

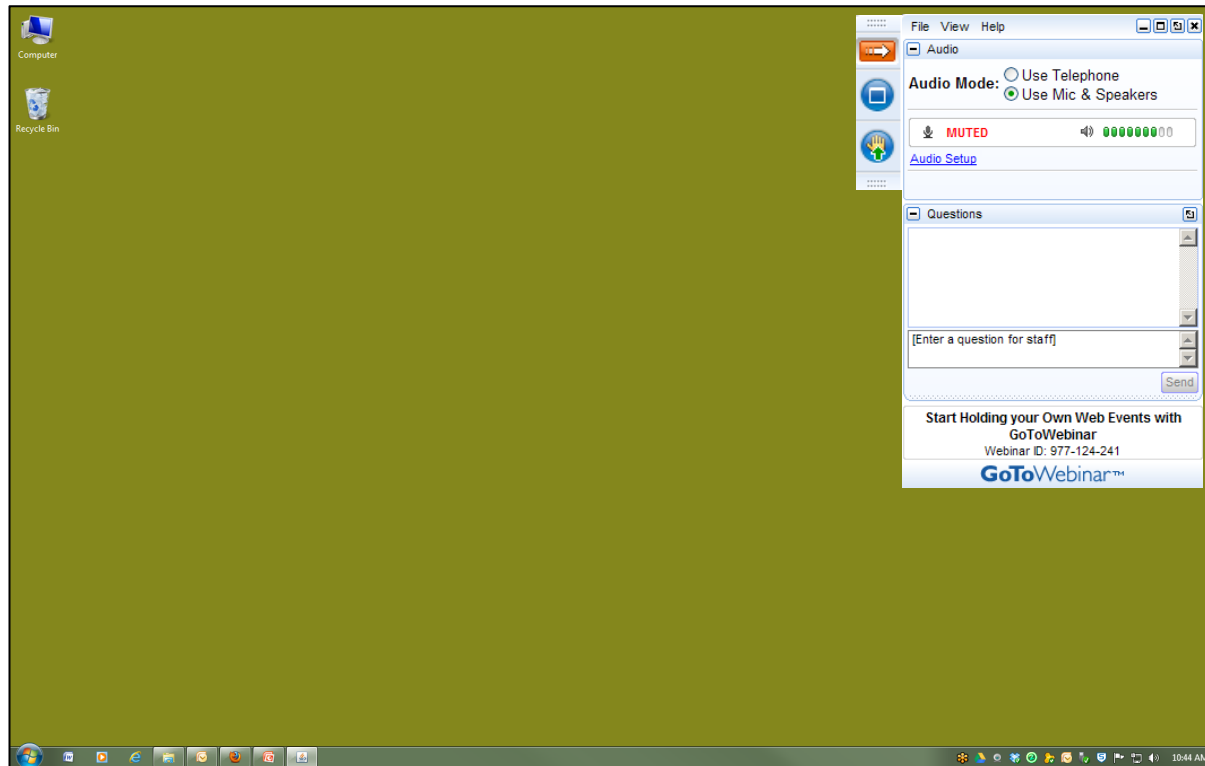
Welcome to today's webinar!



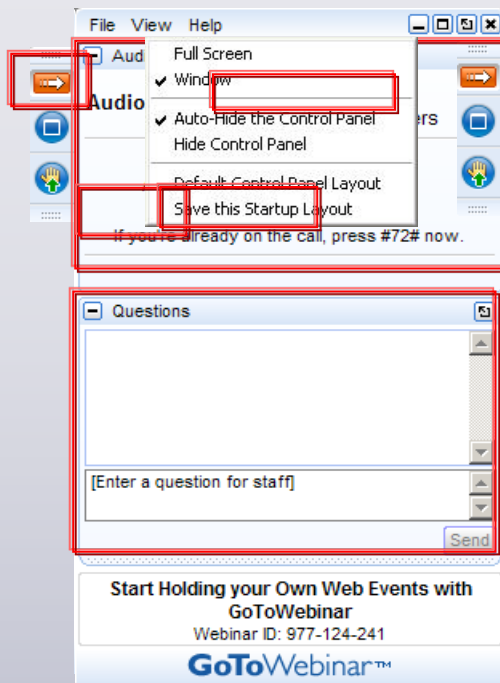
Mid-Year Economic Outlook



THE GOTOWEBINAR ATTENDEE VIEW



HOW TO PARTICIPATE TODAY



- Open and close your Panel
- View, Select, and Test your audio
- Submit questions in the Q-box
- Q&A addressed at the end of today's session.
- Please complete the VERY short evaluation survey.
- Everyone will receive an email with a link to view a recorded version of today's session



