

2025 ECONOMIC FORECAST EVENT



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Today's Presenter: Dejan Eskic

Senior Research Fellow at the Kem C.
Gardner Policy Institute



Market Update

April 16th, 2025

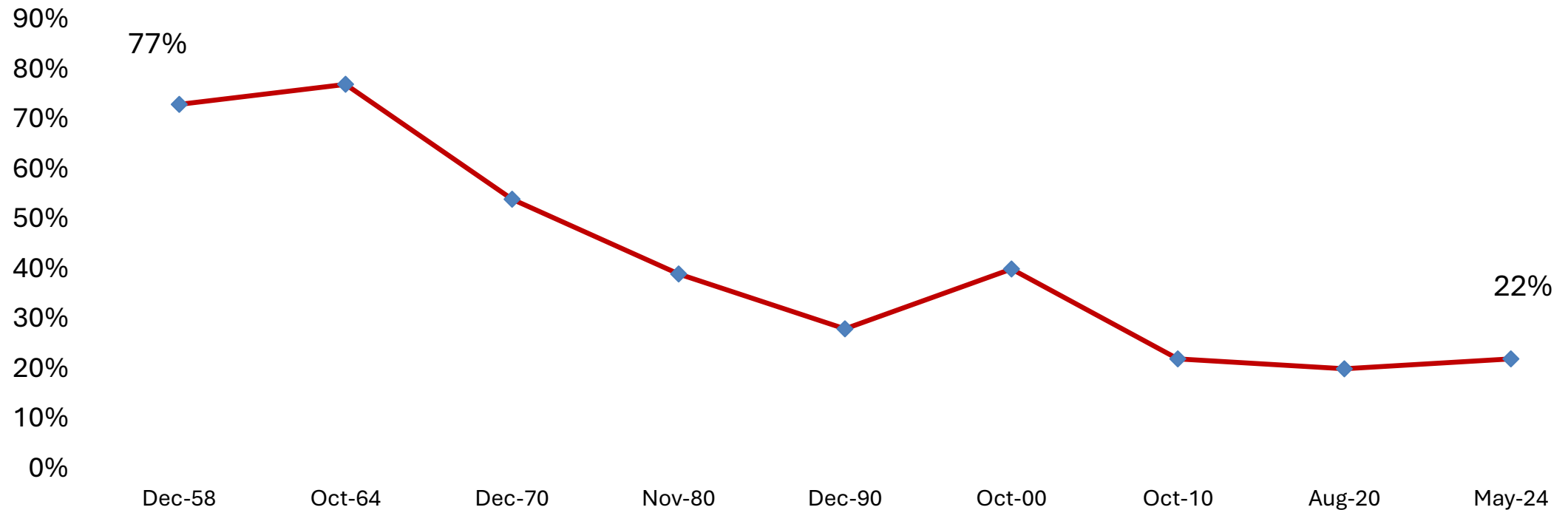
INFORMED DECISIONS™

Summary

1. **Economic flyover** – Four observations provide helpful context – federal government upheaval, bounty and spread, mental health flashing lights, and glaring uncertainty.
2. **Prodigious place** – Utah exceeds many norms. Utah will remain on the economic leaderboard.
3. **Economic outlook** – Will a weakened economy turn dark? Keep a laser-eye focus on unemployment. Subjective probability of a recession in next 12 months – Moody's 30%, Utah Economic Council 20%.
4. **Upswing** – Time to do the work of unity and hope.

Public Trust in Government at Historic Lows

Percent who say they trust the government to do what is right just about always/most of the time

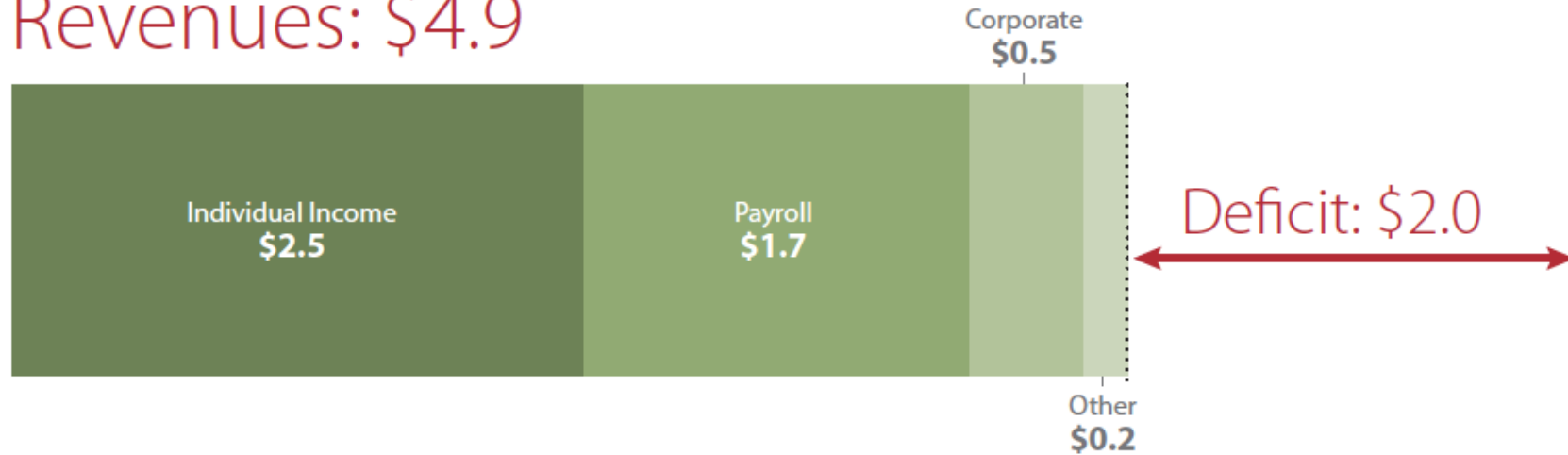


Source: Pew Research Center, National Election Studies, Gallup, ABC, CBS, and CNN surveys

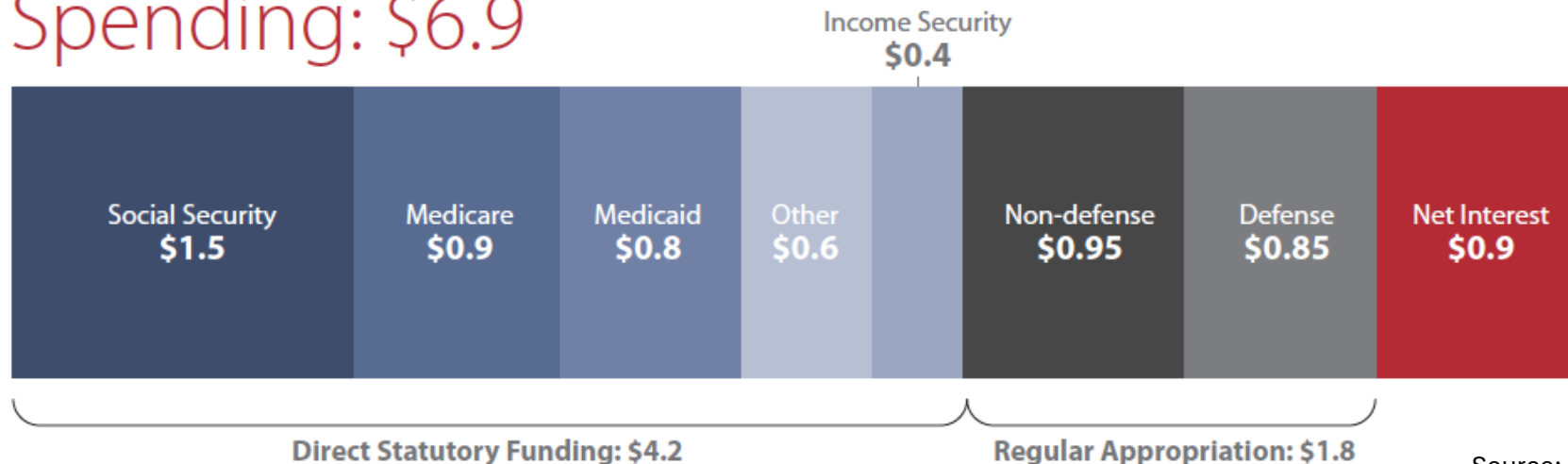
A Broken Federal Government

Federal Budget, FY2024, Dollars in Trillions

Revenues: \$4.9

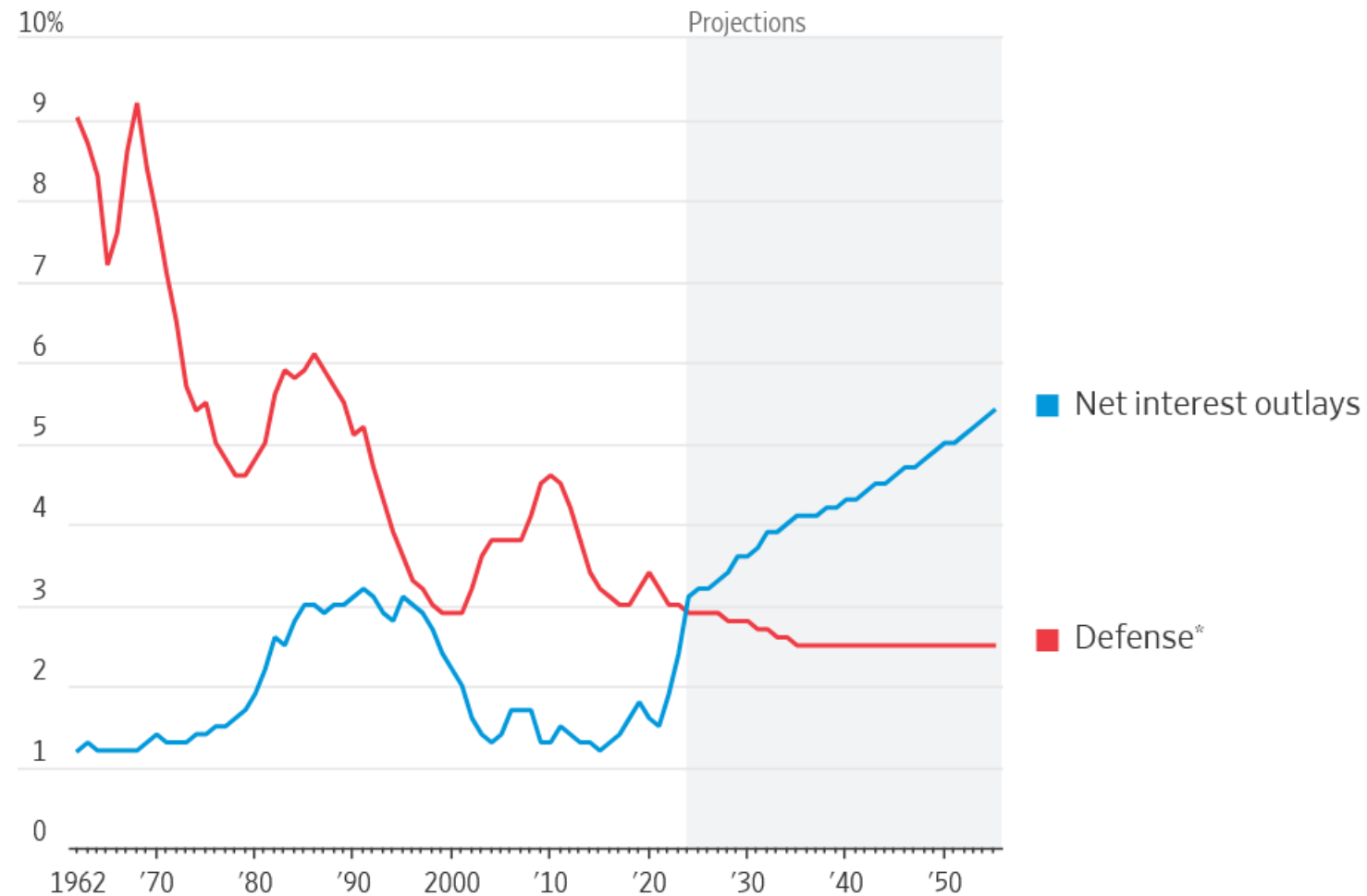


Spending: \$6.9



Source: Congressional Budget Office

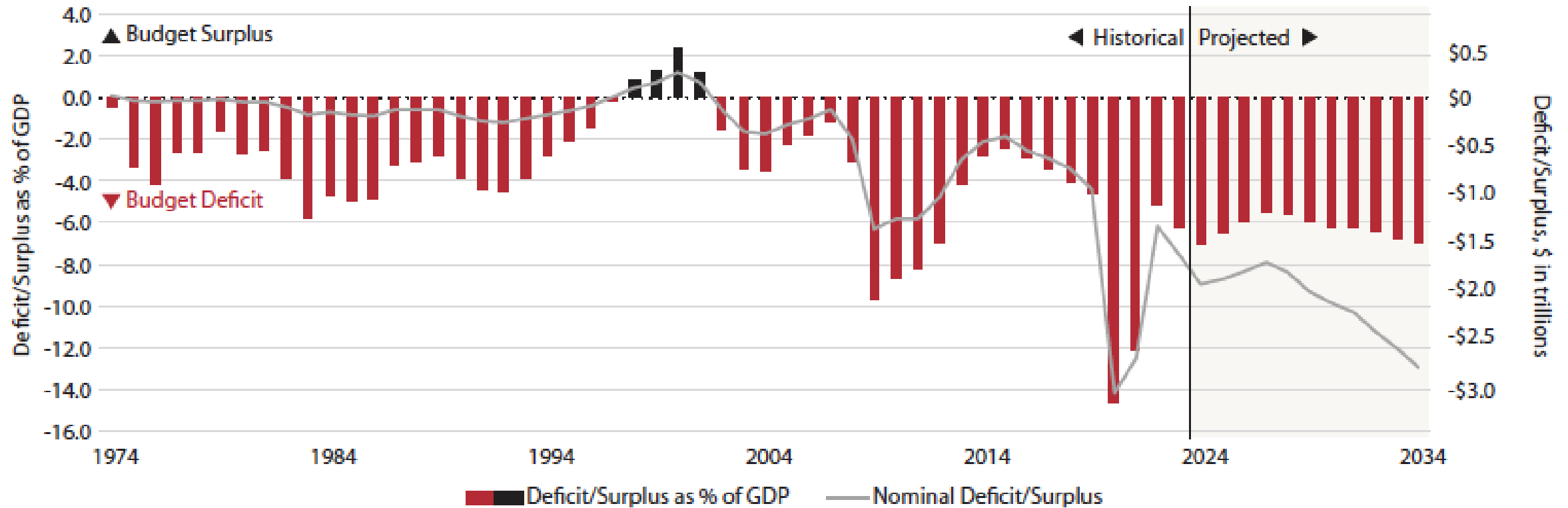
Interest Payments & Defense Spending As a Share of GDP



*Defense spending after 2023 extrapolated on the assumption that it remains consistently 48% of total discretionary (the average of 2014-23).

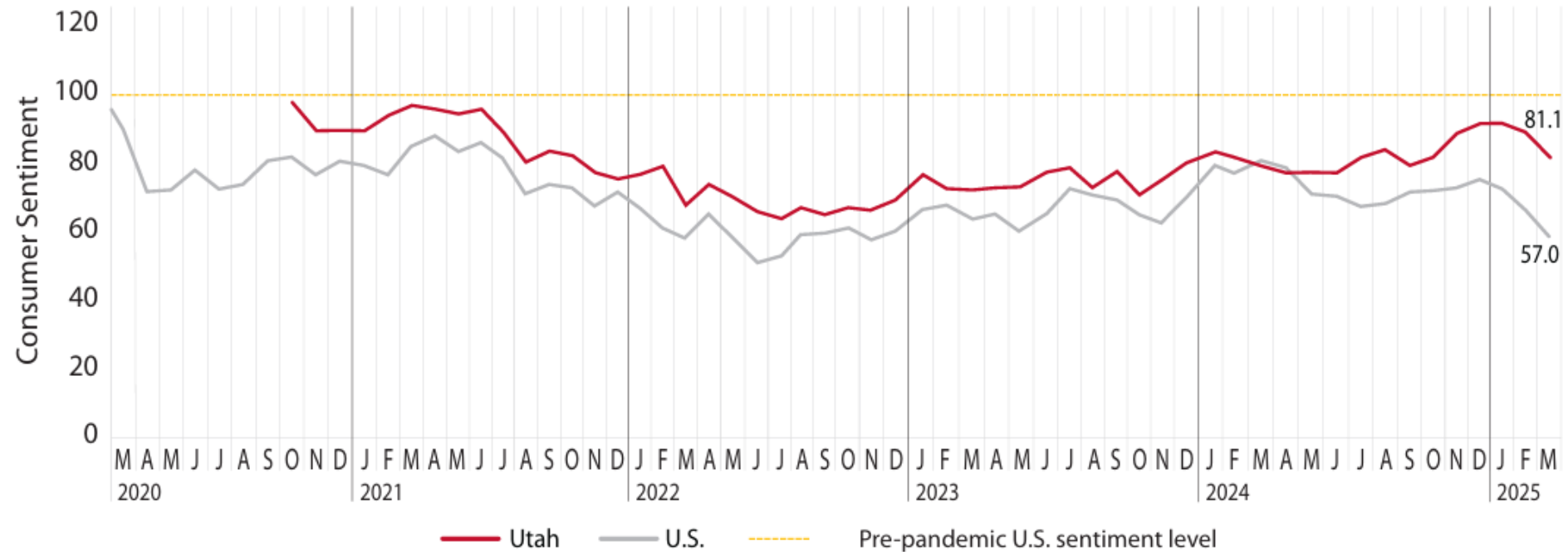
Deficit Spending is Standard Federal Government Practice

Figure 18: Federal Government Deficit and Surplus Amounts and as a Percentage of GDP, Federal Fiscal Year 1974–2034(p)



Source: Congressional Budget Office

Consumer Sentiment Sliding



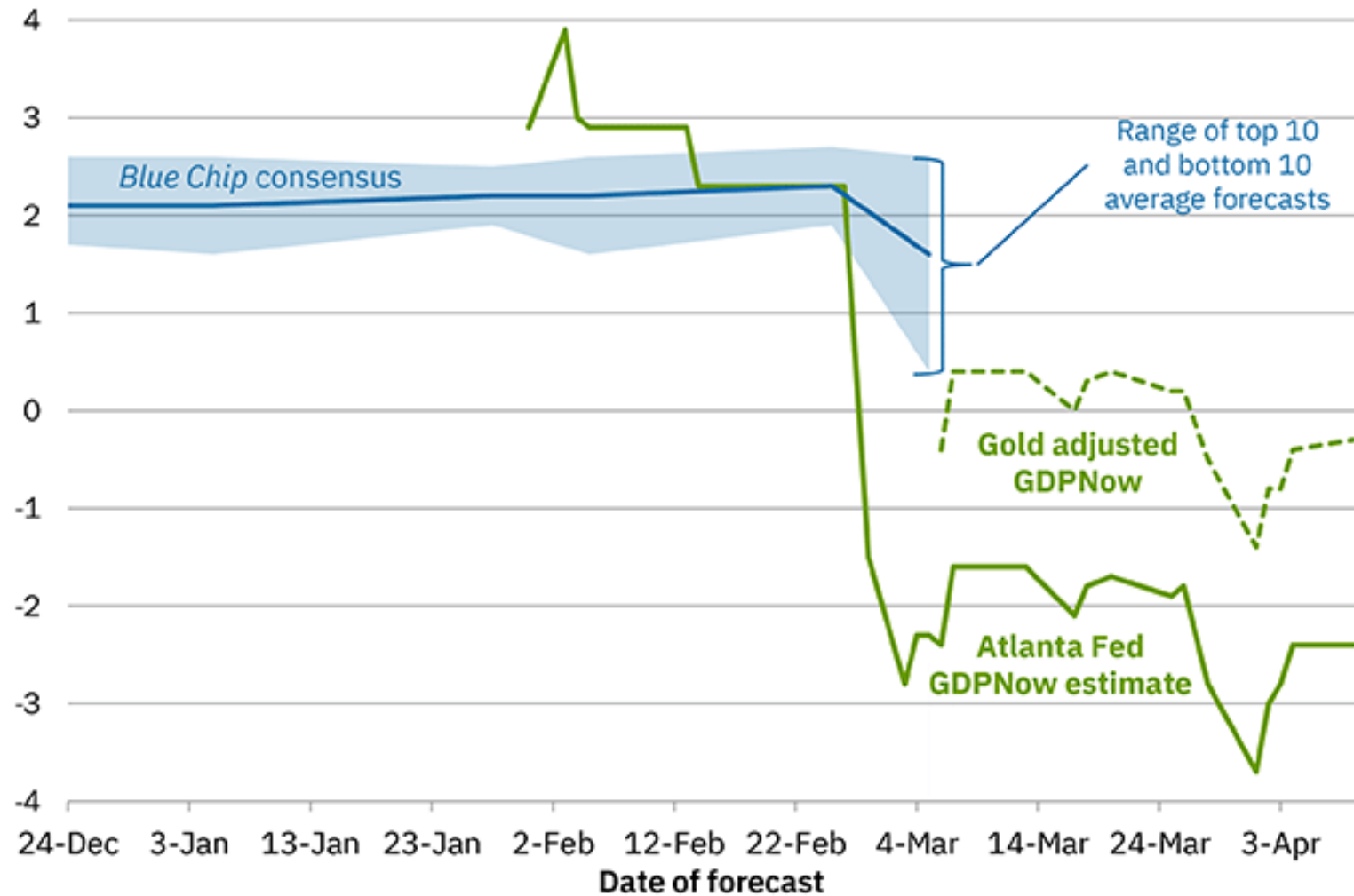
Note: In 2024, the University of Michigan shifted its survey methodology from telephone collection to online collection using address-based mailer recruitment. For seven years prior, Michigan ran web data collection parallel to the official telephone data collection. Results of the concurrent testing showed an average reduction of 6.6 index points with the new methodology relative to the old methodology. While the University of Michigan continues to report one time series, the methodology transition began in April 2024 and ended in July 2024. See Survey Methodology on page 2 for more details.

The nature of "favorable" varies somewhat by question. Generally, a "favorable" response is one that indicates being better off, or having high hopes for the future (i.e., higher confidence, or sentiment). For the first question in Table 1, for example, the possible responses are "Better Now," "About the same," and "Worse Now." In this case, "Better Now" is "favorable," while "Worse Now" is "unfavorable." Neutral responses (e.g., "About the Same") do not figure into the index.

