



U.S. Economic Update

Global Coworking Unconference Community

January 17, 2023
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Executive Director, NEED



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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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Who Are We?

- **Honorary Board: 54 members**

- 2 Fed Chairs: Janet Yellen, Ben Bernanke
- 6 Chairs Council of Economic Advisers
 - o Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 3 Nobel Prize Winners
 - o Akerlof, Smith, Maskin

- **Delegates: 652+ members**

- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 49 Ph.D. Economists**

- Aid in slide deck development



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Available NEED Topics Include:

- Healthcare 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
- Healthcare Economics



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Credits and Disclaimer

- **This slide deck was authored by:**

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- Brian Dornbeck, Lewis & Clark College
- Doris Geide-Stevenson, Weber State

- **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

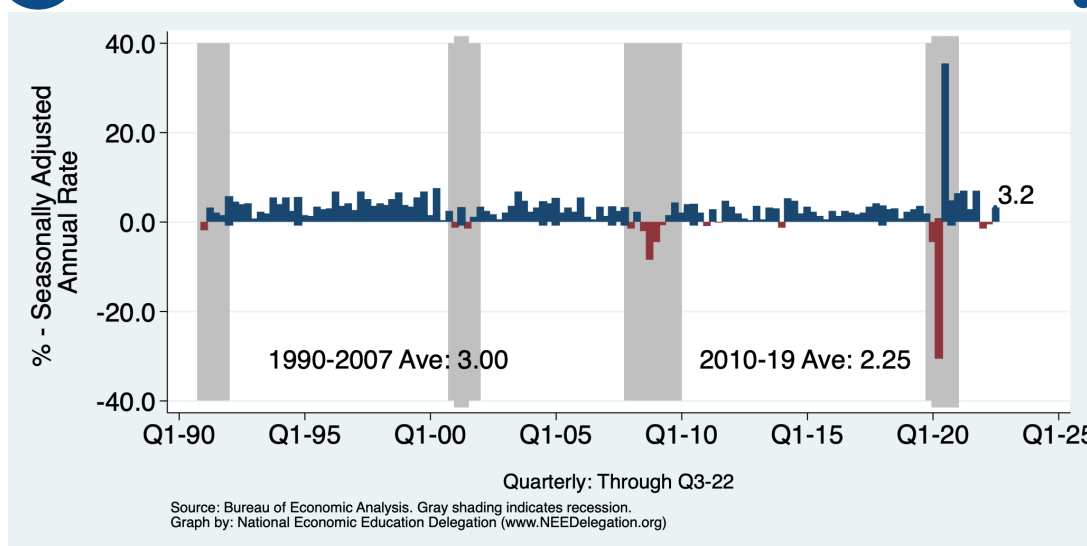
- **Economic Data**
- **Inflation**
- **Debt Ceiling**

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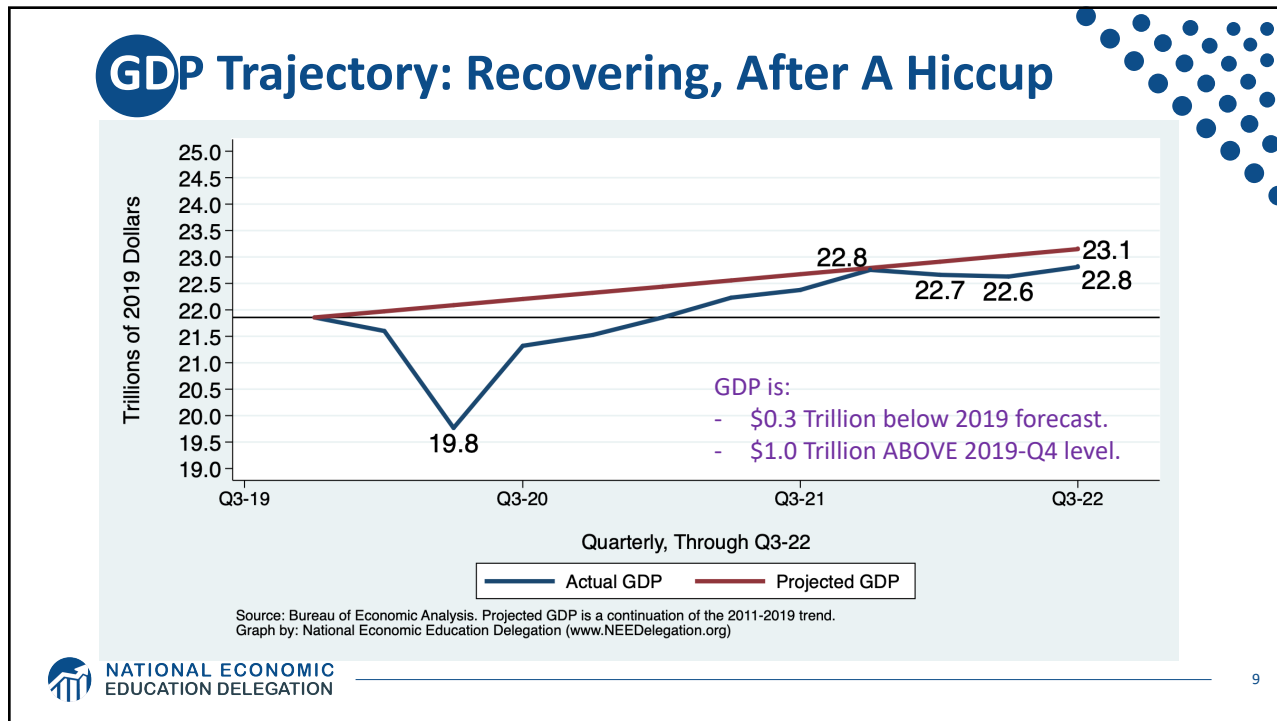
What's in the Data

