

# To All The Economists I've Loved Before



**By: Anirban Basu**  
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On Behalf of  
The Mid-Atlantic CIO Forum

December 19<sup>th</sup>, 2019

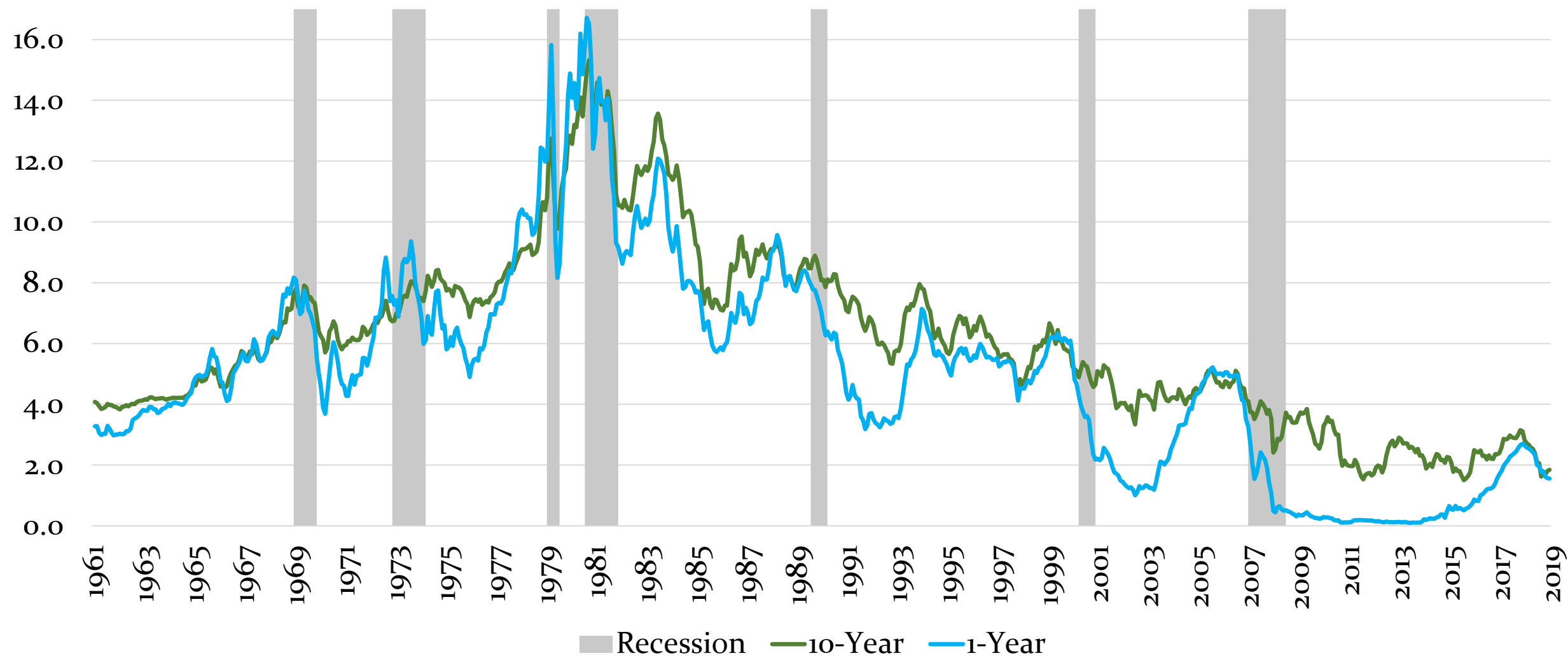
**“There is always some chance of recession in any year. But the evidence suggests that expansions don't die of old age.”**

**–Janet Yellen**



# Historical U.S. Treasury Yield Curve Inversions

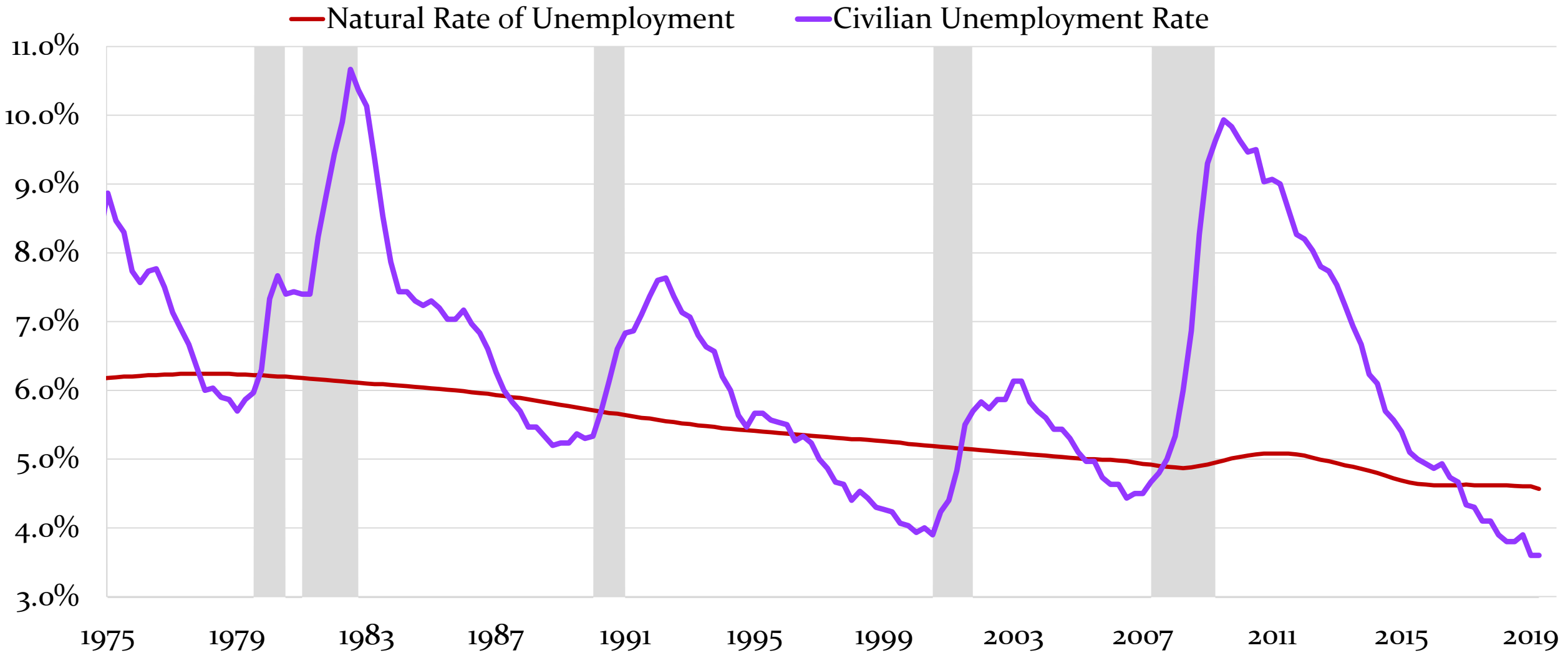
## 10-Year v. 1-Year



Shaded areas indicate U.S. Recessions

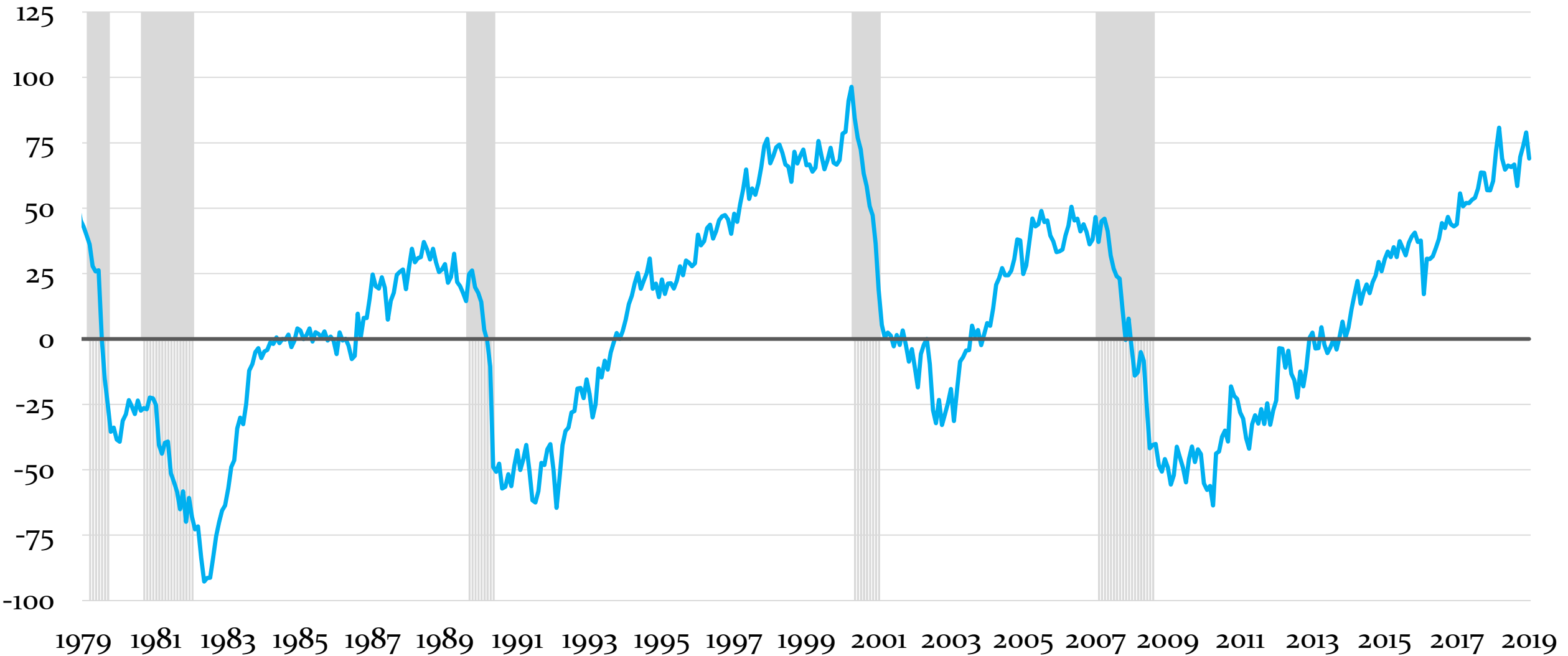
Source: Federal Reserve Bank of St. Louis

