Show Me the Money (Supply)

By: Anirban Basu

MPP, MA, JD, PHD

Sage Policy Group, Inc.

On Behalf of

National Association of Surety Bond Producers (NASBP)
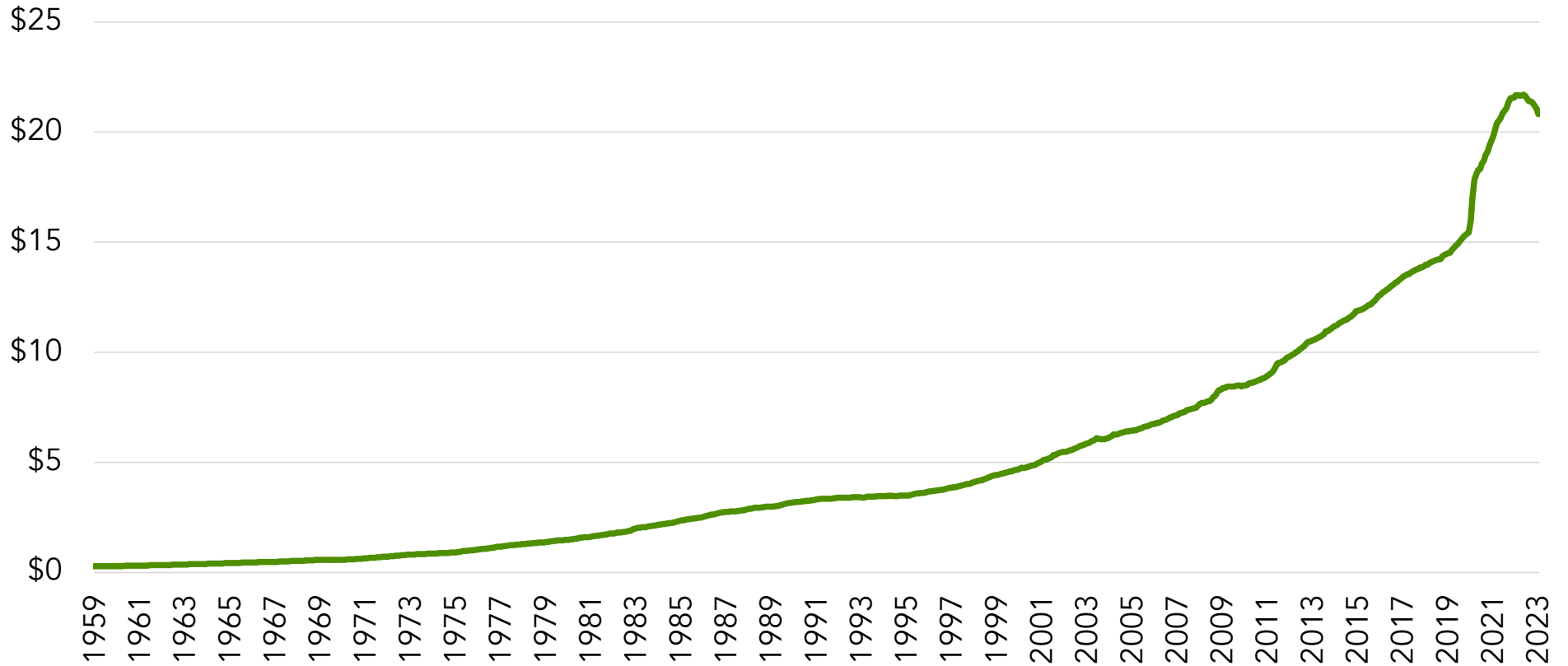2023 Annual Meeting & Expo

May 2, 2023

The Color of Money
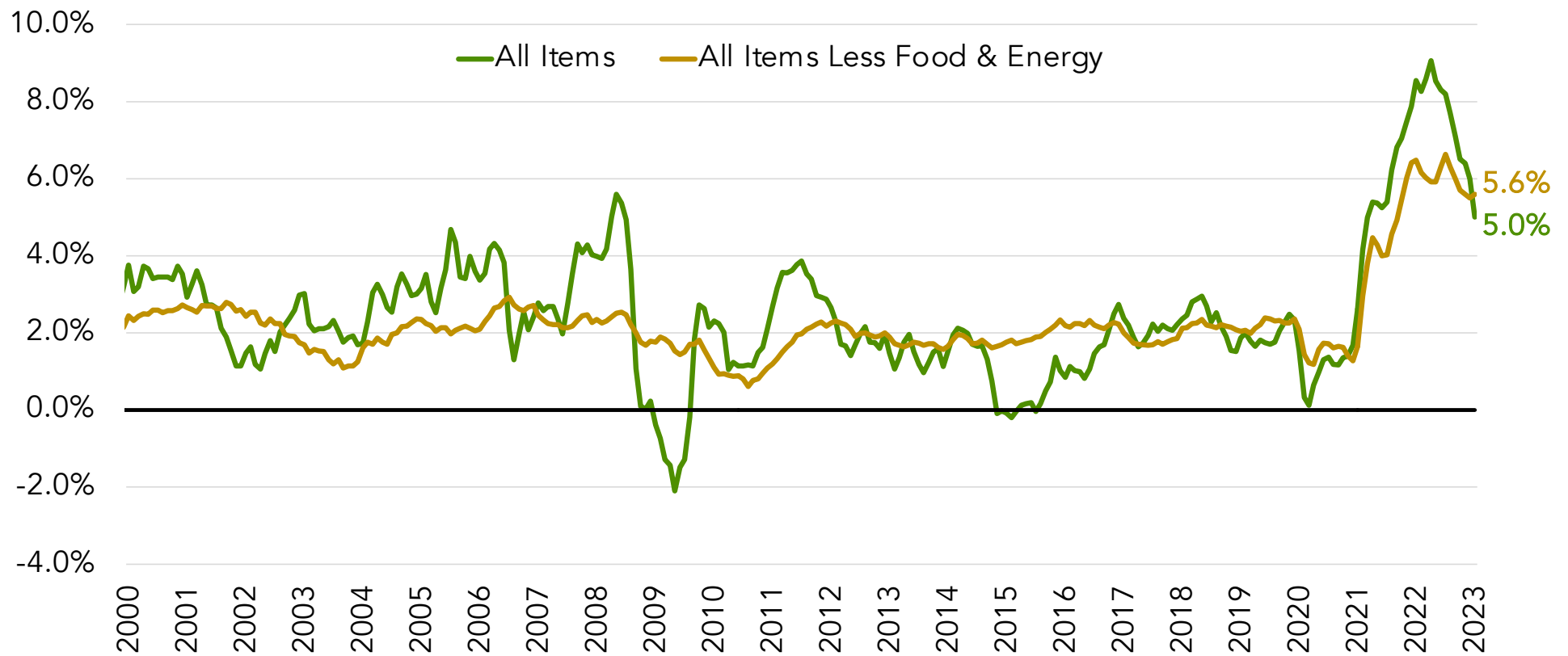## U.S. Money Supply, 1959 – March 2023

$ Trillions

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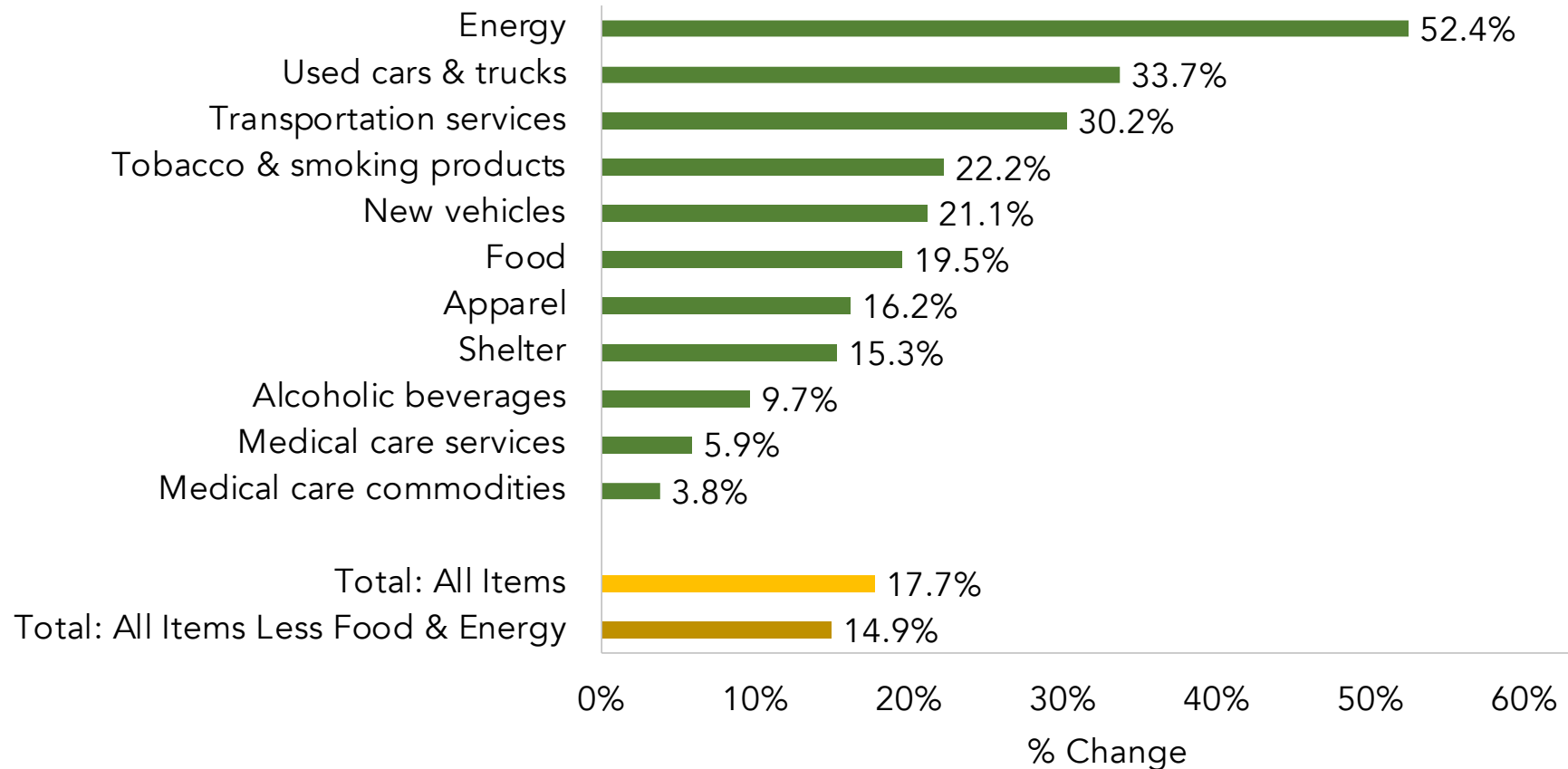
Risky
Business

(1983)

U.S. Consumer Price Index (NSA)
12-Month % Change, 2000 – March 2023

Legend: All Items, All Items Less Food & Energy

Labeled values: 5.6%, 5.0%

Source: U.S. Bureau of Labor Statistics

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U.S. Consumer Price Index, Select Categories (NSA)
May 2020 v. March 2023 % Change

Category	% Change
Energy	52.4%
Used cars & trucks	33.7%
Transportation services	30.2%
Tobacco & smoking products	22.2%
New vehicles	21.1%
Food	19.5%
Apparel	16.2%
Shelter	15.3%
Alcoholic beverages	9.7%
Medical care services	5.9%
Medical care commodities	3.8%
Total: All Items	17.7%
Total: All Items Less Food & Energy	14.9%

