THE US ECONOMY: REMARKABLY RESILIANT, SO FAR

Presented by:

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October 28, 2025

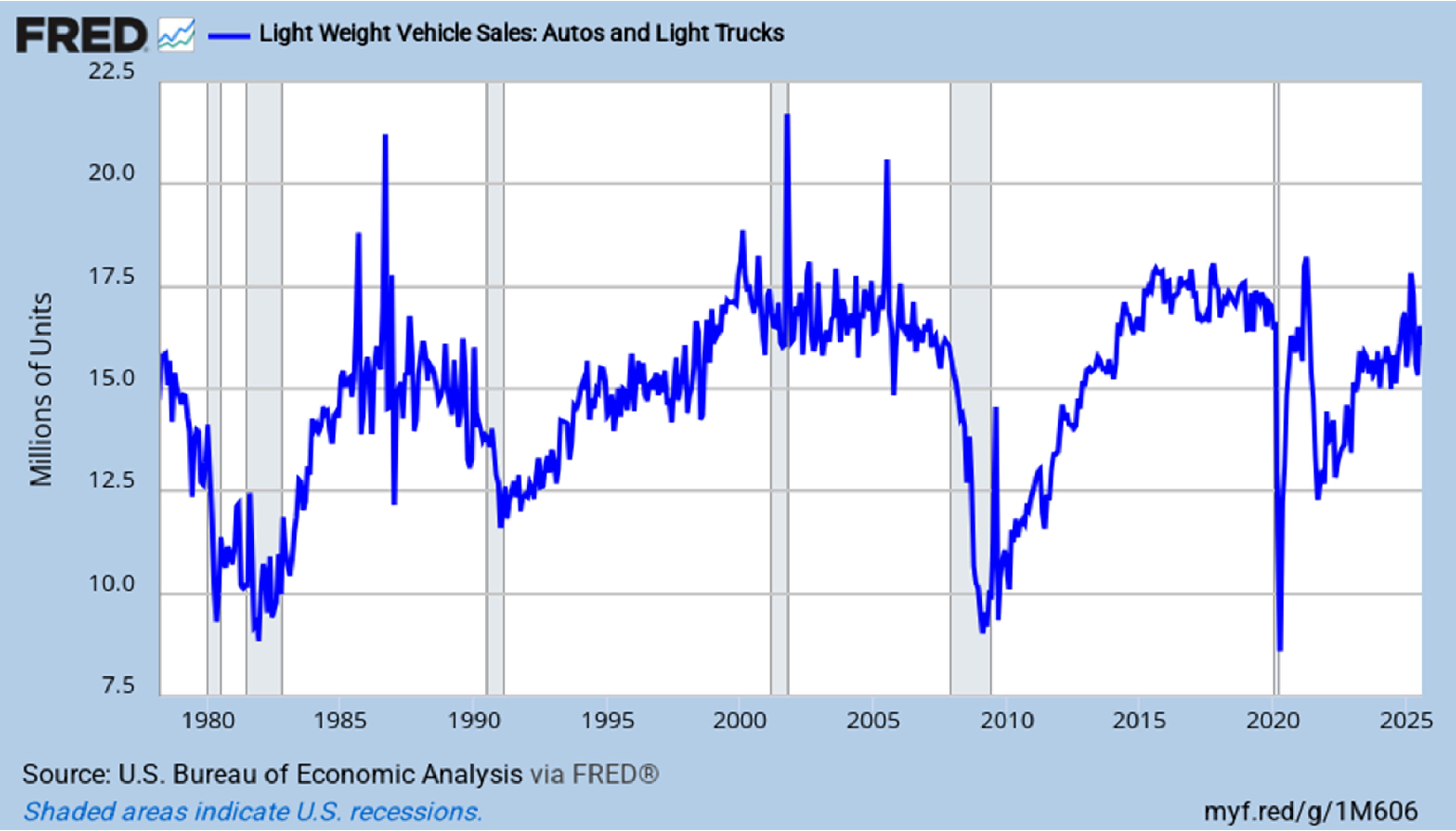
The Economy Surprises

GDP = C+I+G+(X-M)

