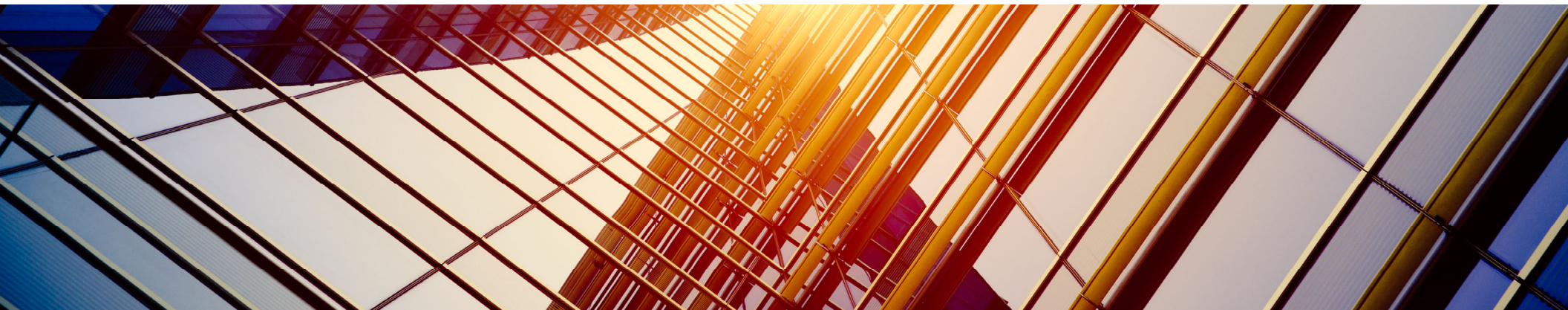


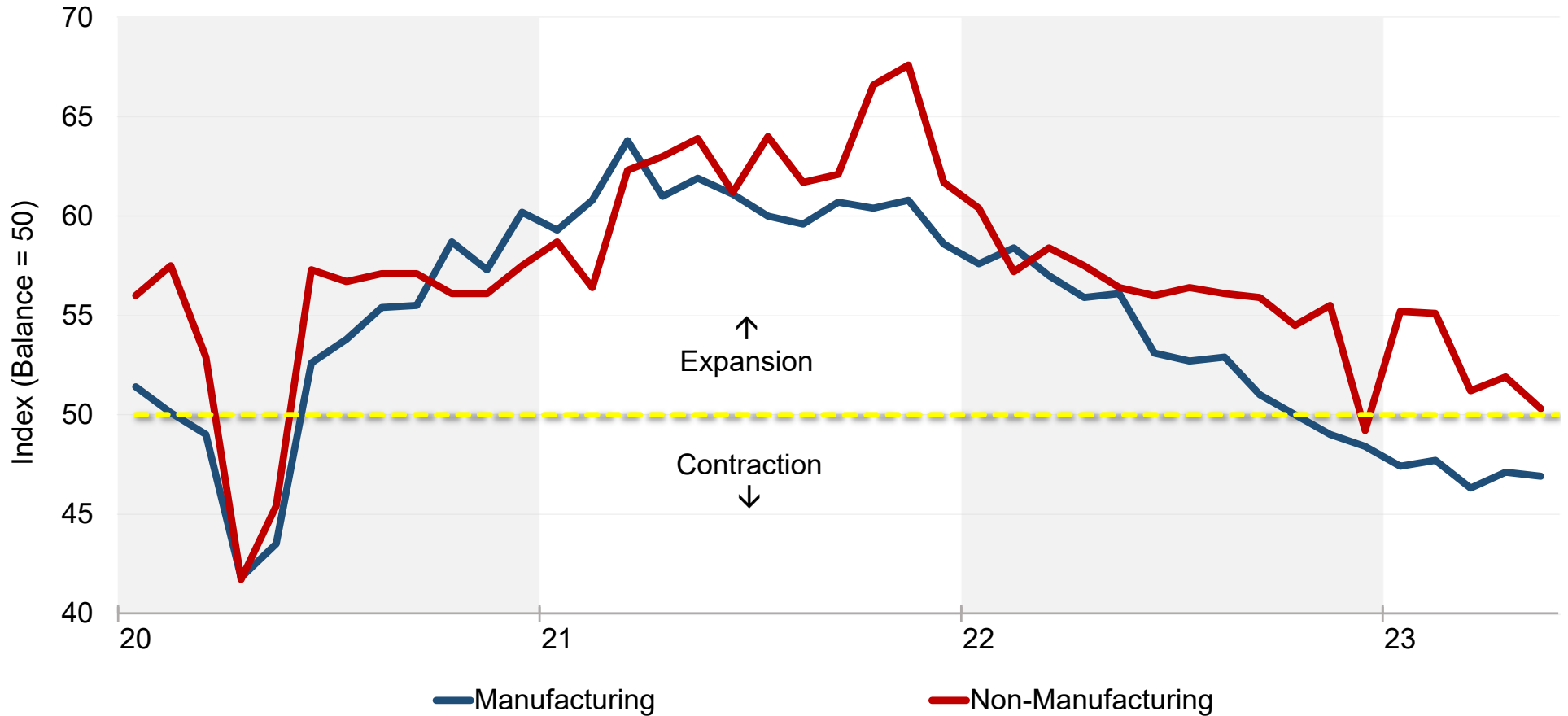
A short horizontal line with a color gradient from green to blue to orange to yellow.

