

To All The Economists I've Loved Before



By: Anirban Basu
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On Behalf of
The FEMSA/FAMA
2019 Annual Conference

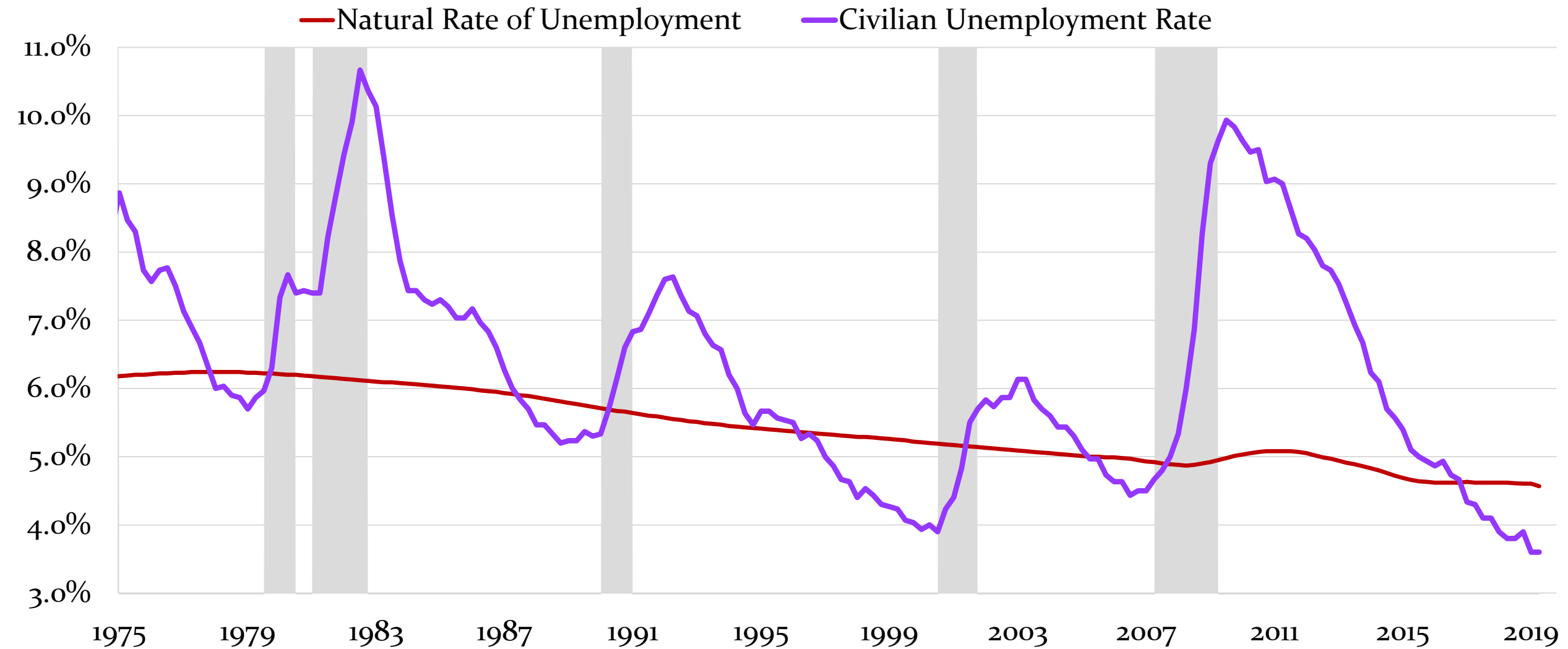
October 9th, 2019

**“There is always some chance
of recession in any year. But the
evidence suggests that
expansions don't die of old
age.”**

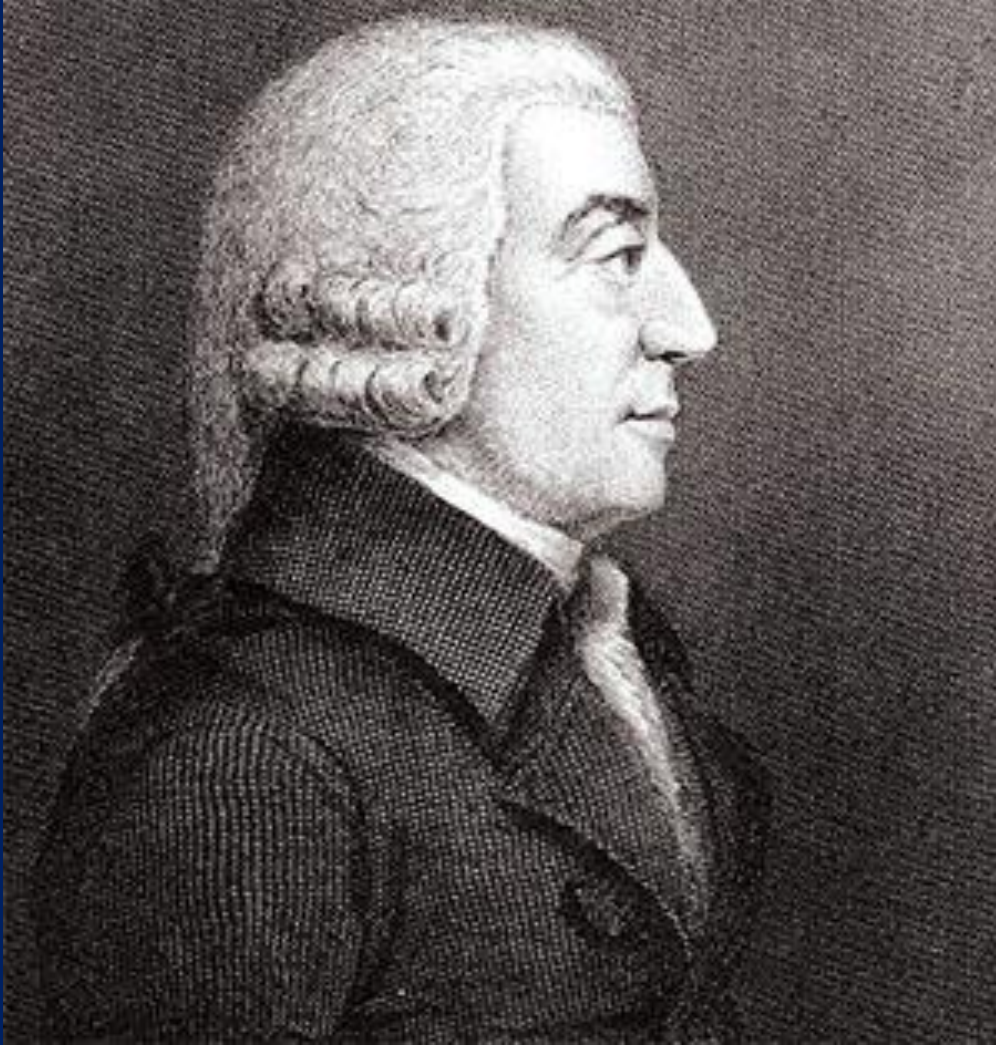
–Janet Yellen



U.S. Unemployment & Natural Rate of Unemployment



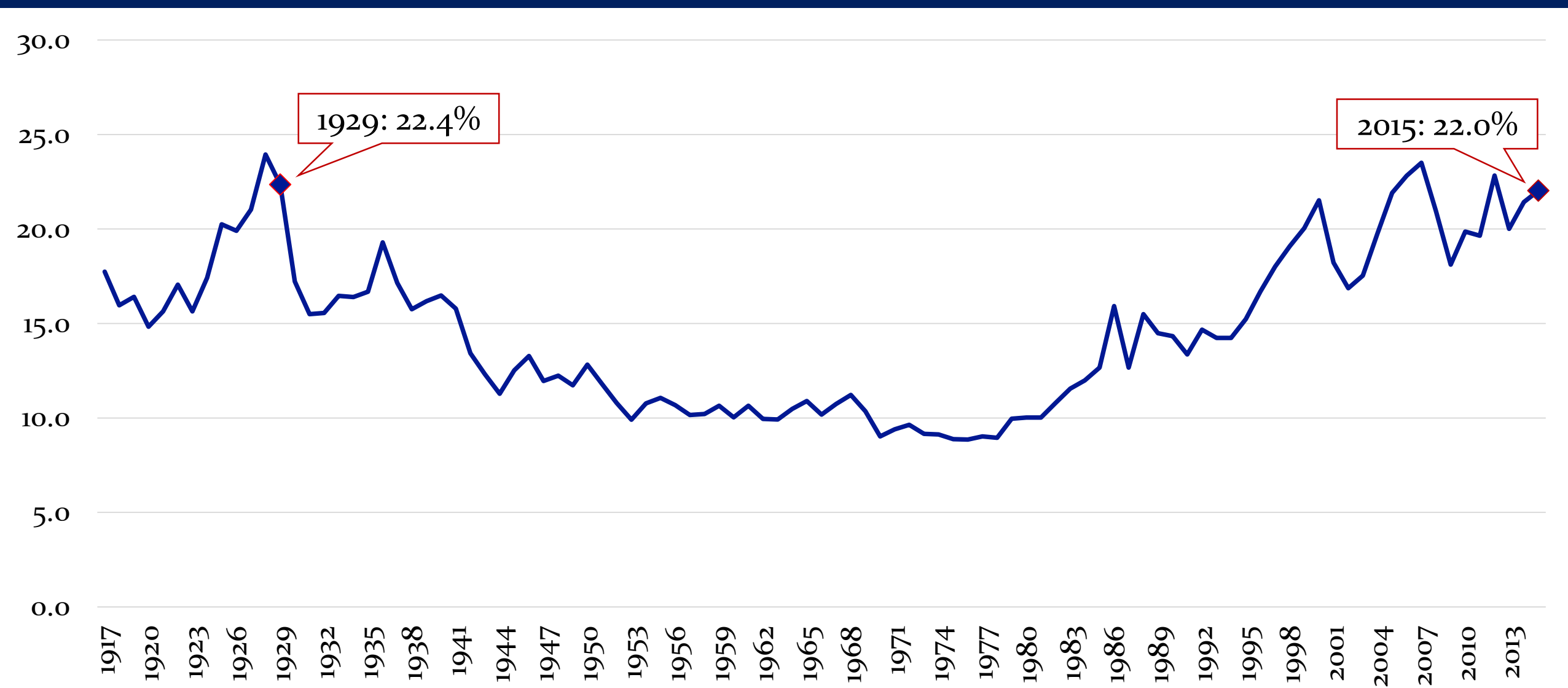
Shaded areas indicate U.S. Recessions



“No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.”

