



# US Economic Update

Annual MRA Educational Conference & Trade Show

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NEED  
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# Outline

- About the U.S. Economy
- Economic Indicators
- Inflation/Federal Reserve



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# Economic Indicators



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## Headline: July 28, 2022

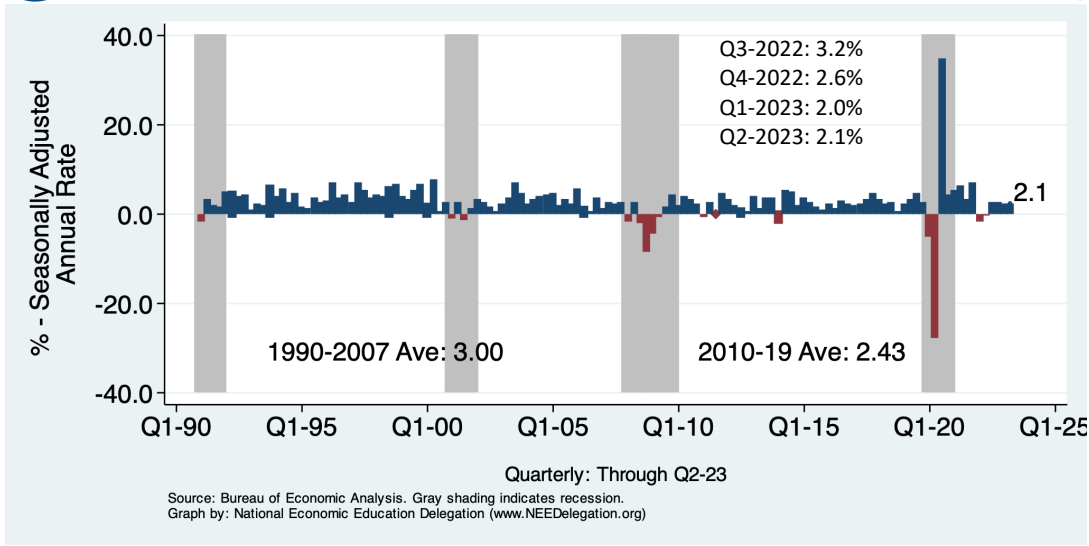
### G.D.P. Report Shows a Drop, Fanning Fears of a U.S. Recession

- A key measure of economic output fell for the second straight quarter, fanning fears that the United States could be entering a recession.
- Gross domestic product, adjusted for inflation, fell 0.2 percent in the second quarter, the equivalent of a 0.9 percent annual rate of decline. Follow updates.

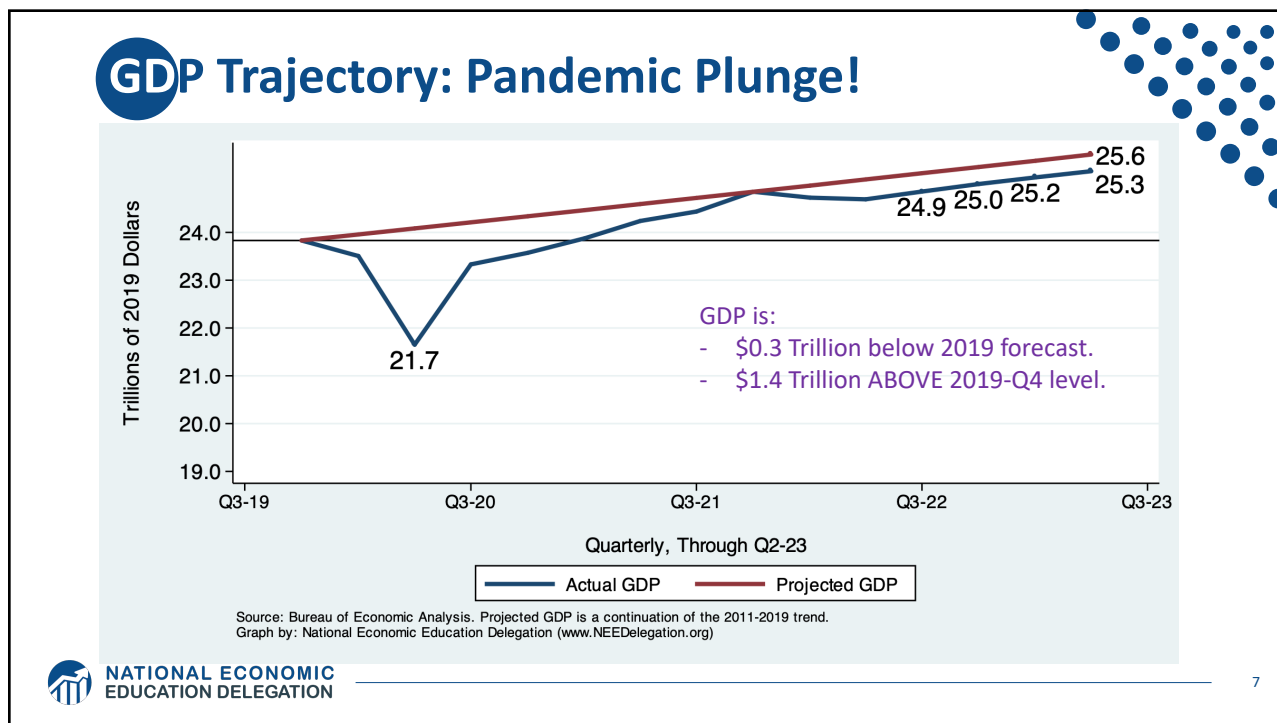
Old news...

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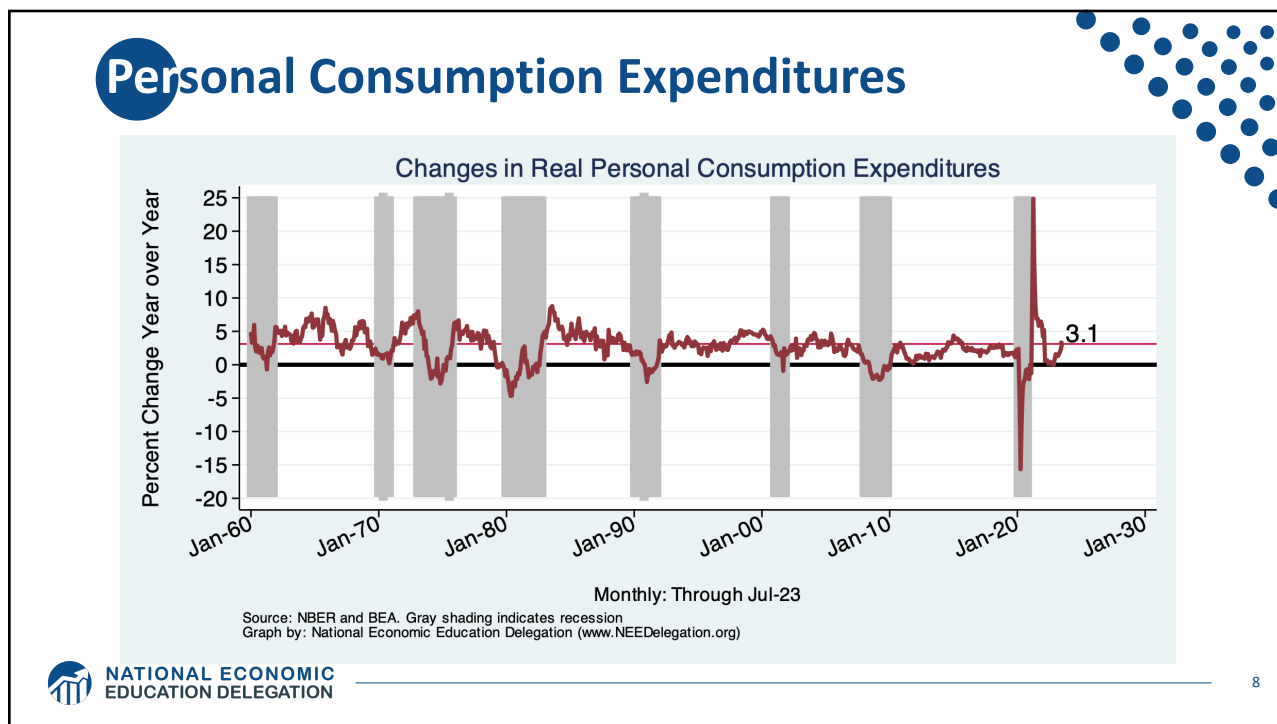
## GDP: Quarterly Growth



