

WALTON



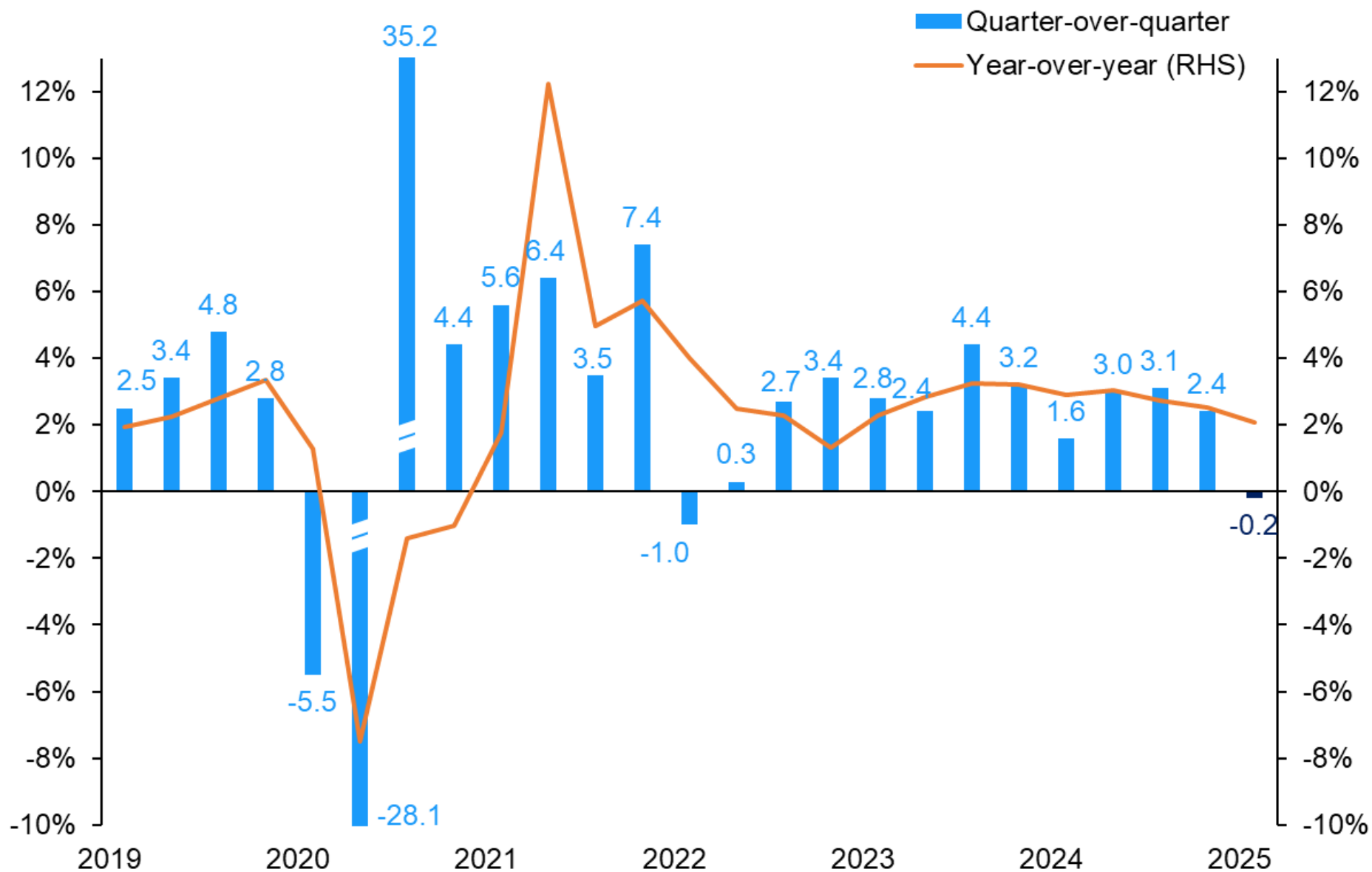
UNIVERSITY OF
ARKANSAS

Quarterly Business Analysis

Mervin Jebaraj, Director
Center for Business and Economic Research
June 18, 2025

Twitter: @MervinJebaraj
Slides: cber.uark.edu

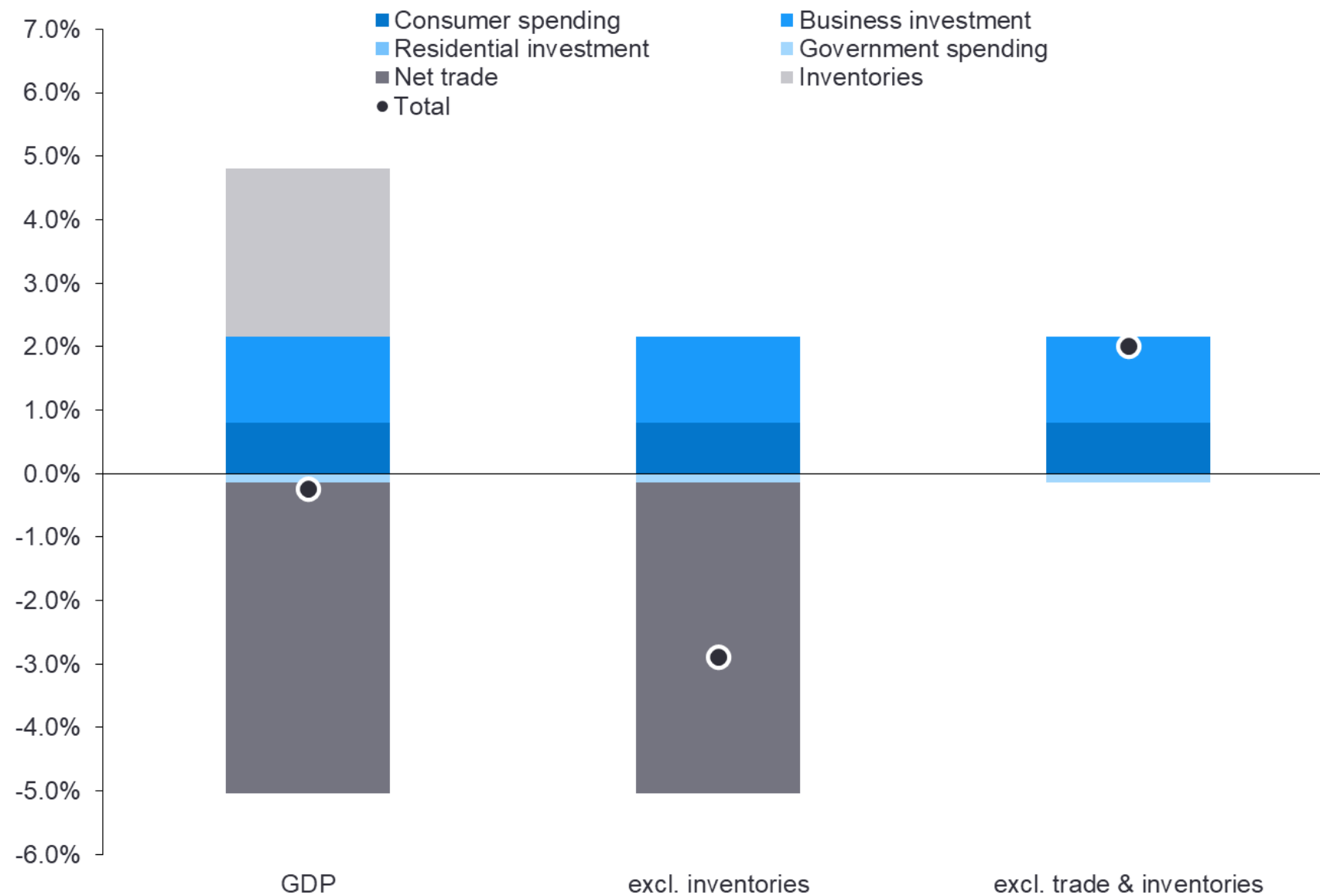
Real GDP Growth 2019 Q1 - 2025 Q1



Source: BEA, EY-Parthenon

Real GDP

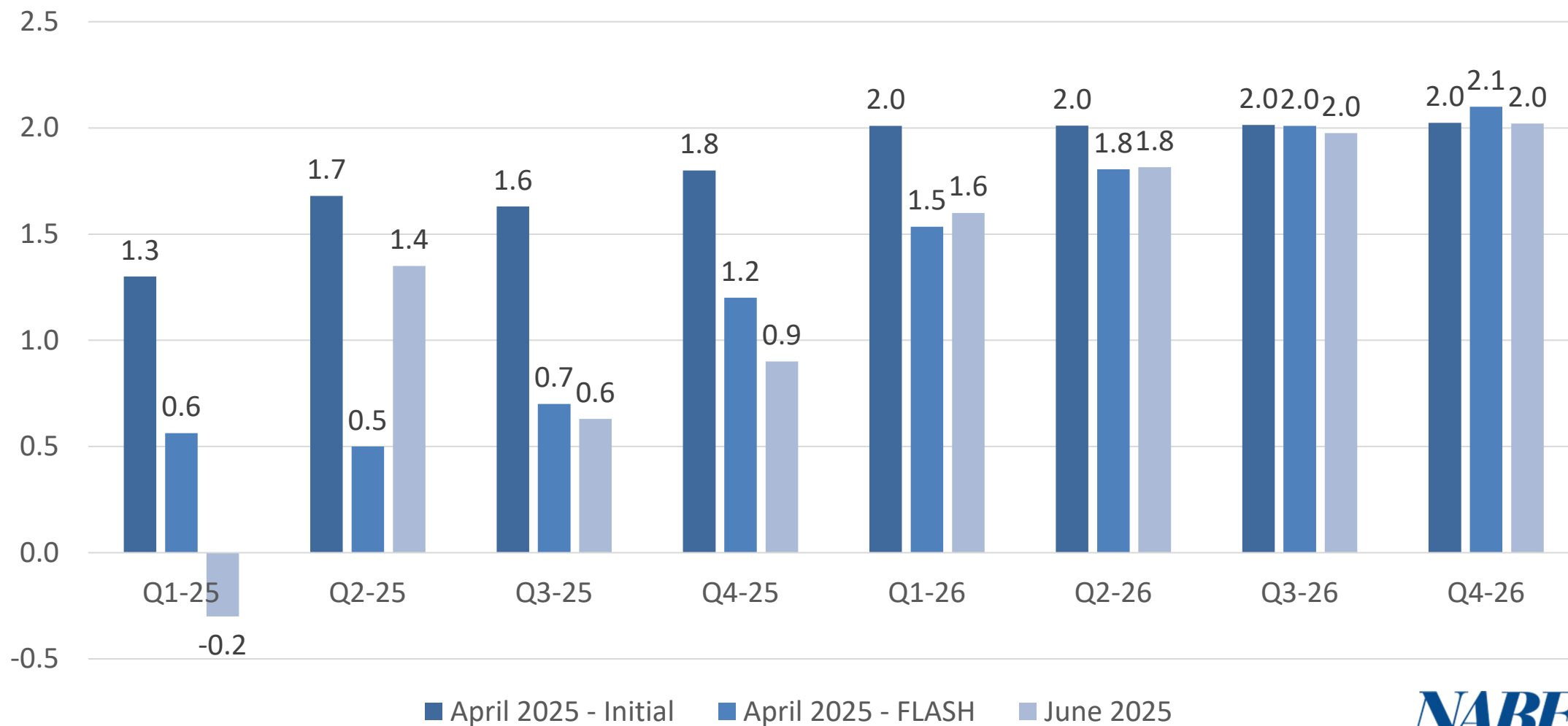
Percentage points contribution to GDP growth in Q1 2025



Source: BEA; EY-Parthenon

GDP

(% change, annual rate)
Median Quarterly Forecast



The Economist

Anatomy of Trudeau's fall
Inside Iran's sanctions-busting
Russia's spies go feral
Starship and the economics of space

OCTOBER 19TH-25TH 2024

THE ENVY OF THE WORLD

AMERICA'S
ECONOMY:
A SPECIAL
REPORT



The Economist

Xi's latest purge
Don't mess with the Fed
Africa's unstoppable diaspora
When AIs break the rules

APRIL 26TH-MAY 2ND 2025



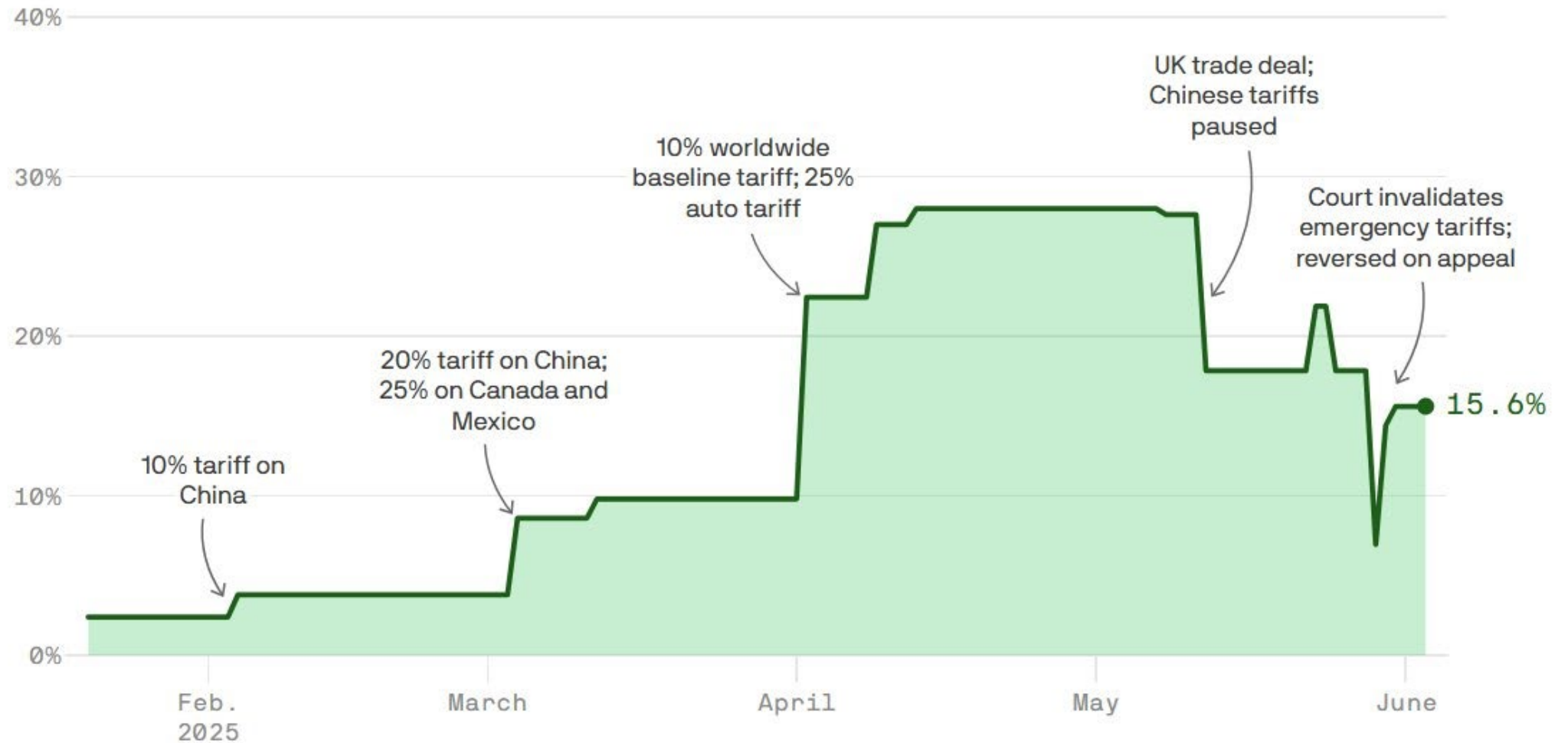
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lust

growth?

Average effective tariff rate

Daily, Jan. 20 to June 3, 2025

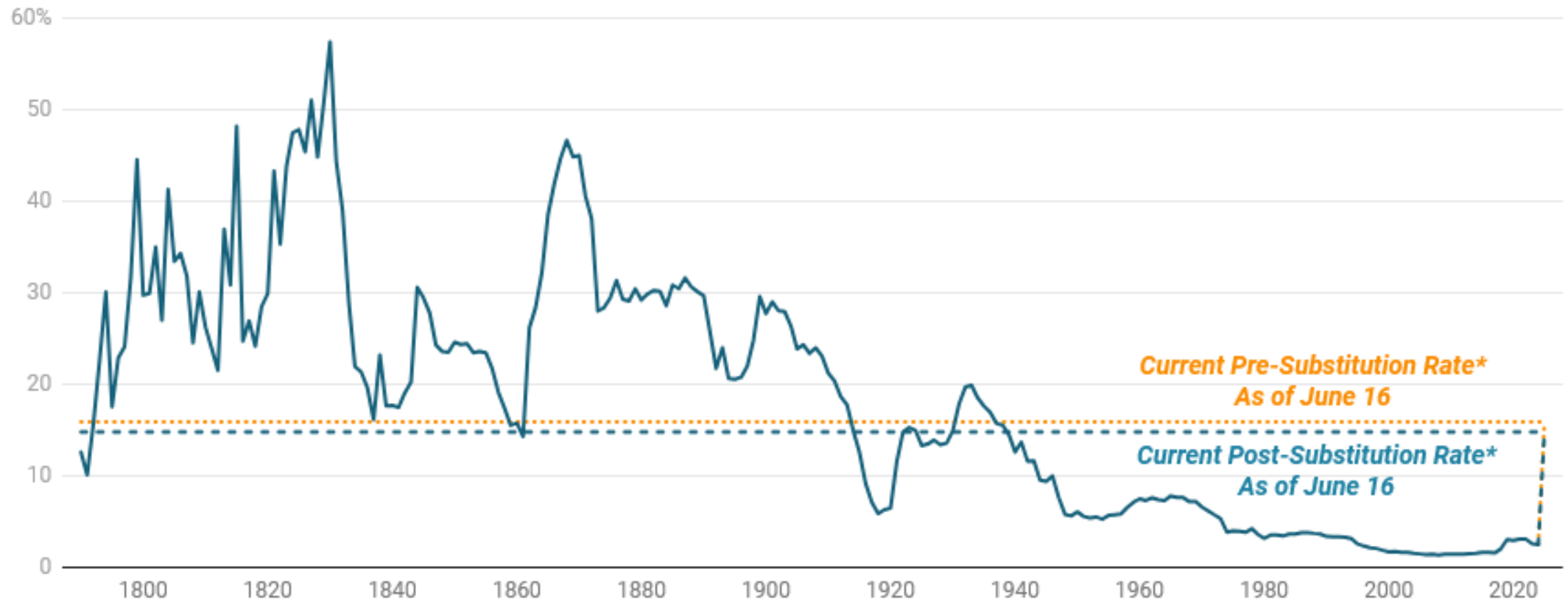


Data: [Budget Lab at Yale](#); Chart: Axios Visuals



Figure 2. U.S. Average Effective Tariff Rate Since 1790

Customs duty revenue as a percent of goods imports



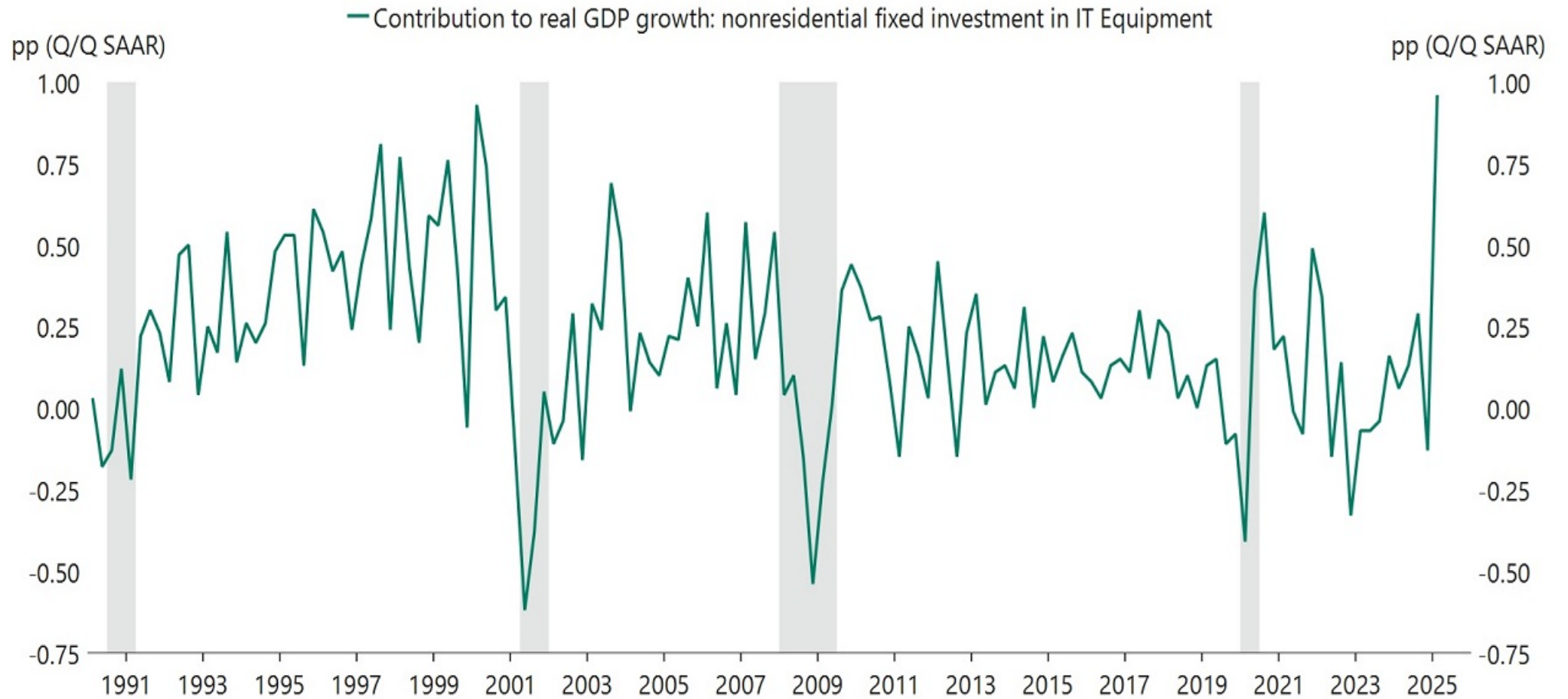
* Includes 50% steel & aluminum tariff.

Chart: The Budget Lab • Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis. • Created with [Datawrapper](#)

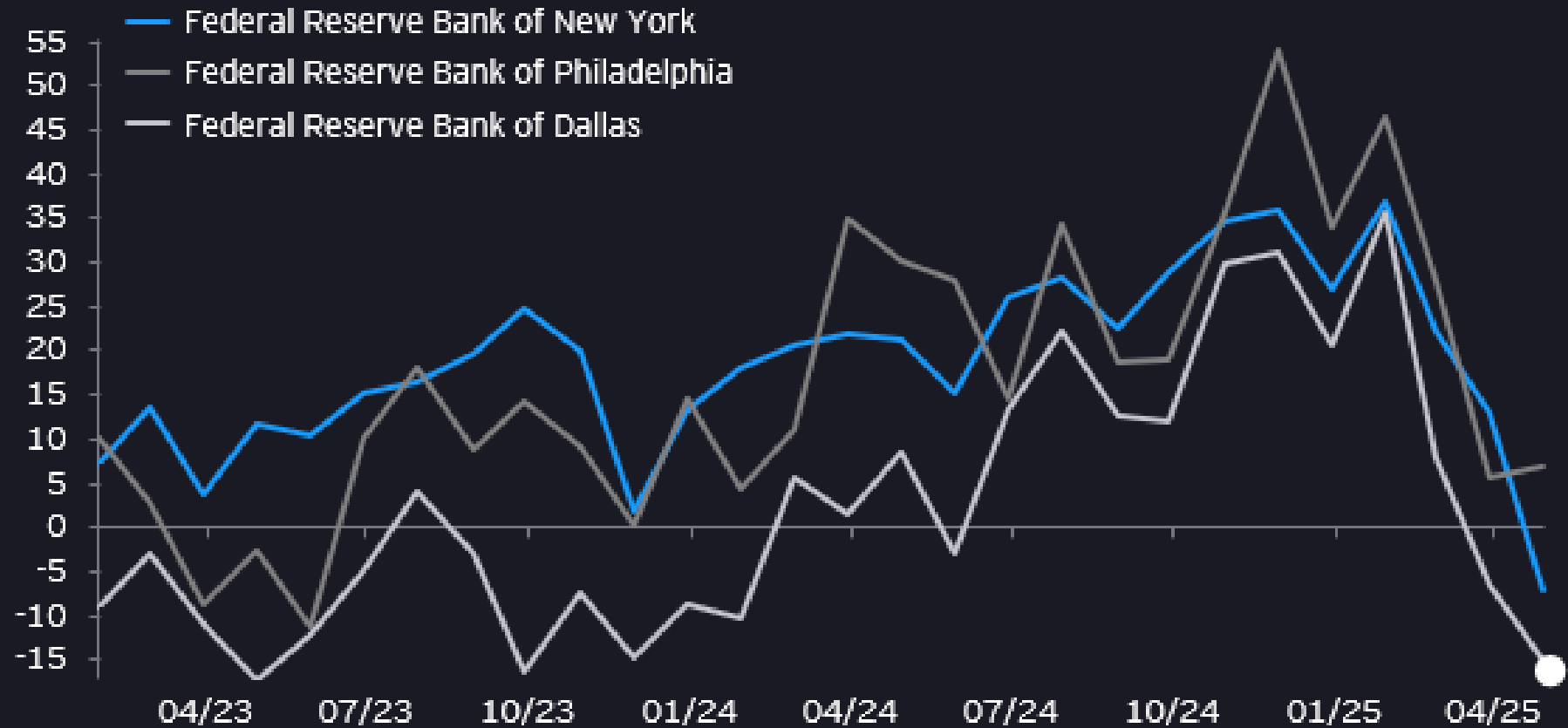


Real US GDP (Current Estimate)						
(Percent change, annualized)						
	2024Q1	2024Q2	2024Q3	2024Q4	2025Q1	YoY
GDP	1.6	3.0	3.1	2.4	-0.3	2.1
Consumer spending	1.9	2.8	3.7	4.0	1.8	3.1
<i>Durables</i>	-1.7	5.4	7.6	12.4	-3.4	5.3
<i>Nondurables</i>	-0.8	1.7	4.6	3.1	2.7	3.0
<i>Services</i>	3.4	2.7	2.8	3.0	2.4	2.7
Fixed Investment	6.5	2.3	2.1	-1.1	7.8	2.7
Nonresidential investment	4.5	3.9	4.0	-3.0	9.8	3.6
<i>Structures</i>	6.2	0.2	-5.0	2.9	0.4	-0.4
<i>Equipment</i>	0.3	9.9	10.8	-8.7	22.5	8.0
<i>Intellectual property</i>	7.5	0.7	3.1	-0.5	4.1	1.8
Residential investment	13.7	-2.8	-4.3	5.5	1.3	-0.1
Exports	1.9	1.0	9.6	-0.2	1.8	40.7
Imports	6.1	7.6	10.7	-1.9	41.3	3.0
Government spending	1.8	3.0	5.1	3.1	-1.5	13.4
Federal	-0.4	4.3	8.9	4.0	-5.1	2.4
<i>Federal Defense</i>	-2.5	6.5	13.9	4.8	-8.0	2.9
<i>Federal Nondefense</i>	2.6	1.6	2.6	2.9	-1.0	4.0
State & Local	3.1	2.3	2.9	2.5	0.8	1.5

