



# The State of the Economy & Economic Outlook

Kenneth A. Kriz

University Distinguished Professor of Public  
Administration



# Outline

- Geographies
  - National
  - Regional
  - Local
- Sectors/Markets
  - Manufacturing/Output
  - Labor
  - Retail
  - Household
- Overall Indices/Measures



# NATIONAL ECONOMY

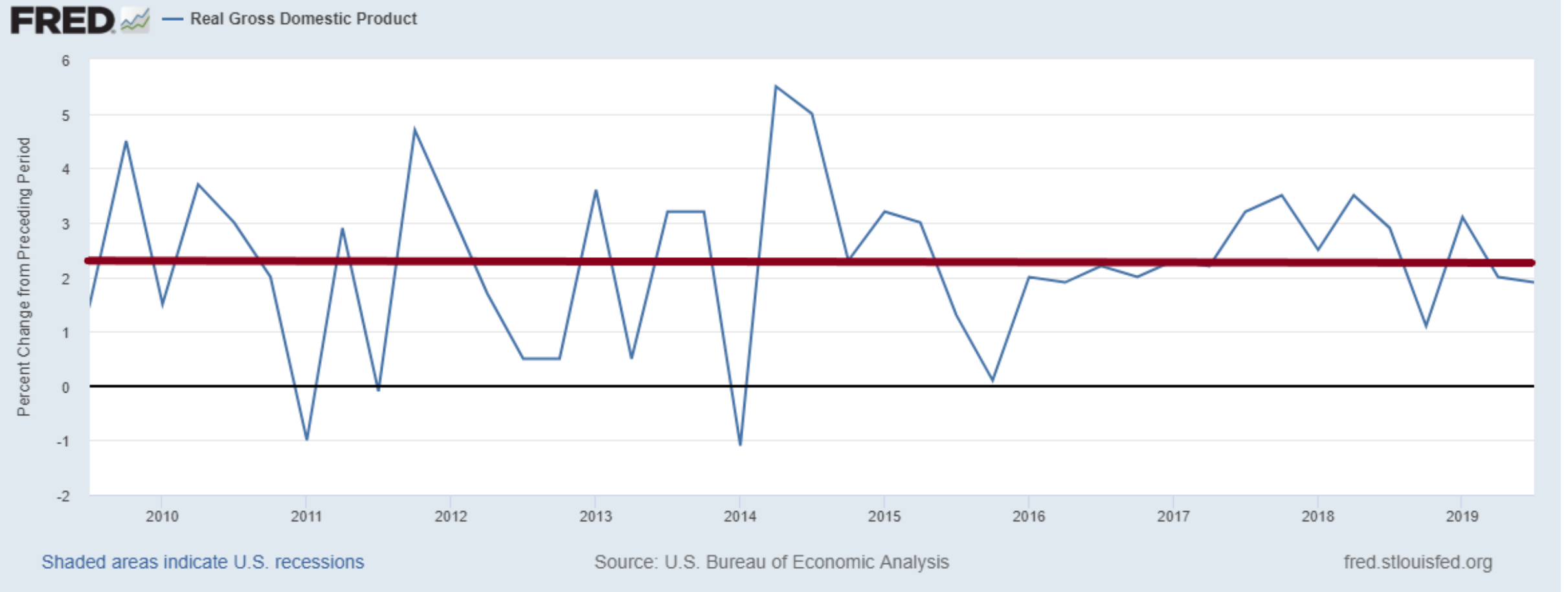


# Bottom Line: National Economy

- We have been in a relatively weak expansion since 2008-09
  - Slowdowns in 2013-14 and 2016
- Growth since 2016 at or near the 20-year trend growth rate
- There is some evidence of a slowdown lately, especially in manufacturing
- Labor market, retail sales, and income growth have been good, but showing signs of weakness
- Aggregate measures showing signs of slowing but small probability of imminent recession



# National Output





# National Real GDP by Decade

Decade	Average Real GDP Growth
1950s	4.2%
1960s	4.5%
1970s	3.2%
1980s	3.1%
1990s	3.2%
2000s	1.9%
2010s (to 2018)	2.3%

