The Pit and the Pendulum

On Behalf of

FEMSA/FAMA Annual Conference

By: Anirban Basu
Sage Policy Group, Inc.

October 1st, 2015

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Dawn of the Dead

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Real GDP Growth, 20 Fastest and Slowest Growing Countries

Estimated 2014, Annual Percent Change (for available nations)

Rank	Country	Region	%	Rank	Country	Region	%
1	Turkmenistan	Central Asia	10.3	169	Austria	Central Europe	0.3
1	Ethiopia	Africa	10.3	170	Brazil	South America	0.1
3	Democratic Republic of the Congo	Africa	9.1	170	Micronesia	Southeast Asia	0.1
4	Uzbekistan	Central Asia	8.1	172	Japan	Asia	-0.1
5	Palau	Southeast Asia	8.0	172	Finland	Northern Europe	-0.1
6	Mongolia	Asia	7.8	174	Yemen	Middle East	-0.2
7	Myanmar	Southeast Asia	7.7	174	The Gambia	Africa	-0.2
8	Côte d'Ivoire	Africa	7.5	176	Barbados	Caribbean	-0.3
9	Lao P.D.R.	Southeast Asia	7.4	177	Croatia	Eastern Europe	-0.4
9	Sri Lanka	Southeast Asia	7.4	177	Italy	Europe	-0.4
9	Mozambique	Africa	7.4	179	Brunei Darussalam	Southeast Asia	-0.7
9	China	Asia	7.4	180	San Marino	Europe	-1.0
13	Dominican Republic	Caribbean	7.3	181	St. Lucia	Caribbean	-1.1
14	Tanzania	Africa	7.2	182	Serbia	Eastern Europe	-1.8
14	India	Asia	7.2	183	Cyprus	Europe	-2.3
16	Rwanda	Africa	7.0	184	Iraq	Middle East	-2.4
16	Cambodia	Southeast Asia	7.0	185	Equatorial Guinea	Africa	-3.1
16	St. Kitts and Nevis	Caribbean	7.0	186	Venezuela	South America	-4.0
19	Niger	Africa	6.9	187	Ukraine	Eastern Europe	-6.8
19	Chad	Africa	6.9	188	Libya	Middle East	-24.0

Source: International Monetary Fund, April 2015 WEO Database

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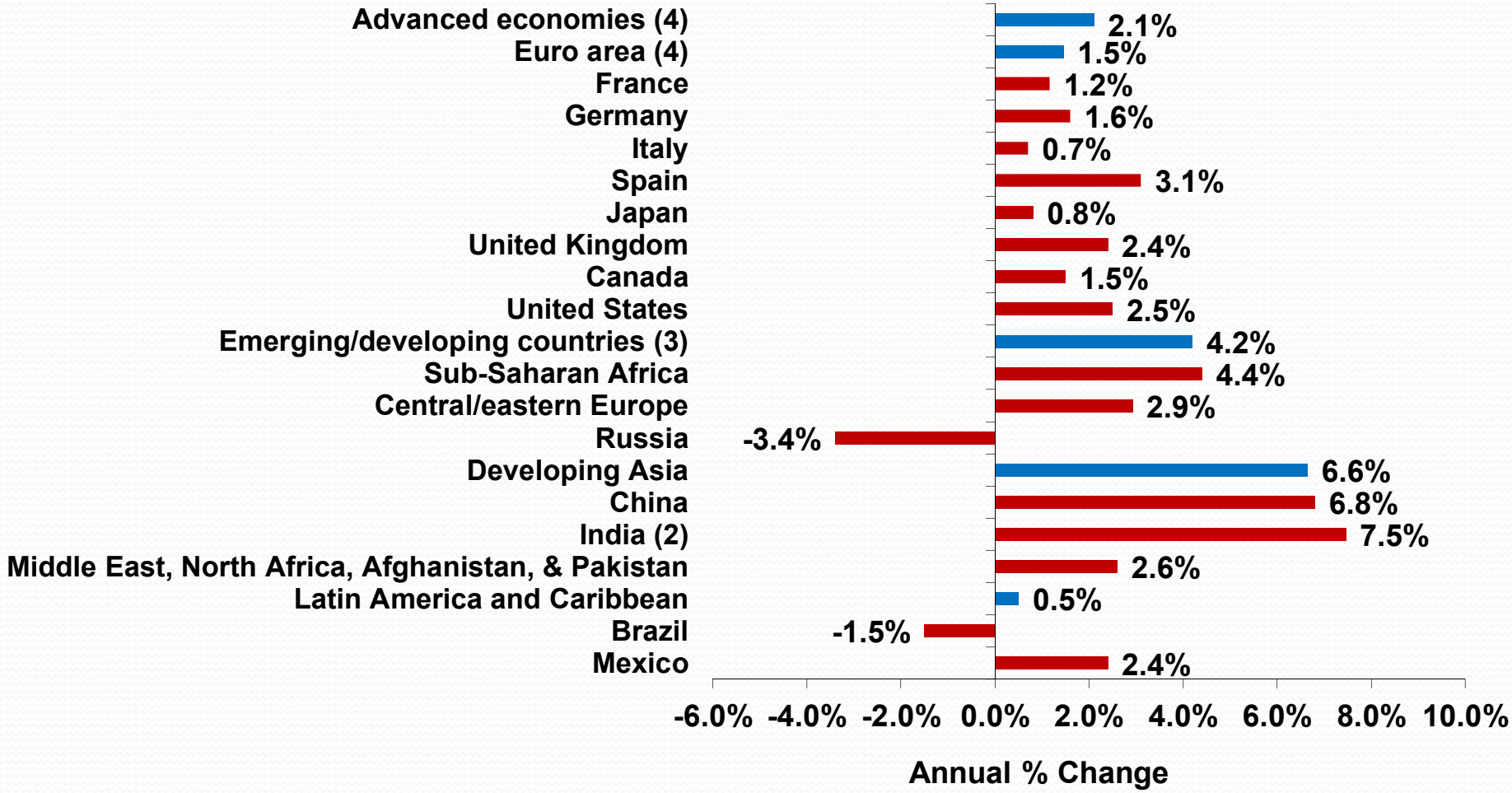
Estimated Growth in Output by Select Global Areas

*2015 Projected**



Source: International Monetary Fund, July 2015 WEO Update

1. Real effective exchange rates are assumed to remain constant at the levels prevailing during February 6–March 6, 2015. The aggregated quarterly data are seasonally adjusted. 2. India: Data and forecasts are presented on a fiscal year basis, and GDP from 2011 onward is based on GDP at market prices with FY2011/12 as a base year. 3. Emerging/developing countries: The quarterly estimates and projections account for approximately 80 percent of the emerging market and developing economies. 4. Euro Area: Includes Lithuania, which joined the euro area in January 2015. Lithuania was included in the advanced economies in the April 2015 WEO. In the January 2015 WEO Update, Lithuania was included in the emerging market and developing economies.

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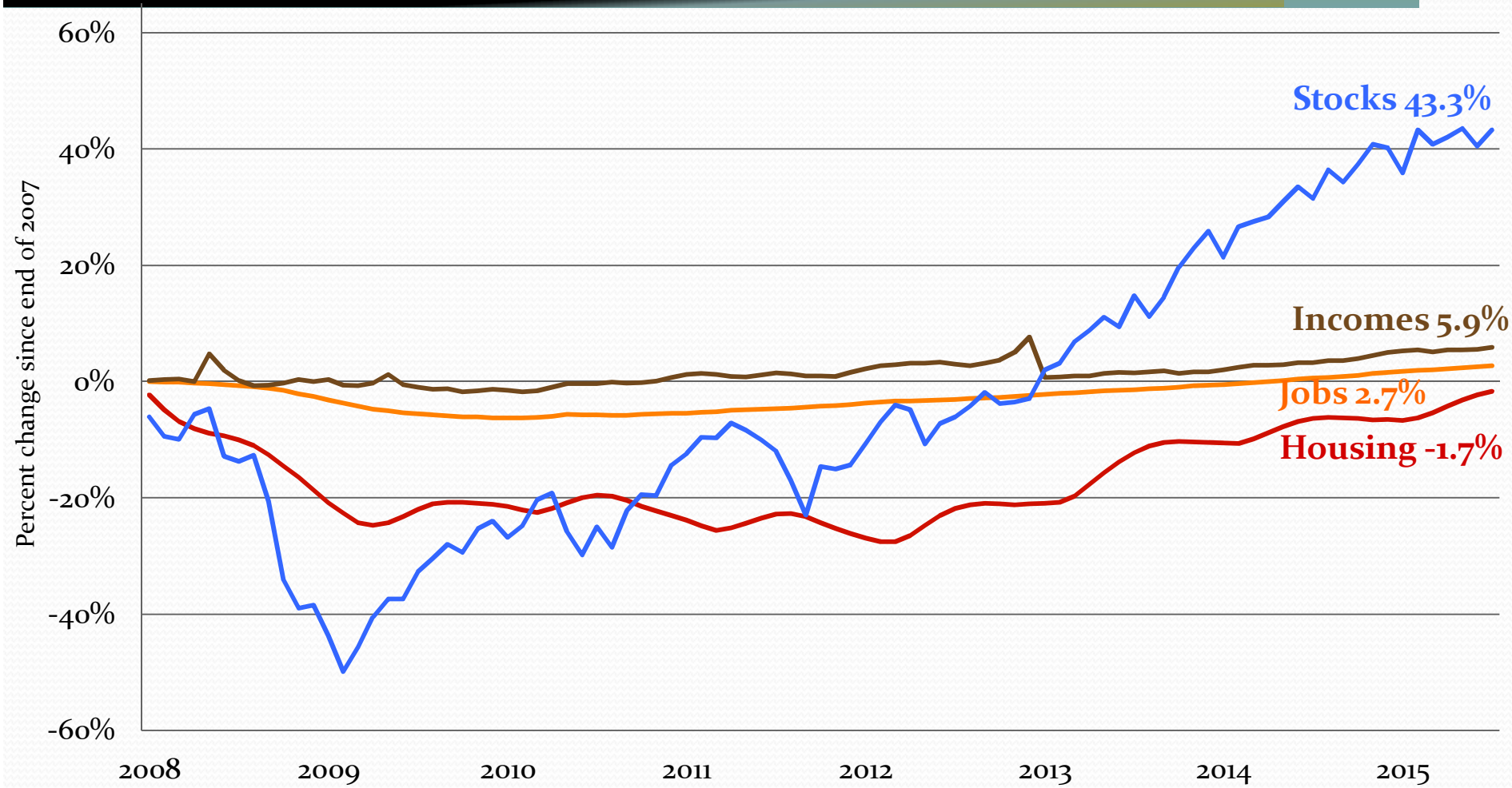
What Lies Beneath



