

# where the hell are we?

...and where the hell are we going?

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peter rupert

professor of economics

university of california, santa barbara

director, ucsb economic forecast project

Economic Outlook

United Way

June 28, 2022

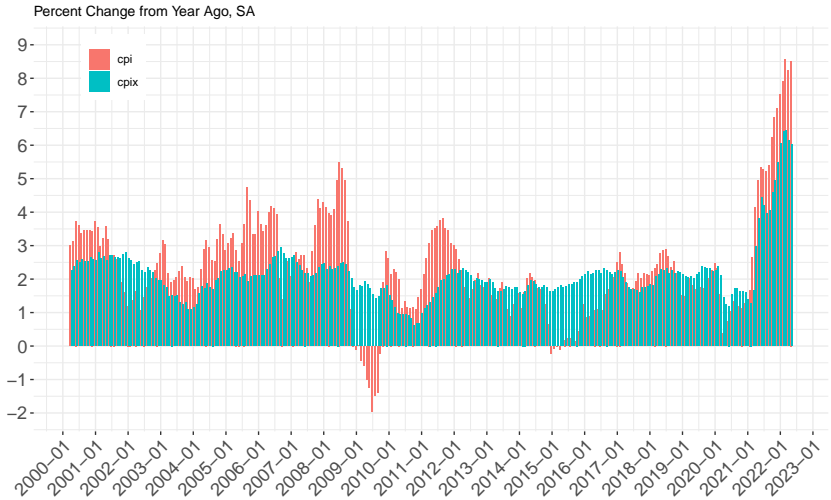
# recent major issues

- what's up with this inflation thing?
- are we heading toward recession?

# inflation

- what are we trying to measure?
  - a “general” rise in prices
- various measures
  - cpi (200+ categories)
  - cpi-x (excluding food and energy)
  - median cpi
  - 16% trimmed mean
  - pce (Fed's preferred measure)

