

August 28, 2024

Seriously Delinquent

Recessions have a standard pattern. The economy slows, businesses reduce costs by laying off workers, who then have to reduce their own spending. When they can't do it fast enough, some can't pay their credit card bills and fall into delinquency.

Delinquencies tend to rise *after* the recession starts. You can see this in the chart below in the 2000, 2008, and 2020 recession shaded areas. As of now, the US economy is not officially in recession. Yet delinquencies are rising as if it were.

Credit card debt balances in serious delinquencies (% total balances)



Source: BofA Global Investment Strategy, Haver, NY Fed. 90days+ delinquencies.

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Source: [Jesse Felder](#)

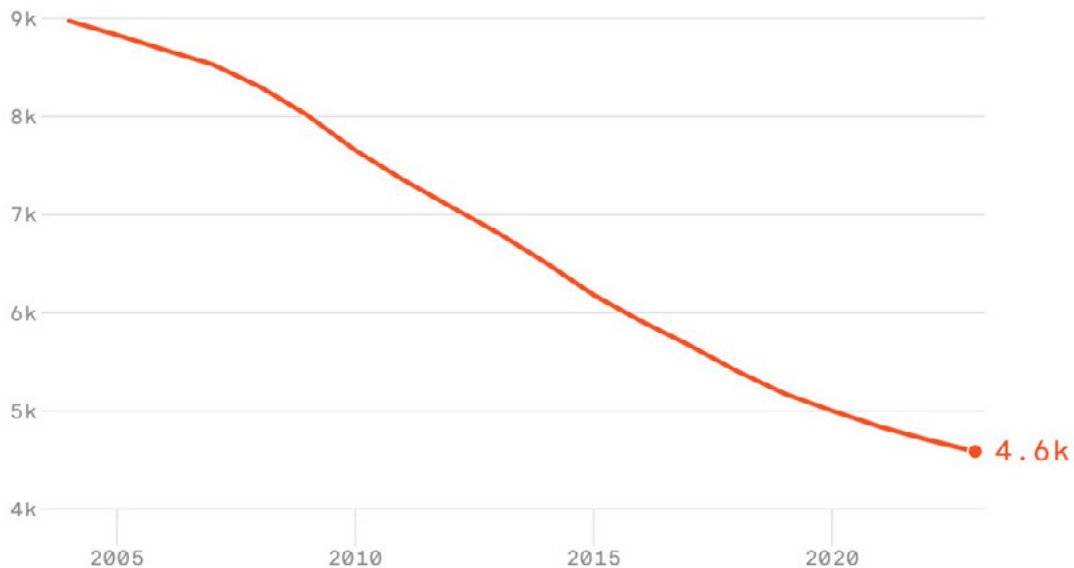
Recessions are usually declared in hindsight. On its face, the rising delinquencies suggest one may already be happening that hasn't been recognized yet. The committee that makes that determination looks at various data points, some of which still look strong. But this is certainly ominous.

Disappearing Banks

Drive around any suburb and you might think the US has more banks than ever. That's not exactly right. We have more bank *buildings* than ever, but they're mostly branches of the same few national megabanks. These giants have been absorbing regional and community banks, meaning the number of institutions has been shrinking.

Number of FDIC-insured banks in America

Annually; 2004–2023



Source: [Jason Cox](#)

This is partly a consolidation that began in 1994 when laws changed to allow nationwide banking. Regulatory changes following the 2008 crisis further encouraged the trend. Technology plays a role as well. But whatever the reasons, finding a local banker who knows and cares about your community is hard and getting harder.

Poland Rising

Our friend George Friedman has talked about Poland as one of Europe's rising powers. Poland is making great economic strides as well. This chart shows it steadily closing the per capita GDP gap with Japan.



Source: [Michael A. Arouet](#)

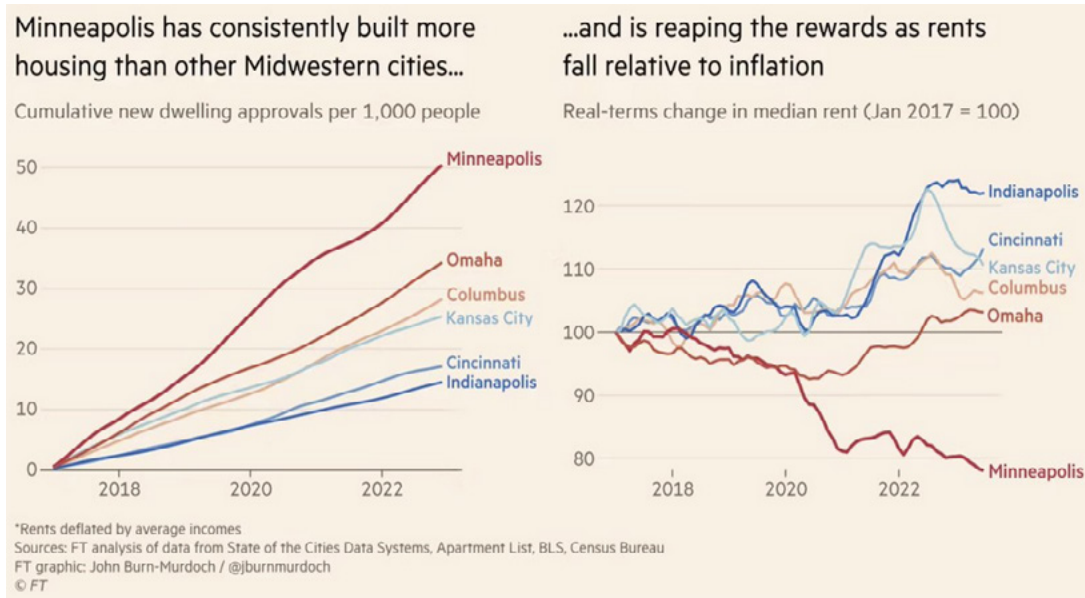
The notable part here isn't so much the race with Japan as Poland's steady growth since escaping Soviet dominance. The trajectory is impressive even compared to fast-growing Asian economies like China and South Korea.