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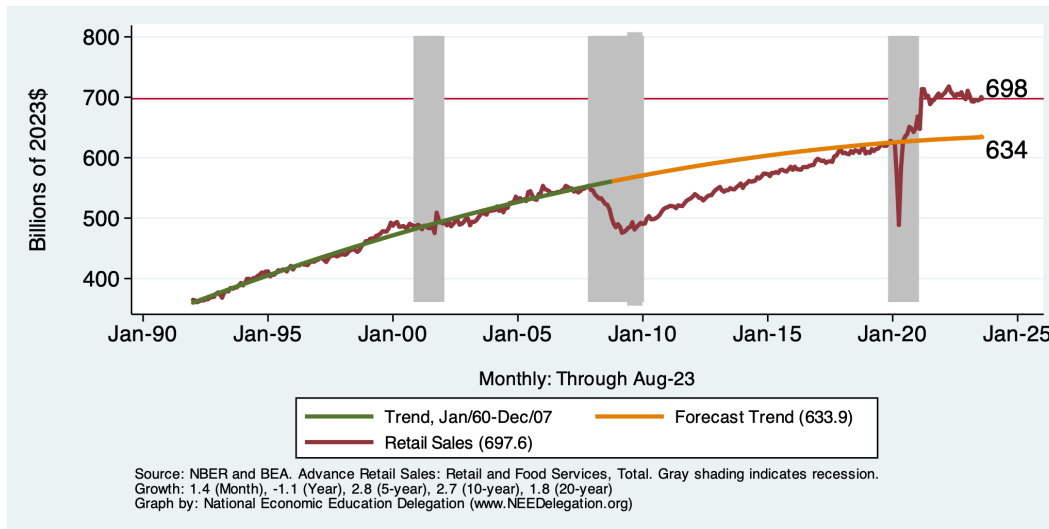


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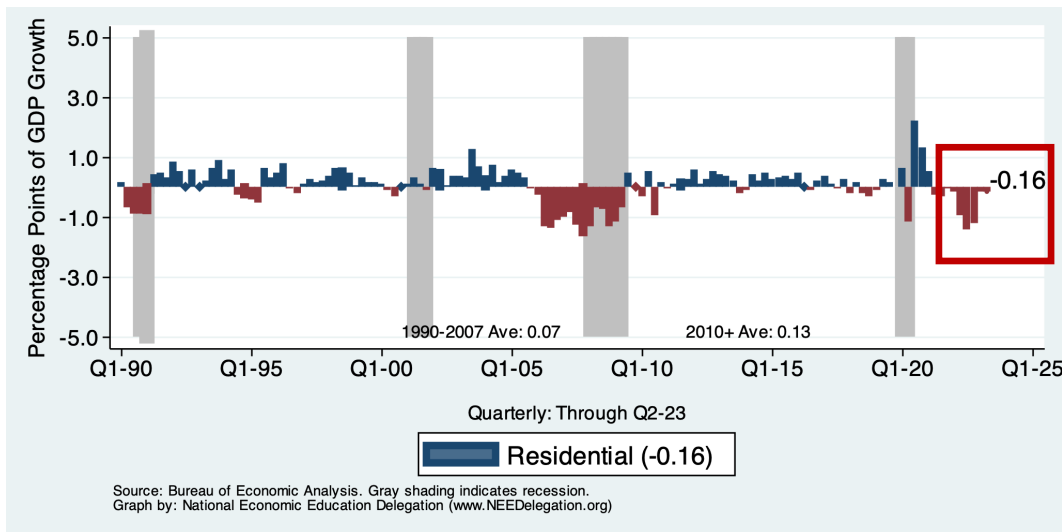
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## Retail Sales Remain Elevated!



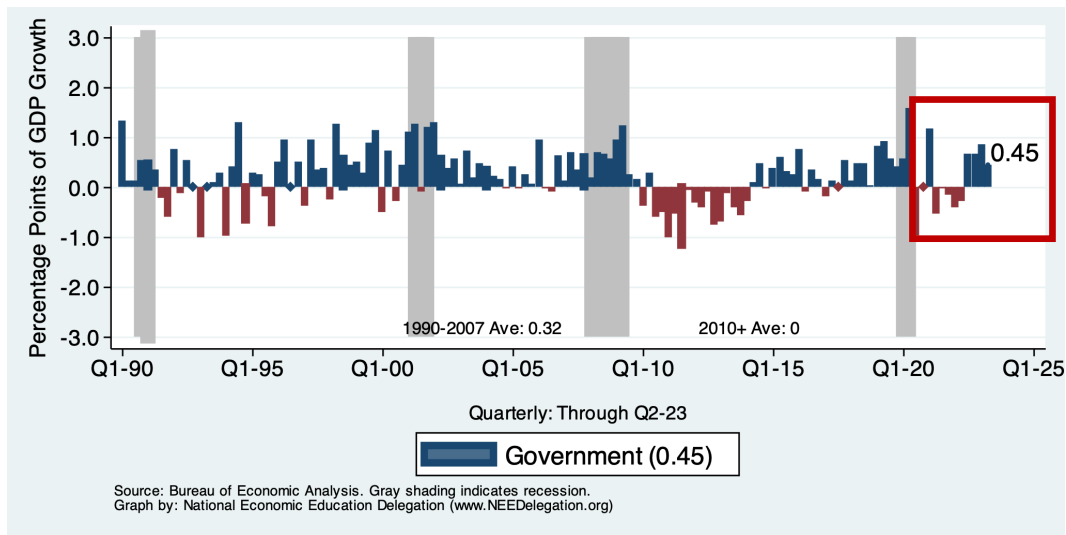
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## Contributions to GDP: Residential Investment



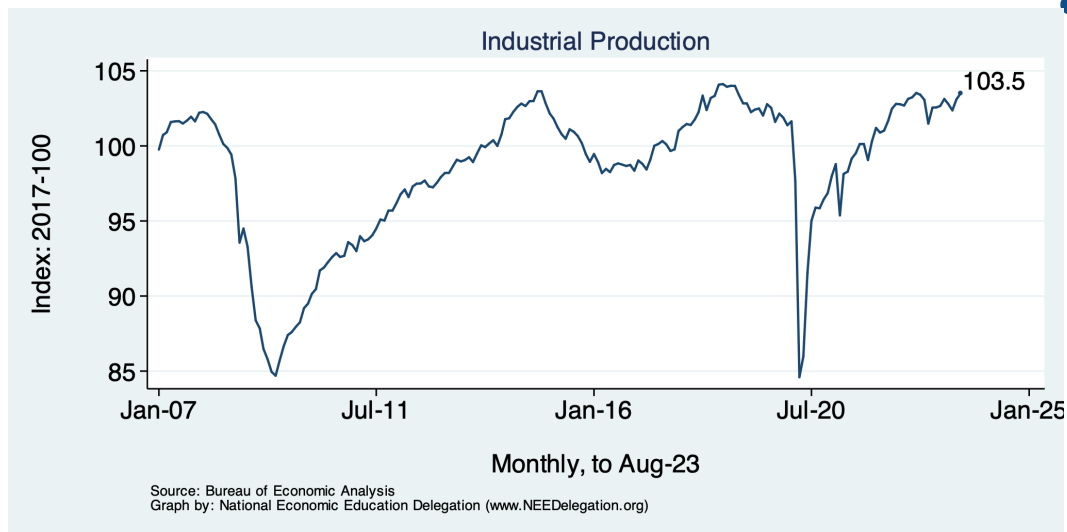
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## Contributions to GDP: Government



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## Industrial Production (Manuf, Util, Mining)

