

ON ECONOMIC, BUSINESS & POLITICAL CLIMATE

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*Synthetic Yarn and Fabric Association
2021 Fall Conference
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Charlotte, NC*

Three Questions . . . that Dominated the Economics

What are the **dynamics of the infection**? Another surge? Can we get re-infected? Will COVID-19 mutate?

How do we **separate the effects** of voluntary behaviors from government mandated behaviors?

How do we respond with **government supports end**?
What about **end of forbearance agreements**?



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Contributions To GDP Growth

(Source: Bureau of Economic Analysis)

	GDP =	Consumption	Gross Investment	Net Exports	Government
2019: Q3	2.80%	2.12%	0.22%	0.07%	0.36%
2019: Q4	1.90%	1.13%	-1.18%	1.43%	0.52%
2020: Q1	-5.10%	-4.79%	-0.92%	-0.05%	0.63%
2020: Q2	-31.20%	-24.10%	-9.64%	1.53%	0.97%
2020: Q3	33.80%	25.51%	11.71%	-3.25%	-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	6.60%	7.80%	-0.67%	-0.24%	-0.33%
	Gross Investment =	Nonresidential	Residential	Inventory	
2019: Q3	0.22%	0.40%	0.14%	-0.32%	
2019: Q4	-1.18%	-0.23%	0.04%	-0.99%	
2020: Q1	-0.92%	-1.14%	0.73%	-0.51%	
2020: Q2	-9.64%	-4.28%	-1.36%	-4.01%	
2020: Q3	11.71%	2.72%	2.16%	6.84%	
2020: Q4	4.01%	1.57%	1.34%	1.10%	
2021: Q1	-0.37%	1.65%	0.60%	-2.62%	
2021: Q2	-0.67%	1.21%	-0.58%	-1.30%	

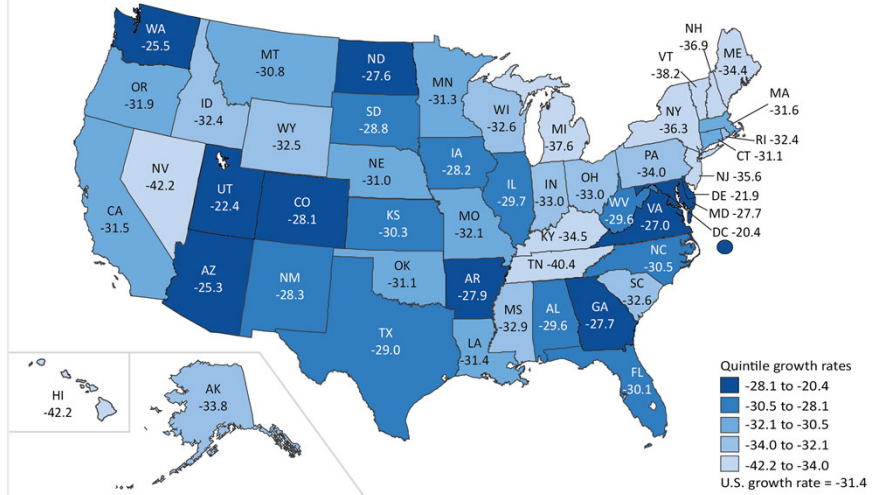


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2Q GDP Growth: By State

Percent Change in Real GDP by State, 2020:Q1–2020:Q2



U.S. Bureau of Economic Analysis

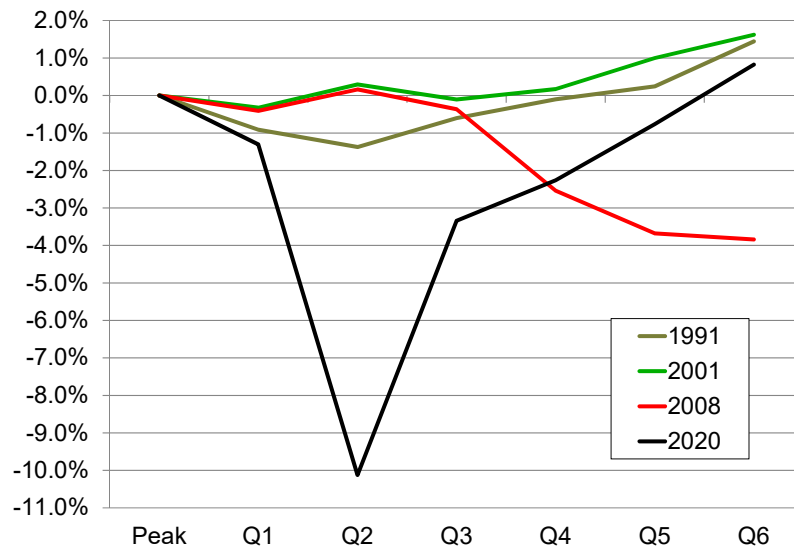


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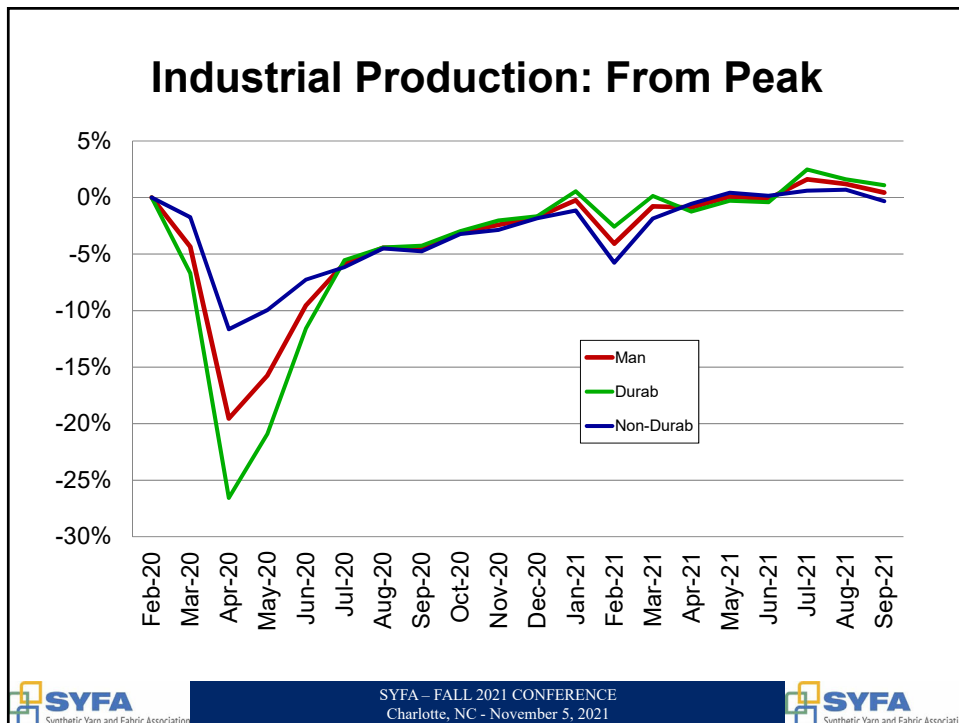
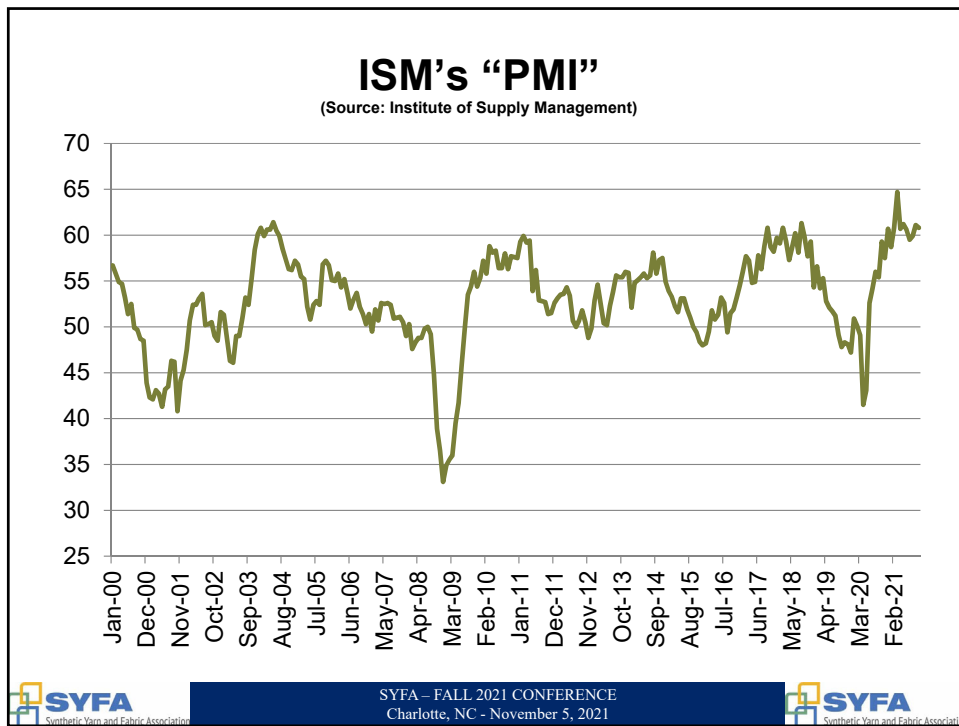
Tale of 4 Recessions