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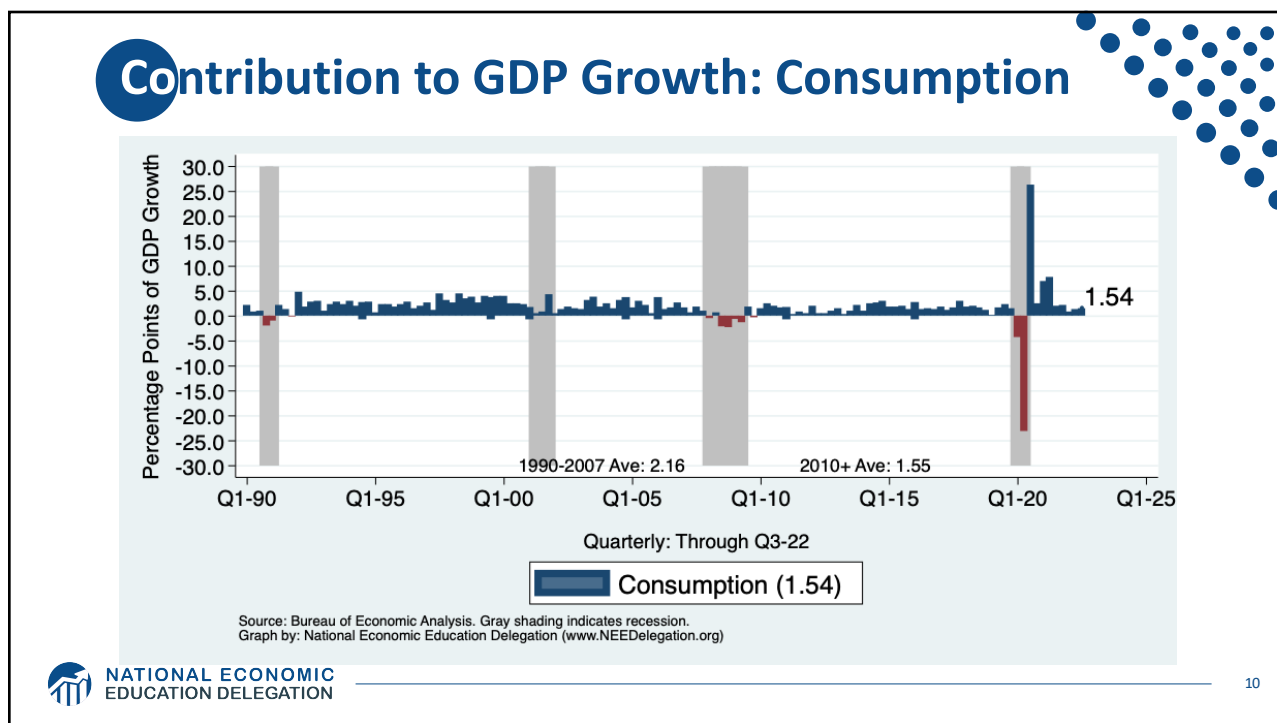
GDP: Quarterly Growth



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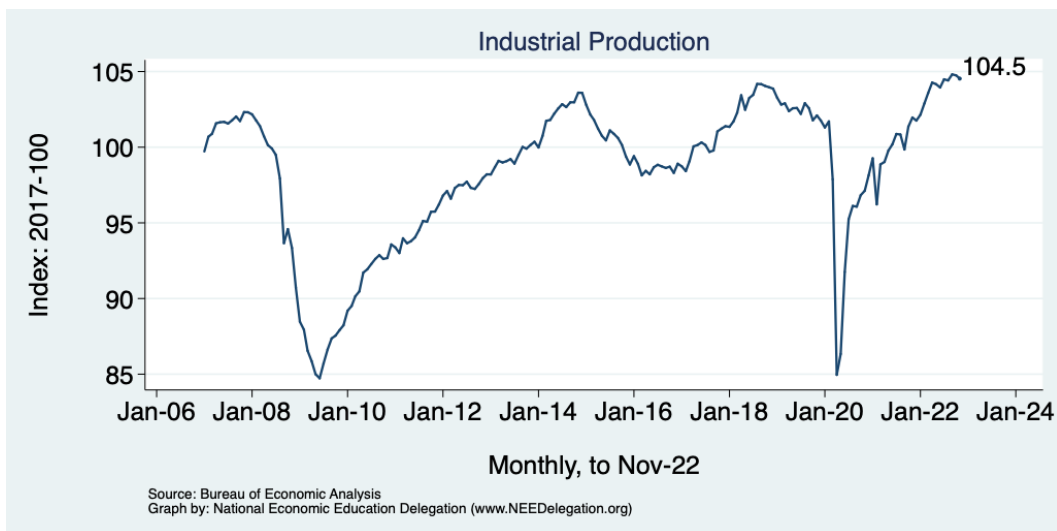
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Other Indicators Are OK

Employment, Industrial Production

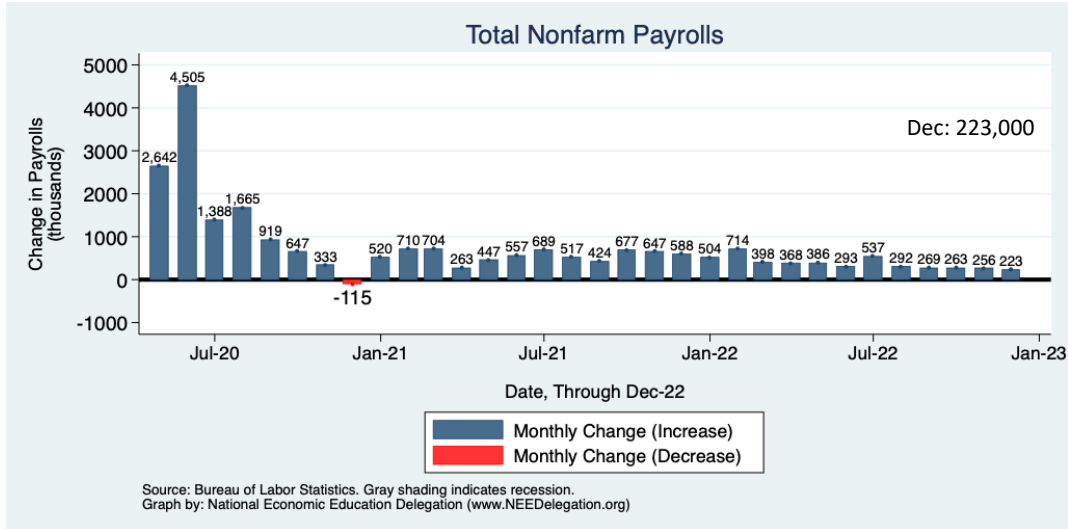
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Industrial Production (Manuf, Util, Mining)