# U.S. Unemployment & Natural Rate of Unemployment

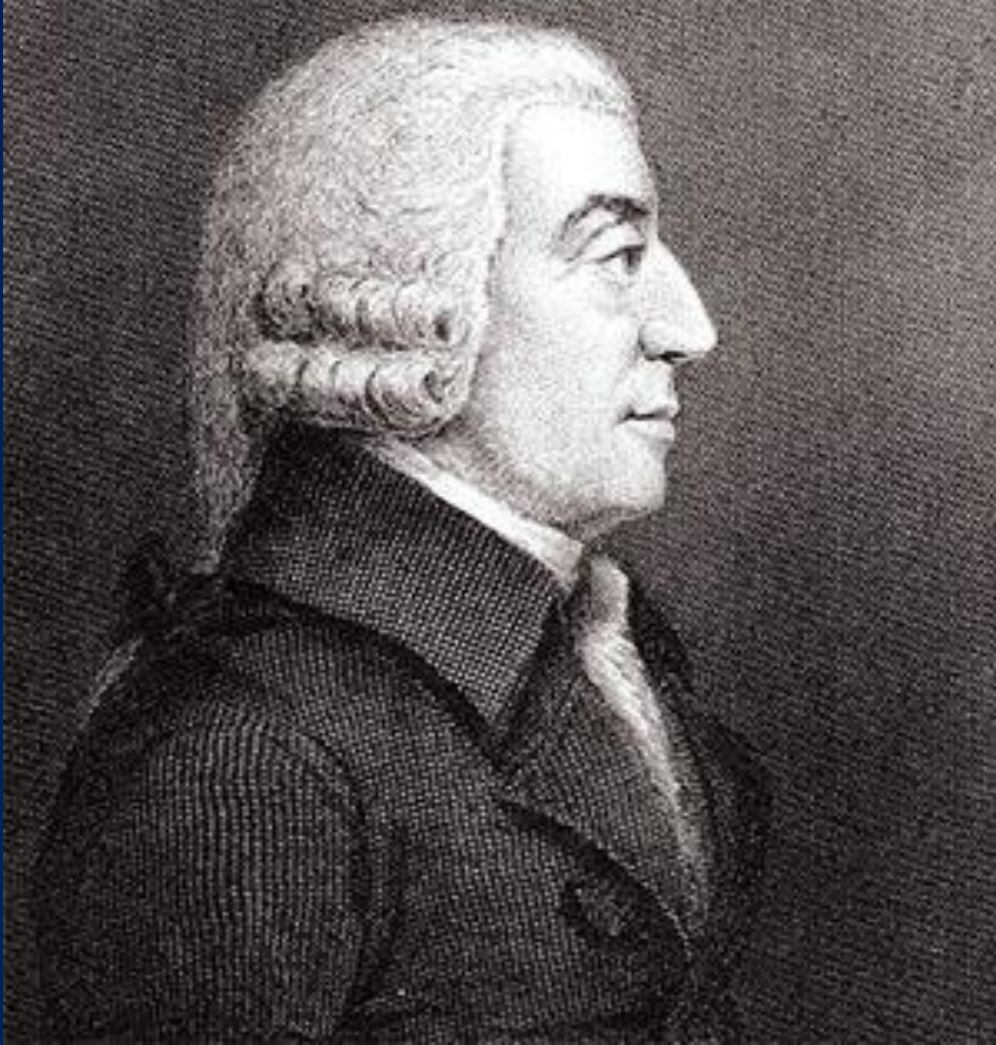


Shaded areas indicate U.S. Recessions

# Conference Board Consumer Confidence: Present Situation Less Expectations



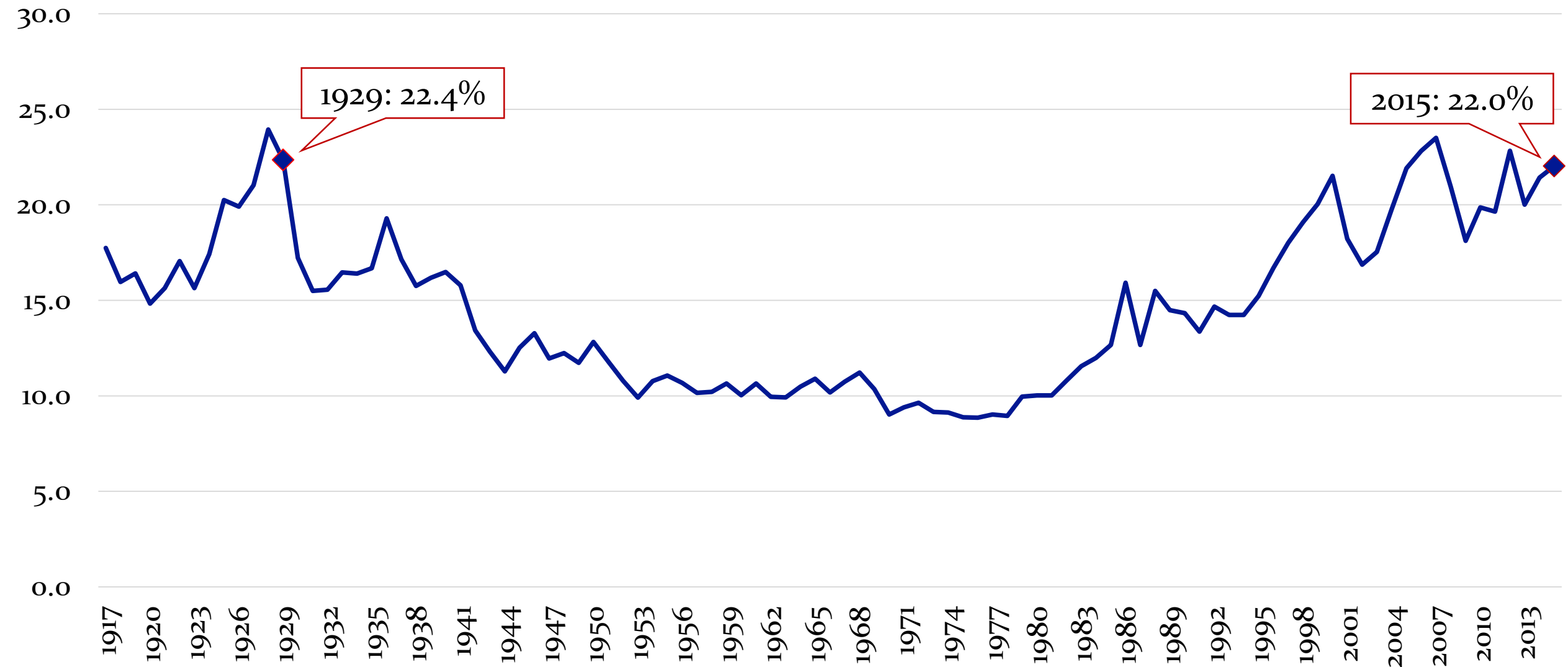
Shaded areas indicate U.S. Recessions



**“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

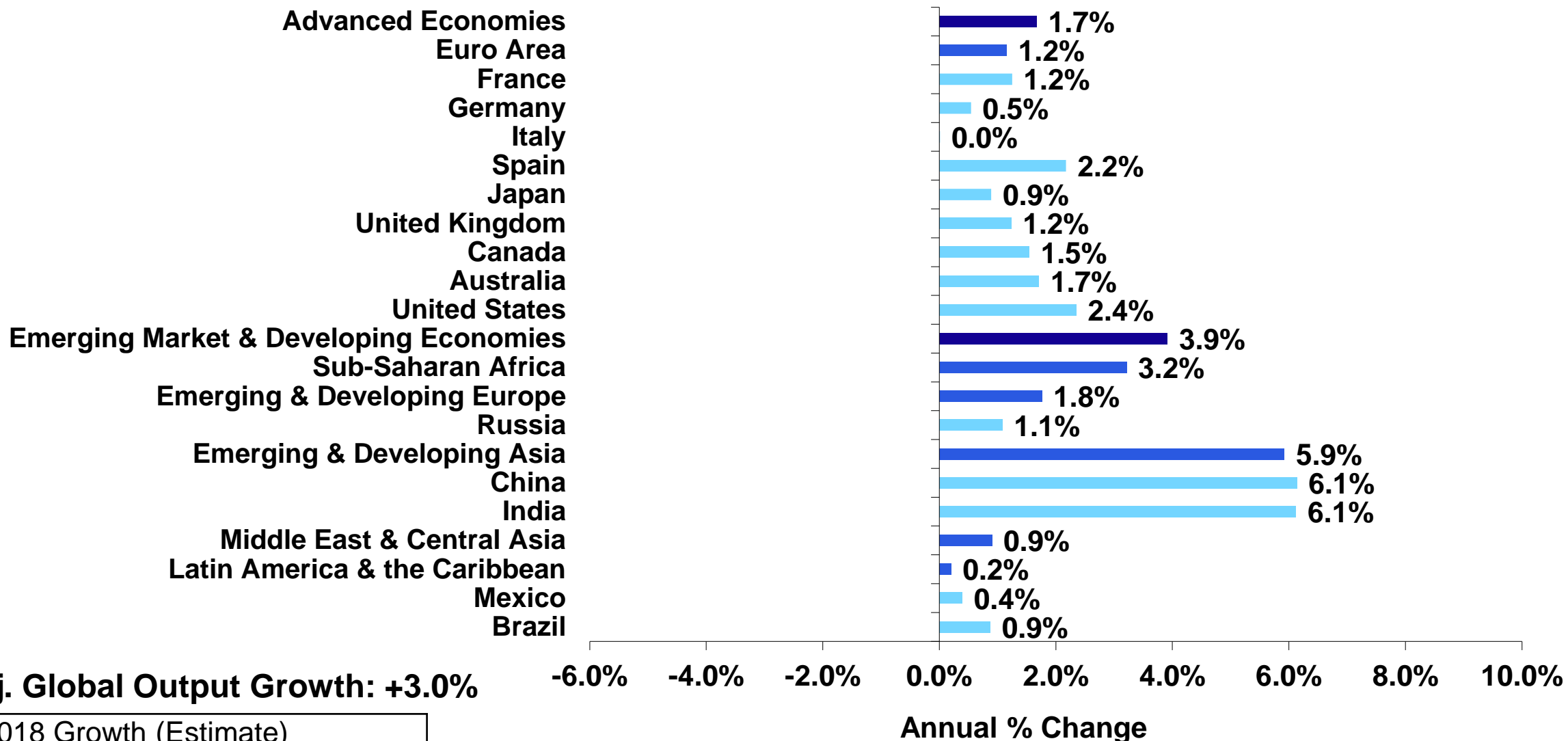


Source: Economic Policy Institute, Authors' analysis of state-level tax data from Sommeiller (2006) extended to 2015 using state-level data from the Internal Revenue Service SOI Tax Stats (various years), and Piketty and Saez (2012). Note: Data are for tax units.



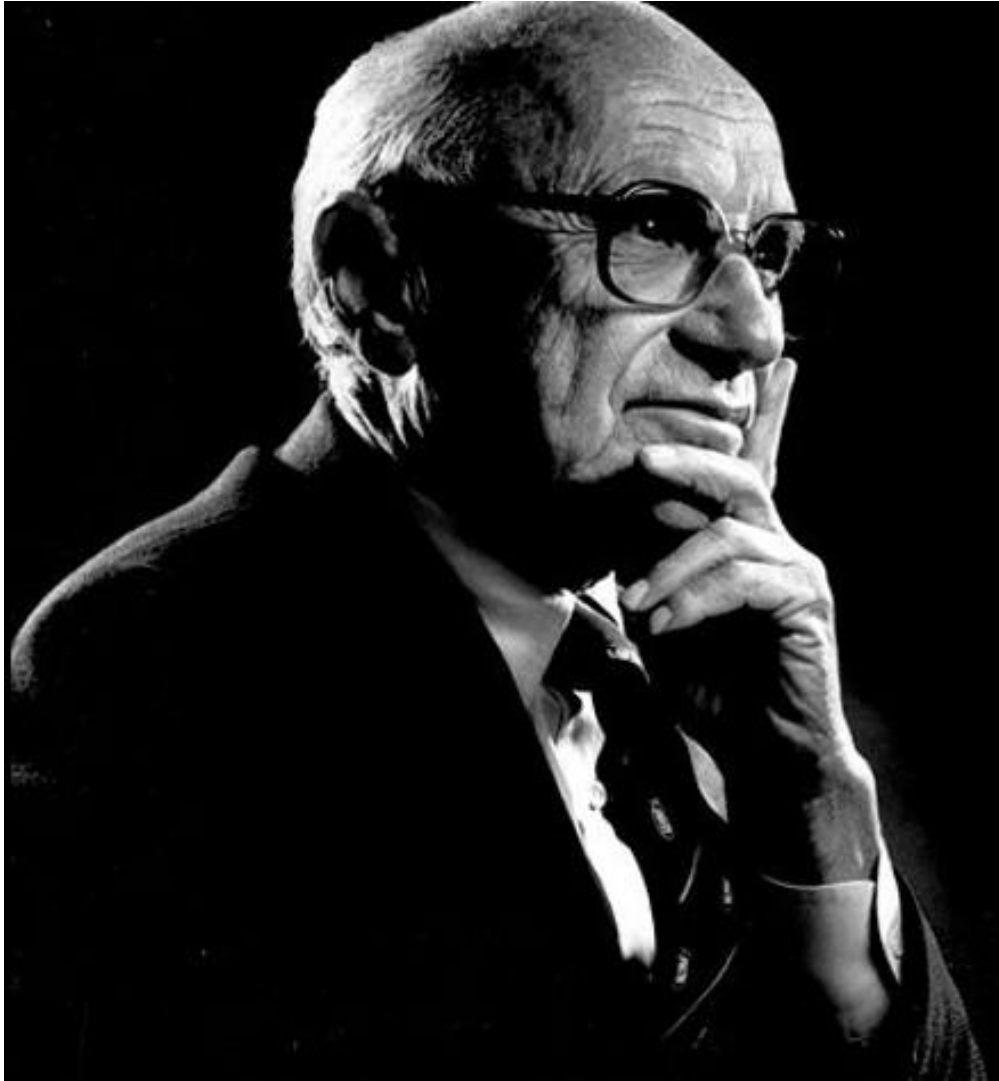
# Estimated Growth in Output by Select Global Areas

