Economic Outlook

If It is NOT BROKEN – Don't FIX IT!

Alan E. Maguire

The Maguire Company

August 2024

Economic Outlook

Current & Coming Conditions

- *Overview of Reopening*
- *Inflation – Levels and Causes*
- *US Economy*
  - *Employment*
  - *Forecast*
- *Consumer Confidence*
- *Arizona Outlook*

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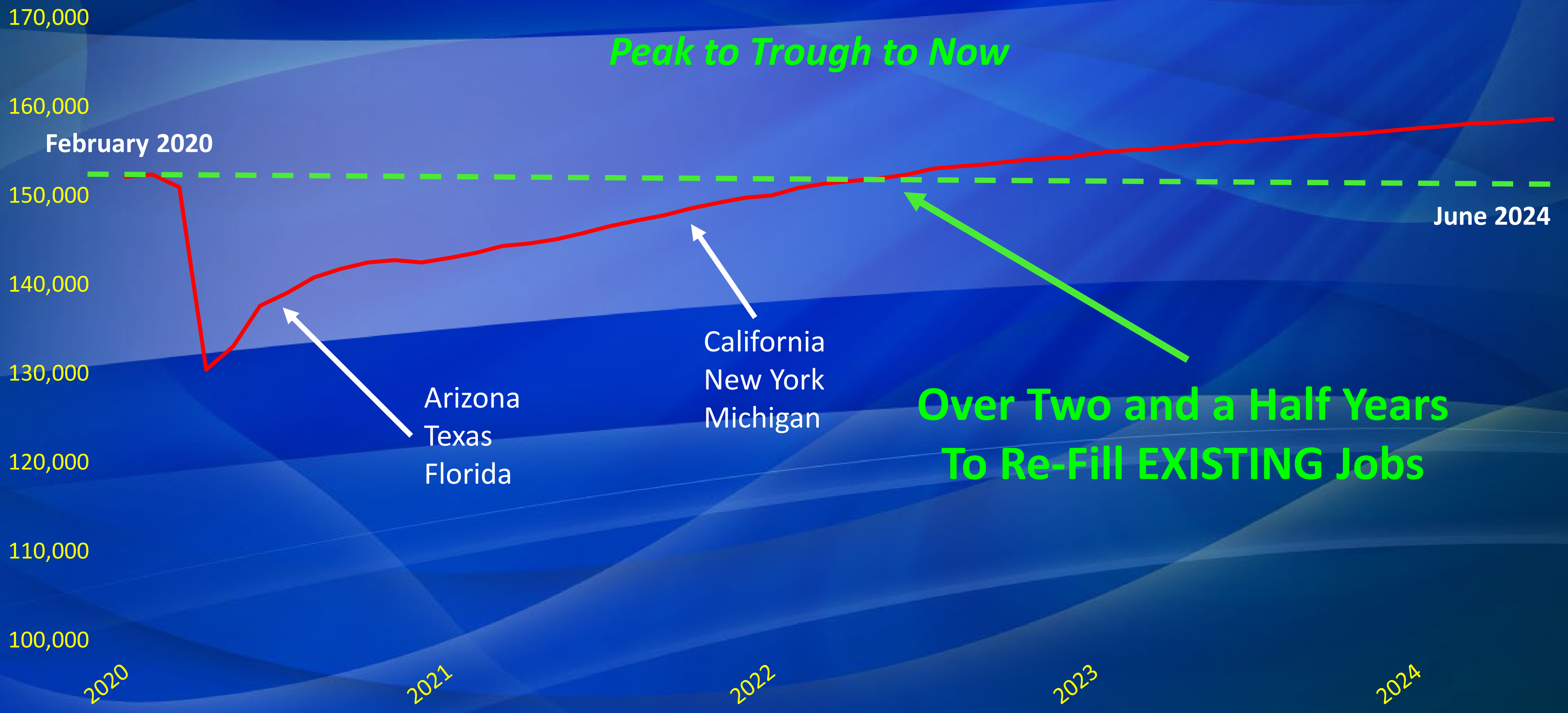
Economic Outlook

Total US Employment 2020 – 2024



Source: Bureau of Labor Statistics, TMC

Economic Outlook

Total US / AZ Employment 2020 – 2024

Time To Re-Fill EXISTING Jobs

US: Over Two and a Half Years

AZ: One Year

Source: Bureau of Labor Statistics, TMC

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US Inflation

• 12 Months through June 2024:	3.0%
• Gasoline:	-2.5%
• Utility Gas (NG):	3.7%
• Fuel Oil:	0.8%
• Food at Home:	2.2%
• Meat, Poultry, Fish, Eggs:	2.6%
• Used Cars:	-10.1%

Source: Bureau of Labor Statistics, TMC

INFLATION IS BETTER – But Still RISING!

