

# *On the Economic, Business & Political Landscape*

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*Manufacture Alabama  
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Point Clear, AL*

# Topic #1:

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After 10 years of growth, COVID-19  
sidelined the economy . . . We surged back .  
. . . But now, the “R-word” cometh

# What is a Recession?

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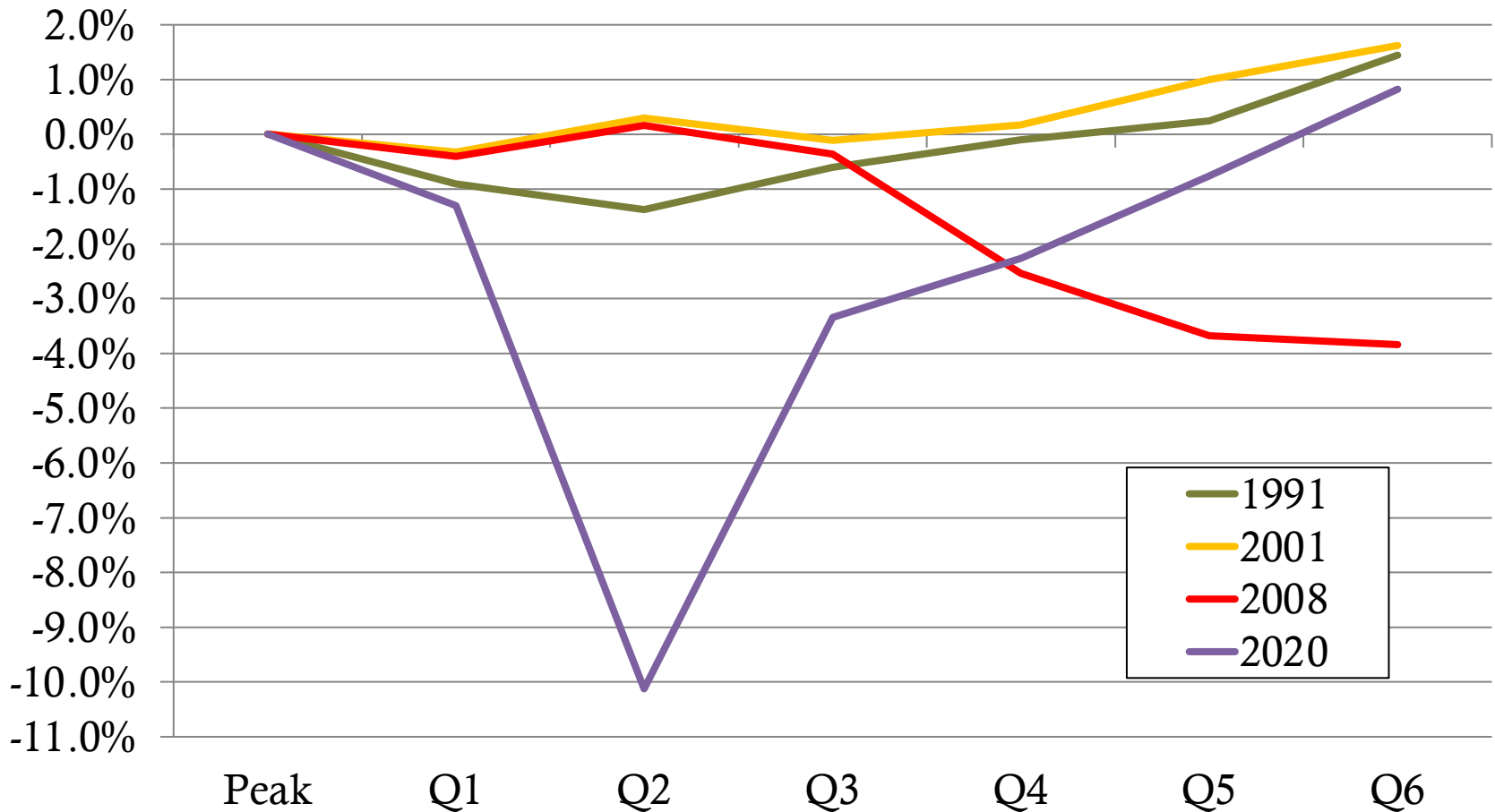
Two Quarters of Negative GDP Growth?  
What about 2001?

NBER says . . .

“. . . based on a range of monthly measures of aggregate real economic activity . . . include real personal income less transfers, nonfarm payroll employment, real personal consumption expenditures, wholesale-retail sales adjusted for price changes, employment as measured by the household survey, and industrial production”

“Recessions and expansions refer to the direction of change in economic activity, not its level”

# Tale of 4 Recessions



(Source: Bureau of Economic Analysis)

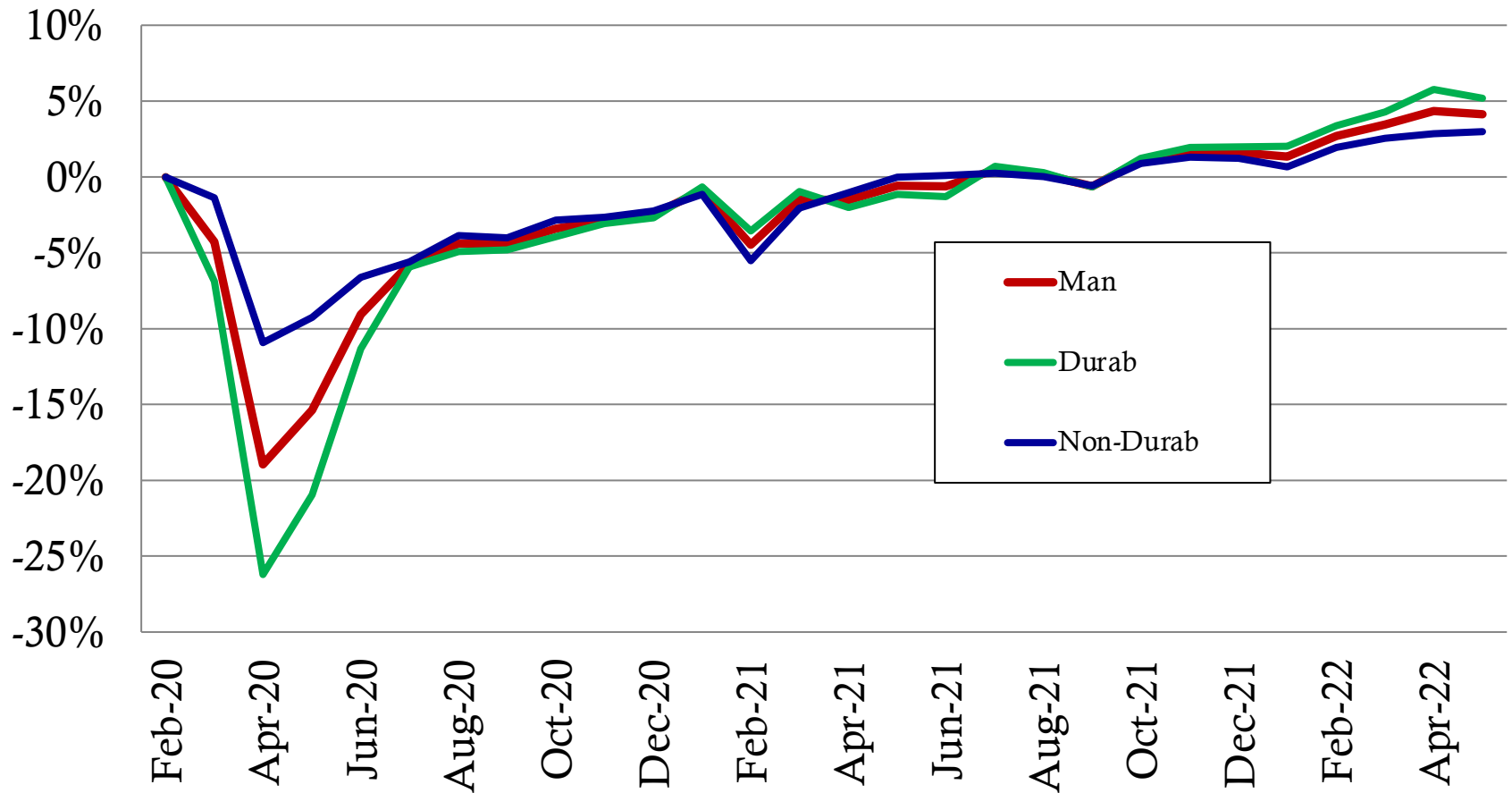
# Contributions to GDP Growth

(Source: Bureau of Economic Analysis)

|          | GDP =          | Consumption    | Gross Investment | Net Exports   | Government |
|----------|----------------|----------------|------------------|---------------|------------|
| 2020: Q1 | -5.10%         | -4.79%         | -0.92%           | -0.05%        | 0.63%      |
| 2020: Q2 | <b>-31.20%</b> | <b>-24.10%</b> | <b>-9.64%</b>    | 1.53%         | 0.97%      |
| 2020: Q3 | 33.80%         | 25.51%         | 11.71%           | <b>-3.25%</b> | -0.19%     |
| 2020: Q4 | 4.50%          | 2.26%          | 4.01%            | -1.65%        | -0.09%     |
| 2021: Q1 | 6.30%          | 7.44%          | -0.37%           | -1.56%        | 0.77%      |
| 2021: Q2 | 6.70%          | 7.92%          | -0.65%           | -0.18%        | -0.36%     |
| 2021: Q3 | 2.30%          | <b>1.35%</b>   | 2.05%            | -1.26%        | 0.17%      |
| 2021: Q4 | 6.90%          | 1.76%          | 5.82%            | -0.23%        | -0.46%     |
| 2022: Q1 | <b>-1.60%</b>  | 1.24%          | 0.92%            | <b>-3.23%</b> | -0.51%     |
| 2022: Q2 | <b>-0.60%</b>  | 0.99%          | <b>-2.67%</b>    | 1.42%         | -0.32%     |

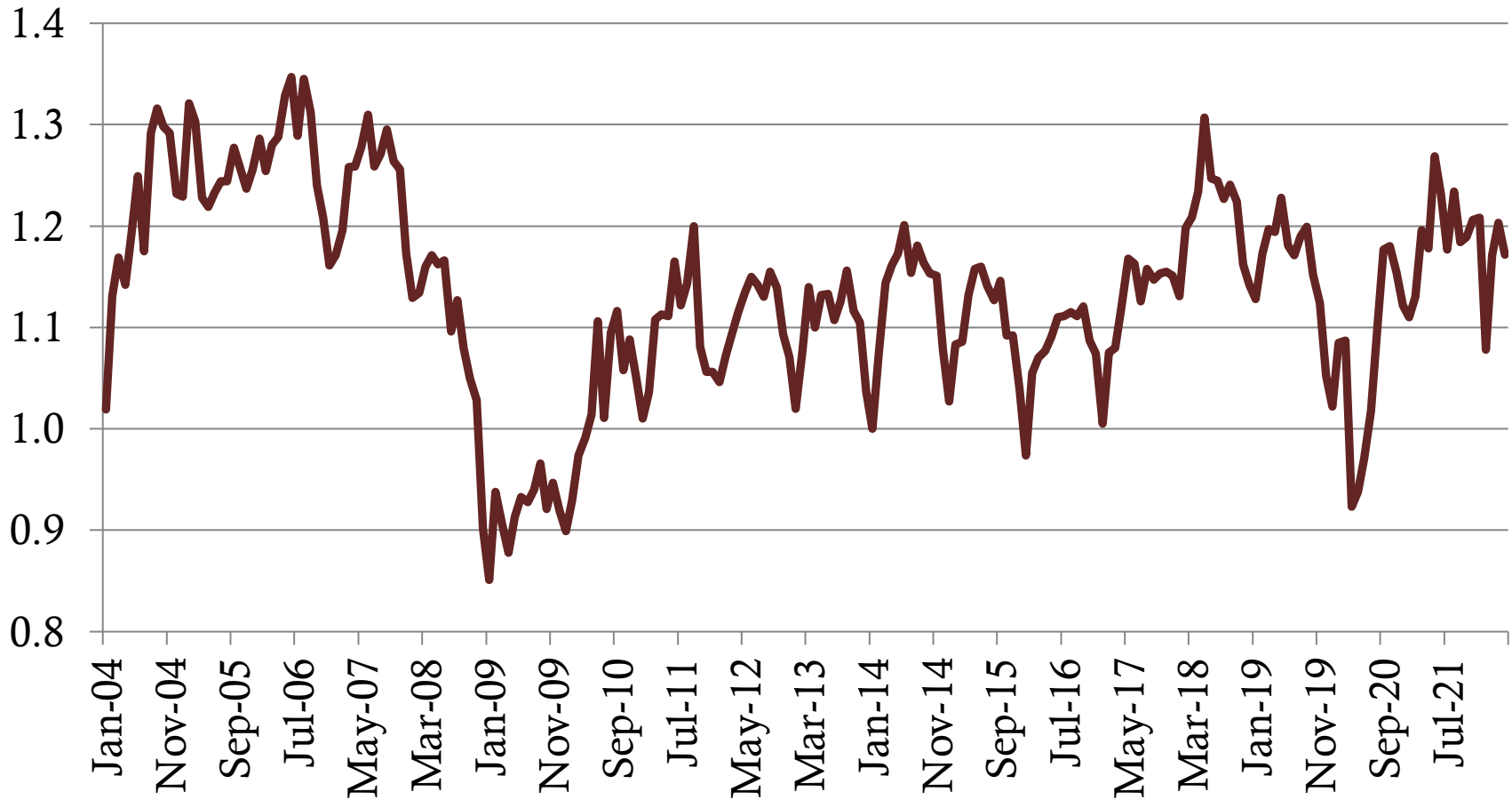
|          | Gross Investment | Nonresidential | Residential | Inventory     |
|----------|------------------|----------------|-------------|---------------|
| 2020: Q1 | -0.92%           | -1.14%         | 0.73%       | -0.51%        |
| 2020: Q2 | <b>-9.64%</b>    | -4.28%         | -1.36%      | <b>-4.01%</b> |
| 2020: Q3 | <b>11.71%</b>    | 2.72%          | 2.16%       | <b>6.84%</b>  |
| 2020: Q4 | <b>4.01%</b>     | 1.57%          | 1.34%       | 1.10%         |
| 2021: Q1 | -0.37%           | 1.65%          | 0.60%       | <b>-2.62%</b> |
| 2021: Q2 | -0.65%           | 1.21%          | -0.60%      | <b>-1.26%</b> |
| 2021: Q3 | 2.05%            | 0.22%          | -0.38%      | <b>2.20%</b>  |
| 2021: Q4 | <b>5.82%</b>     | 0.40%          | 0.10%       | <b>5.32%</b>  |
| 2022: Q1 | 0.92%            | 1.28%          | 0.02%       | -0.35%        |
| 2022: Q2 | <b>-2.67%</b>    | 0.00%          | -0.83%      | <b>-1.83%</b> |

# Industrial Production: From Peak



(source: Federal Reserve Board of Governors)

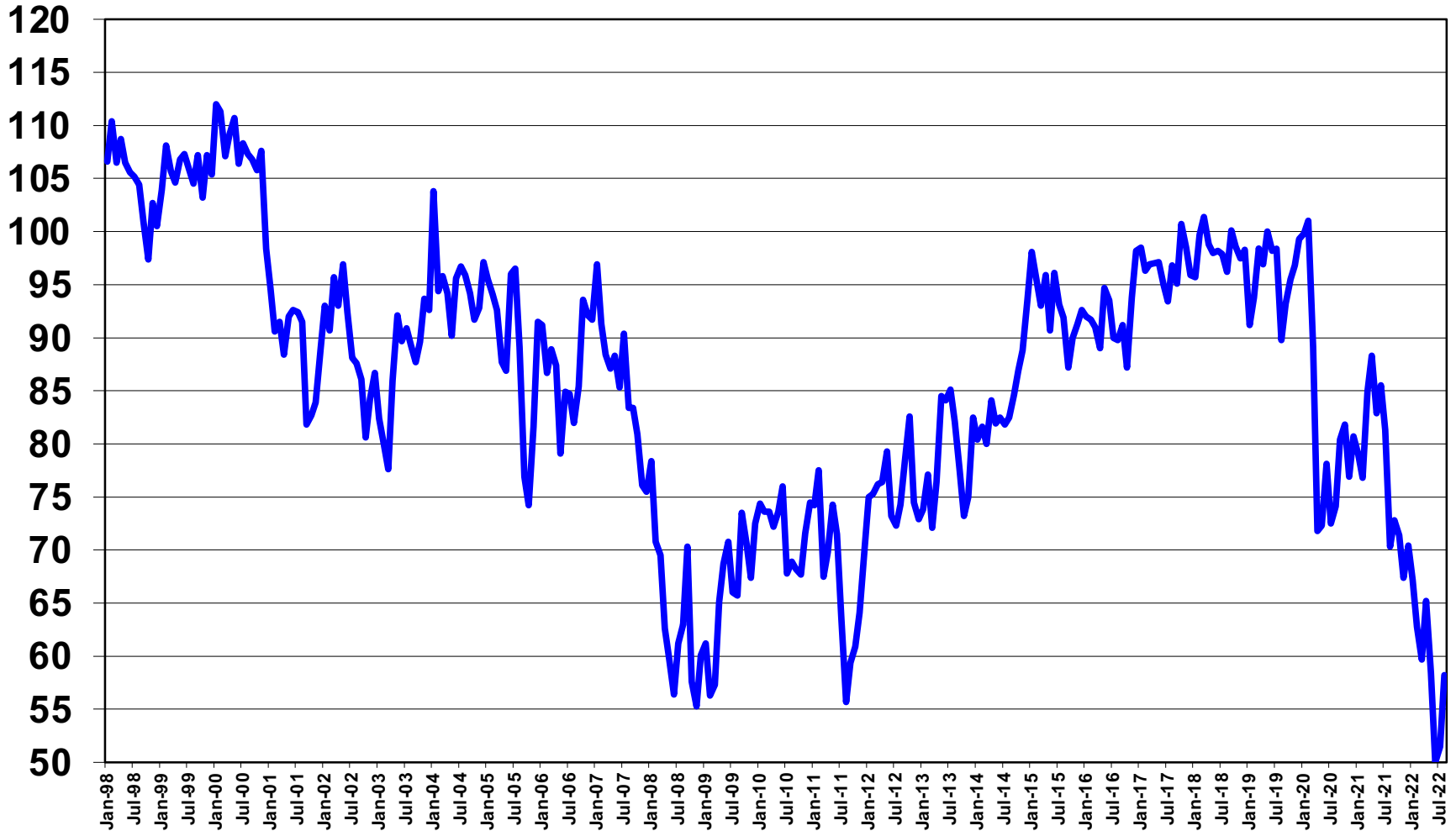
# Freight Shipments



(Source: Cass Freight Index)

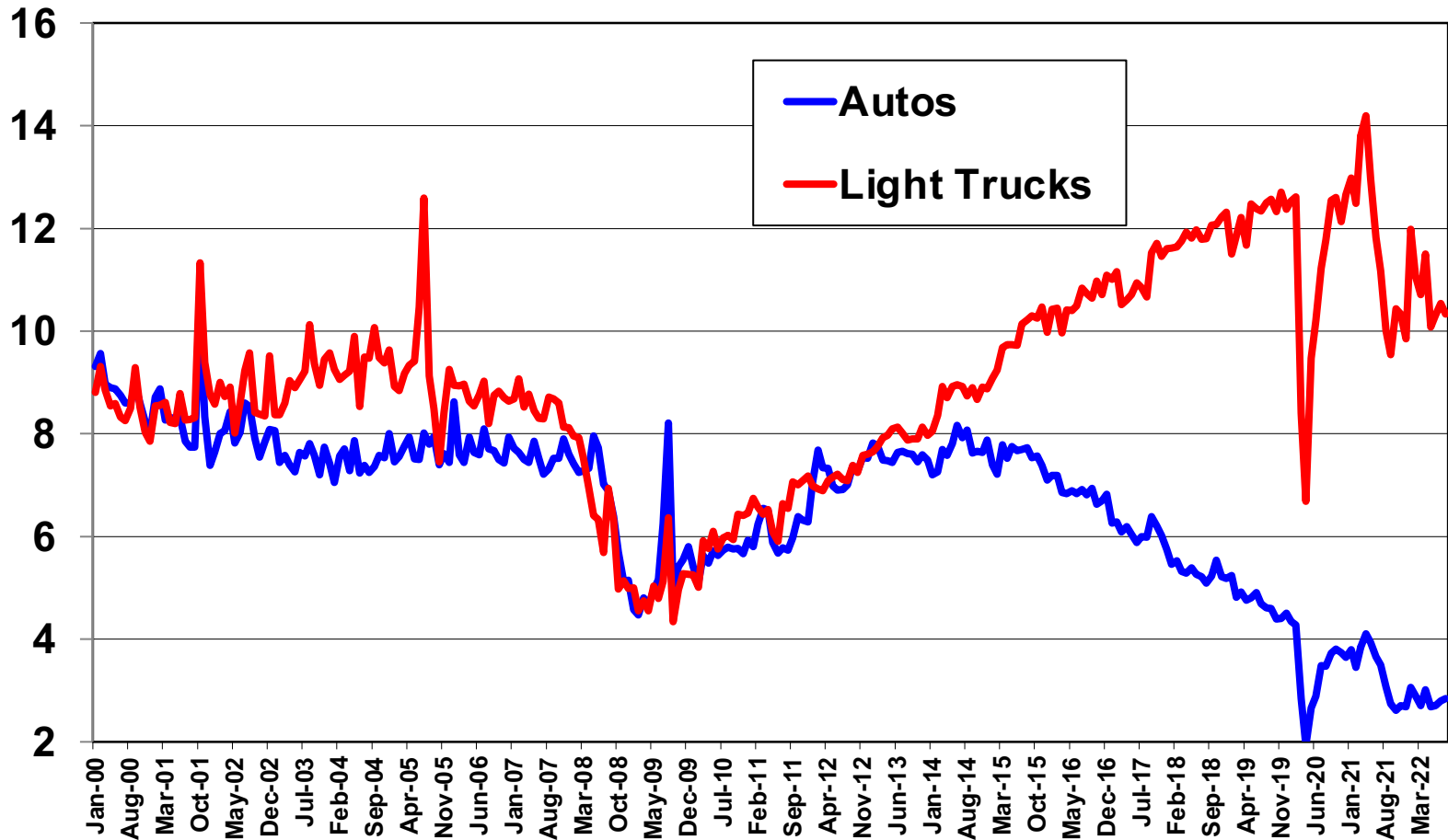
# Consumer Sentiment

(source: University of Michigan, Survey Research Center)





