



U.S. Economic Update

COO Forum

January 19, 2023
Jon Haveman, Ph.D.
Executive Director, NEED



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.

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

3

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

4

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).



5

Outline

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

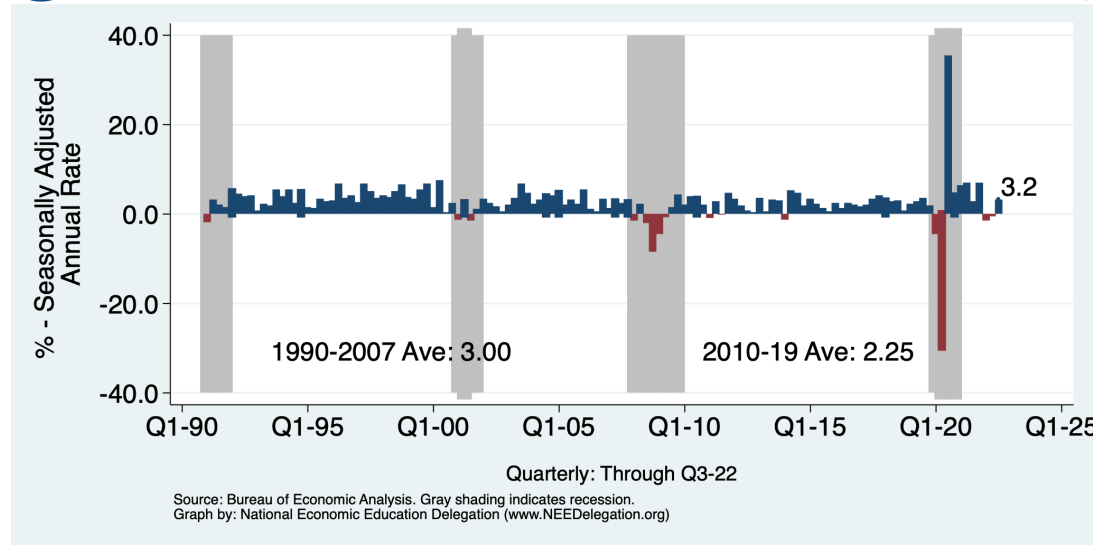


