

Economic outlook: The good, the bad, and the ugly

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Wealth

Outlook overview

- The “Good” – Soft landing as consumers still solid
- The “Bad” – Stepdown in growth
- The “Ugly” – Ongoing D.C. dysfunction, little progress on budget deficits & federal debt

Outlook overview

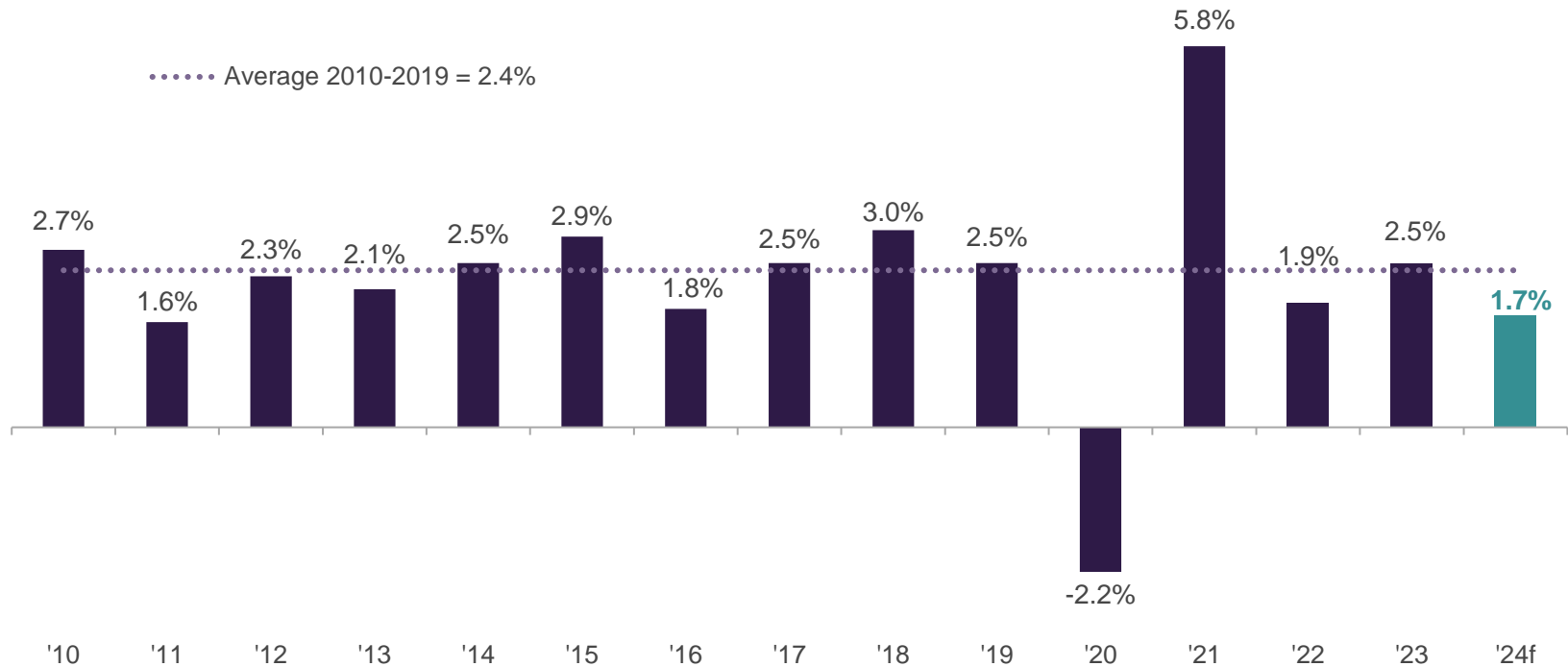
- The “Good” – Soft landing as consumers still solid
- ~~The “Bad” – Stepdown in growth~~
- ~~The “Ugly” – Ongoing D.C. dysfunction, little progress on budget deficits & federal debt~~

MOSTLY DOESN'T APPLY TO MIAMI!

U.S. Economy

2024 U.S. economy – We expect a stepdown in growth

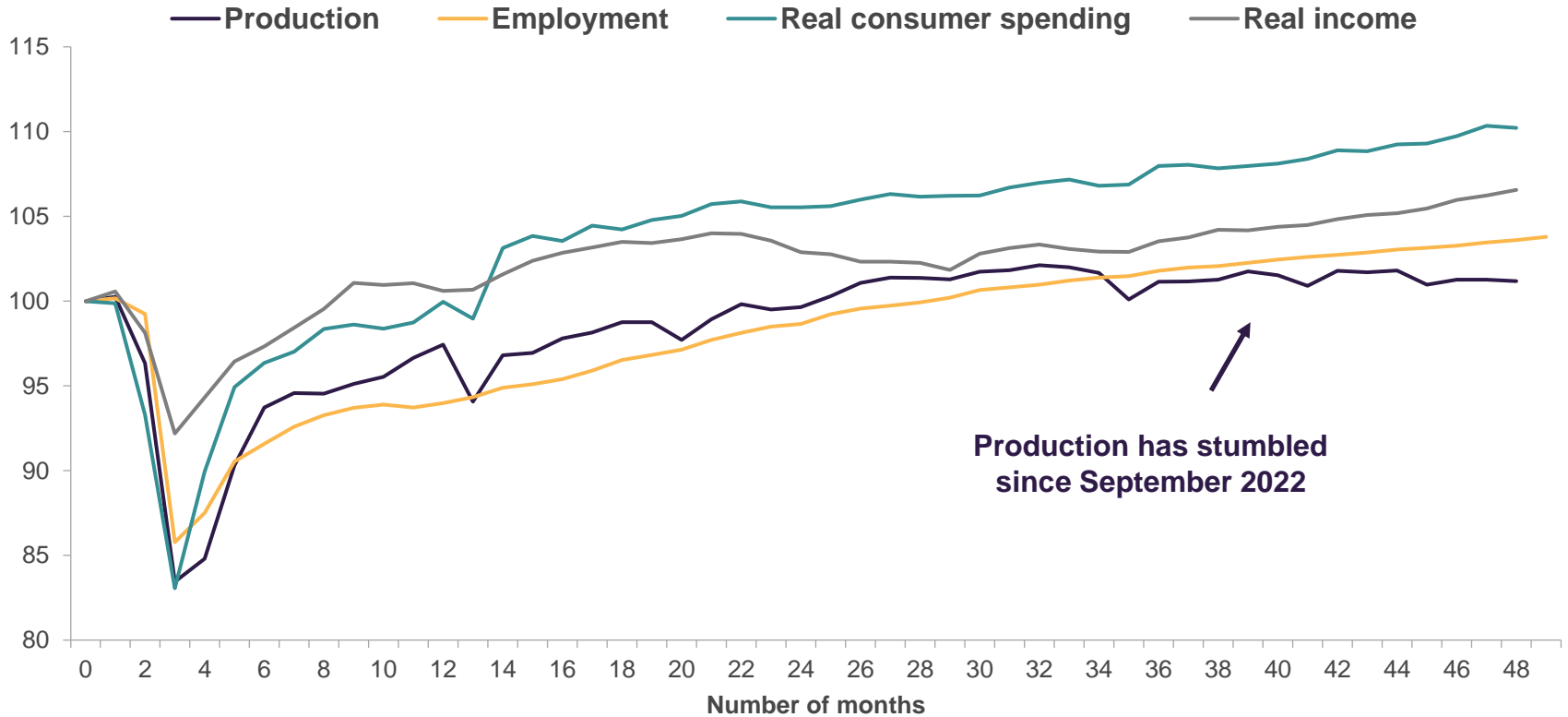
Growth of gross domestic product (GDP) by year



Data source: Truist IAG, Bureau of Economic Analysis. Change in real (inflation-adjusted) gross domestic product year over year, actual for 2010 through 4Q2023.
f = Truist IAG forecast for 2024

