

ON THE ECONOMIC, BUSINESS AND POLITICAL CLIMATE

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***Georgia Construction Aggregates Association
June 23, 2018
Ponte Vedra, FL***



Expansion Getting Tired?

(Source: National Bureau Economic Research)

Trough	Peak	Months
October 1945 (IV)	November 1948(IV)	37
October 1949 (IV)	July 1953(II)	45
May 1954 (II)	August 1957(III)	39
April 1958 (II)	April 1960(II)	24
February 1961 (I)	December 1969(IV)	106
November 1970 (IV)	November 1973(IV)	36
March 1975 (I)	January 1980(I)	58
July 1980 (III)	July 1981(III)	12
November 1982 (IV)	July 1990(III)	92
March 1991(I)	March 2001(I)	120
November 2001 (IV)	December 2007 (IV)	73
June 2009 (II)	???	108

Average Expansion, Post WWII **58.4**



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Contributions To GDP Growth

(Source: Bureau of Economic Analysis)

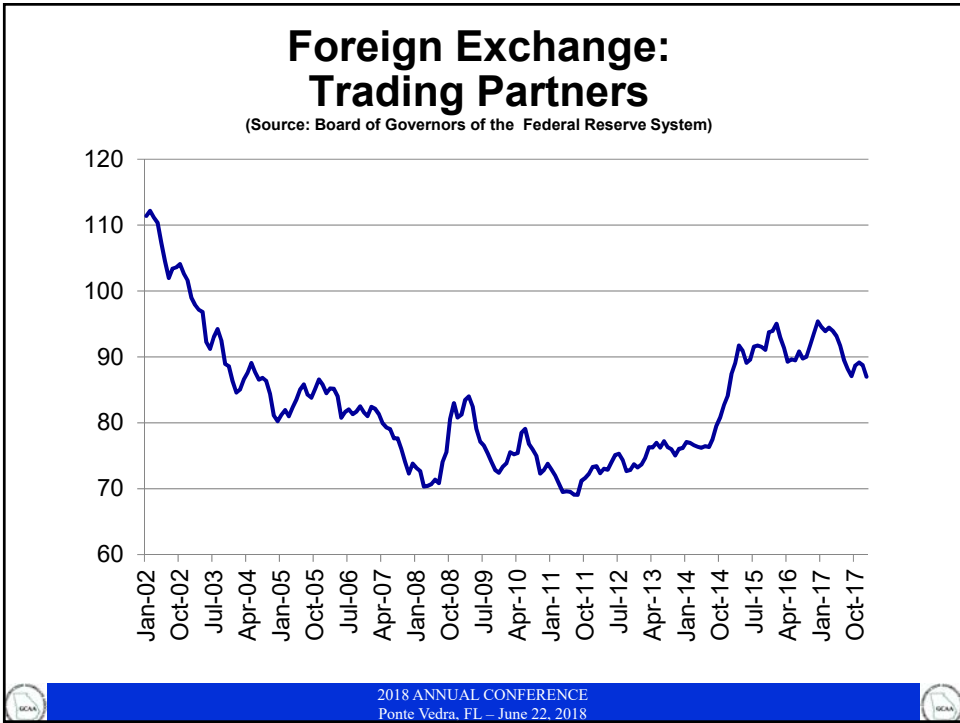
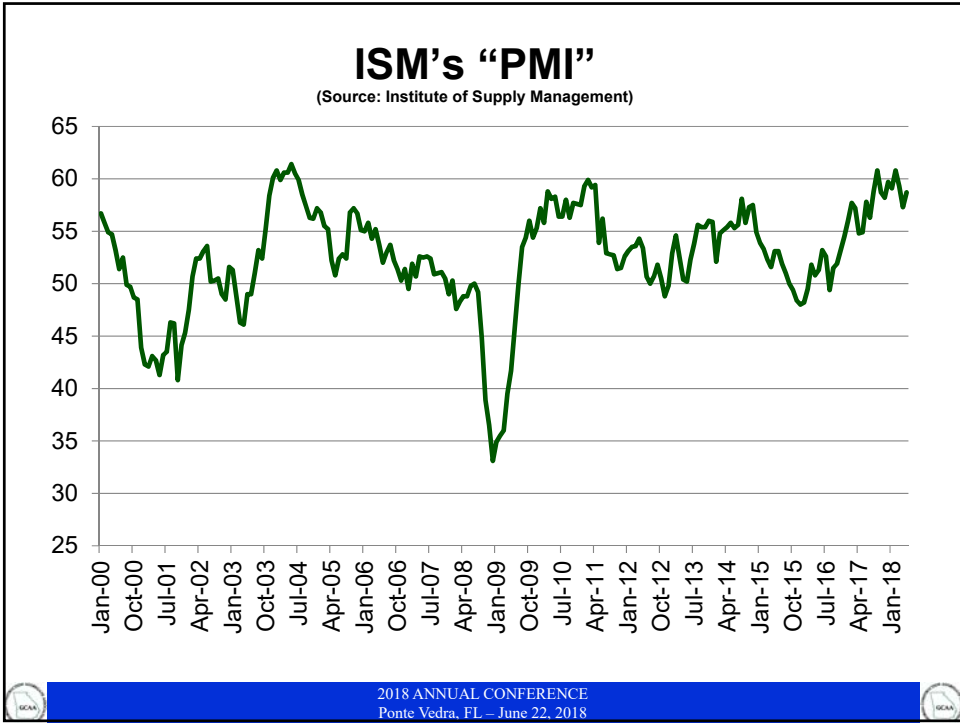
	GDP =	Consumption	Gross Investment	Net Exports	Government
2016: Q3	2.8%	1.92%	0.40%	0.36%	0.09%
2016: Q4	1.8%	1.99%	1.34%	-1.61%	0.03%
2017: Q1	1.2%	1.32%	-0.20%	0.22%	-0.11%
2017: Q2	3.1%	2.28%	0.64%	0.21%	-0.03%
2017: Q3	3.2%	1.49%	1.19%	0.36%	0.12%
2017: Q4	2.9%	2.75%	0.78%	-1.16%	0.51%
2018: Q1	2.2%	0.71%	1.18%	0.08%	0.20%

	Gross Investment =	Nonresidential	Residential	Inventory
2016: Q3	0.40%	0.42%	-0.18%	0.16%
2016: Q4	1.34%	0.02%	0.26%	1.06%
2017: Q1	-0.20%	0.86%	0.41%	-1.46%
2017: Q2	0.64%	0.82%	-0.30%	0.12%
2017: Q3	1.19%	0.58%	-0.21%	0.79%
2017: Q4	0.78%	0.84%	0.46%	-0.53%
2018: Q1	1.18%	1.13%	-0.08%	0.13%



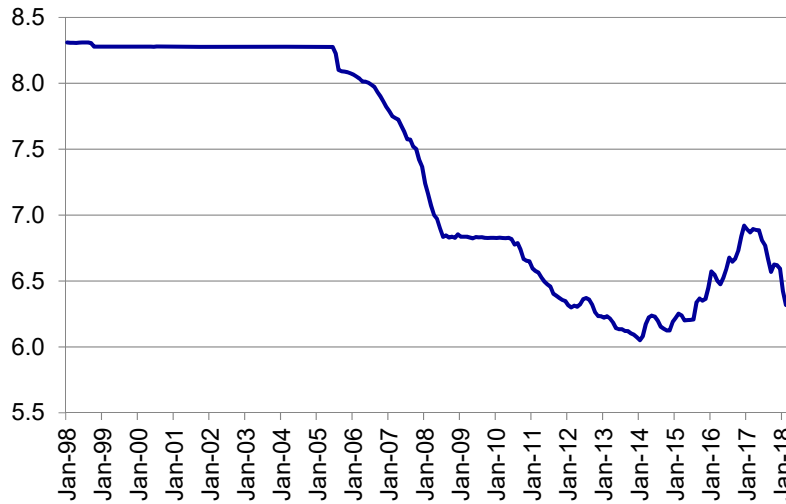
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Foreign Exchange: US/China

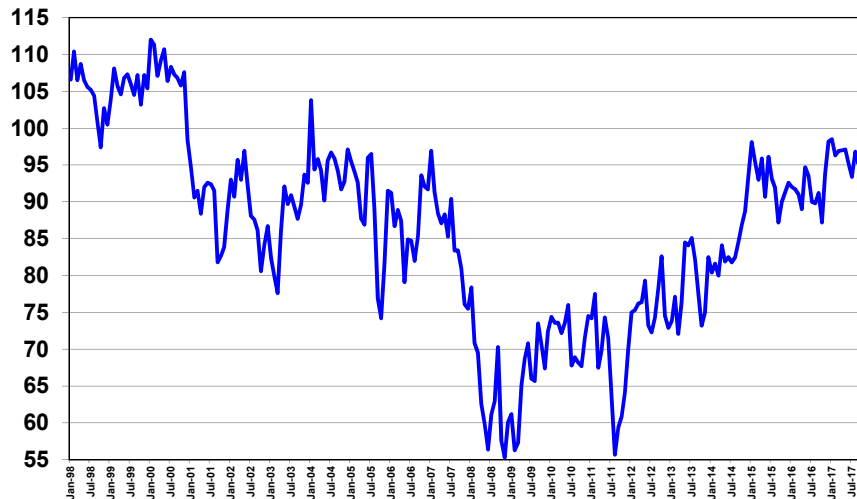
(Source: Board of Governors of the Federal Reserve System)



