



**National Rural Utilities
Cooperative Finance Corporation**

SERVICE | INTEGRITY | EXCELLENCE

Macro-Economic Update - *“A year of mixed signals”*

August 2022

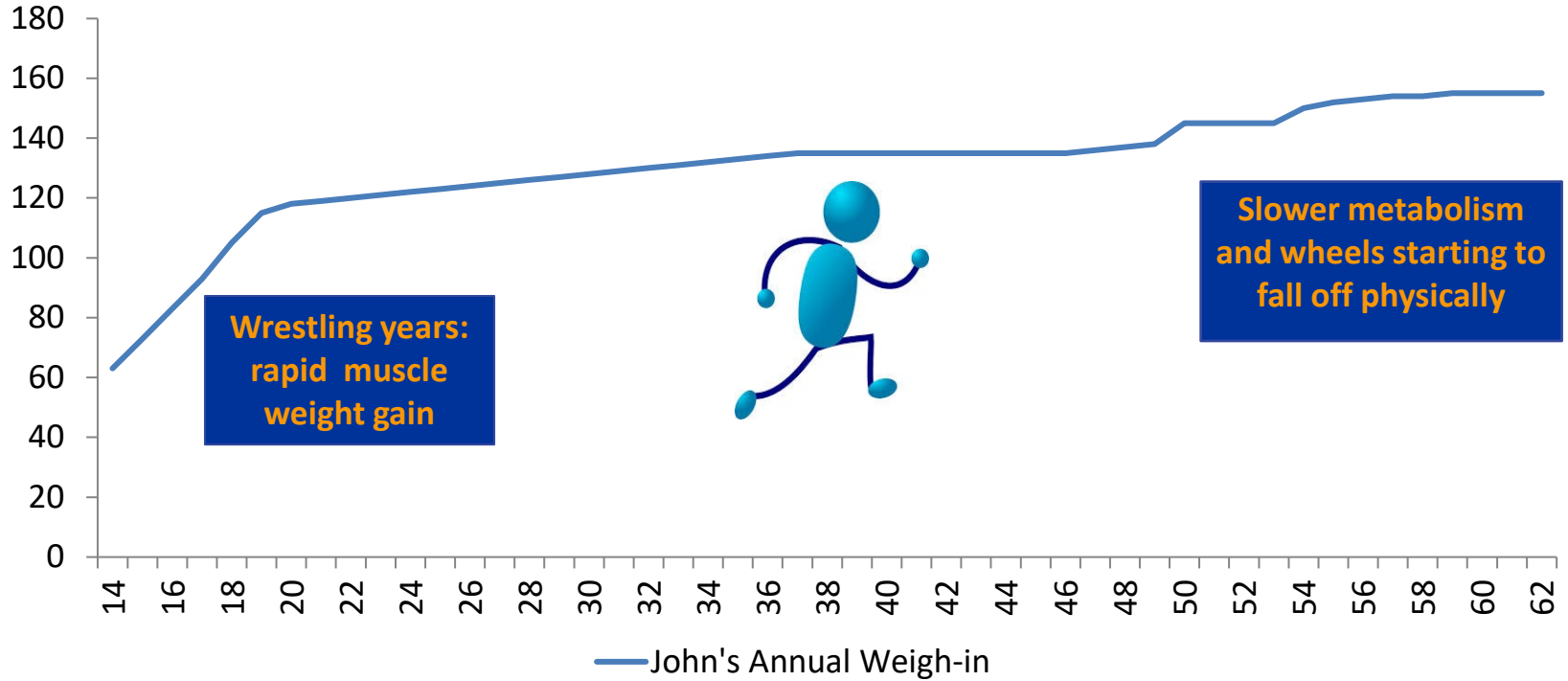
My current weight...

155 lbs





Quick review of time series data



Guidance for remainder of the year...

- **Expect the worst and you won't be disappointed!**

Oregon: a potential volatile outlook



Migration/Workforce

- Population growth rebounded from COVID loss
- Eight highest concentration of STEM employees
- High net migration of college-educated workers

★ *Growth dependent on migration, which fluctuates*



Industrial Structure

- Transitioning from agriculture to services and manufacturing
- Dependent on trade
- Tech is Oregon's highest valued export

★ *Manufacturing is sensitive to interest rates; trade is sensitive to the dollar value & global economy; and high rates tend to hurt tech stocks*

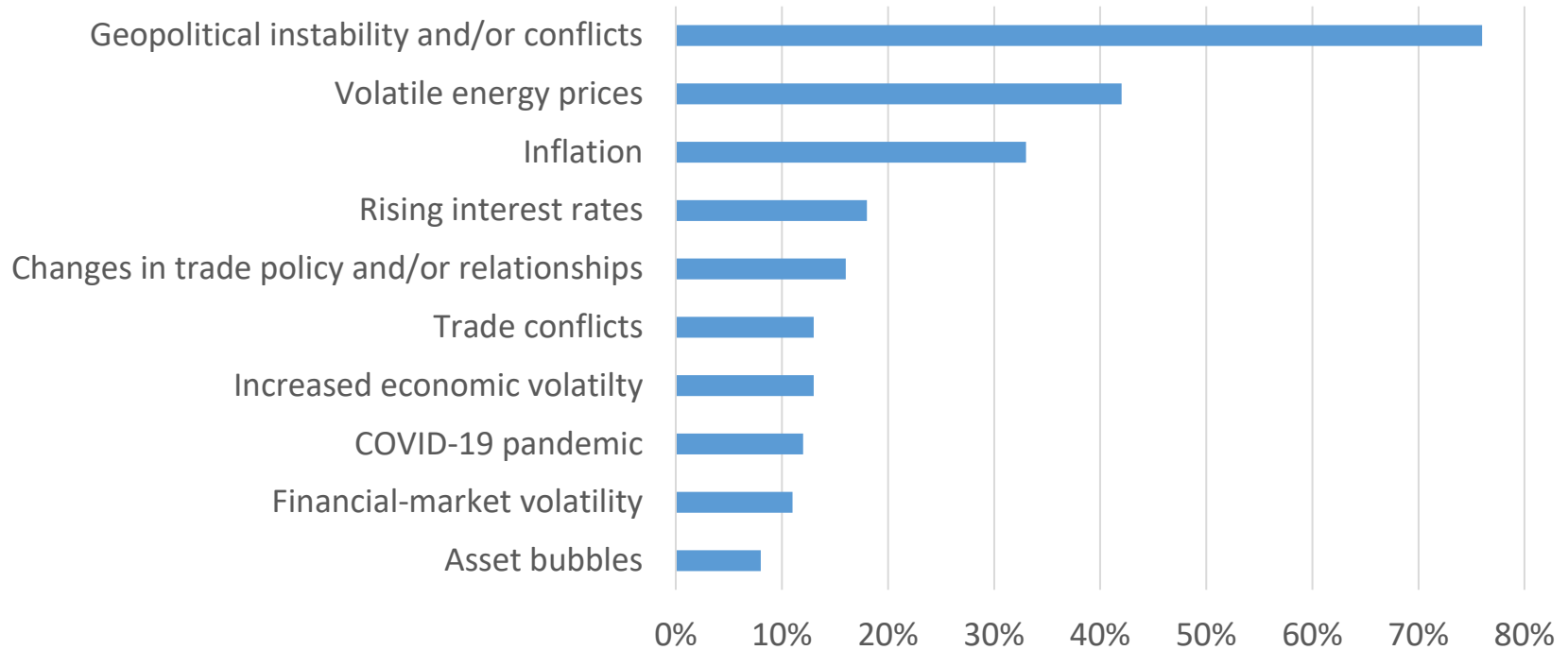
Where economics is king!