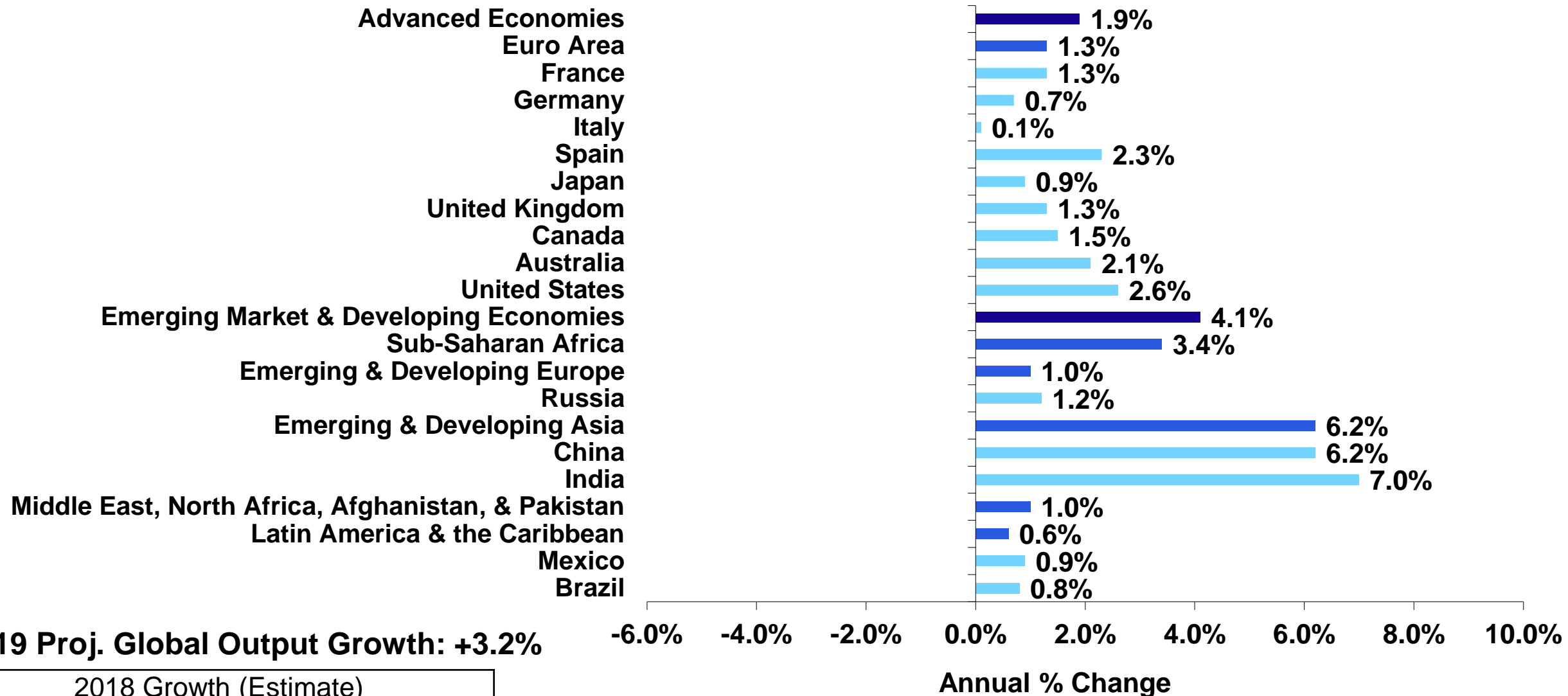
–Adam Smith

Share of all Income Held by the Top 1% in the U.S., 1917-2015

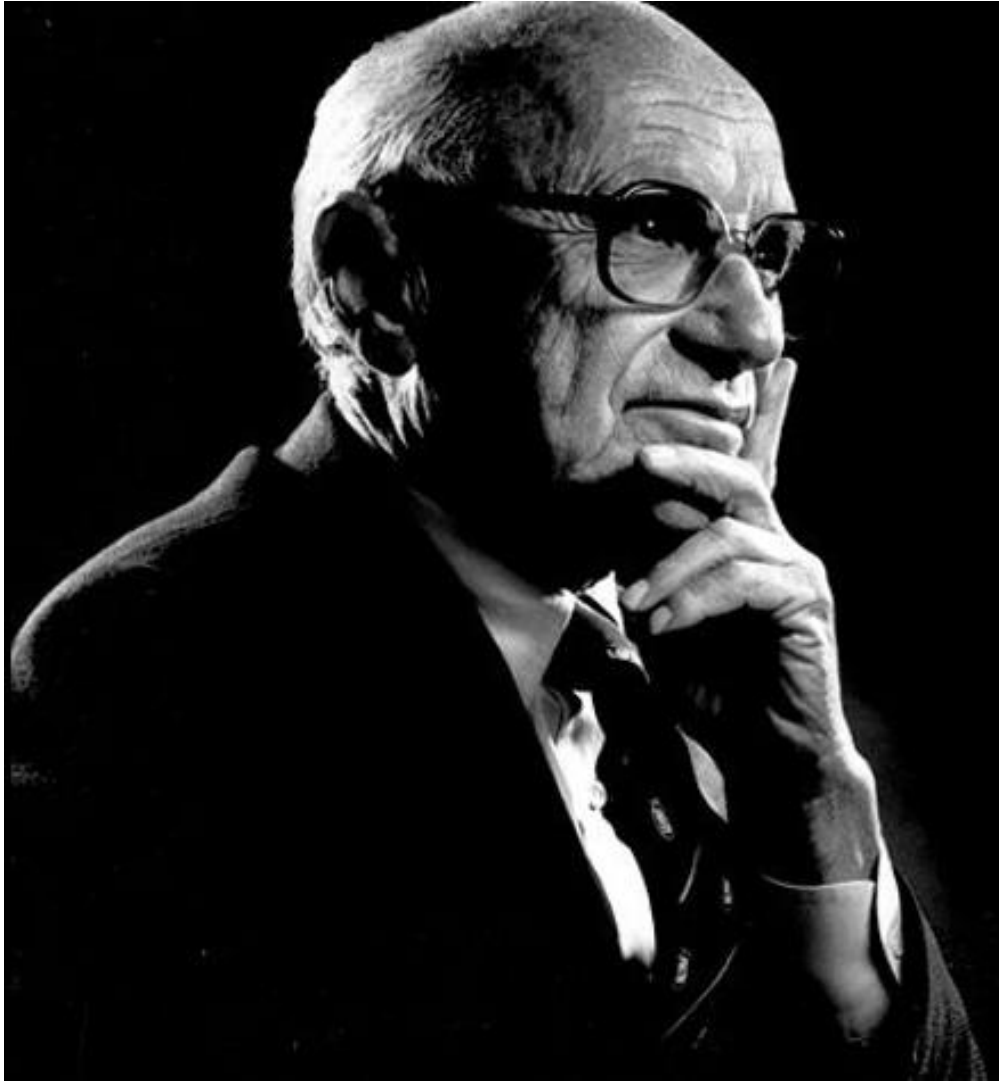


Estimated Growth in Output by Select Global Areas

2019 Projected



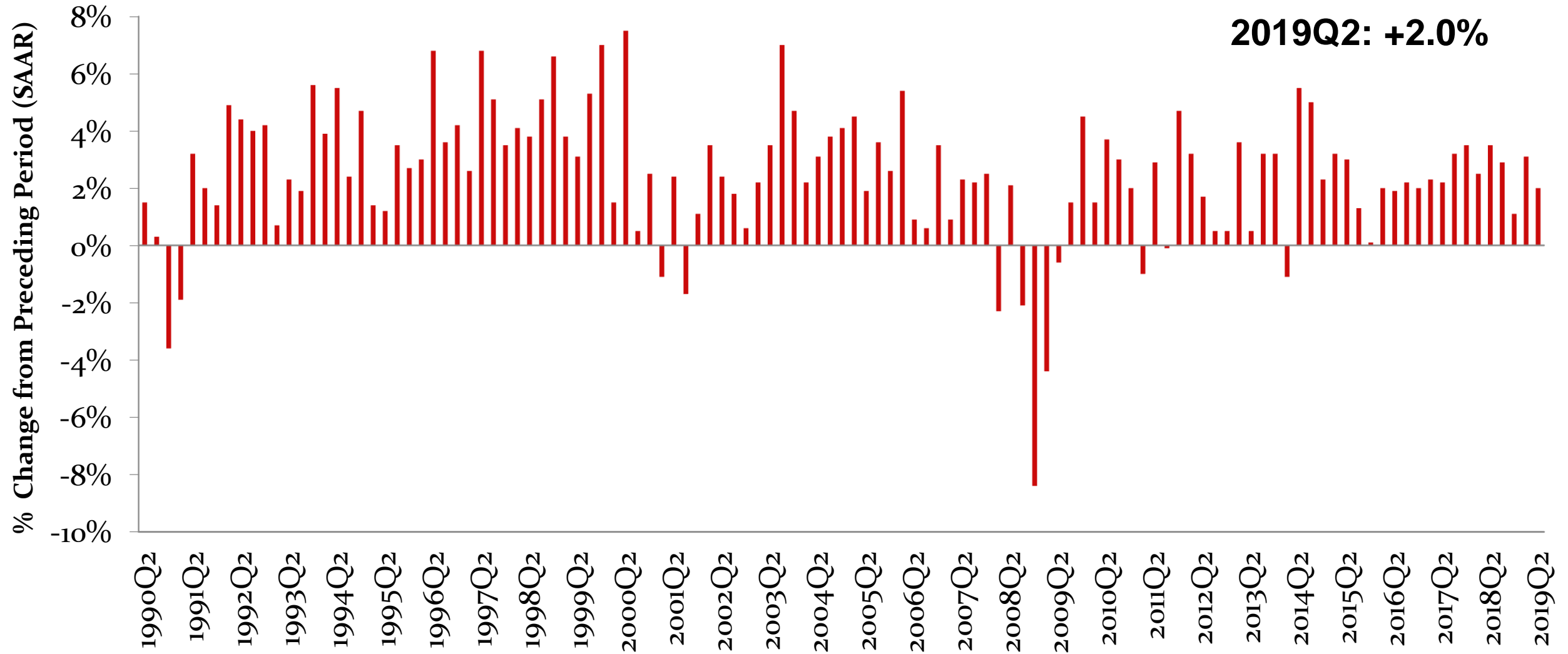
2018 Growth (Estimate)	
World: 3.6%	Euro Area: 1.9%
United States: 2.9%	Japan: 0.8%