US investors don't typically think of Poland as an investment opportunity. Maybe they should.

Yes, In My Backyard

Housing inflation is a problem in the US. One obvious solution is to increase the housing supply. This is easier said than done, unfortunately, but is still happening in some places.

The left chart shows the cumulative number of permit approvals for six Midwestern cities since 2017. The right chart shows changes in rents for those cities over the same period.



Source: [Alec Stapp](#)

The list of cities is perfectly inverted on the two charts. Minneapolis allowed the most construction and saw rents drop while others rose. Indianapolis allowed the least construction and also had the largest rent increase.

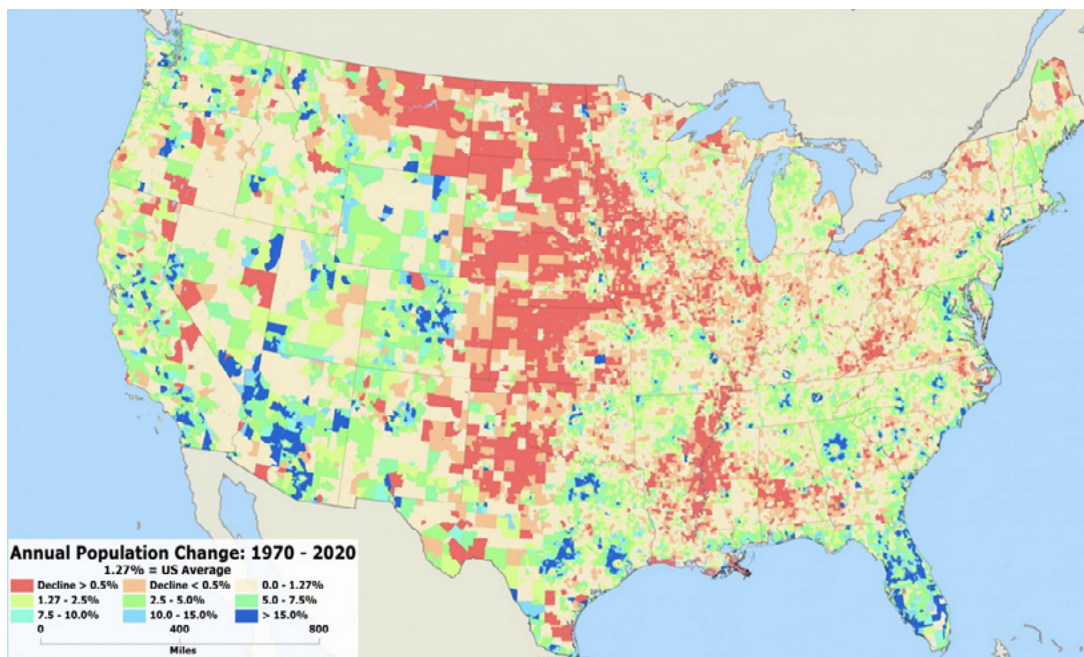
Demand matters, too, so the relative popularity of these cities also affects their rental rates. Nevertheless, it appears Minneapolis is doing something right. Places with high rents might want to see if they can do the same.

Encircled Cities

At first glance this may look like one of those red/blue political maps, but it's actually about population. The red and orange areas showed population losses in 1970–2020. Blue areas had the highest population growth.

We see clearly how the Great Plains depopulated over these years. This may be because agricultural automation reduced labor demand and made jobs more plentiful in the blue-colored urbanized areas. Notice, though, the highest growth wasn't in the big cities. It was *around* the big cities in suburbs and exurbs. That's why you see those blue spots encircling Dallas and Atlanta, for example.

What will a map like this look like for the next 50 years, 2020–2070?



Source: [Statistic Urban](#)

Thanks for reading *CLIPS THAT MATTER*. We hope you enjoyed it. We welcome feedback and suggestions at oms@mauldineconomics.com.

Best regards,

John & Patrick



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