Mid-Year Economic Outlook



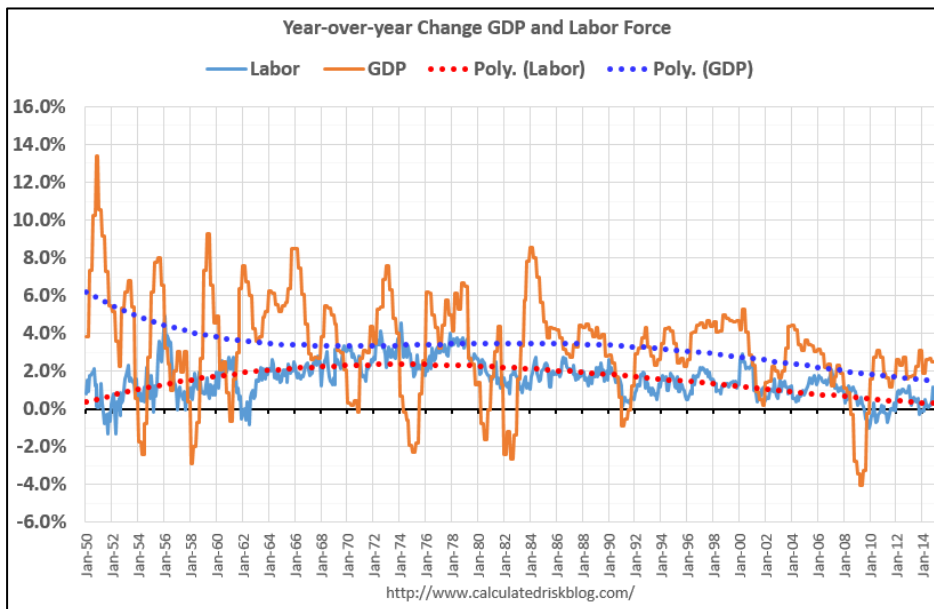
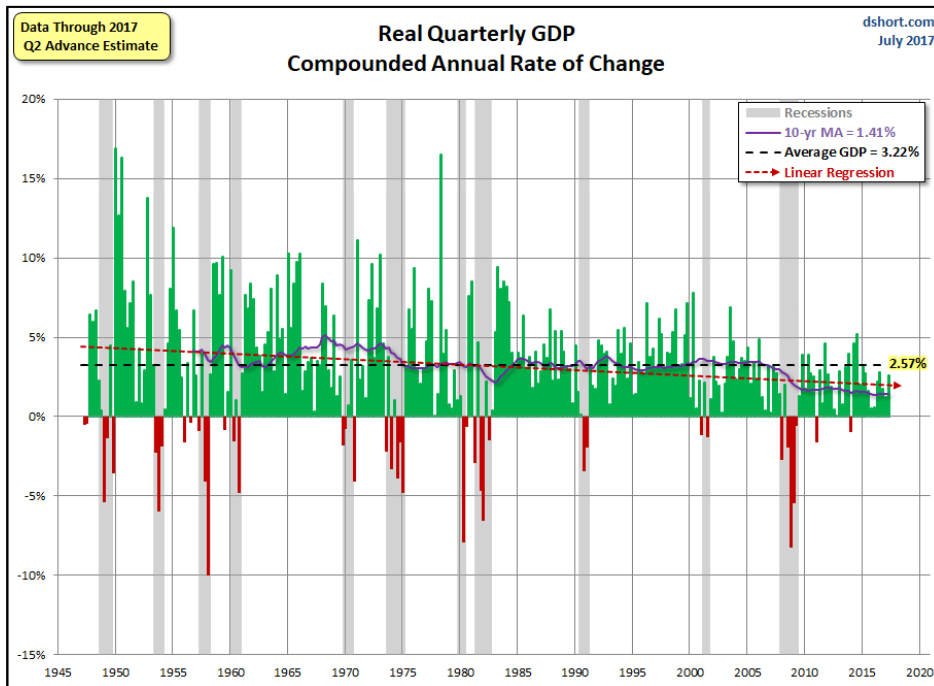
Dr. Charlie Hall

Ellison Chair in International Floriculture
Texas A&M University
charliehall@tamu.edu

CLEARING UP ERRANT ASSUMPTIONS

- Stock market performance **does not** equal economic performance.
- Consumer confidence **does not equal** economic performance.