Big 4 indicators suggest continued growth for U.S. economy

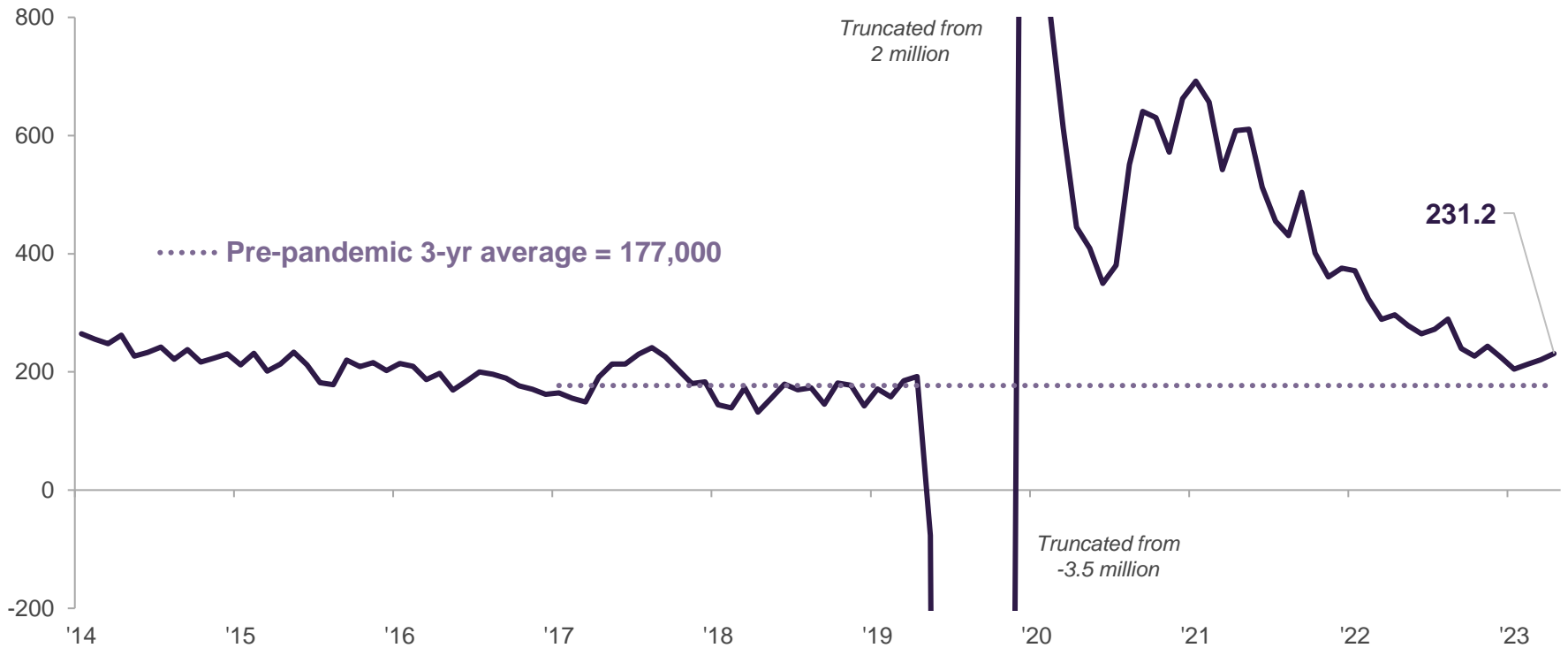
Big 4 indicators of economic activity since January 2020 (indexed)



Sources: Truist IAG, Bloomberg. Monthly data for industrial production, real personal consumption expenditures (chained 2017 dollars), and personal income excluding transfer receipts (chained 2017 dollars) through January 2024, number of nonfarm payrolls through February 2024; indexed to January 2020.

Job growth remains resilient – adding 50K/month above pre-COVID trend

U.S. monthly job growth (6-month average, in thousands)



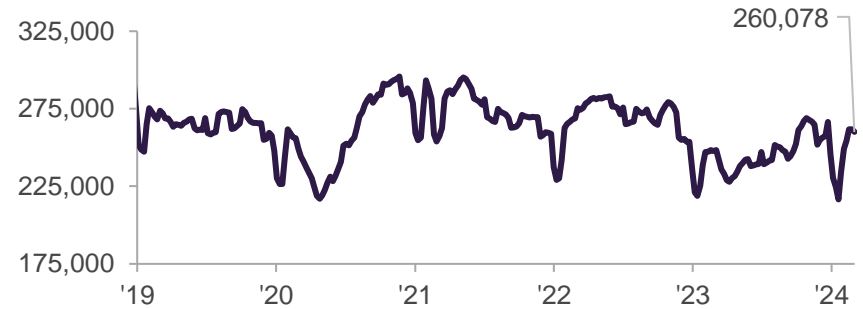
Data source: Truist IAG, Bloomberg, Bureau of Labor Statistics. Monthly data through February 2024.

Activity-based trends continuing to improve to start 2024

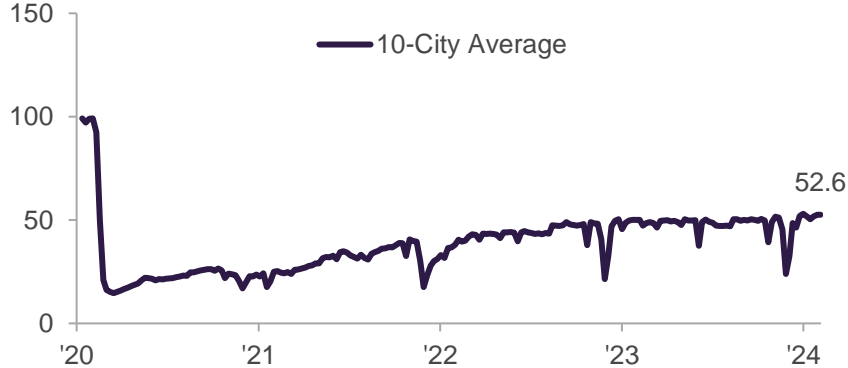
NY Fed weekly economic index



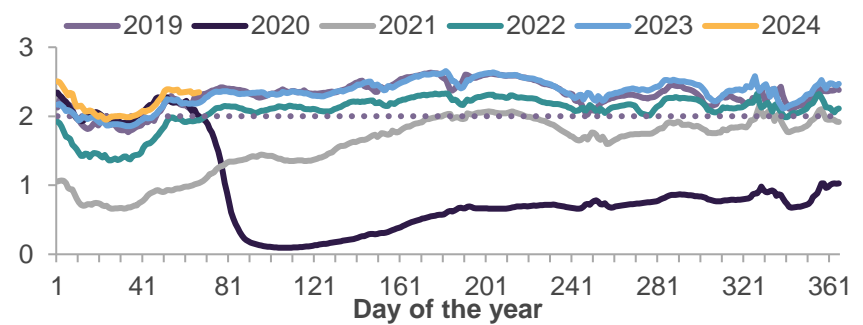
U.S. intermodal freight carloads (4-week average)



U.S. Back to Work Barometer Index



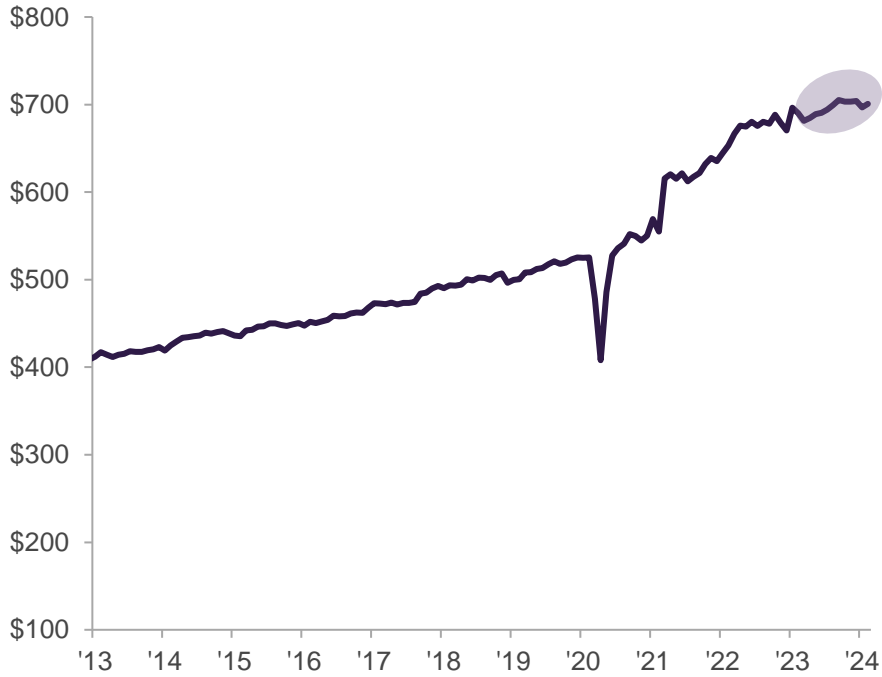
TSA checkpoint traveler throughput (7-day average, in millions)



