

### Consumer Loan Delinquencies Edge Higher

On whole, loan delinquencies for all commercial banks in the U.S. have managed to drift lower for 29 consecutive quarters since peaking in the first quarter of 2010. The delinquency rate is a broad measure of a borrower’s ability to repay on its debt obligation. The Federal Reserve Board formally defines loan delinquencies as those that are past due thirty days or more and still accruing interest as well as those in nonaccrual status. For reference, the delinquency rate at the end of the first quarter of 2010 was 7.4 percent compared to 1.9 percent in the first quarter of 2017.

The trend certainly demonstrates that the balance sheet for both firms and households have improved substantially since the recession ended in June 2009. However, delinquency data for certain asset classes, particularly in the consumer segment, have been trending higher over recent quarters, albeit modestly, and largely isolated to credit card lending. For the overall consumer segment however, the delinquency rate has increased from 1.98 percent in the second quarter of 2015 to 2.18 percent in the first quarter of 2016.

Despite being near historically low levels, delinquency rates for credit cards have increased for nearly eight consecutive quarters from 2.12 percent in the second quarter of 2015 to 2.42 percent in the first quarter of 2017. Over the same two-year period, other consumer loans, which includes loans for automobiles, have increased from 1.85 percent to 1.97 percent.

For businesses that extend credit directly to consumers for the purchase of the company’s respective product or service, the trend in delinquencies should be monitored closely considering it may be a headwind to earnings growth in the months ahead. Depending on the company’s methodology, a weakening in overall consumer credit quality may force an increase in the company’s provision for doubtful accounts and therefore higher bad debt expense.

Aside from companies that extend credit directly to consumers, the trend in delinquencies will certainly impact the financial services industry. Last week, several of the largest U.S.-based banks reported second quarter earnings which generally beat analyst’s earnings estimates. However, in the case of JP Morgan Chase, the company increased its provision for consumer related loans by approximately \$193 million compared to the same period a year ago, attributing the build to higher net charge-offs and presumably higher delinquencies.

As the second quarter earning’s season progresses and a broader spectrum of banks and other companies report earnings, signs for increasing delinquencies should remain on the radar.

Outside of the consumer segment, delinquencies for residential and commercial real estate loans continue their decent lower. In fact, the delinquency rate on single-family residential mortgages has yet to reach its pre-recession low of approximately 1.4 percent. By comparison, in the first quarter of 2017, the delinquency rate for the asset class was nearly 4 percent. While tremendous improvement has occurred since 2010, the elevated figure reflects some households remain under pressure. On page three, we highlight the delinquency rates for the commercial real estate and commercial & industrial categories.

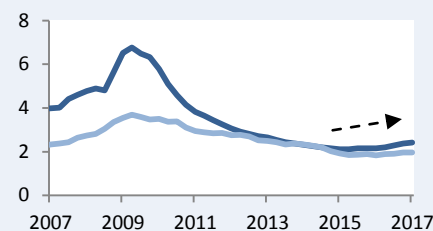
### Interest Rate Monitor

	Current	Previous
PCE:	1.4%	1.8%
Core PCE:	1.4%	1.6%
CPI:	1.6%	2.2%
Core CPI:	1.7%	1.9%
Unemployment Rate:	4.4%	4.4%
U6 Unemployment Rate:	8.6%	8.6%
Non Farm Payrolls:	222,000	211,000
Jobless Claims (4-wk Avg):	245,750	244,000
Real GDP:	1.4%	0.7%
2-Yr Treasury Rate:	1.37%	1.31%
10-Yr Treasury Rate:	2.35%	2.34%
Next FOMC Meeting:	Jul7 25 - 26	
Consensus for Rate Hike:		
Fed Funds Target Range:	.75 - 1.00	.75 - 1.00

*PCE, CPI readings are YoY; core strips out food & energy*

*U6 Unemployment: Total unemployed, plus all marginally attached workers plus total employed part time for economic reasons*