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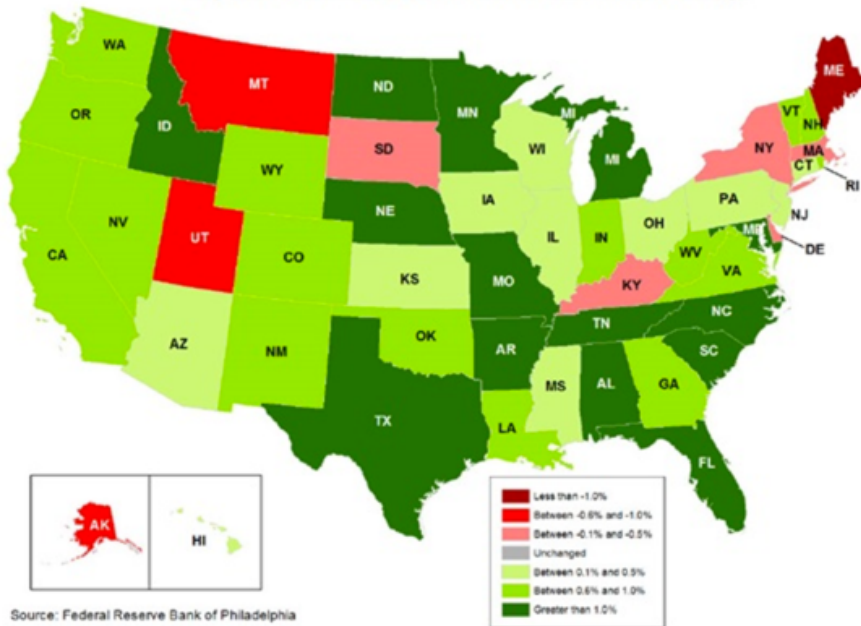


2% is "slow and steady!"