Economic Outlook
US Inflation

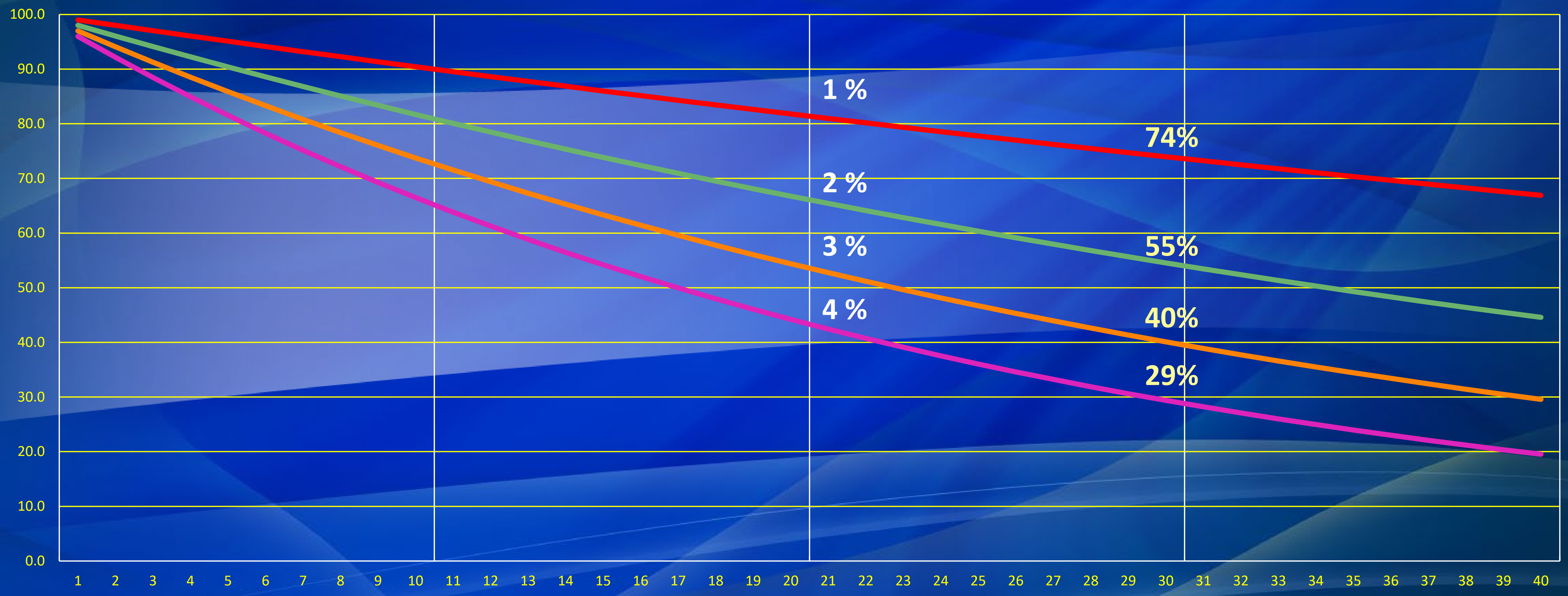
Since January 2021:	20.1%
Gasoline:	48.7%
Utility Gas (NG):	25.2%
Fuel Oil:	46.4%
Food at Home:	21.3%
Meat, Poultry, Fish, Eggs:	21.8%
Used Cars:	21.3%

Source: Bureau of Labor Statistics, TMC

Economic Outlook
US Inflation

- Key Drivers:
  - Excessive Federal Household Payments *
    - Pandemic Unemployment Benefits
    - Household Payments
  - Massive Federal Spending Increases *
  - Federal Reserve Stimulus
  - Domestic Energy Constraints

