

A background image showing two people, a woman and a man, looking at a laptop screen. The image is overlaid with a teal and blue geometric pattern of overlapping triangles.

# Welcome to Our Webinar Series Show Me the Money (Supply)

Dr. Anirban Basu | *Sage Policy Group, Inc.*

February 15, 2023



# During the Webinar if You Have Any Questions, Please Feel Free to:

- Enter questions via the “Chat” feature in the Zoom meeting

## Have Questions?

# Reminders

1. Slides and resources will be emailed after the webinar and are available on [silbs.com/events](https://silbs.com/events)
2. Complete our 2-minute post webinar [SURVEY](#)\*\* All completed surveys will be entered to win a \$100 Gas gift card!



# Webinars

## [Inflation-Proof Your Benefits](#)

February 16th, 2 PM – 3 PM EST

## [HIPPA and Security Overview](#)

February 21st, 3 PM – 4 PM EST

## [Mandatory for Employee Retention: Voluntary Benefits](#)

March 16th, 2 PM – 3 PM EST

## [Untangling the HR Tech Market – The Disruption Never Stops](#)

March 22nd, 2 PM – 3 PM EST

# Upcoming Events

# Alera Group's 2023 Employee Benefits & Property and Casualty Market Outlook Reports

## What you'll find in these reports:

- Valuable insights into what's happening in the markets
- Key factors driving these conditions
- Strategies your organization can act on

Please contact your Alera Account Representative for more information



# Welcome

Dr. Anirban Basu, *Sage Policy Group, Inc.*

# Show Me the Money (Supply)

By: Anirban Basu

MPP, MA, JD, PHD

Sage Policy Group, Inc.



On Behalf of

SIG, an Alera Group Company

February 15, 2023

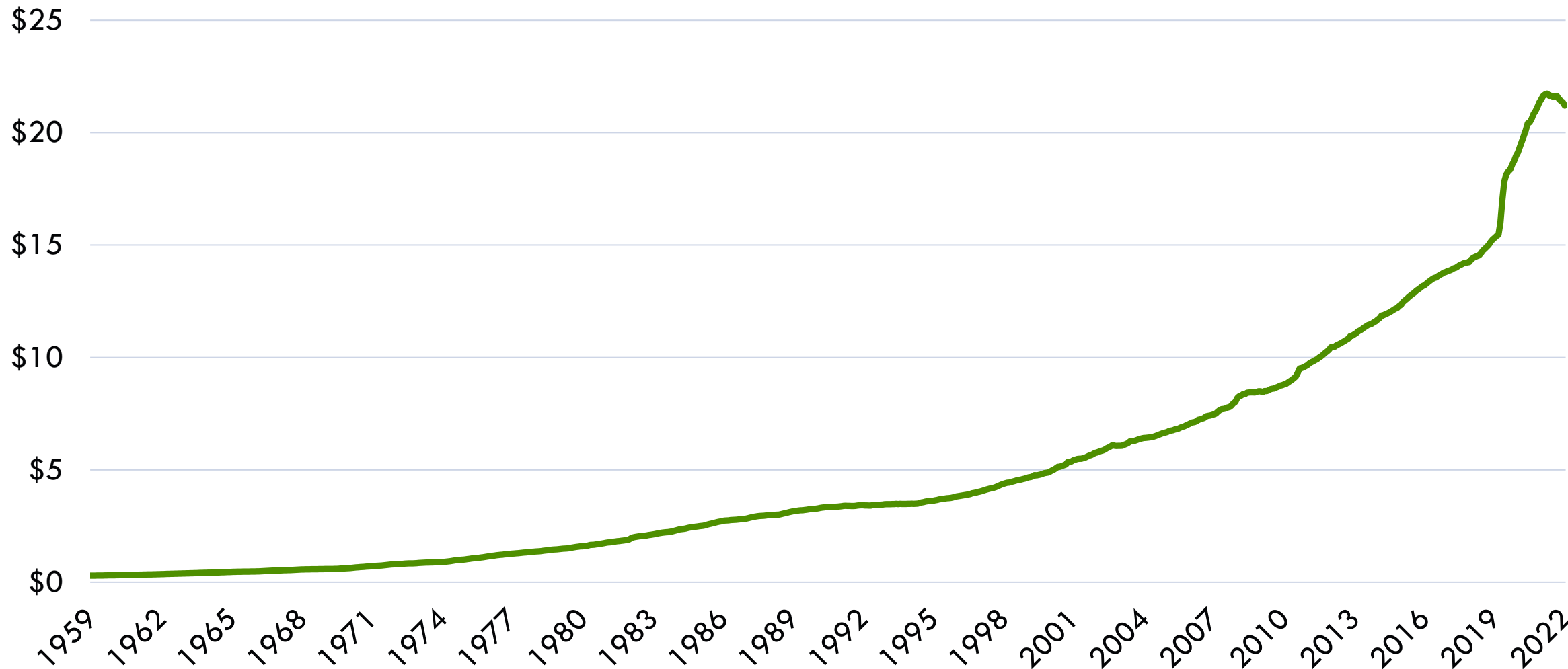




# The Color of Money

U.S. Money Supply, 1959 – December 2022

\$ Trillions



Source: Federal Reserve

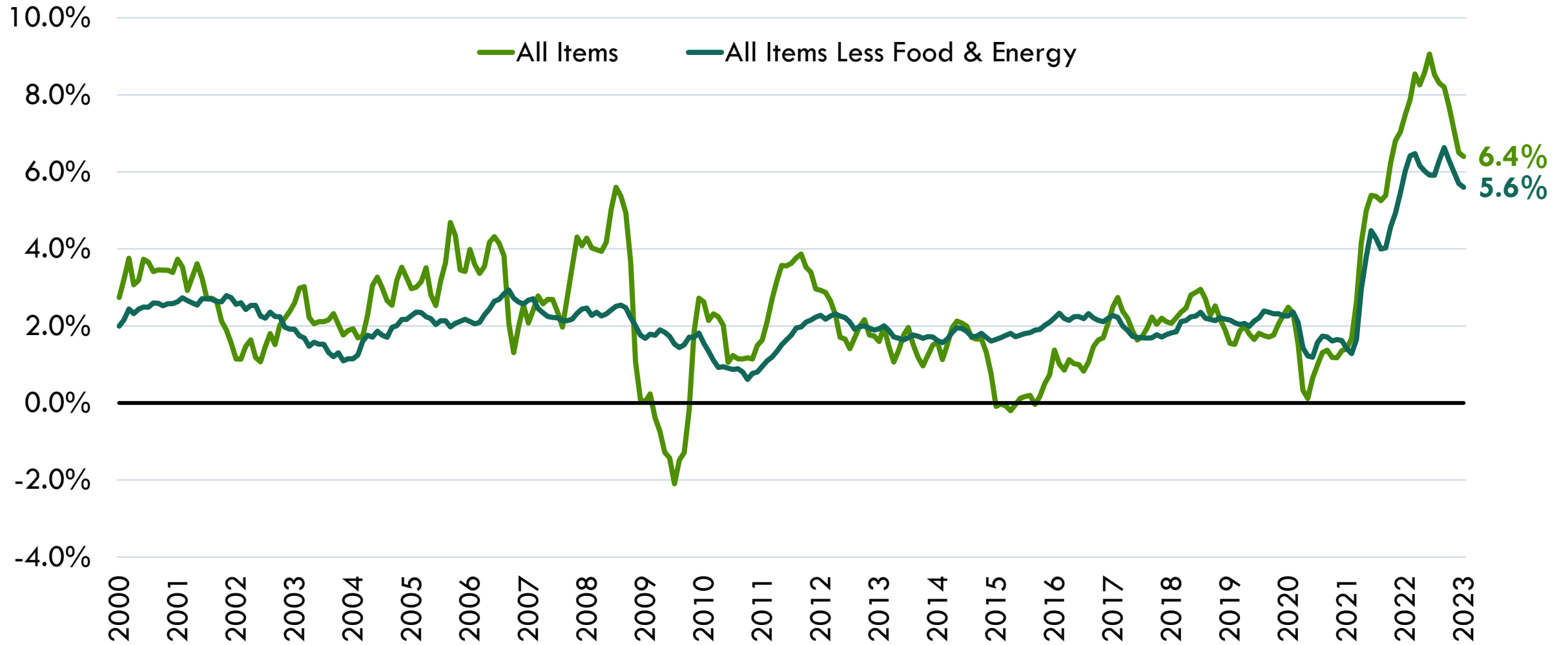


# Risky Business

(1983)

# U.S. Consumer Price Index (NSA)

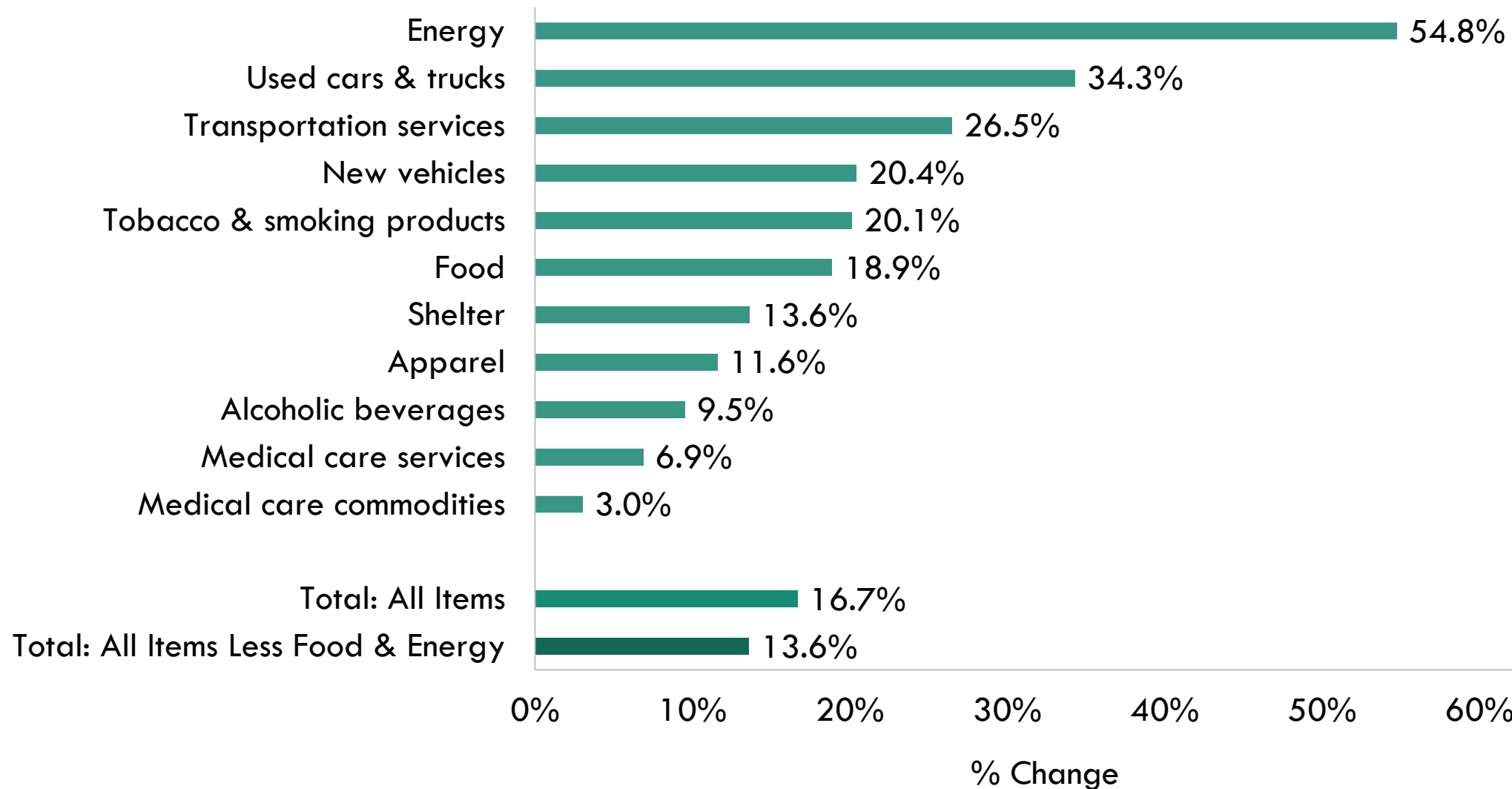
## 12-Month % Change, 2000 – January 2023