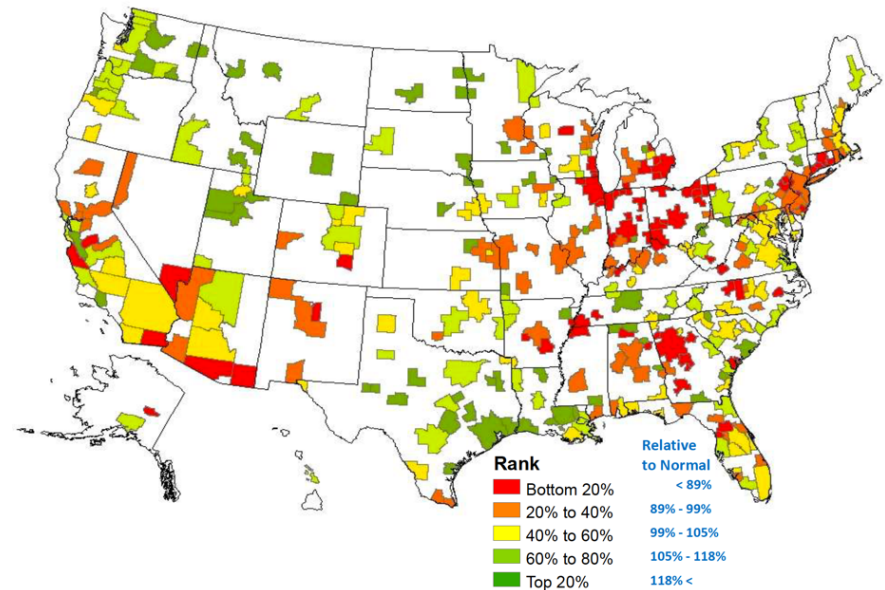


REGIONAL DIFFERENCES DO EXIST



July 2017 State Coincident Indexes: Three-Month Change

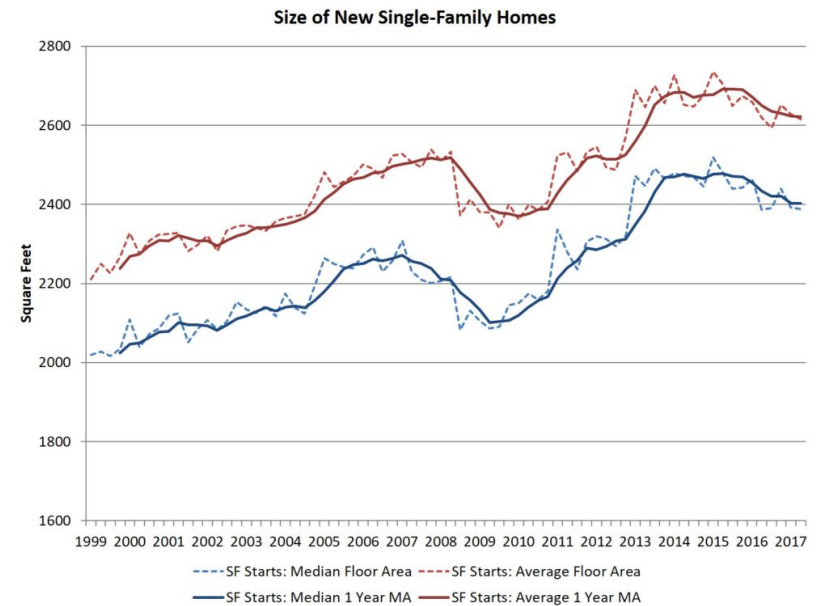


NAHB/First American Leading Markets Index (LMI)
2nd Quarter 2017

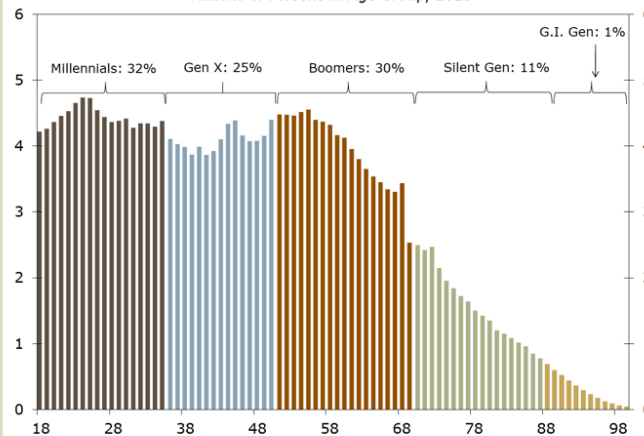


HOUSING MARKET

- LMI  for 89% metro areas
- Home prices up 5.8% YOY
- YOY inventory  26 months



U.S. Adult Population Distribution
Millions of Persons in Age Group, 2015



Source: U.S. Department of Commerce and Wells Fargo Securities

A steady stream of Millennials are approaching the age that homeownership tends to rise.

HEADWINDS

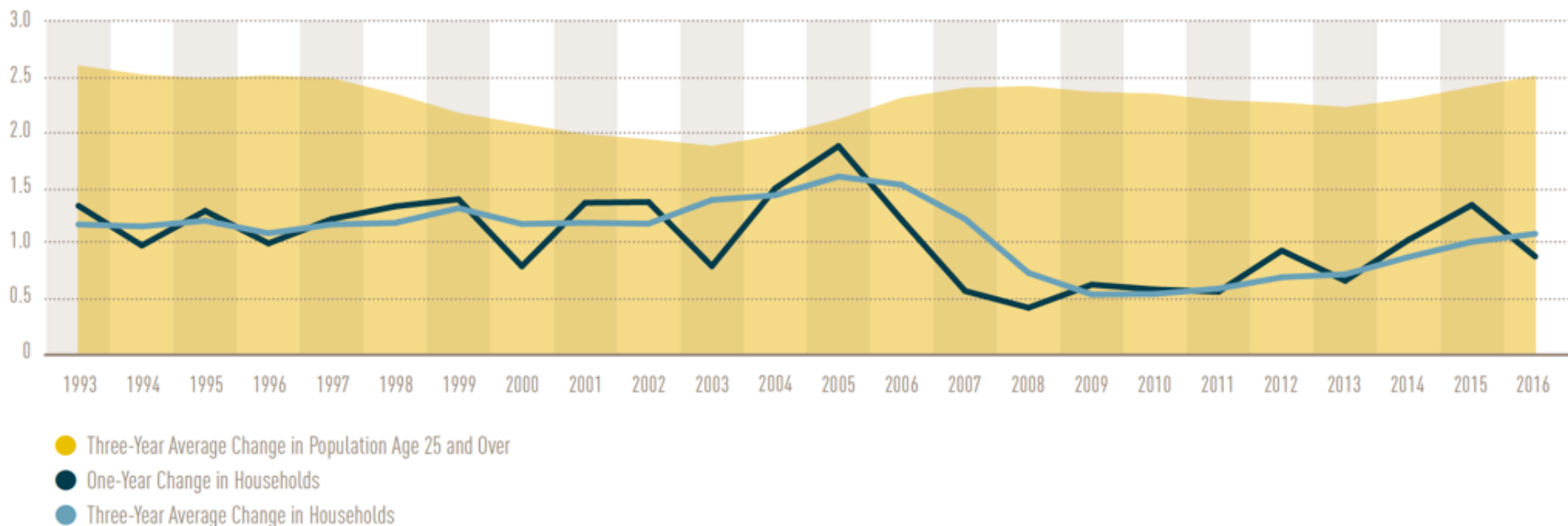
- Lumber prices are up
- Shortage of lots
- Labor availability



STEADY CHANGES IN ADULT POPULATION BOOSTING HOUSING

Steady Increases in the Adult Population Are Helping to Lift Household Growth from Post-Recession Lows

Annual Change (Millions)



