

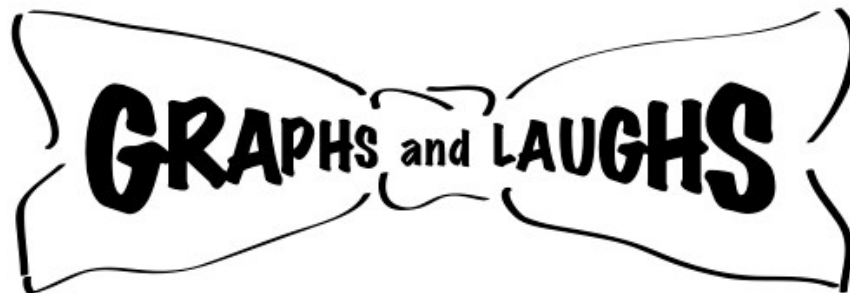
THE US ECONOMY: GROWING BUT SLOWING!

Presented by:

Elliot F. Eisenberg, Ph.D.

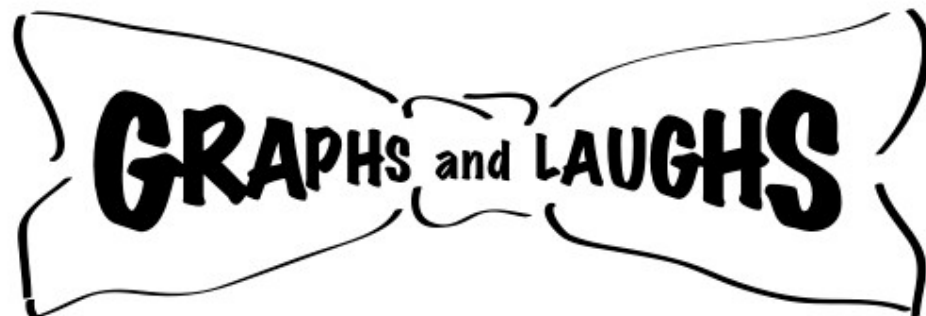
President: GraphsandLaughs, LLC

December 7, 2021



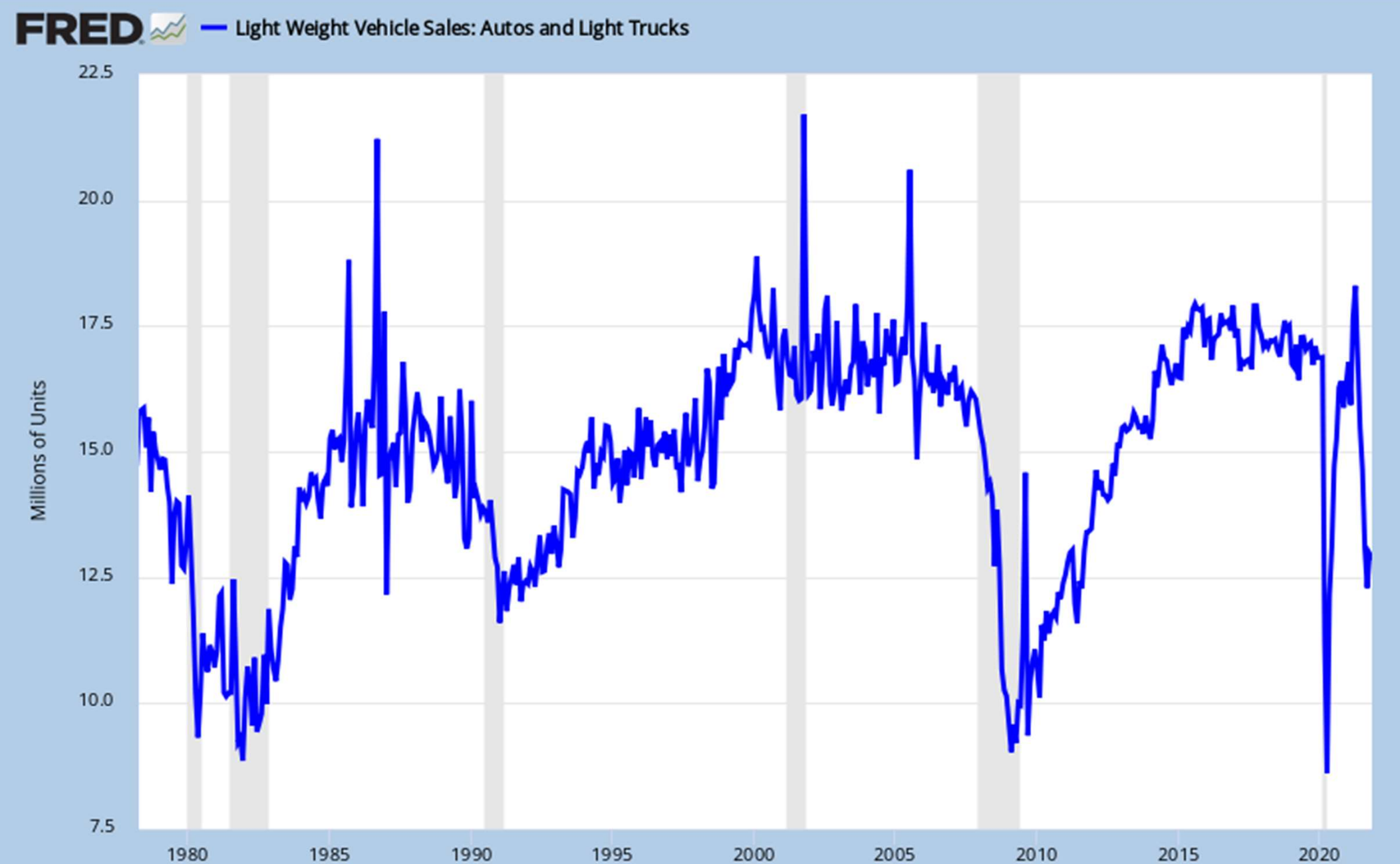
The Economy Is Improving

$$\text{GDP} = C + I + G + (X - M)$$



US Light Vehicle Sales Collapse

No inventory due to a lack of chips is a huge problem



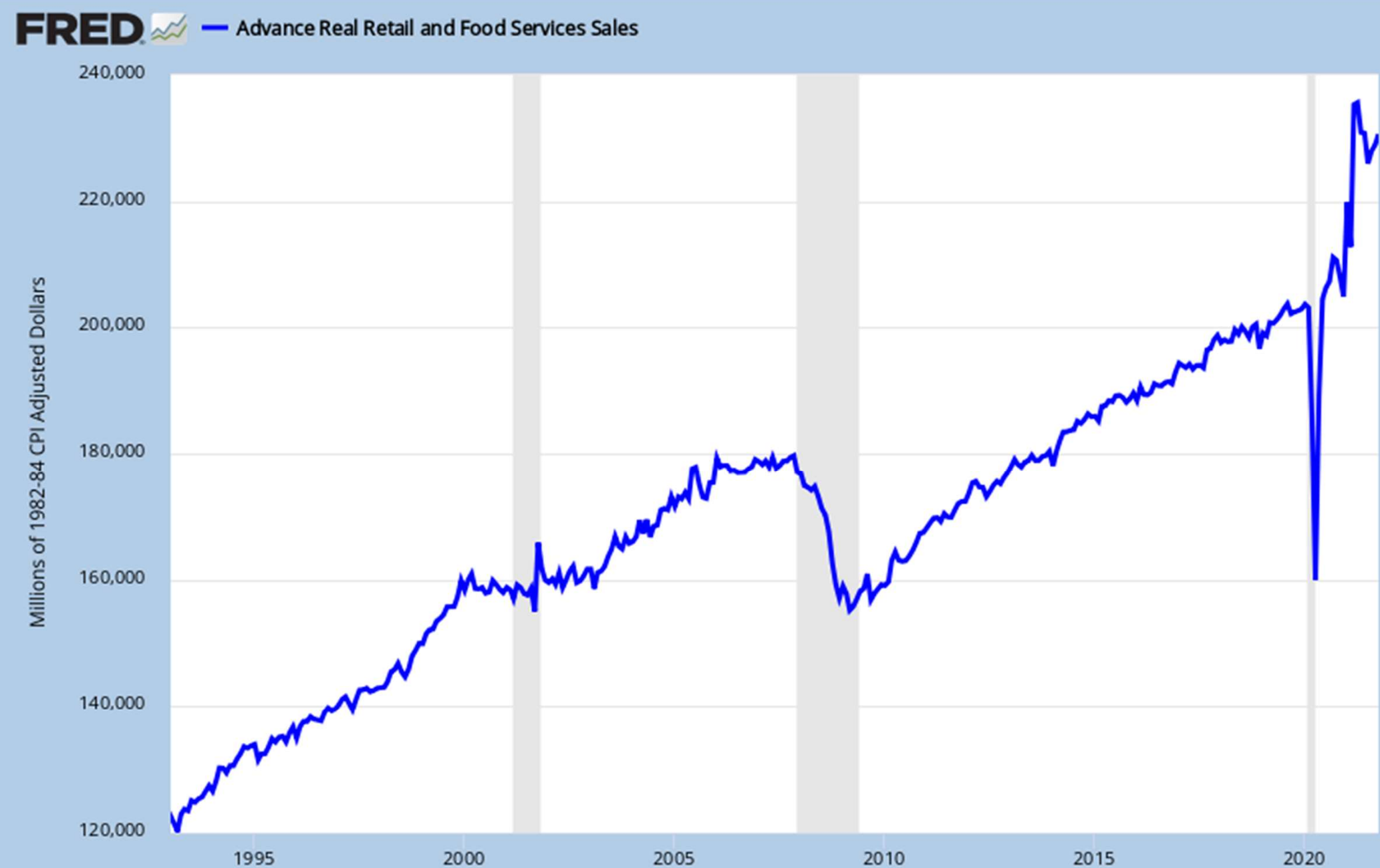
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

myf.red/g/jvu6

Real Retail Sales Decline Slightly

What is surprising is that it is not declining faster



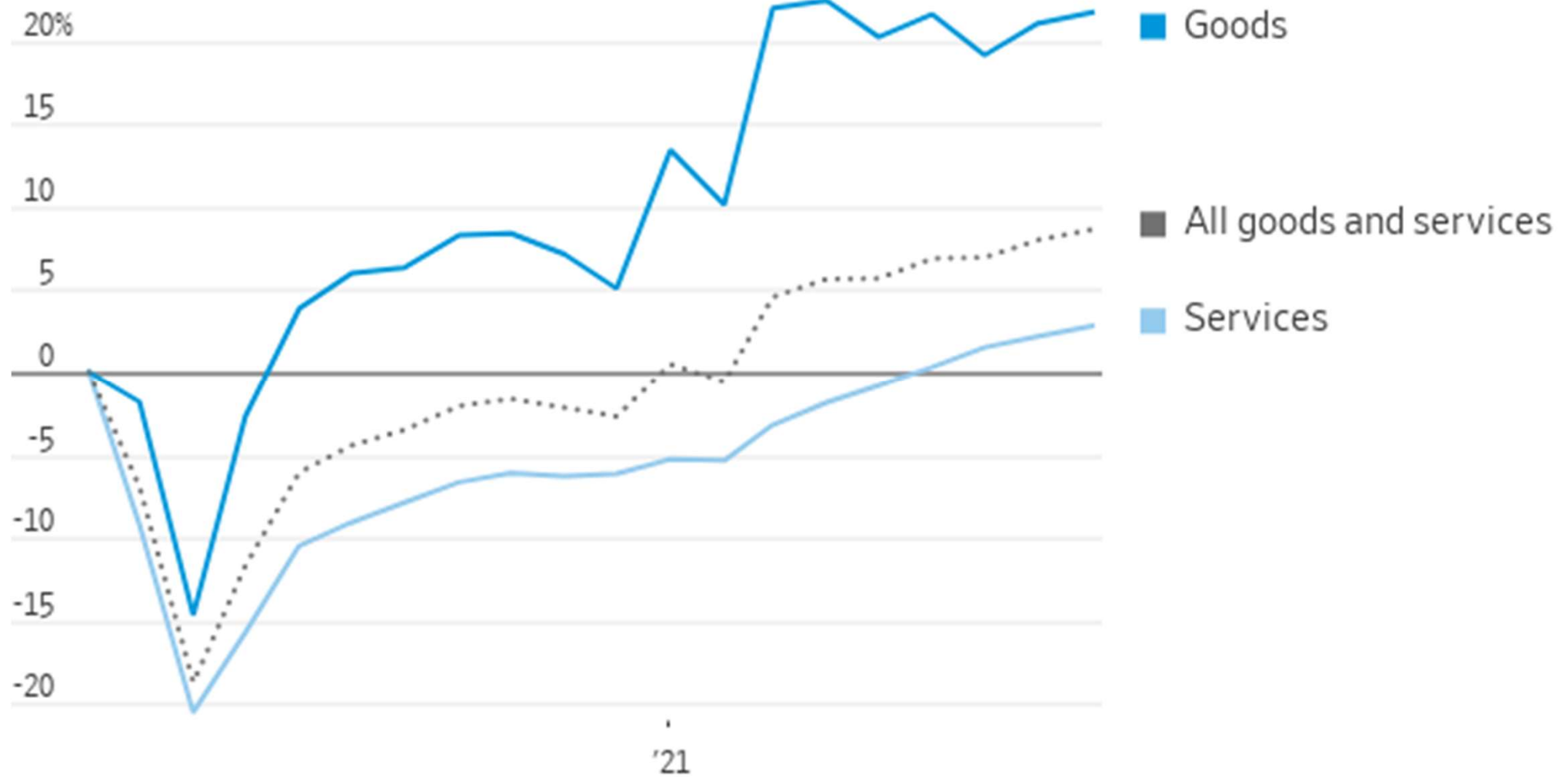
Source: Federal Reserve Bank of St. Louis

myf.red/g/IXx2

Retail Spending Through September 2021

It is way above trend

U.S. consumer spending, change since February 2020



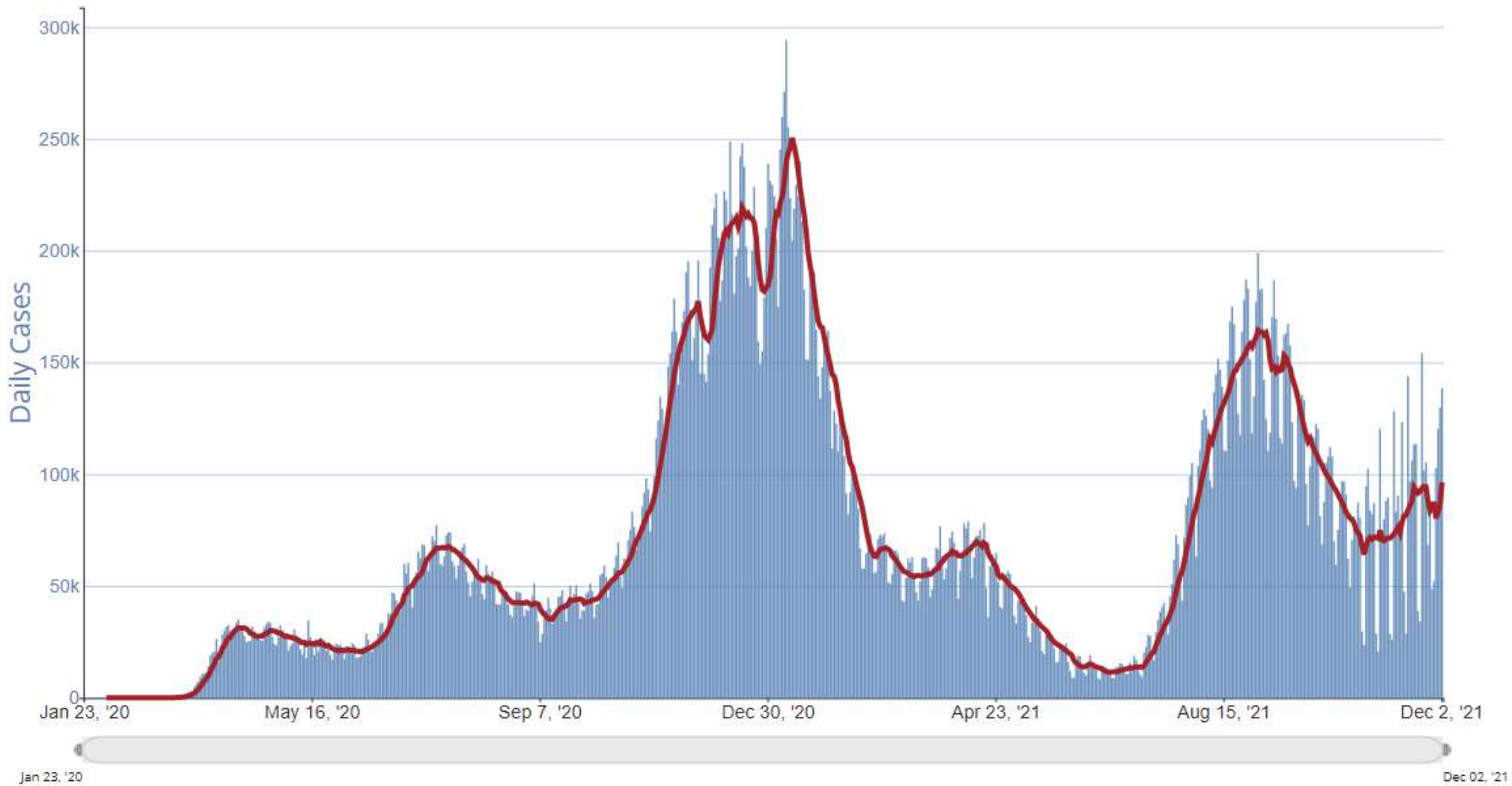
Note: Underlying figures at a seasonally adjusted annual rate

Source: Commerce Department

New US Coronavirus Cases/Day

US vaccination rate is almost 60% which is decent

Daily Trends in Number of COVID-19 Cases in The United States Reported to CDC



Conference Board Consumer Confidence

It is again rising now that the Delta variant is receding

Conference Board consumer confidence index

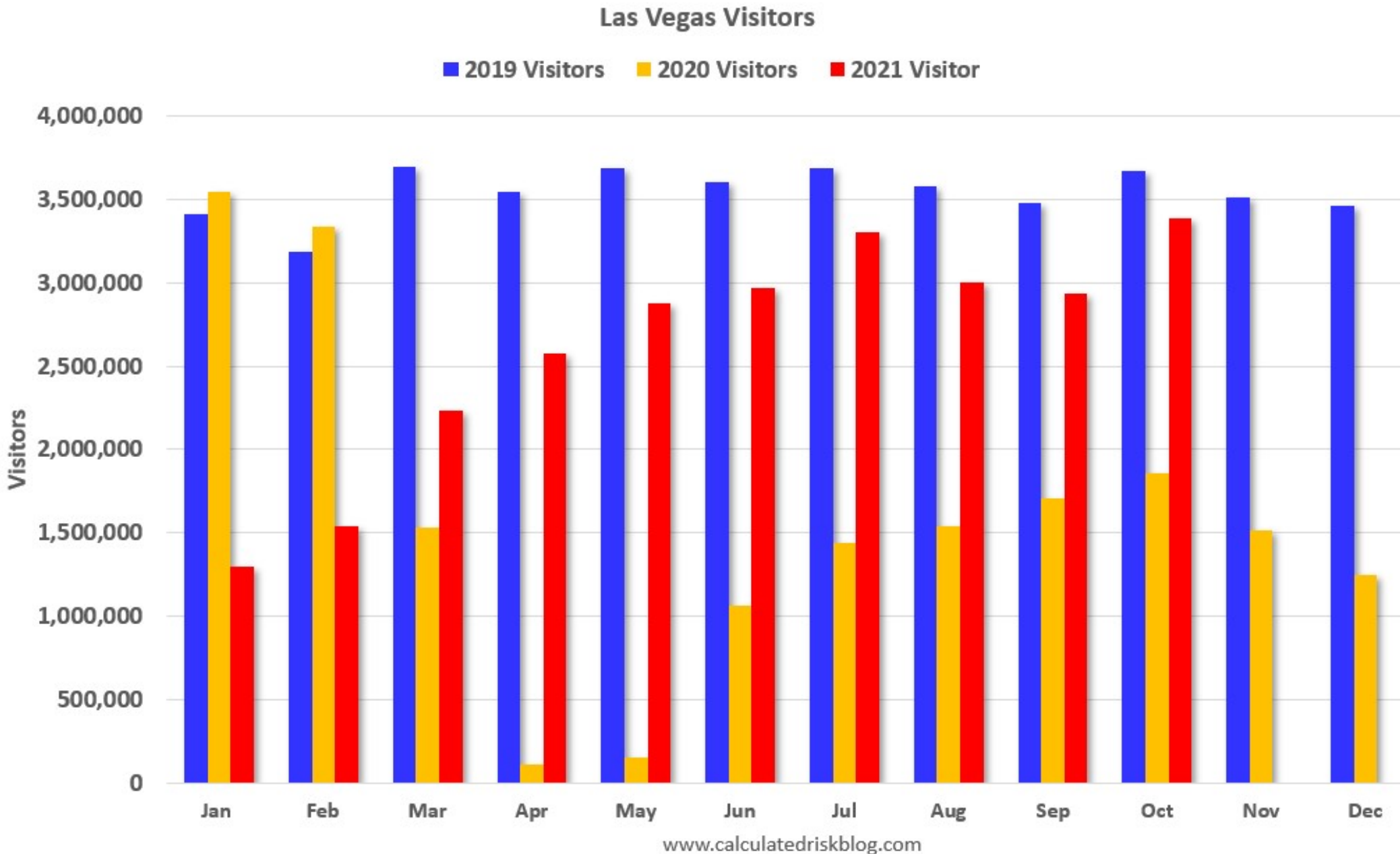


Note: Seasonally adjusted, 1985=100

Source: The Conference Board

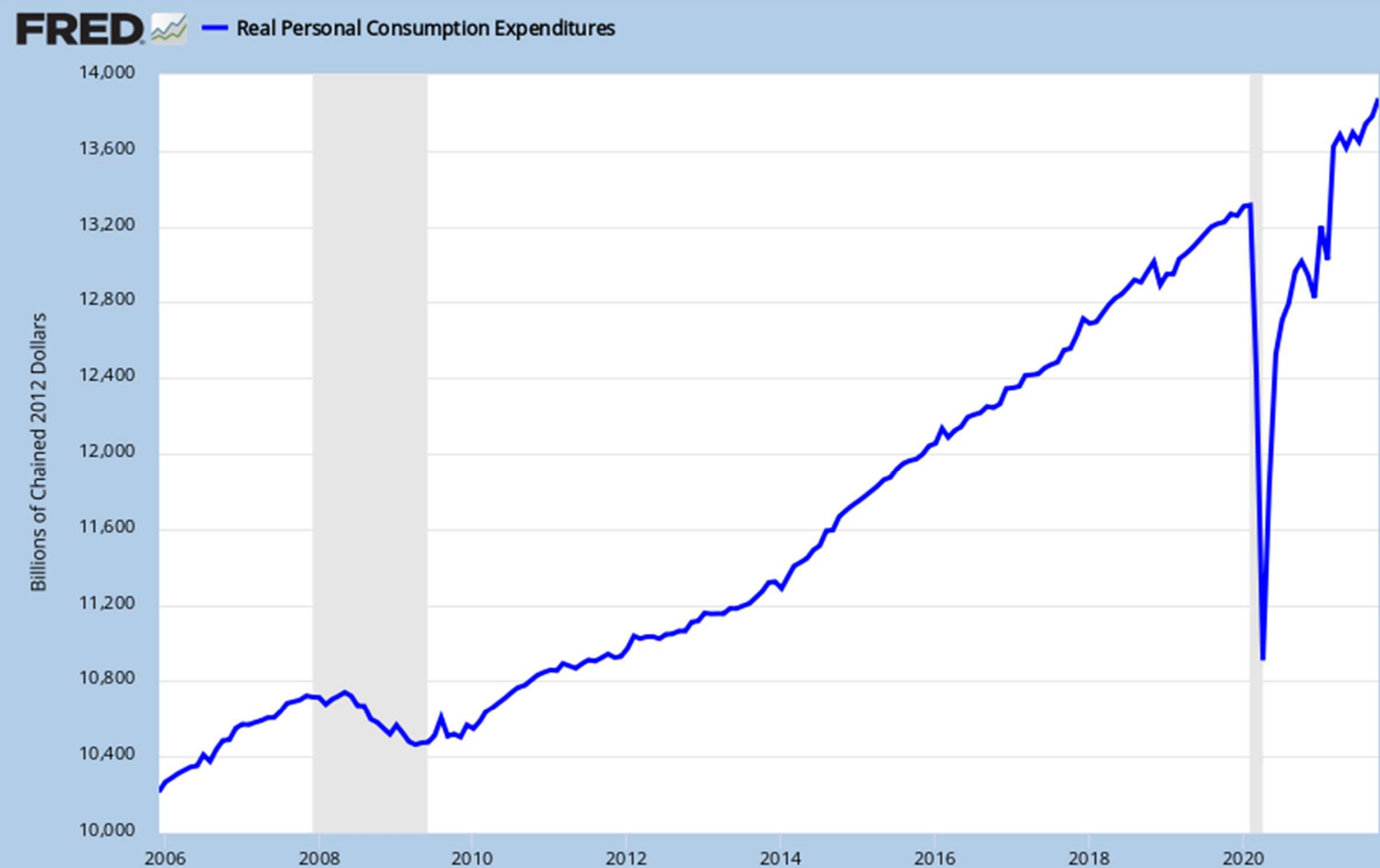
Las Vegas Attendance Sinks

Visitor traffic down 16.0% from 2019, convention attendance is down 100%,



Real Personal Consumption Expenditures

It has more than bounced back and this is why supply-chains struggle



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

myf.red/g/Jfsy

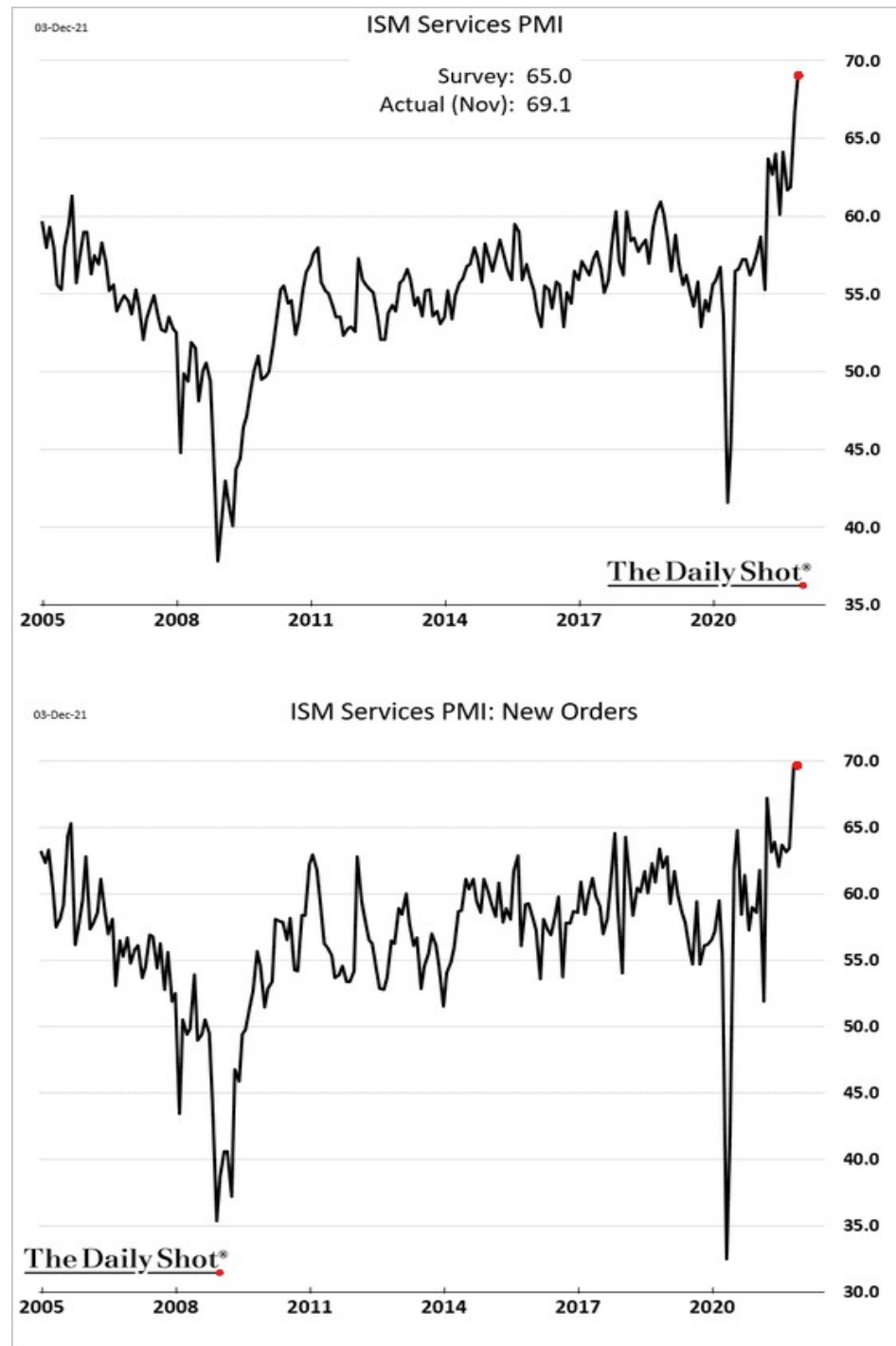
ISM Manufacturing Rebounds Strongly

Down a bit but still very strong



ISM Services Number Holds

It is doing exceptionally well

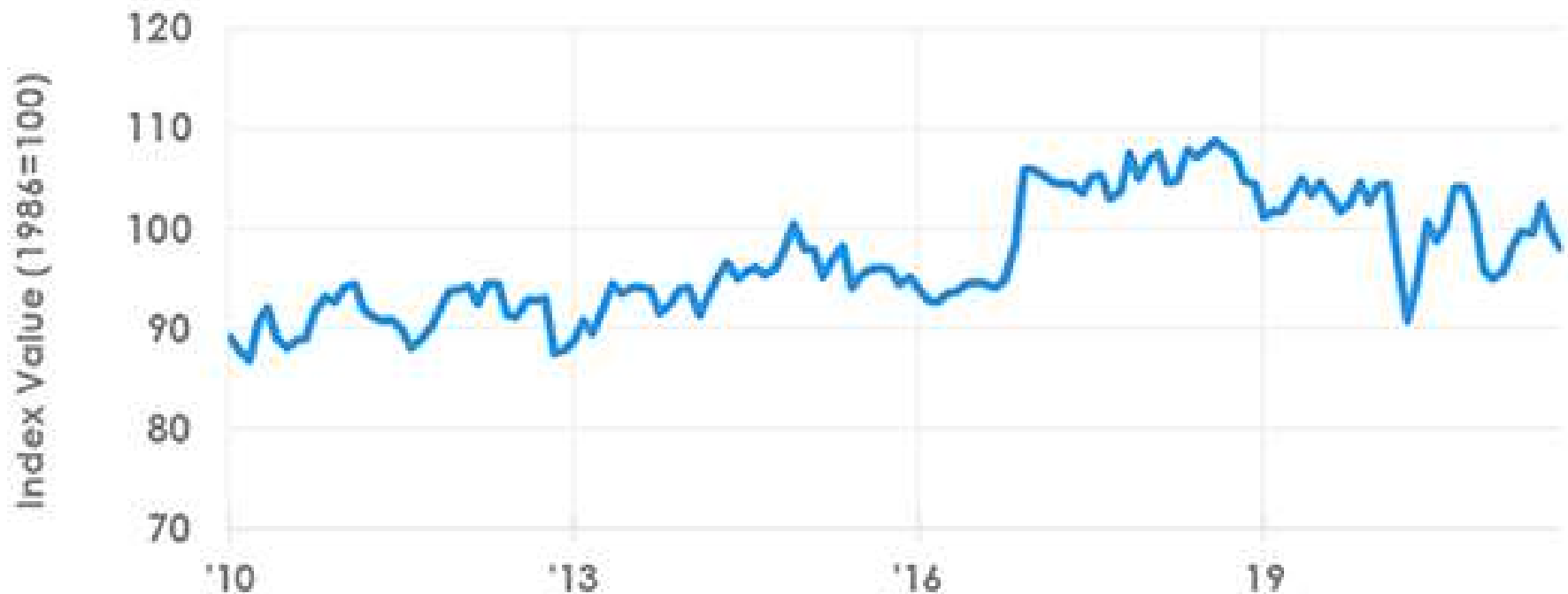


Small Business Confidence Struggles Slightly

The level is slightly above its long-term average of 98

Small Business Optimism Index at 99.1

Based on 10 survey indicators, seasonally adjusted, Jan. '10 – Sep. '21

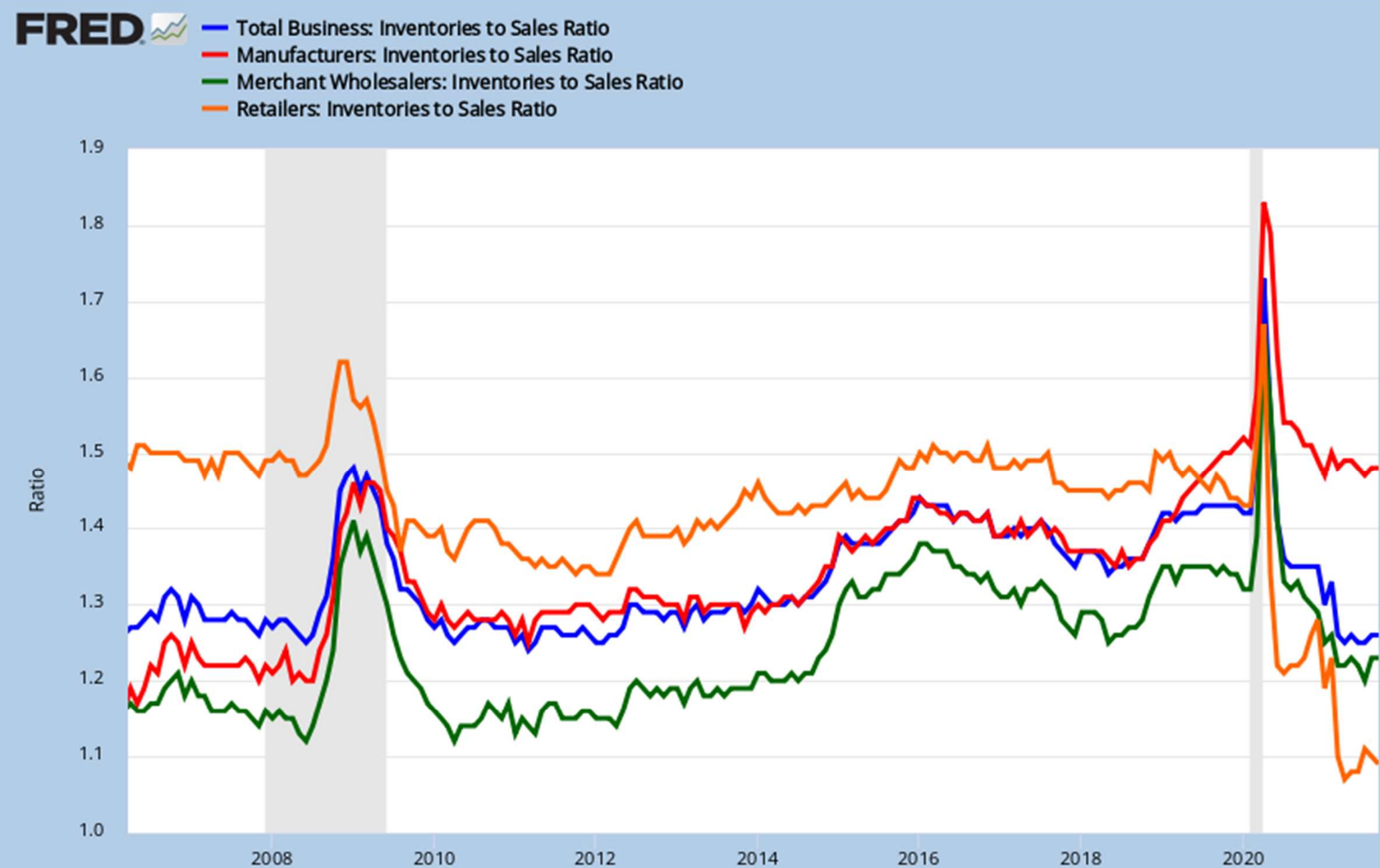


NFIB

NFIB.com/sboi

Inventory to Sales Ratios Stop Falling

All inventory ratios and especially retailer inventories are way too low



Shaded areas indicate U.S. recessions.

