

What's Happening with the Economy?



Alan Gin

Associate Professor of Economics

Knauss School of Business

Economic Research Center

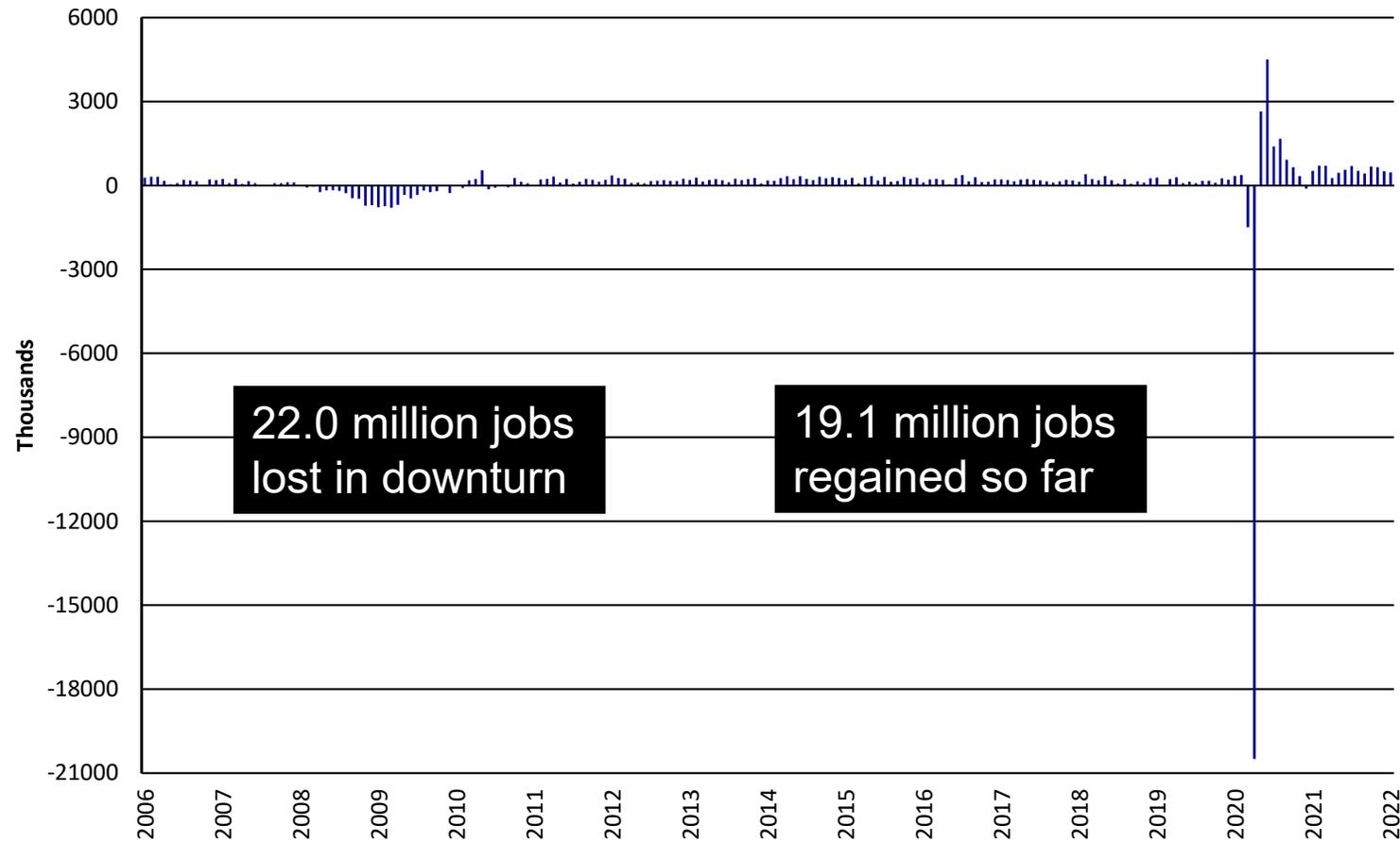
National Economic Outlook



What's Happening with the Labor Market?

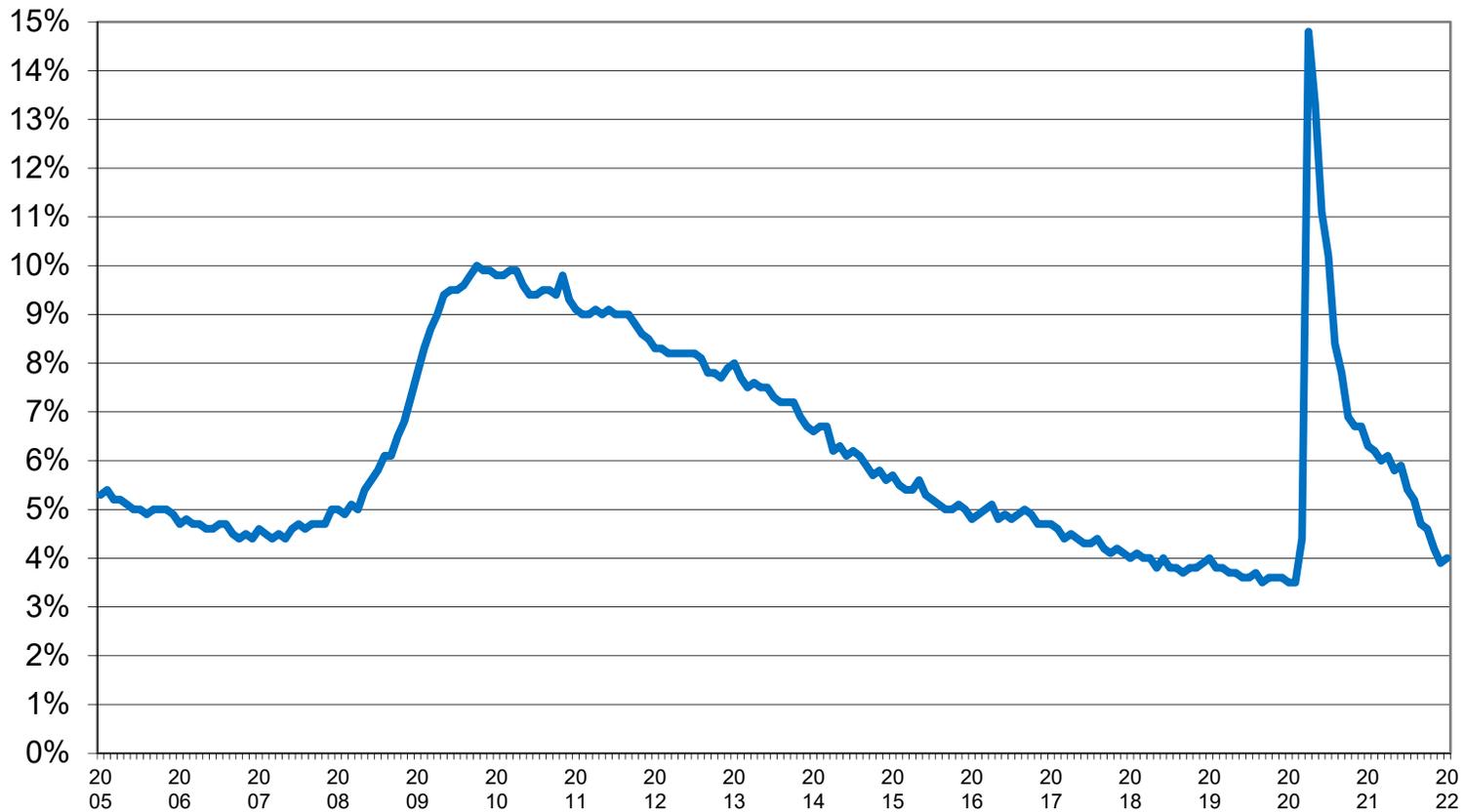


Change in Employment National Economy (2006 - Present)