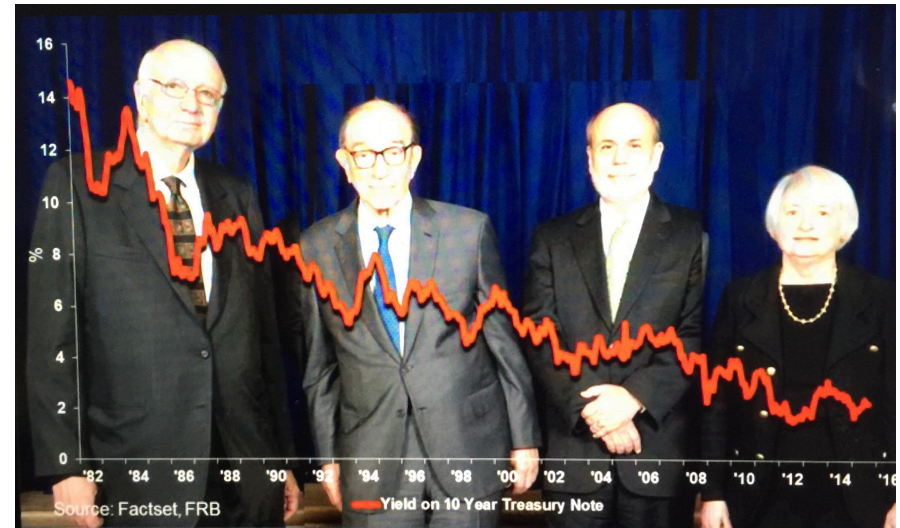
Note: Three-year changes are trailing averages, adjusting for the break in the household series in 2003.

Source: JCHS tabulations of US Census Bureau, Housing Vacancy Survey and Population Estimates.



INTEREST RATES

“Credit appears broadly available to small businesses with solid credit histories, although indicators point to some difficulties facing firms with weak credit scores and insufficient credit histories. Small business formation is critical to economic dynamism and growth. Smaller firms rely disproportionately on lending from smaller banks, and the Federal Reserve has been taking steps and examining additional steps to reduce unnecessary complexity in regulations affecting smaller banks.”



“Now--a decade from the onset of the crisis and nearly seven years since the passage of the Dodd-Frank Act and international agreement on the key banking reforms--a new question is being asked: Have reforms gone too far, resulting in a financial system that is too burdened to support prudent risk-taking and economic growth?”



OTHER CURRENT ECONOMIC CONDITIONS

- ❑ GDP ~ 2.0% (1.4%Q1, 2.5%Q2)
- ❑ Job growth slowing
- ❑ Leading economic index positive (9th year)
- ❑ ISM manufacturing at 3-year high
- ❑ Consumer confidence holding
- ❑ Fuel prices remain low
- ❑ HH debt at all-time high
- ❑ Retail sales growing (slowly)
- ❑ International forecast better



BUT WHAT ABOUT THE 3% ANNUAL ECONOMIC GROWTH THAT WAS PROMISED?

- Is this even possible?
- It depends on the eventual effects of **Trumpnomics** **M.A.G.A.nomics**, which includes the following components:

- ⬇ regulations = ⬆ investment???
 - ⬇ taxes = ⬆ investment???
 - ⬇ wasteful gov. spending???
 - ⬆ infrastructure > \$1T???
 - Stricter immigration enforcement???
 - Renegotiate trade deals???
 - Repeal ACA, but don't touch SS or MC² ???
- } = 3% growth?



WHAT WOULD IT TAKE TO REACH THE 3% “M.A.C.A.NOMICS” GROWTH RATE TARGET?

1. More workers = more stuff = more growth

- *No wall, charter buses!*
 - *Work 10 yrs. longer!*
 - *Everybody works!*
- } +30-40M needed