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Consumer Sentiment

(source: University of Michigan, Survey Research Center)



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Comments from Curtin

(source: Richard Curtin, Director of Survey of Consumers, February 2017)

“the gain represents the result of an unprecedented partisan divergence, with Democrats expecting recession and Republicans expecting robust growth”

“overall gain in the Expectations Index was due to self-identified Independents, who were much closer to the optimism of the Republicans than the pessimism of the Democrats”

“the February Expectations Index was 55.5 among Democrats, 120.1 among Republicans, and 89.2 among Independents”

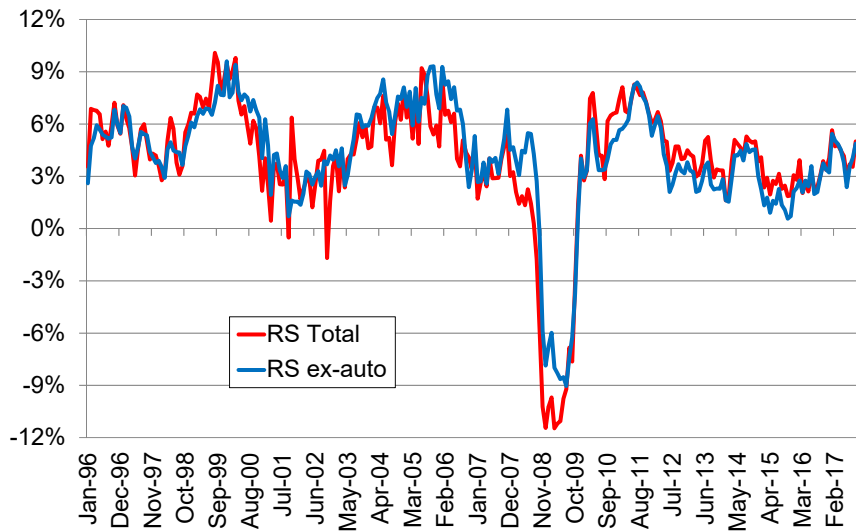


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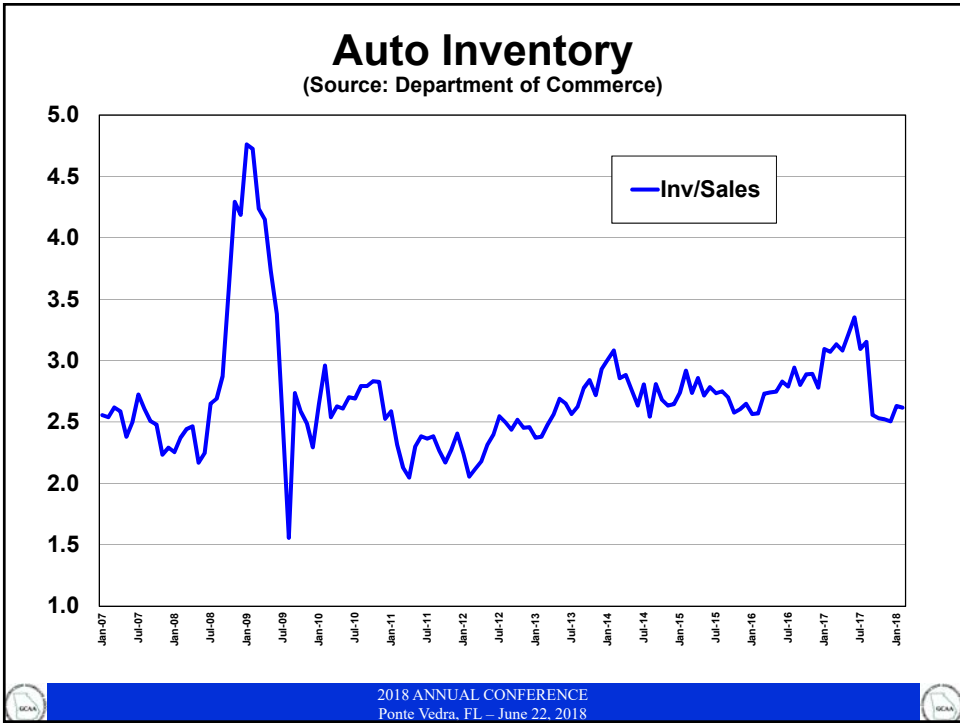
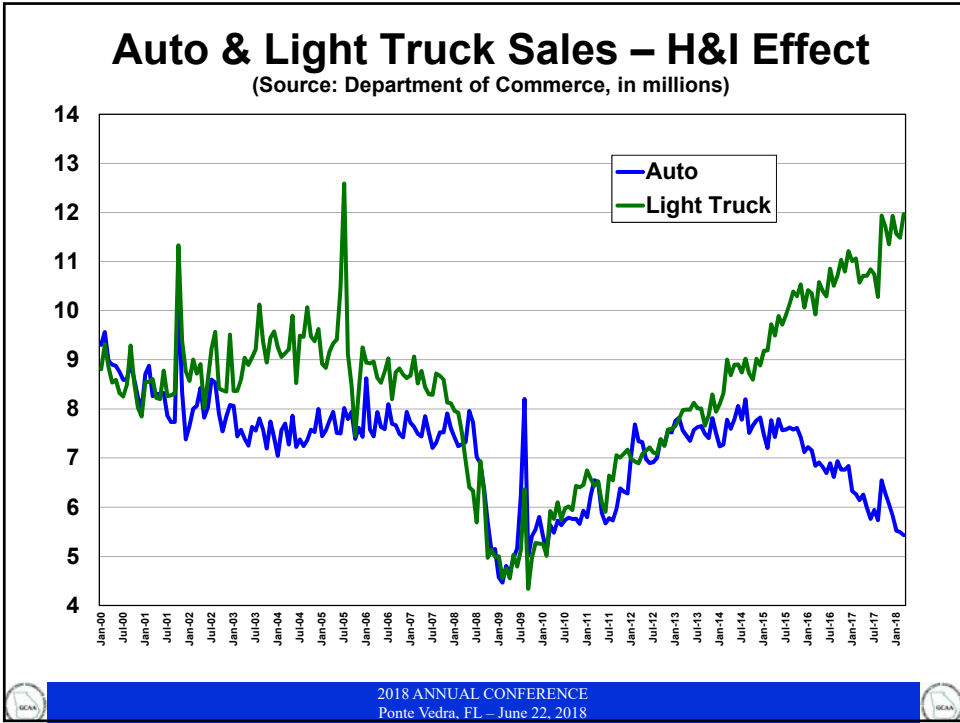
Retail Sales

(source: U.S. Bureau of the Census, annual rate of growth)



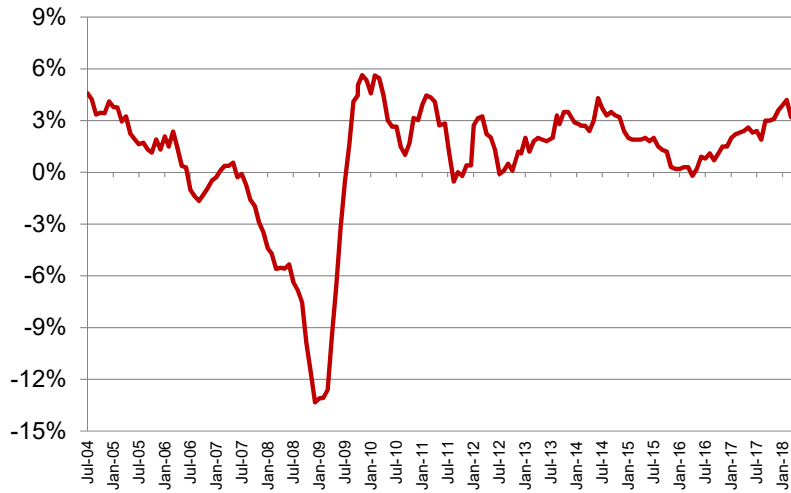
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Leading Economic Indicators

(source: Conference Board, % change in last 6 months)

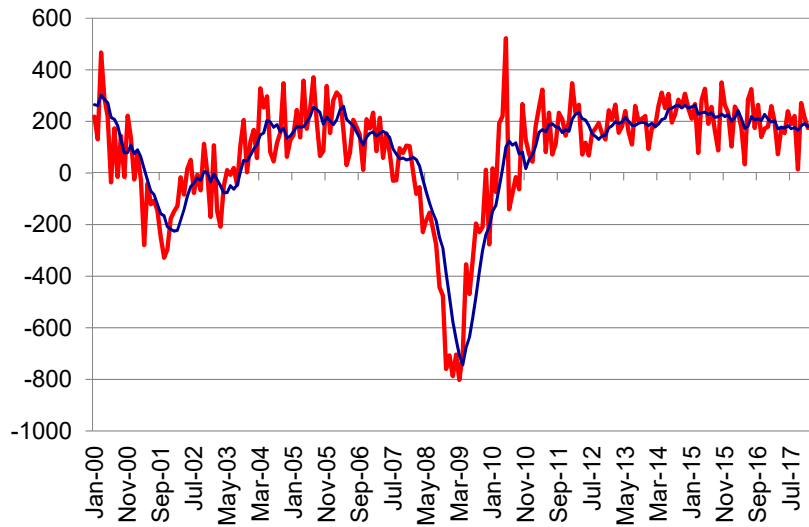


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Change in Payroll Employment