% Change

U.S. Consumer Price Index, Select Categories (NSA)
March 2022 v. March 2023 % Change

Category	% Change
Transportation services	13.9%
Food	8.5%
Shelter	8.2%
Tobacco & smoking products	6.9%
New vehicles	6.1%
Alcoholic beverages	4.5%
Medical care commodities	3.6%
Apparel	3.3%
Medical care services	1.0%
Energy	-6.4%
Used cars & trucks	-11.2%
Total: All Items	5.0%
Total: All Items Less Food & Energy	5.6%

% Change
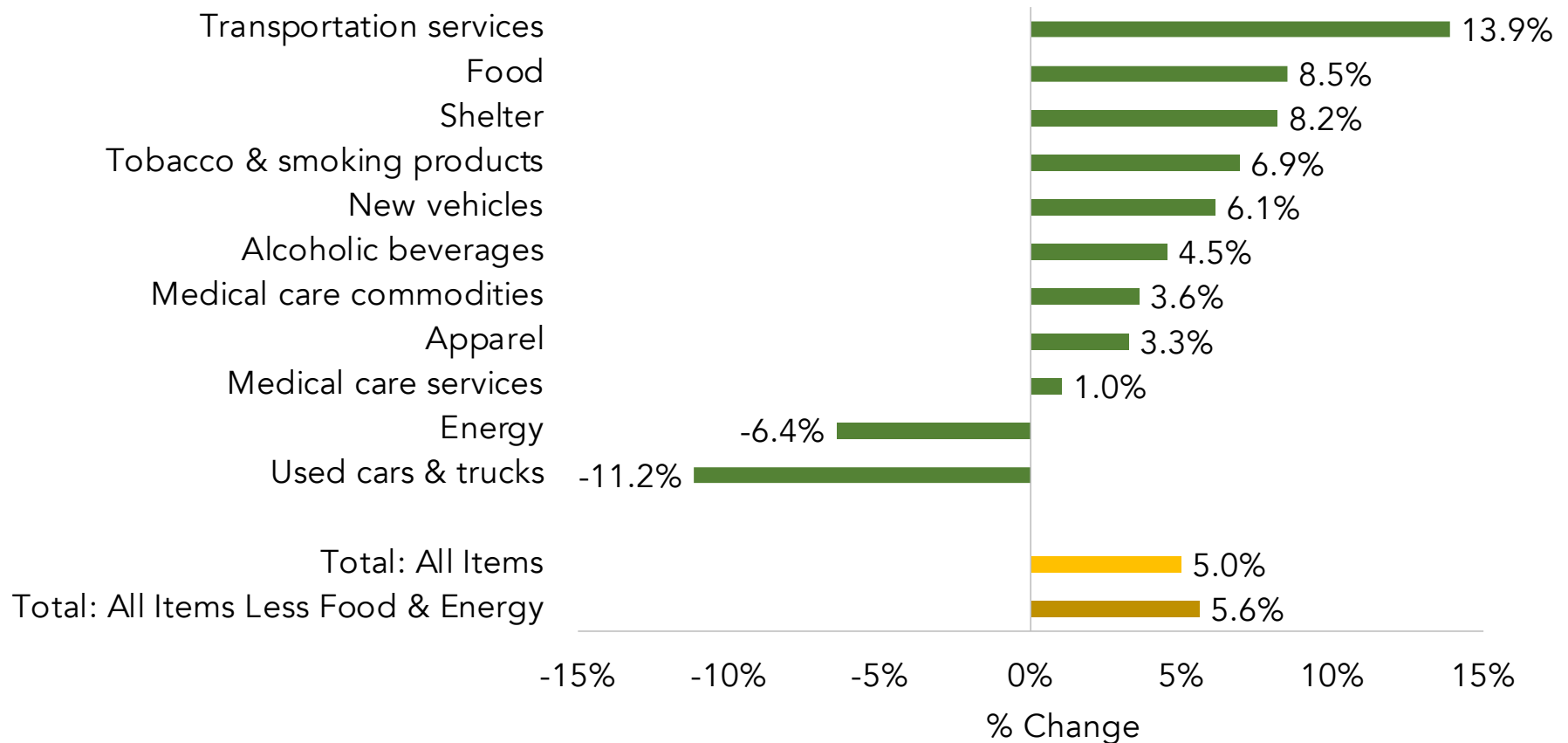
Federal Funds Target Range, Upper Limit, 2009 – 2023
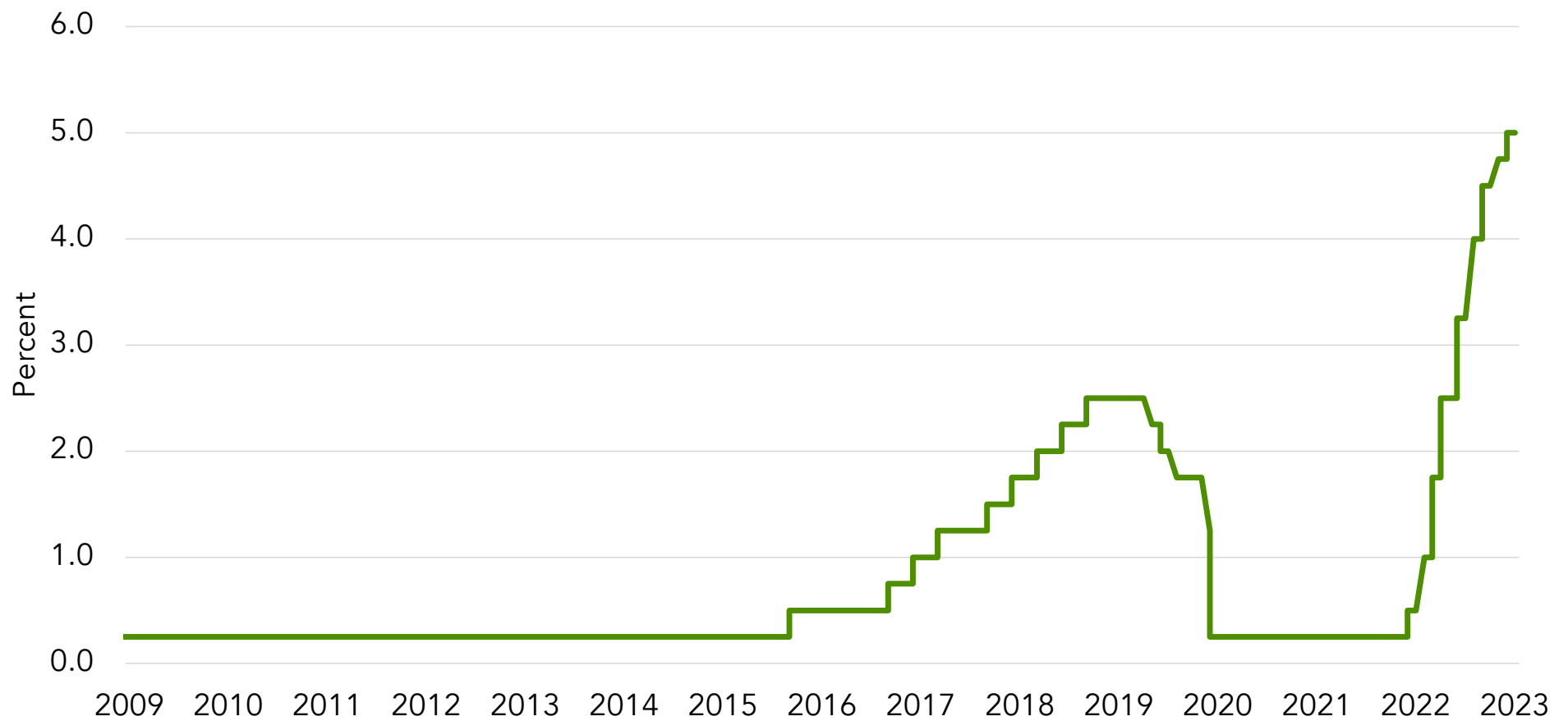
Source: Board of Governors of the Federal Reserve System

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Mission Impossible

(8 films, 1996-2024)

War of the Words

"While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain."
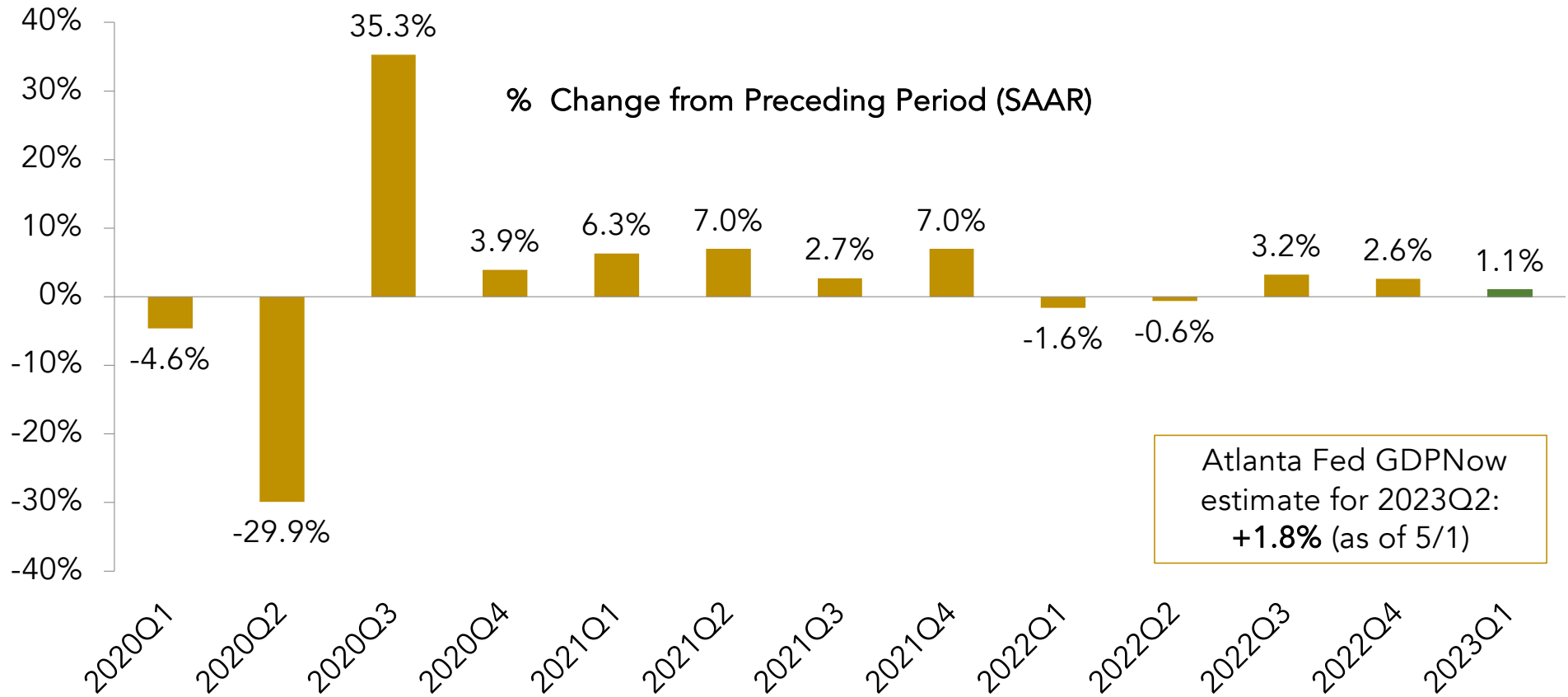(FOMC Chair Powell, August 2022)