### Credit Card & Other Consumer Delinquency Rates



Note: Data is quarterly through Q1 2017

Source: FRED, Bloomberg

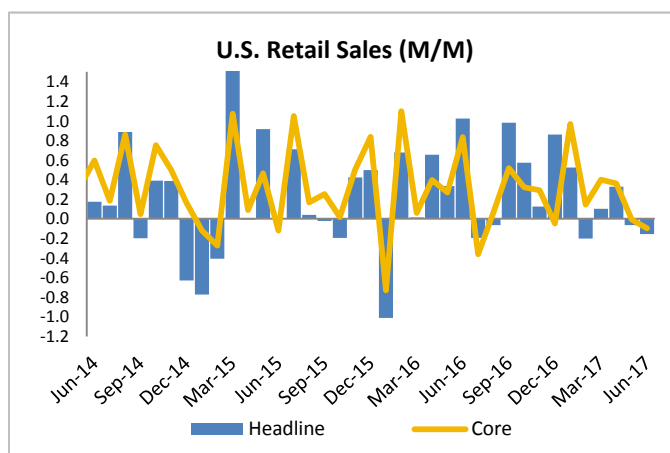
## U.S. Retail Sales – June

**Release Date:** July 14, 2017

**Market Consensus:** 0.1%

**June Result:** -0.2%

In the first quarter of 2017, household net worth as a percentage of disposable personal income reached its highest level ever on record. For the period, net worth was reported to be nearly 7 times disposable personal income. Taken together with the recent highs in consumer confidence, retail sales should be doing quite well. However, sales at most retailers remain tepid at best.



The headline retail sales figure for June came in well below the market consensus, declining 0.2 percent compared to expectations for a 0.1 percent month over month increase. The revisions to the prior months were mostly negative which does not bode well for the advance estimate of second quarter GDP.

Despite the weak headline print, there were some pockets of positive monthly comparisons. Advances were seen in Motor Vehicle & Parts (+0.1%), Building Material & Garden (+0.5%), Health & Personal (+0.3%), General Merchandise (+0.4%) and Nonstore (+0.4%) retailers. On the other hand, Miscellaneous Store (-3.1%), Gasoline (-1.3%), Food & Beverage (-0.4%) and Sporting Goods (-0.6%) retailers led the way lower.

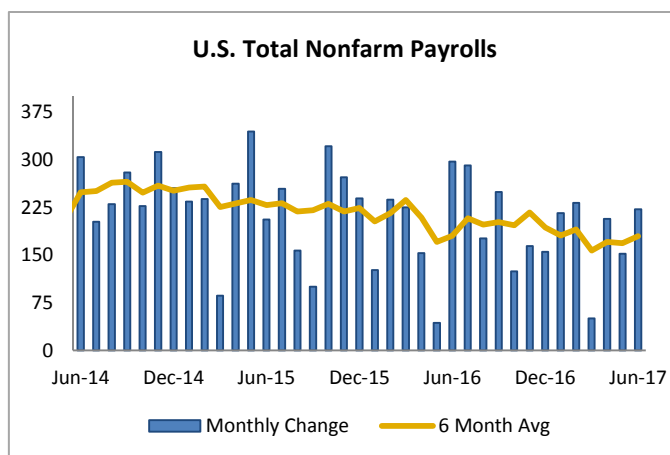
## U.S. Total Nonfarm Payrolls – June

**Release Date:** July 7, 2017

**Market Consensus:** 170K

**June Result:** 222K

The pace of hiring stumbled in the final month of the first quarter, setting the stage for a weak second quarter. Despite the weak print in March, job growth in the second quarter accelerated averaging approximately 194 thousand per month compared 166 thousand in the first three months of 2017.



For June, nonfarm payrolls advanced a healthy 222 thousand which came in well ahead of the market consensus that called for only 170 thousand. The month's reading capped off what turned out to be a very strong quarter for job growth.