(Source: Bureau of Labor Statistics)

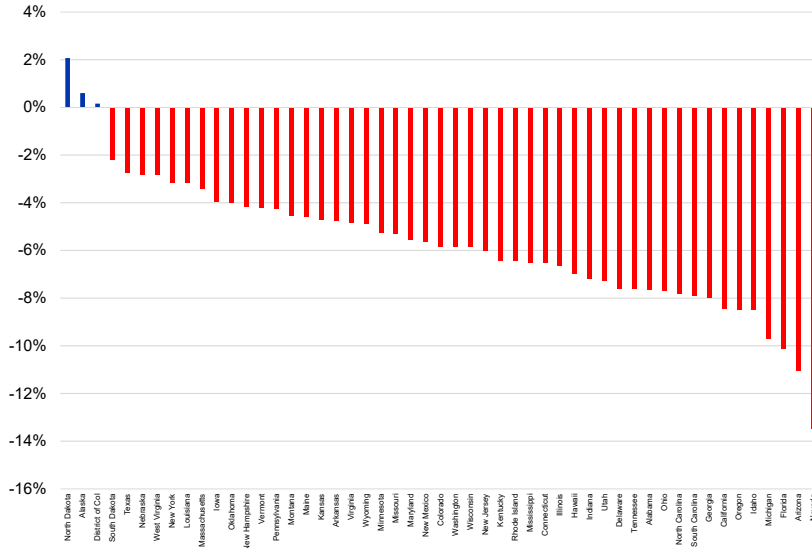


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State Employment (Job Loss)

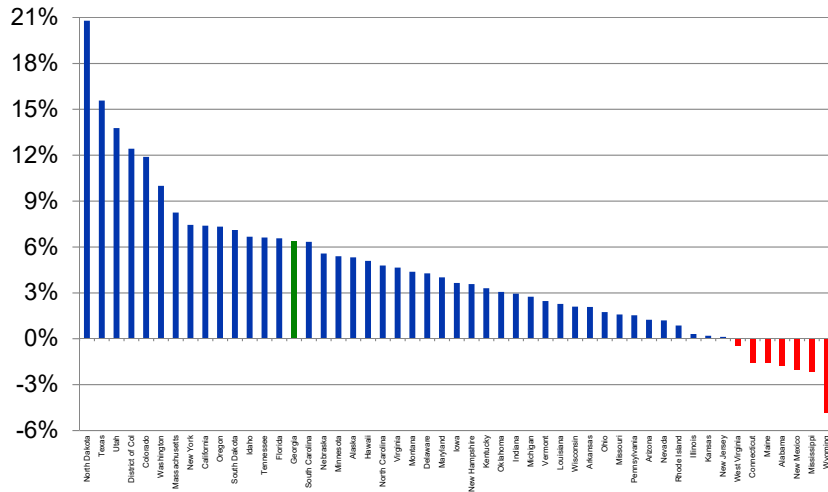
(source: Bureau of Labor Statistics)



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State Employment (Net Change)

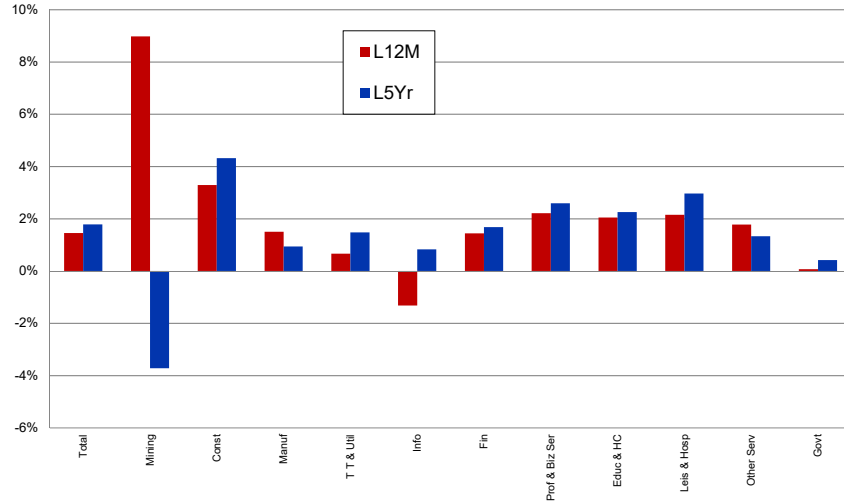
(source: Bureau of Labor Statistics)



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US Employment Shift by Sector

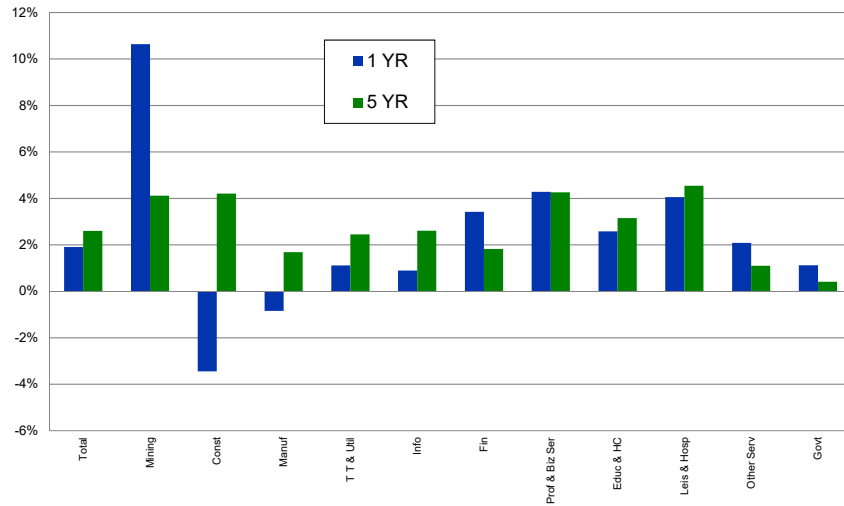
(Source: Bureau of Labor Statistics)



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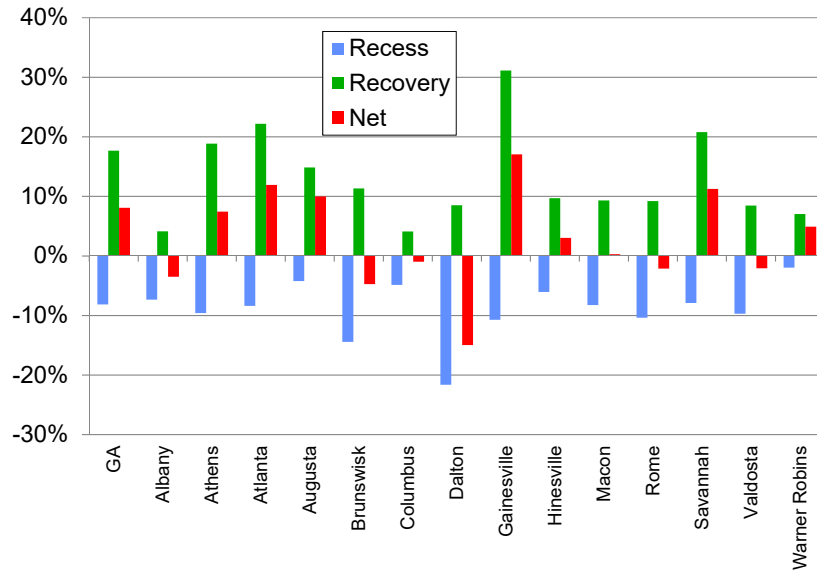
GA Employment Shift by Sector: L12M

(Source: Bureau of Labor Statistics)



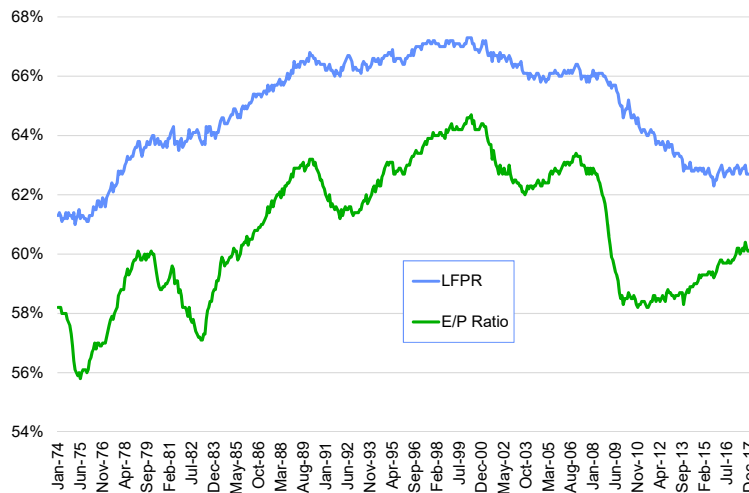
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Employment: Georgia