Economic Update

**Appraisal Institute
Southern California Chapter
June 8, 2023 ✦ Riverside**

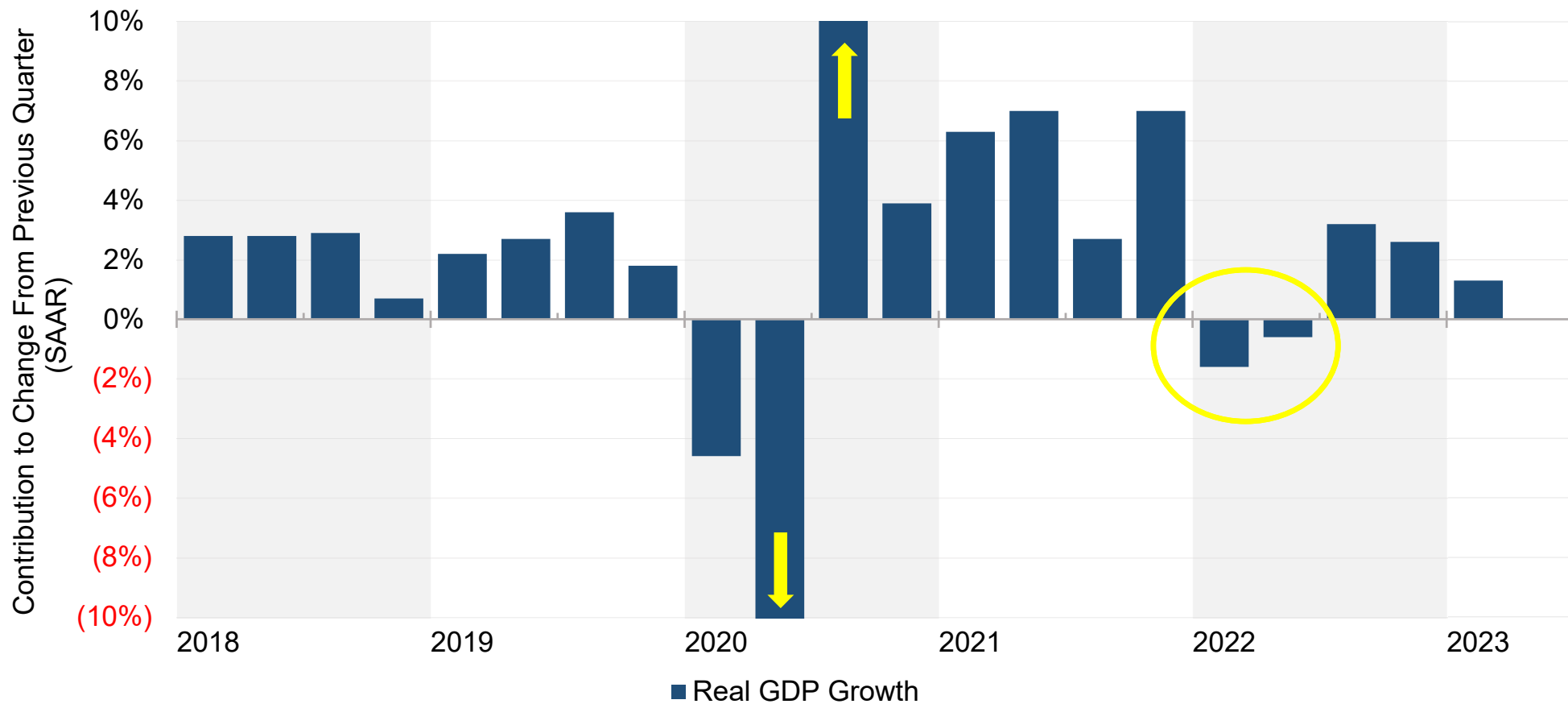


Higher rates are weighing on economic activity



Source: Institute for Supply Management

.... and economic growth has been slowing



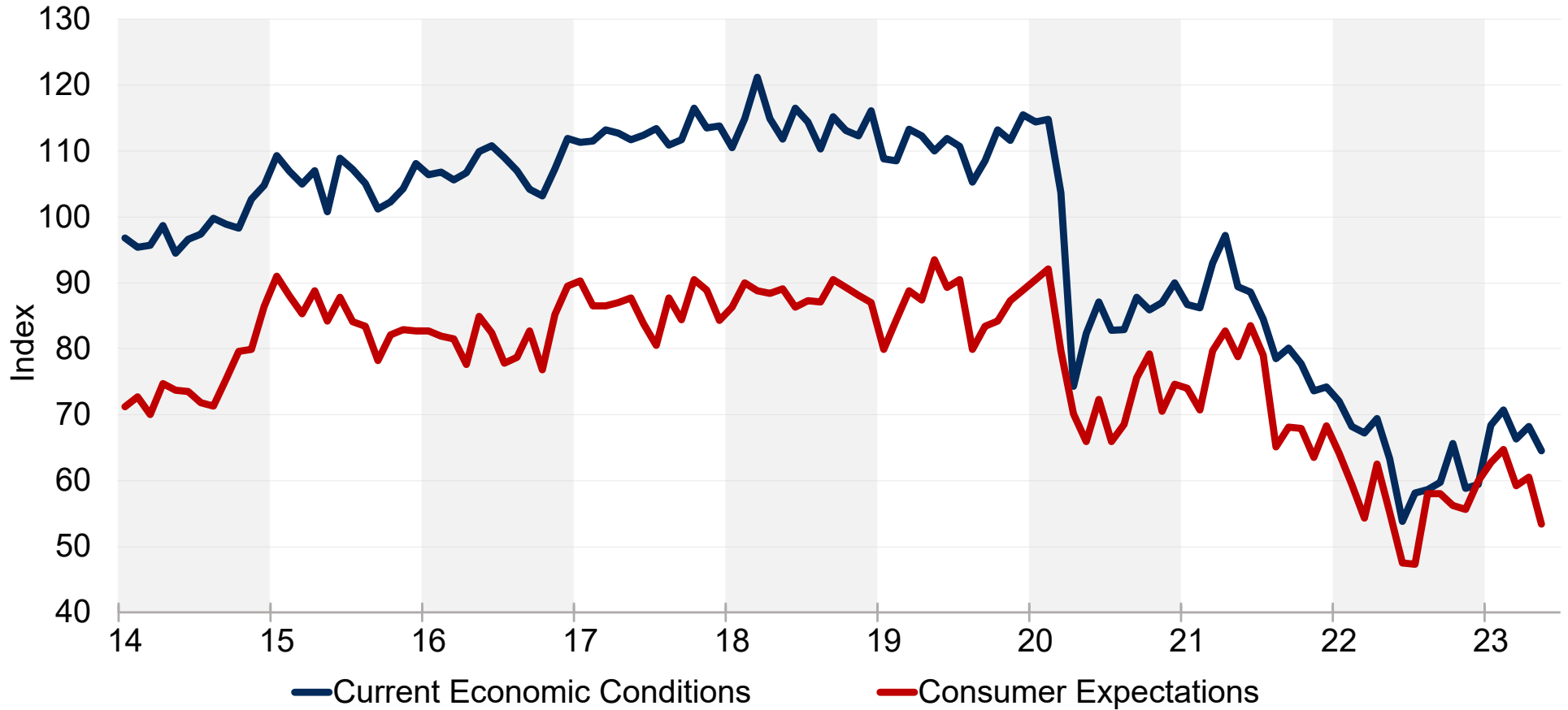
Source: Bureau of Economic Analysis

Small businesses are feeling the pain



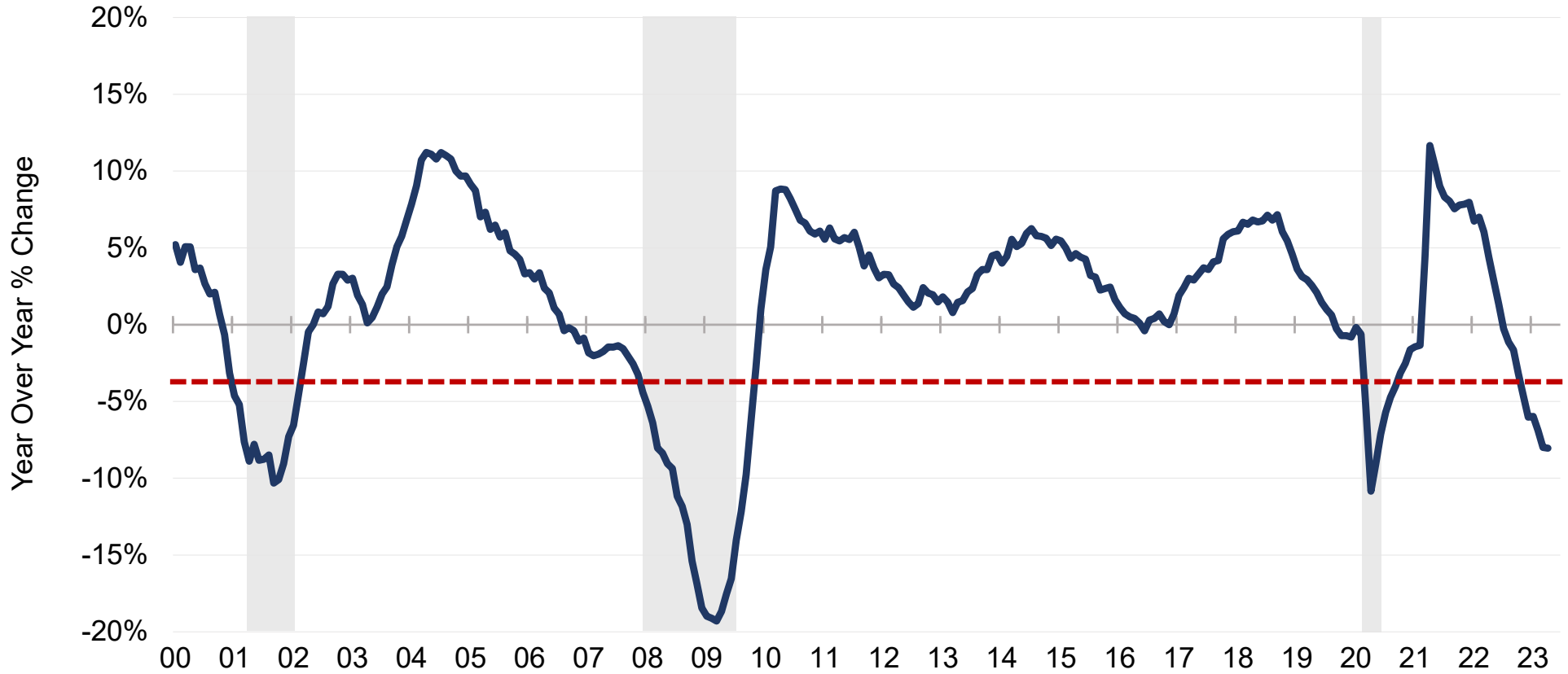
Source: National Federation of Independent Business

.... and consumers aren't that happy either



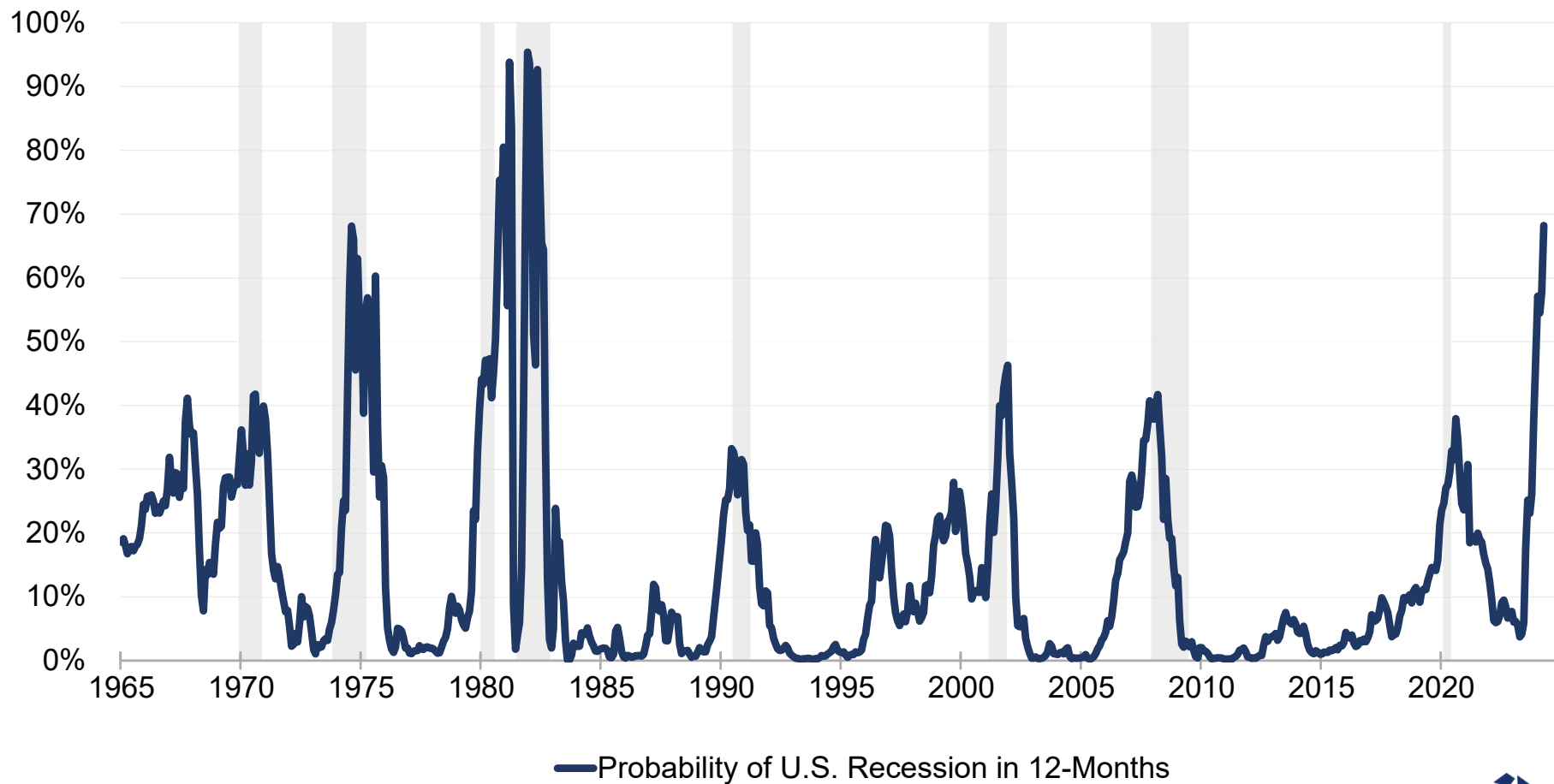
Source: University of Michigan Survey of Consumers