2019 Projected



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

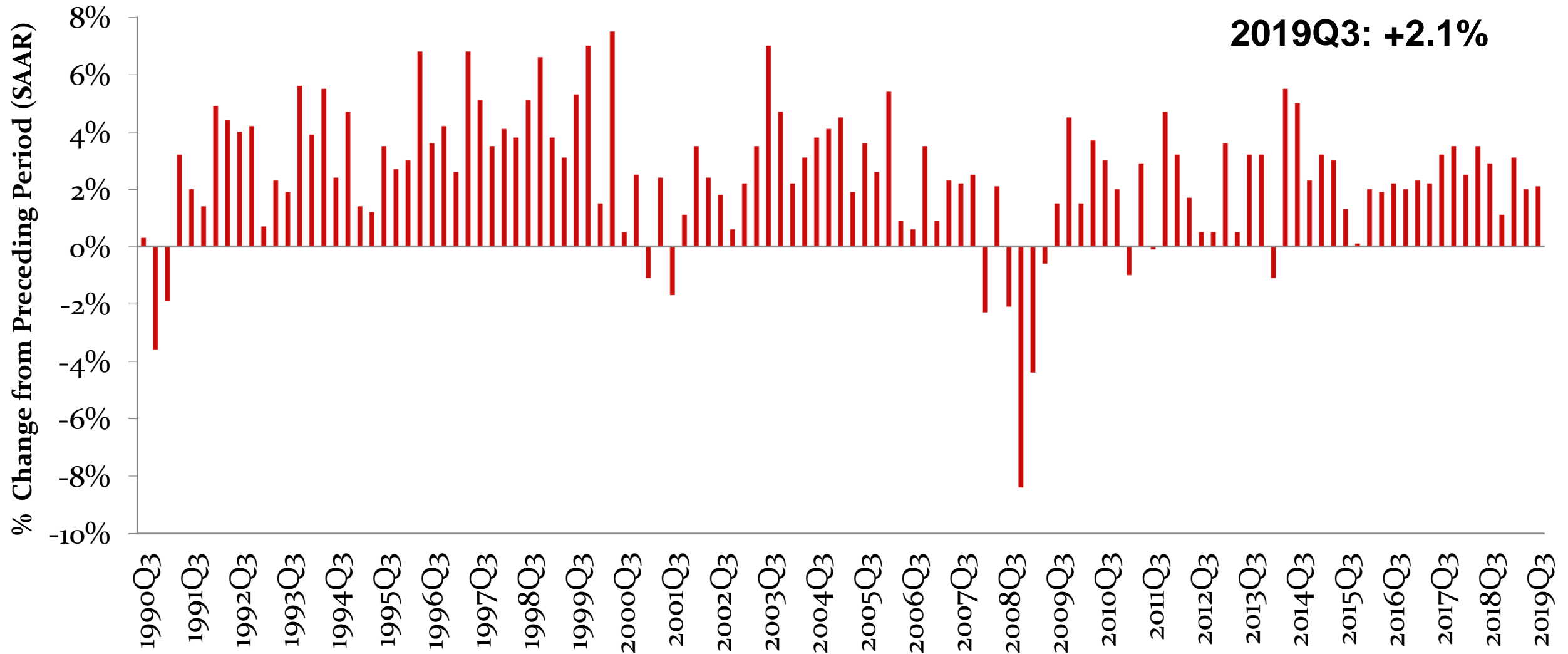




**“Inflation is the one form of  
taxation that can be  
imposed without  
legislation.”  
–Milton Friedman**

# Gross Domestic Product

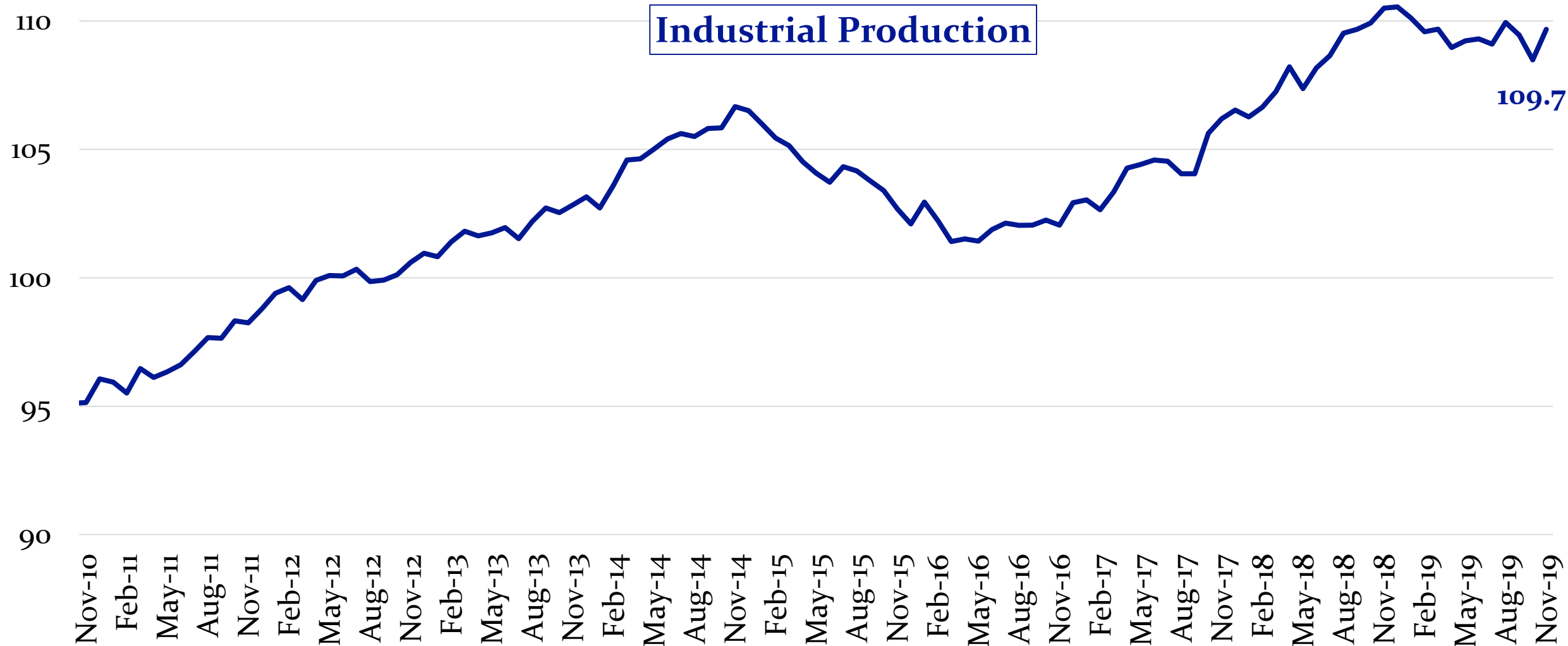
1990Q3 through 2019Q3\*



2019Q3: +2.1%

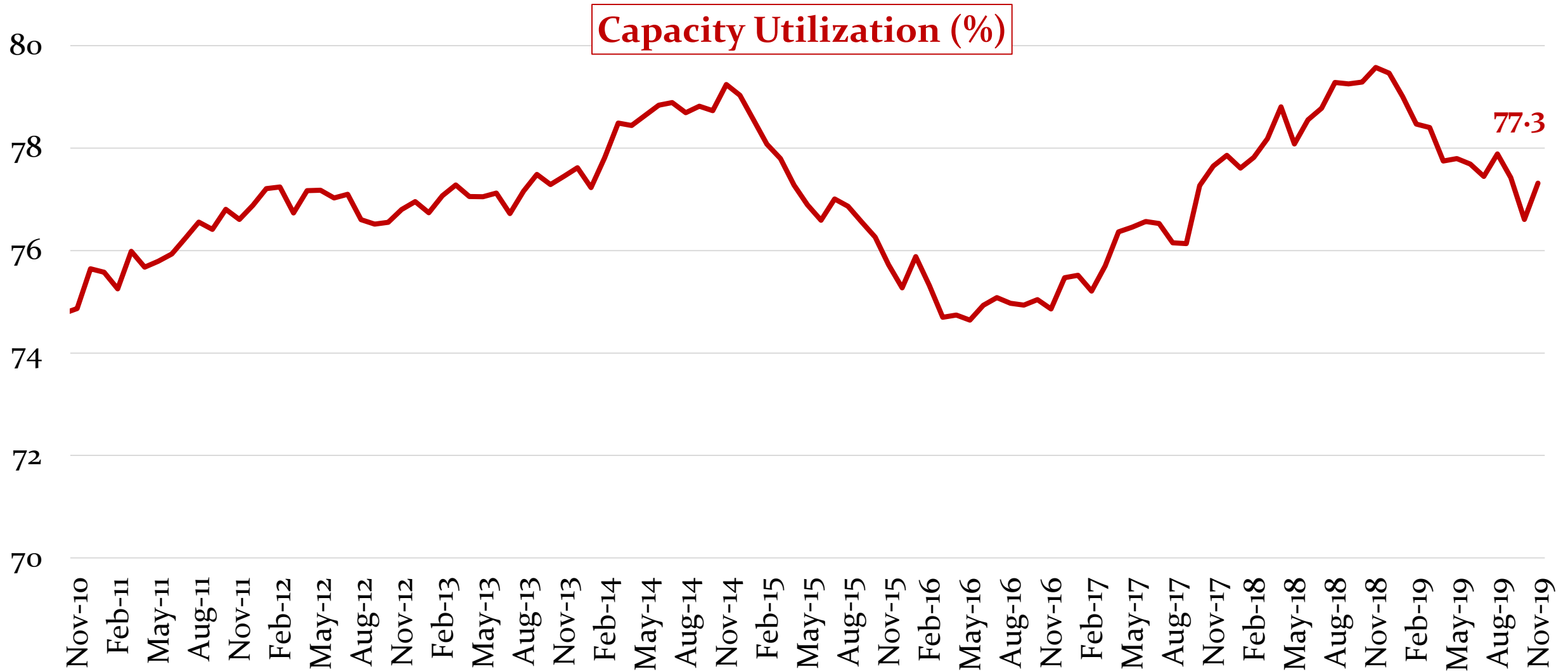
# U.S. Industrial Production Index

November 2010 – November 2019



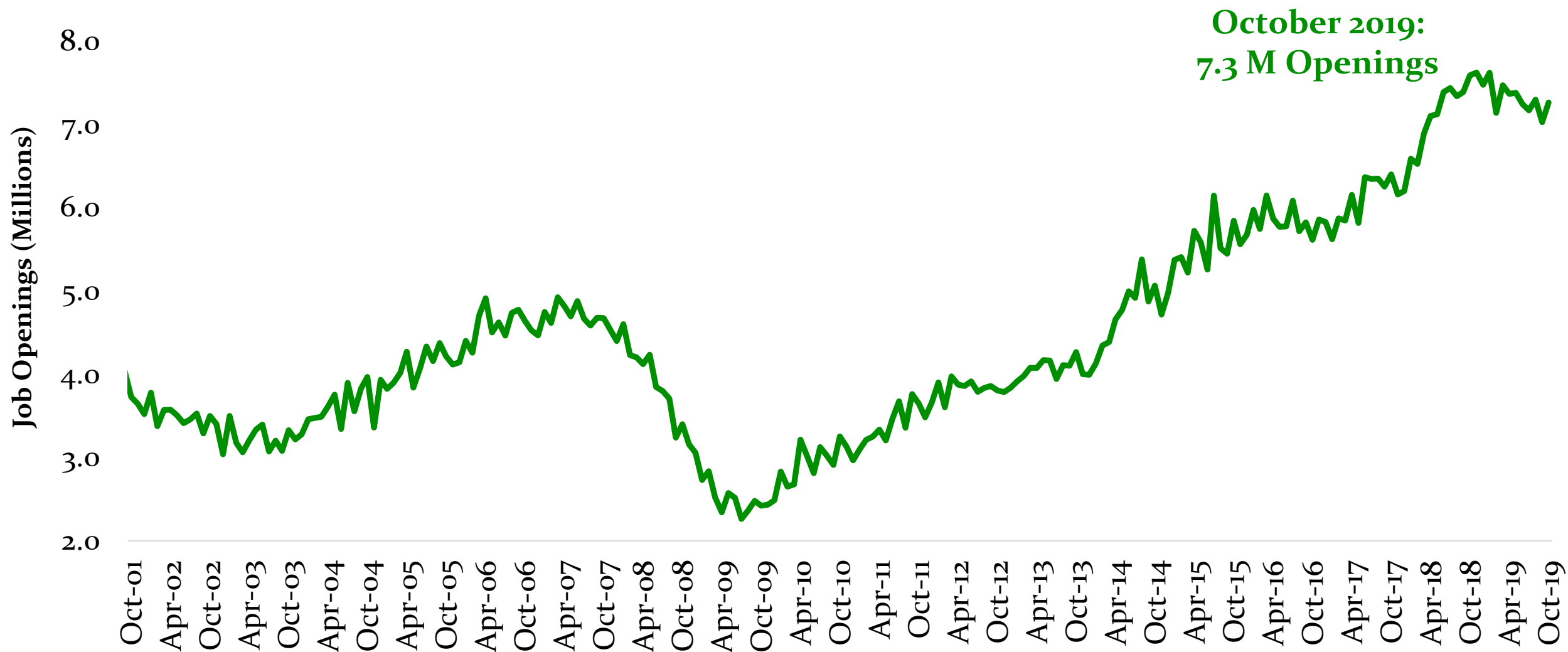
# U.S. Capacity Utilization Index

November 2010 – November 2019



# U.S. Job Openings

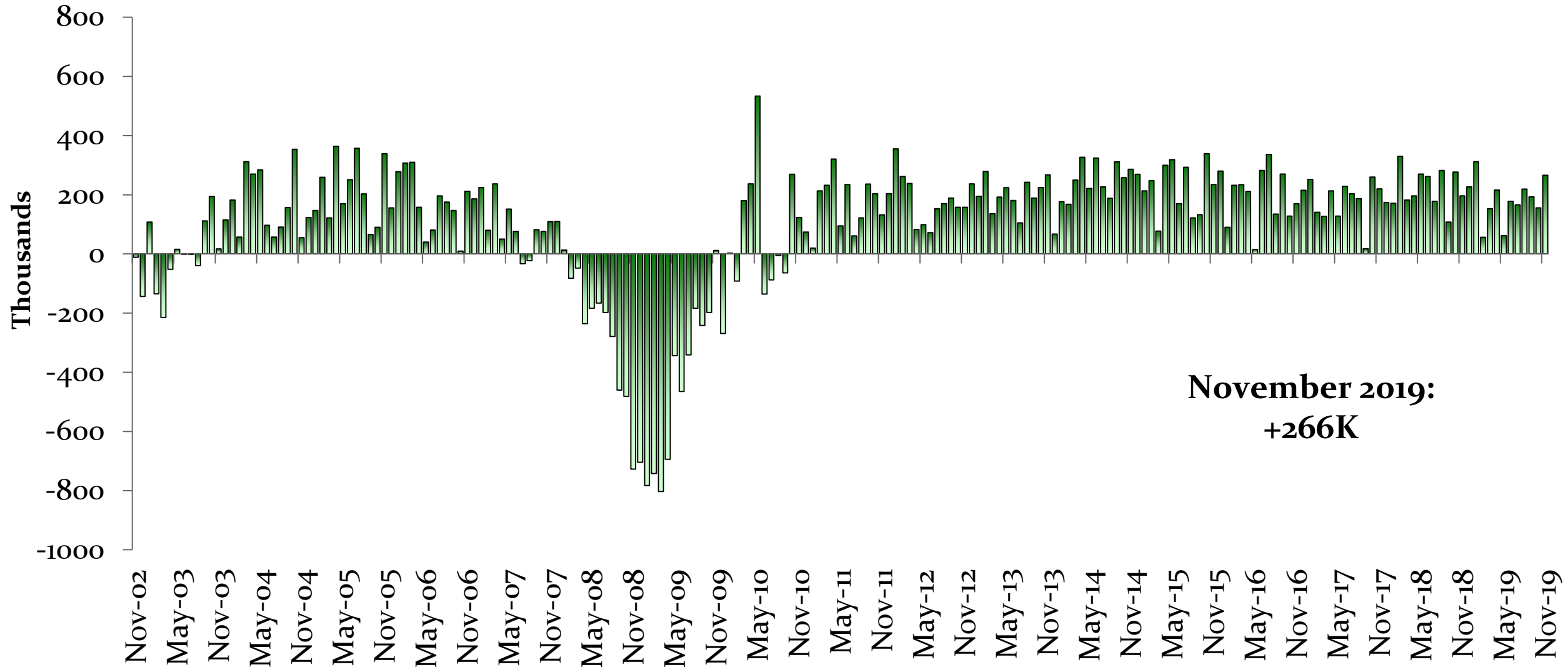
October 2001 through October 2019



October 2019:  
7.3 M Openings

# Net Change in U.S. Jobs

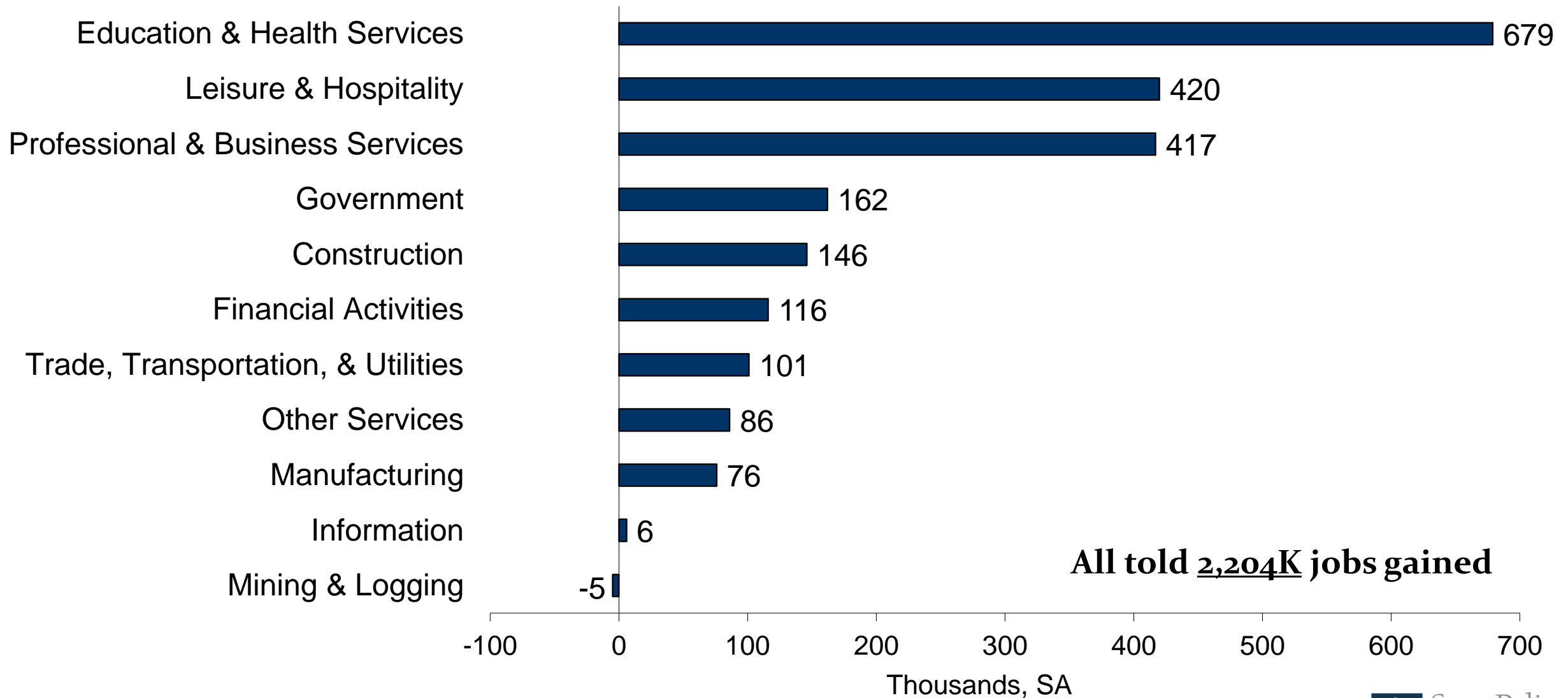