Source: BEA, BLS, S&P Case-Shiller, Yahoo! Finance

**Through July 2015*

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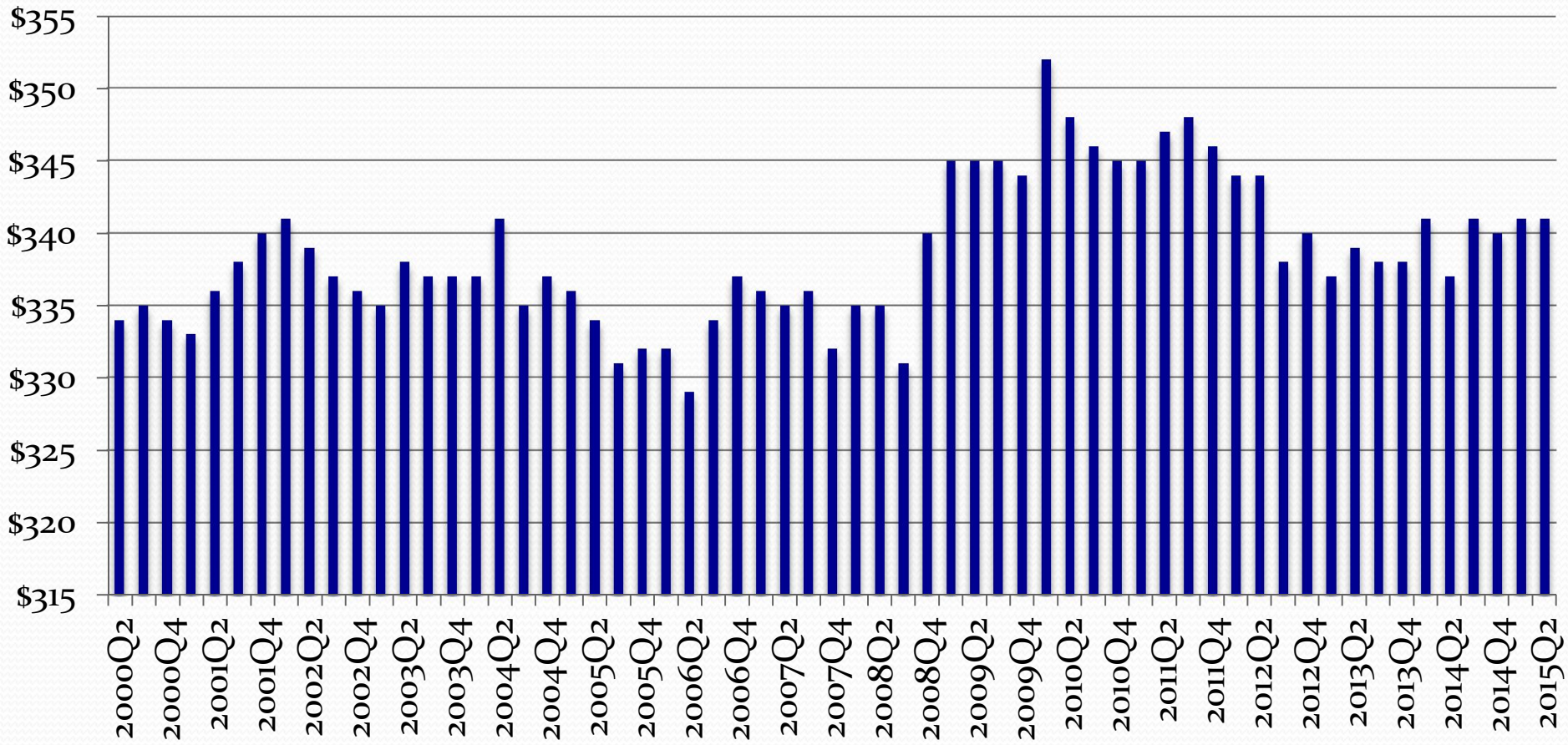
Median Weekly Earnings, Full-Time U.S. Workers*

2000Q1 through 2015Q2



Source: U.S. Bureau of Labor Statistics

*SA, Constant 1982-1984 dollars (adjusted to CPI-U)
Wage and salary workers ages 16+

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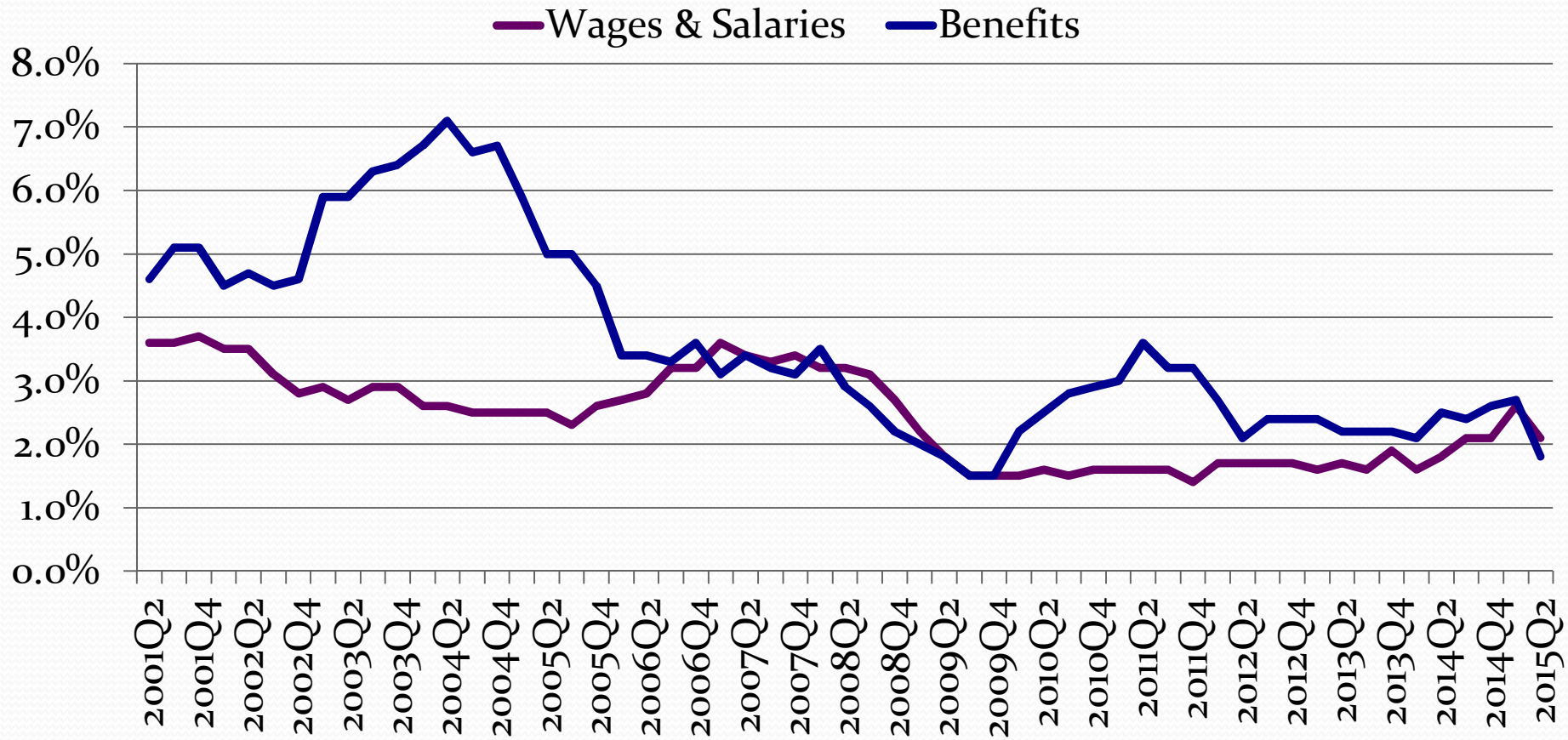
Employment Cost Index

12-Month Percent Change (NSA)



Source: Bureau of Labor Statistics

All Civilian workers, all industries, NSA

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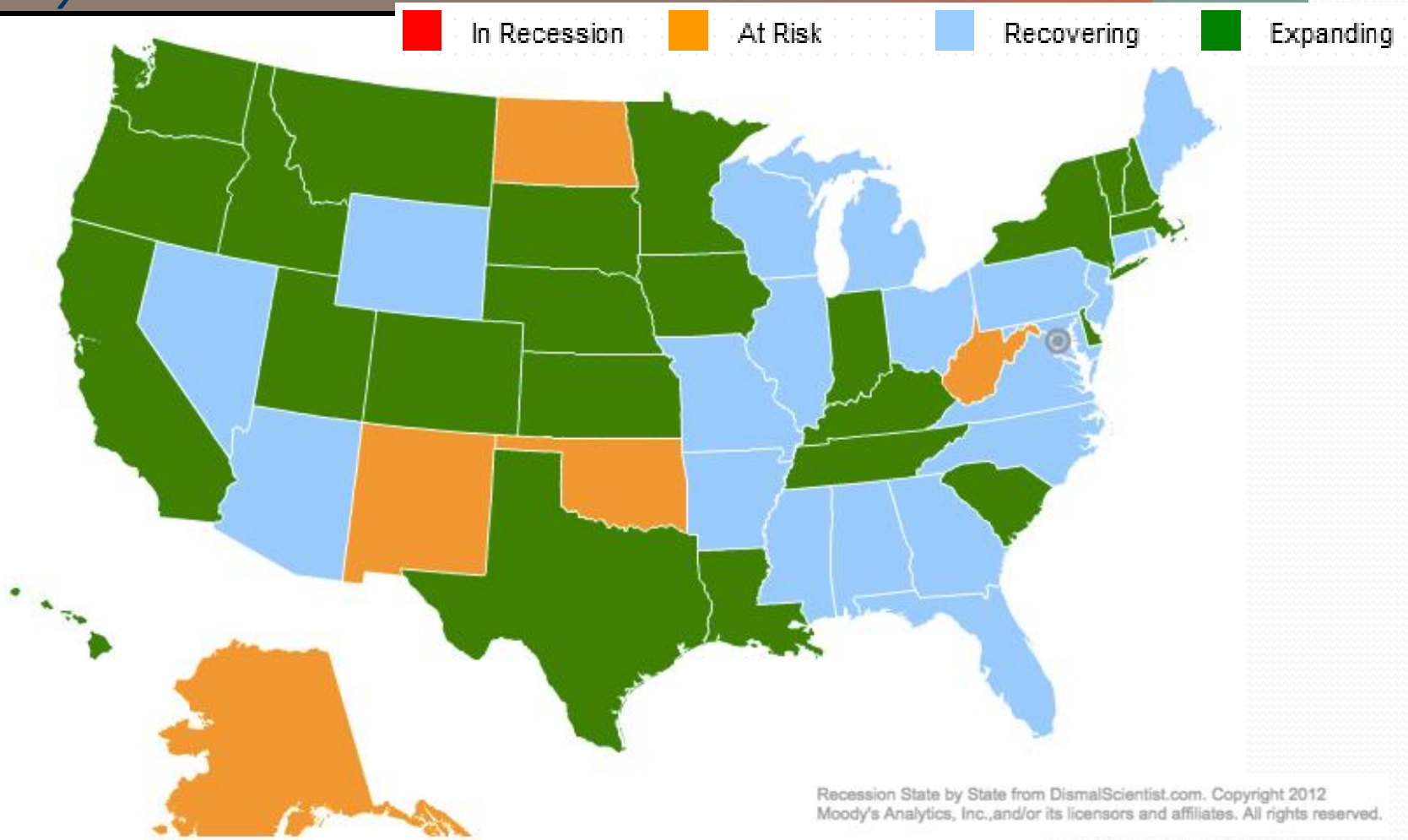
Recession Watch