# Inflation

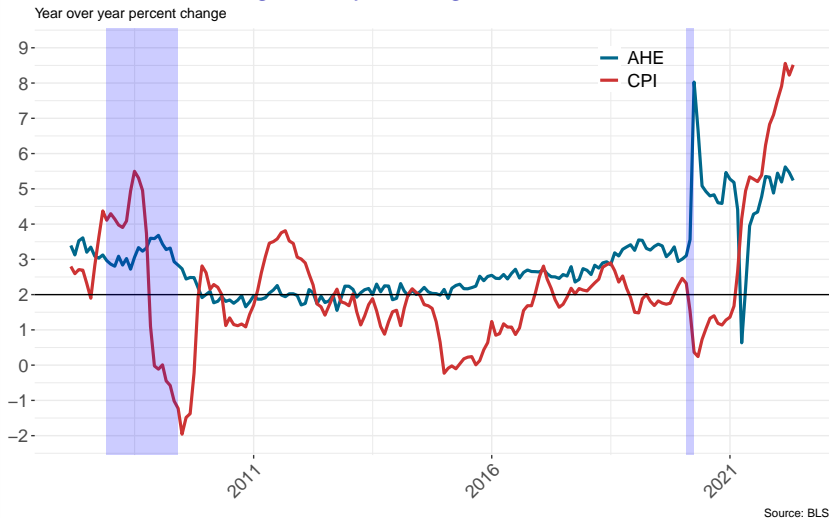


Source: BLS

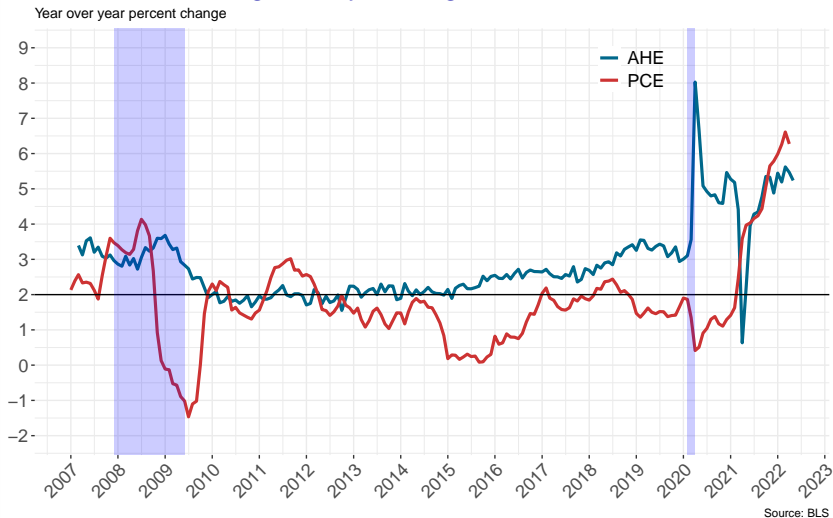
# importance

- consumers facing rising prices of goods and services
- Fed responds

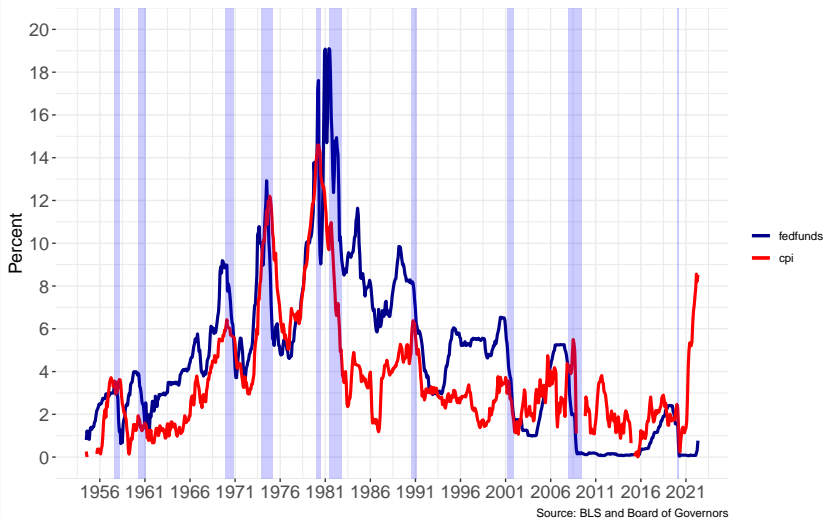
## Average Hourly Earnings and CPI Inflation