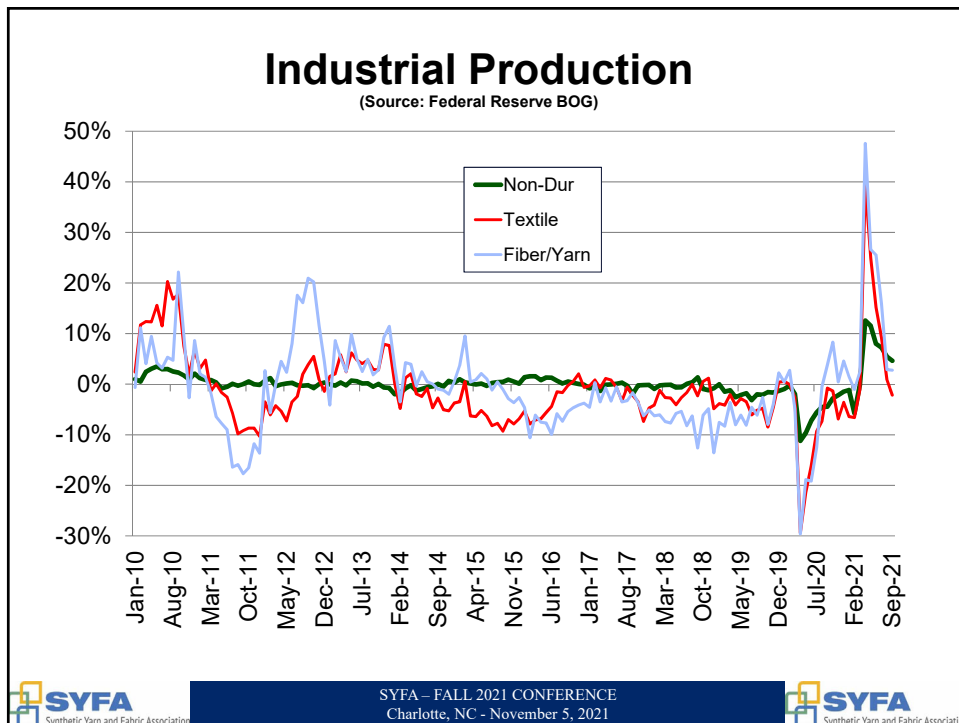
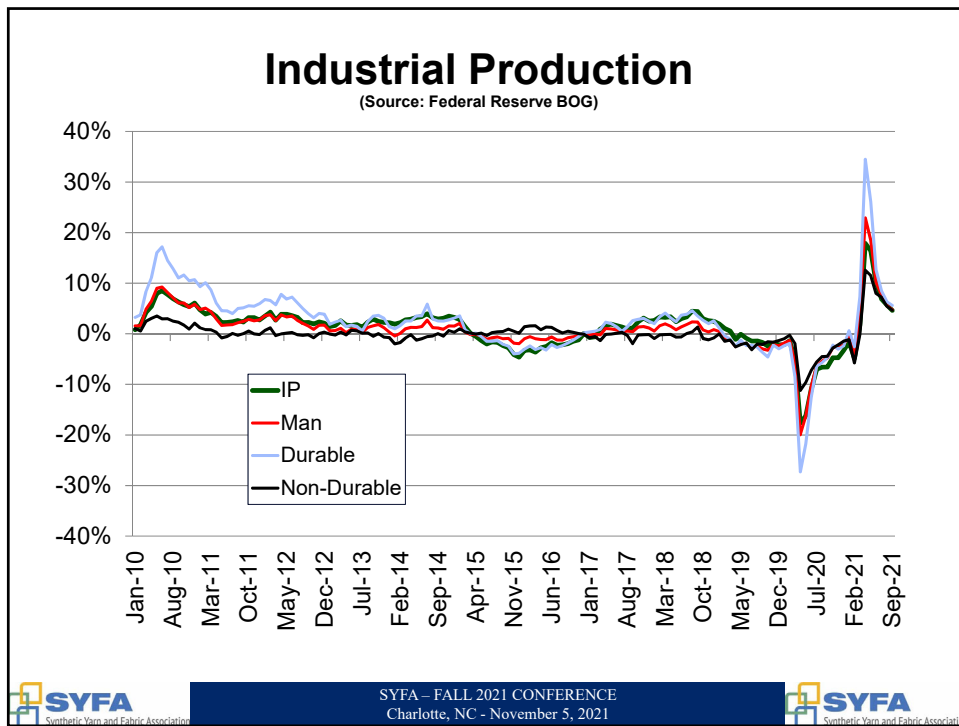
(Source: Department of Commerce, BEA)



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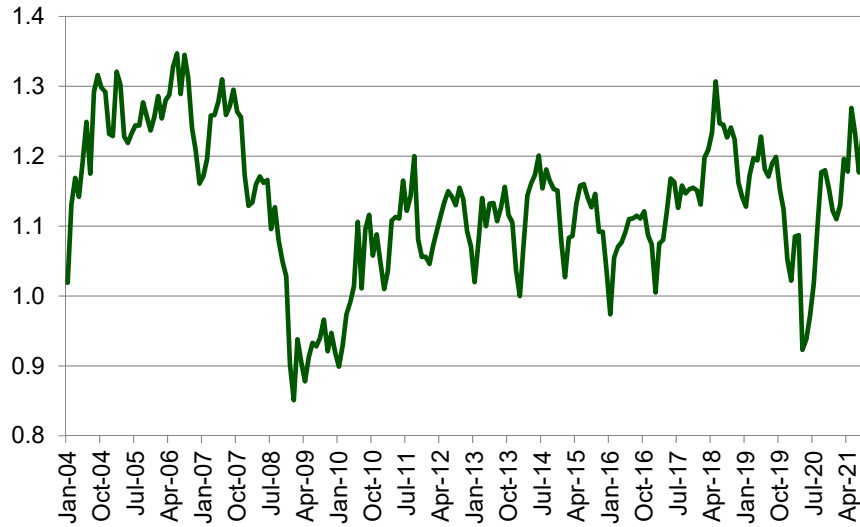






Freight Shipments

(Source: Cass Freight Index)

