



US Economy and Russia/Ukraine Economics

CSMFO – San Gabriel Chapter
March 9, 2022

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National Economic Education Delegation



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National Economic Education Delegation

• Vision

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

• Mission

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

• NEED Presentations

- Are nonpartisan and intended to reflect the consensus of the economics profession.

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Available NEED Topics Include:

- Coronavirus Economics
- US Economy
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Housing Policy
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- US Social Policy



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Credits and Disclaimer

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- **Disclaimer**
 - NEED presentations are designed to be nonpartisan.
 - It is, however, inevitable that the presenter will be asked for and will provide their own views.
 - Such views are those of the presenter and not necessarily those of the National Economic Education Delegation (NEED).



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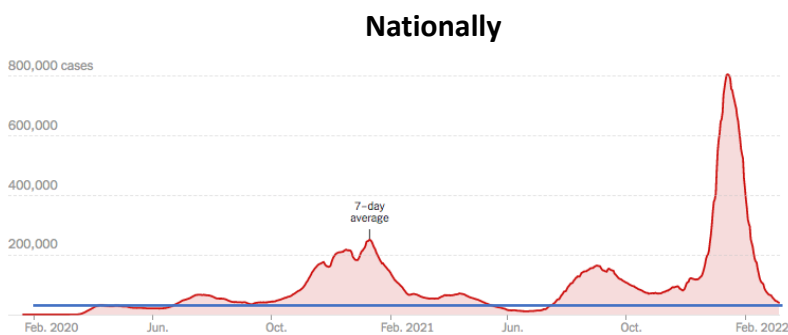
Outline

- State of the pandemic
- The U.S. Economy
- Hot Topics
 - The Great Resignation
 - Russia/Ukraine
 - o Oil
 - o Wheat
 - Inflation

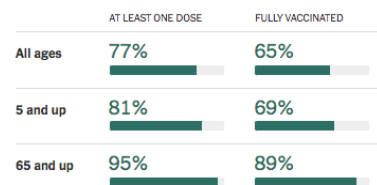
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Making Real Progress!

New reported cases



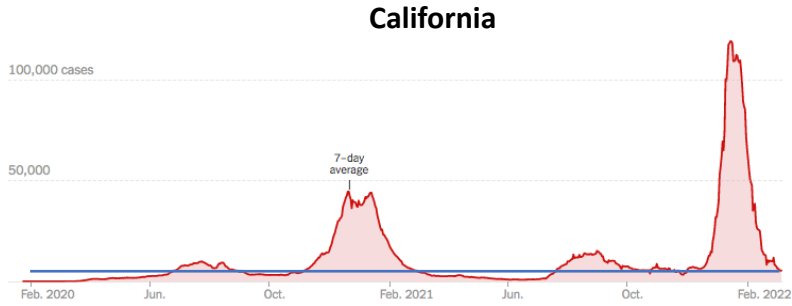
Vaccinations



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Oklahoma Cases Are Falling Nicely

New reported cases



Vaccinations

	AT LEAST ONE DOSE	FULLY VACCINATED
All ages	82%	71%
5 and up	87%	75%
65 and up	95%	89%

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The U.S. Economy

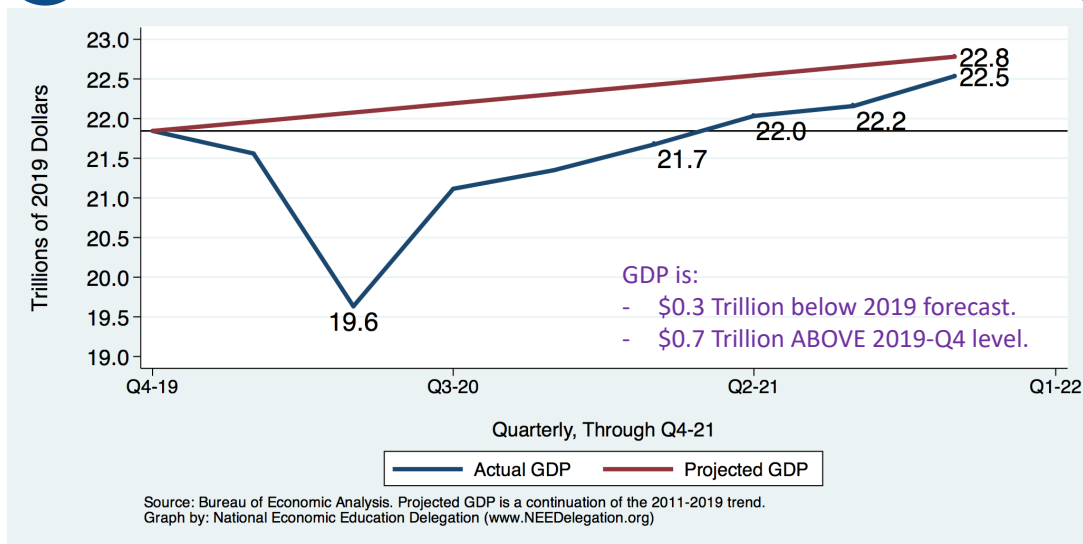
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Question 1:

- 1) Has the economy fully recovered from the pandemic?
 - That is, is GDP higher or lower than it might have been without the pandemic?