While certain industries are experiencing the early signs of labor shortages, continued improvements in the health of the overall labor market have caused those who exited the labor force to re-enter which is a positive development. Year-to-date, the labor force has expanded by nearly 500 thousand while job growth is just over 1 million.

Source: FRED, Bloomberg

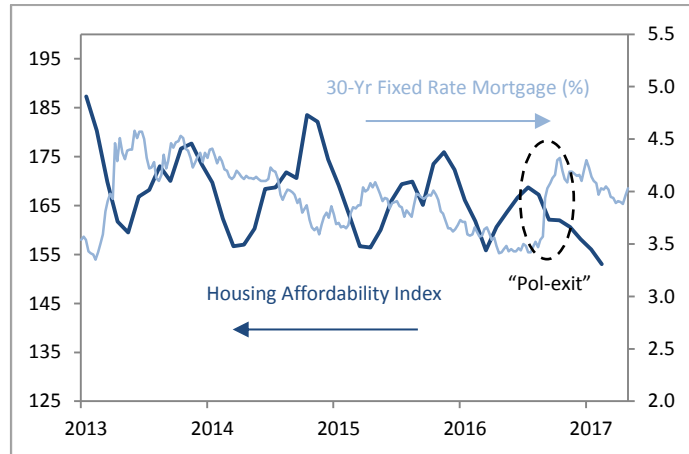
### U.S. Existing Homes Sales – June

**Release Date:** July 24, 2017

**Prior Result:** 5.62 million

**June Result:** TBA

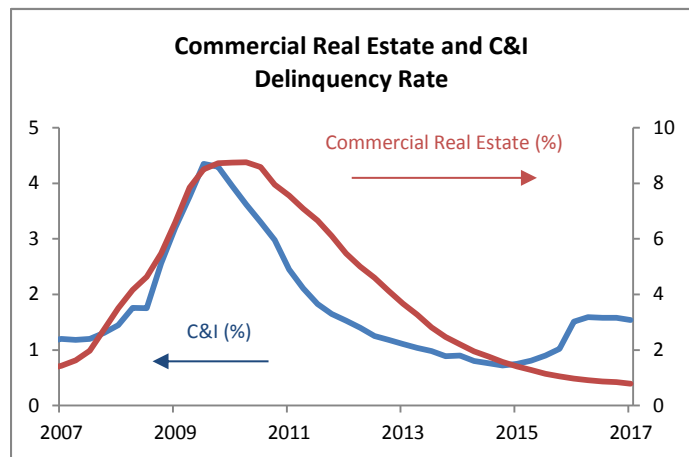
In May, U.S. existing home sales increased 1.1 percent, compared to the prior month, to an annual rate of 5.62 million which was ahead of the market consensus of 5.55 million. The prior month was revised slightly lower from 5.57 to 5.56 million units. On a year-to-date basis, existing home sales have been well above the 5 million mark despite continued price appreciation and inventory levels running below longer run averages. While inventory levels are certainly below longer run averages, the supply of homes has been building over the past five consecutive months which now stands at 1.96 million units compared to 1.65 million at the end of 2016.



In the chart above, we highlight the relationship between the average 30-year fixed rate mortgage in the U.S. and the Housing Affordability Index. The Index measures the degree to which a typical family can afford the monthly mortgage payment on a typical home. Since the election results in November 2016, aptly termed “Pol-exit” by our team, the average 30-year fixed rate mortgage has increased considerably. As borrowing costs rose, the housing affordability index has declined to its lowest level in more than four years. Considering the Fed seems reluctant to pull back on the tightening cycle, additional hikes may adversely impact housing affordability and therefore future sales growth should longer-term rates continue to move higher.