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Monthly Changes in Nonfarm Employment

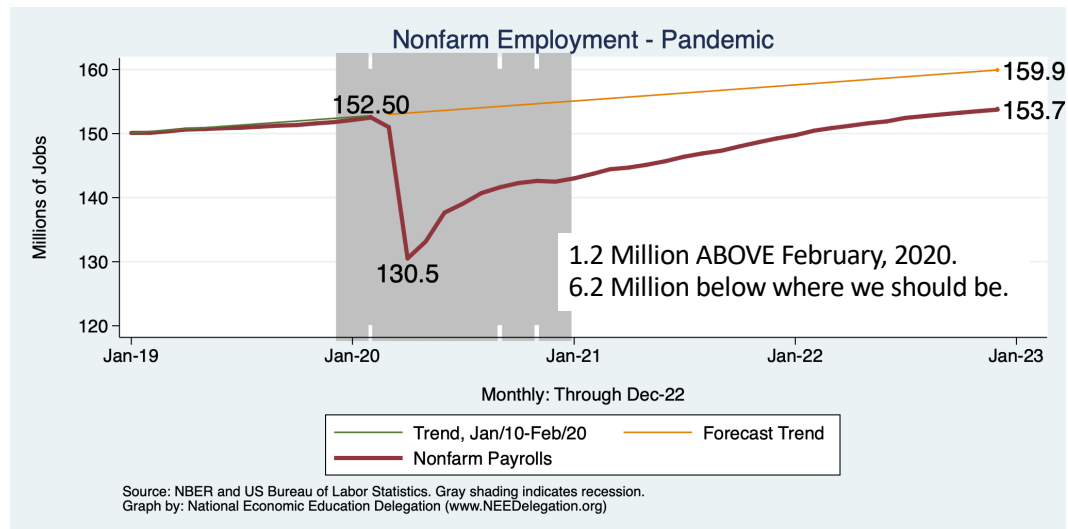


Source: Bureau of Labor Statistics. Gray shading indicates recession.
 Graph by: National Economic Education Delegation (www.NEEDelegation.org)



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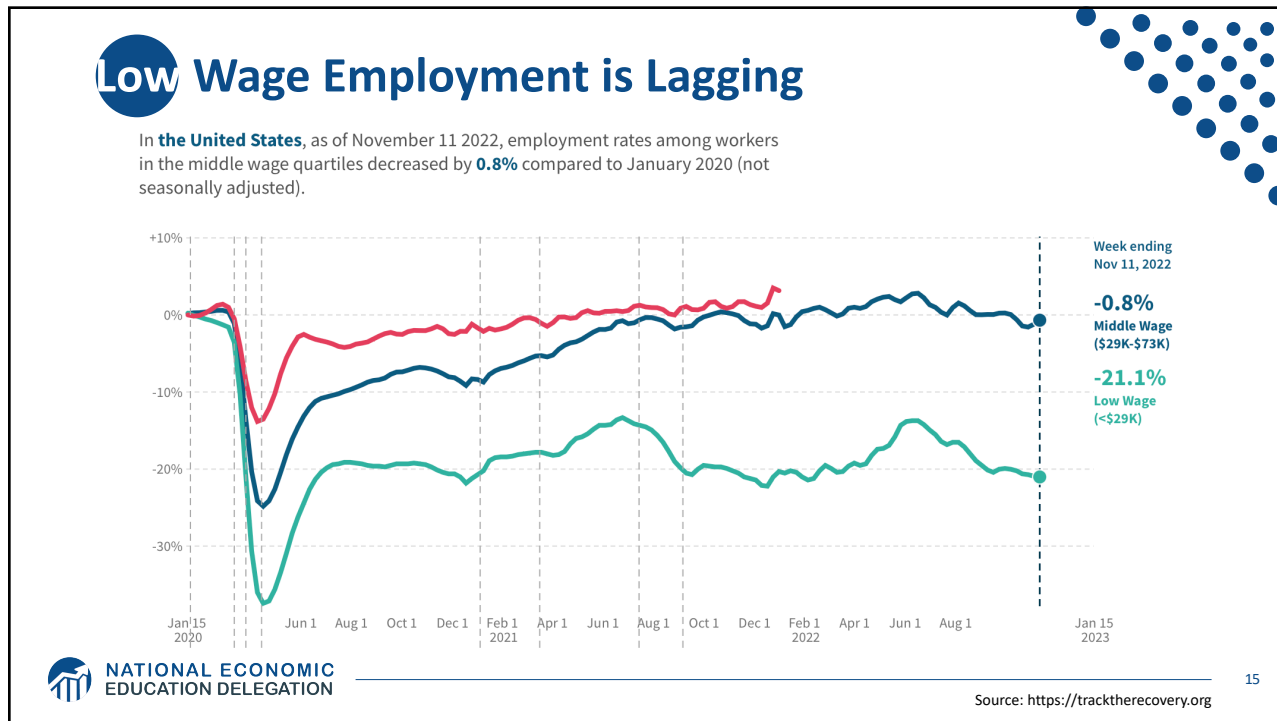
Employment Gap