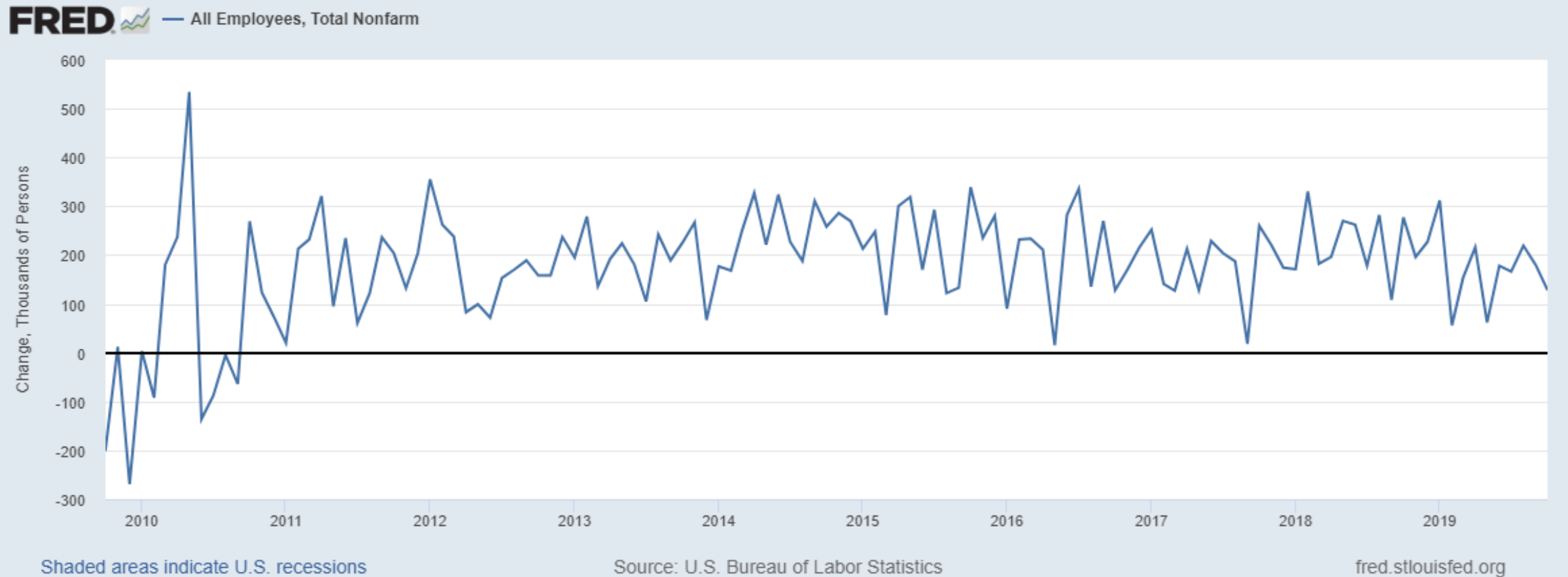


# Labor Market – Unemployment Rate





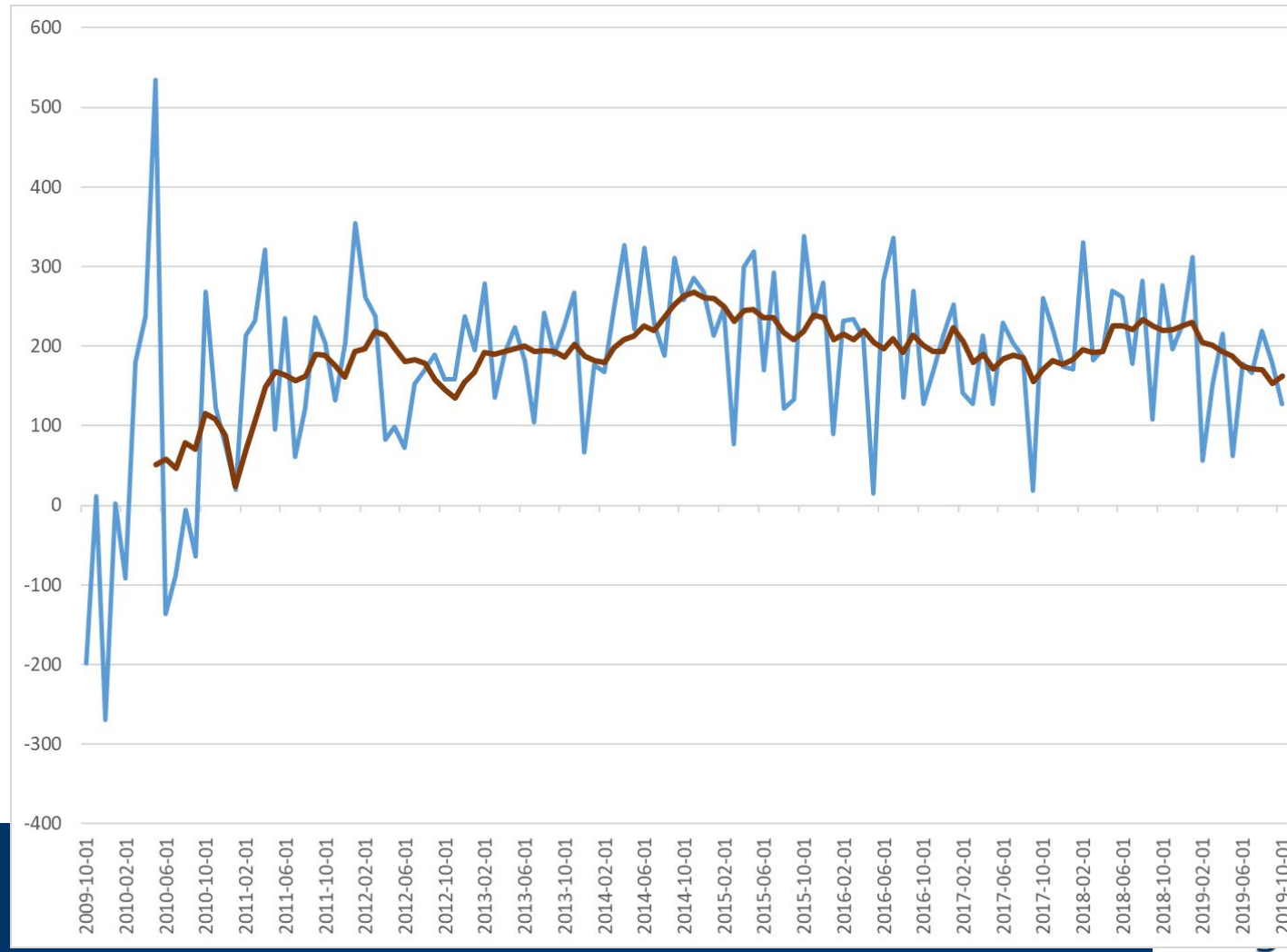
# Labor Market – Nonfarm Payrolls







# Labor Market – Trending Nonfarm Payrolls





# Average Hourly Earnings: Private Sector

**FRED** — Average Hourly Earnings of All Employees: Total Private



Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

[fred.stlouisfed.org](https://fred.stlouisfed.org)



# Retail Sales

**FRED** — Advance Retail Sales: Retail and Food Services Excluding Motor Vehicles and Parts Dealers



Shaded areas indicate U.S. recessions

Source: U.S. Census Bureau

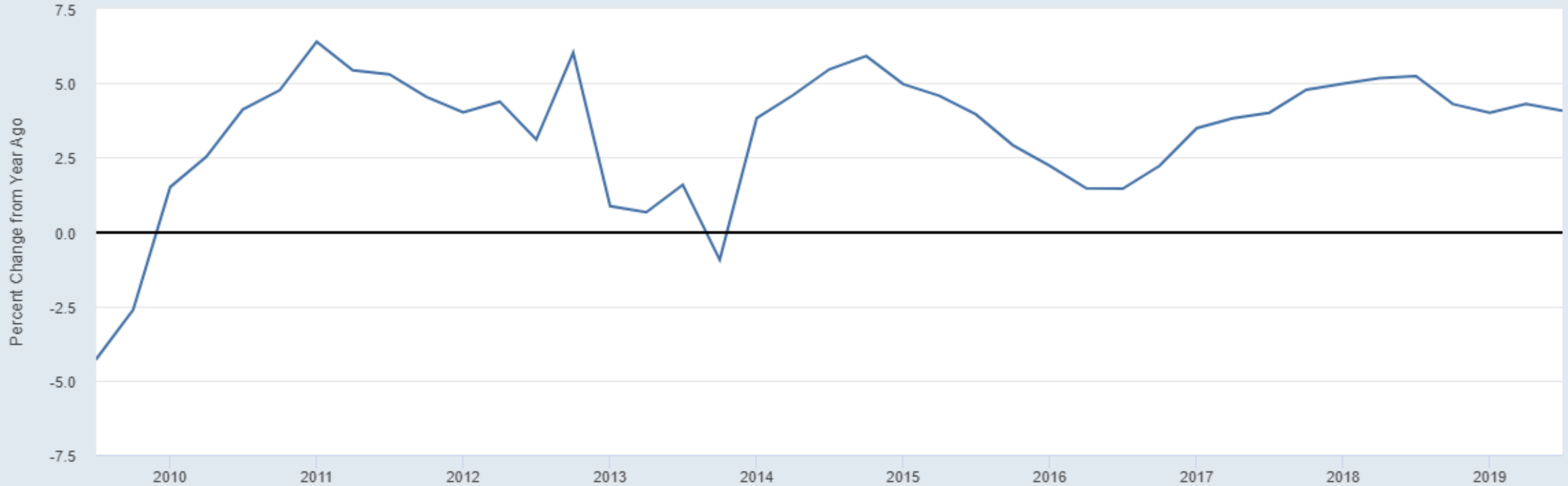
[fred.stlouisfed.org](https://fred.stlouisfed.org)



