

Economic Update

Washington Bankers Association

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Tyler Mondres
Director, Research
Office of the Chief Economist
tmondres@aba.com



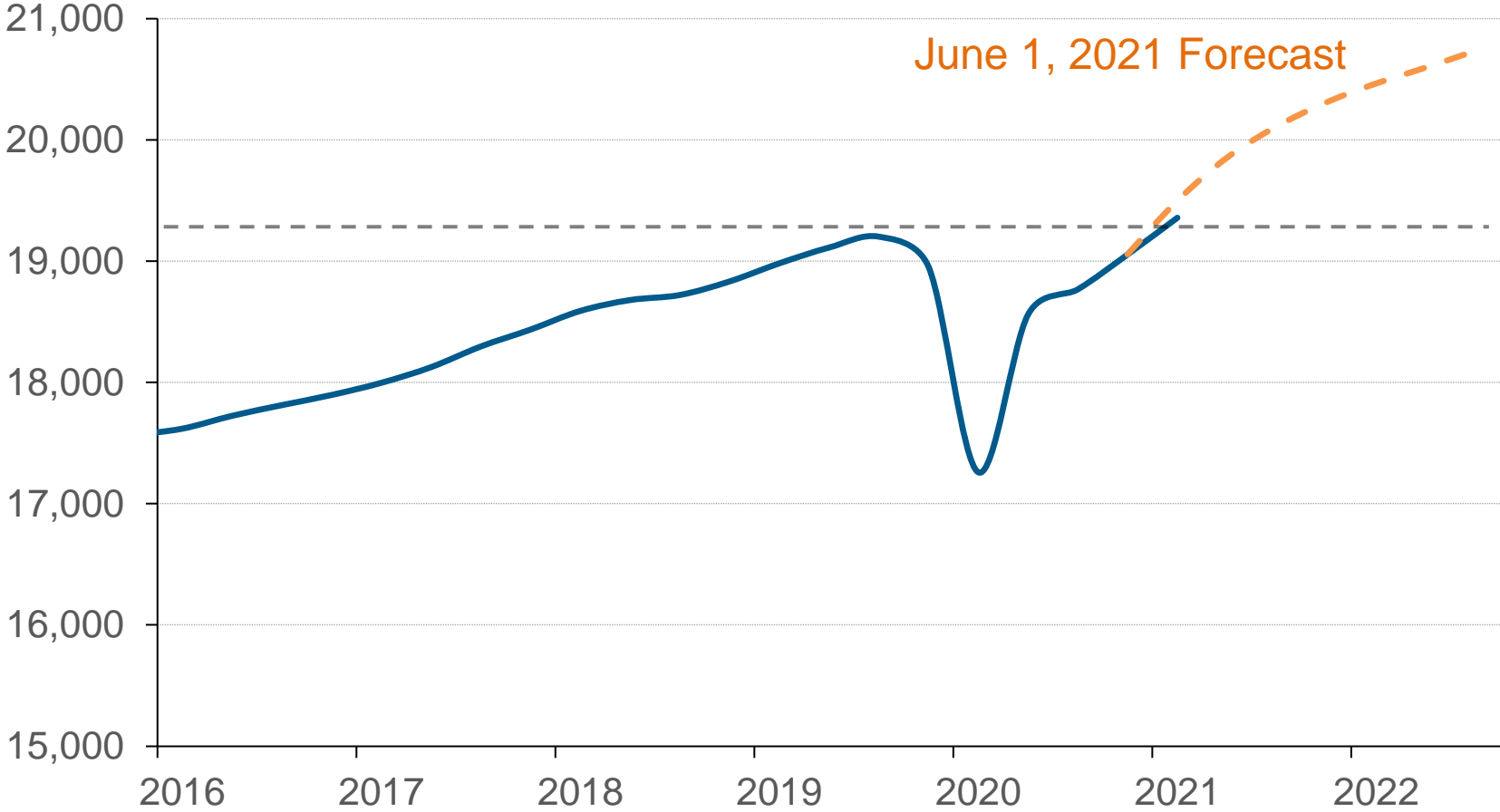
Economic Update

1. Robust Recovery
2. Labor Markets
3. Consumer Confidence
4. Business Confidence
5. Inflation Risk
6. Risks to Economic Outlook

ROBUST RECOVERY EXPECTED

Economic Advisory Committee GDP Forecast

Billions of chained 2012 dollars

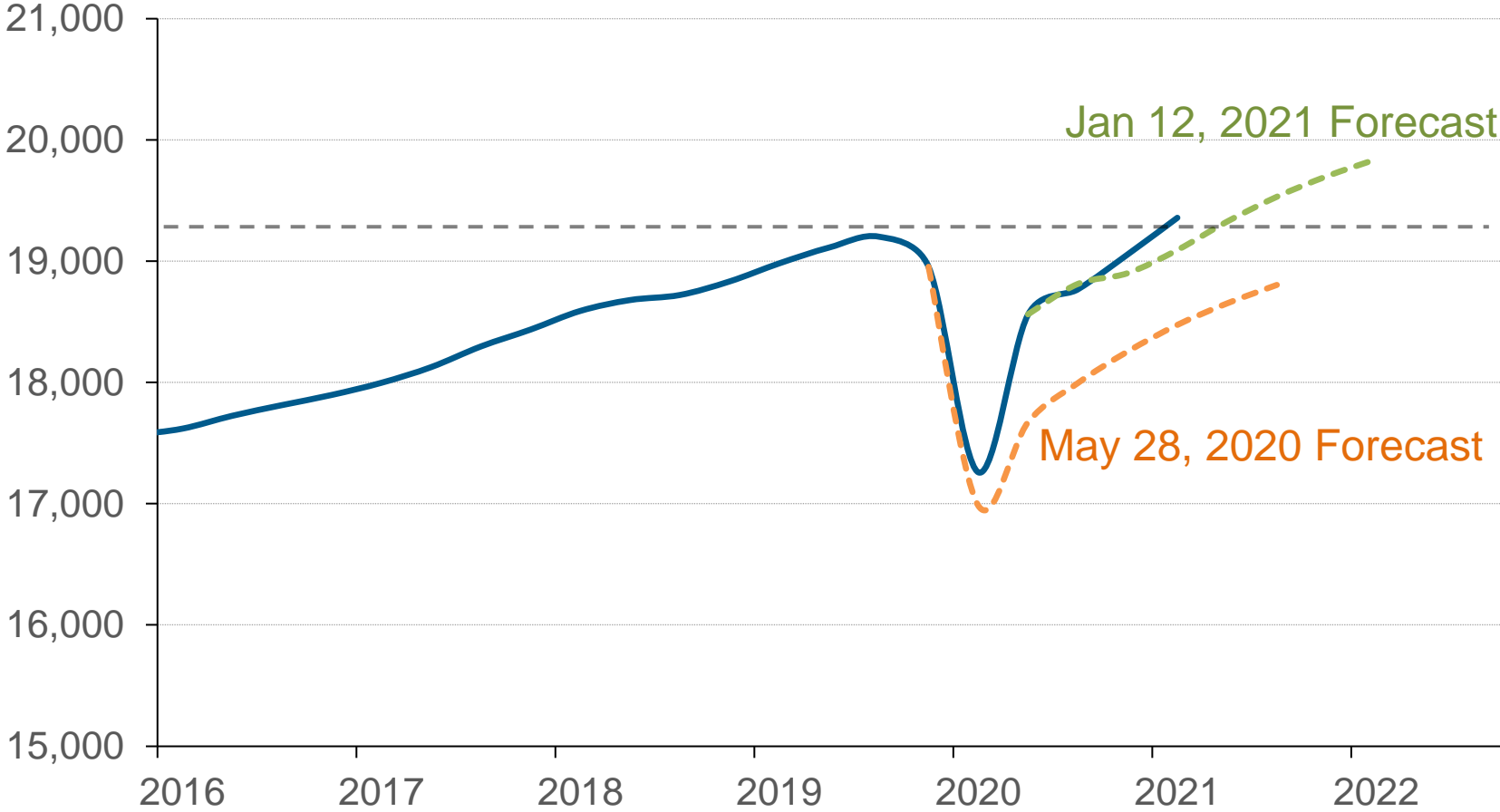


Source: U.S. Bureau of Economic Analysis, ABA Economic Advisory Committee



GDP Remains Below 2019 Levels

Billions of chained 2012 dollars

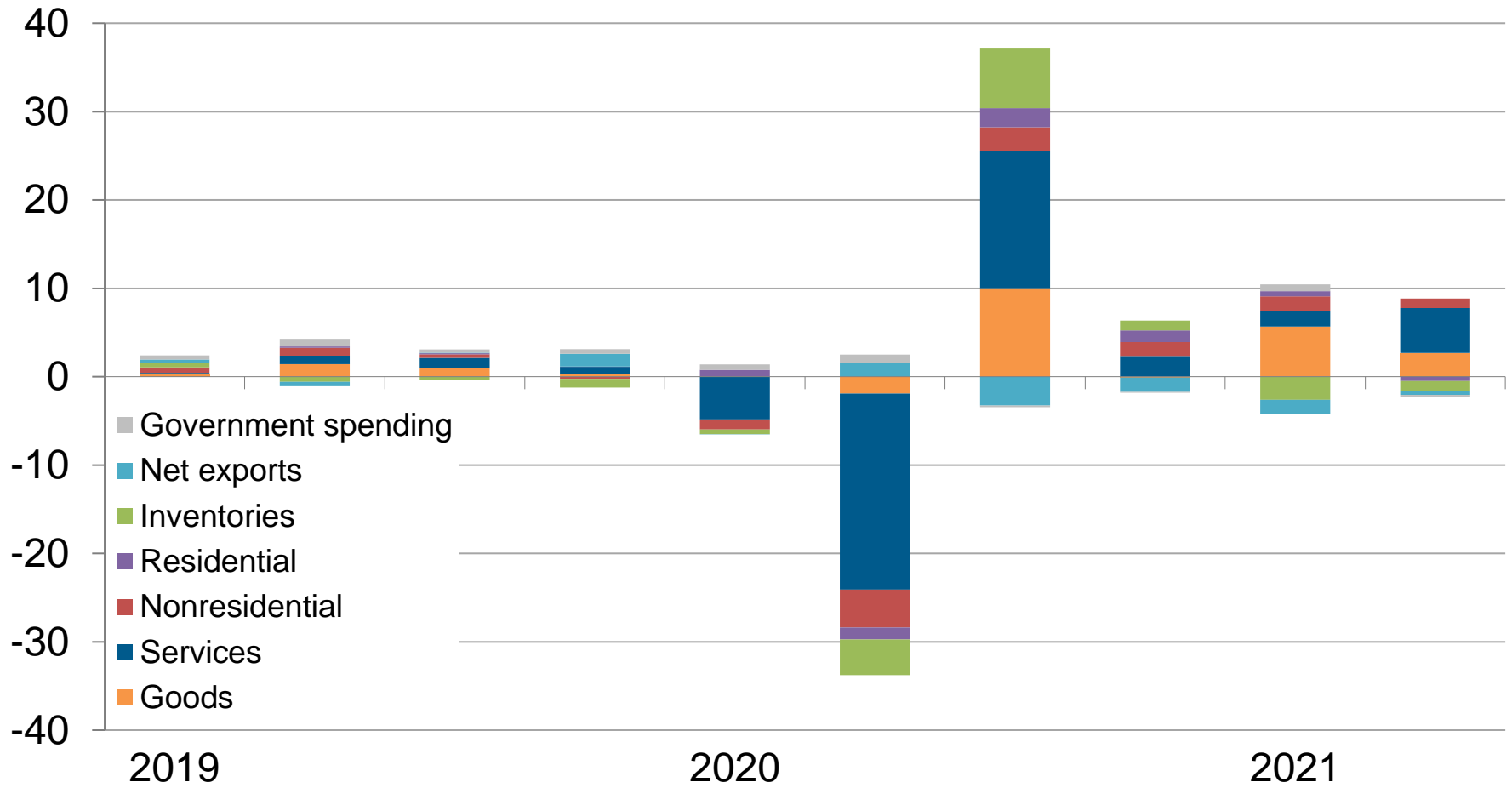


Source: U.S. Bureau of Economic Analysis, ABA Economic Advisory Committee



Quarterly GDP Growth, by Sector

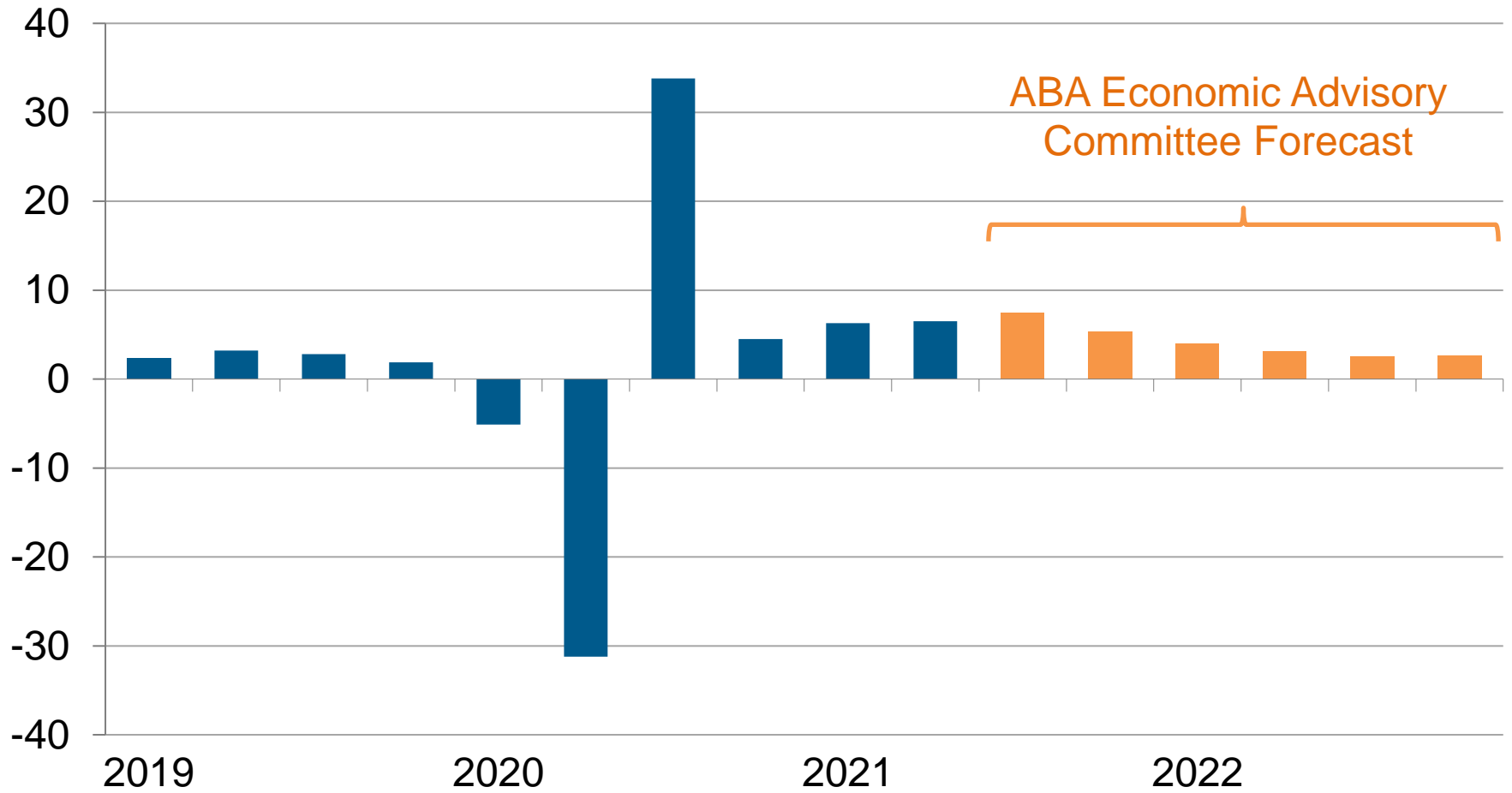
Contribution to Percent Change in Real Gross Domestic Product