*November 2002 through November 2019*



**November 2019:  
+266K**

# National Nonfarm Employment

*by Industry Sector, November 2018 v. November 2019*

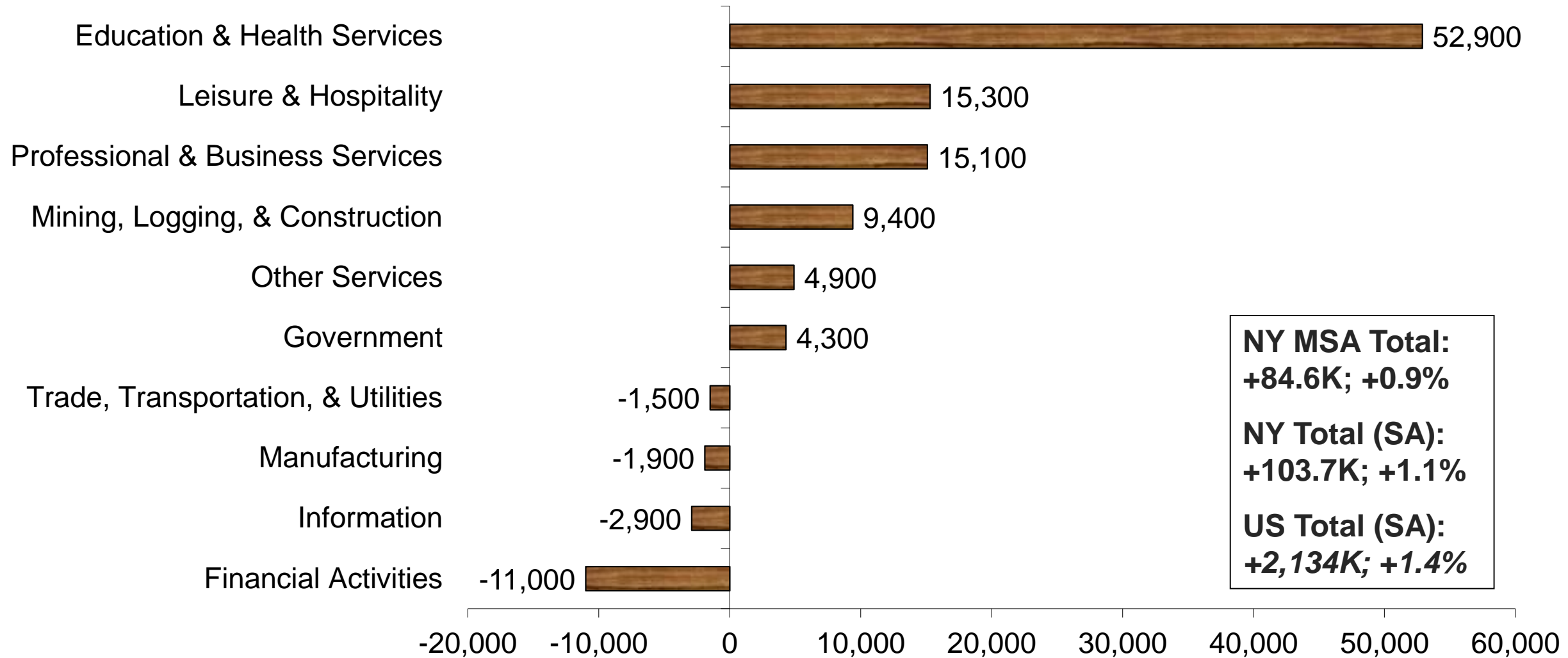




# New York-Newark-Jersey City, NY-NJ-PA MSA Nonfarm Employment

by Industry Sector Groups (NSA)

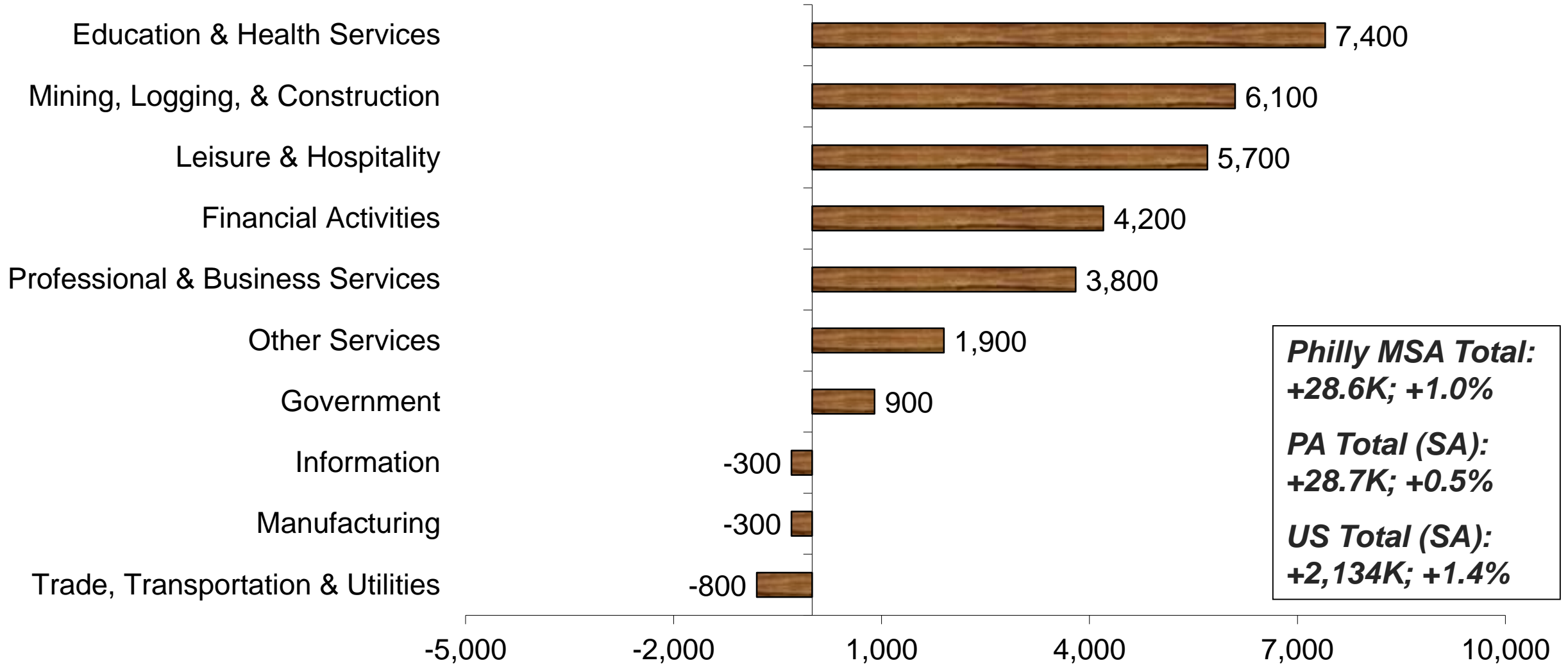
October 2018 v. October 2019 Absolute Change



# Philadelphia-Camden-Wilmington, PA-NJ-DE-MD MSA Nonfarm Employment

by Industry Sector Groups (NSA)

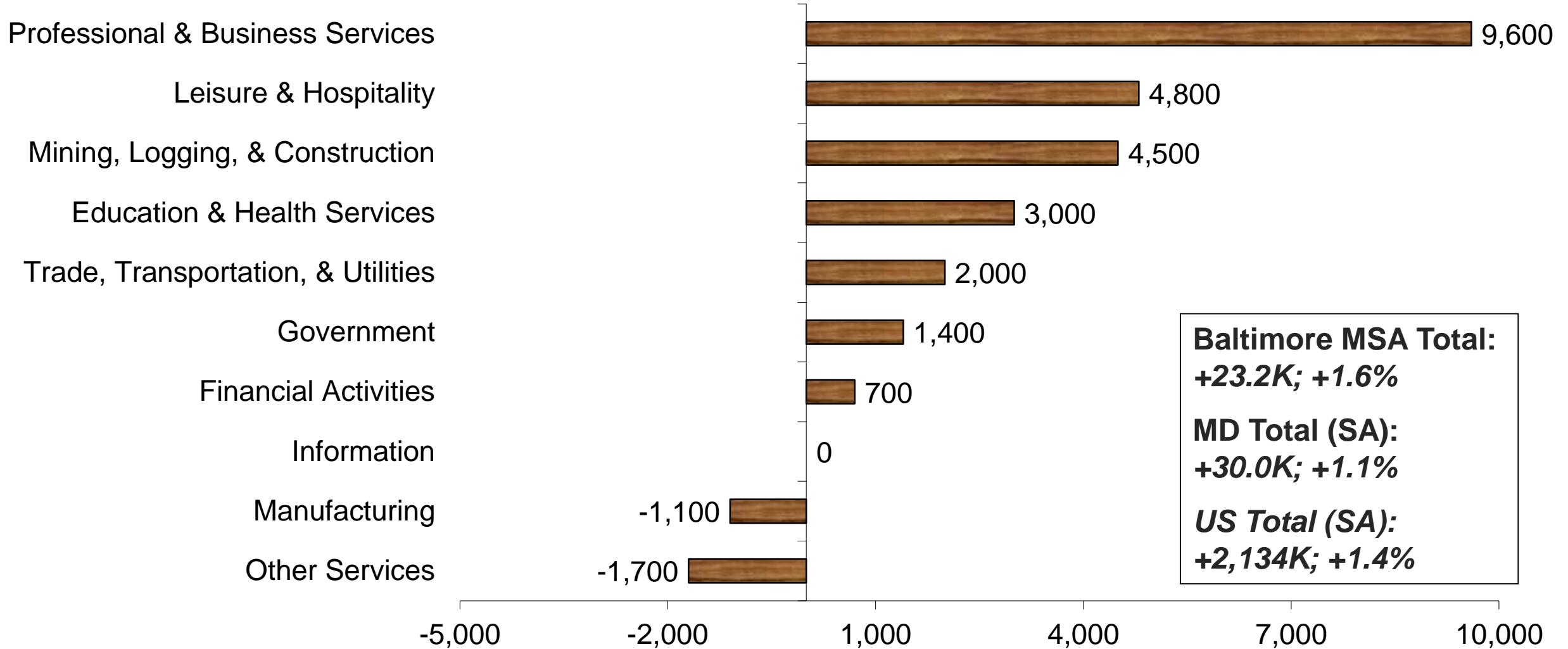
October 2018 v. October 2019 Absolute Change



# Baltimore-Columbia-Towson MSA Nonfarm Employment

by Industry Sector Groups (NSA)

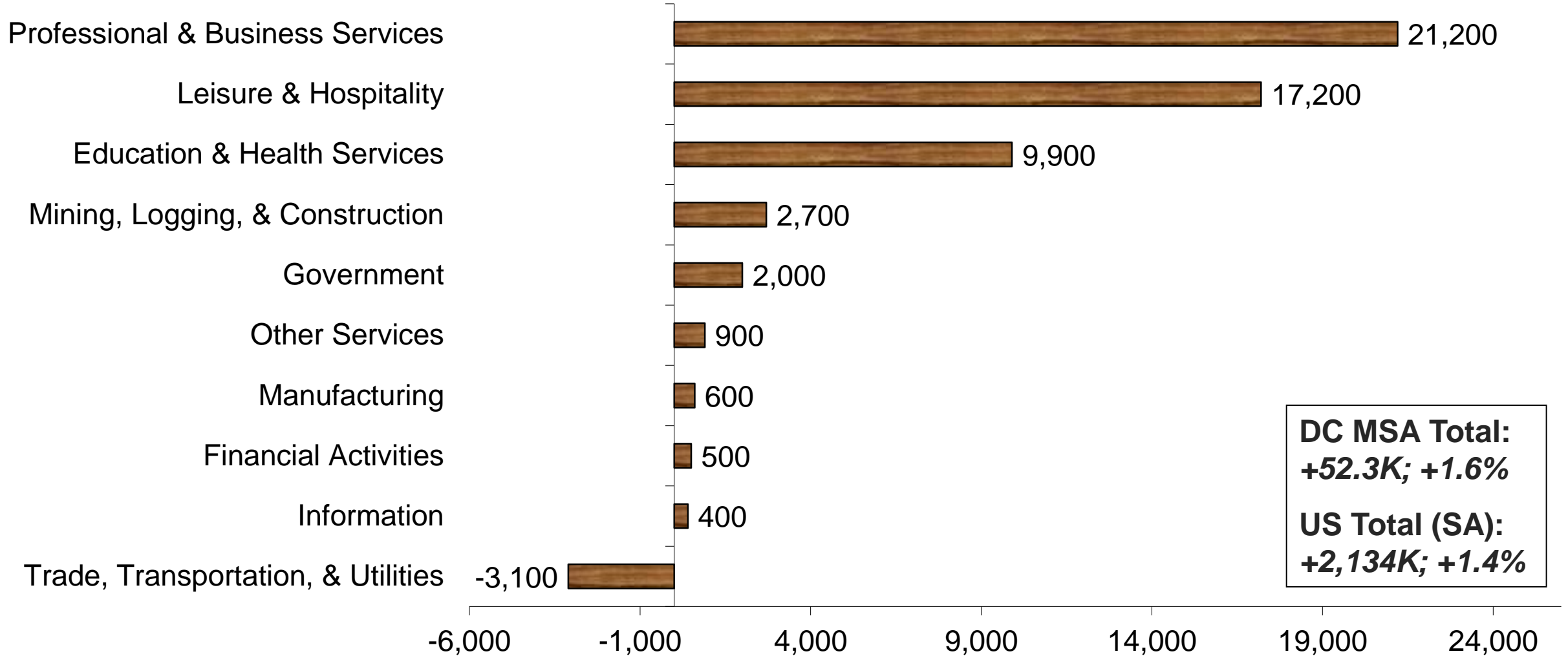
October 2018 v. October 2019 Absolute Change