# Per Capita Personal Income

**FRED**

— Personal income per capita



Shaded areas indicate U.S. recessions

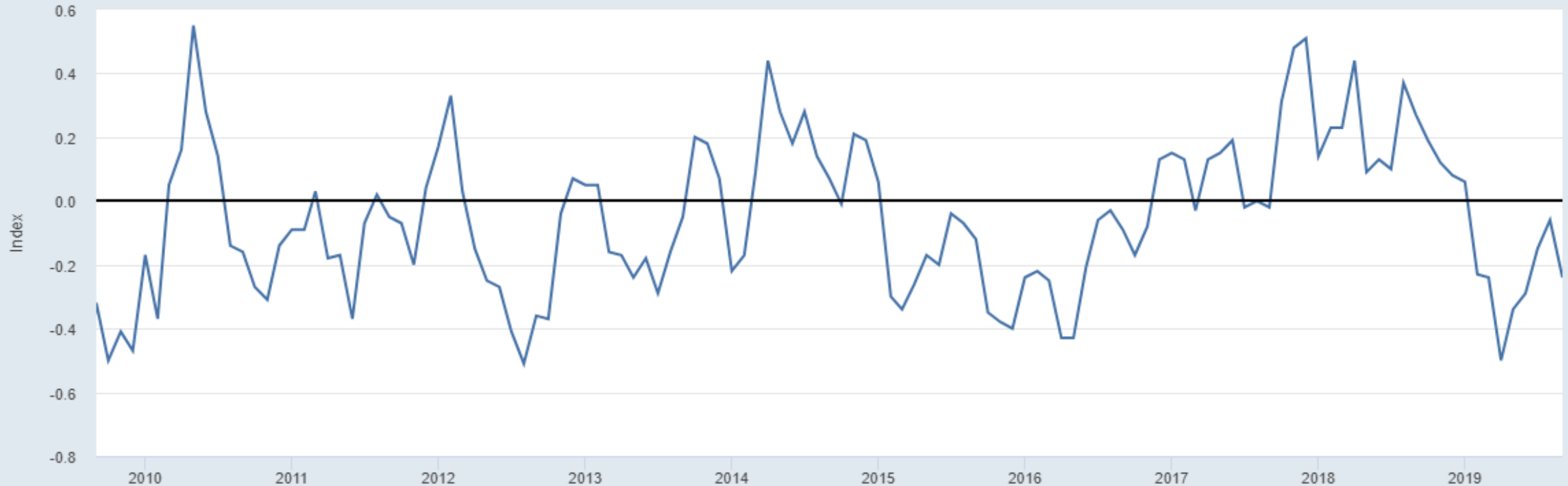
Source: U.S. Bureau of Economic Analysis

[fred.stlouisfed.org](https://fred.stlouisfed.org)



# Indices/Measures – Chicago Fed National Activity Index

**FRED** — Chicago Fed National Activity Index: Three Month Moving Average



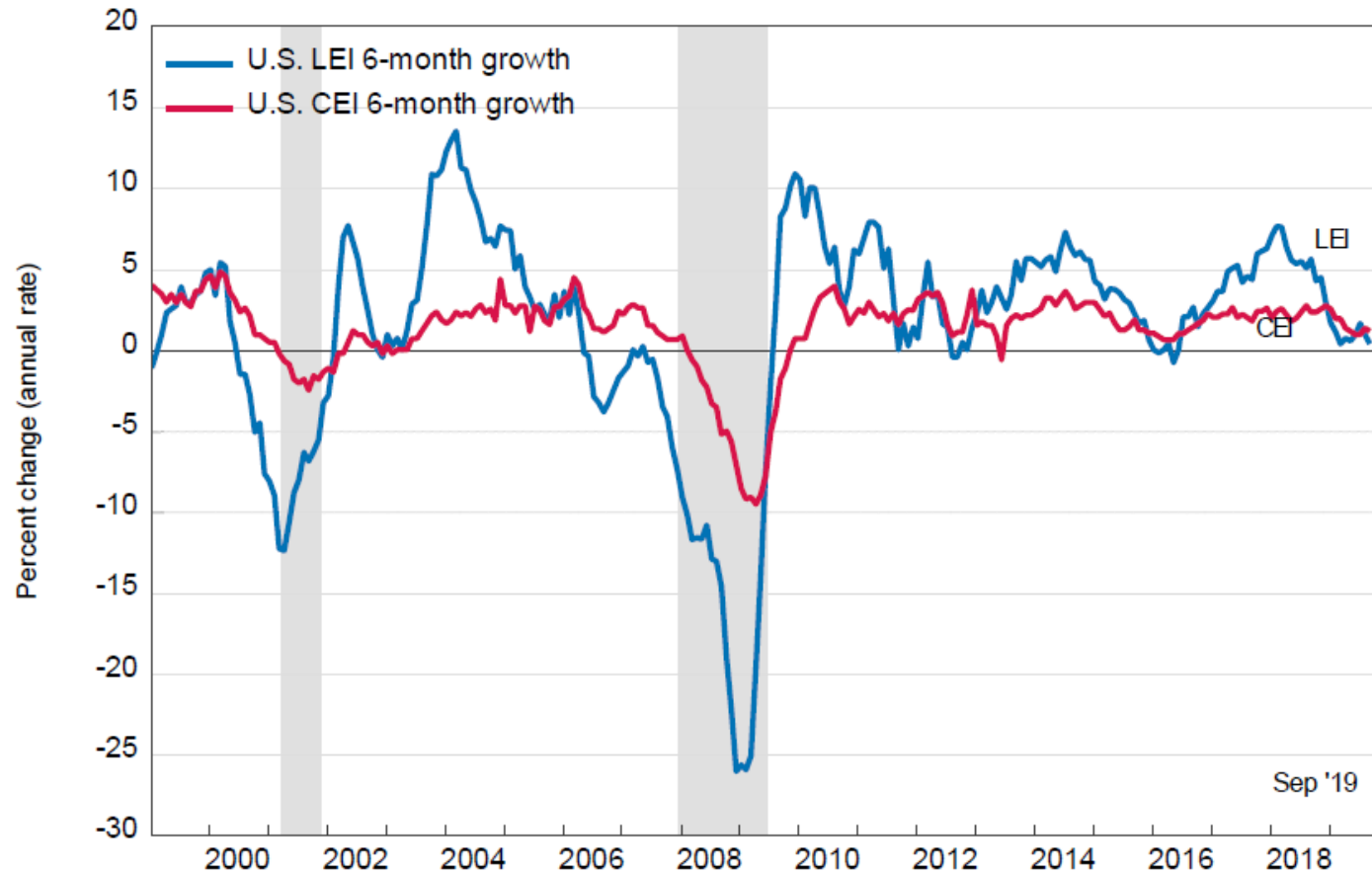
Shaded areas indicate U.S. recessions

Source: Federal Reserve Bank of Chicago

[fred.stlouisfed.org](https://fred.stlouisfed.org)