# Auto & Light Truck Sales



(Source: Department of Commerce, in millions)

# Leading Economic Indicators



(source: Conference Board, % change in last 6 months)

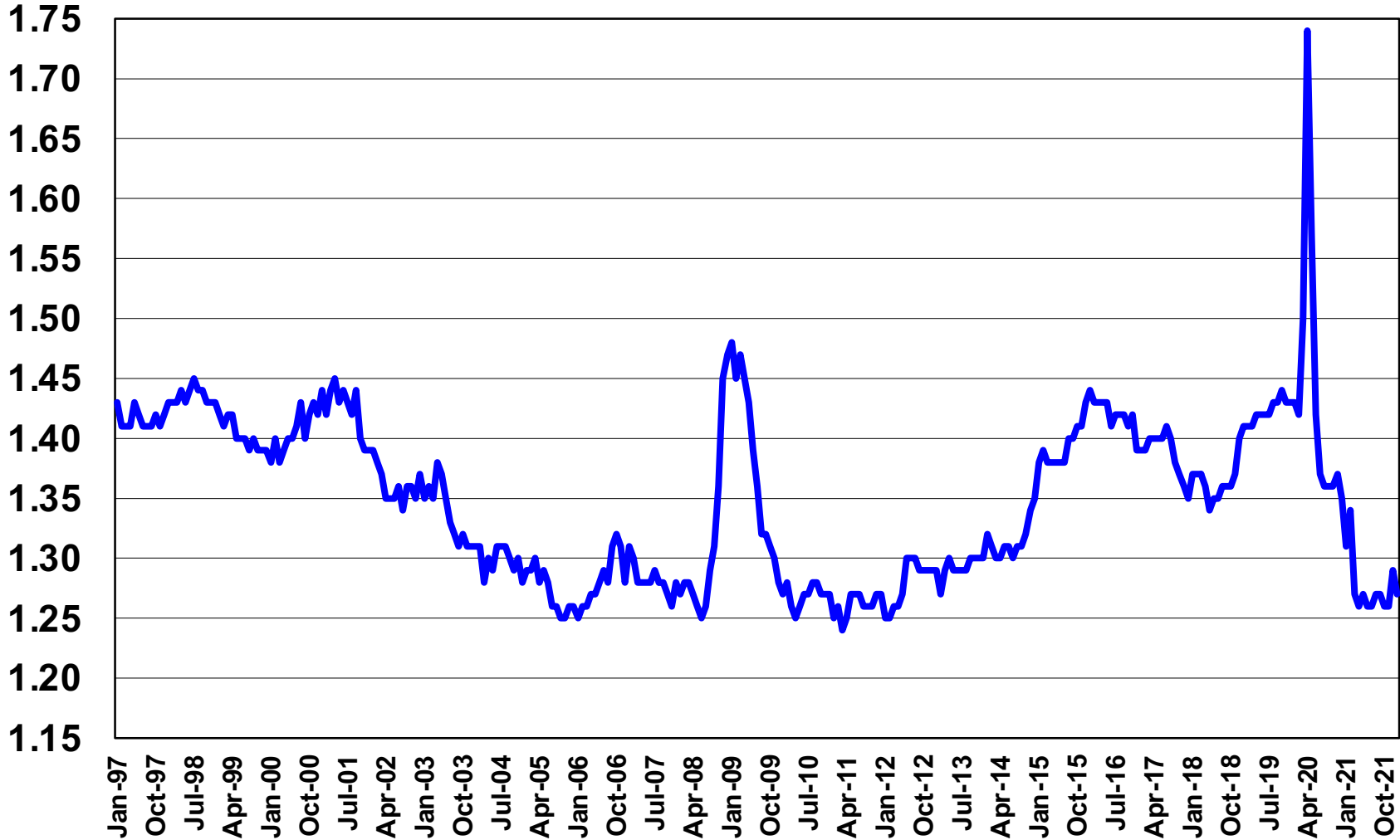
# Topic #2:

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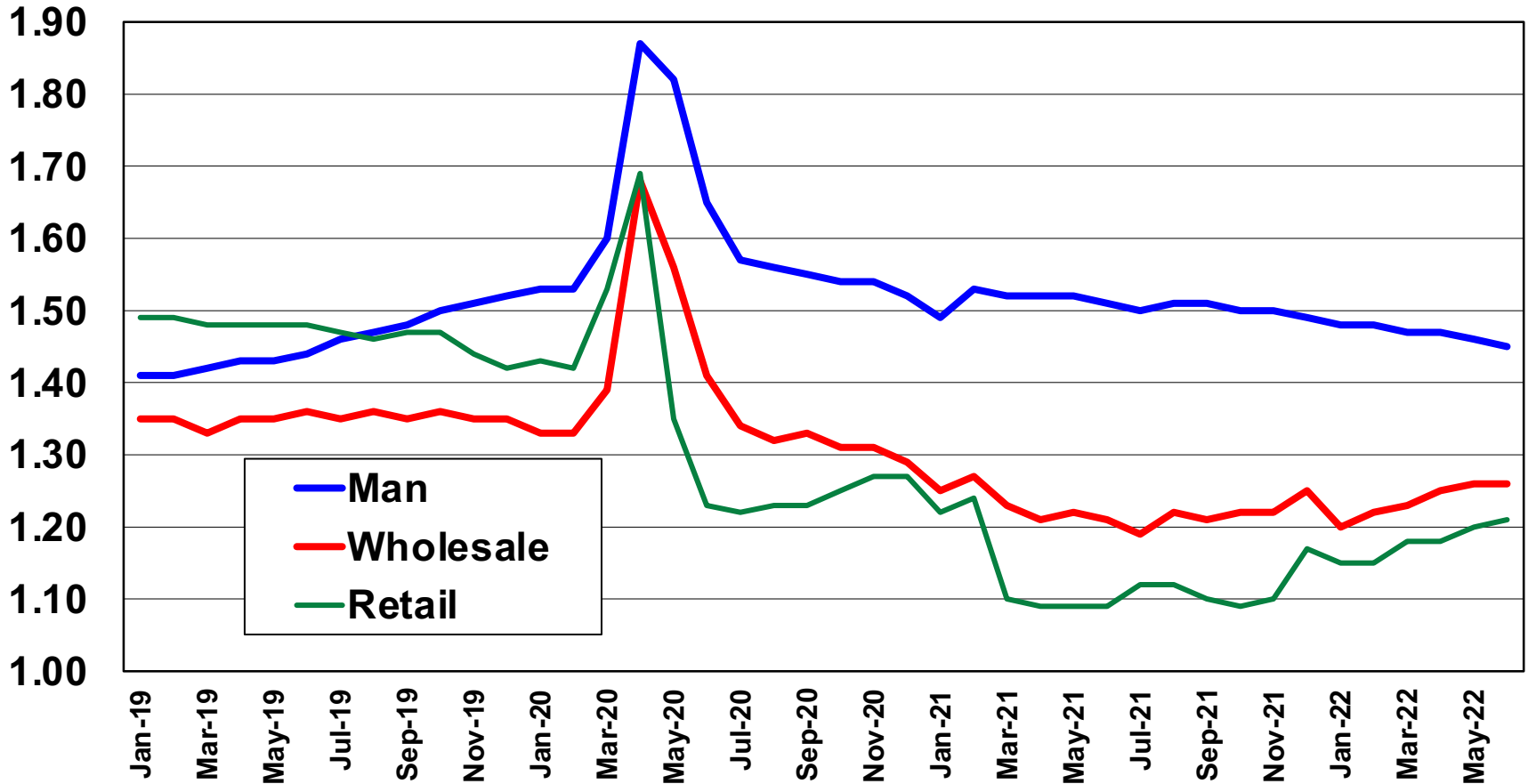
One of the Big 3 challenges – *supply chain disruptions*

# Inventory/Sales Ratio

(Source: Department of Commerce, in months)



# Inventory/Sales Ratio



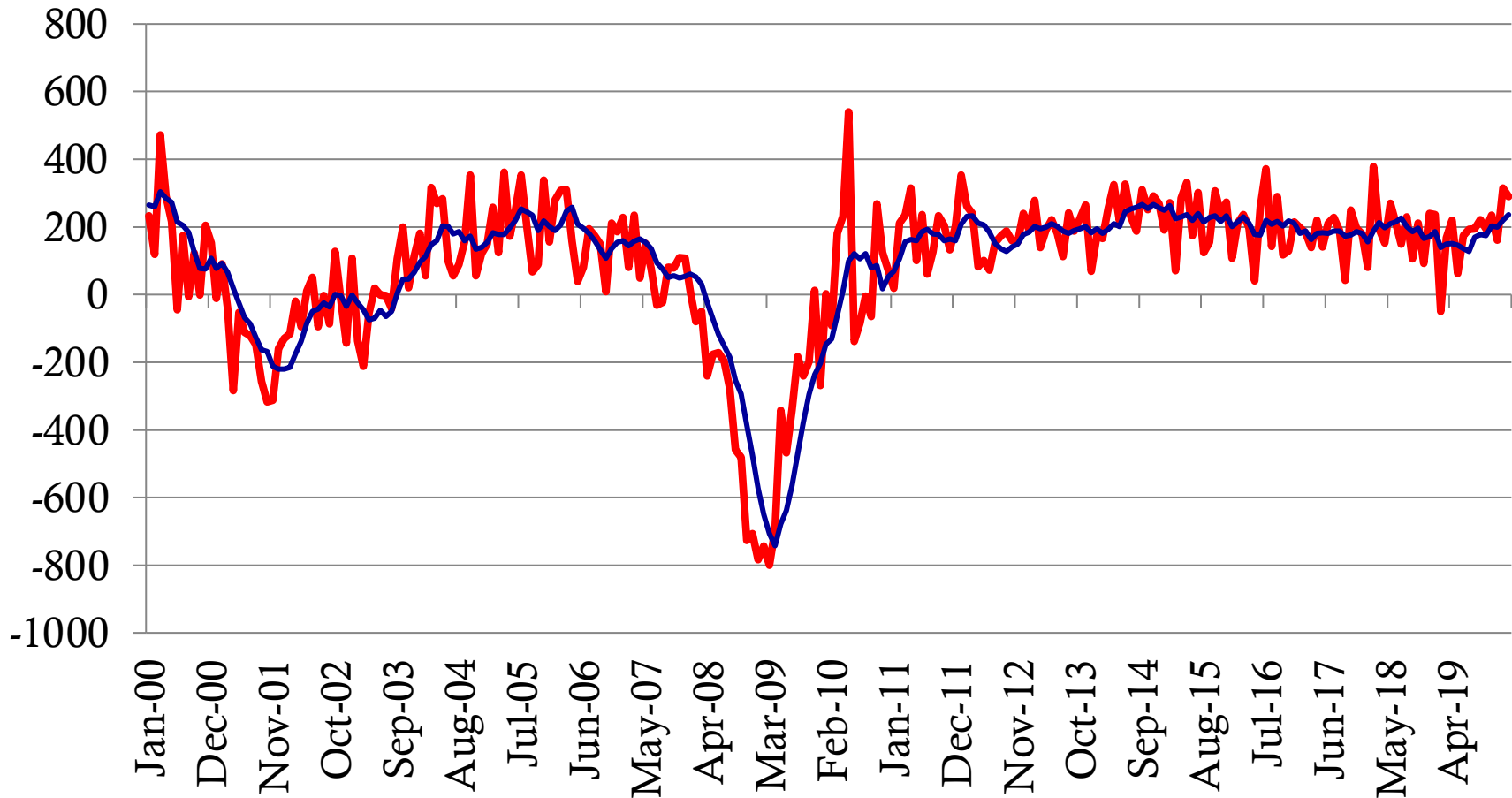
(Source: Department of Commerce, in months)

# Topic #3:

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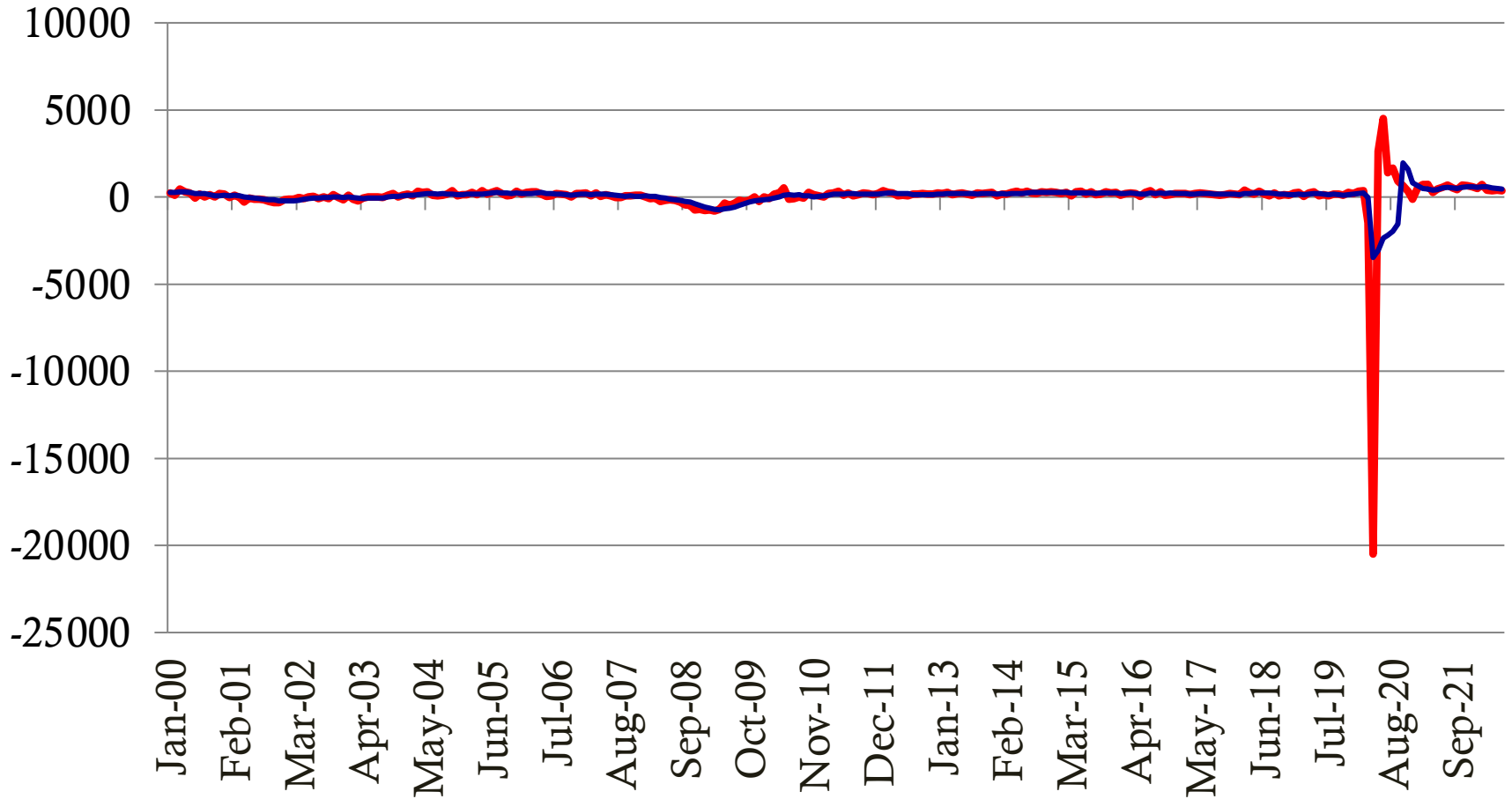
2<sup>nd</sup> major challenge – *tight labor markets!*

# Change in Payroll Employment



(Source: Bureau of Labor Statistics, in thousands)

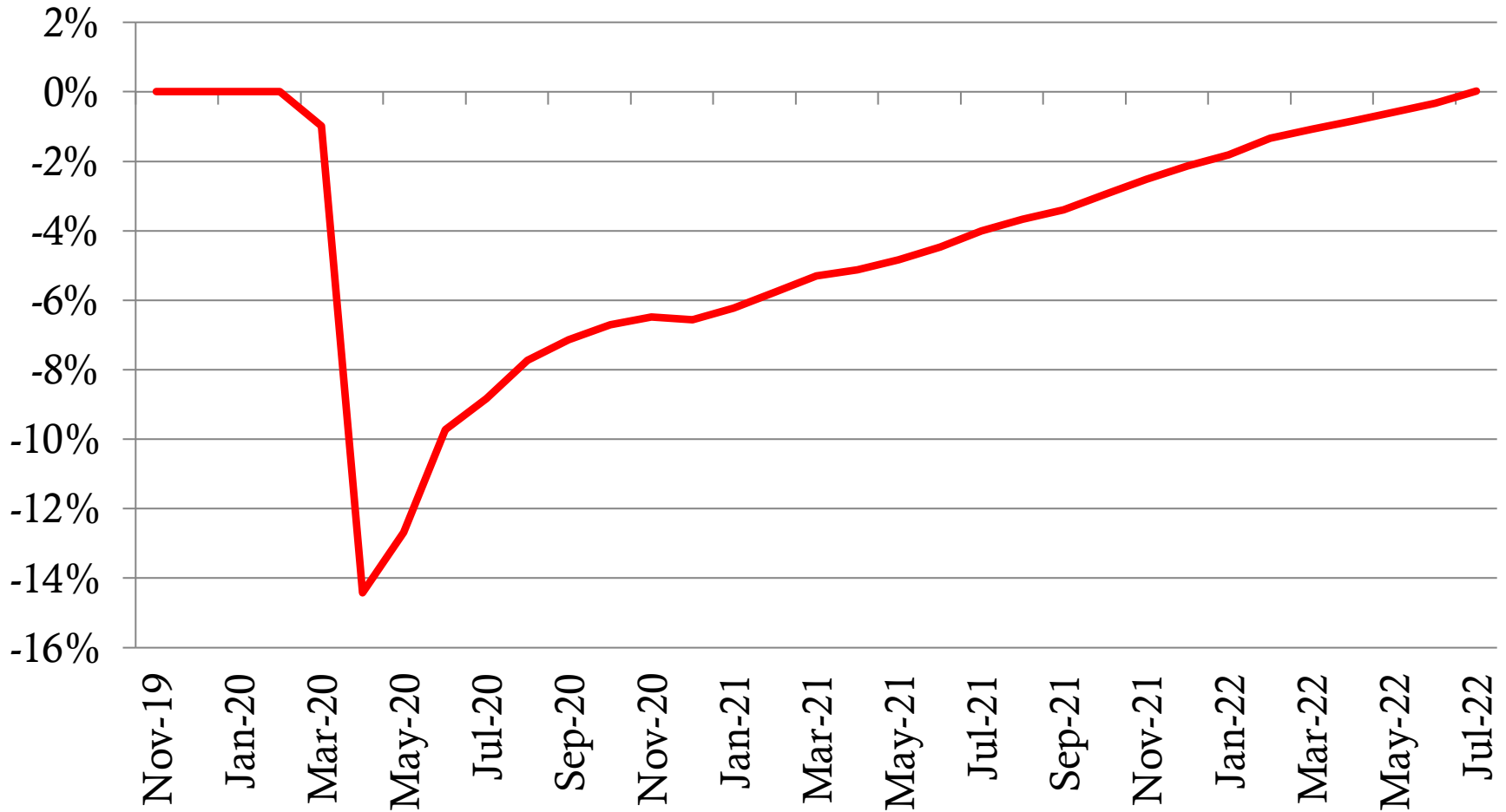
# Change in Payroll Employment



(Source: Bureau of Labor Statistics)