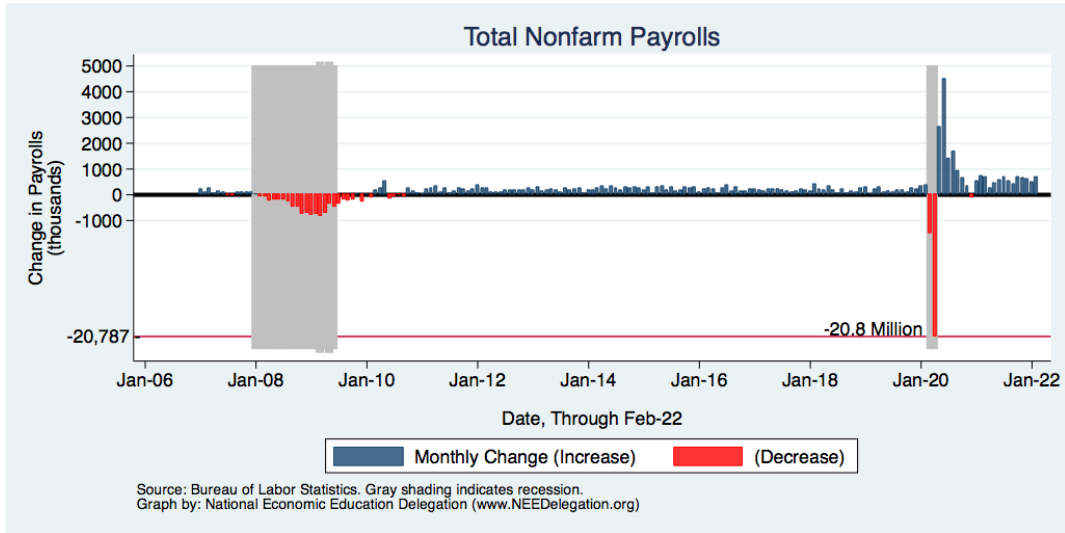
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GDP Trajectory: Pandemic Plunge!



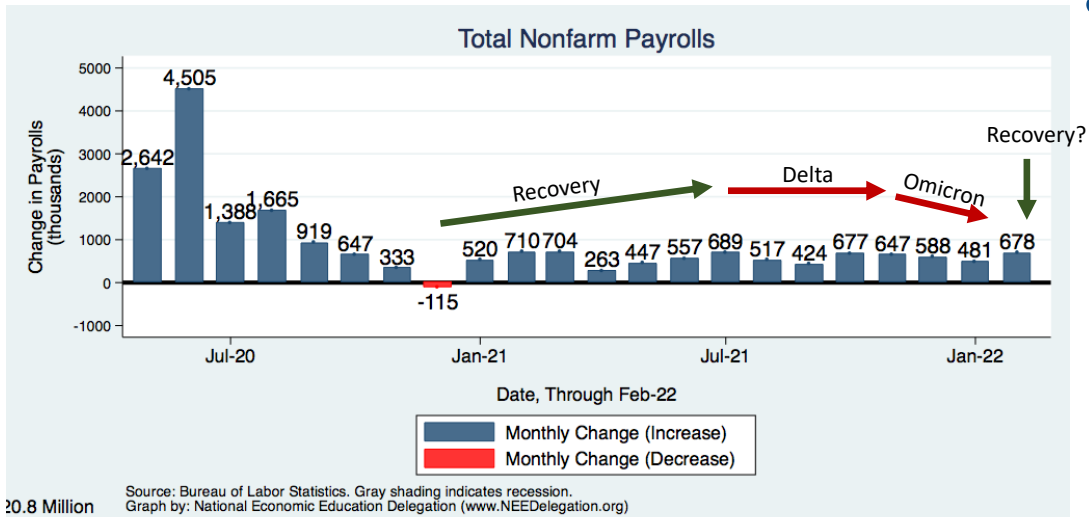
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Monthly Changes in Nonfarm Employment

