

Economic & Credit Union Update

October 2019

If you have any questions or comments,
please contact:

Steven Rick, Chief Economist
CUNA Mutual Group – Economics
800.356.2644, Ext. 665.5454
steve.rick@cunamutual.com

5 Minute Federal Reserve Board Meeting

Federal Reserve's Dual Mandate

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Federal Reserve's Dual Mandate

1. Stables Prices

Federal Reserve's Dual Mandate

1. **Stables Prices**
2. **Full Employment of
Resources**

5 Minute Federal Reserve Board Meeting

Federal Reserve Critical Measures

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Federal Reserve Critical Measures

	Long-Run Equilibrium Goal	Actual

5 Minute Federal Reserve Board Meeting

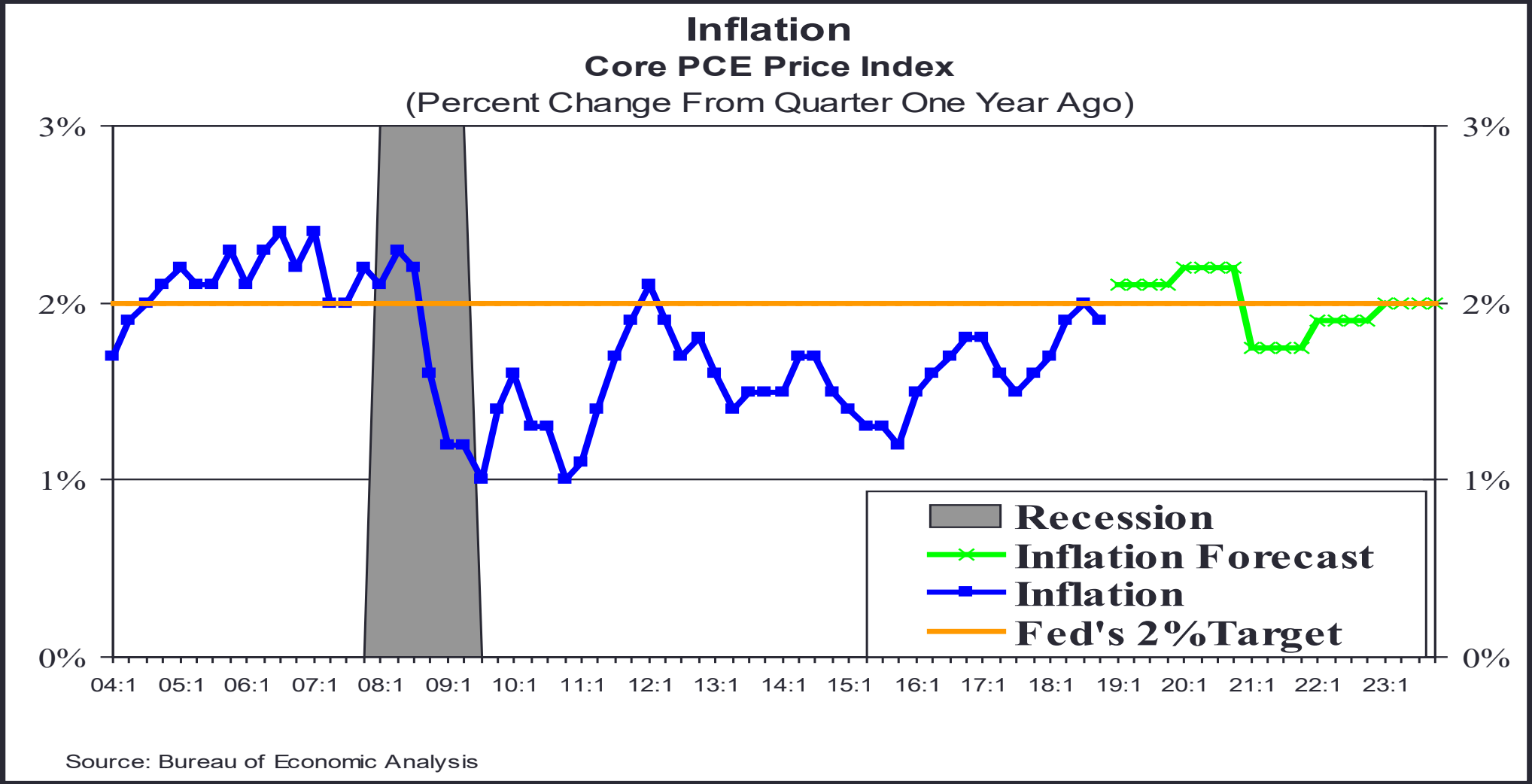
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Federal Reserve Critical Measures