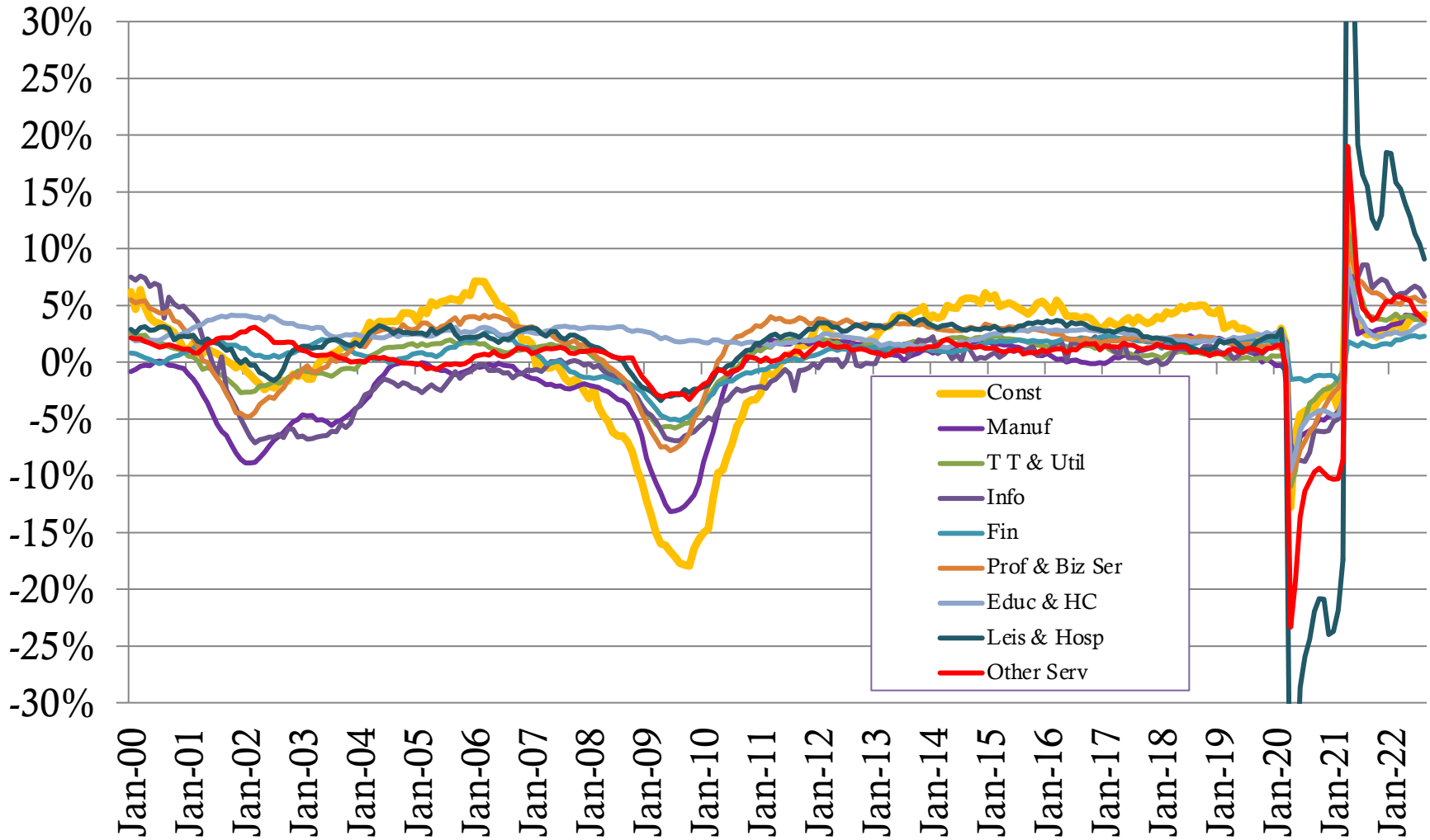
# Employment Below Peak



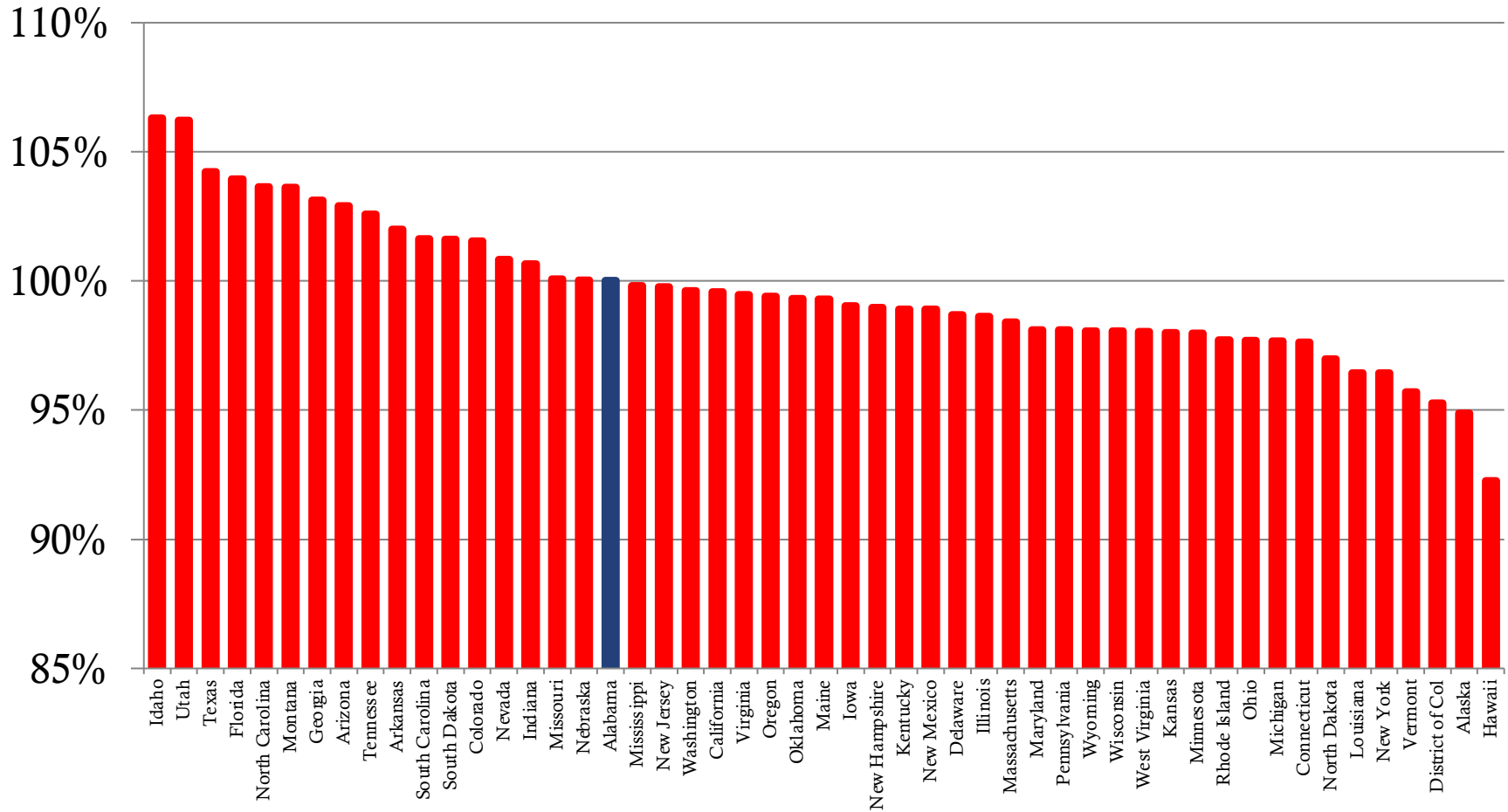
(Source: Bureau of Labor Statistics)

# Employment

(Source: Bureau of Labor Statistics)

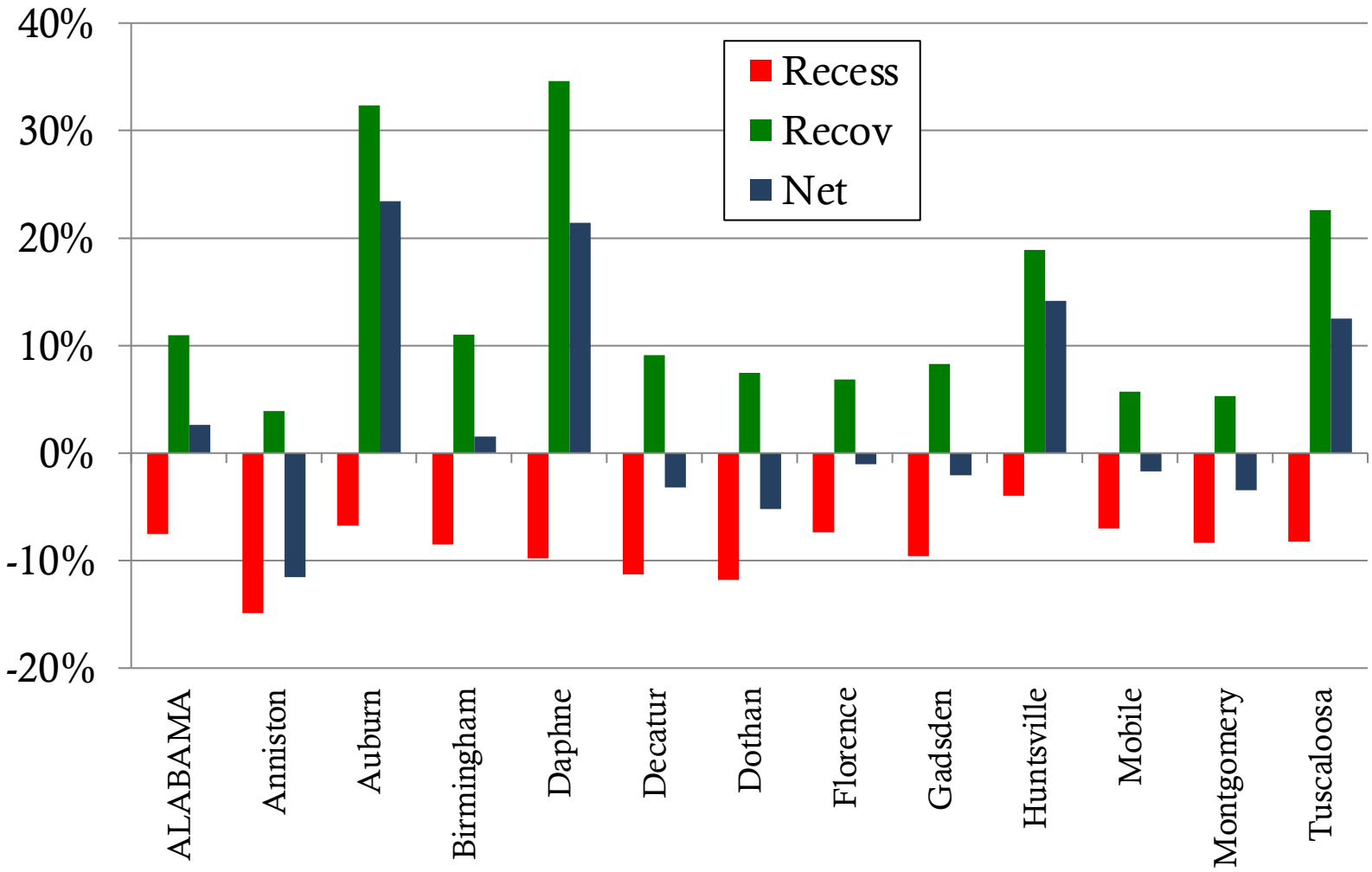


# Recovery from Bottom

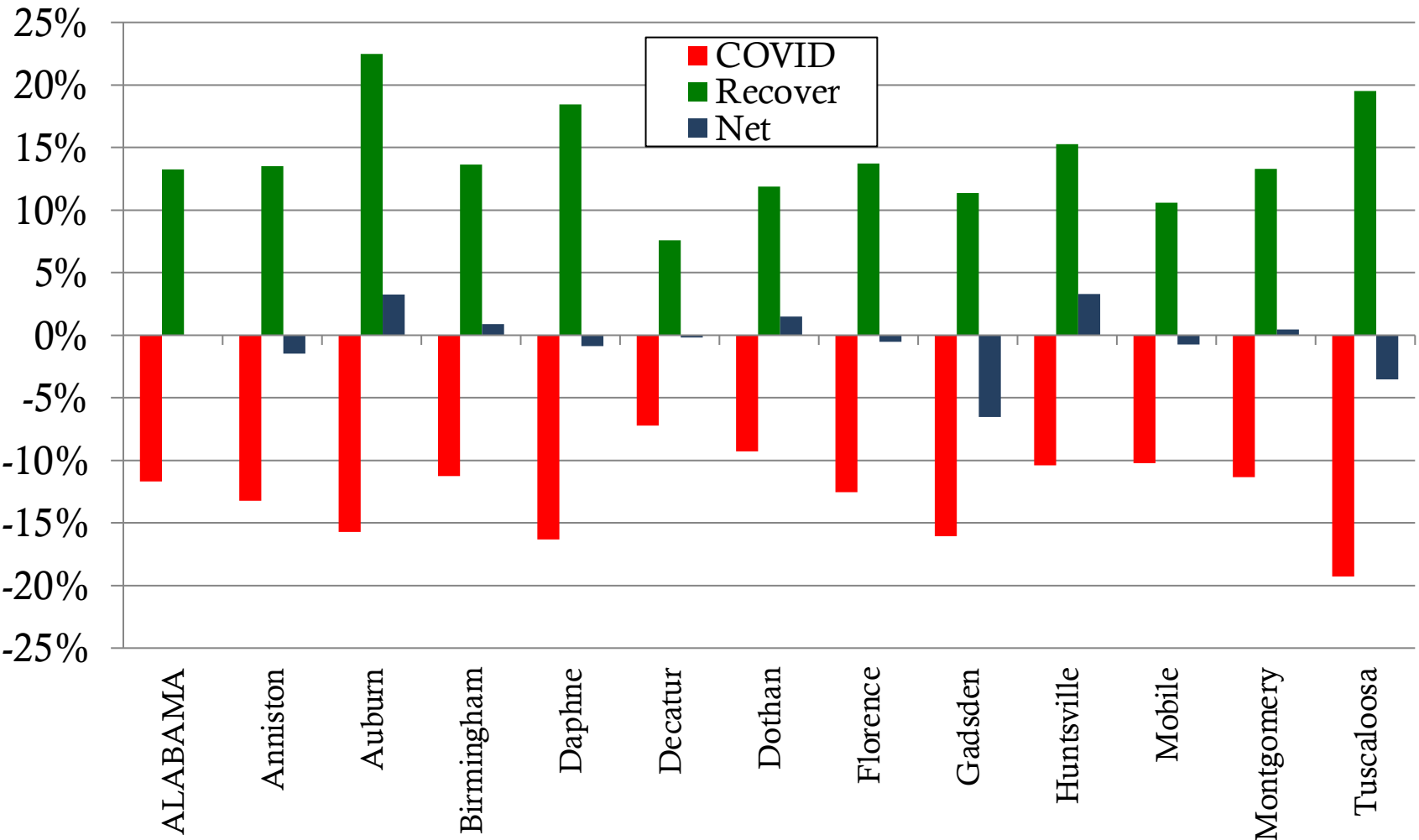


(Source: Bureau of Labor Statistics)

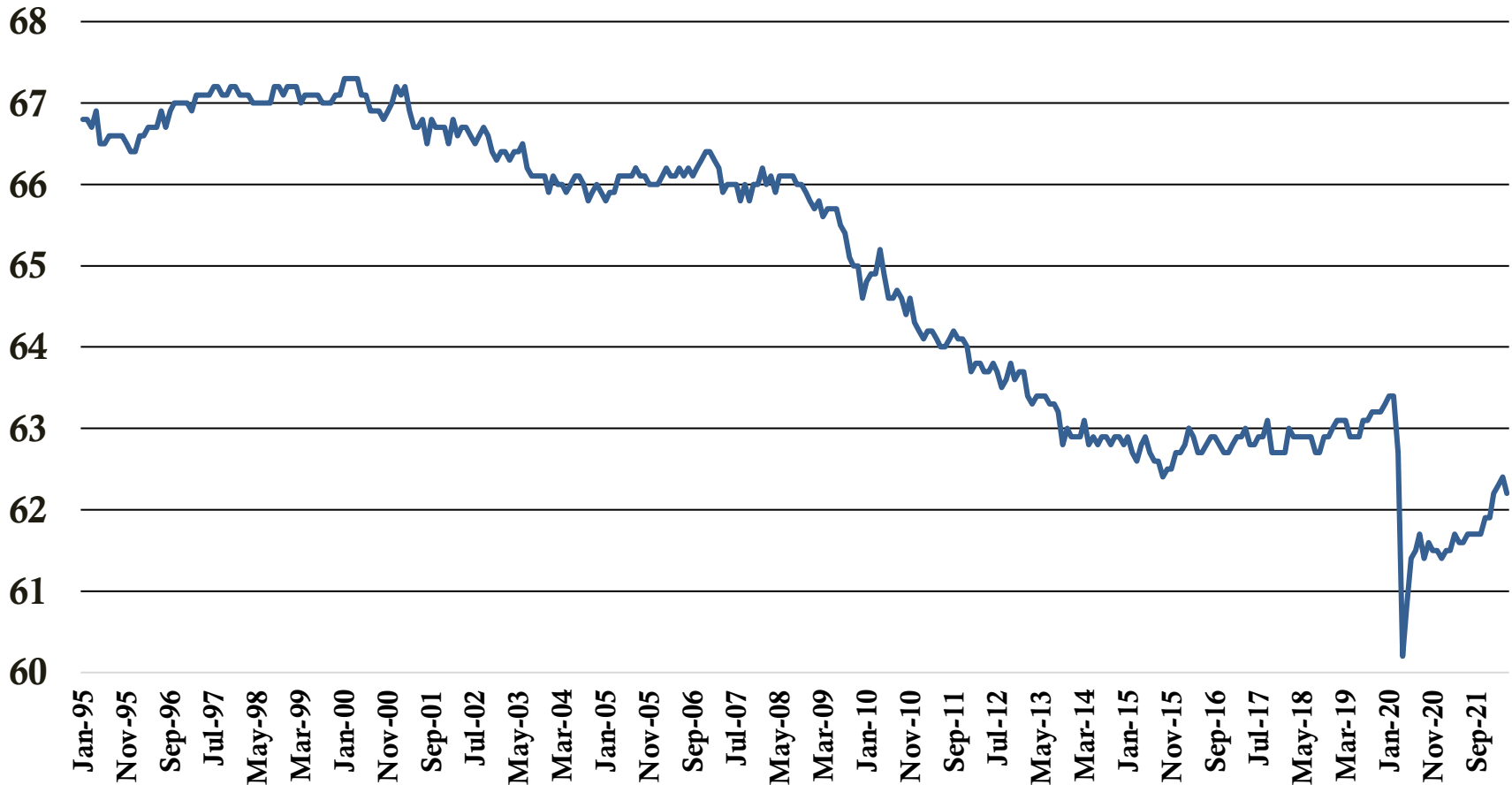
# Employment: Alabama (thru 2/20)



# Employment: Alabama (thru 7/22)



# Labor Force Participation



(Source: Bureau of Labor Statistics)

# Topic #4:

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Challenge #3 . . . *the return of inflation!!!*

# Inflation: Transitory or Persistent?

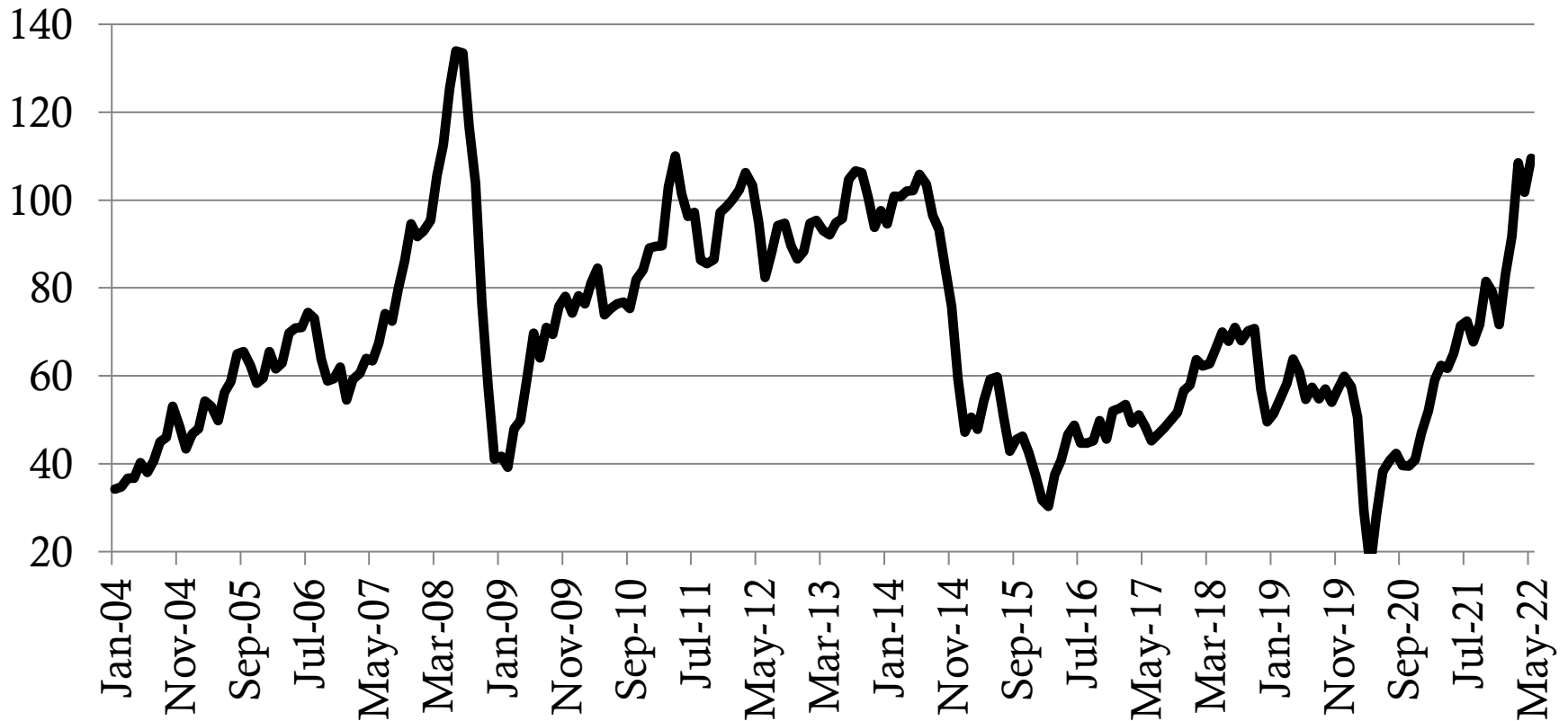
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- CPI was up 0.1% in August – after being flat and up 1.3% in July and June.
- Core CPI up 0.6% in August – after being up by 0.3% and 0.7% in July and June.
- Overall CPI up 8.3% over last 12 months. Core up 6.3% over same period.
- Supply chain disruptions, hoarder behavior was at play in food prices in early 2020, recently pressures are rising again.
- Energy component dropped for second straight month, but still up by 23.8% over the last 12 months.