### Loan Delinquencies by Select Category

On whole, loan delinquencies for all commercial banks in the U.S. have managed to drift lower for 29 consecutive quarters since peaking in the first quarter of 2010. The delinquency rate is a broad measure of a borrower’s ability to repay on its debt obligation. The Federal Reserve Board formally defines loan delinquencies as those that are past due thirty days or more and still accruing interest as well as those in nonaccrual status. For reference, the delinquency rate at the end of the first quarter of 2010 was 7.4 percent compared to 1.9 percent in the first quarter of 2017.



Within the commercial real estate segment, the delinquency rate remains quite low at 0.8 percent. In contrast, delinquencies for loans in the C&I segment have remained elevated. Much of the deterioration in credit quality has been isolated to firms exposed to commodities, particularly, firms in the oil and gas industry. As oil prices declined significantly beginning in the summer of 2014, profitability levels were severely challenged. Despite a modest recovery in prices, credit quality deterioration within the sector has persisted.

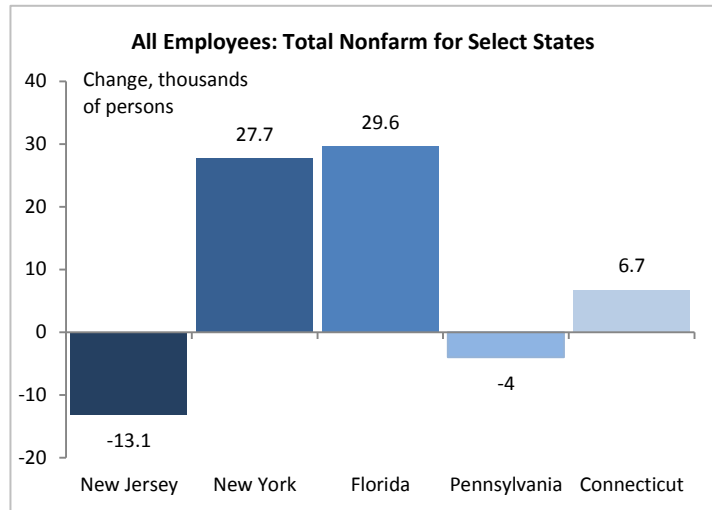
Source: FRED, Bloomberg

**All Employees: Total Nonfarm – May**

Release Date: June 24, 2017

Change, thousands of persons

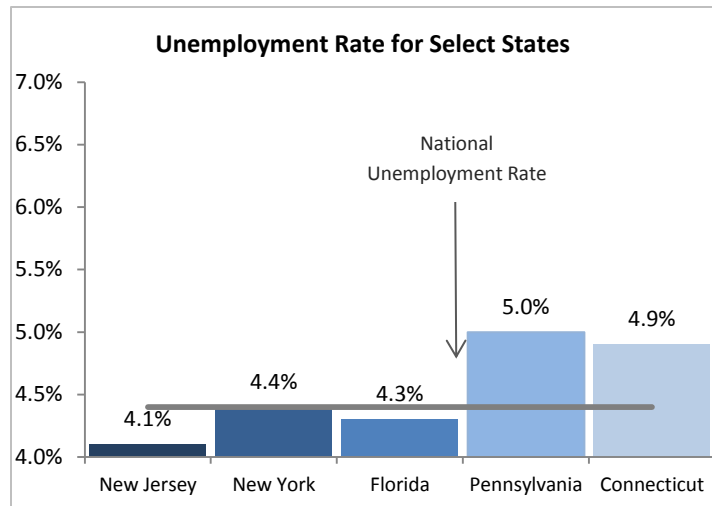
	Current	Prior
New Jersey	-13.1	0.7
New York	27.7	4.4
Florida	29.6	10.8
Pennsylvania	-4	-4.1
Connecticut	6.7	-3.1