6

What's in the Data

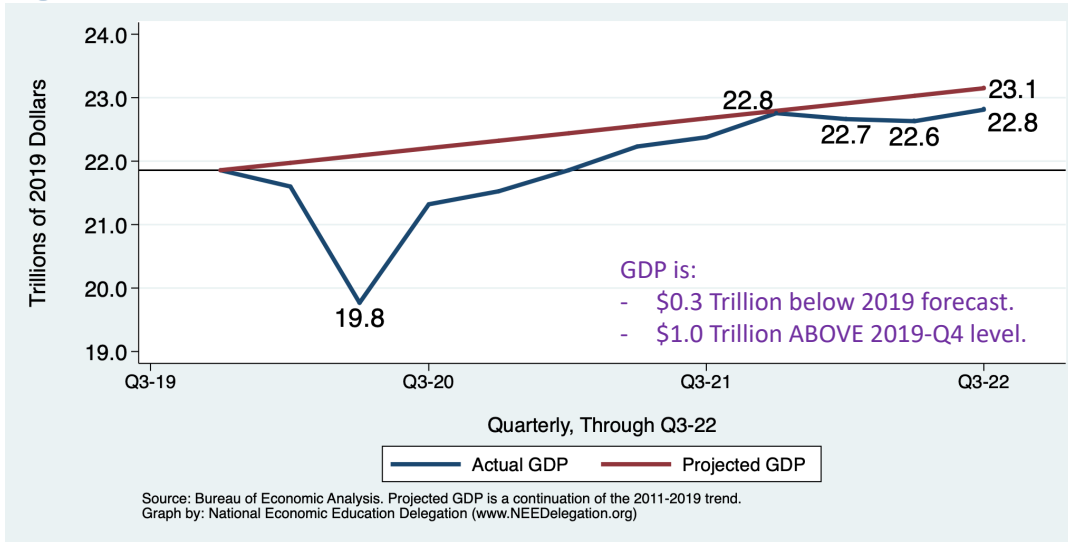
7

GDP: Quarterly Growth



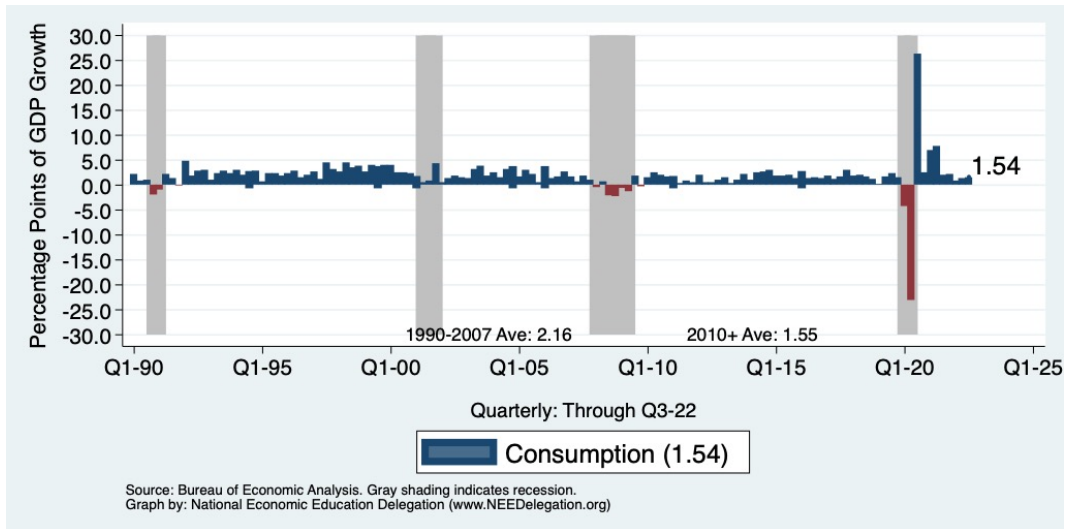
8

GDP Trajectory: Recovering, After A Hiccup



9

Contribution to GDP Growth: Consumption



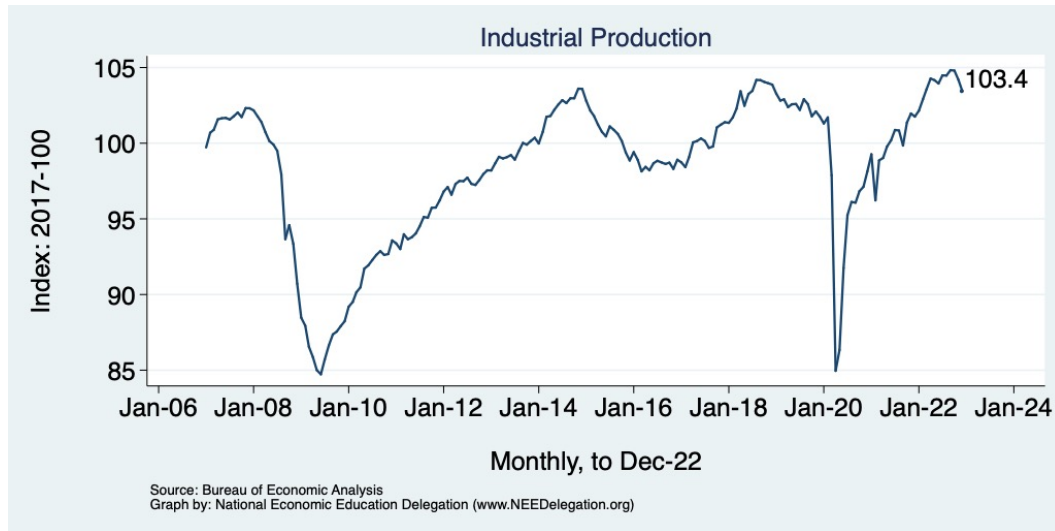
10

Other Indicators Are OK

Employment, Industrial Production

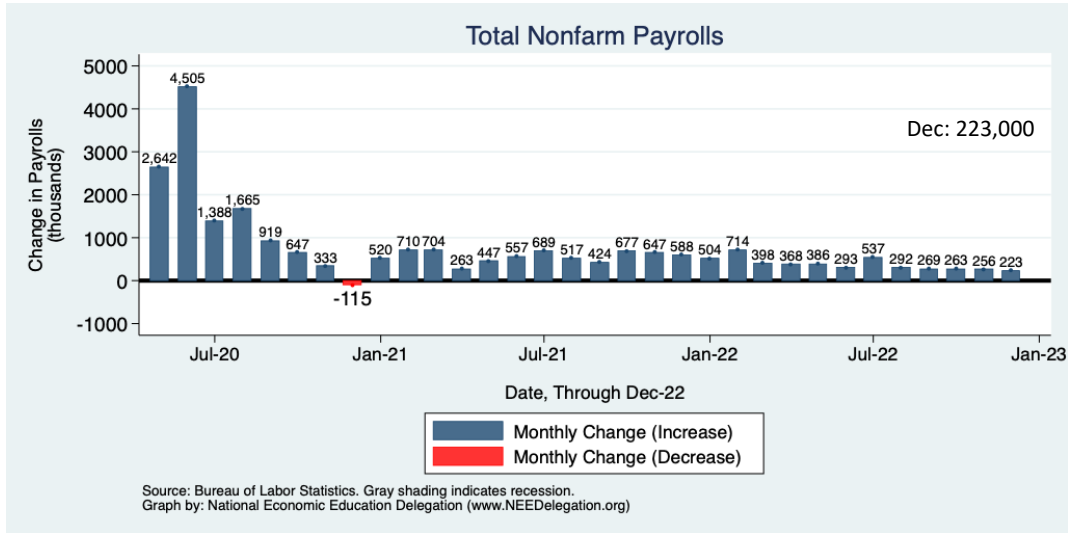
11

Industrial Production (Manuf, Util, Mining)