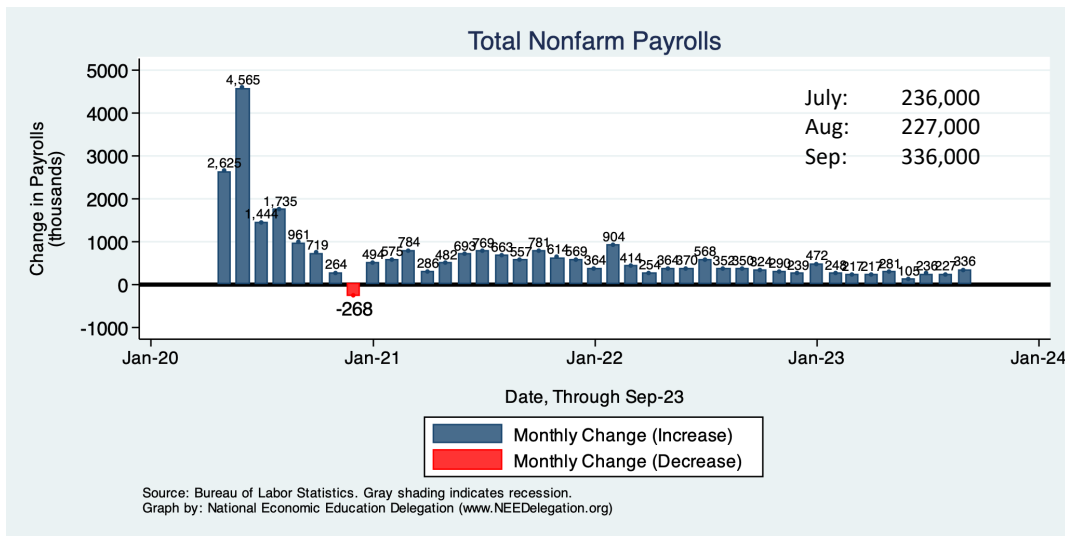


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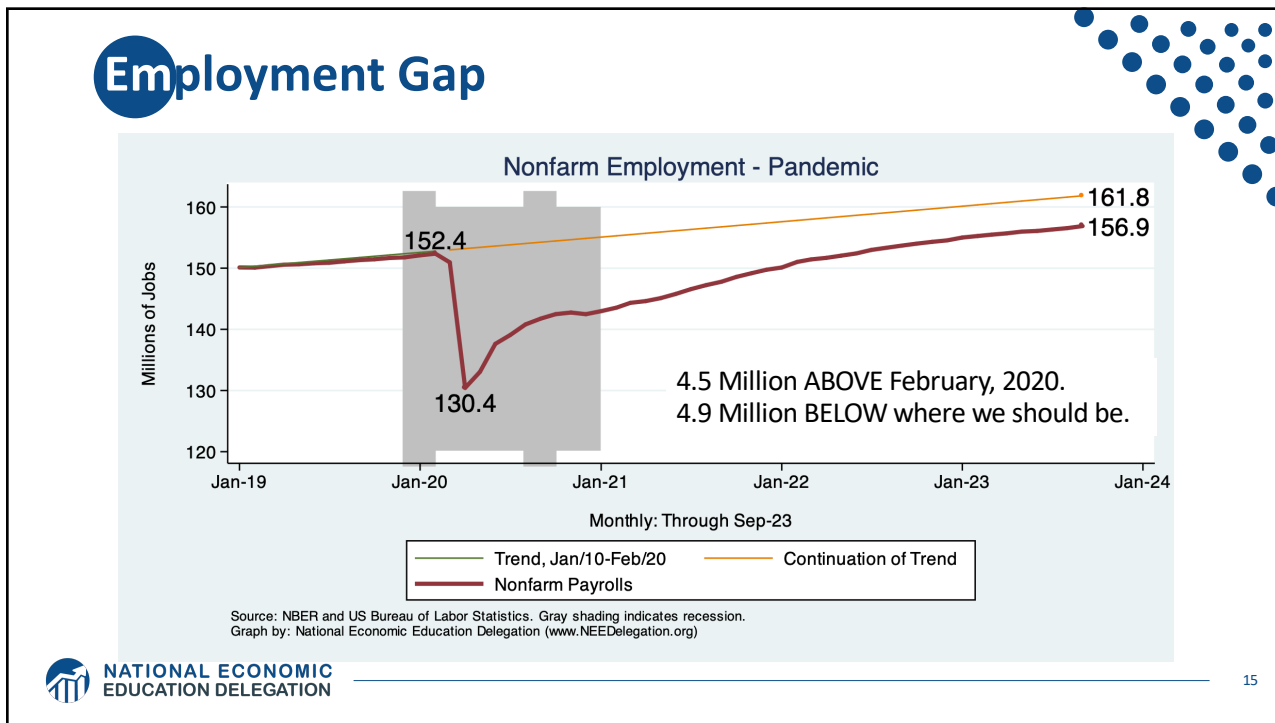
# Employment

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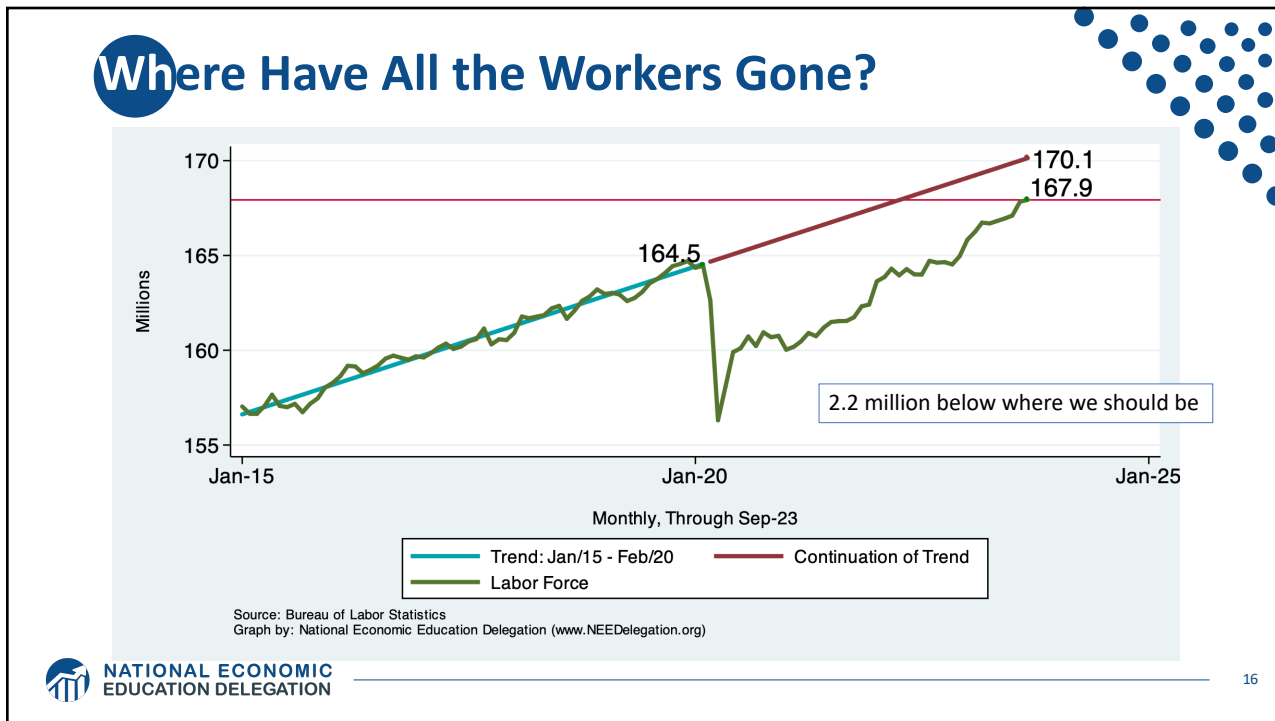
## Monthly Changes in Nonfarm Employment



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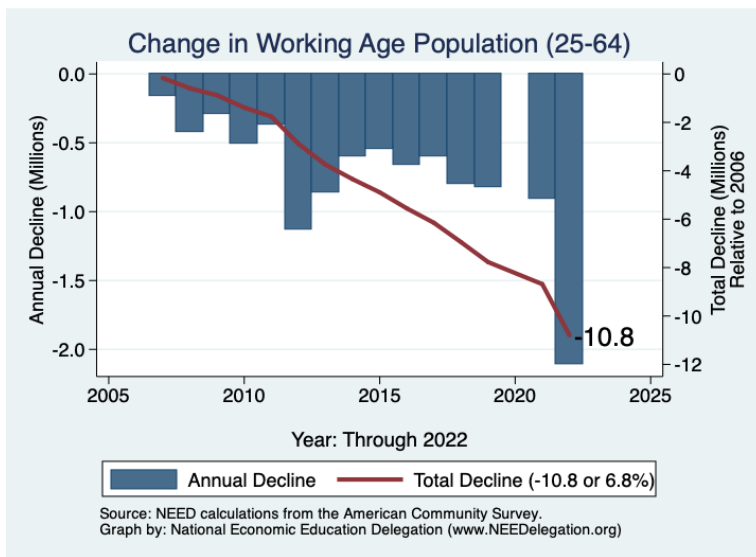
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## Baby Boomers Are Retiring!



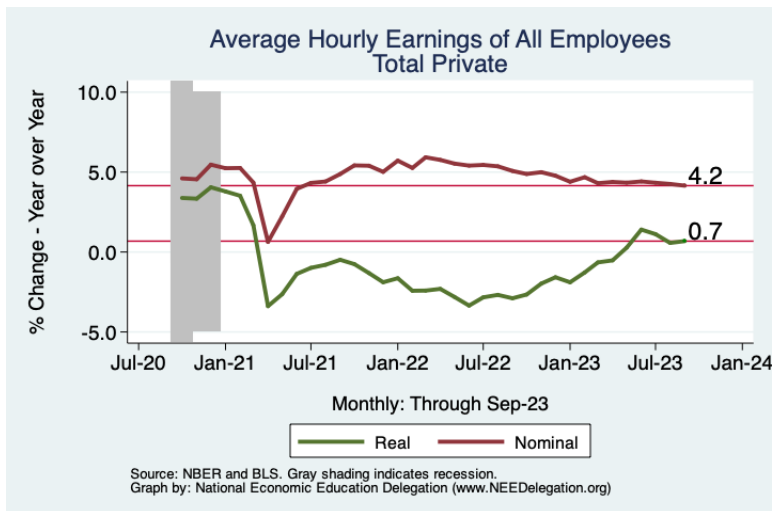
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## White Labor Force Dropouts are Significant

Race/Ethnicity	Pre-Pandemic (2/20)	Current (9/23)	Change	Rank by Race
All	63.3	62.8	-0.5	
White	63.2	62.4	-0.8	4
Black	63.1	62.9	-0.2	3
Asian	64.5	65.8	+1.3	2
Latinx	67.9	67.3	-0.6	1

