

Rupert Report

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Annual Economic Outlook

Bank of Utah
January 24-25, 2017

roadmap for today

- new regime, new issues?
- inequality
- employment
- housing

economics and the election

what to expect

- uncertainty

what to expect

- uncertainty
 - Dodd-Frank

what to expect

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 - international trade, Brexit

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 - taxes and spending

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what to expect

- uncertainty
 - Dodd-Frank
 - international trade, Brexit
 - taxes and spending
 - Obamacare
 - oil/energy

what to expect

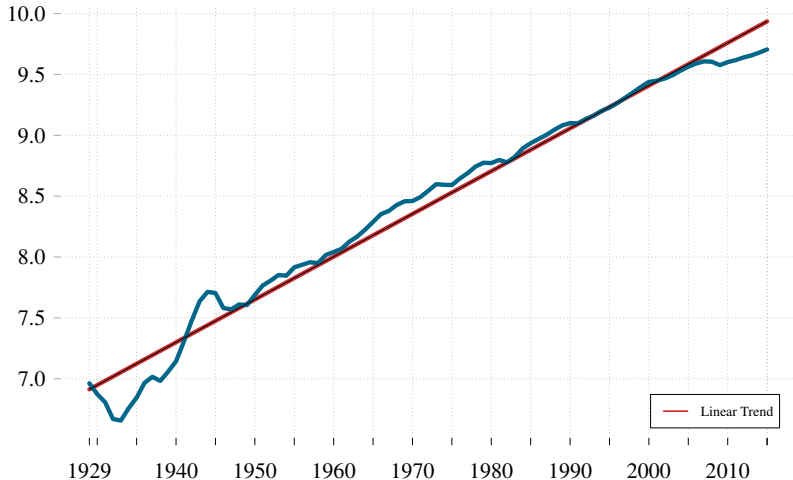
- uncertainty
 - Dodd-Frank
 - international trade, Brexit
 - taxes and spending
 - Obamacare
 - oil/energy
 - immigration

what to expect

- uncertainty
 - Dodd-Frank
 - international trade, Brexit
 - taxes and spending
 - Obamacare
 - oil/energy
 - immigration
 - ugh, I need a lot more slides! but...

Real GDP

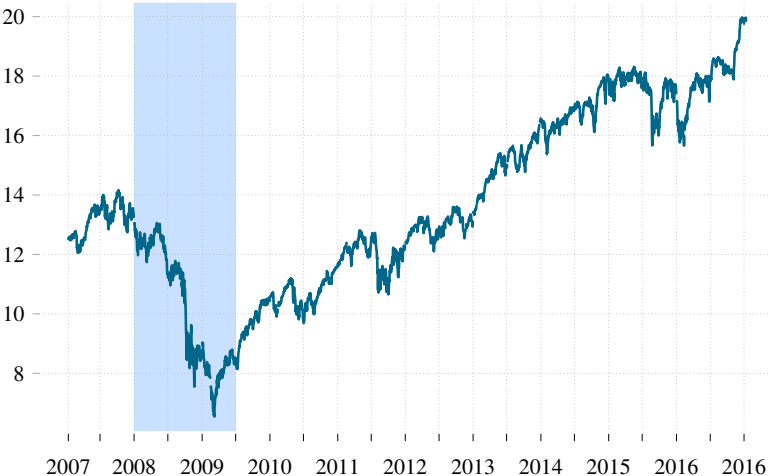
Logged Billions of 2009\$, Seasonally Adjusted



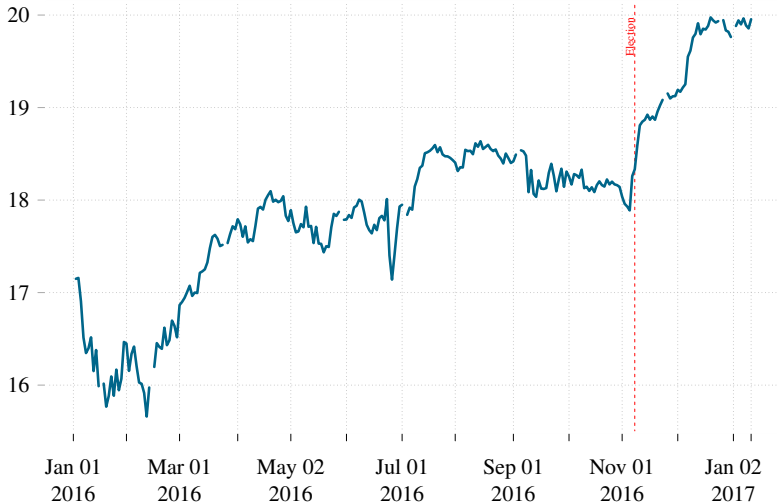
so far...

- some positive signs
 - stock market
 - gdp
 - FOMC a bit more upbeat

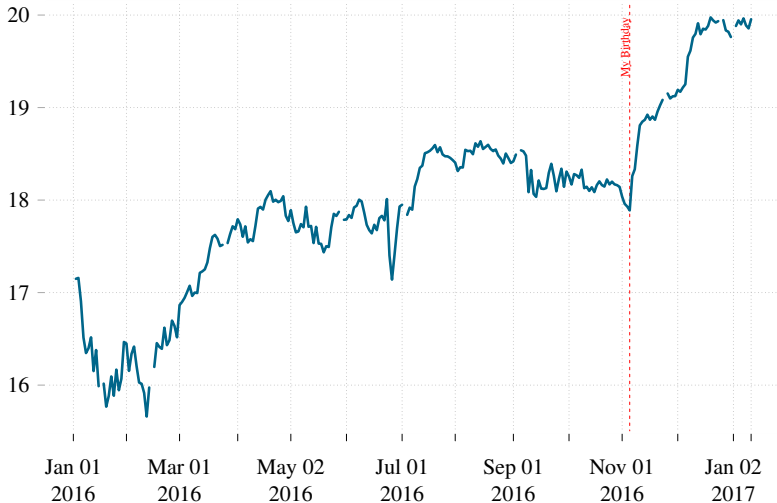
Dow Jones Industrial Index (000's)



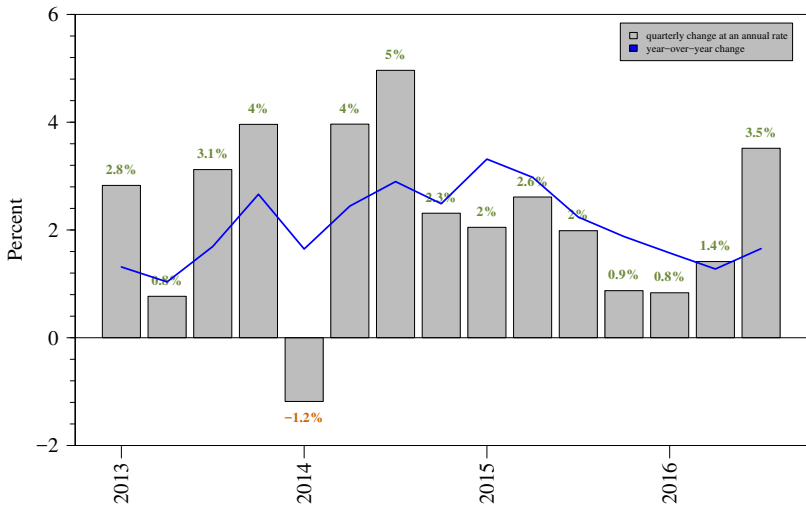
Dow Jones Industrial Index (000's)