- Dr. Amling was a professor and senior adviser to the Ph.D. program at the George Washington University Graduate School of Business and Public Management, where he retired as professor emeritus in 2000.
- Dr. Amling authored many college-level textbooks in the area of finance, including *Investments: An Introduction to Analysis and Management* and *The Dow Jones Irwin Guide to Personal Financial Planning*.
- **Background**
 - Students must buy Dr. Amling's book for his class (100 students a semester)
 - Managed George Washington University's investment portfolio
 - Consulted regularly with local businesses
 - Managed his own portfolio
- **Fall of 1987 my class time met on Monday's 8:00-10:30 at night**
- **Black Monday was October 19th, 1987.**

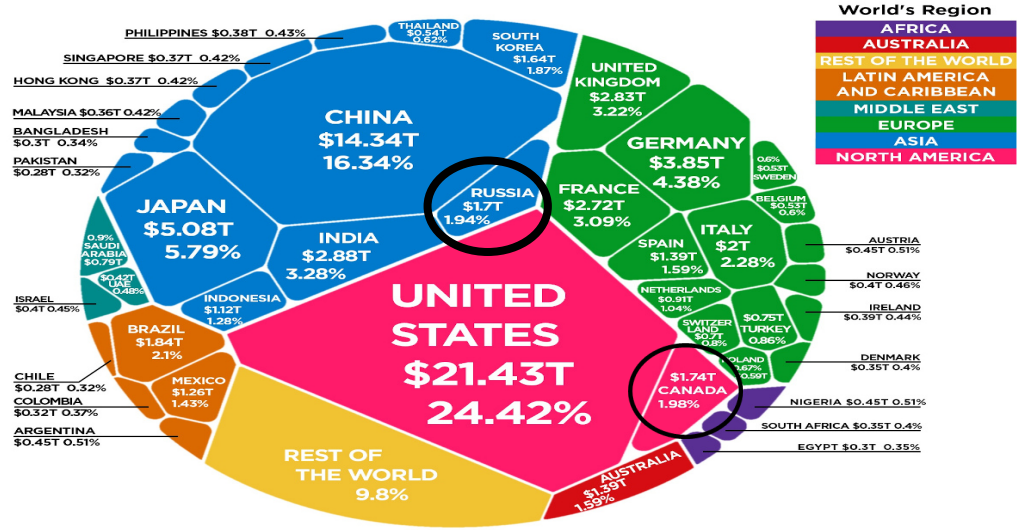


One Decision to Make: Buy, Hold, or Sell

Geopolitical conflicts now loom large



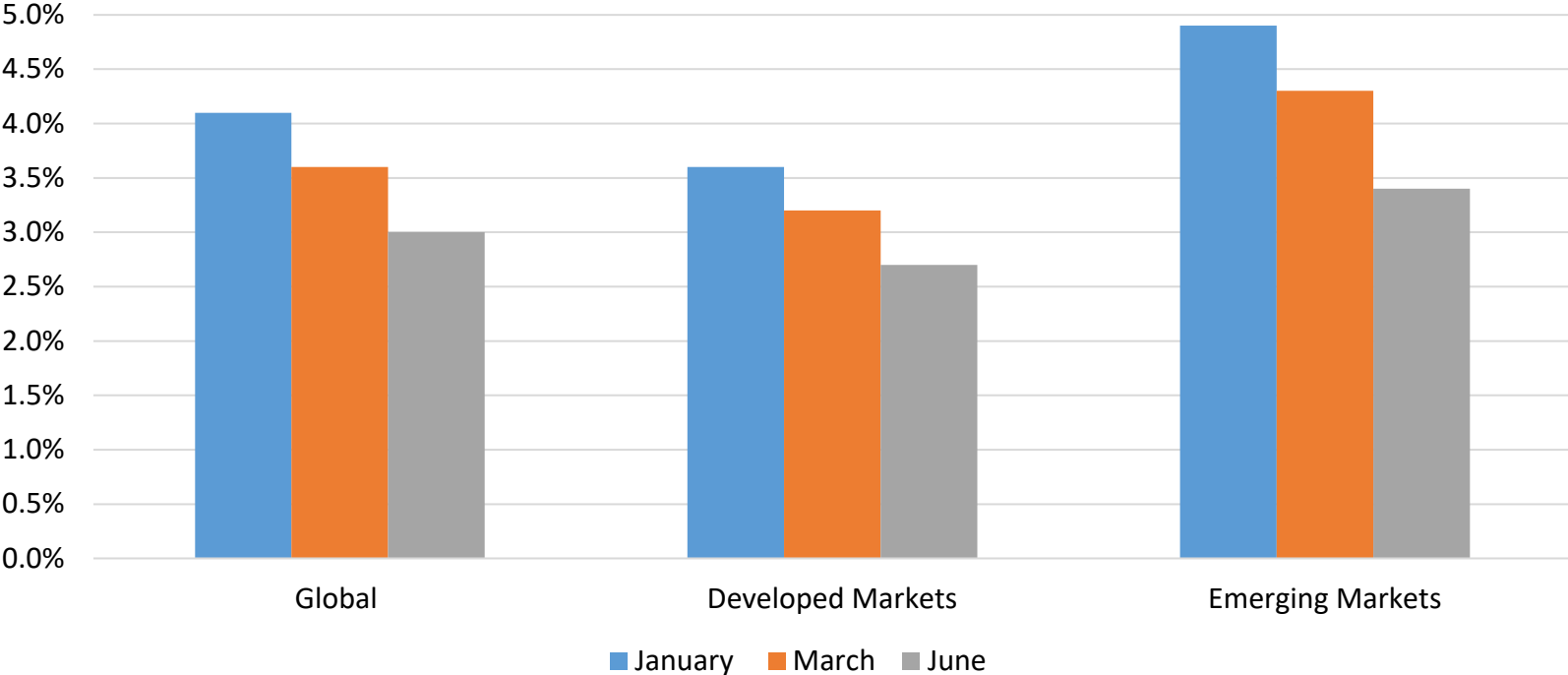
Dead end for globalization...



Article & Sources:
<https://howmuch.net/articles/the-world-economy-2019>
<https://databank.worldbank.org>



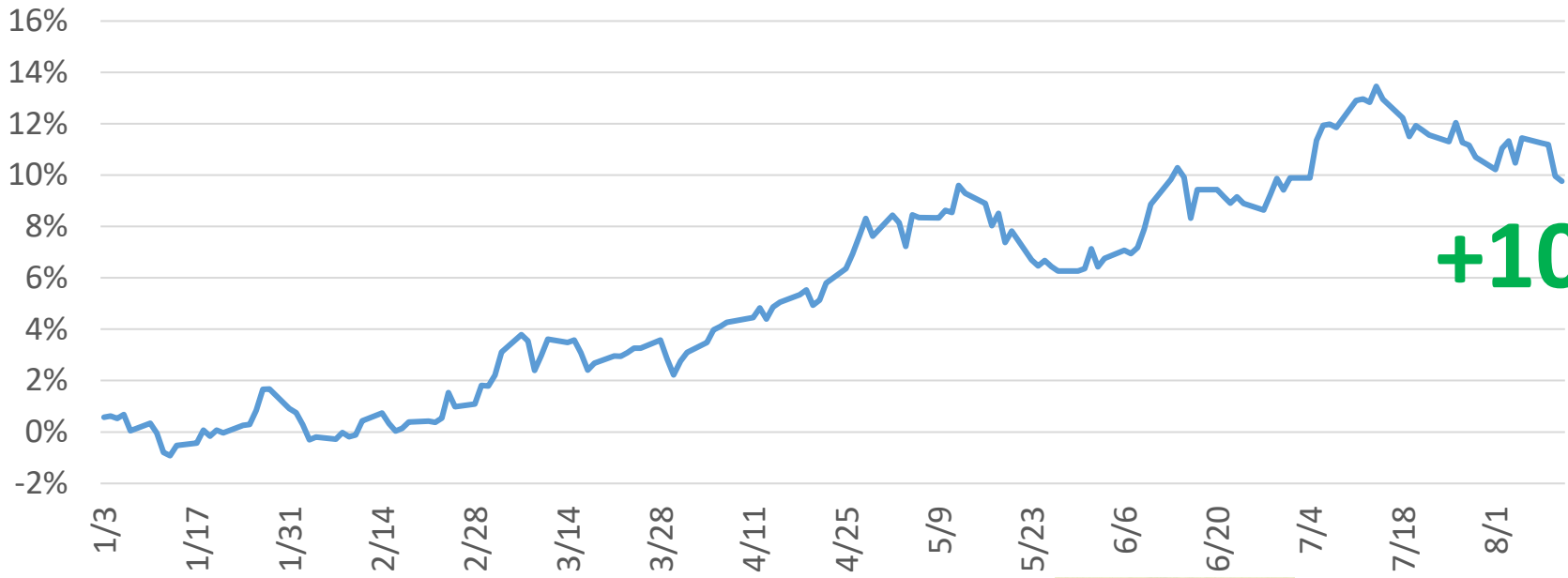
2022 Growth Revised Downwards



Downside Pressure on Growth



The mighty green back:

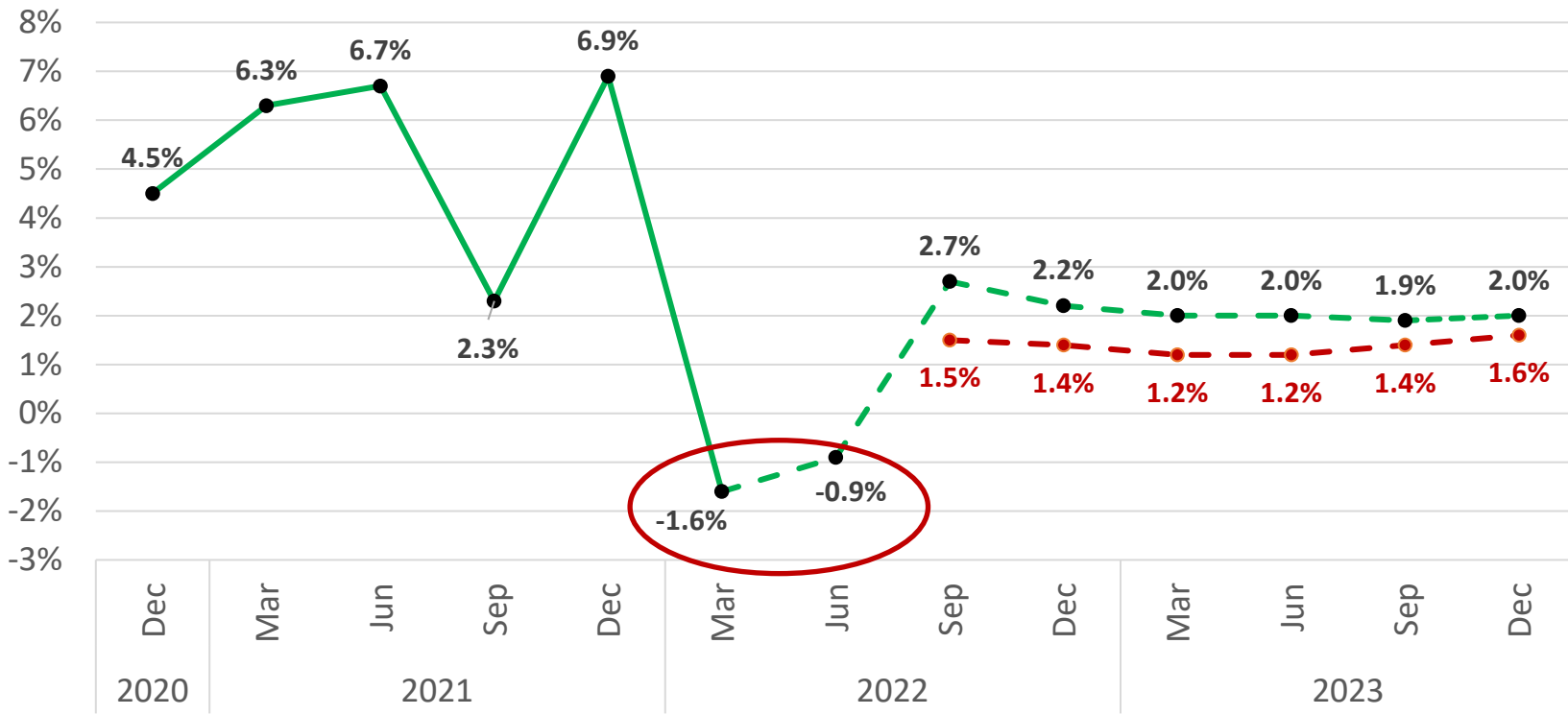


+10%

— 2022 U.S. Dollar Appreciation



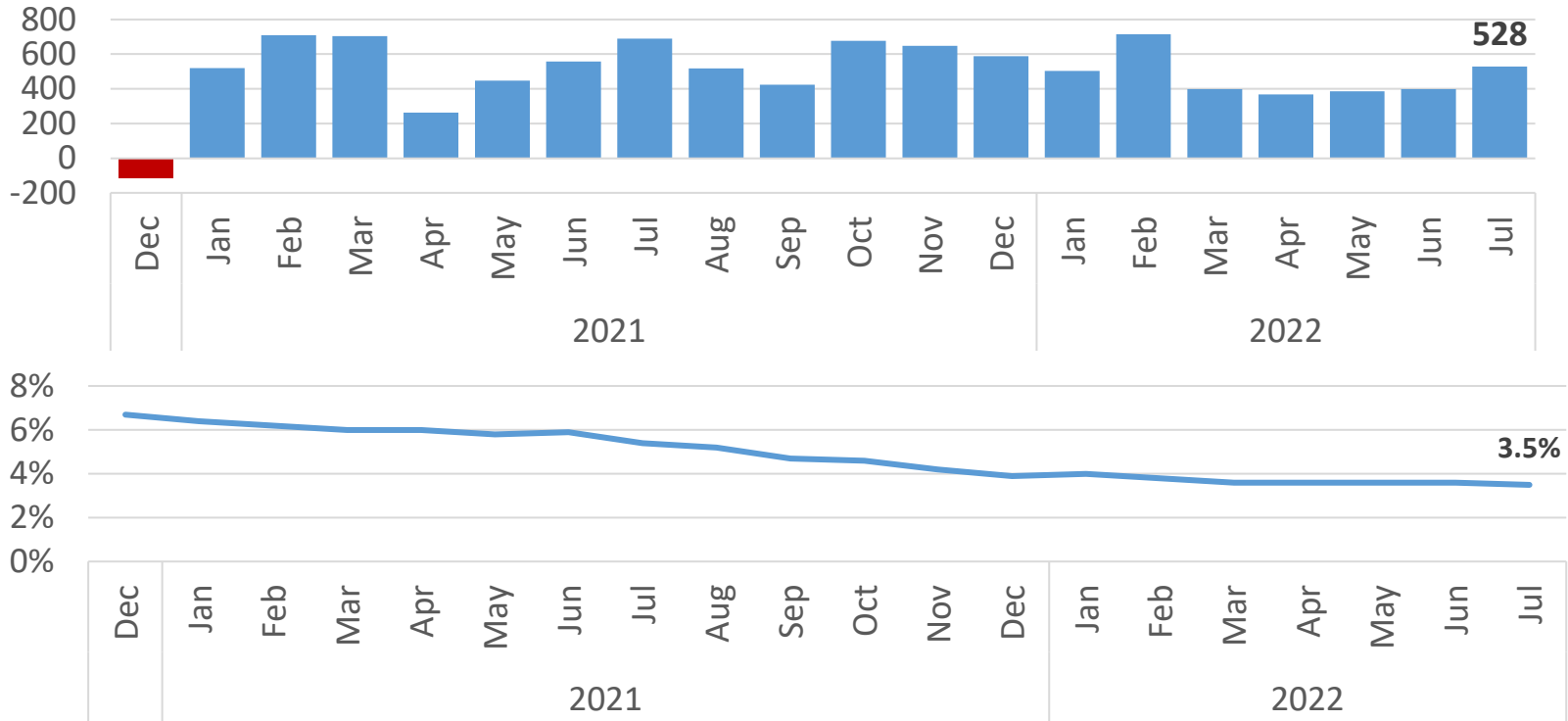
Economic outlook continues to sour



What year were the below big hits?



