The Informed Banker
Speaker Series

HARLAND CLARKE®

Economic Update

September 19, 2019

The content for this presentation was created by Jordan van Rijn.
The views and opinions expressed herein are those of the author, Jordan van Rijn
and do not necessarily reflect those of Harland Clarke.

Presenters

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Moderator

Shelia Easley

Chief of Staff, Revenue Organization

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Overview of the economy

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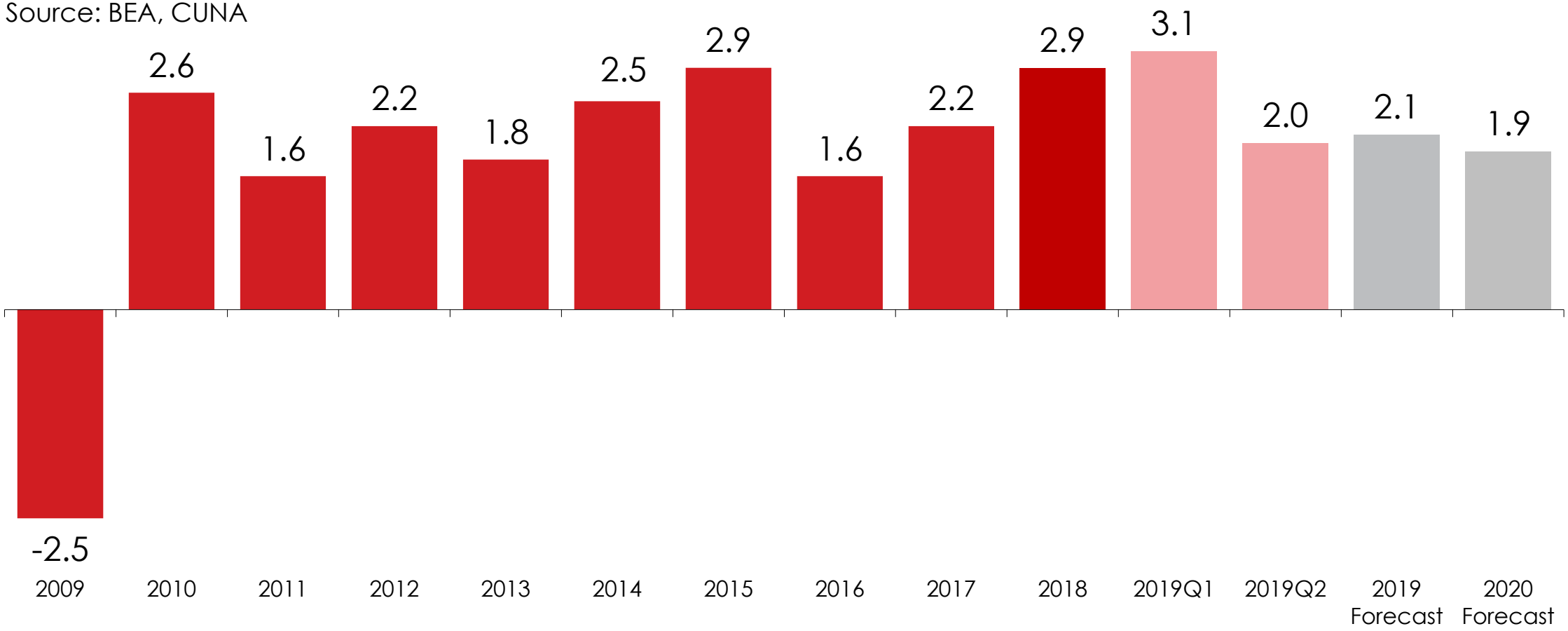
U.S. economic growth

Percent Changes in Real GDP
Source: BEA, CUNA



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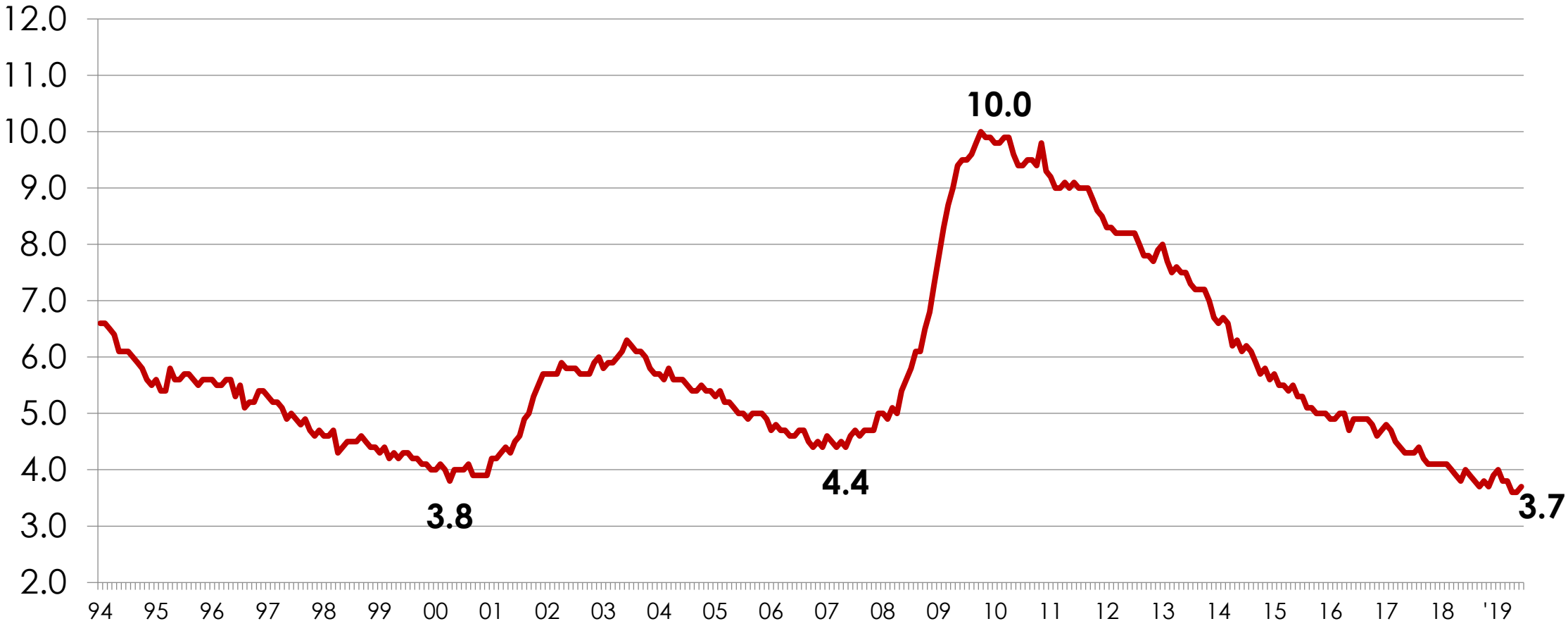
U.S. unemployment rate (%)