(source: Bureau of Labor Statistics)



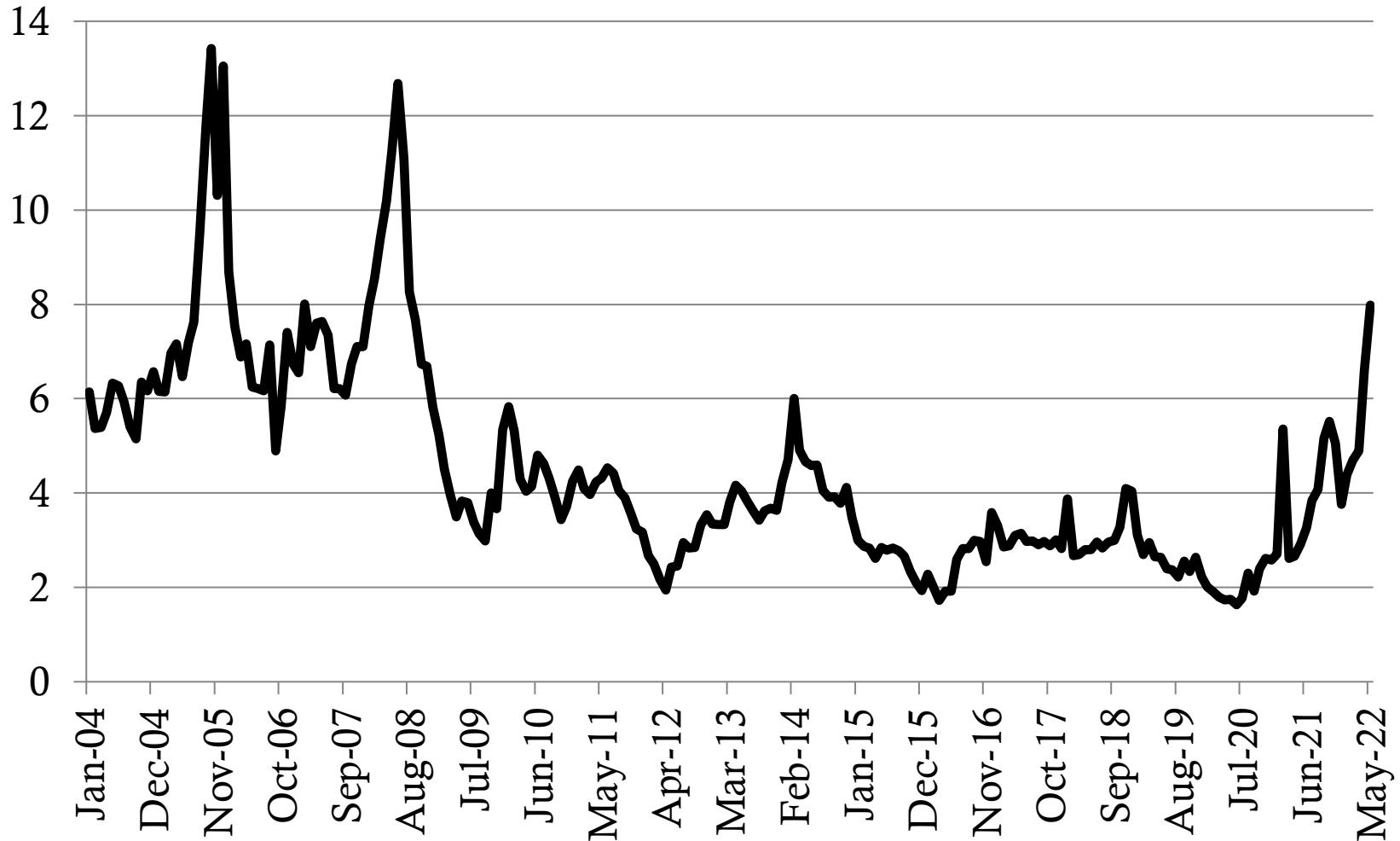
# Crude Oil: West Texas Intermediate



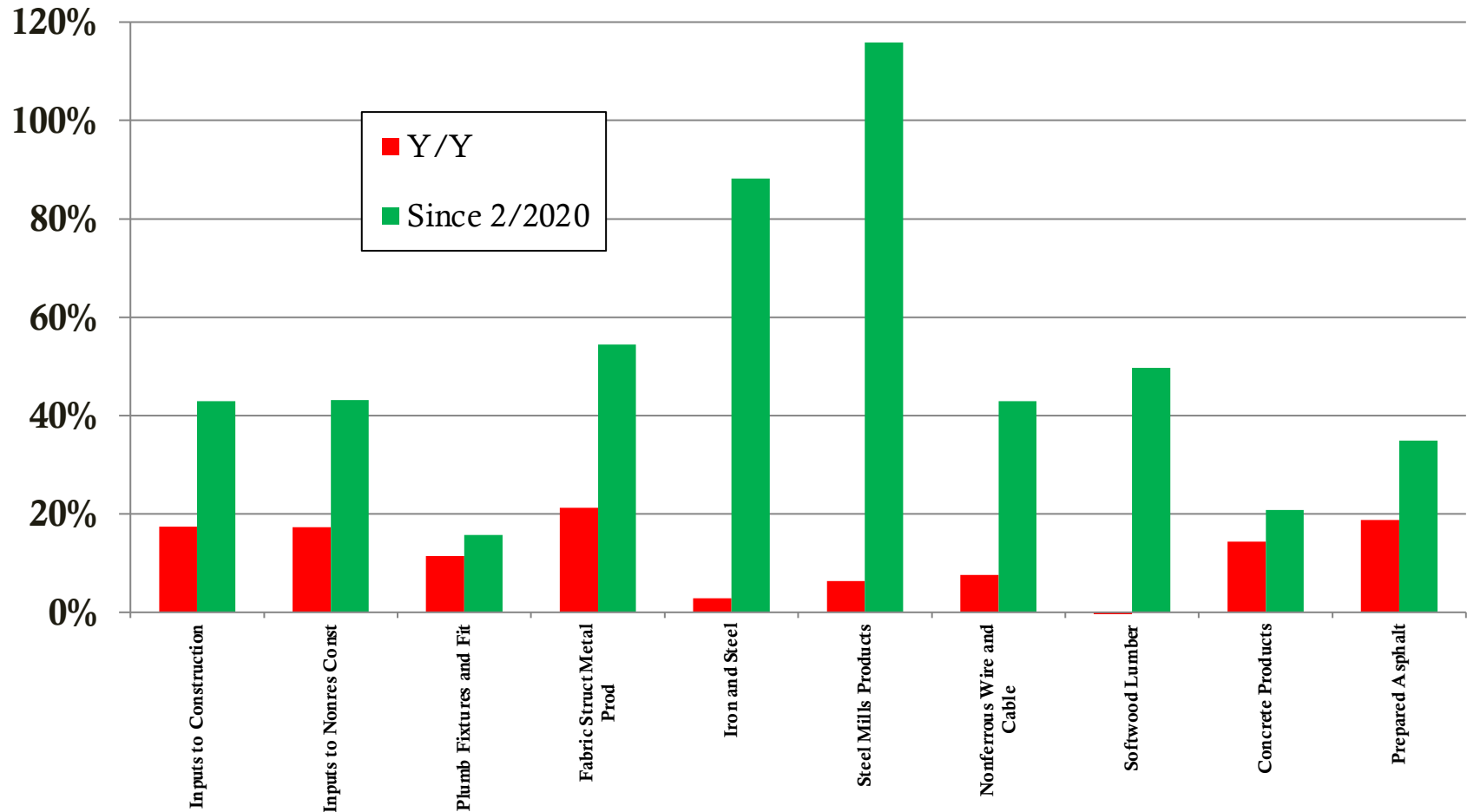
(Source: US Energy Information Administration)

# Natural Gas: Henry Hub

(Source: US Energy Information Administration)



# Construction Cost w/o Energy



(Source: Bureau of Labor Statistics (PPI) & Associated Builders & Contractors)

# Topic #5:

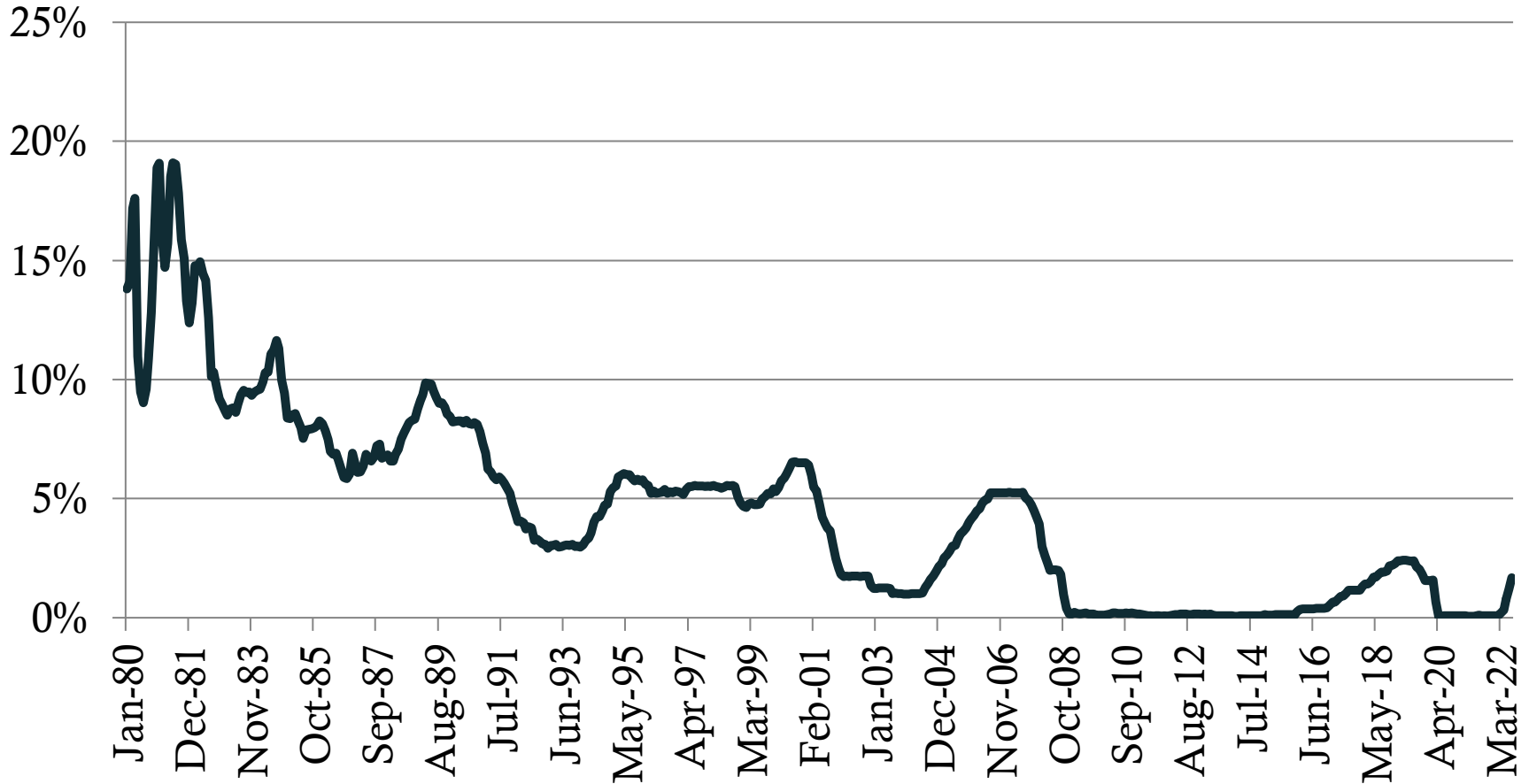
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After starting to unwind three rounds of QE  
... we went to zero in March 2020.

... now, .... taper, rate hikes & QT?

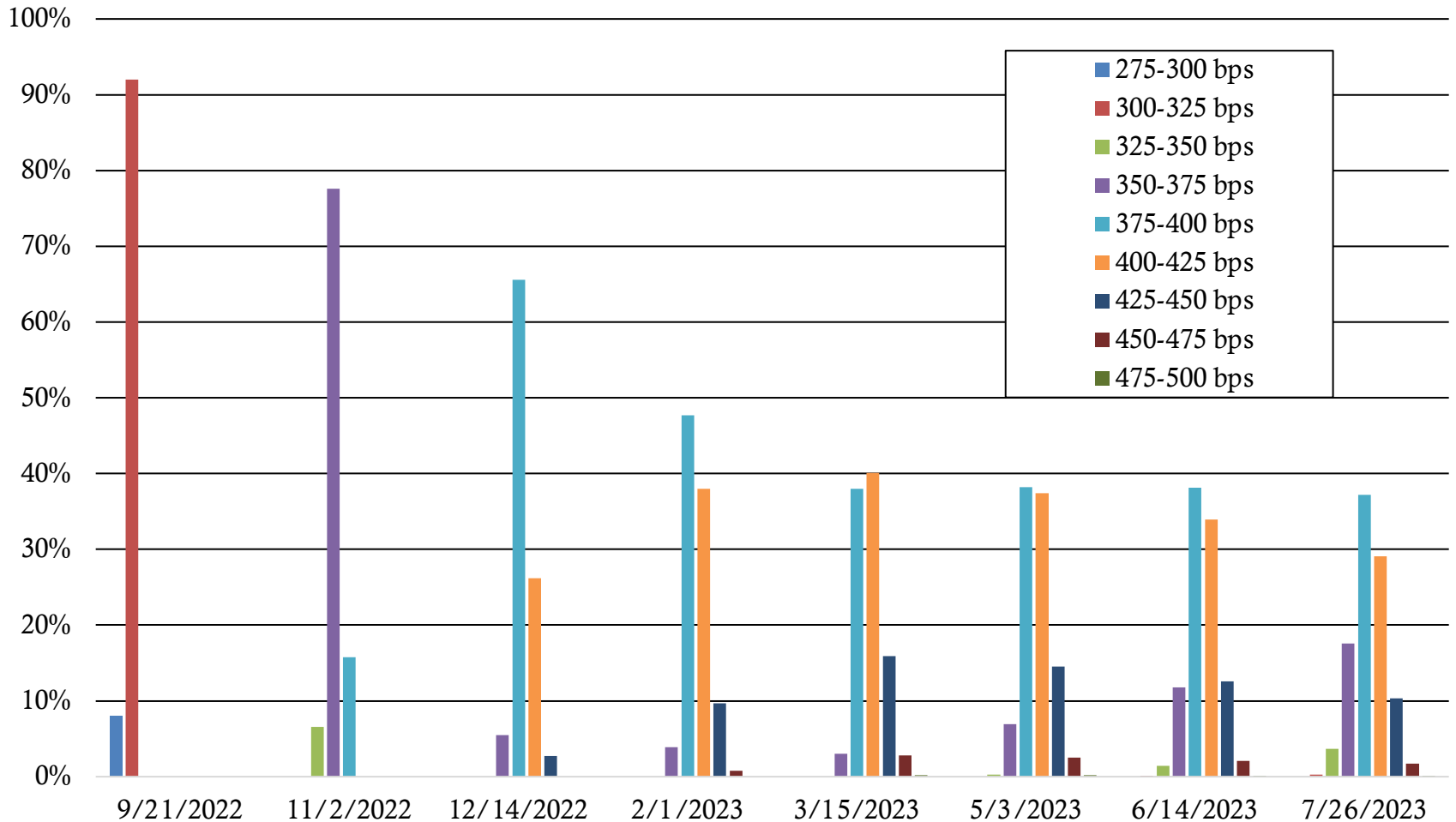
# Federal Funds Rate

9 Up, 3 Down, back to ZLB – Now headed back up?

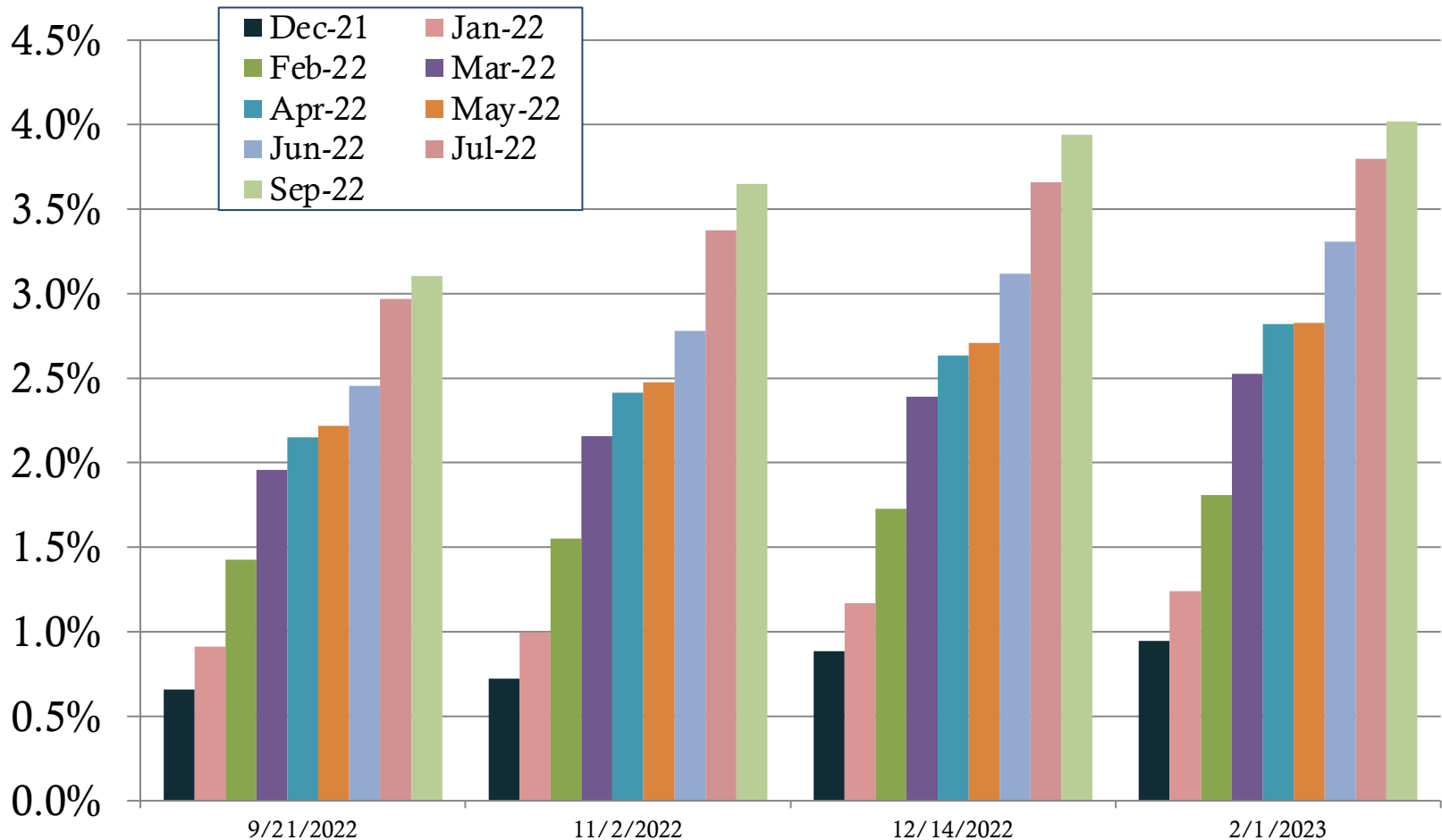


(Source: Board of Governors of Federal Reserve System)

