



TEXAS

"Economic activity slowed within Texas during November, but the state remained on the path to recovery. Payrolls expanded half a percent, double the rate of national growth, with Fort Worth leading the major Metropolitan Statistical Areas (MSAs) for the second straight month. Manufacturing and service-providing hiring contributed to the overall deceleration, but construction and retail employment growth picked up. Texas' jobless rate, however, erased the previous month's downtick. The Texas Real Estate Research Center's Texas weekly leading index suggested economic improvement continued in December, albeit at a more moderate pace. The pandemic and associated uncertainty remained the greatest headwind to the Lone Star State's comeback. Vaccine distribution and an approved second round of federal stimulus, however, promoted an optimistic outlook heading into the new year." - Jan 2021 Outlook for the Texas Economy - Real Estate Research Center - TAMU

AUSTIN

"The Austin economy slowed in November as the Austin Business-Cycle Index decelerated due to an increase in the unemployment rate. Nonetheless, job growth was positive in most industries, and regional consumer spending since mid-July continues to hold at pre-COVID-19 levels. Office space demand continued to weaken, and existing-home sales contracted slightly in November." - Jan 2021 - Austin Economic Indicators - Dallas Fed

UNITED STATES

"Consumer spending fell in November, the first decline since April. Real expenditures on goods fell more than spending on services. Overall spending was down 2% over the year, with purchase of goods up 7% and those for services down 7%.

Housing activity increased in November. House starts were up sharply over the year, with the strength all in single-family housing. Multi-family starts were down. Existing home sales fell, but were still up substantially over the previous year.

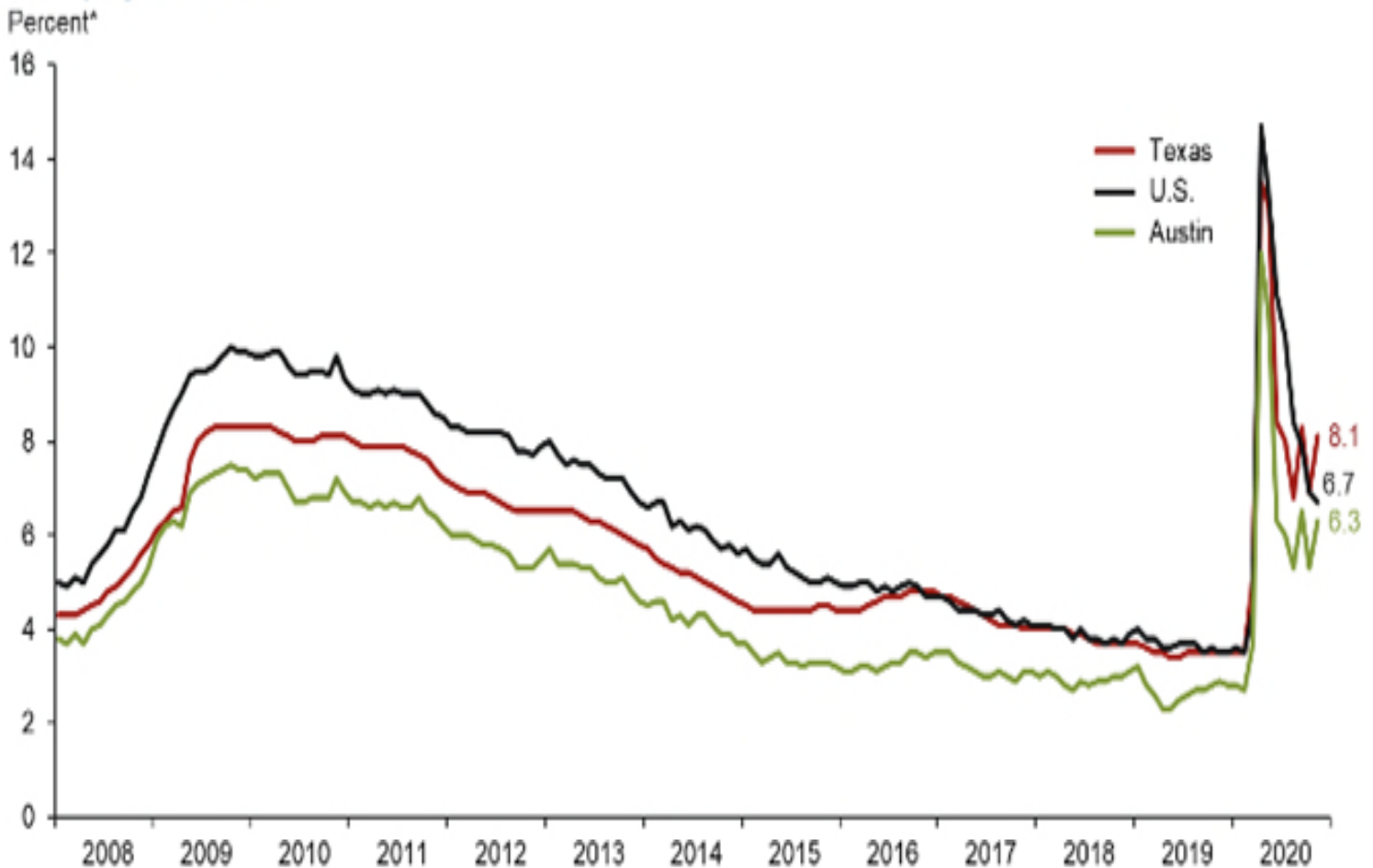
Payroll employment fell in December, the first decline since April. The unemployment rate was unchanged.

U.S. equity indices rose to record levels in early January, while implied volatility was unchanged." - Jan 2021 - U.S. Economy in a Snapshot - NY Fed

JOBS - UNEMPLOYMENT RATES – AUSTIN MSA, TEXAS, U.S.

“Austin’s unemployment rate increased to 6.3 percent in November, while the state’s rate rose to 8.1 percent, and the nation’s rate fell to 6.7 percent. **The rise in metro and state unemployment rates was largely due to an increase in individuals reentering the labor force seeking jobs.**” – Jan 2021 – Austin Economic Indicators – Dallas Fed

Unemployment Rate



*Seasonally adjusted.

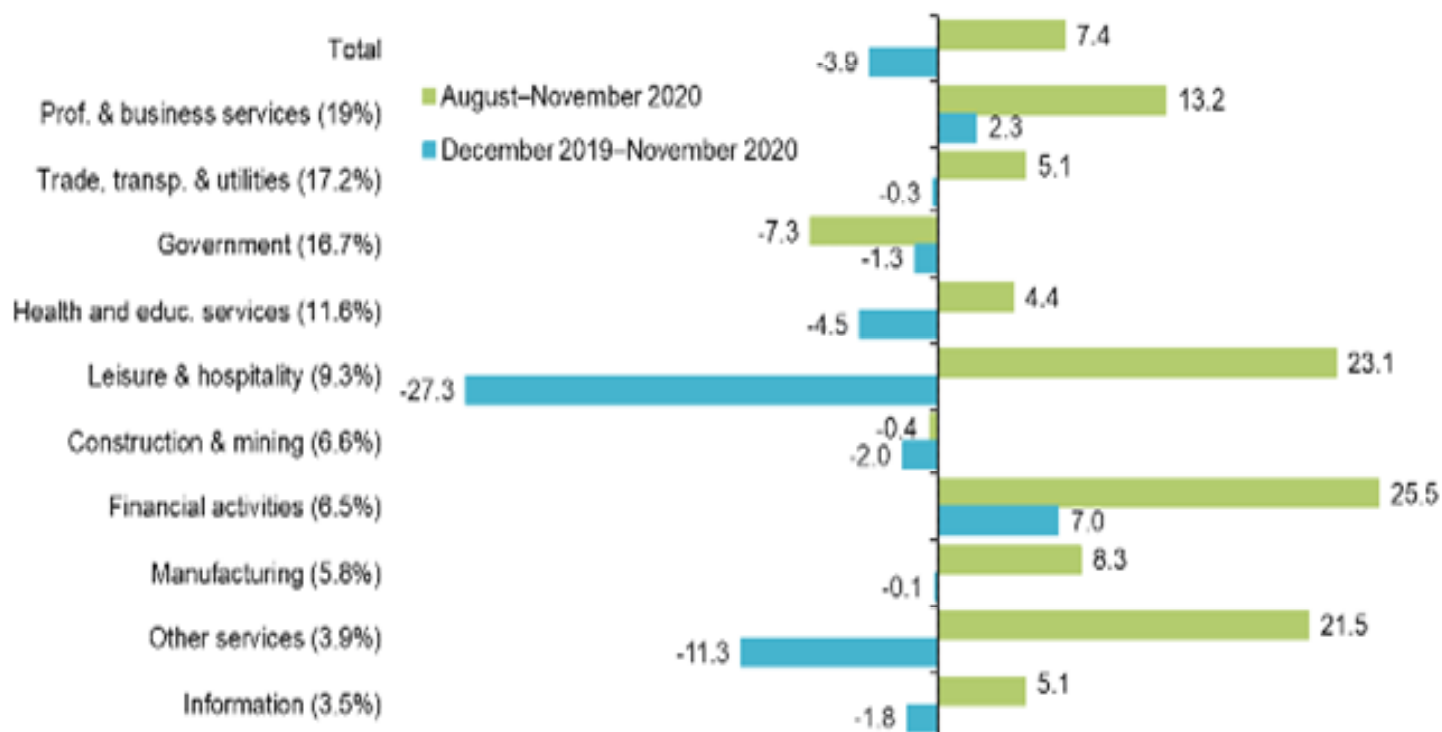
SOURCE: Bureau of Labor Statistics.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2021

JOBS – EMPLOYMENT GROWTH RATE – AUSTIN

“Austin payrolls grew an annualized 7.4 percent, or 19,320 net jobs, in the three months ending in November. Financial activities led job expansion (25.5 percent, or 4,000 jobs), followed by leisure and hospitality (23.1 percent, or 5,140 jobs) and other services (21.5 percent, or 2,040 jobs). Sectors that posted job contractions were government (-7.3 percent, or 3,525 jobs) and construction and mining (-0.4 percent, or 80 jobs). **Financial activities and professional and business services were the only sectors to post positive job growth for the first 11 months of the year.**” – Jan 2021 – Austin Economic Indicators – Dallas Fed

Employment Growth



NOTE: Data show seasonally adjusted and nonannualized percentage employment growth by industry. Numbers in parentheses represent the share of total employment and may not sum to 100 due to rounding.

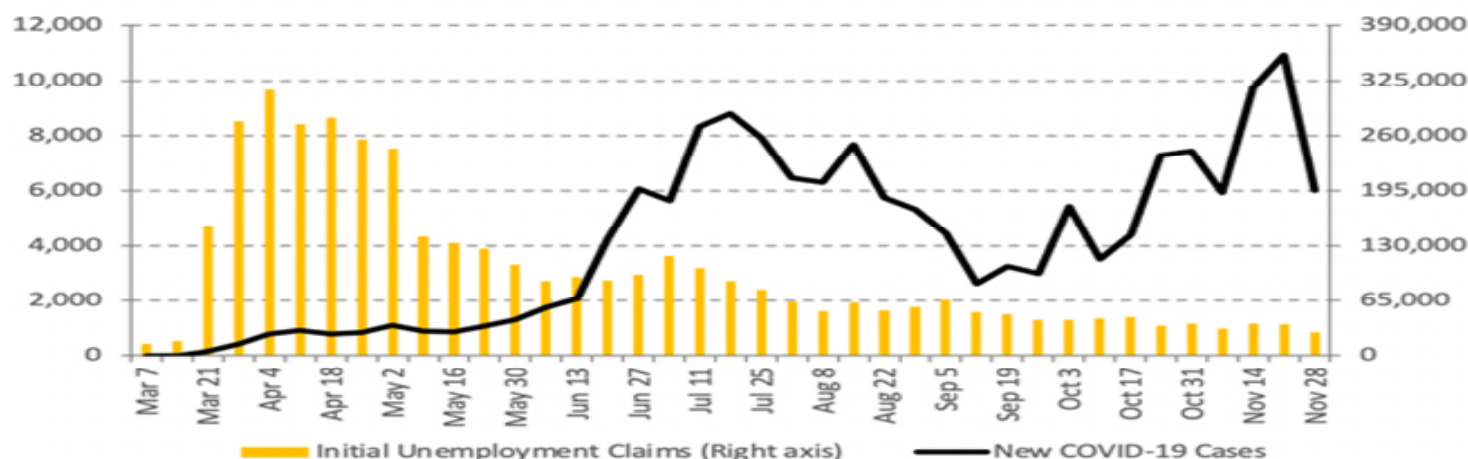
SOURCE: Bureau of Labor Statistics; Texas Workforce Commission; adjustments by the Dallas Fed.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2021