Source: U.S. Bureau of Economic Analysis, ABA Economic Advisory Committee

Quarterly GDP Growth

Percent change from preceding period, seasonally adjusted annual rates

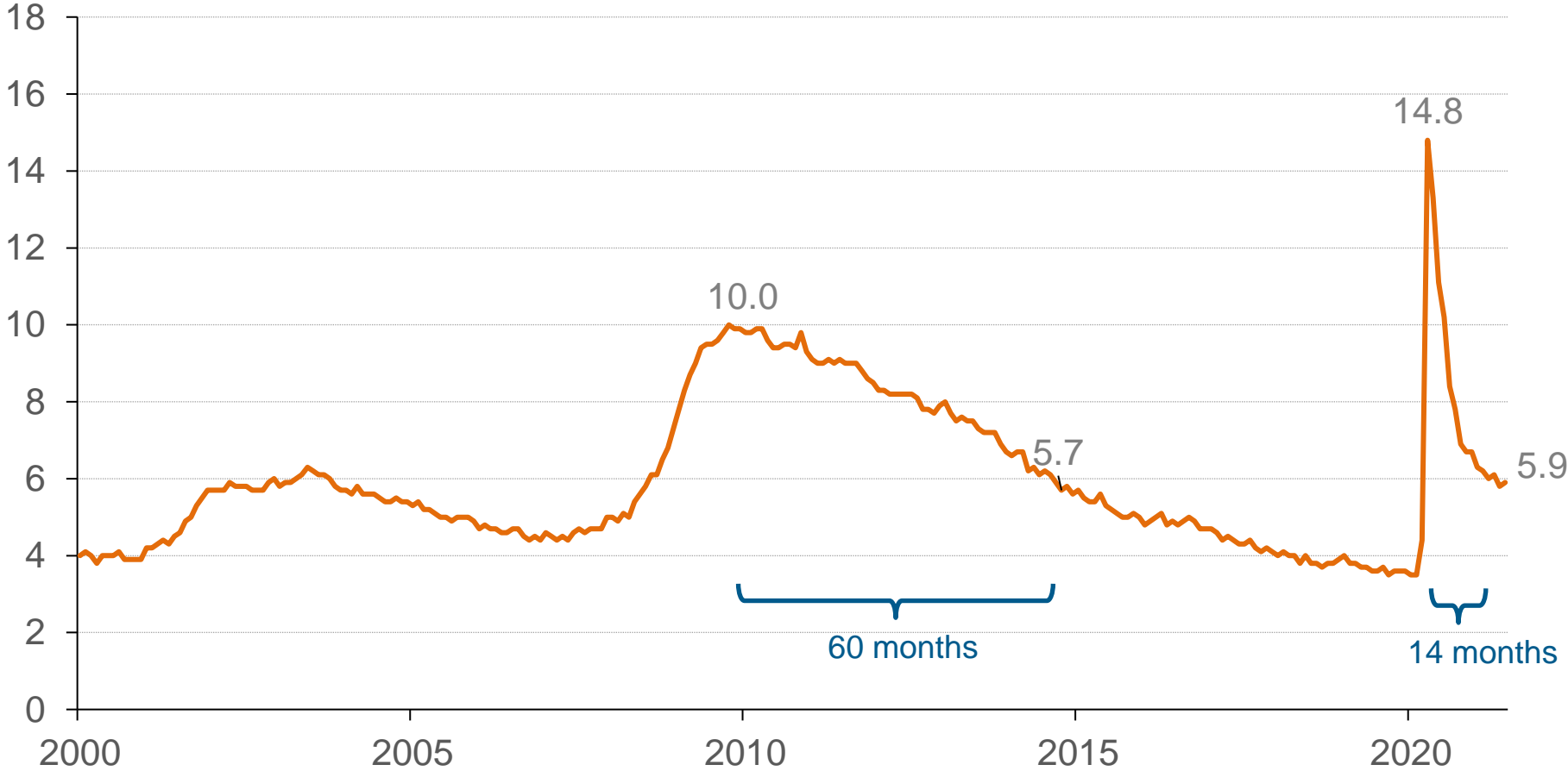


Source: U.S. Bureau of Economic Analysis, ABA Economic Advisory Committee

LABOR MARKETS

June Unemployment Rate of 5.9%

Percent

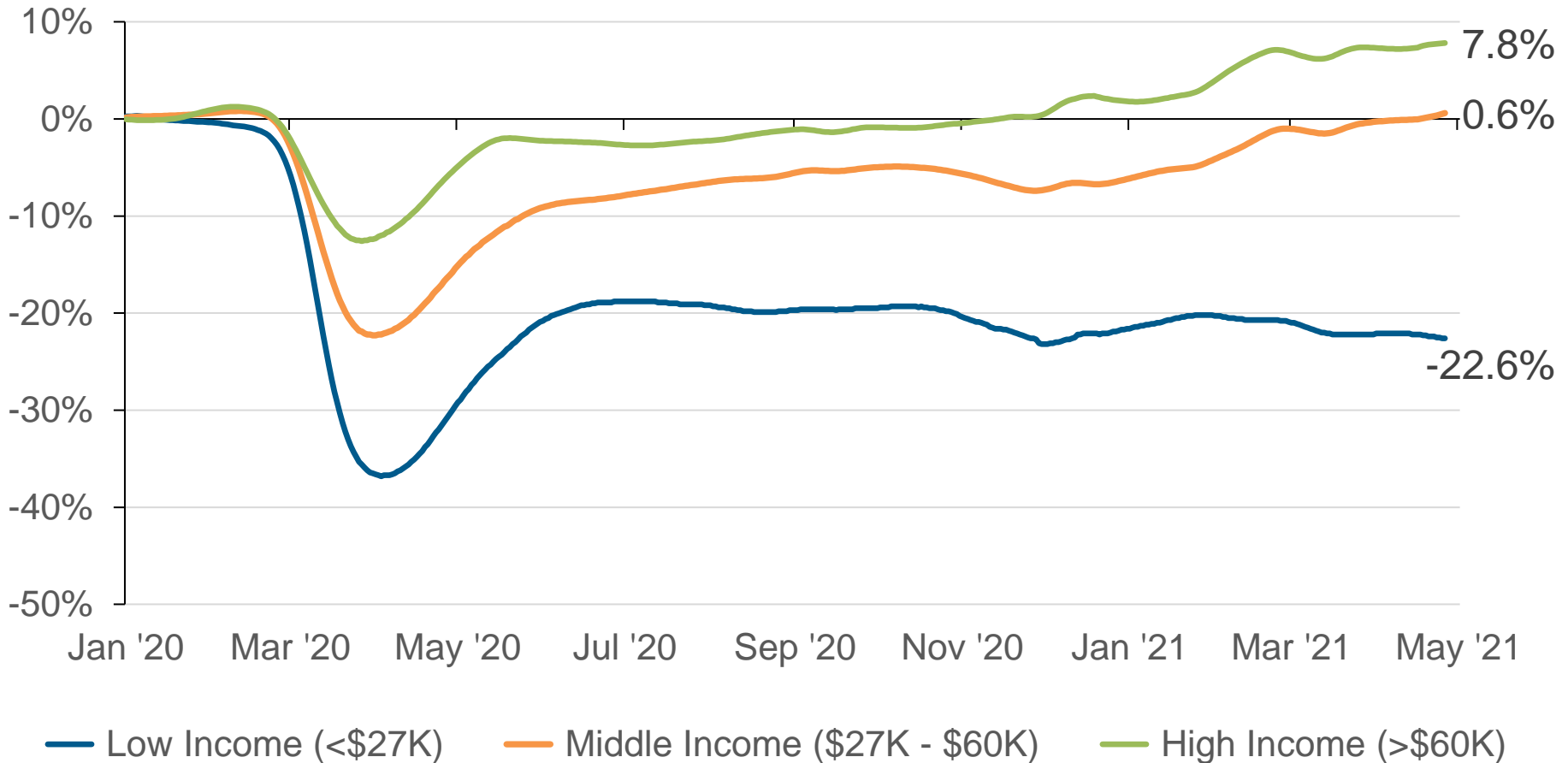


Source: U.S. Bureau of Labor Statistics



Low Wage Workers Remain Most Affected

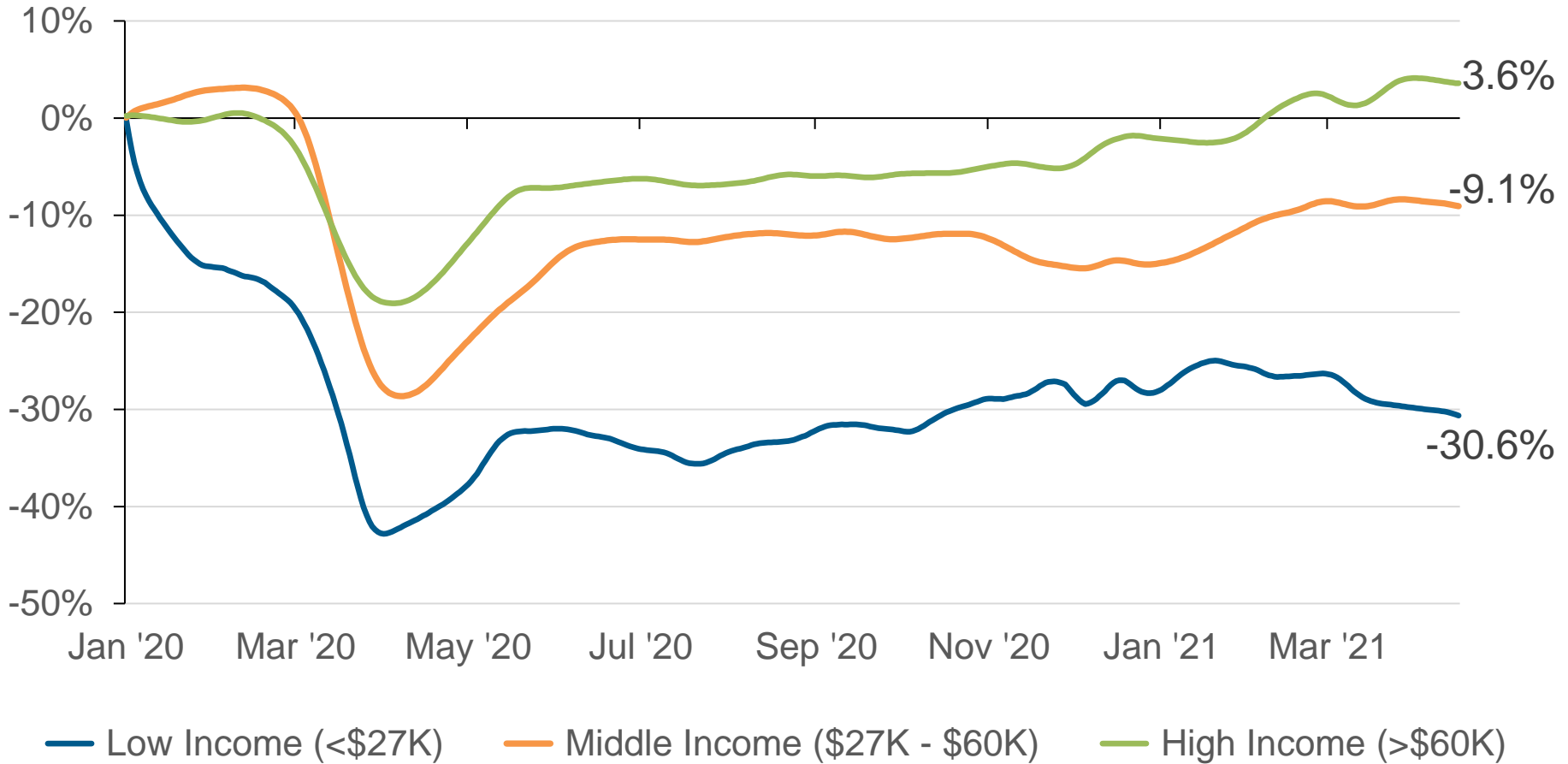
Percent change in job employment, by income level



Source: Opportunity Insights

Washington: Slower Employment Recovery

Percent change in job employment, by income level



Source: Opportunity Insights

Employment Recovery by Sector

Industry	Total lost jobs in March - April 2020	March and April lost jobs as a share of Feb 2020 employment	Total gained jobs - May 2020 thru June 2021	Jobs recovered by June 2021 (% of job loss in March - April 2020)
Leisure and hospitality	8,224	-49%	6,043	73%
Motor vehicles and parts*	360	-36%	247	69%
Other services	1,410	-24%	1,113	79%
Retail trade	2,375	-15%	2,071	87%
Construction	1,113	-15%	875	79%
Education and health services	2,843	-12%	1,815	64%
Professional and business services	2,387	-11%	1,754	73%
Manufacturing	1,385	-11%	904	65%
Transportation and warehousing	575	-10%	481	84%
Mining and logging	68	-10%	8	12%
Information	281	-10%	103	37%
Wholesale trade	409	-7%	217	53%
Government	1,009	-4%	14	1%
Financial activities	279	-3%	204	73%
Utilities	4	-1%	(4)	-100%
Total	22,361	-15%	15,598	70%

Note: Percentage is share of industry employment. Job losses in thousands.