Source: Bureau of Labor Statistics, University of San Diego

Unemployment Rate U.S. (2005 - present)



Source: Bureau of Labor Statistics, University of San Diego

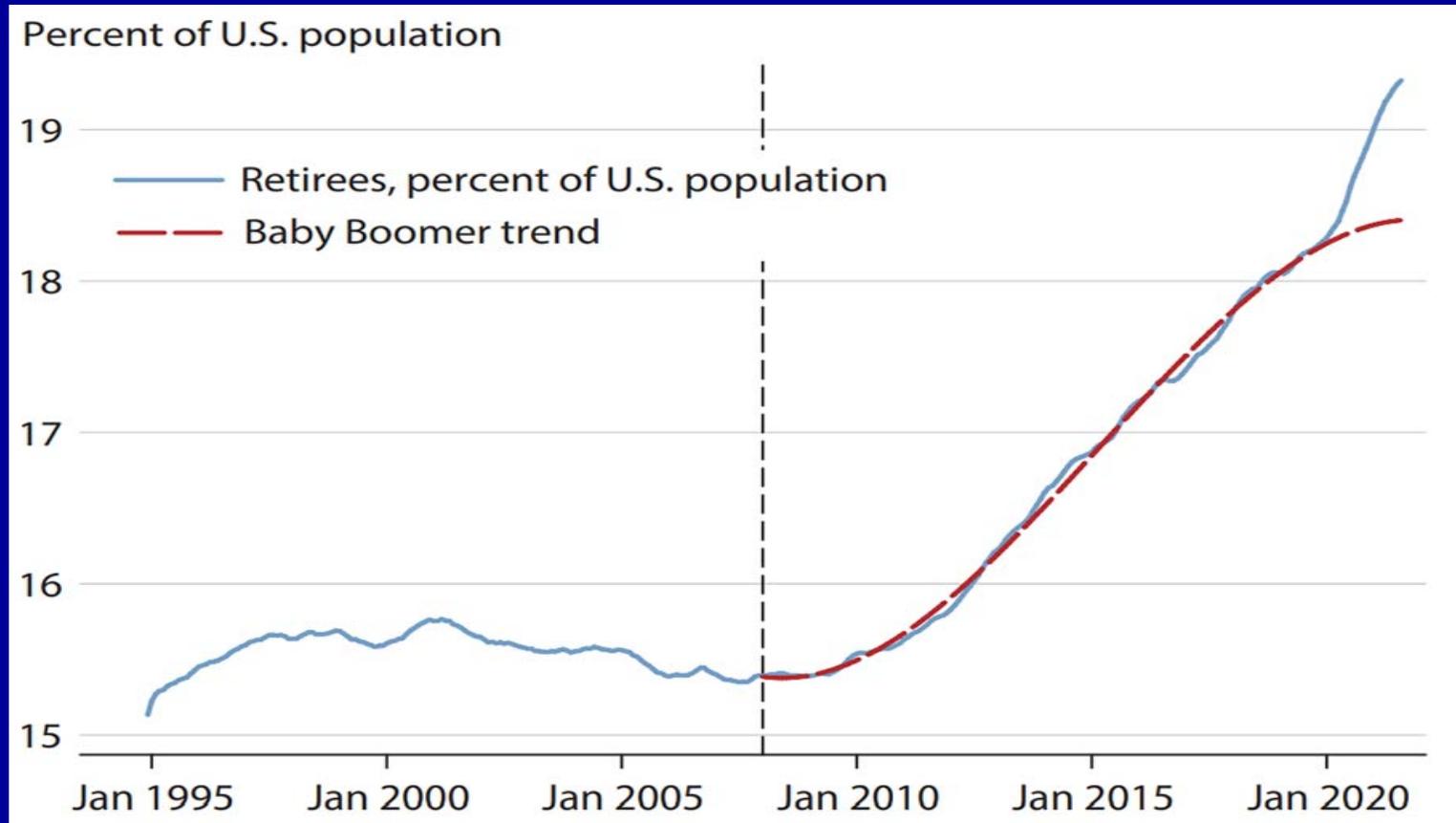
COVID-19 and the Work Force

- 925,815 deaths in the U.S.
 - Primarily among older people
 - Approximately 100,000 were in the workforce
- 750,000 – 1.3 million COVID “long-haulers”
 - Still affected by the disease
 - Disabled, no longer able to work

The Great Reassessment

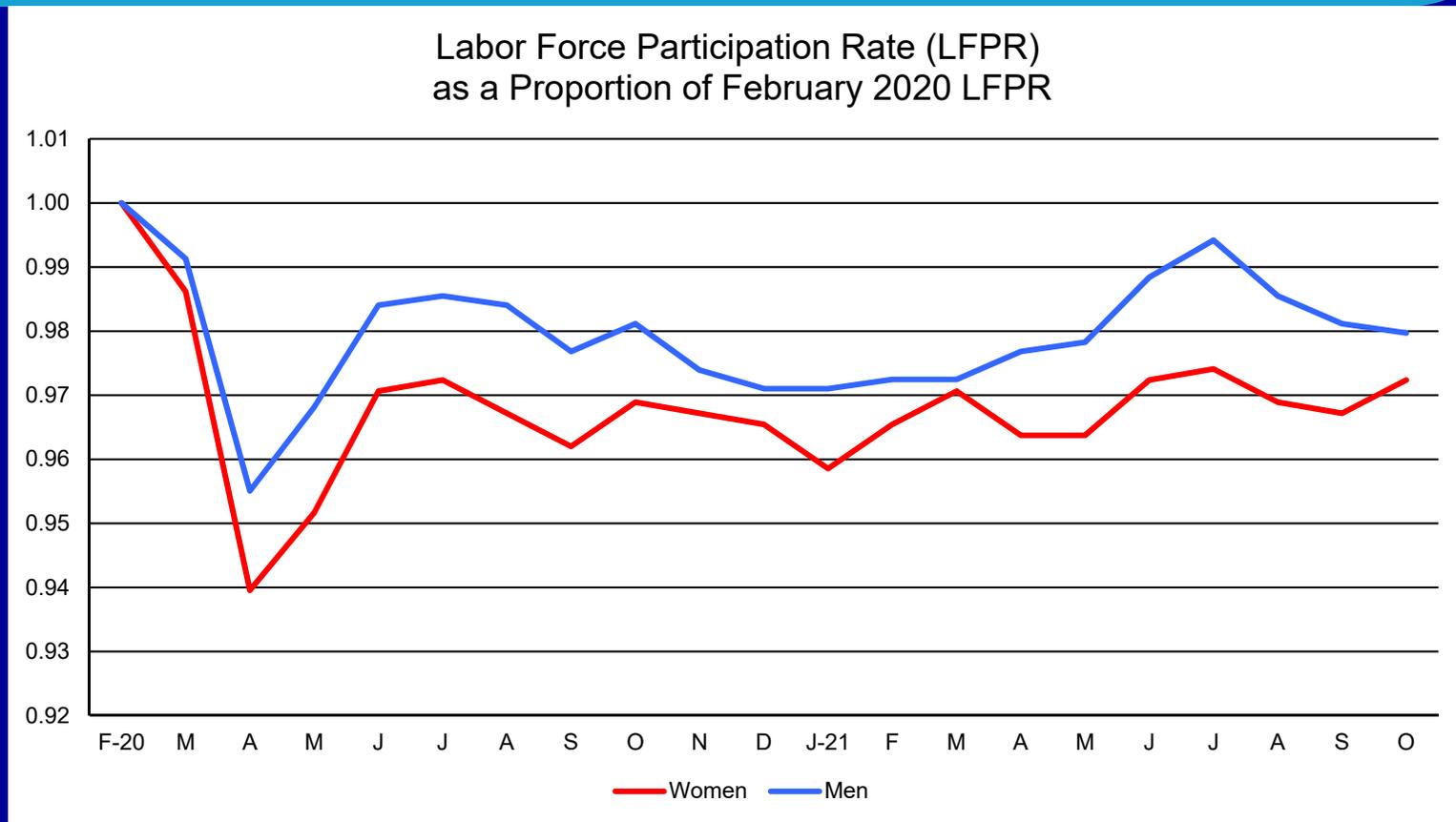
- Workers have different priorities now
- Some still worried about working safely
- Increase in retirements
 - Federal Reserve Bank of Kansas City
 - 1.5 million projected to retire, actual = 3.6 million
 - Federal Reserve Bank of St. Louis
 - 2.4 million excess retirements