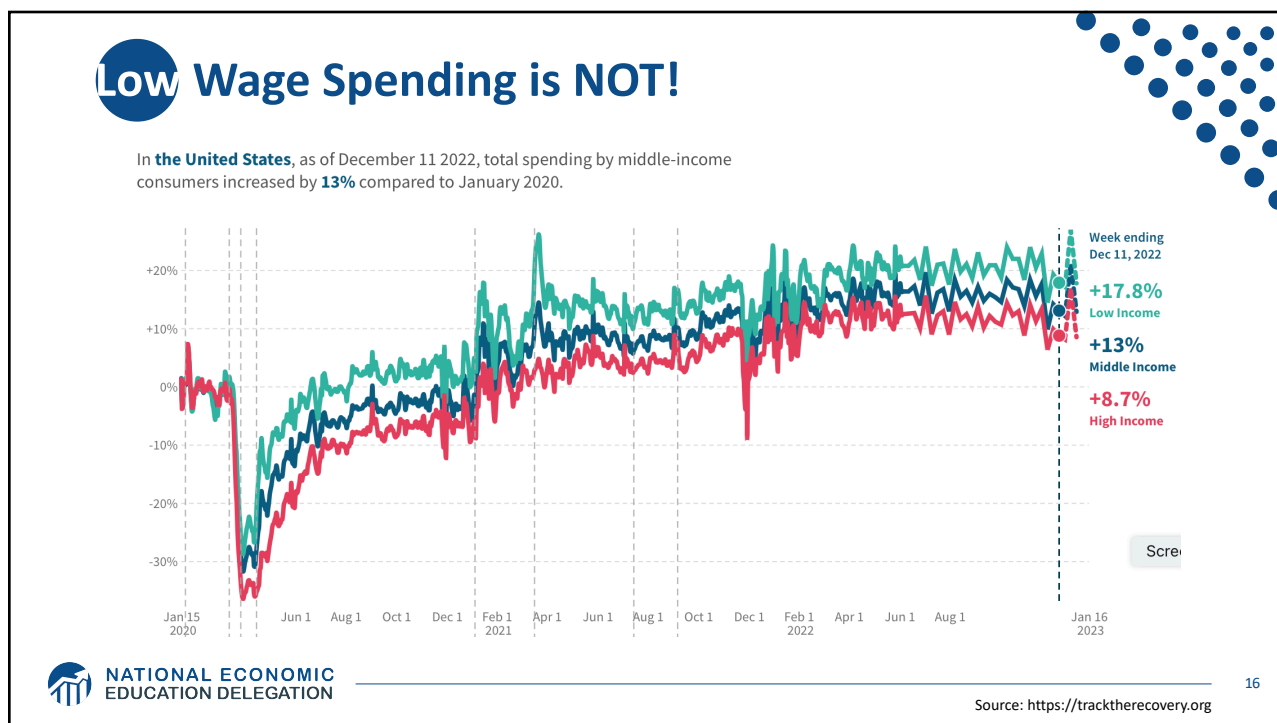
Source: NBER and US Bureau of Labor Statistics. Gray shading indicates recession.
 Graph by: National Economic Education Delegation (www.NEEDelegation.org)



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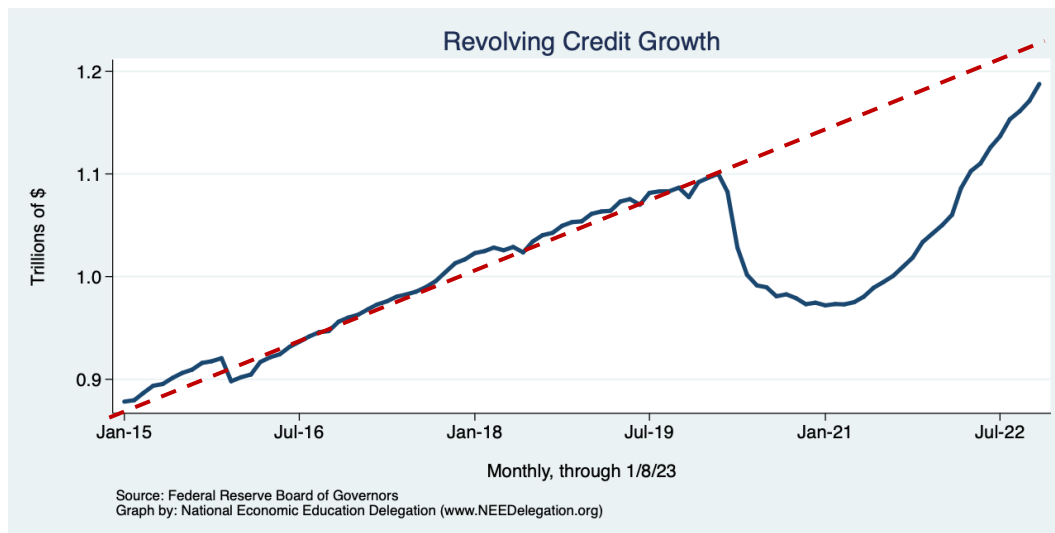


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Now is Borrowing on Credit



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Data Indicate...