JOBS – MAJOR TEXAS METRO WEEKLY UNEMPLOYMENT CLAIMS

“On the bright side, the number of Texans filing initial unemployment insurance claims decreased by 29,700 to 149,100 with claims rising during only one week during November (Figure 1). Initial claims also trended downward on the metropolitan level (Figure 2). Moreover, Texas' average weekly continued unemployment insurance claims dropped throughout the month to 479,800. While reliability of the data is still a concern, **total claims were still two-and-a-half times greater than pre-pandemic levels in February.** Nevertheless, consistent declines in claims filed are positive indicators for the economic recovery.” – Jan 2021 – Outlook for the Texas Economy

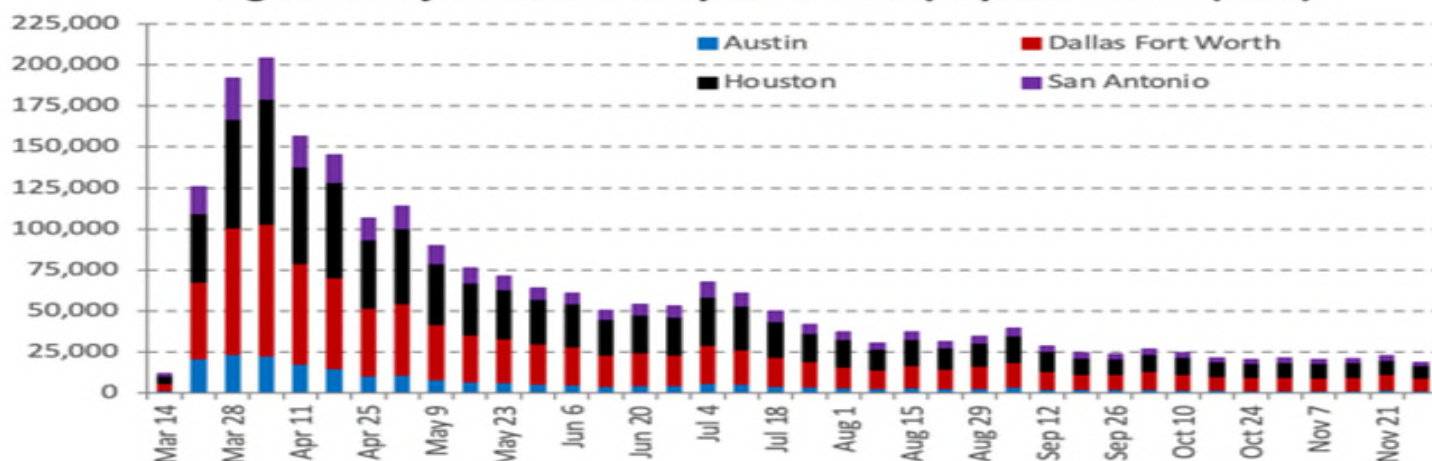
Figure 1. Texas Weekly Initial Unemployment Claims and New COVID-19 Cases (2020)



Note: Initial unemployment claims are seasonally adjusted.

Sources: Texas Workforce Commission, U.S. Department of Labor Employment and Training Administration, Texas Real Estate Research Center at Texas A&M University calculations, and <https://github.com/nytimes/covid-19-data/blob/master/us-counties.csv>.

Figure 2. Major Metro Weekly Initial Unemployment Claims (2020)



Note: Initial unemployment claims are seasonally adjusted.

Sources: Texas Workforce Commission, U.S. Department of Labor Employment and Training Administration, and Texas Real Estate Research Center at Texas A&M University calculations

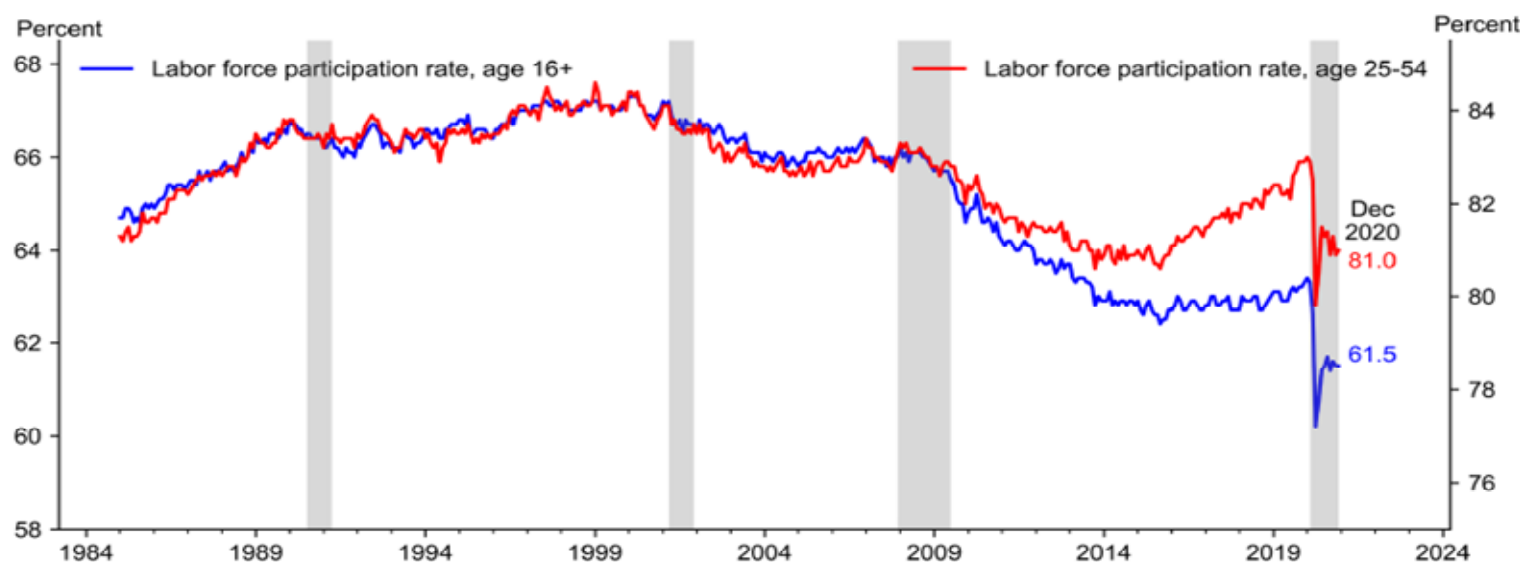
JOBS – LABOR PARTICIPATION RATE IN THE U.S.

“The labor force participation rate and the employment-population ratio were both unchanged over the month, at 61.5 percent and 57.4 percent, respectively. These measures are up from their recent April lows but are lower than in February by 1.8 percentage points and 3.7 percentage points, respectively.

The number of persons employed part time for economic reasons, at 6.2 million, decreased by 471,000 over the month. This measure is down from its April high of 10.9 million but is 1.8 million higher than the February level. These individuals, who would have preferred full-time employment, were working part time because their hours had been reduced or they were unable to find full-time jobs.”

“Among those not in the labor force in December, 4.6 million persons were prevented from looking for work due to the pandemic. This measure is up from 3.9 million in November. (To be counted as unemployed, by definition, individuals must be either actively looking for work or on temporary layoff.)” – Jan 2021 - News Release – Bureau of Labor Statistics

Labor Force Participation



SOURCES: Bureau of Labor Statistics.

Provided by Federal Reserve of Dallas – U.S. Economy Charts – Jan 2021

The **labor force participation rate**, as defined by the Bureau of Labor Statistics (BLS), is “the percentage of the population [16 years and older] that is either employed or unemployed [that is, either working or actively seeking work].” “A lower labor force participation rate is associated with lower gross domestic product (GDP) and lower tax revenues. It is also associated with larger federal outlays, because people who are not in the labor force are more likely to enroll in certain federal benefit programs” – Congressional Budget Office

HOUSING – EXISTING HOME SALES – AUSTIN MSA

“Existing-home sales in November contracted 0.9 percent in Austin and the state. However, **metro home sales for the year remained robust—up 8.5 percent in the first 11 months of the year relative to the same period in 2019.** At the state level, sales were up 8.8 percent for that same period. **The median price of homes sold in November was \$367,511 in the metro, a 17.4 percent rise year over year,** compared with \$272,738 in Texas, an 11.0 percent gain.” – Jan 2021 – Austin Economic Indicators – Dallas Fed

Existing-Home Sales

Index, January 2009 = 100*



*Seasonally adjusted.

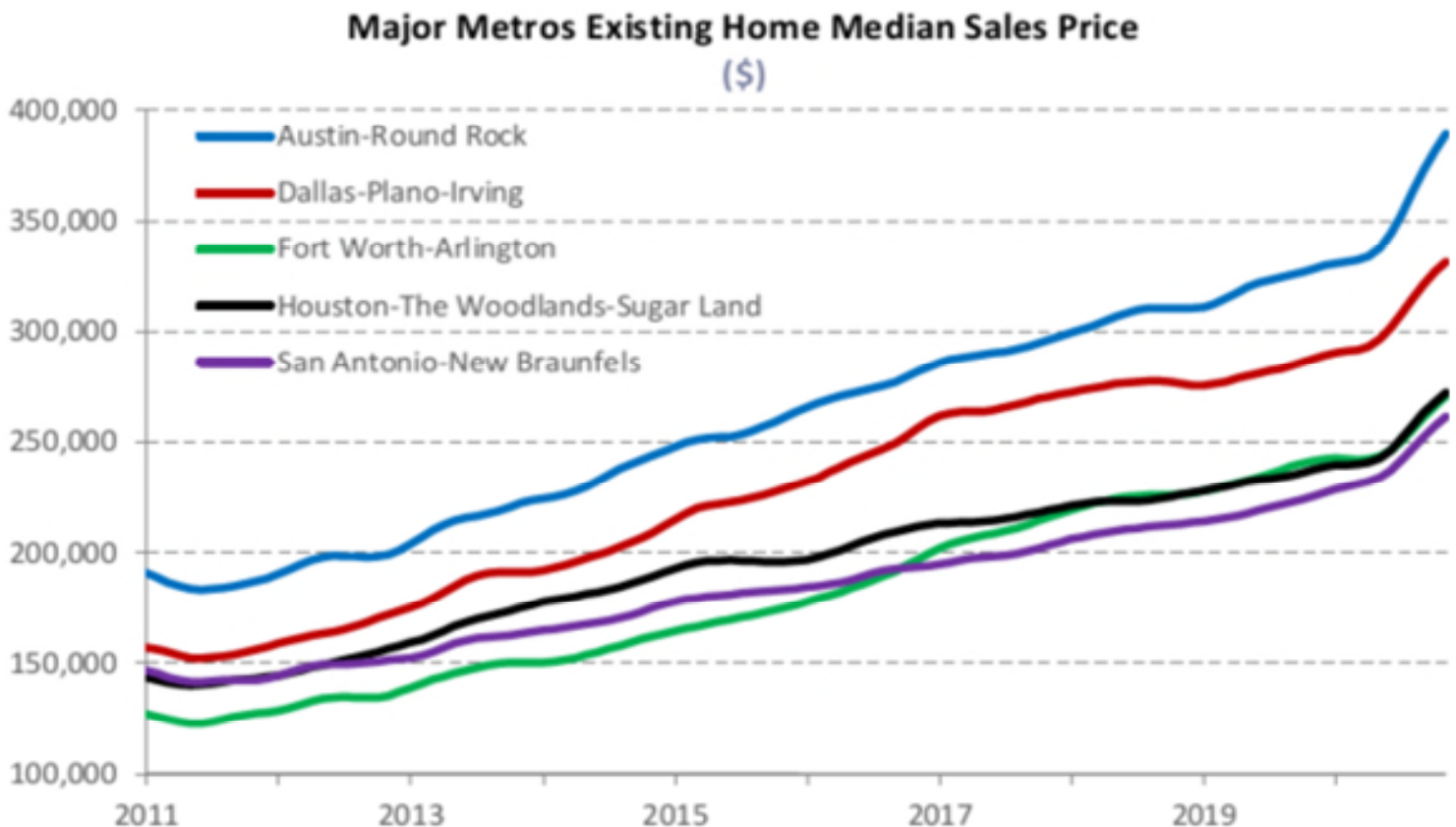
NOTE: Data measure sales of residential units (single family, condominiums and townhomes).