The Great Reassessment



Source: Federal Reserve Bank of St. Louis

Women left workforce to deal with childcare issues



Source: Bureau of Labor Statistics, University of San Diego

The Great Resignation

- Quit rate hit the highest level ever as workers switch jobs for more opportunities



Source: Bureau of Labor Statistics, Federal Reserve Bank of St. Louis

Quits by Industry and Region: Rates, Seasonally Adjusted

Add to Data List

Add to Graph

Expand All

Collapse All



Dec 2000

Sep 2021

Oct 2021

Nov 2021

Dec 2021

Name	Rate		
	Dec 2021	Nov 2021	Dec 2020
<input type="checkbox"/> Total Nonfarm	2.9	3.0	2.4
▼ Industry			
<input type="checkbox"/> ▼ Total Private	3.2	3.4	2.7
<input type="checkbox"/> Construction	2.4	3.0	2.2
<input type="checkbox"/> ▼ Manufacturing	2.5	2.3	2.0
<input type="checkbox"/> Durable Goods	2.1	2.1	1.8
<input type="checkbox"/> Non-durable Goods	3.1	2.7	2.3
<input type="checkbox"/> ▼ Trade, Transportation and Utilities	3.8	3.6	3.0
<input type="checkbox"/> Retail Trade	4.9	4.6	3.6
<input type="checkbox"/> Professional and Business Services	3.6	3.7	2.8
<input type="checkbox"/> ▼ Education and Health Services	2.3	2.7	2.0
<input type="checkbox"/> Health Care and Social Assistance	2.5	2.9	2.1
<input type="checkbox"/> ▼ Leisure and Hospitality	5.8	6.2	5.2
<input type="checkbox"/> Arts, Entertainment and Recreation	3.7	3.5	4.2
<input type="checkbox"/> Accommodation and Food Services	6.1	6.6	5.4
<input type="checkbox"/> ▼ Government	1.0	1.0	0.9
<input type="checkbox"/> State and Local	1.0	1.0	0.9
▼ Census Region			
<input type="checkbox"/> Northeast	2.3	2.4	1.7
<input type="checkbox"/> South	3.3	3.5	2.8
<input type="checkbox"/> Midwest	3.0	3.0	2.5
<input type="checkbox"/> West	2.7	2.8	2.2

Source: Bureau of Labor Statistics, Federal Reserve Bank of St. Louis

Workers have greater leverage in labor market

- Wages are rising
- Workers want more flexibility, including the ability to work remotely
- May lead to an increase in productivity
- May negatively affect some industries dependent on in-person workers
 - Restaurants, clothes

What's Happening with Supply Chains?



Lockdowns caused massive shifts in demand

- Due to working from home
 - Larger houses, home gadgets, computer and communications devices, furniture, toys, and recreational equipment
 - Production had to be adjusted
- Due to limitations in travel, restaurants, schools
 - Half of all food in the U.S. produced for institutional purposes (hotels, restaurants, schools)
 - Difficult to repackage for home consumption
 - Much of the food had to be destroyed

Labor Market Issues

- Labor shortages
 - Warehouse and transportation industry had 544,000 job openings in December
- Warehouses
 - Poor working conditions
 - Low pay
- Trucking
 - 80,000 drivers short
 - 87% turnover rate



