

Markets, He Wrote

*On Behalf of
The FEMSA/FAMA 2017 Annual Conference*

***By: Anirban Basu
Sage Policy Group, Inc.***

October 5th, 2017



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Macro P.I.

(Just How Hairy is the
Global Situation?)

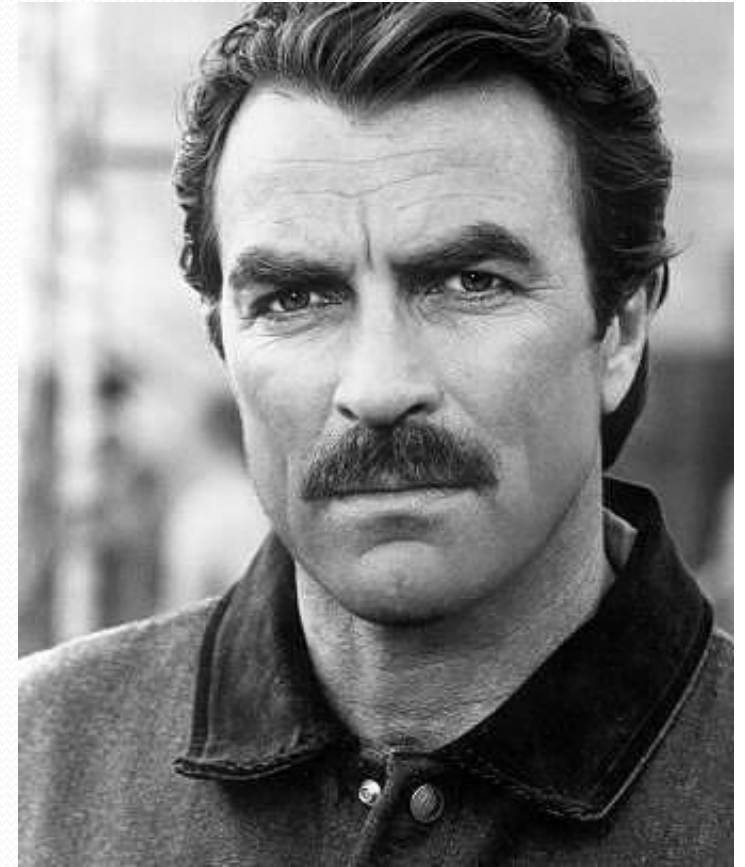
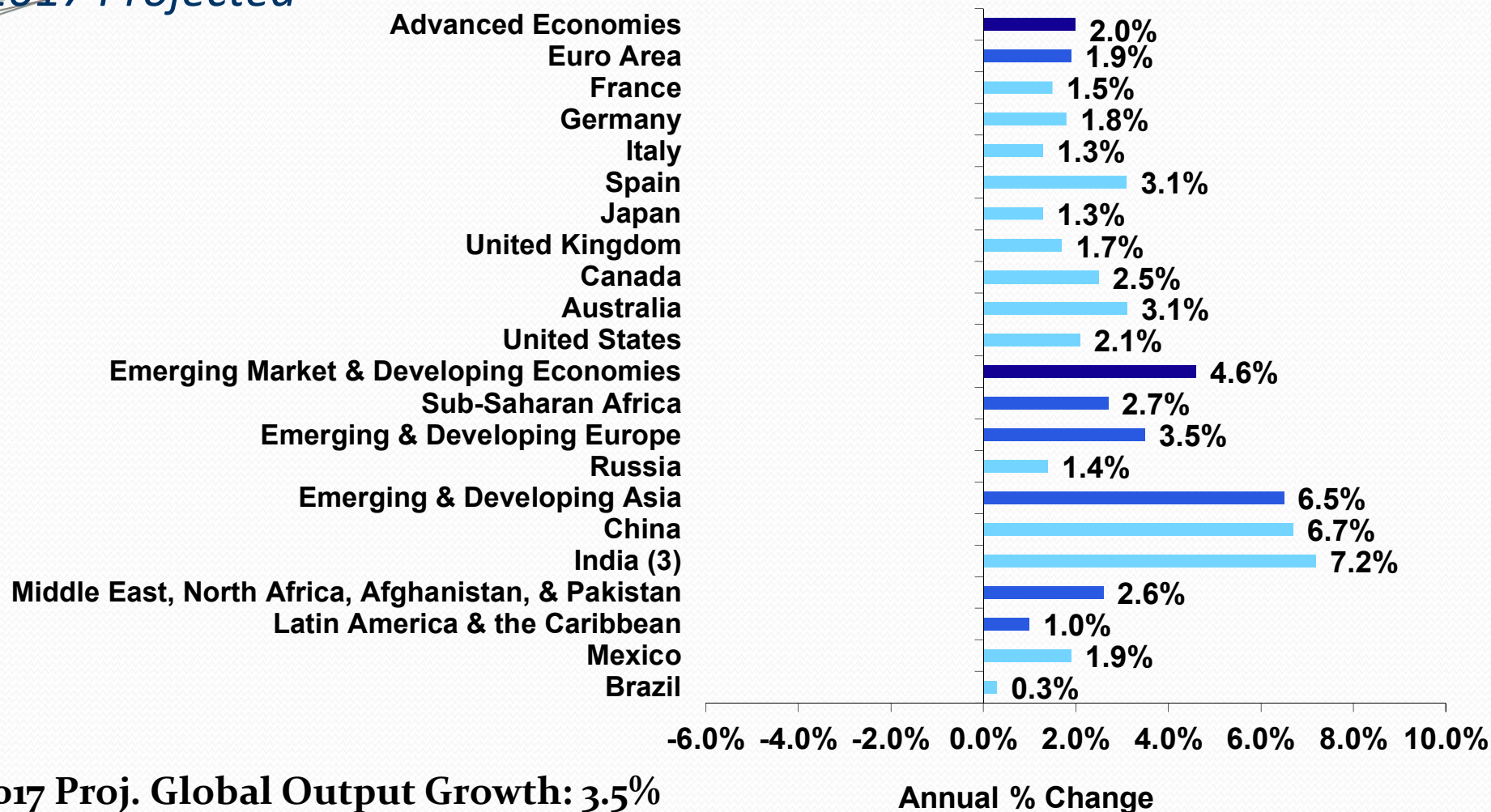


Photo: Flixter.com

Estimated Growth in Output by Select Global Areas

2017 Projected



2017 Proj. Global Output Growth: 3.5%

Source: International Monetary Fund: World Economic Outlook Update, July 2017

2016 Growth (Estimate)	
World: 3.2%	Euro Area: 1.8%
United States: 1.6%	Japan: 1.0%

International Population Dynamics, 16 Largest Nations

Nation	Population (Millions)			% Change
	2017	2050	Net Change	
Nigeria	190.9	410.6	219.8	115.1%
Ethiopia	105.0	190.9	85.9	81.9%
Egypt	97.6	153.4	55.9	57.3%
Pakistan	197.0	306.9	109.9	55.8%
Philippines	104.9	151.3	46.4	44.2%
Mexico	129.2	164.3	35.1	27.2%
India	1,339.2	1,659.0	319.8	23.9%
Bangladesh	164.7	201.9	37.3	22.6%
Indonesia	264.0	321.6	57.6	21.8%
United States	324.5	389.6	65.1	20.1%
Vietnam	95.5	114.6	19.1	20.0%
Brazil	209.3	232.7	23.4	11.2%
China	1,409.5	1,364.5	-45.1	-3.2%
Germany	82.1	79.2	-2.9	-3.5%
Russian Federation	144.0	132.7	-11.3	-7.8%
Japan	127.5	108.8	-18.7	-14.7%
World	7.6 billion	9.8 billion	2.2 billion	29.4%

Source: United Nations, Department of Economic and Social Affairs (DESA)/Population Division. World Population Prospects: The 2017 Revision.

*For statistical purposes, the data for China do not include Hong Kong and Macao, Special Administrative Regions (SAR) of China, and Taiwan Province of China.

Niamey Vice

(Fertility Rates by Country, 2015)

Top 15		
Rank*	Country	Fertility Rate
1	Niger	7.29
2	Somalia	6.37
3	Dem. Rep. of the Congo	6.20
4	Mali	6.15
5	Chad	6.05
6	Burundi	5.78
7	Angola	5.77
8	Uganda	5.68
9	Timor-Leste	5.62
10	Nigeria	5.59
11	Gambia, The	5.49
12	Burkina Faso	5.44
13	Mozambique	5.31
14	Tanzania	5.08
15	Benin	5.05

Bottom 15		
Rank*	Country	Fertility Rate
187	Malta	1.42
188	Italy	1.37
188	Slovak Republic	1.37
190	Mauritius	1.36
191	Cyprus	1.35
192	Bosnia and Herzegovina	1.35
193	Poland	1.32
193	Spain	1.32
195	Greece	1.30
196	Macao SAR, China	1.28
197	Moldova	1.25
198	Singapore	1.24
199	Korea, Rep.	1.24
200	Portugal	1.23
201	Hong Kong SAR, China	1.20

Source: World Bank, World Development Indicators

*Rank among 201 countries for which data are available for the most recent year (2015)

**Total fertility rate represents the number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with age-specific fertility rates of the specified year.



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Global Debt to Exacerbate Slow Growth?

- “ According to the IMF, global debt reached an **all-time high** in 2015;
- “ At **\$152 trillion**, global gross debt of the nonfinancial sector now represents **225% of global GDP**;
- “ About **2/3** of this debt is in the **private sector**;
- “ Current low nominal-growth environment is making adjustment difficult, setting the stage for a “**vicious feedback loop**” in which lower growth hampers deleveraging and the debt overhang exacerbates the slowdown.²

Sources: 1. International Monetary Fund. October 2016. “World Economic Outlook: Subdued Demand: Symptoms and Remedies.” 2. International Monetary Fund (IMF). October 2016. “Fiscal Monitor: Debt—Use It Wisely.”

Note: The nonfinancial sector comprises the general government, nonfinancial firms, and households. Gross debt represents the unconsolidated liabilities of the three.

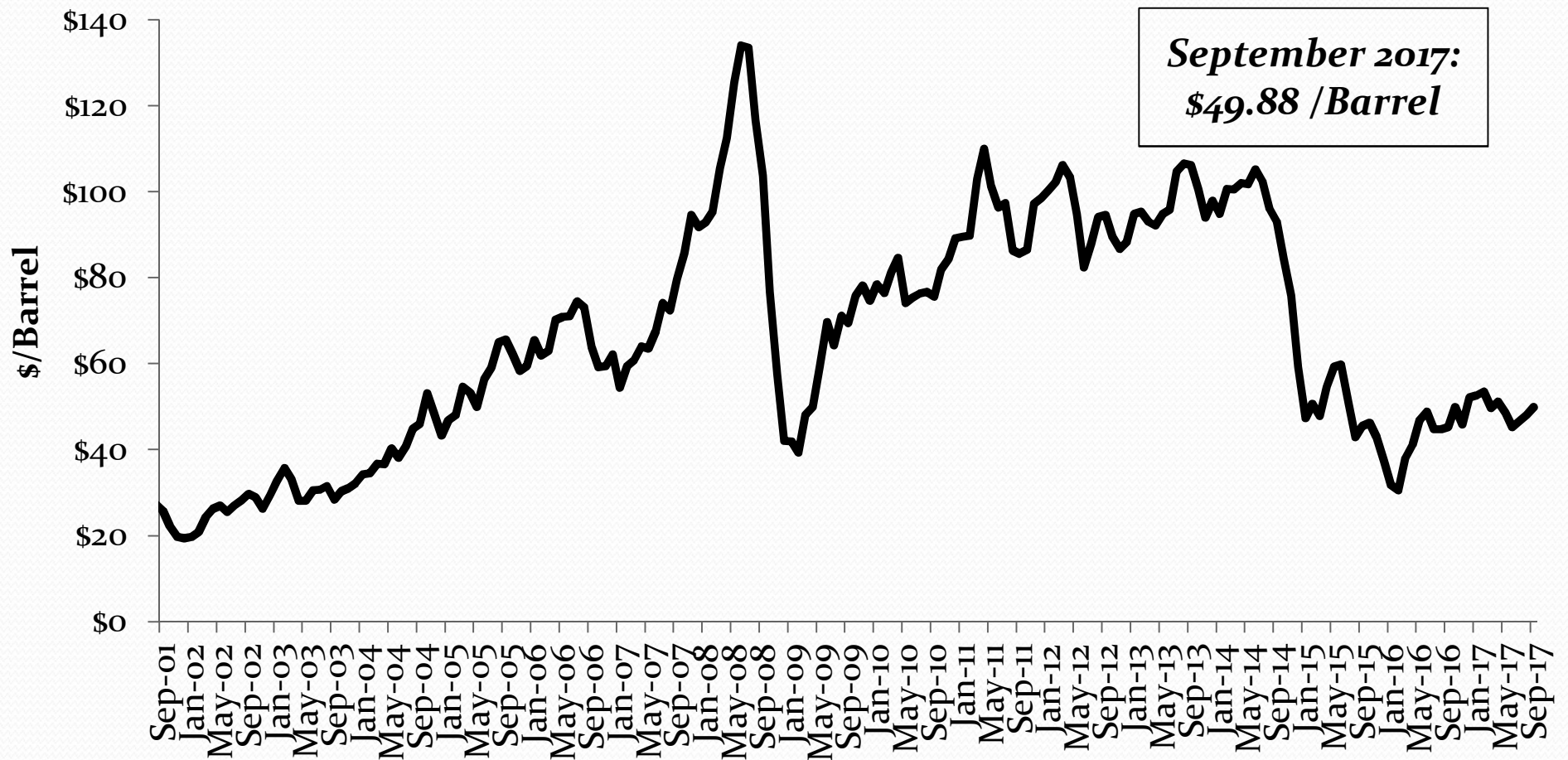
Global Debt Reaches All Time Highs (IIF)

- “ According to the International Institute of Finance (IIF), global debt has reached an all-time high in 2016;
- “ At **\$215 trillion**, global debt—including household, government, and corporate—now represents **325% of global GDP**;
- “ Last year the IMF warned of risks to the global economy:
 - “ *“sheer size of debt could set the stage for an unprecedented private deleveraging process that could thwart the fragile economic recovery”*

Sources: 1. Institute of International Finance (IIF), Global Debt Monitor. 2. Business Insider. 3. The Telegraph. 4. Reuters.