Source: U.S. Bureau of Labor Statistics

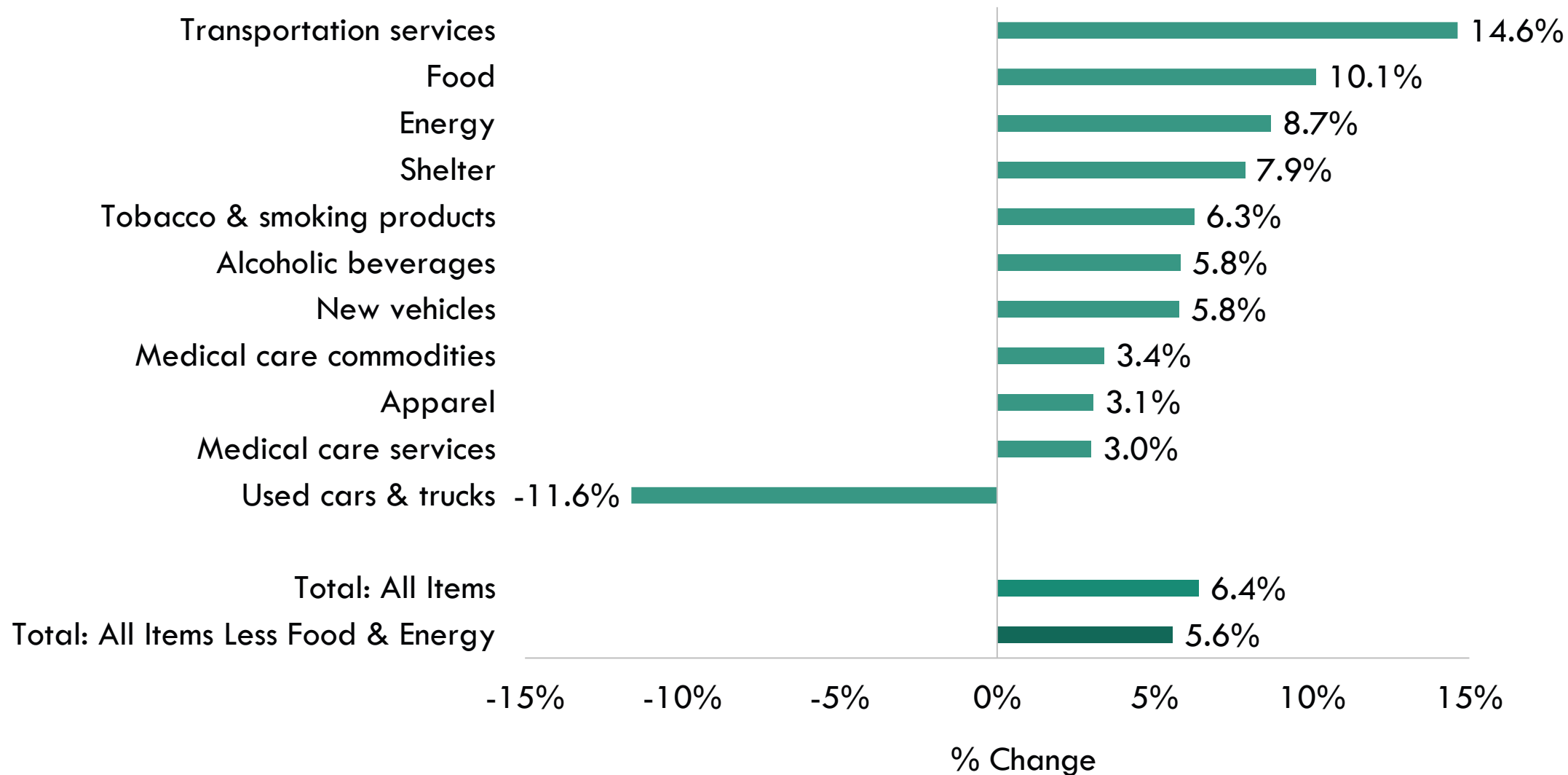
# U.S. Consumer Price Index, Select Categories (NSA)

May 2020 v. January 2023 % Change



# U.S. Consumer Price Index, Select Categories (NSA)

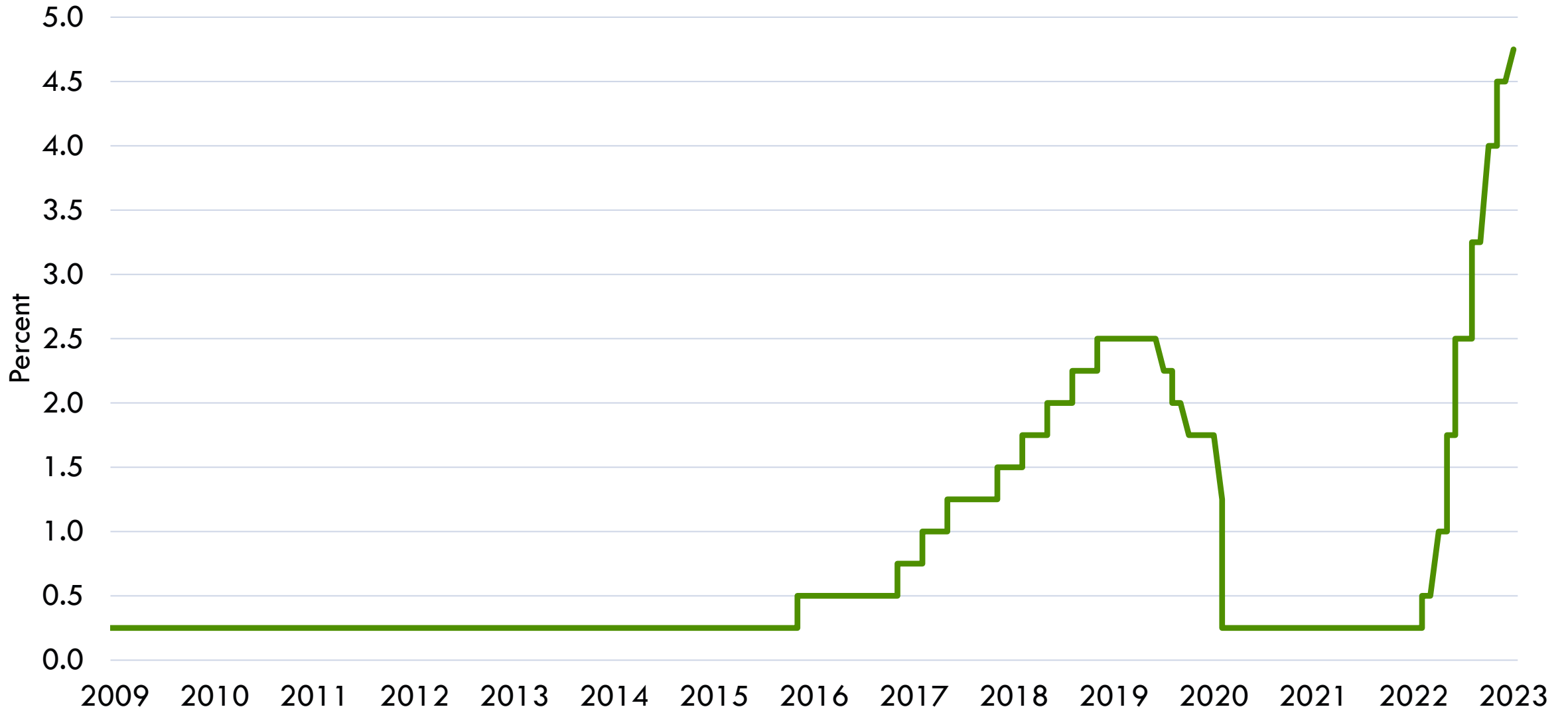
January 2022 v. January 2023 % Change



# How Inflation Hurts

- Less purchasing power
  - If prices go up more than wages, standard of living goes down.
- Less savings
  - If the price of essentials is higher, people can't save as much (or need to draw on savings).
  - And inflation makes existing savings worth less.
  - As savings are reduced this can lead to less investment, reduced productivity, lower growth.
- Raises borrowing costs
  - When inflation exceeds the Fed's target, they raise interest rates to reduce demand, which makes getting a loan more expensive (house, car, etc.).
- Disproportionately hurts the poor
  - Lower income people are hurt more because essentials make up a larger portion of their budget, leaving less room to make adjustment to reduce costs.
  - Seniors and other people living on fixed incomes are particularly vulnerable to price increases.

# Federal Funds Target Range, Upper Limit, 2009 – 2023



Source: Board of Governors of the Federal Reserve System



# Mission Impossible

(8 films, 1996-2024)



# Monetary Policy Lags

- “A large body of research tells us it can take 18 months to two years or more for tighter monetary policy to materially affect inflation.” - Raphael Bostic, President and Chief Executive Officer, Federal Reserve Bank of Atlanta
- Some reasons for the lag: how fixed people’s expectations are; the gradual response of investment (both business investment and consumer investment in durables/dwellings); long-term contracts (rent); gradual transmission from sectors of the economy immediately affected (ex. lending) to other sectors.
- In the meantime, higher rates reduce investment, slow hiring and wage growth, and eventually increase unemployment.

# War of the Words

“While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain.”

