

National & Regional Economic Outlook

**The Alliance Bank Economic Policy Institute
2019 Economic Outlook Conference**

November 14, 2019

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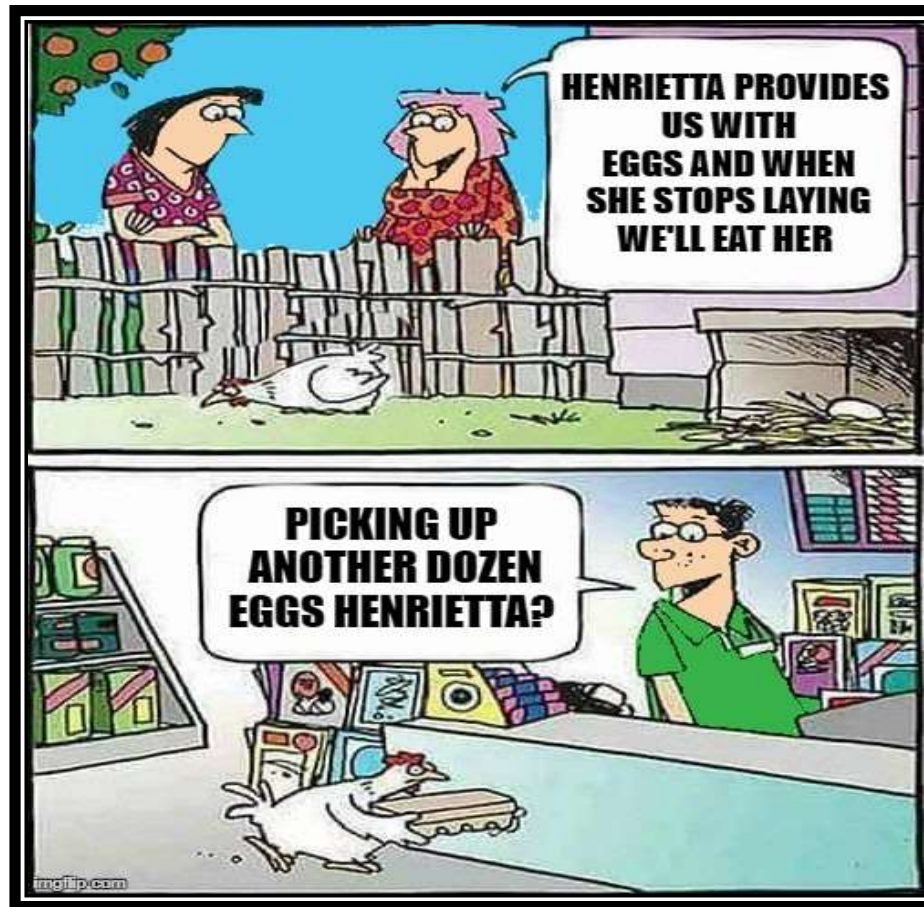


The W. A. Franke College of Business

Risky Times



Real or Fake?



Performance by the Numbers

Positive Factors

- Consumer Spending
- Government Spending
- Residential Investment

Negative Factors

- Business Investment
- Political Uncertainty
- Outlook for Trade

Challenges Ahead

- Increase in the national debt
- Shortages of workers in the labor force
- Growth in entitlements is not sustainable
- Widening wealth and income gaps
- Decaying infrastructure
- Costs associated with global warming

Consumer Sentiment Index

(University of Michigan)