NYMEX Crude Oil Future Prices in U.S. Dollars

September 2001 through September 2017

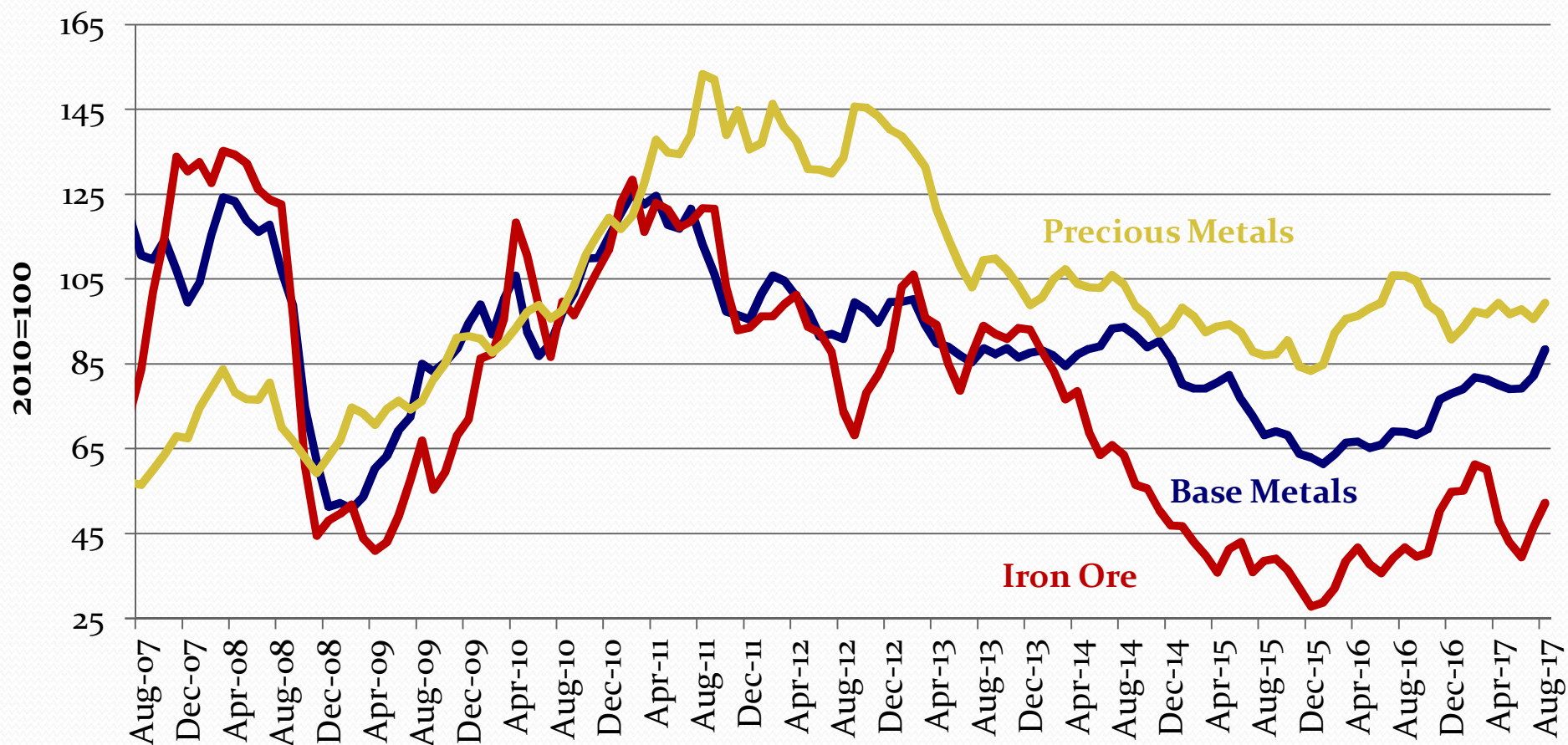


Source: U.S. Energy Information Administration

*Month of September = average of daily prices from 9/1-9/29

Metal Price Indices

August 2007 through August 2017



Source: The World Bank

US\$ Nominal

Base metals include aluminum, copper, lead, nickel, tin and zinc.

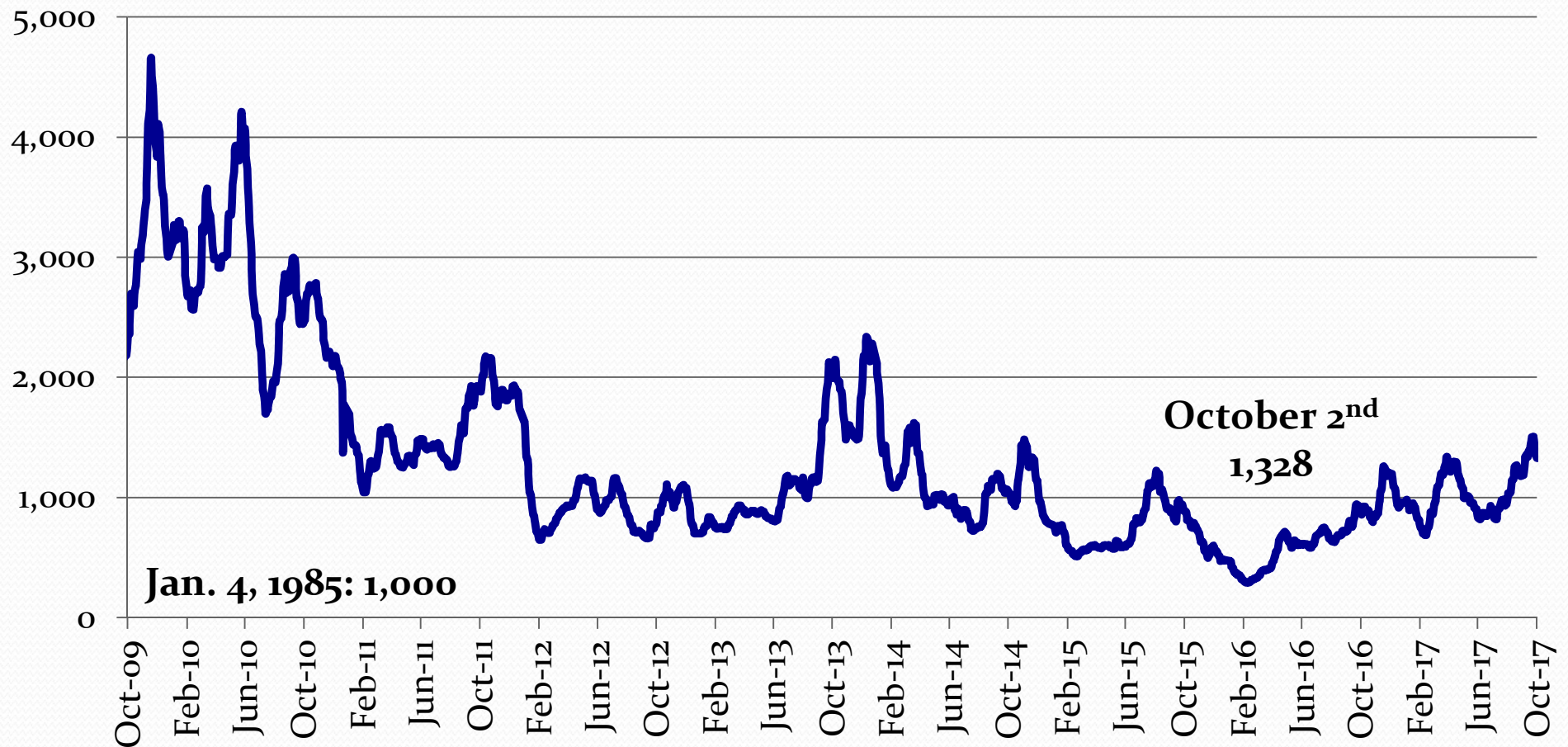
Precious metals include gold, platinum, and silver.



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Baltic Dry Index

October 2009 through October 2017



Source: Quandl.com

The Baltic Dry Index (BDI) is a measure of the price of shipping major raw materials such as metals, grains, and fossil fuels by sea. The BDI is a composite of 3 sub-indices, each covering a different carrier size: Capesize, Panamax, and Supramax.



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USA CSI

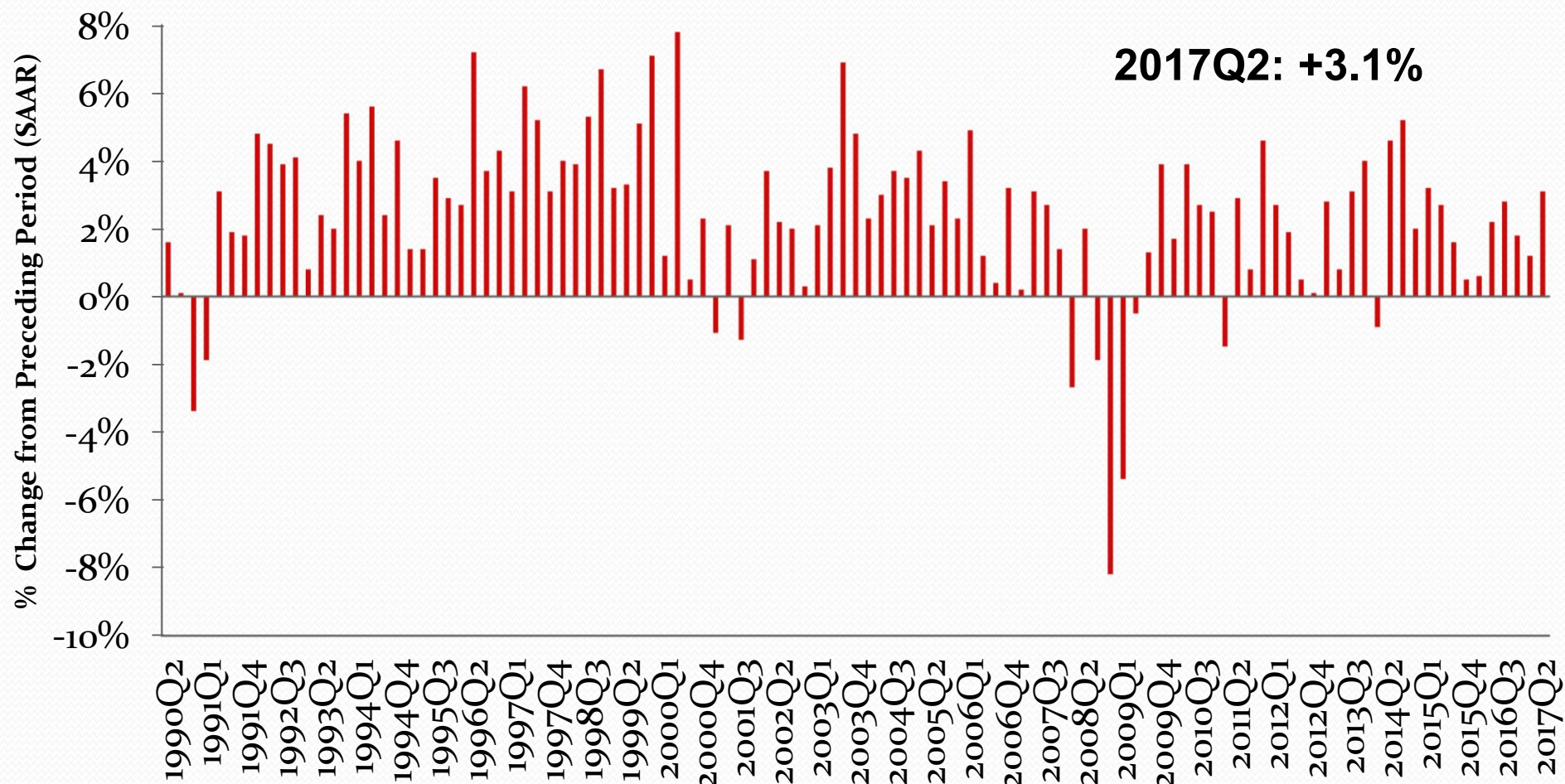


(Commercial Situation Investigation)