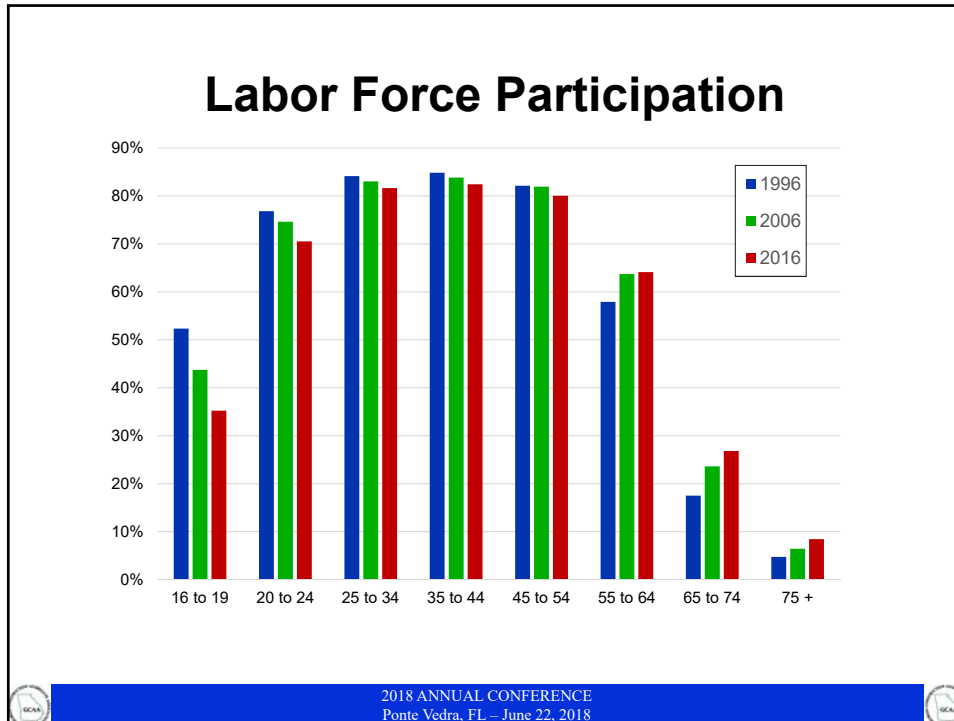


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Labor Force Participation



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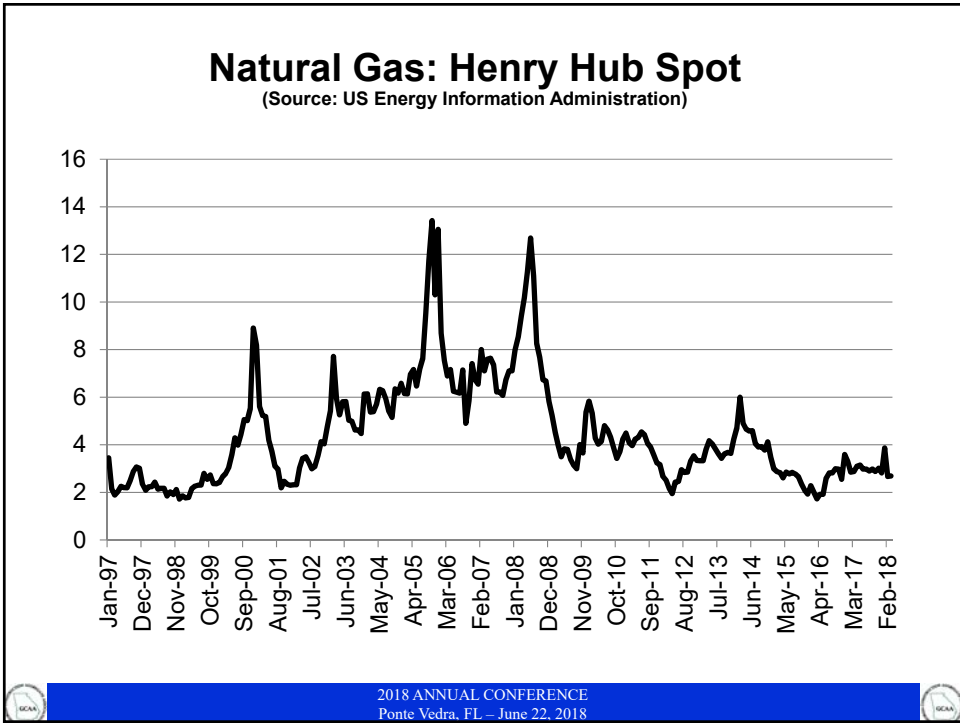
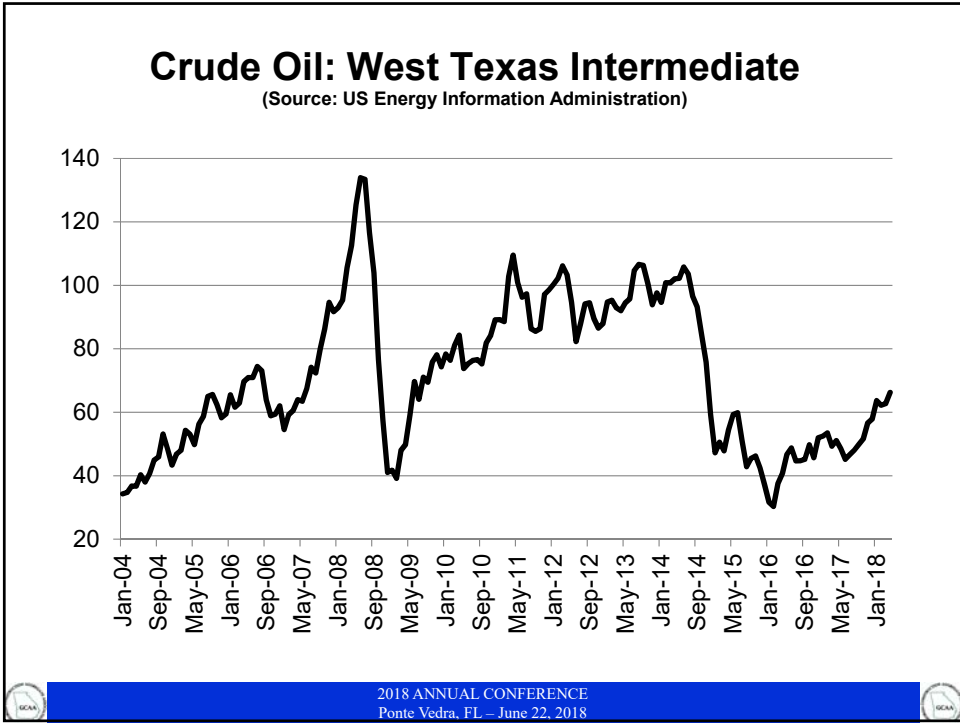


Prices: Still talk of Deflation/Inflation?

(source: Bureau of Labor Statistics)

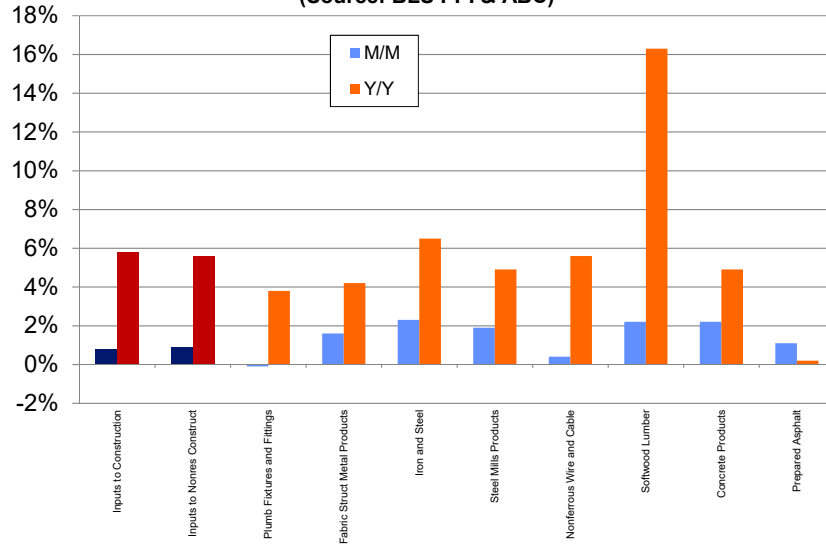
- **CPI rose by 0.2% in May** after having been down up 0.2% and down by 0.1% in April and March.
- **Core CPI rose 0.2% in May** – after rising by 0.1% and 0.2% in two previous months.
- **Overall CPI up 2.8% over last 12 months. Core up 2.2% over same period.**
- **Energy component was up by 0.9% last month and up by 11.7% over the last 12 months**
- **“Core PCE” – 1.8% over L12M, 2.0% over L6M.**

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Construction Cost w/o Energy

