

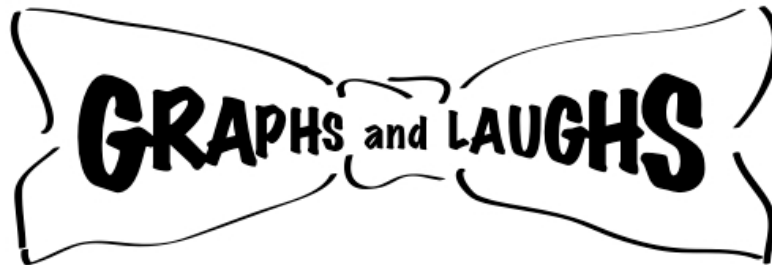
# **THE ECONOMY IN 2021: THE BEST GROWTH IN 40 YEARS**

Presented by:

Elliot F. Eisenberg, Ph.D.

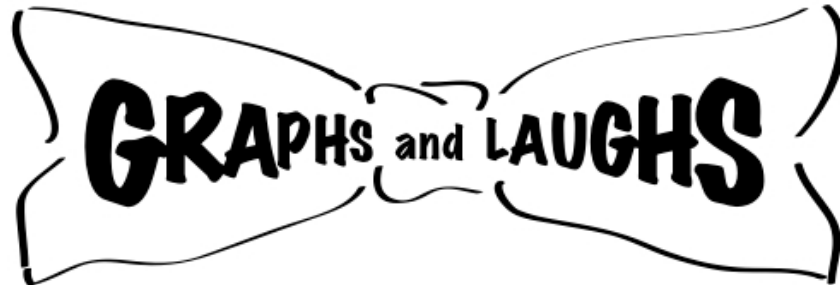
President: GraphsandLaughs, LLC

April 7, 2021



# The Economy Bottomed

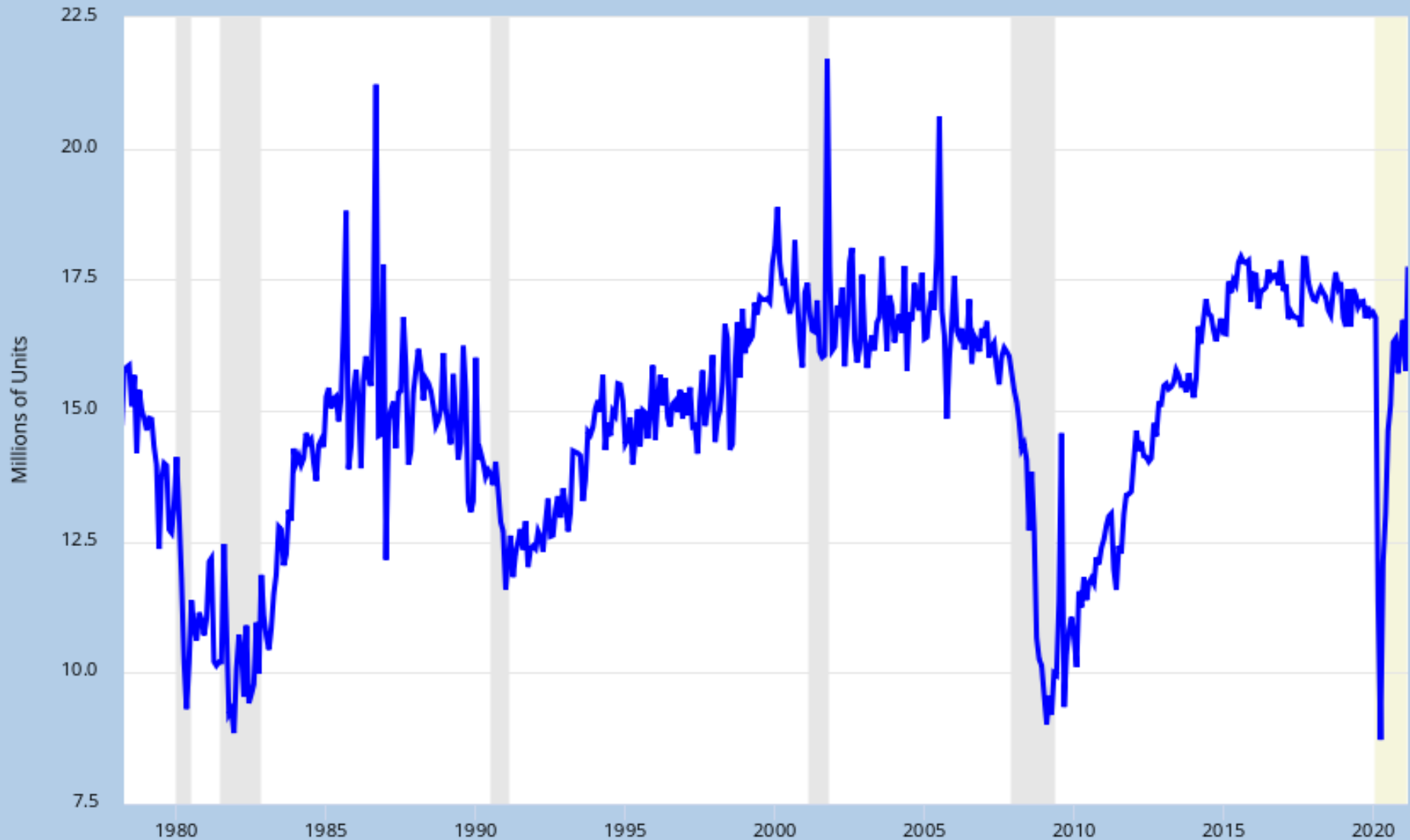
$$\text{GDP} = C + I + G + (X - M)$$



# US Light Vehicle Sales Reverse Their Slide

A strong recovery from 12 months ago, helped by bad weather and stimi checks

**FRED**  — Light Weight Vehicle Sales: Autos and Light Trucks

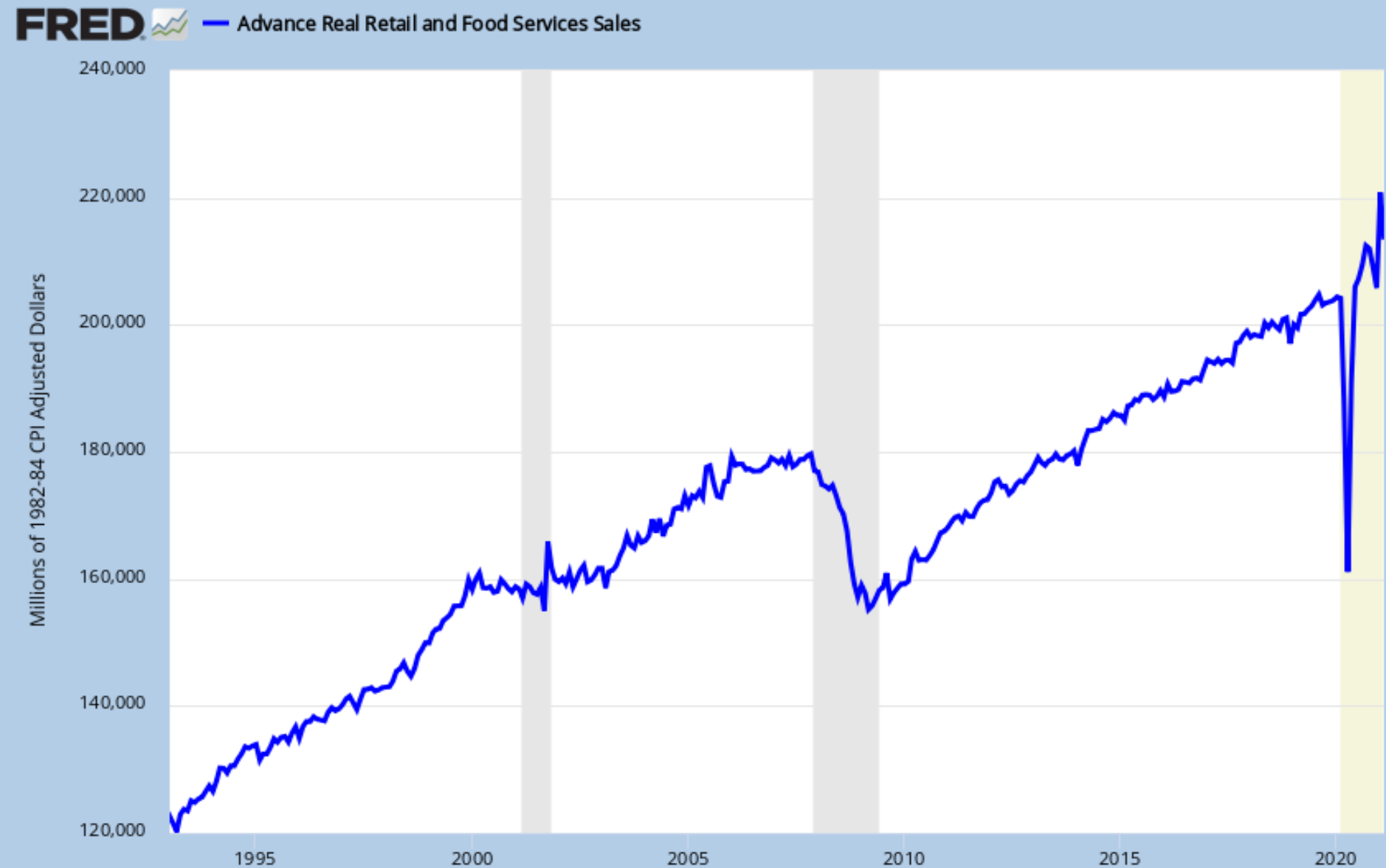


Source: U.S. Bureau of Economic Analysis

[myf.red/g/CROd](https://myf.red/g/CROd)

# Real Retail Sales Collapse and Recover

Household spending had done spectacularly well

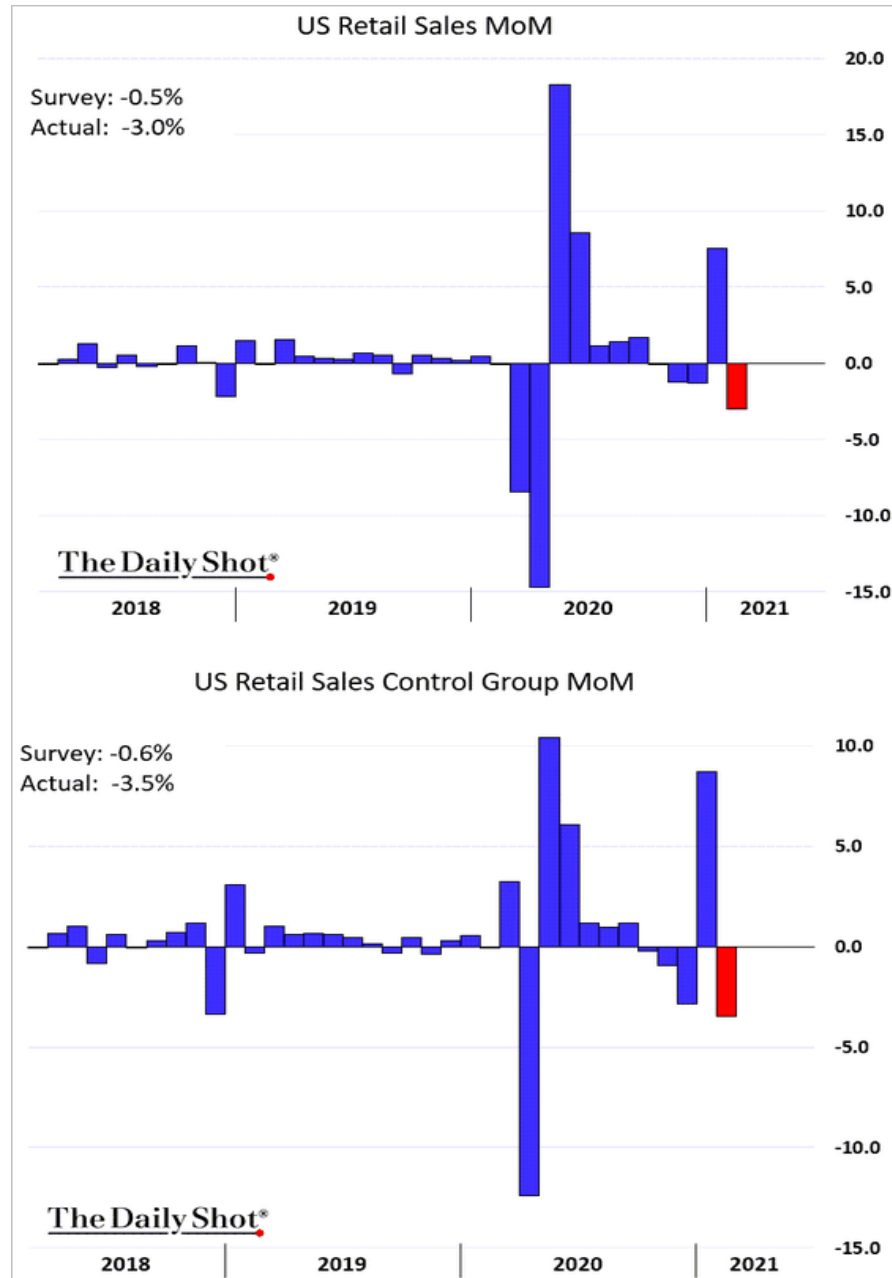


Source: Federal Reserve Bank of St. Louis

[myf.red/g/C2YR](https://myf.red/g/C2YR)

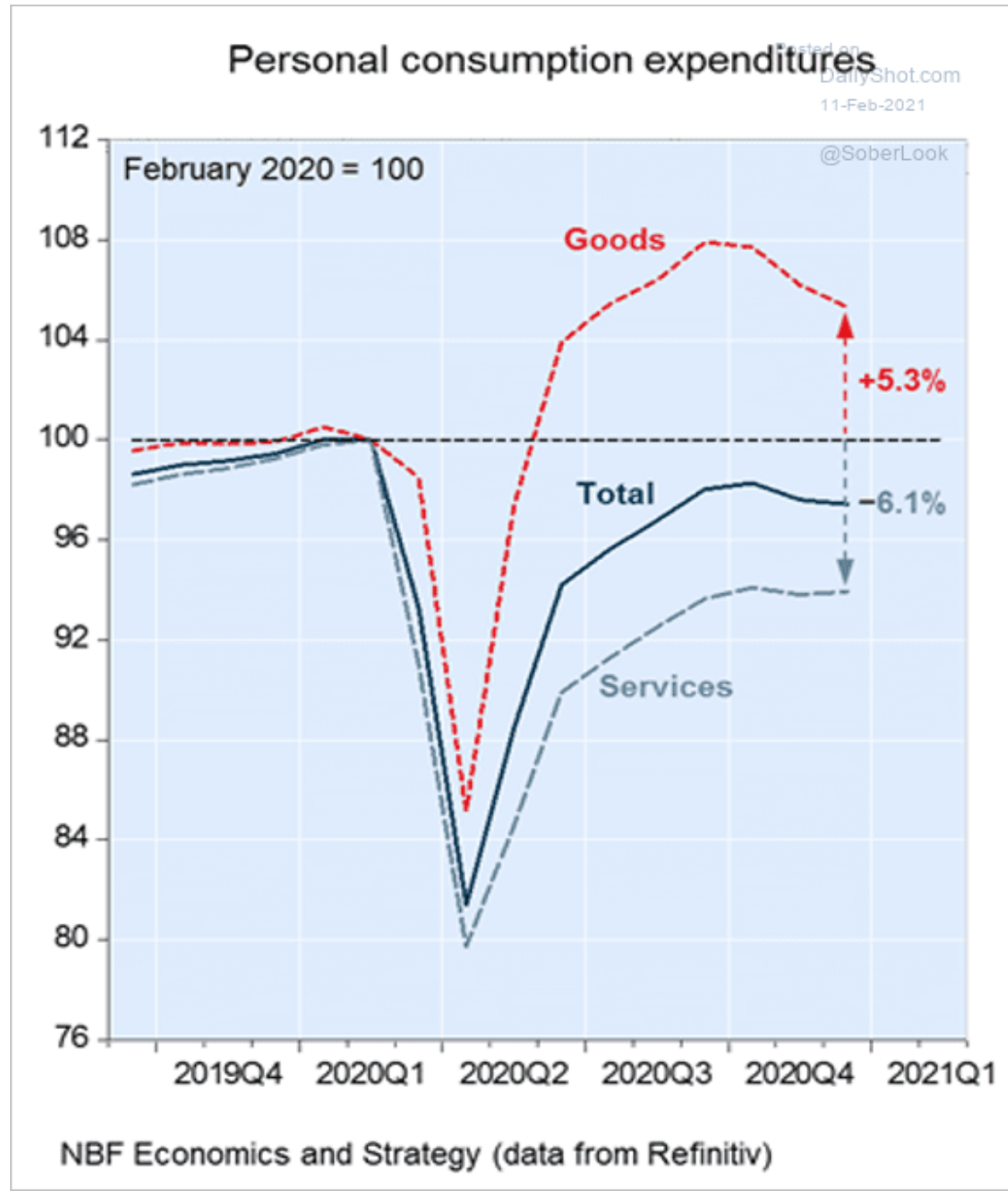
# Retail Sales Growth Recovers

Help came just in time in the form of Stimuli checks



# Change in Consumer Spending Since 1/1/20

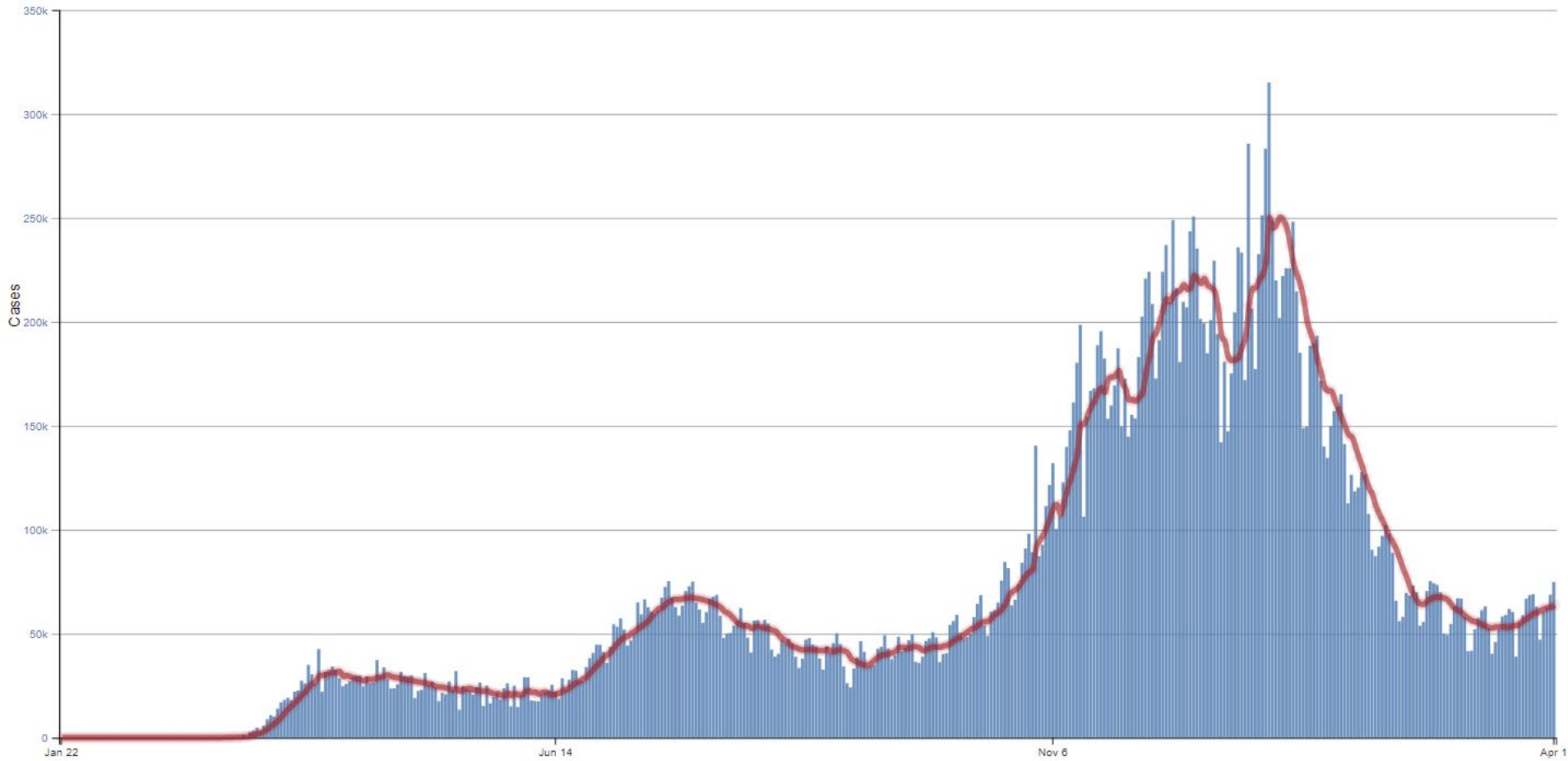
Services really struggle



# New US Coronavirus Cases/Day

US rates wax and wane, and it is now rising again

Daily Trends in Number of COVID-19 Cases in the United States Reported to CDC



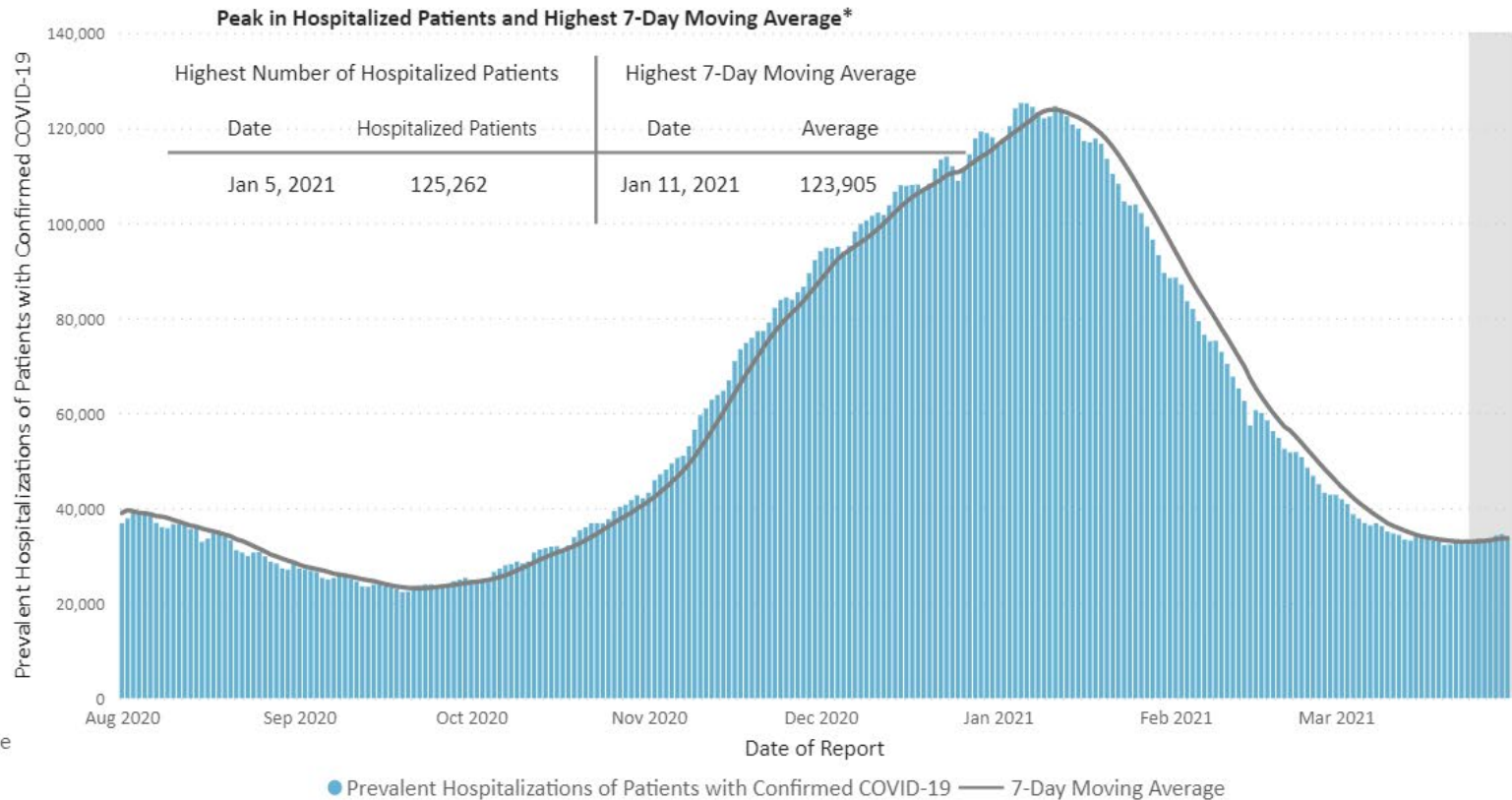
# New US Coronavirus Hospitalizations/Day

US rates wax and wane, and now it will start rising again



## Prevalent Hospitalizations of Patients with Confirmed COVID-19, United States

August 1, 2020 – March 31, 2021



**33,918**

Hospitalized Patients

Mar 31, 2021

**33,698**

Current 7-Day Average

Mar 25, 2021 – Mar 31, 2021

**32,929**

Prior 7-Day Average

Mar 18, 2021 – Mar 24, 2021

**+2.3%**

Change in 7-Day Average

**-72.8%**

Change Since Peak 7-Day Average



# When is Herd Immunity Achieved?

Late summer is a good bet, but it is more like a light dimmer

## Herd Immunity in U.S. by Summer

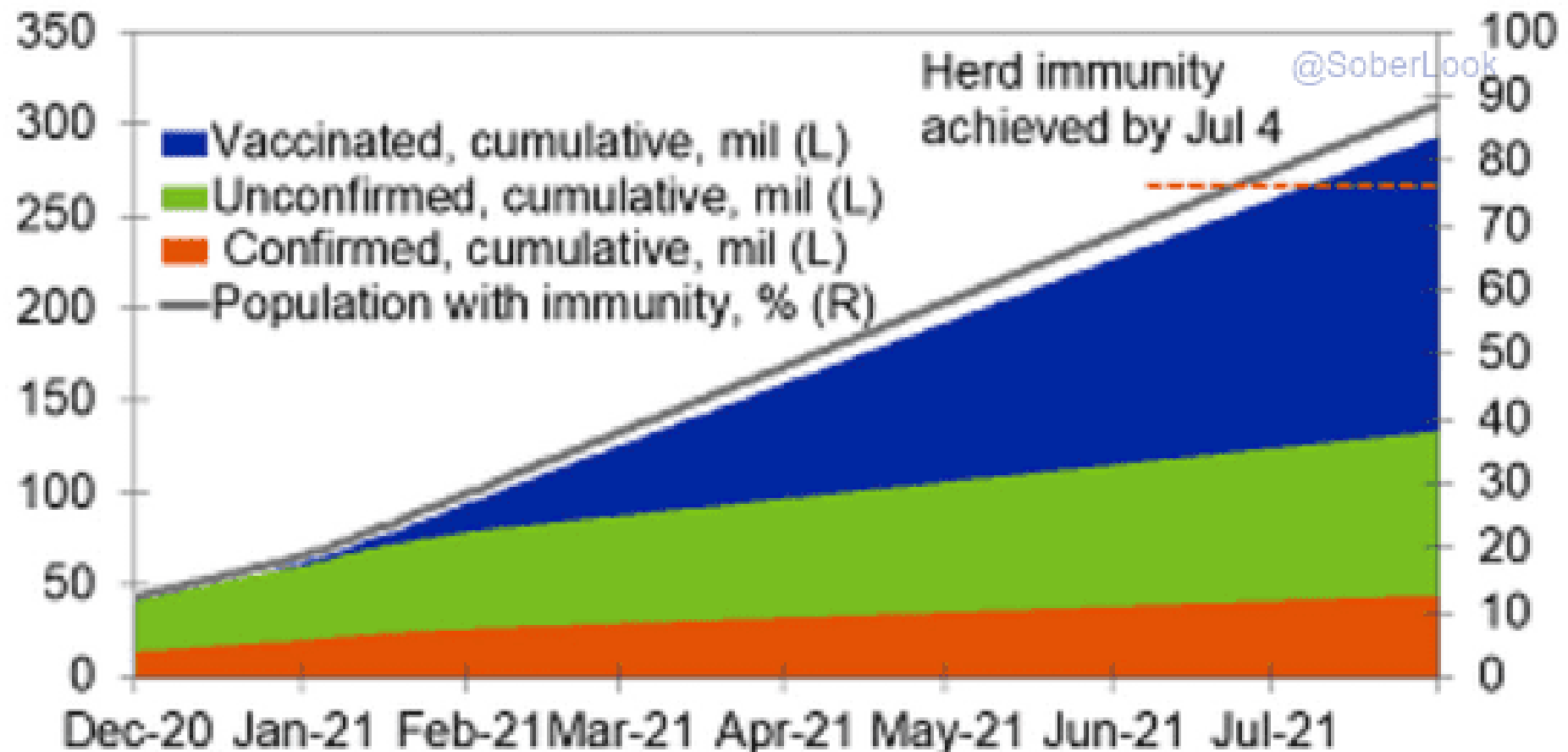
Posted on

DailyShot.com

10-Mar-2021

@SoberLook

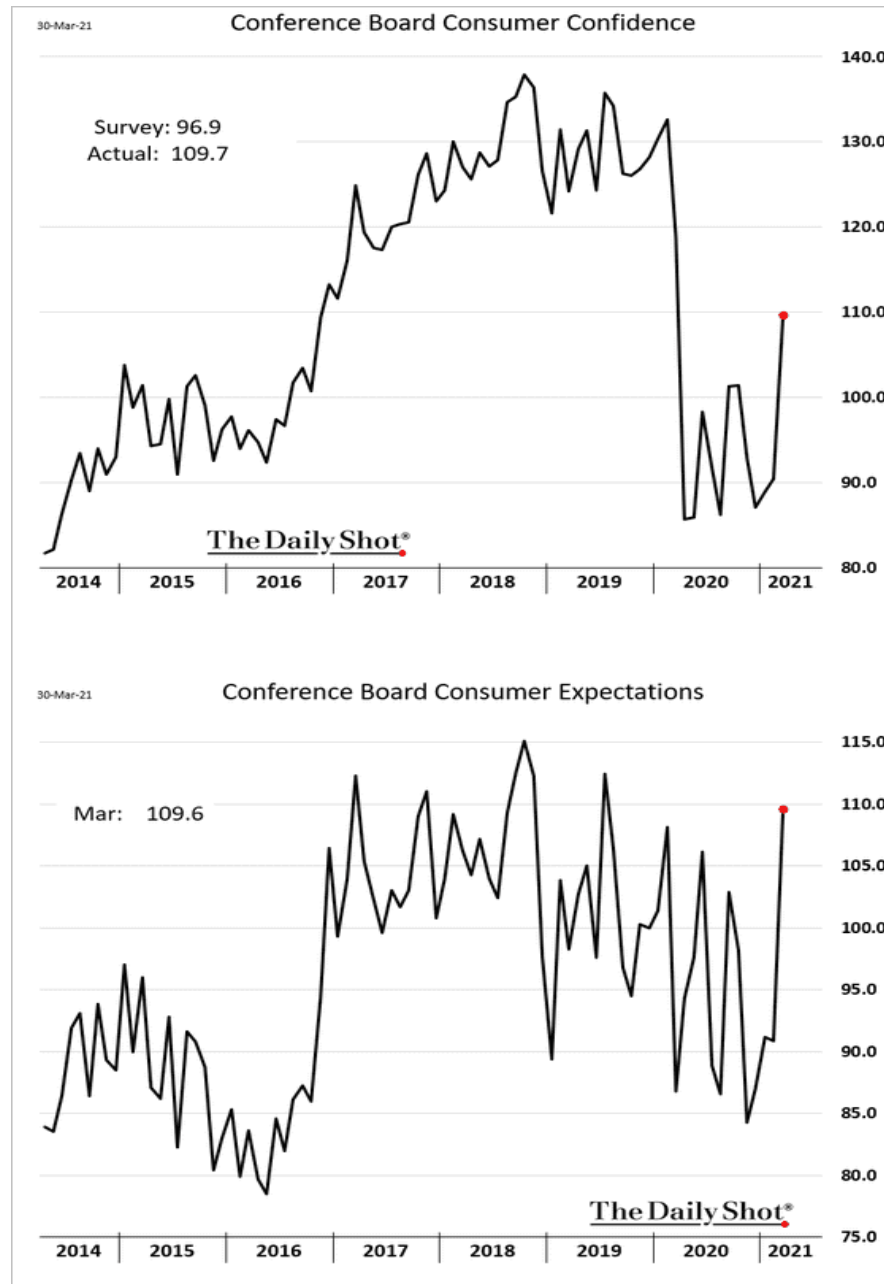
Assumes 100k confirmed cases per day, 1.6 mil vaccinations per day



Sources: Johns Hopkins CSSE COVID-19 Data Repository, Moody's Analytics

# Conference Board Consumer Confidence

It is finally rising!