Source: BLS



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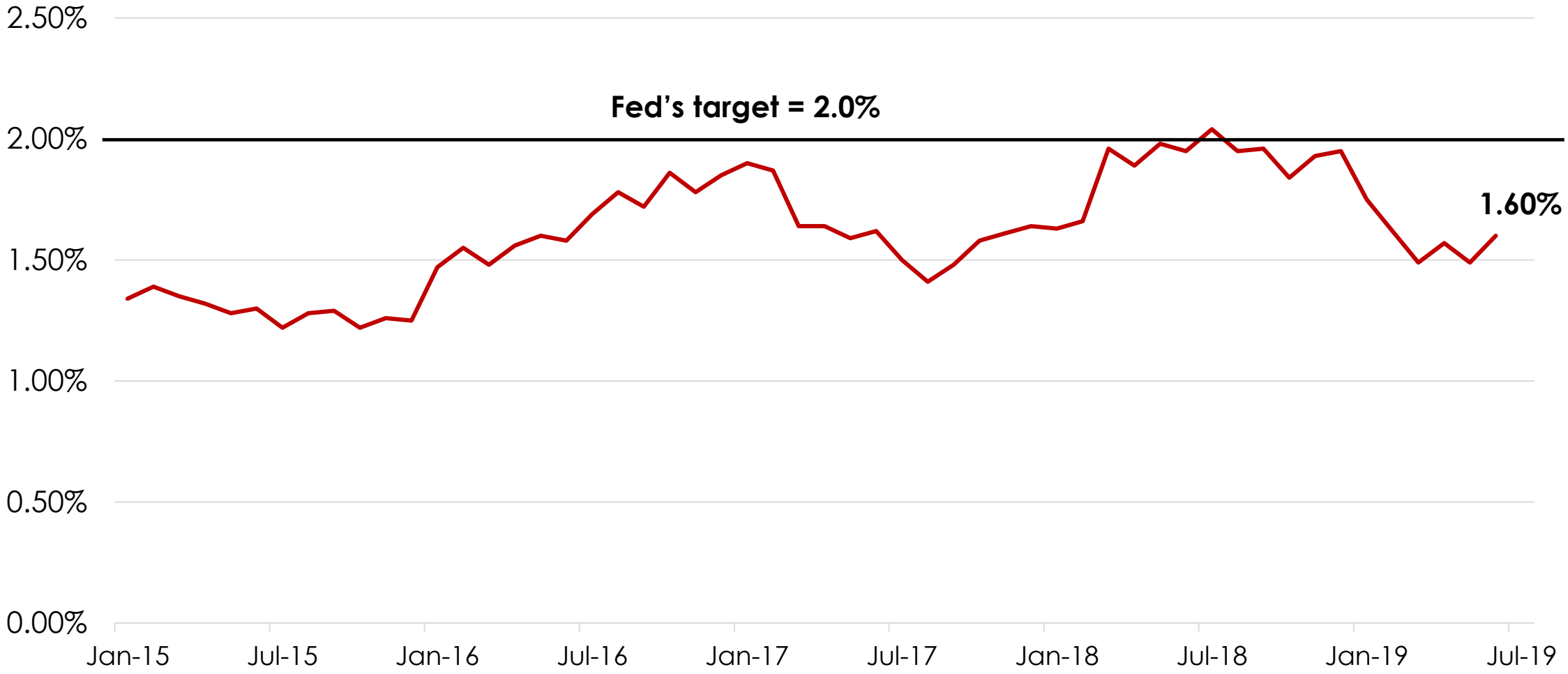
Inflation – Core PCE index

Percent change from a year ago // Bureau of Economic Analysis



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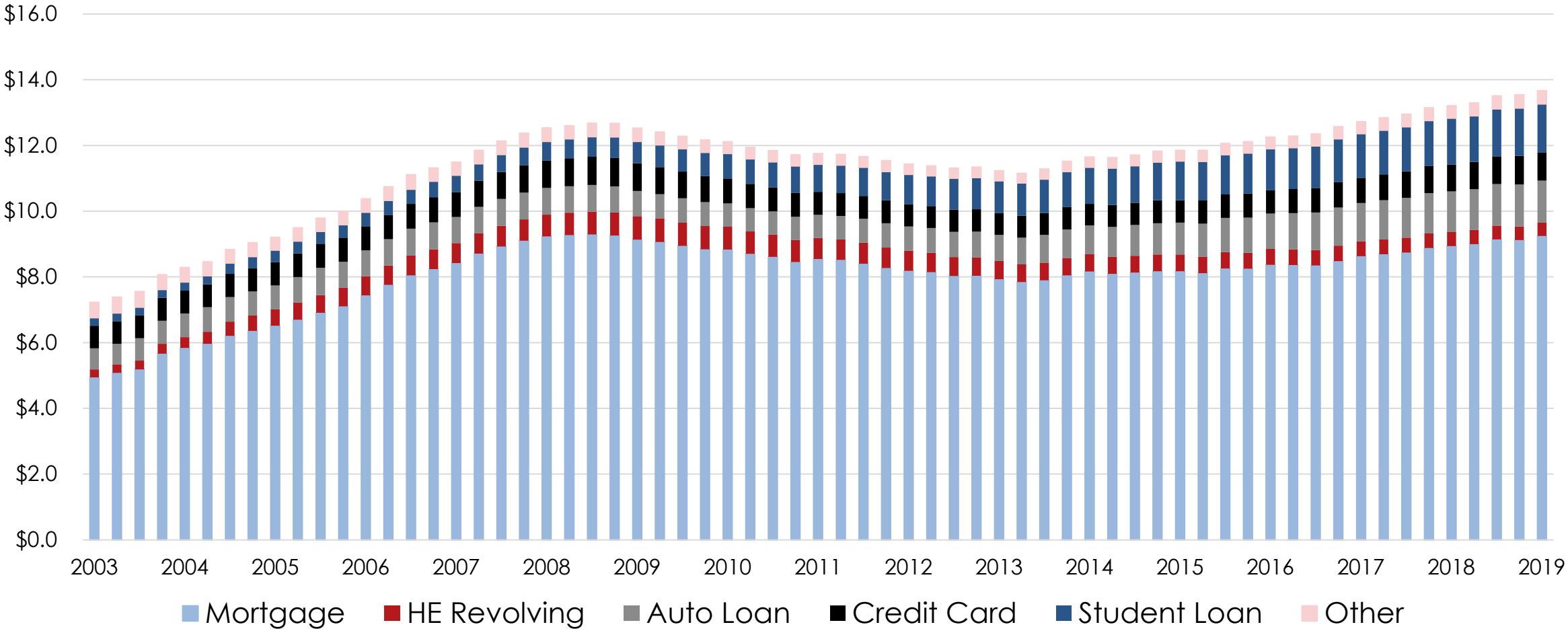
Household debt

Trillions $US, 2003-2018 // Source: Federal Reserve Bank of New York / Equifax



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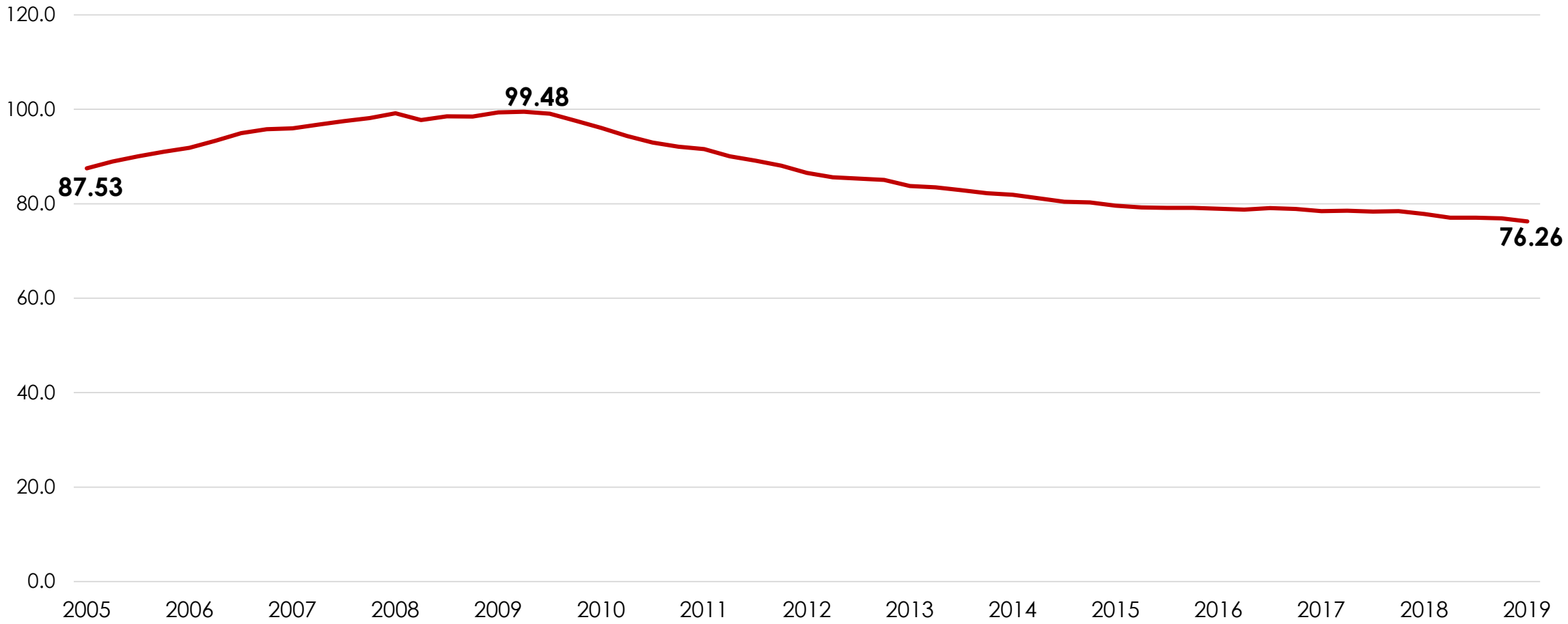
Household debt as a percent of GDP

Percent, 2005-2018 // Source: Federal Reserve Bank of St. Louis / International Monetary Fund