"Let me say this, it is very premature to be thinking about pausing. So people, when they hear lags, they think about a pause. It's very premature in my view to think about or be talking about pausing our rate hike."
(FOMC Chair Powell, November 2022)

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Born on the 4th of July
U.S. Gross Domestic Product Growth, 2020 – 2023Q1

% Change from Preceding Period (SAAR)

| Quarter	Value
2020Q1	-4.6%
2020Q2	-29.9%
2020Q3	35.3%
2020Q4	3.9%
2021Q1	6.3%
2021Q2	7.0%
2021Q3	2.7%
2021Q4	7.0%
2022Q1	-1.6%
2022Q2	-0.6%
2022Q3	3.2%
2022Q4	2.6%
2023Q1	1.1%

Atlanta Fed GDPNow estimate for 2023Q2: **+1.8%** (as of 5/1)

Source: U.S. Bureau of Economic Analysis   *2023Q1: 1st (advance) estimate

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U.S. Retail Sales, 2000 – March 2023

Retail Sales ($Billions)

Source: U.S. Census Bureau

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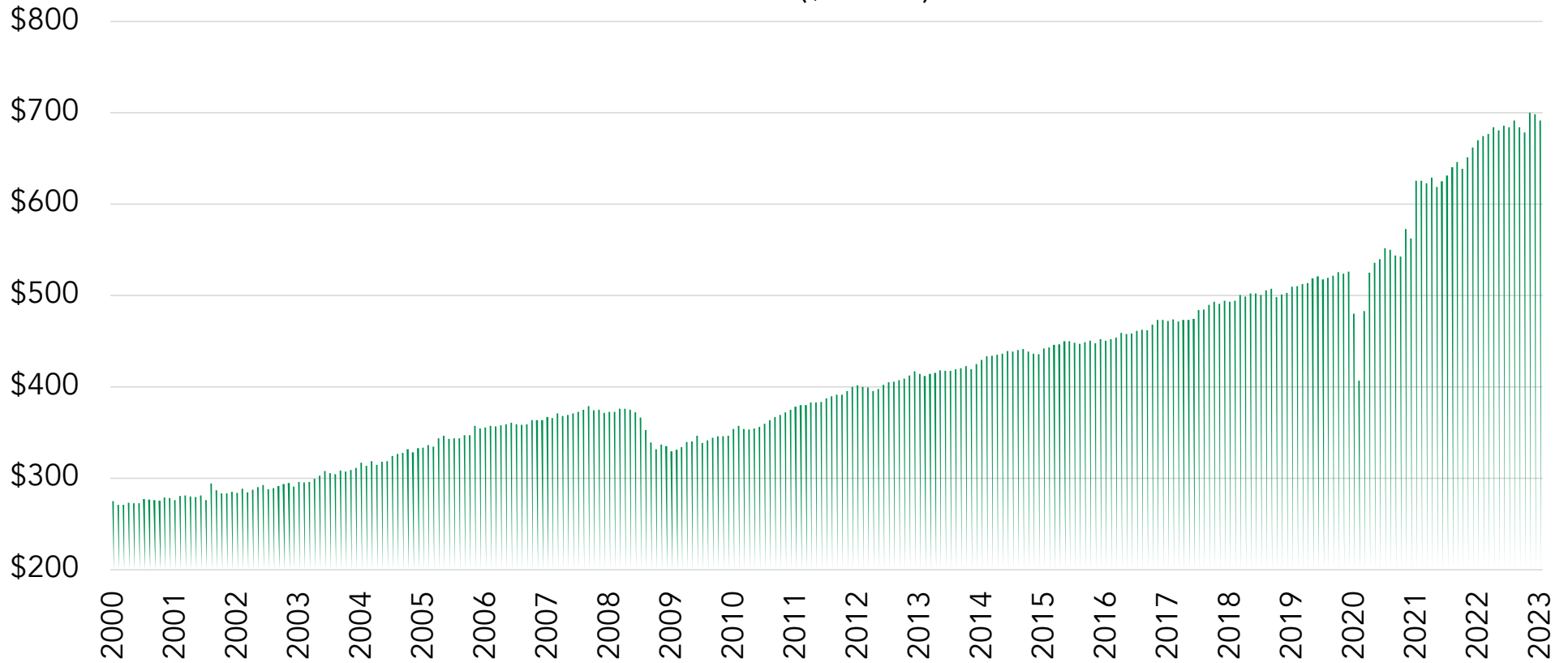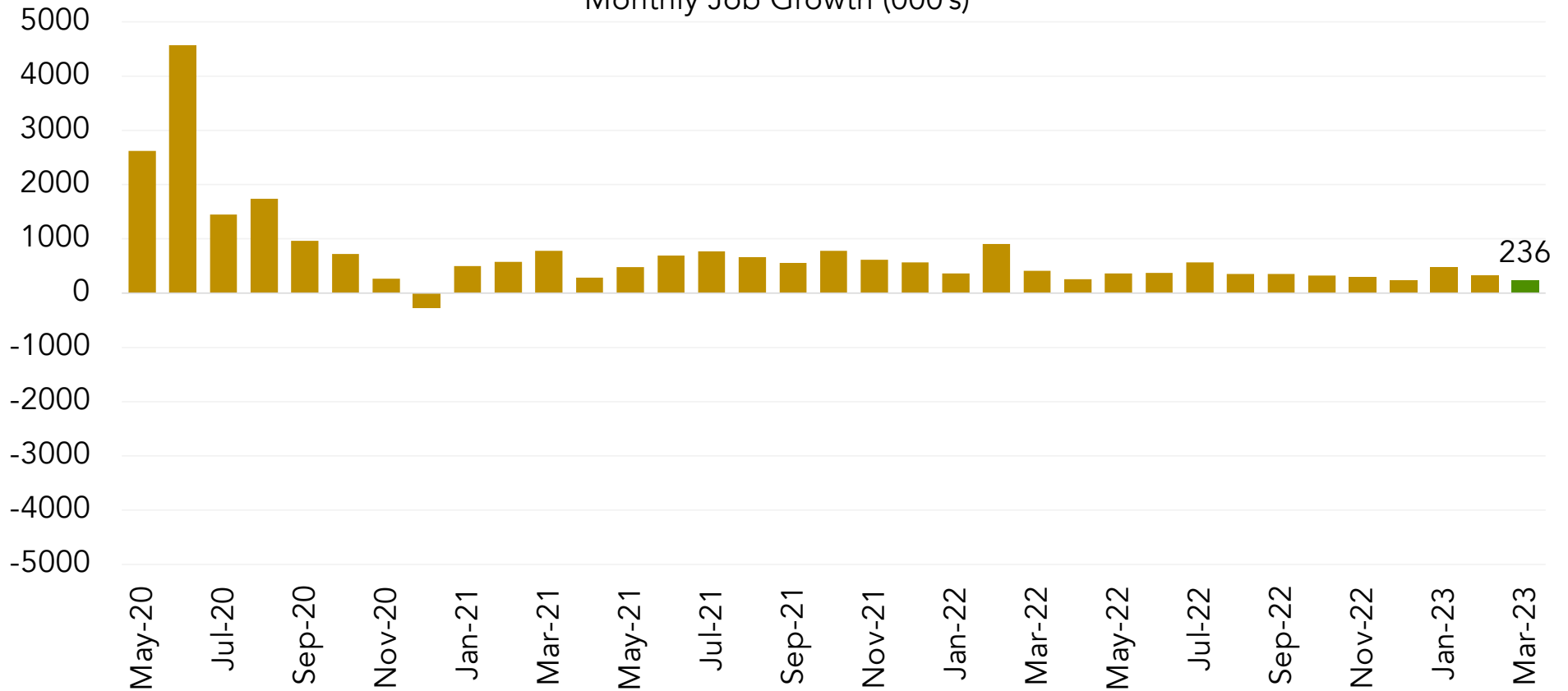
Net Change in U.S. Jobs
May 2020 – March 2023

Monthly Job Growth (000's)

236

Source: U.S. Bureau of Labor Statistics

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U.S. Job Openings, 2015 – February 2023

Feb. 2023:
9.9M Openings

Source: U.S. Bureau of Labor Statistics

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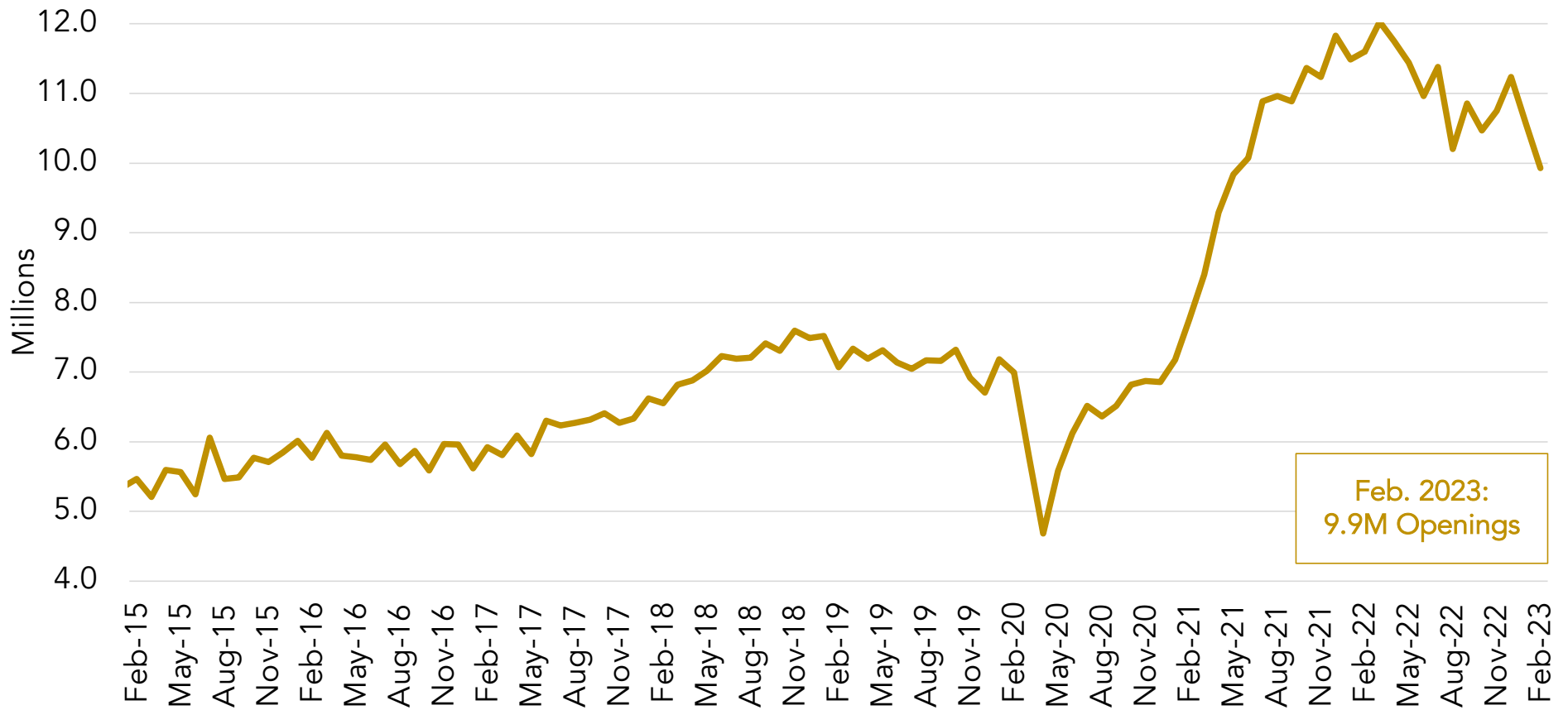
Change in LF Participation Rate by Age, Gender
1980 v. 2023