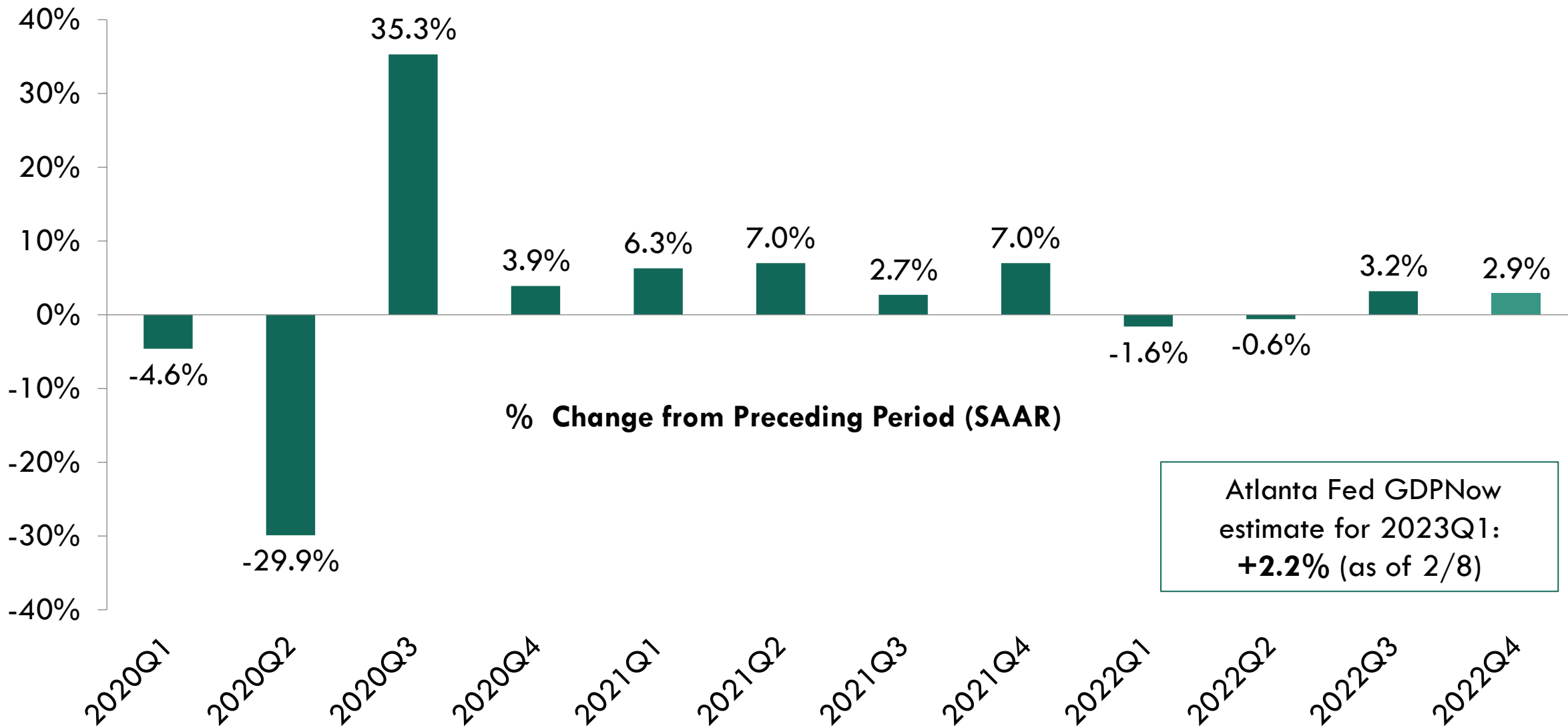
(FOMC Chair Powell, August 2022)

“Let me say this, it is very premature to be thinking about pausing. So people, when they hear lags, they think about a pause. It's very premature in my view to think about or be talking about pausing our rate hike.”

(FOMC Chair Powell, November 2022)

# Born on the 4<sup>th</sup> of July

## U.S. Gross Domestic Product Growth, 2020 – 2022Q4



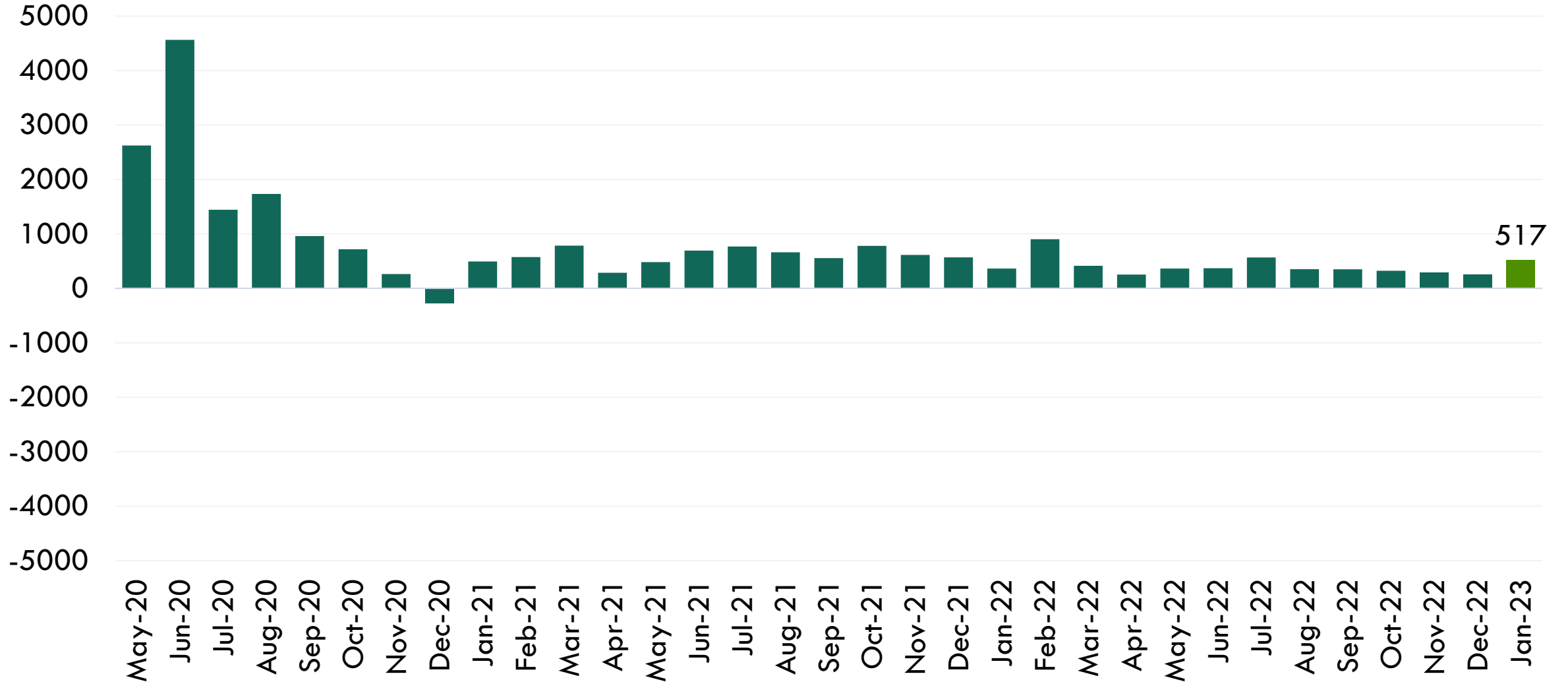
Atlanta Fed GDPNow  
estimate for 2023Q1:  
**+2.2%** (as of 2/8)

Source: U.S. Bureau of Economic Analysis \*2022Q4: 1<sup>st</sup> (advance) estimate

# Net Change in U.S. Jobs

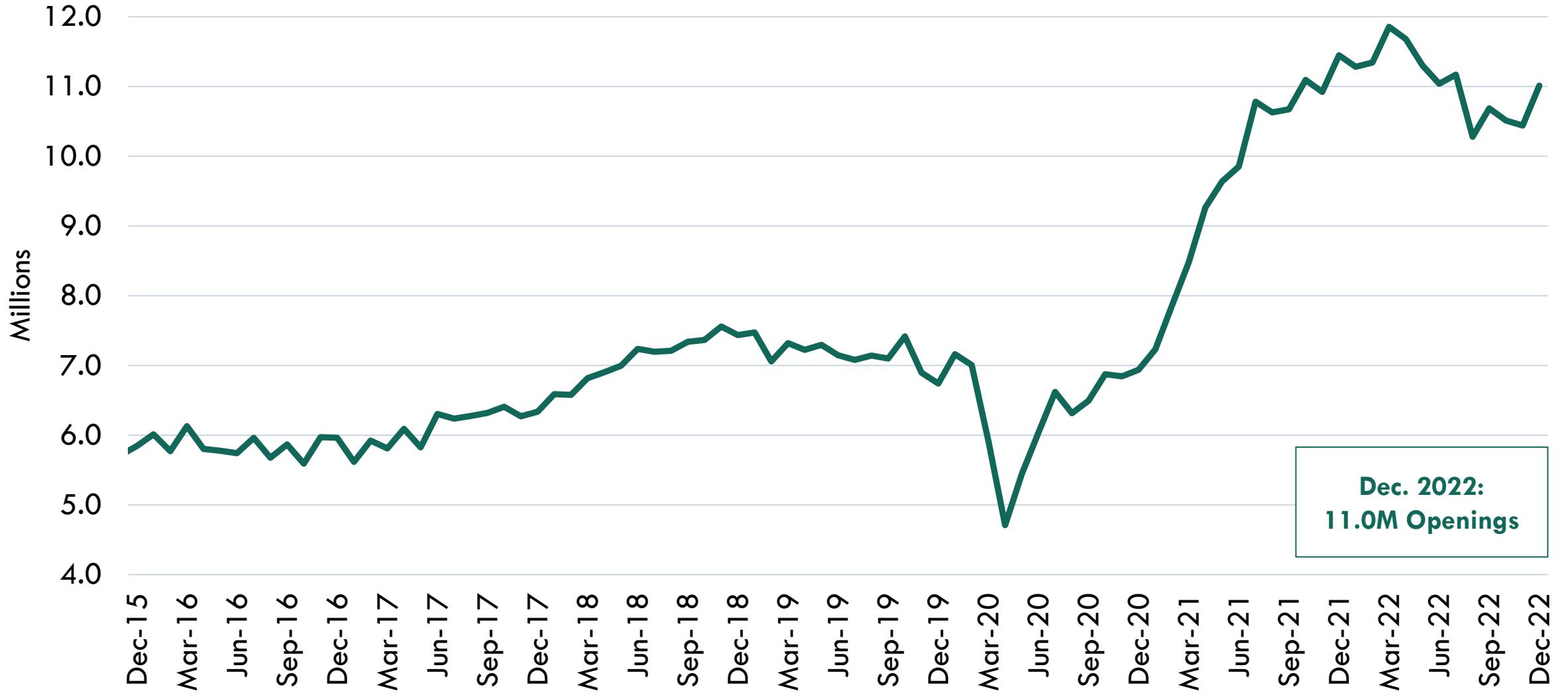
May 2020 – January 2023

Monthly Job Growth (000's)