**“Inflation is the one form of
taxation that can be imposed
without legislation.”
–Milton Friedman**

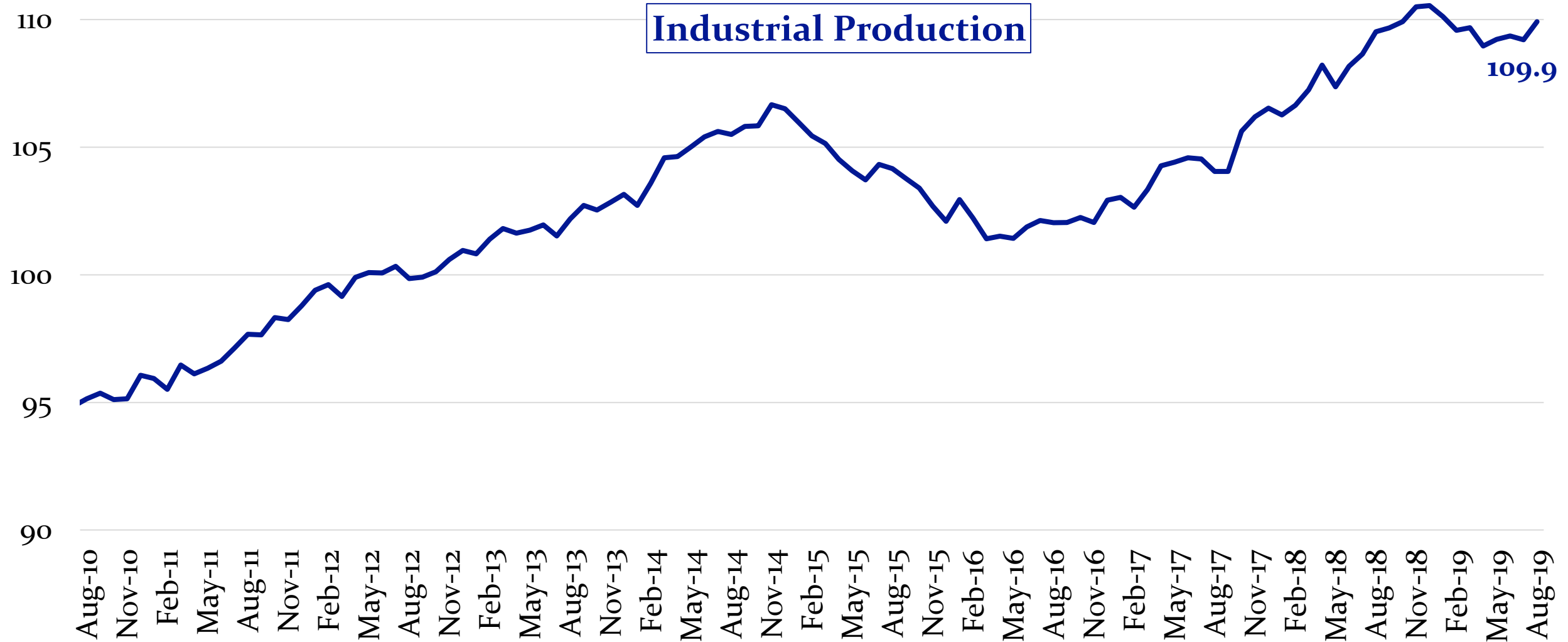
Gross Domestic Product

*1990Q2 through 2019Q2**



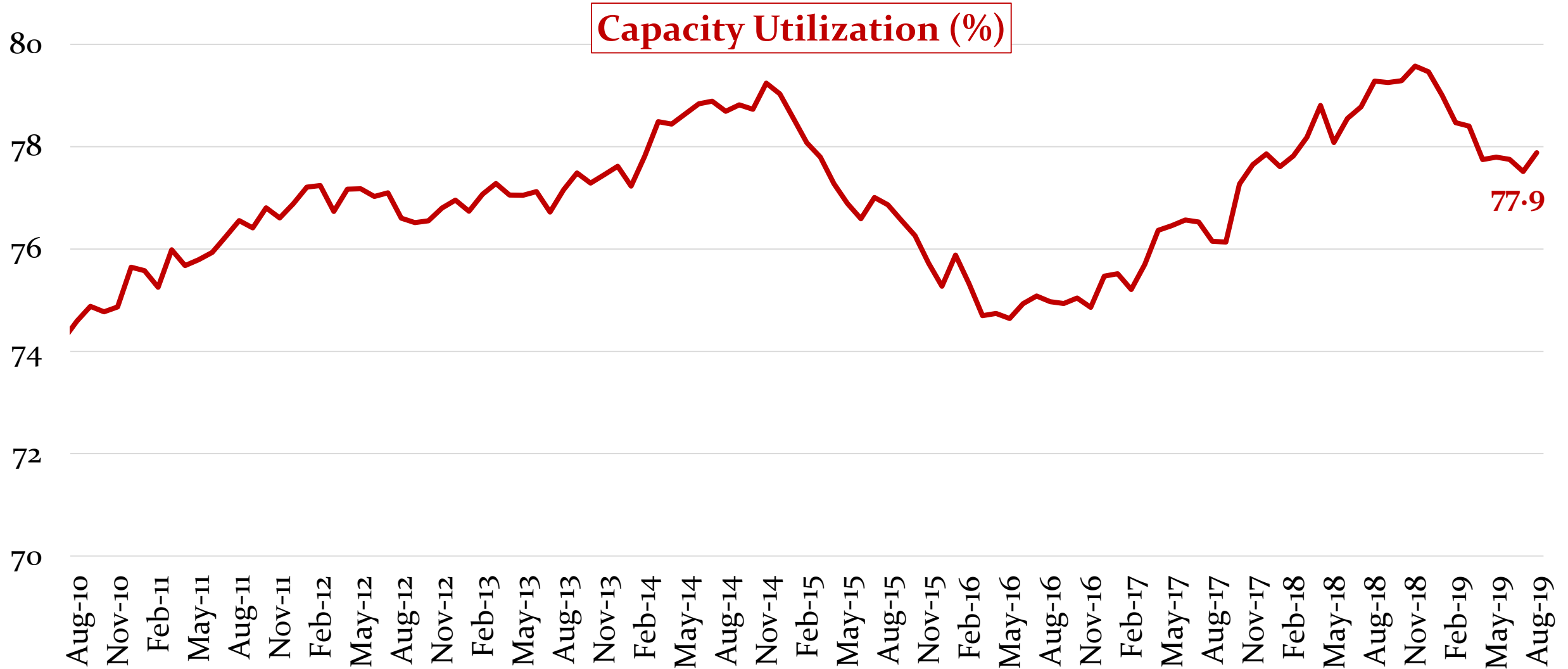
U.S. Industrial Production Index

August 2010 – August 2019



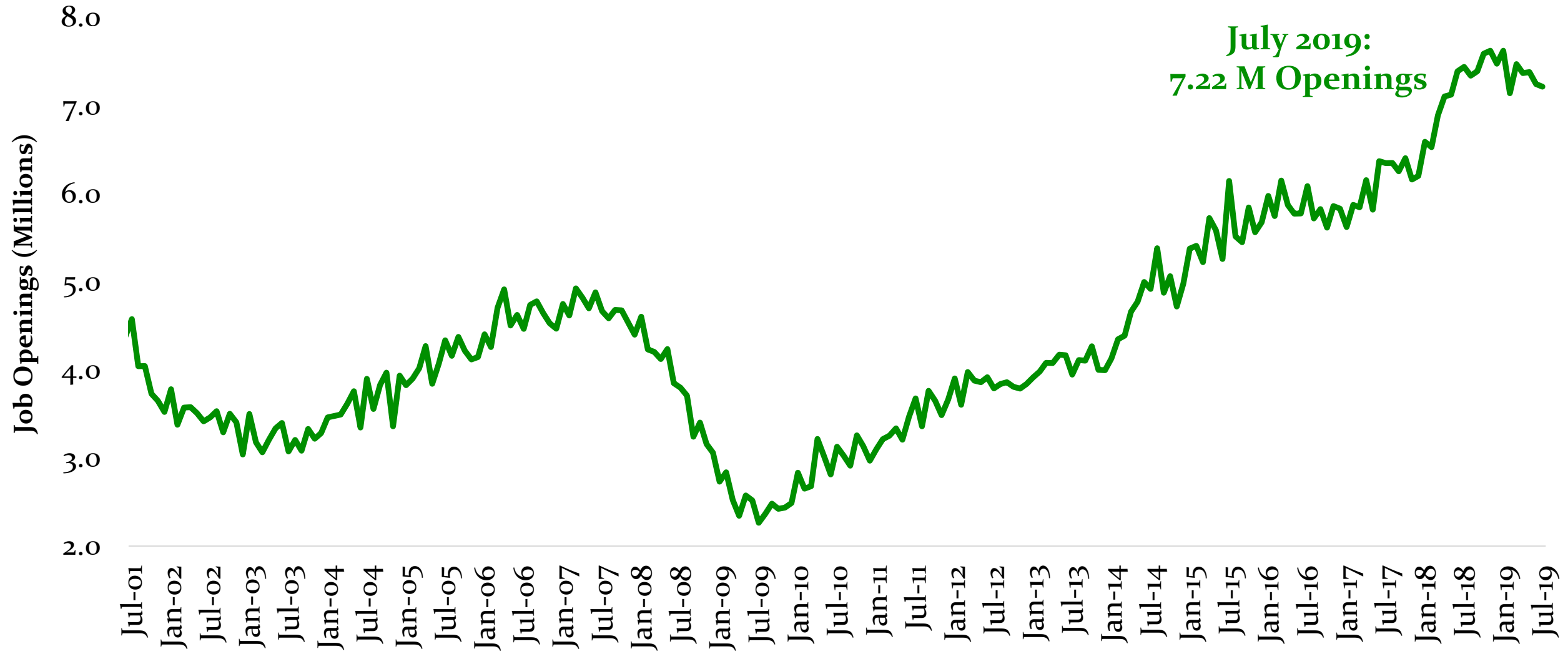
U.S. Capacity Utilization Index

August 2010 – August 2019



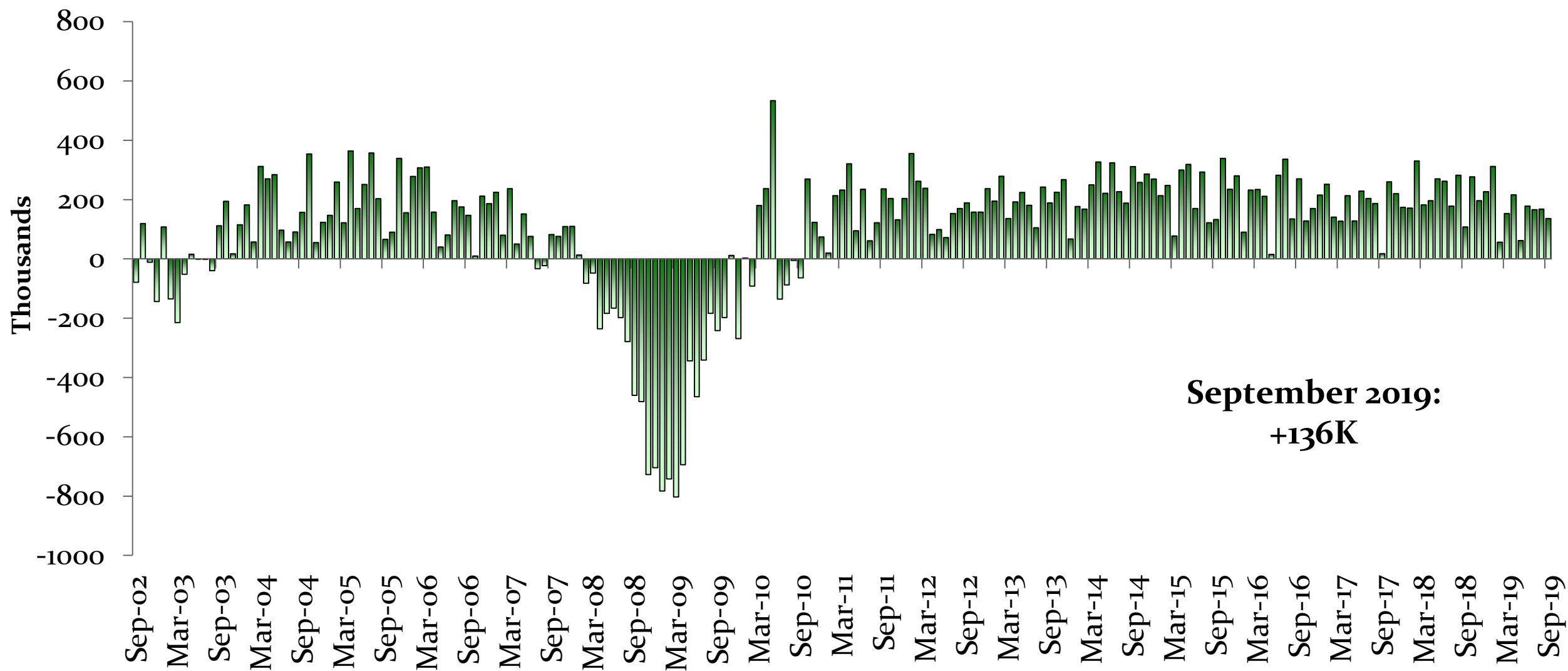
U.S. Job Openings

July 2001 through July 2019



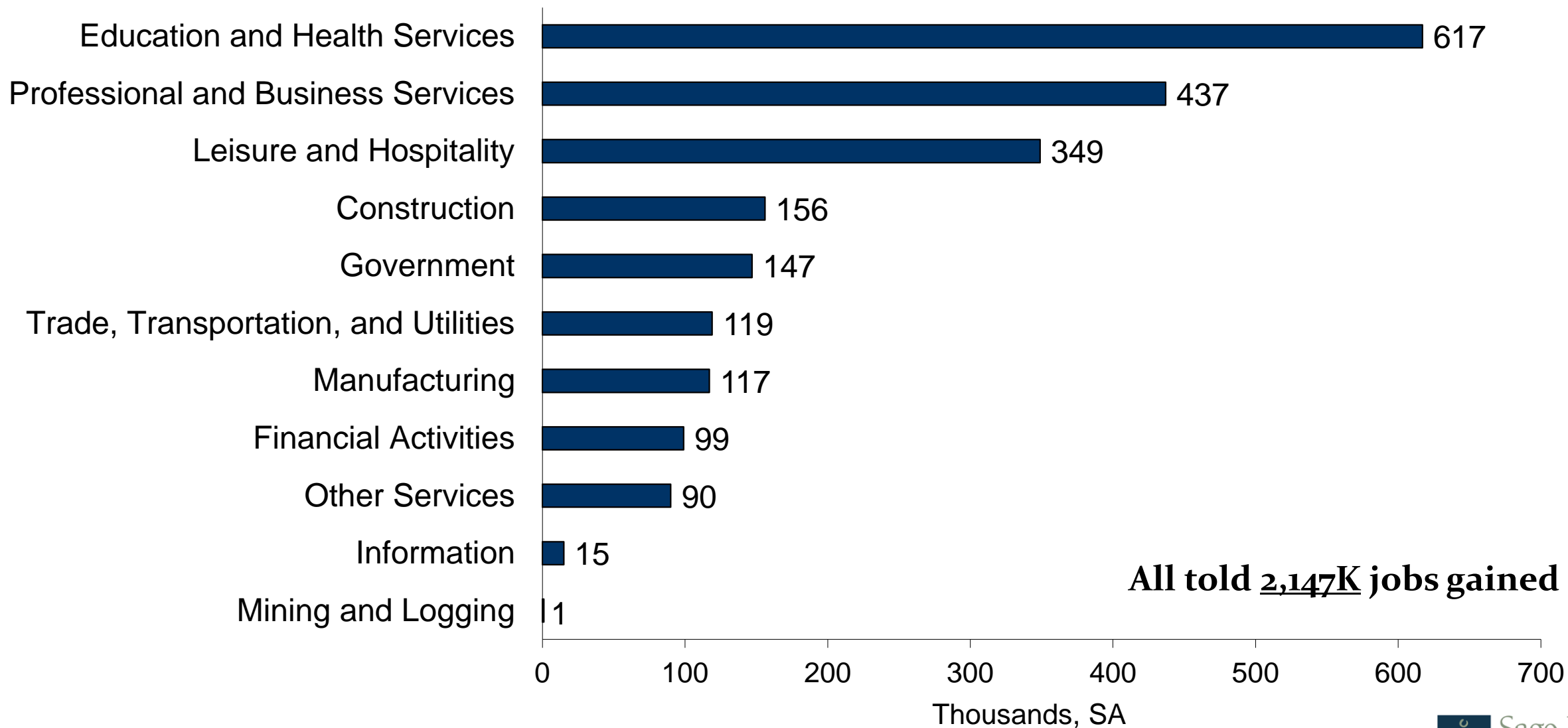
Net Change in U.S. Jobs

September 2002 through September 2019



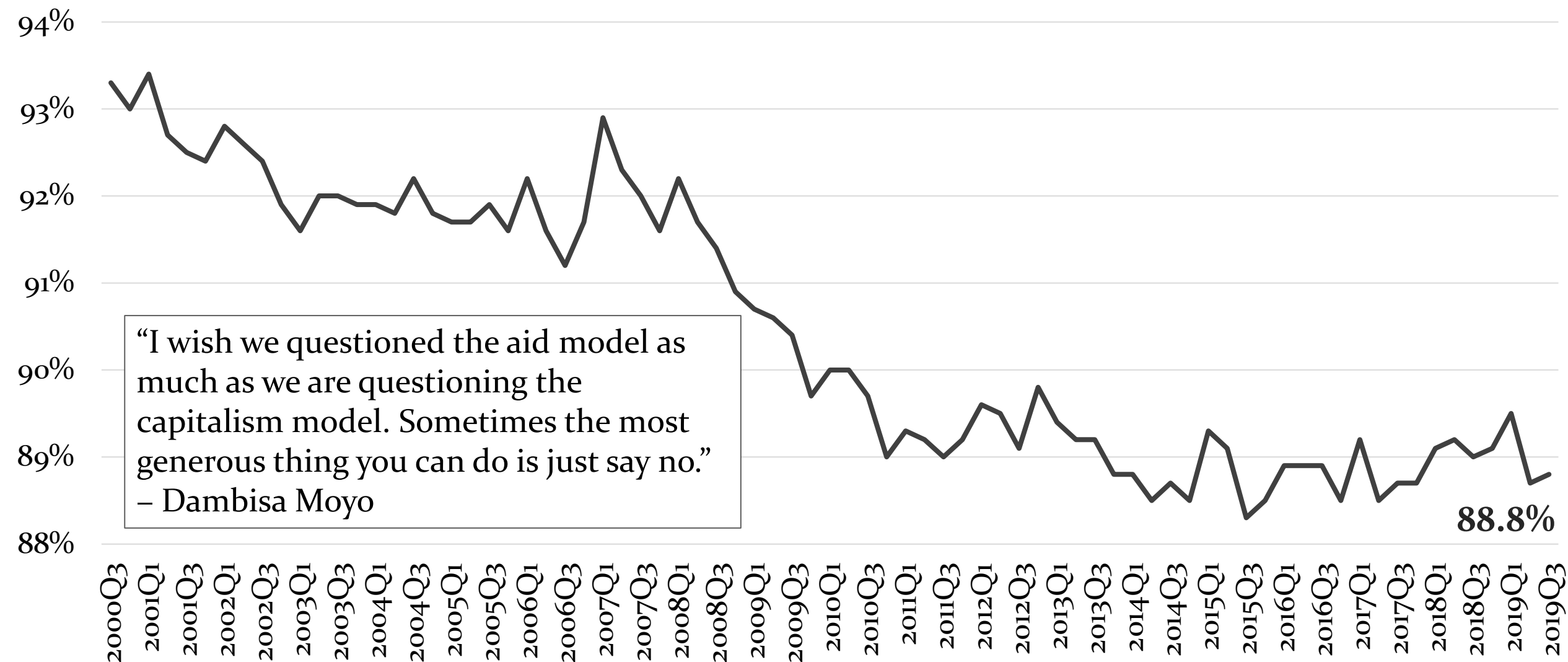
National Nonfarm Employment

by Industry Sector, September 2018 v. September 2019



U.S. Labor Force Participation: Men Ages 25-34

2000 – 2019



Firefighters: Occupational Outlook

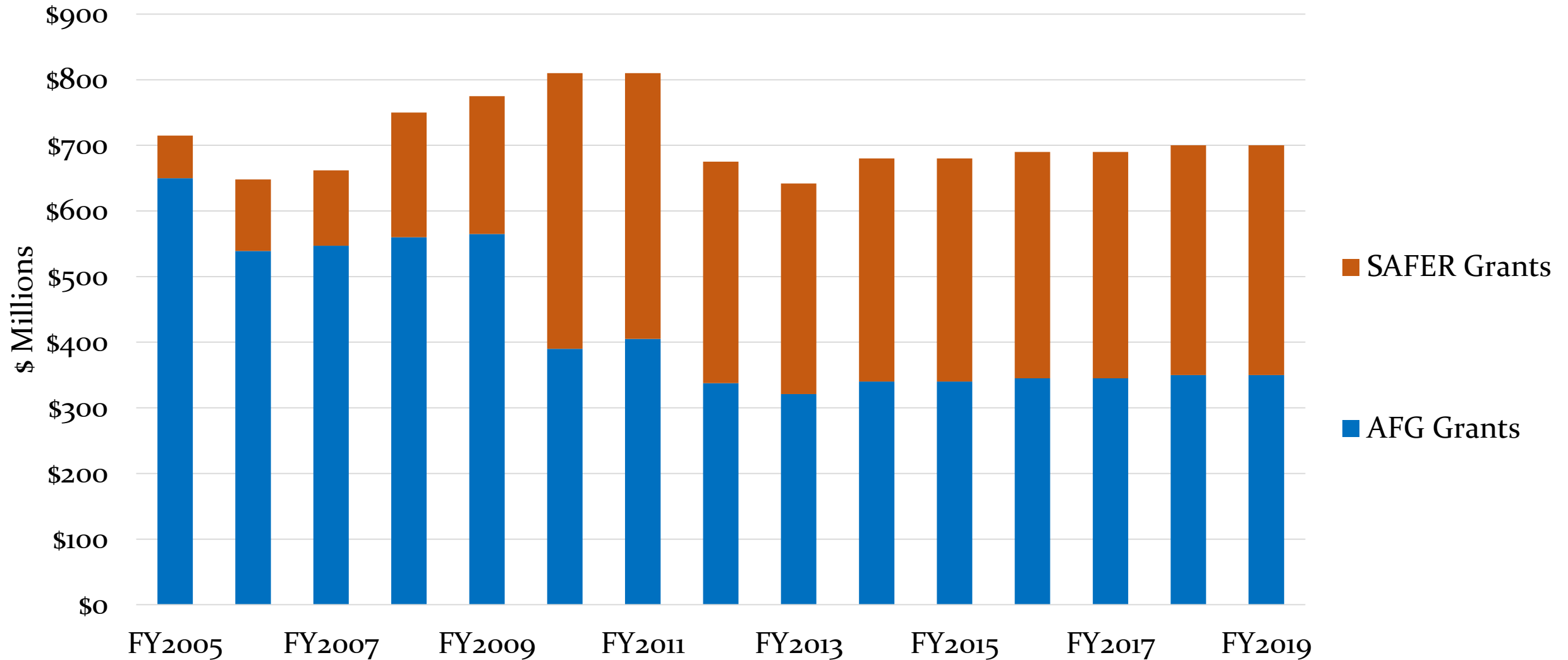
- Employment for firefighters is projected to grow 7% from 2016-2026;
- Physically fit applicants with high test scores, some post-secondary firefighter education, and paramedic training have the best job prospects;
- 2/3 calls to firefighters are for medical emergencies, not fires.
- Some firefighters are specially trained in certain areas:
 - Hazardous materials (trained to control and clean up hazardous materials, such as oil spills and chemical accidents)
 - Wildland firefighting (trained to combat active wildfires and manage the environment to reduce the impact of fires)

Volunteers Tougher to Find

- At the same time, the need for volunteer firefighters has grown and volunteers continue to age;
- The number of volunteer firefighters reached a low in 2011. While there has been some growth since then, it hasn't been enough to meet the steady increase in call volume;
- Call volume has tripled in the last 30 years in large measure due to growth in emergency medical calls;
- Departments are having trouble attracting younger volunteers:
 - Increased demands on people's time;
 - Growth of two-income households;
 - Increased training requirements and costs.

Appropriations for Firefighter Assistance: AFG & SAFER Grants

FY2001-FY2019



Employment Growth, U.S. States (SA)

August 2018 v. August 2019 Percent Change

RANK	STATE	%	RANK	STATE	%	RANK	STATE	%
1	NEVADA	3.0	17	SOUTH CAROLINA	1.5	35	VIRGINIA	0.9
2	UTAH	2.8	17	TENNESSEE	1.5	36	IOWA	0.8
3	WASHINGTON	2.6	20	MISSISSIPPI	1.3	36	NEBRASKA	0.8
4	ARIZONA	2.5	20	MISSOURI	1.3	38	WEST VIRGINIA	0.7
4	FLORIDA	2.5	20	MONTANA	1.3	39	INDIANA	0.6
6	COLORADO	2.4	20	WYOMING	1.3	39	NORTH DAKOTA	0.6
6	TEXAS	2.4	24	ARKANSAS	1.2	39	PENNSYLVANIA	0.6
8	IDAHO	2.1	24	DISTRICT OF COLUMBIA	1.2	42	CONNECTICUT	0.4
8	NEW MEXICO	2.1	24	MASSACHUSETTS	1.2	42	MICHIGAN	0.4
10	ALABAMA	2.0	27	ALASKA	1.1	42	OHIO	0.4
11	GEORGIA	1.9	27	DELAWARE	1.1	45	OKLAHOMA	0.3
11	NEW HAMPSHIRE	1.9	27	ILLINOIS	1.1	46	VERMONT	0.2
11	OREGON	1.9	27	KANSAS	1.1	47	HAWAII	0.1