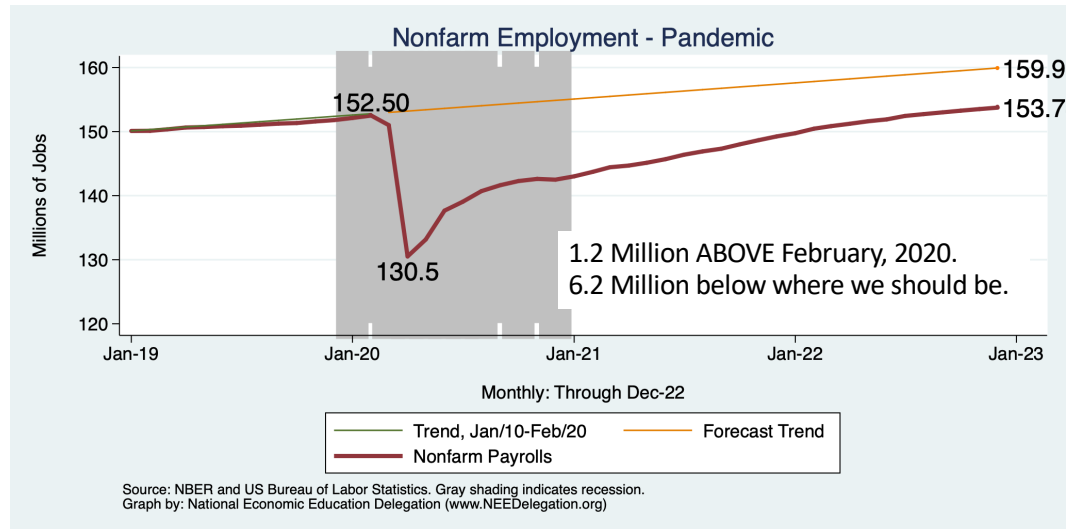
12

Monthly Changes in Nonfarm Employment



13

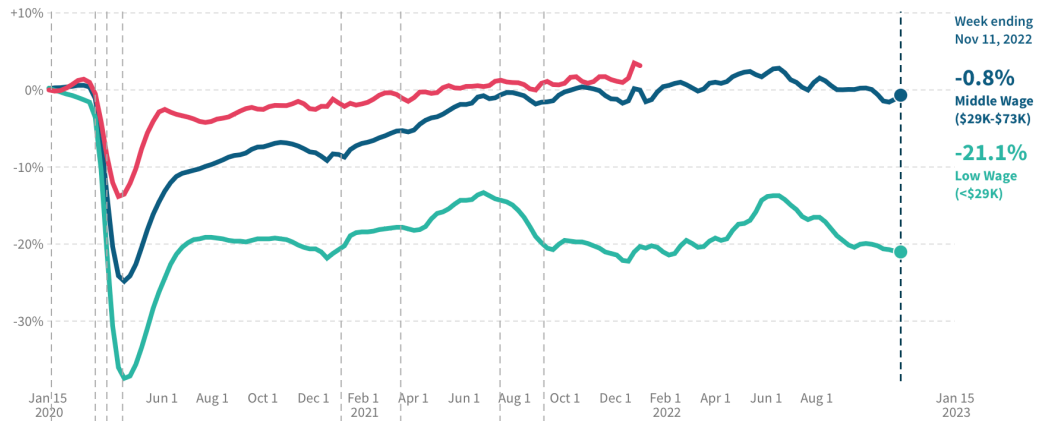
Employment Gap



14

Low Wage Employment is Lagging

In the United States, as of November 11 2022, employment rates among workers in the middle wage quartiles decreased by **0.8%** compared to January 2020 (not seasonally adjusted).

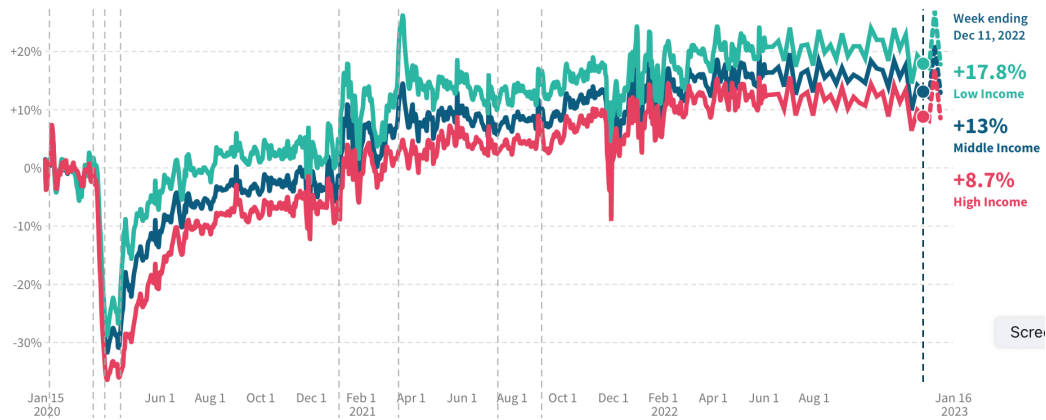


Source: <https://tracktherecovery.org>

15

Low Wage Spending is NOT!