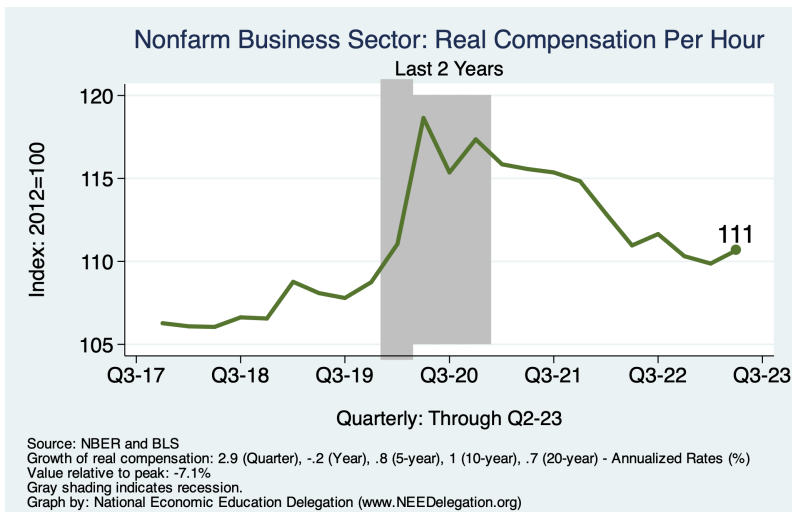
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## Wage Growth – Not Keeping Pace, Until Now



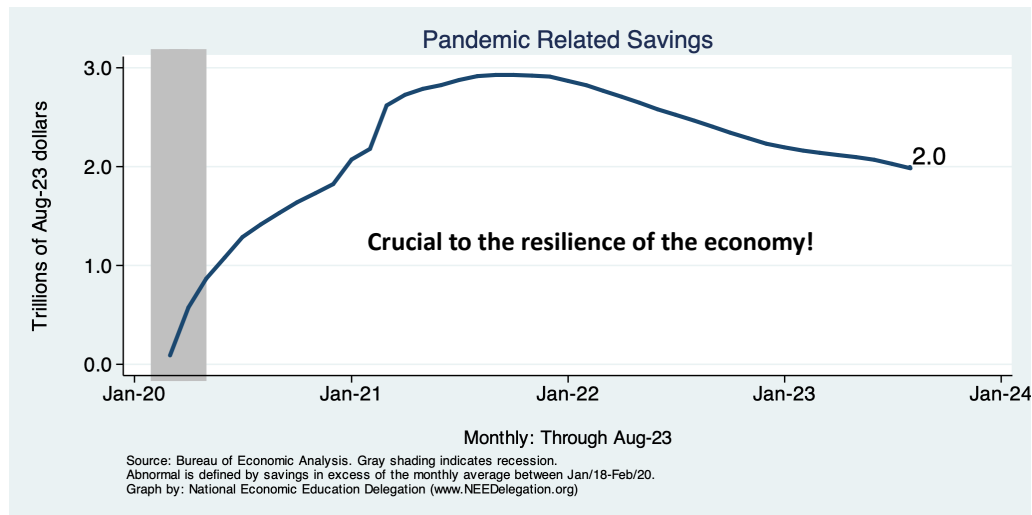
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## Compensation Growth: Not Great, but OK



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## Excess Savings – Still Positive!



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## Economy Overall

### • Continues to chug along

- GDP growth has been consistent with the last decade.
  - o But not really catching up to where we should be.
- Employment continues to grow
  - o Hampered by lots of baby boomer retirements!
  - o Labor force is still too small.
- Wages are down in inflation adjusted terms, but that is changing
- Inflation.....

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# Inflation

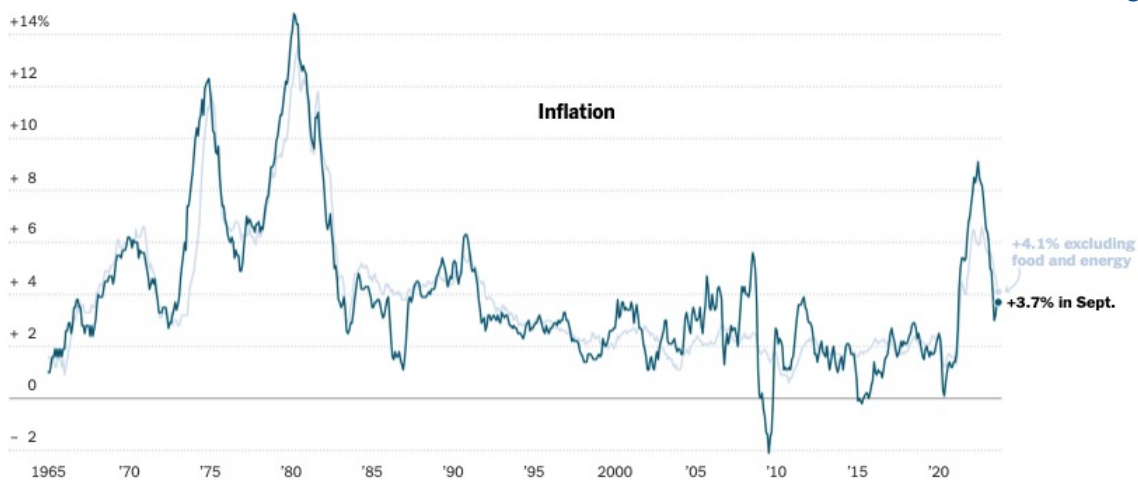


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## Inflation: Latest Figures



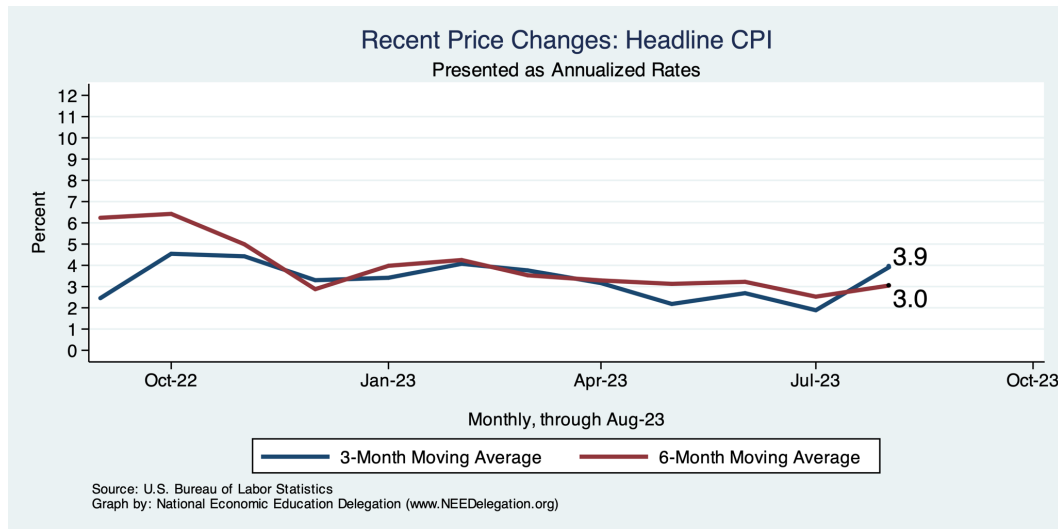
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Source: NYTimes.com, Bureau of Labor Statistics

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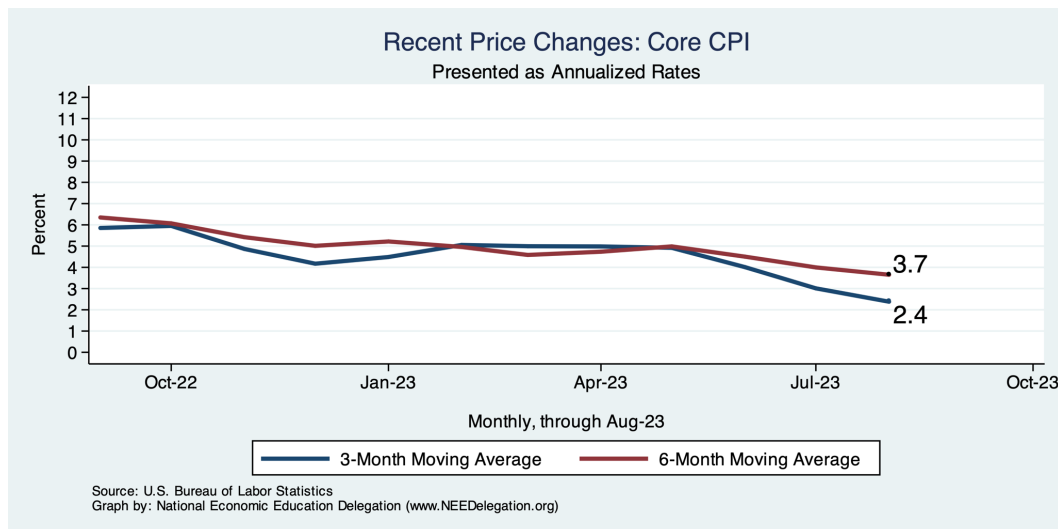
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## Inflation in the Last 3 & 6 Months