Jobs jolt: resilient labor market



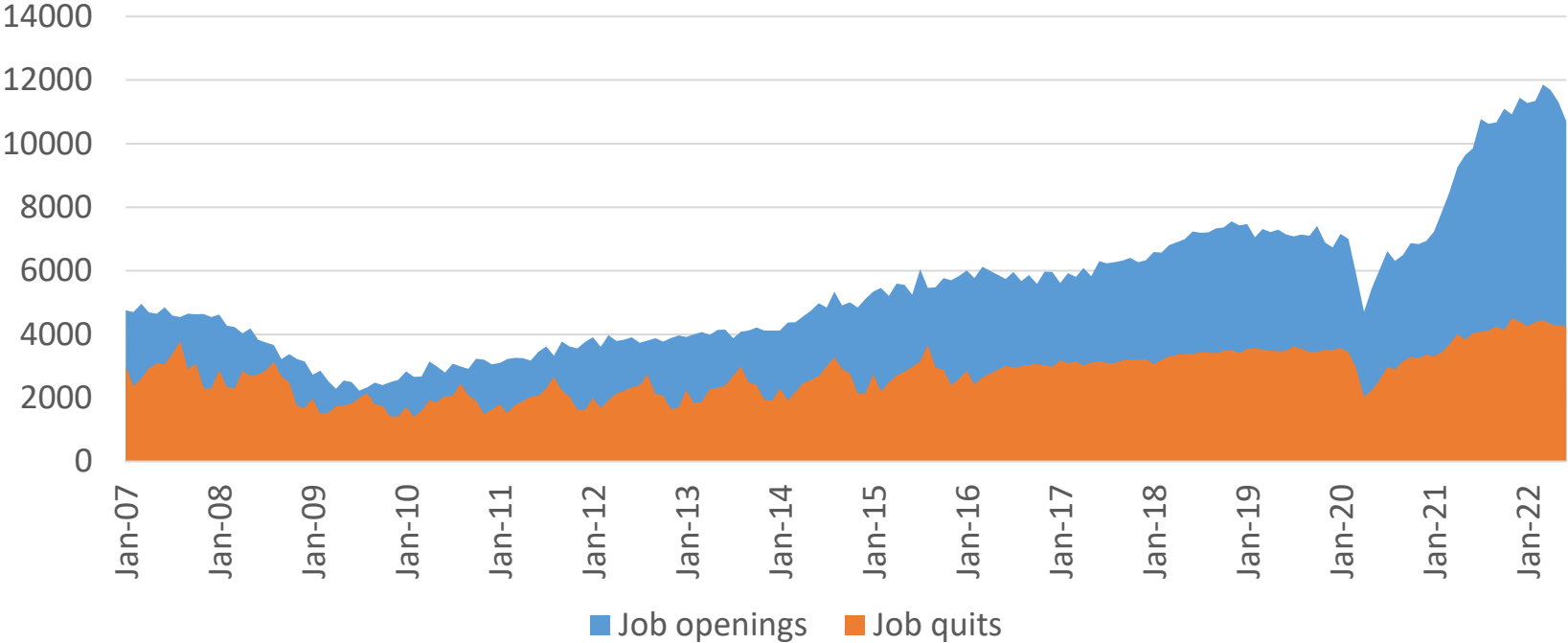
Past recessions and severity

Time Period	Duration	Change in GDP	Peak Unemployment Rate
August 1929-March 1933	3 years, 7 months	-26.3%	24.9%
December 2007-June 2009	1 year, 6 months	-4.0%	9.5%
November 1973-March 1975	1 year, 4 months	-3.1%	8.6%
July 1981-November 1982	1 year, 4 months	-2.5%	10.8%
May 1937-June 1938	1 year, 1 month	-3.3%	19.0%
November 1948-October 1949	11 months	-1.5%	7.9%
December 1969-November 1970	11 months	-0.2%	5.9%
July 1953-May 1954	10 months	-2.4%	5.9%
April 1960-February 1961	10 months	-0.1%	6.9%
January-December 2023	?	TBD	TBD
March 2020- April 2020	2 months	-31.2%	14.7%

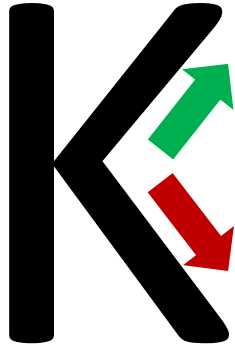


Six Causes: 1. Industry, 2. Inflation, 3. Oil, 4. Financial, 5. Fiscal, and 6. External Force

Recession: job loss will be a big concern



The last pandemic recession fallout



- Shaped Recovery

1. Technology
2. Software Services
3. On-line Retail
4. Housing
5. Stock Owners

1. Travel
2. Entertainment
3. Hospitality
4. Food Services Industries

Bare essentials budget



- **Housing**
- **Utilities**
- **Transportation**
- **Pet/childcare**
- **Medicine**
- **Insurance premiums**
- **Minimum monthly debt payments and food**



6th Grade

Mrs. Cornett “Corny Cornett”