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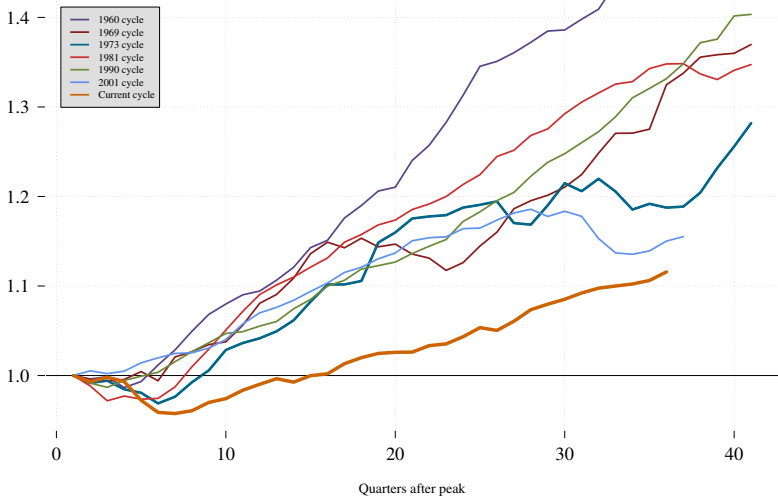


Real GDP



Real GDP

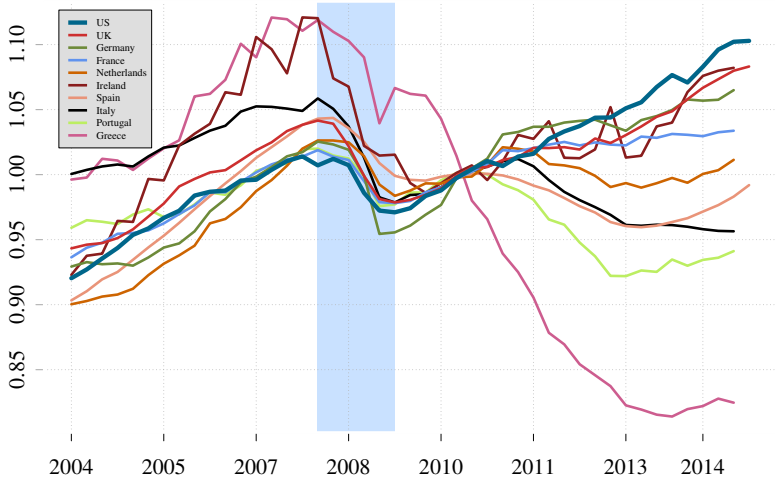
Peak before recession = 1



Source: BEA

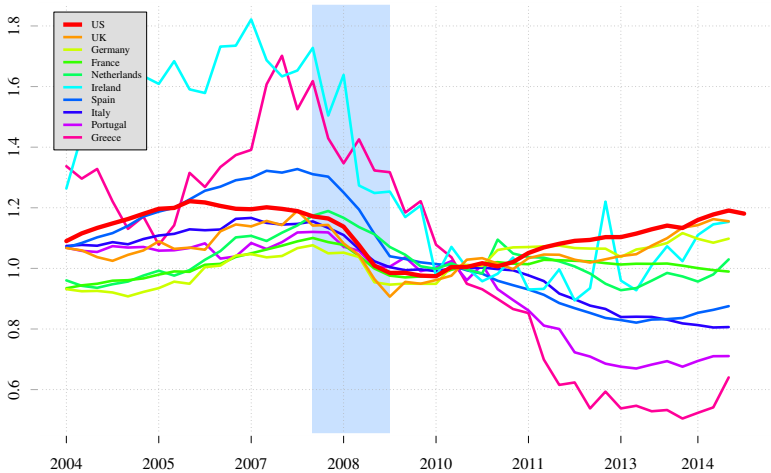
Real GDP

Index, 2010=1, Quarterly, SA



Real Gross Fixed Capital Formation

Index, 2010=1, Quarterly, SA

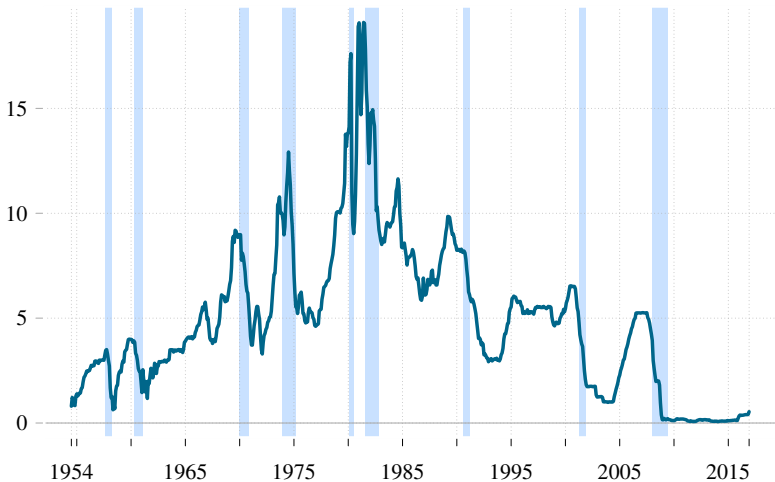


what's up with our friends at the Fed?

- seem to be finally getting off their....

Effective Federal Funds Rate

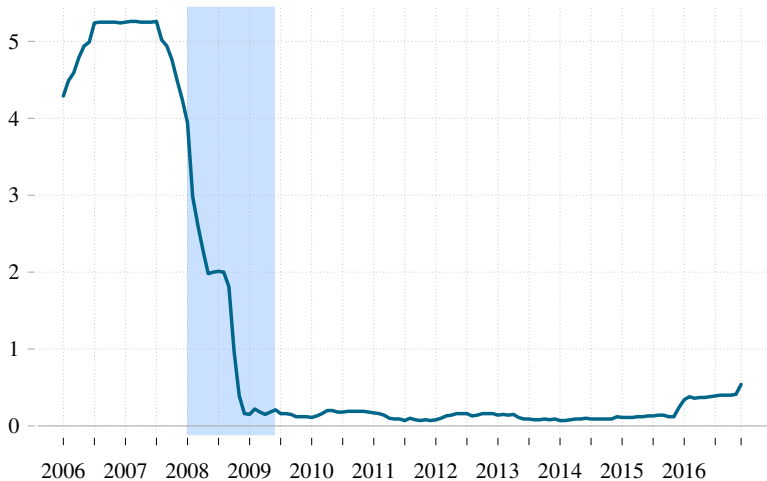
Percent



Source: FRB St. Louis

Effective Federal Funds Rate

Percent



Source: FRB St. Louis

For release at 2:00 p.m., EST, December 14, 2016

Figure 1. Medians, central tendencies, and ranges of economic projections, 2016–19 and over the longer run