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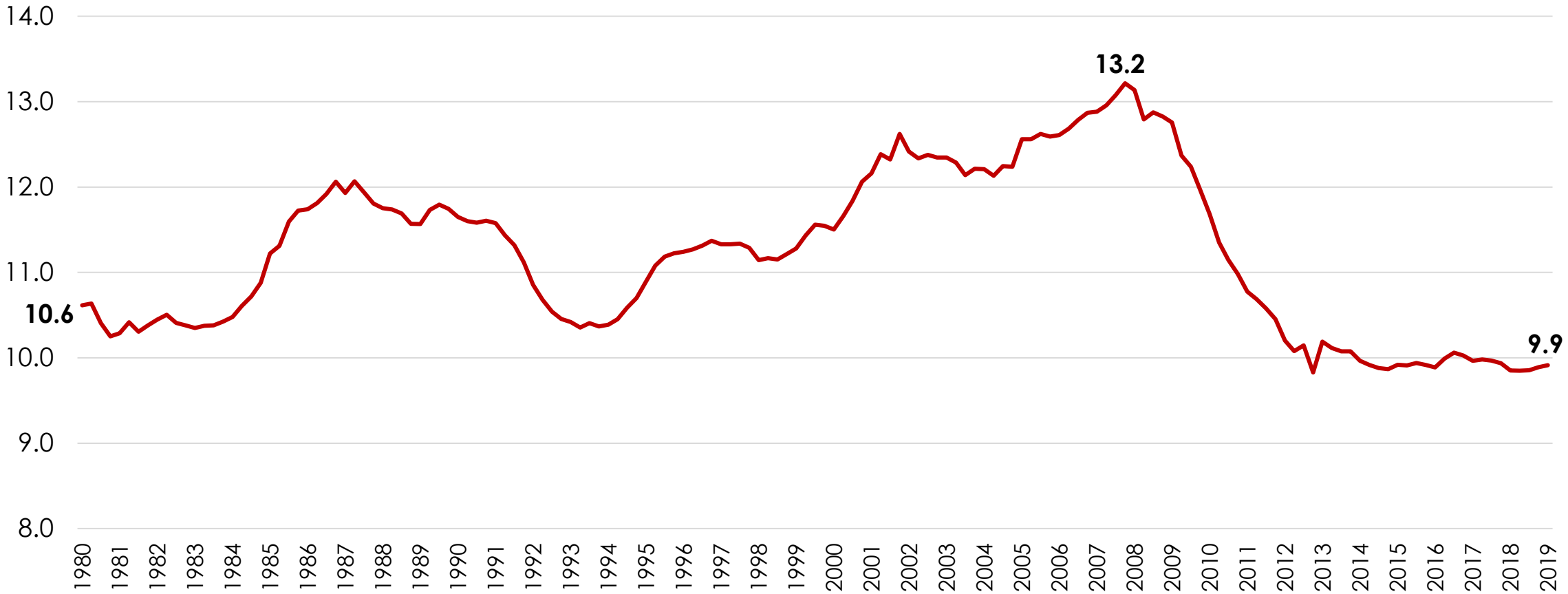
Household debt service payments as a percent of disposable personal income

Source: Federal Reserve



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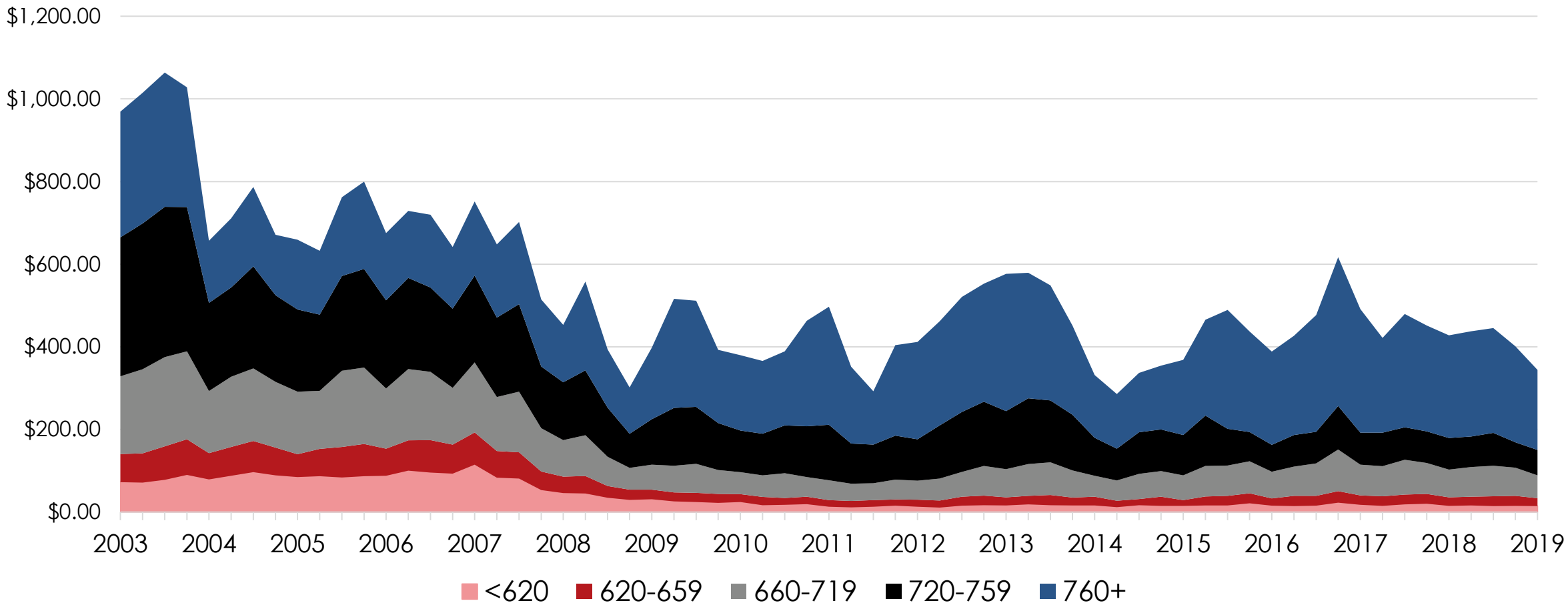
Mortgage Loan Origination by Credit Score

Billions $US // Source: Federal Reserve Bank of NY / Equifax



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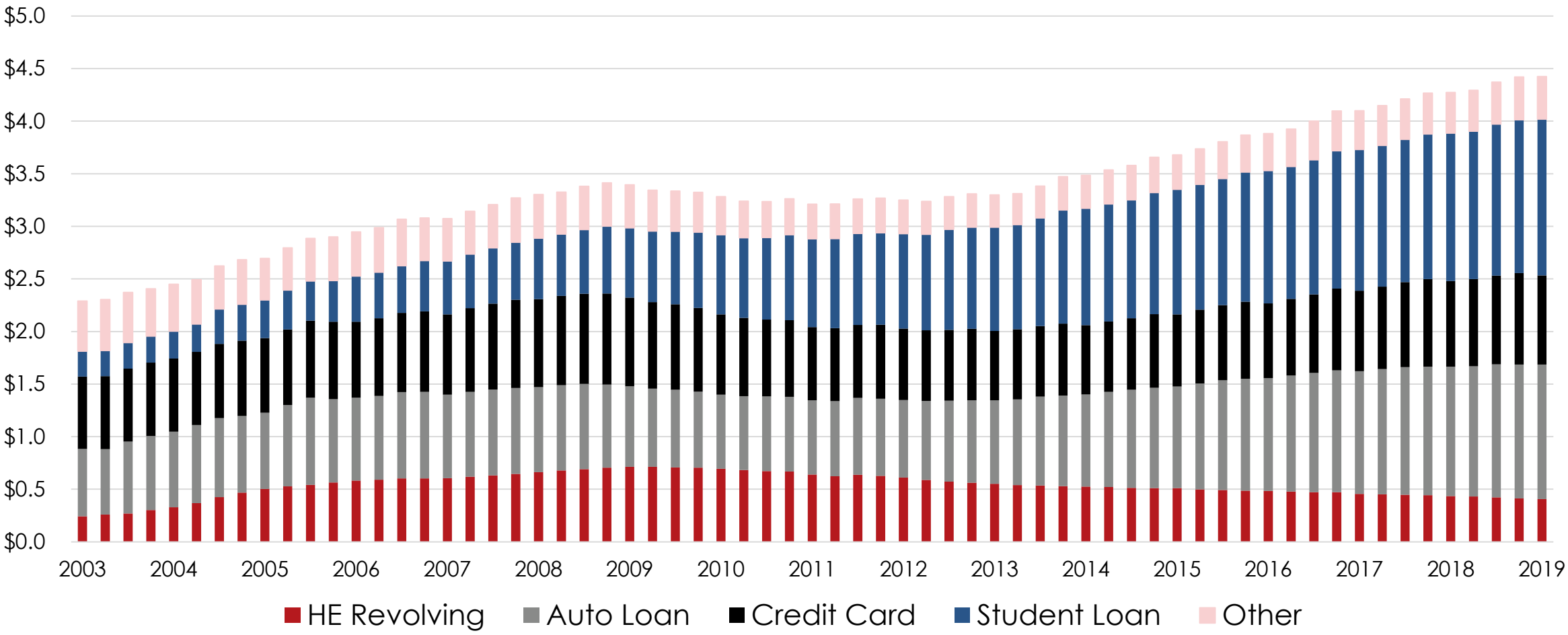
Household debt without mortgages