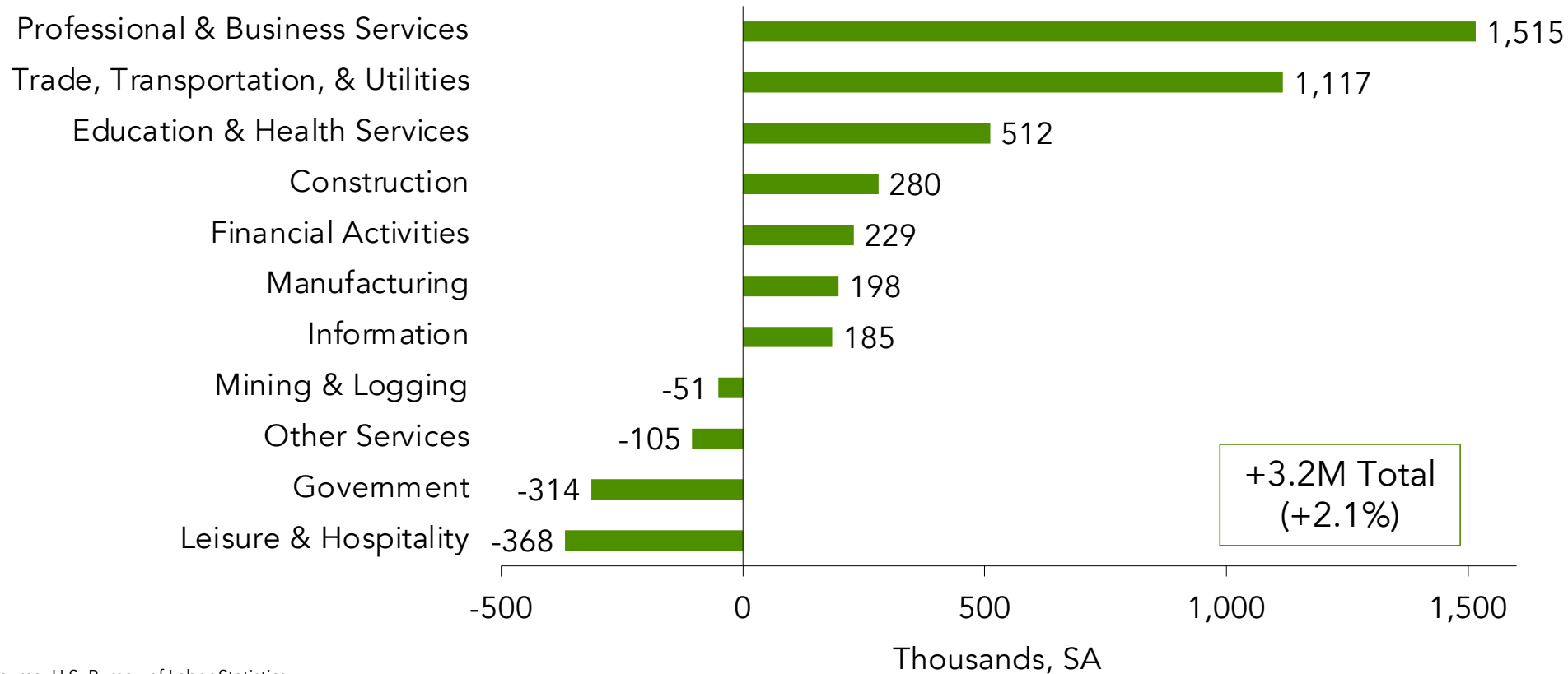| Change in LF Participation Rate, 1980 v. 2023 (percentage points)			
Age Group	Total	Men	Women
16+ years	-1.3	-9.4	+5.6
16-19 years	-19.3	-23.0	-15.6
20-24 years	-5.4	-12.8	+1.5
25-34 years	+3.5	-6.1	+12.4
35-44 years	+3.7	-5.3	+11.7
45-54 years	+6.6	-4.2	+16.3
55-64 years	+9.8	-0.6	+18.5

If the labor force participation rate were what it was in 1980, there would be 12.2 million more men and 7.6 million fewer women in the labor force (ages 16+).

U.S. Jobs Recovered Since February 2020

Nonfarm Employment by Industry Sector, February 2020 v. March 2023

Industry Sector	Value
Professional & Business Services	1,515
Trade, Transportation, & Utilities	1,117
Education & Health Services	512
Construction	280
Financial Activities	229
Manufacturing	198
Information	185
Mining & Logging	-51
Other Services	-105
Government	-314
Leisure & Hospitality	-368

+3.2M Total
(+2.1%)

Thousands, SA

Employment Growth, 25 Largest Metros
February 2020 v. March 2023 Percent Change

Rank	MSA	%	Rank	MSA	%
1	Dallas-Fort Worth-Arlington, TX	9.6%	14	Seattle-Tacoma-Bellevue, WA	2.0%
2	Tampa-St. Petersburg-Clearwater, FL	8.7%	15	Portland-Vancouver-Hillsboro, OR-WA	1.1%
3	Charlotte-Concord-Gastonia, NC-SC	6.5%	16	St. Louis, MO-IL	1.0%
4	Orlando-Kissimmee-Sanford, FL	6.4%	17	New York-Newark-Jersey City, NY-NJ-PA	0.2%
4	San Antonio-New Braunfels, TX	6.4%	18	Los Angeles-Long Beach-Anaheim, CA	0.0%
6	Phoenix-Mesa-Scottsdale, AZ	5.8%	19	Boston-Cambridge-Nashua, MA-NH	-0.1%
7	Atlanta-Sandy Springs-Roswell, GA	5.5%	20	Chicago-Naperville-Elgin, IL-IN-WI	-0.2%
8	Riverside-San Bernardino-Ontario, CA	4.8%	21	Washington-Arlington-Alexandria, DC-VA-MD-WV	-0.3%
9	Houston-The Woodlands-Sugar Land, TX	4.4%			
10	Miami-Fort Lauderdale-West Palm Beach, FL	3.8%	22	San Francisco-Oakland-Hayward, CA	-0.6%
11	San Diego-Carlsbad, CA	3.4%	23	Detroit-Warren-Dearborn, MI	-1.0%
12	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	2.8%	24	Baltimore-Columbia-Towson, MD	-1.2%
13	Denver-Aurora-Lakewood, CO	2.3%	25	Minneapolis-St. Paul-Bloomington, MN-WI	-2.0%

U.S. % Change 2/2020 v. 3/2023: +2.1%

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Unemployment Rates, 25 Largest Metros
February 2023

Rank	MSA	%	Rank	MSA	%
1	Miami-Fort Lauderdale-West Palm Beach, FL	2.2	13	Charlotte-Concord-Gastonia, NC-SC	3.5
2	Tampa-St. Petersburg-Clearwater, FL	2.5	14	Boston-Cambridge-Nashua, MA-NH	3.7
3	Orlando-Kissimmee-Sanford, FL	2.6	14	San Diego-Carlsbad, CA	3.7
4	St. Louis, MO-IL	2.8	16	Detroit-Warren-Dearborn, MI	3.8
5	Phoenix-Mesa-Scottsdale, AZ	2.9	17	Dallas-Fort Worth-Arlington, TX	4.1
5	Washington-Arlington-Alexandria, DC-VA-MD-WV	2.9	18	Philadelphia-Camden-Wilm., PA-NJ-DE-MD	4.2
			19	San Antonio-New Braunfels, TX	4.3
7	Baltimore-Columbia-Towson, MD	3.0	20	Chicago-Naperville-Elgin, IL-IN-WI	4.4
8	Atlanta-Sandy Springs-Roswell, GA	3.2	20	New York-Newark-Jersey City, NY-NJ-PA	4.4
8	Denver-Aurora-Lakewood, CO	3.2	22	Portland-Vancouver-Hillsboro, OR-WA	4.5
8	Minneapolis-St. Paul-Bloomington, MN-WI	3.2	22	Riverside-San Bernardino-Ontario, CA	4.5
11	San Francisco-Oakland-Hayward, CA	3.4	24	Houston-The Woodlands-Sugar Land, TX	4.8
11	Seattle-Tacoma-Bellevue, WA	3.4	24	Los Angeles-Long Beach-Anaheim, CA	4.8

Source: Bureau of Labor Statistics
Local Area Unemployment Statistics (LAUS) program.
Note: data are not seasonally adjusted

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U.S. Unemployment Rate—Feb: 3.6% | Mar: 3.5%

You Had Me at Recession

(Jerry Maguire, 1996)

Defining Recession: Eyes Wide Shut

- The National Bureau of Economic Research (NBER)'s Business Cycle Dating Committee is the official recession scorekeeper – it maintains a chronology of U.S. business cycles.

- NBER's traditional definition of recession is "a significant decline in economic activity that is spread across the economy and that lasts more than a few months."

- There is no fixed rule about which indicators contribute information to the process or how they are weighted in the determination of recession.

- Because the government statistics NBER relies on are published at various lags, the NBER Committee cannot officially designate a recession until after it starts (and often not until it's over).
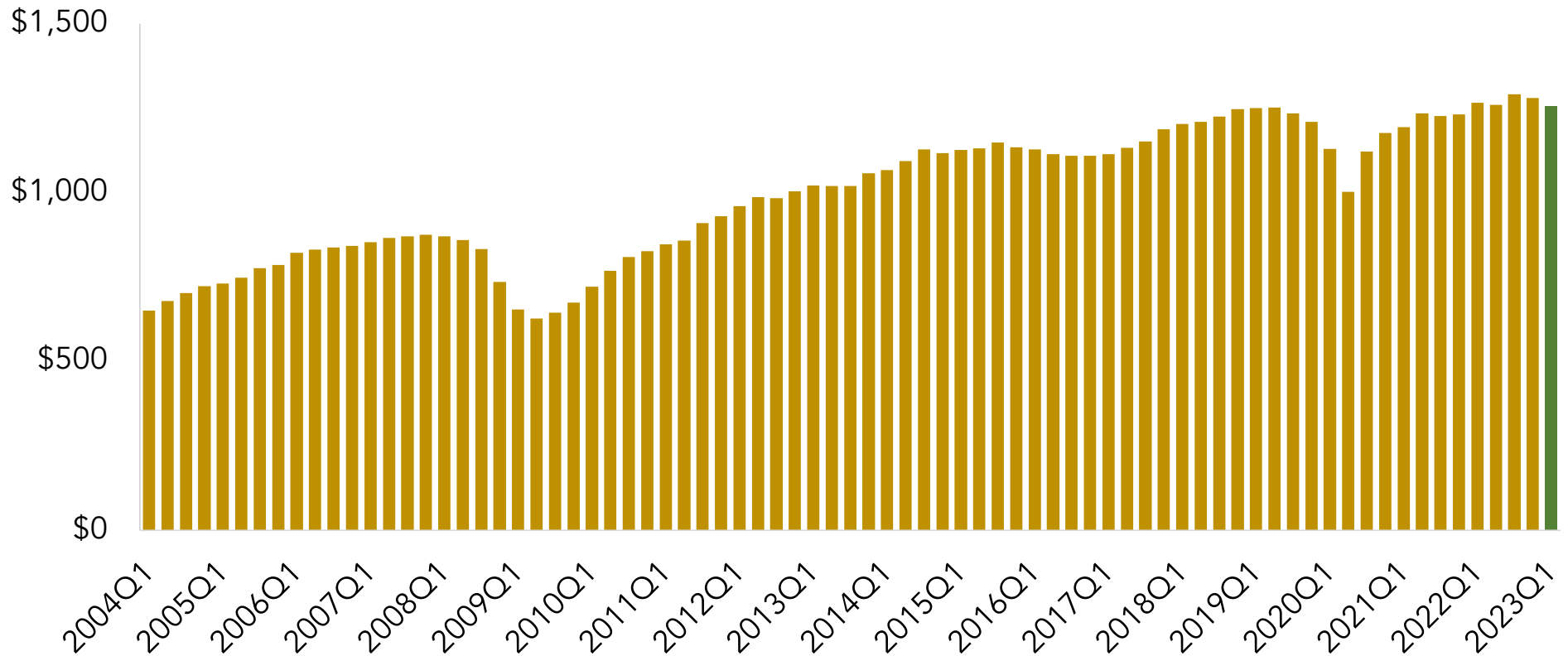
S&P 500 Index, 2013 – April 2023

