



NJSA
NEW JERSEY STAFFING ALLIANCE

2024–2025: A Changing Landscape

Presented by ITR Economics
Economist and Speaker
Jeremy Bess



2023 Forecast Results



	Duration	Accuracy
US GDP	15	97.8%
US Ind. Production	14	99.8%
Europe Ind. Production	17	99.7%
Canada Ind. Production	15	95.7%
China Ind. Production	13	99.5%
Retail Sales	14	99.9%
Housing - Single Family	14	88.9%
Employment-Private Sector	13	99.9%

ITR Economics provides the best economic intelligence to reduce risk and drive practical and profitable business decisions.

- → **Macroeconomic Signals for 2024**
 - US/Global Economy Decelerates '23
 - Decline in some industries in 2024
 - Leading Indicators Lift

- → **Uncertainty Drivers**
 - Uncertainty re: interest rate decline
 - Wage Inflation Pressuring Margins
 - Consumer stress in some areas

- → **Highlights**
 - There Are Opportunities Out There
 - Plan for macro rise in 2025



Services Rising Above Industrial Activity

Sources: FRB, BEA

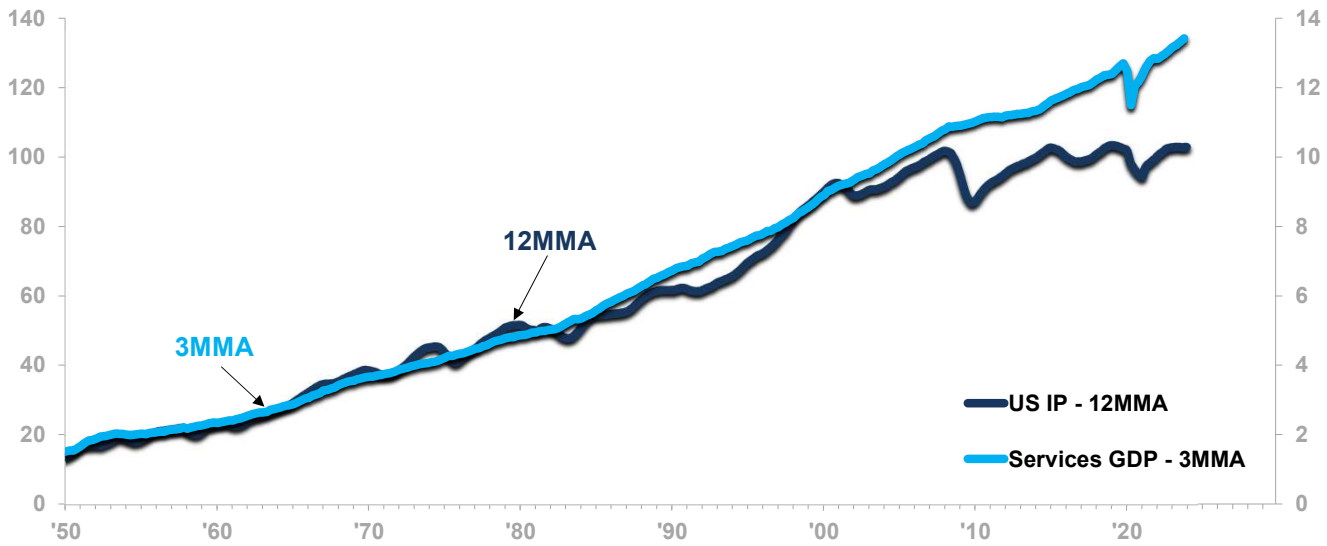
US Industrial Production Index to US Services GDP

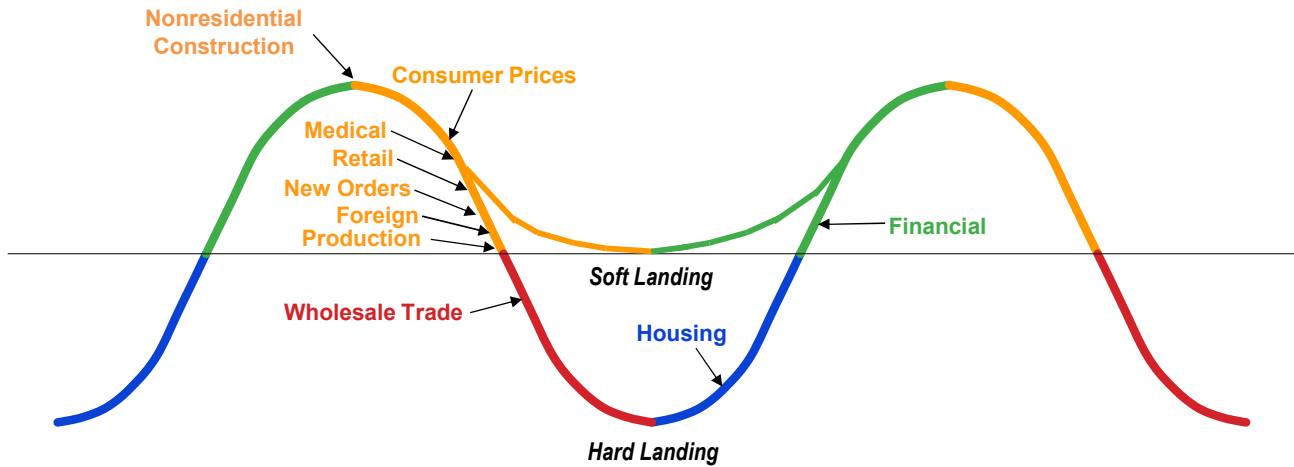
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Data Trends

US IP (2017 = 100)

Services GDP (Tril. 2017 \$)





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A Powerful Management Tool • Rates-of-Change

	Raw	3MMT	3/12	12MMT	12/12
Apr-22	7.271				
May-22	6.736				
Jun-22	6.962	21.0			
Jul-22	7.303	21.0			
Aug-22	6.500	20.8			
Sep-22	7.040	20.8			
Oct-22	6.858	20.4			
Nov-22	6.804	20.7			
Dec-22	6.643	20.3			
Jan-23	6.611	20.1			
Feb-23	6.251	19.5			
Mar-23	5.972	19.9		81.0	
Apr-23	6.964	19.2		80.6	
May-23	6.305	19.2		80.2	
Jun-23	6.870	20.1	-4.0%	80.1	
Jul-23	6.789	20.0	-4.9%	79.6	
Aug-23	6.238	19.9	-4.2%	79.3	
Sep-23	6.960	20.0	-4.1%	79.3	0.9%
Oct-23	6.740	19.9	-2.3%	79.1	-0.3%
Nov-23	6.985	20.7	-0.1%	79.3	-0.8%
Dec-23	6.658	20.4	0.4%	79.3	-1.3%
Jan-24	6.487	20.1	0.4%	79.2	-1.7%
Feb-24	6.310	19.5	-0.3%	79.3	-2.0%
Mar-24	6.300	19.1	-1.4%	79.6	-1.7%

3/12

Based on data from a consecutive 3-month period compared to one year earlier.

Anticipates shifts in business cycle trends.

12/12

Based on data from a consecutive 12-month period compared to one year earlier.

Defines the business cycle.

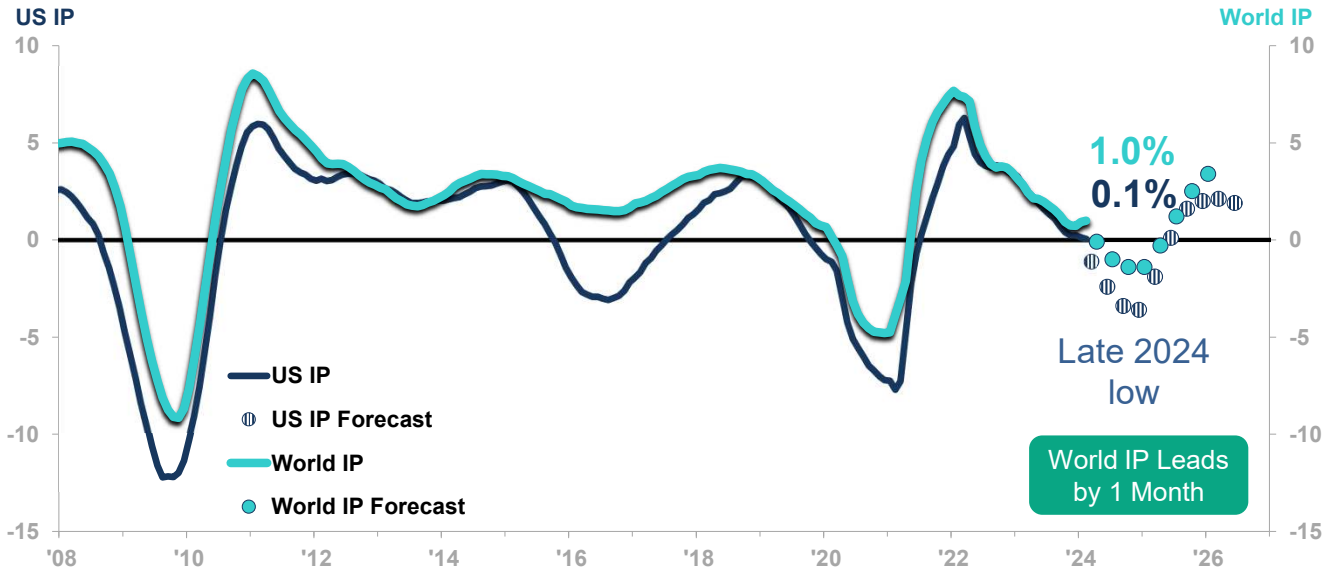
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Strong Cyclical Relationship