Trillions $US, 2003-2018 // Source: Federal Reserve Bank of New York / Equifax



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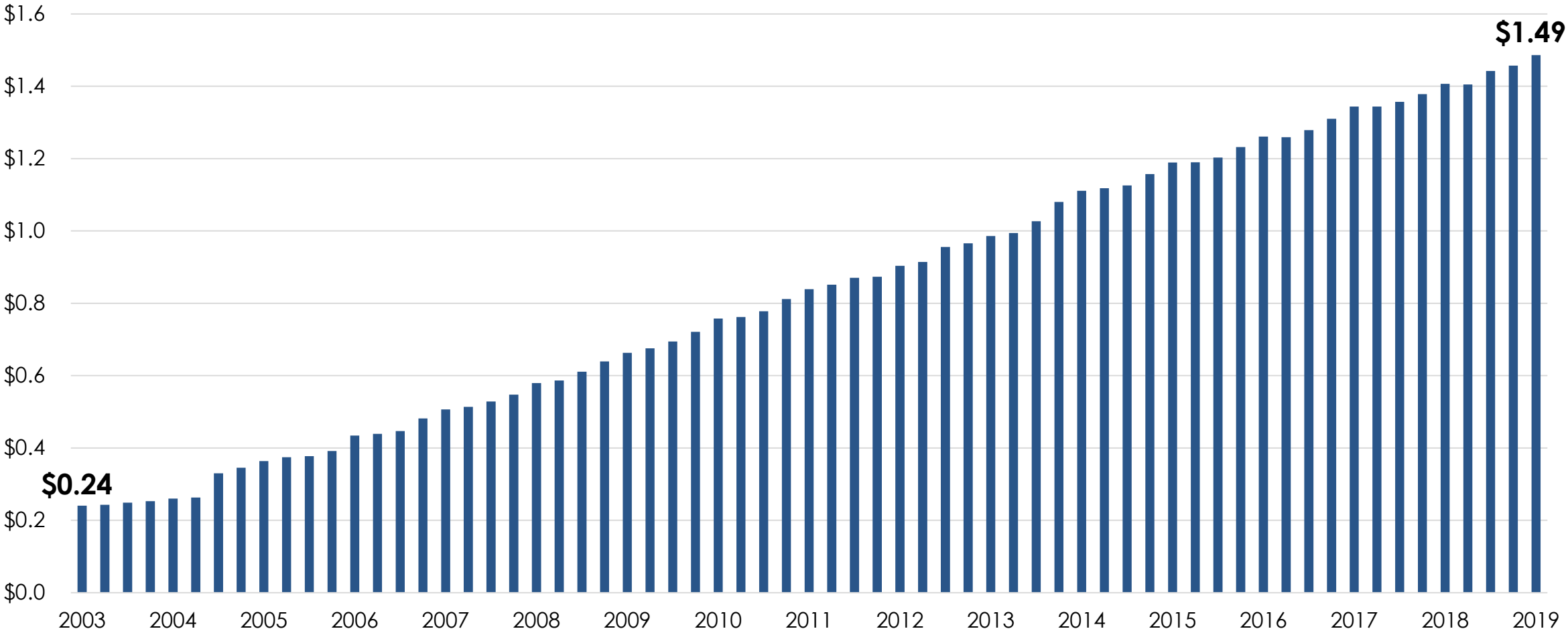
Student loan debt

Trillions $US, 2003-2018 // Source: Federal Reserve Bank of New York / Equifax



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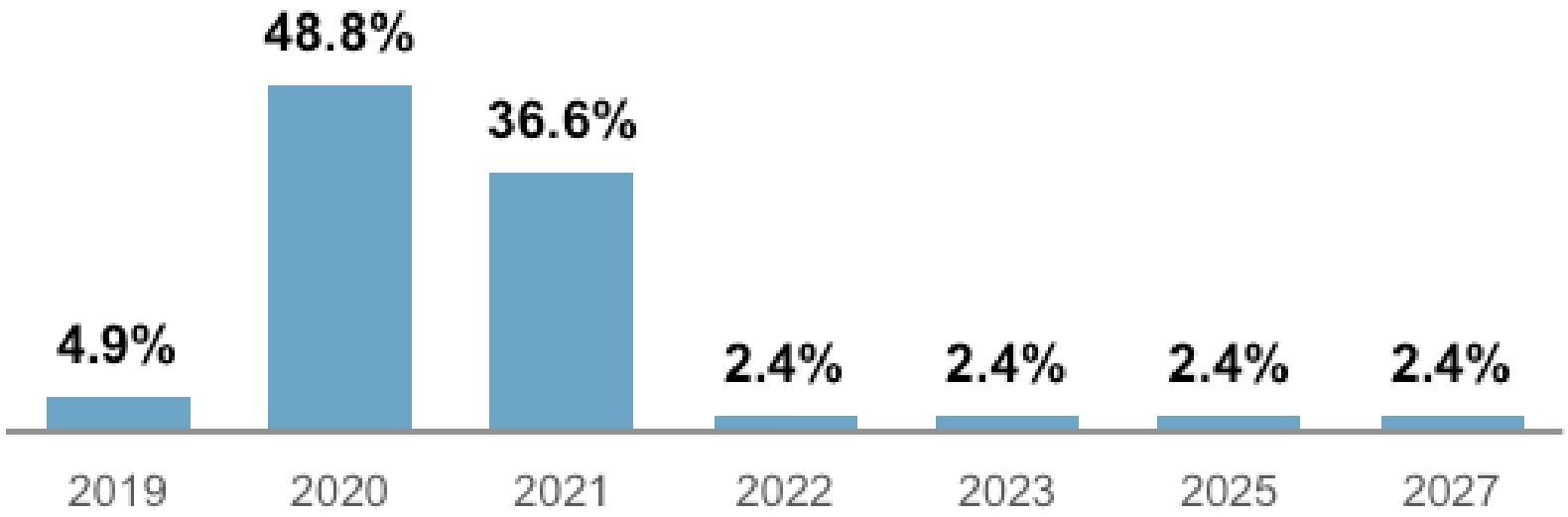
The next recession

Source: Wall Street Journal Survey of Economists // Survey conducted in July 2019

When do you expect the next recession to start?