** Motor vehicles and parts is a subsector of the manufacturing industry and has been excluded from the calculation of the totals in the table. Next update on May 7.

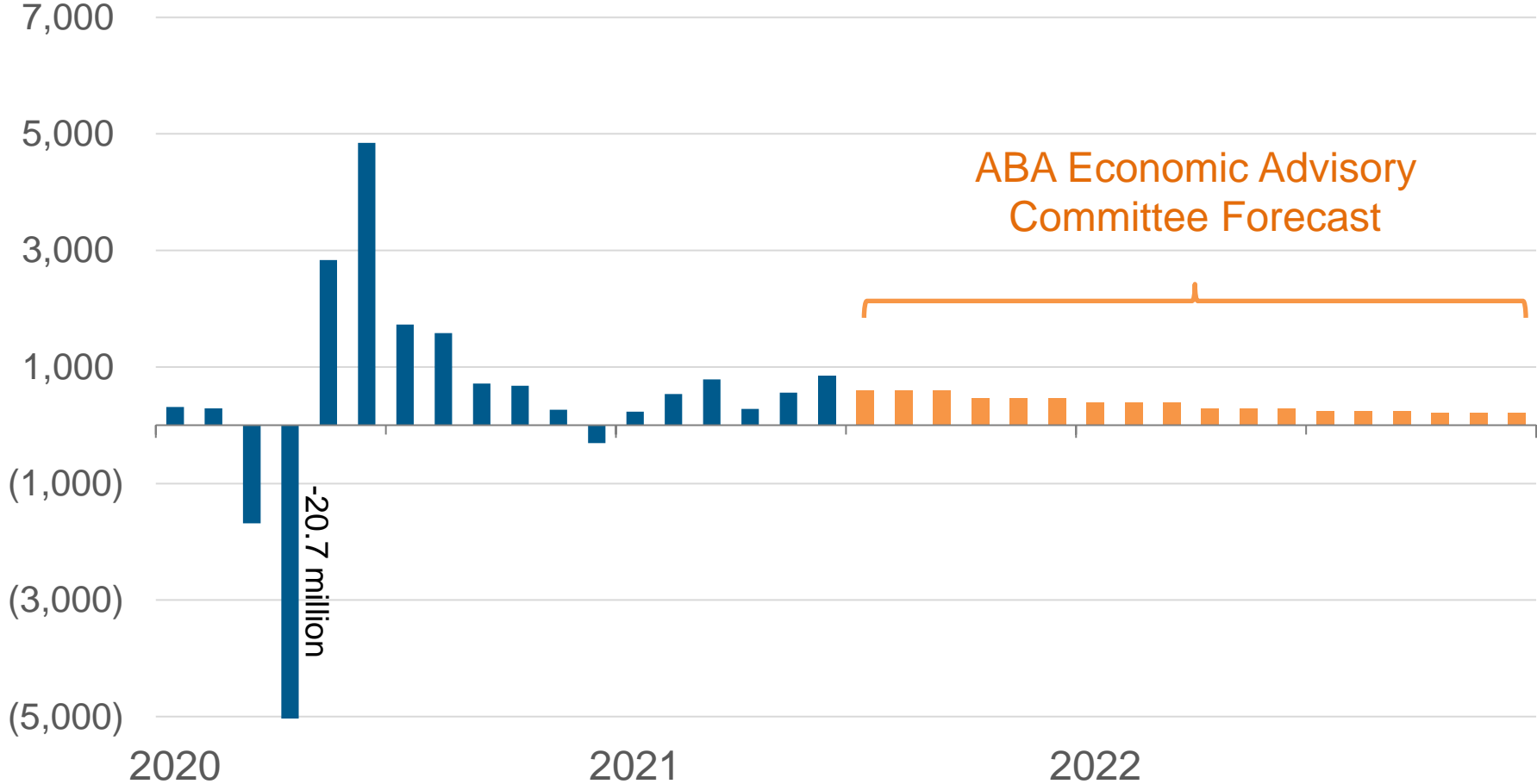
Source: US Bureau of Labor Statistics, EY analysis.



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Nonfarm Payrolls

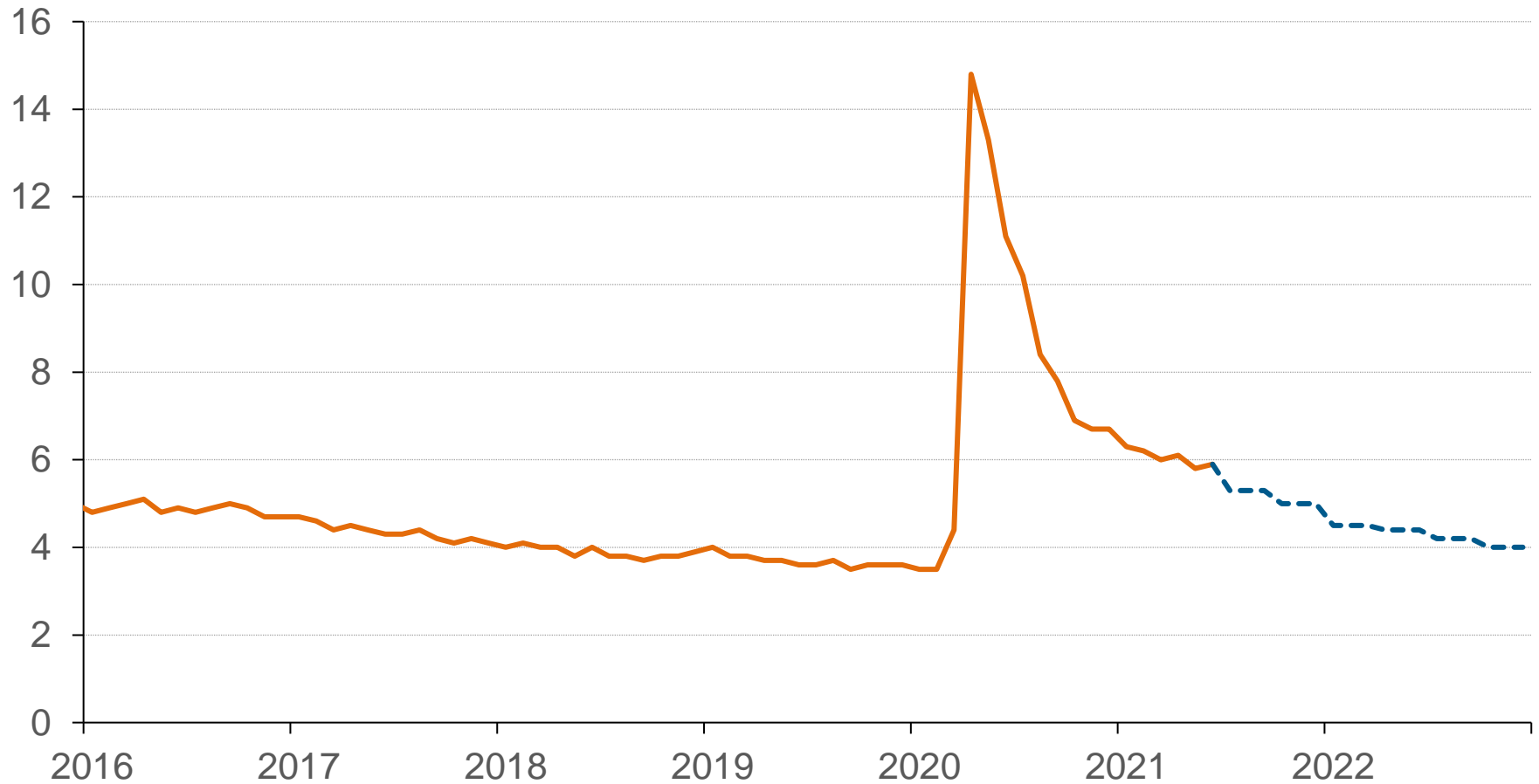
Thousands



Source: U.S. Bureau of Labor Statistics

EAC Projects Full Employment by Q4 2022

Percent

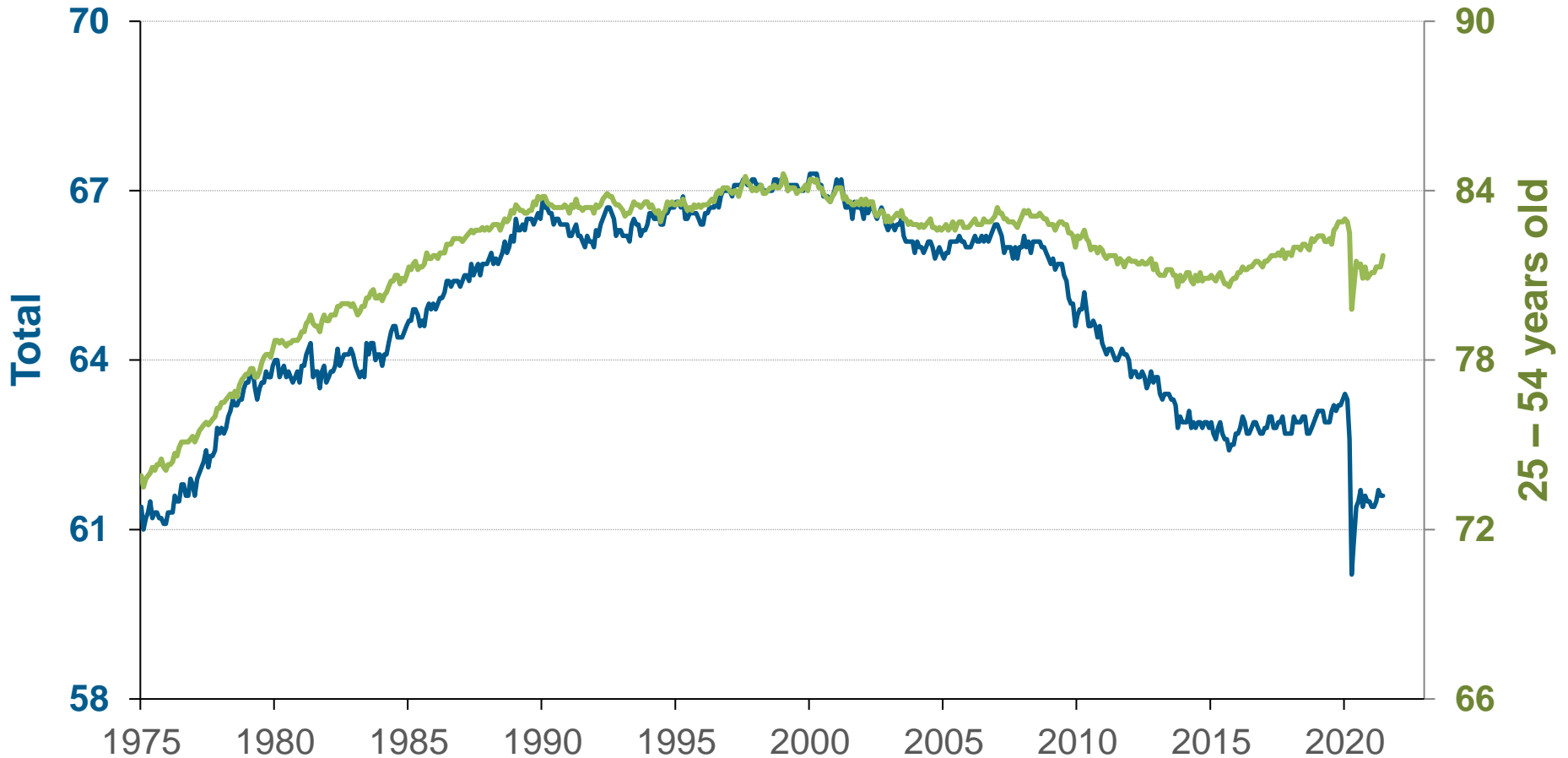


Source: U.S. Bureau of Labor Statistics



Labor Market Scarring

Labor force participation rate (%)



