



A Tale of Economic Metrics: Understanding Current and Potential Future Economic Conditions

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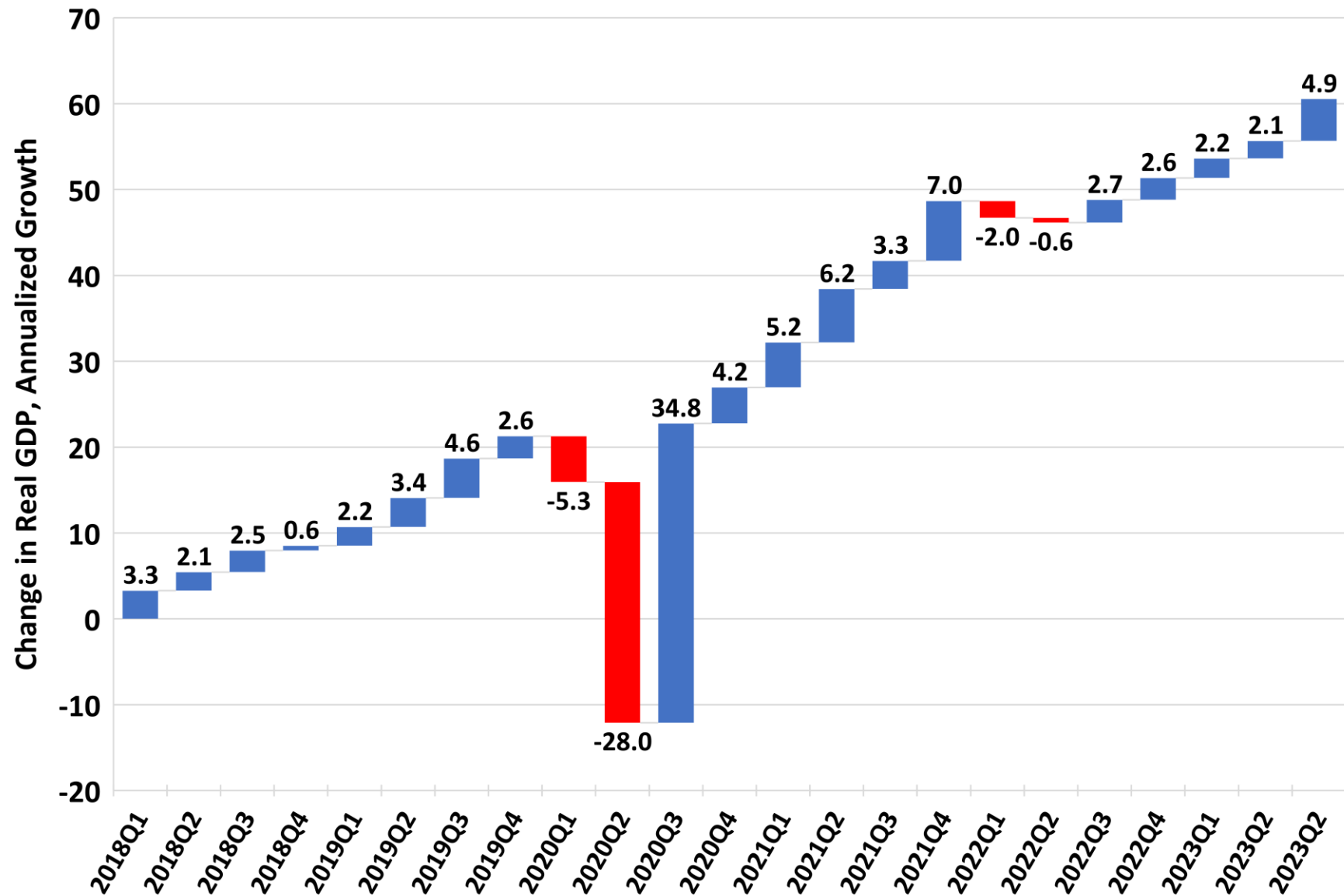