**Unemployment Rate – May**

Release Date: June 24, 2017

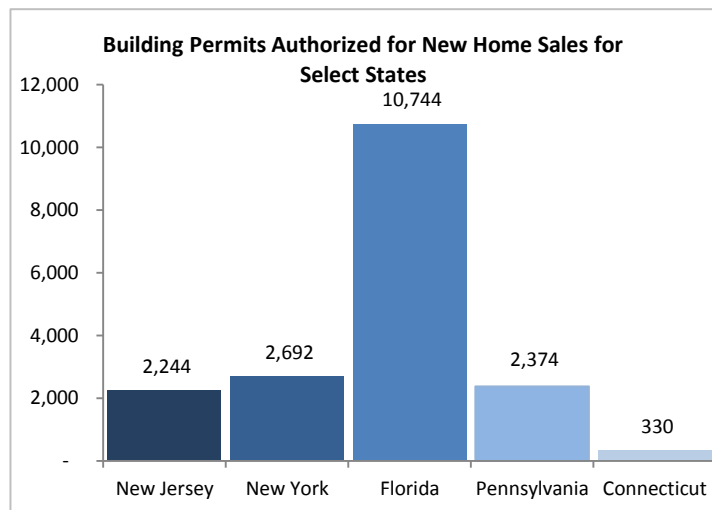
	Current	Prior
New Jersey	4.1%	4.1%
New York	4.4%	4.3%
Florida	4.3%	4.5%
Pennsylvania	5.0%	4.9%
Connecticut	4.9%	4.9%



**Building Permits Authorized for New Home Sales – May**

Release Date: June 24, 2017

	Current	Prior
New Jersey	2,244	1,514
New York	2,692	3,702
Florida	10,744	10,618
Pennsylvania	2,374	1,687
Connecticut	330	293



