



US Economy and Russia/Ukraine Economics

N. Marin Breakfast Club
March 4, 2022

Jon Haveman, Ph.D.

National Economic Education Delegation



1

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.

2

Credits and Disclaimer

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

- Jon D. Haveman, NEED
- Scott Baier, Clemson University
- Geoffrey Woglom, Amherst College (Emeritus)
- Brian Dombeck, 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).



3

Outline

- **State of the pandemic**

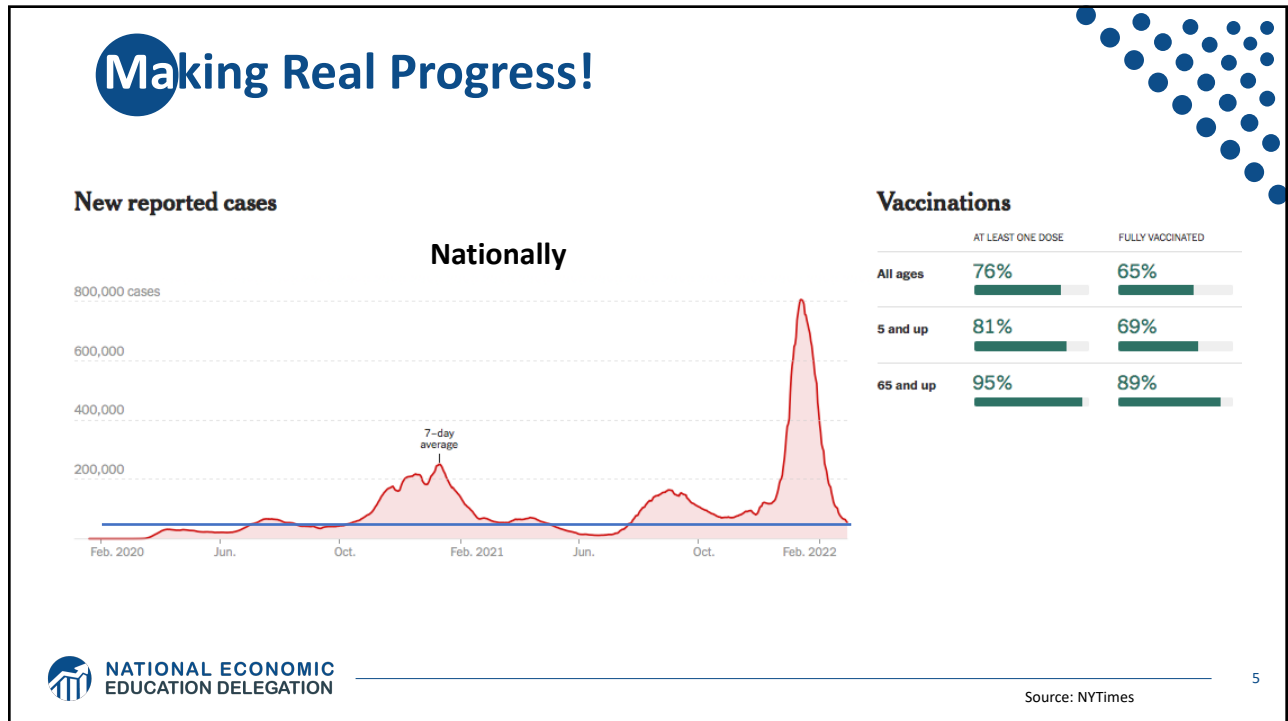
- **The U.S. Economy**

- **Hot Topics**

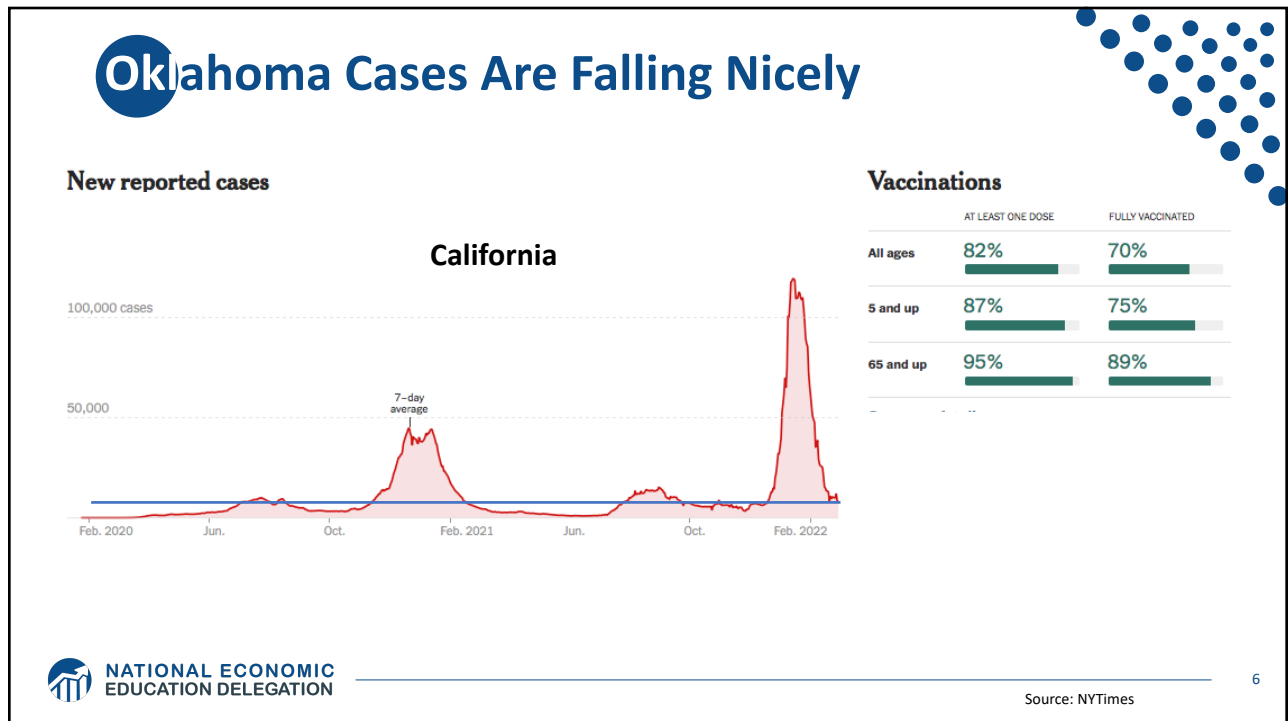
- The Great Resignation
- Russia/Ukraine
 - o Oil
 - o Wheat
- Inflation