Source: U.S. Census Bureau

myf.red/g/IZGp

Ship Backup Lessens?

This is a good thing

Supply Bottlenecks Start to Ease



Note: As of November 30. Fines for delayed container removal have been repeatedly postponed since initial approval by Los Angeles City Council.

Source: Marine Exchange of Southern California, Bloomberg

When Will Supply-Chains Ease?

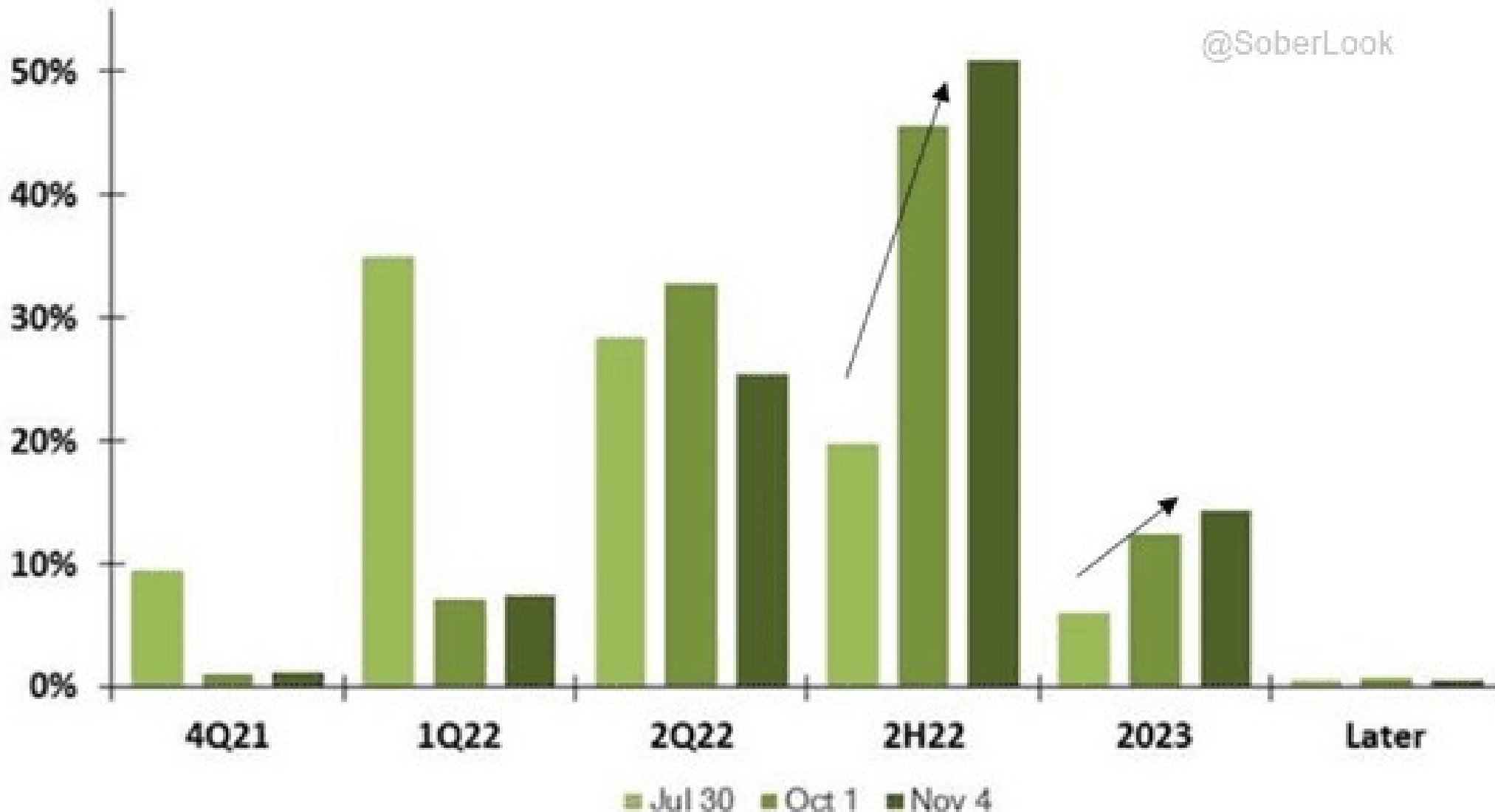
It looks like it will be a while

When Will The Broad Supply Chain Issues Currently Facing U.S. Companies Ease & Inventories Recover To "About Right"?

Posted on
The Daily Shot

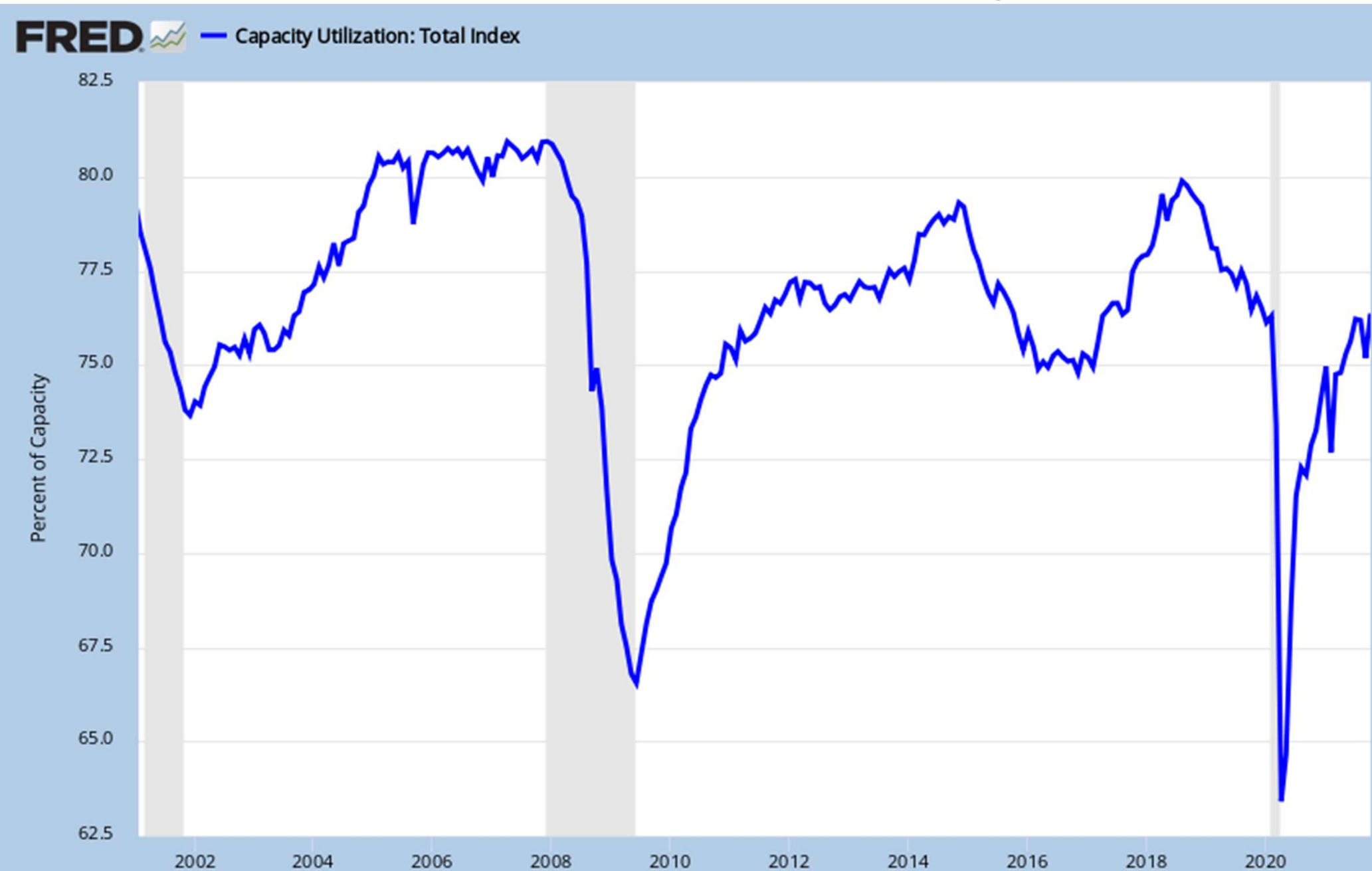
08-Nov-2021

@SoberLook



Capacity Utilization Rates are Recovering

Close to its pre-Covid level. Weak due to ubiquitous shortages and bottlenecks

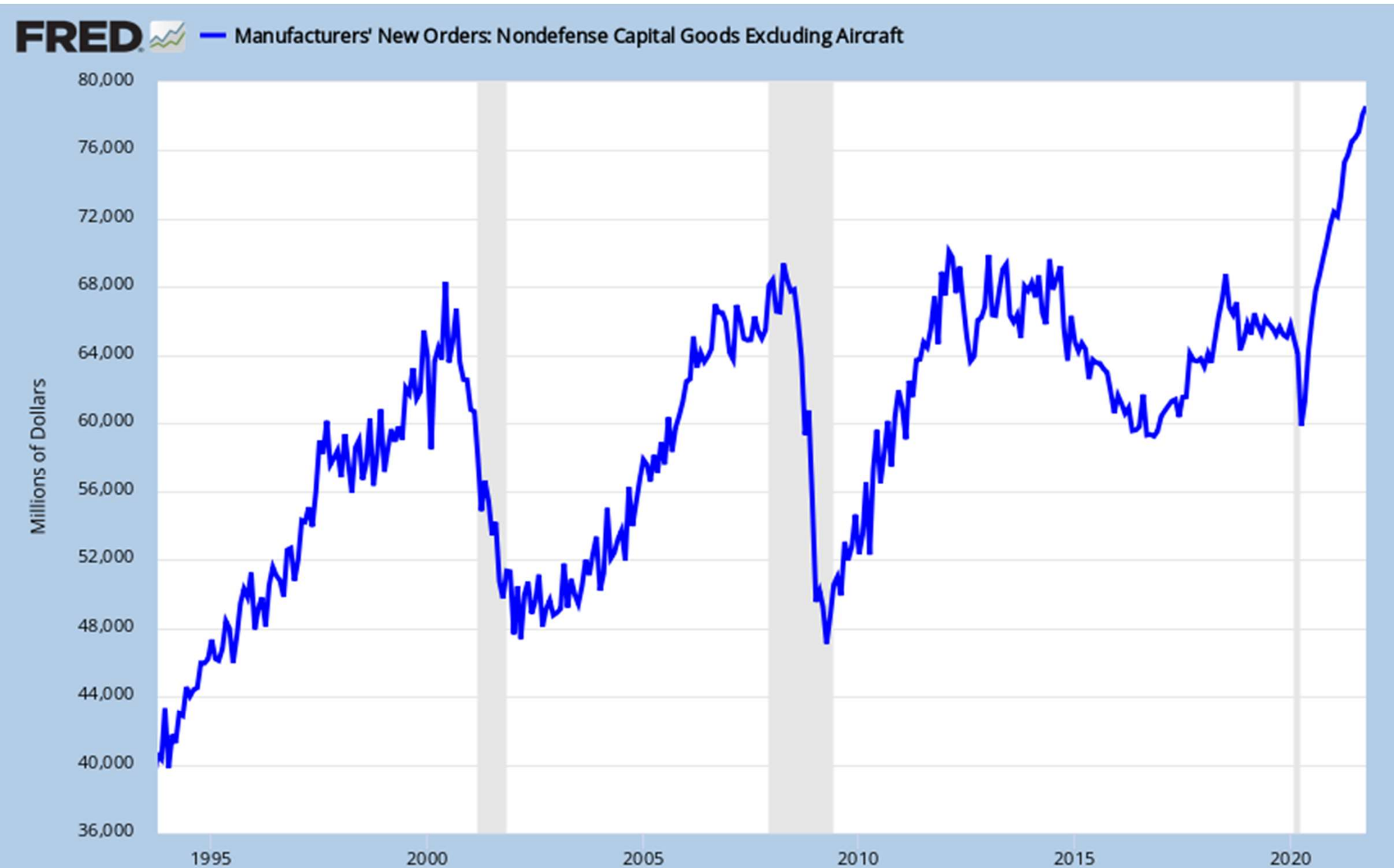


Source: Board of Governors of the Federal Reserve System (US)

myf.red/g/IXu2

Capital Goods Orders Are Superb

Despite all the recent trauma orders have more than recovered



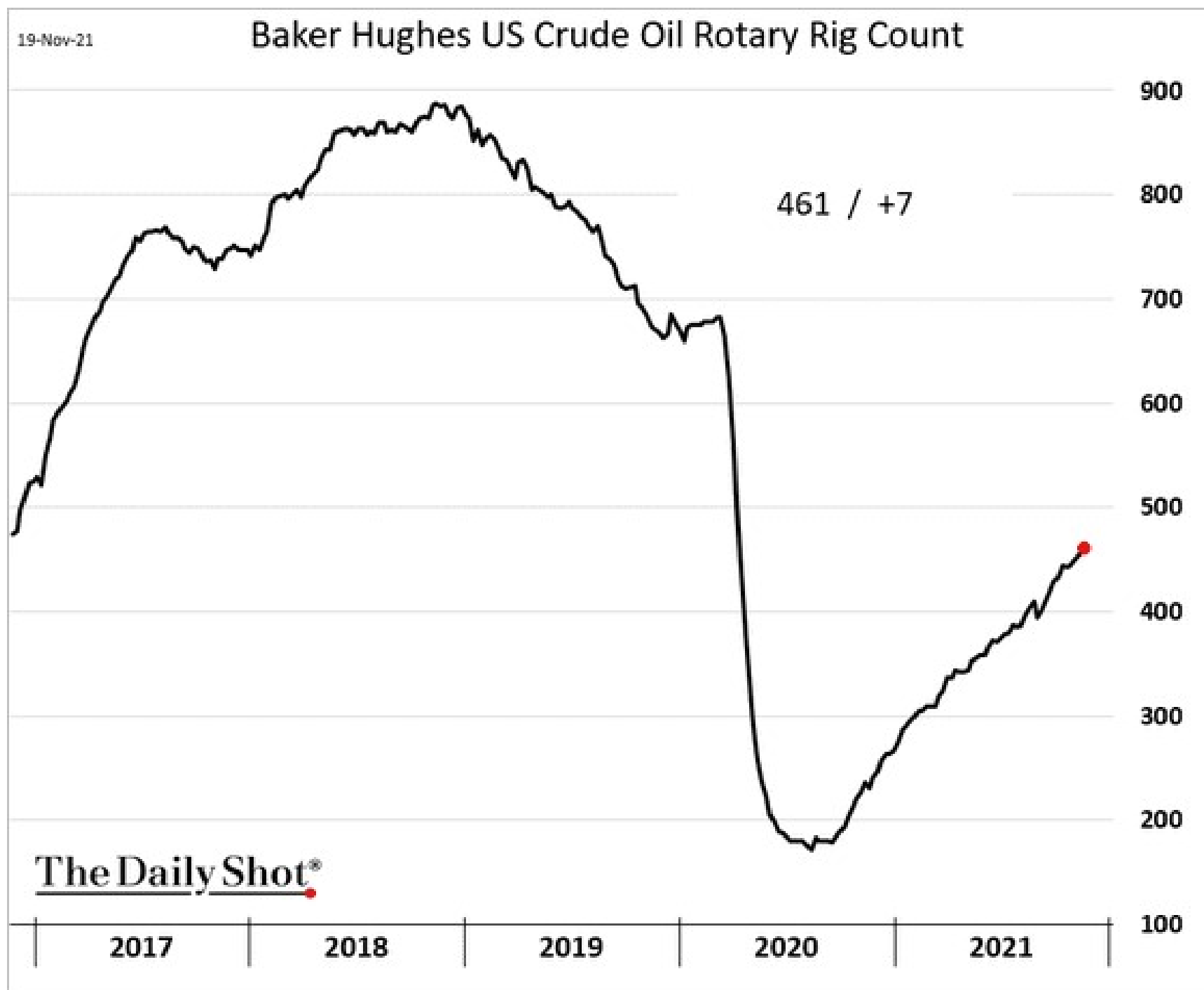
Shaded areas indicate U.S. recessions.

Source: U.S. Census Bureau

myf.red/g/jfly

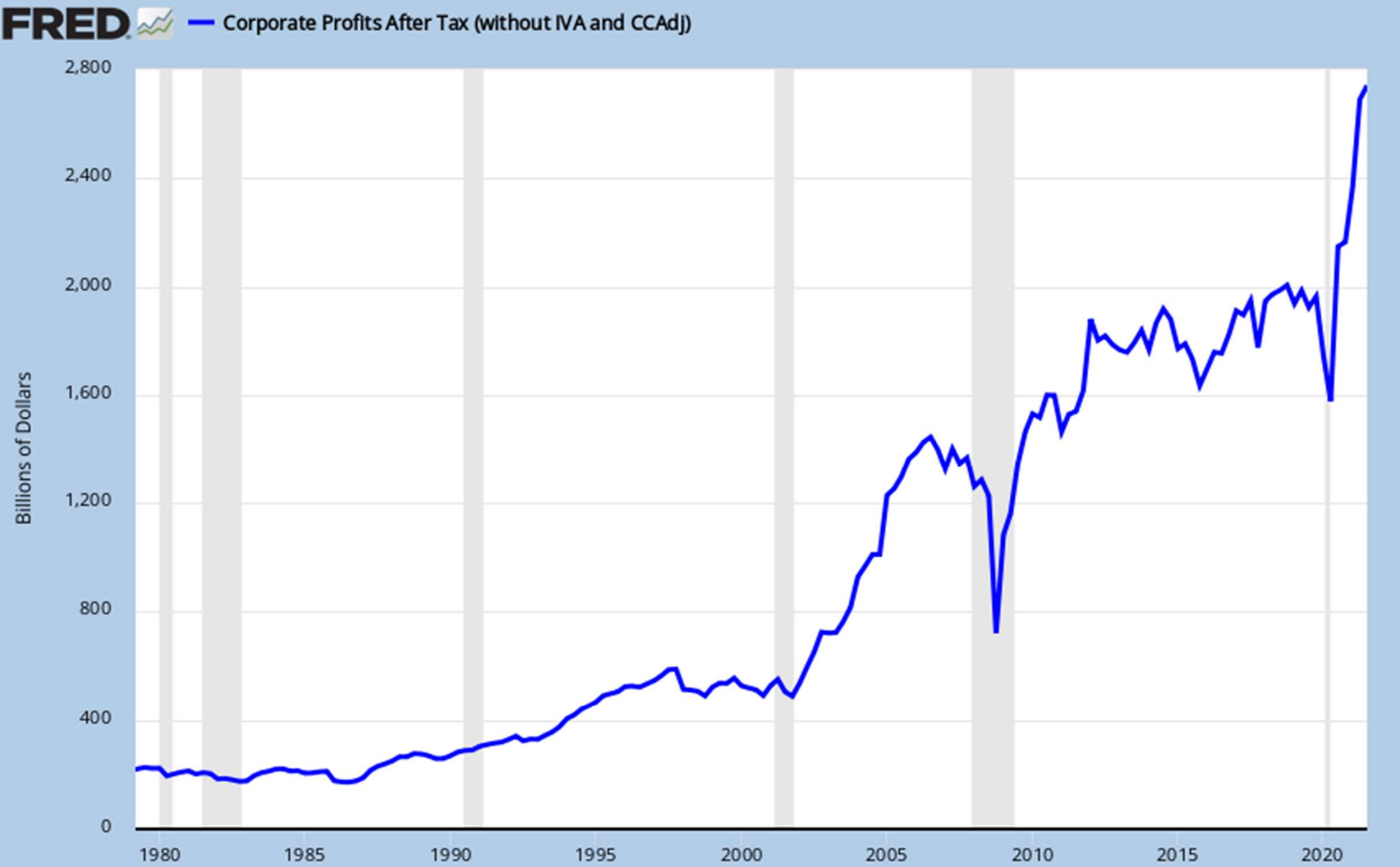
US Rig Counts Continue Rising

Higher prices, low inventories, and improving demand are key



Corporate Profits Skyrocket

Corporate profits are at highest nominal level ever



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

myf.red/g/JfkU

Share Buybacks Jump

Up by over 200% over 2020

Exhibit 3: YTD buyback authorizations are over \$1 trillion
as of October 29, 2021

Posted on
The Daily Shot

08-Nov-2021

@Schoolbook



Source: Goldman Sachs Global Markets Division, Goldman Sachs Global Investment Research

29 October 2021

The Stock Market Is Doing Well

Despite numerous stressors



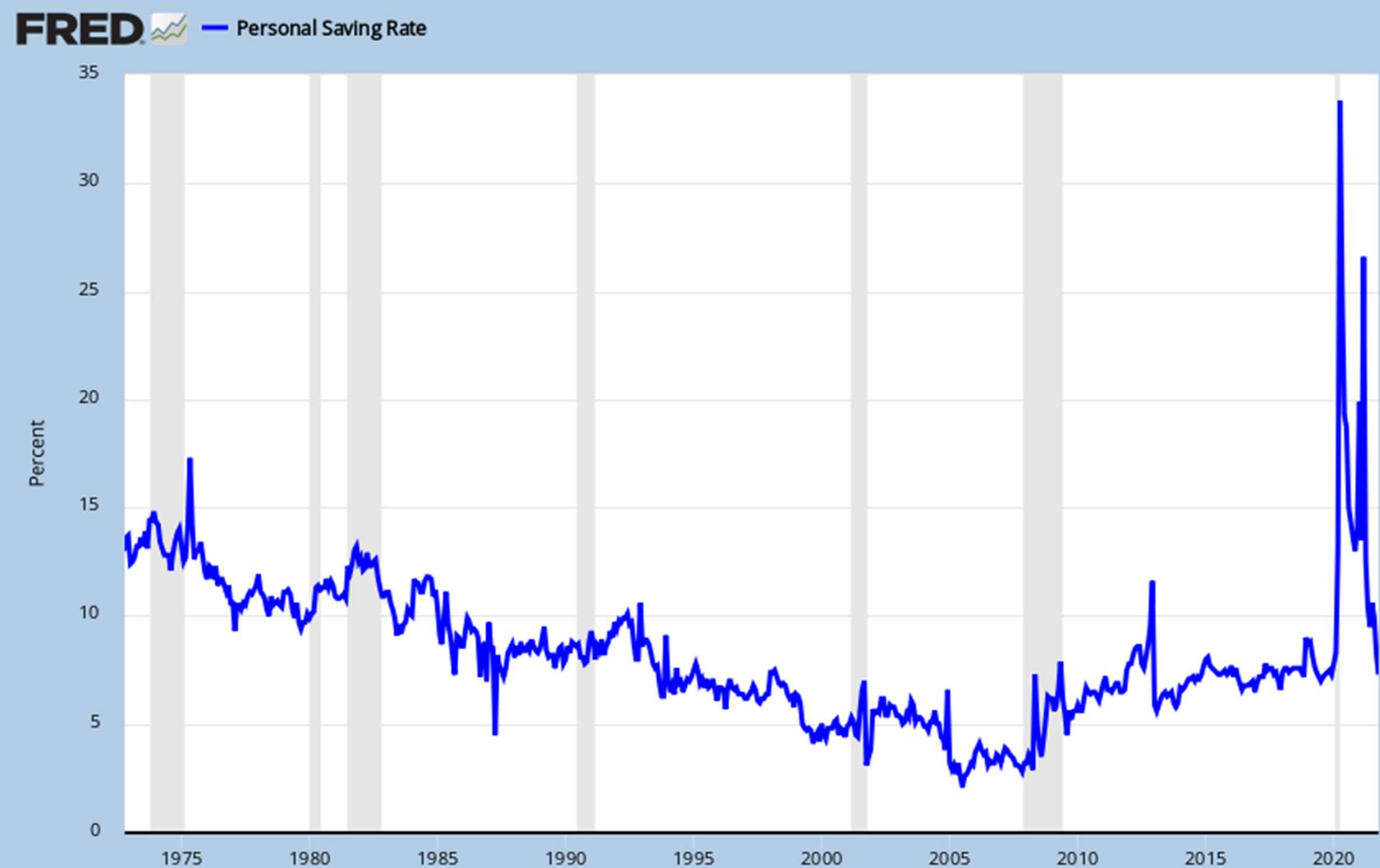
Shaded areas indicate U.S. recessions.

Source: S&P Dow Jones Indices LLC

myf.red/g/J2v5

Household Savings Rates

They are normalizing as enhanced UI benefits end and fiscal stimulus fades



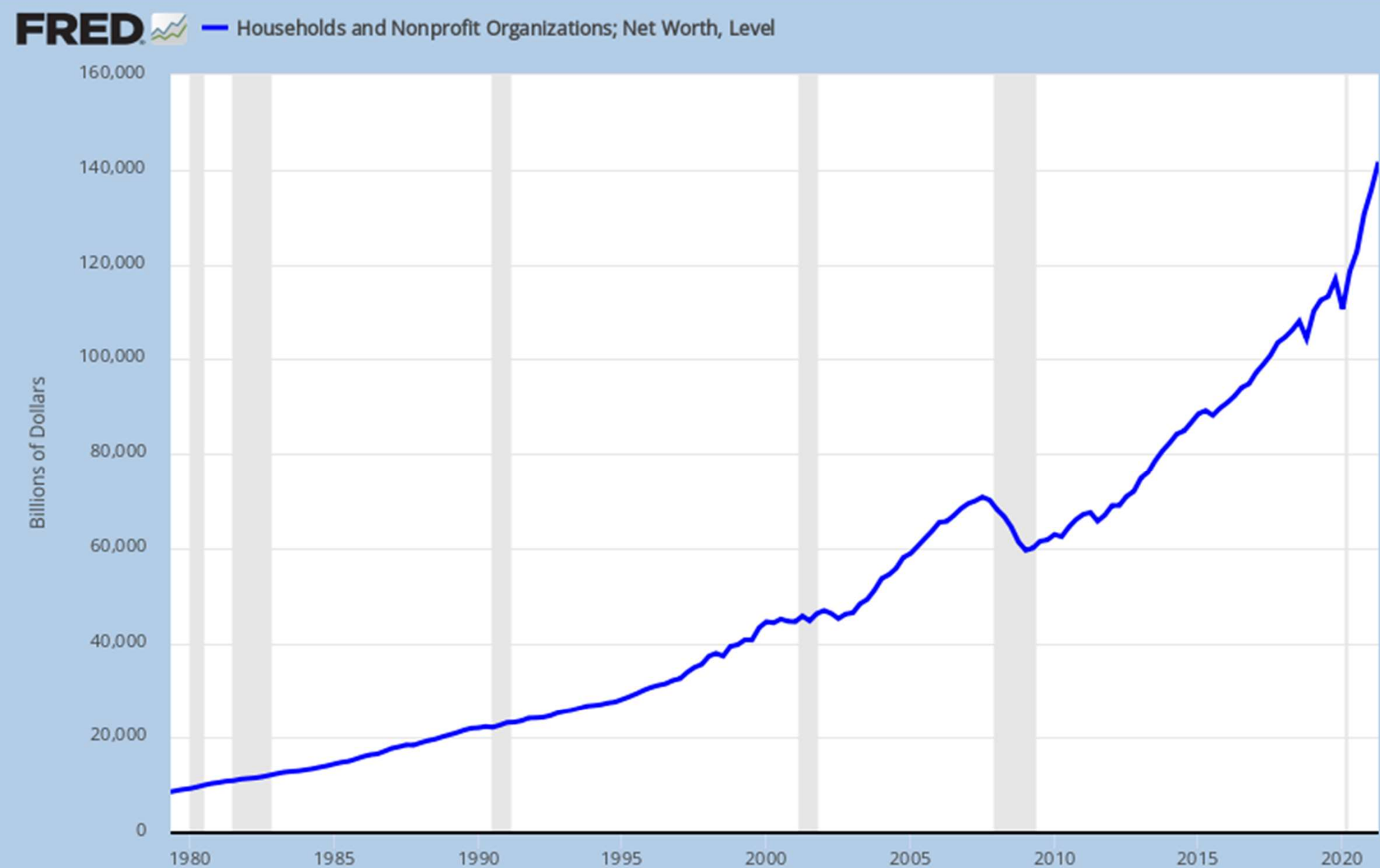
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