S&P 500 Index, Market Close

Source: S&P Dow Jones Indices LLC, S&P 500 [SP500], retrieved from FRED, Federal Reserve Bank of St. Louis

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U.S. GDP: Nonresidential Fixed Investment in Equipment, 2003 – 2023Q1

$ Billions of chained 2012 dollars, seasonally adjusted annual rate

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The Firm

- According to a November 2022 PwC survey of U.S. executives, 26% of firms are planning to reduce the number of full-time employees over the next 12-18 months.

  - In August 2022, 50% of firms said they already had, or had a plan in place to, reduce overall headcount.

- Four out of five executives surveyed by PwC in November 2022 said a recession is coming within the next six months.

Source: News reports; PwC Pulse Survey

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Noteworthy Layoffs in 2022-2023
Ranked by Number Laid Off

Company	Estimated Layoffs	Workforce Before Layoffs	Percent Laid Off
Amazon	27,000	1,544,000	1.7%
Meta	21,000	87,314	24.1%
Accenture	19,000	760,000	2.5%
Alphabet	12,000	187,000	6.4%
Microsoft	10,000	221,000	4.5%
3M	8,500	90,000	9.4%
Salesforce	8,000	79,000	10.1%
Disney	7,000	222,000	3.2%
Dell	6,650	133,000	5.0%
Twitter	3,700	7,500	49.3%
Goldman Sachs	3,200	49,000	6.5%
Indeed	2,200	14,600	15.1%
PayPal	2,000	29,000	6.9%
Dow	2,000	38,000	5.3%
Boeing	2,000	156,000	1.3%

Source: Company announcements & government filings; news reports

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A Few Good
Properties
(A Few Good Men, 1992)

U.S. 15-Year & 30-Year Fixed Mortgage Rates
1995 – April 2023*

Legend: —15-yr —30-yr

Y-axis: 10%, 9%, 8%, 7%, 6%, 5%, 4%, 3%, 2%, 1%

X-axis: 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023

6.43%
5.71%
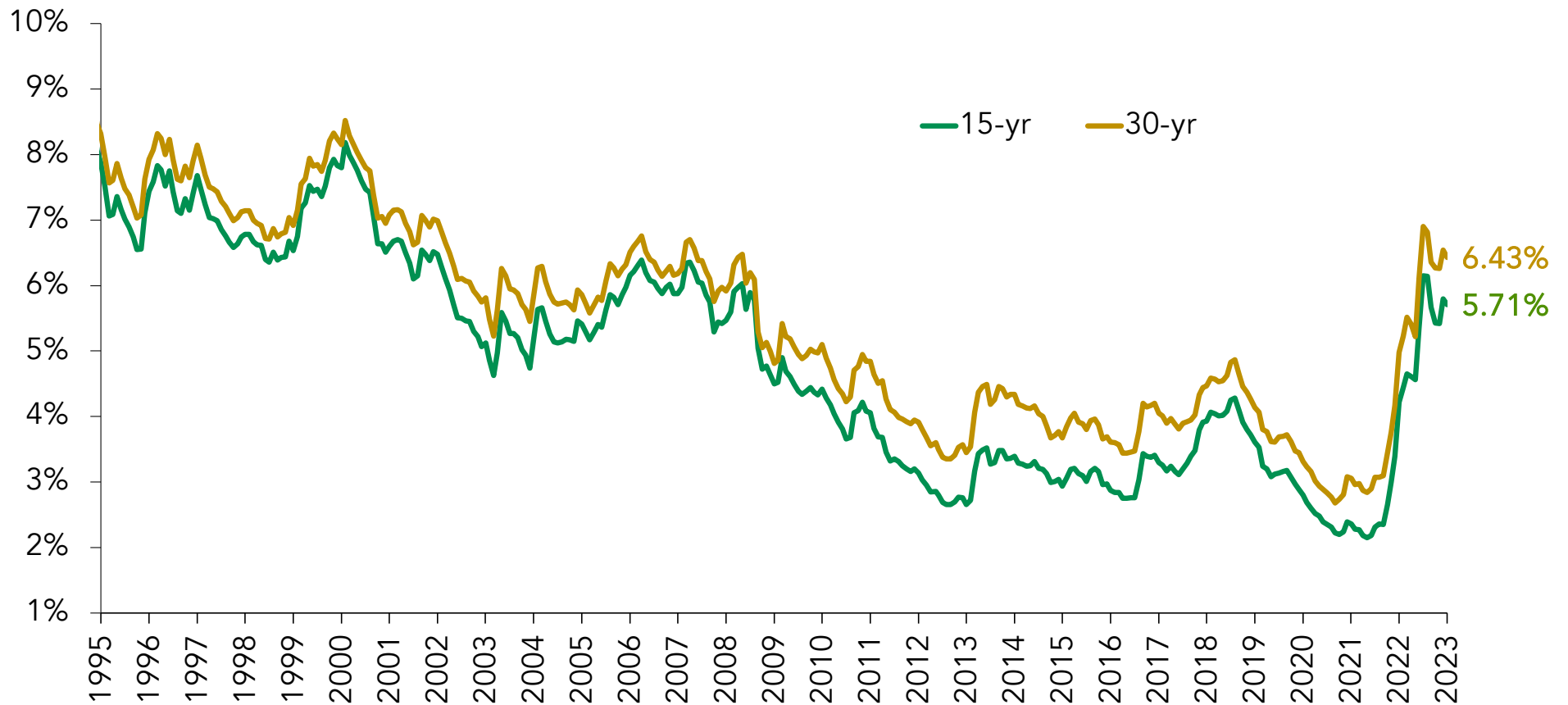
Source: Freddie Mac   *Week ending 4/27/2023

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U.S. Mortgage Loan Applications Composite Index
1990 – April 2023

Index 1990=100
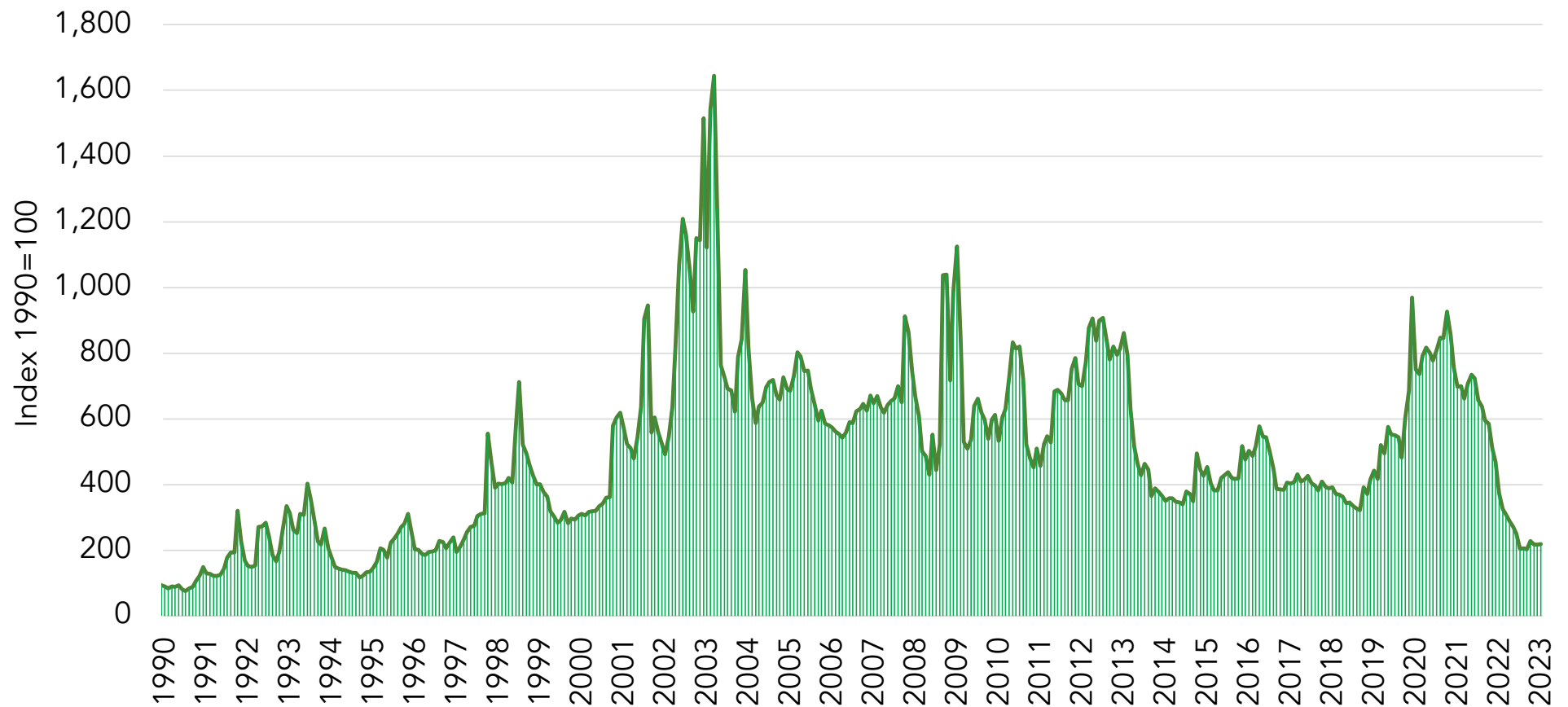
Source: Mortgage Bankers Association (MBA)

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S&P Case-Shiller Home Price Index by Metro Area
12-Month % Change, February 2023