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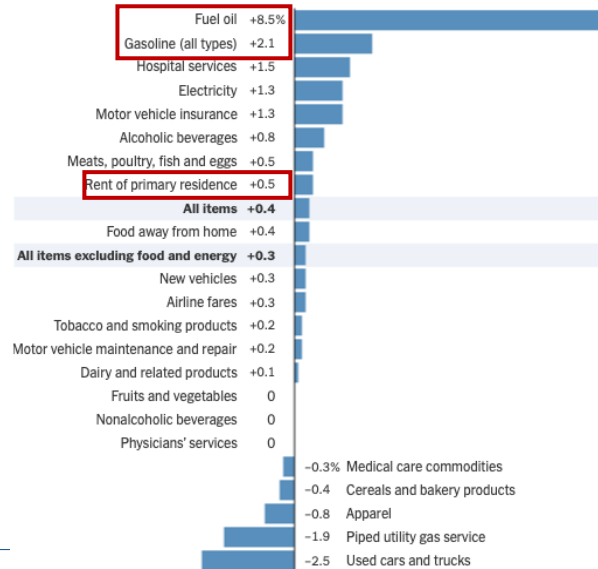
## Inflation: Core Inflation is Stubbornly High



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## Sources of Recent Inflation

Monthly changes in September

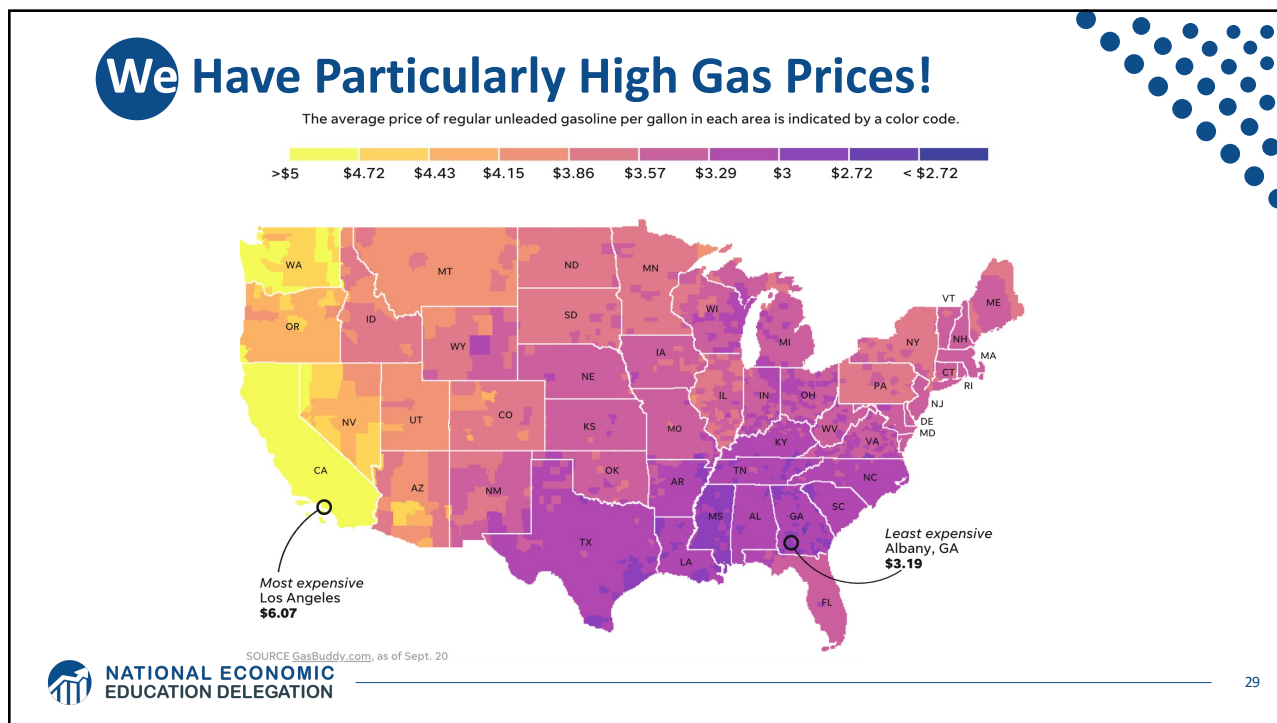


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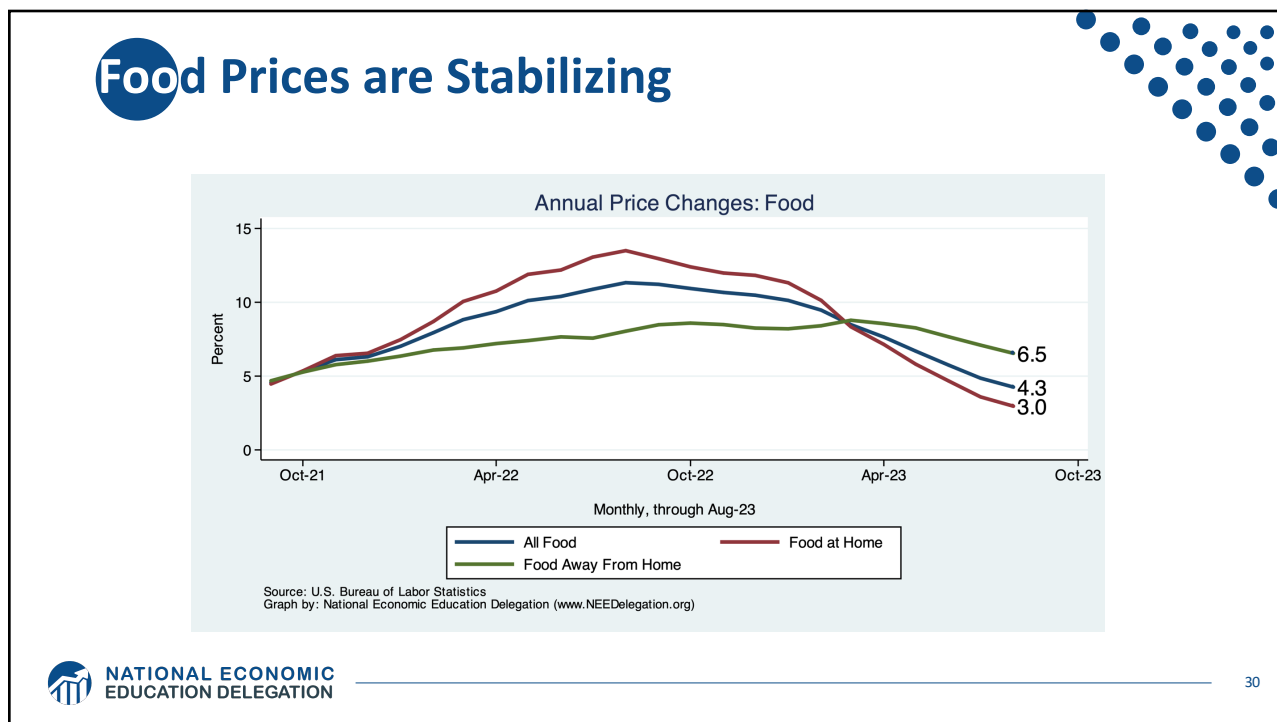
## What is Happening With Oil Prices?

- **First, global economy is stronger than anticipated.**
  - Except for China.
  - Recession in EU will be shallower than expected.
- **Second, inflation in the US is slowing.**
  - Reduced expectation of a recession.
- **OPEC+ has restricted supply.**
  - In support of Russia?
- **Add Israel/Gaza to Ukraine, and markets are jittery.**

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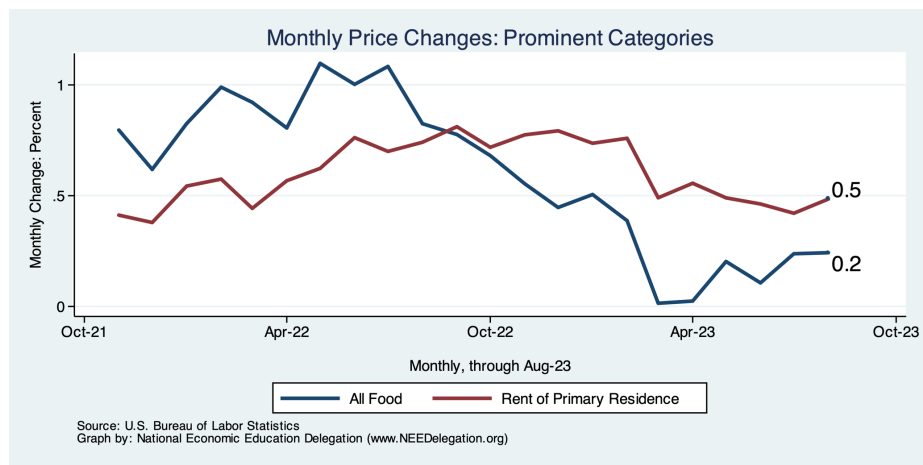