# Indices/Measures – Conference Board Leading/Coincident Indicators



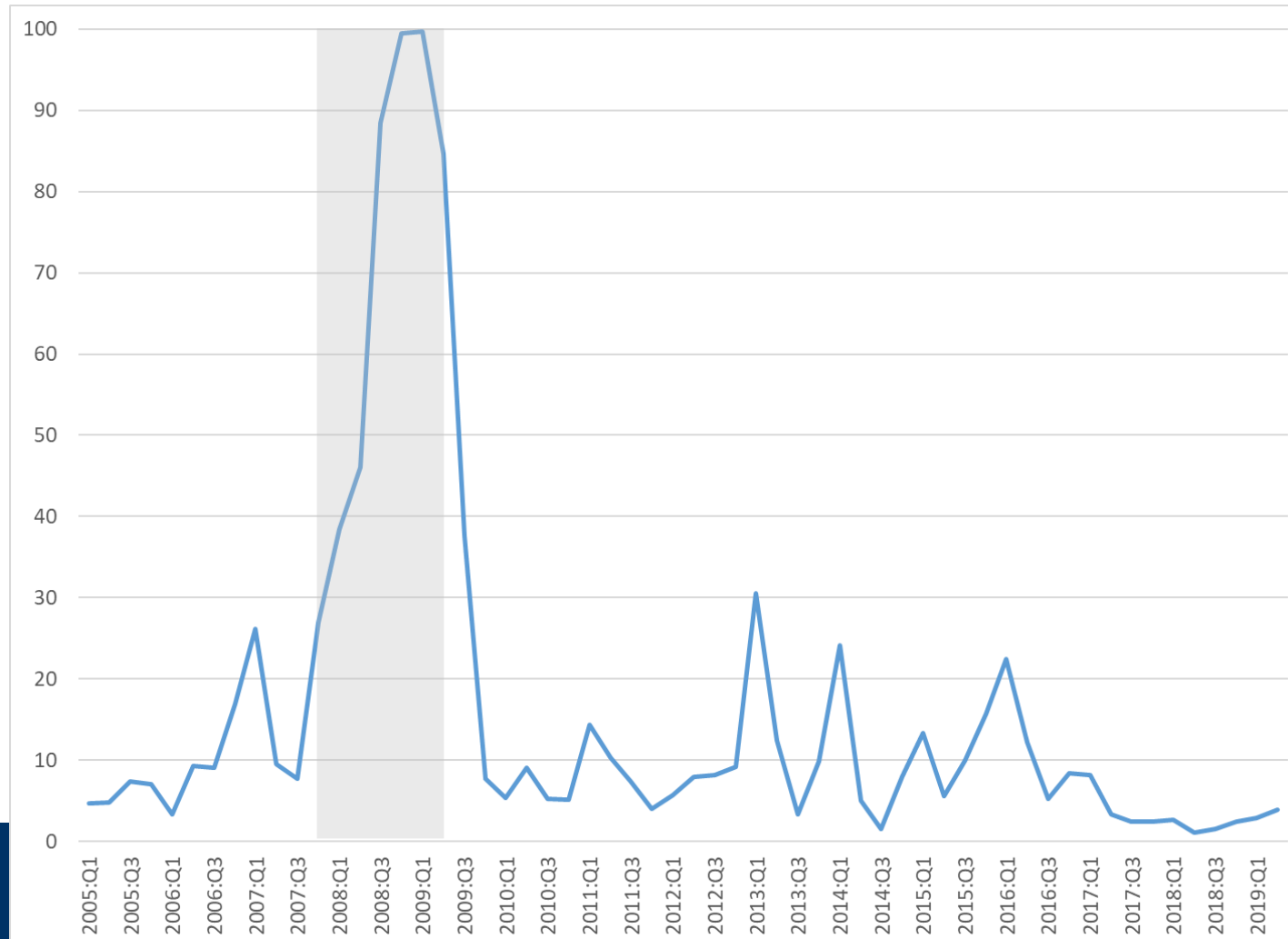
Latest LEI Trough March 2009, Latest CEI Trough June 2009

Shaded areas represent recessions as determined by the NBER Business Cycle Dating Committee.

Source: The Conference Board



# Hamilton/Chauvret (Econbrowser) Recession Index





# Survey of Professional Forecasters

Quarter or Year/Measure	Real GDP Growth	Unemployment Rate	Nonfarm Payrolls
Q4 2019	2.00%	3.60%	148,100
Q1 2020	1.95%	3.63%	137,600
Q2 2020	1.98%	3.60%	145,800
Q3 2020	1.98%	3.69%	108,300
Annual 2020	1.94%	3.62%	141,200
Annual 2021	2.03%	3.85%	
Annual 2022	2.09%	4.00%	





# Common Concerns in Forecasts

- Trade/World Tensions
- Manufacturing Sector
- Policy Uncertainty
- Rising Debt Levels (mainly public)
- Monetary Policy Limits



# REGIONAL ECONOMY



# Bottom Line: Regional Economy

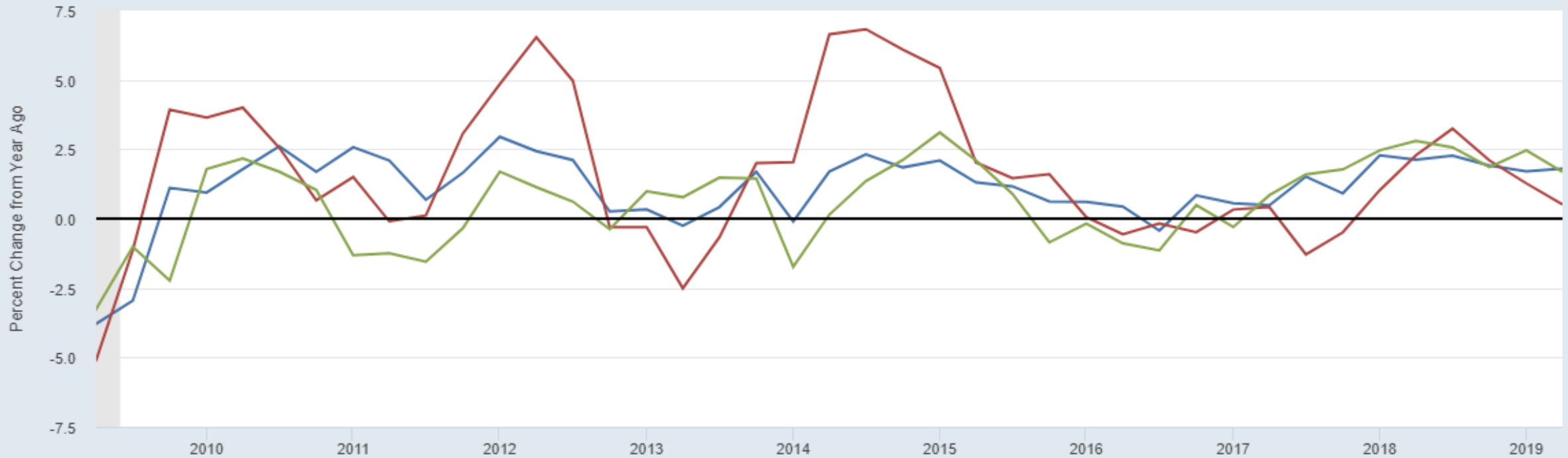
- Similar story to national picture, trend output growth with some concern in near term
- Declining unemployment rate, increasing payroll employment and earnings point to strong labor market
- Strong gains in personal income since 2016 but also near-term concerns
- More volatility in the Iowa economy, which is also growing more slowly
- Indices point to moderate growth in the next year or so



# Regional Output

FRED

- Total Real Gross Domestic Product by Industry for Illinois
- Total Real Gross Domestic Product by Industry for Iowa
- Total Real Gross Domestic Product by Industry for Missouri



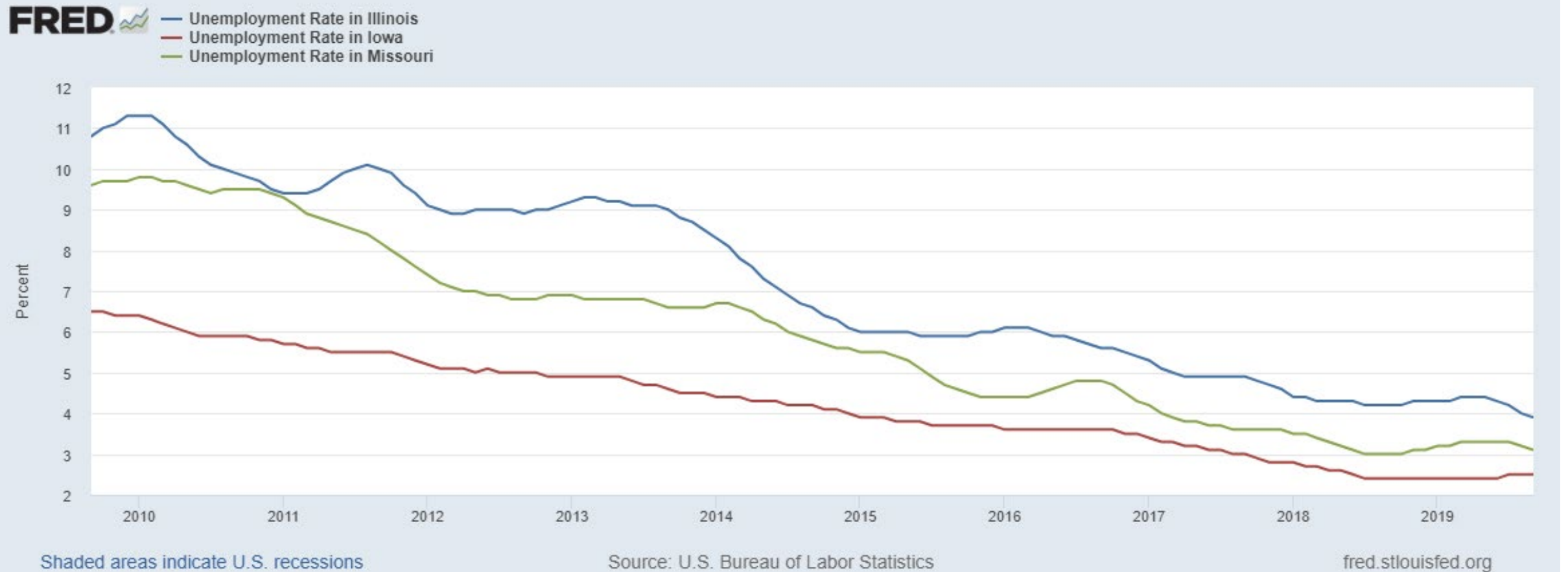
Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Economic Analysis