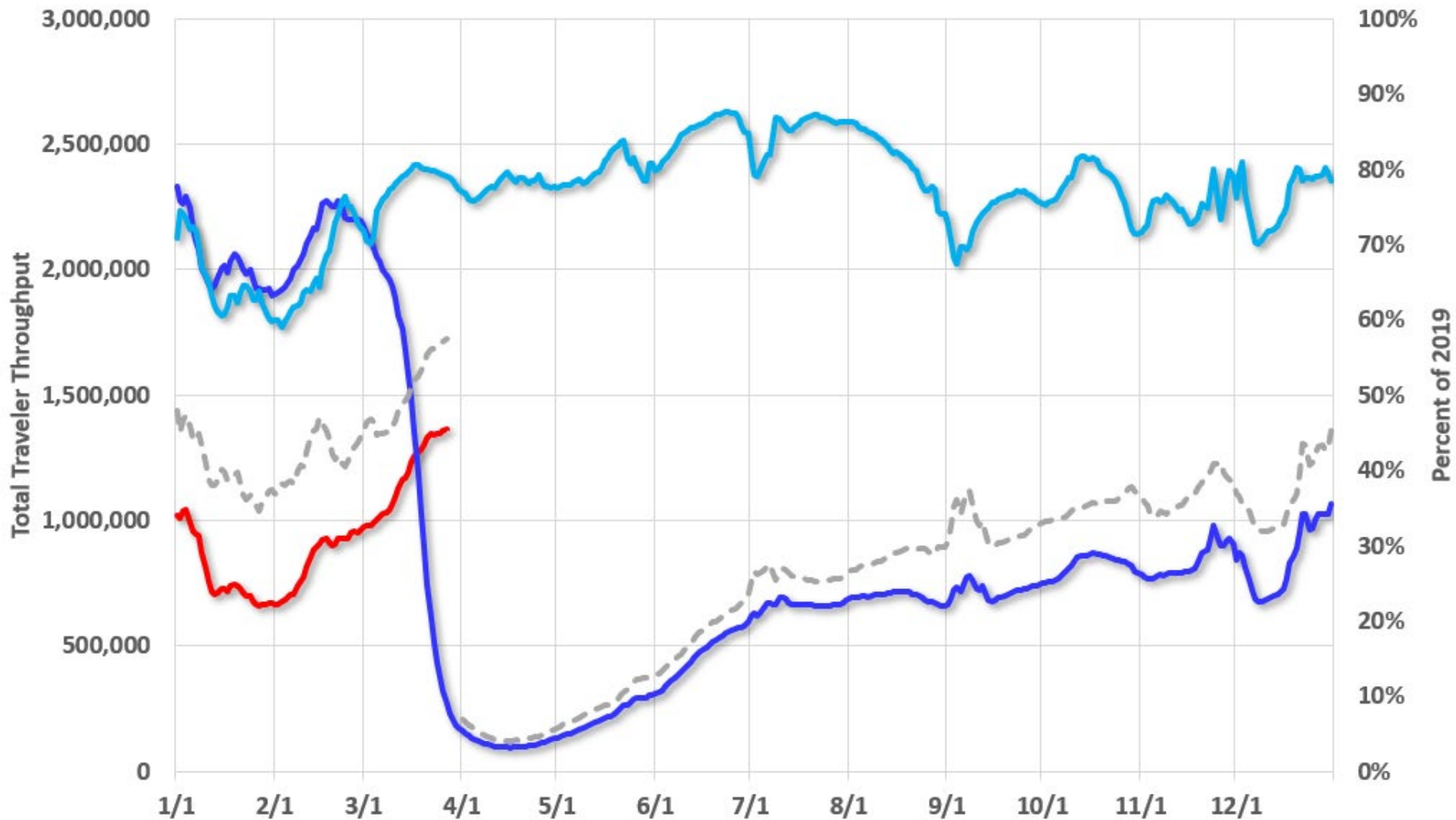


# US Air Travel Activity

## It is 57.4% of normal and steadily rising

TSA Checkpoint Travel Numbers, 7 Day Average

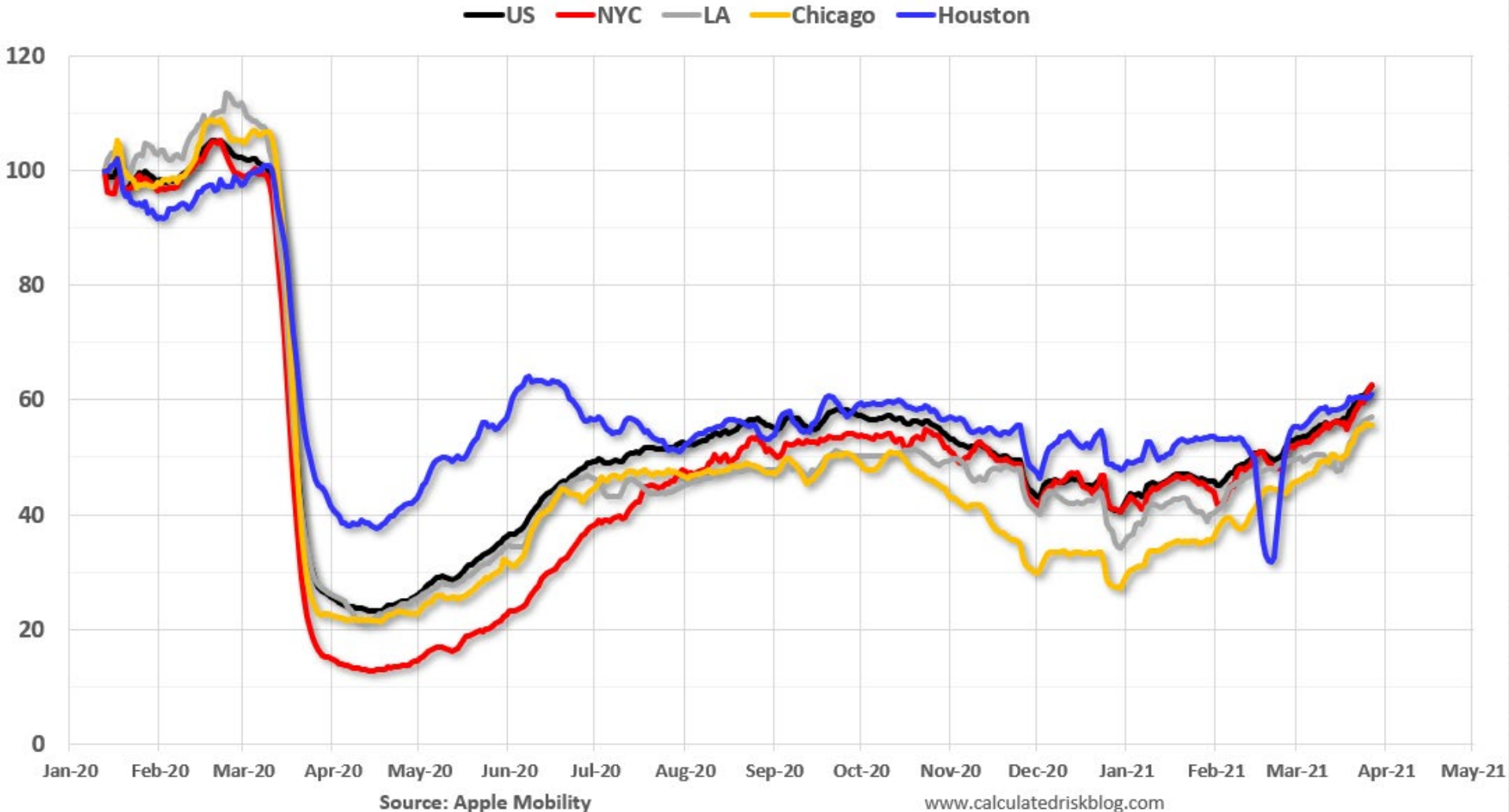
— 2021 — 2020 — 2019 - - Percent of 2019



# Public Transit Usage is Rising

Public transit activity is at 62% of normal

Transit, 7 Day Running Average, Selected Cities (100 = January 13, 2020)

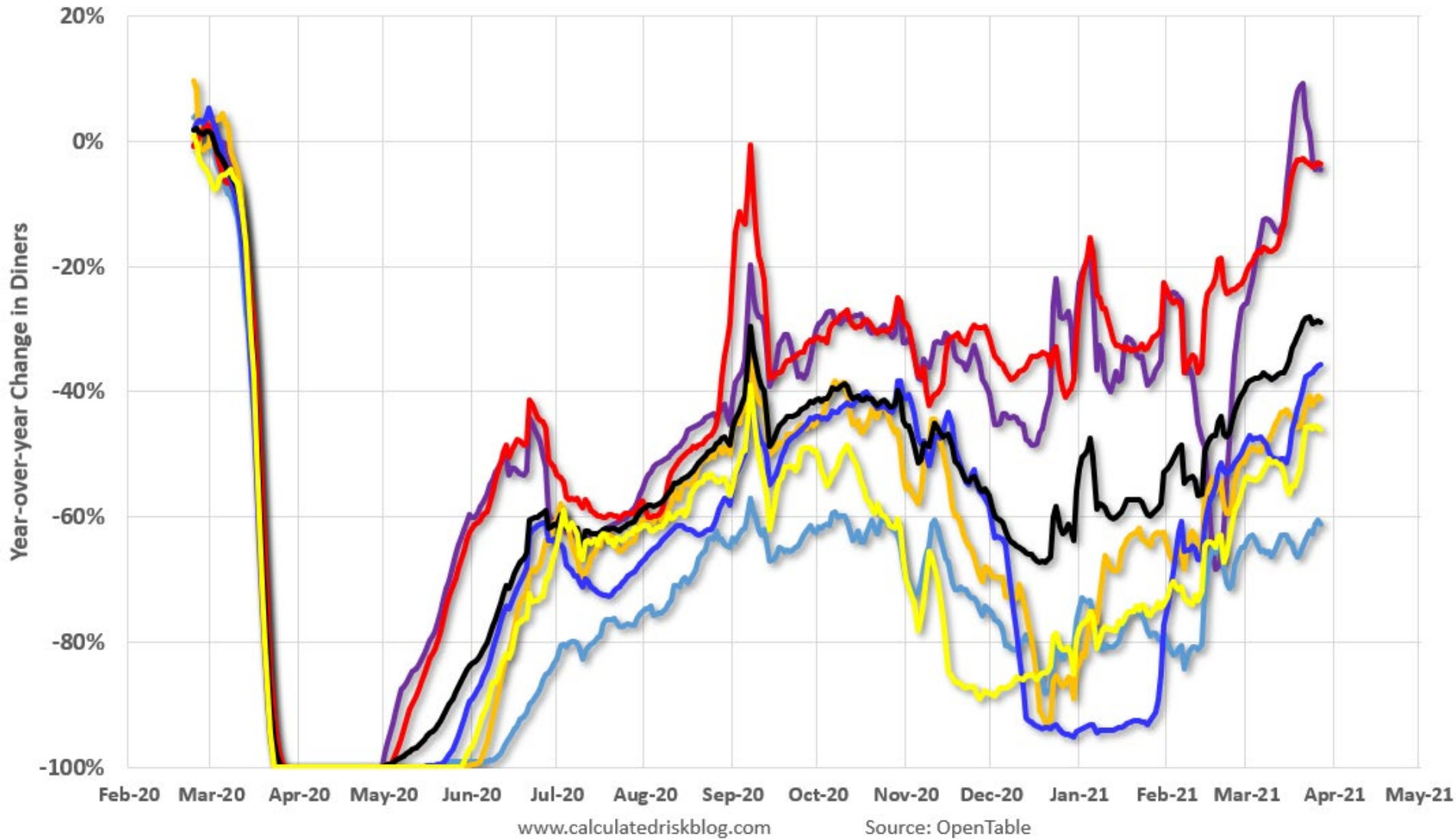


# US Restaurant Footfall is Quickly Recovering

Southern states are doing better. This only includes restaurants that have reopened

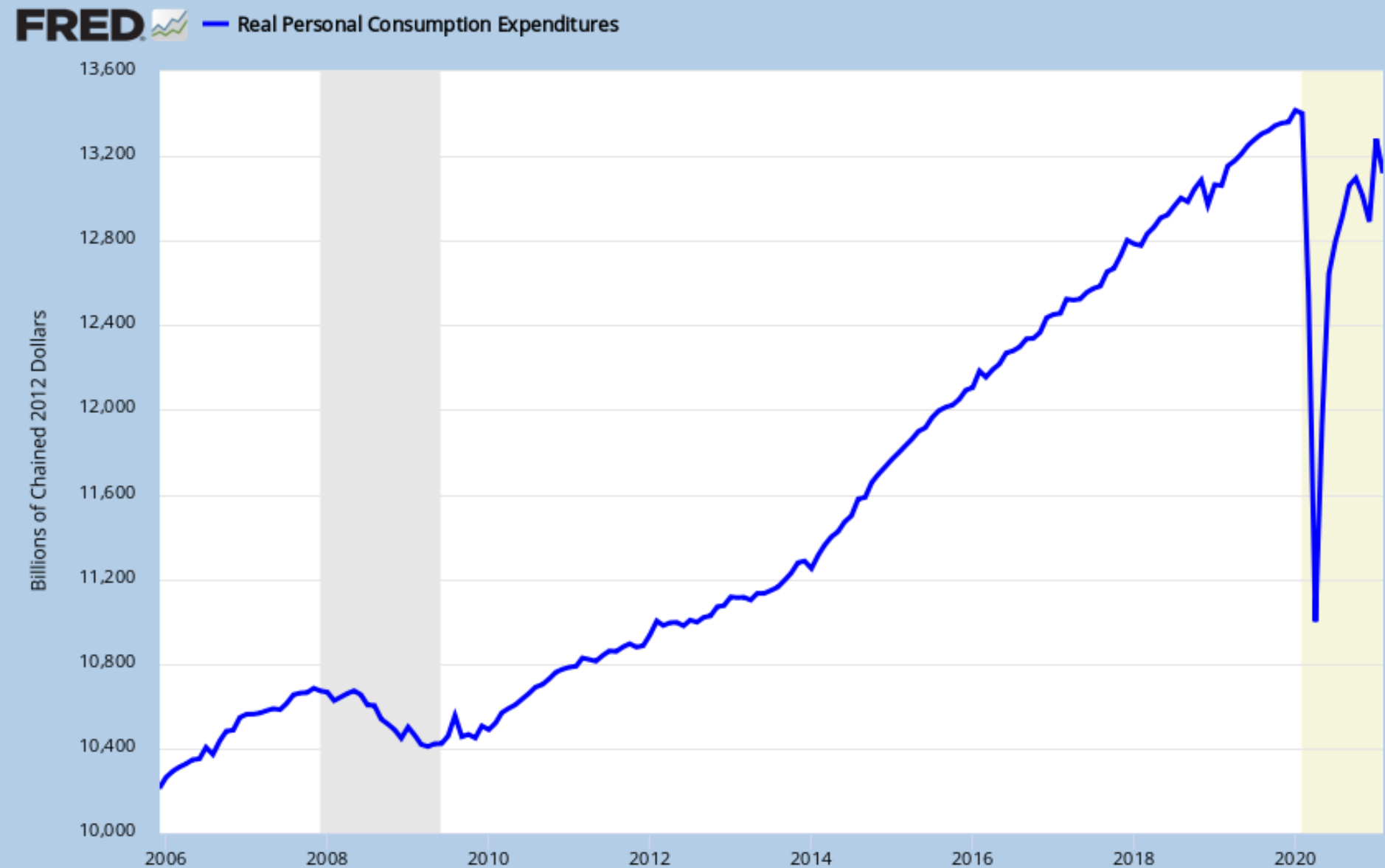
Compared to 2019, Seated Diners from Online, Phone or Walk-in Reservations, 7 Day Average

Texas New York Pennsylvania Florida California United States Illinois



# Real Personal Consumption Expenditure Recovers

It is bouncing back and forth due to stimulus checks

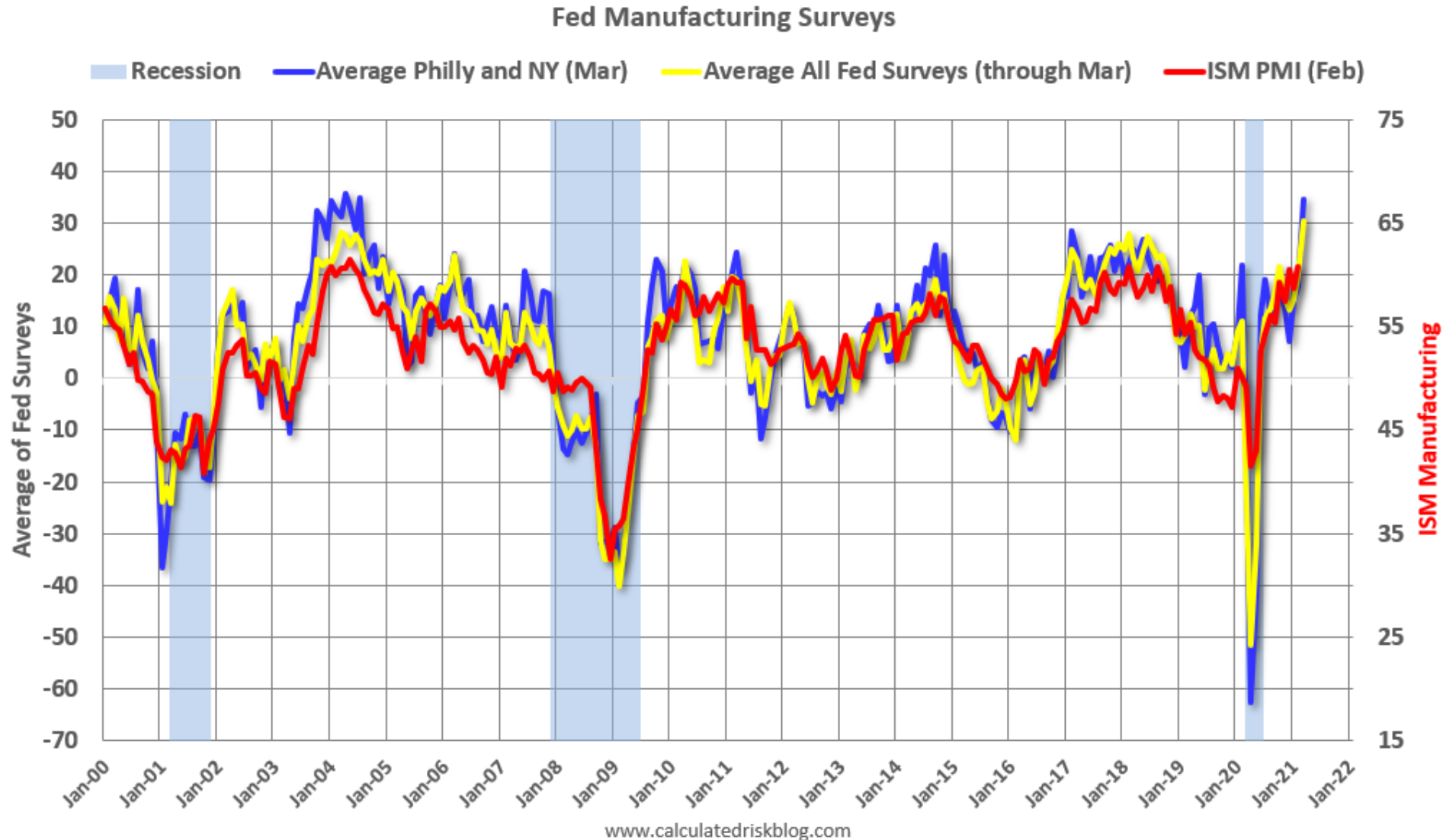


Source: U.S. Bureau of Economic Analysis

[myf.red/g/Co7U](https://myf.red/g/Co7U)

# Manufacturing Sentiment Numbers are Strong!

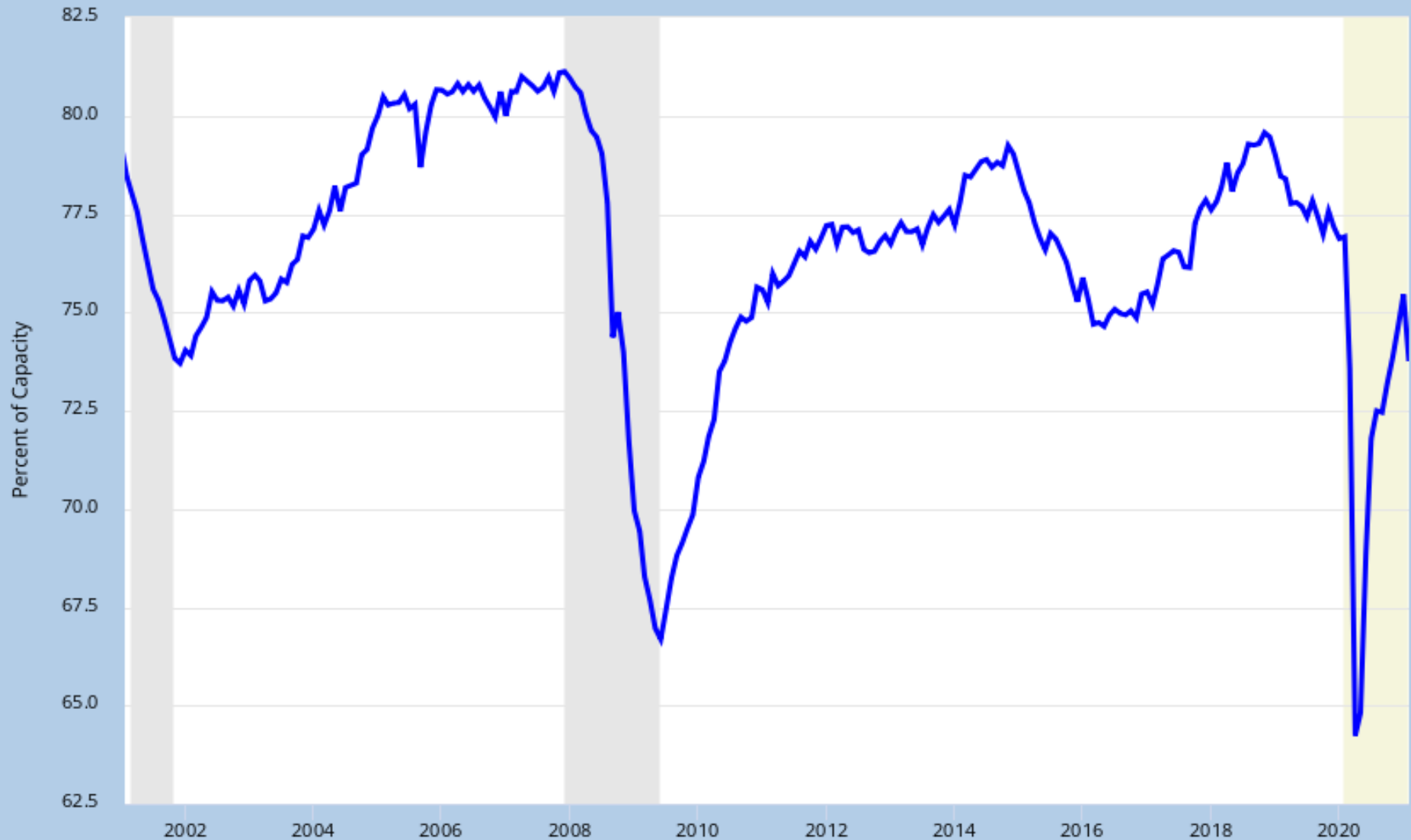
Manufacturing is less important than in decades past, but.....



# Capacity Utilization Rates are Recovering

Combination of trade wars, weak oil prices, a strong dollar and Coronavirus

**FRED**  Capacity Utilization: Total Index



Source: Board of Governors of the Federal Reserve System (US)

[myf.red/g/C2Vs](https://myf.red/g/C2Vs)



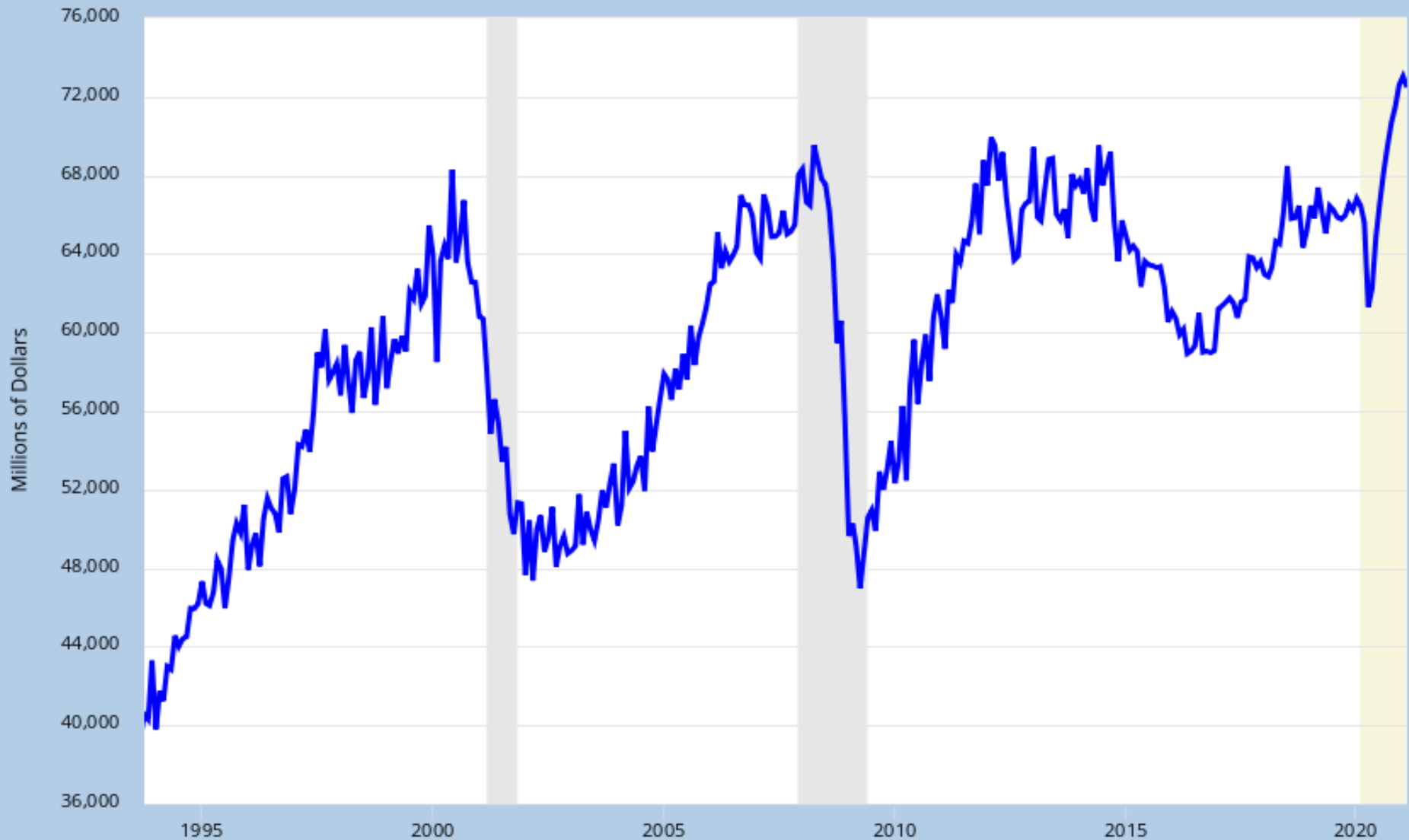
# Capital Goods Orders Are Superb

Despite all the recent trauma orders have more than recovered

**FRED**



— Manufacturers' New Orders: Nondefense Capital Goods Excluding Aircraft

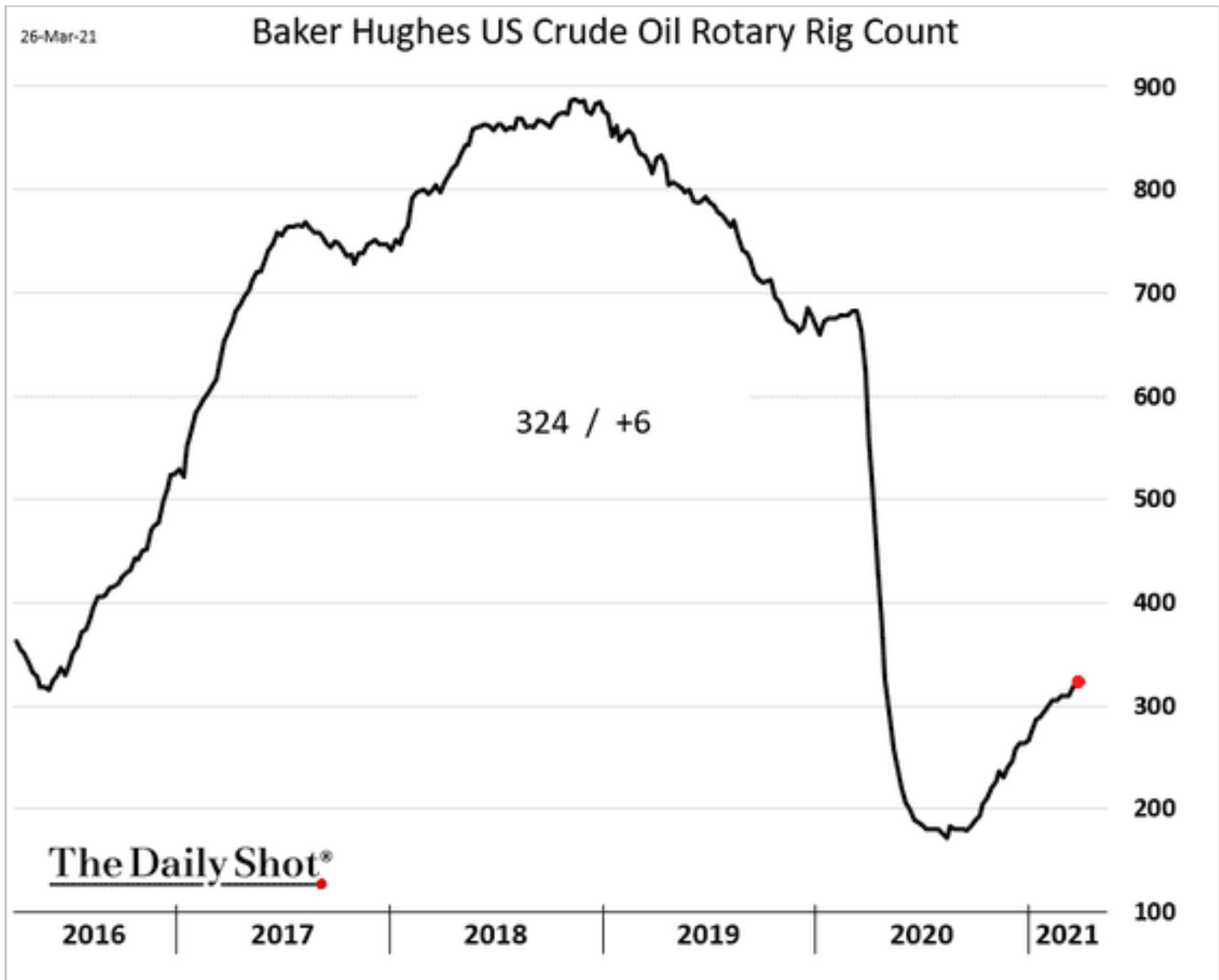


Source: U.S. Census Bureau

[myf.red/g/Ckv8](https://myf.red/g/Ckv8)