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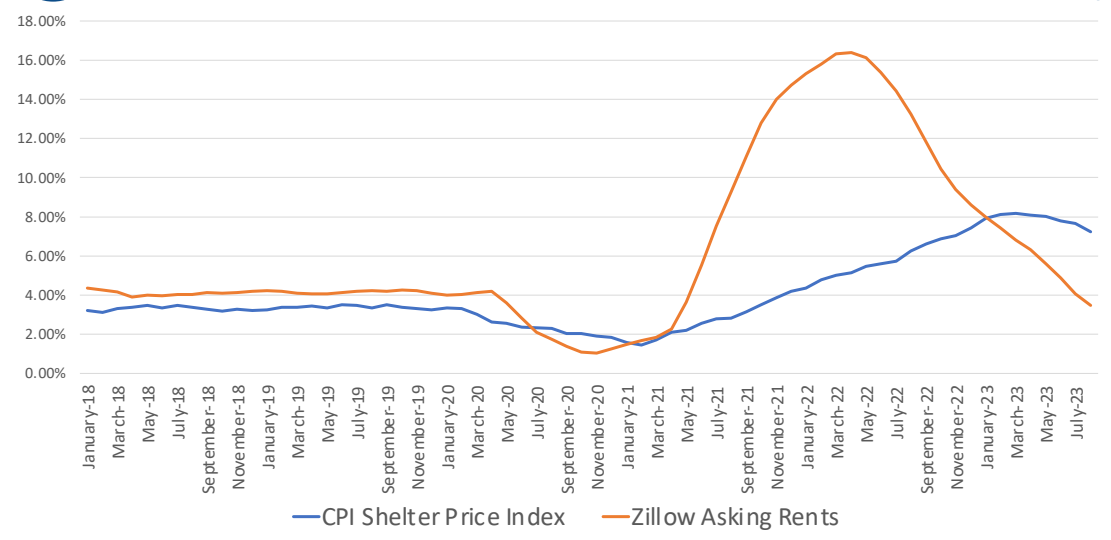
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# Housing Inflation is Still Pulling up the CPI



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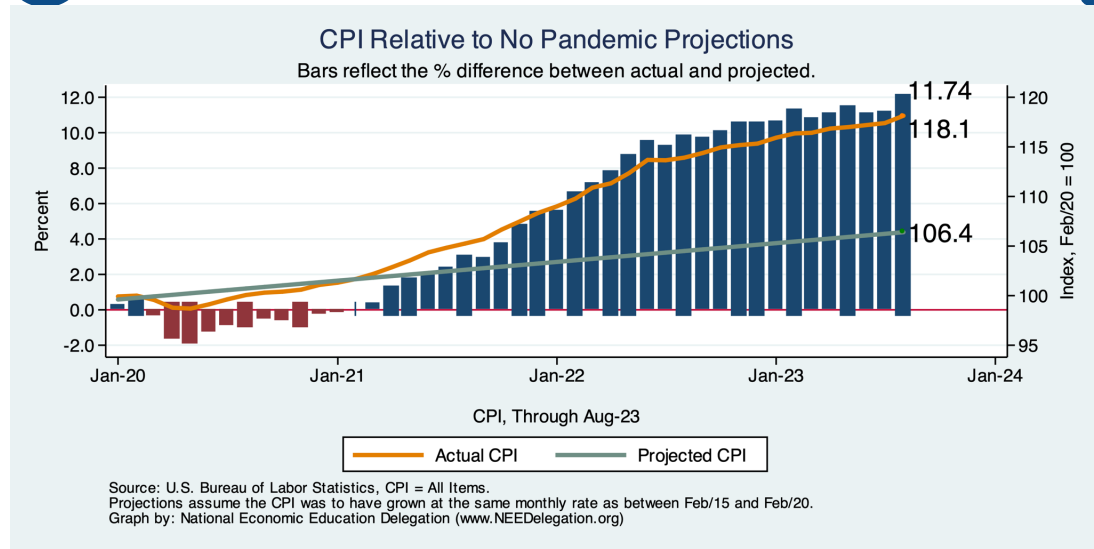
# Rents Paid versus Asking Rents



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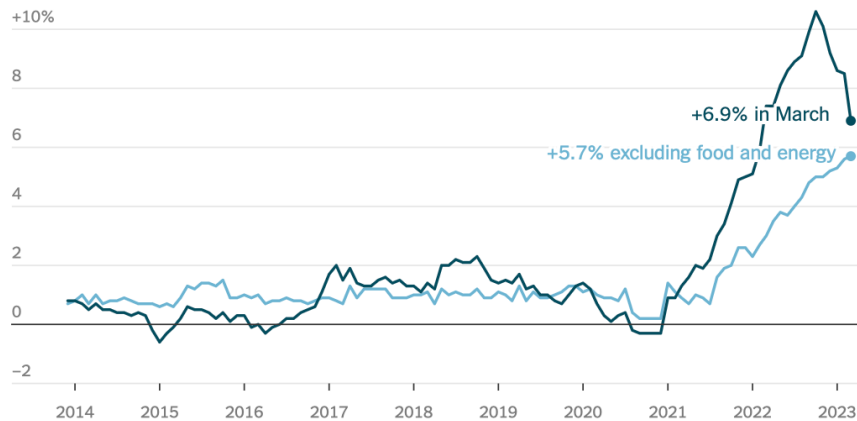
# How Much Higher Are Prices? 12.05%



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# Inflation is Not just a U.S. Problem

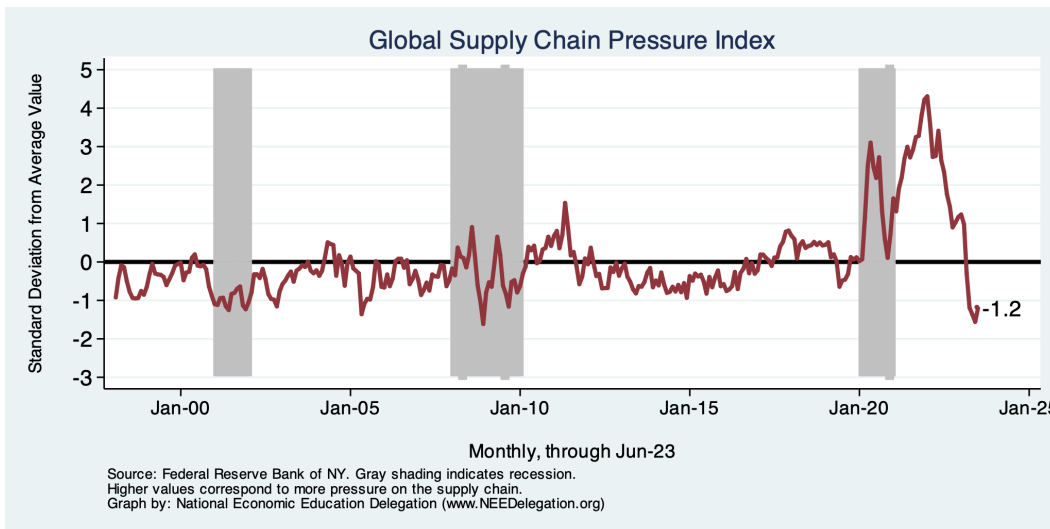
Year-over-year change in consumer prices in the eurozone



Source: Eurostat • By The New York Times

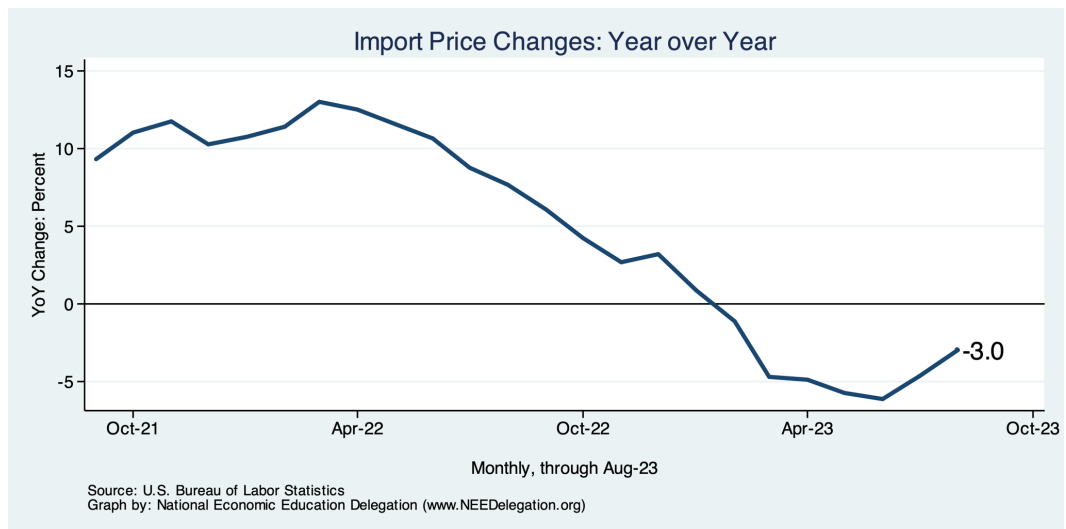
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# Supply Chains



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# Import Price Inflation WAS High



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## Two New Types of Inflation

- **Excuseflation**

- “The cost of my inputs is going up, so I have to raise my prices.”
- You rarely hear: “I’m lowering my prices because costs are going down.”