Source: Kem C. Gardner Policy Institute and University of Michigan

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q1

Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Current Trump Tariffs

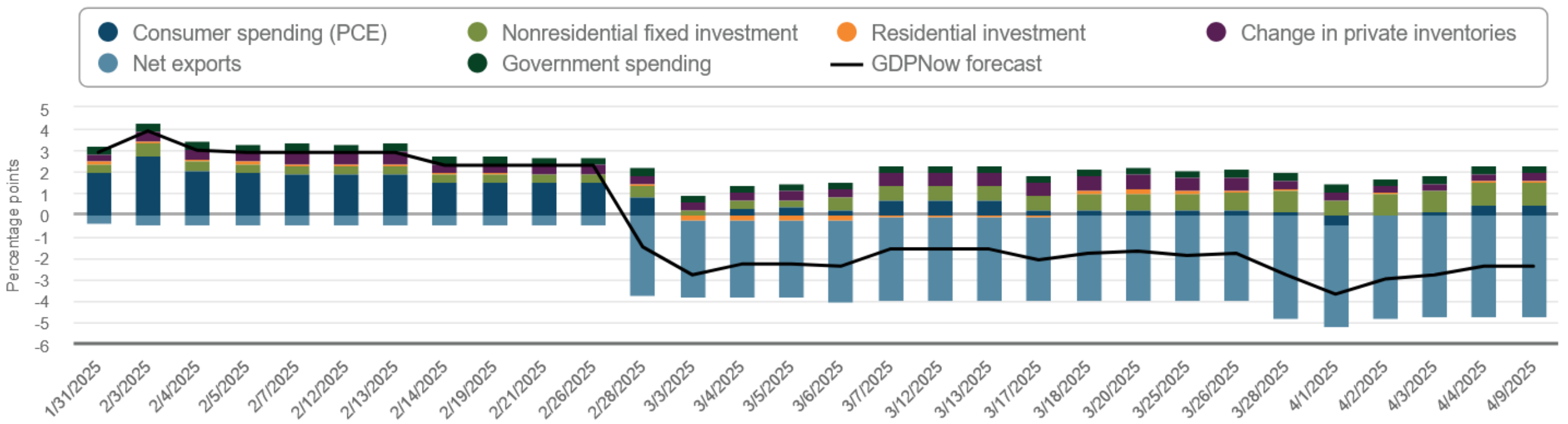
As of April 13, 2025

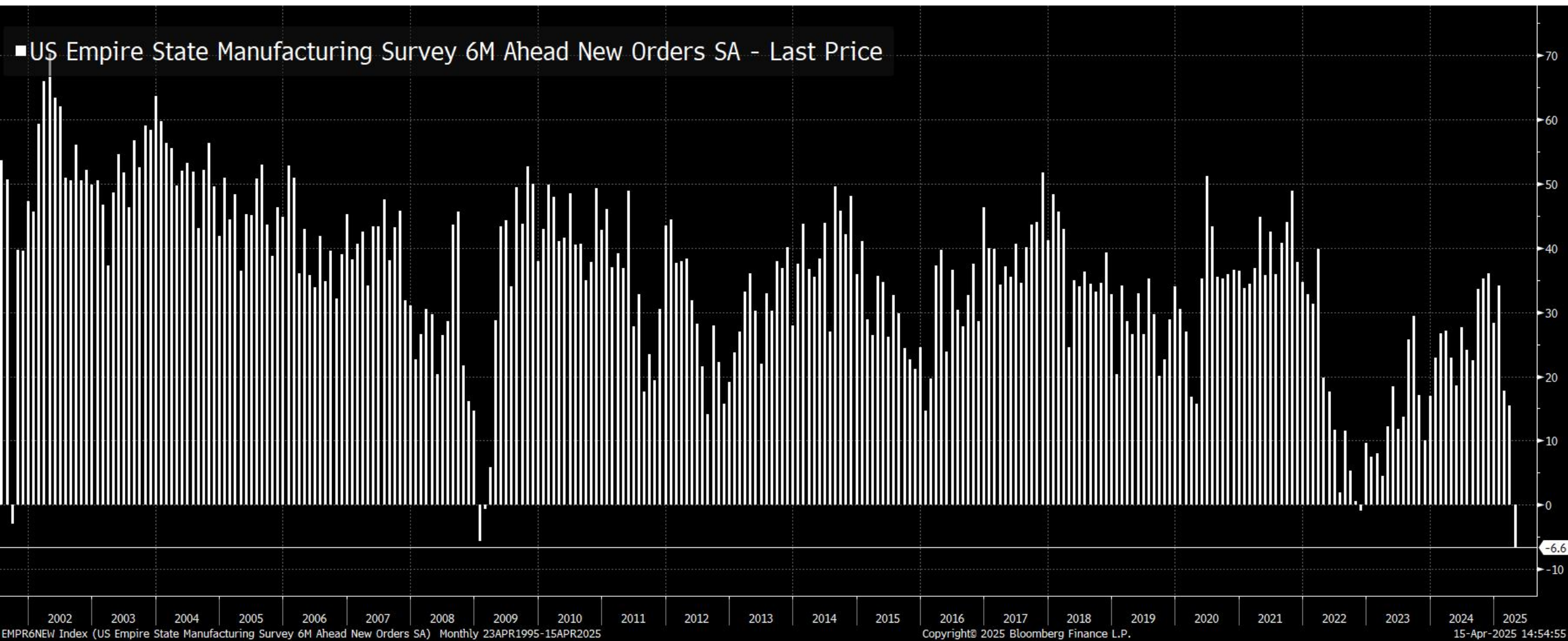
- In Effect** • 10% “baseline” tariffs on imports from all countries
- In Effect** • 145% tariffs on Chinese imports
 - Exemption for electronics (smartphones, computers)
 - Retaliatory 125% tariffs from China
- July 9** • “Reciprocal” tariffs on 75 countries
 - 90-day pause for negotiations
- In Effect** • 25% tariffs on Canada, Mexico, automobiles, auto parts (May 3), steel and aluminum
 - Special exemptions for USMCA industries, Canadian energy (10%)
- Announced** • Tariffs on semiconductors, pharmaceuticals, copper, lumber, agriculture, countries who buy Venezuelan oil or Russian oil



Subcomponent contributions to GDPNow real GDP growth forecasts

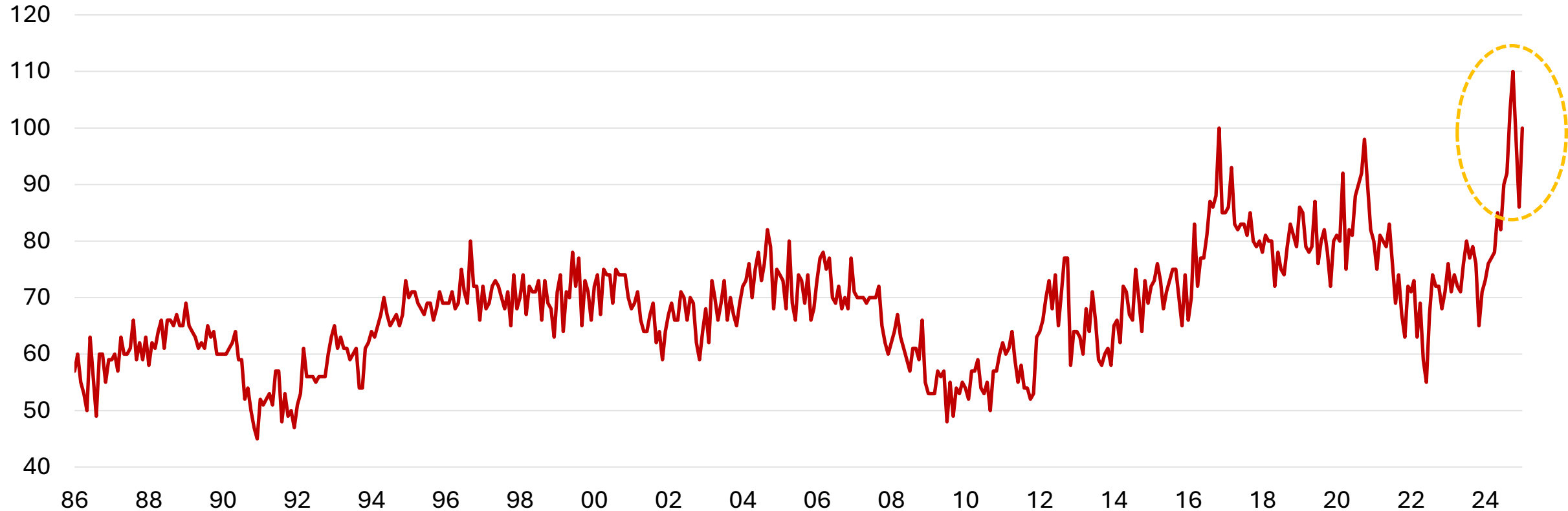
Export





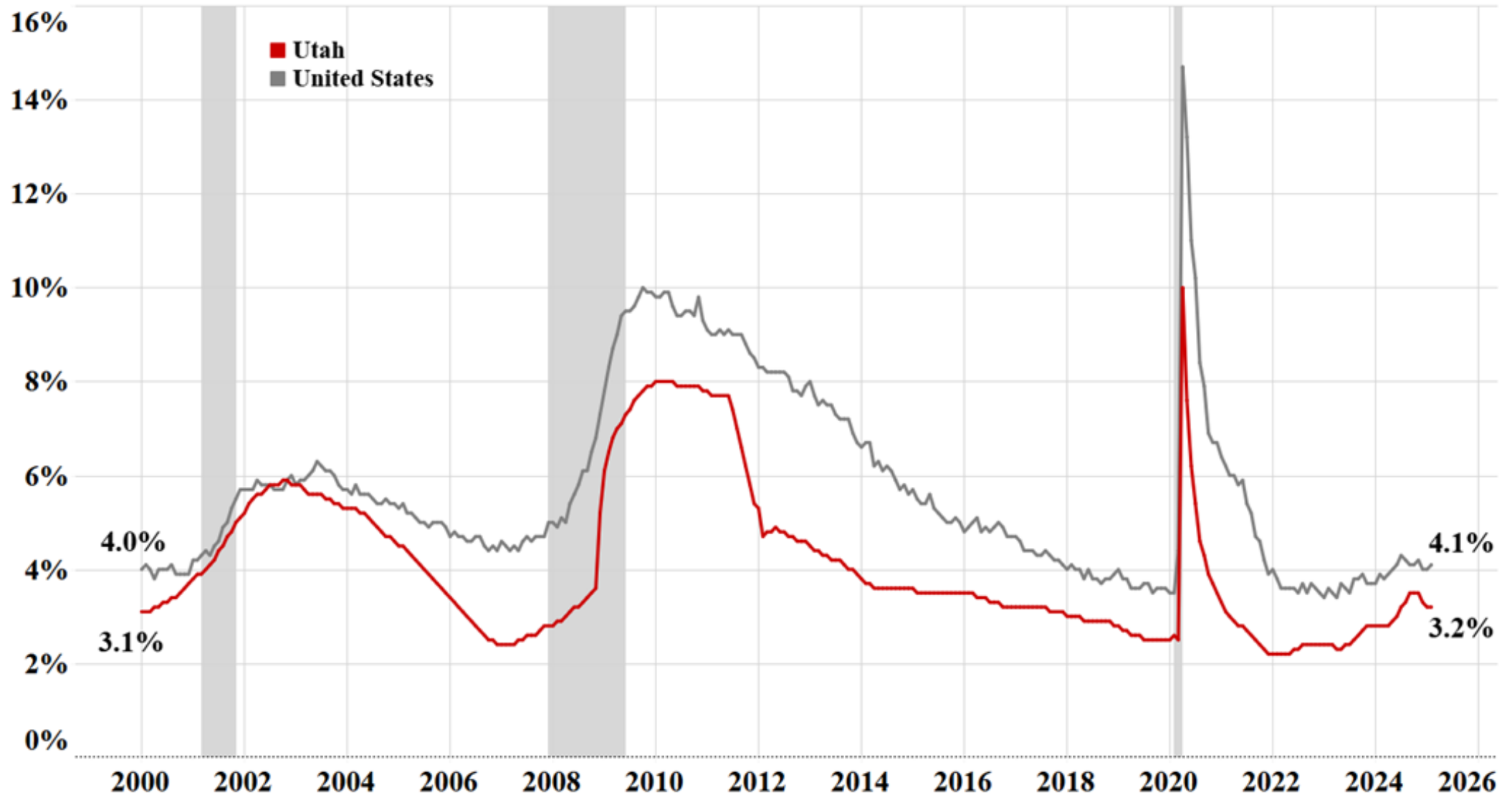
U.S. Small Business Sentiment

Sum of “don’t know” & “uncertain” answers to questions



Sources: NFIB Small Business Survey, Moody's Analytics

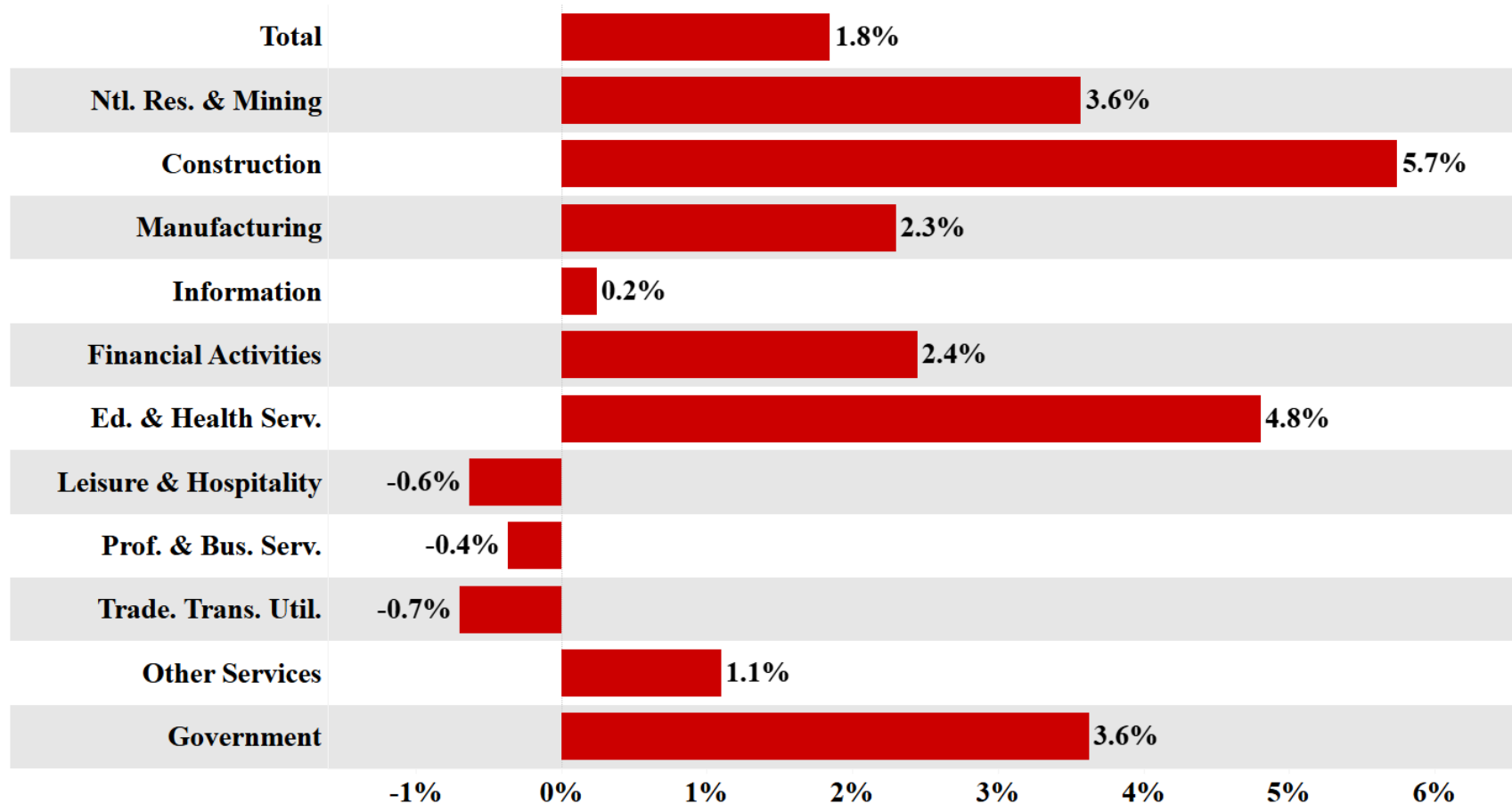
Very Low Unemployment, Even with Upticks



Source: U.S. Bureau of Labor Statistics

Construction and Ed & Health Leading Job Growth

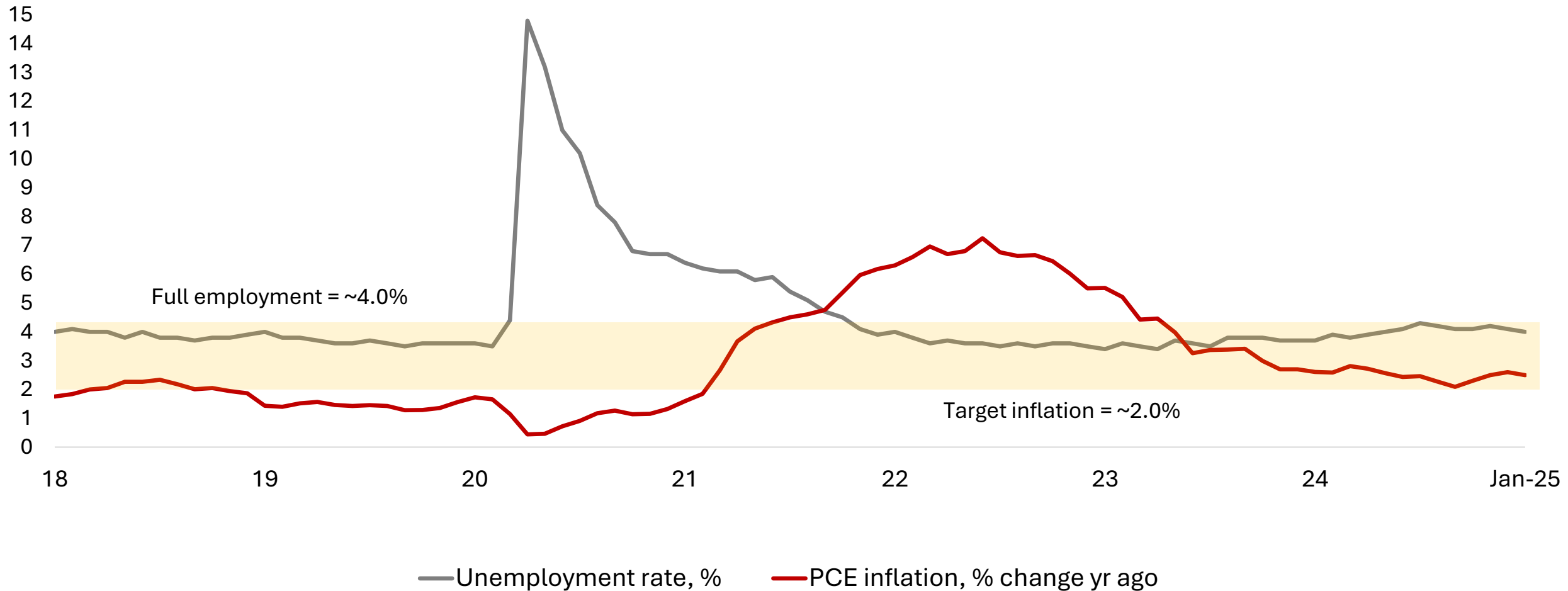
Utah Nonfarm Industry Year-Over Job Growth, Feb 2025



Source: U.S. Bureau of Labor Statistics

Federal Reserve Dual Mandate

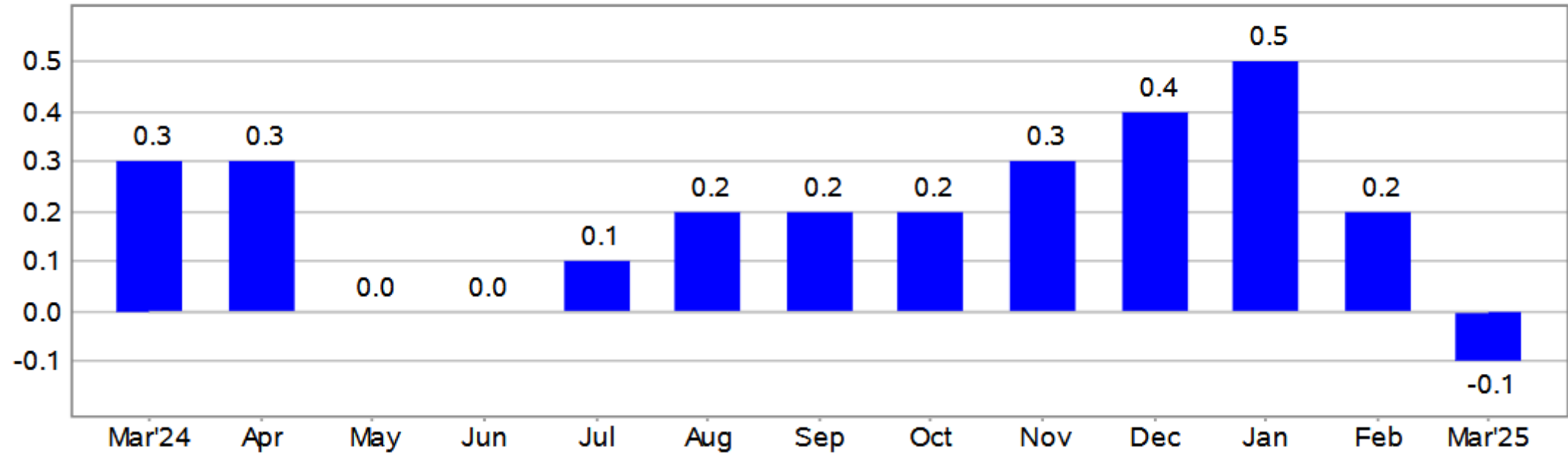
Full Employment (~4%) and Target Inflation (~2%)



Source: U.S. Bureau of Labor Statistics, FRED, and Moody's

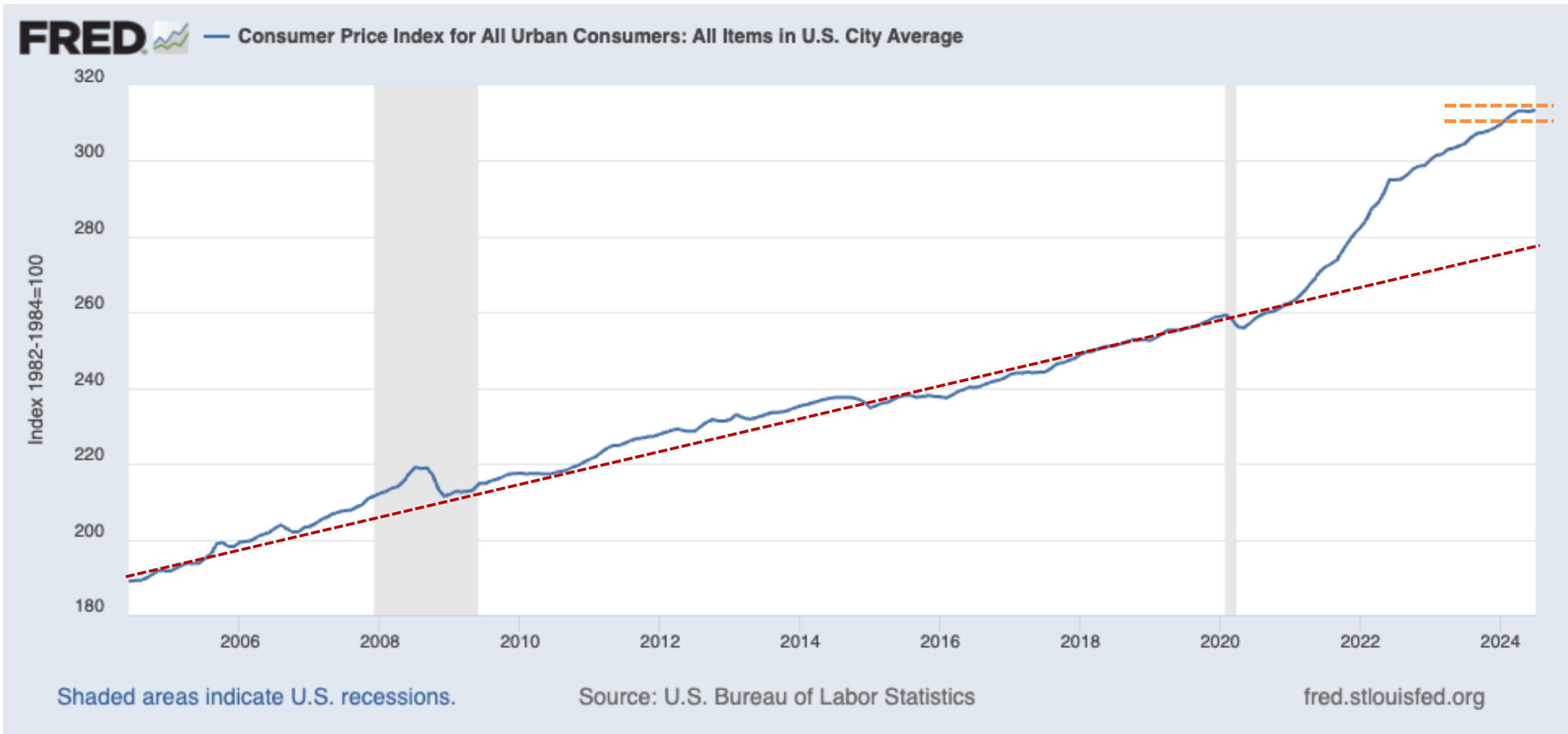
Monthly CPI Inflation

Chart 1. One-month percent change in CPI for All Urban Consumers (CPI-U), seasonally adjusted, Mar. 2024 - Mar. 2025
Percent change



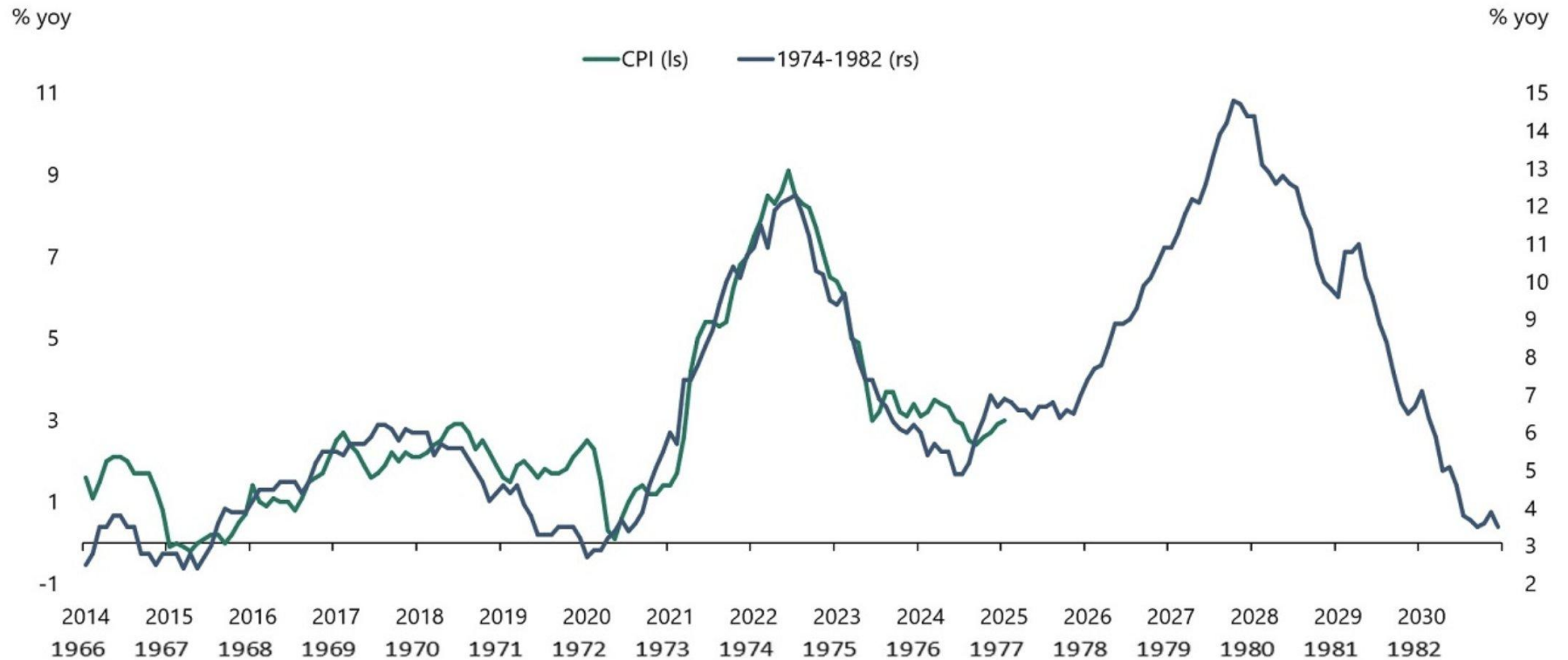
Source: U.S. Bureau of Labor Statistics

Consumer Prices Up 21% Since 2020

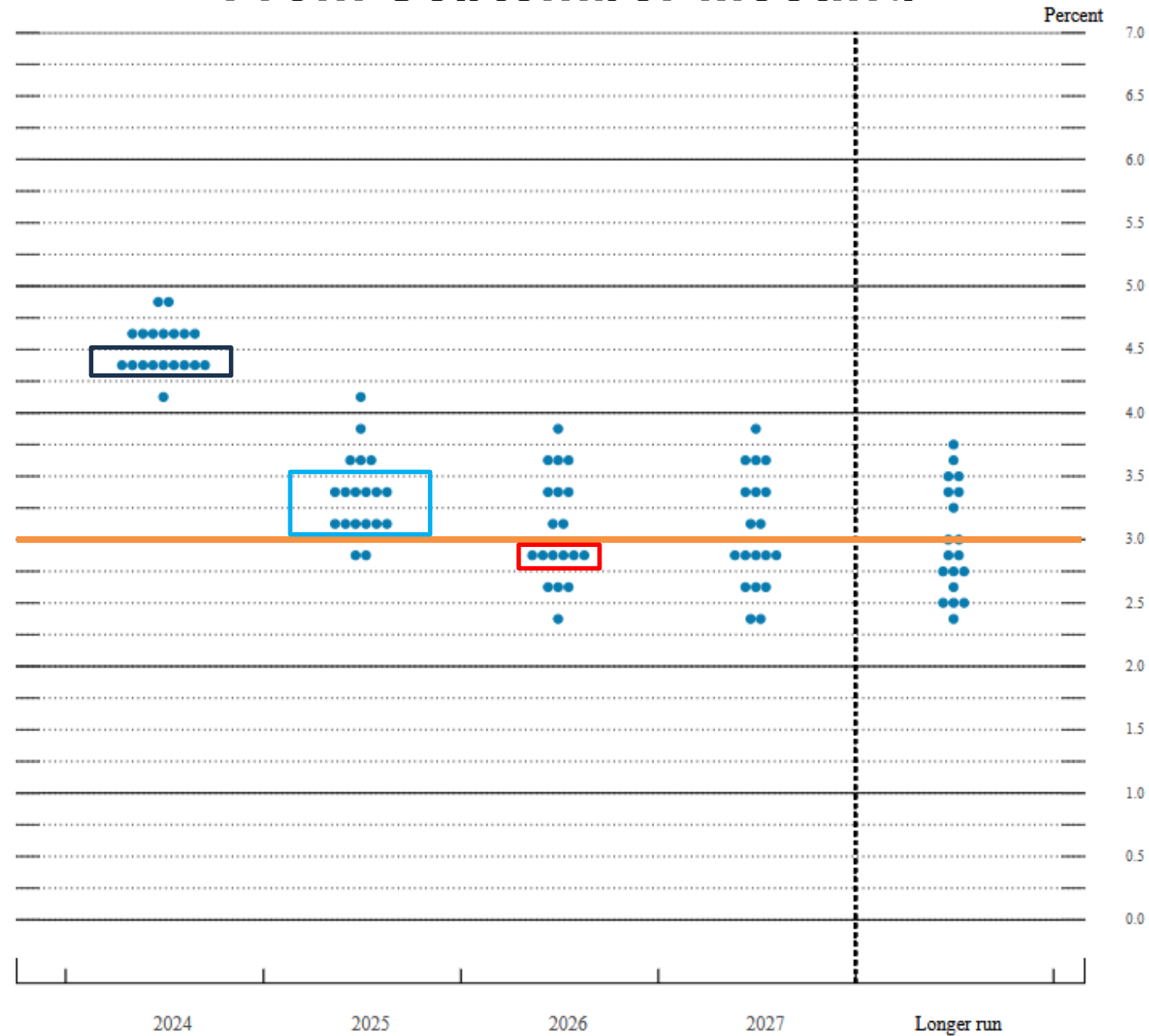


Will History Repeat Itself ?