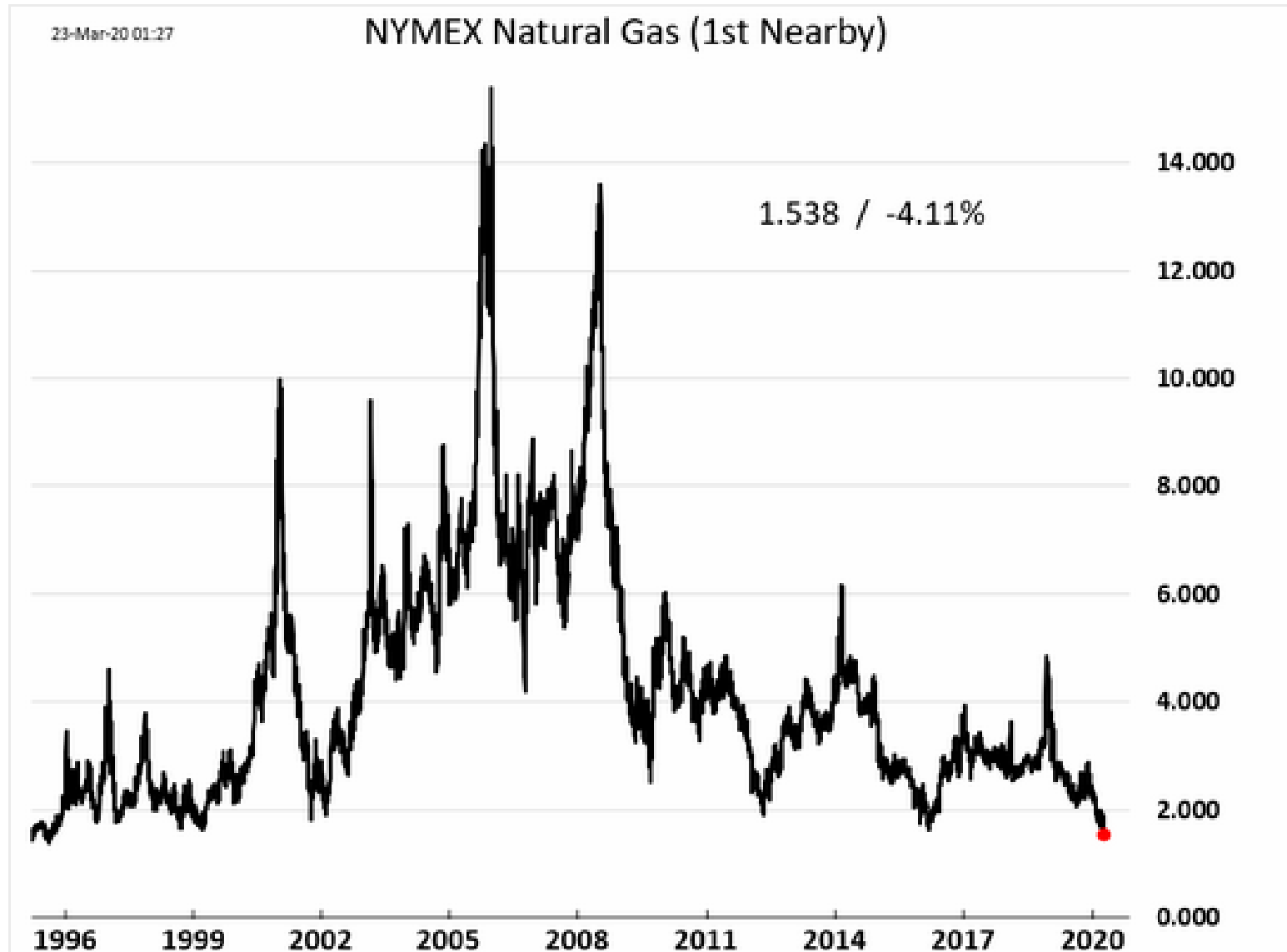
# US Rig Counts Continue Rising

Rising prices and improving demand are key



# US Natural Gas Prices Sink

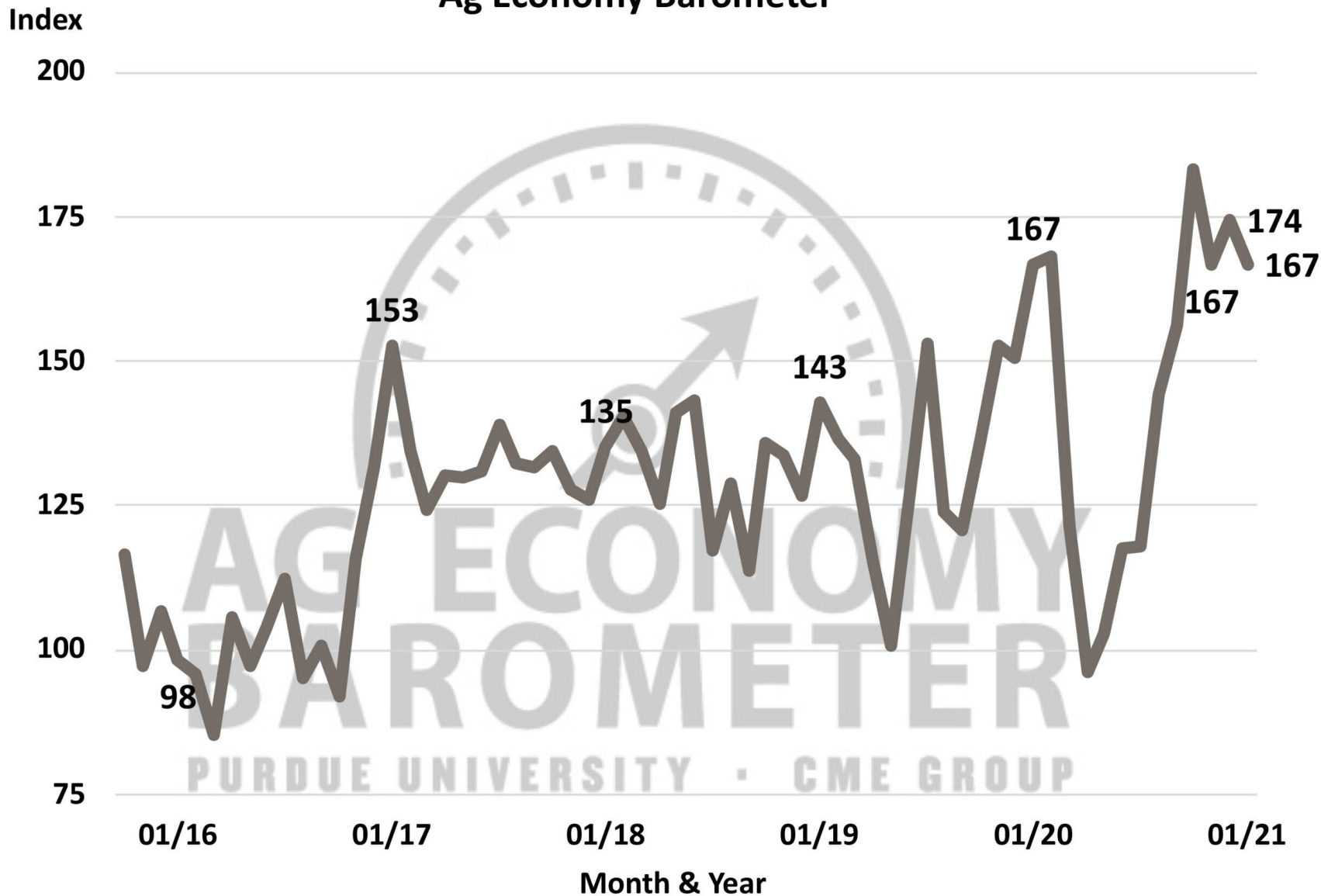
Due to rising supply and a dismal global economy



# Agriculture Prices Are Volatile but High

Chinese purchases are a huge help

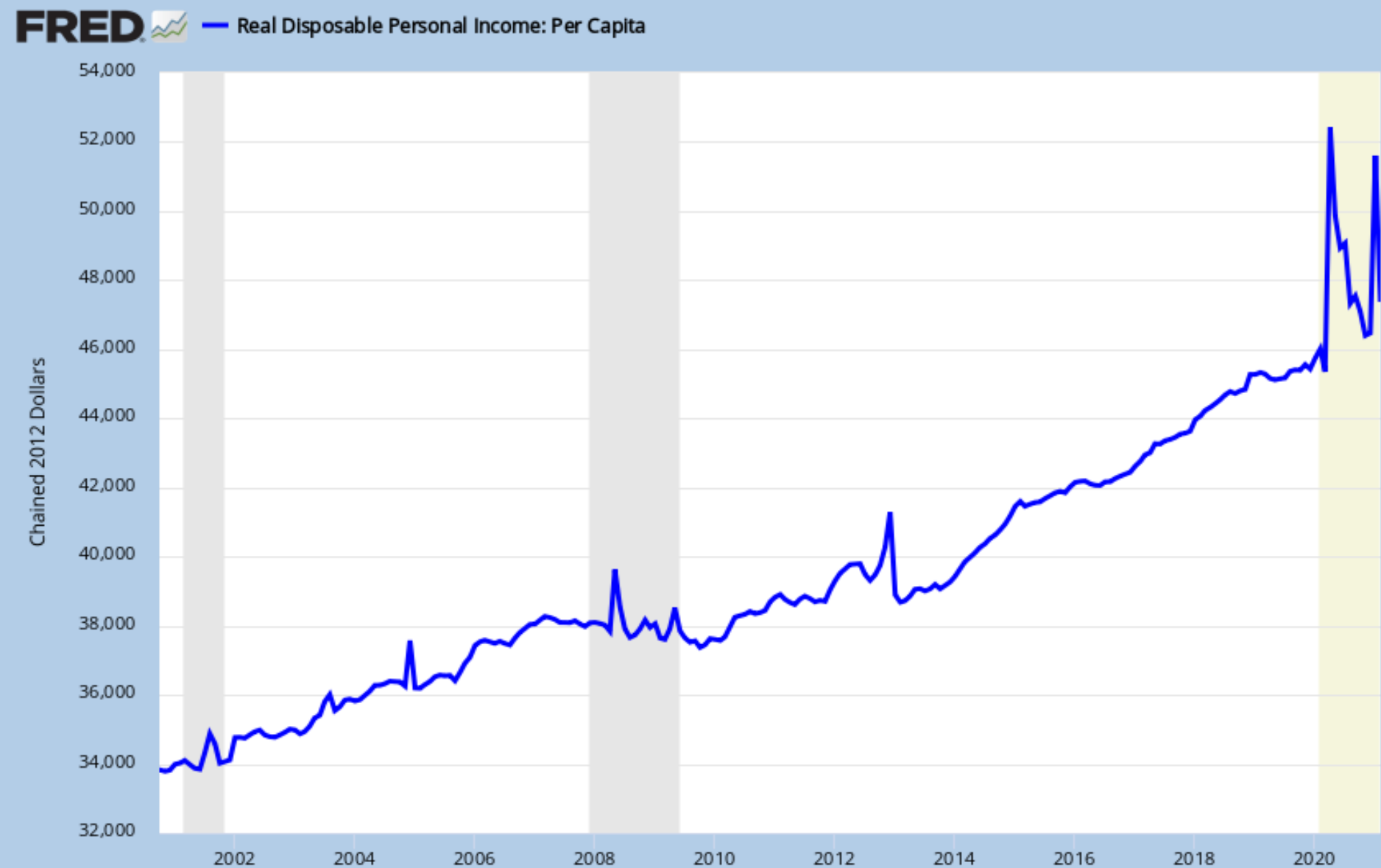
## Ag Economy Barometer



Source: Purdue University Center for Commercial Agriculture, Producer Survey, January 2021

# Real Per Capita Disposable Income

A huge jump due to gov't policies, but it declined and now reverses



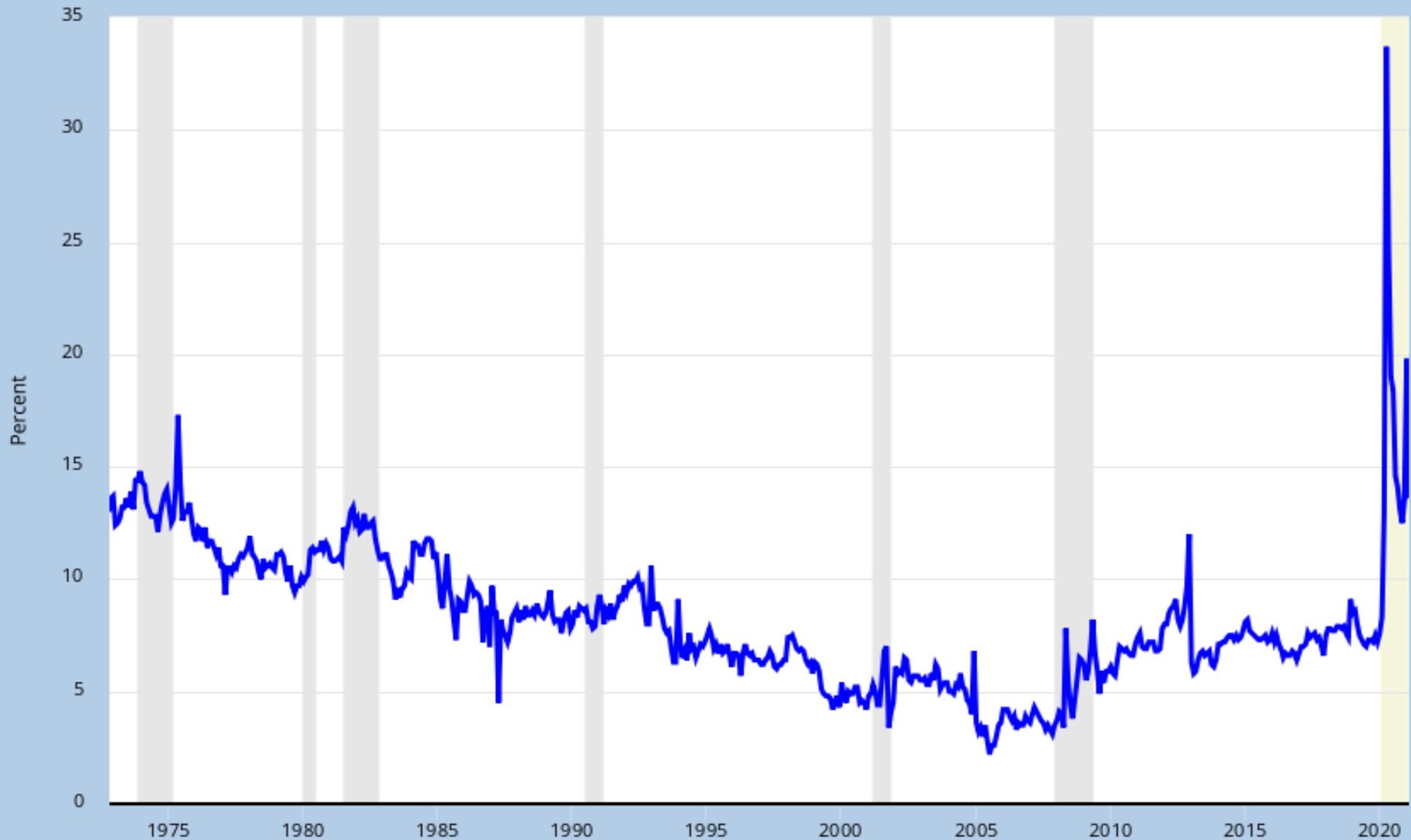
Source: U.S. Bureau of Economic Analysis

[myf.red/g/Co7L](https://myf.red/g/Co7L)

# Household Savings Rates Are Spectacular!

Savings rates are now up again due to higher unemployment checks and \$600 checks

**FRED**  — Personal Saving Rate




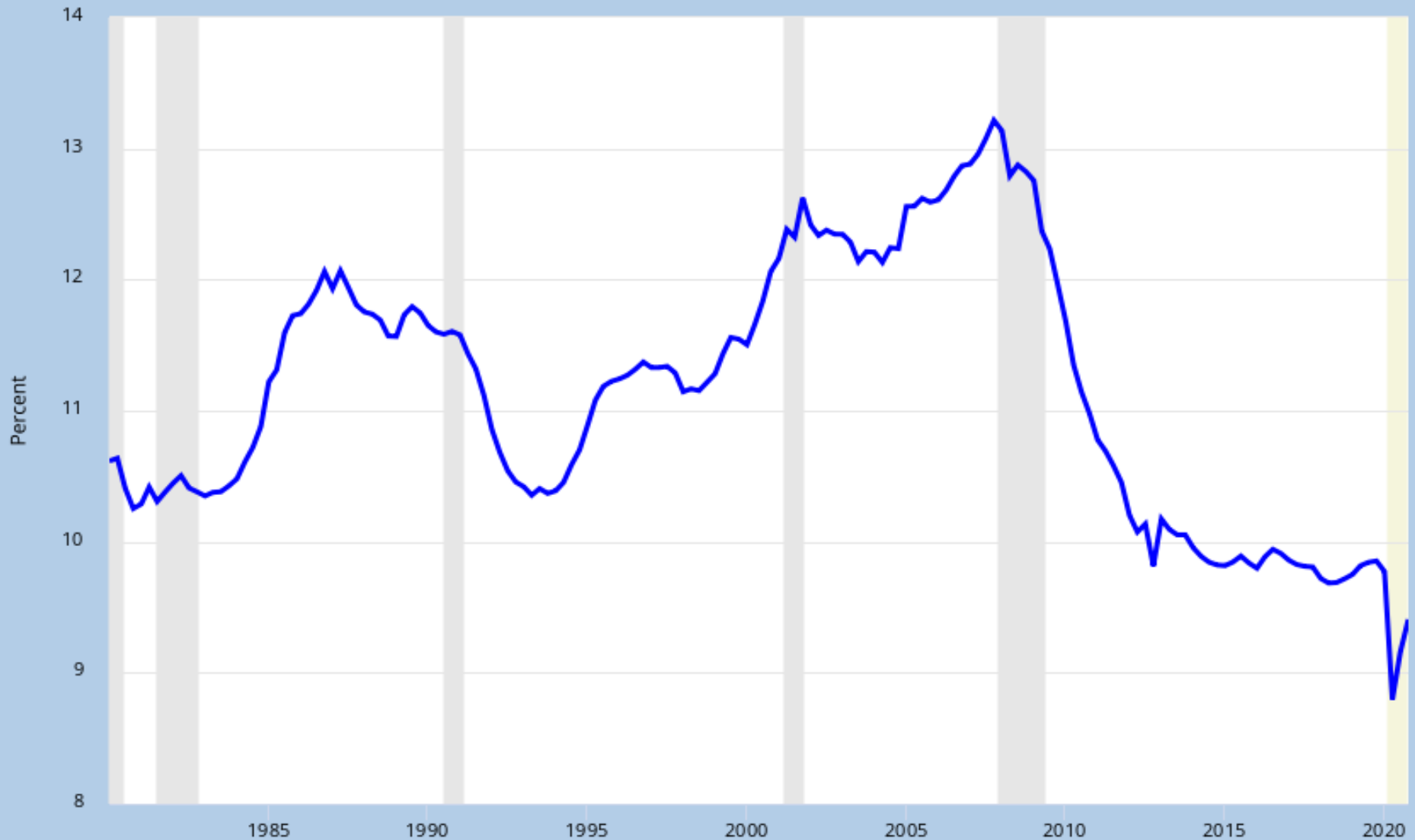
Source: U.S. Bureau of Economic Analysis

[myf.red/g/Co71](https://myf.red/g/Co71)

# Households Balance Sheets Look Pretty Good

Less high interest revolving debt

**FRED**  — Household Debt Service Payments as a Percent of Disposable Personal Income



Source: Board of Governors of the Federal Reserve System (US)

[myf.red/g/CuUe](https://myf.red/g/CuUe)

# Corporate Earnings Forecasts

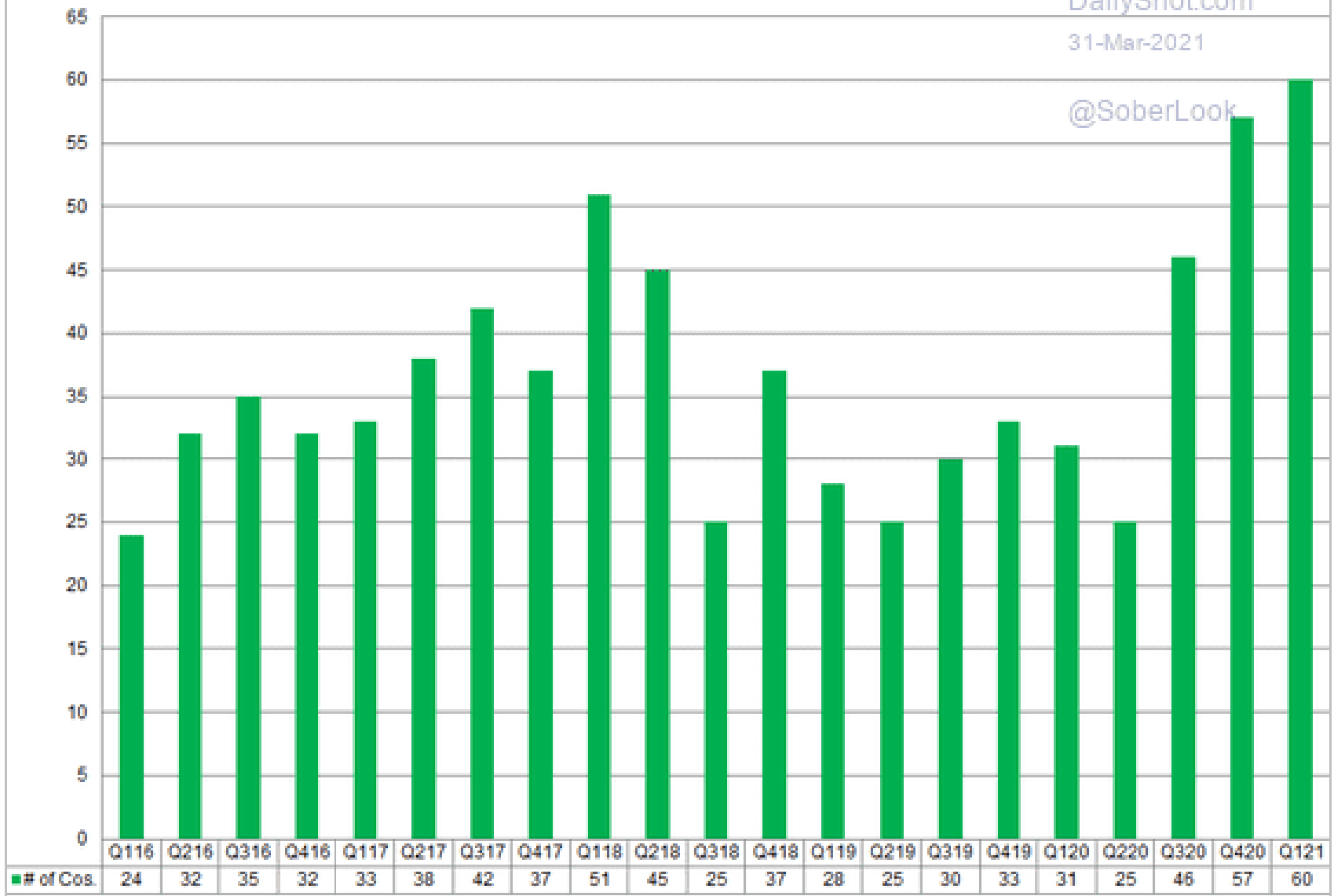
Good news is more common

**S&P 500: Positive EPS Guidance (# of Cos.)**  
(Source: FactSet)

Posted on  
DailyShot.com

31-Mar-2021

@SoberLook





# Bankruptcies Have Already Peaked

This looks at larger firms

## Relative Calm

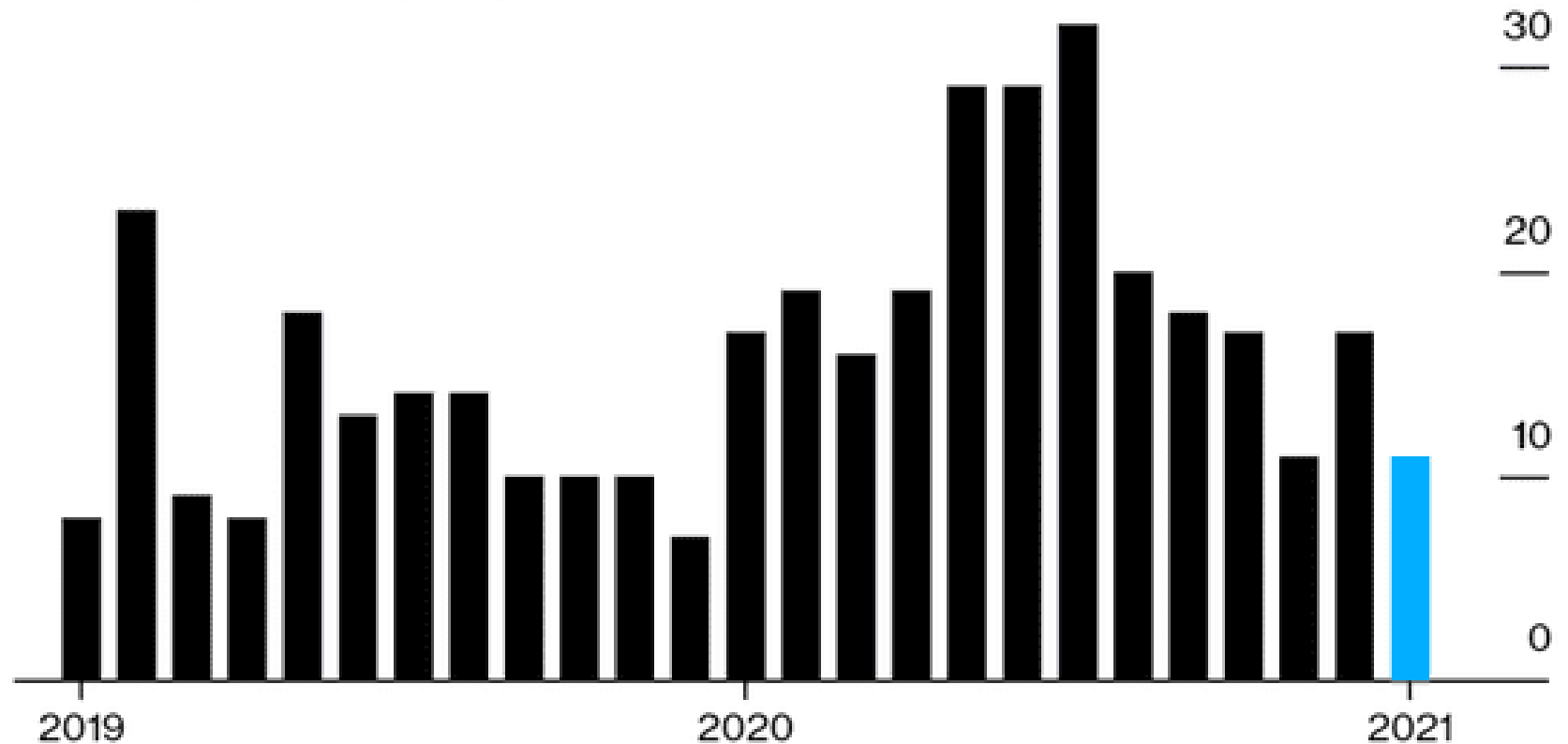
Chapter 11 filings pace slowed this month amid abundance of cheap cash