4



5

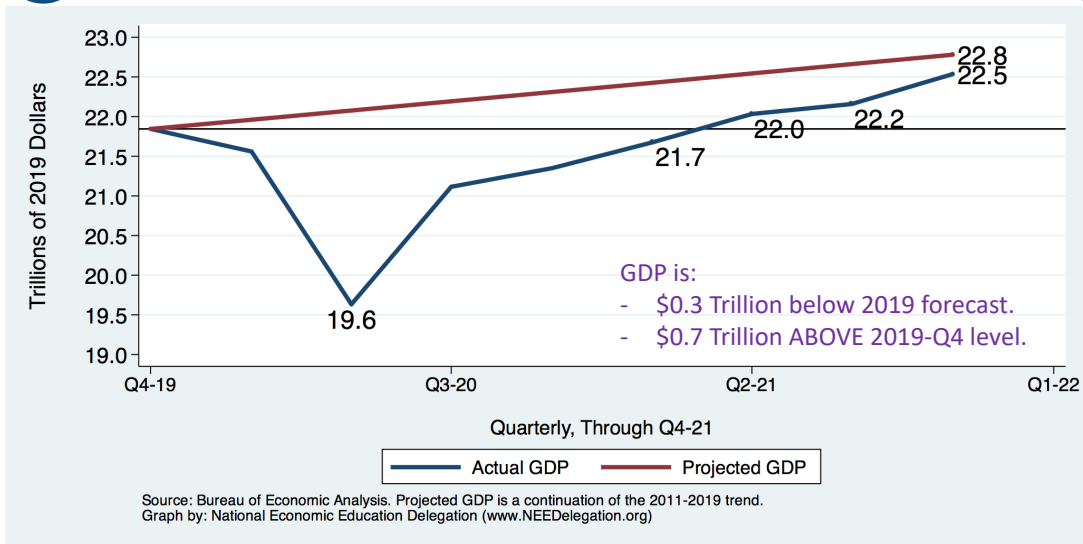


6

The U.S. Economy

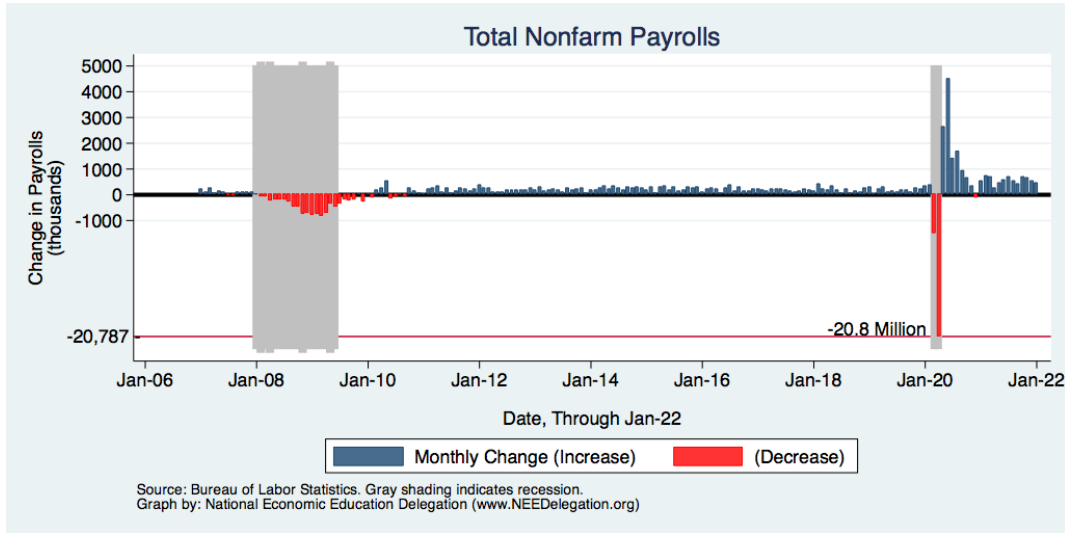
7

GDP Trajectory: Pandemic Plunge!