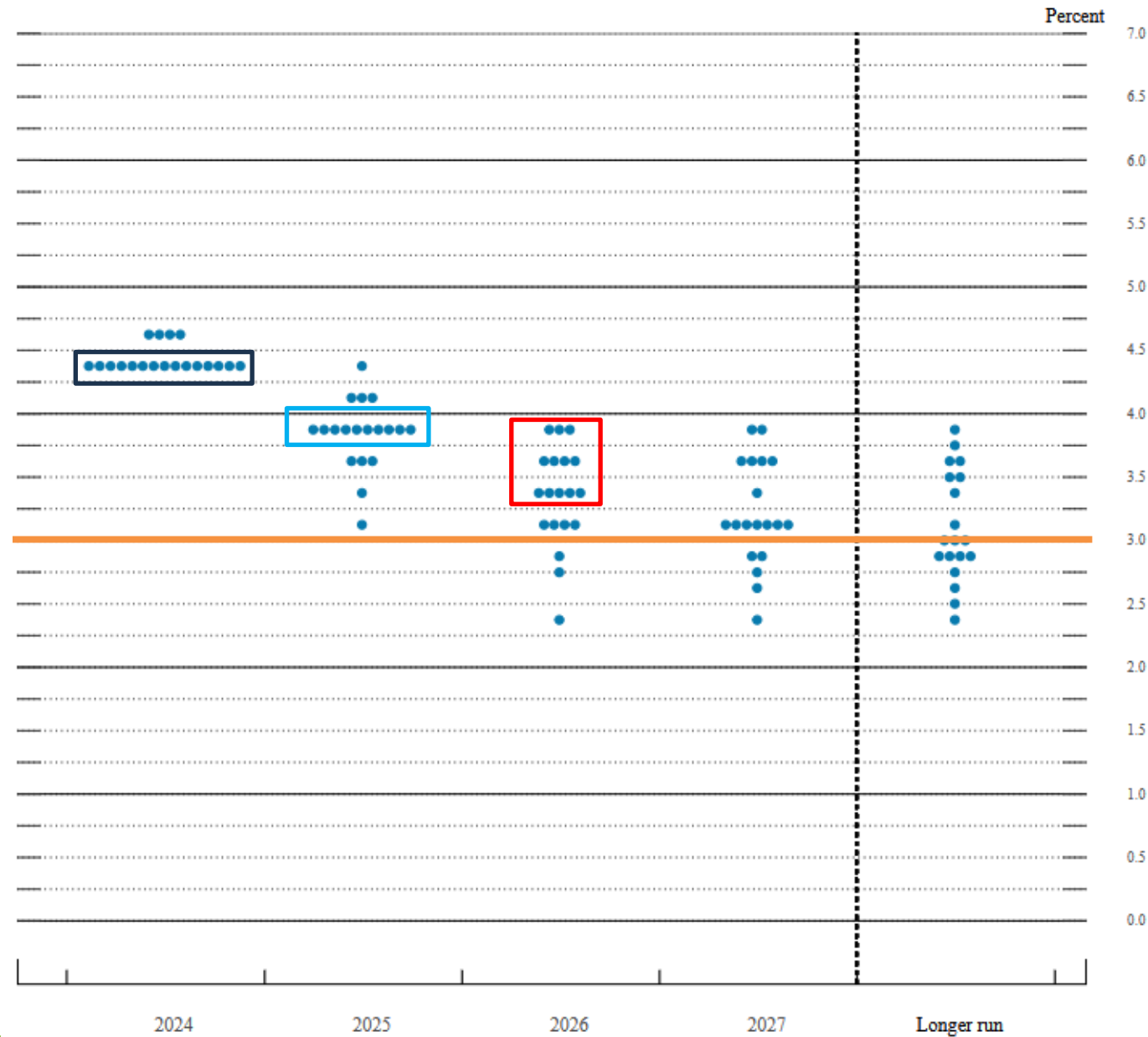
Inflation: Today vs. 1970s



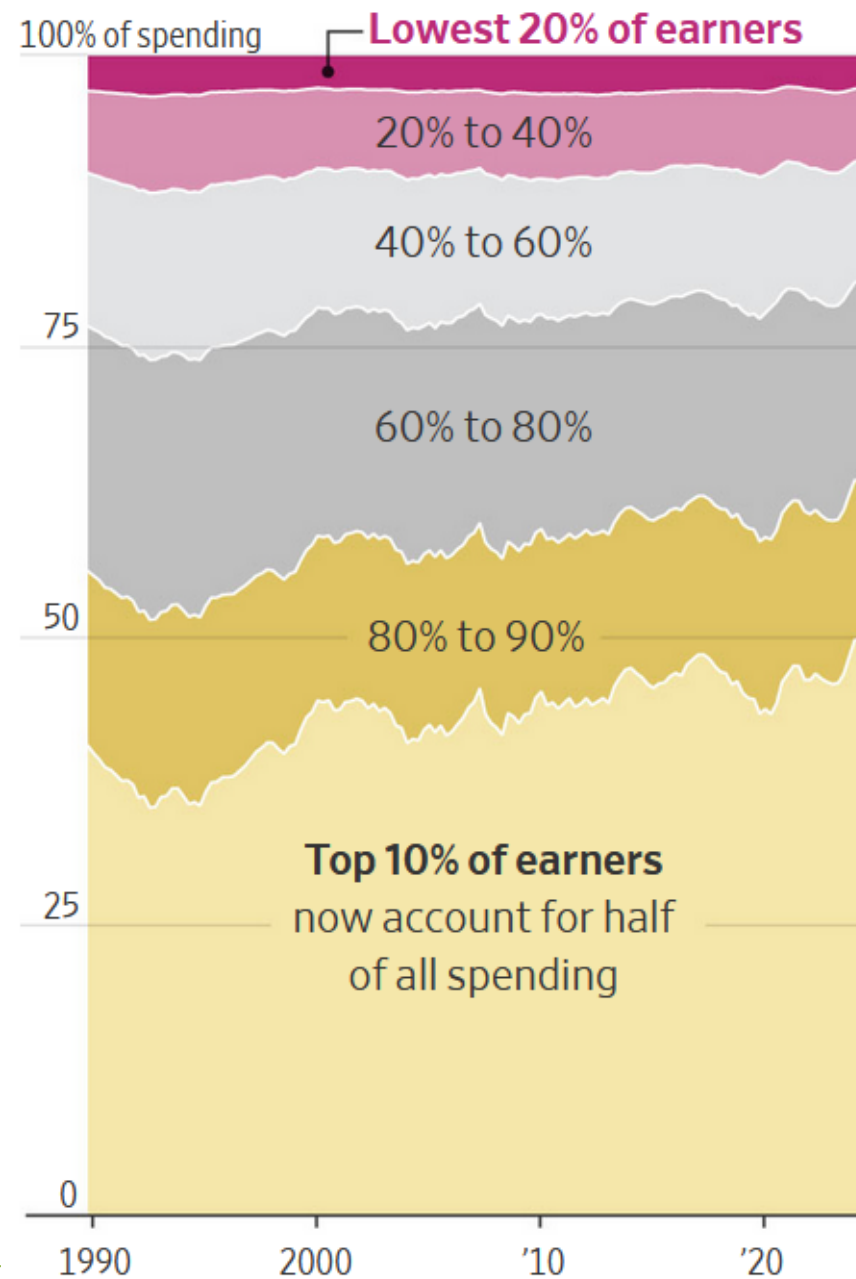
From September Meeting



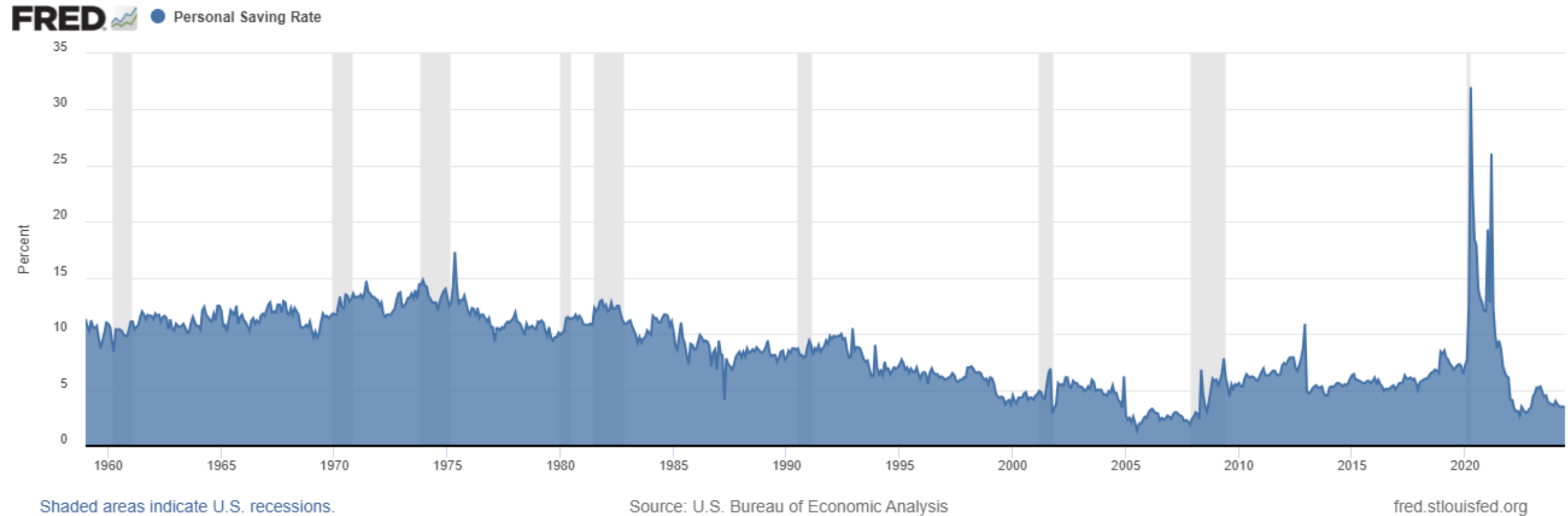
From December Meeting



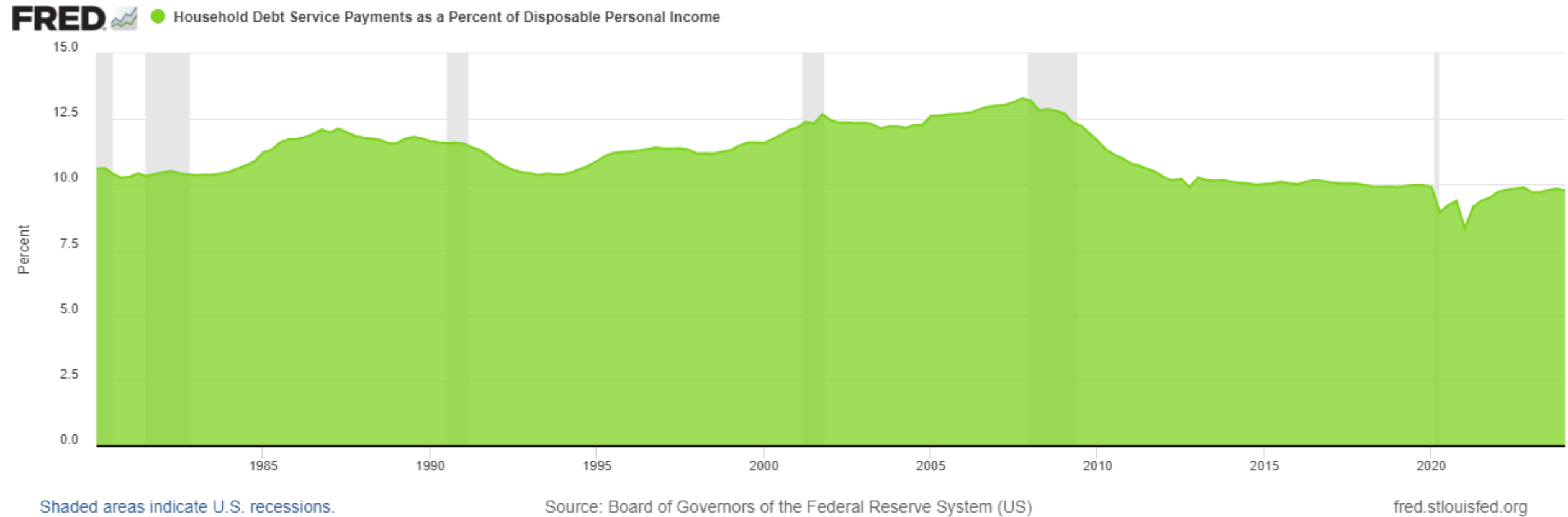
Share of spending, by income group



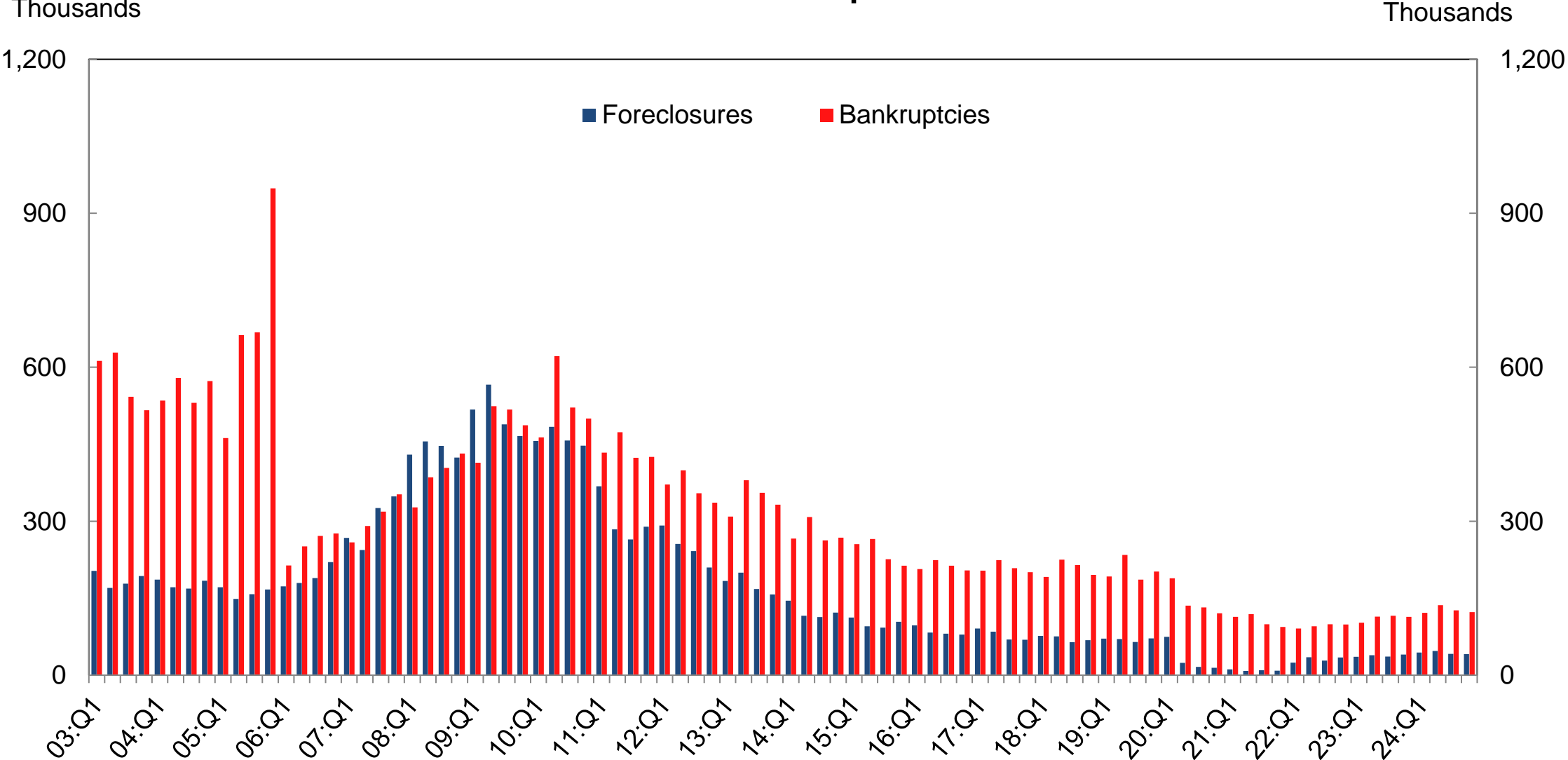
Household Saving Flows Low



Strength Signal: Monthly Debt Service Flow Low, Even with Rising Debt



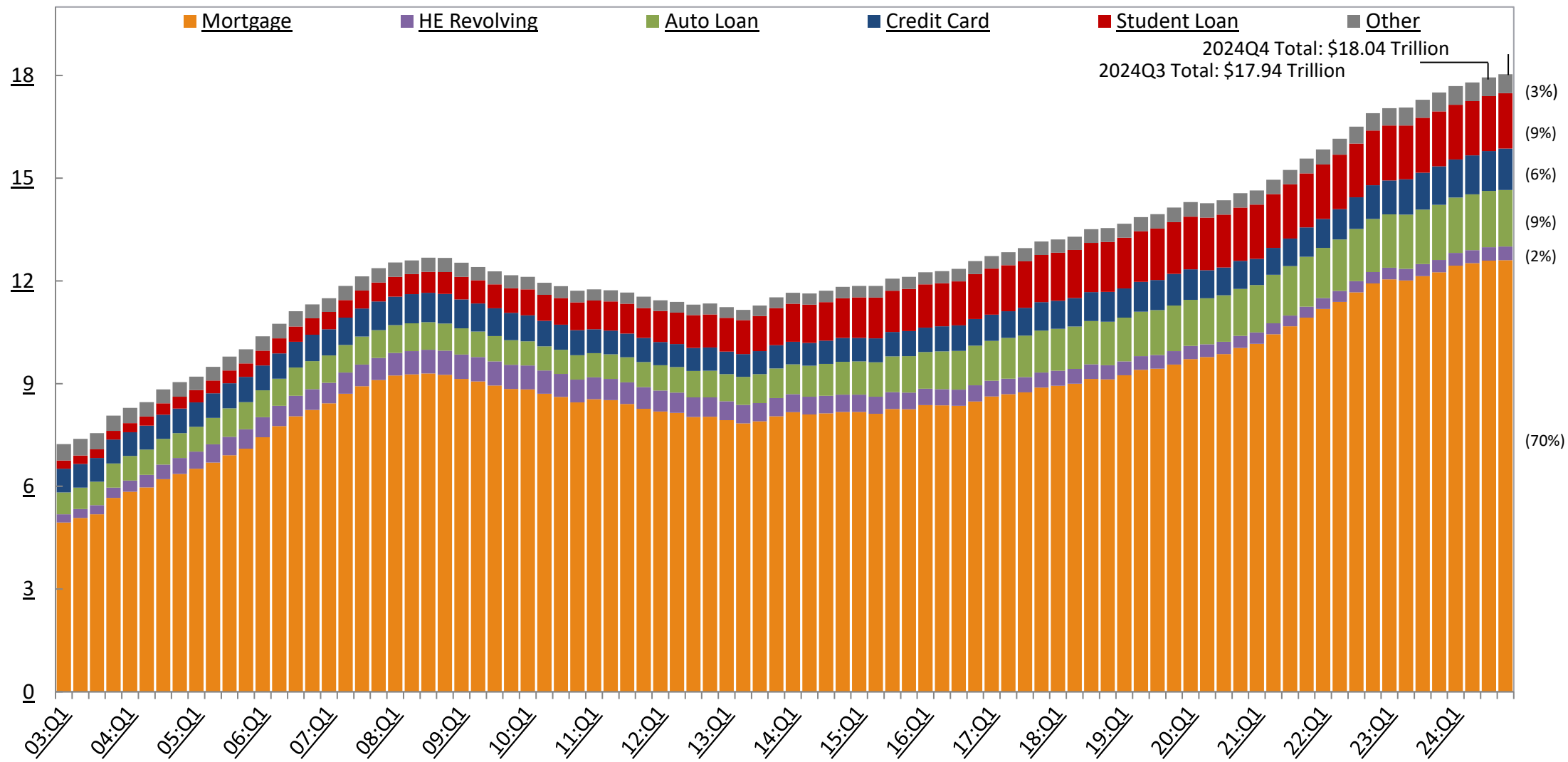
Number of Consumers with New Foreclosures and Bankruptcies