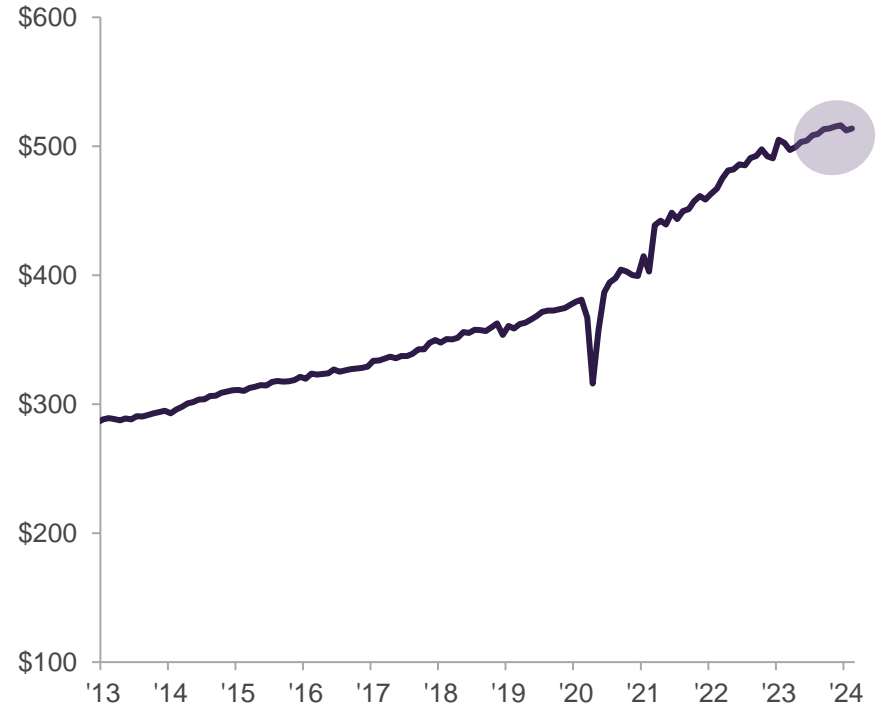
Data source: Truist IAG and the following additional sources respectively: Top left: Bloomberg, NY Federal Reserve Weekly Economic Index through March 2, 2024. Top right: (U.S. intermodal freight carloads) Bloomberg, Association of American Railroads Intermodal Trailers U.S. Freight Carloads, 4-week average through March 1. Bottom left: Bloomberg, Kastle Systems averaged weekly through February 28. Bottom right: Bloomberg, Transportation Security Administration (TSA) 7-day average through March 7.

Retail sales hovering near all-time high

U.S. retail & food service sales (in \$billions)

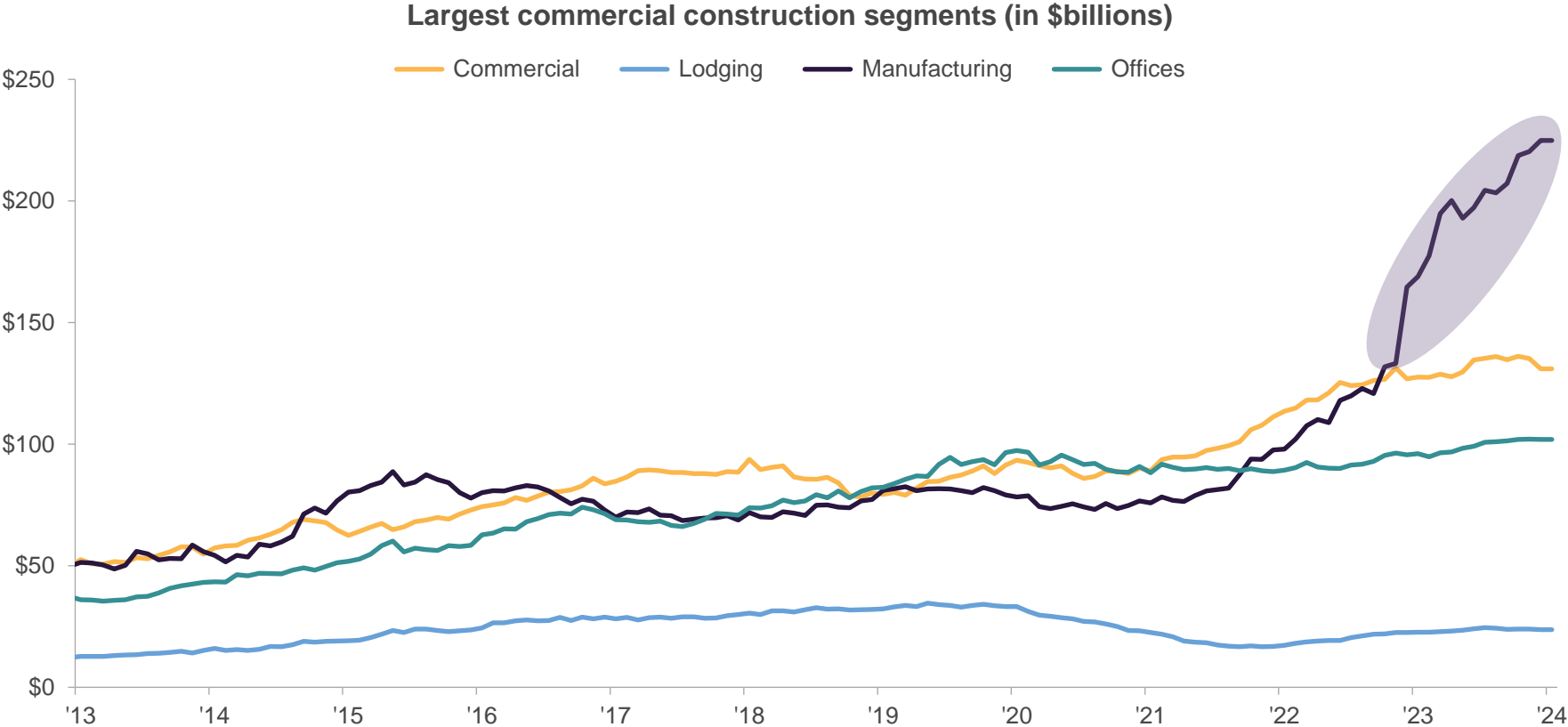


U.S. retail sales ex-autos & gasoline (in \$billions)



Source: Truist IAG, Bloomberg, U.S. Census Bureau; monthly data through February 2024.

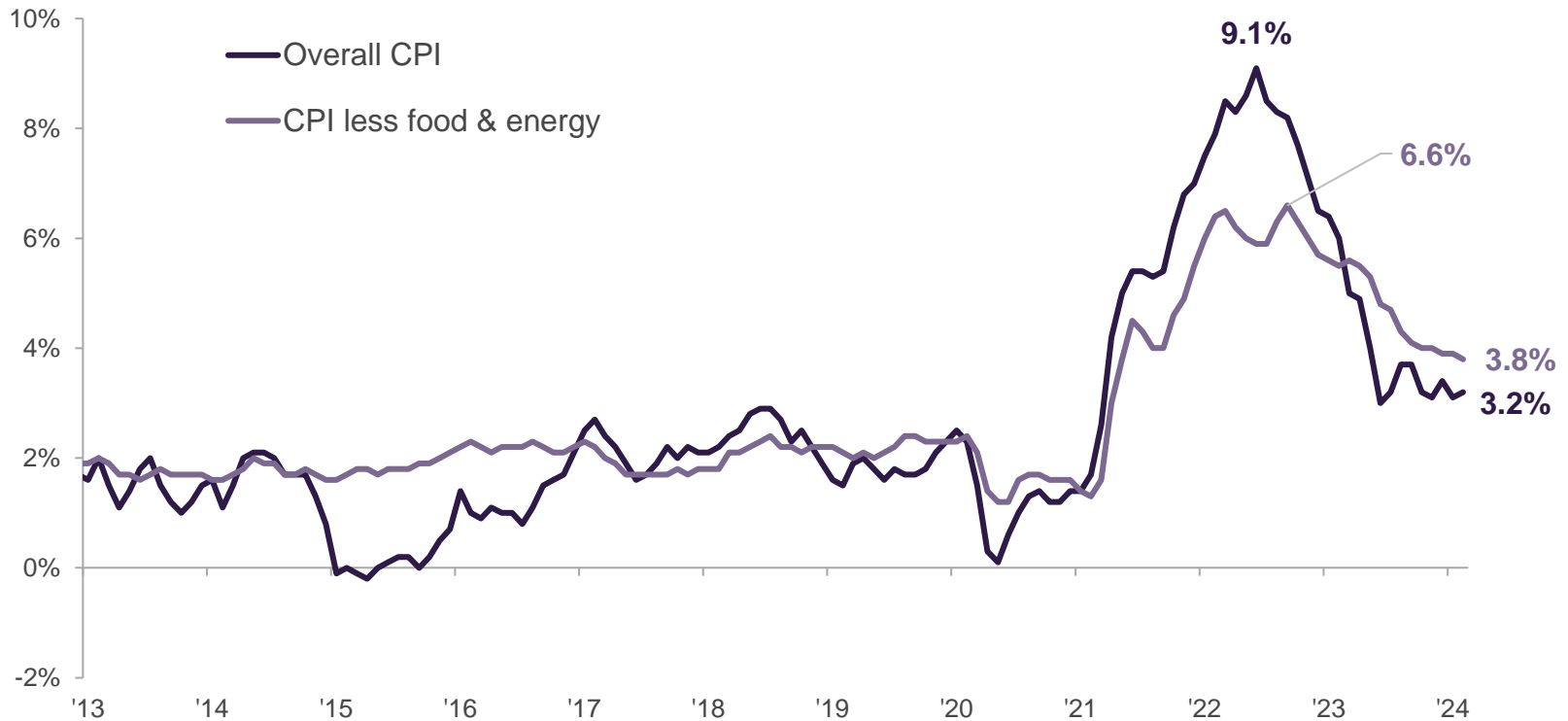
U.S. manufacturing renaissance is very real



