

Economic Outlook: Storm Clouds Gather

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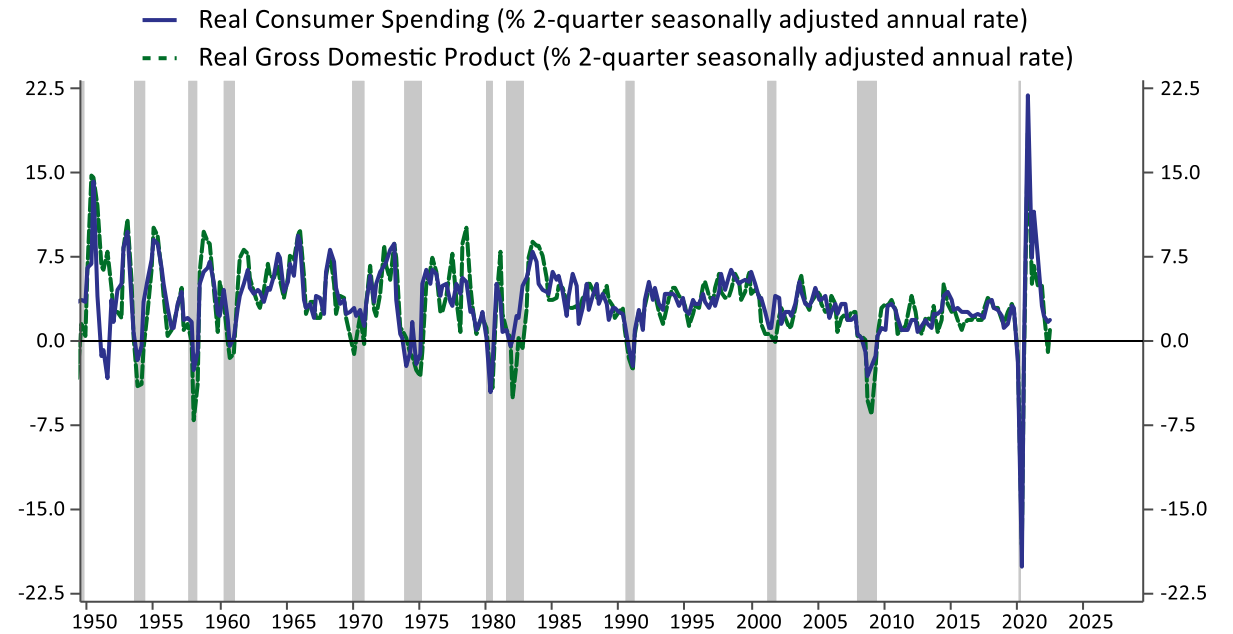


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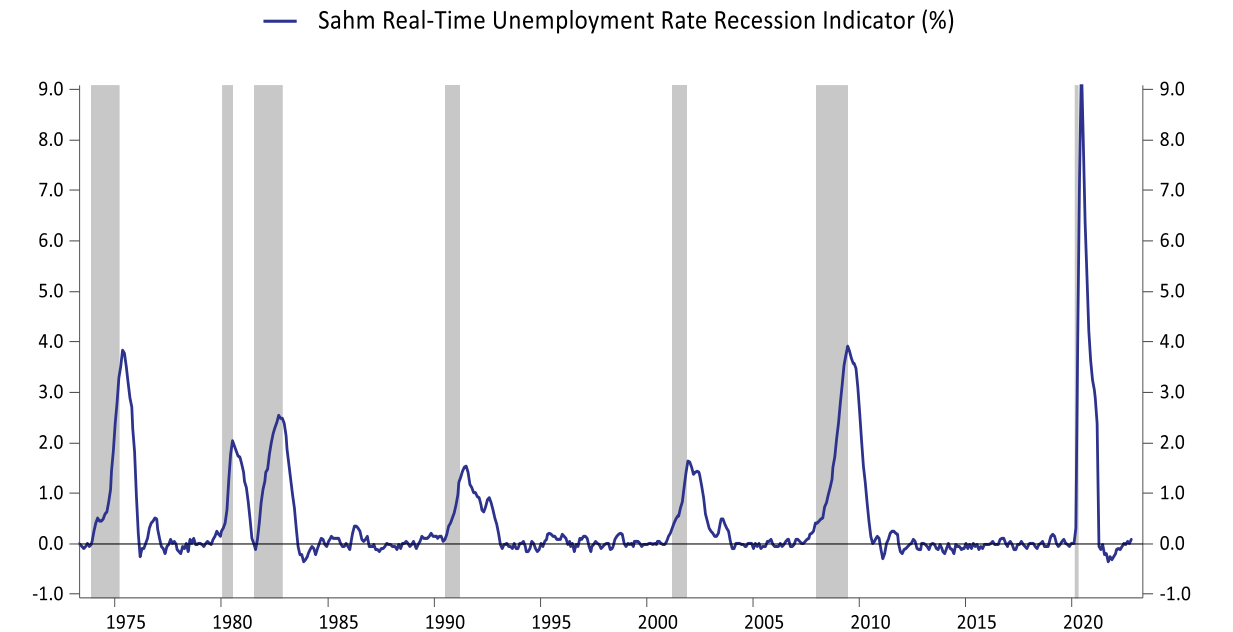
Are we in a recession?

- **Recession:** a significant decline in economic activity spread across the economy lasting more than a few months.
- The rule of thumb is a 2-quarter contraction in GDP. But GDP is measured poorly in real time and subject to revision. The labor market is better and we are not close to the Sahm Rule of a 0.5pp increase in unemployment from the cycle low

No we are not in a recession (yet)!



Source: BEA/Haver/MacroPolicy Perspectives LLC



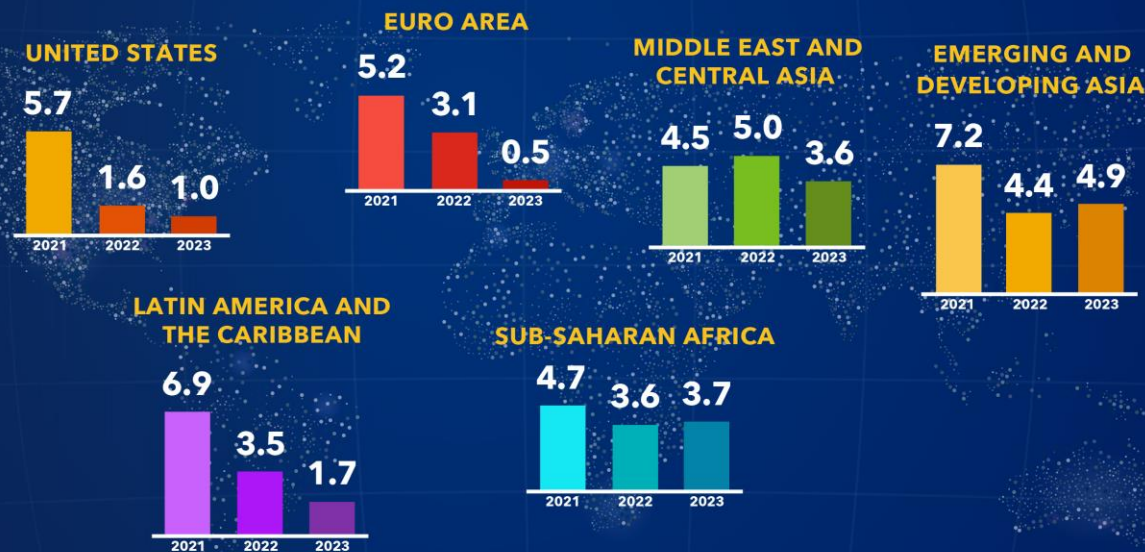
Source: HAVER/Haver/MacroPolicy Perspectives LLC

Clouds on the Horizon Around the Globe

WORLD ECONOMIC OUTLOOK OCTOBER 2022

GROWTH PROJECTIONS BY REGION

(PERCENT CHANGE)



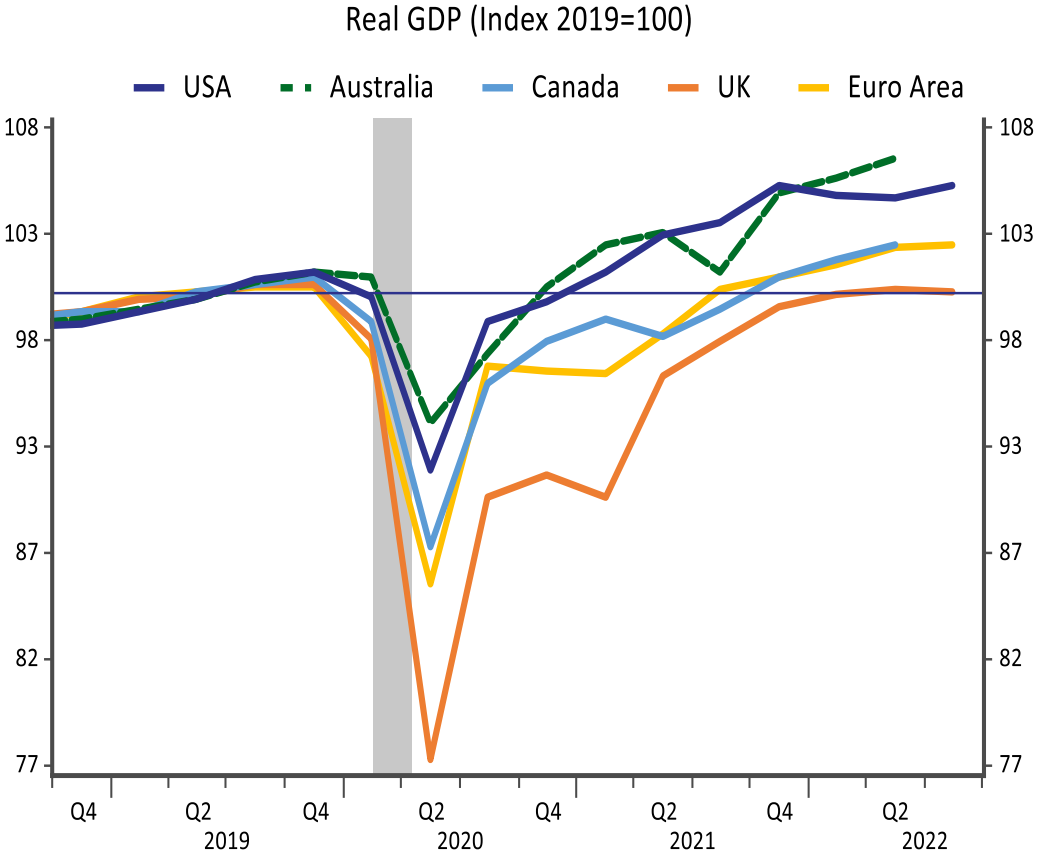
Source: IMF, World Economic Outlook, October 2022.