myf.red/g/jfm8

Household Balance Sheets Recover Quickly

Trillions in net worth recovered; at a new record level



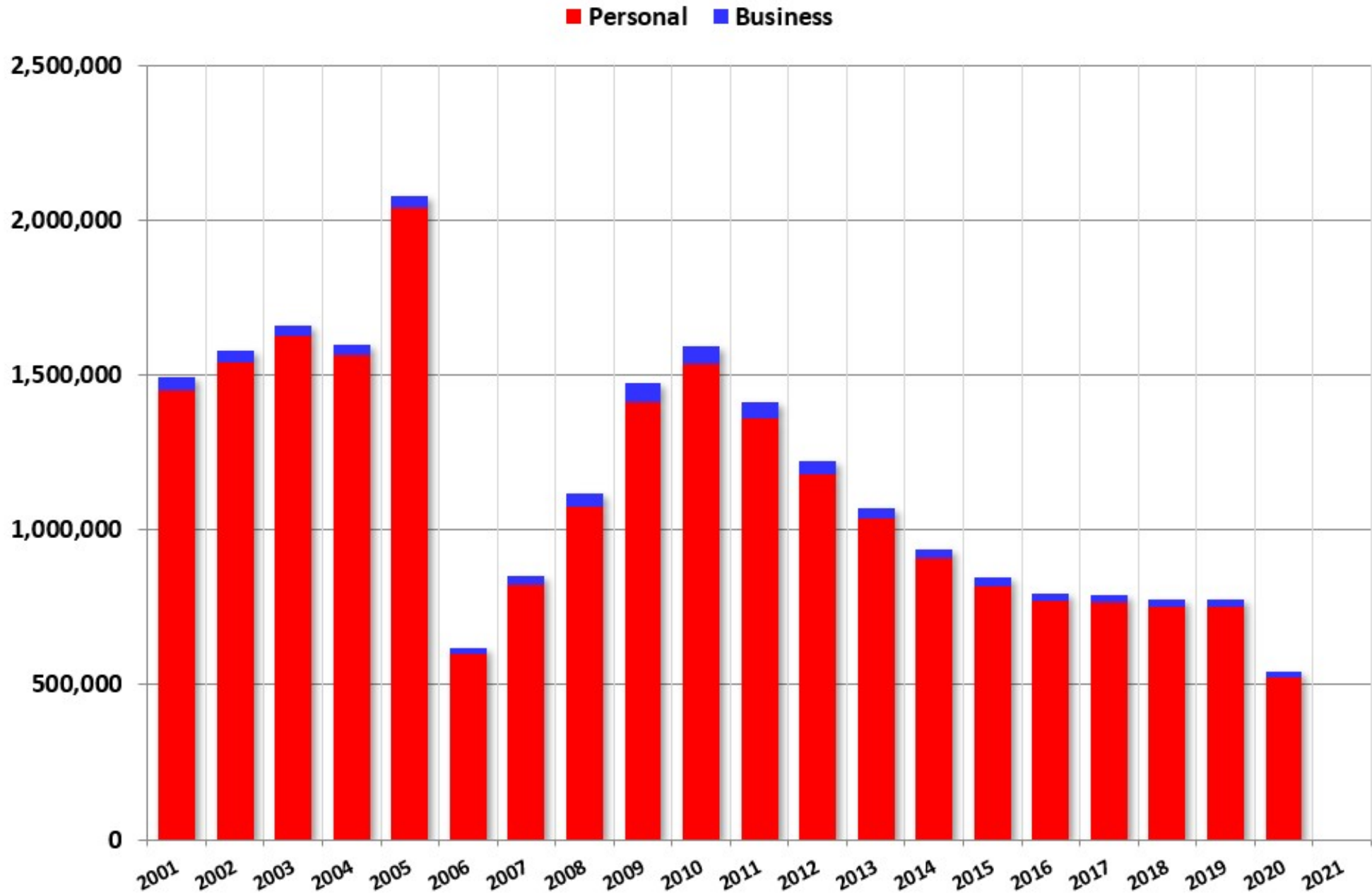
Source: Board of Governors of the Federal Reserve System (US)

myf.red/g/H299

Household and Business Bankruptcies are Low

A rebound in 2021 is unlikely despite end of programs

Bankruptcy Filings per Calendar Year



Fiscal Policy is Very Stimulative

We are still enjoying some fiscal stimulus

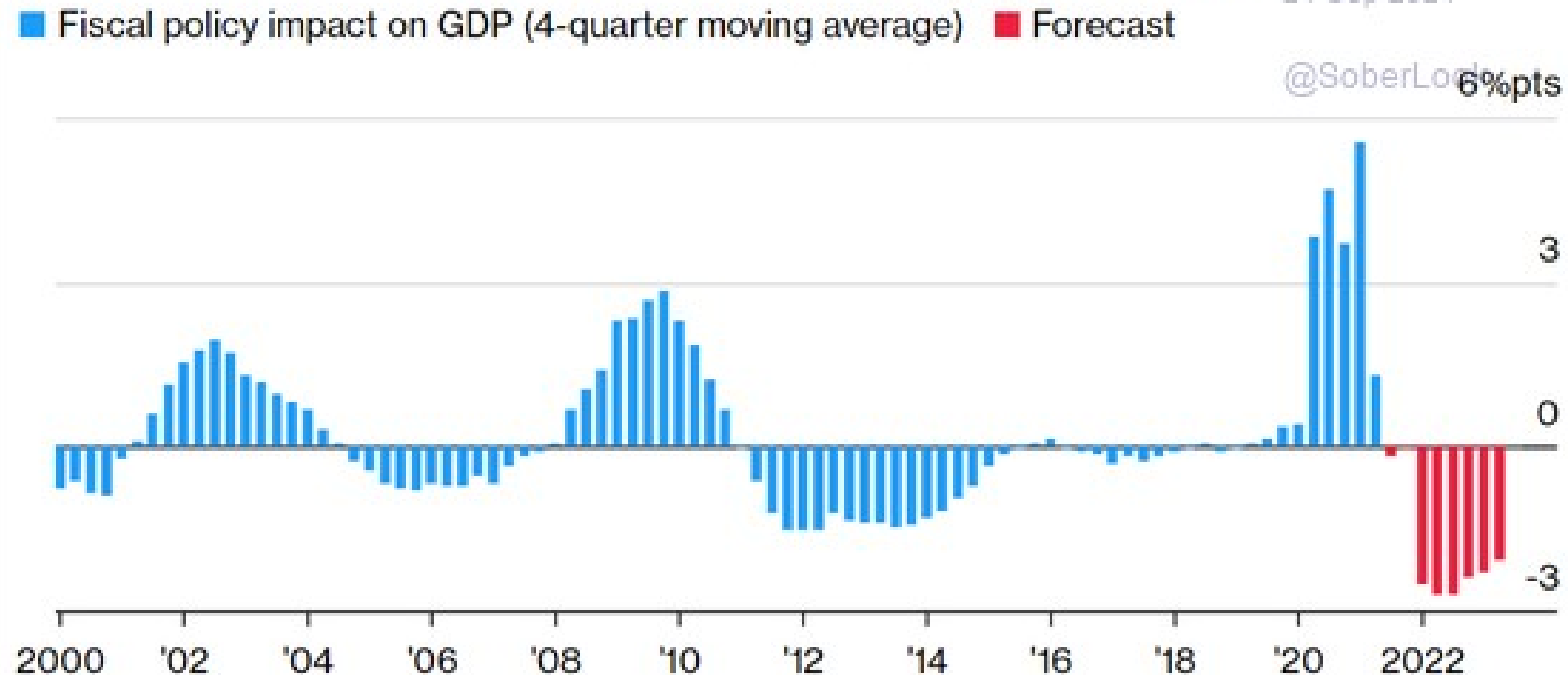
Becoming a Drag

The U.S. government spent historic sums to support the economy in the pandemic. Its withdrawal will create an unusually big fiscal cliff

Posted on
The Daily Shot

21-Sep-2021

@SoberLook 6%pts

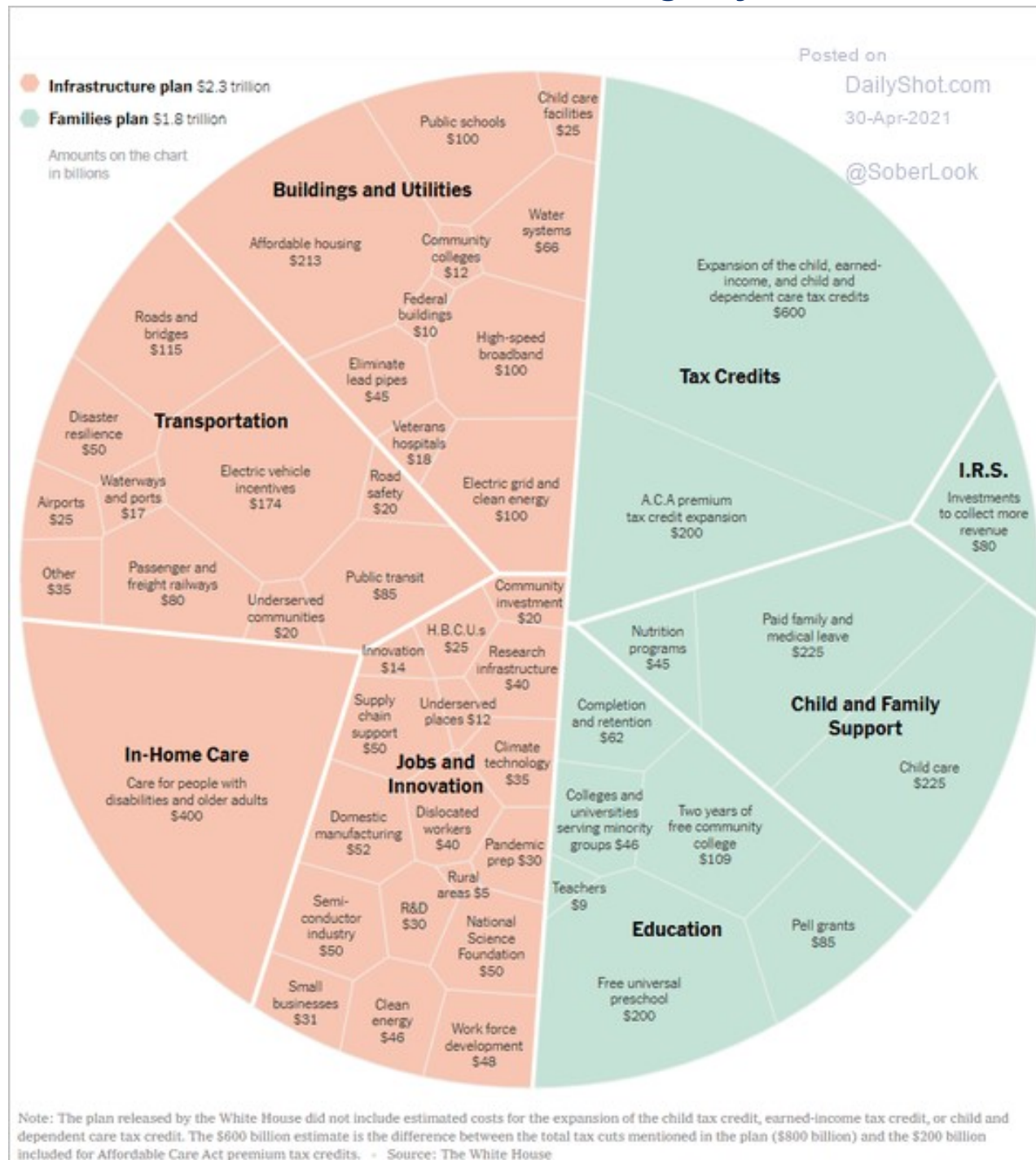


Source: Hutchins Center on Fiscal and Monetary Policy, Brookings Institution

Note: Figures include budgets of federal, state and local governments.

Biden's \$4 Trillion Family & Jobs Plans

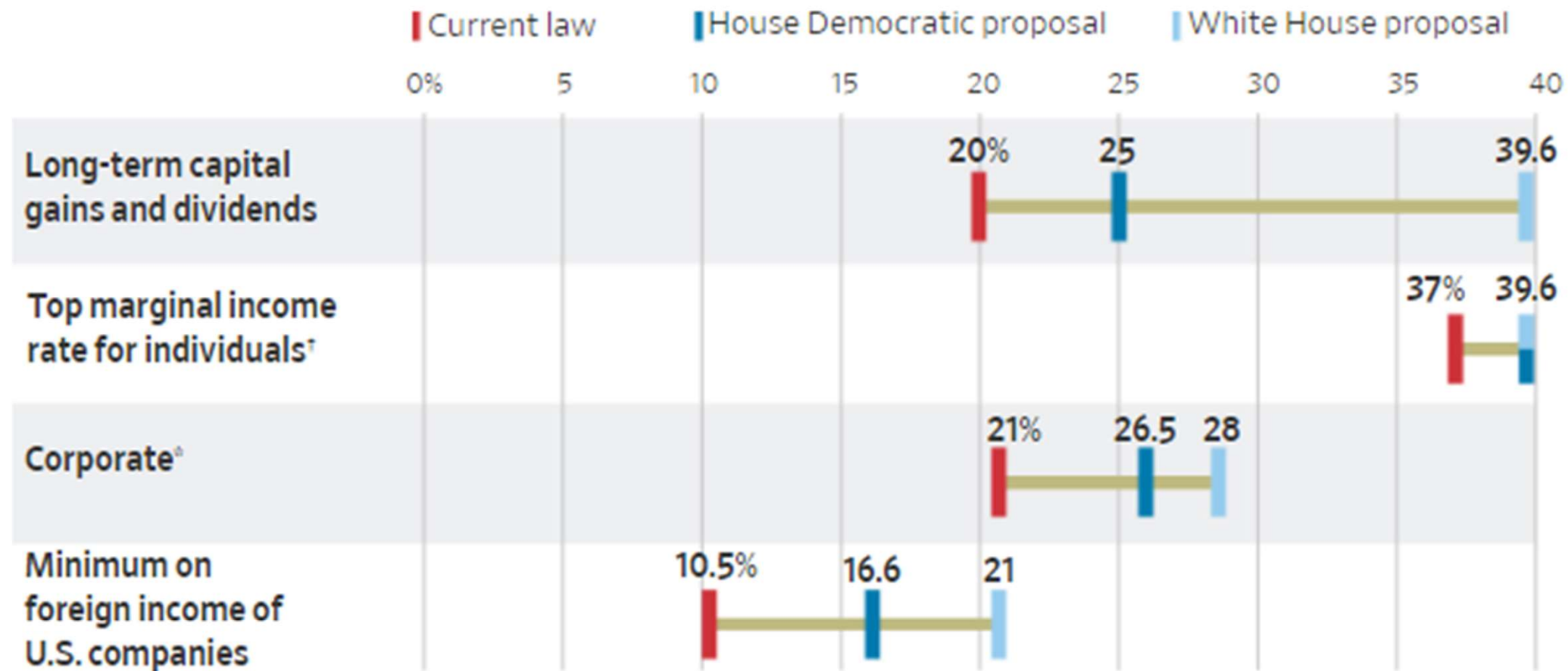
How much will the bills change by the end?



Democratic Tax Proposals

Support must be virtually unanimous

Current and proposed tax rates



*Rate structure provides for a rate of 18 percent on the first \$400,000 of income; 21 percent on income up to \$5 million, and a rate of 26.5% on income thereafter. *Doesn't include a separate 3.8% tax on top earners and a separate proposed Ways and Means Committee 3% surtax above \$5 million

Source: House Ways and Means Committee

Global Growth in 2022 & 2023

Growth slows but remains quite elevated in developed nations

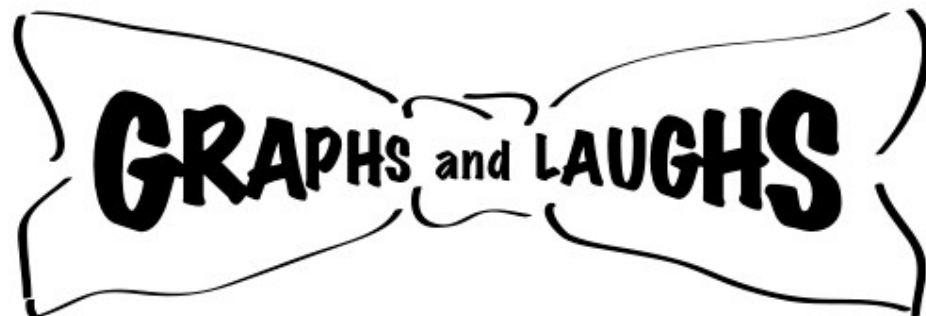
Exhibit 2: Another Strong Year Coming in 2022

Real GDP Growth								
Percent Change yoy	2020	2021		2022 (P)		2023 (P)		Potential
		GS	Consensus	GS	Consensus	GS	Consensus	GS
US	-3.4	5.5	5.7	3.9	4.0	2.1	2.4	1.8
Euro Area	-6.5	5.2	5.1	4.4	4.3	2.4	2.1	1.1
Germany	-4.9	2.9	2.8	4.0	4.3	2.4	2.0	1.4
France	-8.0	6.9	6.3	4.5	4.0	2.4	2.2	1.1
Italy	-9.0	6.4	6.1	4.5	4.3	2.1	1.9	0.6
Spain	-10.8	4.5	5.5	6.5	5.8	3.9	3.1	1.2
Japan	-4.6	2.3	2.4	2.8	2.6	1.6	1.3	1.0
UK	-9.7	7.1	7.0	5.3	5.0	2.3	2.0	1.4
Canada	-5.3	4.8	5.0	4.0	4.0	3.1	2.4	1.8
China	2.3	7.8	8.1	4.8	5.5	4.6	5.4	5.0
India	-7.0	8.0	8.0	9.1	7.8	6.4	6.5	6.0
Brazil	-4.1	4.9	5.0	0.8	1.8	2.2	2.3	1.9
Russia	-2.9	4.4	4.3	3.1	2.5	2.9	2.1	2.1
World	-3.2	5.9	6.0	4.5	4.5	3.4	3.6	3.1

Note: All forecasts calculated on calendar year basis. 2021-2023 are GS forecasts. Potential growth estimates are for 2022, based on our supply-side model and exclude scarring. IMF forecasts used for India 2023 consensus when quarters not available in Bloomberg.

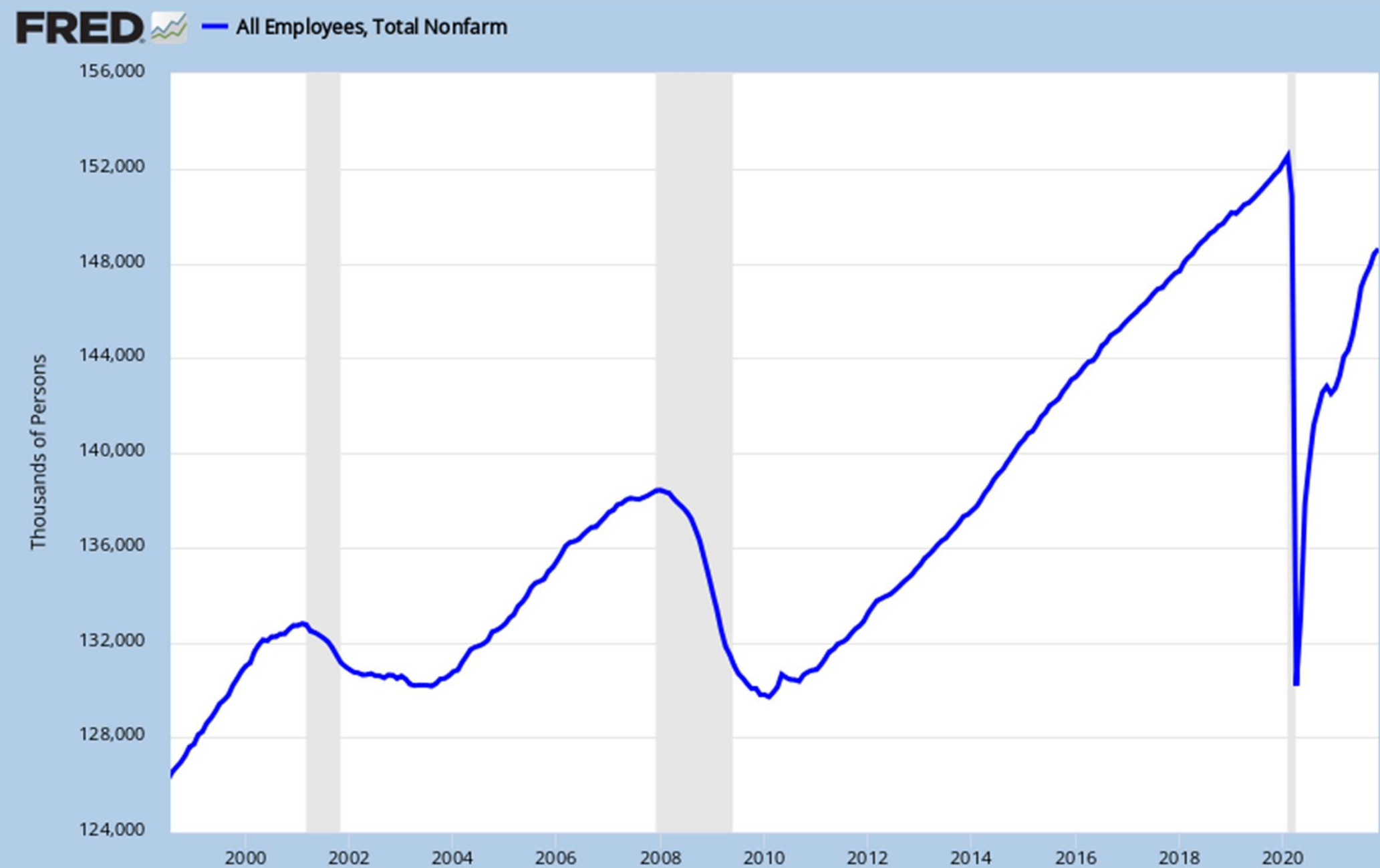
Labor Markets:

They Were Tight and
They are Again



Historical Job Totals

The employment Level. It's now down by 3.9 million



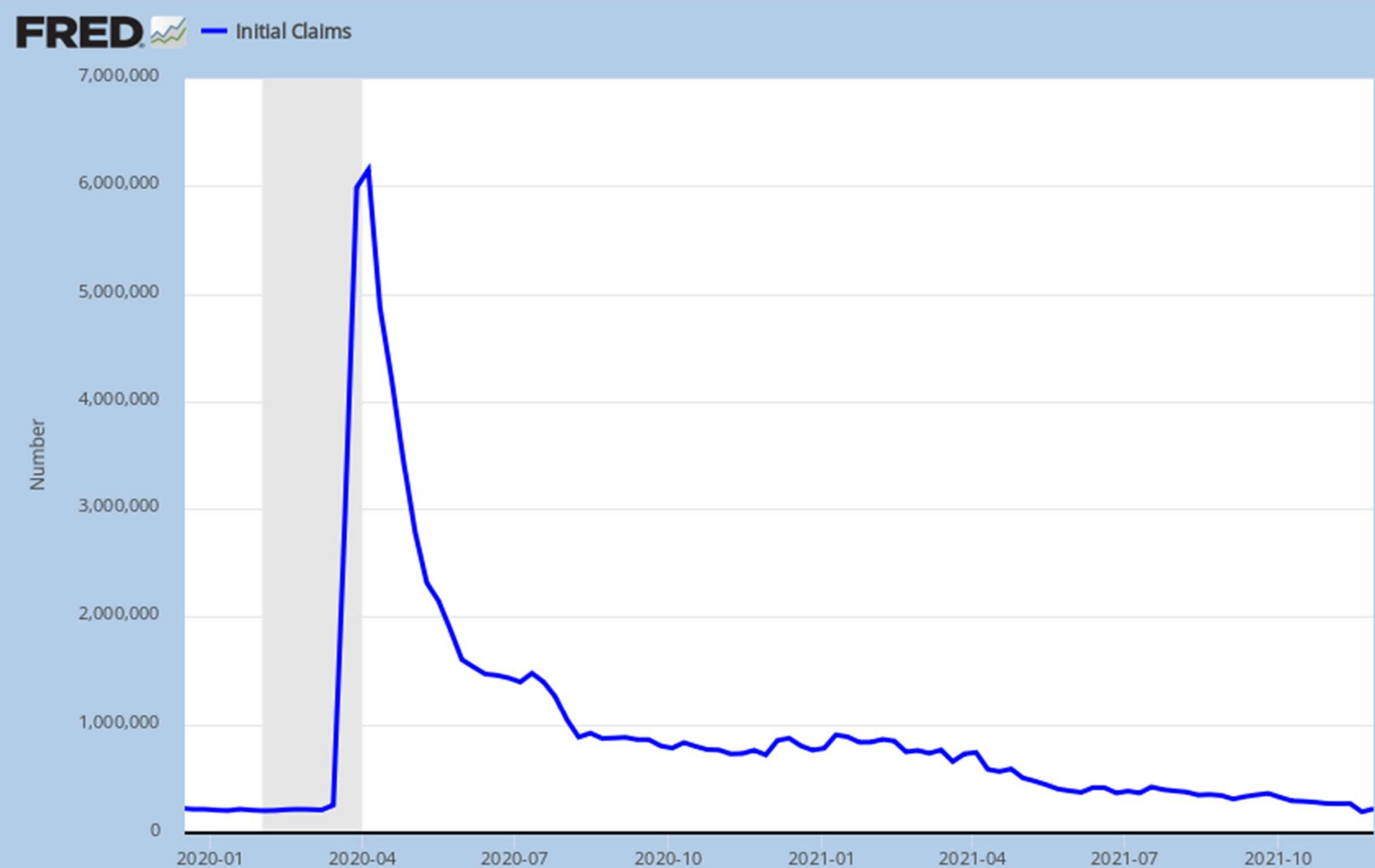
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

myf.red/g/jvsB

Involuntary Separations Are Getting Very Low

Trend shows steady improvement

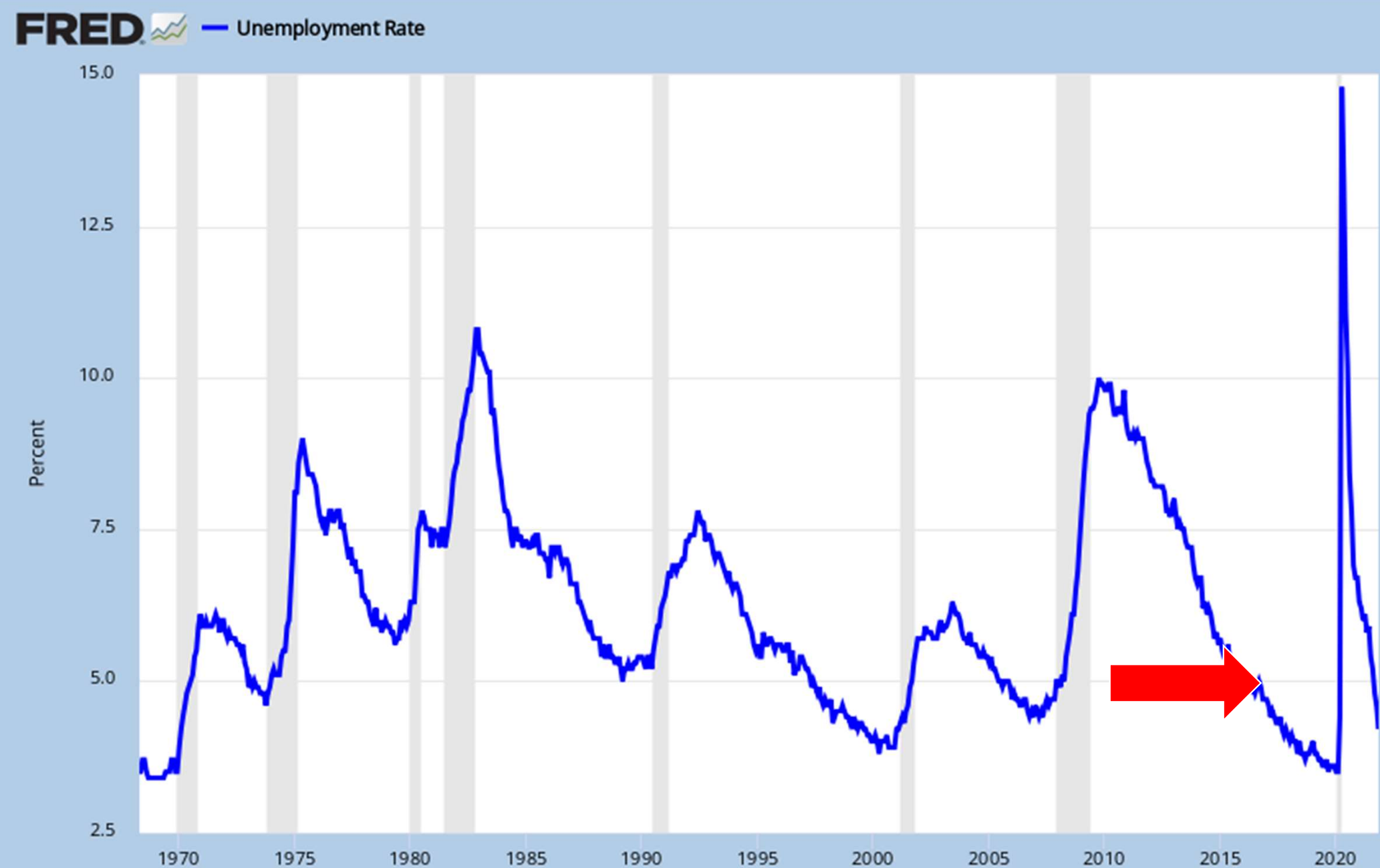


Source: U.S. Employment and Training Administration

myf.red/g/JrPt

The Unemployment Rate is Way Down

The decline is not quite as good as it looks



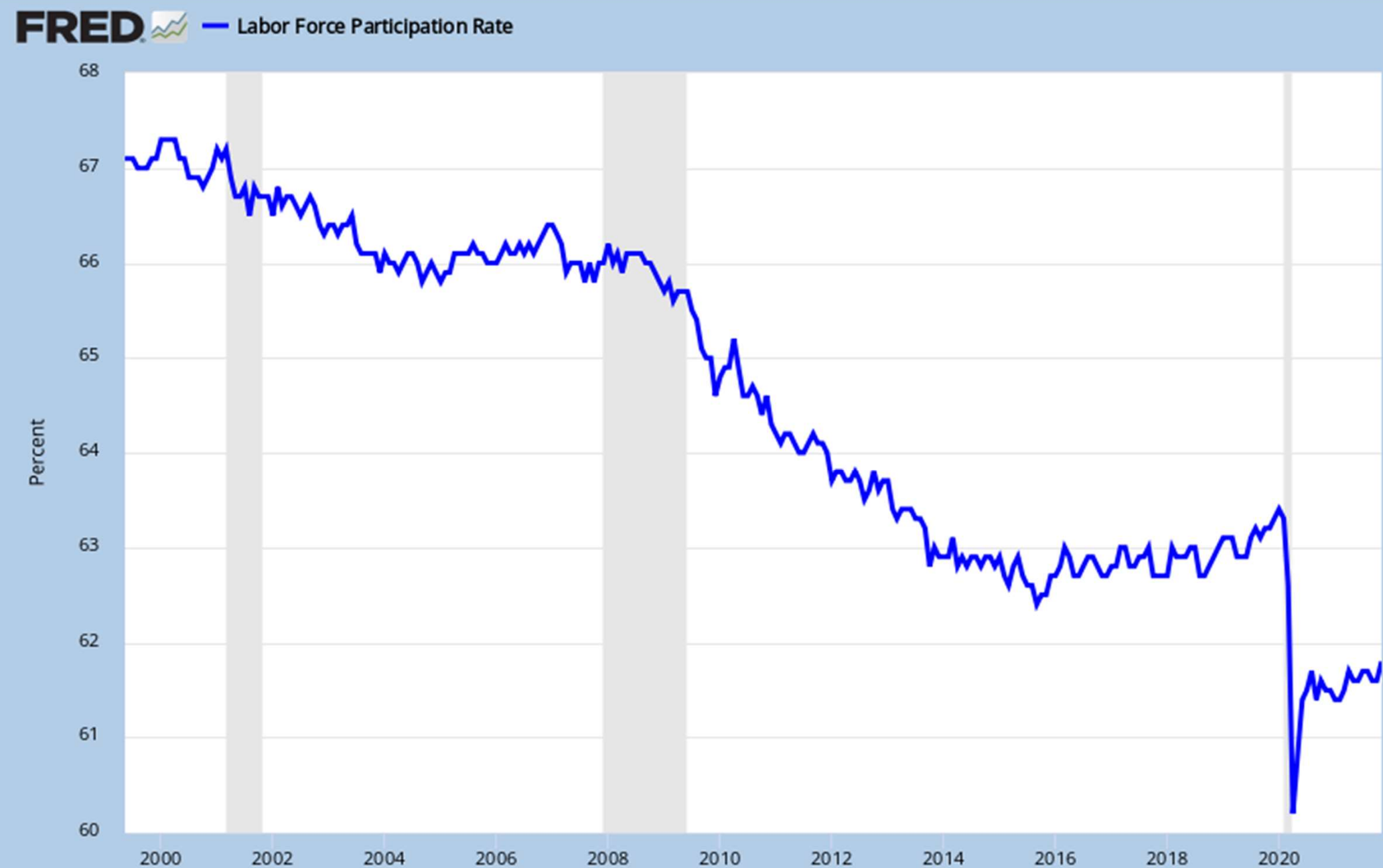
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

myf.red/g/jvsO

It is Now Barely Improving

It must improve, it's imperative



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

myf.red/g/jvsR

Retirements Jump

These persons do not usually return to the labor force

Retirements have picked up, but partly due to lack of retirees returning to the labor market