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Indicators of a Recession

1. Yield Curve
2. Unemployment Rate Changes
3. Consumer Sentiment
4. Manufacturing Index
5. Auto Sales

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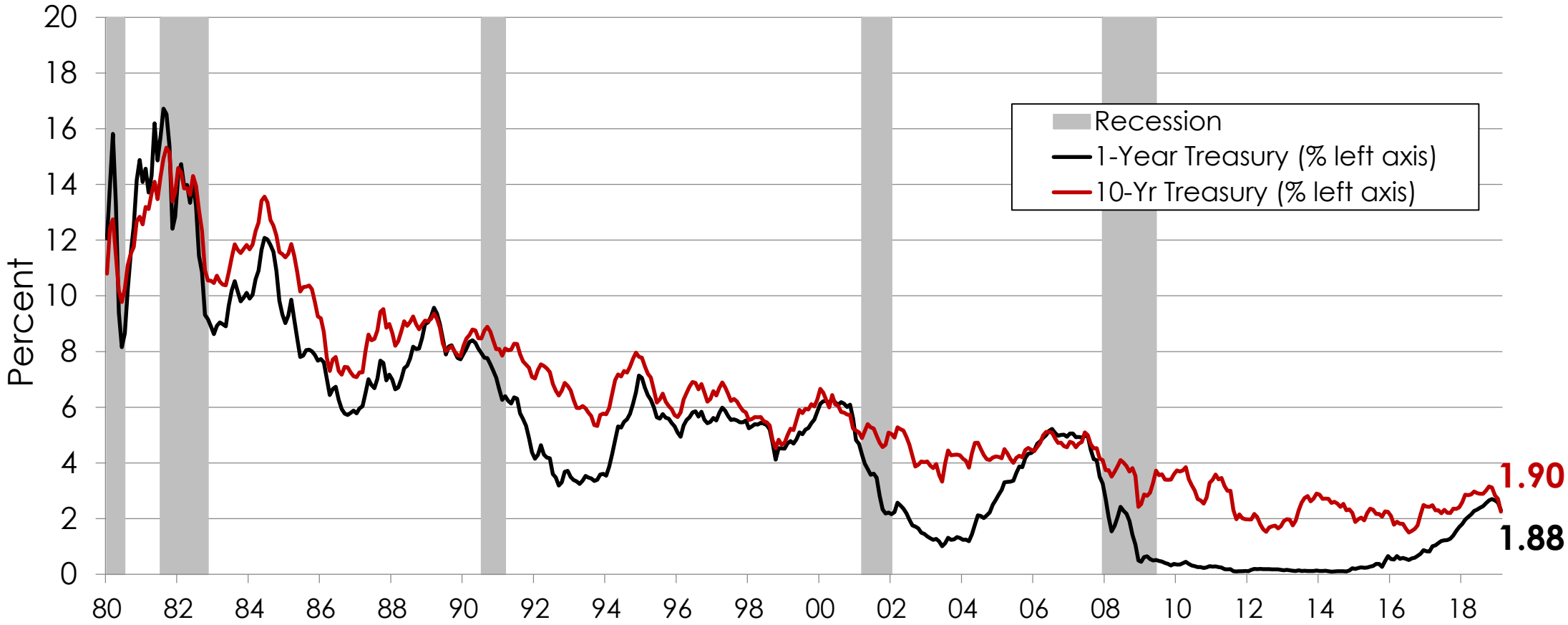
Yield curve & recessions

Source: Federal Reserve & NBER



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Unemployment Rate

Gap between unemployment rate & low point over past 12 months
Source: BLS via St. Louis FRED

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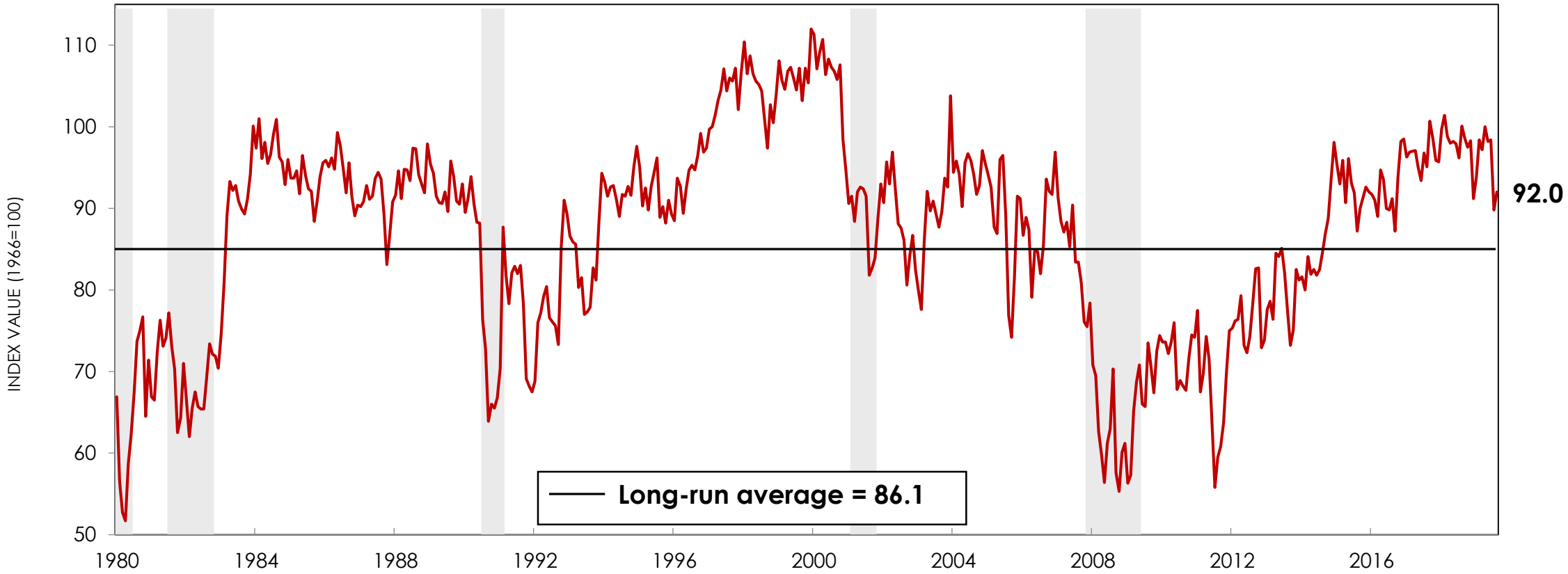
Index of consumer sentiment

Source: University of Michigan



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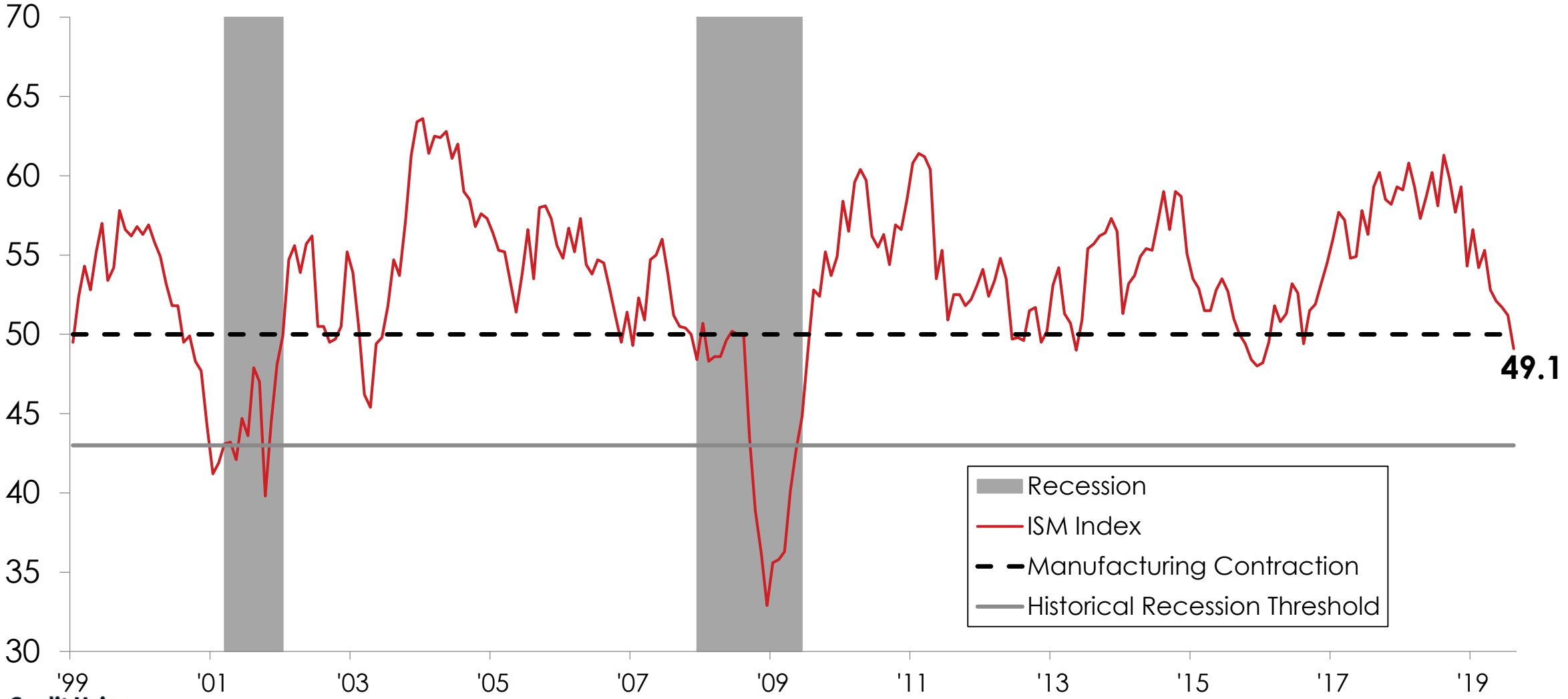
ISM Manufacturing Index