Source: New York Fed Consumer Credit Panel/Equifax

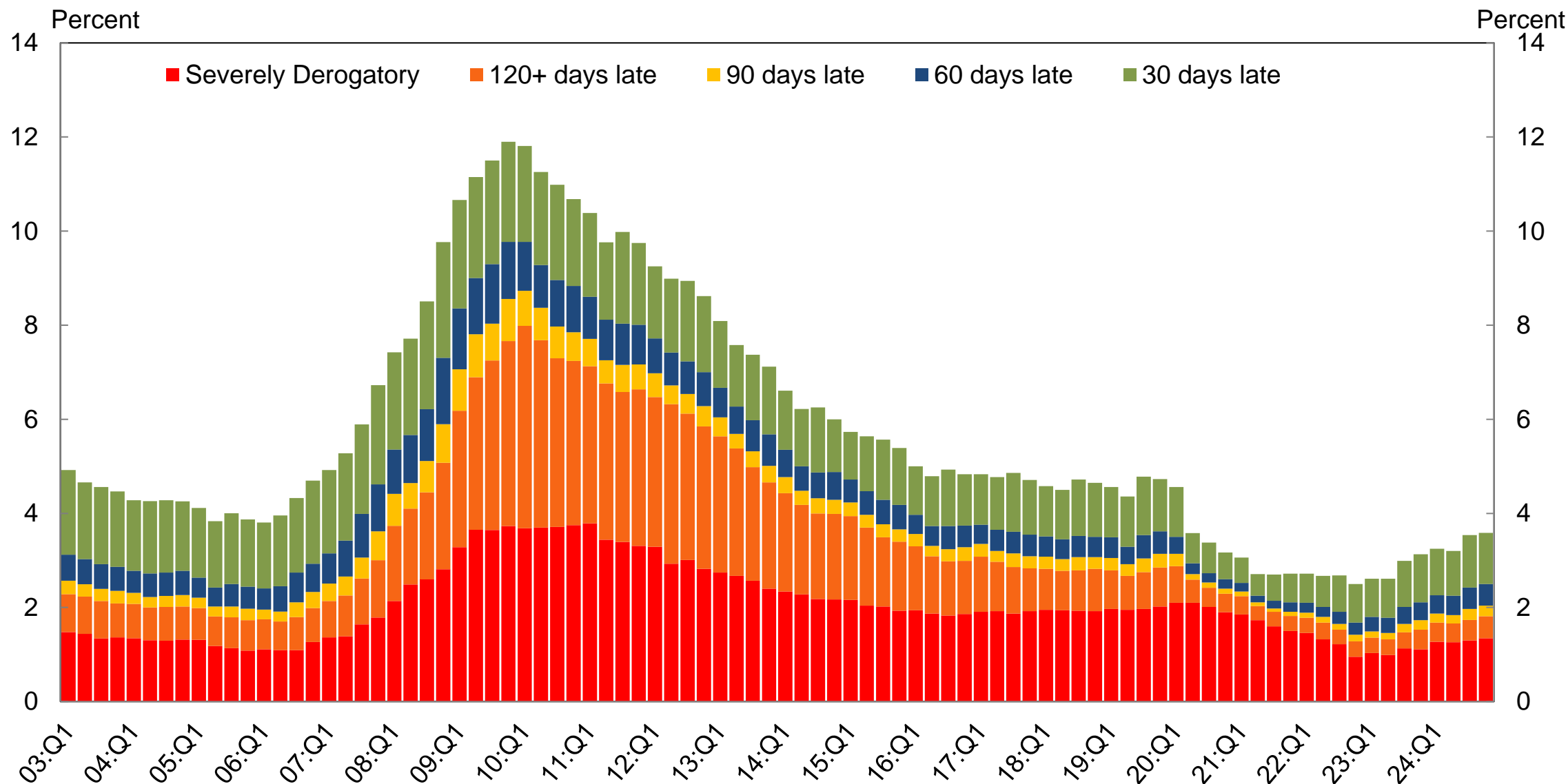
Total Debt Balance and its Composition

Trillions of Dollars



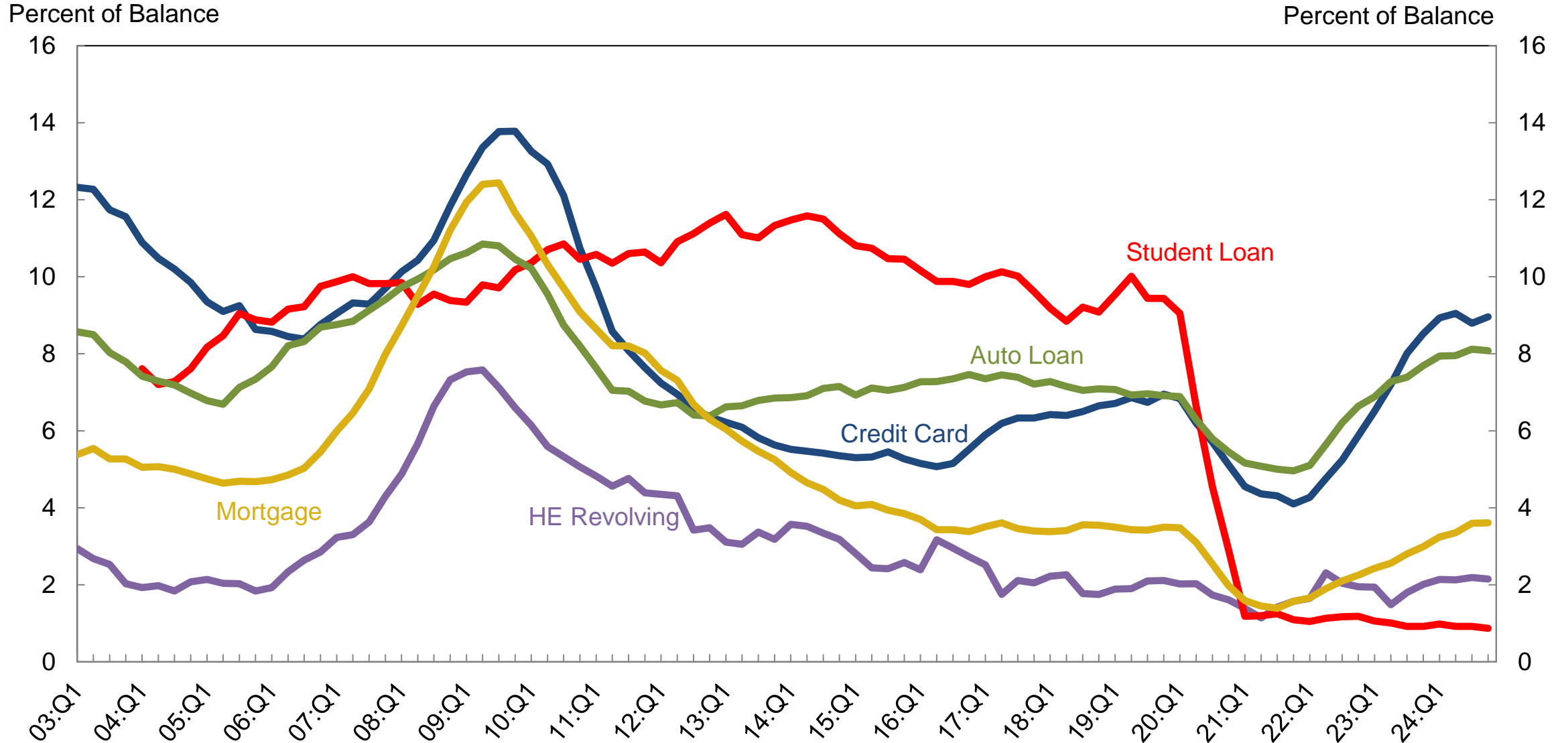
Source: New York Fed Consumer Credit Panel/Equifax

Total Balance by Delinquency Status-2024Q1



Source: New York Fed Consumer Credit Panel/Equifax

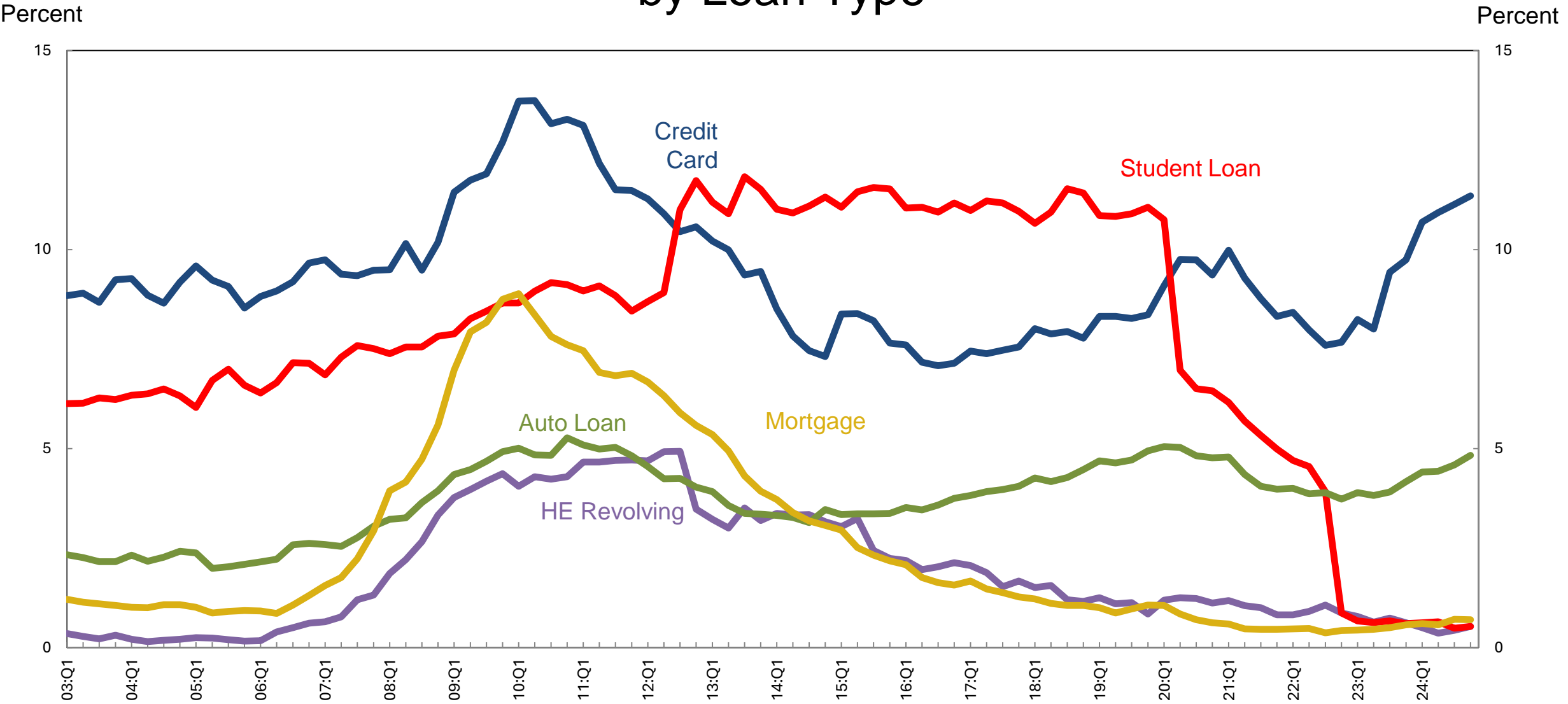
Transition into Delinquency (30+) by Loan Type



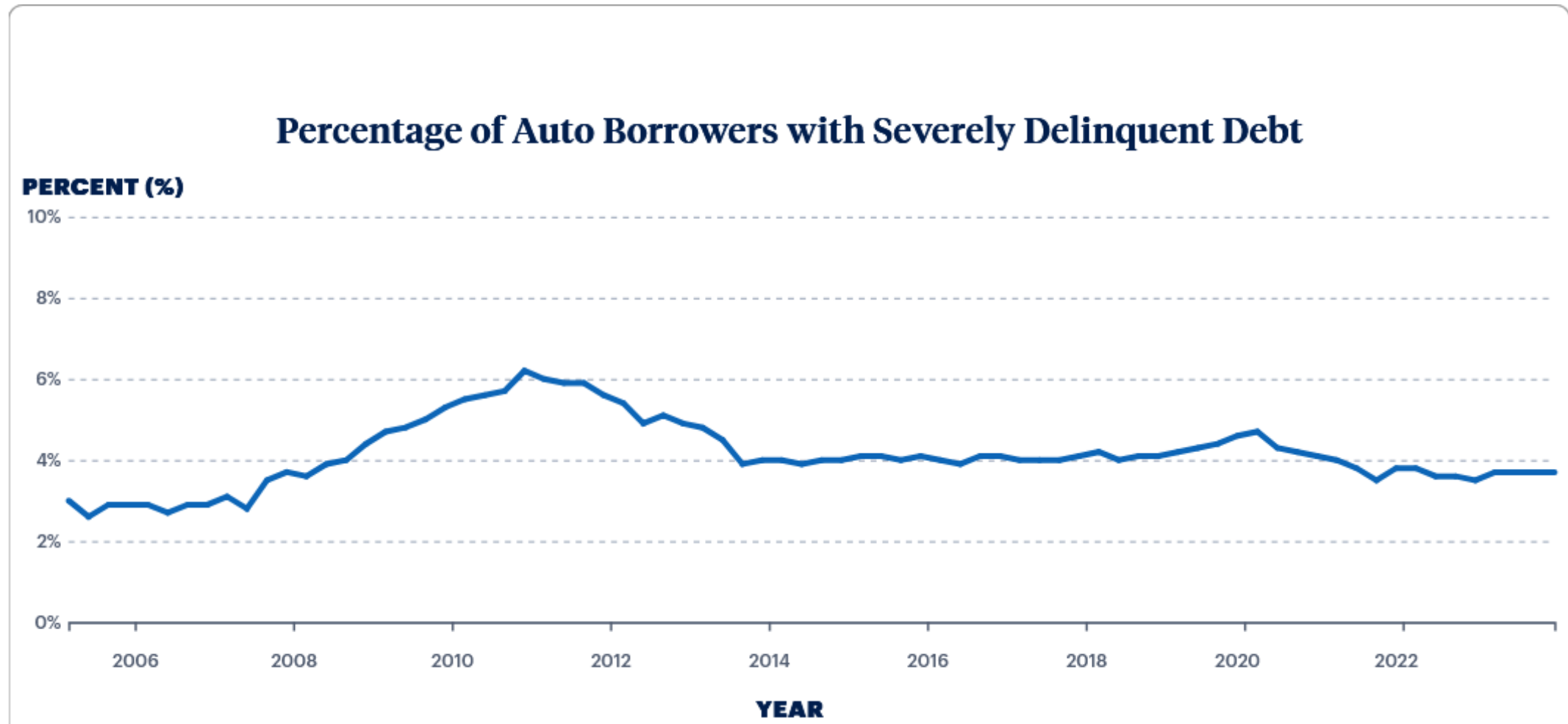
Source: New York Fed Consumer Credit Panel/Equifax

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

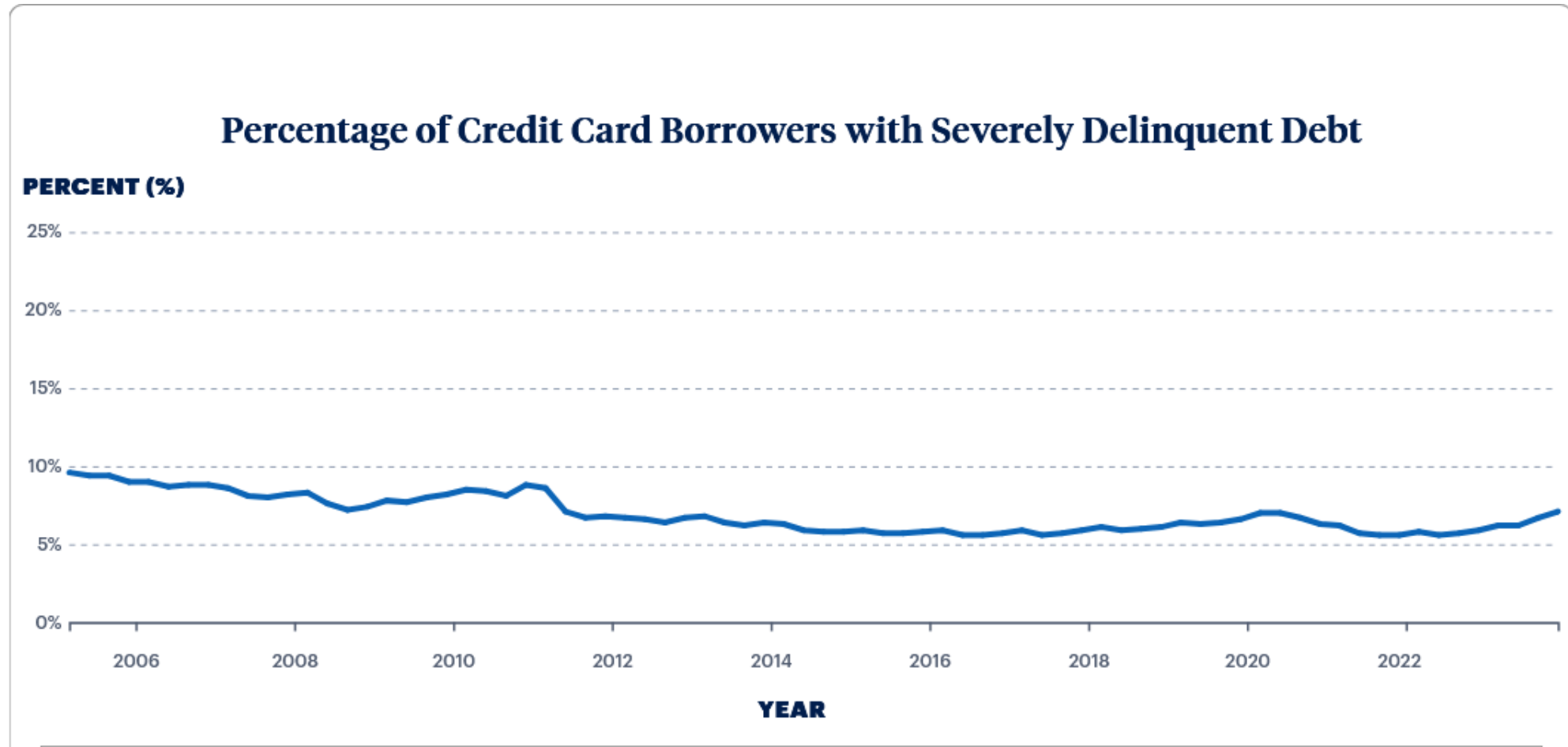
Percent of Balance 90+ Days Delinquent by Loan Type