Source: EY-Parthenon, BEA

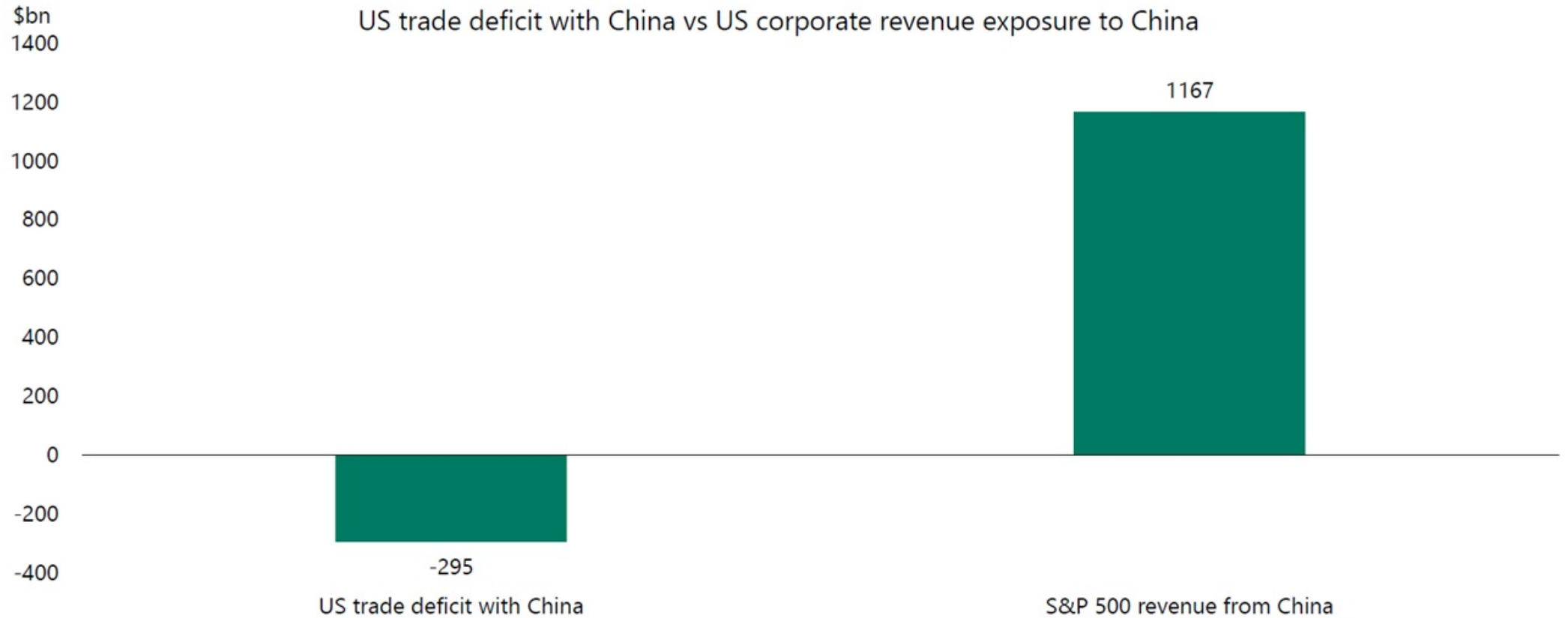


General business condition expectations¹ January 2023-April 2025

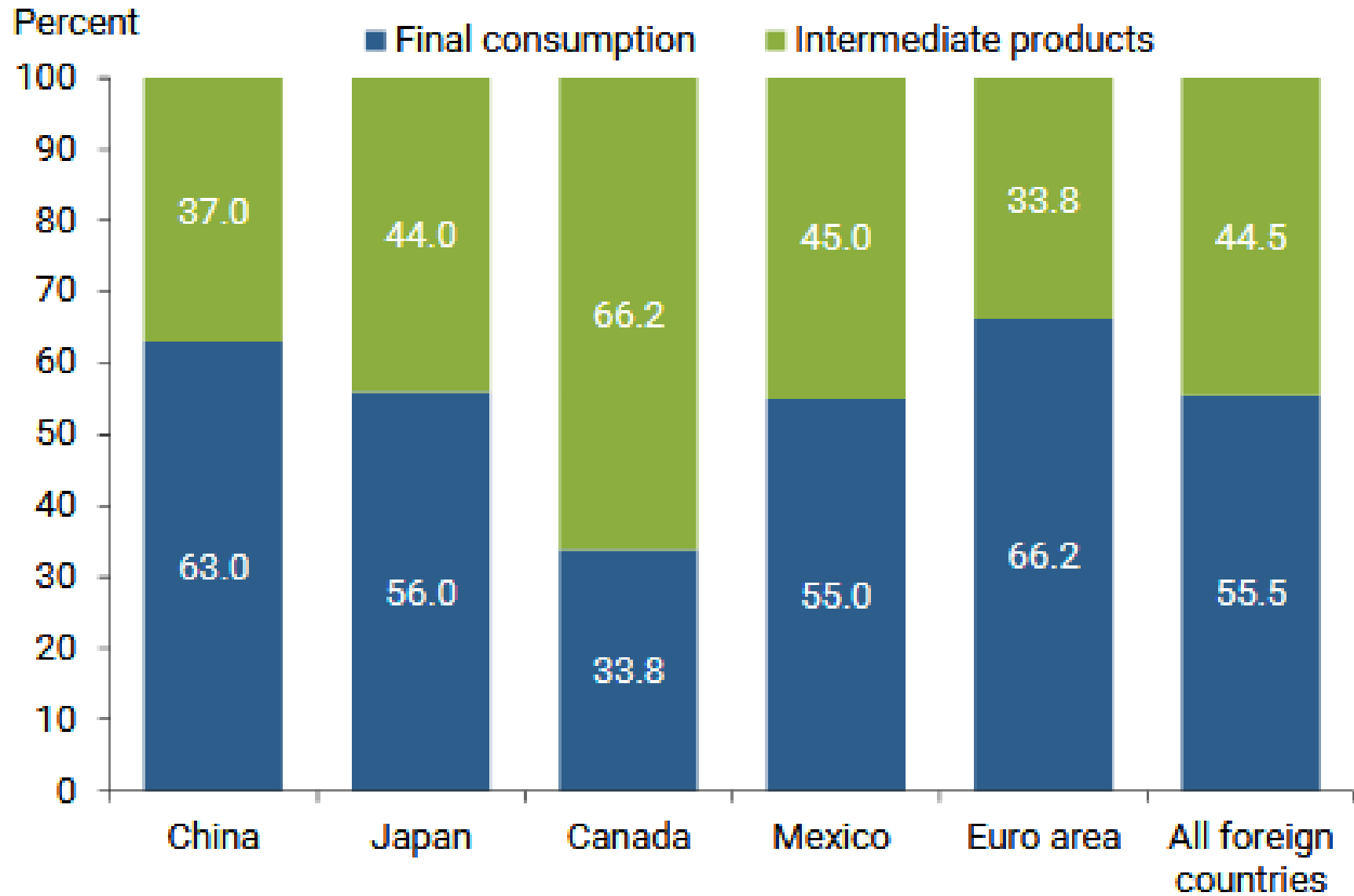




S&P 500 revenue from China is roughly four times the US trade deficit with China

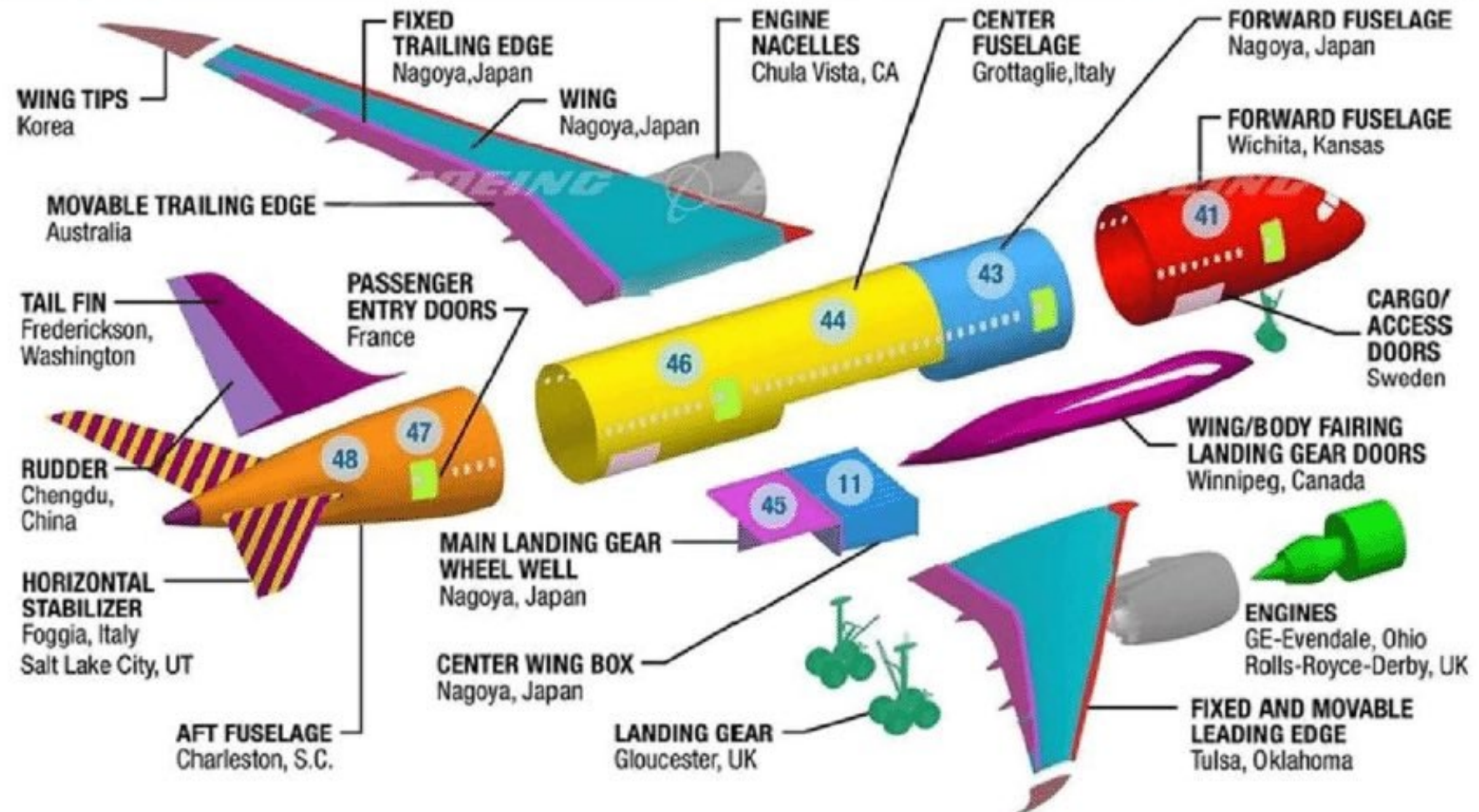


Where do imports "from..." go?

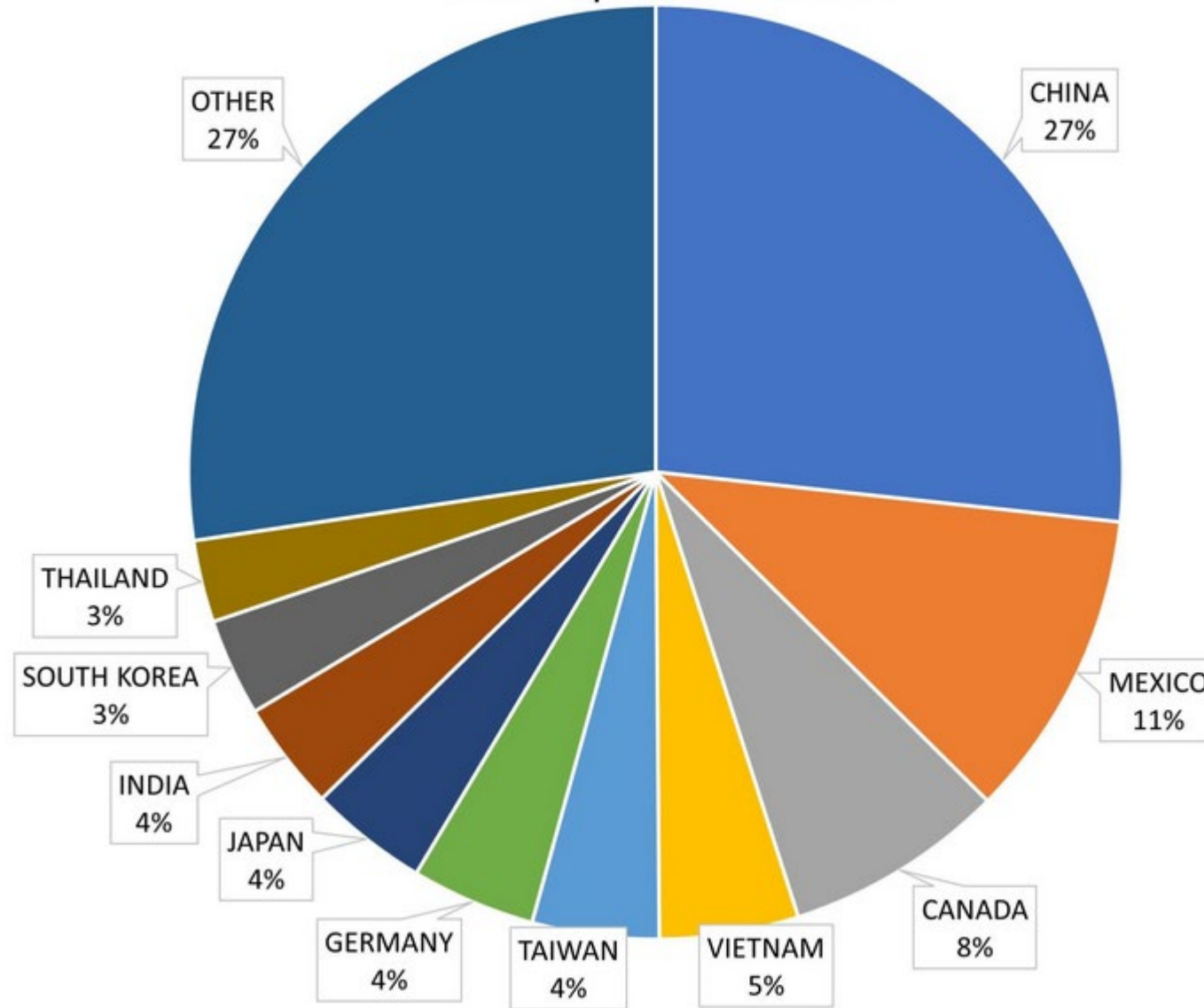


THE COMPANIES

U.S.	CANADA	AUSTRALIA	ASIA	EUROPE
Boeing	Boeing	Boeing	Kawasaki	Messier-Dowty
Spirit	Messier-Dowty		Mitsubishi	Rolls-Royce
Vought			Fuji	Latecoere
GE			KAL-ASD	Alenia
Goodrich			Chengdu Aircraft Industrial	Saab



Share of Imports that are Used in Residential Construction
2023 Import Value Share



















NORTH AMERICAN AUTO SUPPLY CHAIN

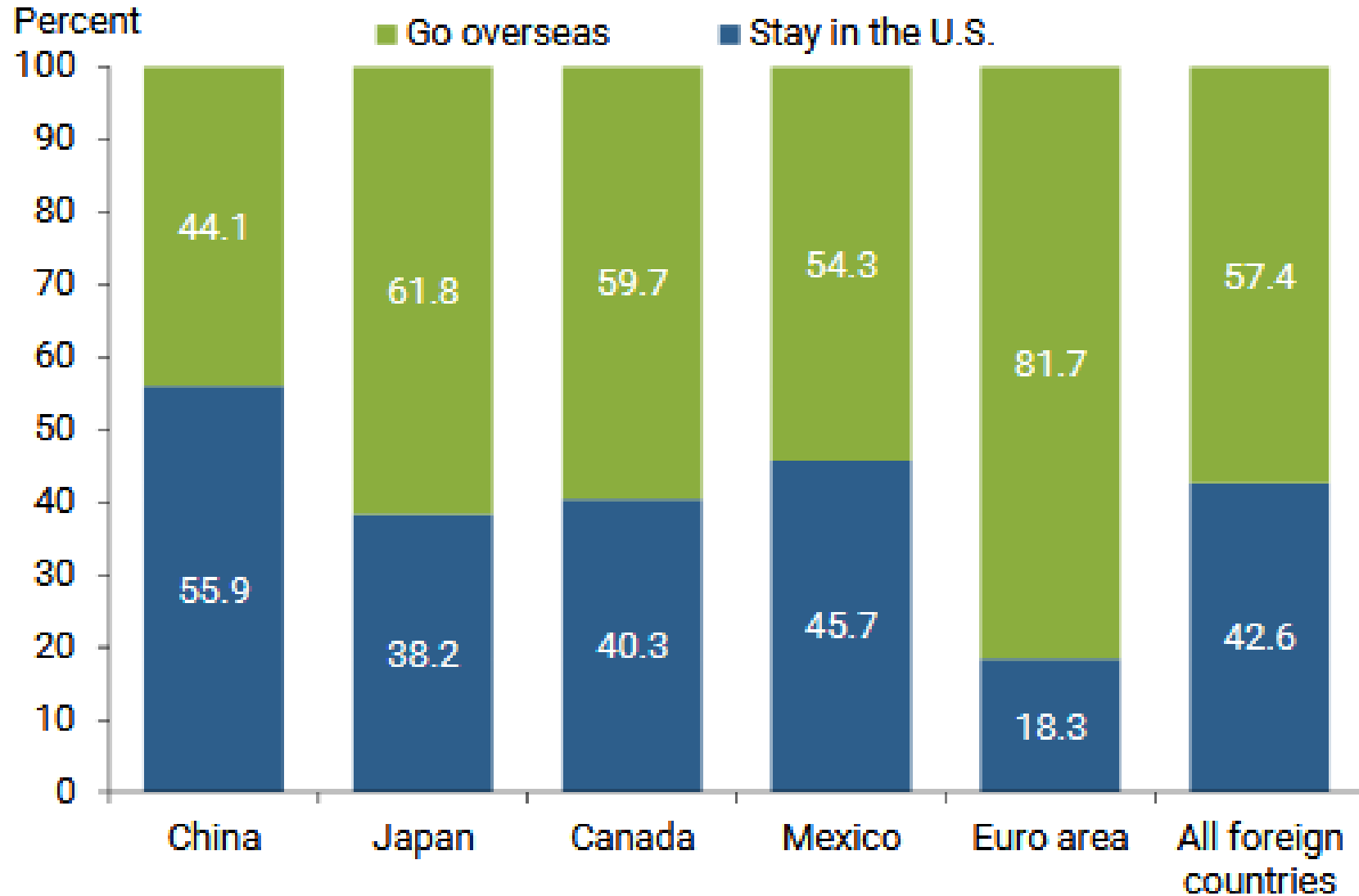
A transmission module, through seven steps, starts life in Ontario as scrap metal and goes back and forth across the border seven times. This is a summary of that journey.



SUPPLY CHAIN STEPS

-  → 
Scrap metal from Guelph sent to smelter
-  → 
Ohio plant sends to Linamar a part called a hub made from the smelted steel
-  → 
Aluminum housings from plant in Mexico's Coahuila state
-  → 
Other parts for assembly process supplied from Illinois
-  → 
Parts sent to transmission assembly plant
-  → 
Completed transmissions sent for vehicle assembly
-  → 
Vehicles delivered to dealership network

Where do expenditures on “made in...” go?

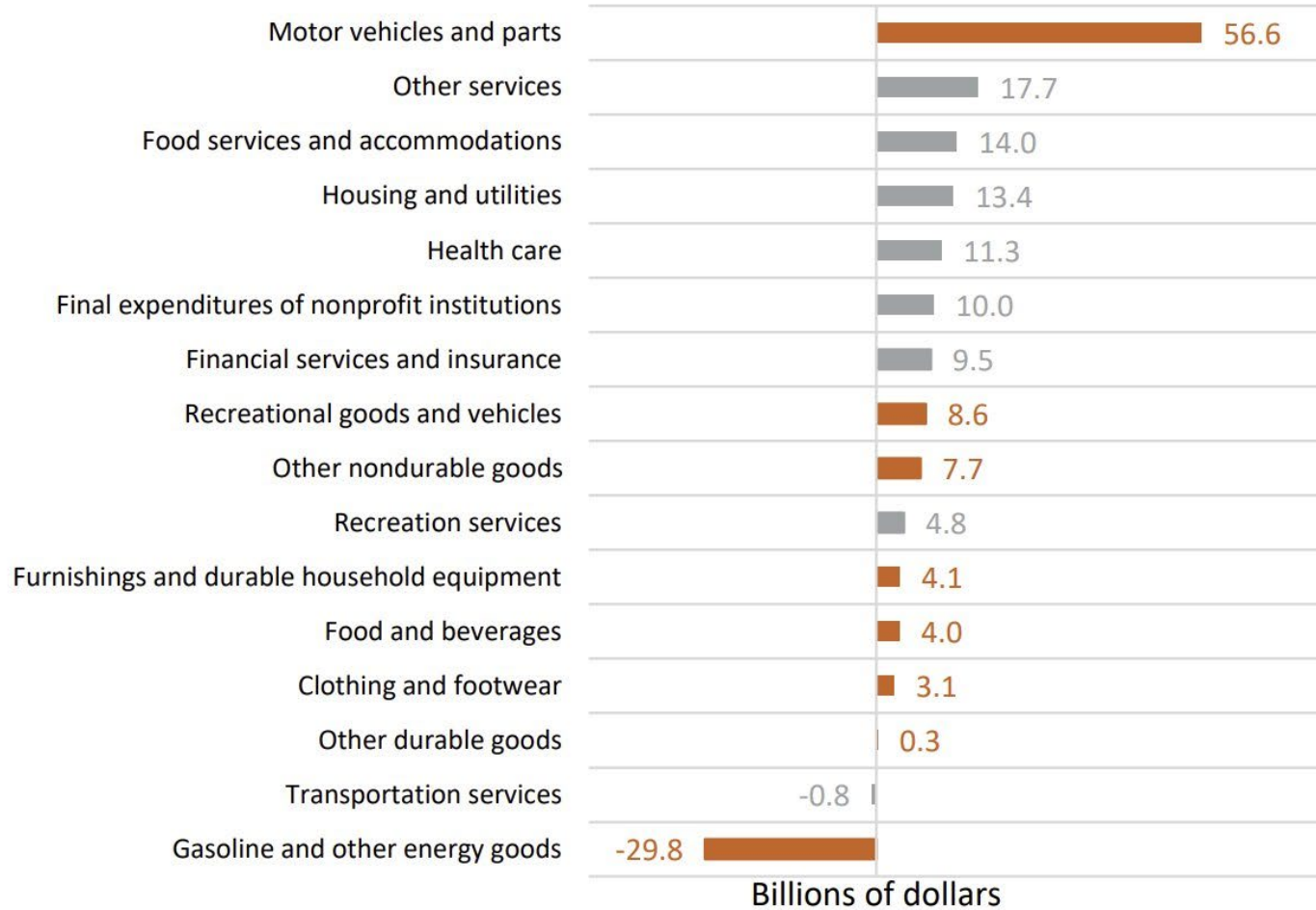


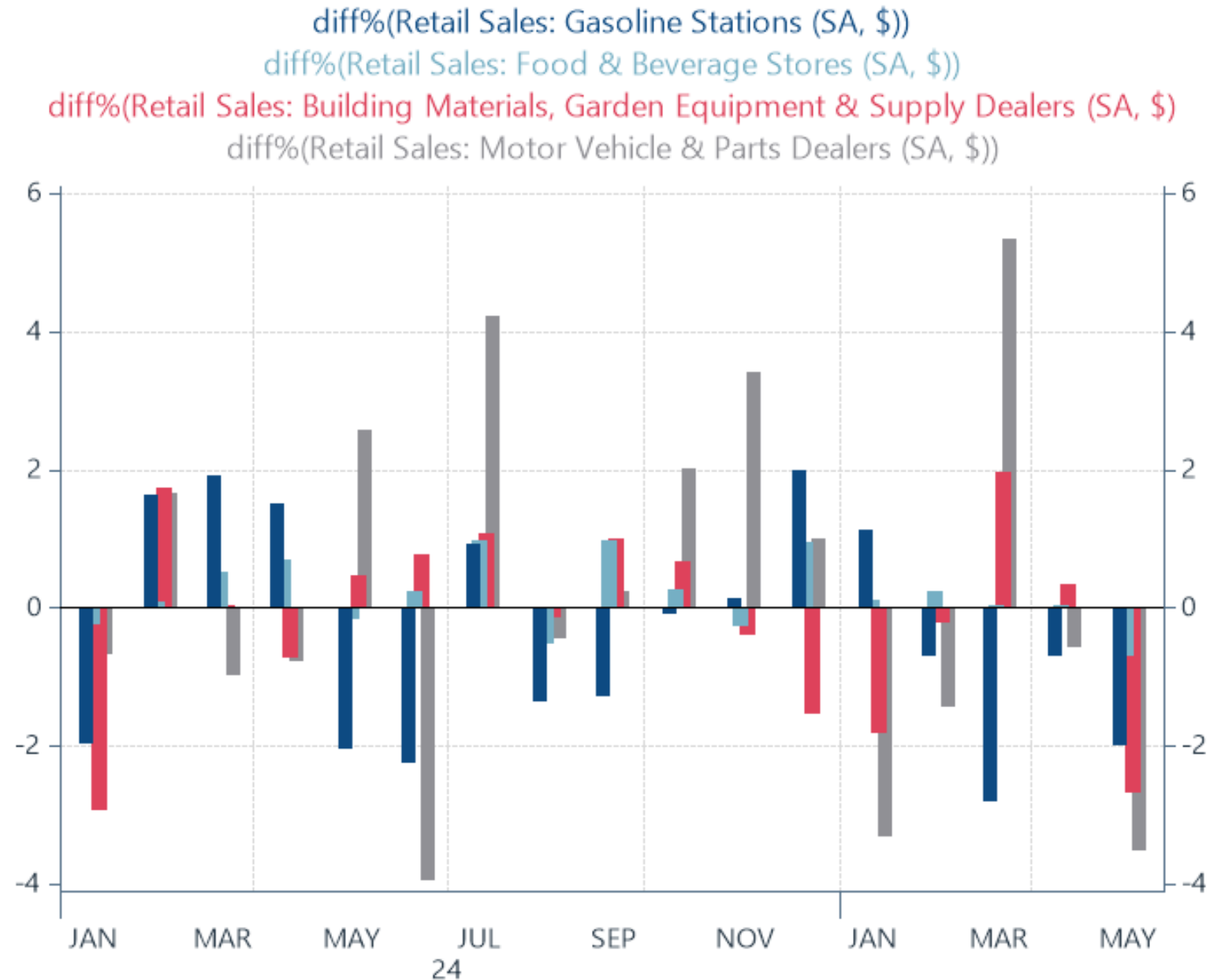


Changes in Monthly Consumer Spending, March 2025

Consumer spending increased \$134.5 billion

■ Goods ■ Services

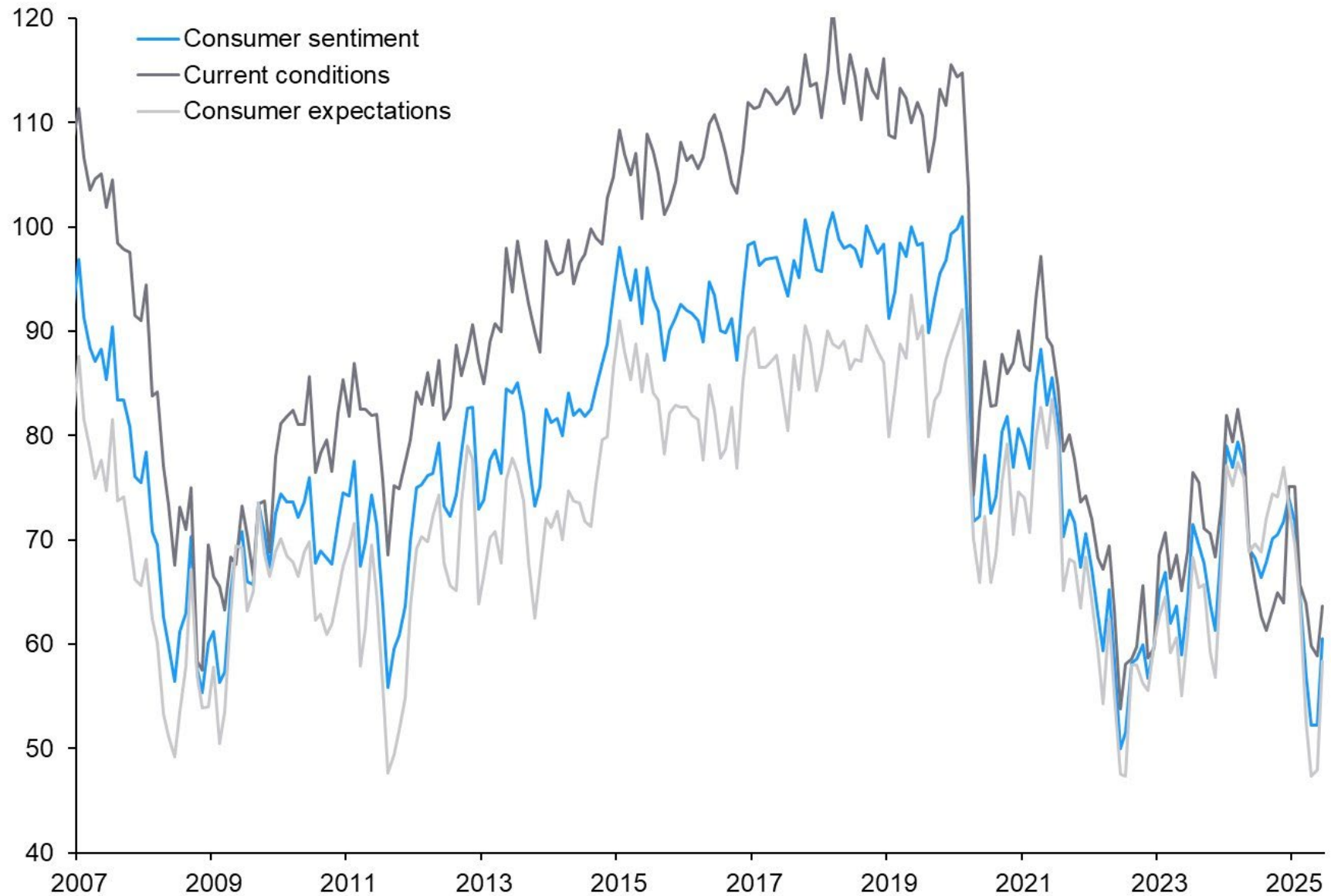




Source: @ernietedeschi analysis/Census Bureau/Haver Analytics

University of Michigan consumer sentiment index

January 2007 - June 2025 (1966 Q1=100)