- **Economy is still growing out of the pandemic downturn.**
- **Employment growth is robust, but slowing.**
 - Low-wage employment is lagging.
- **Consumption is growing at a good pace.**
- **Many consumers are running out of stimulus funds, so borrowing is up.**



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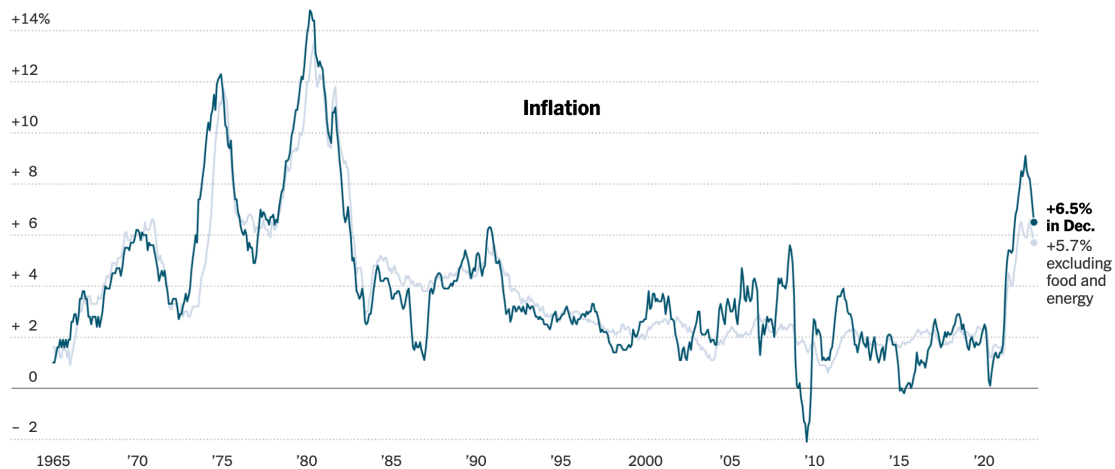
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Inflation



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Inflation: Latest Figures

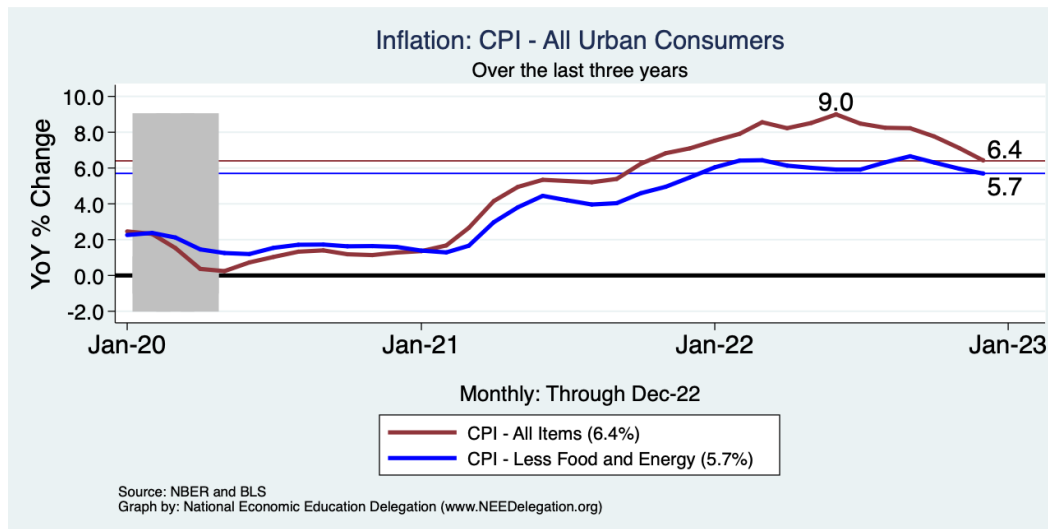


Year-over-year percentage change in the Consumer Price Index • Source: Bureau of Labor Statistics



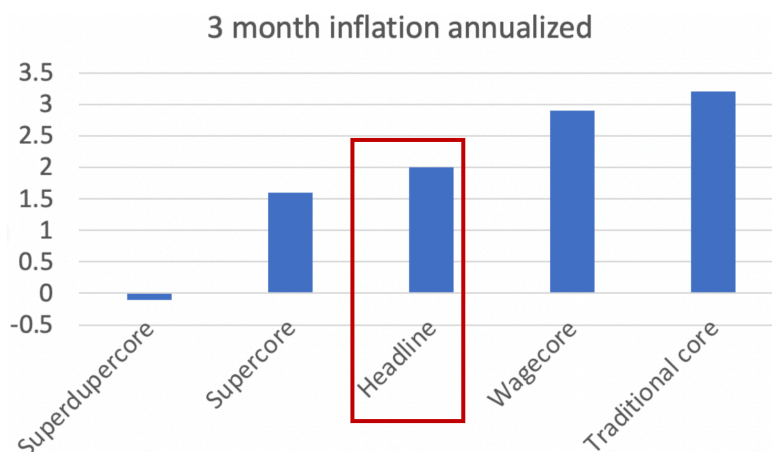
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Inflation – Falling! Job done? Maybe.