Percent // Source: Institute of Supply Management and NBER



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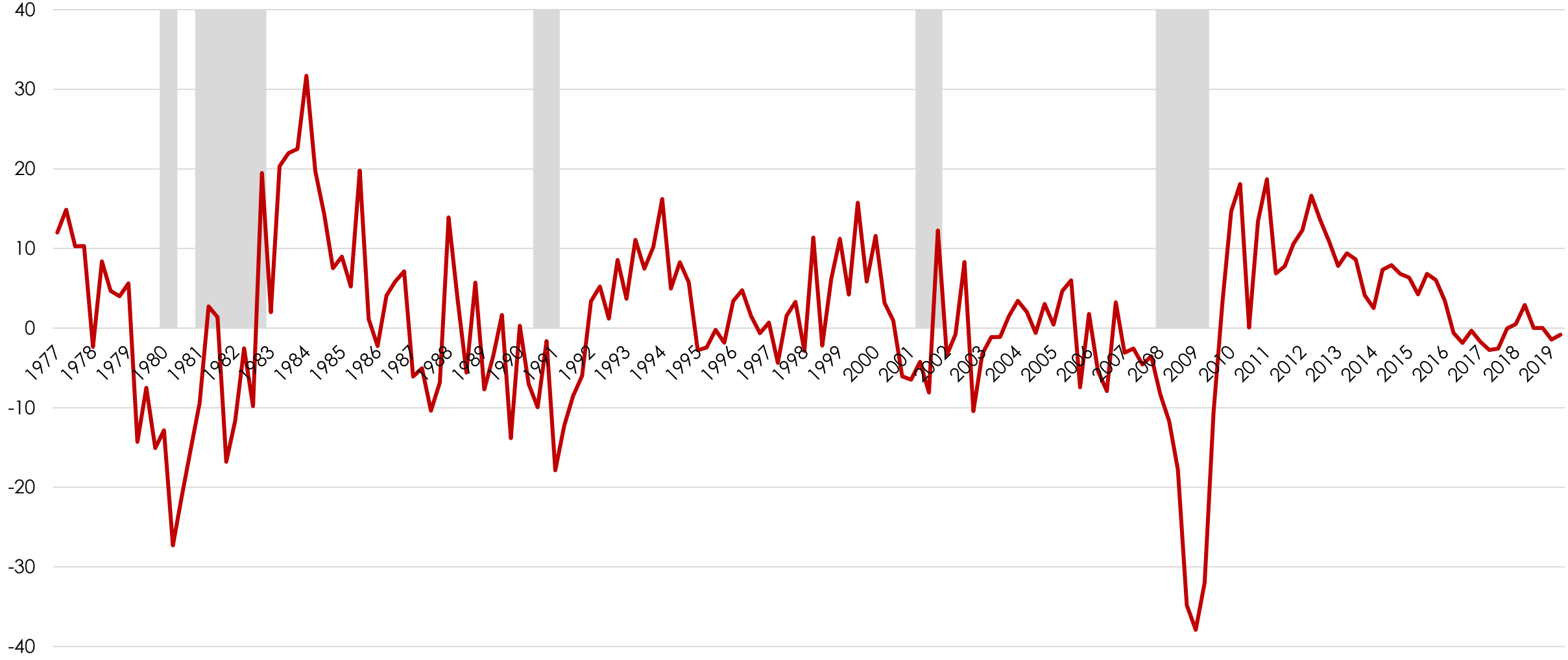
Total Auto Sales

Year-over-year percentage change
Source: U.S. BEA via St. Louis FRED



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Indicators of a Recession

1. Yield Curve: **Maybe**
2. Unemployment Rate: **No**
3. Consumer Sentiment: **No**
4. Manufacturing Index: **Maybe**
5. Auto Sales: **Maybe**

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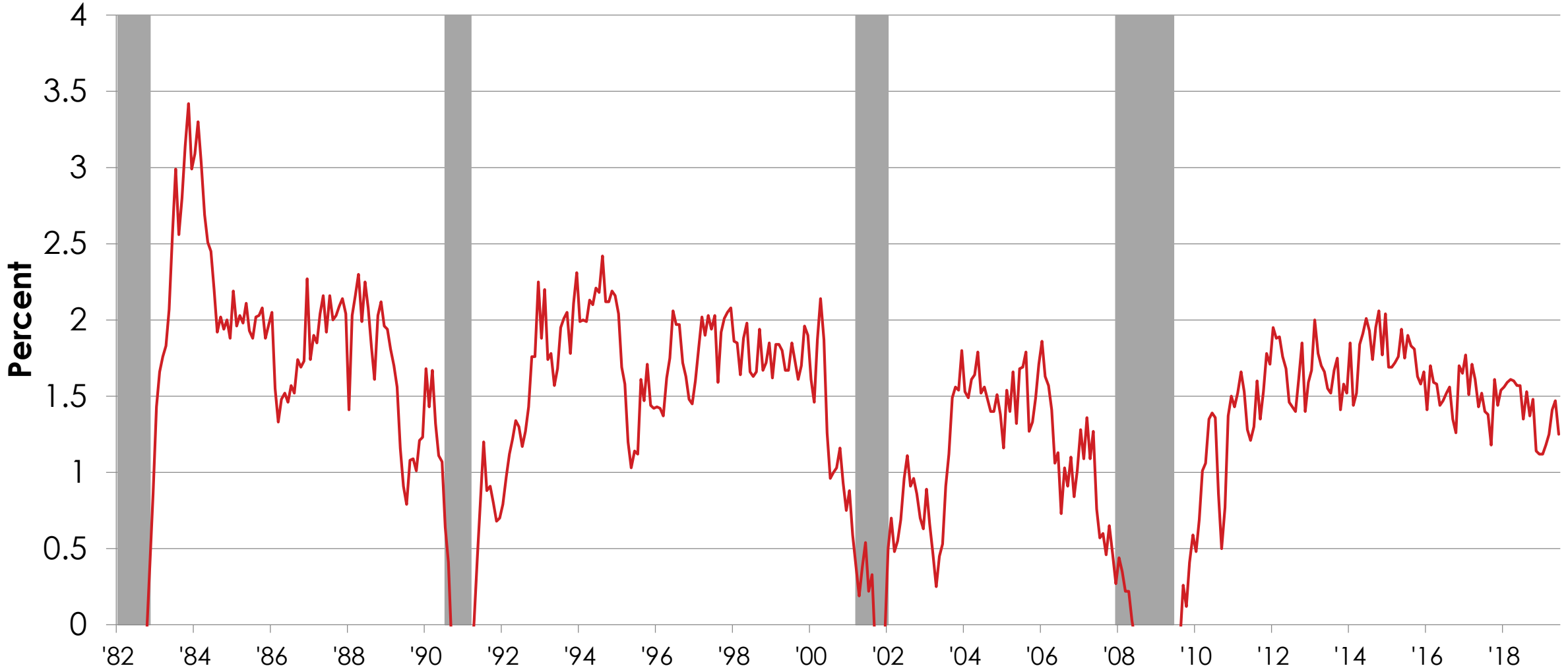
Leading Economic Indicators

Philadelphia Fed Index // Source: Moody's, Federal Reserve Bank of Philadelphia and NBER



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Yield Curve Inversion = Recession?

Three reasons it may not be a reliable indicator today:

1. Inflation is low
2. Federal Reserve purchases of government bonds
3. Very low bond yields in other advanced countries

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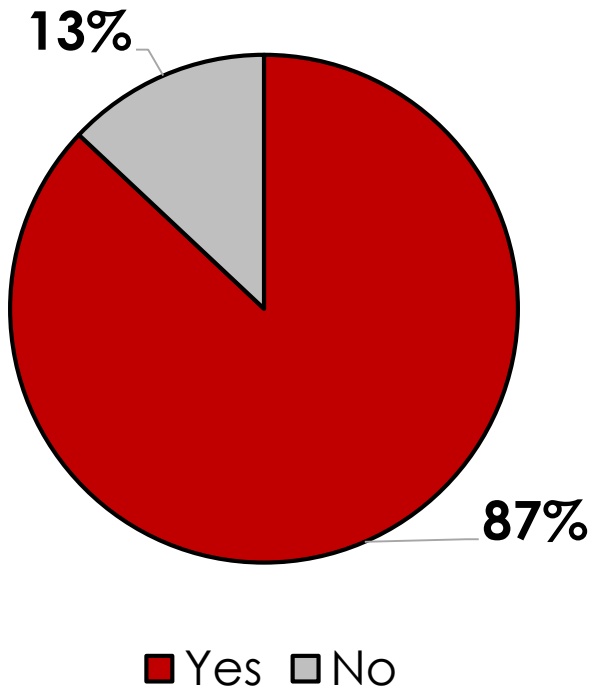
Trade War

Source: Wall Street Journal Survey of Economists, August 2019

Based on the trade actions to date, would you say the U.S. is in a "trade war"?



