

To All The Economists I've Loved Before



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Sage Policy Group, Inc.

On Behalf of
The 2019 Carroll County
Economic Outlook

April 2nd, 2019

“There is always some chance of recession in any year. But the evidence suggests that expansions don't die of old age.”

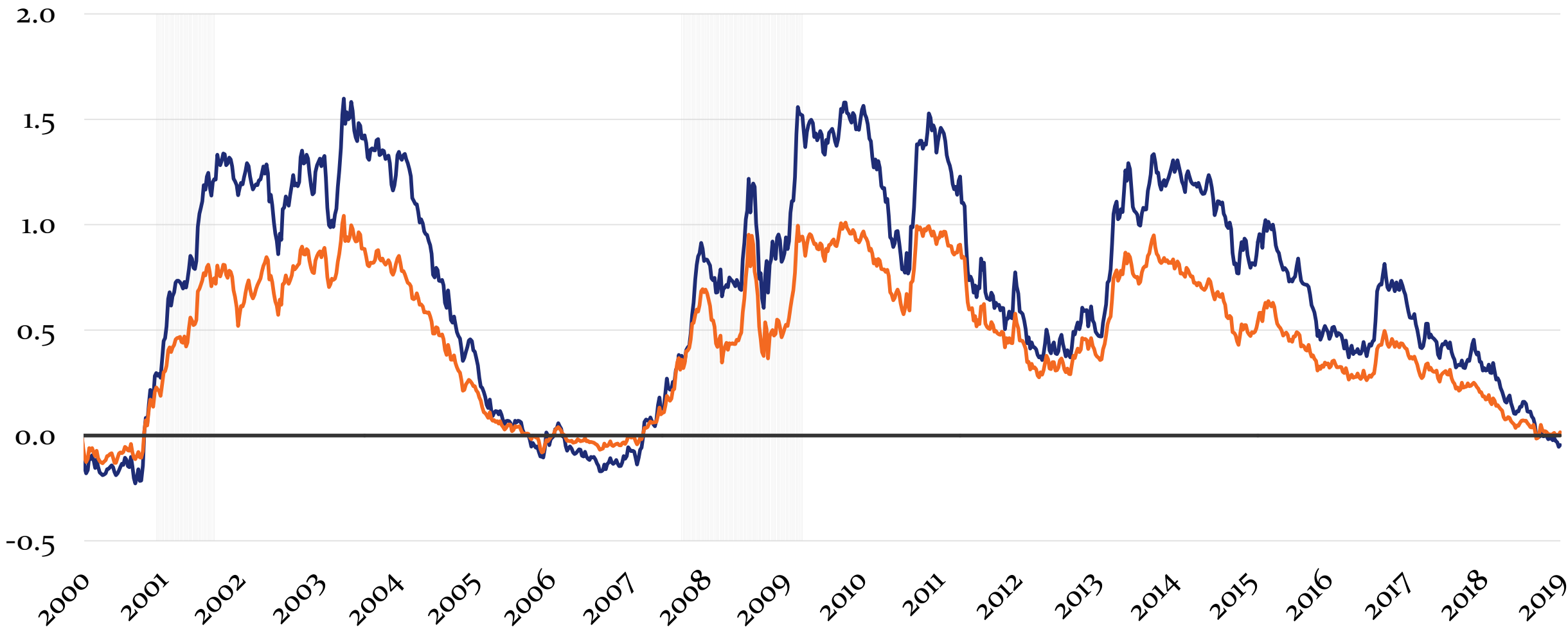
—Janet Yellen



U.S. Treasury Yield Curve Beginning to Invert?

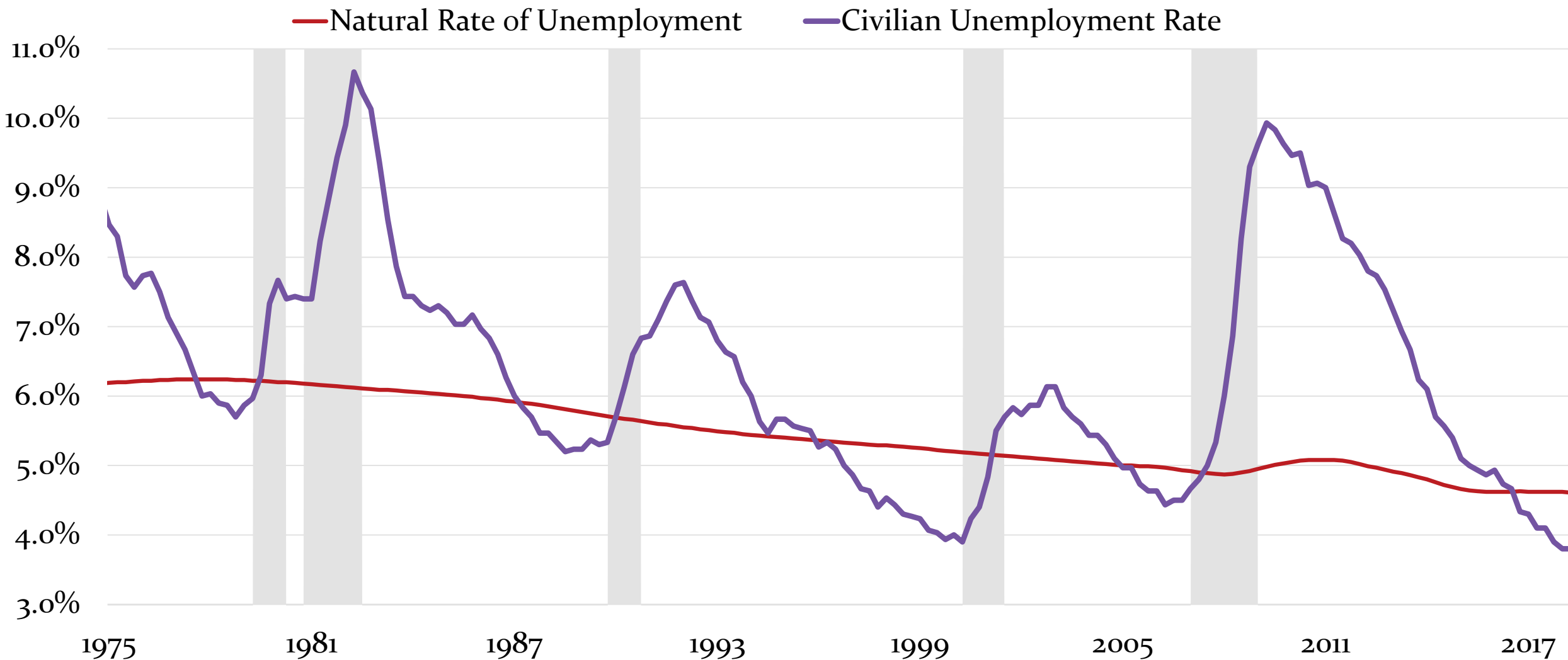
— 5 year - 2 year Treasury yield spread

— 5 year - 3 year Treasury yield spread

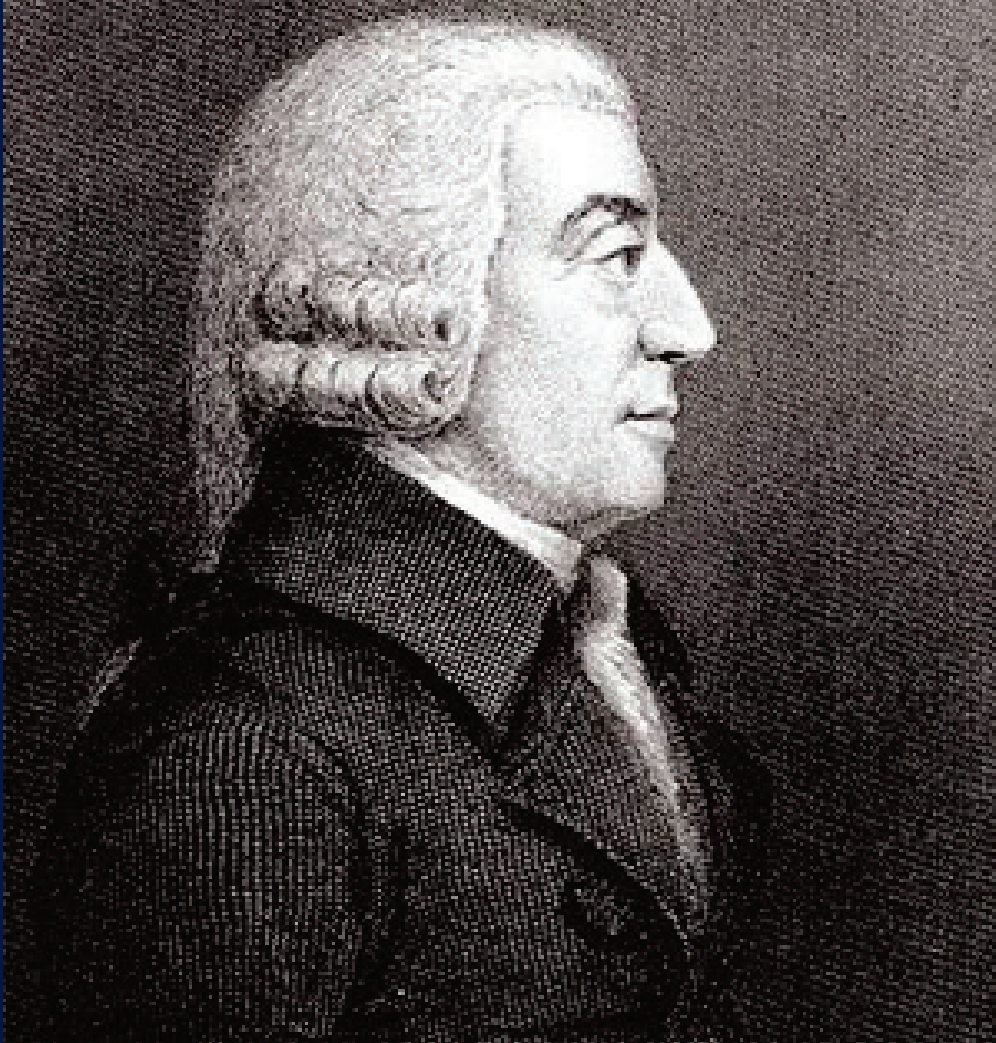


Shaded areas indicate U.S. Recessions

U.S. Unemployment & Natural Rate of Unemployment



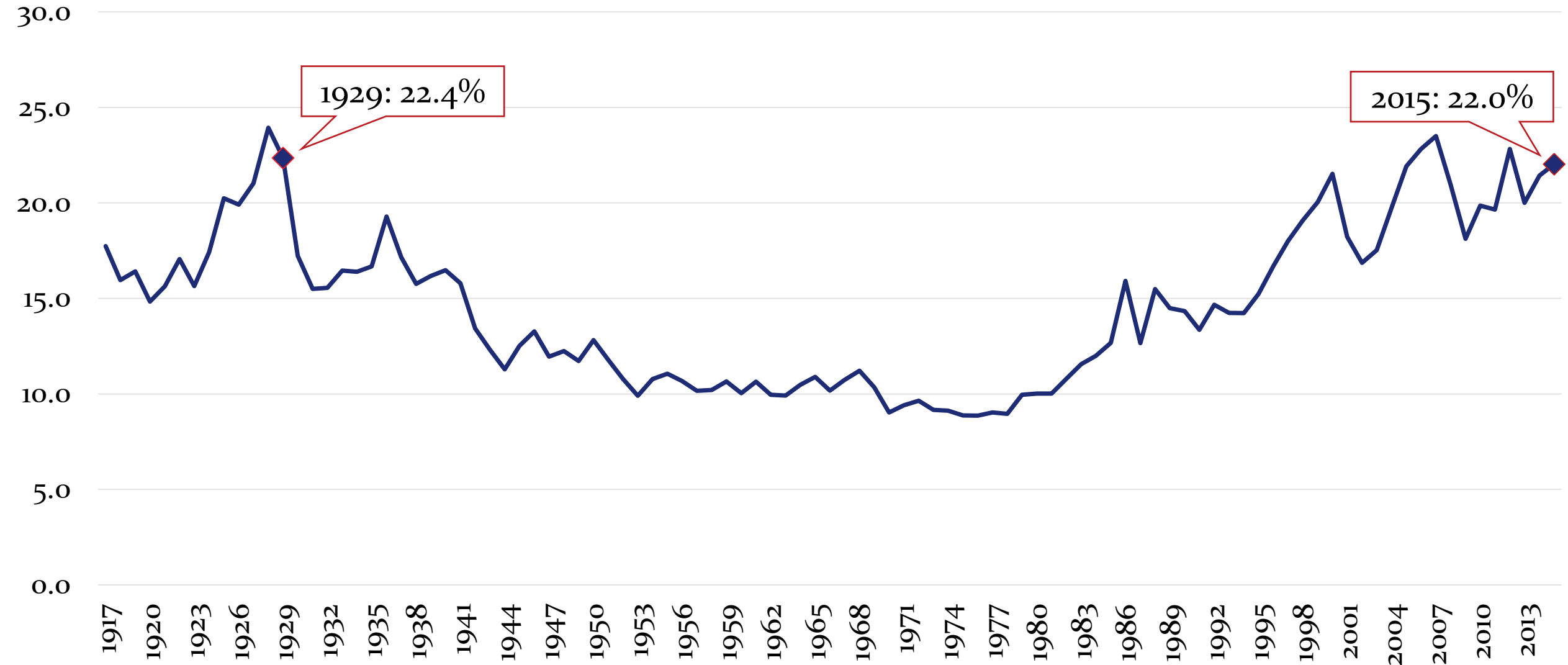
Shaded areas indicate U.S. Recessions



“No society can surely be flourishing and happy, of which the far greater part of the members are poor and miserable.”