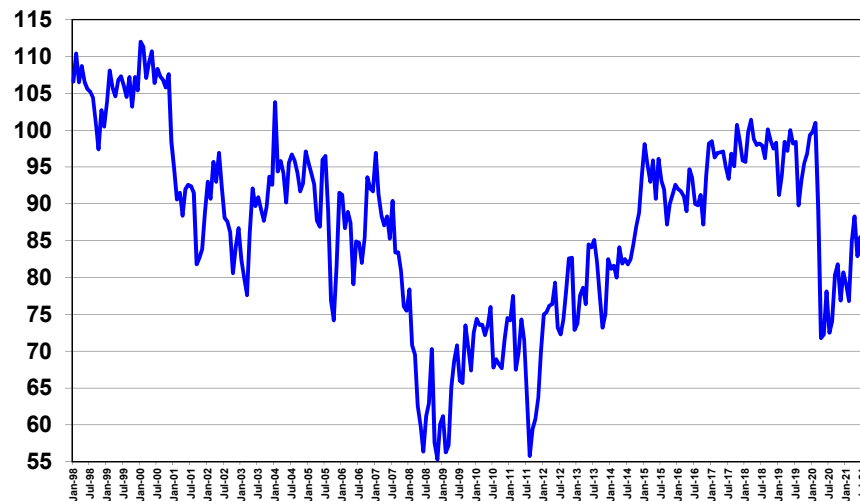


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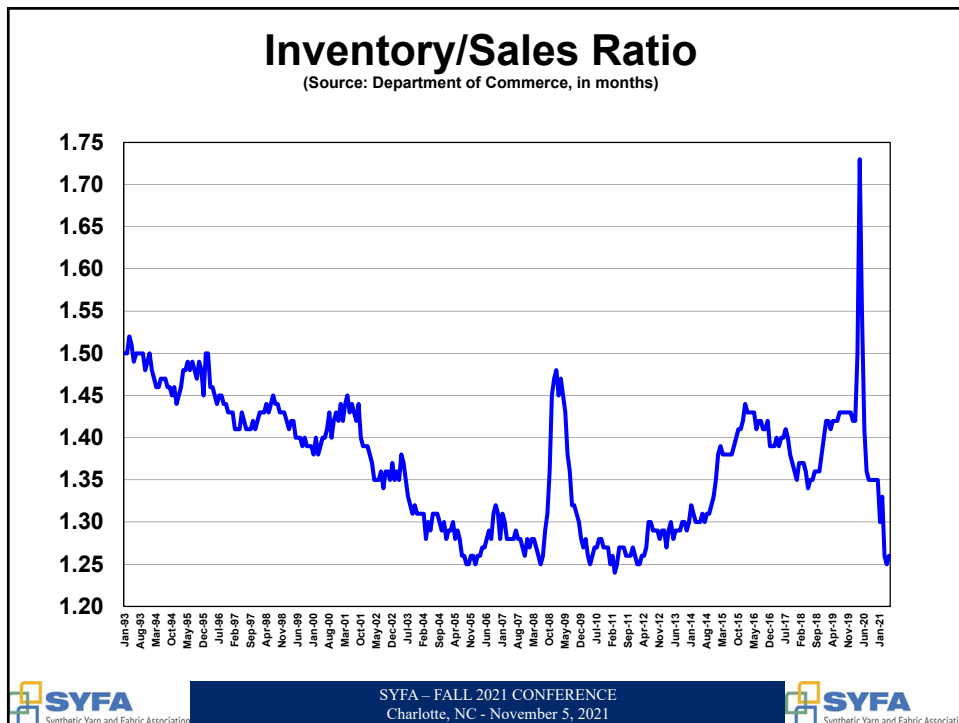
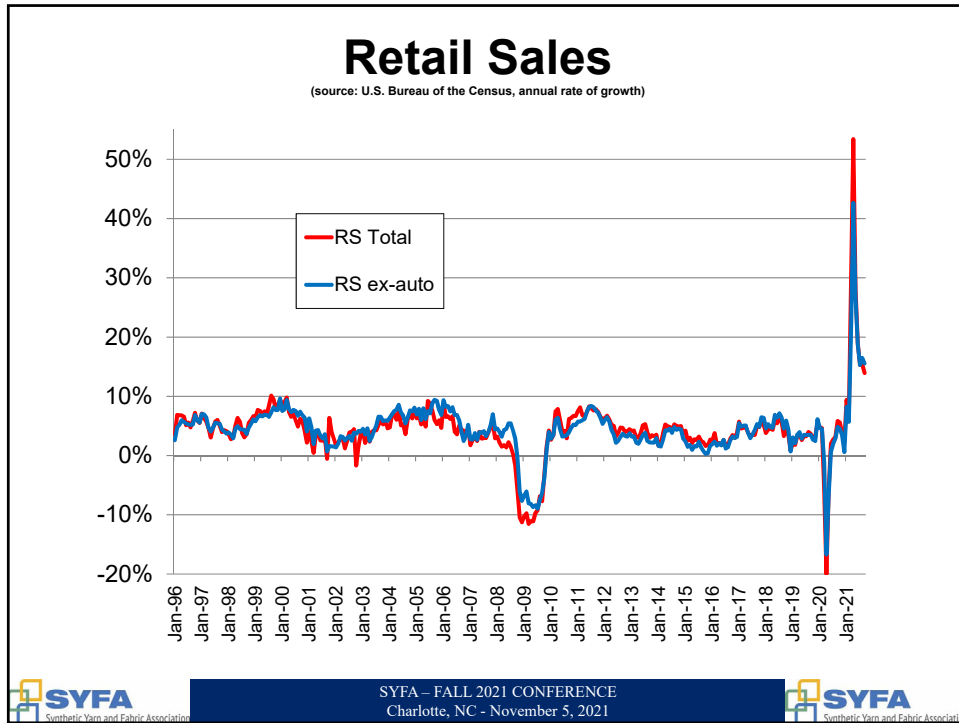
Consumer Sentiment

(source: University of Michigan, Survey Research Center)



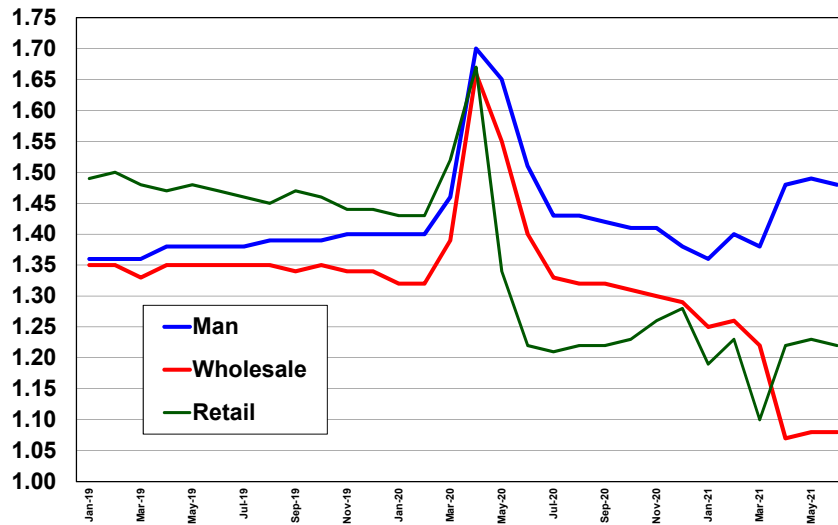
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Inventory/Sales Ratio

(Source: Department of Commerce, in months)

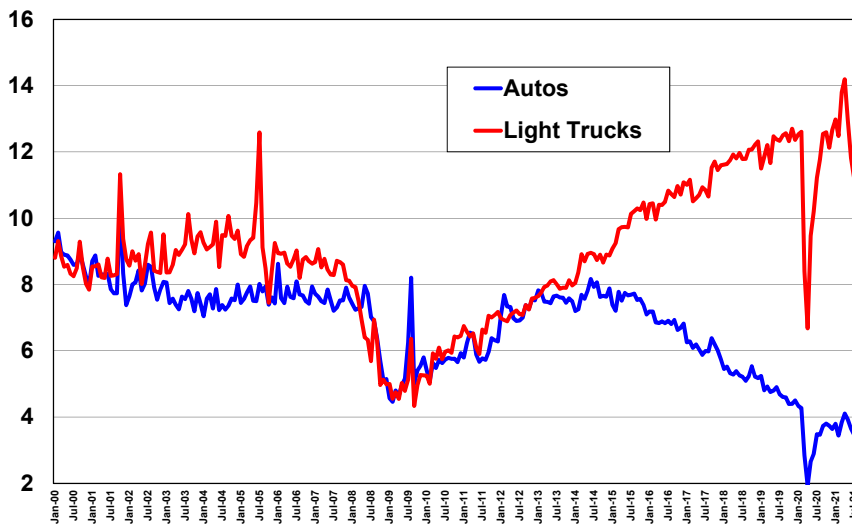


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Auto & Light Truck Sales

(Source: Department of Commerce, in millions)



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Motor Vehicles: Inventory/Sales

(Source: Department of Commerce, in millions)



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Leading Economic Indicators

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

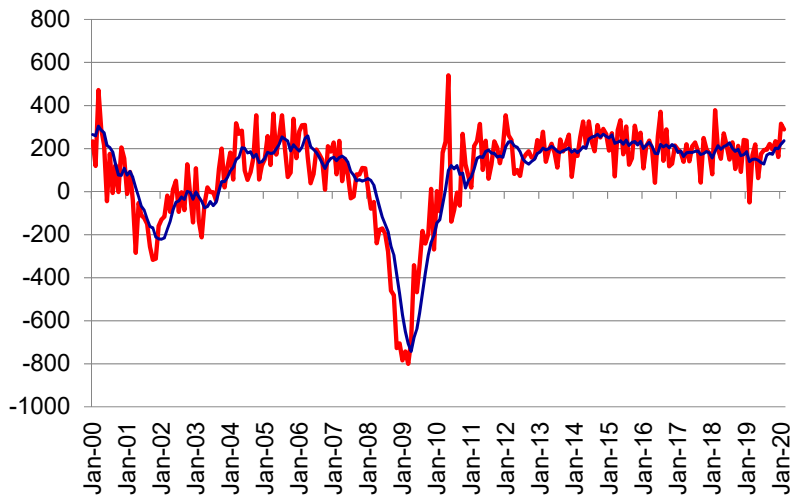


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Change in Payroll Employment

(Source: Bureau of Labor Statistics)



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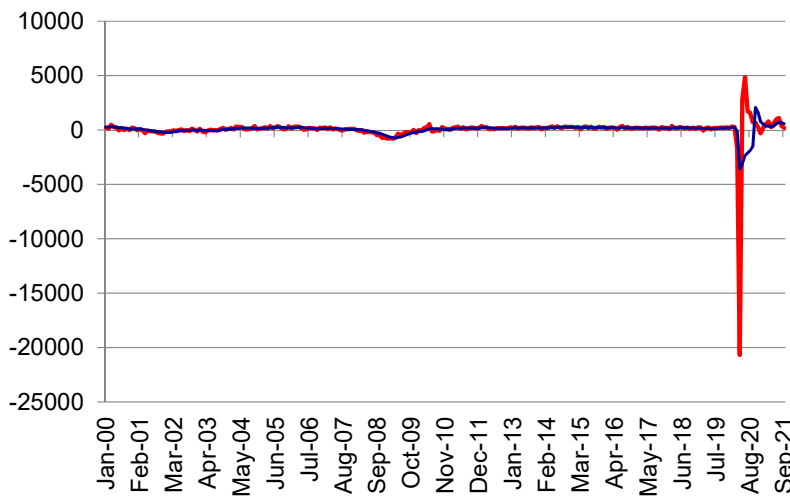
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Change in Payroll Employment

(Source: Bureau of Labor Statistics)



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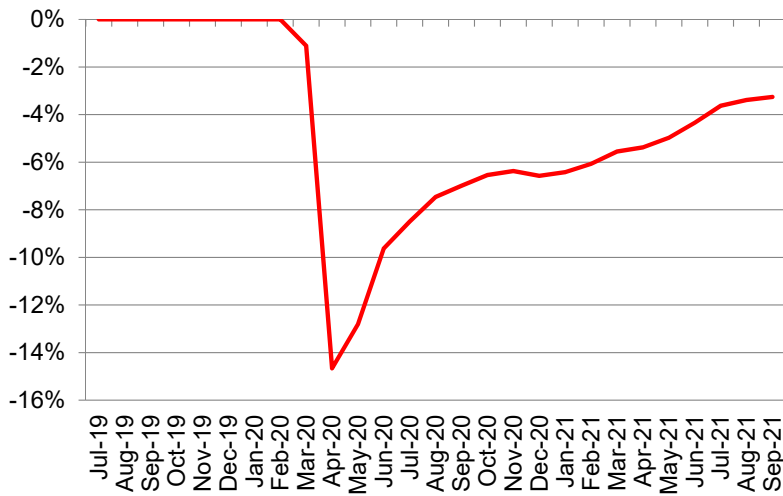
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Employment Below Peak