Data source: Truist IAG, Bloomberg, U.S. Census Bureau; figures shown are seasonally-adjusted annualized rate (SAAR) in nominal dollars; data through January 2024.

Consumer inflation cooling but remains stickier than expected

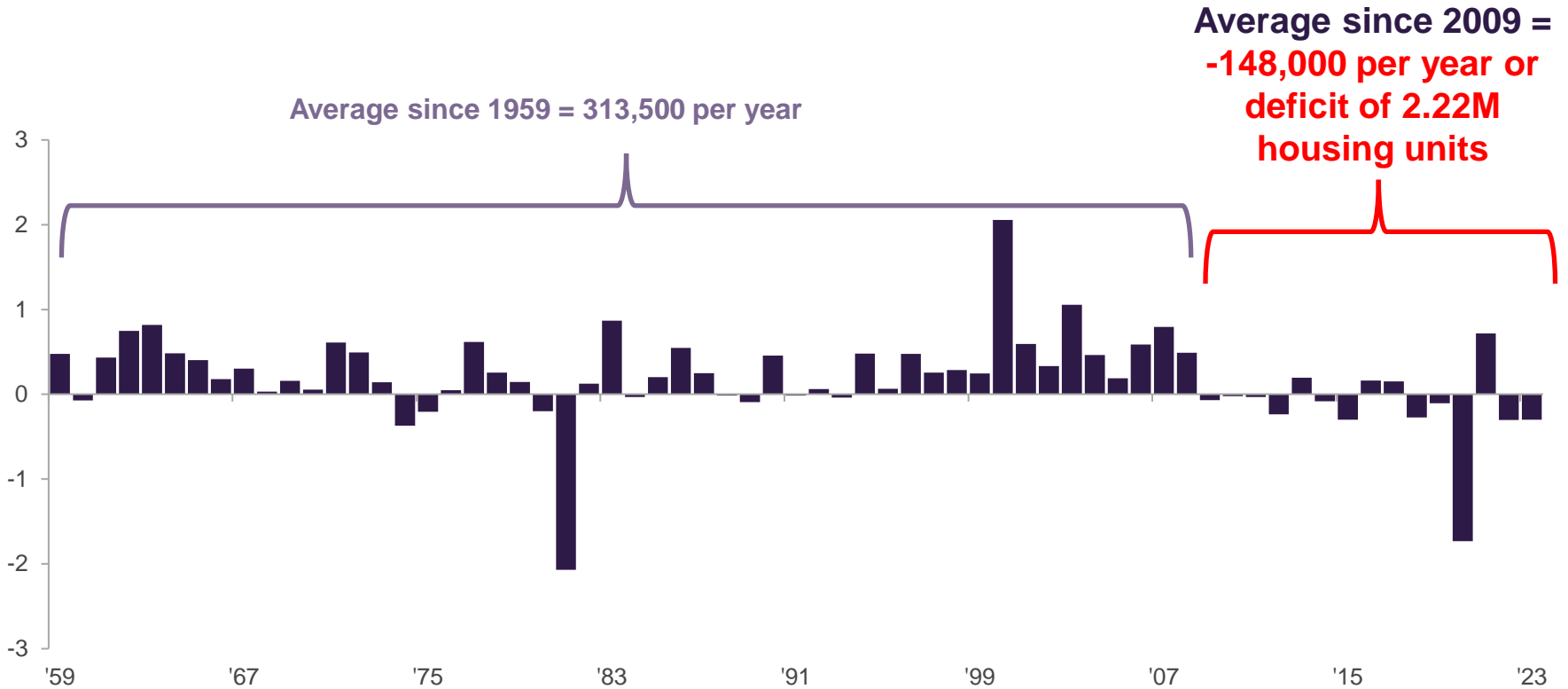
Annual change in Consumer Price Index (CPI)



Data source: Truist IAG, Bloomberg, Bureau of Labor Statistics. Monthly data through February 2024.

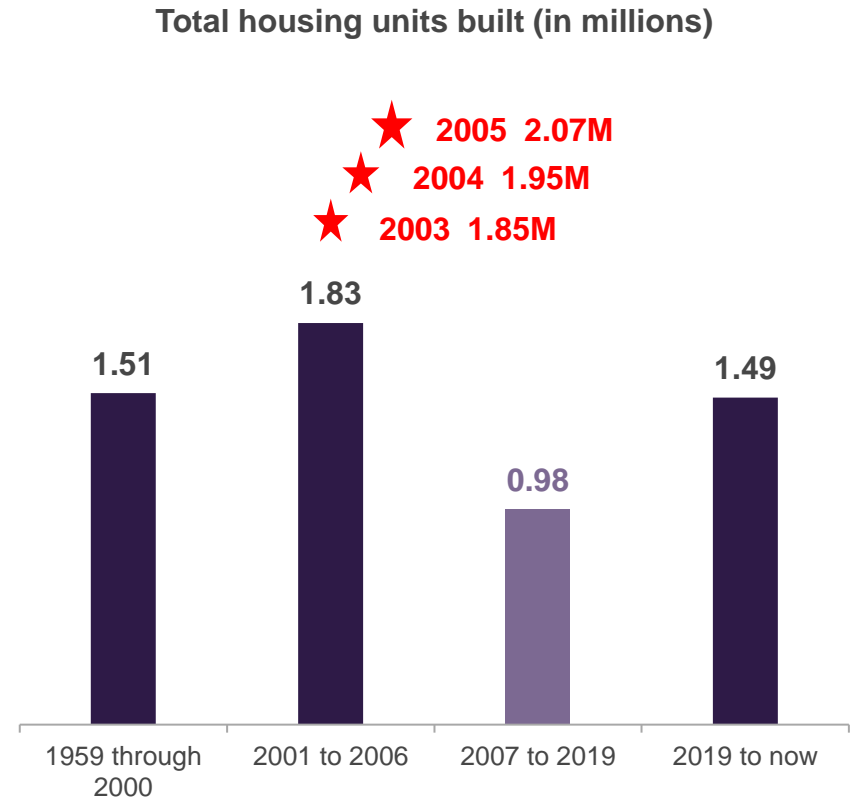
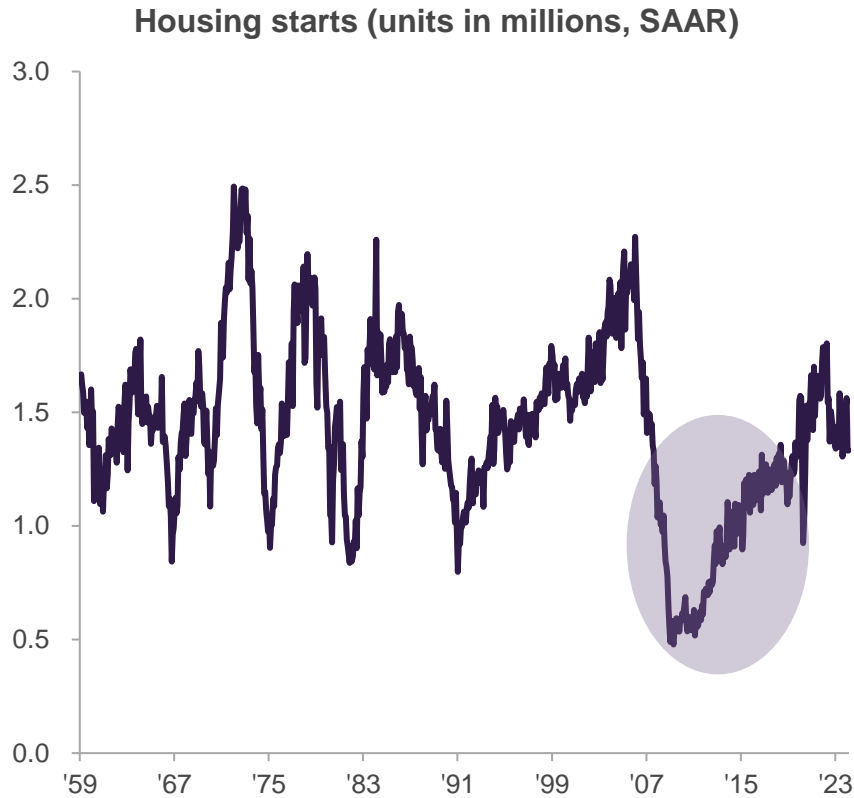
U.S. housing still massively under-supplied relative to household formation