SOURCE: Multiple Listing Service; Real Estate Center at Texas A&M University; adjustments by the Dallas Fed.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2021

HOME PRICES – MAJOR METROS IN TEXAS

“Even amid the pandemic, the single-family housing market continued to perform well. Partly due to record-low mortgage interest rates, Texas monthly home sales are higher than they have ever been, according to Multiple Listing Service data. This has led to robust growth in median home prices across the state. Since the end of 2019, **homes in Austin have appreciated the most, with the median price rising to \$362,000 in October.** While Houston has seen the weakest price growth so far this year, its median home value is still 8.0 percent higher than in December 2019. In October, all major Texas metros reported their highest real median home price since the beginning of the series in 1990.” – Dec 2020 – Texas Economic Indicators – Dallas Fed



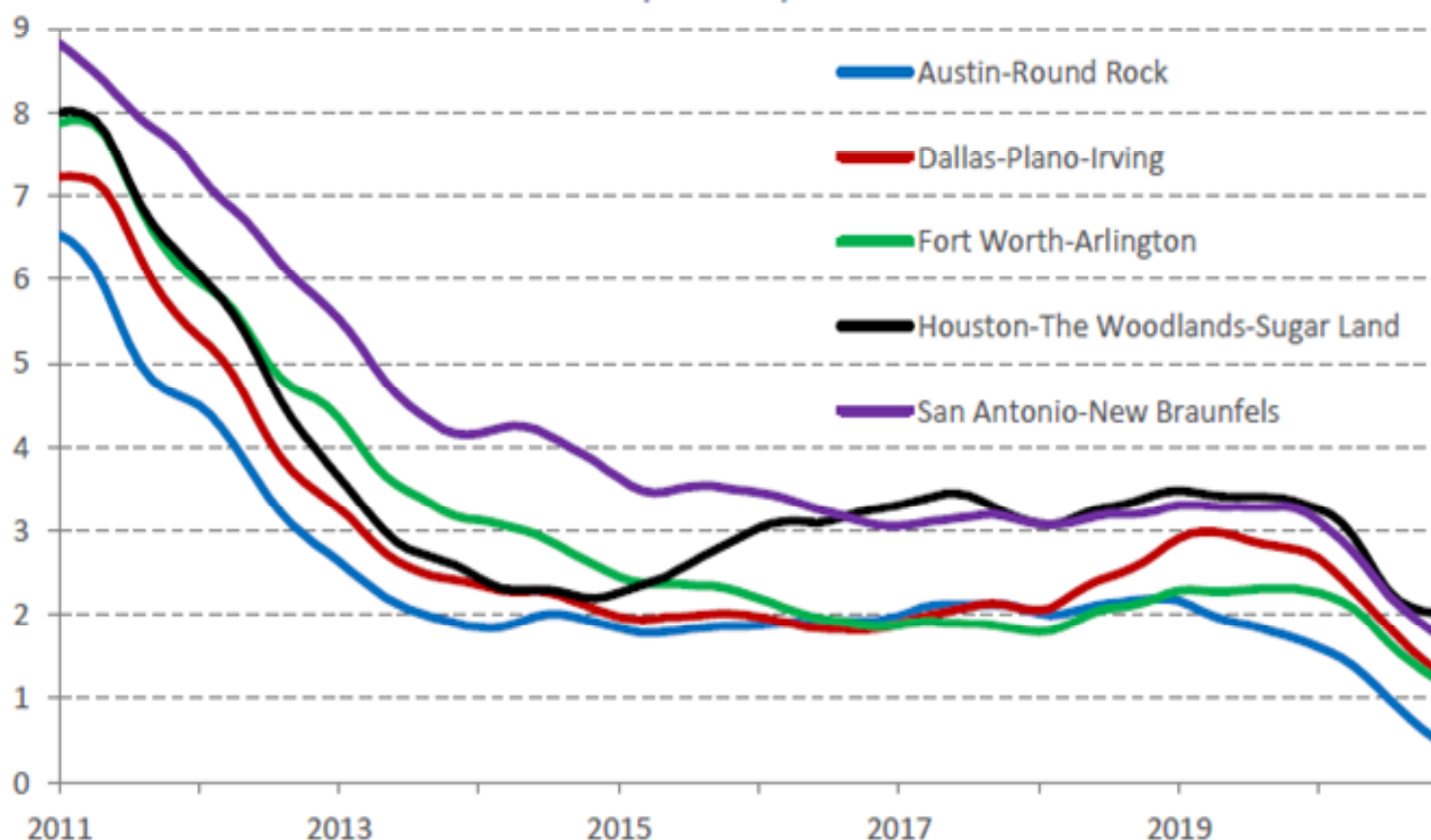
Note: Trend-cycle component. For single-family homes.

Source: Texas Real Estate Research Center at Texas A&M University

HOUSING – MAJOR METRO INVENTORY

The Austin MSA's months of housing inventory was 0.9 in November and 0.6 in December 2020. The Texas Real Estate Center has estimated that “seasonally adjusted; around 6.5 months of inventory is considered a balanced housing market in which neither the sellers nor buyers dictate prices.”

Major Metros Existing Home Months of Inventory
(Months)



Note: Trend-cycle component.

Source: Texas Real Estate Research Center at Texas A&M University

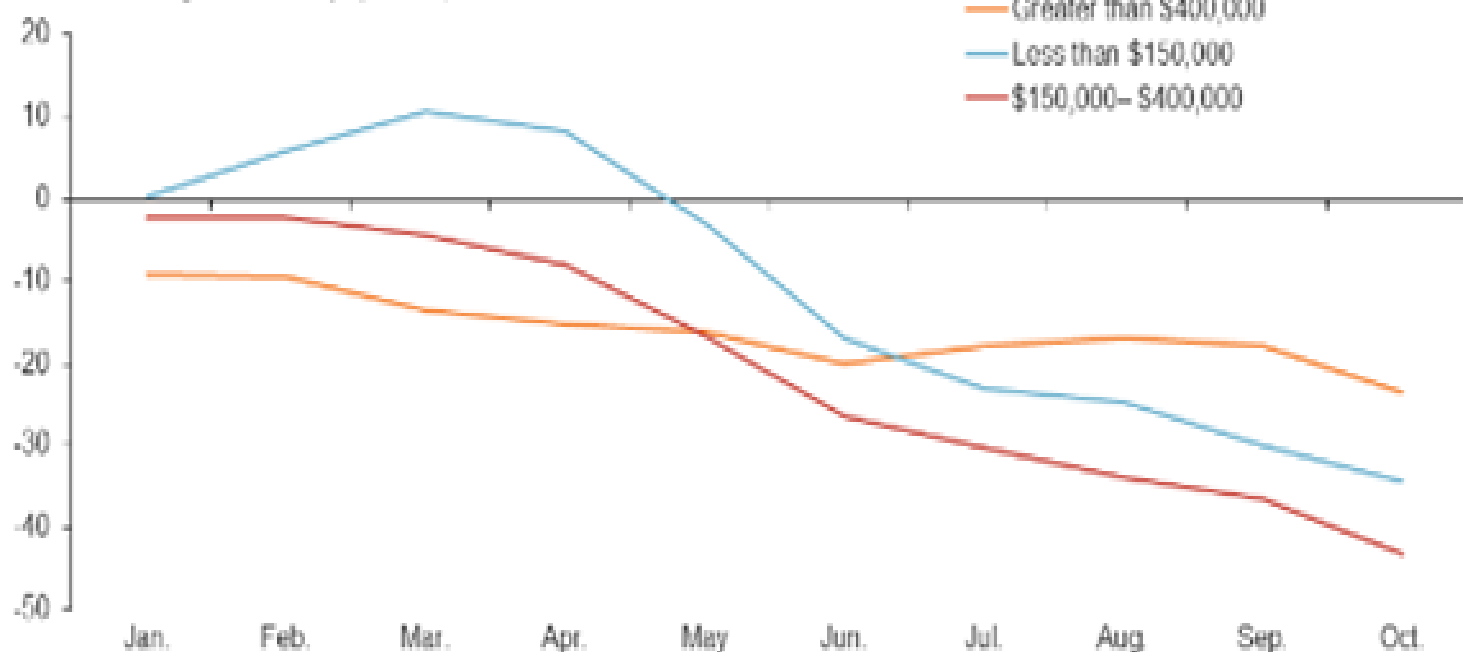
COVID-19 FUELS SUDDEN, SURGING DEMAND FOR SUBURBAN HOUSING

“Business interruption and social distancing mandates because of COVID-19 have disrupted what had been a period of sustained growth within city centers nationally and in Texas. **The pandemic-related actions have helped propel a sudden, large shift from renting to homeownership and a concurrent movement to the suburbs and larger homes.**” – Fourth Quarter 2020 – Southwest Economy – Dallas Fed

“With a record number of people working from home and students studying from home, the need for flex space increased. Many builders note that **buyers are looking for dedicated office and virtual school spaces in particular. This has increased demand for homes with more square footage in cheaper locations.**” – Fourth Quarter 2020 – Southwest Economy – Dallas Fed

Inventory Declines the Most in More-Affordable Neighborhoods

12-month change in inventory (percent)



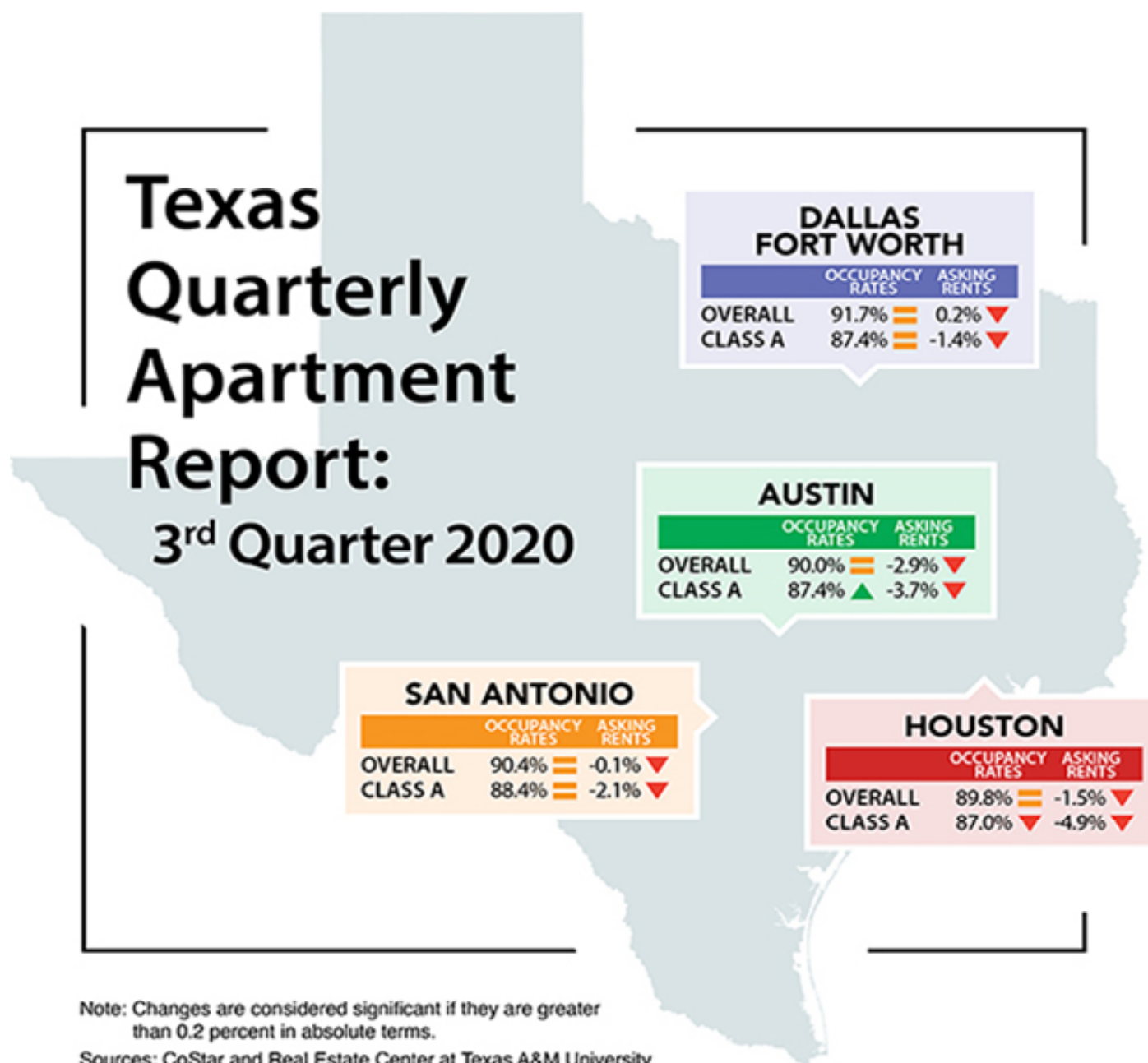
NOTES: The chart shows the average 12-month growth rate of inventory (2019–20) by three types of neighborhoods as defined by ZIP code. The lines represent ZIP codes in which the pre-COVID median sales values are greater than \$400,000, \$150,000–\$400,000 or less than \$150,000. The sample includes the Houston, Dallas–Fort Worth, San Antonio, Austin and El Paso metro areas.

SOURCES: Redfin Data Center, Multiple Listing Service.

Federal Reserve Bank of Dallas

TEXAS QUARTERLY APARTMENT REPORT

The graph below was included in the Texas Quarterly Apartment Report prepared by the Texas Real Estate Research Center in December 2020.