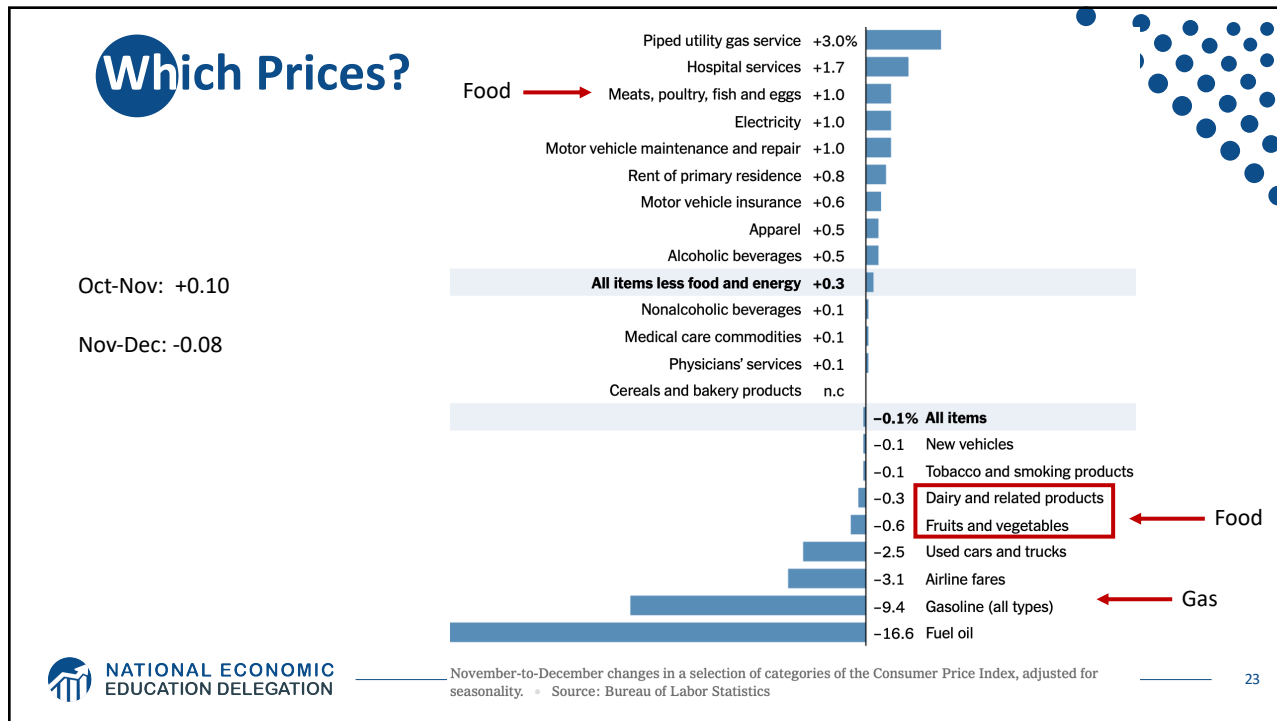
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Inflation in the Last 3 Months – On Target!

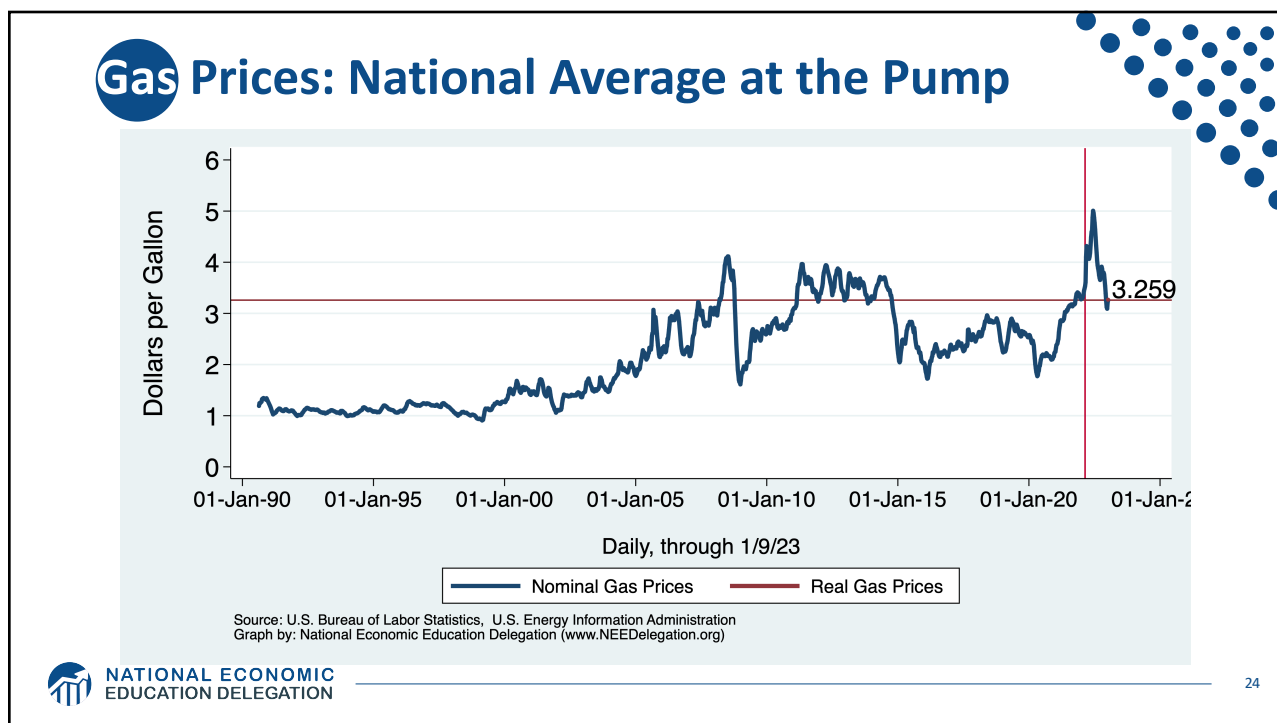


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Source: <https://www.nytimes.com/2023/01/13/opinion/cpi-inflation-fed.html>