East Elementary School

Steve Marshall

John Suter

Mitch Tryon

Time

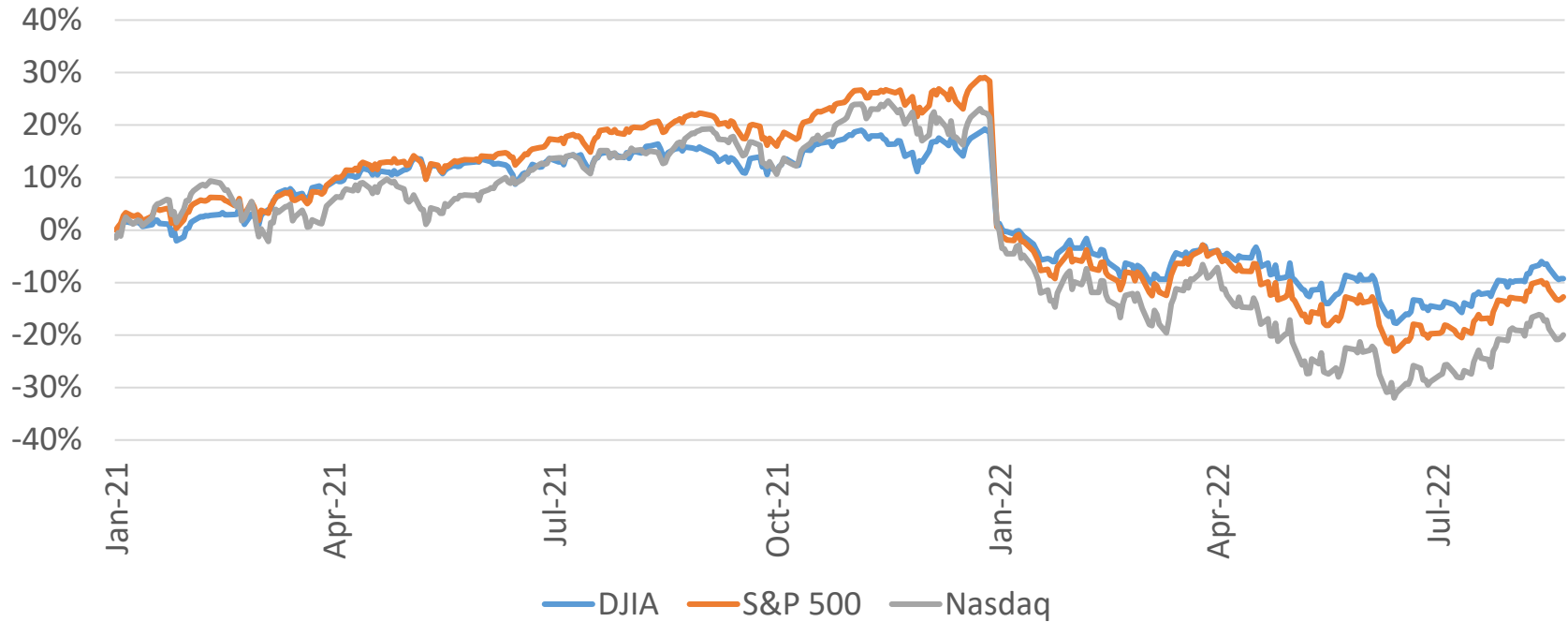
THE SUTER FAMILY

You Owe

\$73,353.57

**That's what every American man, woman, and child
would need to pay to erase the \$30.0 trillion U.S. Debt**

Wall Street: worst first half since 1970



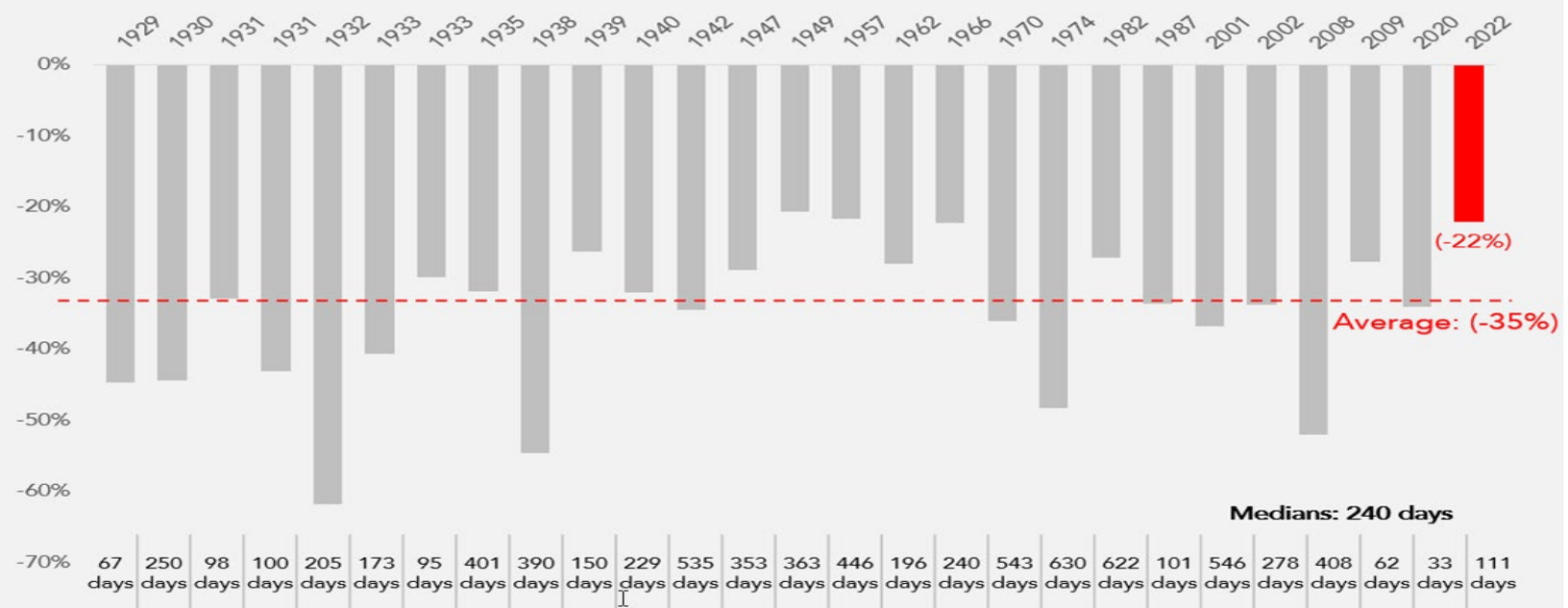


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How deep will the bear's claws sink?

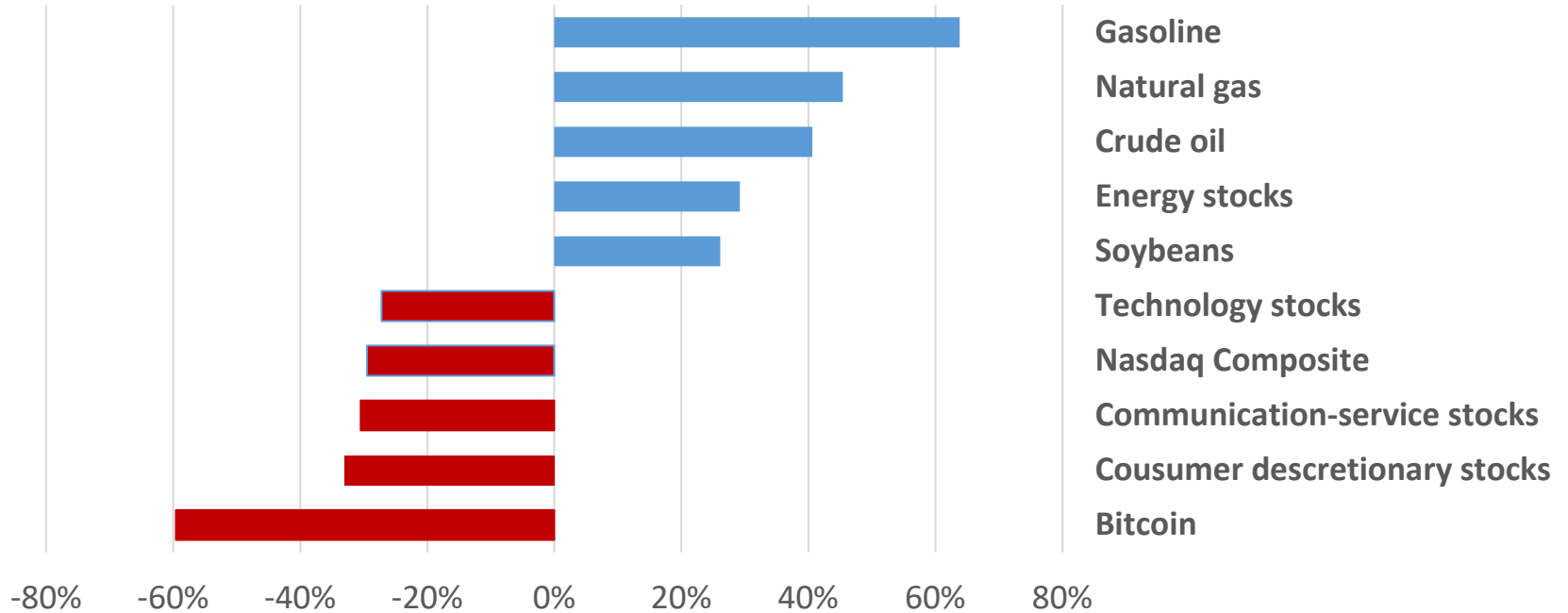
27 bear market declines (> -20%) since 1929



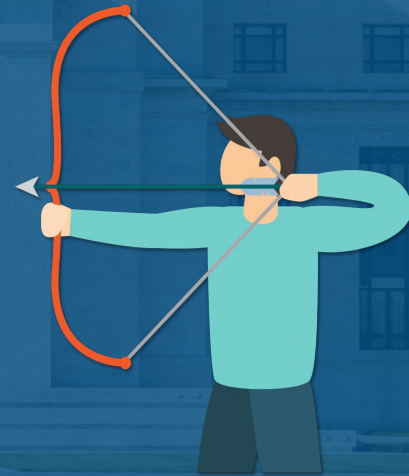
Source: (1) Nicholas Jasinski, Barron's. WSJ. Bloomberg. FT. Oxford Economics ("Equities: Bear Market Begins").

It can always get worse...

Change in value, year to date



The challenge of a dual mandate



**Jerome
Powell**

4 areas where inflation is leaving a mark



Food



**Gas and
Energy**



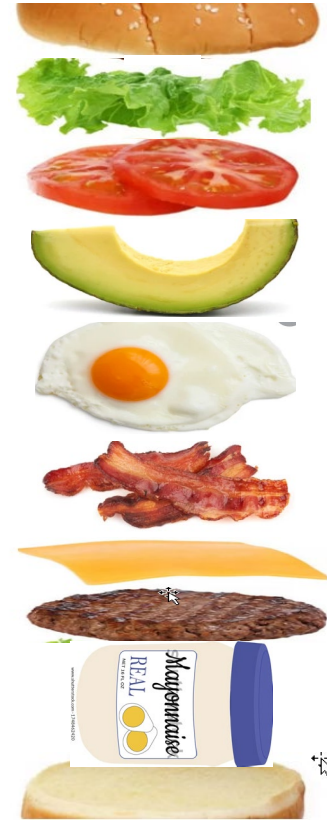
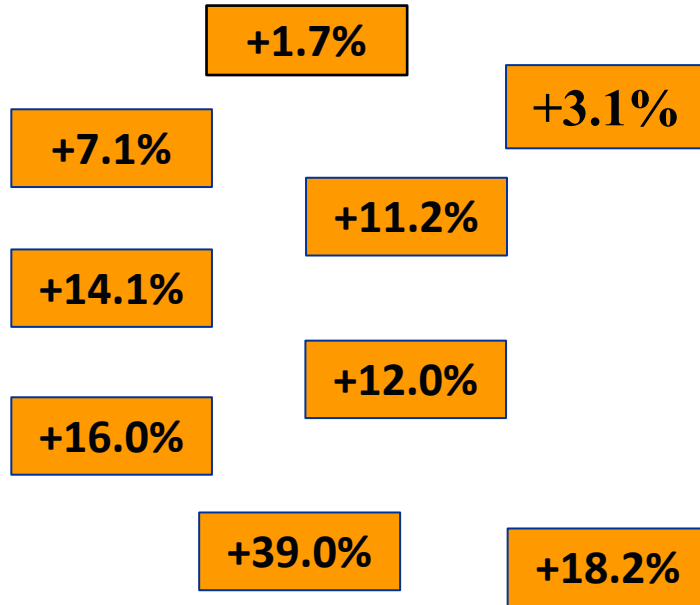
Housing



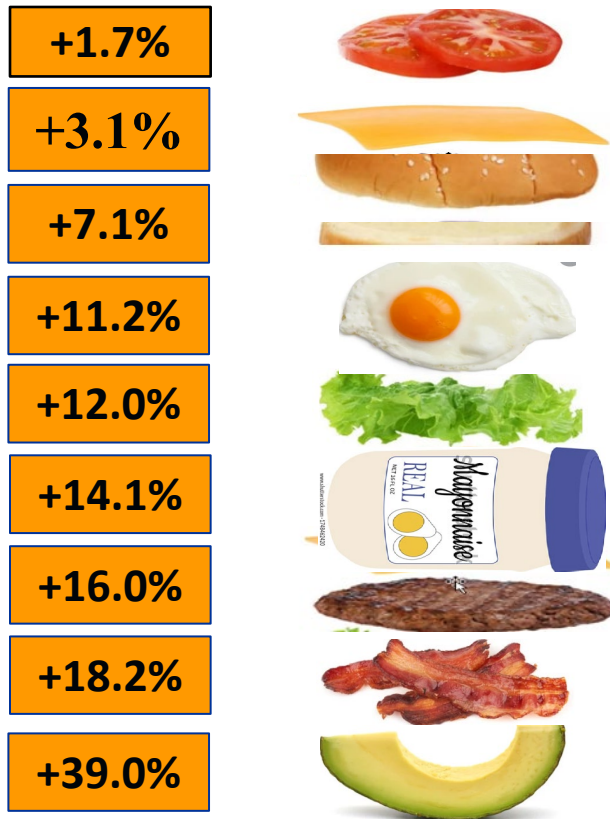
**Health
Care**

The first three categories constitute 50 percent of the average household budget.