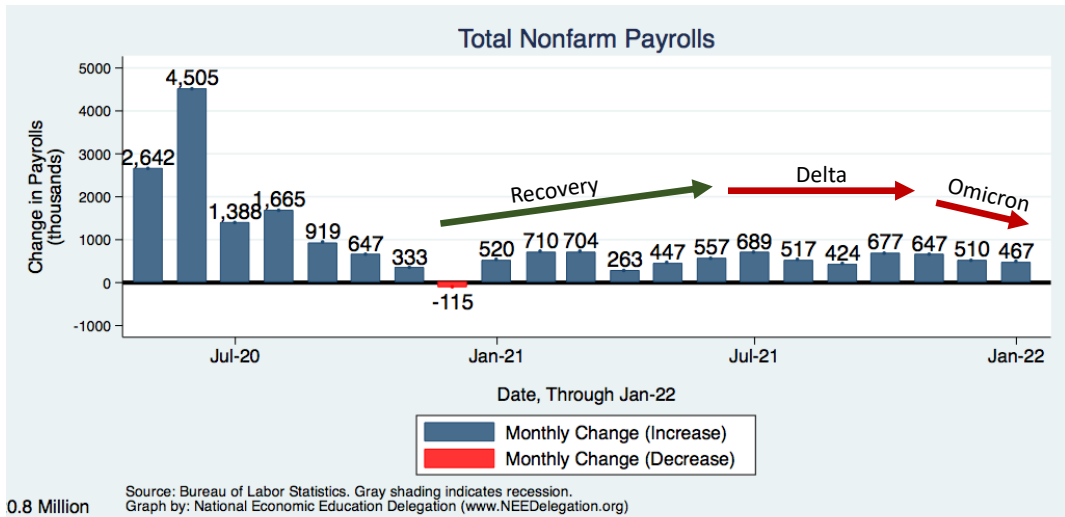
8

Monthly Changes in Nonfarm Employment



9

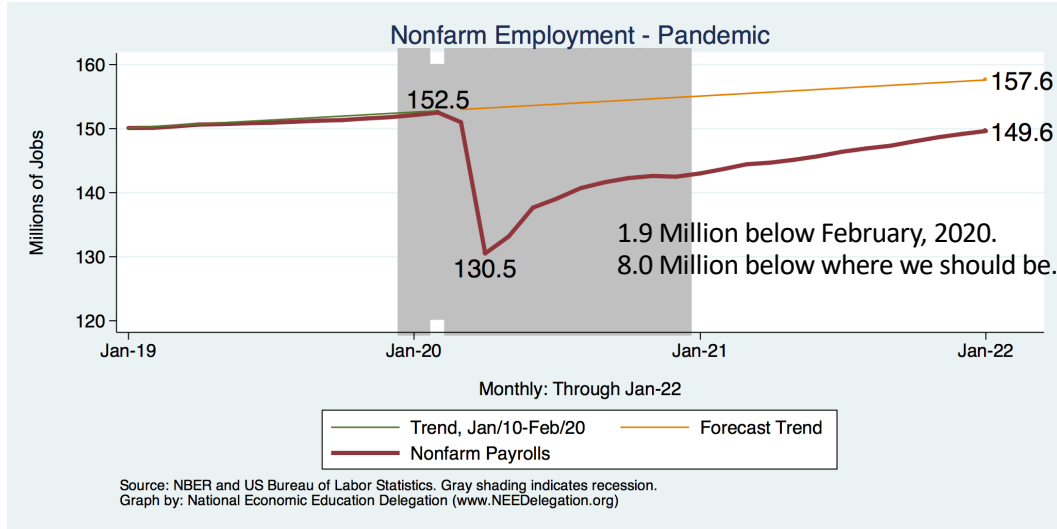
Monthly Changes in Nonfarm Employment



0.8 Million

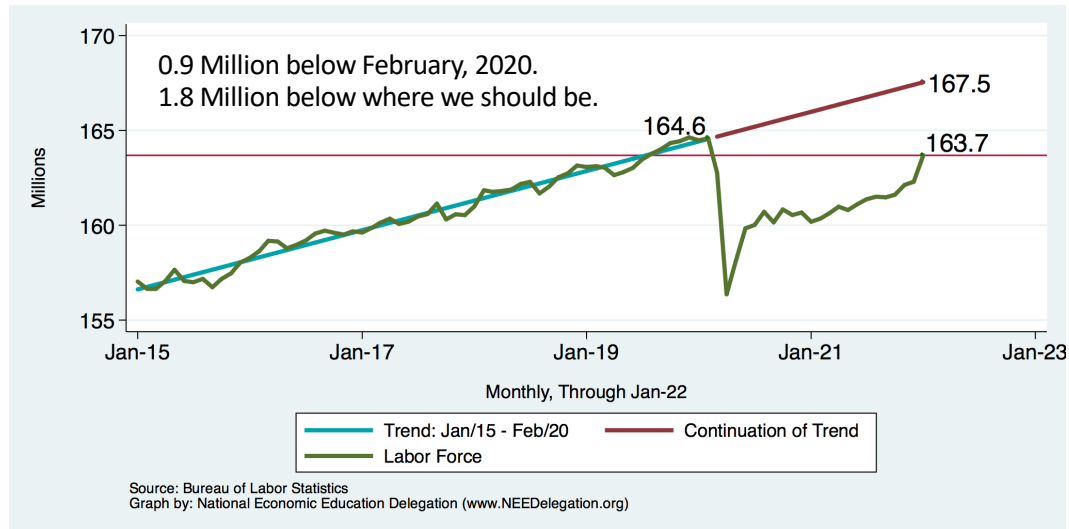
10

Employment Gap

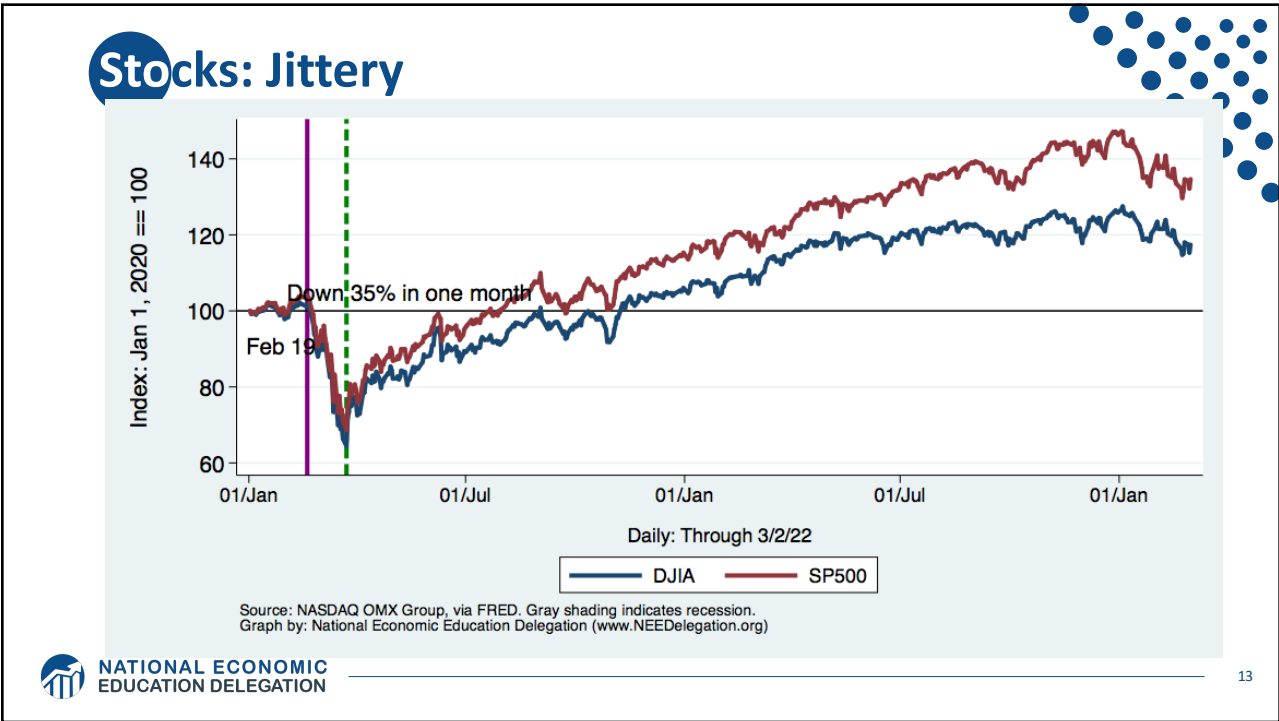


11

Trends in Labor Force Participation



12



13

Hot Topics

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