Posted on

28-Jan-2021

@SoberLook

■ Monthly bankruptcy filings

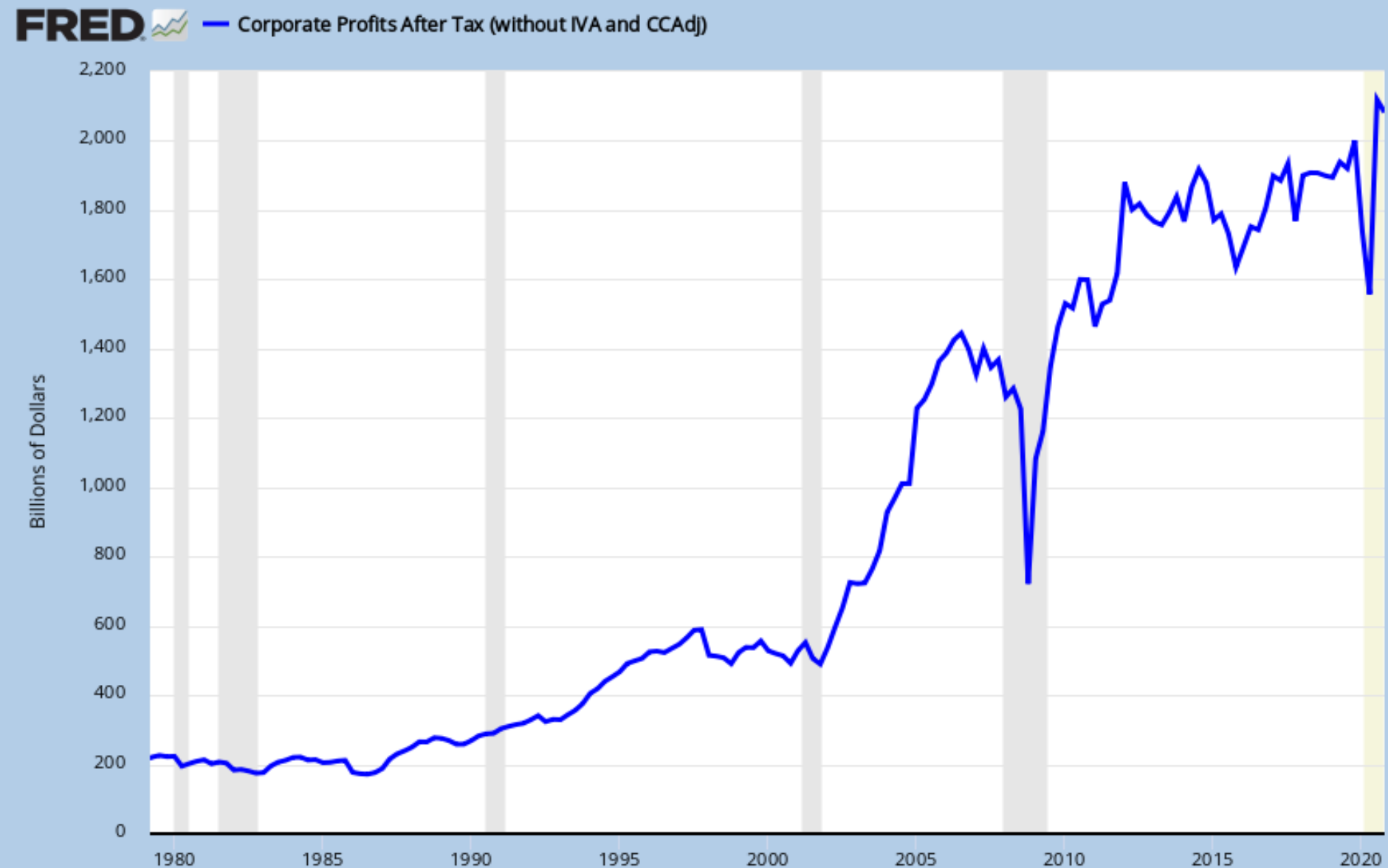


Source: Bloomberg

Note: Filings are of companies with \$50m+ in liabilities

# Corporate Profits Pleasantly Reverse

Corporate profits are at highest nominal level ever



Source: U.S. Bureau of Economic Analysis

[myf.red/g/Cksr](https://myf.red/g/Cksr)

# The Stock Market Is Doing Well

Despite numerous stressors

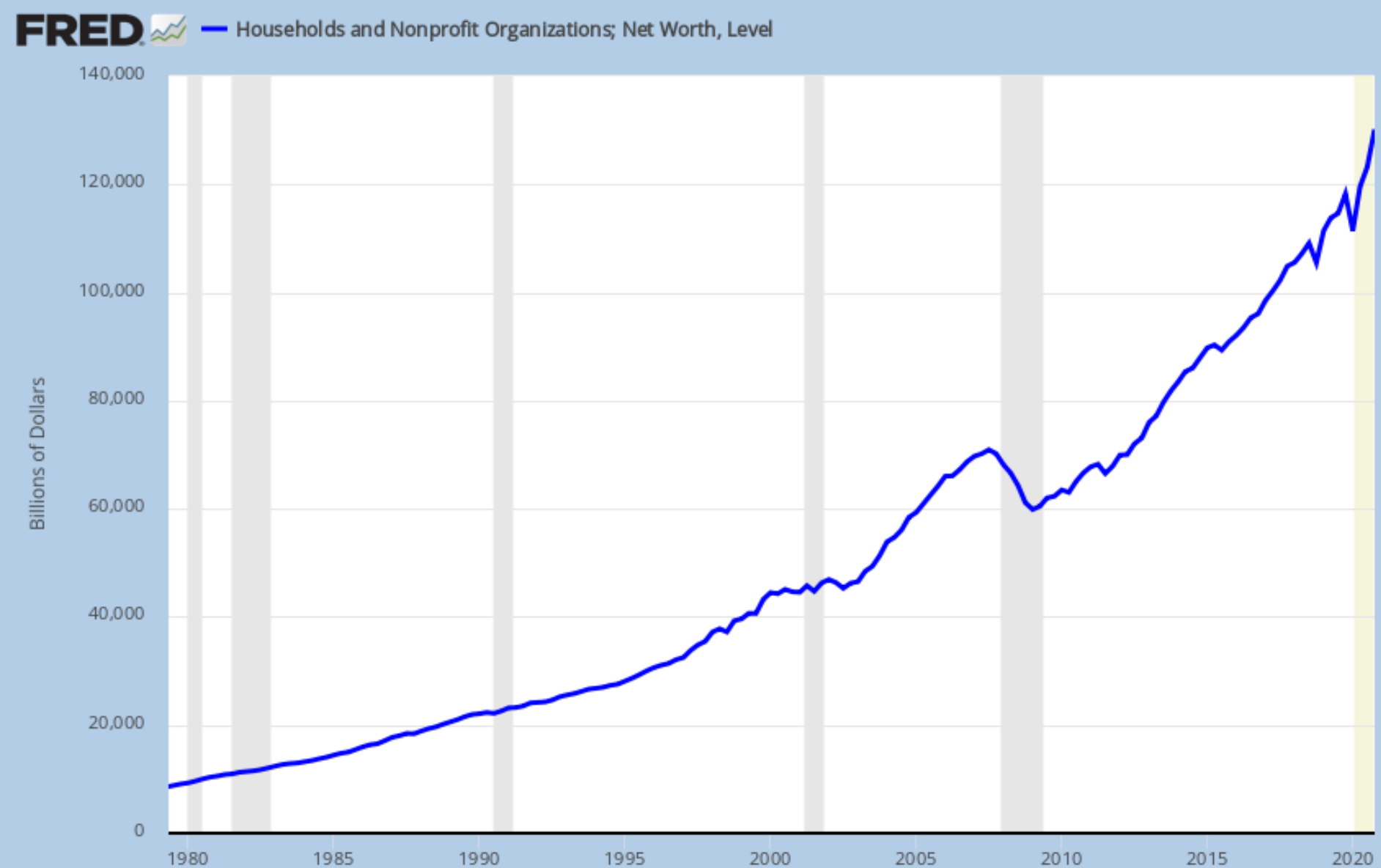


Source: S&P Dow Jones Indices LLC

[myf.red/g/C5eG](https://myf.red/g/C5eG)

# Household Balance Sheets Recover Quickly

Trillions in net worth recovered; at a new record level



Source: Board of Governors of the Federal Reserve System (US)

[myf.red/g/BTM4](https://myf.red/g/BTM4)

# Income Disparities Continue to Grow

The wealthy are alright

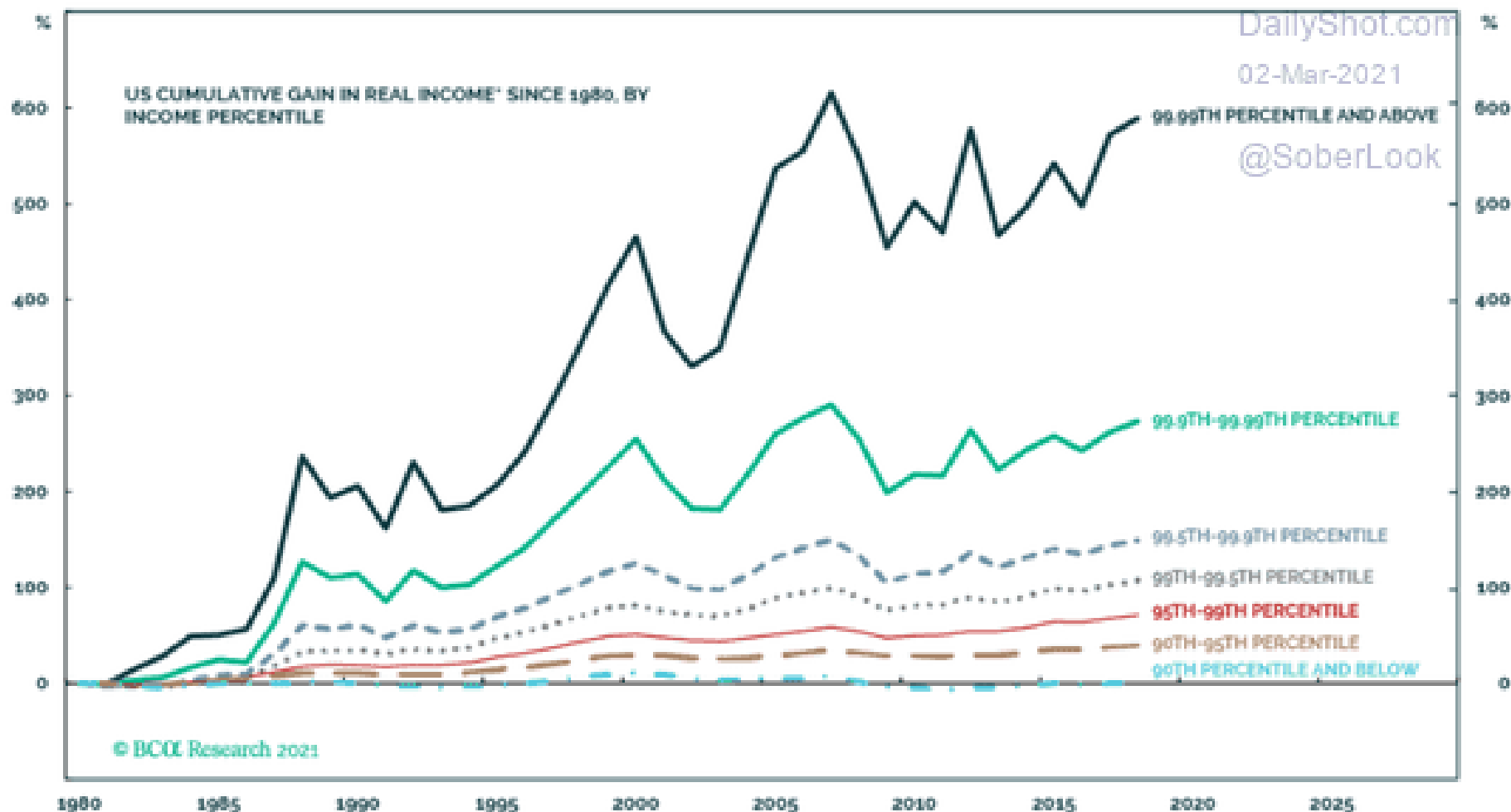
## The (Really) Rich Got Richer

Posted on

DailyShot.com

02-Mar-2021

@SoberLook



\* EXCLUDING CAPITAL GAINS.

SOURCE: THOMAS PIKETTY AND EMMANUEL SAEZ, "INCOME INEQUALITY IN THE UNITED STATES, 1913-1998," *THE QUARTERLY JOURNAL OF ECONOMICS* 118:1, (2003): PP1-39. UPDATED TO 2018.

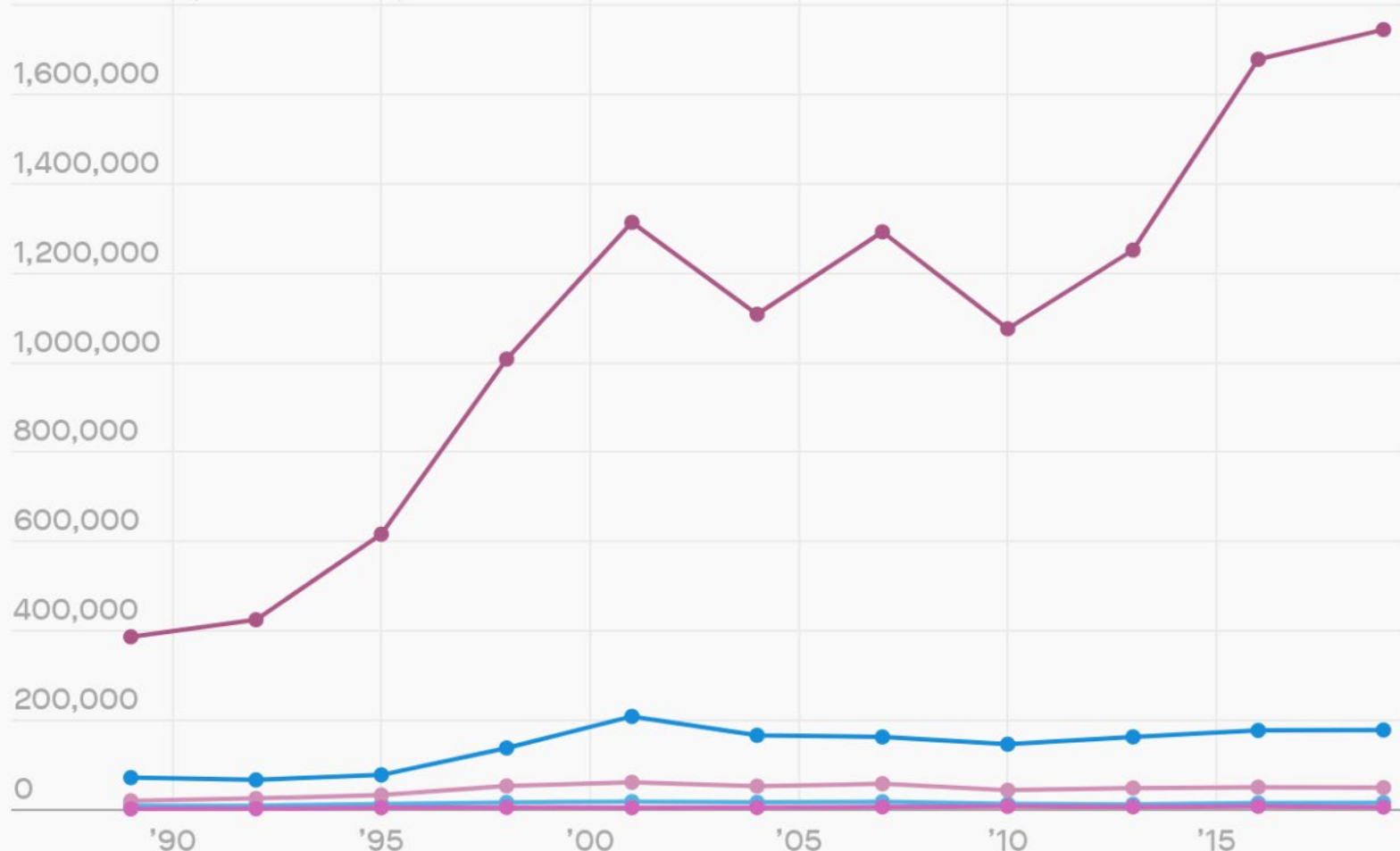
# Wealth by Percentile 1980-2019

The upper class has done well. The rest of the population, less well

Average stock holdings by percentile of net worth in the US

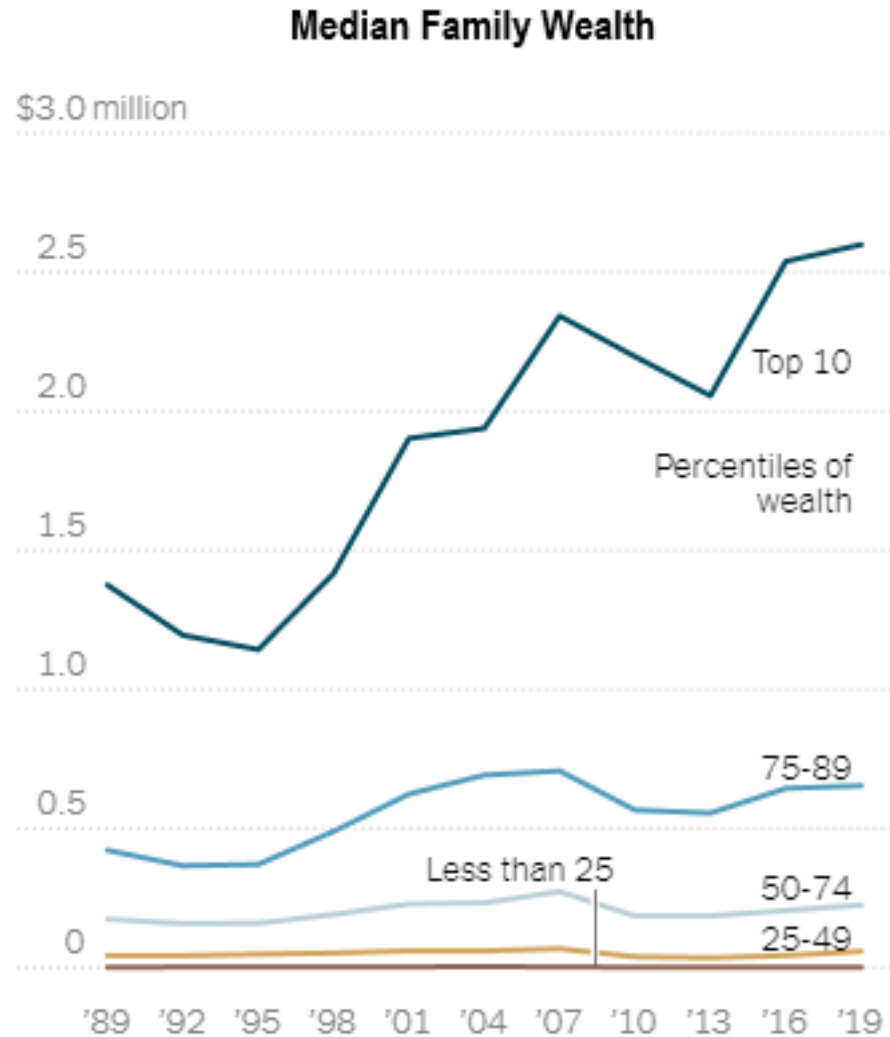
— <25th percentile — 25th-50th — 50th-75th — 75th-90th — 90th-100th

\$1,800,000 (in 2019 dollars)



# Median Family Wealth 1989 - 2019

The upper classes have done well. The rest of the population, less well



All figures are in 2019 dollars. Stock holdings includes indirect ownership, including through 401(k) accounts.

Source: Federal Reserve - By Karl Russell

# Wealth By Percentile

Share of the top 1% continues to rise. Now at 50%

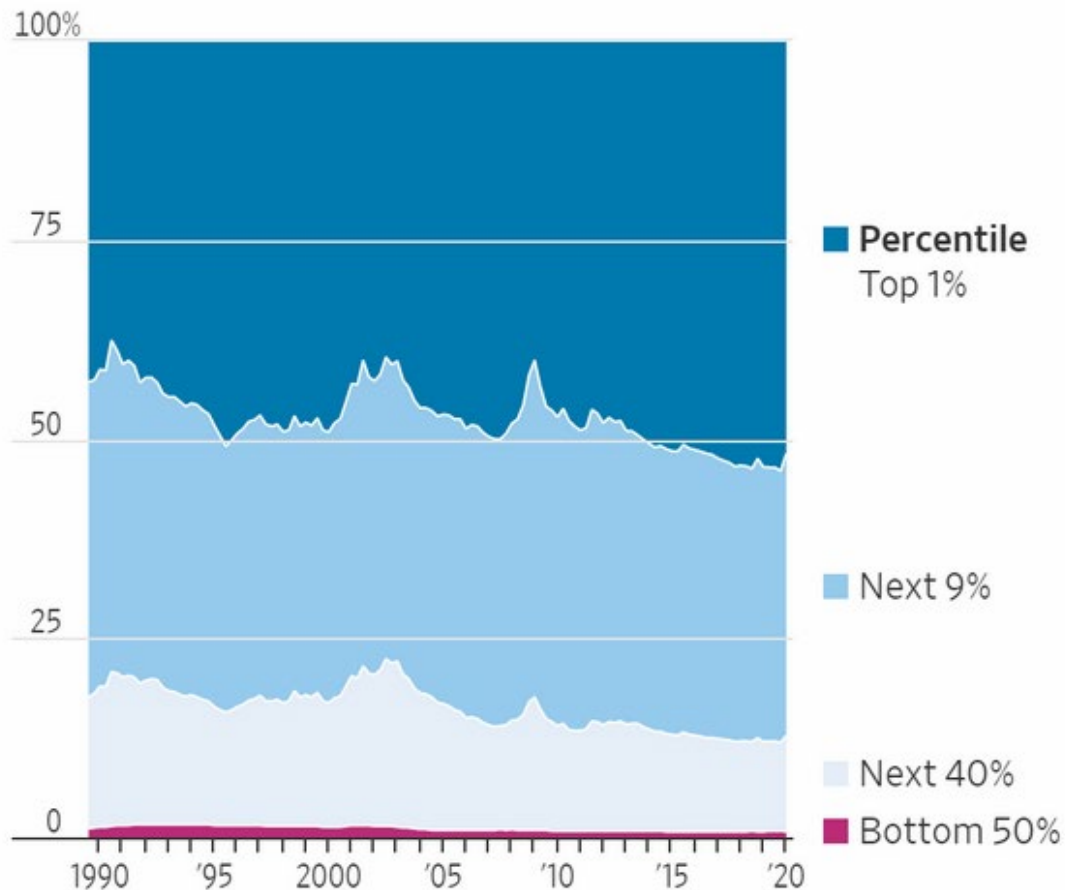
## Shares of Wealth

The top 10% of earners owned 87% of all U.S. stocks outstanding in the first quarter of 2020.

Posted on  
medium.com  
27-Aug-2020

@SoberLook

## Share of stocks held by each income group



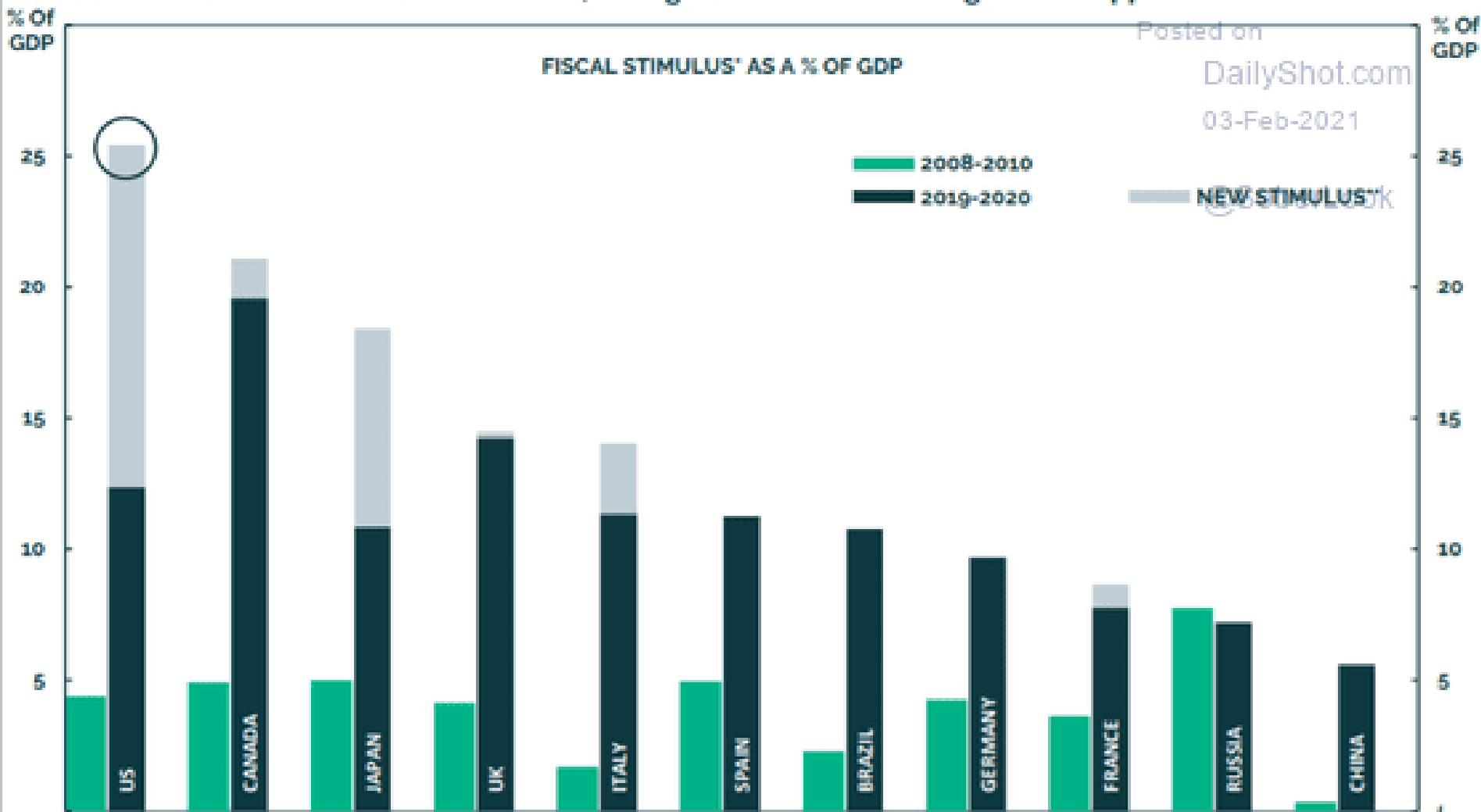
Source: Federal Reserve



# Election Outcomes

Biden will boost spending and employment

## US Leads Stimulus Blowout This Time, Though China Stimulus Larger Than Appears



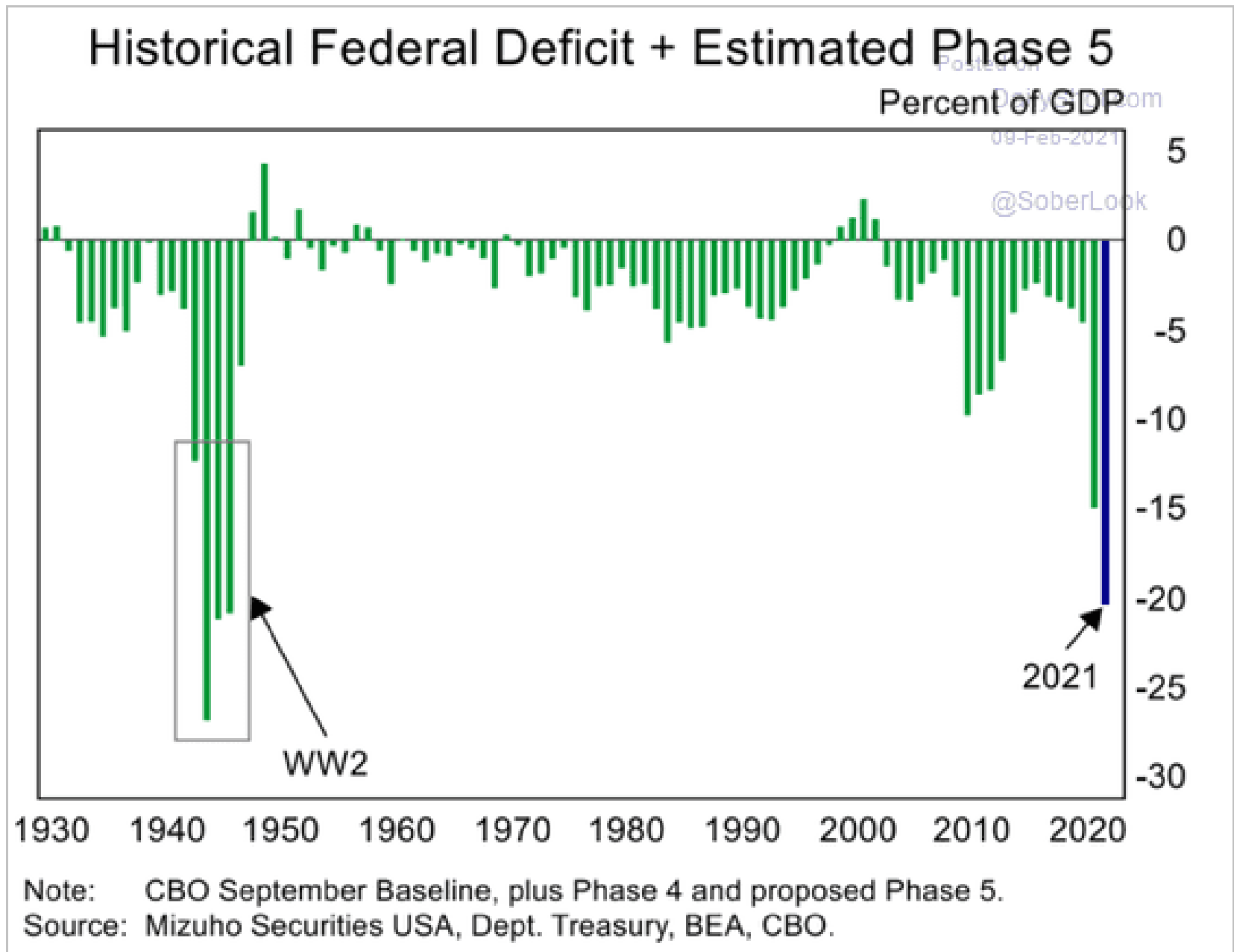
\* CALCULATED AS THE ABSOLUTE VALUE OF THE CHANGE IN OVERALL BALANCE (NET LENDING/BORROWING AS % OF GDP).

\*\* NEW STIMULUS PLANS REVEALED AFTER OCTOBER 2020, INCLUDING: THE US' \$2800 BN OMNIBUS BILL & BIDEN RESCUE PLAN, JAPAN'S THIRD RELIEF PACKAGE WITH \$385 BN IN DIRECT FISCAL SPENDING, CANADA'S PROPOSED \$78 BN STIMULUS PLAN OVER THE NEXT THREE YEARS (ASSUMING SPEND EVENLY), UK'S \$6.2 BN NEW LOCKDOWN STIMULUS, ITALY'S \$53.9 BN BUSINESS AID & STIMULUS, AND FRANCE'S \$24.3 BN BUSINESS AID PLAN.  
SOURCE: IMF FISCAL MONITOR (OCTOBER 2020) AND BCA CALCULATIONS.