# Market's FFR Forecast

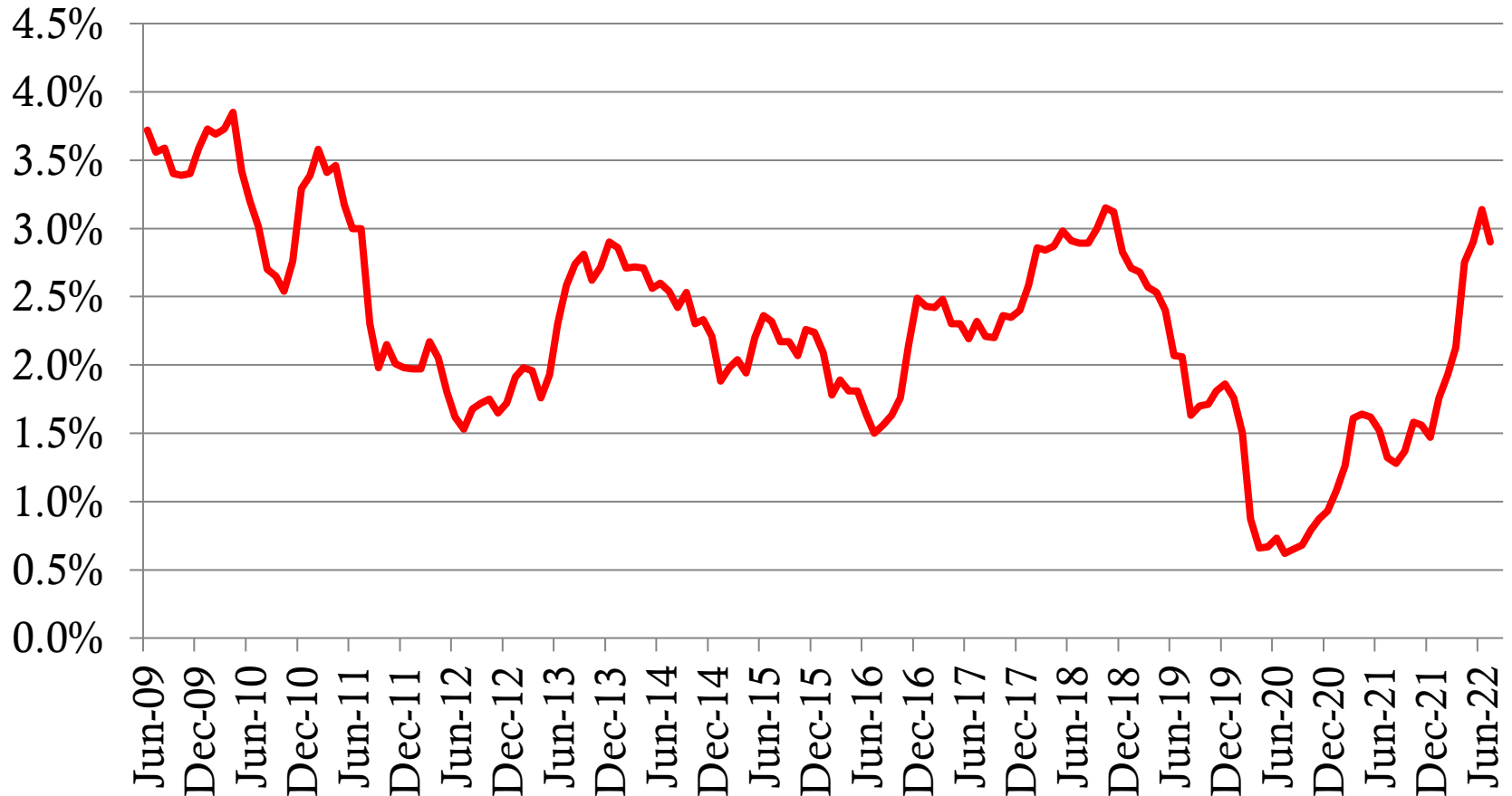


# Market's "Expected FFR"



(Source: CME Group)

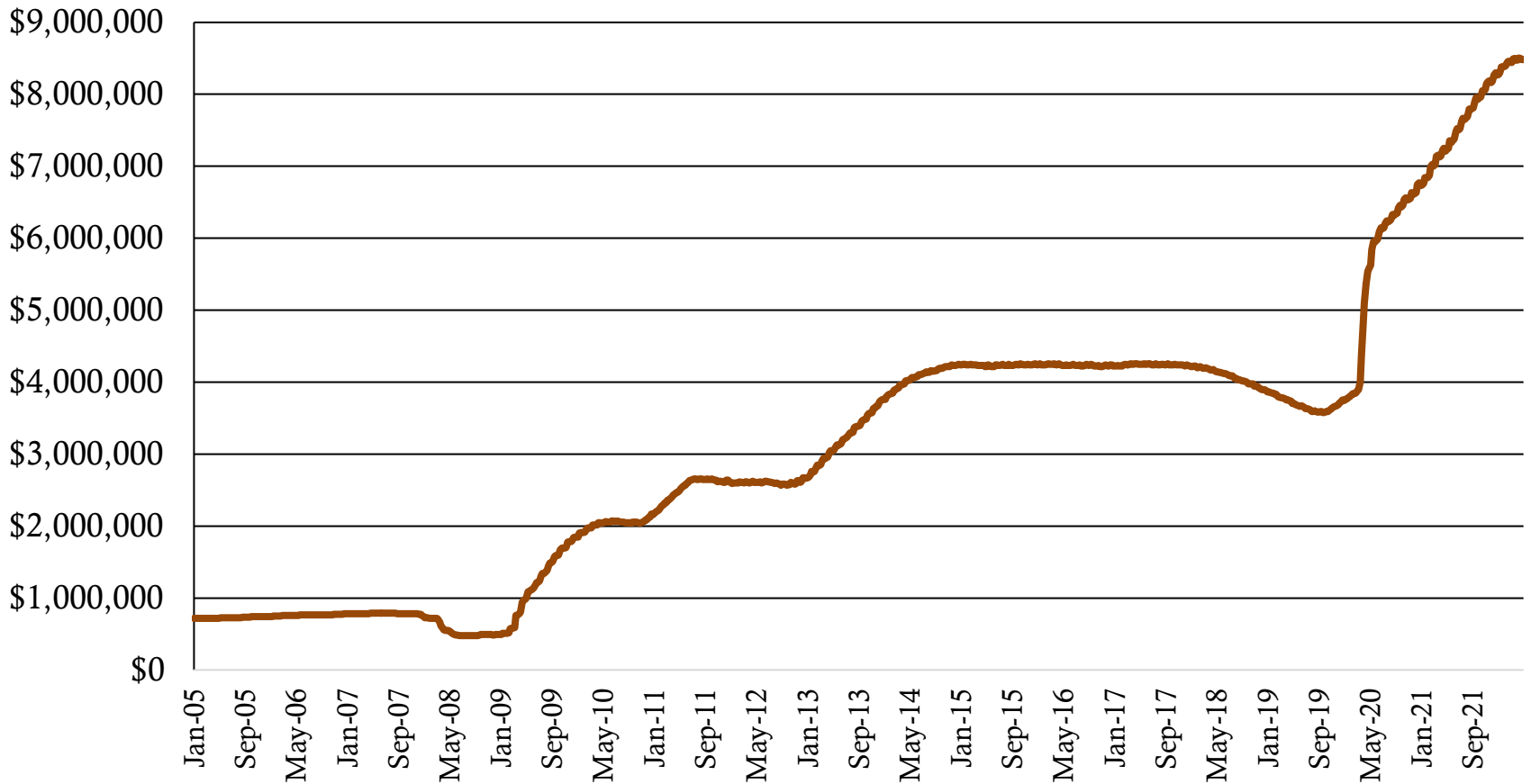
# 10-Year Treasury Bonds



(Source: Board of Governors of Federal Reserve System)

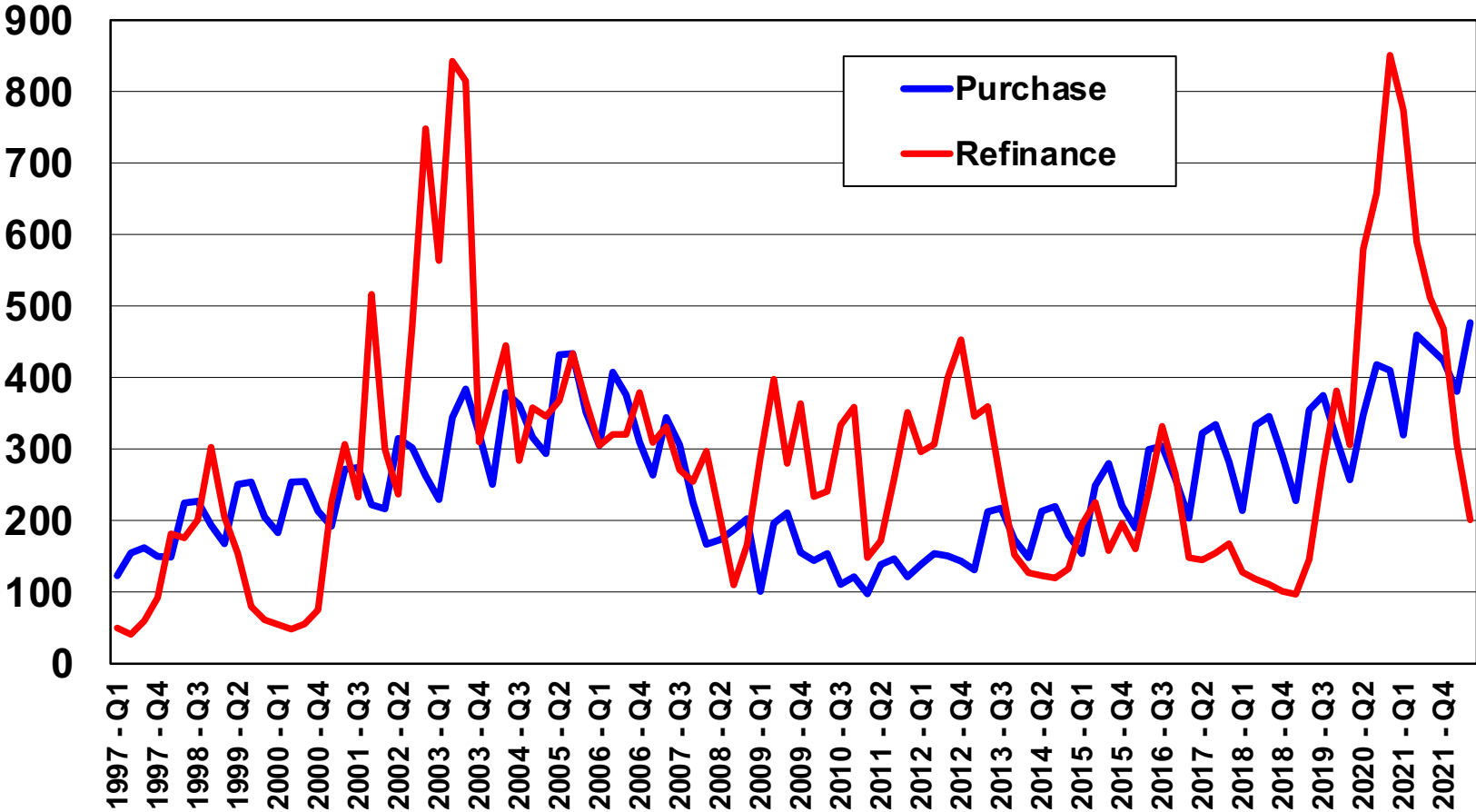


# Fed: Securities Held Outright



(source: Board of Governors of the Federal Reserve System; in billions)

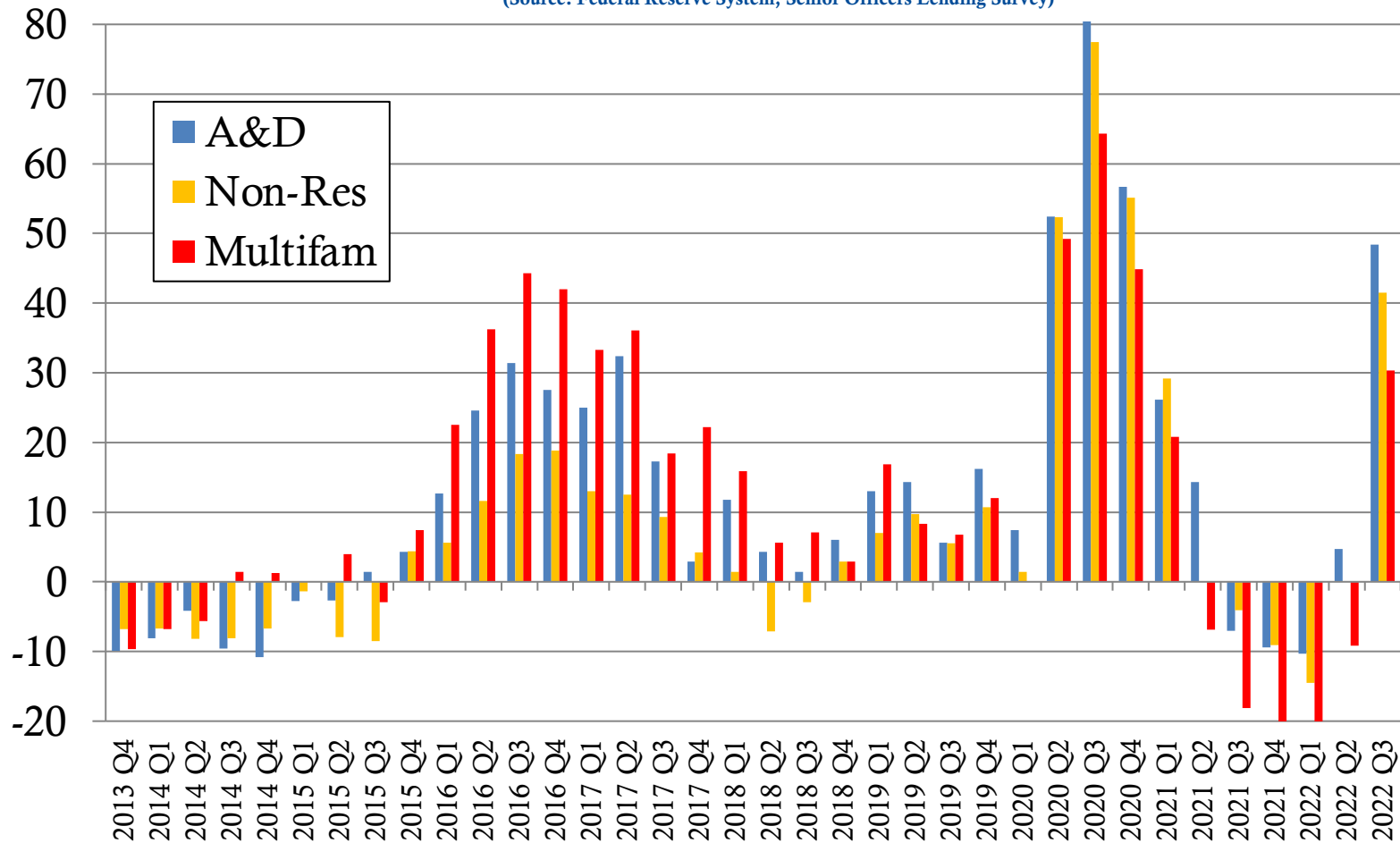
# Mortgage Activity: Purchase & Refinance



(Source: Mortgage Bankers Association)

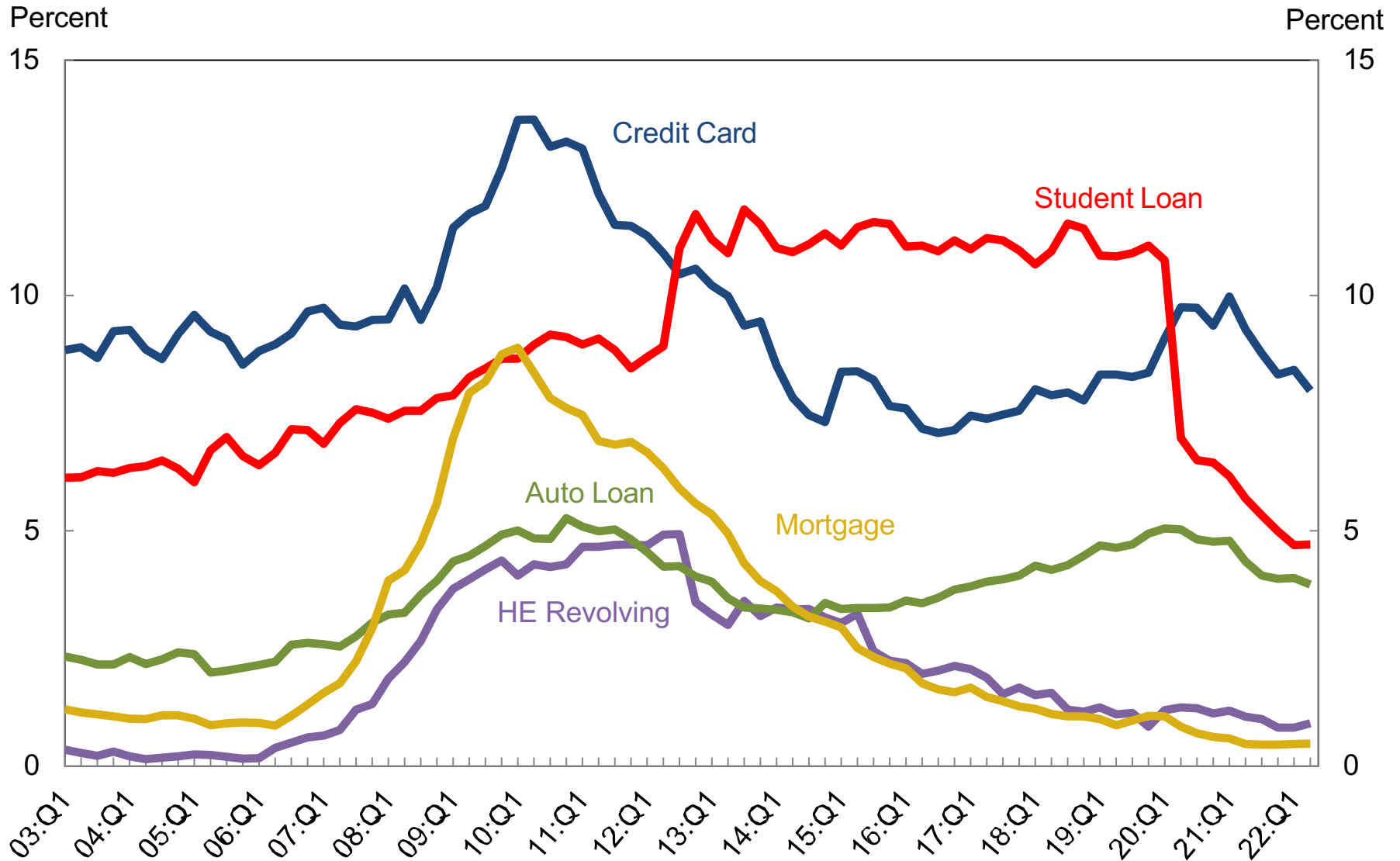
# CRE Loan Standards: Net Tightening

(Source: Federal Reserve System, Senior Officers Lending Survey)