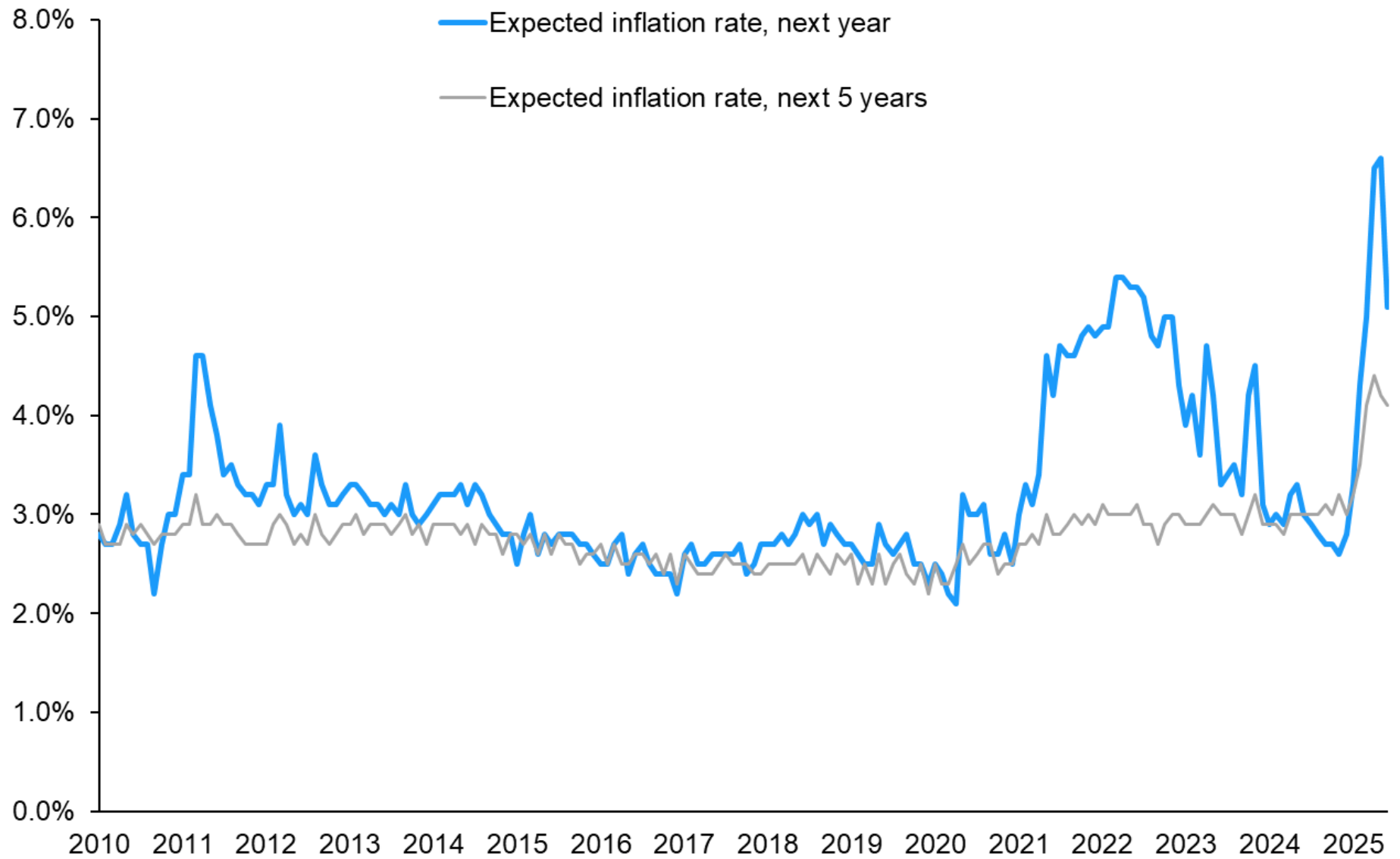


Source: University of Michigan; EY-Parthenon



University of Michigan inflation expectations

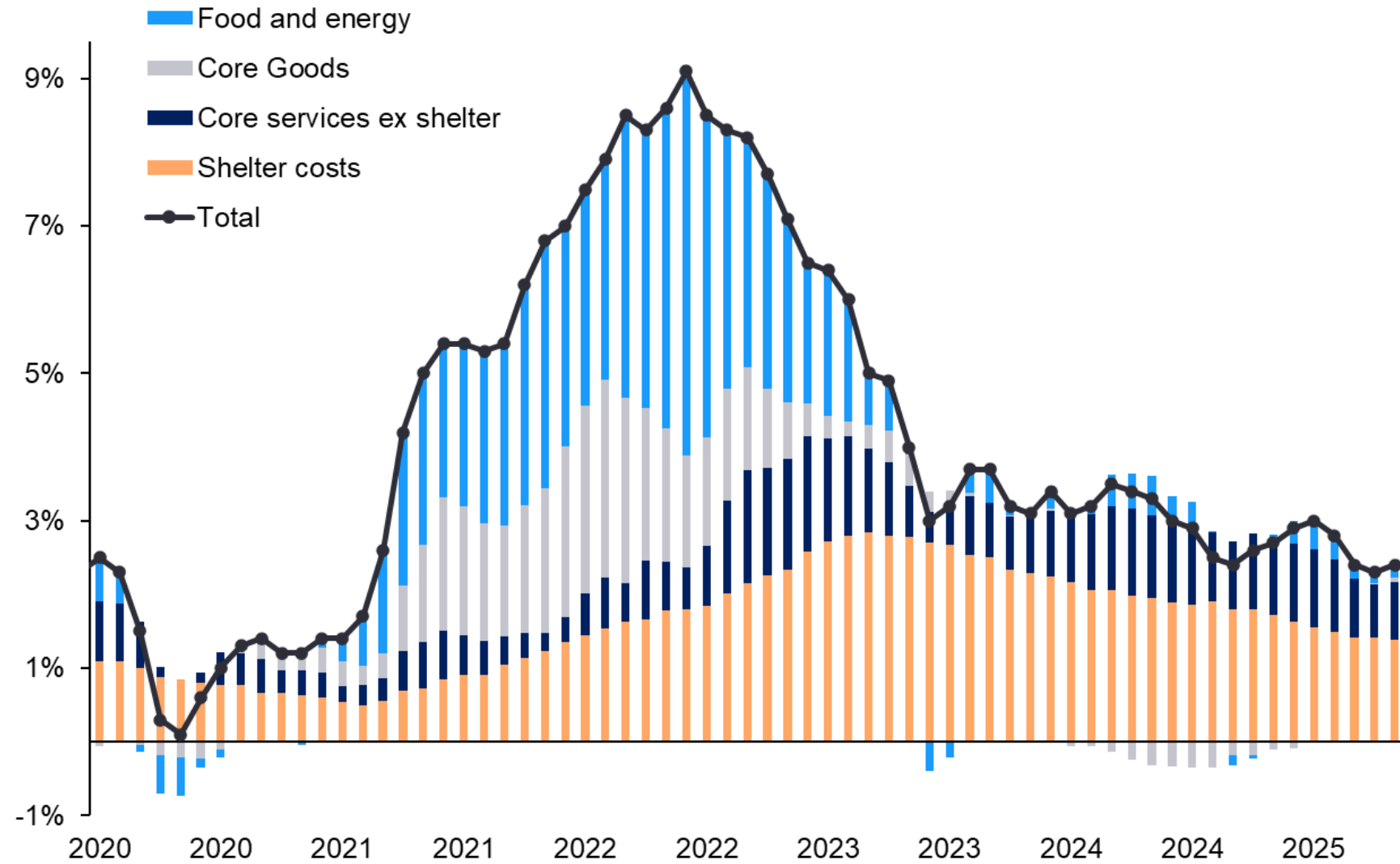
January 2010 - June 2025 (%)



Source: University of Michigan; EY-Parthenon

Year-over-year percent change in consumer price index (CPI)

January 2020 - May 2025



Source: BLS; EY-Parthenon

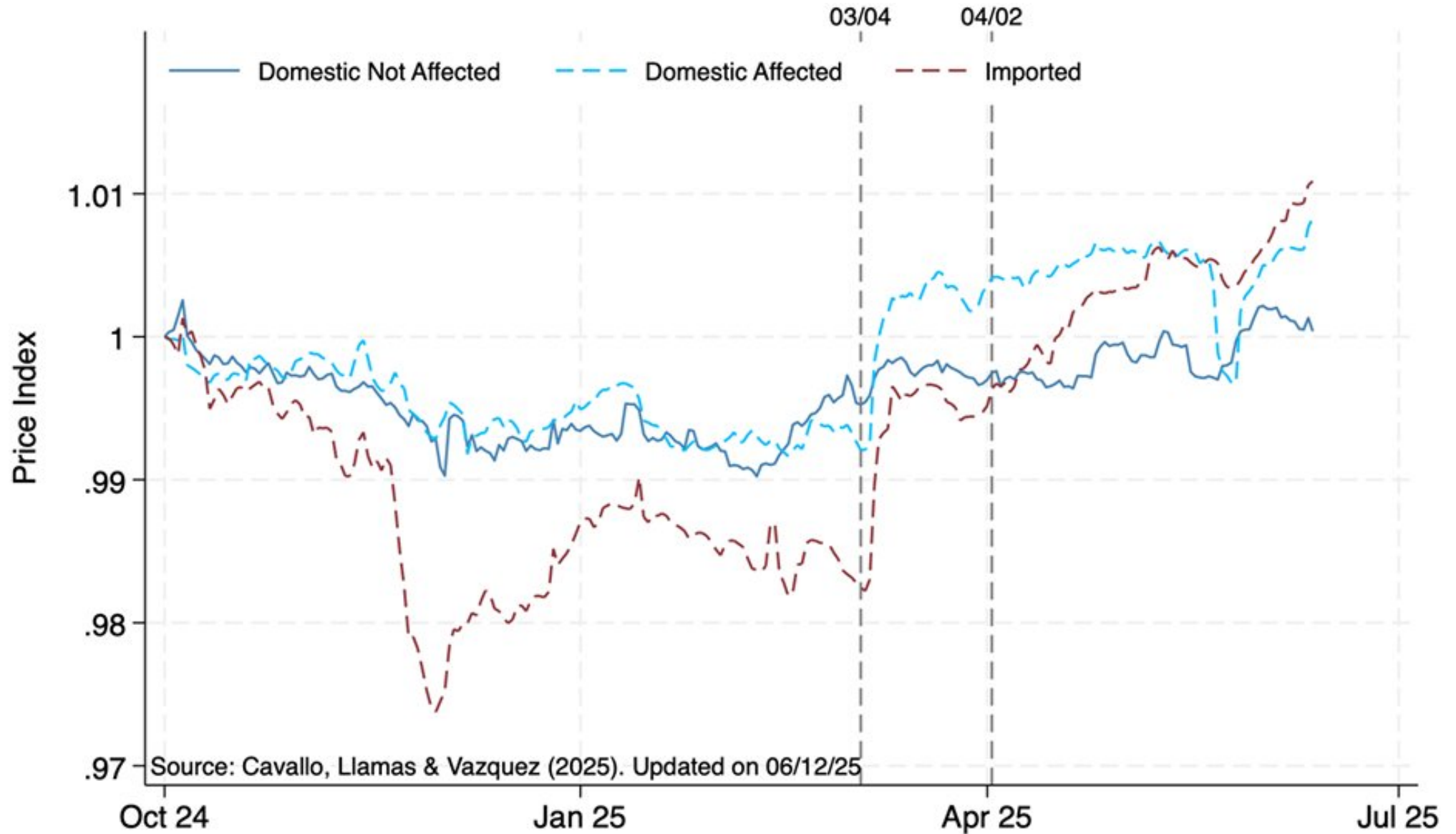
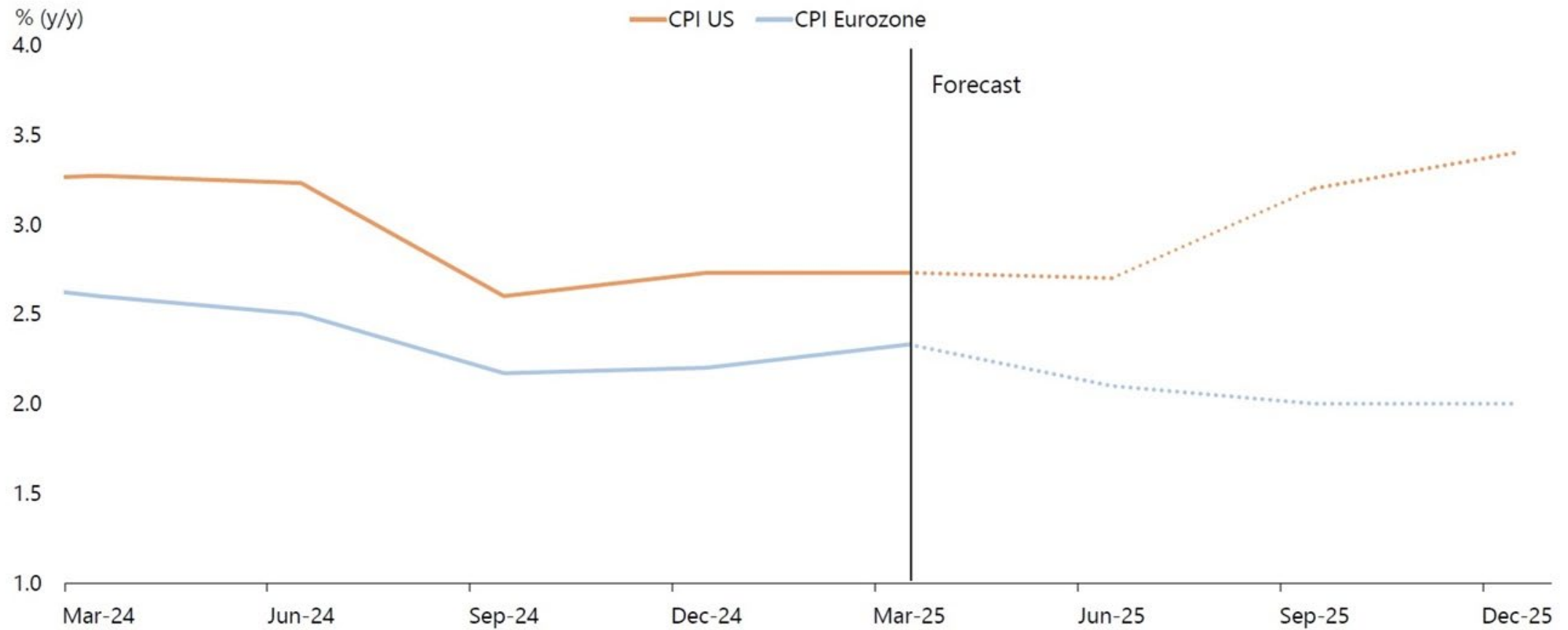
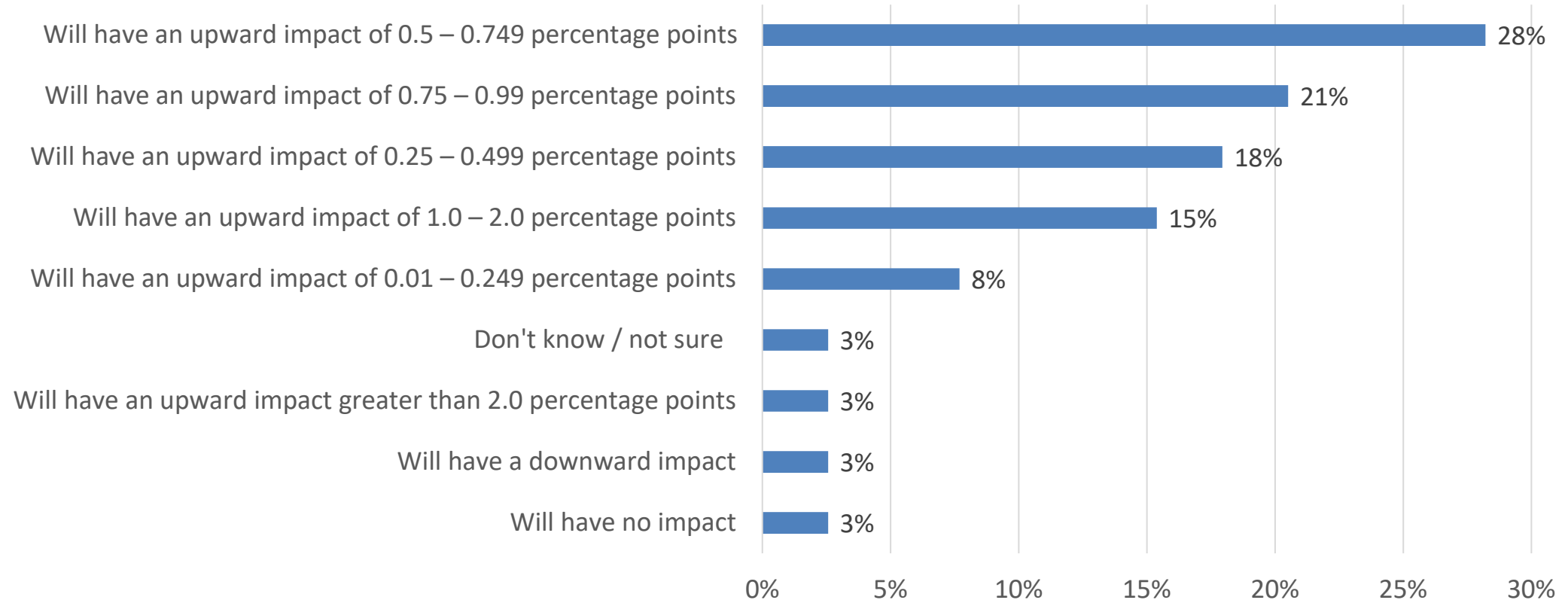


Figure 3: U.S. Retail Price Indices in Affected and Unaffected Categories

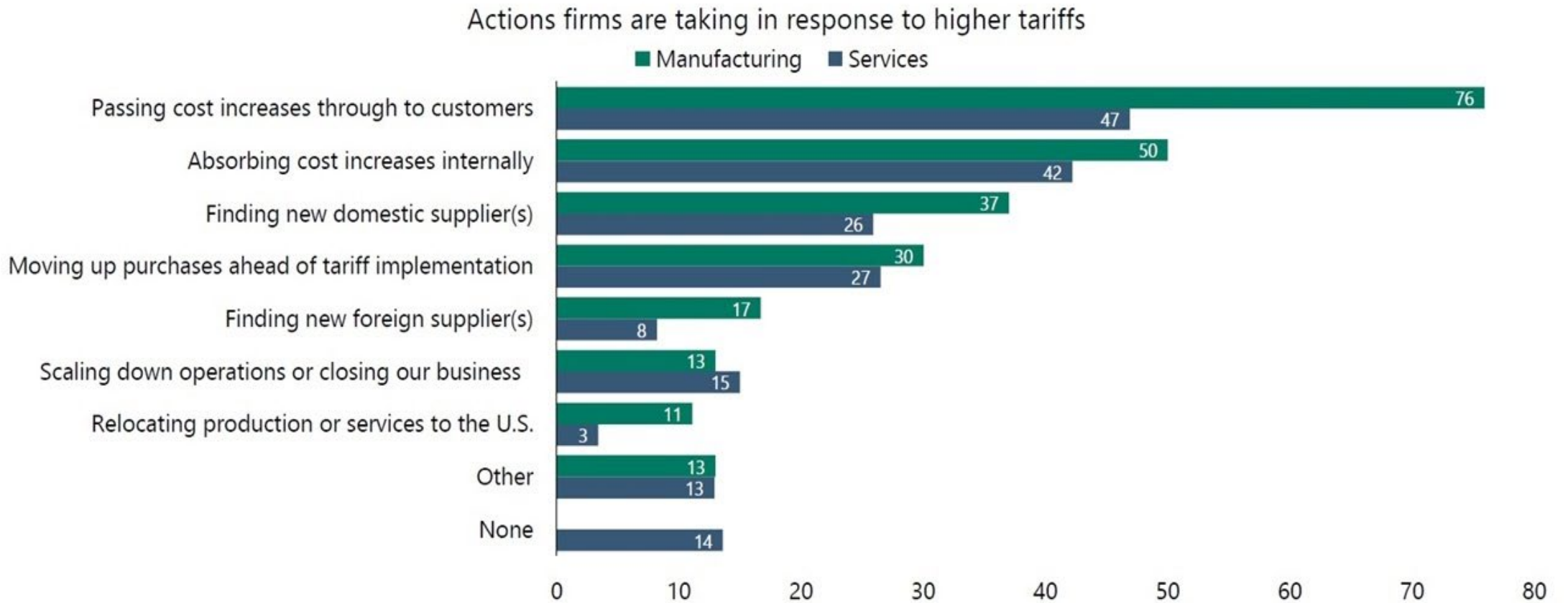
Consensus expects inflation to rise in the US and fall in Europe

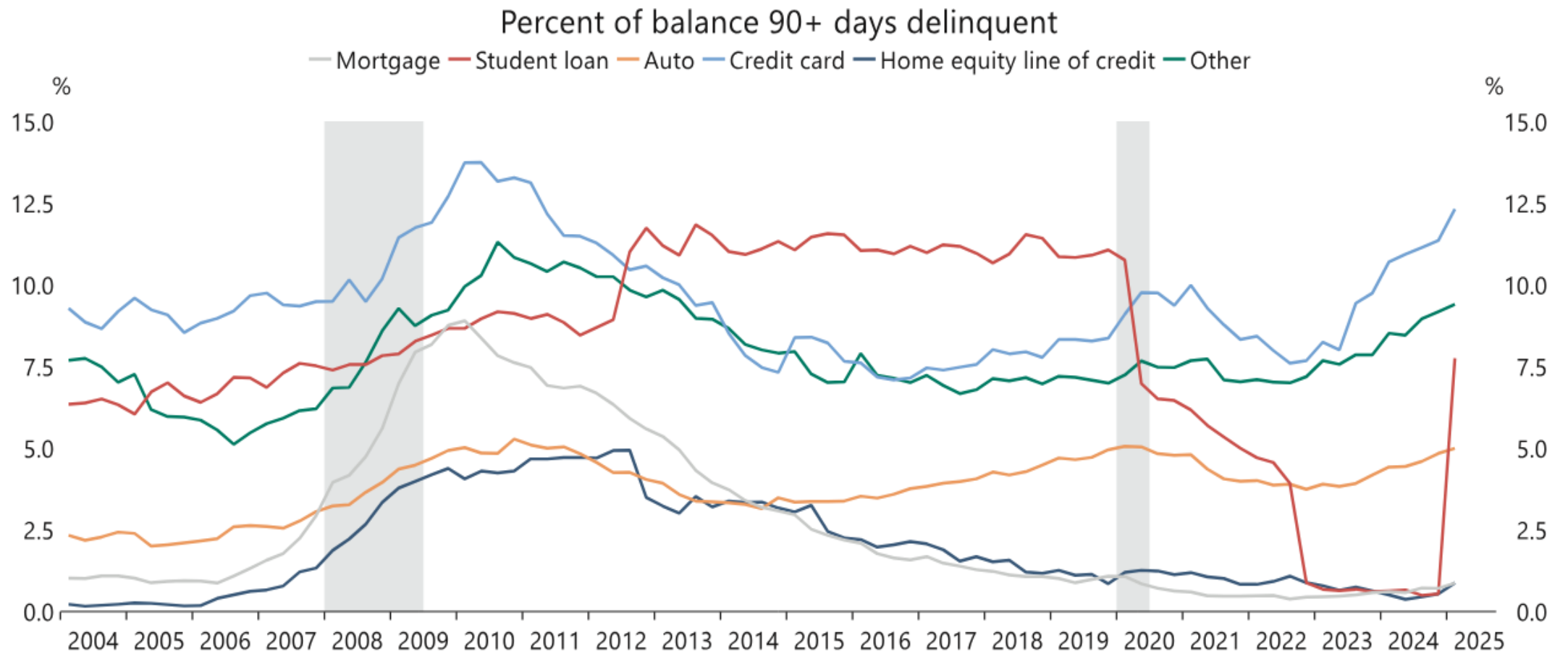


What do you expect the impact of tariffs will be on the annual pace of personal consumption expenditure (PCE) price index inflation in 2025?