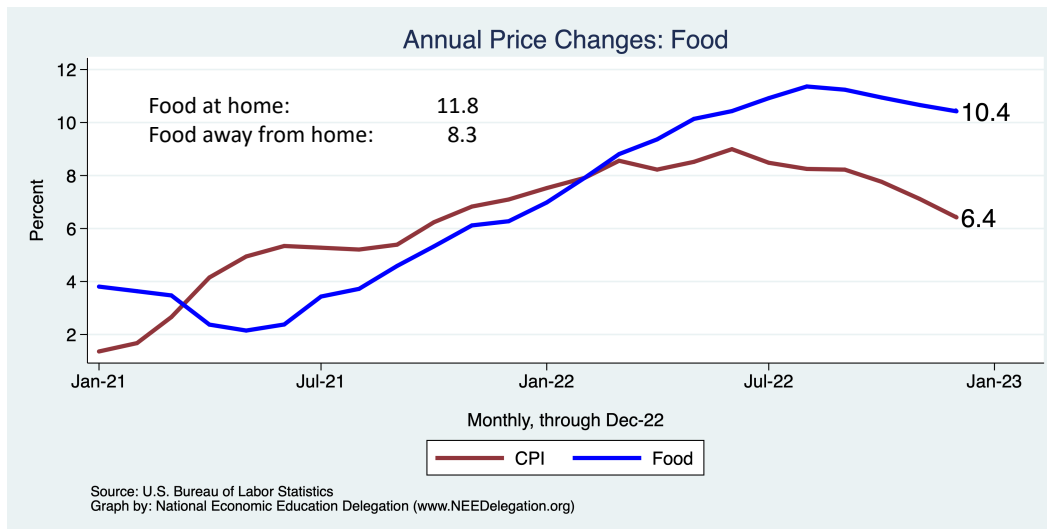


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Food Costs Continue to Rise

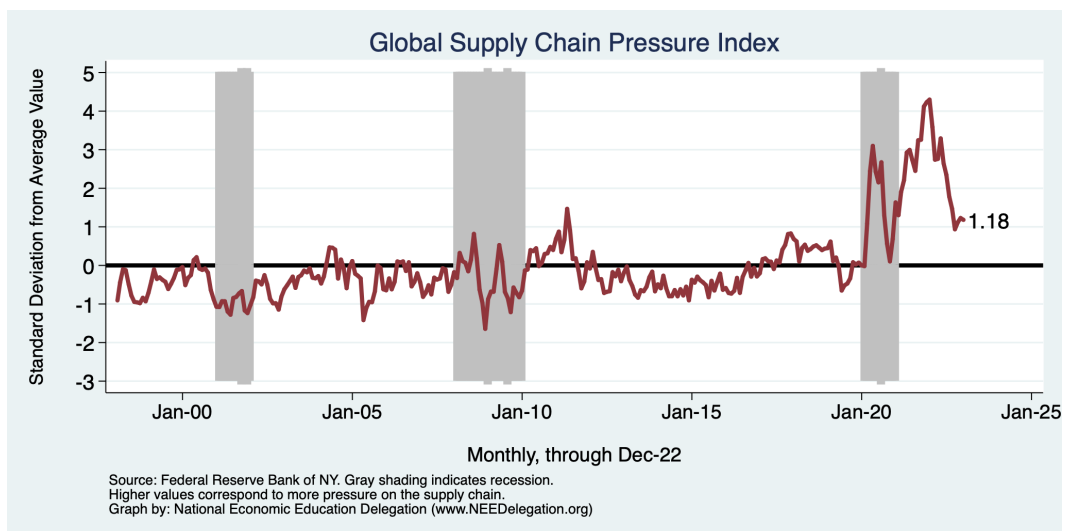


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Supply Chains



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My Thoughts on the Sources of Inflation

- **Supply Chain issues were significant – less so now.**
- **Composition of spending changed significantly.**
 - Is now bouncing back, as are prices.
- **But there was too much total spending.**
 - Fiscal stimulus led households to increase saving over 2021 by more than \$2 trillion. Strong retail sales numbers suggest they are prepared to spend it.
- **Whose to Blame: ARP probably too big, but the Fed could have acted sooner.**
- **Bottom line: Recovery from a dramatic economic disruption is seldom painless.**



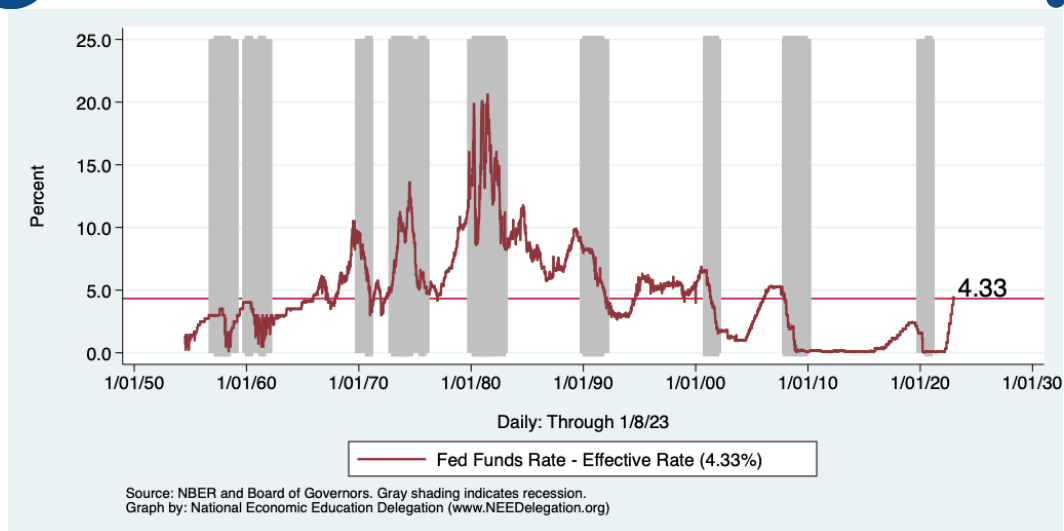
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What About the Fed?



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Federal Funds Rate



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Implications for Demand

- Investment borrowing
- Home loans – tied to 10-year Treasury
- Car loans
- Credit cards
- Savings accounts – positive
- And more....

- All of which slows the economy.