Sources: FRB, CPB Netherlands Bureau For Economic Policy Analysis

US Industrial Production Index to World Industrial Production Index

12/12 Rates-of-Change



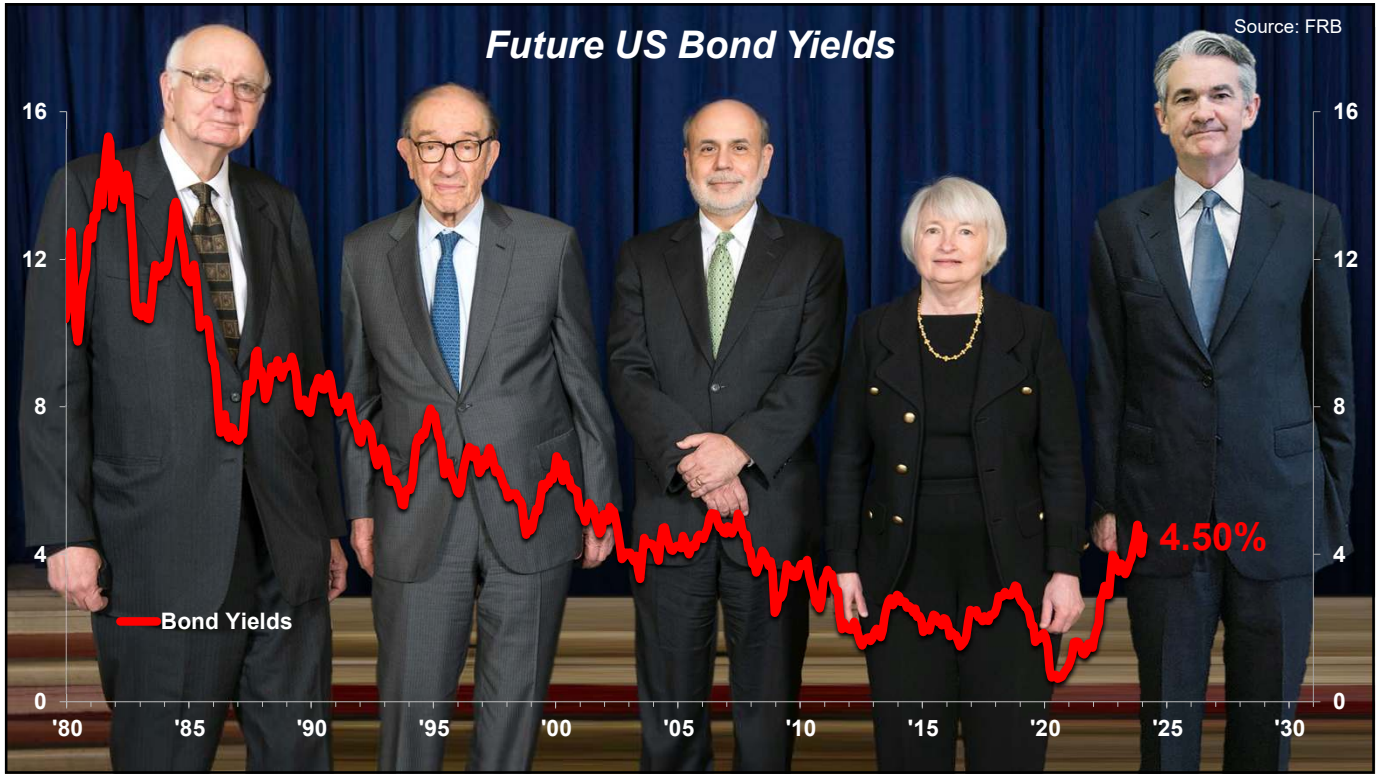
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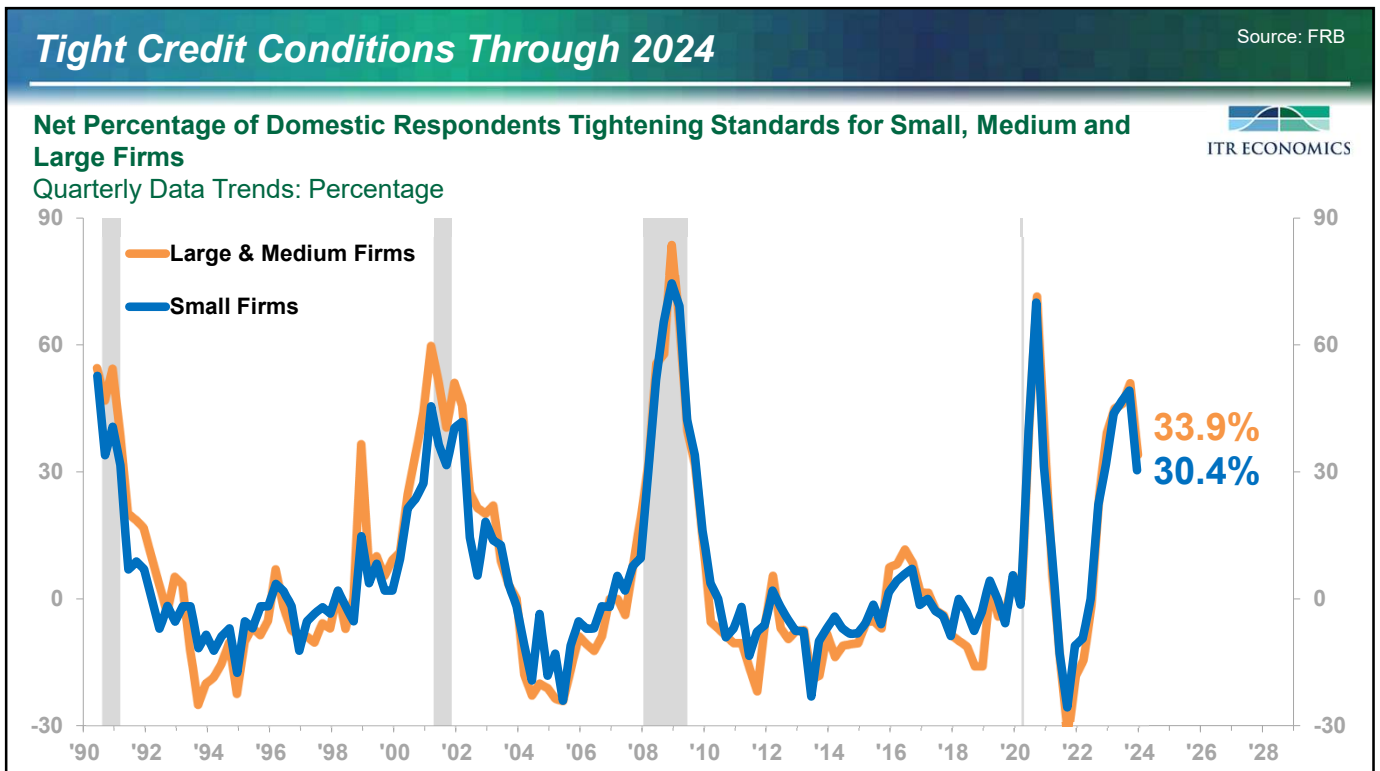
Inflation & Interest Rates



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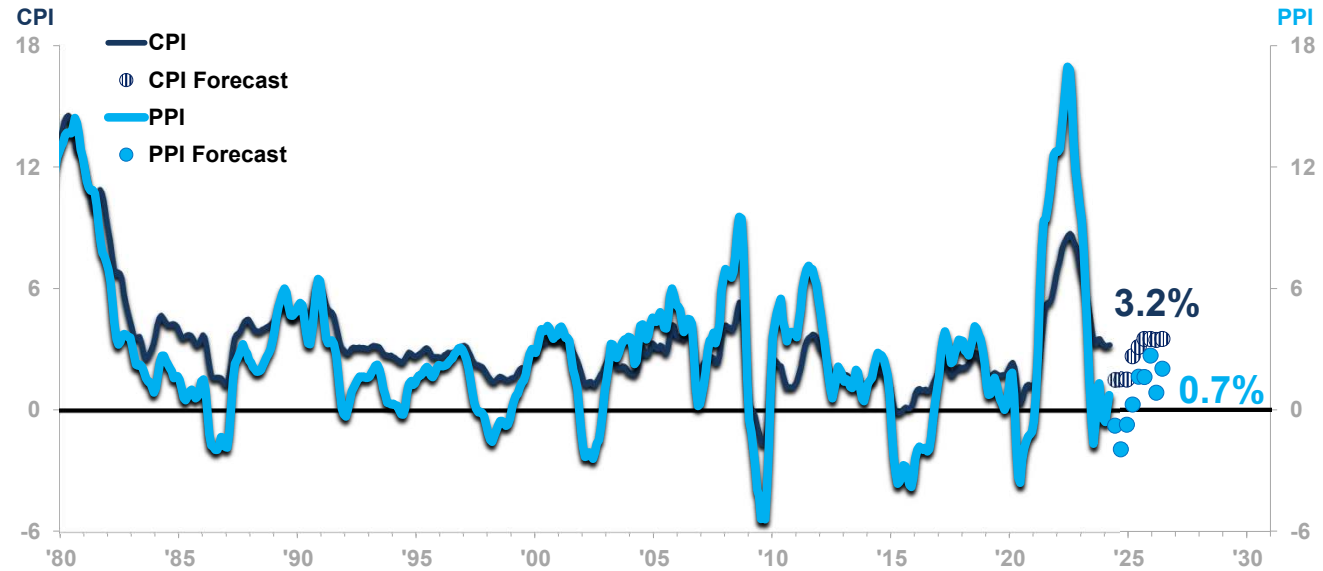
Producer Price Deflation and Consumer Price Disinflation

Source: BLS

US Consumer Price Index to US Producer Price Index

3/12 Rates-of-Change

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Inflation Summary

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- Inflation is decreasing and is expected to decline further. Rate decline is probable for 2024.
- Bank credit remains tight. Cash flow analysis through 2024 is critical.
- Use the next 2 years to strategize how you will contend with future inflation and higher interest rates.

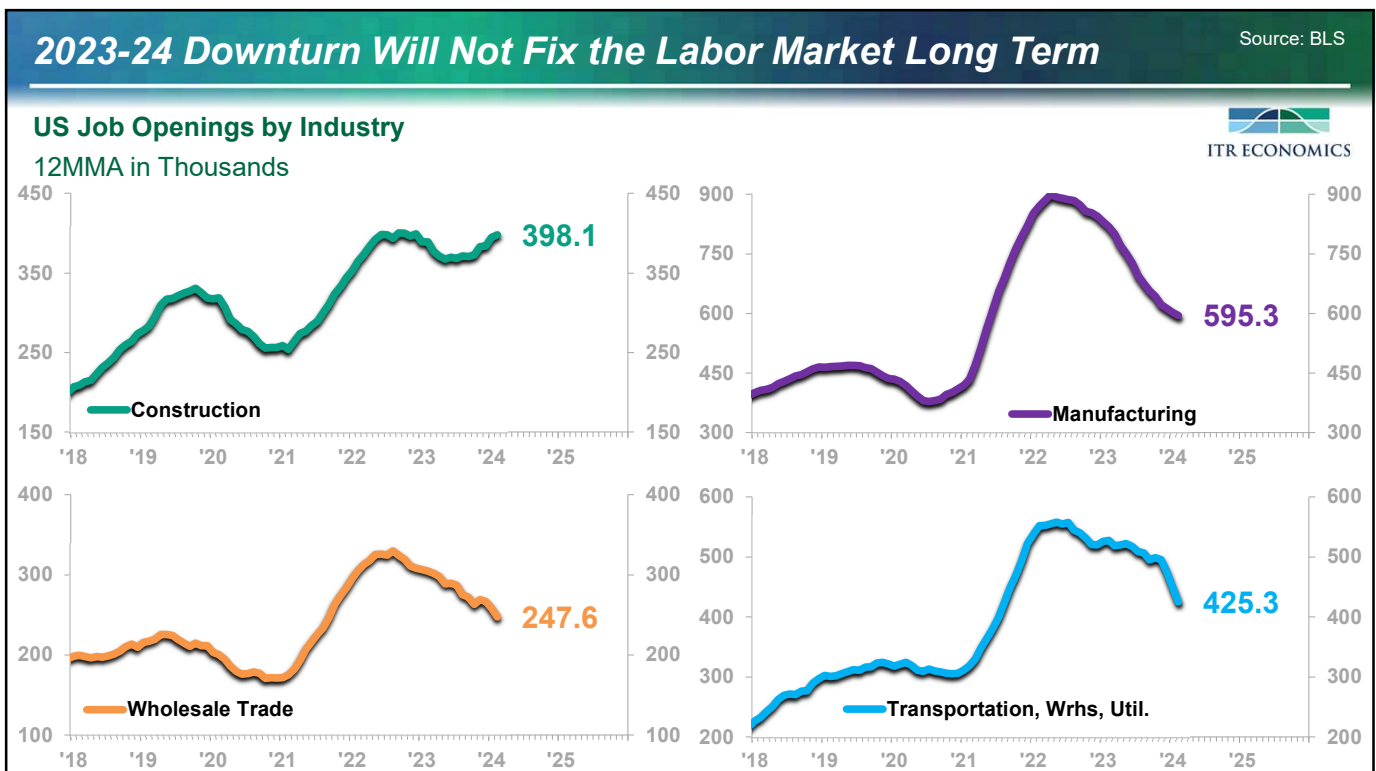
Next Steps

- This Federal Reserve is a wild card from our perspective. Stay with us via our weekly Fed Watch YouTube free broadcasts until this is over.