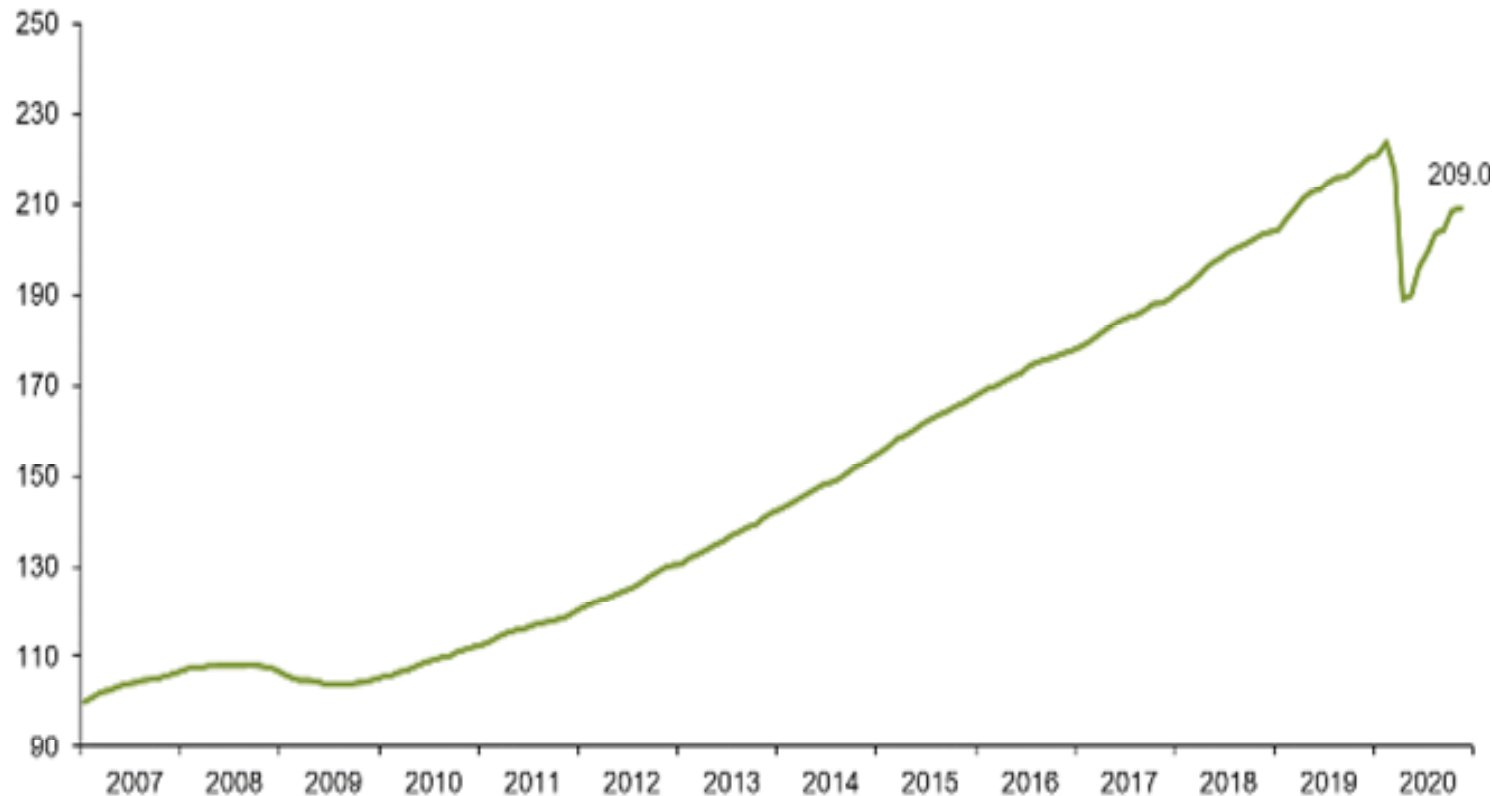
Class A properties represent highest quality apartments. "They are usually less than 10 years old and are often new, upscale apartment buildings. Average rents are high, and they are generally located in desirable geographic areas." – multifamilypro.com

BUSINESS CYCLE INDEX – AUSTIN MSA

“The Austin Business-Cycle Index—a broad measure of economic activity—expanded an annualized 2.4 percent in November. This marked the **seventh consecutive month of growth**, which suggests continued, albeit slowing, improvement in the Austin economy.” – Jan 2021 – Austin Economic Indicators – Dallas Fed

Austin Business-Cycle Index

Index, January 2007 = 100



SOURCE: Dallas Fed.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2021

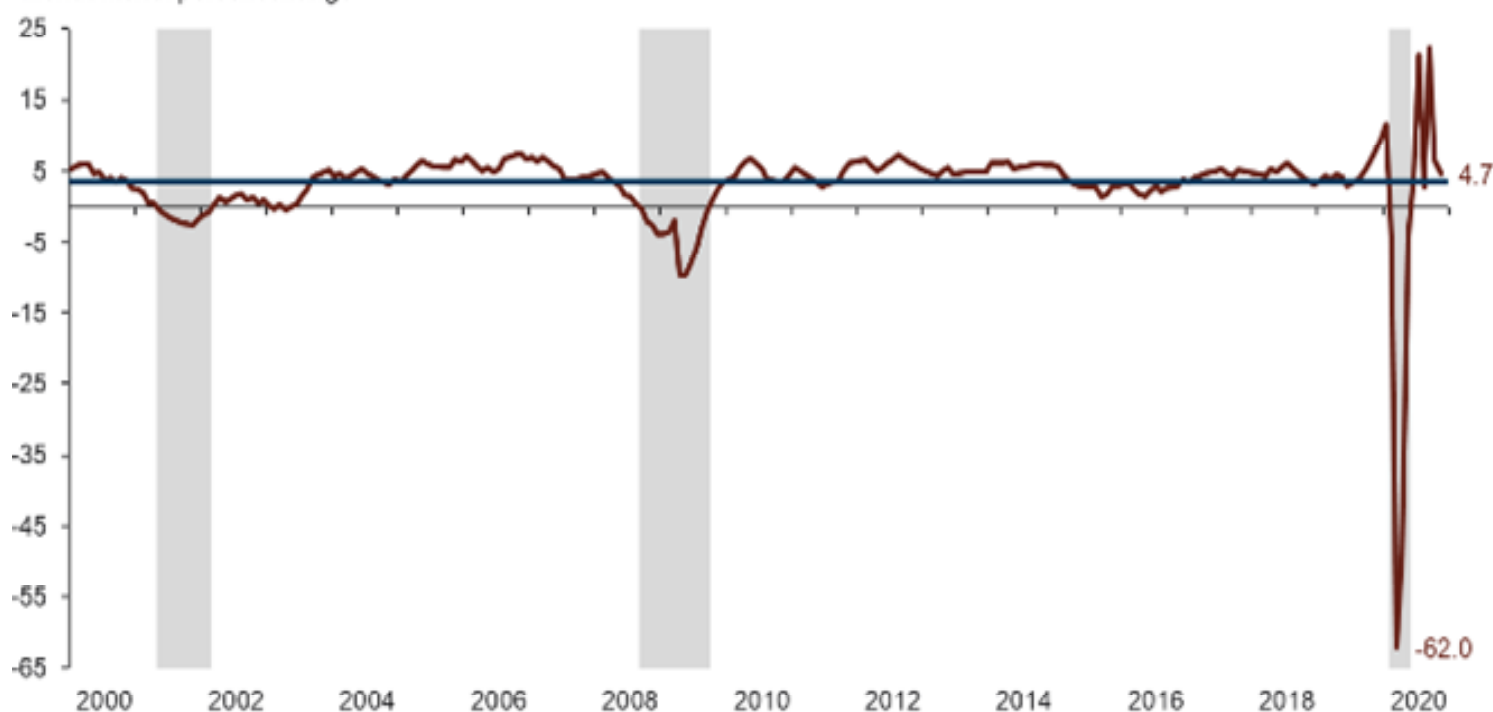
Business Cycle Indexes are meant to reflect broad movements in local economic conditions. The Dallas Fed states that “the [local area] indexes are constructed based on the aggregated movements in the local area unemployment rate, nonagricultural employment, inflation-adjusted wages, and inflation-adjusted retail sales. The weights of the components are statistically optimized for each metropolitan area in order to best capture the underlying cyclical movements in the local area economy.”

BUSINESS CYCLE INDEX – TEXAS

“The Texas Business-Cycle Index, a composite of the unemployment rate, state payroll employment and gross state product, measures underlying economic activity in the state. With the onset of the coronavirus pandemic and the economic shutdowns, the index plummeted from February through May. Since then, **the index has steadily recovered, though it remains 8.9 percent below its February prepandemic level.**” – Dec 2020 – Texas Economic Indicators – Dallas Fed

Texas Business-Cycle Index

Month/month percent change*



*Annualized rate.

NOTE: The horizontal line is the average from January 2000 to December 2019. Gray bars indicate Texas recessions.

SOURCE: Dallas Fed.

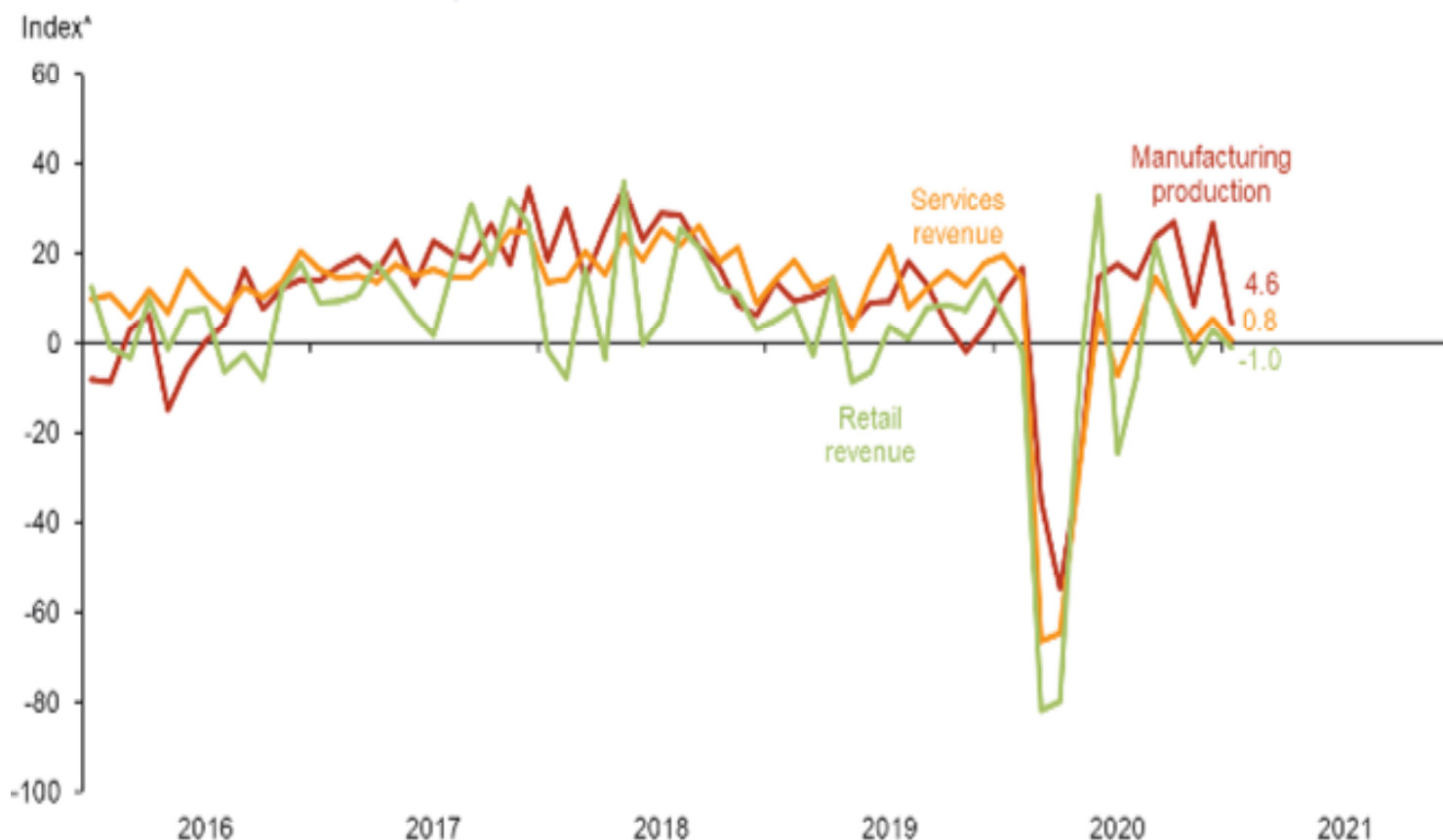
Provided by Federal Reserve of Dallas – Texas Economic Indicators – Dec 2020

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TEXAS BUSINESS OUTLOOK SURVEYS

“After healthy growth in December, Texas businesses saw more **muted performance in the first month of 2021**. The manufacturing production index, while still positive, fell to less than one-fifth of December’s reading. Service sector activity (revenue index) held steady in January after moderate growth in December, while retail sector revenues contracted slightly. **The weaker performance is consistent with a rising number of COVID cases statewide and an increase in the uncertainty index across all sectors.**” – Jan 2021 – Texas Economic Indicators – Dallas Fed

Texas Business Outlook Surveys' Headline Indexes



*Seasonally adjusted.

SOURCE: Dallas Fed Texas Business Outlook Surveys.