2. Double CAPEX 1990's (2 “dot.coms” at same time)

3. Increase productivity to 1960's level.



**WHEN WILL THE NEXT RECESSION
START?**



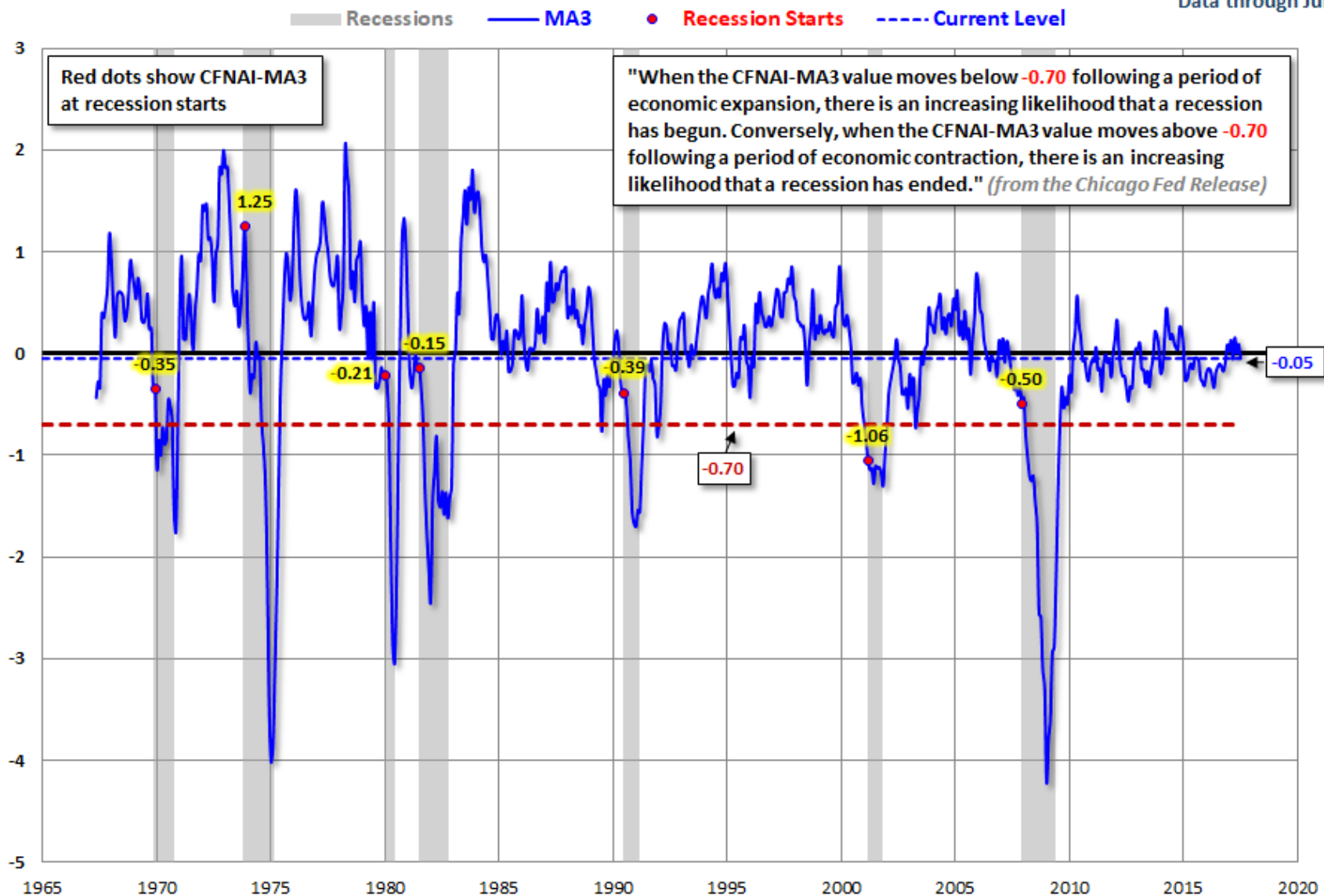


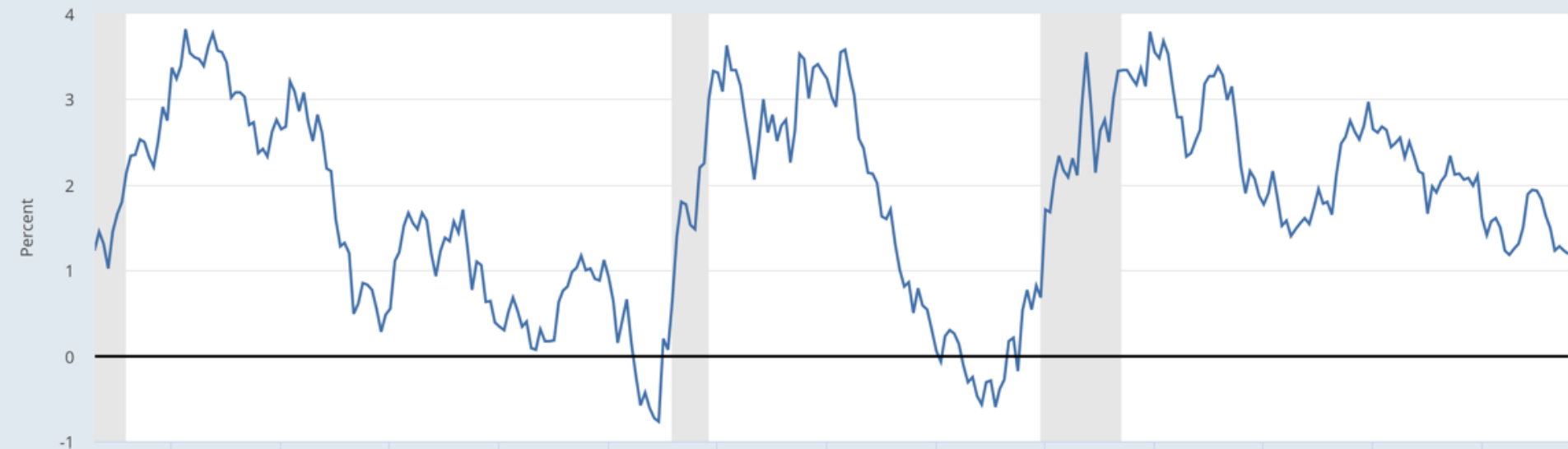
Source: Federal Reserve Bank of St. Louis
fred.stlouisfed.org