(Source: Bureau of Labor Statistics)



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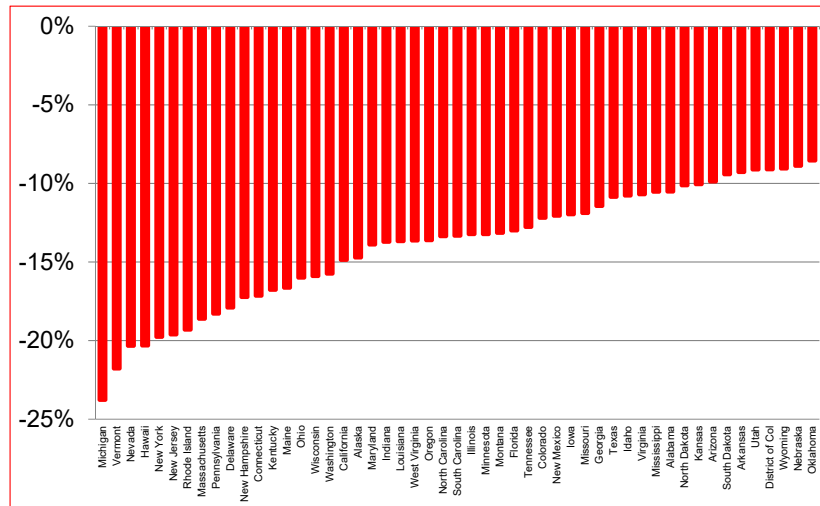
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Drop from Peak

(Source: Bureau of Labor Statistics)



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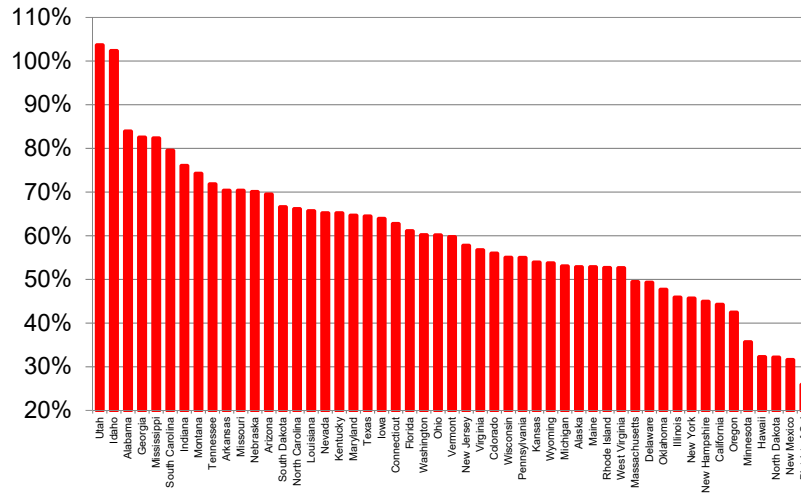
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Recover from Bottom

(Source: Bureau of Labor Statistics)

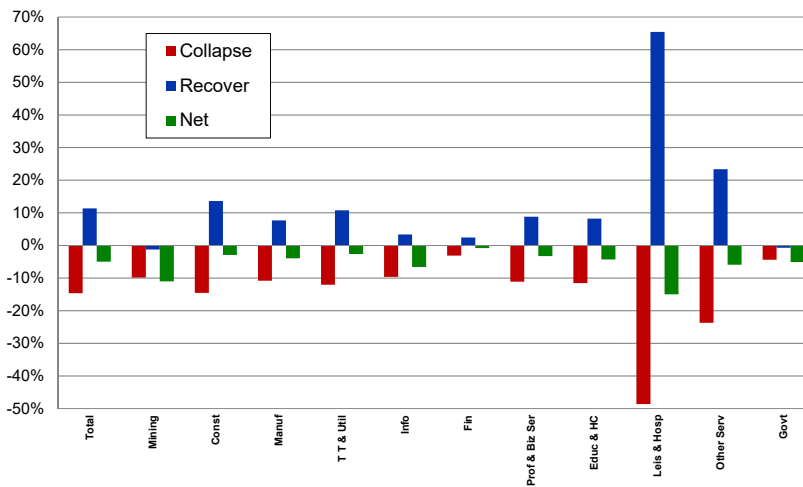


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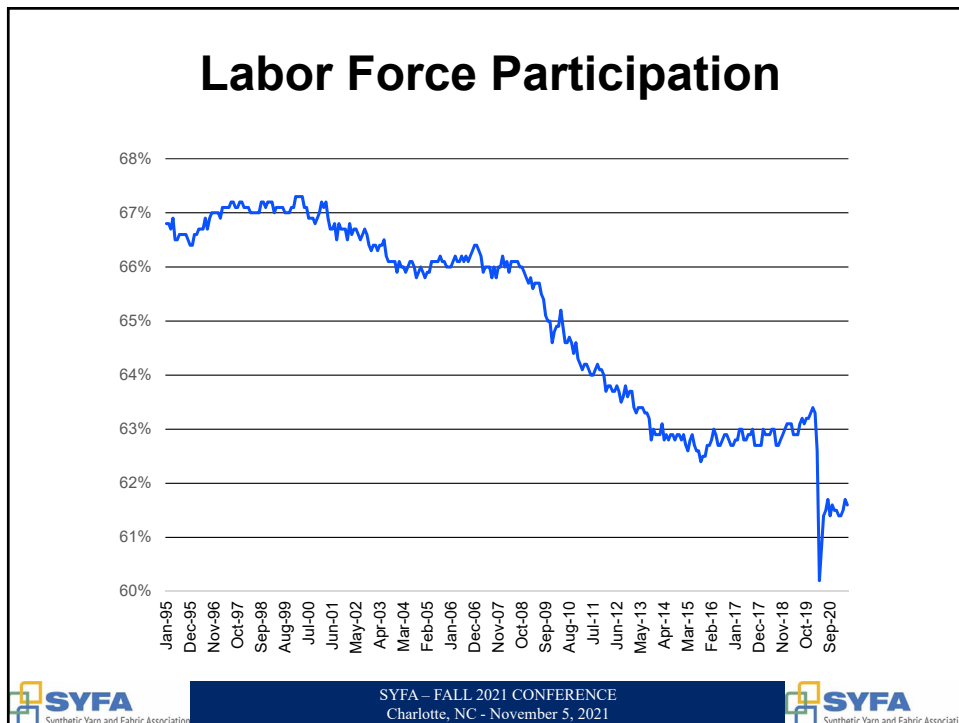
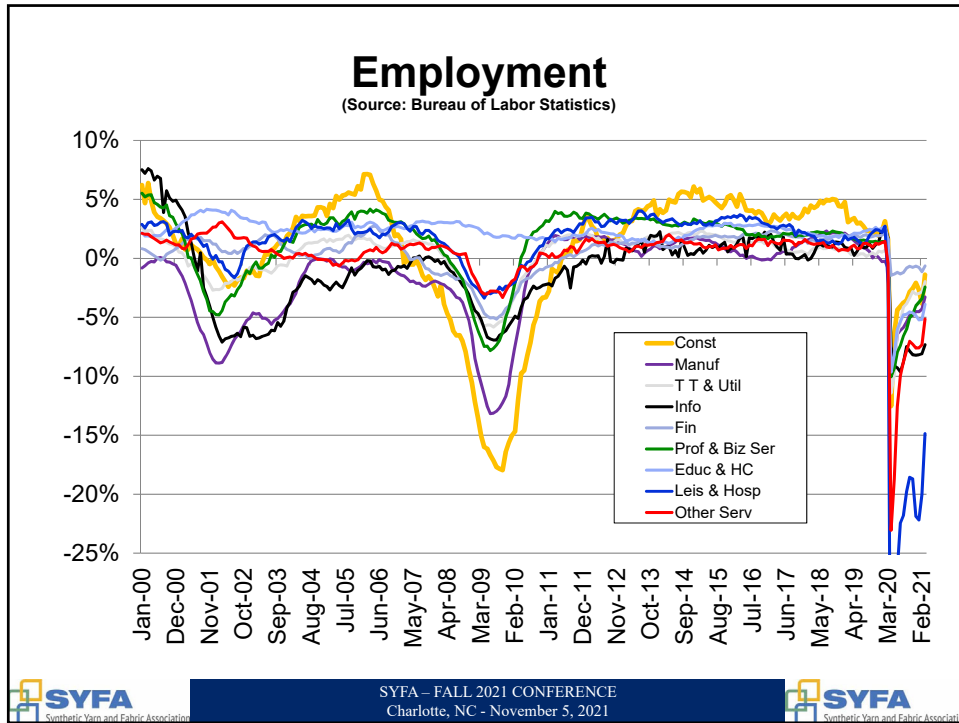
US Employment by Sector (post-Covid)

(Source: Bureau of Labor Statistics)

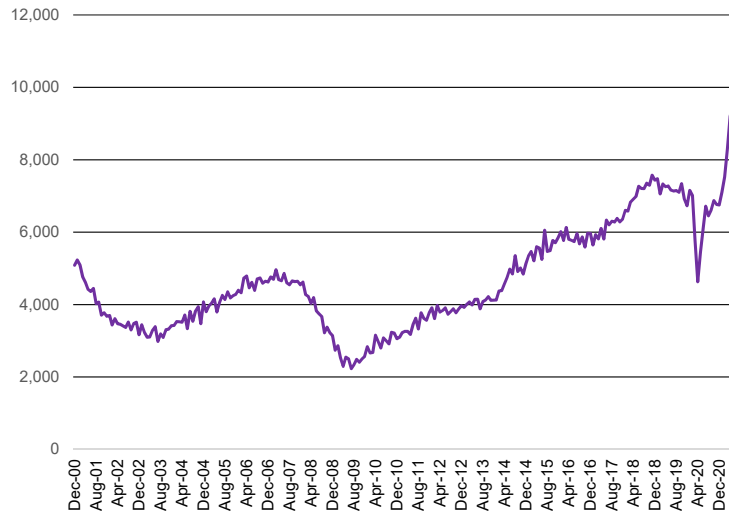


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JOLTS: Job Openings



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Prices: Still talk of Deflation/Inflation?