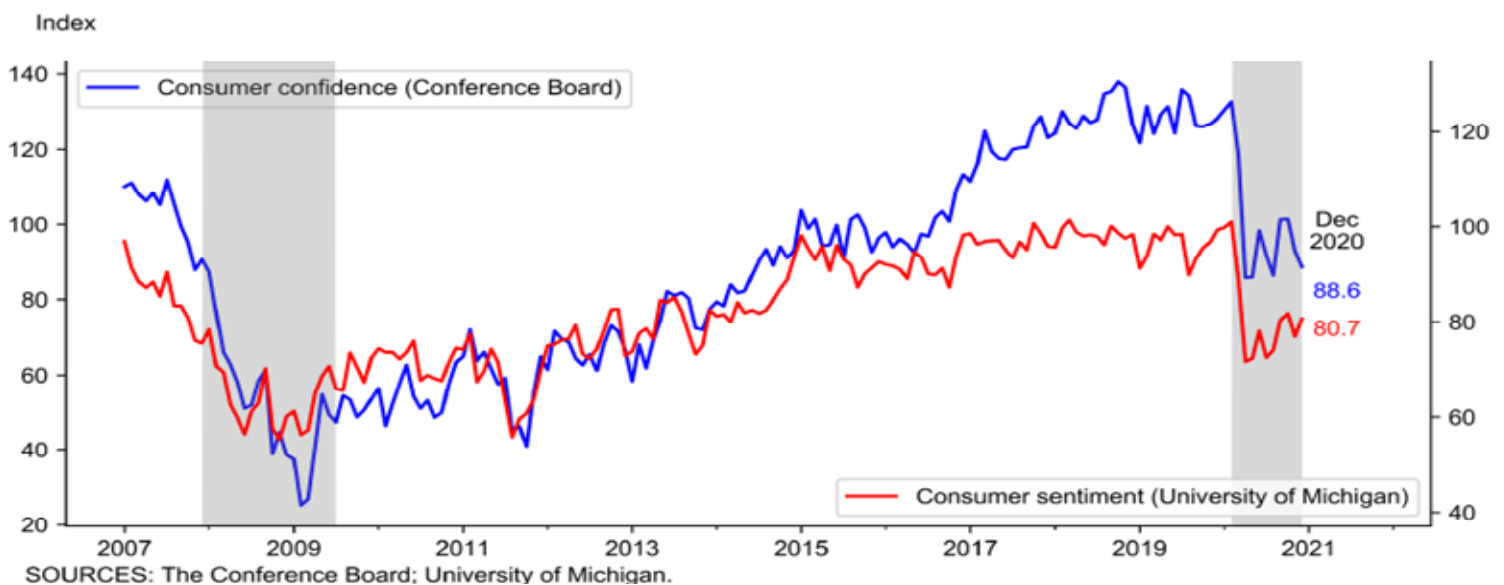
Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2021

CONSUMER CONFIDENCE AND SENTIMENT – U.S.

“Consumers’ assessment of current conditions deteriorated sharply in December, as the resurgence of COVID-19 remains a drag on confidence,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. “As a result, consumers’ vacation intentions, which had notably improved in October, have retreated. On the flip side, as consumers continue to hunker down at home, intentions to purchase appliances have risen. Overall, it appears that growth has weakened further in Q4, and consumers do not foresee the economy gaining any significant momentum in early 2021.” – Dec 22, 2020 – The Confidence Board

Surveys of Consumers, Chief economist, Richard Curtin, commented “**The Sentiment Index slipped in late December**, although it remained higher than last month despite the ongoing surge in covid infections and deaths. The improvement was due to a large and rapid partisan shift, **with Democrats becoming much more positive and Republicans much more negative.**” “Since the start of the pandemic, however, a huge divide has grown across households in how they assess their own personal finances: **the finances of those that continue to be employed and working at home have remained positive while those who have lost jobs and incomes have been quite negative.**”

Consumer Confidence



Provided by Federal Reserve of Dallas – U.S. Economy Charts– Jan 2021

U.S. consumer **confidence** index (CCI) is defined as “the degree of optimism on the [current] state of the economy that consumers are expressing through their activities of savings and spending.” – Wikipedia

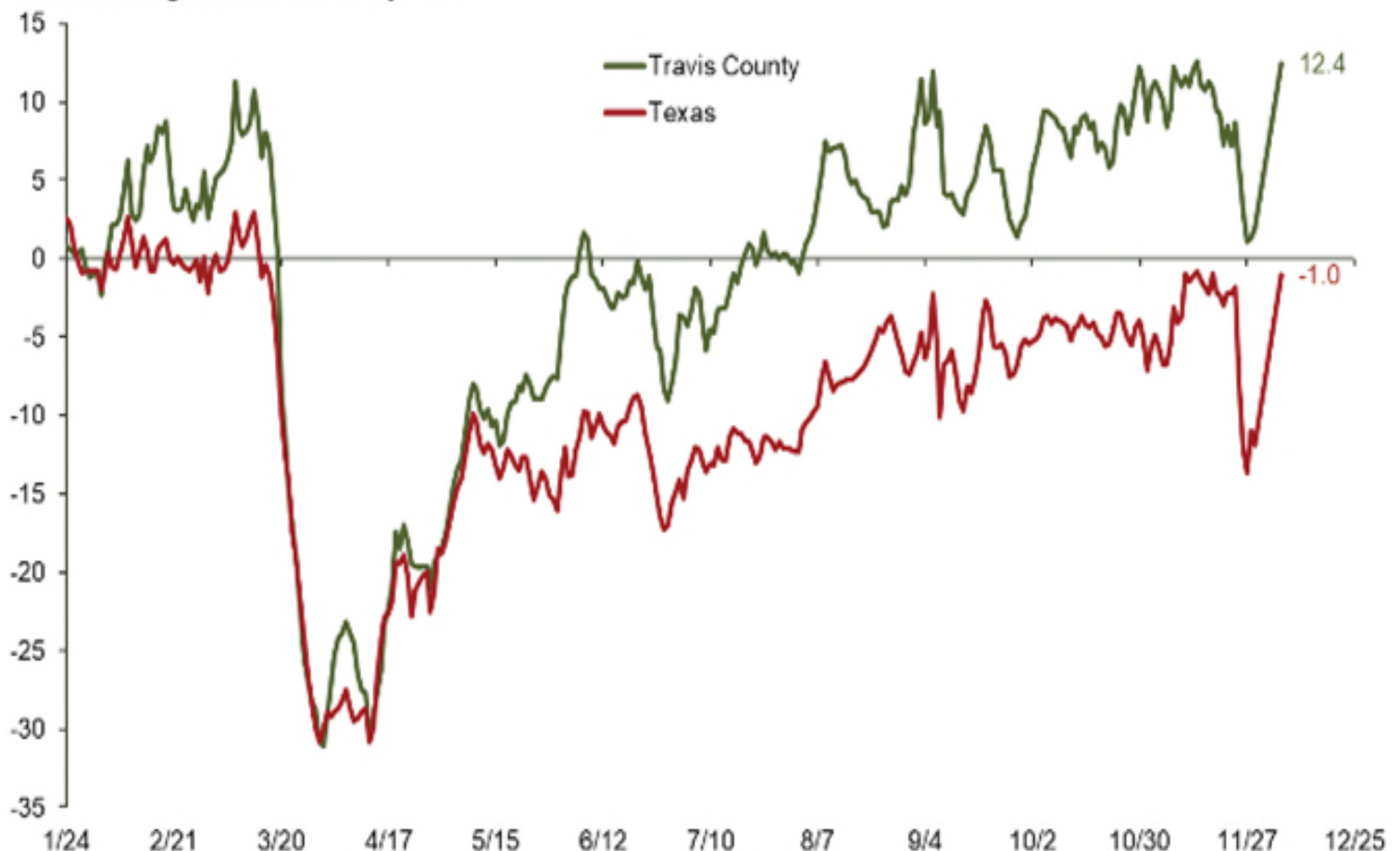
U.S. consumer **sentiment** is defined as “the indicator of the future course of the national economy.” – Investopedia

CREDIT AND DEBIT CARD SPENDING – TRAVIS COUNTY vs. TEXAS

“Since late July, consumer spending (measured by credit and debit card spending) in Travis County has surpassed January 2020 levels. As of Dec. 6, spending in the county was up 12.4 percent relative to January, while spending in Texas was down 1.0 percent.” – Jan 2021 – Austin Economic Indicators – Dallas Fed

Credit and Debit Card Spending

Percent change relative to January 2020



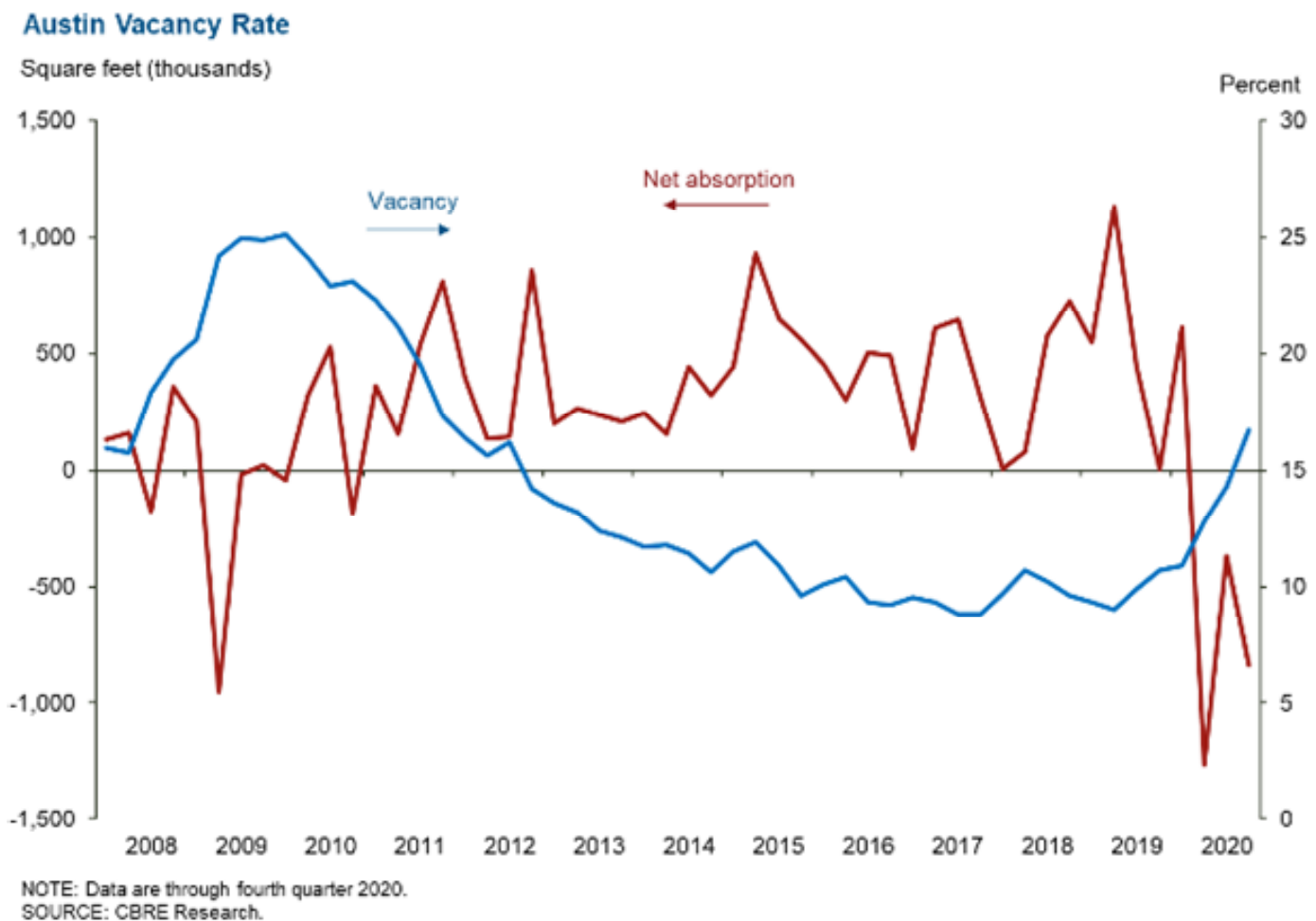
NOTE: Data are daily through Dec. 6, 2020.

SOURCE: Affinity Solutions.

Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2021

DEMAND FOR OFFICE SPACE – AUSTIN

“Demand for office space in Austin continued to decline in the fourth quarter. Net absorption remained negative for the third consecutive quarter (-839,994 square feet in the fourth quarter), and the **vacancy rate increased to 16.7 percent—the highest since fourth quarter 2011**. Average asking rent was \$39.39 per square foot, which was unchanged from the third quarter but 1.3 percent higher than fourth quarter 2019.” – Jan 2021 – Austin Economic Indicators – Dallas Fed



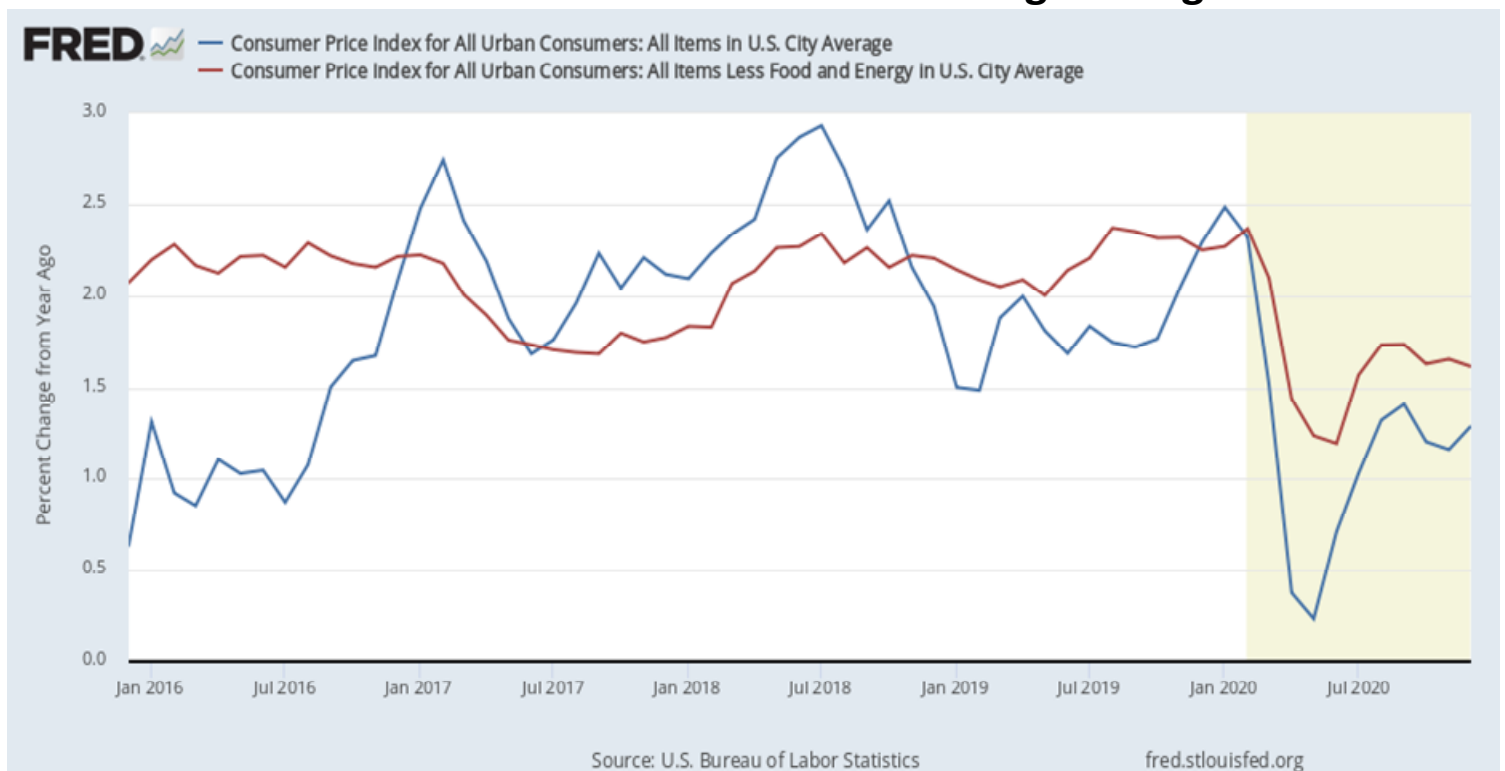
Provided by Federal Reserve of Dallas – Austin Economic Indicators – Jan 2021

Net absorption is defined as “the change in leased space in a specified commercial market or locality between the current time period and the last specified period.” – Housing.com

CONSUMER PRICE INDEX

“The **all items index rose 1.4 percent for the 12 months ending December**, a slightly larger increase than the 1.2-percent rise reported for the period ending November. The index **for all items less food and energy rose 1.6 percent over the last 12 months**, as it did in the periods ending October and November. The food index rose 3.9 percent over the last 12 months, while the energy index fell 7.0 percent.” – Jan 2021 – Economic News Release - Bureau of Labor Statistics

Consumer Price Index - 12 Month Percentage Change



Source: Bureau of Labor Statistics, not seasonally adjusted, 1982-84=100 Provided by the St. Louis Fed

According to the Bureau of Labor Statistics (BLS), “There are a variety of CPI numbers generated each month. In the graph above, two numbers are compared. The first is the **Official CPI Number** that is reported to the media. It is the broadest and most comprehensive CPI and is called the **All Items CPI for All Urban Consumers**. The second one is called the **All items less food and energy**.” The BLS mentions that “Some users of CPI data use this index because food and energy prices are relatively volatile, and these users want to focus on what they perceive to be the ‘core’ or ‘underlying’ rate of inflation.”

OIL AND NATURAL GAS

“After plummeting in spring 2020, oil prices and the Texas rig count have recovered steadily. Despite the recovery, the rig count remains far below prepandemic levels, stymied by a combination of decreased activity, as well as the longer-term trend of increasing efficiency requiring fewer rigs to drill wells. Oil prices have surpassed their early March 2020 levels and, on Jan. 22, were 15.9 percent higher than on March 6. In early January, oil prices climbed above \$49 a barrel, which is the breakeven price to profitably drill new wells, according to the Dallas Fed Energy Survey. Since then, oil prices have risen further, suggesting that firms may increase their drilling activity, thus driving up the rig count.” – Jan 2021 – Texas Economic Indicators – Dallas Fed

Energy Activity



NOTE: Data are through the week ending Jan. 22, 2021. The oil price is for West Texas Intermediate crude.
SOURCE: Baker Hughes; Energy Information Administration.

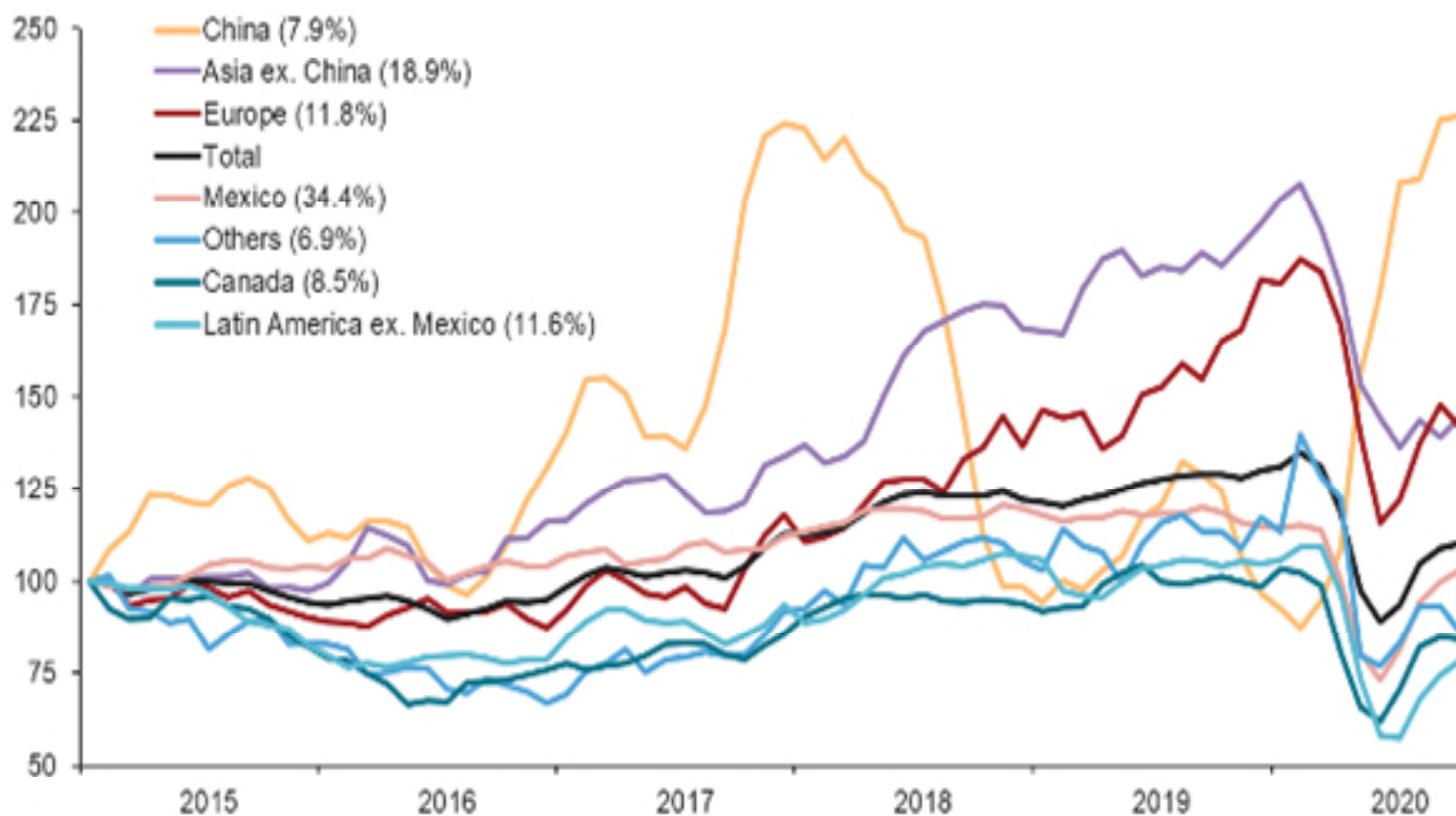
Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2021

TEXAS EXPORTS BY REGION

“Based on a three-month average, Texas exports inched up 1.3 percent in October to 18.1 percent below the February prepandemic level. Exports sent to Canada and Europe fell 1.0 and 4.0 percent, respectively. Exports to all other major regions increased in October, notably Latin America (excluding Mexico), which jumped 5.3 percent. Texas exports to countries outside the major regions saw a 7.4 percent decline in volume in October from the month prior, reducing their share of total Texas exports by 1.2 percentage points.” – Dec 2020
– Texas Economic Indicators – Dallas Fed

Texas Exports by Region

Index, 2015 = 100*



*Three-month moving average; real dollars, seasonally adjusted.

NOTE: Numbers in parentheses refer to the share of October 2020 Texas exports.

SOURCE: Census Bureau; Bureau of Labor Statistics.

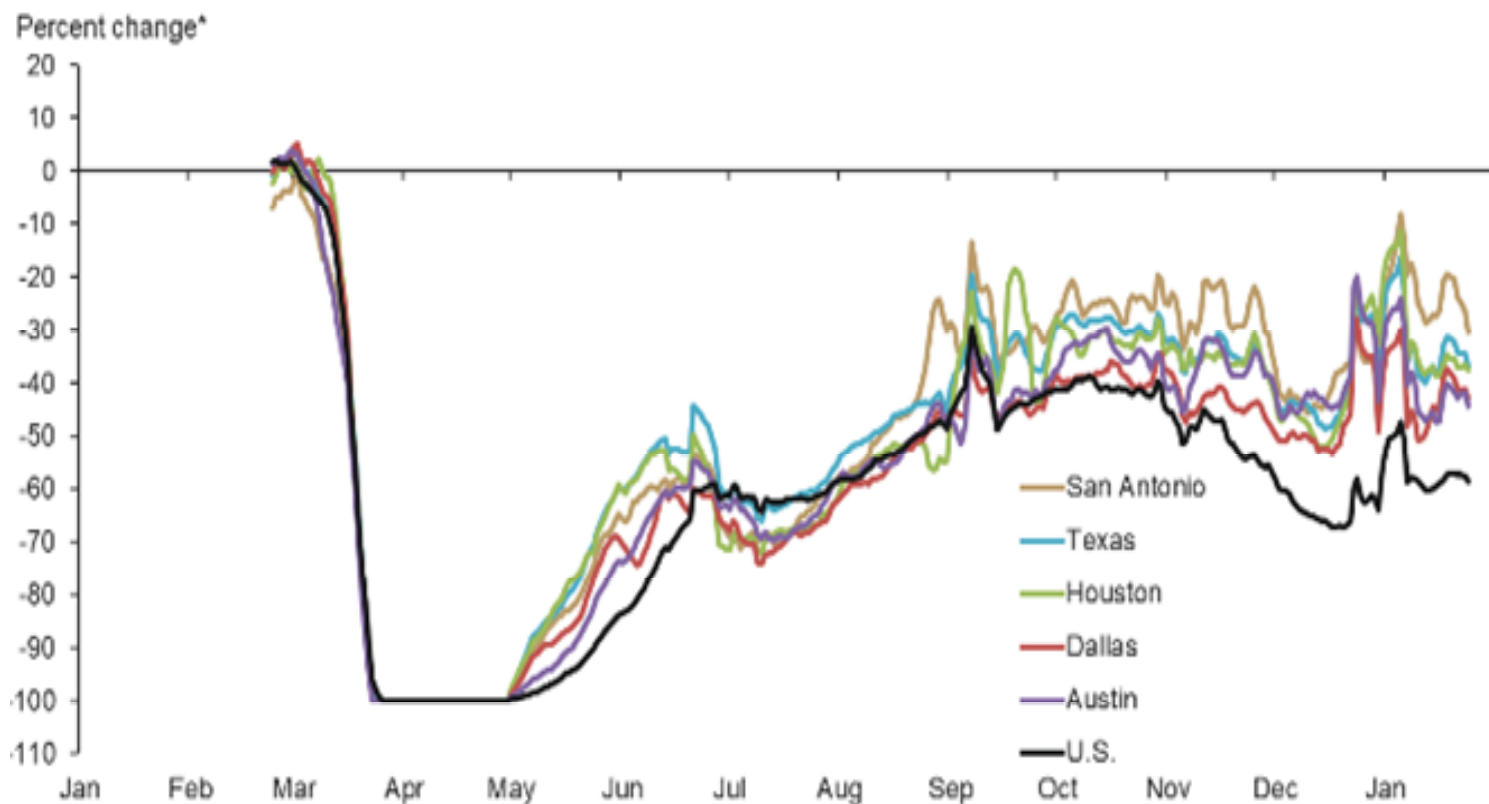
Provided by Federal Reserve of Dallas – Texas Economic Indicators – Dec 2020

DINING OUT

“After over a month of enforced restaurant closures across the state, the number of seated diners in restaurants began climbing in early May as the economy reopened, according to data from OpenTable. The statewide figure recovered steadily through mid-June, after which a surge in COVID cases caused dining out to falter again.