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"…according to our estimates, these higher tariffs are likely to create large economic distortions and reduce U.S. tariff revenues."

New China Tariffs Increase Costs to U.S. Households.

- Mary Amiti, Stephen J. Redding, and David E. Weinstein. *Liberty Street Economics*. Federal Reserve Bank of New York. May 23, 2019.

The U.S. Tariffs' Costs			
2018 Tariffs	Tax payments	Deadweight loss	Total cost to consumers
Monthly cost	$3.0 billion	$1.4 billion	$4.4 billion
Annual cost	$36.0 billion	$16.8 billion	$52.8 billion
Per household annual cost	$282	$132	$414
Additional 15% Tariff on $200 Billion			
Monthly cost	$2.245 billion	$6.594 billion	$8.84 billion
Annual cost	$26.942 billion	$79.132 billion	$106.074 billion
Per household annual cost	$211	$620	$831

Notes: The upper panel is drawn from analysis of six waves of U.S. tariffs in 2018 in Amiti, Redding, and Weinstein, "The Impact of the 2018 Trade War on U.S. Prices and Welfare," National Bureau of Economic Research w25672 (2019). Per household numbers are calculated based on 127.6 million households in the United States in 2018. The lower panel is forecast based on the elasticities in the aforementioned study.

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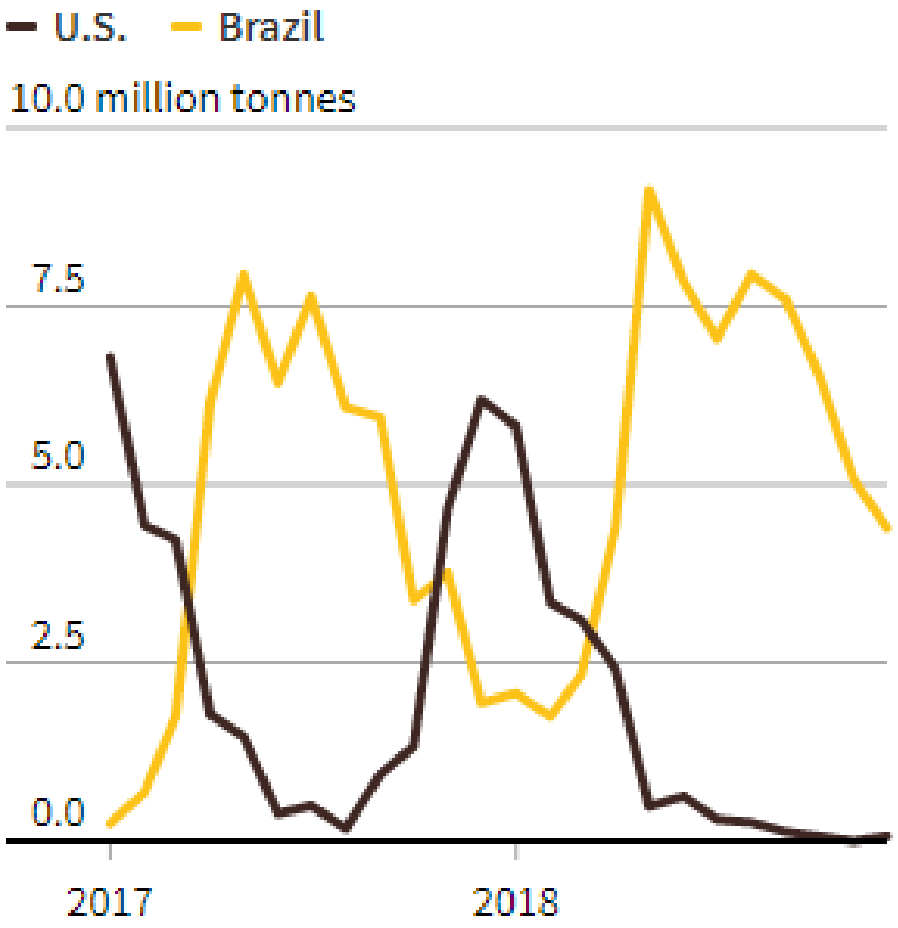
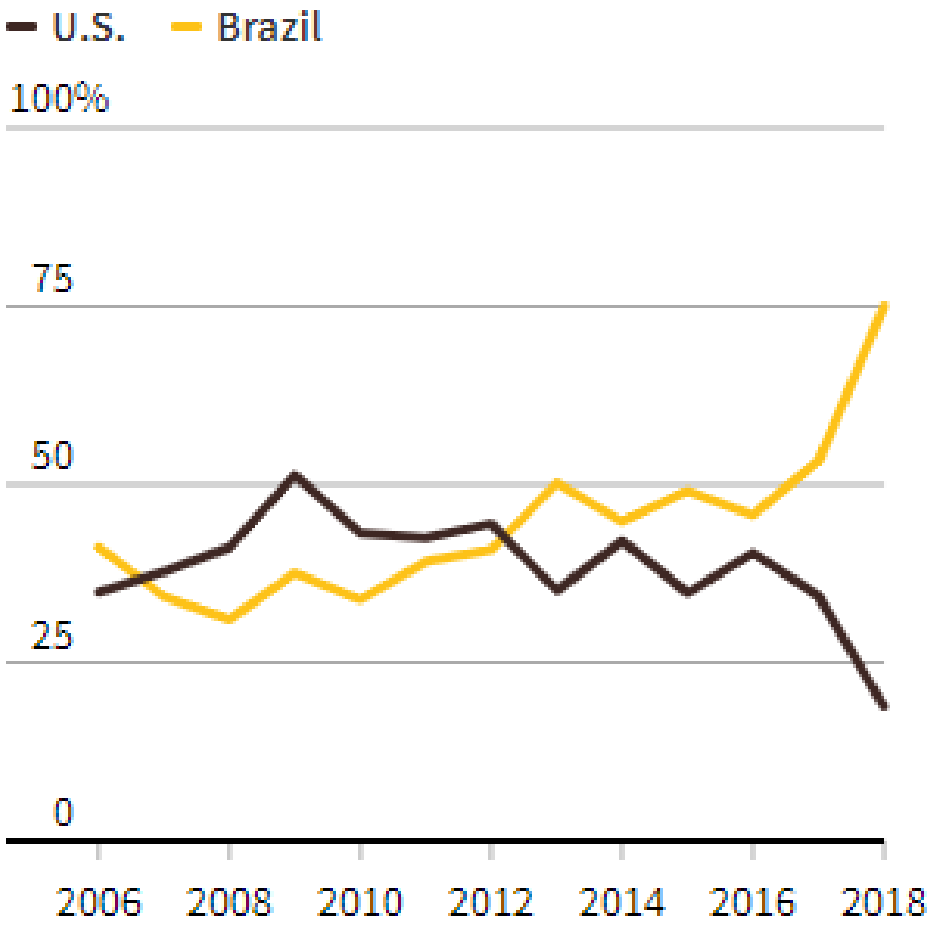
CHINA'S SOYBEAN IMPORTS VOLUME