Leading economic index signals recession is ahead



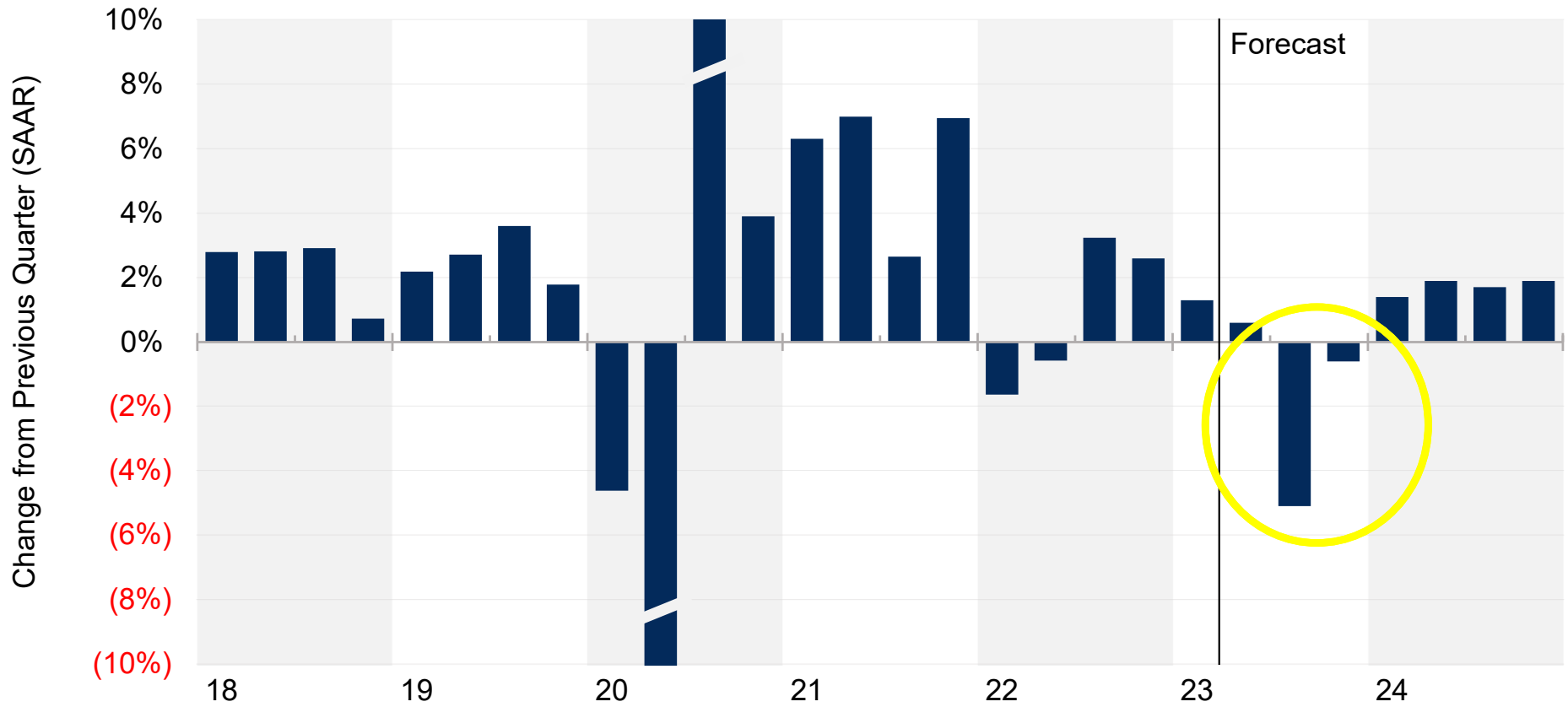
Source: The Conference Board

.... as do financial markets



Source: Federal Reserve Bank of New York

Good news! It won't last long or be terrible 😊



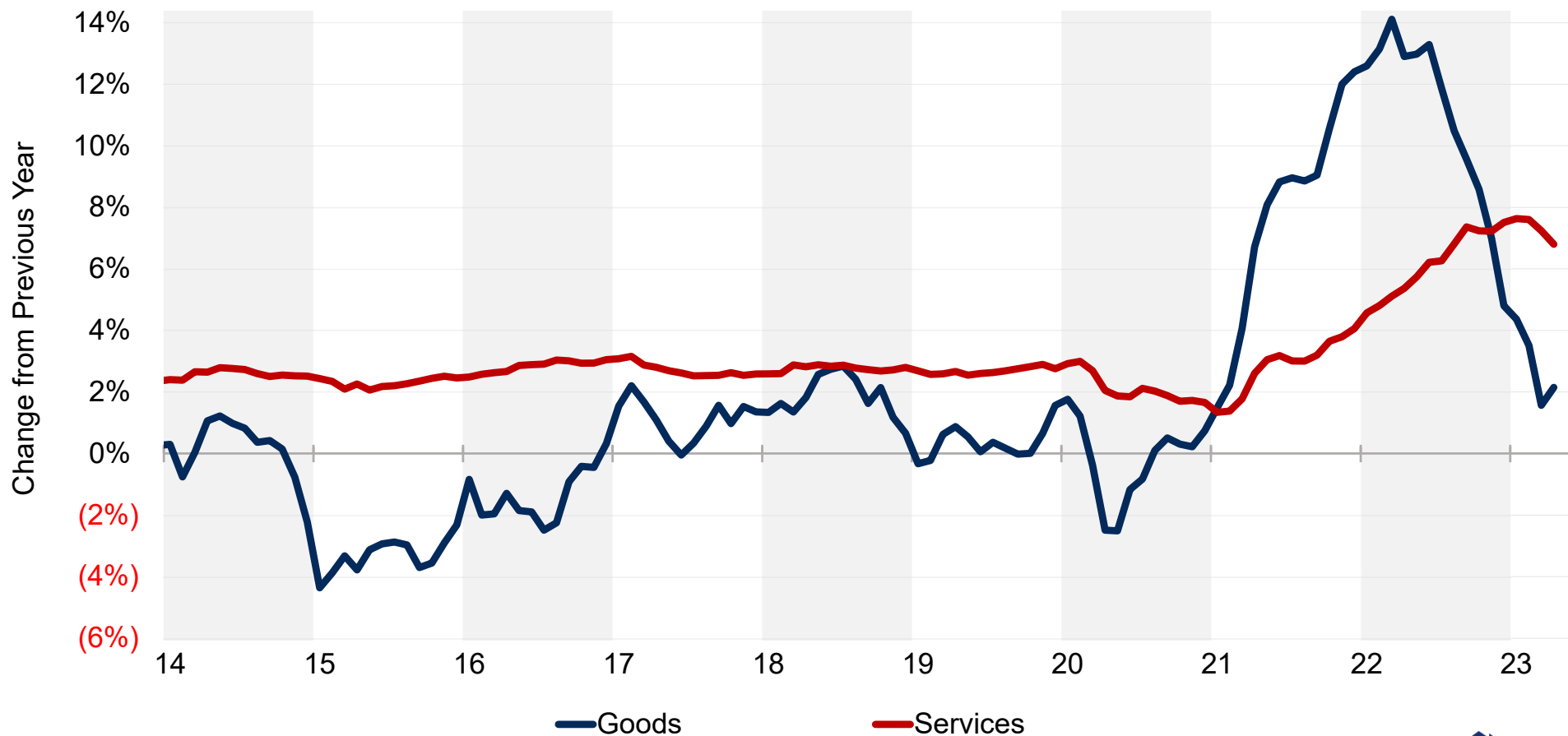
Sources: Bureau of Labor Statistics, Oxford Economics Global Economic Model (5/13/23)