# Washington, DC-Arlington-Alexandria MSA Nonfarm Employment

by Industry Sector Groups (NSA)

October 2018 v. October 2019 Absolute Change



# Employment Growth, U.S. States (SA)

*October 2018 v. October 2019 Percent Change*

RANK	STATE	%	RANK	STATE	%	RANK	STATE	%
1	UTAH	3.2	16	NEBRASKA	1.6	<b>35</b>	<b>NEW JERSEY</b>	<b>0.7</b>
2	FLORIDA	2.6	19	ARKANSAS	1.4	<b>35</b>	<b>VIRGINIA</b>	<b>0.7</b>
3	ARIZONA	2.5	19	MASSACHUSETTS	1.4	37	WISCONSIN	0.6
4	TEXAS	2.4	19	SOUTH CAROLINA	1.4	38	INDIANA	0.5
5	IDAHO	2.2	<b>22</b>	<b>DELAWARE</b>	<b>1.3</b>	38	IOWA	0.5
5	NEVADA	2.2	22	KANSAS	1.3	<b>38</b>	<b>PENNSYLVANIA</b>	<b>0.5</b>
5	WASHINGTON	2.2	22	MONTANA	1.3	41	OHIO	0.4
8	ALABAMA	2.0	22	TENNESSEE	1.3	<b>41</b>	<b>WEST VIRGINIA</b>	<b>0.4</b>
8	NEW MEXICO	2.0	26	MISSOURI	1.2	43	ALASKA	0.3
8	NORTH CAROLINA	2.0	<b>27</b>	<b>MARYLAND</b>	<b>1.1</b>	43	CONNECTICUT	0.3
11	COLORADO	1.9	27	NEW HAMPSHIRE	1.1	43	MINNESOTA	0.3
11	SOUTH DAKOTA	1.9	<b>27</b>	<b>NEW YORK</b>	<b>1.1</b>	43	OKLAHOMA	0.3
13	CALIFORNIA	1.8	<b>30</b>	<b>DISTRICT OF COLUMBIA</b>	<b>1.0</b>	43	VERMONT	0.3
13	RHODE ISLAND	1.8	30	MAINE	1.0	48	LOUISIANA	0.2
15	OREGON	1.7	30	MISSISSIPPI	1.0	48	WYOMING	0.2
16	GEORGIA	1.6	33	HAWAII	0.9	50	MICHIGAN	0.0
16	KENTUCKY	1.6	33	ILLINOIS	0.9	50	NORTH DAKOTA	0.0

***U.S. Year-over-year Percent Change***

***Oct: +1.4%    Nov: +1.5%***

# Employment Growth, 25 Largest Metros (NSA)

*October 2018 v. October 2019 Percent Change*

Rank	MSA	%	Rank	MSA	%
1	Orlando-Kissimmee-Sanford, FL	3.4	14	Miami-Fort Lauderdale-West Palm Beach, FL	1.8
1	San Antonio-New Braunfels, TX	3.4	14	Portland-Vancouver-Hillsboro, OR-WA	1.8
3	Seattle-Tacoma-Bellevue, WA	2.9	16	St. Louis, MO-IL	1.7
4	San Francisco-Oakland-Hayward, CA	2.7	<b>17</b>	<b>Baltimore-Columbia-Towson, MD</b>	<b>1.6</b>
5	Dallas-Fort Worth-Arlington, TX	2.6	<b>17</b>	<b>Washington-Arlington-Alexandria, DC-VA-MD-WV</b>	<b>1.6</b>
5	Houston-The Woodlands-Sugar Land, TX	2.6	19	Boston-Cambridge-Nashua, MA-NH	1.5
5	Phoenix-Mesa-Scottsdale, AZ	2.6	20	Los Angeles-Long Beach-Anaheim, CA	1.3
5	Tampa-St. Petersburg-Clearwater, FL	2.6	<b>21</b>	<b>Philadelphia-Camden-Wilmington, PA-NJ-DE-MD</b>	<b>1.0</b>
9	Charlotte-Concord-Gastonia, NC-SC	2.3	<b>22</b>	<b>New York-Newark-Jersey City, NY-NJ-PA</b>	<b>0.9</b>
10	Atlanta-Sandy Springs-Roswell, GA	2.1	23	Chicago-Naperville-Elgin, IL-IN-WI	0.7
10	Riverside-San Bernardino-Ontario, CA	2.1	24	Minneapolis-St. Paul-Bloomington, MN-WI	-0.1
12	Denver-Aurora-Lakewood, CO	2.0	25	Detroit-Warren-Dearborn, MI	-0.6
12	San Diego-Carlsbad, CA	2.0			

# Unemployment Rates, 25 Largest Metros (NSA)

October 2019

Rank	MSA	UR	Rank	MSA	UR
1	Boston-Cambridge-Nashua, MA-NH	2.3	13	Dallas-Fort Worth-Arlington, TX	3.1
1	Denver-Aurora-Lakewood, CO	2.3	14	Charlotte-Concord-Gastonia, NC-SC	3.2
1	San Francisco-Oakland-Hayward, CA	2.3	<b>15</b>	<b>Baltimore-Columbia-Towson, MD</b>	<b>3.3</b>
4	Minneapolis-St. Paul-Bloomington, MN-WI	2.5	15	Seattle-Tacoma-Bellevue, WA	3.3
5	Orlando-Kissimmee-Sanford, FL	2.7	17	Chicago-Naperville-Elgin, IL-IN-WI	3.5
5	St. Louis, MO-IL (1)	2.7	17	Houston-The Woodlands-Sugar Land, TX	3.5
7	San Diego-Carlsbad, CA	2.8	17	Portland-Vancouver-Hillsboro, OR-WA	3.5
<b>7</b>	<b>Washington-Arlington-Alexandria, DC-VA-MD-WV</b>	<b>2.8</b>	<b>20</b>	<b>New York-Newark-Jersey City, NY-NJ-PA</b>	<b>3.7</b>
			20	Phoenix-Mesa-Scottsdale, AZ	3.7
9	Atlanta-Sandy Springs-Roswell, GA	2.9	20	Riverside-San Bernardino-Ontario, CA	3.7
9	Miami-Fort Lauderdale-West Palm Beach, FL	2.9	23	Detroit-Warren-Dearborn, MI	3.8
9	San Antonio-New Braunfels, TX	2.9	24	Los Angeles-Long Beach-Anaheim, CA	4.0
9	Tampa-St. Petersburg-Clearwater, FL	2.9	<b>25</b>	<b>Philadelphia-Camden-Wilmington, PA-NJ-DE-MD</b>	<b>4.1</b>

**U.S. Unemployment Rate**

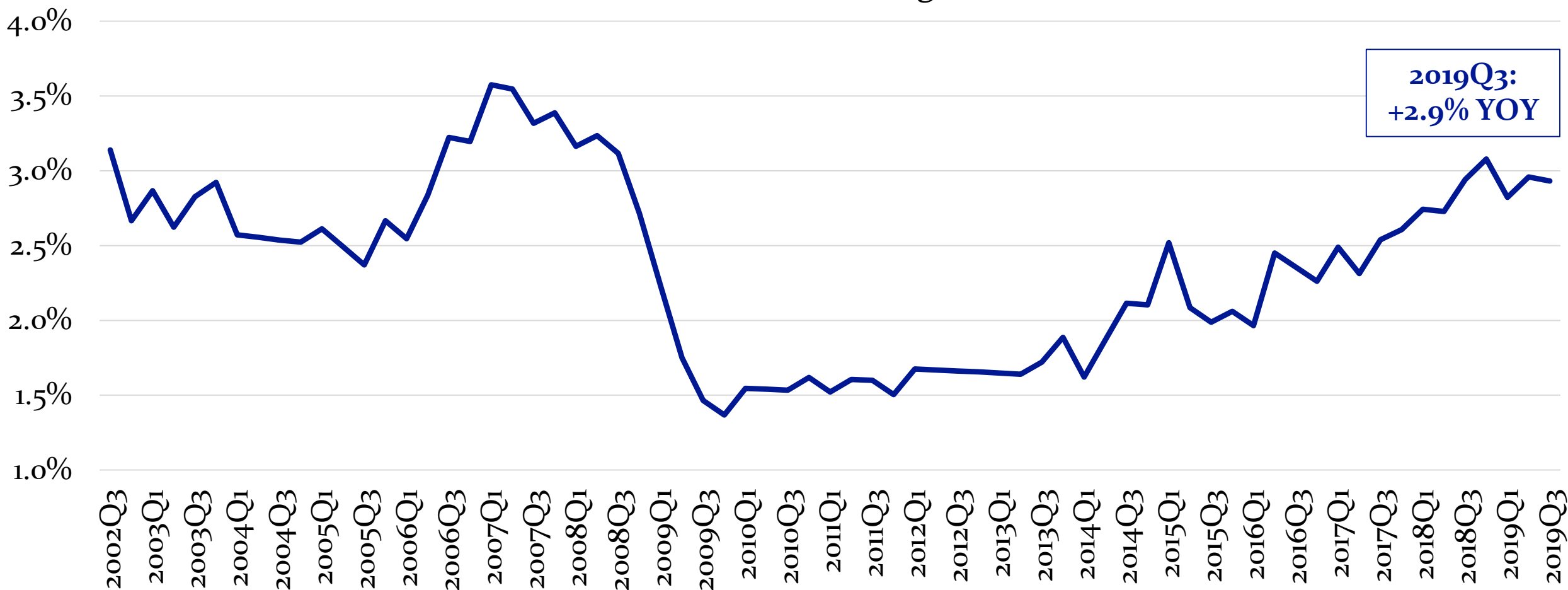
**Oct: 3.6%    Nov: 3.5%**



# Growth in Wages & Salaries

*Employment Cost Index (ECI), 2002Q3-2019Q3*

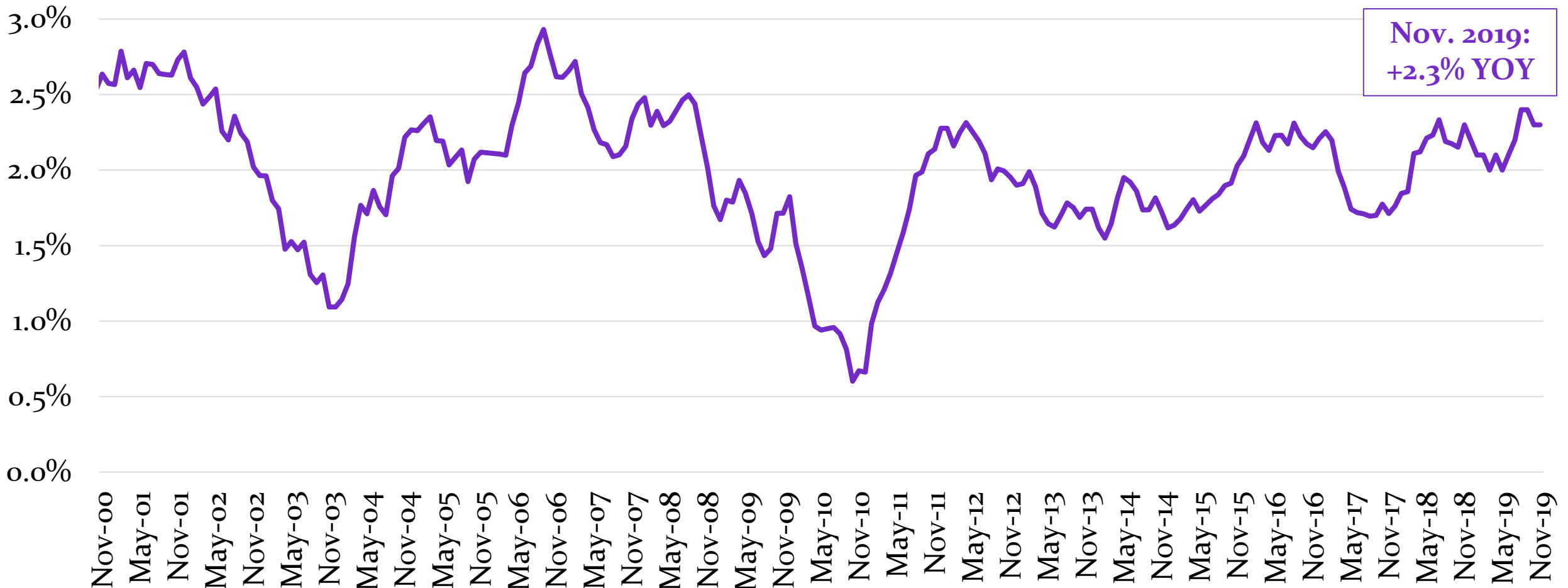
ECI for Wages & Salaries  
12-Month % Change