14	CALIFORNIA	1.8	27	MAINE	1.1	47	LOUISIANA	0.1
15	NORTH CAROLINA	1.6	27	NEW JERSEY	1.1	47	MARYLAND	0.1
15	SOUTH DAKOTA	1.6	33	KENTUCKY	1.0	47	MINNESOTA	0.1
17	RHODE ISLAND	1.5	33	NEW YORK	1.0	47	WISCONSIN	0.1

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

Employment Growth, 25 Largest Metros (NSA)

August 2018 v. August 2019 Percent Change

Rank	MSA	%	Rank	MSA	%
1	Orlando-Kissimmee-Sanford, FL	4.0	14	San Diego-Carlsbad, CA	1.8
2	Dallas-Fort Worth-Arlington, TX	3.1	15	Tampa-St. Petersburg-Clearwater, FL	1.6
2	Seattle-Tacoma-Bellevue, WA	3.1	16	Atlanta-Sandy Springs-Roswell, GA	1.5
4	Houston-The Woodlands-Sugar Land, TX	2.7	17	Boston-Cambridge-Nashua, MA-NH	1.4
4	Phoenix-Mesa-Scottsdale, AZ	2.7	17	New York-Newark-Jersey City, NY-NJ-PA	1.4
6	Riverside-San Bernardino-Ontario, CA	2.5	17	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1.4
7	San Francisco-Oakland-Hayward, CA	2.4	20	Los Angeles-Long Beach-Anaheim, CA	1.2
8	Charlotte-Concord-Gastonia, NC-SC	2.3	21	Chicago-Naperville-Elgin, IL-IN-WI	1.0
9	Portland-Vancouver-Hillsboro, OR-WA	2.1	21	Washington-Arlington-Alexandria, DC-VA-MD-WV	1.0
9	San Antonio-New Braunfels, TX	2.1			
11	Miami-Fort Lauderdale-West Palm Beach, FL	2.0	23	Baltimore-Columbia-Towson, MD	0.9
12	Denver-Aurora-Lakewood, CO	1.9	24	Minneapolis-St. Paul-Bloomington, MN-WI	0.0
12	St. Louis, MO-IL	1.9	25	Detroit-Warren-Dearborn, MI	-0.3

Unemployment Rates, 25 Largest Metros (NSA)

August 2019

Rank	MSA	UR	Rank	MSA	UR
1	Boston-Cambridge-Nashua, MA-NH	2.6	11	Tampa-St. Petersburg-Clearwater, FL	3.5
1	Denver-Aurora-Lakewood, CO	2.6	14	Seattle-Tacoma-Bellevue, WA	3.6
3	San Francisco-Oakland-Hayward, CA	2.7	15	Chicago-Naperville-Elgin, IL-IN-WI	3.7
4	Minneapolis-St. Paul-Bloomington, MN-WI	2.9	16	Charlotte-Concord-Gastonia, NC-SC	3.9
5	Orlando-Kissimmee-Sanford, FL	3.2	16	Houston-The Woodlands-Sugar Land, TX	3.9
5	San Antonio-New Braunfels, TX	3.2	16	New York-Newark-Jersey City, NY-NJ-PA	3.9
5	Washington-Arlington-Alexandria, DC-VA-MD-WV	3.2	19	Baltimore-Columbia-Towson, MD	4.0
			20	Los Angeles-Long Beach-Anaheim, CA	4.3
8	Dallas-Fort Worth-Arlington, TX	3.3	20	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	4.3
8	St. Louis, MO-IL (1)	3.3	20	Portland-Vancouver-Hillsboro, OR-WA	4.3
10	San Diego-Carlsbad, CA	3.4	23	Riverside-San Bernardino-Ontario, CA	4.4
11	Atlanta-Sandy Springs-Roswell, GA	3.5	24	Detroit-Warren-Dearborn, MI	4.5
11	Miami-Fort Lauderdale-West Palm Beach, FL	3.5	25	Phoenix-Mesa-Scottsdale, AZ	4.7

U.S. Unemployment Rate

Aug: 3.7% Sep: 3.5%

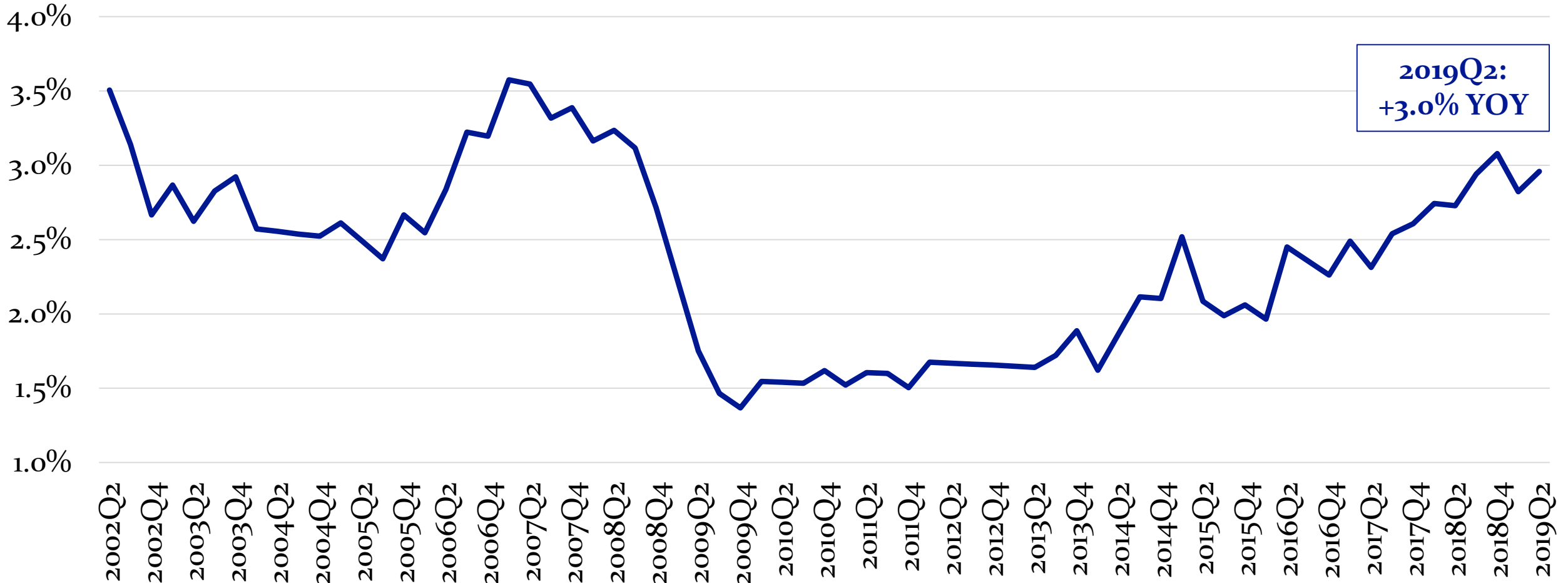
Unemployment Rate by Canadian Province and Territory, August 2019 *(Seasonally Adjusted)*

Province/Territory	Unemployment Rate
Quebec	4.7%
British Columbia	5.0%
Saskatchewan	5.1%
Ontario	5.6%
Manitoba	5.6%
Alberta	7.2%
Nova Scotia	7.9%
New Brunswick	8.6%
Prince Edward Island	8.9%
Newfoundland and Labrador	13.1%
Canada	5.7%