## Average Hourly Earnings and PCE Inflation

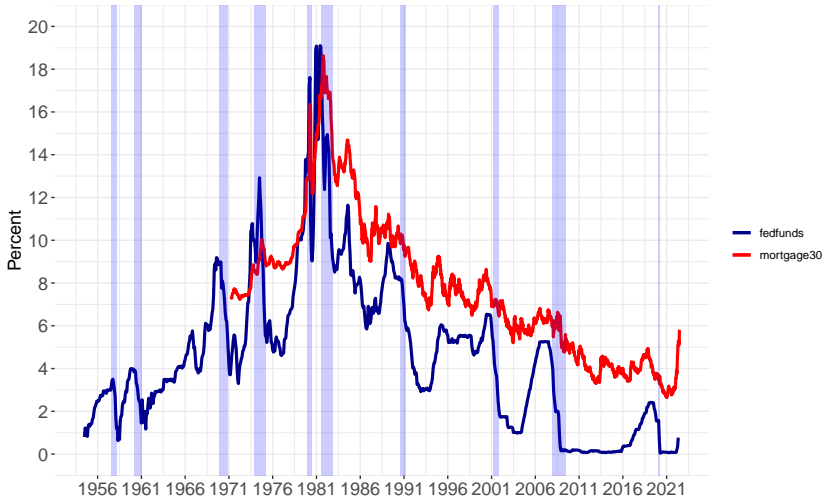


## Inflation rate and Federal Funds rate



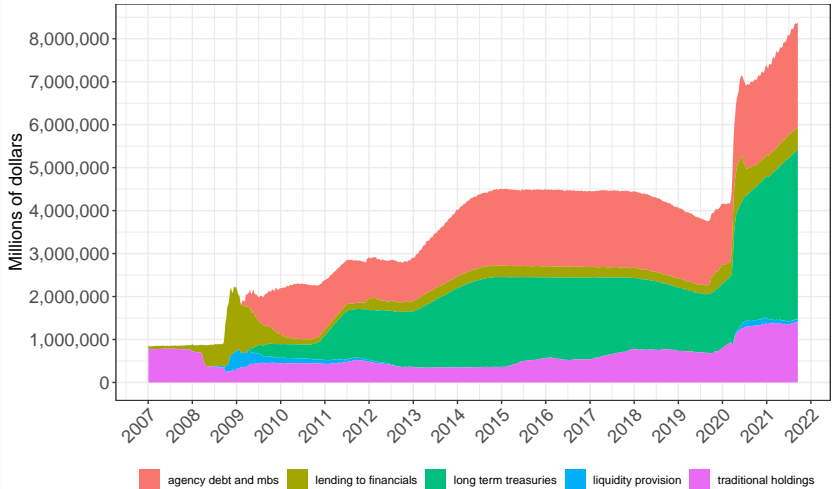


## Mortgage Rate and Federal Funds Rate



Source: Freddie Mac and Board of Governors

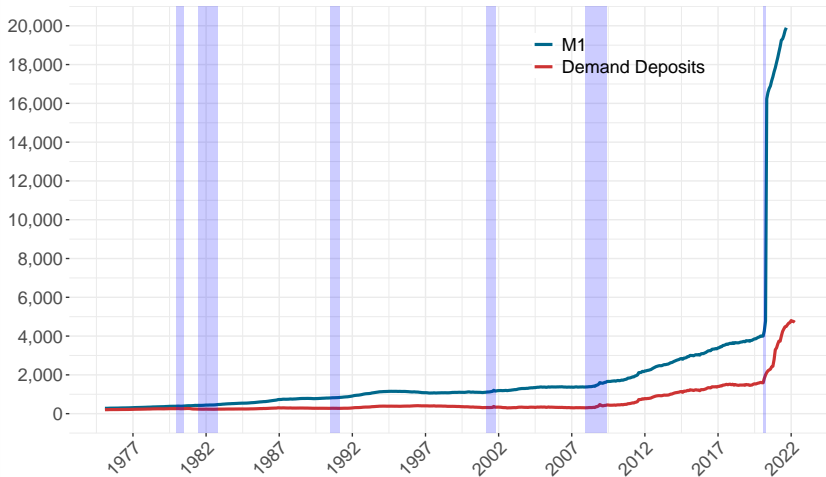
## Fed Holdings



Source: Cleveland Fed

## M1 and Components

Weekly, Billions of Dollars



Source: Board of Governors

# let's talk recession

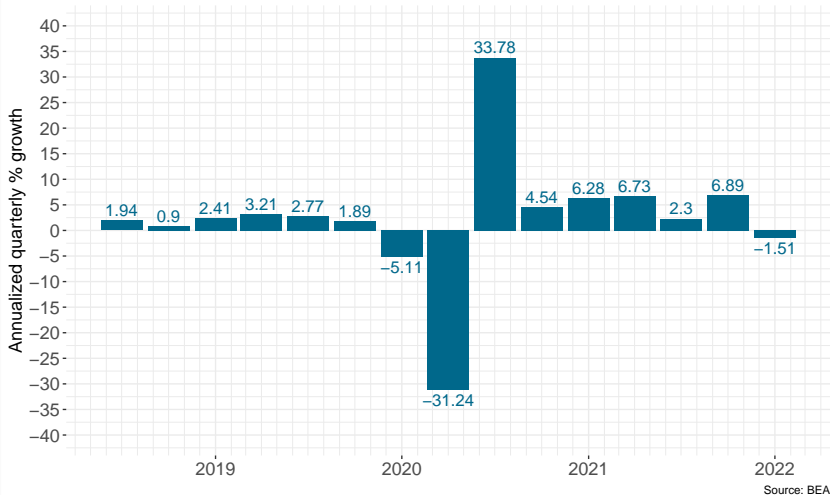