Excess housing starts above household formation (units in millions)



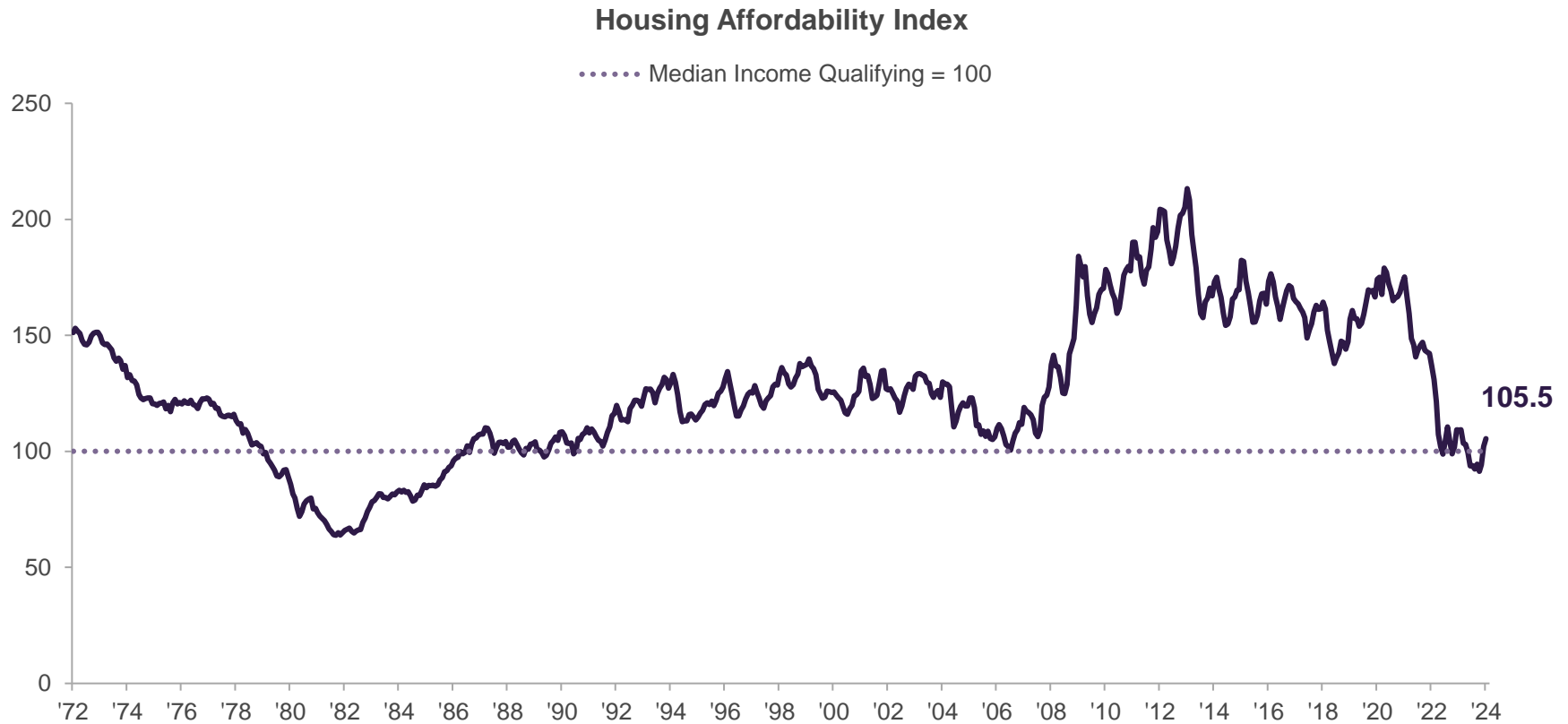
Sources: Truist IAG, Bloomberg, U.S. Census Bureau. Excess equals total housing starts (all single- and multi-family) less household formation; annual data through 2023.

U.S. housing still massively under-supplied after Great Financial Crisis



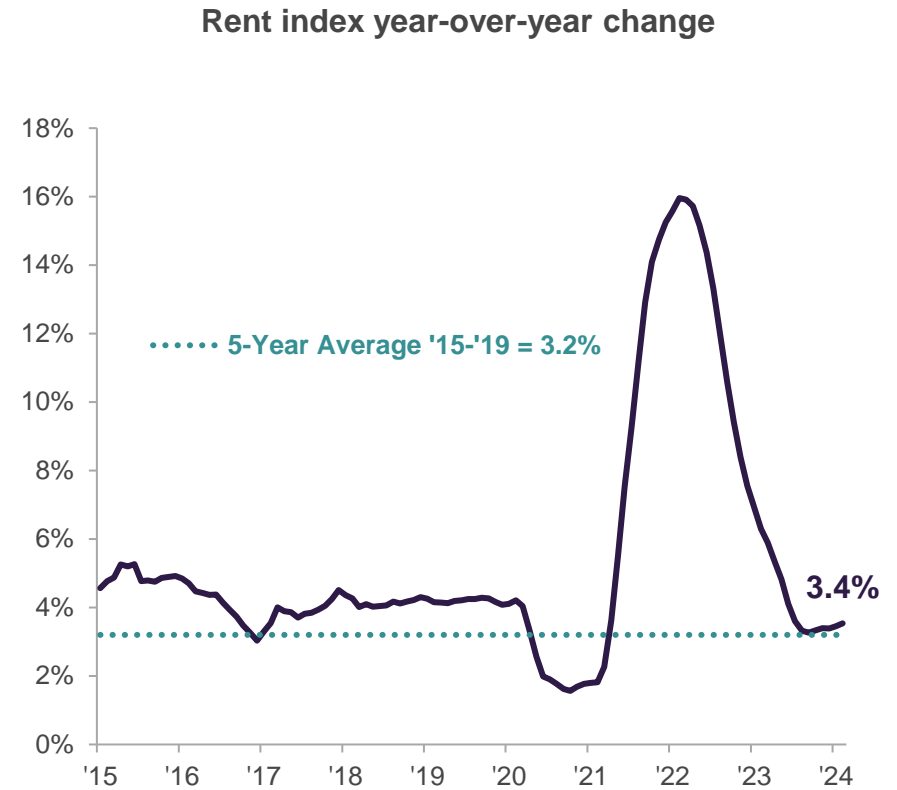
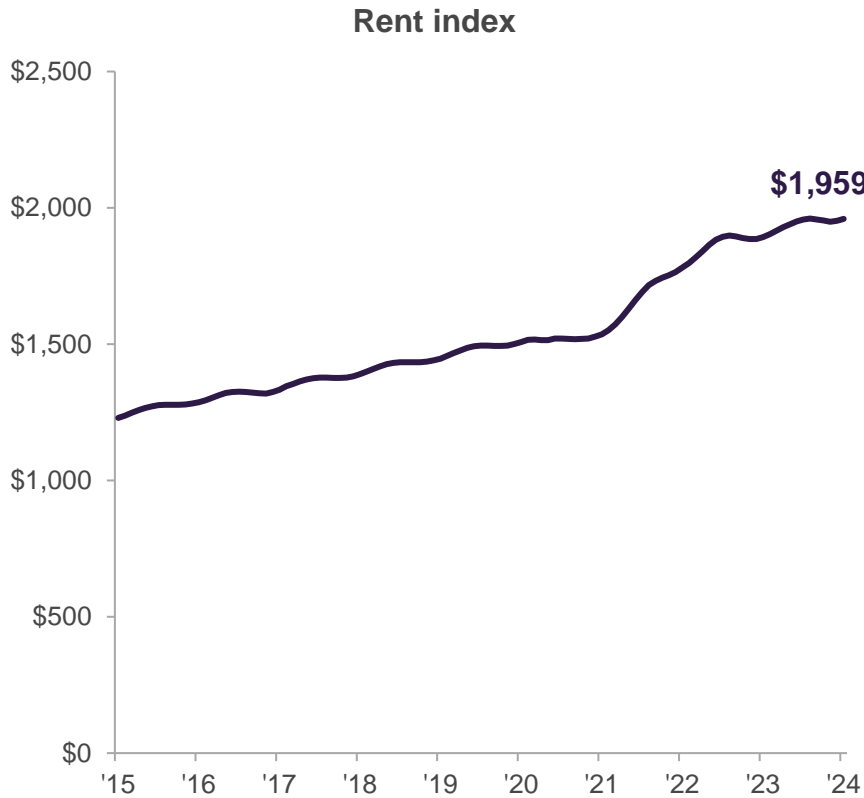
Sources: Truist IAG, Bloomberg, U.S. Census Bureau. Figures shown are seasonally-adjusted annualized rate (SAAR); monthly data through January 2024. Total housing units is all single- and multi-family units.