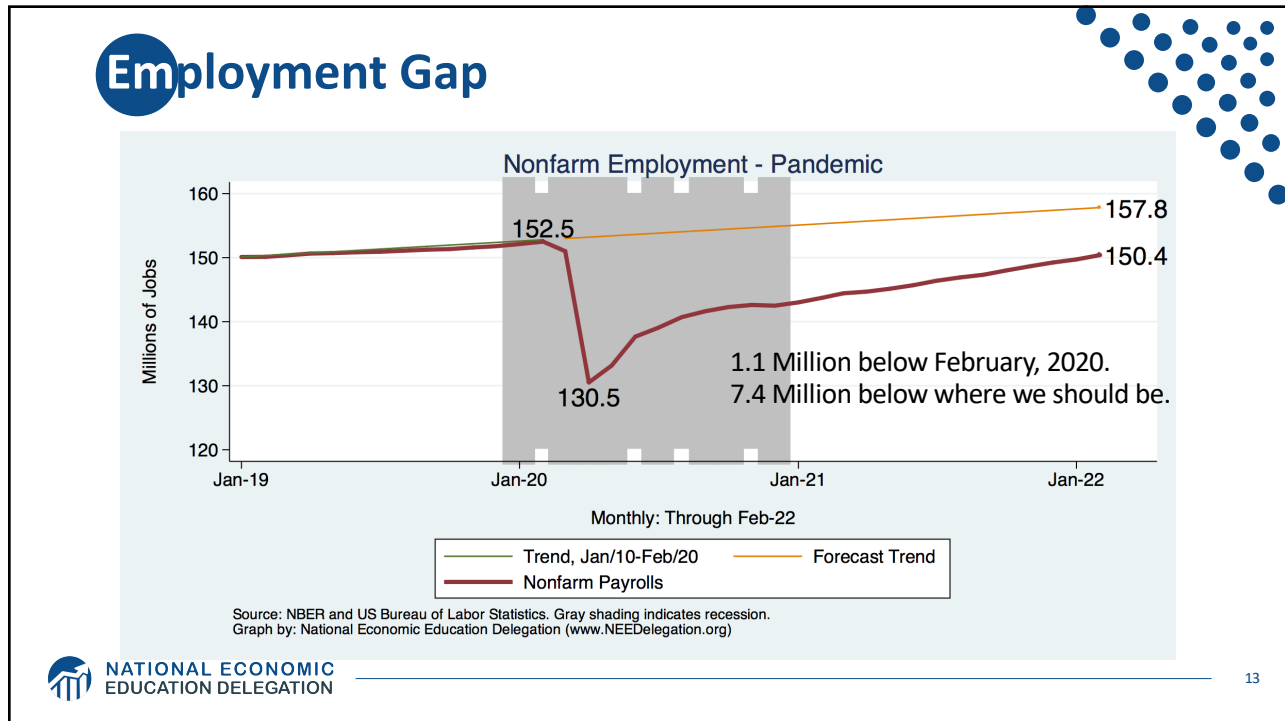


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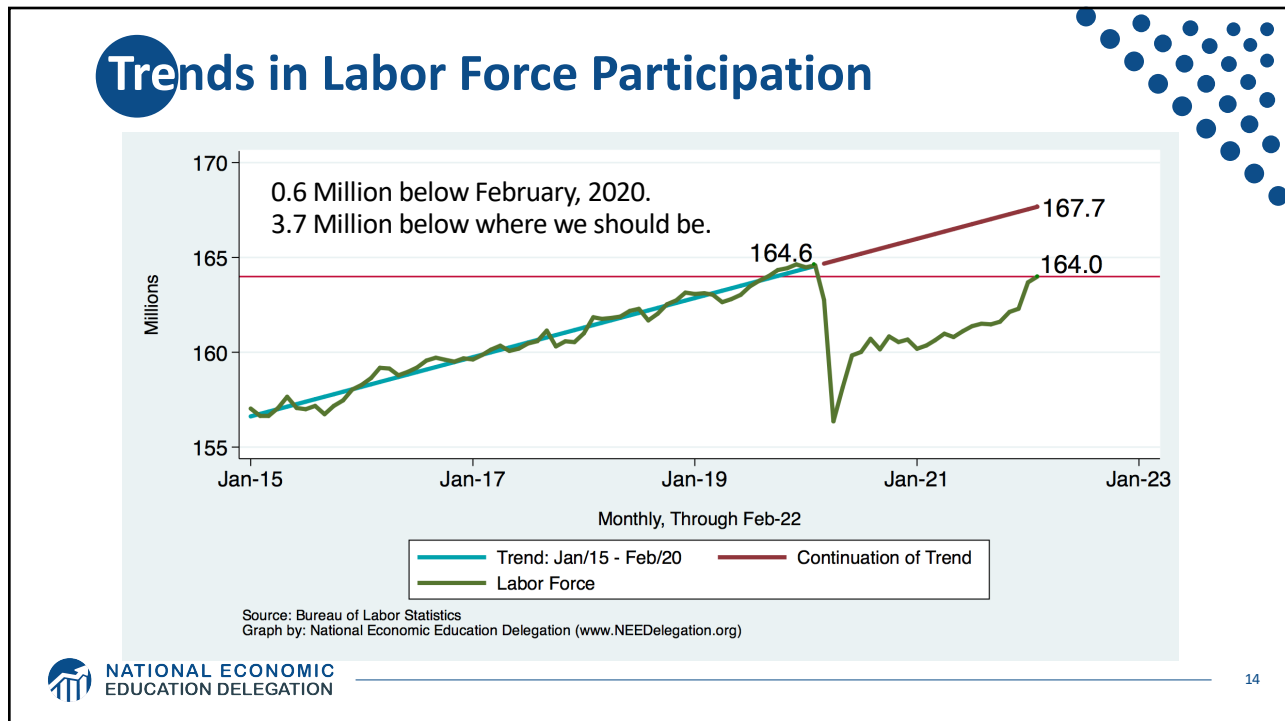
Monthly Changes in Nonfarm Employment



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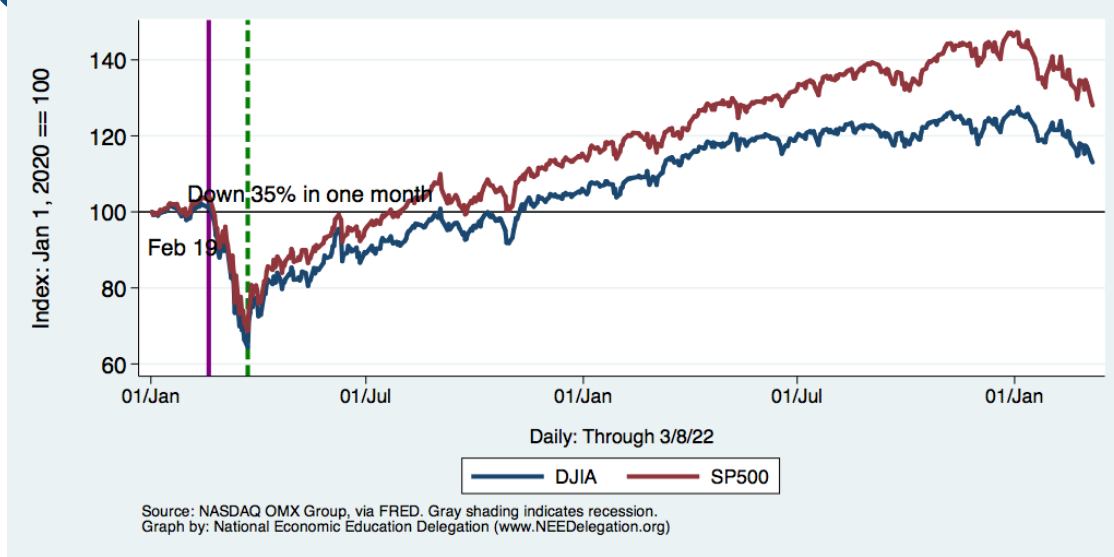


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Stocks: Jittery



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Hot Topics

- **The Great Resignation**
- **Russia/Ukraine**
 - Oil
 - Wheat
- **Inflation**

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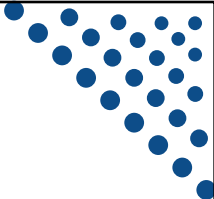


The Great Resignation

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Question 2:

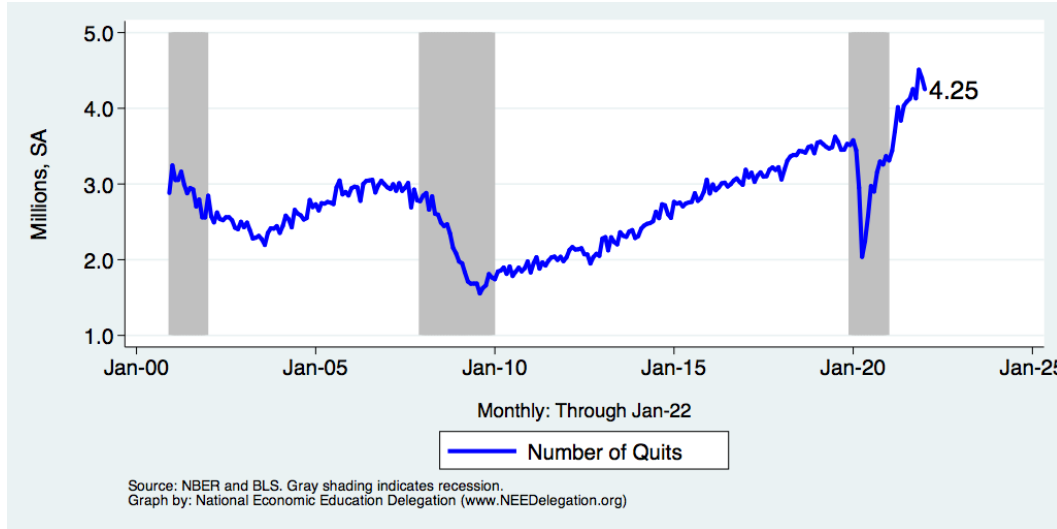
- 2) What is the great resignation?

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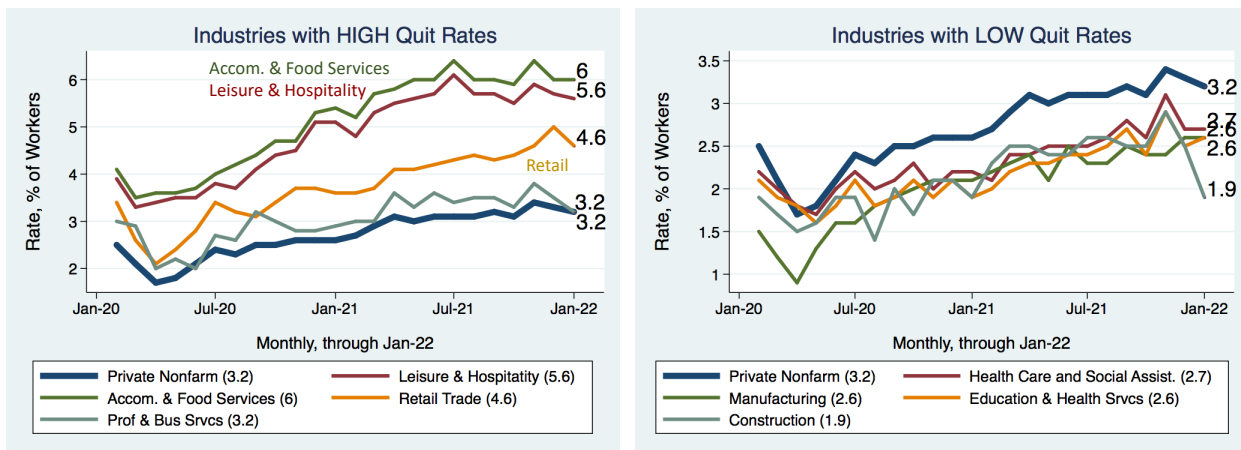
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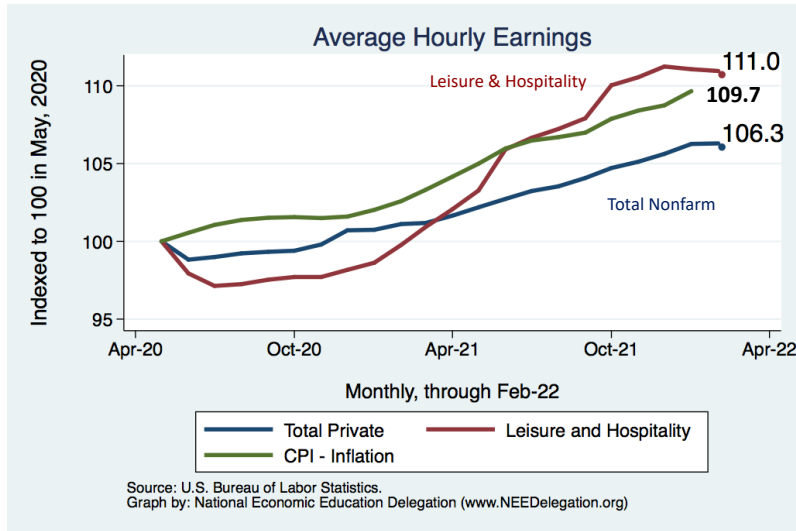
Quits Are High! The Great Resignation



Quits – Rising, but More in Some Industries



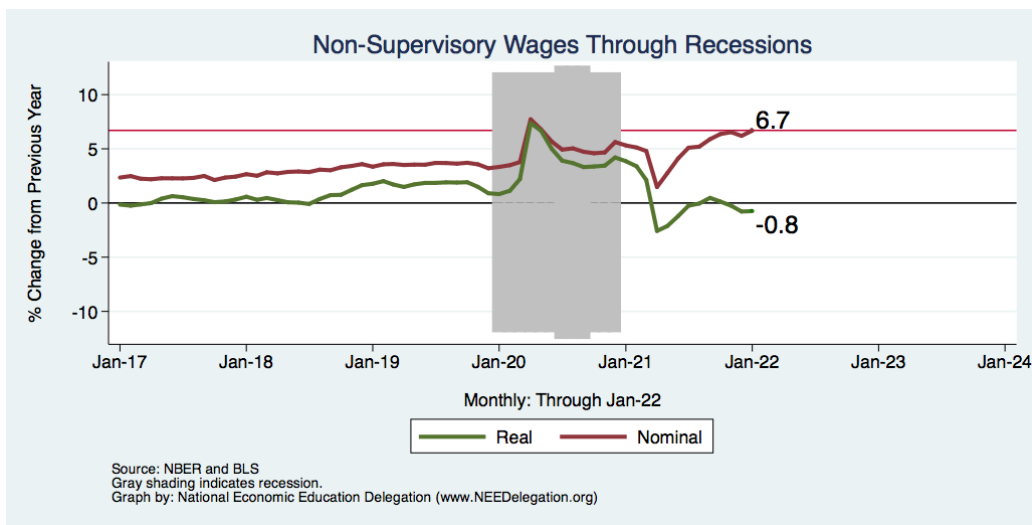
This is Happening Despite Rising Wages



L&H wages rising
Not much faster
Than inflation

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Inflation Adjusted Wages Are Falling