Source: FRED, Bloomberg

Key Economic Indicators													
Economic/Financial Indicator	Units	Period	Current	Prior	Prior Year	04/01/17	01/01/17	10/01/16	04/01/16	10/01/15	10/01/14	5Yr Max	5 Yr Min
<b>Price Levels</b>													
PCE Core Inflation <sup>1</sup>	Y/Y % Chg	May	1.4%	1.5%	1.6%	1.5%	1.8%	1.8%	1.6%	1.3%	1.6%	1.9%	1.3%
Consumer Price Index	Y/Y % Chg	Jun	1.6%	1.9%	1.0%	2.2%	2.5%	1.6%	1.1%	0.1%	1.6%	2.8%	-0.2%
CPI excluding food & energy	Y/Y % Chg	Jun	1.7%	1.7%	2.2%	1.9%	2.3%	2.2%	2.1%	1.9%	1.8%	2.3%	1.6%
Producer Price Index: Final Demand Services	Y/Y % Chg	Jun	1.9%	2.1%	1.5%	1.8%	1.1%	1.6%	1.2%	0.3%	1.9%	2.2%	0.2%
Producer Price Index: Final Demand Goods	Y/Y % Chg	Jun	2.2%	2.8%	-2.1%	4.0%	3.2%	0.3%	-2.0%	-4.8%	0.9%	4.1%	-5.2%
Personal Consumption Expenditures Price Index	Y/Y % Chg	May	1.4%	1.7%	1.0%	1.7%	1.9%	1.4%	1.0%	0.3%	1.5%	2.1%	0.2%
<b>Employment &amp; Labor Markets</b>													
All Employees: Total Nonfarm Payrolls, Monthly Change	Thsd	Jun	222	152	297	207	216	124	153	321	227	344	43
Unemployment Rate	Percent	Jun	4.4%	4.3%	4.9%	4.4%	4.8%	4.8%	5.0%	5.0%	5.7%	8.2%	4.3%
U6 Unemployment Rate <sup>2</sup>	Percent	Jun	8.6%	8.4%	9.6%	8.6%	9.4%	9.5%	9.7%	9.8%	11.5%	14.8%	8.4%
4-Week Moving Average of Initial Jobless Claims, Monthly	Thsd	Jul	246	244	261	250	254	253	268	272	298	404	236
Average Duration of Unemployment	Weeks	Jun	24.7	24.7	27.7	24.1	25.1	27.0	27.7	27.9	32.6	40.3	24.1
Avg Hourly Earnings of All Employees (Private)	Y/Y % Chg	Jun	0.0	1.8	1.8	0.0	0.0	0.0	0.0	0.0	0.0	3.6	1.7
Avg Wkly hrs worked (Manu: Production & Nonsupervisory)	Hours	Jun	41.9	41.9	41.8	41.9	41.9	42.0	41.8	41.7	42.1	42.2	41.5
<b>Retail Trade, Housing &amp; Other Activity</b>													
Total Vehicle Sales	Millions	Jun	16.8	17	17.2	17.2	17.9	18.3	17.8	18.5	16.8	18.7	14.4
Retail Sales	Y/Y % Chg	Jun	2.8%	4.1%	3.2%	4.5%	5.6%	4.0%	2.7%	1.9%	4.9%	5.6%	1.6%
Retail Sales ex Auto	Y/Y % Chg	Jun	2.4%	3.7%	3.5%	4.5%	5.4%	3.7%	2.8%	0.6%	4.5%	5.4%	0.6%
Housing Starts	Thsd	May	1,092	1,156	1,119	1,156	1,236	1,328	1,164	1,059	1,094	1,328	708
New Housing Units Under Construction	Thsd	May	1,164	1,102	1,016	1,102	1,083	1,067	961	986	913	1,203	625
Real Estate Loans, All Commercial Banks	Y/Y % Chg	Jun	4.6	4.9	6.9	5.3	6.2	7.5	6.5	5.2	2.7	7.5	-0.7