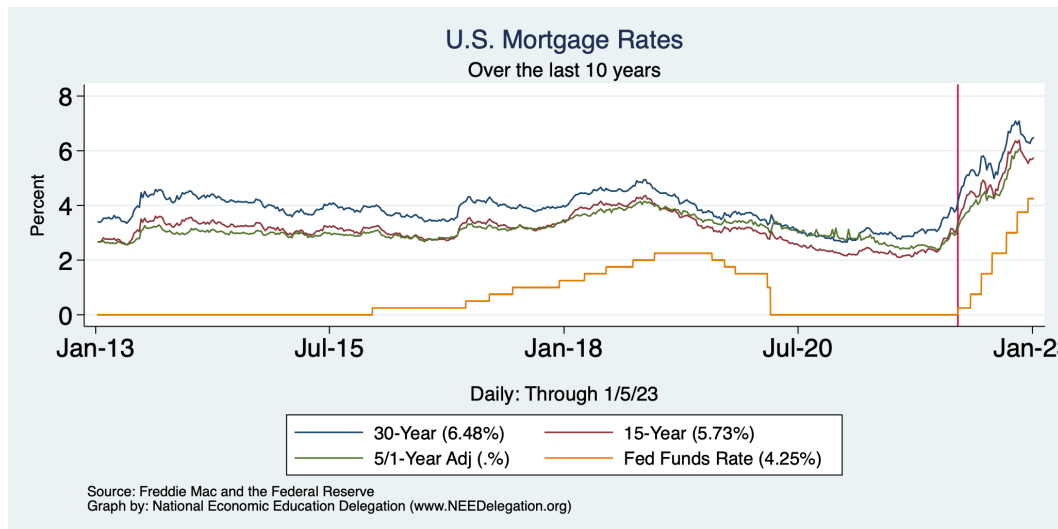


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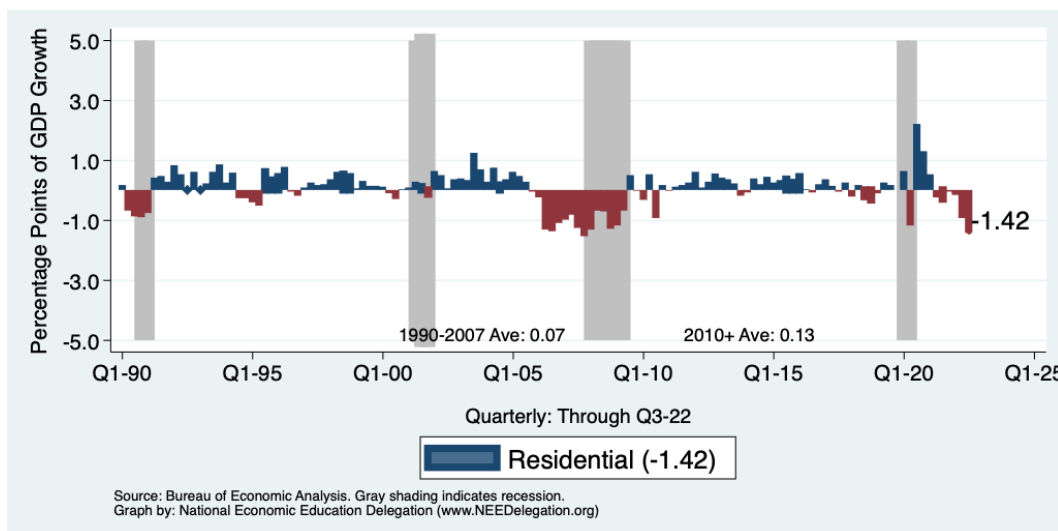
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Mortgage Rates



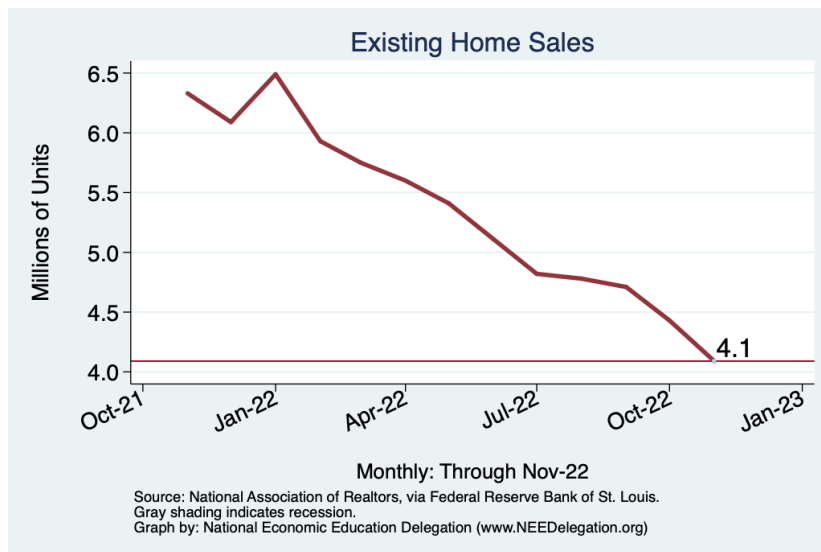
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Contributions to GDP: Residential Investment



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Implications for RE Markets?



Existential Threat: Coming This Thursday!



Will the Economy Be Held Hostage?



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Lessons from 2011

- **Government shutdown was very costly:**
 - Employment growth stuttered.
 - Stock markets plunged.
 - Treasuries – downgraded credit ratings
 - Borrowing costs rose

- **The Debt Ceiling may be a very effective bargaining tool, but...**
 - It is costly.
 - It is unnecessary.



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Takeaways

- **Is a recession on the horizon?**

- Perhaps, but no reason to think that it will be anything more than shallow.
- Many indicators are still in the black.
 - o Look for 2022-Q4 GDP release in 10 days.

- **Threats to continued growth:**

- If inflation stays high, which seems unlikely.
- Debt ceiling negotiations
 - o Significant cuts to government budgets may well result.

Thank you!

Any Questions?

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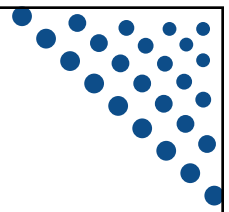
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