as of July 2015



Source: Moody's Economy

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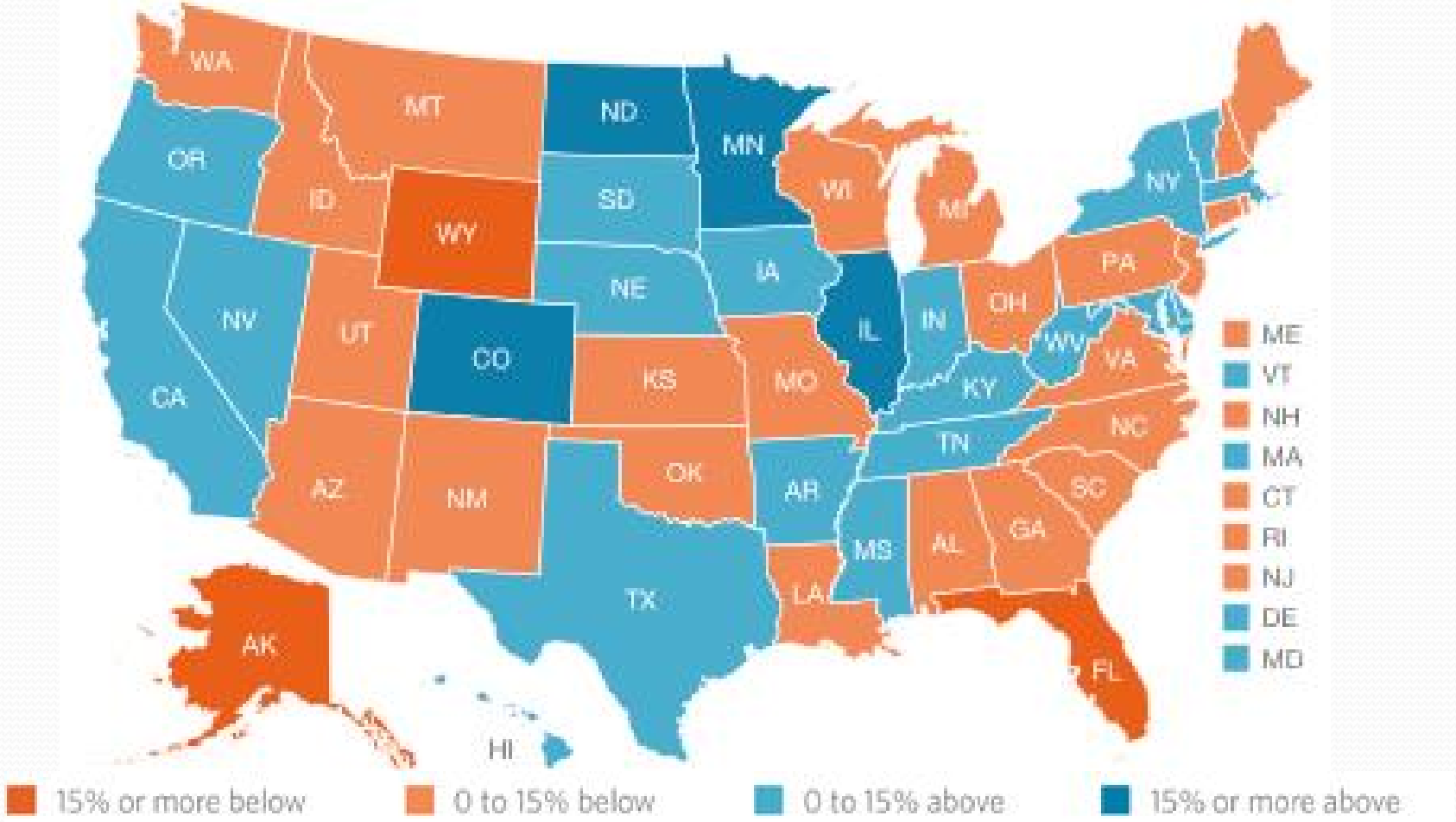
Tax Collections in 2014Q4 vs. Each State's Peak*

Real tax revenue still lower in 27 states since recession



Source: Pew analysis of U.S. Census Bureau's quarterly tax revenue data, as adjusted by the Rockefeller Institute of Government

*Adjusted for inflation

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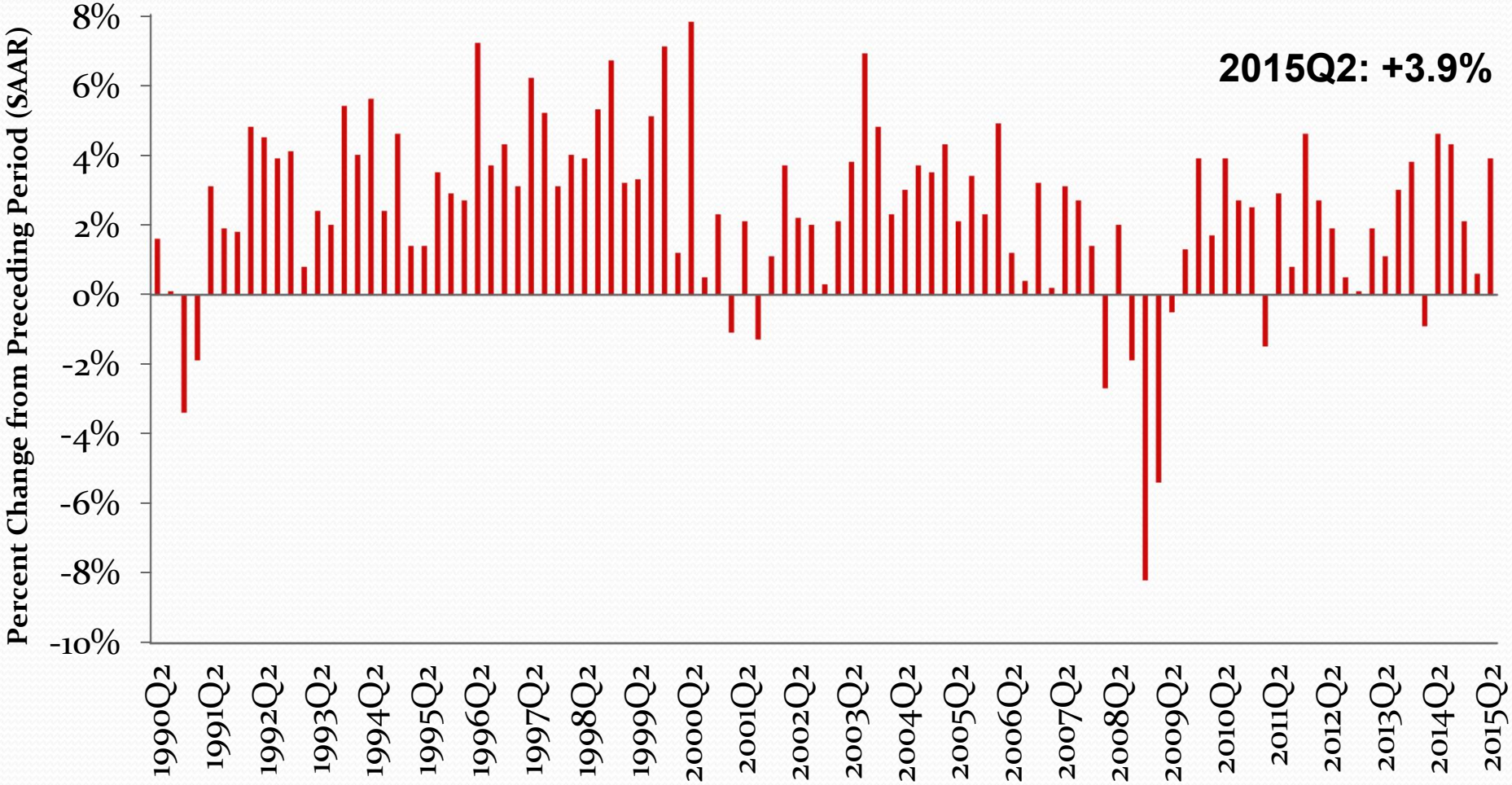
Gross Domestic Product