	Long-Run Equilibrium Goal	Actual
Inflation Rate	2%	1.8%

Inflation a Nonissue for the Foreseeable Future



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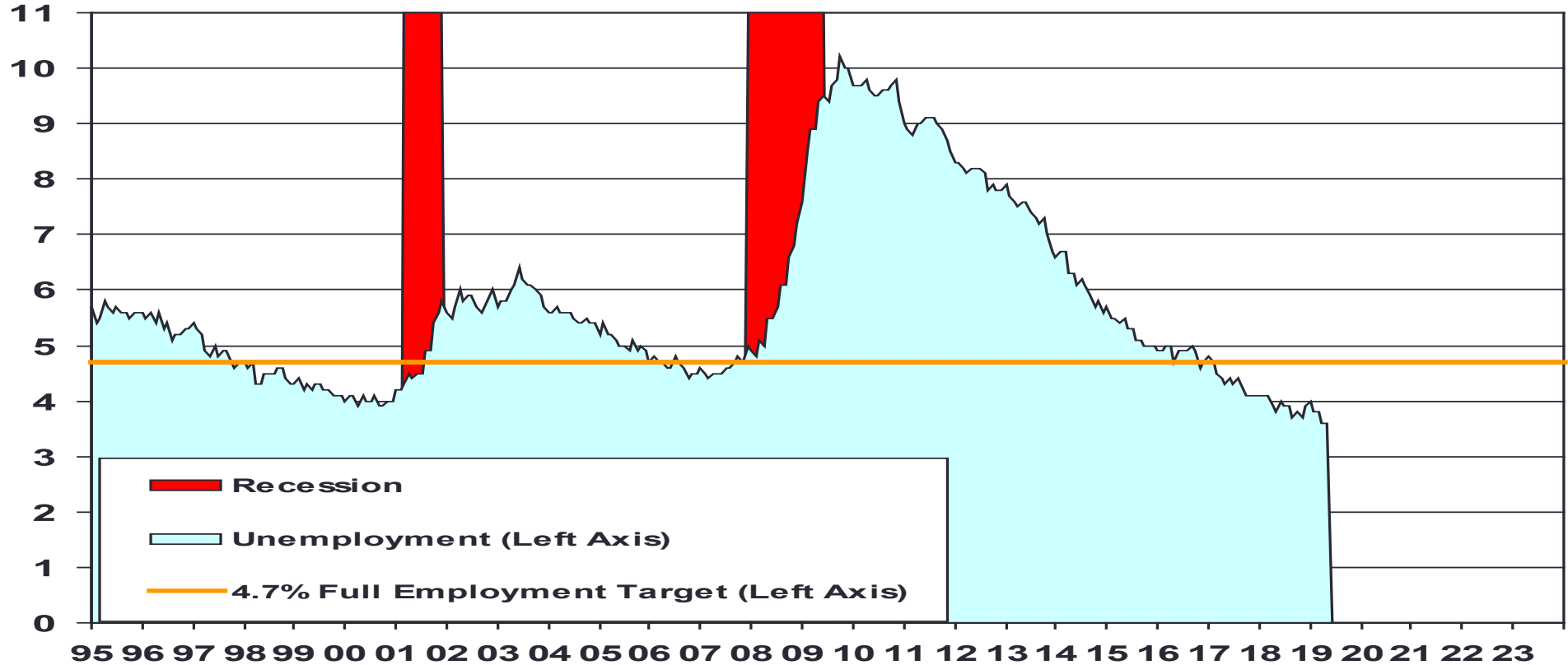
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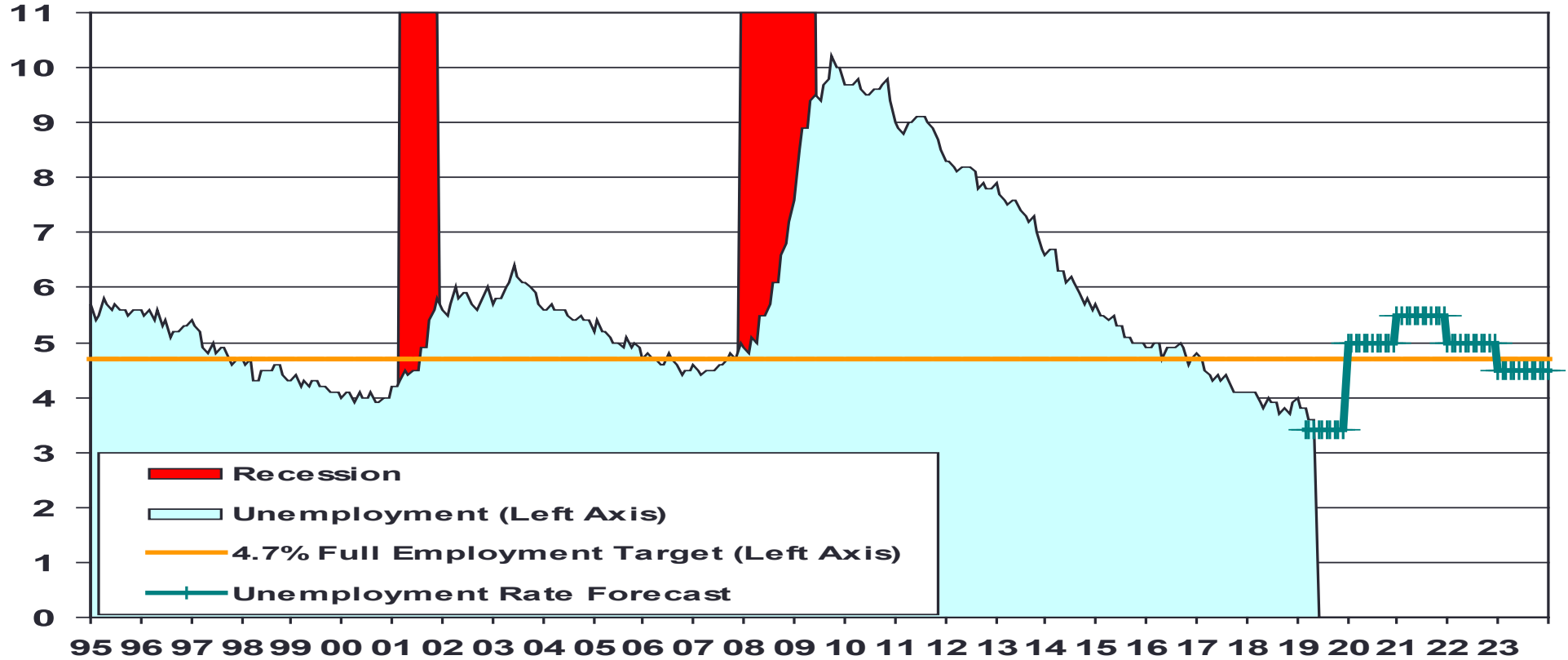
Unemployment & Delinquency Rates Rising in 2020