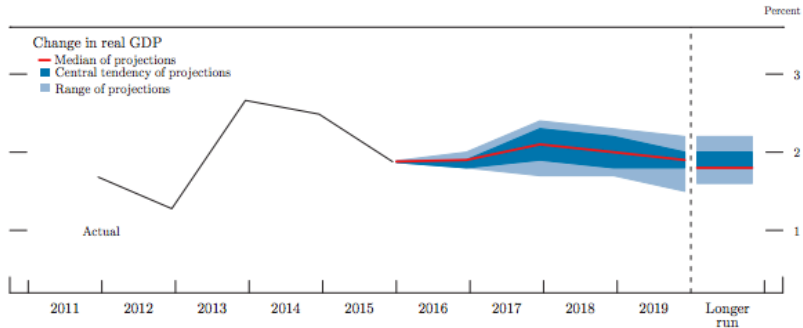
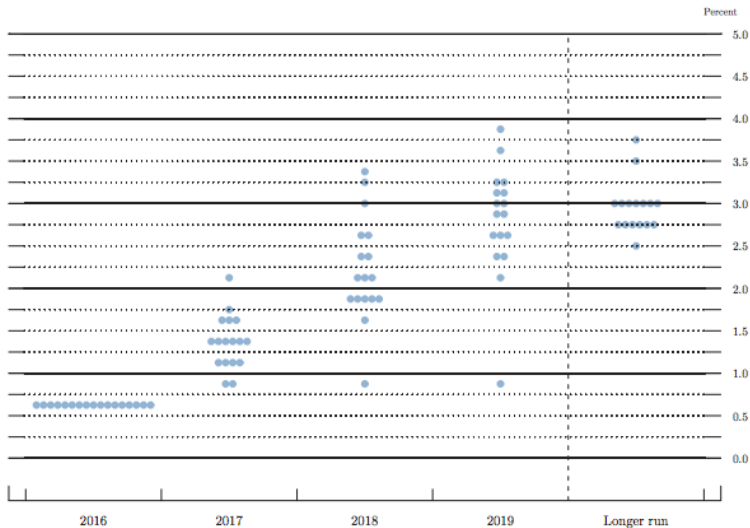


Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate



inequality

unequality

noun | un·equal·i·ty | \ ə-ni-'kwä-lə-tē \

1 : not equal, uneven

2 : the condition of being variable

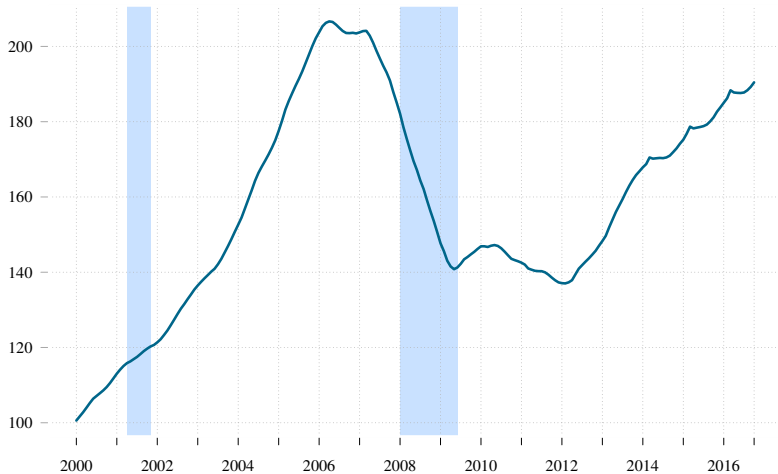
3 : the result of being affected differently by things

housing inequality

- housing values are very local

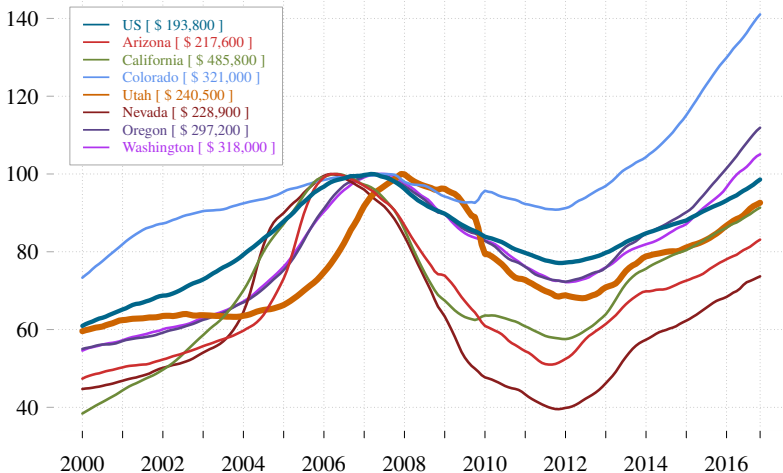
Case-Shiller 20 City Composite

Index 2000=100



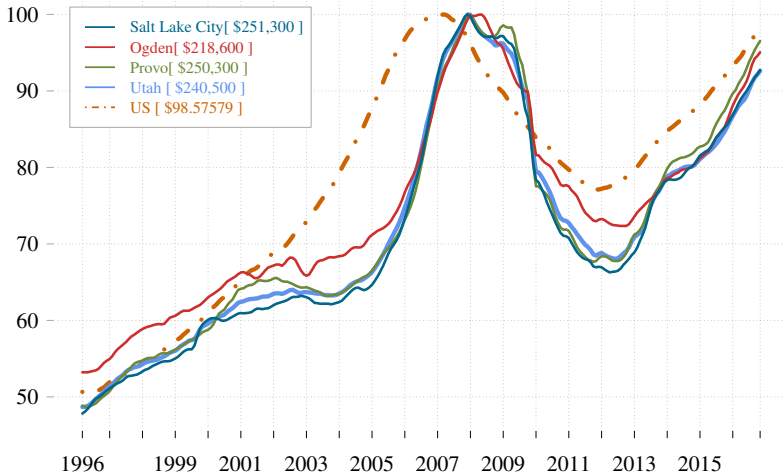
Zillow Home Value Index (ZHVI)

Index (100 = Pre-Recession Maximum Value)



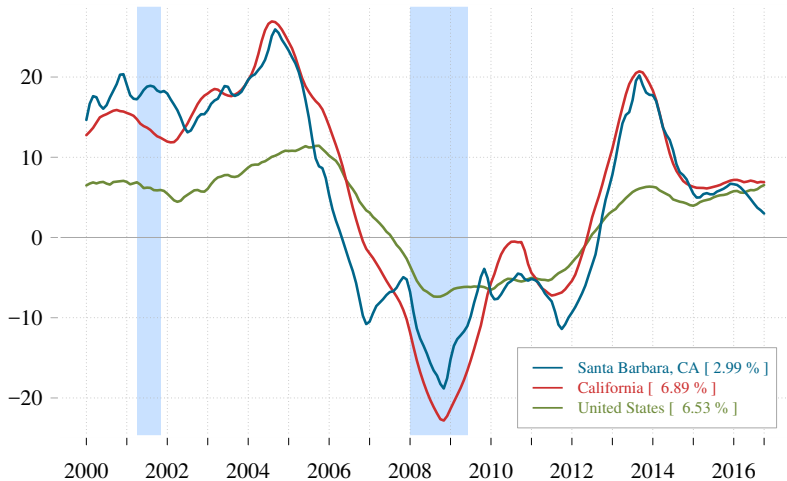
Zillow Home Value Index, by MSA

Index (100 = Pre-Recession Max Value)