Posted on

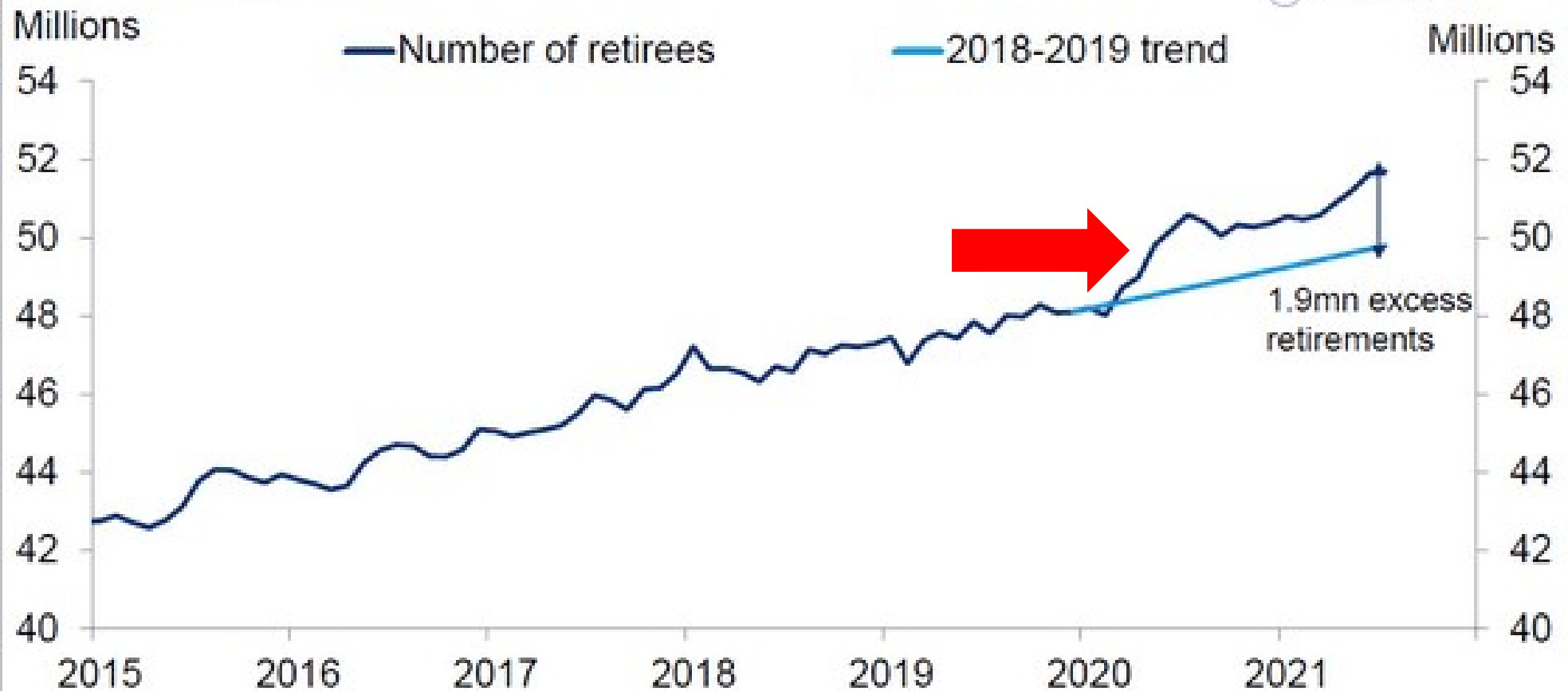
The Daily Star

21-Sep-2021



Number of retirees

@SoberLook



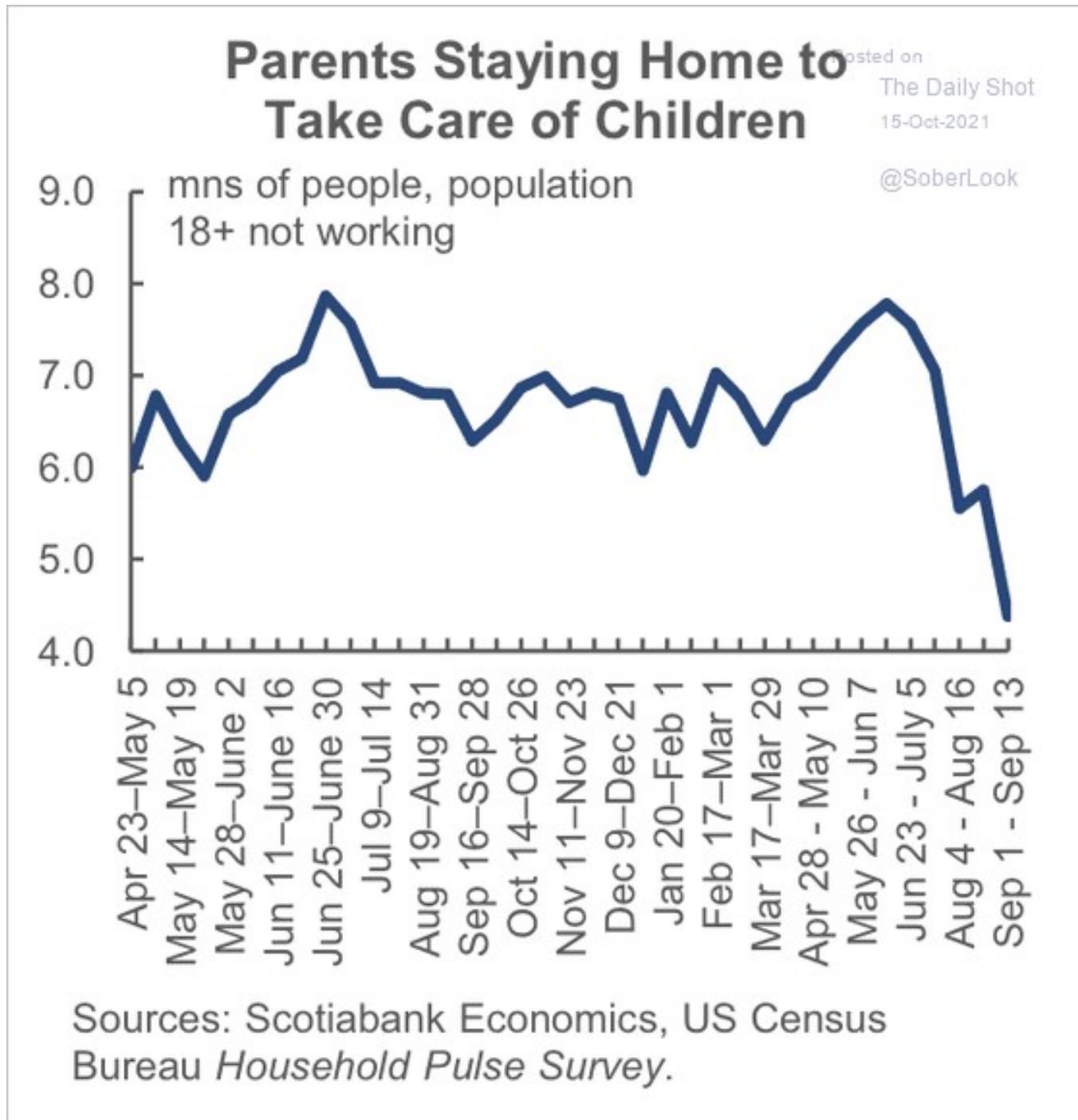
Source: CPS, IPUMS, Deutsche Bank

Deutsche Bank

Luzzetti, Ryan, Weidner

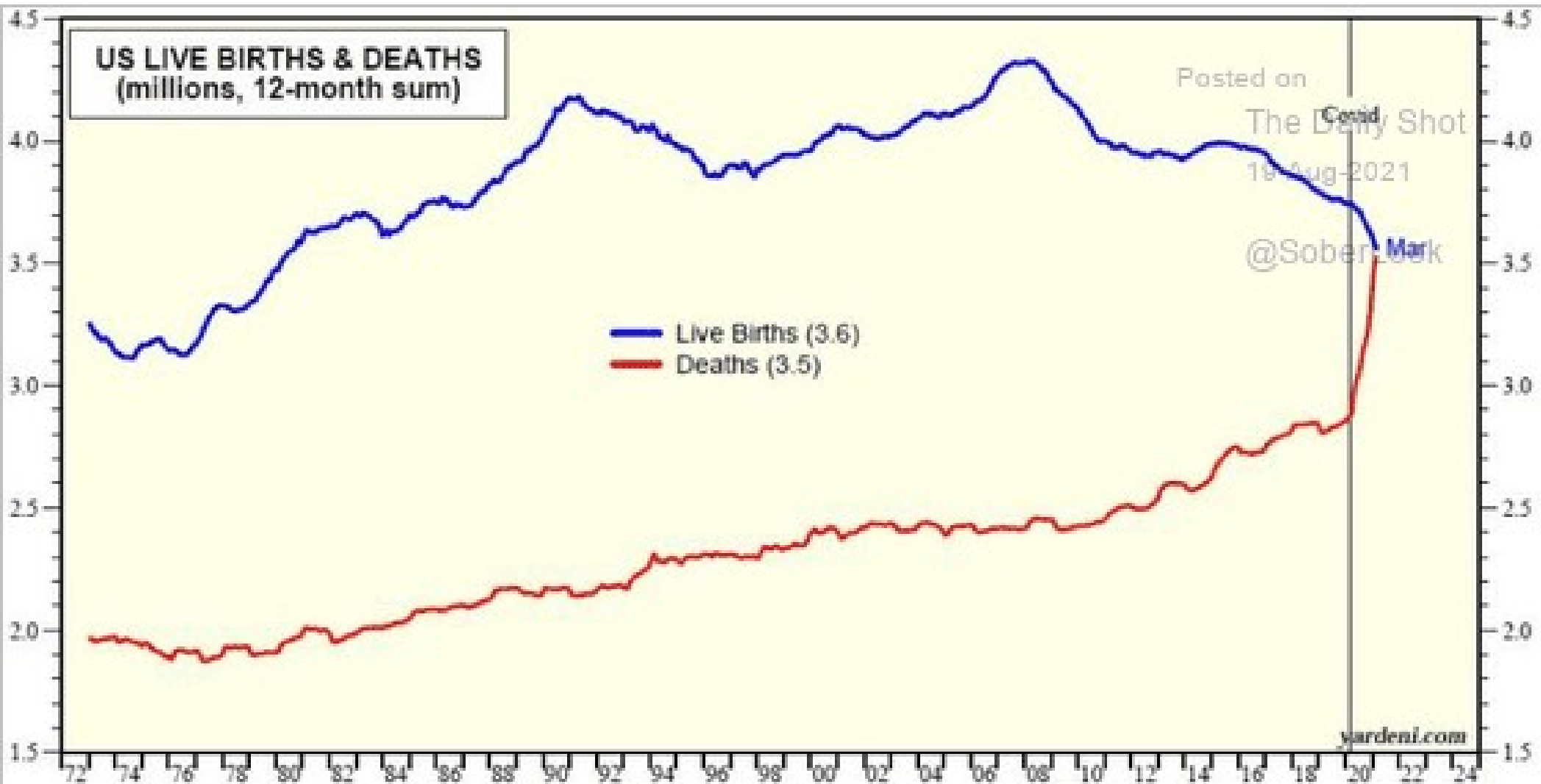
Why Are Persons Not Working?

In-person schooling helps



Births and Deaths in the USA 1972 - Present

Covid has been a disaster

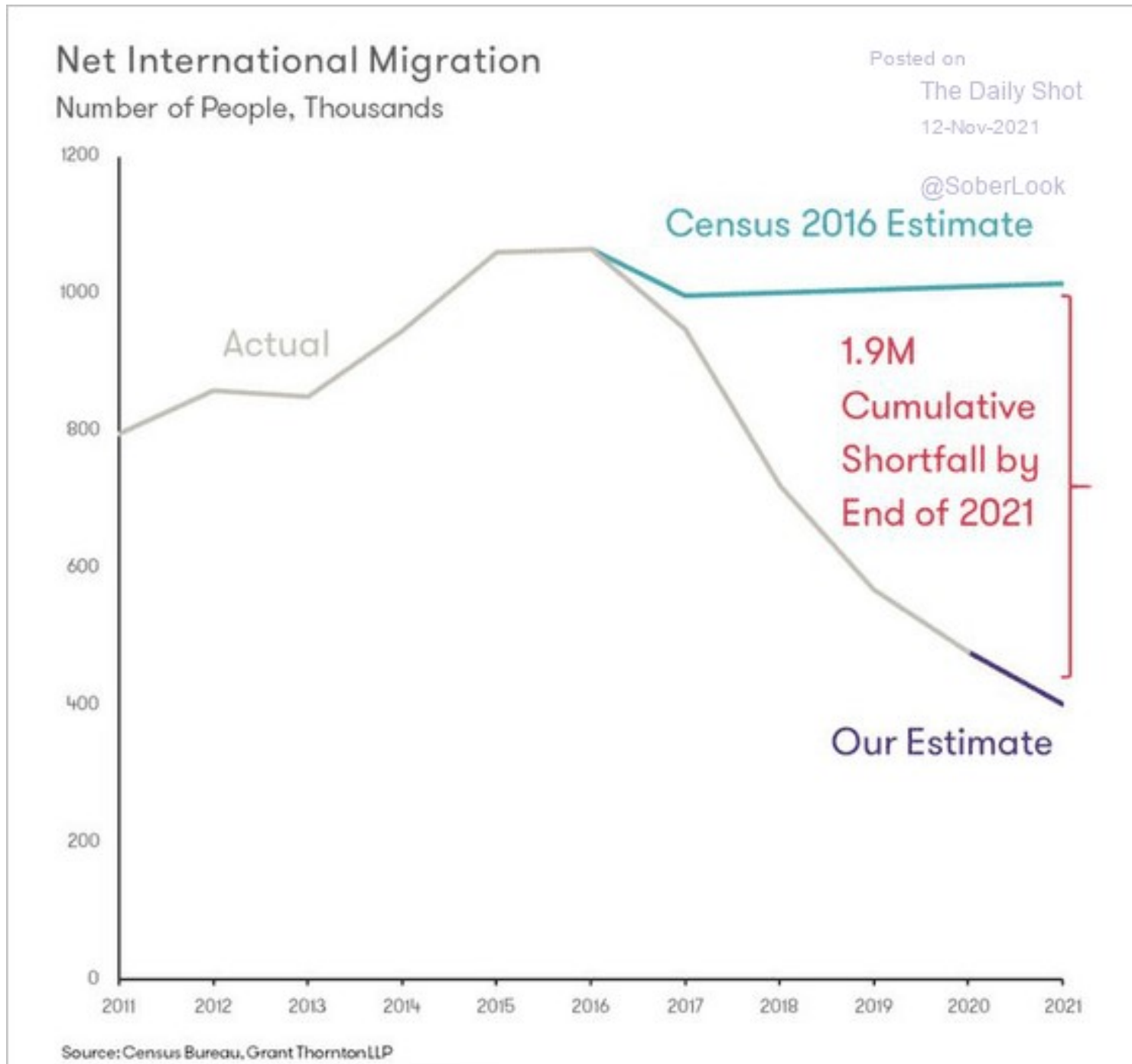


Note: WHO declared global COVID-19 pandemic on 3/11/2020.

Source: US National Center for Health Statistics, Vital Statistics of the United States, and National Vital Statistics report.

Immigration Has Dramatically Fallen

If it rises it will help soften the labor shortage



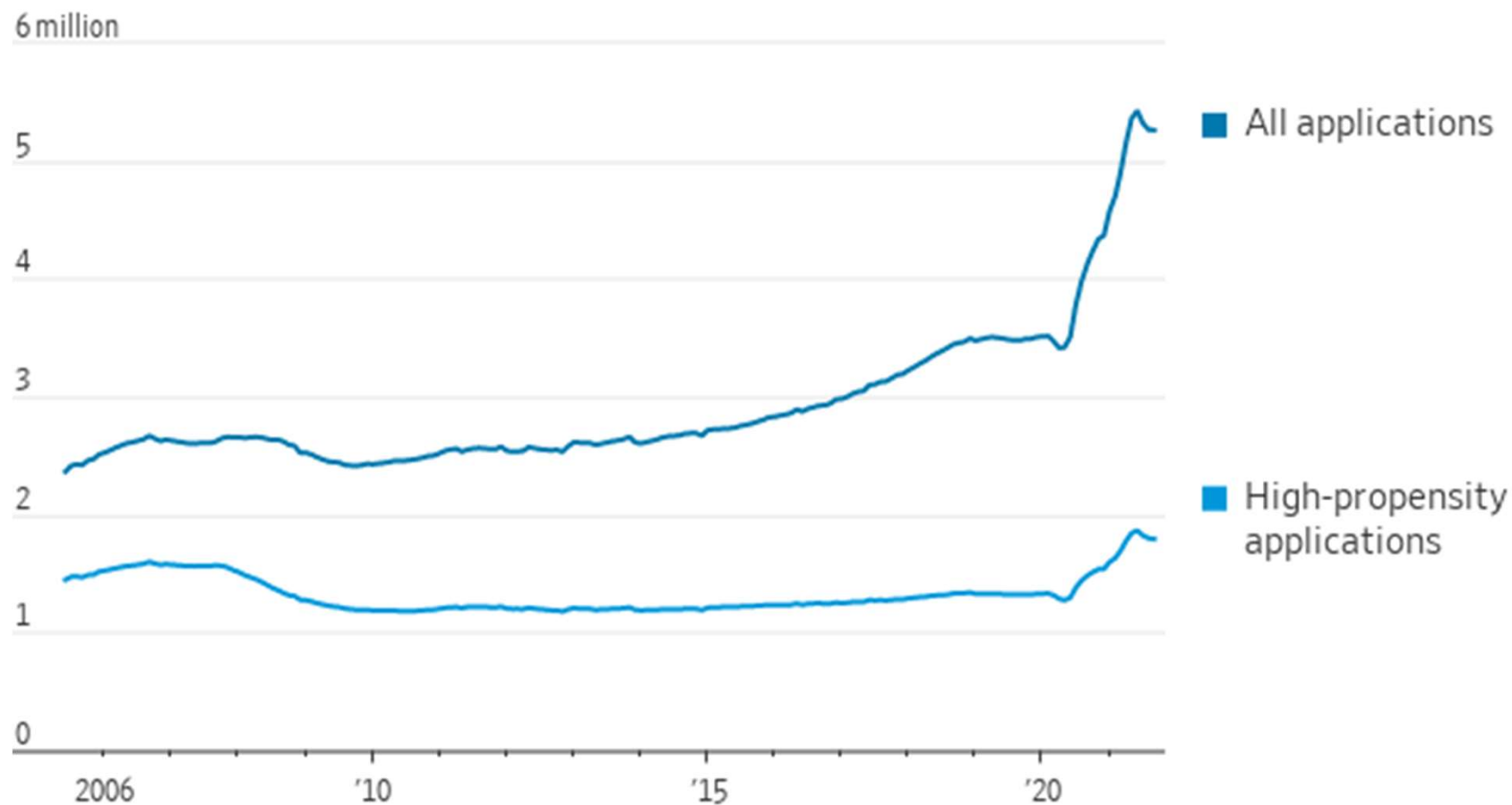
New Firm Creation

It is booming

Start Me Up

Applications to form businesses surged as coronavirus lockdowns lifted, though data suggest more interest in tiny startups rather than operations with a high propensity for hiring workers and paying wages.

U.S. business applications for tax IDs, 12-month rolling sum



Note: Seasonally adjusted

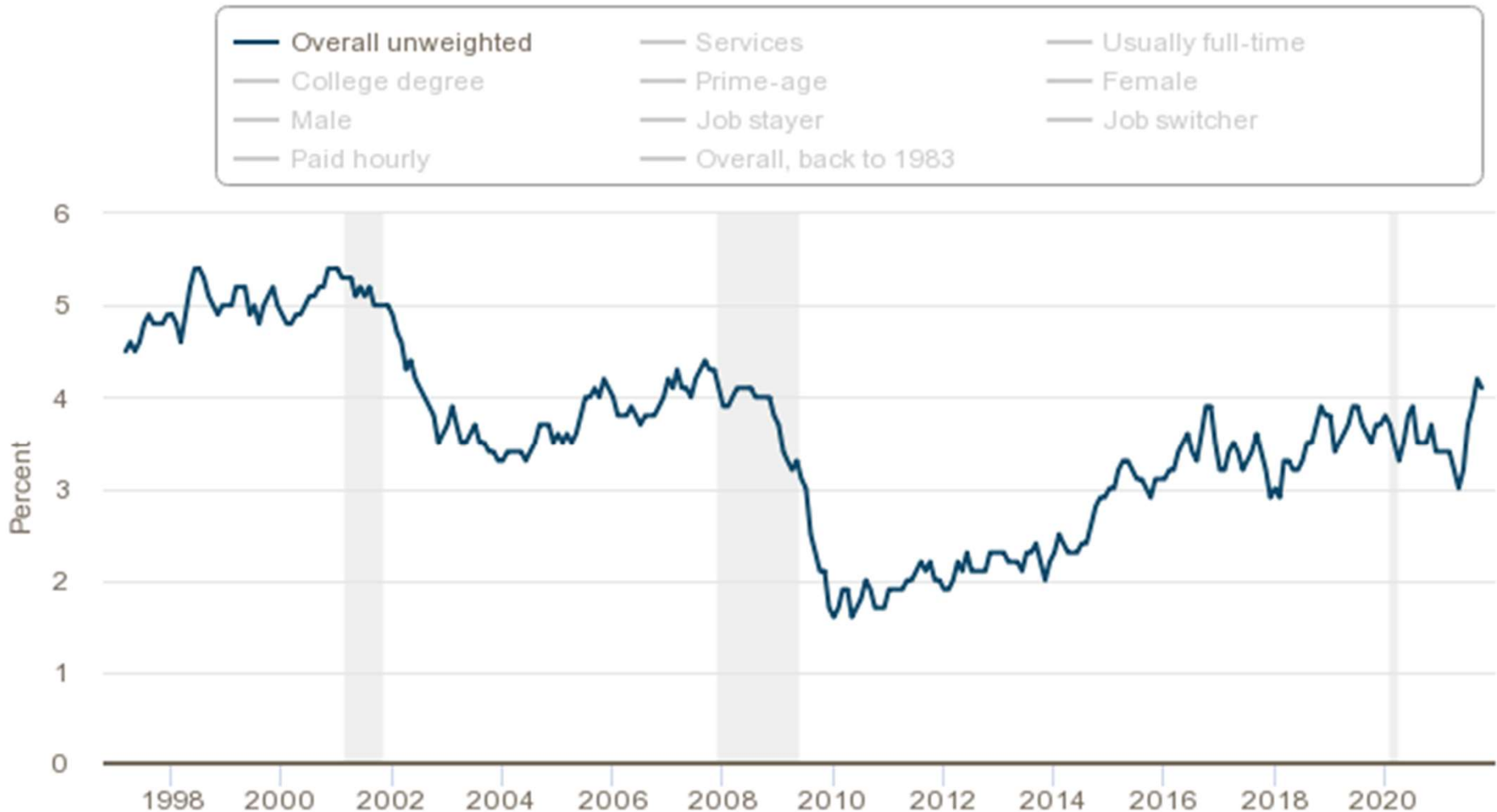
Source: Census Bureau

Changes in Median Wage Growth

Looks only at those continuously employed

Wage Growth Tracker

three-month moving average of median wage growth, hourly data



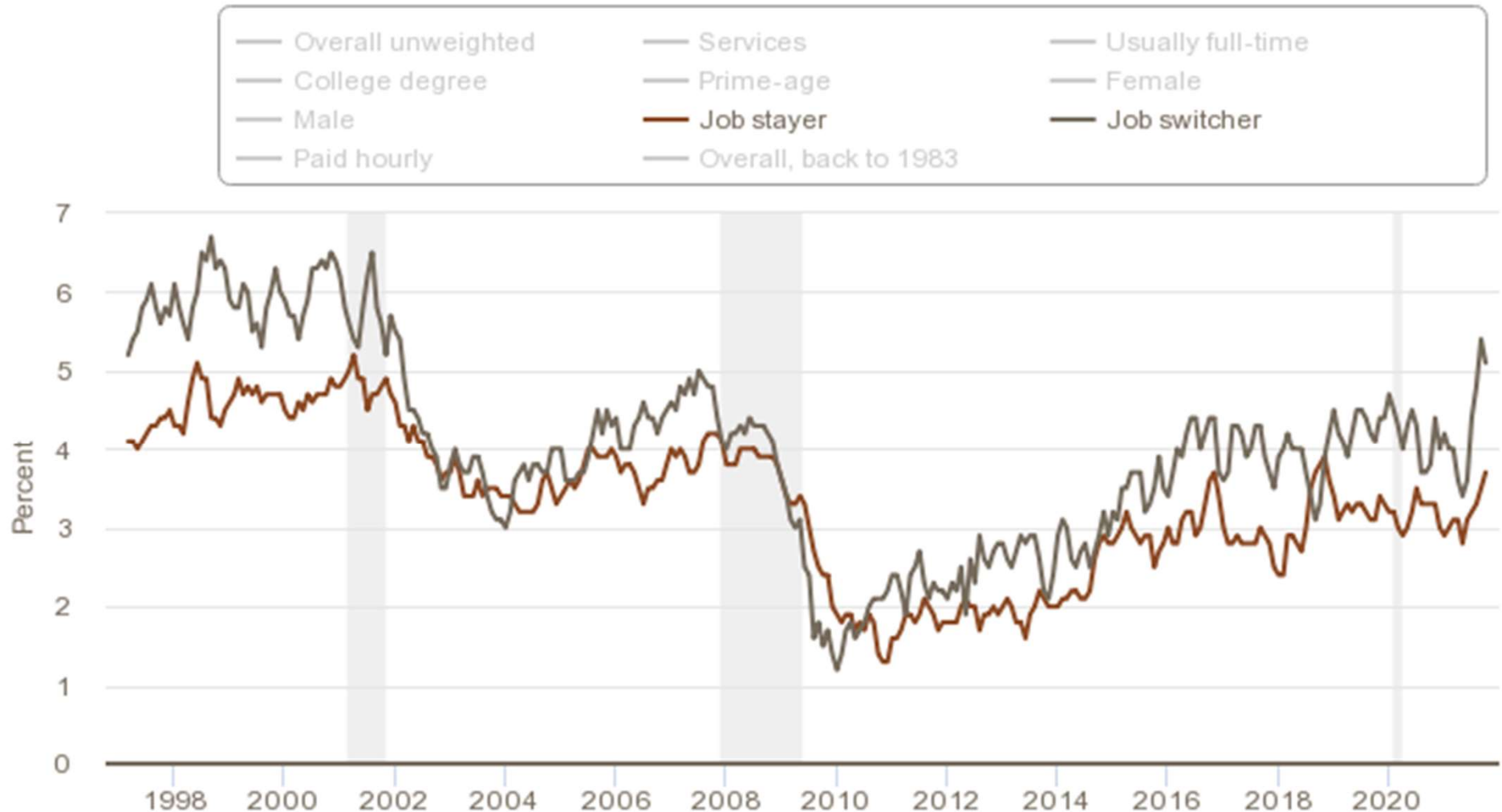
Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations

Median Wage Growth Gap is Growing

Of those continuously full-time employed

Wage Growth Tracker

three-month moving average of median wage growth, hourly data

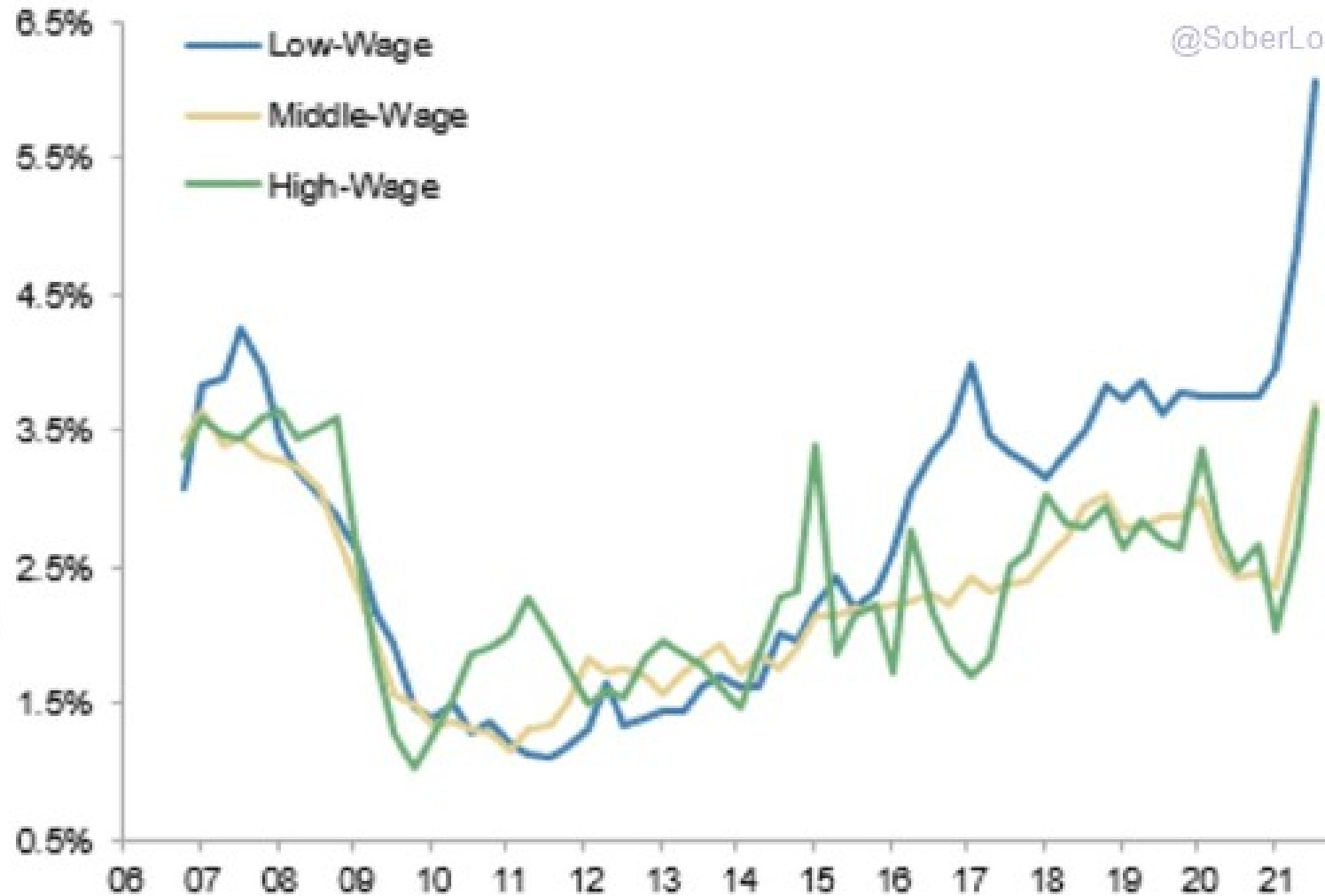


Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations

Why Wage Growth Will Slow

Low-wage sectors are driving pay increases

Core Employment Cost Index by Wage Cohort
% Change - Year-over-Year



Posted on

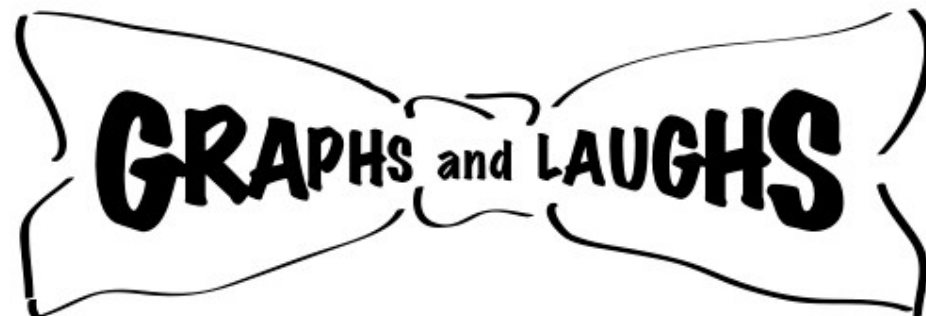
The Daily Shot

01-Nov-2021

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Inflation?

It's Here!