Growth in Wages & Salaries

Employment Cost Index (ECI), 2002Q2-2019Q2

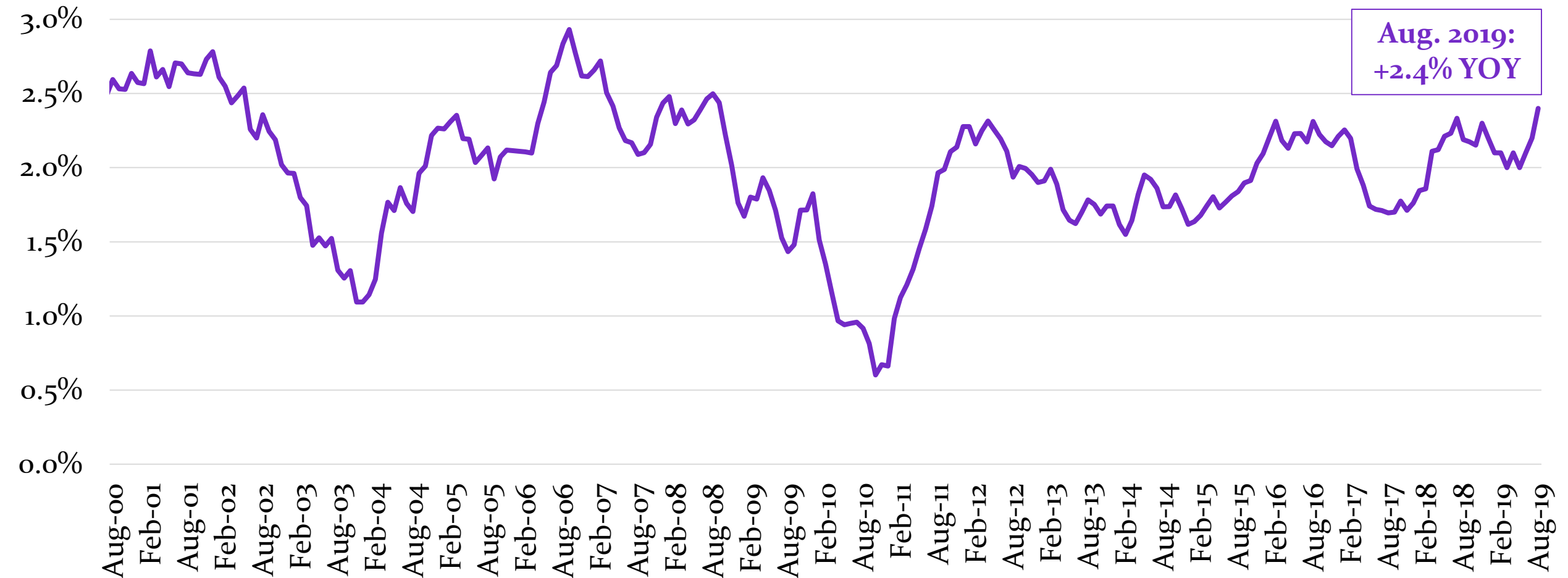
ECI for Wages & Salaries
12-Month % Change



Consumer Price Index: All Items Less Food & Energy

August 2000 – August 2019

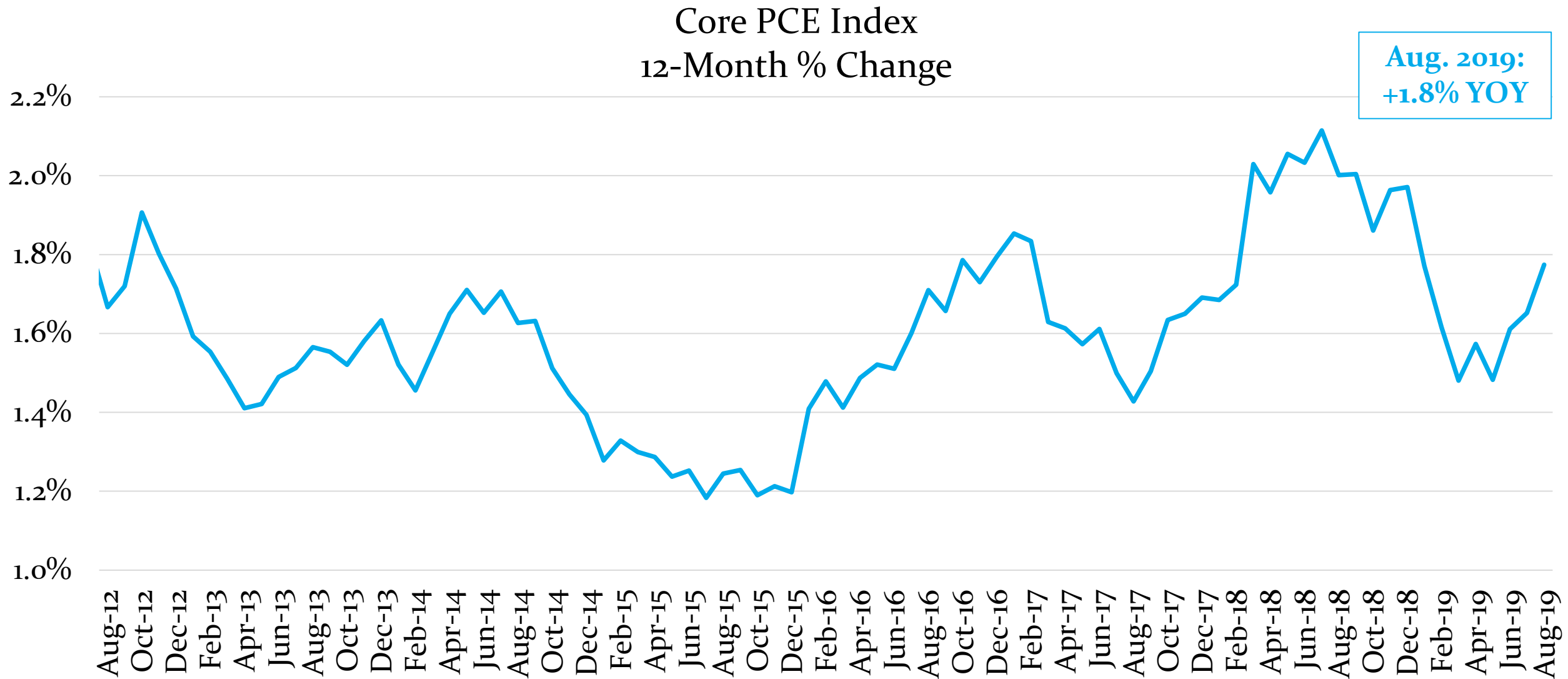
Core CPI (All Items Less Food & Energy)
12-Month % Change

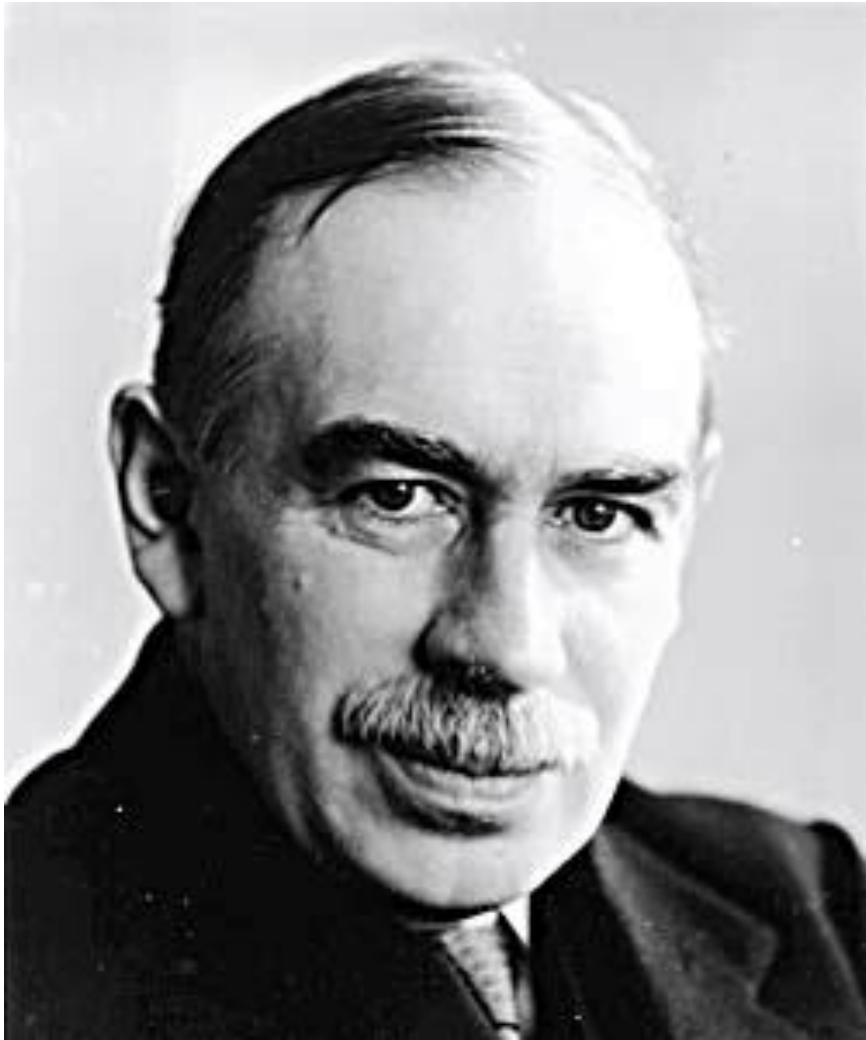


Aug. 2019:
+2.4% YOY

Core PCE Deflator

August 2012 through August 2019



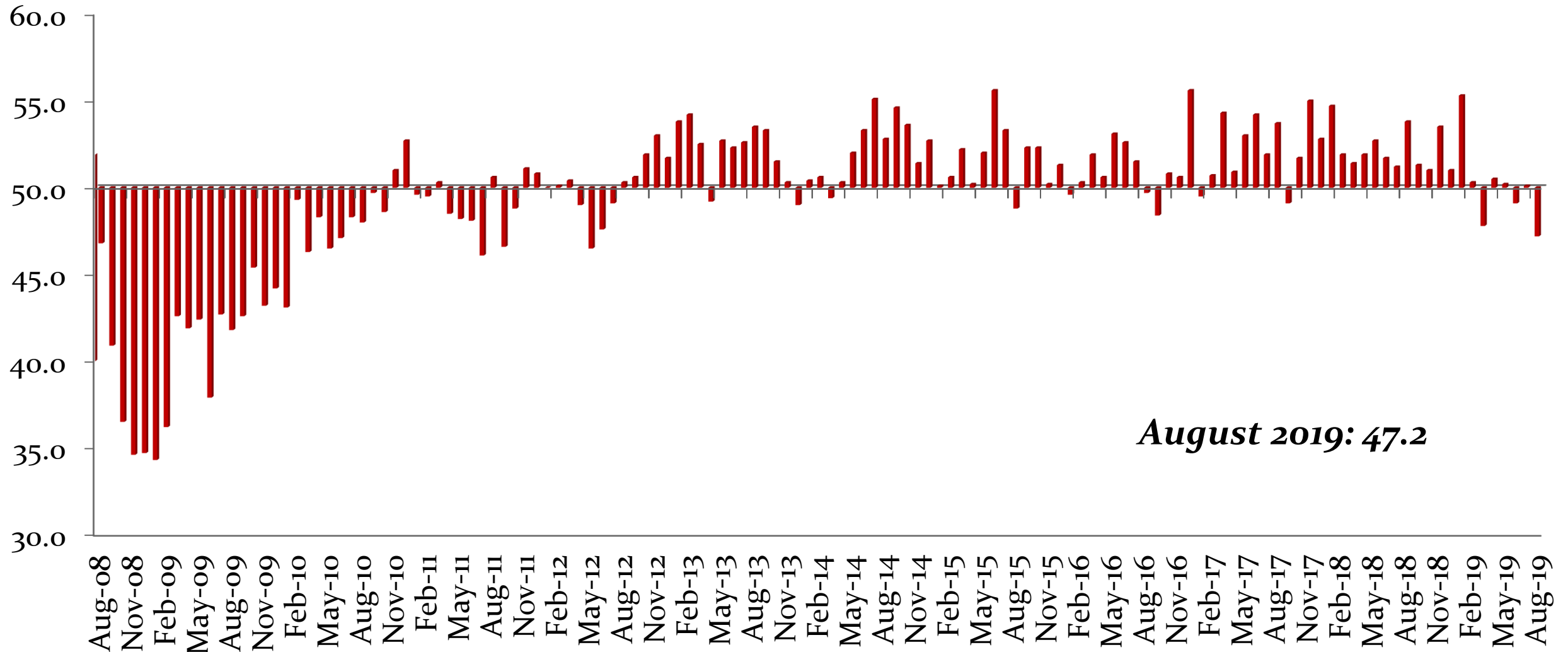


“Most men love money and security more, and creation and construction less, as they get older.”