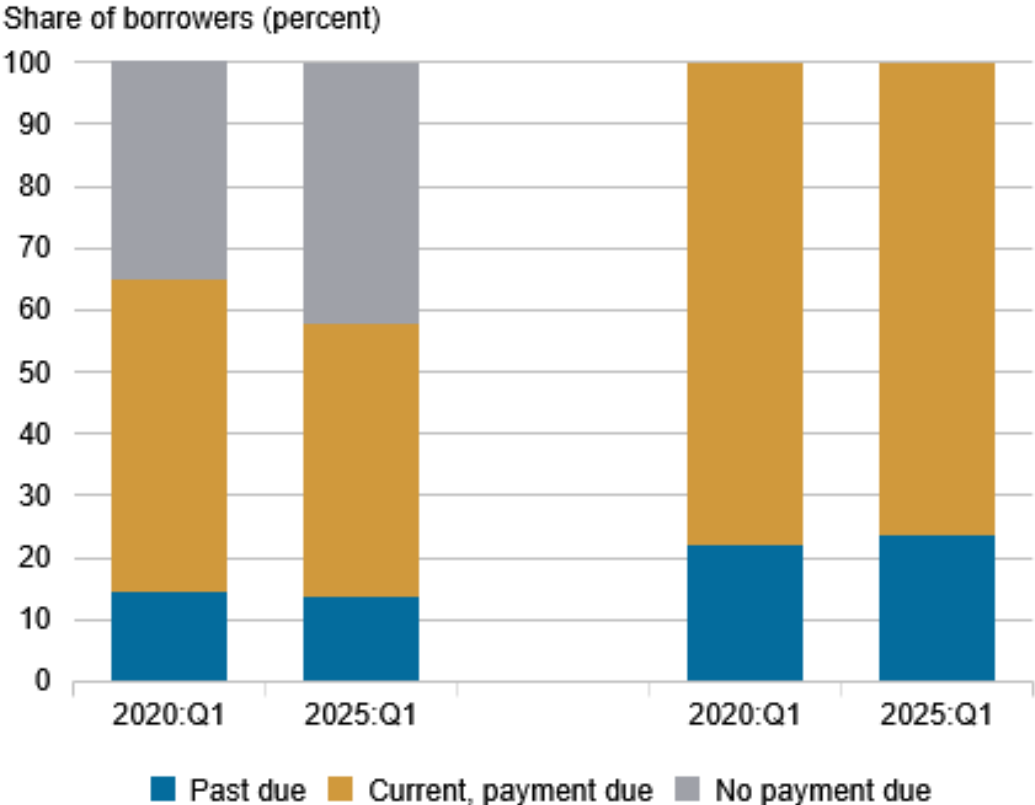
Firms plan to pass tariff-related costs to consumers





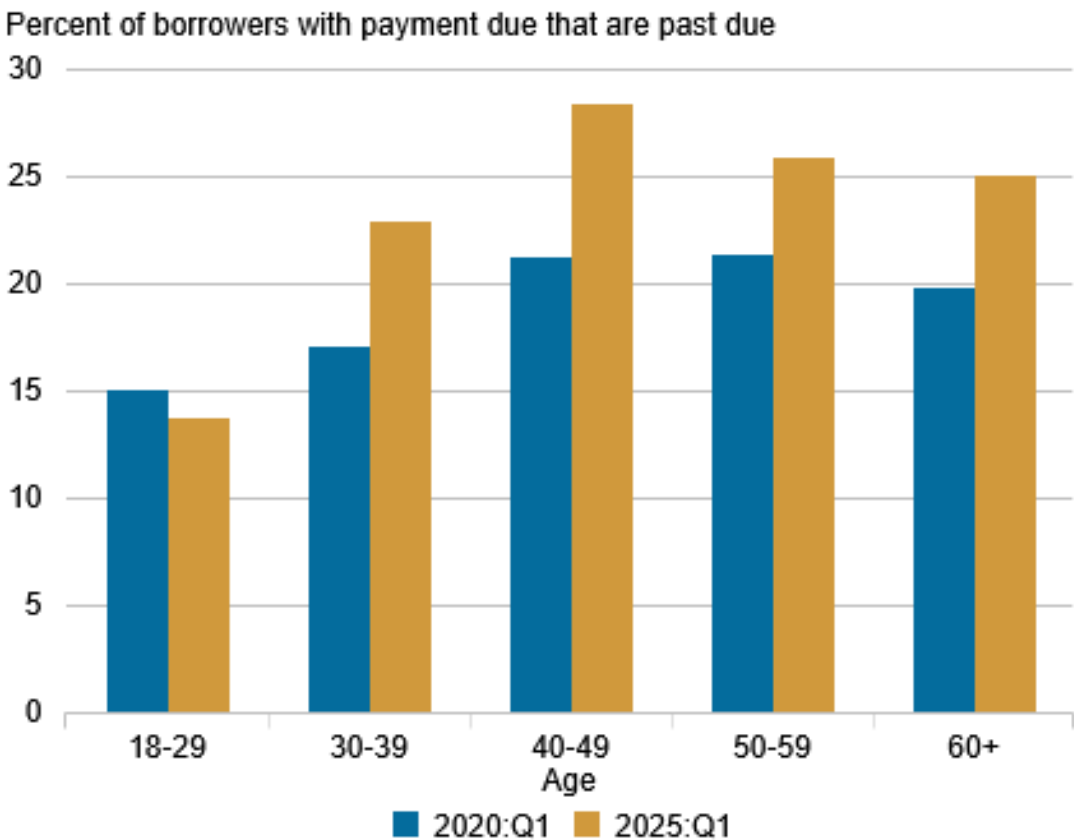
Source: Federal Reserve Bank of New York, Macrobond, Apollo Chief Economist

Fewer Student Loan Borrowers Are in Repayment, but a Higher Share Is Delinquent



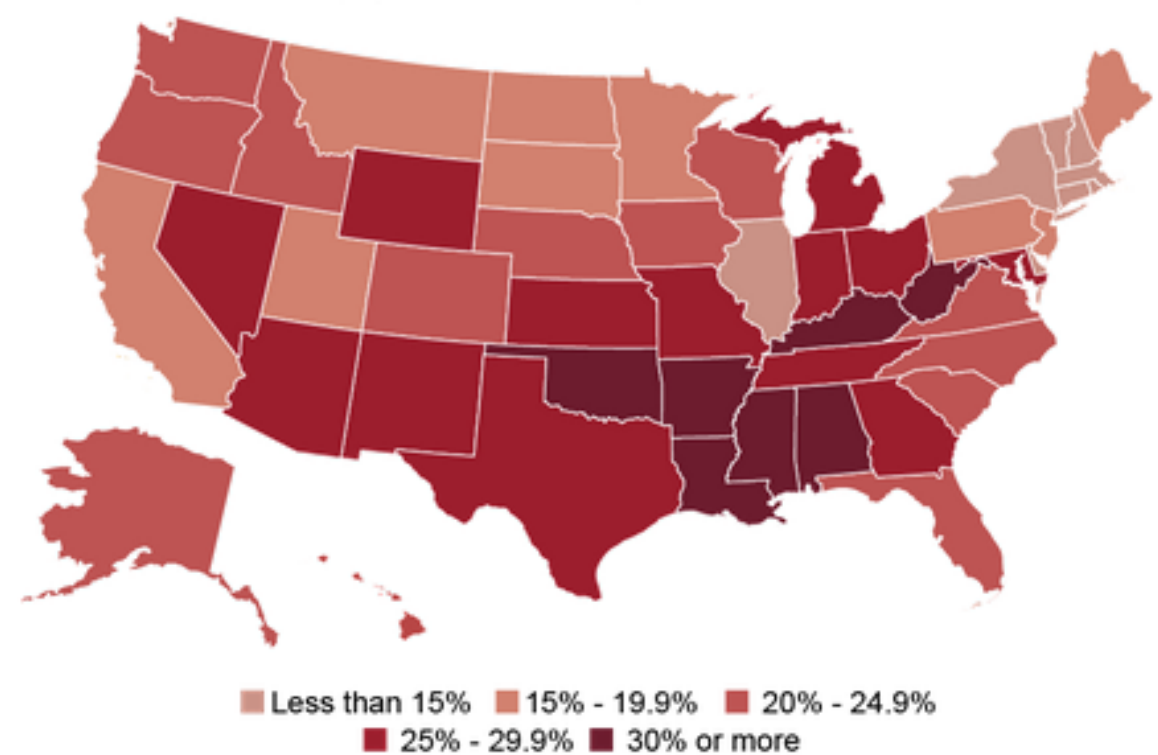
Sources: New York Fed Consumer Credit Panel/Equifax; author's calculations.

More Than a Quarter of Student Loan Borrowers over 40 with a Payment Due Are Delinquent



The Highest Rates of Student Loan Delinquency Are Concentrated in the South

Share of borrowers with payment due that are past due



Sources: New York Fed Consumer Credit Panel/Equifax; author's calculations.

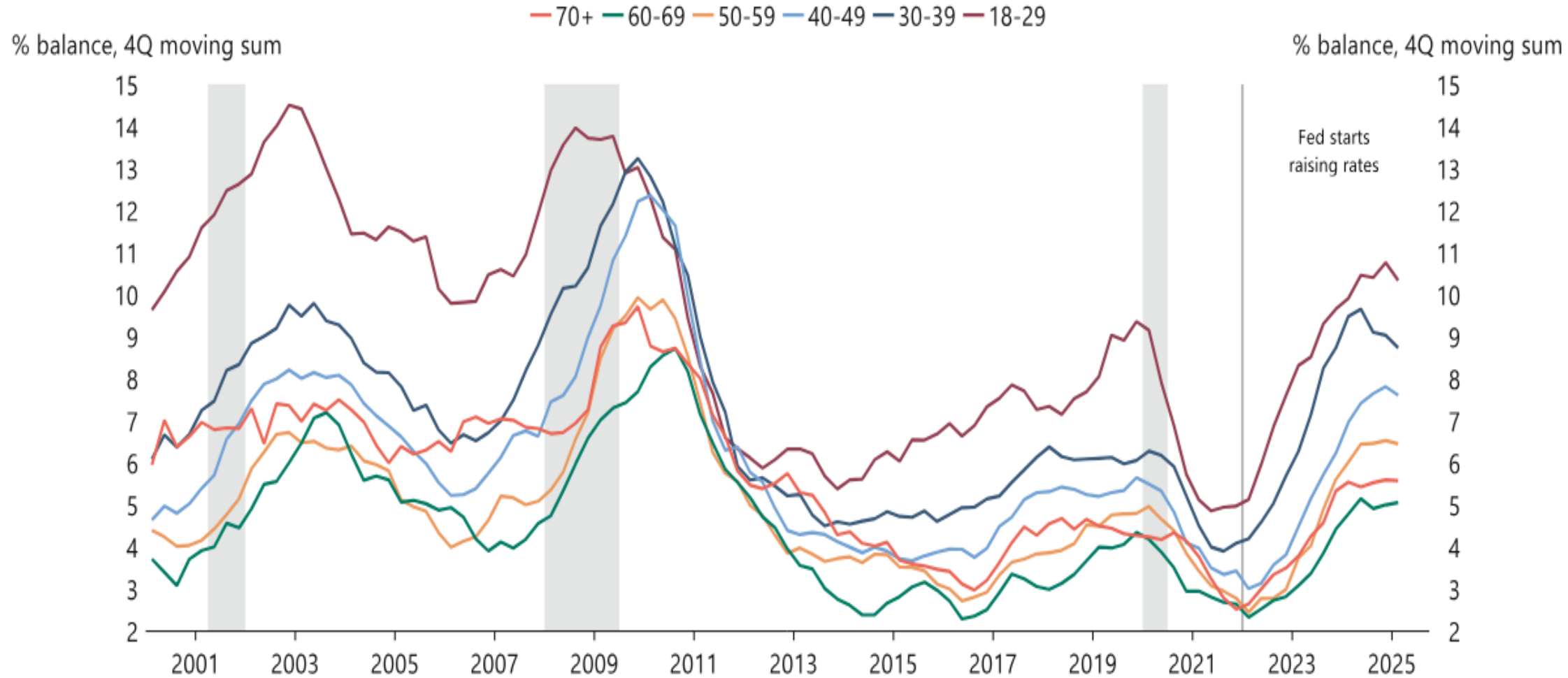
Note: The map shows the share of borrowers within each state that have at least one student loan that is ninety or more days past due or in default as a share of the borrowers in each state with at least one student loan in repayment.

Almost Half of Newly Past Due Face Damage to Previous Credit Access

Credit score group	Count (millions)	Share of newly delinquent population	Average credit score change
Less than 620	3.2	56.6%	-74
620 - 719	2	35.9%	-140
Greater than 720	0.4	7.5%	-177

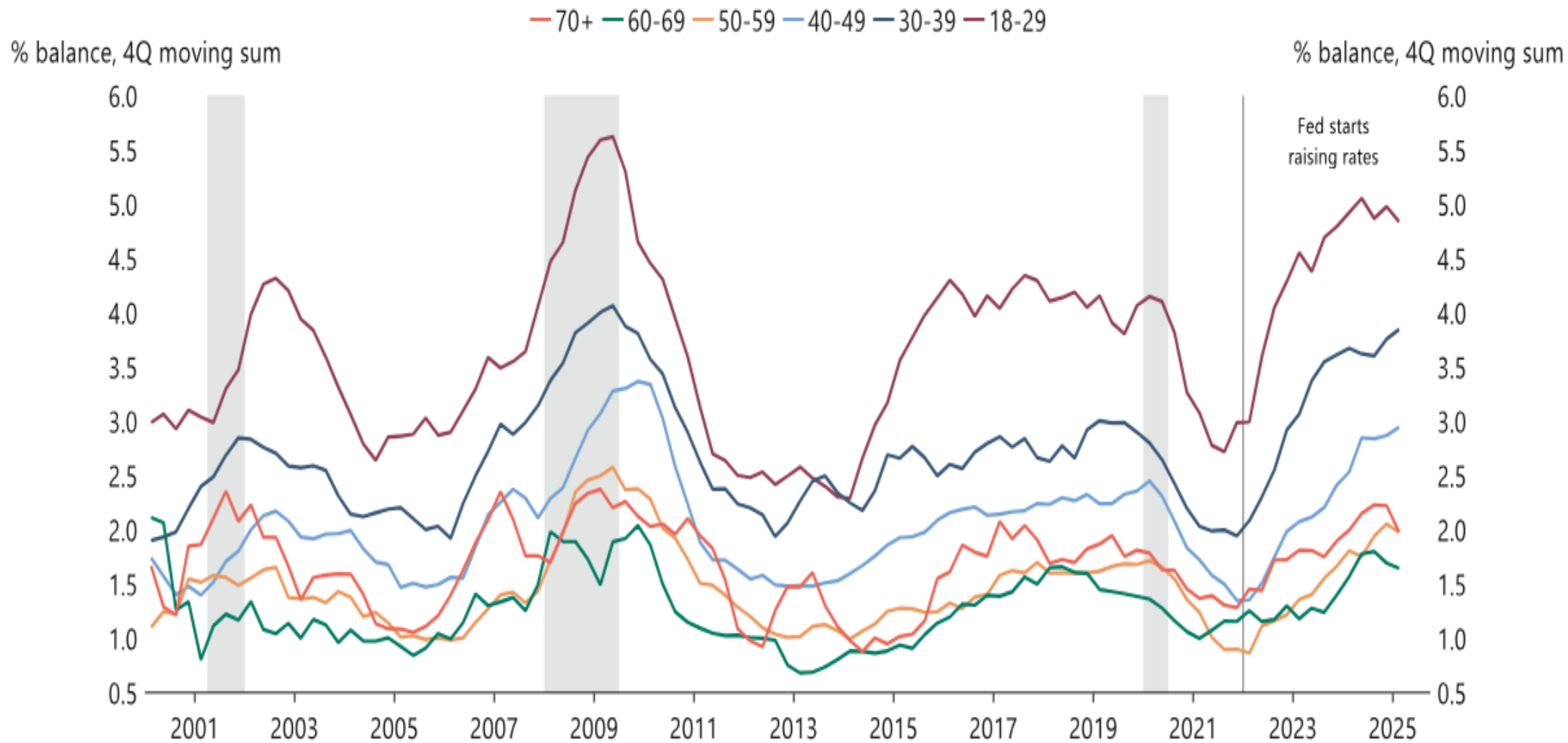
Sources: New York Fed Consumer Credit Panel/Equifax; author's calculations.

Credit card transitions to serious delinquency (90+), by age



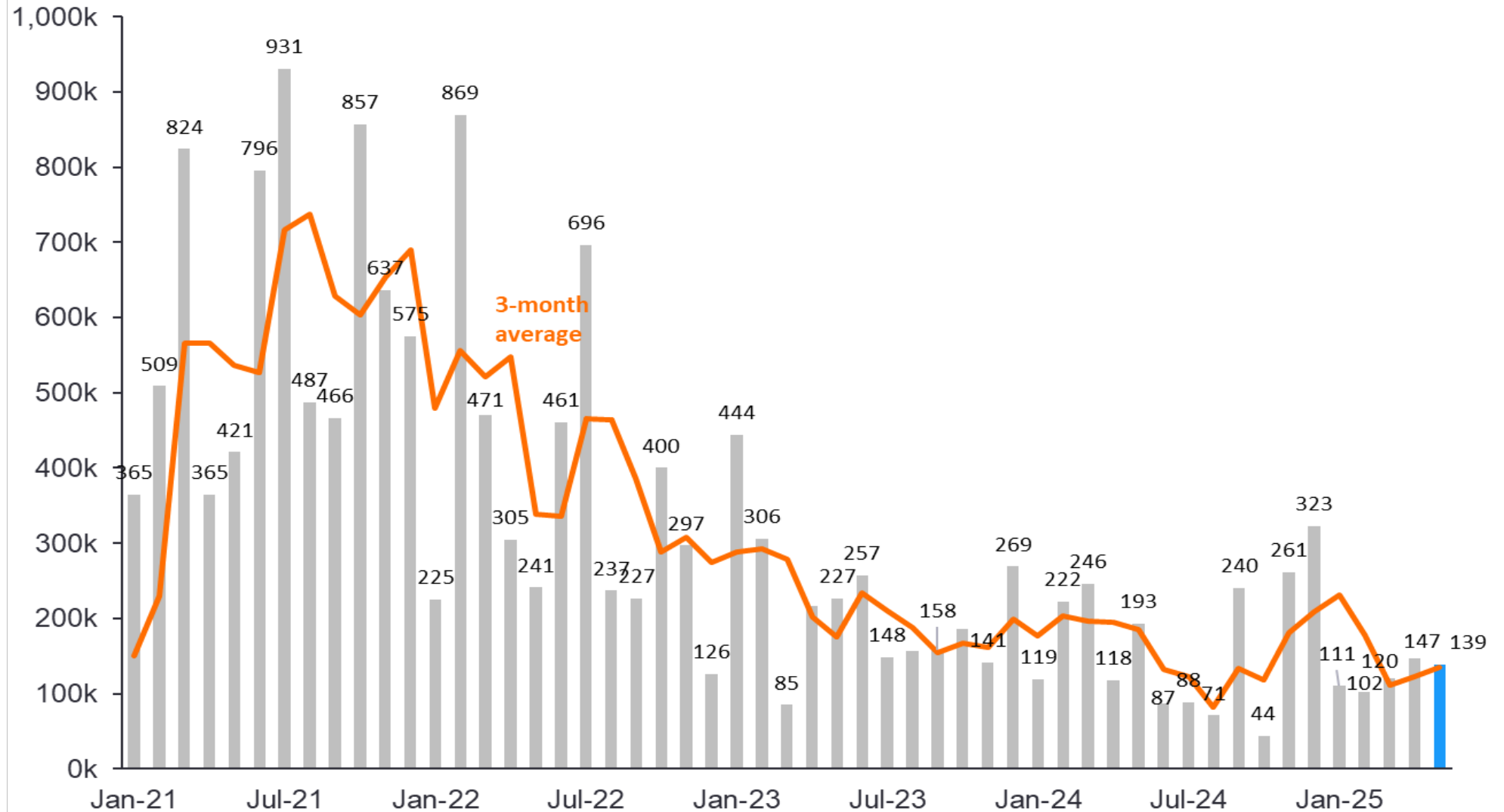
Source: Federal Reserve Bank of New York, Macrobond, Apollo Chief Economist

Auto loan transitions to serious delinquency (90+), by age



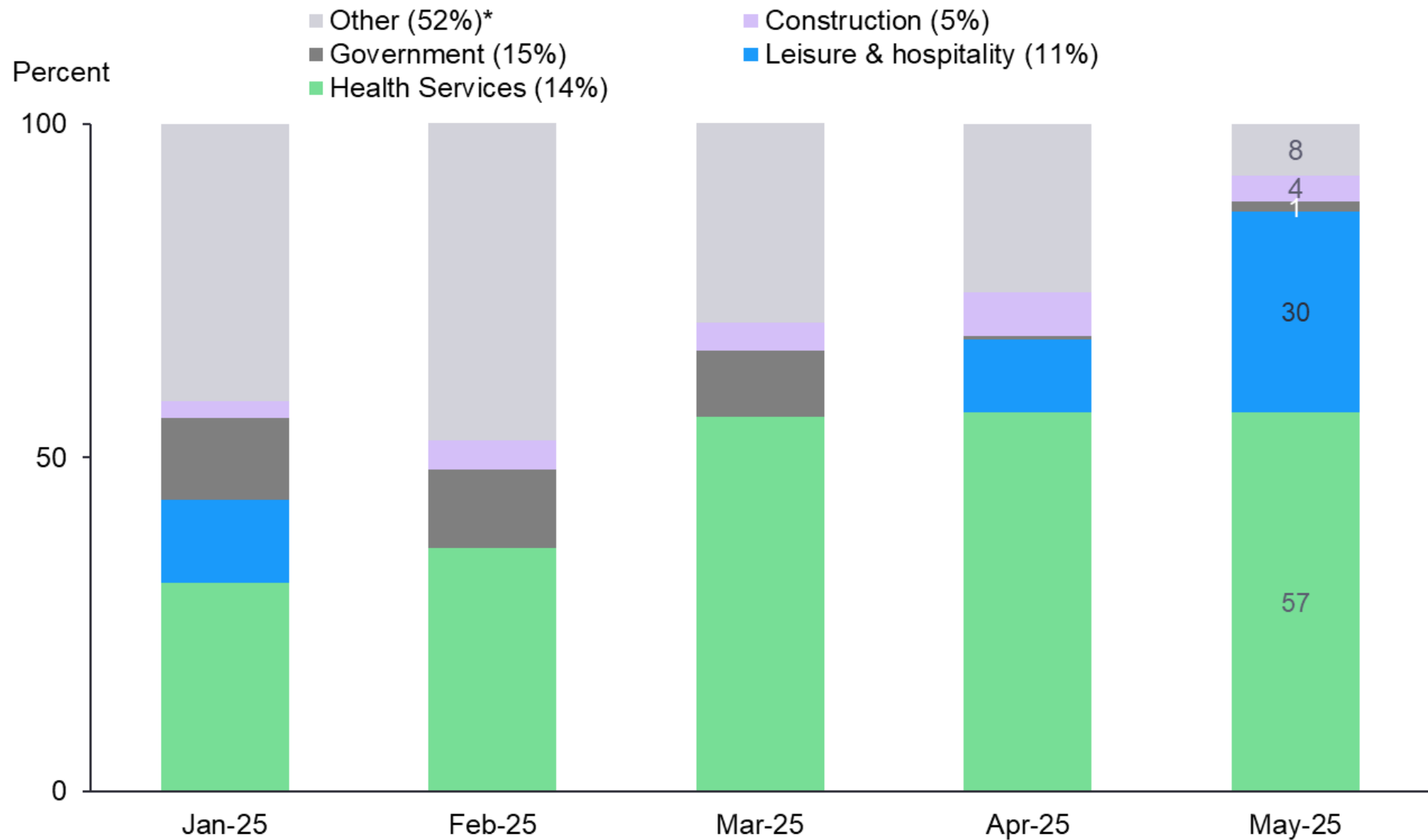
Source: Federal Reserve Bank of New York, Macrobond, Apollo Chief Economist

Month-over-month change in total nonfarm employment January 2021 - May 2025

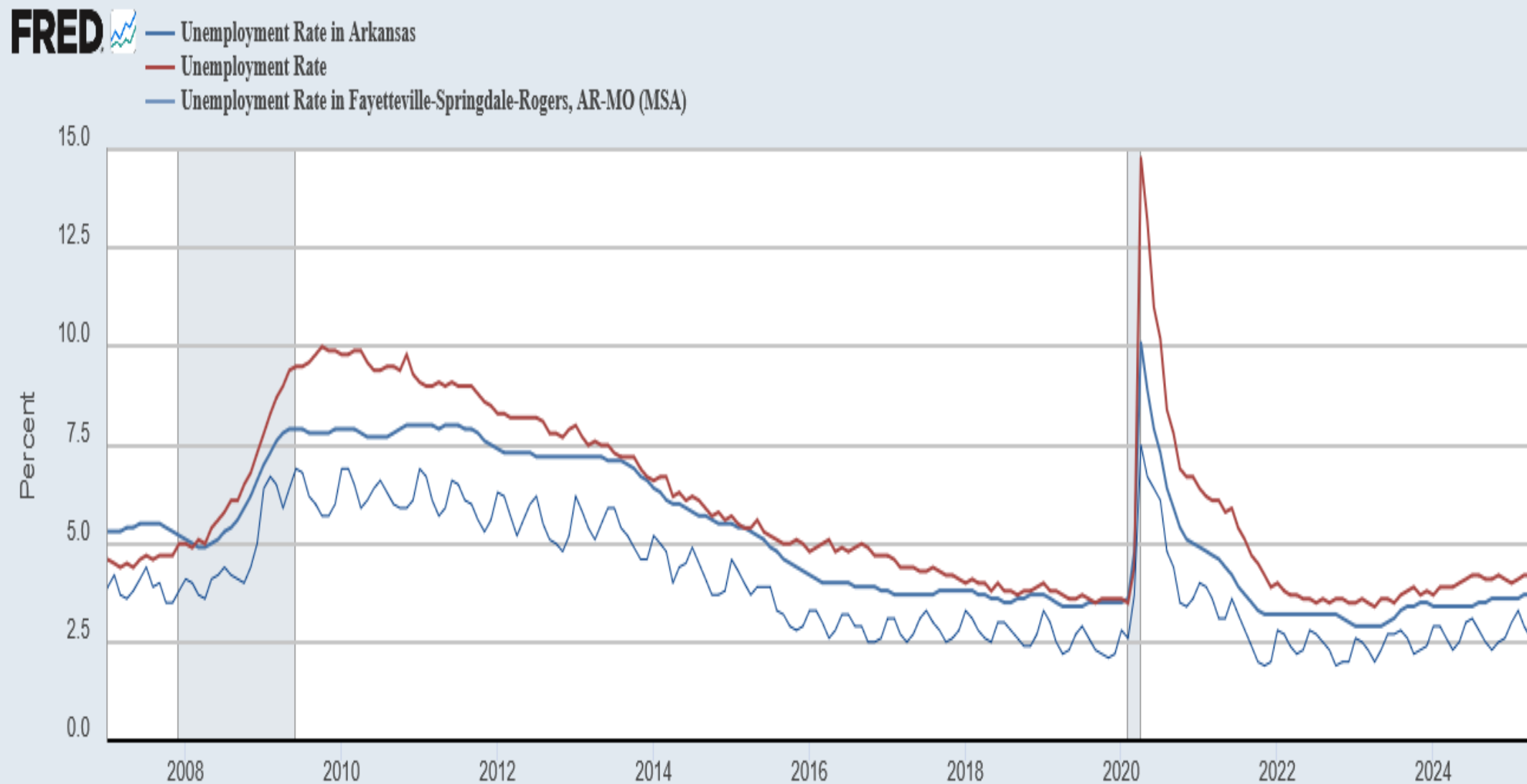


Source: BLS; EY-Parthenon

Share of total payroll gains by sector on a 3-month rolling average January 2025 - May 2025

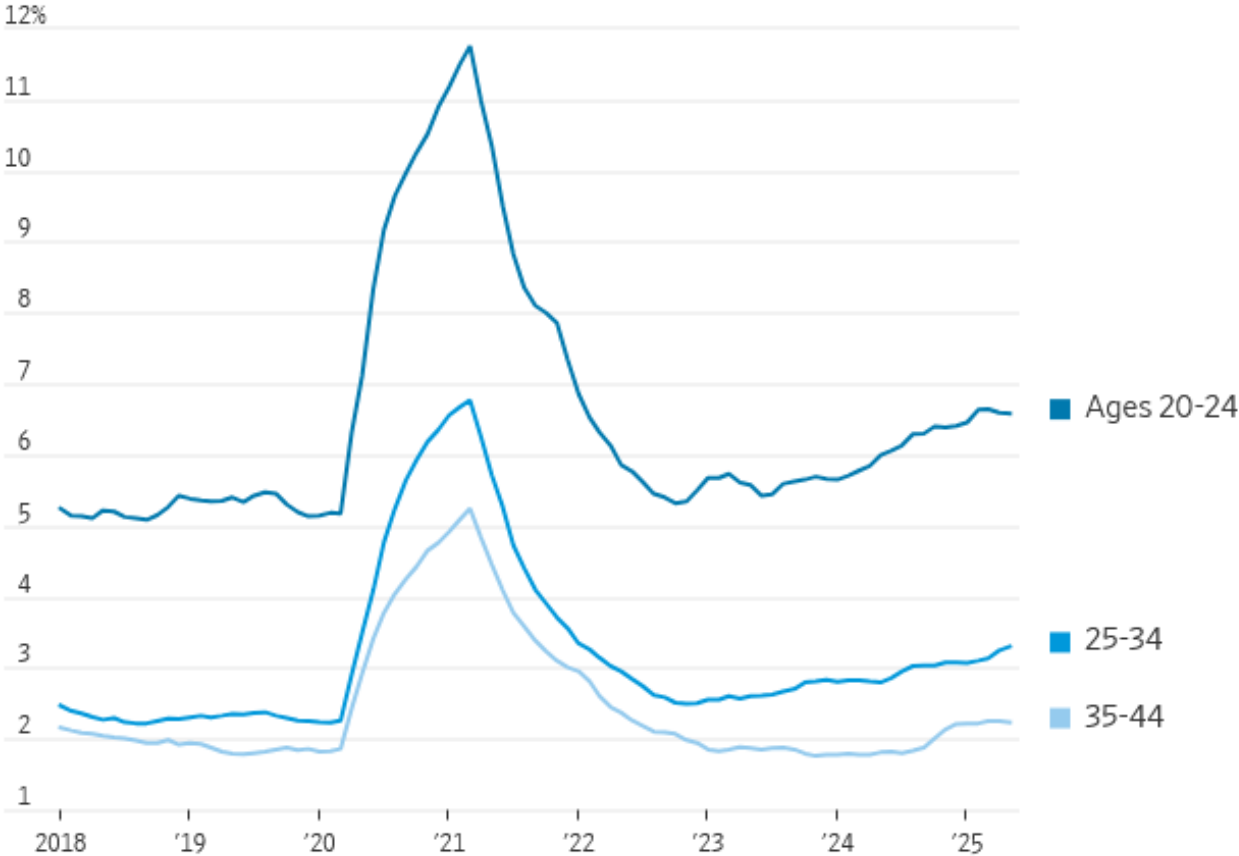


* (Share of total employment)
Source: BLS; EY-Parthenon



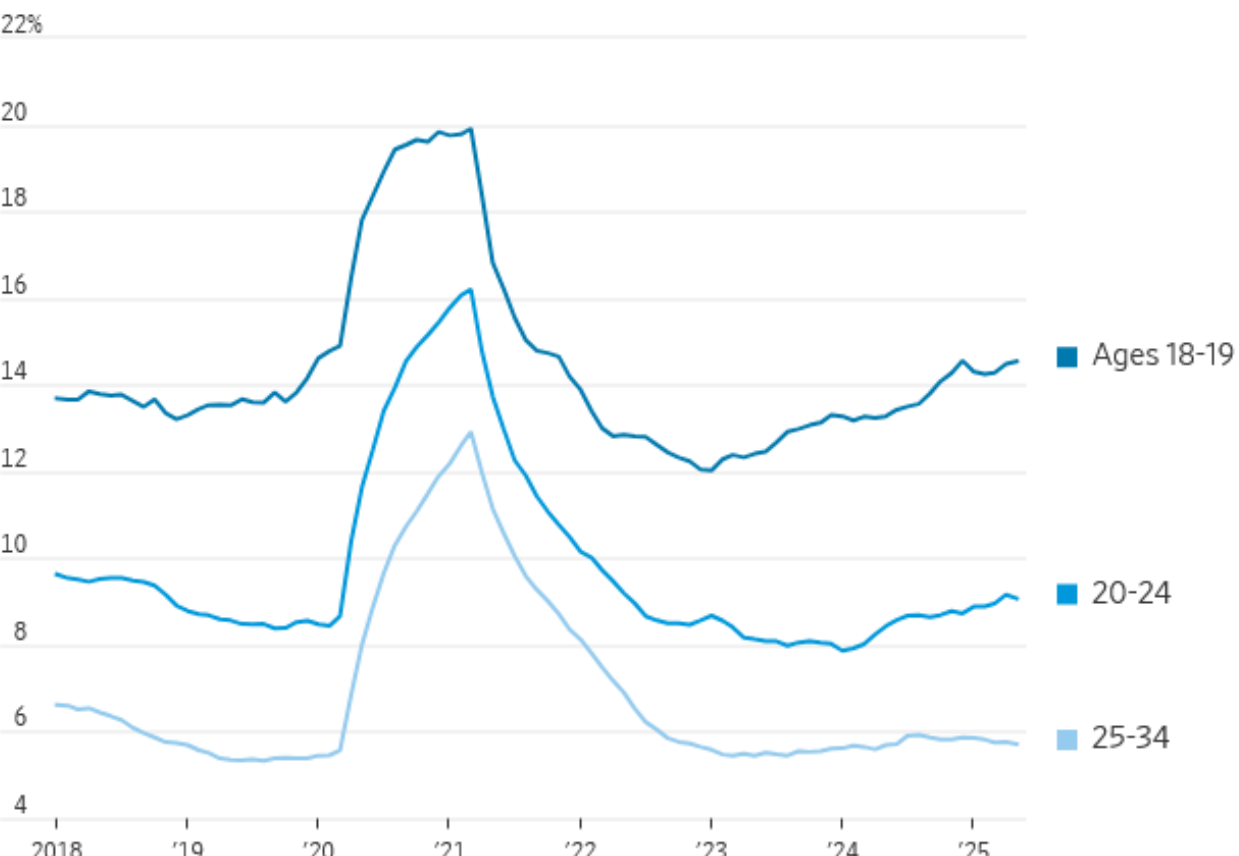
Source: U.S. Bureau of Labor Statistics via FRED®
Shaded areas indicate U.S. recessions.