© BCC Research 2021

# The Budget Deficit Explodes

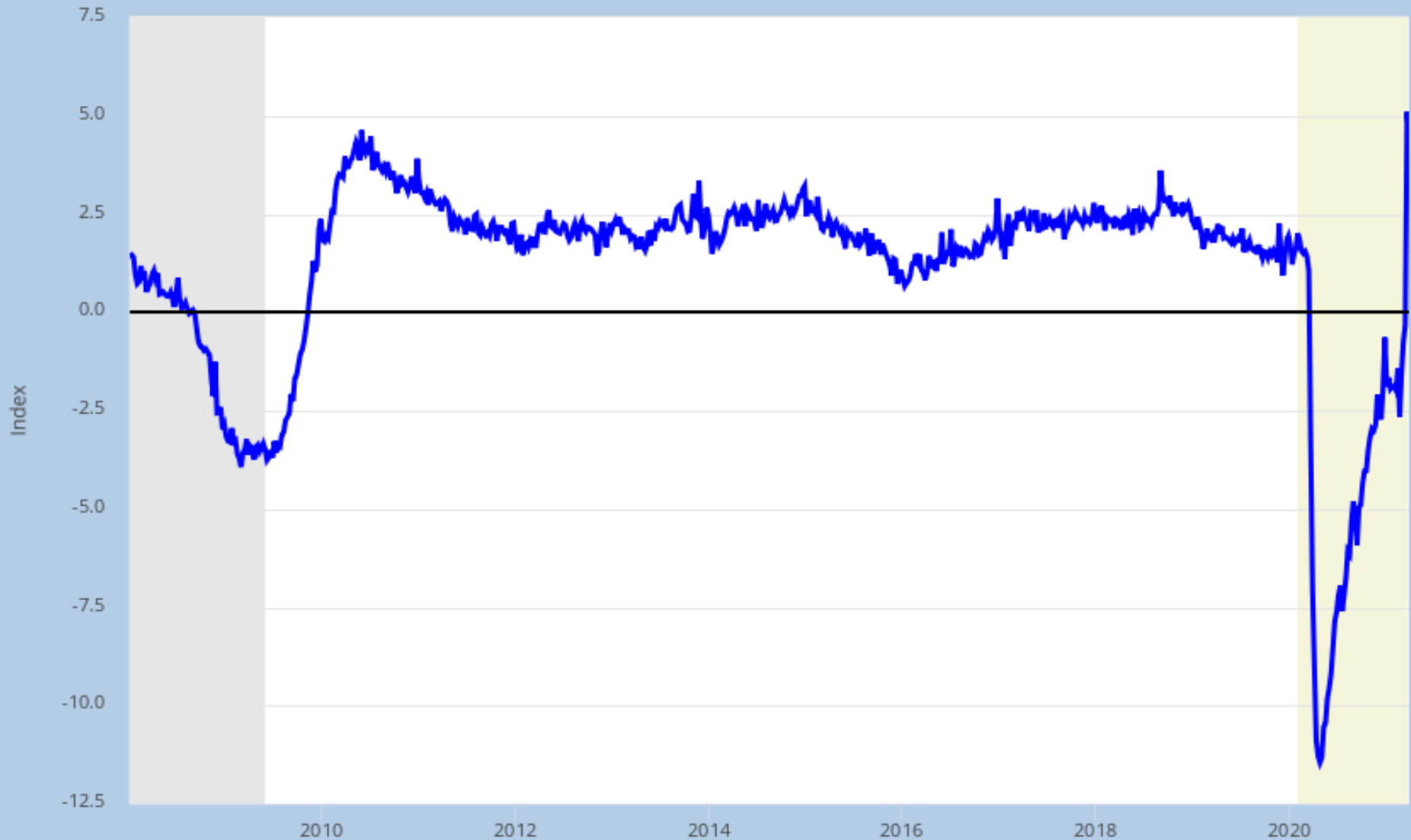
The recent CARES act and other coronavirus spending has vastly increased the deficit



# Economics Conditions Improve Dramatically

Ten daily and weekly high-frequency relevant variables

**FRED**  Weekly Economic Index (Lewis-Mertens-Stock)



Sources: Lewis, Daniel J.; Mertens, Karel; Stock, James H.

[myf.red/g/CuWk](https://myf.red/g/CuWk)

# GDP Really Jumps in 2021

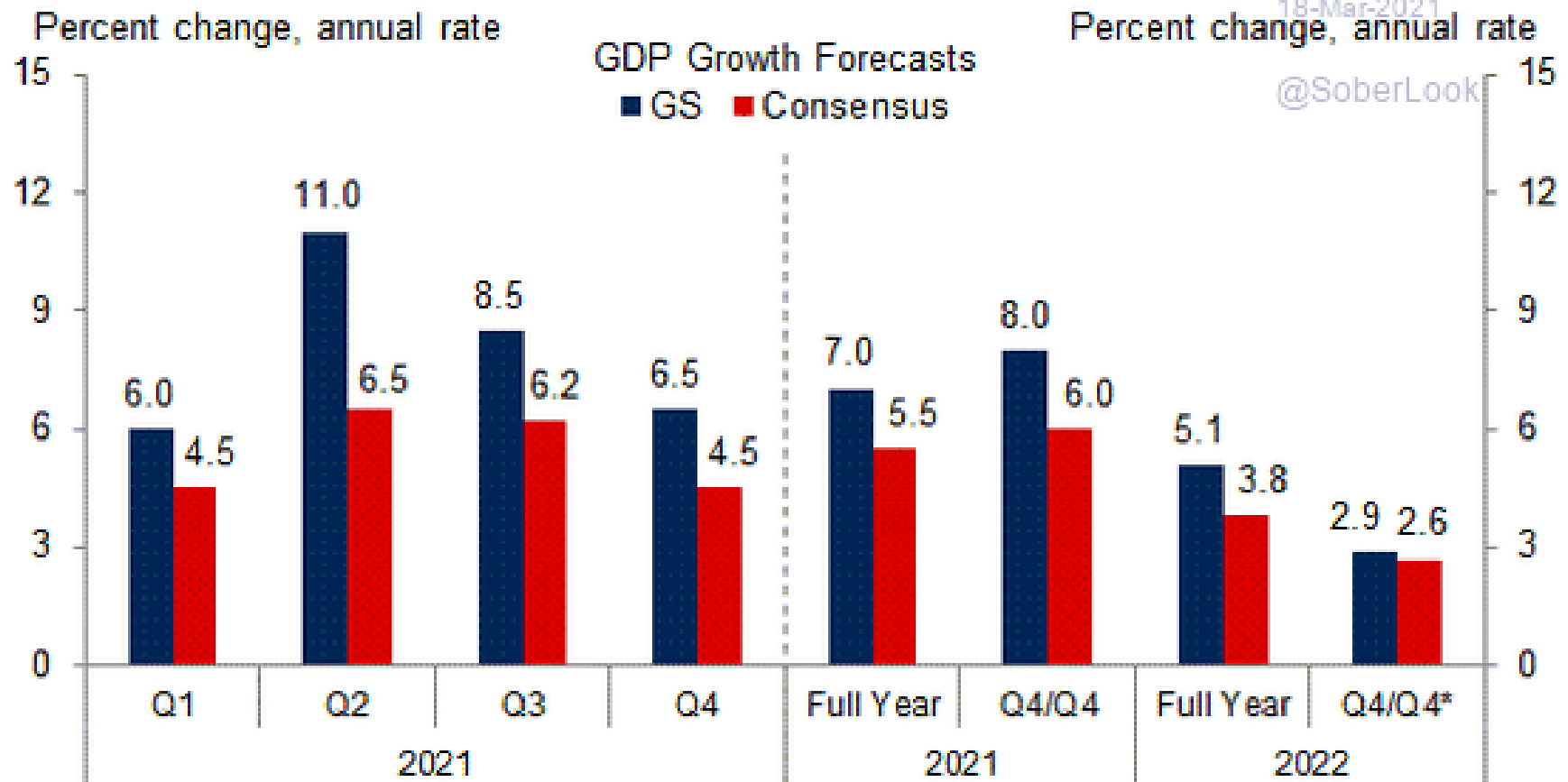
\$1.9 trillion really does wonders to growth

**We Still Expect Well Above-Consensus Growth in 2021, but Now Expect Less of a Slowdown in 2022**

DailyShot.com

18-Mar-2021

@SoberLook

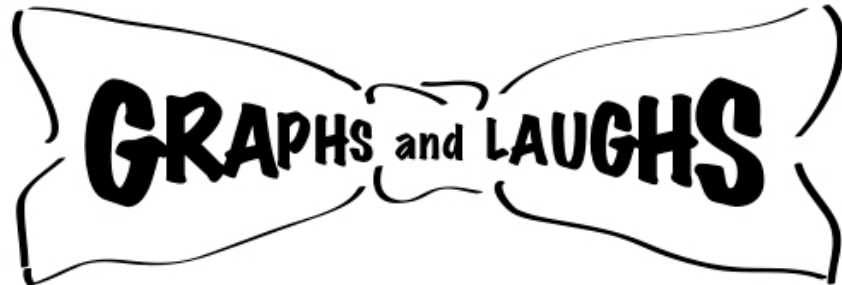


\*Consensus 2022 Q4/Q4 growth forecast is calculated by assuming a 2.0% annualized consensus growth forecast in 2022 Q4 since Bloomberg consensus growth forecasts are only reported through 2022Q3.

Source: Bloomberg, Goldman Sachs Global Investment Research

# Labor Markets:

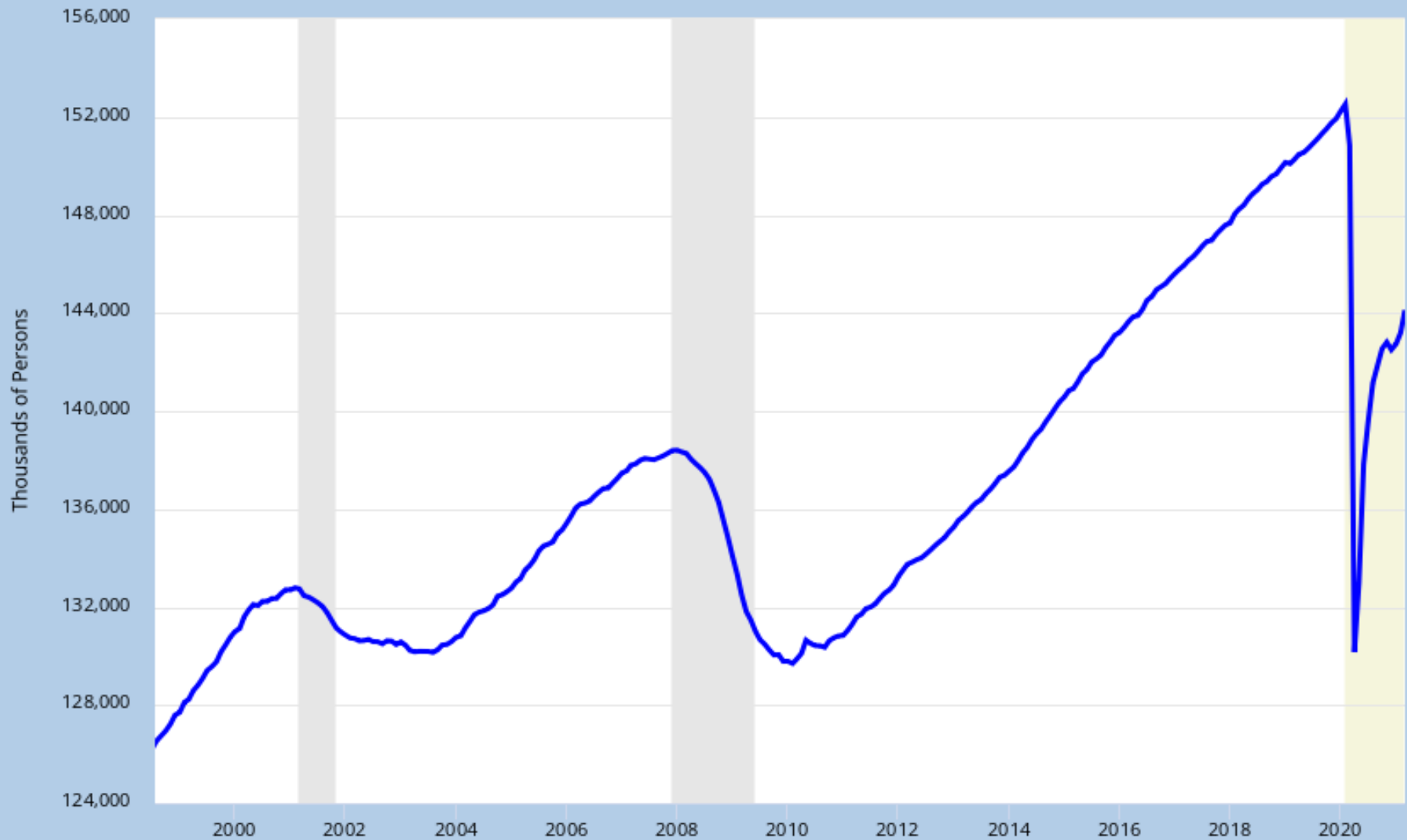
## They Were Tight but Are No Longer



# Historical Job Totals

## The employment Level

**FRED**  — All Employees, Total Nonfarm

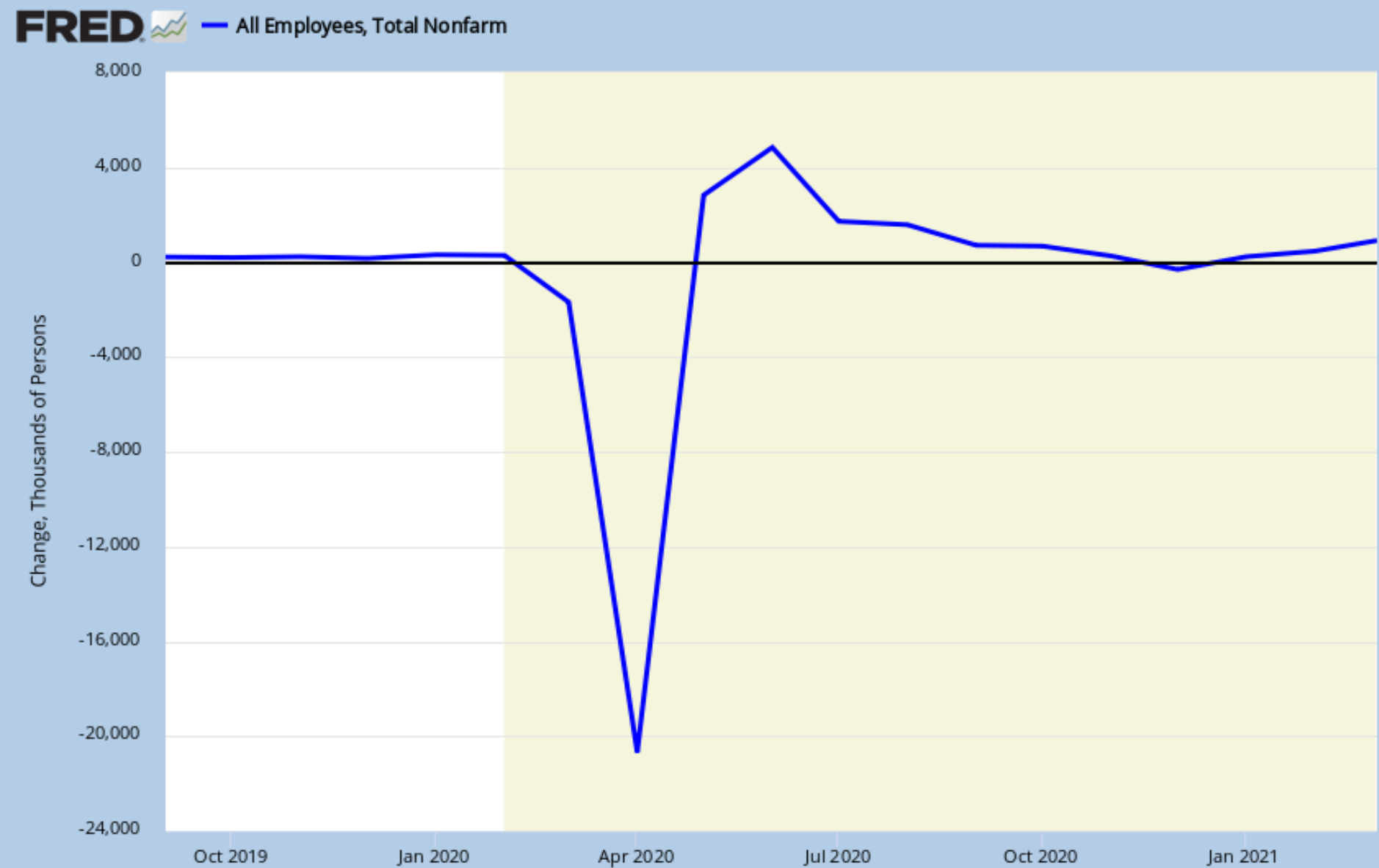


Source: U.S. Bureau of Labor Statistics

[myf.red/g/CROR](https://myf.red/g/CROR)

# Historical Job Growth

## Month-over-month employment change



Source: U.S. Bureau of Labor Statistics

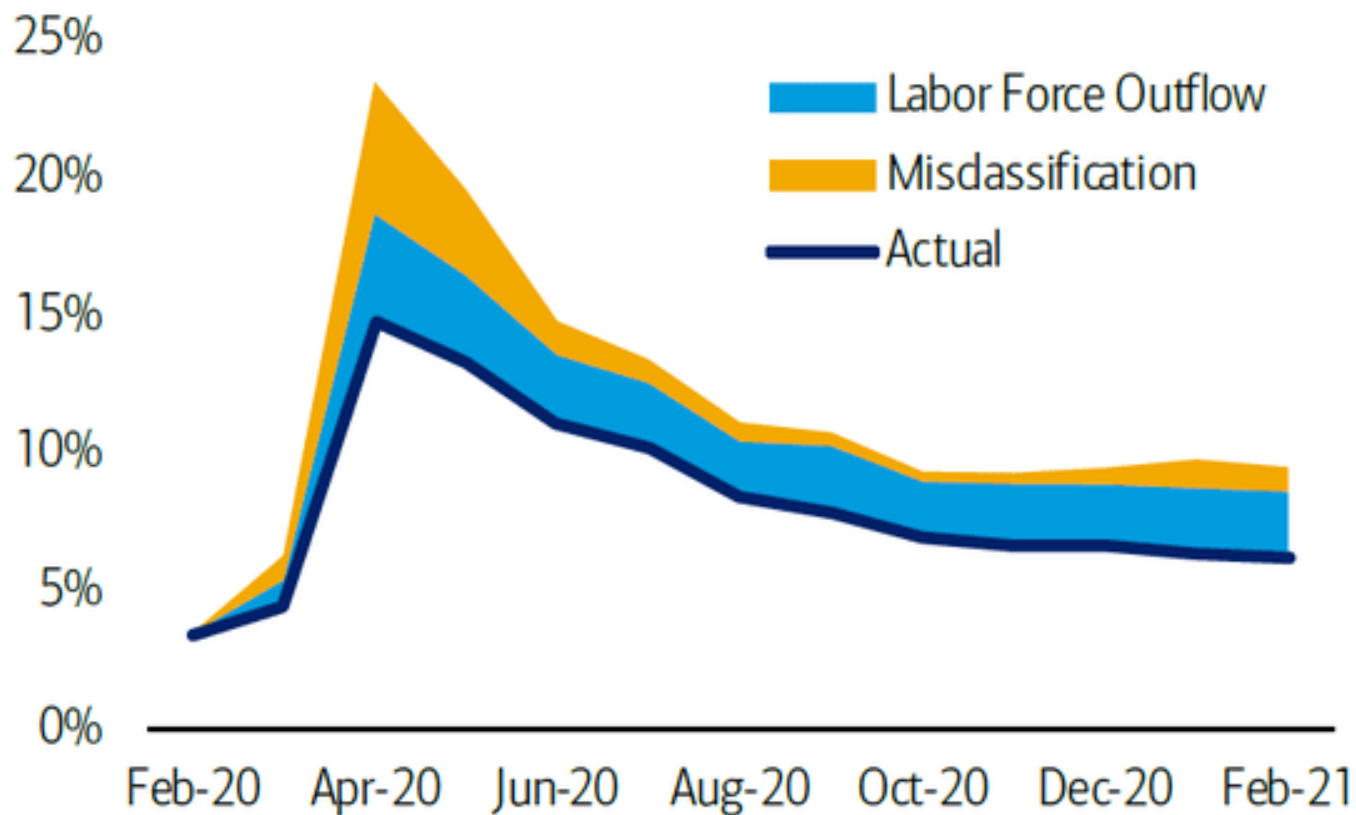
[myf.red/g/CRP5](https://myf.red/g/CRP5)

# The Real Unemployment Rate

It is much higher than the stated number

## Exhibit 11: Unemployment rate adjusted for labor force outflows and misclassifications

Accounting for labor force outflows and misclassification errors suggest the unemployment rate is much higher than the official measure



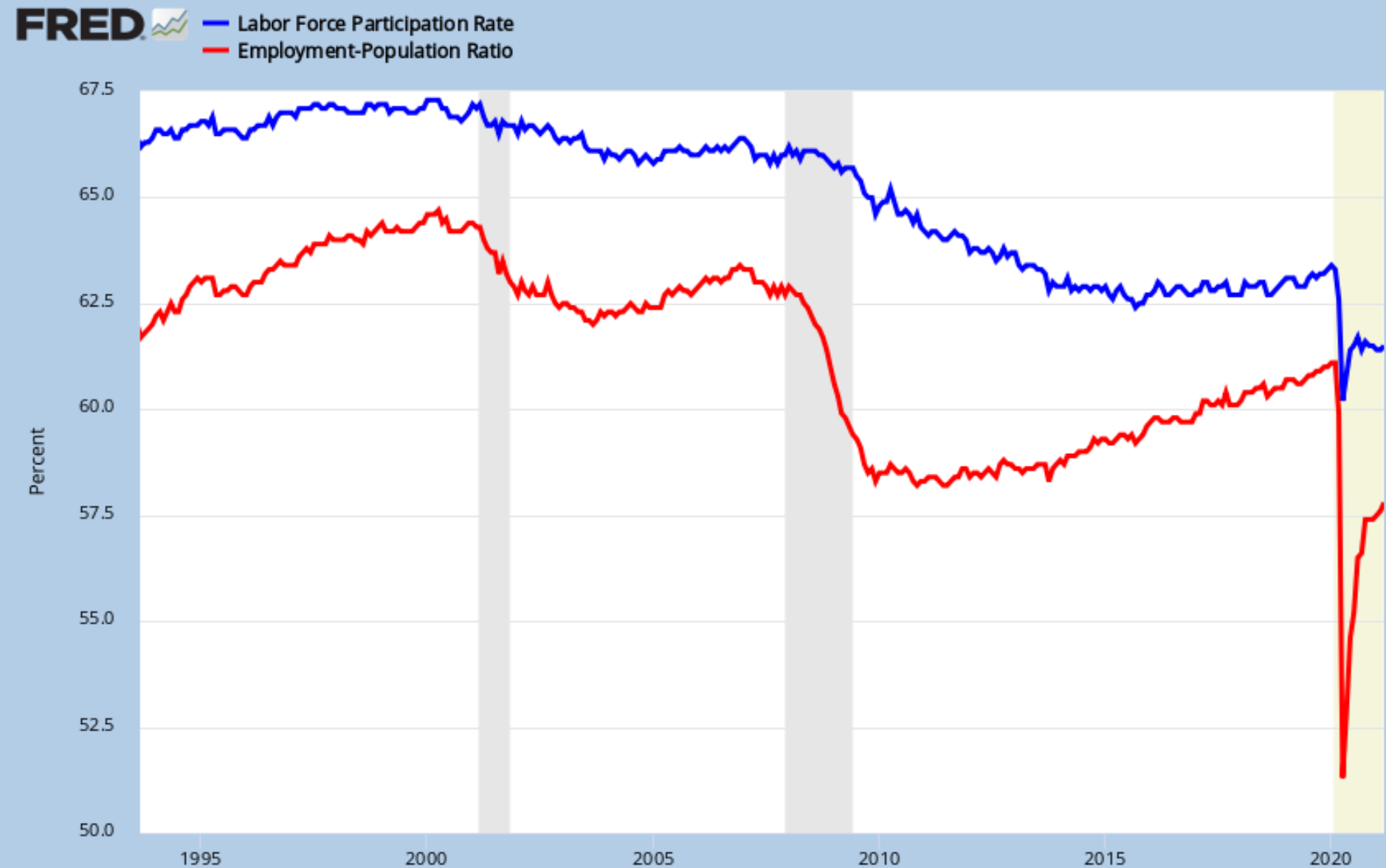
Source: Bureau of Labor Statistics (BLS)

BofA GLOBAL RESEARCH



# A Massive Recovery Took Place

The recovery then stopped. It must continue to improve



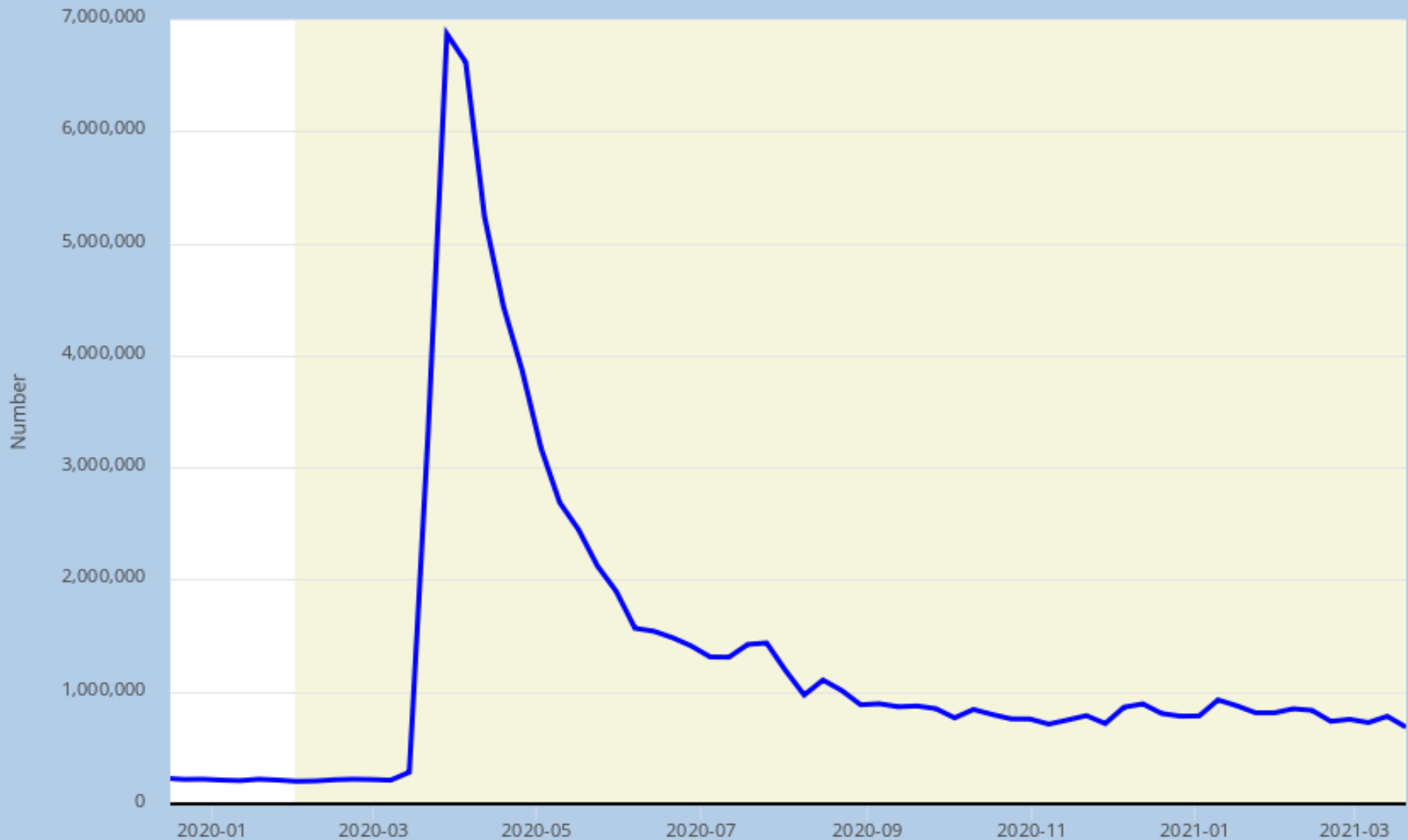
Source: U.S. Bureau of Labor Statistics

[myf.red/g/CRSv](https://myf.red/g/CRSv)

# Involuntary Separations Are High, But...

Trend is now improving after being flat for months

**FRED**  Initial Claims

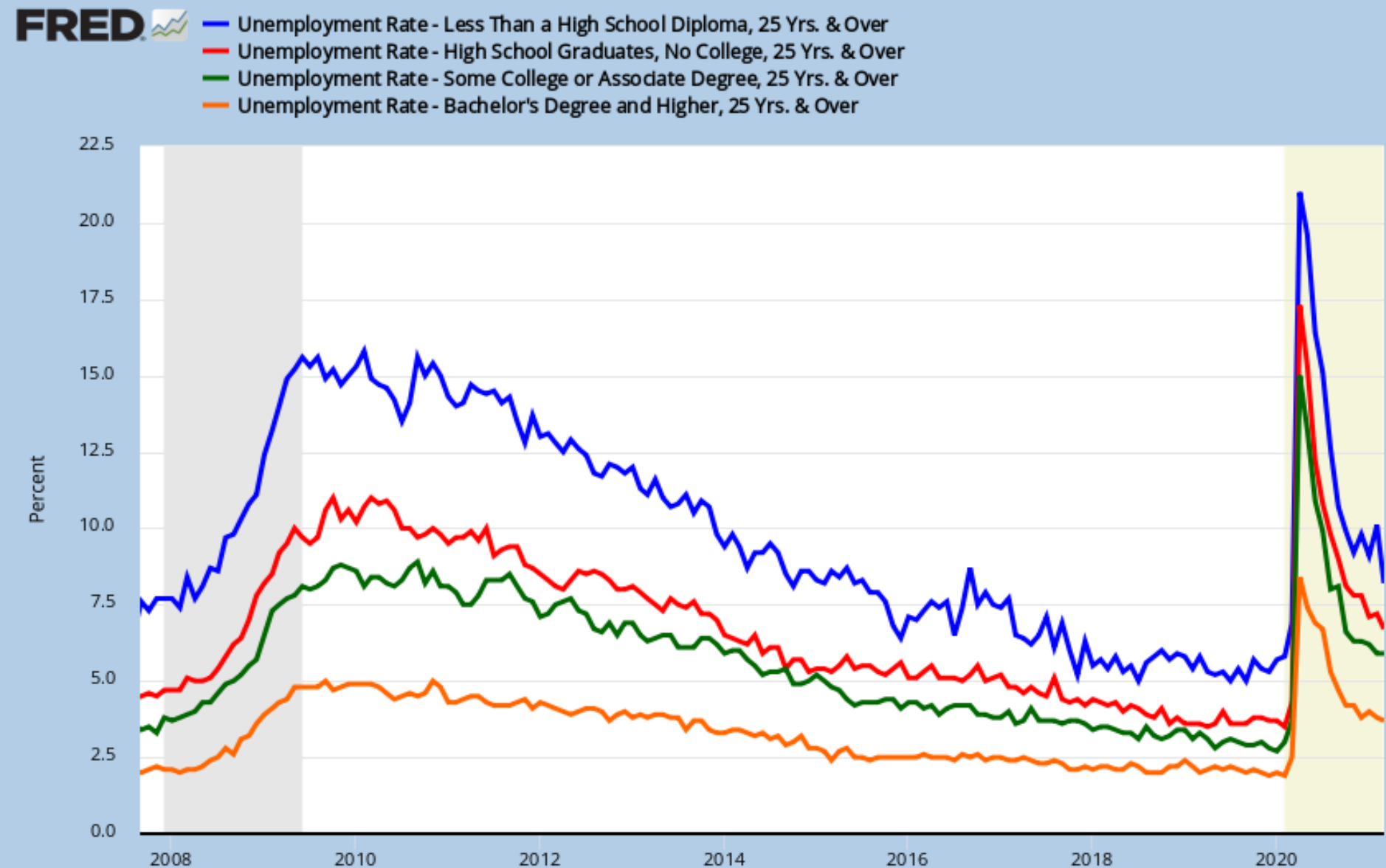


Source: U.S. Employment and Training Administration

[myf.red/g/Ckhl](https://myf.red/g/Ckhl)

