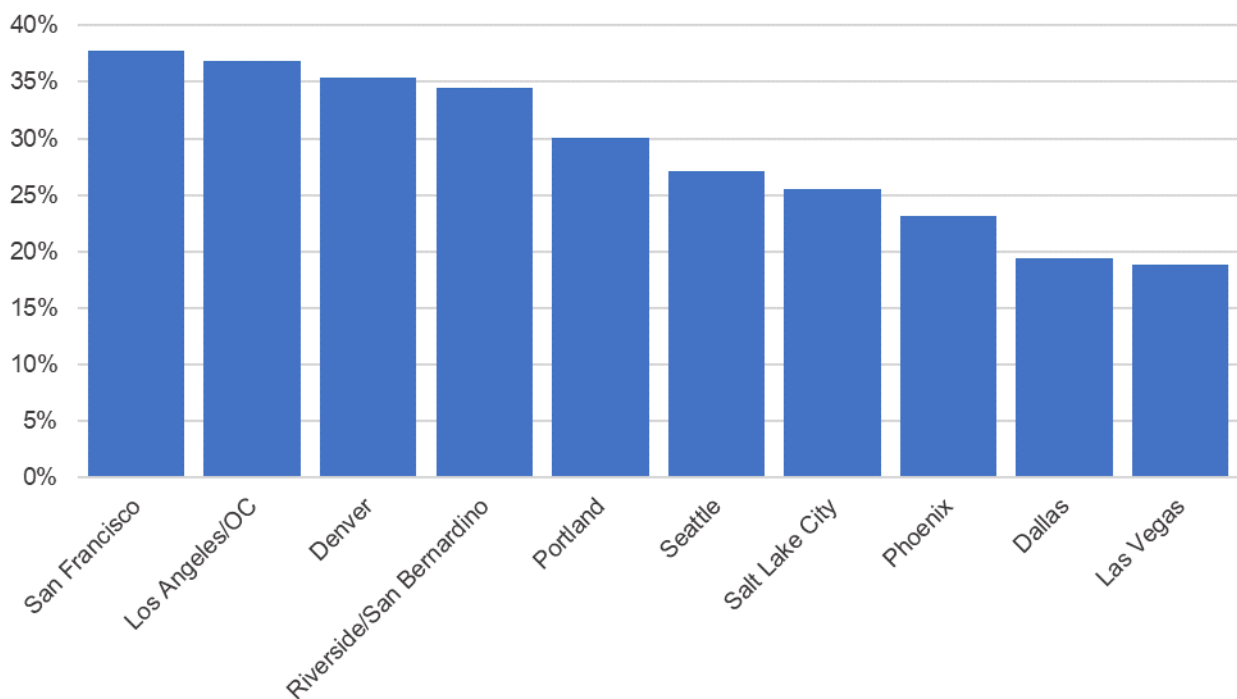
Source: US Census Bureau; Meyers Research

The New Home Market Is A Big Contributor To The Economy



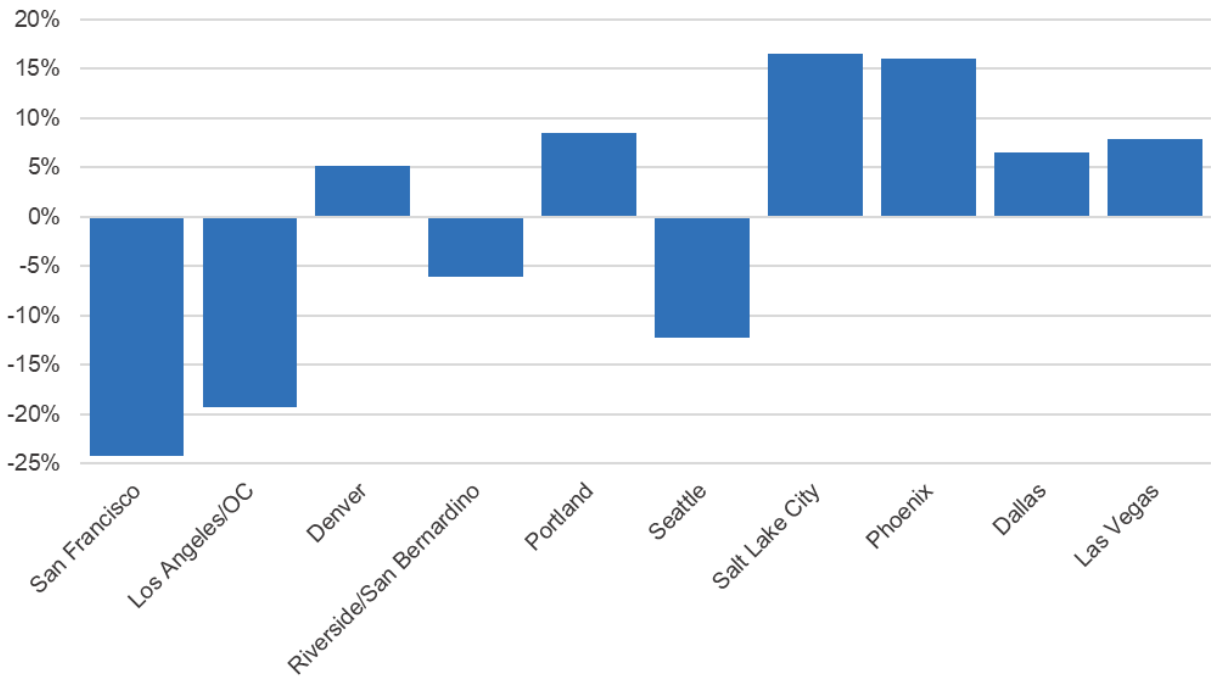
Growth Rates Pulled Up From Easy Comps; 2-Year Change Shows Different Story

January New Home Pending Sales Index (YOY Change)



Source: Zonda and Metrostudy

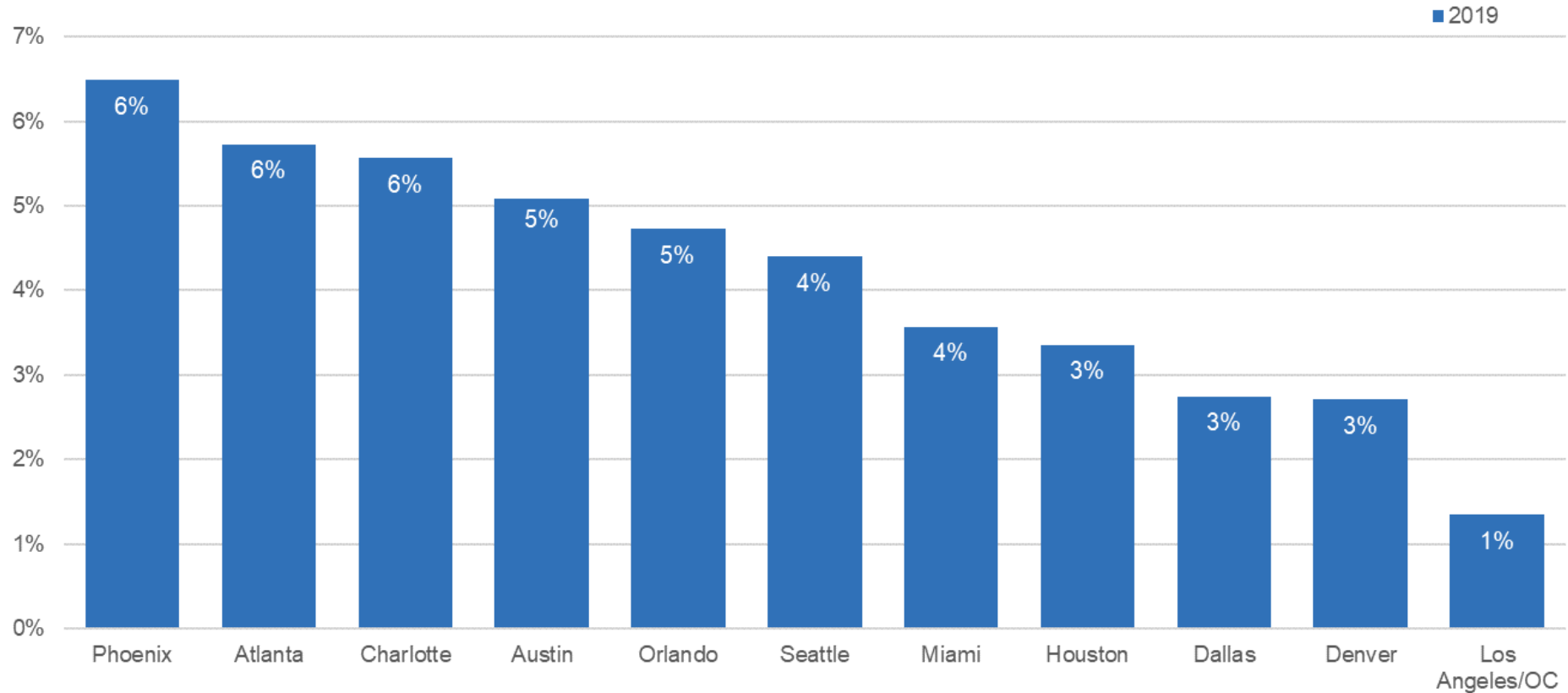
January New Home Pending Sales Index (2-Year Change)