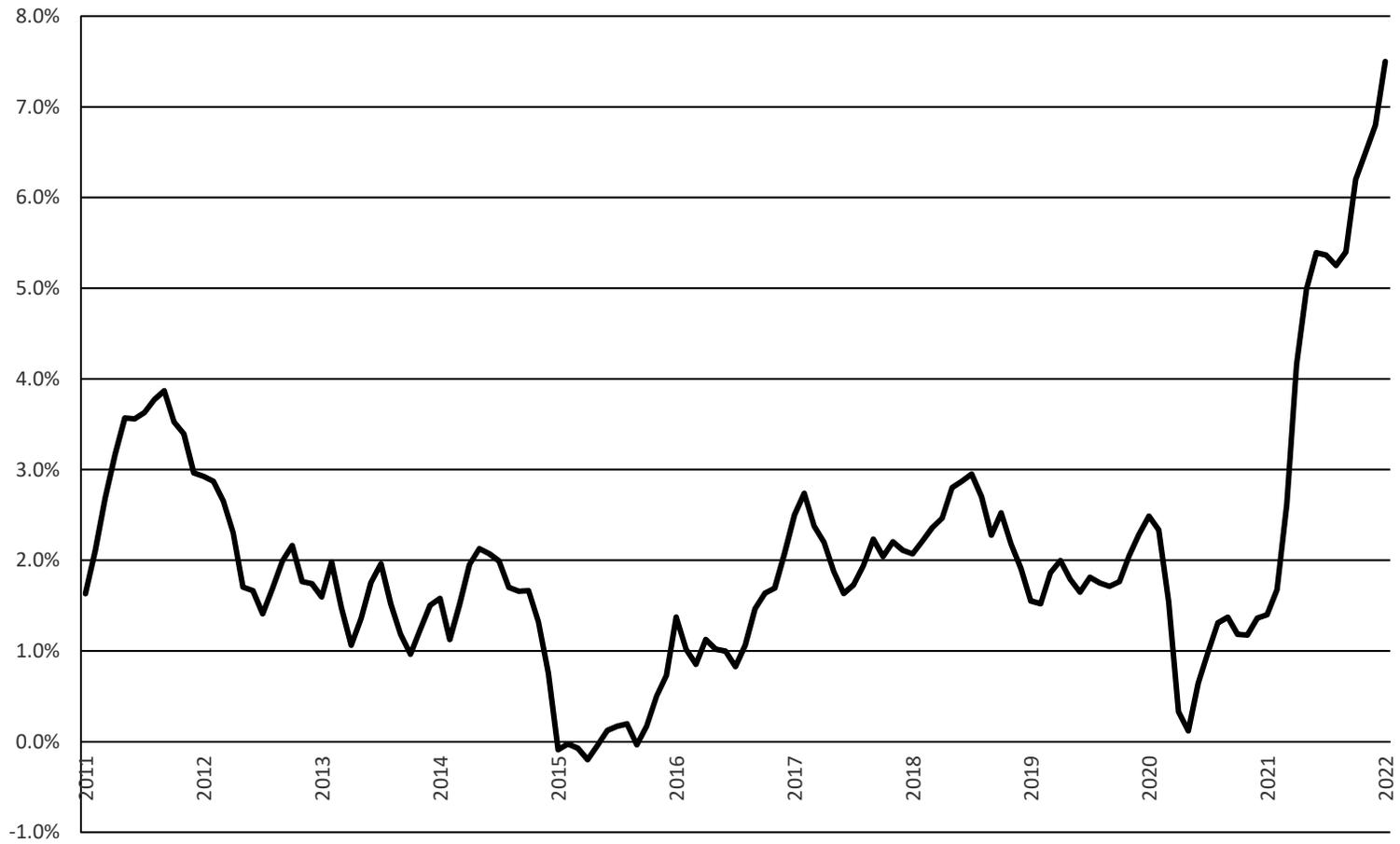
Miscellaneous Supply Chain Issues

- International impacts
 - Raw materials shortages
 - Intermittent plant closures
 - Shipping delays
 - Imbalance in shipping traffic due to differential in shipping rates
- Materials shortages
 - Pallets, aluminum
 - Corrugated cardboard (online shopping)
 - Packaging plastic (Texas power grid disruption)

What's Happening with Inflation?



Year-Over-Year Percentage Change in Consumer Price Index



Source: Bureau of Labor Statistics, University of San Diego

2021 Climate Events

- Drought

- California (fruit)
- Colorado, Utah (cattle)
- Northwest U.S. (wheat)
- Canada (wheat)
- Brazil (coffee, sugar)
- Argentina (corn)



- Heavy rains

- China (grain, pork)
- European Union (grain)
- Columbia (coffee)

- Freeze

- Texas (plastics, oil, livestock)
- Brazil (coffee, sugar)

- Disease

- South Korea (avian flu)
- China (African swine fever)

Contributors to Rising Consumer Prices

Item	Change	Cause
Food at Home	+7.4%	
Meat, Poultry, Fish, Eggs	+12.2%	
Beef and Veal	+16.0%	High feed prices, hacking attack against food processor JBS, consolidation in meat processing industry, supply chain problems, COVID impact on meat workers
Pork	+14.1%	
Poultry	+9.8%	
Eggs	+13.1%	Avian flu outbreak in South Korea
Fresh Fruit	+8.2%	Drought in California
Coffee	+8.6%	Worst harvest in Brazil in 20 years
Food Away From Home	+6.4%	Limited service the previous year, supply chain and labor issues

Source: Bureau of Labor Statistics, University of San Diego

Contributors to Rising Consumer Prices

Item	Change	Cause
Furniture and Bedding	+17.0%	Supply chain problems
Appliances	+8.5%	
Apparel	+5.3%	
Footwear	+6.1%	
Tools, Hardware, Outdoor Equipment and Supplies	+10.7%	
Sporting Goods	+8.2%	
Haircuts and Other	+4.7%	Rebound from depressed 2020 levels
Admissions	+10.8%	
Laundry and Dry Cleaning	+8.5%	

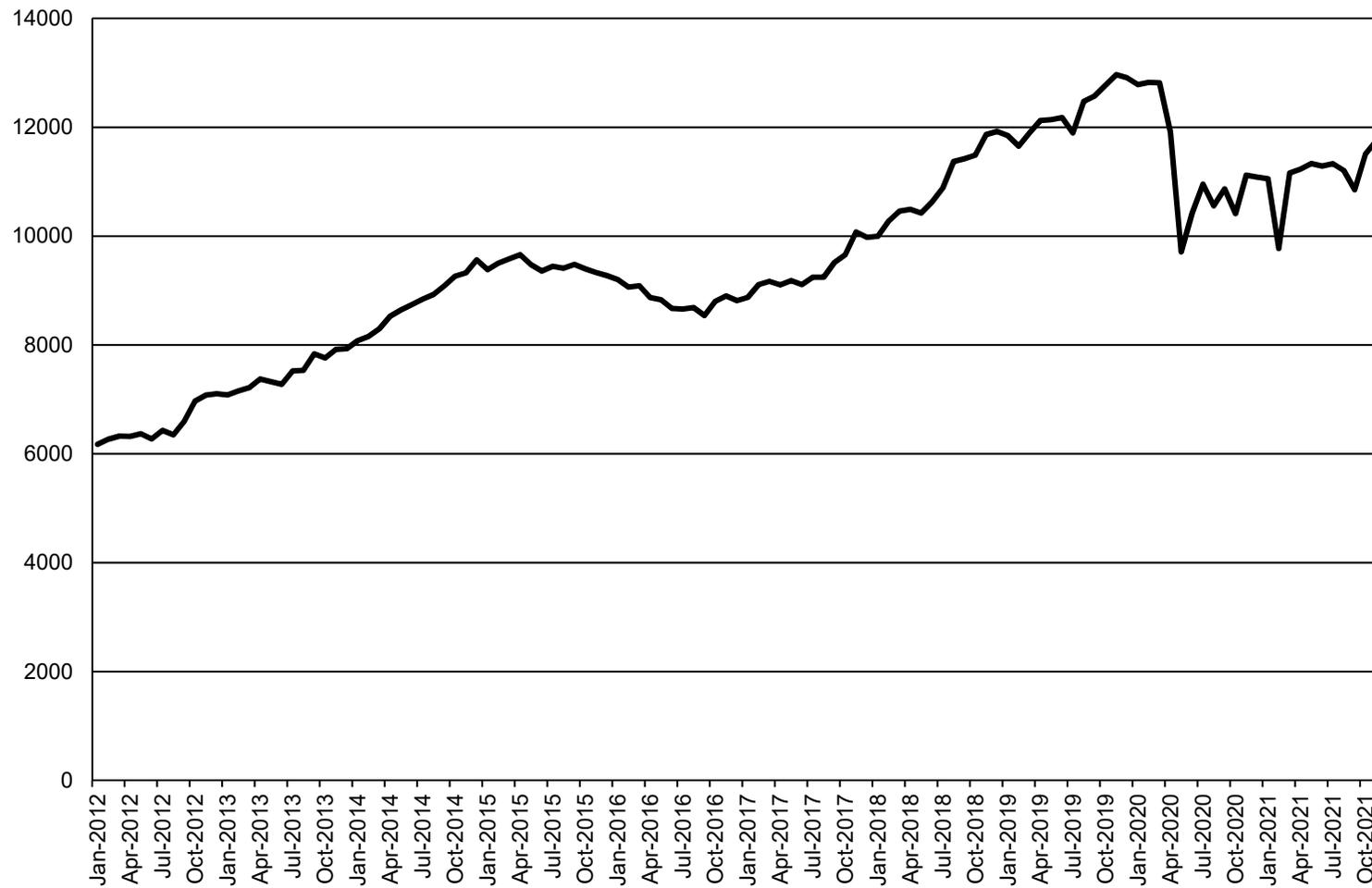
Source: Bureau of Labor Statistics, University of San Diego