# Consumer Price Index: All Items Less Food & Energy

November 2000 – November 2019

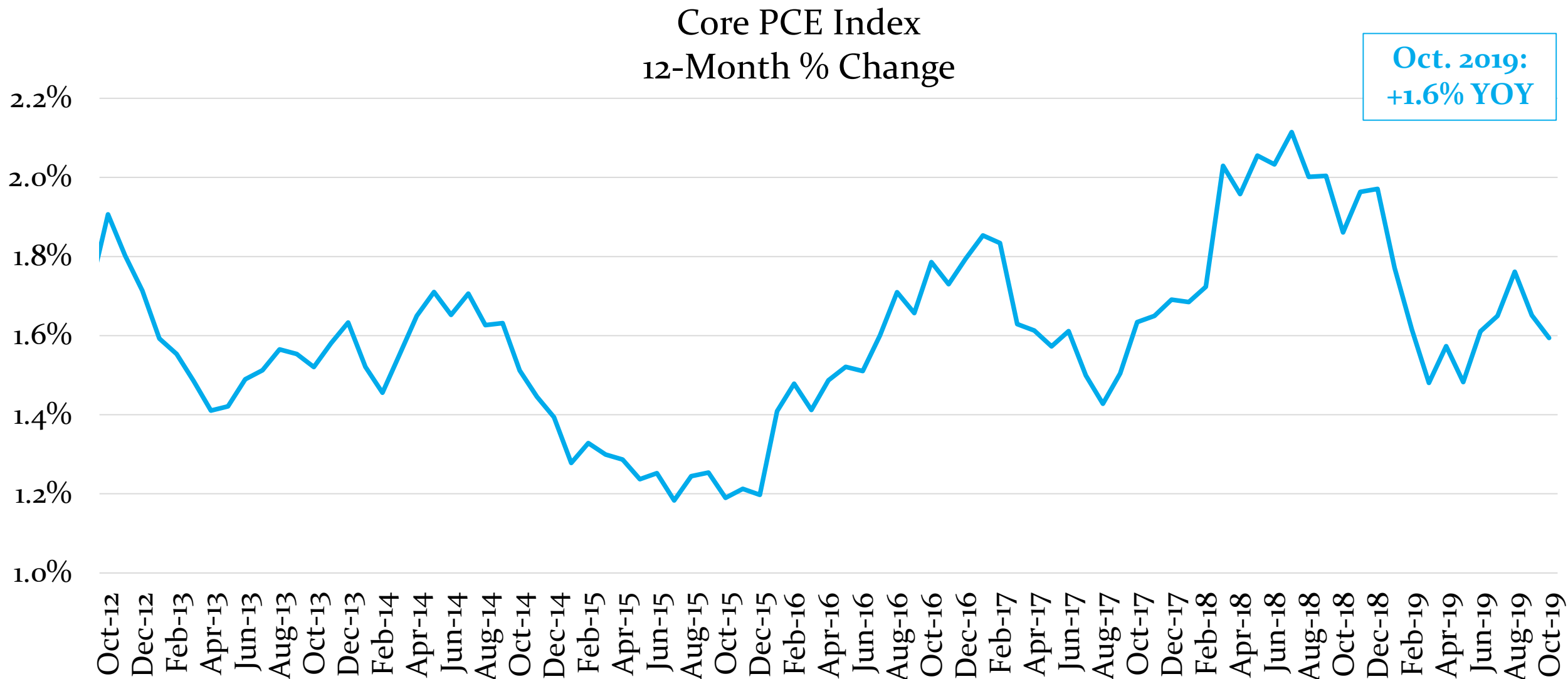
Core CPI (All Items Less Food & Energy)  
12-Month % Change

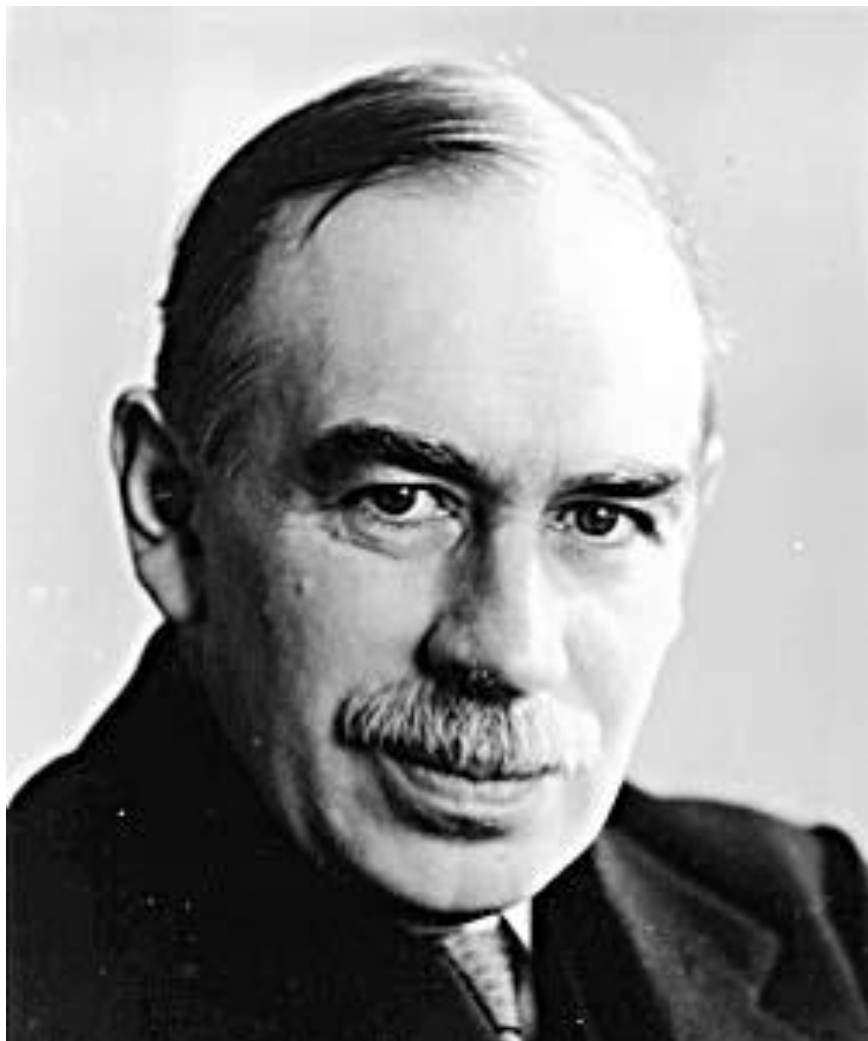


Nov. 2019:  
+2.3% YOY

# Core PCE Deflator

October 2012 through October 2019

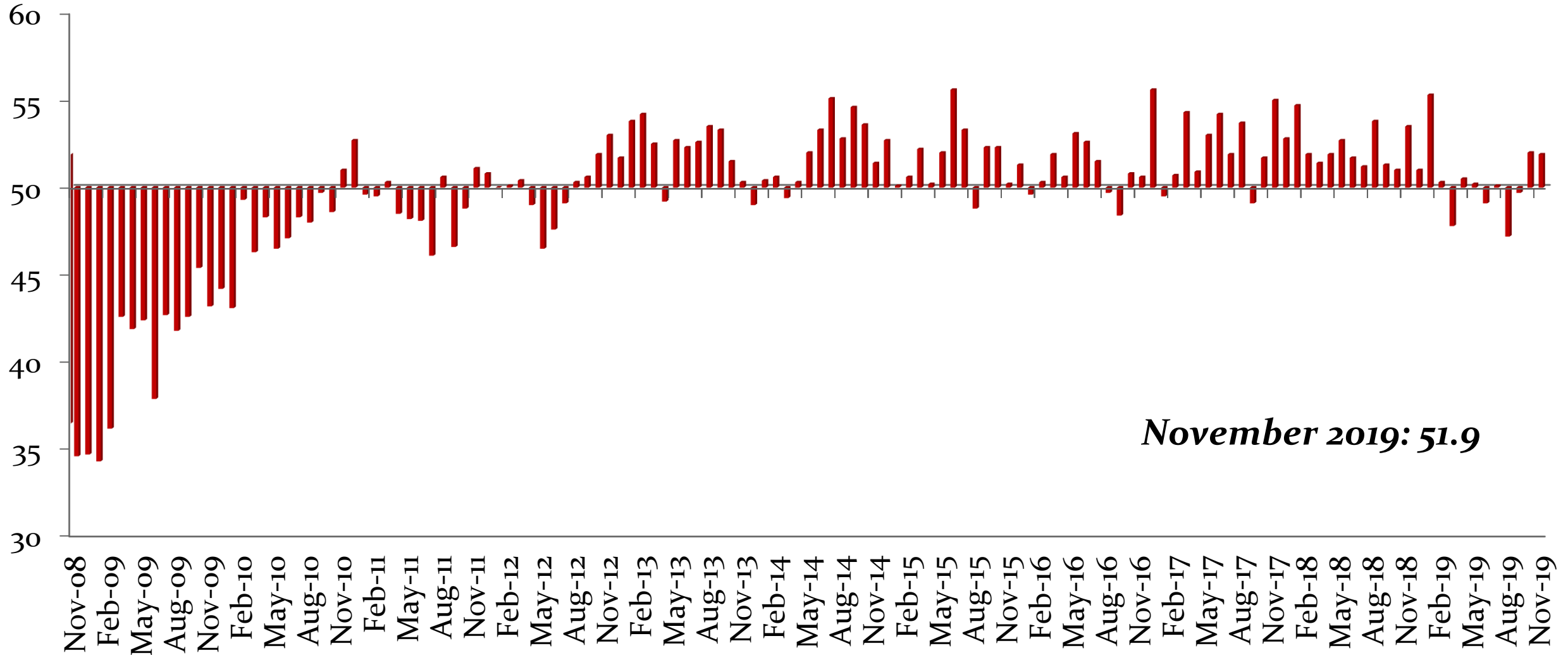




**“Most men love money and security more, and creation and construction less, as they get older.”**  
**–John Maynard Keynes**

# Architecture Billings Index

November 2008 through November 2019



**November 2019: 51.9**

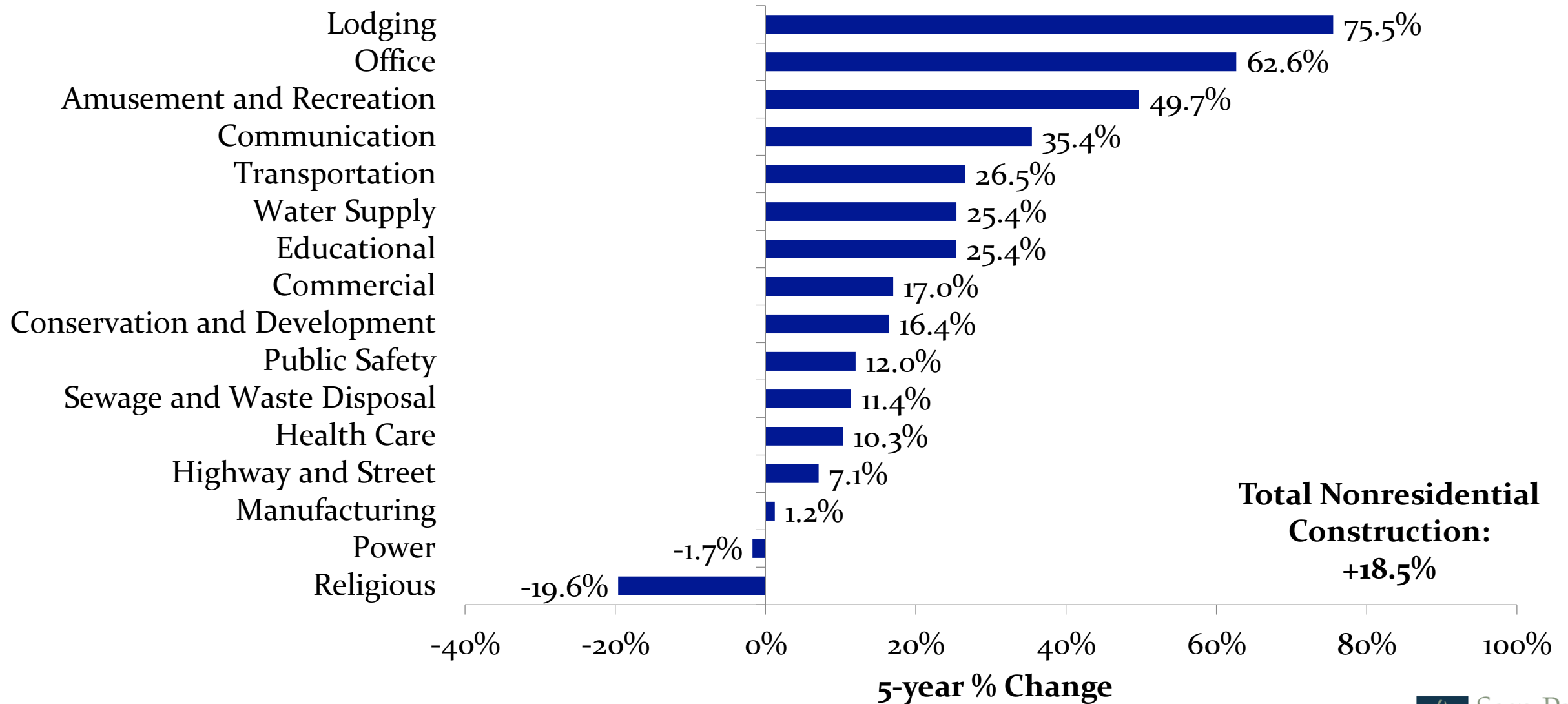
# Architecture Billings Index by U.S. Region