Note: Order of bars for each group indicates (left to right): 2021, 2022 projections, and 2023 projections.

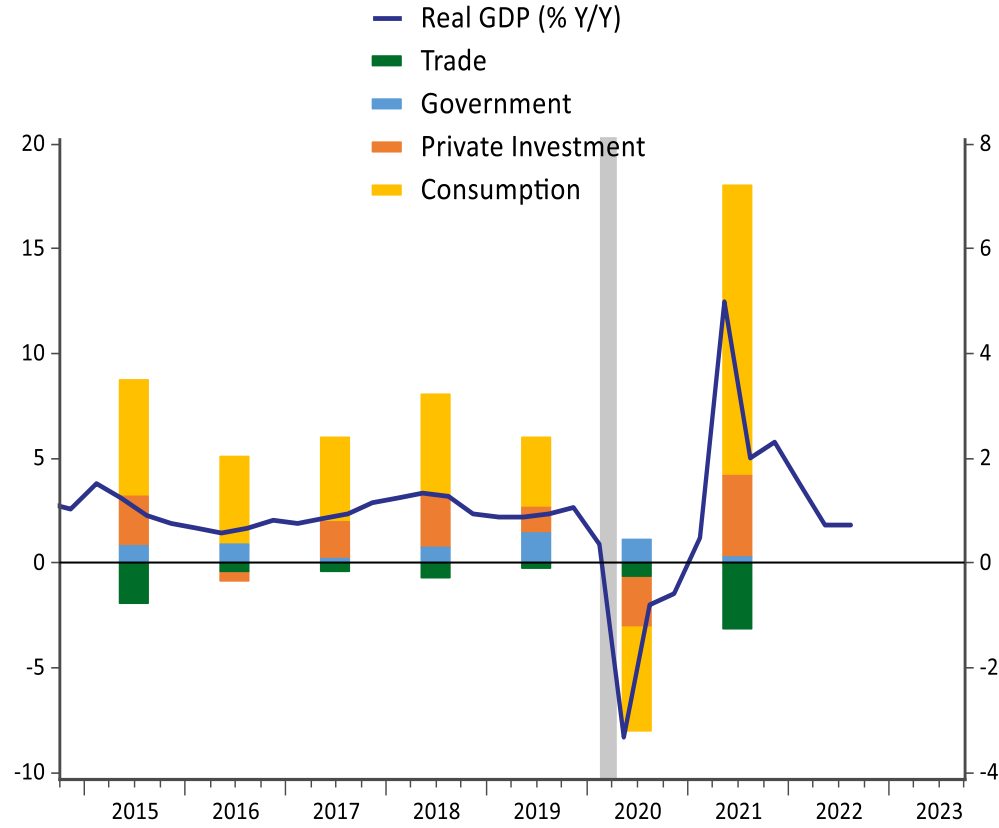
IMF.org/social

- *Fiscal policy tightening as COVID support expires*
- *Monetary policy tightening in response to high inflation*
- *China is slowing on a structural basis ending two decades as the engine of global growth*
- *Europe is at war with lasting disruption to the economy*
- *Globalization to global fragmentation*