# Unemployment Rate By Education

Rates now decline after skyrocketing. Rates are much higher for the less educated



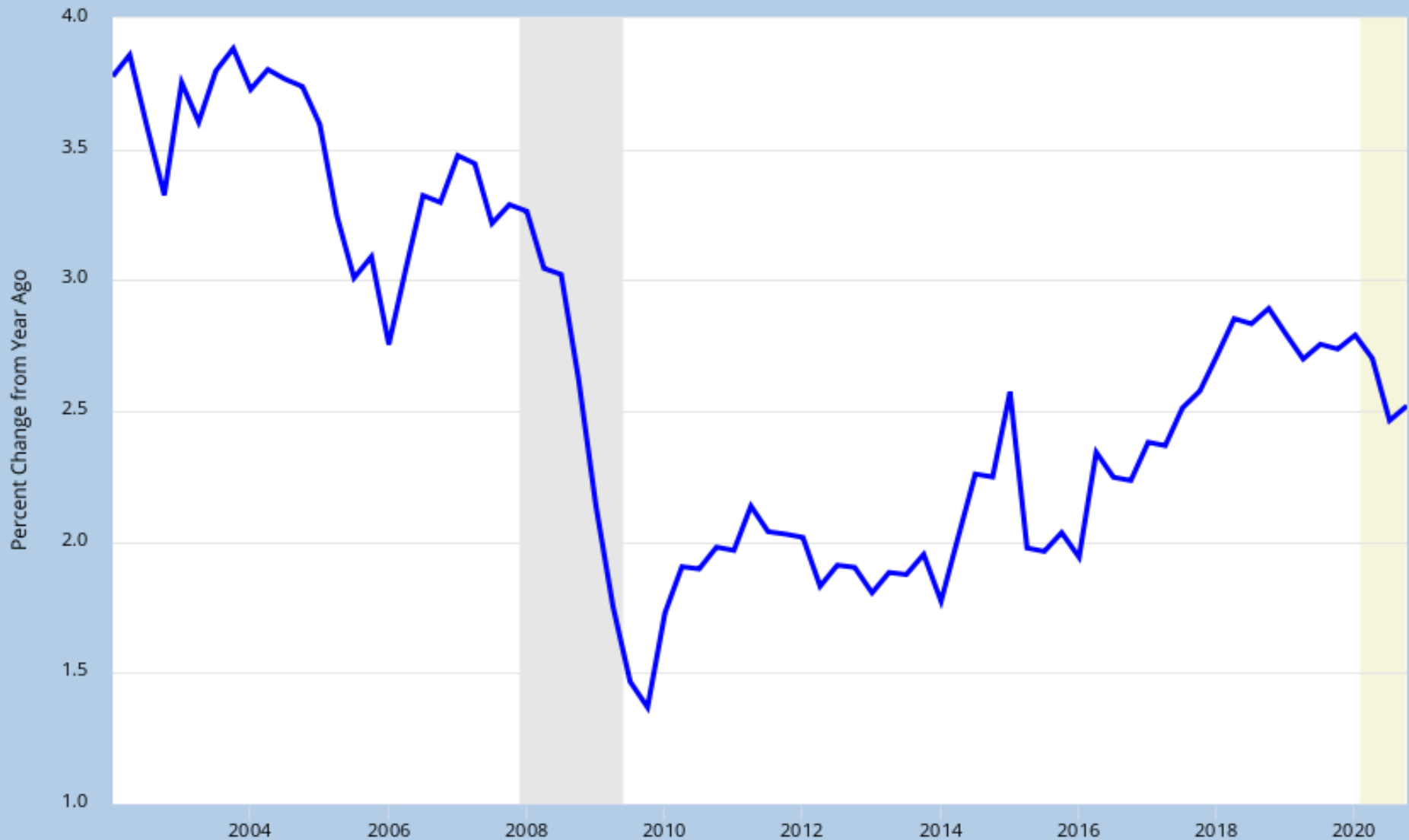
Source: U.S. Bureau of Labor Statistics

[myf.red/g/CShq](https://myf.red/g/CShq)

# Total Compensation: It Had Been Rising

This measure includes bonuses, and it has peaked

**FRED**  — Employment Cost Index: Total compensation: All Civilian

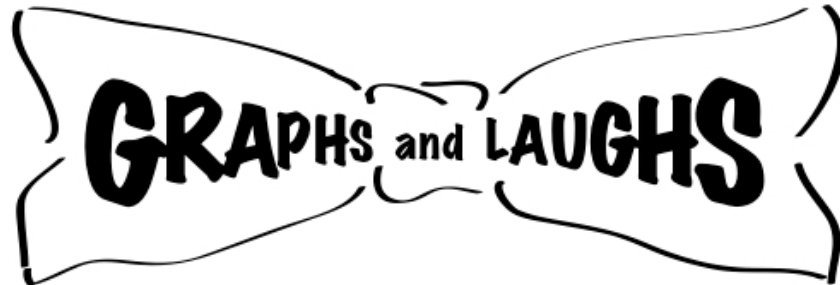


Source: U.S. Bureau of Labor Statistics

[myf.red/g/AwxT](https://myf.red/g/AwxT)

# Inflation?

# What Inflation?

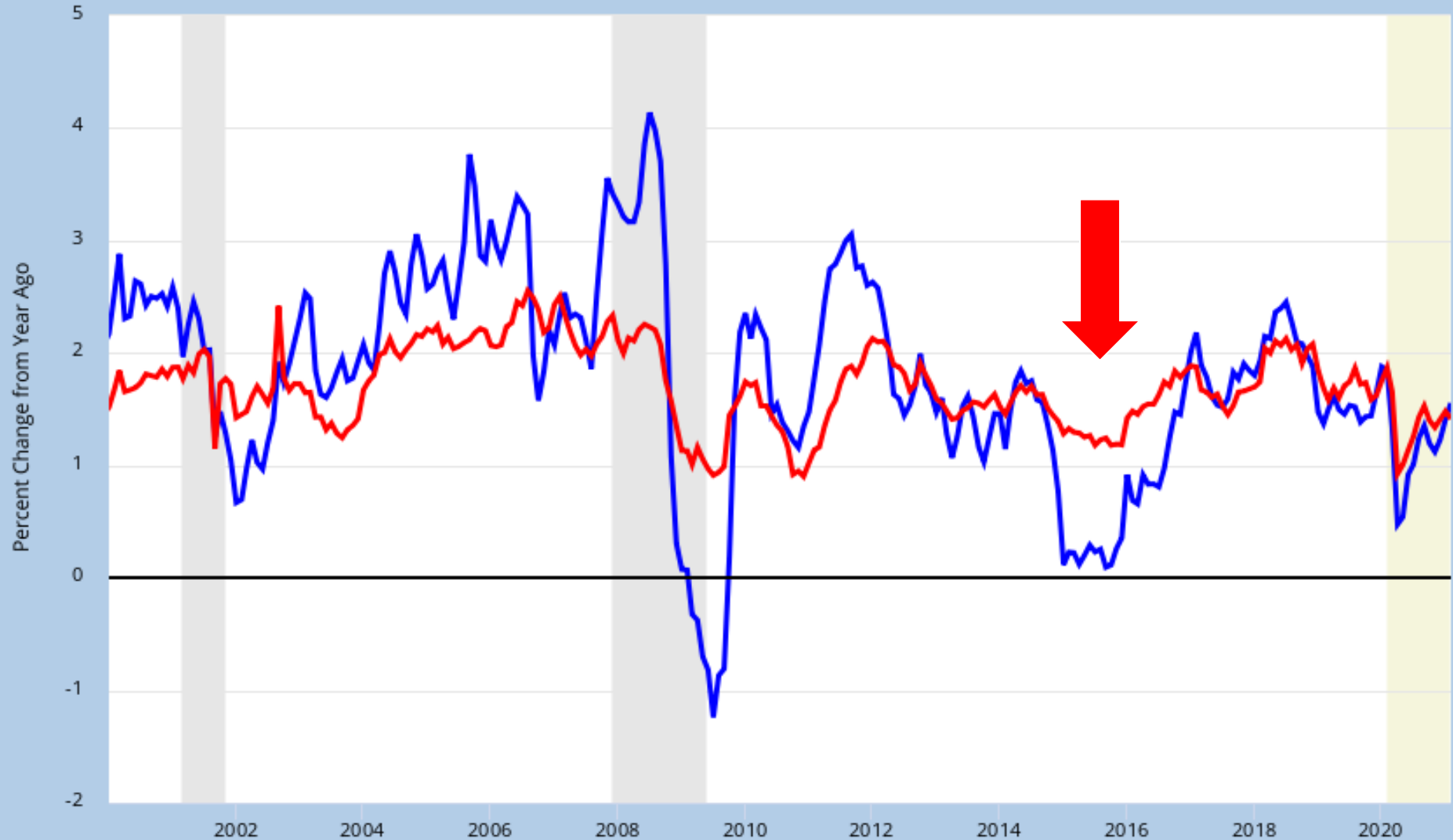


# Core PCE Price Index

Inflation is not currently a concern

FRED

- Personal Consumption Expenditures: Chain-type Price Index
- Personal Consumption Expenditures Excluding Food and Energy (Chain-Type Price Index)



Source: U.S. Bureau of Economic Analysis

myf.red/g/Co7A

# Breakeven Rate Steadily Rise

Fed policy, improving economic conditions, Democratic Congress



# Inflation Expectations

They are almost always wrong

Exhibit 1: The markets have a long history of prematurely anticipating Fed rate hikes

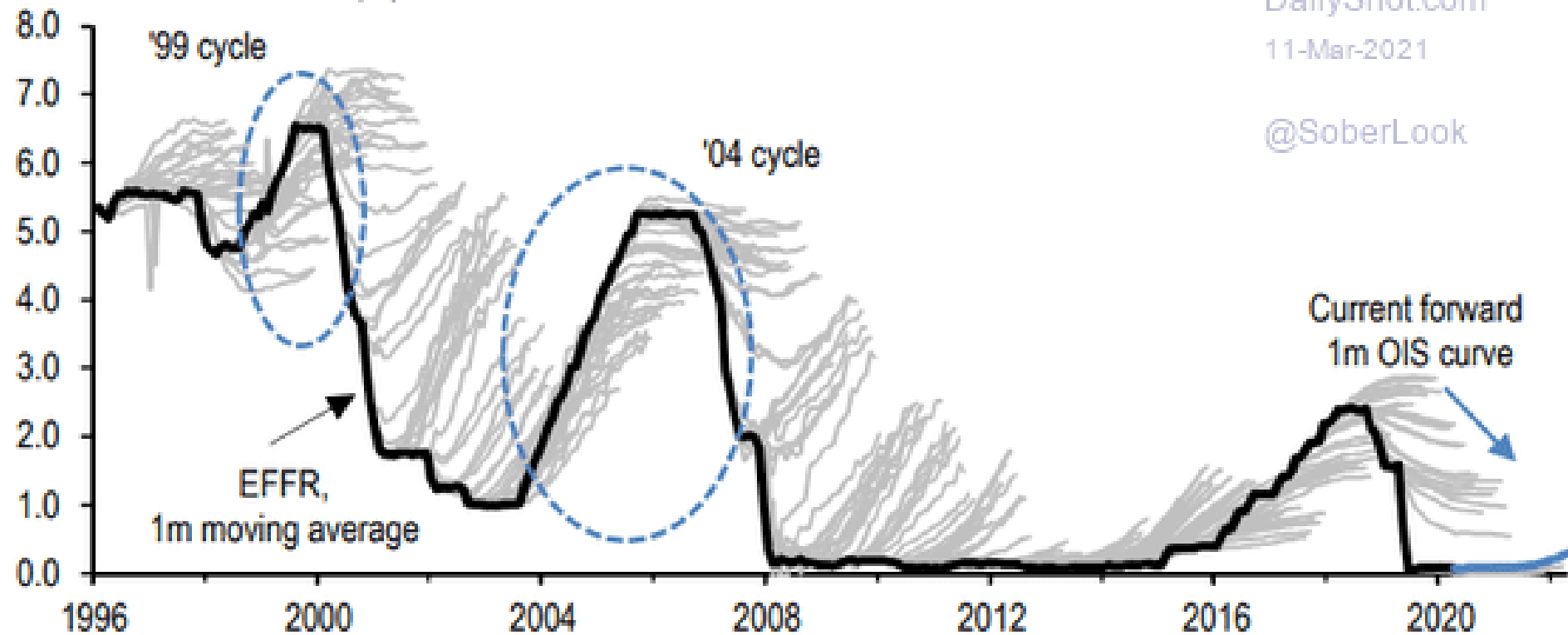
EFFR vs forward 1m OIS (%)

Posted on

DailyShot.com

11-Mar-2021

@SoberLook



Source: J.P. Morgan

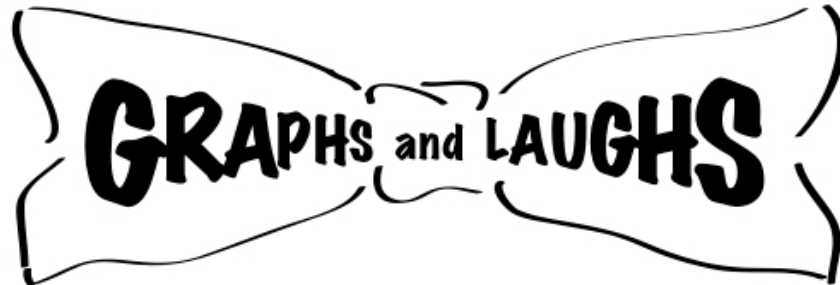


# Federal Reserve Behavior

## Best Case Scenario

- Fed funds is currently 0.125%
- 12/31/21: 0.125% 10-yr Treasury @ 1.90%
- 6/30/22: 0.125% 10-yr Treasury @ 2.10%
- 12/31/22: 0.375% 10-yr Treasury @ 2.10%

# How About Housing?

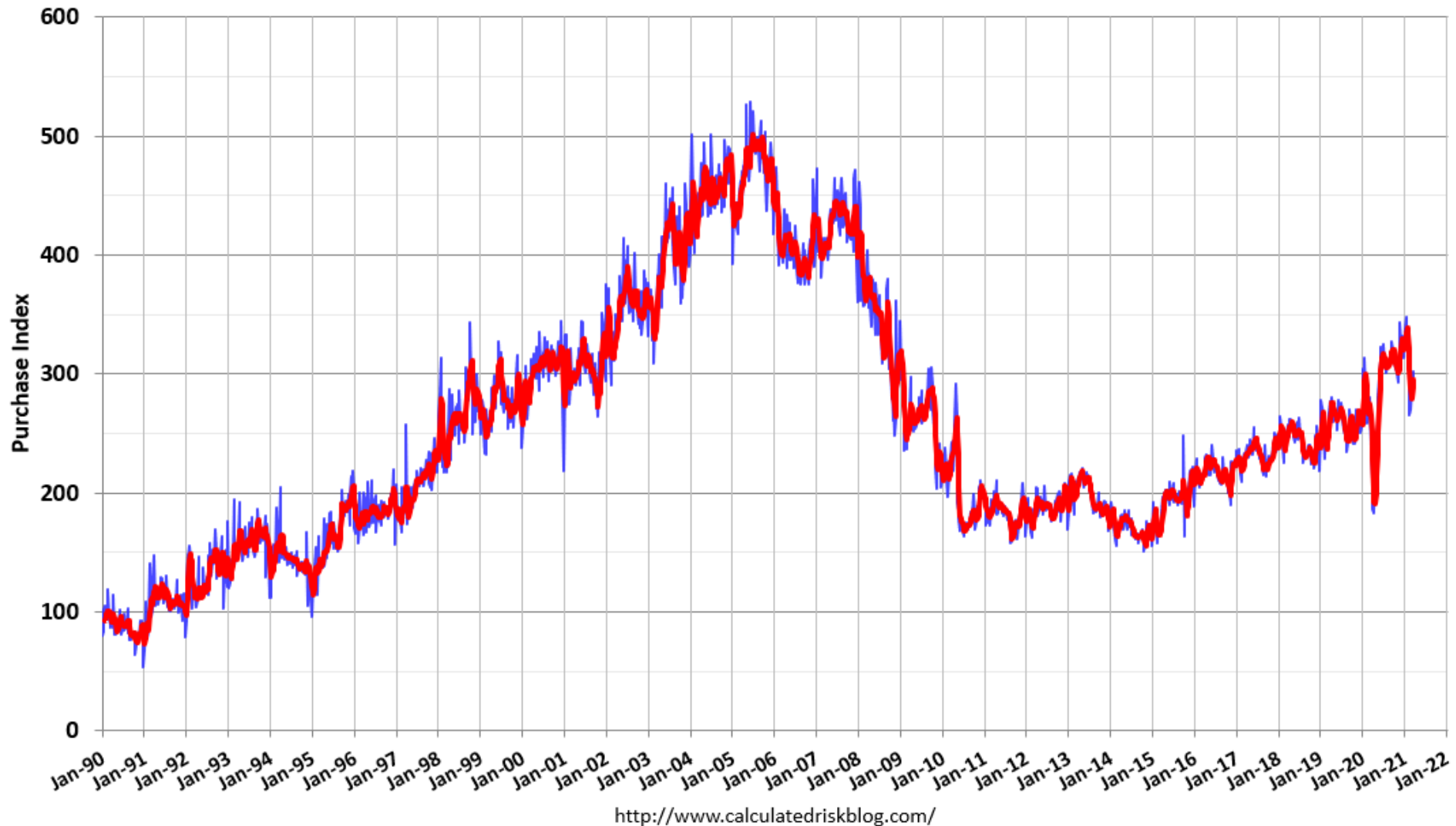


# Mortgage Purchase Applications Slip

1<sup>st</sup> time applications are up 39% Y-o-Y, at level of early 2000s

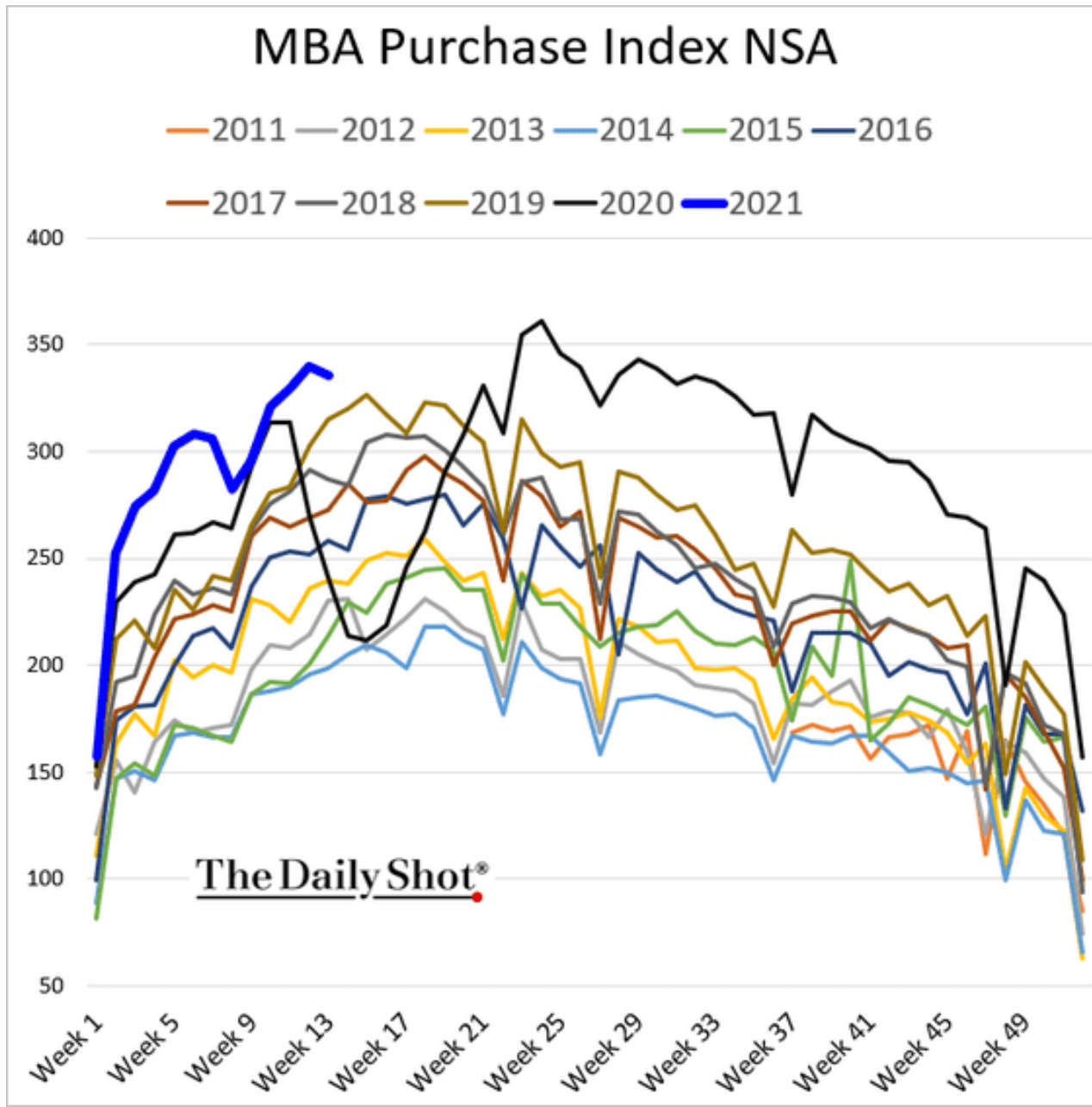
## MBA Purchase Applications Index

Purchase Index 4 Week Moving Average



# Mortgage Purchase Applications Rock

2021 purchase volume should be about \$1.5 trillion



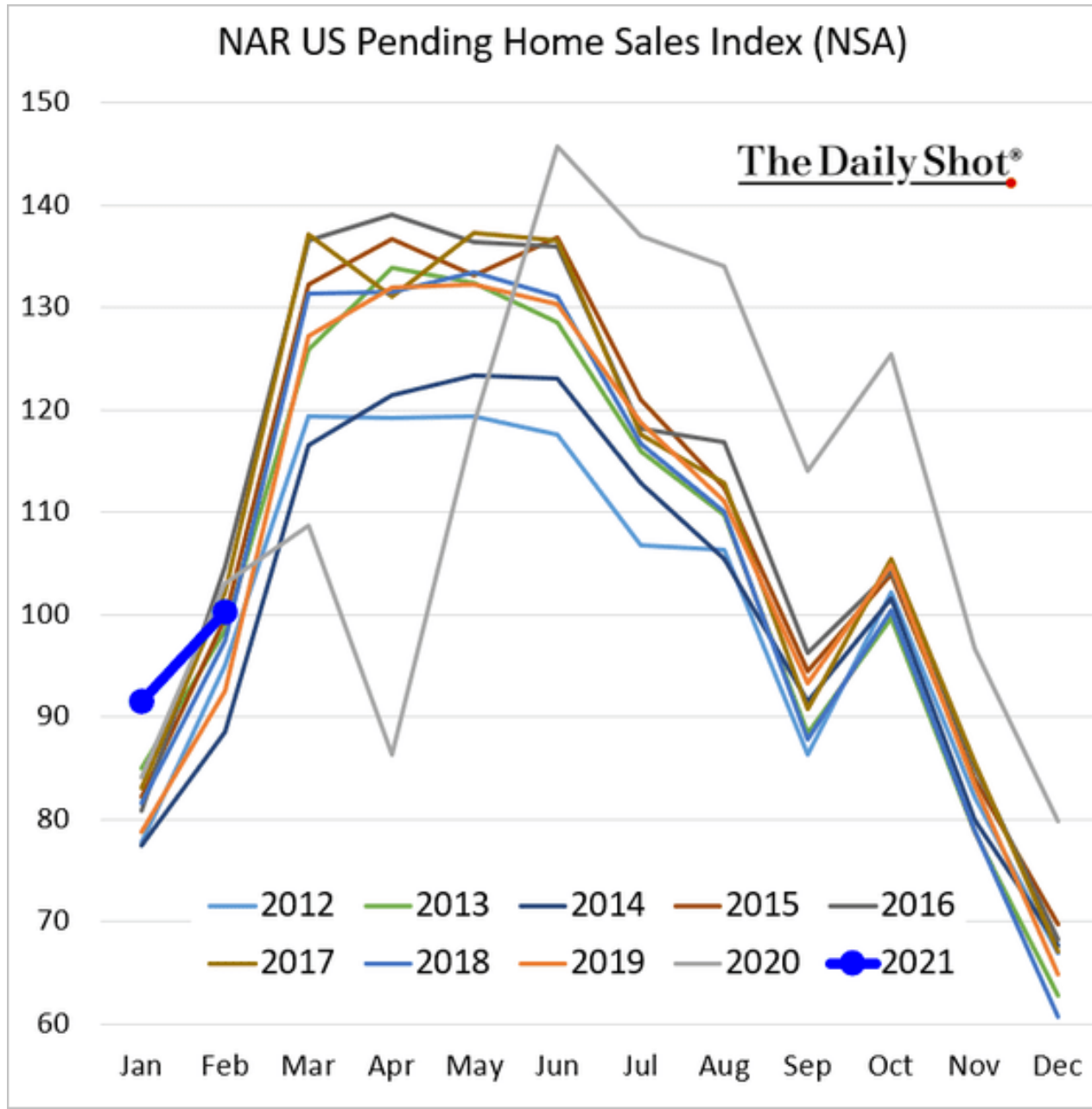
# Pending Home Sales Bounce

Low inventories, limited new building, pent-up demand, high rates, rising input costs



# NAR Pending Home Sales Index Softens

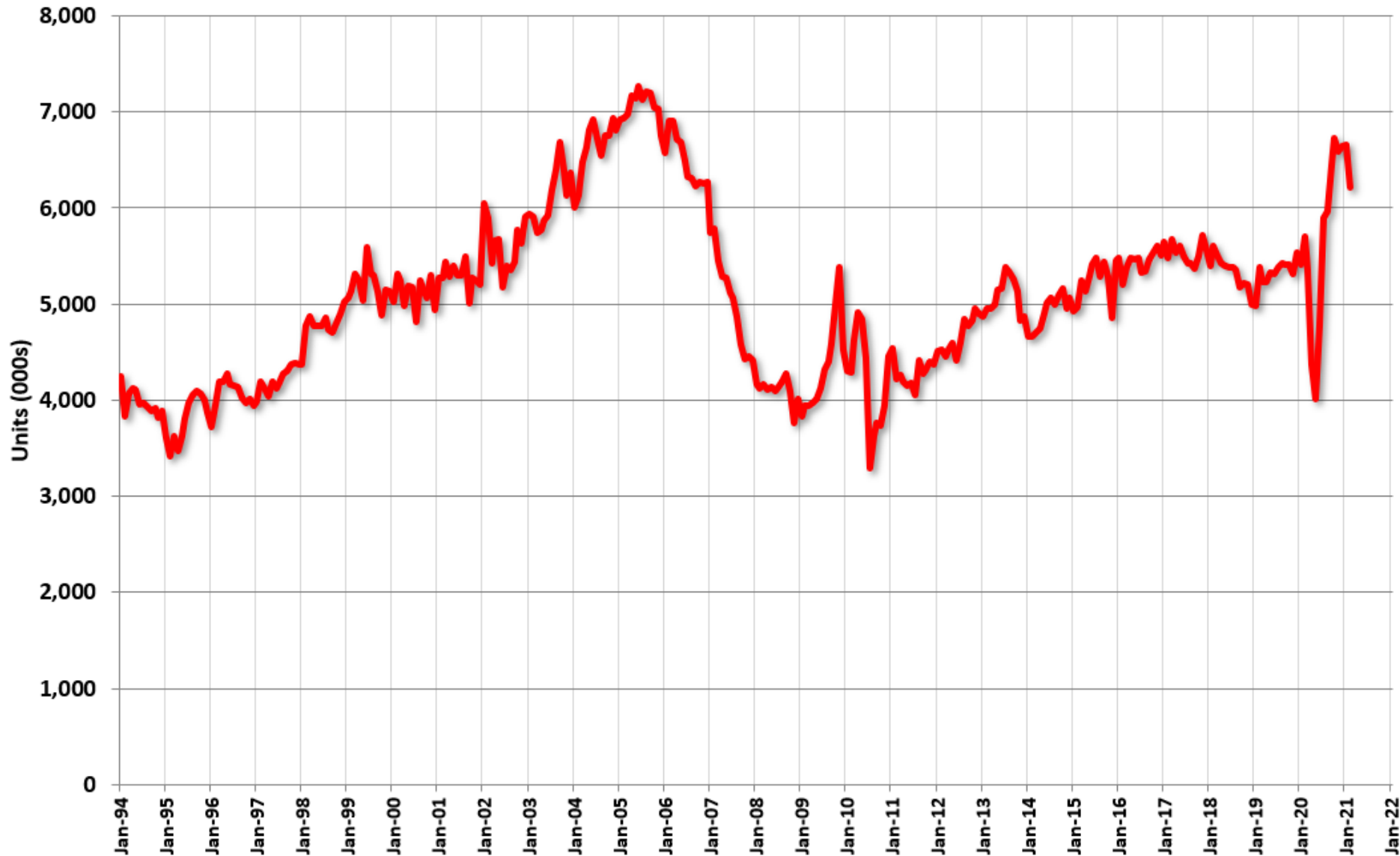
High prices, low inventories and now rising rates