**Texas Finance Commission
Austin, TX
October 27, 2023**

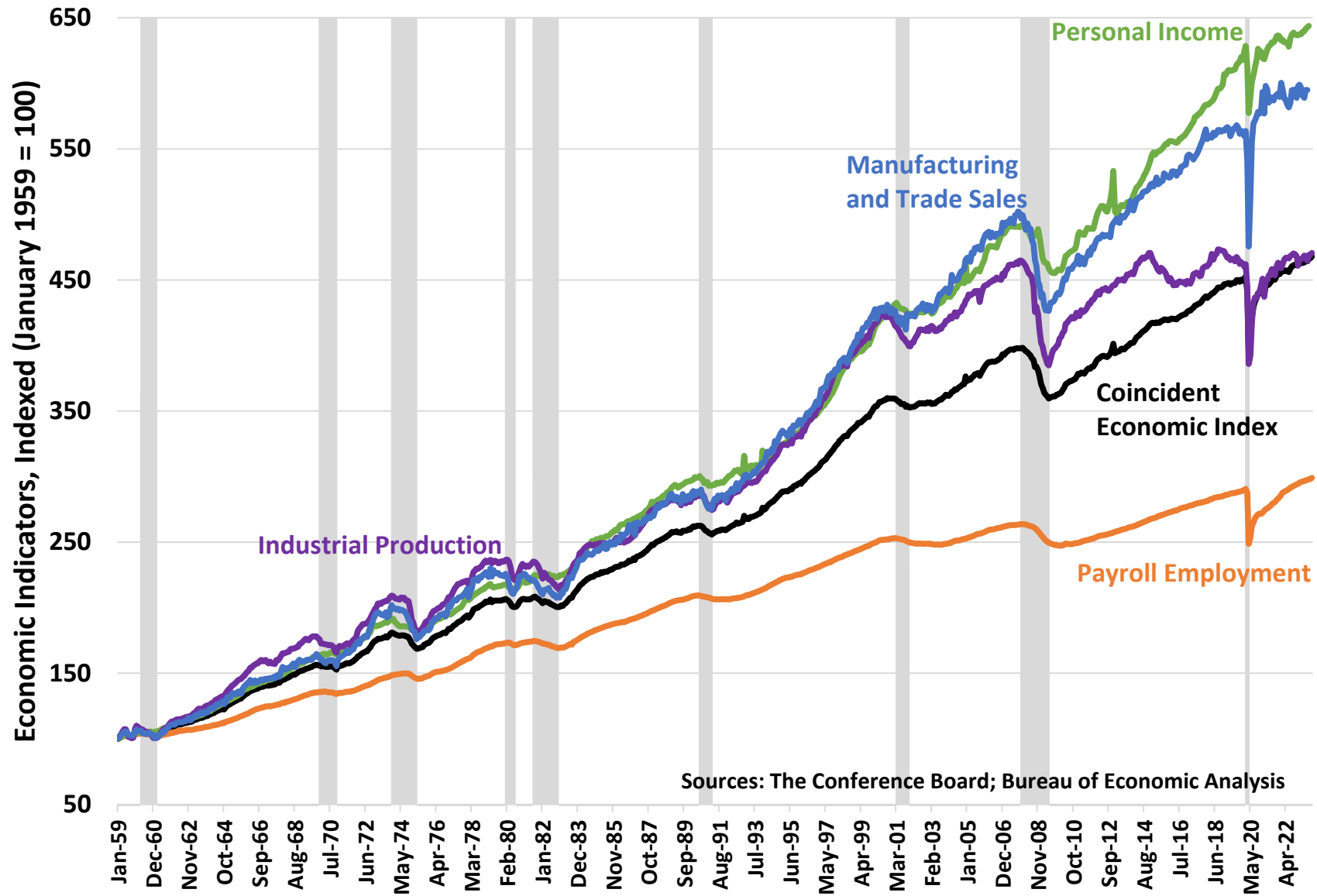


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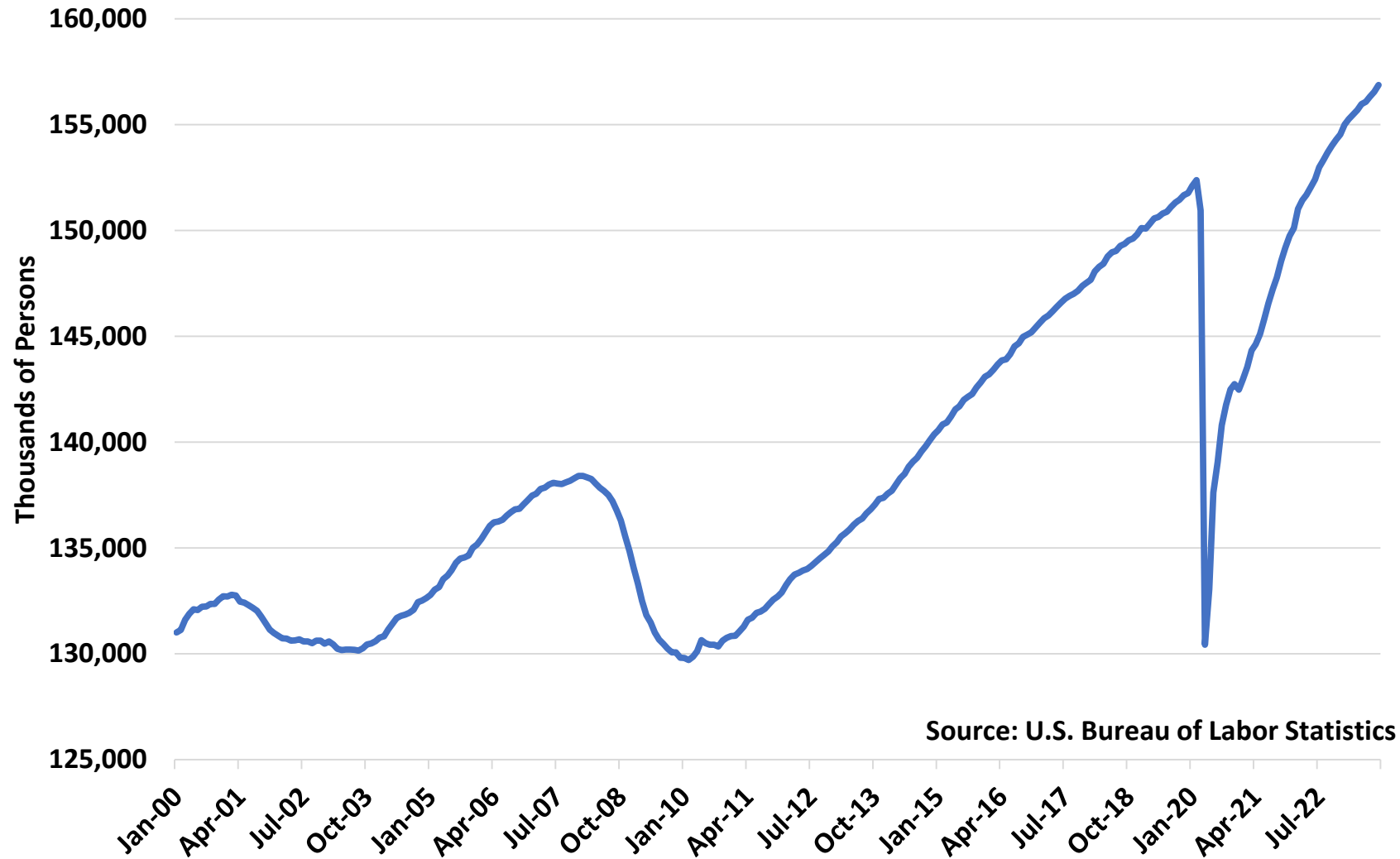
Real Annualized GDP Growth