Unemployment rate by age, bachelor's degree

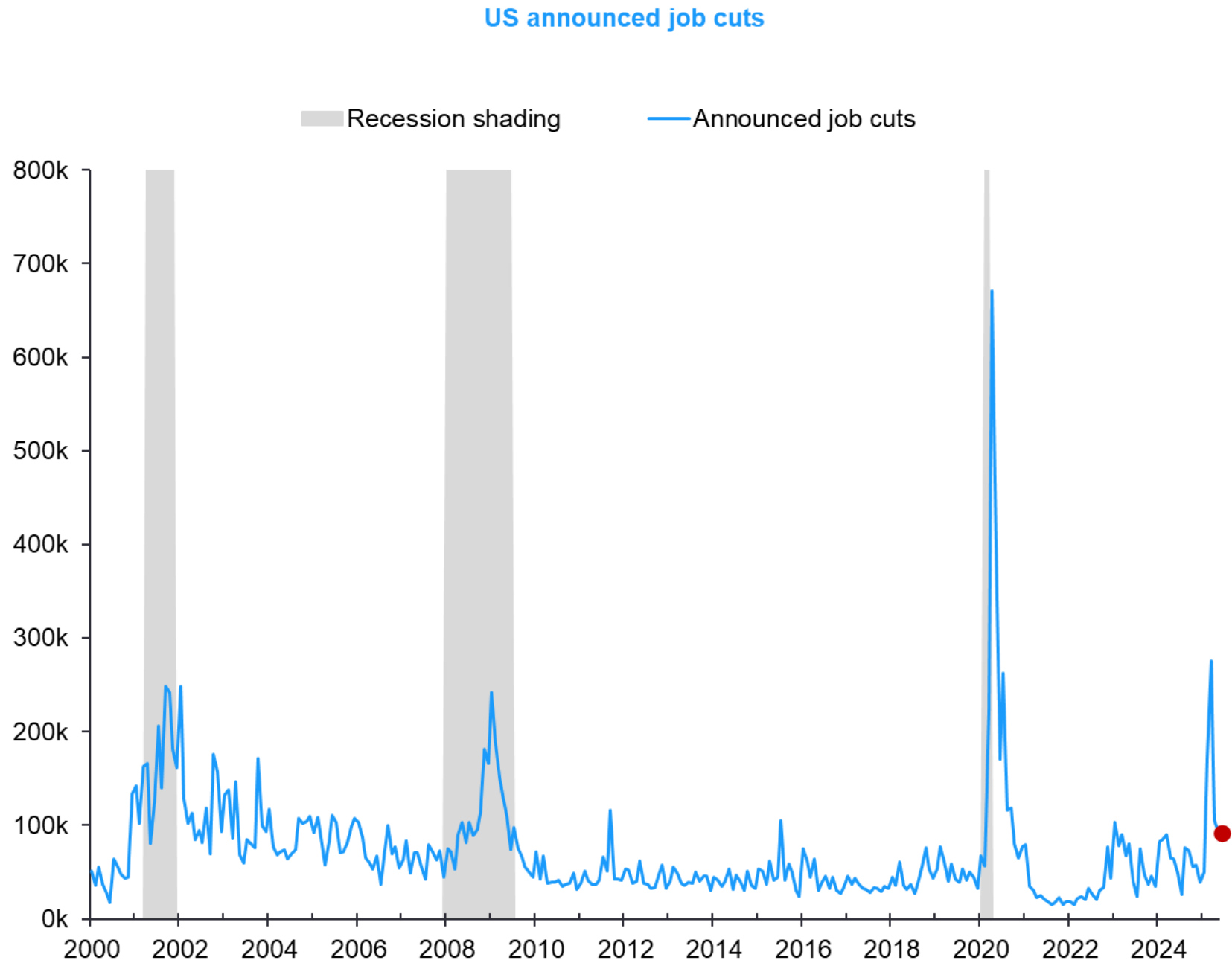


Note: 12-month moving average
Source: Labor Department via St. Louis Fed

Unemployment rate by age, high-school degree, no college



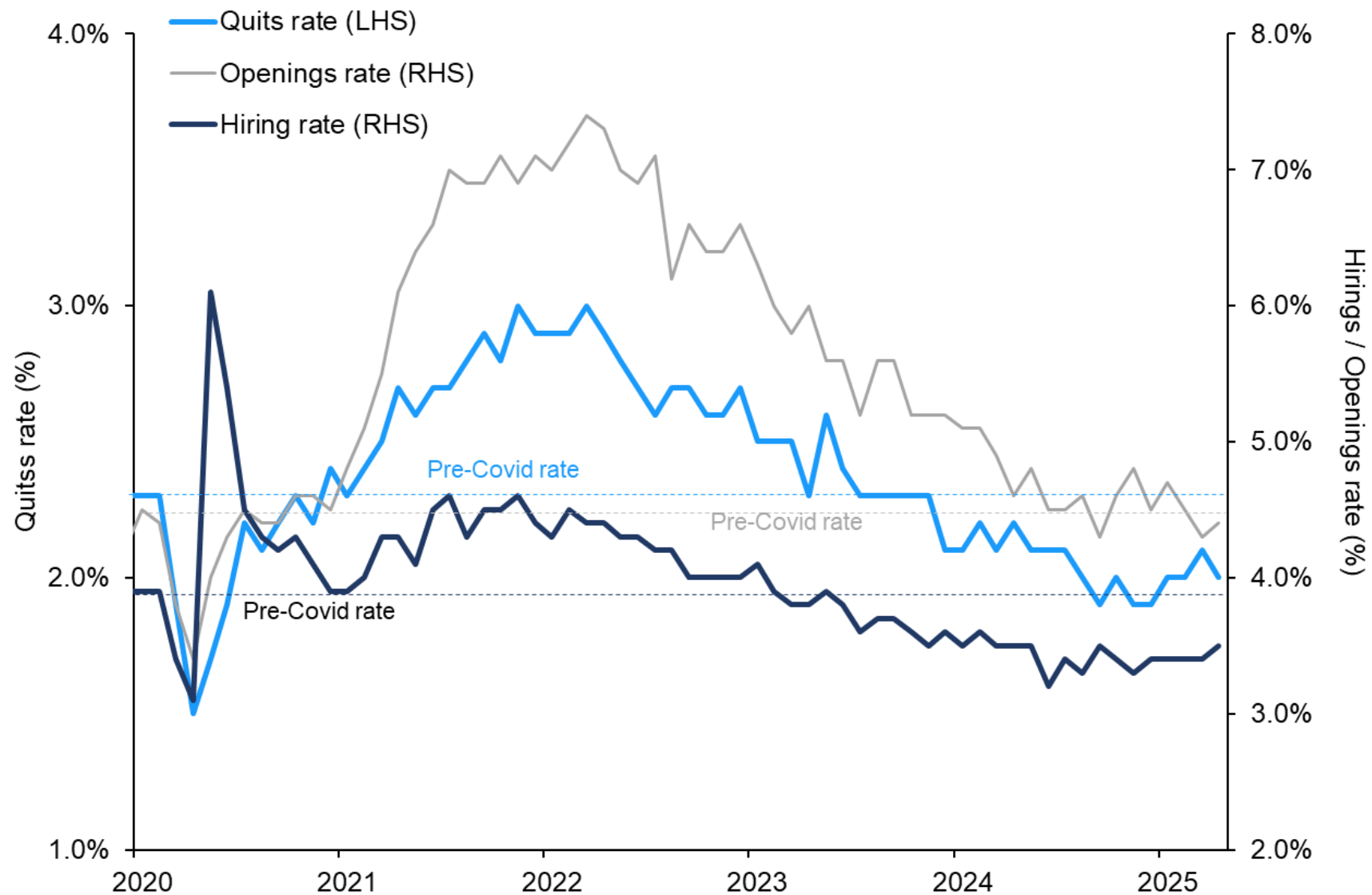
Note: 12-month moving average
Source: Labor Department



Source: Challenger, Gray & Christmas; Haver Analytics; EY-Parthenon

JOLTS¹ openings rate vs quits rate

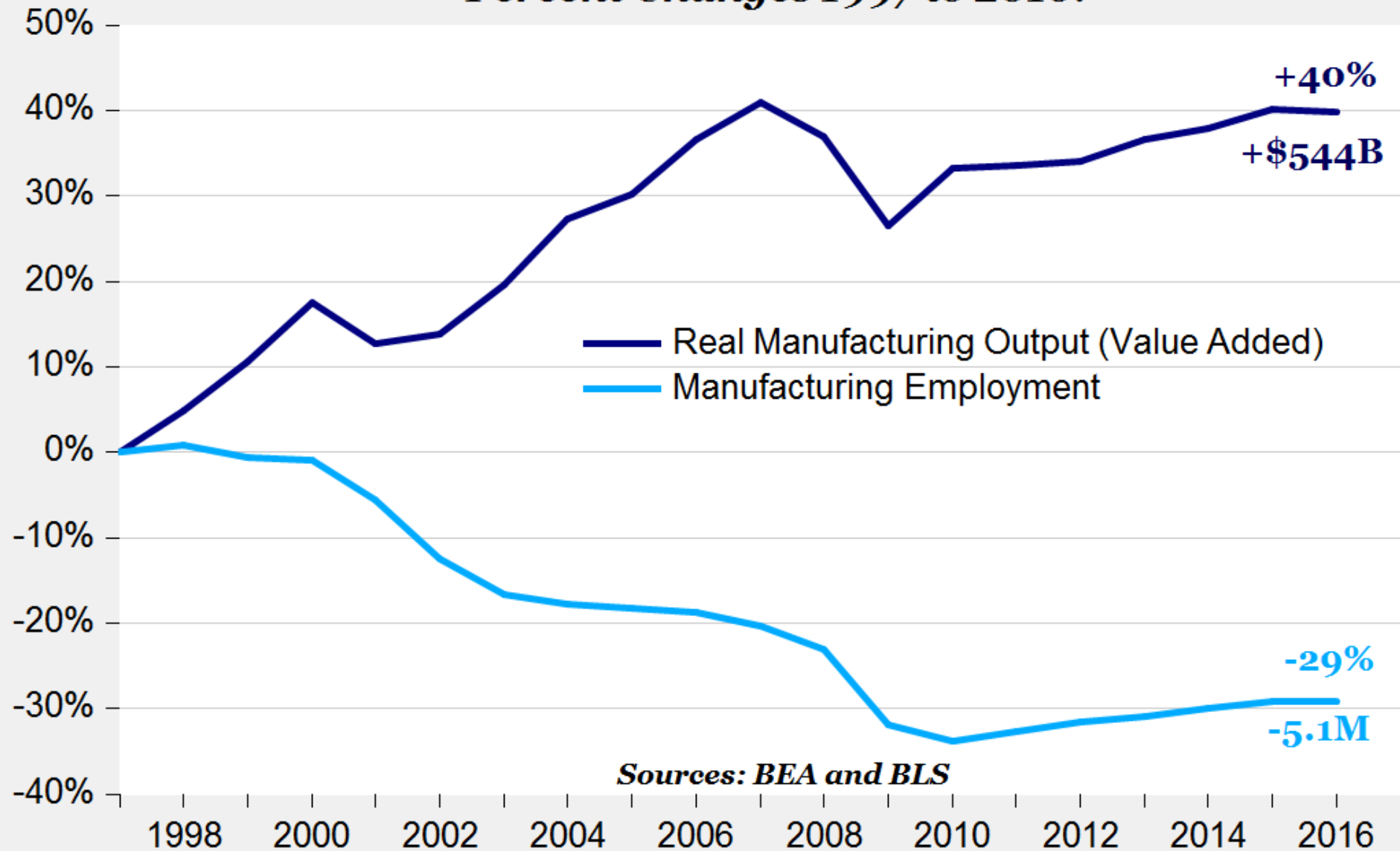
January 2020 - April 2025



Source: BLS; EY-Parthenon

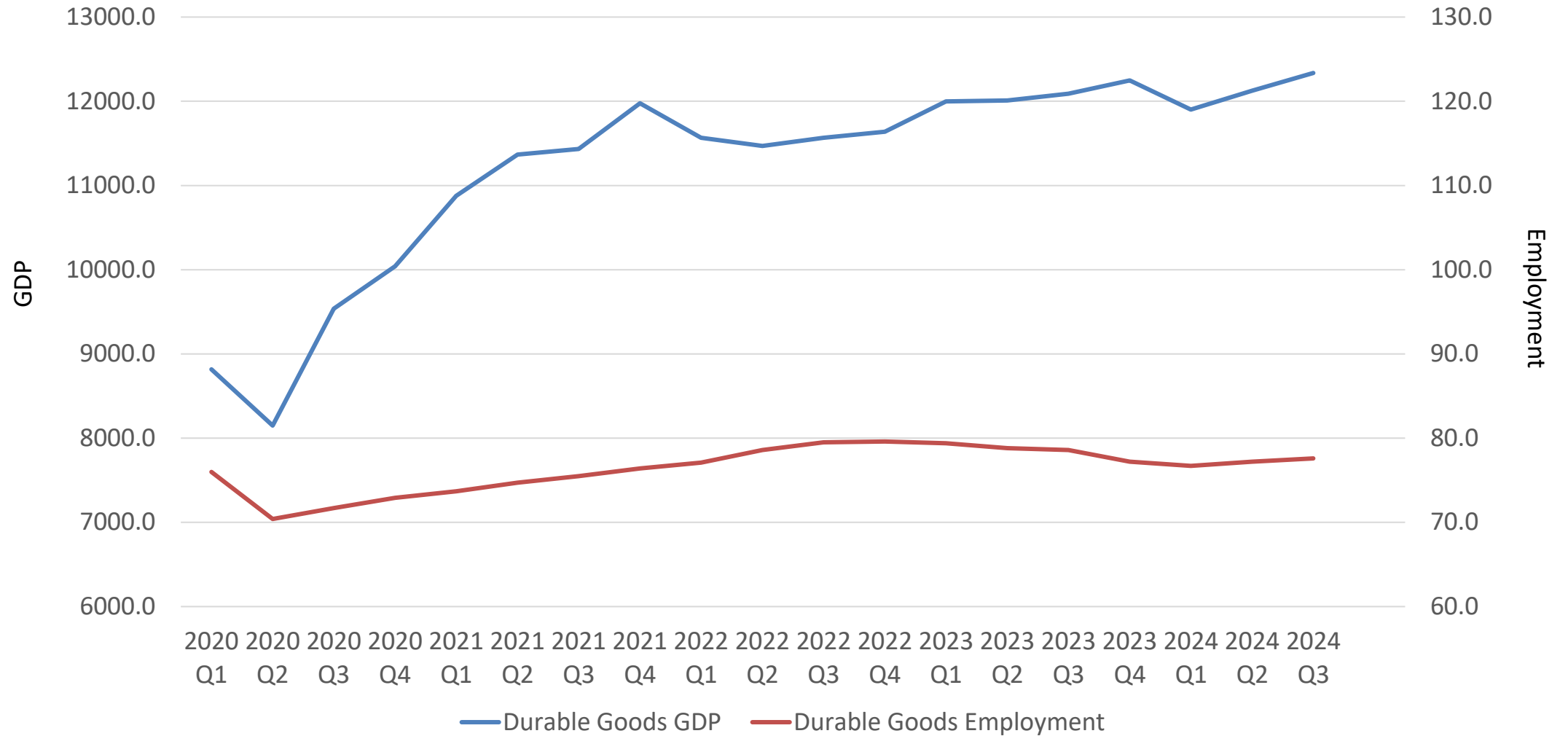


Real Manufacturing Output vs. Manufacturing Employment Percent Changes 1997 to 2016:



Sources: BEA and BLS

Arkansas Durable Goods Manufacturing Output v Jobs



Source: Bureau of Economic Analysis, CBER calculations

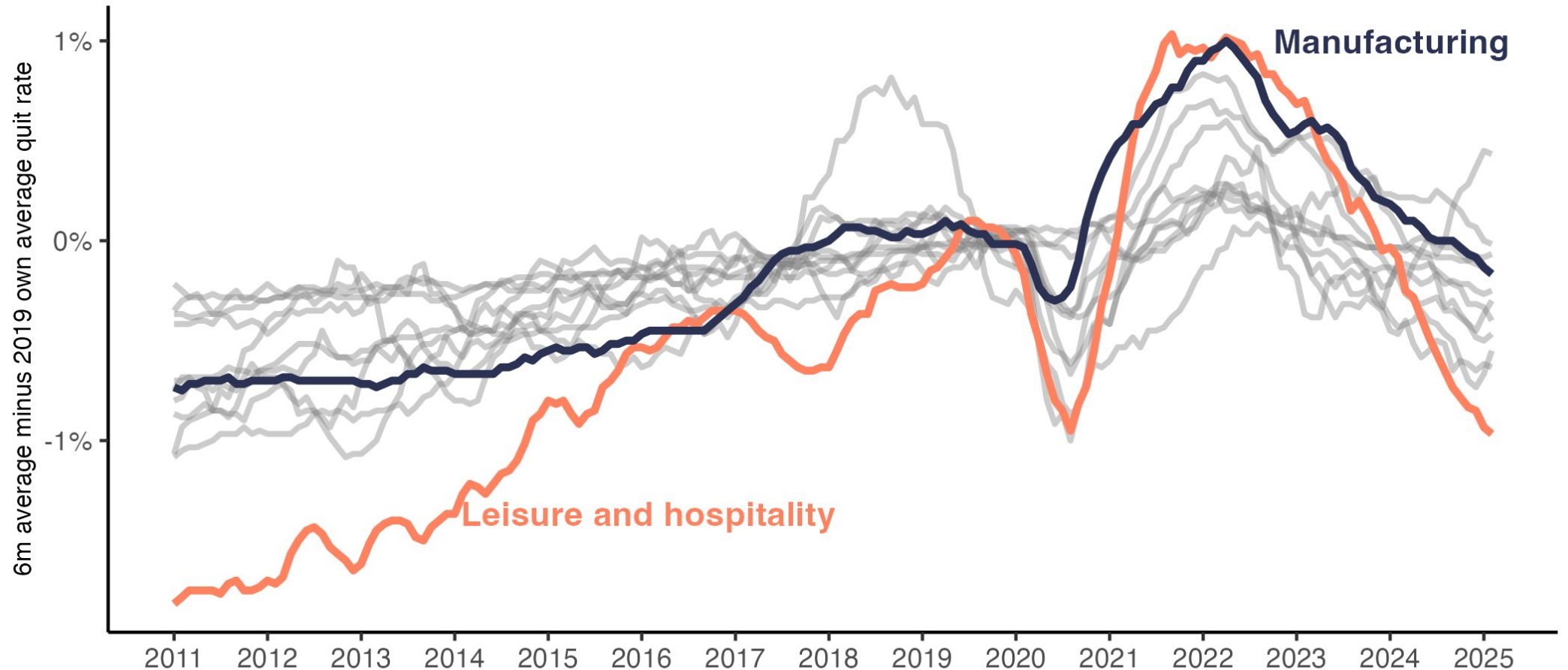
g) America would be better off if more Americans works in manufacturing than they do today

- *SUM-agree* 80%
- *SUM-disagree* 20%

9) [IF NOT RETIRED/NOT EMPLOYED IN MANUFACTURING] I would be better off if I worked in a factory instead of my current field of work.

- *SUM-agree* 25%
- *SUM-disagree* 73%

Figure 3: Manufacturing Rivals Hospitality For Highest Absolute Increase in Quits During Pandemic
JOLTS quit rate by two-digit industries, six-month average, absolute change compared to 2019 annual.



Two-digit industries shown are: Mining and logging, Construction, Manufacturing, Trade, transportation, and utilities, Information, Financial activities, Professional and business services, Private education and health services, Leisure and hospitality, Other services, Federal government, State and local government.

Mike Konczal



Buc-ee's



Car Wash Attendant

Apply

 TN - Sevierville

 Posted 30+ Days Ago

 R2093

Overview

\$21.00 * Medical * Dental * Vision * 3 Weeks Paid
Time Off * 401k 100% Match up to 6%



 indeed.com/q-automotiv



19



Nissan Automotive Parts Sorting Technician



Yates Services

Smyrna, TN

\$18.57 - \$20.02 an hour

Dental insurance

401(k)

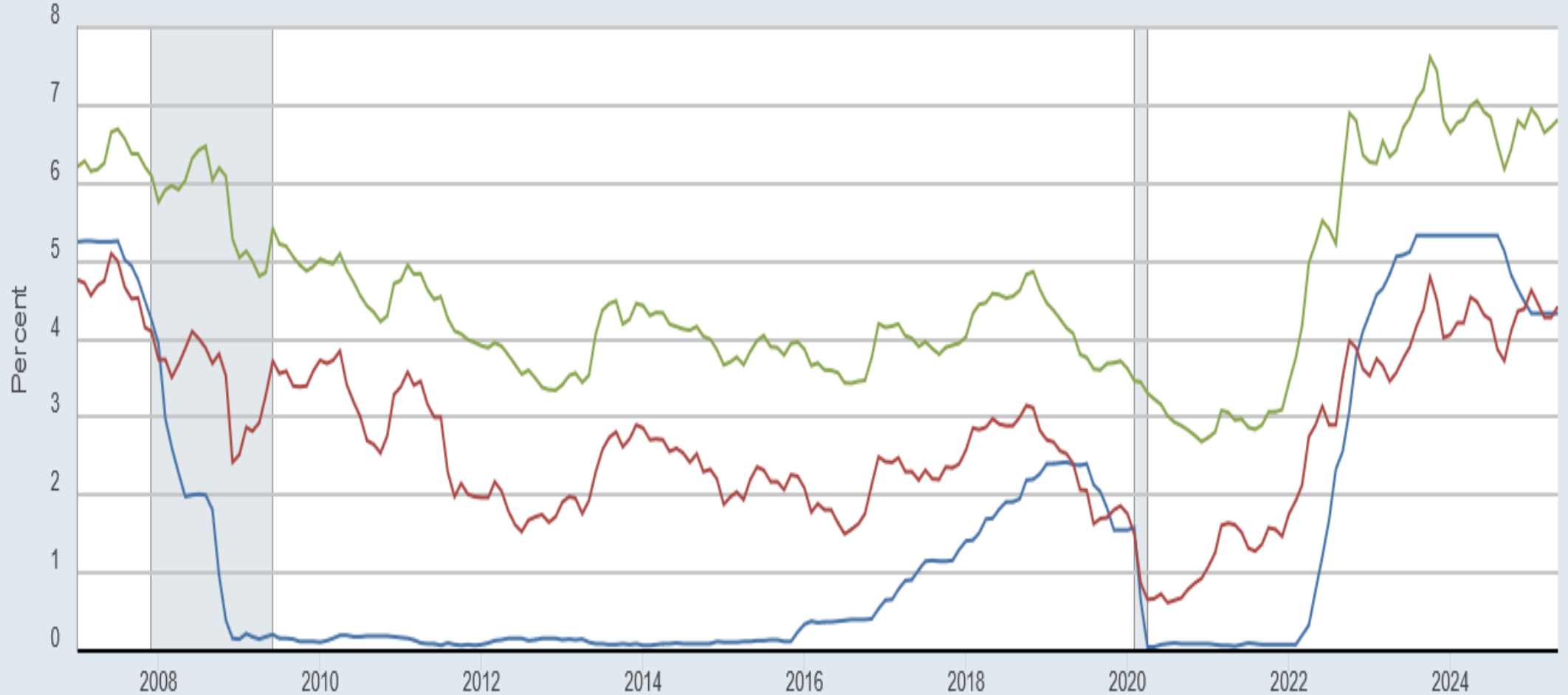
Health insurance

Paid time off

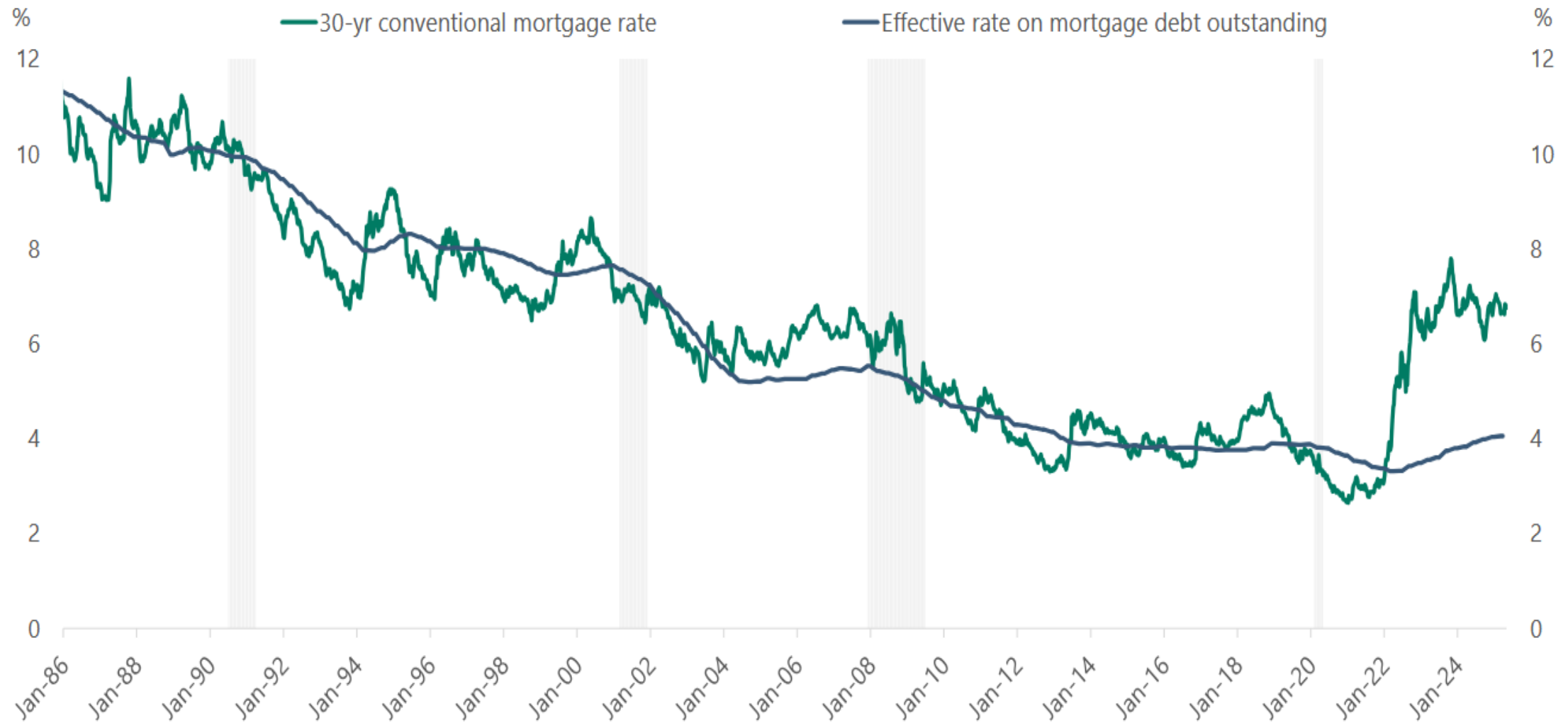
Paid holidays

FRED

- Federal Funds Effective Rate
- Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis
- 30-Year Fixed Rate Mortgage Average in the United States