*1990Q2 through 2015Q2**



Source: Bureau of Economic Analysis

**Final Estimate*

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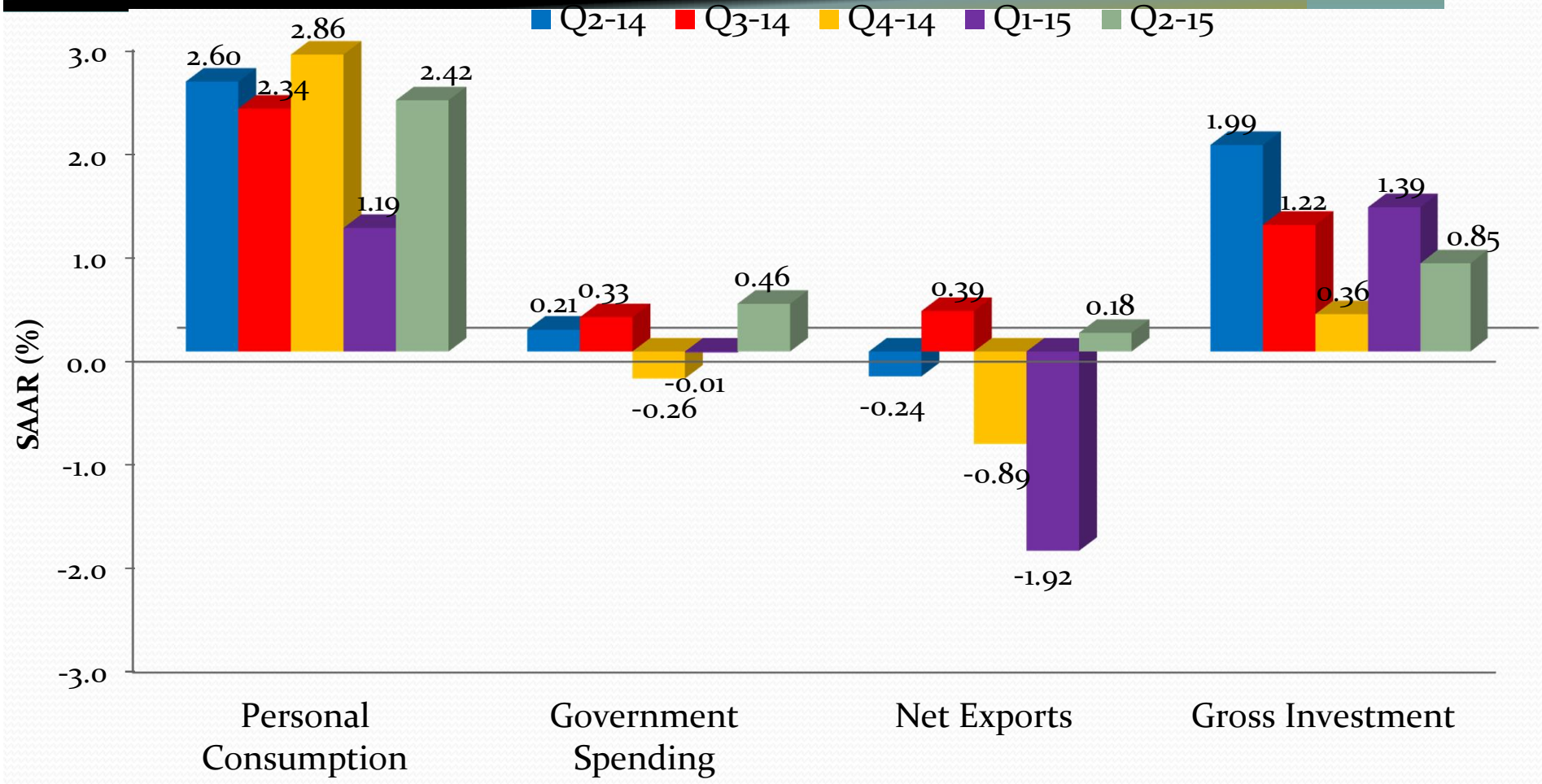
Contributions to GDP Growth by Component

*2014Q2 – 2015Q2**



Source: Bureau of Economic Analysis

**Final Estimate*

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Invasion of the Body Snatchers

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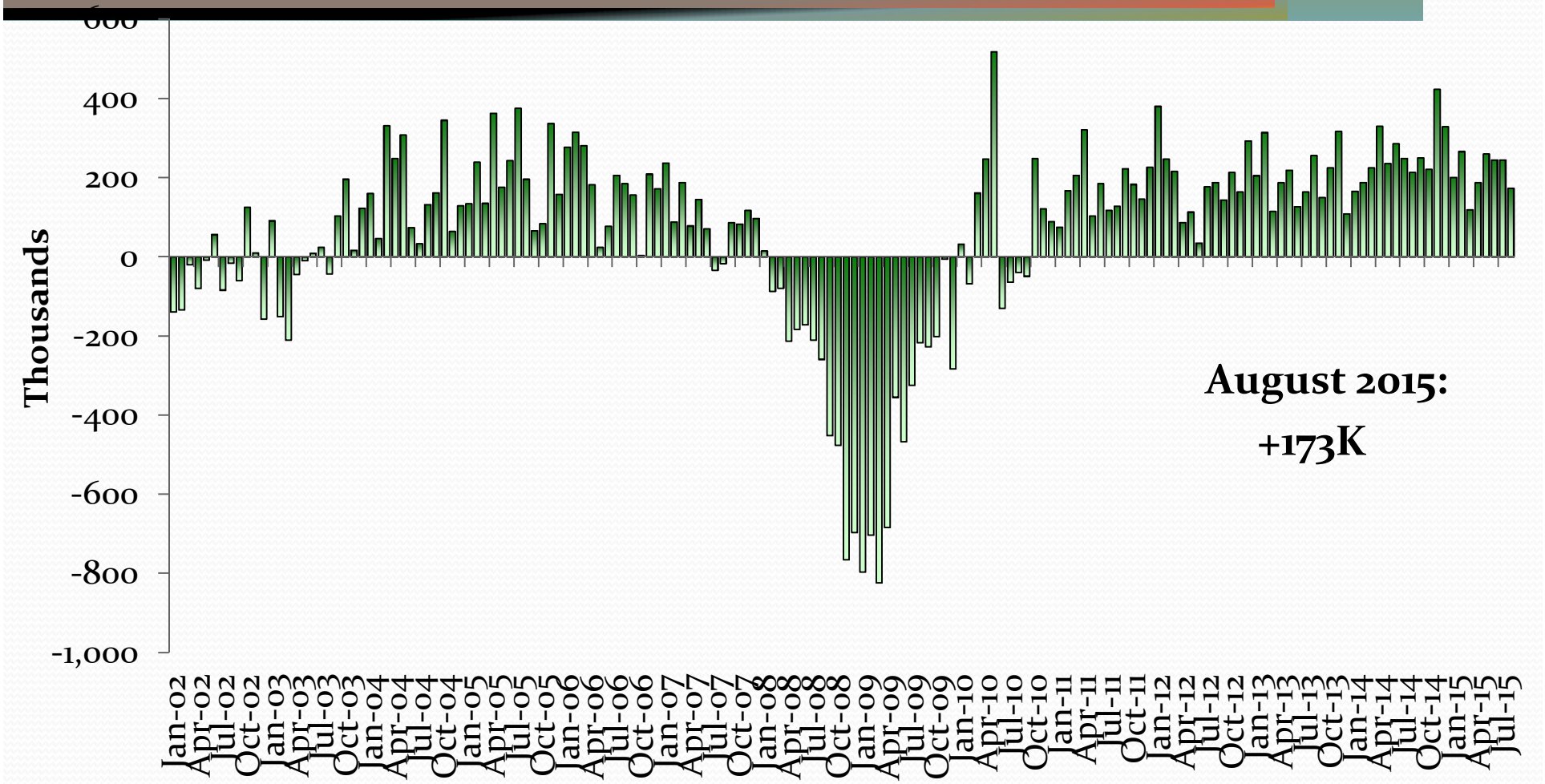
Net Change in U.S. Jobs, BLS

January 2002 through August 2015



Source: U.S. Bureau of Labor Statistics

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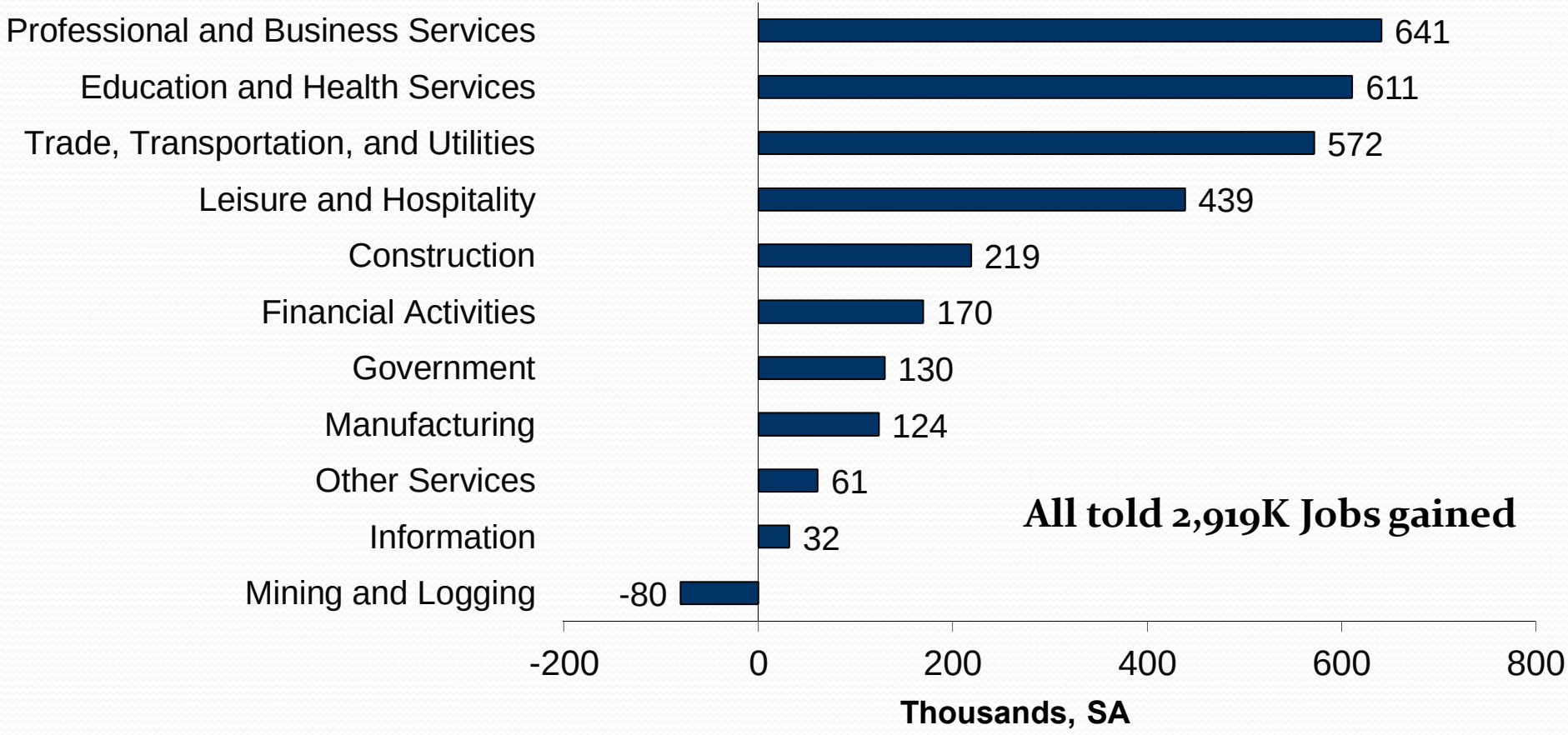
National Nonfarm Employment

by Industry Sector

August 2014 v. August 2015



All told 2,919K Jobs gained

Source: U.S. Bureau of Labor Statistics

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Firefighters: Occupational Outlook

- Employment for firefighters is projected to grow 7% from 2012-2022, slower than the average for all occupations (11%) (WRONG, WRONG, WRONG);

- As population ages, demand for firefighters will increase
  - 2/3 of situations that firefighters respond to are medical

- Volunteer positions will be converted to paid positions in areas where population growth creates a need for a full-time workforce