- definition of recession

# let's talk recession

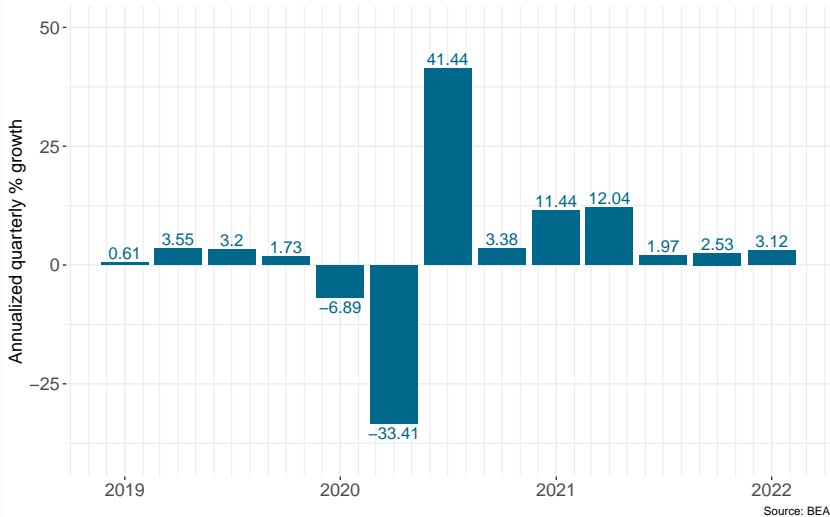
- definition of recession
  - there isn't one!!
- typically, various markets falter
  - gdp
  - real estate
  - labor markets
  - asset markets
- let's have a look

## Real GDP Change

2012\$, seasonally adjusted



## Real Personal Consumption Change

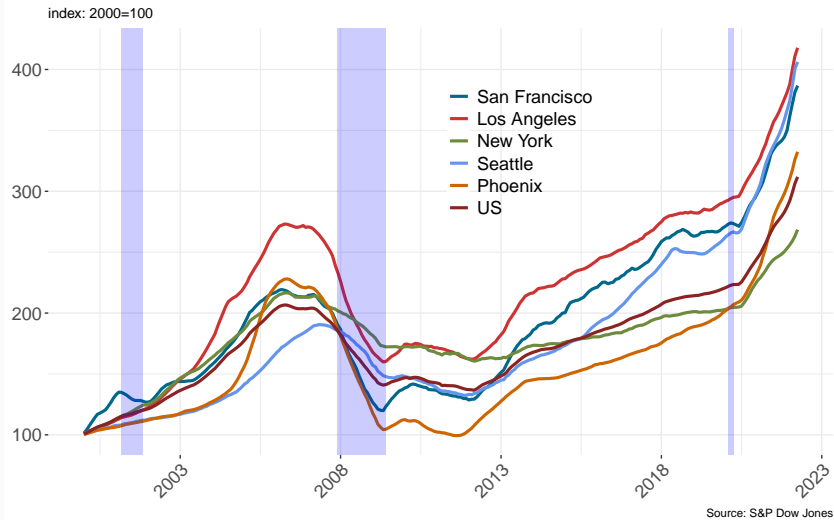


# real estate

- still hot residential market
  
- where is commercial headed?