The US Recovery Outperformed Global Peers

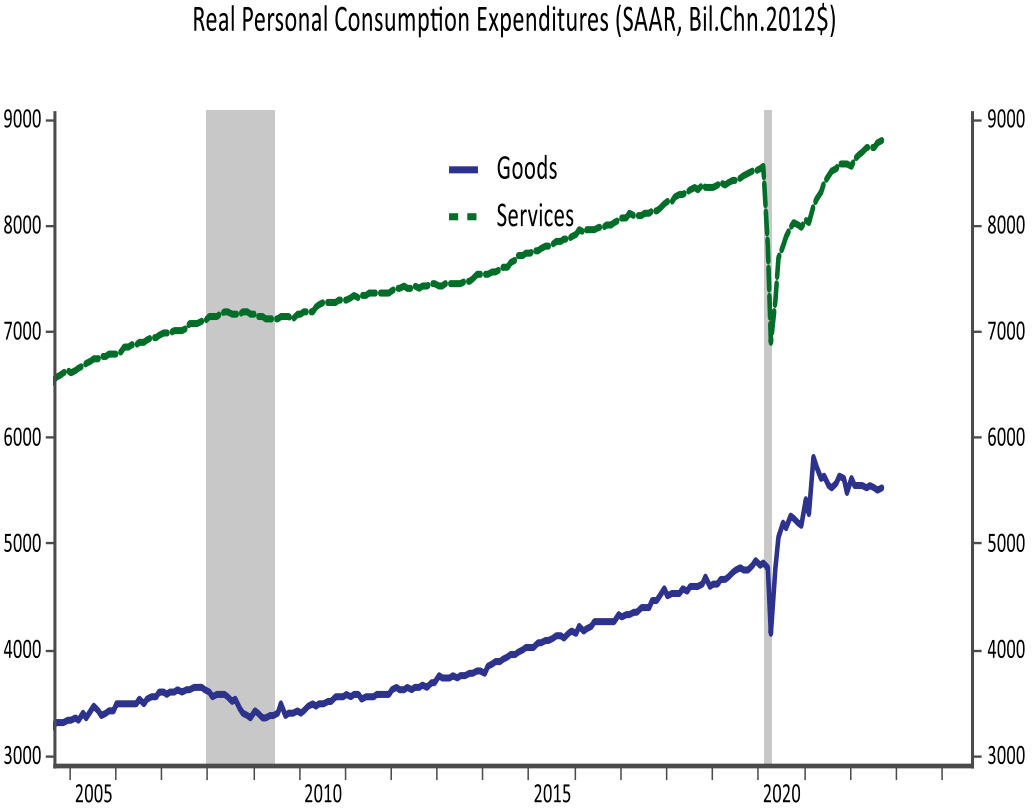


Sources: BEA, ABS, StatCan, ONS, EUROSTAT/Haver/Macropolicy Perspectives LLC

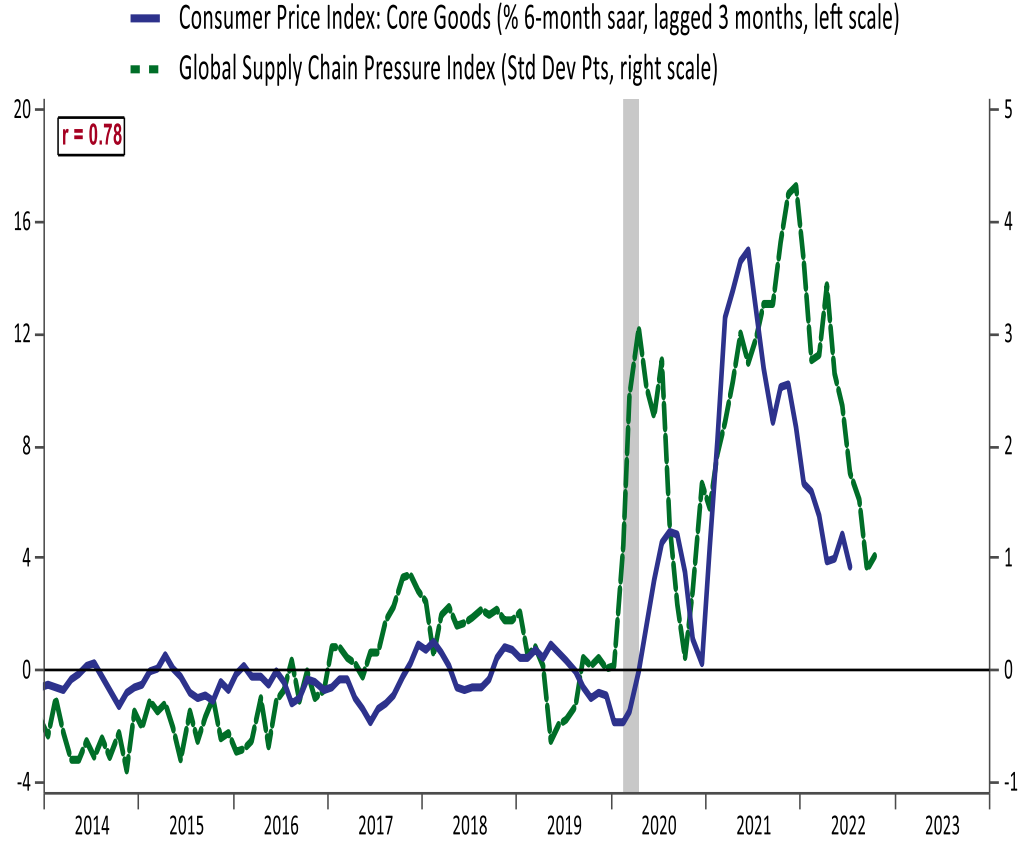


Source: Macropolicy Perspectives/BEA/Haver

Consumer Shifted Spending to Goods Adding to Supply Chain Pressures

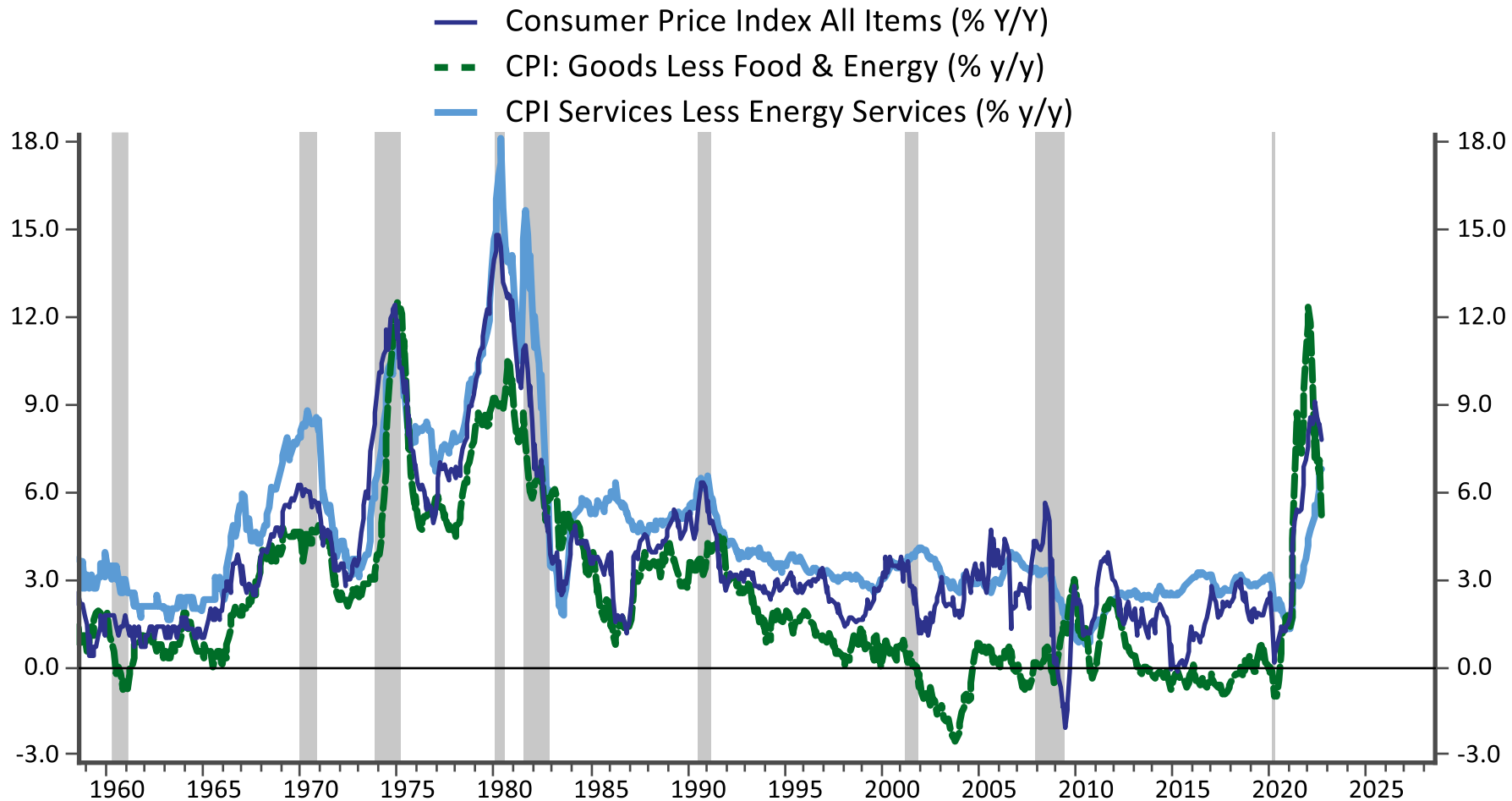


Source: Bureau of Economic Analysis/Haver Analytics



Sources: BLS, NYFEDLSE/Haver/MacroPolicy Perspectives LLC

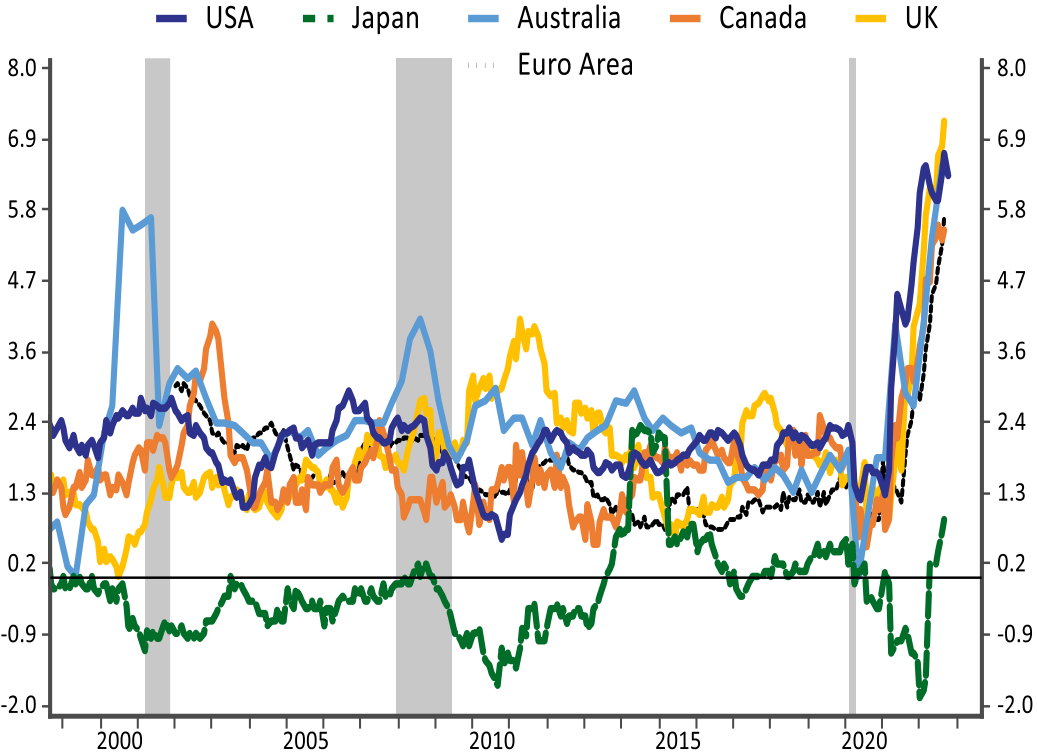
A Strong Recovery and Impaired Supply Side Contributed to High Inflation



Source: MacroPolicy Perspectives/BLS/Haver

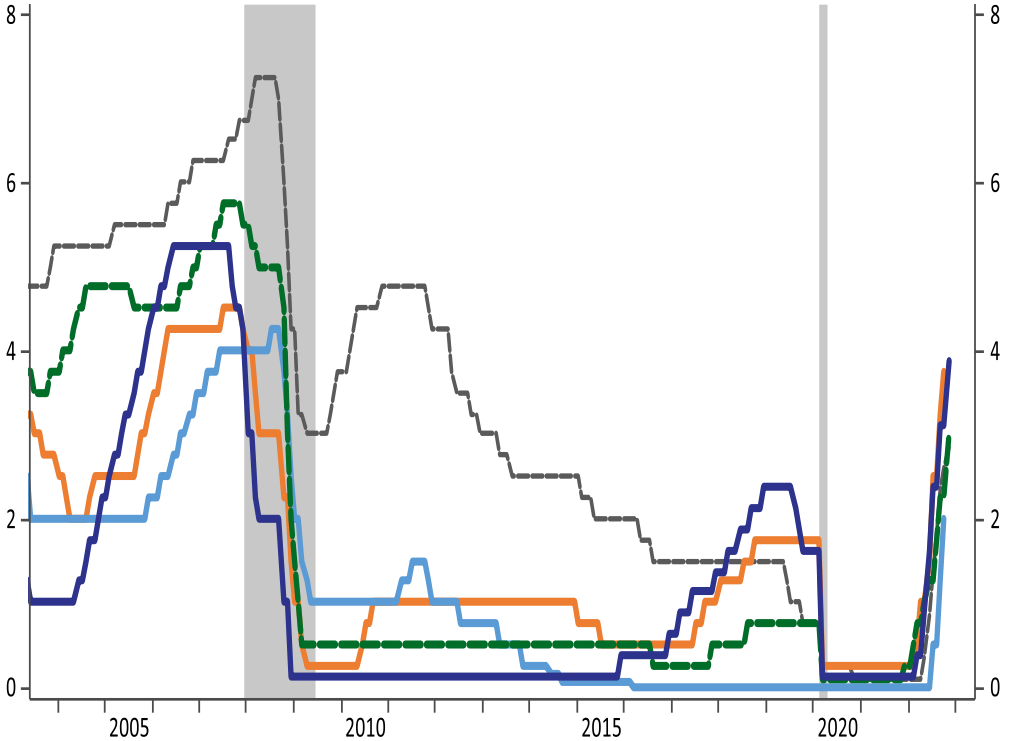
High Inflation is Global and Central Banks are Responding with Higher Rates

Core Consumer Price Indexes Harmonized for Cross Country Comparison (% Y/Y)



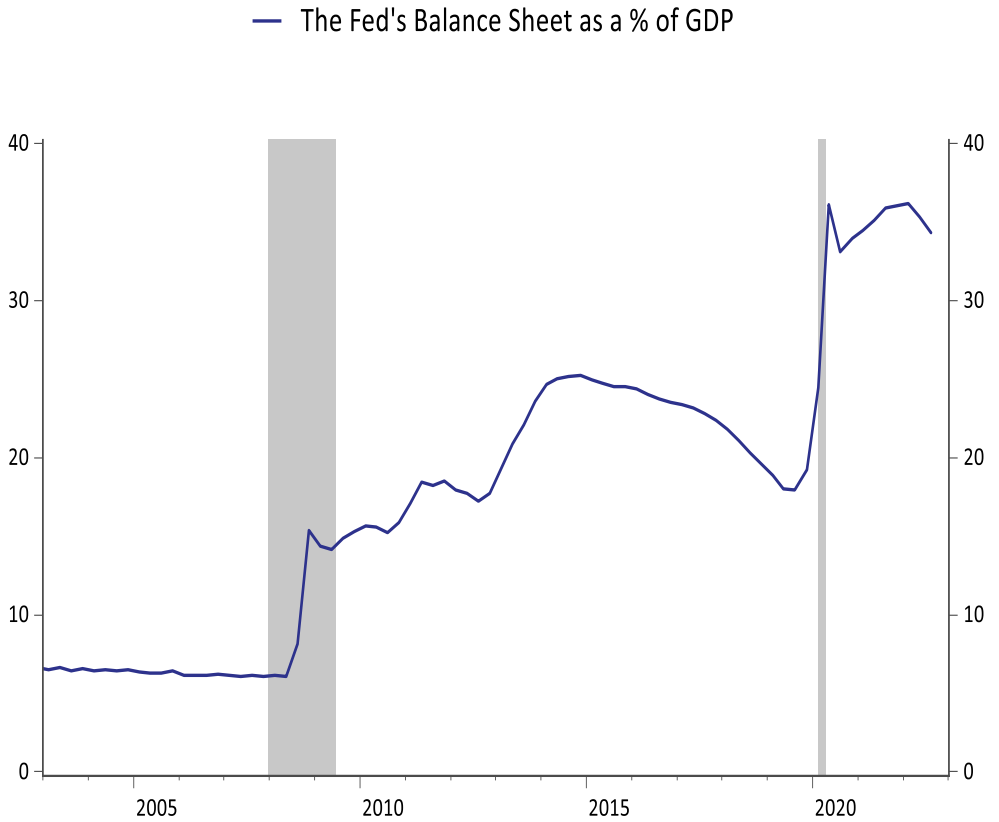
Sources: BLS, MIC, ABS/H, SCAN/H, ESTAT/H/Haver/Macropolicy Perspectives LLC