Contributors to Rising Consumer Prices

Item	Change	Cause
New Vehicles	+12.2%	Shortage of computer chips
Used Cars and Trucks	+40.5%	Used car prices depressed in 2020 as rental car companies sold fleets to stay afloat
Car and Truck Rental	+29.3%	Rebound in travel compared to 2020
Hotels and Motels	+23.6%	
Airline Fares	+4.9%	
Energy	+27.0%	Reviving world economy boosting price of oil, freeze in Texas
Gasoline	+40.0%	WTI crude oil = \$8.91/barrel on 4-21-20, \$92.07/barrel on 2-15-22

Source: Bureau of Labor Statistics, University of San Diego

U.S. Daily Production of Crude Oil



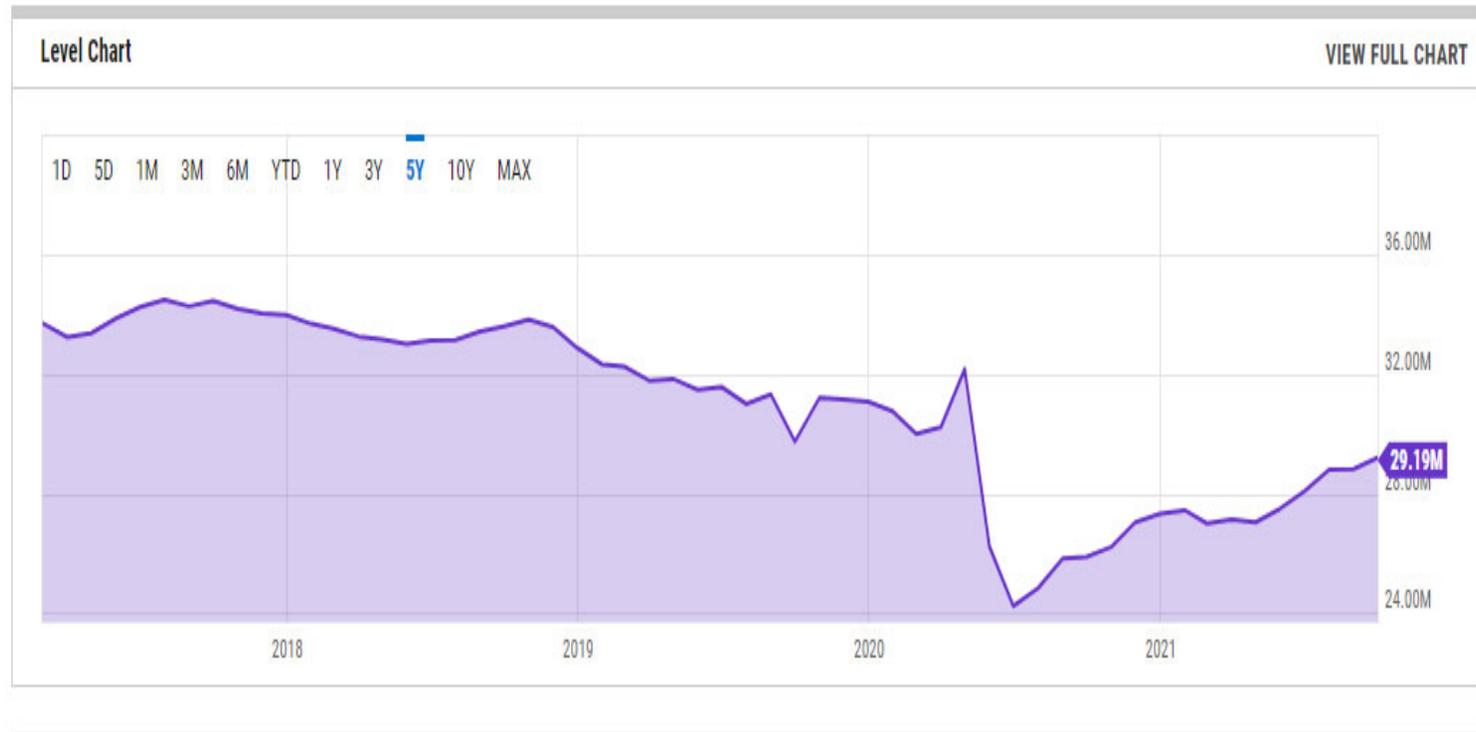
Source: U.S. Energy Information Administration, University of San Diego

OPEC Crude Oil Production

29.19M bbl/d for Sep 2021

Overview

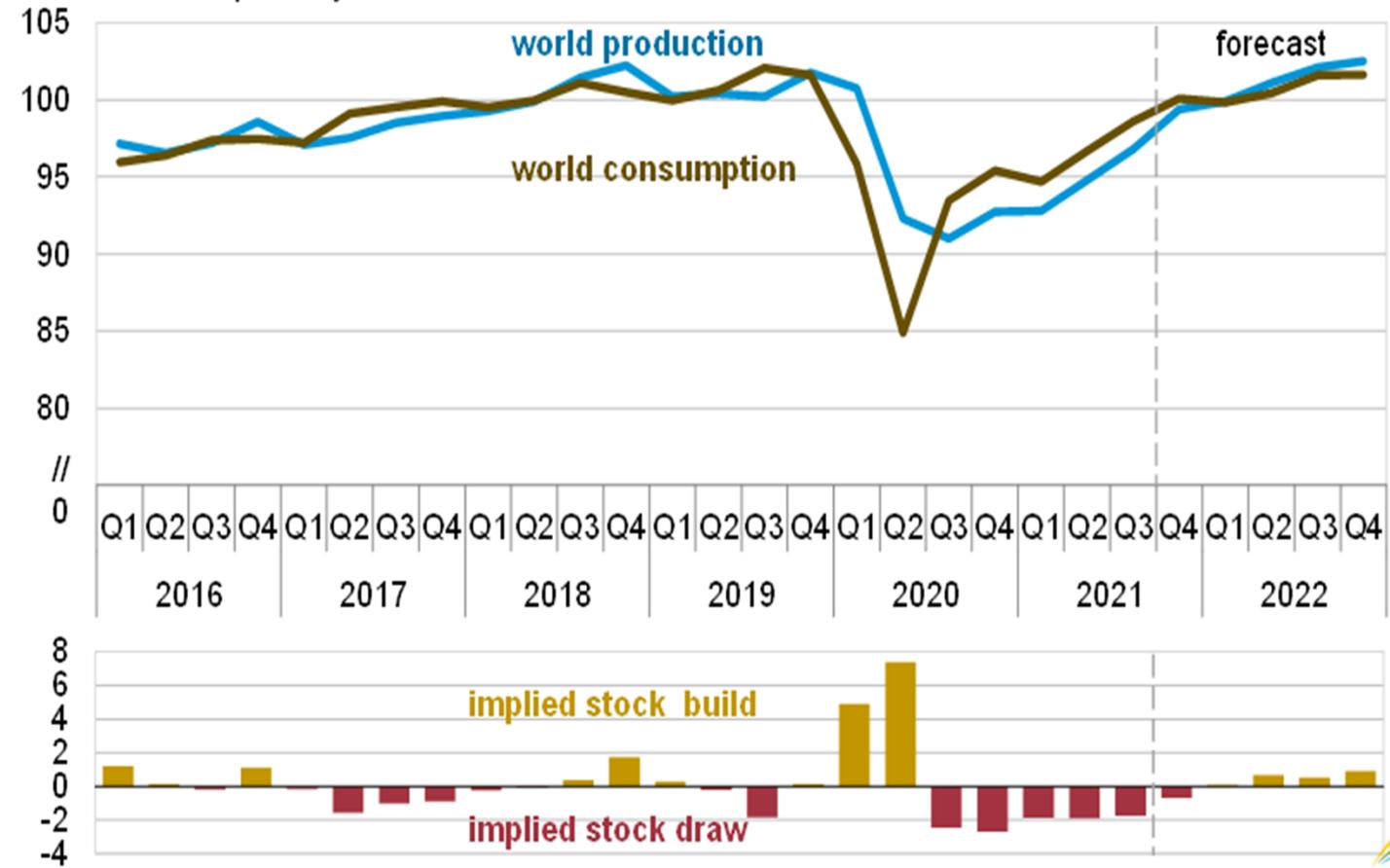
Interactive Chart



Source: Ycharts.com

World liquid fuels production and consumption balance

million barrels per day



Source: U.S. Energy Information Administration, Short-Term Energy Outlook, November 2021