Source: Zonda and Metrostudy

Housing Activity Also Drives Our Mood

SFD Existing Price Growth (YOY Change)



Source: Zonda by Meyers Research



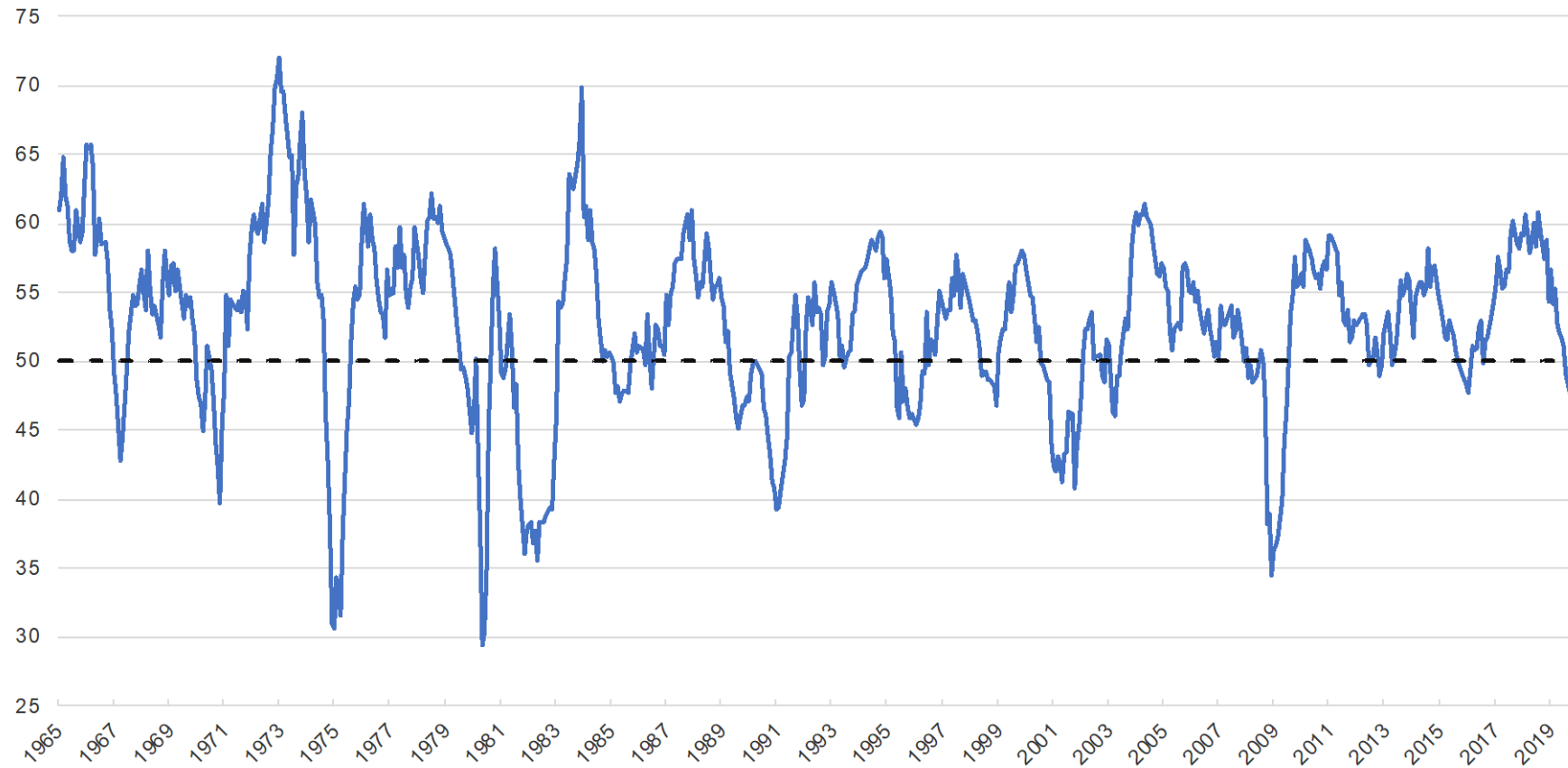
Risks And Shocks

Phase One Of The Trade Deal Was Signed Last Month



But Some Sectors Were Already Caught In The Crossfires

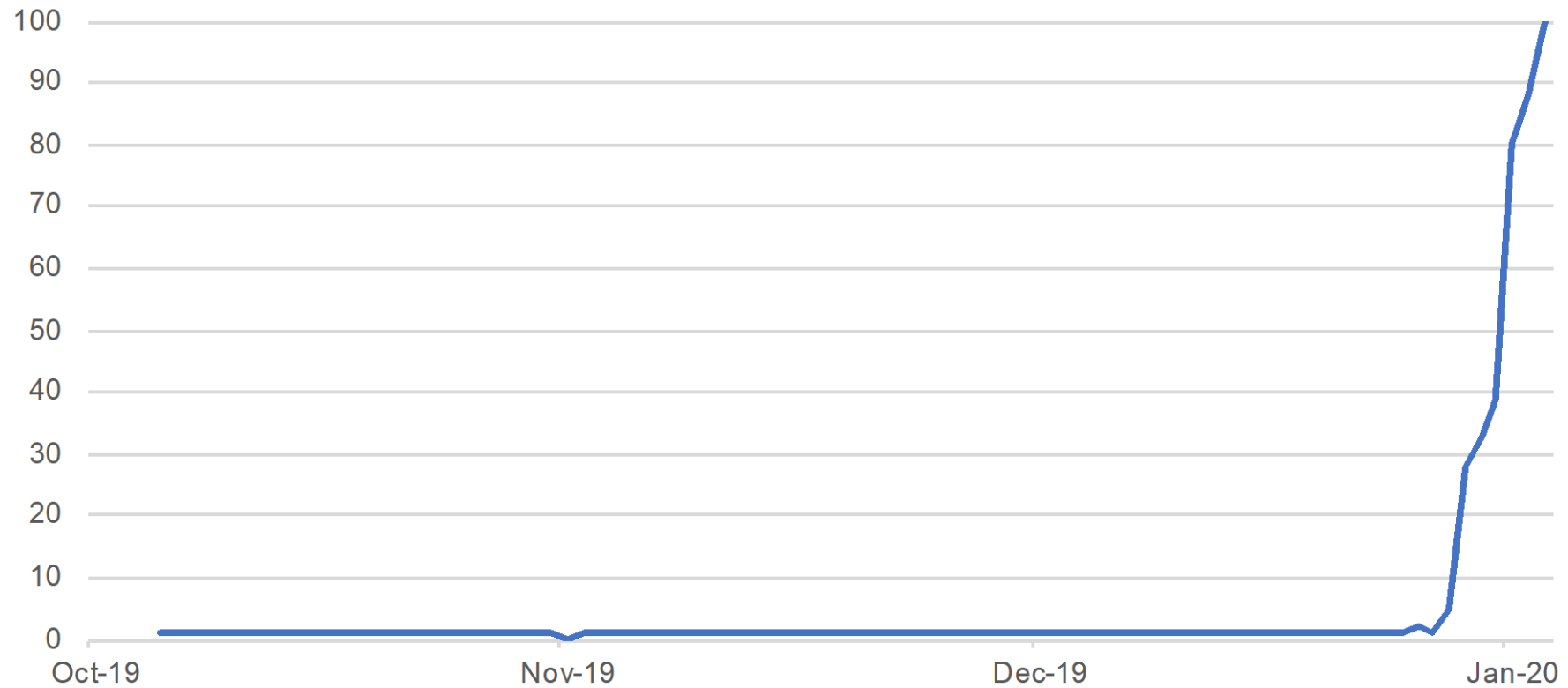
ISM: Purchasing Managers' Index



Source: Institute of Supply Management; Meyers Research

Another Unforeseen Shock

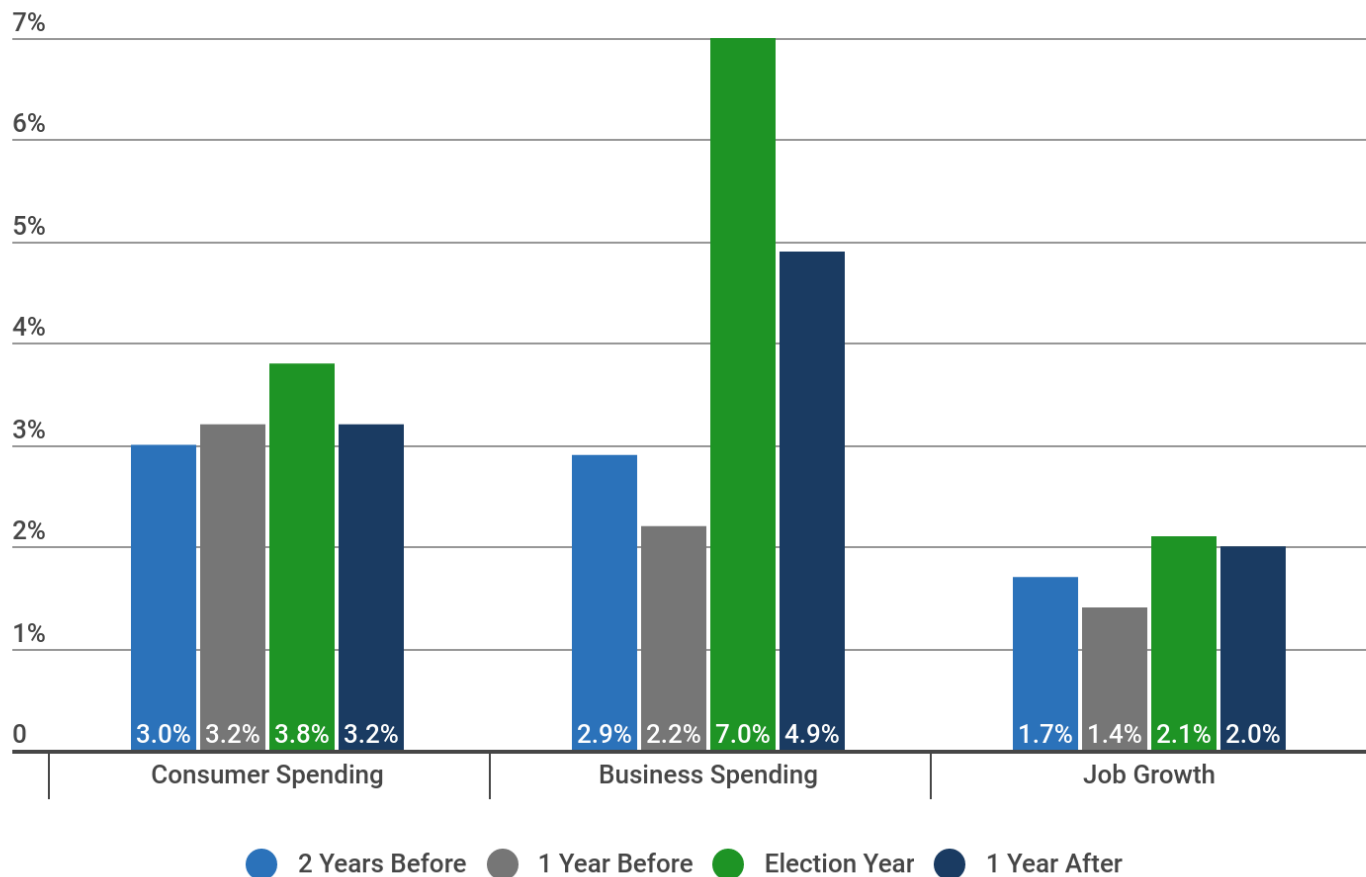