US Fed Funds Rate (%), U.K.: Official Bank Rate (%), ECB Refinancing Rate (%), Canada: Overnight Target (%), Australia: Official Cash Rate (%)



Sources: FRB, BoE, ECB, BoC, RBA/Haver/Macropolicy Perspectives LLC

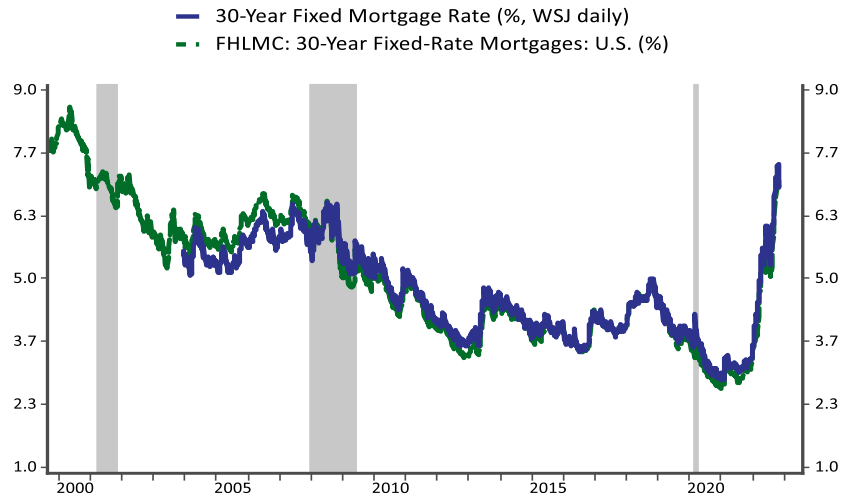
The Fed's Balance Sheet: A New Dimension of Policy Tightening