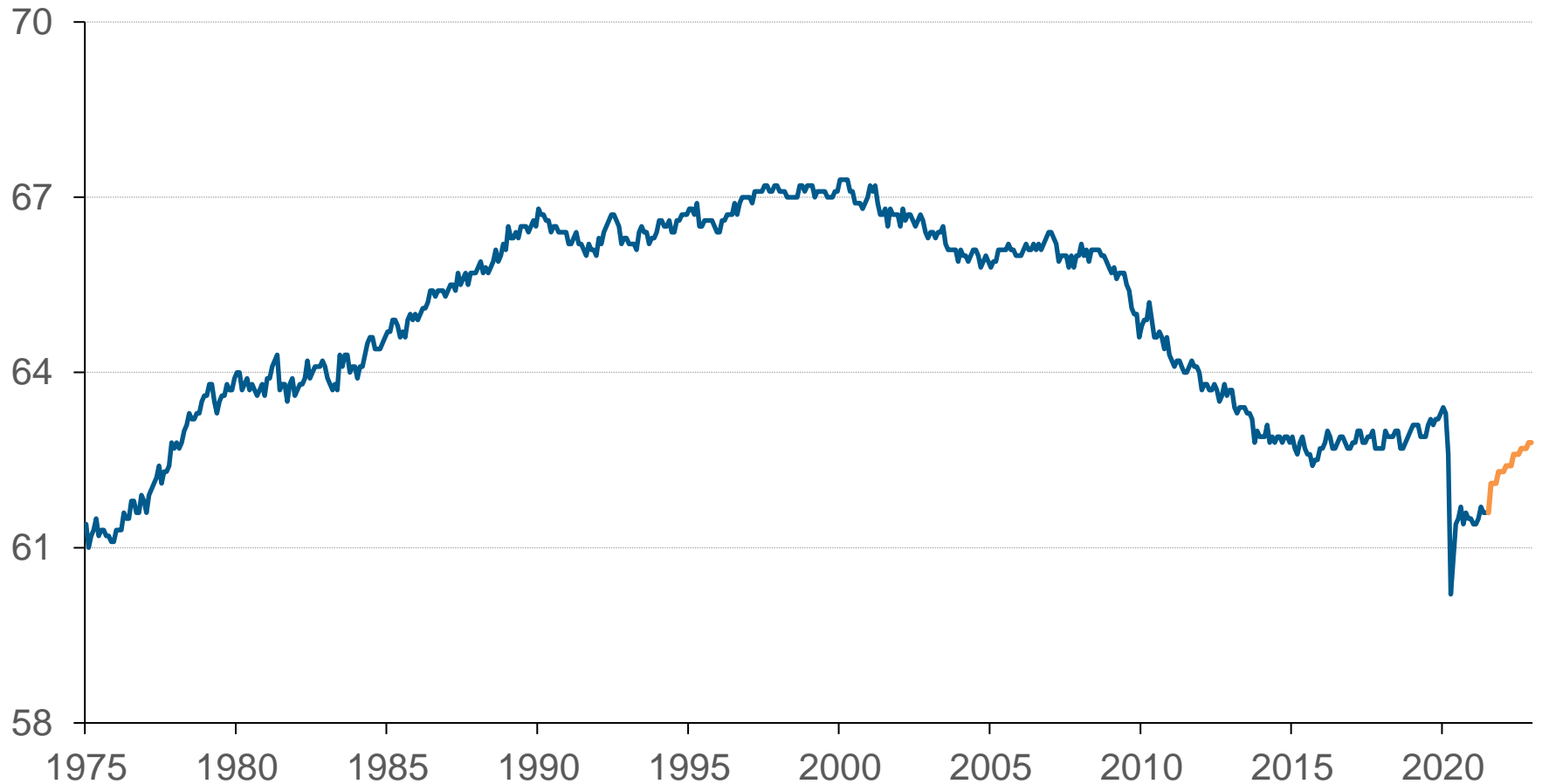
Source: U.S. Bureau of Labor Statistics



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Labor Market Scarring

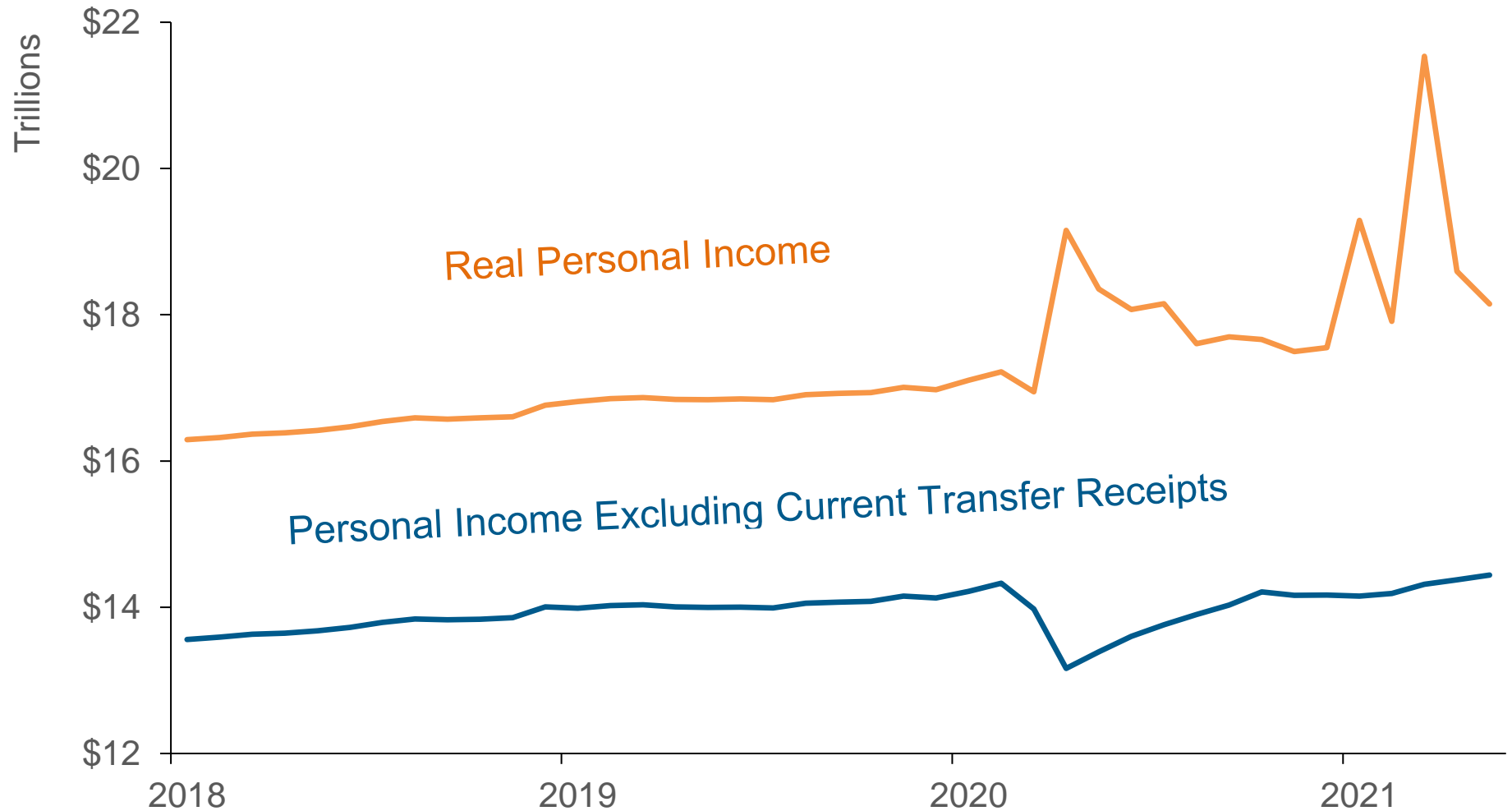
Labor force participation rate (%)



Source: U.S. Bureau of Labor Statistics

CONSUMER CONFIDENCE

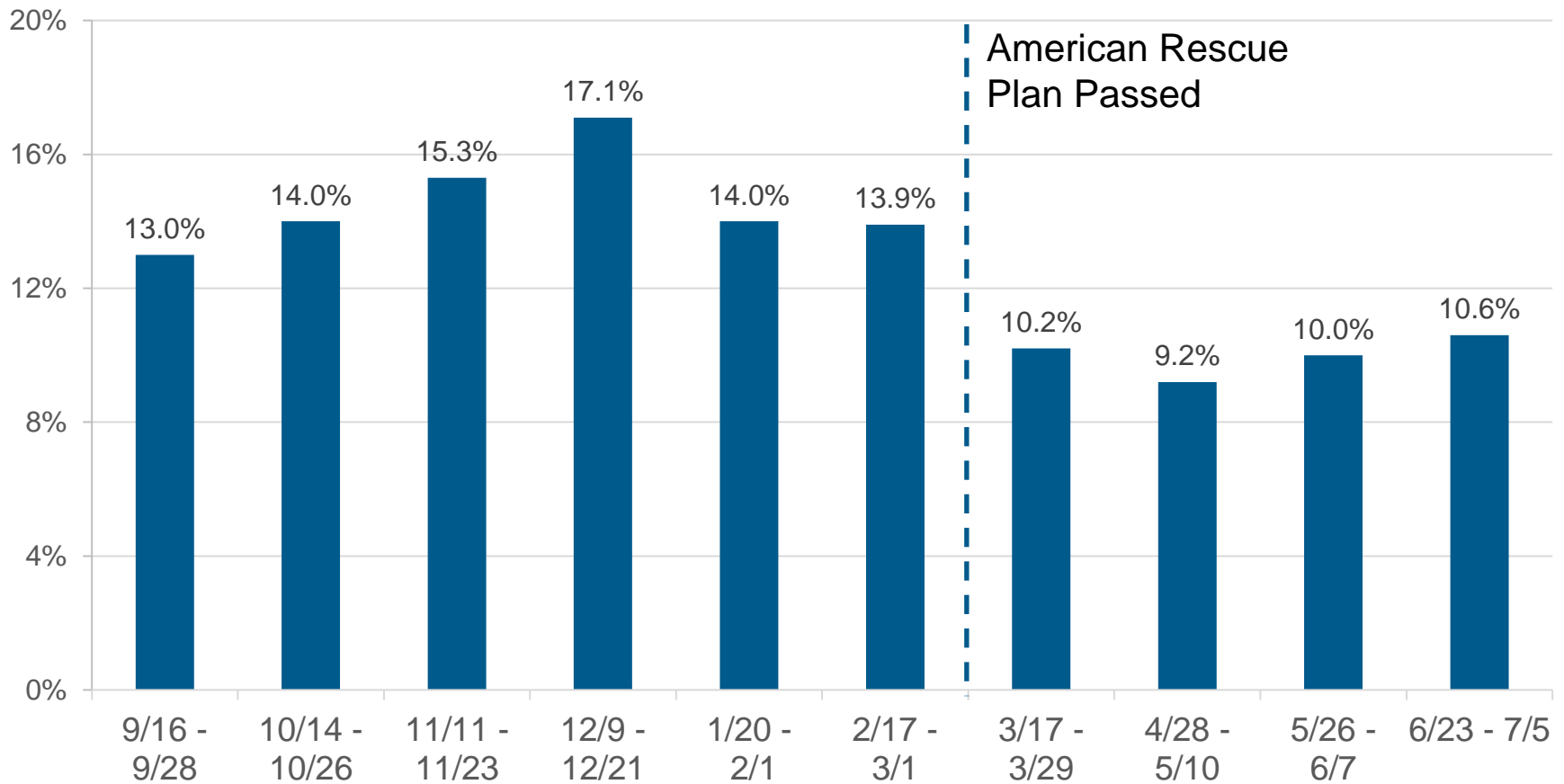
Government Payments Replaced Lost Income



Source: U.S. Bureau of Economic Analysis

Consumer Stress Declines

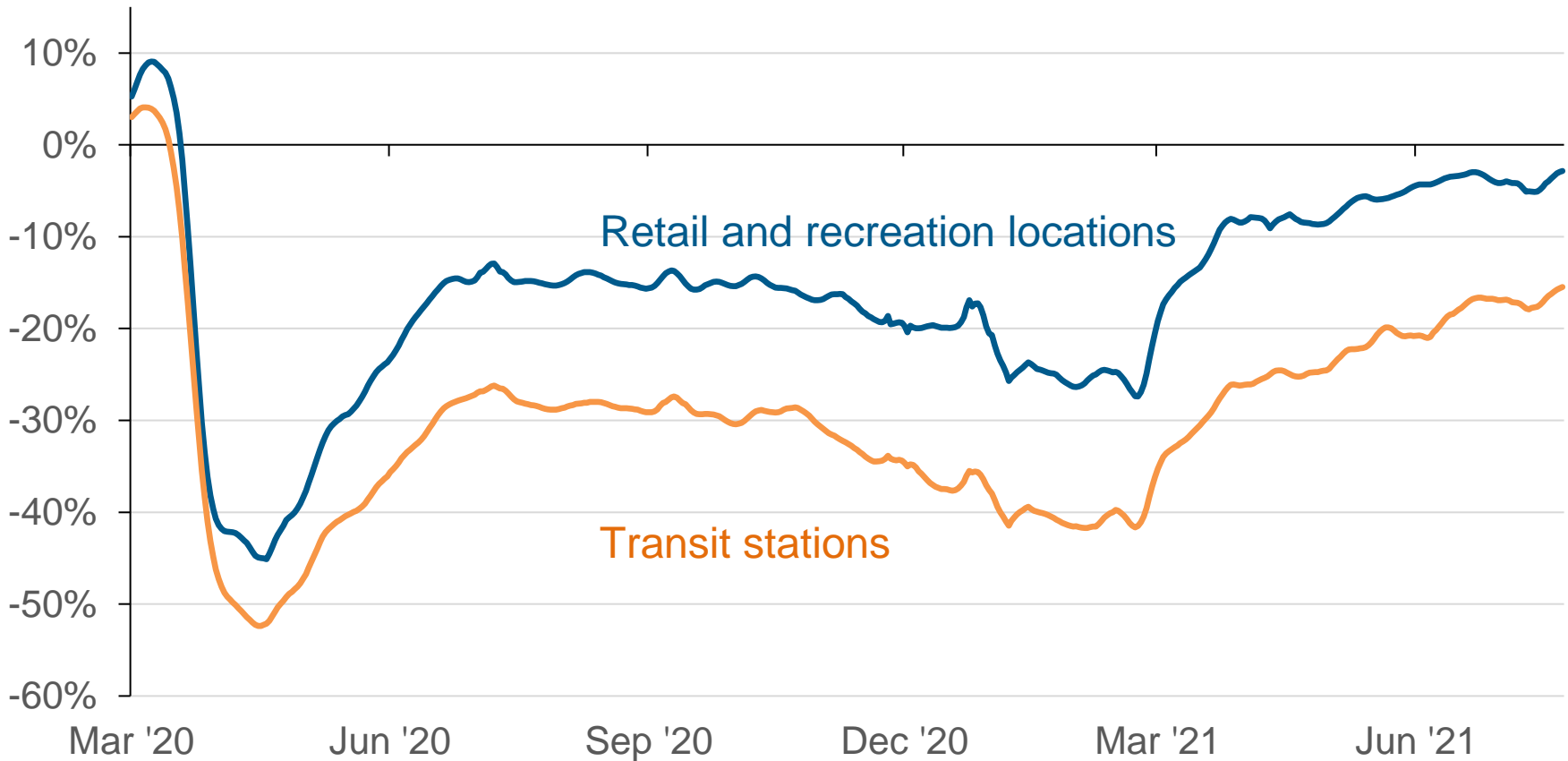
% of households saying "very difficult" paying usual expenses