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People



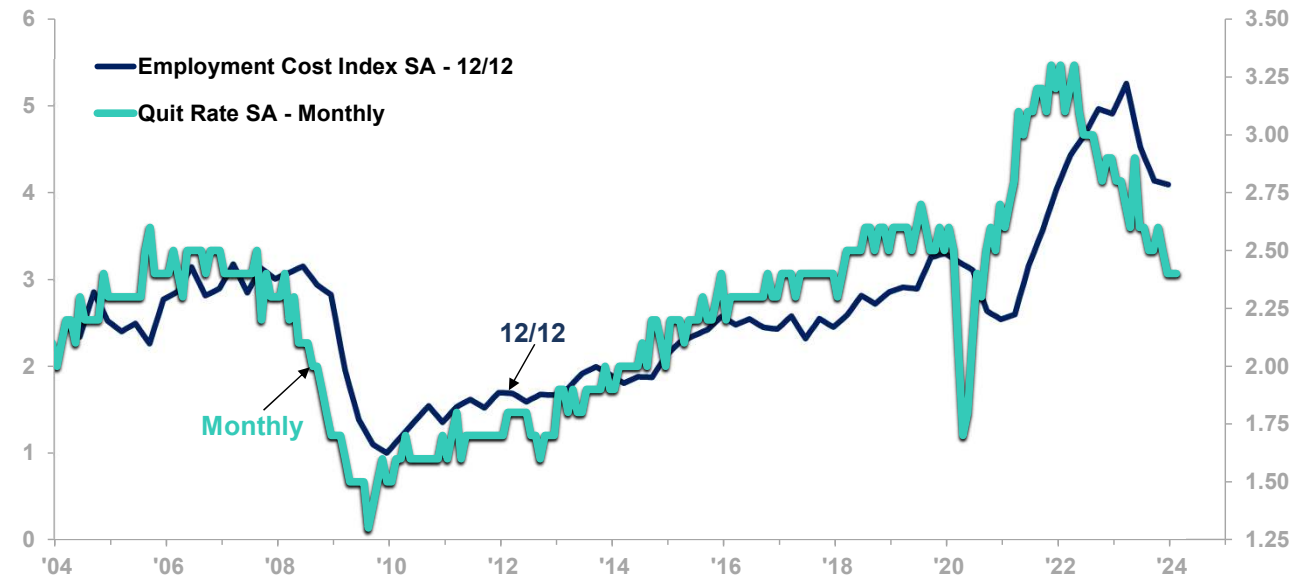
Expect Decelerating Rise in Employment Costs

Source: BLS

US Employment Cost Index to US Quit Rate

Index: 12/12 Rate-of-Change, Quit Rate: Percent

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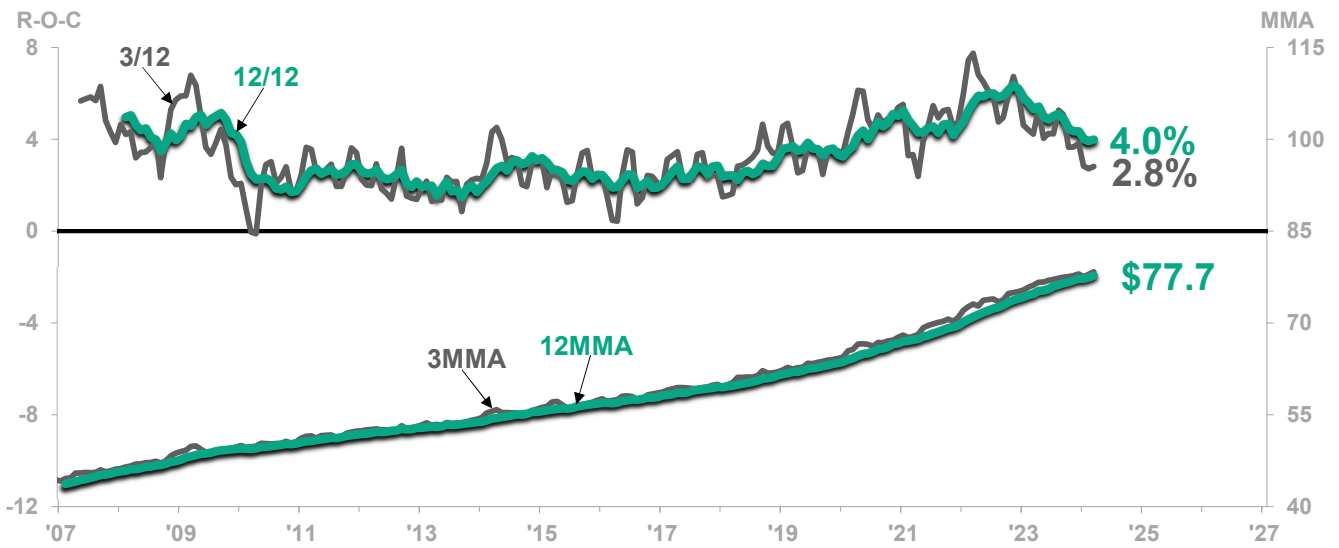
Disinflation on Earnings Near-Term as Job Openings Mildly Contract

Source: BLS

US Average Annual Earnings of Professional and Business Services Workers

Thousands of Dollars

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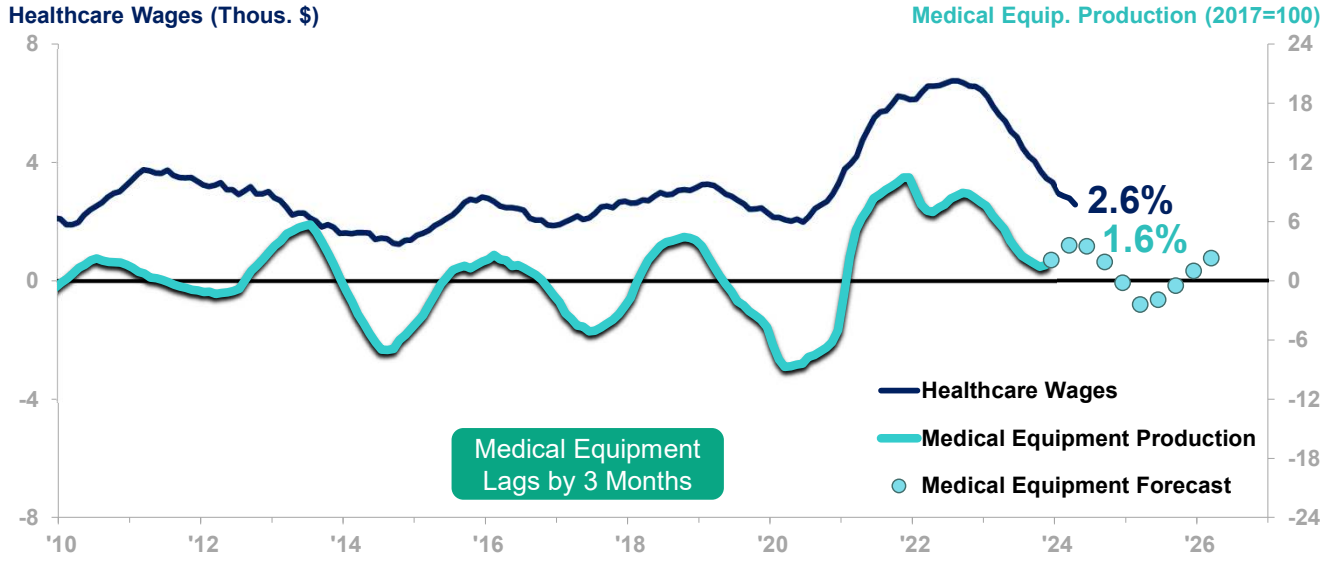
Medical Production Outlook Suggests Wage Growth Will Cool

Sources: BLS, FRB

US Health Care Workers Average Annual Earnings to US Medical Equipment and Supplies Production Index

12/12 Rates-of-Change

Healthcare Wages (Thous. \$)



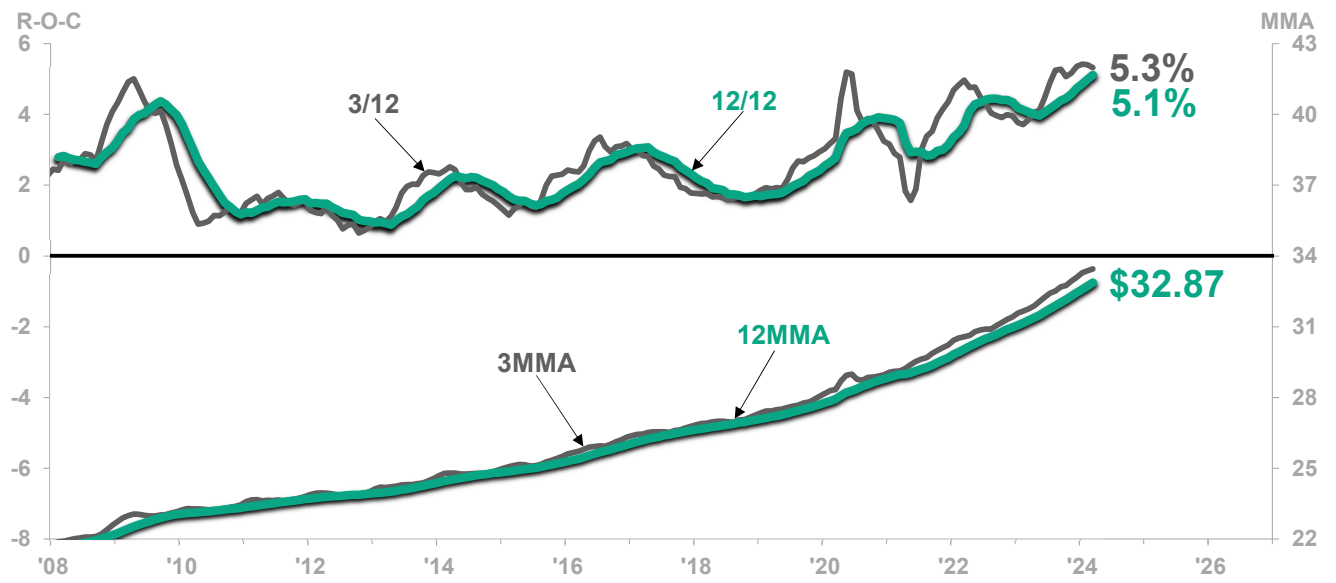
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Decelerating Rise Anticipated for 2024

Source: BLS

US Manufacturing Employees Average Hourly Earnings

Dollars



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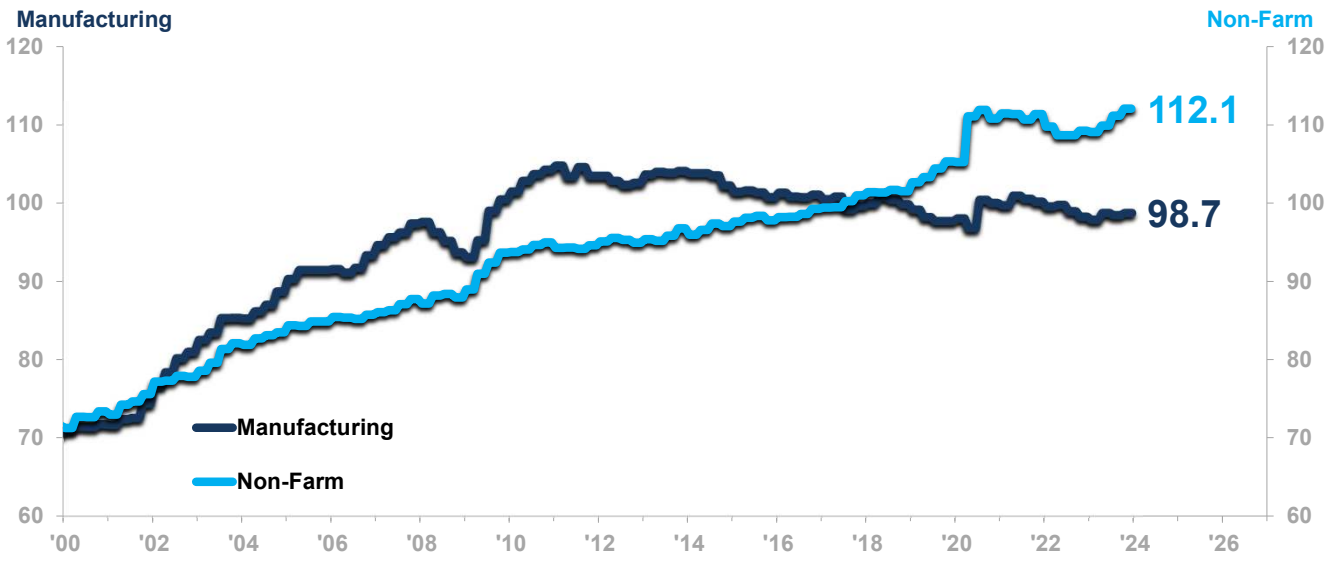
Problems Are in Manufacturing Productivity