Source: U.S. Bureau of Labor Statistics

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Volunteers Tough to Find

Å Volunteers have dropped from 300,000 to 50,000 over past 30 years

Å Training costs have increased

Å Businesses increasingly reluctant to allow employees to volunteer

Å Single-income families no longer commonplace

Source: U.S. Bureau of Labor Statistics

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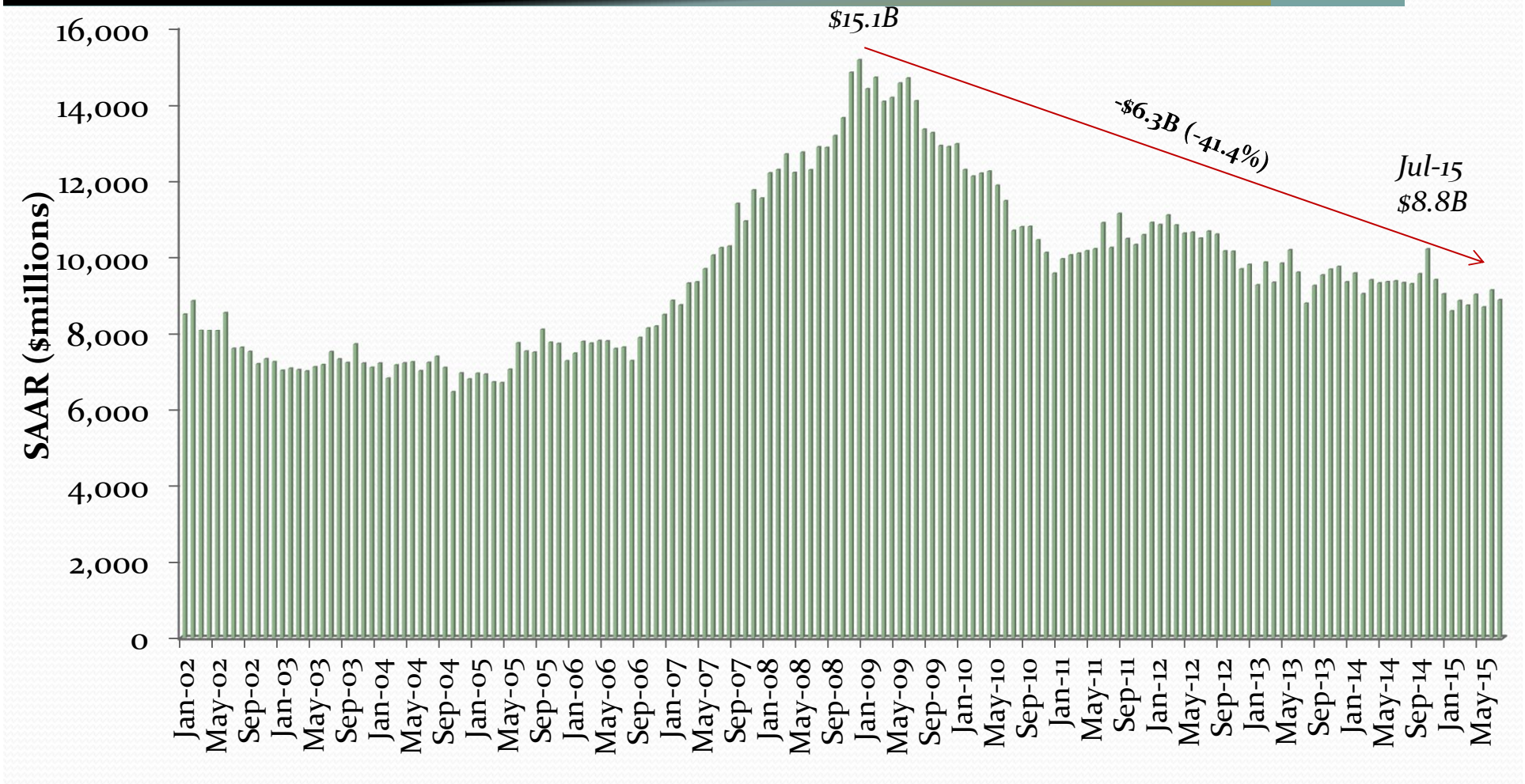
Construction Spending on Public Safety

January 2002 through July 2015



Source: United States Census Bureau

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Employment Growth, U.S. States (SA)

August 2014 v. August 2015 Percent Change

Rank	State	%	Rank	State	%	Rank	State	%
1	UTAH	4.0	14	MARYLAND	2.0	34	MISSOURI	1.1
2	OREGON	3.5	19	COLORADO	1.9	34	OHIO	1.1
3	FLORIDA	3.3	19	DISTRICT OF COLUMBIA	1.9	34	VIRGINIA	1.1
3	NEVADA	3.3	19	TENNESSEE	1.9	38	MISSISSIPPI	1.0
5	WASHINGTON	3.2	19	TEXAS	1.9	38	PENNSYLVANIA	1.0
6	CALIFORNIA	3.0	23	KENTUCKY	1.8	40	NEBRASKA	0.9
6	SOUTH CAROLINA	3.0	24	IOWA	1.7	40	NEW JERSEY	0.9
8	IDAHO	2.9	24	NEW HAMPSHIRE	1.7	42	MONTANA	0.8
9	MASSACHUSETTS	2.6	24	WISCONSIN	1.7	43	ILLINOIS	0.7
9	NORTH CAROLINA	2.6	27	SOUTH DAKOTA	1.5	44	LOUISIANA	0.4
11	INDIANA	2.5	28	ALABAMA	1.4	45	NEW MEXICO	0.3
12	ARKANSAS	2.3	28	NEW YORK	1.4	45	OKLAHOMA	0.3
13	MICHIGAN	2.2	28	VERMONT	1.4	47	KANSAS	0.1
14	ARIZONA	2.0	31	DELAWARE	1.3	47	WYOMING	0.1
14	CONNECTICUT	2.0	32	MINNESOTA	1.2	49	ALASKA	-0.4
14	GEORGIA	2.0	32	RHODE ISLAND	1.2	50	NORTH DAKOTA	-0.7
14	HAWAII	2.0	34	MAINE	1.1	51	WEST VIRGINIA	-2.6

Source: U.S. Bureau of Labor Statistics

U.S. Year-over-year Percent Change: 2.1%

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Unemployment Rates, U.S. States (SA)

August 2015

Rank	State	%	Rank	State	%	Rank	State	%
1	NEBRASKA	2.8	18	INDIANA	4.6	33	RHODE ISLAND	5.6
2	NORTH DAKOTA	2.9	18	KANSAS	4.6	36	NEW JERSEY	5.7
3	HAWAII	3.5	18	OKLAHOMA	4.6	36	TENNESSEE	5.7
4	NEW HAMPSHIRE	3.6	21	MASSACHUSETTS	4.7	38	GEORGIA	5.9
4	VERMONT	3.6	21	OHIO	4.7	38	NORTH CAROLINA	5.9
6	IOWA	3.7	23	DELAWARE	4.9	40	LOUISIANA	6.0
6	SOUTH DAKOTA	3.7	24	MARYLAND	5.1	40	SOUTH CAROLINA	6.0
6	UTAH	3.7	24	MICHIGAN	5.1	42	CALIFORNIA	6.1
9	MINNESOTA	4.0	26	KENTUCKY	5.2	42	OREGON	6.1
9	WYOMING	4.0	26	NEW YORK	5.2	44	ALABAMA	6.2
11	MONTANA	4.1	28	CONNECTICUT	5.3	45	ARIZONA	6.3
11	TEXAS	4.1	28	FLORIDA	5.3	45	MISSISSIPPI	6.3
13	COLORADO	4.2	28	WASHINGTON	5.3	47	ALASKA	6.6
13	IDAHO	4.2	31	ARKANSAS	5.4	48	NEW MEXICO	6.7
15	MAINE	4.5	31	PENNSYLVANIA	5.4	49	DISTRICT OF COLUMBIA	6.8
15	VIRGINIA	4.5	33	ILLINOIS	5.6	49	NEVADA	6.8
15	WISCONSIN	4.5	33	MISSOURI	5.6	51	WEST VIRGINIA	7.6

Source: U.S. Bureau of Labor Statistics

U.S. Unemployment Rate: 5.1%

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Unemployment Rates, 20 Largest Metros (NSA)

August 2015

Rank	MSA	UR
1	Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area	3.3
2	Dallas-Fort Worth-Arlington, TX Metropolitan Statistical Area	3.9
3	Boston-Cambridge-Nashua, MA-NH Metropolitan NECTA	4.1
3	Seattle-Tacoma-Bellevue, WA Metropolitan Statistical Area	4.1
5	San Francisco-Oakland-Hayward, CA Metropolitan Statistical Area	4.2
6	Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area	4.3
7	Houston-The Woodlands-Sugar Land, TX Metropolitan Statistical Area	4.6
8	New York-Newark-Jersey City, NY-NJ-PA Metropolitan Statistical Area	5.1
8	San Diego-Carlsbad, CA Metropolitan Statistical Area	5.1
8	St. Louis, MO-IL Metropolitan Statistical Area (1)	5.1

Rank	MSA	UR
11	Tampa-St. Petersburg-Clearwater, FL Metropolitan Statistical Area	5.2
12	Baltimore-Columbia-Towson, MD Metropolitan Statistical Area	5.5
13	Chicago-Naperville-Elgin, IL-IN-WI Metropolitan Statistical Area	5.6
14	Atlanta-Sandy Springs-Roswell, GA Metropolitan Statistical Area	5.7
14	Miami-Fort Lauderdale-West Palm Beach, FL Metropolitan Statistical Area	5.7
14	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area	5.7
17	Phoenix-Mesa-Scottsdale, AZ Metropolitan Statistical Area	5.8
18	Detroit-Warren-Dearborn, MI Metropolitan Statistical Area	6.2
19	Los Angeles-Long Beach-Anaheim, CA Metropolitan Statistical Area	6.4
20	Riverside-San Bernardino-Ontario, CA Metropolitan Statistical Area	6.8