Photo: AMCNetworks.com

Gross Domestic Product

1990Q2 through 2017Q2*



Source: Bureau of Economic Analysis

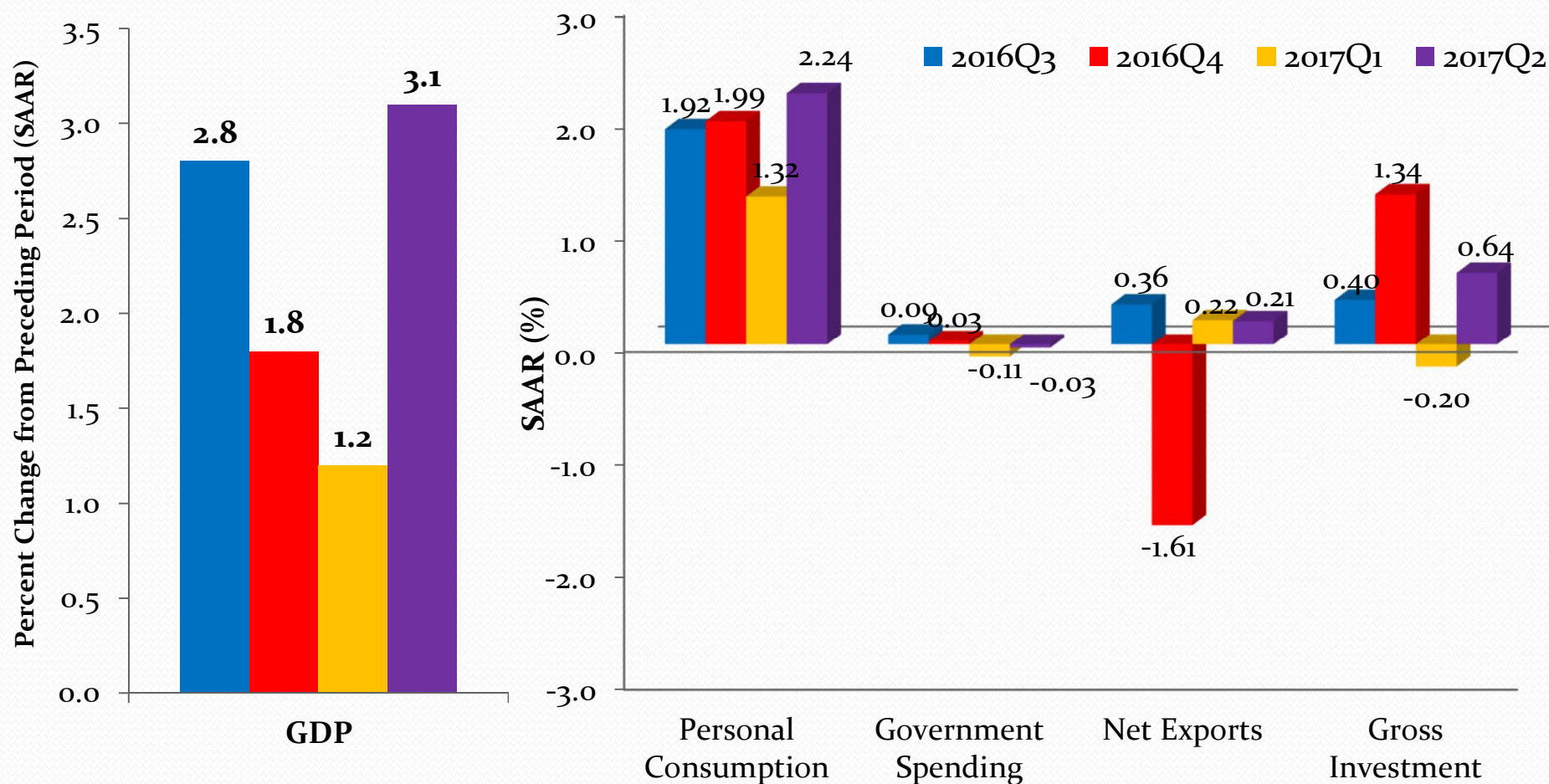
*3rd(final) Estimate



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Contributions to GDP Growth by Component

2016Q3 – 2017Q2*



Source: Bureau of Economic Analysis

*3rd(final) Estimate

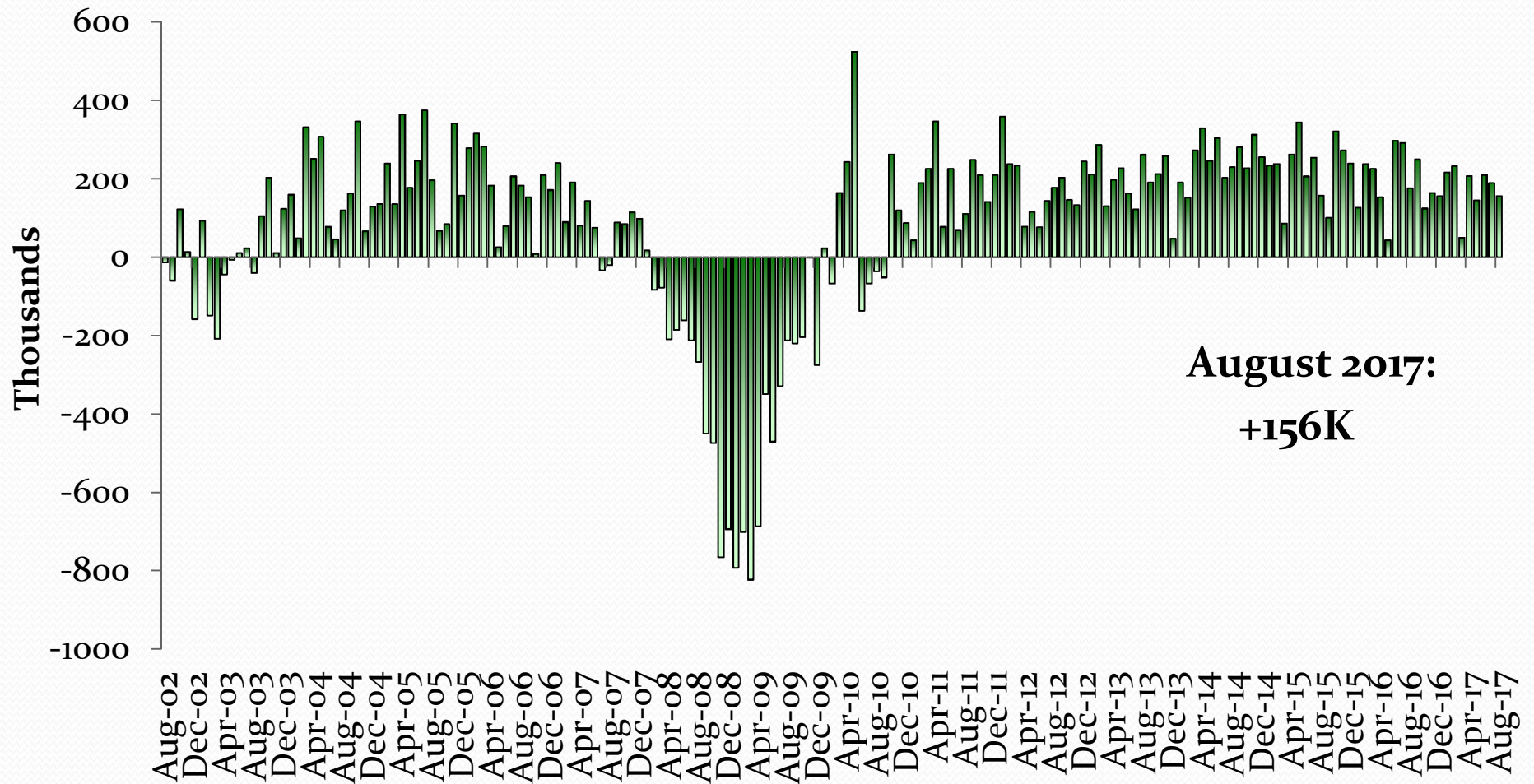
2017Q2: +3.1%



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Net Change in U.S. Jobs, BLS

August 2002 through August 2017

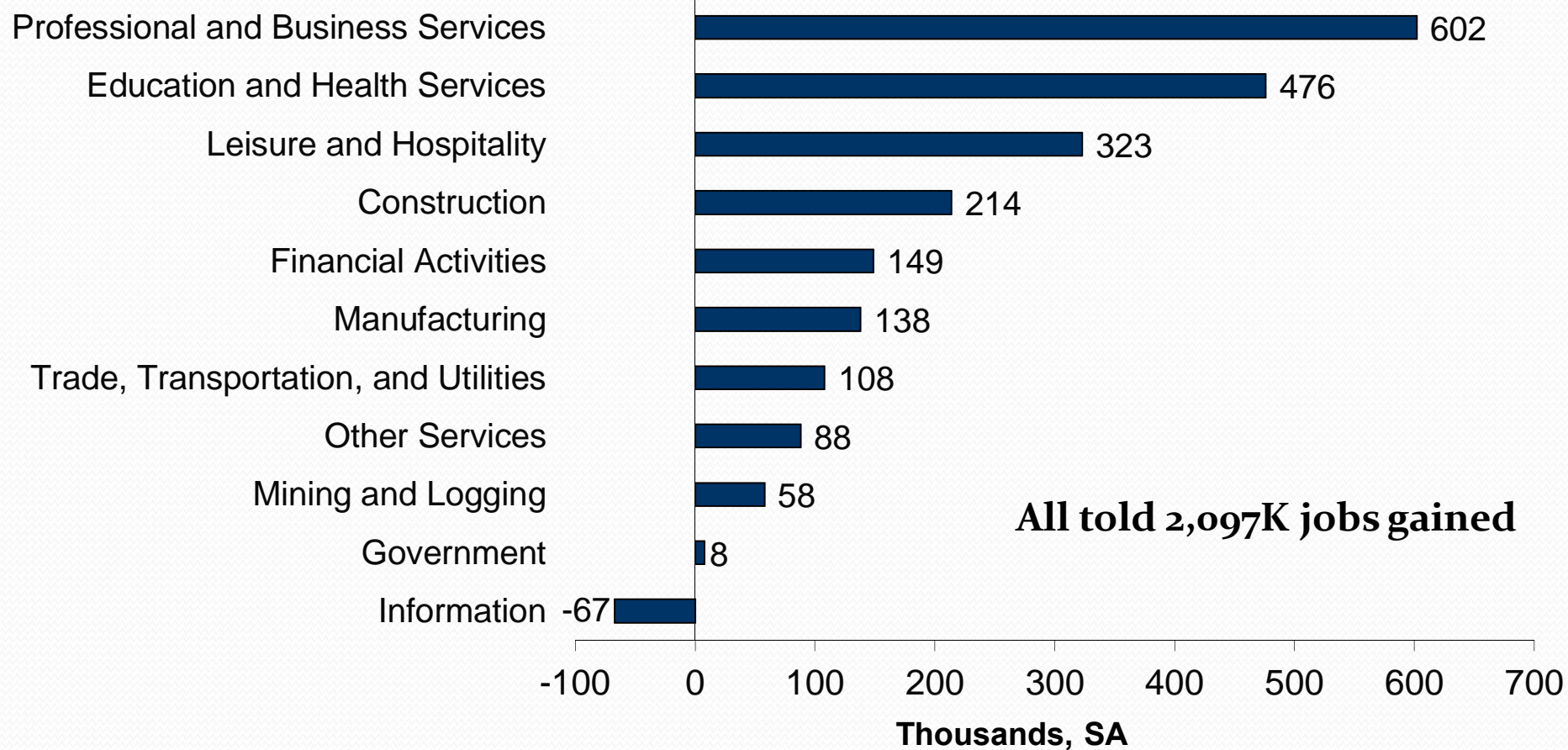


Source: U.S. Bureau of Labor Statistics

National Nonfarm Employment

by Industry Sector

August 2016 v. August 2017



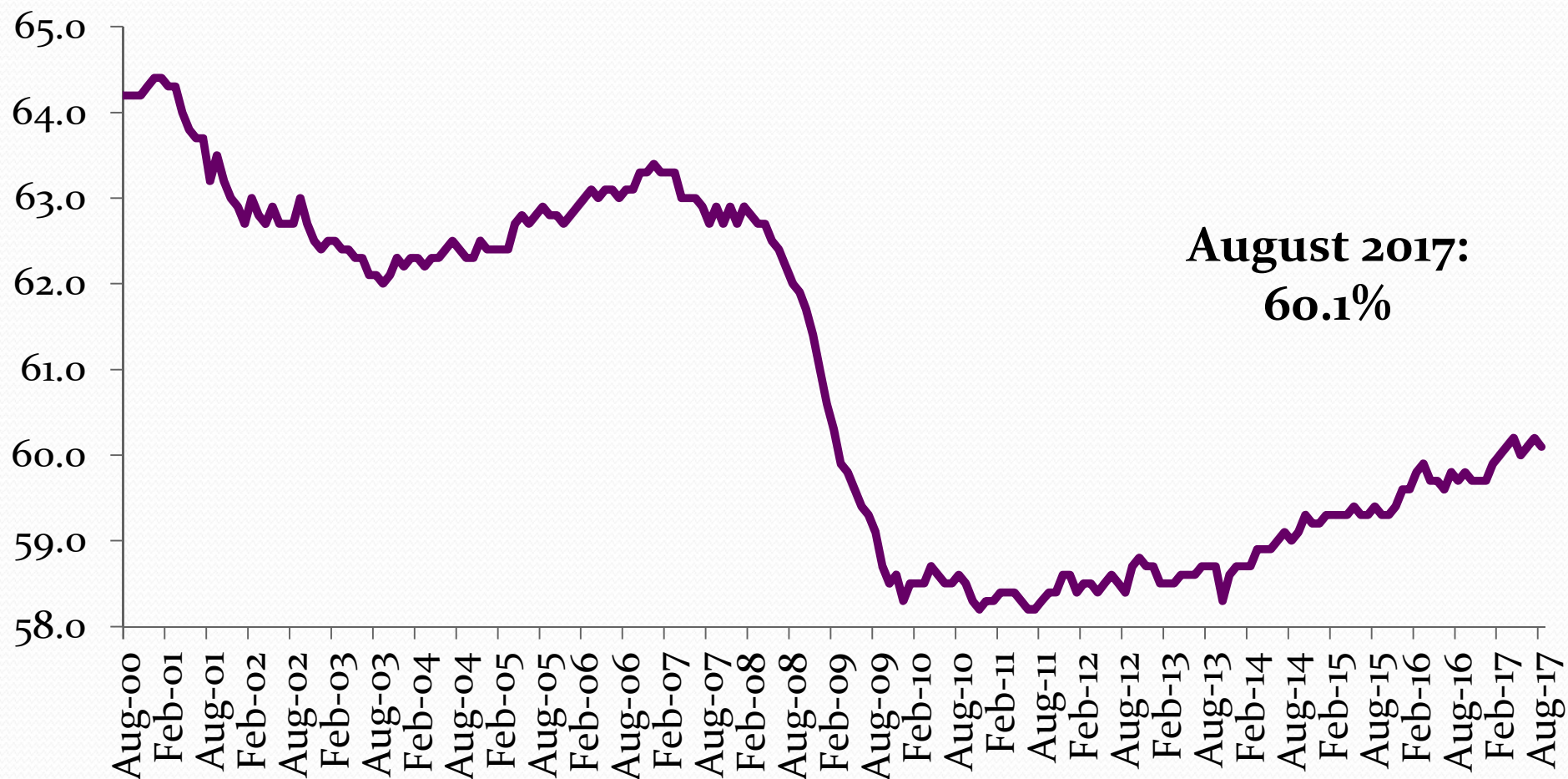
Source: U.S. Bureau of Labor Statistics



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U.S. Employment to Population Ratio

August 2000 – August 2017



Source: U.S. Bureau of Labor Statistics

Note: Civilian employment-population ratio, population 16 years and over, seasonally adjusted (SA).