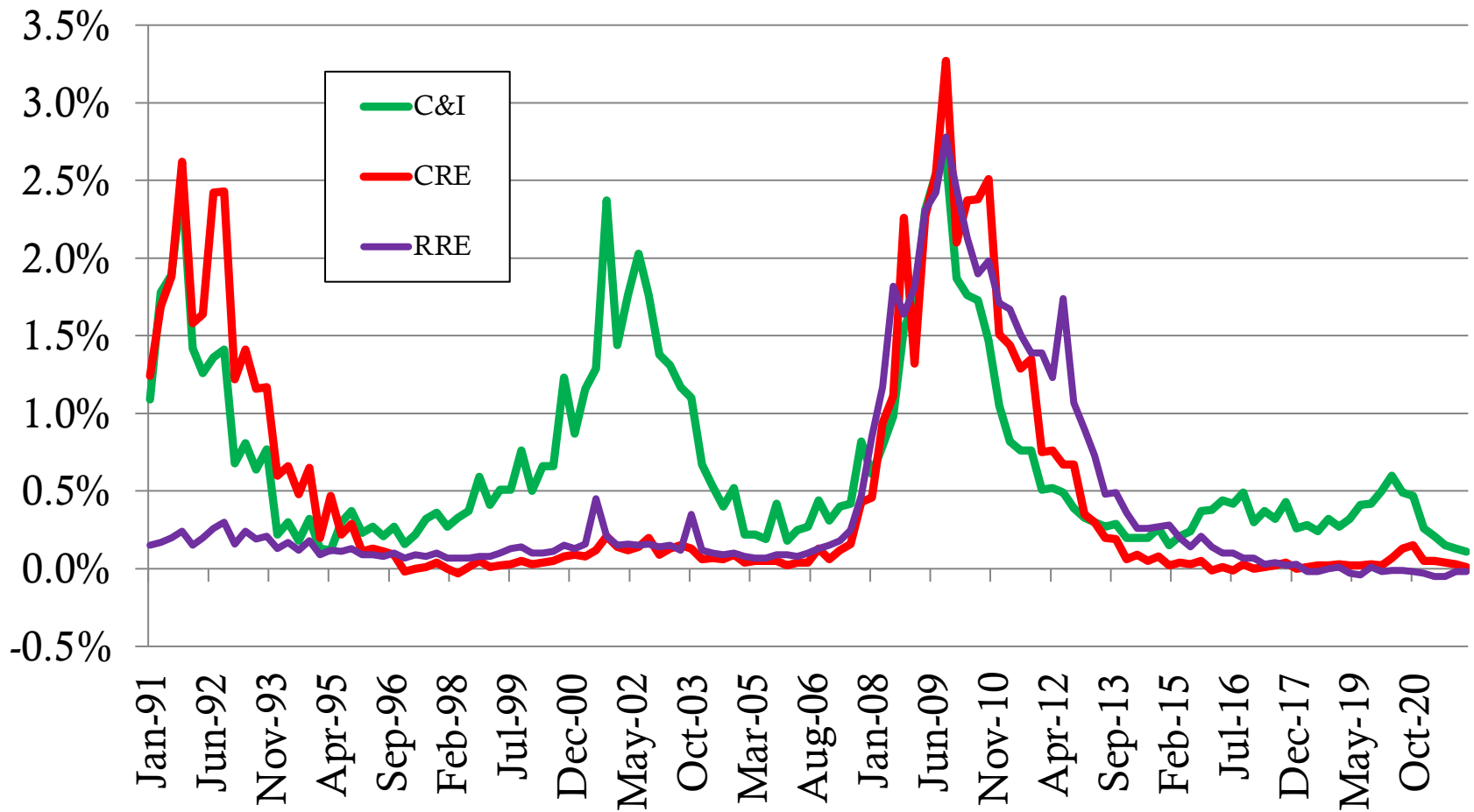


# 90+ Days Delinquent by Loan Type

(source: Federal Reserve Bank of New York Credit Panel/Equifax)



# Charge Off Rates at Banks



(source: Board of Governors of the Federal Reserve System)

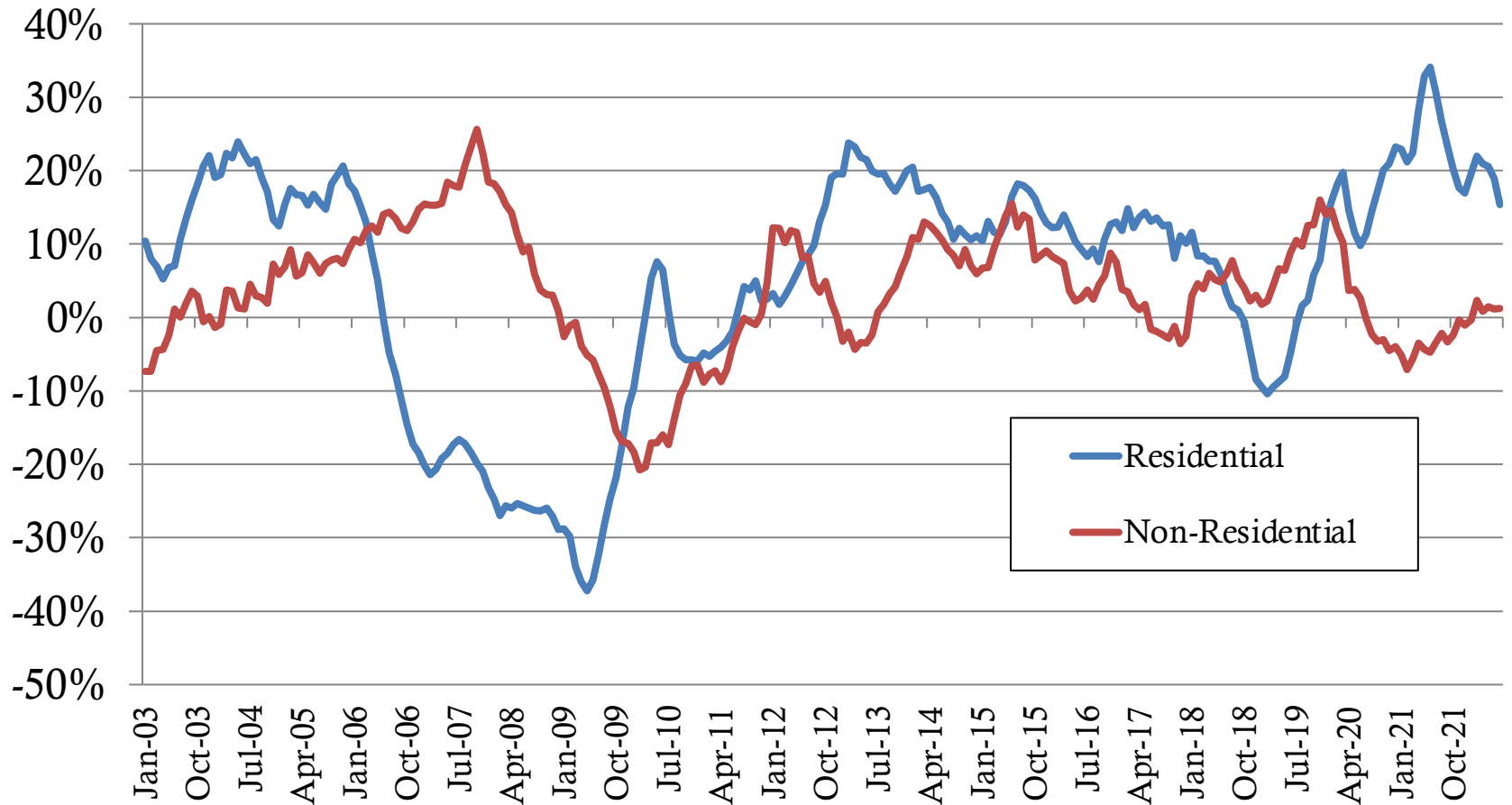
# Topic #6:

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Did Covid signal the death of “big box” and office?

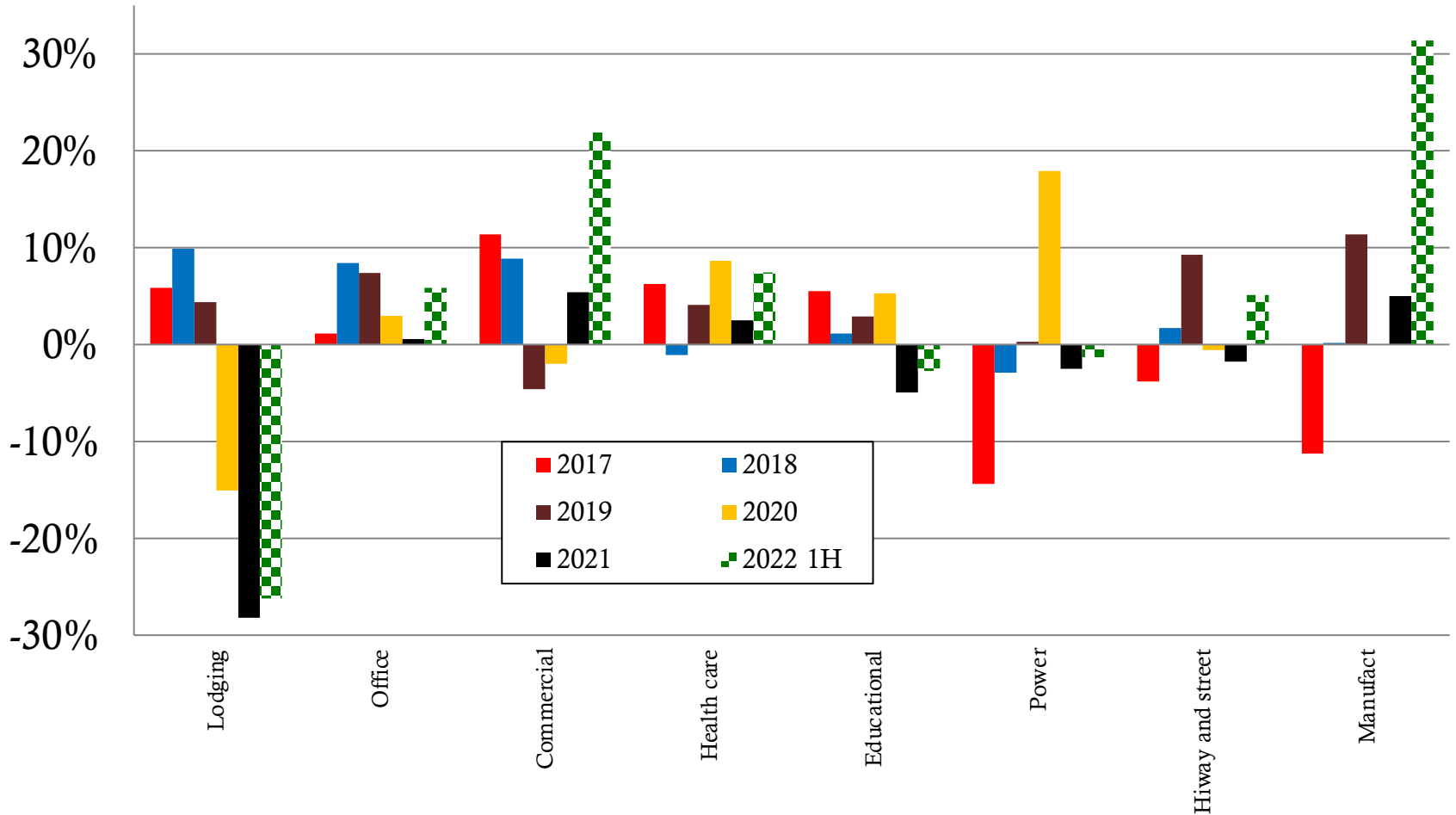
And is housing market getting “frothy” again?

# Construction Spending



(Source: U.S. Bureau of Census)

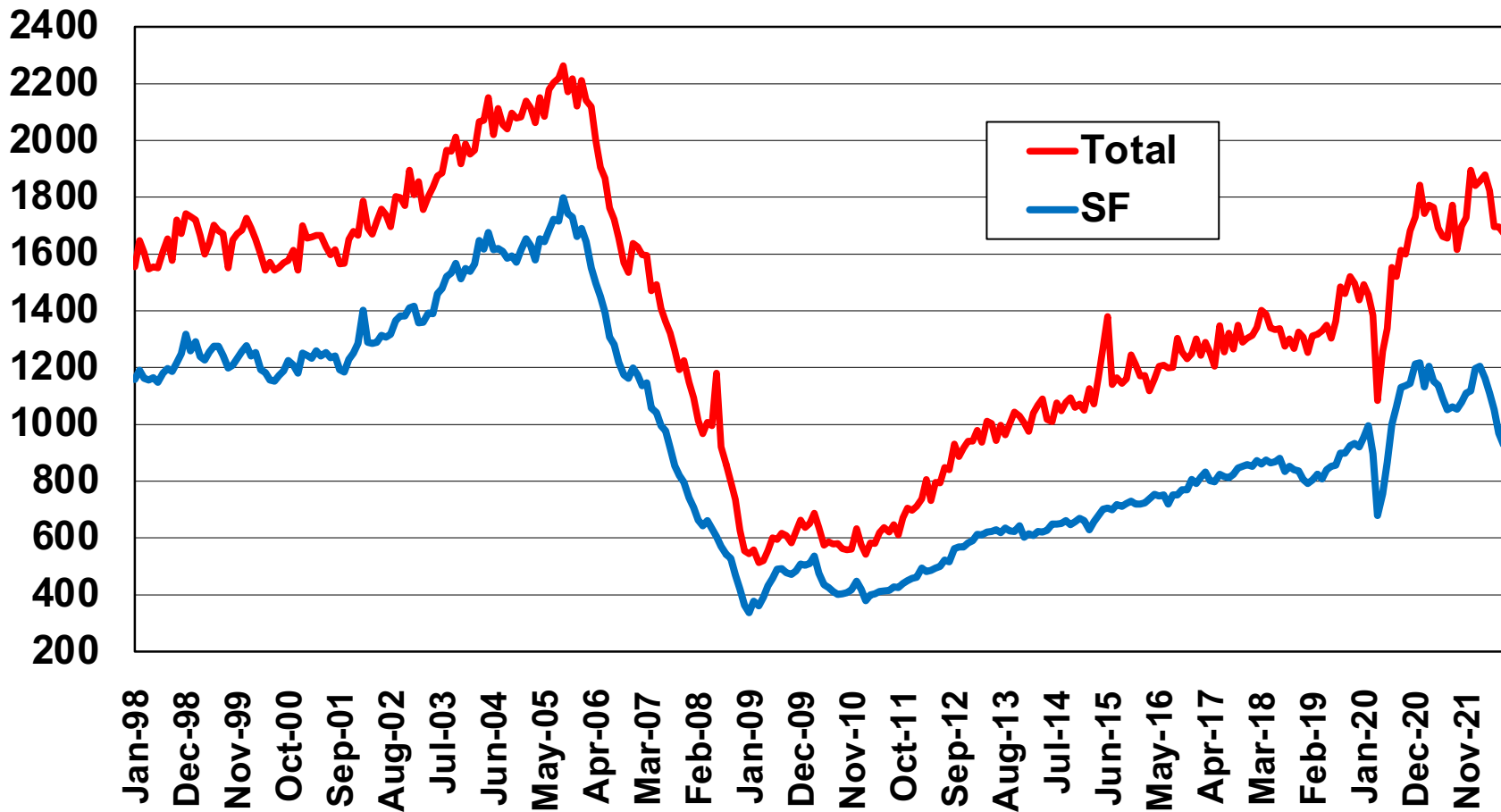
# Non-Residential Construction



(Source: U.S. Bureau of Census)

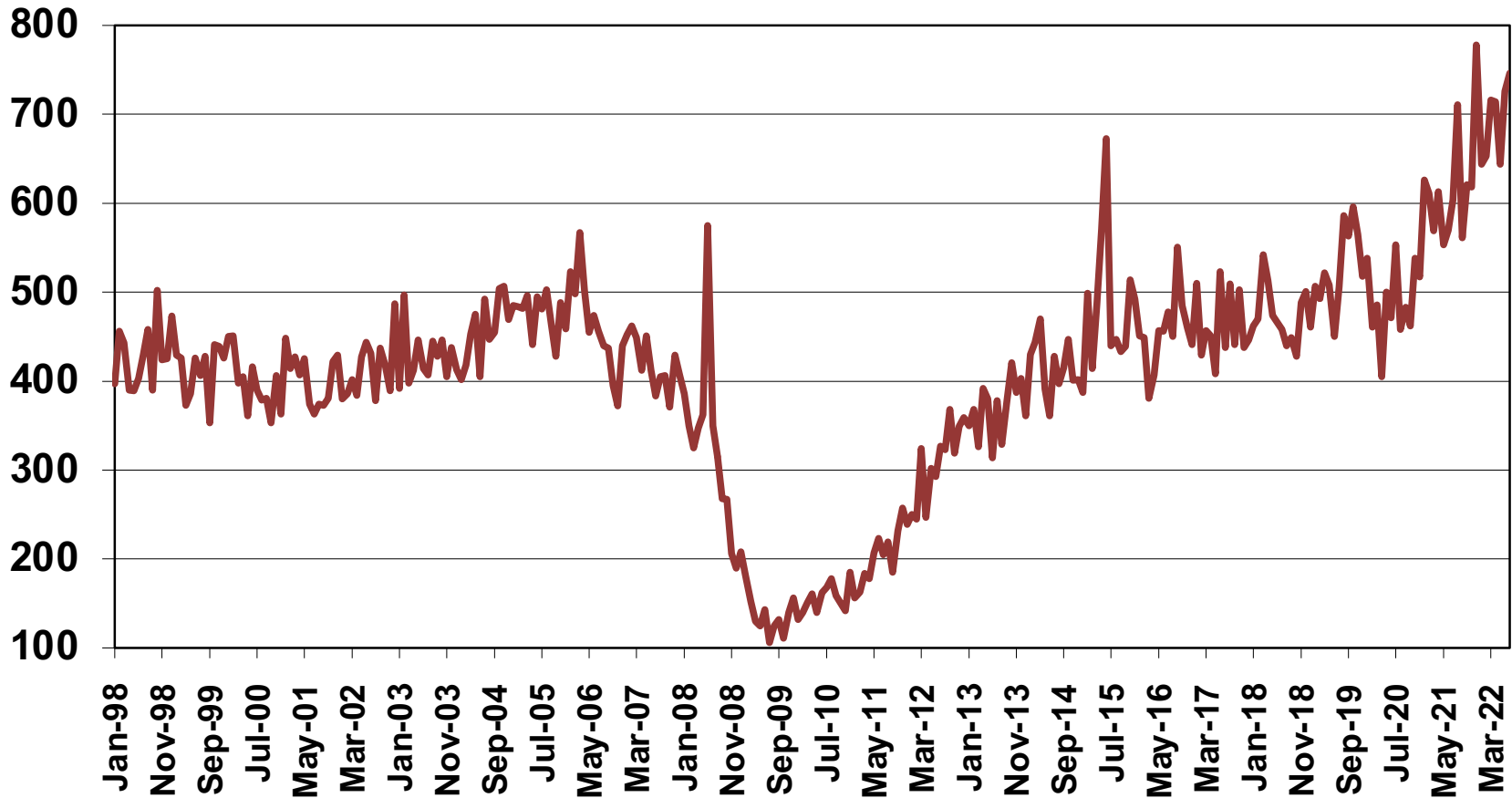


# US Housing Permits: SF and Total



(source: U.S. Census Bureau; Seasonally Adjusted Annual Rate in thousands)