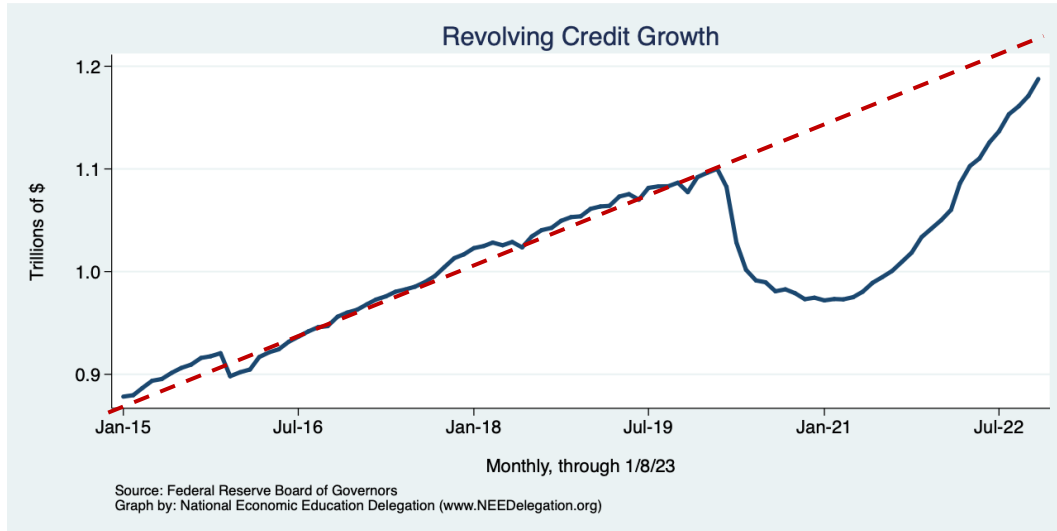
In the United States, as of December 11 2022, total spending by middle-income consumers increased by **13%** compared to January 2020.



Source: <https://tracktherecovery.org>

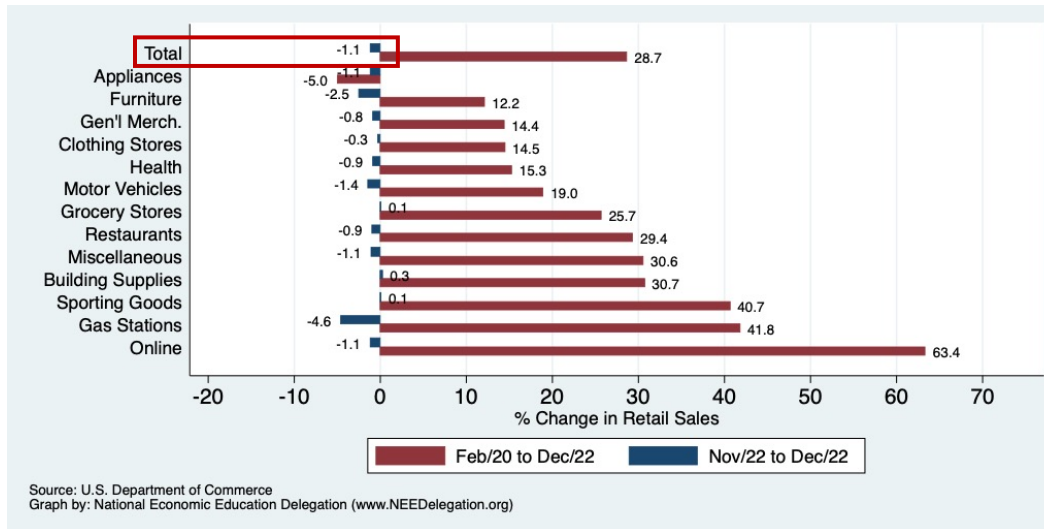
16

Not is Borrowing on Credit



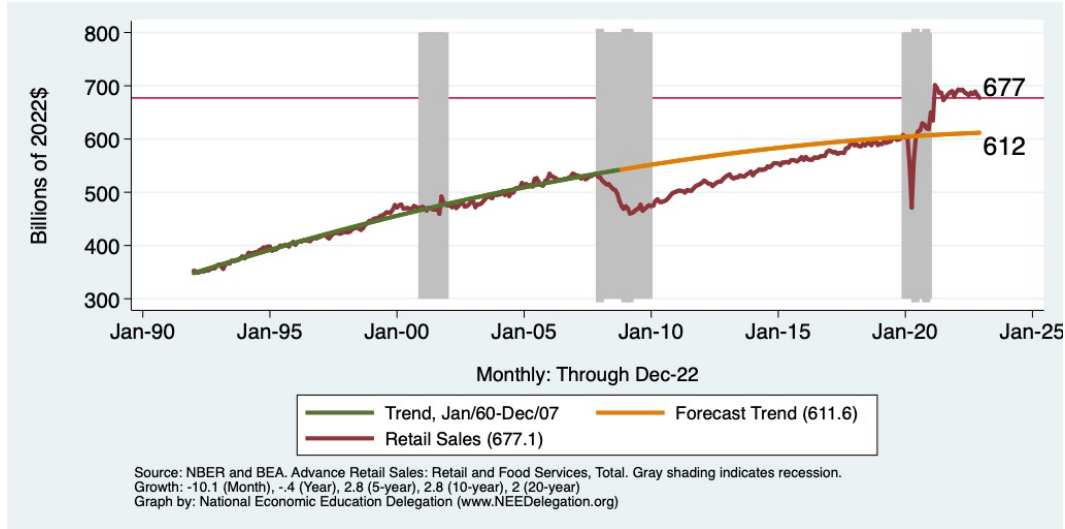
17

Retail Sales in Decline



18

But SUPER High to Begin With!