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Russia/Ukraine(/Belarus)



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Sanctions

- **Restrict financial transactions**
 - Severing from SWIFT (partially)
 - Central bank assets – reserves have been abroad, but can't access.
 - o Cannot support Ruble
- **Cut off the Nord Stream 2**
- **Technology export restrictions**
- **Russian aviation – can not use western air space**
 - Most aircraft are leased.
- **DOJ - KleptoCapture**
- **Private sector sanctions**
 - Apple – no more Apple Pay or iPhones
 - BP and other oil producers moving out
- **And many more!**



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Consequences for the Russian Economy

- Massive inflation
- Devaluation of the Ruble
- High interest rates
- Shortages
- Not to mention the Oligarchs
 - Sanctions on 100 specific individuals.
- Fear of renewed “Iron Curtain”



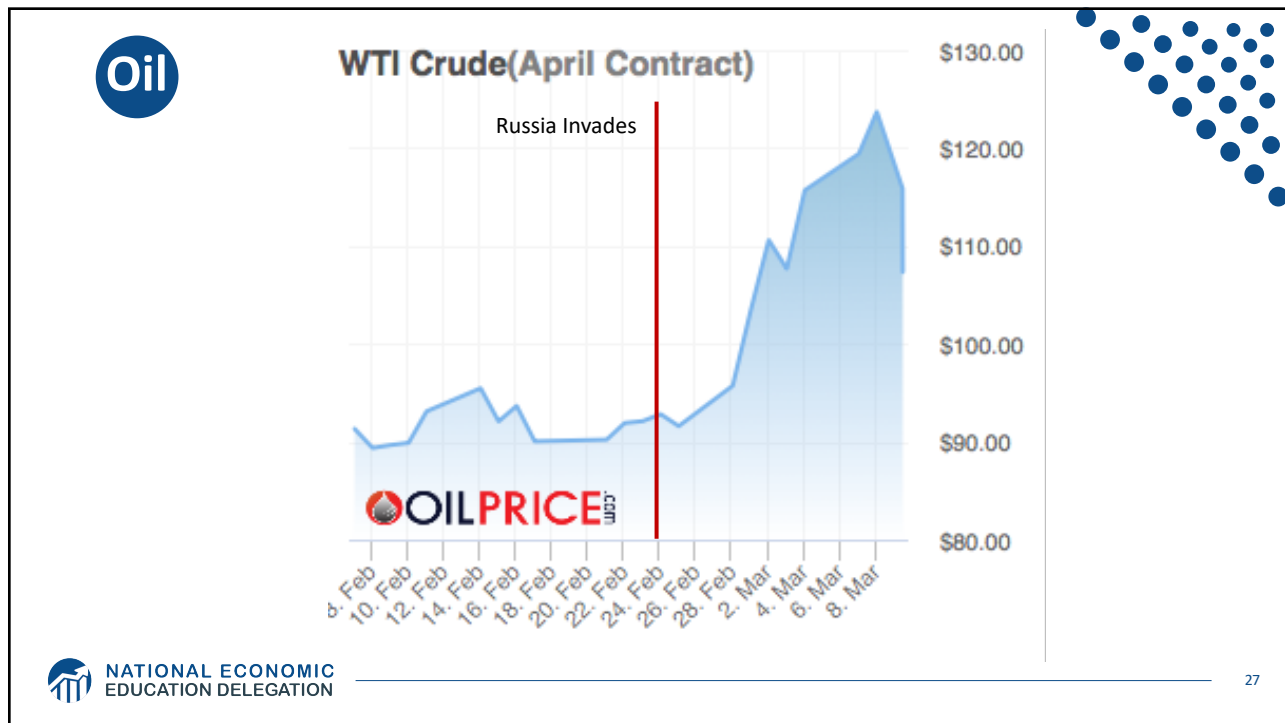
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Consequences for the Global Economy

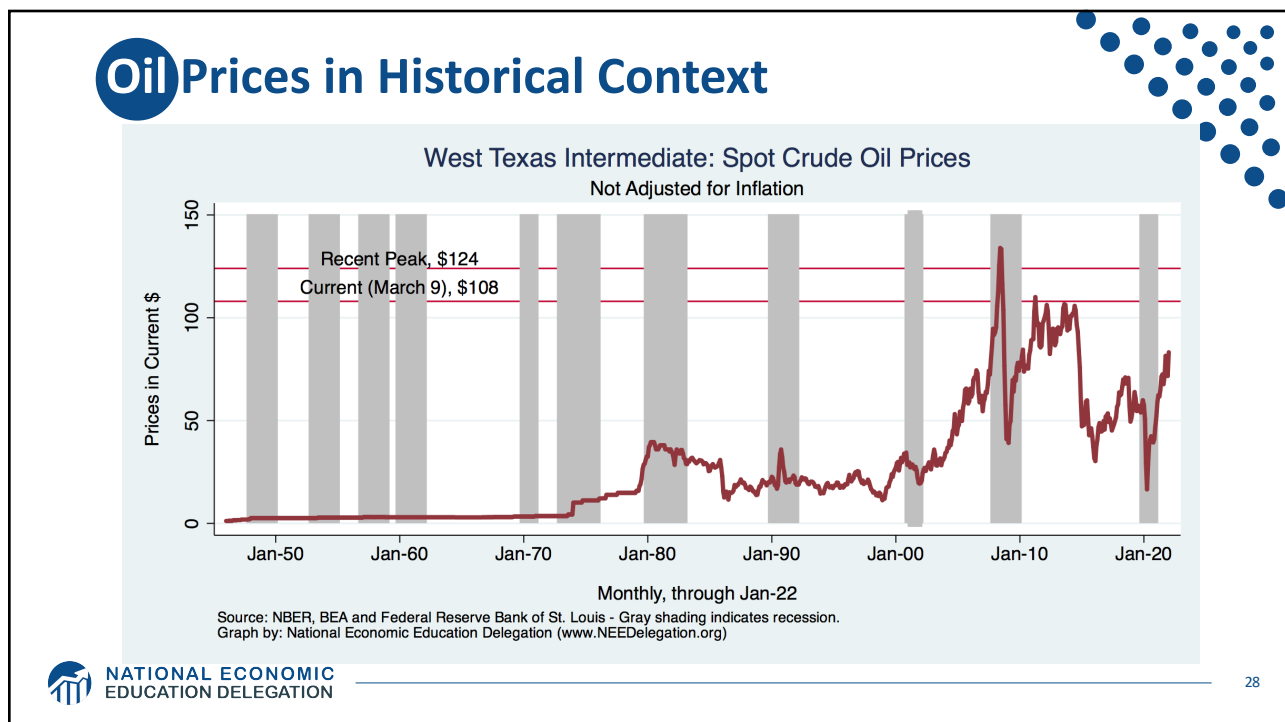
- **Primarily:**
 - Oil
 - Wheat
- **Why?**
 - Major suppliers of each
 - 29% of world wheat production
 - 20-40% of Europe’s oil and gas
 - Russia part of OPEC+
 - Russian and Ukranian combined economies are small.
 - Don’t forget Belarus.