Source: MacroPolicy Perspectives/Haver Analytics

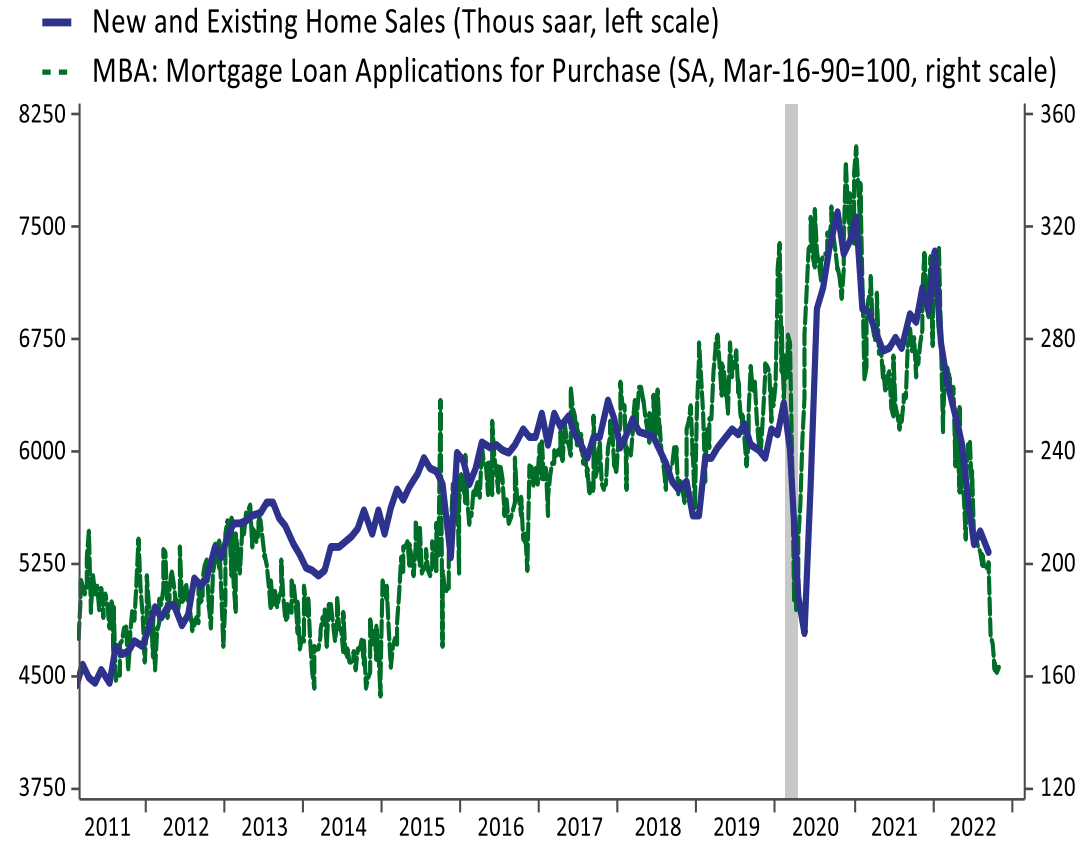


Source: MacroPolicy Perspectives/Haver Analytics

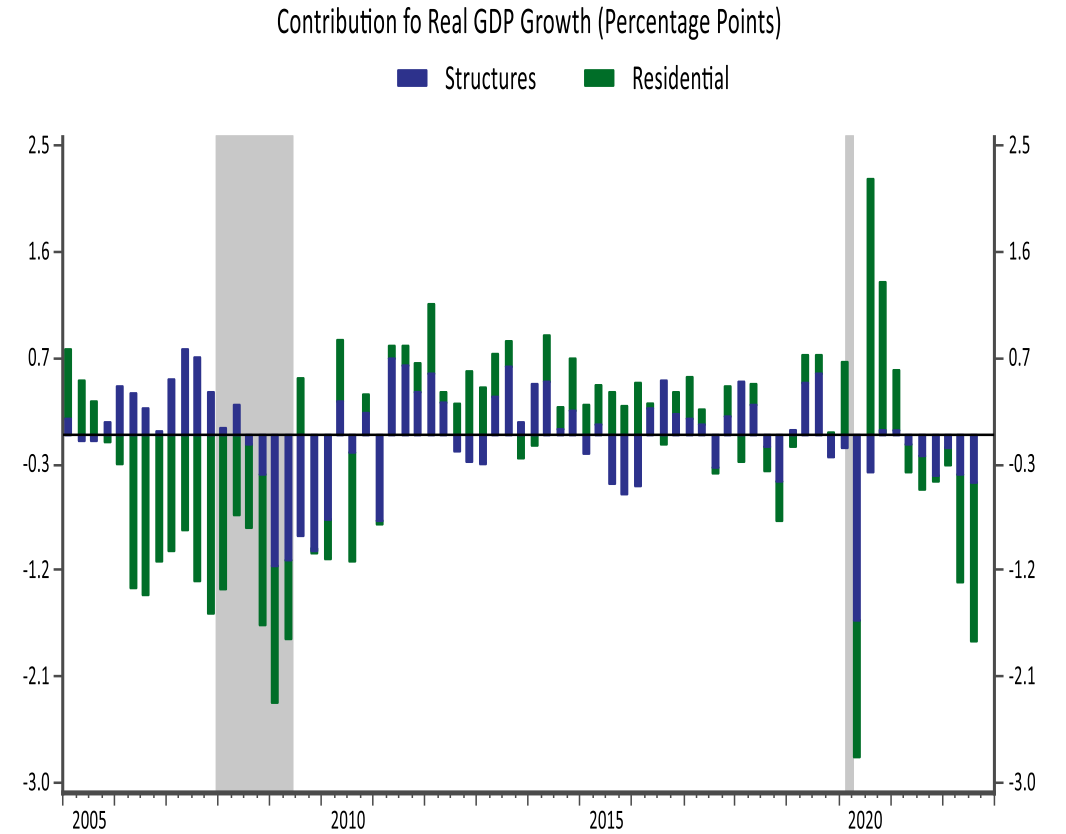


Sources: MacroPolicy Perspectives/WSJ, FHLMC/Haver

Housing and Commercial Real Estate are Responding Rapidly to Higher Rates

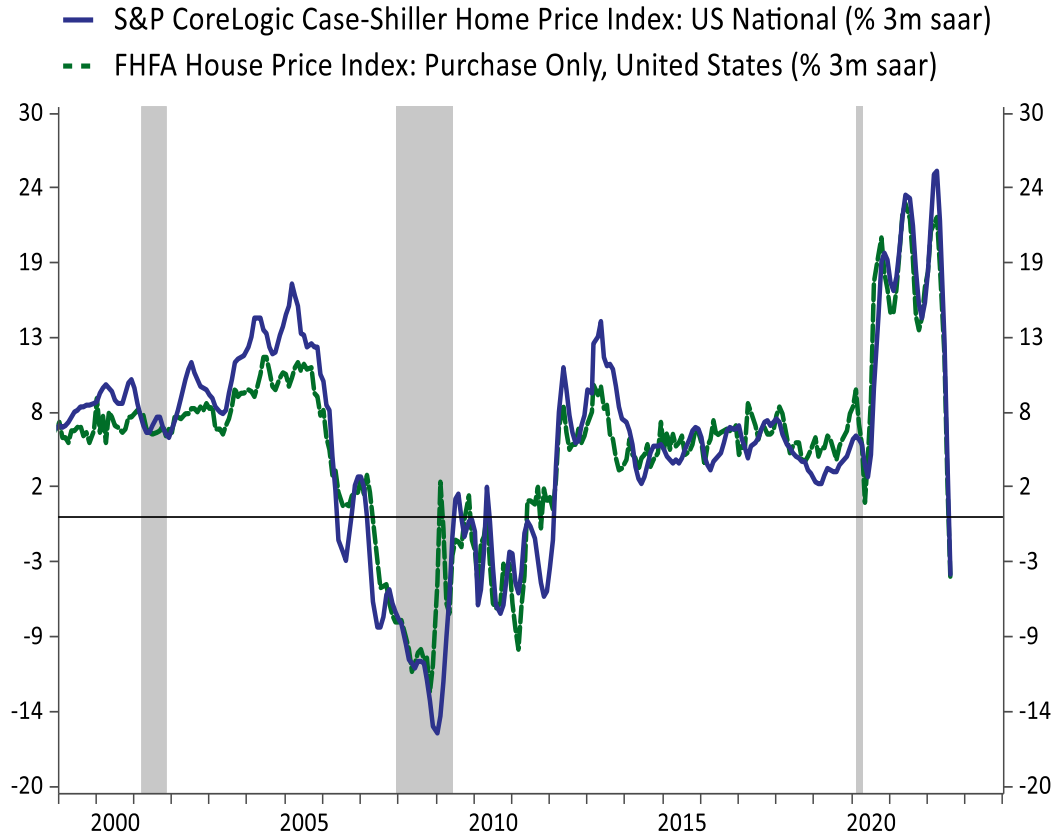


Source: MBA/Haver/Macropolicy Perspectives LLC

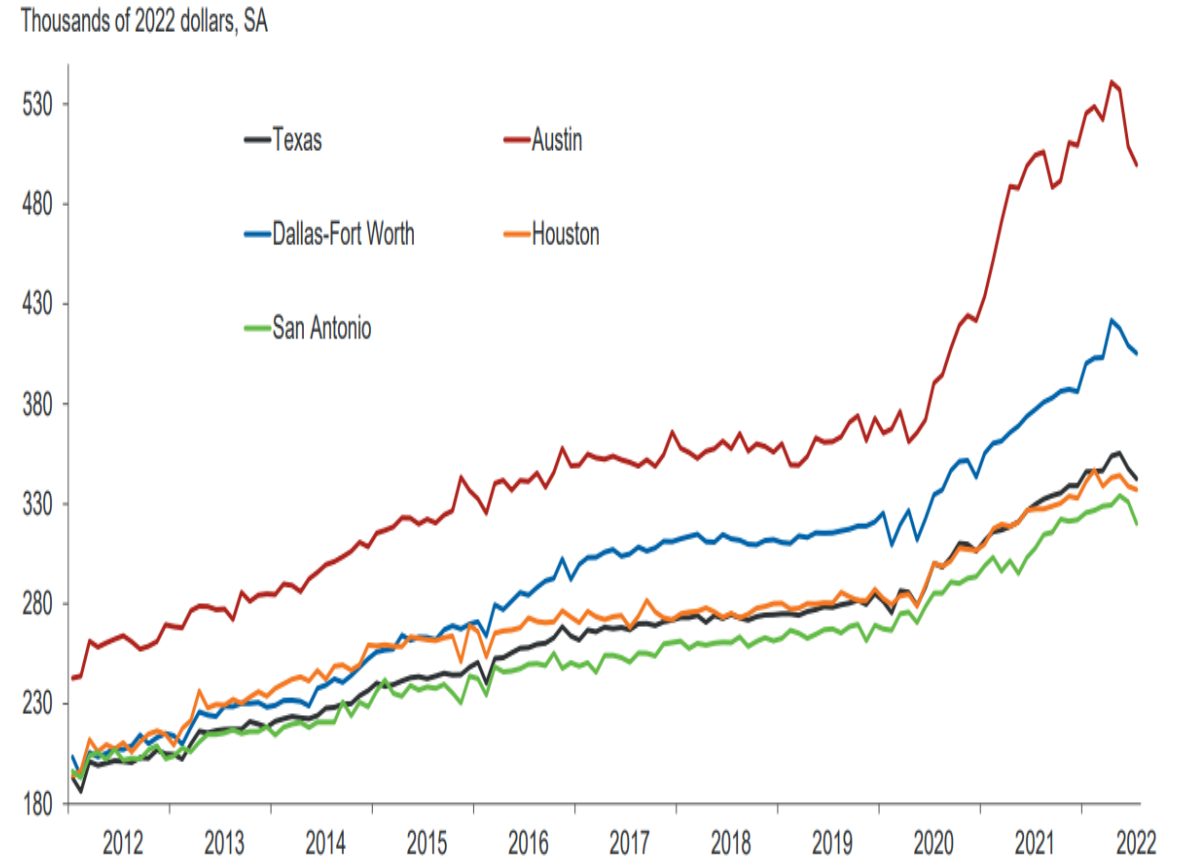


Source: BEA/Haver/Macropolicy Perspectives LLC

Home Prices are Falling after Extraordinary Appreciation



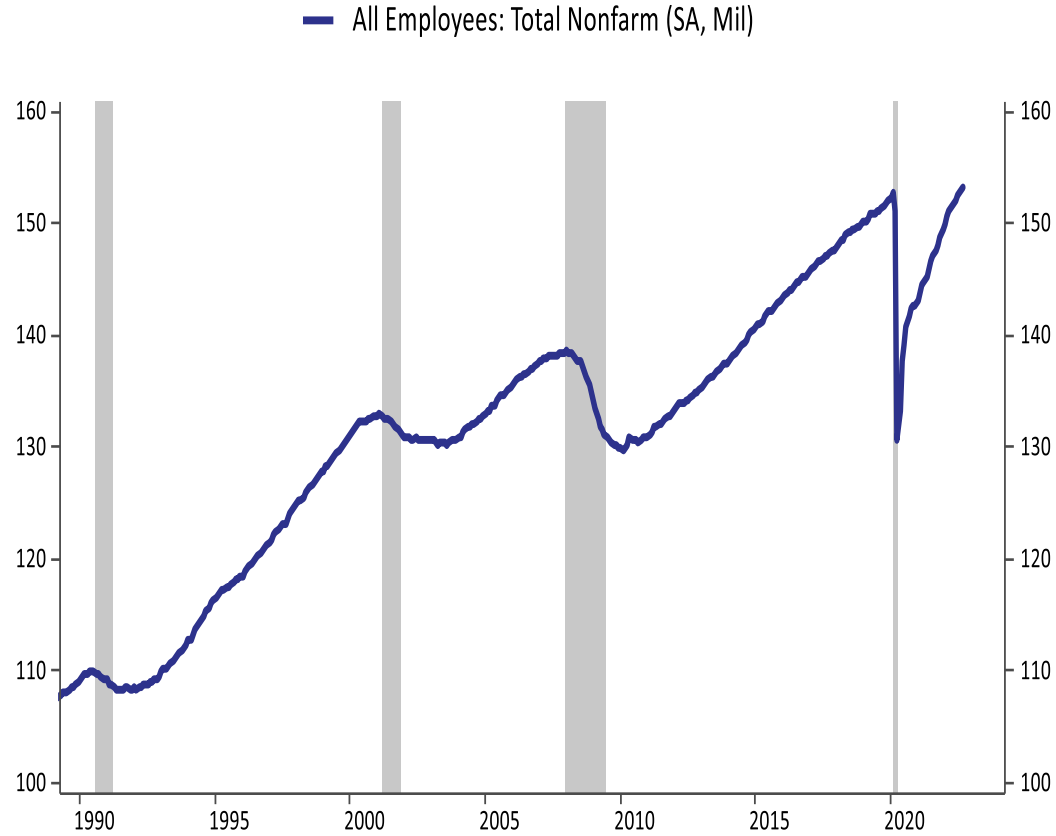
Sources: S&P, FHFA/Haver/MacroPolicy Perspectives LLC



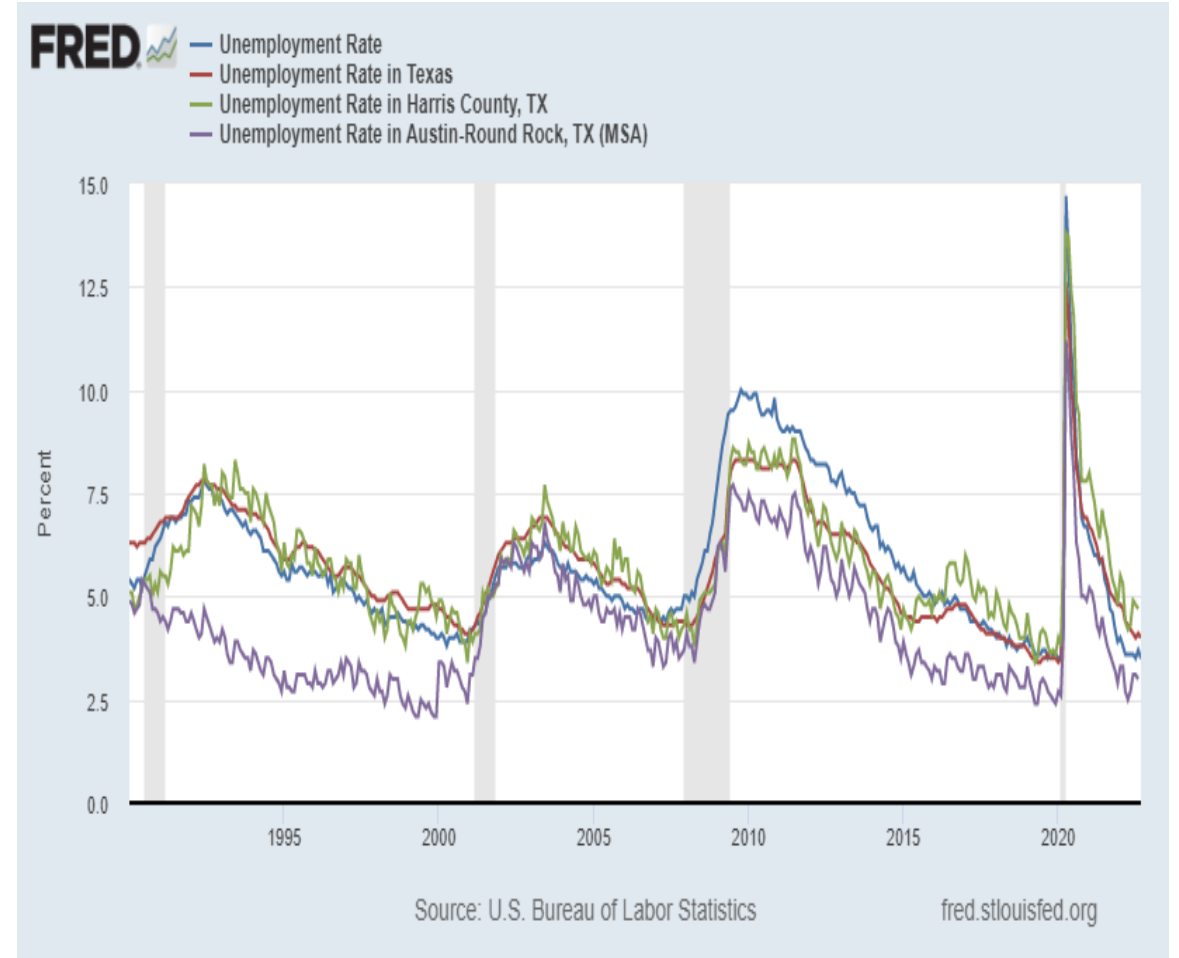
NOTES: Seasonally adjusted sales price presented in August 2022 dollars. Data through August 2022.