Google Trends: Coronavirus



Source: Google Trends; Meyers Research

Someone Does Not Want The Trade War To Hurt The Economy

Economic Activity In The Election Cycle*



Housing

-15%

in an election year

-8%

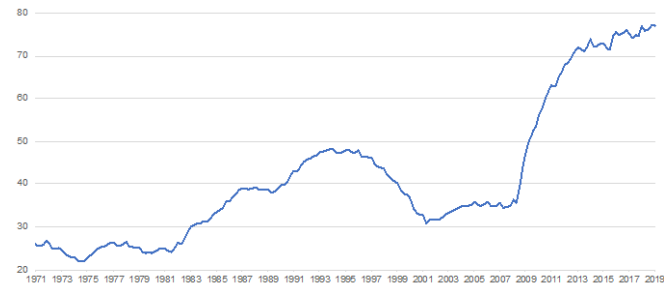
in a non-election year

Source: Bureau of Economic Analysis; US Census Bureau; Meyers Research *Annual average year-over-year change

Some Parts Of The Economy Appear Overleveraged

Government

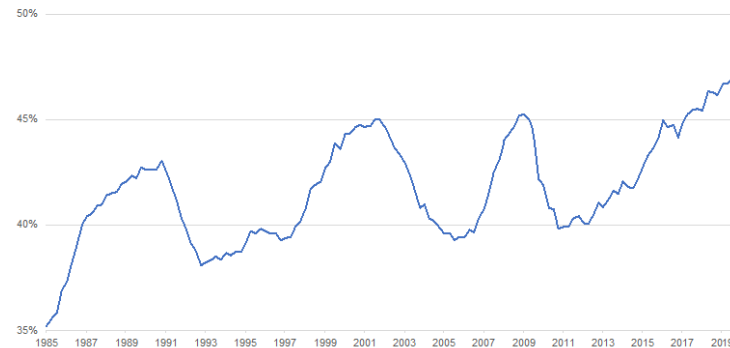
Federal Debt Held by the Public as Percent of GDP