Our primary problem is getting better



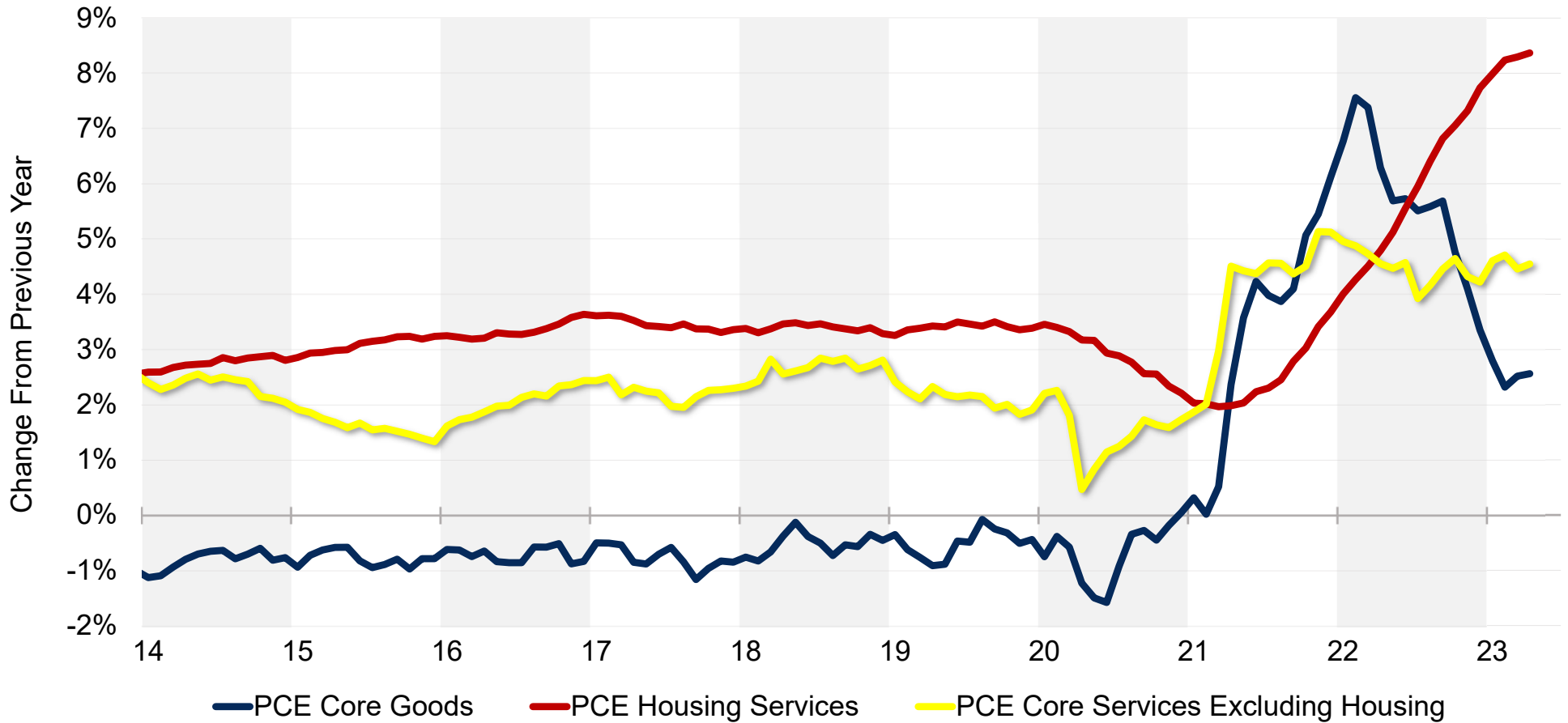
Source: Bureau of Labor Statistics

.... as price growth of physical goods retreats



Source: Bureau of Labor Statistics

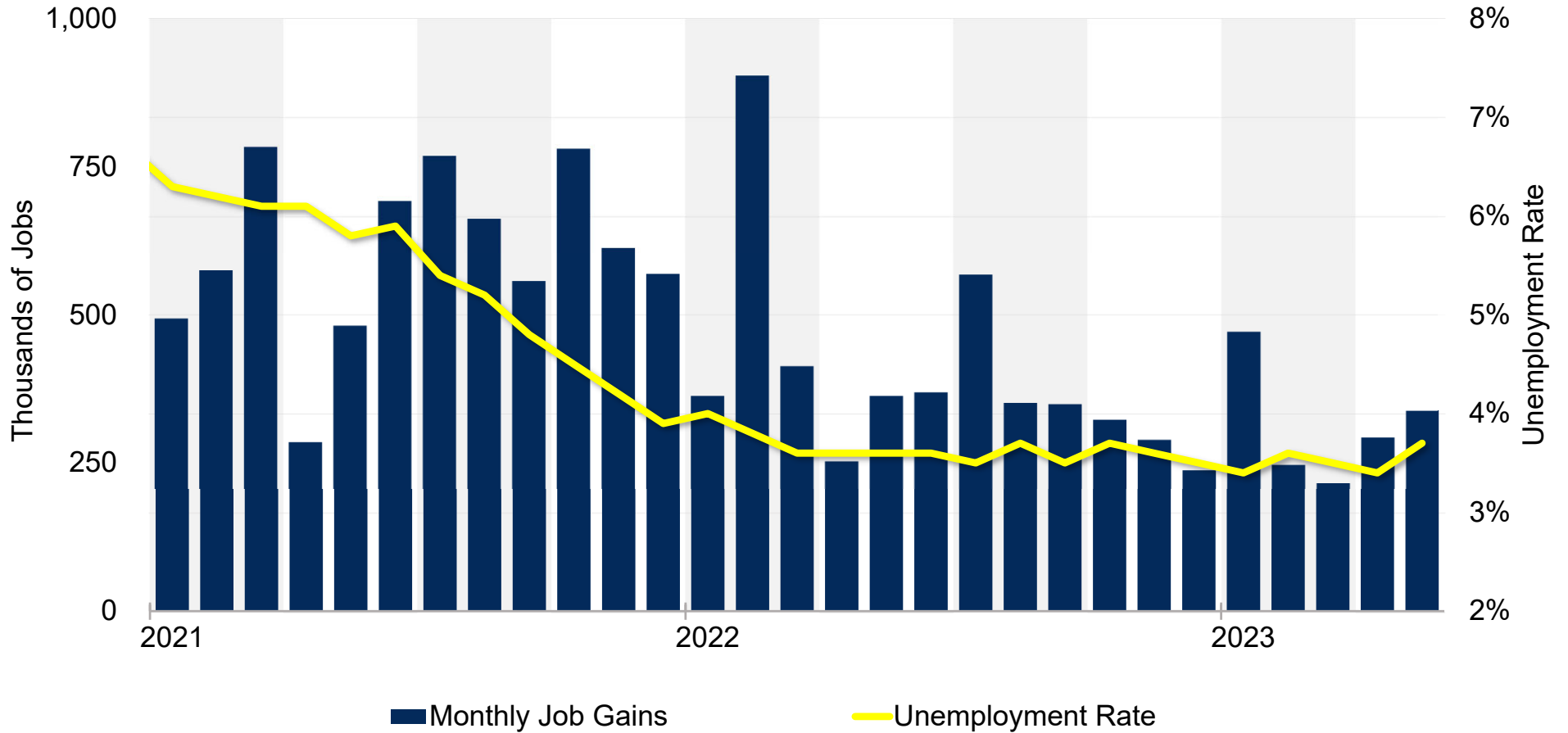
Here's another view of inflation



Source: U.S. Bureau of Economic Analysis



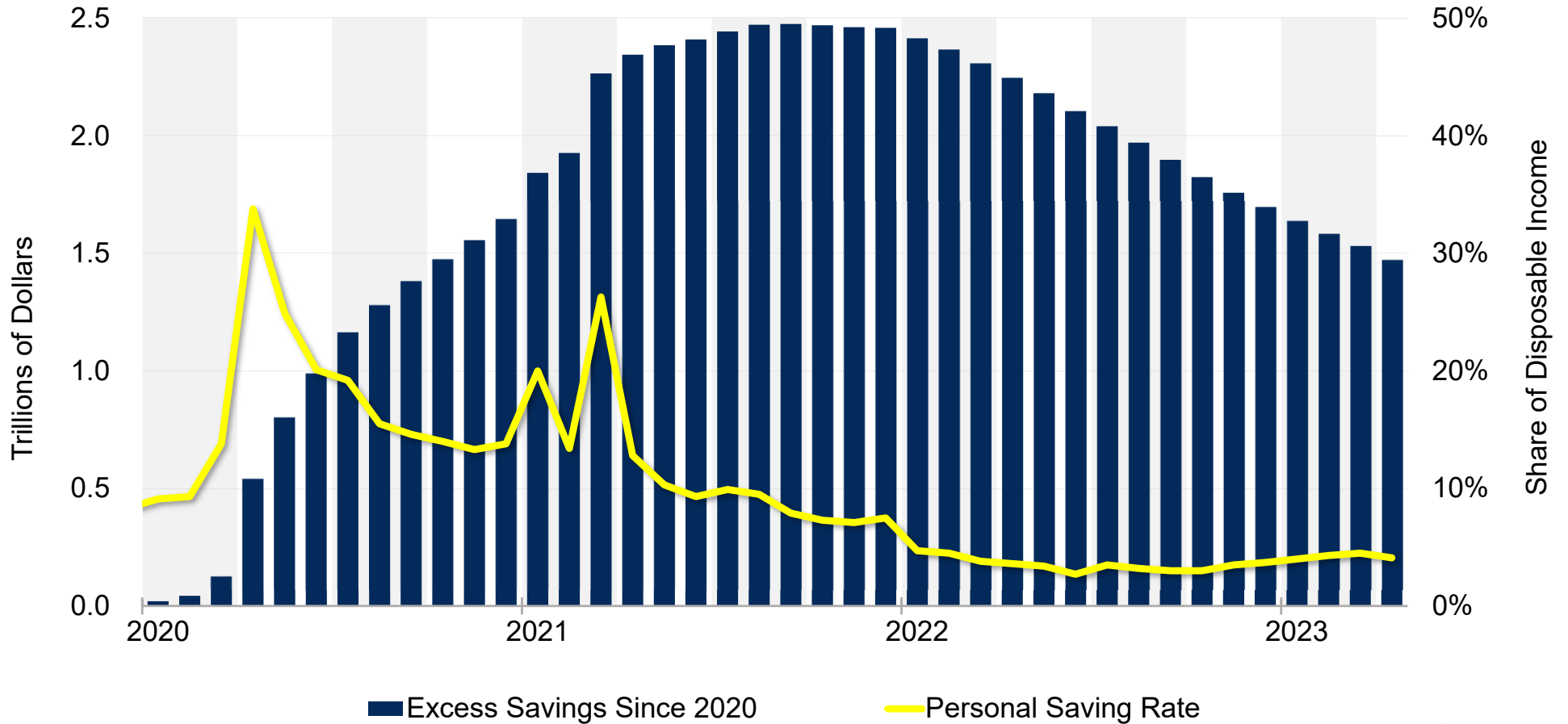
Robust job gains ...