Source: BLS

US Manufacturing Labor Force Productivity Index to US Nonfarm Labor Force Productivity Index

Raw Data: 2012 = 100

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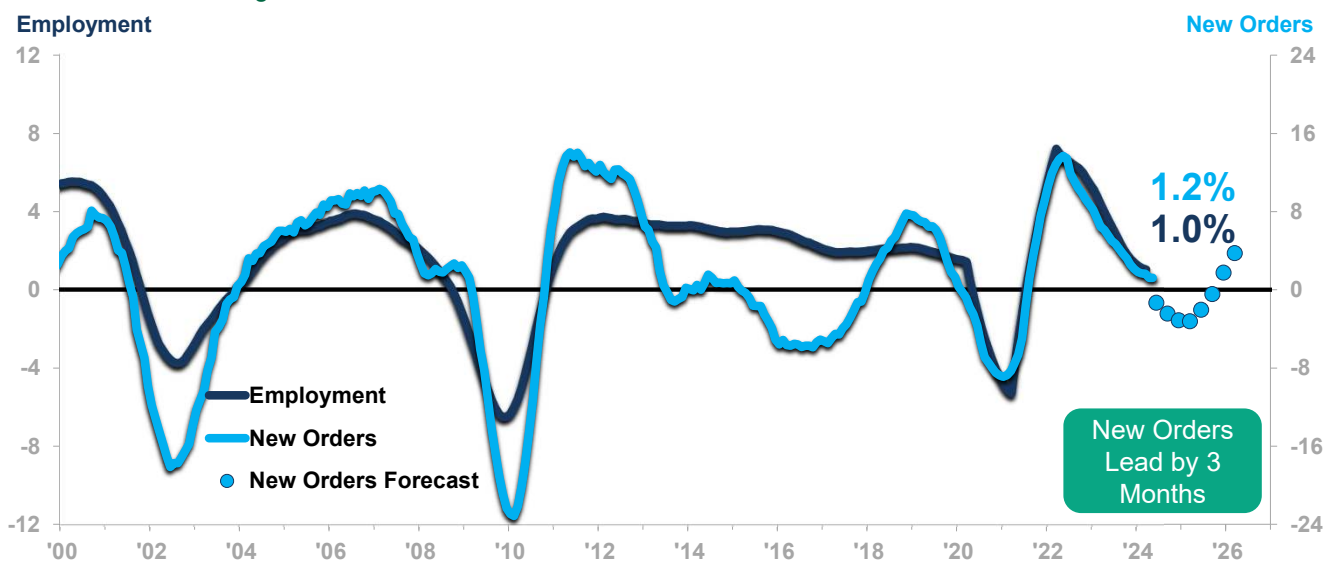
Downside Cyclical Pressure on Employment Through 2024

Source: BLS, US Census Bureau

US Professional and Business Employment to US Nondefense Capital Goods New Orders (excluding aircraft)

12/12 Rates-of-Change

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IT Budgets Are Impacted by Interest Rates

Sources: BEA, FRB

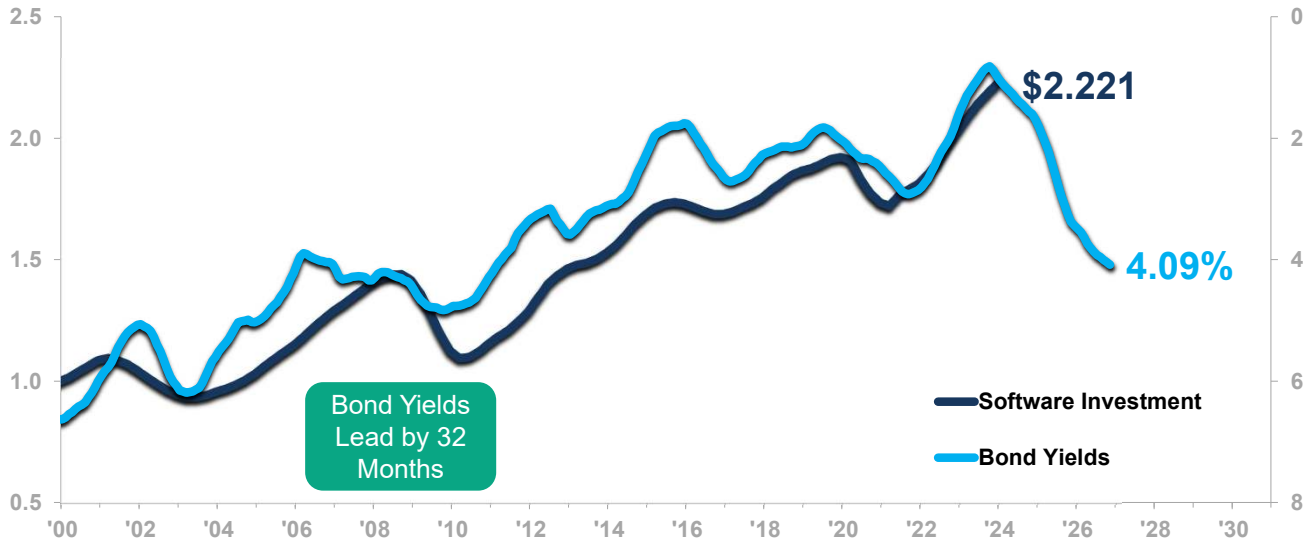
US Equipment and Software Investment GDP to US Government Long-Term Bond Yields

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Annual Data Trends

Software Investment (Tril. \$)

Bond Yields (Percent)



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Stress on Investments Supports Employment Softening

Sources: BEA, BLS

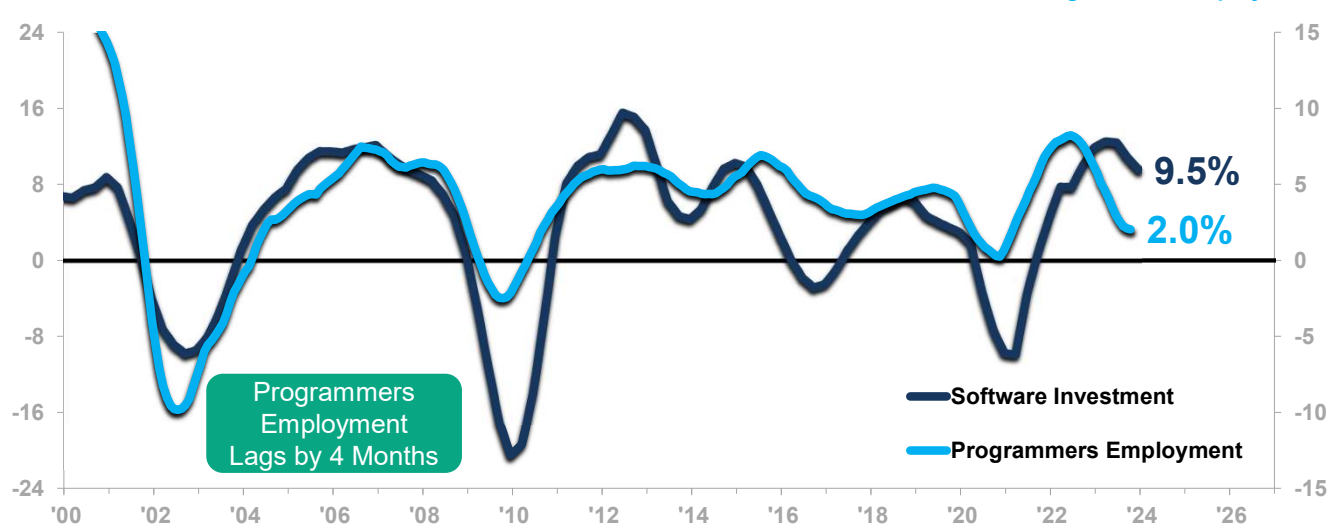
US Equipment and Software Investment GDP to US Custom Computer Programming Services Employment

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12/12 Rates-of-Change

Software Investment

Programmers Employment



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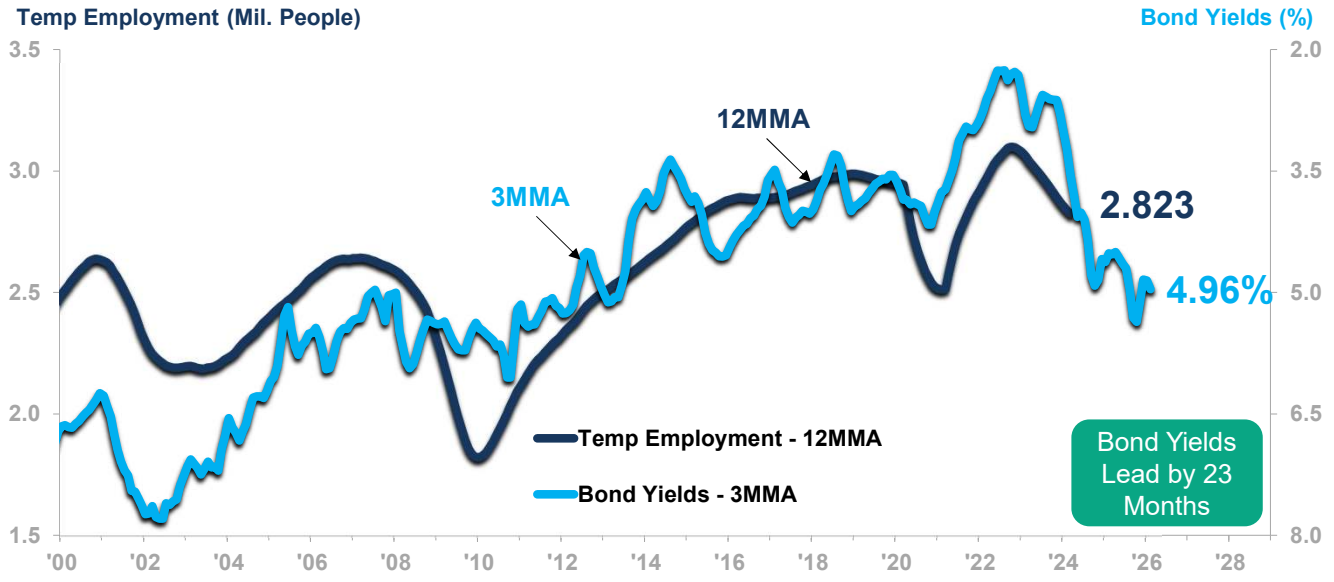
Interest Rate Sensitive

Sources: BLS, FRB

US Temporary Services Employment to US Corporate AAA Bond Yields Inverted for Prices