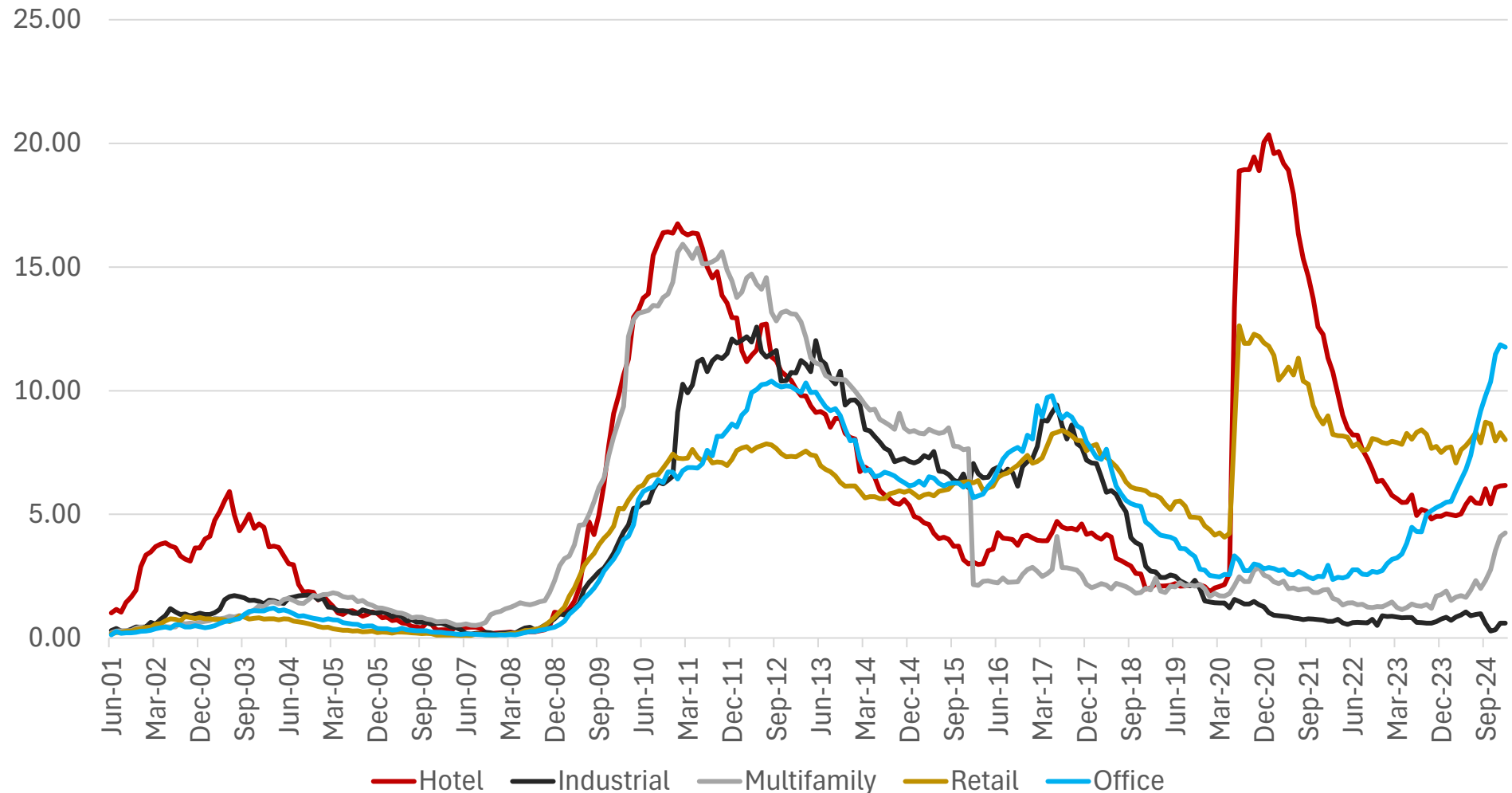
Utah's Auto Loan Delinquency



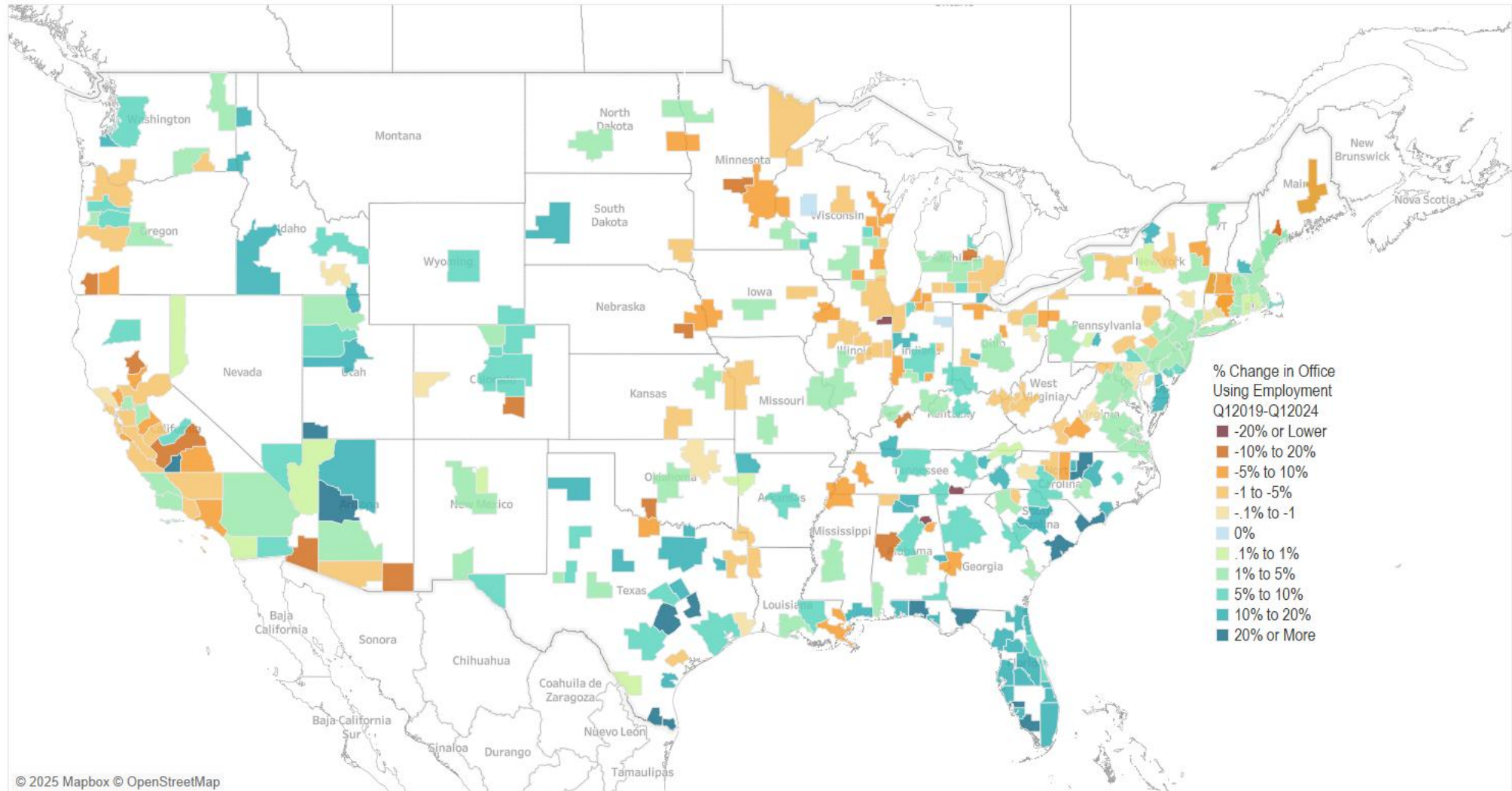
Utah's Credit Card Delinquency



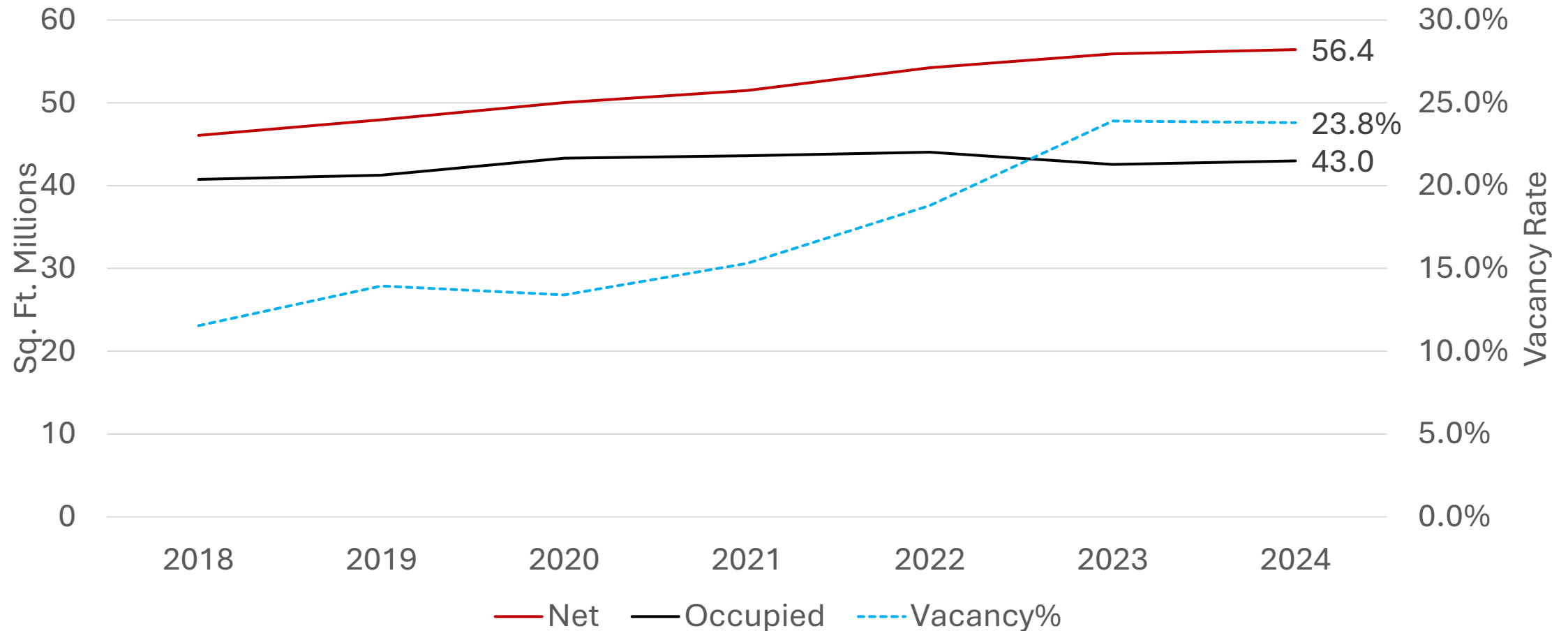
CMBS Delinquencies



Office Using Employment: Uneven Recovery

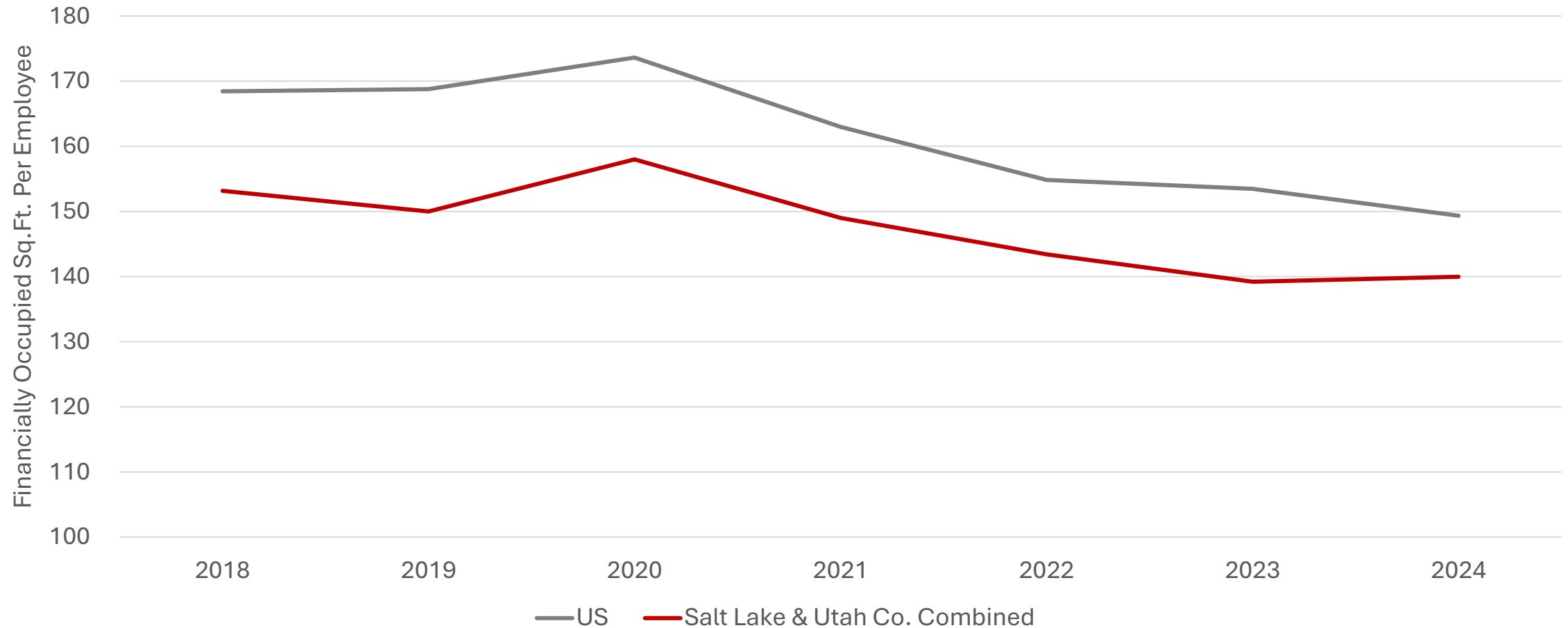


Salt Lake and Utah County Office Market Size and Vacancy, 2018 to 2022

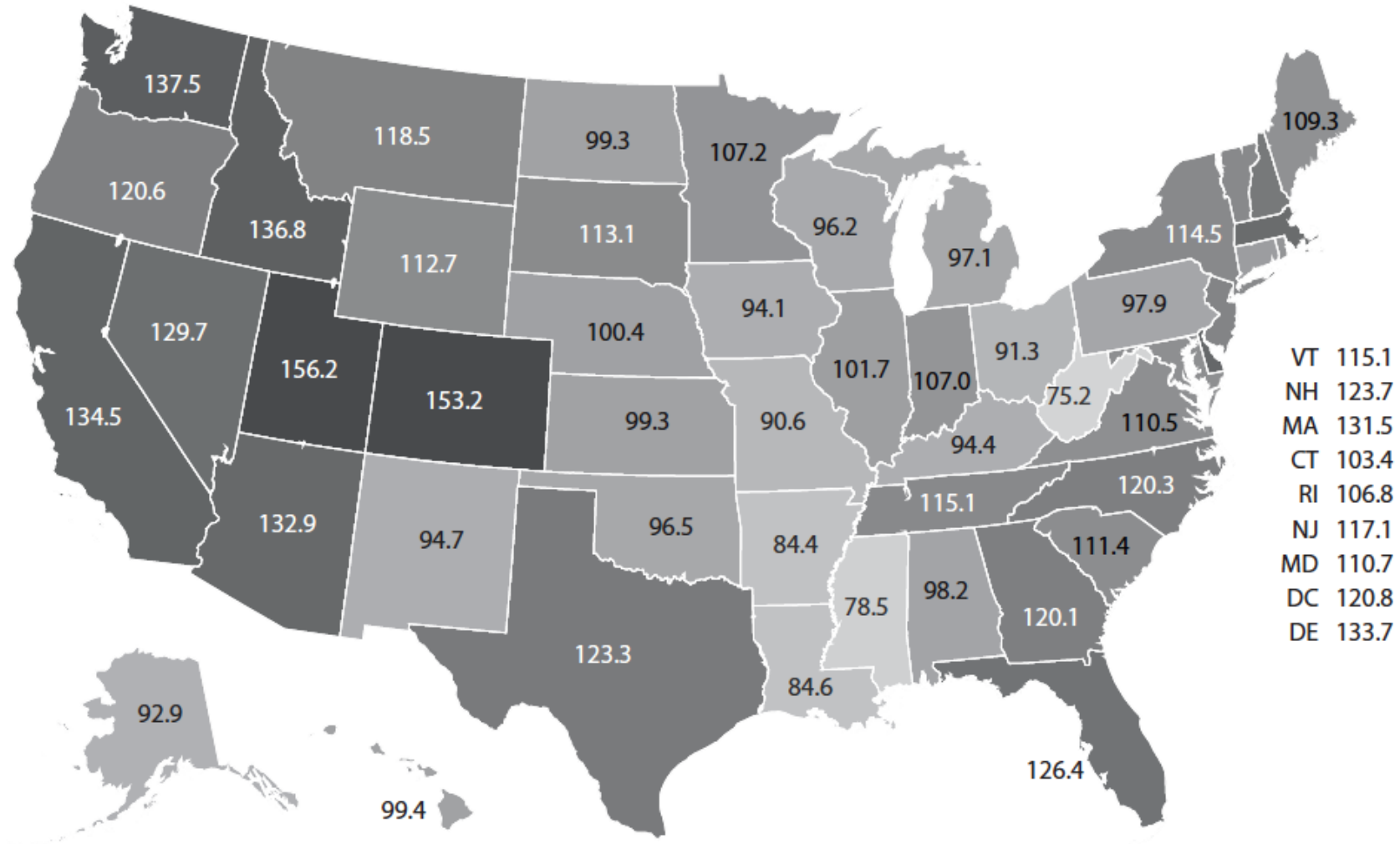


Less Space Needed, More Employees:

Occupied Sq. Ft. Per Office Using Employee, United States and Salt Lake, Utah Counties Combined, 2018 to 2024

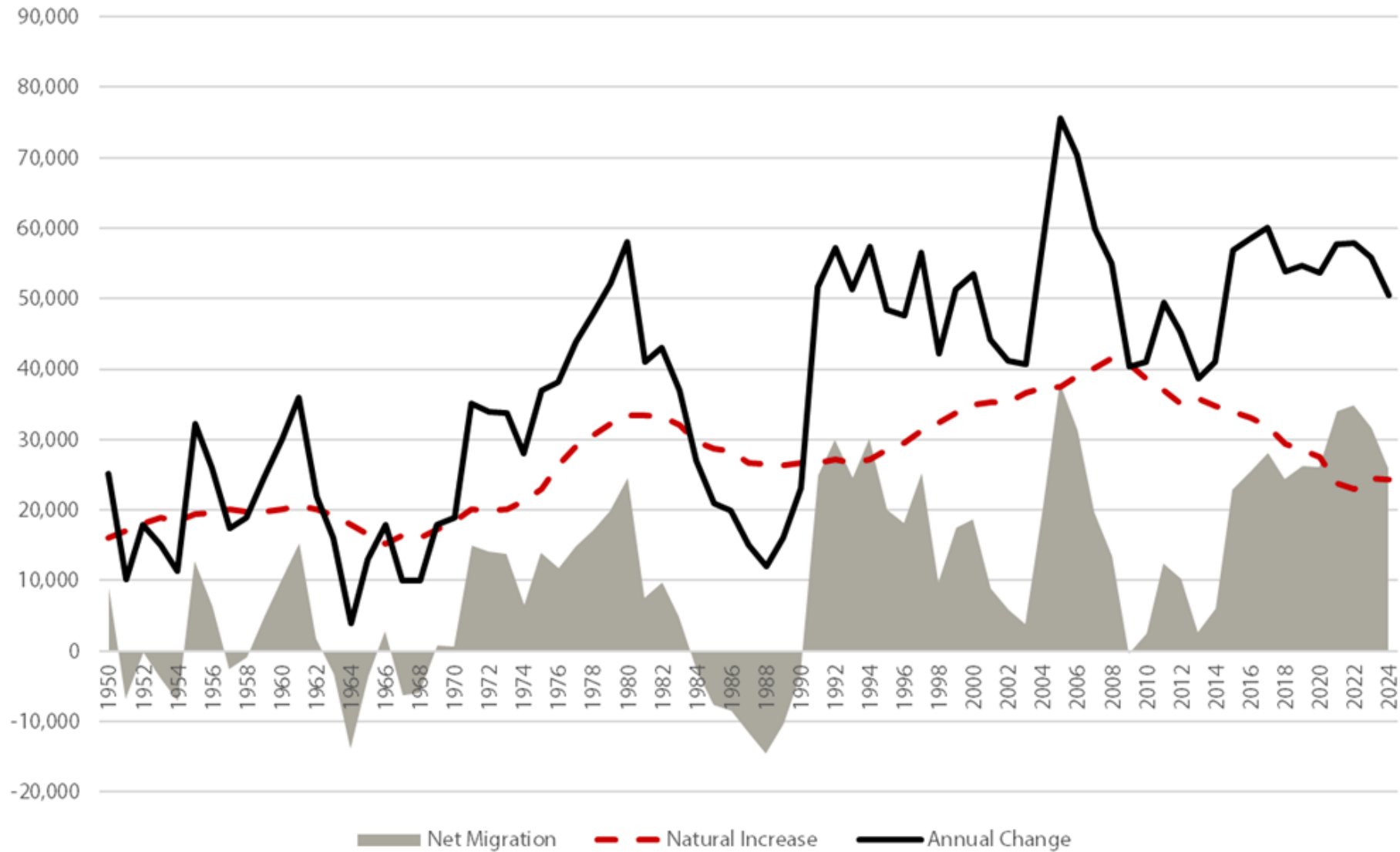


Innovation Index, 2023



Note: The headline innovation intelligence index measures innovation inputs and outputs using five core indexes: human capital and knowledge creation, business dynamics, business profile, employment and productivity, and economic well-being.
Source: Indiana Business Research Center, 2024

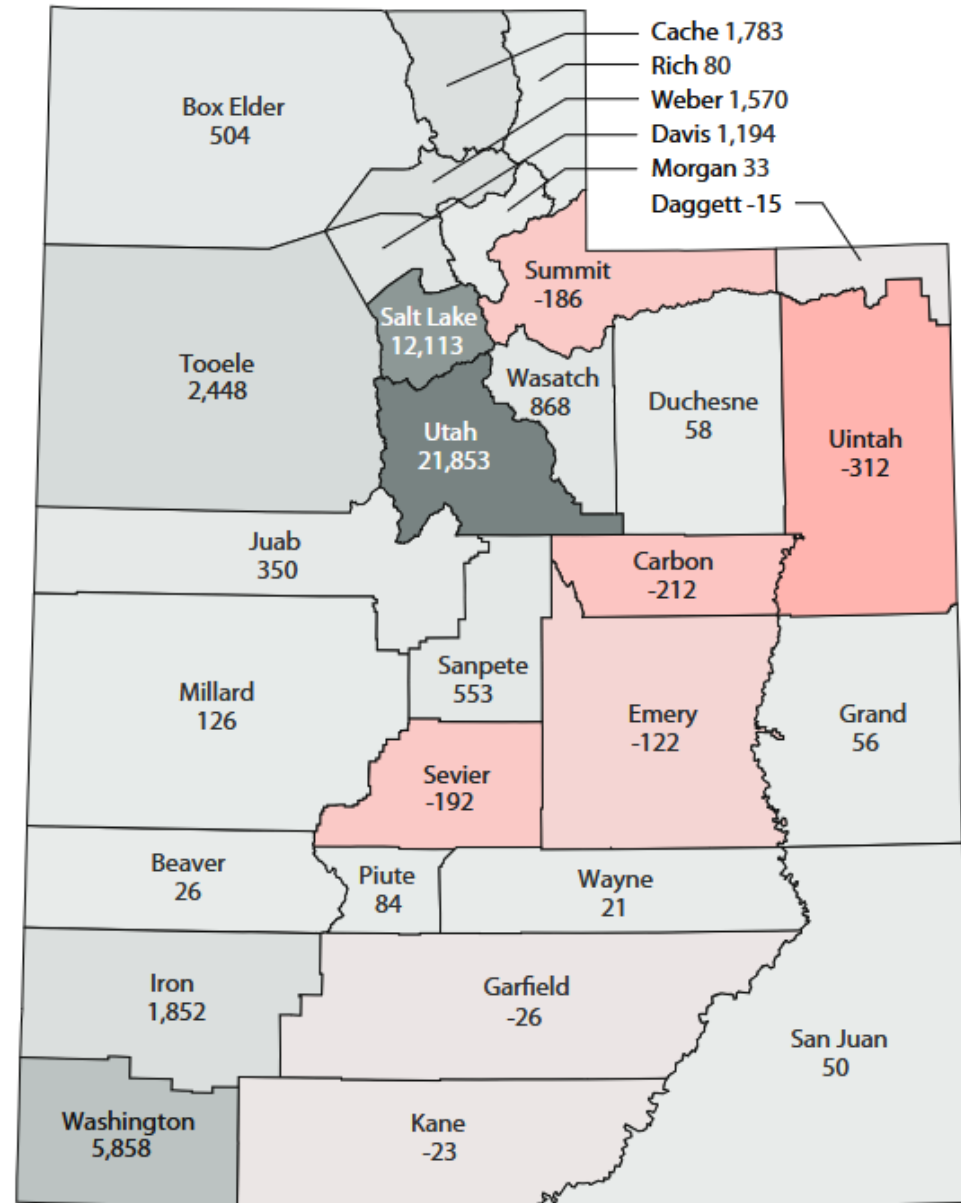
Utah's Population Continues Growing...



Source: Kem C. Gardner Policy Institute

More counties experiencing population decline

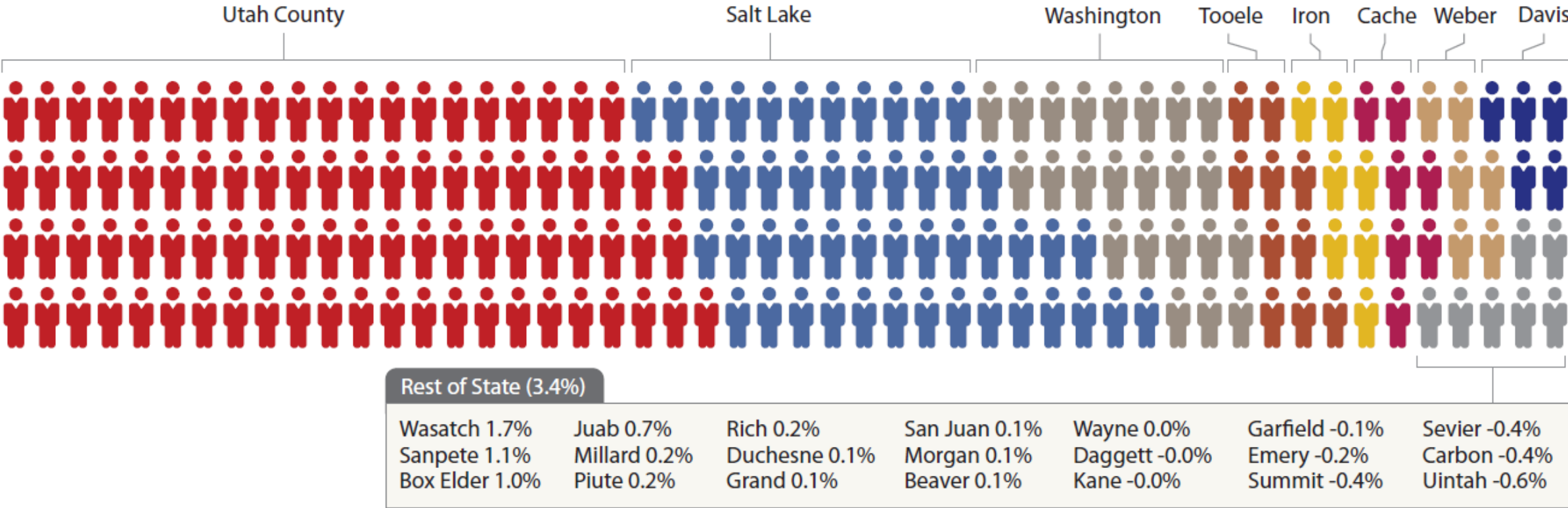
***Utah Population Committee
Absolute Change in County Population, 2023 to 2024***



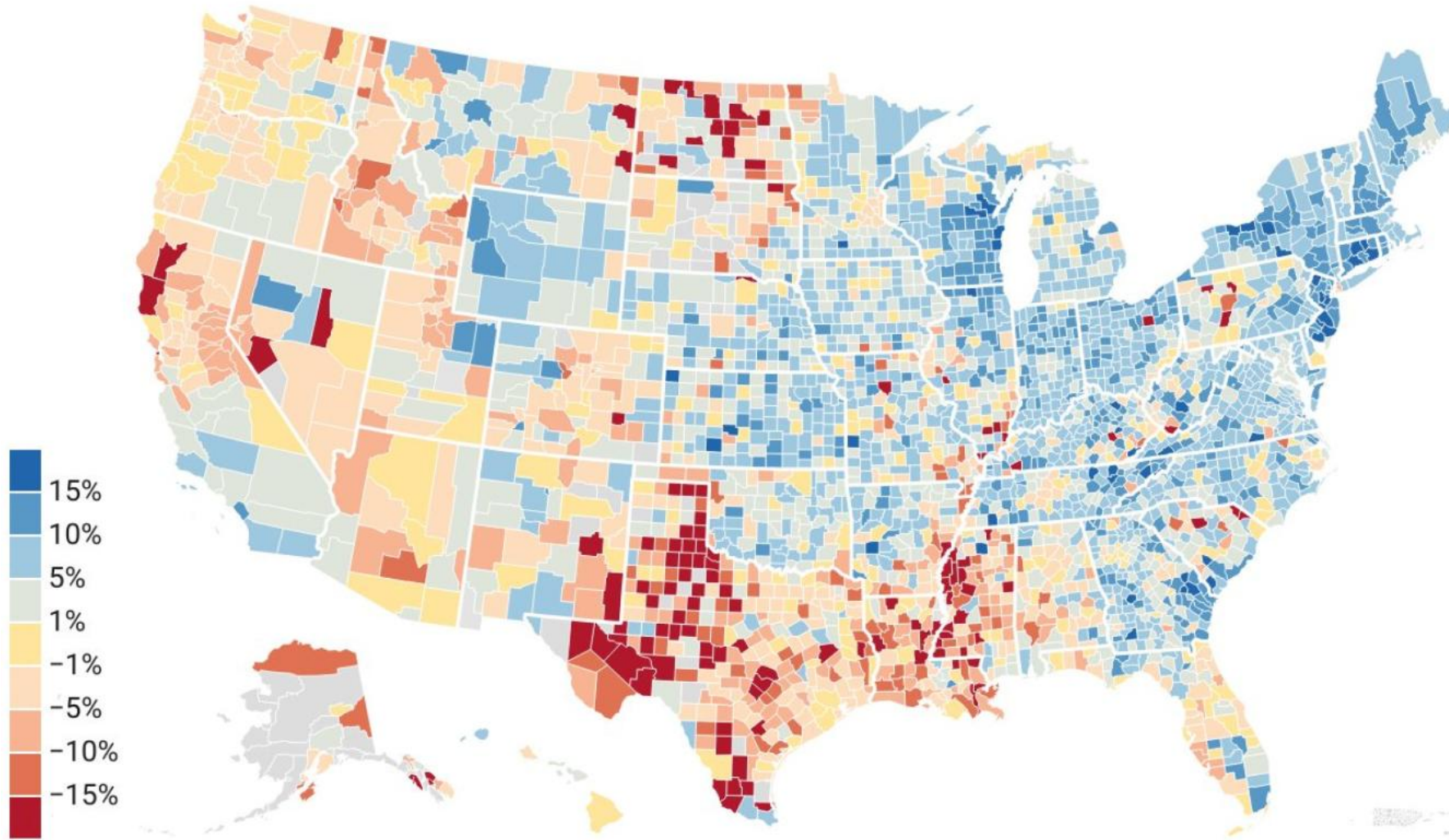
Source: Utah Population Committee, Kem C. Gardner Policy Institute

Largest Growth In Utah County

Figure 8: County Share of State Population Growth, 2023-2024

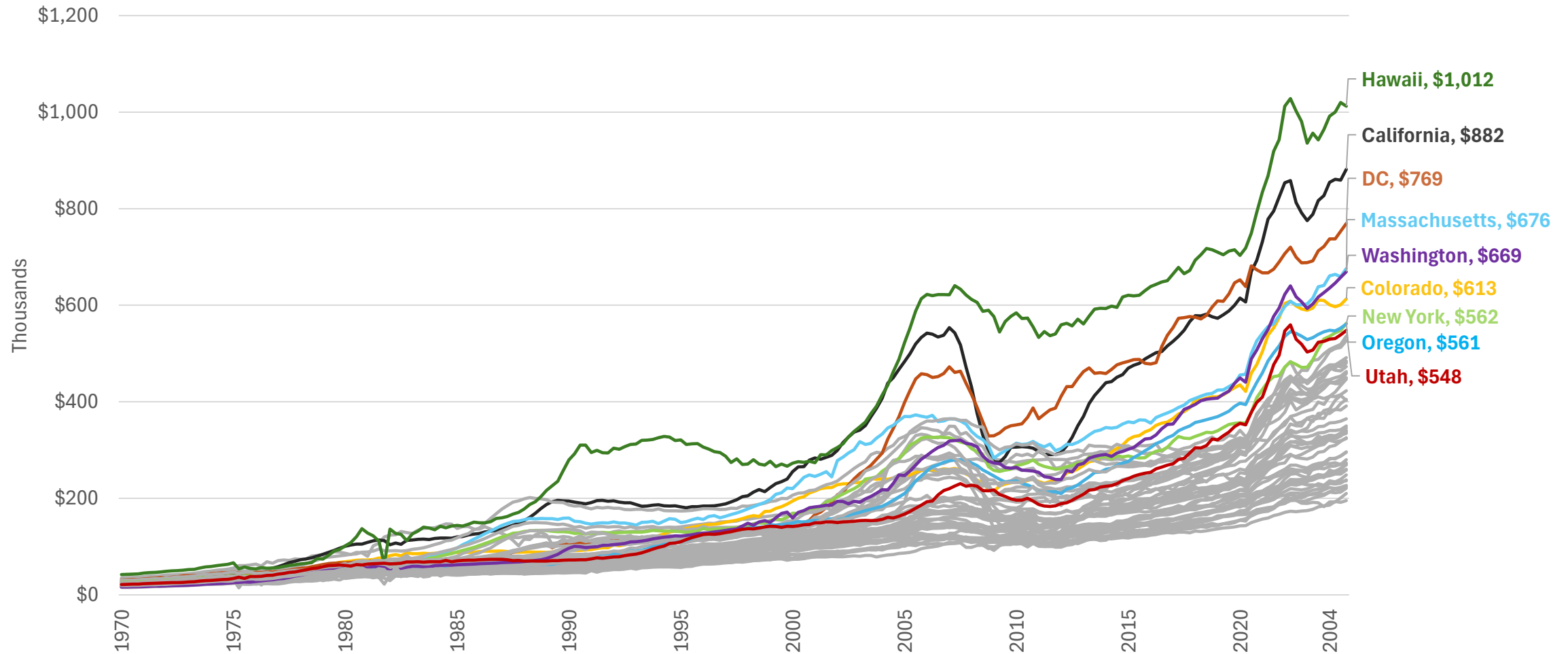


Change in County-Level Home Prices Since 2022 Peak



Utah Ranks 9th in Median Sales Price of SF Homes

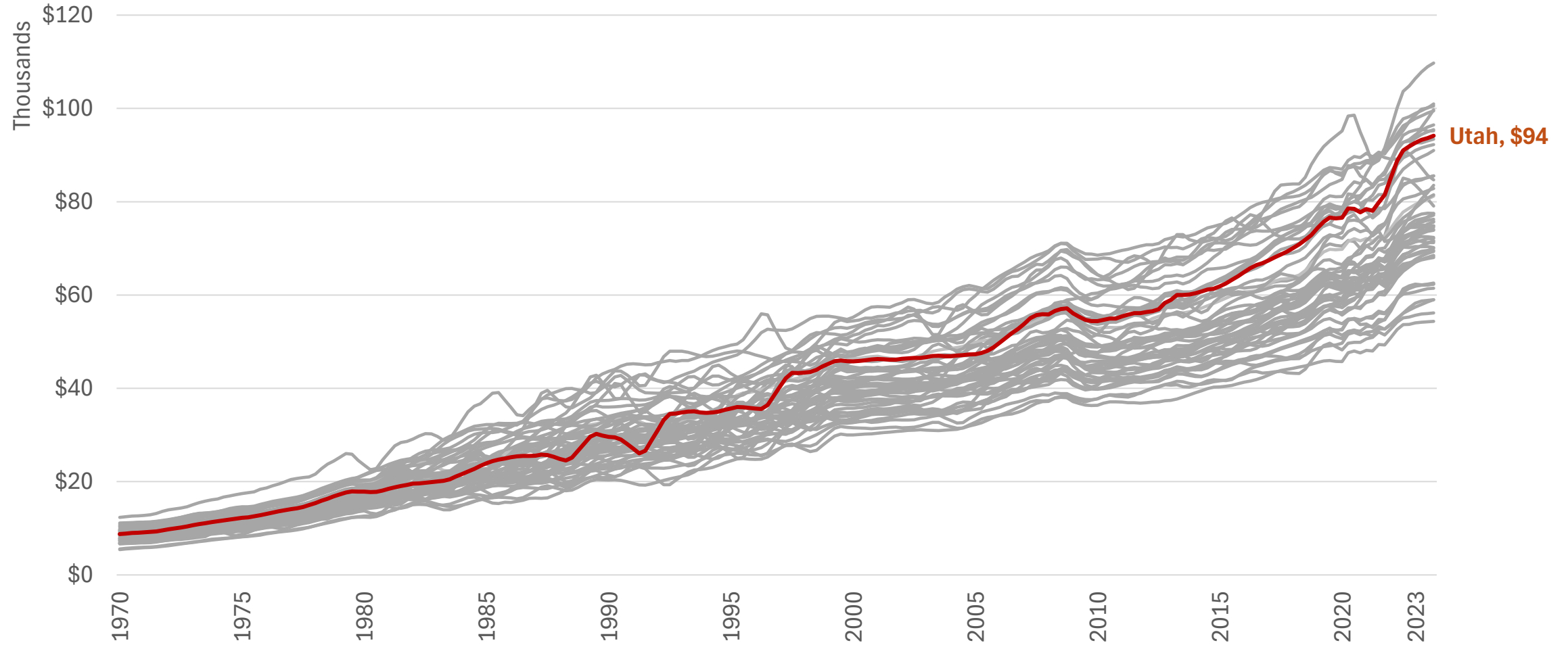
Quarterly Median Sales Price of Single-Family Homes 1970-2024 Q4