## Case-Shiller House Prices

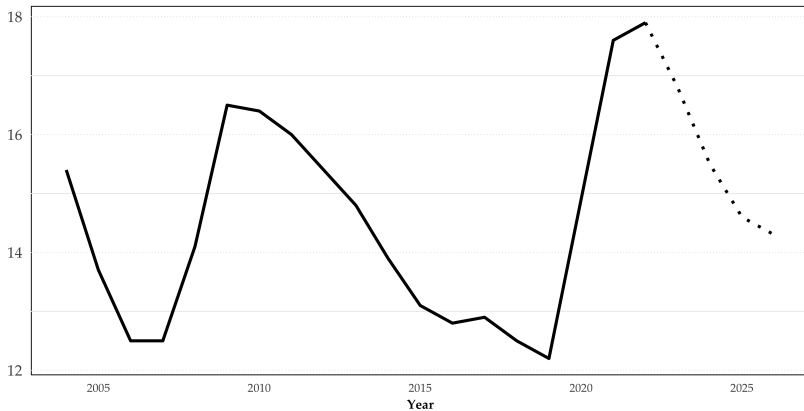


# local real estate

- see MLS table

## Office Space Vacancy Rate (%)

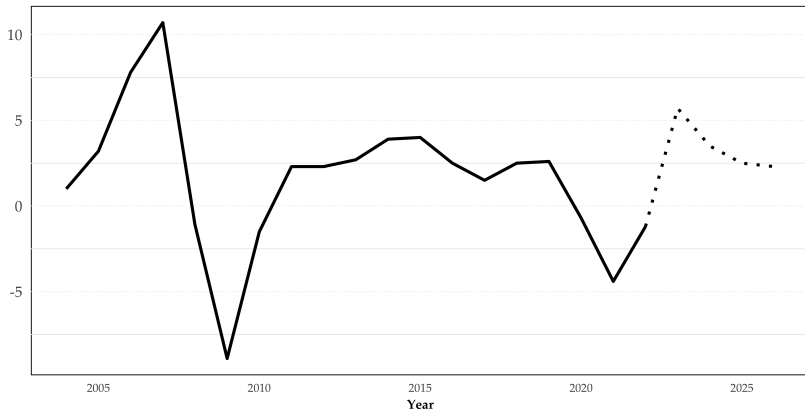
— Actual • Predicted



Data Source: CBRE Econometric Advisors.

## Office Space Asking Rent Growth (%)

— Actual • Predicted

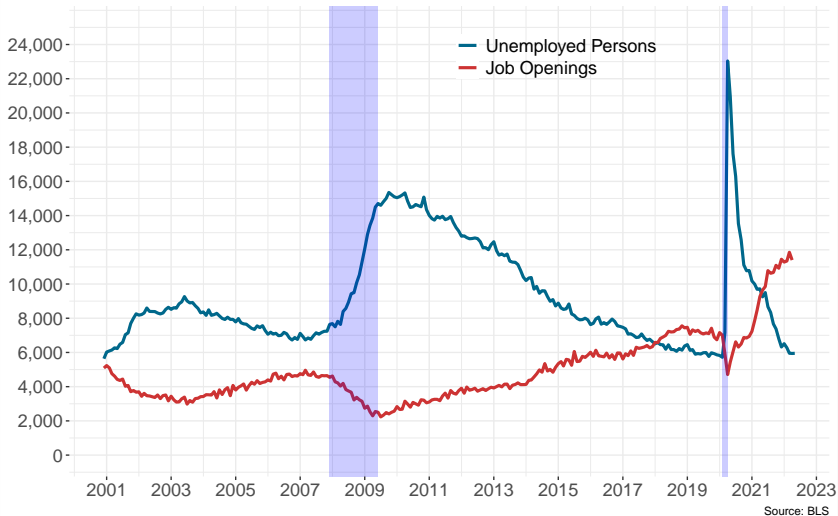


Data Source: CBRE Econometric Advisors.