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Firefighters: Occupational Outlook

- “ Employment for firefighters is projected to grow 5% from 2014-2024;
- “ Physically fit applicants with high test scores, some post-secondary firefighter education, and paramedic training have the best job prospects;
- “ 2/3 of situations that firefighters respond to are medical emergencies, not fires.

Source: U.S. Bureau of Labor Statistics

High Demand for Volunteer Firefighters

- “ Volunteer firefighters share the same duties as paid firefighters and account for the majority of firefighters in many areas.
- “ According to the National Fire Protection Association, about 69 percent of fire departments were staffed entirely by volunteer firefighters in 2013.

Source: U.S. Bureau of Labor Statistics; Fire Rescue Magazine

Volunteers Tougher to Find

- “ At the same time, the number of volunteer firefighters has declined significantly and volunteers continue to age;
- “ The number of firefighters that are strictly volunteers declined by more than 10 percent from 2000 to 2015;
- “ Departments are having trouble attracting younger volunteers:
 - “ Increased demands on people’s time and longer commutes;
 - “ Growth of two-income households;
 - “ Increased training requirements and costs

Source: U.S. Bureau of Labor Statistics; Fire Rescue Magazine; National Fire Protection Association

Employment Growth, U.S. States (SA)

August 2016 v. August 2017 Percent Change

RANK	STATE	%	RANK	STATE	%	RANK	STATE	%
1	NEVADA	3.0	18	CALIFORNIA	1.6	35	INDIANA	1.0
2	GEORGIA	2.7	18	KENTUCKY	1.6	35	OHIO	1.0
3	FLORIDA	2.6	18	MASSACHUSETTS	1.6	35	PENNSYLVANIA	1.0
3	UTAH	2.6	18	MONTANA	1.6	38	NEW JERSEY	0.9
5	TEXAS	2.5	18	NORTH CAROLINA	1.6	39	SOUTH DAKOTA	0.8
6	MARYLAND	2.3	23	MINNESOTA	1.5	40	DELAWARE	0.6
6	OREGON	2.3	23	VIRGINIA	1.5	40	HAWAII	0.6
8	IDAHO	2.2	25	ALABAMA	1.4	40	MISSISSIPPI	0.6
9	NEW HAMPSHIRE	2.1	25	MICHIGAN	1.4	40	VERMONT	0.6
9	WASHINGTON	2.1	25	NEW YORK	1.4	40	WISCONSIN	0.6
11	ARKANSAS	1.9	28	ARIZONA	1.3	45	CONNECTICUT	0.4
11	RHODE ISLAND	1.9	28	NEBRASKA	1.3	45	ILLINOIS	0.4
13	COLORADO	1.8	28	NORTH DAKOTA	1.3	45	MAINE	0.4
13	MISSOURI	1.8	31	LOUISIANA	1.2	48	ALASKA	0.1
13	TENNESSEE	1.8	31	OKLAHOMA	1.2	48	WEST VIRGINIA	0.1
16	DISTRICT OF COLUMBIA	1.7	33	IOWA	1.1	50	KANSAS	-0.6
16	SOUTH CAROLINA	1.7	33	NEW MEXICO	1.1	51	WYOMING	-0.9

Source: U.S. Bureau of Labor Statistics

U.S. Year-over-year Percent Change: +1.4%



Employment Growth, 24 Largest Metros (NSA)

August 2016 v. August 2017 Percent Change

Rank	MSA	%	Rank	MSA	%
1	Orlando-Kissimmee-Sanford, FL MSA	3.3	13	Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	2.1
2	Atlanta-Sandy Springs-Roswell, GA MSA	3.2	14	Denver-Aurora-Lakewood, CO MSA	2.0
3	Tampa-St. Petersburg-Clearwater, FL MSA	3.1	15	Houston-The Woodlands-Sugar Land, TX MSA	1.8
4	Dallas-Fort Worth-Arlington, TX MSA	2.8	15	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	1.8
5	Seattle-Tacoma-Bellevue, WA MSA	2.7	15	Phoenix-Mesa-Scottsdale, AZ MSA	1.8
6	Charlotte-Concord-Gastonia, NC-SC MSA	2.6	18	San Francisco-Oakland-Hayward, CA MSA	1.7
7	Portland-Vancouver-Hillsboro, OR-WA MSA	2.5	19	New York-Newark-Jersey City, NY-NJ-PA MSA	1.5
7	Riverside-San Bernardino-Ontario, CA MSA	2.5	20	Baltimore-Columbia-Towson, MD MSA	1.4
9	Miami-Fort Lauderdale-West Palm Beach, FL MSA	2.4	21	San Diego-Carlsbad, CA MSA	1.3
10	Boston-Cambridge-Nashua, MA-NH Metro NECTA	2.3	22	St. Louis, MO-IL MSA	1.1
10	Detroit-Warren-Dearborn, MI MSA	2.3	23	Los Angeles-Long Beach-Anaheim, CA MSA	0.6
10	Minneapolis-St. Paul-Bloomington, MN-WI MSA	2.3	24	Chicago-Naperville-Elgin, IL-IN-WI MSA	0.5

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics (CES) Survey

Unemployment Rates, 24 Largest Metros (NSA)

August 2017

Rank	MSA	UR	Rank	MSA	UR
1	Denver-Aurora-Lakewood, CO MSA	2.2	10	Seattle-Tacoma-Bellevue, WA MSA	4.2
2	Minneapolis-St. Paul-Bloomington, MN-WI MSA	3.4	14	Phoenix-Mesa-Scottsdale, AZ MSA	4.3
3	Boston-Cambridge-Nashua, MA-NH Metro NECTA	3.5	15	Detroit-Warren-Dearborn, MI MSA	4.4
4	Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	3.7	16	Miami-Fort Lauderdale-West Palm Beach, FL MSA	4.5
5	Orlando-Kissimmee-Sanford, FL MSA	3.8	17	Atlanta-Sandy Springs-Roswell, GA MSA	4.6
6	Dallas-Fort Worth-Arlington, TX MSA	3.9	18	San Diego-Carlsbad, CA MSA	4.7
6	San Francisco-Oakland-Hayward, CA MSA	3.9	19	New York-Newark-Jersey City, NY-NJ-PA MSA	4.8
8	Tampa-St. Petersburg-Clearwater, FL MSA	4.0	20	Los Angeles-Long Beach-Anaheim, CA MSA	5.1
9	St. Louis, MO-IL MSA (1)	4.1	20	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA	5.1
10	Baltimore-Columbia-Towson, MD MSA	4.2	22	Houston-The Woodlands-Sugar Land, TX MSA	5.2
10	Charlotte-Concord-Gastonia, NC-SC MSA	4.2	23	Chicago-Naperville-Elgin, IL-IN-WI MSA	5.3
10	Portland-Vancouver-Hillsboro, OR-WA MSA	4.2	24	Riverside-San Bernardino-Ontario, CA MSA	6.2

Source: U.S. Bureau of Labor Statistics

1. Area boundaries do not reflect official OMB definitions.

U.S. Unemployment Rate
August: 4.4%



21 Jump Street

(And Other Addresses of Interest)

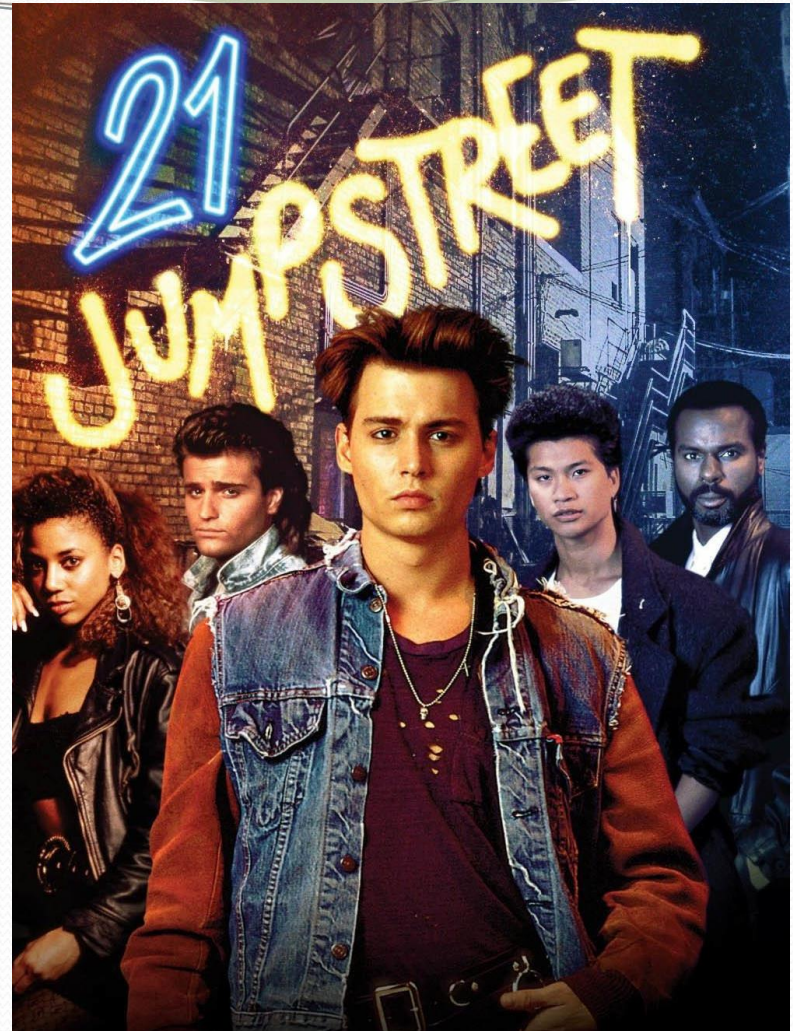
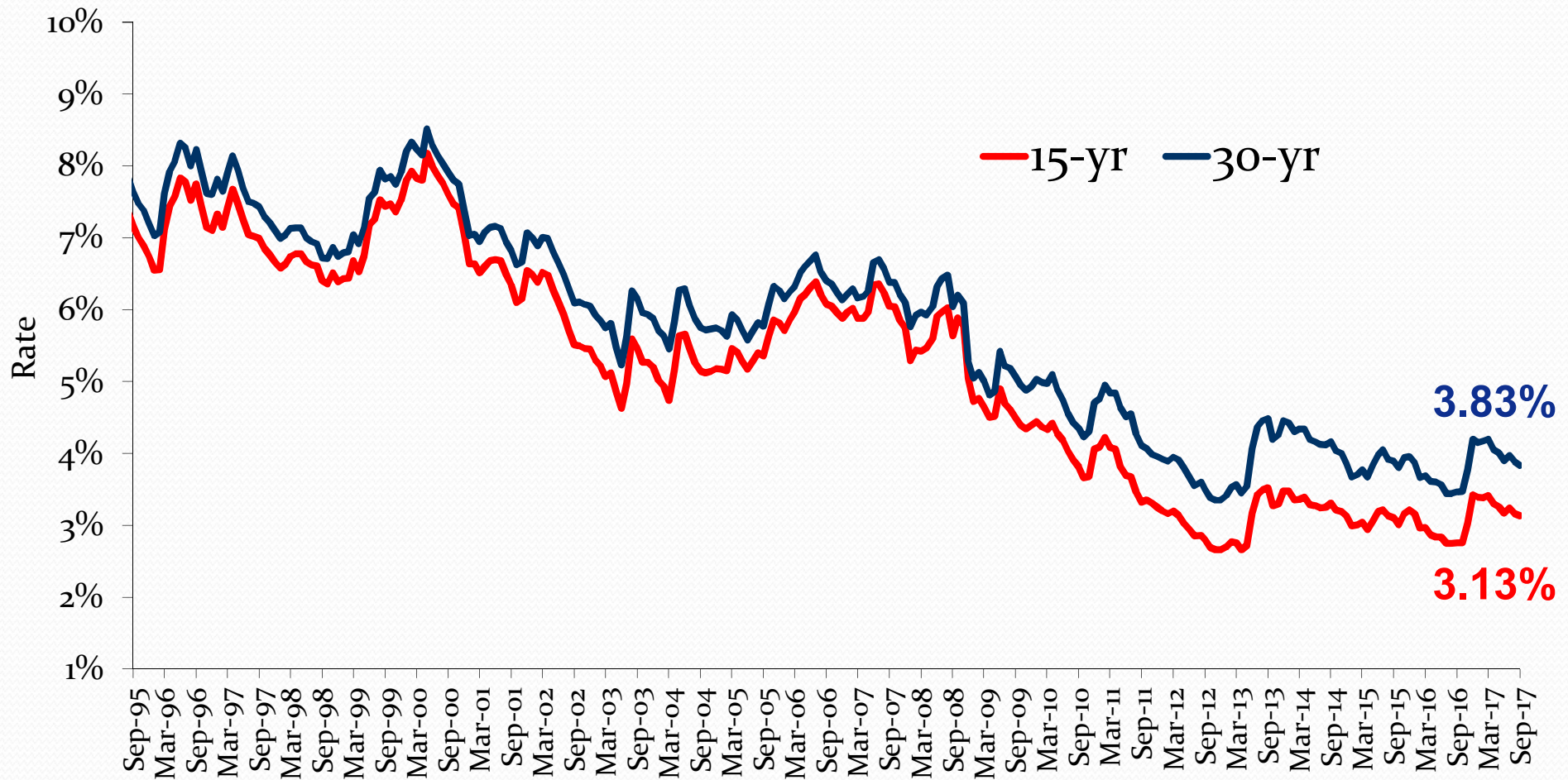