Data Trends

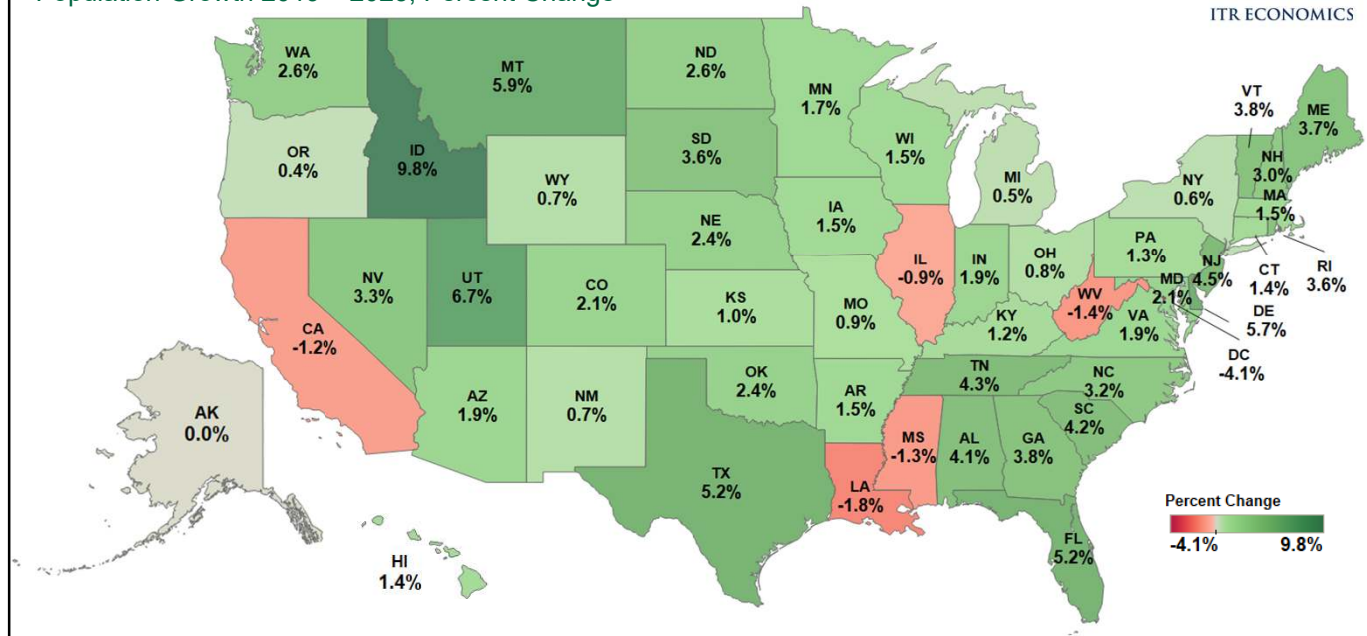


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Be Geographically Specific: Population Growth 2019 to 2023

Source: US Census Bureau

Population Growth 2019 – 2023, Percent Change



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Weakening economic conditions means employees become more likely to stay.



Layoffs may increase the need for staffing services but demand for jobs may lag



Despite the current slump in some markets, demographics support a tight labor market in the longer term.

Next Steps

- Companies will likely target the higher end of the market through 2024.



Macroeconomic Trends



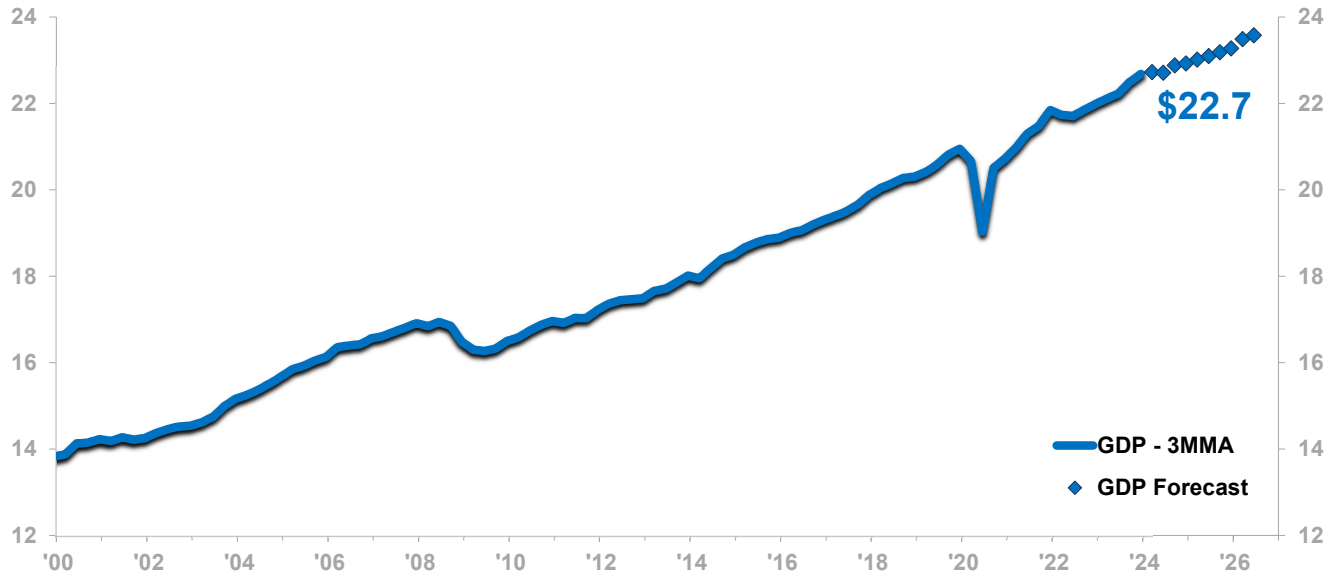
Expect Slow Growth in 2024

Source: BEA

US Real Gross Domestic Product

Quarterly Data Trends: Trillions of Chained 2017 Dollars

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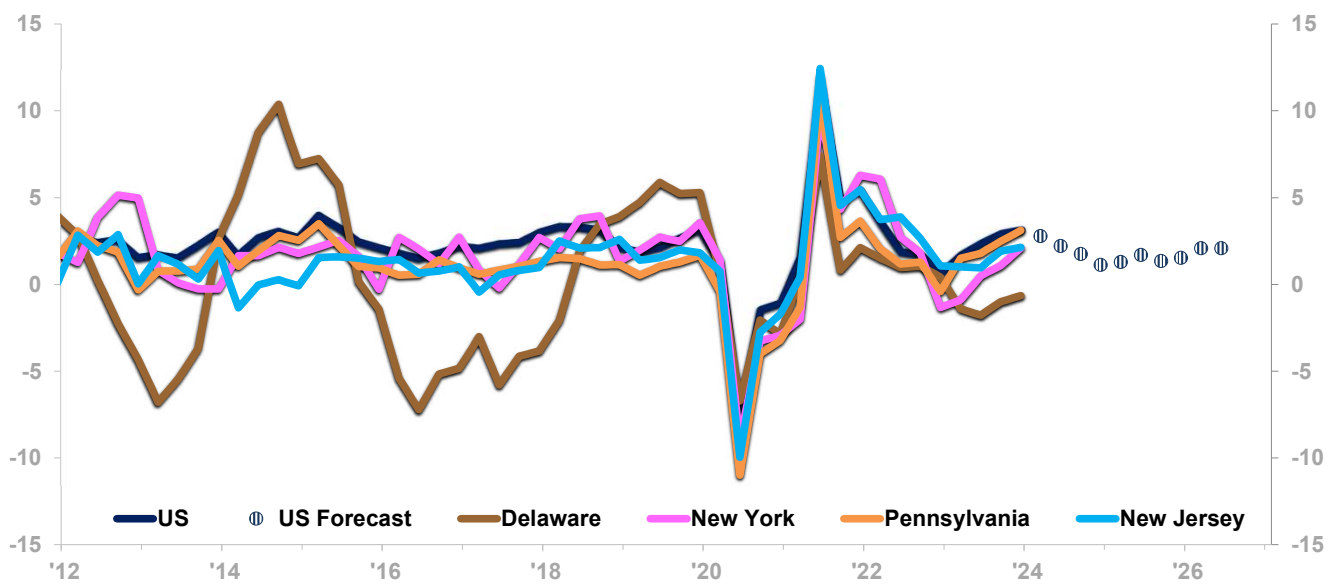
Northeast Falling Short of National; Delaware Showing More Risk

Source: BEA

US to Delaware, New York, Pennsylvania, and New Jersey GDP

3/12 Rates-of-Change

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Inflation Adjusted Wages Are Rising Heading Into 2024

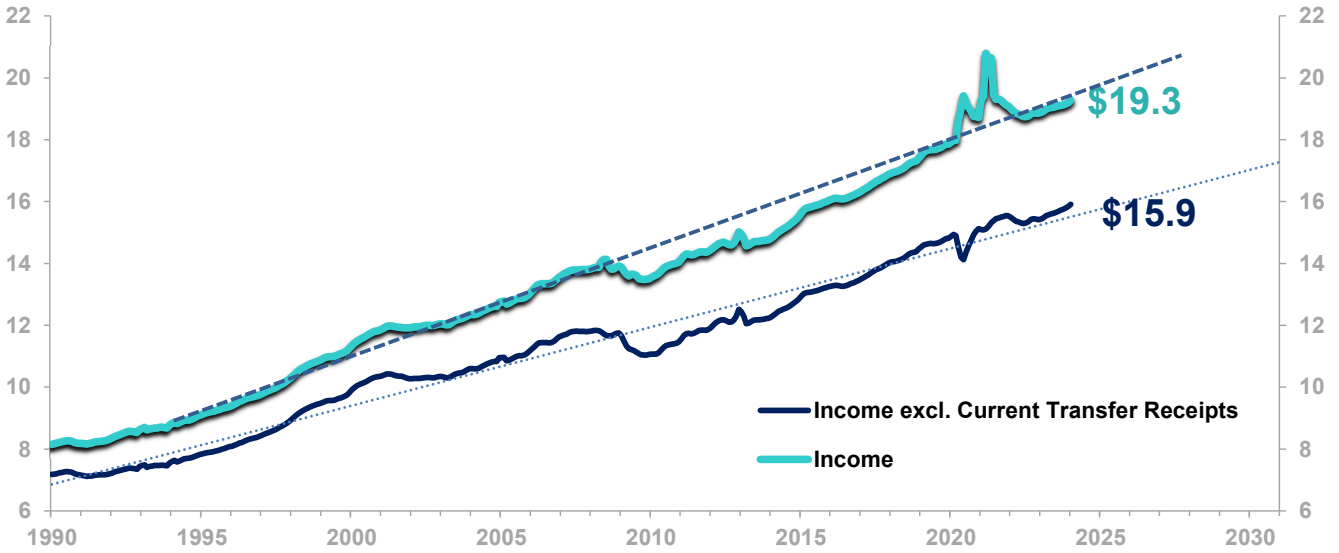
Source: BEA

Real Personal Income (excluding current transfer receipts) to US Real Personal Income

Quarterly Data Trends in Trillions of Chained 2017 Dollars



Income excl. Transfers



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Overall Debt Load is Manageable, Credit Card Debt is Minimal

Sources: FRBNY, US Census Bureau, BLS

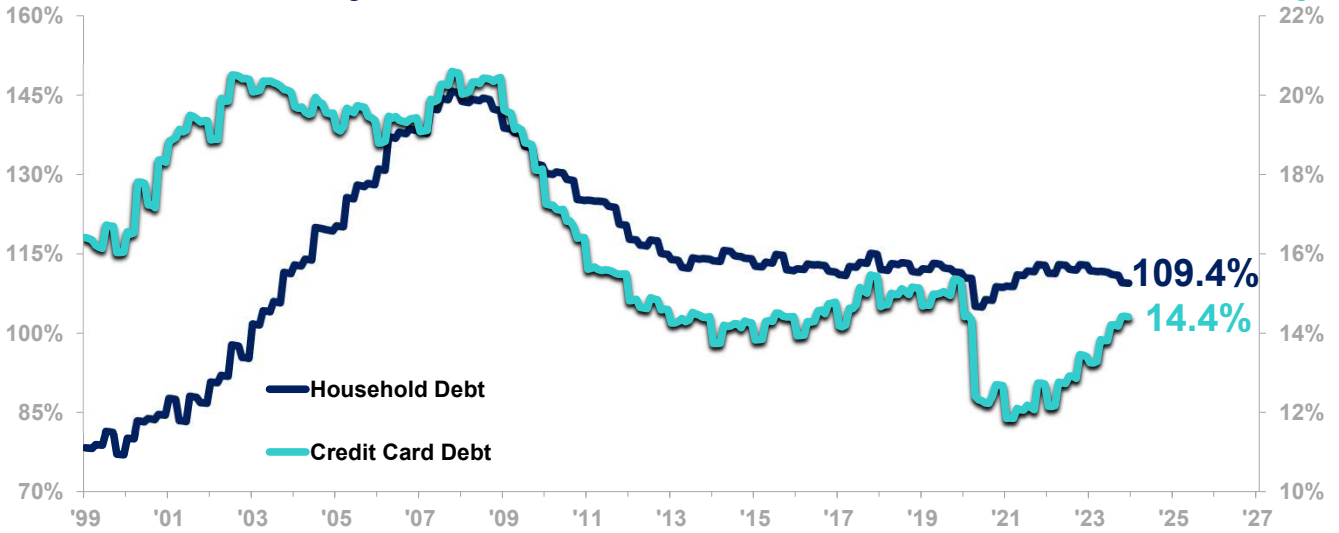
US Household Debt per Capita as a % of US Median Annual Earnings to US Credit Card Debt per Household as a % of US Median Annual Earnings