—John Maynard Keynes

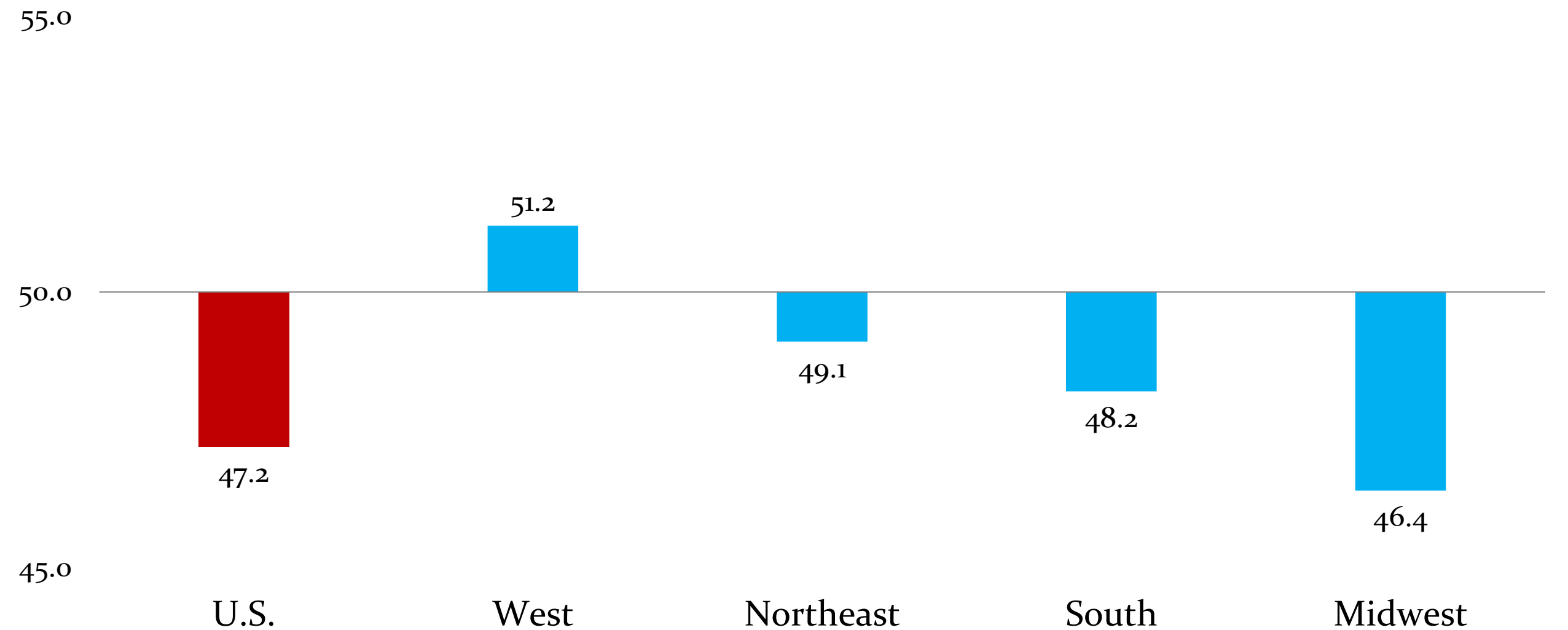
Architecture Billings Index

August 2008 through August 2019



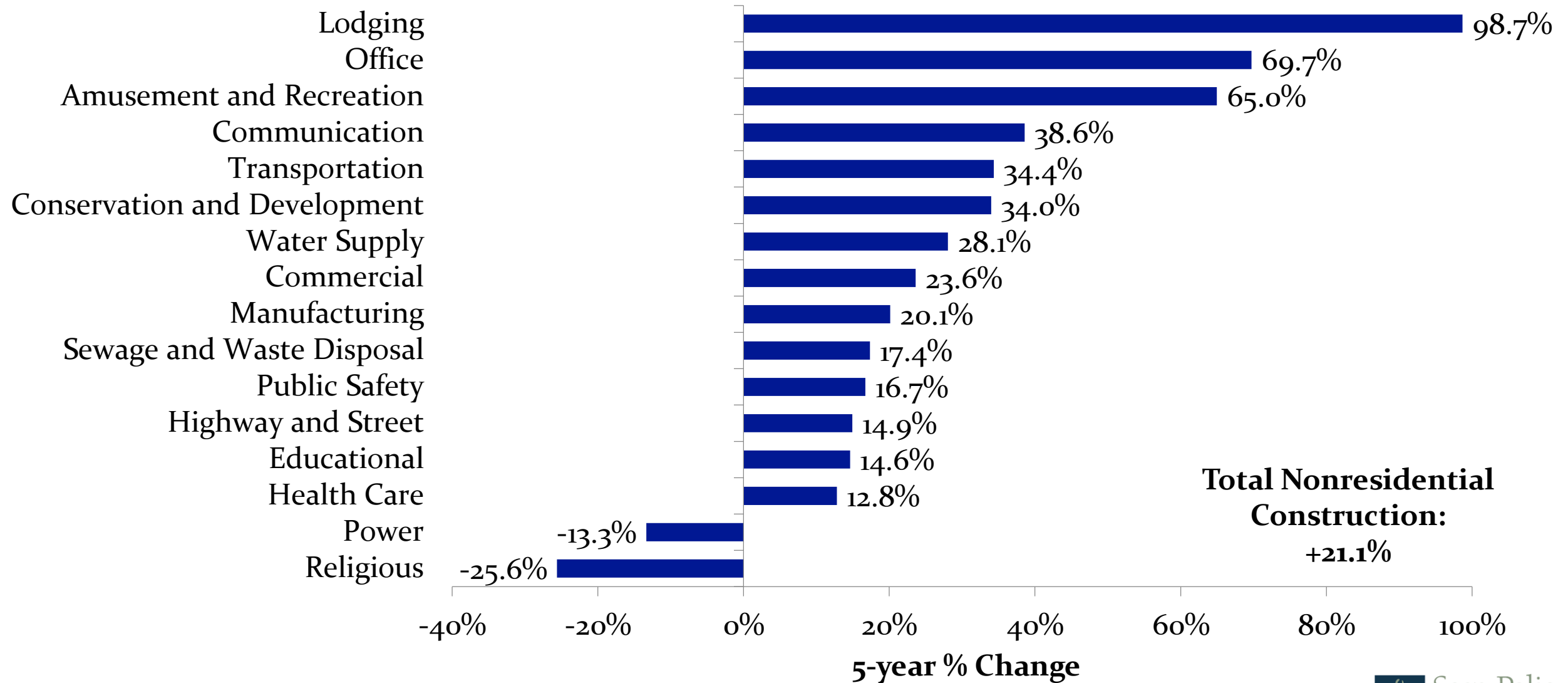
Architecture Billings Index by U.S. Region

August 2019



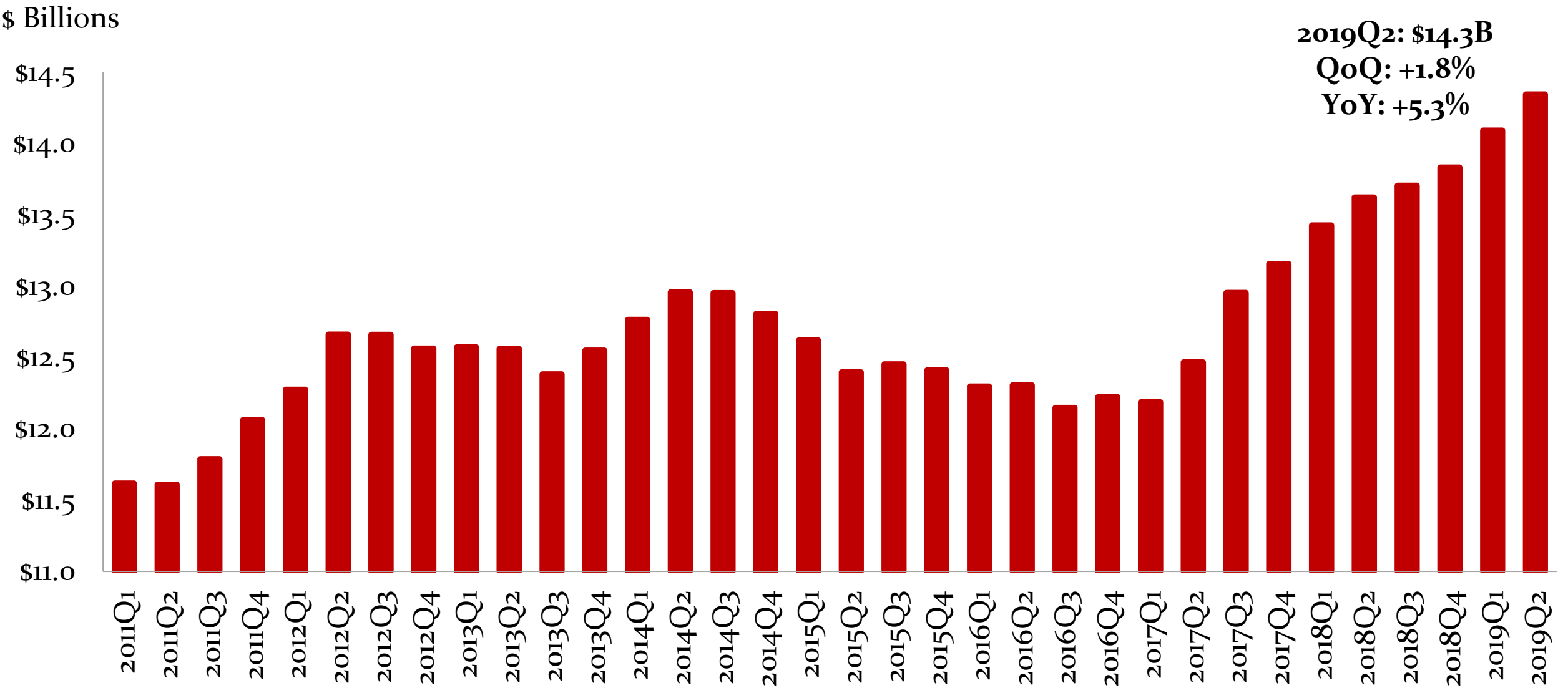
National Nonresidential Construction Spending by Subsector

August 2014 v. August 2019



Canada Nonresidential Building Construction Investment

2011Q1 through 2019Q2

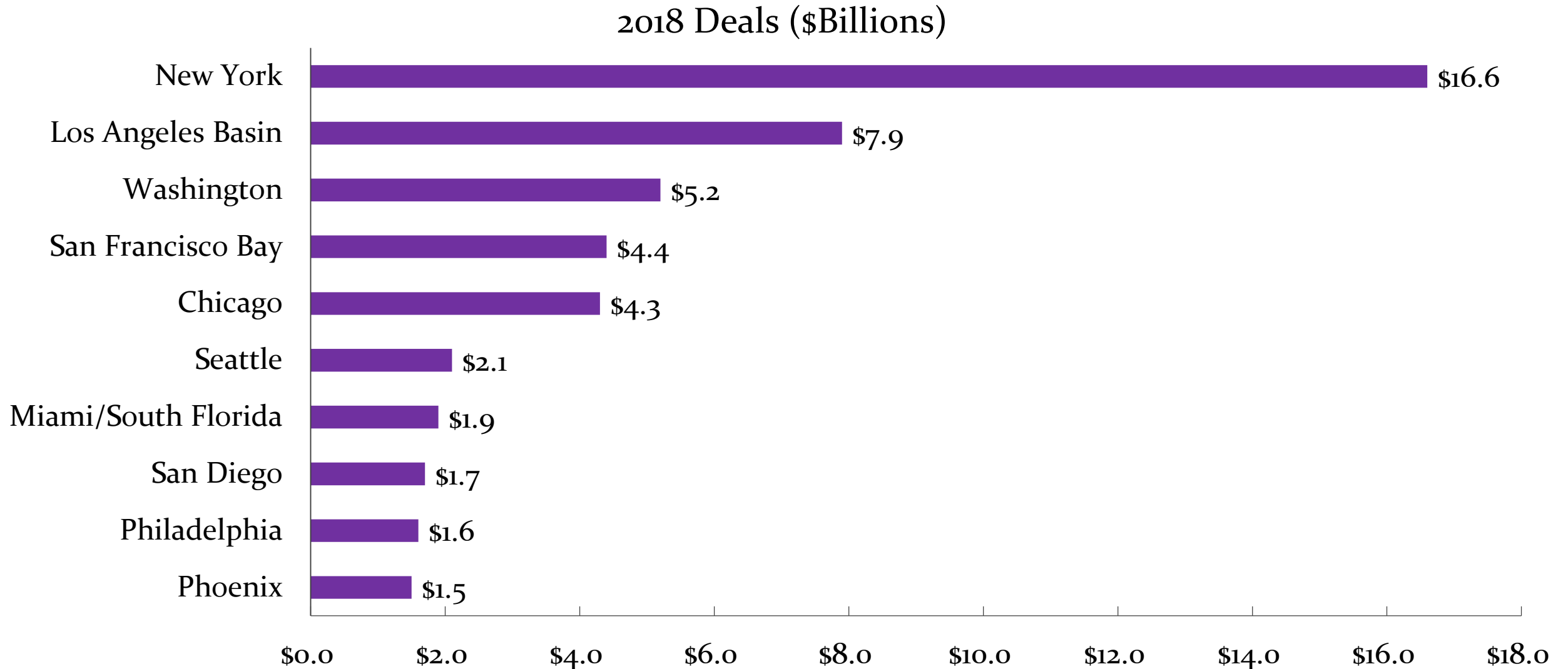


Canada Nonresidential Building Construction Investment

Building Type	2019Q2 (\$B)	% Growth	
		QoQ	YOY
Industrial	\$2.7	2.1%	5.3%
Institutional & Governmental	\$3.4	1.0%	-6.9%
Commercial	\$8.2	2.0%	11.3%
Total non-residential	\$14.3	1.8%	5.3%