As schools reopened in the fall and people made plans over the holidays, the gap in dining-out levels between Texas and the nation widened. San Antonio has recovered the most despite some dips and is 30.5 percent below year-ago levels as of Jan. 24 (as a seven-day average). Dining-out levels in Texas major metros, as well as statewide, have varied substantially in recent months, but all are currently down from their holiday peaks. At the national level, dining out fell near year-end, though it has recovered some so far in 2021.” – Jan 2021 – Texas Economic Indicators – Dallas Fed

Seated Restaurant Diners



*Year over year; seven-day moving average.

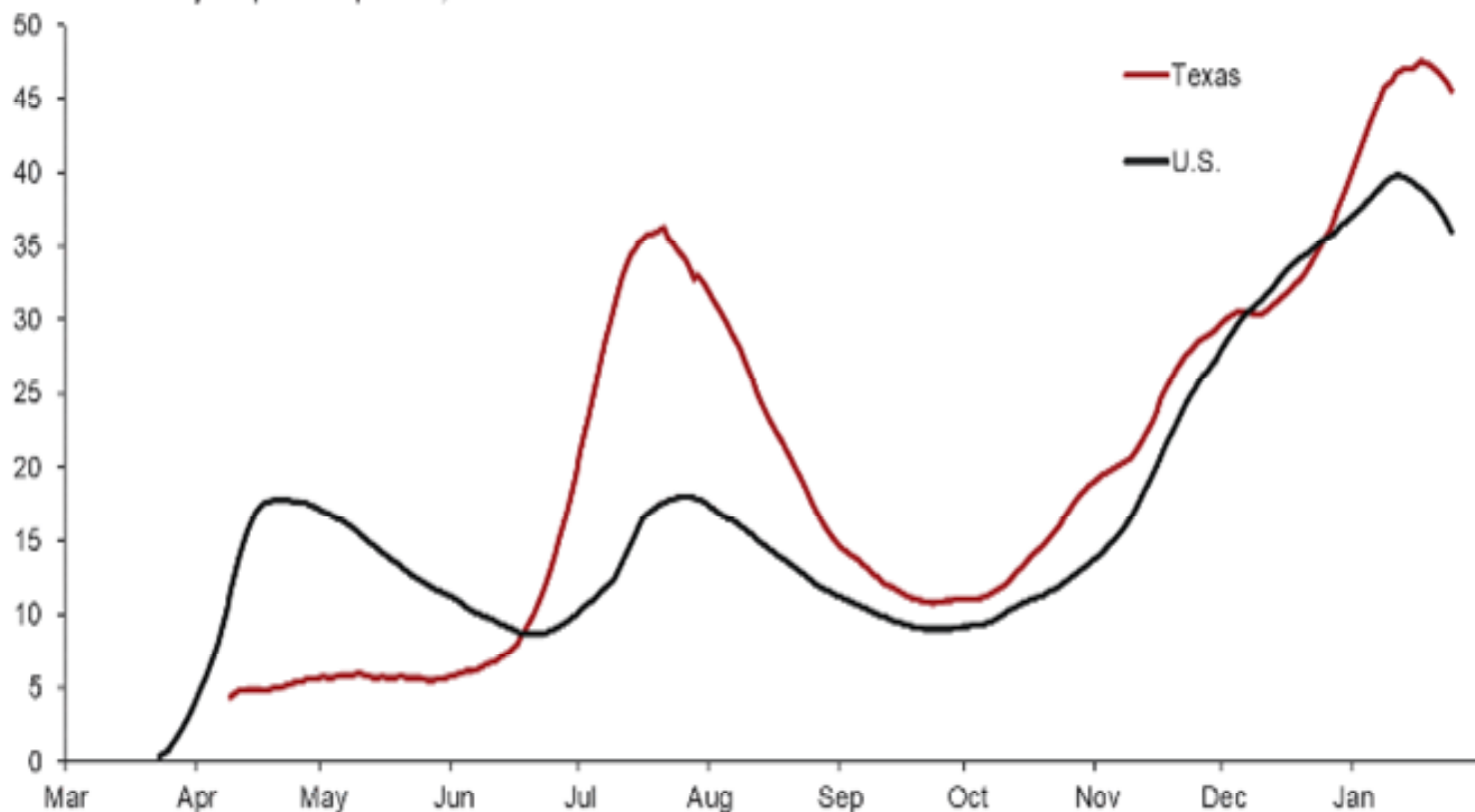
NOTE: Data are through Jan. 24, 2021. Data refer to year/year percent change in seated diners at restaurants on the OpenTable network across all channels: online reservations, phone reservations and walk-ins.

SOURCE: OpenTable.

COVID HOSPITALIZATIONS AND THE ECONOMY

“In recent months, the number of patients hospitalized for COVID has been on the rise, both in the state and across the nation. This measure initially was slow to climb in Texas, especially compared with the sharp growth for the U.S. in April. When the first coronavirus policies—such as **enforced business closures**—were relaxed in early summer, both the state and the nation saw a growing number of hospitalizations. **By late September and early October, current hospitalizations per 100,000 residents had fallen again. Since then, the levels have steadily risen**, though both series have seen a slight decrease in recent days. The number of hospitalizations is an indicator of the strain the virus is putting on the health care system. As that number climbs higher, hospitals fill closer to capacity. **As of Jan. 22, slightly more than 45 of every 100,000 Texas residents were currently hospitalized due to COVID.** Hospitalizations per capita are currently higher in Texas than nationwide.” – Jan 2021 – Texas Economic Indicators – Dallas Fed

Patients currently hospitalized per 100,000*



*Seven-day moving average.

NOTE: Data are through Jan. 24. Data are normalized using 2020 census population estimates.

SOURCE: Texas Department State Health Services; covidtracking.com.

Provided by Federal Reserve of Dallas – Texas Economic Indicators – Jan 2021

IN-DEPTH – AFTERPAY – BUY NOW PAY LATER

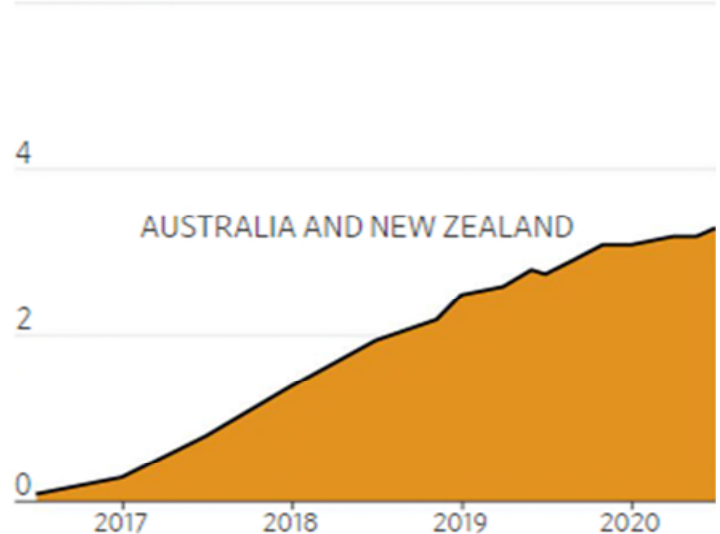
WHAT IS AFTERPAY?

Afterpay is “Australia’s largest tech company by market capitalization—about [\$25] billion — Afterpay is expanding across the U.S. through deals with retailers including Anthropologie and Free People. Since the Australian market bottomed on March 23, its stock has risen more than ninefold, while 1.6 million new U.S. users started spending through its technology over the past four months.” – Jul 2020 – WSJ

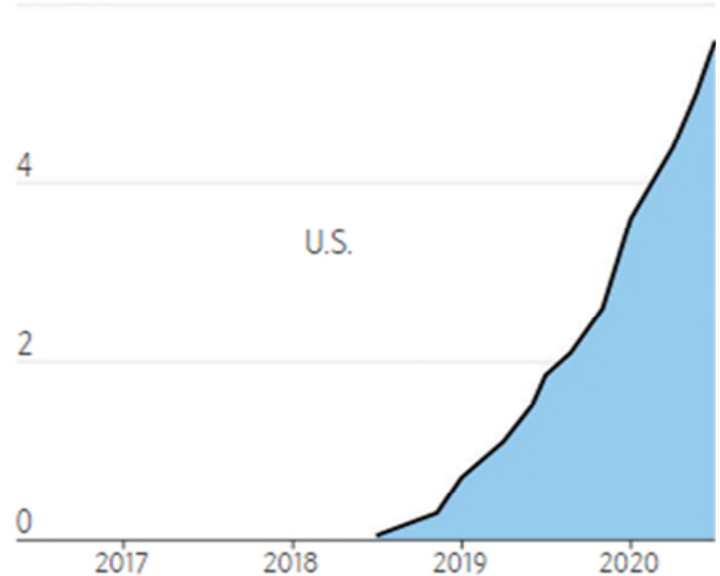
“Afterpay hit new milestones in November 2020 during the peak of holiday shopping, with monthly underlying sales in the US exceeding ANZ for the first time, reflecting the increasing contribution from the company’s fastest growing and largest region. The **total number of customers that have signed up to Afterpay in the US now exceeds 13 million**, and the total number of global retail partners is nearly 64,000, with a strong pipeline of new merchants preparing to launch in 2021.” – Jan 2021 – WSJ

Active users, by region

6 million users



6 million



Source: Company Filings; Provided by WSJ

IN-DEPTH – AFTERPAY – BUY NOW PAY LATER

HOW DOES AFTERPAY WORK?

“Afterpay is a service that allows you to instantly buy a product online and pay by installments. We’re not talking big-ticket furniture but lower-priced items like clothes and cosmetics. You immediately pay your first installment (25 percent of the purchase price) and the product ships to your home.

You then repay the remaining amount over three more installments in consecutive two-week periods. As an example, if you purchased a \$100 dress using Afterpay, you’d fork over \$25 right away and make three additional payments of \$25 via your existing credit card or direct debit.

No interest or fees are charged to shoppers for these installments.” – Dec 2020 - Chatelaine



Photo: Afterpay Provided by Chatelaine

IN-DEPTH – AFTERPAY – BUY NOW PAY LATER

PROS AND CONS OF USING AFTERPAY

Pros	Cons
No interest charged on purchases	Late-payment fees
Orders ship normally as they would with any form of payment	Not all orders are approved for this loan
Split purchases into four equal installment payments	Some retailers have minimum spend requirements

Credit Karma – Dec 2020

“Afterpay gives its users the means to shop at places they love and get things they’re genuinely excited about, all while helping them technically stay within a budget.”

“The service—which the company insists is a budgeting tool and not a loan or credit card—has also been compared to layaway, that old-fashioned system you might remember in which shoppers put products on hold and pay for them over the course of several installments. **Unlike layaway, Afterpay allows customers to get their products immediately, so there’s an instant gratification** element at work here that can make it seem even more attractive.”

– Mar 2020 – Reviewed

Shop now.
Pay later.
Always interest-free.

We’re making it easier to get
what you want, when you want it.