19

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.**
 - Retail sales fell in December, but they would even if the economy were great!
- **Many consumers are running out of stimulus funds, so borrowing is up.**

20

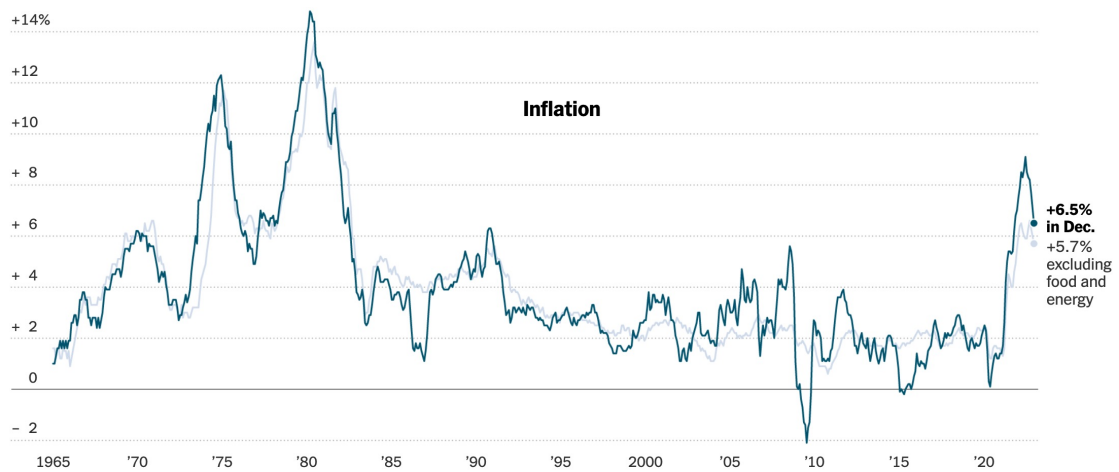
Inflation



NATIONAL ECONOMIC
EDUCATION DELEGATION

21

Inflation: Latest Figures



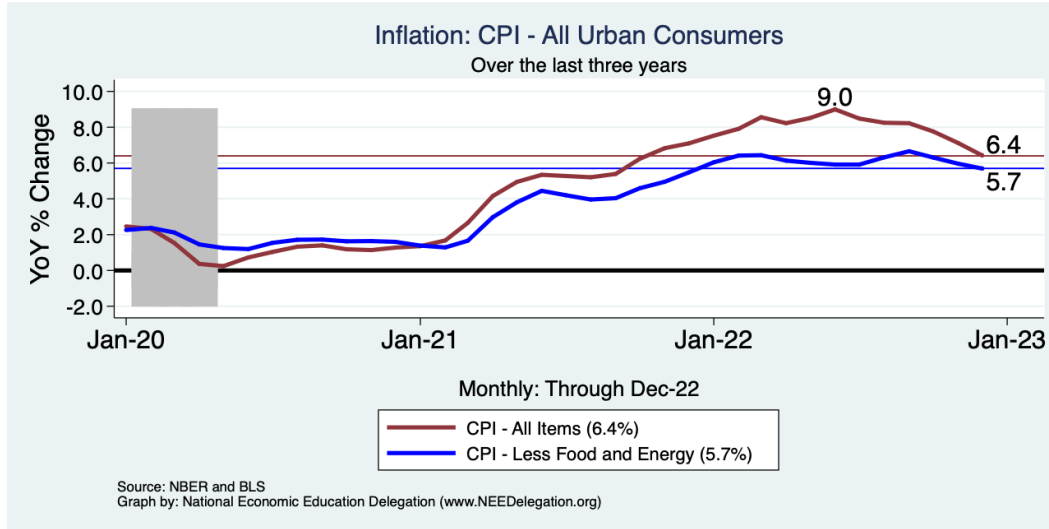
Year-over-year percentage change in the Consumer Price Index • Source: Bureau of Labor Statistics



NATIONAL ECONOMIC
EDUCATION DELEGATION

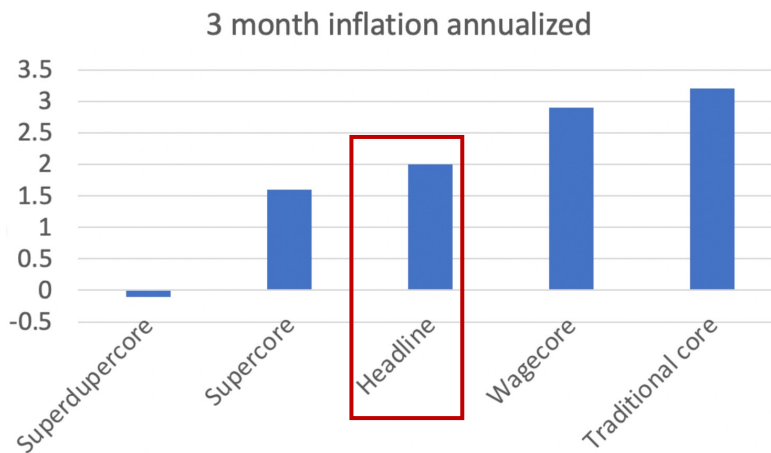
22

Inflation – Falling! Job done? Maybe.