# Existing Home Sales Are Topping Out

May was the bottom, and since then sales have exploded

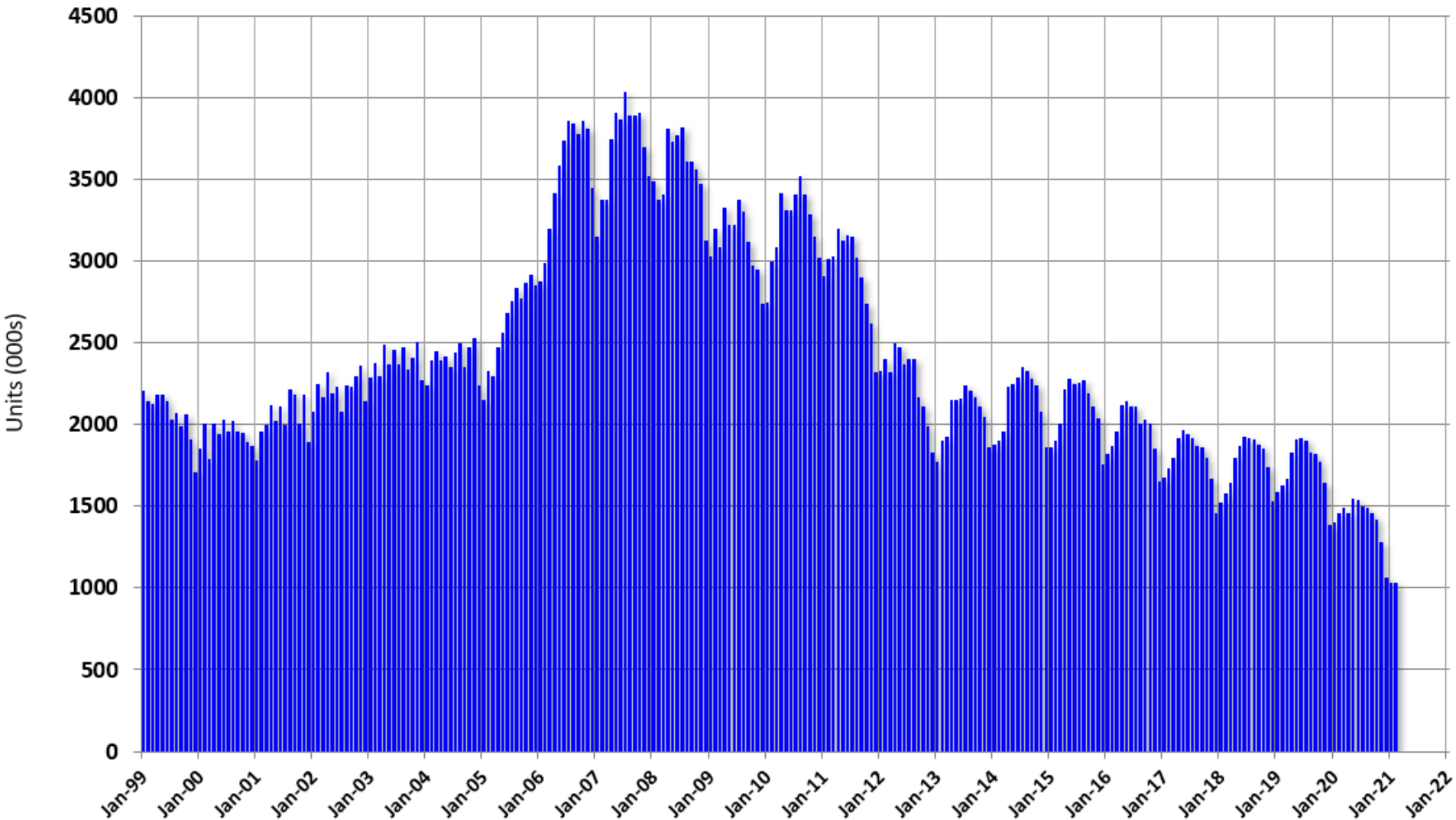
Existing Home Sales (SAAR)



# Inventory Is Excruciating Low and Keeps Shrinking

Inventory is regularly reaching new lows

Existing Home Inventory



<http://www.calculatedriskblog.com/>

Source: NAR

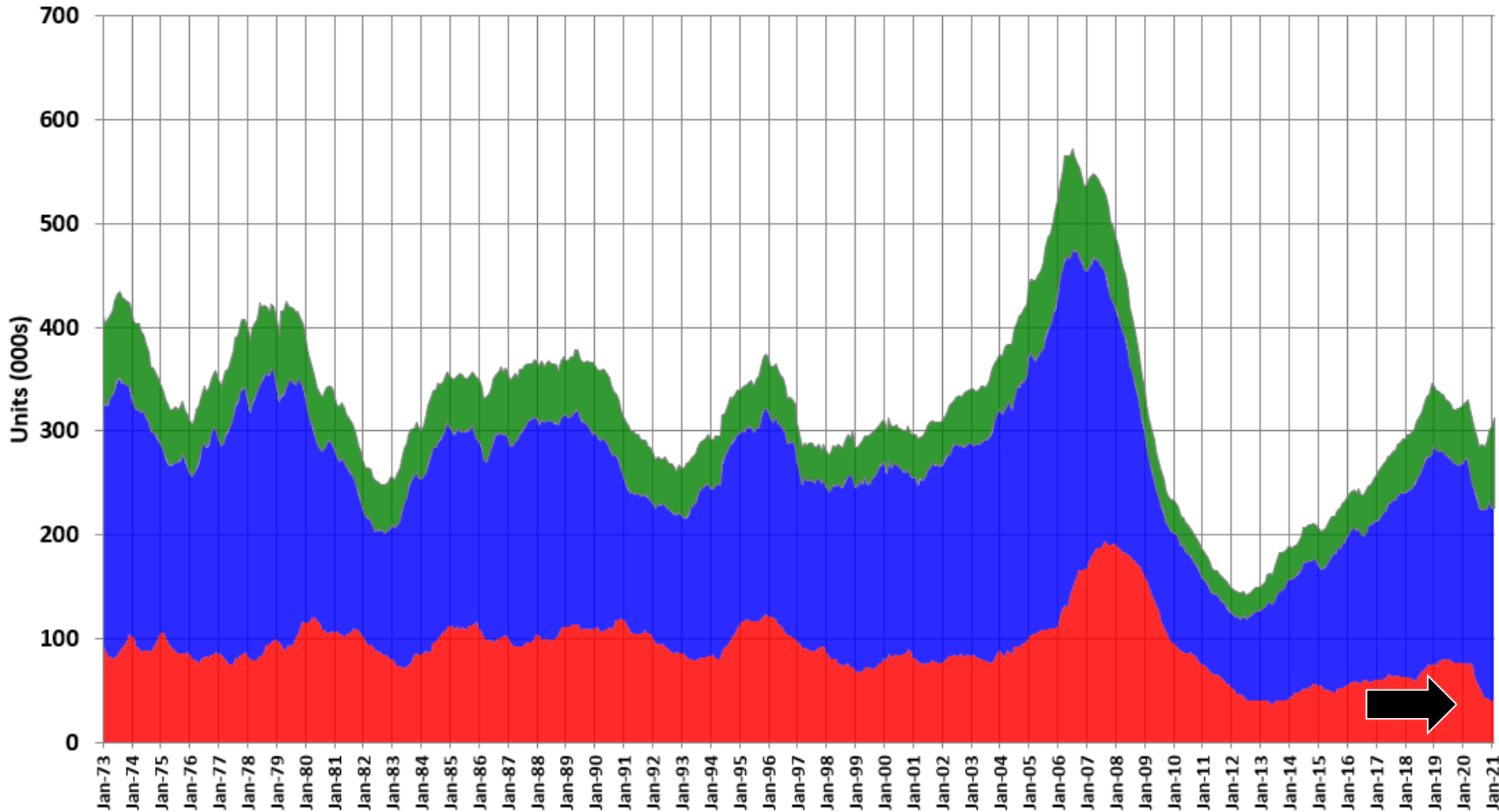


# New Home Inventories are Collapsing

Builders are being very careful, and demand is insatiable

New Home Inventory

Completed Under Construction Not Started



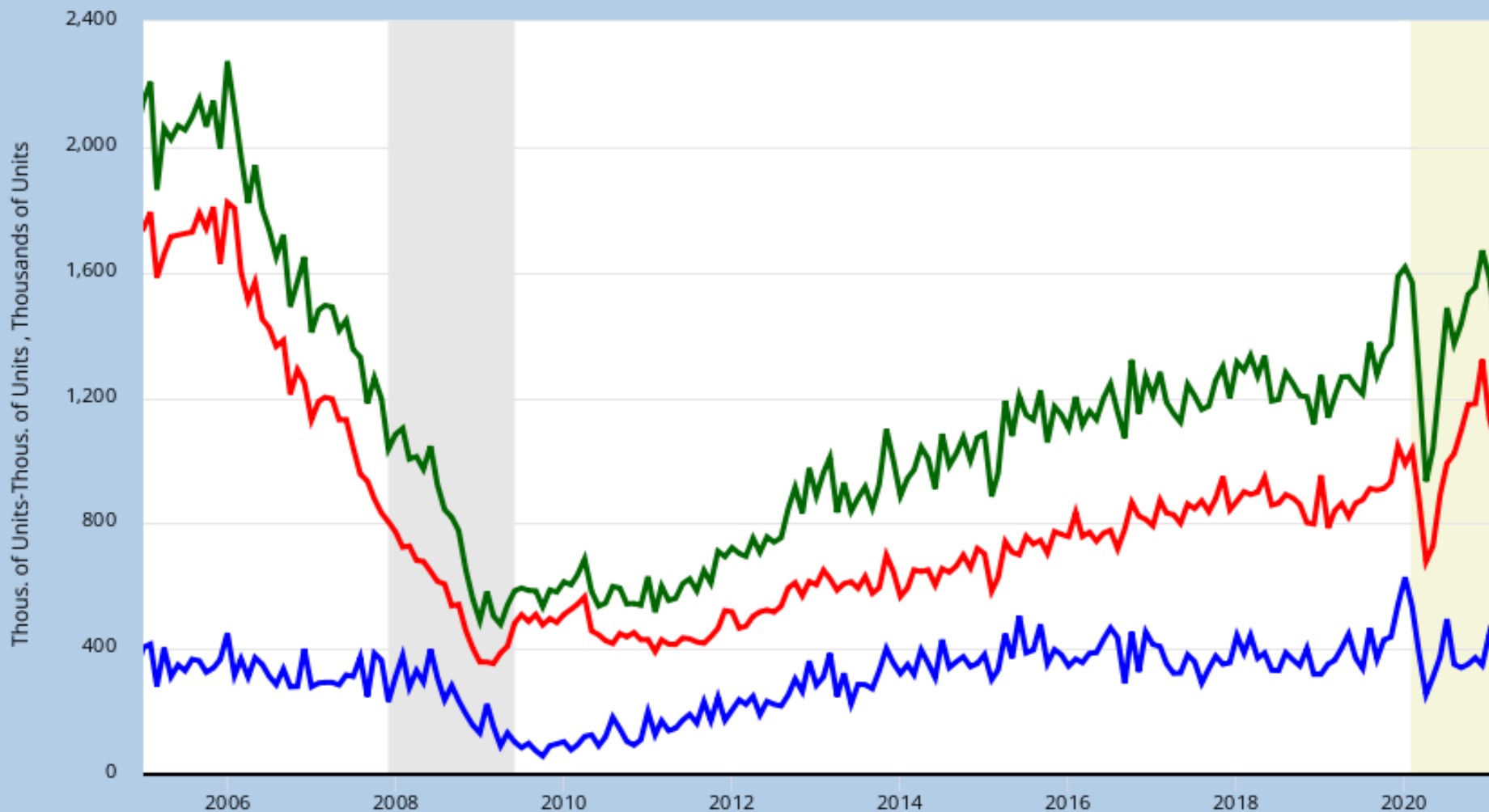
# Single-Family and Multifamily Starts: 2005 to Present

SF activity is now as good as it gets

FRED

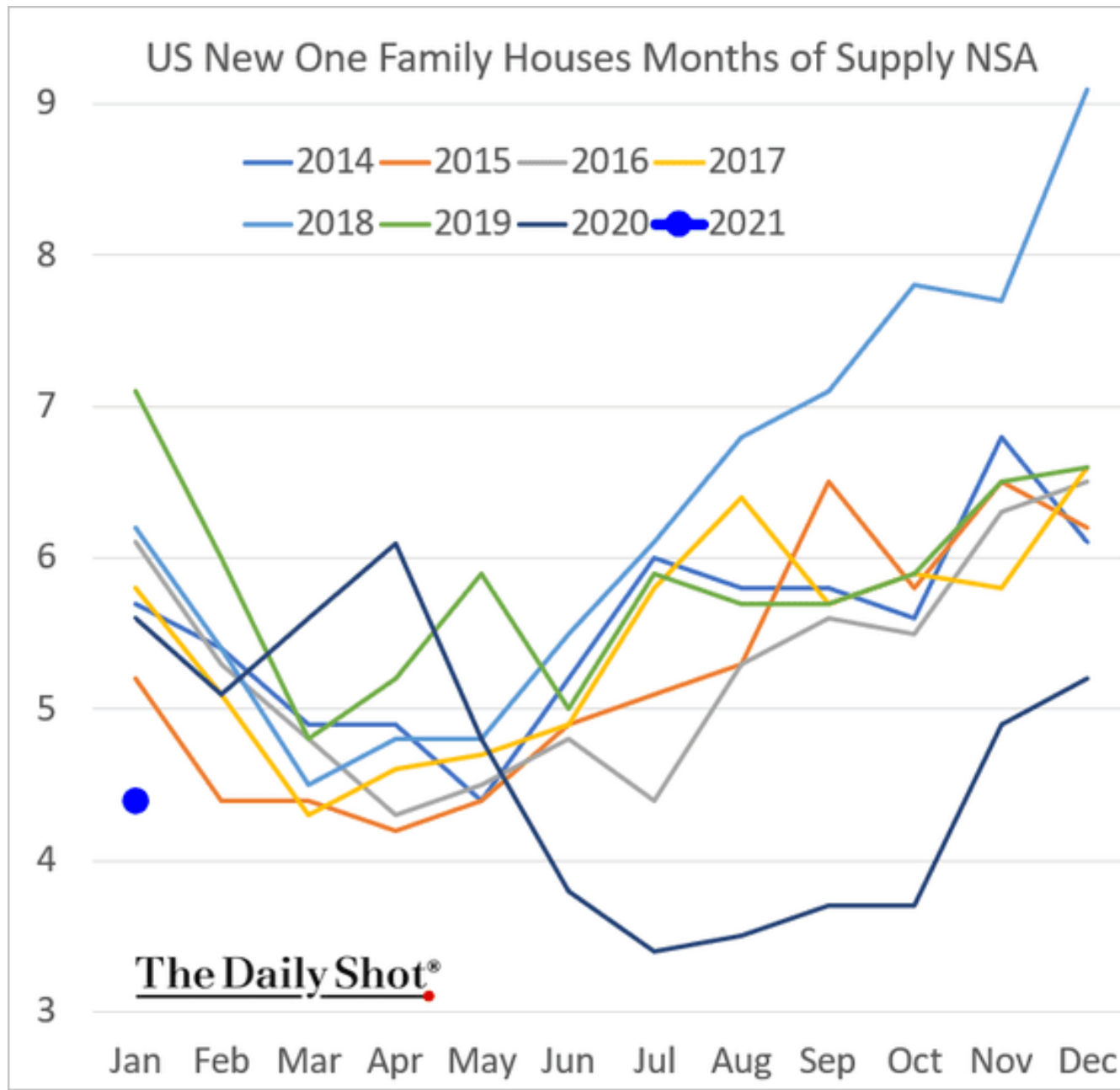


- Housing Starts: Total: New Privately Owned Housing Units Started-Privately Owned Housing Starts: 1-Unit Structures
- Privately Owned Housing Starts: 1-Unit Structures
- Housing Starts: Total: New Privately Owned Housing Units Started



# New Home Inventory

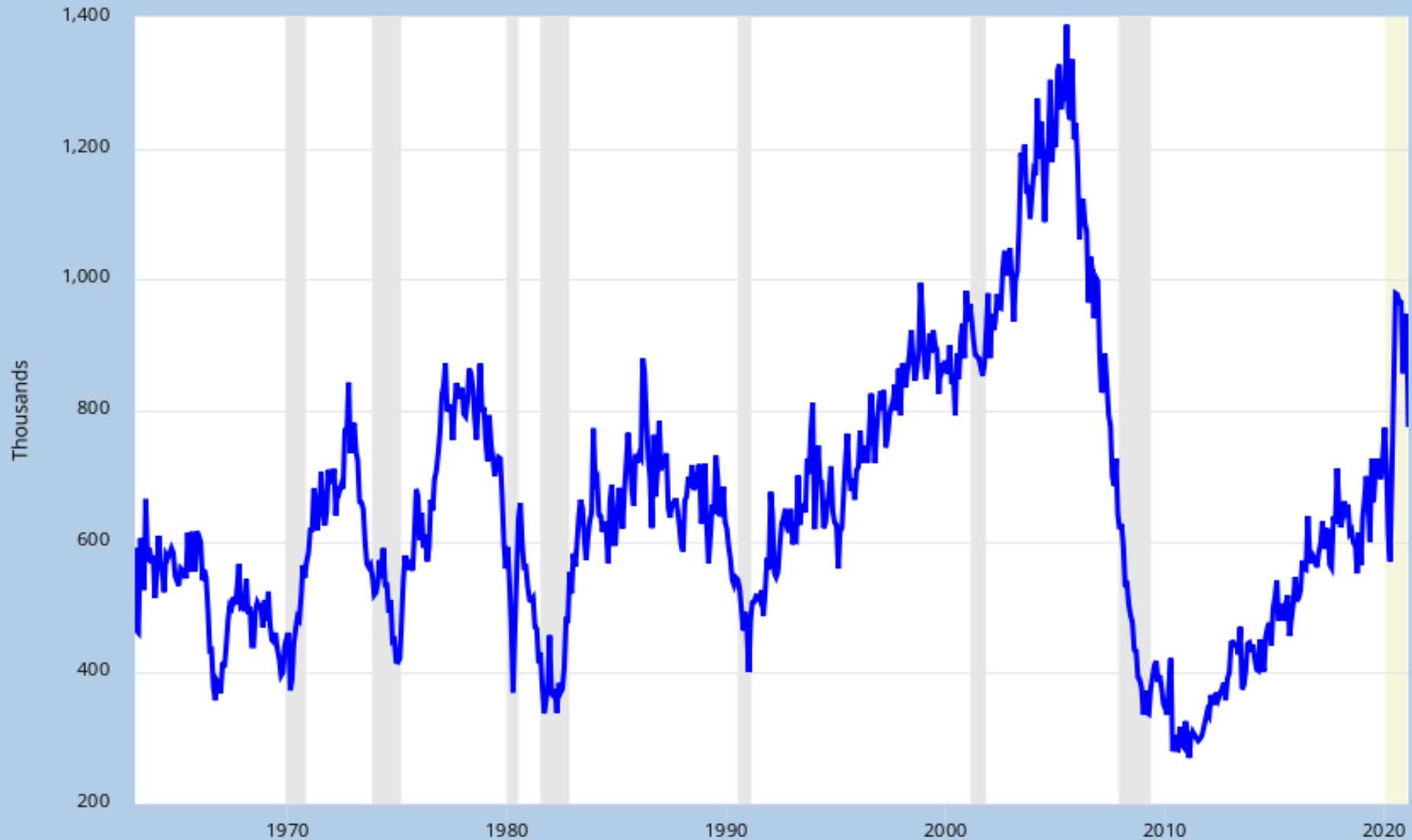
It is very low



# New Home Sales Skyrocket and Slightly Weaken

They were rising, then fell but are still relatively high

**FRED**  — New One Family Houses Sold: United States

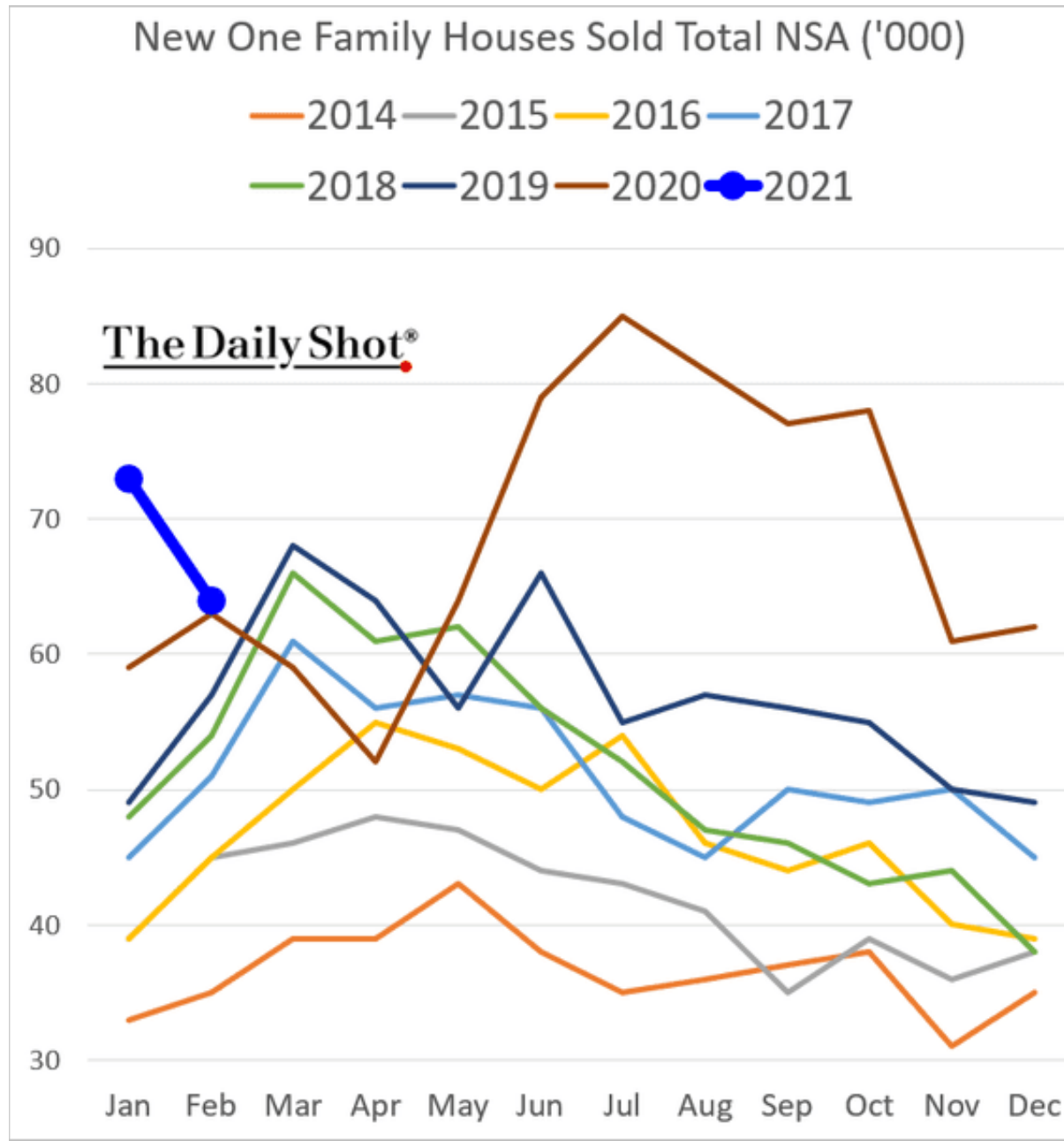


Sources: Census; HUD

[myf.red/g/Cilx](https://myf.red/g/Cilx)

# New Home Sales Have More Than Recovered

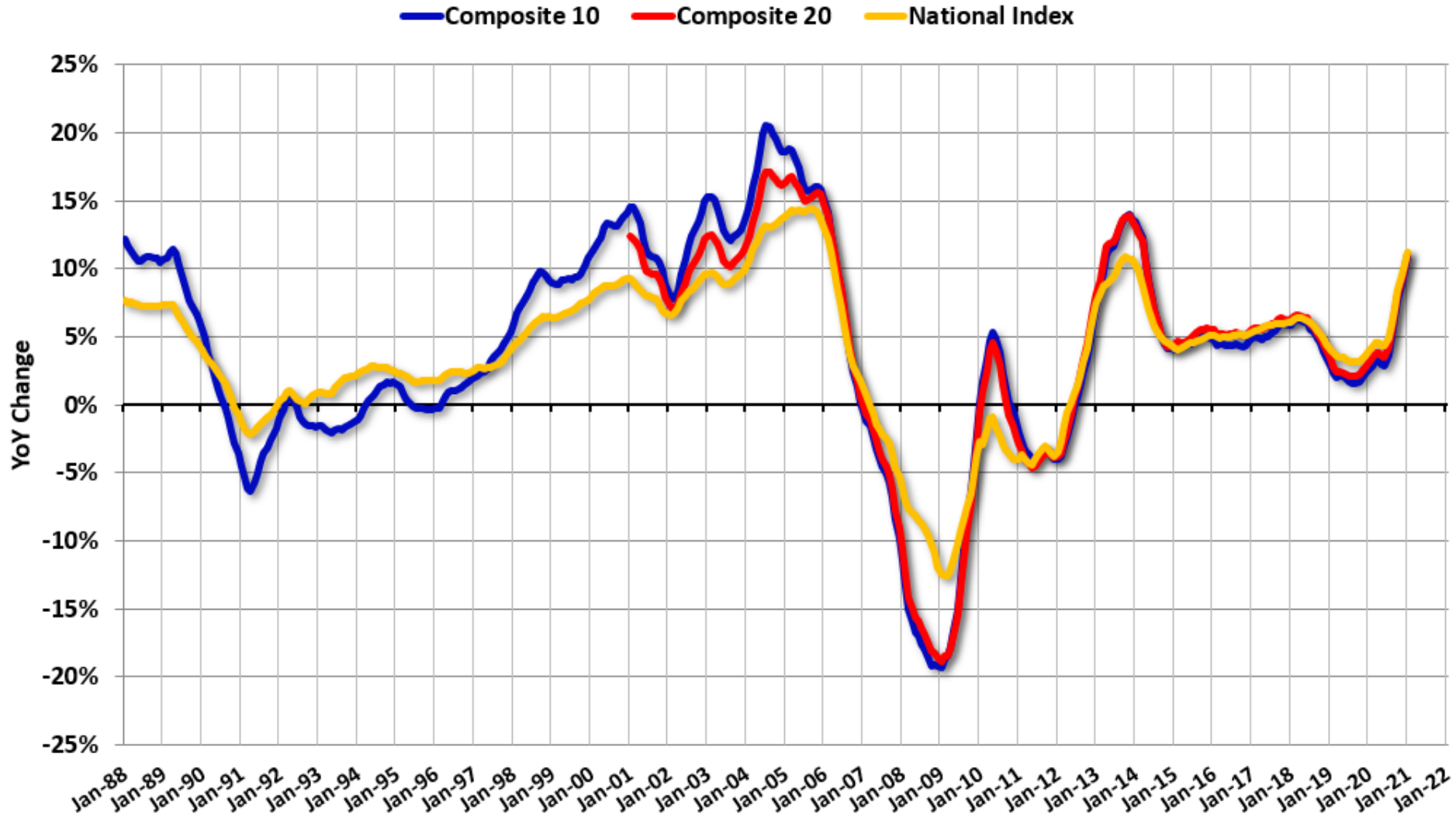
They remain up Year-over-year



# Prices Keep Rising!

Prices in '90 and '00 didn't collapse. Y-o-Y prices are up 10.9%, 11.1% or 11.2%

Case-Shiller National and Composite Indices SA, Year-over-year Change

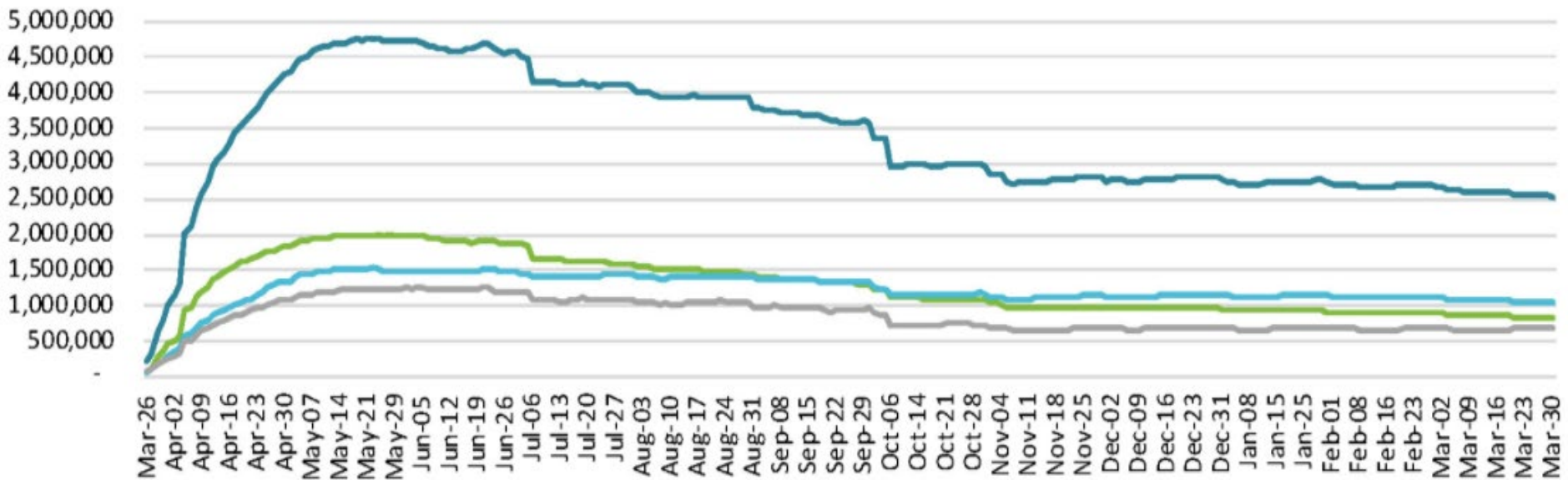


# Forbearance Numbers Steadily Fall

2.54 million in forbearance, (4.8% of mortgages). Well down from the peak of 4.76 million

## ACTIVE FORBEARANCE PLANS

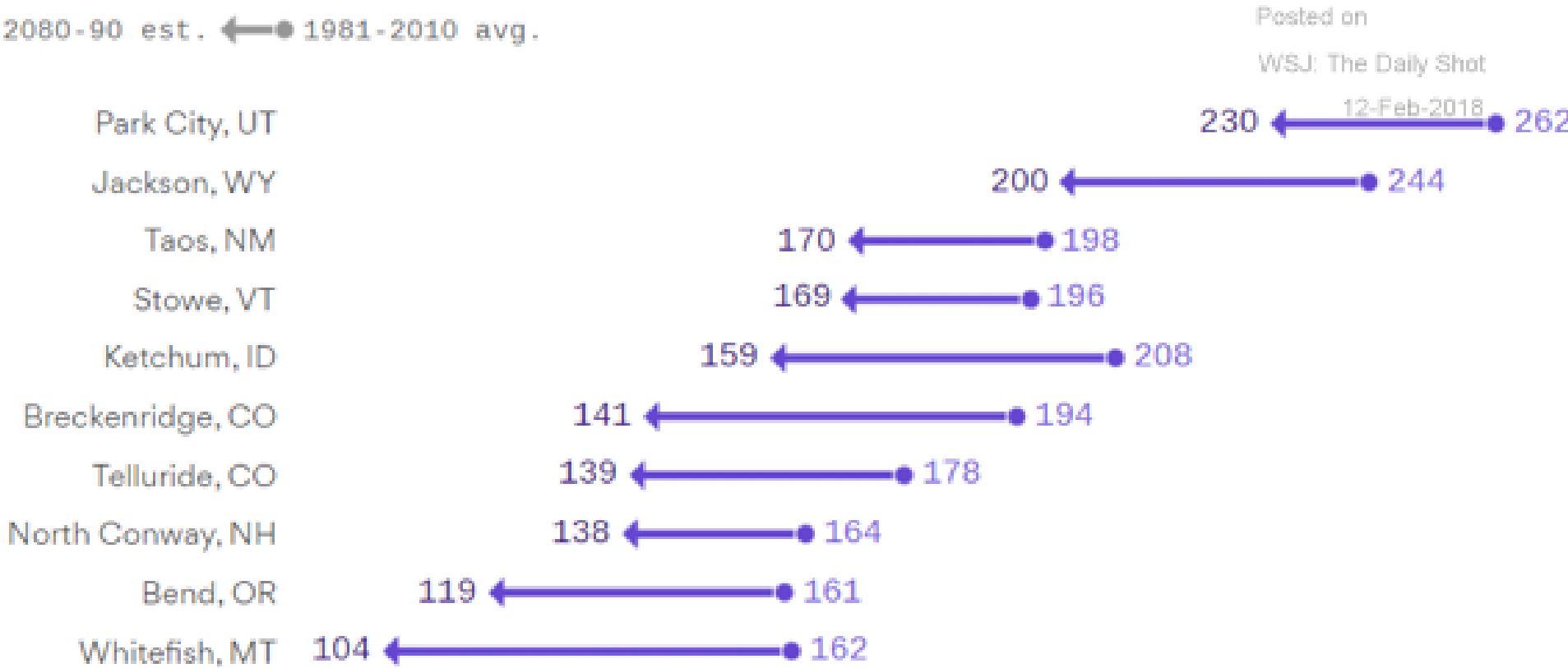
Fannie/Freddie    FHA/VA    Other    Total