Source: Census Household Pulse Survey

More People Venturing Outside

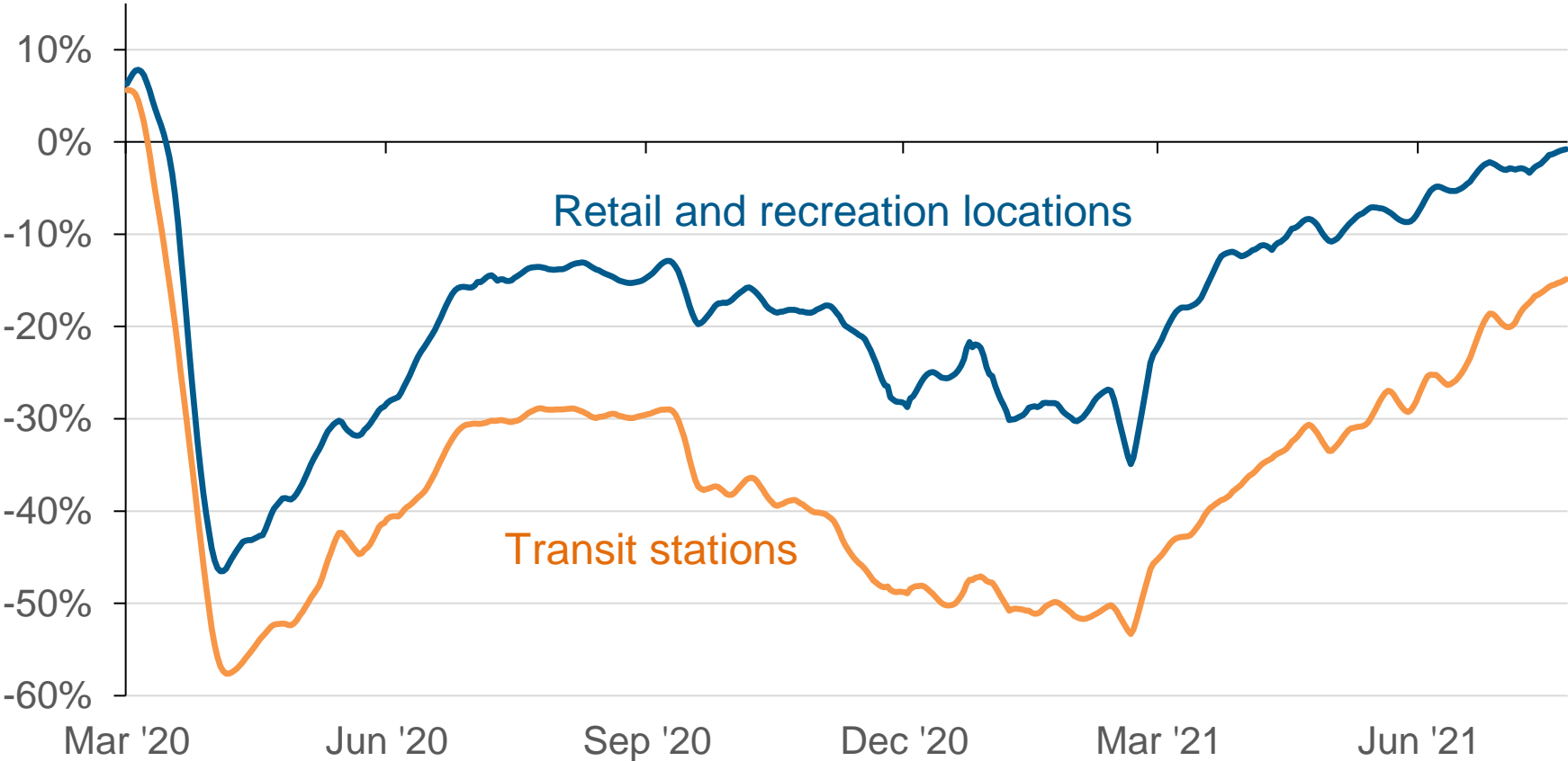
Change in average time spent outside home, indexed to Jan 3 - Feb 6, 2020, and seasonally adjusted (7-day moving average)



Source: Google COVID-19 Community Mobility Reports

Washington: Time Away from Home

Change in average time spent outside home, indexed to Jan 3 - Feb 6, 2020, and seasonally adjusted (7-day moving average)

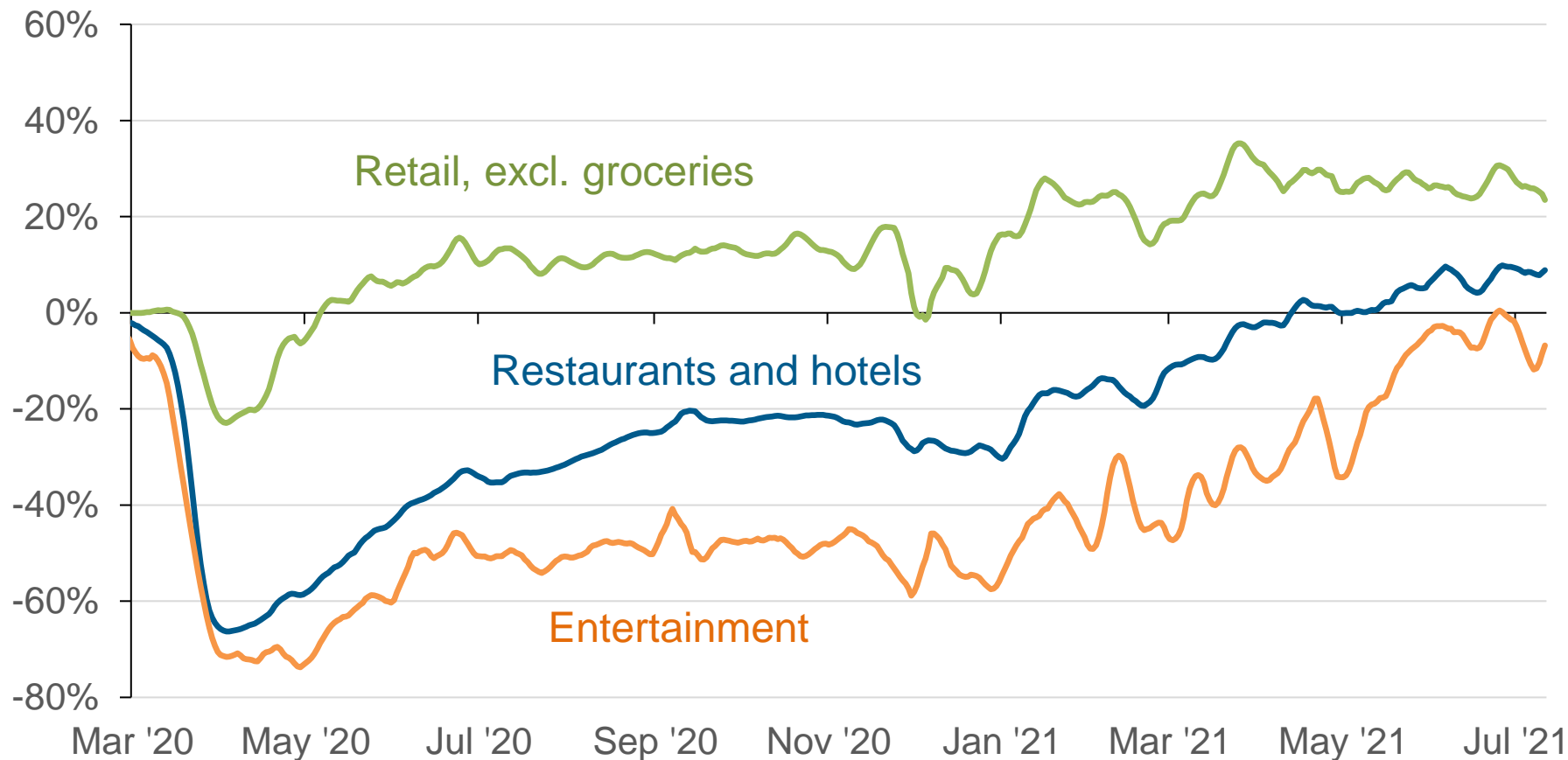


Source: Google COVID-19 Community Mobility Reports



Consumer Spending Continues to Recover

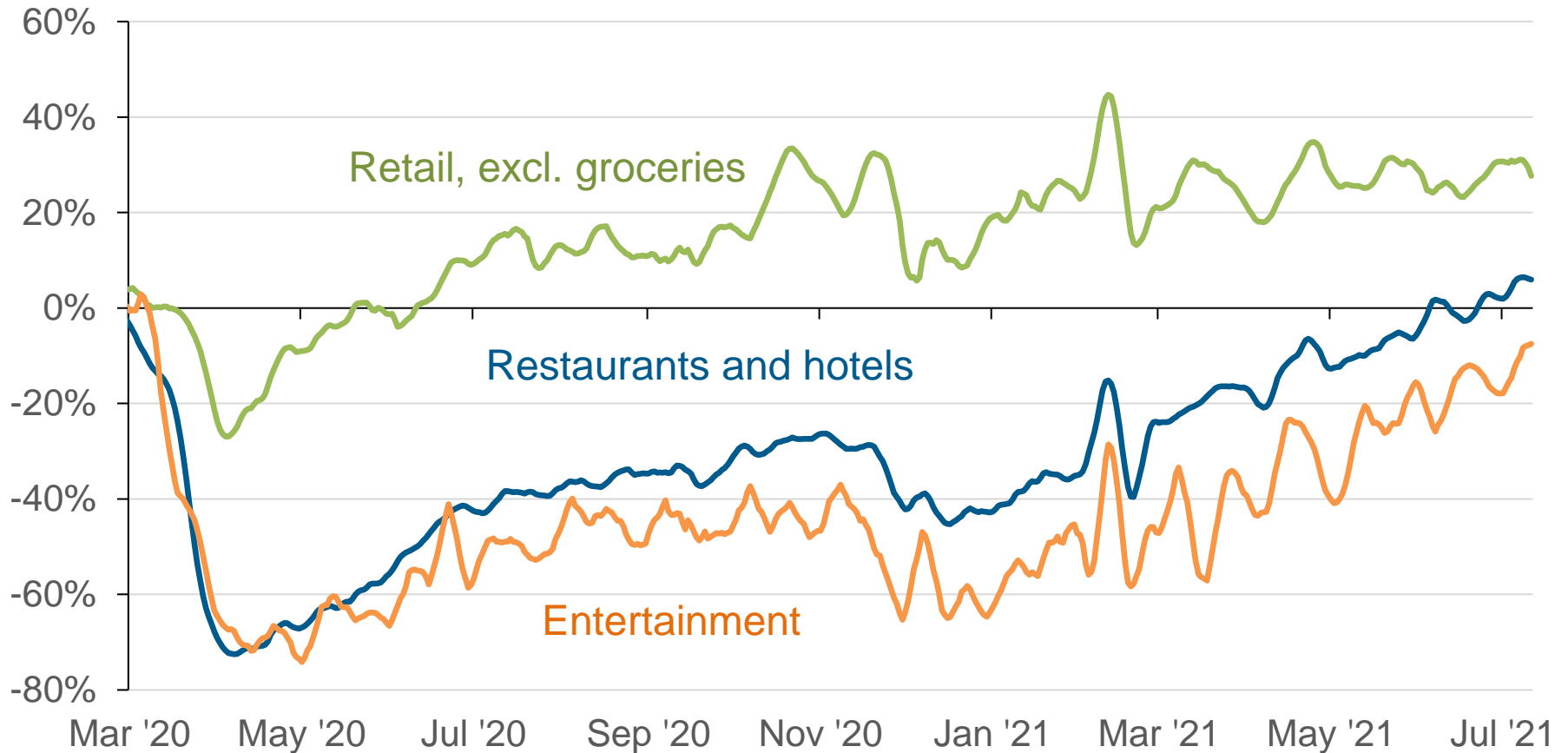
Change in average consumer spending, indexed to Jan 4-31, 2020, and seasonally adjusted (7-day moving average)