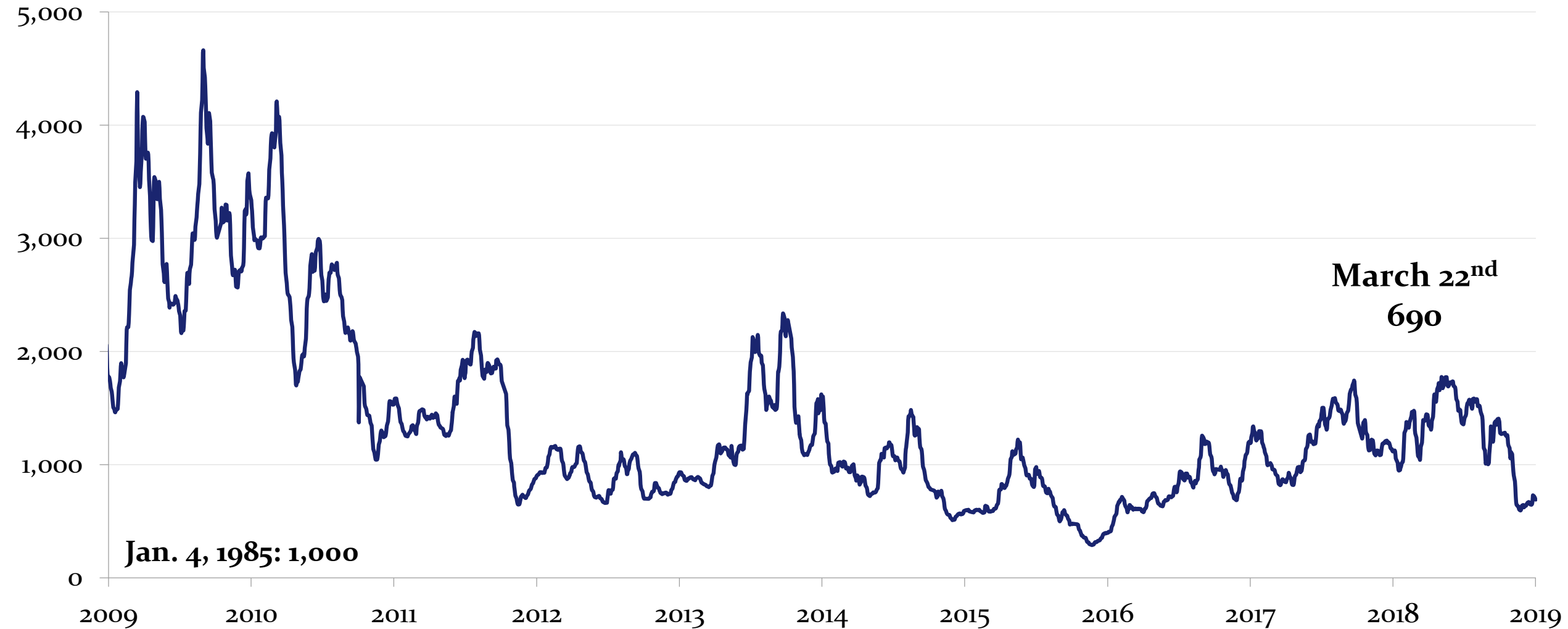
—Adam Smith

Share of all Income Held by the Top 1% in the U.S., 1917-2015



Baltic Dry Index

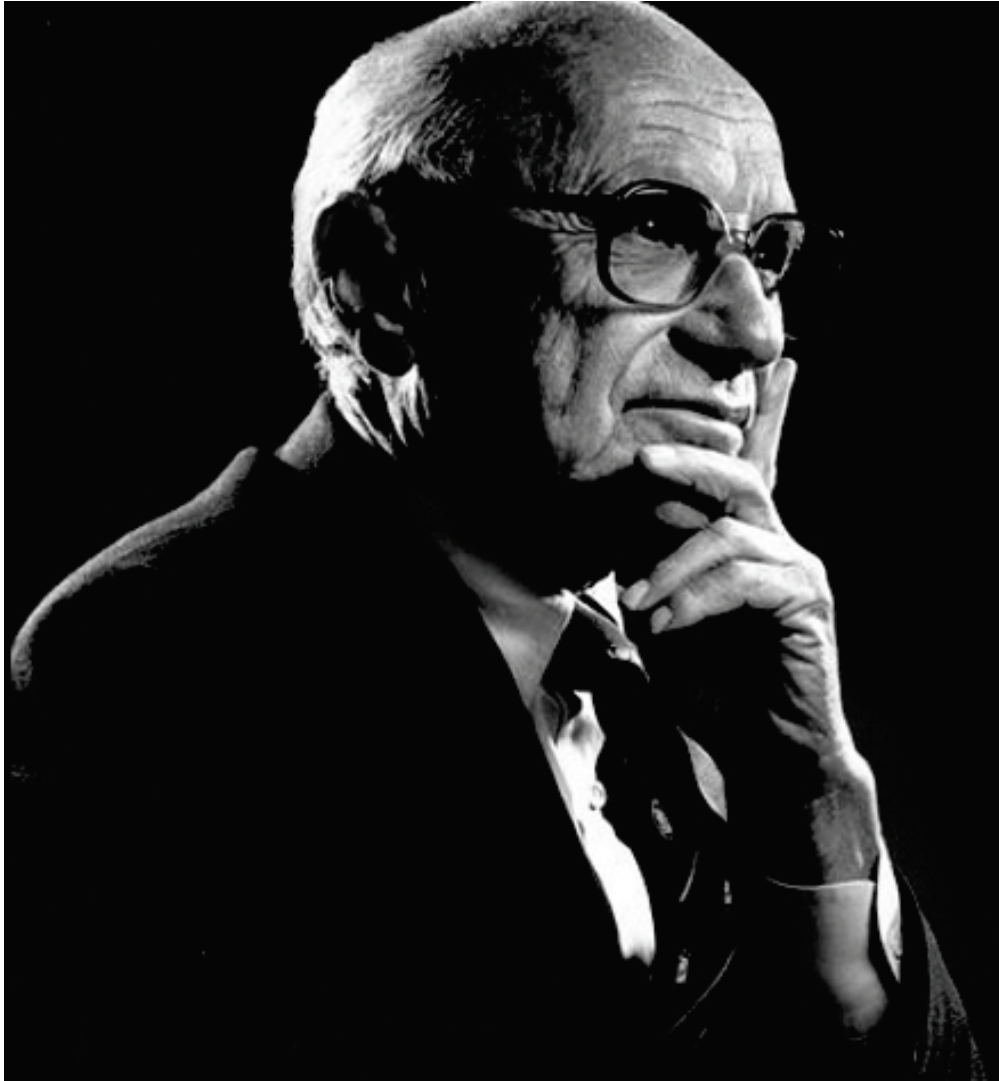
2009 through 2019



Jan. 4, 1985: 1,000

March 22nd
690

The Baltic Dry Index (BDI) is a measure of the price of shipping major raw materials such as metals, grains, and fossil fuels by sea. The BDI is a composite of 3 sub-indices, each covering a different carrier size: Capesize, Panamax, and Supramax.