CHINA'S SOYBEAN IMPORTS SHARE



Sources: China Customs; Refinitiv Eikon; Reuters

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GROWTH PROJECTIONS

Still Sluggish Global Growth

Global Economy

Advanced Economies

Emerging Markets & Developing Economies

Credit union operations

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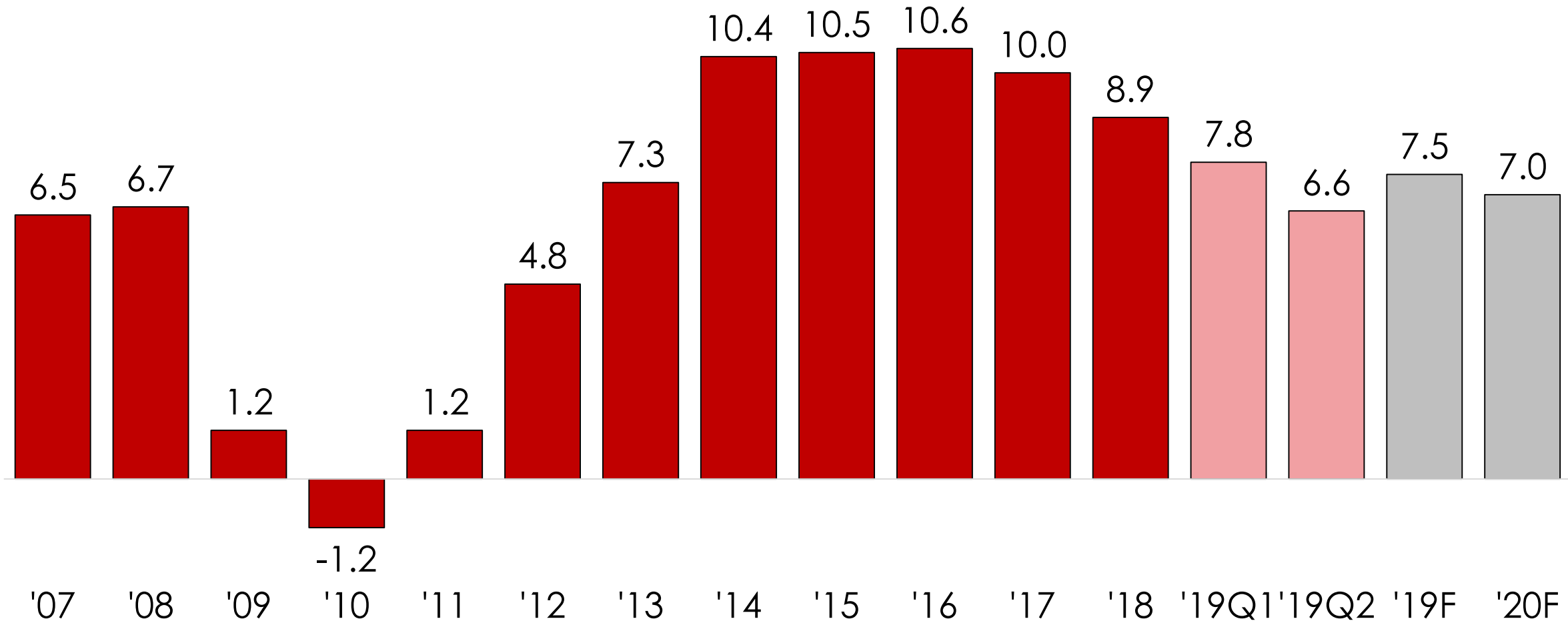
Loan Growth

Credit union 12-month loan growth (%) // Source: NCUA and CUNA



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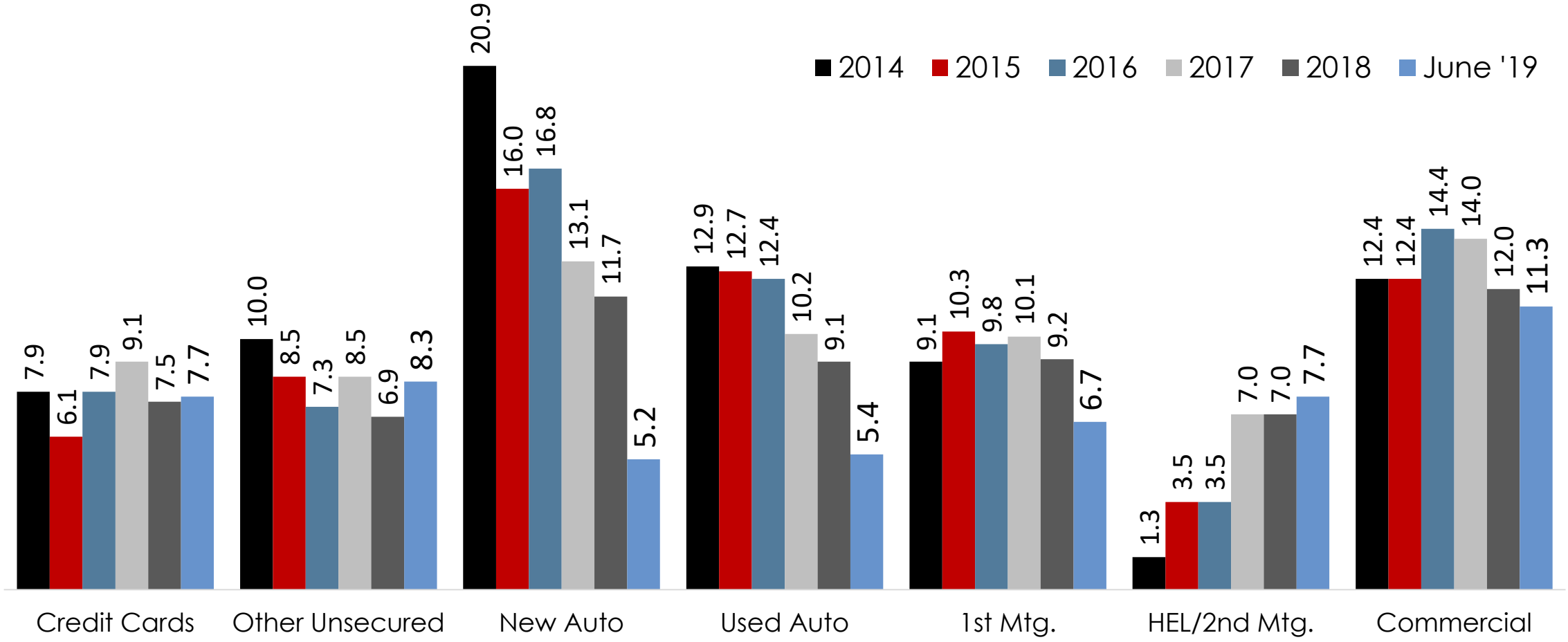
Loan Growth by Product

12-month growth within seven key portfolios // Source: NCUA and CUNA



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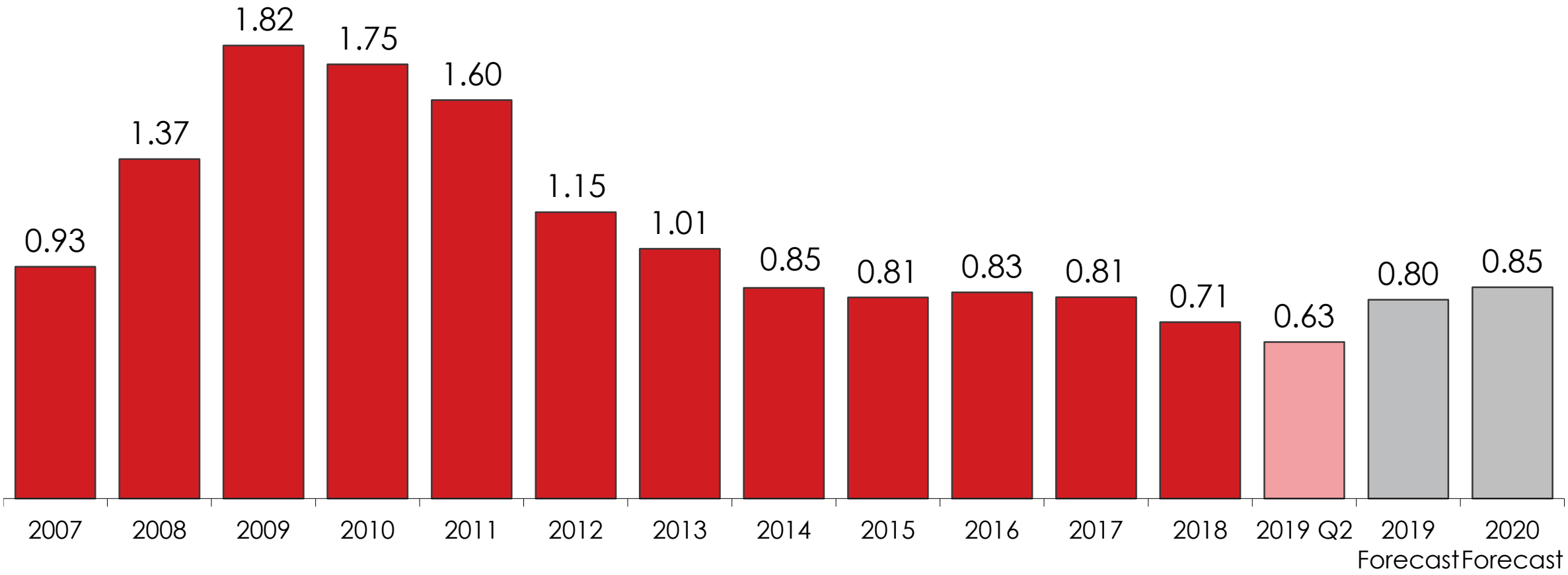
Credit union delinquency rates

Source: NCUA, CUNA // End of period / percent



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Q&A Wrap Up

The Informed Banker Speaker Series

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Type your question in the questions panel

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***Presentation materials** and **video replay** will be provided within one week.*

The content for this presentation was created by Jordan van Rijn.
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Thank you

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