Source: Affinity Solutions

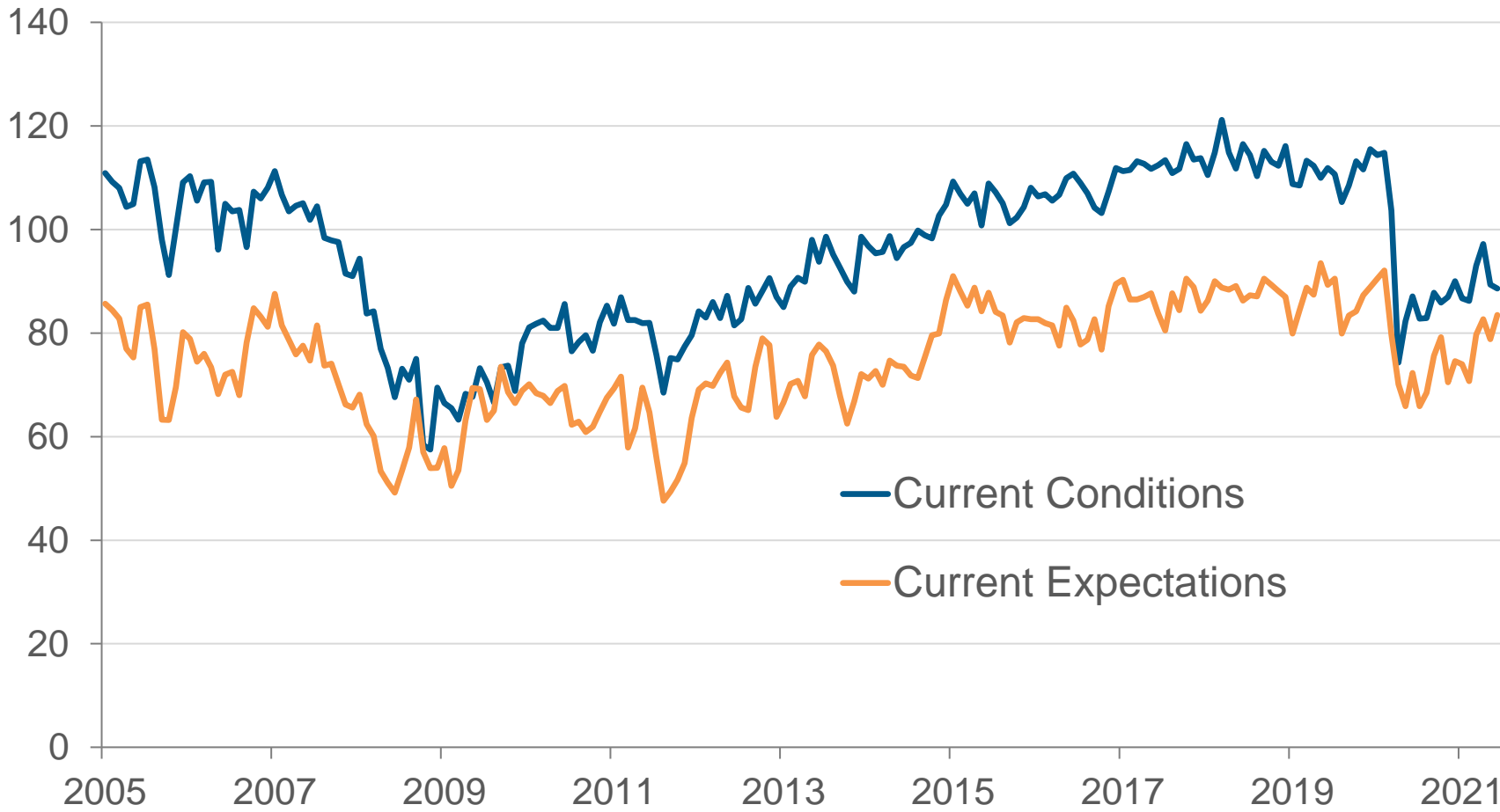
Washington: Consumer Spending

Change in average consumer spending, indexed to Jan 4-31, 2020, and seasonally adjusted (7-day moving average)



Source: Affinity Solutions

Inflation Concerns Temper Consumer Confidence

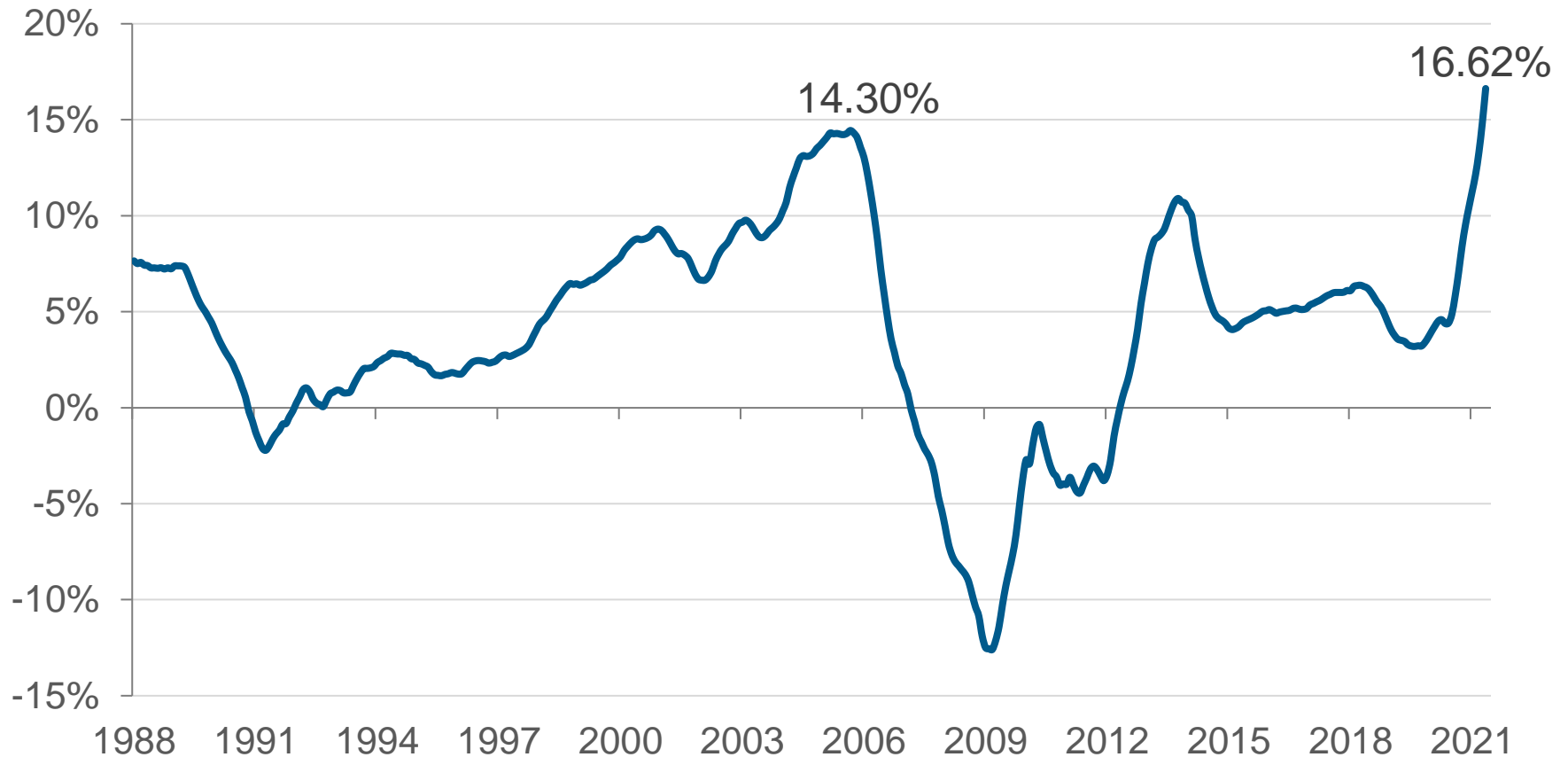


Source: University of Michigan Consumer Sentiment



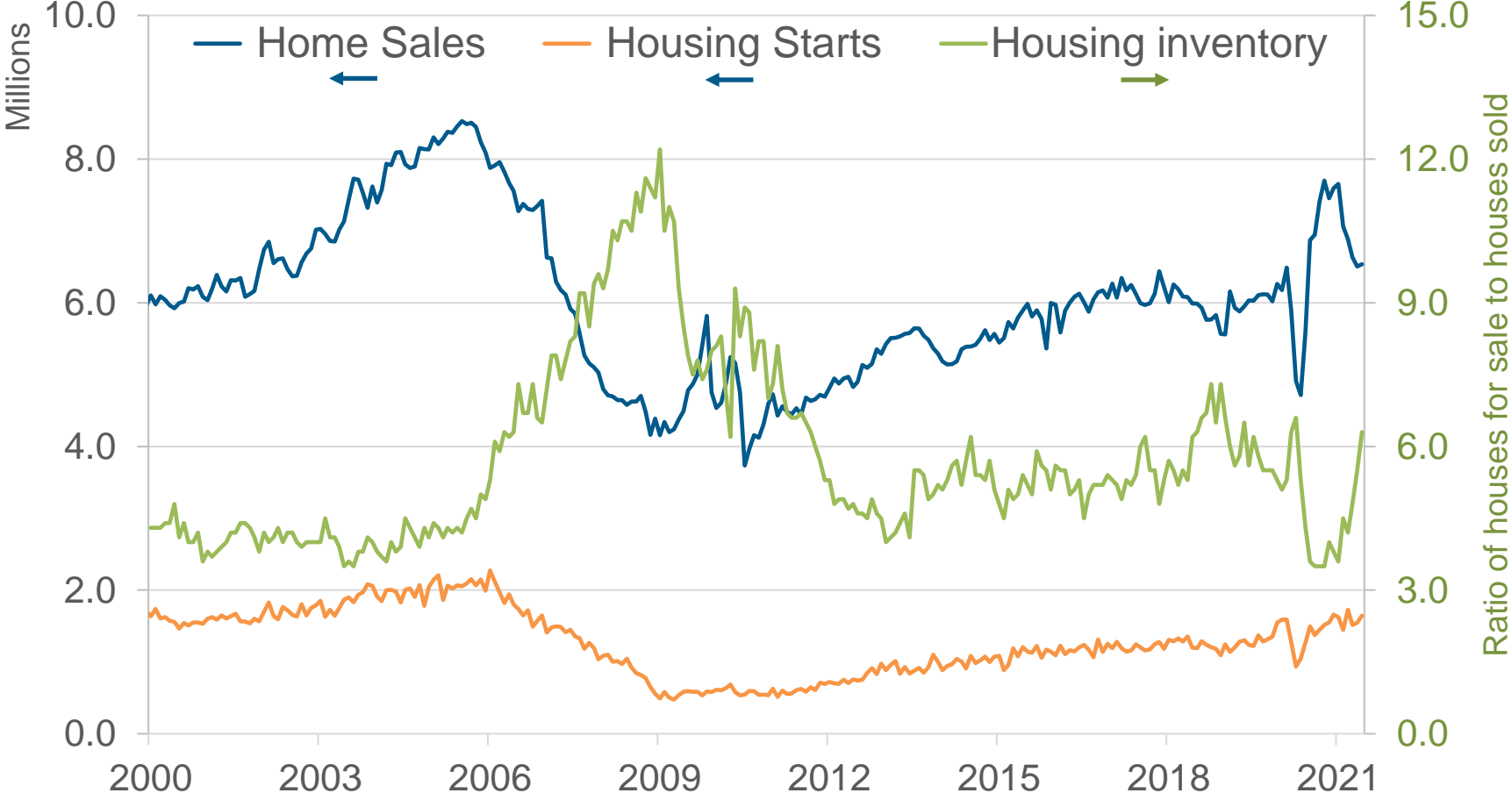
Home Price Pressures Expected to Persist

Monthly year-over-year % change



Source: S&P Case-Shiller U.S. National Home Price Index, seasonally adjusted

Housing Demand Outstrips Supply



Source: Department of Housing and Urban Development; Census Bureau; National Association of Realtors