Photo: TheMoveDatabase.org

15-Year & 30-Year Fixed Mortgage Rates

September 1995 through September 2017*



Source: Freddie Mac

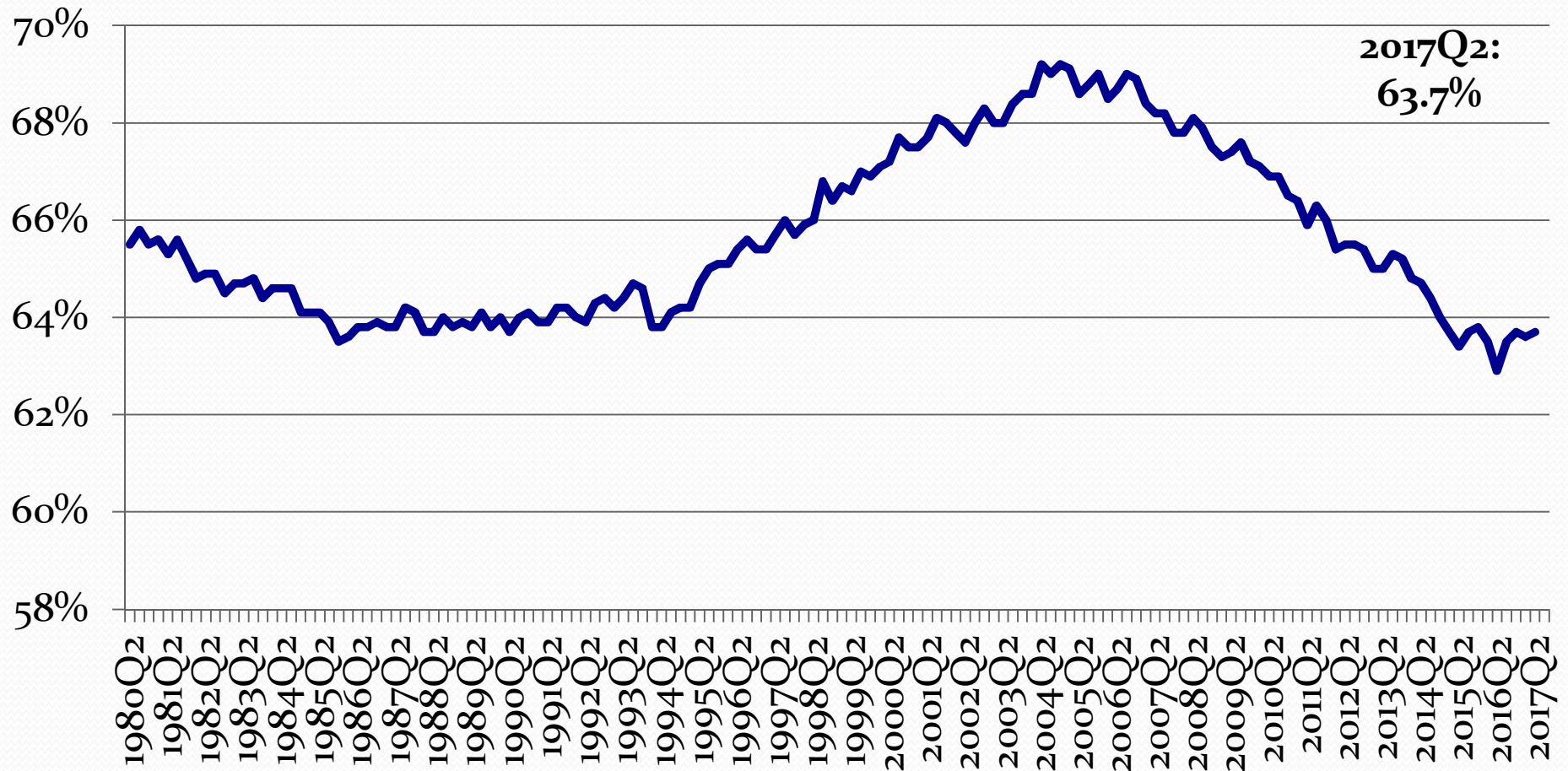
*Week ending 9/28/2017



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U.S. Homeownership (NSA)

1980Q2-2017Q2



Source: U.S. Census Bureau

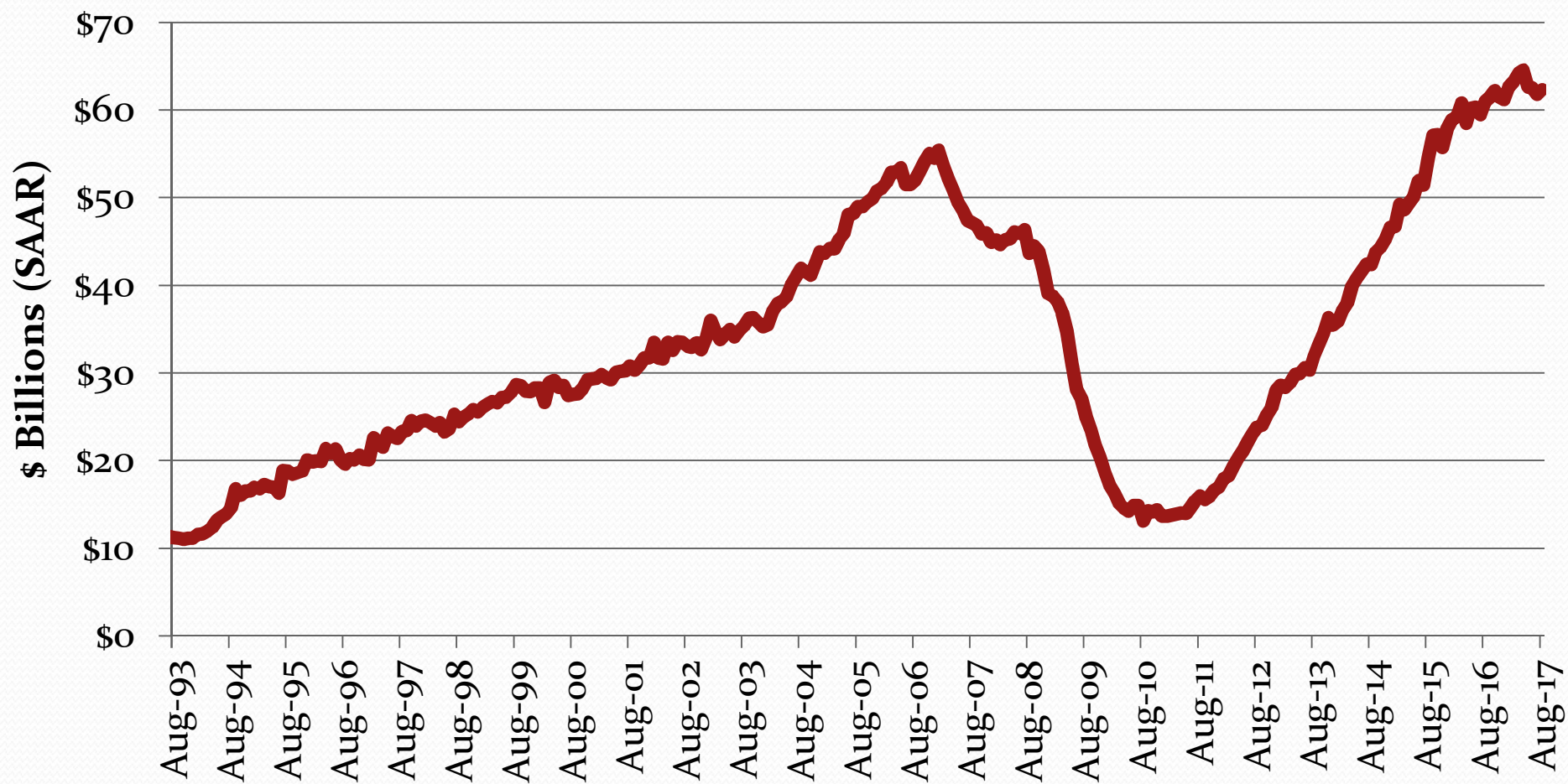
*NSA: not seasonally adjusted



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U.S. Private New Multifamily Construction