Source: U.S. Bureau of Labor Statistics

# U.S. Job Openings, 2015 – December 2022



**Dec. 2022:  
11.0M Openings**

Source: U.S. Bureau of Labor Statistics

# Change in LF Participation Rate by Age, Gender 1980 v. 2023



## Change in LF Participation Rate, 1980 v. 2023 (percentage points)

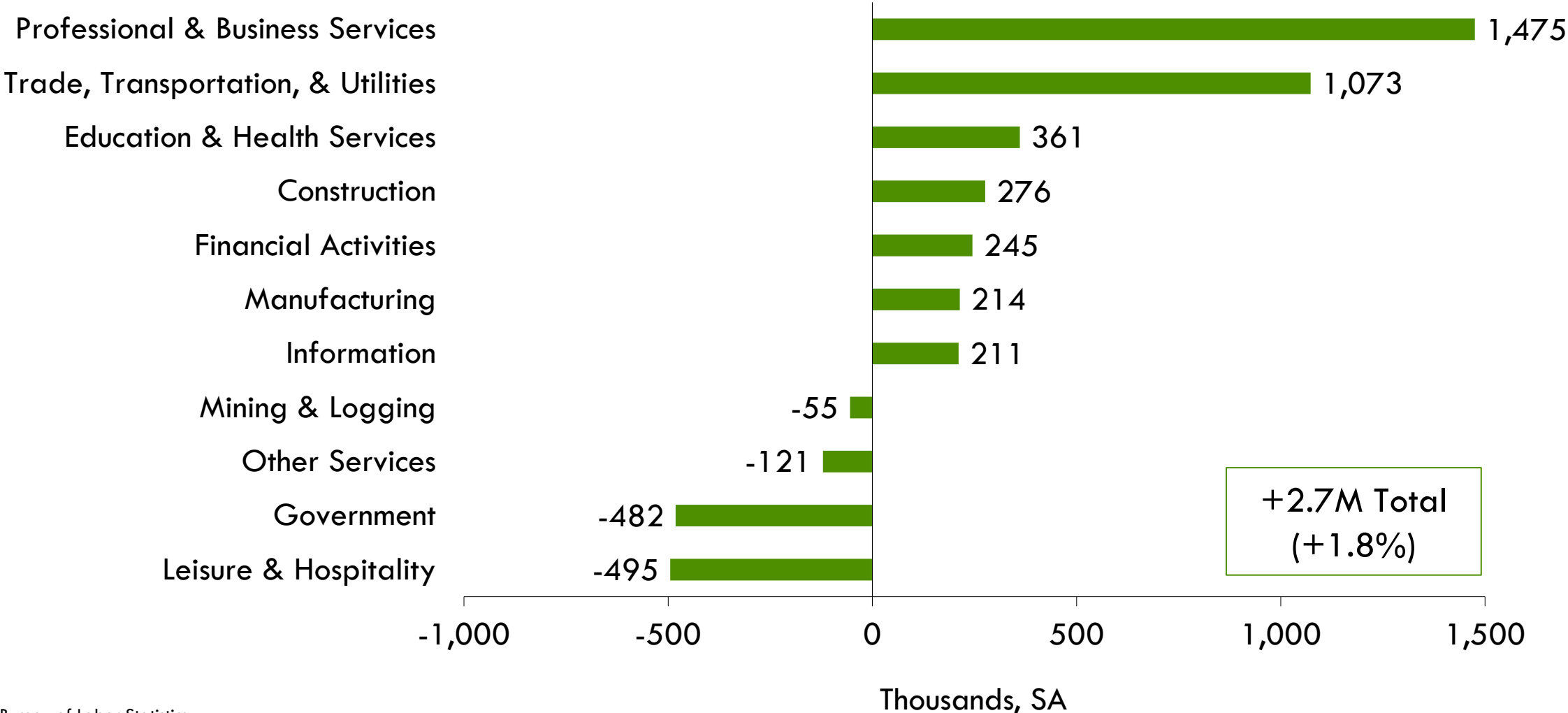
Age Group	Total	Men	Women
<b>16+ years</b>	<b>-1.4</b>	<b>-9.6</b>	<b>+5.5</b>
16-19 years	-19.5	-23.2	-15.8
20-24 years	-5.7	-14.1	+2.2
25-34 years	+3.3	-6.6	+12.5
35-44 years	+3.2	-5.8	+11.2
45-54 years	+6.4	-4.3	+16.1
55-64 years	+9.7	-0.5	+18.1

If the labor force participation rate were what it was in 1980, there would be 12.3 million more men and 7.5 million fewer women in the labor force (ages 16+).

# U.S. Jobs Recovered Since February 2020



Nonfarm Employment by Industry Sector, February 2020 v. January 2023



Source: U.S. Bureau of Labor Statistics

# Employment Growth, 25 Largest Metros

## February 2020 v. December 2022 Percent Change

Rank	MSA	%	Rank	MSA	%
1	Dallas-Fort Worth-Arlington, TX	10.3%	13	Seattle-Tacoma-Bellevue, WA	2.2%
2	Riverside-San Bernardino-Ontario, CA	7.5%	15	Chicago-Naperville-Elgin, IL-IN-WI	1.9%
3	Tampa-St. Petersburg-Clearwater, FL	7.1%	<b>15</b>	<b>Philadelphia-Camden-Wilm., PA-NJ-DE-MD</b>	<b>1.9%</b>
4	Charlotte-Concord-Gastonia, NC-SC	6.9%	17	Boston-Cambridge-Nashua, MA-NH	1.5%
5	Atlanta-Sandy Springs-Roswell, GA	6.1%	<b>18</b>	<b>Baltimore-Columbia-Towson, MD</b>	<b>1.0%</b>
6	Phoenix-Mesa-Scottsdale, AZ	5.7%	19	New York-Newark-Jersey City, NY-NJ-PA	0.5%
7	Houston-The Woodlands-Sugar Land, TX	5.1%	20	Los Angeles-Long Beach-Anaheim, CA	0.4%
7	San Antonio-New Braunfels, TX	5.1%	21	Detroit-Warren-Dearborn, MI	0.2%
9	Denver-Aurora-Lakewood, CO	4.8%	21	Minneapolis-St. Paul-Bloomington, MN-WI	0.2%
10	Miami-Fort Lauderdale-West Palm Beach, FL	3.8%	23	St. Louis, MO-IL	0.1%
11	Orlando-Kissimmee-Sanford, FL	3.4%	24	San Francisco-Oakland-Hayward, CA	0.0%
12	Portland-Vancouver-Hillsboro, OR-WA	3.0%	<b>25</b>	<b>Washington-Arlington-Alexandria, DC-VA-MD-WV</b>	<b>-0.1%</b>
13	San Diego-Carlsbad, CA	2.2%			

Source: Bureau of Labor Statistics



Current Employment Statistics (CES) Survey. Note: data are not seasonally adjusted.

**U.S. % Change 2/2020 v. 12/2022: +1.4%**



# Unemployment Rates, 25 Largest Metros

December 2022

Rank	MSA	%	Rank	MSA	%
1	Miami-Fort Lauderdale-West Palm Beach, FL	1.9	<b>12</b>	<b>Baltimore-Columbia-Towson, MD</b>	<b>3.1</b>
2	Tampa-St. Petersburg-Clearwater, FL	2.2	12	Charlotte-Concord-Gastonia, NC-SC	3.1
3	Orlando-Kissimmee-Sanford, FL	2.3	14	Dallas-Fort Worth-Arlington, TX	3.2
4	San Francisco-Oakland-Hayward, CA	2.4	15	Detroit-Warren-Dearborn, MI	3.3
5	St. Louis, MO-IL	2.5	15	San Antonio-New Braunfels, TX	3.3
6	Atlanta-Sandy Springs-Roswell, GA	2.6	<b>17</b>	<b>Philadelphia-Camden-Wilm., PA-NJ-DE-MD</b>	<b>3.4</b>
6	Minneapolis-St. Paul-Bloomington, MN-WI	2.6	17	Seattle-Tacoma-Bellevue, WA	3.4
7	Phoenix-Mesa-Scottsdale, AZ	2.7	19	Riverside-San Bernardino-Ontario, CA	3.6
8	Denver-Aurora-Lakewood, CO	2.8	20	New York-Newark-Jersey City, NY-NJ-PA	3.8
<b>8</b>	<b>Washington-Arlington-Alexandria, DC-VA-MD-WV</b>	<b>2.8</b>	21	Houston-The Woodlands-Sugar Land, TX	3.9
10	Boston-Cambridge-Nashua, MA-NH	2.9	21	Los Angeles-Long Beach-Anaheim, CA	3.9
10	San Diego-Carlsbad, CA	2.9	23	Portland-Vancouver-Hillsboro, OR-WA	4.1
			24	Chicago-Naperville-Elgin, IL-IN-WI	4.2

Source: Bureau of Labor Statistics

Local Area Unemployment Statistics (LAUS) program. Note: data are not seasonally adjusted

**U.S. Unemployment Rate—Dec.: 3.5% | Jan.: 3.4%**

# You Had Me at Recession

(Jerry Maguire, 1996)



# Defining Recession: Eyes Wide Shut

- The National Bureau of Economic Research (NBER)'s Business Cycle Dating Committee is the official recession scorekeeper – it maintains a chronology of U.S. business cycles.
- NBER's traditional definition of recession is “a significant decline in economic activity that is spread across the economy and that lasts more than a few months.”
- There is no fixed rule about which indicators contribute information to the process or how they are weighted in the determination of recession.
- Because the government statistics NBER relies on are published at various lags, the NBER Committee cannot officially designate a recession until after it starts (and often not until it's over).

# S&P 500 Index, 2013 – February 2023

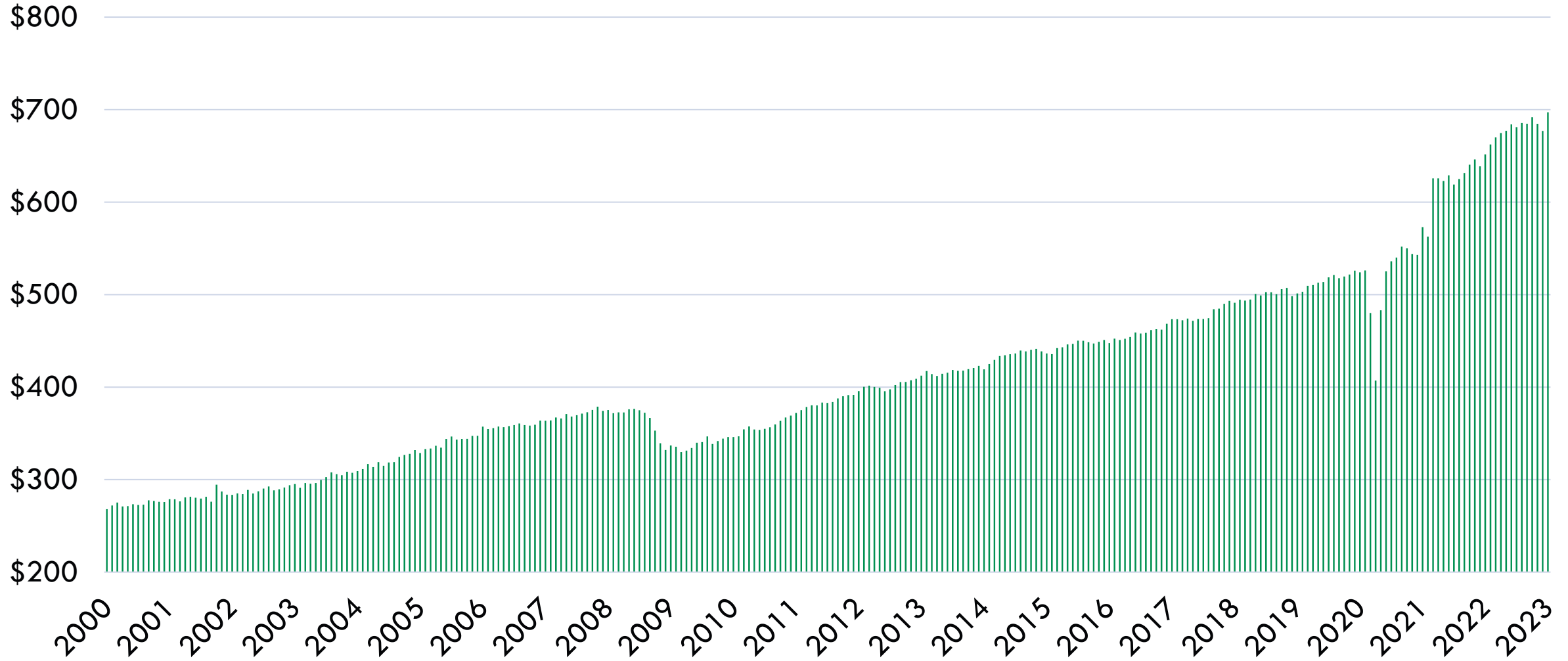
S&P 500 Index, Market Close



Source: S&P Dow Jones Indices LLC, S&P 500 [SP500], retrieved from FRED, Federal Reserve Bank of St. Louis