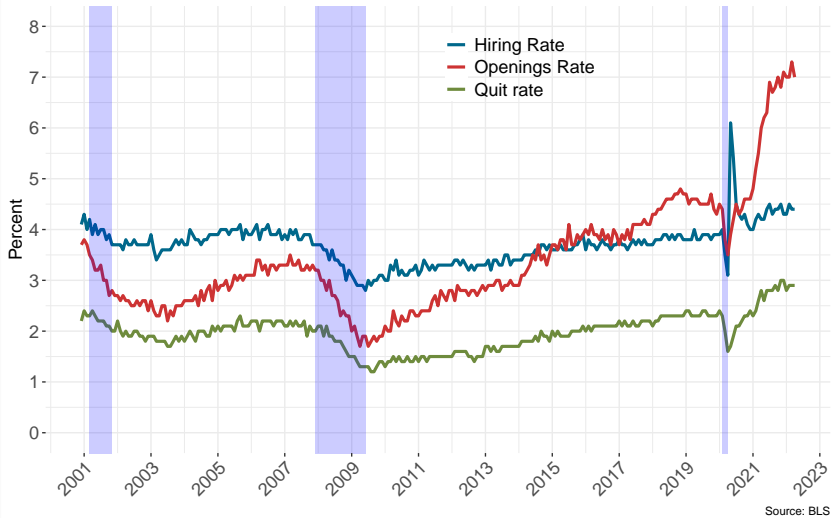
# labor market

- yes, unemployment is very low
- employment not quite back
- but the labor market is puzzling