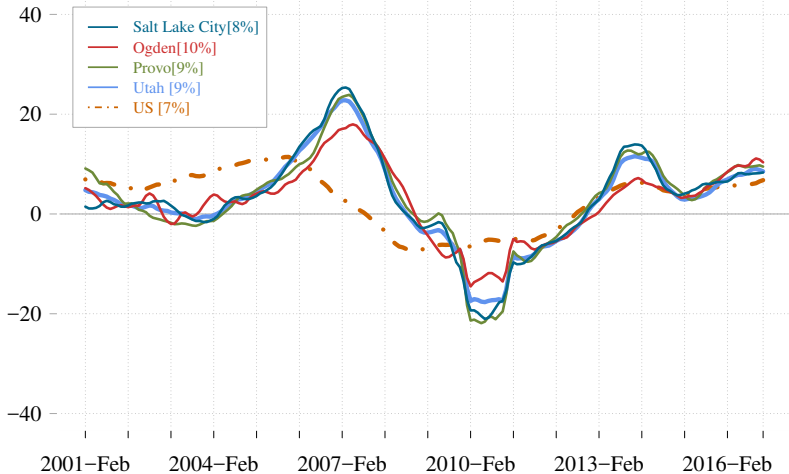
Zillow Home Value Index

YoY Growth Rate (%)



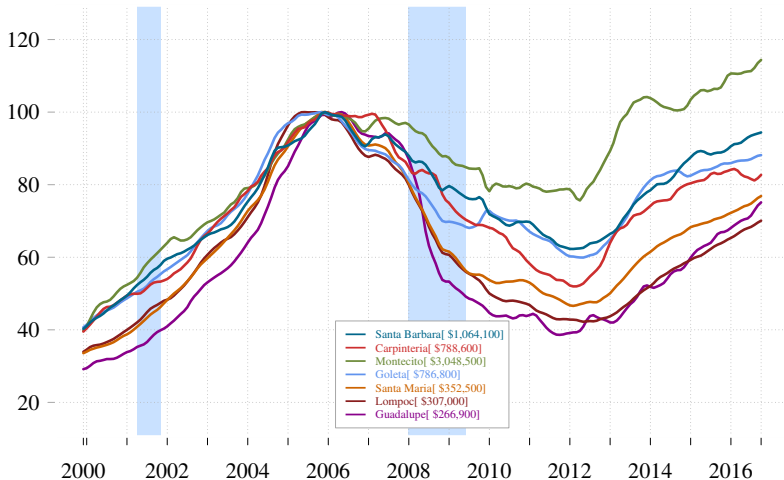
Zillow Home Value Index

YoY Growth Rate (%)



Zillow Home Value Index

Index (100 = Pre-Recession Max Value)

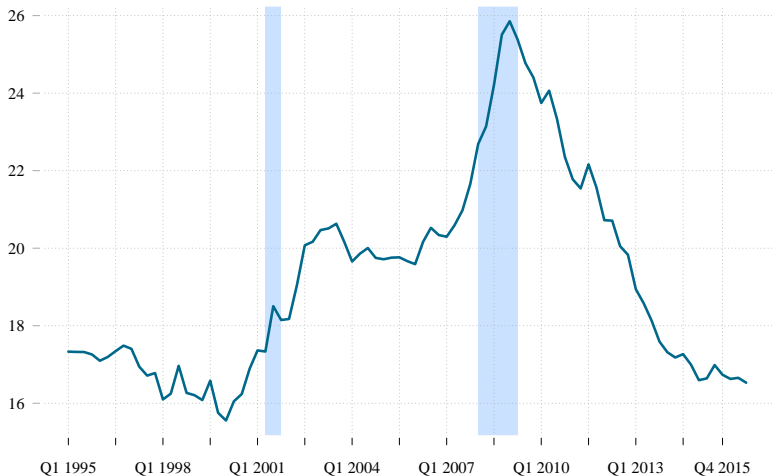


housing and financial aspects

- mortgage crisis has abated
- foreclosures back to “normal”
- yet, foreclosure timelines not!

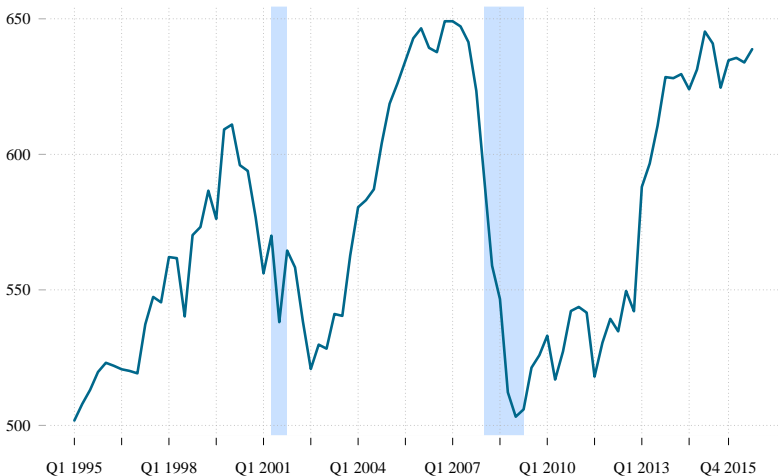
Ratio of HH Liabilities to HH Net Worth

Percent (%)



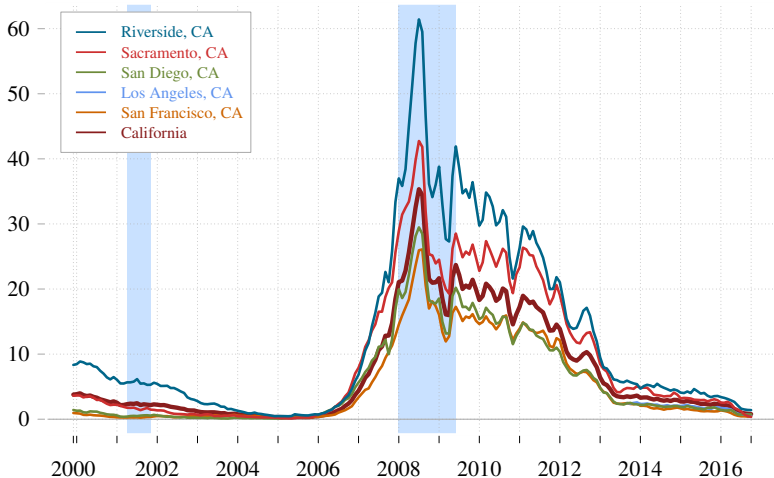
Net Worth as a Percentage of Disposable Income

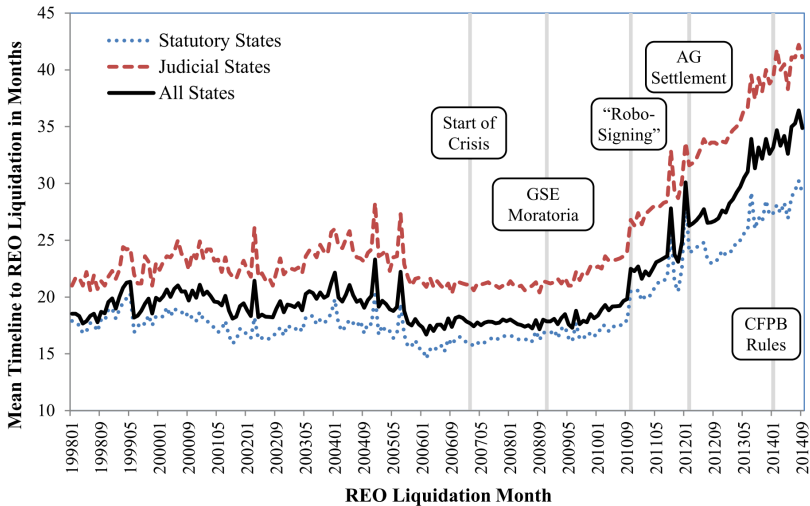
Percent (%)