Housing: Single-family affordability impaired by higher rates & home prices



Sources: Truist IAG, Haver, NAR Composite Housing Affordability Index; monthly data through January 2024. 100 on the index is defined as the point where median-income families can qualify to purchase a median-priced existing single-family home (assuming 20% down payment and 25% of gross income devoted to mortgage principal and interest payments).

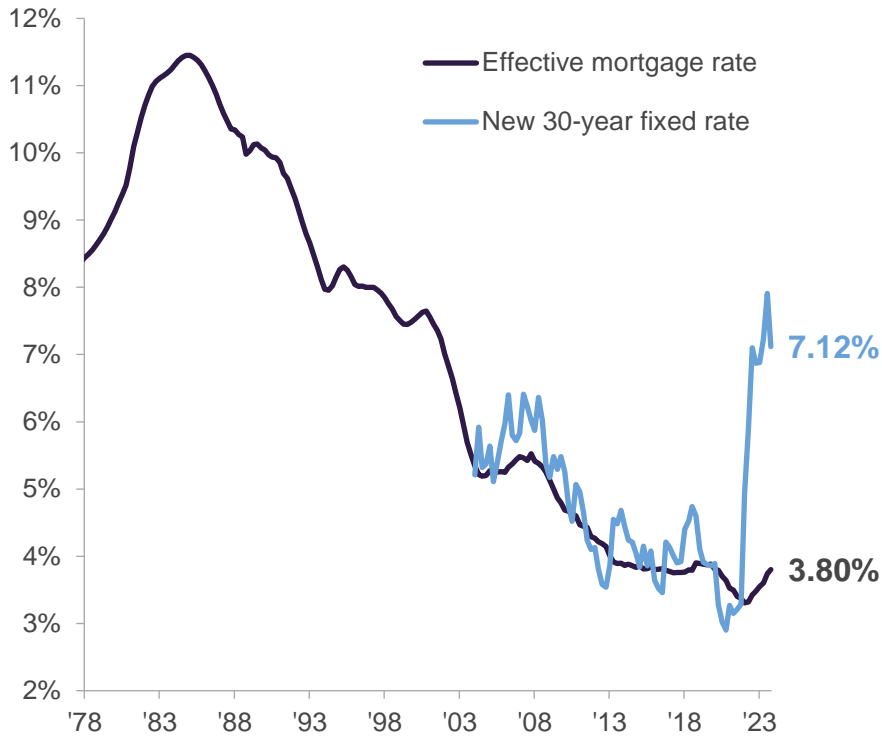
Monthly pace of rents cooling, but annual pace still above pre-COVID trend



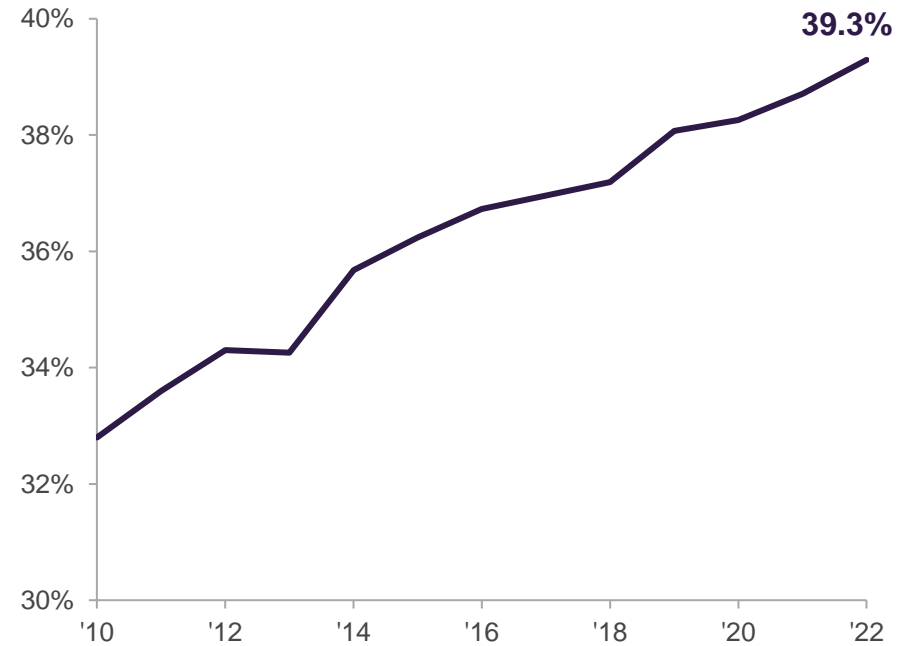
Source: Truist IAG, Bloomberg, Zillow; monthly data through February 2024.

Housing is different this time – Most locked-in low rates, more own outright

Effective mortgage rate vs. new mortgages



Percentage of U.S. homes without a mortgage



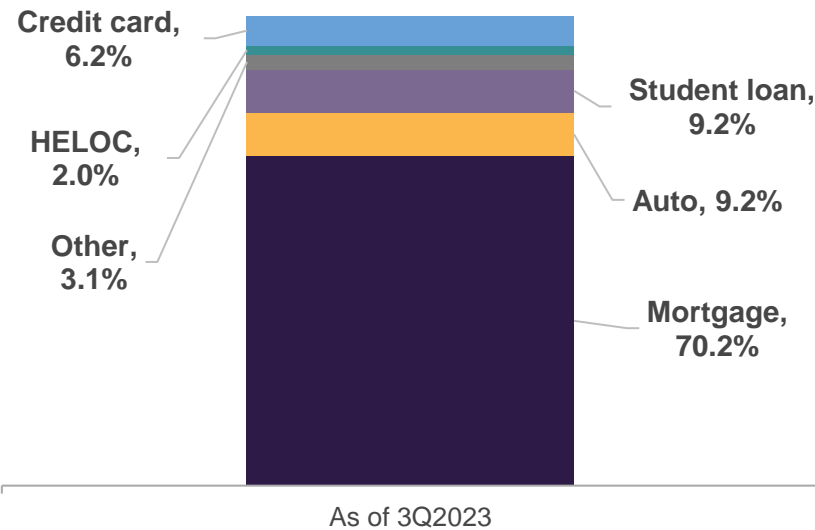
Data source: Truist IAG, Haver, Federal Reserve Board. Left chart: quarterly data through 3Q2023; right chart: annual data through 2022. The effective mortgage rate measures the rate of interest on U.S. mortgage debt outstanding.