Source: National Association of Realtors

Utah Ranks 9th in Median Household Income

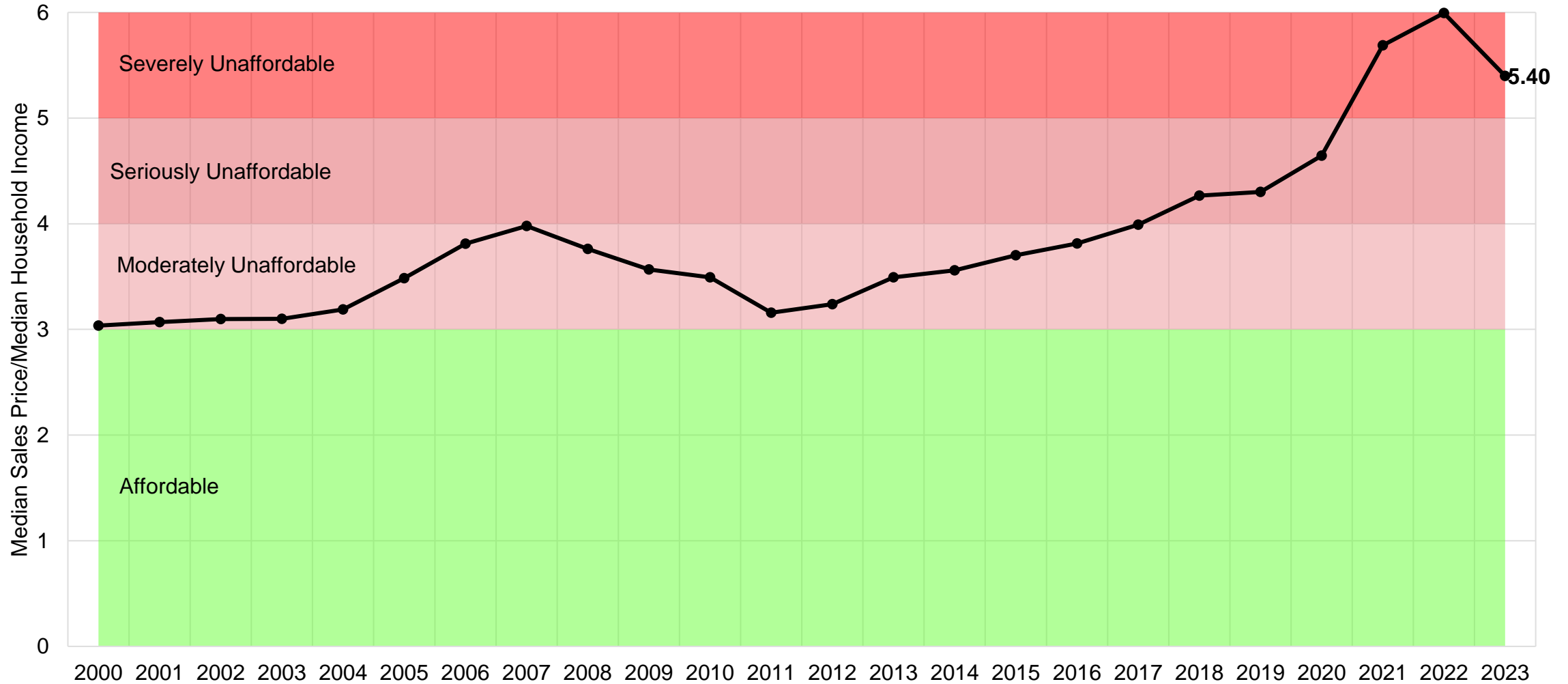
State Median Household Income (1970-2023)



Source: US Census

Historic Median Multiple, Utah

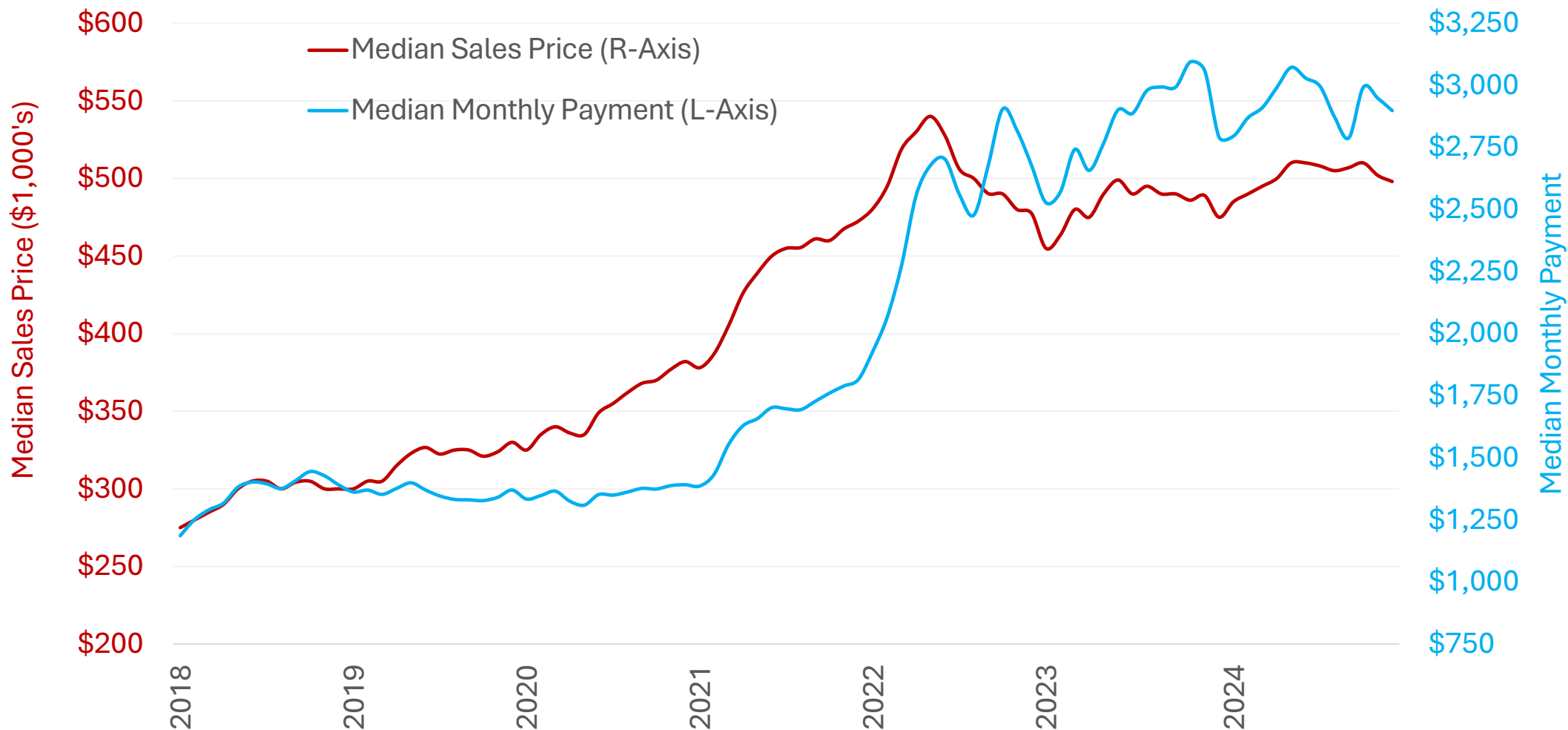
Median Sales Price/Median Household Income



Source: The Kem C. Gardner Policy Institute

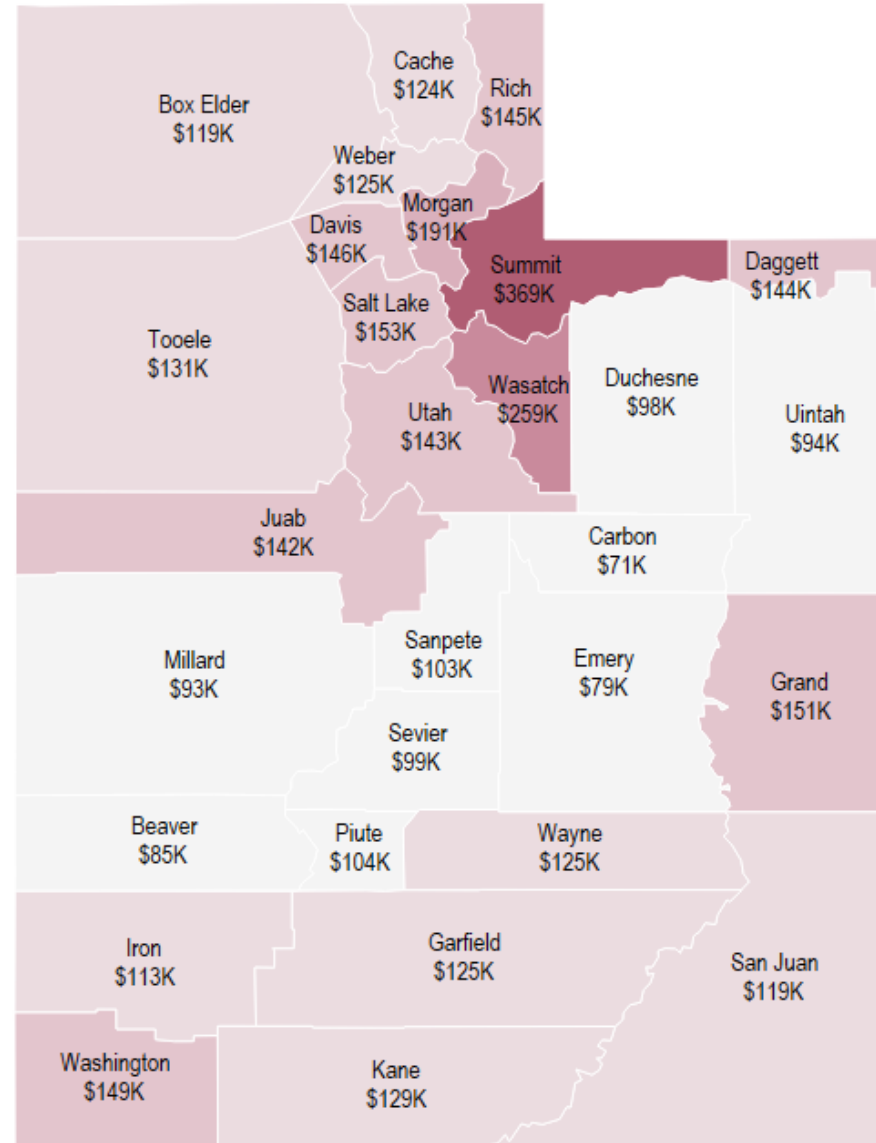
Median Sales Price & Monthly Mortgage Payment

(Through Dec 2024)

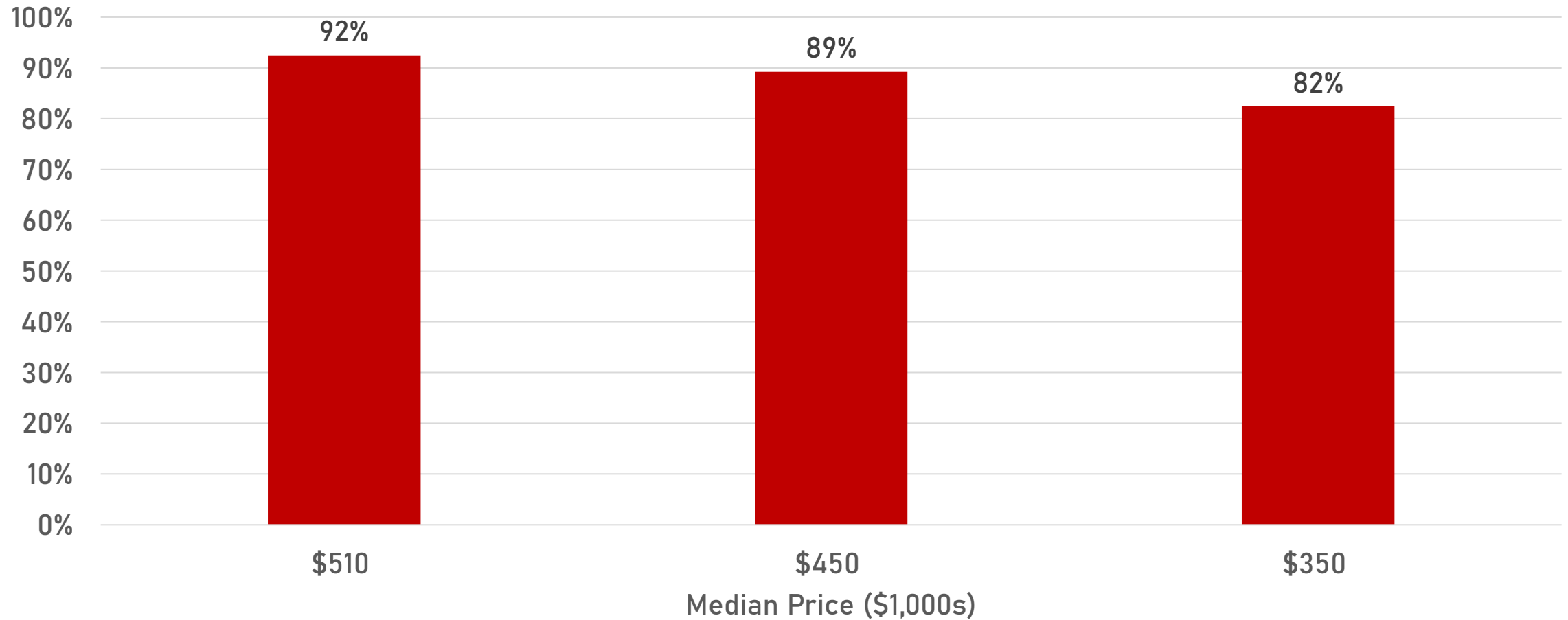


Source: Kem C. Gardner Policy Institute, UtahRealEstate.com Sales Data, FreddieMac Mortgage Survey Data

Income Needed to Afford the Median Priced Home mid-2024



Share of Renter Households that Can't Afford a Median Priced Home by Price Point

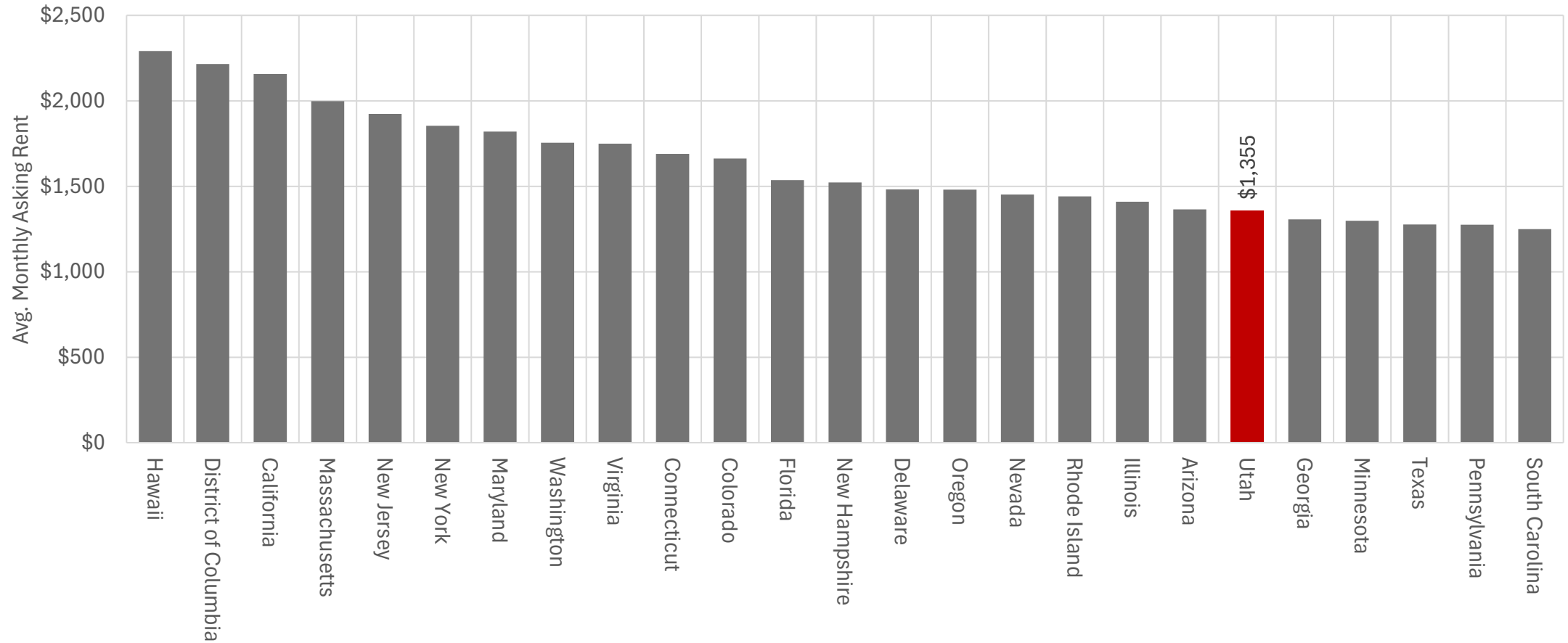


Note: Assumes 30% debt-to-income, PMI, annual property tax, and 30-yr rate.

Source: Calculations based on U.S. Census Bureau 2021 1-year ACS Survey Income Data (adjusted to 2022),

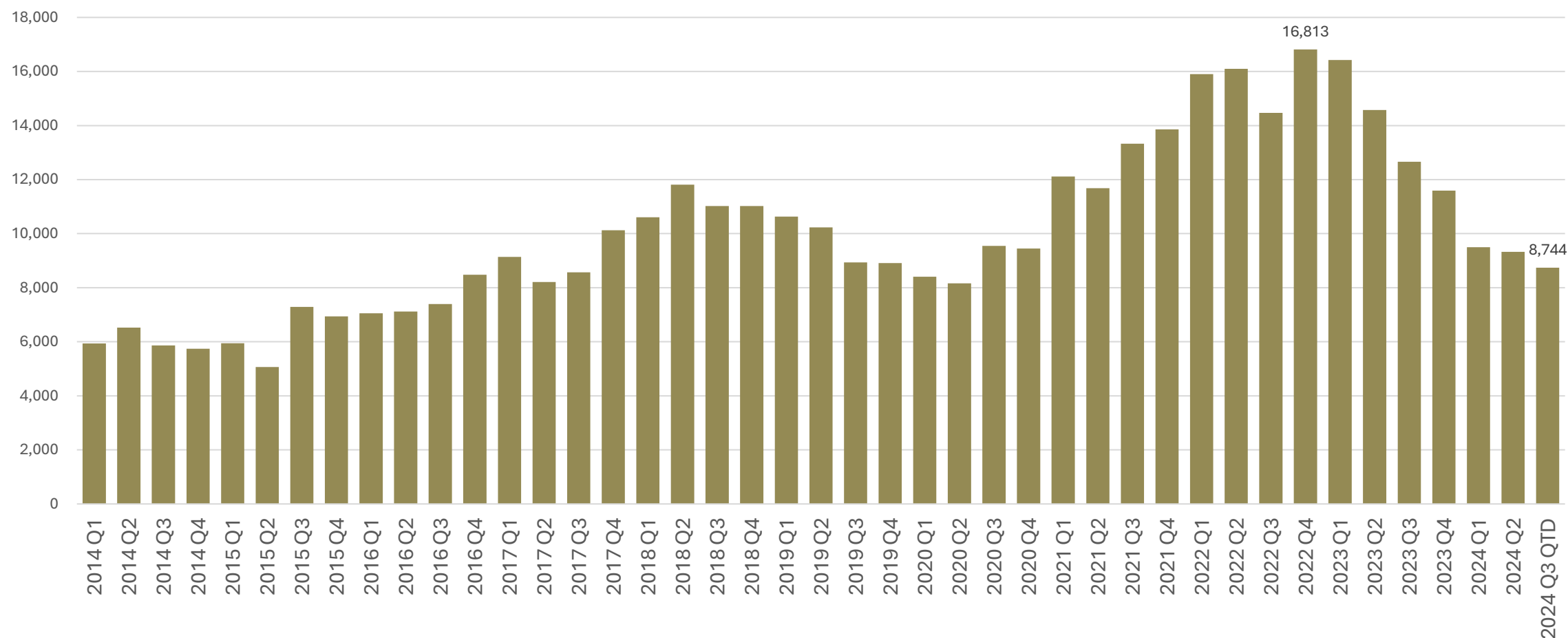
UtahRealEstate.com Median Sales Price data.

Utah Ranks 20th in Asking Rents, Fall 2024



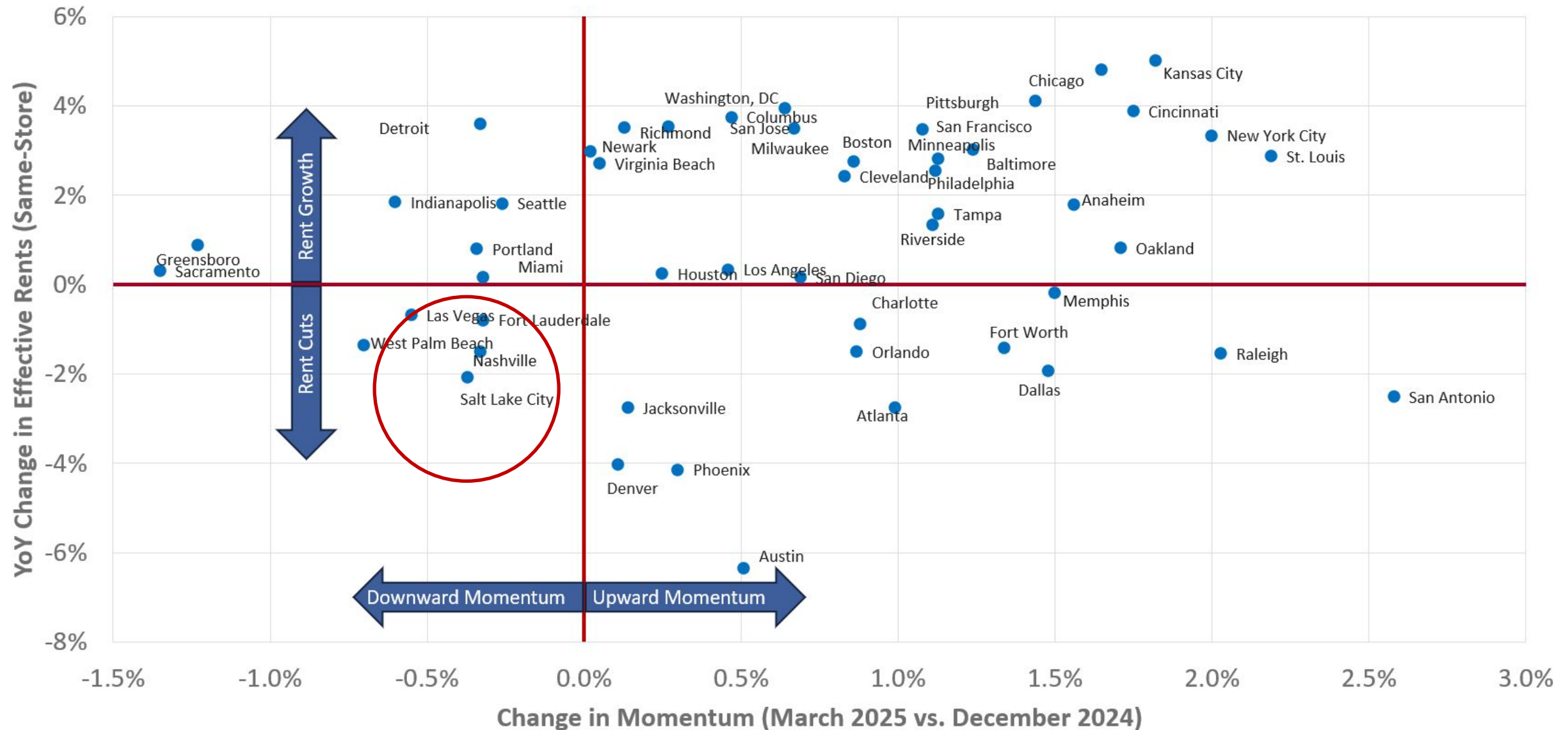
Source: ApartmentList.com

Record Apartment Construction: SL Co. & UT Co.