Source: US Office of Management and Budget; Meyers Research

Corporate

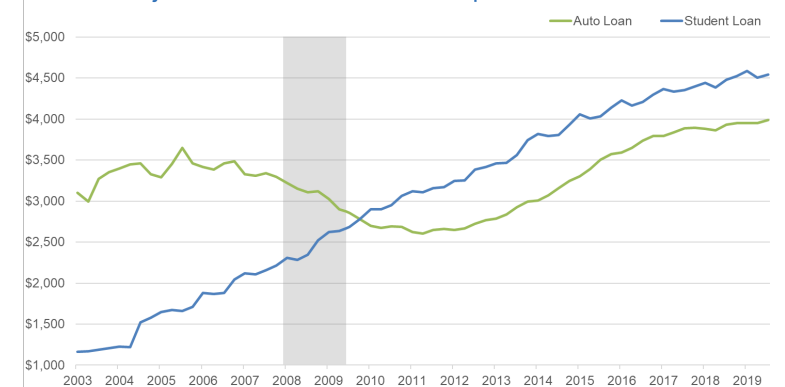
Corporate Debt as Percentage of GDP



Source: Board of Governors of the Federal Reserve; BEA; Meyers Research

Consumer

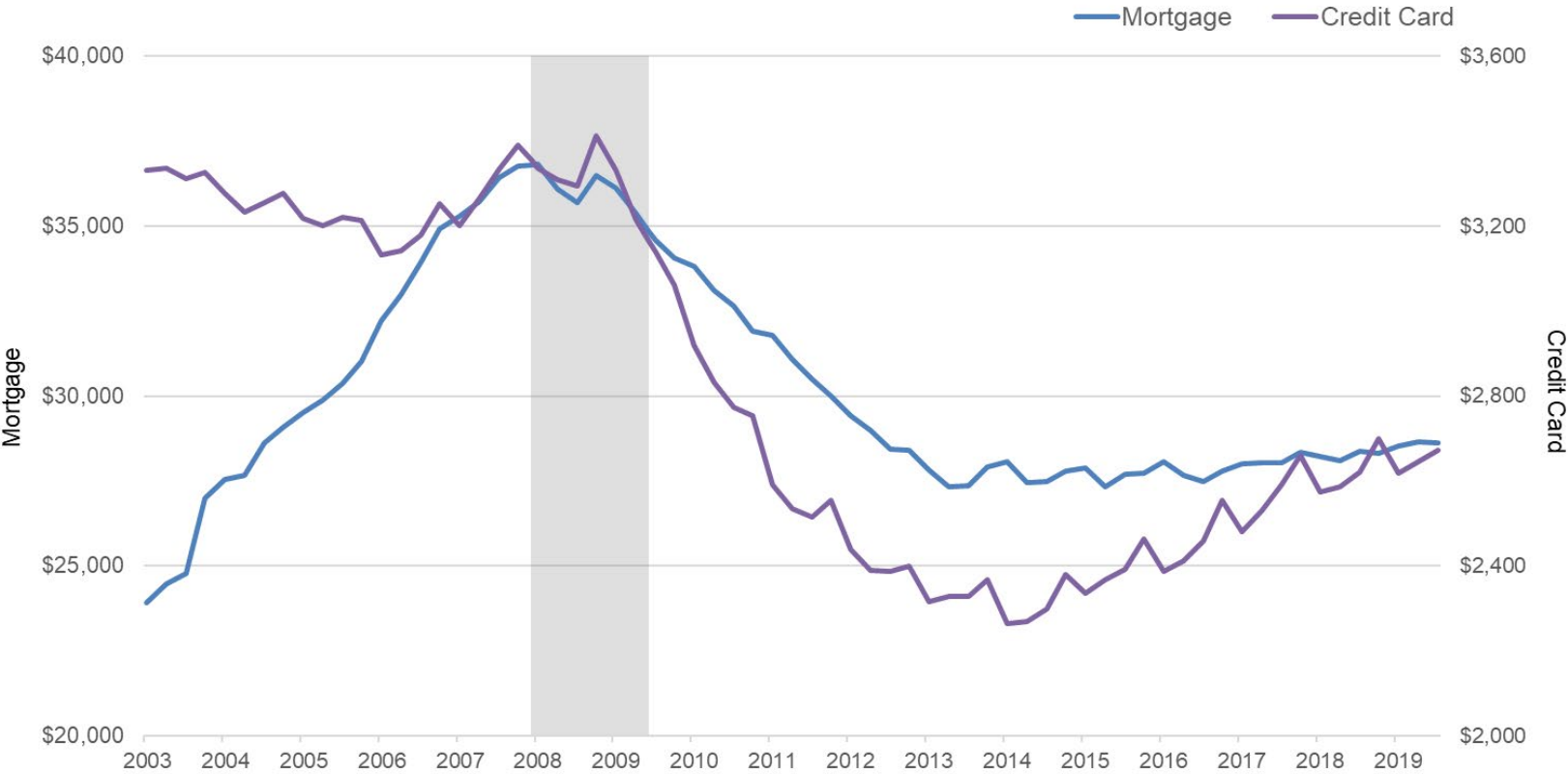
Inflation Adjusted Debt Balance Per Capita



Source: New York Fed Consumer Credit Panel/Equifax; Meyers Research

But Not All Parts Of Debt Look Bad

Inflation Adjusted Debt Balance Per Capita



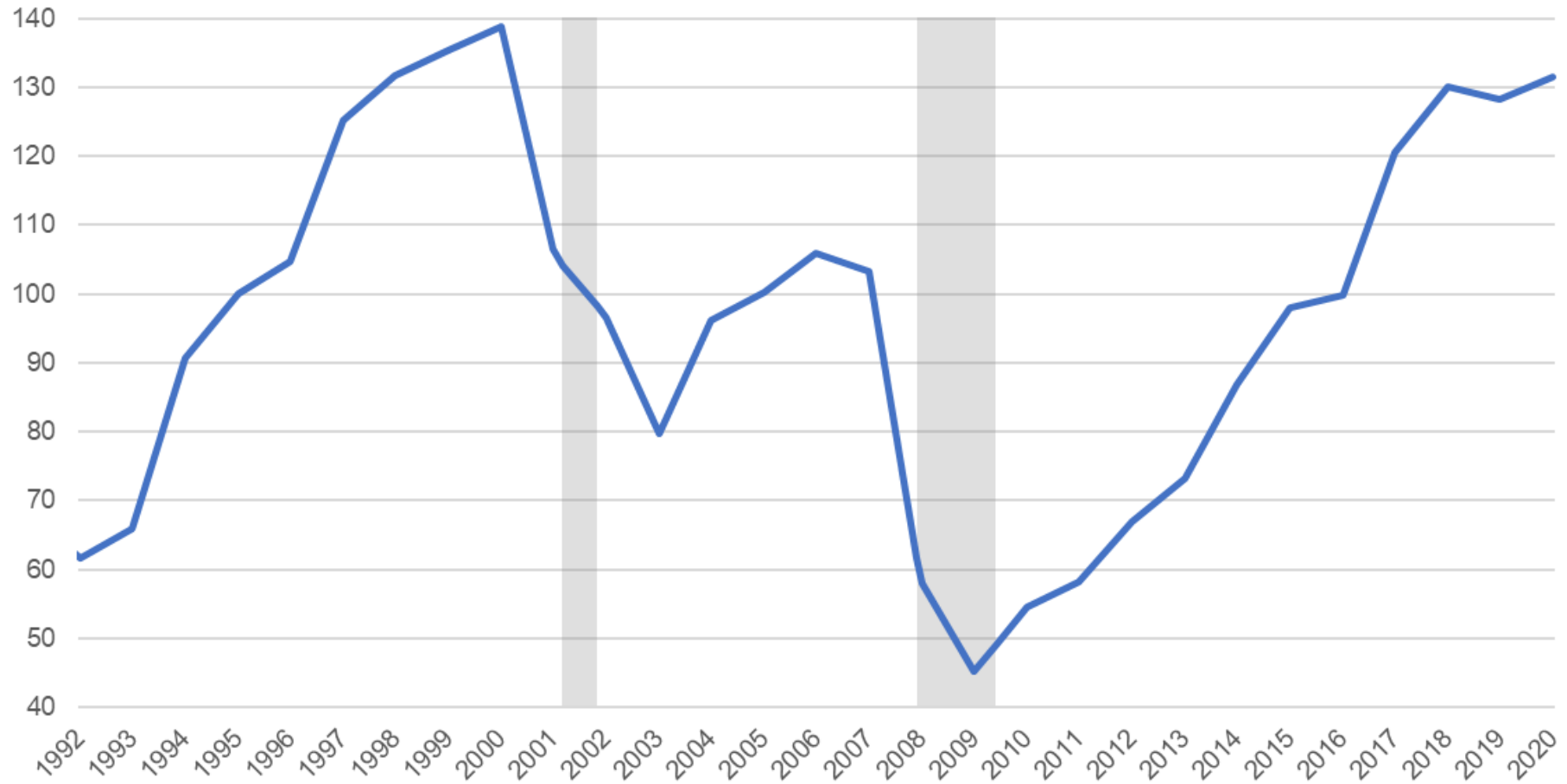
Source: New York Fed Consumer Credit Panel/Equifax; Meyers Research



Leading Vs Lagging Indicators

Headline Consumer Confidence Looks Great....