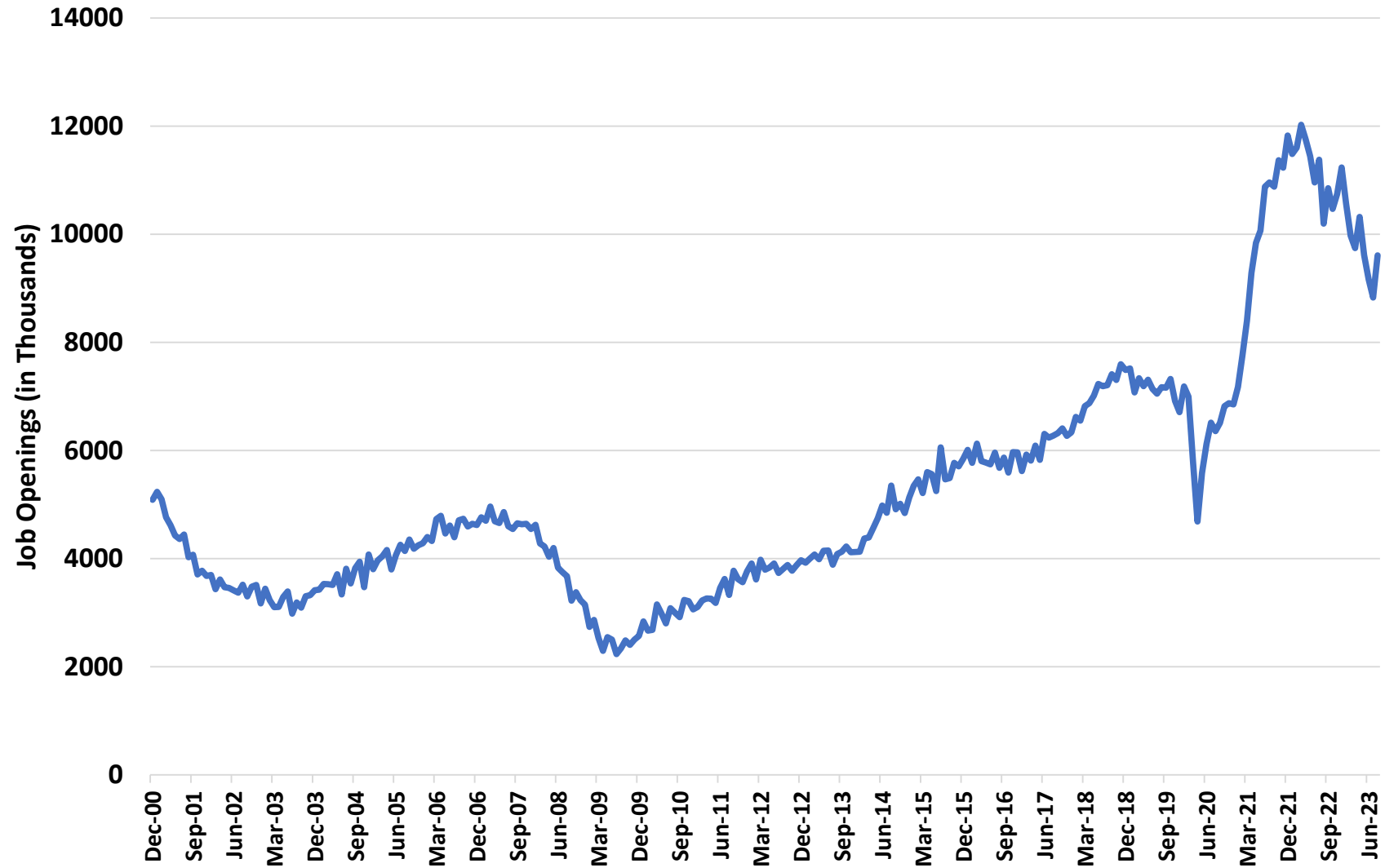
Coincident Economic Indicators



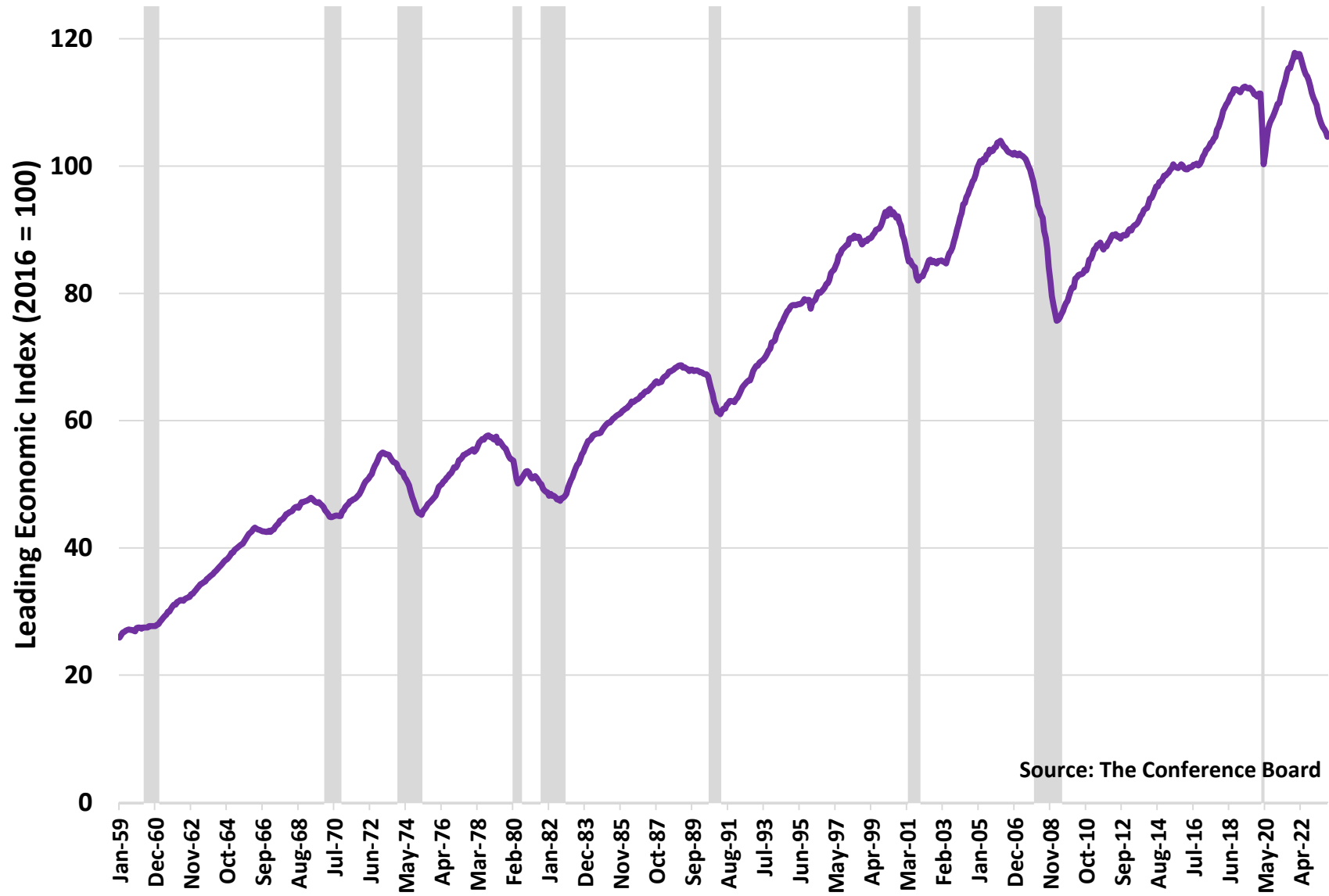
Total U.S. Nonfarm Payroll Employment Surpasses Former Peak by 4.5 Million



Help Wanted! Still 9.6 Million Open Jobs Available in the U.S.