November 2019



# National Nonresidential Construction Spending by Subsector

*October 2014 v. October 2019*

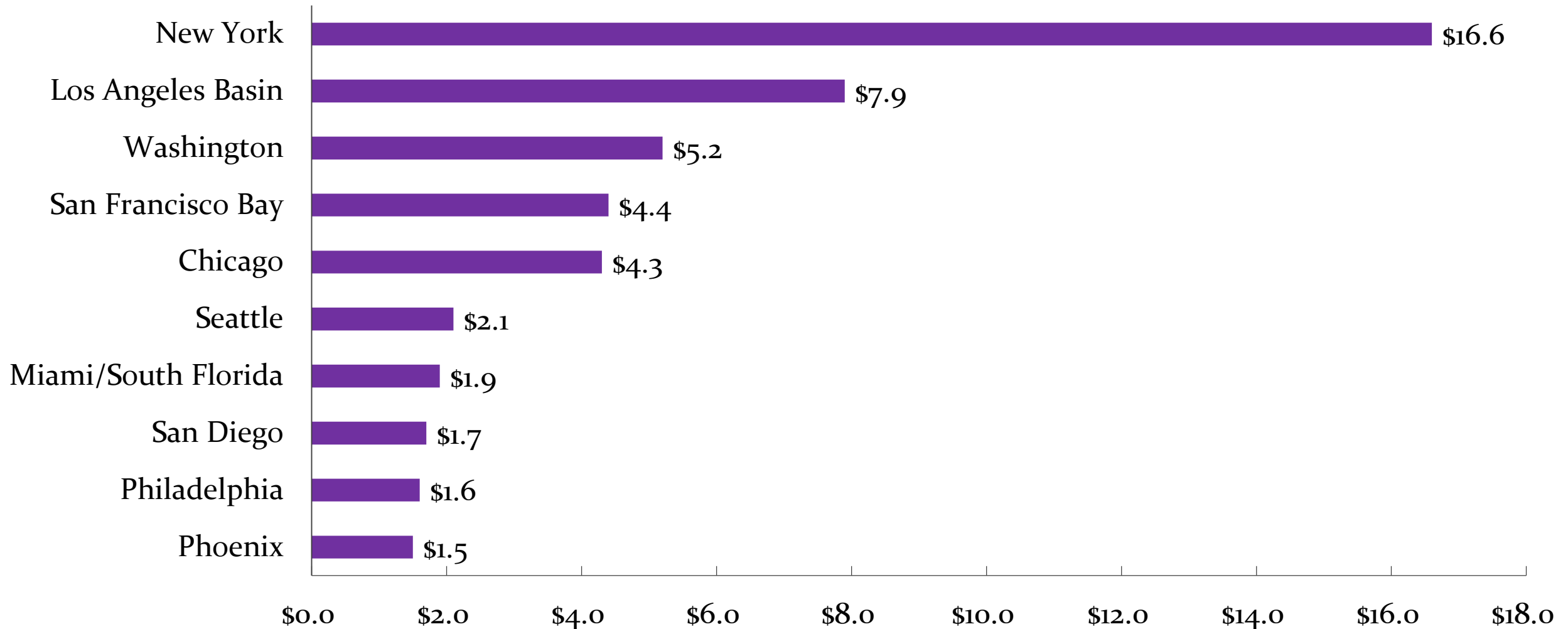




# Foreign Investment in U.S. Commercial Real Estate

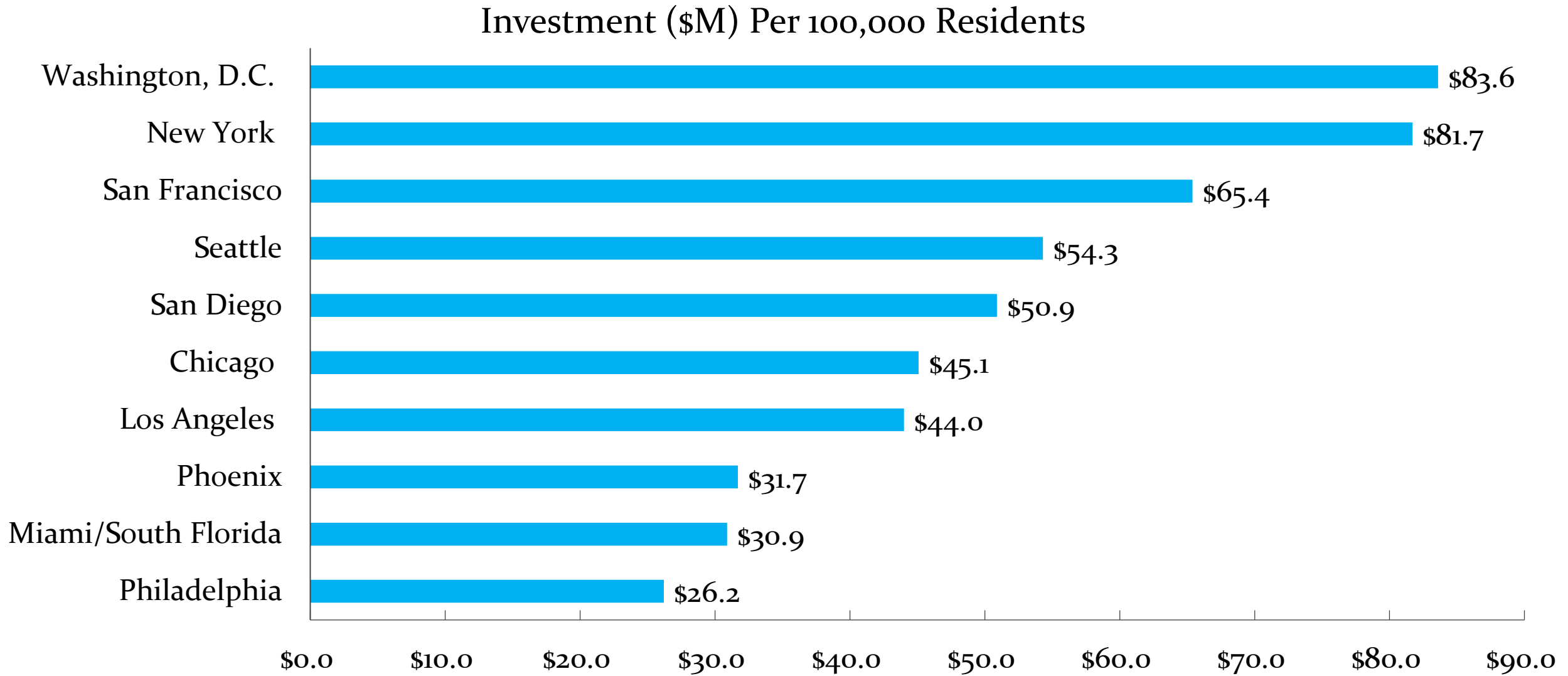
*Top Destination Markets, 2018*

2018 Deals (\$Billions)



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

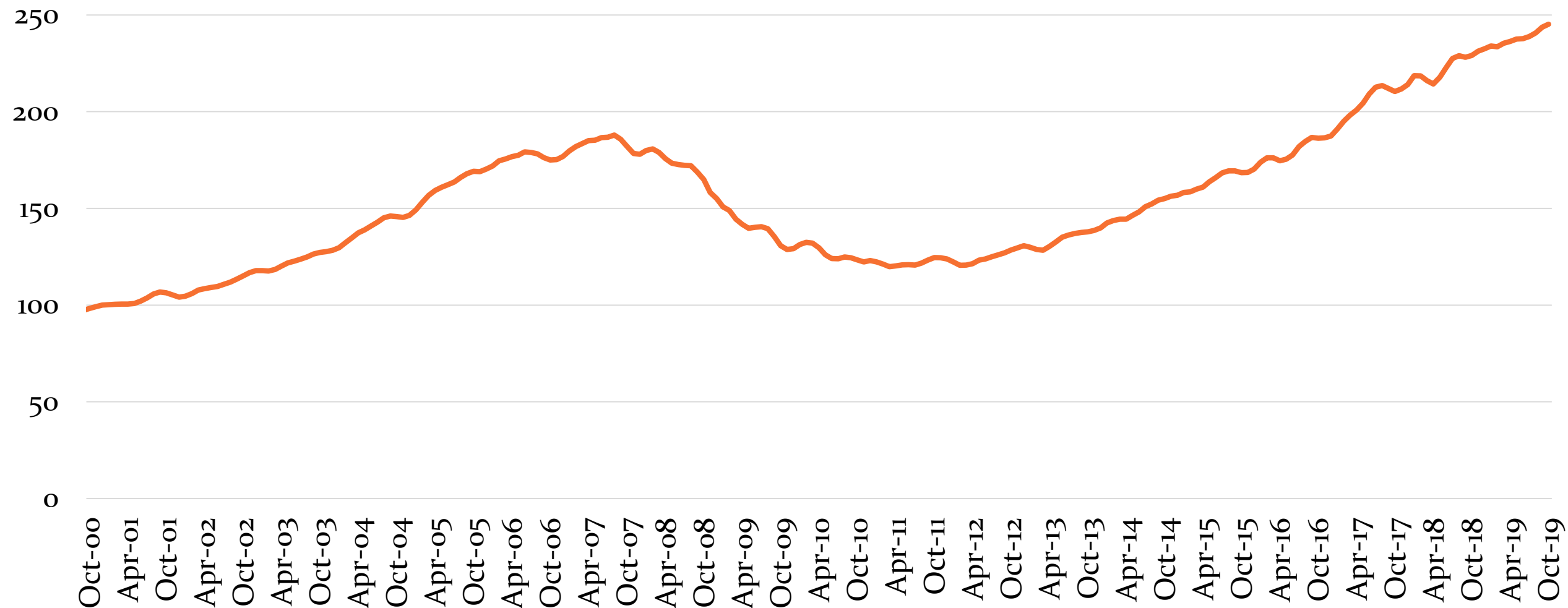
*Top Destination Markets, 2018*



# CoStar Commercial Repeat Sales Index

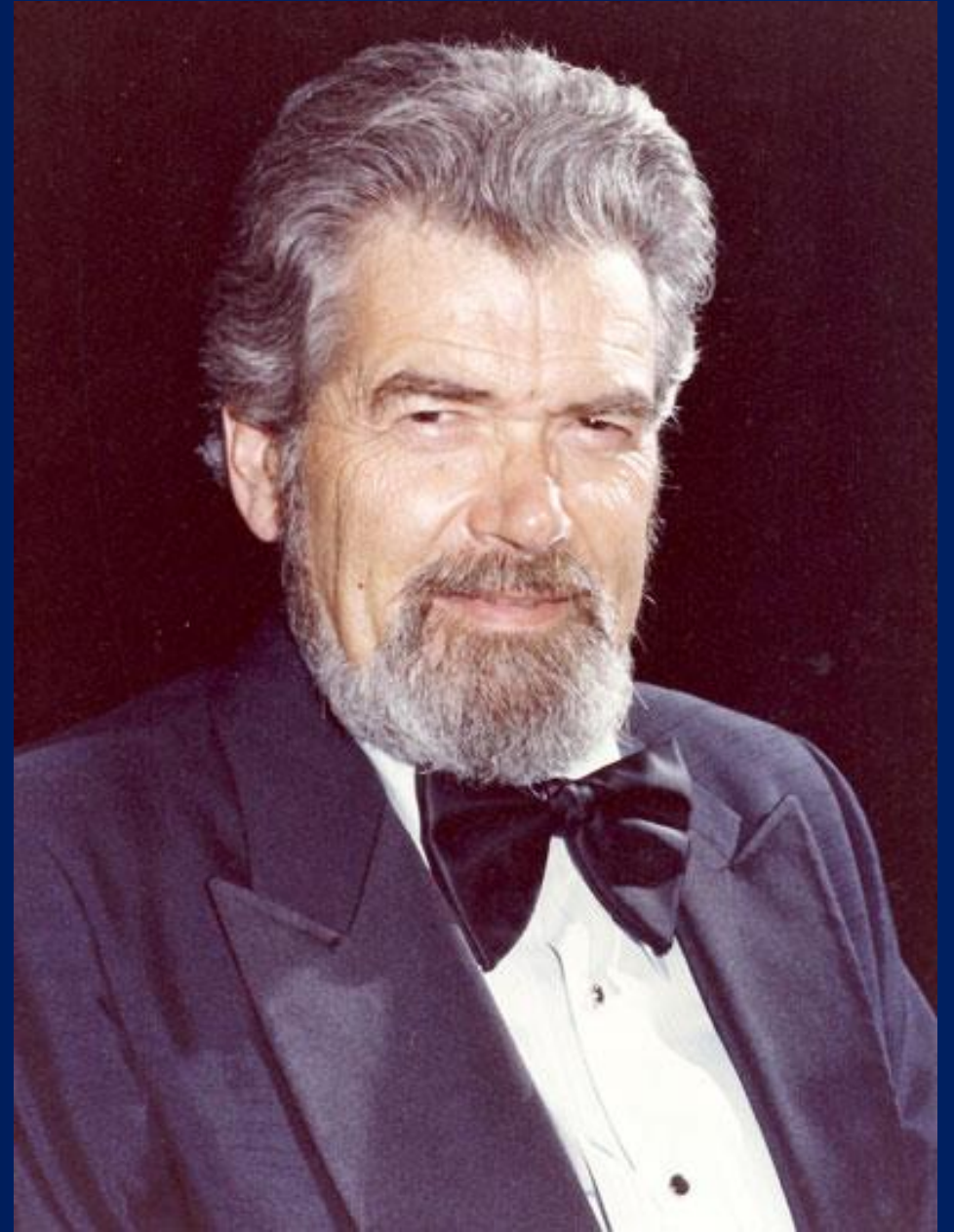
*October 2000 through October 2019*

CCRI: U.S. Composite



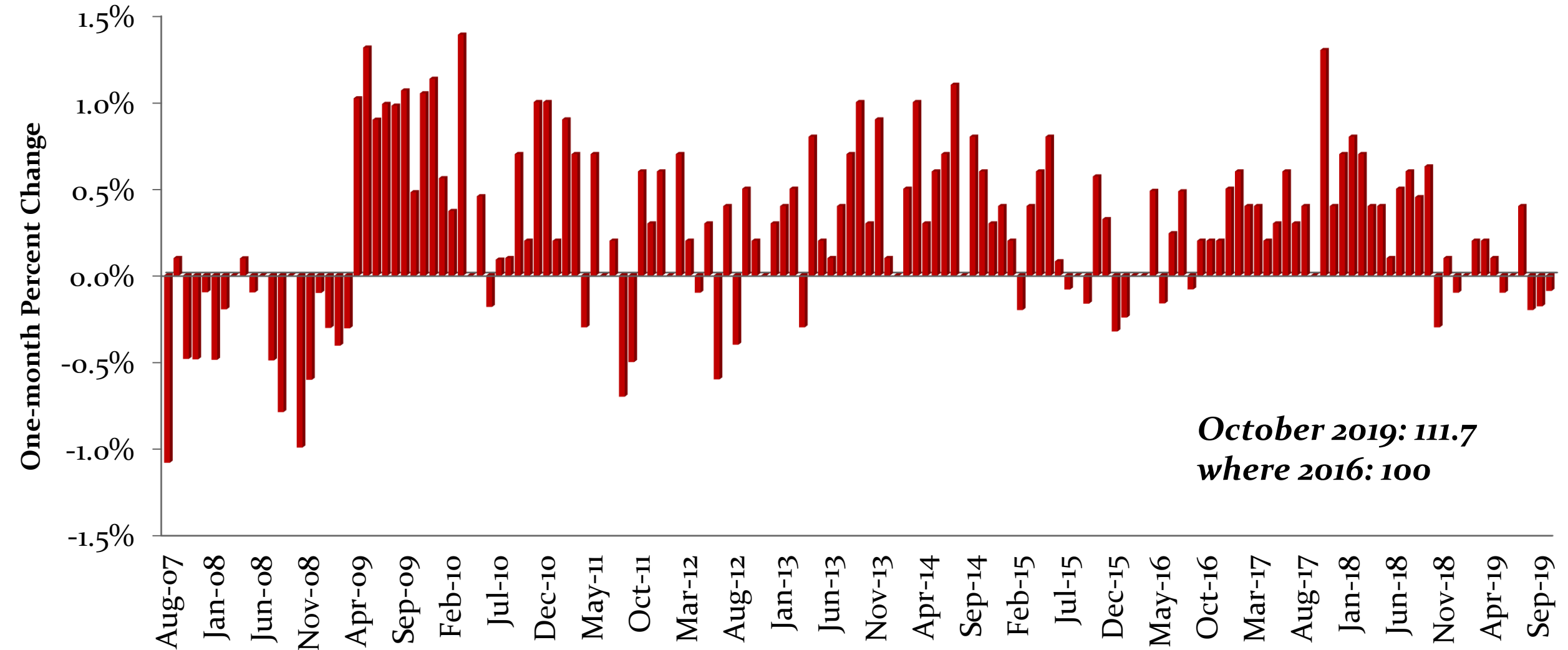
\*Based on 1,412 repeat sale pairs in October 2019 and more than 218,000 repeat sales since 1996.