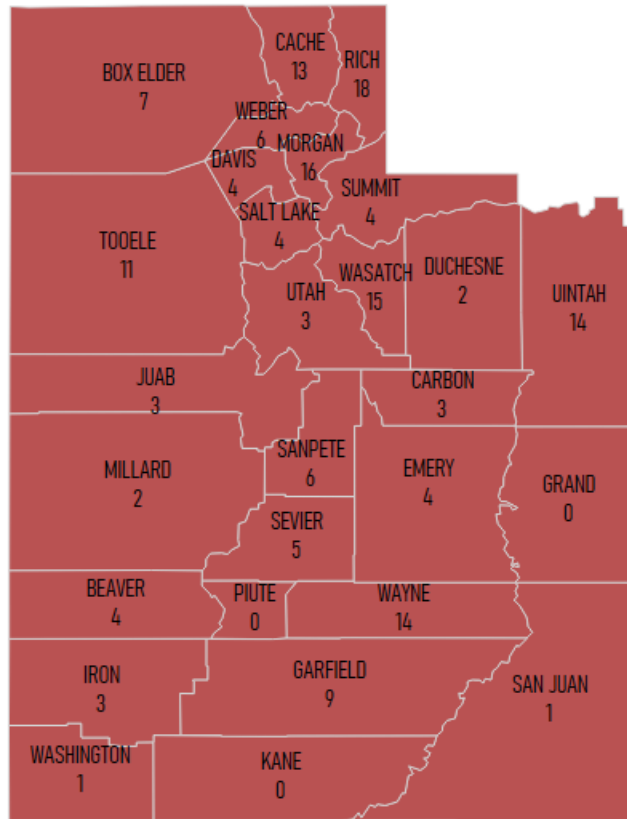
Rent Momentum Shifting Upward Again in Most U.S. Markets

YoY Effective Rent Change (Mar'25) vs. Change in Momentum (since Dec'24)

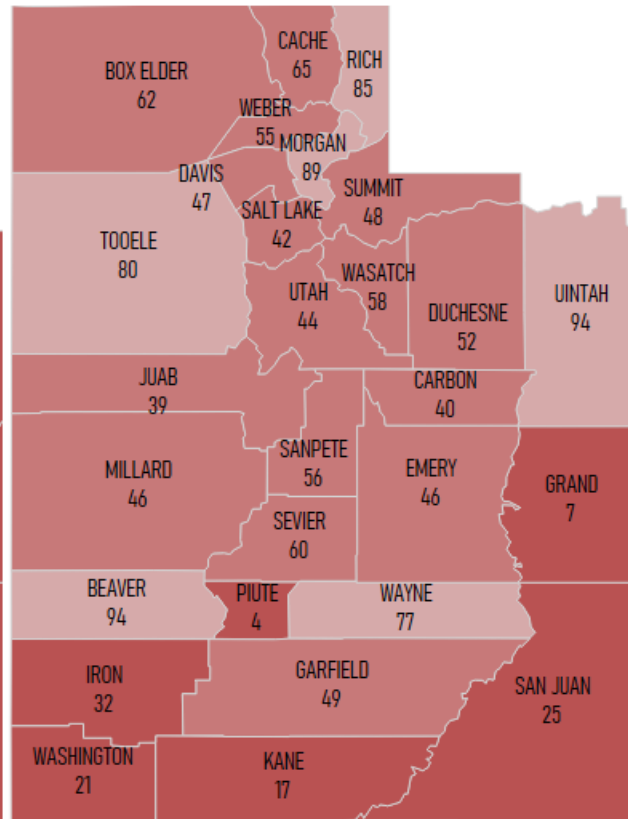


Affordable Renter Units Available/ 100 Household, Utah, 2024

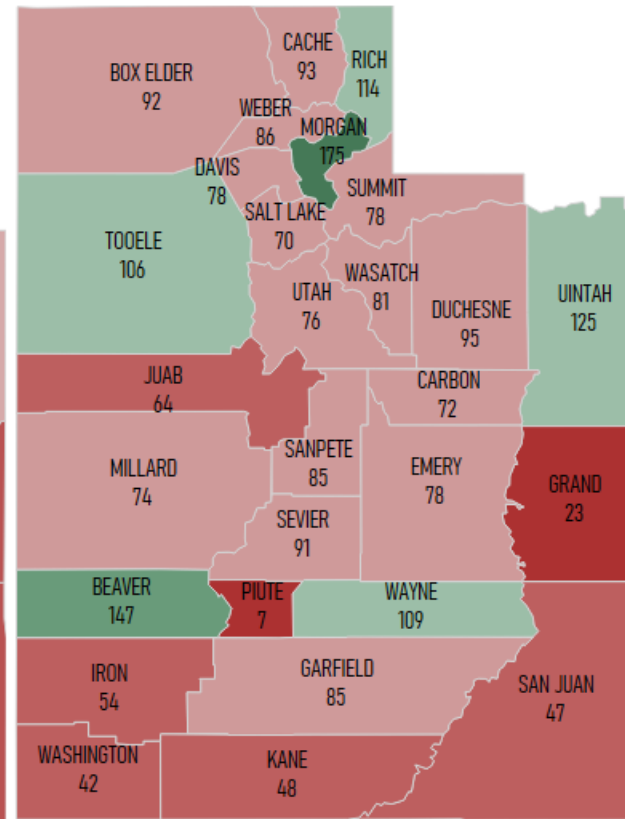
30% AMI & Below



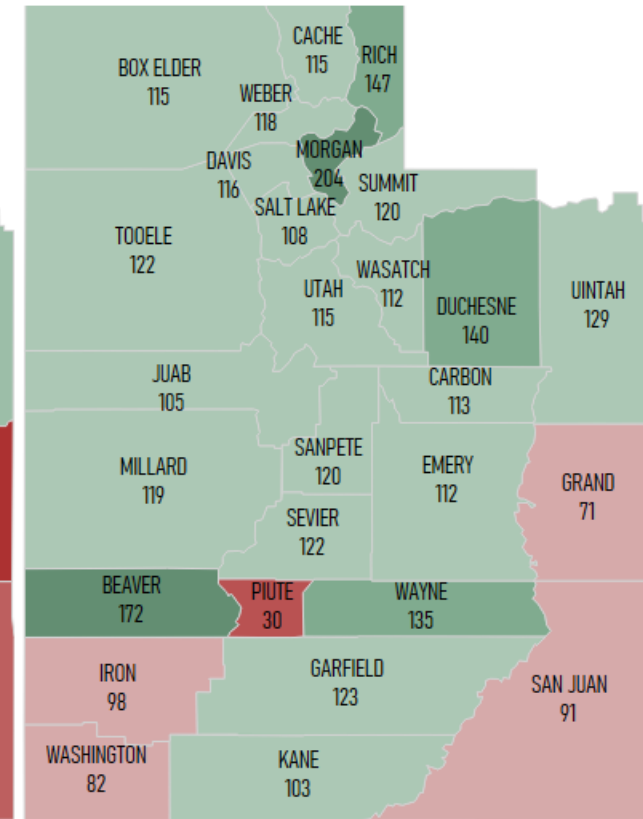
50% AMI & Below



60% AMI & Below

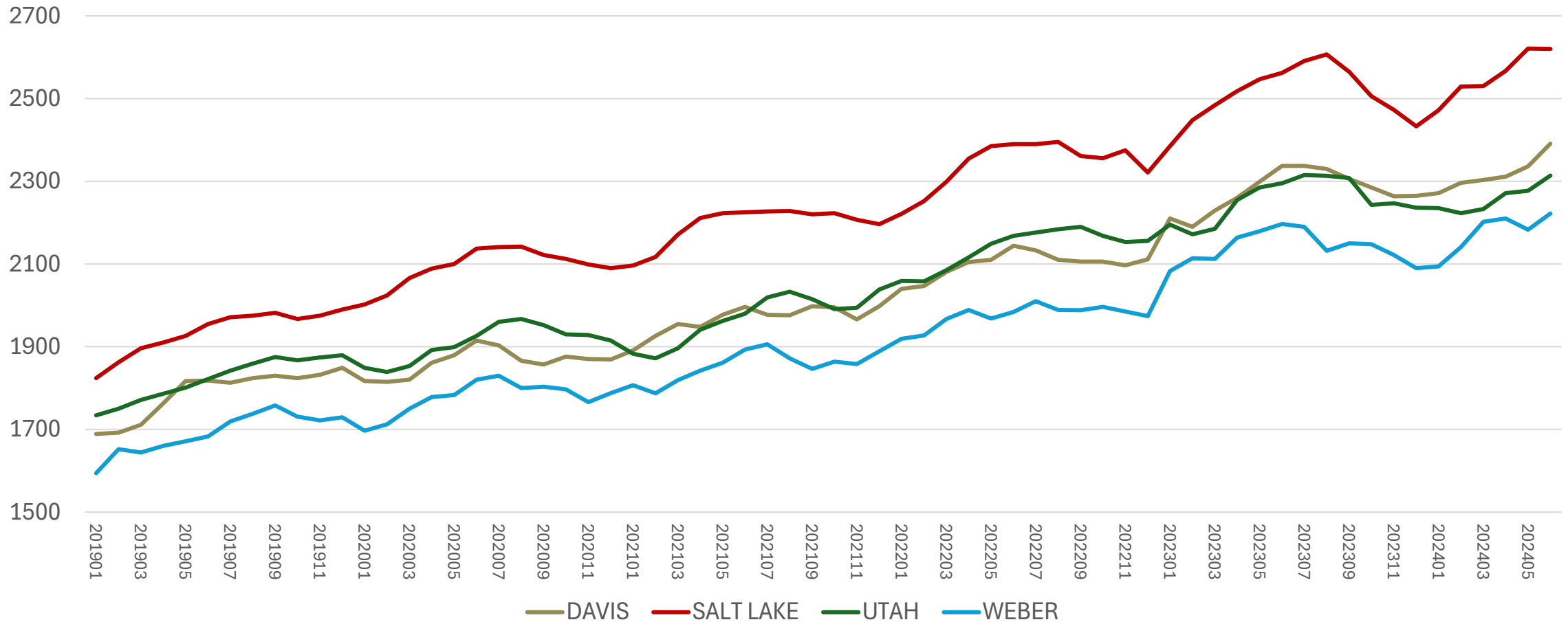


80% AMI & Below

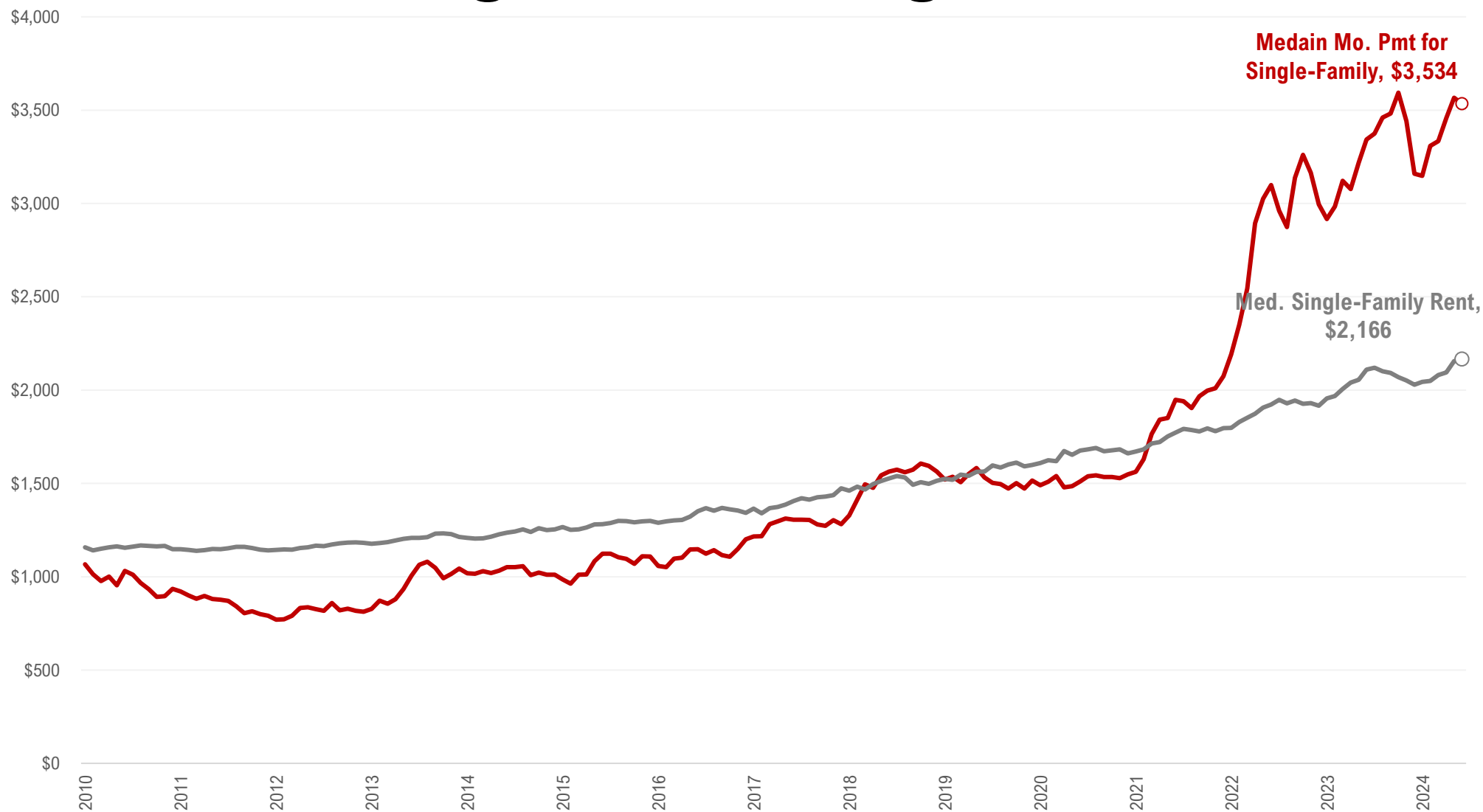


Source: Kem C. Gardner Policy Institute.

Single-Family Rents Recover



Cost of Renting vs. Owning - Wasatch Front



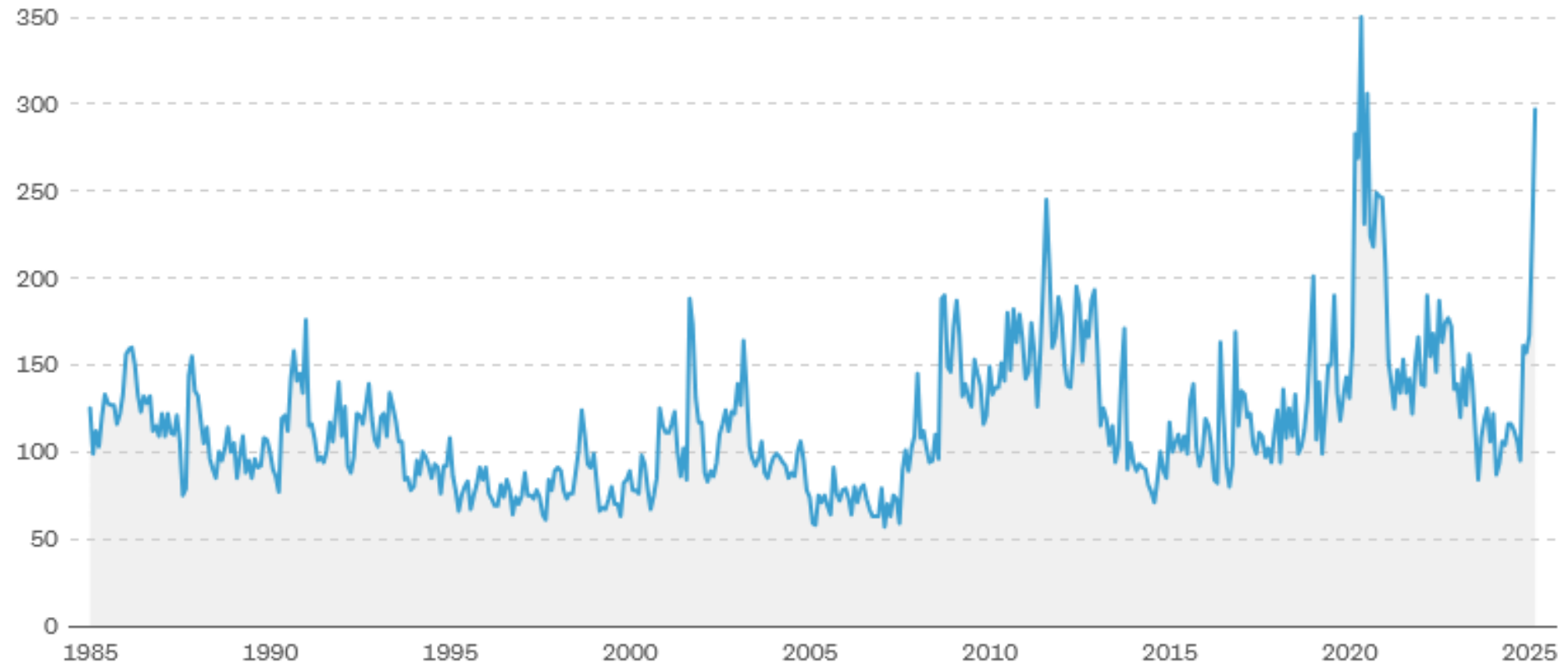
Source: Kem C. Gardner Analysis of UtahRealEstate.com and RentRange Data

What's to come?



Uncertainty

U.S. economic uncertainty, per month

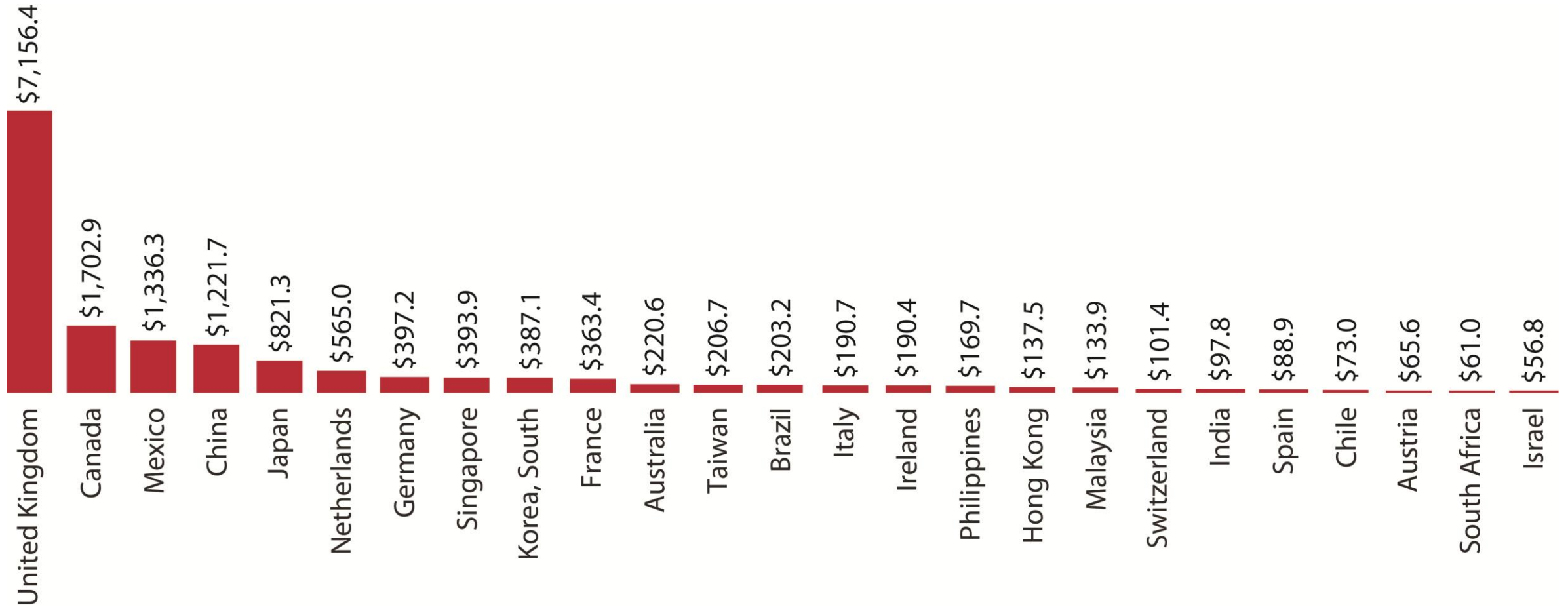


Source: 'Measuring Economic Policy Uncertainty' by Scott R. Baker, Nicholas Bloom and Steven J. Davis

Graphic: Joe Murphy / NBC News

Utah's International Exports, 2023

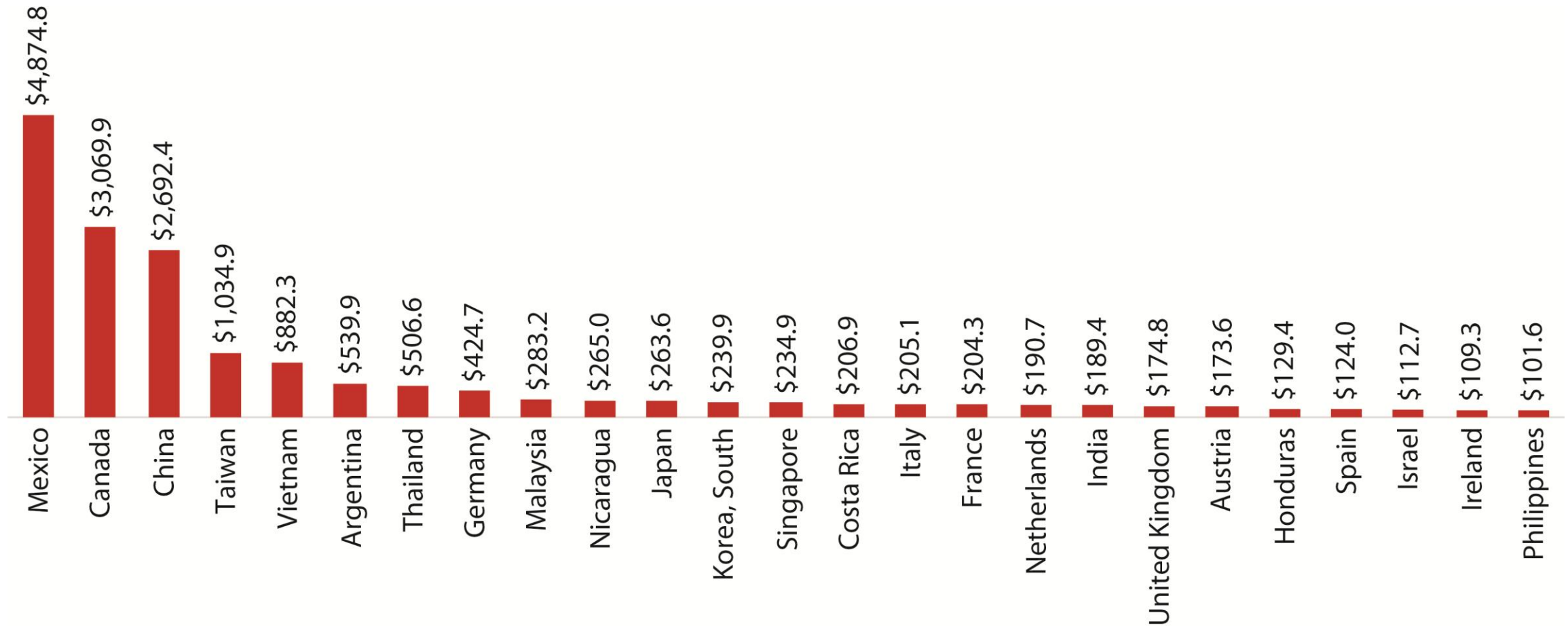
Top 25 Destinations, Millions of Dollars