fred.stlouisfed.org

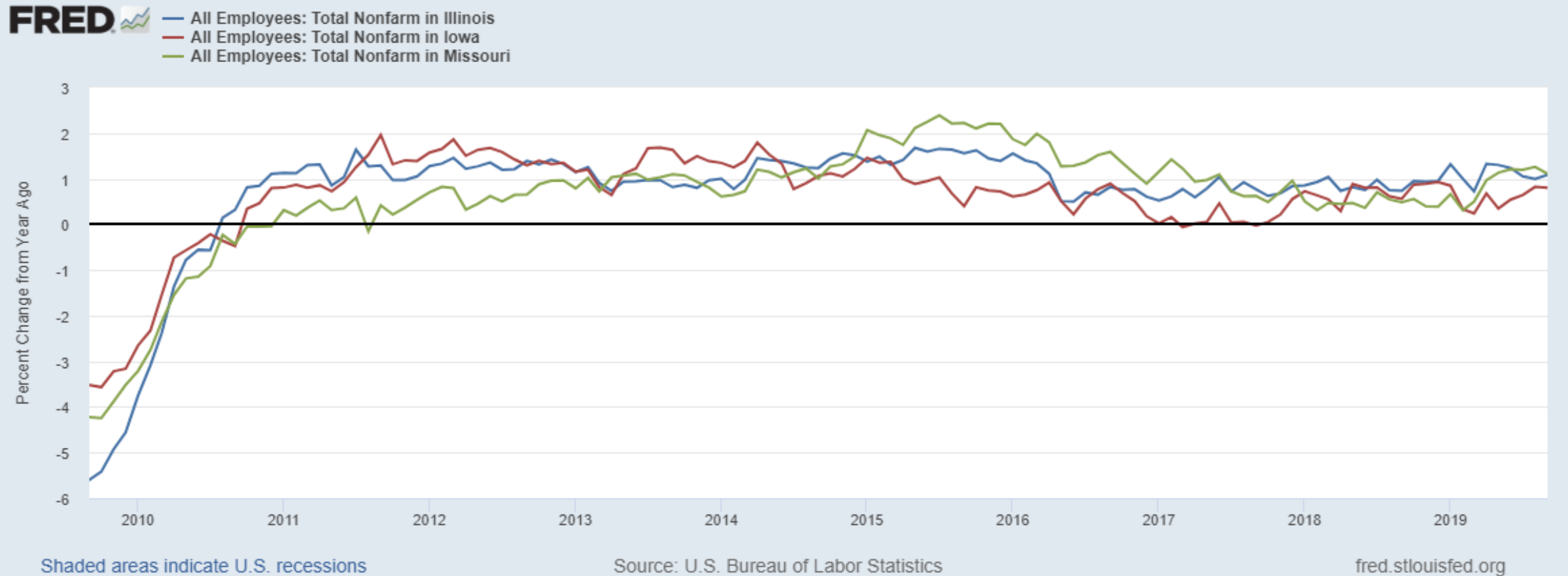


# Regional Unemployment Rate



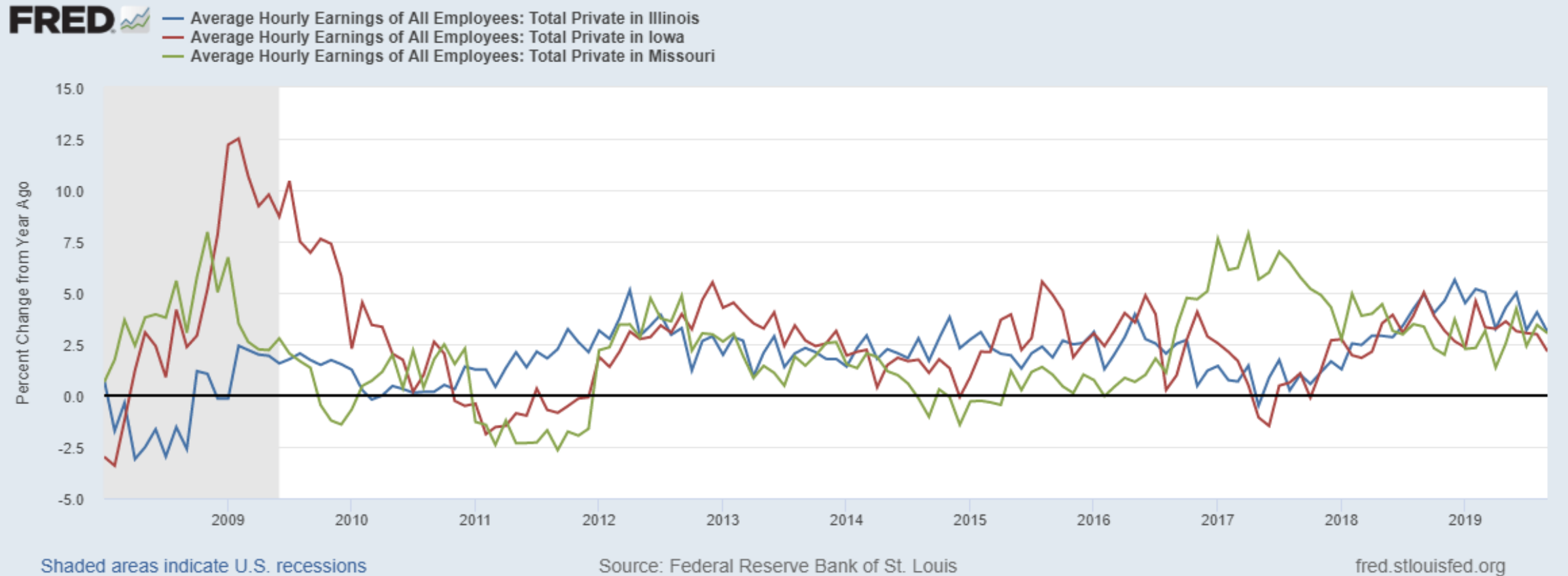


# Regional Payroll Employment



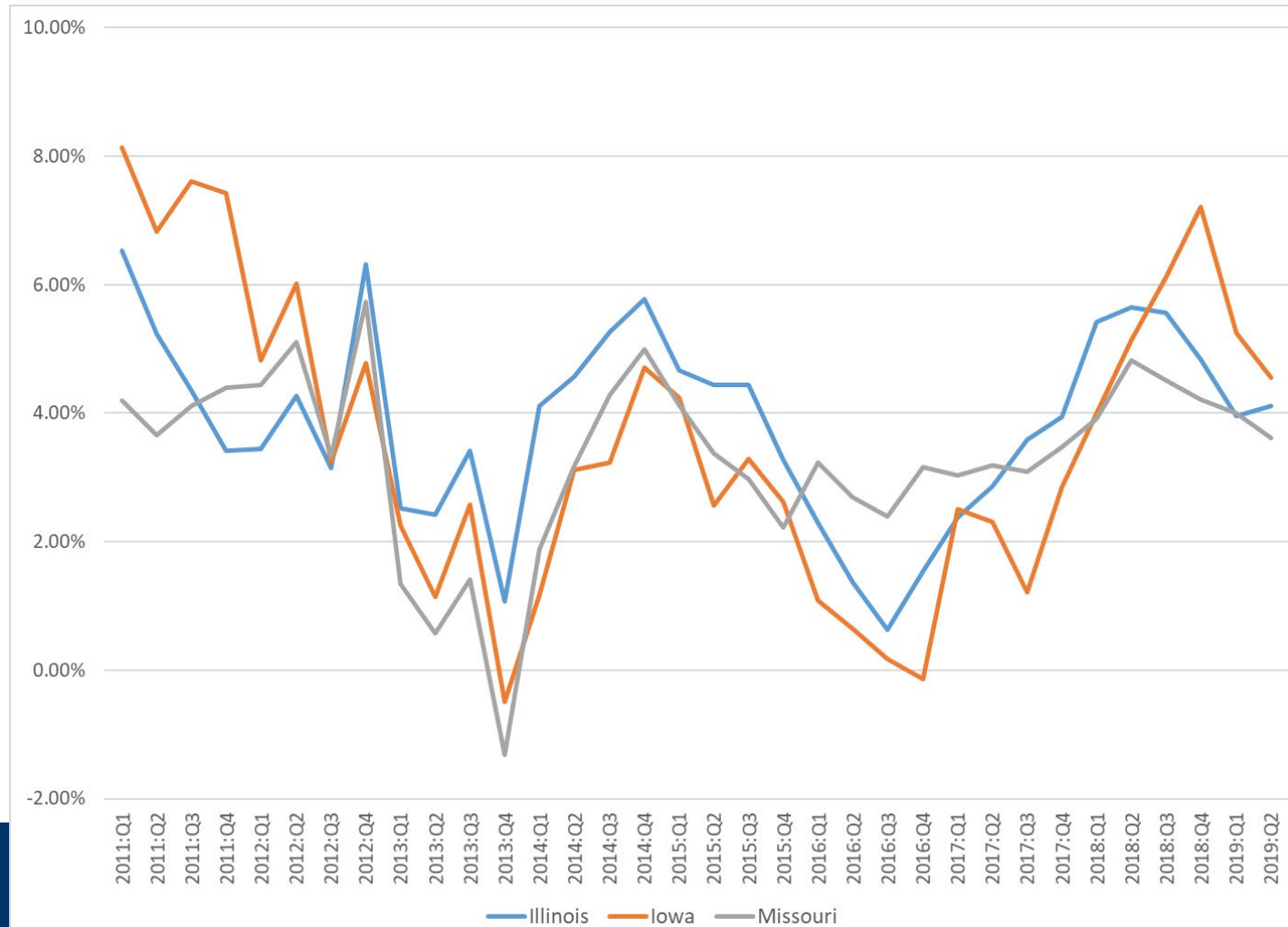


# Regional Average Hourly Earnings





# Regional Personal Income







# Philadelphia Fed Coincident and Leading Indices, September 2019

Index/State	Illinois	Iowa	Missouri
Coincident (12 month change)	2.54%	1.71%	1.74%
Leading (Predicted 6-month change in Coincident Index)	1.32%	0.58%	1.14%