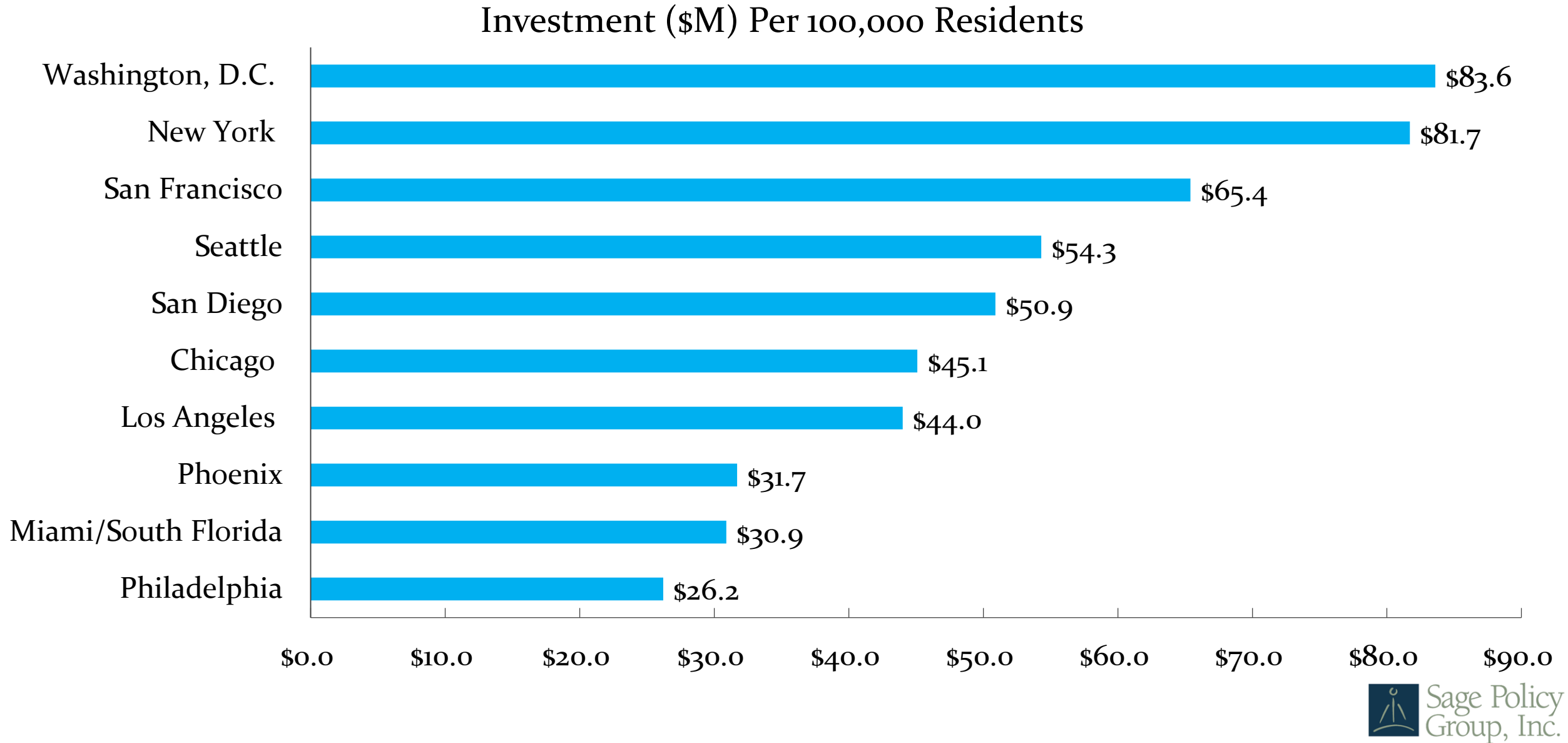
Foreign Investment in U.S. Commercial Real Estate

Top Destination Markets, 2018



Foreign Investment in U.S. Commercial Real Estate Per 100,000 Residents

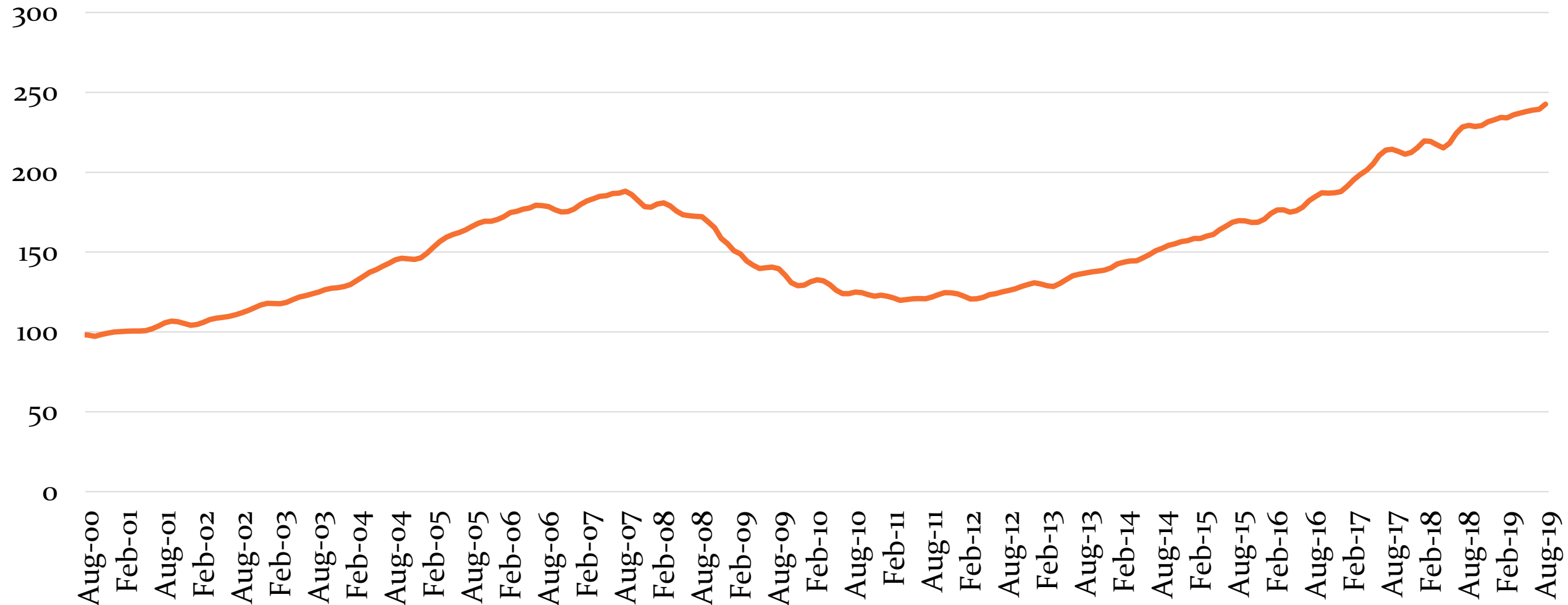
Top Destination Markets, 2018



CoStar Commercial Repeat Sales Index

August 2000 through August 2019

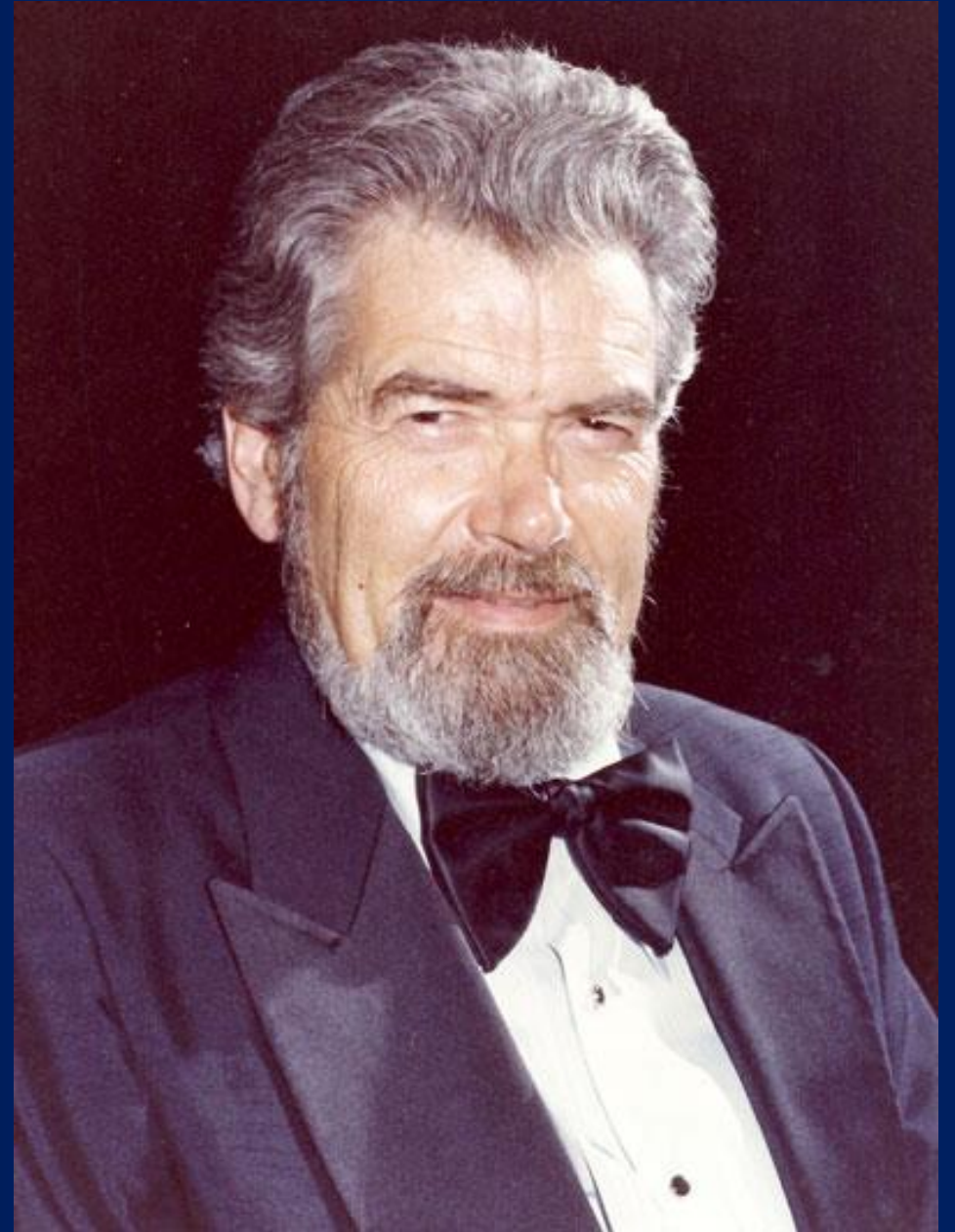
CCRI: U.S. Composite



*Based on 1,274 repeat sale pairs in August 2019 and more than 215,000 repeat sales since 1996.

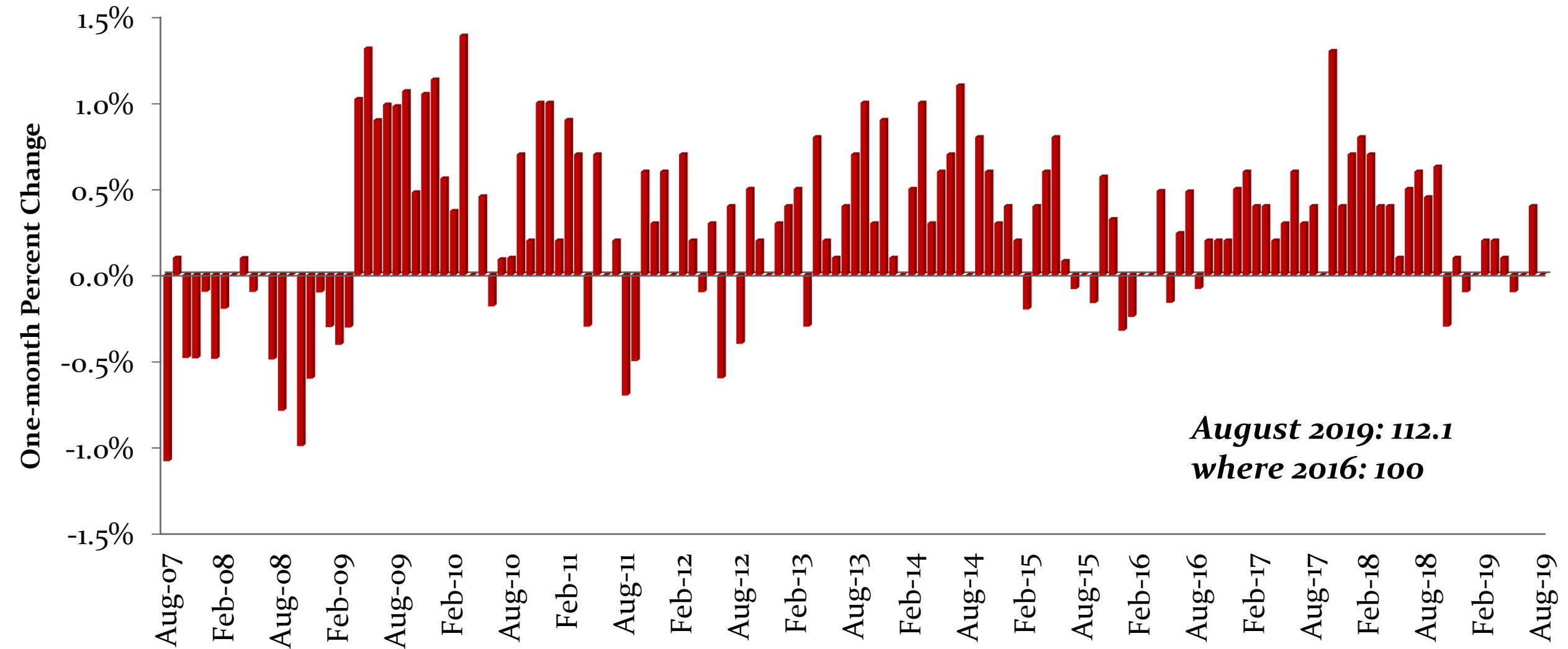
**“An economist is an expert
who will know tomorrow why
the things he predicted
yesterday didn't happen
today.”**