Building Permits Authorized for New Private Housing	Thsd	May	1,168	1,228	1,178	1,228	1,300	1,285	1,163	1,166	1,123	1,363	790
<b>Production &amp; Business Activity</b>													
Industrial Production	Index	Jun	105.2	104.8	103.1	104.7	103.5	103.2	102.9	104.0	105.8	106.6	99.9
Capacity Utilization: Total Industry	Percent	Jun	76.6%	76.4%	75.8%	76.4%	75.7%	75.7%	75.6%	76.4%	78.7%	79.2%	75.4%
Coincident Economic Activity Index	Index	May	2.9%	2.9%	3.2%	2.9%	2.8%	3.0%	3.2%	3.4%	3.6%	3.8%	2.8%
<b>National Accounts</b>													
Real Gross Domestic Product	Q/Q % Chg	Q1	1.4%	2.1%	0.8%	2.7%	1.4%	2.1%	1.4%	0.9%	2.3%	5.0%	-1.2%
Nonresidential Fixed Investment	Q/Q % Chg	Q1	11.6%	1.8%	-3.2%	11.6%	11.6%	1.8%	2.2%	-3.4%	-0.2%	15.2%	-3.4%
Residential Fixed Investment	Q/Q % Chg	Q1	15.0%	15.4%	10.0%	15.0%	15.0%	15.4%	-2.6%	14.0%	16.8%	27.3%	-2.6%
Change in Private Inventories	Billions	Q1	(0.1)	52.4	41.9	(0.1)	(0.1)	52.4	(15.0)	62.7	85.3	129.0	(15.0)
Net Exports of Goods & Services	Billions	Q1	(562.8)	(545.2)	(507.4)	(562.8)	(562.8)	(545.2)	(492.4)	(520.9)	(525.5)	(440.9)	(614.7)
Trade Balance: Goods & Services	Millions	May	(46,507)	(47,585)	(41,520)	(47,585)	(48,786)	(43,069)	(38,422)	(41,597)	(40,629)	(34,813)	(49,040)
Government: Current Expenditures	Q/Q % Chg	Q1	5.5%	2.6%	5.2%	5.5%	5.5%	2.6%	2.6%	-1.1%	-2.0%	7.7%	-7.4%
<b>Financial Indicators</b>													
Standard & Poors 500 Index	Index	Jul-14	2,394	2,400	2,064	2,363	2,239	2,168	2,073	1,924	1,946	2,459	-
10 Yr Treasury Rate	Percent	Jul-13	2.35%	2.33%	1.48%	2.40%	2.45%	1.60%	1.79%	2.05%	2.42%	3.04%	1.37%
2-10 Yr Treasury Rate Spread	Percent	Jul-13	0.98%	1.00%	0.84%	1.13%	1.25%	0.83%	1.03%	1.41%	1.89%	2.66%	0.76%
Oil Price (WTI)	Spot Price	Jul-10	44.25	45.52	45.22	50.54	53.75	47.72	35.36	44.75	90.74	110.62	26.19
Gold Price	Spot Price	Jul-17	1,230	1,219	1,324	1,245		1,323	1,214	1,119	1,217	1,792	1,049
<b>Credit Markets &amp; Monetary Data</b>													
Money Supply M2	Y/Y % Chg	Jul	5.4%	5.4%	6.8%	6.1%	6.8%	7.3%	6.5%	5.7%	5.9%	8.7%	0.0%
Velocity of M2	Percent	Q1	1.4%	1.4%	1.5%	1.4%	1.4%	1.4%	1.4%	1.5%	1.5%	1.6%	1.4%
Loans & Leases in Bank Credit, All Commercial Banks	Y/Y % Chg	Jul	3.1%	3.3%	8.0%	4.0%	6.1%	7.6%	7.3%	8.0%	6.4%	8.5%	1.9%
Total Consumer Credit, Outstanding	Y/Y % Chg	May	5.8%	5.9%	6.5%	5.9%	6.3%	6.2%	6.4%	7.2%	6.7%	7.3%	4.7%