# LOCAL ECONOMY

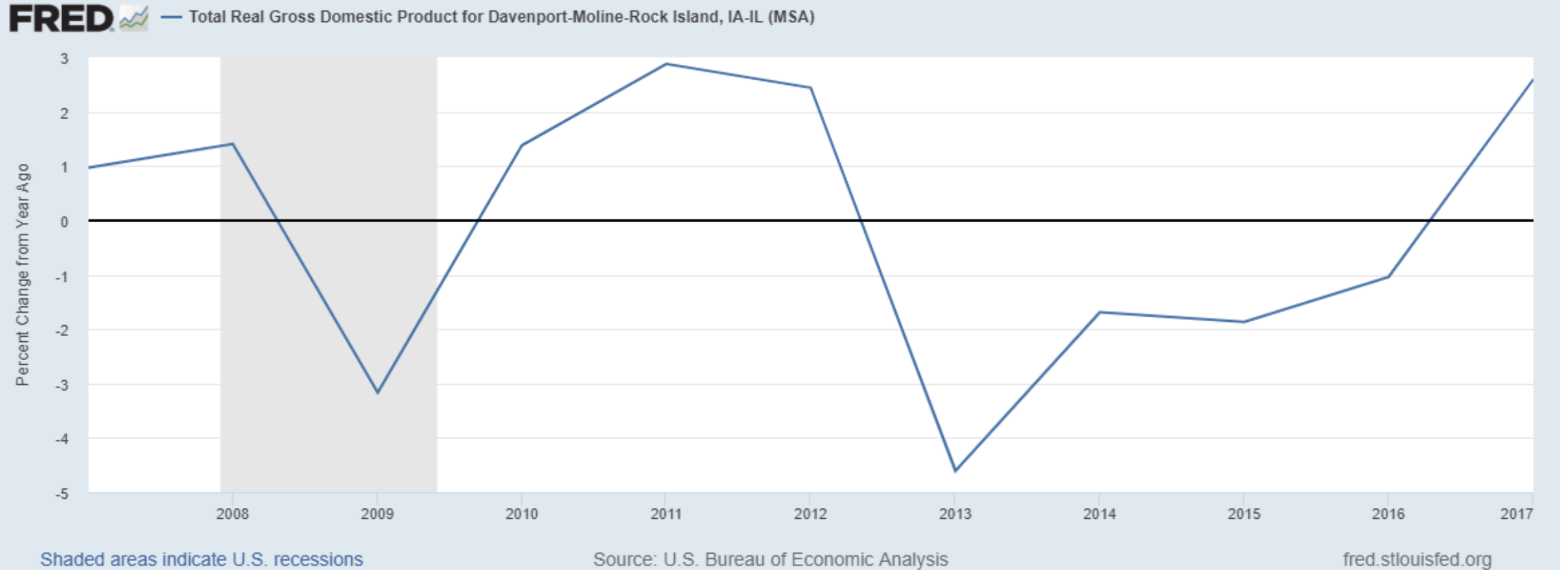


# Bottom Line: Local Economy

- Output recession in 2013-2016 looks to be lessening
- Output and employment growth has been centered around Business and Professional Services, FIRE (output only), and Construction
- Labor markets show similar trends to the regional economy
- Personal income growth has been solid, but recent trends in average hourly earnings are a source of concern
- The structure of the local economy is a source of risk in the medium-to-long-term