Metro Area	12-Month % Change
Miami	10.8%
Tampa	
Atlanta	
Charlotte	
Cleveland	
New York	
Chicago	
Boston	
Dallas	
Detroit	
Washington D.C.	
Minneapolis	
Denver	
Los Angeles	
Phoenix	
Las Vegas	
Portland	
San Diego	
Seattle	
San Francisco	-10.0%
Composite-20	0.4%
Composite-10	0.5%
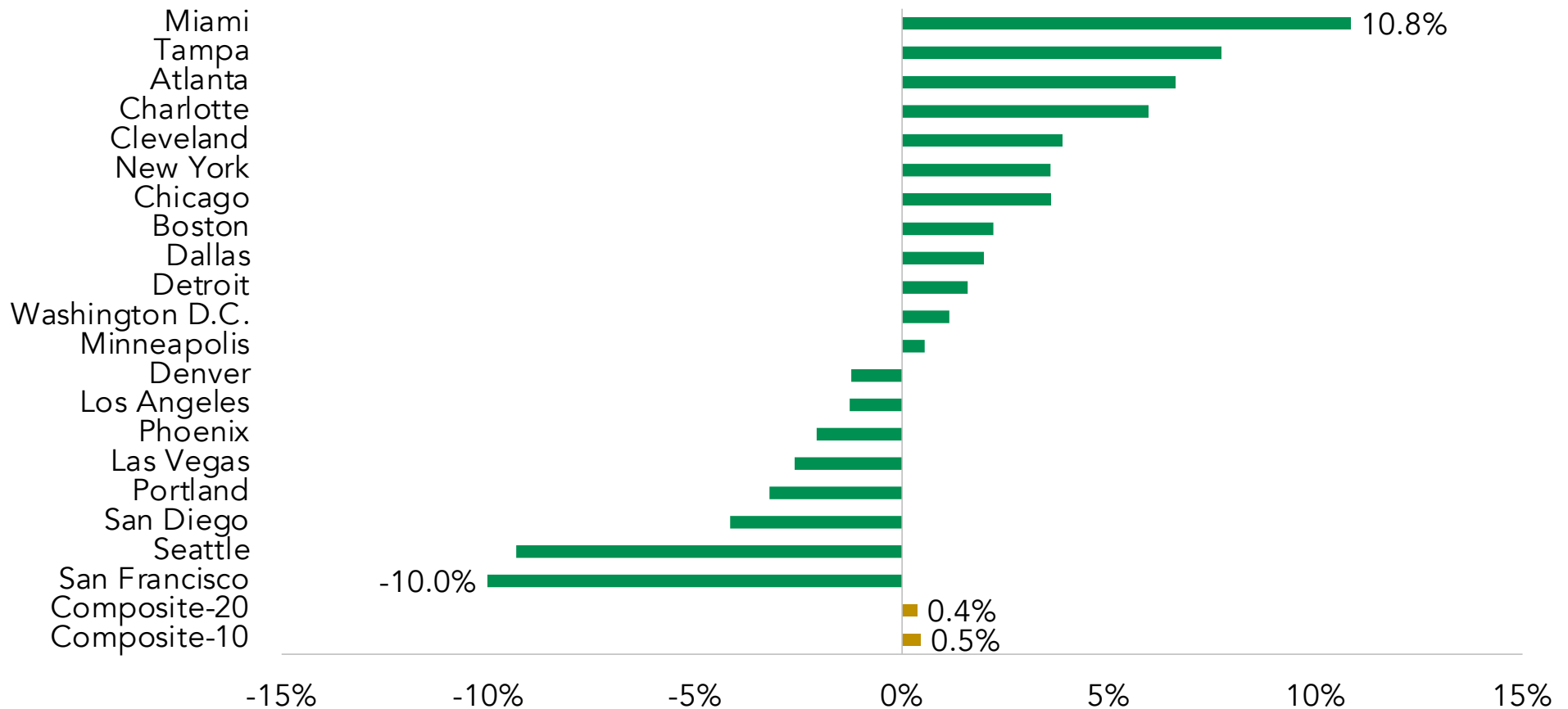
Source: Standard & Poor's

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S&P Case-Shiller Home Price Index by Metro Area
1-Month % Change, February 2023

Metro Area	Value
San Diego	1.5%
San Francisco	
Los Angeles	
Denver	
Washington D.C.	
Atlanta	
Phoenix	
Boston	
Tampa	
Chicago	
Charlotte	
Cleveland	
Dallas	
Minneapolis	
Portland	
Detroit	
Seattle	
New York	
Miami	
Las Vegas	-0.9%
Composite-20	0.2%
Composite-10	0.4%

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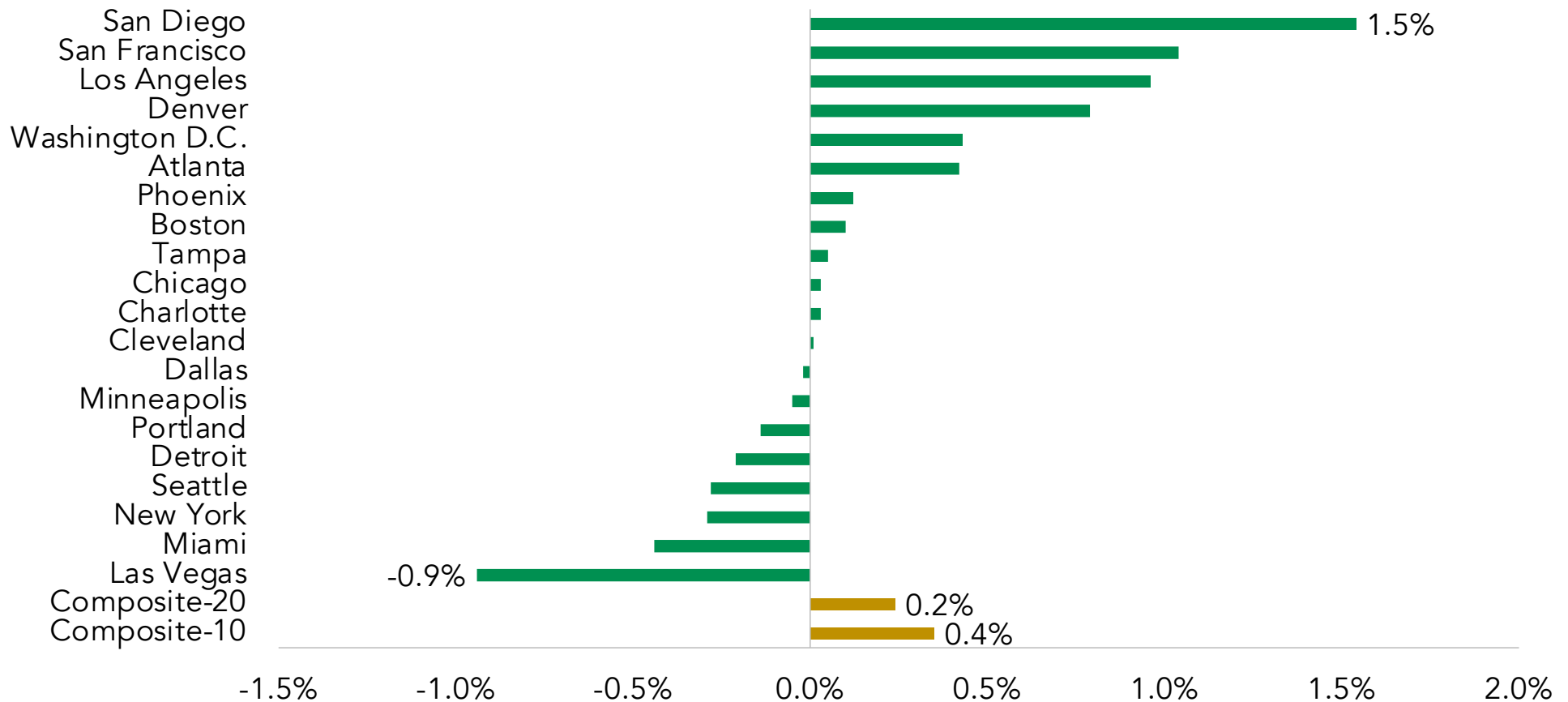
U.S. Residential Building Permits
1995 – March 2023

Thousands of Units, Seasonally Adjusted Annual Rate

Single-Family

Multifamily

Source: U.S. Census Bureau

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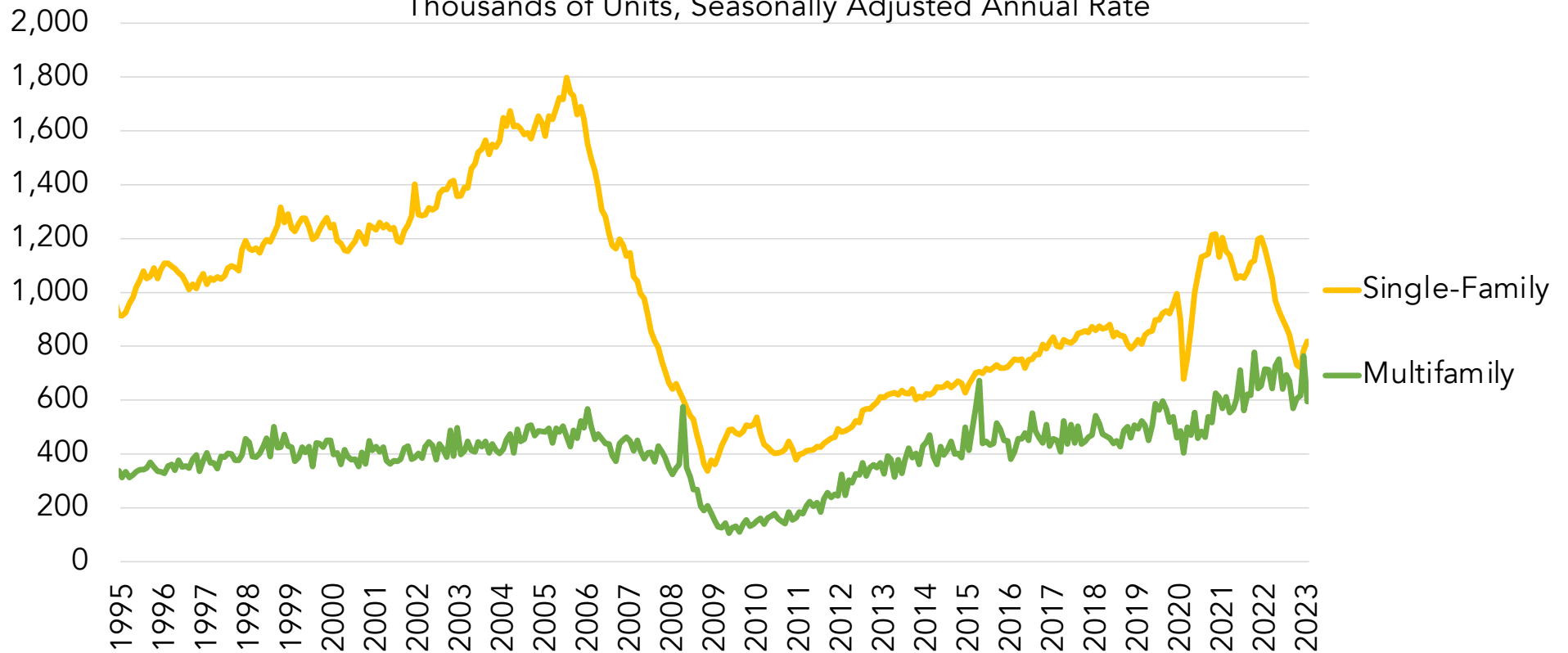
Architecture Billings Index
2008 – March 2023
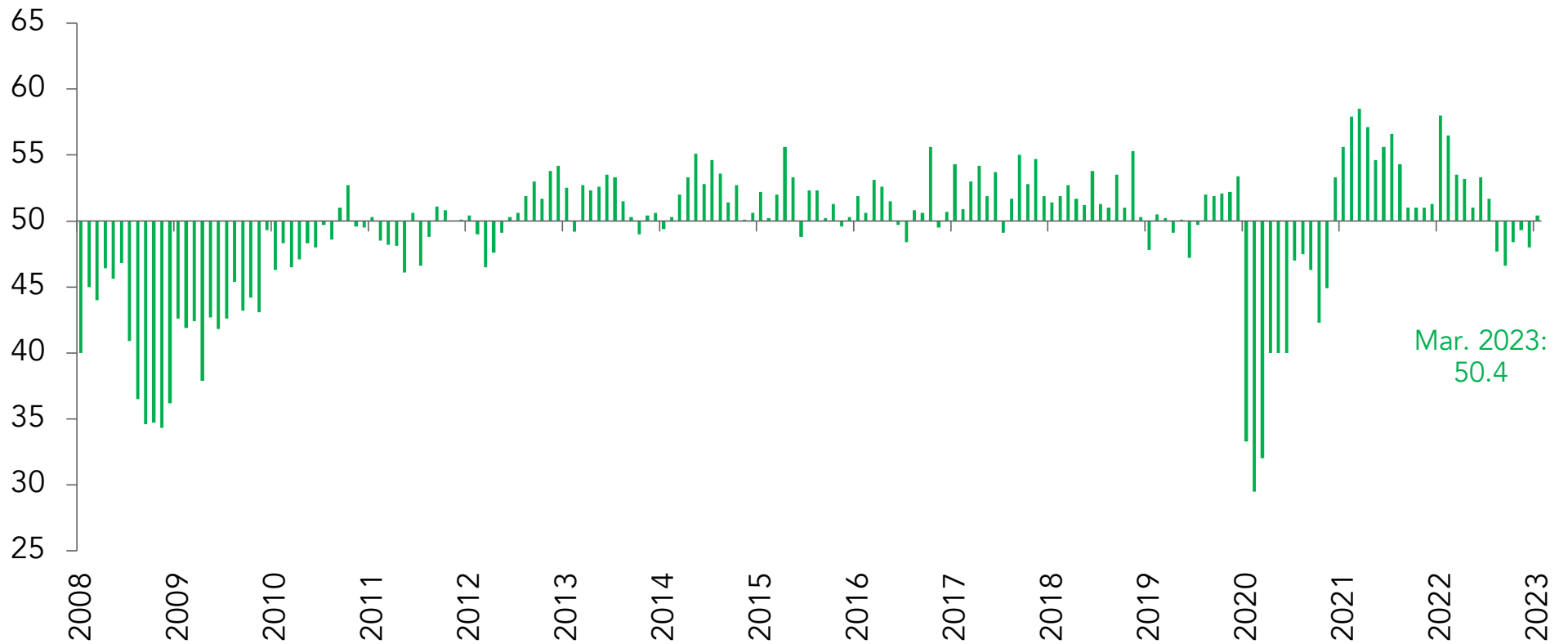
Mar. 2023: 50.4