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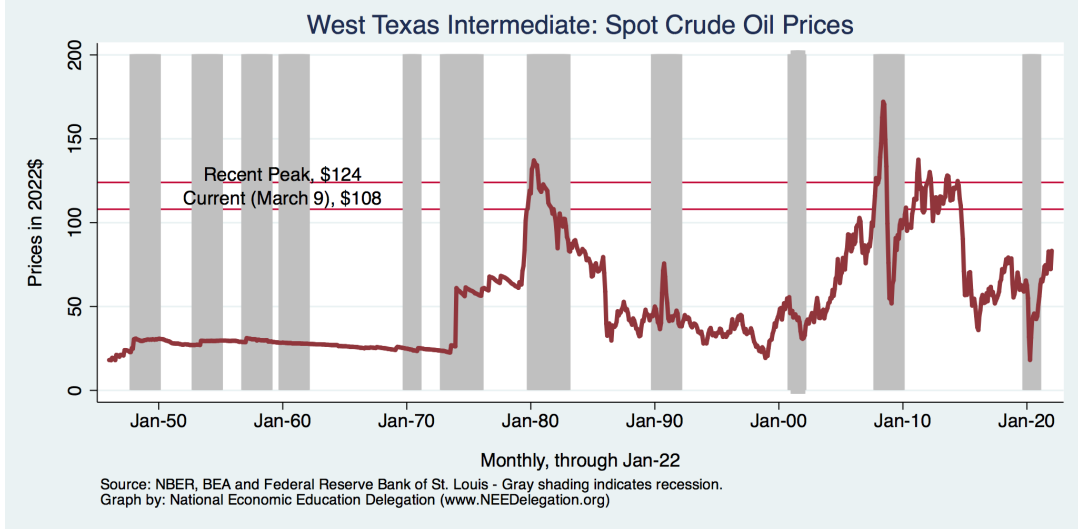


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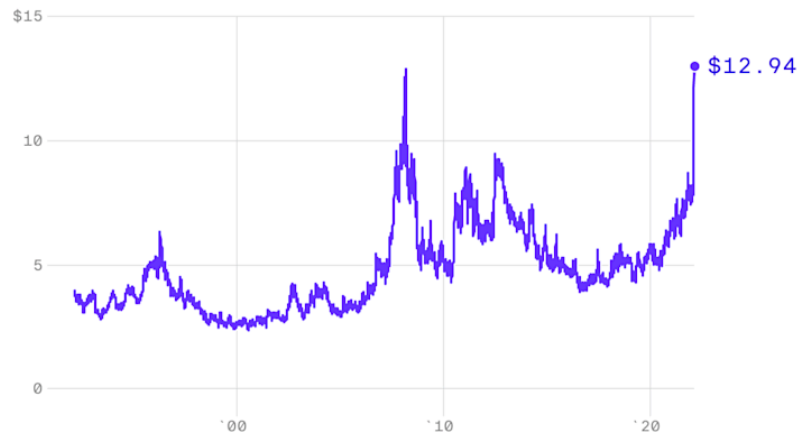
Oil Prices in Historical Context – Inflation Adj.



Wheat

Wheat prices

Per bushel; March 6, 1992, to March 7, 2022



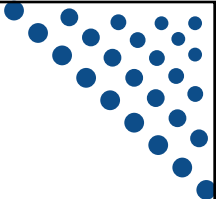


Inflation

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Question 3:

- 3) How much higher are prices than they might have been if we didn't have a pandemic?

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How Does Inflation Work?

Inflation represents the rate at which the cost of goods and services increase over a period of time.

Demand-Pull

When demand for goods/service exceeds production capacity.

Cost-Push

When production costs increase prices.

Built-In

When prices rise, wages rise too, in order to maintain living costs.

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Source: Investopedia

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We're Buying Mostly ... Stuff

Real monthly household spending at an annualized rate, trillions of chained 2012 dollars