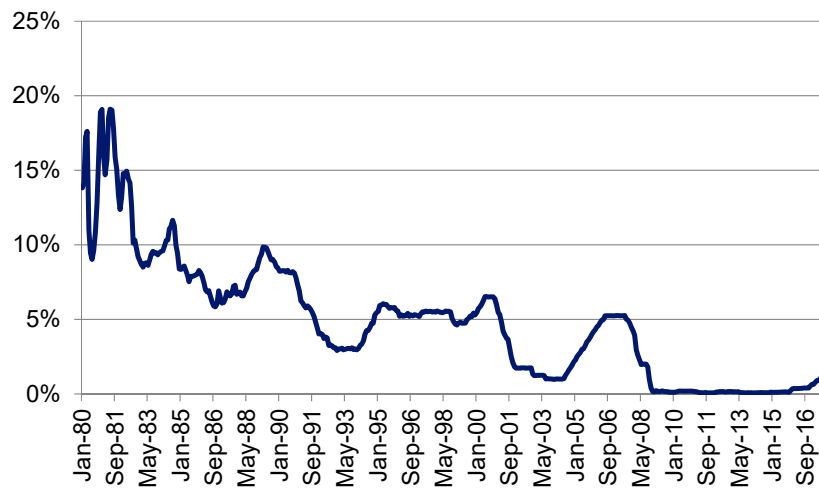
(Source: BLS PPI & ABC)



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Federal Funds Rate Short Rates Finally Start Moving

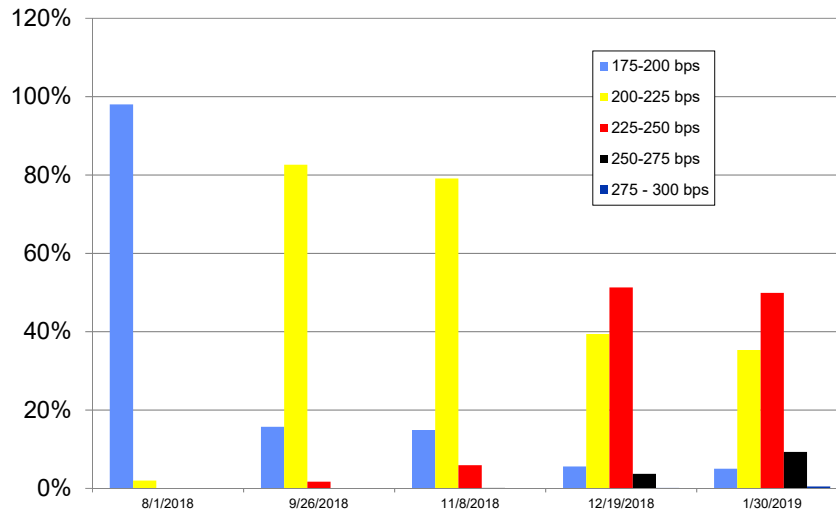
(Source: Board of Governors of Federal Reserve System)



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Market's FFR Outlook

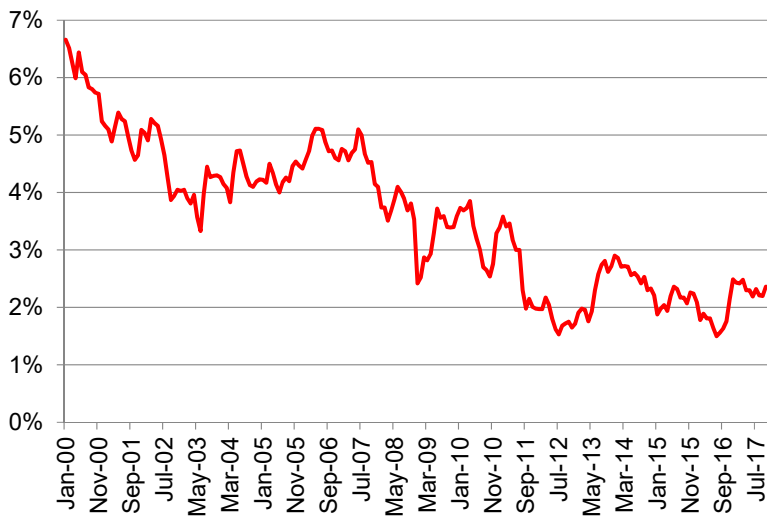
(Source: CME Group)



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10-Year Treasury Bonds

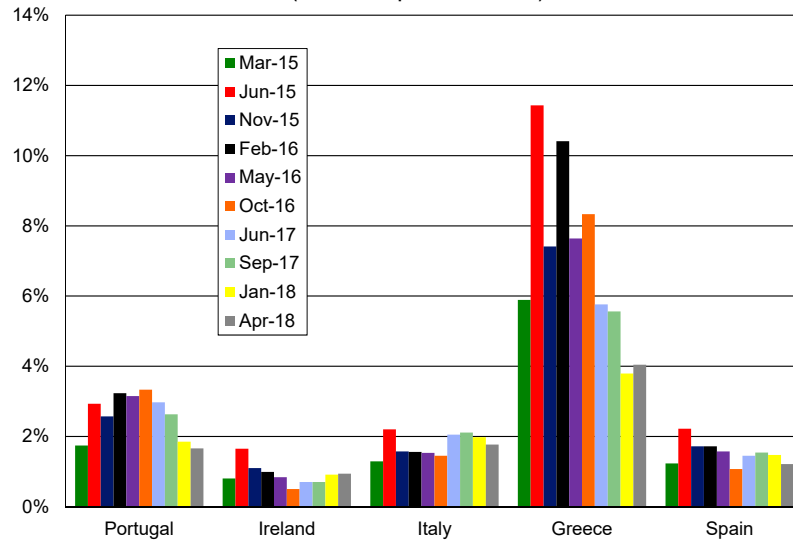
(Source: Board of Governors of Federal Reserve System)



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“PIIGS Revisited”

(Source: European Central Bank)



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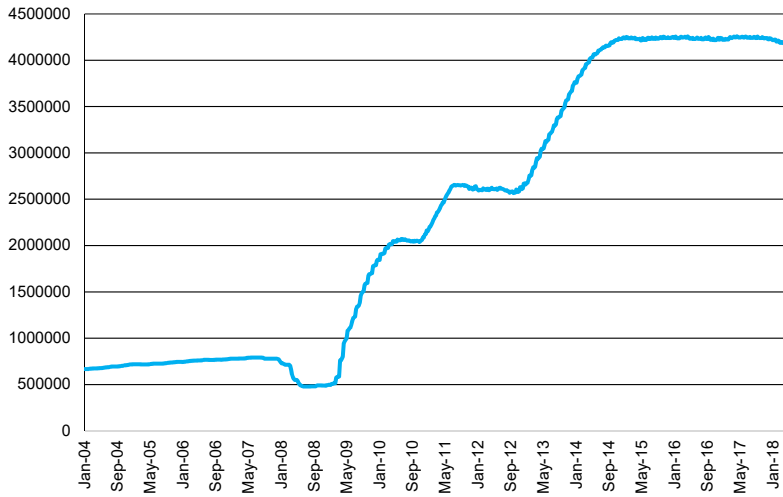
Large Scale Asset Purchases

(source: Federal Reserve System)

- **QE1 (March 2009)**
 - \$1.25 T in MBS
 - \$200B in Agencies
 - \$300M in Treasuries
- **QE2 (November 2010)**
 - \$600B in Treasuries
- **Operation Twist**
 - Swapped \$667B in longs for shorts
- **QE3 (September 2012)**
 - \$85B/month agency MBS & Treasuries
 - Taper begins December 2012

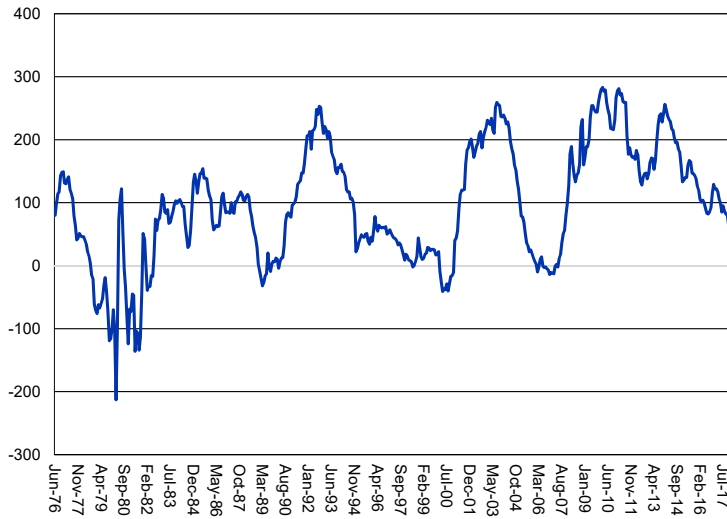
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Fed: Securities Held Outright