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Total Nonresidential Construction Spending
Current/Constant Dollars, 2006 – March 2023

$ Billions, Seasonally Adjusted Annual Rate

Legend:
- $ Current
- $ 2015 Dollars

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Nonresidential Construction Spending by Subsector
February 2020 v. March 2023 (Current $)

Subsector	% Change
Manufacturing	90.2%
Sewage and Waste Disposal	38.9%
Commercial	33.9%
Water Supply	30.9%
Conservation and Development	30.5%
Highway and Street	18.3%
Health Care	16.4%
Communication	2.1%
Transportation	0.6%
Office	-0.3%
Amusement and Recreation	-4.2%
Educational	-4.4%
Power	-9.8%
Religious	-18.7%
Lodging	-30.6%
Public Safety	-37.0%

% Change

Total Nonresidential Construction: +12.7%

Source: U.S. Census Bureau

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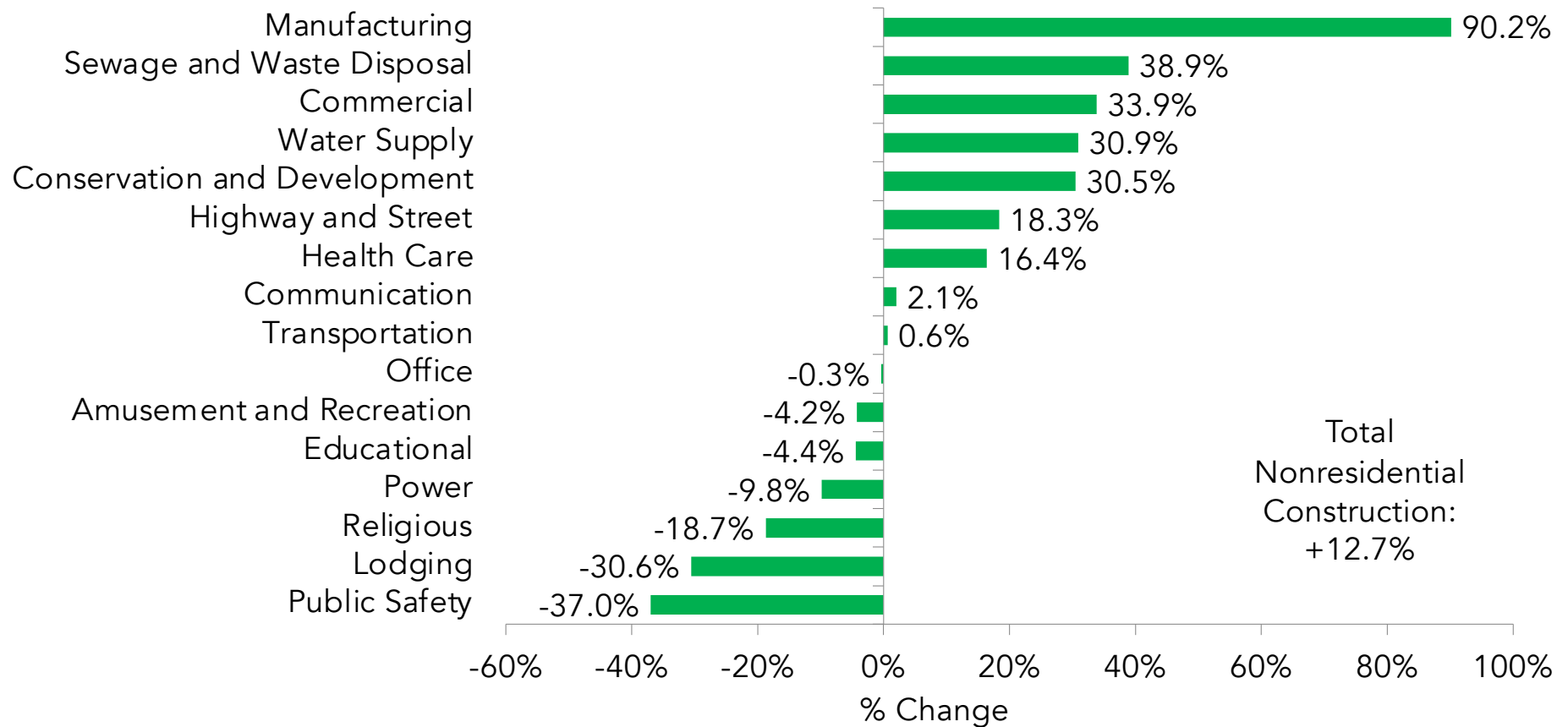
Inputs to Construction PPI
12-Month % Change, 2001 – March 2023

Mar. 2023:
-0.9% YOY
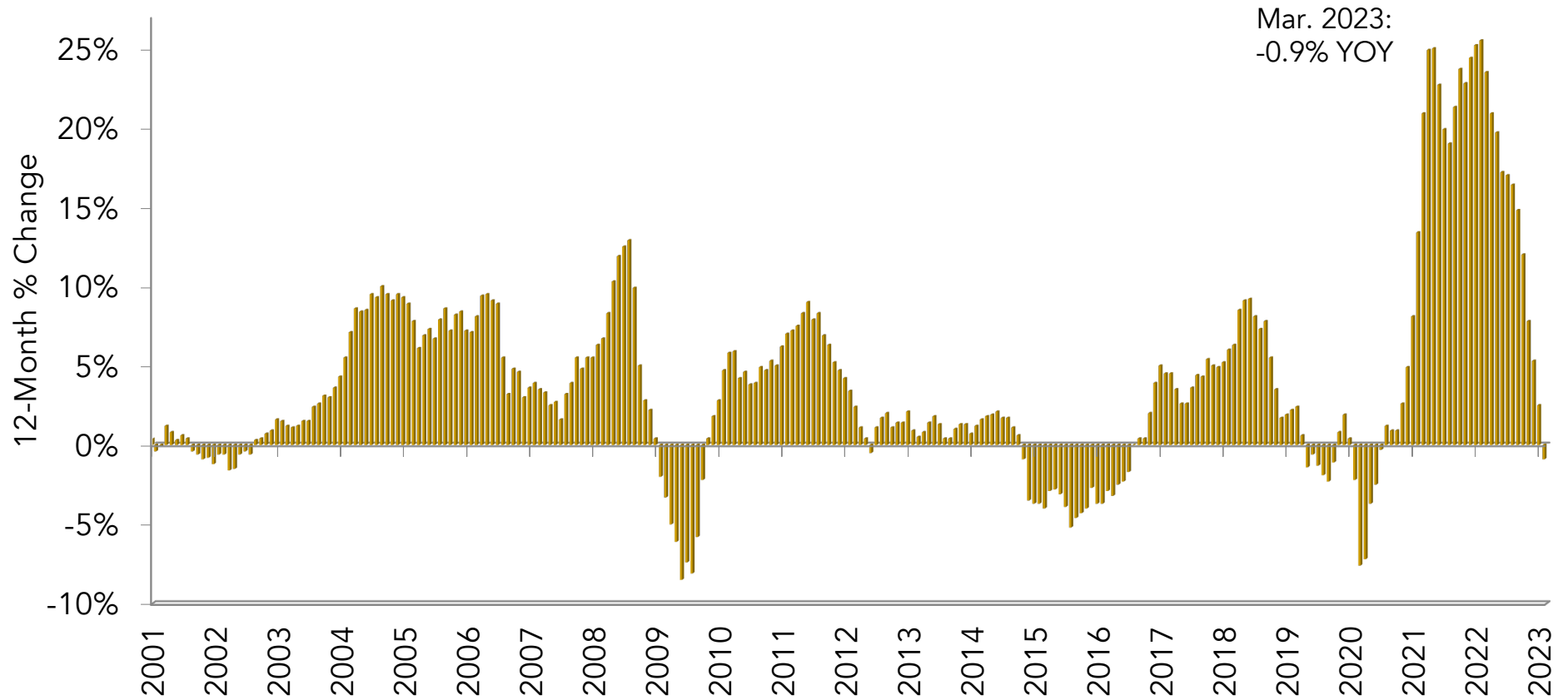
Source: U.S. Bureau of Labor Statistics. Note: Data are not seasonally adjusted

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Construction Materials PPI
12-Month % Change as of March 2023

Category	12-Month % Change
Inputs to Construction Industries	-0.9%
Softwood Lumber	-49.3%
Natural Gas	-48.0%
Crude Petroleum	-31.2%
Crude Energy Materials	-27.9%
Steel Mill Products	-15.1%
Iron and Steel	-13.8%
Fabricated Structural Metal Products	2.0%
Prepared Asphalt & Tar Roofing/Siding Products	3.1%
Nonferrous Wire and Cable	4.2%
Plumbing Fixtures and Fittings	4.6%
Concrete Products	14.5%