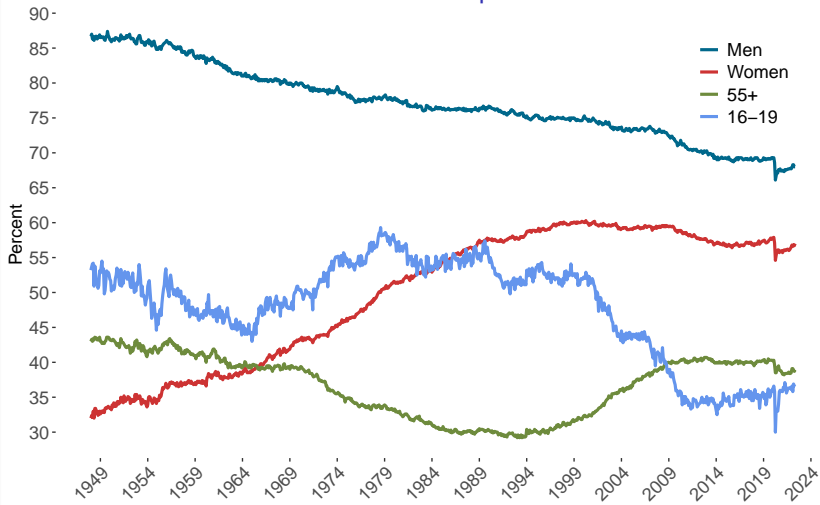
## Unemployment and Job Openings



# JOLTS



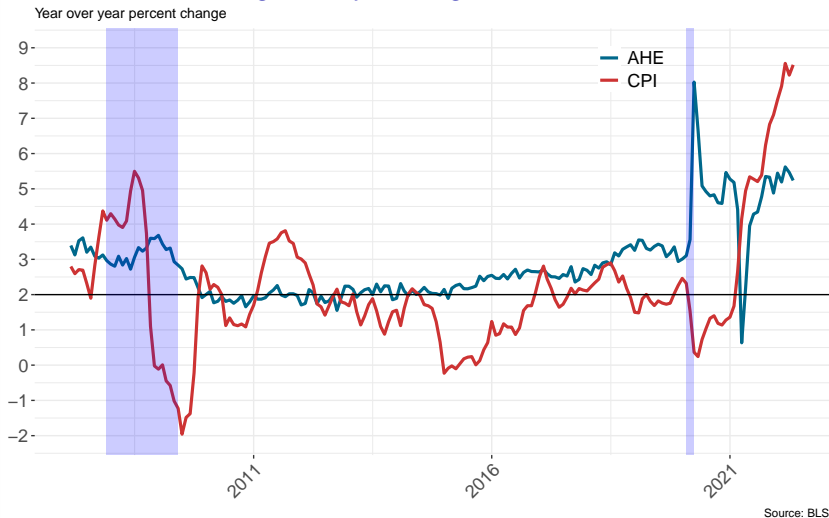
## Labor Force Participation Rates



Source: BLS

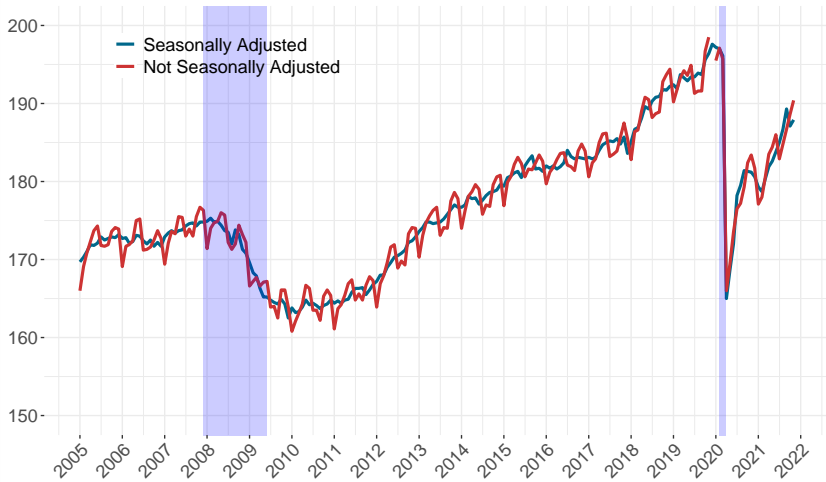


## Average Hourly Earnings and CPI Inflation



## Non-Farm Total Employment

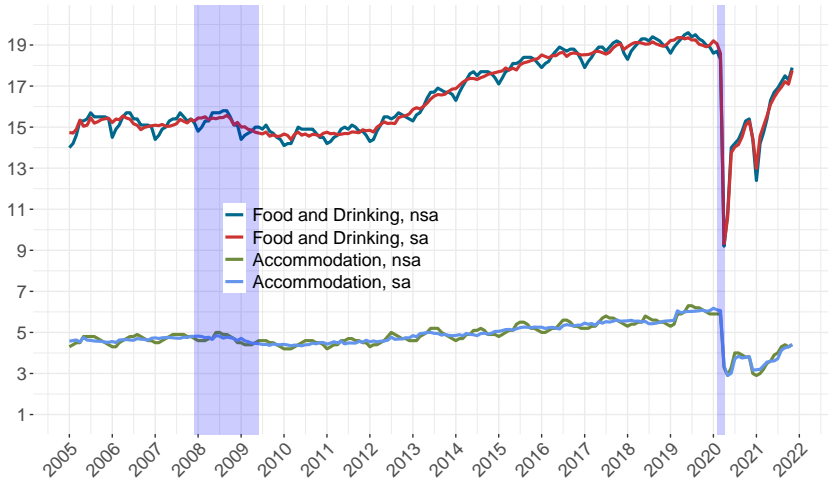
Santa Barbara County, (000's)



Source: BLS

## Leisure and Hospitality Employment

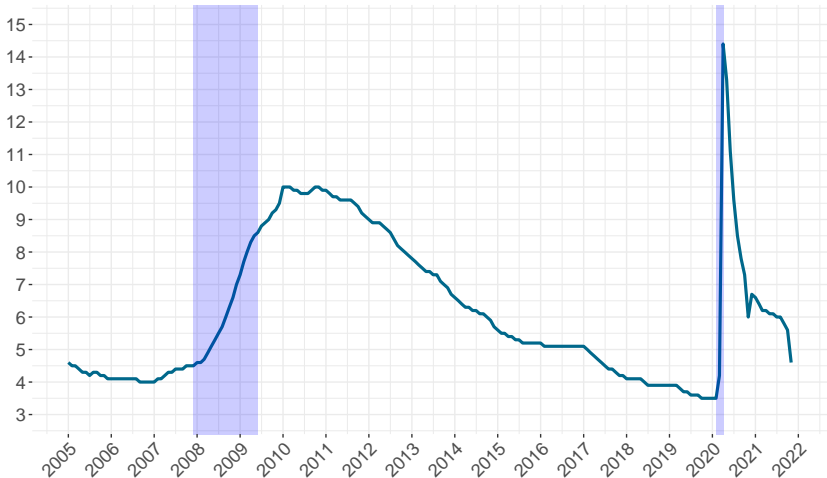
Santa Barbara County, (000's)