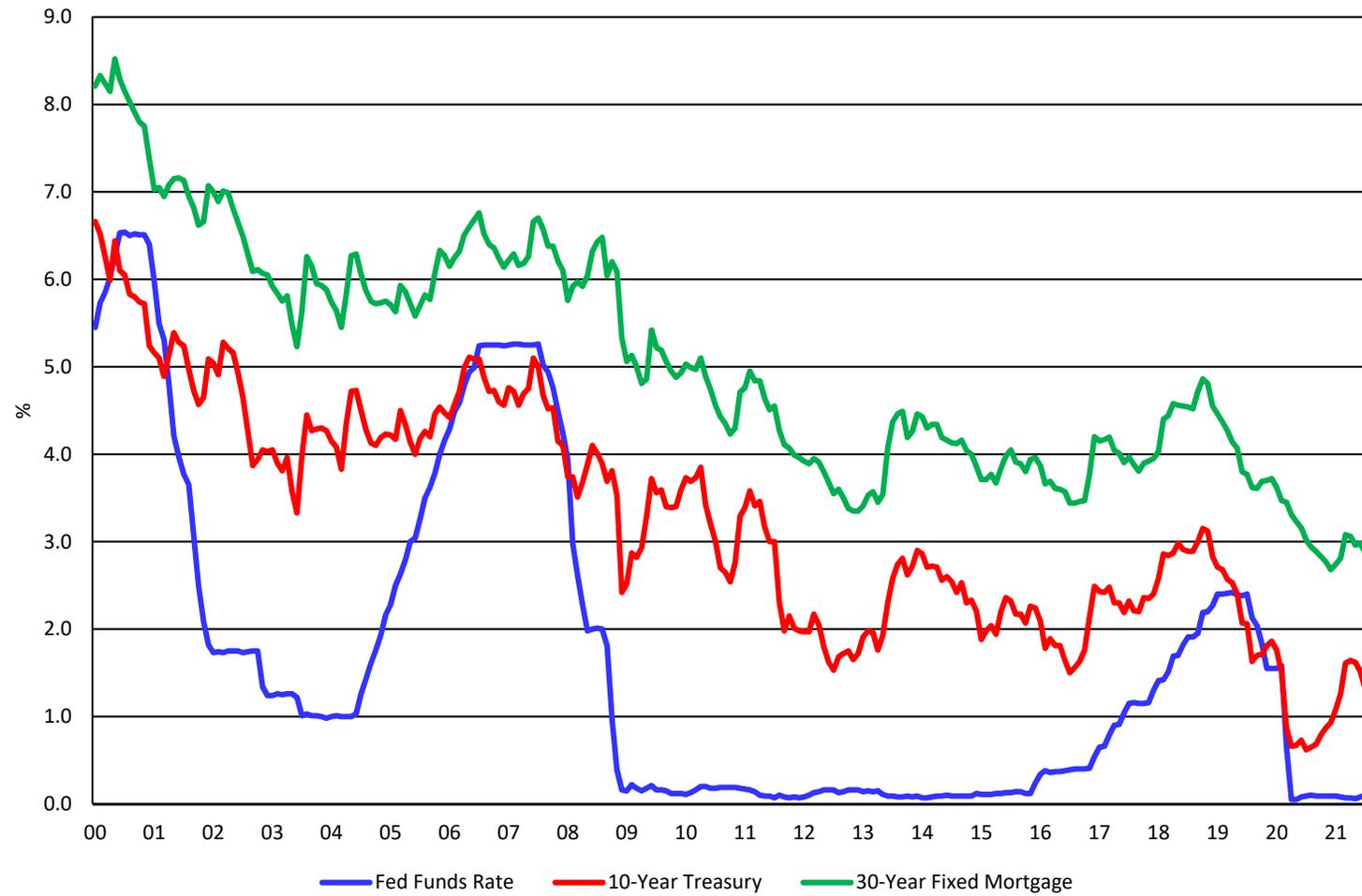
Global Inflation

- U.N. Food and Agriculture Organization estimates food prices up 31% compared to last year, at highest level in 10 years
- High oil and gas prices driving up inflation in many countries:
 - Spain: 5.4% (highest in 29 years)
 - Germany: 4.1% (highest in 29 years)
 - Canada: 4.7% (highest in 18 years)
 - France: 2.6% (highest in 13 years)
 - U.K.: 4.2% (highest in 10 years)
 - Italy: 3.0% (highest in 9 years)
 - Norway: 4.1% (highest in 5 years)

National Outlook

- Strong growth expected as pandemic recedes
 - GDP growth forecast at 5.0 percent
 - Unemployment rate expected to remain between 3.5 – 4.0 percent
 - Inflation expected to be above average at 3.5 percent as supply chain bottlenecks outweigh transitory impacts and better year-over-year comparisons
 - 100 basis point increase in interest rates expected
 - Housing poised for another double-digit gain in prices