Raw Data, Percent



Household Debt as % of Earnings

Credit Card Debt as % of Earnings



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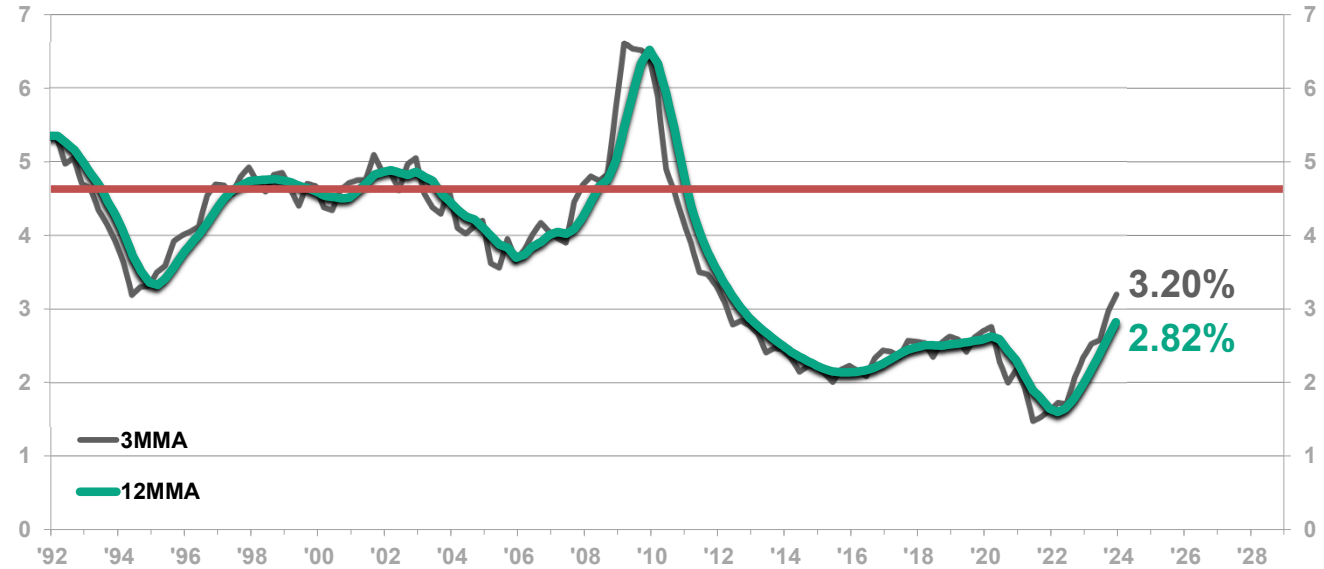
2.97% Rate is Within Normal; Above 4.69% Would be Abnormal

Source: FRB

Consumer Credit Card Delinquency Rate

Annual Data Trends: Percentages

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The US Macroeconomic Summary

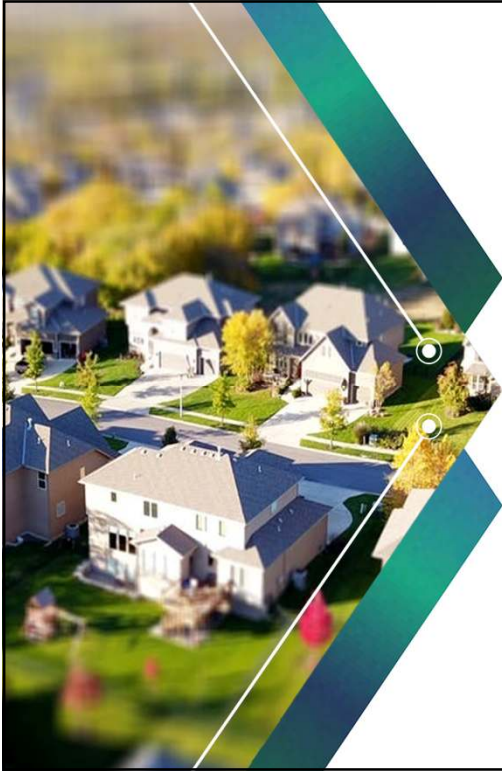
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- Ignore the political noise
- Businesses are profitable and cash is above the year ago level
- Impact of interest rates and monetary tightening in 2024

Next Steps

- Watch the inverse yield curve
- Invest in your business
- Good opportunity for organic growth in 2025

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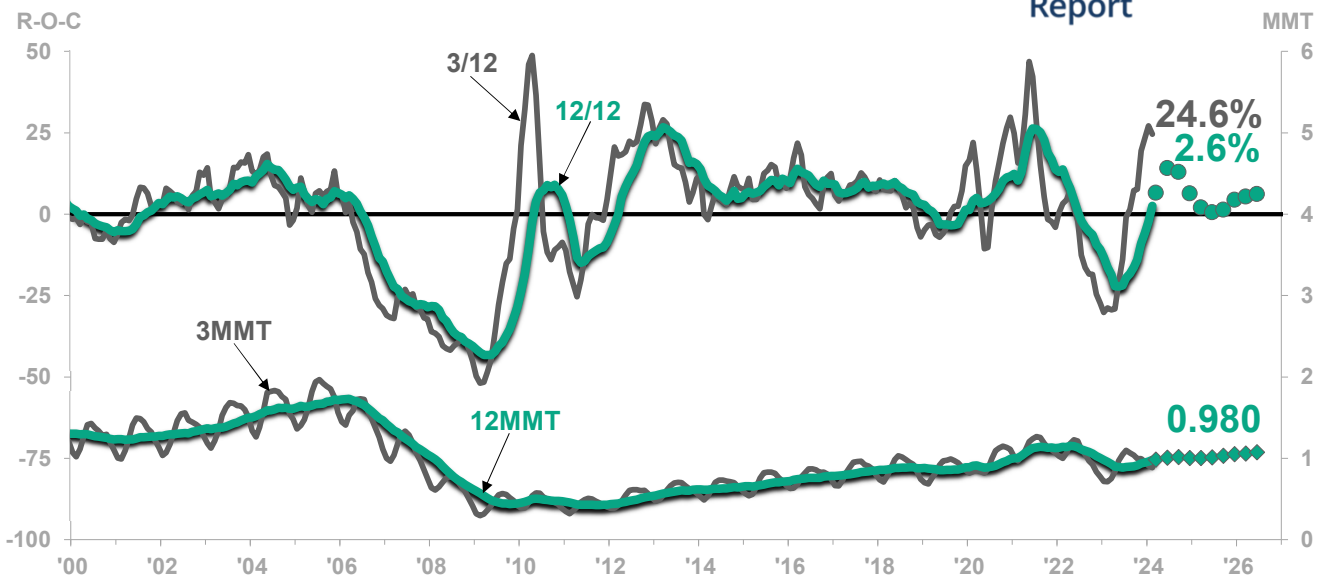
Construction

Positive Signals for 2024

Source: US Census Bureau

US Single Unit Housing Starts Millions of Units

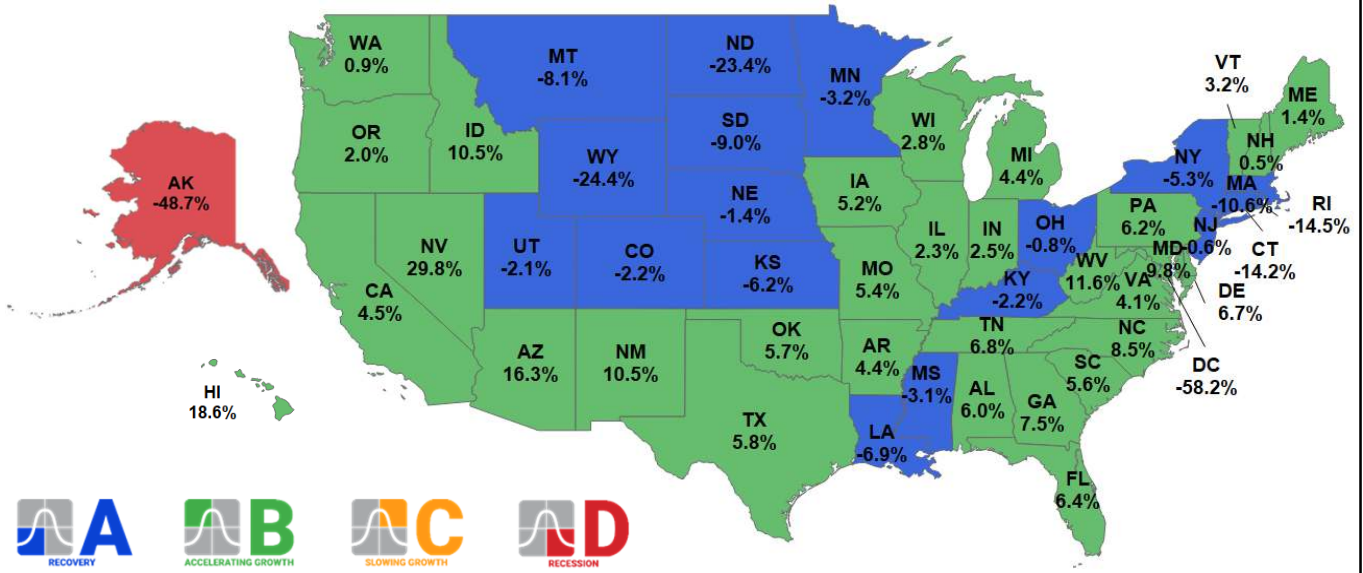
as seen in
ITR Economics' **Trends Report**
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US Single-Family Housing Unit Permits by State

Source: US Census Bureau

12/12 Rates-of-Change



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Manageable Vacancy Rates Across the Board

Source: US Census Bureau

Rental Vacancy Rate
Percent



	Current Quarter	10-Year Avg	15-Year Avg
Delaware	3.1%	5.9%	7.4%
New York	4.5%	5.1%	5.4%
New Jersey	4.2%	4.4%	6.1%
Pennsylvania	6.3%	6.8%	7.6%
US	6.6%	6.8%	7.8%