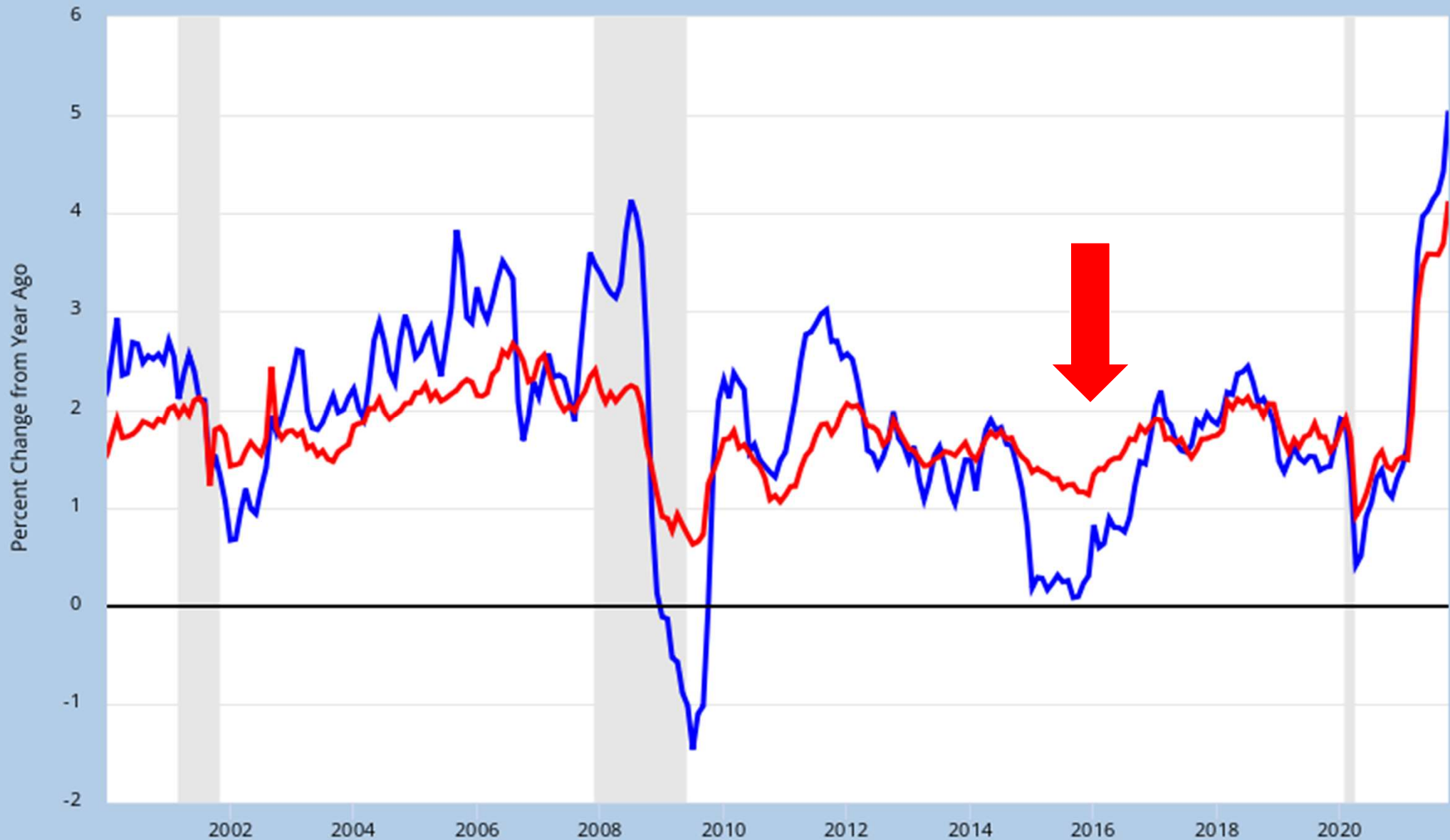


Core PCE Price Index

Focus on core (red) inflation

FRED 

- Personal Consumption Expenditures: Chain-type Price Index
- Personal Consumption Expenditures Excluding Food and Energy (Chain-Type Price Index)



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

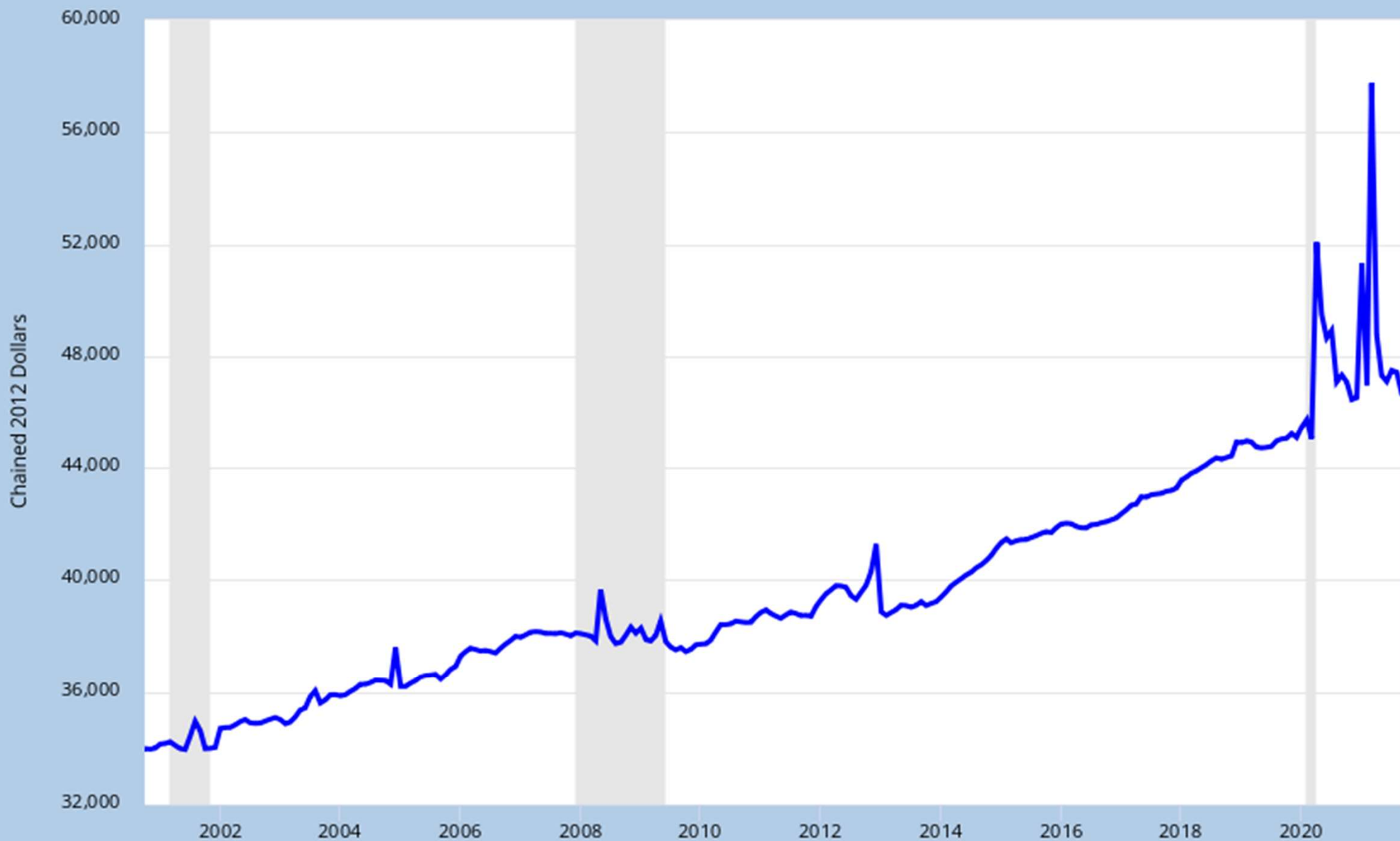
myf.red/g/jfsn

Real Per Capita Disposable Income

A huge jump due to gov't policies, but it declined and will now return to trend

FRED 

— Real Disposable Personal Income: Per Capita



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

myf.red/g/JfsT

Federal Reserve Behavior

Best Case Scenario

- Fed funds is currently 0.125%
- 12/31/21: 0.125% 10-yr Treasury @ 1.70%
- 6/30/22: 0.375% 10-yr Treasury @ 1.90%
- 12/31/22: 0.625% 10-yr Treasury @ 2.10%

The Yield Curve Flattens

Fed rates hikes and slowing growth

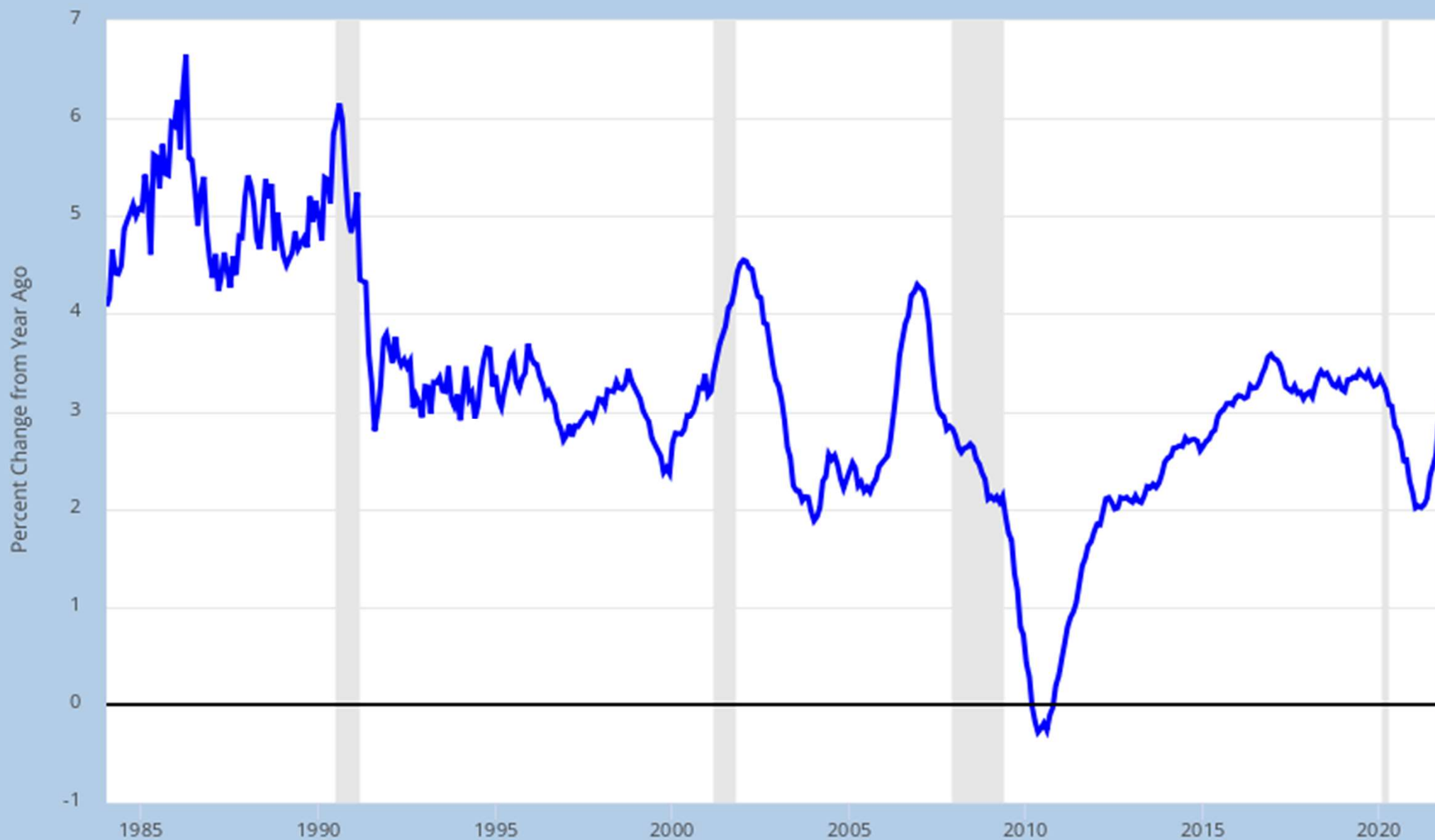


Rents Increases Are Again Rising

This is 3.1% and will feed into inflation

FRED 

— Consumer Price Index for All Urban Consumers: Owners' Equivalent Rent of Residences In U.S. City Average

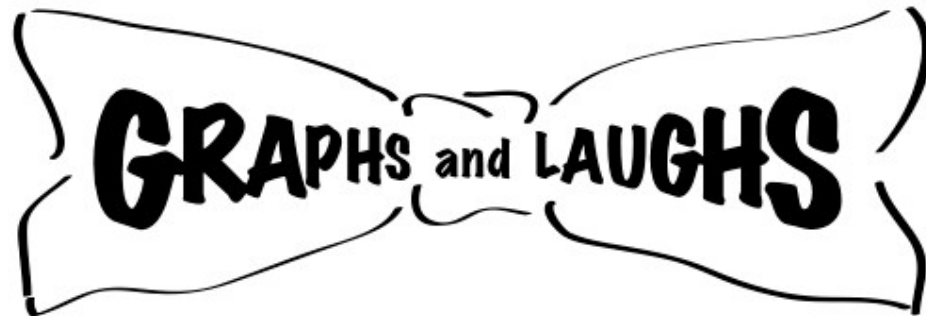


Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

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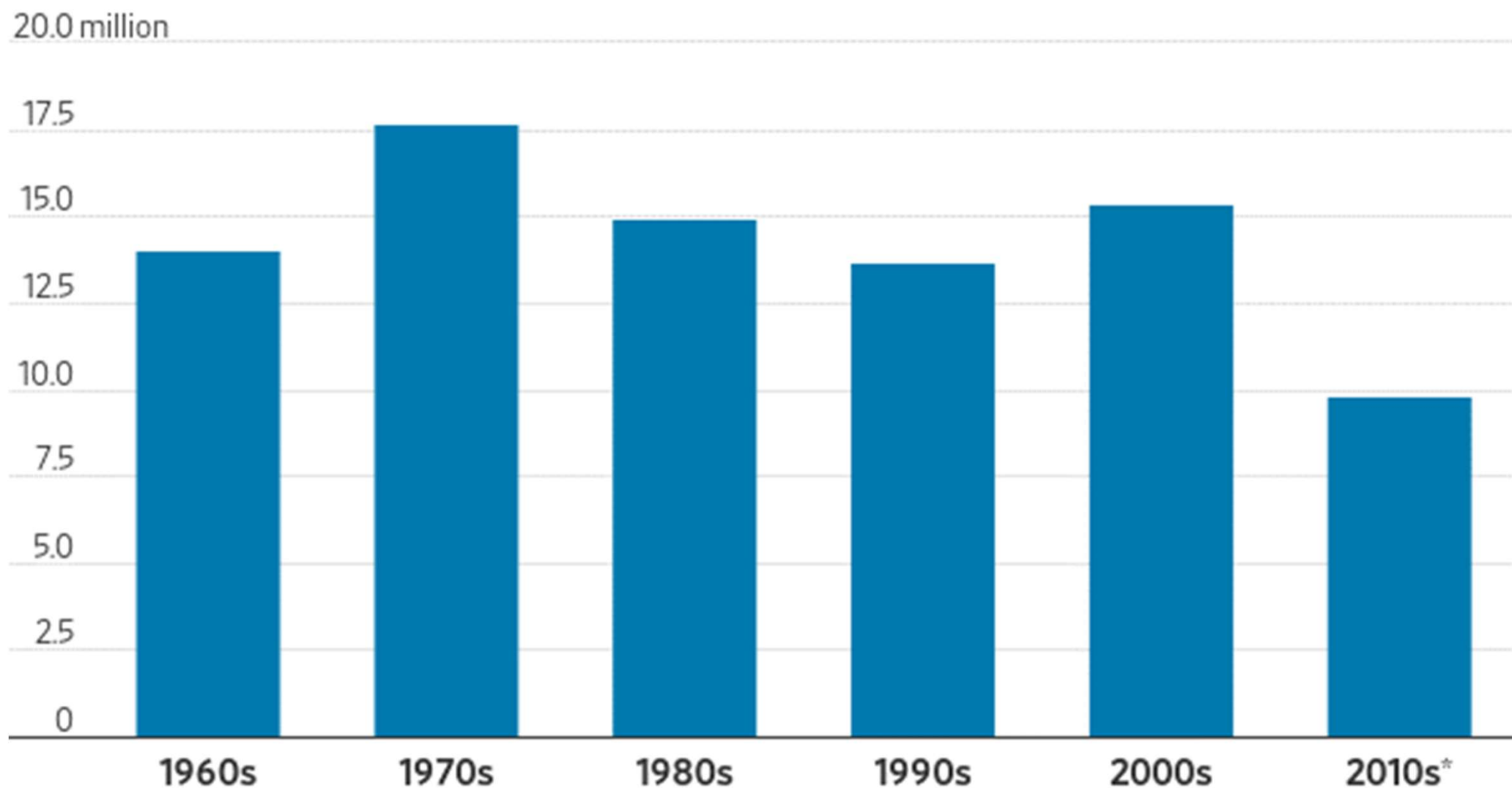
How About Housing?



US Housing Activity Was at a Multi-Decade Low

Supply of new housing is only now recovering

U.S. new-home construction by decade



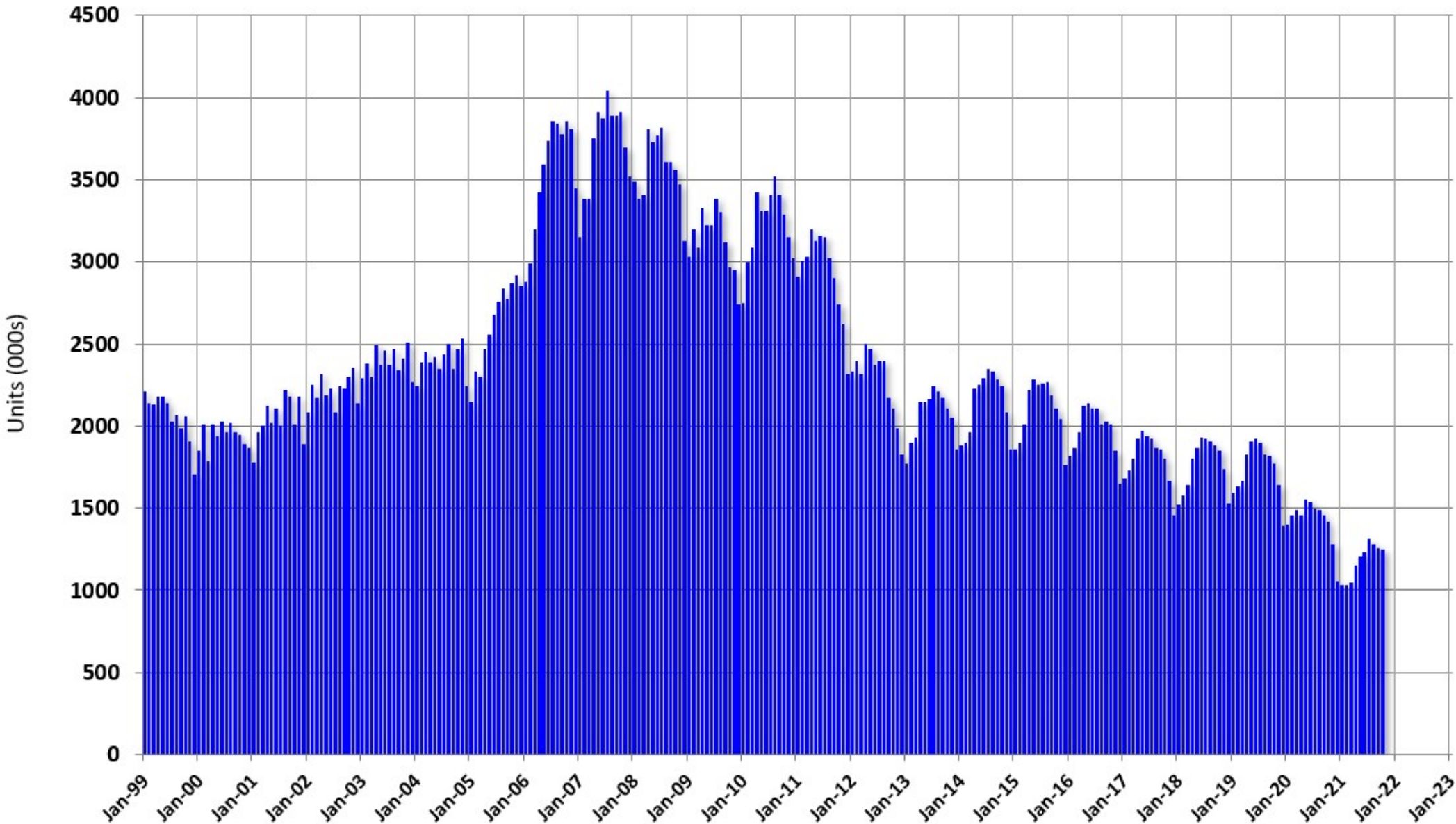
Note: Data for the 2010s is through November 2019.

Source: Commerce Department via the St. Louis Fed

Inventory Remains Low

How much it increases is the big question and not is the answer!

Existing Home Inventory



<http://www.calculatedriskblog.com/>

Source: NAR

Existing Inventory is So Low!

That is why home prices are rising so fast

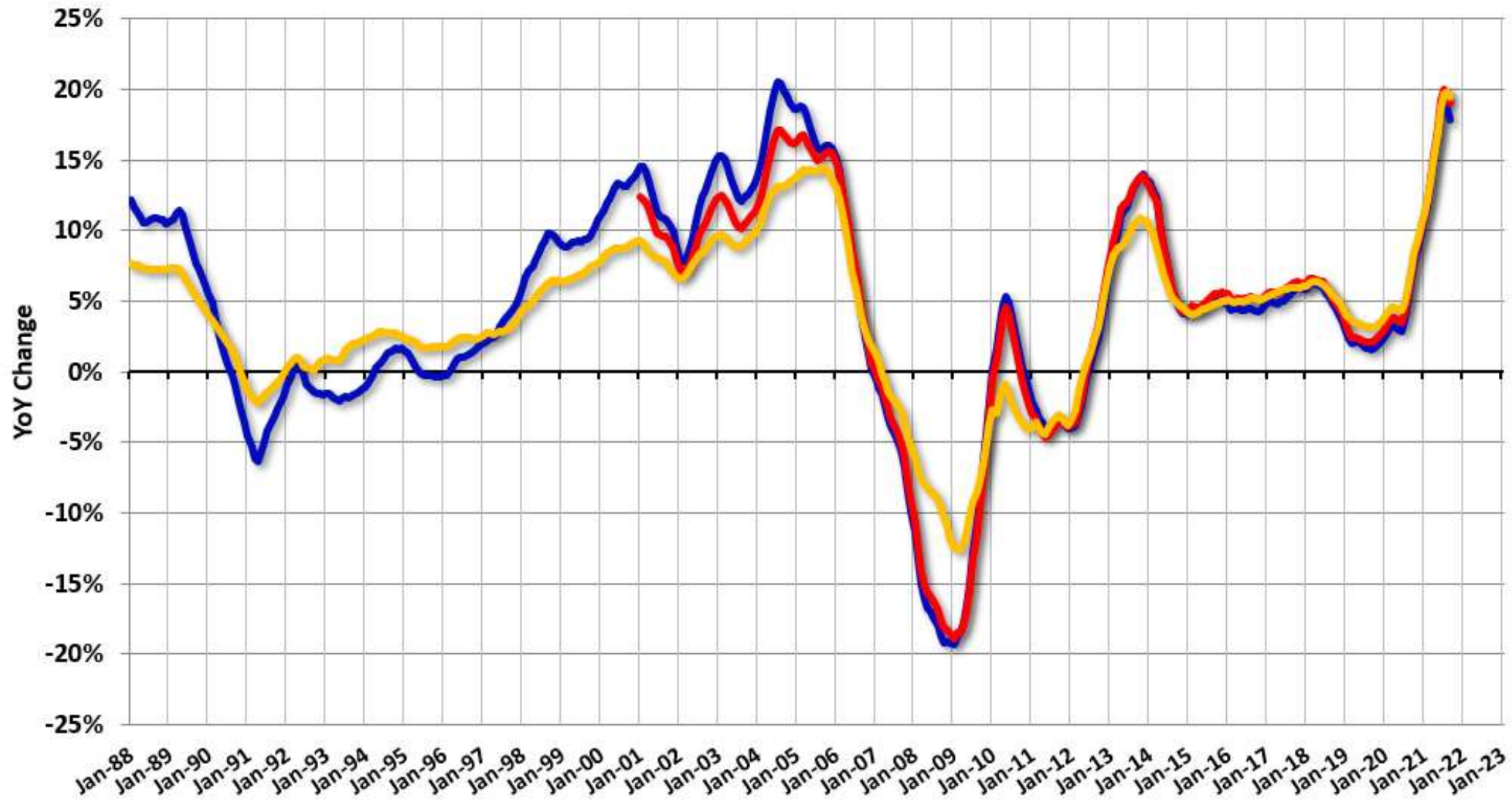


Prices Keep Rising!

Prices in '90 and '00 didn't collapse. Y-o-Y prices are up 17.8%, 19.1% or 19.5%

Case-Shiller National and Composite Indices SA, Year-over-year Change

— Composite 10 — Composite 20 — National Index



Existing Home Sales Are Mean Reverting

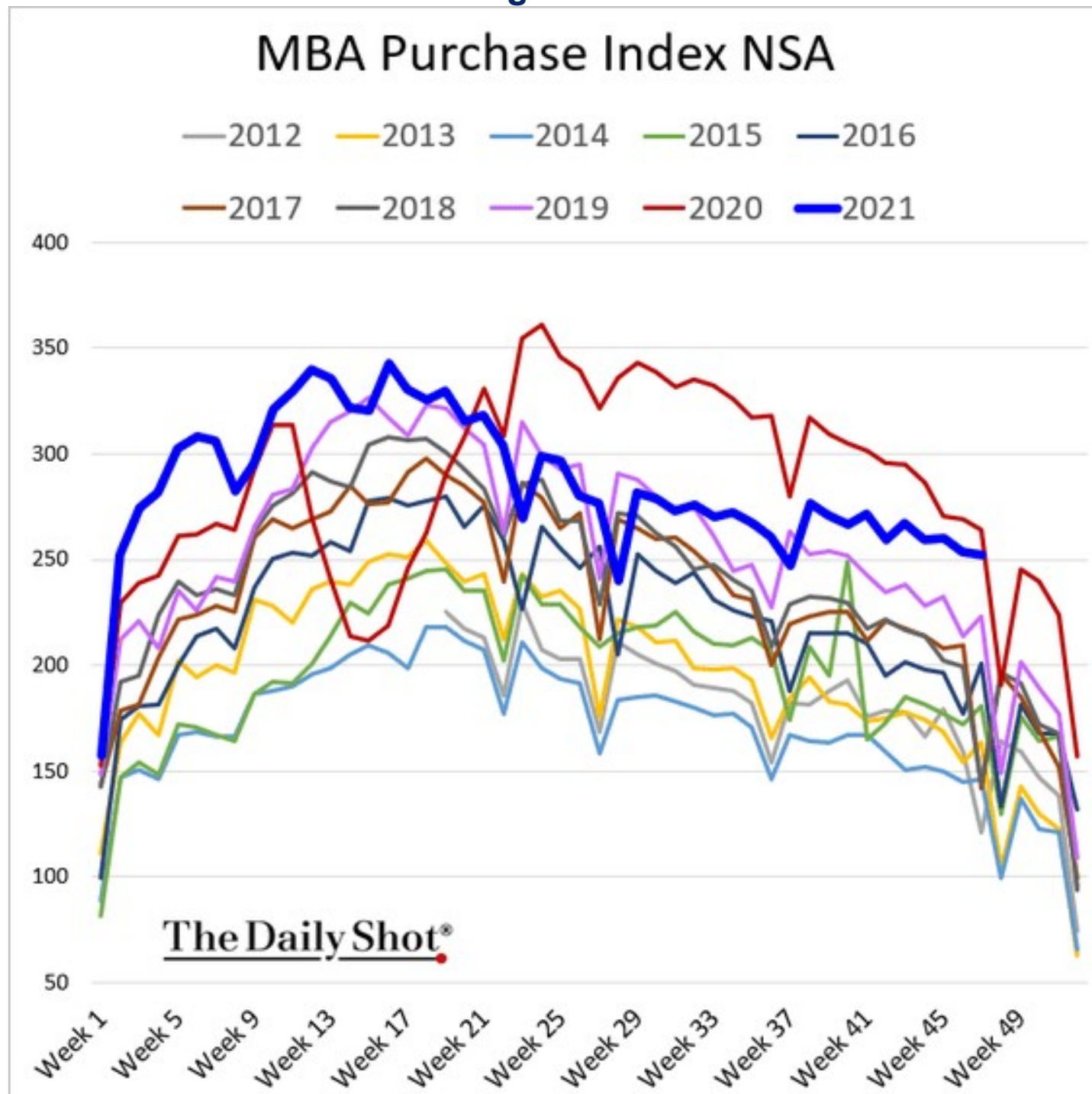
Late 2020 and early 2021 was recent Peak House

Existing Home Sales (SAAR)



Mortgage Purchase Applications Strengthen

Purchase volume is rising and well exceeds 2019 levels

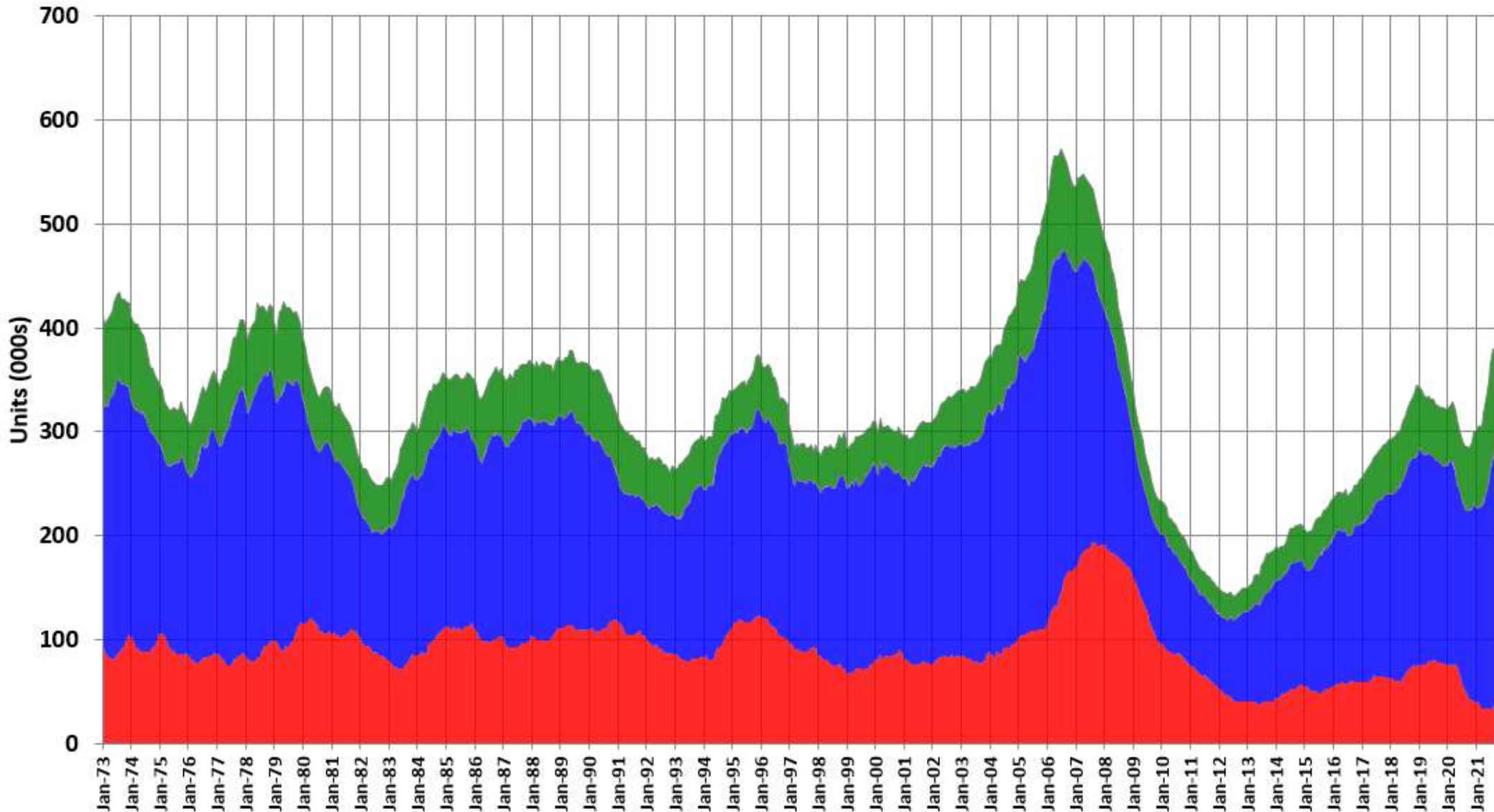


New Home Inventories

Builders are being very careful, and demand is strong

New Home Inventory

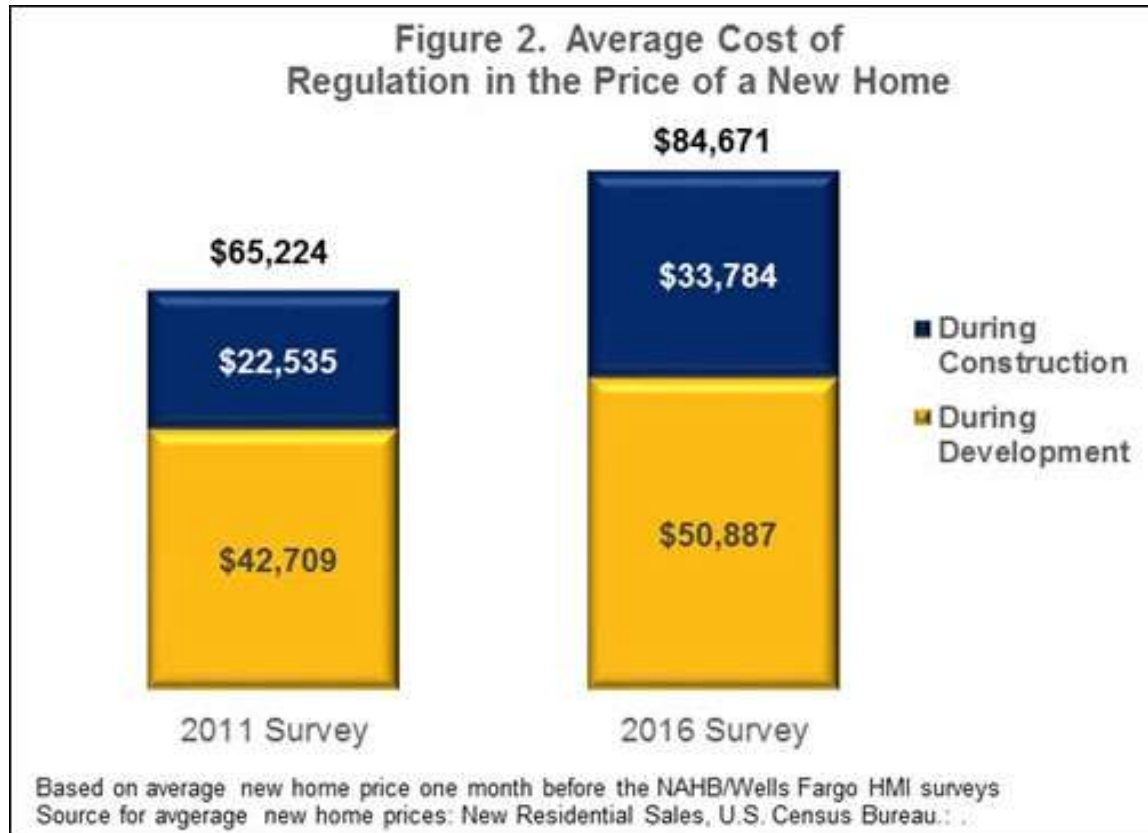
Completed Under Construction Not Started