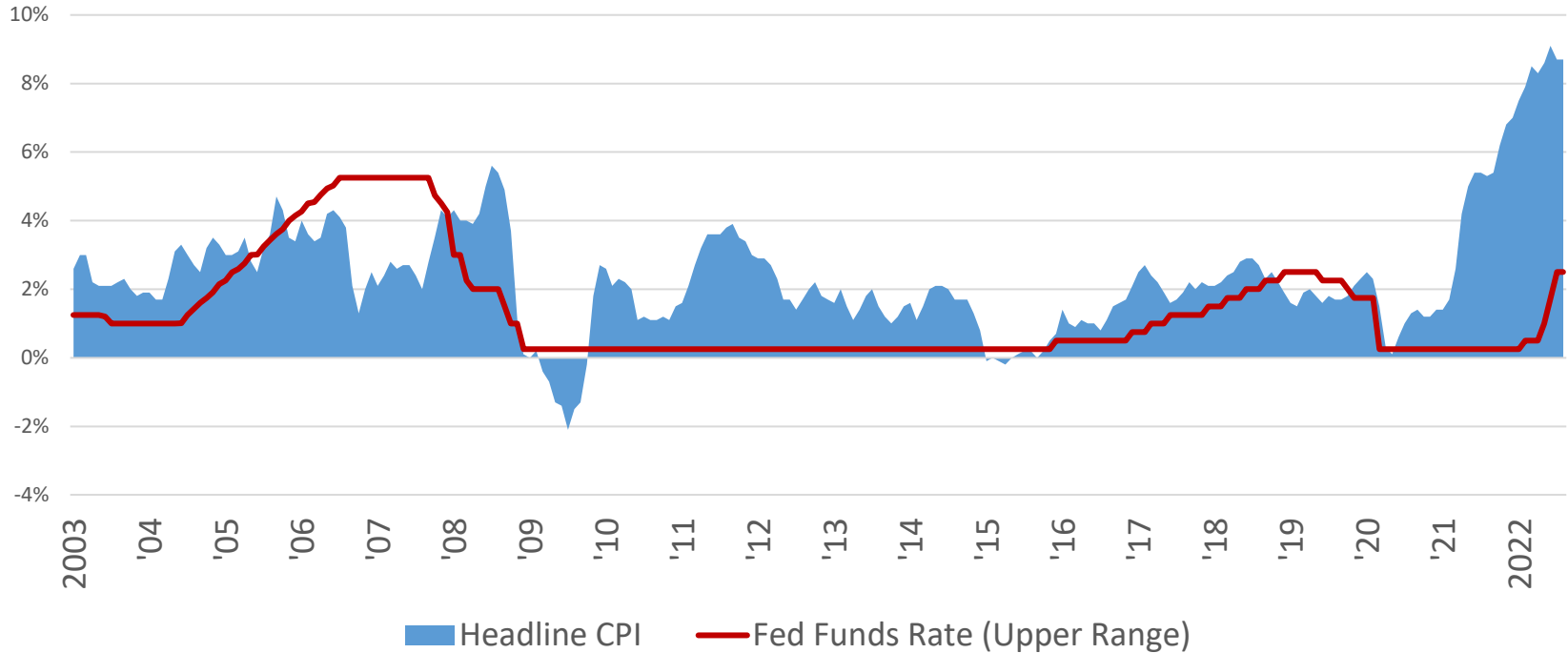
Bigger grocery bills – cost of a burger!



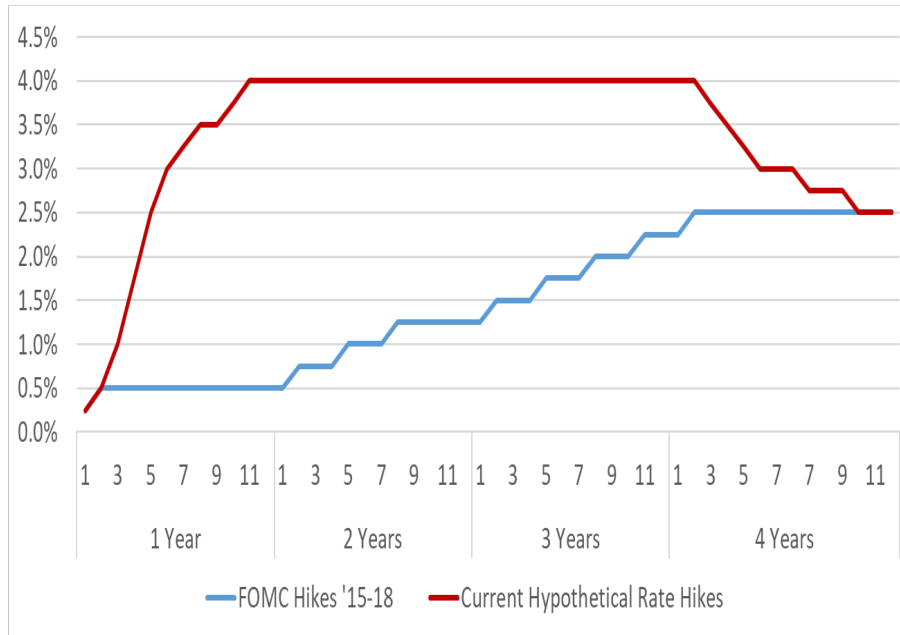
Bigger grocery bills – cost of a burger!