—Laurence J. Peter



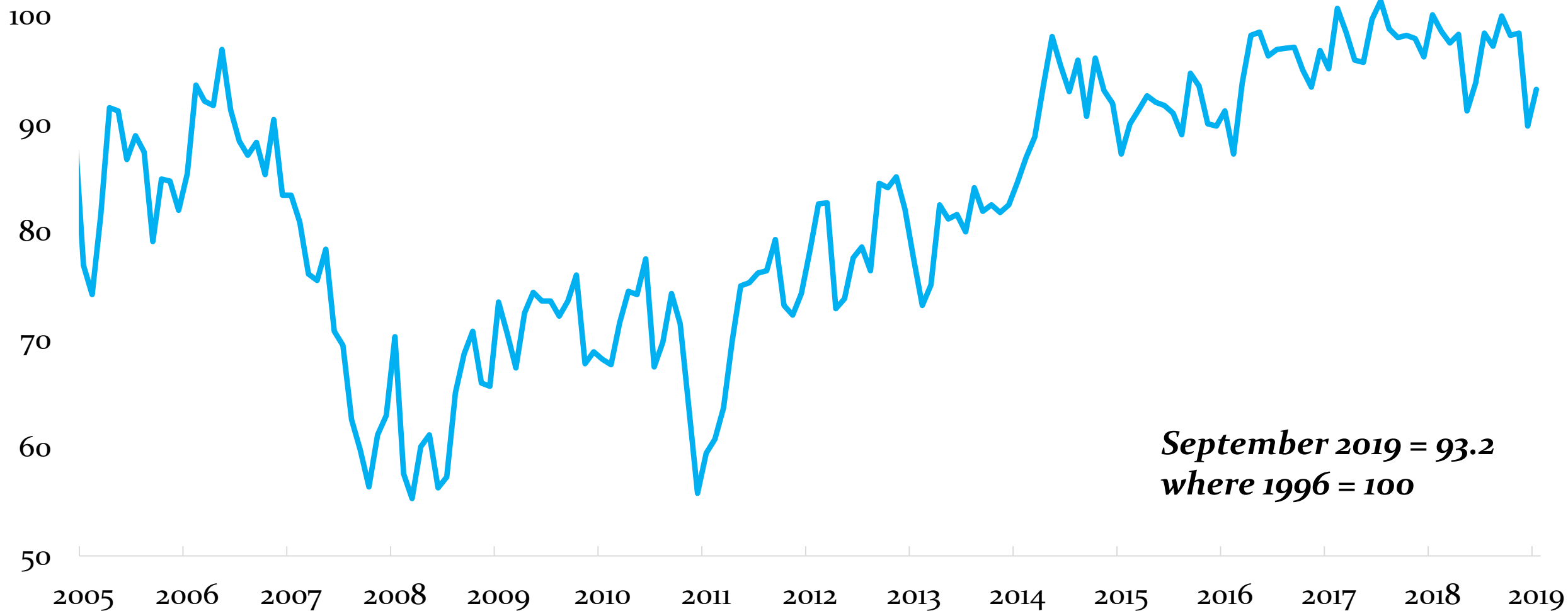
Conference Board Leading Economic Indicators Index

August 2007 through August 2019



University of Michigan Index of Consumer Sentiment

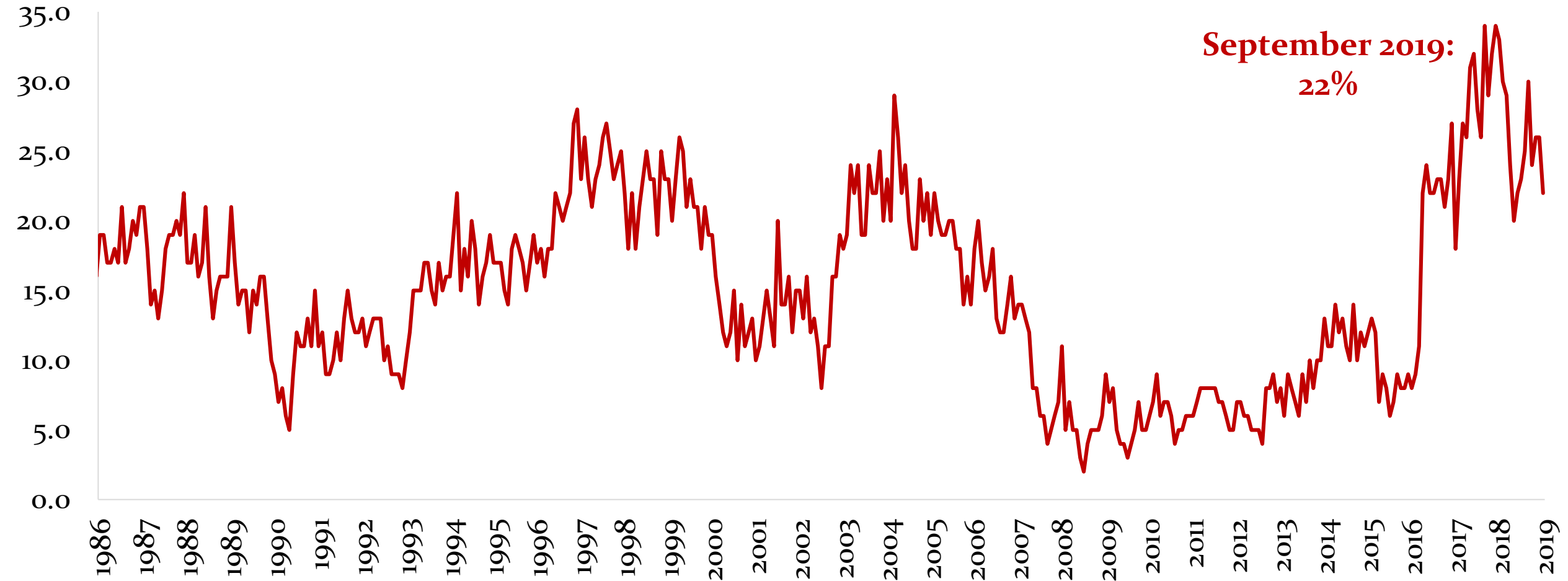
2005-2019



NFIB Index of Small Business Optimism: Good Time to Expand

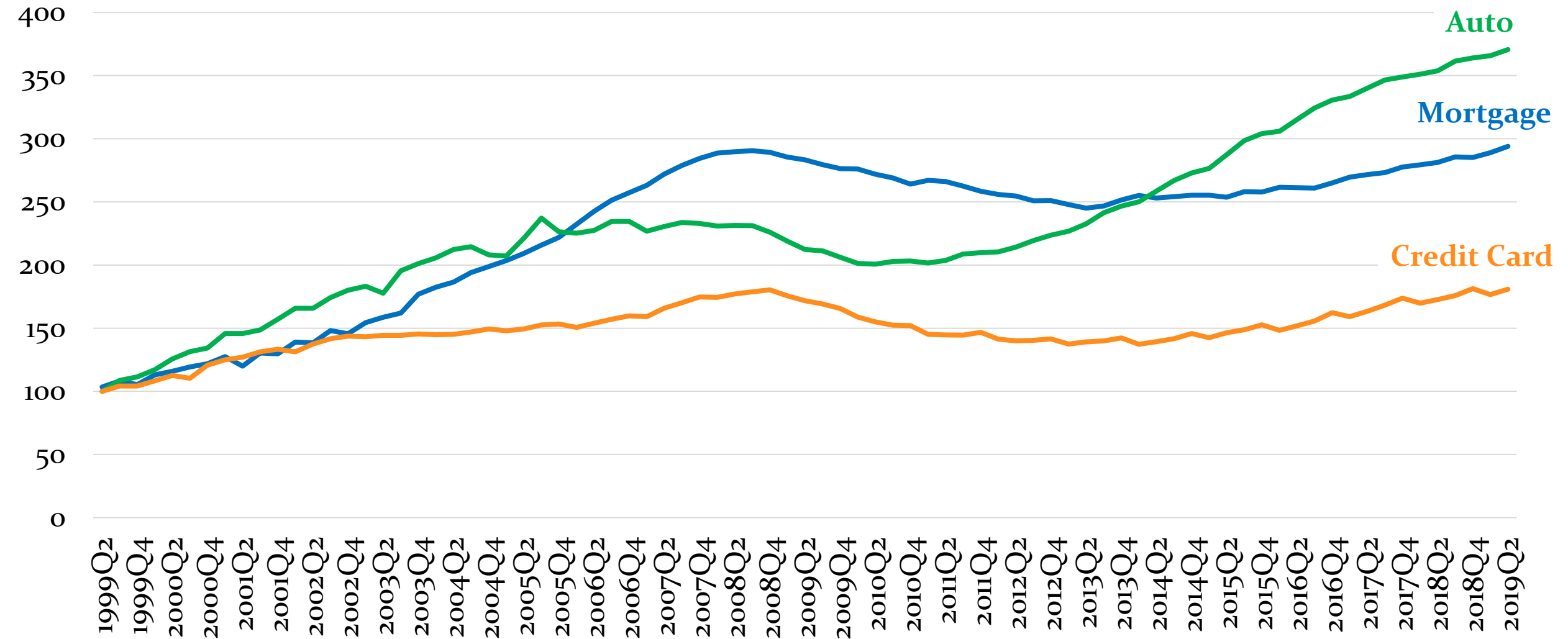
1986-2019

% of respondents who think the next 3 months will be a good time to for small business to expand

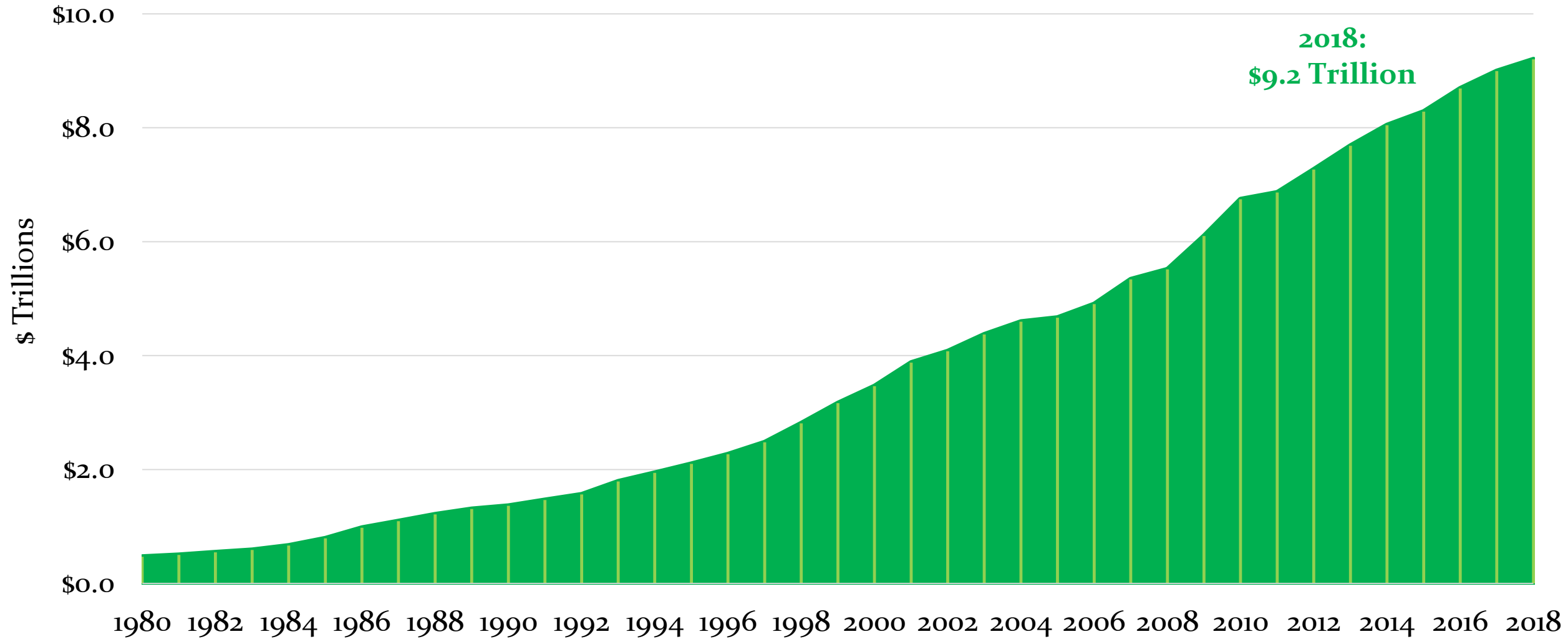


Total U.S. Debt Volume by Select Loan Types

Index 1999Q1=100



U.S. Corporate Bond Debt Outstanding, 1980-2018



Economists do it with Models

- Much of the negativity reflected in forecasts and in financial market volatility relates to things people believe will happen;
- But important parts of the North American economy continue to perform well – e.g. consumer, corporate earnings, construction.

- What's more, there is significant upside risk. What if the following happens?
 - ☐ Trade deal with China;
 - ☐ Infrastructure spending plan with revenue sources identified;
 - ☐ Elimination of tariffs on steel, aluminum, etc. &
 - ☐ U.S. Fed stops tightening!!!!
- Hypothesis - 2019 will be decent year for economy, but if we don't check some of these boxes, watch out for '20 in both the U.S. & Canada!

Thank You

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