<http://www.calculatedriskblog.com/>

New Home Prices Are Too High Due to Regulation

It keeps rising



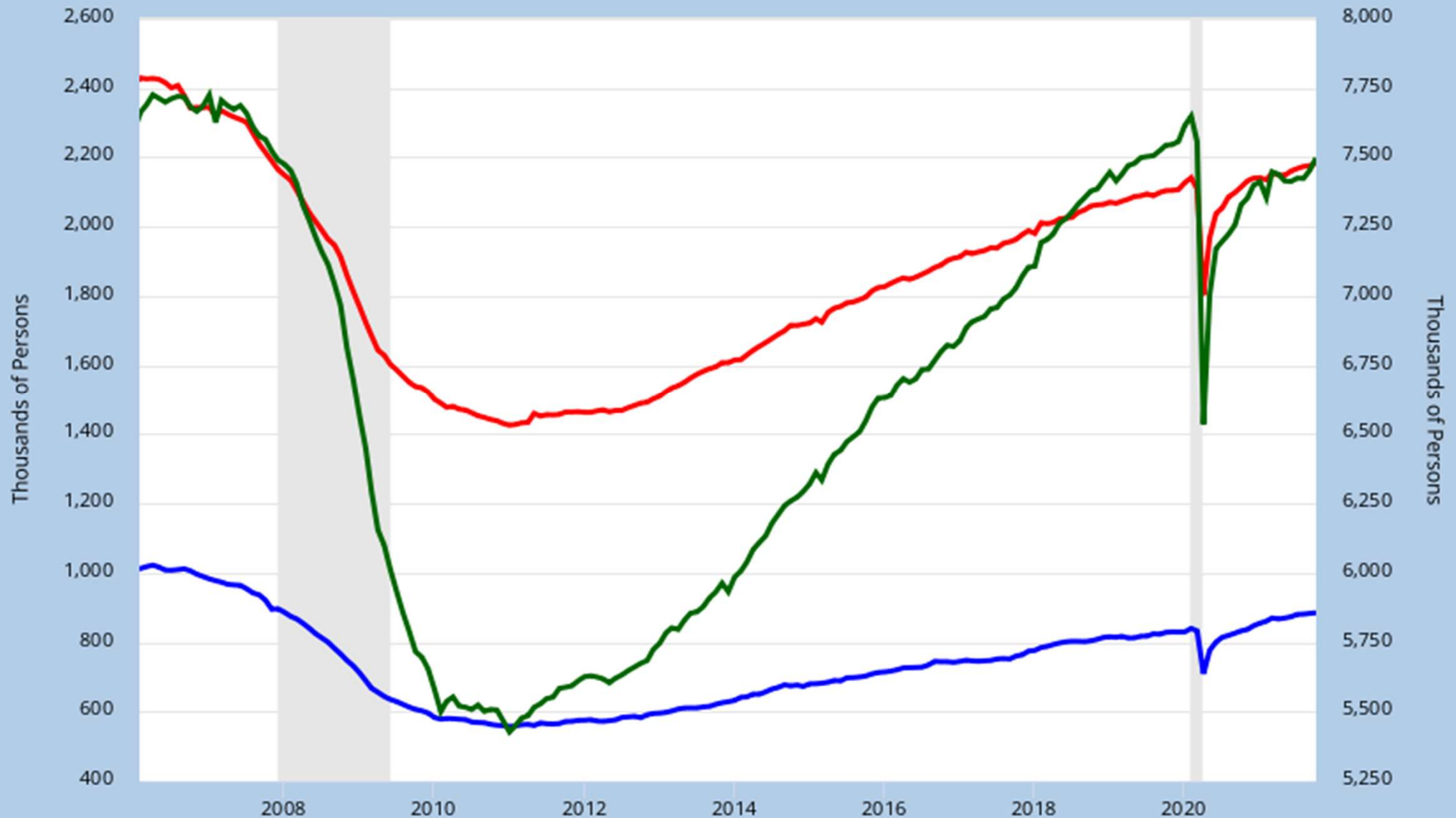
In the 2021 Survey, the average cost of regulation rose to \$93,870, or 23.8% of the new home price

Construction Employment: Residential & Otherwise

Total construction employment rebounds surprisingly well

FRED

- All Employees, Residential Building (left)
- All Employees, Residential Specialty Trade Contractors (left)
- All Employees, Construction (right)



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

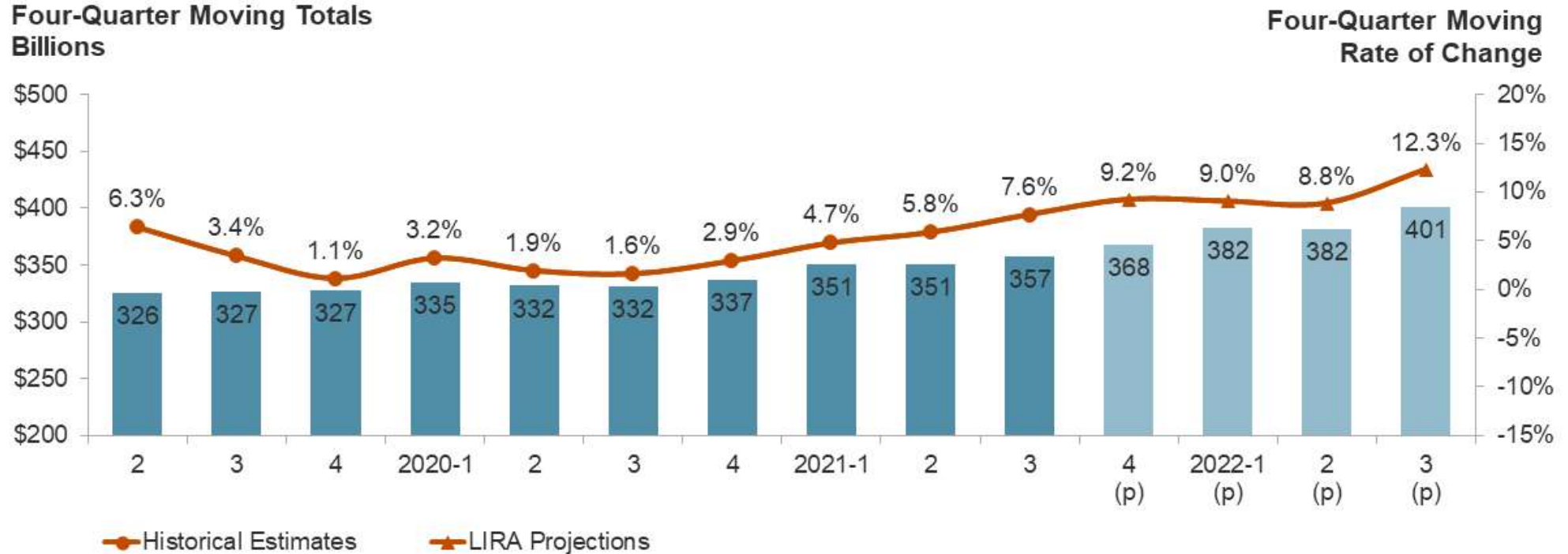
myf.red/g/J2xb

Housing Improvements & Repairs Are Fine

Home prices rise, rates are low, existing sales are strong, and stimi checks all help

Leading Indicator of Remodeling Activity – Third Quarter 2021

Homeowner Improvements & Repairs
Four-Quarter Moving Totals
Billions

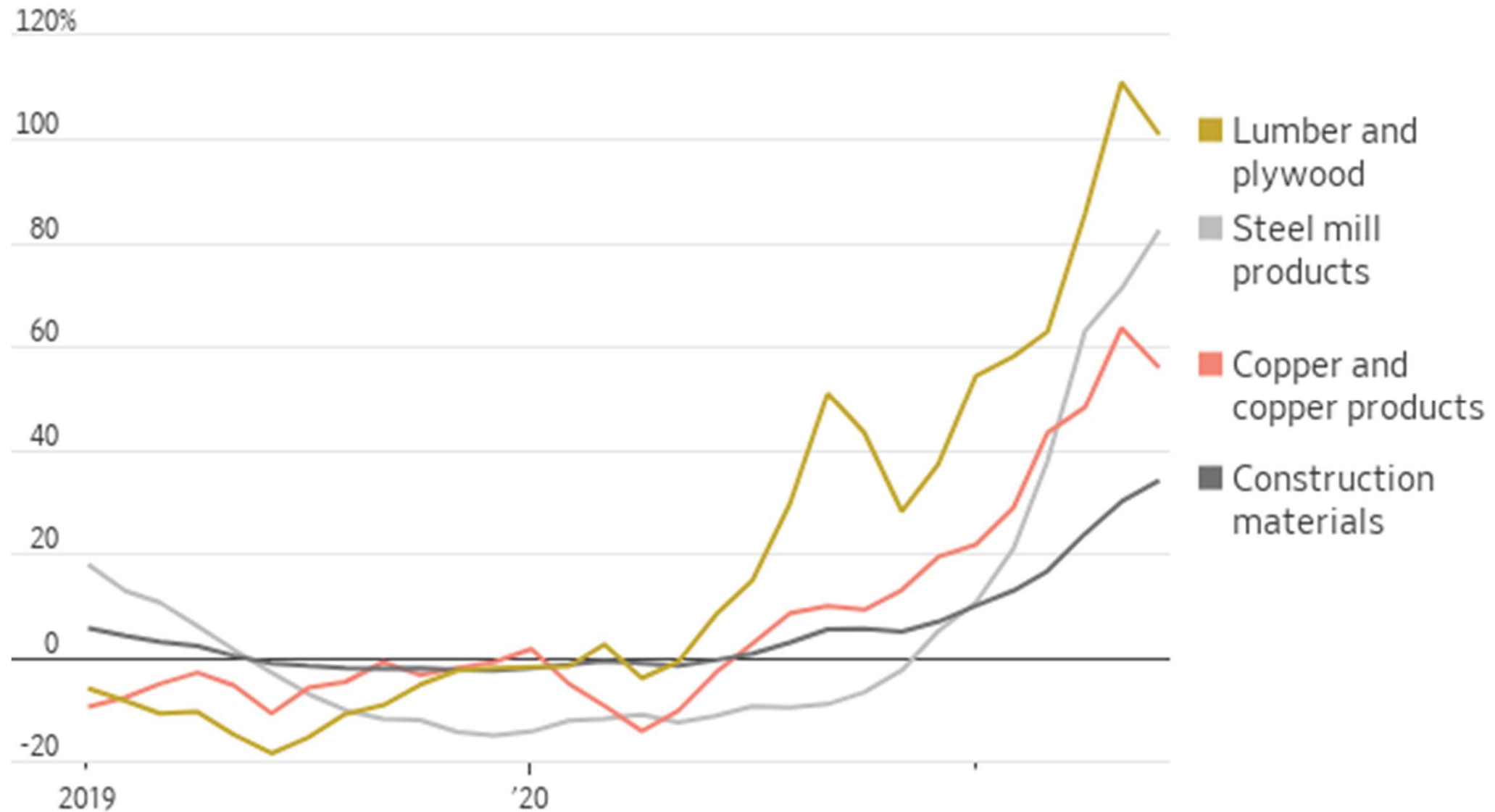


Notes: Improvements include remodels, replacements, additions, and structural alterations that increase the value of homes. Routine maintenance and repairs preserve the current quality of homes. Historical estimates since 2019 are produced using the LIRA model until American Housing Survey benchmark data become available.

More than Lumber Prices Are Under Pressure

Mills had been absolutely killing it

U.S. producer-price index, change from one year earlier



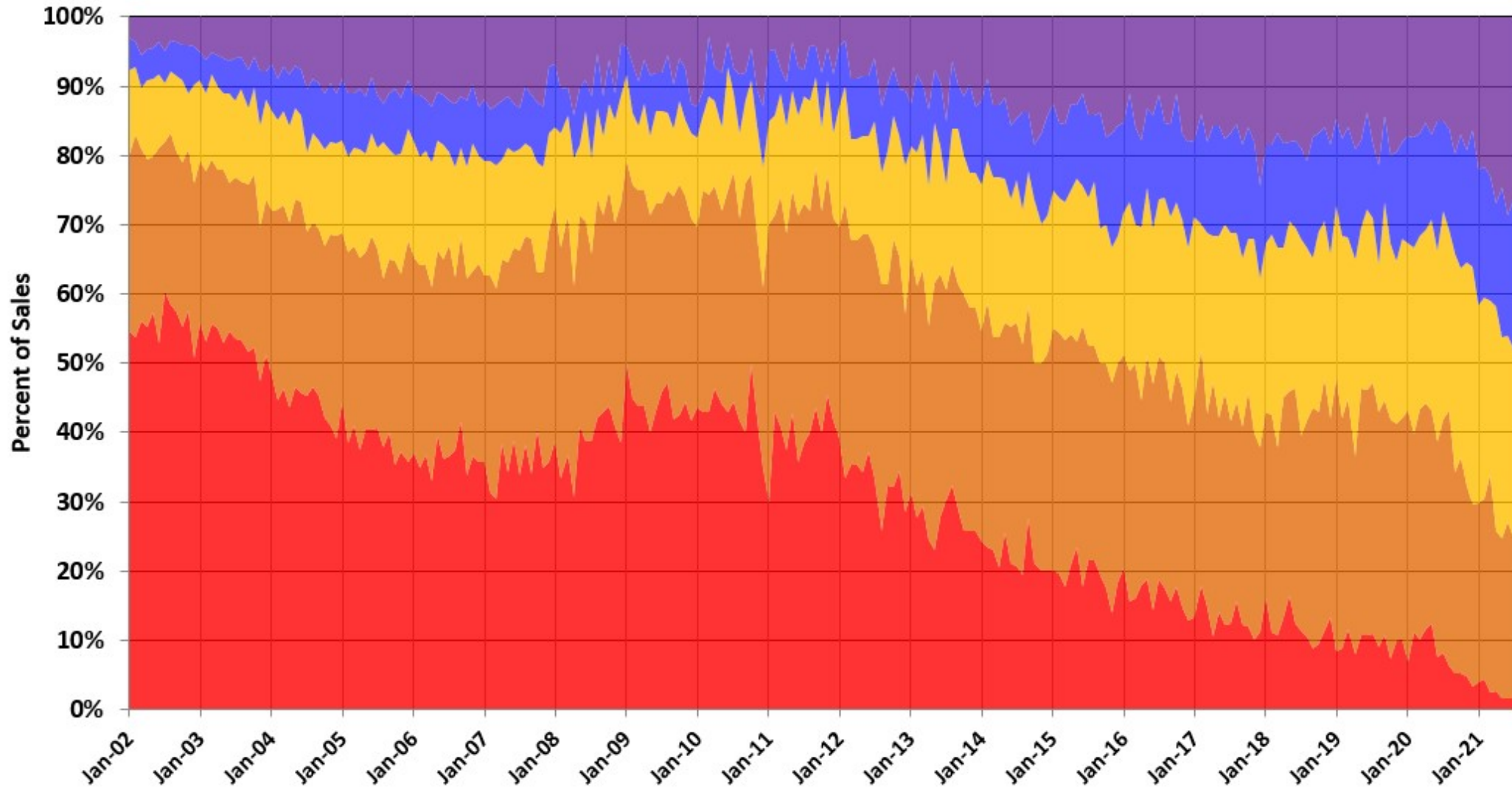
Source: Labor Department

To Many Expensive Houses

Almost none are below \$200,000

New Home Sales by Price

■ <\$200K ■ \$200K to \$299K ■ \$300K to \$399K ■ \$400K to \$499K ■ \$500K+

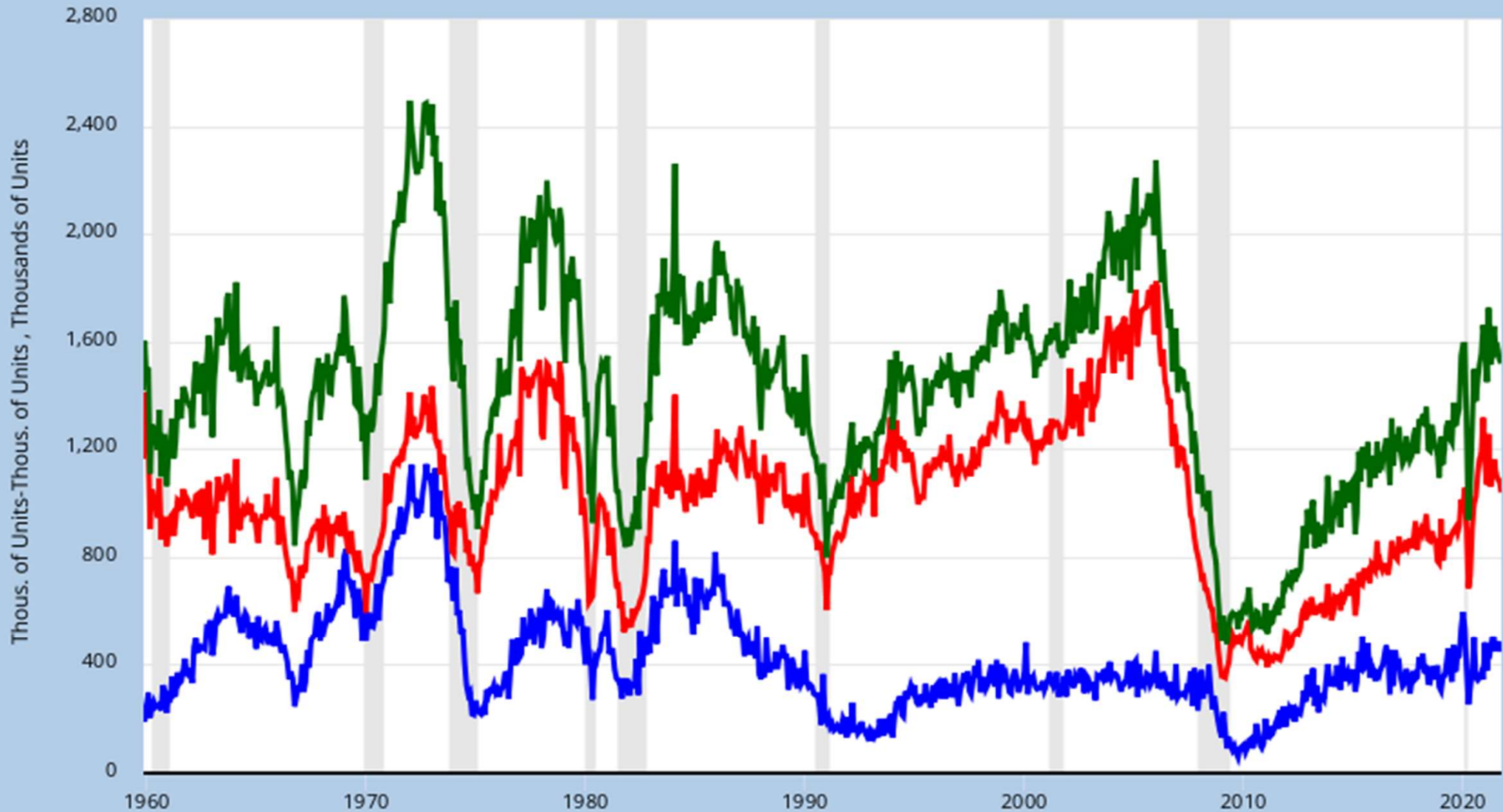


Single-Family and Multifamily Starts – A nice recovery

SF starts have turned around quickly but have topped out

FRED

- New Privately-Owned Housing Units Started: Total Units-New Privately-Owned Housing Units Started: Single-Family Units
- New Privately-Owned Housing Units Started: Single-Family Units
- New Privately-Owned Housing Units Started: Total Units



Shaded areas indicate U.S. recessions.

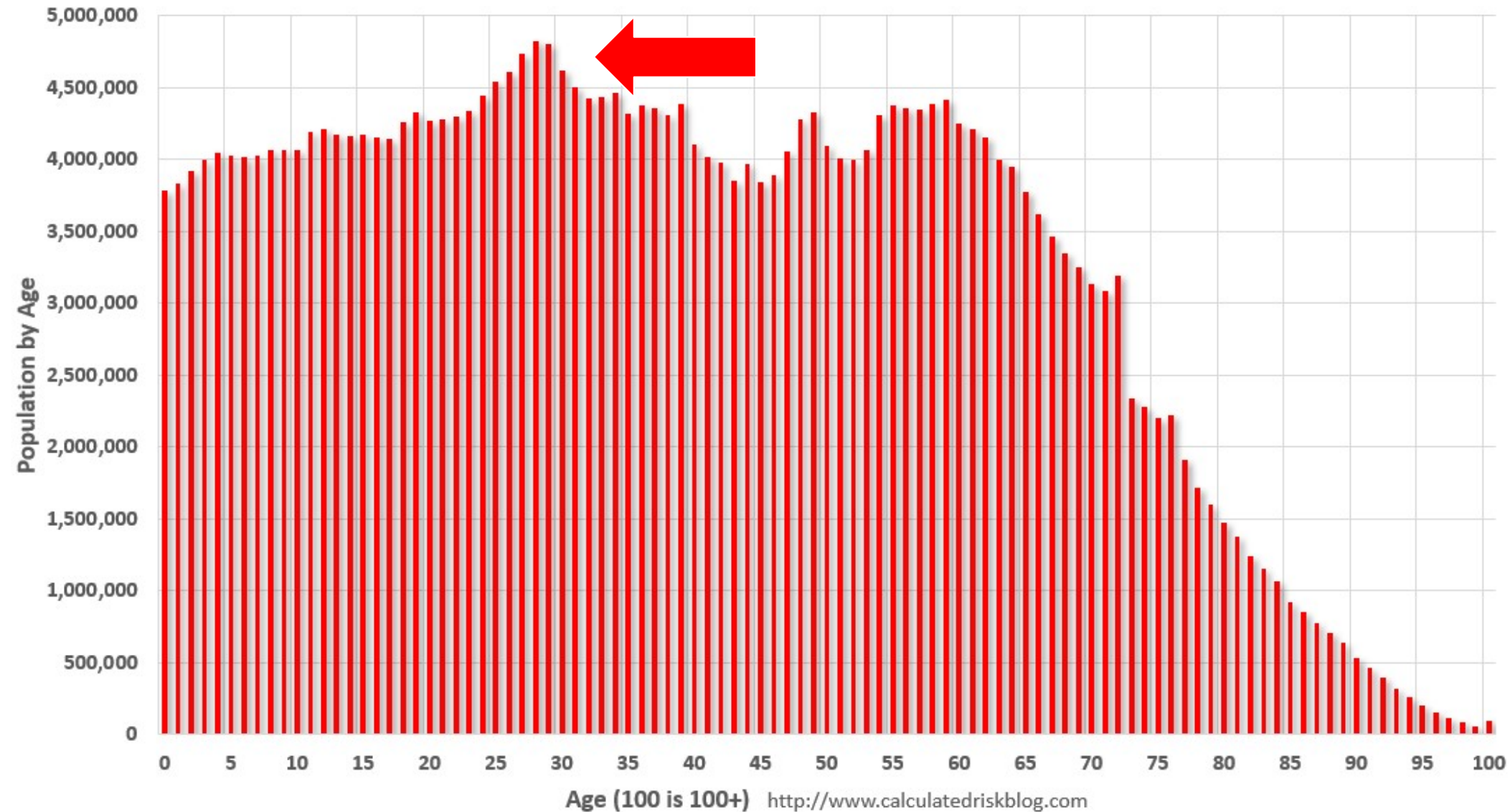
Sources: Census; HUD

myf.red/g/J1wa

Millennials Will Keep This Issue Front and Center

Beginning to approach Peak Millennial. Chase them, move-up buyers and Boomers

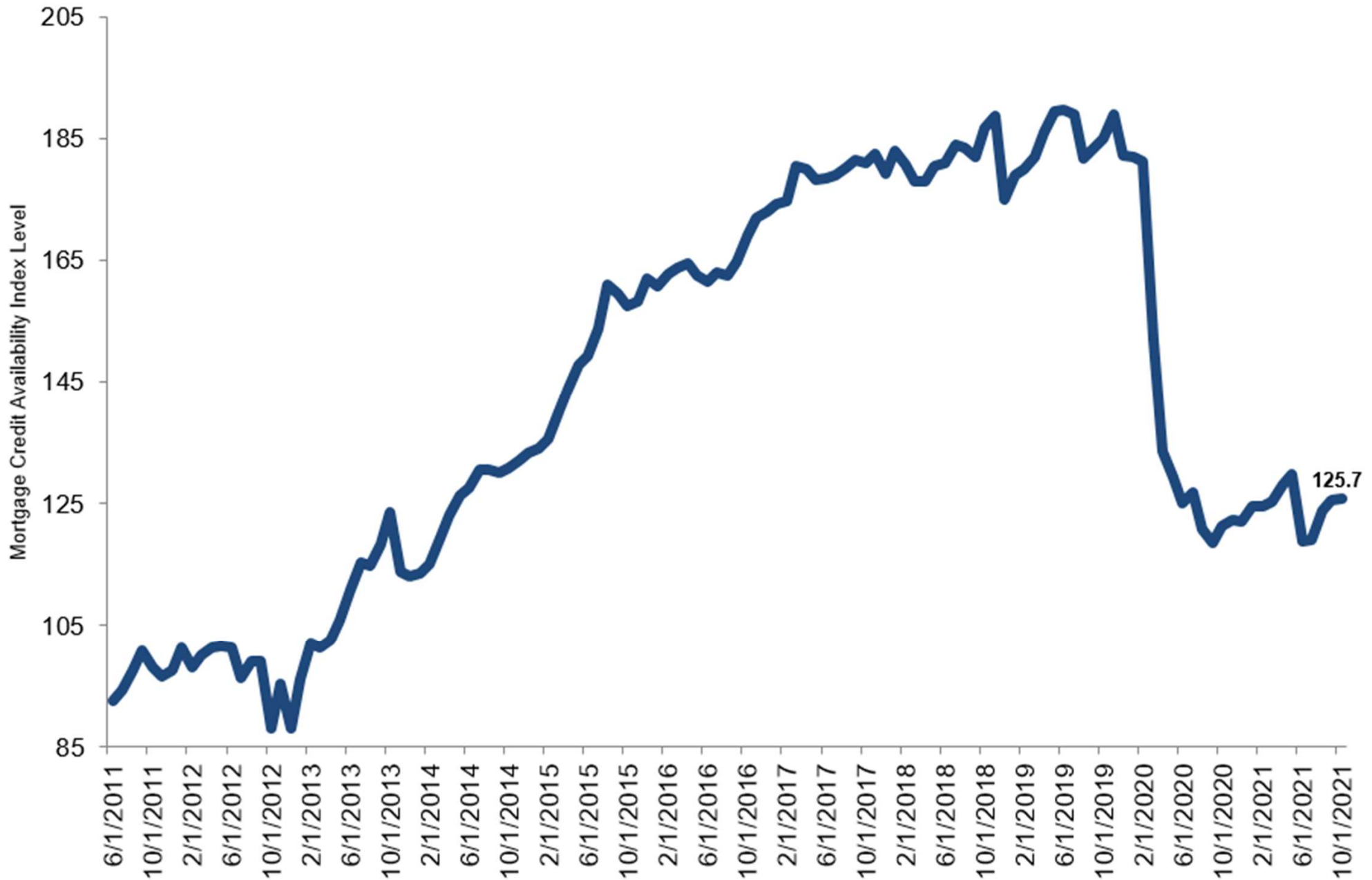
U.S. Population by Age, 2019 Census Estimate



Credit Remains Hard to Get

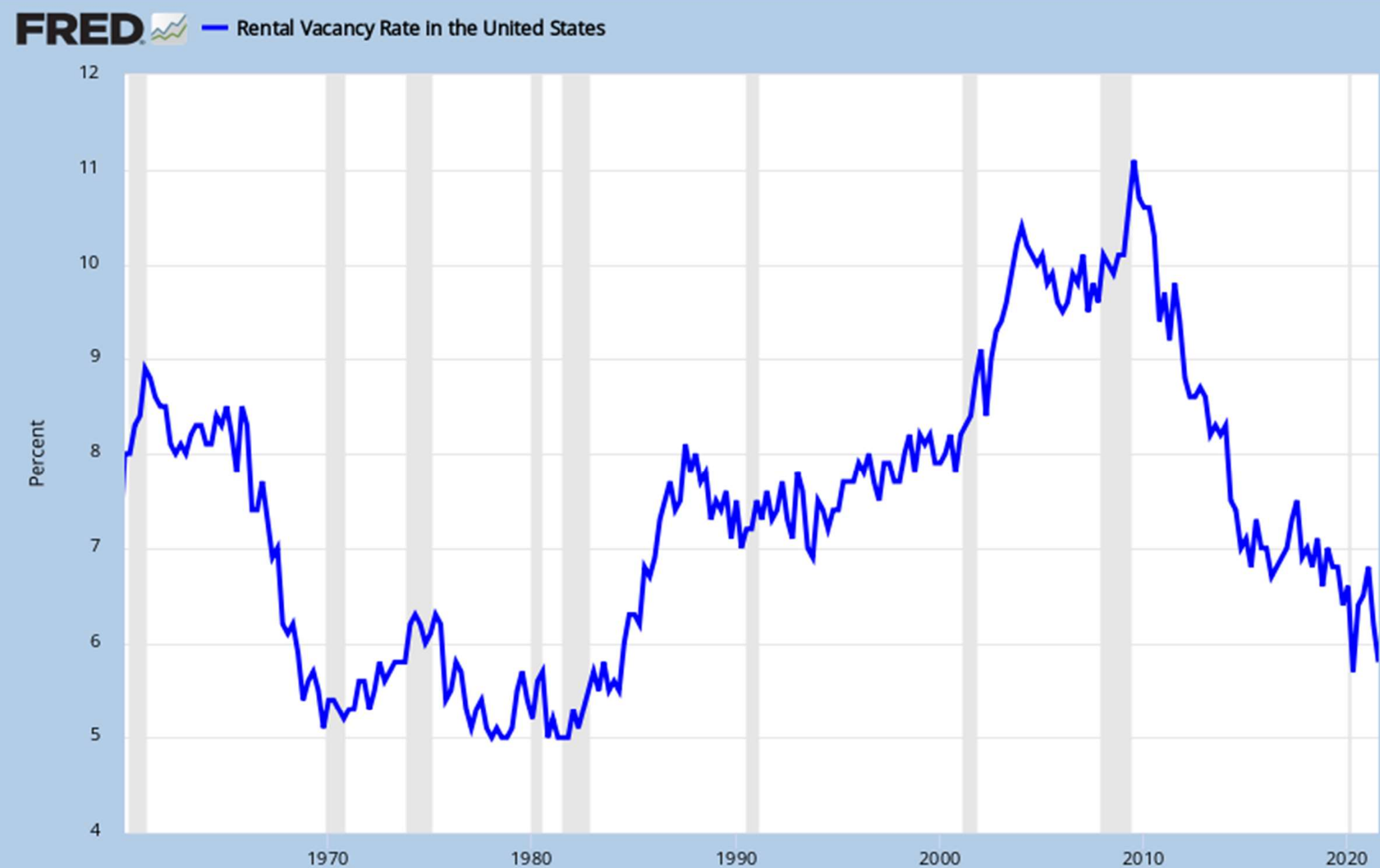
It was getting easier but now, not so much

**Mortgage Credit Availability Index, Index Level by Month
(NSA, 3/2012=100)**



Apartment Vacancy Rates

Rental vacancy rates look to be bottoming near 40-year lows



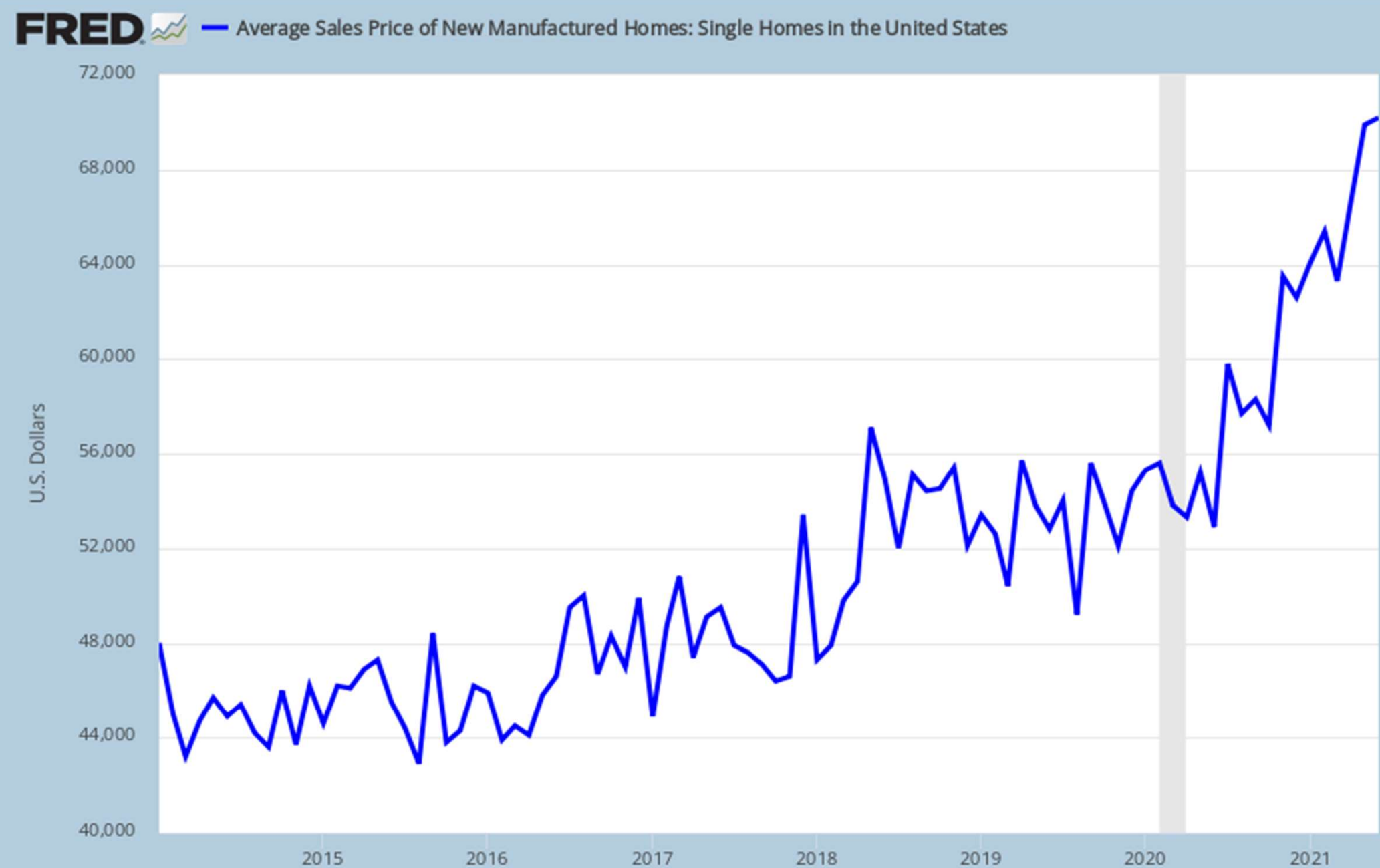
Shaded areas indicate U.S. recessions.