Homes foreclosed per month, by MSA

Number of homes per 10,000



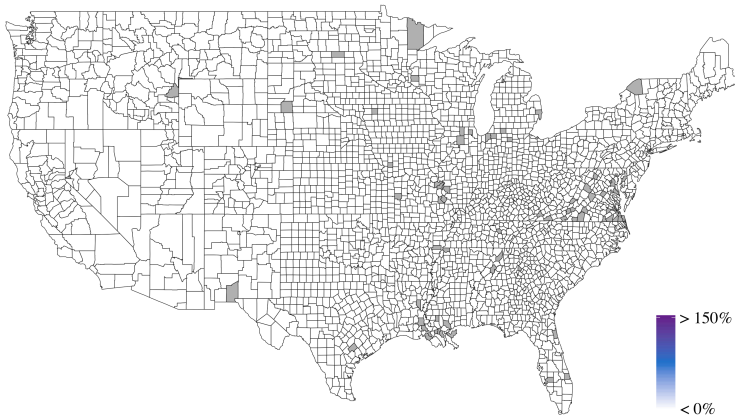


income and wages

income inequality

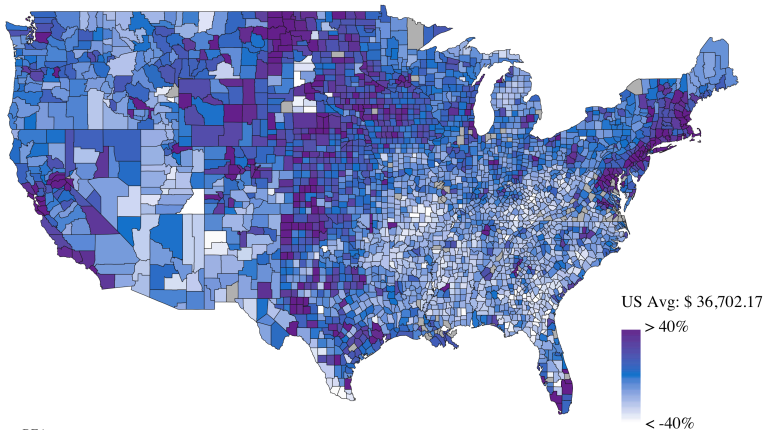
- how is income distributed?

Real Personal Income Per Capita Growth Since 2006: 2006



Source: BEA

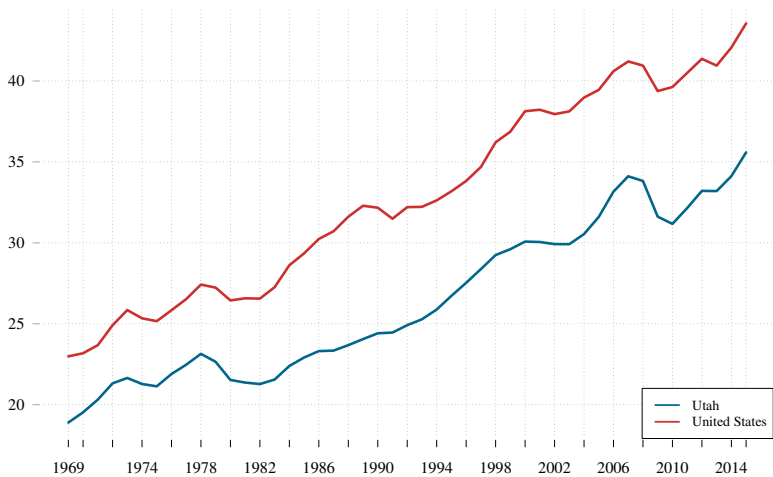
Real Personal Income Per Capita Relative to US Average: 2015



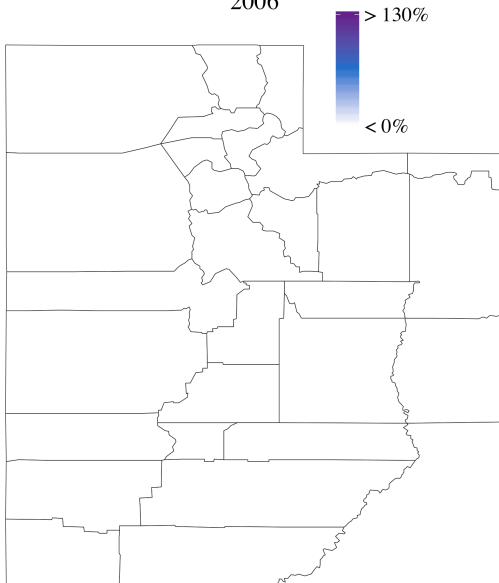
Source: BEA

Real Per-Capita Personal Income

Thousands of 2009\$

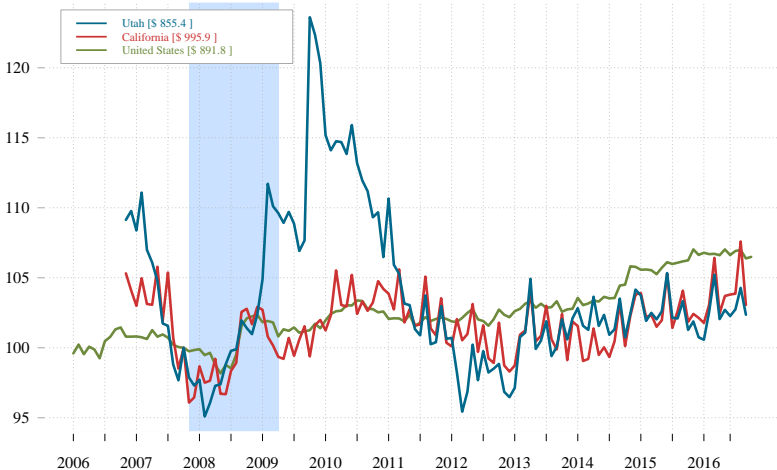


Real Personal Income Per Capita Growth Since 2006: 2006



Real Weekly Earnings, Seasonally Adjusted

Index (Dec 2007 = 100)