August 1993 through August 2017



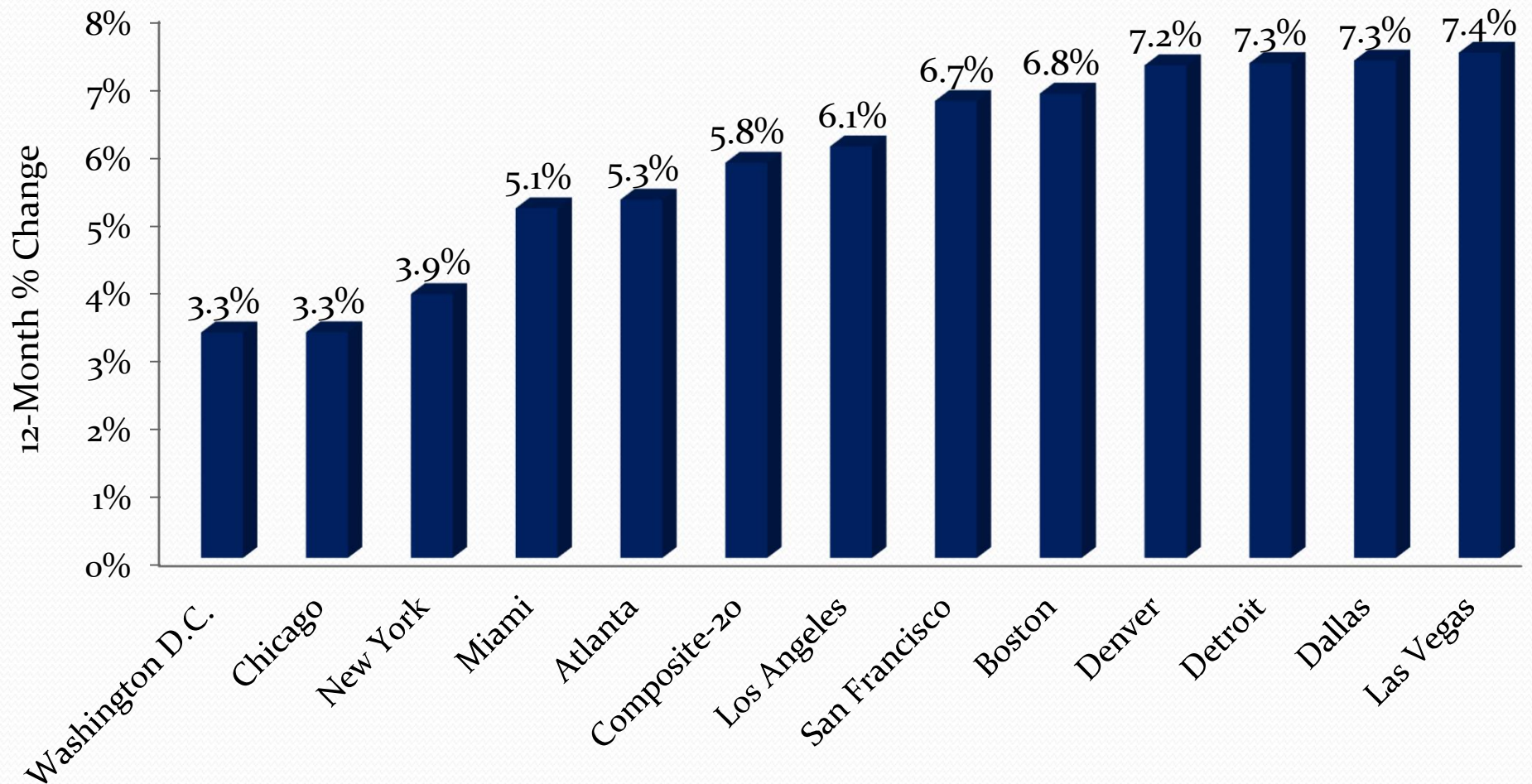
Source: U.S. Census Bureau



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

July 2017, 12-Month Percentage Change



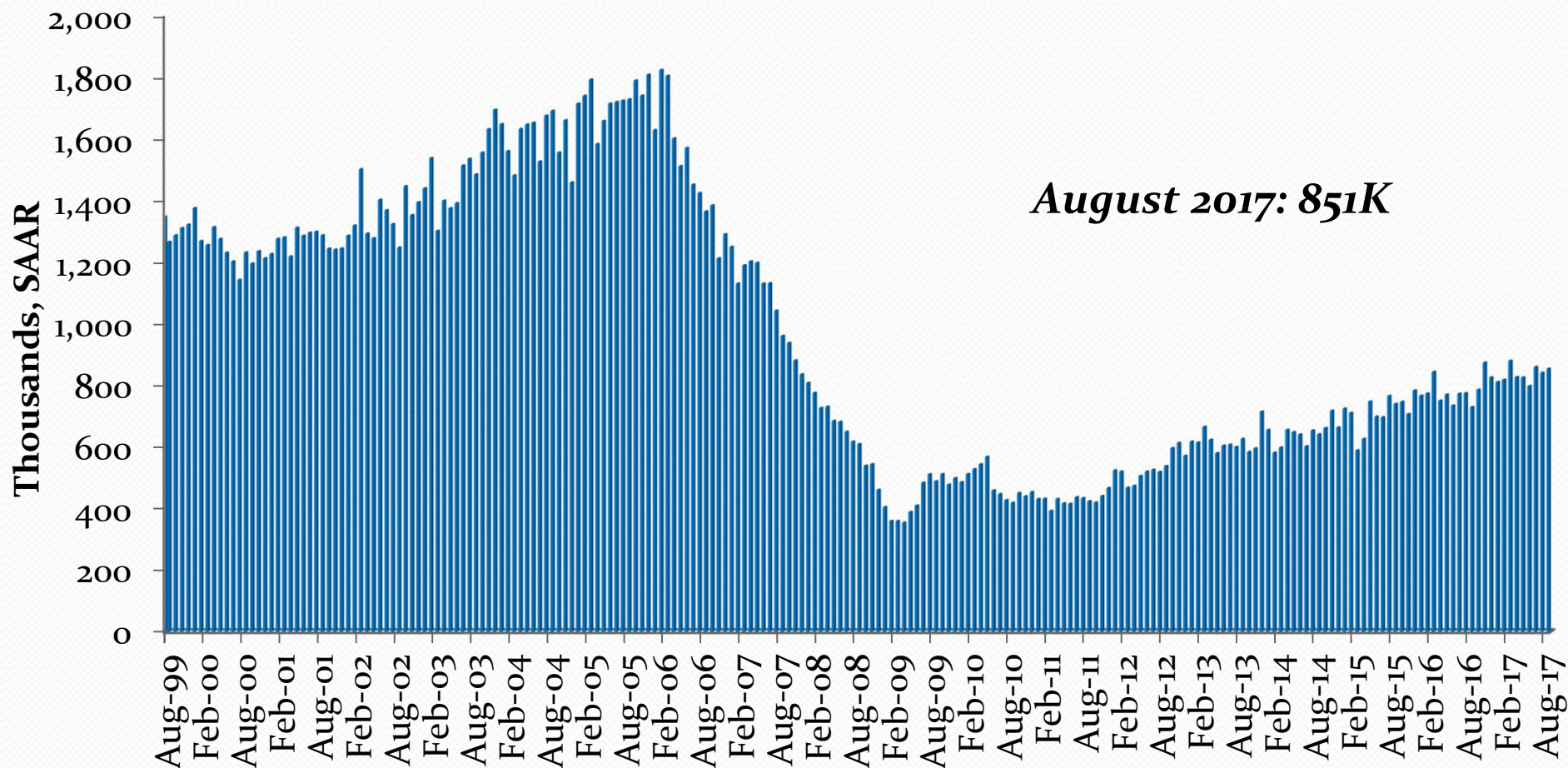
Source: Standard & Poor's



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U.S. Single-Family Housing Starts

August 1999 through August 2017



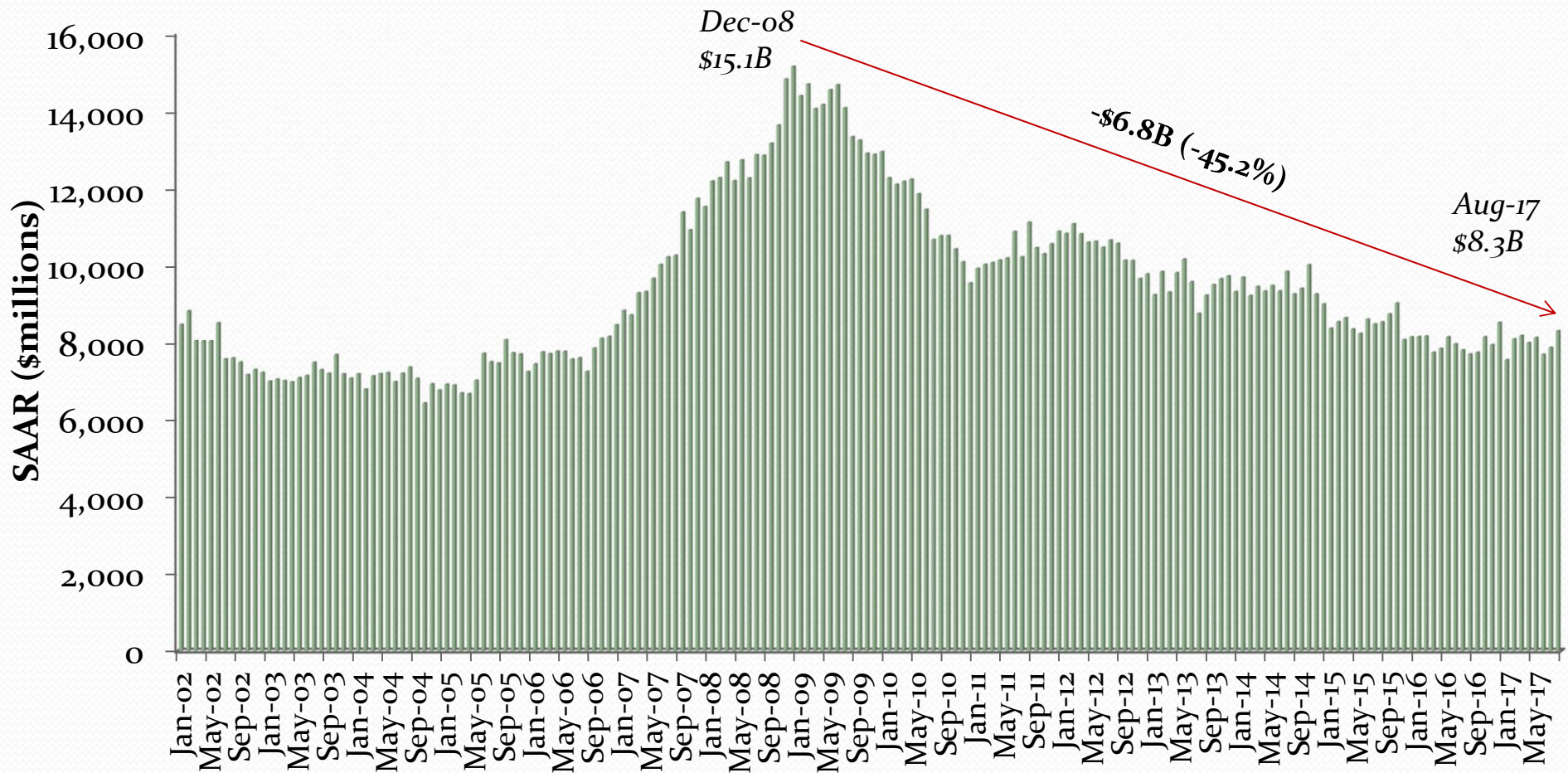
Source: U.S. Census Bureau



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Construction Spending on Public Safety

January 2002 through August 2017



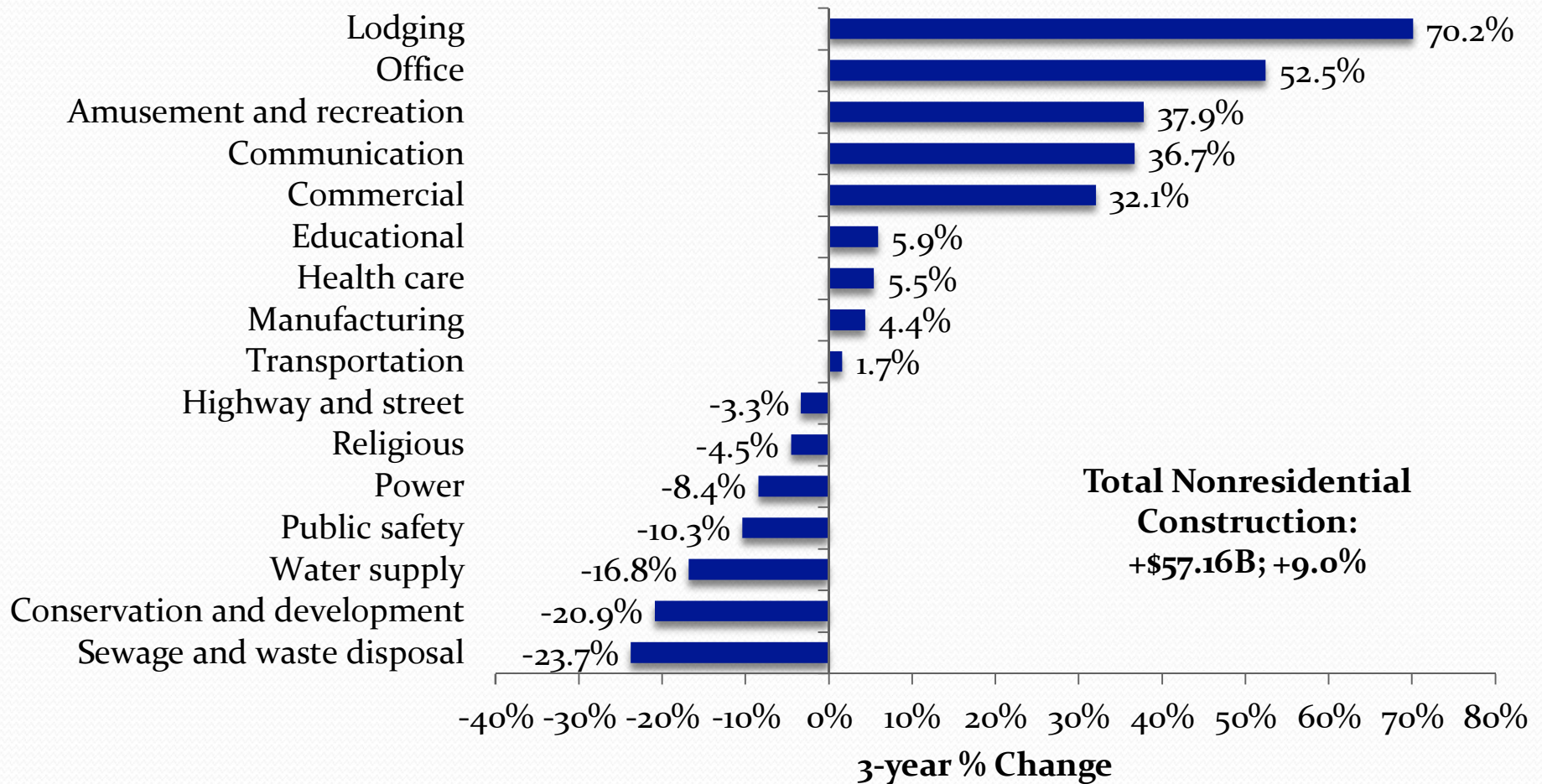
Source: U.S. Census Bureau



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National Nonresidential Construction Spending by Subsector

August 2014 v. August 2017

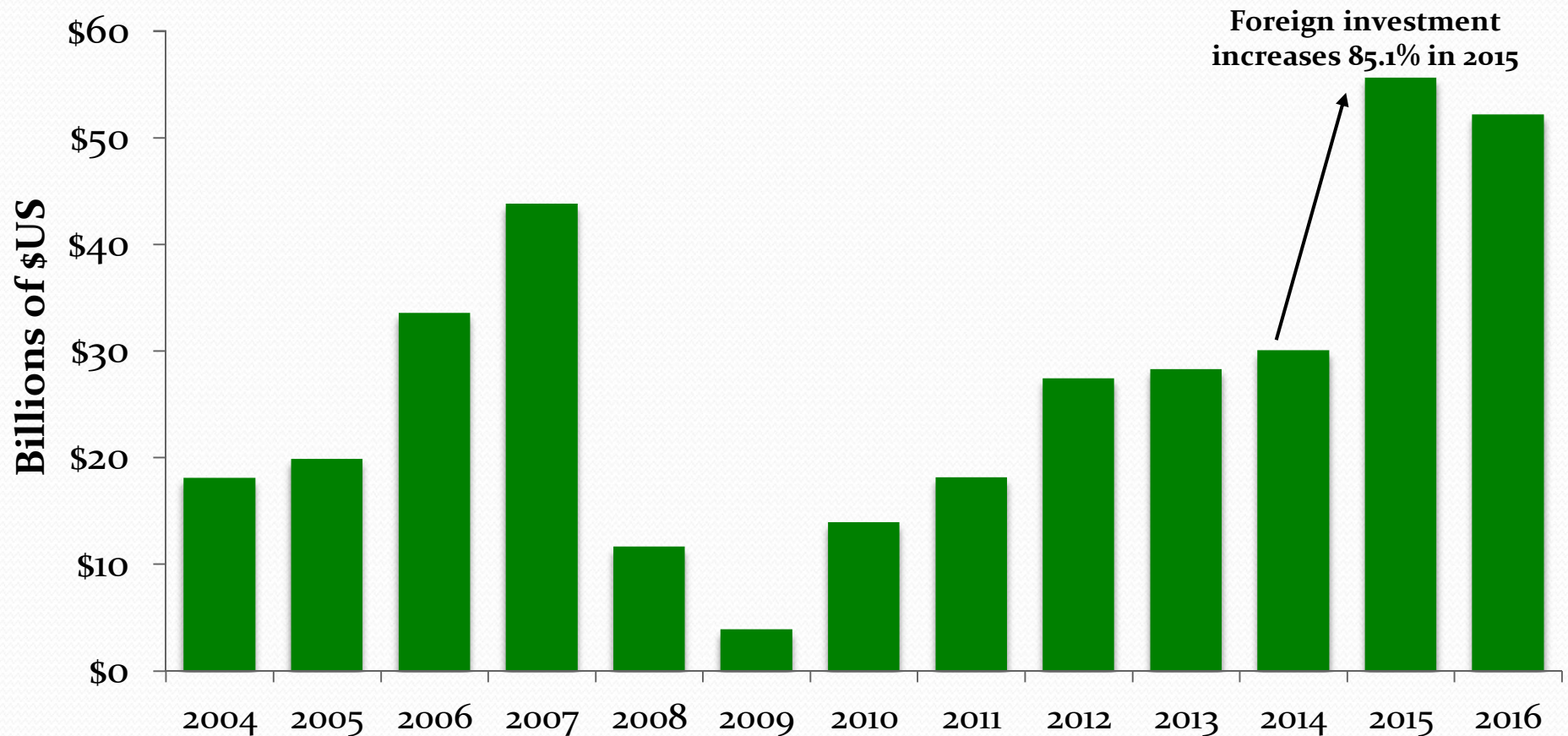


Source: U.S. Census Bureau



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Commercial/Multifamily Offshore Investment Sales Volumes Reach New Heights in 2015/16