Source: U.S. Bureau of Labor Statistics

1. Area boundaries do not reflect official OMB definitions.

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Nightmare on Elm Street

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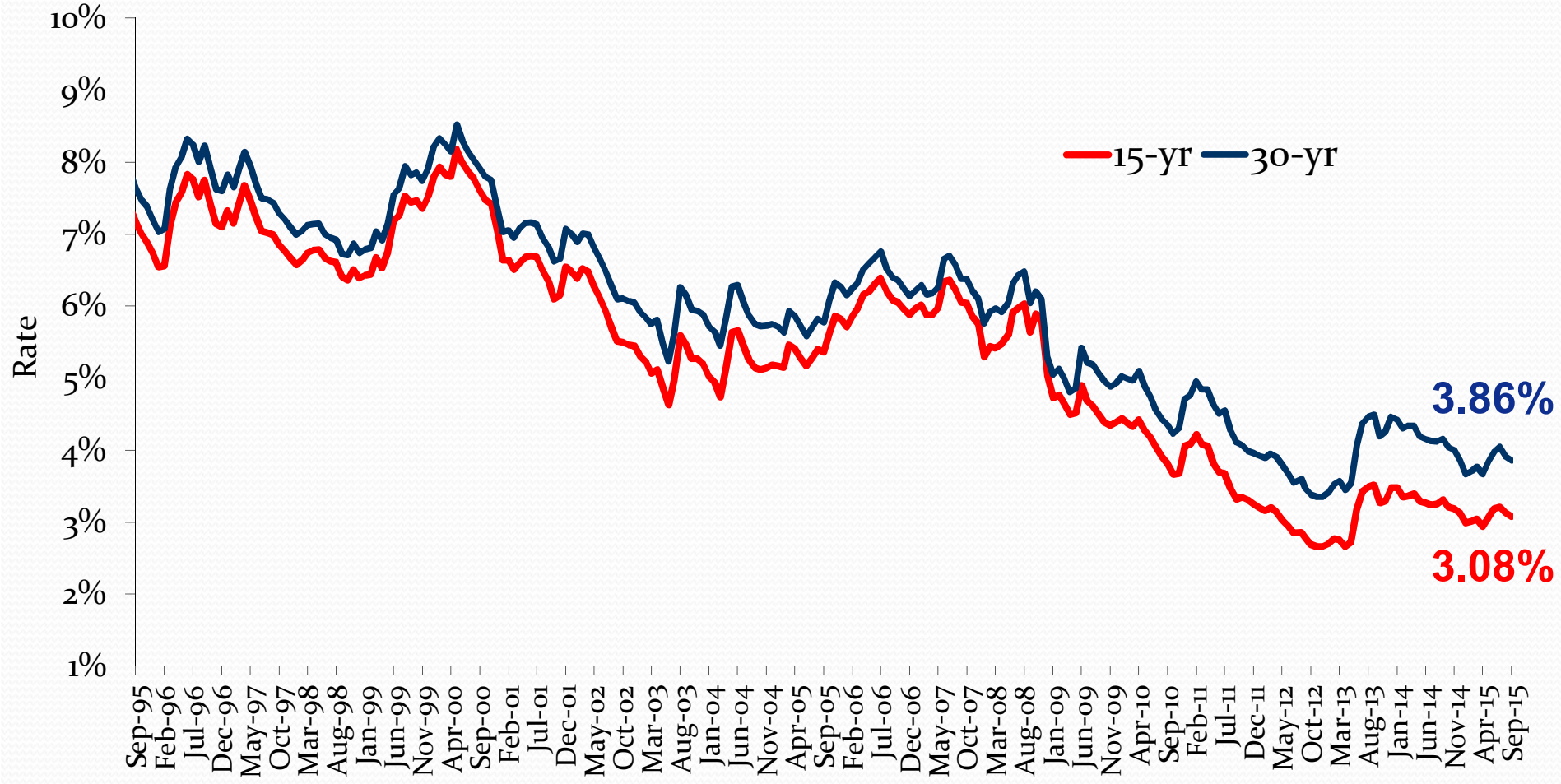
15-Year & 30-Year Fixed Mortgage Rates

*September 1995 through September 2015**



Source: Freddie Mac

**Week ending 9/24/2015*

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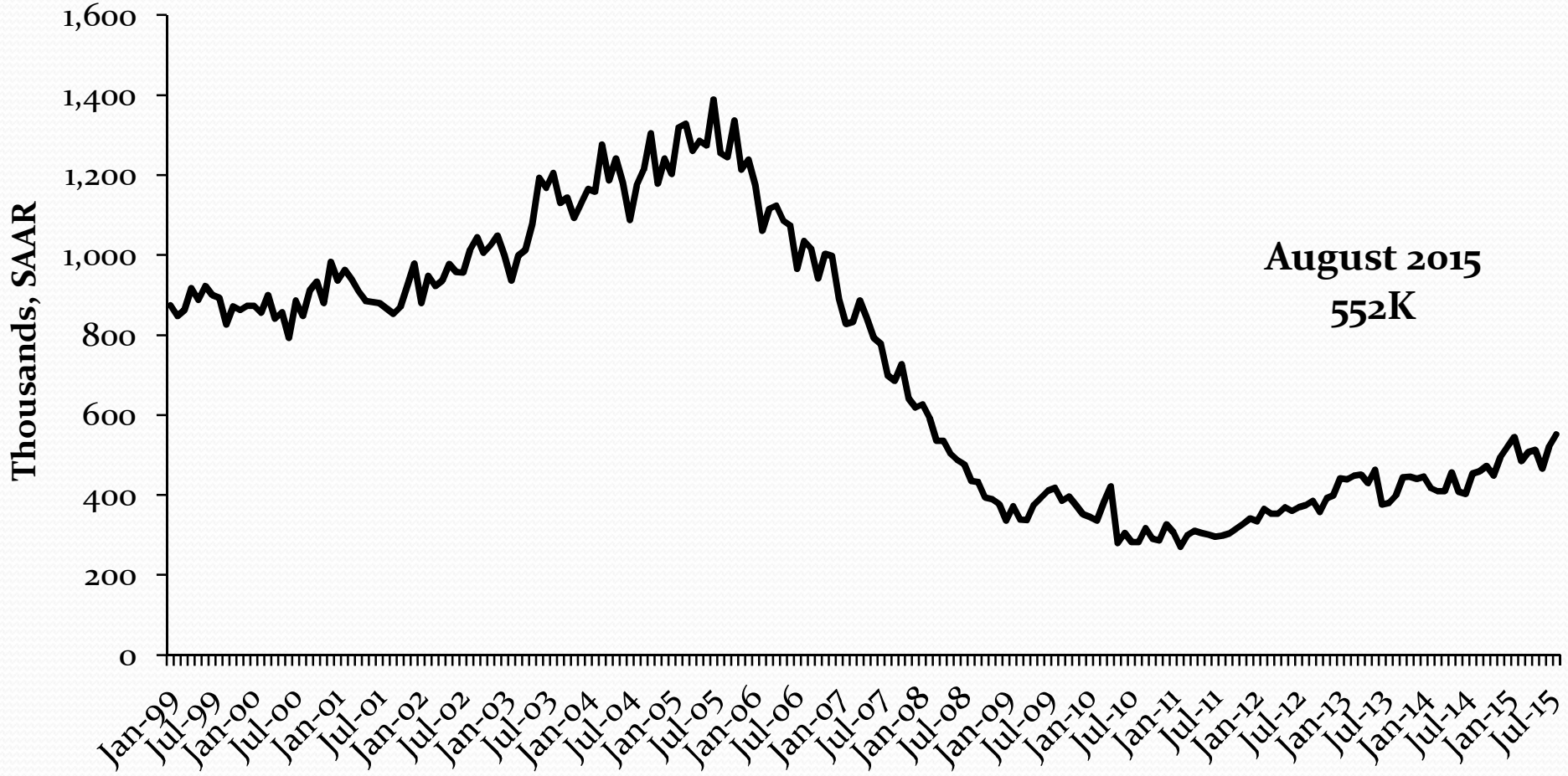
U.S. New Home Sales

January 1999 through August 2015



Source: U.S. Census Bureau

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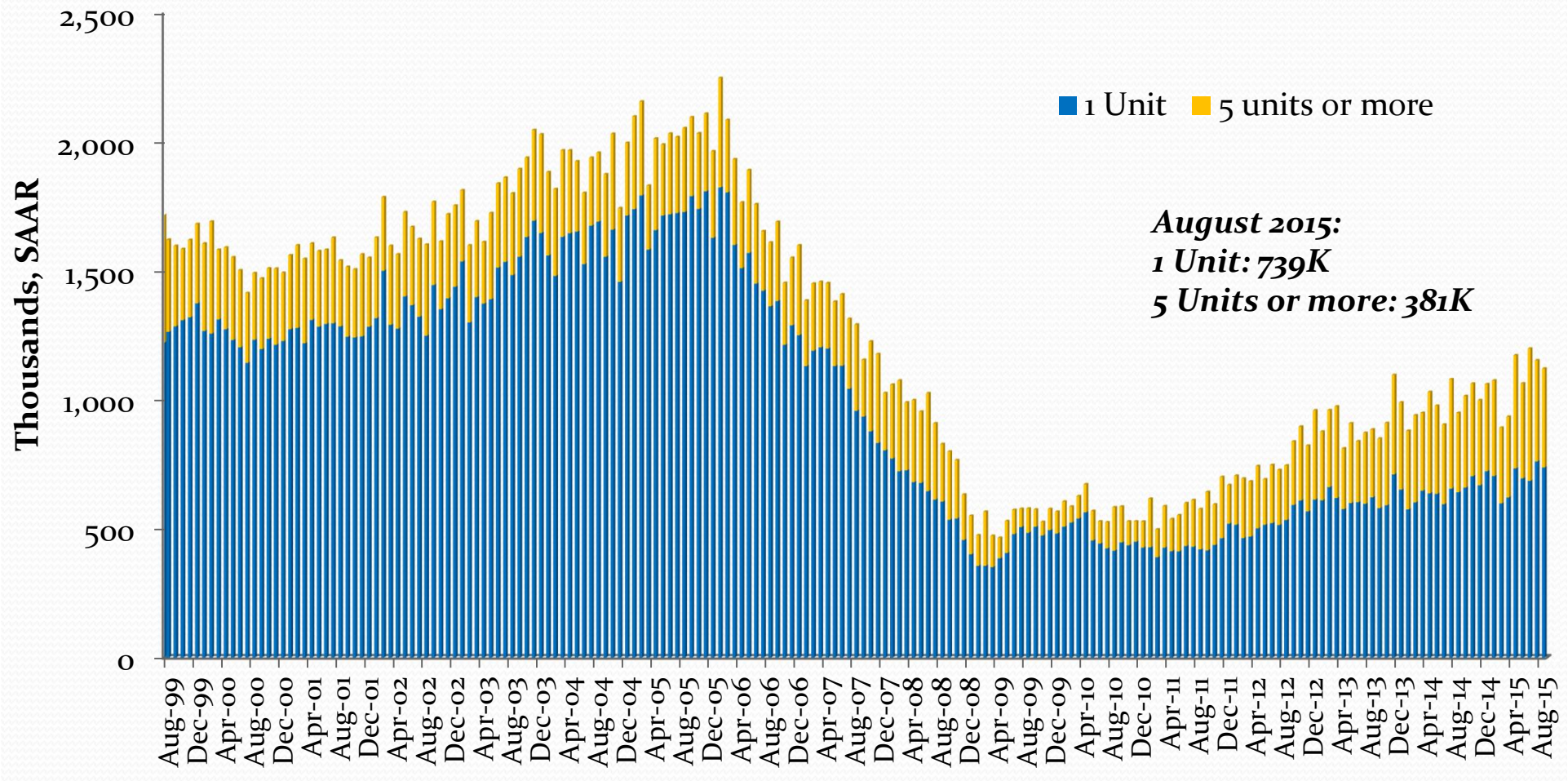
U.S. Housing Starts