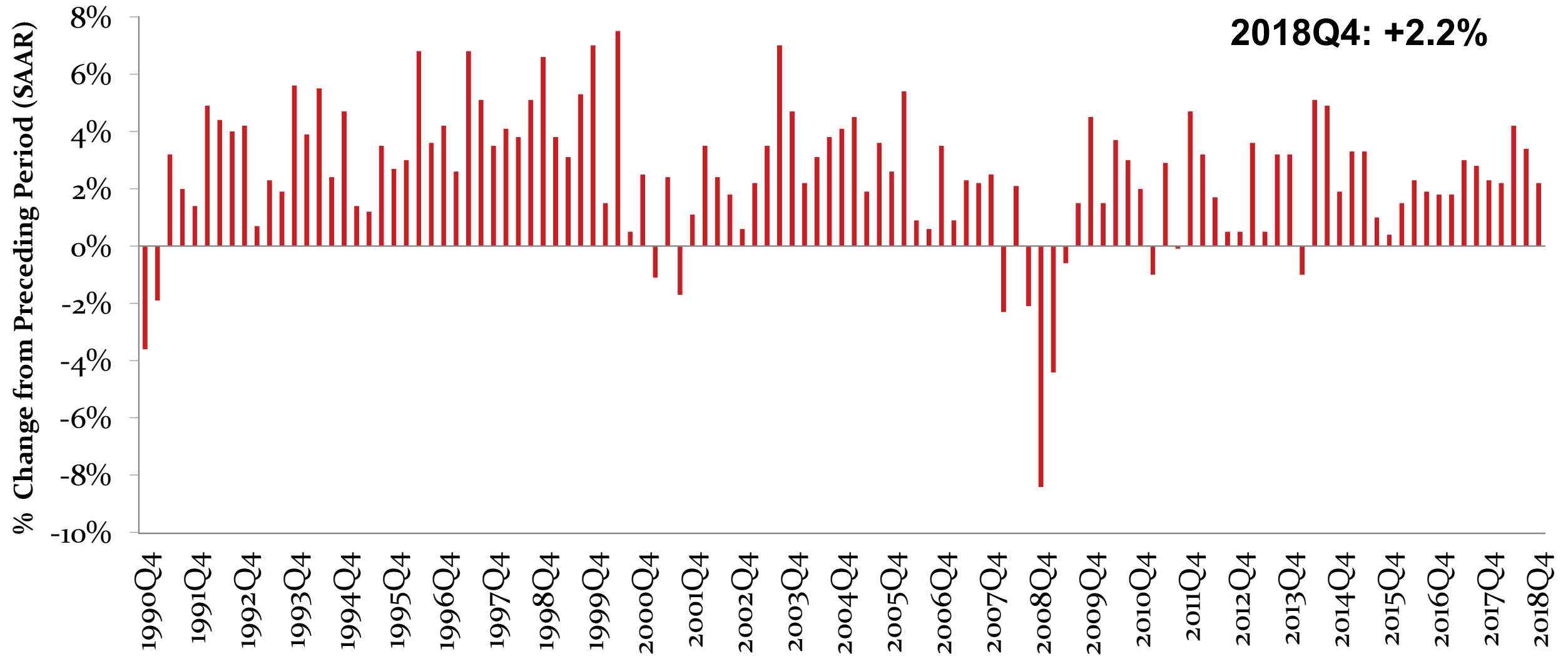


**“Inflation is the one form of taxation that can
be imposed without legislation.”**

—Milton Friedman

Gross Domestic Product

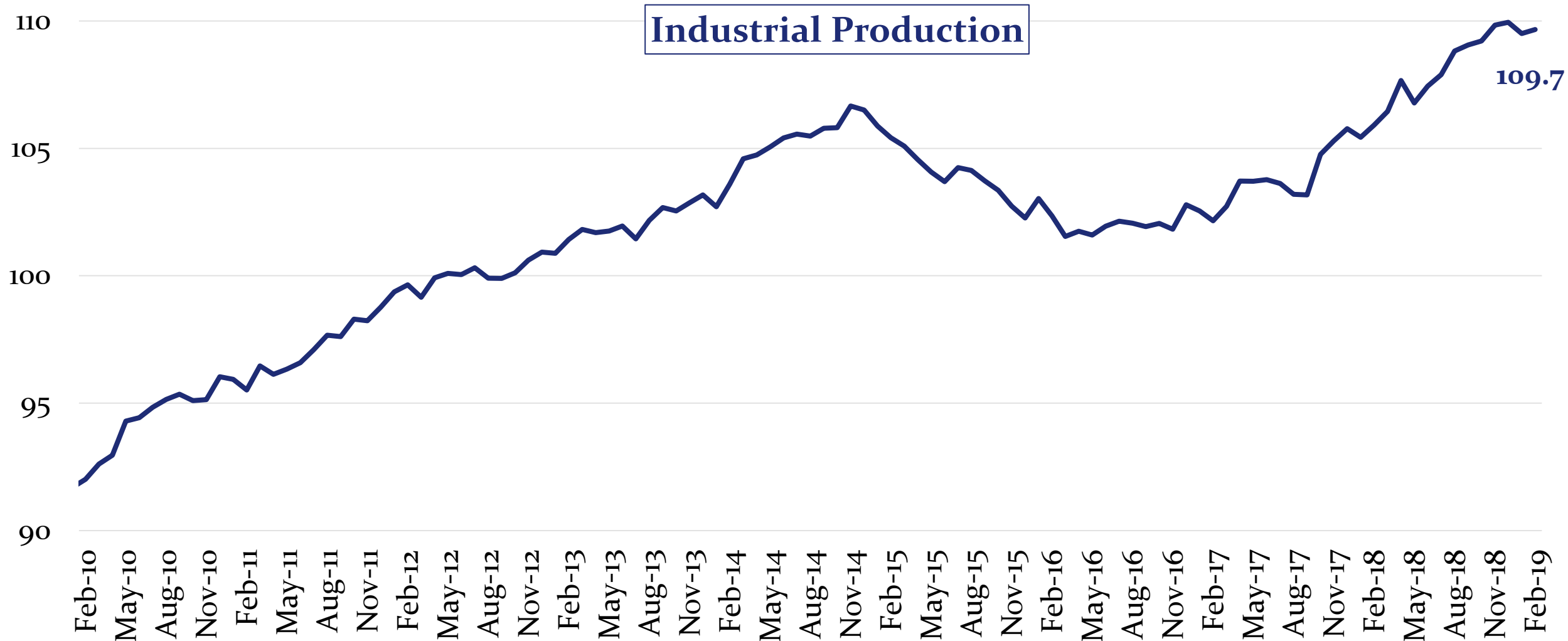
1990Q4 through 2018Q4*



2018Q4: +2.2%

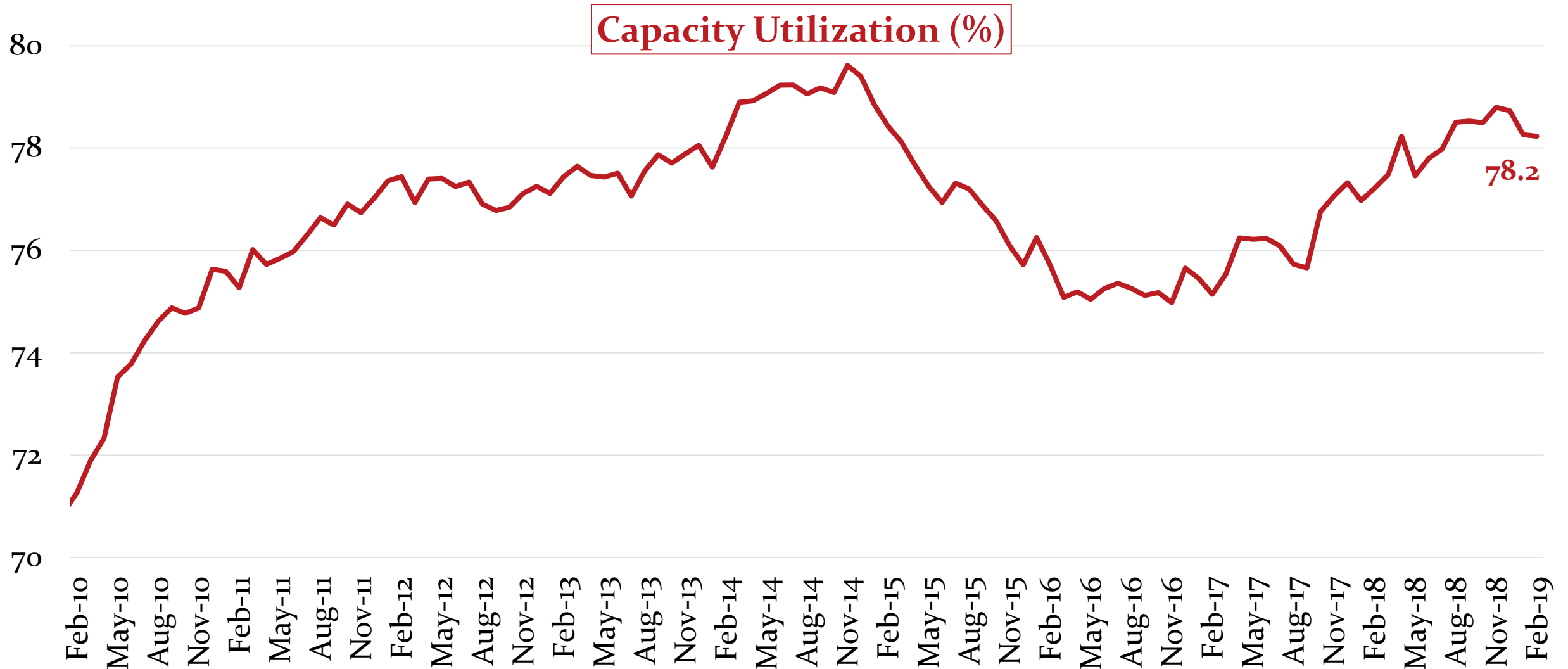
U.S. Industrial Production Index

February 2010 – February 2019



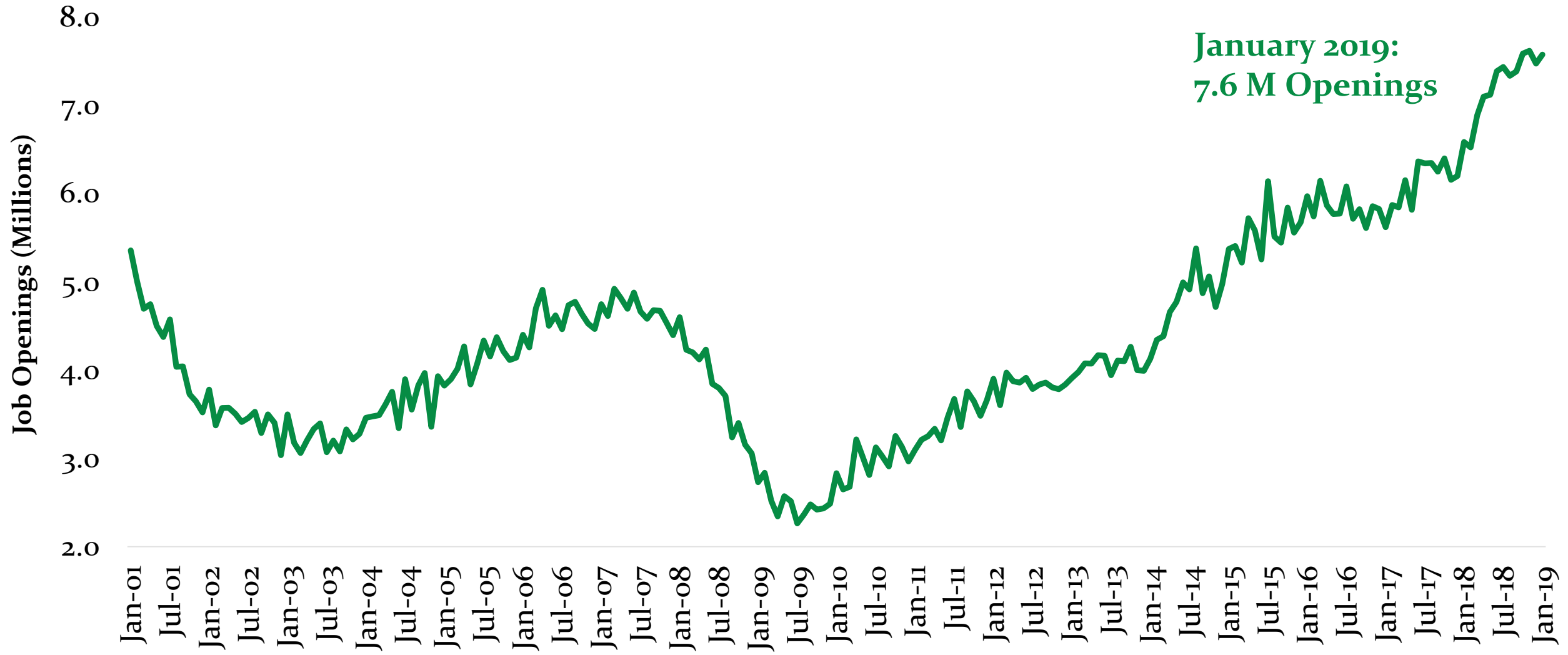
U.S. Capacity Utilization Index

February 2010 – February 2019



U.S. Job Openings

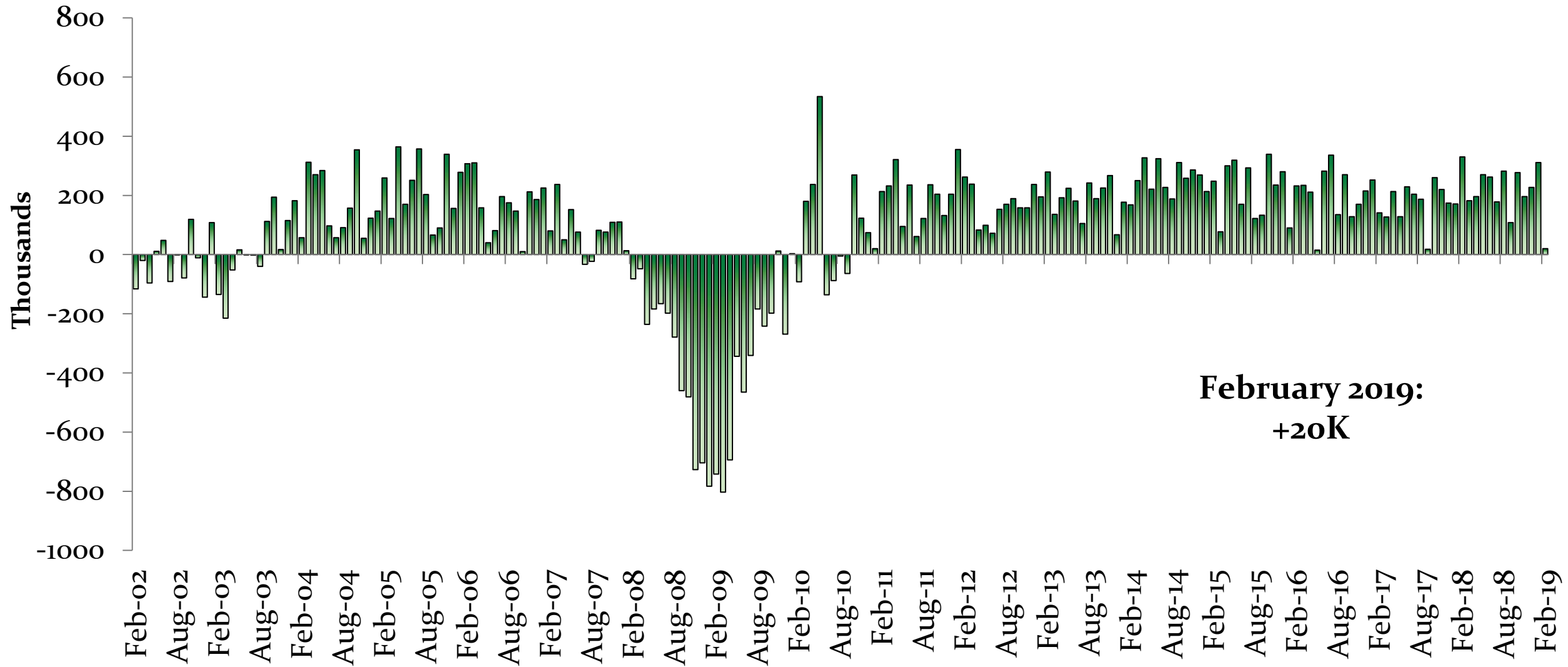
January 2001 through January 2019



January 2019:
7.6 M Openings

Net Change in U.S. Jobs

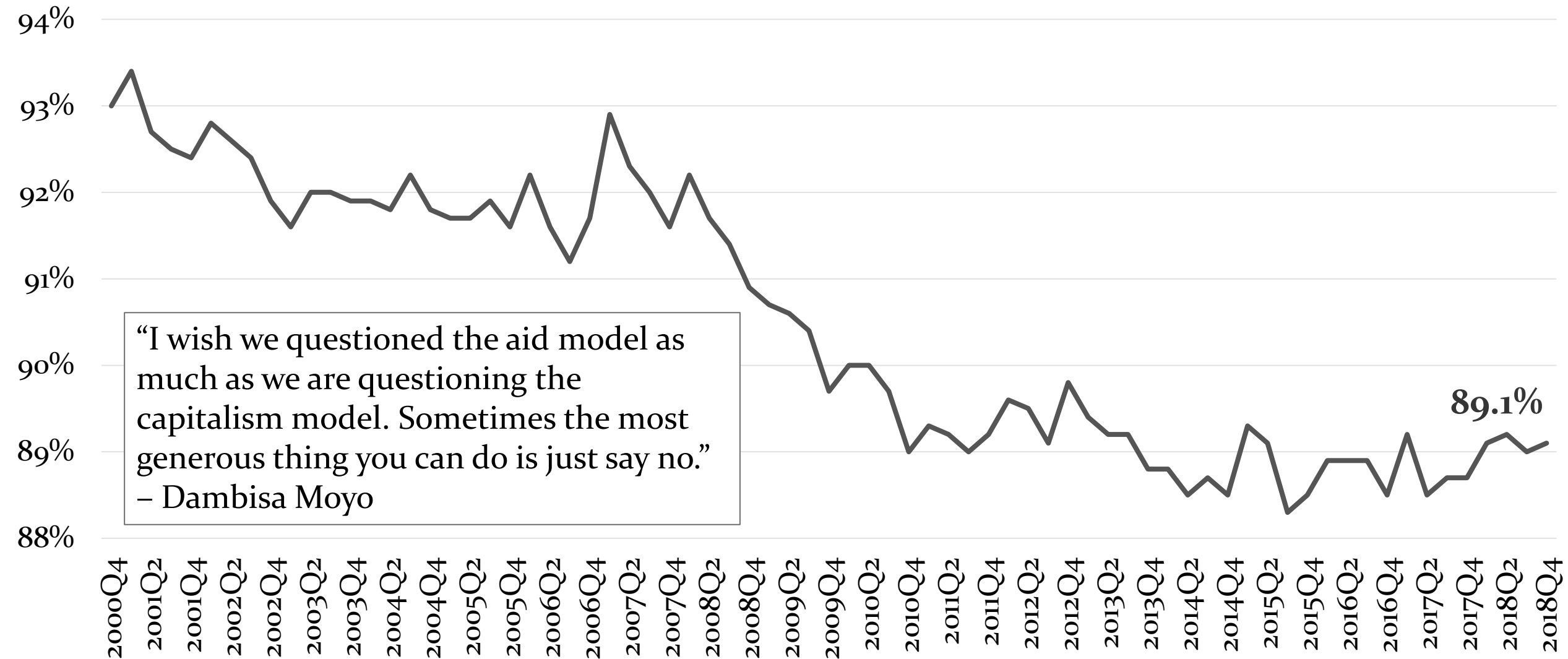
February 2002 through February 2019



**February 2019:
+20K**

U.S. Labor Force Participation: Men Ages 25-34

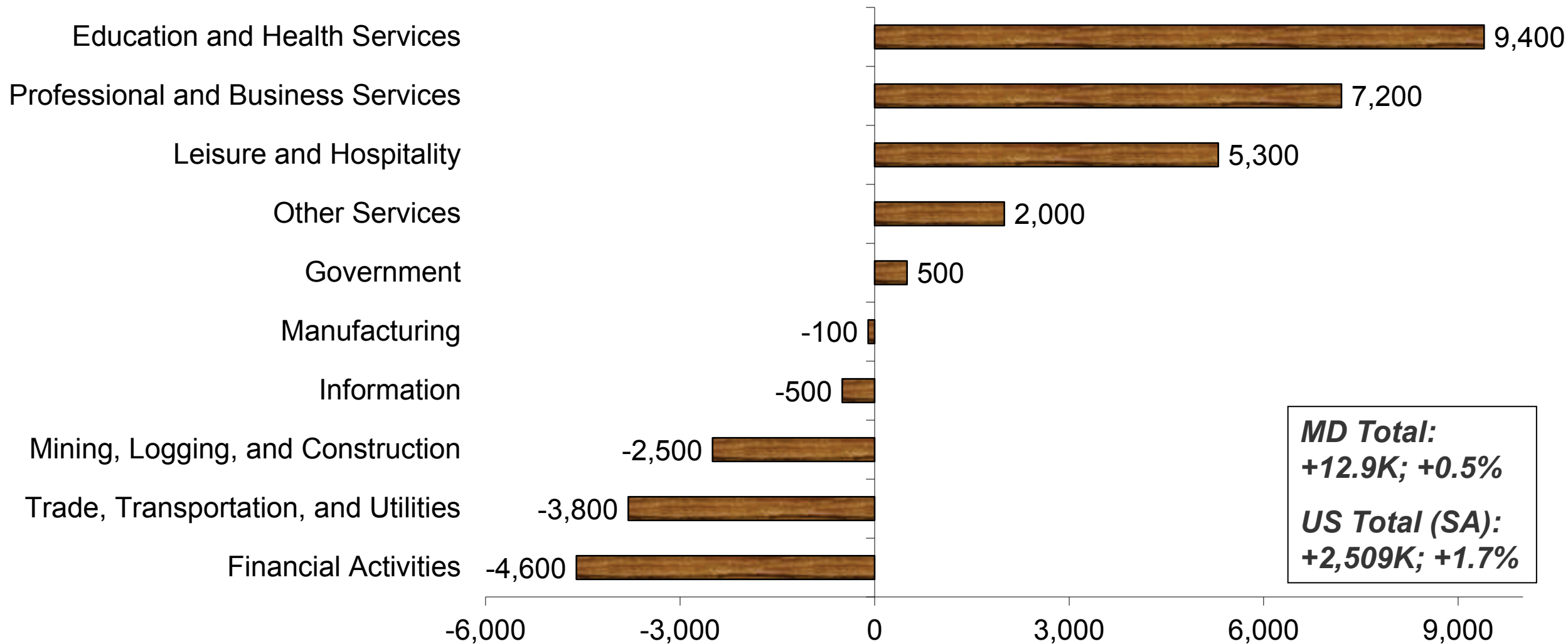
2000 – 2018



Maryland Nonfarm Employment

by Industry Sector Groups (SA)

February 2018 v. February 2019 Absolute Change



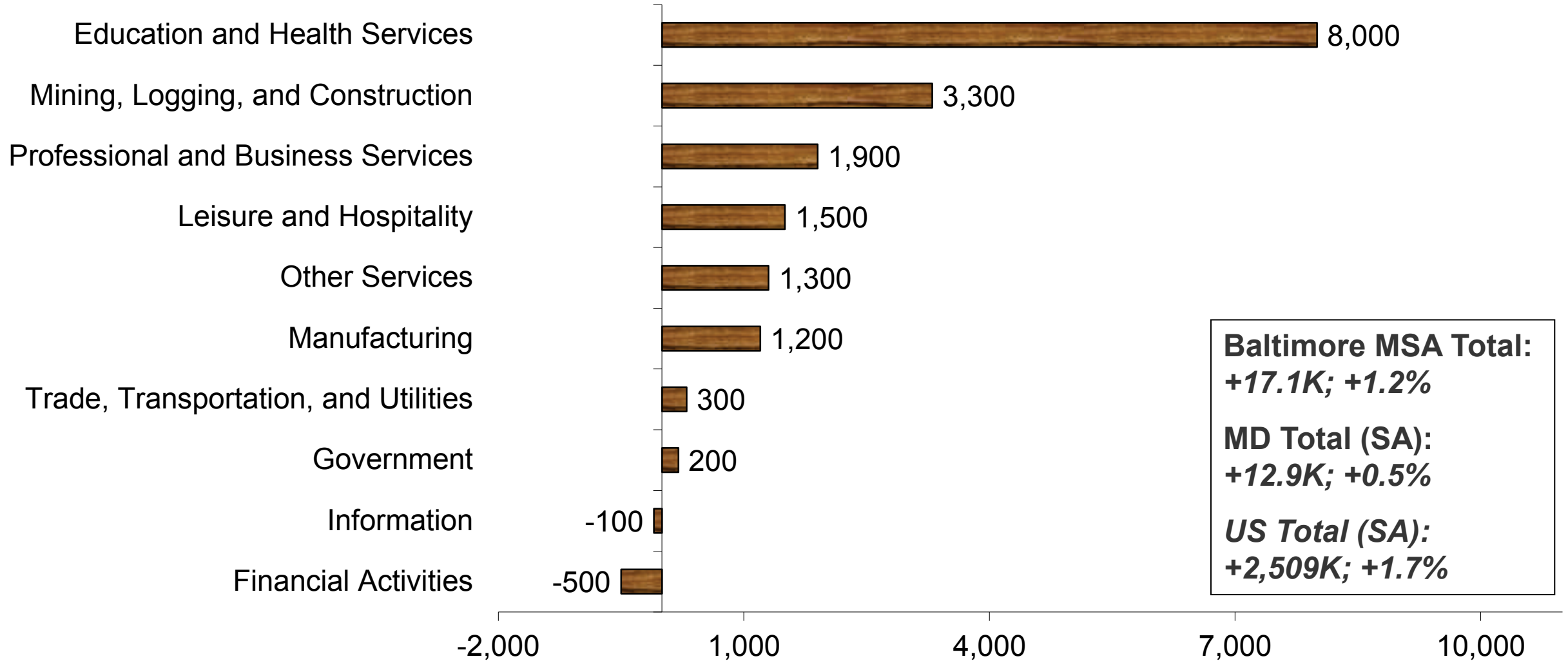
*According to the Local Area Unemployment Statistics (LAUS) series

MD added 17,362 jobs between February 2018 and February 2019.

Baltimore-Columbia-Towson MSA Nonfarm Employment

by Industry Sector Groups (NSA)

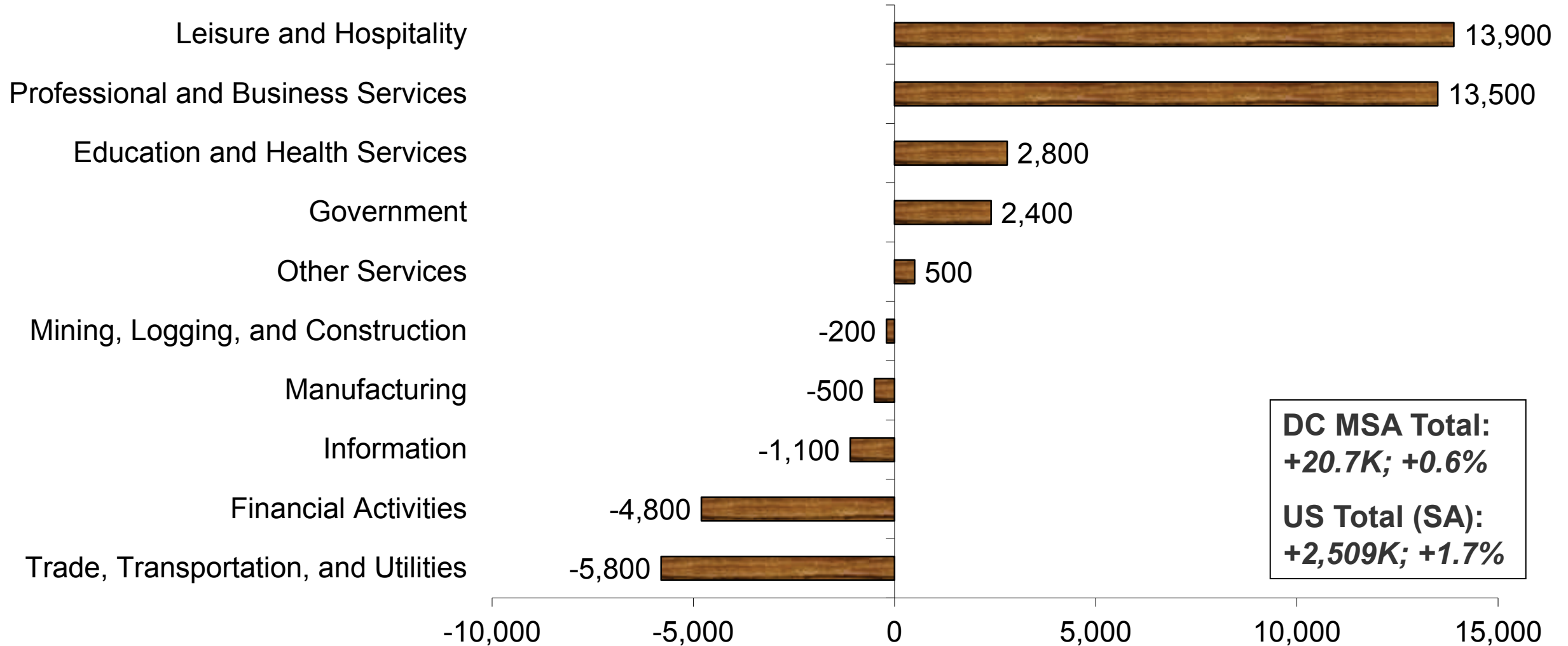