Inflation Penalty



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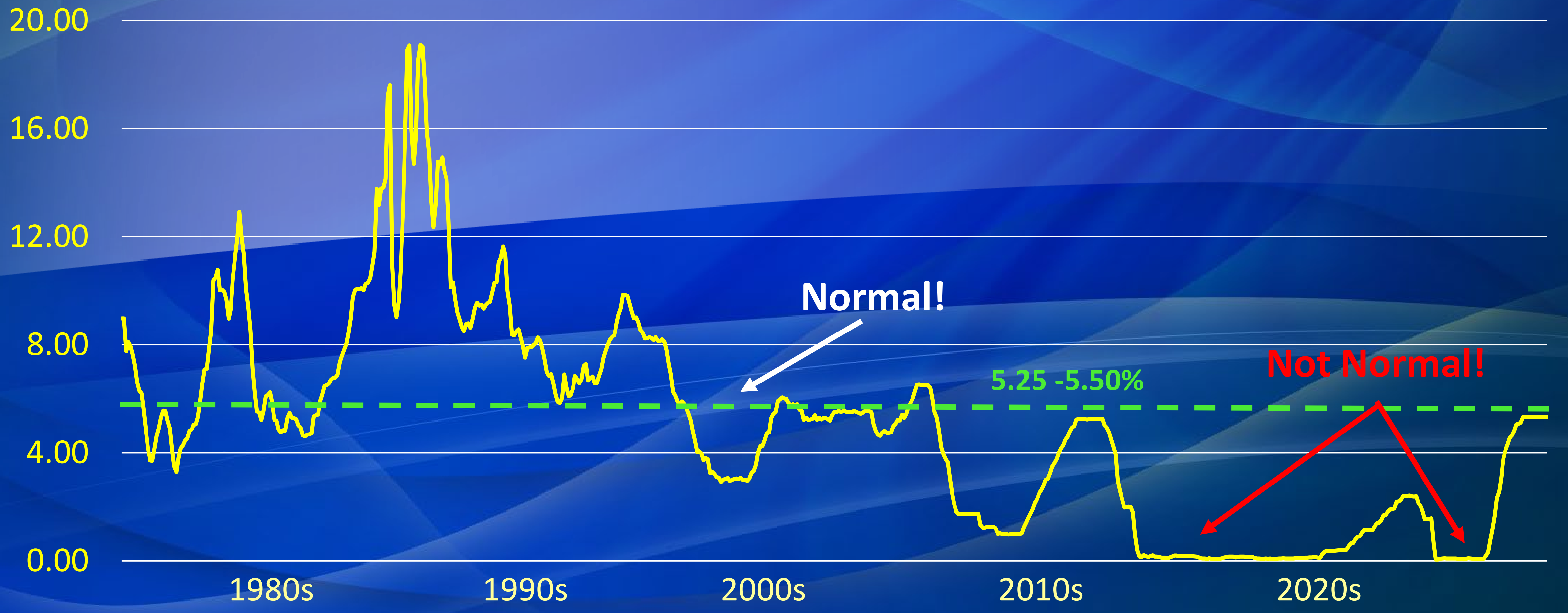
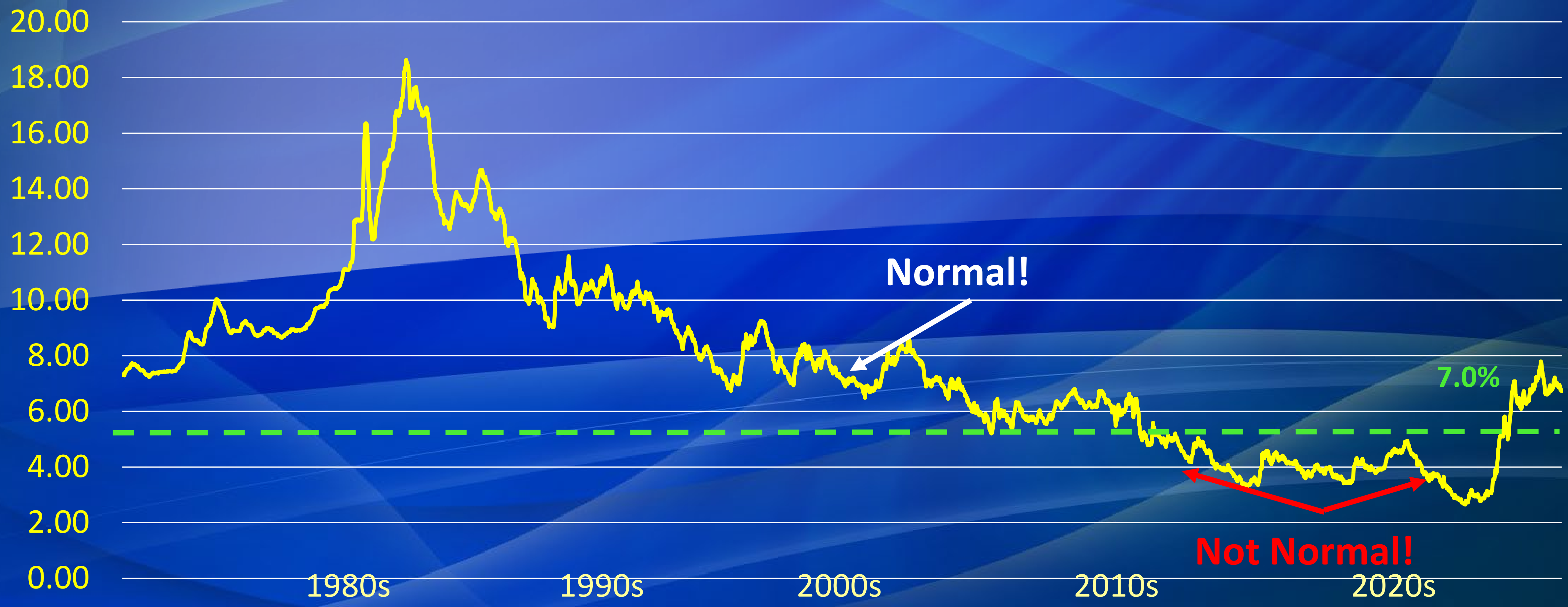
Fed Funds *1970 to 2024*