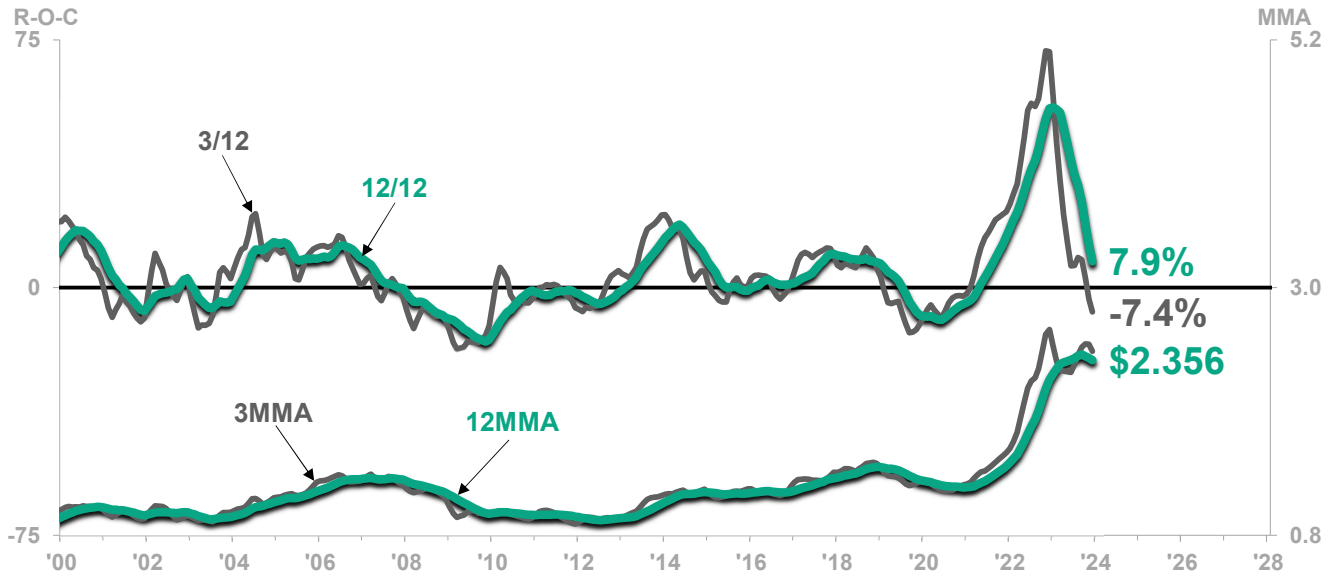
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Still High but an Important Green Shoot

Sources: US Census Bureau, Freddie Mac

US Average Mortgage Payment

Thousands of Dollars

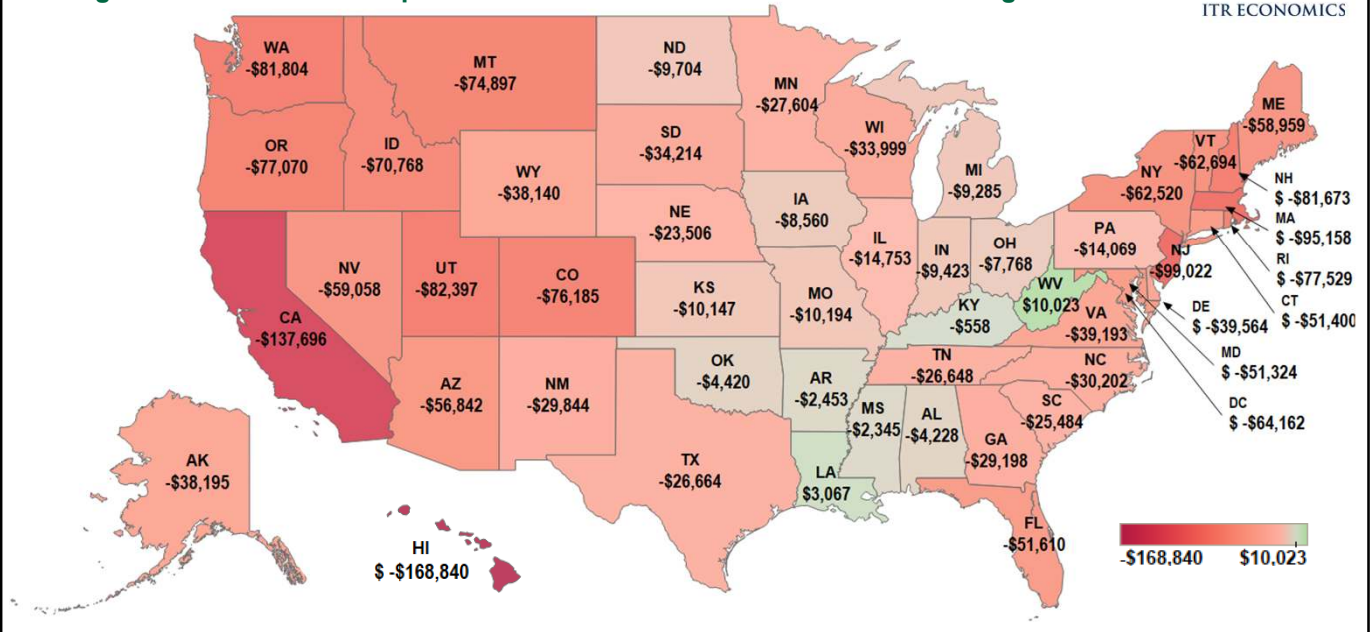


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Housing Affordability Varies Considerably

Sources: Zillow, Tax -Rates.org, Wall Street Journal, Federal Housing Agency, US Census Bureau

Average Household Income Surplus or Deficit to Income Needed to Afford an Average Priced Home



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Housing Leads – Nonresidential Lags

Source: US Census Bureau

US Private Nonresidential Construction to US Single-Unit Housing Starts

12/12 Rates-of-Change

as seen in
ITR Economics'
**Trends
Report**

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Nonres Construction

Housing Starts



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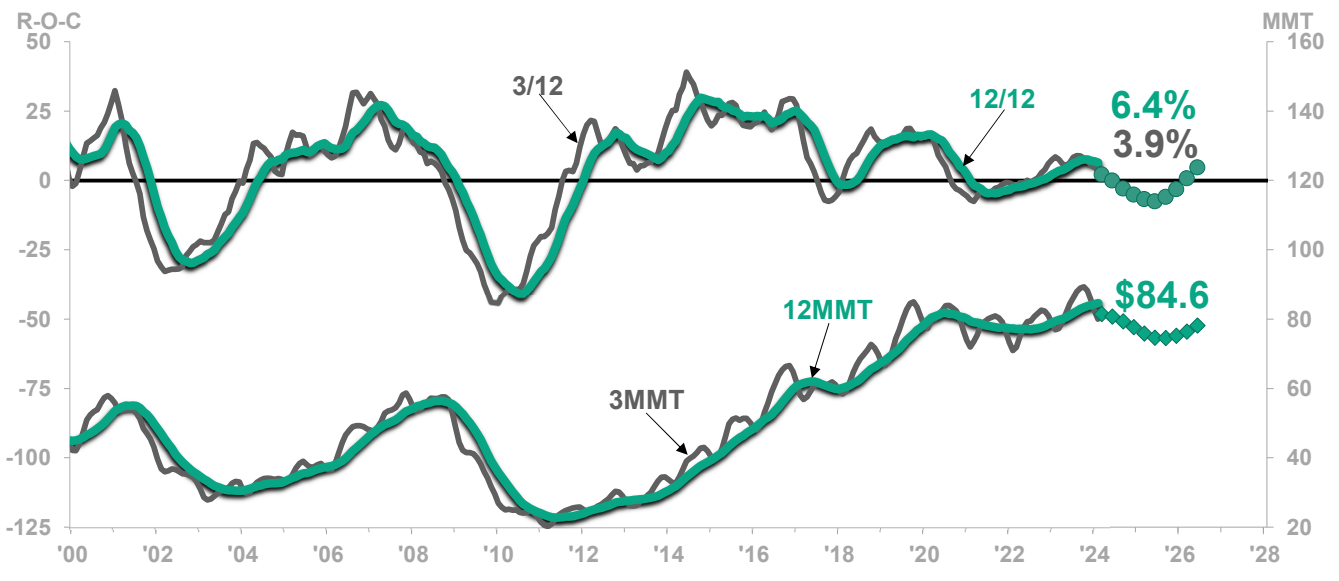
Office Construction Enters Slowing Growth; Not the Full Story

Source:
US Census Bureau

US Private Office Construction

Billions of Dollars

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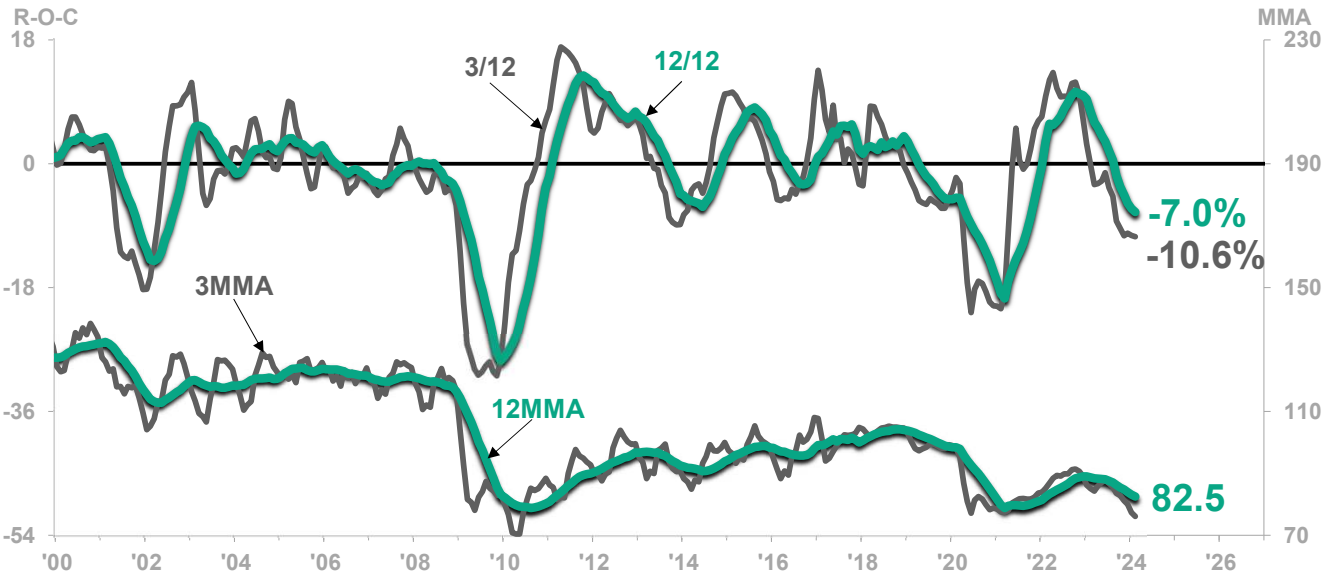
Office Furniture Production Suggests Remote Work is Sticky

Source: FRB

US Office Furniture and Fixtures Production Index

2017 = 100




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Macroeconomic Trends Summary

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-  Housing affordability is improving
-  CRE woes are a concern through at least 2024.
-  Interest rate decline in 2024 will help the housing industry.

Next Steps

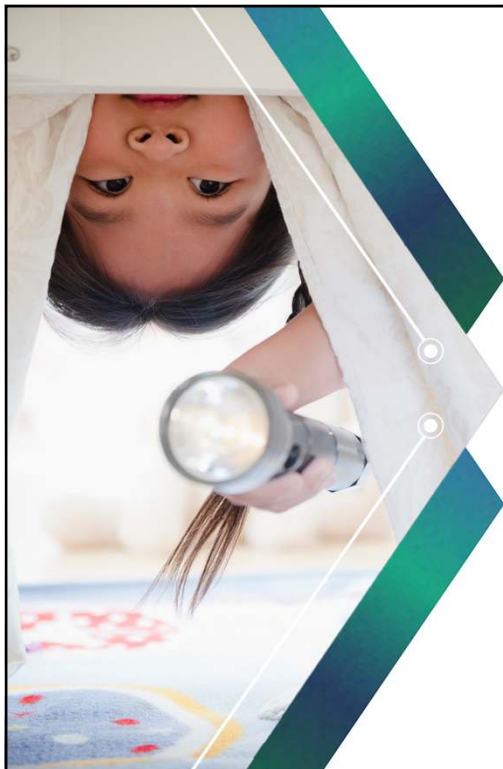
- Late-2024 or early-2025 are shaping up to be a good time to buy a home.
- The green shoots in housing are early encouraging signals for the broader economy.

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- Disinflation and deflation will characterize 2024 with an attendant easing of wage inflation.
- Expect interest rates to ease lower in 2024 and likely early 2025.