Source: Bureau of Labor Statistics



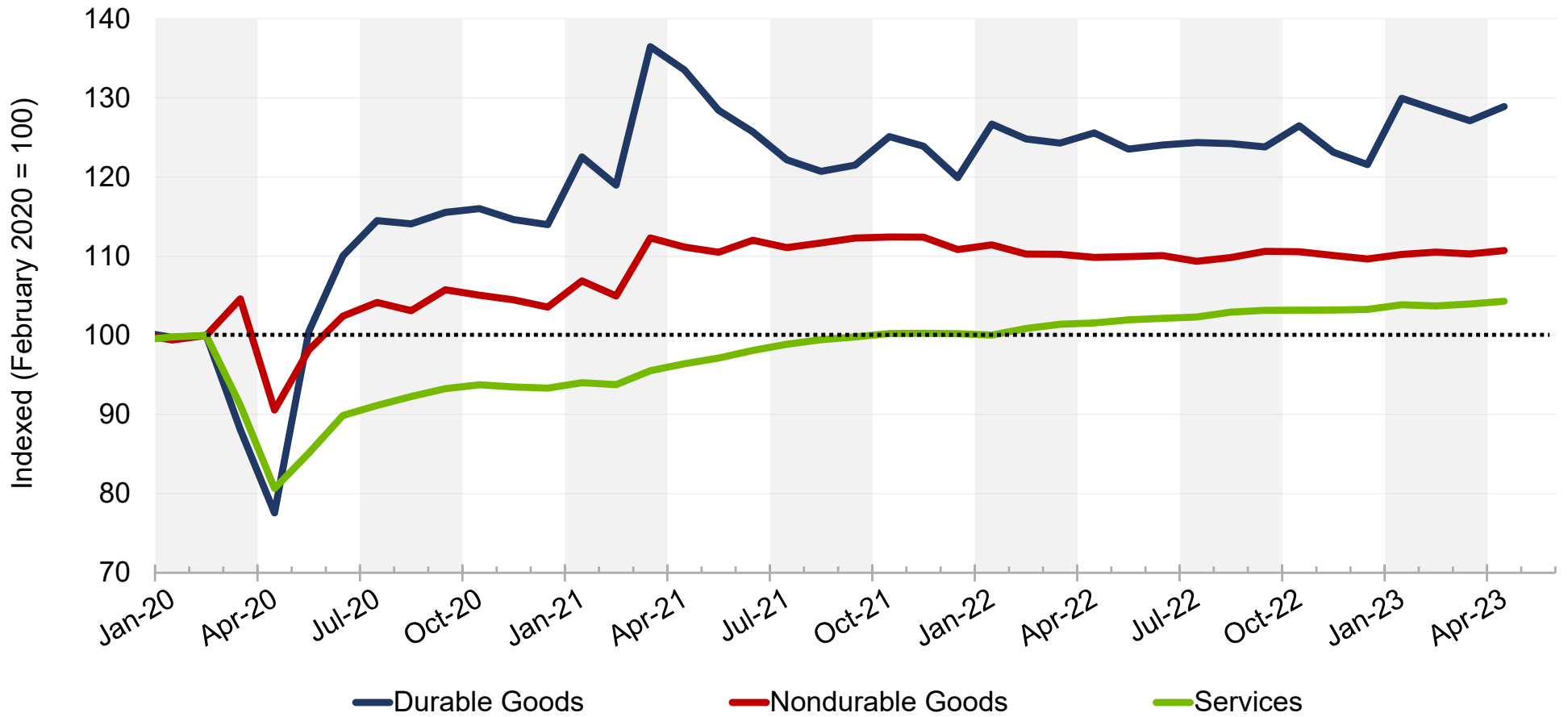
.... and loads of excess savings



Source: Census Bureau



.... will support consumer spending



Source: Bureau of Economic Analysis

Households expect to spend less next year, but more than pre-COVID



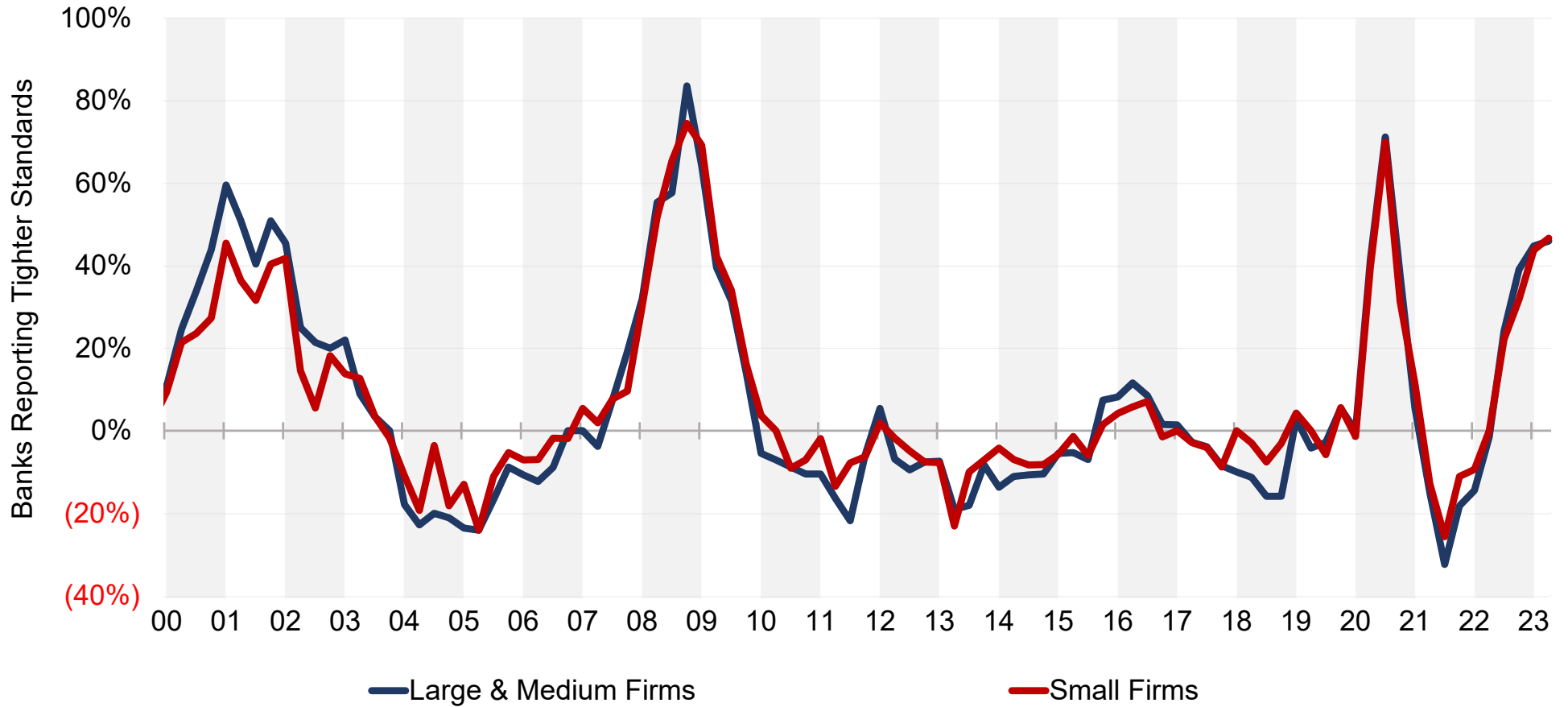
Source: Federal Reserve Bank of New York

Risks

- ▶ Risks are still tilted to the downside:
 - ↓ Consumer spending may not live up to our expectations
 - ↓ Inflation could be stickier than expected, meaning either rates will need to go higher, or we could face stagflation
 - ↓ ... and that could trigger a recession

- ▶ And then there's one more piece ...

Lending terms have tightened



Source: Federal Reserve Board, Senior Loan Officer Opinion Survey, 2023 Q2

Pessimist or Optimist?