# U.S. Retail Sales, 2000 – January 2023

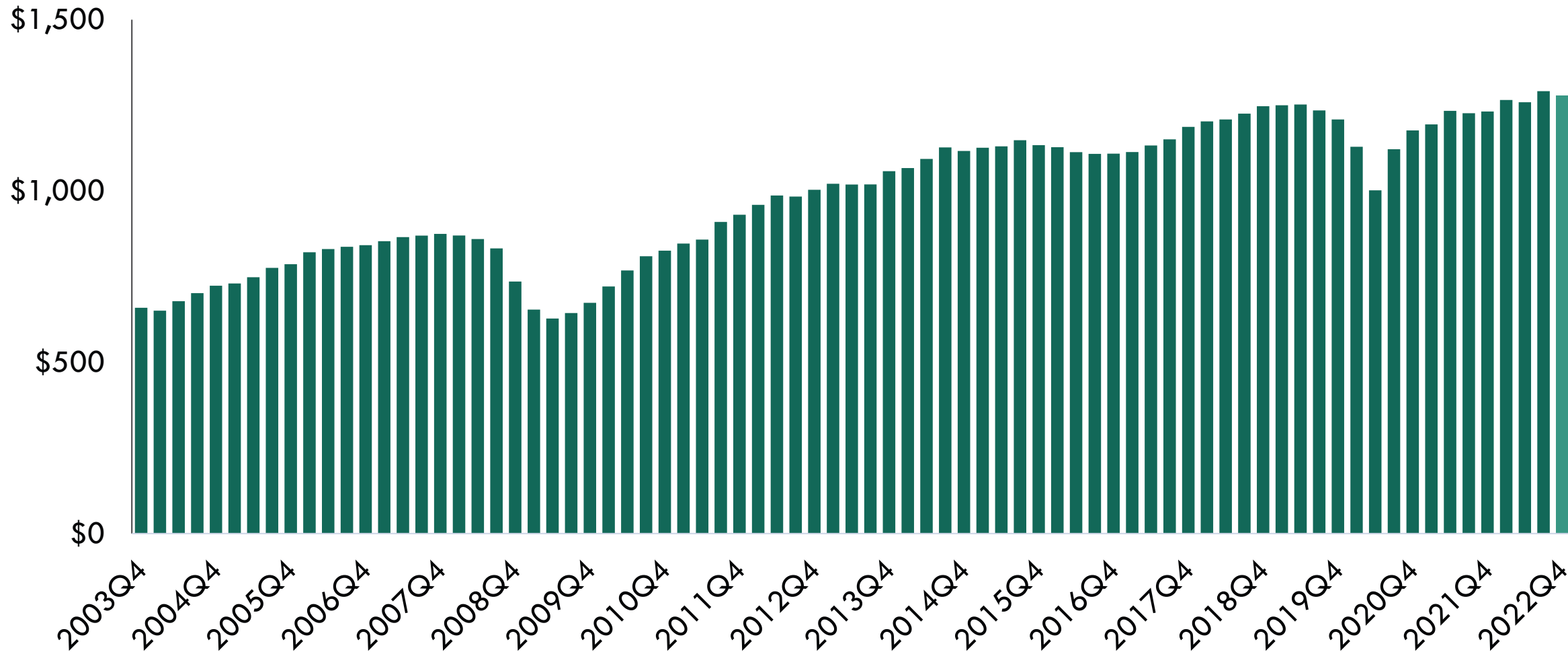
Retail Sales (\$Billions)



Source: U.S. Census Bureau

# U.S. GDP: Nonresidential Fixed Investment in Equipment, 2003 – 2022Q4

\$ Billions of chained 2012 dollars, seasonally adjusted annual rate



Source: U.S. Bureau of Economic Analysis \*2022Q4: 1<sup>st</sup> (advance) estimate

## The Firm

- Facing economic headwinds, many large companies have missed earnings estimates recently.
- According to a November 2022 PwC survey of U.S. executives, 26% of firms are planning to reduce the number of full-time employees over the next 12-18 months.
  - In August 2022, 50% of firms said they already had or had a plan in place to reduce overall headcount.
- Four out of five executives surveyed by PwC in November 2022 said a recession is coming within the next six months.

# Noteworthy Layoffs Since May 2022

Company	Workforce Before Layoffs	Estimated Layoffs	Percent Laid Off
Twitter	7,500	3,700	50%
Kraken	3,600	1,100	30%
Snap	6,446	1,300	20%
Yahoo	8,000	1,600	20%
Hasbro	6,700	1,000	15%
Zoom	8,700	1,300	15%
Stripe	8,100	1,100	14%
Lyft	5,064	700	13%
Meta	87,314	11,000	13%
Vimeo	1,270	140	11%
Salesforce	79,000	8,000	10%
Shopify	10,000	1,000	10%
Goldman Sachs	49,000	3,200	7%
PayPal	29,000	2,000	7%
Alphabet	187,000	12,000	6%
Spotify	9,800	600	6%

\*Size of workforce prior to layoffs is as of end of Q2 2022 for Snap; Q3 2022 for Meta and Lyft; Q4 2021 for Twitter.

Source: Washington Post; company announcements & government filings





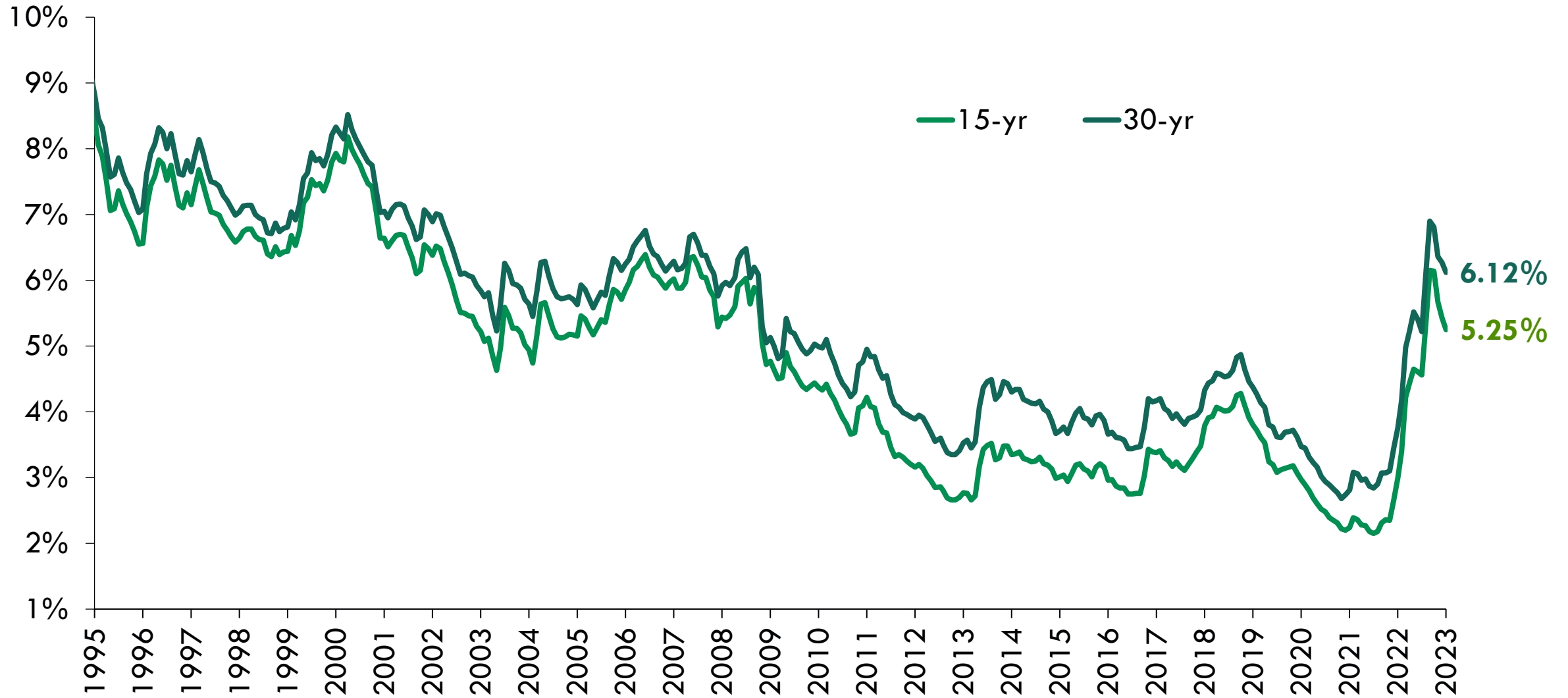
# A Few Good Properties

(A Few Good Men, 1992)