- **Premiumization**

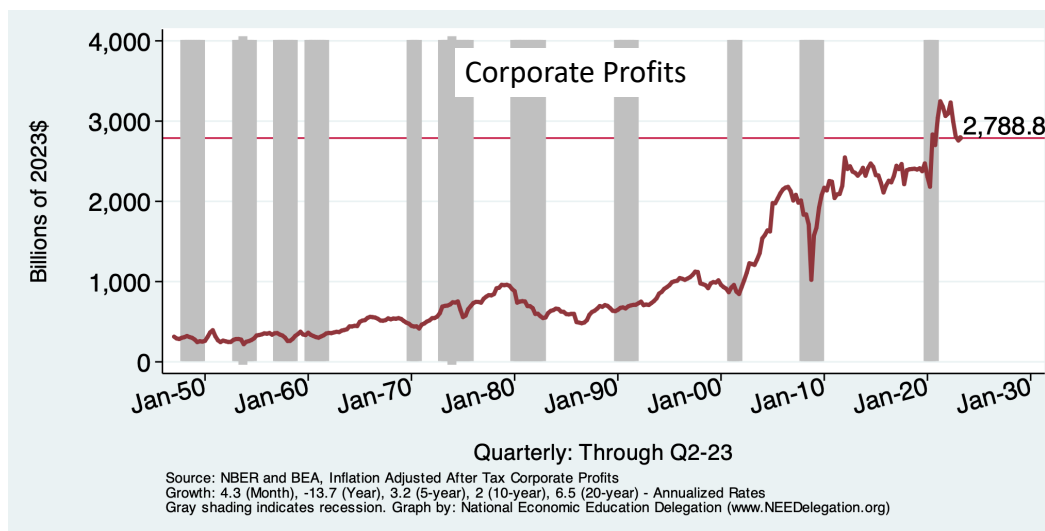
- Taking your product and spicing it up so that you can raise your margins.

- **Together, have led to a Profit-Price Spiral**

- Raising prices to cover costs plus a little extra.
- Raising margins with extra frills.

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## Corporations Have Pricing Power!



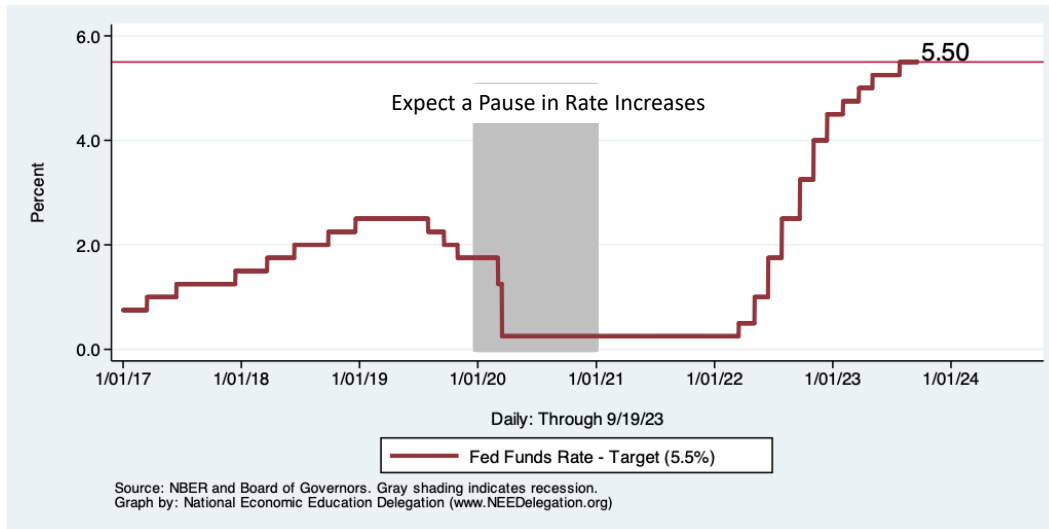
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## My Thoughts on Inflation

- **Primarily a result of external forces.**
  - Supply chains, higher import prices.
- **But also domestic.**
  - Enormous stimulus, firms exercising their pricing power.
- **The path to inflation was bumpy, the path out will be too.**
- **Federal reserve may tick interest rates up 0.25% one more time.**
  - And then will hold for the foreseeable future.

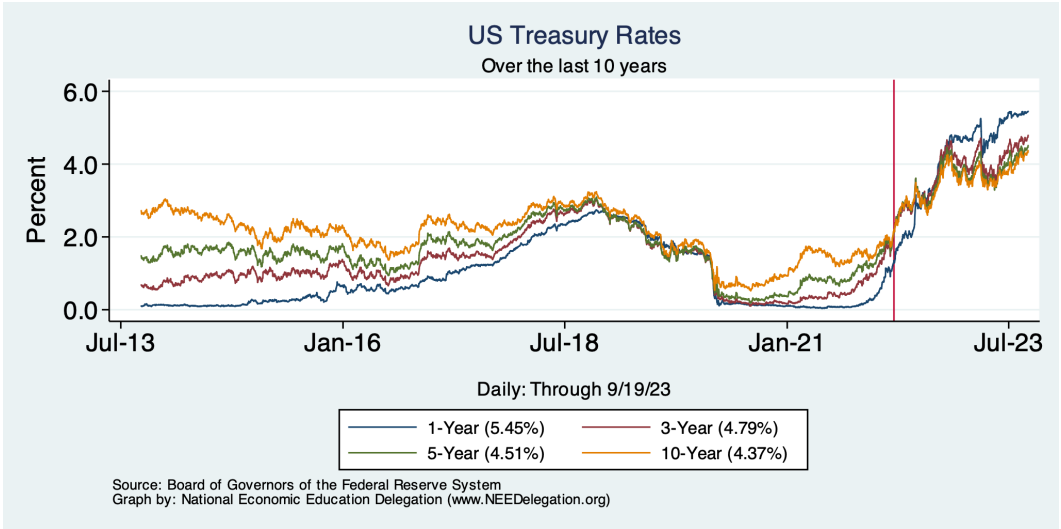
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## Federal Funds Rate – Recent Activity