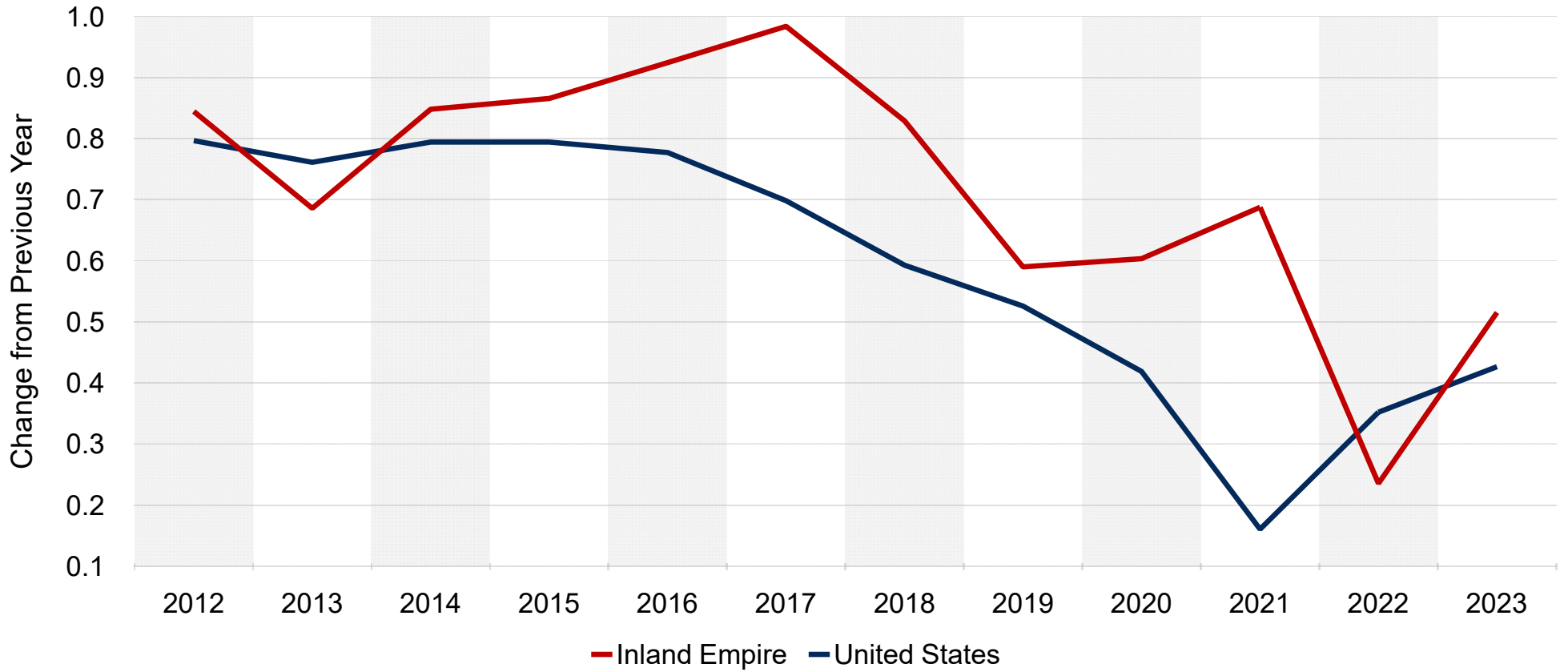
What the pessimist sees:

- ▶ Economic activity is slowing as the Fed raises rates
- ▶ Both business and households are rather pessimistic
- ▶ Dependable indicators signal a coming recession, but it could be mild

What the optimist sees:

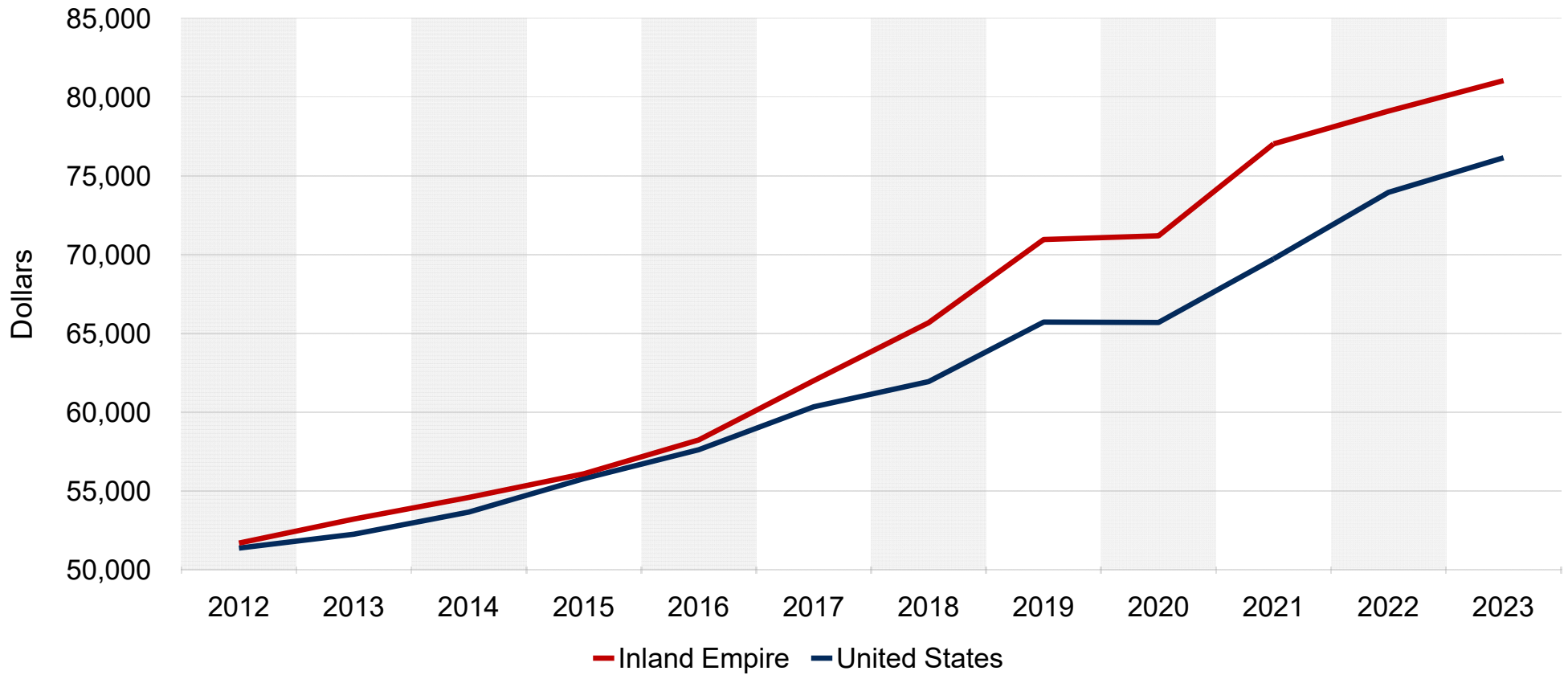
- ▶ Inflation is moderating
- ▶ Labor market is resilient
- ▶ Households have money to spend – and will continue to spend
- ▶ The Federal will achieve a soft landing

Population Growth



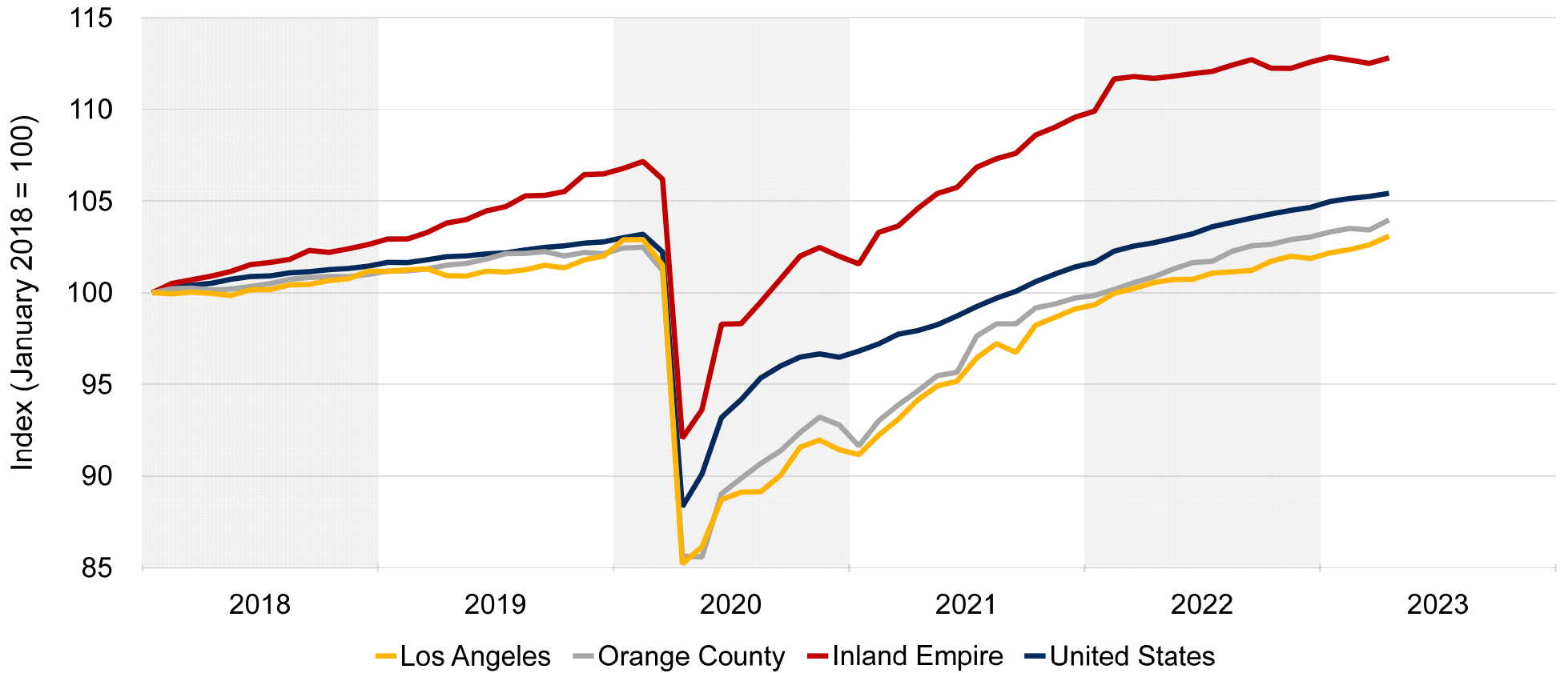
Source: U.S. Census Bureau and Oxford Economics