myf.red/g/epwQ

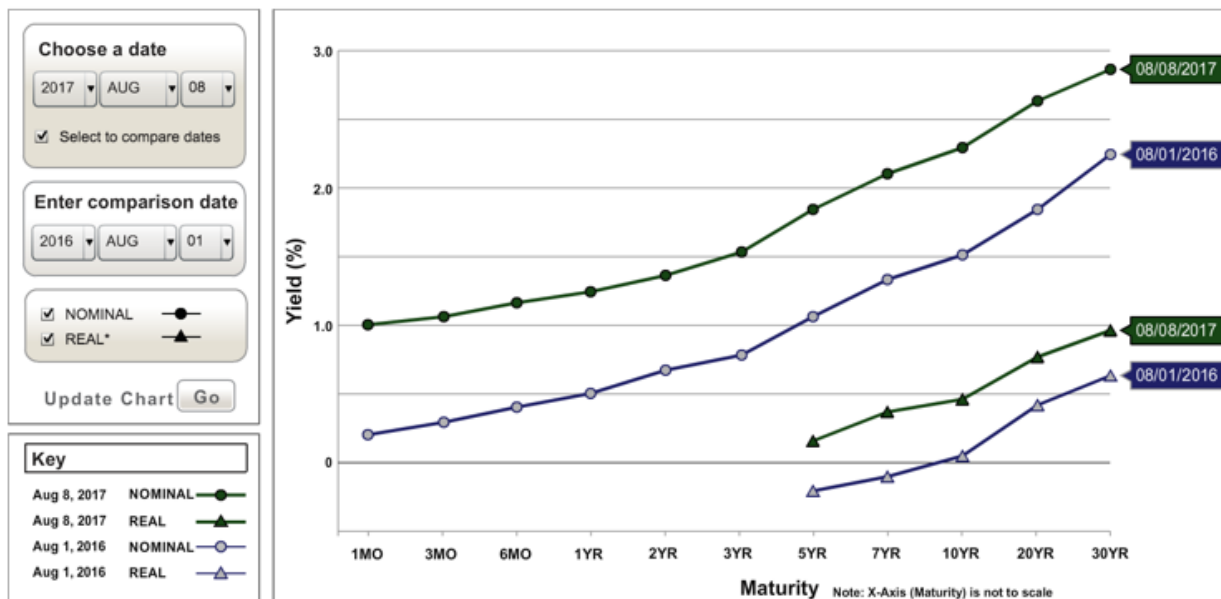


Chicago Fed National Activity Index





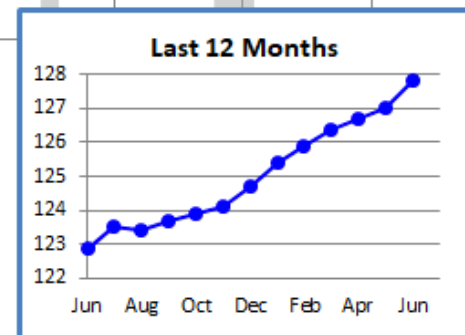
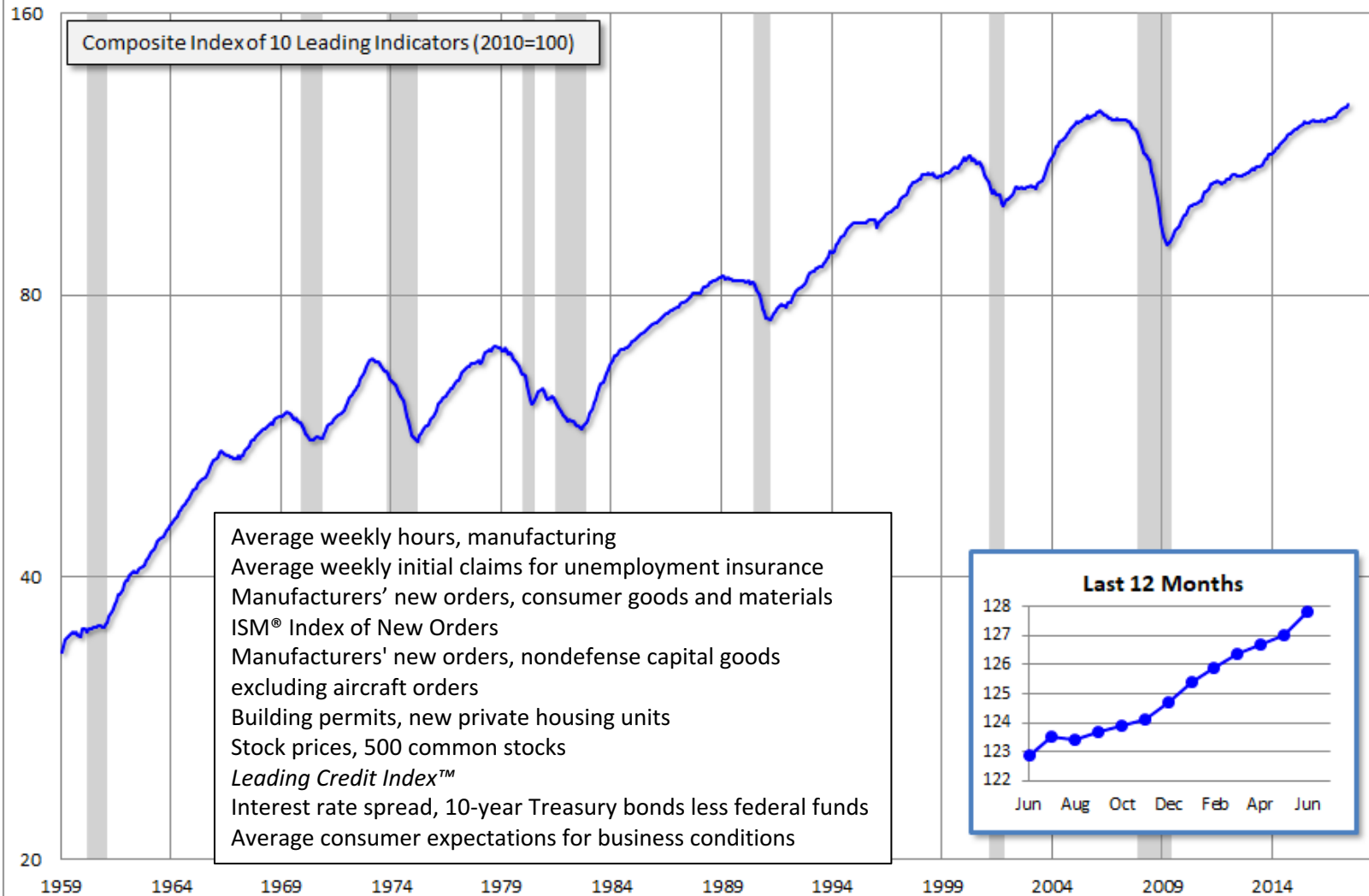
Treasury Yield Curve

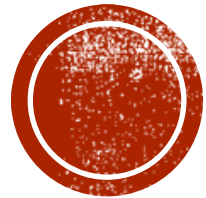


Conference Board Leading Economic Index with Recessions Highlighted

dshort.com
July 2017
Data through June

Log Scale





**15% CHANCE OF
RECESSION BEFORE THIS
TIME NEXT YEAR**

Ceteris paribus

WHAT ABOUT THE “WASHINGTON” IMPACT?

Federal Fiscal Policy Timeline	
Key Dates	Policy Action Expected
Jul. 28 th - Sep. 5 th	August Recess
Sept. 29 th	Debt Ceiling Needs to Be Increased
Sep. 30 th	Fiscal Year 2018 Budget Resolution (Vehicle for Tax Cuts) Children’s Health Insurance Program (CHIP) Expires National Flood Insurance Program Expires Federal Aviation Administration (FAA) Authorization Expires
Oct. 1	Fiscal Year 2018 Begins (Funding Bill Must Be Passed)
Oct./Nov.	Individual/Corporate Tax Cut Framework Expected
Dec.	Section 702 of the Foreign Intelligence Surveillance Act Expires
March 2018	Primary Elections Begin



DO YOU HAVE A CONTINGENCY PLAN IN PLACE?

1. How well prepared am I for a mild economic slowdown or even a more severe downturn?
2. What predetermined cycle strategies should I have on my play sheet, ready to deploy at the right moment, instead of in the heat of battle?



QUESTIONS?

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