# Local Output





# MSA Output Growth by Sector Since 2010

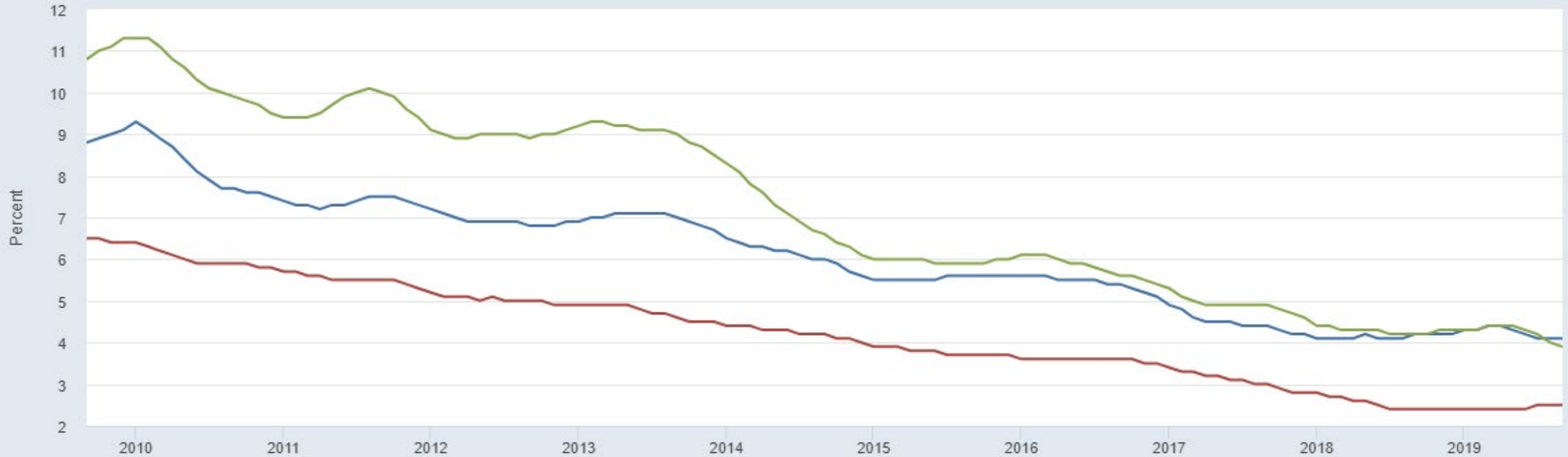
Construction	1.48%
Manufacturing	0.32%
Wholesale trade	-5.37%
Retail trade	0.05%
Transportation and warehousing (since 2013)	-0.36%
Information	-6.09%
Finance, insurance, real estate, rental, and leasing	1.66%
Professional and business services (to 2016)	2.49%
Educational services, health care, and social assistance (to 2016)	0.98%
Arts, entertainment, recreation, accommodation, and food services	0.66%
Government and government enterprises	-1.25%



# Local Unemployment Rate

**FRED**

— Unemployment Rate in Davenport-Moline-Rock Island, IA-IL (MSA)  
— Unemployment Rate in Iowa  
— Unemployment Rate in Illinois



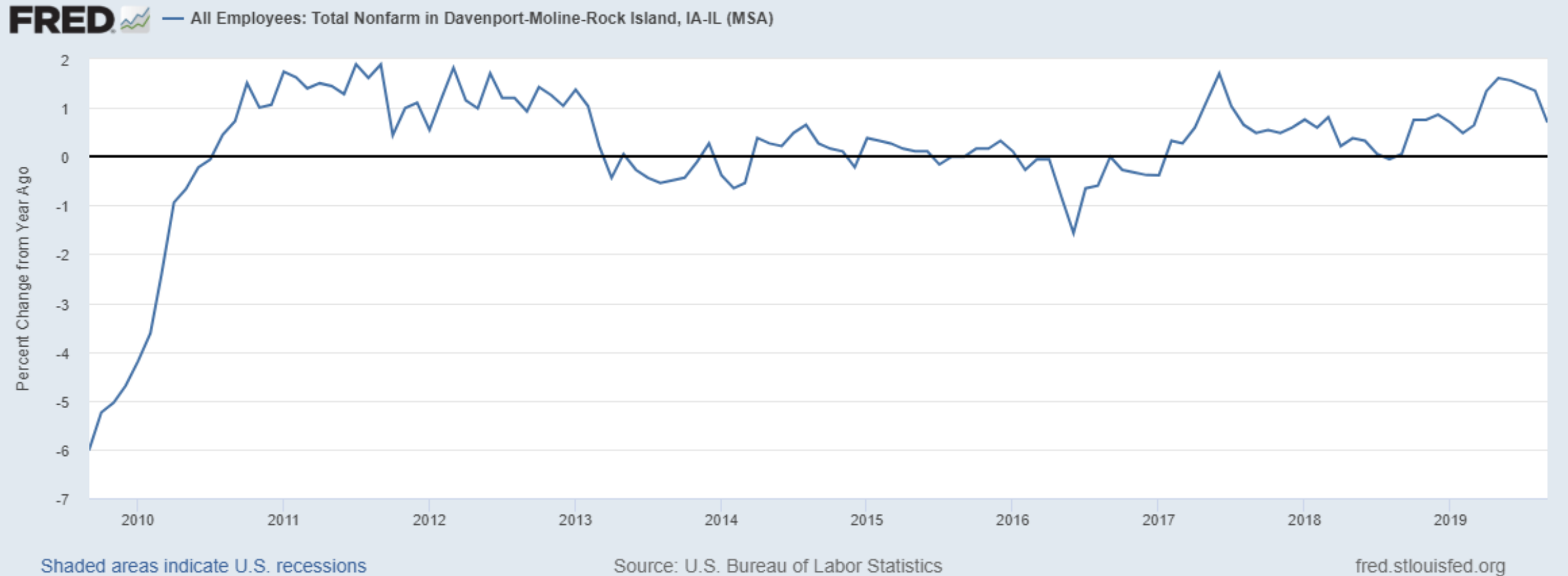
Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

[fred.stlouisfed.org](https://fred.stlouisfed.org)



# Local Payroll Employment





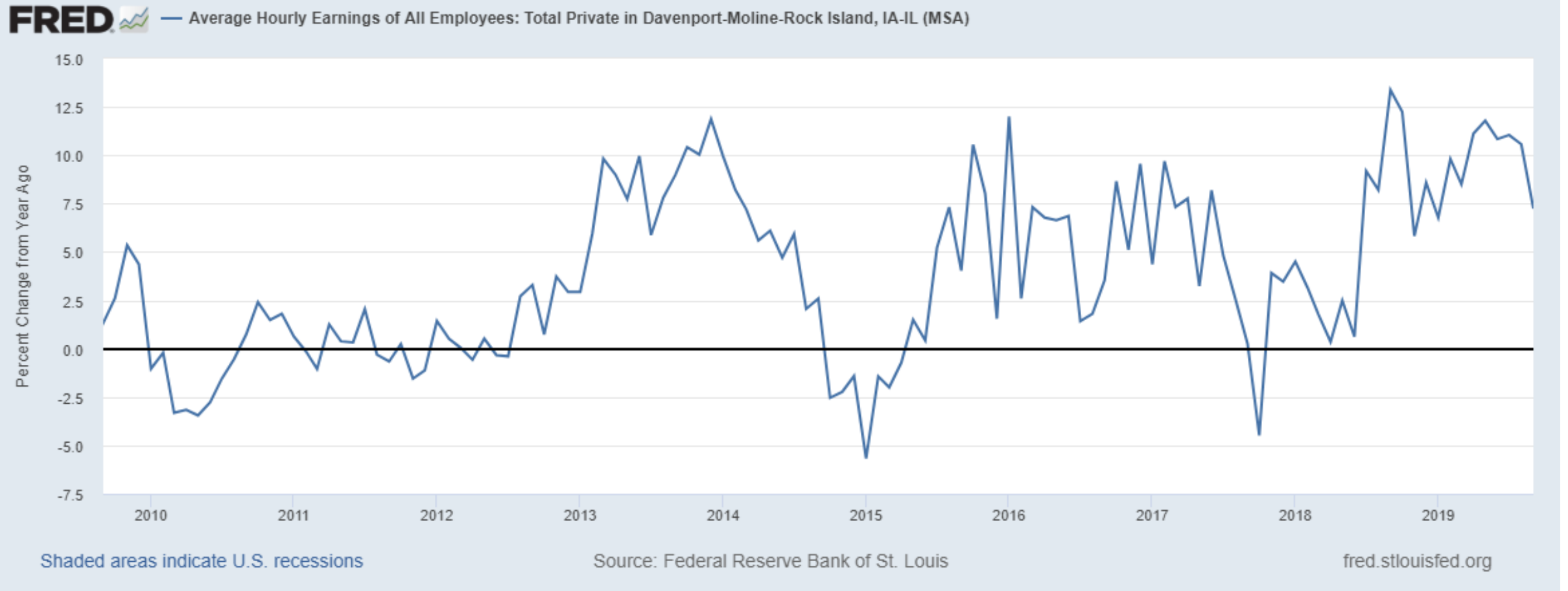
# MSA Payroll Employment Growth by Industry Since 2010