Interest Rates



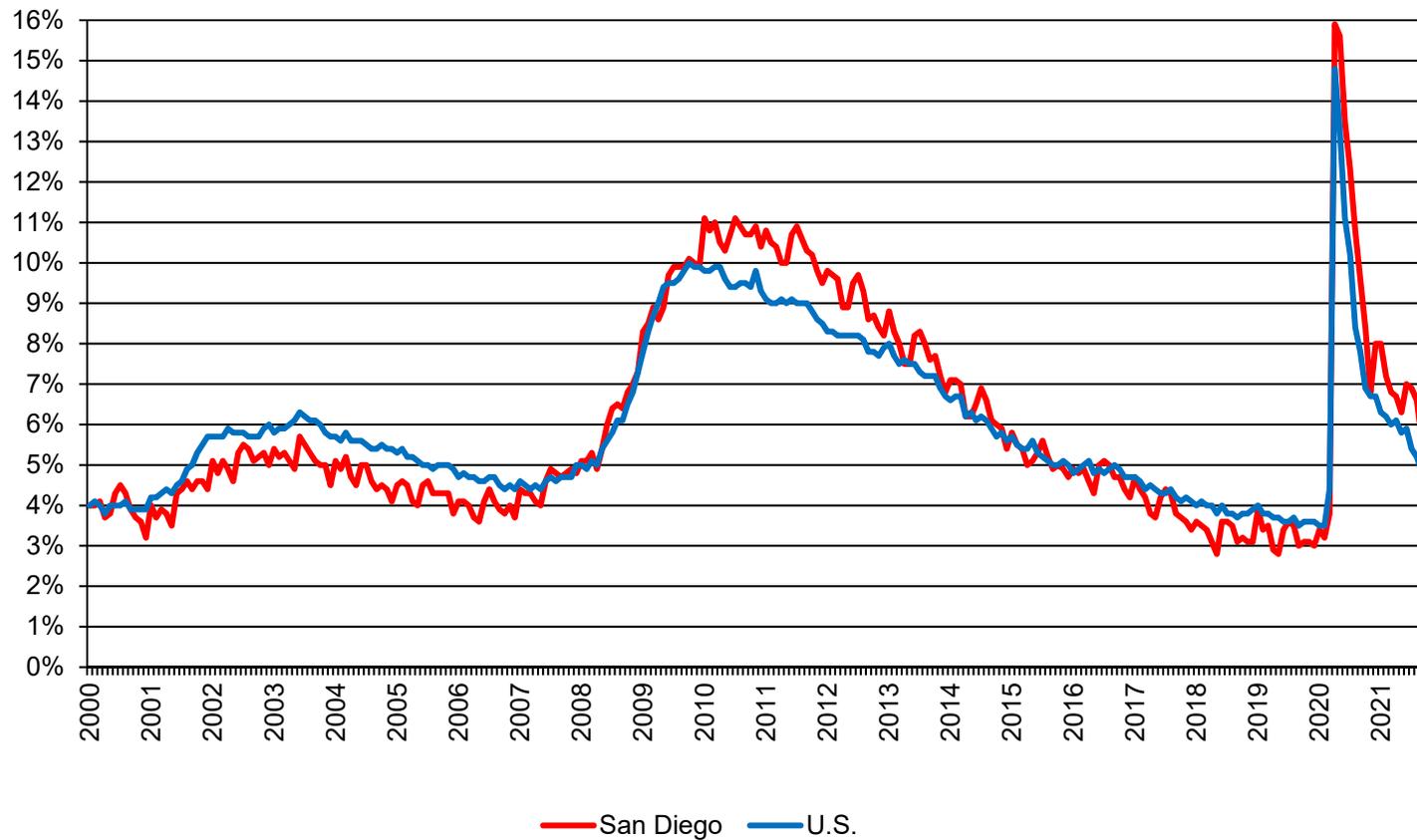
Consumer Outlook

- Some consumers have accumulated “COVID piggy banks”
 - Have been able to maintain income through remote work
 - Stimulus payments from Federal government
 - Less opportunity to spend money
 - Restaurants, entertainment, travel limited
 - Saved money, paid down debt

Local Economy

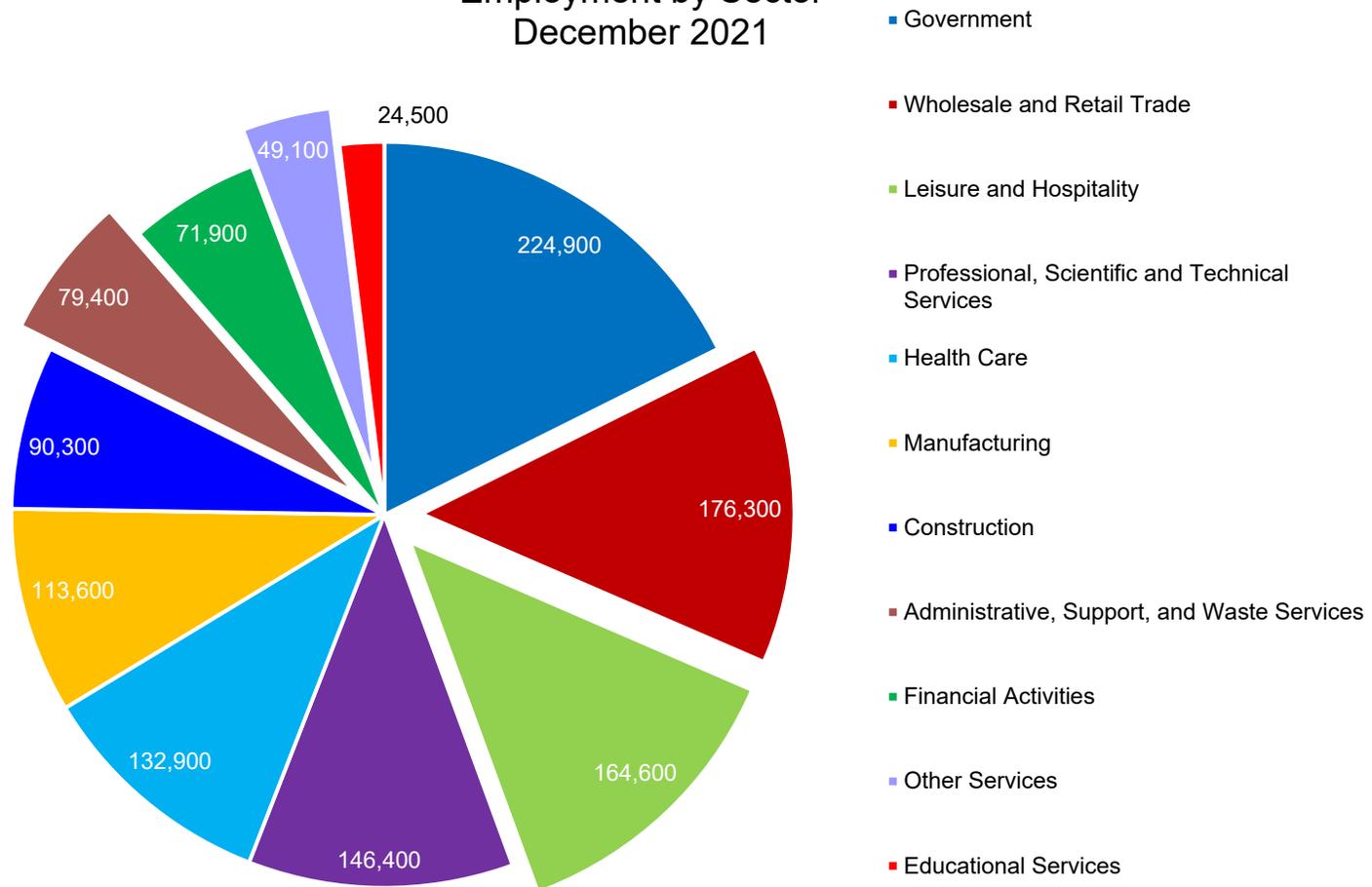


Unemployment Rate San Diego, U.S.