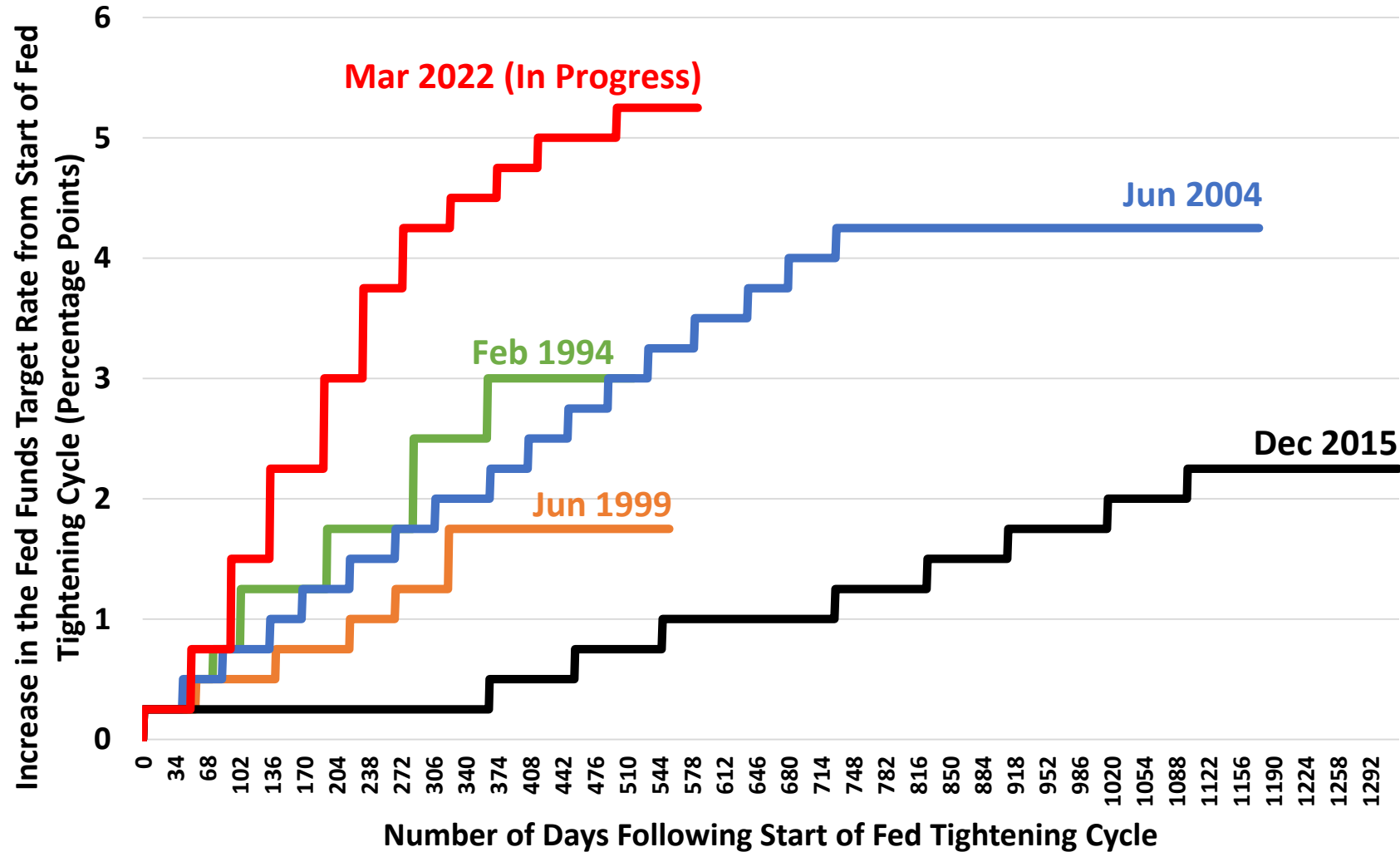
Leading Economic Index



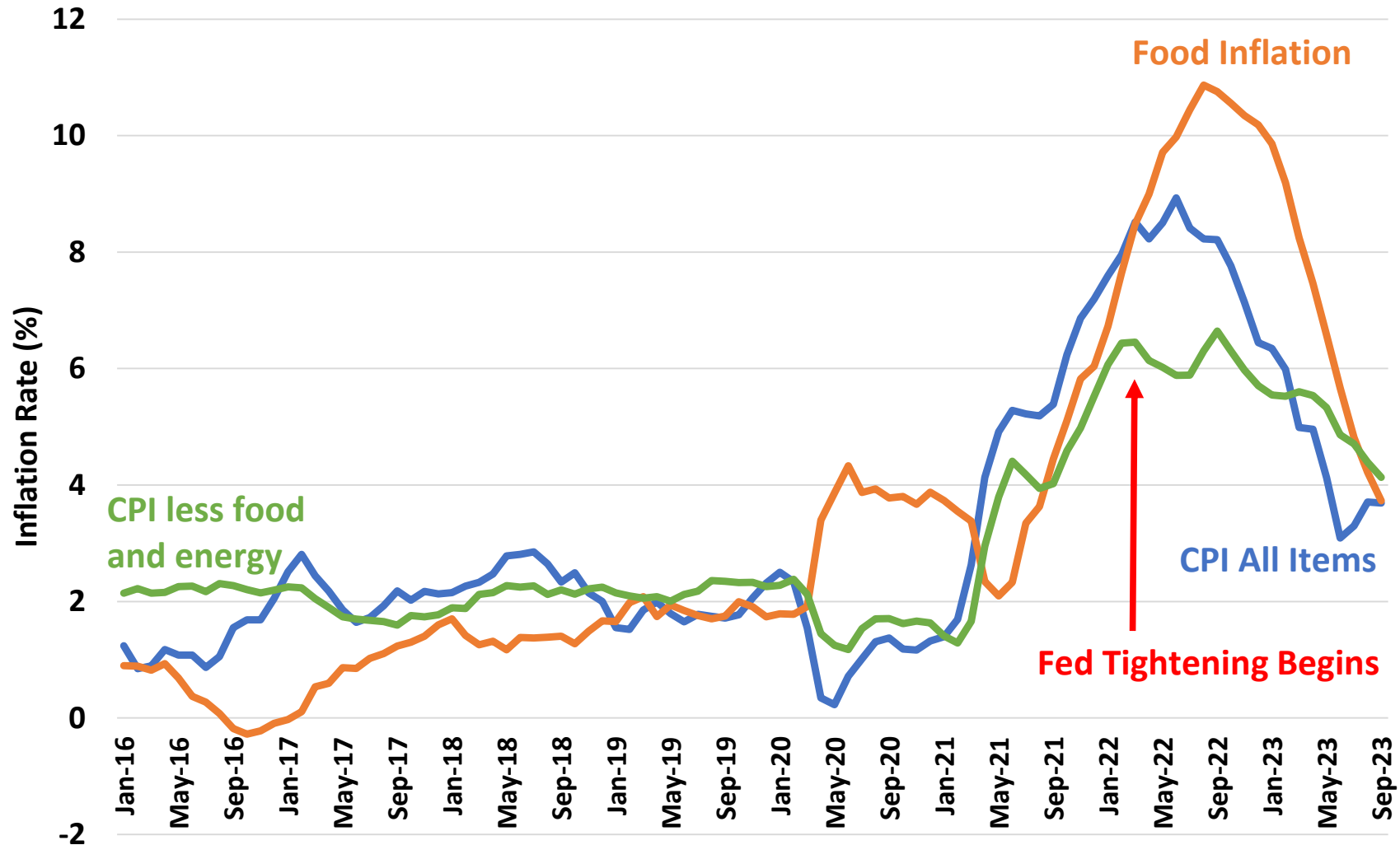
Alignment of Leading Economic Indicators with Recession Peak
 (Number of Months a Leading Economic Indicator Crests Before (-) or After (+) Recession Peak Month)

NBER Peak Month (Start of Recession)	Composite Index of Leading Economic Indicators (LEI)	Avg Weekly Hours Worked, Manufacturing	Avg Initial Claims for Unemployment Insurance	Manufacturing New Orders, Consumer Goods/Materials	ISM Index of New Orders	Manufacturing New Orders, Nondefense Capital Goods	Building Permits, New Homes	Stock Prices, 500 Common Stocks	Leading Credit Index	Interest Rate Spread, 10-year Treasury minus Fed Funds	Consumer Expectations for Business Conditions
Apr 1960	-10	-11	-12	-13	-14	-13	-13	-9	NA	-15	NA
Dec 1969	-8	-8	-7	-3	-9	-8	-10	-12	NA	-20	NA
Nov 1973	-9	-9	-9	-8	-10	-7	-11	-10	NA	-8	NA
Jan 1980	-15	-14	-16	-10	-18	-15	-19	-16	NA	-16	-15
Jul 1981	-8	-2	-4	-9	-8	-3	-10	-8	NA	-9	-8
Jul 1990	-18	-17	-18	-19	-25	-13	-28	-1	NA	-18	-26
Mar 2000	-11	-11	-12	-14	-18	-9	-14	-7	-14	-11	-14
Dec 2007	-21	-17	-22	-21	-26	-15	-27	-2	-29	-17	-36
Feb 2020	-7	-22	-1	-17	-18	-19	-4	-1	-1	-8	-1
Average	-12	-12	-11	-13	-16	-11	-15	-7	-15	-14	-17
Sep 2023	-18	-18	-8	0	-30	-20	-21	-21	-27	-17	-27