Source: BLS

## Unemployment Rate, Santa Barbara County

Smoothed, Seasonally Adjusted

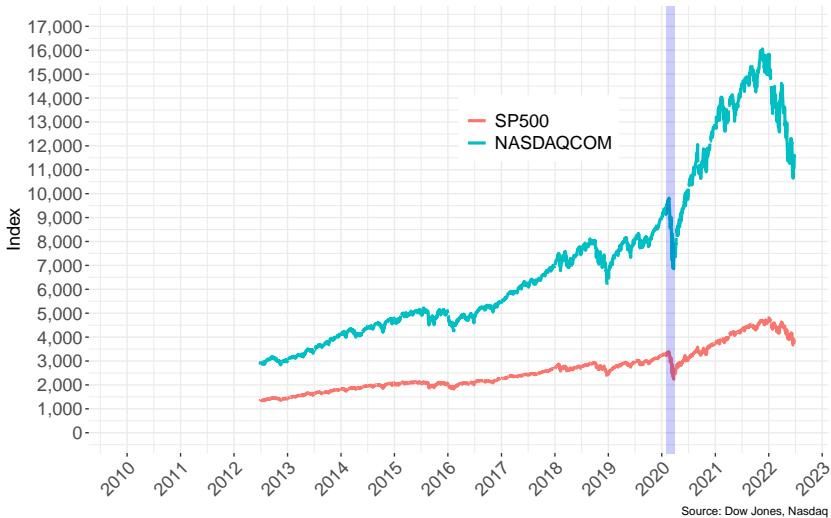


Source: BLS

# asset market

- stocks have been super volatile
- not surprising given...

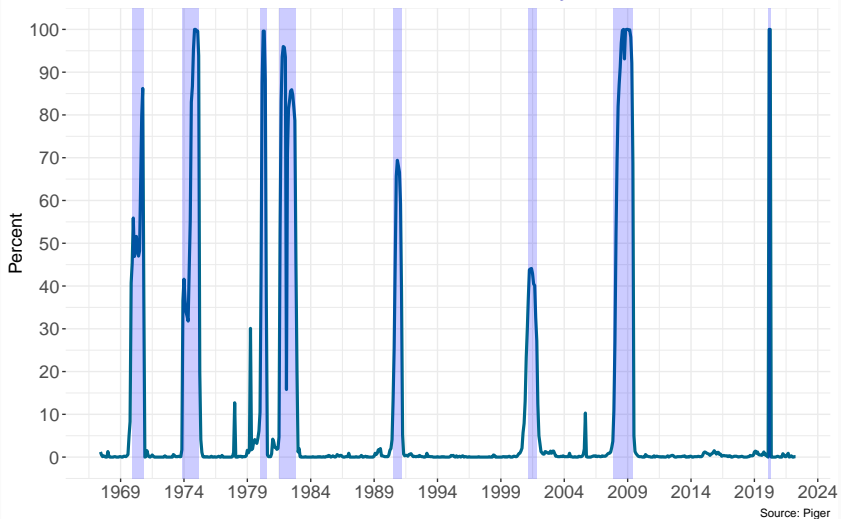
## Stock Market



# economic forecasting

- note: I don't forecast...
- what do the data tell us about a recession?
- the Fed dot plots

## Recession Probability





# Fed projections

- see FOMC table

# summary

- pandemic makes it difficult to use history
- most markets quite strong
- but self-fulfilling prophecy an issue
- we are always heading toward a recession!!!

thanks!!