February 2018 v. February 2019 Absolute Change



Washington, DC-Arlington-Alexandria MSA Nonfarm Employment

by Industry Sector Groups (NSA)

February 2018 v. February 2019 Absolute Change



Employment Growth, U.S. States (SA)

February 2018 v. February 2019 Percent Change

RANK	STATE	%	RANK	STATE	%	RANK	STATE	%
1	NEVADA	3.5	17	NORTH CAROLINA	1.4	35	KANSAS	0.6
2	UTAH	2.9	19	CALIFORNIA	1.3	35	MASSACHUSETTS	0.6
3	ARIZONA	2.7	20	ARKANSAS	1.1	35	OHIO	0.6
4	IDAHO	2.5	20	KENTUCKY	1.1	38	ALASKA	0.5
5	FLORIDA	2.4	20	MISSISSIPPI	1.1	38	DISTRICT OF COLUMBIA	0.5
5	WEST VIRGINIA	2.4	20	MONTANA	1.1	38	HAWAII	0.5
7	GEORGIA	2.2	24	ILLINOIS	1.0	38	MARYLAND	0.5
7	TEXAS	2.2	24	NEW HAMPSHIRE	1.0	38	MISSOURI	0.5
9	SOUTH DAKOTA	2.0	24	NEW MEXICO	1.0	38	NORTH DAKOTA	0.5
9	WASHINGTON	2.0	24	NEW YORK	1.0	44	IOWA	0.4
11	COLORADO	1.7	28	DELAWARE	0.9	44	NEBRASKA	0.4
11	TENNESSEE	1.7	28	MICHIGAN	0.9	44	VERMONT	0.4
13	ALABAMA	1.6	28	OKLAHOMA	0.9	44	WISCONSIN	0.4
13	WYOMING	1.6	31	NEW JERSEY	0.8	48	CONNECTICUT	0.3
15	OREGON	1.5	31	VIRGINIA	0.8	48	LOUISIANA	0.3
15	SOUTH CAROLINA	1.5	33	MAINE	0.7	50	MINNESOTA	0.1
17	INDIANA	1.4	33	PENNSYLVANIA	0.7	51	RHODE ISLAND	-0.3

U.S. Year-over-year Percent Change: +1.7%

Employment Growth, 25 Largest Metros (NSA)