GRAPHS and LAUGHS

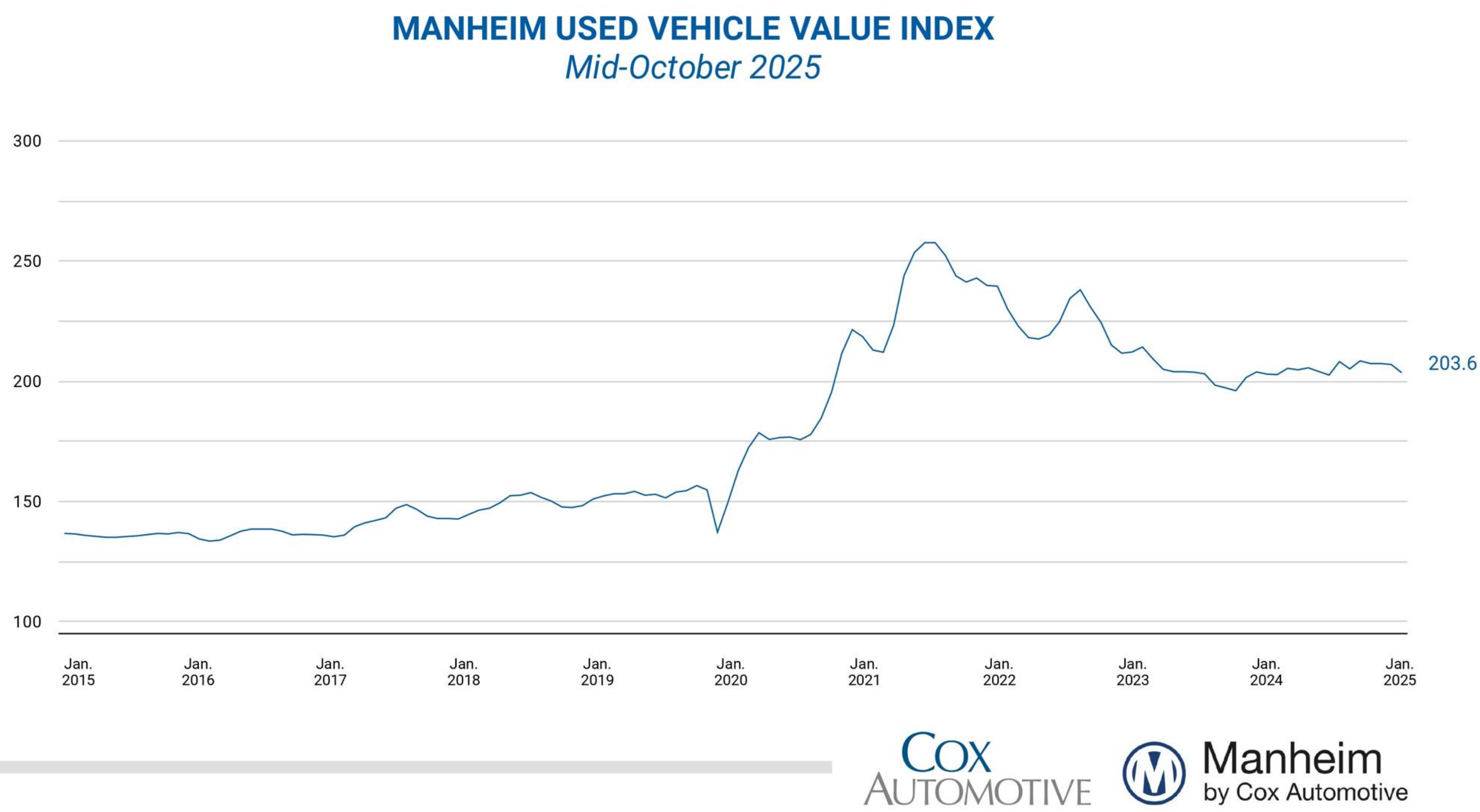
US Light Vehicle Sales

Car sales are stable and solid at roughly 16 million/year



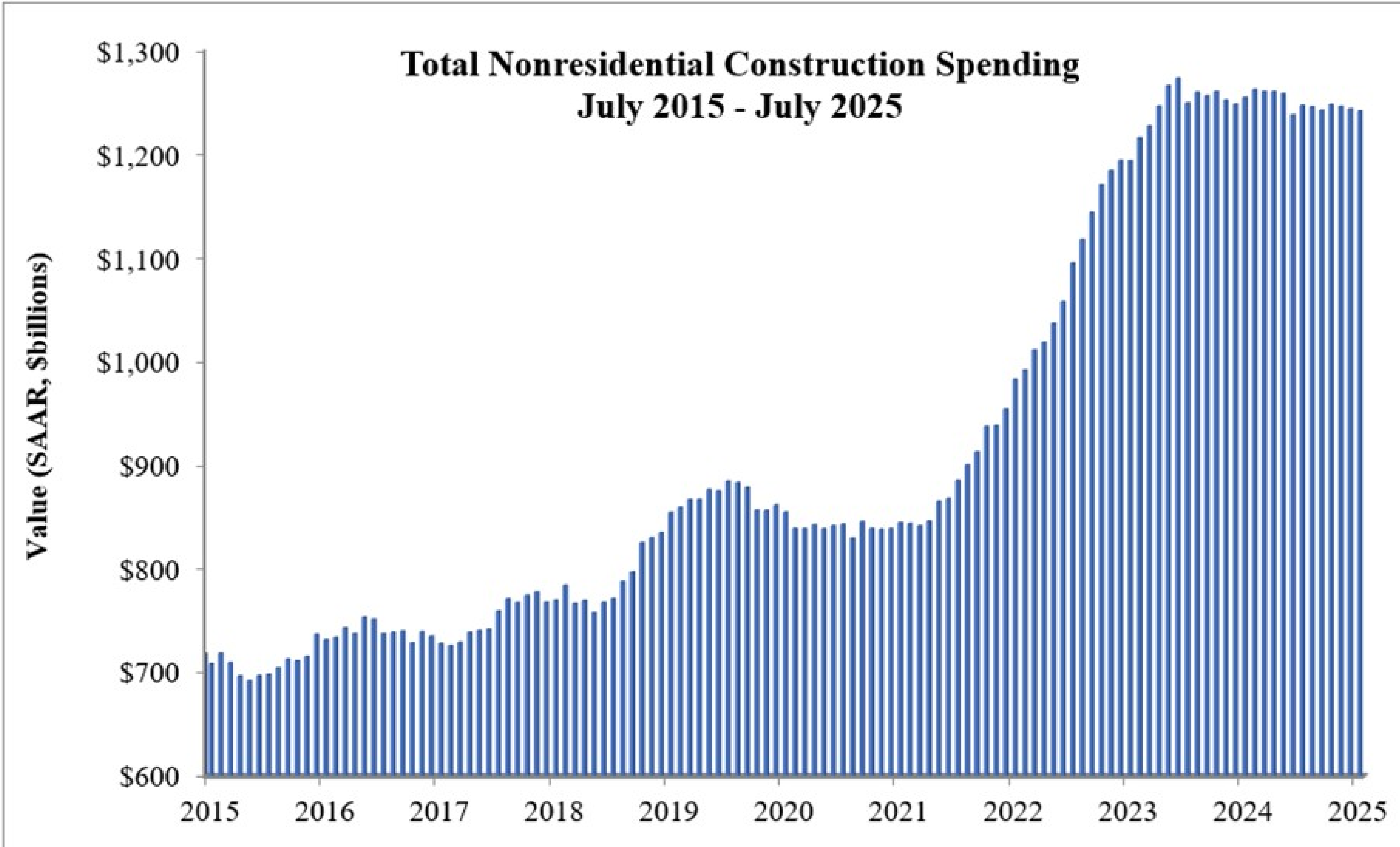
Used Cars Prices

They are now rising. Peak was 12/21 at 257.7. Prices are down almost 20%



Nonresidential Construction Activity

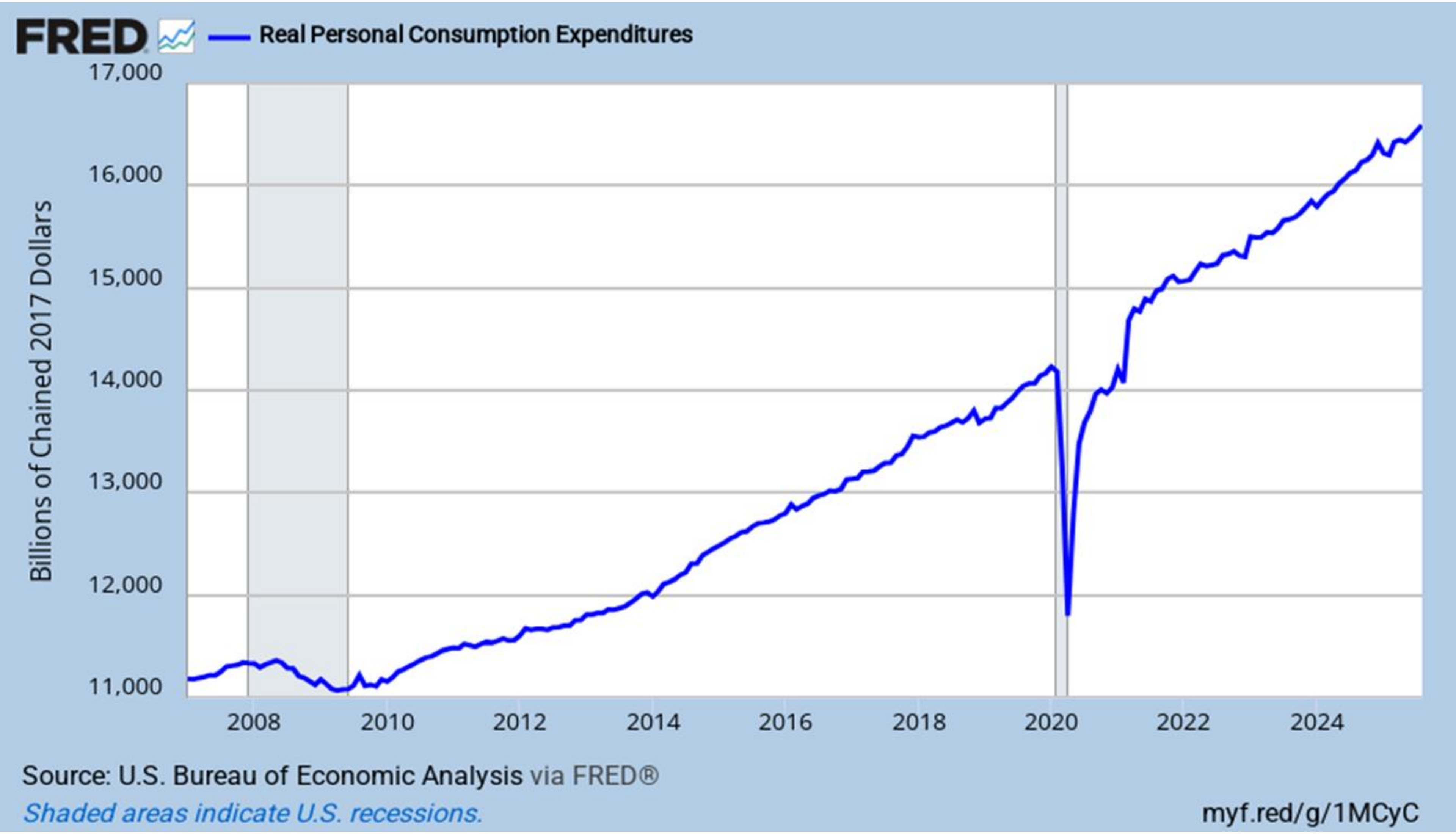
It peaked in December 2023



Source: U.S. Census Bureau

Real Personal Consumption Expenditures

It remains largely on trend, keeping the economy growing

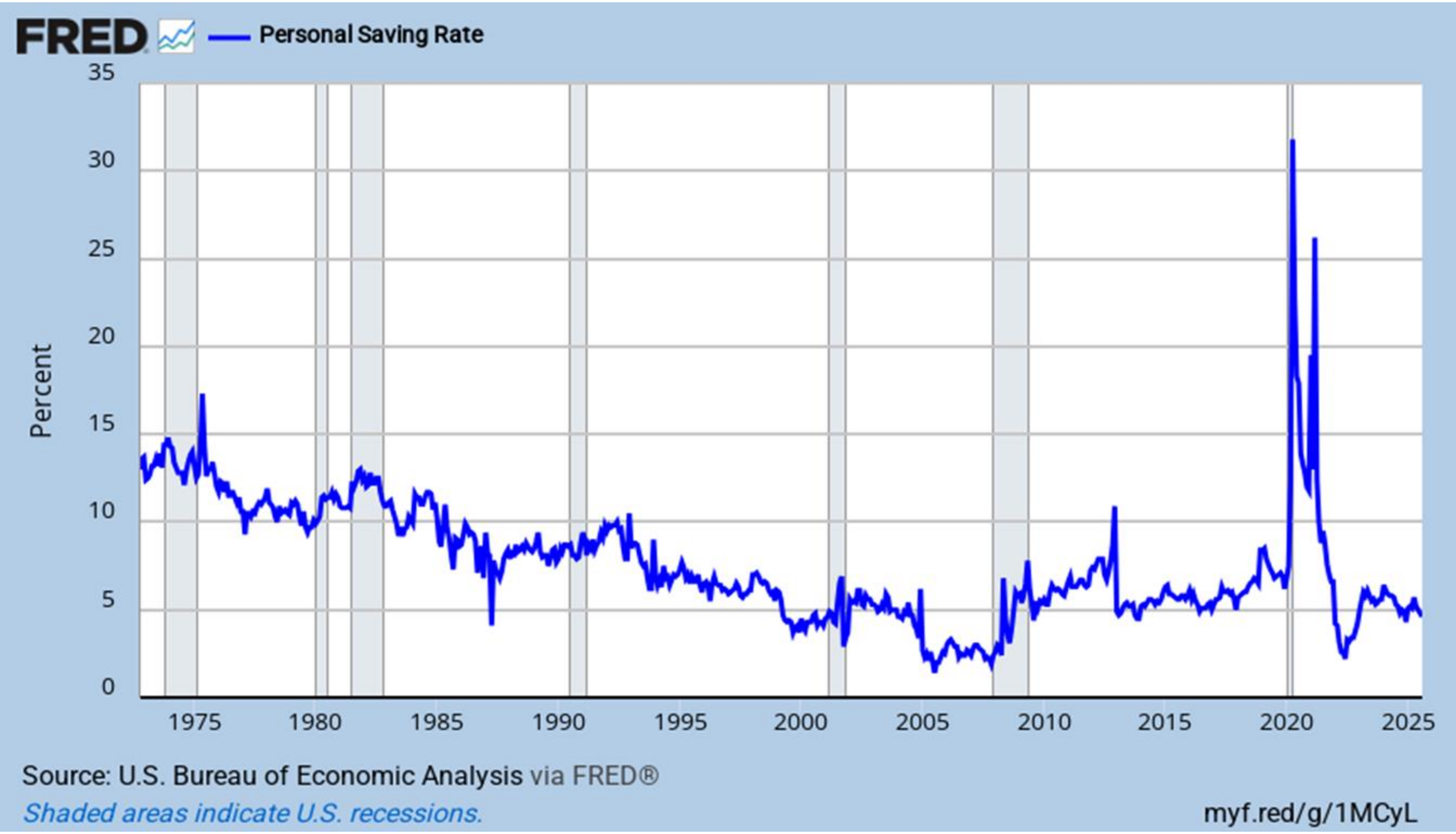


Real Disposable Personal Income

It is well above pre-Covid, but slightly below trend

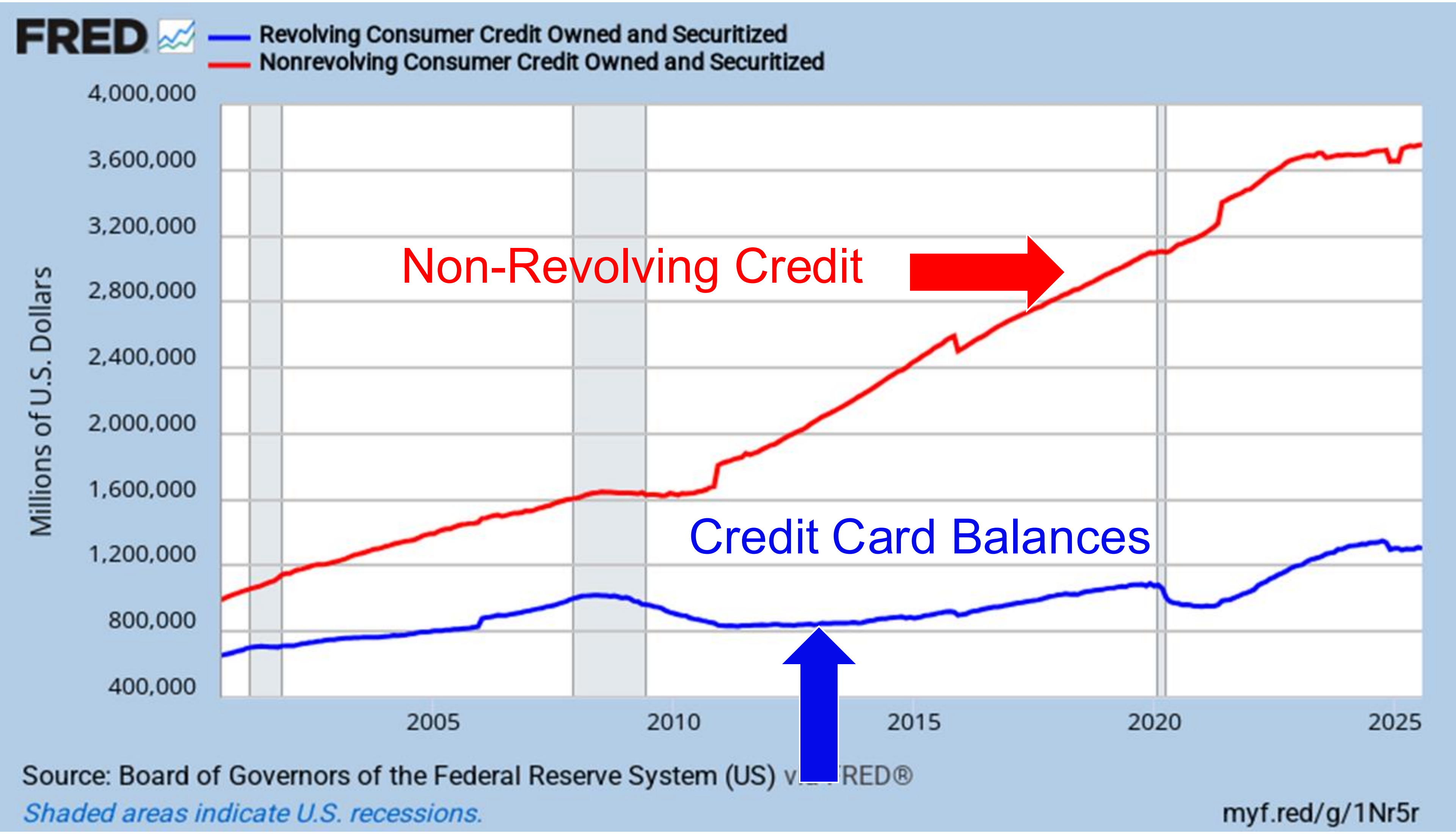
Household Savings Rate

It is flat and historically low at 4.6%



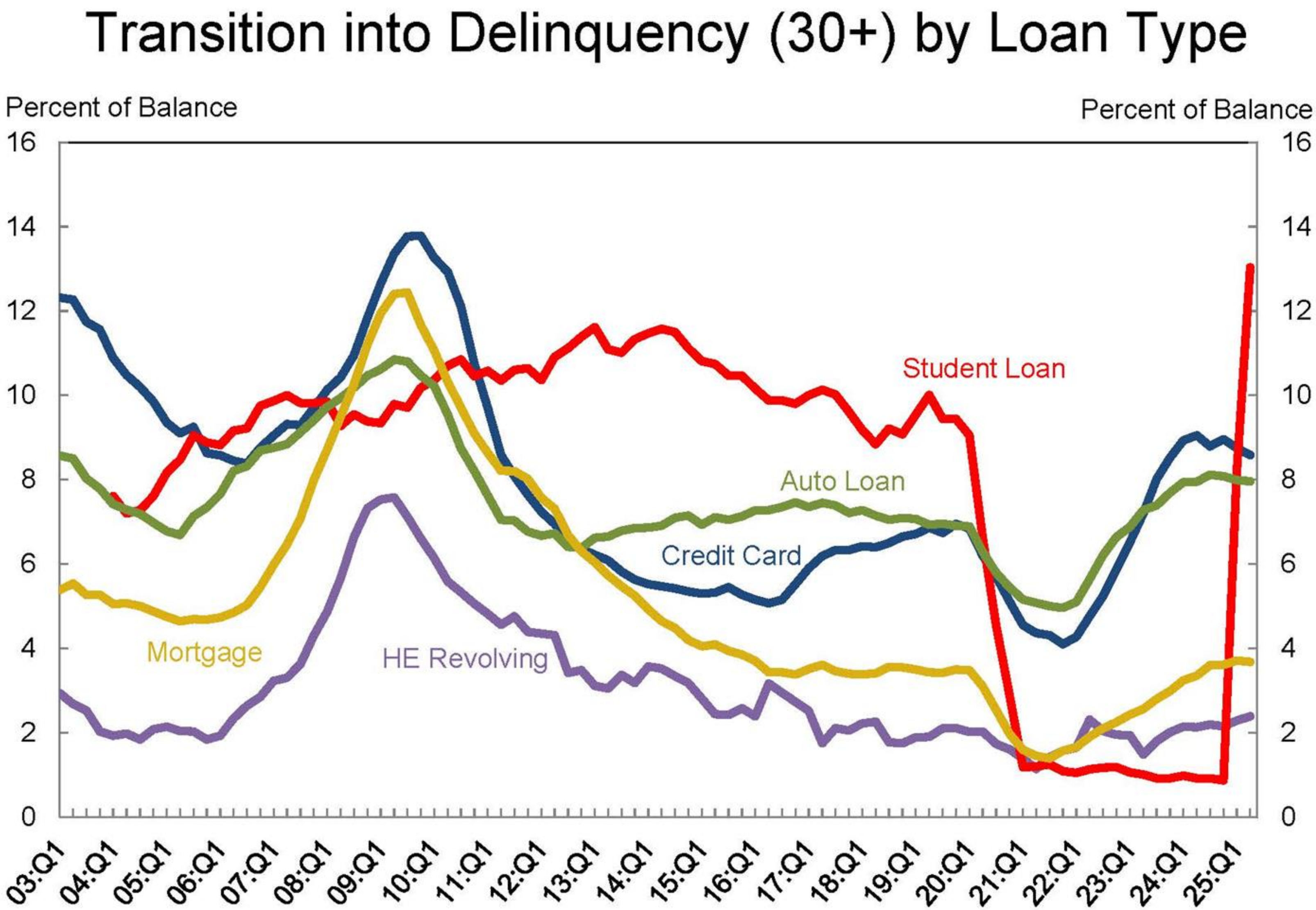
Non-Revolving Credit Growth Slows

Revolving credit growth is very limited



Transitioning into 30+ Days Delinquent

Most loan types are now plateauing

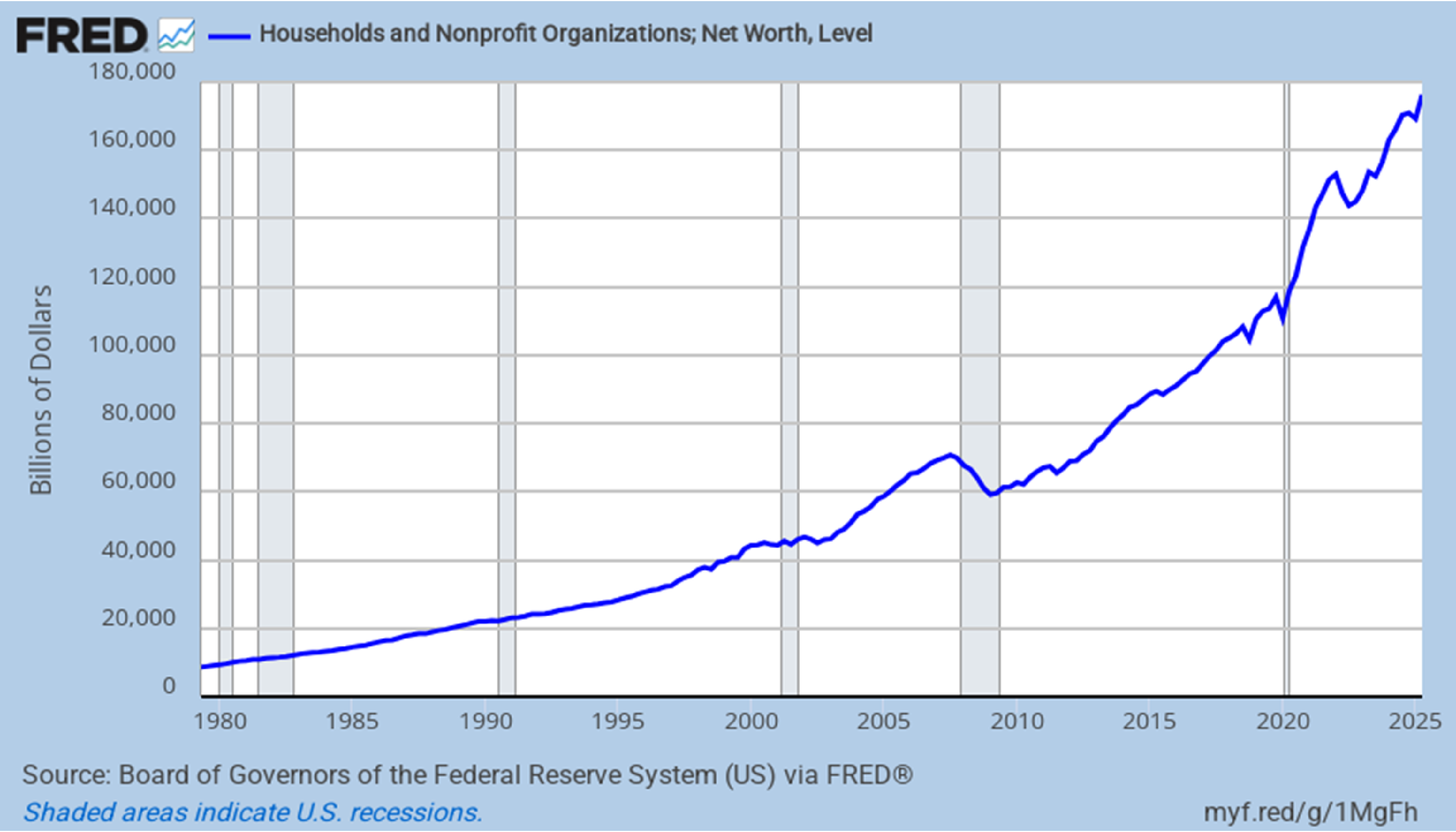


Source: New York Fed Consumer Credit Panel/Equifax

Note: 4 Quarter Moving Sum
Student loan data are not reported prior to 2004 due to uneven reporting