12-Month % Change

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Edge of Tomorrow

University of Michigan Index of Consumer Sentiment
1992 – April 2023

Index 1996=100

120
110
100
90
80
70
60
50
40

63.5

1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023
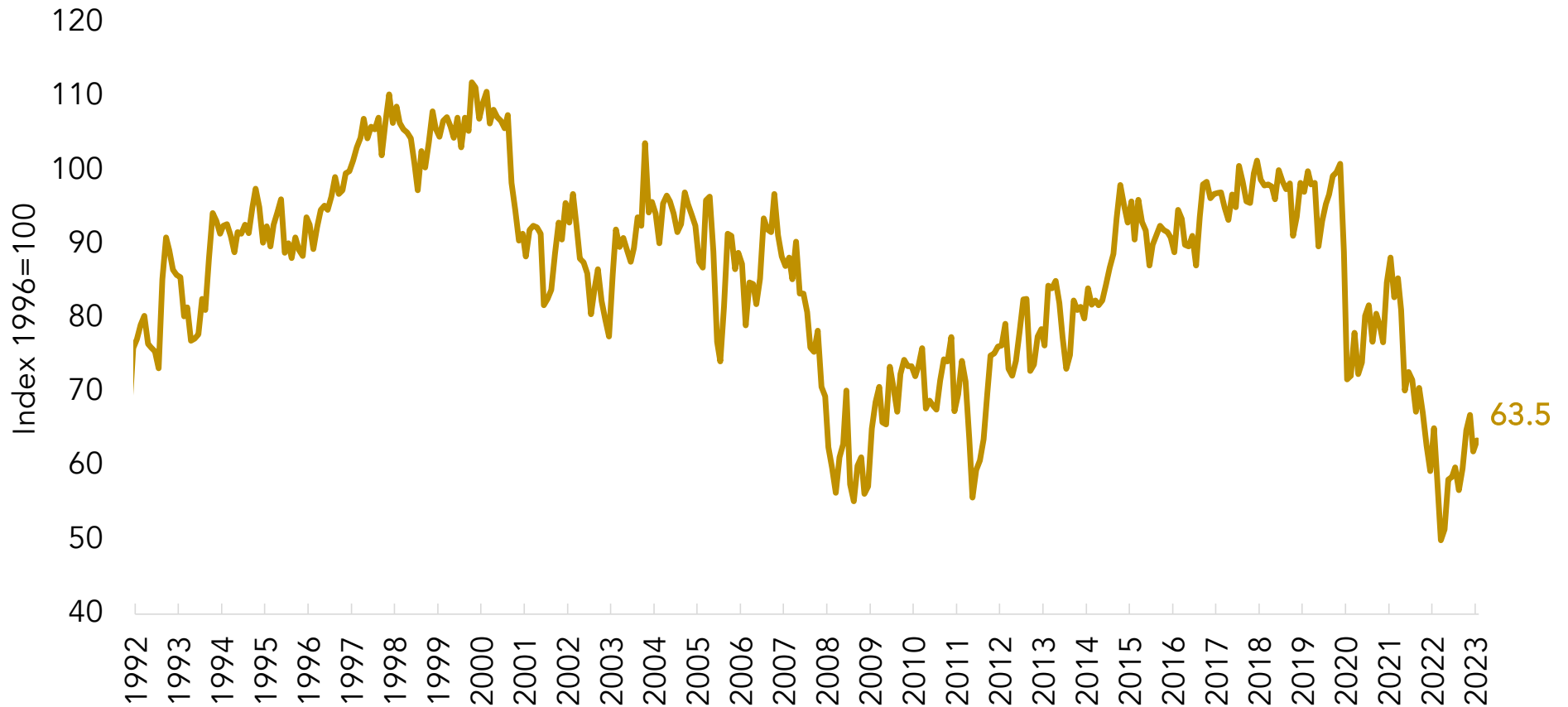
Source: University of Michigan

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NFIB Index of Small Business Optimism: Good Time to Expand
1986 – March 2023

Percent Next 3 Months "Good Time to Expand"

2%
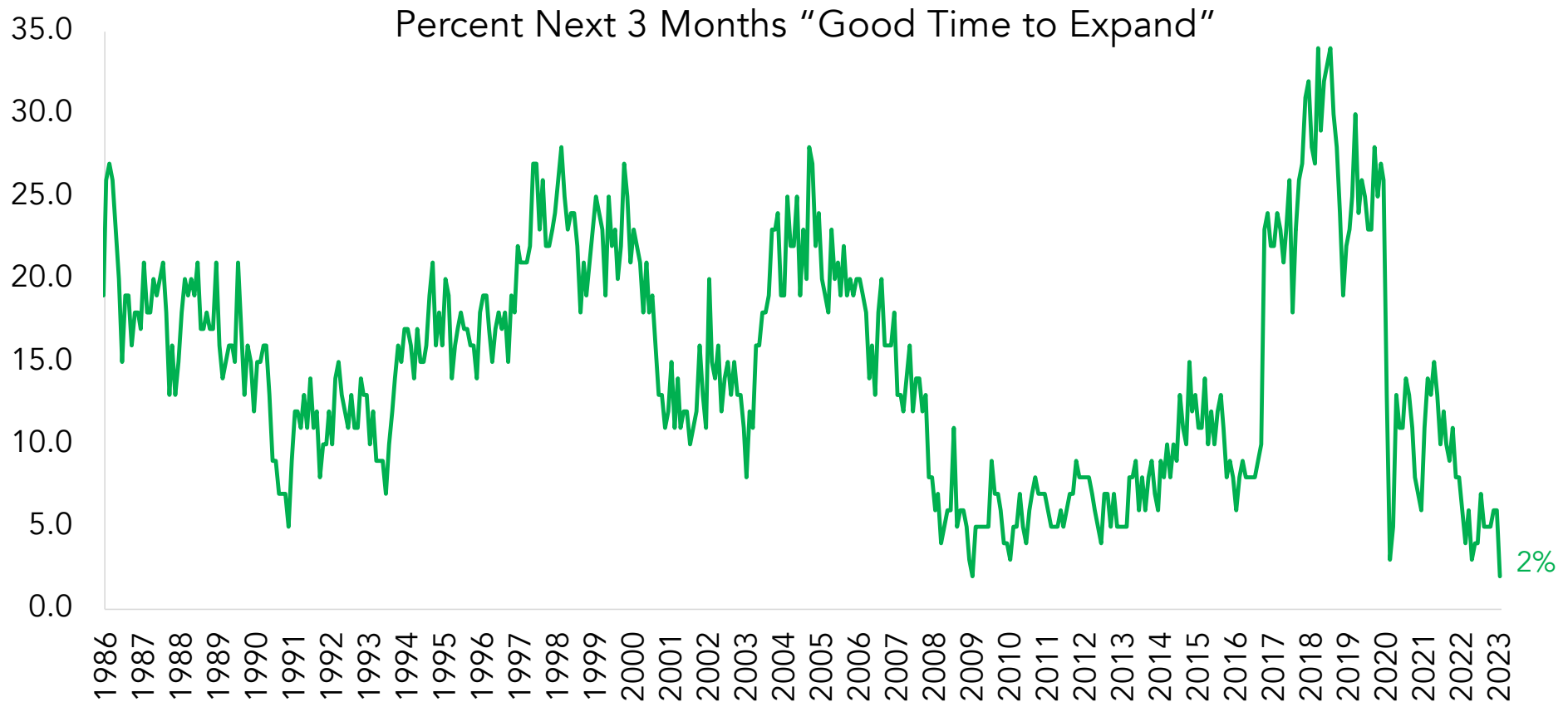
Source: National Federation of Independent Business (NFIB)

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Business Inventories
1965 – February 2023

$ Billions

- Merchant Wholesalers
- Retailers
- Manufacturers

Source: U.S. Census Bureau

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U.S. Treasury Yields : 10-Year v. 1-Year
1965 – April 2023
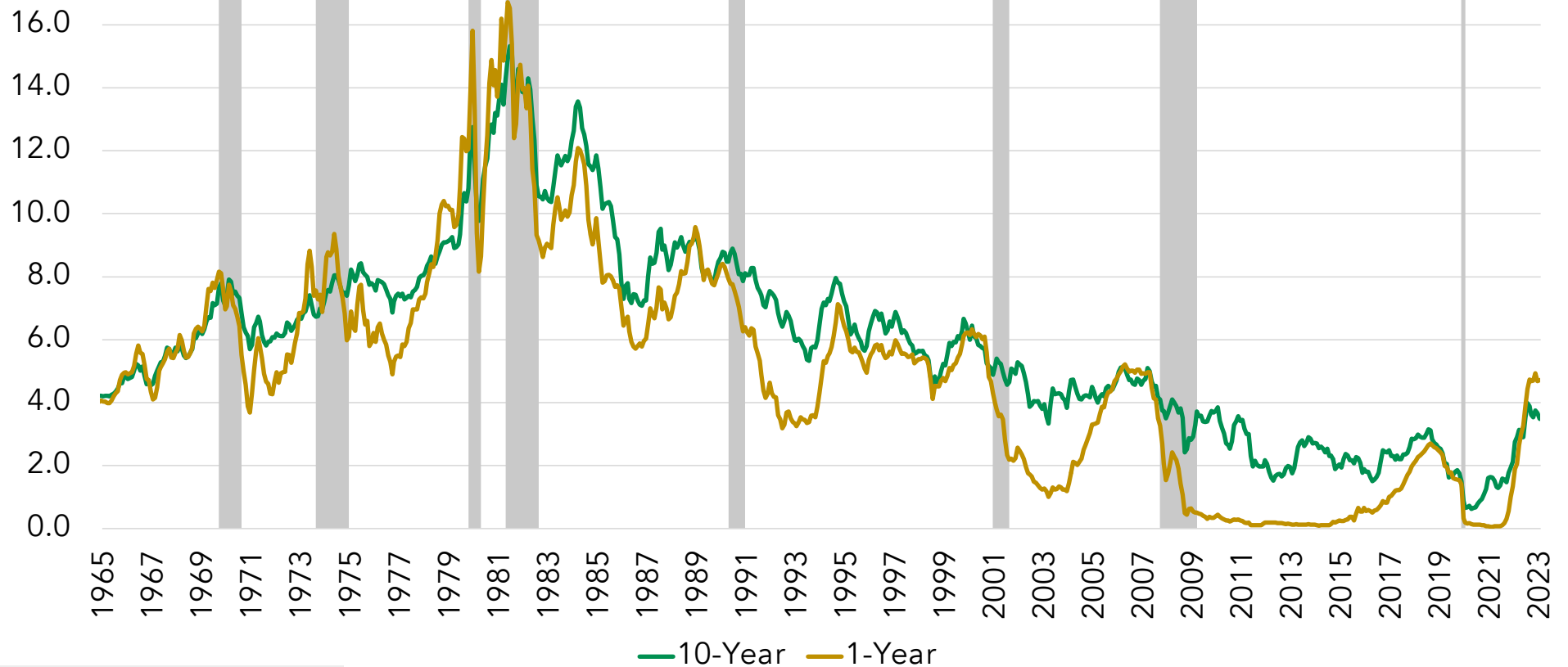
Shaded areas indicate U.S. recessions

Source: Federal Reserve Bank of St. Louis

Legend: —— 10-Year —— 1-Year

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You Can't Handle the Truth!

- It's going to get worse before it gets better.

- The global economy is weakening, the national economy is weakening, borrowing costs are higher, and excess inflation persists.

- Some segments stand to hold up better than others, including public construction, grocery stores, and multifamily housing.

- At some point, the Federal Reserve will stop raising rates – that will represent a key inflection point for the economy.

- Recessionary conditions will prevail at some point over the next 12 months.

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Thank You

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Q&A