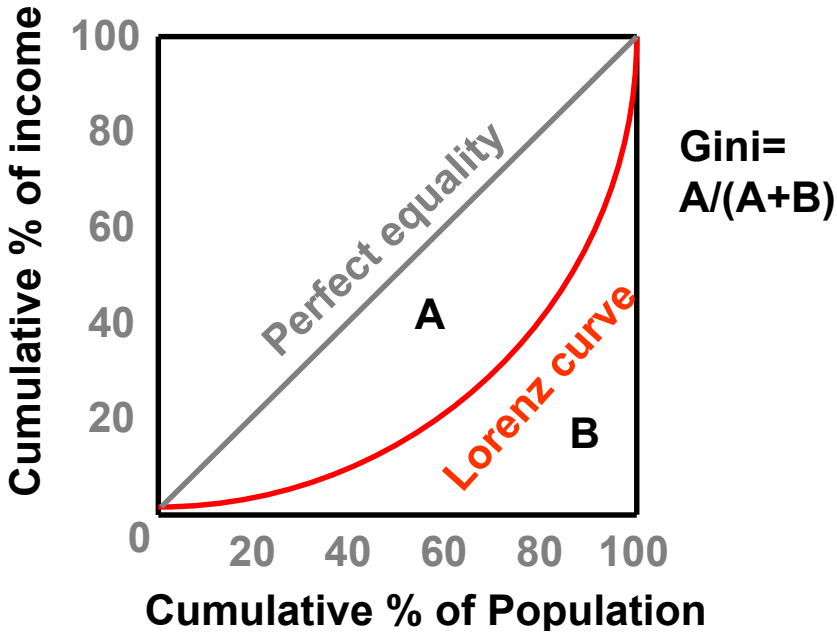
Notes: Current value, in Dec 2007 dollars, in brackets.

www.efp.ucsb.edu

Source: BLS

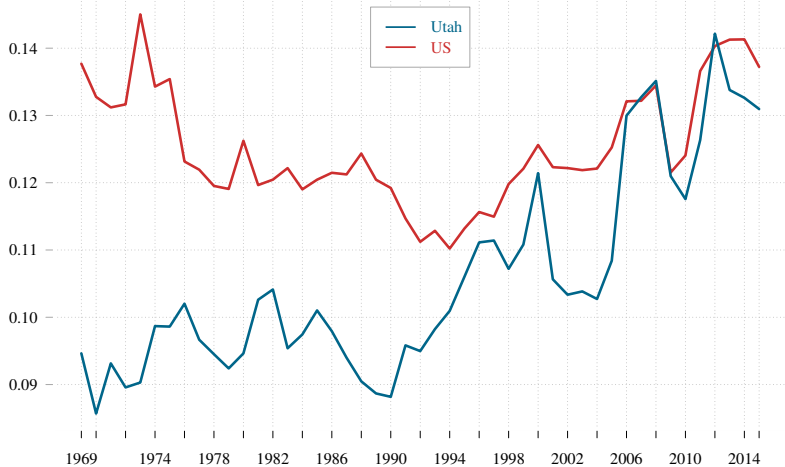
inequality

- how is inequality measured?
- most common: Gini coefficient



Gini Coefficient

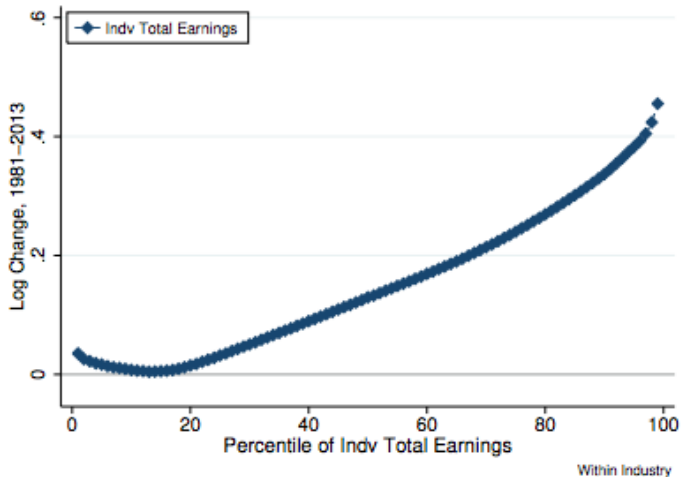
Real per capita personal income across counties



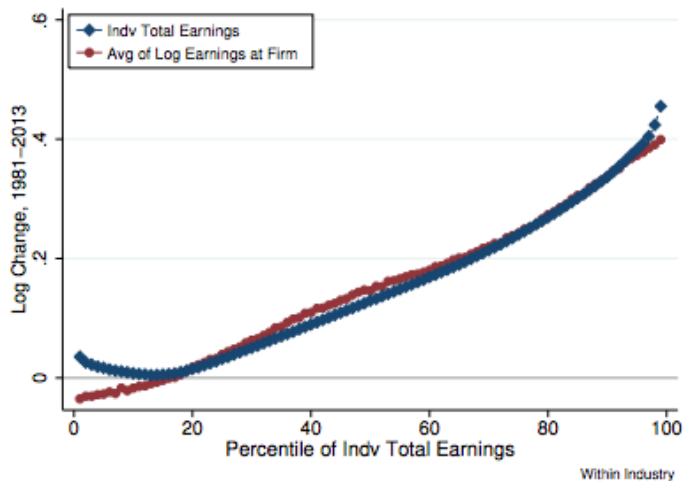
new findings on inequality

- most of the inequality is “between firms”
- not “within firms”

Fact #1: Rise in Inequality is Fractal



Fact #1: What is the Role of Employers?