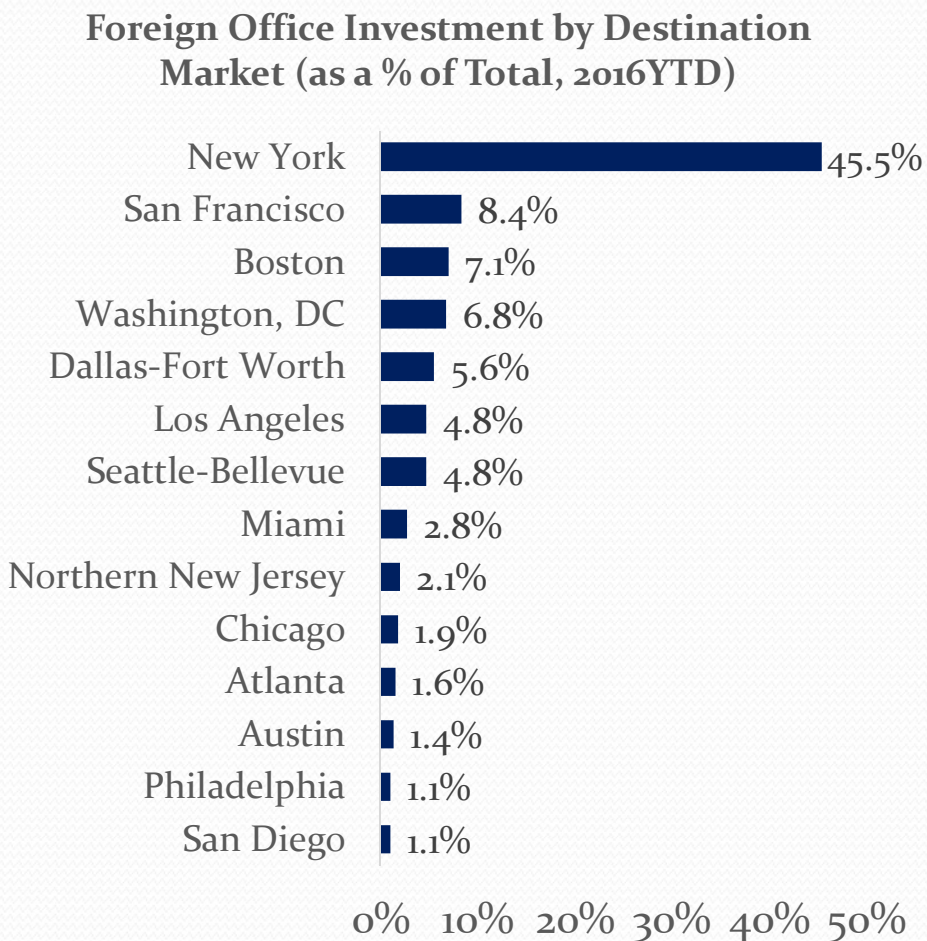
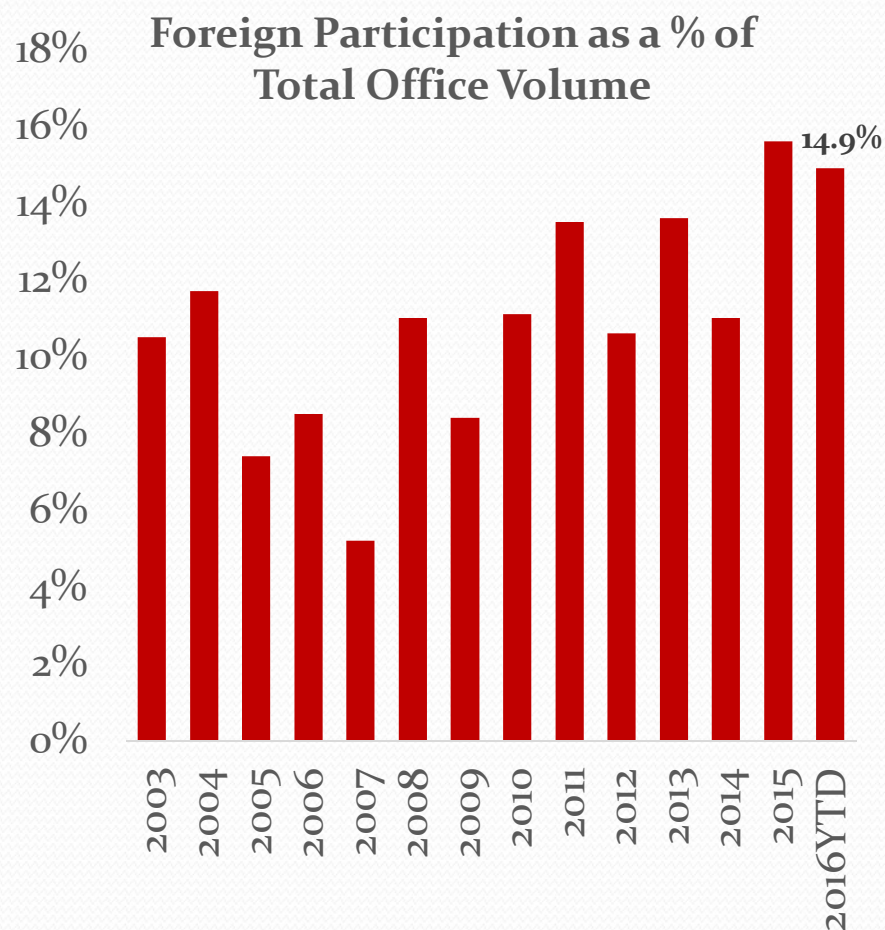
Source: Jones Lang LaSalle; Real Capital Analytics

Note: Among transactions larger than \$5.0 million

Cross-border investment remained elevated in 2016:
Although down relative to a record 2015, offshore investment levels still exceeded the pre-2015 high in 2007.



Foreign Office Investment Activity, as of 2016Q3



Source: Jones Lang LaSalle; Real Capital Analytics

Note: Among transactions larger than \$5.0 million; includes all office markets which received > 1.0% of offshore capital.

Primary markets continue to capture the lion's share of inbound capital, receiving 78.2% of this capital YTD.



Down to “The Wire”

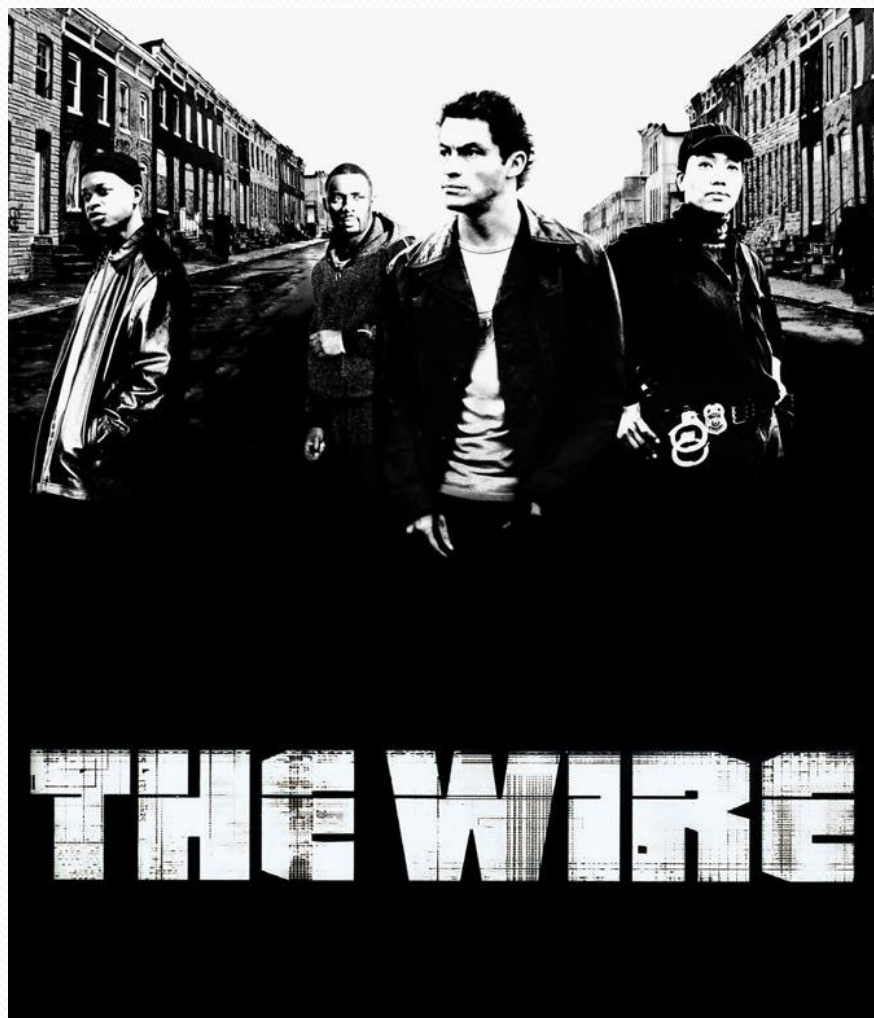


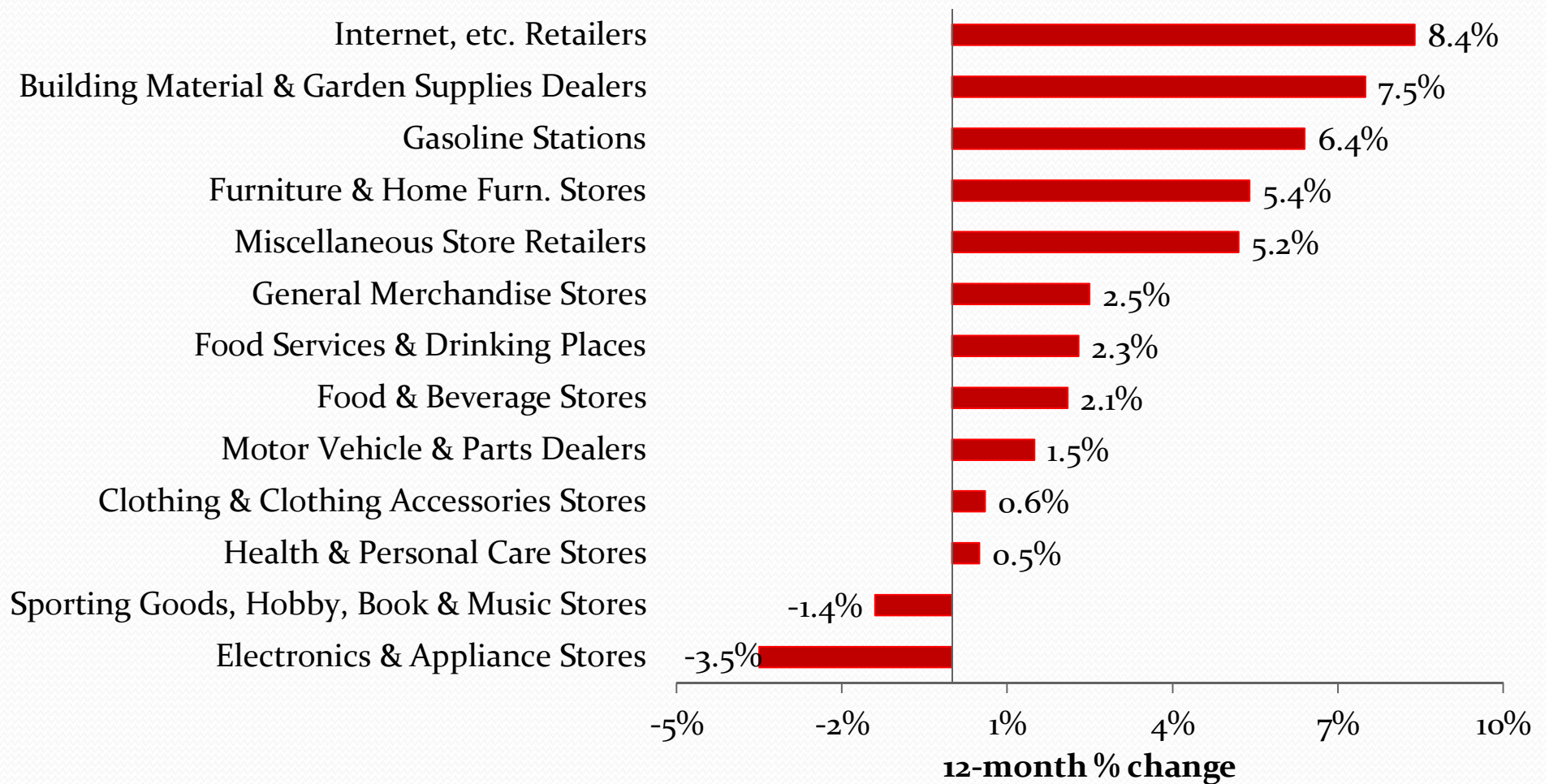
Photo: RecapGuide.com



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Sales Growth by Type of Business