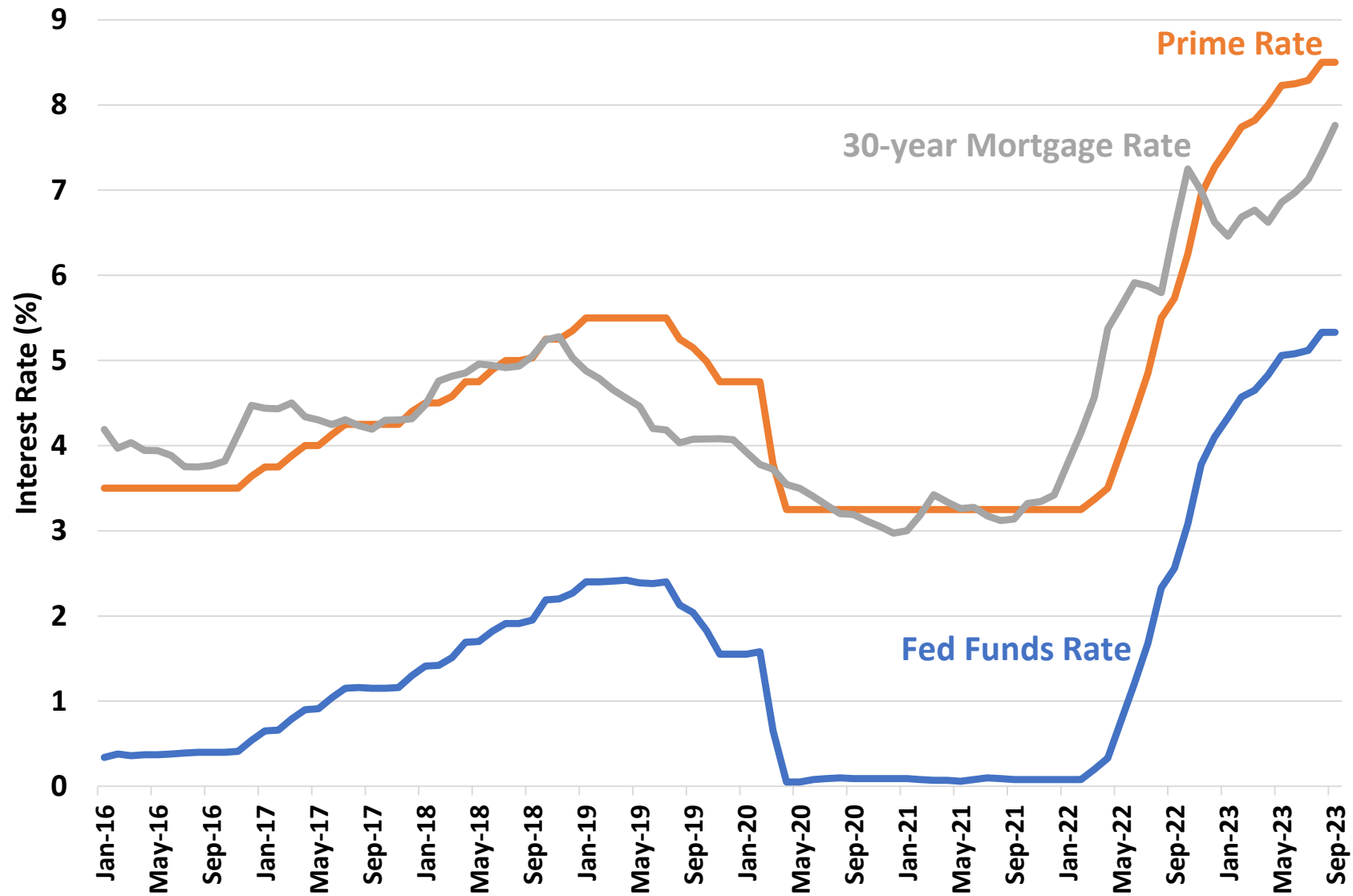
Aggressive Monetary Tightening (Pace & Length of Recent Fed Tightening Cycles)



Higher Inflation Rates Prompted the Fed to Begin to Tighten Monetary Policy...



...Resulting in Higher Interest Rates



Higher Rates Crimp Homebuying

U.S. applications for purchase, index

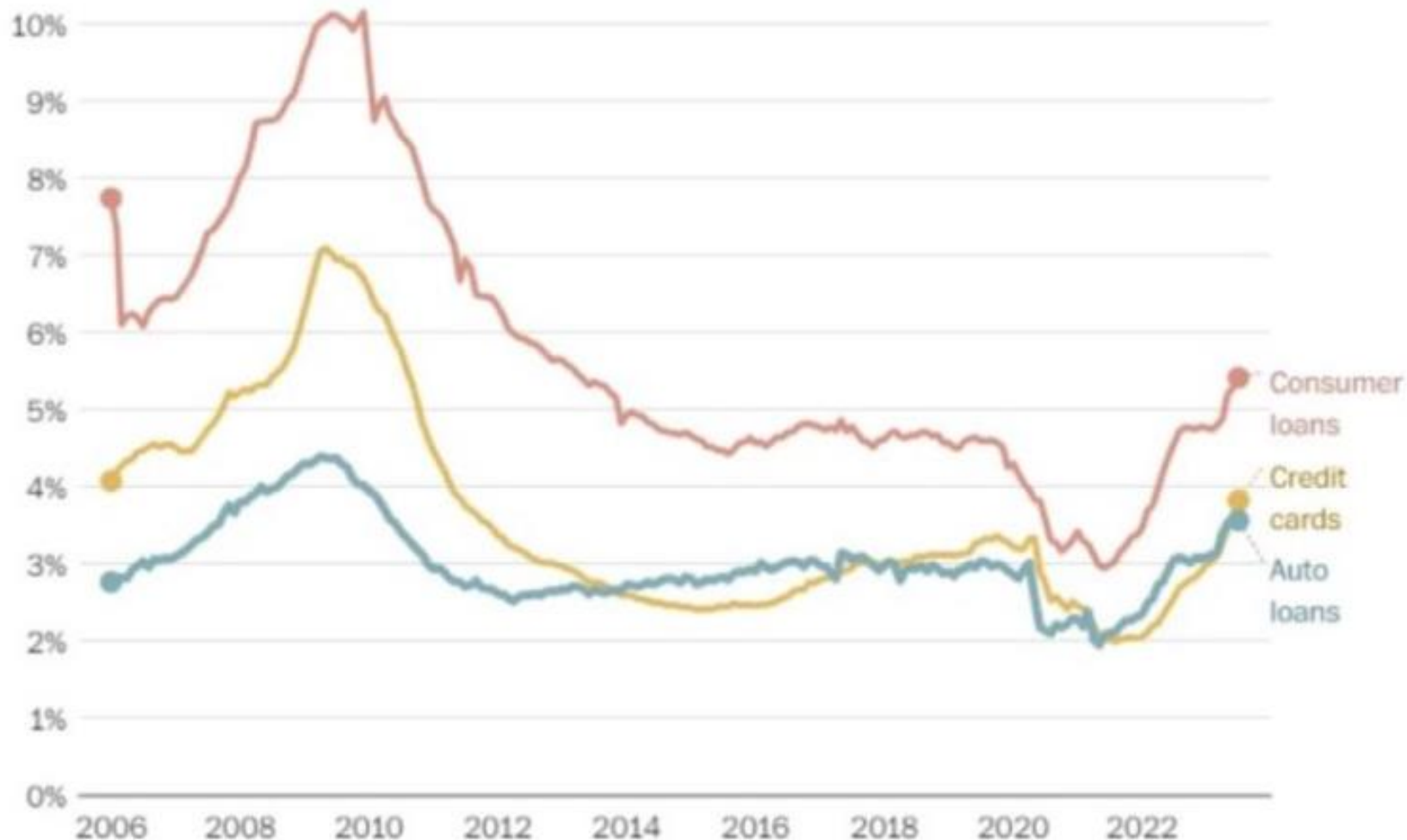


Sources: Mortgage Bankers Association, Moody's Analytics



Delinquencies by type of debt, 2006-2023

Delinquencies on auto loans, credit cards and consumer loans are at their highest levels in a decade. Experts say they could rise even higher.