NATIONAL ECONOMIC EDUCATION DELEGATION

14

14

The Great Resignation

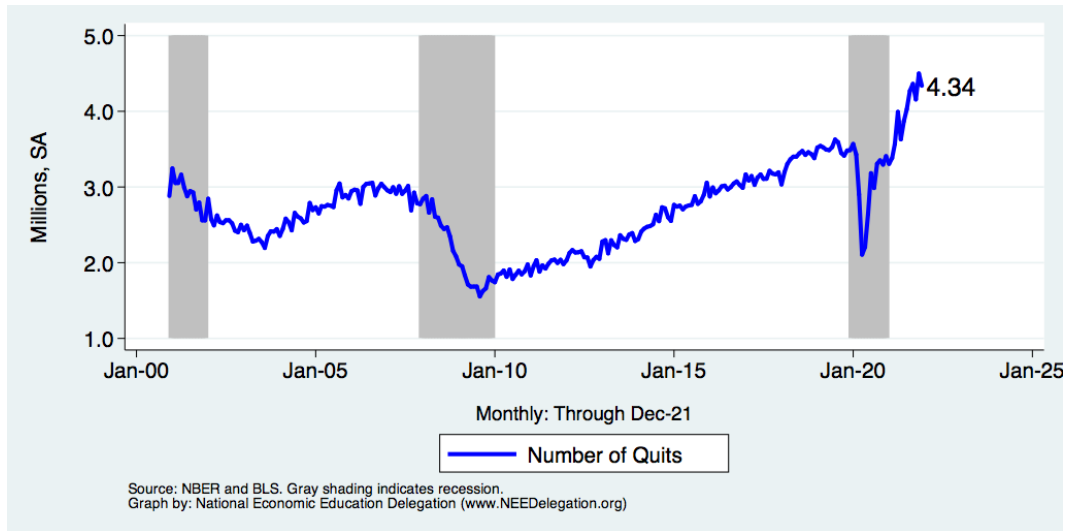


NATIONAL ECONOMIC
EDUCATION DELEGATION

15

15

Quits Are High! The Great Resignation

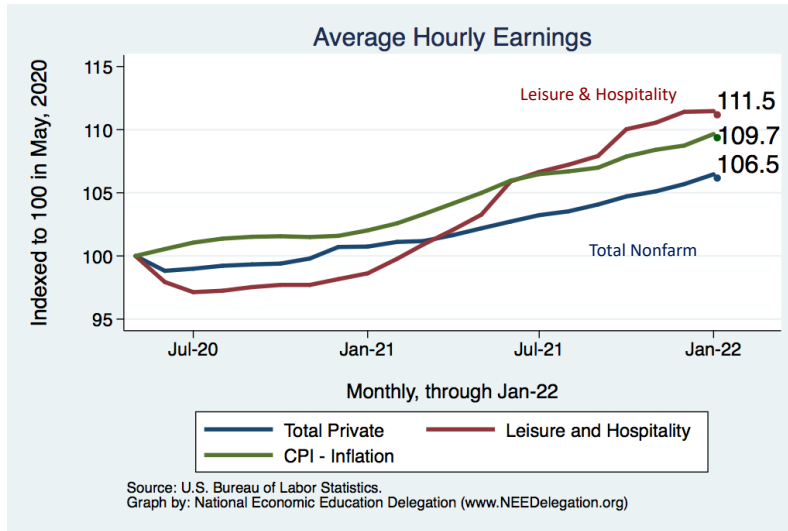


NATIONAL ECONOMIC
EDUCATION DELEGATION

16

16

This is Happening Despite Rising Wages



L&H wages rising
Not much faster
Than inflation

17

Russia/Ukraine(/Belarus)

18

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!**



19

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.



20

Consequences for the Global Economy

- **Primarily:**

- Oil
- Wheat

- **Why?**

- Major suppliers of each
 - o 29% of world wheat production
 - o 20-40% of Europe's oil and gas
 - o Russia part of OPEC+
- Russian and Ukrainian combined economies are small.
 - o Don't forget Belarus.