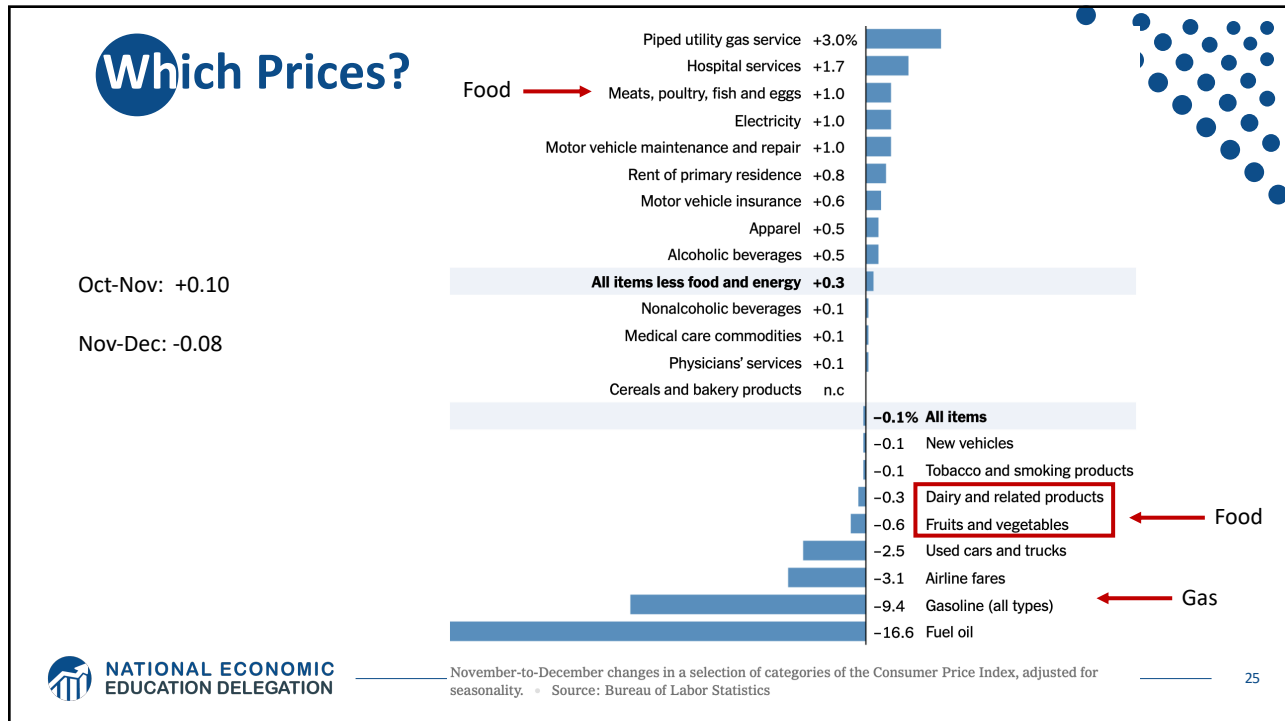


23

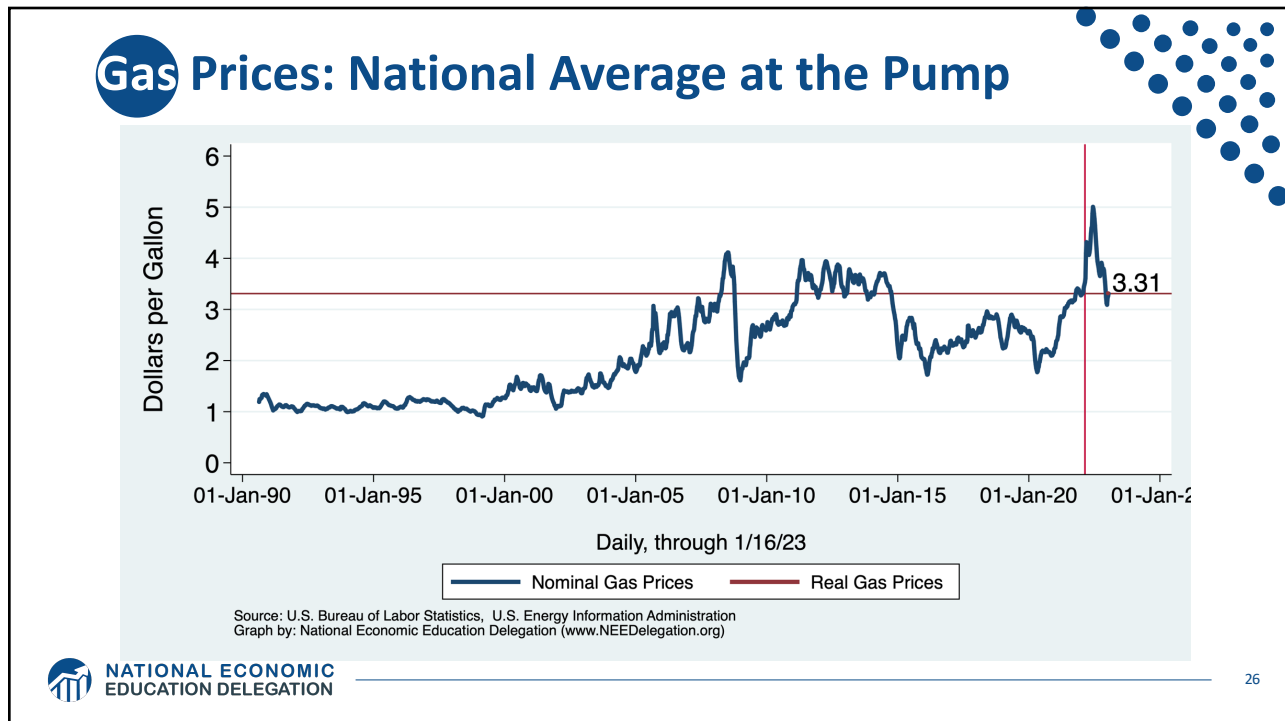
Inflation in the Last 3 Months – On Target!