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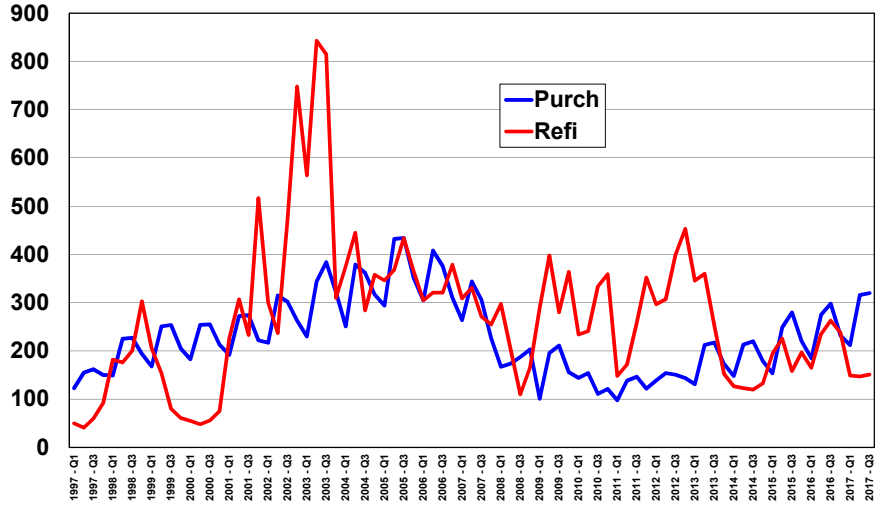
2-10 Treasury Spread (bps)



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MBA Mortgage Activity: Purchase & Refinance

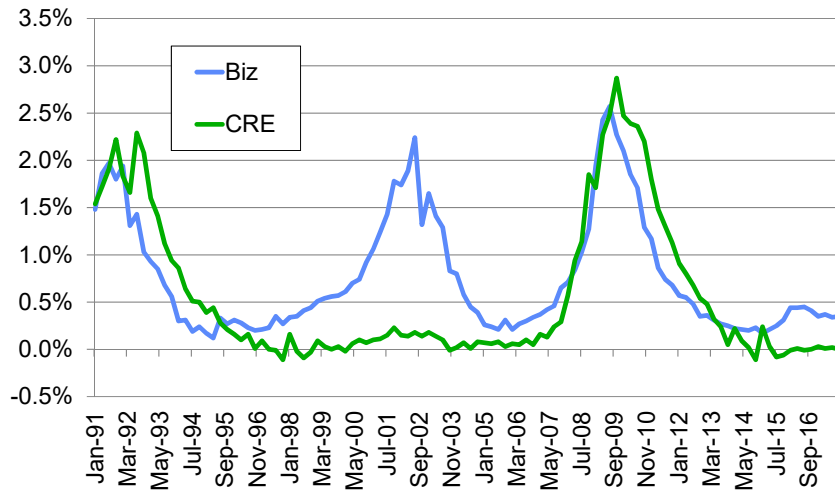
(Source: Mortgage Bankers Association)



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Charge Off Rates at Commercial Banks

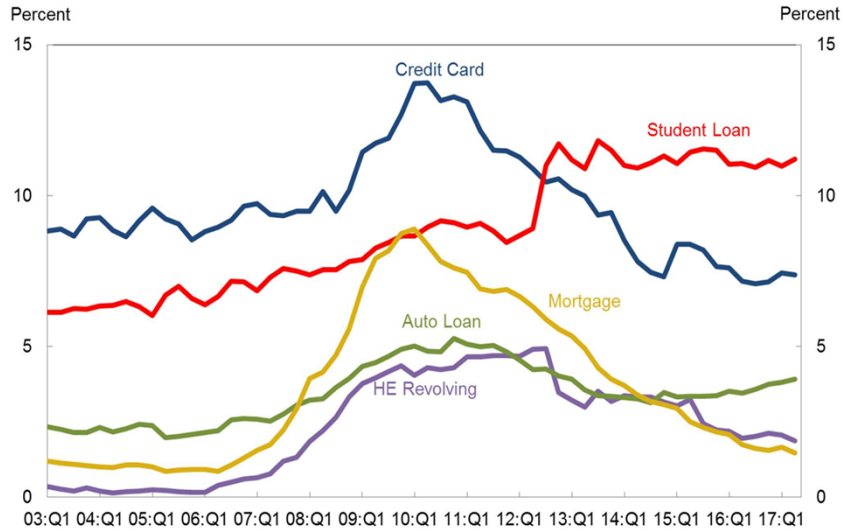
(source: Board of Governors of the Federal Reserve System)



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90+ Days Delinquent by Loan Type

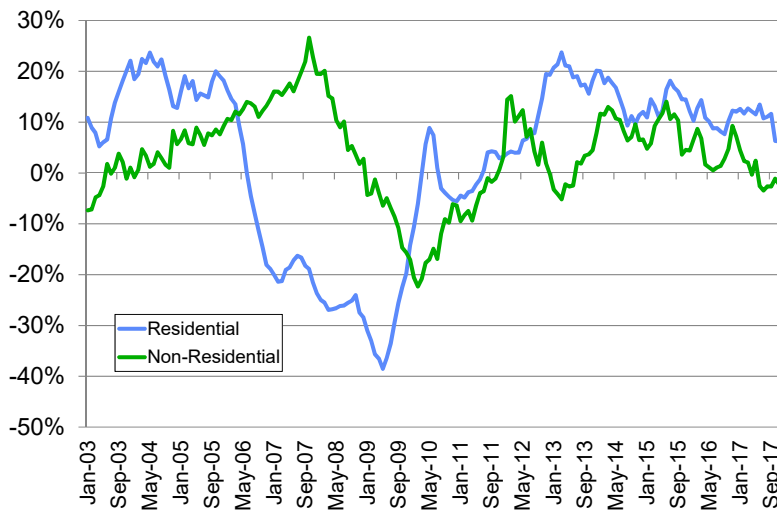
(source: Federal Reserve Bank of New York Credit Panel/Equifax)



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Construction Spending: By Sector

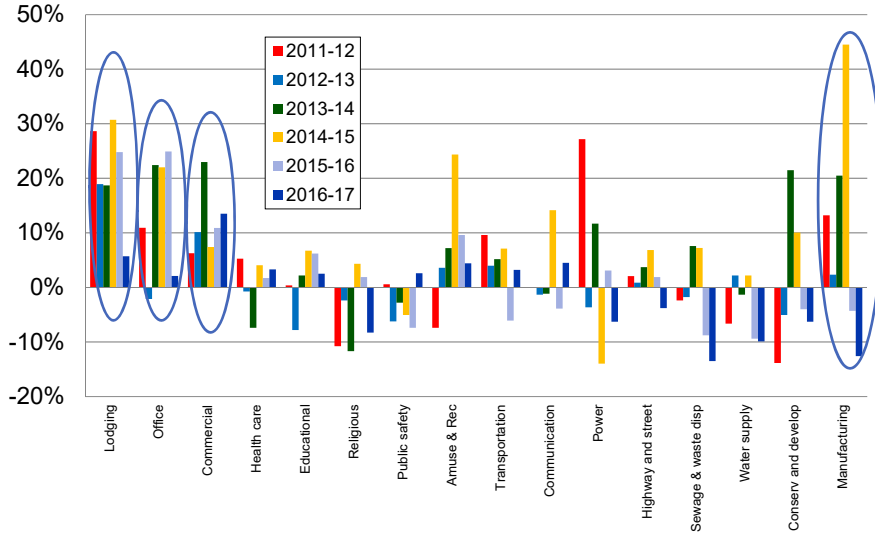
(Source: U.S. Bureau of Census)



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Non-Residential Construction

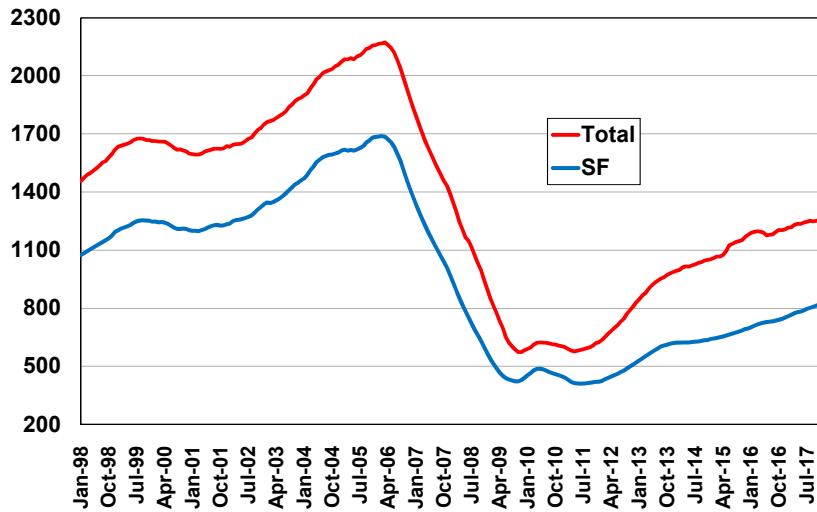
(Source: U.S. Bureau of Census)



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US Housing Permits: SF and Total