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



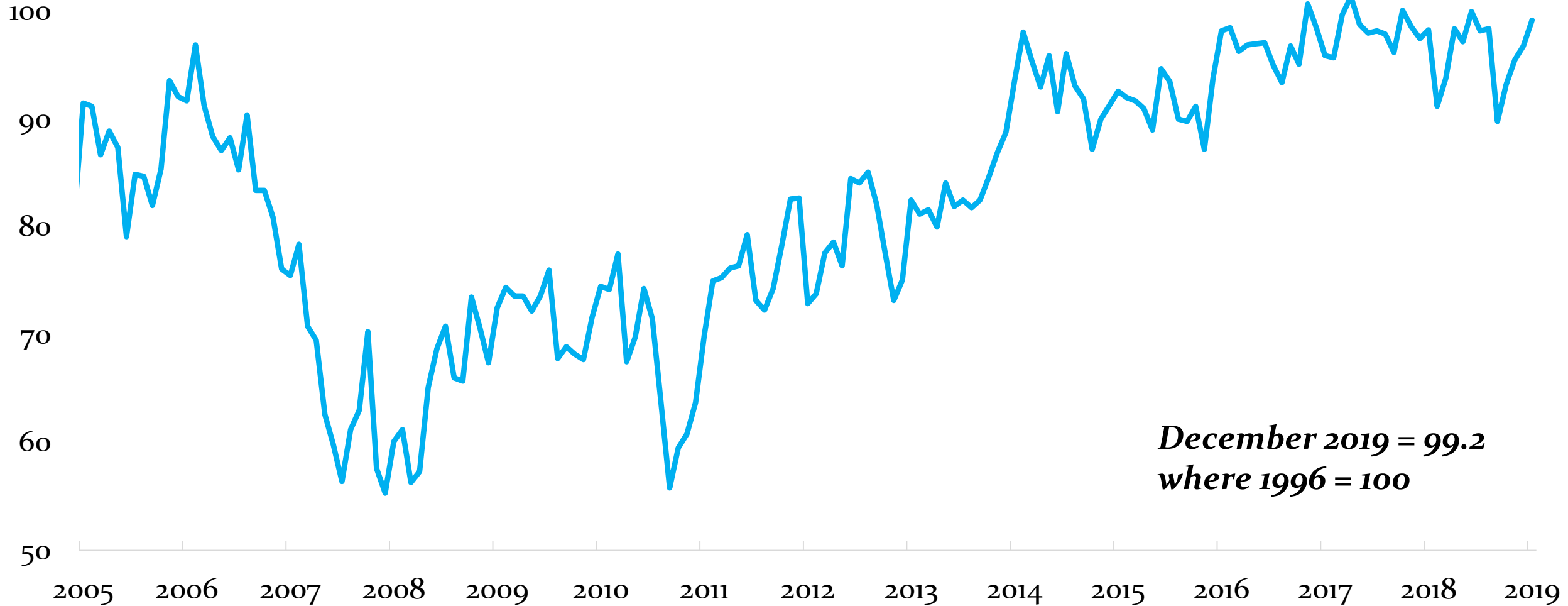
# Conference Board Leading Economic Indicators Index

*August 2007 through October 2019*



# University of Michigan Index of Consumer Sentiment

2005-2019

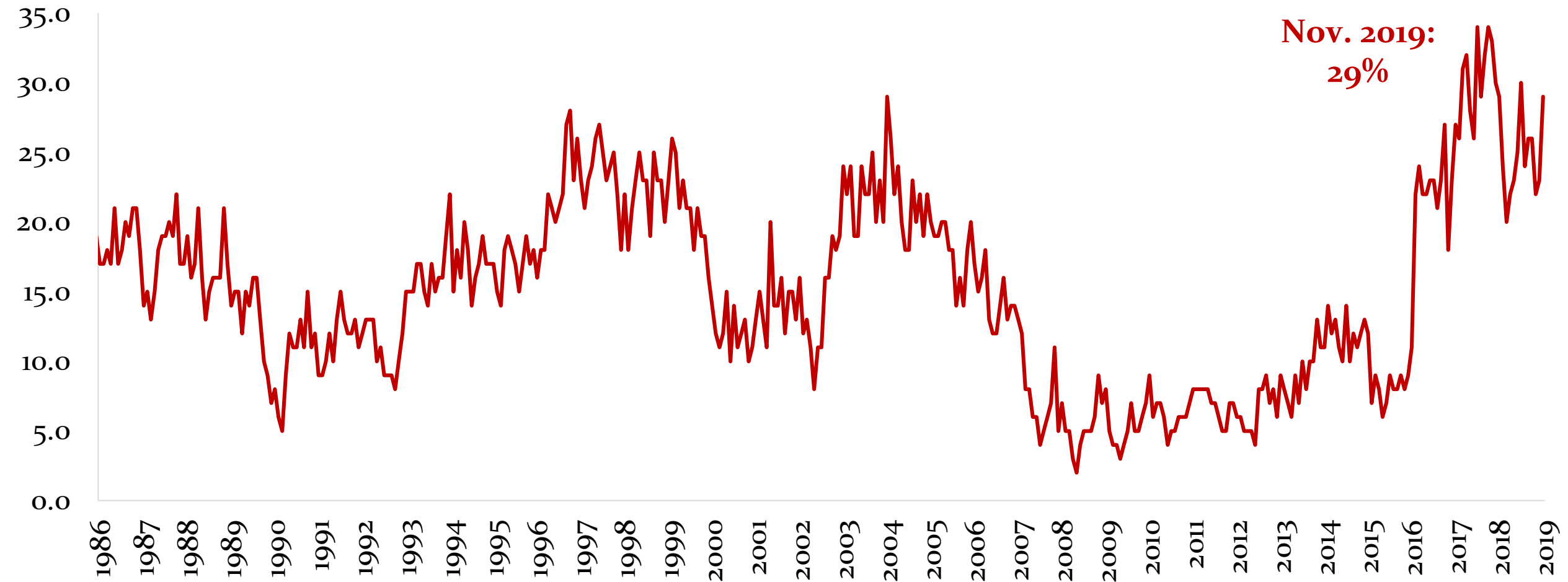


*December 2019 = 99.2  
where 1996 = 100*

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

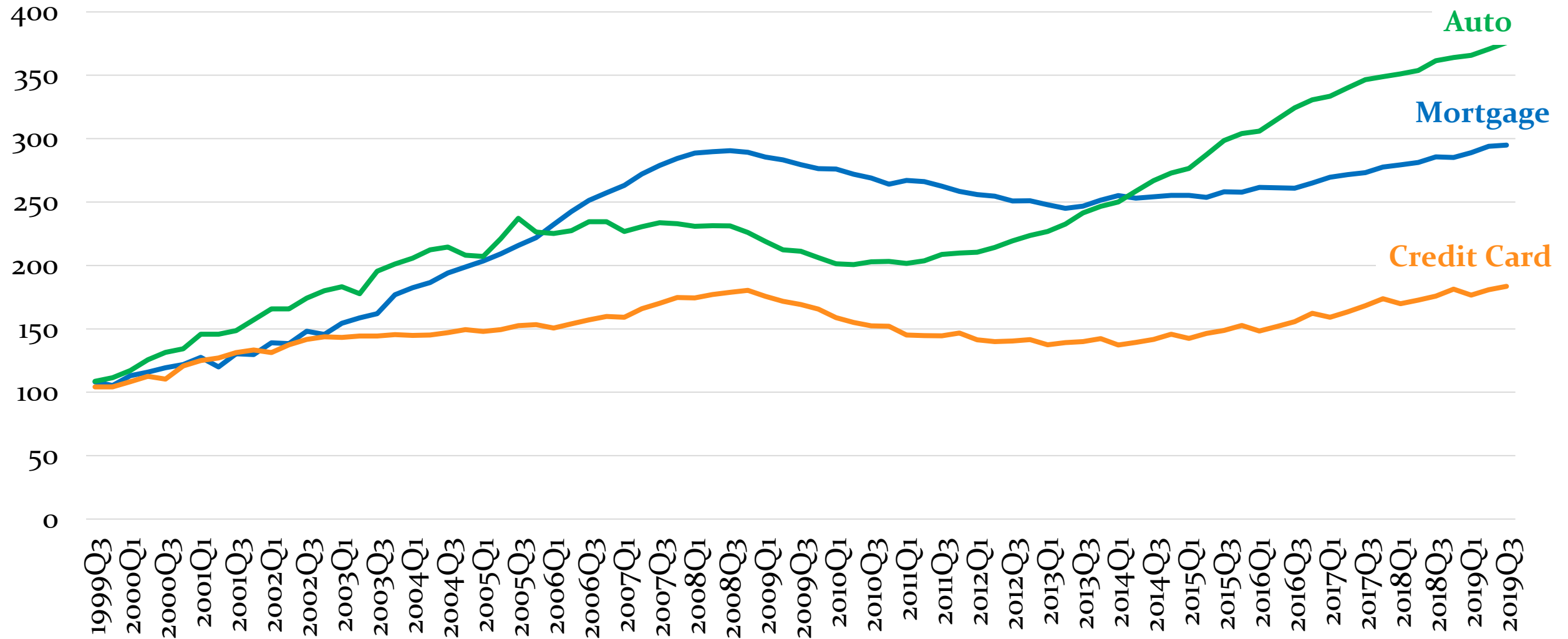
## 1986-2019

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



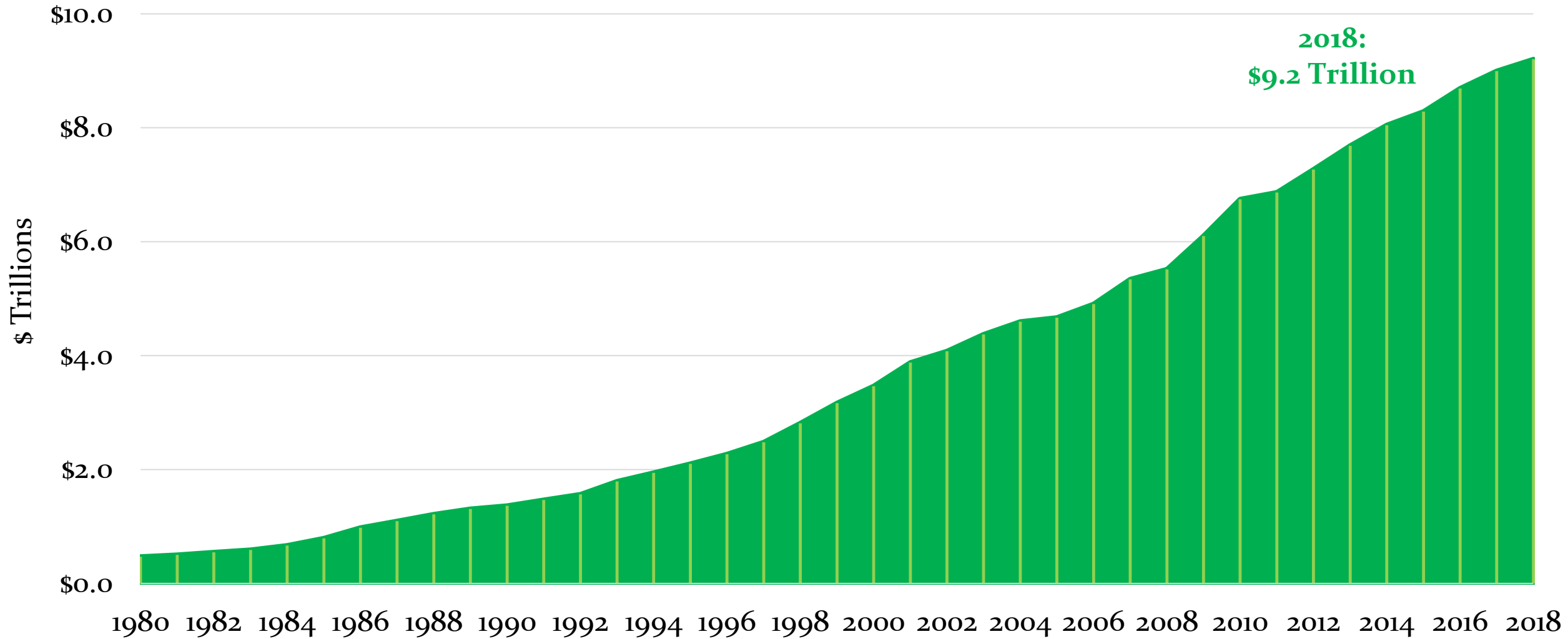
# Total U.S. Debt Volume by Select Loan Types

*Index 1999Q1=100*





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



2018:  
\$9.2 Trillion

# 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 U.S. 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. &
  - Fed keeps accommodating!!!!
- Hypothesis - 2019 will be remembered as a solid year for economy. But if we don't check some of these boxes, watch out for late-2020!

# Thank You

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