February 2018 v. February 2019 Percent Change

Rank	MSA	%	Rank	MSA	%
1	Orlando-Kissimmee-Sanford, FL	3.9	14	Chicago-Naperville-Elgin, IL-IN-WI	1.4
2	Phoenix-Mesa-Scottsdale, AZ	3.1	14	San Diego-Carlsbad, CA	1.4
3	Dallas-Fort Worth-Arlington, TX	2.8	16	Baltimore-Columbia-Towson, MD	1.2
4	Atlanta-Sandy Springs-Roswell, GA	2.4	16	Riverside-San Bernardino-Ontario, CA	1.2
4	Houston-The Woodlands-Sugar Land, TX	2.4	18	New York-Newark-Jersey City, NY-NJ-PA	1.1
6	San Francisco-Oakland-Hayward, CA	2.3	18	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1.1
7	San Antonio-New Braunfels, TX	2.2	20	Detroit-Warren-Dearborn, MI	0.9
8	Charlotte-Concord-Gastonia, NC-SC	2.1	21	St. Louis, MO-IL	0.8
9	Miami-Fort Lauderdale-West Palm Beach, FL	2.0	22	Los Angeles-Long Beach-Anaheim, CA	0.7
10	Tampa-St. Petersburg-Clearwater, FL	1.9	23	Washington-Arlington-Alexandria, DC-VA-MD-WV	0.6
11	Denver-Aurora-Lakewood, CO	1.8	24	Boston-Cambridge-Nashua, MA-NH	0.4
11	Seattle-Tacoma-Bellevue, WA	1.8	25	Minneapolis-St. Paul-Bloomington, MN-WI	-0.5
13	Portland-Vancouver-Hillsboro, OR-WA	1.6			

Unemployment Rates, 25 Largest Metros (NSA)

January 2019

Rank	MSA	UR	Rank	MSA	UR
1	San Francisco-Oakland-Hayward, CA	3.1	12	Charlotte-Concord-Gastonia, NC-SC	4.1
2	Boston-Cambridge-Nashua, MA-NH	3.2	12	Denver-Aurora-Lakewood, CO	4.1
3	Minneapolis-St. Paul-Bloomington, MN-WI	3.6	12	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	4.1
3	Orlando-Kissimmee-Sanford, FL	3.6	16	Atlanta-Sandy Springs-Roswell, GA	4.2
3	San Antonio-New Braunfels, TX	3.6	16	Seattle-Tacoma-Bellevue, WA	4.2
6	Washington-Arlington-Alexandria, DC-VA-MD-WV	3.7	18	Portland-Vancouver-Hillsboro, OR-WA	4.3
7	Miami-Fort Lauderdale-West Palm Beach, FL	3.8	19	New York-Newark-Jersey City, NY-NJ-PA	4.4
7	San Diego-Carlsbad, CA	3.8	20	Detroit-Warren-Dearborn, MI	4.5
9	Dallas-Fort Worth-Arlington, TX	3.9	20	Houston-The Woodlands-Sugar Land, TX	4.5
9	Tampa-St. Petersburg-Clearwater, FL	3.9	20	Los Angeles-Long Beach-Anaheim, CA	4.5
11	St. Louis, MO-IL (1)	4.0	23	Riverside-San Bernardino-Ontario, CA	4.6
12	Baltimore-Columbia-Towson, MD	4.1	24	Chicago-Naperville-Elgin, IL-IN-WI	4.8
			25	Phoenix-Mesa-Scottsdale, AZ	5.0

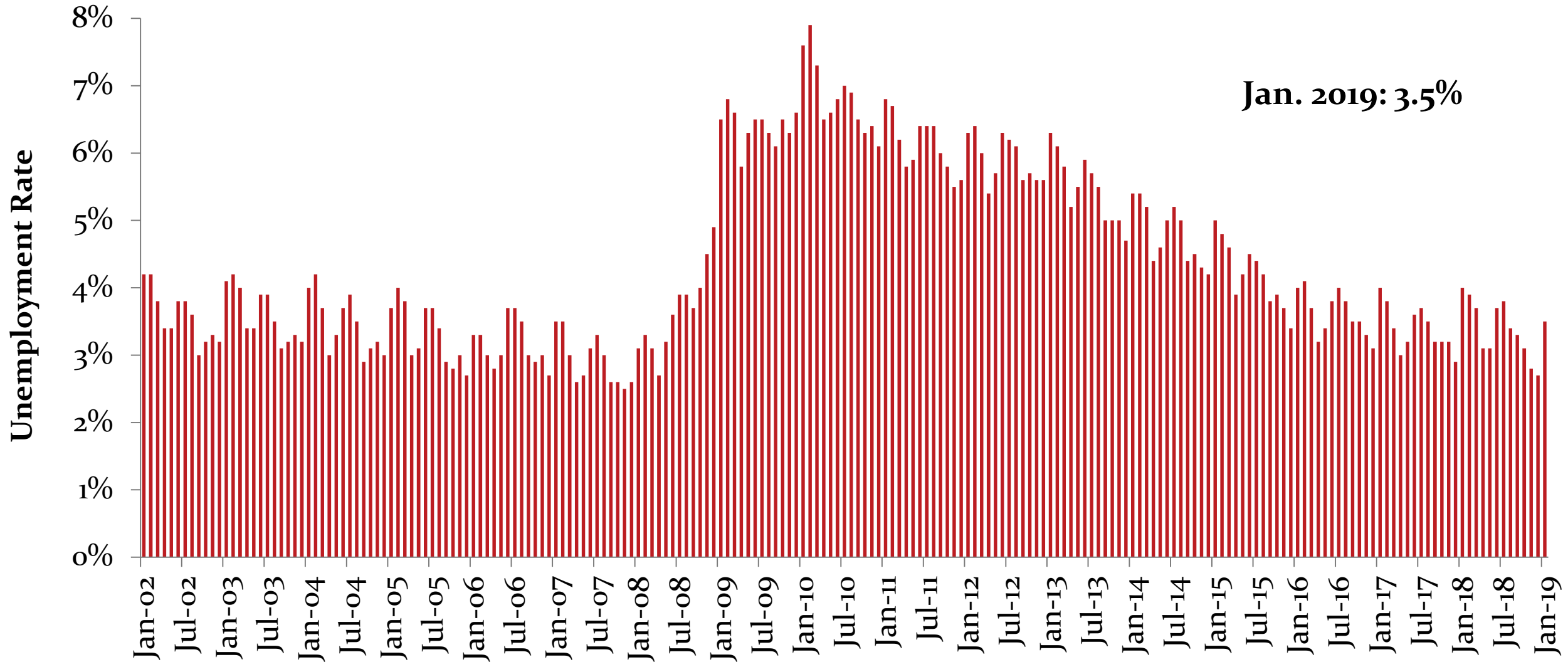
U.S. Unemployment Rate

Jan: 4.0% Feb: 3.8%



Carroll County Unemployment Rate

January 2002 through January 2019

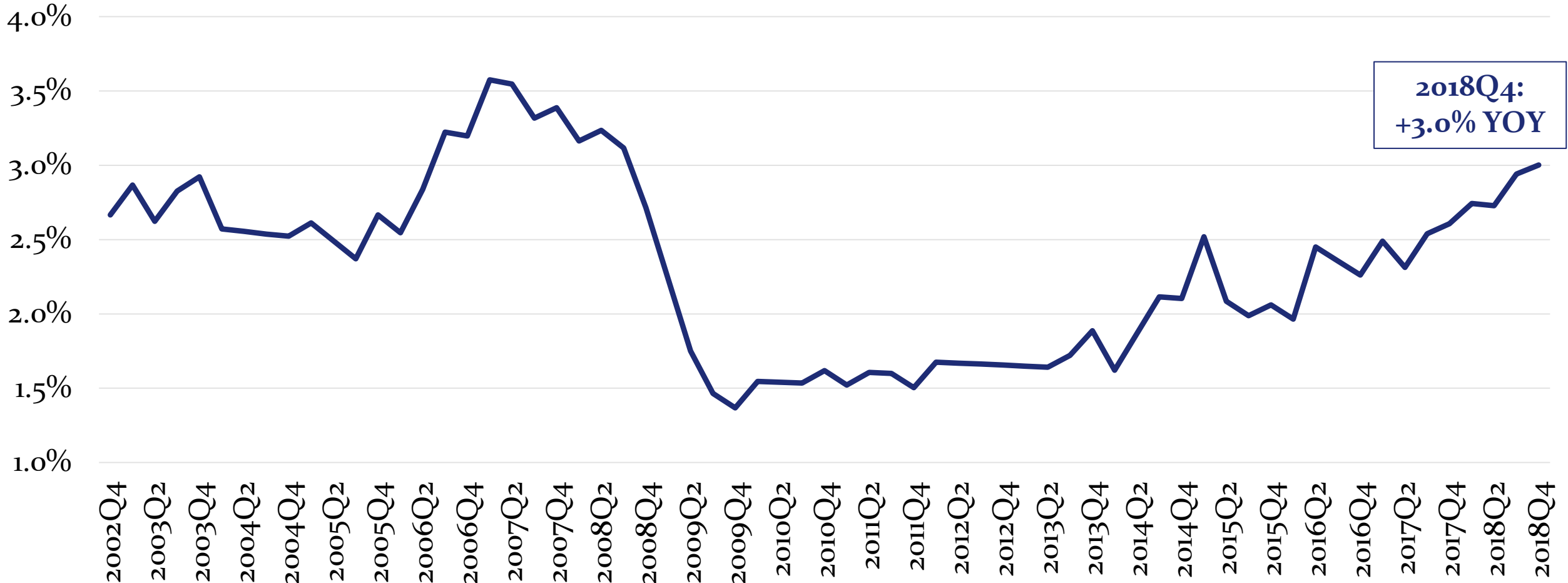


Jan. 2019: 3.5%

Growth in Wages & Salaries

Employment Cost Index (ECI), 2002Q4-2018Q4

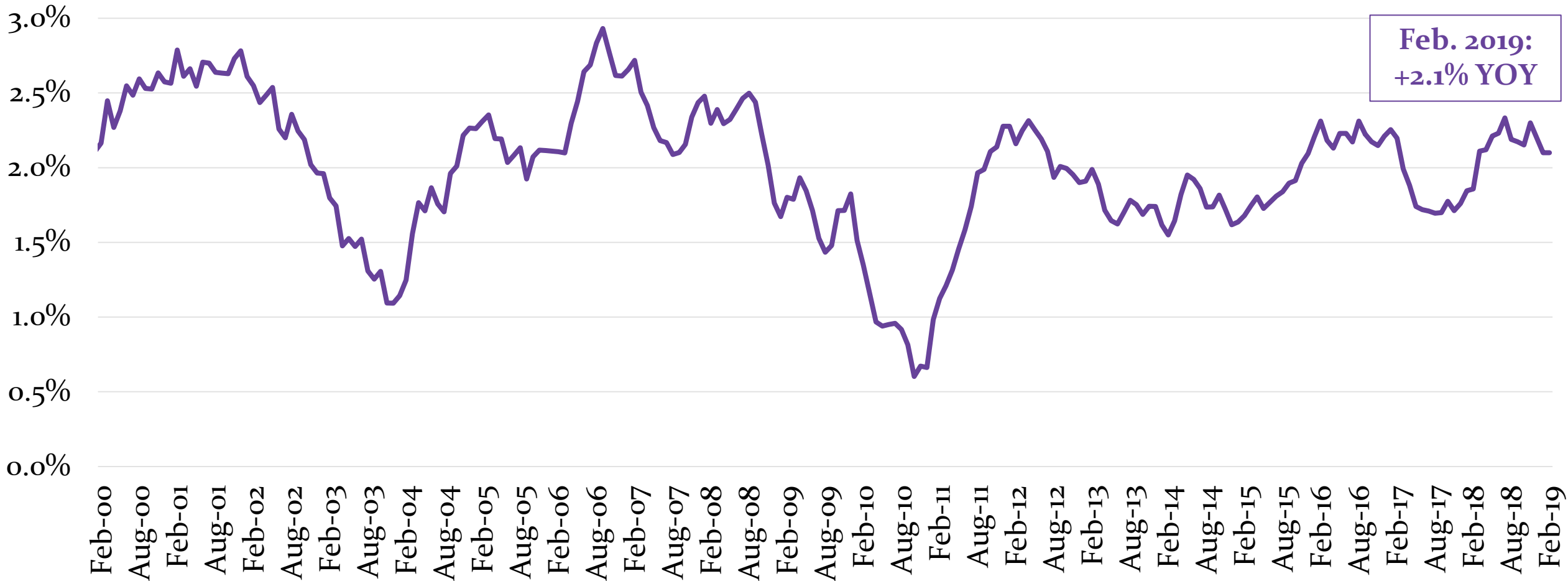
ECI for Wages & Salaries 12-Month % Change