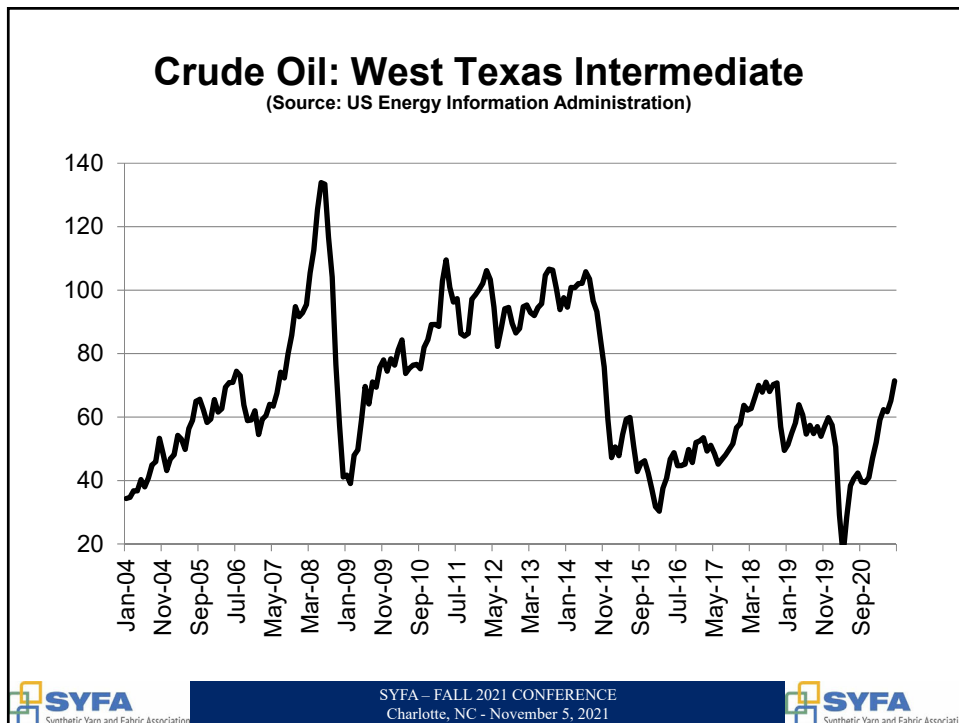
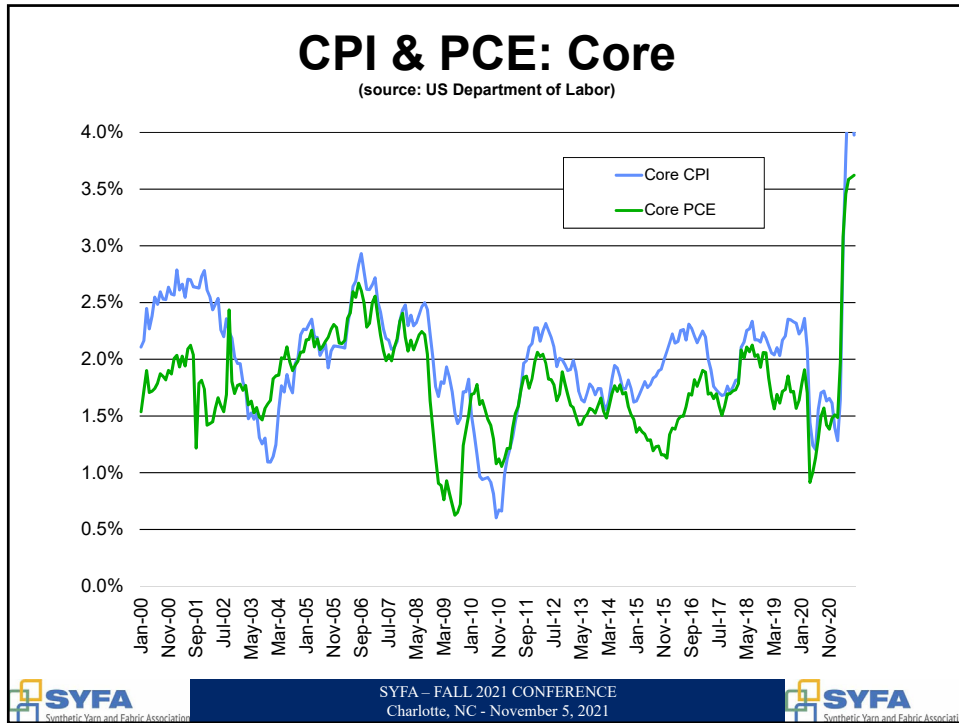
(source: Bureau of Labor Statistics)

- CPI was up 0.4% in September – after being up 0.3% and 0.5% in August and July.
- Core CPI up 0.2% in September – after being up by 0.1% and 0.3% in August and July.
- Overall CPI up 5.4% over last 12 months. Core up 4.0% over same period.
- Supply chain disruptions, hoarder behavior was at play in food prices in early 2020, easing in recent months.
- Energy component up by 24.8% over the last 12 months.

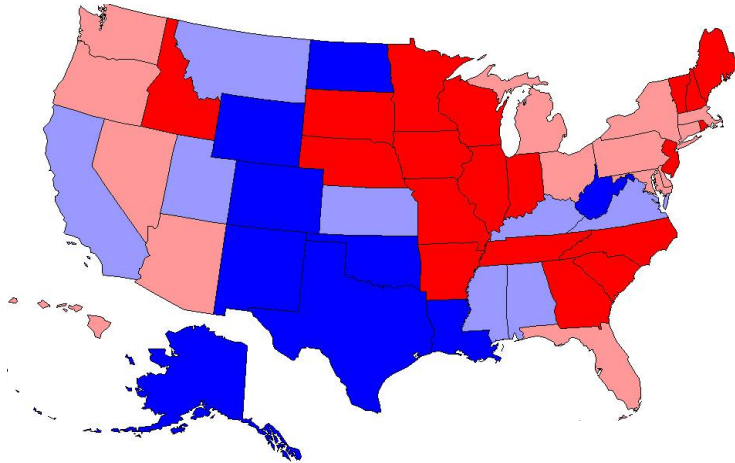


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Who Gets Hurt By Lower Energy Prices?

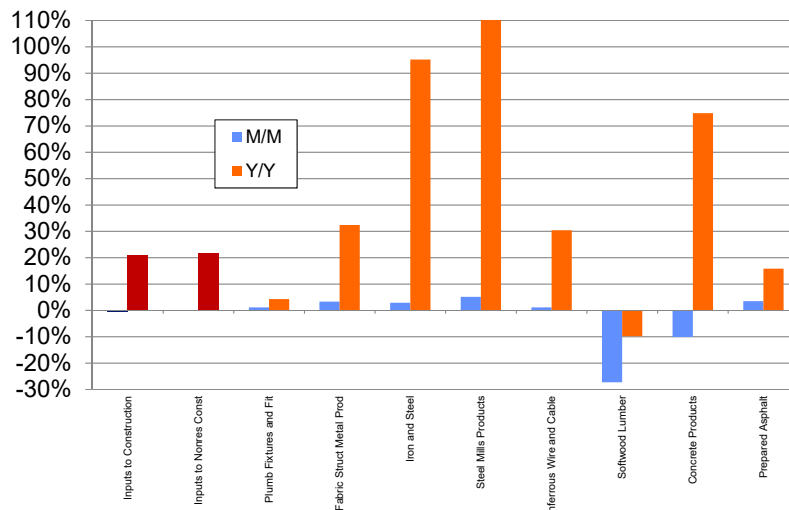


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Construction Cost w/o Energy

(Source: BLS PPI & ABC)

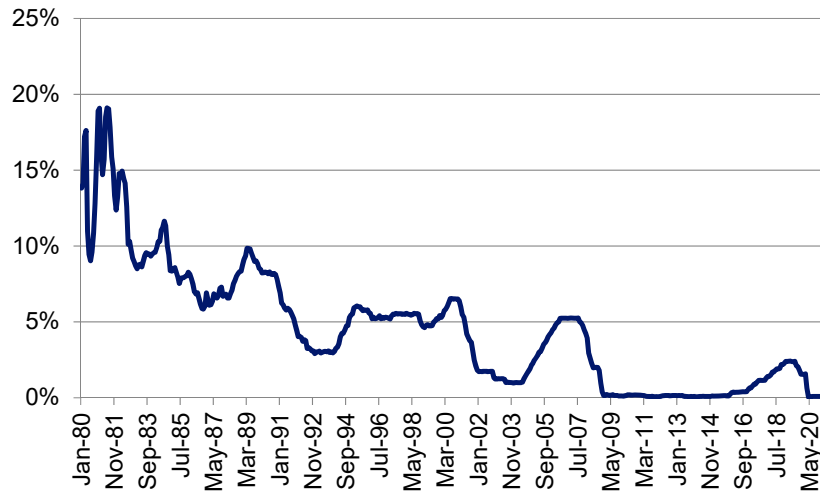


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Federal Funds Rate 9 Up, 3 Down, back to ZLB