21

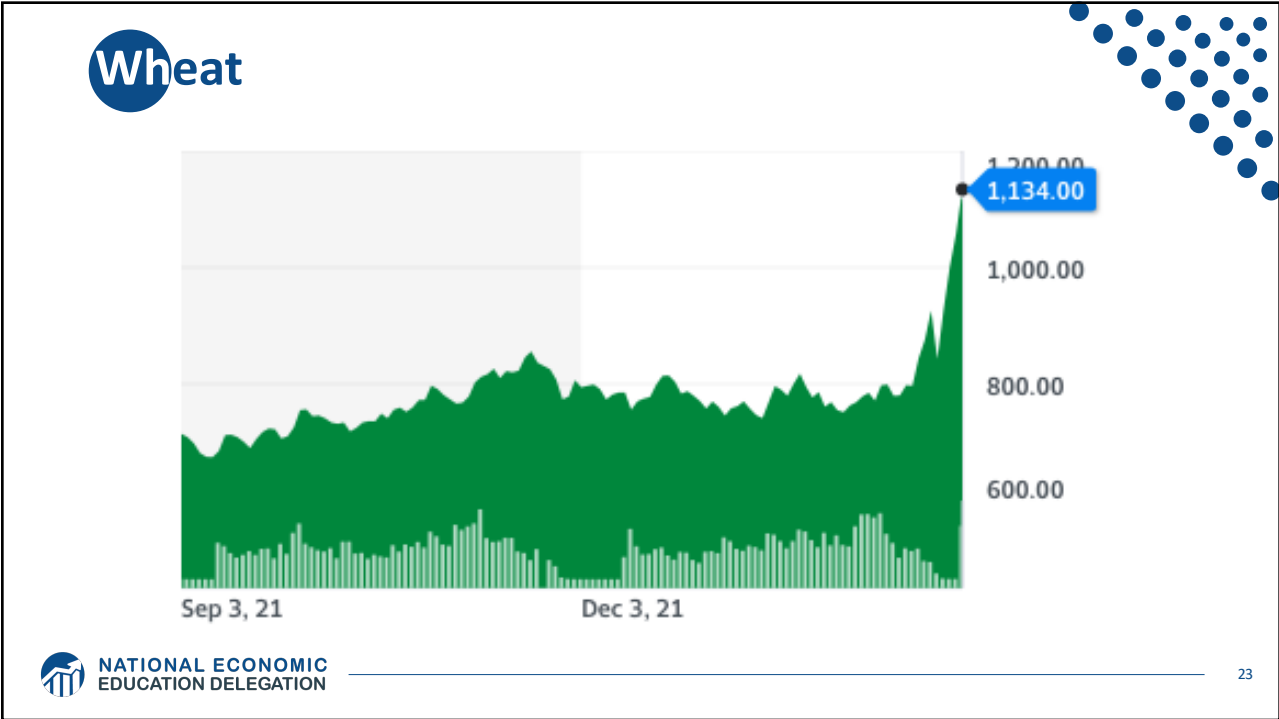
Oil

Brent crude, the global benchmark, climbed above \$115 a barrel Thursday on fears of a supply shock.