Consumer Price Index: All Items Less Food & Energy

February 2000 – February 2019

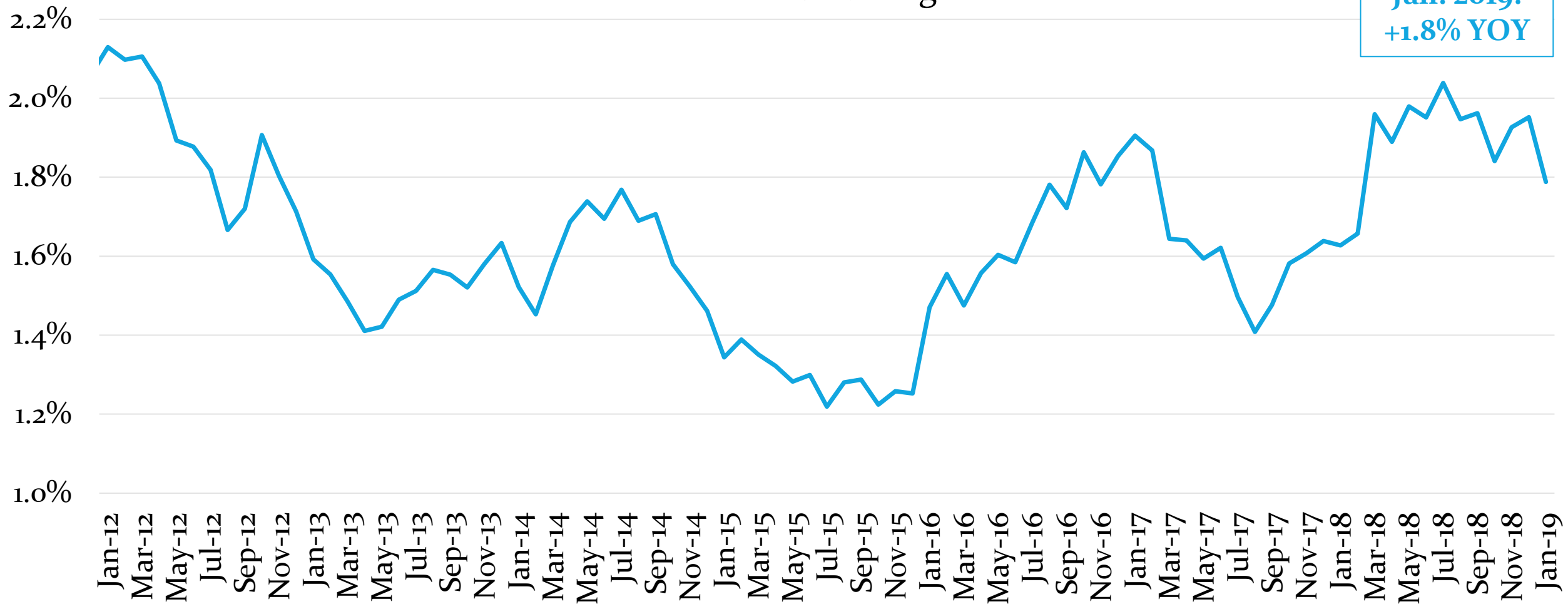
Core CPI (All Items Less Food & Energy) 12-Month % Change



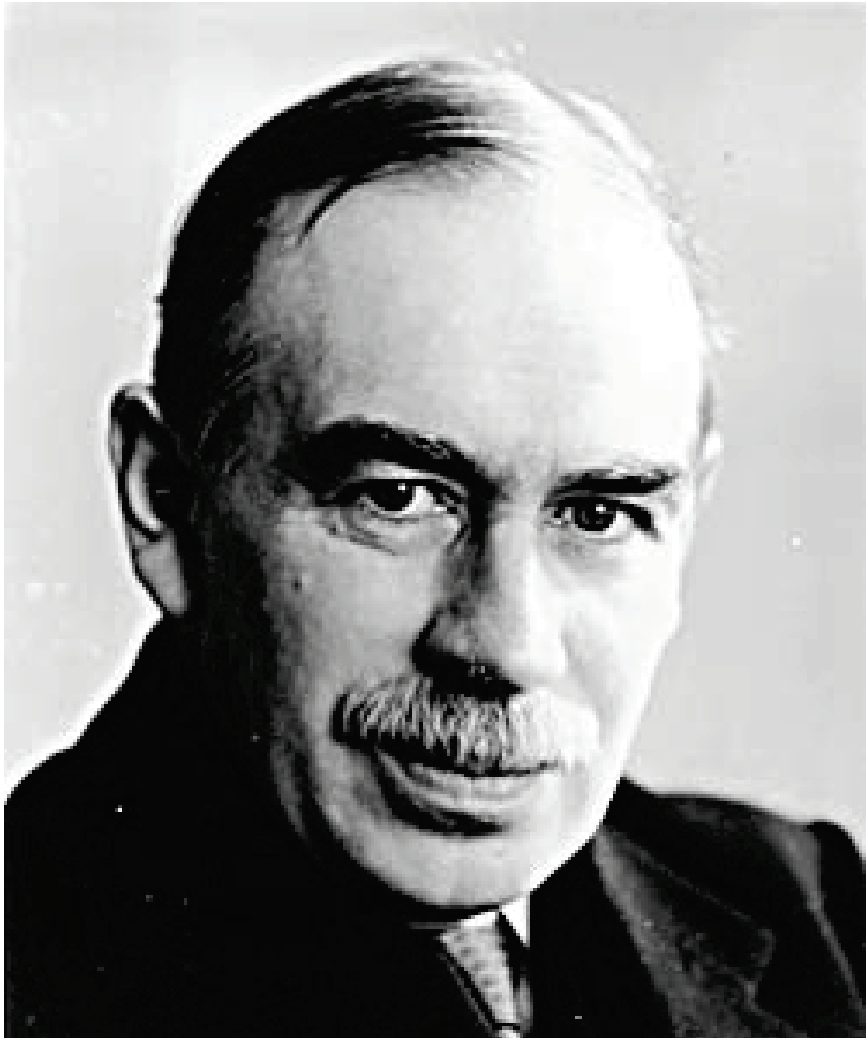
Core PCE Deflator

January 2012 through January 2019

Core PCE Index 12-Month % Change



Jan. 2019:
+1.8% YOY

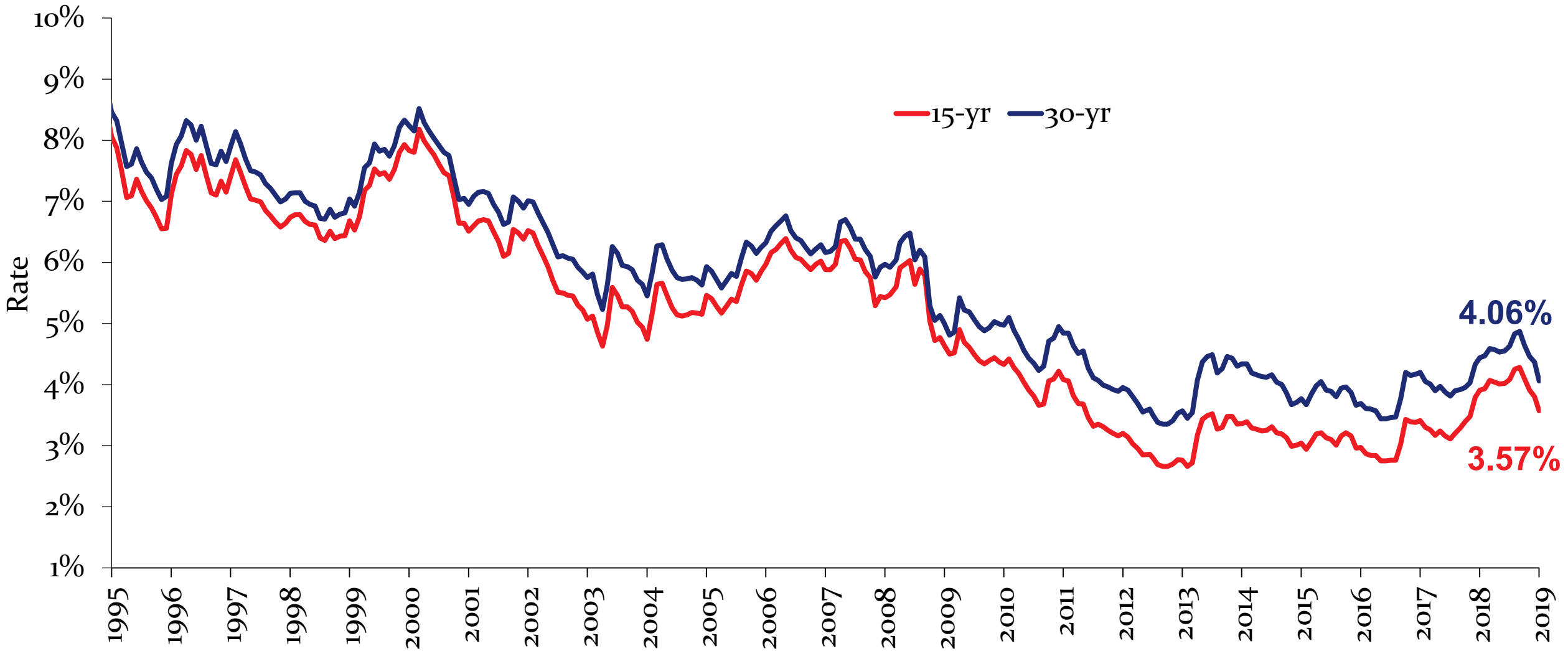


“Most men love money and security more,
and creation and construction less, as they get
older.”

—John Maynard Keynes

15-Year & 30-Year Fixed Mortgage Rates

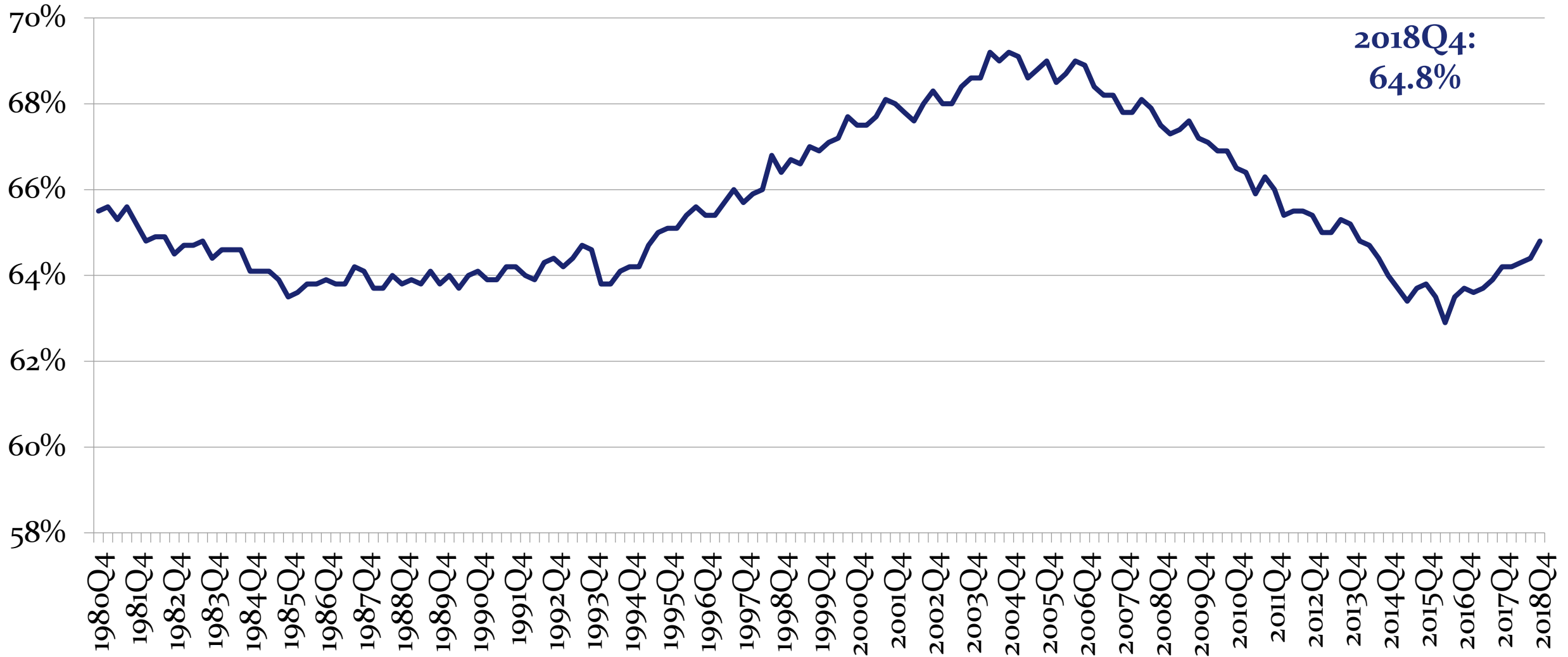
March 1995 through March 2019*



*Week ending 3/28/2019

U.S. Homeownership (NSA)