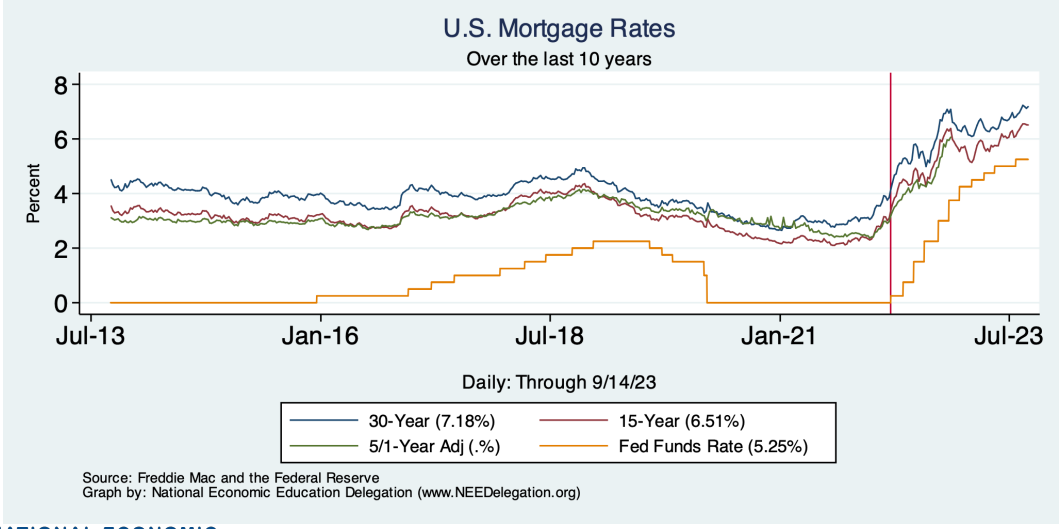


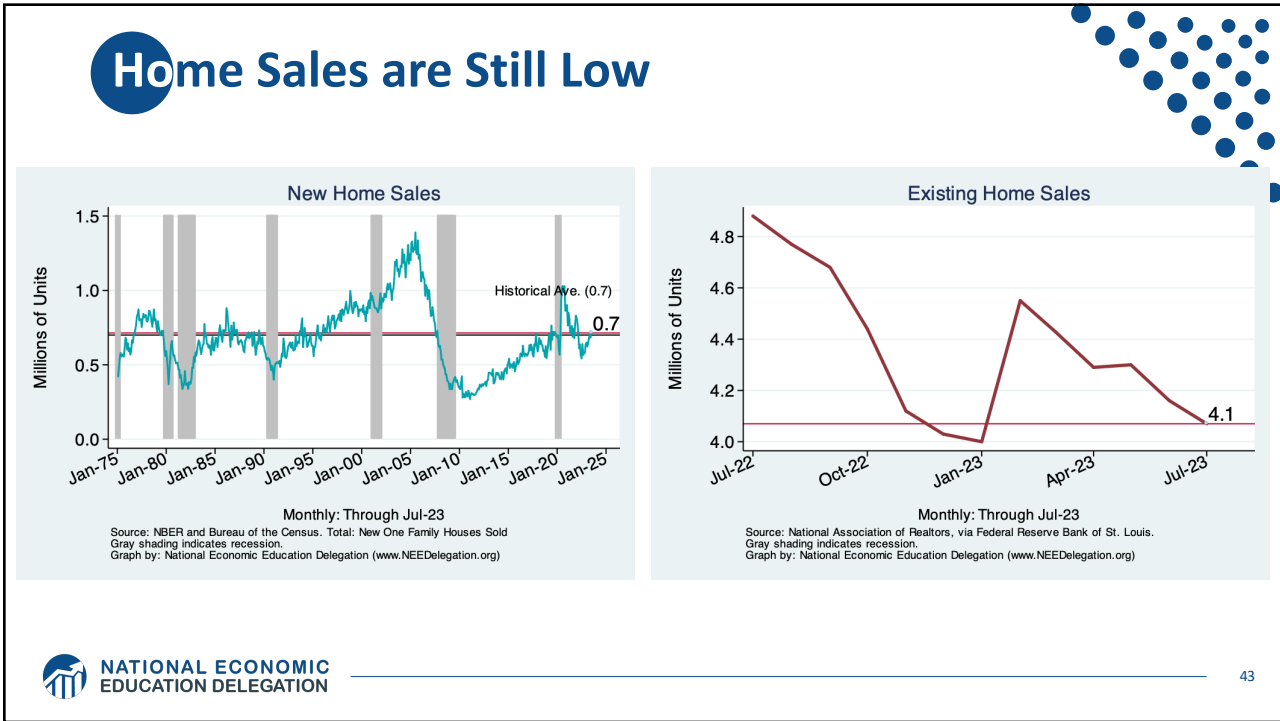
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# Treasuries

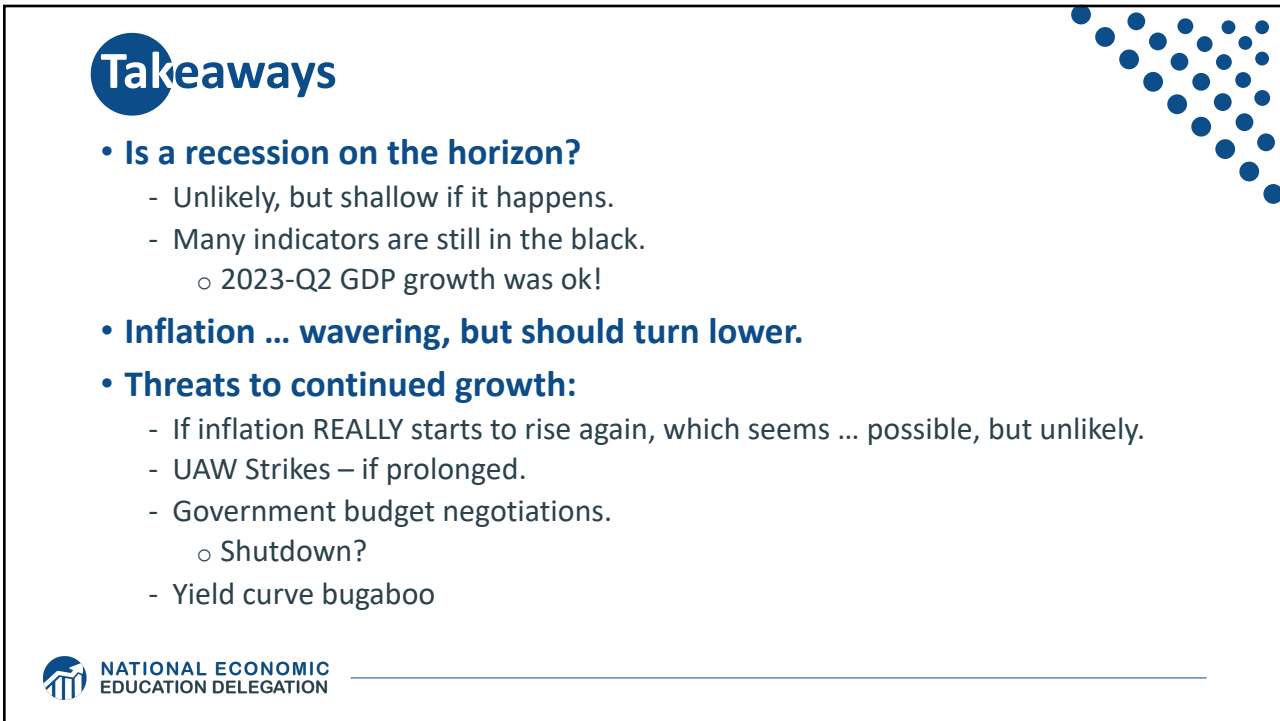


# Mortgage Rates



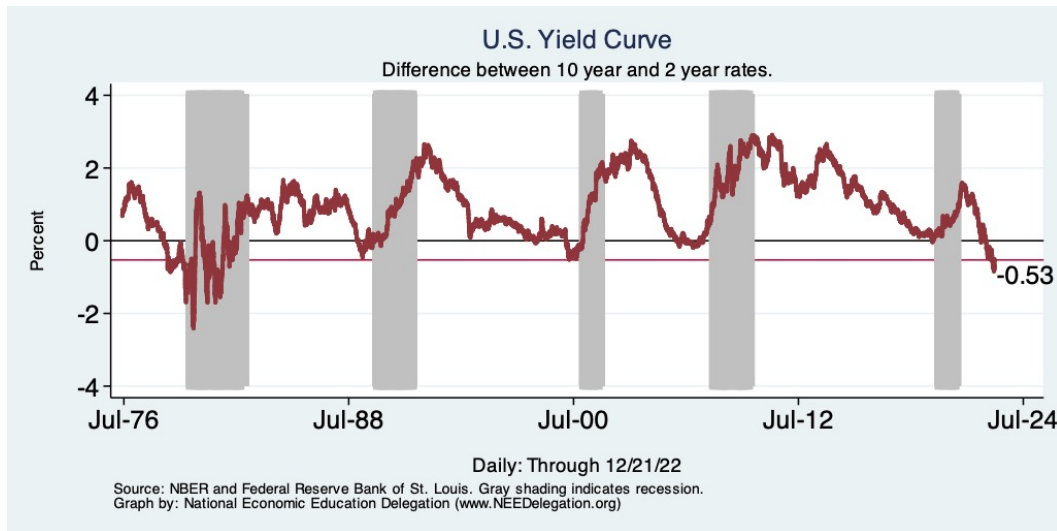


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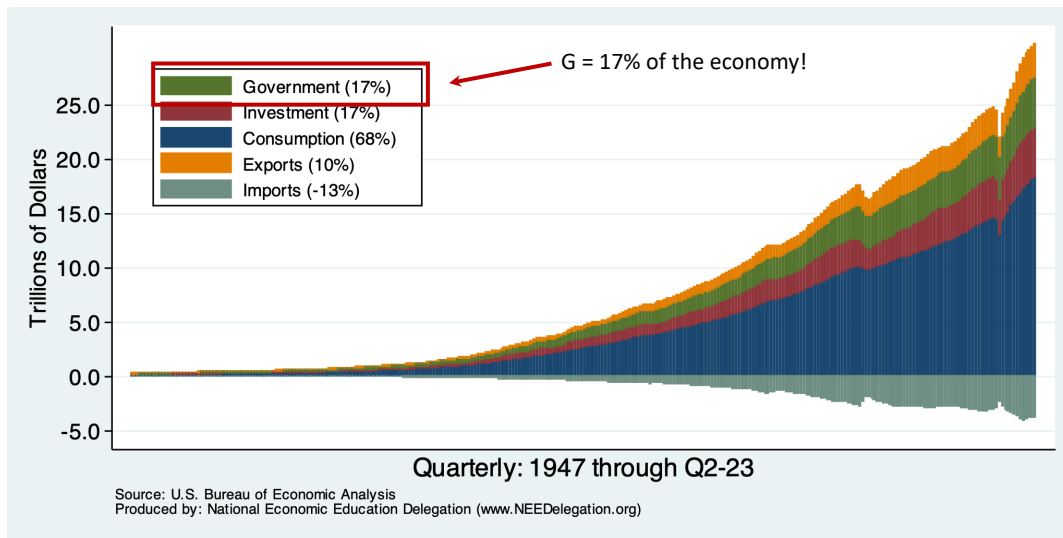
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# Yield Curve Bugaboo



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# Government Shutdown Would Hurt!



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**Thank you!**

# Any Questions?

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