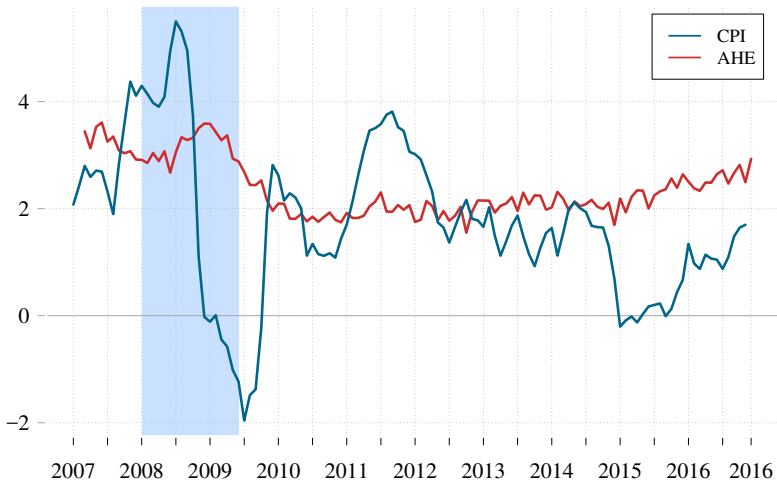


wages

- wage growth picking up in the US
- but so is inflation...a bit

Inflation and Average Hourly Earnings

Percent change from a year ago, all private workers

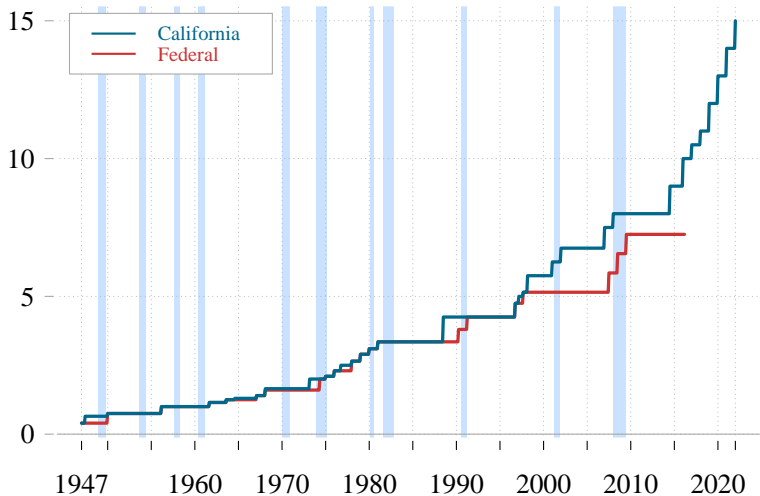


minimum wages

a looming labor market issue

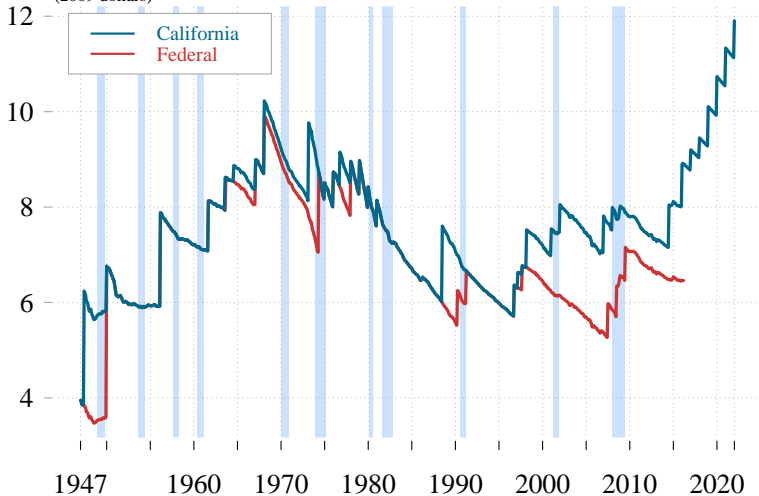
- for California
 - current minimum wage \$10.50
 - \$15 minimum wage by 2022
- for Utah
 - current minimum wage \$7.25, same as federal
 - proposals to increase to \$10.10 or \$12.00
- let's start by examining the data

Nominal Minimum Wage

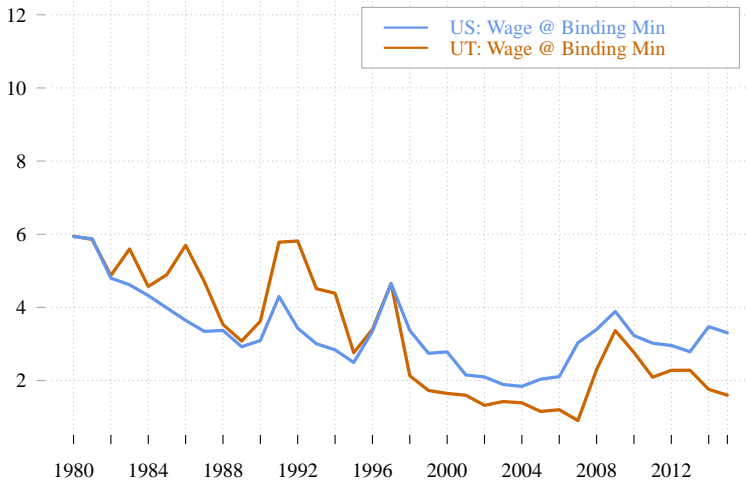


Real Minimum Wage

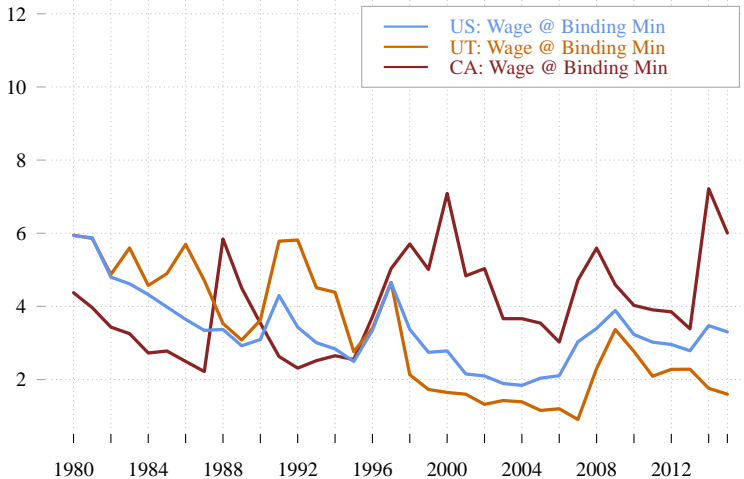
(2009 dollars)



Percent of Workers at Minimum Wage



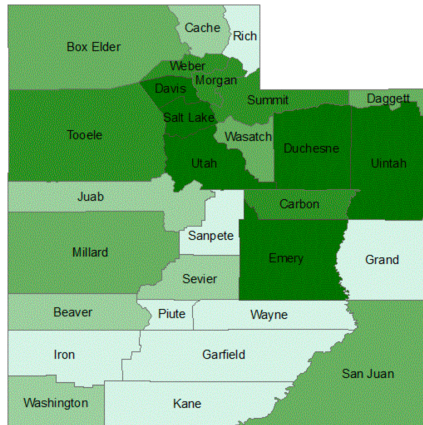
Percent of Workers at Minimum Wage



where?

- where will they be affected most?

Chart 1. Average weekly wages by county in Utah, first quarter 2016



Average weekly wages

(U.S. average = \$1,043)

- \$750 or higher
- \$700 - \$749
- \$650 - \$699
- \$600 - \$649
- \$599 or lower

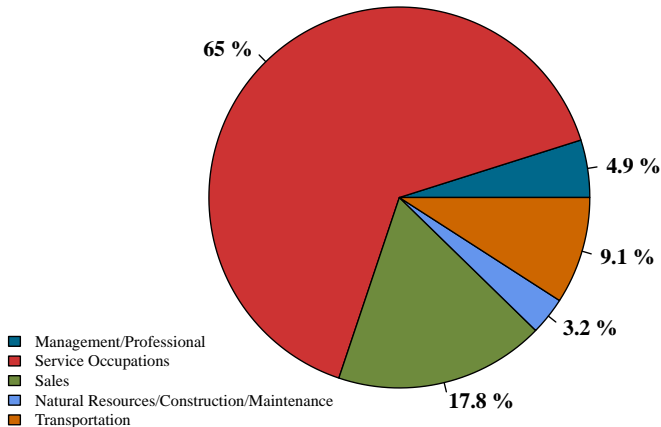
Source: U.S. Bureau of Labor Statistics.

who?

- who will feel the brunt?

Percent Making Minimum Wage by Occupation

United States, 2015



Source: BLS

why?