Majority of consumer debt is fixed

Percentage of consumer debt by type
(% of total debt)

**Variable rate
debt = 11.3%**

**Fixed rate
debt = 88.7%**



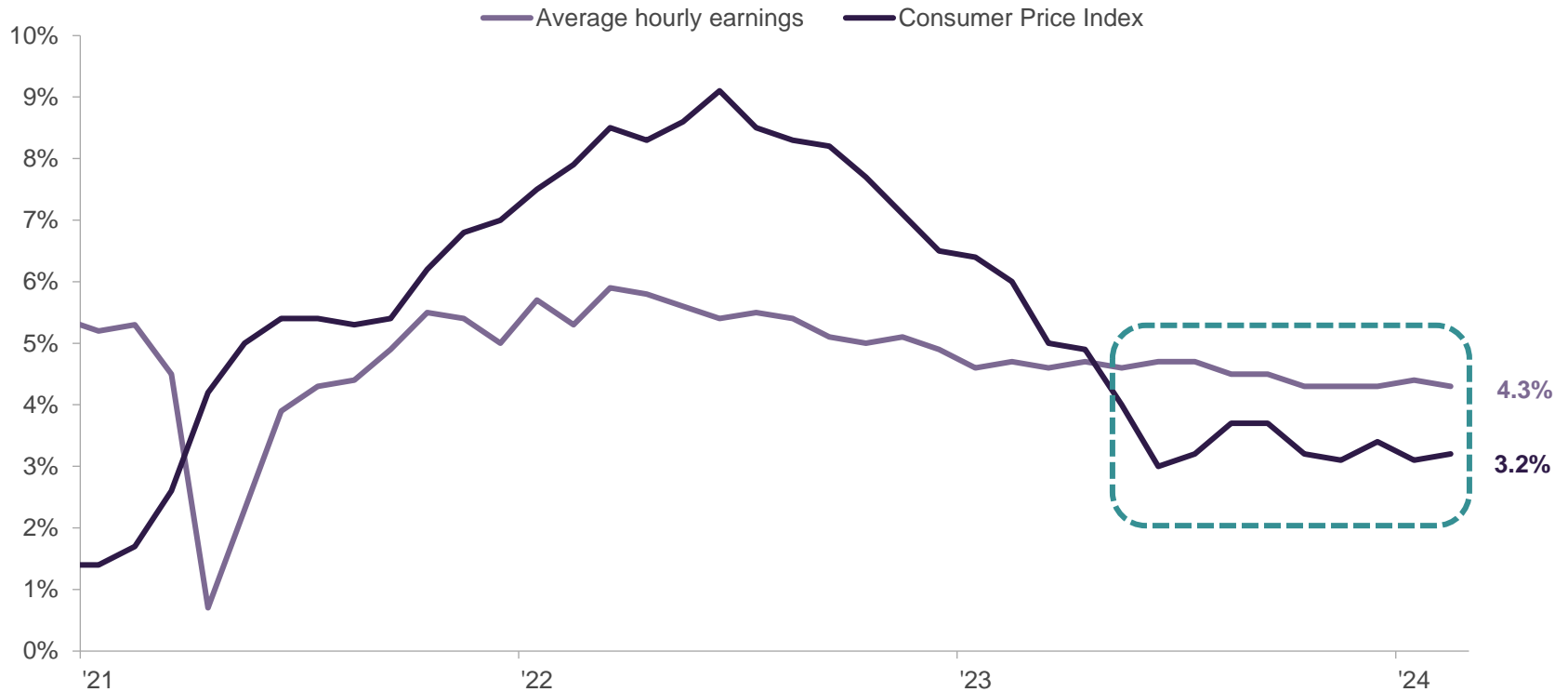
Household debt service ratio



Data source: Truist IAG, New York Fed Consumer Credit Panel/Equifax, Federal Reserve Board. Debt service payments as percentage of disposable personal income. Quarterly data through 3Q2023. Approximately 90% of mortgages are fixed rate.

Big positive for consumers – Wages growing faster than inflation again

Average hourly earnings (change year-over-year)



Data source: Truist IAG, Bloomberg, Bureau of Labor Statistics; monthly data through February 2024.

South Florida & The Magic City

10.3

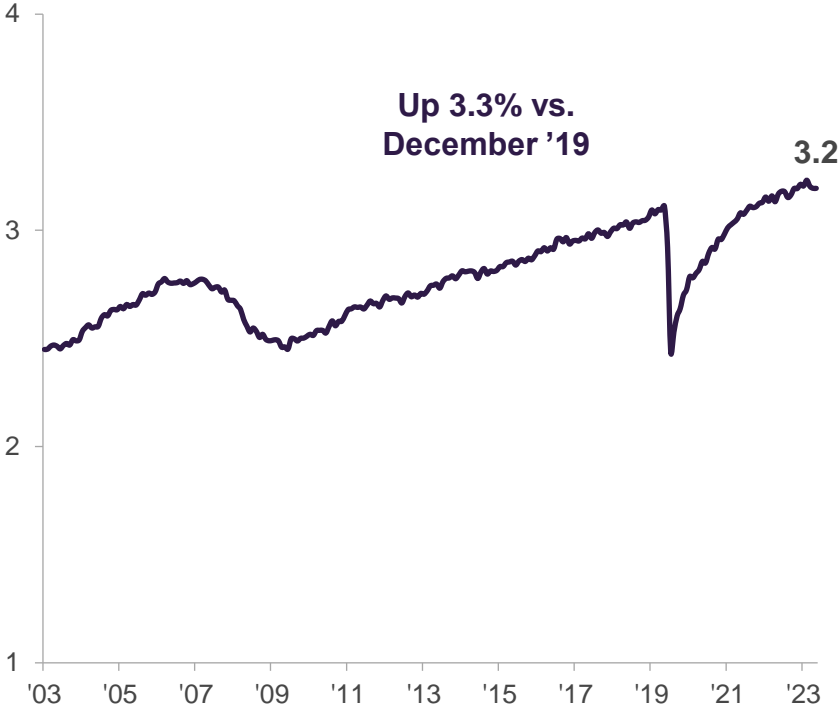
Source: PortMiami, Port Everglades

PortMiami	7.3M
Port Everglades	+3M
South Florida	<u>10.3M</u>
Port Canaveral	+6.8M
Total for Eastern FL	<u>17.1M</u>

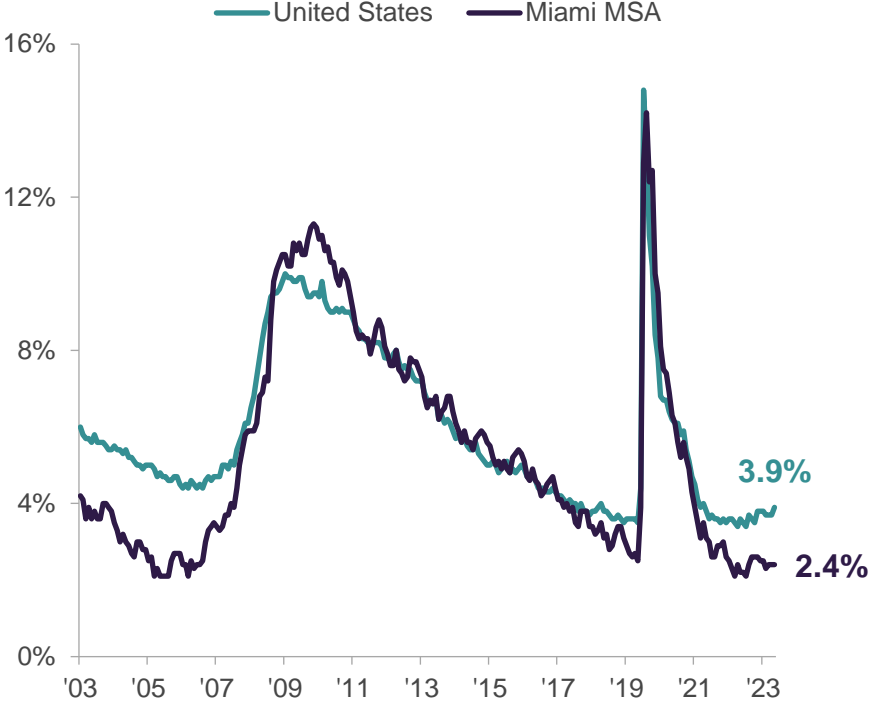
Source: PortMiami, Port Everglades, Port Canaveral

Miami employment remains solid

Number of full-time workers in Miami (in millions)