# U.S. 15-Year & 30-Year Fixed Mortgage Rates

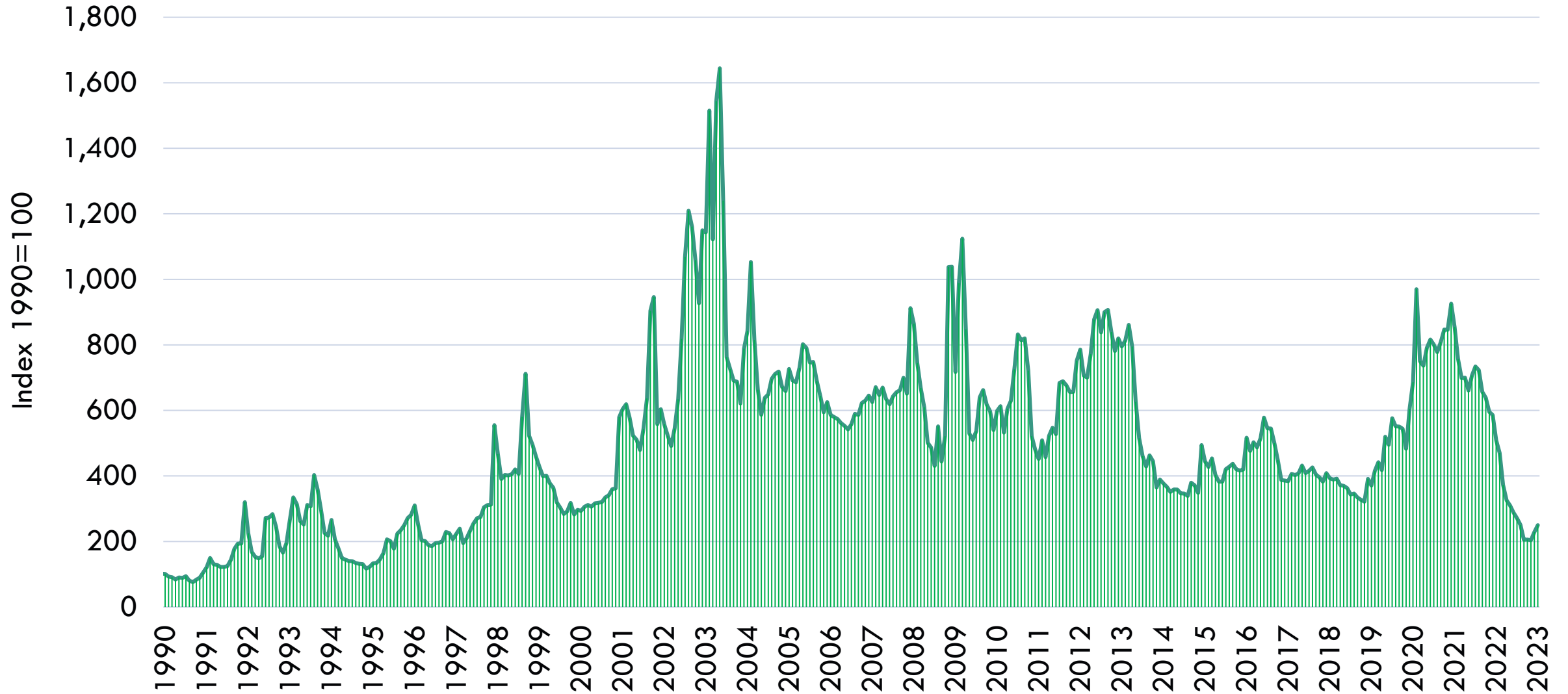
1995 – February 2023\*



Source: Freddie Mac \*Week ending 2/9/2023

# U.S. Mortgage Loan Applications Composite Index

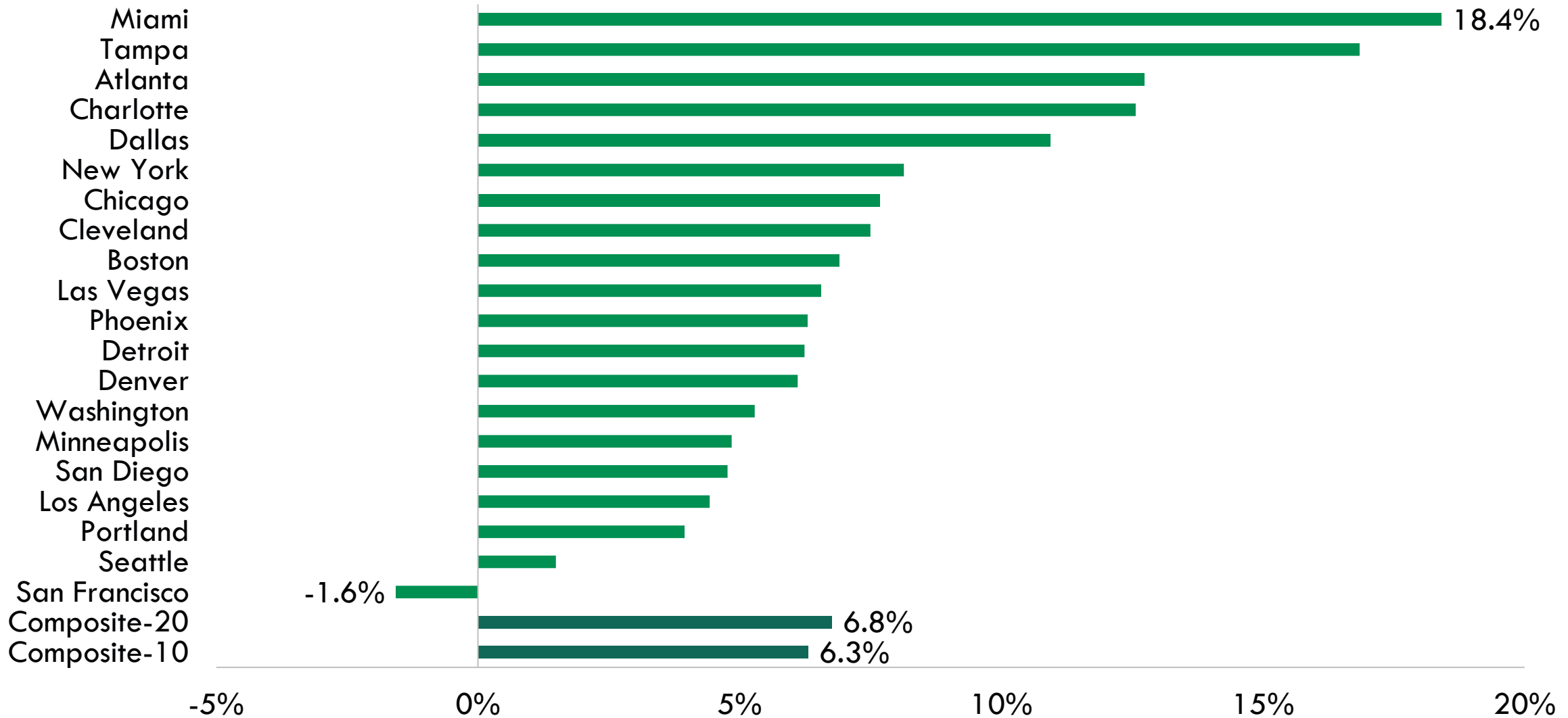
1990 – February 2023



Source: Mortgage Bankers Association (MBA)