- Service sector expected to hold up better than private manufacturing in 2024.
- Fiscal policy and high corporate cash levels are a buffer for the economy.

- Assess cash needs
- Maximize competitive advantages
- Think about expanding the asset classes you are invested in and plan to pivot hard in 2028 – 2032.



The 2030s

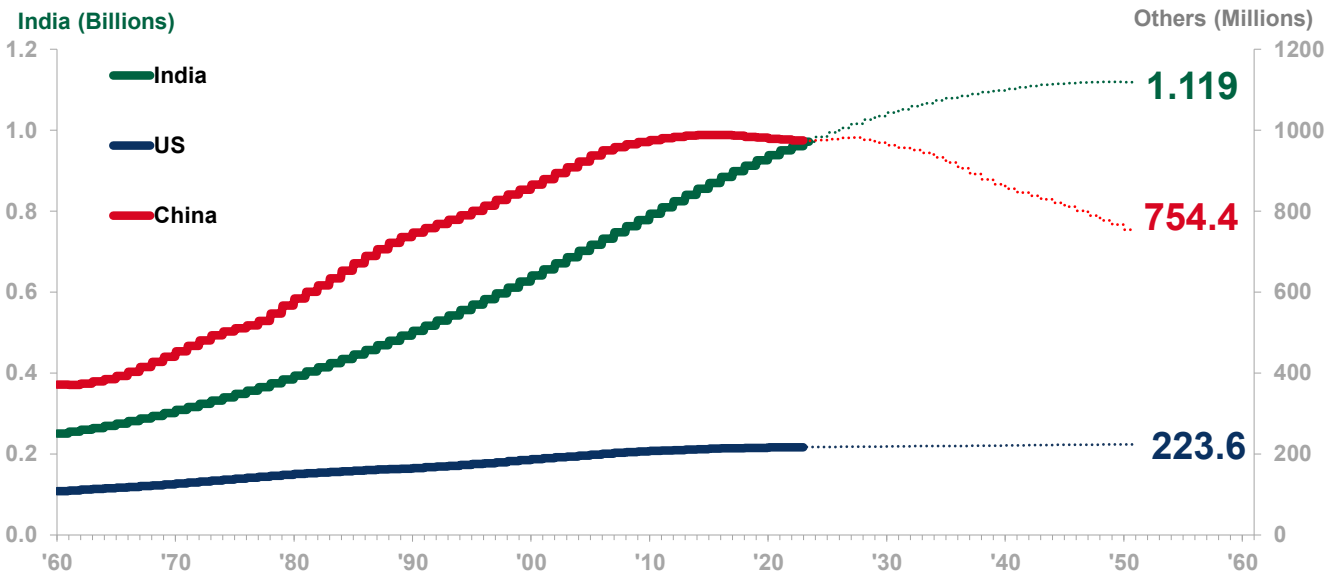
Long-Term Outlook is Unchanged

- 1. Demographics
- 2. Health Care Costs
- 3. Entitlements
- 4. Inflation
- 5. US National Debt



Historic Opportunity: India is the Most Populous Country

Total Population Age 15-64 With Projections
Millions of Persons



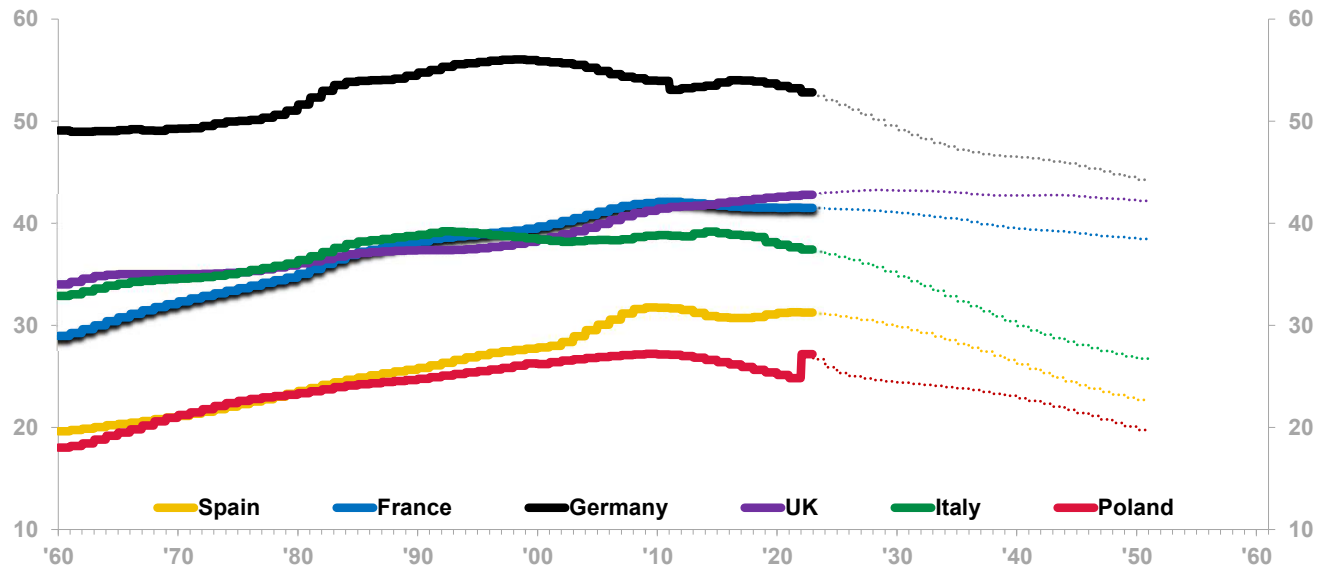
EU is Facing Demographic Decline

Source: World Bank,
Projections by World Bank

Total Population Age 15-64 With Projections – Spain, France, Germany, UK, Italy, Poland

Millions of Persons

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Beware of Pennsylvania and Delaware's Older Demographic

Source:
US Census Bureau

Available Workforce

Percent of Total Population

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	Gen Z	Millennials	Gen X	Boomers
US	20.8%	21.6%	19.7%	20.4%
DE	19.1%	20.1%	18.6%	24.0%
NJ	19.9%	20.8%	20.8%	20.9%
NY	19.7%	22.0%	19.8%	21.1%
PA	19.9%	20.6%	19.3%	22.4%

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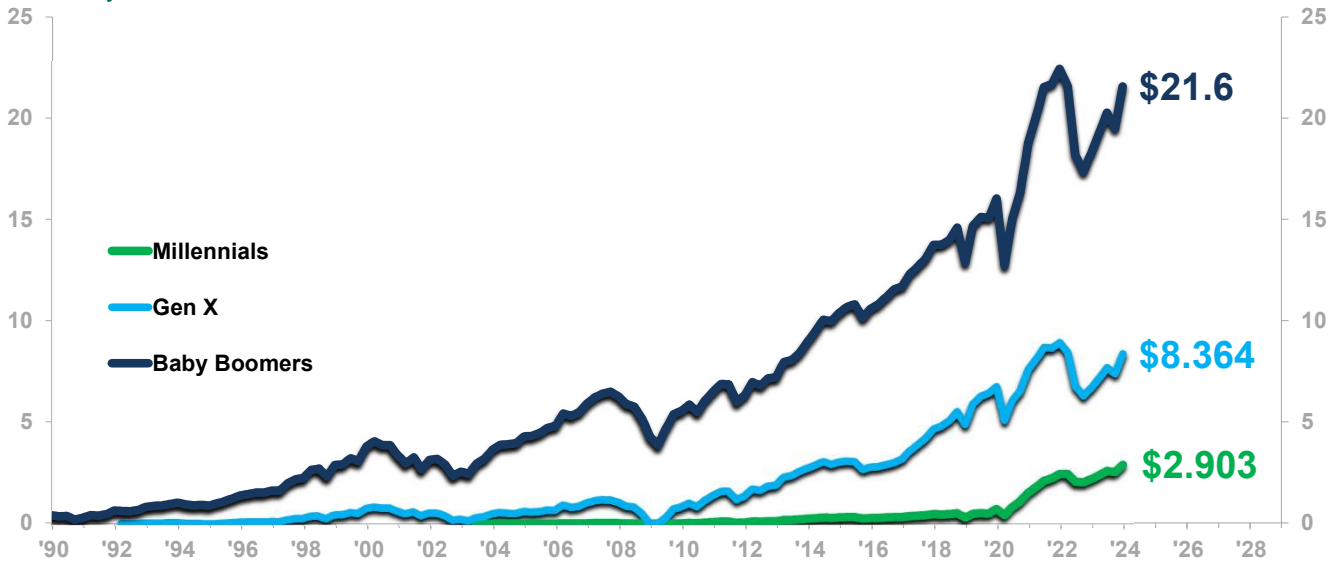
Trillions of Dollars Potentially Going Onto the Selling Block

Sources: FRB

US Ownership of Corporate Equities and Mutual Fund Shares of Baby Boomers to Gen X to Millennials

Quarterly Data Trends: Trillions of Dollars

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Long-Term Outlook is Unchanged

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1. Demographics
2. Health Care Costs
3. Entitlements
4. Inflation
5. US National Debt



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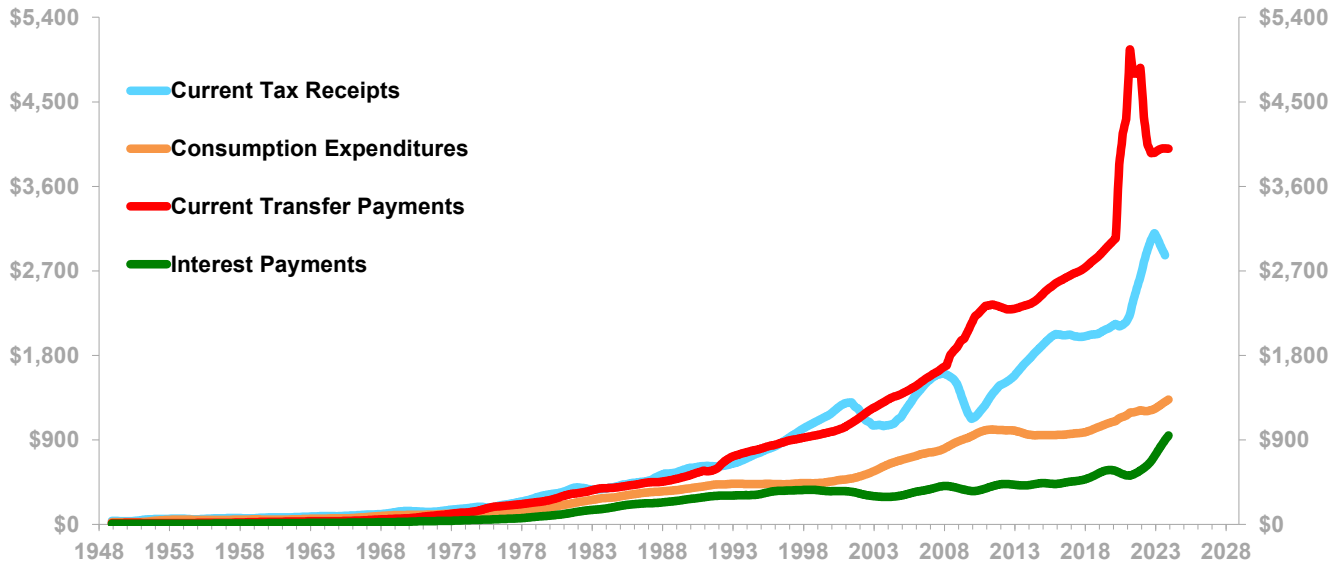
Problems Ahead

Source: BEA

Federal Government Receipts and Payments

Annual Data Trends in Billions of Dollars

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The 2030s Summary

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- ☐ → Switch to wealth preservation circa 2030 - 2032
- ☐ → Safety over magnitude of return will be a virtue next decade
- ☐ → Be ready to switch back into an aggressive posture circa 2036

Next Steps

- Talk to your wealth advisor about best investments in a period of inflation.

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