Lumber Prices Soared in the Spring

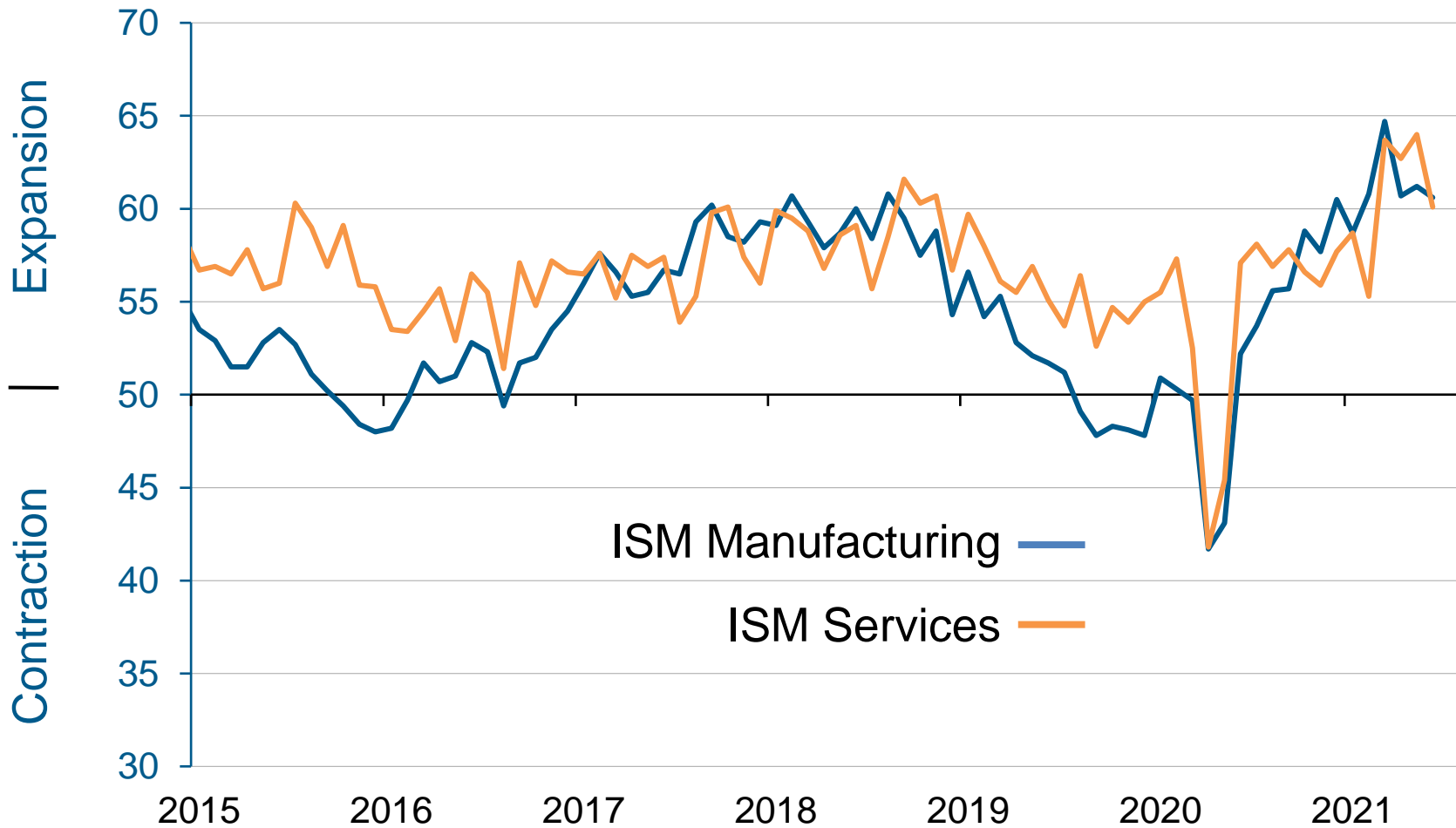
Producer Price Index: Softwood Lumber



Source: U.S. Bureau of Labor Statistics

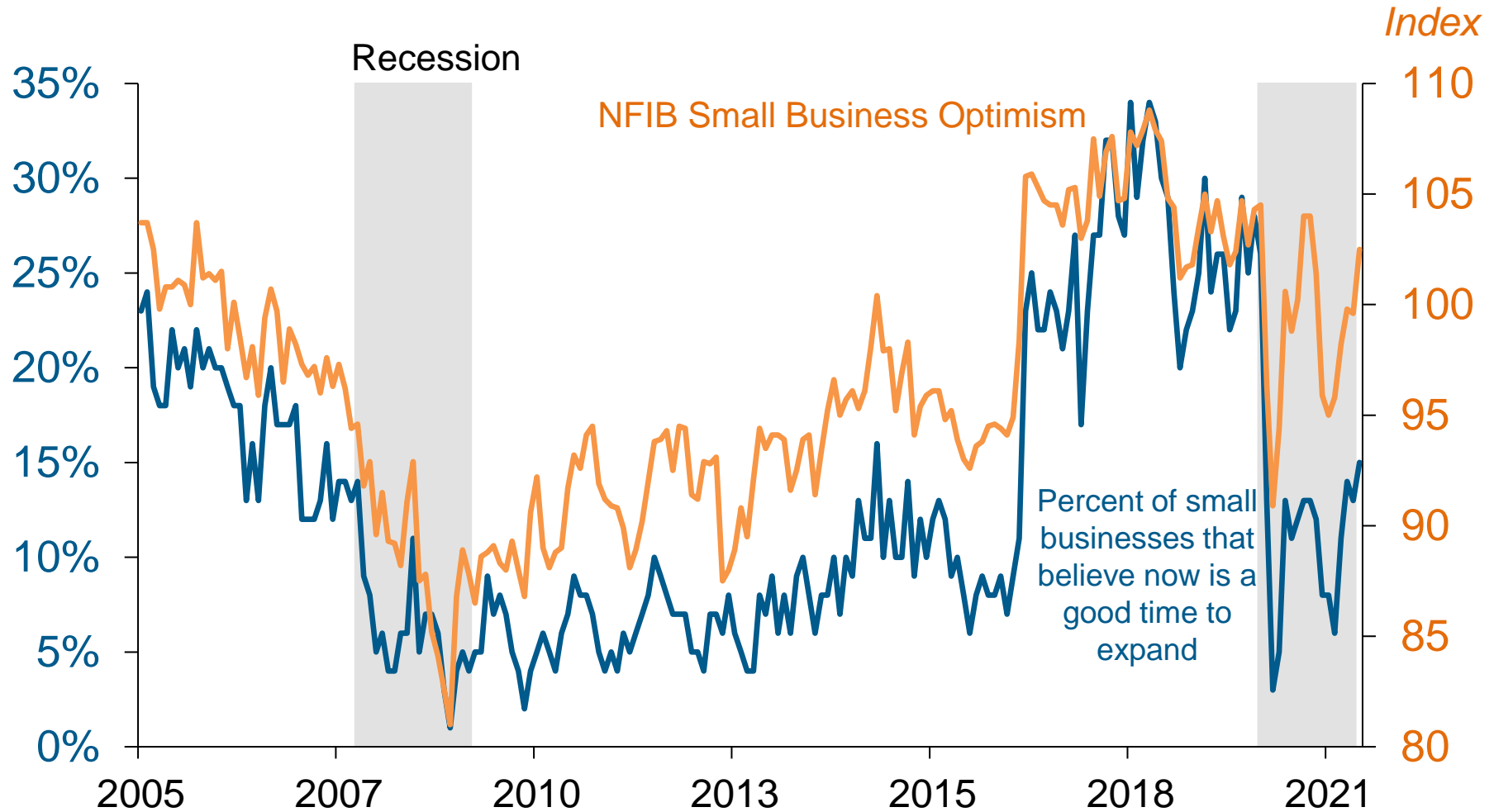
BUSINESS CONFIDENCE

Manufacturing, Services Remain Strong



Sources: Federal Reserve, Institute for Supply Mgmt.