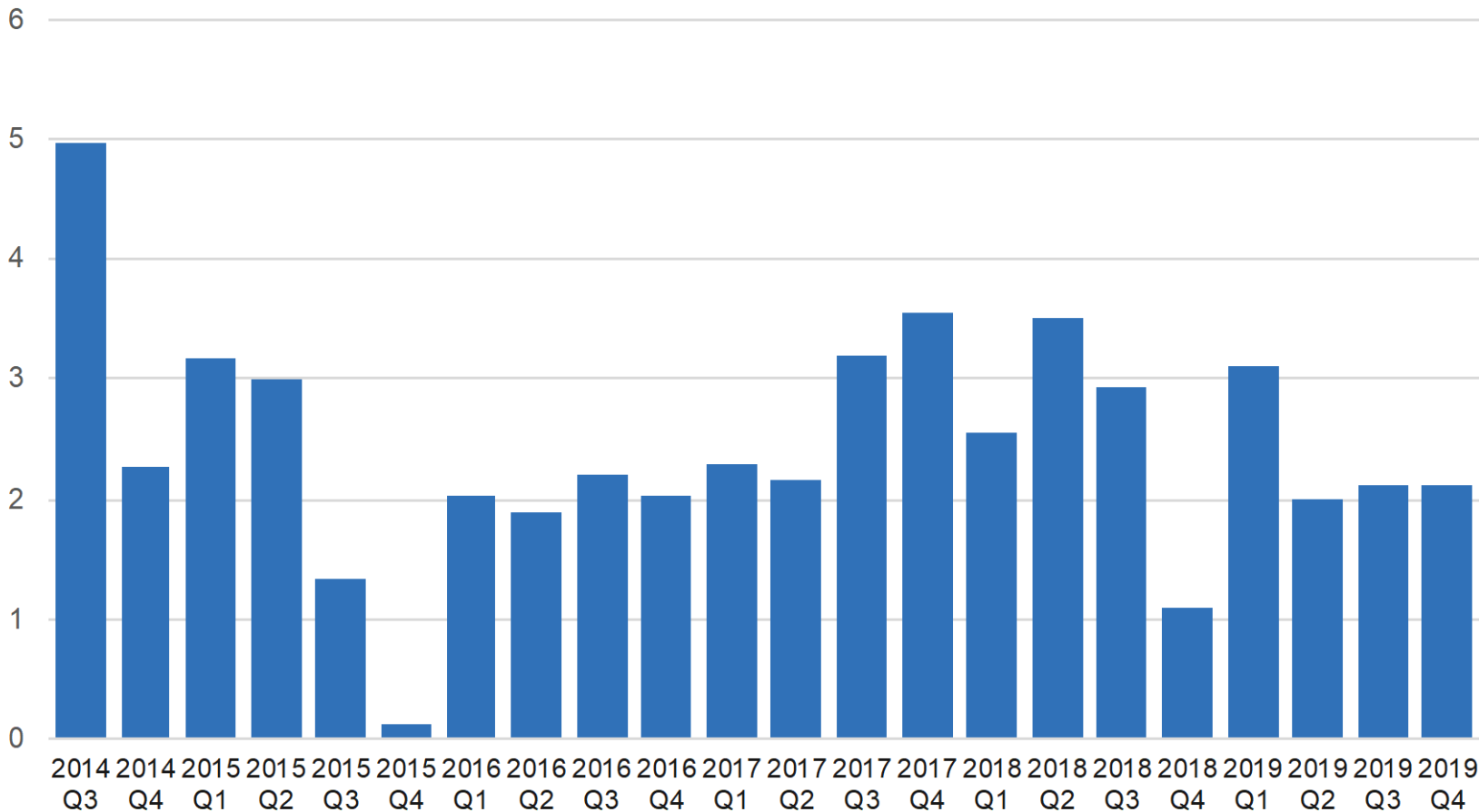
US Consumer Confidence Index



Source: Conference Board; Moody's Analytics; Meyers Research

The 2019 GDP Headline Number Is 2.3%

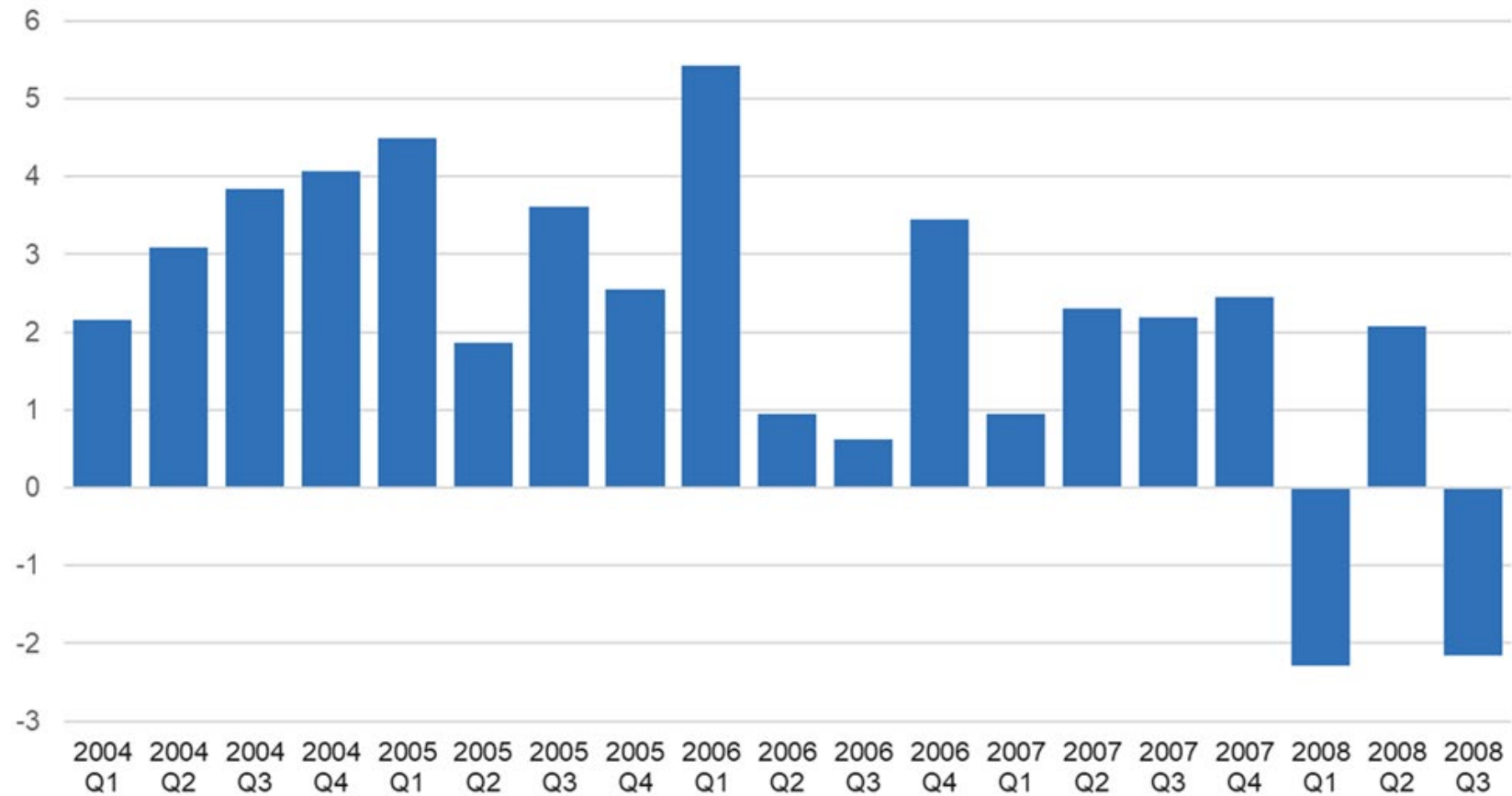
US GDP 2014-Current



Source: Moody's Analytics; Meyers Research

But Does That Matter?