Source: U.S. Census Bureau

myf.red/g/luz8

Mobile Home Prices are Surging

Is this because home prices are out of reach? Supply-chain issues?



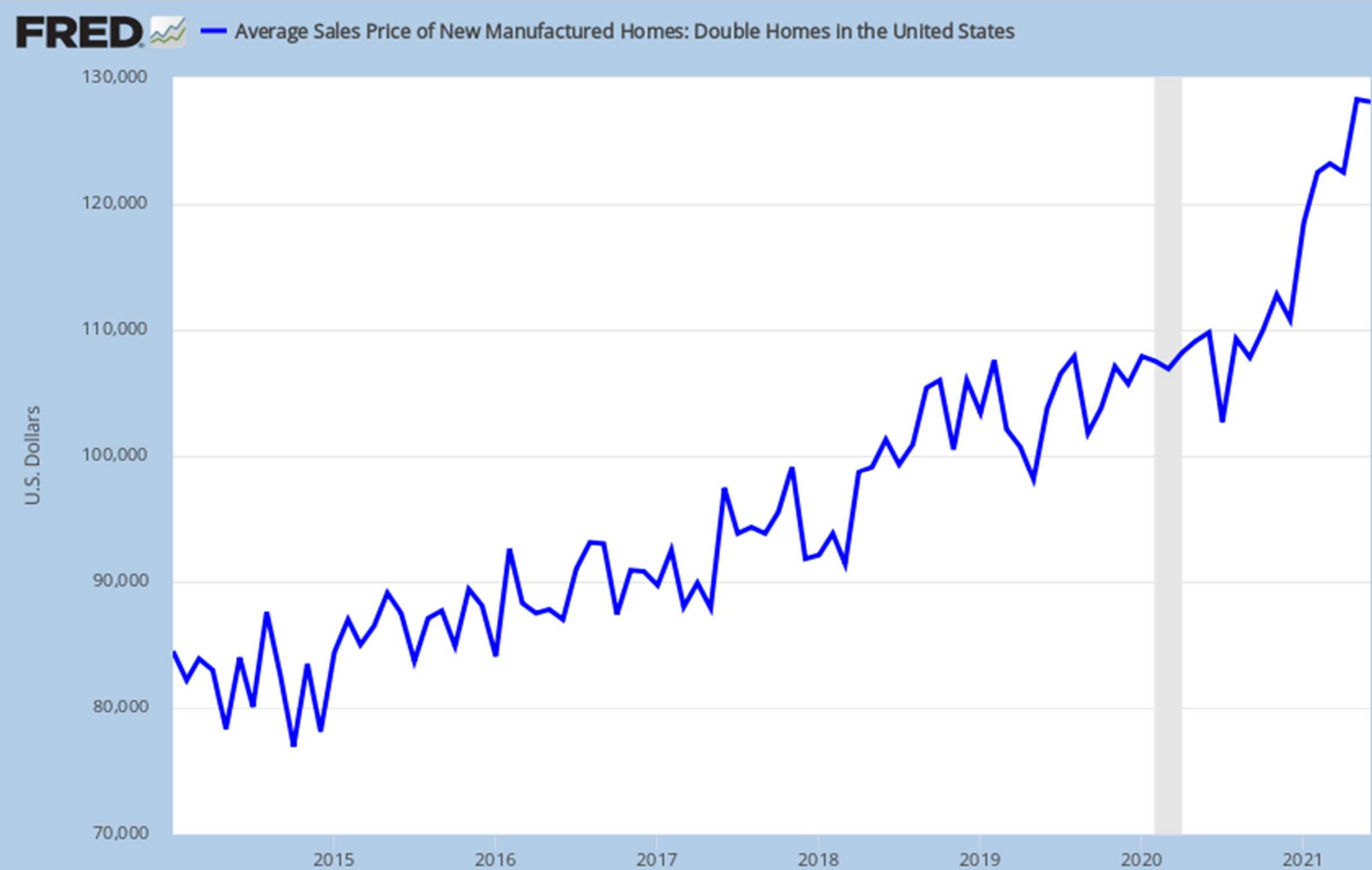
Shaded areas indicate U.S. recessions.

Source: U.S. Census Bureau

myf.red/g/IM0l

Double-Wide Mobile Home Prices are Surging

Is this because home prices are out of reach? Supply-chain issues?



Shaded areas indicate U.S. recessions.

Source: U.S. Census Bureau

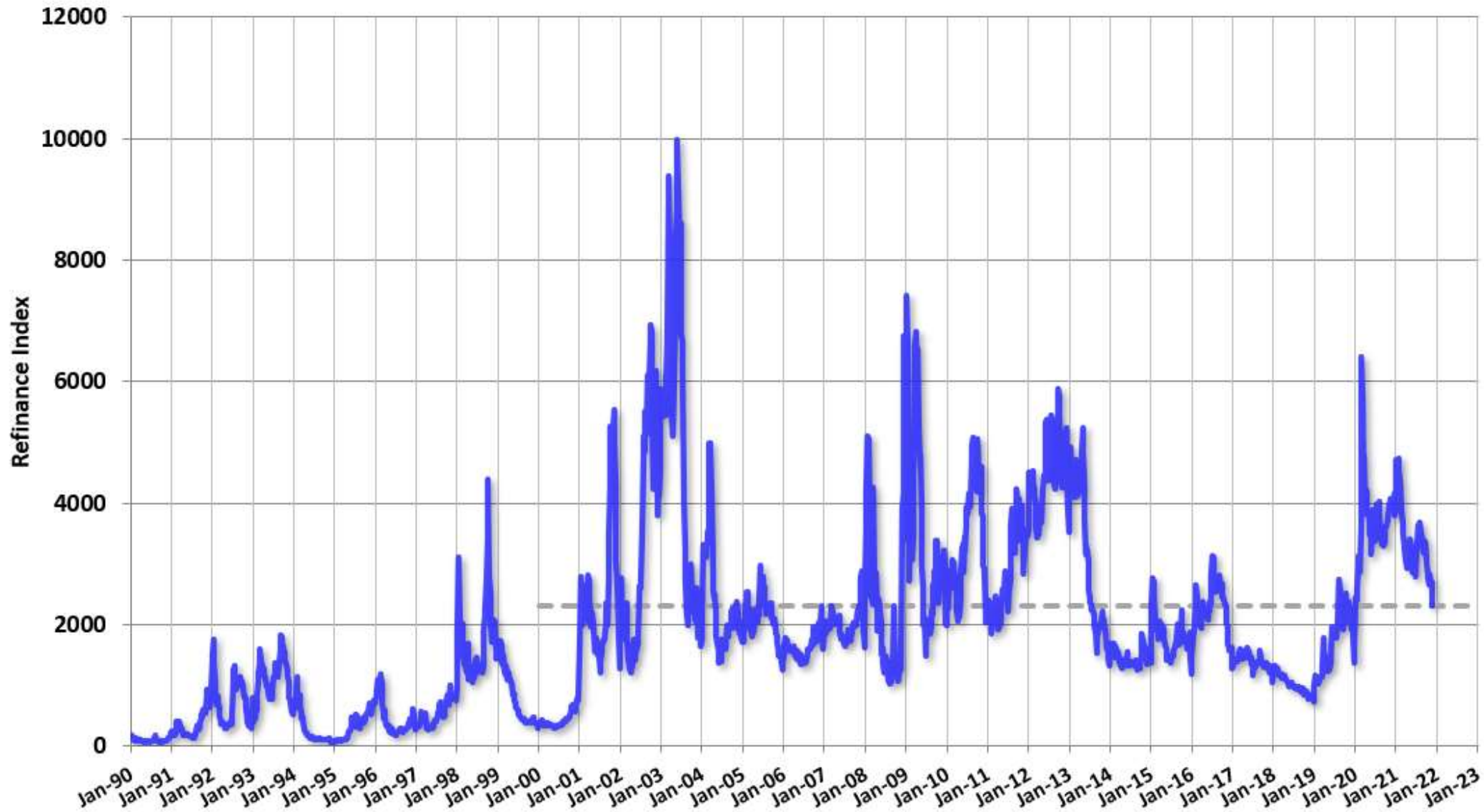
myf.red/g/J2yS

Refinance Activity Is High but Declining

2021 refi probably reaches \$2.2 trillion but falls to \$900 billion in 2022

MBA Refinance Applications Index

-- Current — Refinance Index



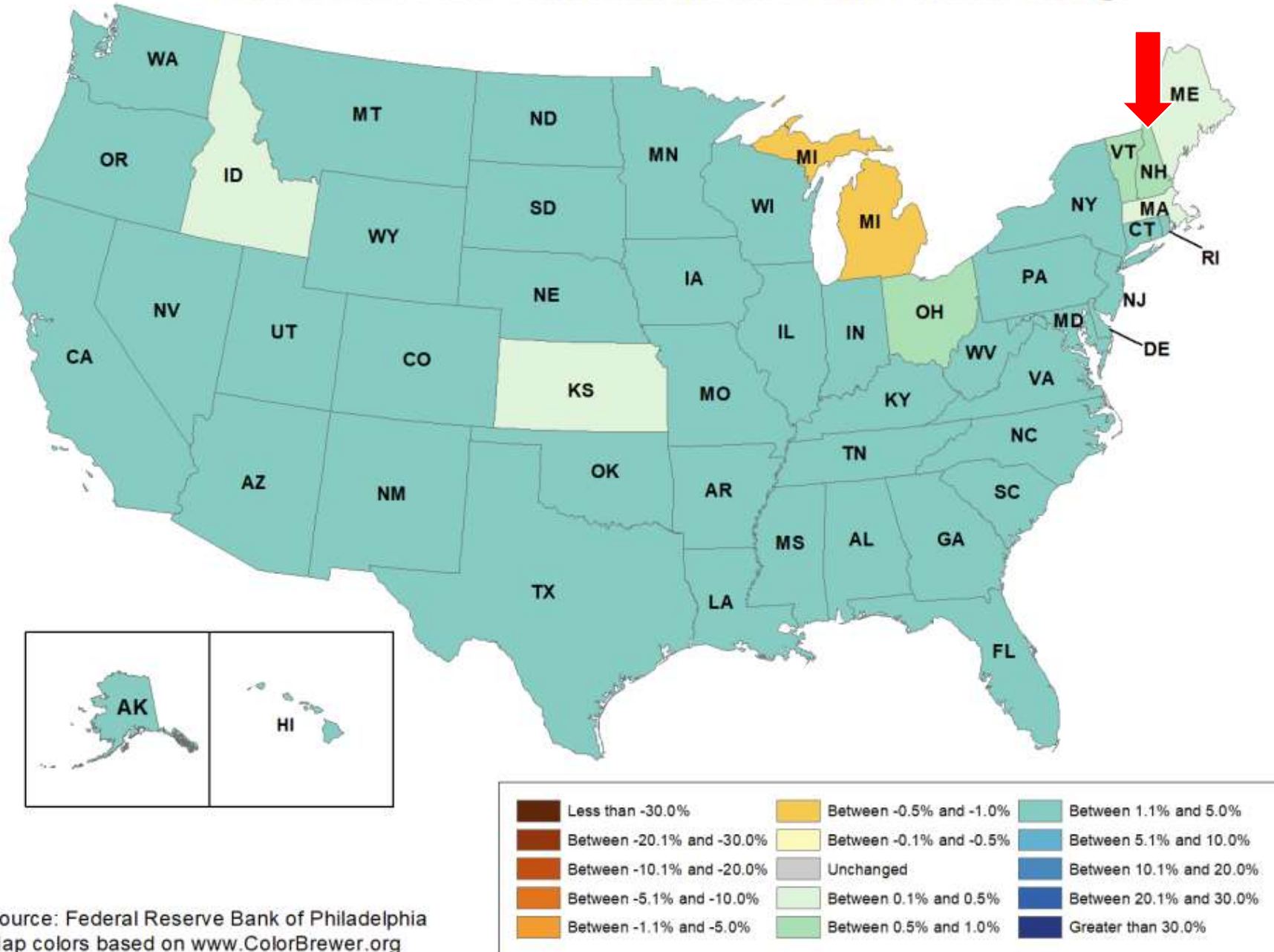
<http://www.calculatedriskblog.com/>

**What About
Things Here?**

Things Are Definitely Improving

Growth is strong just about everywhere

October 2021 State Coincident Indexes: Three-Month Change



Source: Federal Reserve Bank of Philadelphia
Map colors based on www.ColorBrewer.org

San Francisco Population Changes 2019 vs 2020

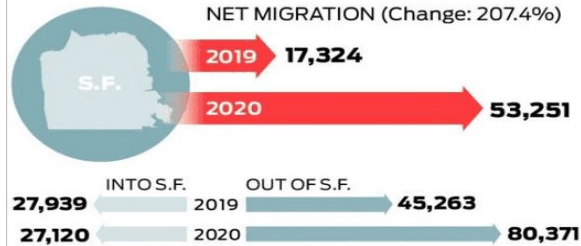
Most moves are not far

San Franciscans on the move

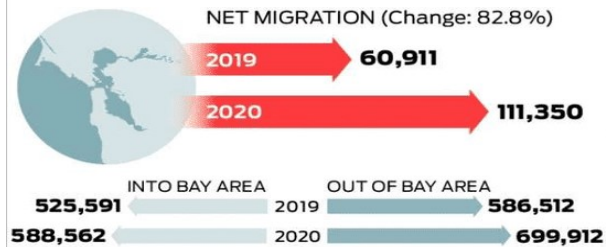
The number of households in San Francisco/the Bay Area that filed a change of address from March to November:

Posted on

@Soberlook



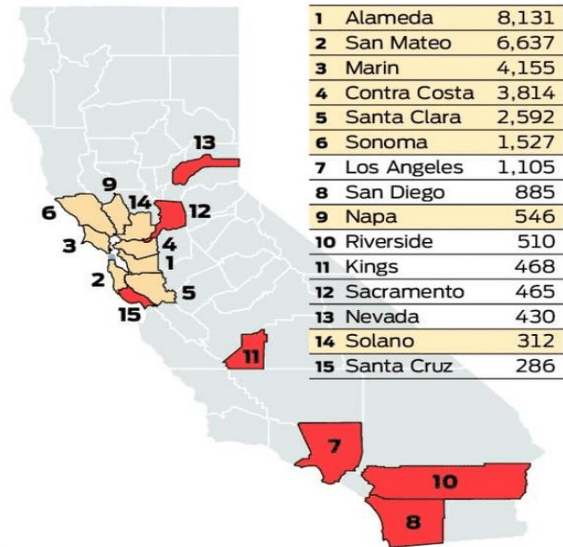
Bay Area residents on the move



Source: U.S. Postal Service

Where people moved

Most popular destinations among those from San Francisco who filed a change of address in a new county:



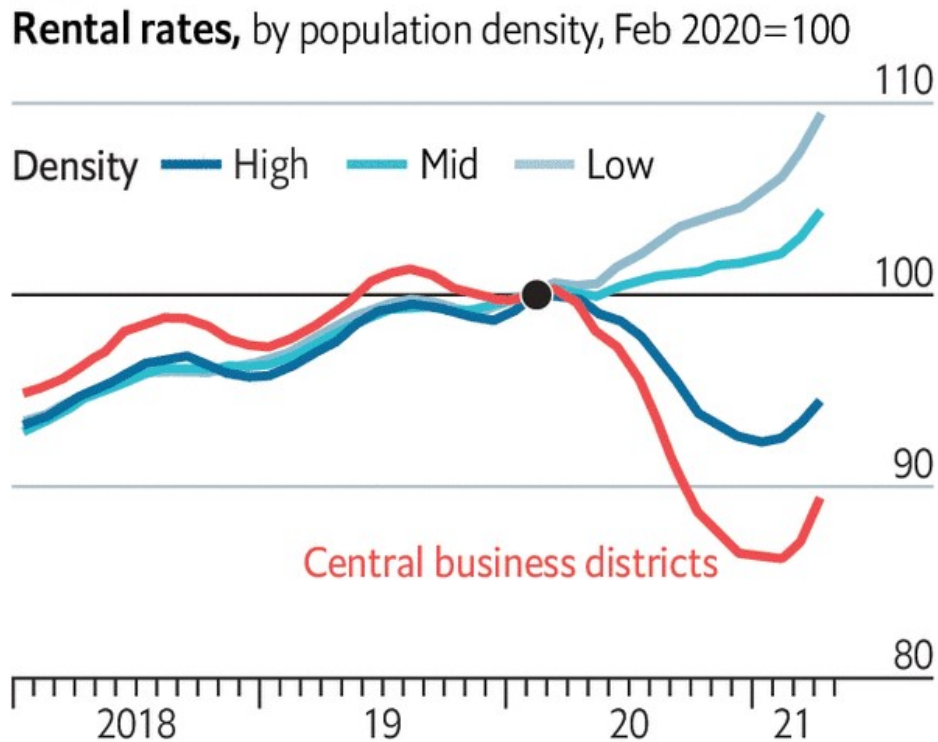
Todd Trumbull / The Chronicle

Emigrants from Manhattan

Mostly, they stay in NYC

So long, farewell

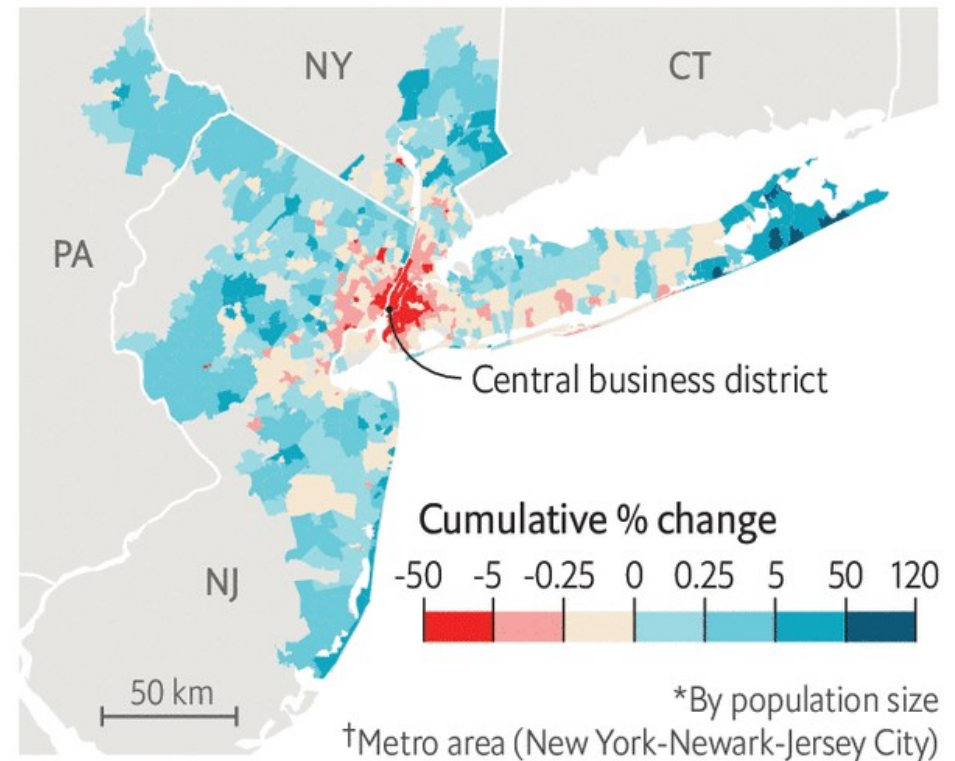
United States, 12 largest metropolitan areas*



Source: "The Donut Effect of Covid-19 on Cities",
by Arjun Ramani and Nicholas Bloom

The Economist

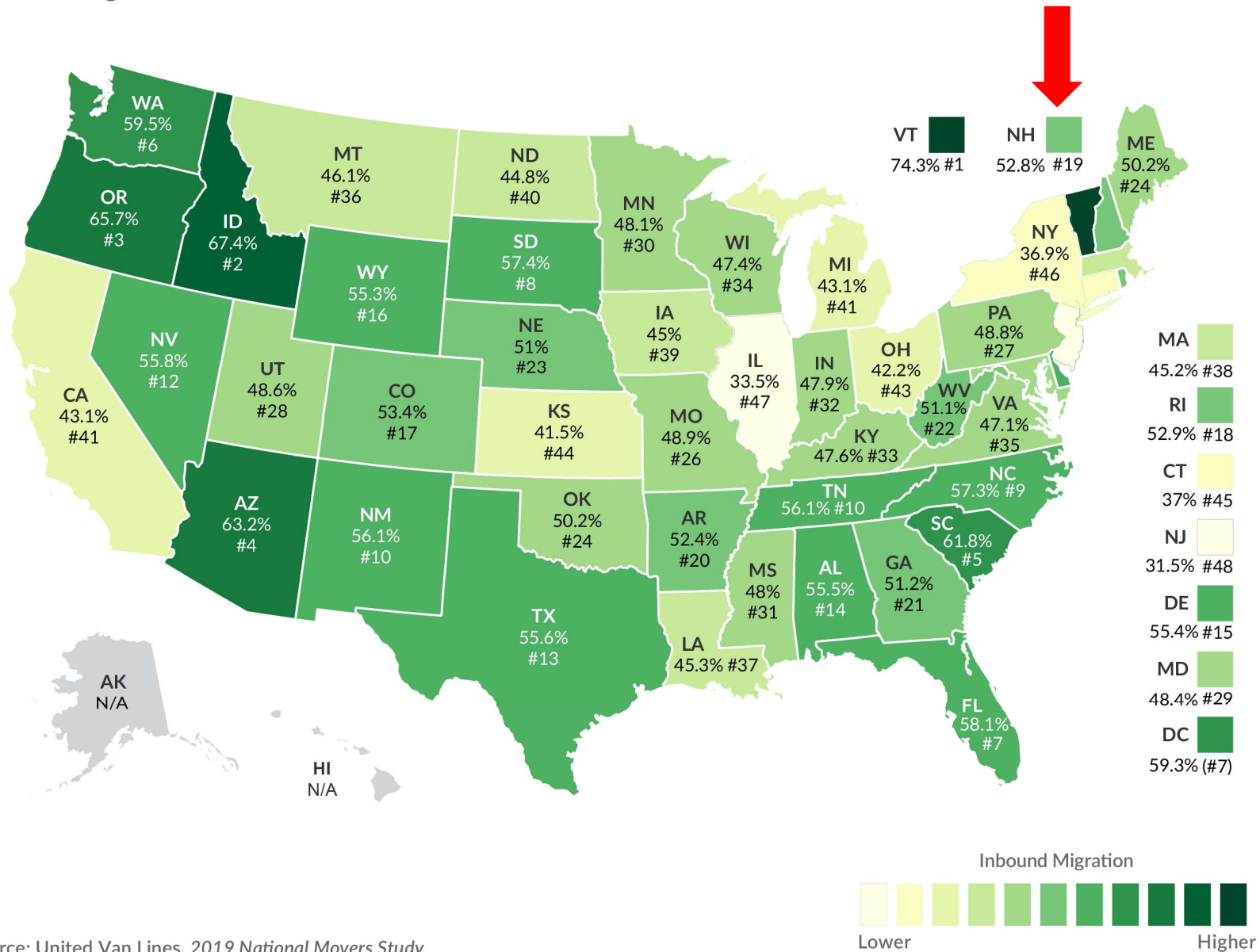
New York†, population net inflows, Feb 2020-Feb 2021



Interstate Migration Patterns 2019

Where Did Americans Move in 2019?

Inbound Migration as a Percent of Total Moves, 2019

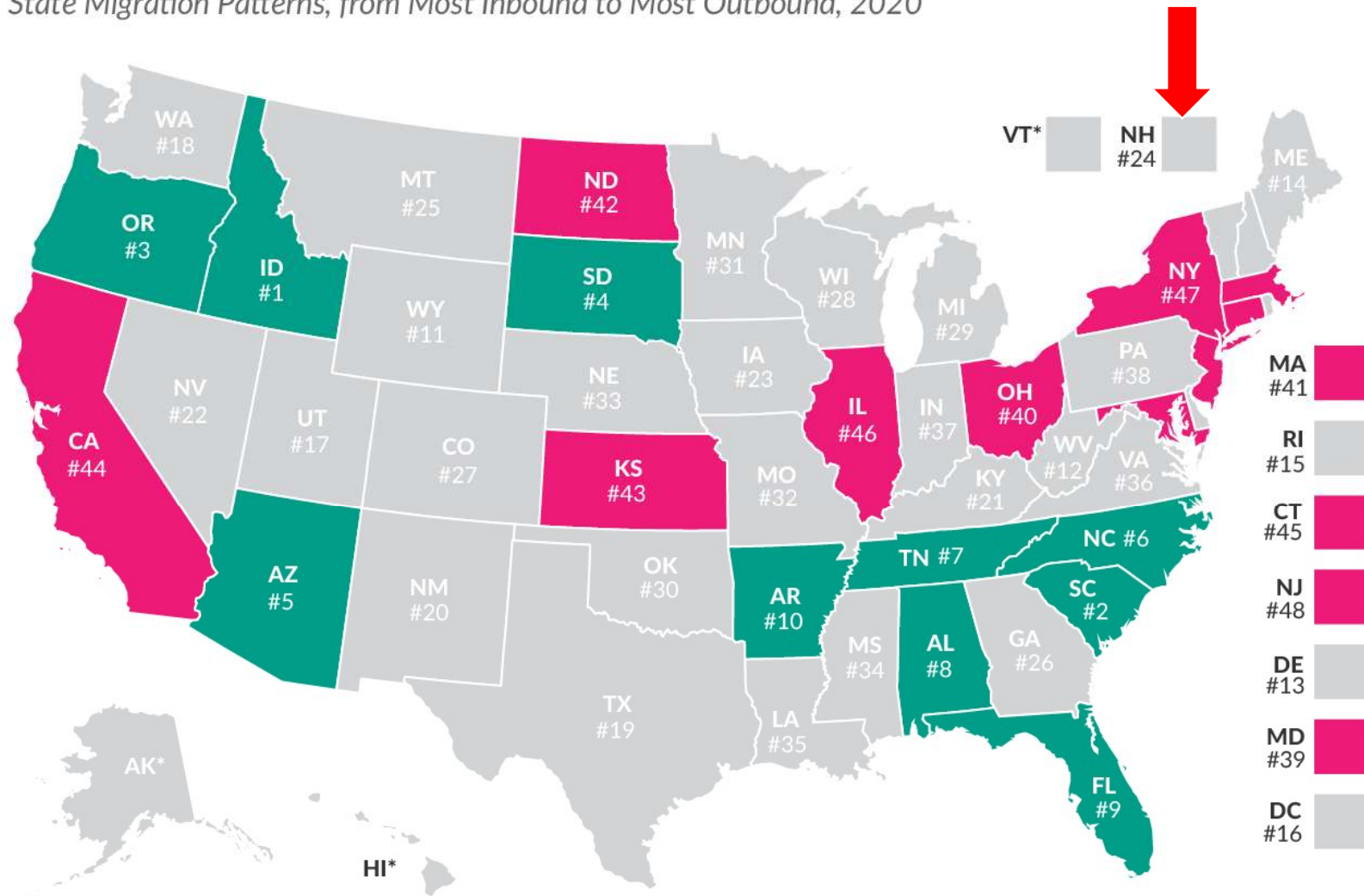


Source: United Van Lines, 2019 National Movers Study.

Interstate Migration Patterns 2020

Where Did Americans Move in 2020?

State Migration Patterns, from Most Inbound to Most Outbound, 2020



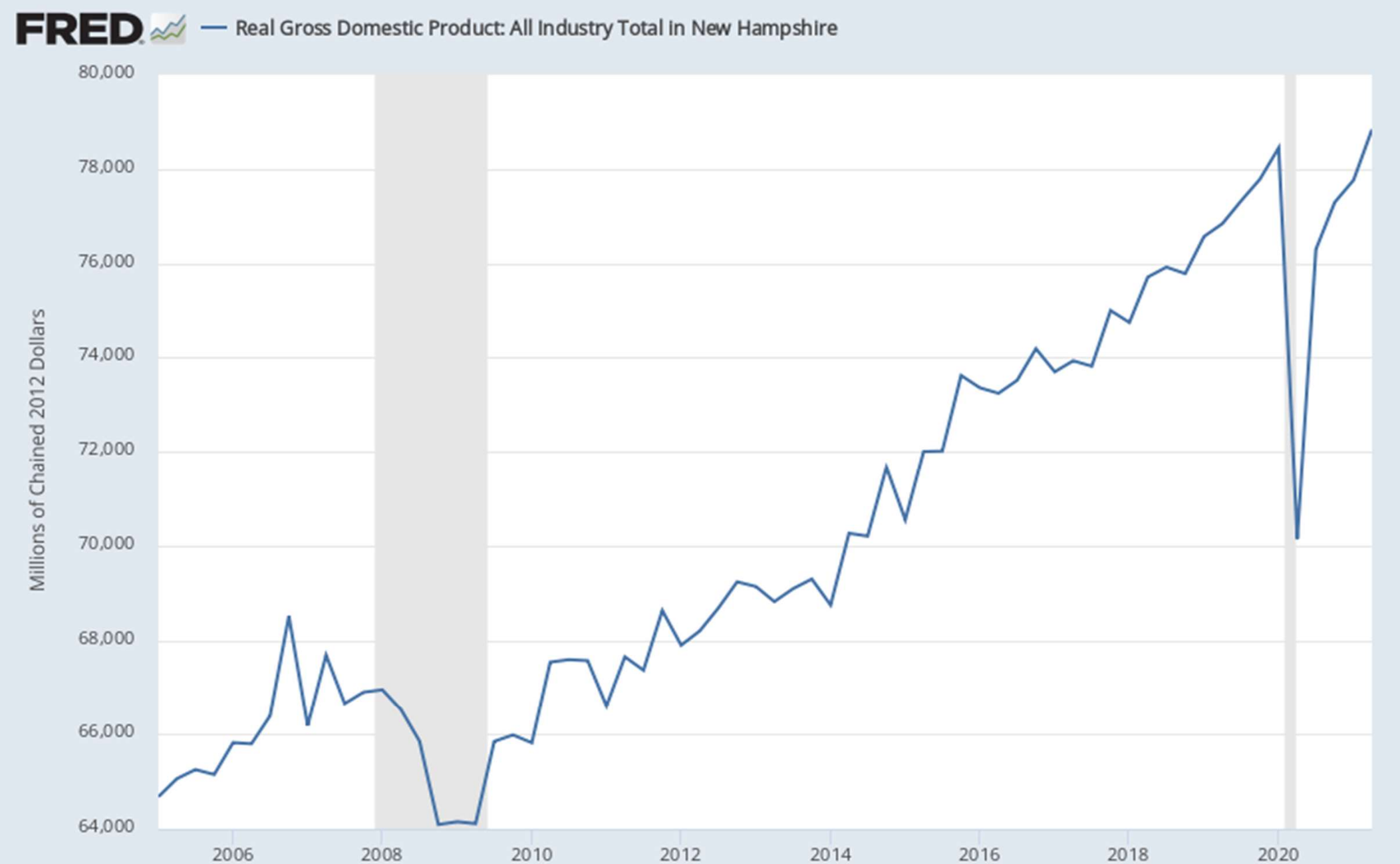
Note: Rankings are determined based on the number of inbound moves as a percentage of total moves in a state. DC is included in state rankings while Vermont is excluded because of its small sample size. Alaska and Hawaii are not included in the study.