<sup>1</sup>Personal consumption expenditures core inflation excludes food & energy prices

<sup>2</sup>Total unemployed, plus all marginally attached workers plus total unemployed part time for economic reasons

Regional Economic Indicators													
Economic Indicator	Units	Period	Current	Prior	Prior Year	04/01/17	01/01/17	10/01/16	04/01/16	10/01/15	10/01/14	5 Yr Max	5 Yr Min
<b>New Jersey</b>													
All Employees: Total Nonfarm	Thsd Chg	May	-13.1	0.7	-3.6	0.7	13.9	0	2.8	13.6	0.9	23.5	-15
Unemployment Rate	Percent	May	4.1%	4.1%	5.1%	4.1%	4.6%	4.8%	5.1%	5.2%	6.6%	9.4%	4.1%
Building Permits Authorized for New Private Housing	Units	May	2,244	1,514	1,436	1,514	2,659	1,805	2,118	3,071	1,713	3,921	1,066
Leading Index	Percent	May	0.61%	1.53%	1.03%	1.53%	1.54%	1.48%	1.12%	2.16%	1.14%	2.35%	0.61%
<b>New York</b>													
All Employees: Total Nonfarm	Thsd Chg	May	27.7	4.4	-24.8	4.4	26.2	-5.7	8.9	34.8	18.9	44.1	-24.8
Unemployment Rate	Percent	May	4.4%	4.3%	4.8%	4.3%	4.6%	4.9%	4.8%	5.0%	5.9%	8.7%	4.3%
Building Permits Authorized for New Private Housing	Units	May	2,692	3,702	2,544	3,702	5,912	3,389	1,819	3,827	2,618	14,302	1,277
Leading Index	Percent	May	0.23%	0.95%	0.54%	0.95%	2.17%	1.06%	1.41%	1.42%	1.69%	2.70%	0.06%
<b>Florida</b>													
All Employees: Total Nonfarm	Thsd Chg	May	29.6	10.8	16.9	10.8	55.6	0.9	29.2	41.1	19.9	55.6	-6.2
Unemployment Rate	Percent	May	4.3%	4.5%	4.9%	4.5%	5.0%	4.9%	4.9%	5.1%	5.9%	8.5%	4.3%
Building Permits Authorized for New Private Housing	Units	May	10,744	10,618	8,671	10,618	10,163	9,673	9,060	8,705	8,098	11,053	5,005
Leading Index	Percent	May	2.74%	2.90%	1.71%	2.90%	1.54%	1.64%	1.94%	2.37%	2.34%	2.95%	1.44%
<b>Pennsylvania</b>													
All Employees: Total Nonfarm	Thsd Chg	May	-4	-4.1	-11.4	-4.1	12.8	4.2	5.5	3.5	6.2	29.8	-20.5
Unemployment Rate	Percent	May	5.0%	4.9%	5.5%	4.9%	5.2%	5.5%	5.5%	5.2%	5.4%	7.8%	4.8%
Building Permits Authorized for New Private Housing	Units	May	2,374	1,687	1,754	1,687	1,956	1,827	1,604	1,873	1,879	2,665	1,147
Leading Index	Percent	May	-0.10%	0.47%	0.81%	0.47%	2.21%	1.14%	0.56%	0.87%	1.96%	2.52%	-0.10%
<b>Connecticut</b>													
All Employees: Total Nonfarm	Thsd Chg	May	6.7	-3.1	-0.4	-3.1	6.5	-2.2	-6.1	4.1	-0.8	6.7	-6.1
Unemployment Rate	Percent	May	4.9%	4.9%	5.3%	4.9%	4.5%	4.6%	5.4%	5.5%	6.3%	8.5%	4.4%
Building Permits Authorized for New Private Housing	Units	May	330	293	304	293	409	391	441	504	334	952	204
Leading Index	Percent	May	0.72%	-0.03%	1.95%	-0.03%	0.48%	2.77%	1.36%	0.47%	1.88%	3.19%	-1.15%
<b>New York Metropolitan Area</b>													
All Employees: Total Nonfarm	Thsd Chg	May	36.6	-7.2	-15.5	-7.2	1.2	10.2	3.3	22.9	12.2	63.4	-45.3
Unemployment Rate	Percent	May	4.3%	4.2%	4.8%	4.2%	4.3%	4.8%	4.9%	4.9%	6.1%	9.0%	4.0%
Building Permits Authorized for New Private Housing	Units	May	3,040	3,851	2,291	3,851	6,657	3,517	2,674	5,683	3,184	16,354	1,736
<b>Orlando Metropolitan Area</b>													
All Employees: Total Nonfarm	Thsd Chg	May	10.9	2.8	2.9	2.8	15.2	-0.2	3.1	7	1.9	15.2	-4.4
Unemployment Rate	Percent	May	3.8%	3.9%	4.5%	3.9%	4.7%	4.5%	4.6%	4.8%	5.7%	8.7%	3.8%
Building Permits Authorized for New Private Housing	Units	May	1,900	1,640	1,819	1,640	1,599	1,517	1,529	1,621	2,128	3,379	651
<b>Miami Metropolitan Area</b>													
All Employees: Total Nonfarm	Thsd Chg	May	7.3	15.6	3.5	15.6	12	2	7.8	9.7	5	15.6	-2.6
Unemployment Rate	Percent	May	4.4%	4.7%	4.9%	4.7%	5.2%	5.1%	5.0%	5.3%	5.9%	8.4%	4.4%
Building Permits Authorized for New Private Housing	Units	May	1,112	2,463	1,324	2,463	1,877	1,954	1,530	1,754	1,236	2,463	541
<b>U.S. Regional Existing Home Sales</b>													
Northeast Census Region	Thsd	May	780	730	760	730	800	740	750	720	670	-	-
South Census Region	Thsd	May	2,340	2,290	2,240	2,290	2,310	2,200	2,220	2,130	2,150	-	-
West Census Region	Thsd	May	1,220	1,180	1,180	1,180	1,290	1,260	1,140	1,160	1,120	-	-
Midwest Census Region	Thsd	May	1,280	1,360	1,290	1,360	1,290	1,330	1,370	1,270	1,180	-	-

Source: VNB Institutional Research, FRED

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