Source: University of Michigan: Consumer Sentiment Index. November 4, 2019

Thoughts from Yogi

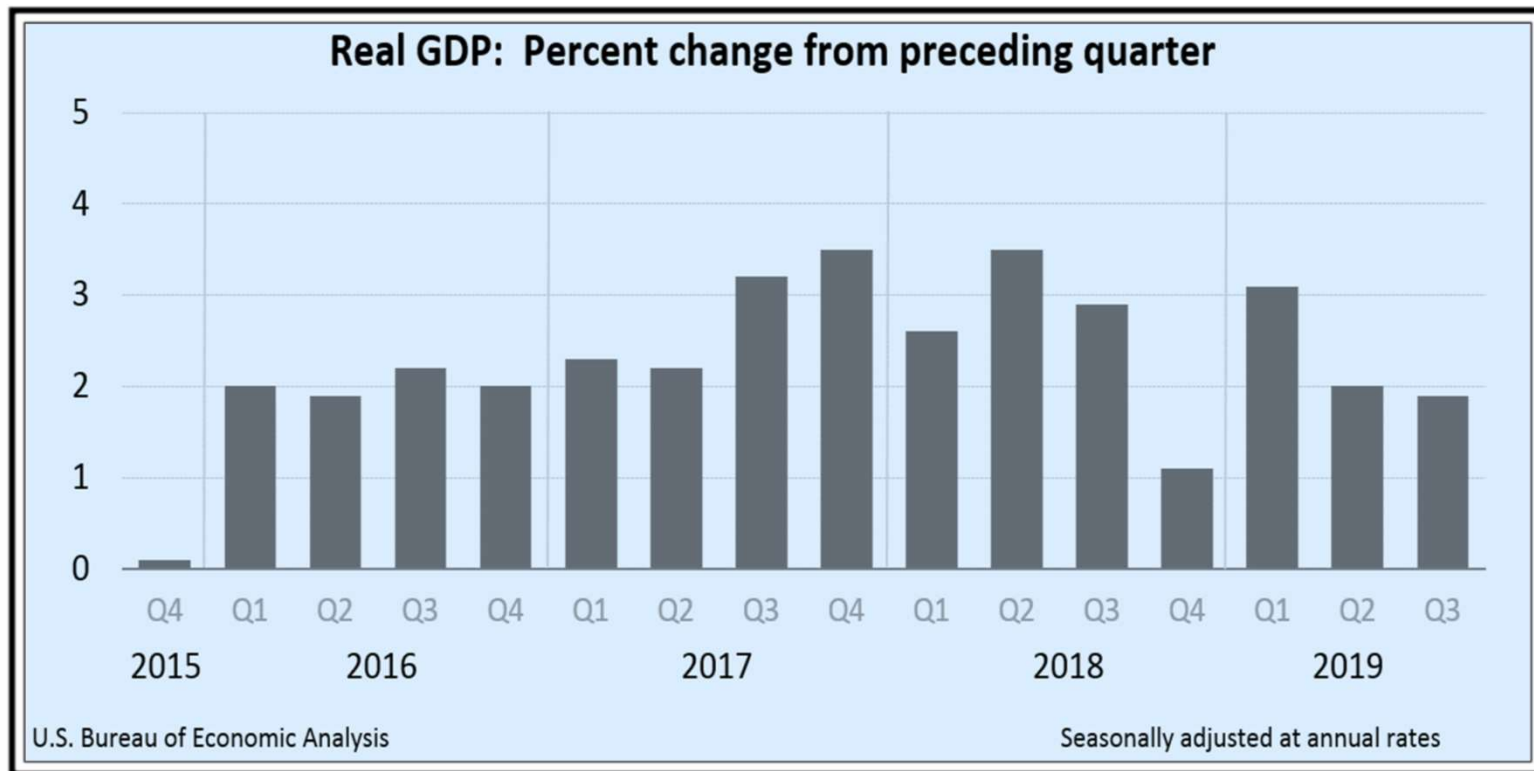


It's tough to make predictions, especially about the future.

(Yogi Berra)

izquotes.com

Real GDP Growth Slows



Source: <https://www.bea.gov/data/gdp/gross-domestic-product>. October 30, 2019

Trade Policy is the Big Negative

- Questionable trade policies across the globe have increased levels of uncertainty, resulting in:
 - Disruption of trade patterns of exports & imports
 - Reduced levels of business investment
 - Factory closings
 - Increasing numbers of farm bankruptcies

Interest Rates & Investment

Will lower interest rates help the economy?

Lower interest rates will not bring about increased investment if businesses don't expect to profit from the investment

FED is out of Ammunition

- *“The FED is out of tricks, and they have given away all their treats”*

Rick Santelli

CNBC Business News Network

October 30, 2019

U.S. Single Family Home Sales

Sept 2019 vs. Sept 2018

- Existing home sales:
 - Increased 3.9% from levels a year ago
- Newly-constructed home sales:
 - Increased 15.5% from levels a year ago

Sales of new homes were, in part, higher due to the limited inventory of existing home properties for sale!

Source: National Association of Realtors, U.S. Census Bureau, and Dept. of Housing and Urban Development. October 22 and 24, 2019.

Lower Interest Rates May Not Boost Home Sales

- Low interest rates normally boost home sales, but **low inventories** of available homes curtail sales activity.
- Lower interest rates won't help sales if the supply of available homes does not match the demand for homes at price levels that buyers can afford.

Metro Phoenix Housing Market

- Metro Phoenix median home prices expected to reach \$285,000 in November.
- Home sales are 14% higher than a year ago.
- Homes listed for sale are 12% lower than a year ago.
- Biggest issue is incomes not keeping up with the increases in home prices & rents.

Source: Arizona Regional Multiple Listing Service. Data summarized and reported by Catherine Reagor, *Arizona Republic*, November 10, 2019.