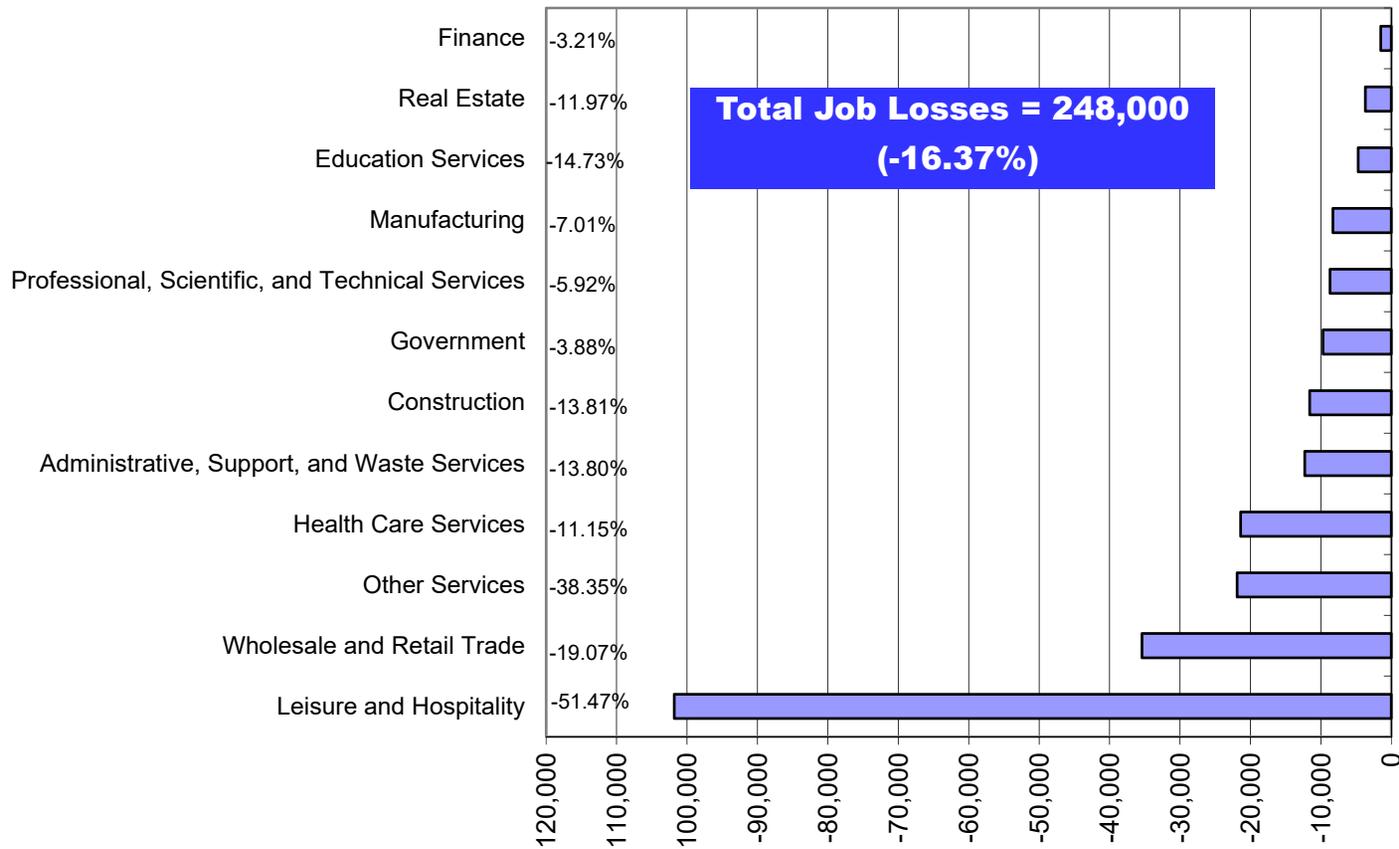
Source: Bureau of Labor Statistics, Employment Development Department, University of San Diego

Employment by Sector December 2021



Source: Employment Development Department, University of San Diego

Employment Changes By Sector (April 2020 vs. February 2020)

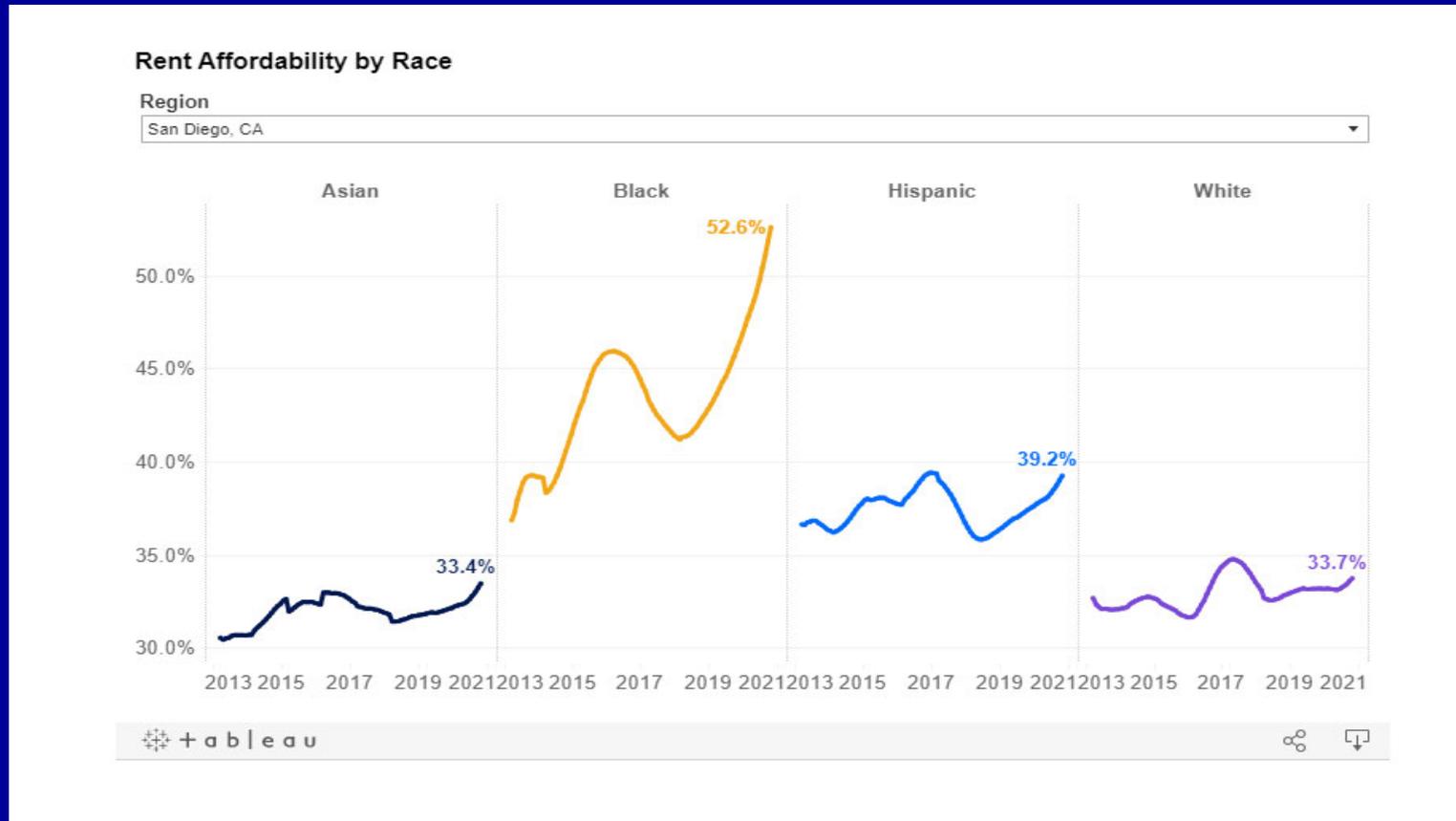


Source: Employment Development Department, University of San Diego

Housing Market

- Strong fundamentals in housing market
 - Strong economy
 - COVID piggy banks allow for down payments
 - Low interest rates
 - Increased speculation
- Supply is low
 - Construction lagging
 - More units used as short-term rentals

Percentage of Income Spent on Rent



Source: Zillow Research

**For a copy of this presentation,
please contact
Professor Alan Gin at
agin@sandiego.edu**