Source: Federal Reserve; FRED

Economic Outlook

30 Yr Fixed *1971 to 2024*



Source: Federal Reserve; FRED

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Economic Outlook
US JOB Growth
2020 to Present

Source: Department of Labor

Economic Outlook
US Job Openings
2010 to Present

Source: Department of Labor

Economic Outlook

US Outlook

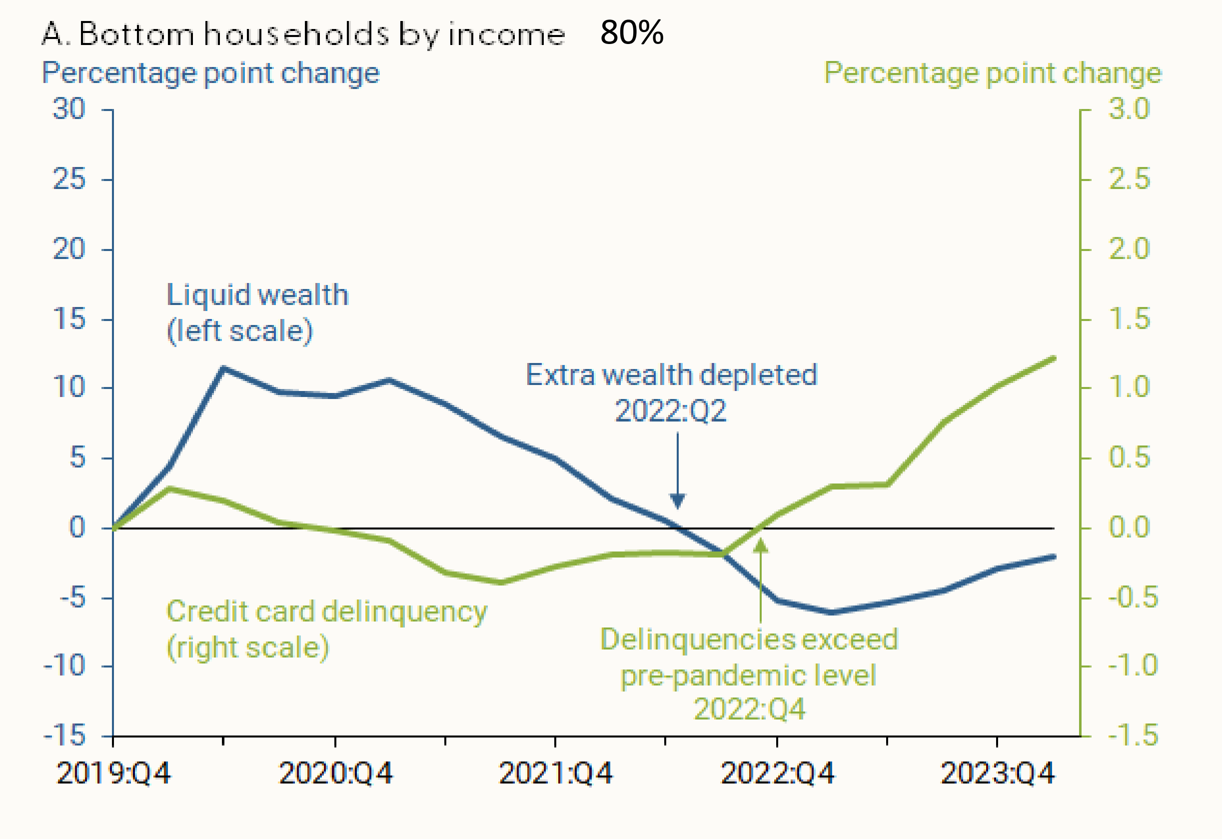