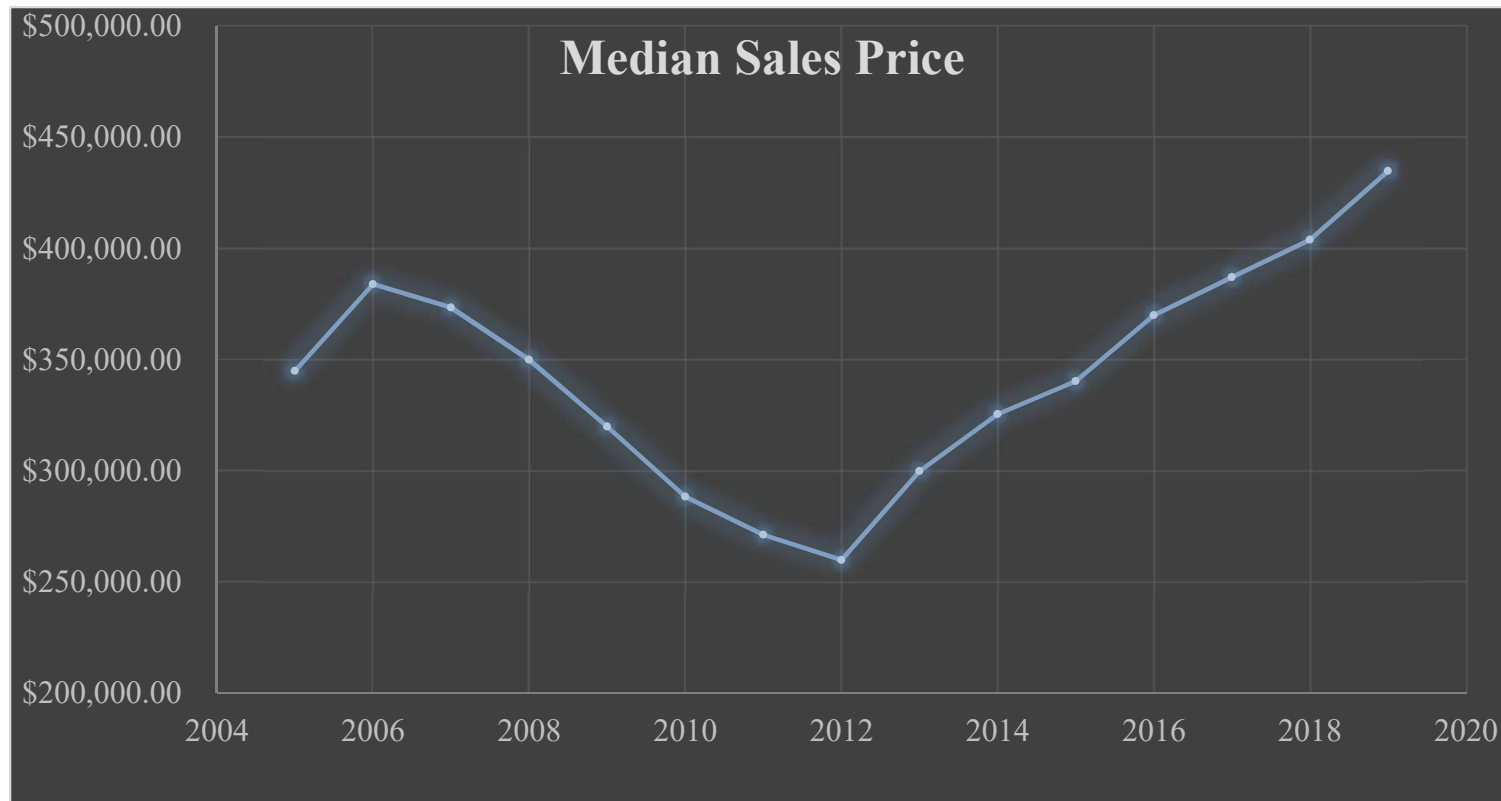
Flagstaff Housing Market

(Lawrence Yun Analysis)

- Flagstaff home values continue to rise but this may act as a deterrent for new potential buyers
- Higher wages & lower interest rates, have not outpaced higher home prices locally
- Home affordability continues to weaken locally

Source: Dr. Lawrence Yun, National Association of Realtors. Presentation to Northern Arizona Association of Realtors, July 2019

Flagstaff Single Family Homes Median Sales Prices



Source: www.flagstaffhomesblog.com | Flagstaff Market News, Elite Team/REMAX Peak Properties. 2019 information is as of October 16, 2019 & includes surrounding areas.