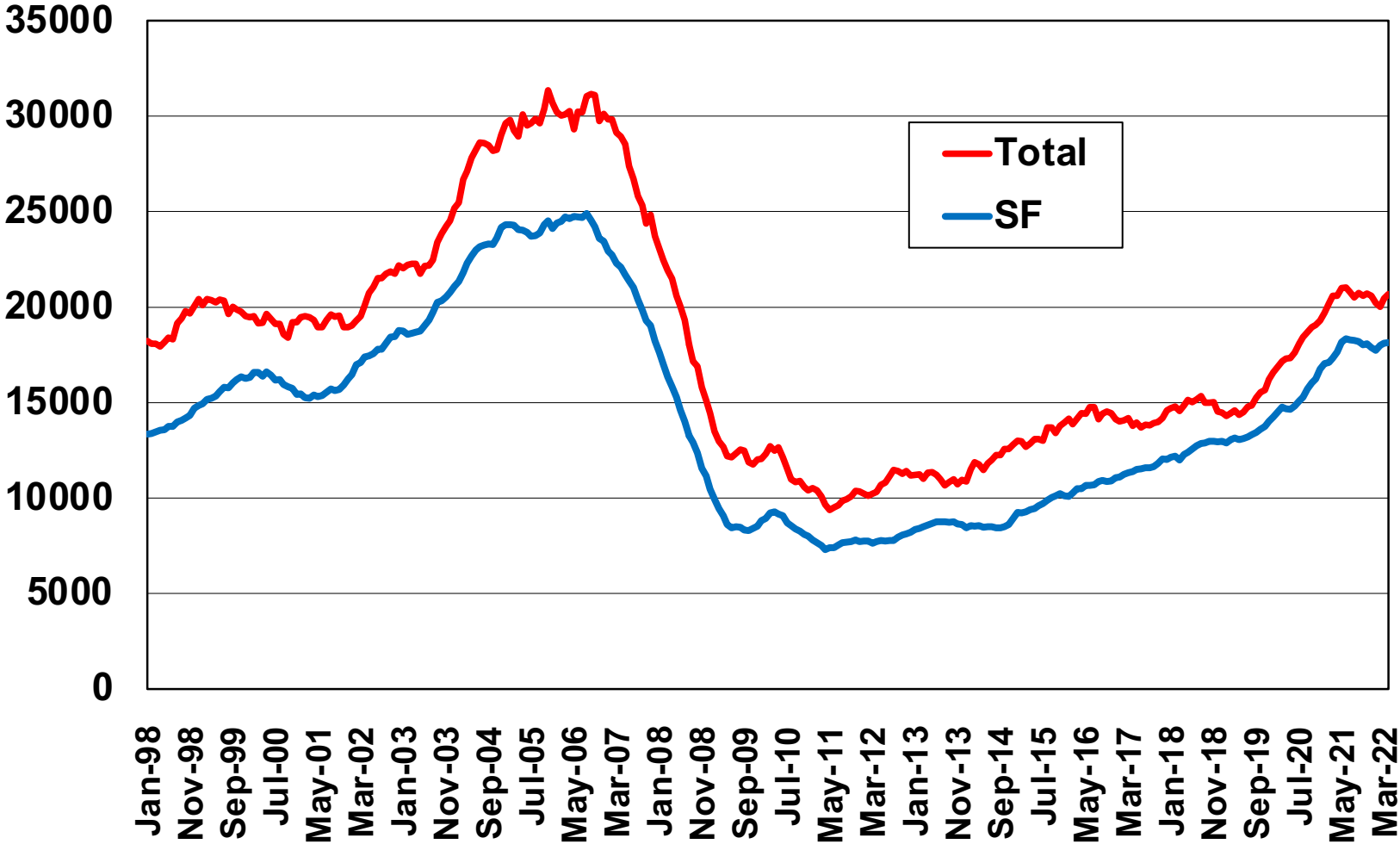
# US Housing Permits: Multi-family



(Source: U.S. Census Bureau; Seasonally Adjusted Annual Rate in thousands)

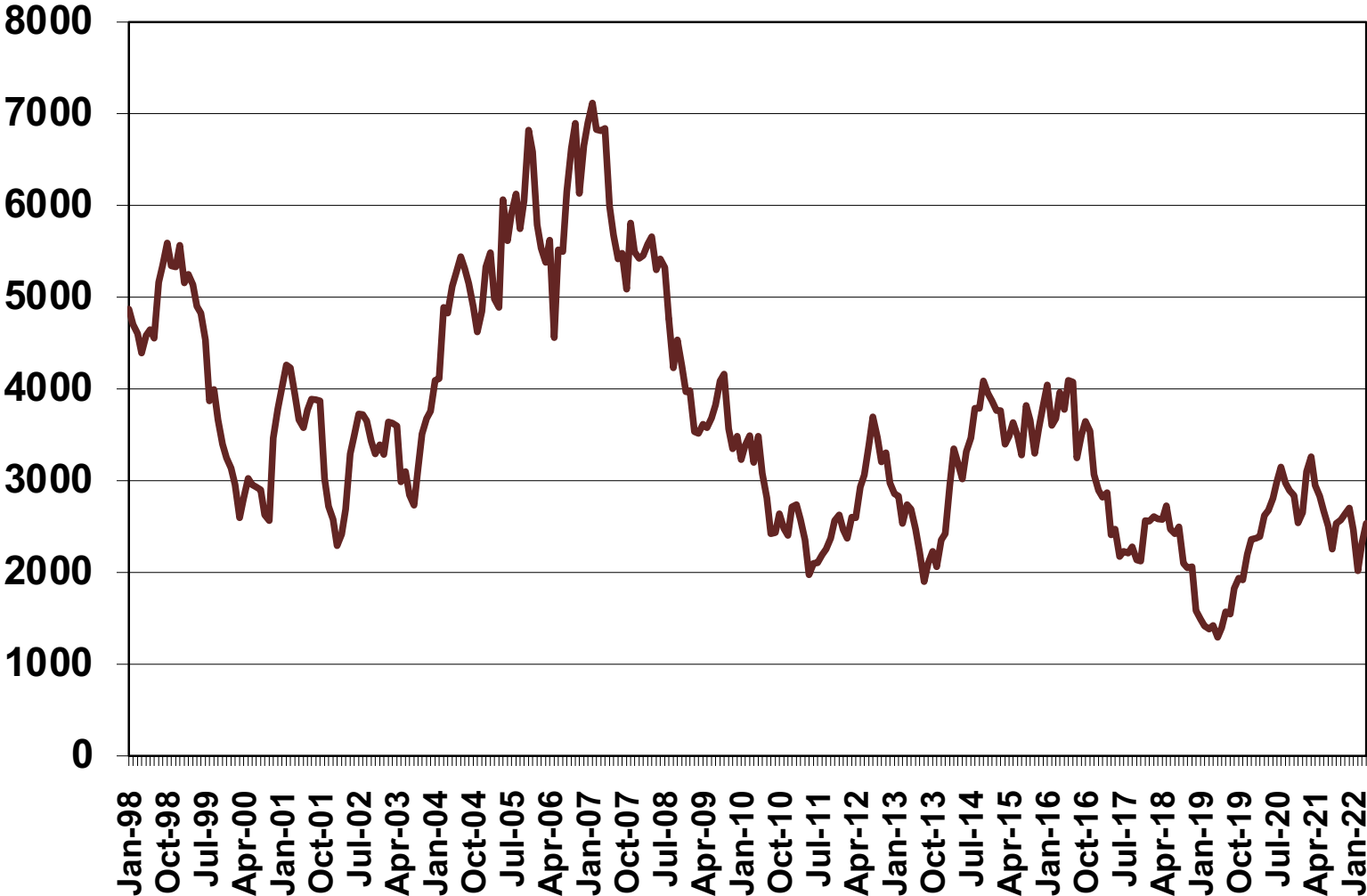
# AL Housing Permits: SF and Total

(source: U.S. Bureau of Census)

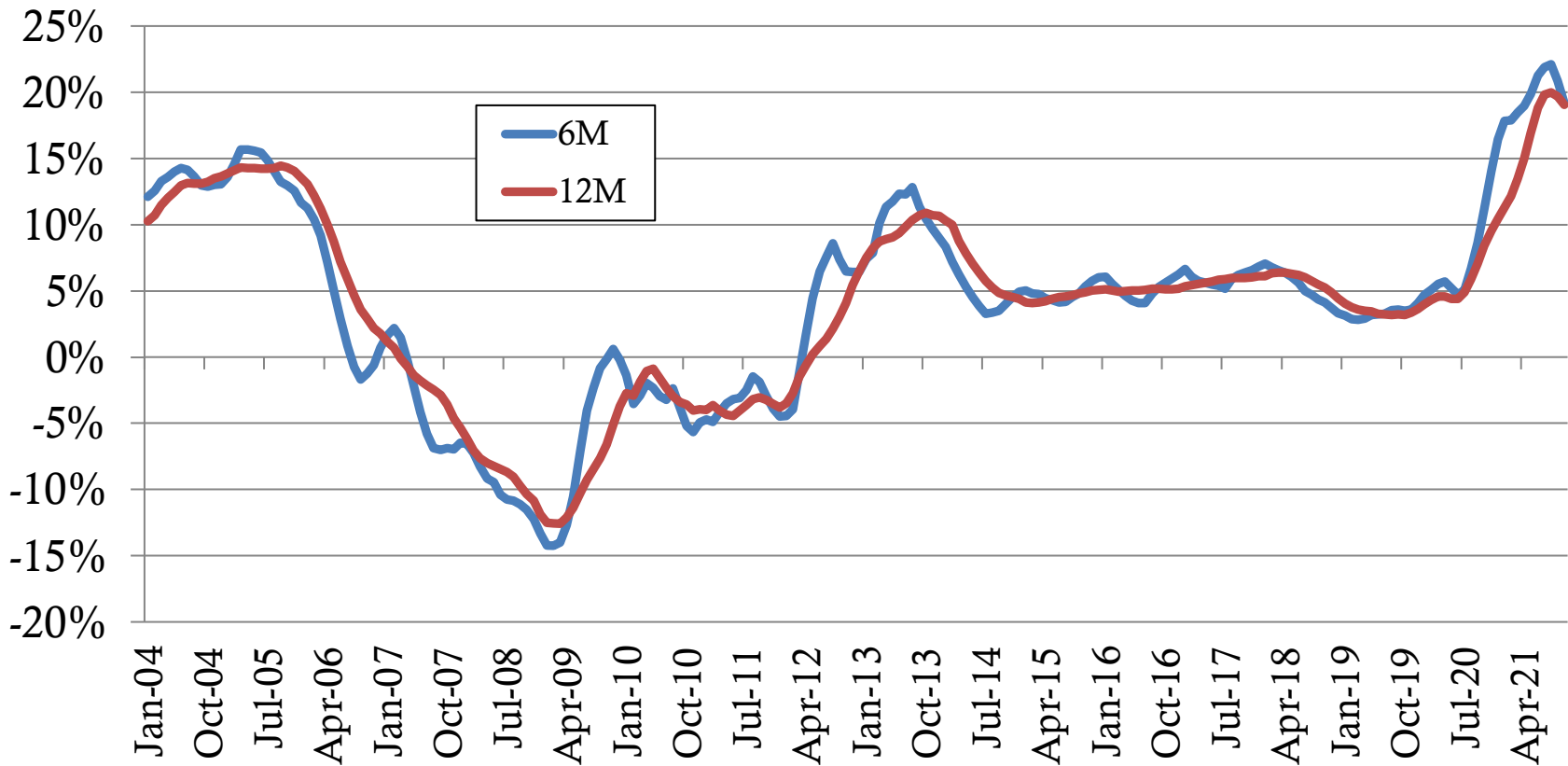


# AL Housing Permits: Multi-family

(12 month moving average)

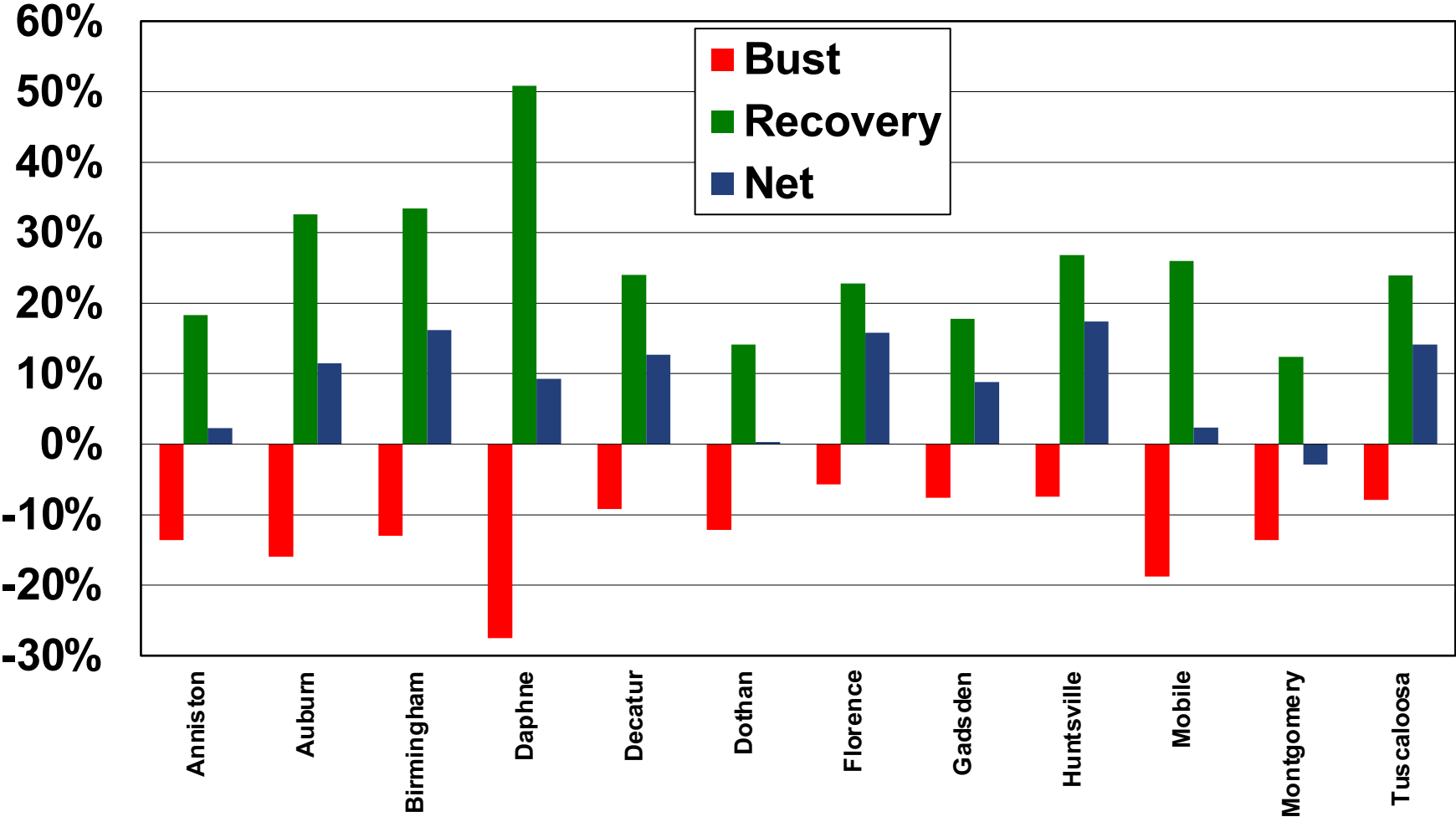


# Case Shiller: National Index

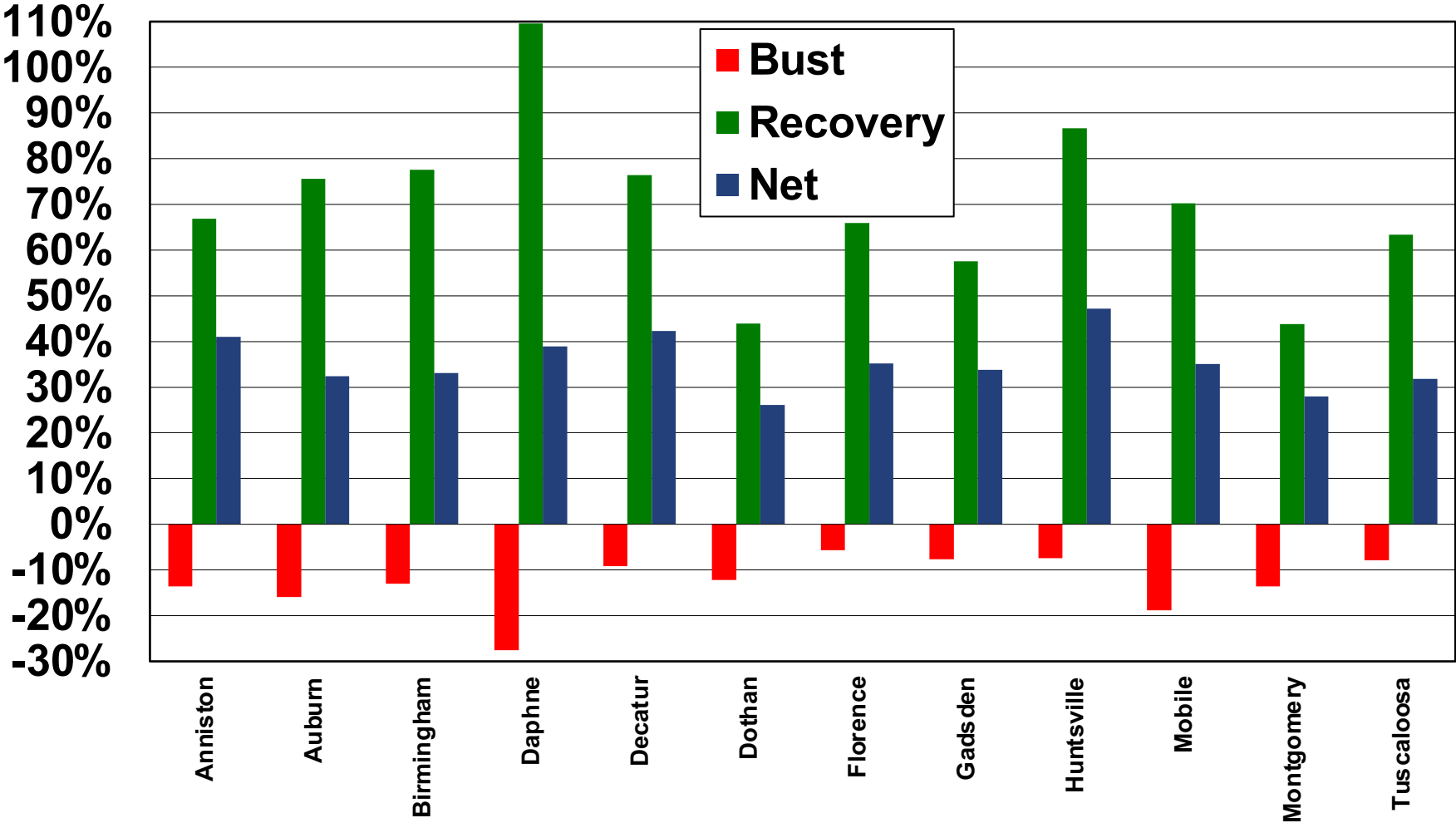


(source: Standard & Poor's Case-Shiller)

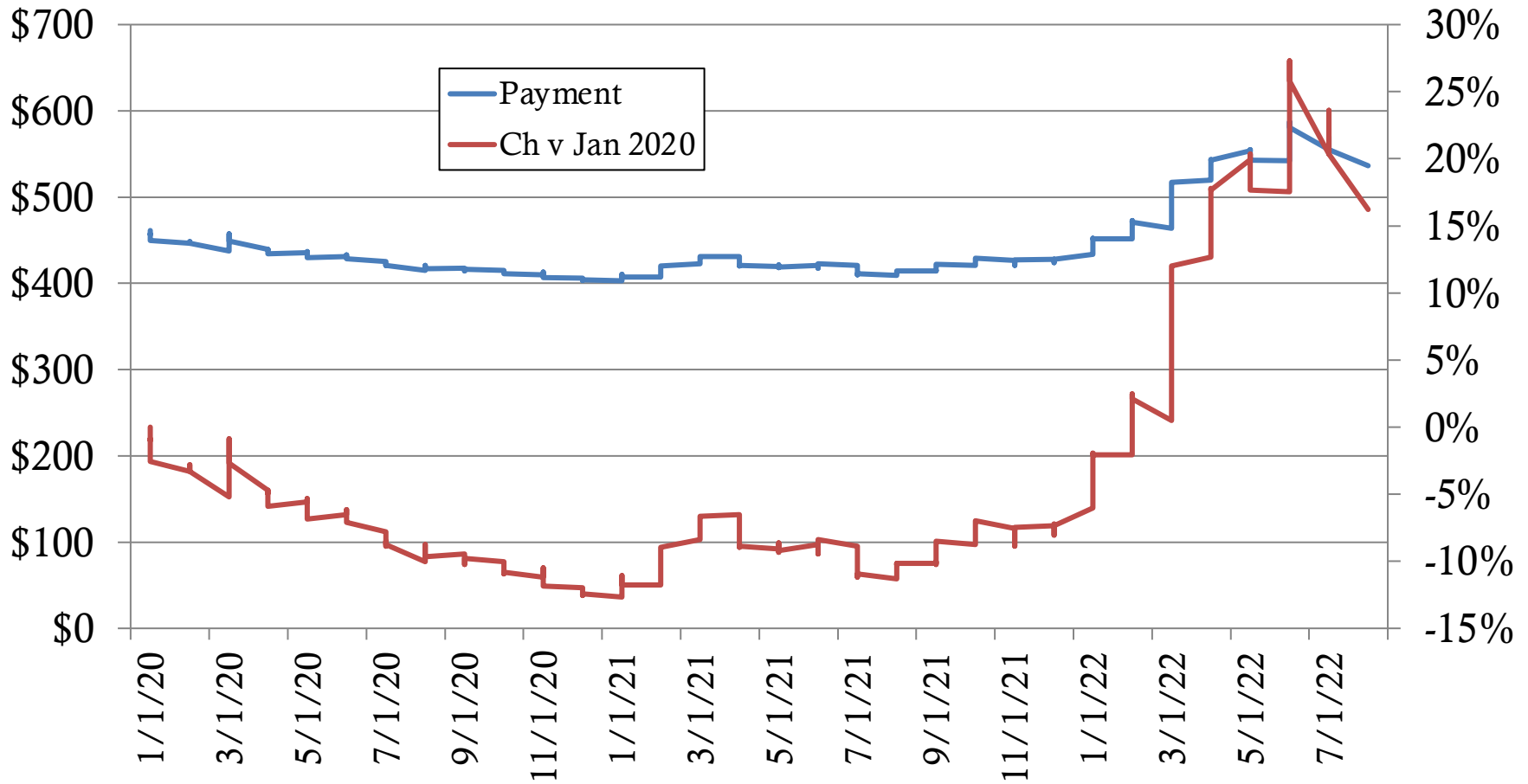
# Home Prices: Alabama (pre-pandemic surge)