Median Household Income



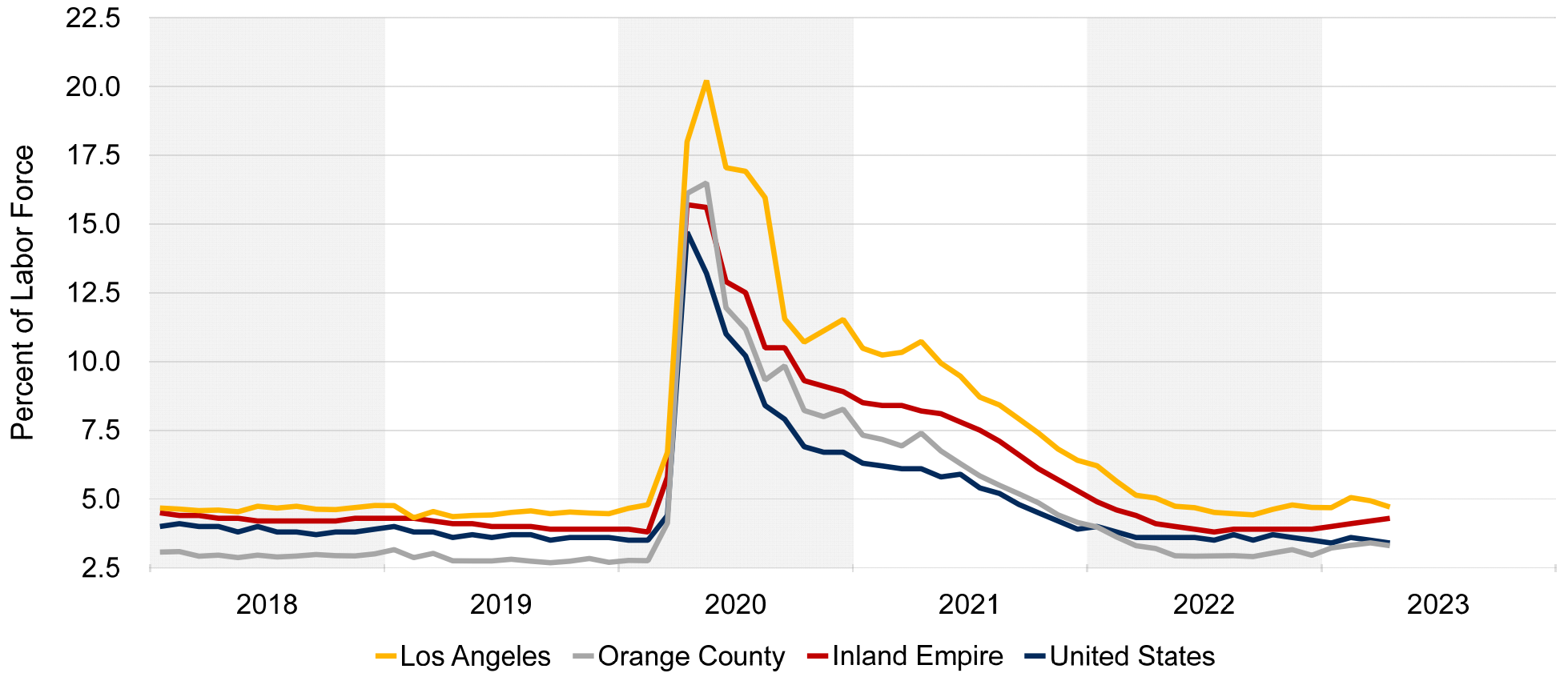
Source: U.S. Census Bureau, American Community Survey and Oxford Economics

Nonfarm Job Growth Since January 2018



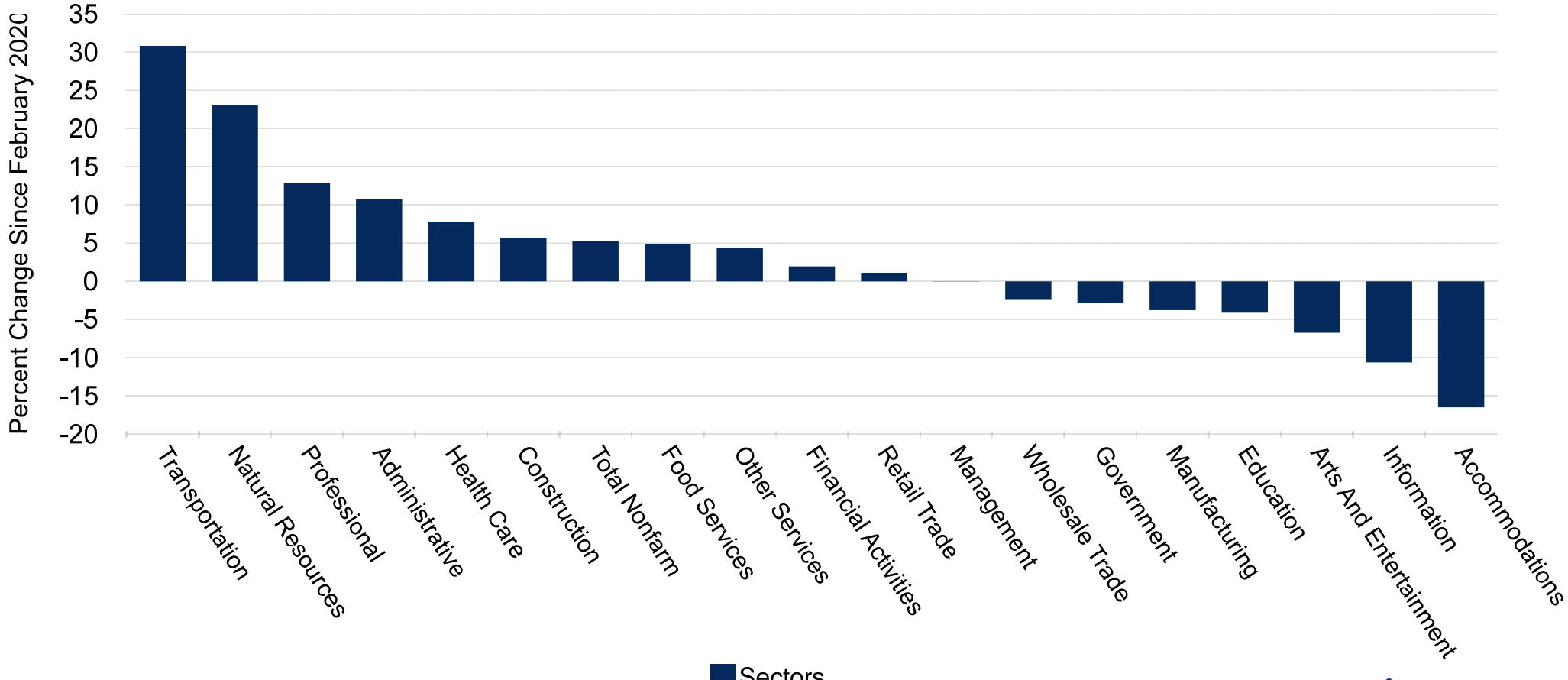
Source: U.S. Bureau of Labor Statistics (BLS), 4/2023