# S&P Case-Shiller Home Price Index by Metro Area

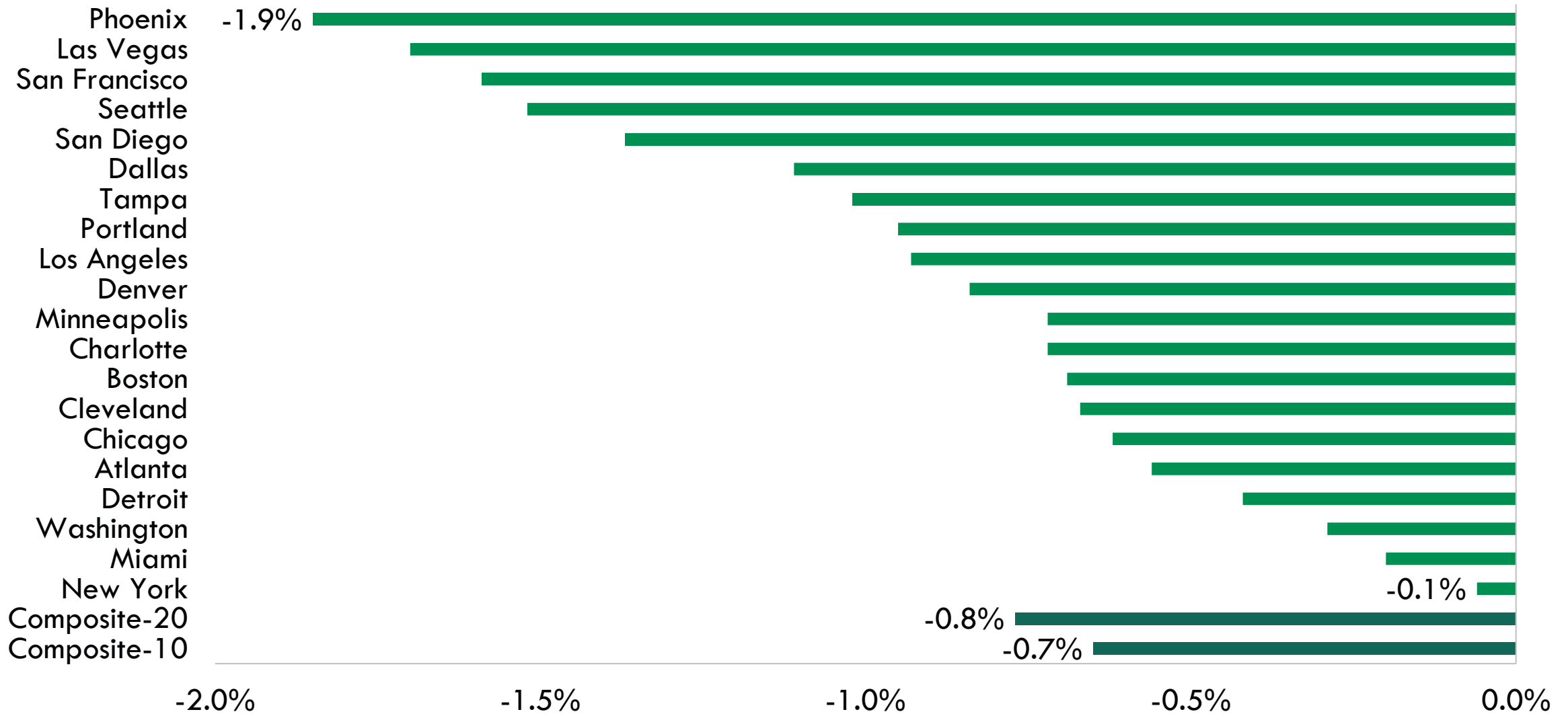
12-Month % Change, November 2022



Source: Standard & Poor's

# S&P Case-Shiller Home Price Index by Metro Area

1-Month % Change, November 2022

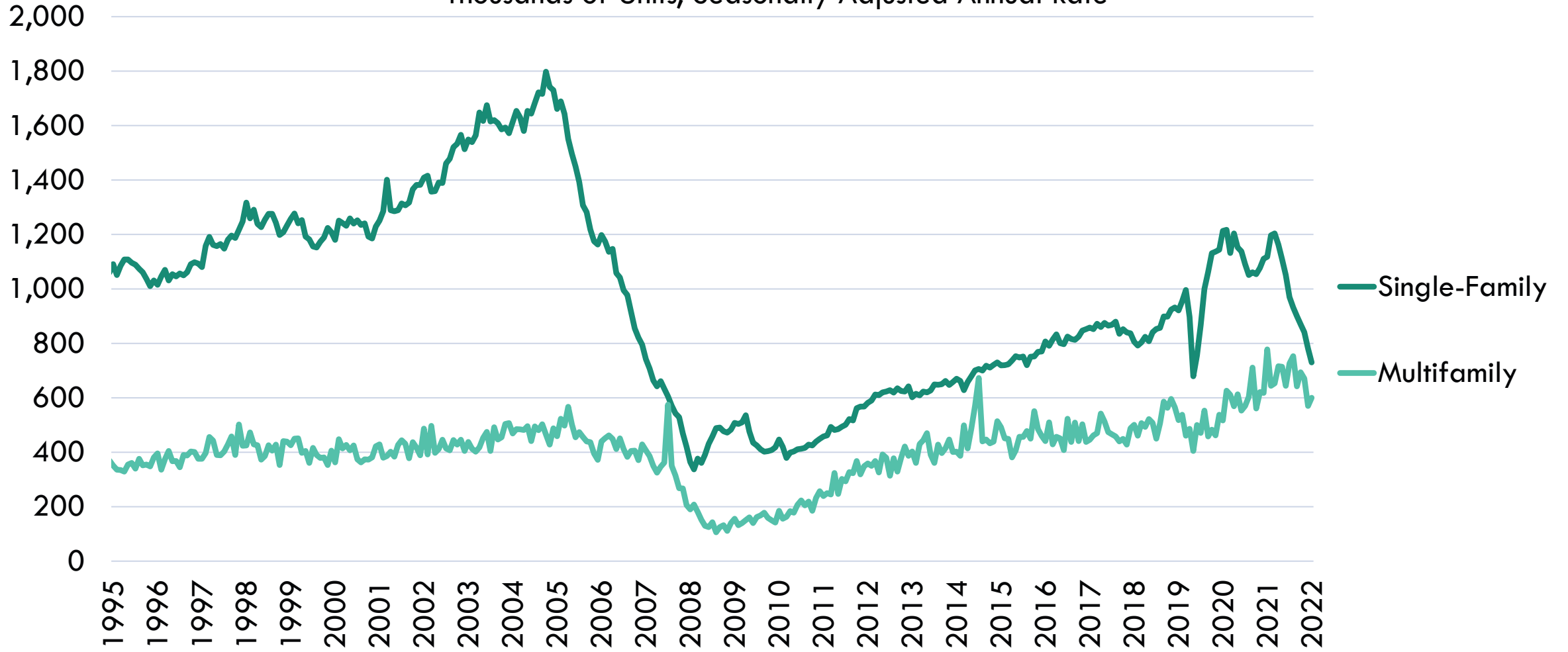


Source: Standard & Poor's

# U.S. Residential Building Permits

1995 – December 2022

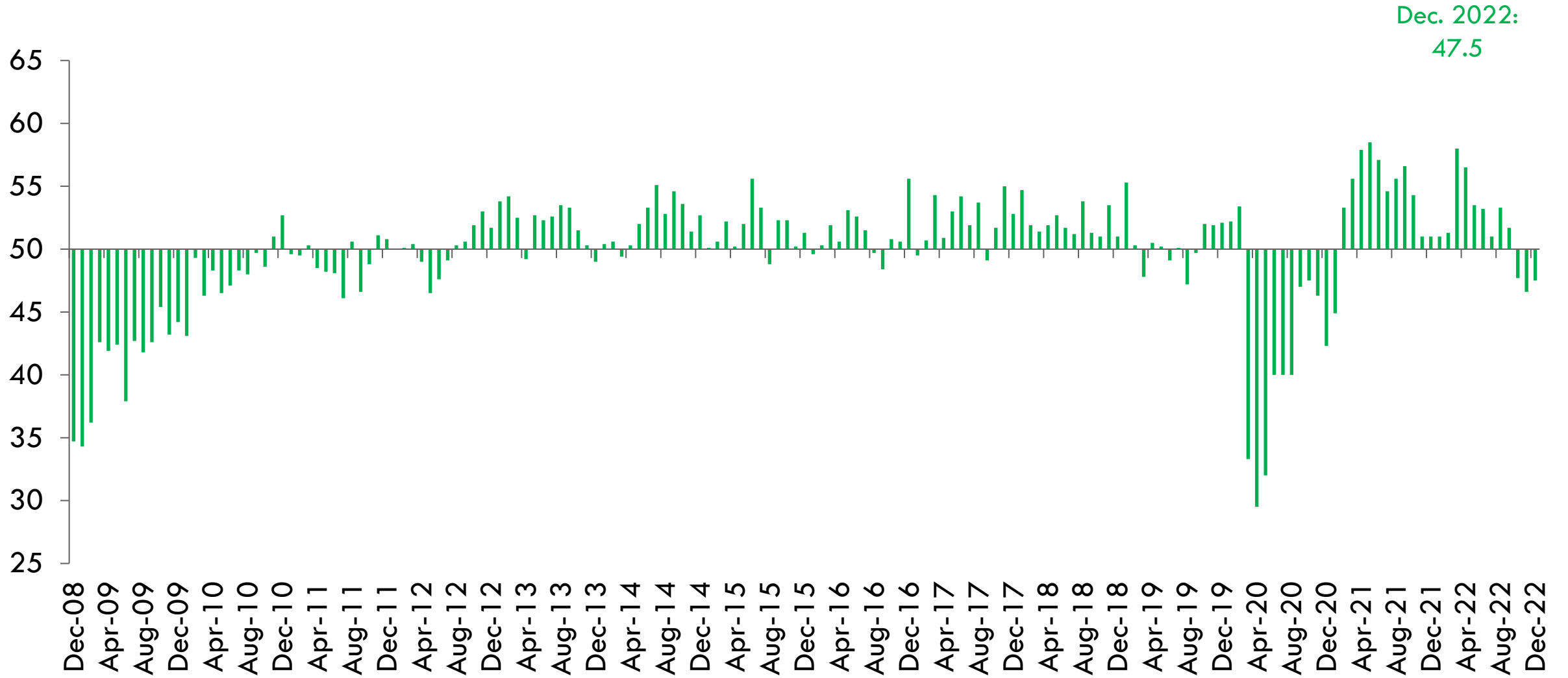
Thousands of Units, Seasonally Adjusted Annual Rate



Source: U.S. Census Bureau

# Architecture Billings Index

## 2008 – December 2022



Source: The American Institute of Architects



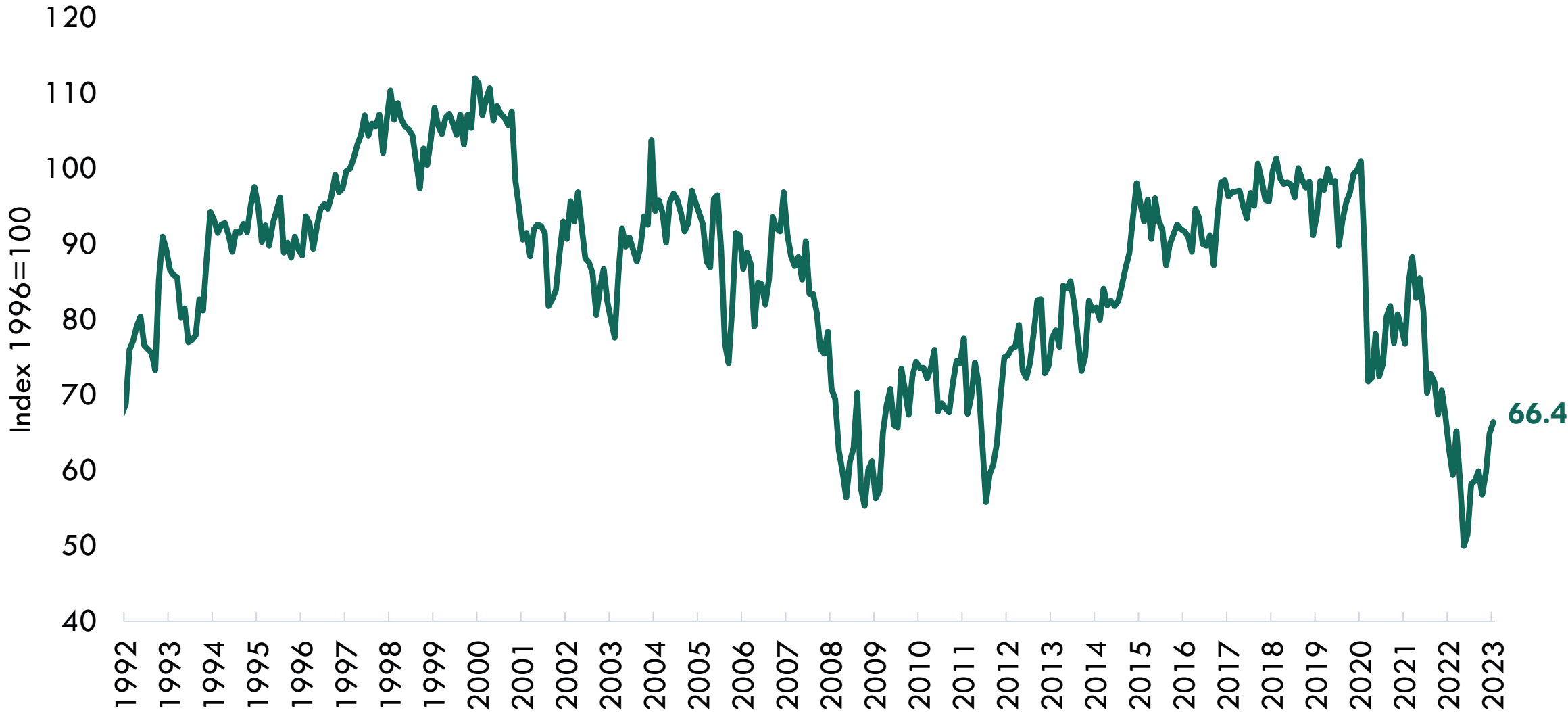
# Top Gun: Forecaster





# University of Michigan Index of Consumer Sentiment

1992 – February 2023

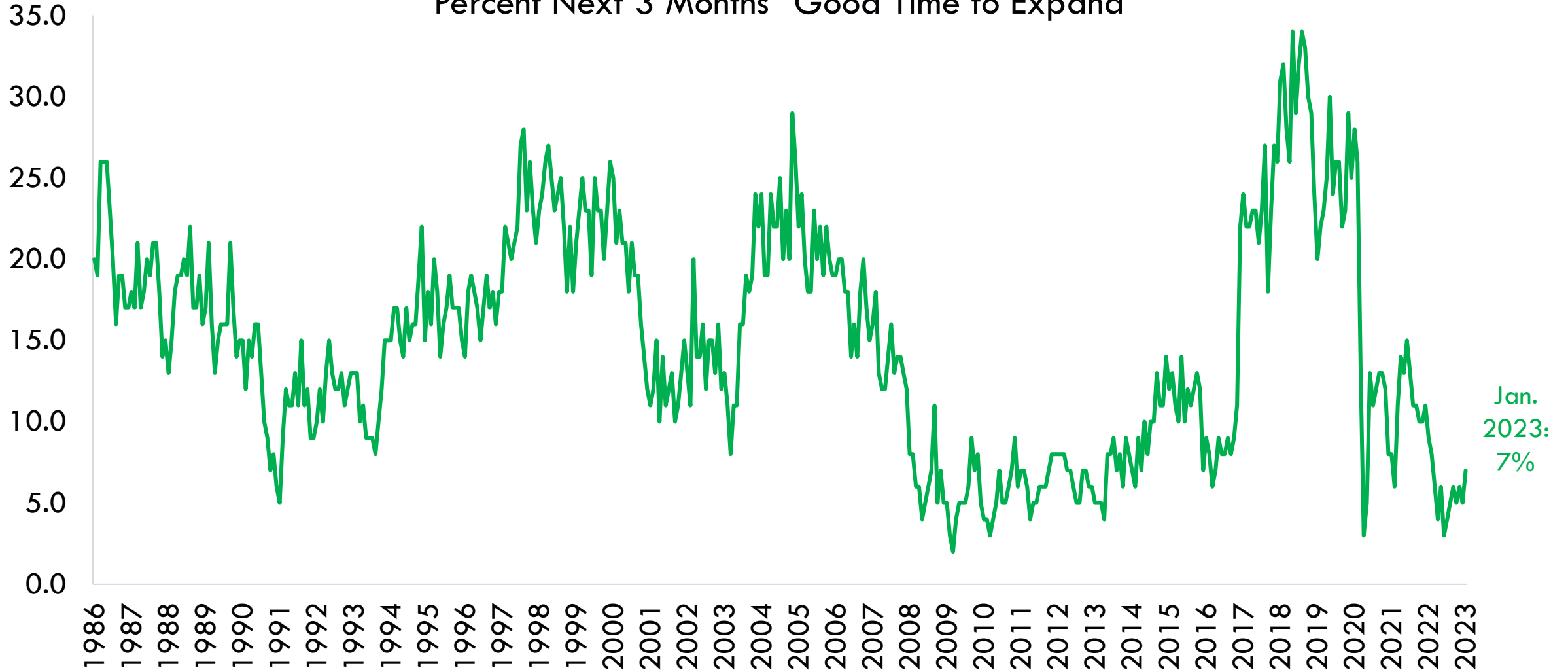


Source: University of Michigan

# NFIB Index of Small Business Optimism: Good Time to Expand

1986 – January 2023

Percent Next 3 Months “Good Time to Expand”



Source: National Federation of Independent Business (NFIB)