# Home Prices: Alabama (post-pandemic purge)



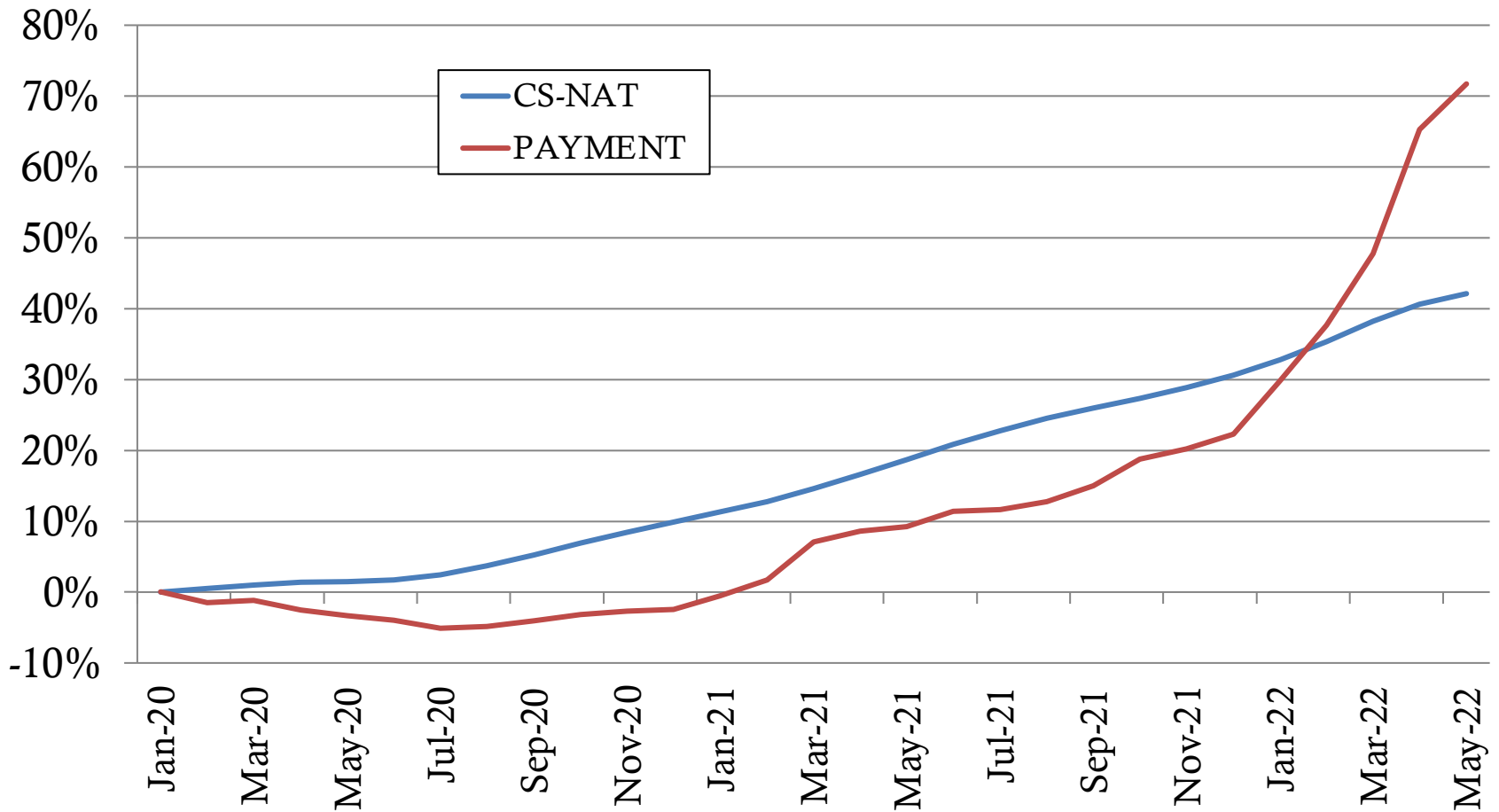
# Affordability: Mortgage Rate Effect



(source: Freddie Mac)



# Affordability: Mortgage Rate Effect



(source: Freddie Mac, Case-Shiller)

# Topic #7:

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COVID-19 opened the flow on spending – where do we go from here? How will we pay for it?

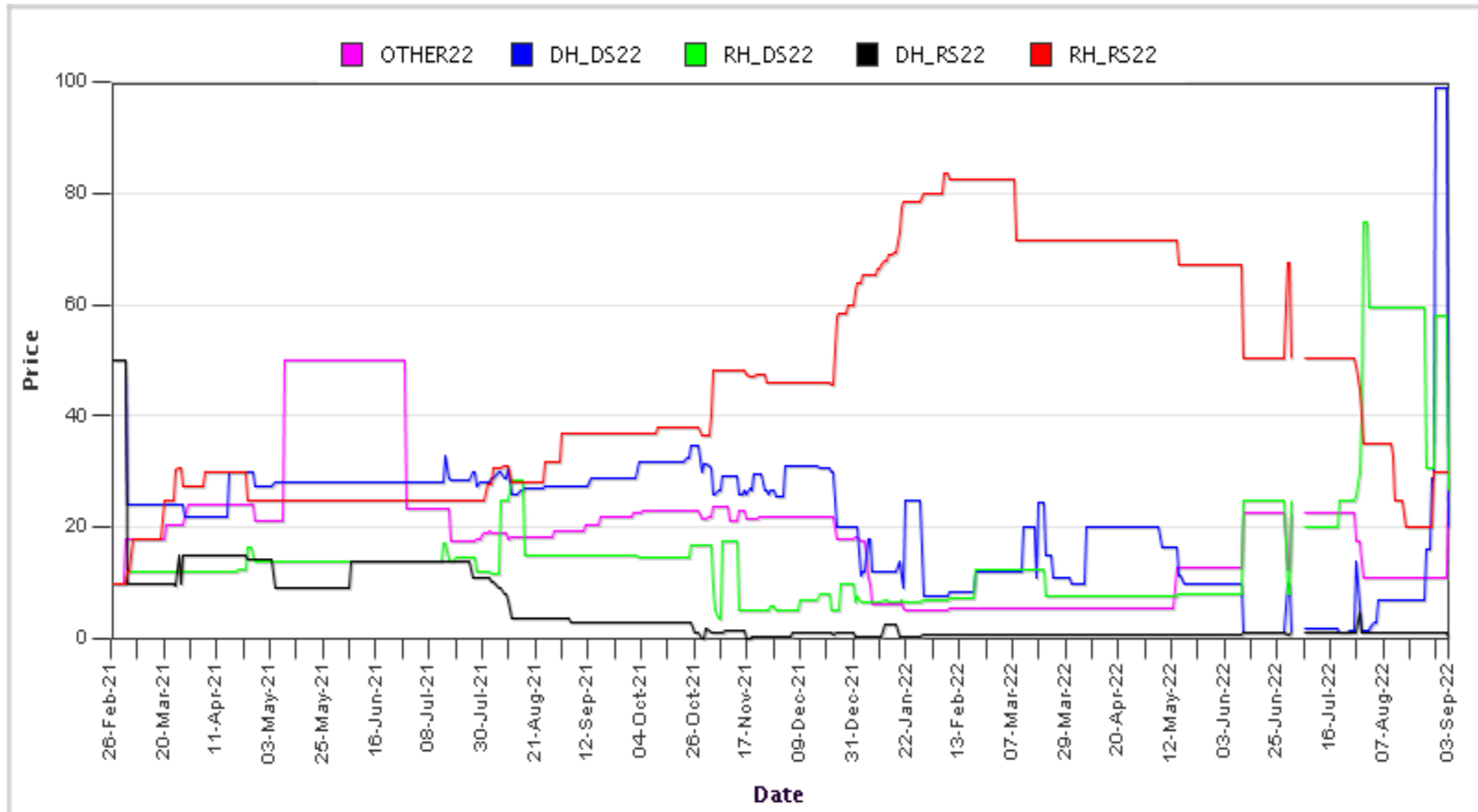
And what about the demographics – friend or foe?

# Currents Issues in Fiscal Affairs

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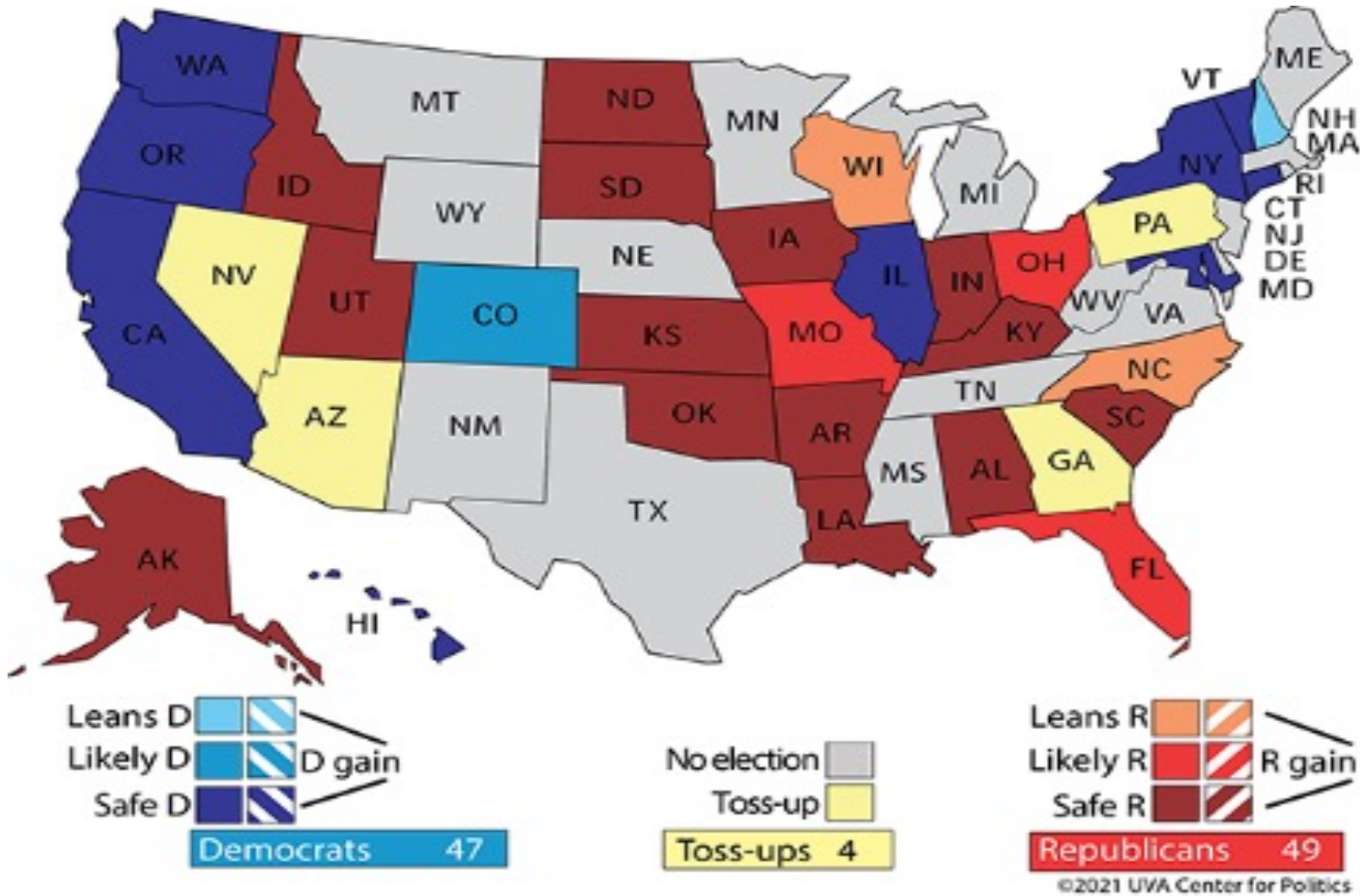
- **Federal:**
  - Fiscal Outlook fundamentally shifted back by COVID**
  - Next in Play:** Infrastructure, Tax Changes: Rates & **SALT**
  - Always in Play:** SCOTUS, **“GREEN” ISSUES**
  - Ongoing Play:** Revising Trade – Little focus since 2020
- **States:**
  - Income and Sales Tax revenue plunge, then rebound.**
  - Some State Revenues in Surplus**
  - Deferred Income Tax collection shifts state revenues**
  - Tax Reform Initiatives in other States slow, but **SALT consideration** weigh in**
  - SE states domination biz location ranking, but not exclusive.**
- **Local:**
  - RE valuation rising = tax revenues, fiscal distress moderating**
  - Federal bailout of Municipals with over IMM in population**
- **The ZOOM Economy – implication for location!!**

# Iowa Electronic Markets: Congress



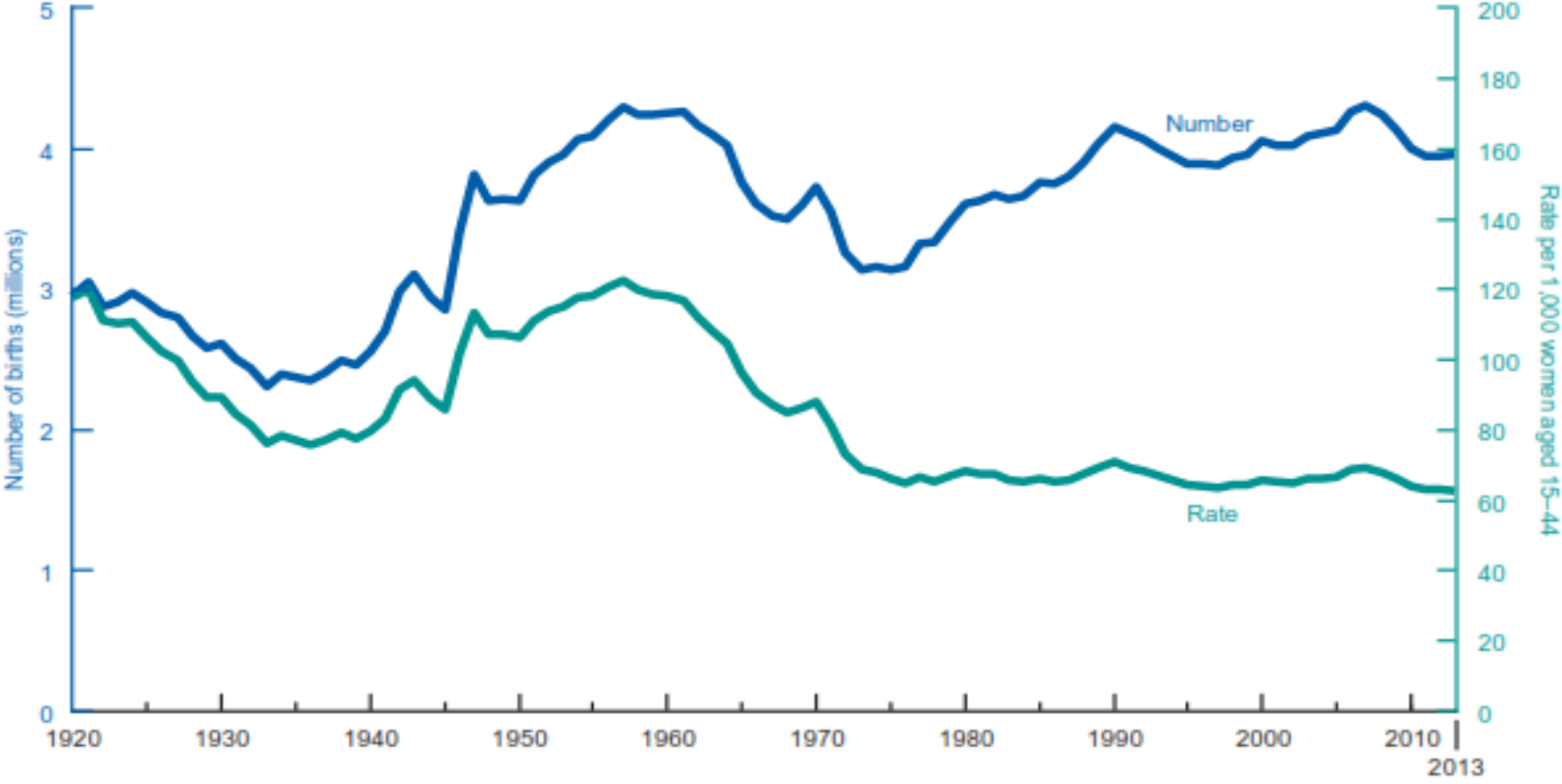
(source: University of Iowa)

# Crystal Ball: Senate



(Source: Larry Sabato's Crystal Ball)

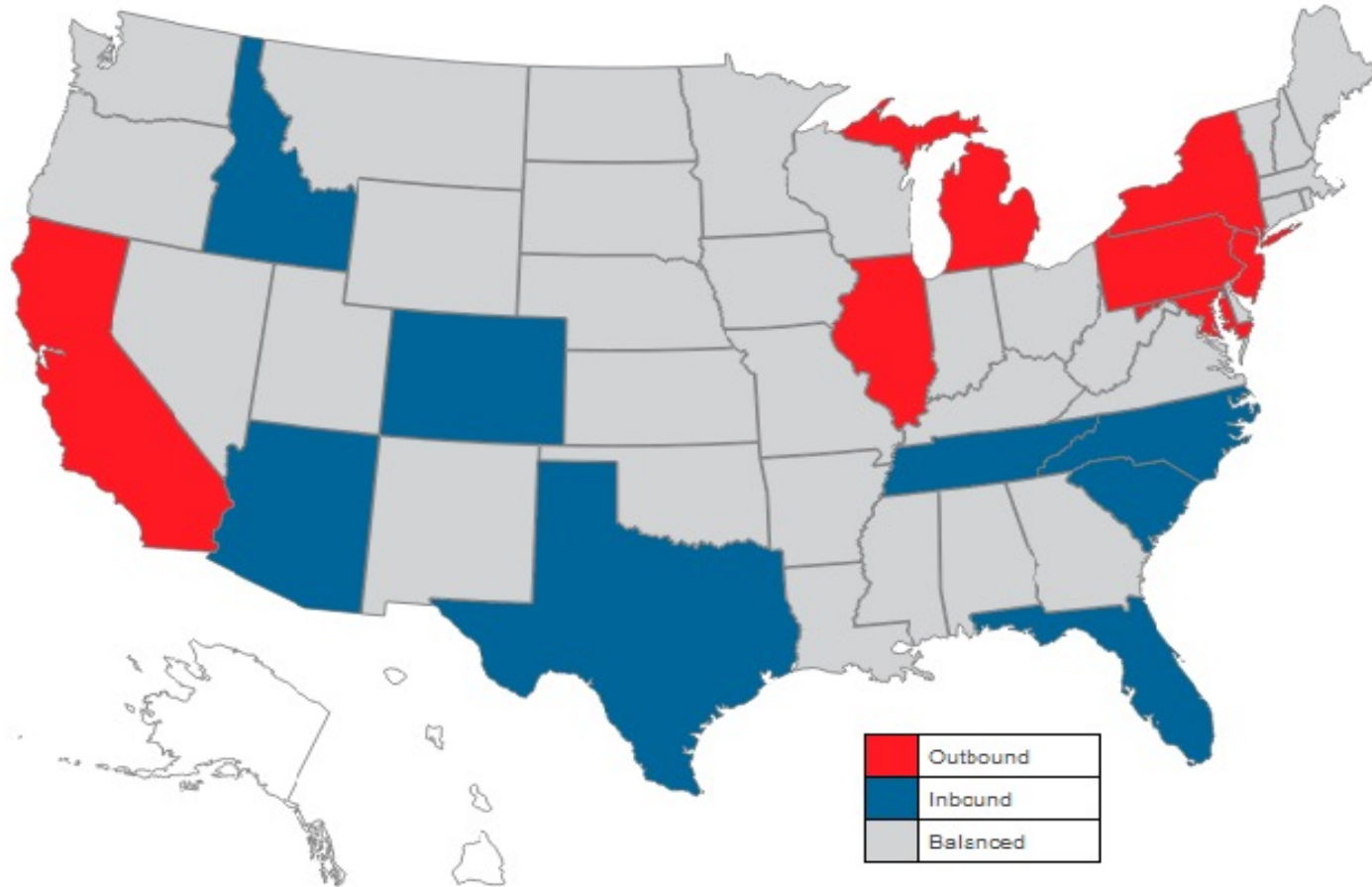
# The Demographics: Boom & Bust



(Source: CDC, US Bureau of Census)

# 2021 Migration

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(source: NAMS Report)

# *On the Economic, Business & Political Landscape*

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