- US Households Condition – Dwindling Pandemic Balances
    - Inflation Pressure on Household Budgets
    - Delinquencies and Defaults Increasing
- Business Investment Slowing
    - Uncertain Demand – Fewer more Costly Units
    - Regulatory Chaos – SEC / FTC / …
- Federal Debt and Interest Costs
- Bumps Ahead!

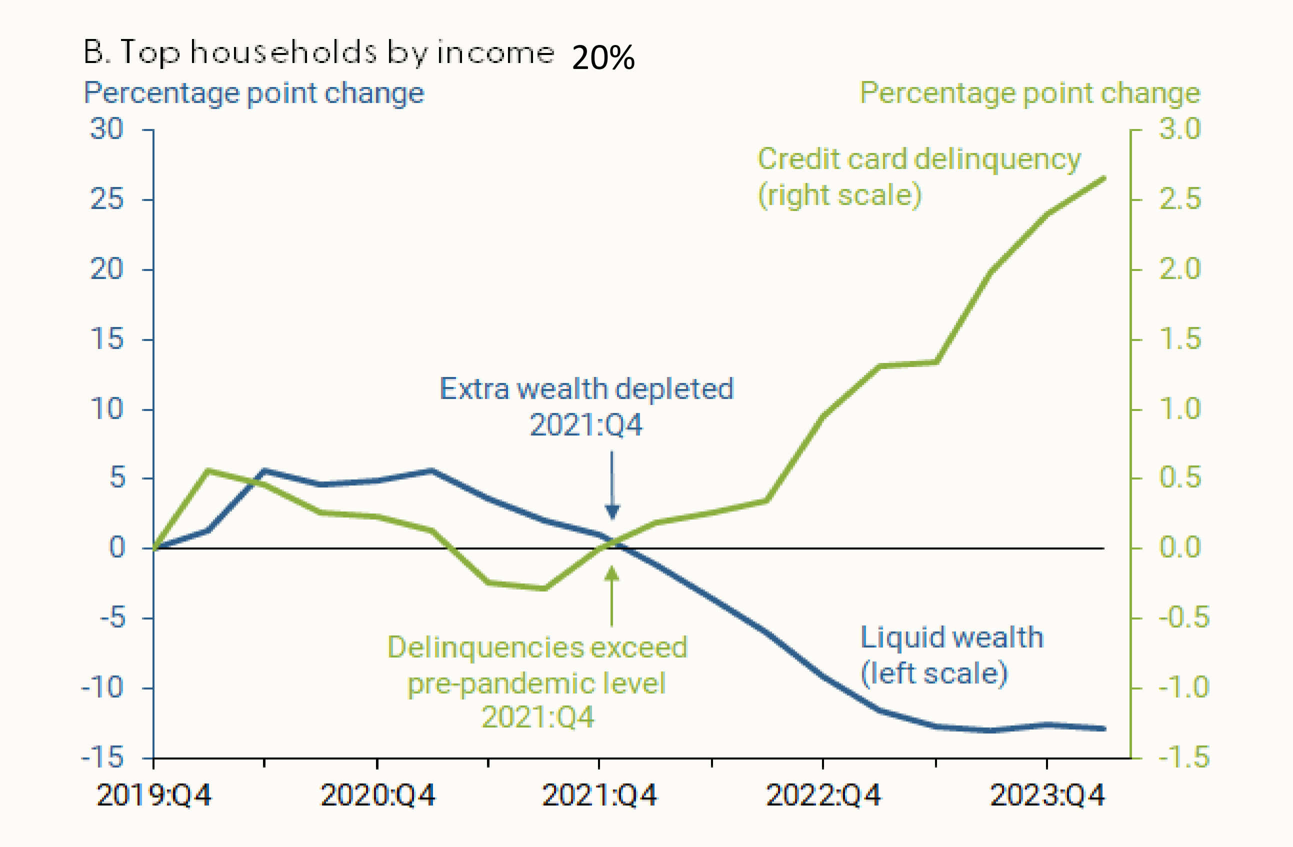
US Economy still Surprising Resilient!