Mining, Logging, and Construction	3.48%
Manufacturing	0.99%
Trade, Transportation, and Utilities	-0.15%
Information	-5.25%
Financial Activities	-1.30%
Professional and Business Services	1.92%
Education and Health Services	0.17%
Leisure and Hospitality	0.66%
Other Services	0.00%
Government	-0.99%



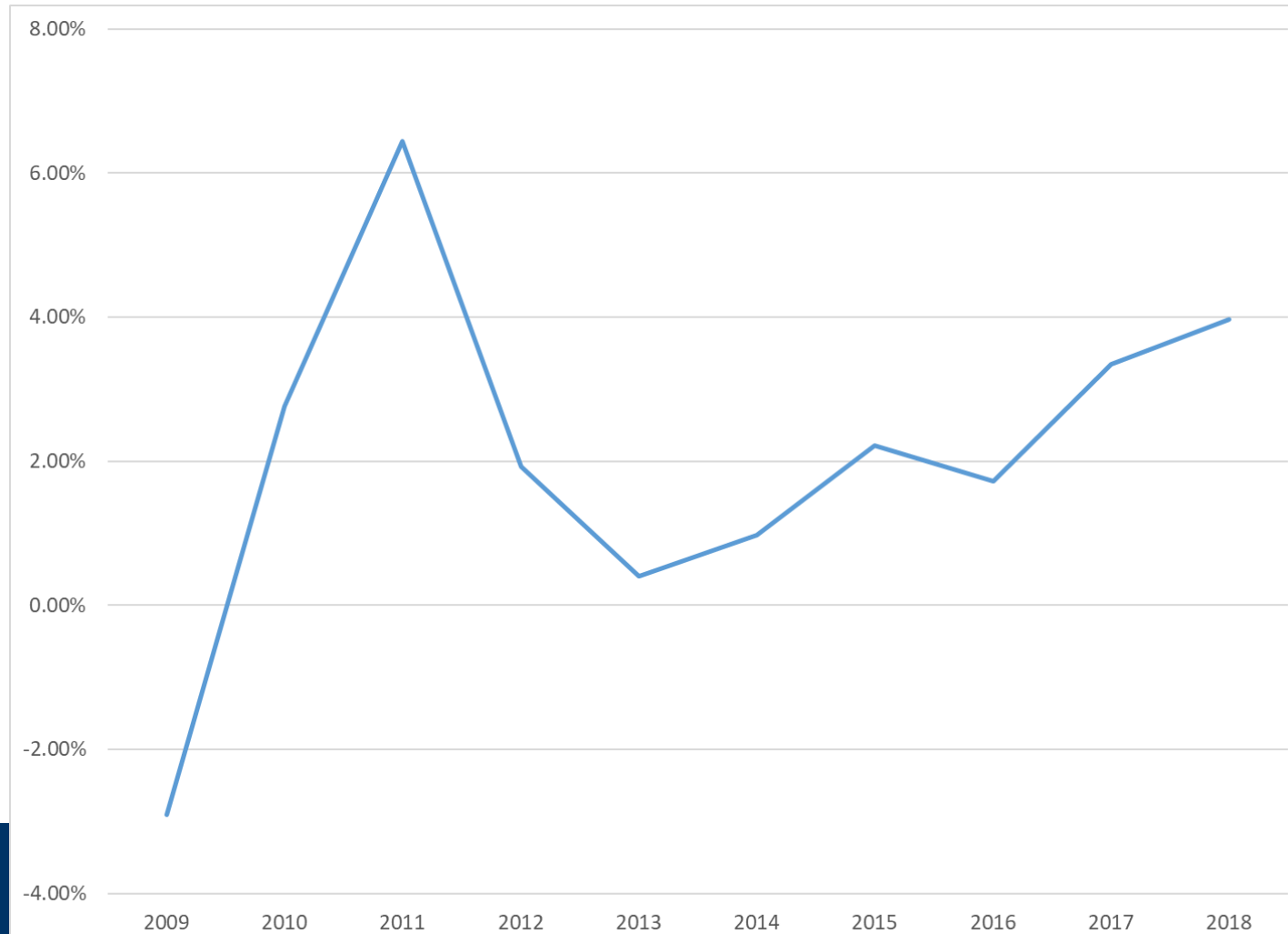


# MSA Average Hourly Earnings





# MSA Personal Income





# Employment & Output Projections through 2028 for “Export”/”Import” Industries

"Export" Industries			
Sub-Sector	Location Quotient	Projected Output Growth	Projected Employment Growth
NAICS 331 Primary metal manufacturing	7.2	1.6%	-1.3%
NAICS 562 Waste management and remediation services	2.82	2.2%	0.5%
NAICS 311 Food manufacturing	2.42	1.8%	0.0%
NAICS 484 Truck transportation	1.75	2.3%	0.4%
NAICS 221 Utilities	1.71	1.2%	-0.3%
NAICS 332 Fabricated metal product manufacturing	1.57	1.4%	-0.3%
NAICS 423 Merchant wholesalers, durable goods	1.36	2.7%	-0.2%
NAICS 811 Repair and maintenance	1.22	1.2%	0.3%
"Import" Industries			
Sub-Sector	Location Quotient	Projected Output Growth	Projected Employment Growth
NAICS 236 Construction of buildings	0.78	1.0%	1.1%
NAICS 424 Merchant wholesalers, nondurable goods	0.78	2.7%	-0.2%
NAICS 624 Social assistance	0.64	2.7%	2.0%
NAICS 486 Pipeline transportation	0.62	1.8%	0.2%
NAICS 321 Wood product manufacturing	0.58	1.2%	-0.5%
NAICS 511 Publishing industries, except internet	0.53	3.9%	0.1%
NAICS 531 Real estate	0.44	2.4%	0.5%
NAICS 523 Securities, commodity contracts, investments	0.32	1.7%	0.4%
NAICS 512 Motion picture and sound recording industries	0.31	0.4%	0.5%
NAICS 314 Textile product mills	0.3	1.5%	-1.9%



# ADDITIONAL SLIDES



# Labor Market – Private Payrolls