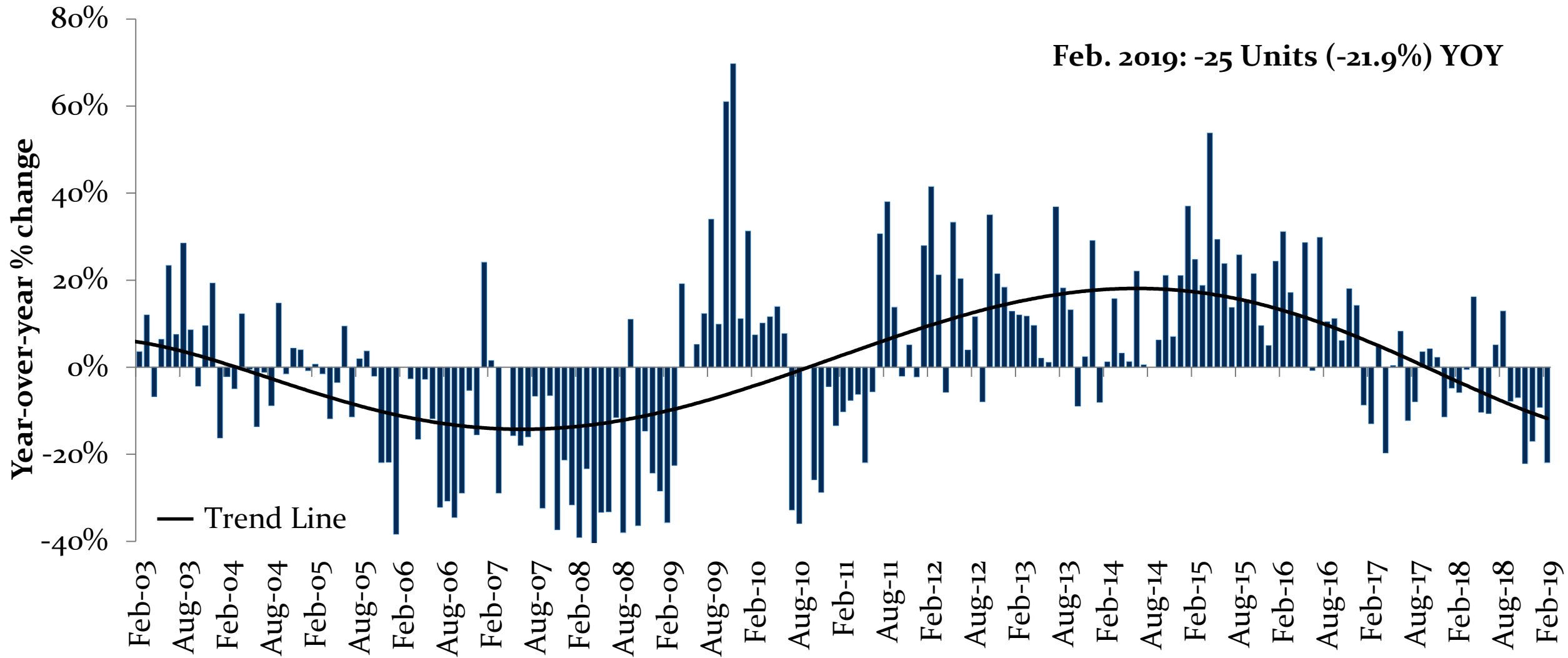
1980Q4-2018Q4



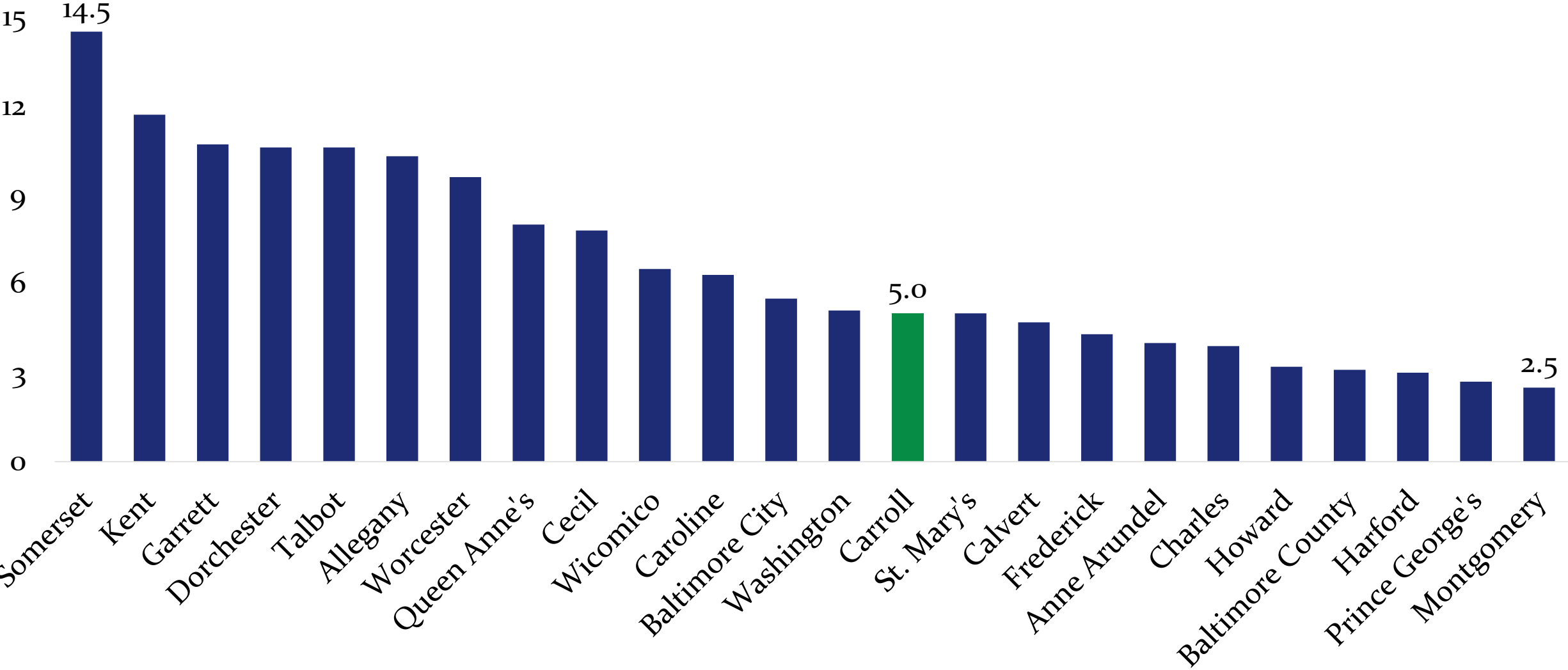
**2018Q4:
64.8%**

Carroll County Housing Unit Sales

February 2003 through February 2019



Months of Inventory by Maryland County, February 2019

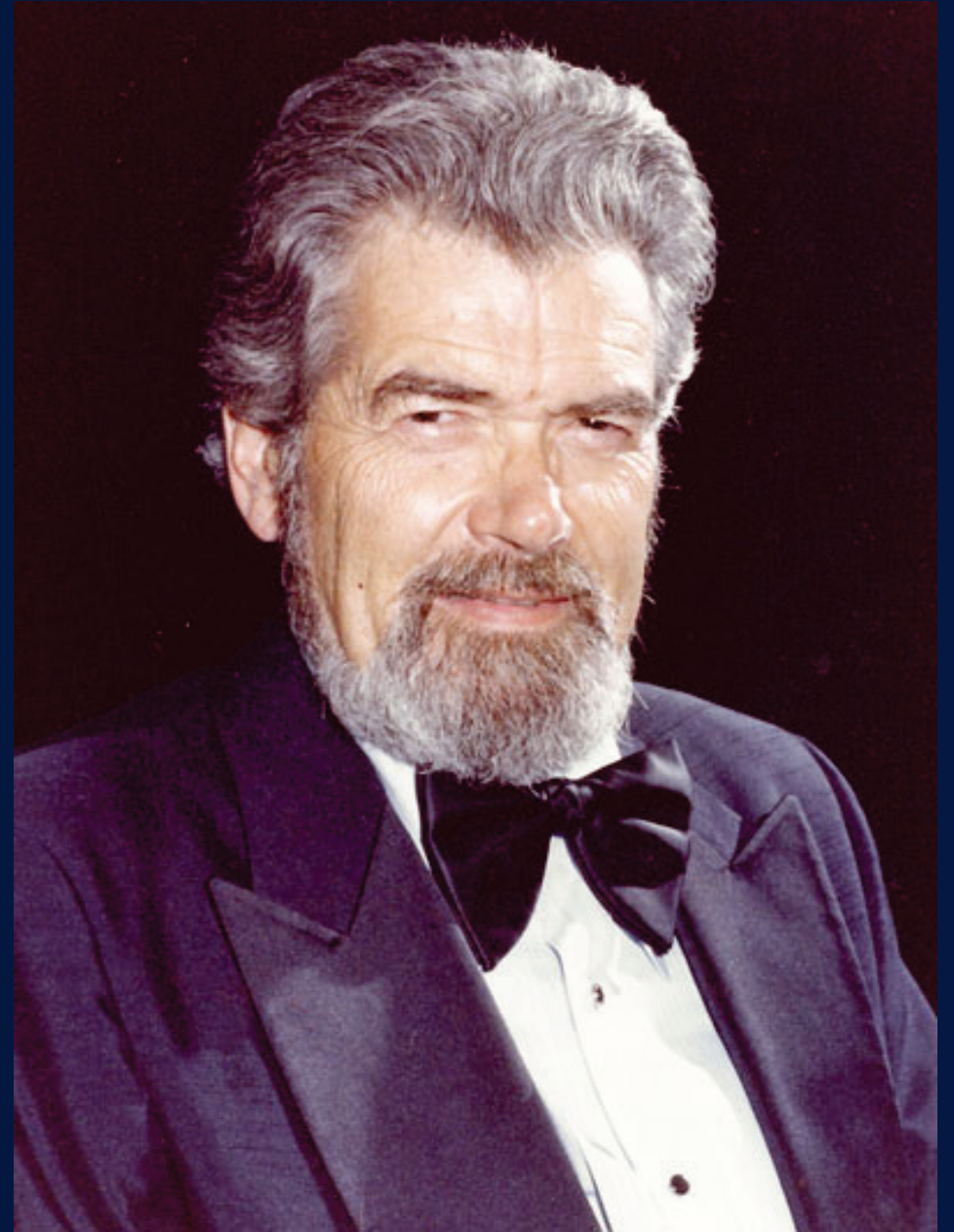


Maryland : 4.2 Months

Source: Maryland Association of Realtors (MAR)

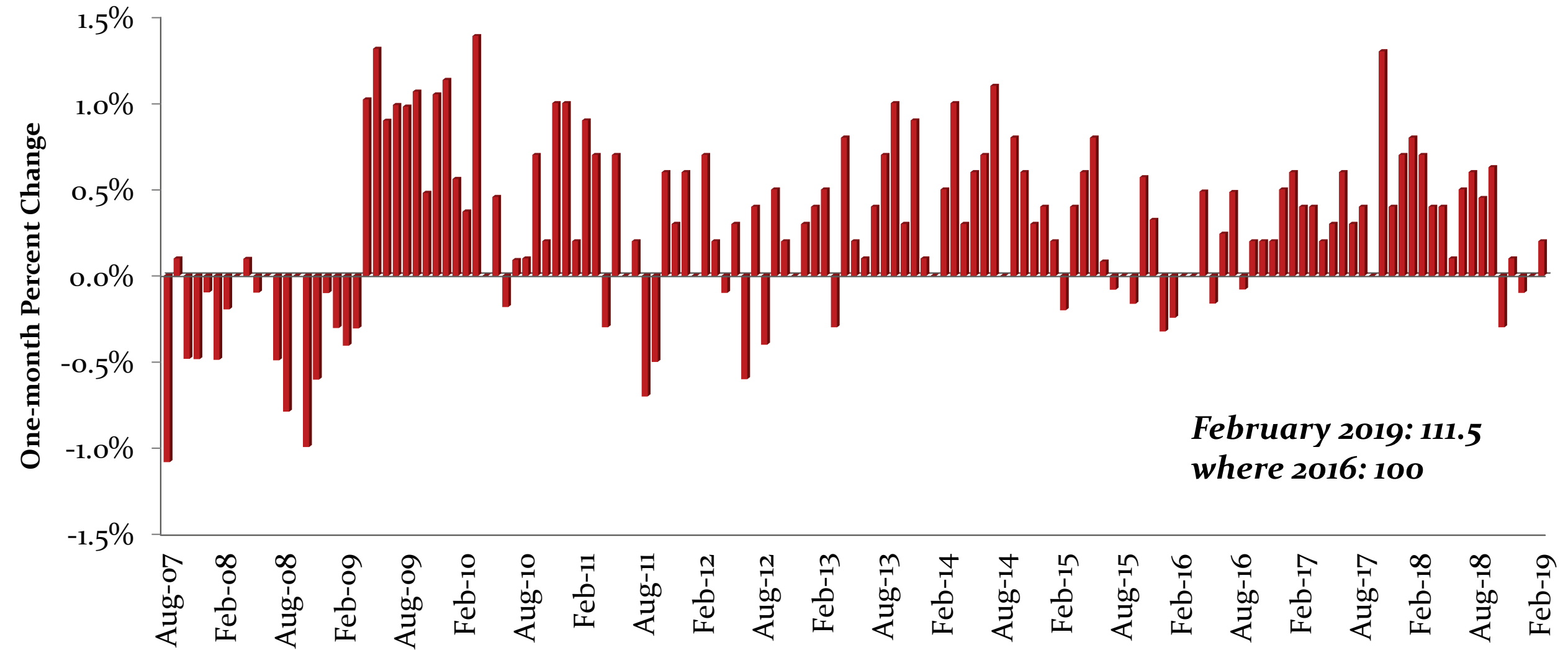
“An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.”