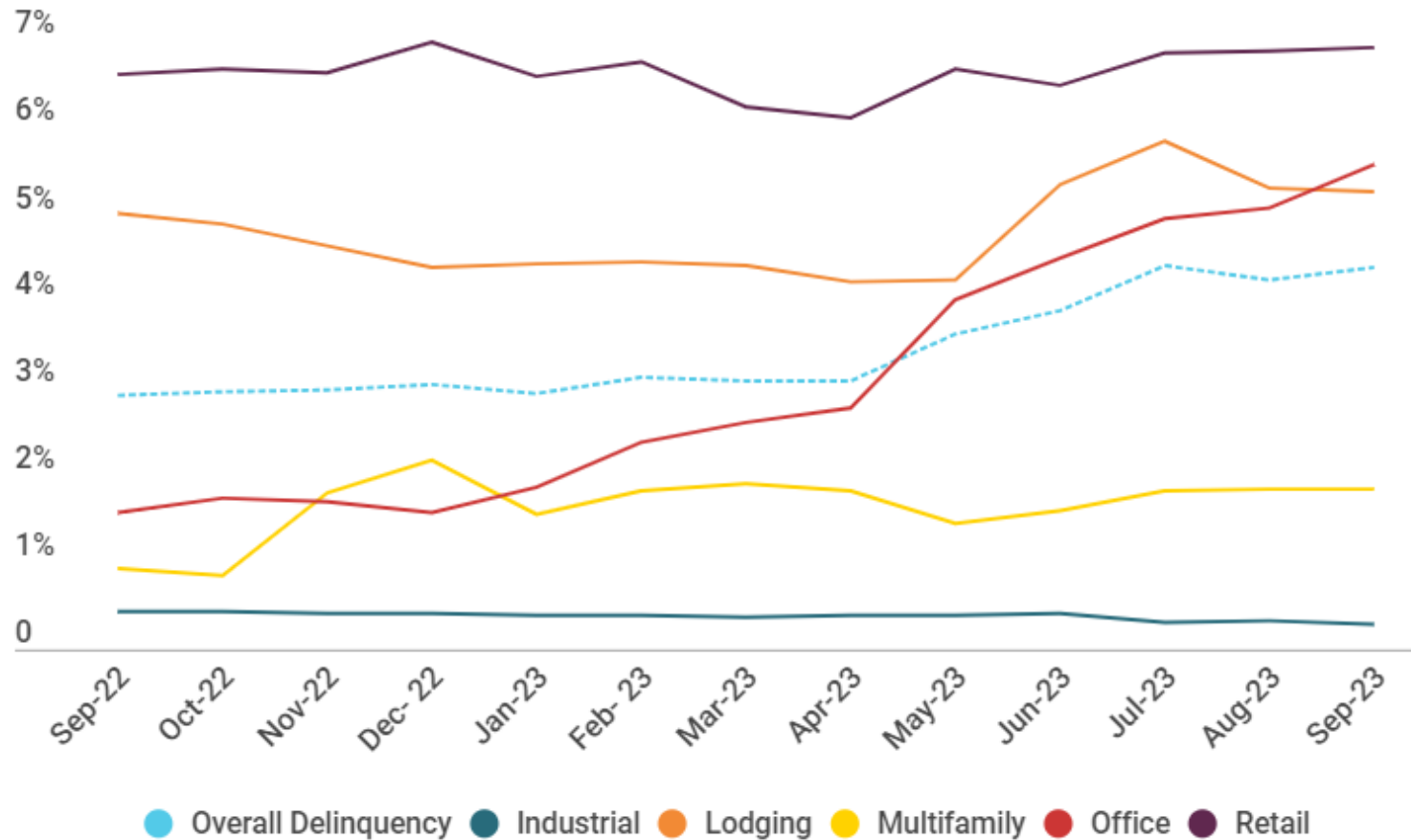


CRE Delinquency Rates

DELINQUENCY RATE BY PROPERTYTYPE (% 30 DAYS +)

	SEP-23	AUG-23	JUL-23	3 MO	6 MO	12 MO
Overall	4.39	4.25	4.41	3.90	3.09	2.92
Industrial	0.30	0.33	0.31	0.42	0.37	0.43
Lodging	5.27	5.31	5.85	5.35	4.41	5.18
Multifamily	1.85	1.84	1.83	1.59	1.91	0.93
Office	5.58	5.07	4.96	4.50	2.61	1.58
Retail	6.92	6.87	6.86	6.48	6.23	6.97

CMBS Delinquency Rates by Major Property Type



Delinquency Trends



10.34%

Peak Delinquency Rate
(July 2012)



4.39%

Overall Delinquency
Rate (September 2023)



2.92%

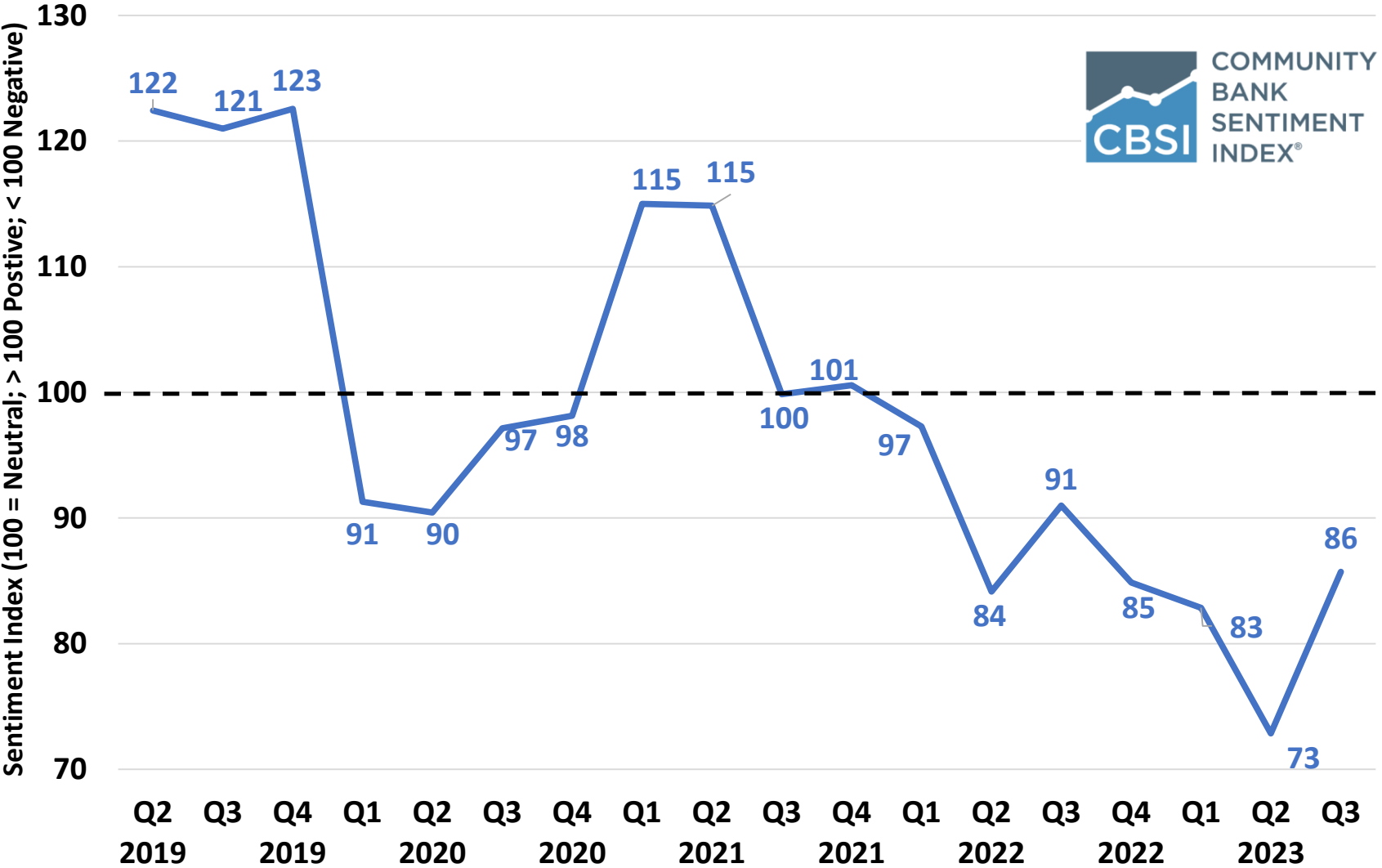
Overall Delinquency
Rate (September 2022)