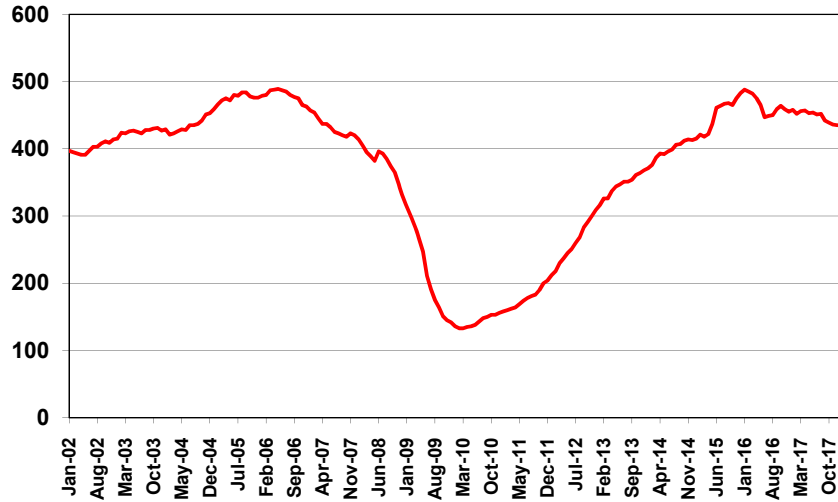
(source: U.S. Bureau of Census)



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US Housing Permits: Multi-family

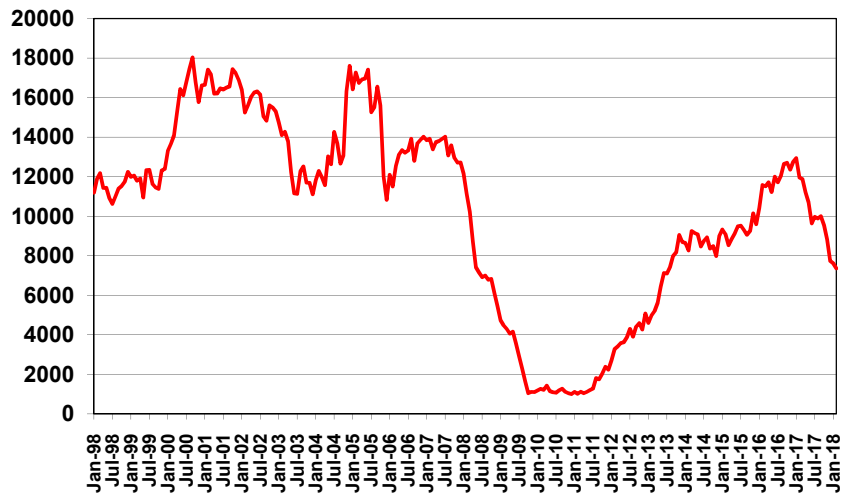
(Source: U.S. Bureau of Census)



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ATL Housing Starts: Multi-family

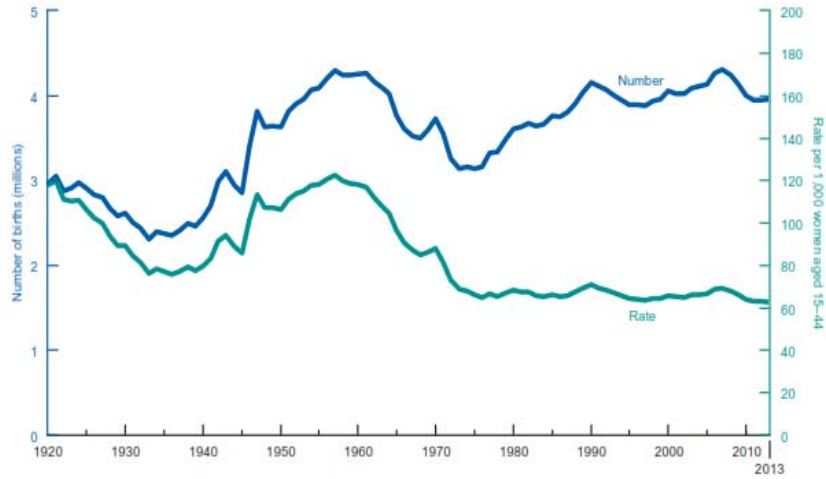
(12 month moving average)



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The Demographics: Boom & Bust

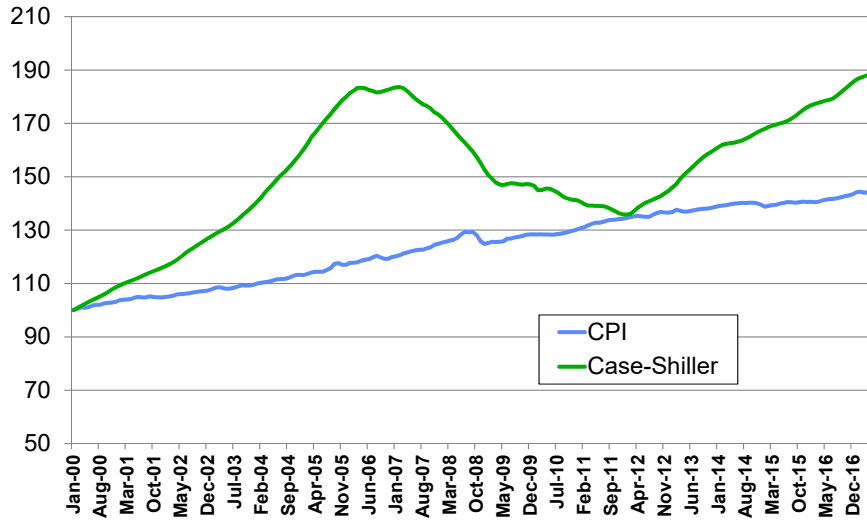
(Source: CDC, US Bureau of Census)



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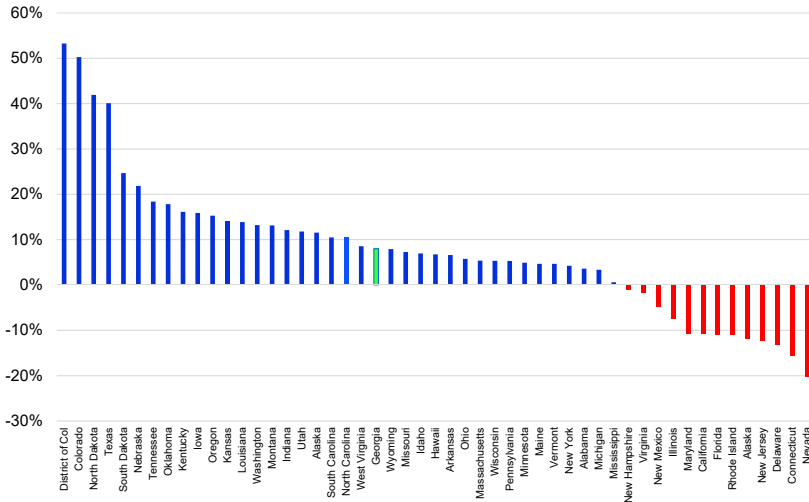
Home Prices & CPI

(Source: S&P Case-Shiller & Bureau of Labor Statistics)



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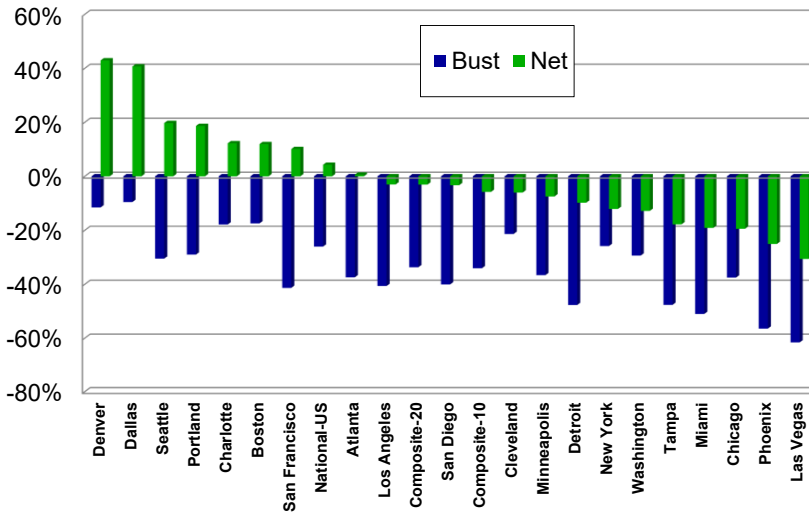
House Prices: Net



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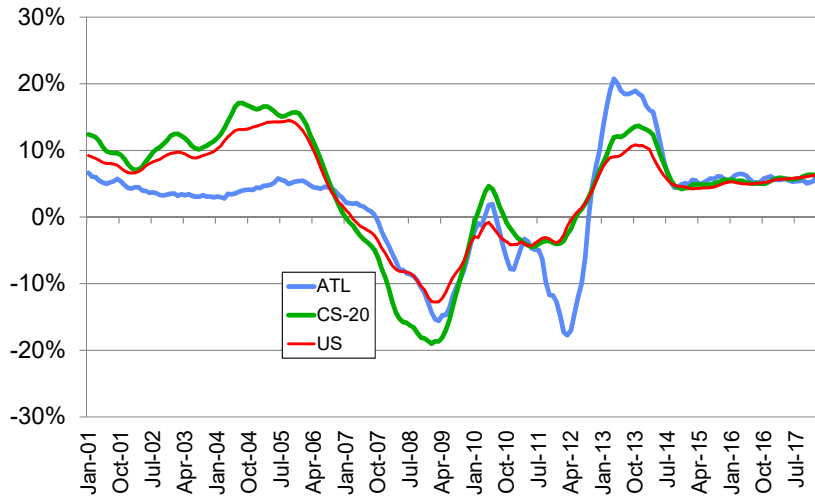
CS/S&P Home Price Index