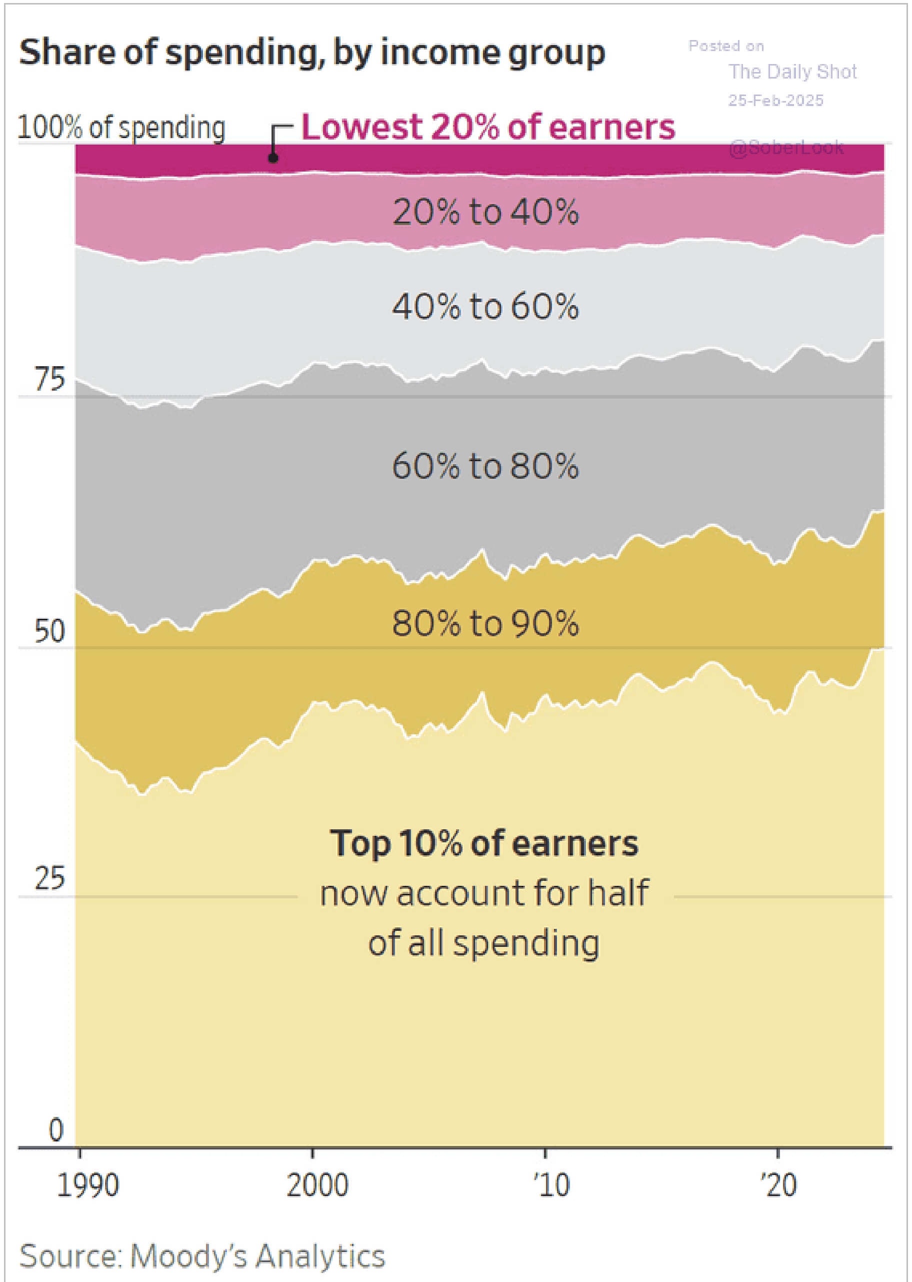
Household Balance Sheets

Growth in net worth had been excellent through 24Q3



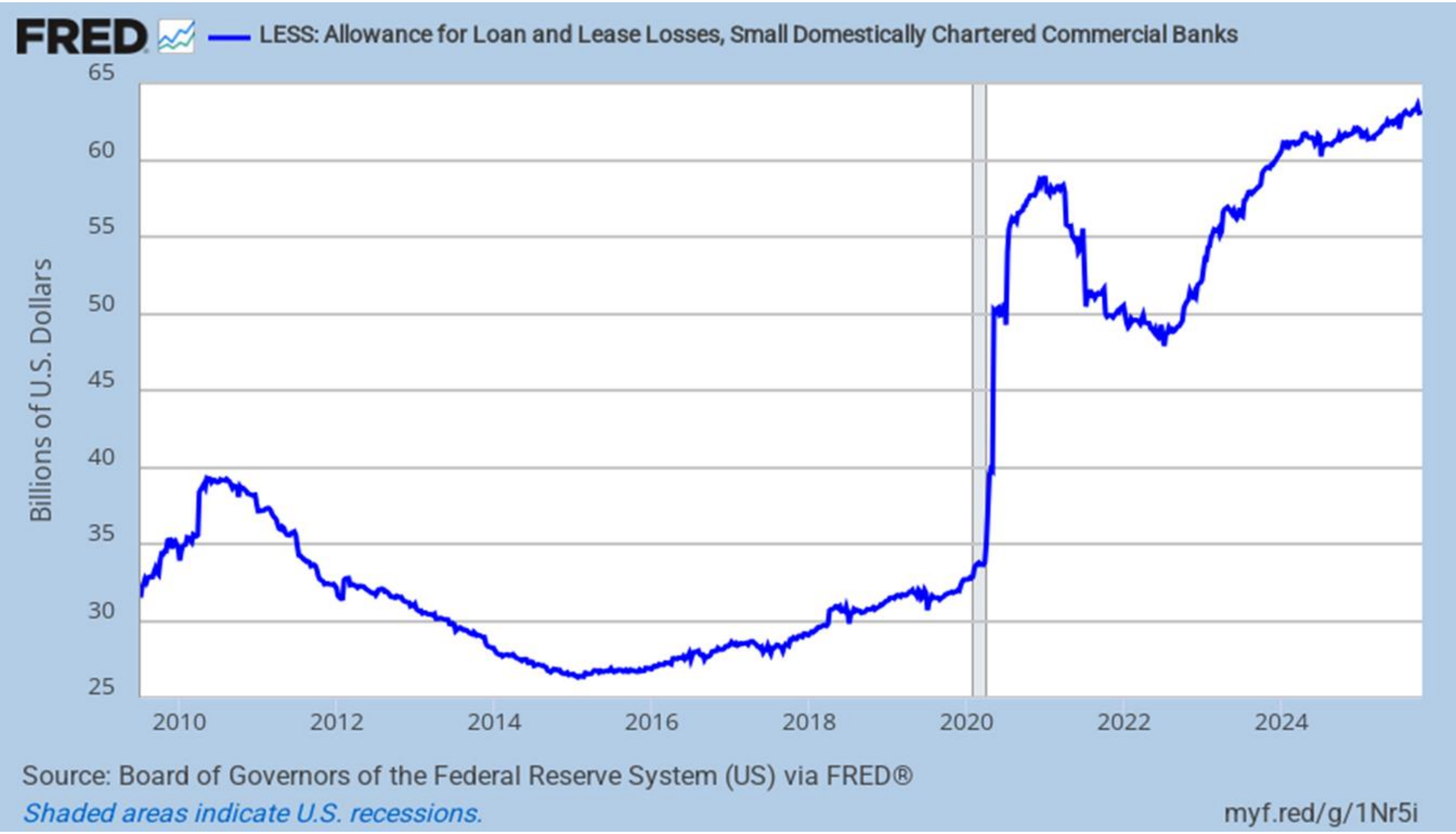
Consumer Spending Since 1990

The top 10% are driving spending



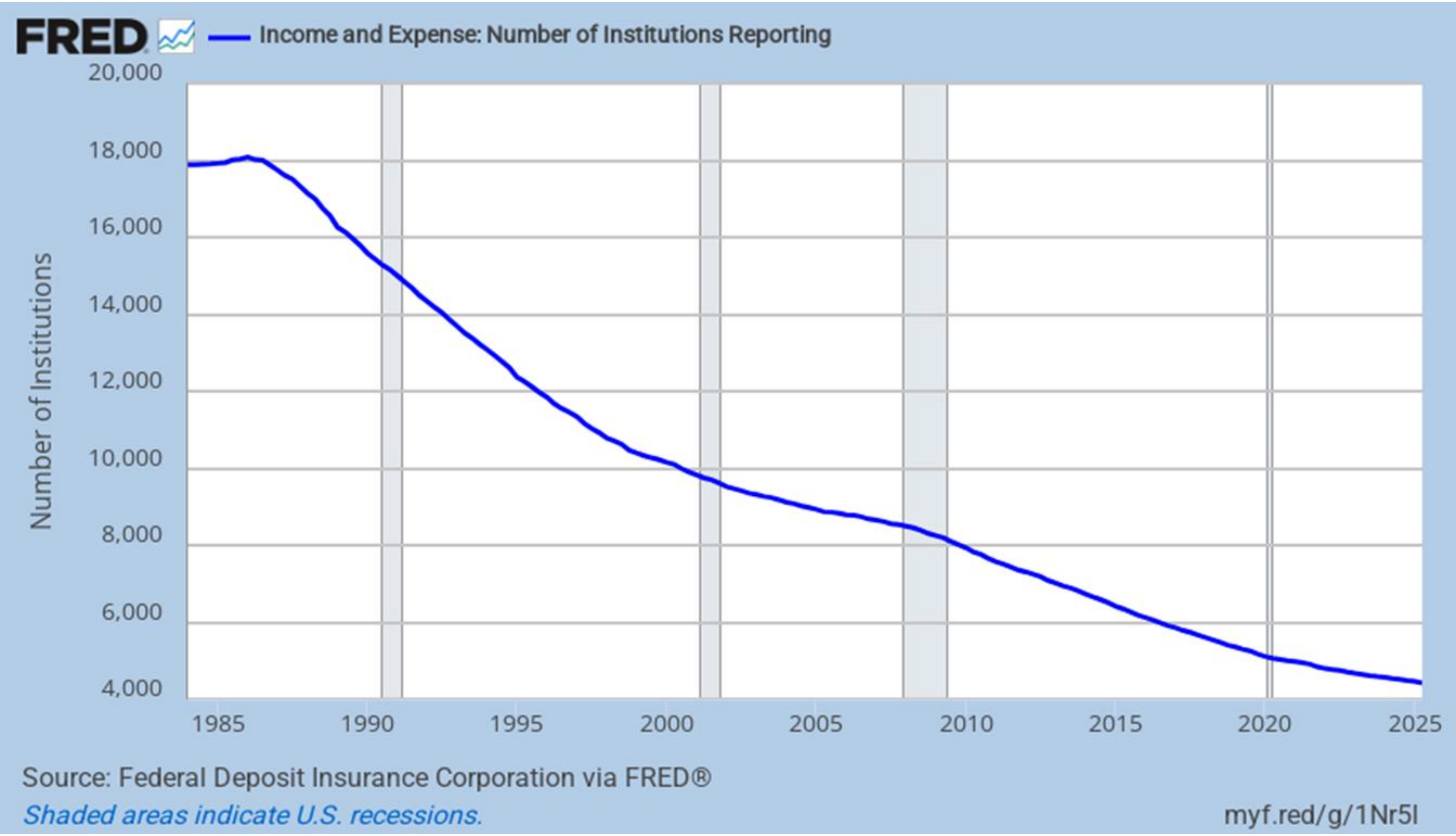
Small Domestic Banks Loan Loss Reserves

They appear to be rising



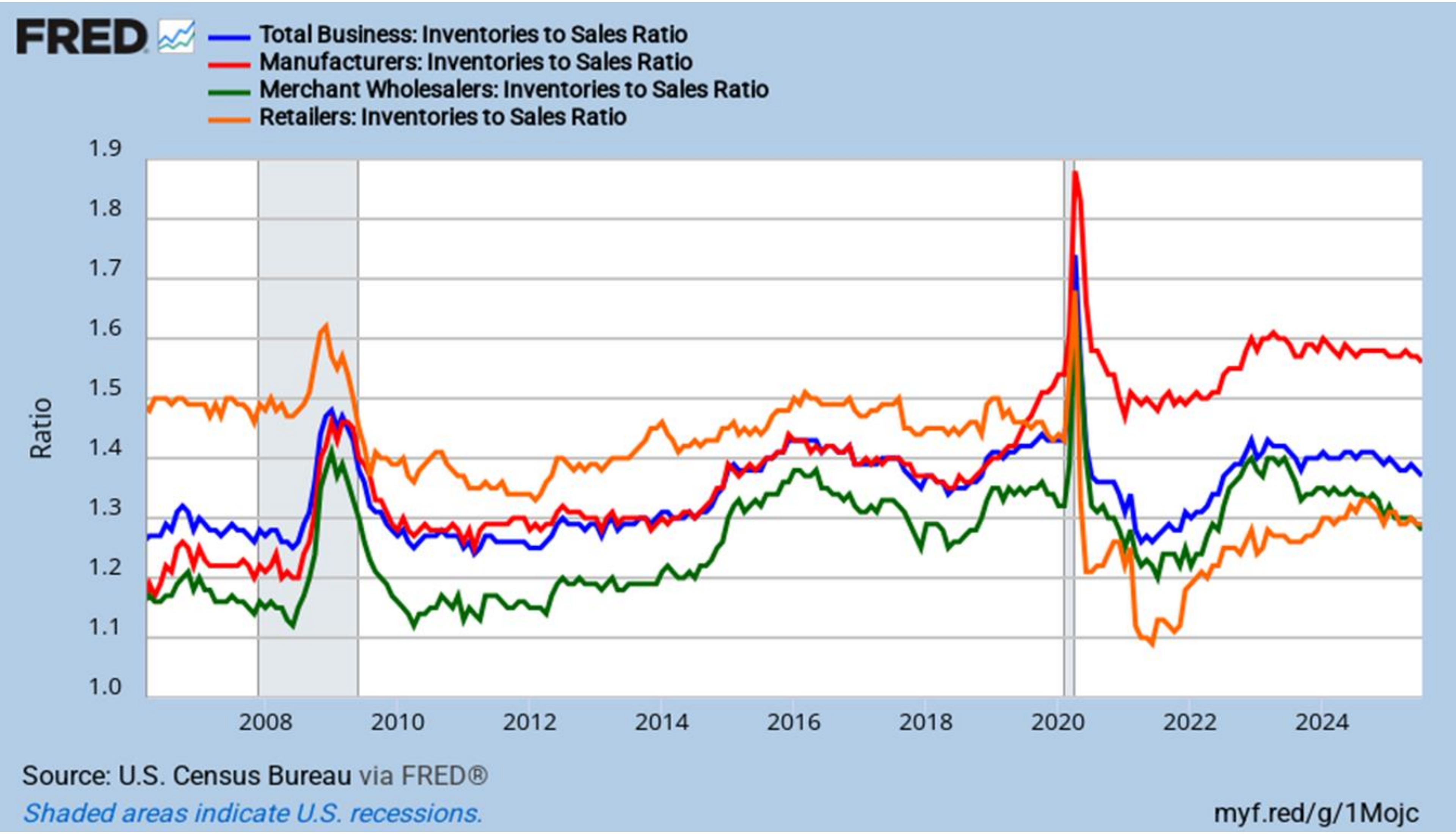
Banks Are Slowly Disappearing

Economies of scale. 41 banks disappeared last quarter, 117 Y-o-Y



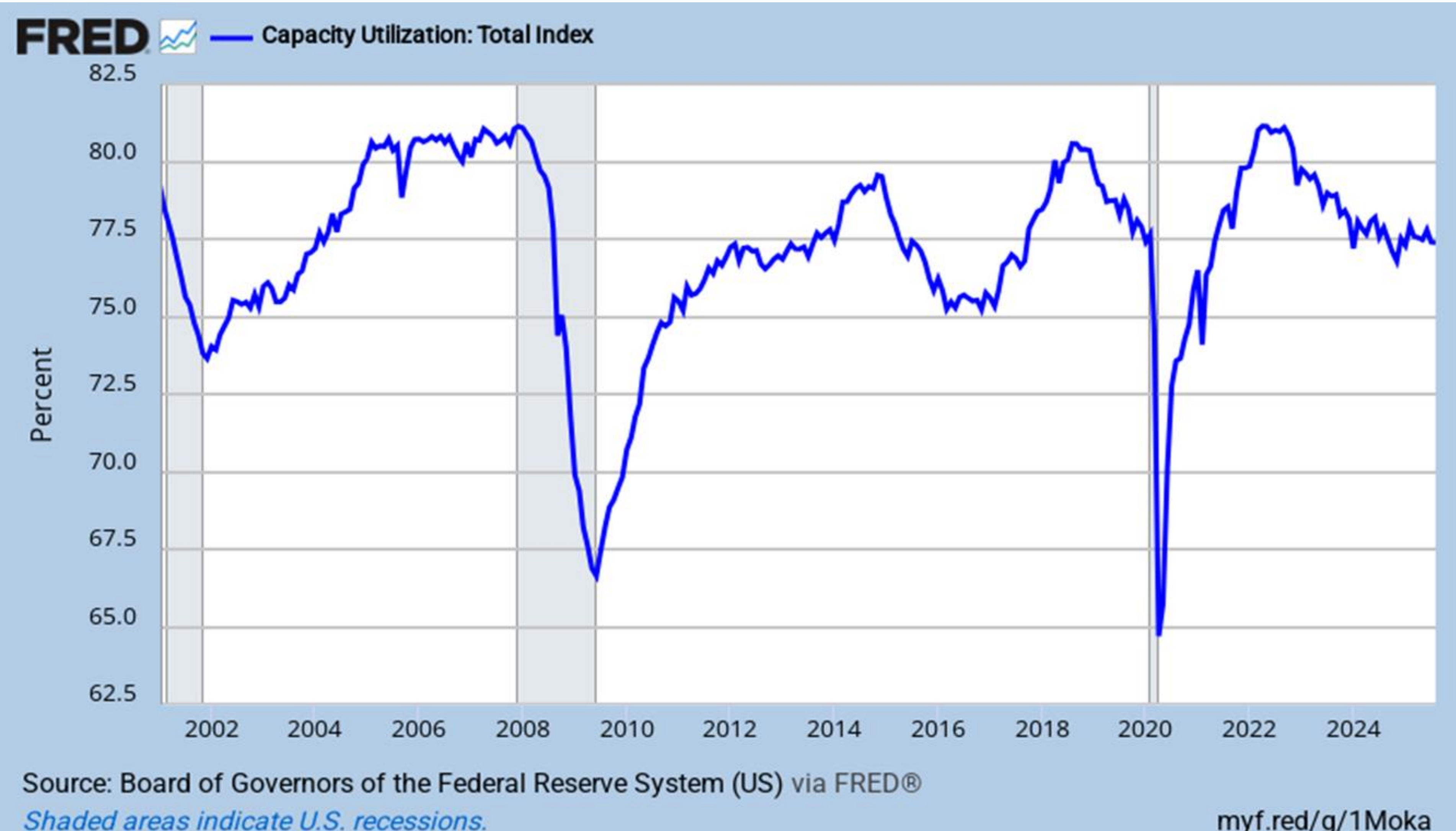
Inventory to Sales Ratios

Retail inventories are well below their pre-covid level



Capacity Utilization Rates

At weak pre-Covid level, and flat



Capital Goods Orders

Capex orders plateaued but are now up

Trump as President

As for his major economic policies…

Energy

Deregulation

OBBBA

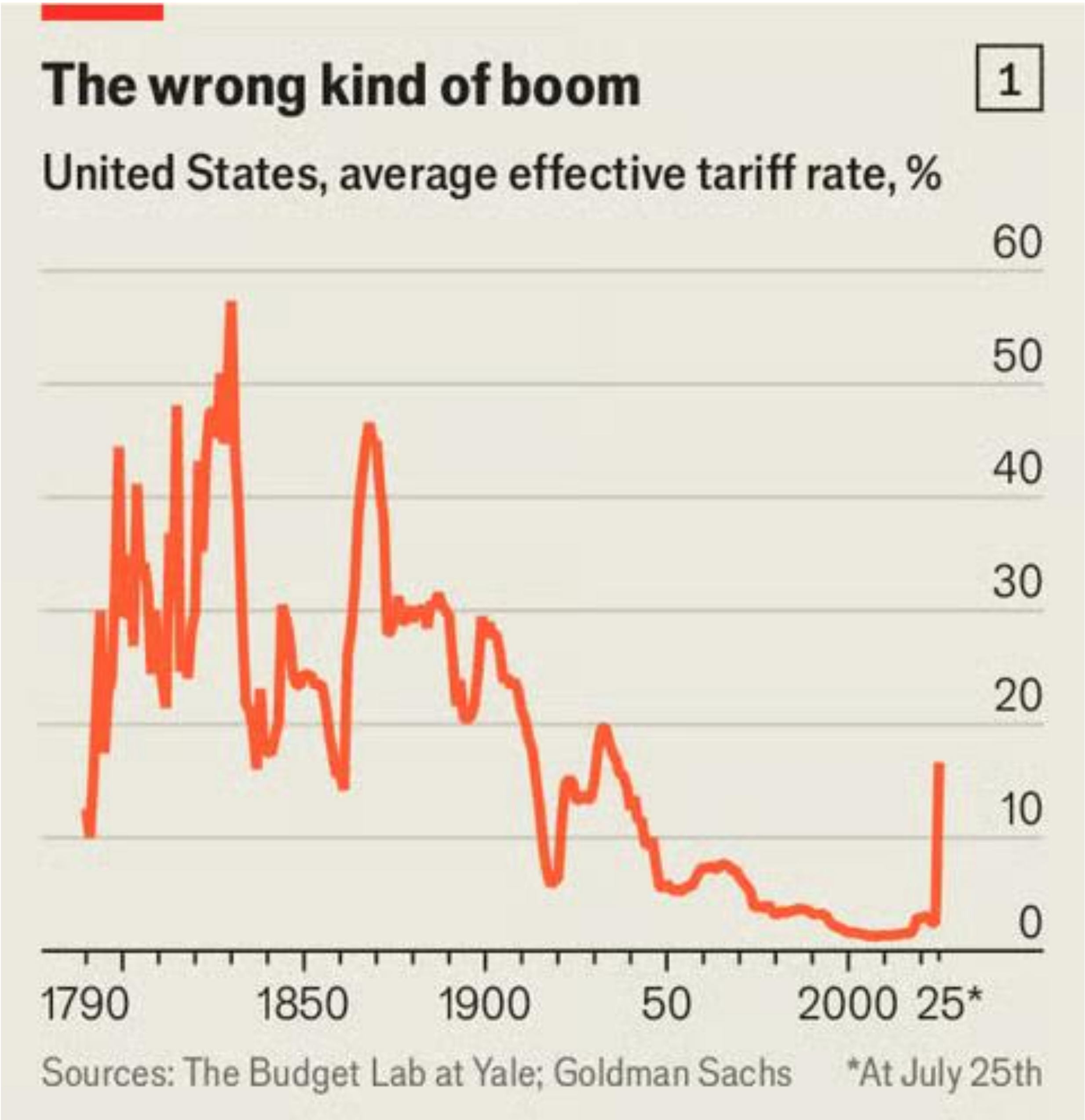
Immigration reform

Tariffs / Trade policy

(Data Policy)

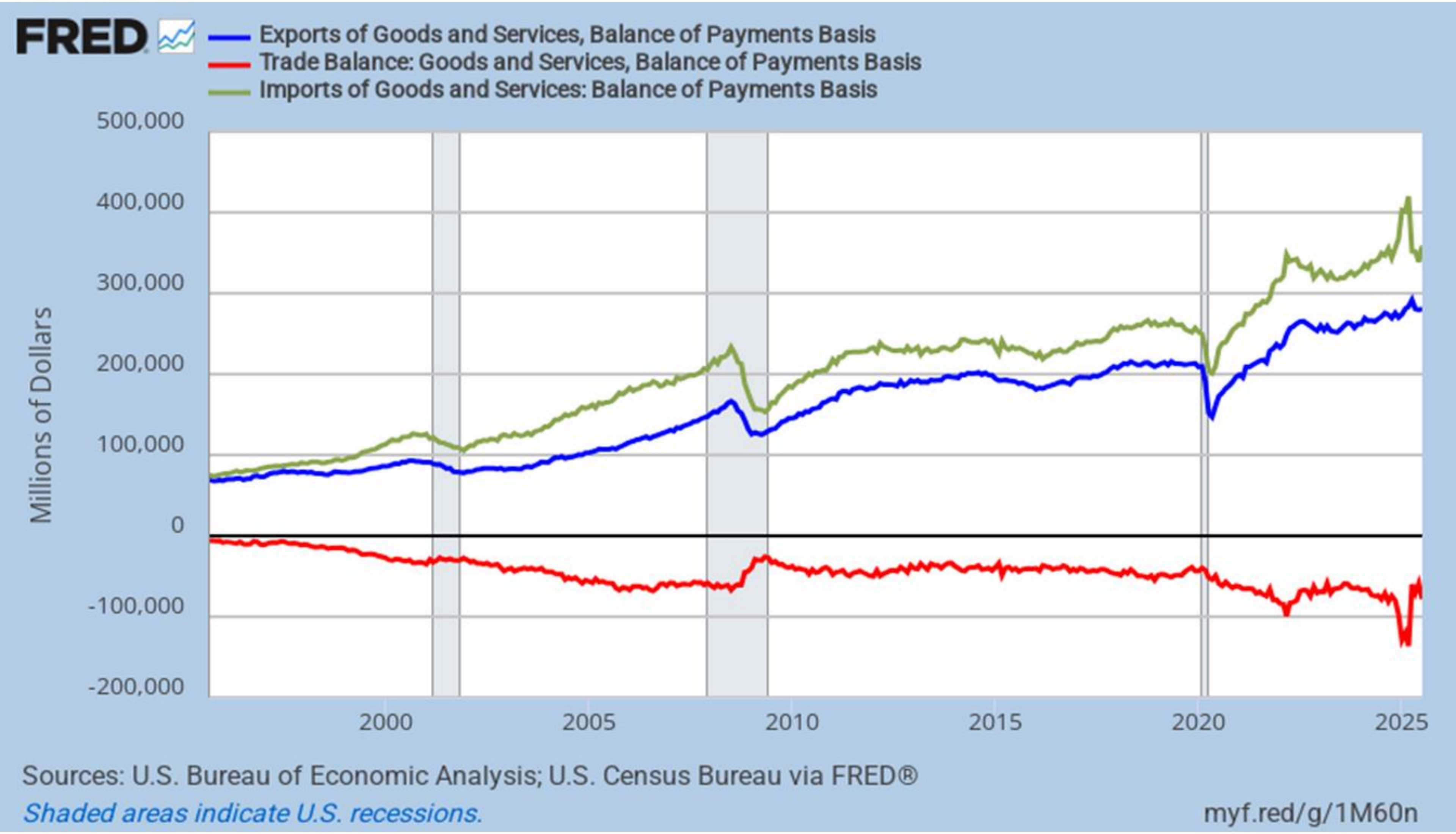
Average Effective Tariff on US Imported Good

Rates are high and a moving target



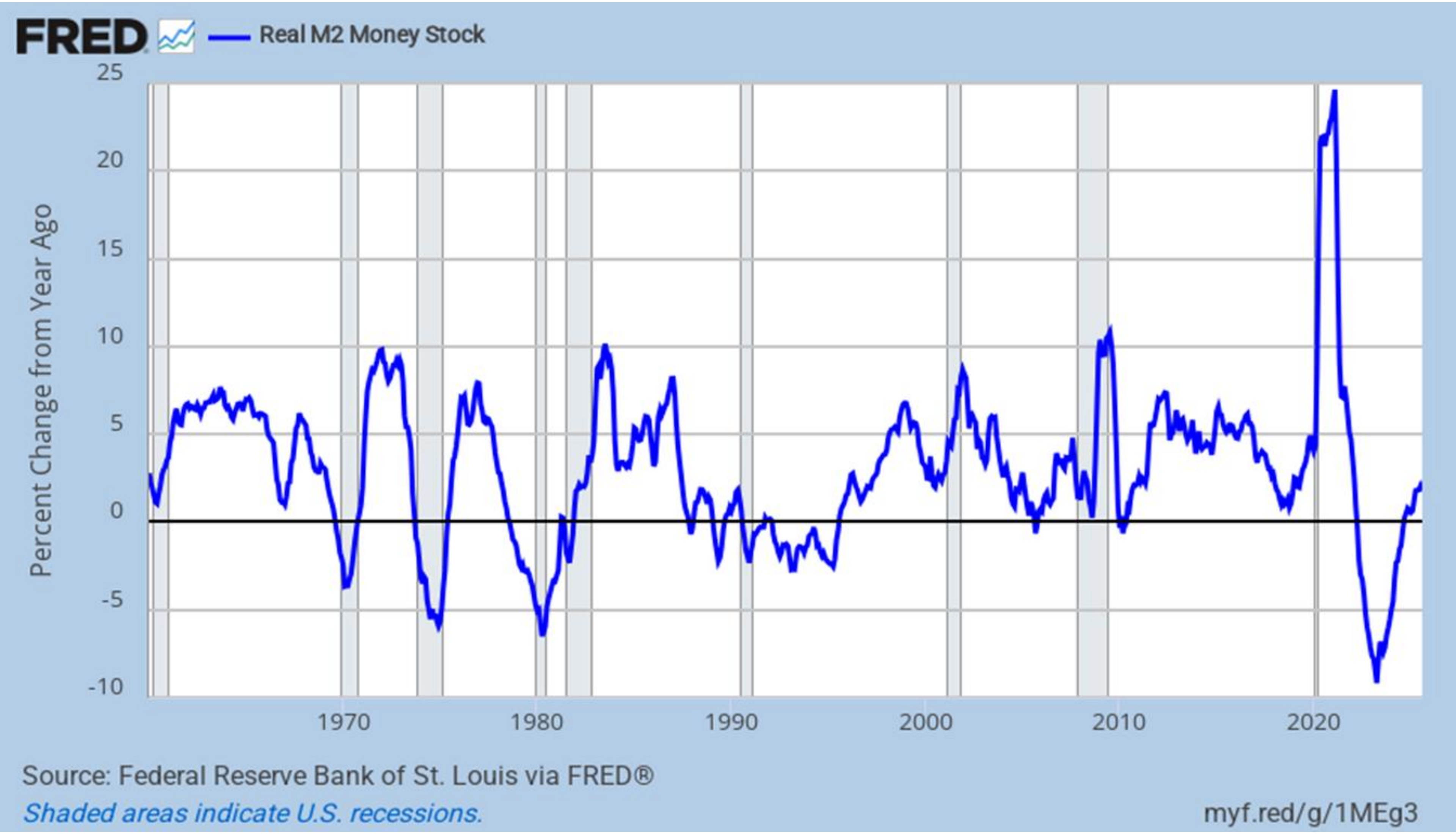
The Trade Deficit

Tariff frontrunning driven the deficit way up and then down



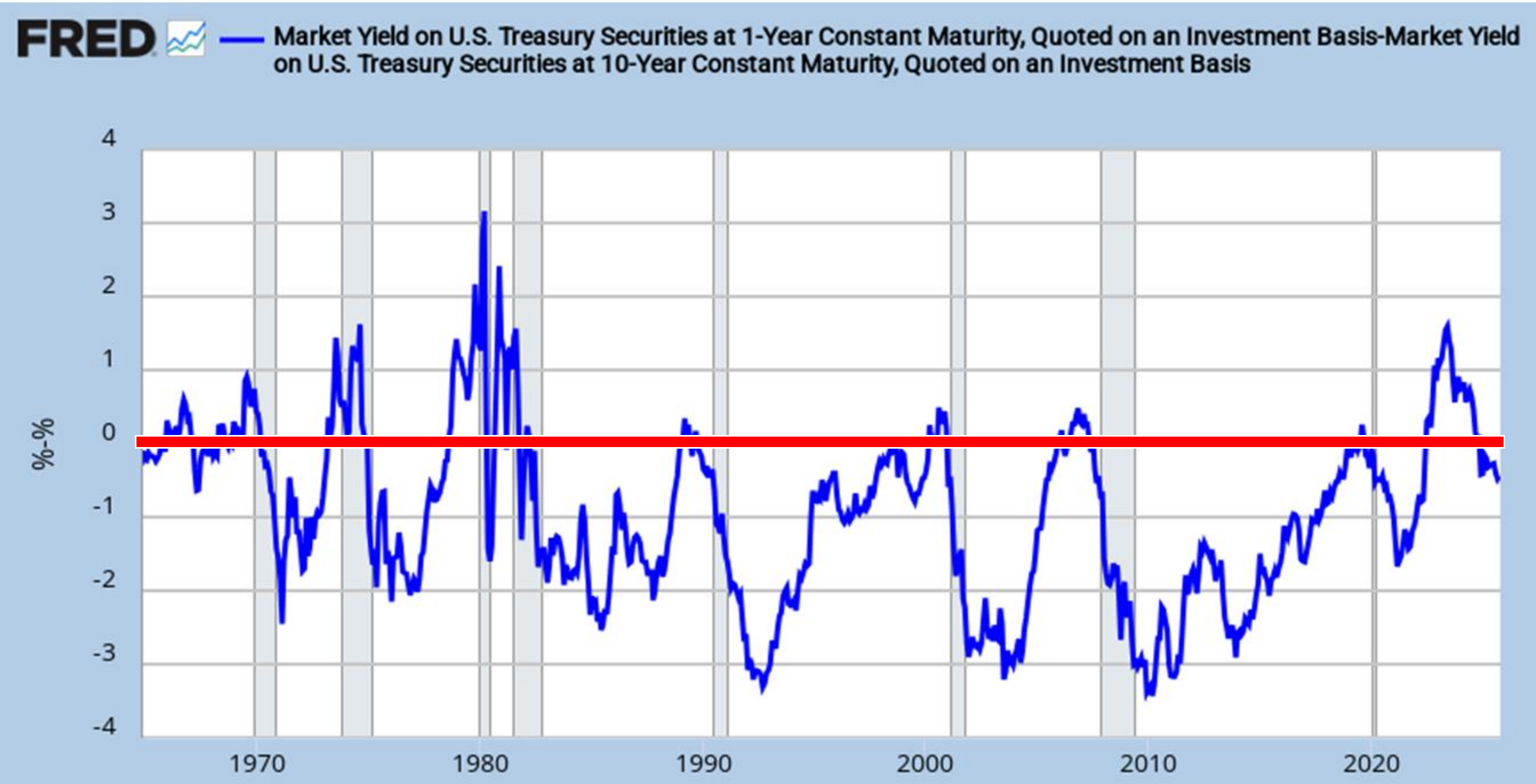
The Monetary Supply

It is again growing



The Yield Curve is Barely Normal

1-Year Treasury Yield – 10-Year Treasury Yield. 1yr should fall more



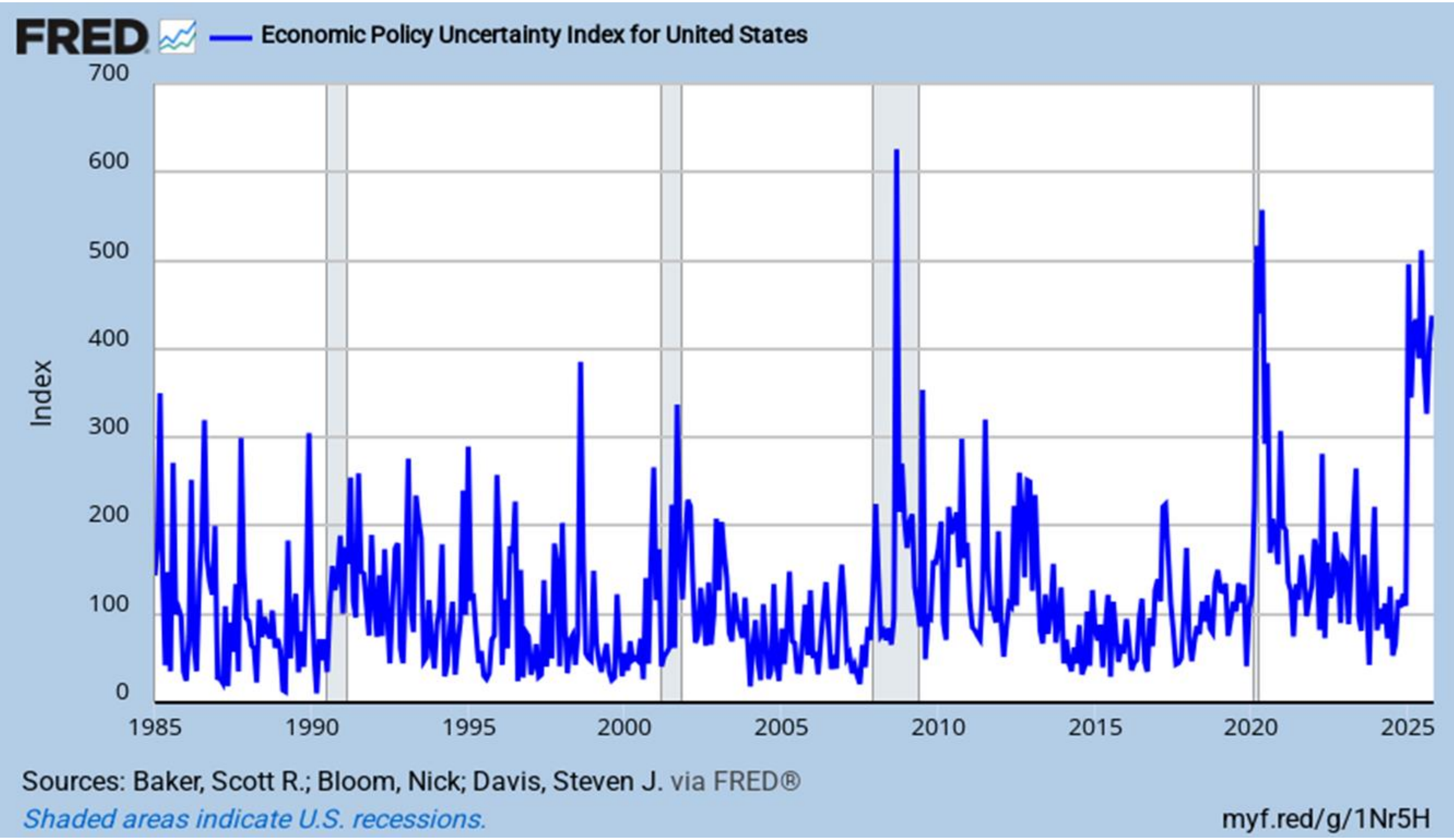
Source: Board of Governors of the Federal Reserve System (US) via FRED®