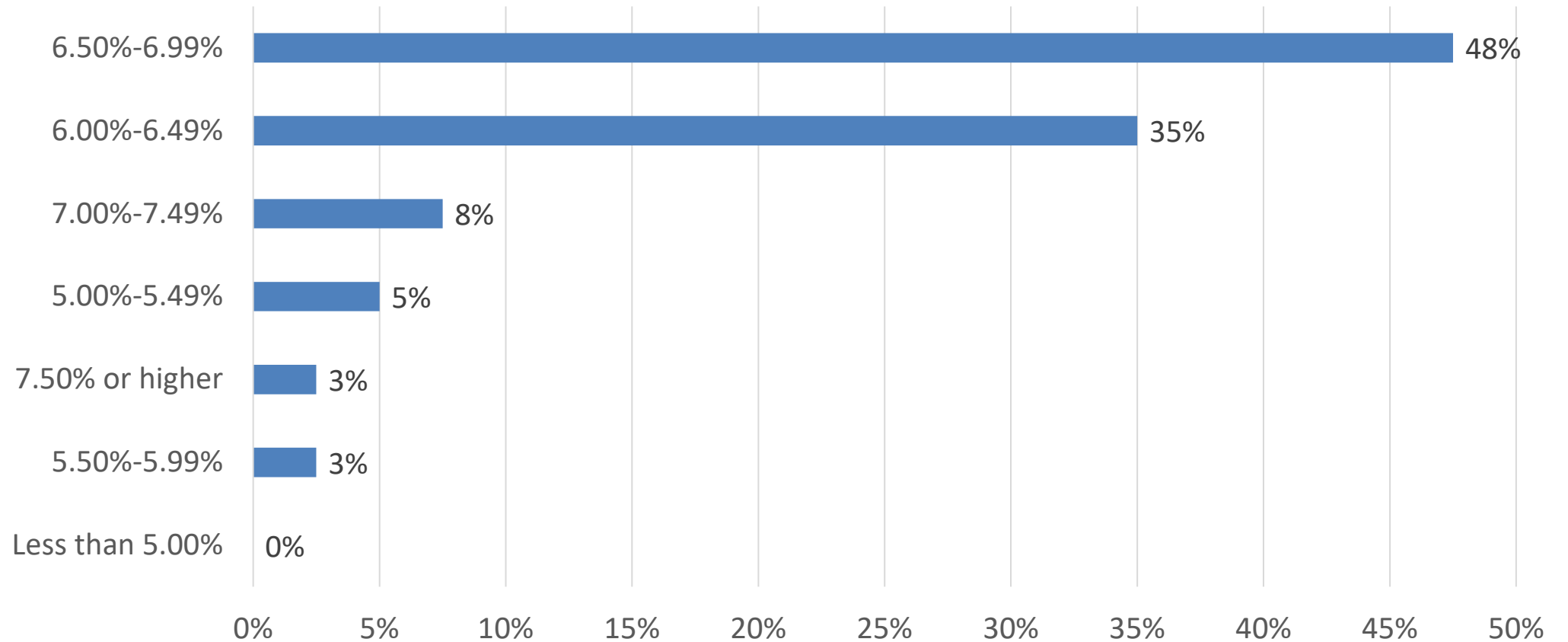
Sources: Board of Governors of the Federal Reserve System (US); Freddie Mac via FRED®
Shaded areas indicate U.S. recessions.



Source: Freddie Mac, BEA, Bloomberg, Apollo Chief Economist. The effective interest rate (%) reflects the amortization of initial fees and charges over a 10-year period, which is the historical assumption of the average life of a mortgage loan.

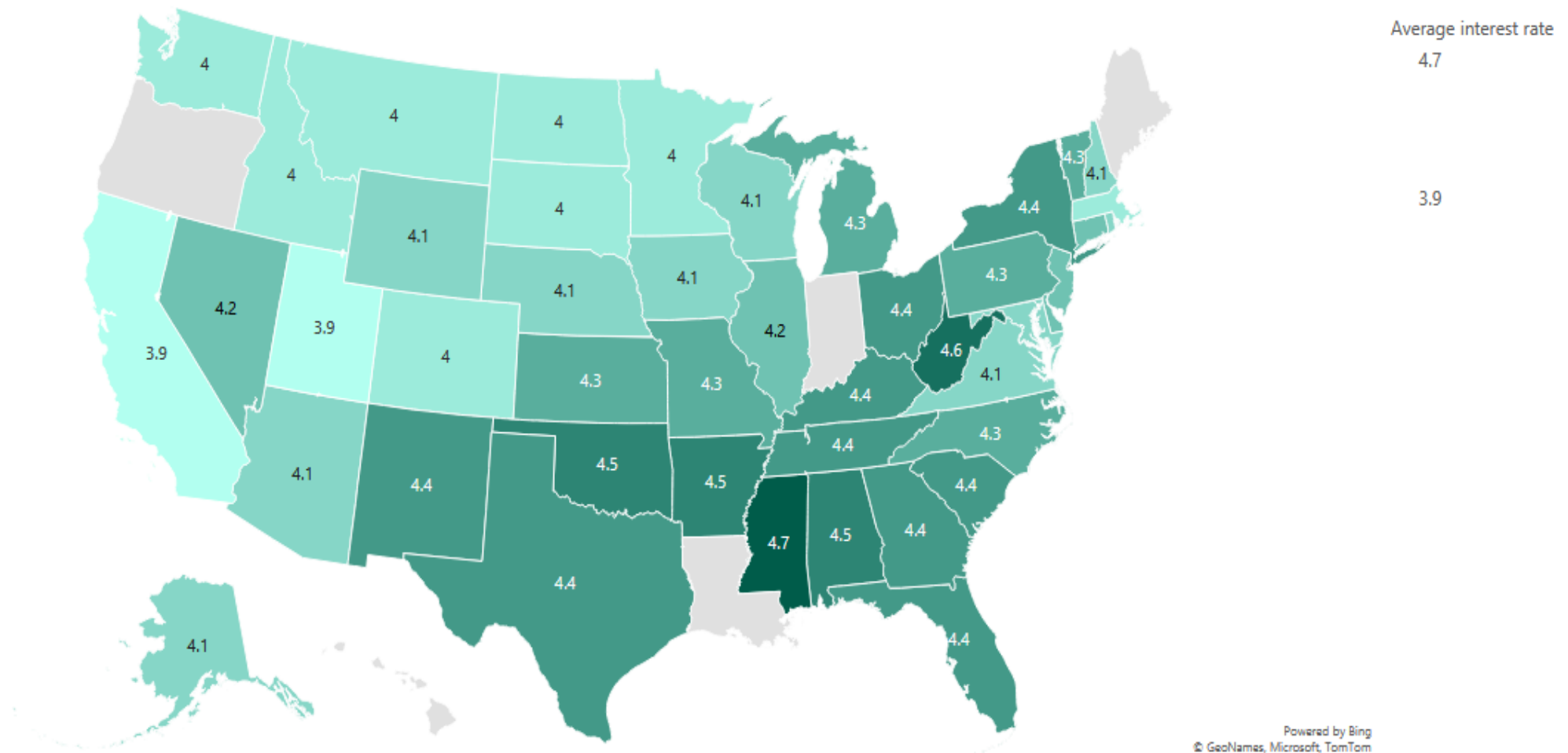


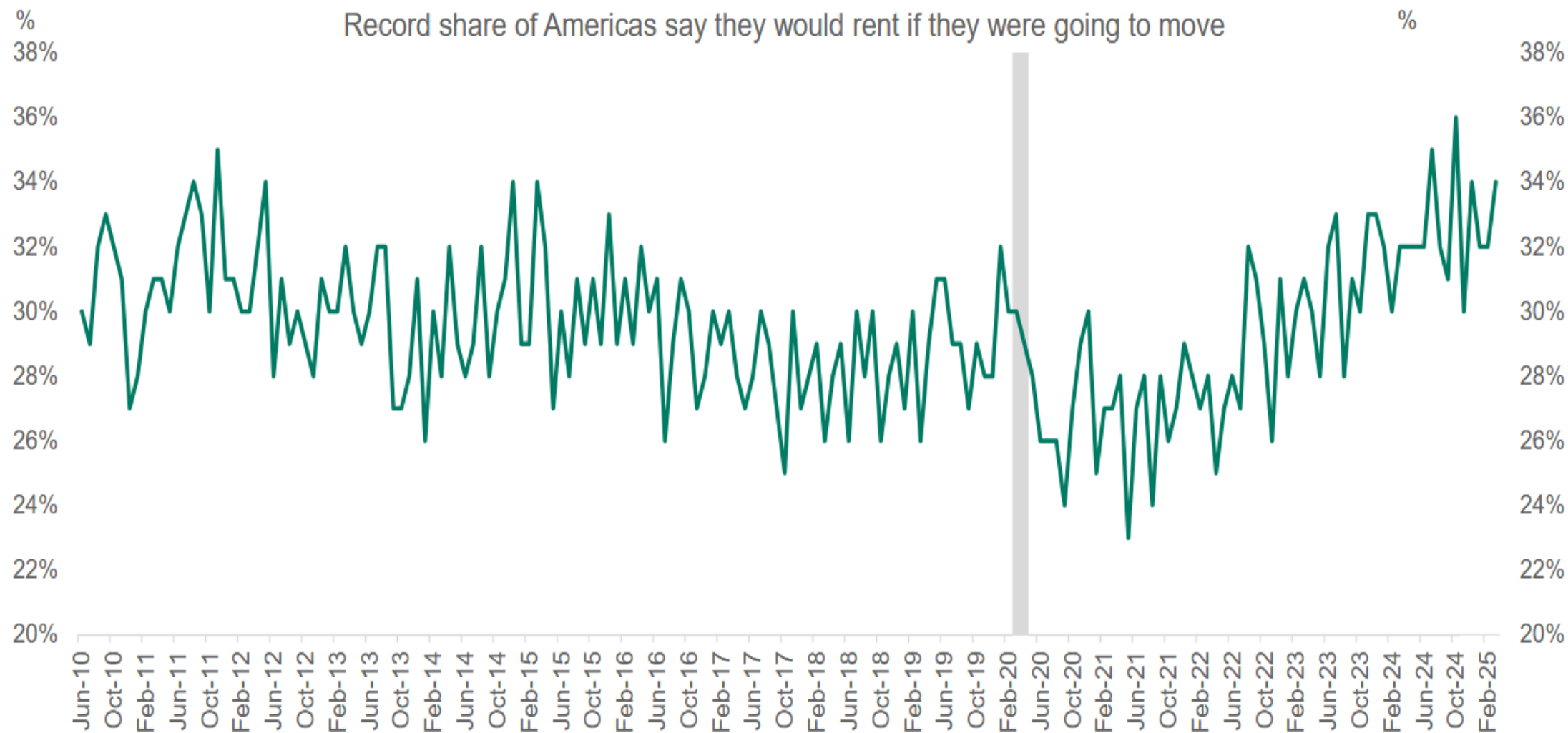
What do you expect the 30-year mortgage rate will be at the end of 2025?





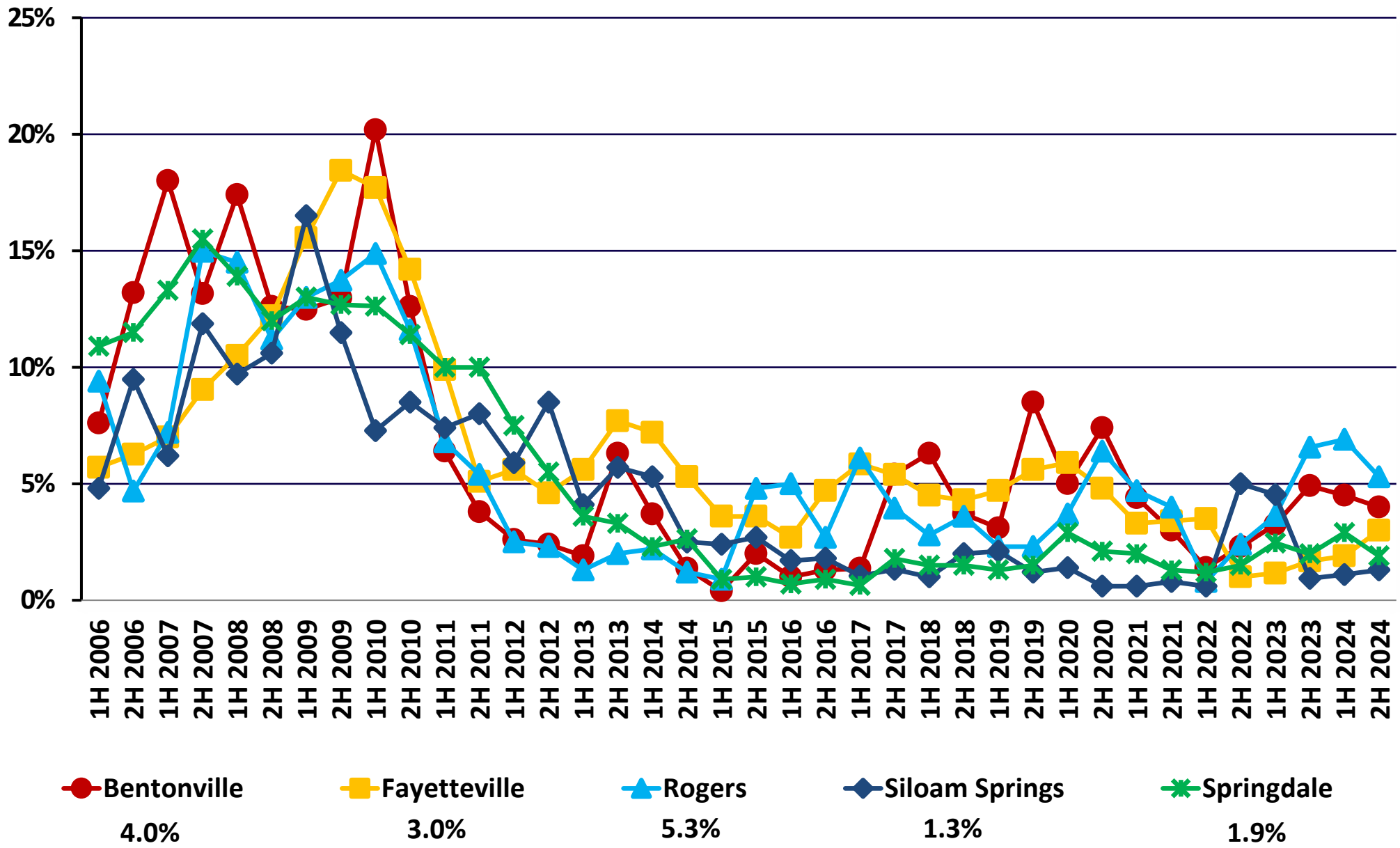
Average interest rate at origination for outstanding mortgages, 2024 Q3



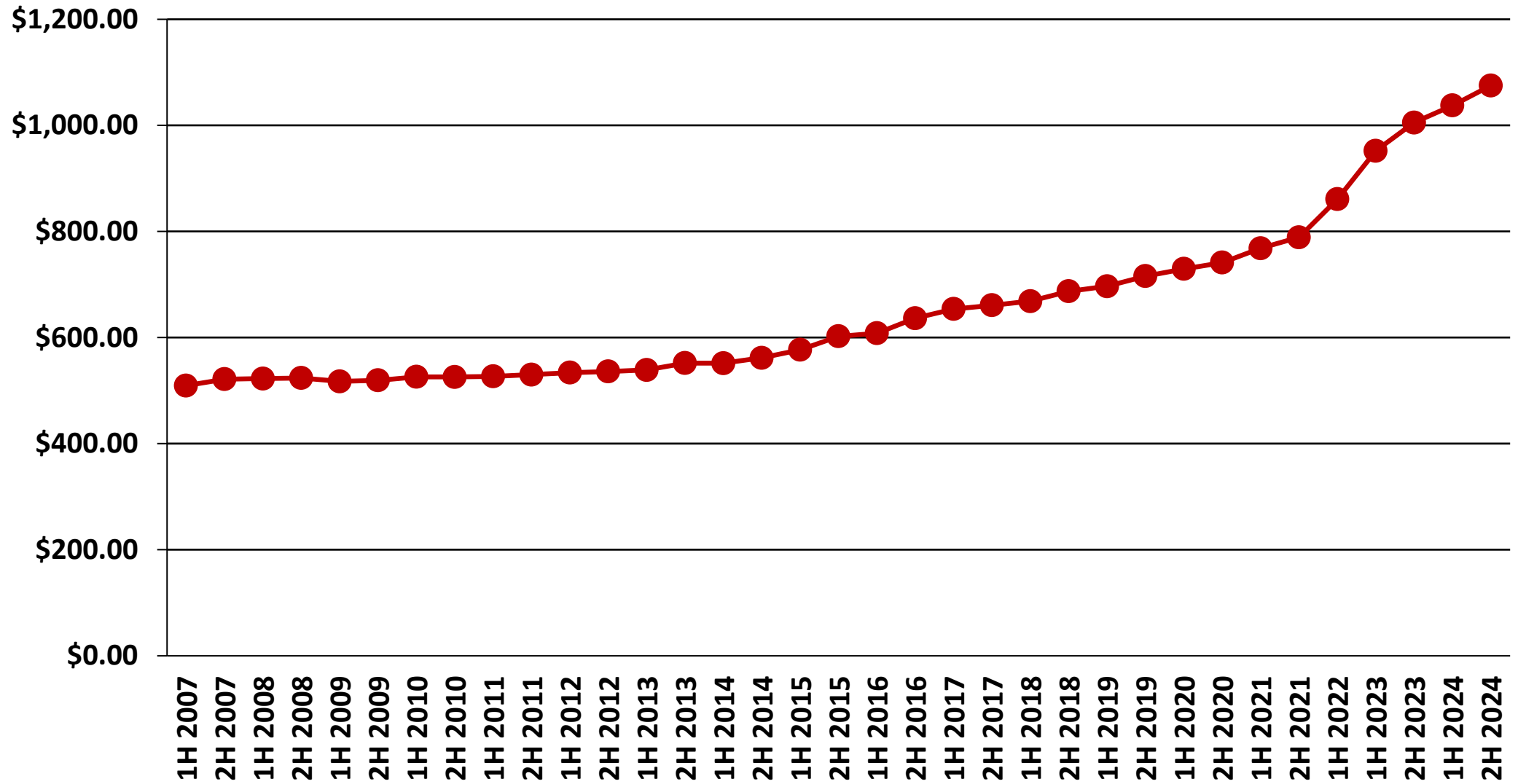


Source: Fannie Mae, Apollo Chief Economist.