Economic Outlook

Credit card delinquencies and pandemic-era liquid assets

(Neighborhoods)





FRBSF Economic Letter 2024-21 | August 12, 2024 Hamza Abdelrahman, Luiz Edgard Oliveira, Adam Hale Shapiro

Economic Outlook
US Outlook

- Key Considerations:
  - GDP Slowing but Positive Through 2025, at least
  - Job Growth slows to closer to 100,000 per month
  - Steady State Job Growth 80 -90,000 per month
  - Financial Markets Still Expect Multiple Interest Rate Cuts

Really?
Why?

- Outlook toward 2025
  - Conference Board: 2025 GDP Growth at 2.0%
  - US Blue Chip reported: ≤ 2% 2nd Half 2024
- Rising Uncertainty

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US Consumer Confidence

July 2024

- *Overall* *100.3*
- *Up from 97.8 in June (revised)*
- *Present Situation* *133.6*
- *Down from 135.3 in June*
- *Expectations* *78.2*
- *Up from 72.8 in June*

Source: The Conference Board

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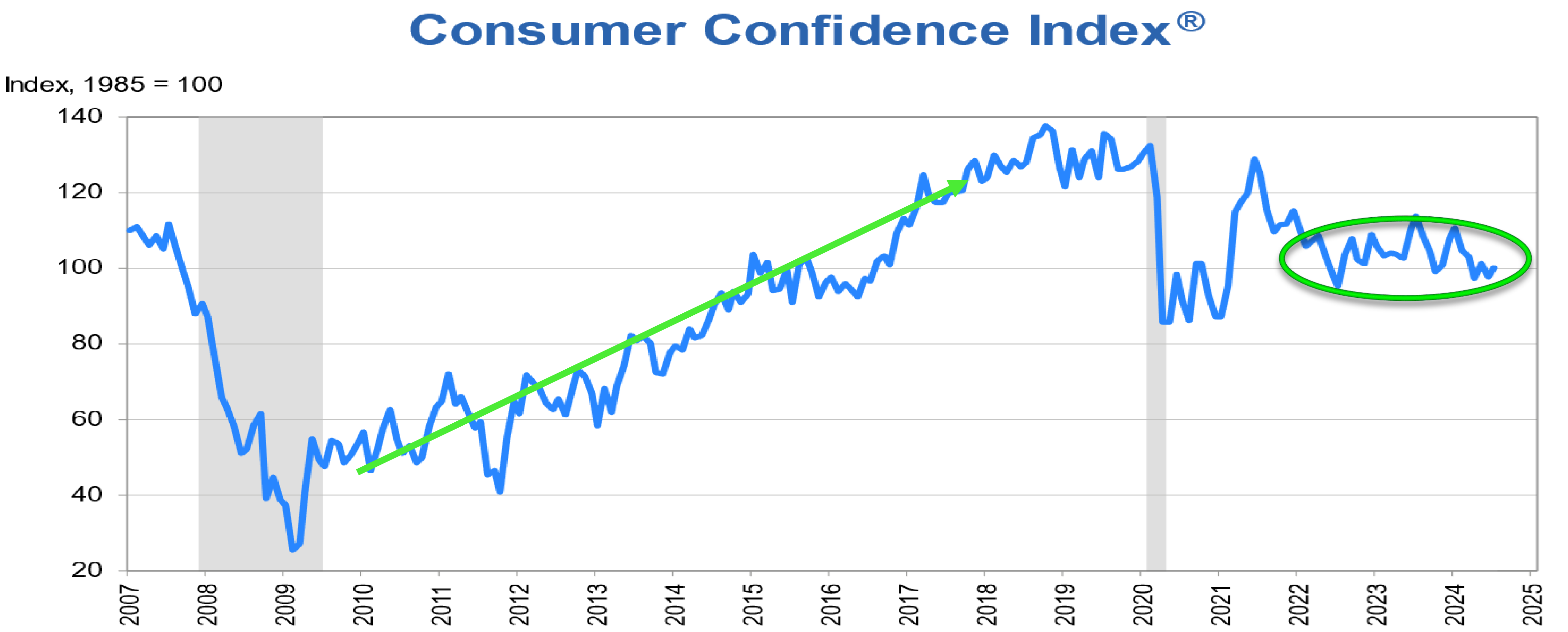
US Consumer Confidence 2007 to Present



*Shaded areas represent periods of recession.
Sources: The Conference Board; NBER

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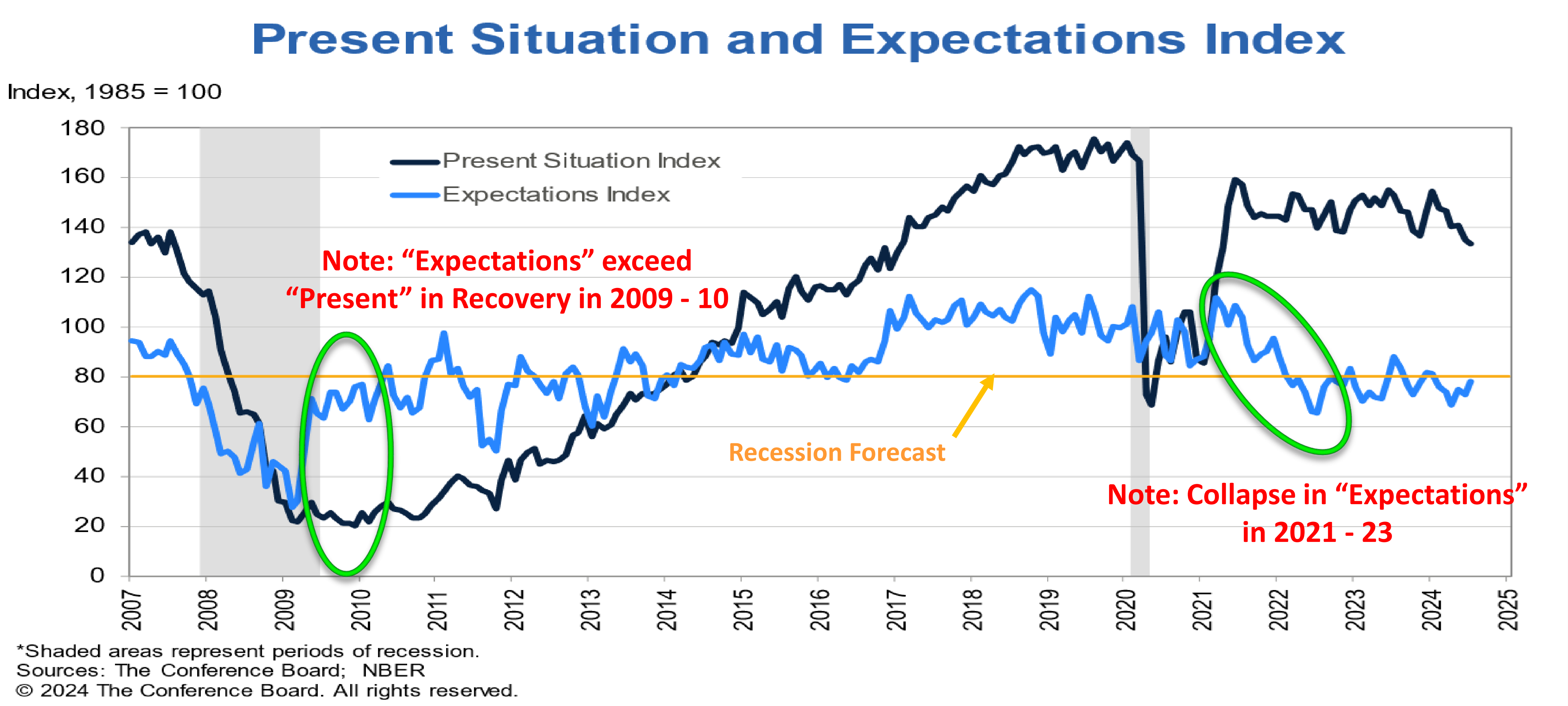
US Consumer Confidence 2007 to Present