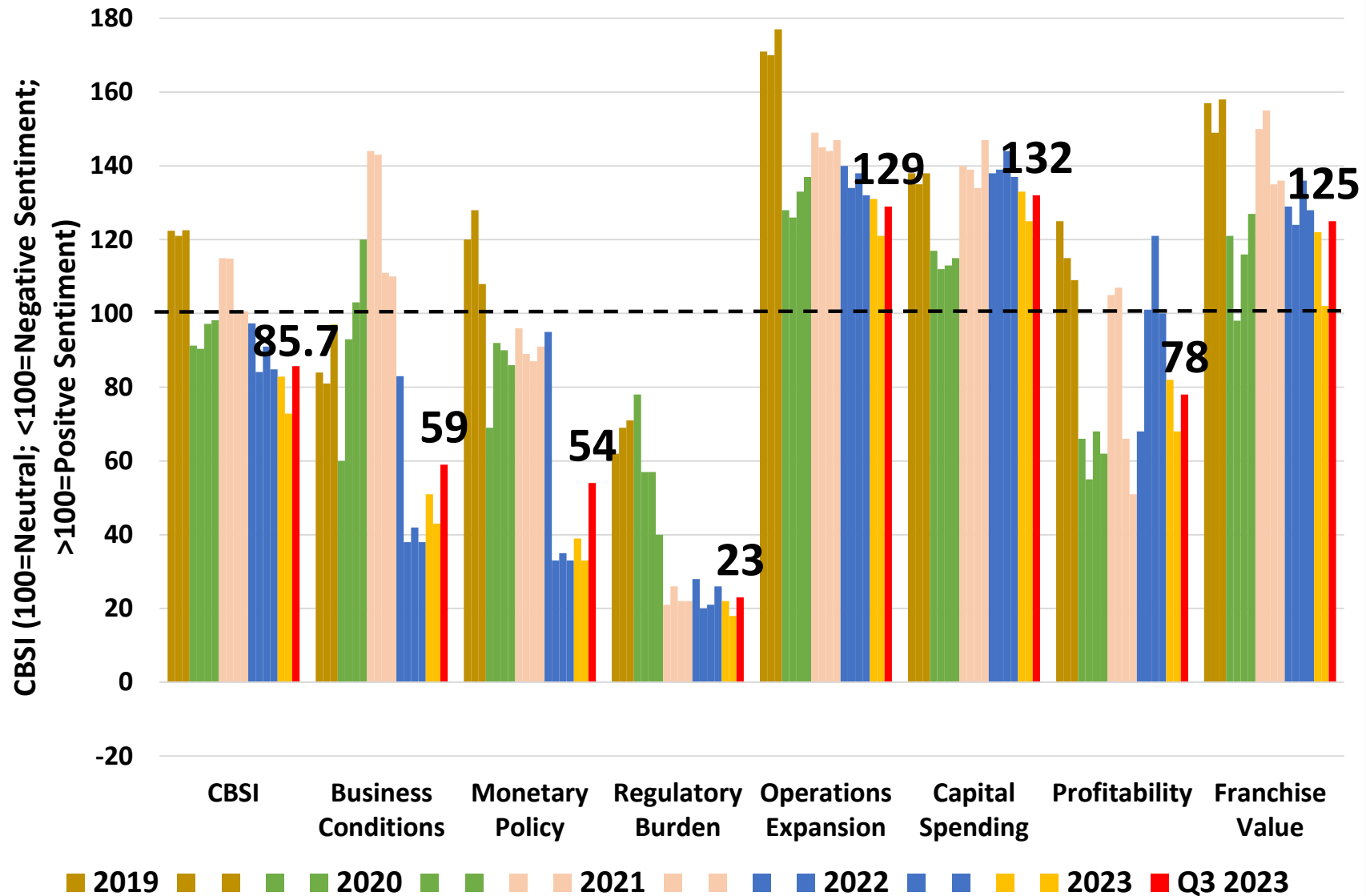
5.58%

Office Delinquency Rate
(September 2023)