(Source: Board of Governors of Federal Reserve System)

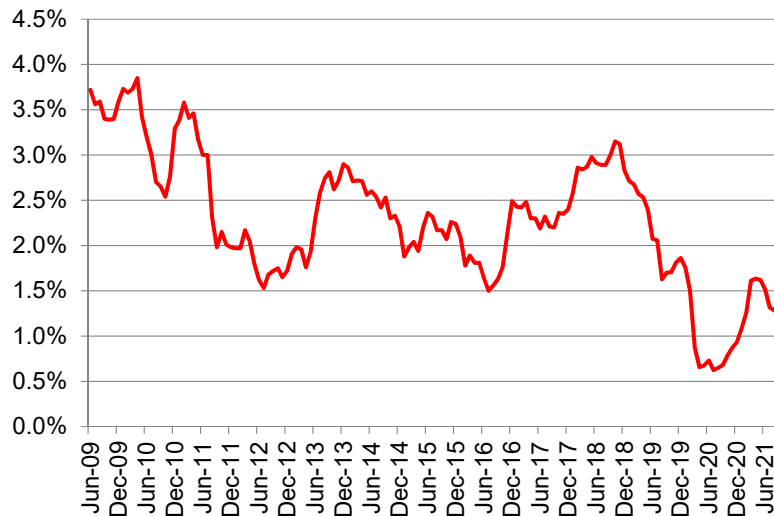


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10-Year Treasury Bonds

(Source: Board of Governors of Federal Reserve System)



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Federal Reserve Stimulus

- March 15
 - FFR to ZLB
 - Quantitative Easing
 - Incent Discount Window
 - Relax Capital Requirements (Buffers)
 - Extend U.S. Dollar Liquidity Swaps
- March 17
 - CPFF (Commercial Paper)
 - PDCF (Primary Dealers)
- March 18
 - MMLF (Money Market Mutual Funds)
- March 23
 - **QE expanded to CMBS**
 - PMCCF/CMMCCF (Corporate Credit)
 - TALF (Term Asset-Based Securities)
 - Backed by Treasury Funds
- April 9
 - PPP Loans
 - Main Street Business Debt (1 yr def)
 - **Municipal Liquidity (pop > 1MM)**

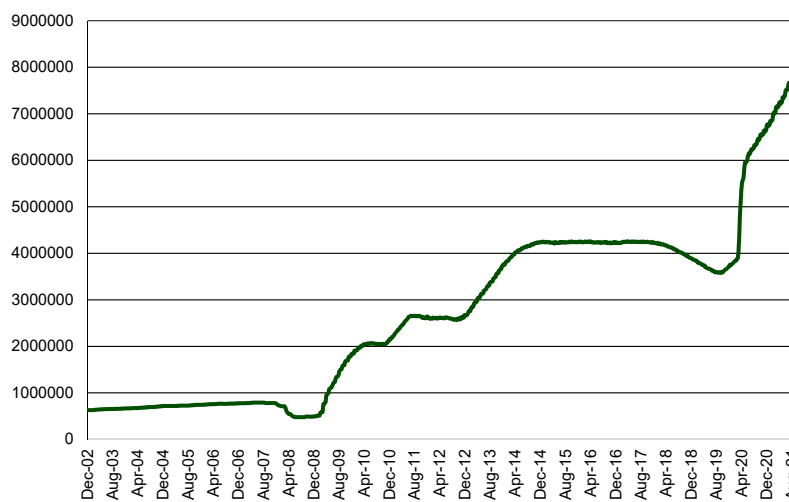


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Fed: Securities Held Outright

(source: Board of Governors, Federal Reserve System)

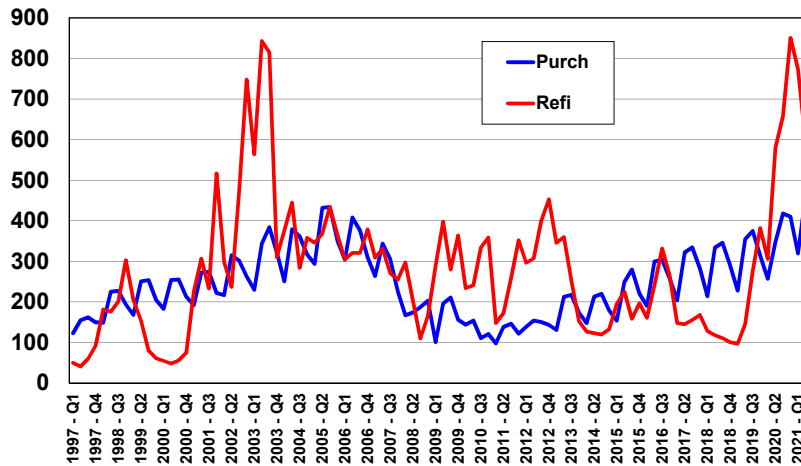


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MBA Mortgage Activity: Purchase & Refinance

(Source: Mortgage Bankers Association)

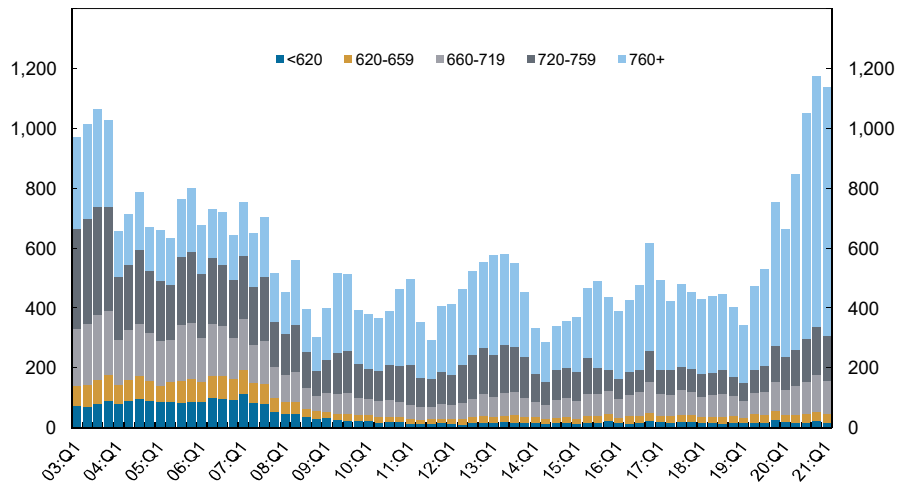


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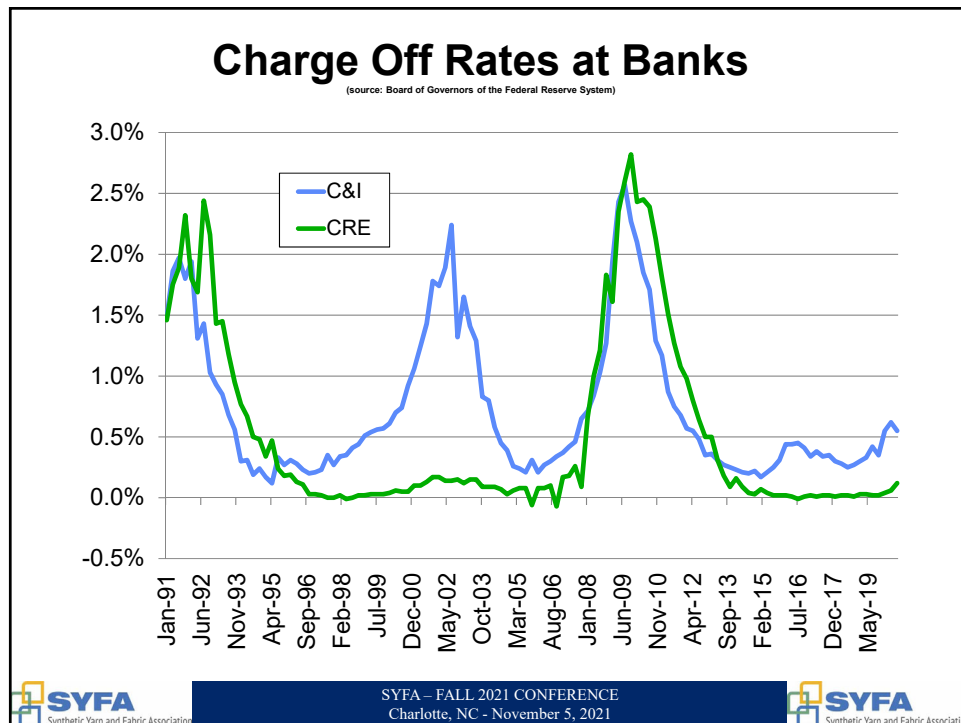
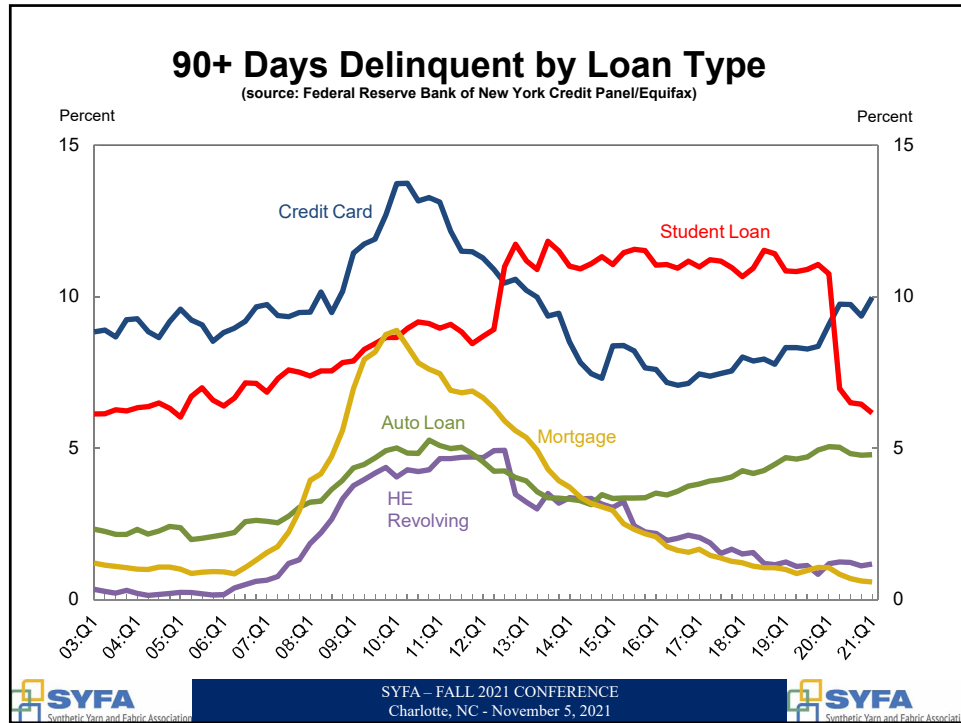
Mortgage Origination by Score