Source: U.S. Census Bureau, USA Trade Online

Utah's International Imports by Value, 2023

Top 25 Origins, Millions of Dollars



Source: U.S. Census Bureau, USA Trade Online

Tariffs and Housing

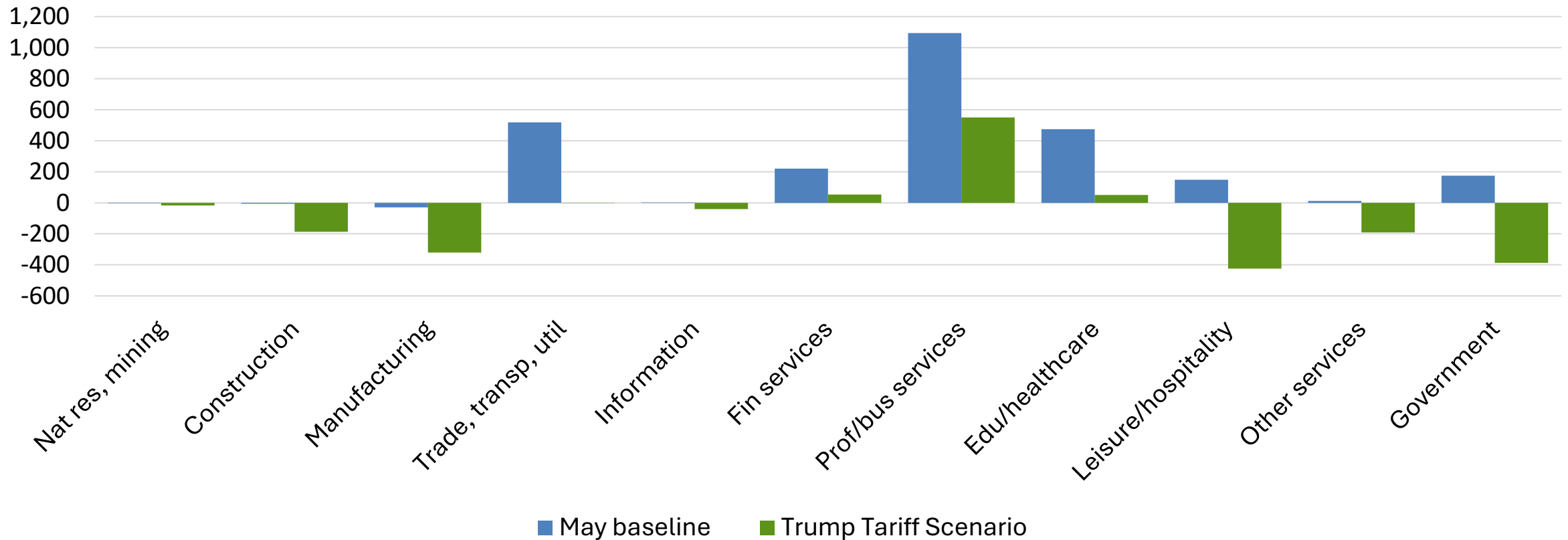
Observations



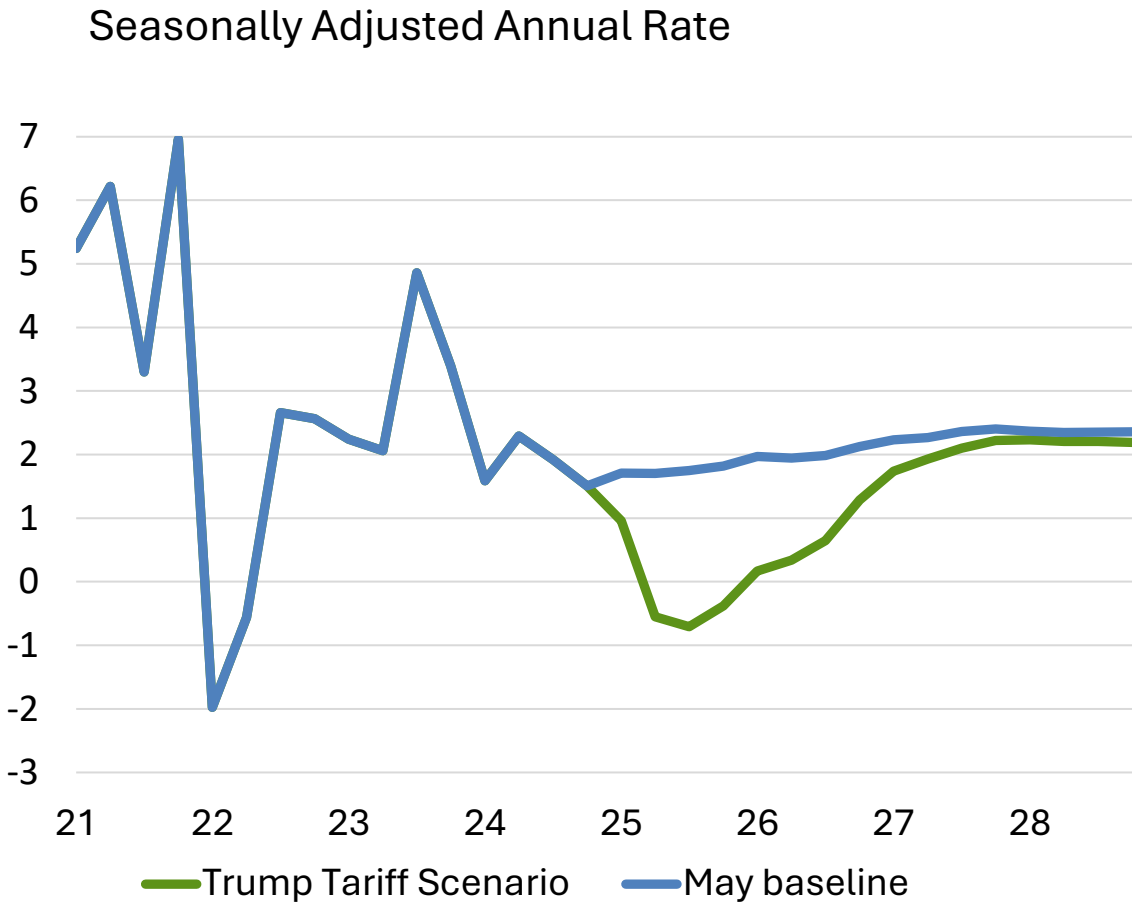
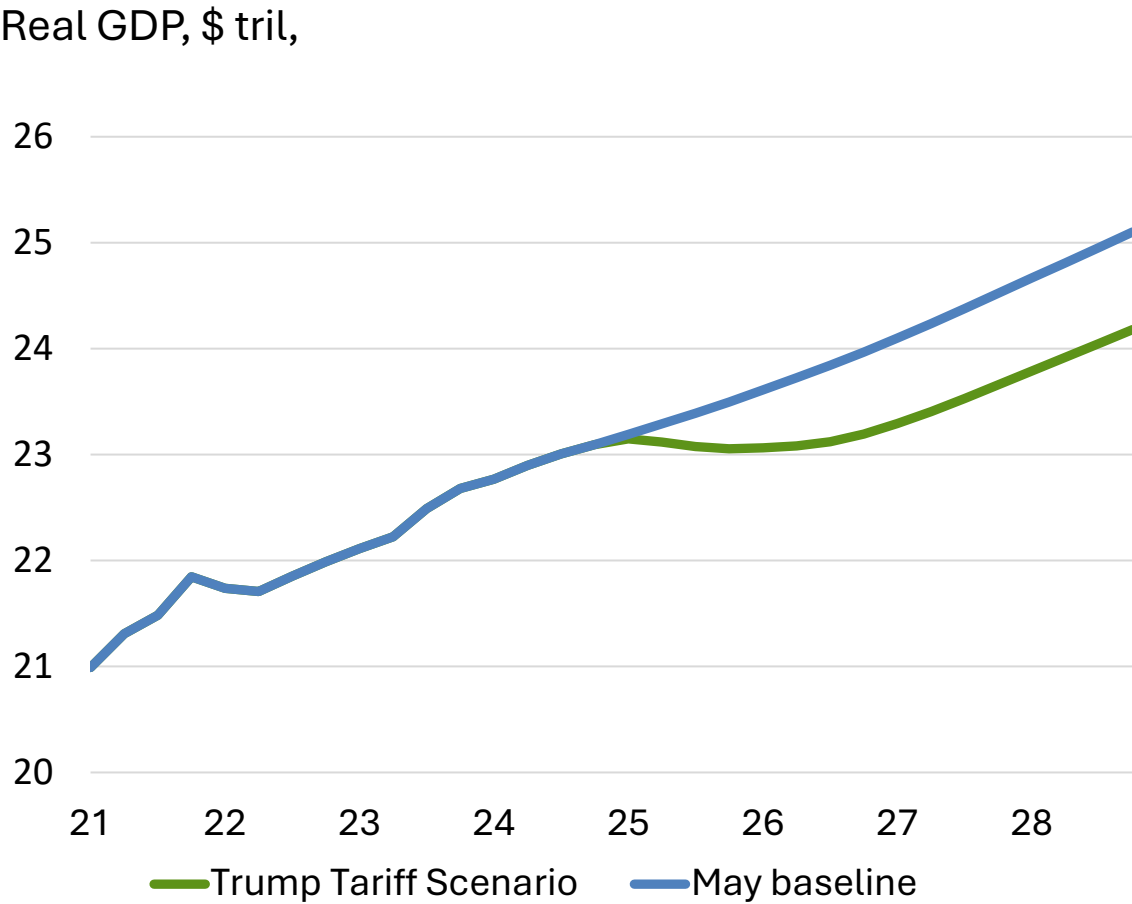
- **Direct impacts** – Increases building costs.
 - 30% of U.S. softwood comes from Canada (not easily replaced).
 - Framing comprises 12% of final construction costs.
 - 70% of U.S. gypsum imported from Mexico (few substitutes).
- **Indirect impacts** – Inflation impacts household balance sheets and interest rates. Uncertainty creates chilling effect on supply and demand.

Source: Moody's Analytics

Tariff Job Impacts by Industry

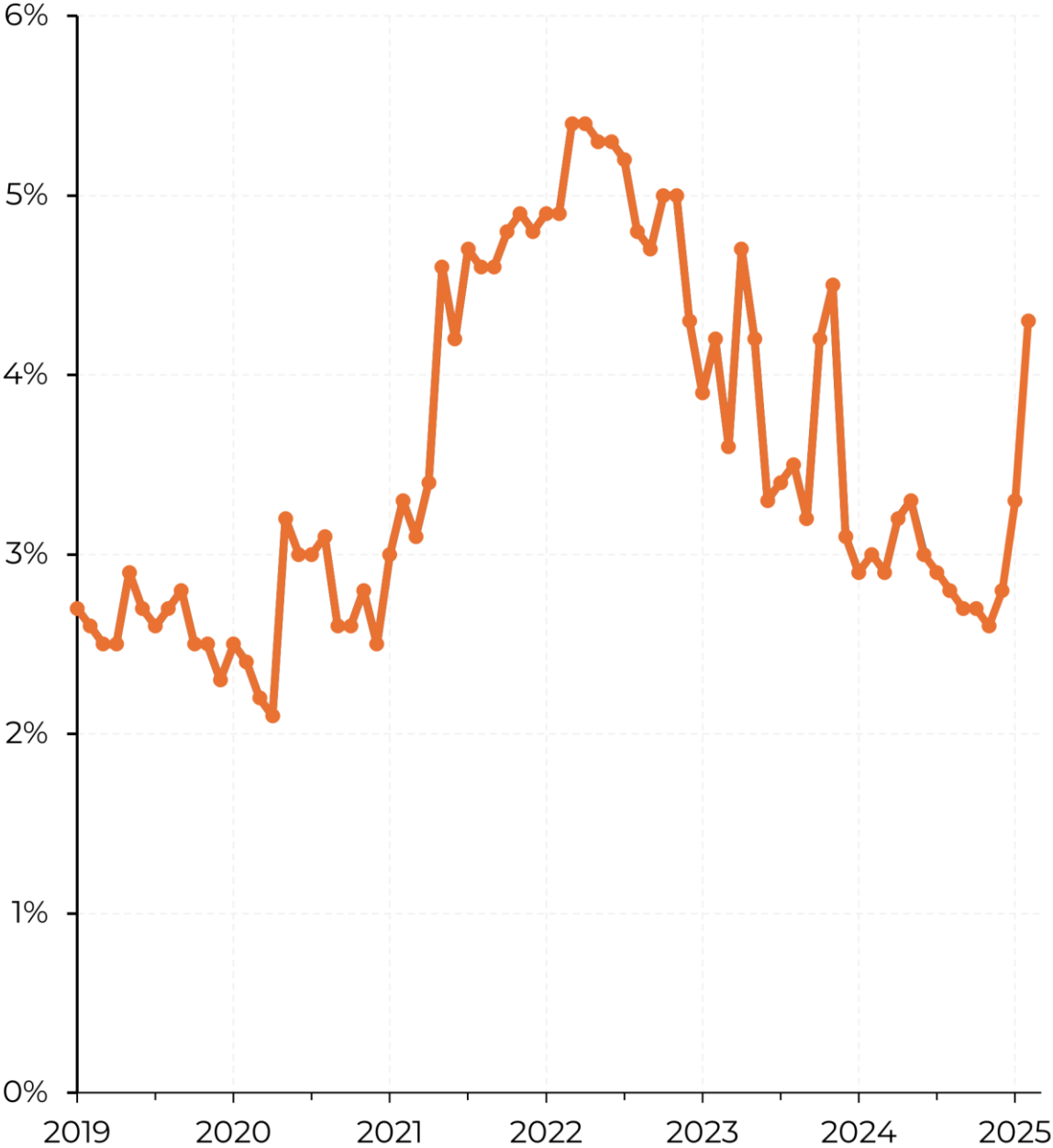


...As the Economy Enters a Short and Mild Recession



Sources: BEA, Moody's Analytics

1-year Consumer Inflation Expectations

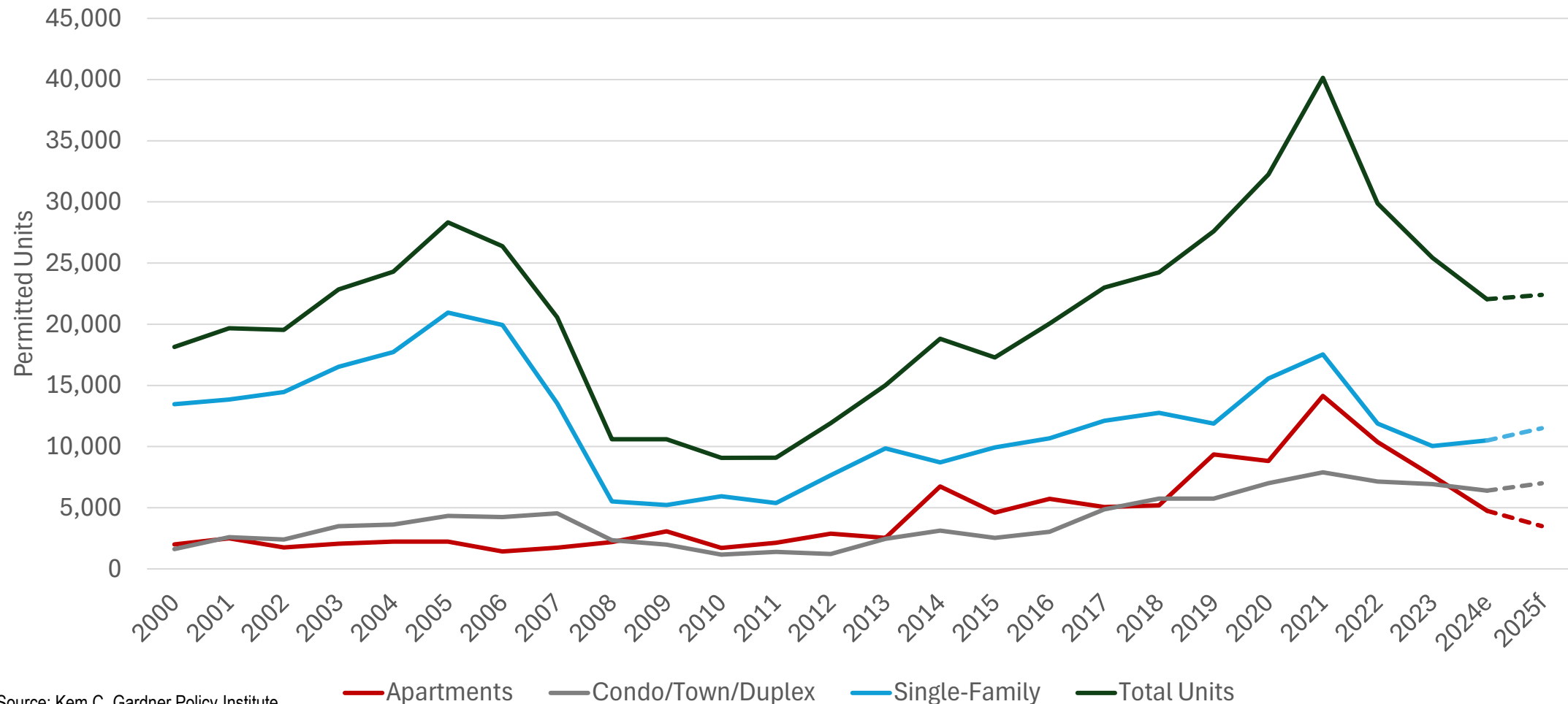


Where mortgage rates are forecasted to go by the end of 2025

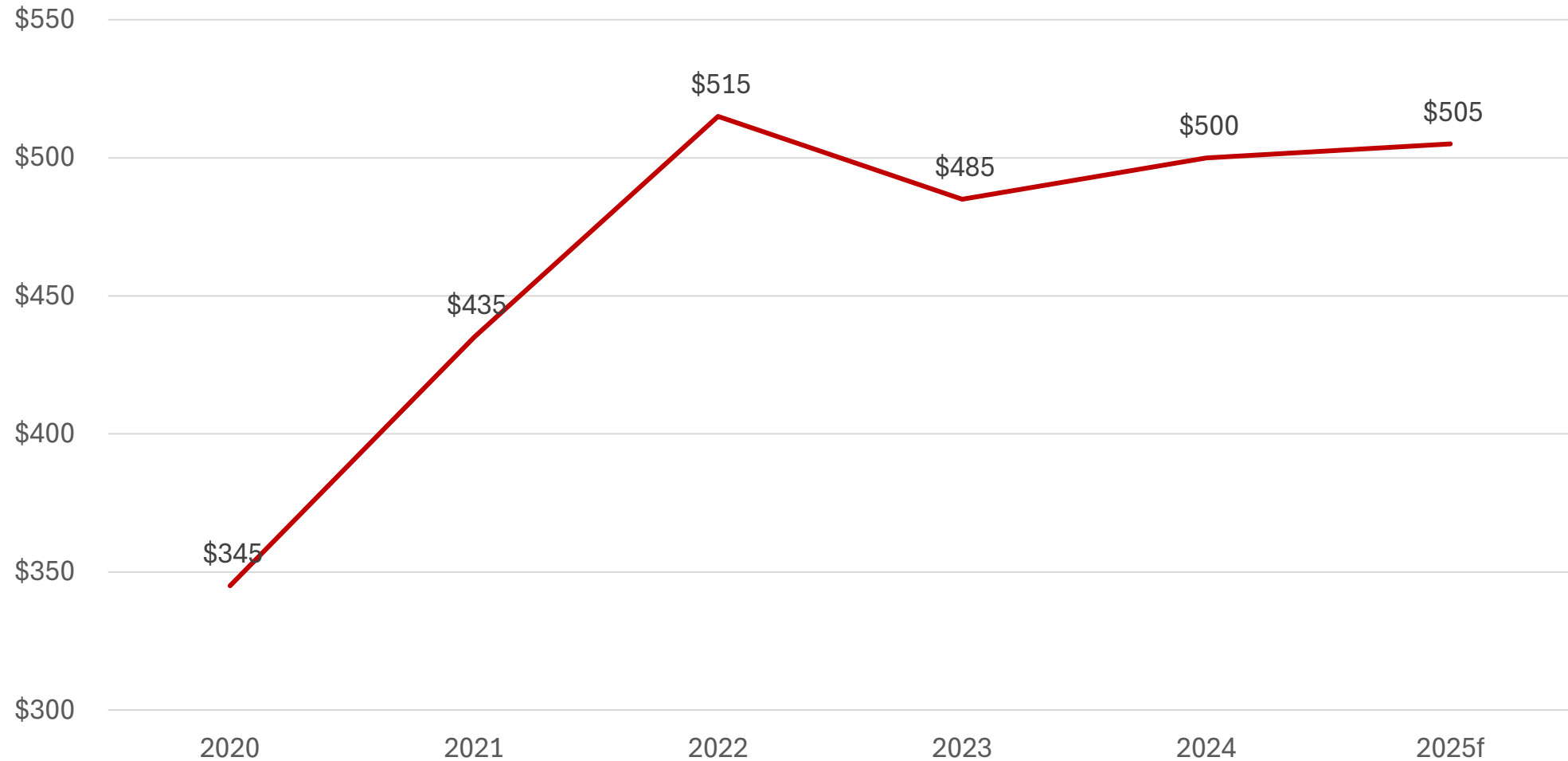
The average 30-year fixed mortgage rate was 7.04% on the week ending January 16, 2024. Among the 17 forecasts tracked by ResiClub, the average model expects the 30-year fixed mortgage rate to finish 2025 at 6.33%.



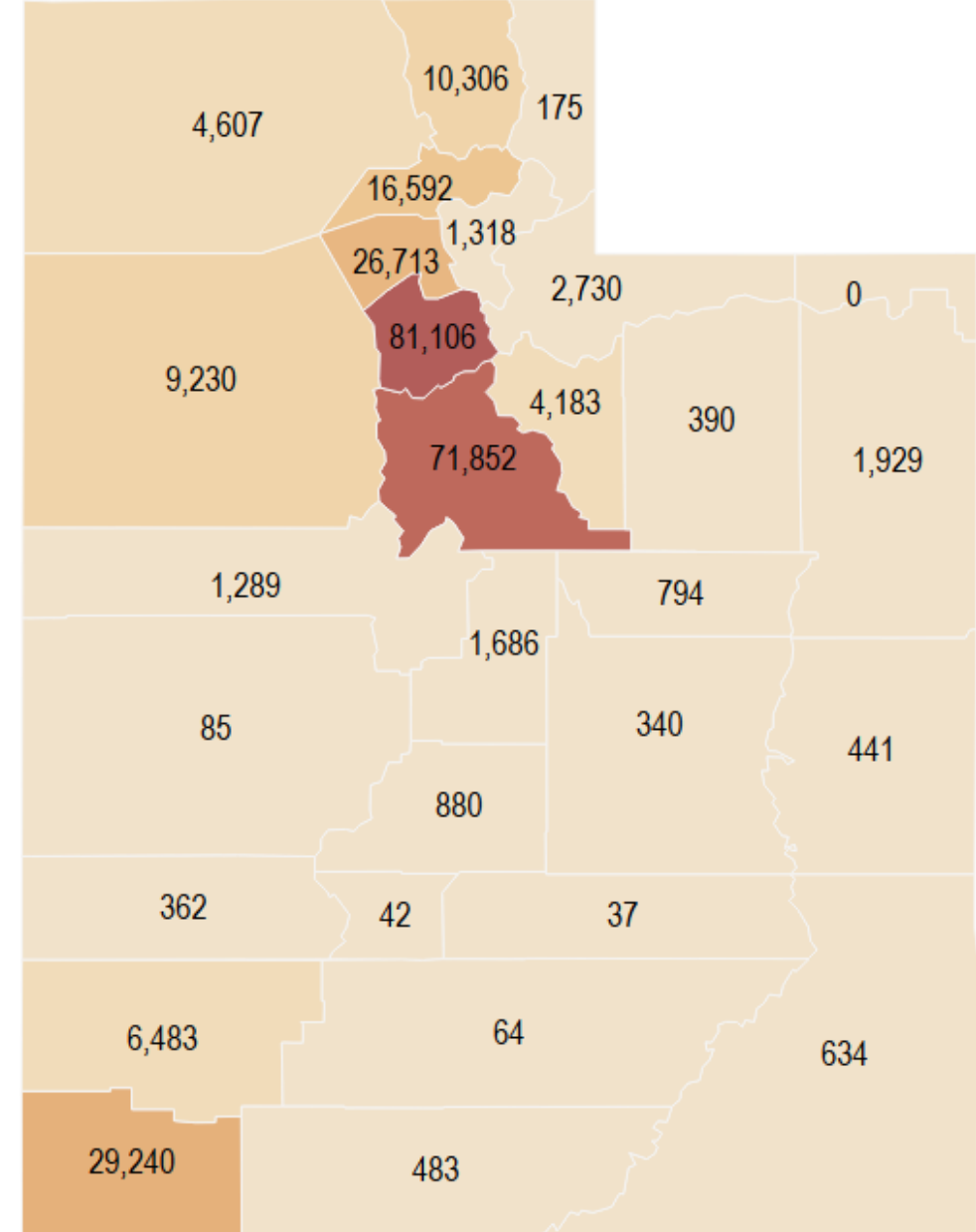
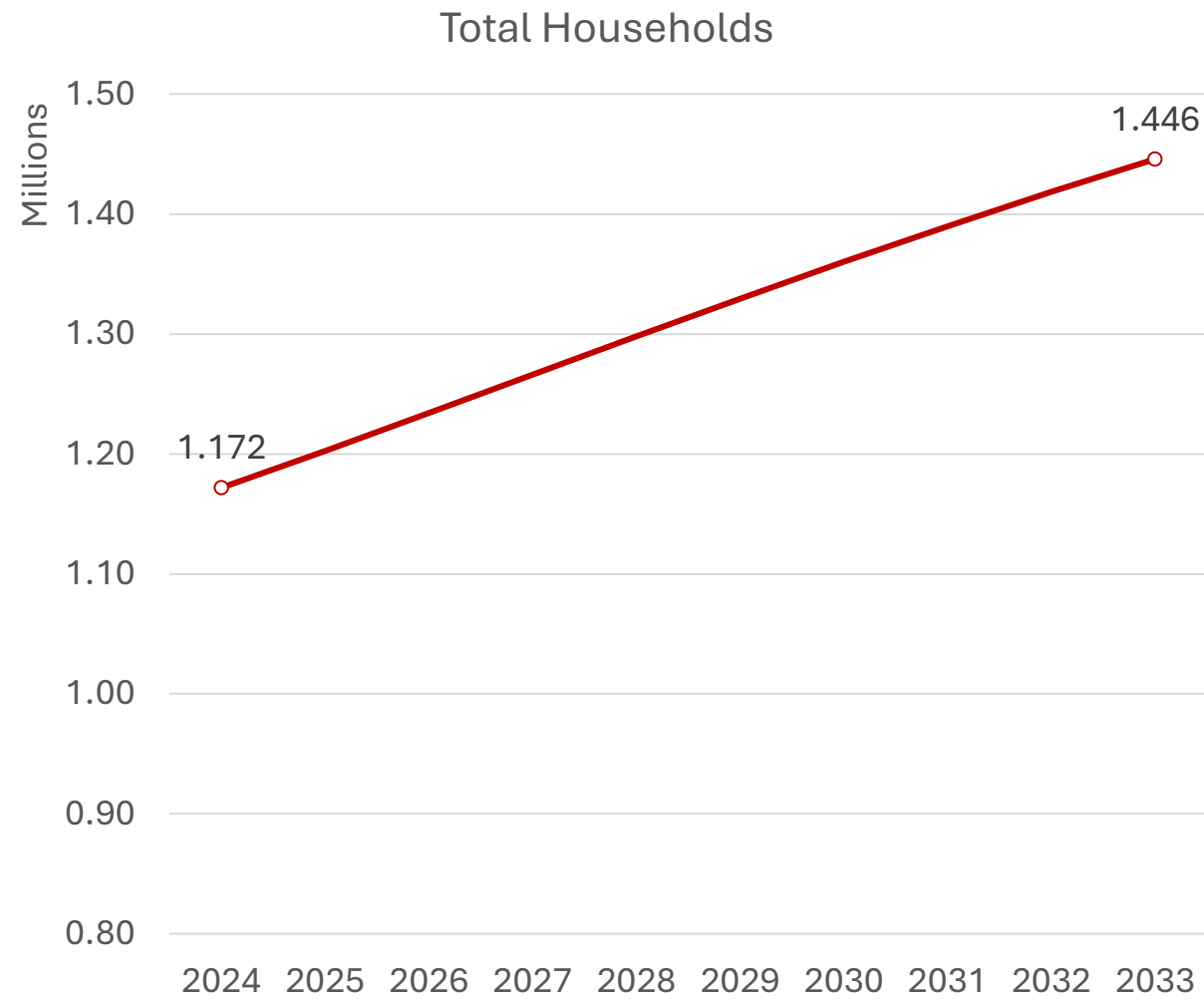
Permitted Housing Units Outlook



Annual Price Growth 1% into 2025



Housing Demand 2024-2033



Source: Kem C. Gardner Policy Institute

THANK YOU!



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