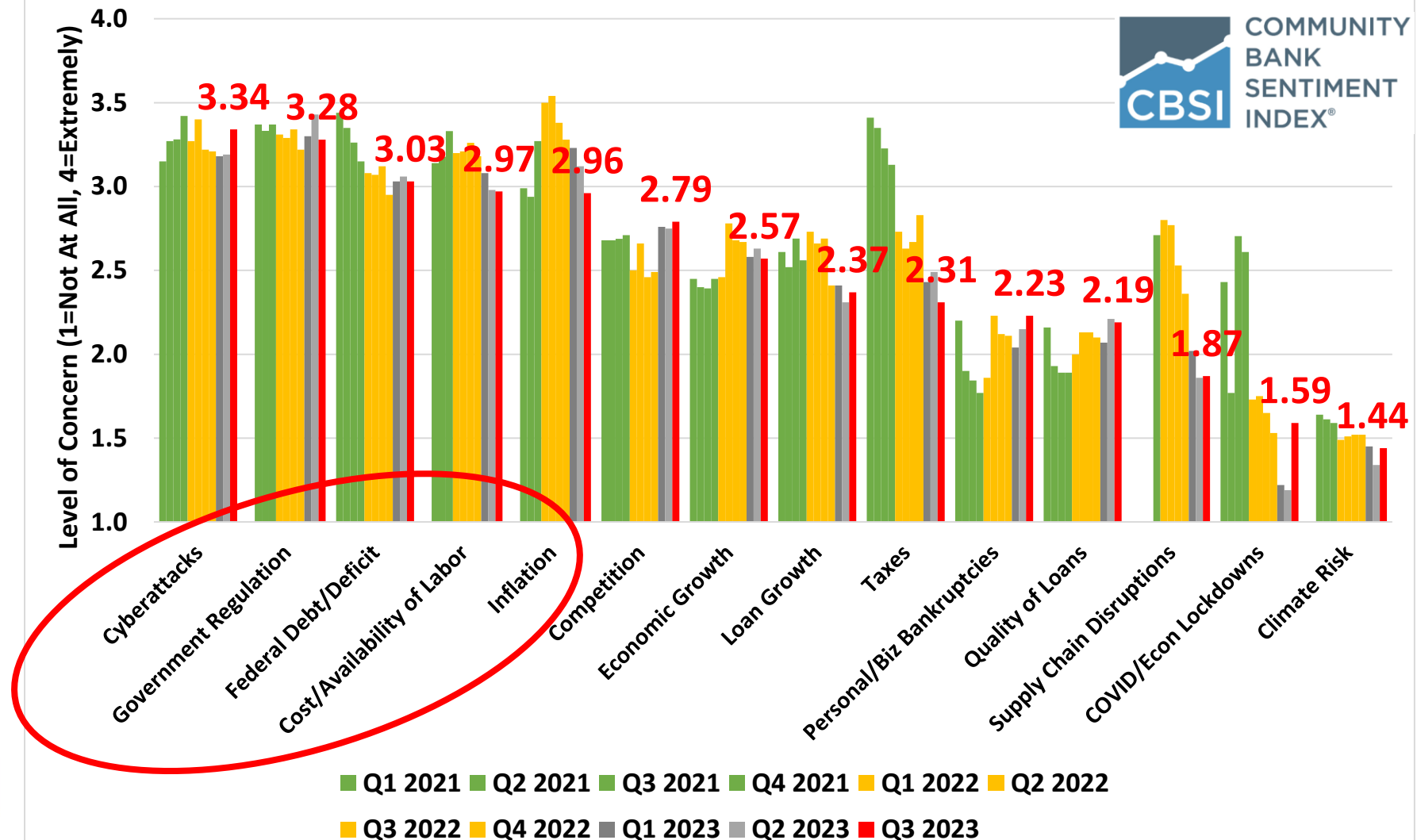
CSBS Community Bank Sentiment Index



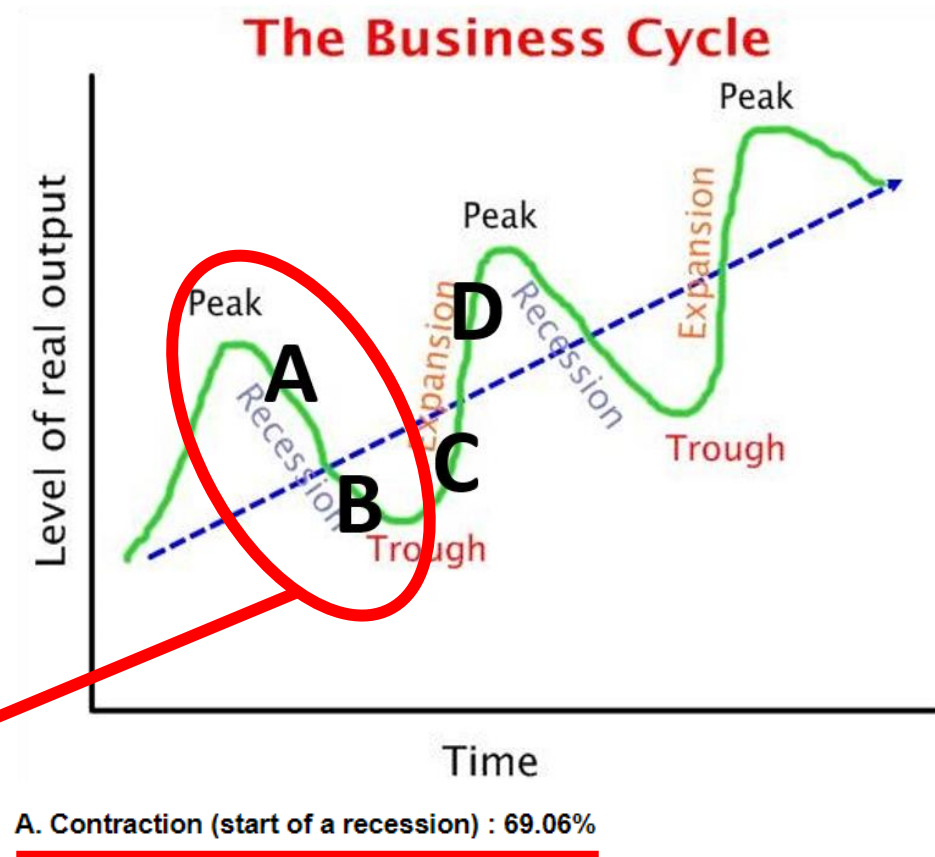
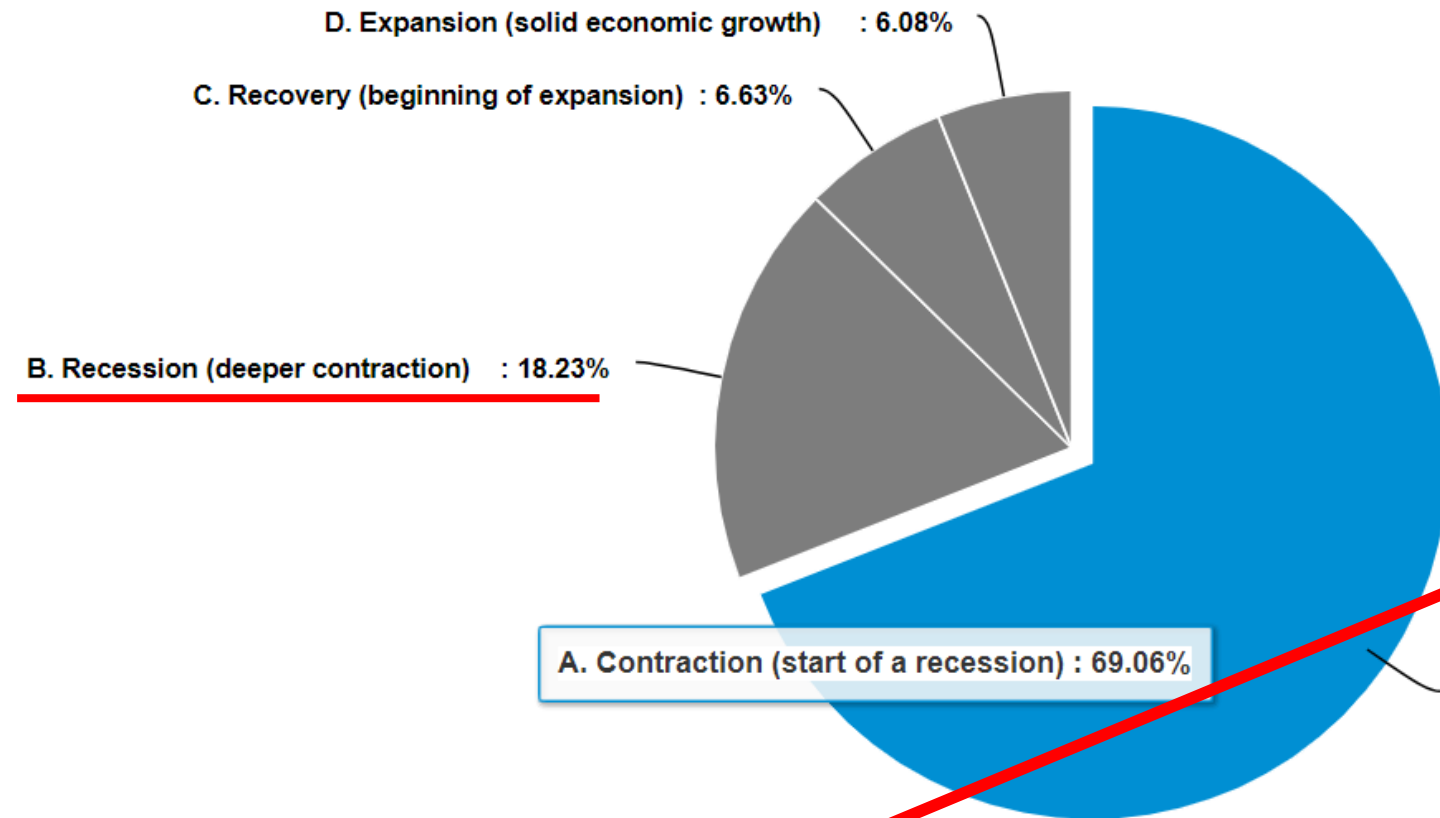
CBSI Component Trends



Over the Next 12 Months, Community Bankers' Are Concerned About...



Using the nearby chart and line segment indicators as a guide, where is U.S. economic output TODAY...



87% of Community Bankers Indicate U.S. Economy starting, or in, a Recession