Fed is trying to play catch-up

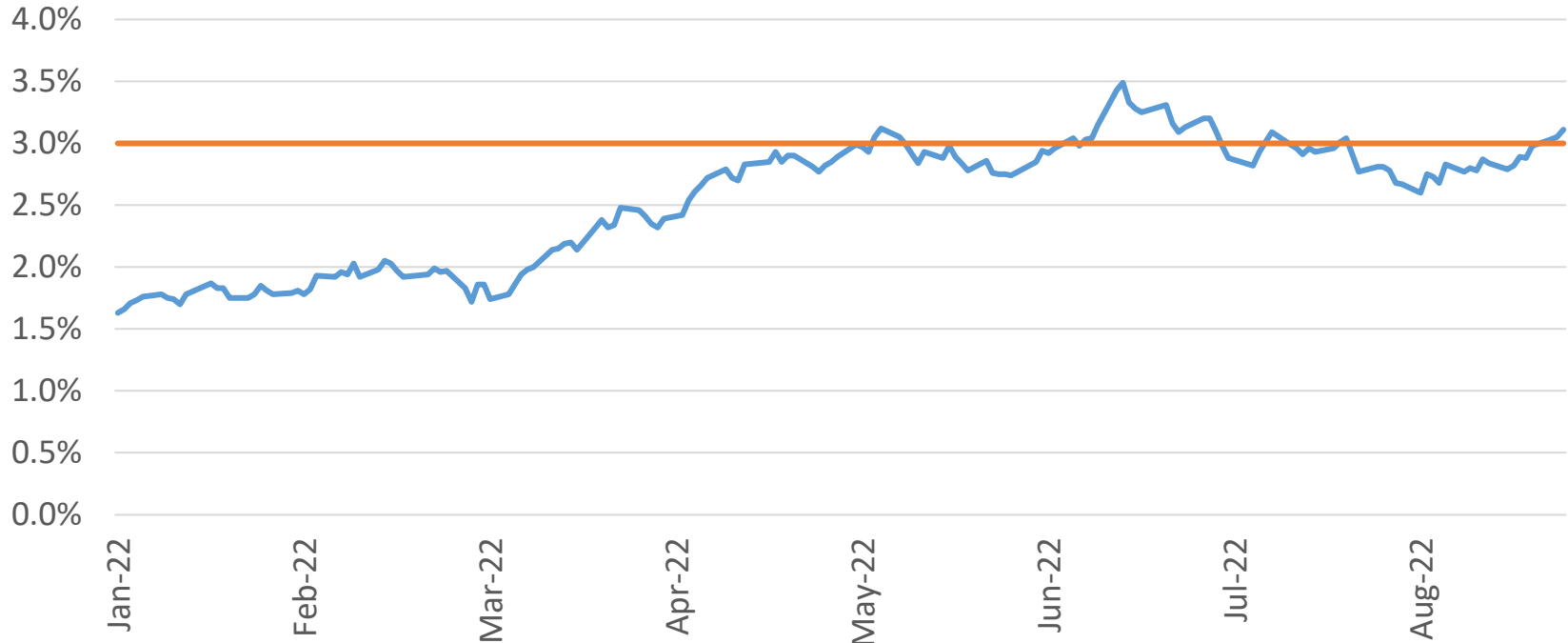


Current Fed overnight rate path

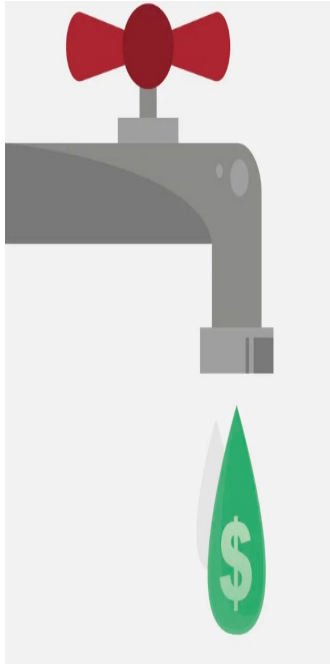


Year	Fed Meeting Date	Overnight Rate
2022	January	0.25%
2022	March	0.50%
2022	May	1.00%
2022	June	1.75%
2022	July	2.50%
2022	September	3.00%
2022	November	3.25%
2022	December	3.50%
2023	January	3.50%
2023	March	3.75%
2023	May	4.00%
2023	June	4.00%
2023	July	4.00%
2023	September	4.00%
2023	November	4.00%
2023	December	4.00%

Recession fears pushing yields down



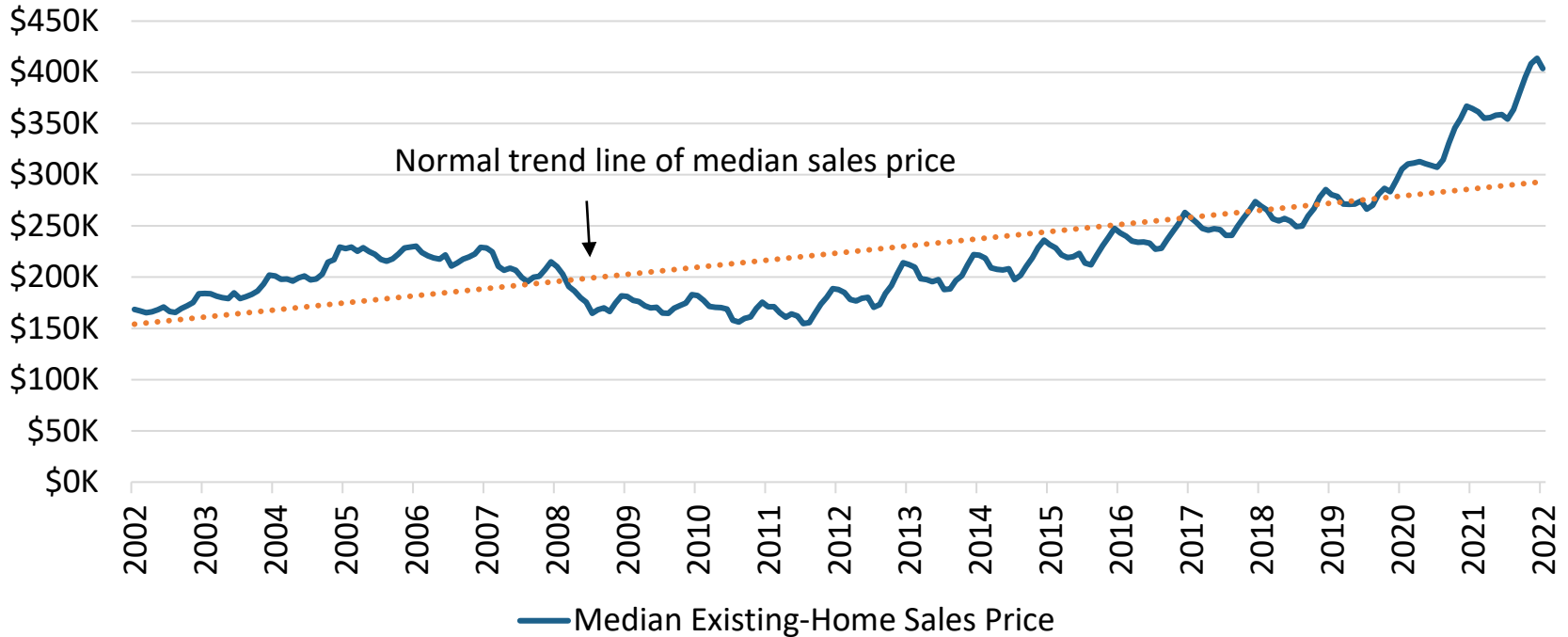
Impact of Fed's interest rate hikes



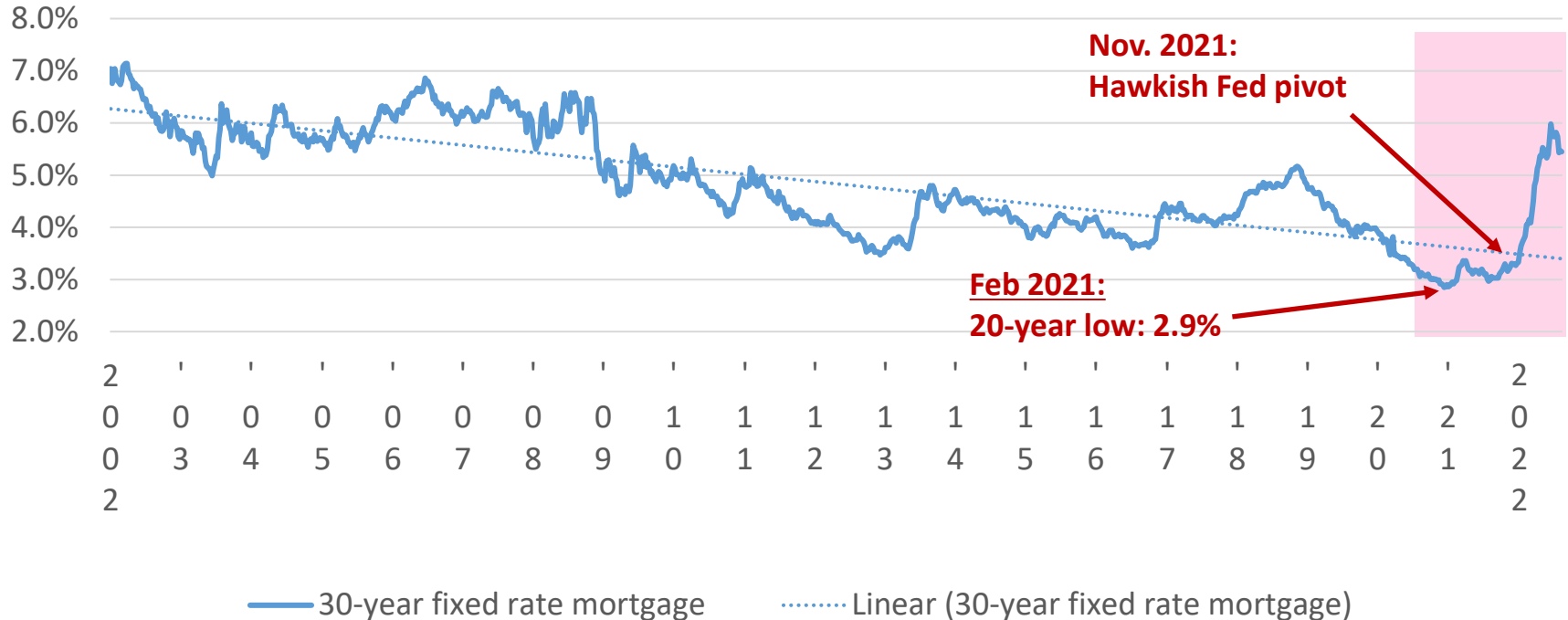
Trickle down impact

- Mortgage and other consumer loans
- Slowing business expansion and hiring
- Slowdown in the stock market
- Slowing inflation – eventually
- 18-months to fully work through the economy