SOURCES: Multiple Listing Service, seasonal and other adjustments by FRB Dallas.

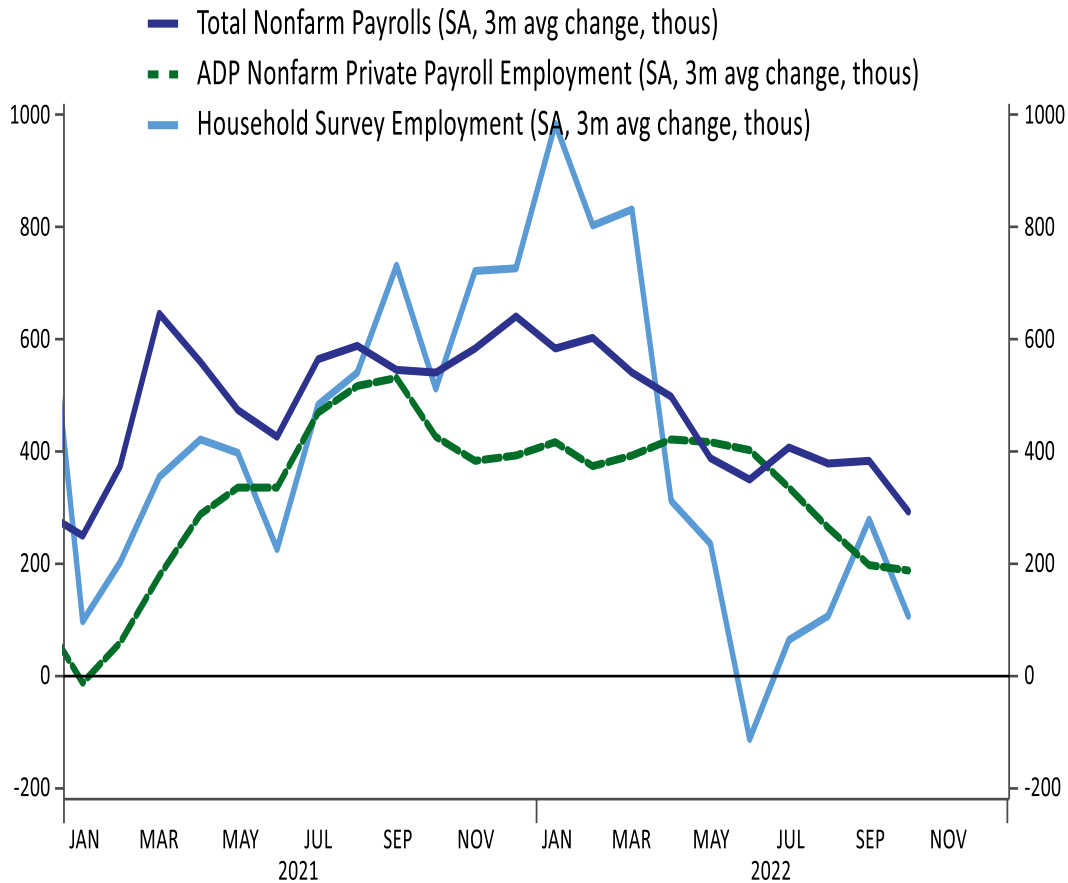
The Labor Market Remains Strong Texas is a Mixed Bag



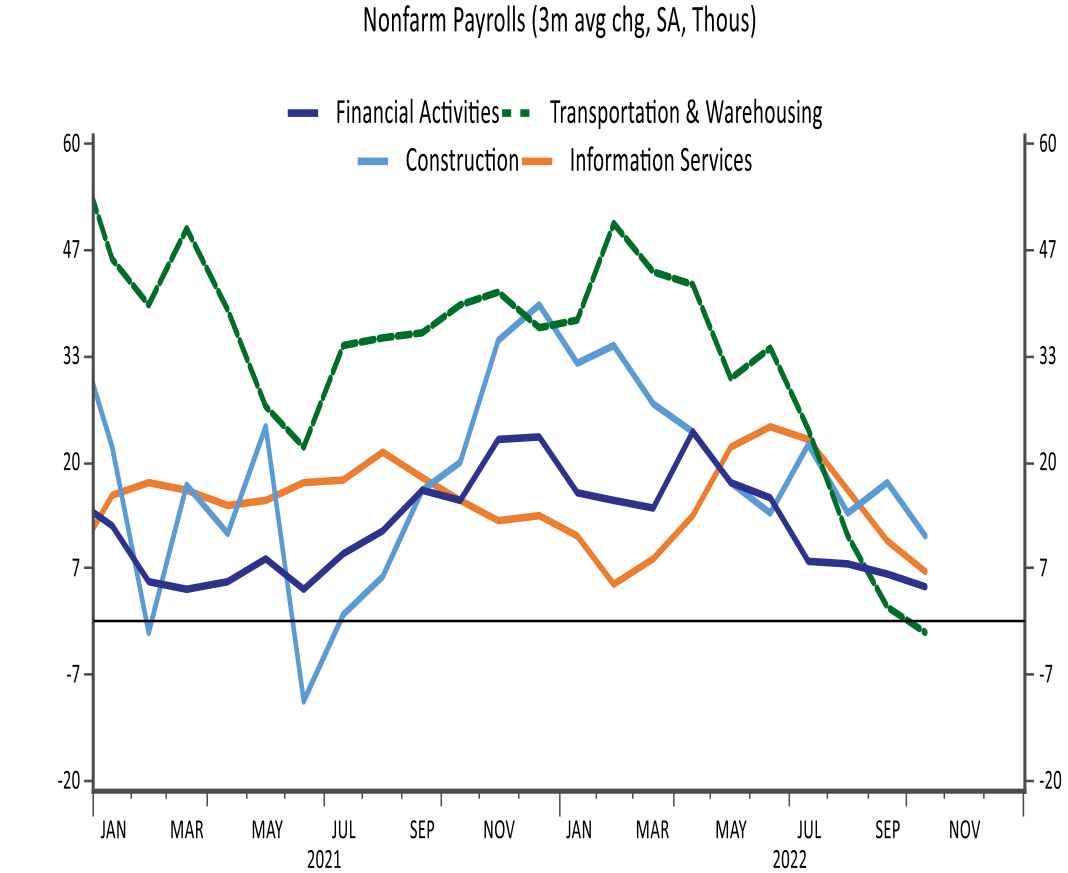
Source: BLS/Haver/MacroPolicy Perspectives LLC



Job Gains Cooling Led by Policy Impacted Sectors



Sources: BLS, ADP/Haver/MacroPolicy Perspectives LLC



Source: BLS/Haver/Macropolicy Perspectives LLC

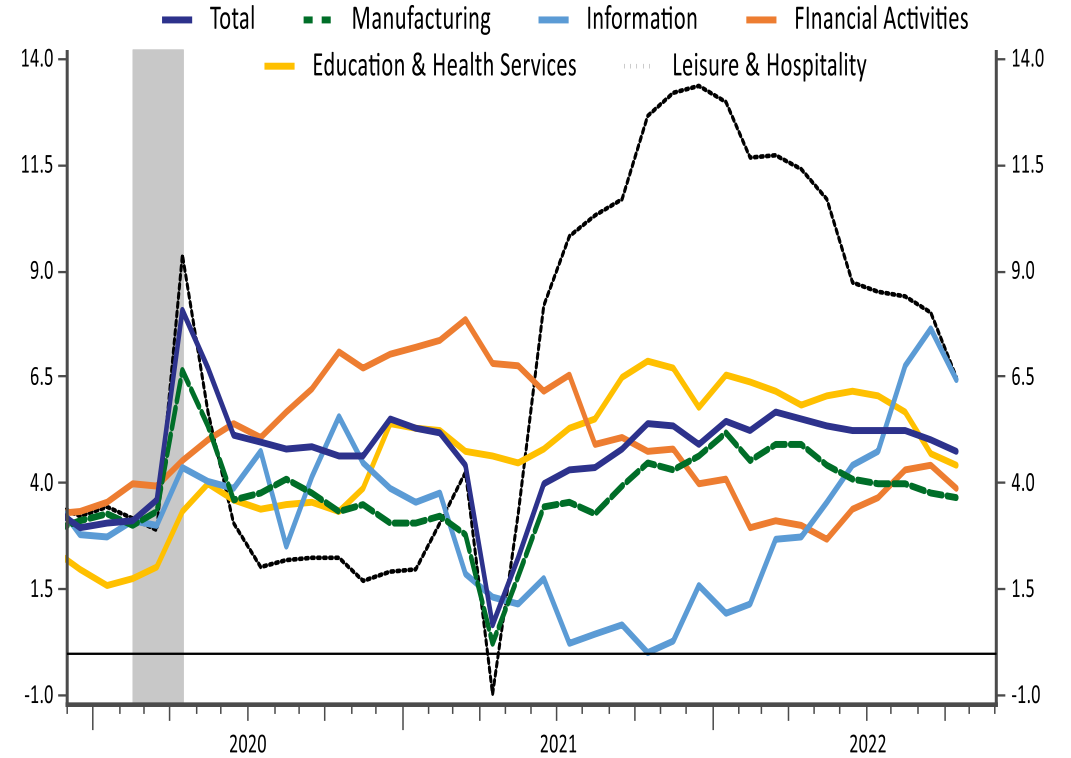
Wage Growth is Moderating Without a Notable Rise in Unemployment