Source: United Van Lines, 2020 National Movers Study.

- Top 10 States for Inbound Migration
- Top 10 States for Outbound Migration

Real Gross State Product

It recovers quite quickly. Just one lost year



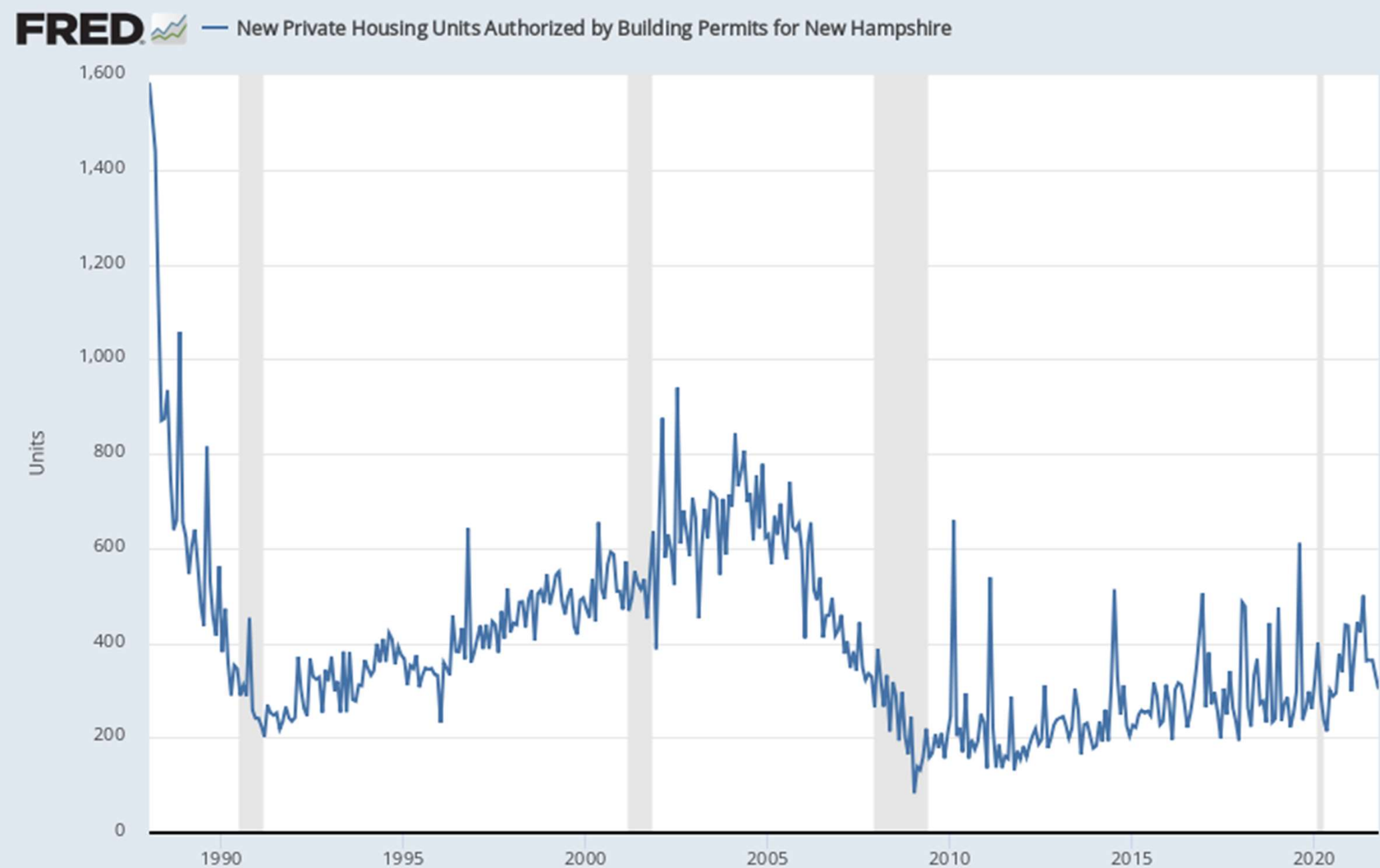
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Economic Analysis

myf.red/g/jzbj

Home Construction Activity

Slow growth would be a vast overstatement



Shaded areas indicate U.S. recessions.

Source: U.S. Census Bureau

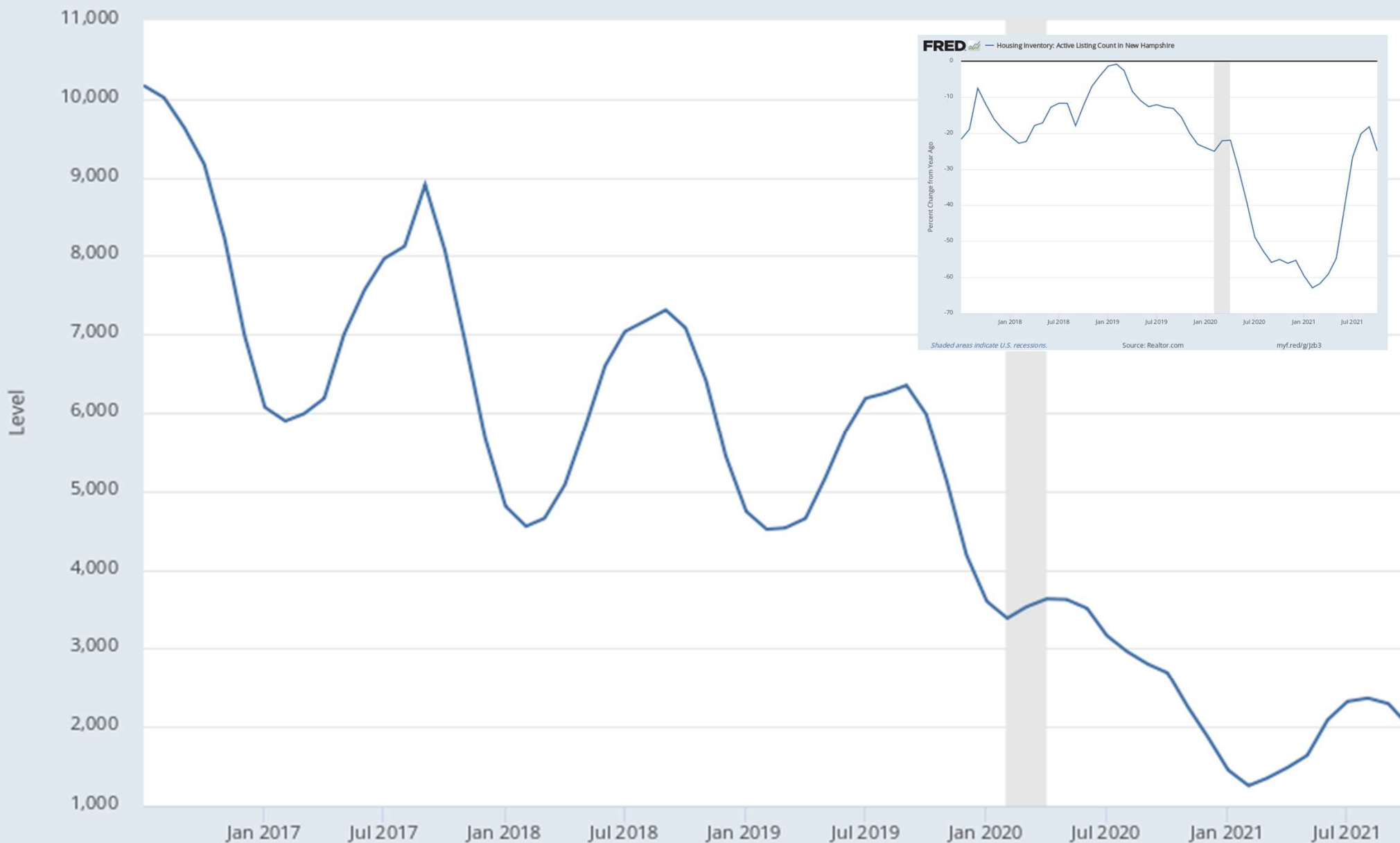
myf.red/g/Jz9c

Existing Residential Inventory

Very limited and still falling by 25% Y-o-Y!

FRED

— Housing Inventory: Active Listing Count in New Hampshire



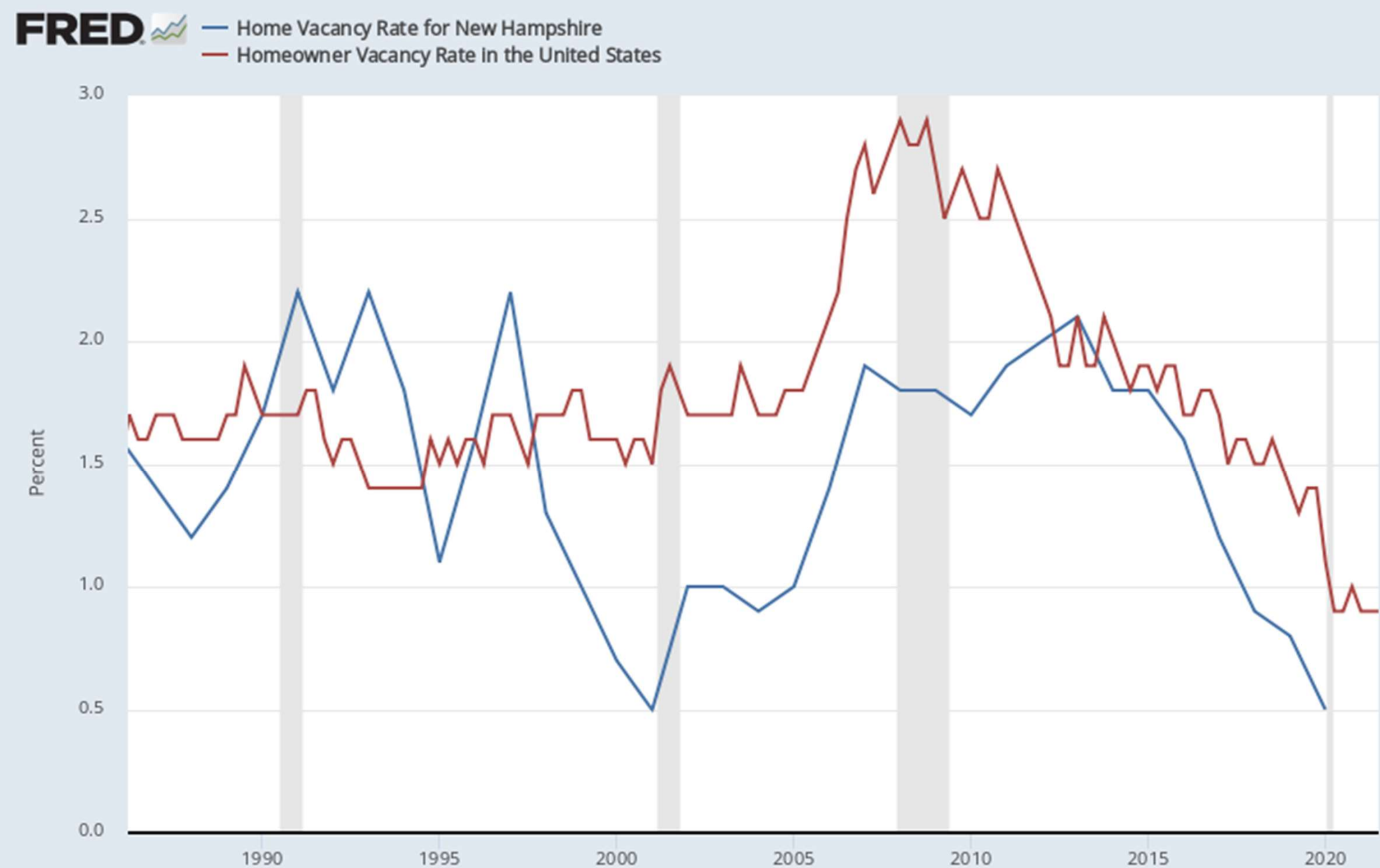
Shaded areas indicate U.S. recessions.

Source: Realtor.com

myf.red/g/JzaQ

The NH Homeowner Vacancy Rate

A huge gap and at it's 2001 low, which is very low!



Shaded areas indicate U.S. recessions.

Source: U.S. Census Bureau

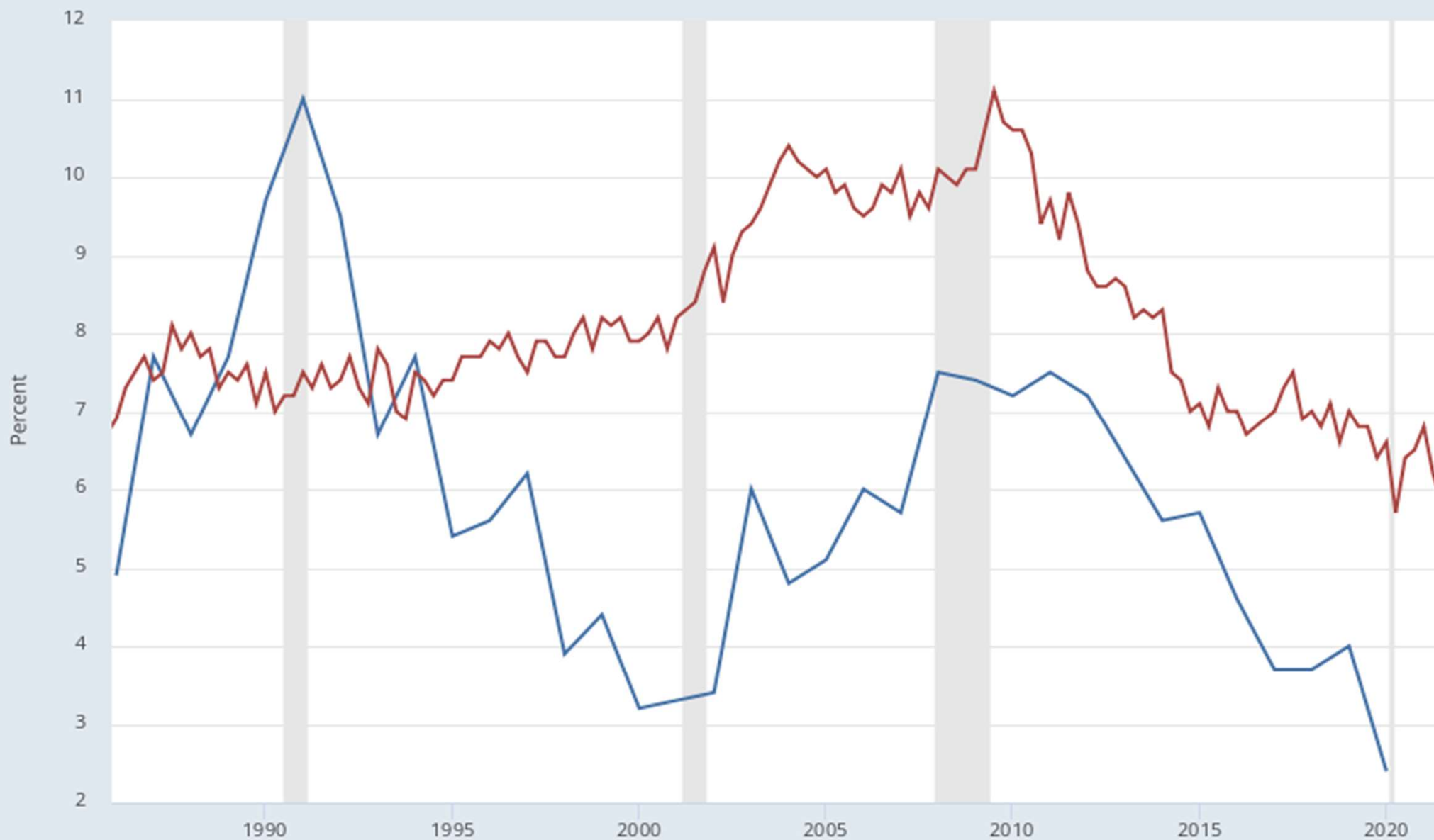
myf.red/g/jzcm

The NH Rental Vacancy Rate

A huge gap and a record low dating back to 1986!

FRED

— Rental Vacancy Rate for New Hampshire
— Rental Vacancy Rate in the United States



Shaded areas indicate U.S. recessions.

Source: U.S. Census Bureau

myf.red/g/jzan

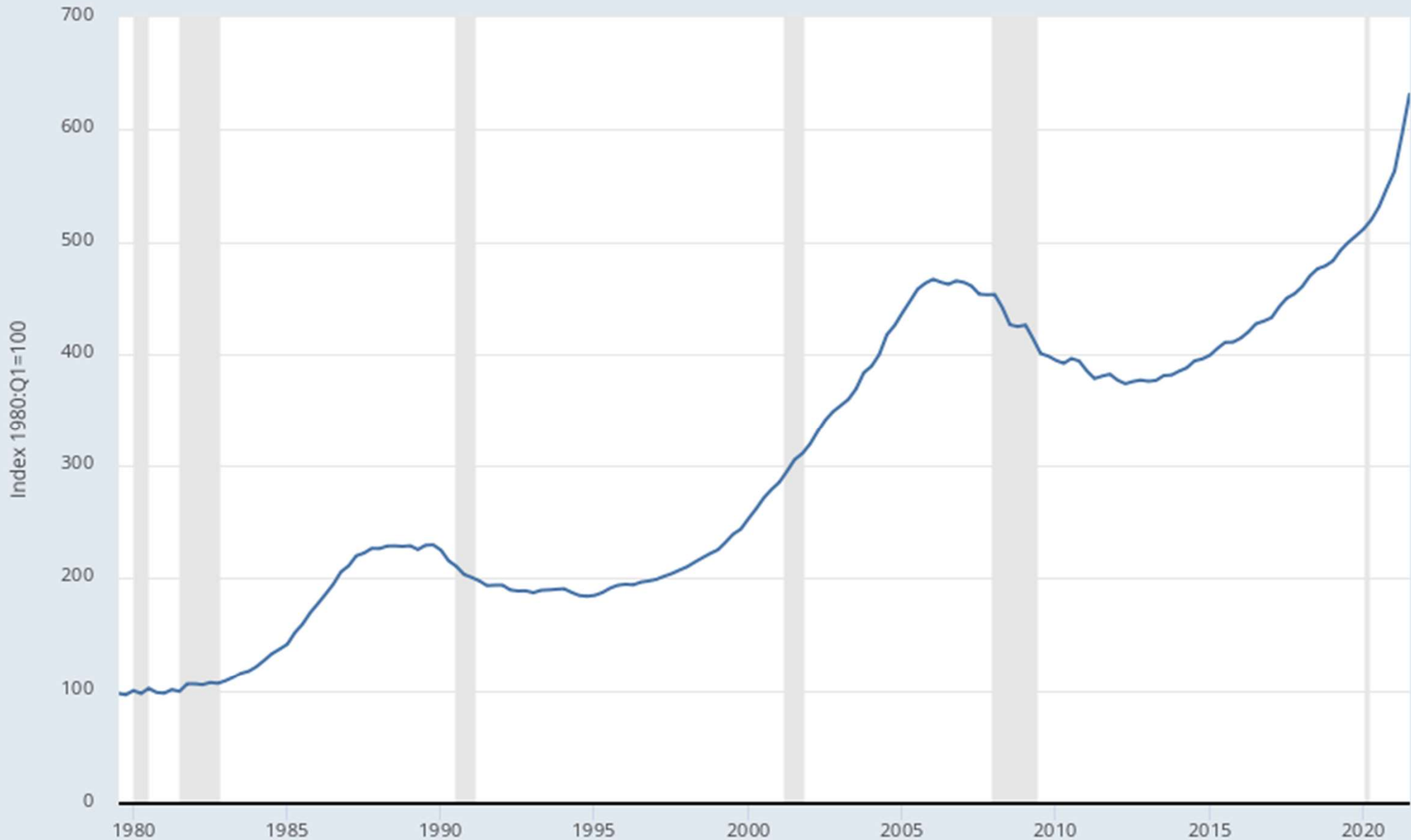
Home Prices Rise Rapidly

Up 24% since 21Q1

FRED



— All-Transactions House Price Index for New Hampshire

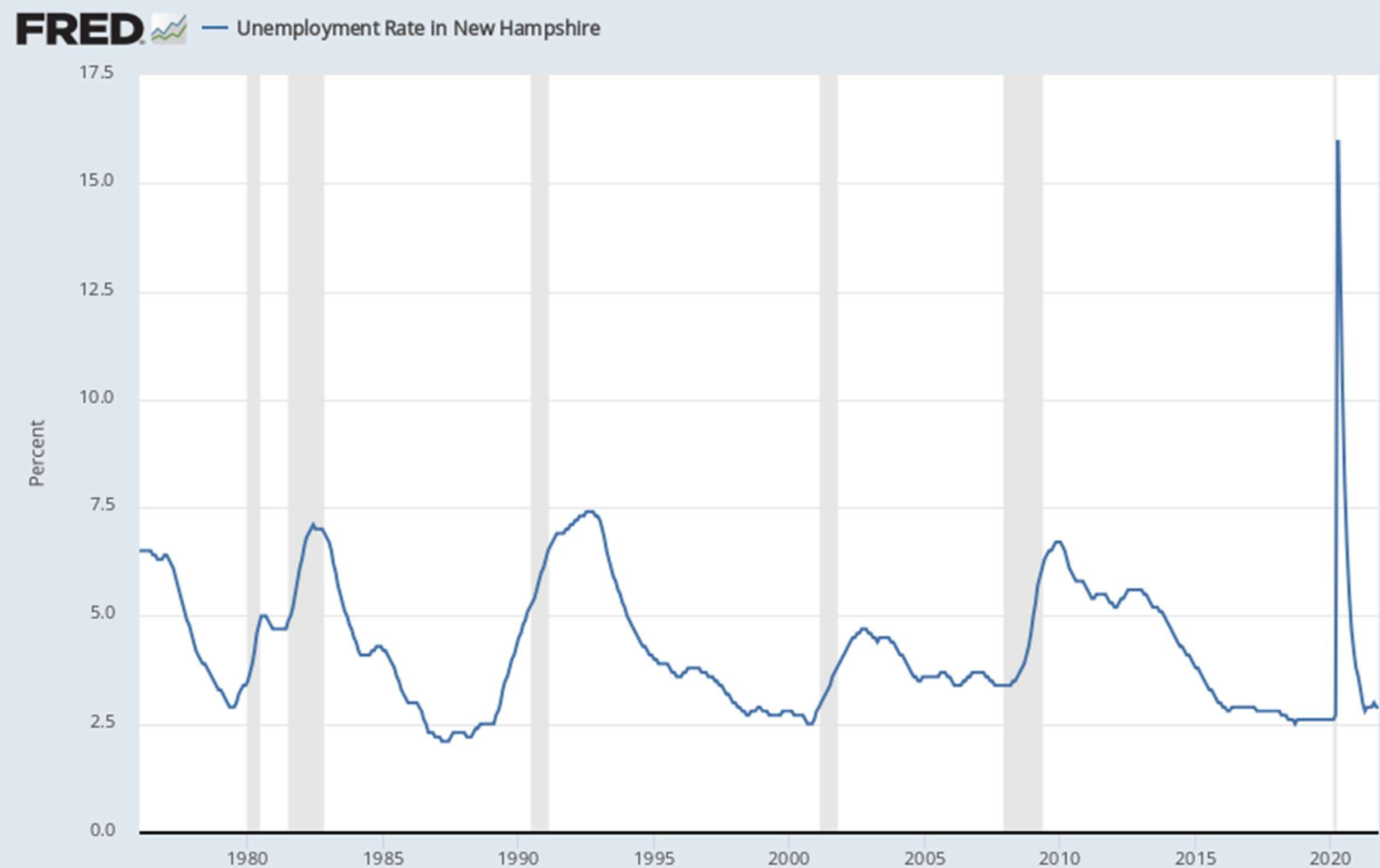


Source: U.S. Federal Housing Finance Agency

myf.red/g/jyZv

Unemployment is Very Low

At 2.6% it is almost half the national rate



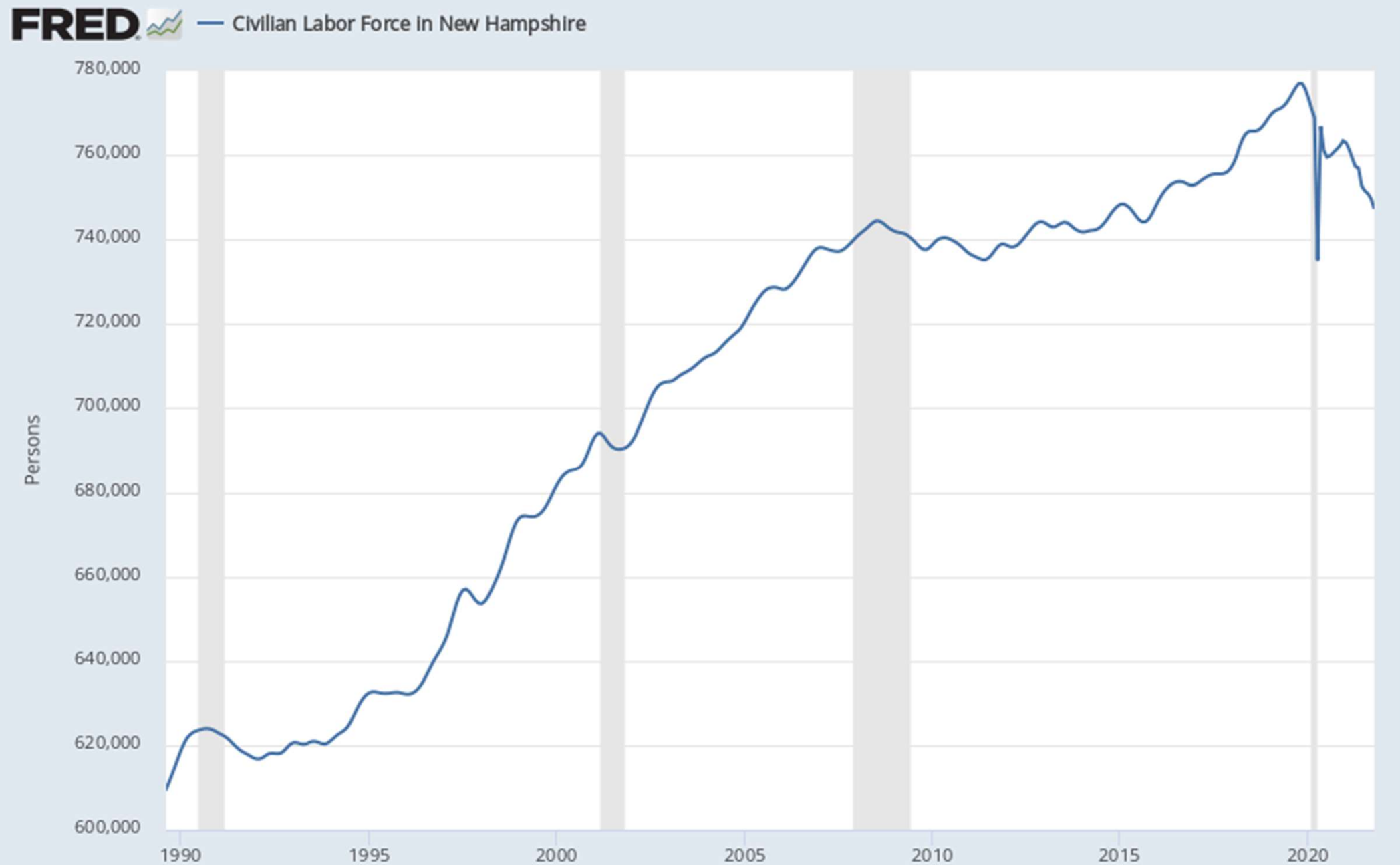
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

myf.red/g/jyZ1

The New Hampshire Labor Force

It has shrunk by about 30,000 persons



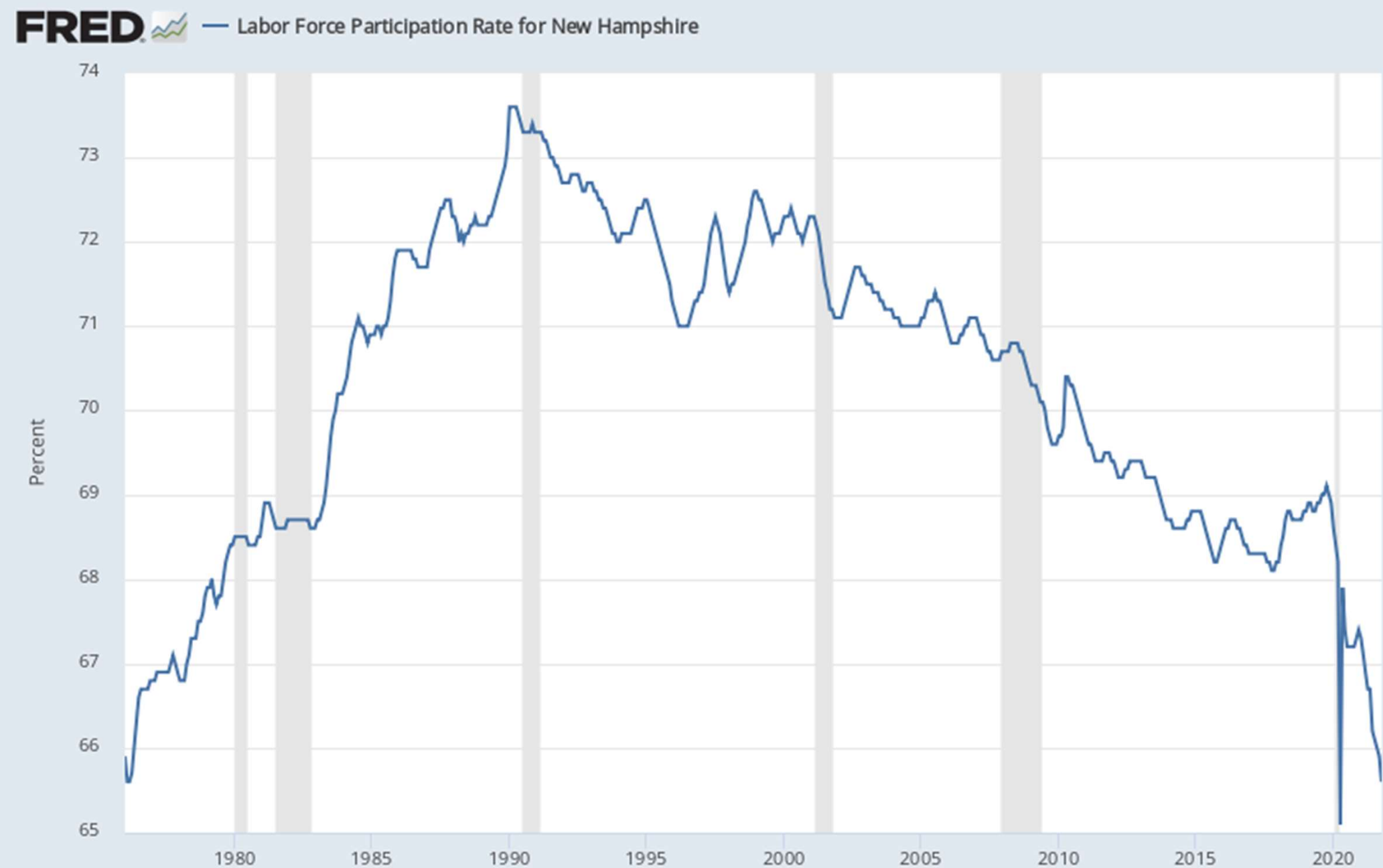
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

myf.red/g/Jz0z

The New Hampshire Labor Force

It has shrunk dramatically



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

myf.red/g/Jz0a

KEY TAKE AWAYS

- 1) 2022 will be a good year!
- 2) The Fed will not raise rates till 22Q2
- 3) The US should create 4 million jobs!
- 4) Inflation should not be a problem, but....
- 5) Spending on services will rise

ANY QUESTIONS?

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www.econ70.com

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