a. Goods

b. Services

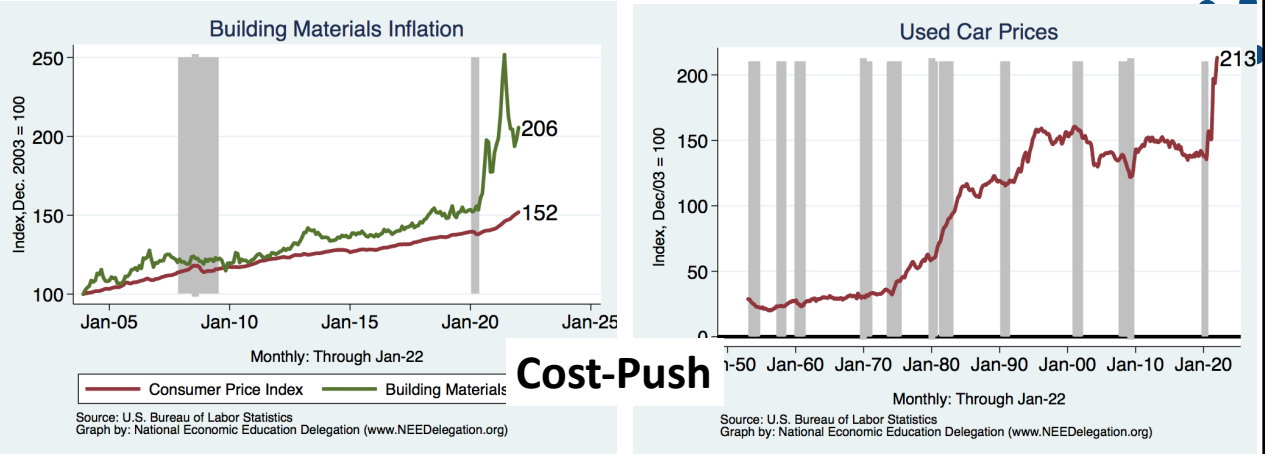
Demand-Pull

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Source: Jason Furman, PIIE

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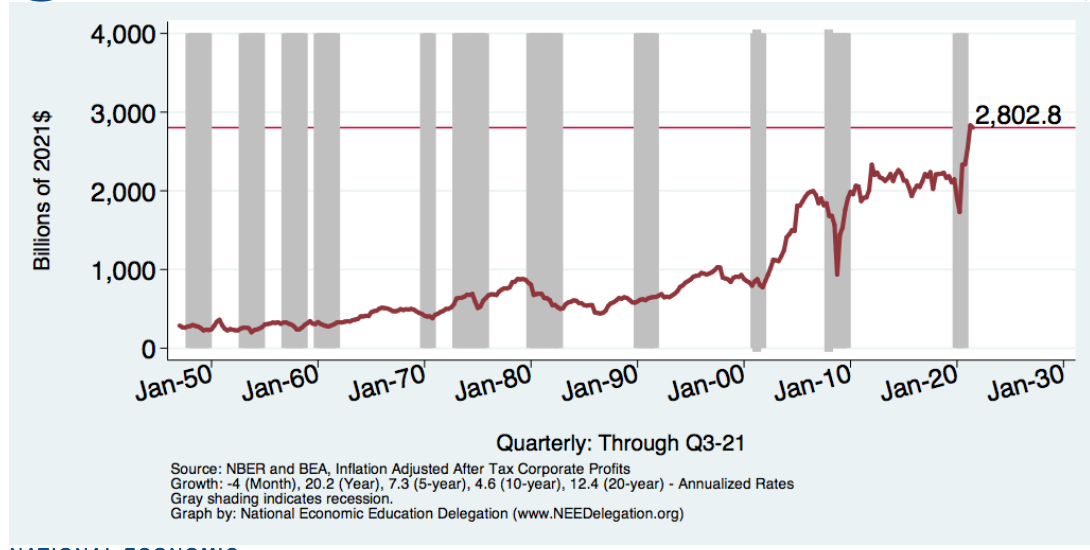
Inflation: Concentrated



Cost-Push

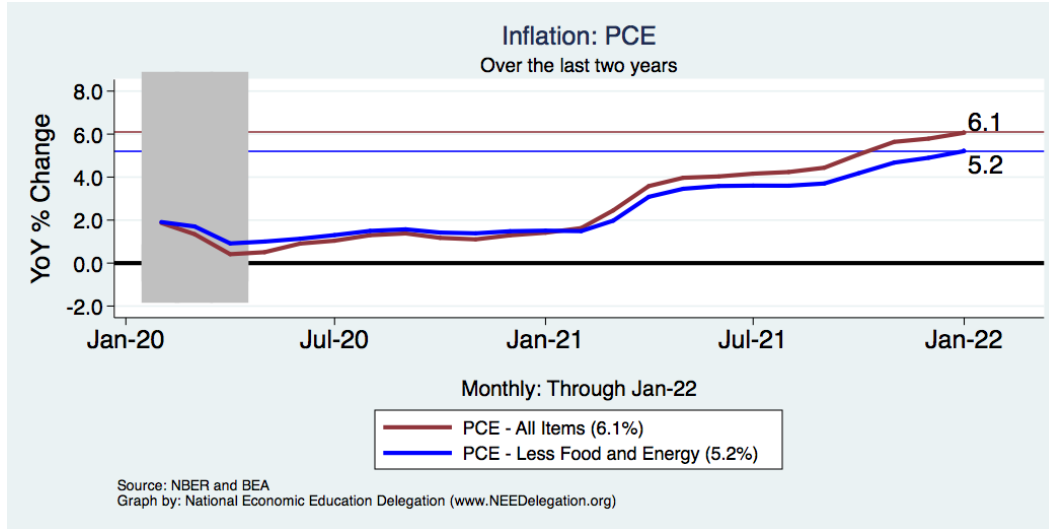
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Corporate Profits...Adding to Inflation?



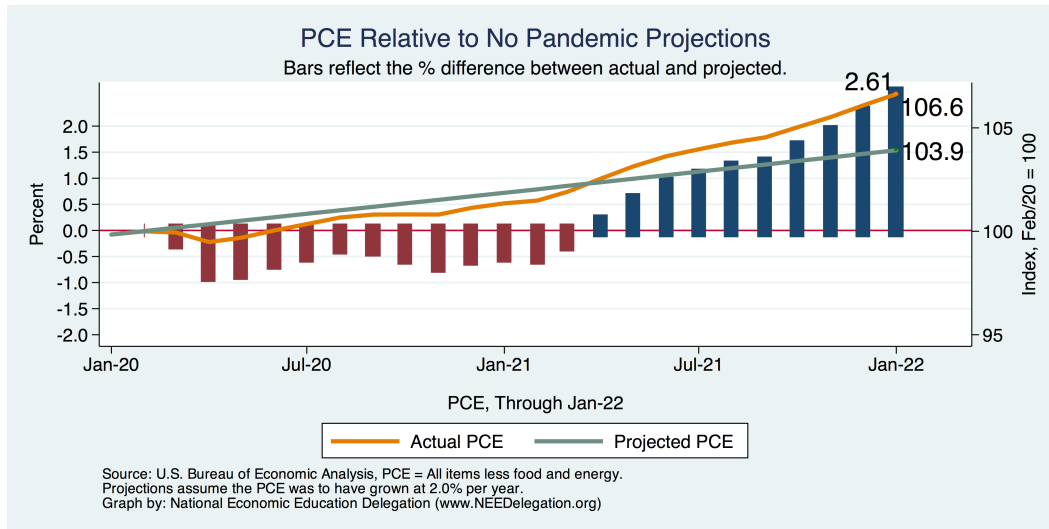
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Inflation – The Fed’s Metric! Should we worry?