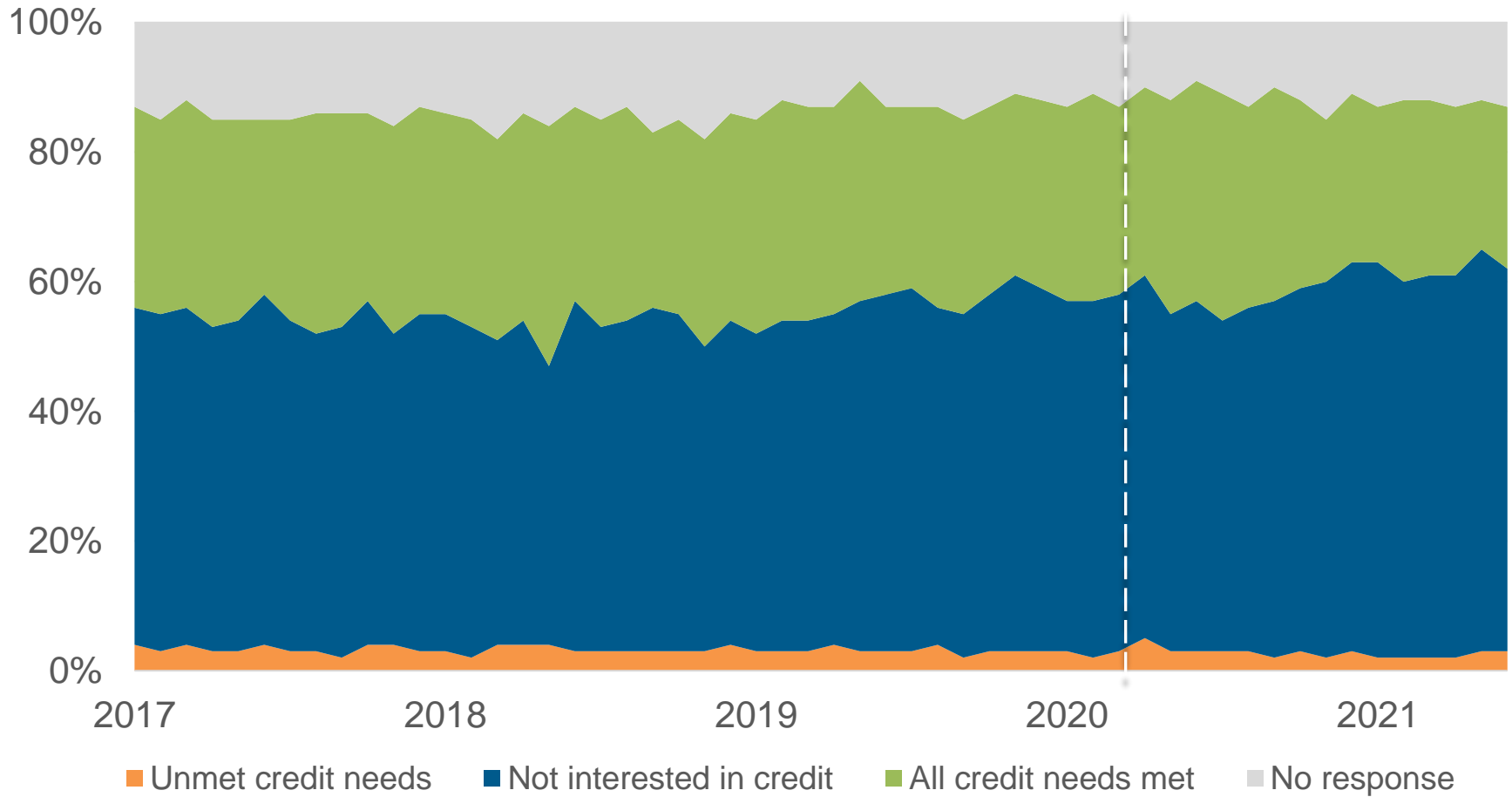
Small Business Optimism Index



Source: NFIB Small Business Economic Trends

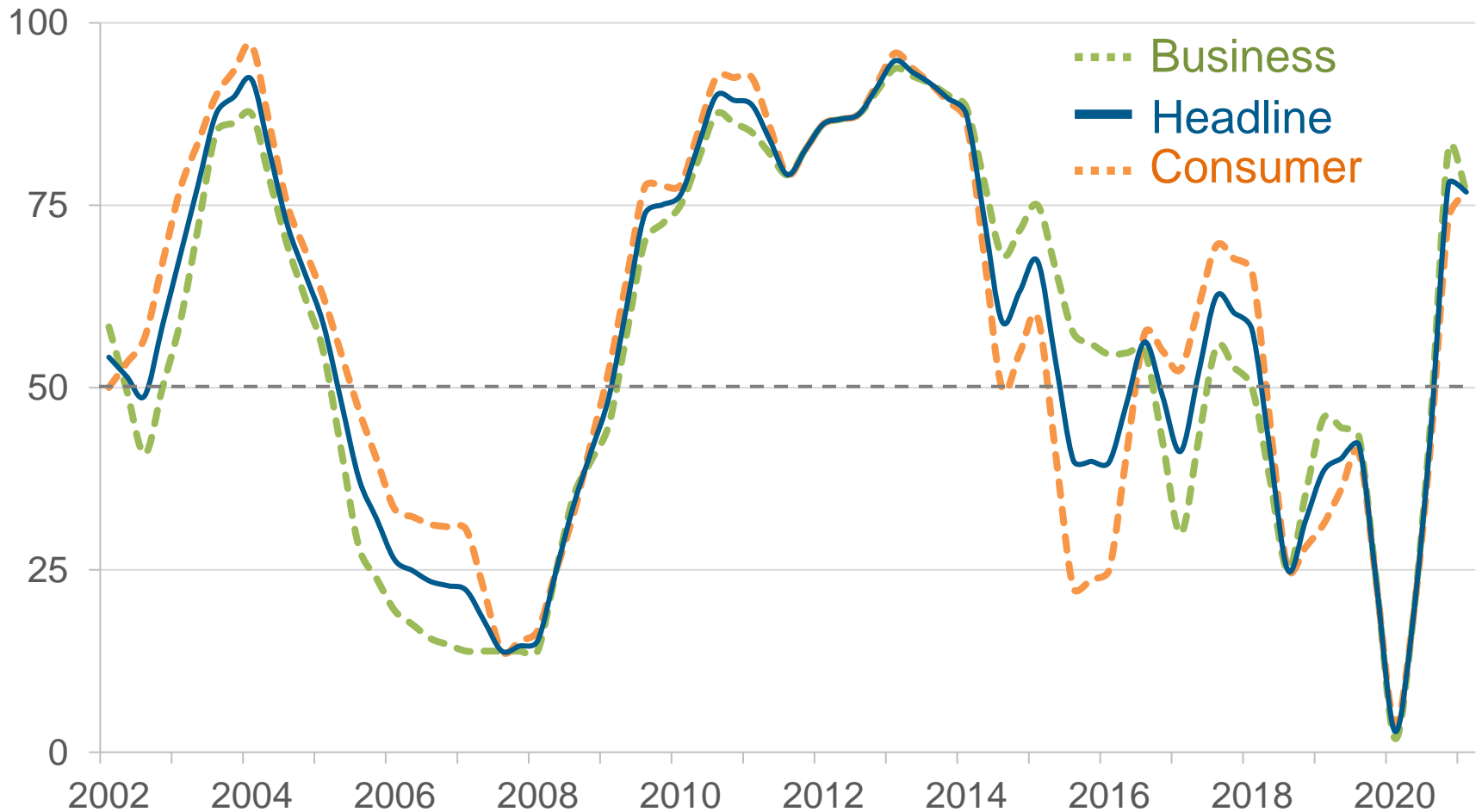
Small Businesses Loan Demand

Borrowing Needs Satisfaction, last three months



Source: NFIB Small Business Economic Trends

ABA Credit Conditions Index

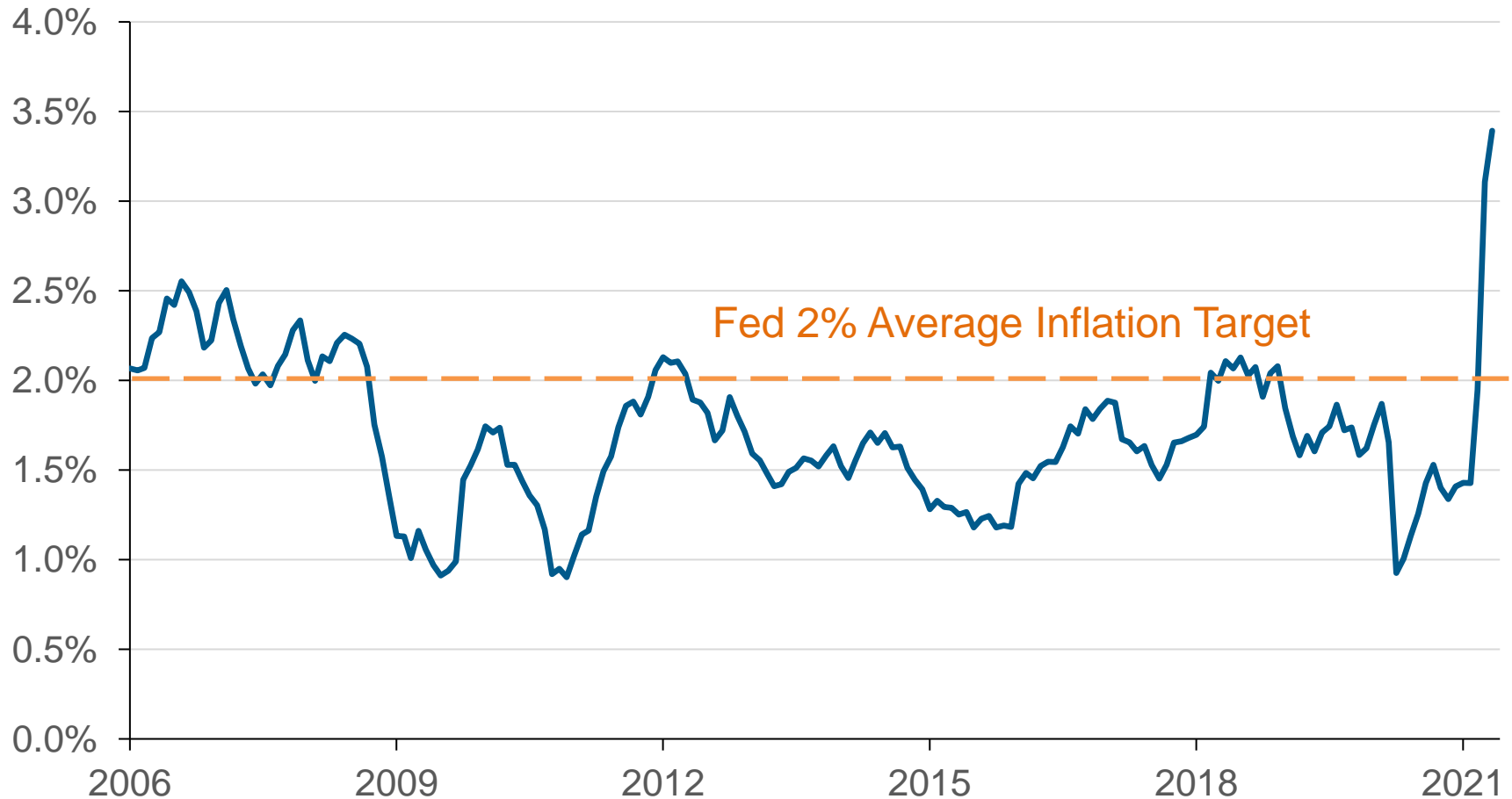


Source: ABA survey of bank economists

INFLATION TRENDS

Core PCE Rises 3.4% in May

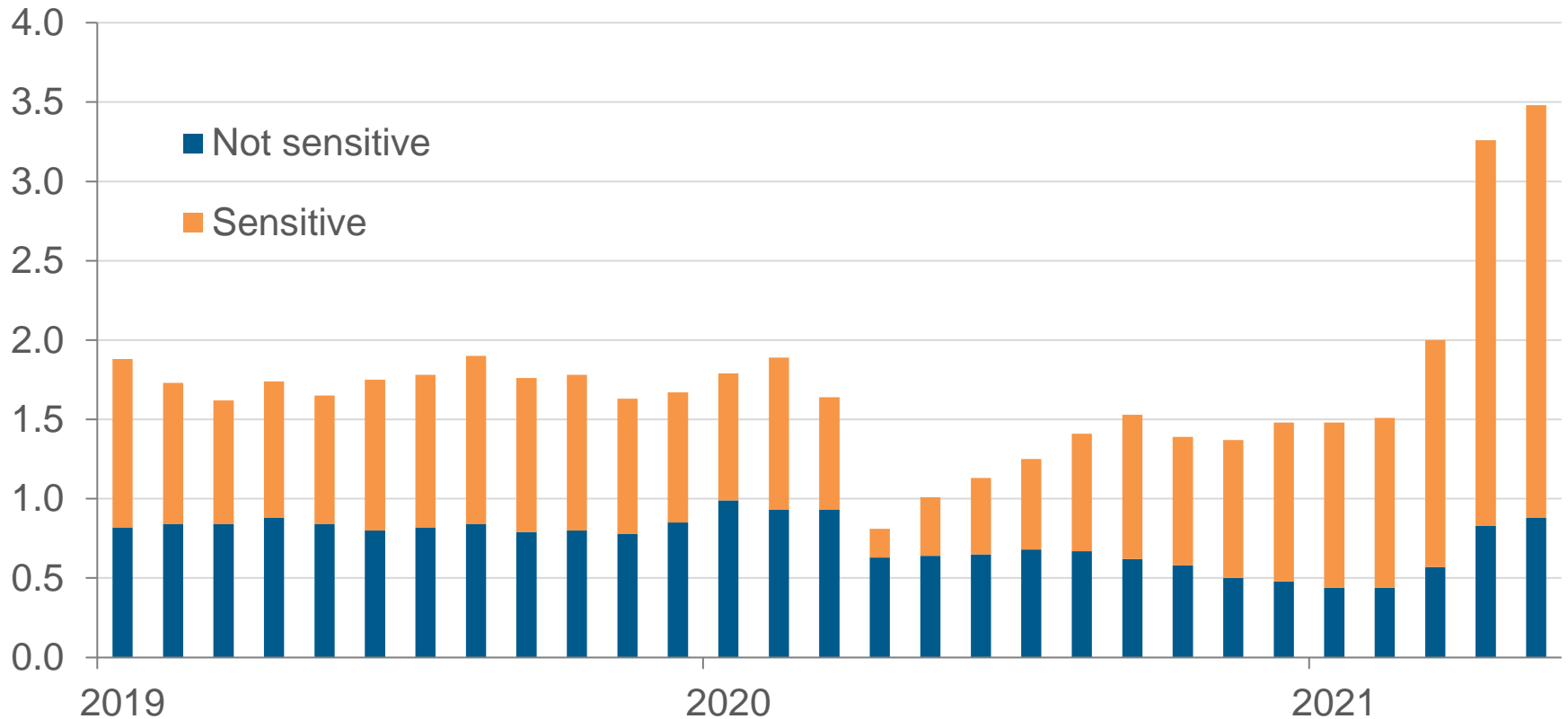
Monthly percent change from one year ago



Source: U.S. Bureau of Economic Analysis

COVID Sensitive Components of Core PCE

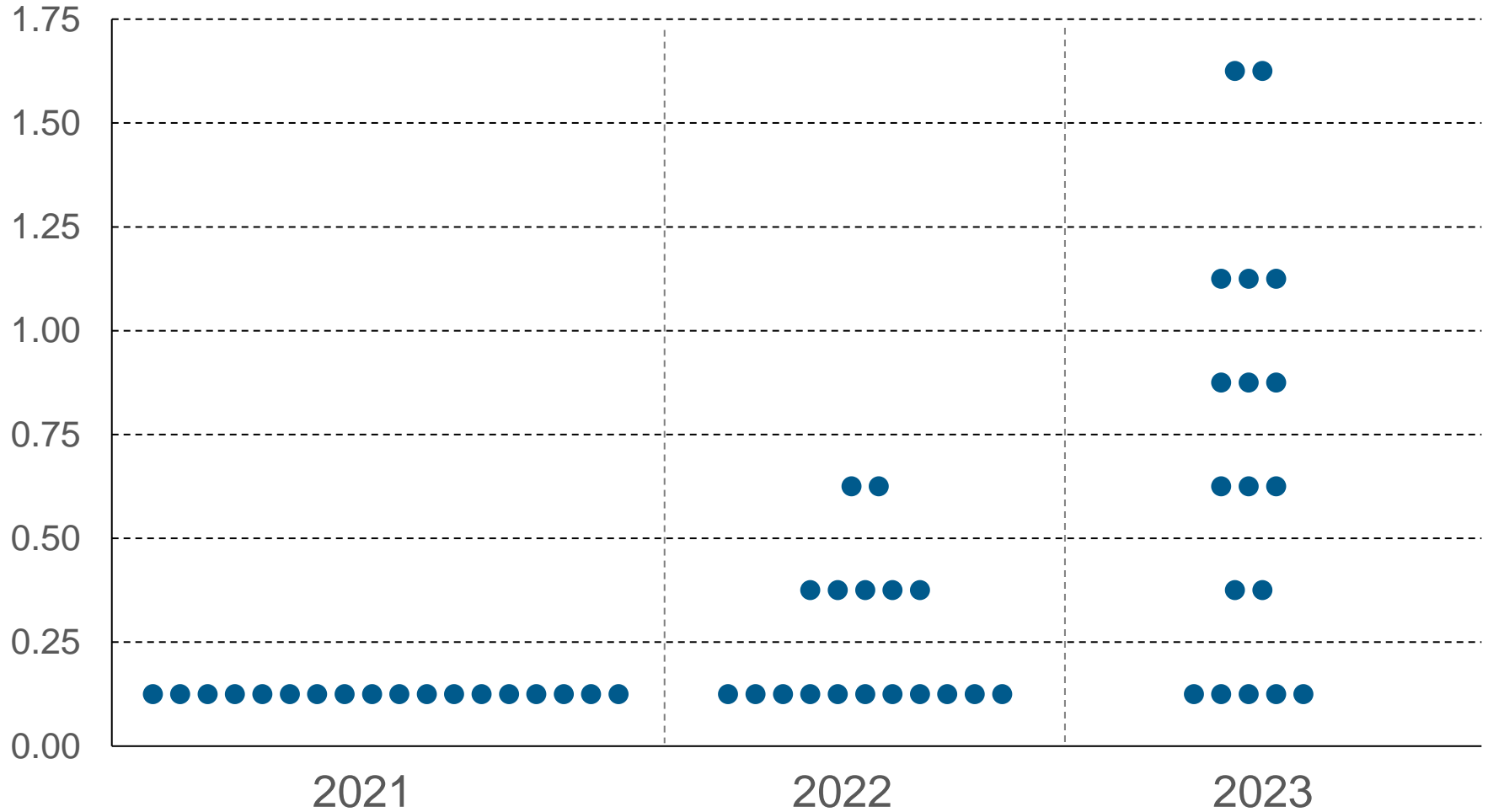
Contributions to core PCE inflation, divided between those sensitive and insensitive to economic effects of COVID-19



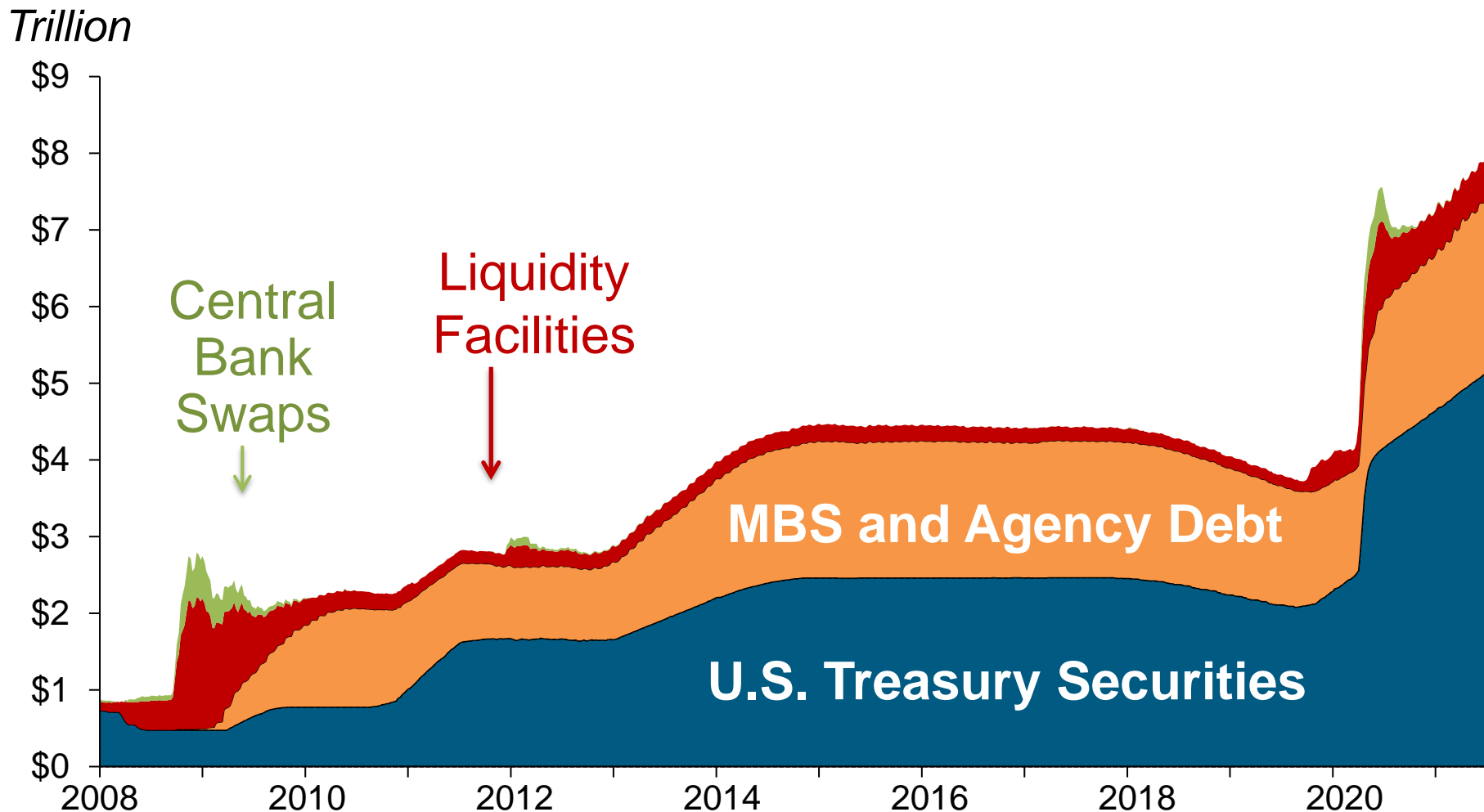
Source: Federal Reserve Bank of San Francisco

June 2021 Fed Funds Rate Target Ceiling

Percent



Fed Deploys Lending and Liquidity Facilities, Balance Sheet Balloons



Source: Federal Reserve

Risks to Economic Outlook

➤ Upside Risks

- Herd immunity sooner than expected
- Consumer spending from savings and pent-up demand
- Global economic recovery

➤ Downside Risks

- Inflation
- Lingering supply chain constraints
- COVID-19 variants cause third wave lockdowns
- Labor supply constraints

QUESTIONS?

Tyler Mondres

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