Selected Cities Multifamily Average Vacancy Rates by City



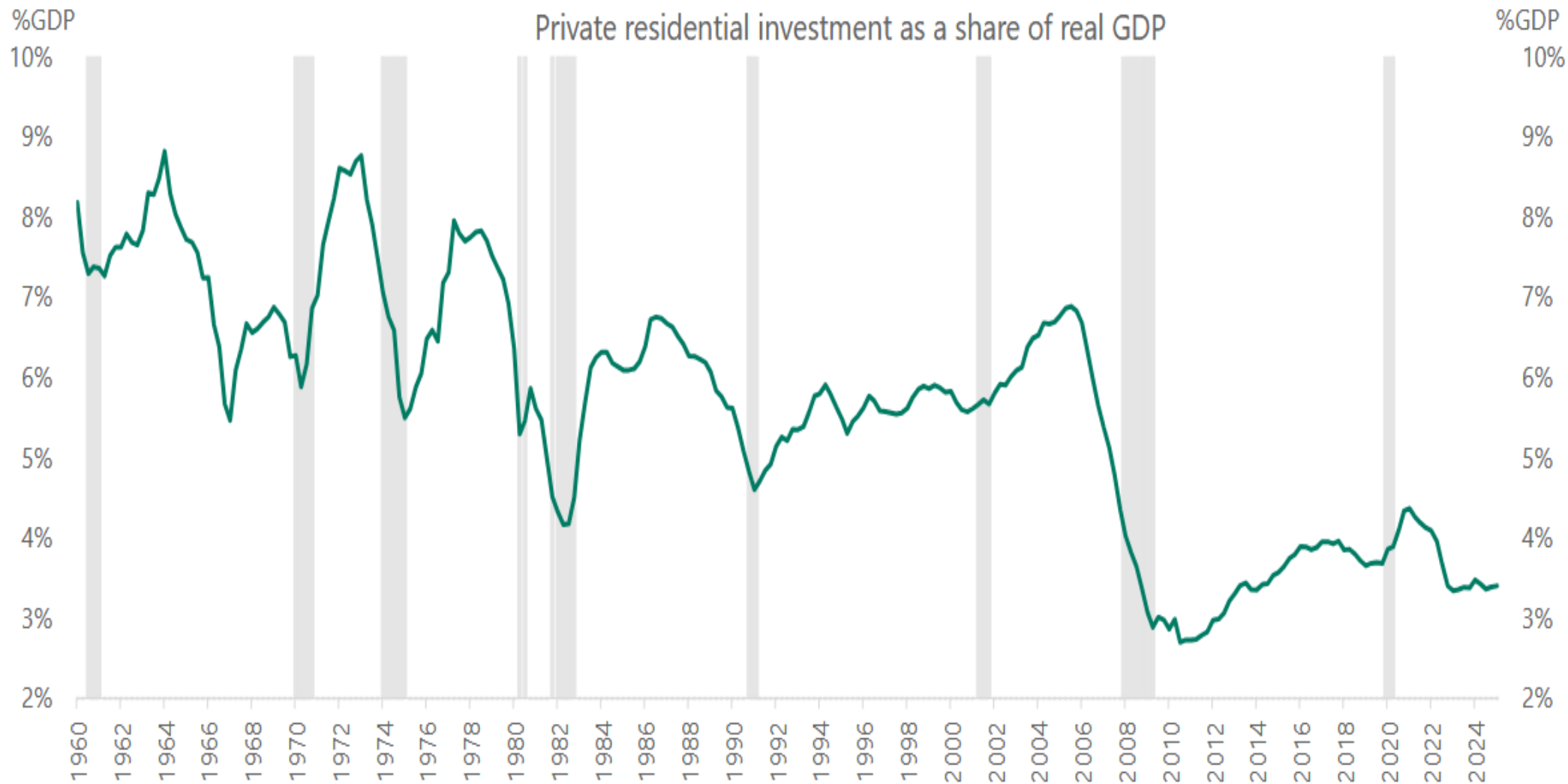
Northwest Arkansas Price per Unit





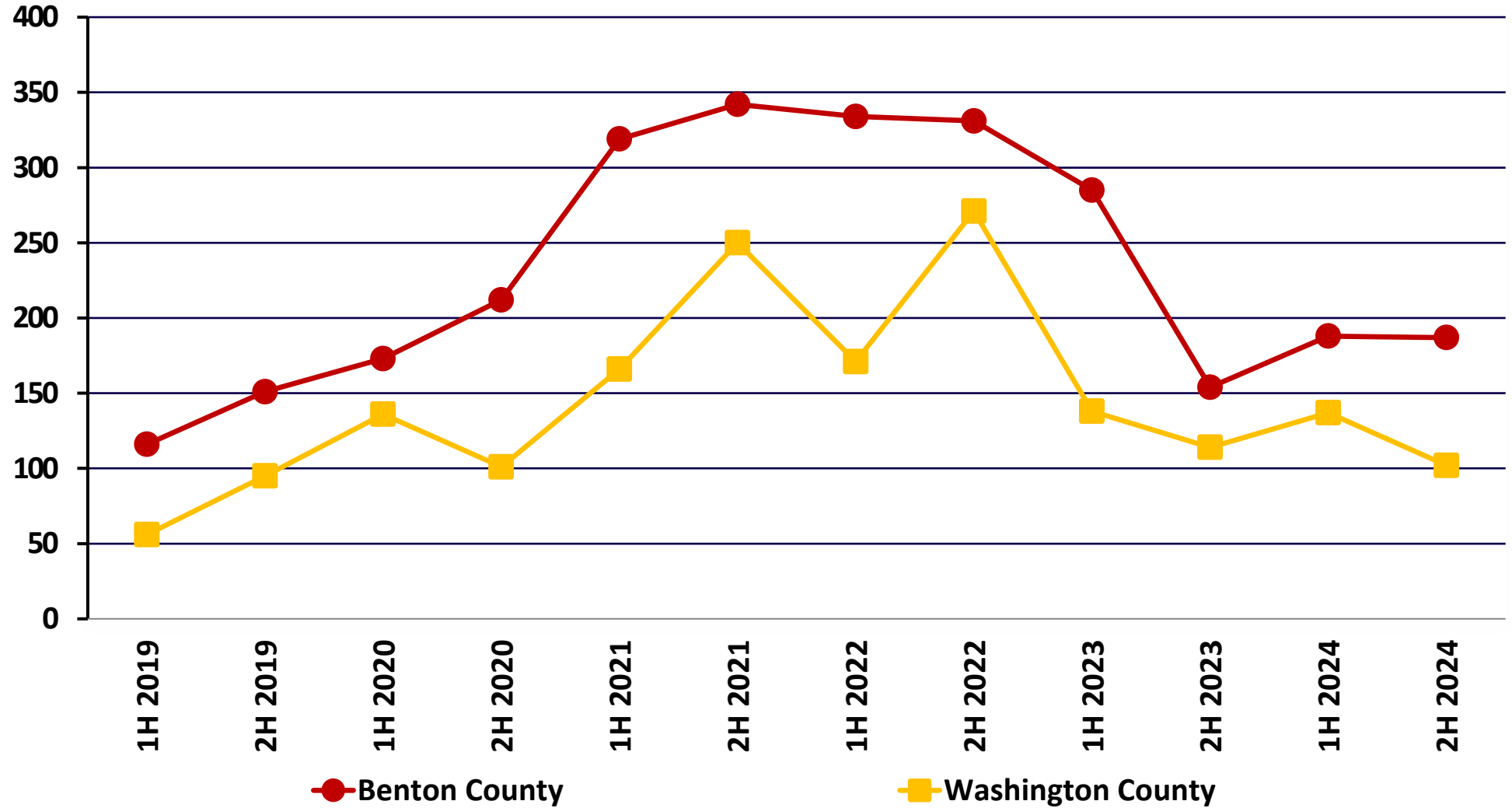
Upward pressure on housing inflation

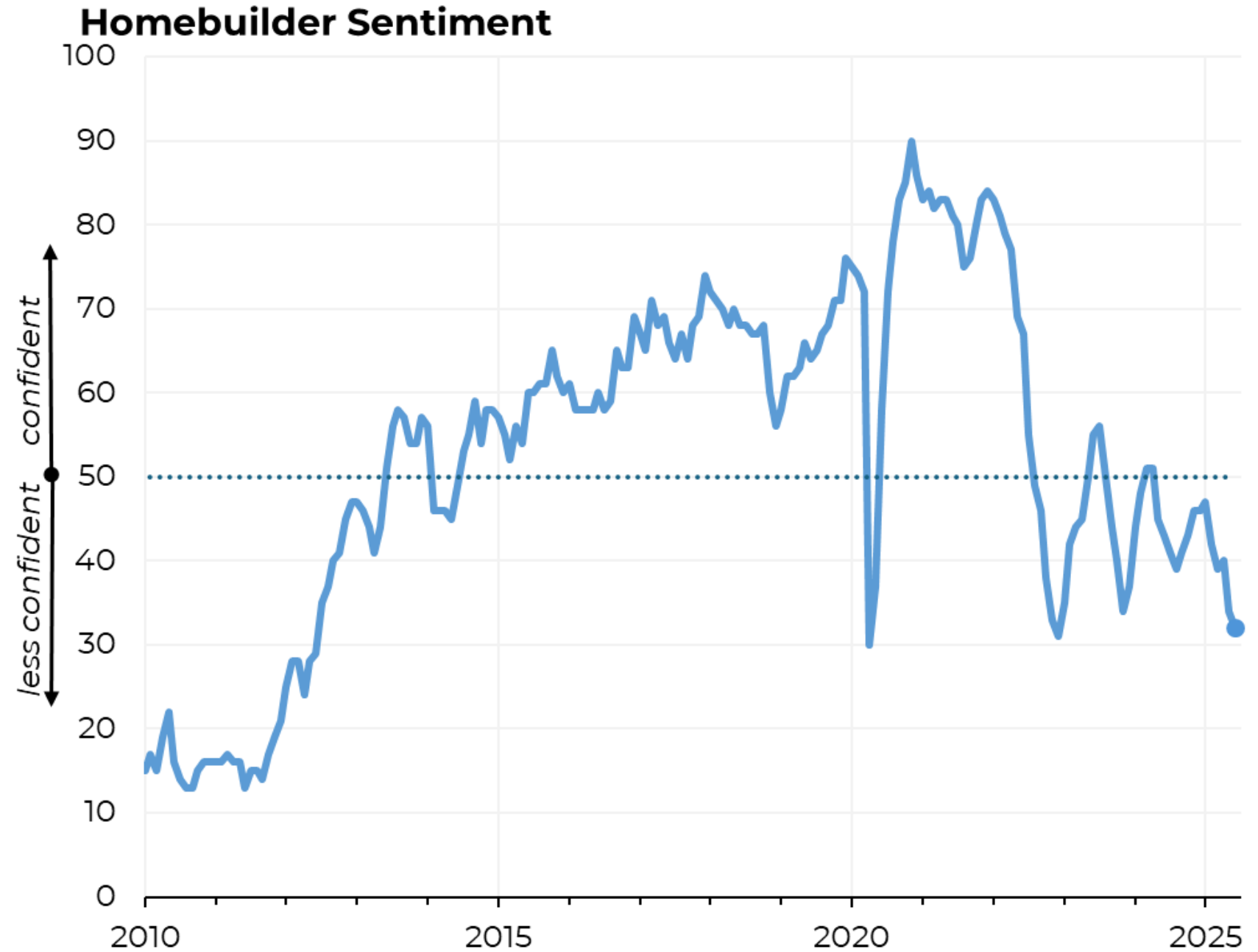




Source: BEA, Haver Analytics, Apollo Chief Economist

Benton and Washington County Number of House Starts in Active Subdivisions





Source: National Association of Home Builders

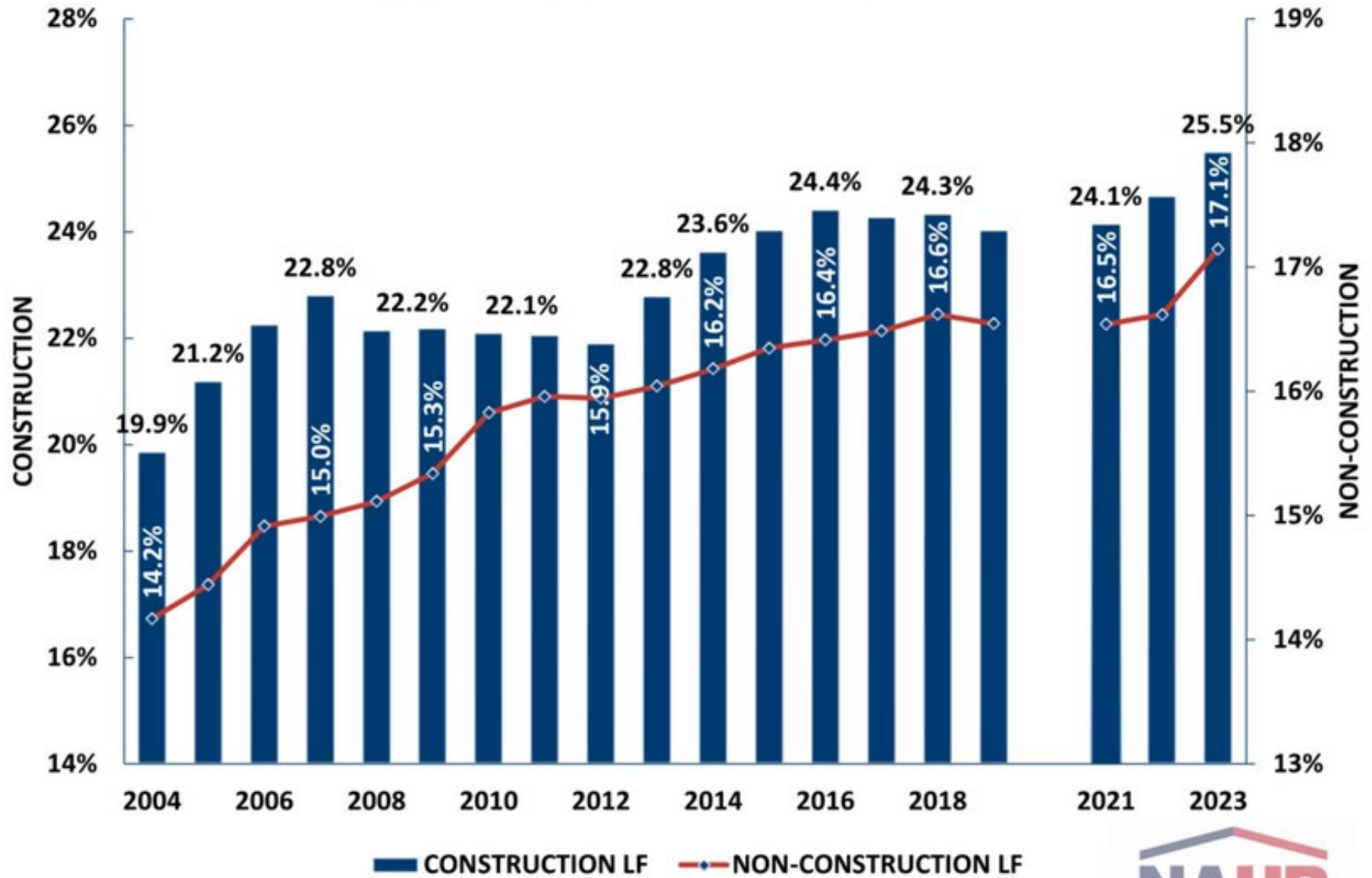
@SteveRattner



How the costs of home building could increase

ITEM	ESTIMATED COST INCREASE	
	LABOR	MATERIAL
Concrete foundation	+25%	+18%
Framing	+25%	+4%
Exterior windows and doors	0%	+11%
Roofing	+20%	+21%
Siding	+26%	+7%
Plumbing, electrical and mechanicals	0%	+8%
Insulation and drywall	+35%	+20%
Flooring	+30%	+2%
Painting and wall coverings	+19%	+11%
Cabinets and countertops	+30%	+17%
Appliances	0%	+11%
Other	+16%	+31%

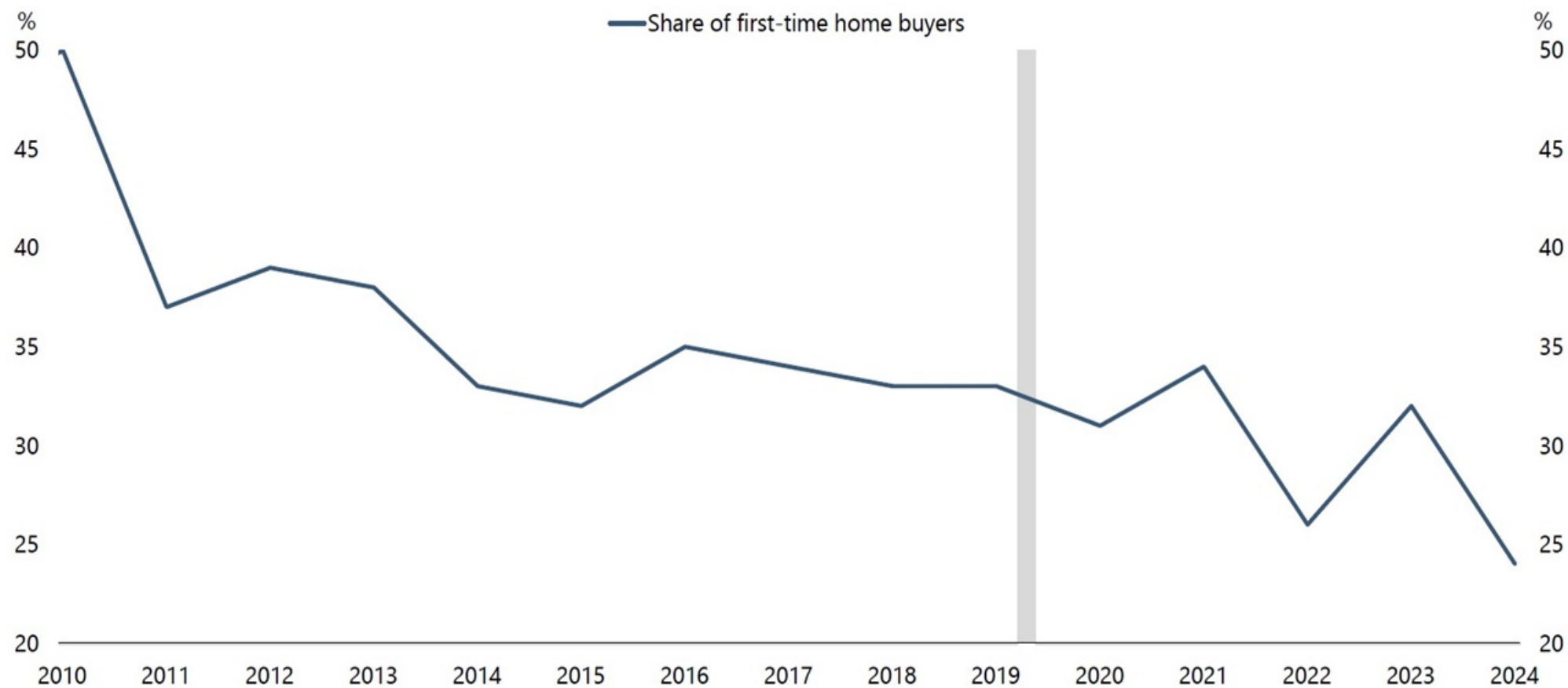
IMMIGRANTS IN THE U.S. LABOR FORCE



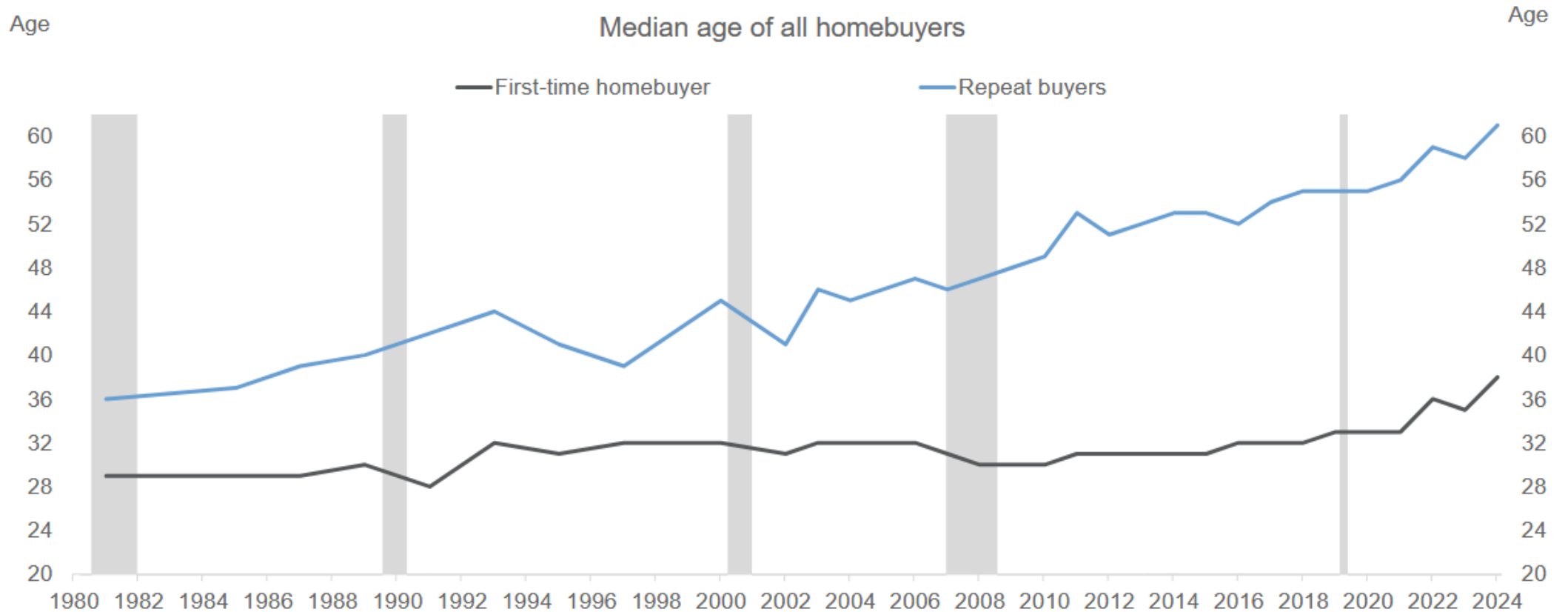
Source: 2004-2023 ACS PUMS, NAHB estimates



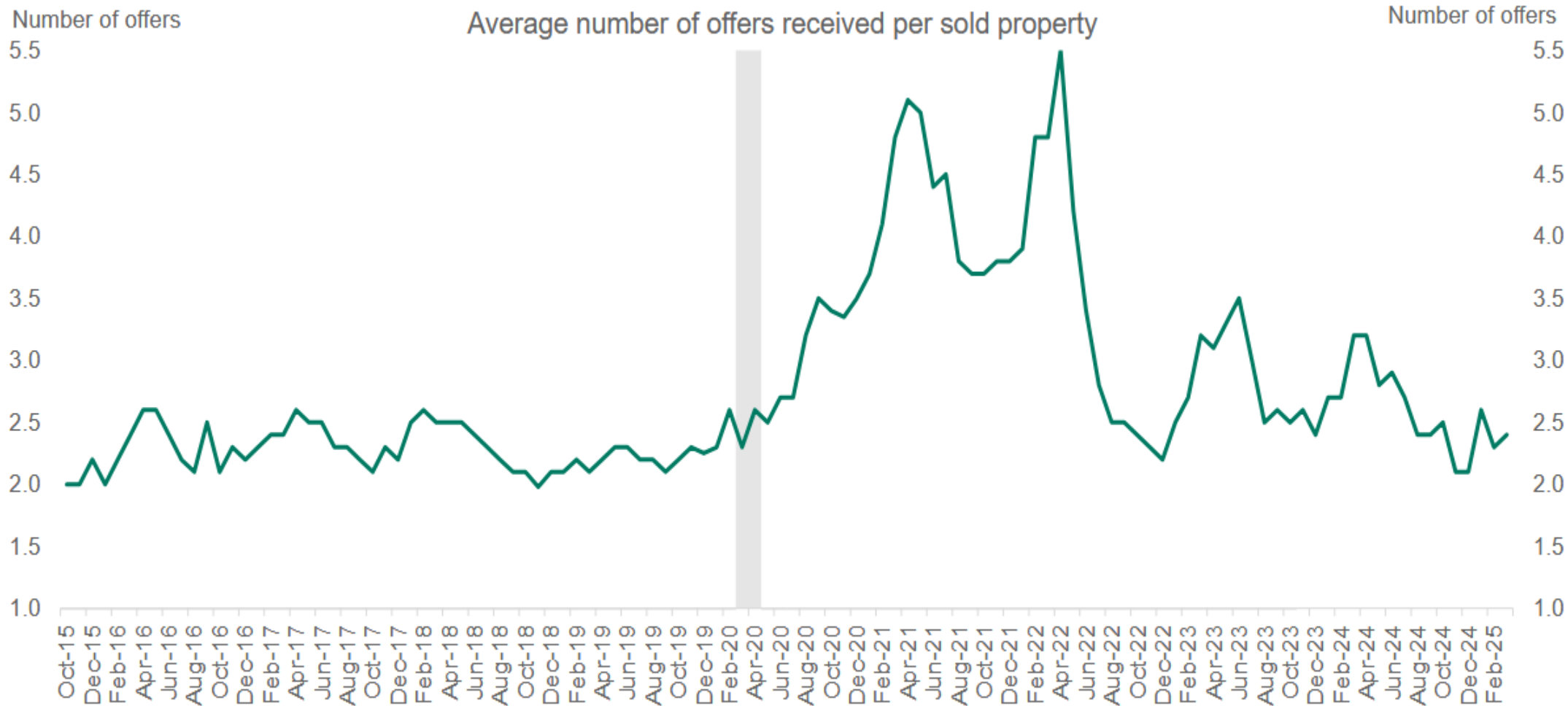
The share of first-time home buyers has declined from 50% to currently 24%



The median age of first-time homebuyers has increased from 30 in 2008 to 38 today