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



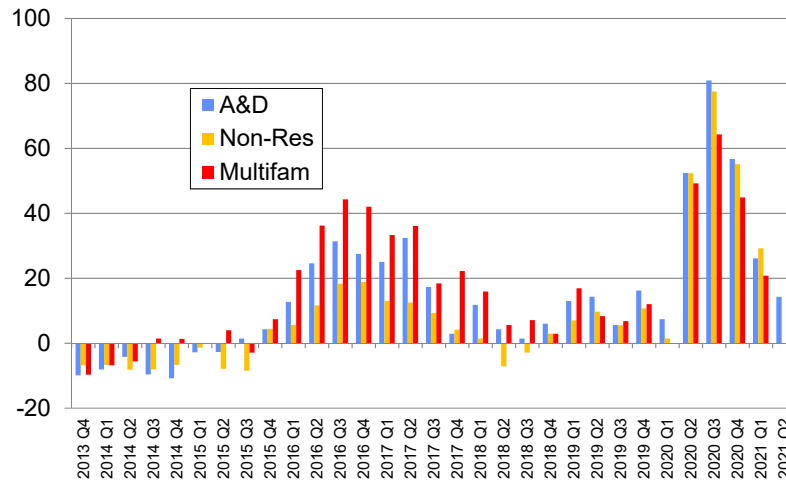
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CRE Loan Standards: Net Tightening

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

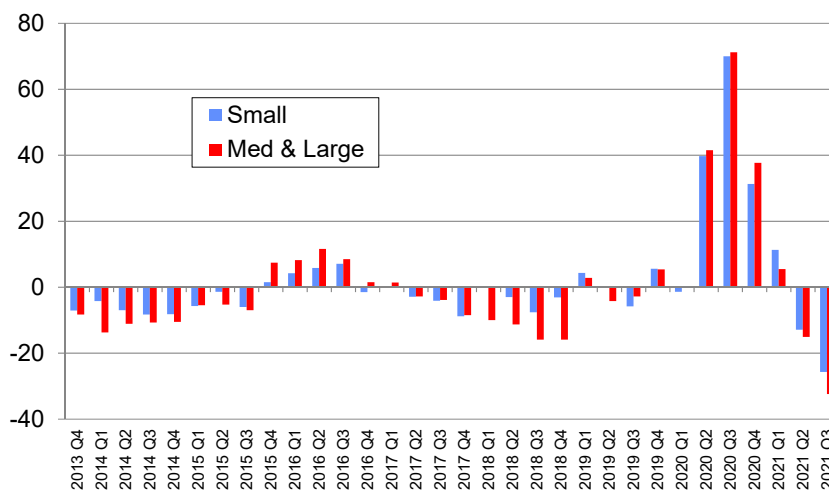


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C&I Loan Standards: Net Tightening

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

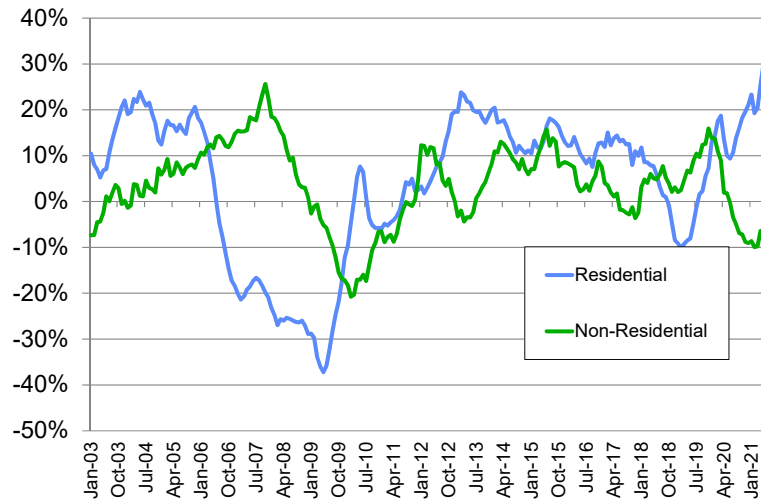


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Construction Spending

(Source: U.S. Bureau of Census)

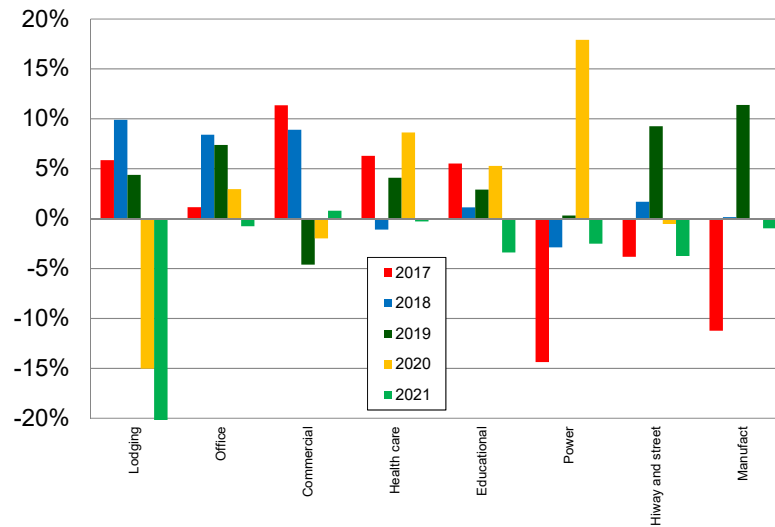


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Non-Residential Construction

(Source: U.S. Bureau of Census)

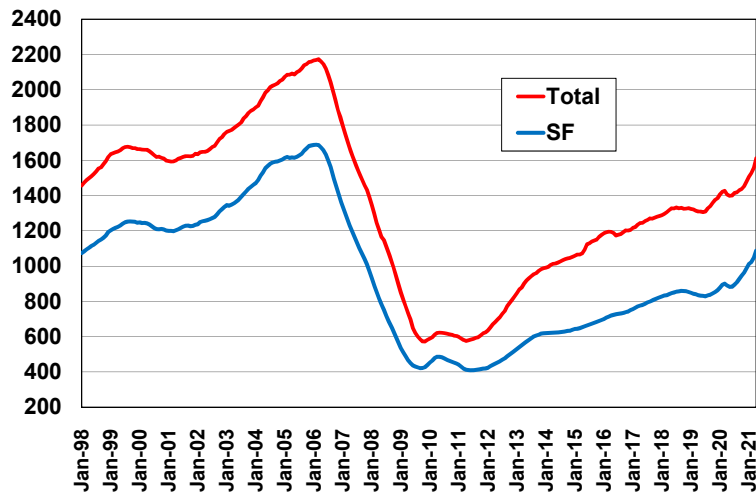


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US Housing Permits: SF and Total

(source: U.S. Bureau of Census)