US GDP 2004-2008



Source: Moody's Analytics; Meyers Research

Leading Indicators Point To Growth

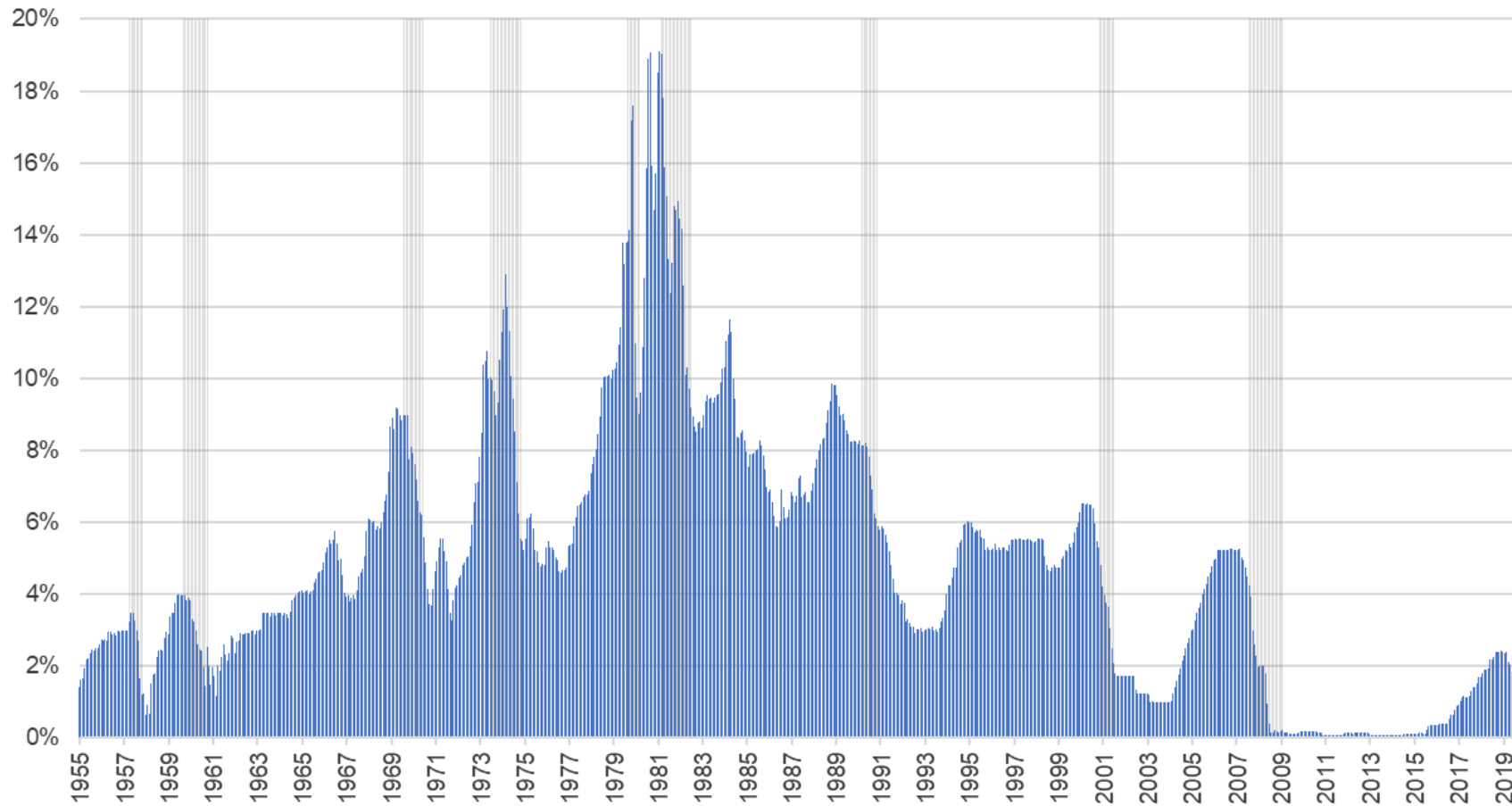
- 1.Unemployment
- 2.Unemployment And Inflation Spread
- 3.NFIB Small Business Survey
- 4.10-Year – 2-Year Spread
- 5.10-Year – 3-Month Spread
- 6.SF Starts
- 7.SF Home Sales
- 8.ISM
- 9.Real Retail Sales
10. Leading economic index