August 2016 v. August 2017*



Source: U.S. Census Bureau

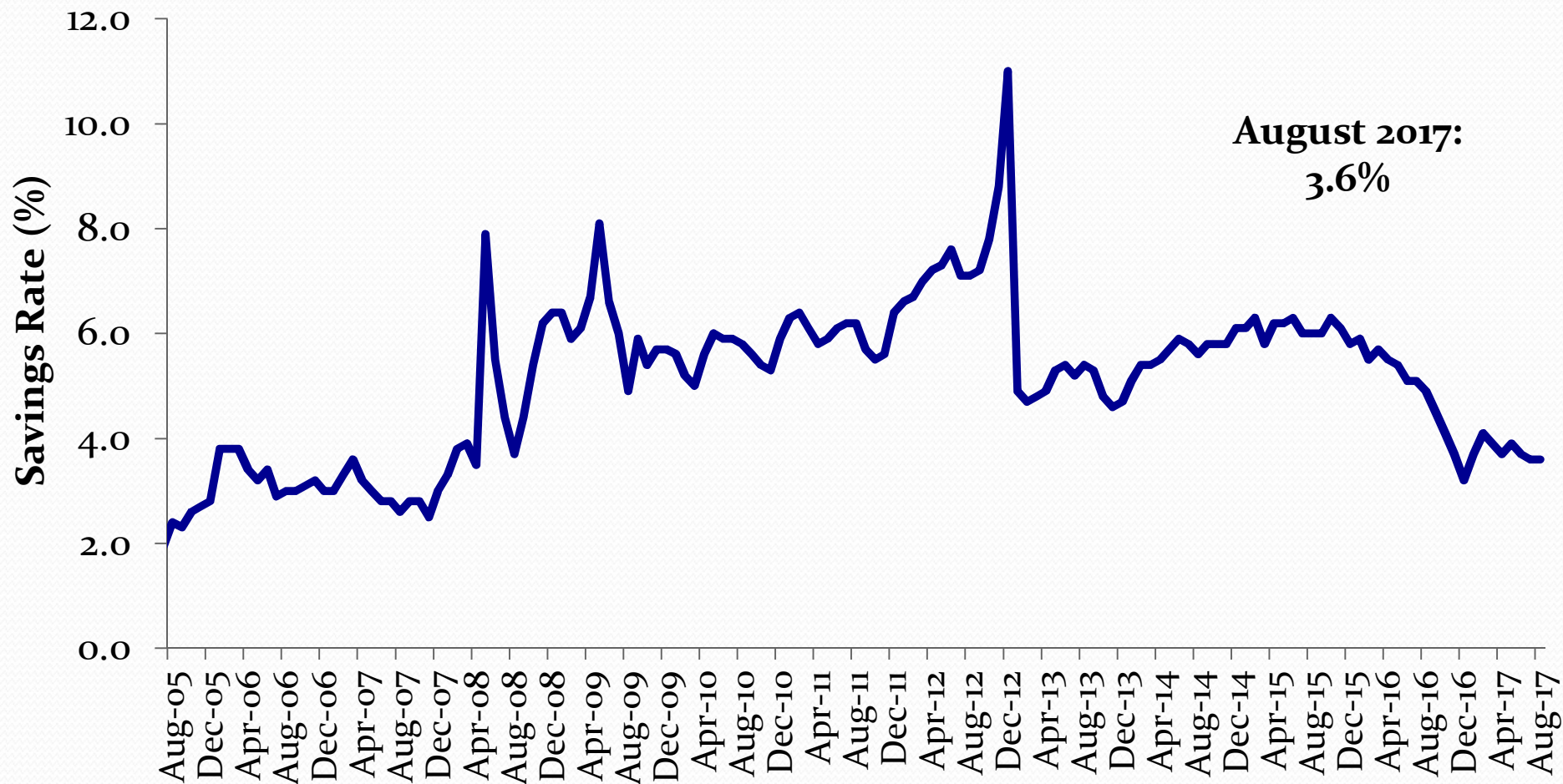
*August 2017 advanced estimate

Total Retail Sales: +3.2% YOY



U.S. Saving Rate, August 2005 – August 2017

(Savings as Percentage of Personal Disposable Income)



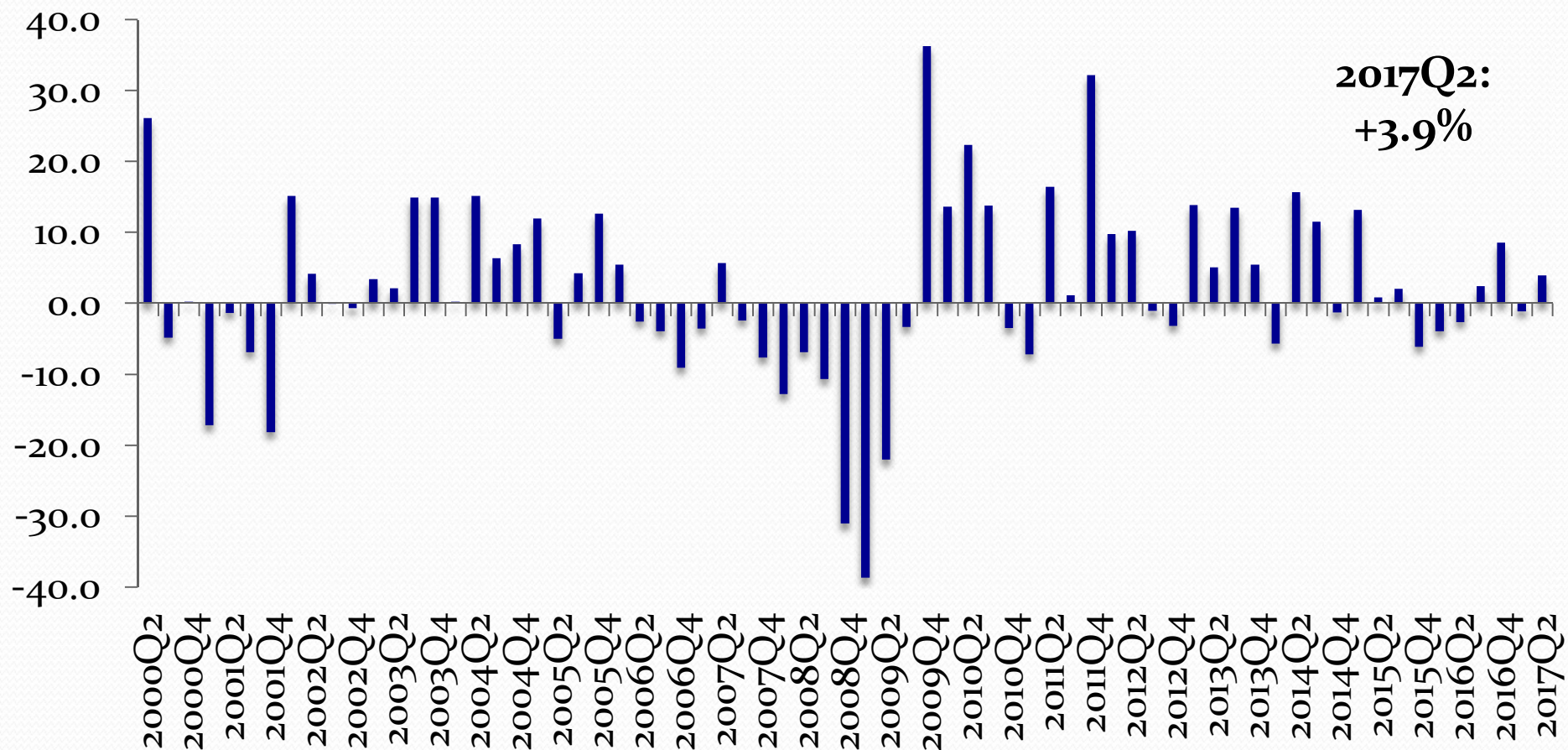
Source: Bureau of Economic Analysis



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U.S. Gross Private Domestic Investment (SAAR)

% Change from Previous Quarter, 2000Q2 – 2017Q2*



2017Q2:
+3.9%

Source: Bureau of Economic Analysis

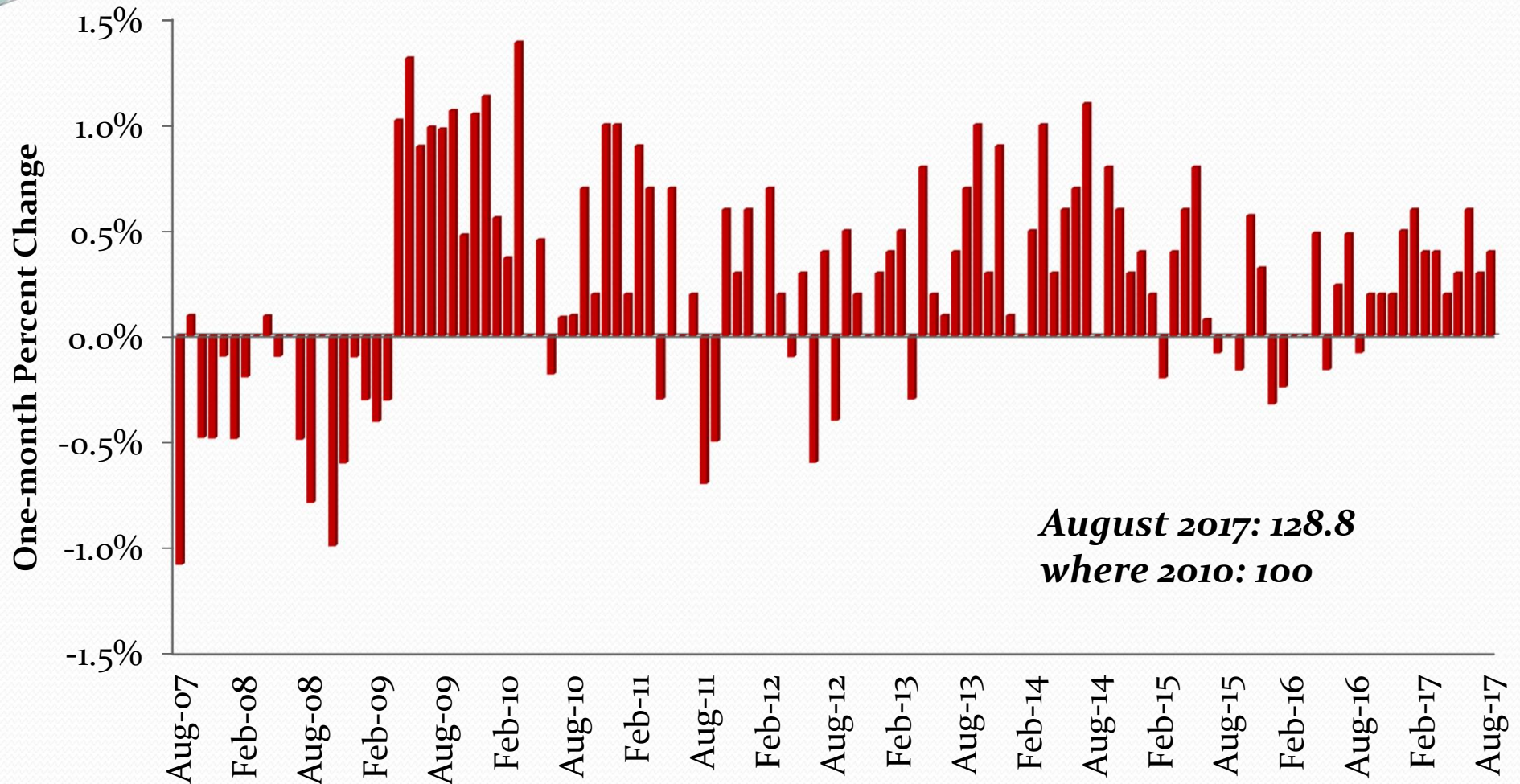
*3rd(final) Estimate



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Conference Board Leading Economic Indicators Index

August 2007 through August 2017



Source: Conference Board



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The Closer

- “ Global economy remains weak, and correspondingly . . . ;
- “ Global money has continued to pour into America in search of yield and safety, including into commercial real estate – that was particularly true in 2015, only a bit less true in 2016;
- “ Inflationary pressures are on the rise – so, too, are interest rates – eventually -- that could begin to squeeze asset prices in 2017/18, triggering negative wealth effects and sentiment in the process;
- “ There are indications of mini-bubbles forming in commercial real estate, particularly in office, lodging and multifamily segments;
- “ There are also longer-term structural considerations, including the national debt and pending insolvencies of Medicare and Social Security – the longer-term outlook may be deteriorating even as the short-run improves;
- “ Momentum should see us through 2017, but tighter monetary policy combined with a heavy dose of political intrigue could render 2018 different. By this time in 2019/20, the economy could be in a far different place and likely will be.

Photo: Google



*Kyra Sedgwick as Brenda Leigh Johnson



Thank You

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- 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.