Shaded areas indicate U.S. recessions.

myf.red/g/1Na3q

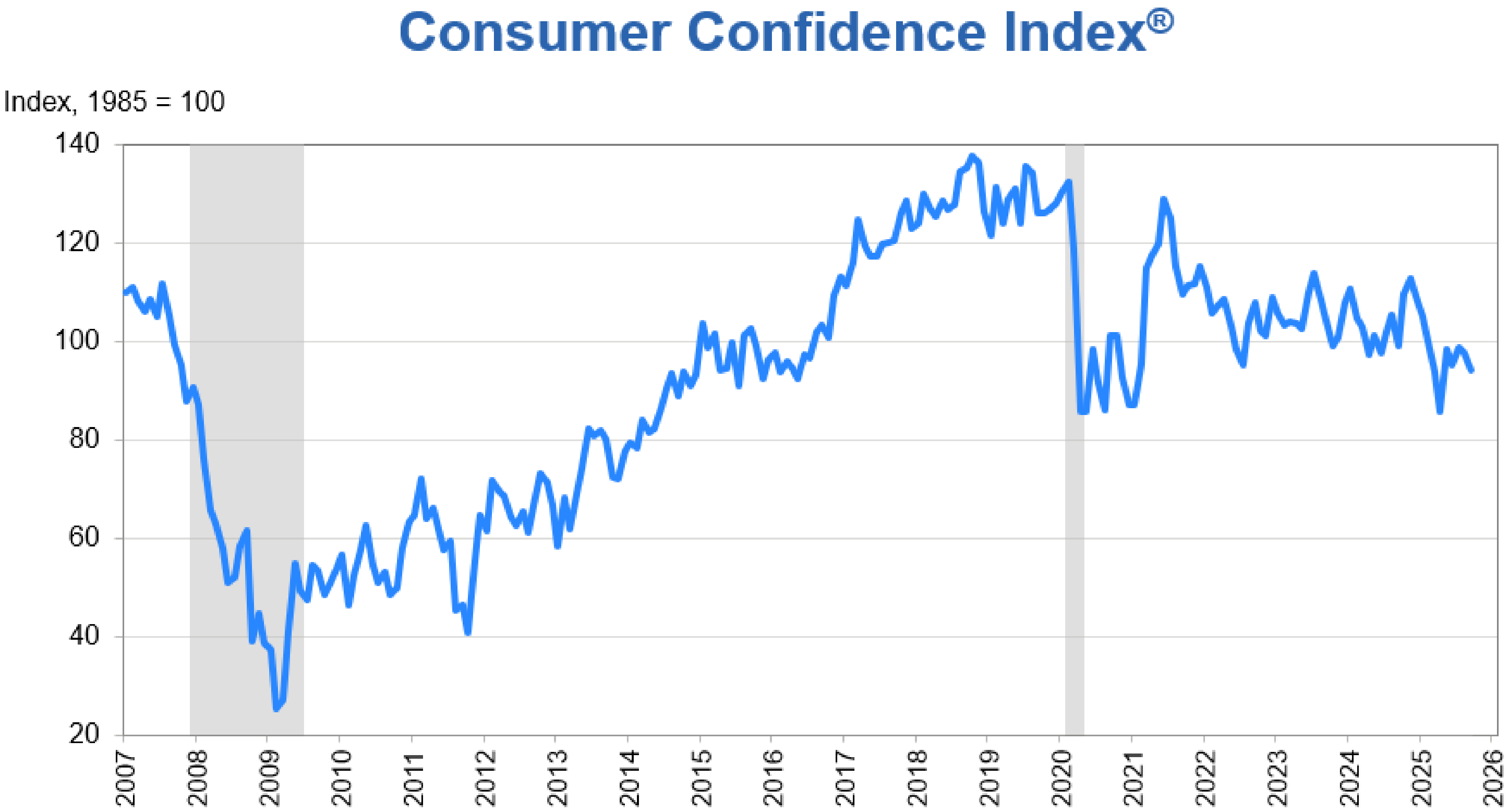
US Economic Policy Uncertainty

It remains quite elevated



Conference Board Consumer Confidence Survey

Confidence has noticeably declined



*Shaded areas represent periods of recession.
Sources: The Conference Board; NBER

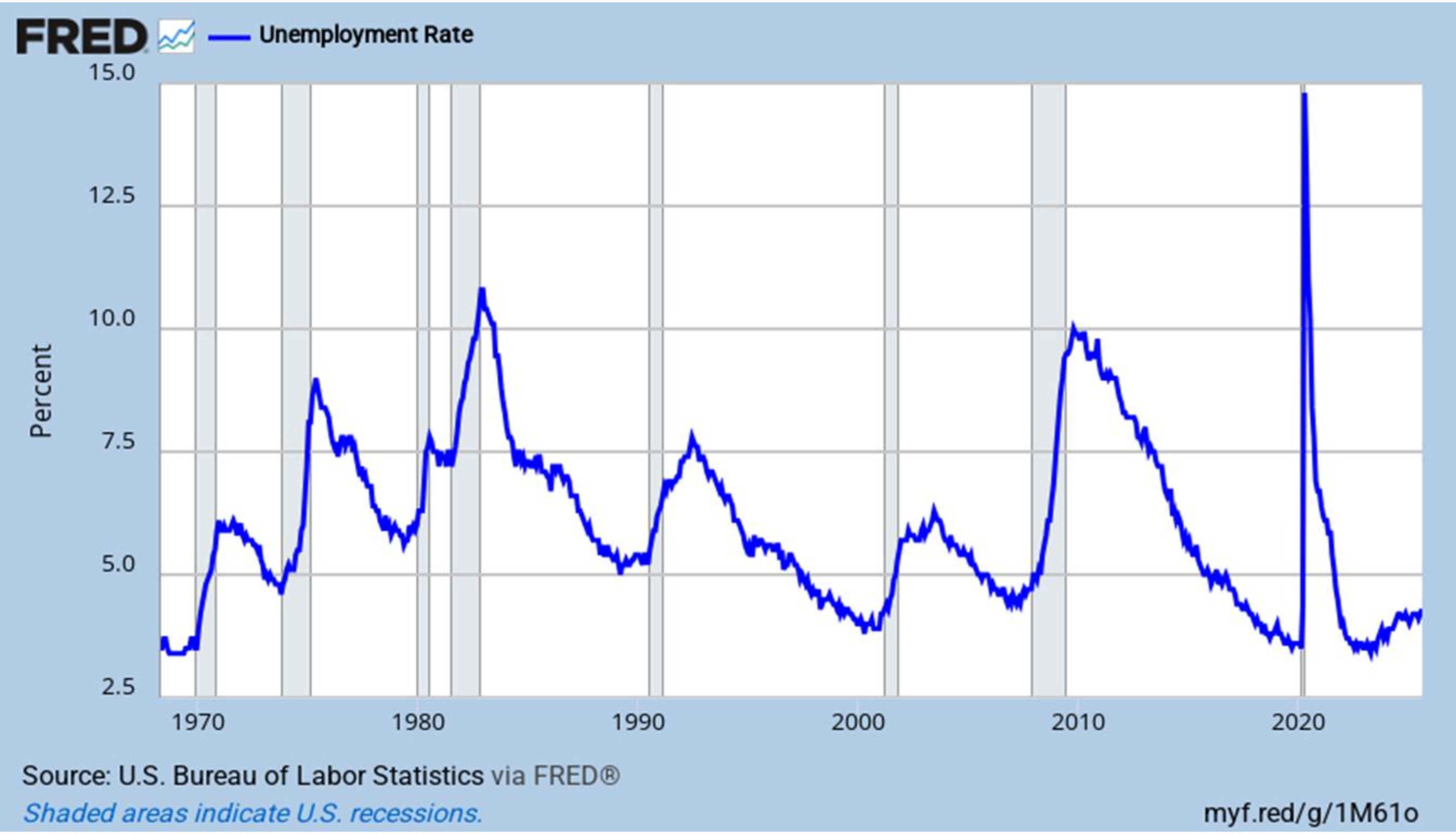
Labor Markets:

They are Softening

GRAPHS and LAUGHS

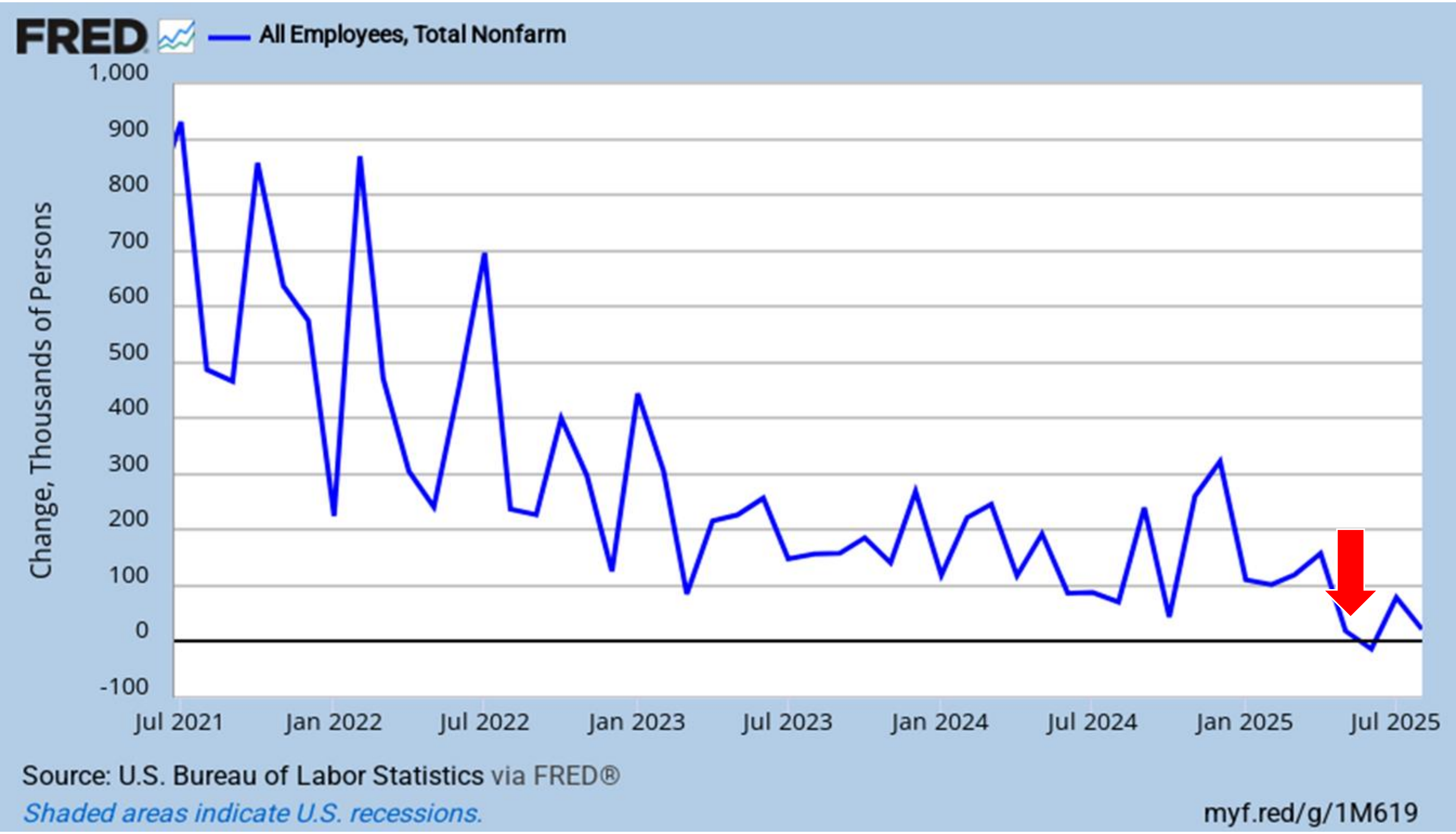
The Unemployment Rate

The rate is low at 4.3%, but is at its highest leveln since 10/21



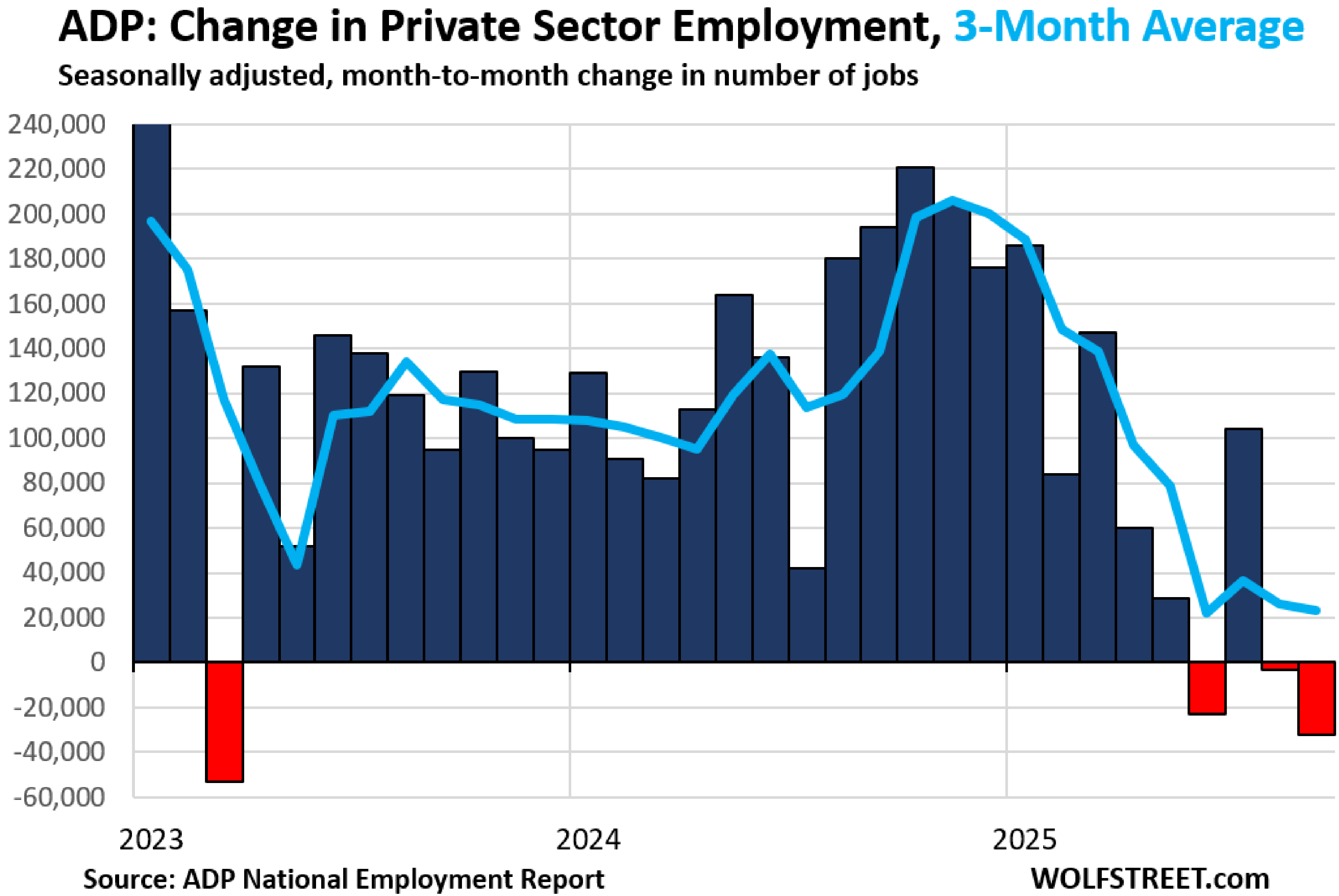
Historical Job Growth

It is much lower starting in May



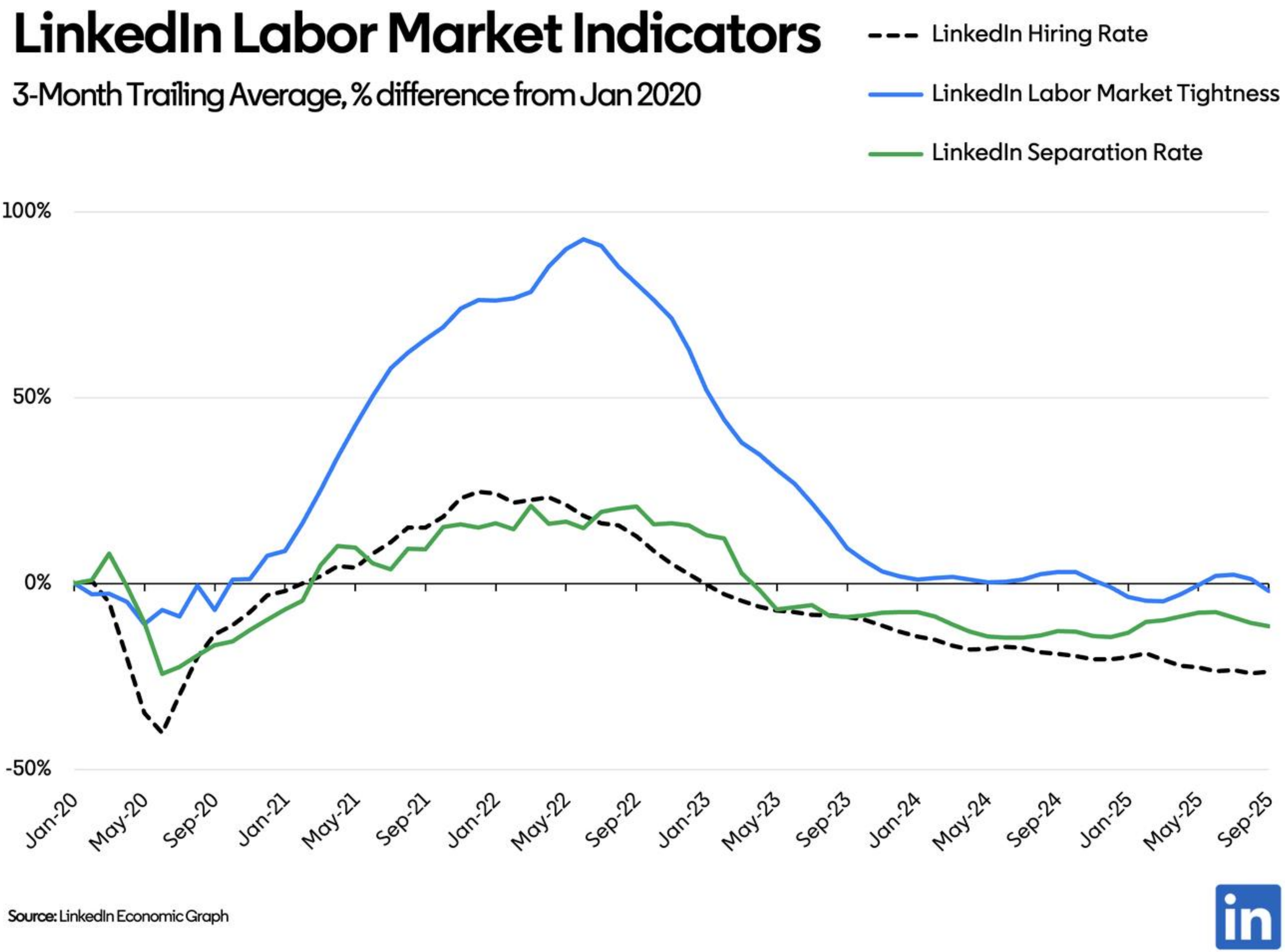
ADP Employment Growth

It looks bad no matter how you look at it



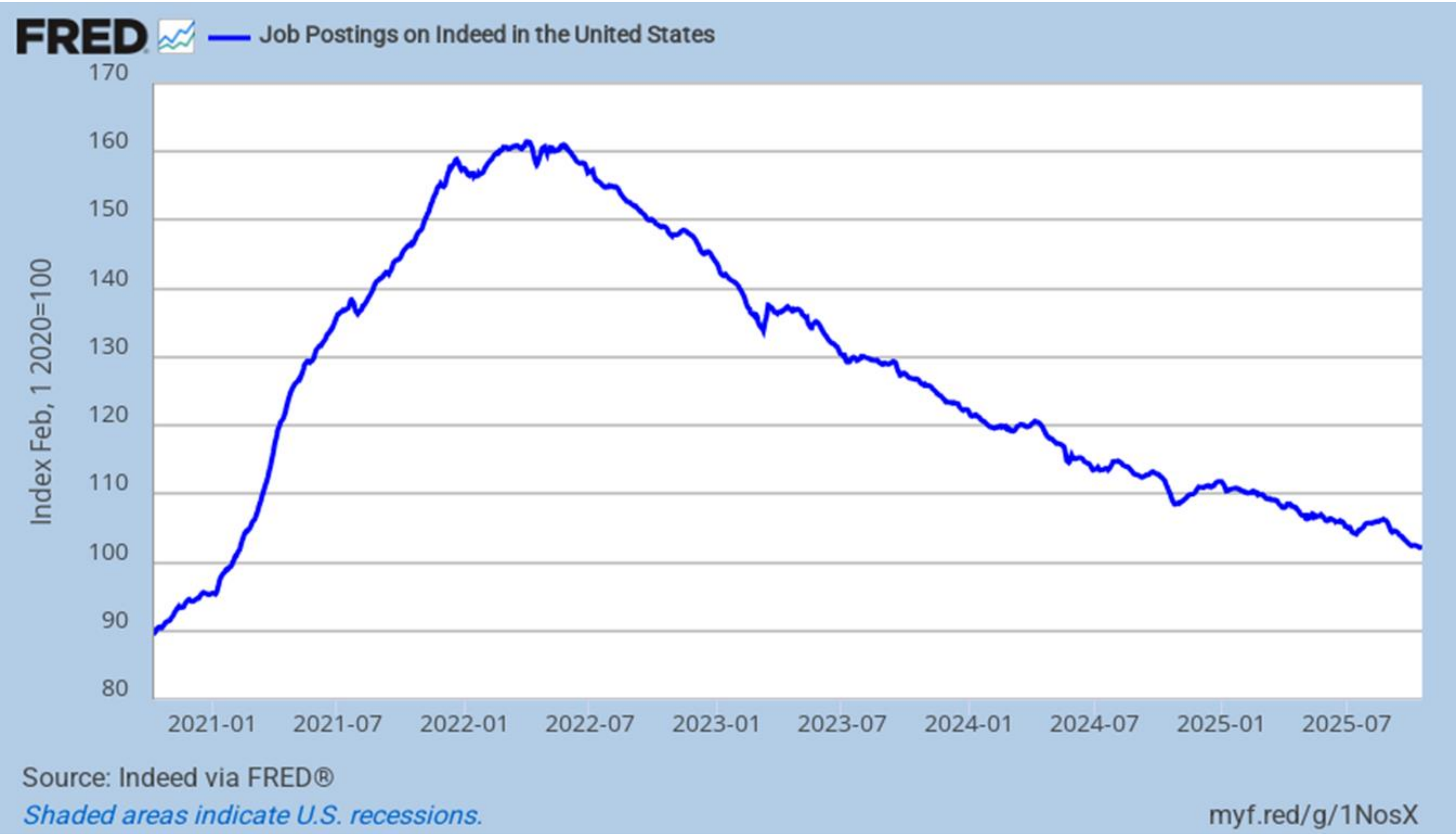
LinkedIn Employment Activity

It looks weak no matter how you slice it



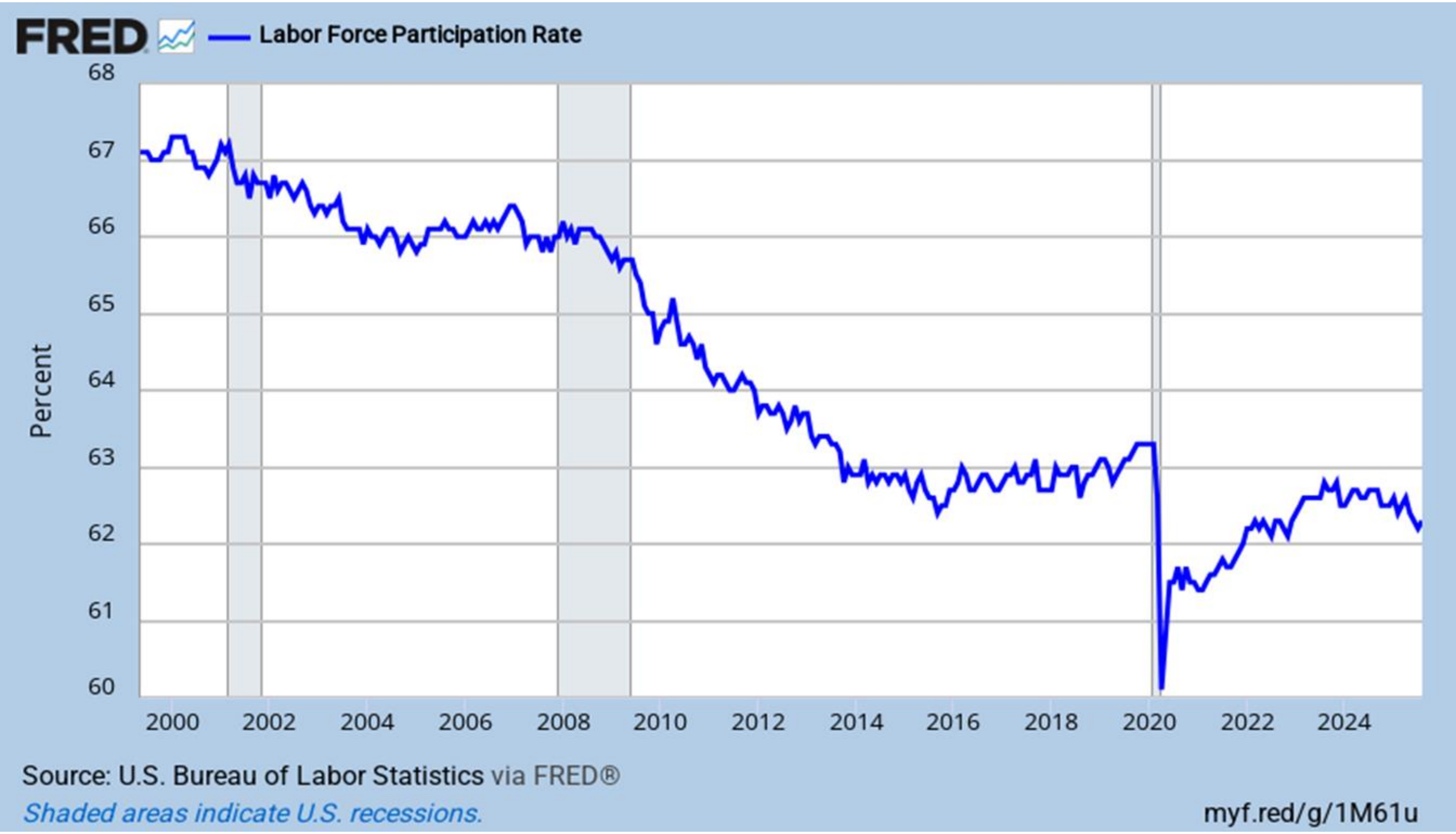
Number of Openings on Indeed.com is Declining

Openings are steadily and slowly deteriorating



The Labor Force Participation Rate

Is slowly declining as the nation ages, and as folks give up looking



Working Part Time and Unhappy About It!

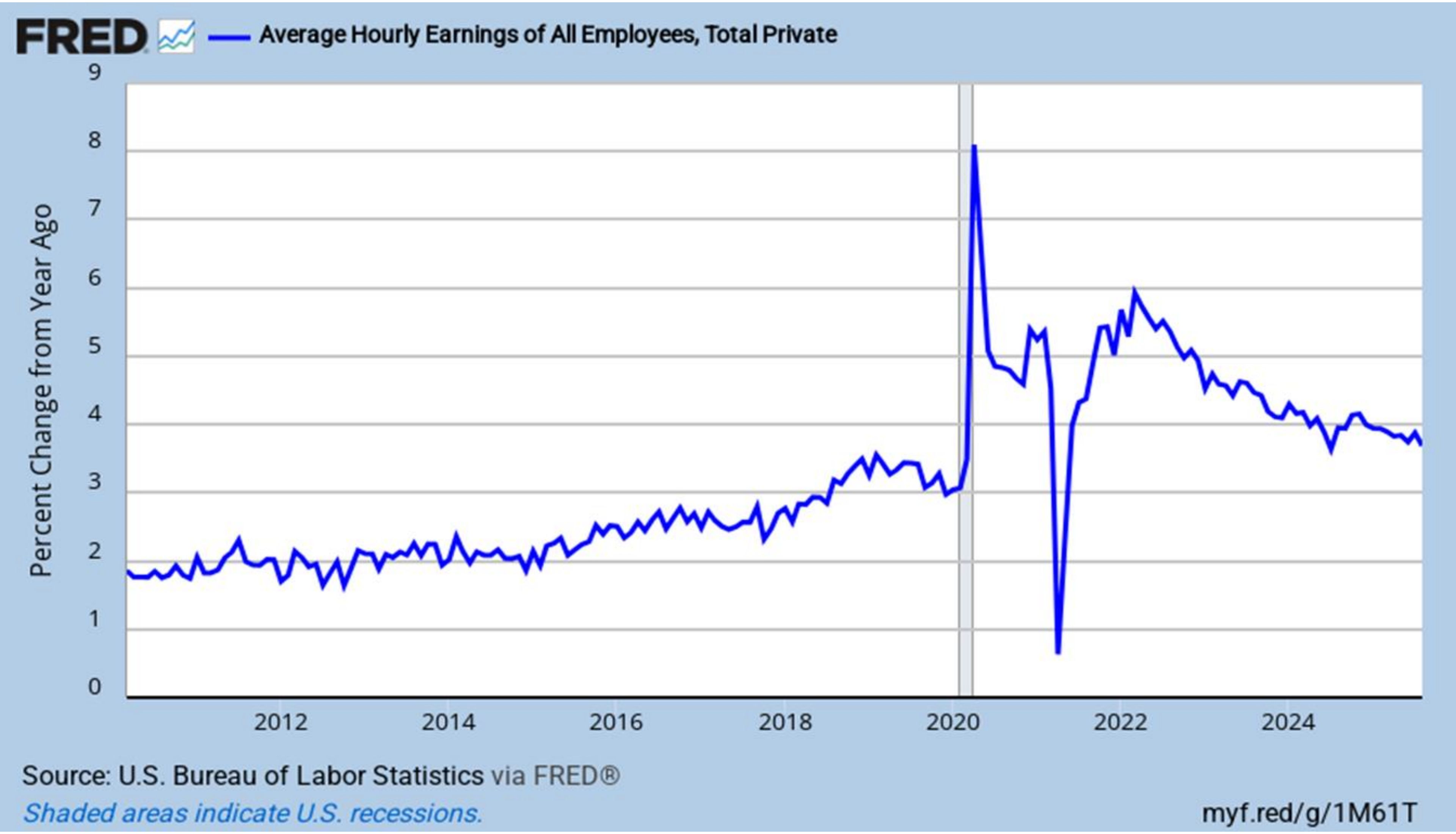
It is clearly rising

The Number of Permanent Job Losses

It is clearly rising

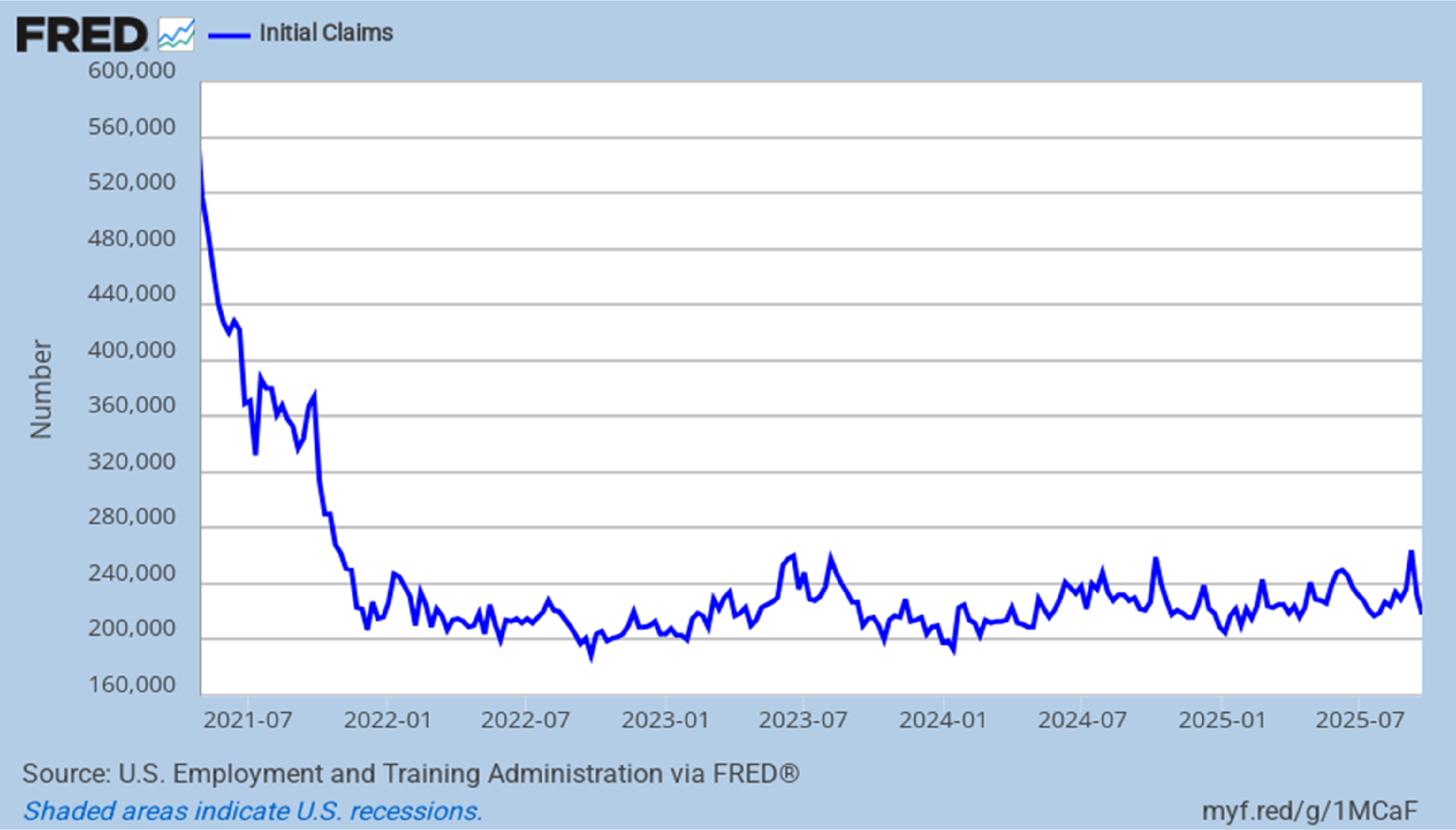
Y-o-Y Percent Change in Hourly Earnings

Wage growth is clearly weakening



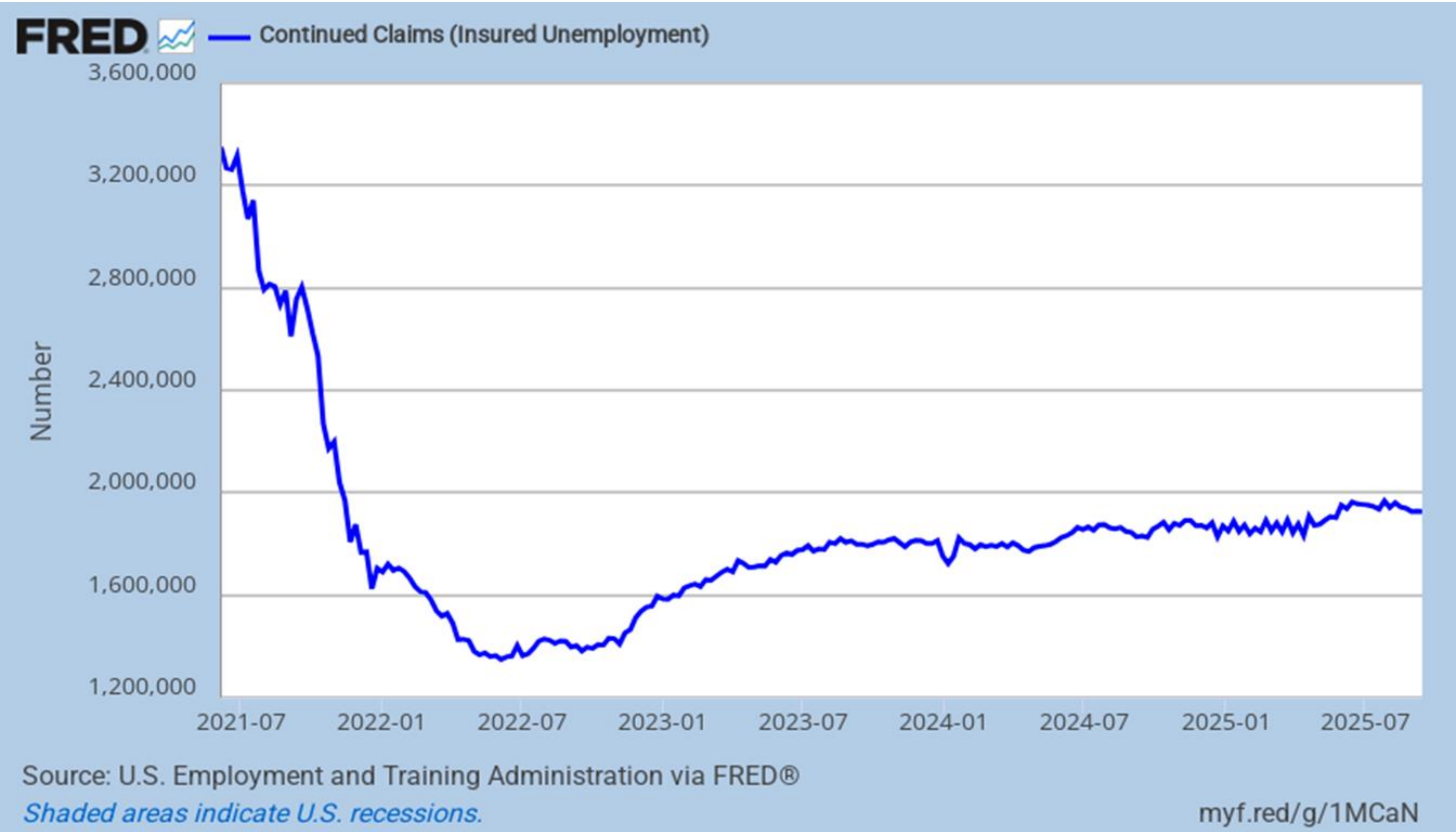
Involuntary Separations

Claims are slowly rising



Continuing Unemployment Claims

It plateaued earlier but since mid-2024 has been clearly rising



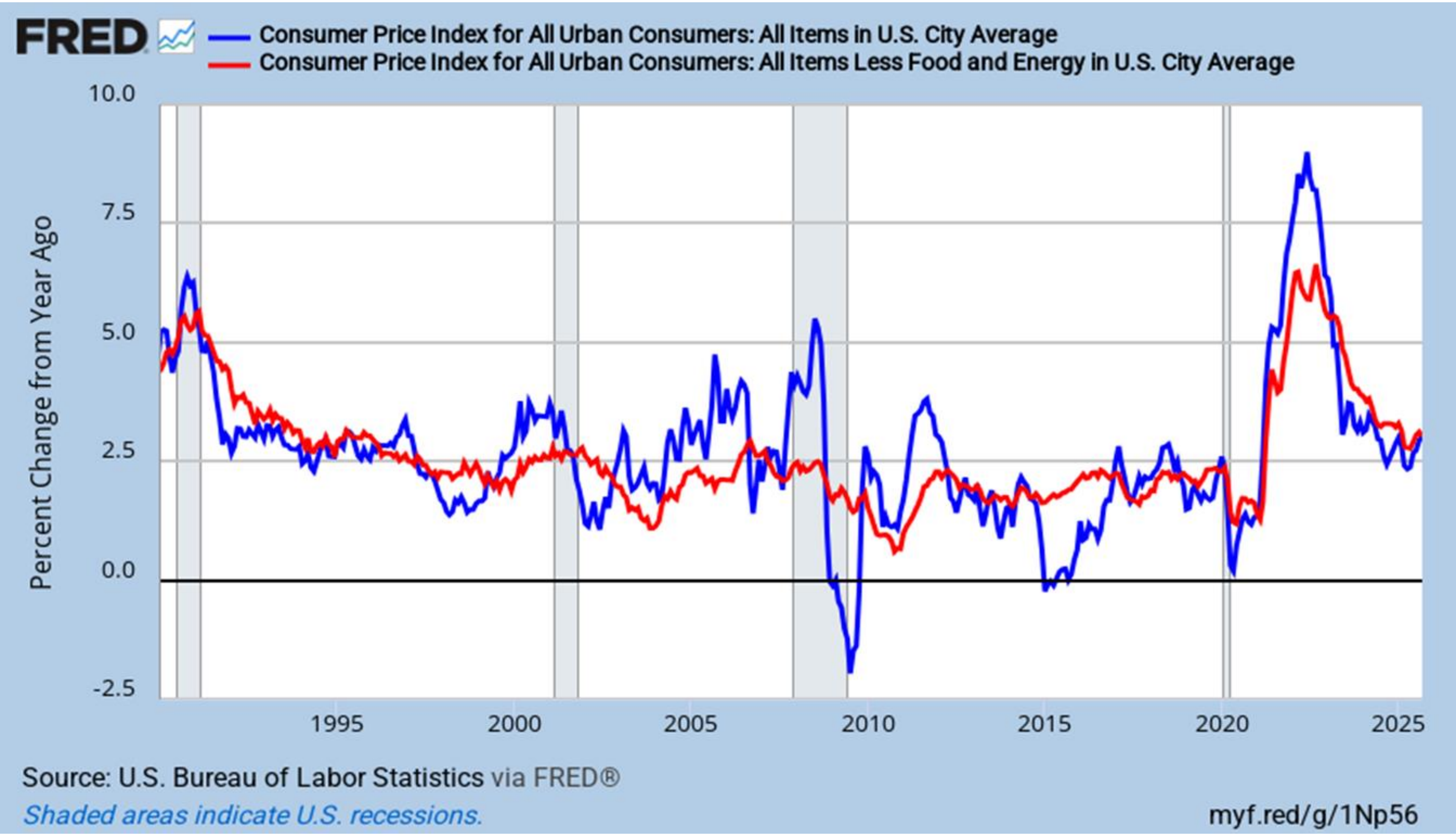
Inflation & The Fed

GRAPHS and LAUGHS


INFLATION? WHAT INFLATION?
A PACK OF GROUND BEEF IS THE SAME PRICE AS LAST MONTH
THE ATLAS SOCIETY

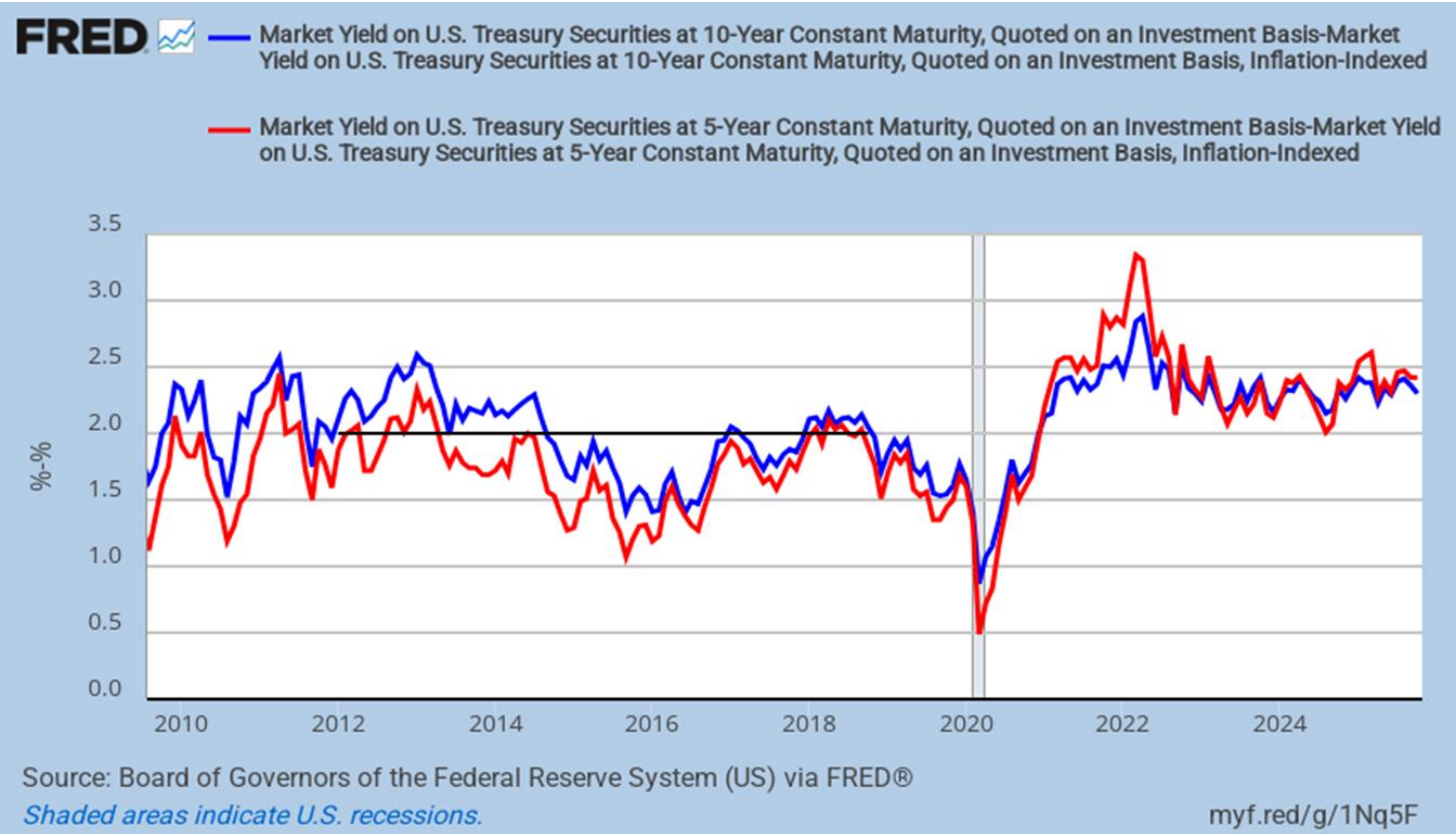
CPI: Inflationary Pressures

Are inflationary pressures rising?