—Laurence J. Peter



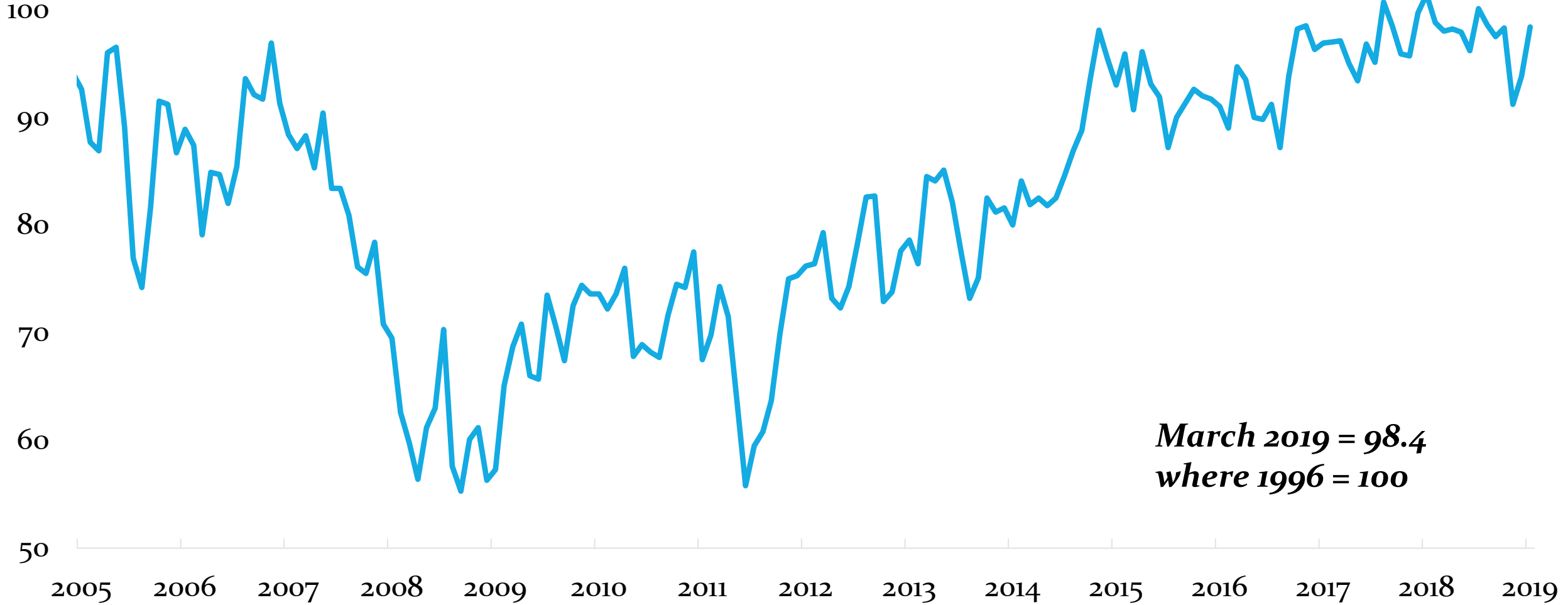
Conference Board Leading Economic Indicators Index

August 2007 through February 2019



University of Michigan Index of Consumer Sentiment

2005-2019

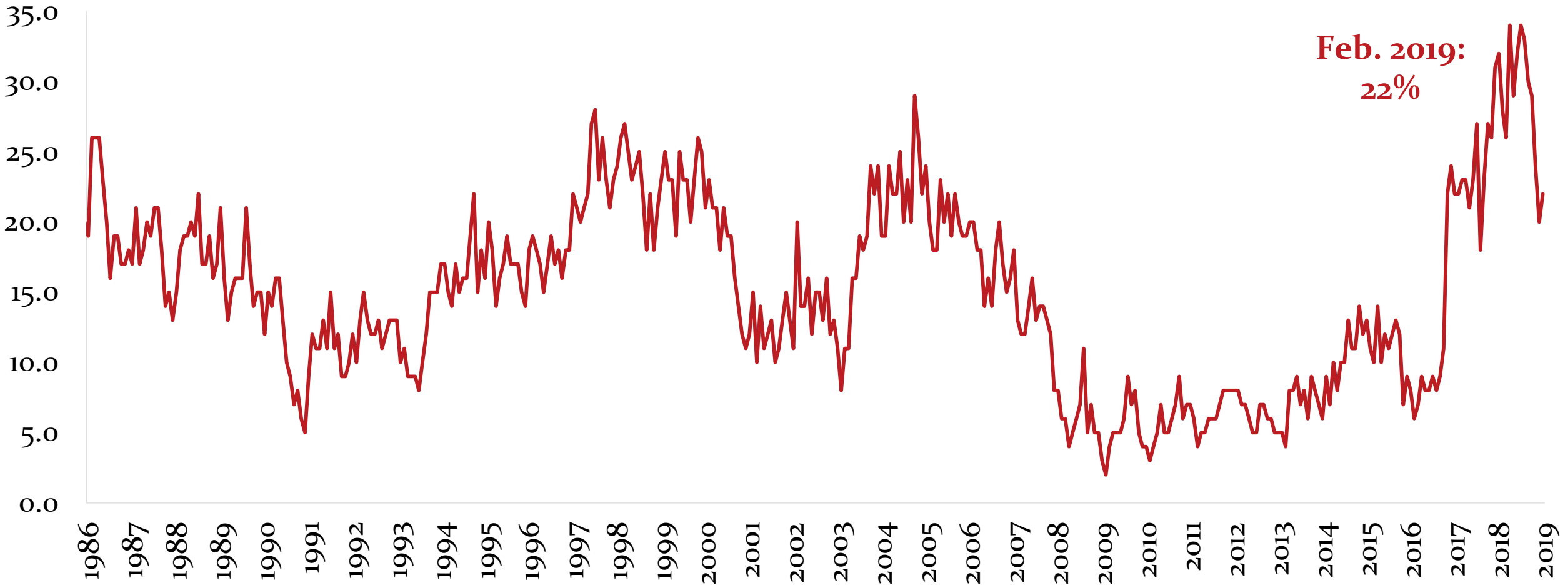


*March 2019 = 98.4
where 1996 = 100*

NFIB Index of Small Business Optimism: Good Time to Expand

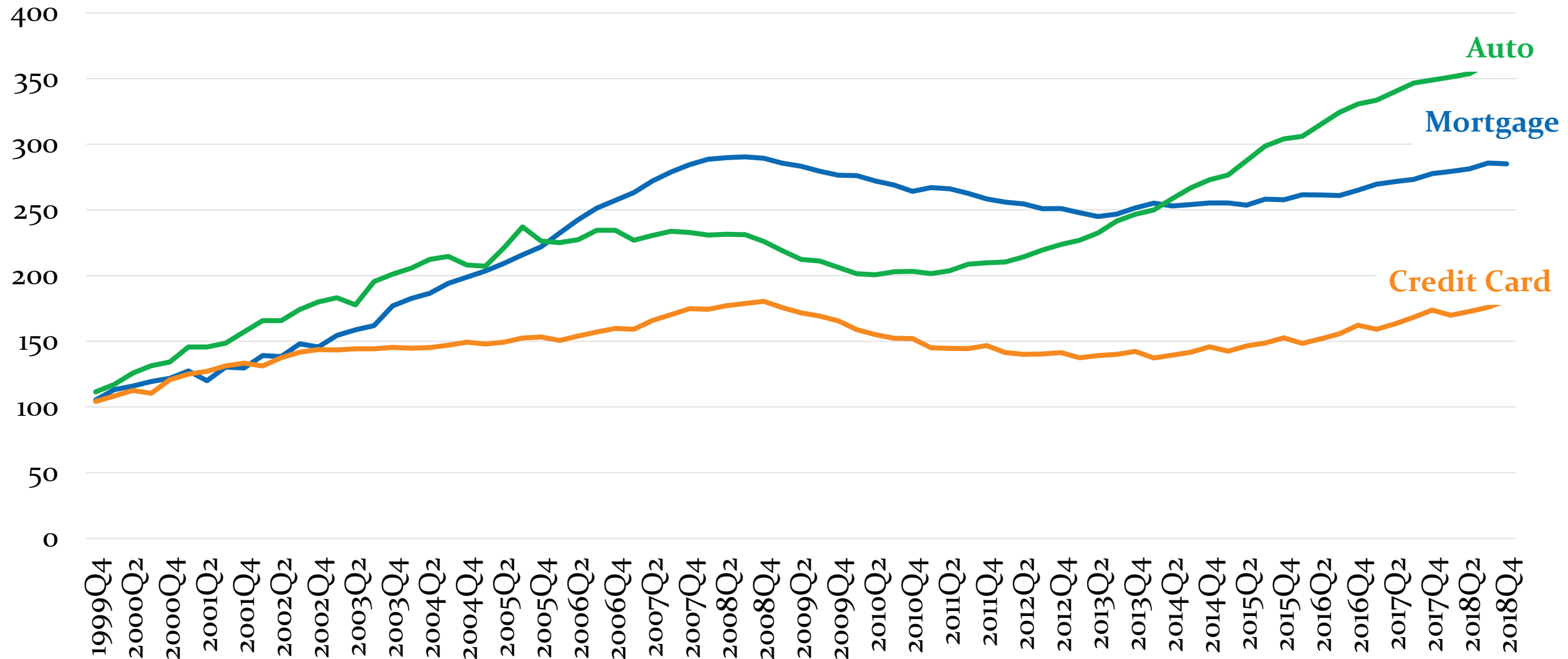
1986-2019

% of respondents who think the next 3 months will be a good time to for small business to expand

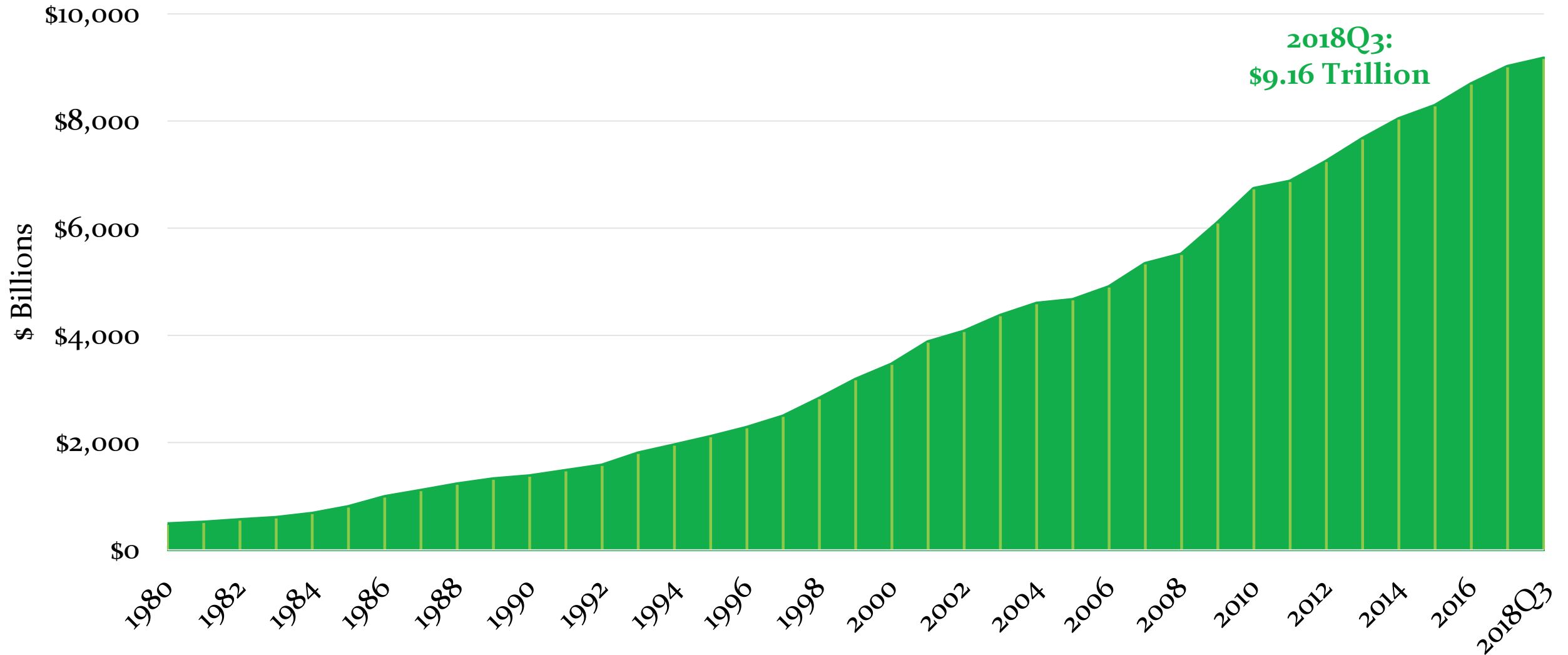


Total U.S. Debt Volume by Select Loan Types

Index 1999Q1=100



U.S. Corporate Bond Debt Outstanding, 1980-2018



2018Q3:
\$9.16 Trillion

Global Debt Reaches All Time Highs (IIF)

- According to the International Institute of Finance (IIF), global debt has reached an all-time high in 2016;
- At **\$244.2 trillion** as of 2018Q3, global debt—including household, government, and corporate—now represents **318% of global GDP**;
- Last year the IMF warned of risks to the global economy:
 - *“sheer size of debt could set the stage for an unprecedented private deleveraging process that could thwart the fragile economic recovery”*

Economists do it with Models

- Much of the negativity reflected in forecasts and in financial market volatility relates to things people believe will happen;
- But important parts of the U.S. economy continue to perform well – e.g. consumer, corporate earnings, construction.

- What's more, there is significant upside risk. What if the following happens?
 - ❑ Trade deal with China;
 - ❑ Infrastructure spending plan with revenue sources identified;
 - ❑ Elimination of tariffs on steel, aluminum, etc. &
 - ❑ Fed stops tightening!!!!
- Hypothesis - 2019 will be decent year for economy, especially the first half.

Thank You

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Please contact us when you require economic research & policy analysis.