■ Brent crude oil futures



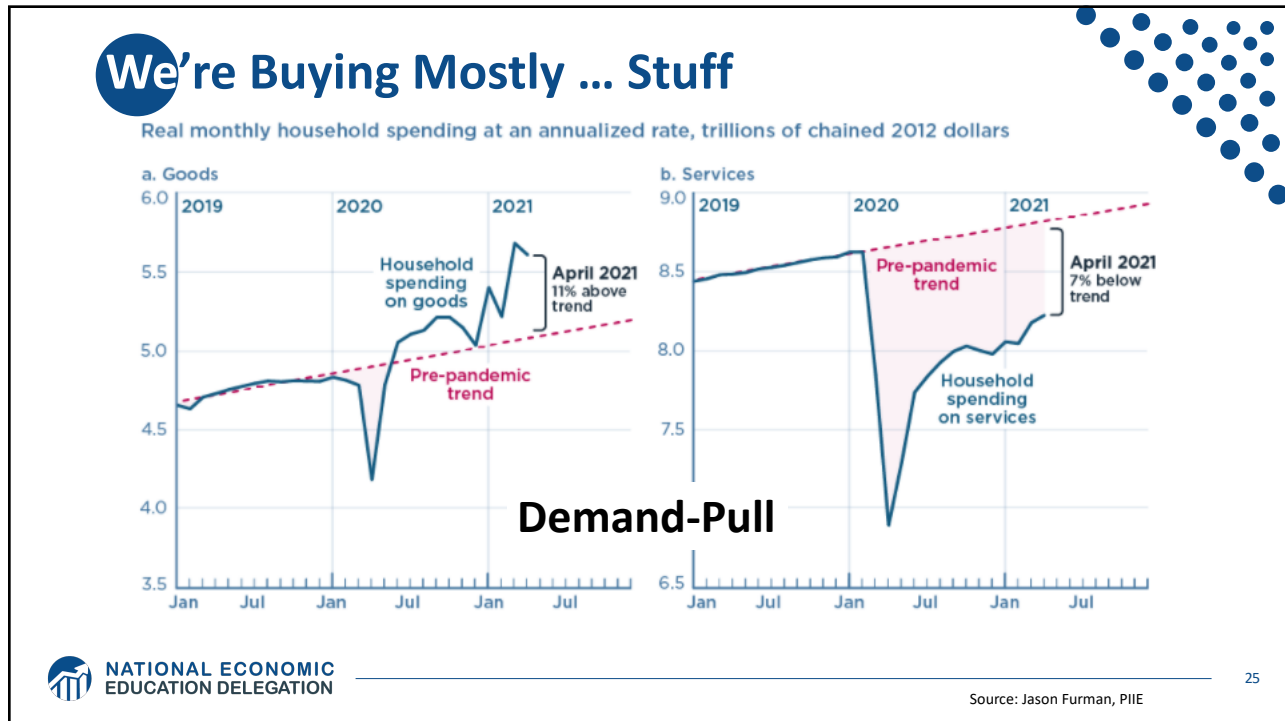
22



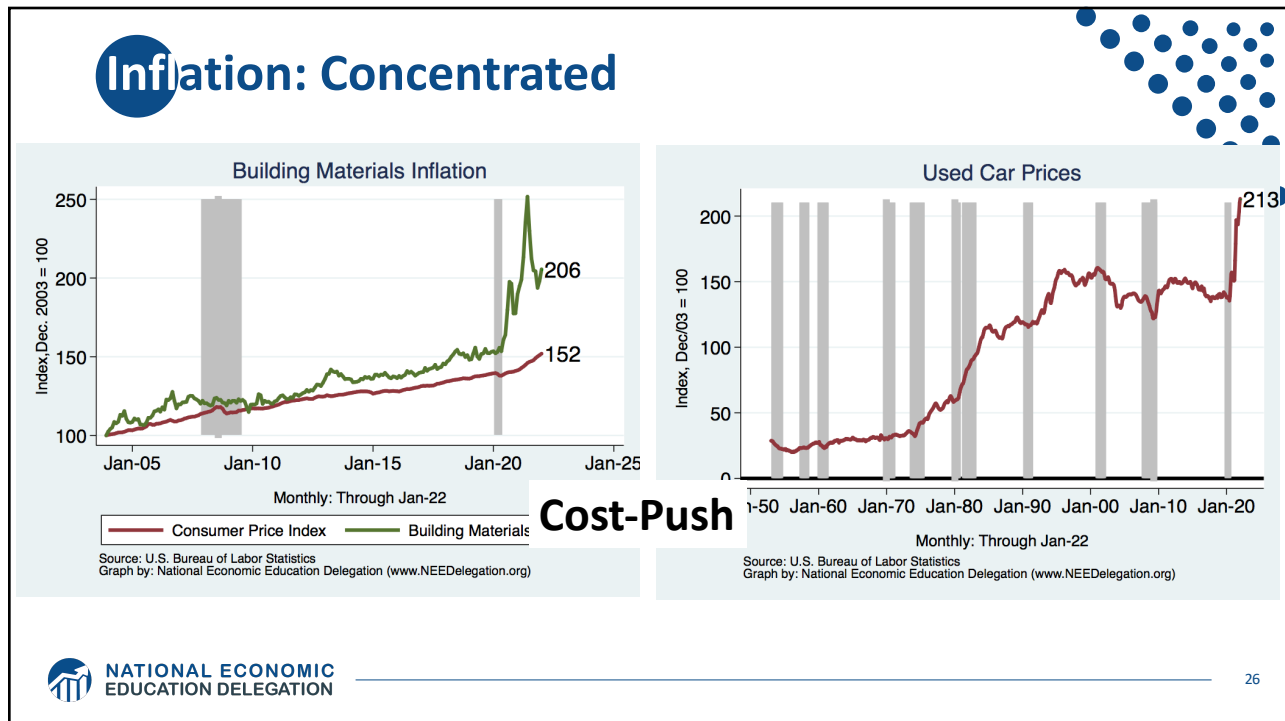
23



24

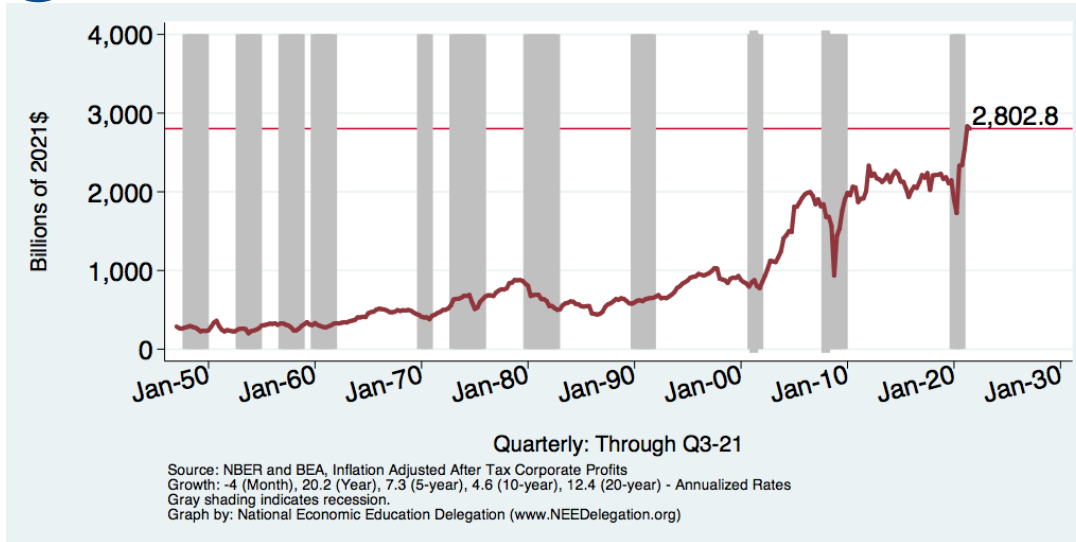


25



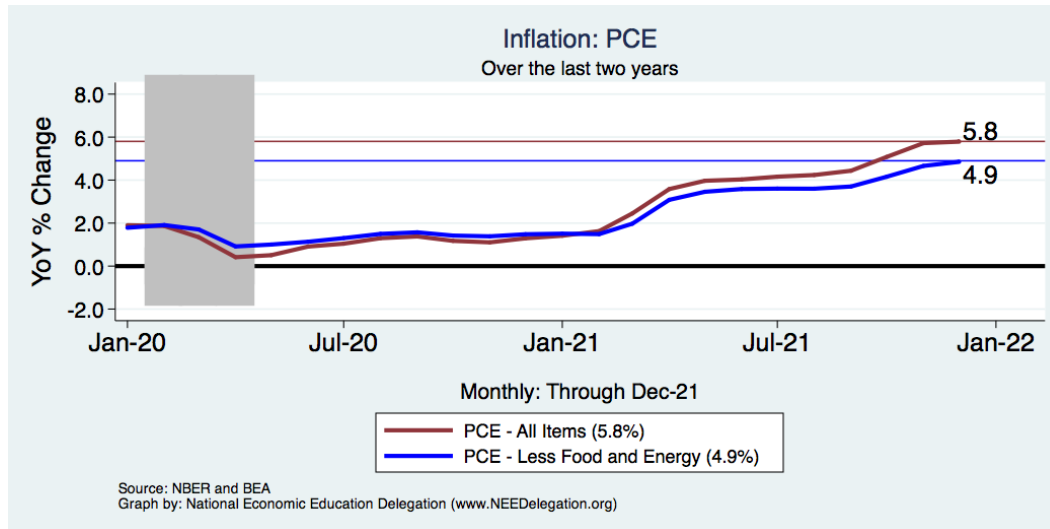
26

Corporate Profits...Adding to Inflation?



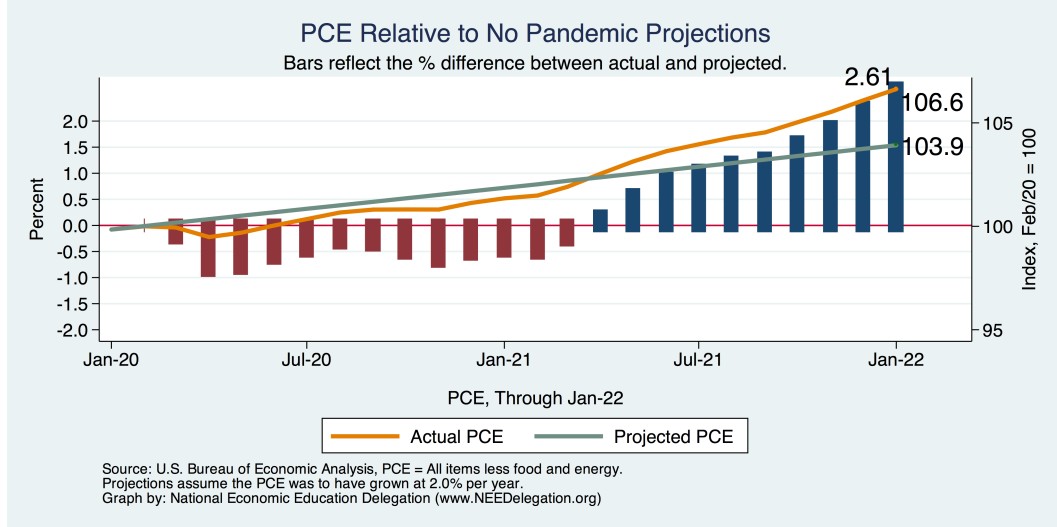
27

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



28

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



29

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.

30

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



31

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.**



32

Thank you!

Any Questions?

www.NEEDelegation.org

Jon D. Haveman

Jon@NEEDelegation.org

Contact NEED: info@NEEDelegation.org

Submit a testimonial: www.NEEDelegation.org/testimonials.php

Become a Friend of NEED: www.NEEDelegation.org/friend.php



NATIONAL ECONOMIC
EDUCATION DELEGATION

33