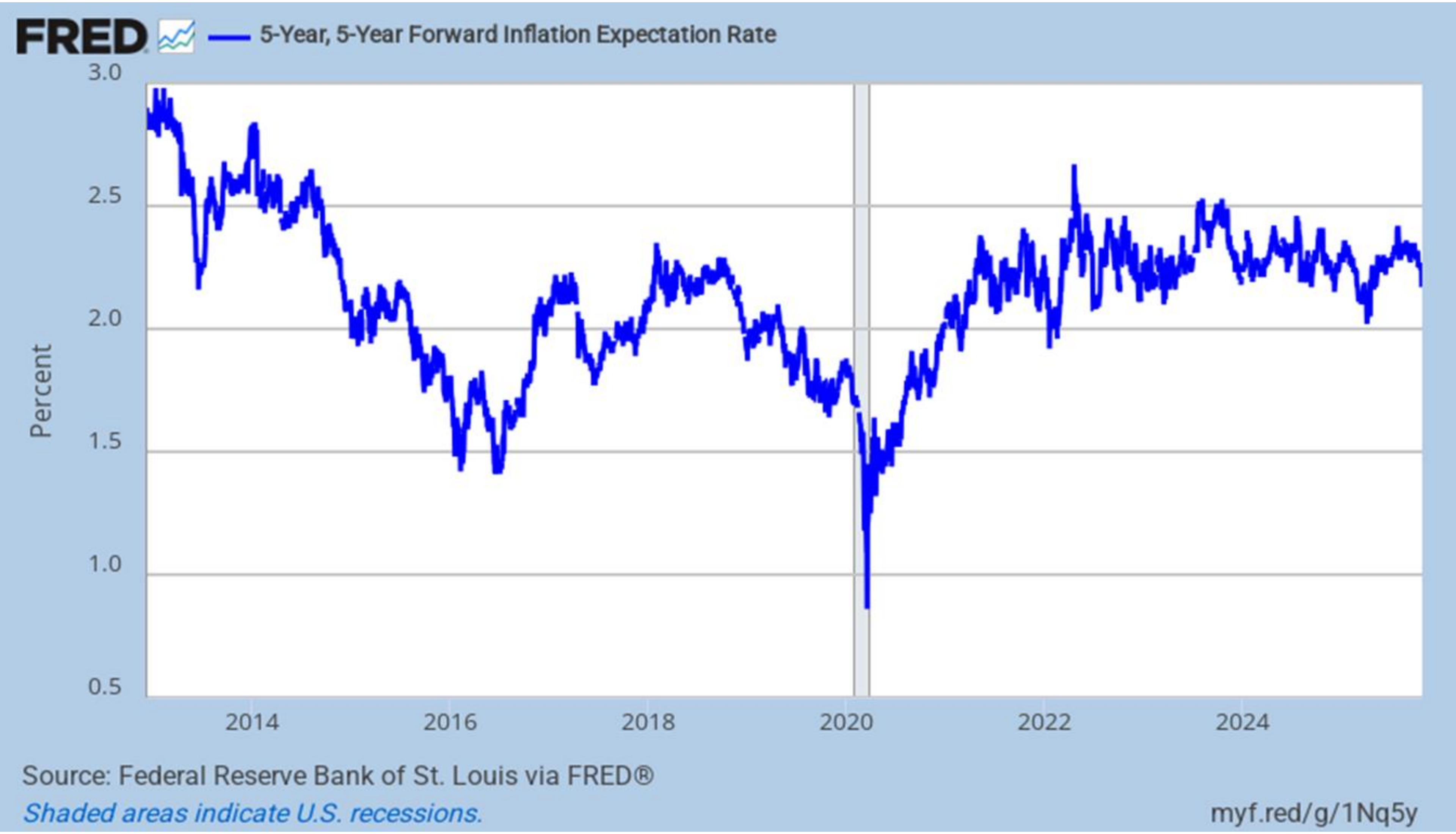
Inflation Expectations were Rising

5-year and 10-year breakeven rates



Inflation Expectations are Low and Stable

This gives the Fed further room to lower rates



Federal Reserve Behavior

Most likely scenario

- On 9/18/24 it finally fell 50 bps to 4.875%
- On 11/7/24 it expectedly fell to 4.625%
- On 12/18/24 it surprisingly fell to 4.375%
- FINALLY, on 9/17/25 it fell to 4.125%!!!!!
- FOMC cuts once, maybe twice more in ‘25

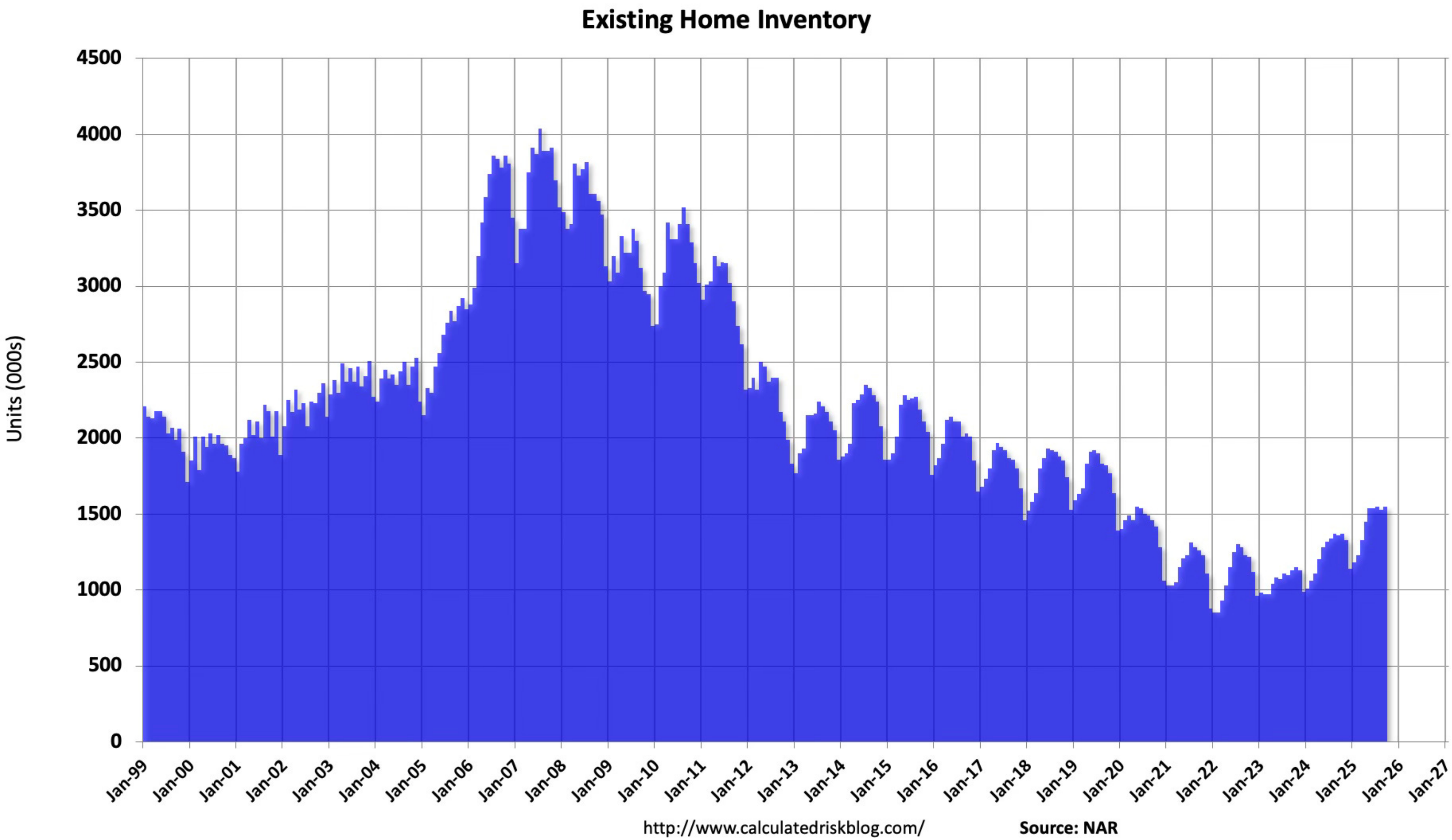
How About Housing?

(It varies tremendously by location)

GRAPHS and LAUGHS

Housing Inventory is Suddenly Not So Low

It's been rising for three years. Starting to approach pre-Covid levels

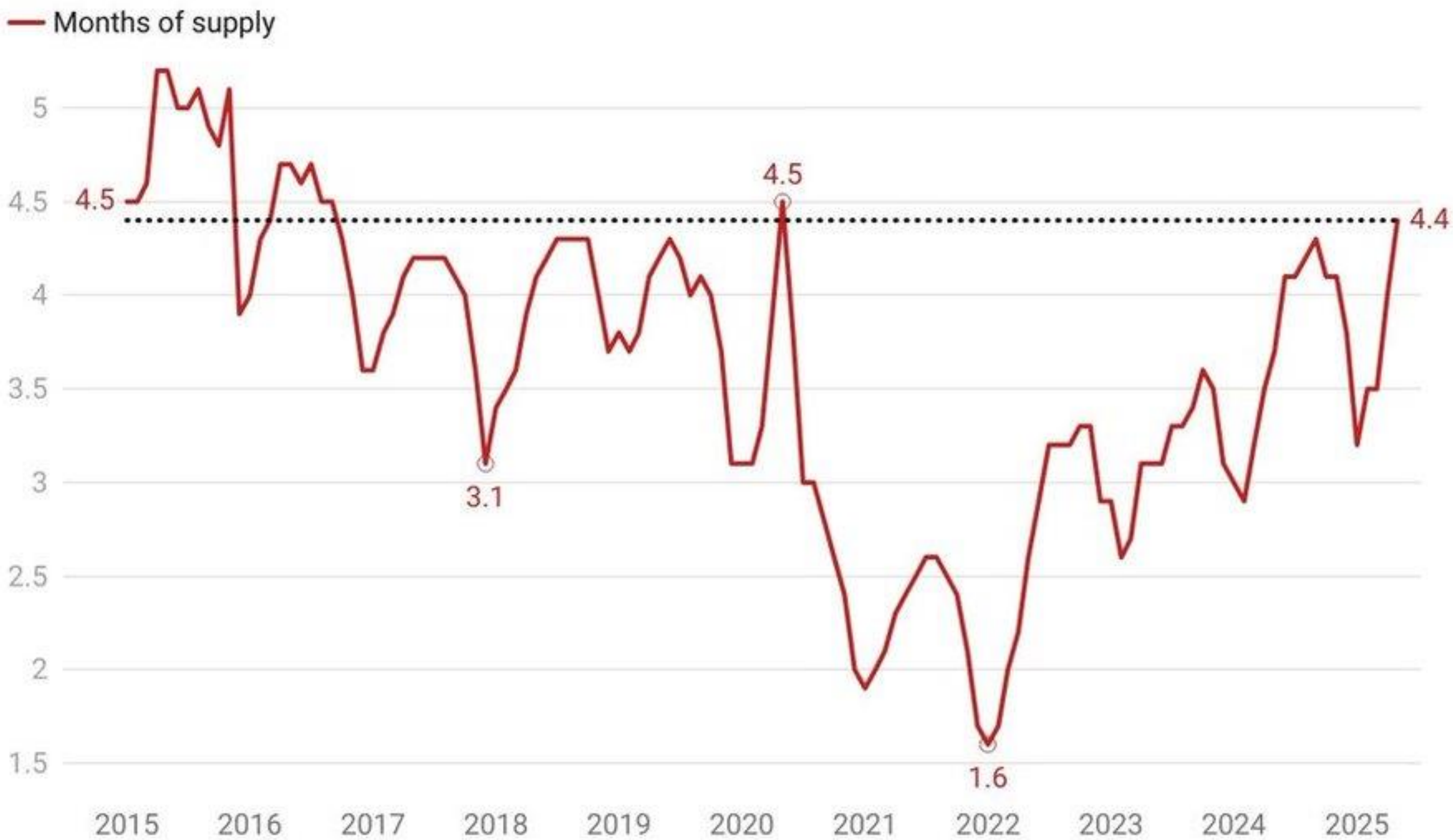


Inventory is Finally Growing

Months supply of inventory is key

Supply of Existing Homes Surges Nationwide

In April, the supply of previously owned homes for sale jumped to 1.45 million units, up 9% from March and 21% more than one year ago. It represented 4.4 months of supply at the current sales pace, the most since 2016, excepting a brief spike at the onset of the COVID-19 pandemic.