Southern California Unemployment Rates



Source: U.S. Bureau of Labor Statistics (BLS), 4/2023

Inland Empire Employment Compared to Pre-Pandemic

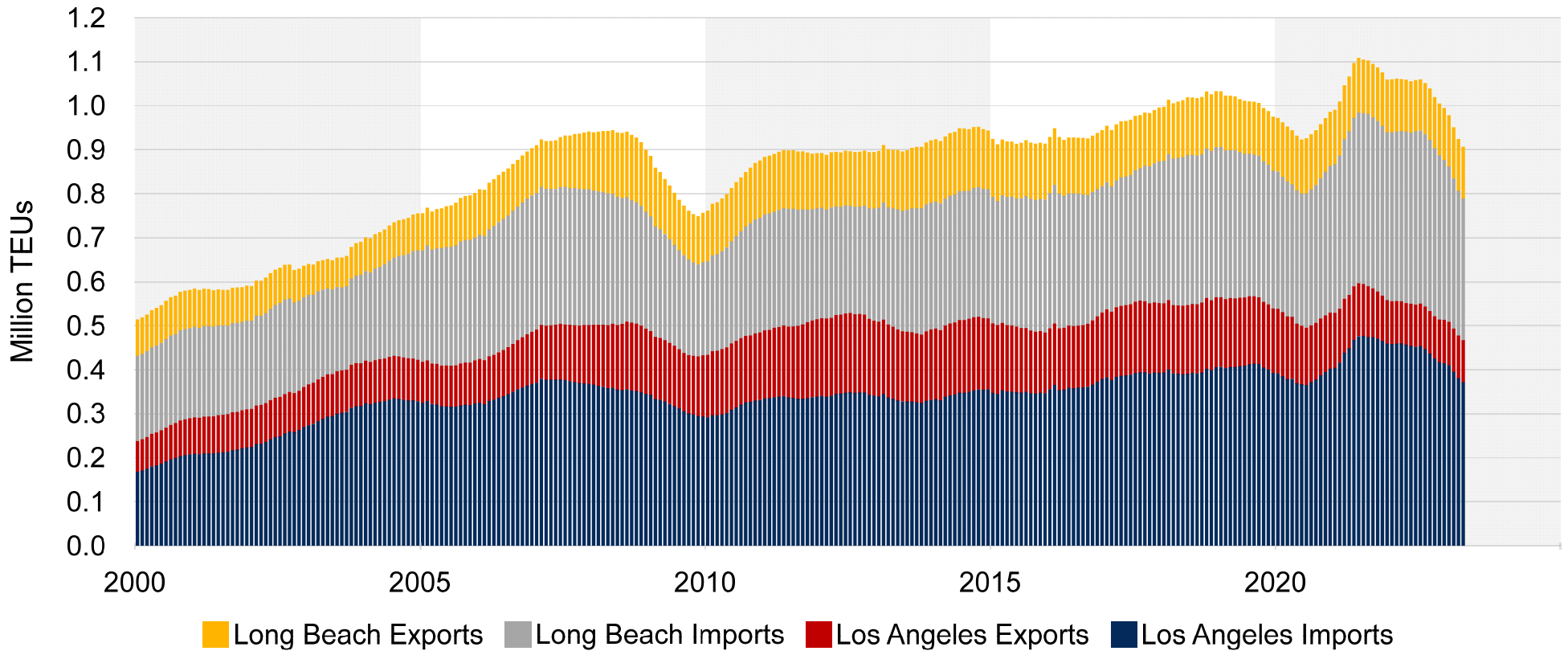


Source: U.S. Bureau of Labor Statistics (BLS), 4/1/2023

■ Sectors

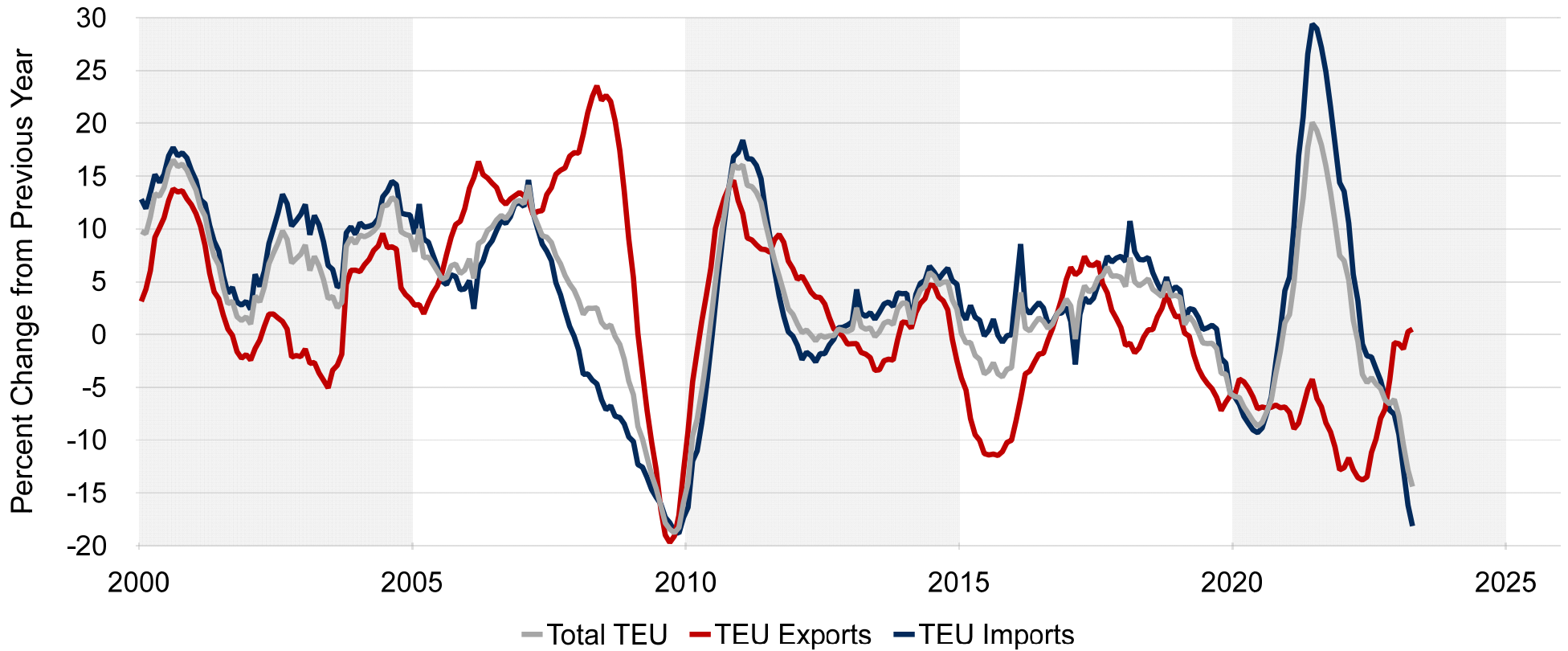


Los Angeles Twin Port Activity



Source: Port of Los Angeles, Port of Long Beach, 4/2023.
Note: All figures smoothed using 12-month moving average.

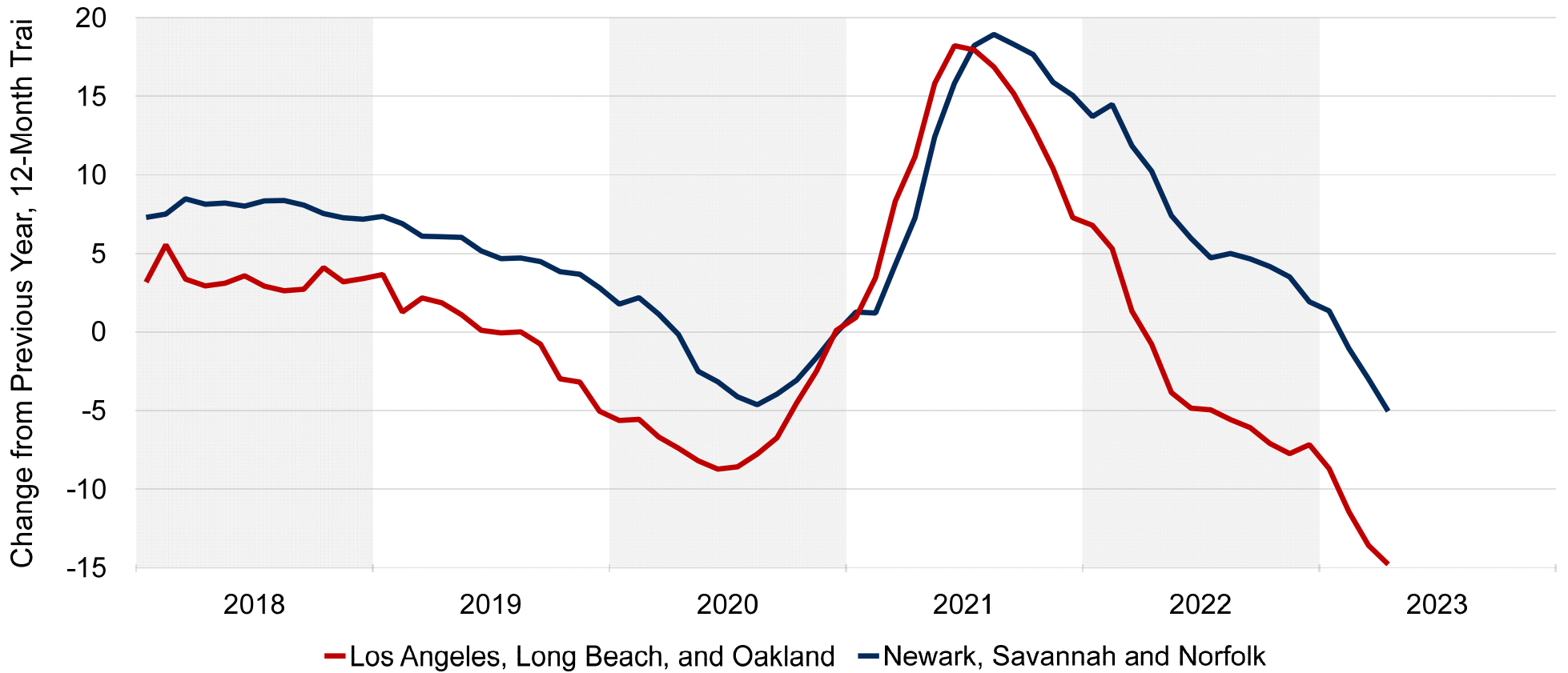
Los Angeles Twin Port Growth



Source: Port of Los Angeles, Port of Long Beach, 4/2023

Note: All figures smoothed using 12-month moving average. TEU = Twenty-Foot Equivalent Unit

Loaded TEUs



Source: Various Ports, 4/2023



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