# Business Inventories

1965 – November 2022

\$ Billions

\$2,500

\$2,000

\$1,500

\$1,000

\$500

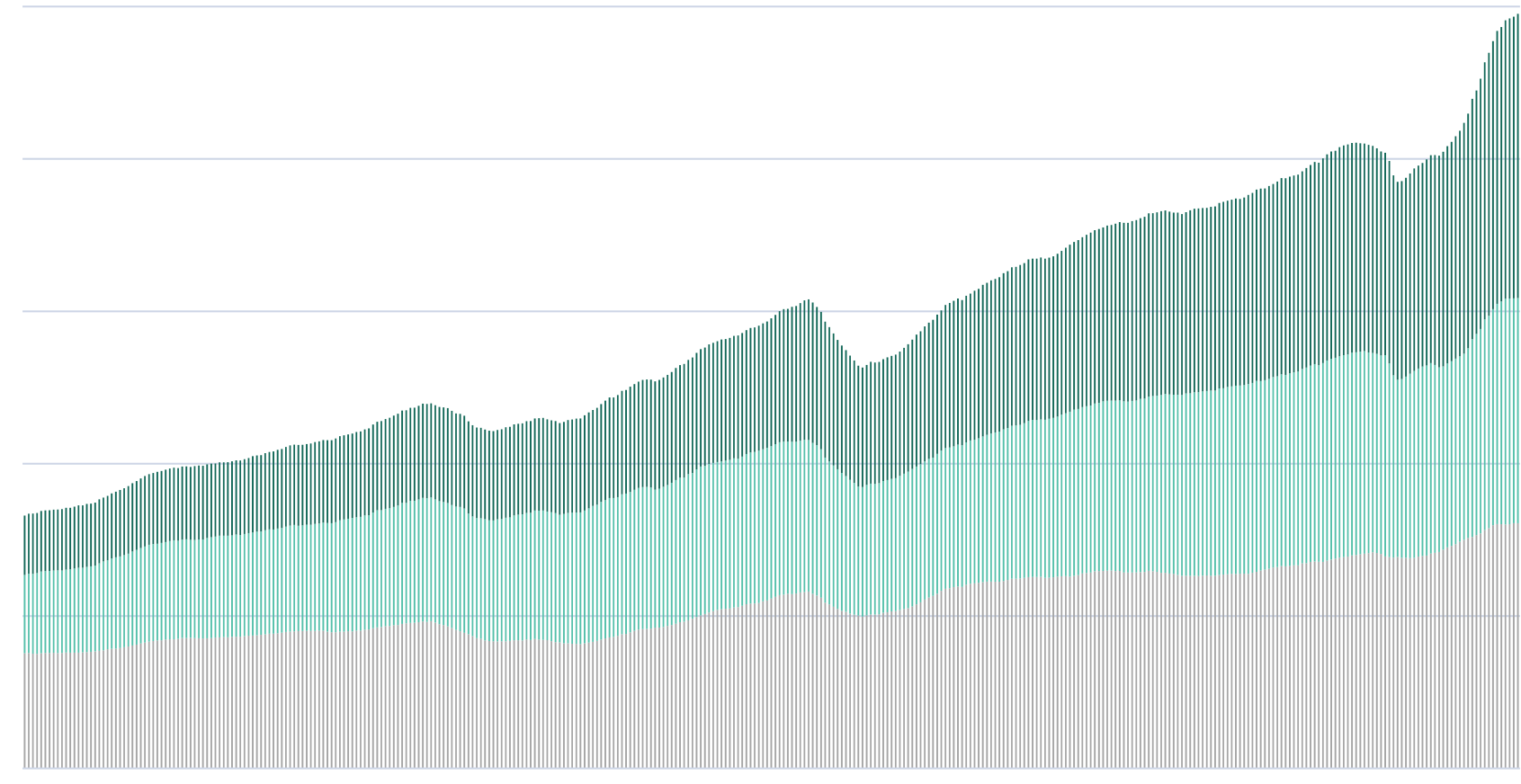
\$0

1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022

■ Merchant Wholesalers

■ Retailers

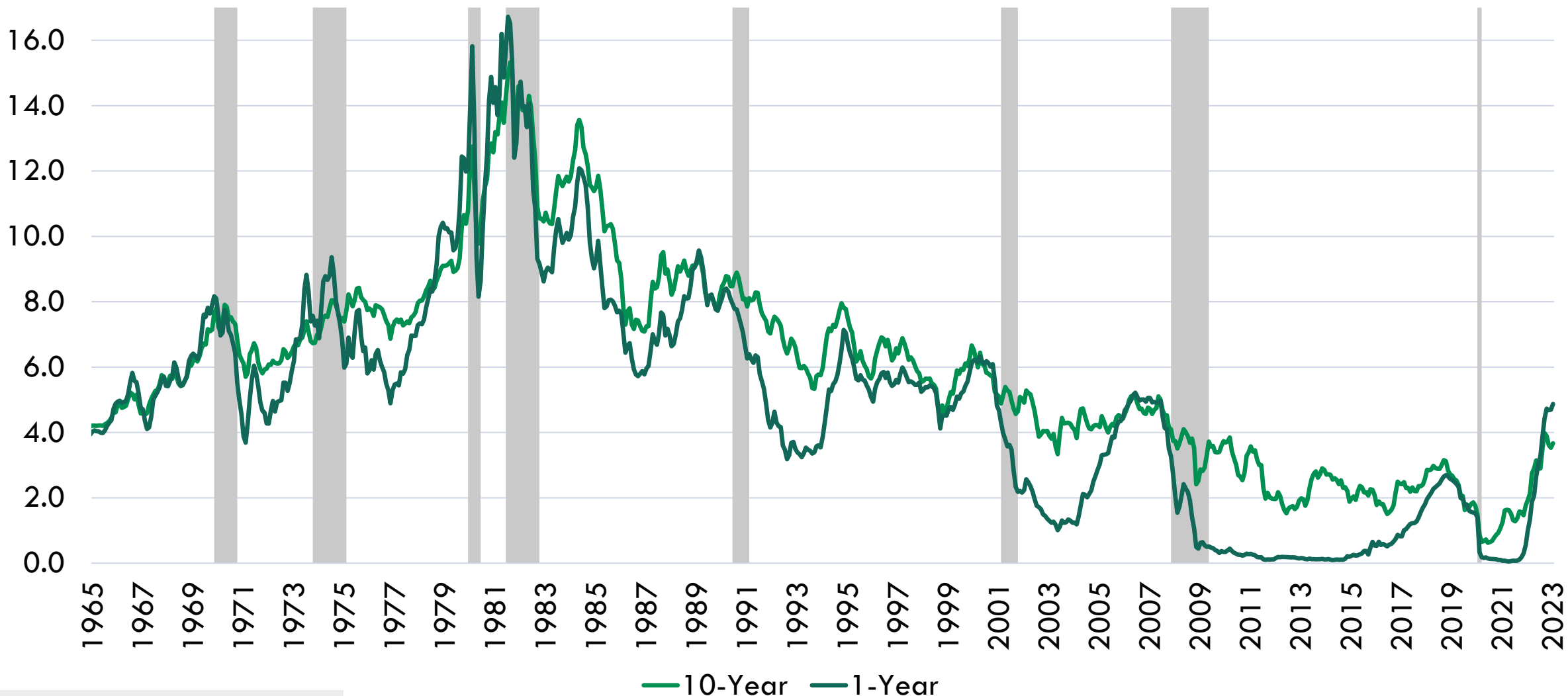
■ Manufacturers



Source: U.S. Census Bureau

# U.S. Treasury Yields : 10-Year v. 1-Year

1965 – February 2023

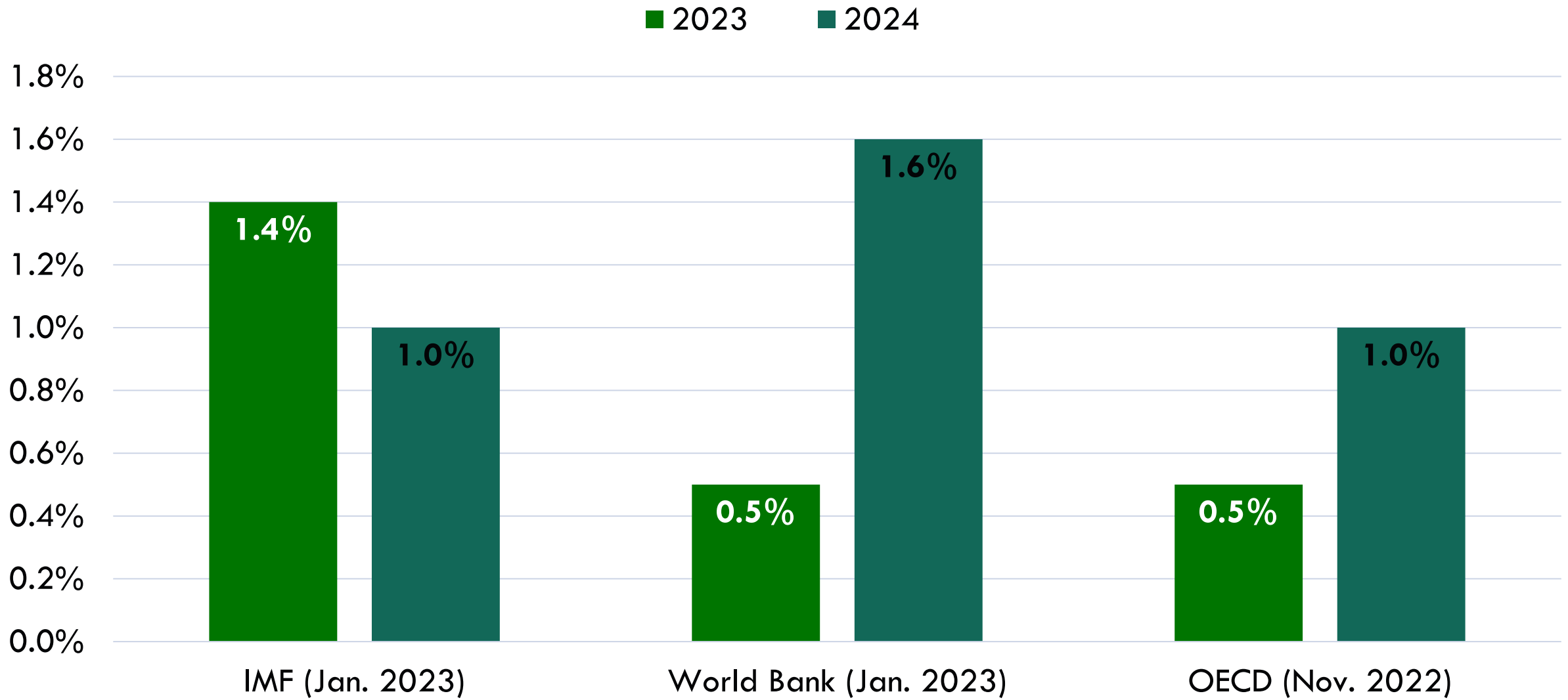


Shaded areas indicate U.S. recessions

— 10-Year — 1-Year

Source: Federal Reserve Bank of St. Louis

# Major Economic Forecasts for U.S. GDP Growth



Source: IMF; OECD; World Bank

# You Can't Handle the Truth!

- It's going to get worse before it gets better.
- The global economy is weakening, the national economy is weakening, borrowing costs are higher, and excess inflation persists.
- Some segments stand to hold up better than others, including public construction, grocery stores, and multifamily housing.
- At some point, the Federal Reserve will stop raising rates – that will represent a key inflection point for the economy.
- But until then, recessionary conditions will prevail.

# Thank You

Please contact us when you require economic research & policy analysis: [www.sagepolicy.com](http://www.sagepolicy.com)



Sign up for our newsletter at [www.SageEcon.com](http://www.SageEcon.com)

## Free subscribers get:

- An overview of the jobs report on the first Friday of every month
- Occasional posts on specific economic & policy related subjects

## Paid subscribers get:

- A “Week in Review” post every Friday covering all the economic data releases, the best things I read, and, of course, my absence of humor
- A monthly Q&A session
- Scan the QR code or visit [Basu.Substack.com/ABLIVE30](http://Basu.Substack.com/ABLIVE30) for 30% a discount on an annual paid membership

# Q&A





A background image showing two people, a woman and a man, looking at a laptop. The image is overlaid with a teal and blue geometric pattern of overlapping triangles.

# Thank You for Attending

Complete Your [Survey](#) – We Value Your Feedback!  
Check your email for your HRCI/SHRM Certificates.

Follow Us   