# Millionaires Are Not Exempt from Weather Issues

This could be an issue. Artificial snow is best made at 28F

## Annual days below freezing in ski towns



Data: [Climate Impact Lab](#); Note: Moderate emissions projection used; Chart: Andrew Witherspoon / Axios

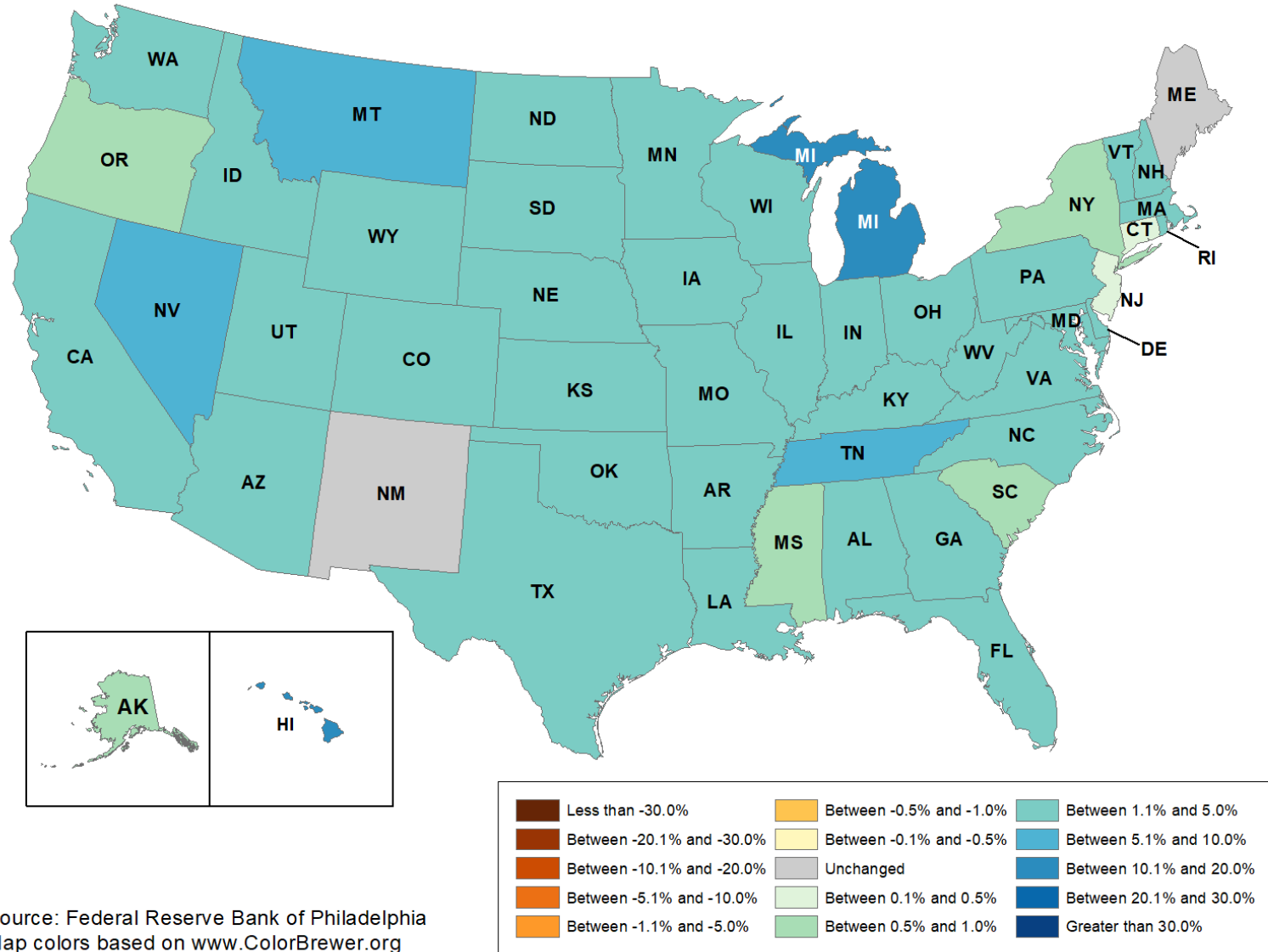


**What About  
Things Here?**

# Things Are Definitely Improving

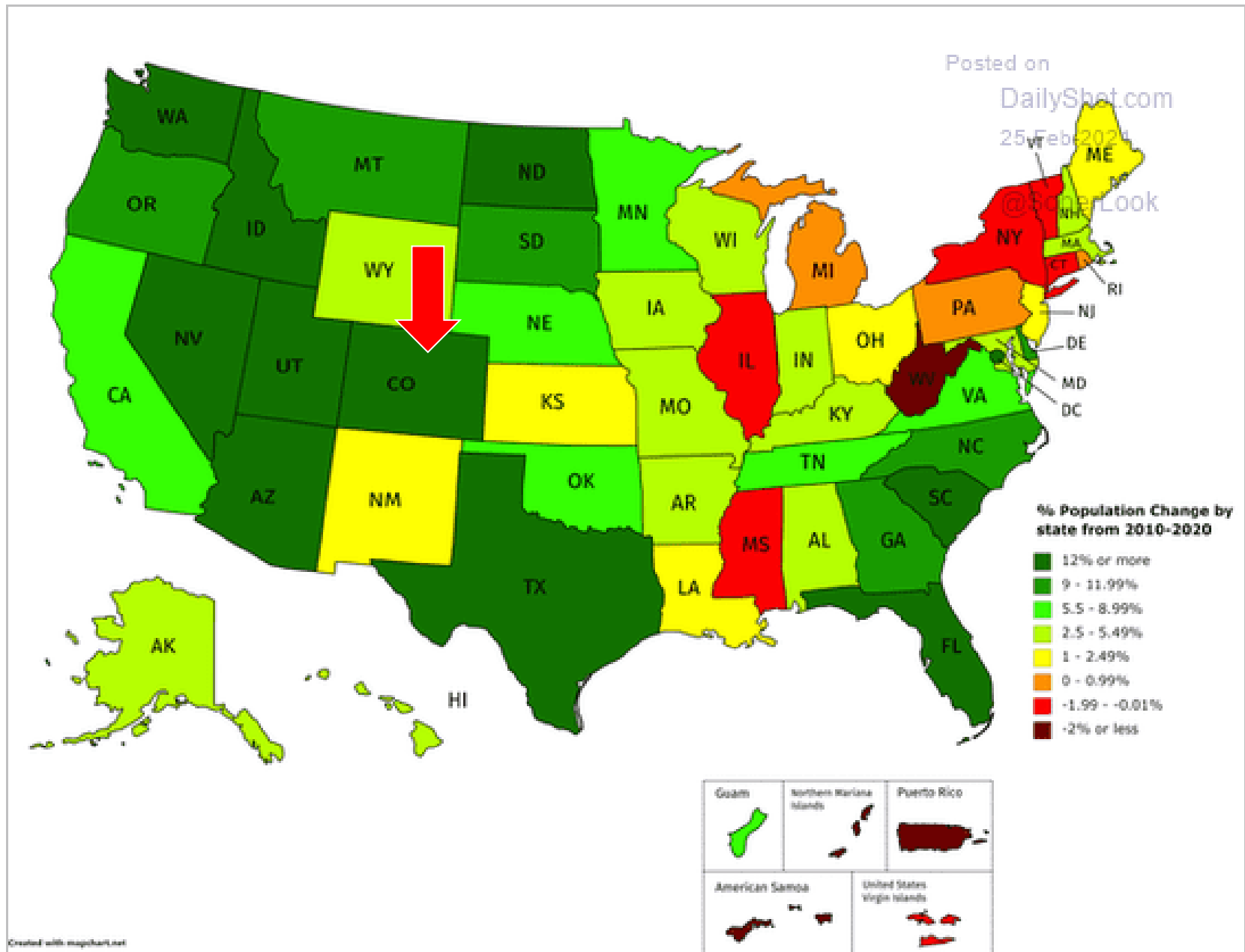
Growth is strong just about everywhere

## January 2021 State Coincident Indexes: Three-Month Change



# Population Growth by State: 2010 - 2020

Best in the southeast, Texas, and the intermountain west.

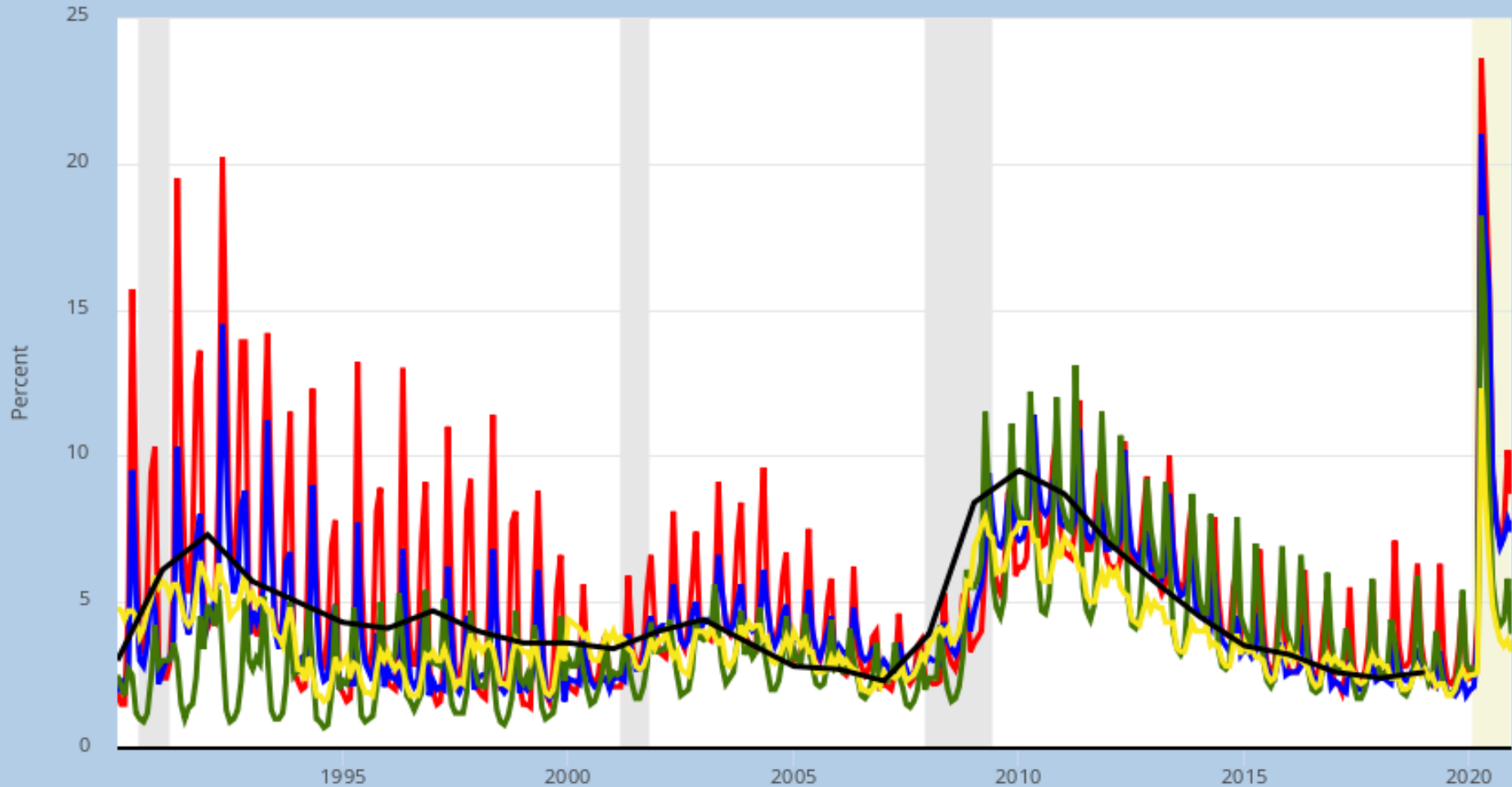


# Unemployment Rates in Ski Towns

Convergence during the 1990s. Bozeman is the least volatile

**FRED** 

- Unemployment Rate in Pitkin County, CO
- Unemployment Rate in Eagle County, CO
- Unemployment Rate in Teton County, WY
- Unemployment Rate in Gallatin County, MT
- Unemployment Rate in Blaine County, ID



Source: U.S. Bureau of Labor Statistics

[myf.red/g/BTSc](https://myf.red/g/BTSc)

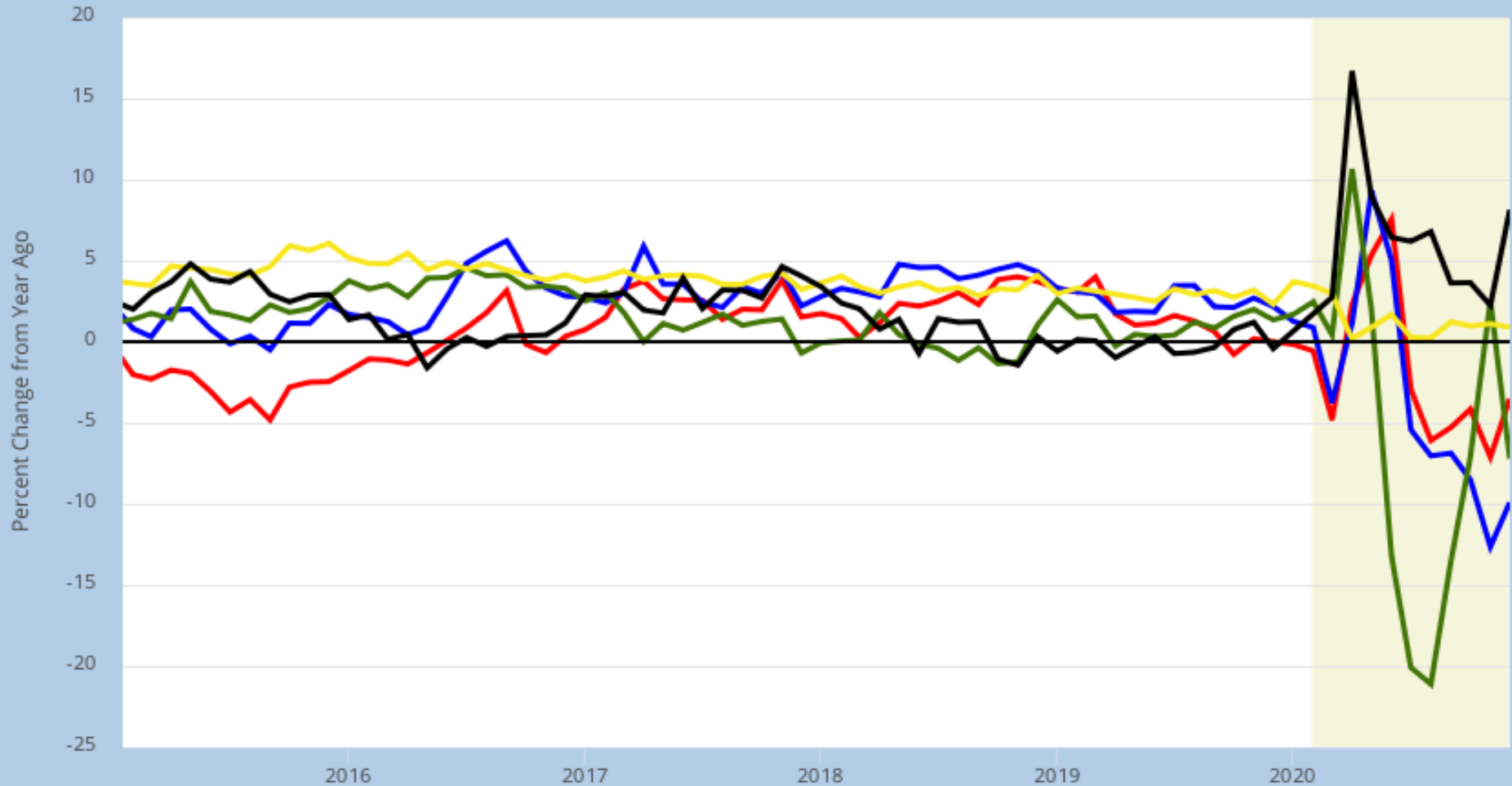
# The Labor Force Growth & Recovery Varies

Growth is good in Bozeman and Sun City, weak in Aspen & Vail, Bad in Jackson Hole

**FRED**



- Civilian Labor Force in Pitkin County, CO
- Civilian Labor Force in Eagle County, CO
- Civilian Labor Force in Teton County, WY
- Civilian Labor Force in Gallatin County, MT
- Civilian Labor Force in Blaine County, ID

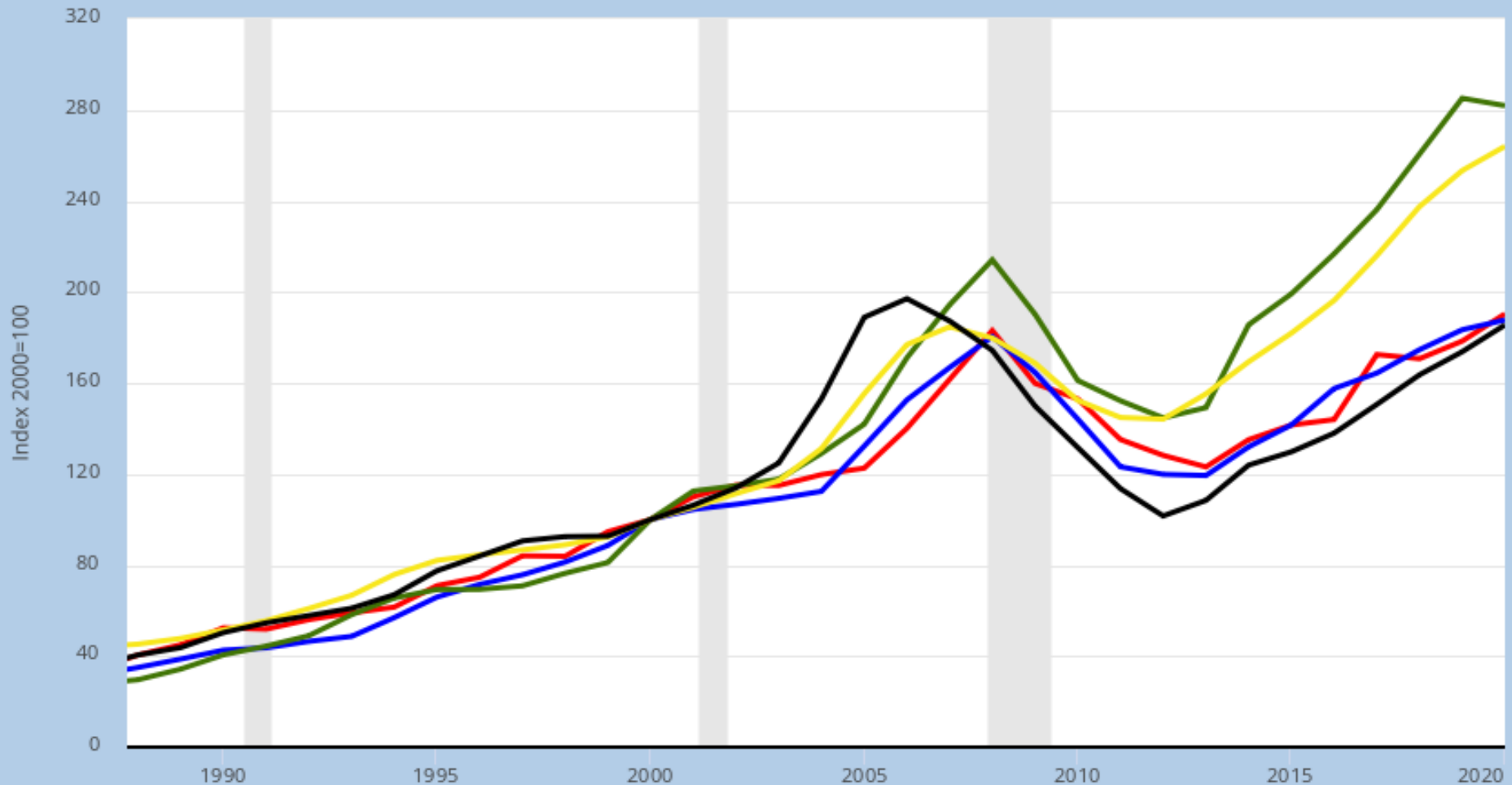


# Housing Prices in Ski Resorts

Jackson & Bozeman rise fastest. Aspen, Vail and Sun Valley have recovered

**FRED**

- All-Transactions House Price Index for Pitkin County, CO
- All-Transactions House Price Index for Eagle County, CO
- All-Transactions House Price Index for Teton County, WY
- All-Transactions House Price Index for Gallatin County, MT
- All-Transactions House Price Index for Blaine County, ID



Source: U.S. Federal Housing Finance Agency

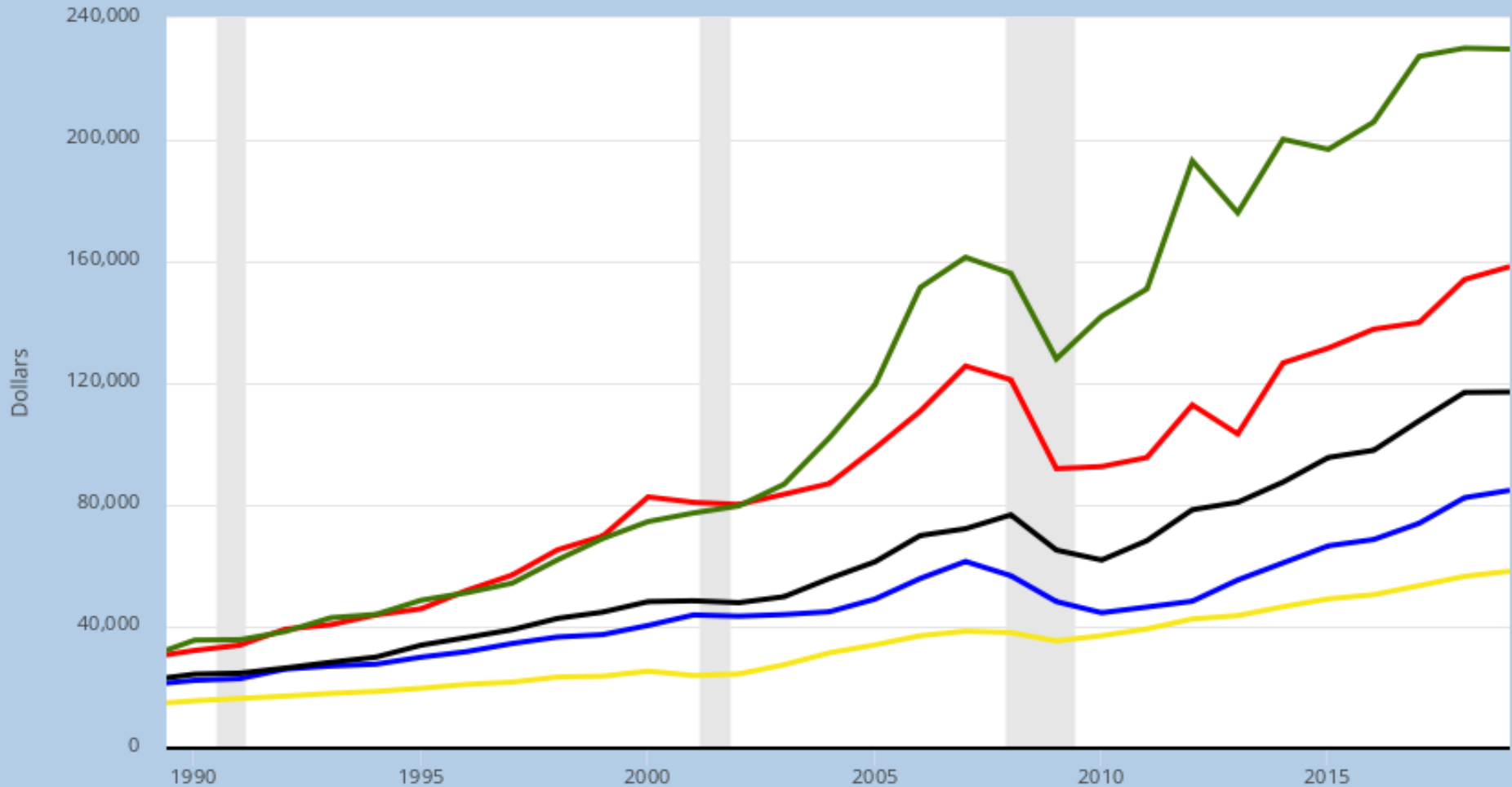
[myf.red/g/BU2f](https://myf.red/g/BU2f)

# Per Capita Income in Ski Towns

Jackson is #1, Aspen a distant #2, then Sun Valley in #3. Vail, and Bozeman follow

**FRED**

- Per Capita Personal Income in Pitkin County, CO
- Per Capita Personal Income in Eagle County, CO
- Per Capita Personal Income in Teton County, WY
- Per Capita Personal Income in Gallatin County, MT
- Per Capita Personal Income in Blaine County, ID



Source: U.S. Bureau of Economic Analysis

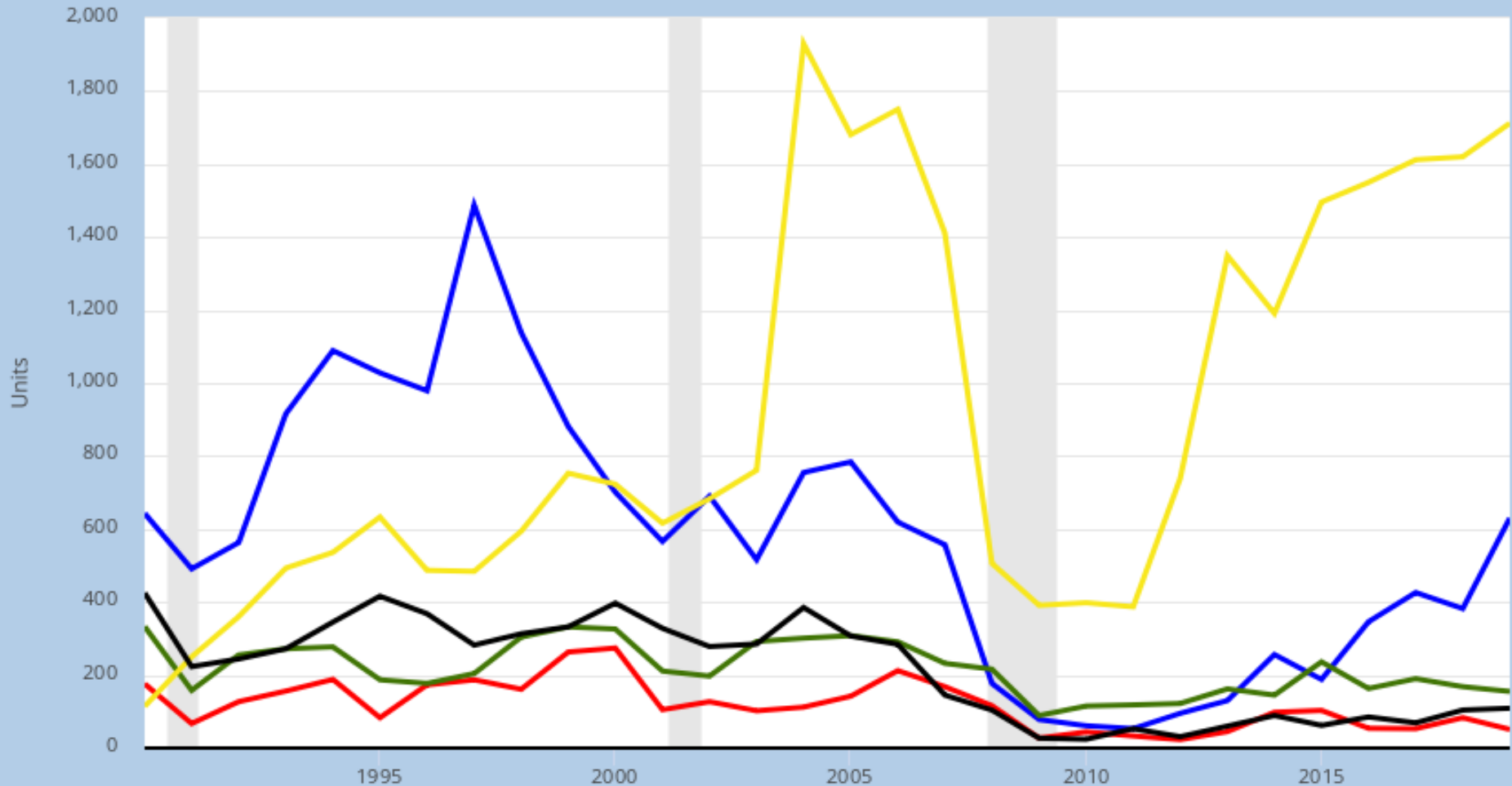
[myf.red/g/BU3T](https://myf.red/g/BU3T)

# Housing Starts in Smaller Ski Resort Towns

In Bozeman and Vail building activity is strong. Elsewhere it steadily declines

**FRED** 

- New Private Housing Structures Authorized by Building Permits for Pitkin County, CO
- New Private Housing Structures Authorized by Building Permits for Eagle County, CO
- New Private Housing Structures Authorized by Building Permits for Teton County, WY
- New Private Housing Structures Authorized by Building Permits for Gallatin County, MT
- New Private Housing Structures Authorized by Building Permits for Blaine County, ID



Source: U.S. Census Bureau

[myf.red/g/BTUt](https://myf.red/g/BTUt)



# KEY TAKE AWAYS

- 1) 2021 will be a very good year!
- 2) The Fed will not raise rates till mid-2022
- 3) I don't see inflation rising much, but....

# ANY QUESTIONS?

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