August 1999 through August 2015



Source: U.S. Census Bureau

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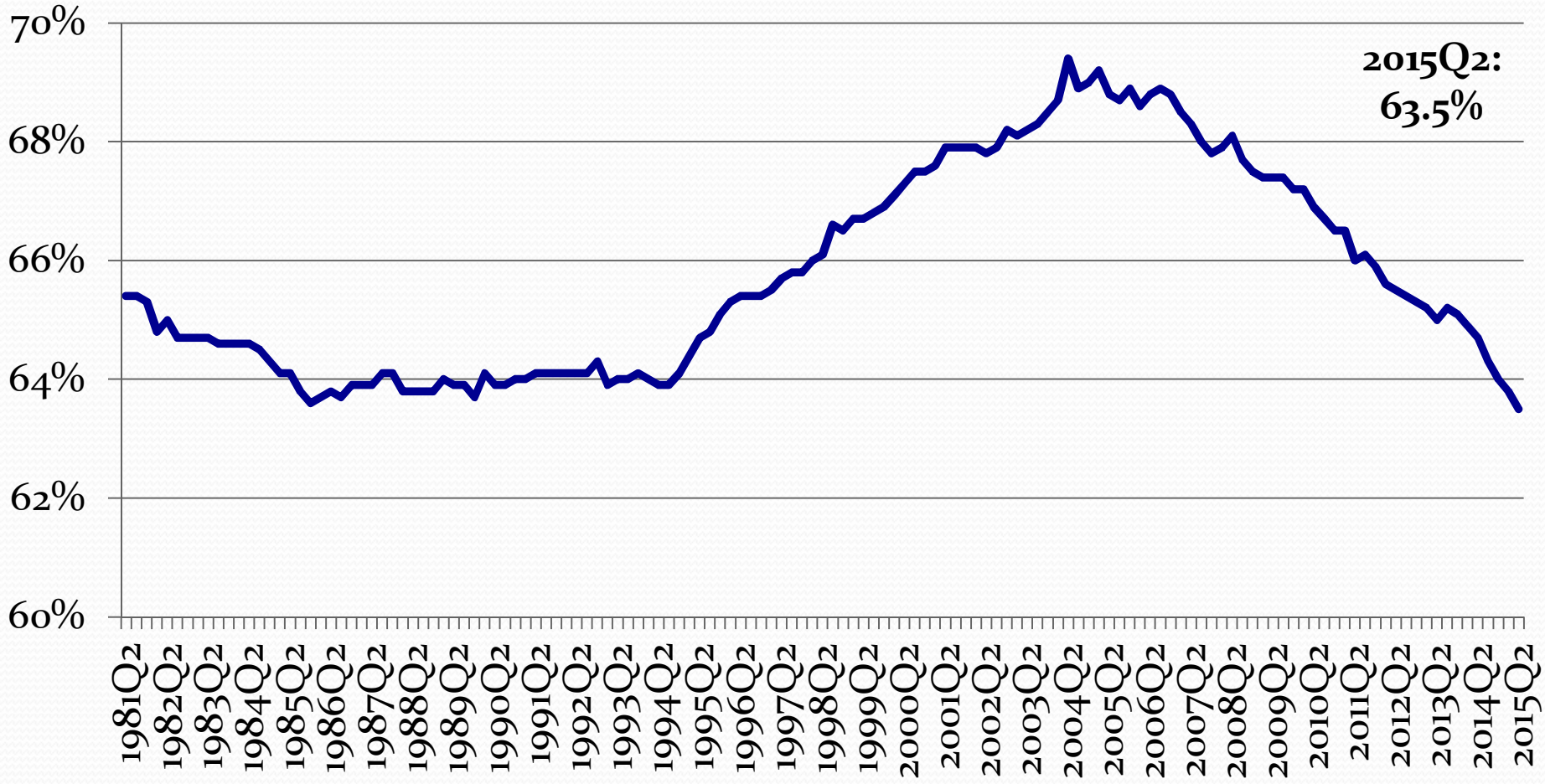
U.S. Homeownership



Source: U.S. Census Bureau

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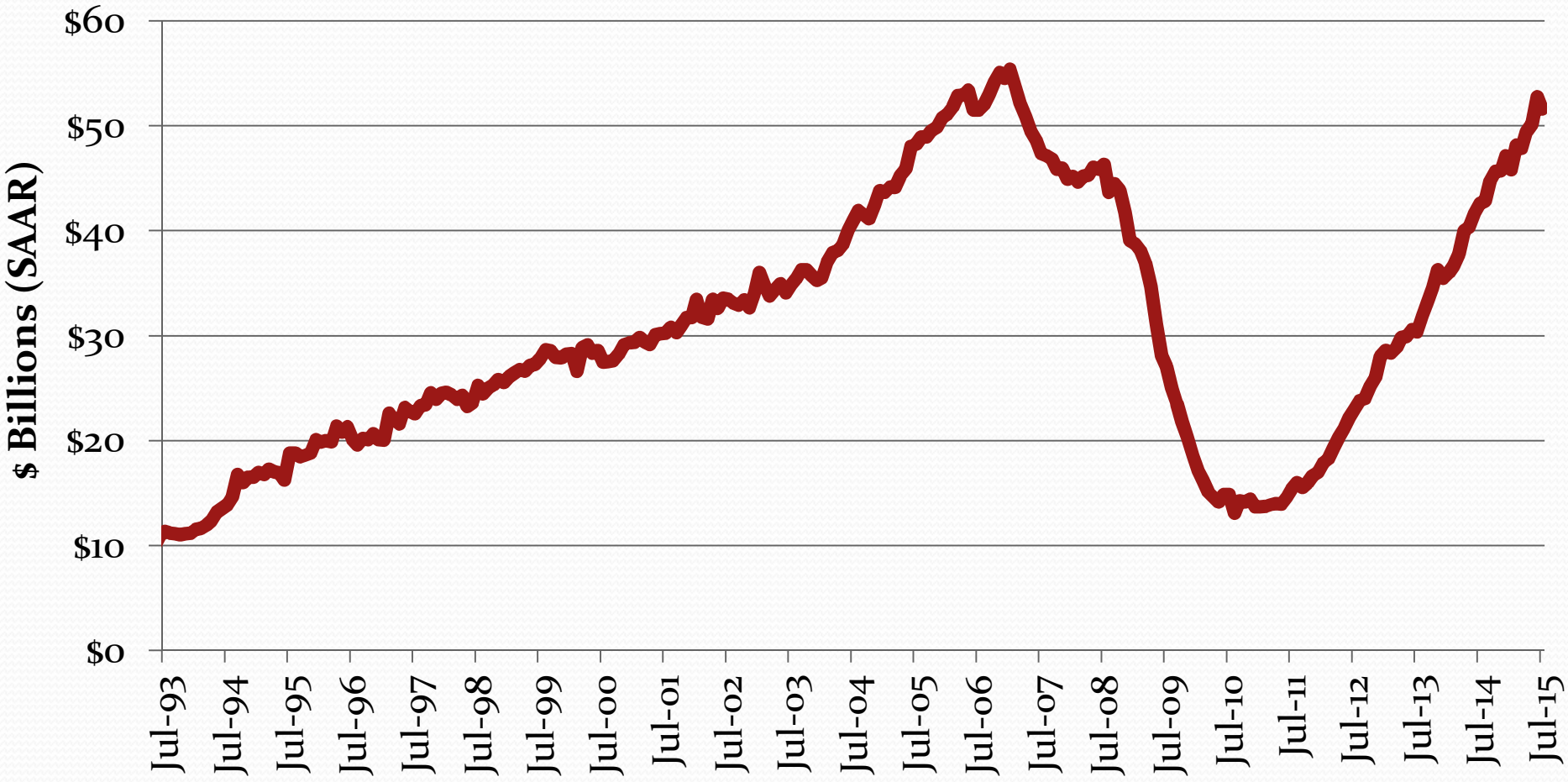
U.S. Private New Multifamily Construction

July 1993 through July 2015



Source: U.S. Census Bureau

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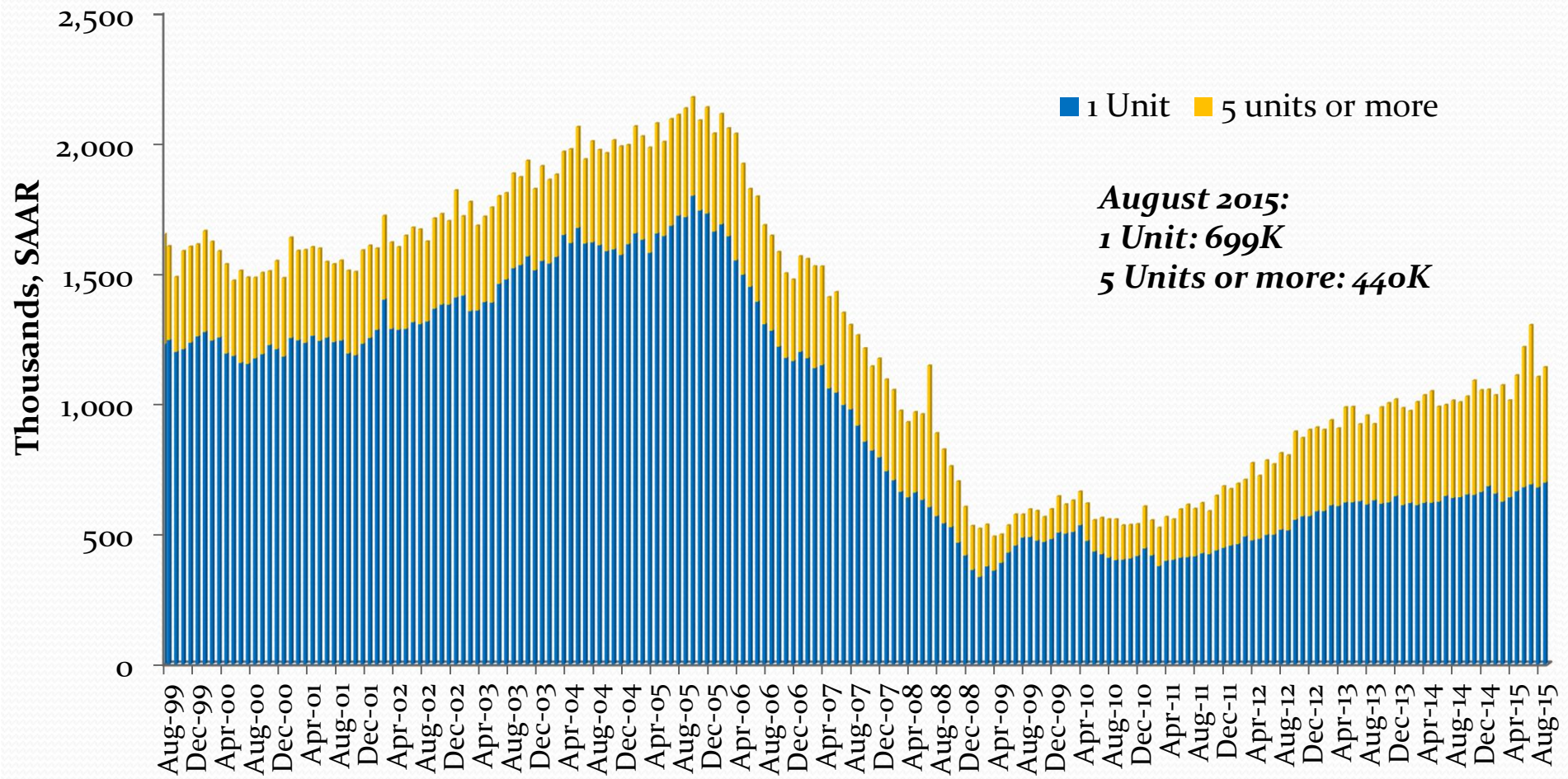
U.S. Housing Building Permits