- Avg Hrly Earnings of Prod & Nonsupervisory Employees: Total Private (% 3m saar)
- - Average Hourly Earnings of All Employees: Total Private (% 3m saar)



Source: BLS/Haver/MacroPolicy Perspectives LLC

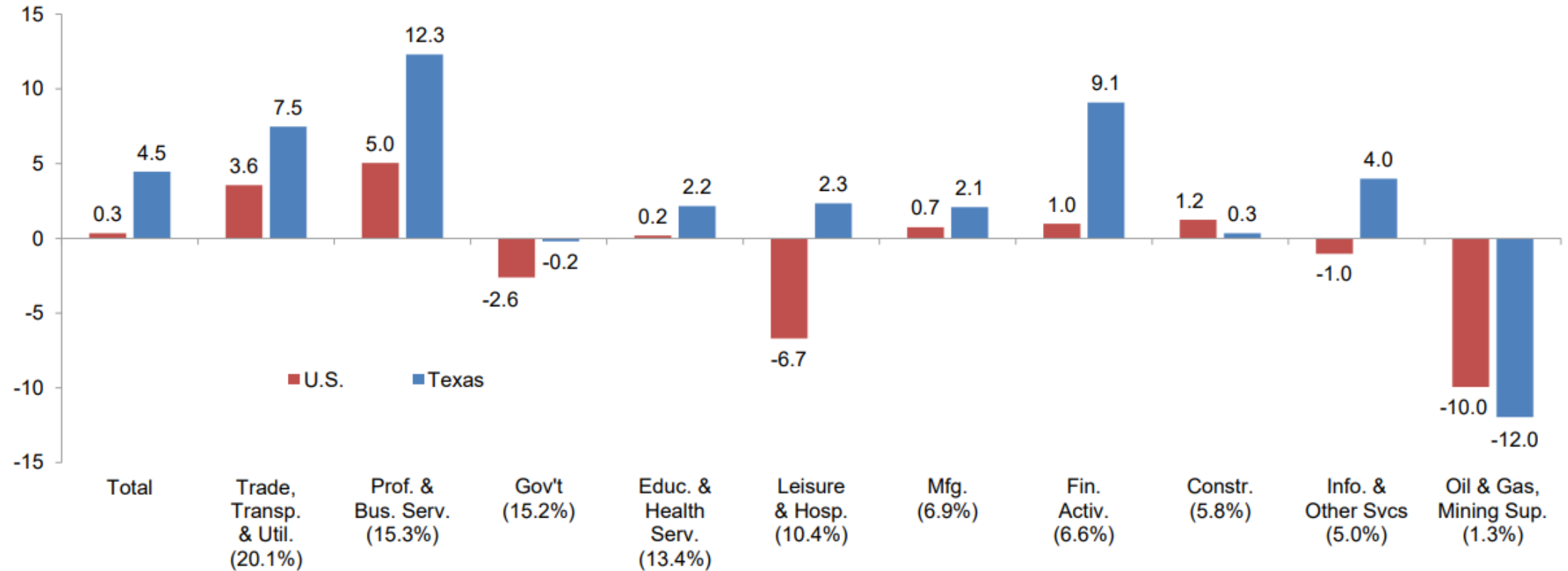
Average Hourly Earnings: Total Private (% y/y)



Source: BLS/Haver/MacroPolicy Perspectives LLC

Texas Employment and Population Have Grown Faster than US Overall

Job growth Sep. 2022/Feb. 2020 (percent)

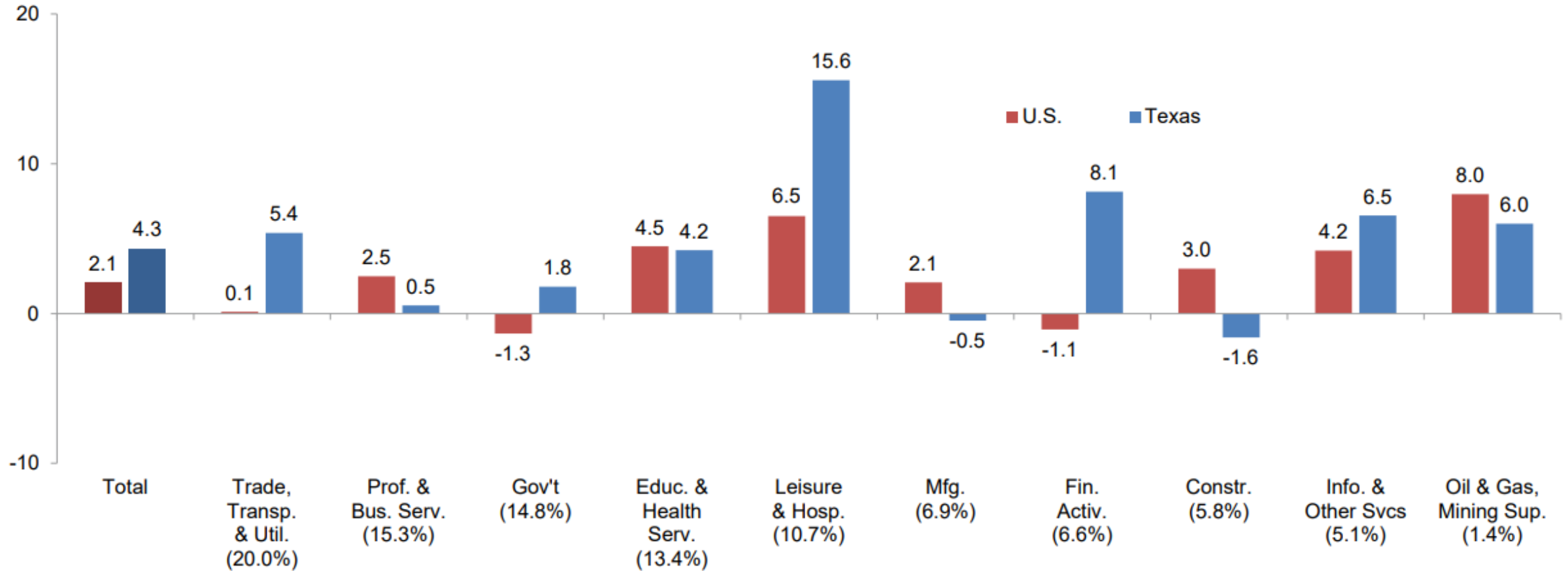


NOTE: Data show September 2022/Feb. 2020 non-annualized job growth. Numbers in parenthesis indicate share of total state employment for July.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.

Job Gains in September Remained Solid and Broad Based

Job growth September 2022/August 2022 (percent)

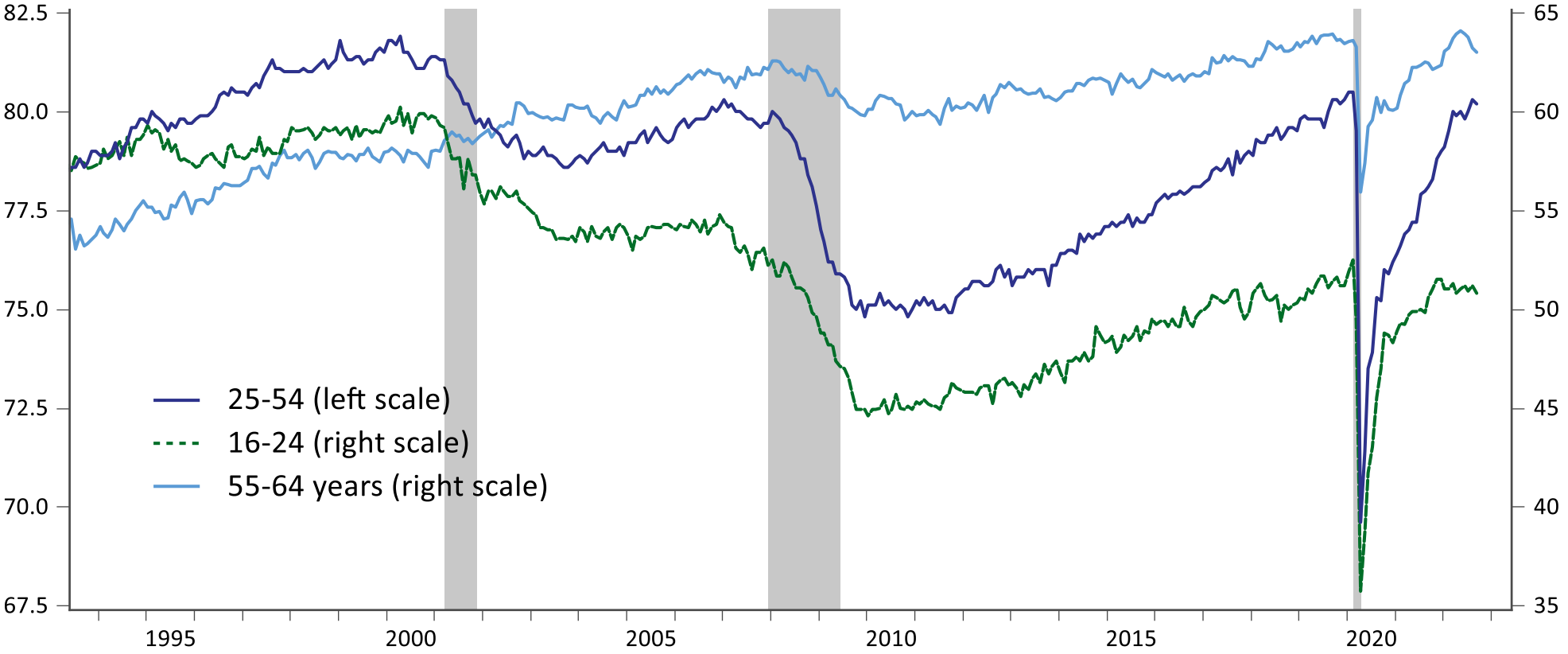


NOTE: Data show September 2022/August 2022 annualized growth. Numbers in parentheses indicate share of total state employment for August.