(Source: S&P Case Shiller)



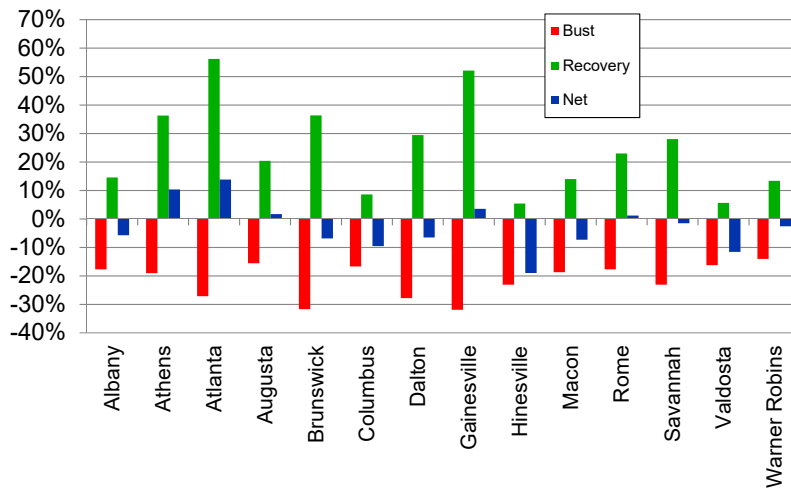
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Case Shiller: Atlanta & US-20



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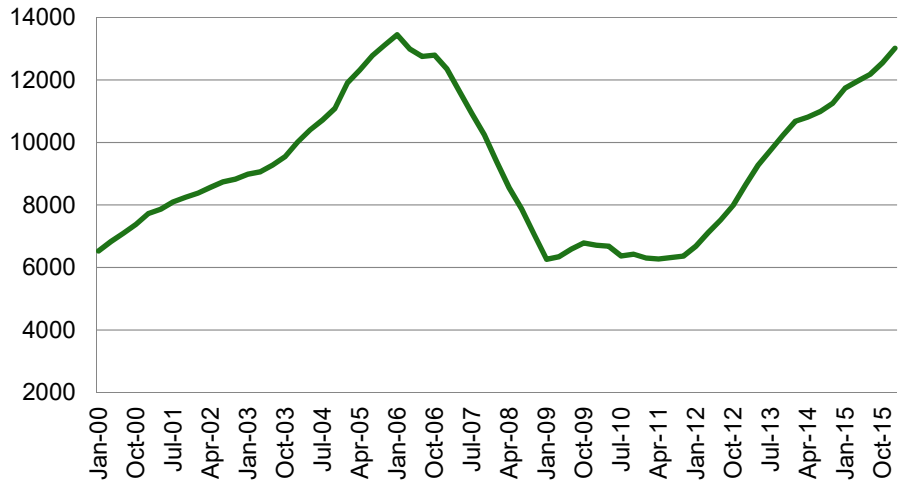
GA MSA Home Prices



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Household RE Equity

(Source: Board of Governors of Federal Reserve System)

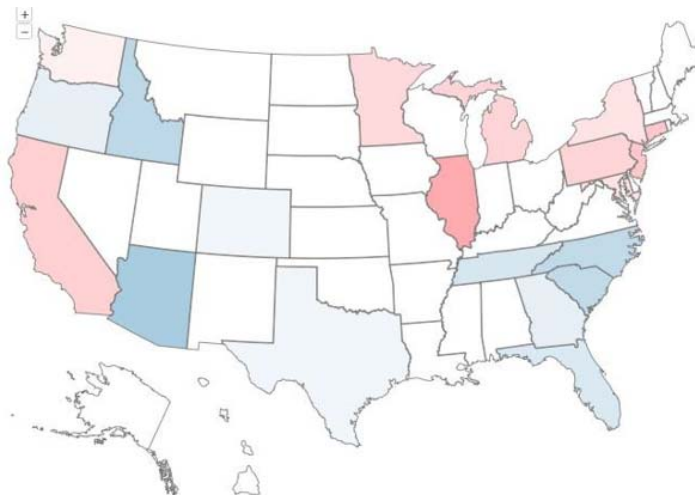


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2017 Migration

(source: NAMS Report)



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Tax Reform: Some Headlines

- Corporate tax rates cut 35% to 21% - changes value of loss carry forwards, but lower cost of capital
- Preferential treatment for pass-through.
- Individual rate lowered in some brackets.
- Standard deduction increase, but exemption disappear and limits on SALT and other preferred items will more than offset for some.
- AMT filers reduced.
- Global taxation reduces inversion and encourages repatriation.
- ACA individual mandate disappears.



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Currents Issues in Fiscal Affairs

- Federal:
 - Government default avoided in 2011, 2013 & 2015 – where from here?
 - **Back in Play:** Affordable Care Act (Mandate gone), Keystone, Dodd-Frank, EPA, NLRB
 - **Now in Play:** Tax Reform (done for now), Infrastructure
 - **Always was in Play:** SCOTUS.
 - **New Play:** Revising Trade
 - » Bilateral vs Multilateral
 - » Lumber deals and tariffs
 - Does the Deficit Matter?
- States:
 - Tax Reform Initiatives in other States – does SALT matter?
 - Recent gains in manufacturing facilities due to “reshoring”
 - SE states domination biz location ranking, but not exclusive.
 - Amazon HQ2 – changes the way we compete?
- Local:
 - RE valuation and revenues rising, fiscal distress moderating

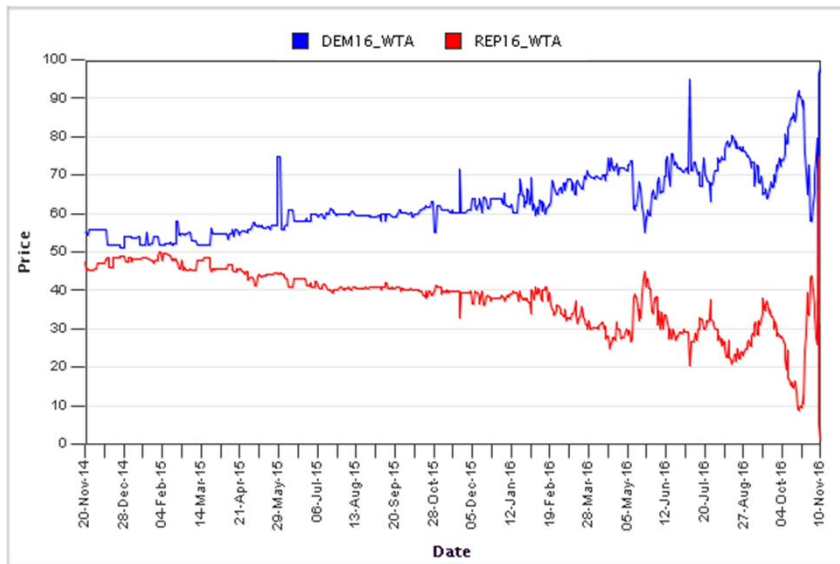


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Election 2016: What Did Everyone Miss?

(Source: Iowa Electronic Markets)

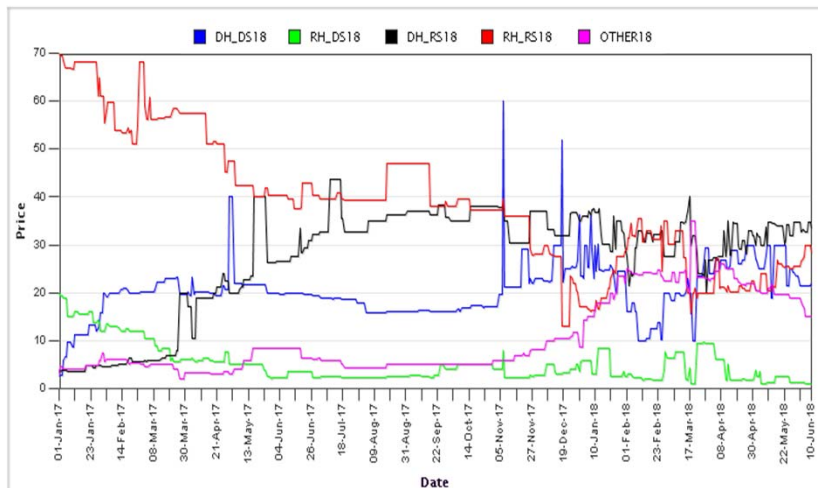


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Election 2018: Just Down the Avenue

(Source: Iowa Electronic Markets)



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