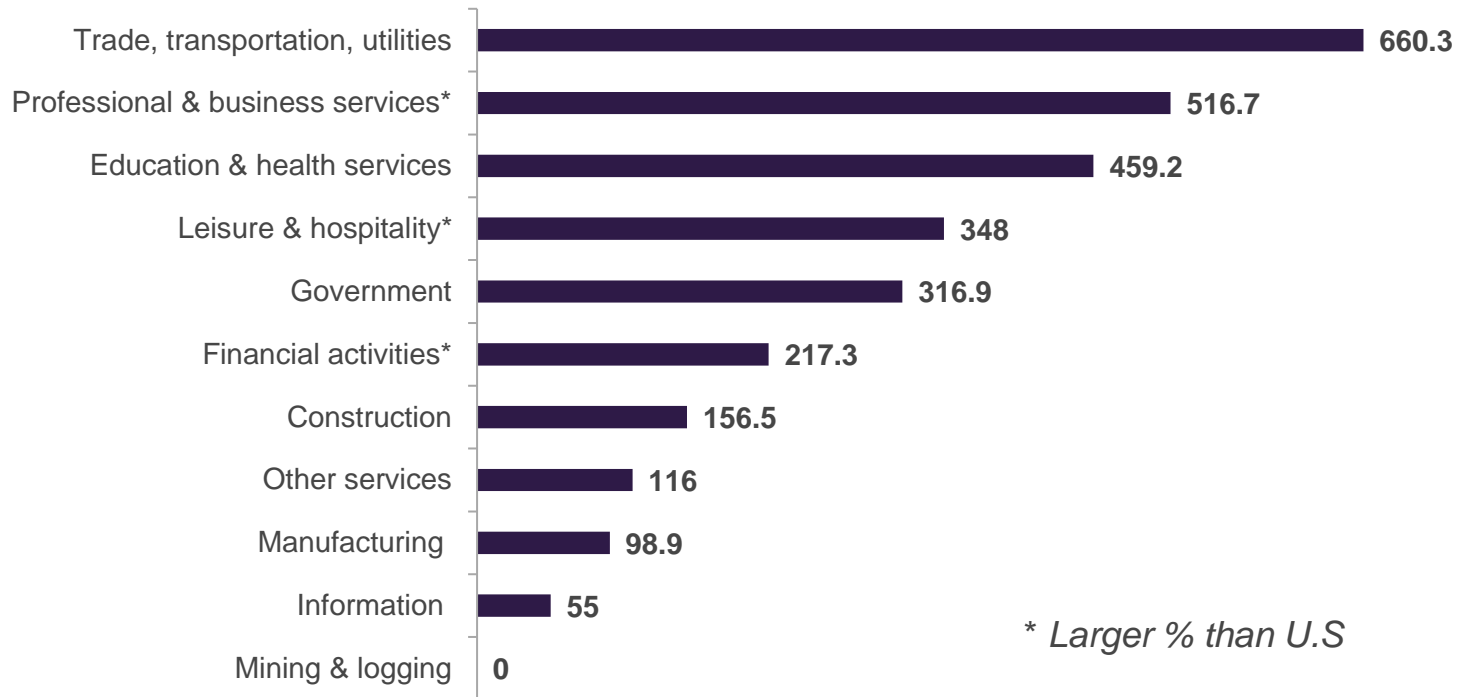
Unemployment rate



Data Source: Truist IAG, Bloomberg, Bureau of Labor Statistics. Monthly data, Miami through January 2024, U.S. through February 2024. Miami metropolitan statistical area (MSA) includes Miami-Fort Lauderdale-Pompano Beach, FL.

Miami employment – Industry view

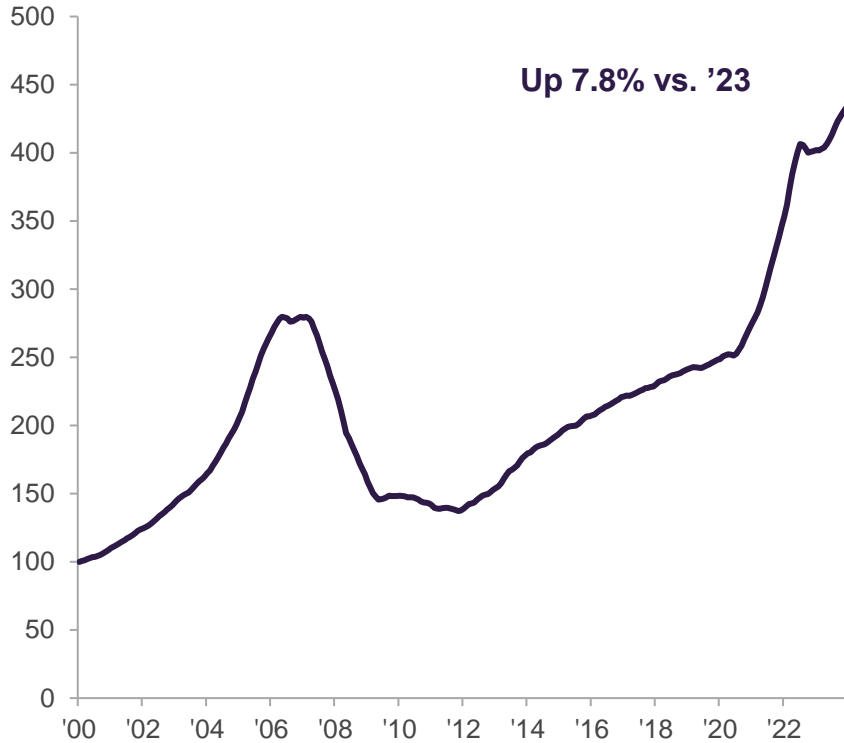
Employment by major industry group (in thousands)



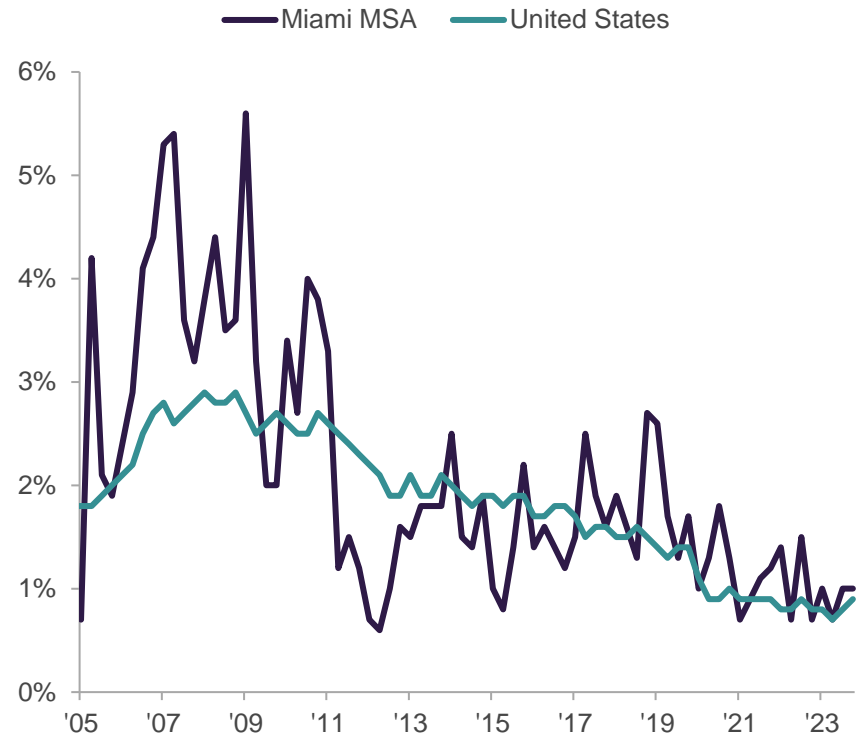
Data Source: Truist IAG, Bloomberg, Bureau of Labor Statistics. Monthly data, Miami through January 2024. Miami metropolitan statistical area (MSA) includes Miami-Fort Lauderdale-Pompano Beach, FL.

Miami home prices have jumped, but it's very different from 2006

Miami MSA home price index



Homeowner vacancy rate



Data Source: Truist IAG, Bloomberg, Haver, S&P/Case-Shiller, Census Bureau. Left chart: Monthly data through December 2023. Right chart: quarterly data through 4Q23. Miami metropolitan statistical area (MSA) includes Miami-Fort Lauderdale-Pompano Beach, FL.

Key takeaways

- U.S. avoids recession but stepdown in growth
- Consumers still solid: Wage growth > inflation
- Jobs hold the key
- Inflation continues to decline, but stays elevated

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