Flagstaff Single Family Homes Total Sales (2019 is 9 mo's)

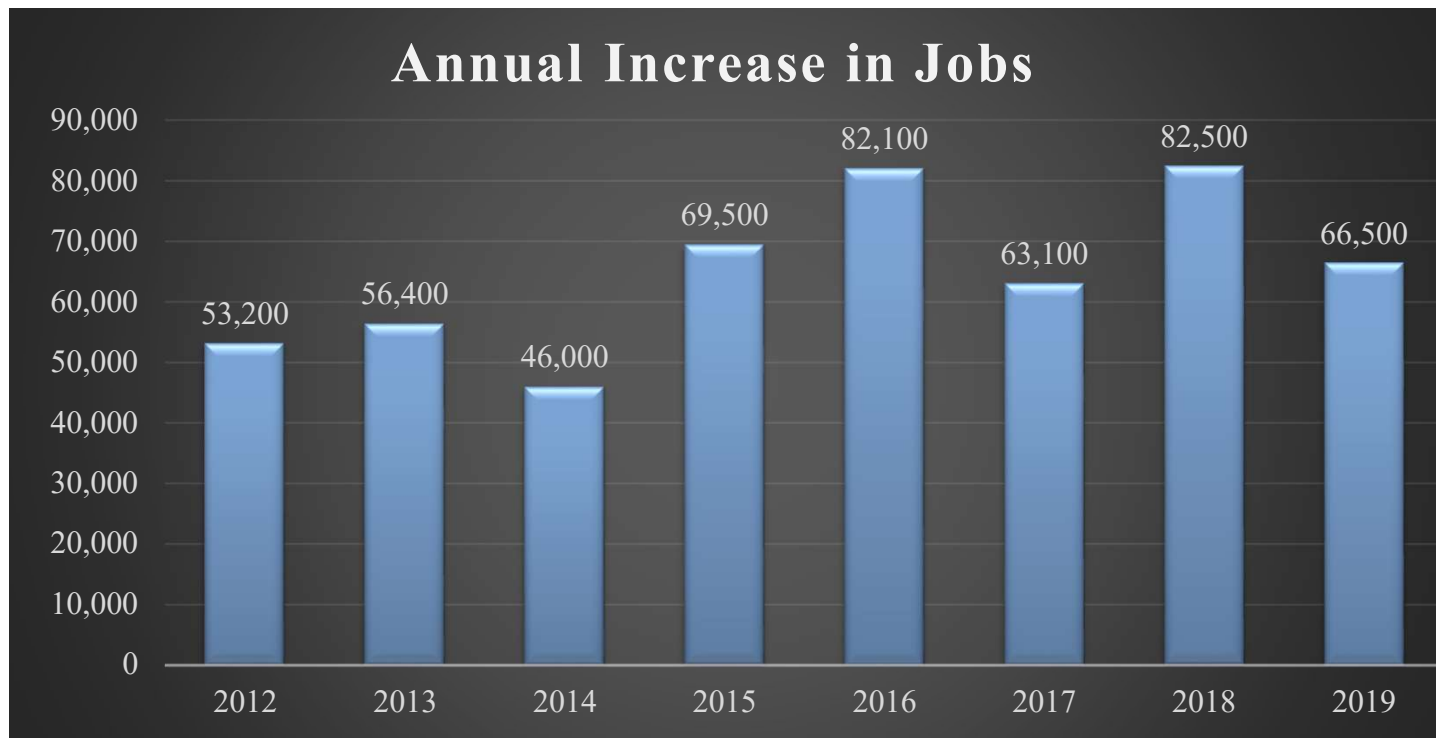


2019 sales only through September

Source: www.flagstaffhomesblog.com | Flagstaff Market News, Elite Team/REMAX Peak Properties

Arizona Indicators

Arizona Annual Change in Nonfarm Employment



Source: Office of Economic Opportunity, Arizona Labor Statistics. September over September Changes. 2012-2019.

Arizona Blue Chip Forecasts

Annual Percent Changes

Annual Percent Change by Economic Indicator Category	2019 vs. 2018	2020 vs. 2019
Retail Sales	5.1%	4.9%
Wage & Salary Employment	2.6%	2.4%
Single Family Housing Permits	7.0%	5.1%

Source: W.P. Carey School of Business, Seidman Research Institute, Arizona State University,
October 2019

No Recession in 2020

- The U.S. economy is weakening, but still is sound based on fundamentals.
- Overall GDP growth in the economy should continue to remain (slightly) positive in 2020.
- What could change the outlook?

Potential Trouble Spots

- Political turbulence reaches a tipping point, causing both consumer & business sentiment to weaken.
- The rest of the world enters a deeper recession, harming the U.S.
- The trade war with China is not resolved, and intensifies.
- Random supply-side shocks in the global economy.