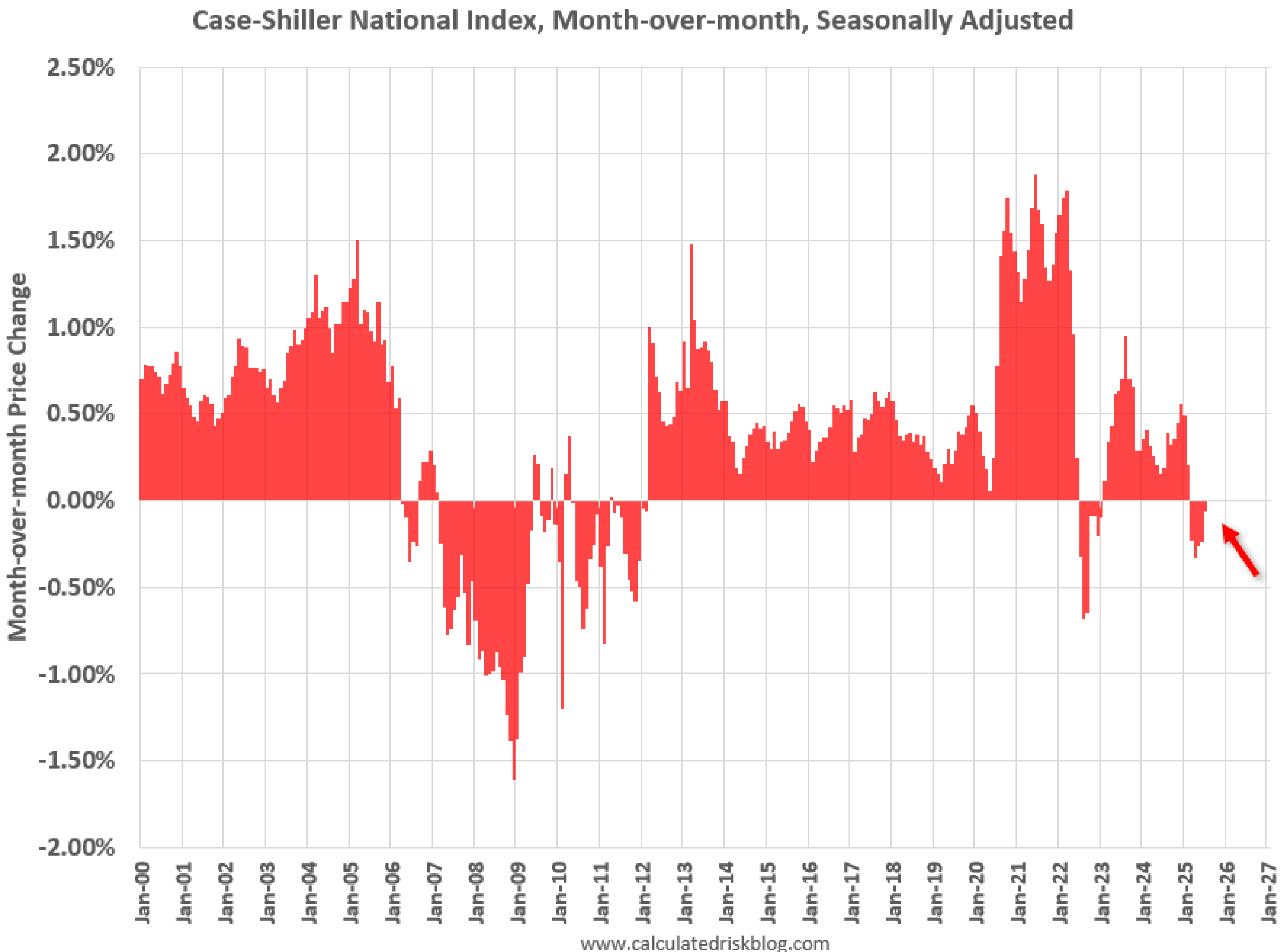


Months supply of existing homes at current sales pace

Chart: Realtor.com • Source: NAR • Created with Datawrapper

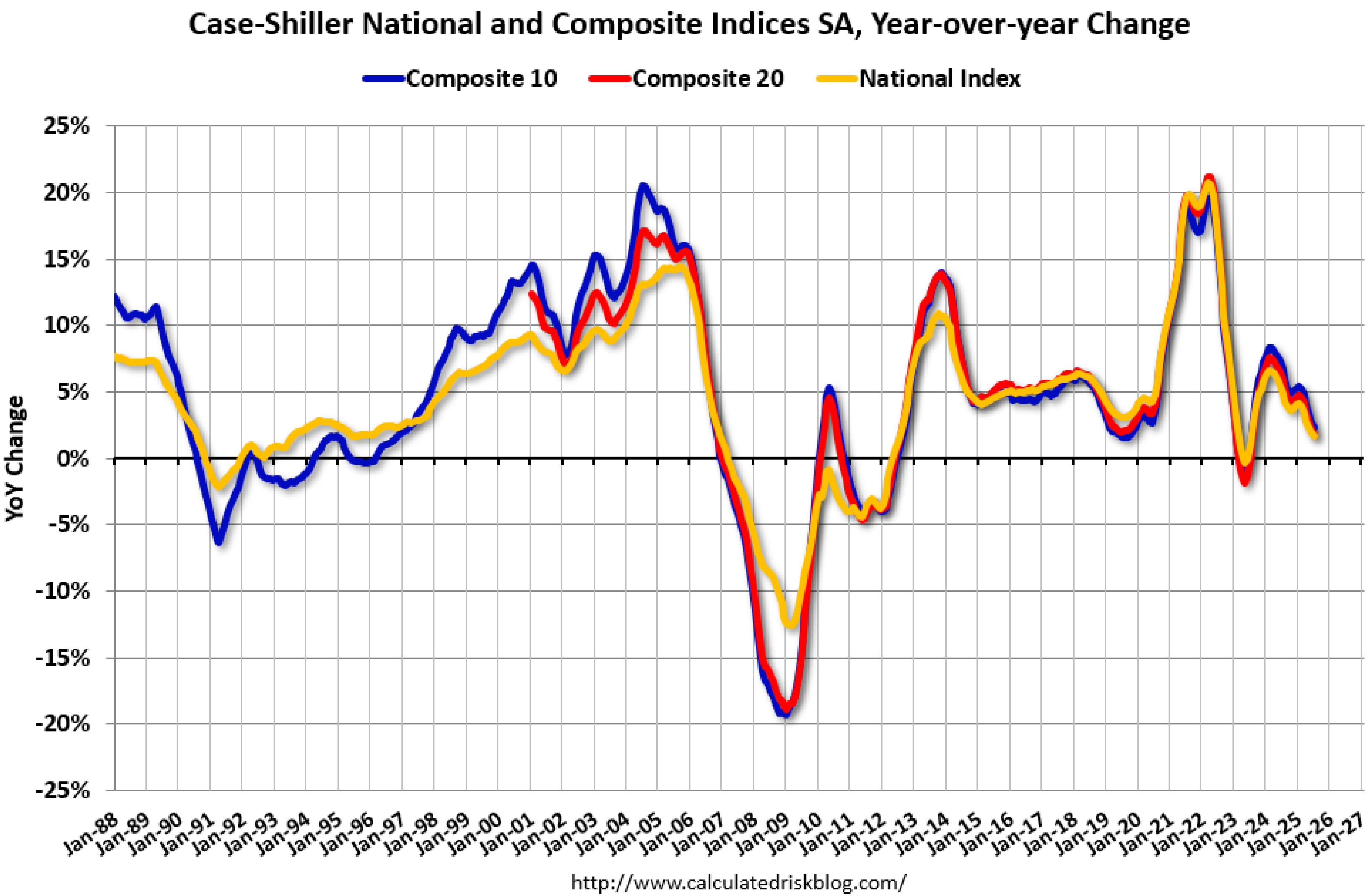
Case-Shiller M-o-M Price Changes

House price appreciation has turned into depreciation



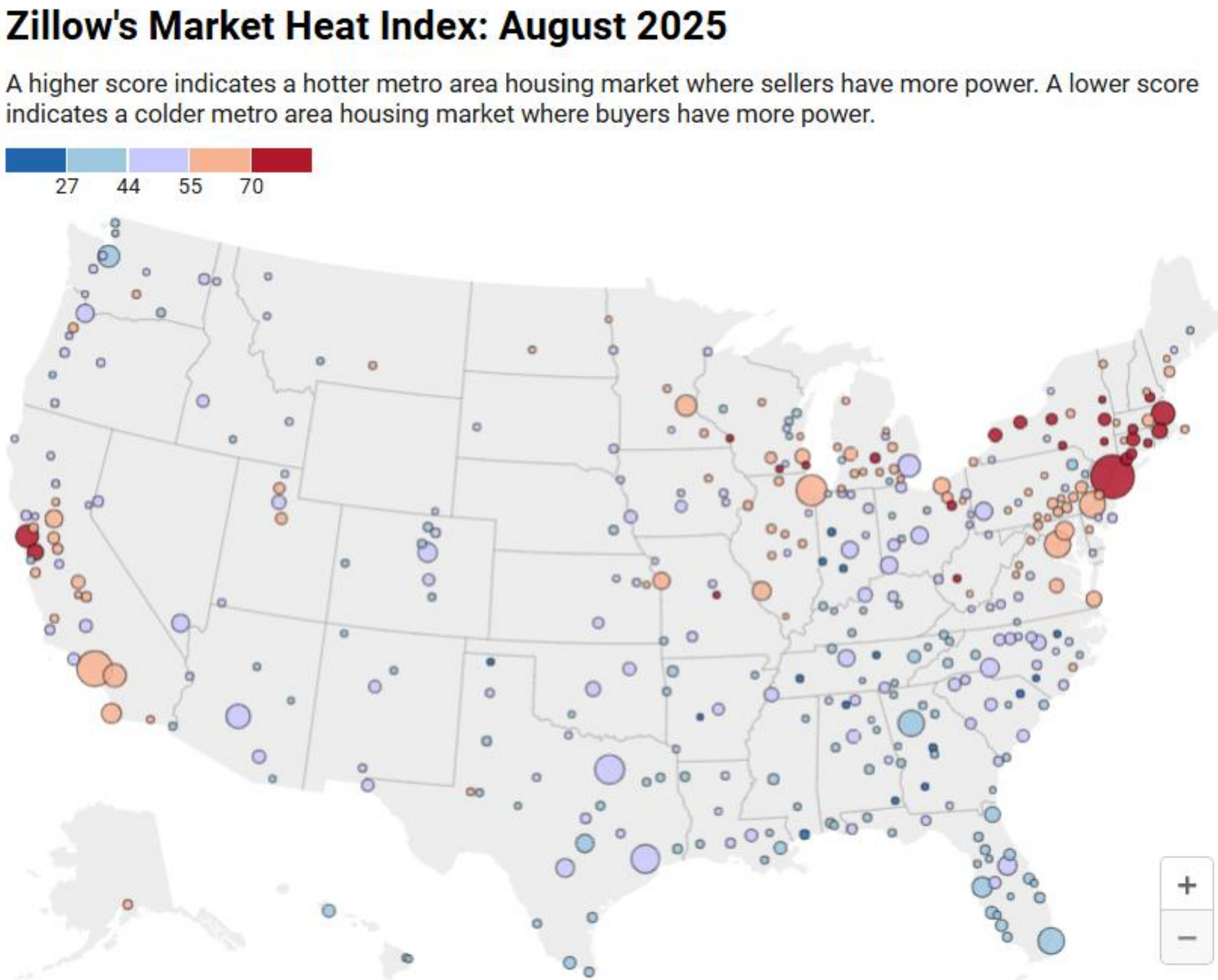
Price Growth is Declining

Annual price appreciation is declining and barely positive



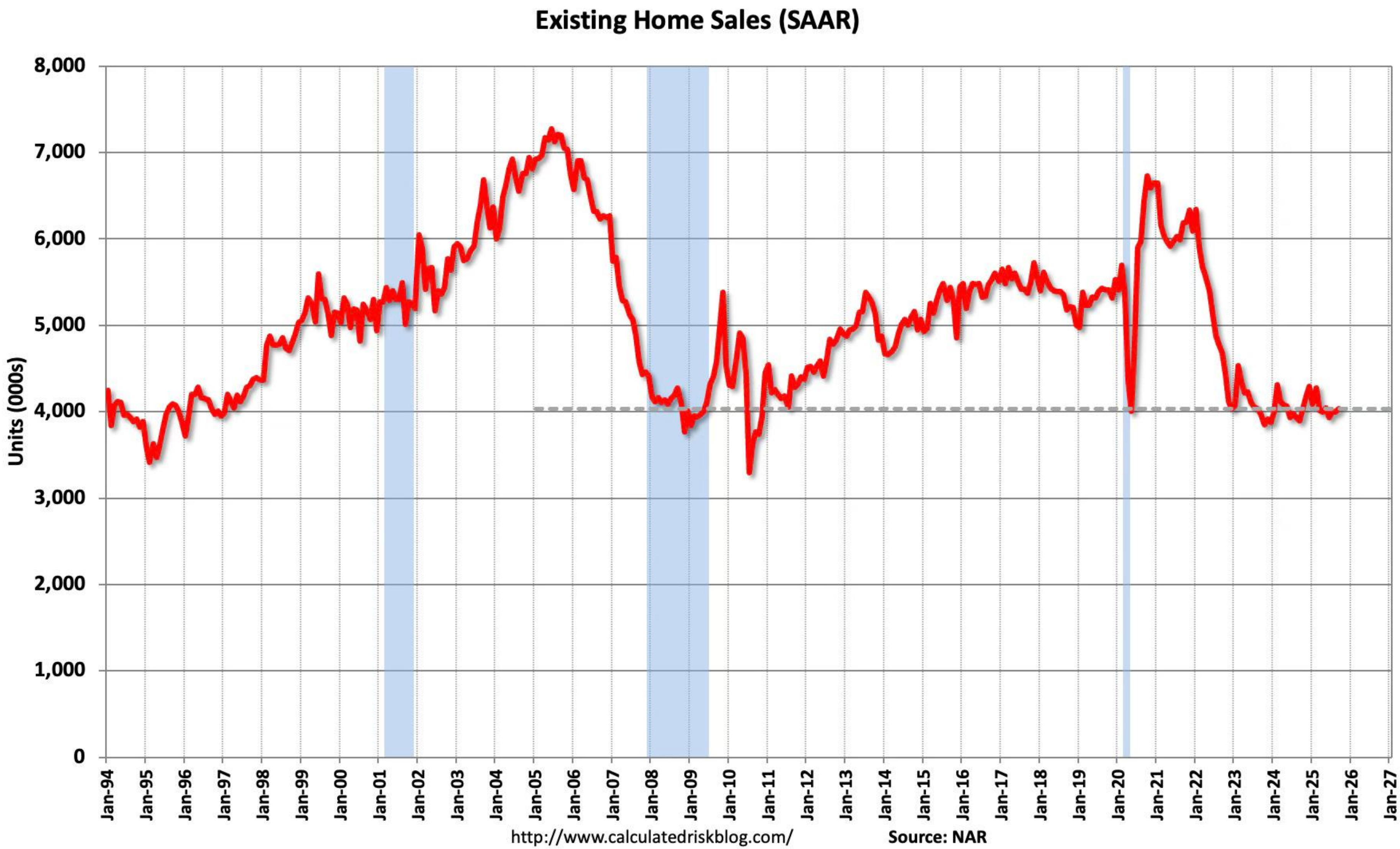
Home Hotness Through 8/25

Massive role reversal between South and West vs. Northeast, Midwest, and West Coast



Existing Home Sales Are Soft

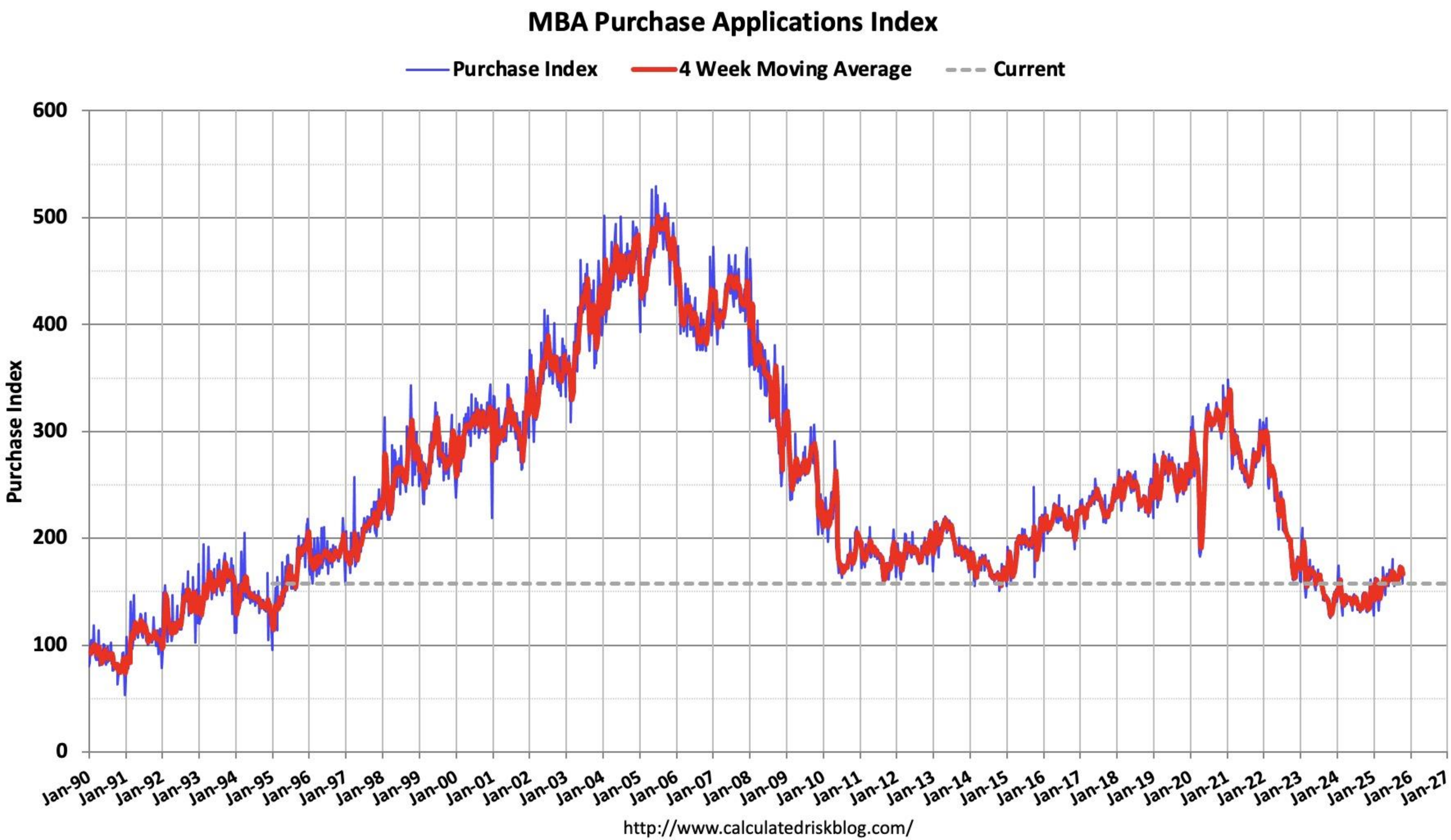
They rise in 2026 as rates fall, inventory rises, and prices keep softening



Mortgage Purchase Applications Level

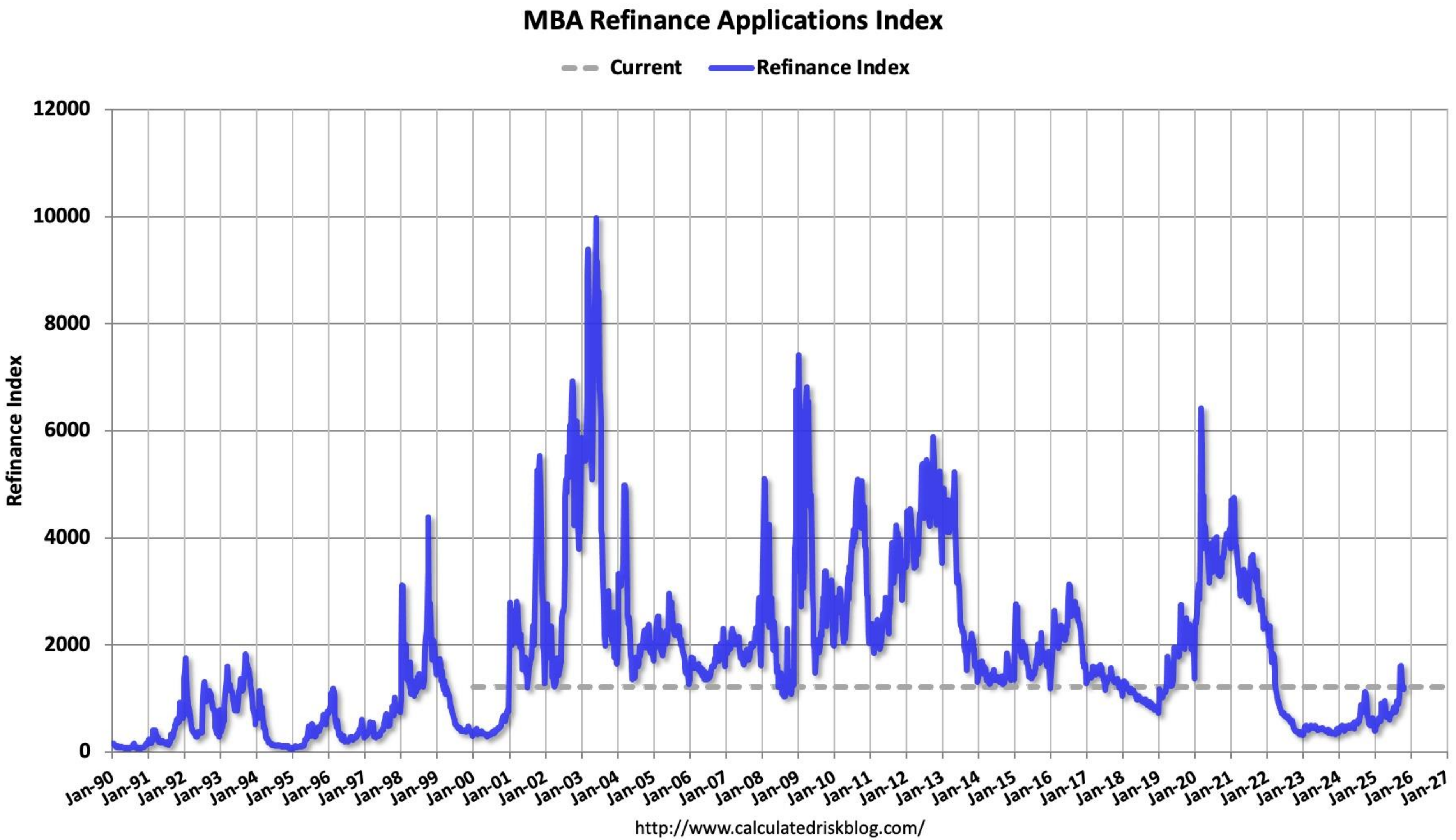
1st time applications are at levels last seen in the mid-1990s

Purchase volume was $1.3 trillion in 2024 and probably hits $1.4 trillion in '25



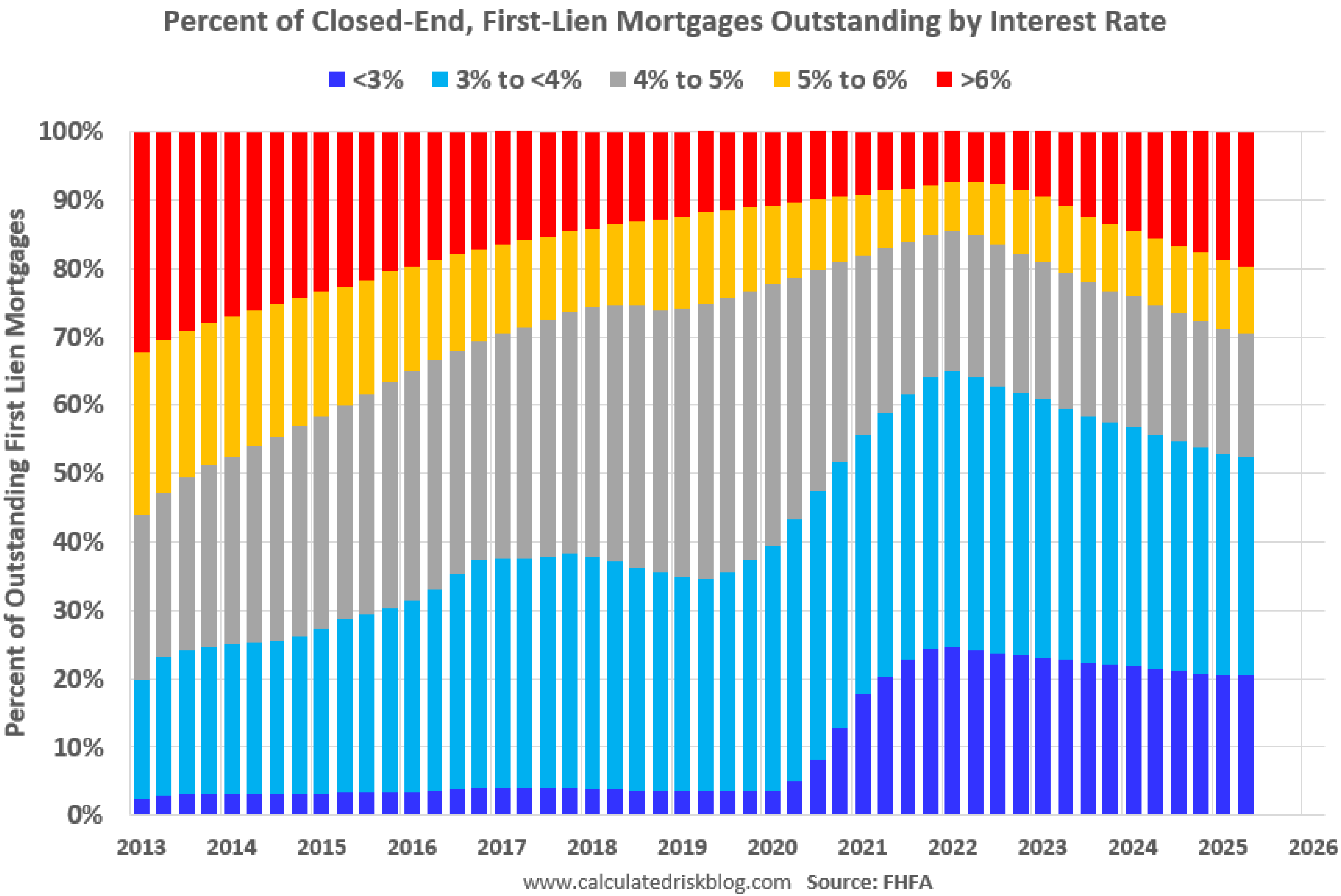
Refinance Activity Sort of Reawakens

Refi was $350 billion in ’24, and maybe $650 billion in 2025 and maybe $700 in ‘26