August 1999 through August 2015



Source: U.S. Census Bureau

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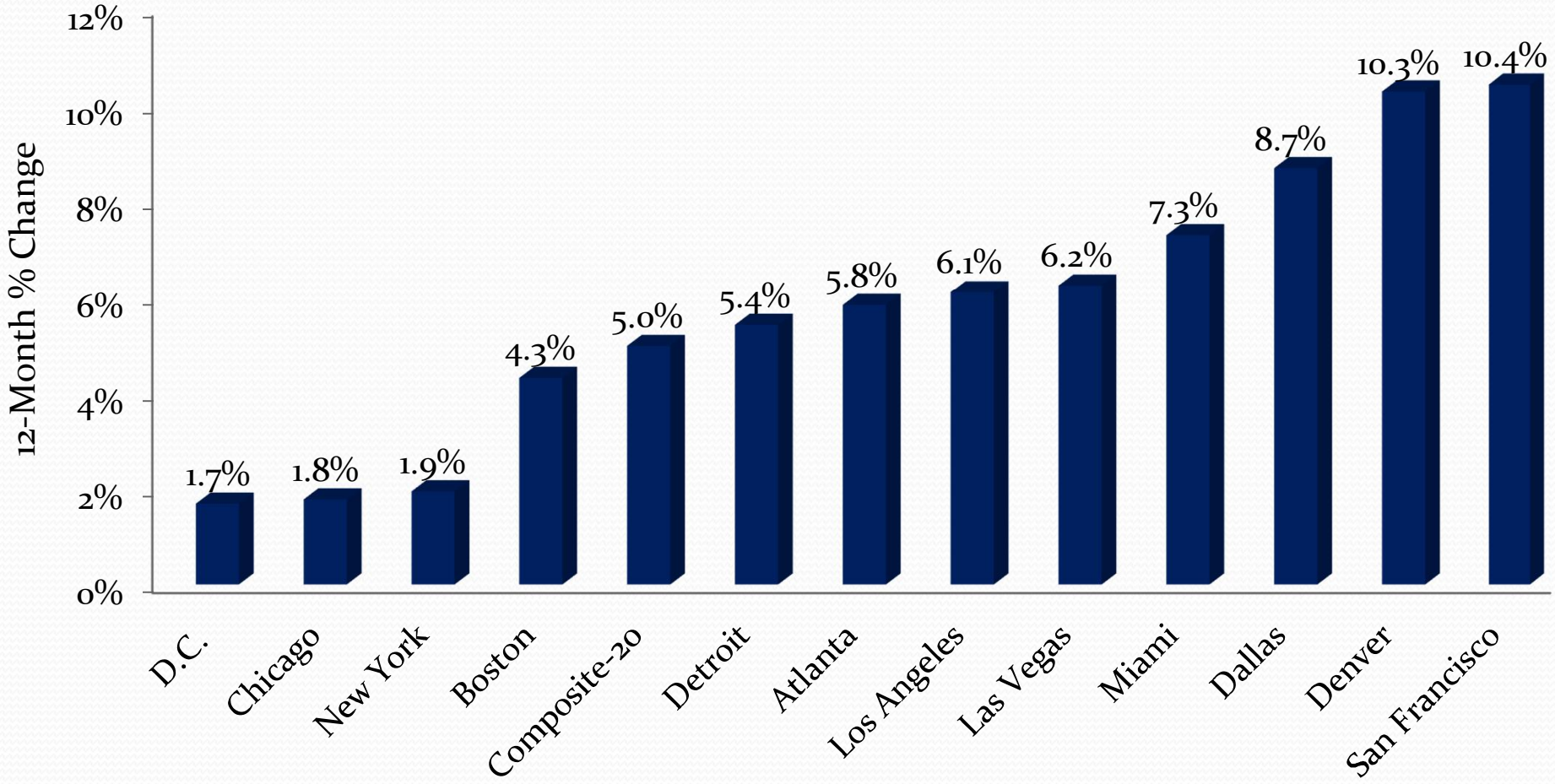
S&P/Case-Shiller Home Price Indices for Select Metros

July 2015, 12-Month Percentage Change



Source: Standard & Poor's

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Psycho

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Sales Growth by Type of Business

*August 2014 v. August 2015**

Source: U.S. Census Bureau

*August 2015 advanced estimate

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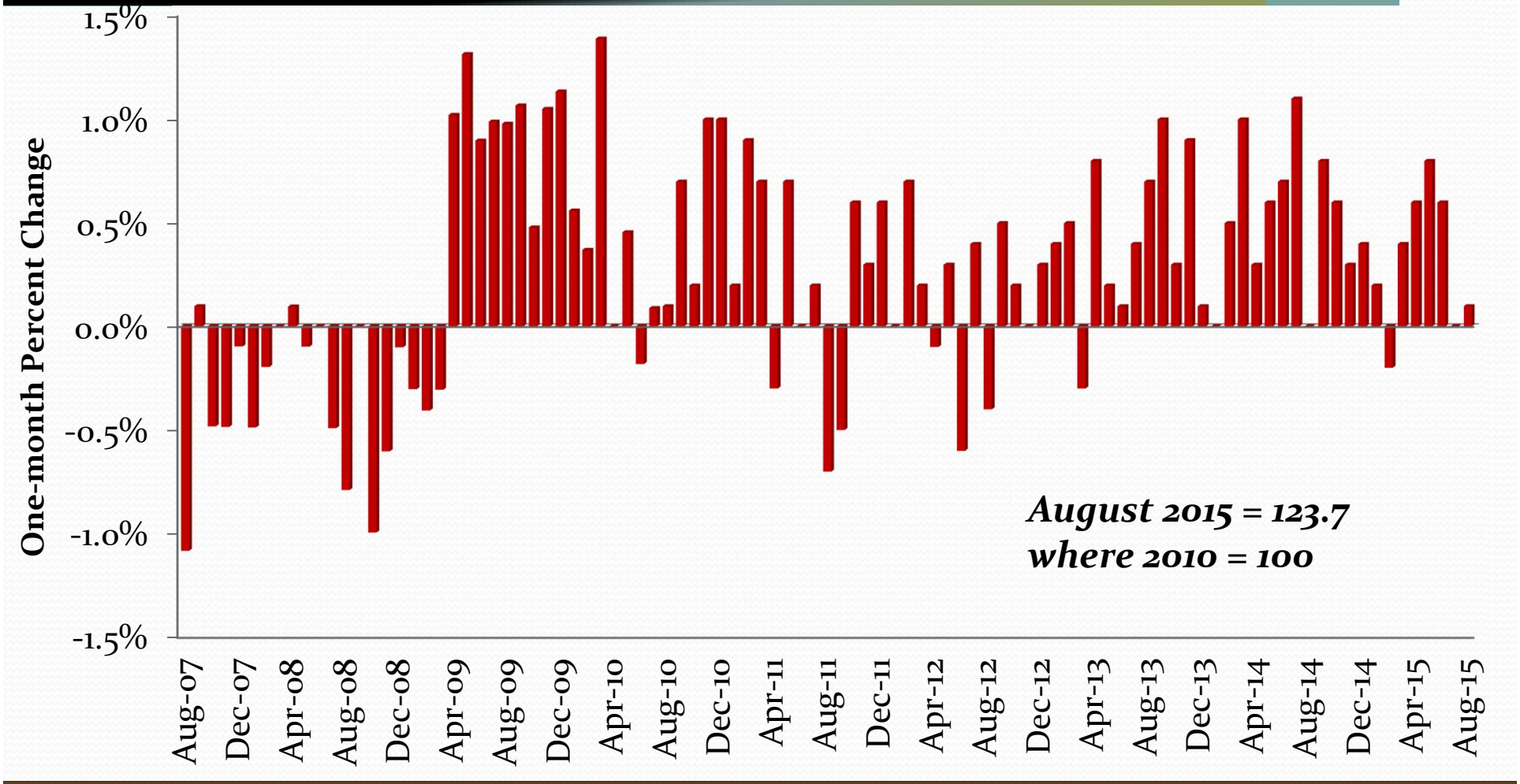
Conference Board Leading Economic Indicators Index

August 2007 through August 2015



Source: Conference Board

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Tell-Tale Heart

- We are now in the mid-cycle stage of recovery – please enjoy it;
- It's all about interest rates – the four segments driving the U.S. economy presently are 1) consumer spending; 2) auto sales and production; 3) residential construction & 4) nonresidential construction – all are interest rate sensitive;
- The Federal Reserve has successfully managed to put itself in a no win situation – only imperfect policies to choose from;
- The world is not perfect - black swan threats remain: (1) Iran (2) Israel/Iran (3) Europe (4) contagion (5) cyber (6) EMP;
- Market is nervous, but perhaps for the wrong reasons; and
- More people benefit from lower oil prices than are hurt – more contractors and developers are helped than hurt – frankly, low oil prices just don't make me that nervous (but something else does!)

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Thank You

- Follow us on Twitter @SagePolicyGroup
- You can always reach me at abasu@sagepolicy.com
- Please look for updates of information at www.sagepolicy.com.
- Also, if you need us in a hurry, we are at 410.522.7243 (410.522.SAGE)
- Please contact us when you require economic research & policy analysis.

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