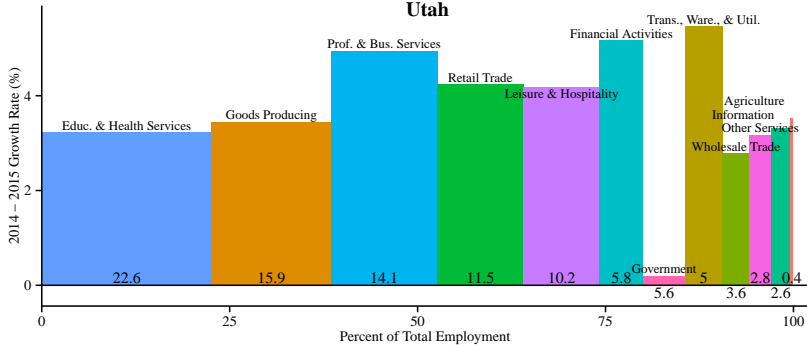
- why this policy?
- others?
 - how about the earned income tax credit?

labor markets

labor market: Utah

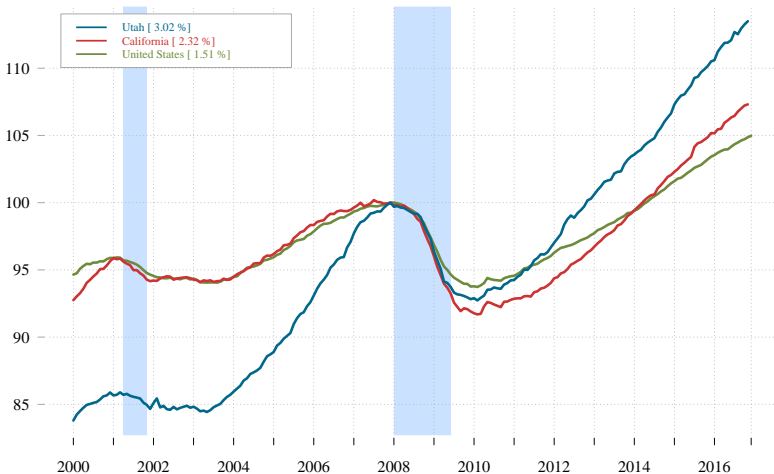
- employment growth strong
 - but varies by industry and geography
- unemployment as well

Employment by Industry, 2015 Utah



Total Nonfarm Payrolls, Seasonally Adjusted

Index (Dec 2007 = 100)



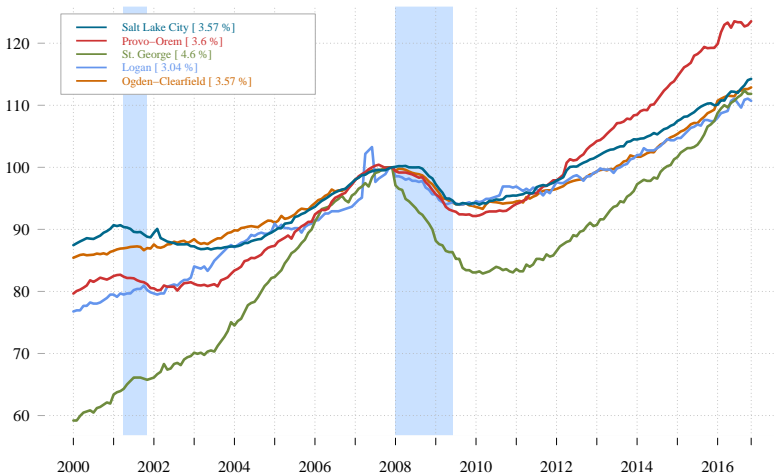
www.efp.ucsb.edu

Notes: Current annual growth rate in brackets.

Source: BLS

Total Nonfarm Payrolls, Seasonally Adjusted

Index (Dec 2007 = 100)



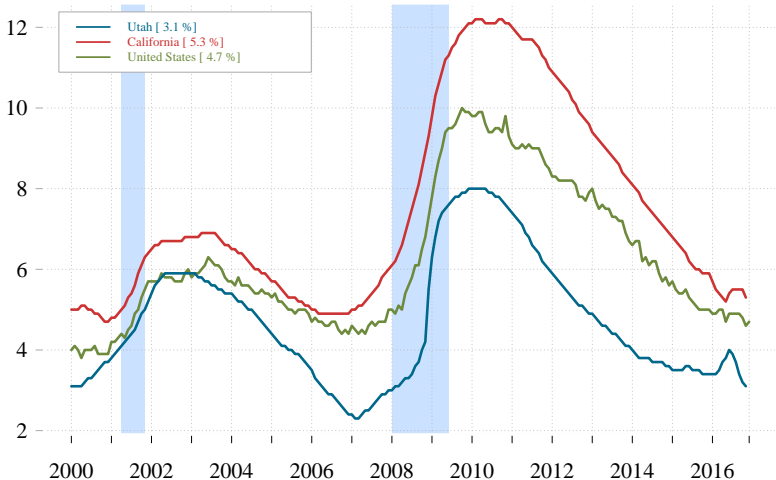
www.efp.ucsb.edu

Notes: Current annual growth rate in brackets.

Source: BLS

Unemployment Rate, Seasonally Adjusted

Percent (%)



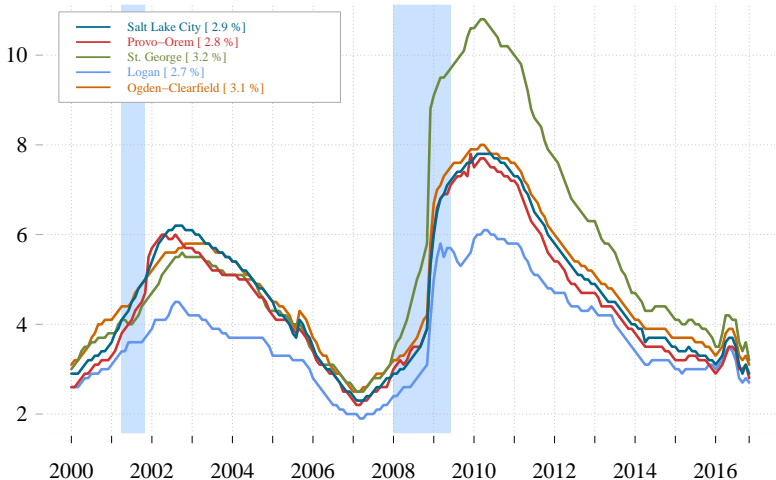
www.efp.ucsb.edu

Note: Most recent rate in brackets.

Source: BLS

Unemployment Rate, Seasonally Adjusted

Percent (%)



www.efp.ucsb.edu

Notes: Most recent rate in brackets.

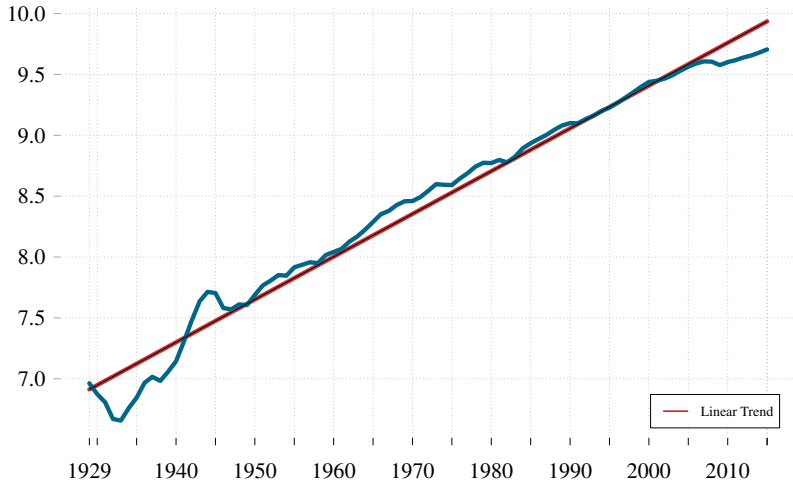
Source: BLS

final thoughts

- policy uncertainty
- strong growth in the US
- FOMC forecast: 3 25bp increases in 2017?

Real GDP

Logged Billions of 2009\$, Seasonally Adjusted



thank you!