24

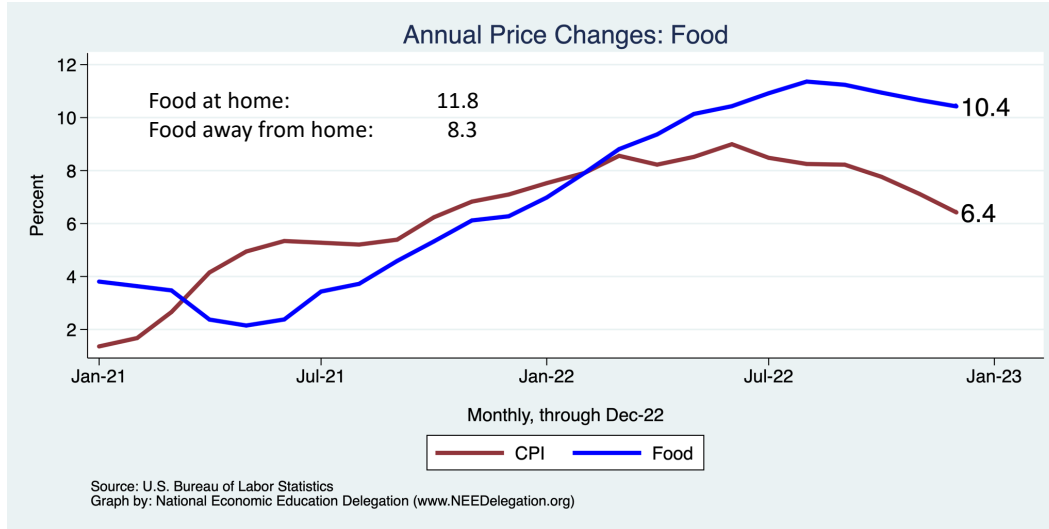


25



26

Food Costs Continue to Rise



27

Supply Chains



28

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.**



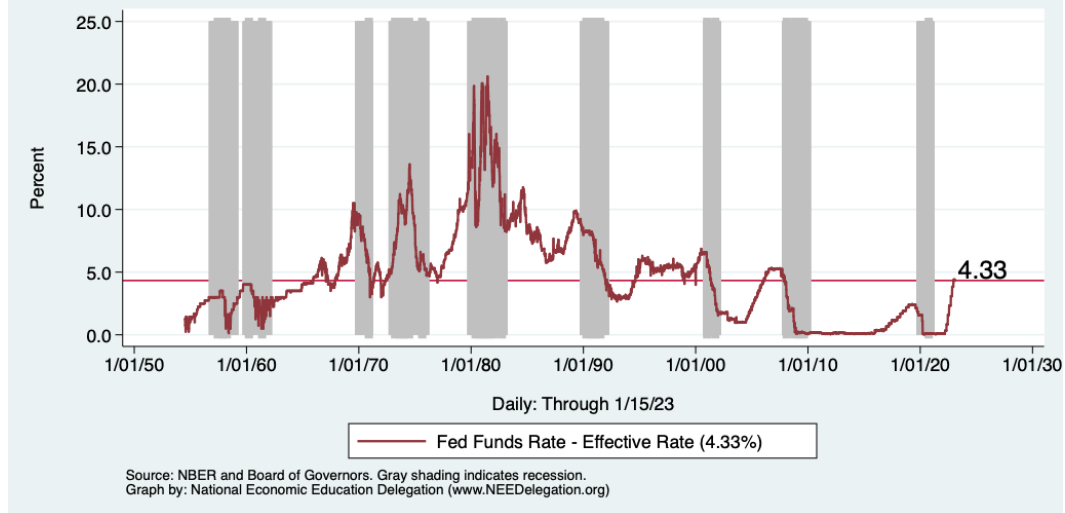
29

What About the Fed?



30

Federal Funds Rate



NATIONAL ECONOMIC
EDUCATION DELEGATION

31

31

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.