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Inflation – PCE and Fed Suggest: I don't know.



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So Far Inflationary Expectations Look Stable

- Professional forecasters, financial markets and the Fed itself think that inflation in 2022 will be in the 2.5-3%, range

	Median Fed Forecasts from 12/15/21 FOMC Meeting			
	2022	2023	2024	Longer run
Unemployment rate	3.5	3.5	3.5	4.0
Inflation	2.6	2.3	2.1	2.0
Interest rate	0.9	1.6	2.1	2.5

Russia/Ukraine conflict may well raise these forecasts.



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Conclusion

- Recovery is well underway, but may be slowing.
- GDP expanded by 5.7% percent in 2021, 3-4% in 2022.
- 2021 was an odd year.
 - Workers attained the upper hand.
 - Supply chains broke.
 - Inflation surged.
 - The economy rebuilt itself.
- Biggest problems:
 - Supply chain bottlenecks.
 - Labor force participation.
 - Russian war in Ukraine



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Where Are We Headed?

- **Economic fallout of the Russia/Ukraine conflict will be modest.**
- **At best, back to where we were before the pandemic.**
 - Economic growth of ~2%/year.
 - Low interest rates.
 - Inflation back in the 2% range.
- **How long is it going to take to get there and what will we endure?**
 - Entirely speculation.
 - Could be 5 years before we are back to equilibrium. NOT back to normal.
- **Next year: elevated inflation and interest rates.**
- **2023: GDP growth relatively slow, but perhaps greater than recent averages.**



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Thank you!

Any Questions?

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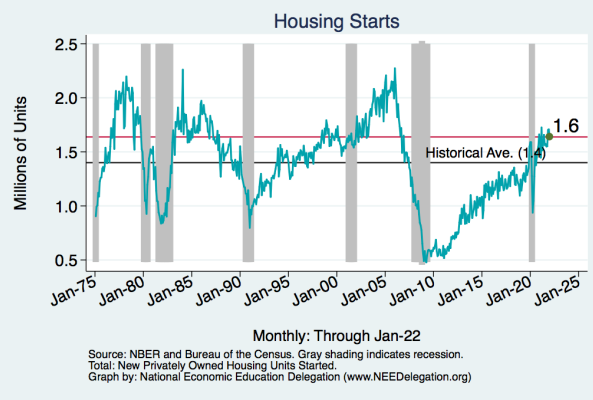
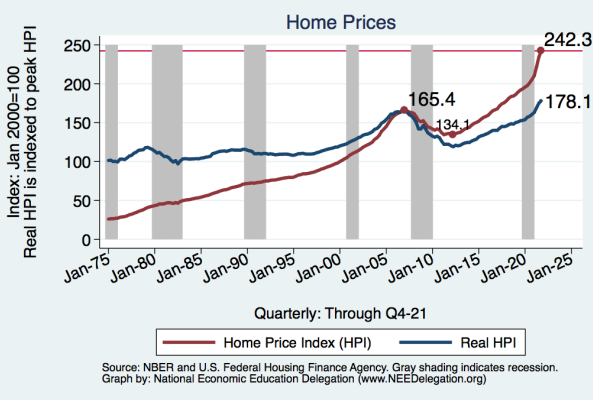


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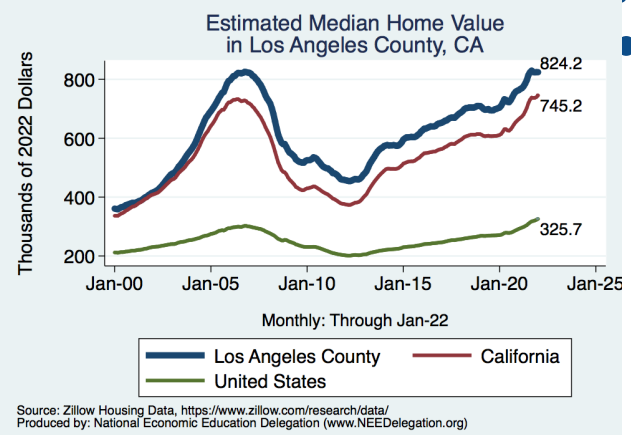
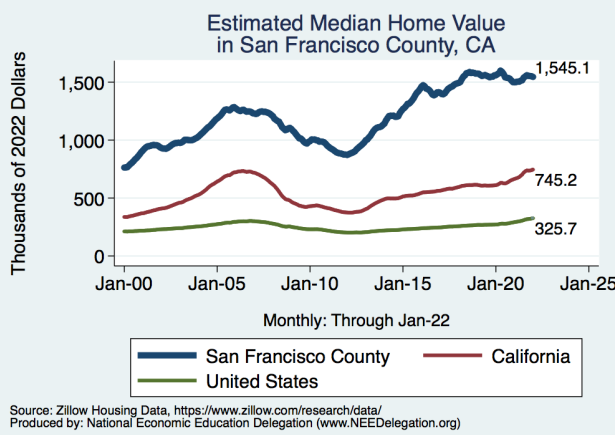
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Home Prices and Housing Starts

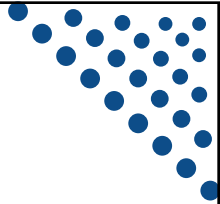


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RE Experiences Differ!



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www.NEEDelegation.org/LocalGraphs

For every state and county in the United States.
Detailed graphs on employment, housing, moves, and other statistics.