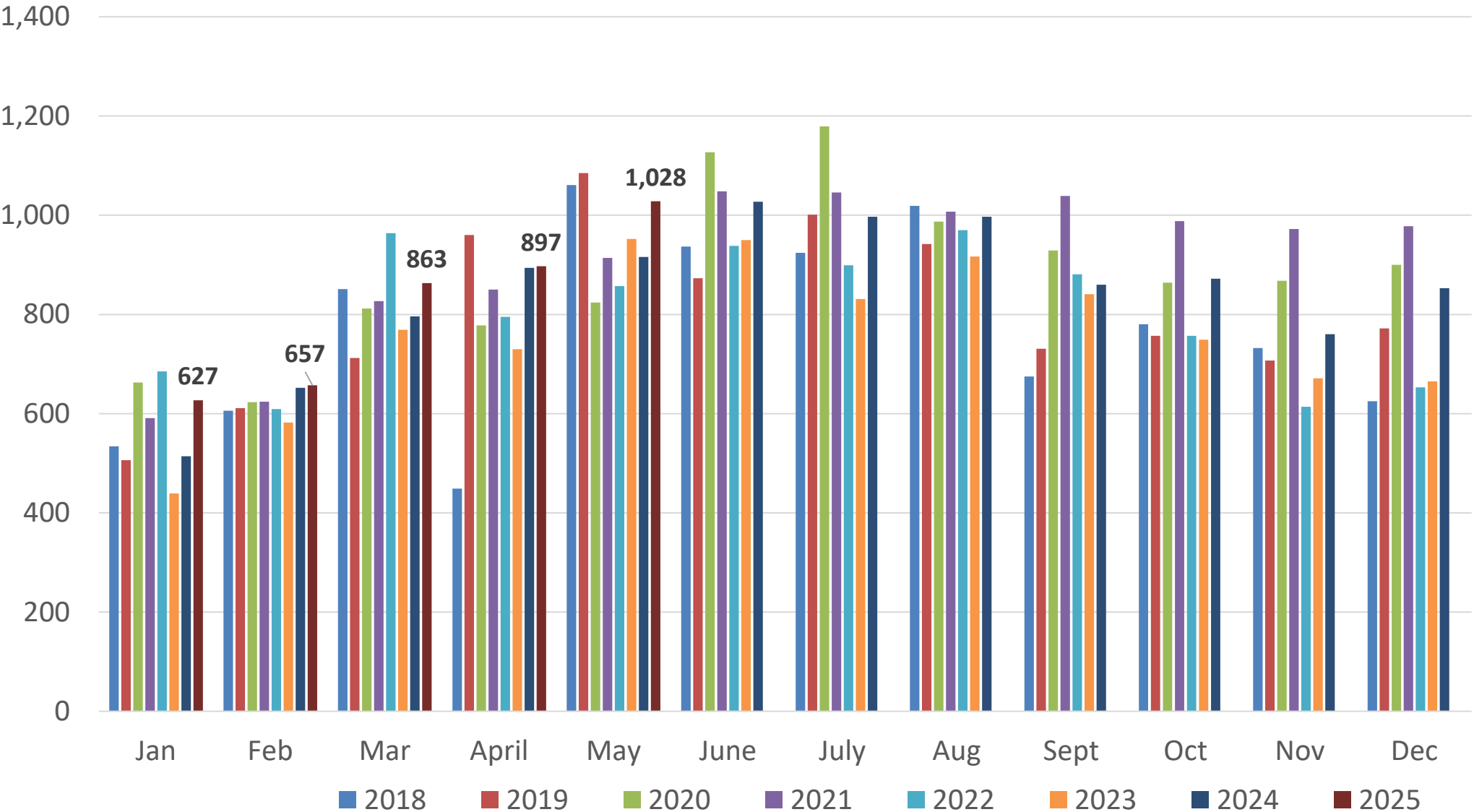


Source: NAR, Apollo Chief Economist



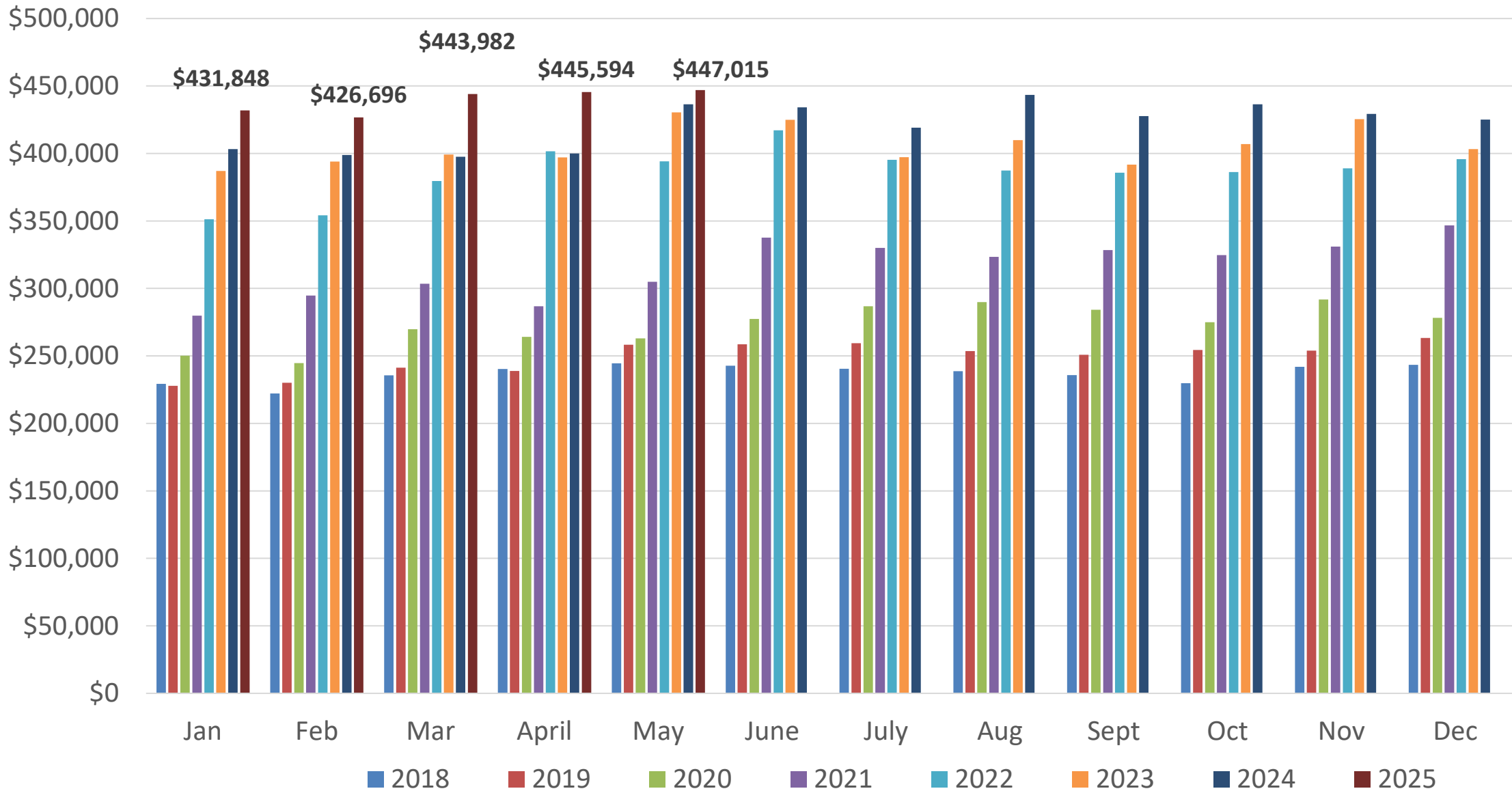
Source: NAR, Apollo Chief Economist

NWA Number of Houses Sold



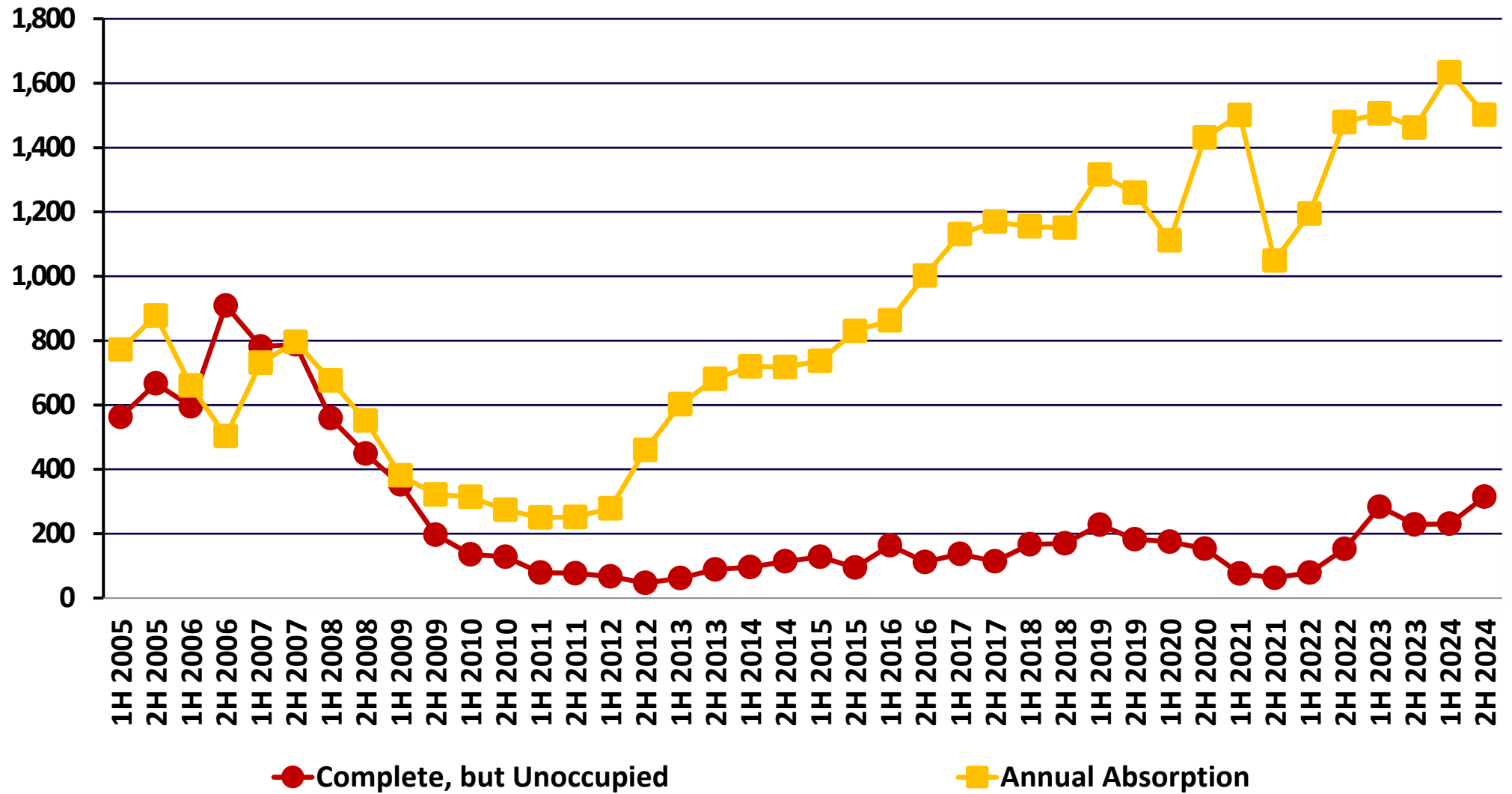
Source: Skyline Report, MLS Database

Average Price of Houses Sold

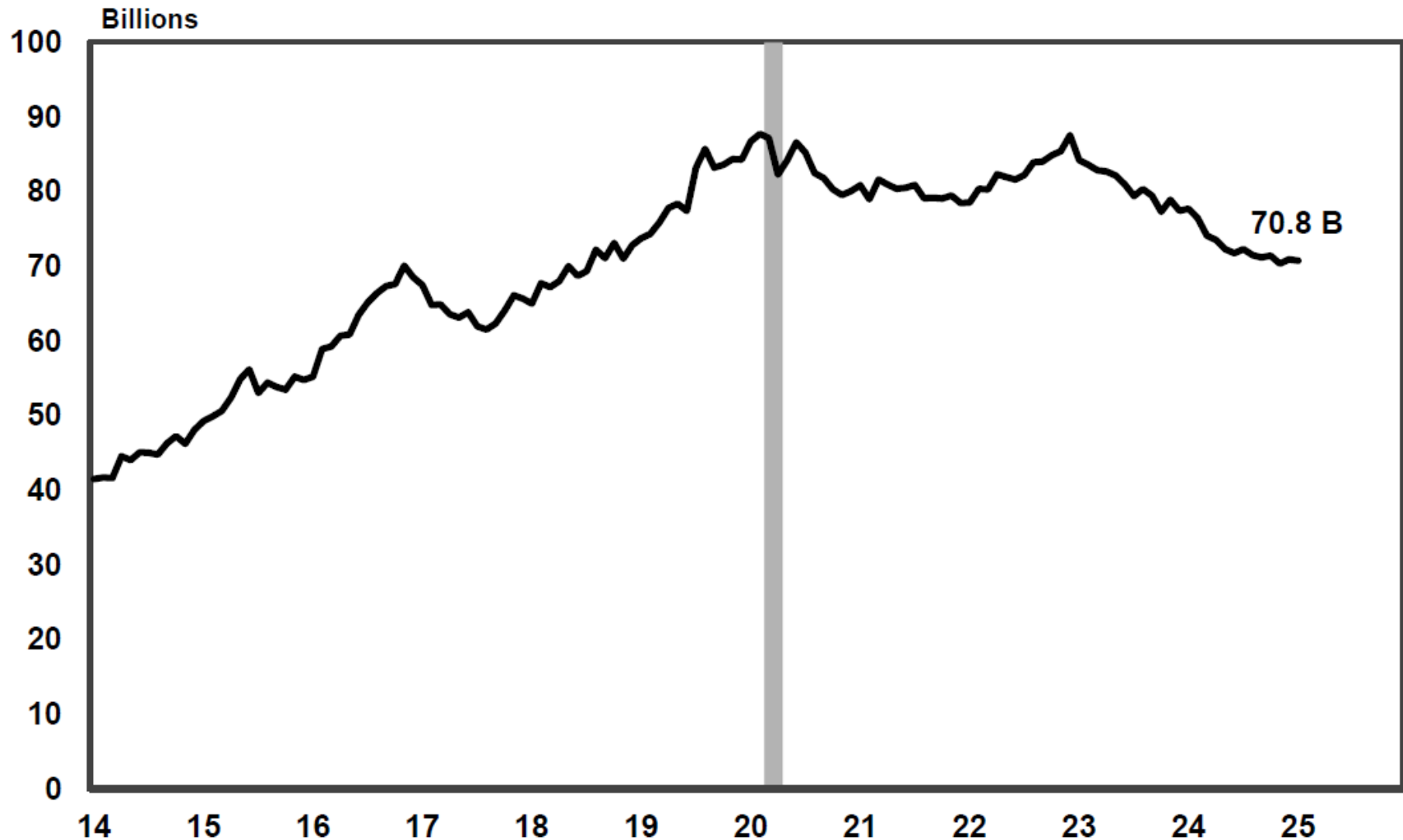


Source: Skyline Report, MLS Database

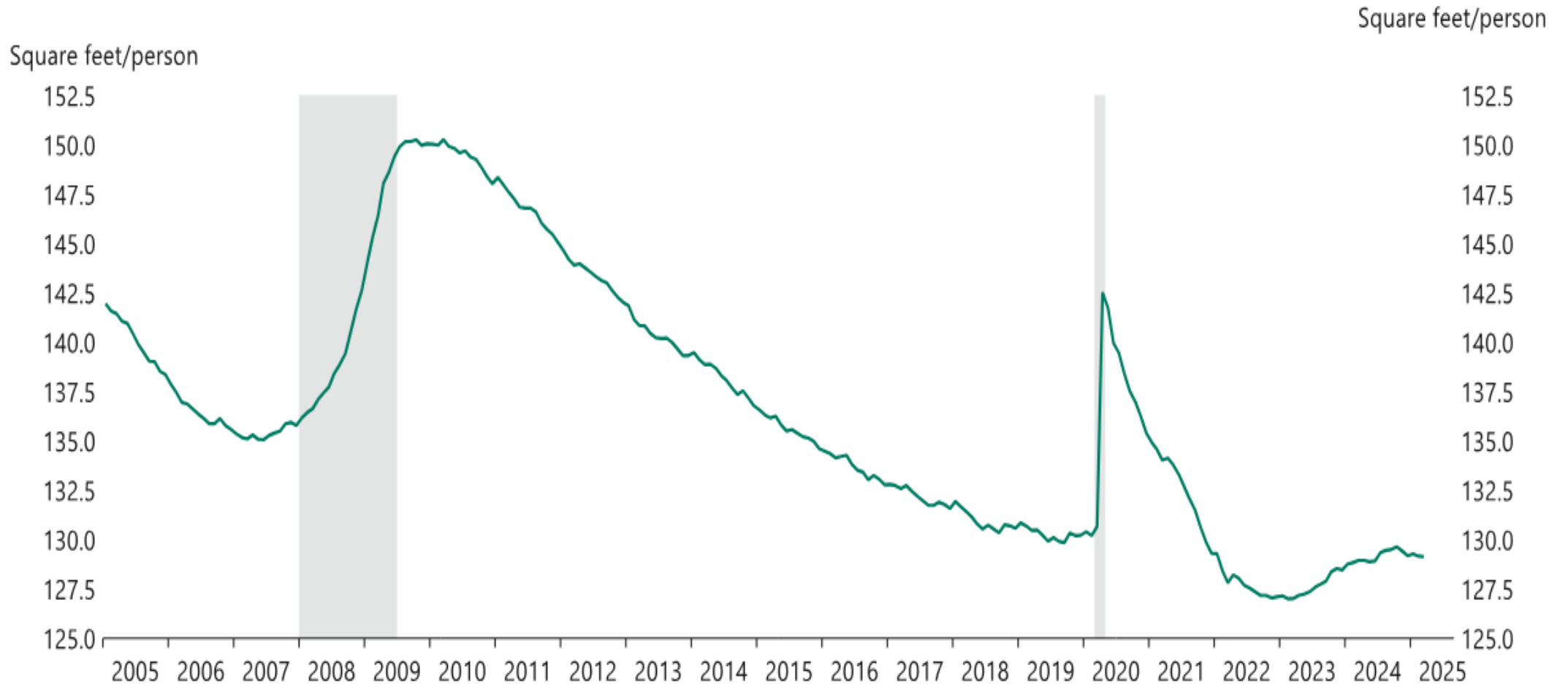
Washington County Absorption and Completed Inventory



Office ex Data Center Construction Spending (SA)

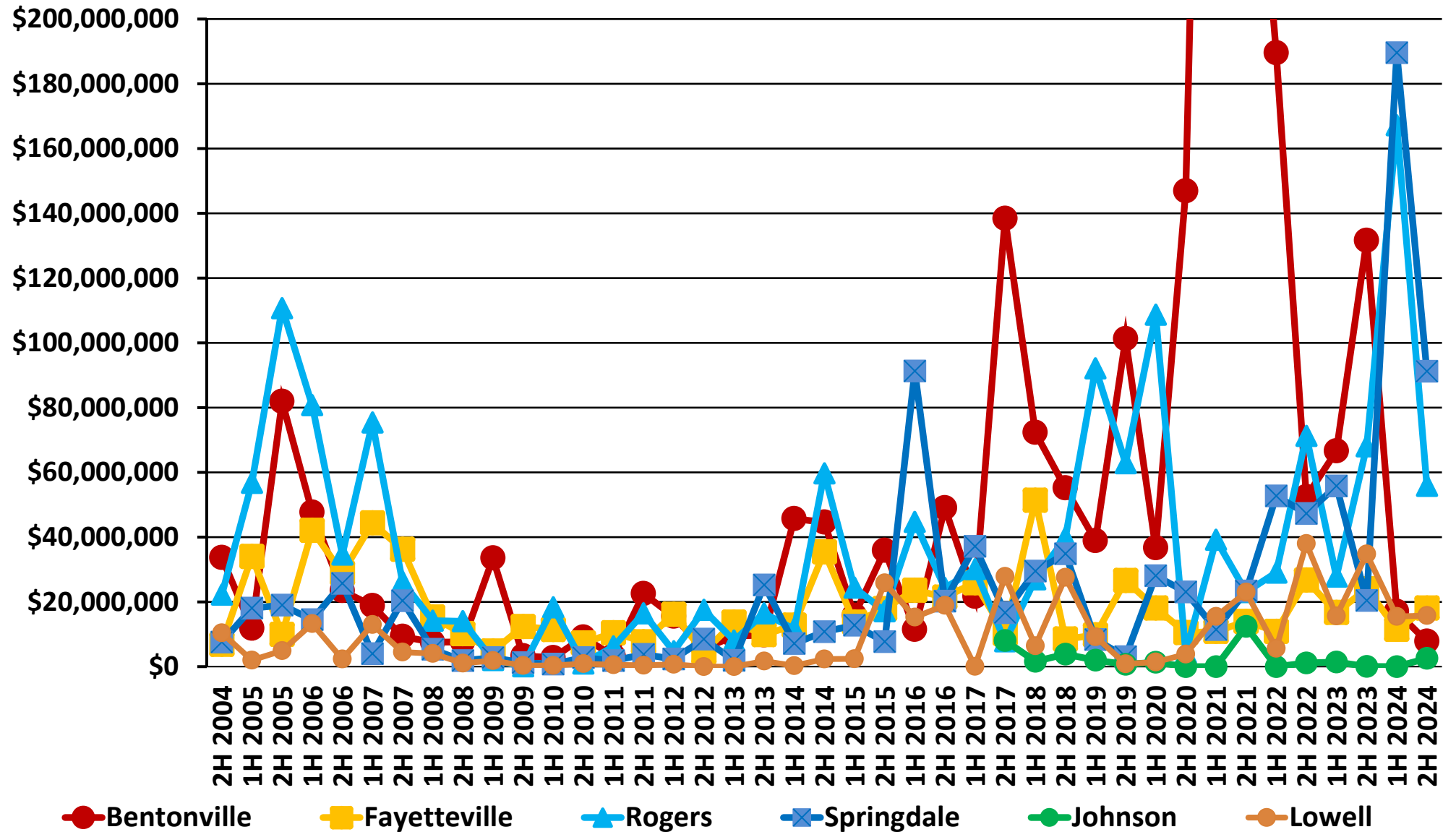


Office space per worker



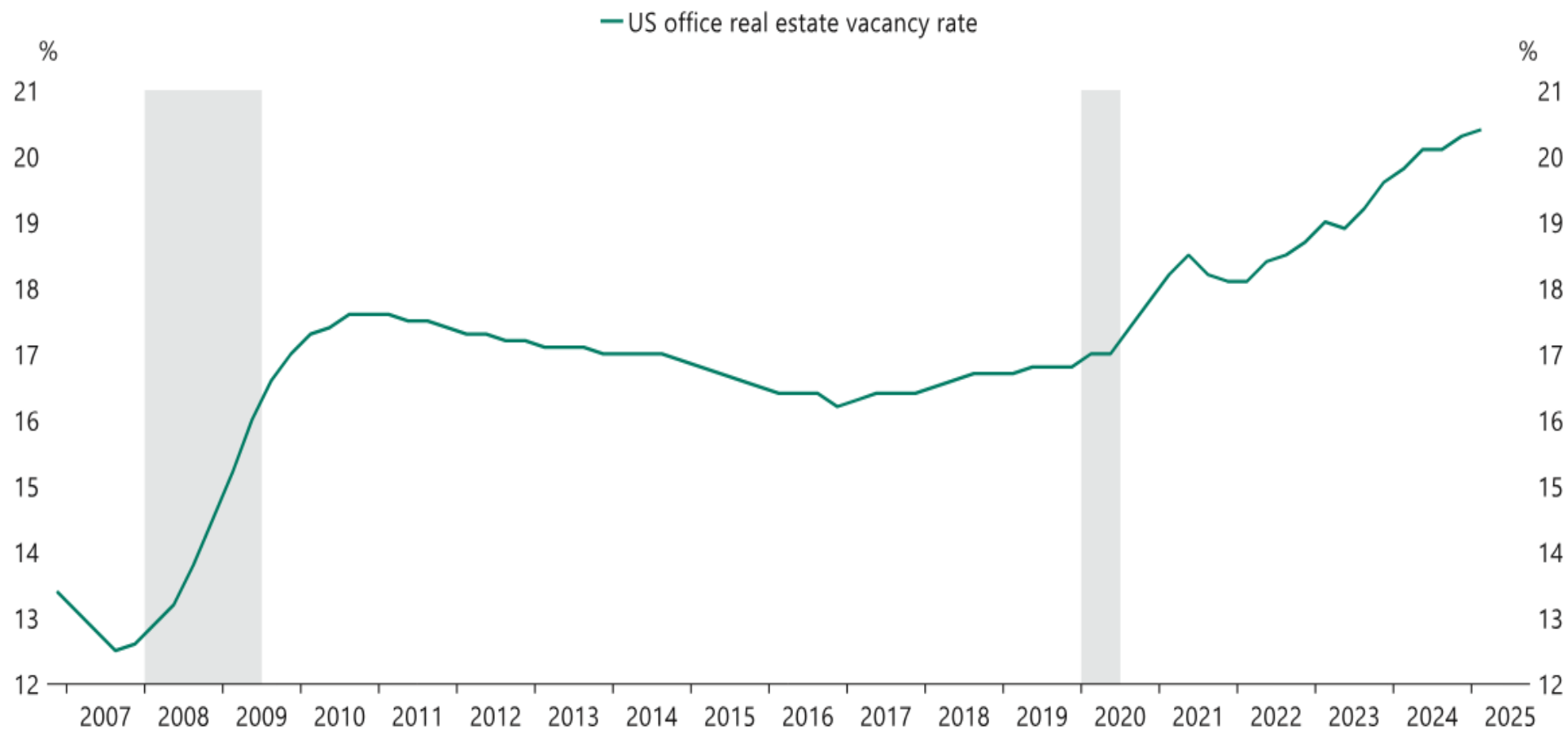
Source: REITS, BLS, Bloomberg, Apollo Chief Economist (Note: Office using employment includes professional and business services, Information and Financial activities)

Commercial Building Permit Values



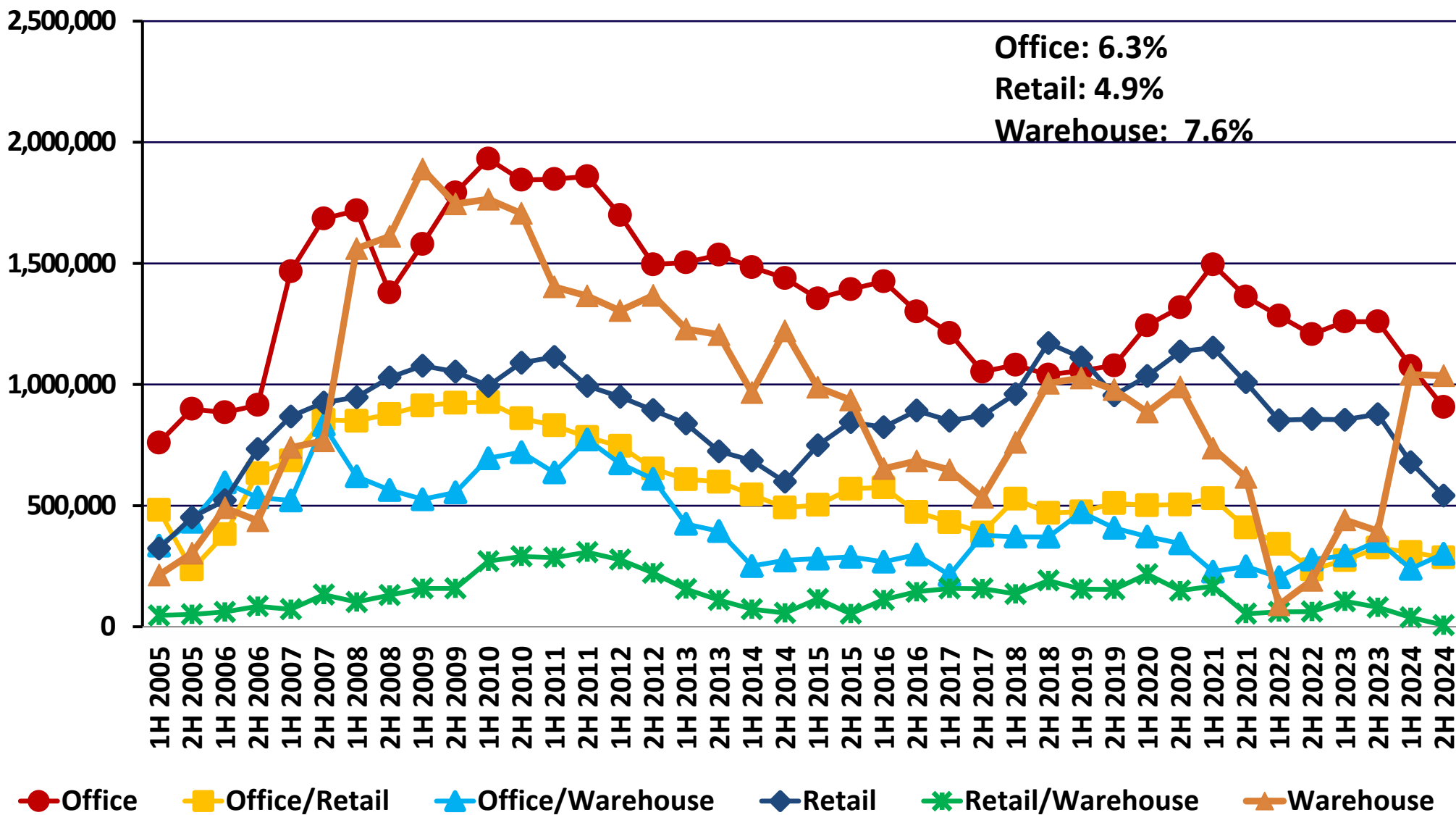


US: Office vacancy rate at 20%

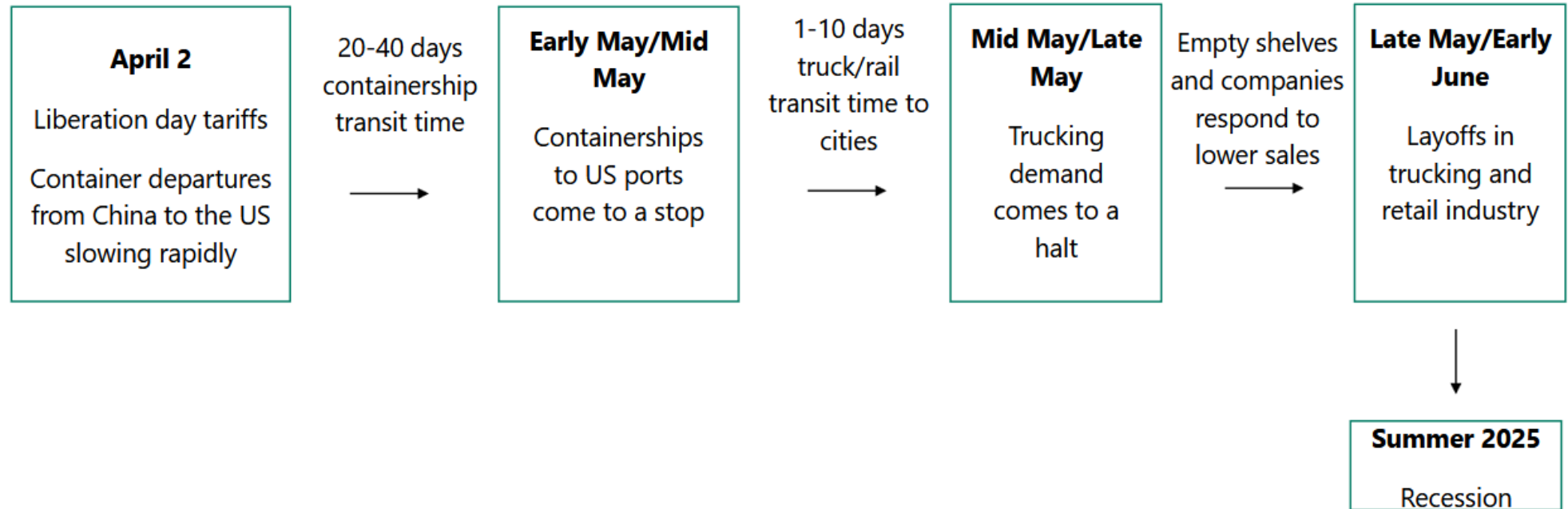


Source: REIS Data, Bloomberg, Macrobond, Apollo Chief Economist

Northwest Arkansas Available Square Footage

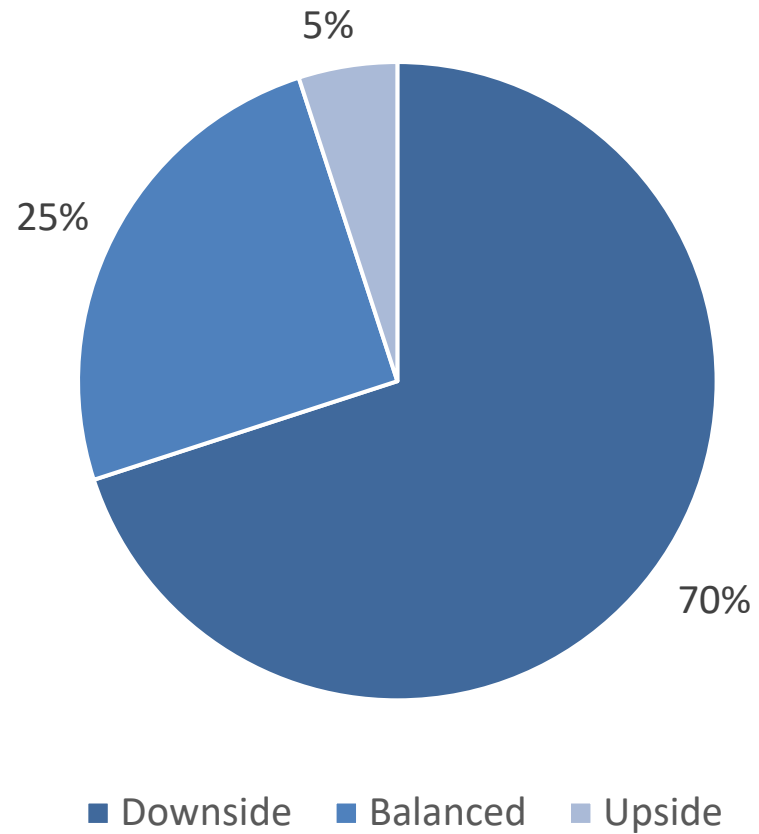


The Voluntary Trade Reset Recession



Source: Apollo Chief Economist

Are the risks to your forecasts weighted towards the upside or downside?

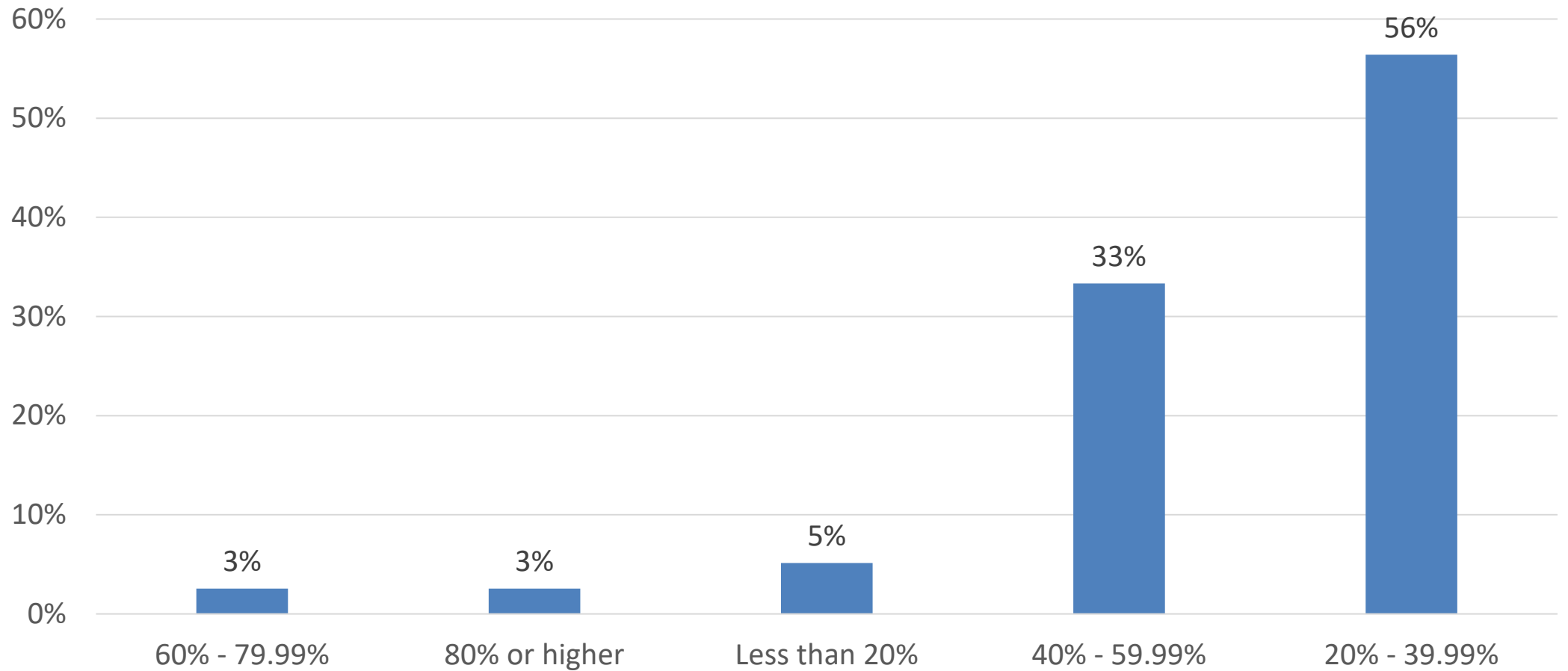


Risks

8. Lower tourism
7. Federal govt. layoffs
6. Student loans repayments
5. Lower housing demand
4. Weak business investment from policy uncertainty
3. Negative impact on business earnings from tariffs
2. Lower employment and hiring
1. Lower consumer spending from job loss/uncertainty, higher prices



What are the odds for a recession in the next 12 months?



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Questions and Comments?

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