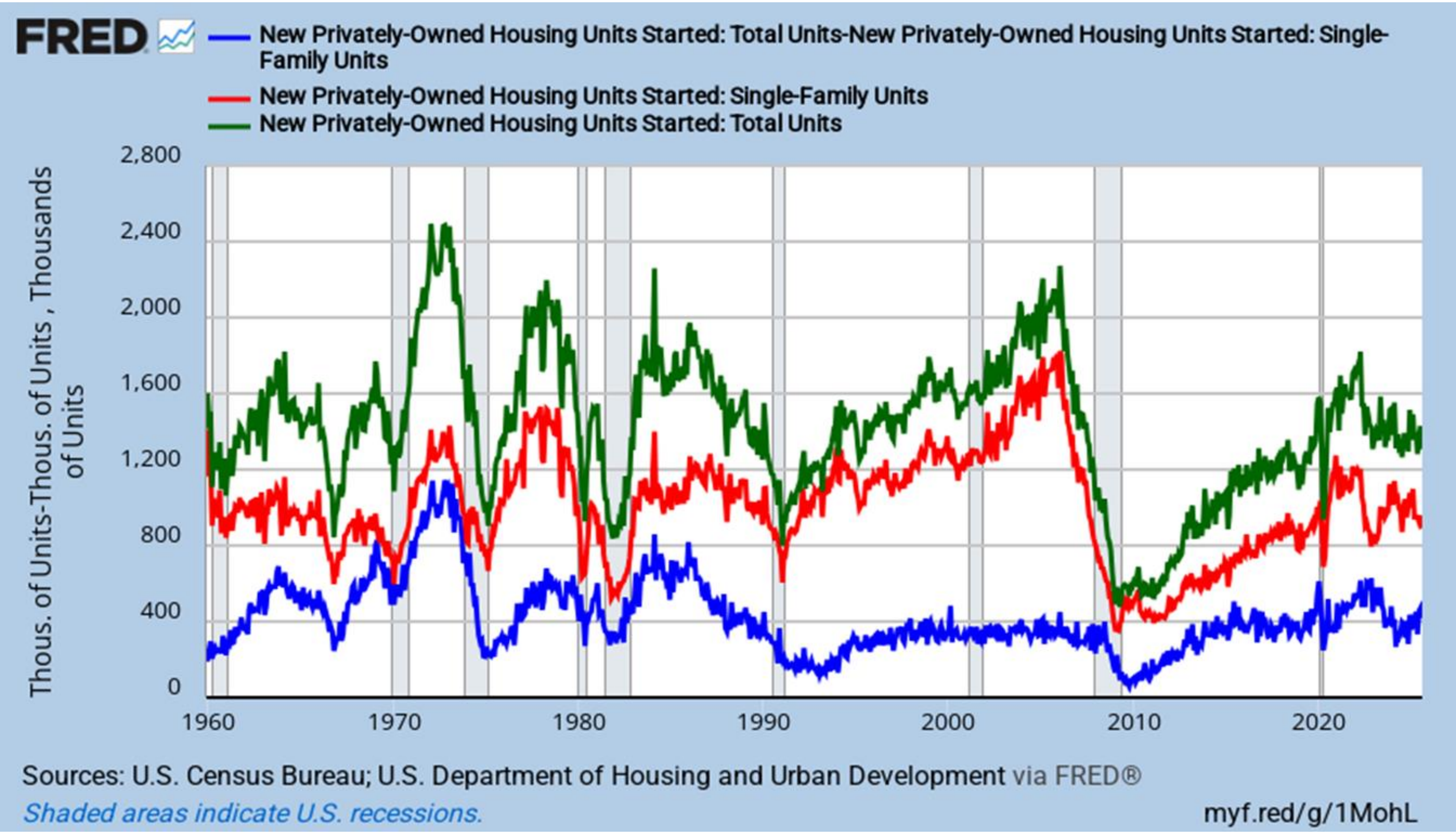
Mortgage Rates by Interest Rate

Those with rate above 6% are rising



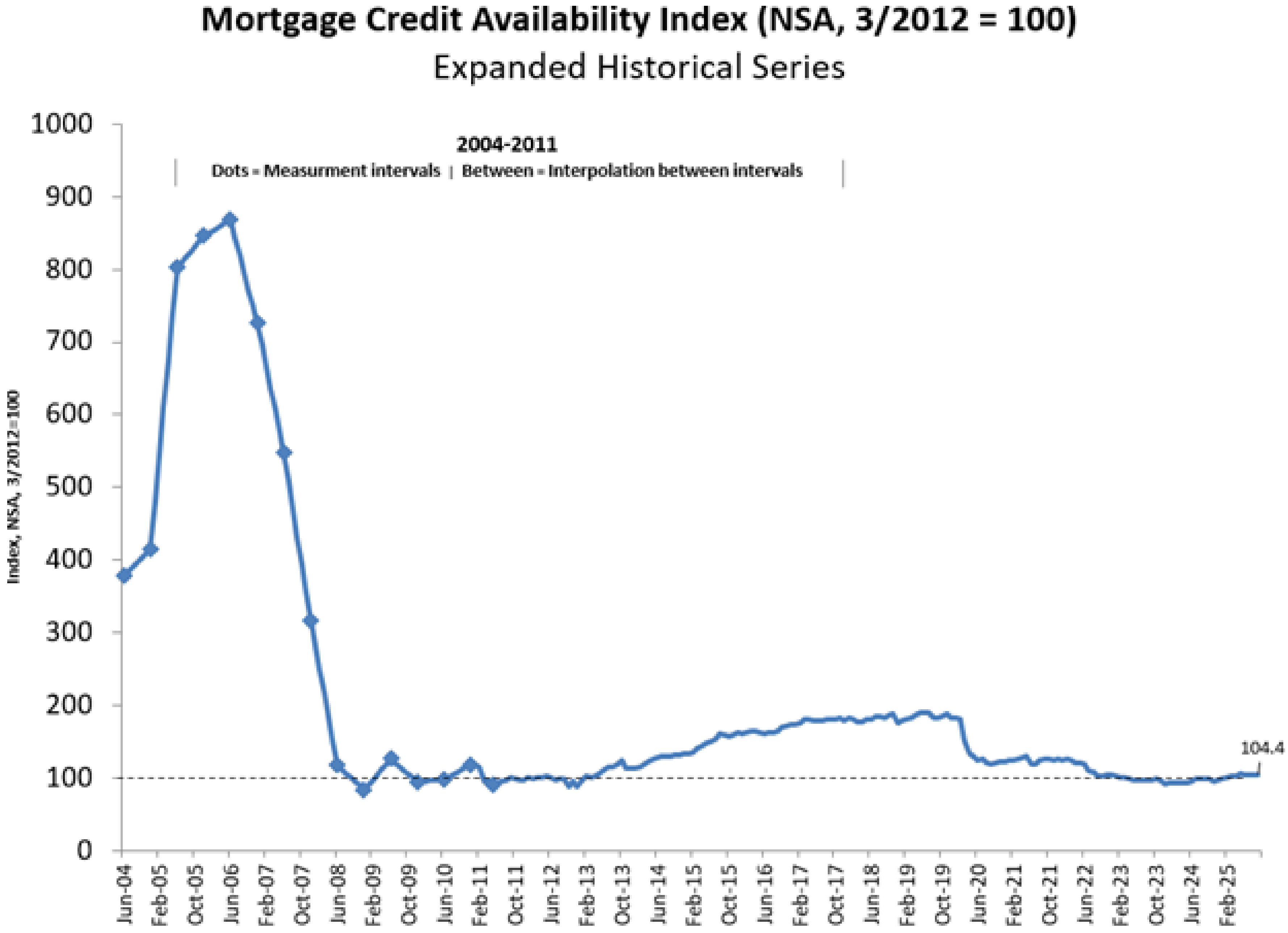
Single-Family and Multifamily Starts

SF starts struggle, MF starts are improving



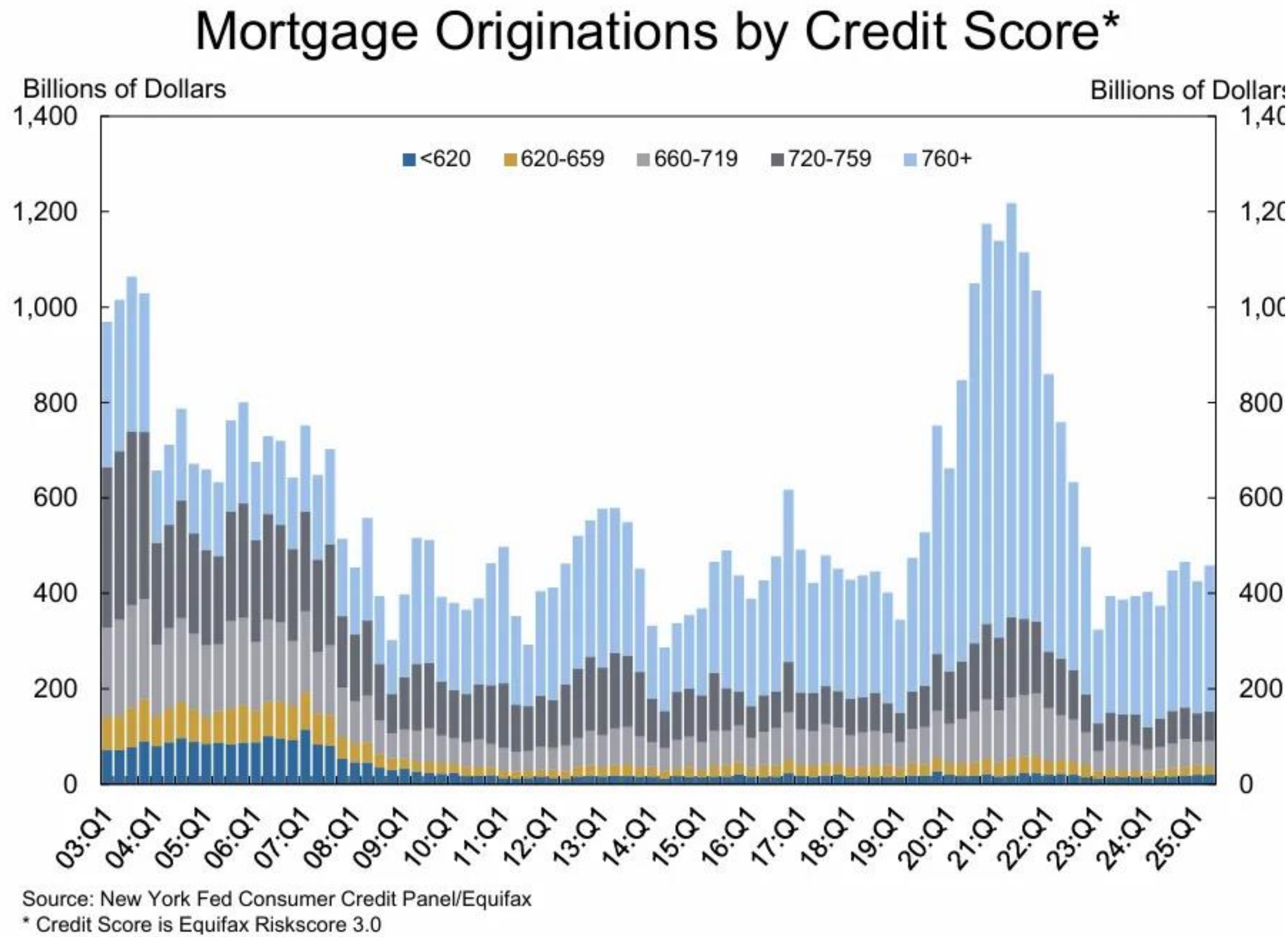
Credit is Generally Hard to Get

It was getting easier, but Covid stopped that!



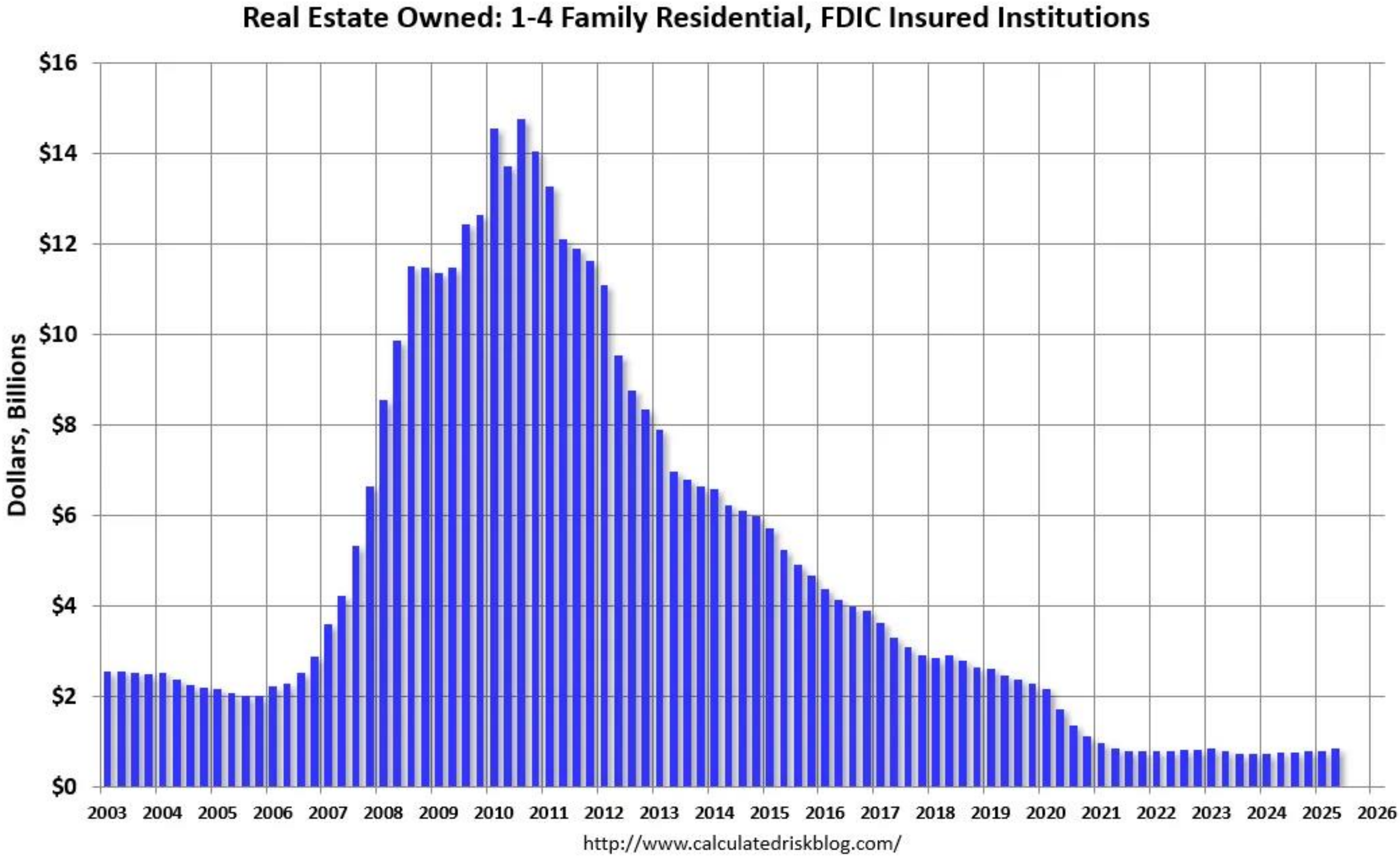
Mortgage Quality

It has meaningfully improved and remains high



REO Inventory Held By Banks

It is very low. Rapid price appreciation is largely why



Construction Unemployment

At lowest level in decades

Construction Costs are Way Up

The increases since Covid-19 are astounding. Now add tariffs

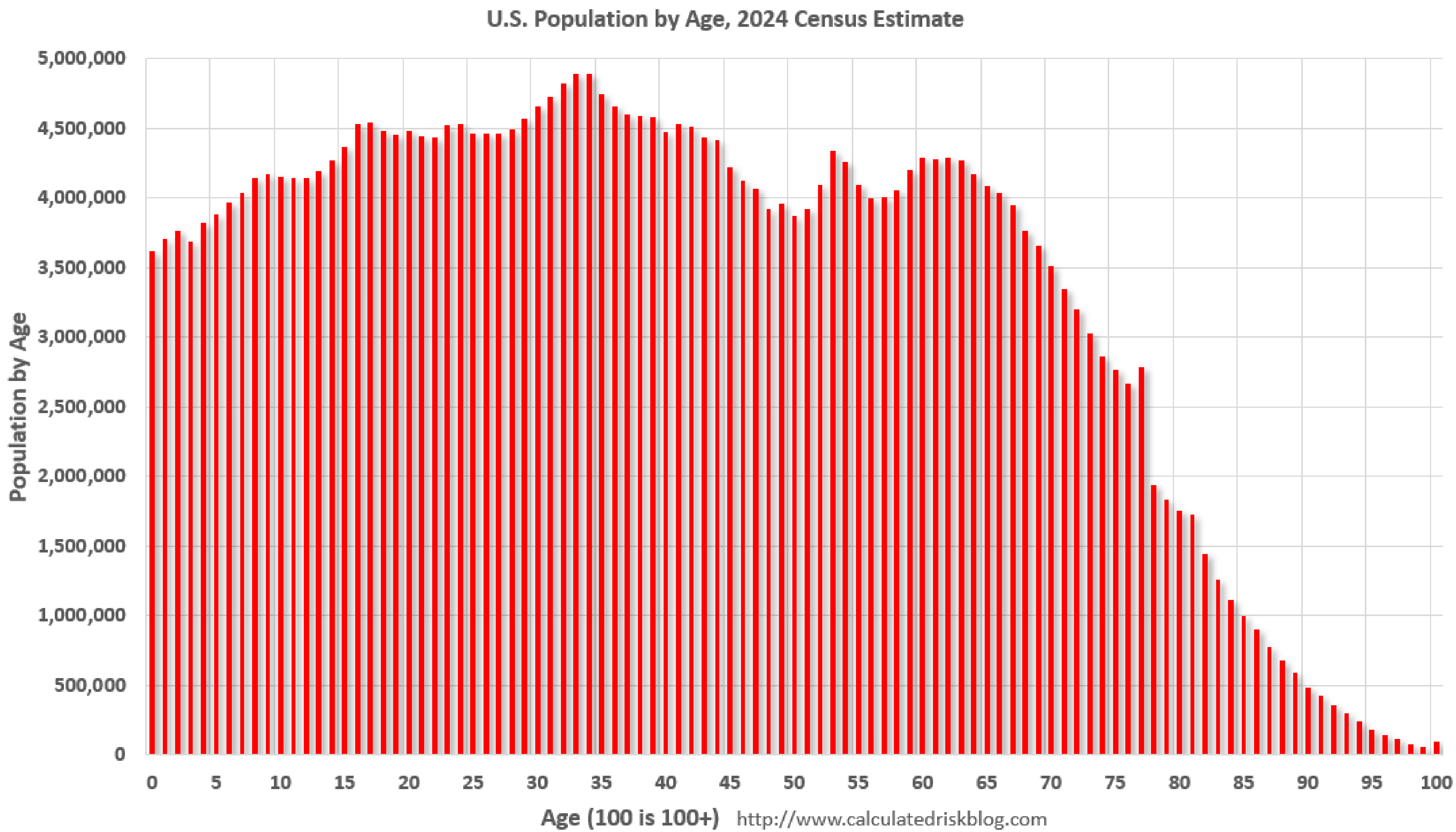
Producer Price Index, August 2025

	1-Month % Change	12-Month % Change	Change Since Feb 2020
Inputs To Industries			
Inputs to construction	0.2%	2.3%	43.0%
Inputs to multifamily construction	0.2%	2.5%	43.2%
Inputs to nonresidential construction	0.2%	2.6%	43.9%
Inputs to commercial construction	0.3%	3.6%	45.8%
Inputs to healthcare construction	0.3%	3.4%	45.3%
Inputs to industrial construction	0.3%	3.2%	41.3%
Inputs to other nonresidential construction	0.2%	2.4%	43.4%
Inputs to maintenance and repair construction	0.1%	2.0%	40.9%
Commodities			
Adhesives and sealants	0.0%	3.0%	39.4%
Brick and structural clay tile	0.1%	1.4%	32.8%
Concrete products	0.0%	1.7%	41.7%
Construction machinery and equipment	0.5%	4.0%	35.3%
Construction sand, gravel, and crushed stone	0.1%	6.1%	47.5%
Copper wire and cable	-3.8%	13.8%	60.2%
Crude petroleum	-2.8%	-13.5%	36.1%
Fabricated structural metal products	0.8%	5.9%	60.8%
Gypsum products	0.0%	0.9%	48.7%
Hot rolled steel bars, plates, and structural shapes	4.8%	6.5%	51.0%
Insulation materials	-0.1%	0.1%	46.1%
Iron and steel	1.1%	9.2%	54.3%
Lumber and wood products	0.2%	1.8%	26.4%
Natural gas	-2.8%	42.3%	43.3%
Plumbing fixtures and fittings	0.3%	8.2%	29.5%
Prepared asphalt, tar roofing and siding products	2.2%	6.1%	49.6%
Softwood lumber	0.6%	5.2%	14.4%
Steel mill products	1.5%	13.1%	66.1%
Switchgear, switchboard, industrial controls equipment	0.1%	10.5%	63.2%
Unprocessed energy materials	-2.5%	-4.8%	52.2%

Source: U.S. Bureau of Labor Statistics

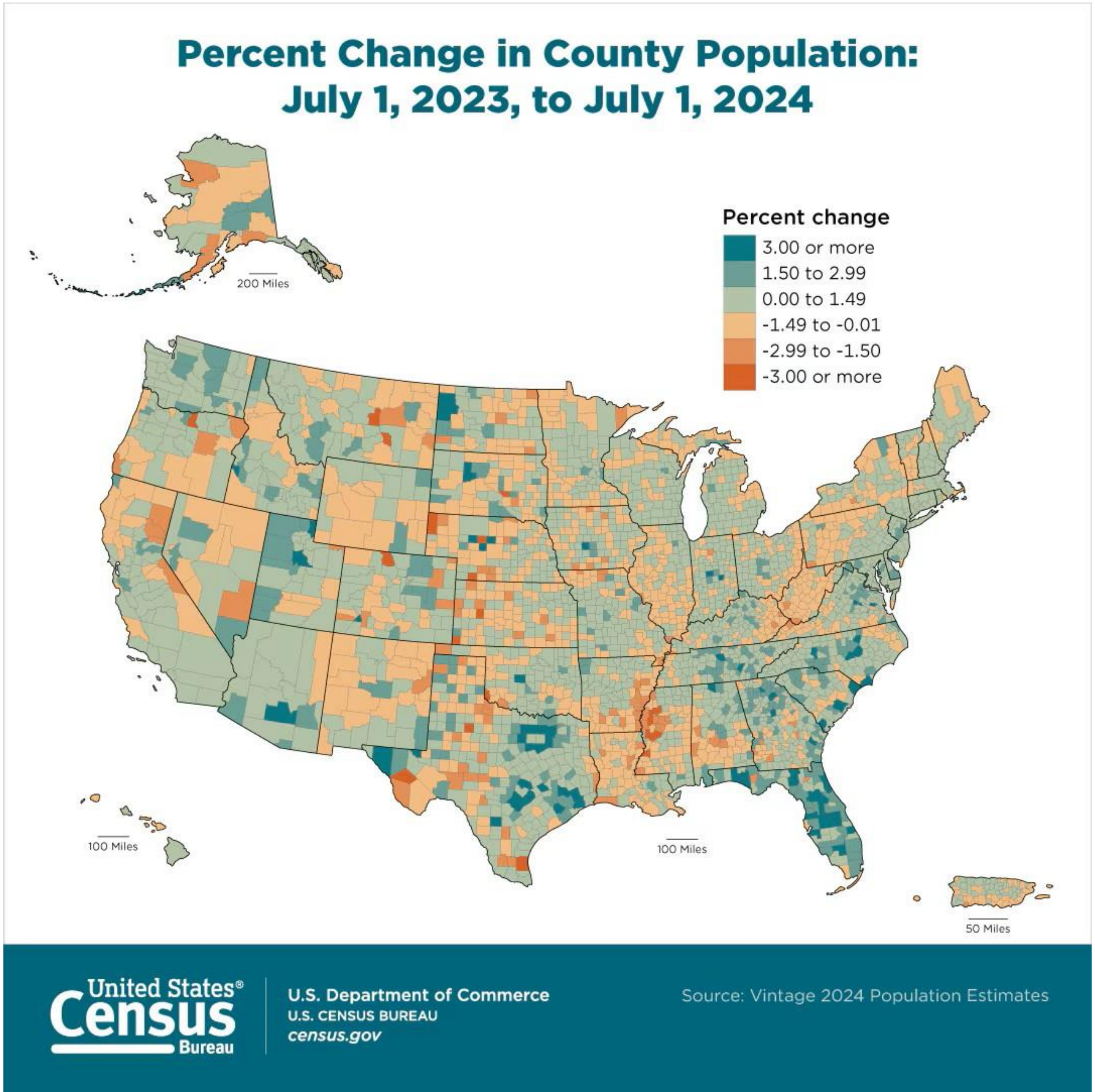
Demographics Are Good

Housing demand will be strong for years



Population Growth by County: 2023-2024

Best all over the place. Pandemic related. Will it persist?



Months of Home Inventory Through 9/30

The top spots are in what were very strong markets

	Months-of-Supply
Miami Area	7.7
Austin	5.7
Mid-Florida	5.4
Houston	5.2
Jacksonville	5.2
Louisiana	5.2
Georgia	4.8
Atlanta	4.7
Dallas-Ft Worth	4.6
Nashville	4.5
Las Vegas	4.3
Washington D.C.	4.2
South Carolina	4.1
Pennsylvania	4.1
Phoenix	4.0
Colorado	4.0
Denver	3.9
Des Moines	3.8
Portland	3.8
Wisconsin	3.7
Raleigh	3.6
Memphis	3.3
Charlotte	3.3
Boston	3.3
Northwest	3.2
New York	3.2
Minnesota	2.9
San Diego	2.9
Virginia	2.8
Albuquerque	2.8
Maryland	2.8
Detroit	2.7
Minneapolis	2.6
Indiana	2.6
New Jersey	2.5
Grand Rapids	2.5
Connecticut	2.4
Columbus	2.1
Illinois	2.0
Rhode Island	1.9
Santa Clara	1.8

Home Price Declines Through 8/25

Four of the top five are in Florida as are 15 of 30

	Core-Based Statistical Area	Change from Peak (SA)
1	Punta Gorda FL	-19.9%
2	Austin-Round Rock-San Marcos TX	-15.7%
3	Cape Coral-Fort Myers FL	-15.0%
4	North Port-Bradenton-Sarasota FL	-11.1%
5	Wildwood-The Villages FL	-8.0%
6	Lake Charles LA	-6.9%
7	Sebastian-Vero Beach-West Vero Corridor FL	-6.8%
8	Victoria TX	-6.1%
9	Panama City-Panama City Beach FL	-5.9%
10	Lakeland-Winter Haven FL	-5.7%
11	Killeen-Temple TX	-5.5%
12	Naples-Marco Island FL	-5.3%
13	Grants Pass OR	-5.2%
14	Vallejo CA	-4.6%
15	Crestview-Fort Walton Beach-Destin FL	-4.6%
16	San Francisco-Oakland-Fremont CA	-4.5%
17	Tampa-St. Petersburg-Clearwater FL	-4.5%
18	Port St. Lucie FL	-4.4%
19	Pensacola-Ferry Pass-Brent FL	-4.4%
20	Deltona-Daytona Beach-Ormond Beach FL	-4.2%
21	Homosassa Springs FL	-4.2%
22	Brownsville-Harlingen TX	-4.1%
23	Santa Fe NM	-4.0%
24	Tucson AZ	-3.9%
25	Phoenix-Mesa-Chandler AZ	-3.9%
26	Pueblo CO	-3.9%
27	Palm Bay-Melbourne-Titusville FL	-3.7%
28	Williamsport PA	-3.4%
29	Napa CA	-3.2%
30	Idaho Falls ID	-3.1%

KEY TAKEAWAYS

1) 2025 might still be a decent year

2) The Fed will keep cutting rates

3) Job growth probably slows more

4) Inflation should rise slightly

5) Watch inflation and unemployment

ANY QUESTIONS?

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