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Arizona Outlook

- Arizona Performed Much Better through Closures compares to 2009
- Growth Likely Slower than Historical Patterns
  - Workforce Challenges Remain
  - Population Growth Slows before / during Recession
- Stronger Competition from Texas, Florida, Southeast States
- Housing Affordability Challenge
  - Prices MUST Reset
  - Mortgage Rates Likely Stay at Roughly Current Level – End Of Historic Lows

Economic Outlook

US versus AZ Employment Change

Source: Bureau of Labor Statistics, TMC

Economic Outlook

Where are we going?

ASU Blue Chip Forecast *July Update*

	2024	2025
• *Personal Income*	4.8%	5.0%
• *Retail Sales*	2.9%	3.4%
• *Employment*	2.1%	2.0%
• *Population Growth*	1.4%	1.4%
• *Building Permits*	15.2%	6.9%

Economic Outlook

Where are we going?

ASU Blue Chip Forecast *July Update*

	2024	2025	2019
• *Personal Income*	4.8%	5.0%	5.6%
• *Retail Sales*	2.9%	3.4%	5.1%
• *Employment*	2.1%	2.0%	2.6%
• *Population Growth*	1.4%	1.4%	1.7%
• *Building Permits*	15.2%	6.9%	7.0%

Economic Outlook
Arizona Outlook

- Interstate Migration Continues, but Slowing
  - Good News: California is still Broken
  - Bad News: They are Californians!
- Still Younger Population – More 25 to 35 that 55 to 65 Year Olds
- Housing Affordability has Changed – Advantage to Disadvantage
- Momentum will Continue
- But, Policy Challenges Remain

AZ Economy is Resilient!

Economic Outlook

US Takeaways --

- Calendar 2025: Slowing, Recession Possible -- Not Likely
    - Recession is NOT Certain – Nor is Depth or Length!
    - China, Europe and Asia Drag on US Economy
- Continuing Good US Job Market – But Slowing
- US Households Experienced Permanent Loss of Buying Power
    - Wages have not kept up with Inflation
- Gaps Among Household Groups Worsening
    - Inflation Hurting Lower and Middle Incomes

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US Takeaways --

- US Regional Differences Widening
    - North-East, California vs. South-East, South-West
- Federal Debt and Spending
- Workforce Challenges
    - Labor – Quantity & Quality will Remain Long-Term Challenge
    - Higher Ed Reform
    - K-12 Performance Improvements are Essential to Continuing Prosperity

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Economic Outlook

AZ Takeaways --

- Near to Mid-term Trends: OK
- Arizona Must Act to Maintain Competitive Position
    - Workforce
    - Water
    - Housing
- K-12 Performance Improvements are Essential to Continuing Prosperity
- Risks Ahead: Prevailing Wage; Right to Work; Misallocations of Capital

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AZ Takeaways --

Final Thought:

US better than elsewhere in the world,

AZ better than Much of the US!

Economic Outlook

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