SOURCES: Bureau of Labor Statistics; Texas Workforce Commission; FRB Dallas.

Labor Force Engagement is Mostly Recovered but Shortfalls Remain

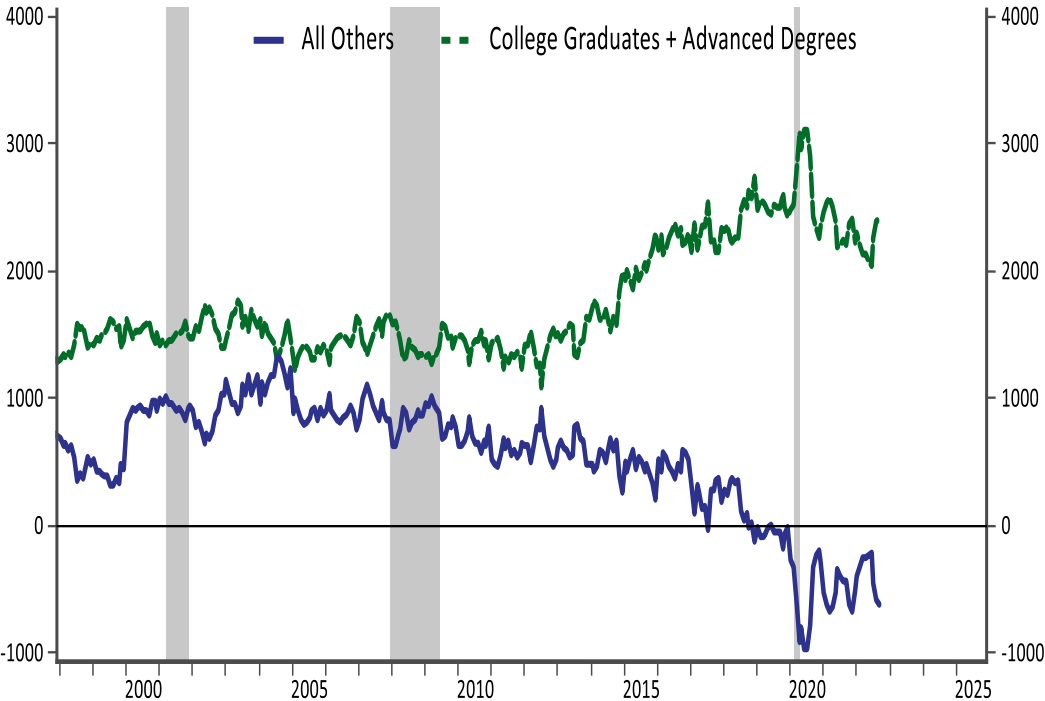
Employment-Population Ratio (SA, %)



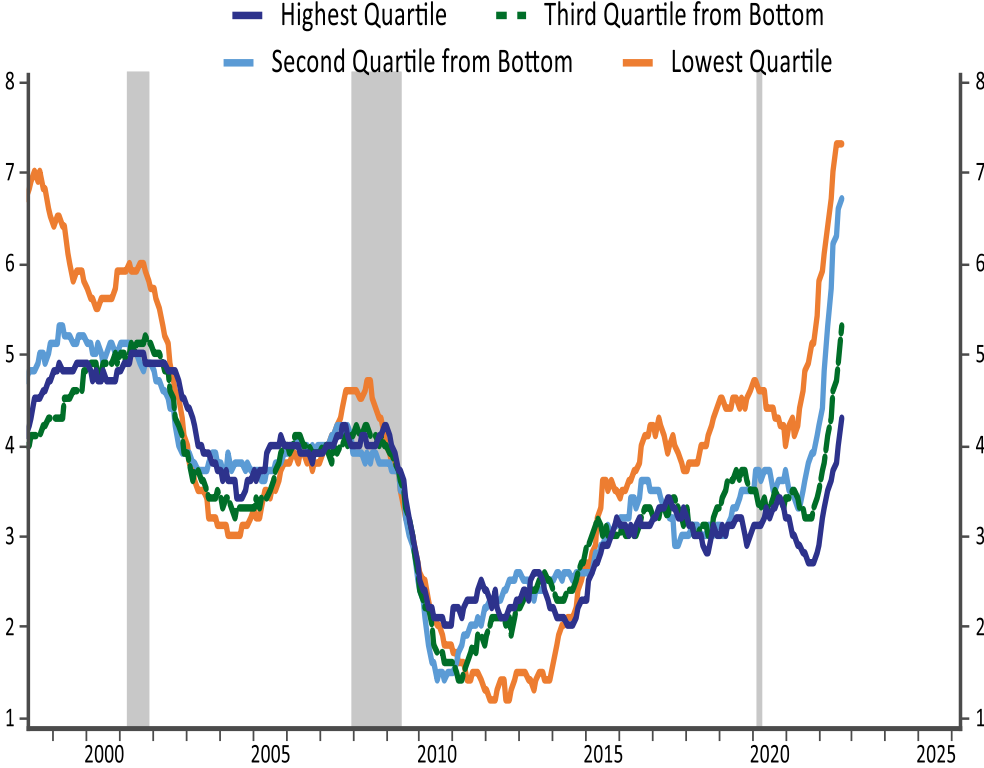
Source: Bureau of Labor Statistics/Haver Analytics

Lower Wage Workers are Enjoying Greater Bargaining Power

5-year Annualized Population Growth 25+ by Educational Attainment
(Thousands)



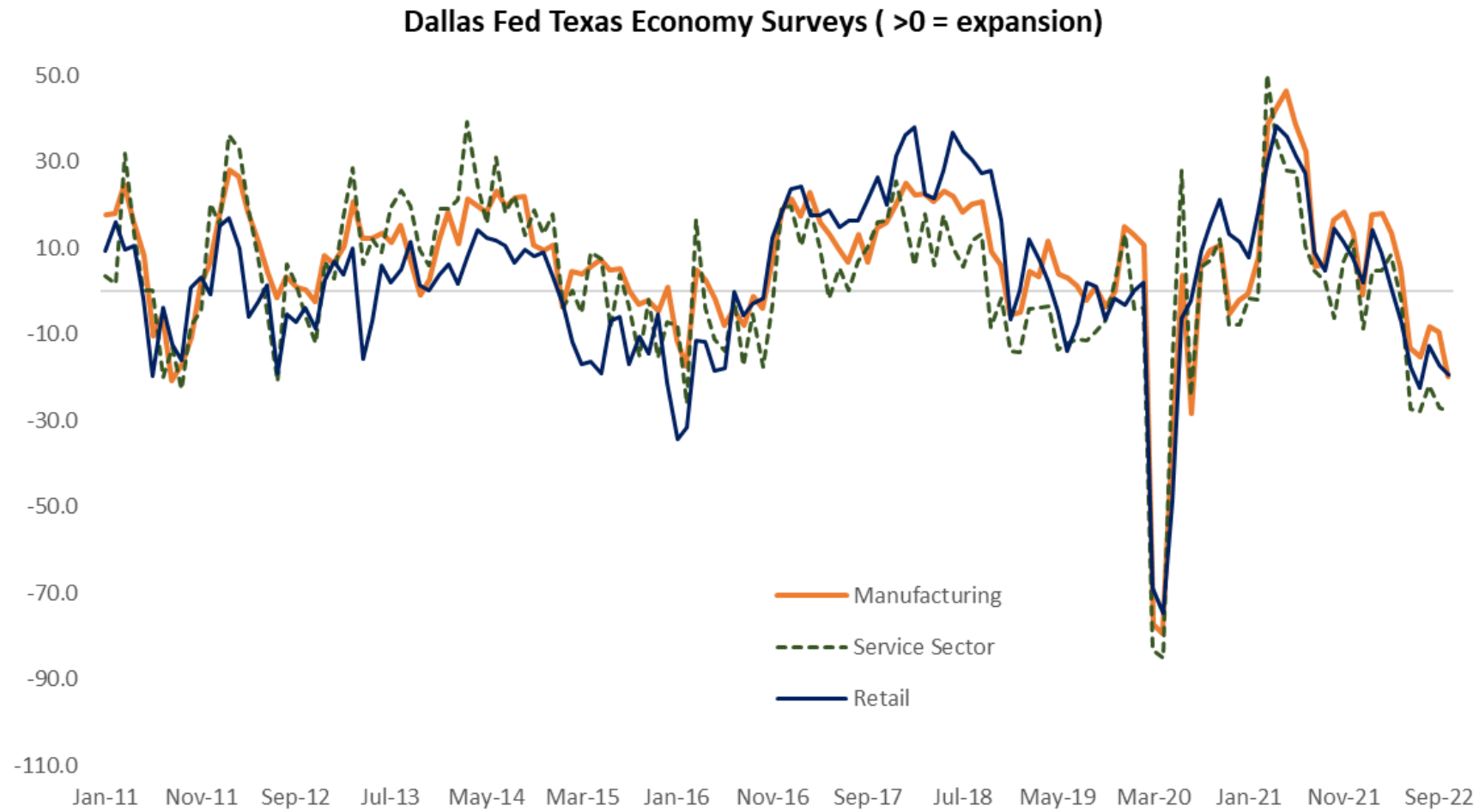
Atlanta Wage Growth Tracker by Wage Quartile (12m avg % y/y)



Source: BLS/Haver/Macropolicy Perspectives LLC

Source: FRBATL/Haver/Macropolicy Perspectives LLC

Texas Growth Losing Momentum



Conclusions

- The US is not in a recession, the job market is still strong
- But the Fed is trying to cool off high inflation through higher rates and housing is cooling fast
- Multiple global headwinds point to downside risk
- Texas has outperformed in part due to a growing population but momentum is slowing
- The demographics of the workforce are changing