What A Recession Could Mean And Conclusion

Unprecedented Levels Of Short-Term Rates

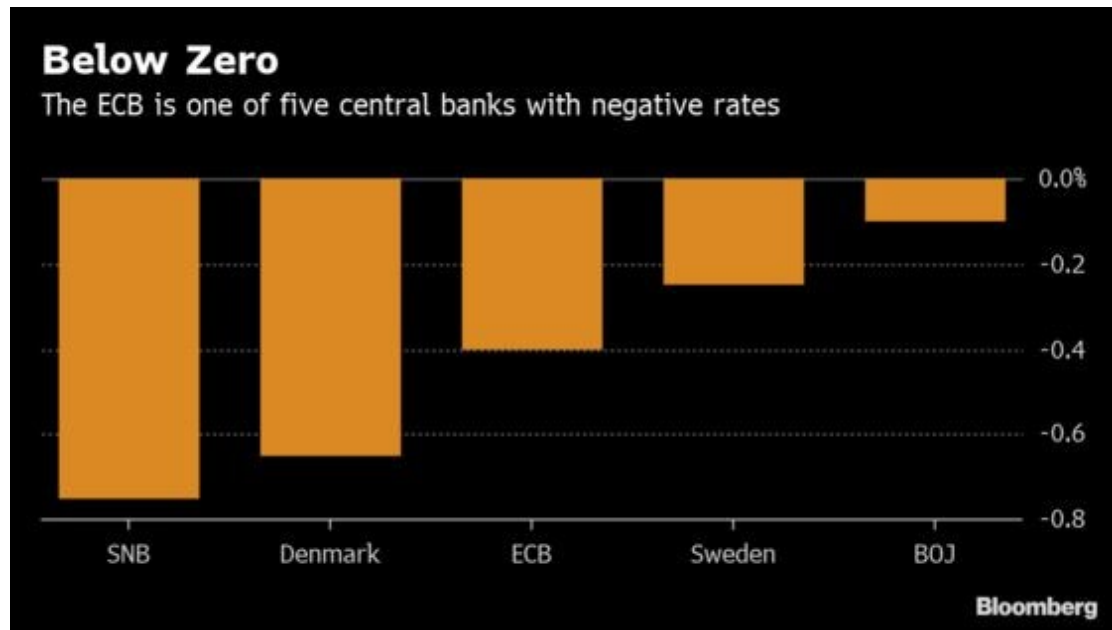
Effective Federal Funds Rate



Source: FRED Economic Data; Meyers Research

Policy Makers Are Reacting To The Slowing Global Growth

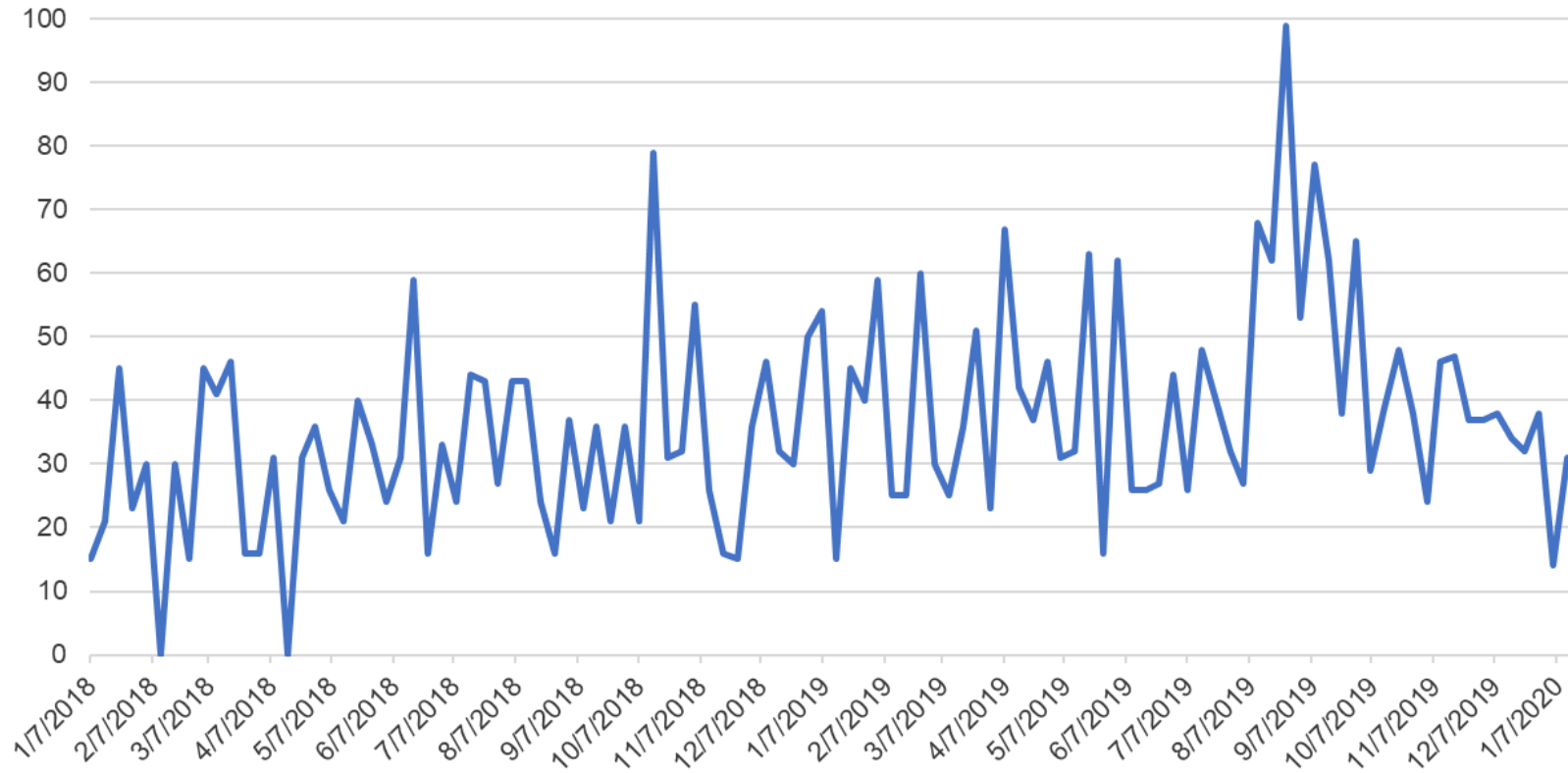
Accommodative



Contributing to growth in
stock market

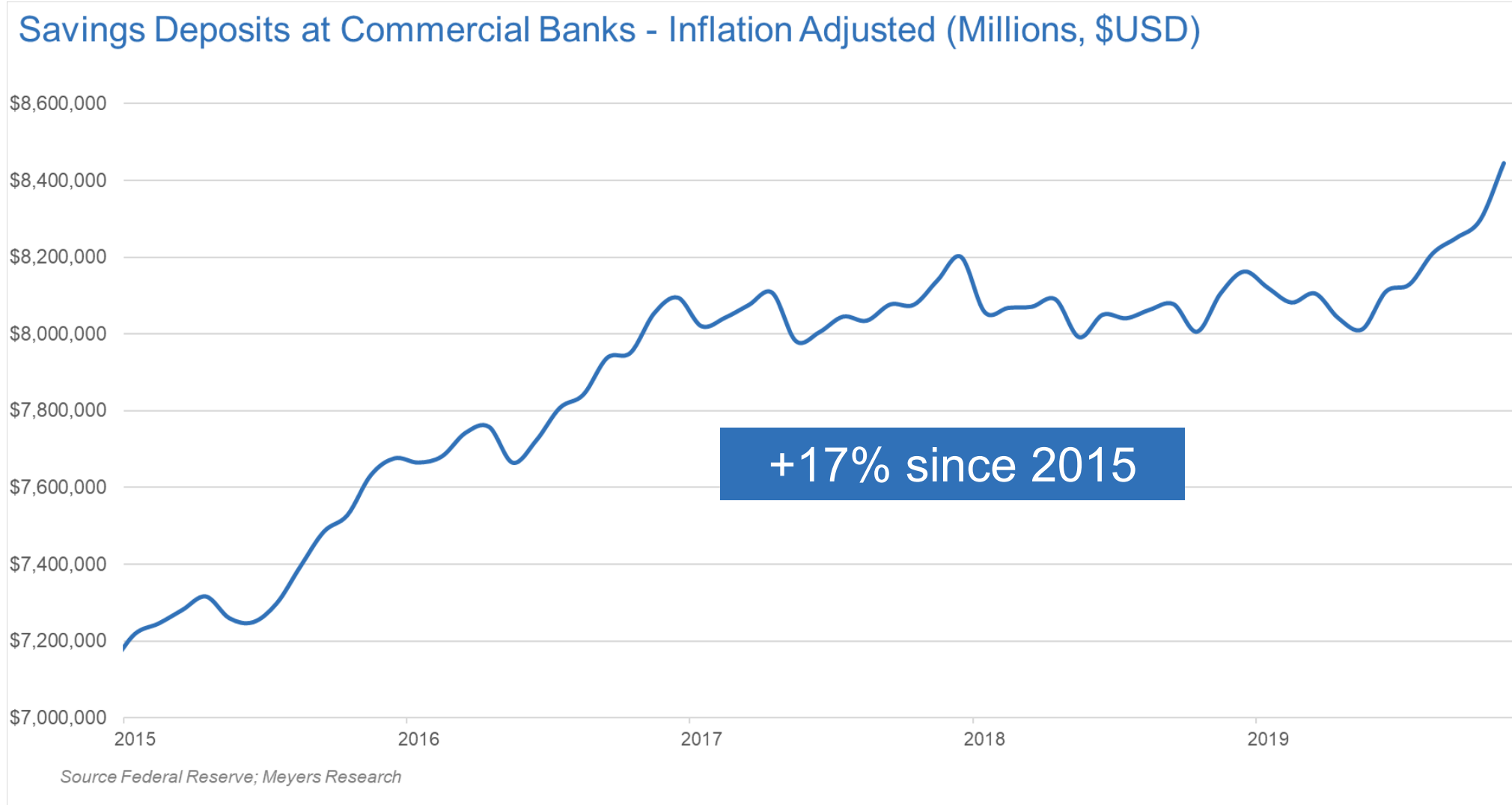
“We” Are Less Concerned About A Recession

When Is The Next Recession?