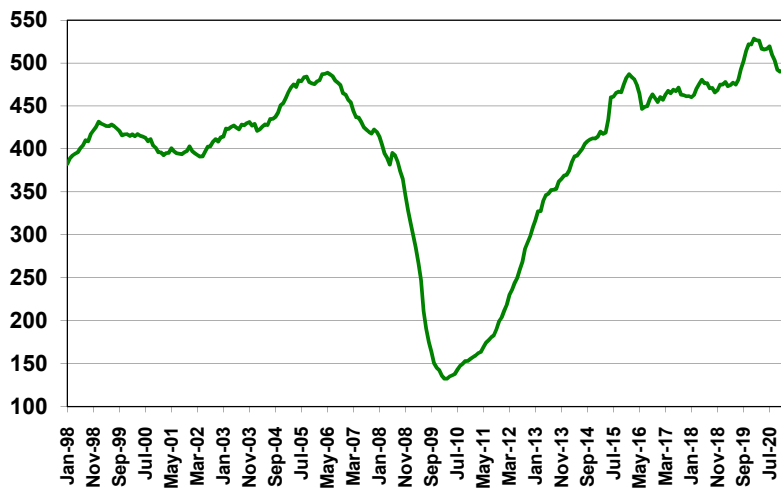


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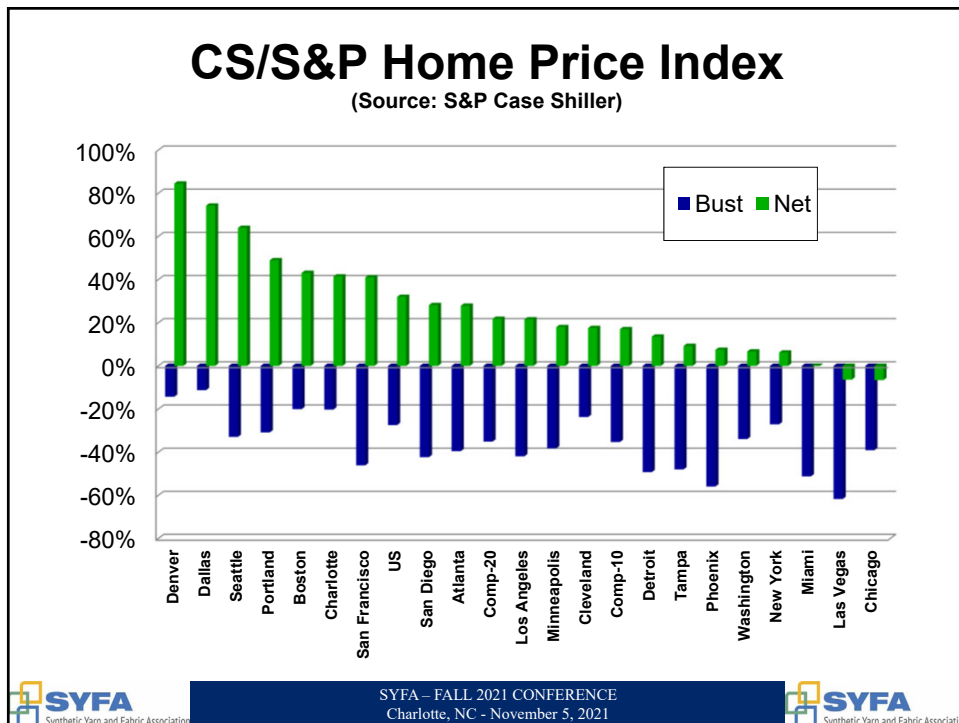
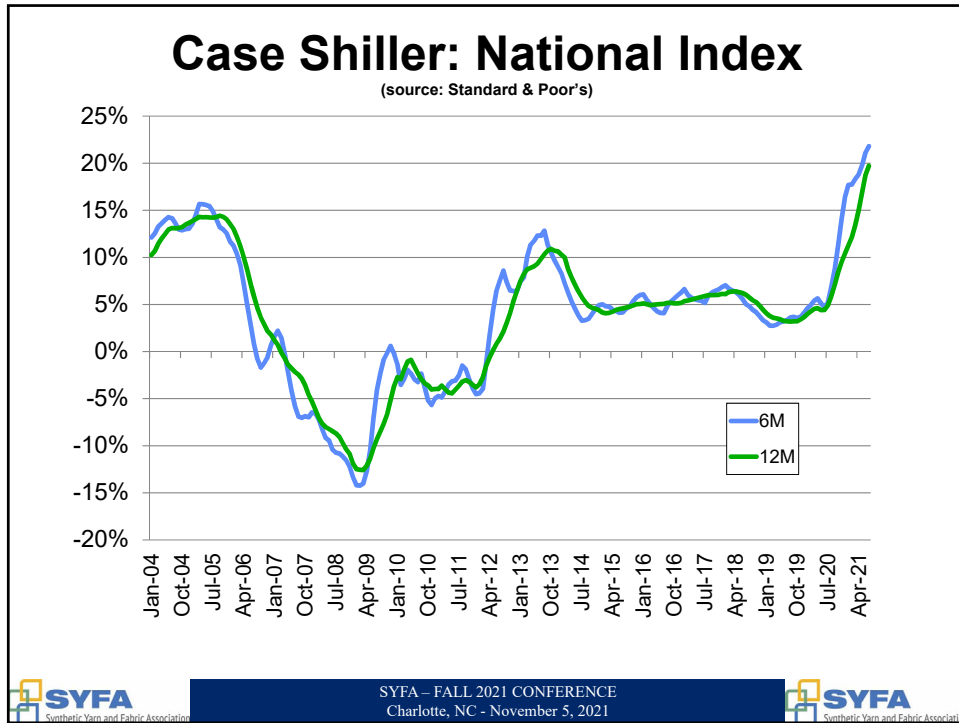
US Housing Permits: Multi-family

(Source: U.S. Bureau of Census)



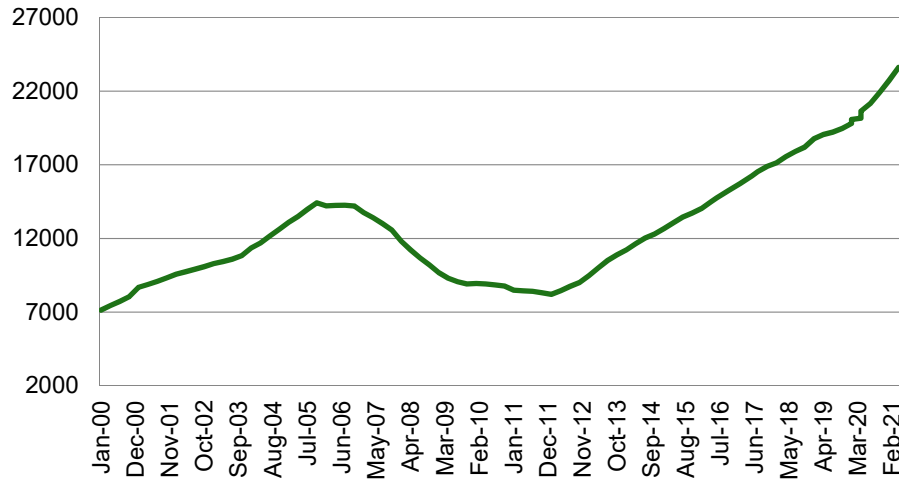
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Household RE Equity

(Source: Board of Governors of Federal Reserve System)



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Currents Issues in Fiscal Affairs

- **Federal:**
 - **Fiscal Outlook fundamentally shifted back by COVID**
 - **Next in Play:** Infrastructure, FAST extended, Tax Changes: Rates & **SALT**
 - **Always in Play:** SCOTUS
 - **Ongoing Play:** Revising Trade – China deals on hold
 - » Bilateral vs Multilateral, Lumber deals and tariffs
- **States:**
 - Income and Sales Tax revenue plunge; spending cut will follow
 - 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 Munis with over 1MM in population
- **The ZOOM Economy!!**

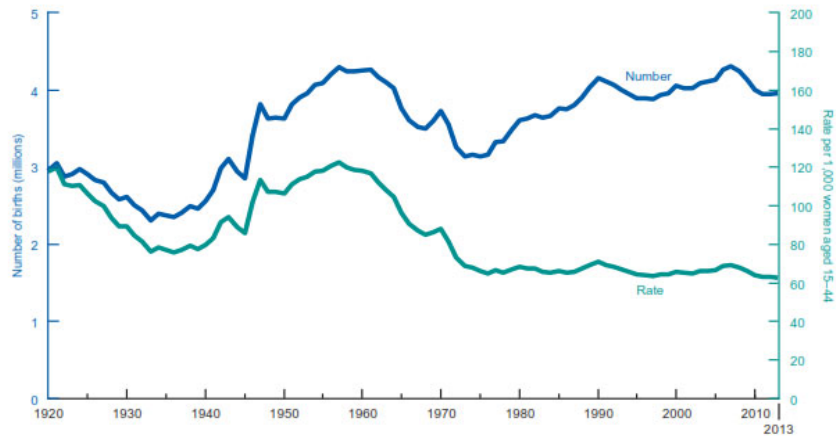


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The Demographics: Boom & Bust

(Source: CDC, US Bureau of Census)

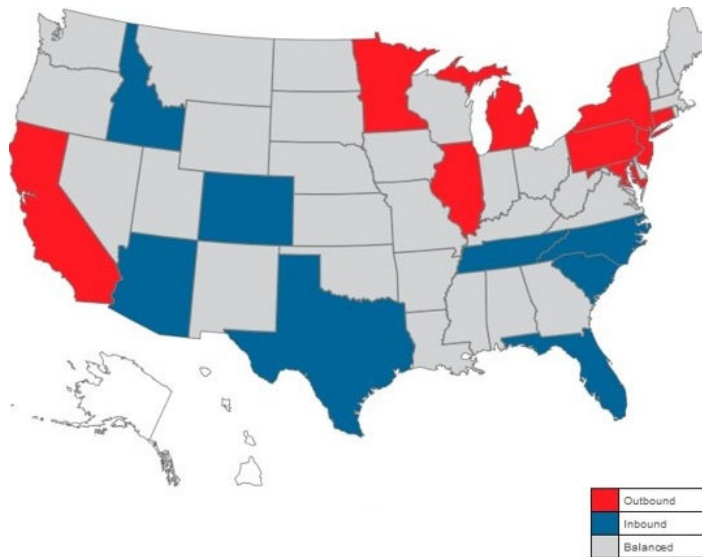


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2020 Migration

(source: NAMS Report)



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