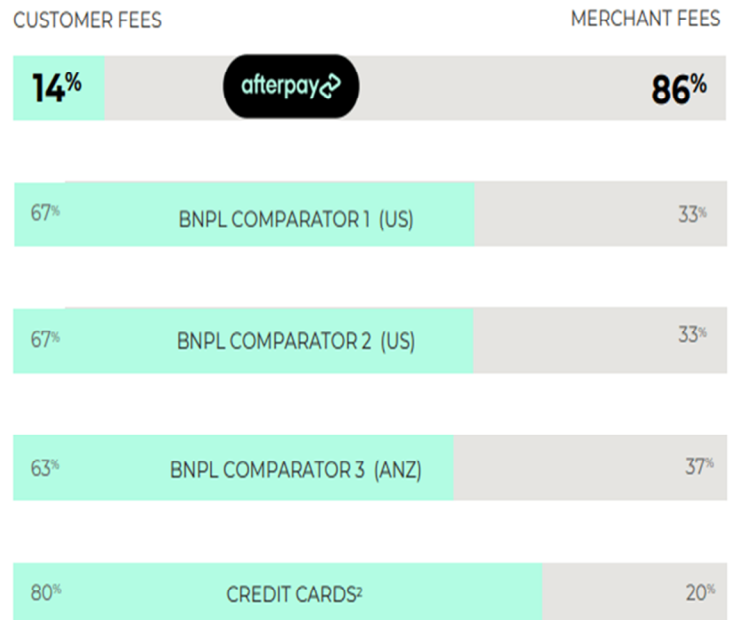
afterpay 

IN-DEPTH – AFTERPAY – BUY NOW PAY LATER

HOW DOES AFTERPAY MAKE MONEY?

“Most of Afterpay’s revenue comes from **retail merchants**, which pay a percentage of the value of each order placed by customers, plus a fixed fee.

Afterpay’s most-recent financial results—covering the six months through December 2019—showed **late fees**, which are \$8 in the U.S. and capped at 25% of the original transaction size, accounted for 15% of \$152 million in revenue, or 0.7% of the \$3.31 billion in goods and services bought on the platform.” – Jul 2020 – WSJ



Source: Afterpay FY20 Results Presentation; Provided by Seeking Alpha

WHO CAN SIGN UP FOR AFTERPAY?

“Afterpay is a payment service offered by US online retailers for shoppers who:

- Are a resident and reside within one of the 50 states or the District of Columbia. Afterpay is not available in US Territories;
- Are at least 18 years old; (19 years old in Alabama or if you are a ward of the state in Nebraska)
- Are capable of entering into a legally binding contract;
- Have a valid and verifiable email address and mobile number;
- Provide a valid delivery address in the United States;
- Be authorised to use the US-issued credit or debit card or AMEX to make the purchase” – Jun 2020 - Afterpay

IN-DEPTH – AFTERPAY – BUY NOW PAY LATER

ARE THERE CREDIT CHECKS?

“In an email interview, Nick Molnar, CEO and co-founder of Afterpay, said **the company doesn’t perform credit checks and decides within seconds if someone is approved** or not, so you’ll know right away if you can use the service as a form of payment.” – Mar 2020 - Reviewed

“Afterpay doesn’t check your credit and doesn’t require you to enter your social security number. Instead it looks at how long you’ve lived at your addresses and your buying histories.

This means Afterpay can neither harm nor help your credit score. But that doesn’t mean it can’t hurt your credit-worthiness. These companies still ‘reserve the right to report bad behavior to credit bureaus.’” – Dec 2020 – Modern Frugality

WHAT IF A PAYMENT IS MISSED?

“While Afterpay doesn’t charge any interest to use the service, it does cost you if you start missing payments. **You’ll be charged an extra \$8 and your account will get frozen when you fail to make a payment**, meaning that you can’t use Afterpay as a payment method for anything new until you settle the bill.

It might not sound that bad, until you factor in that \$8 fee will hit your account for each week you fall behind. Although **the company caps late fees at 25% of your total purchase price**, that can still add up fast.” – Mar 2020 - Reviewed

IN-DEPTH – AFTERPAY – BUY NOW PAY LATER

WHO ARE AFTERPAY’S TARGETED RETAIL PARTNERS AND CUSTOMERS?

“Afterpay has overwhelmingly cornered the market when it comes to trendy fashion retailers.

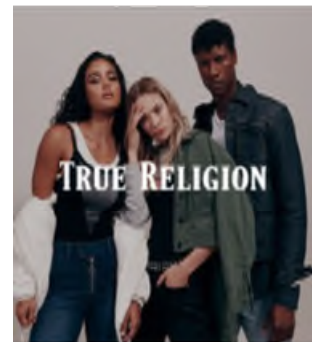
In May 2018, the company debuted in the U.S. with Urban Outfitters. Since then, a growing number of popular retailers have partnered with Afterpay, including:

- Anthropologie
- ColourPop
- Dolls Kill
- Forever 21
- Free People
- Kylie Cosmetics
- Nars
- Ray-Ban
- Rebecca Minkoff
- Reformation
- Revolve
- Steve Madden
- Sunglass Hut
- ThirdLove
- True Religion

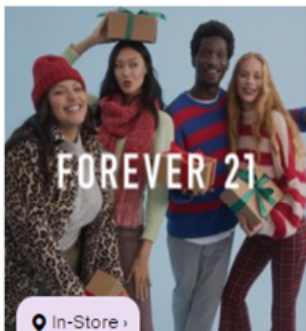


RAY-BAN

If you’re sensing a theme with all of these stores, that’s no coincidence. Of the approximately 3,300 U.S. retailers that the company has partnered with as of June 2019, the most popular are those that are also huge with millennials right now. **According to Molnar, millennials account for the majority of their users—in the U.S., the average Afterpay user is about 31; in Australia, the average user is 33.**



TRUE RELIGION



FOREVER 21

‘I think Afterpay’s biggest attribute is that it understands its customers,’ [Nicole] Reyhle [founder and publisher of Retail Minded] says. And the company’s choice of retail partners definitely supports that. **By working with retailers that have a significant presence on Instagram and major clout with millennials, Afterpay is able to reach this demographic in a major way.**” – Mar 2020 – Reviewed



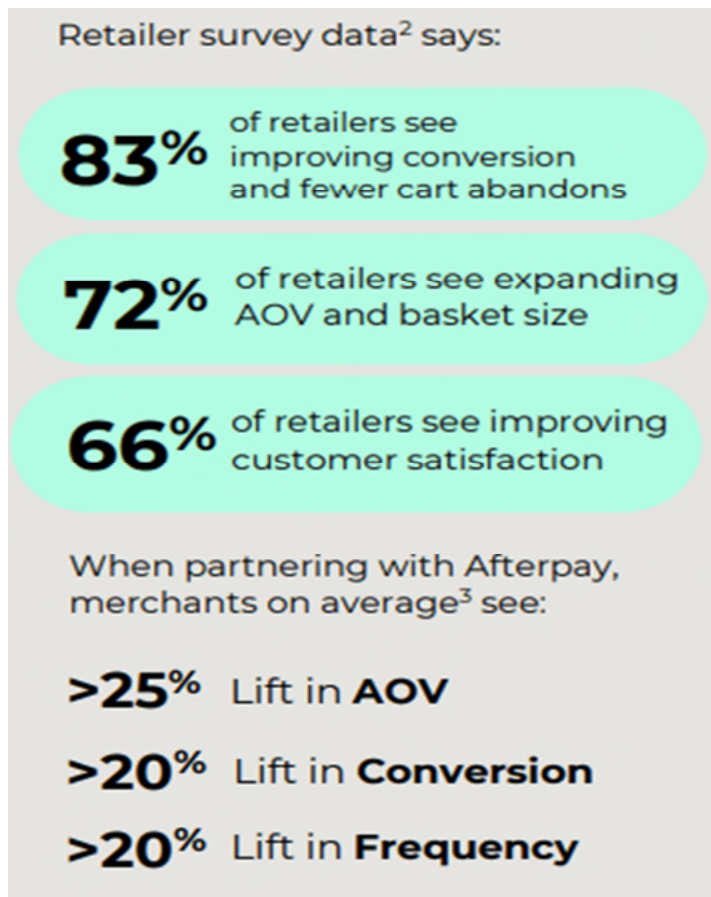
FREE PEOPLE

IN-DEPTH – AFTERPAY – BUY NOW PAY LATER

HAVE AFTERPAY'S RETAIL PARTNERS BENEFITED?

“BNPL [Buy Now Pay Later] companies depend on creating an ecosystem of brands by signing them up to exclusivity agreements. As such, the industry dynamics prompt brands to being selective of who they'll entrench themselves to, looking to garner the maximum amount of value from the partnership.

The data illustrates that Afterpay is in fact creating value: +25% in average order value ("AOV"), +20% in conversion, and +20% in purchase frequency. Afterpay can now leverage its scale to attract even more merchants, as these brands will want to partner with the BNPL provider with the most robust breadth of customers and driver of traffic.” – Dec 2020 – Seeking Alpha



“Consumer demand has been yearning for such a product for so long that **brands state that on the very first day offering AFTPF [Afterpay, Ltd], 20-25% of consumers select it as their payment option.** Such an immediate impact leaves a lasting effects with brands who will think twice (if not thrice) before cancelling their agreement. It is no accident that Afterpay has continued to onboard global, far-reaching brands across its different markets.

On Black Friday alone, 1.2M referrals were sent to US merchants from the Afterpay Shop Directory. **Basket sis were up 30% and 25% for the US and UK, respectively,** on a YoY basis. AFTPF is essentially lowering brands' CAC, funneling consumers through its virtual marketplace.” Dec 2020 – Seeking Alpha

Source: Afterpay FY20 Results Presentation;
Provided by Seeking Alpha

IN-DEPTH – AFTERPAY – BUY NOW PAY LATER

HOW DOES AFTERPAY COMPARE TO OTHER BNPL COMPETITORS IN U.S.?

“While we have our qualms about Cardify's **exclusion of AFRM** [Affirm Holdings Inc.] in its BNPL analysis, the following graph still serves the illustrative purpose of highlighting AFTPF's rampant embedding within the US market.” – Dec 2020 – Seeking Alpha



Source: Cardify; Provided by Seeking Alpha

IS AFTERPAY IN COMPETITION WITH CREDIT CARDS?

“Afterpay and Zip have made no secret that they intend to challenge credit-card providers. In August, Zip said the **credit card industry was fundamentally broken, citing high revolving interest, confusing terms, a lack of trust and an absence of brand loyalty that had accelerated a structural decline in usage.**” – Jan 21 - WSJ

“Worried about dwindling credit-card usage during the coronavirus pandemic and the rapid rise of startups like Australia’s Afterpay Ltd. APT 1.51% and Sweden’s Klarna Bank AB that allow consumers to pay for goods in installments, some banks are rethinking what has been one of their most lucrative businesses. National Australia Bank, known locally as NAB, launched a no-interest credit card in September.” – Jan 21 – WSJ

“Some analysts view the no-interest cards as a salvo in an intensifying battle for share of the payments market between banks with large credit-card businesses and buy now, pay later providers like Afterpay and Zip Co.” – Jan 21 – WSJ

IN-DEPTH – AFTERPAY – BUY NOW PAY LATER

RISKS

“The more successful Afterpay is, the more likely it will attract regulatory scrutiny,” said Tom Beadle, a Sydney-based analyst at UBS. – Jul 2020 - WSJ

“One risk that immediately jumps out is regulation. Admittedly, legislation has yet to catch up with the BNPL model, and material changes could have a severe impact on Afterpay's business. However, Afterpay has shown an overt willingness to work with Australian regulators, and even exhibiting signs of convincing the authority that the benefits of regulation far outweigh the prospect of current oversight.

The emergence of BNPL players left and right will naturally lead to an undercutting of the competition in order to win merchants over. Afterpay has been able to maintain its take rate, and we believe that this will continue to be the case going forward as merchants perceive the tangible benefits of higher conversion, increased AOV, and lead generation. The more entrenched merchants become by way of spending more time on the platform, the higher the switching costs become. We've seen PYPL [PayPal] make moves to enter BNPL, and credit card companies will doubtfully sit idly by as their products fade into (near) oblivion.

International expansion has been a hit, and culture has played an impact. As AFPTF expands into foreign markets where language and consumer behavior can differ significantly, it remains to be seen whether they can penetrate with as much ease as they've manifested in [the Australian and U.S.] markets.” – Dec 2020 – Seeking Alpha

IN-DEPTH TOPICS LOCATED ON THE COUNTY AUDITOR'S WEBPAGE

5G Network	4 th Qtr 2018
Afterpay	4 th Qtr 2020
Alibaba	3 rd Qtr 2017
Bitcoin	4 th Qtr 2016
Cashless Society	4 th Qtr 2017
Chatbots	1 st Qtr 2019
Deep Sea Mining	3 rd Qtr 2020
Facial Recognition	1 st Qtr 2018
Labor Participation Rate	4 th Qtr 2015
Libra, Calibra, Facebook	2 nd Qtr 2019
Money Market Fund Reform – New Rules	3 rd Qtr 2016
Natural Gas – U.S. 3 rd Largest Exporter of LNG	4 th Qtr 2019
Negative Interest Rate Policy (NIRP)	2 nd Qtr 2016
New Silk Road	2 nd Qtr 2017
Pandemic – Possible Impact	1 st Qtr 2020
Quantitative Easing	1 st Qtr 2016
Repurchase Agreements – Repo Market in Crisis	3 rd Qtr 2019
Small Business Reorganization Act	2 nd Qtr 2020
Texas Imports and Exports	2 nd Qtr 2018
Universal Postal Union	3 rd Qtr 2018

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