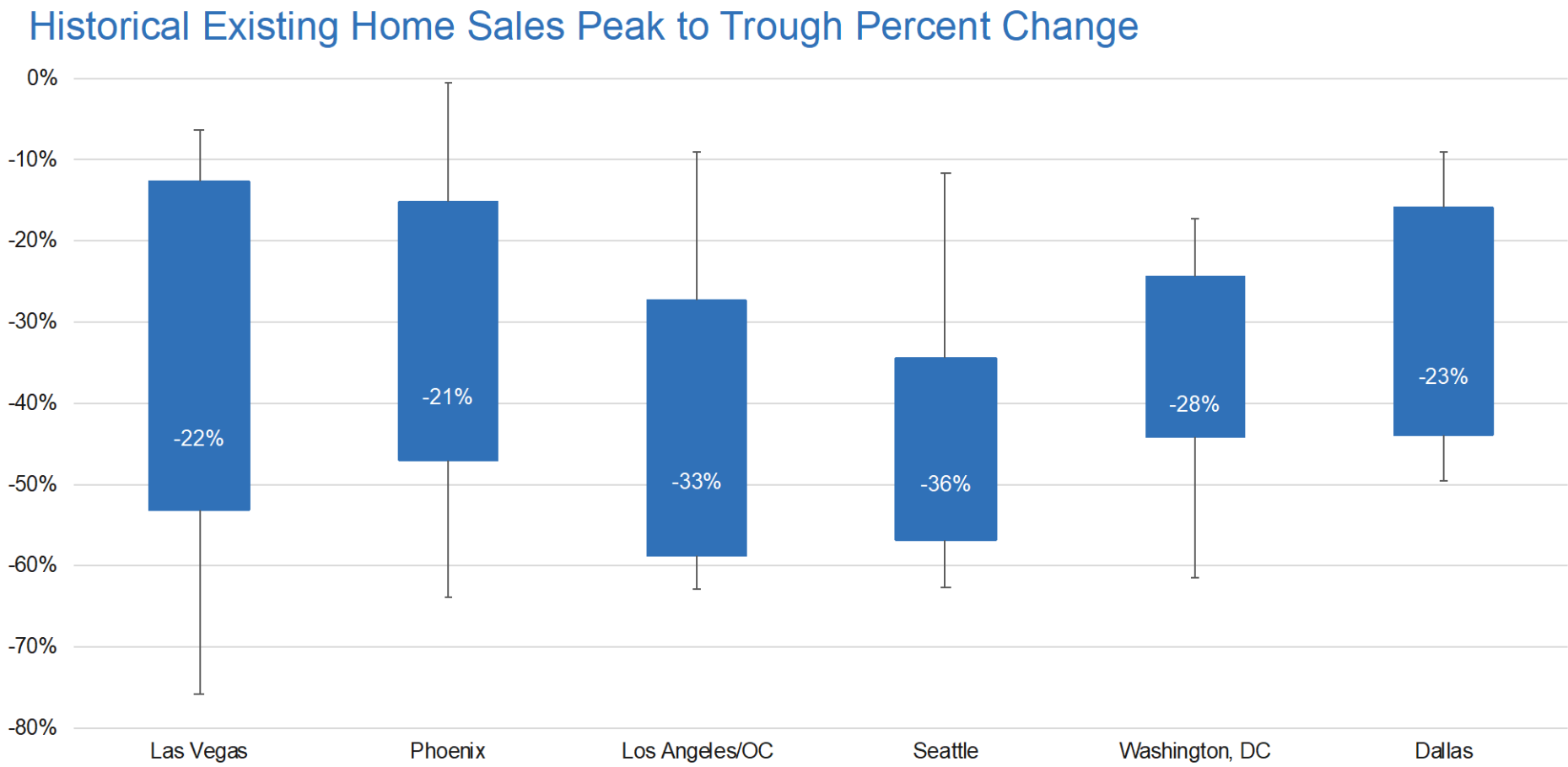


Source: Google Trends; Meyers Research

Shift To Cash Does Suggest Some Unease Though



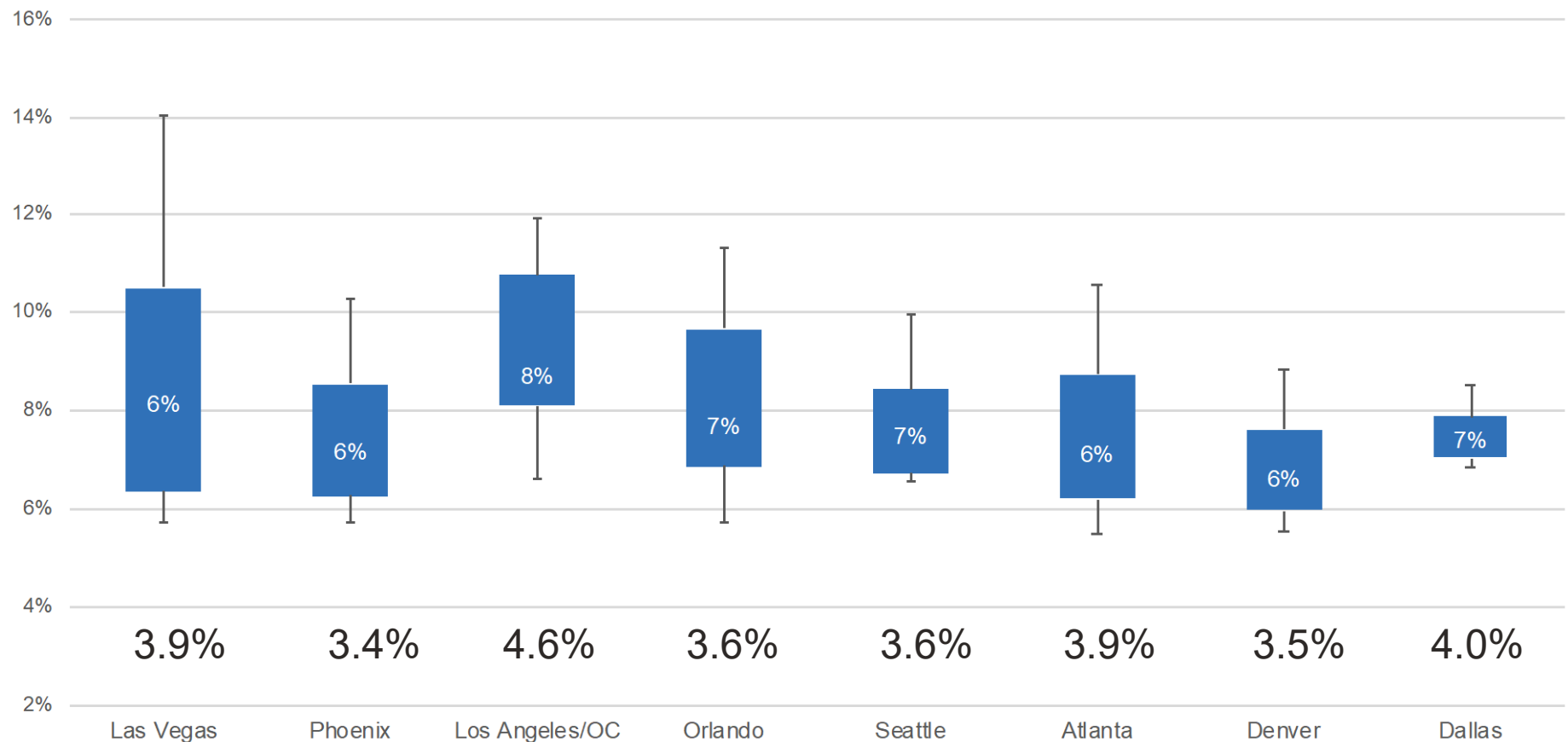
Sales Slip 25% From Peak To Trough



Source: NAR; Moody's Analytics; Meyers Research

Change In Employment Looks Nothing Like The Great Recession

Historical Unemployment Peak to Trough



Source: BLS, Moody's Analytics; Meyers Research

Let's Address The Threats To Our Forecast First...

Our baseline projection is for a 25% probability the US will enter a recession next 10 months.

- How much longer can the consumer sustain the growth?
- Inflation picks up faster than anticipated and mortgage rates rise quickly
- Normally a pullback related to a presidential election is short-lived. In today's contentious environment, we could see the slowdown in the housing market or broader consumer spending last longer than anticipated
- Phase 1 of trade talks aren't enough to nullify business fears or bring the manufacturing sector back to life
- Political or financial risk that's hard to make sense of and the quickest to steer the economy off course

The Economy Entered 2020 With Some Momentum

- Economic data has turned positive, including the labor market, consumer confidence, and the reversal of the inverted yield curve
- Phase 1 of trade talks point to policy moving in the right direction
- Lower mortgage rates to stay low and buoy the housing market
- More market hedges – SFR, new location, new product

An aerial photograph of a suburban neighborhood with numerous houses, trees, and streets. The image is used as a background for the text.

Thank You!

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Meyers Research offers data – analysis – consulting – technology services
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