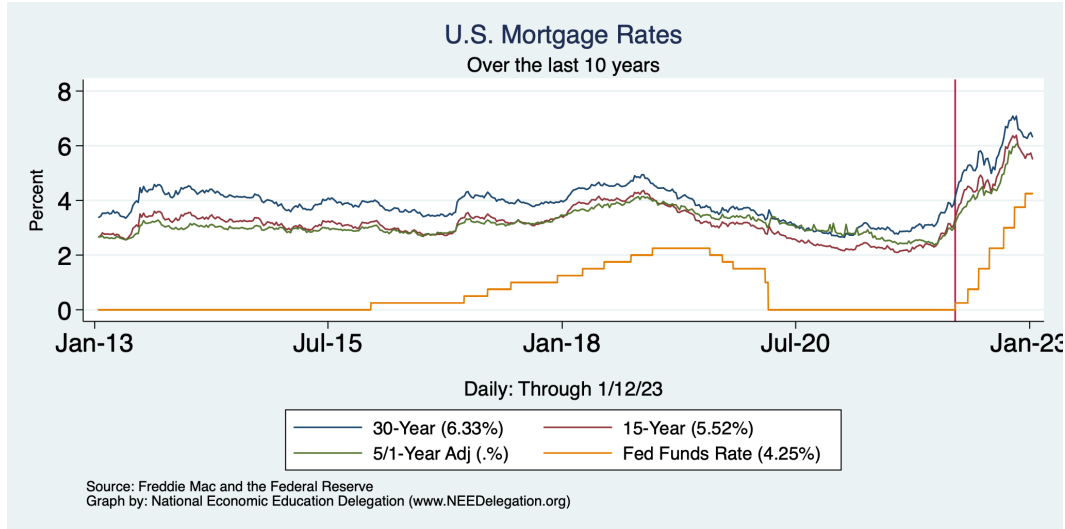


NATIONAL ECONOMIC
EDUCATION DELEGATION

32

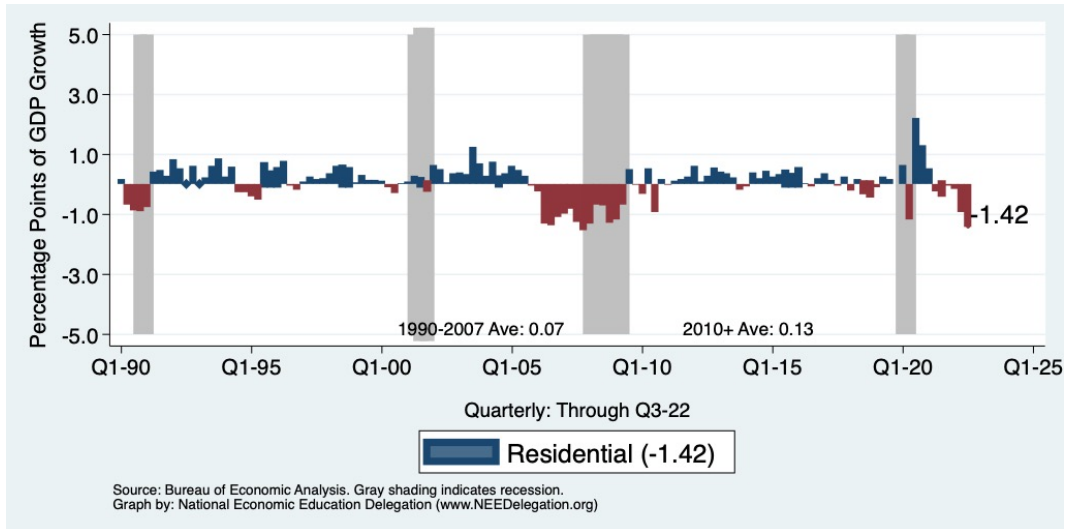
32

Mortgage Rates



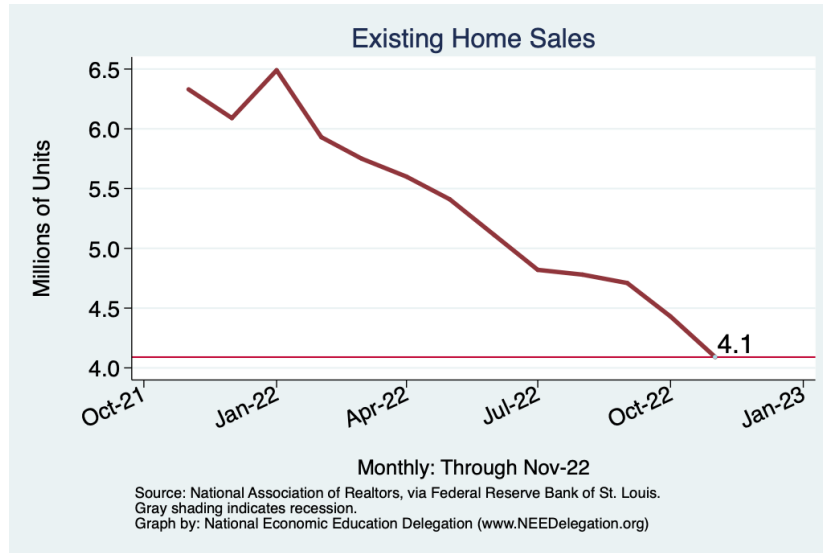
33

Contributions to GDP: Residential Investment



34

Implications for RE Markets?



35

Existential Threat: Coming This Thursday!



36

Will the Economy Be Held Hostage?



37

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.

38

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.
 - Look for 2022-Q4 GDP release in 10 days.

- **Threats to continued growth:**

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



NATIONAL ECONOMIC
EDUCATION DELEGATION

39

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

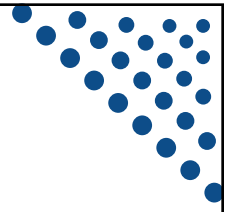
Become a Friend of NEED: www.NEEDelegation.org/friend.php



NATIONAL ECONOMIC
EDUCATION DELEGATION

40

40



www.NEEDelegation.org/LocalGraphs

For every state and county in the United States.

Detailed graphs on employment, housing, moves, and other statistics.



NATIONAL ECONOMIC
EDUCATION DELEGATION