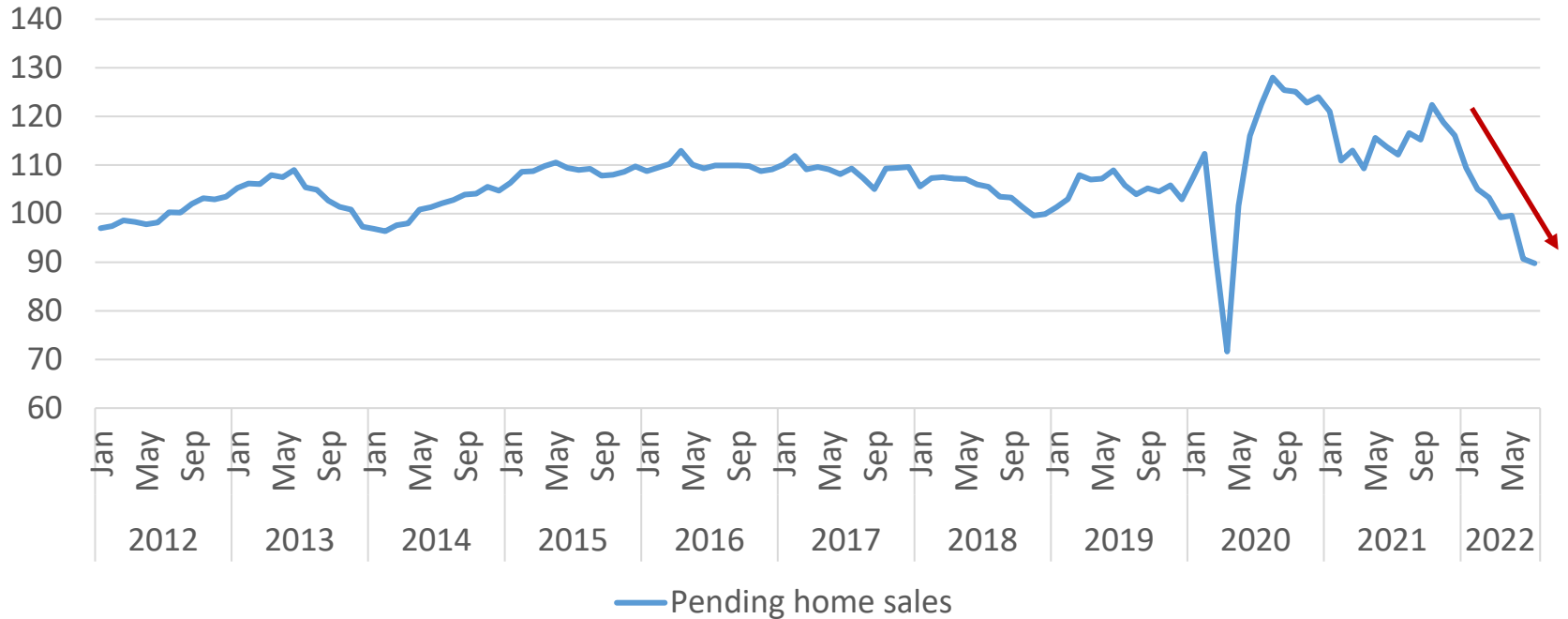
Median U.S. home price



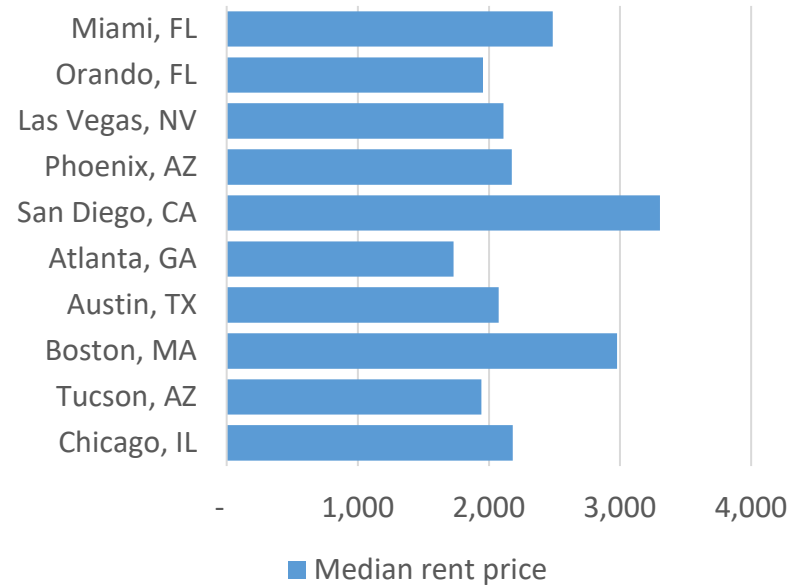
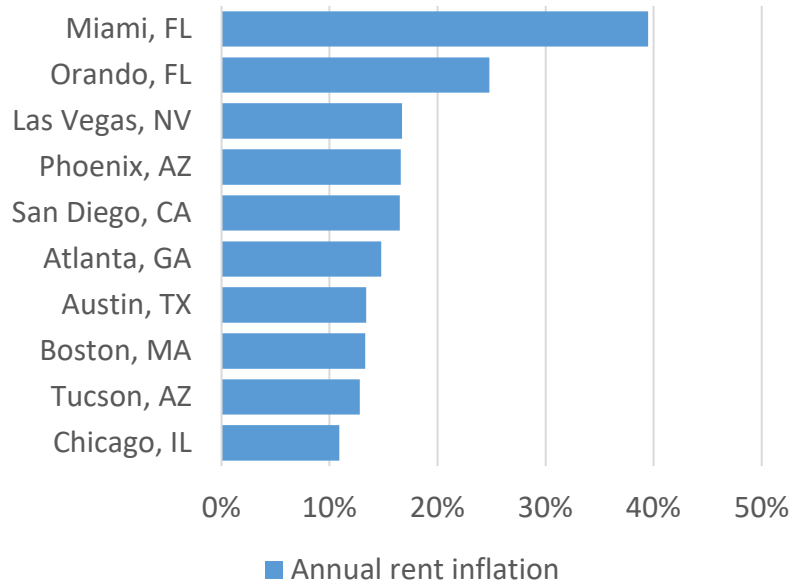
Pivot was quick with more to come



Downward trending pending home sales



No city spared: snowball rent crisis





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John Suter
CFC Vice President,
Economic Research



Sam Kem
CFC Senior Economic
Research Analyst

Economic Summary Data



Indicator ¹											Probability of Recession → 50%			
	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22	Q1 23	Q2 23	Q2 23	Q4 23	2021	2022	2023	2024
GDP, QoQ%, AR	2.3	6.9	-1.6	-.09	1.5	1.4	1.2	1.2	1.4	1.6	5.7	1.7	1.1	1.7
Unemployment Rate (%)	5.1	4.2	3.8	3.6	3.5	3.7	3.8	4.0	4.1	4.1	5.4	3.6	4.0	4.1
Headline CPI, YoY%	5.4	6.7	8.0	8.7	8.3	7.3	5.8	4.0	3.1	2.7	4.7	8.1	3.7	2.5
PCE Price Index, YoY%	4.3	5.5	6.3	6.5	6.3	5.5	4.4	3.3	2.8	2.4	3.9	6.1	3.2	2.1
Core PCE, YoY%	3.6	4.6	5.2	4.8	4.9	4.5	4.0	3.5	3.1	2.7	3.3	4.8	3.2	2.3
Fed Fund Rate (%)	0.25	0.25	0.50	1.75	3.05	3.60	3.70	3.65	3.45	3.35	0.25	3.60	3.35	2.80
3-Month Rate (%)	0.13	0.21	0.96	2.29	2.83	3.36	3.53	3.55	3.38	3.25	0.21	3.36	3.25	2.95
2-Year Note (%)	0.28	0.73	2.34	2.96	3.21	3.31	3.26	3.16	2.99	2.92	0.73	3.31	2.92	2.75
10-Year Note (%)	1.49	1.51	2.34	3.02	2.99	3.06	3.06	3.03	2.96	2.92	1.51	3.06	2.92	3.02
30-Year Note (%)	2.85	2.93	3.06	3.32	3.17	3.24	3.25	3.24	3.21	3.20	2.06	3.41	3.20	3.22

Source: Bloomberg updated August 2022