CU Delinquency Rate Versus Unemployment Rate



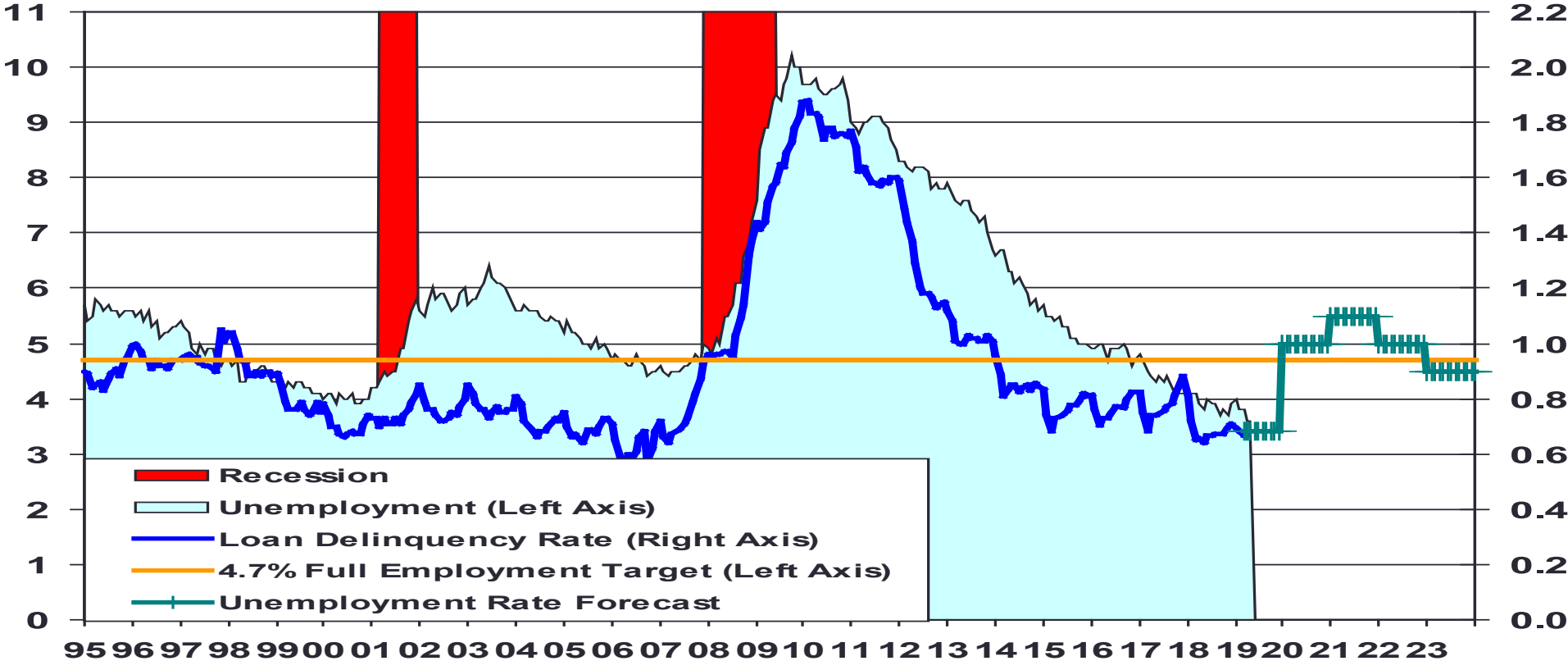
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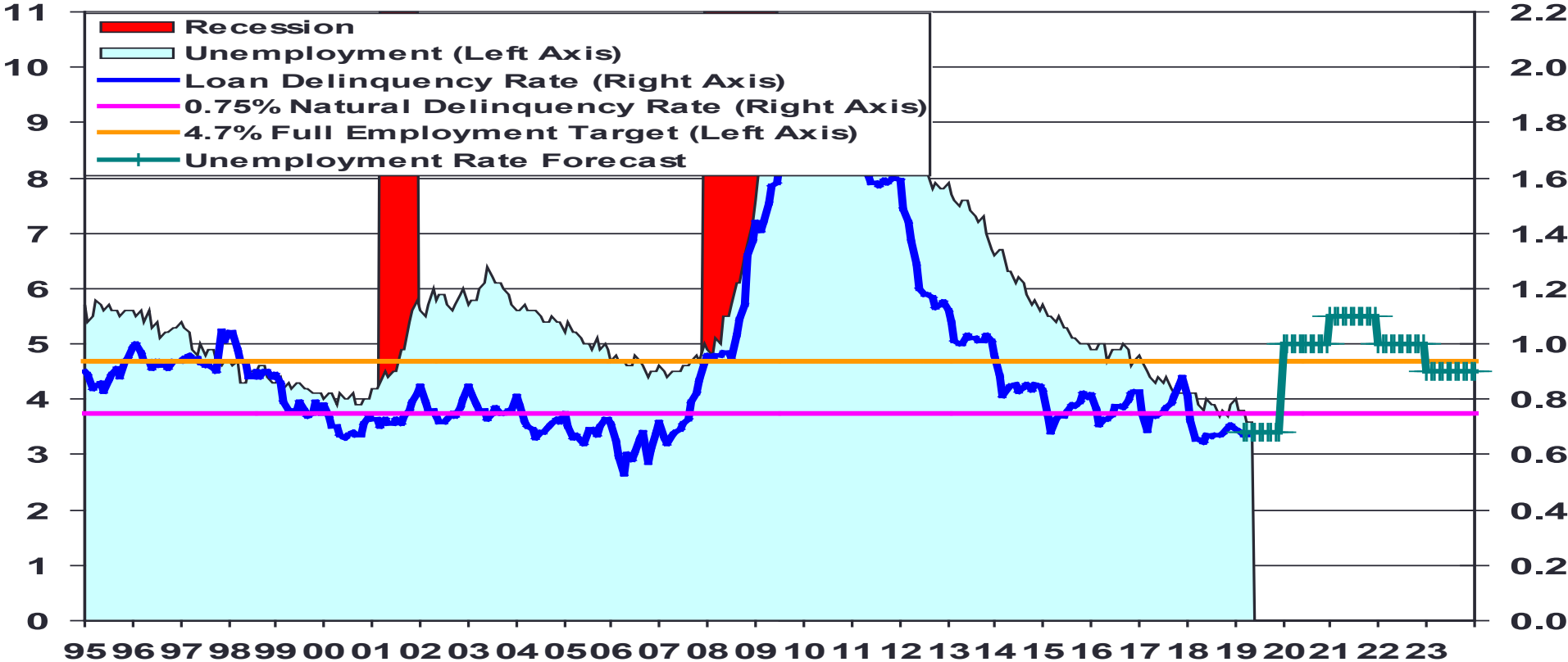
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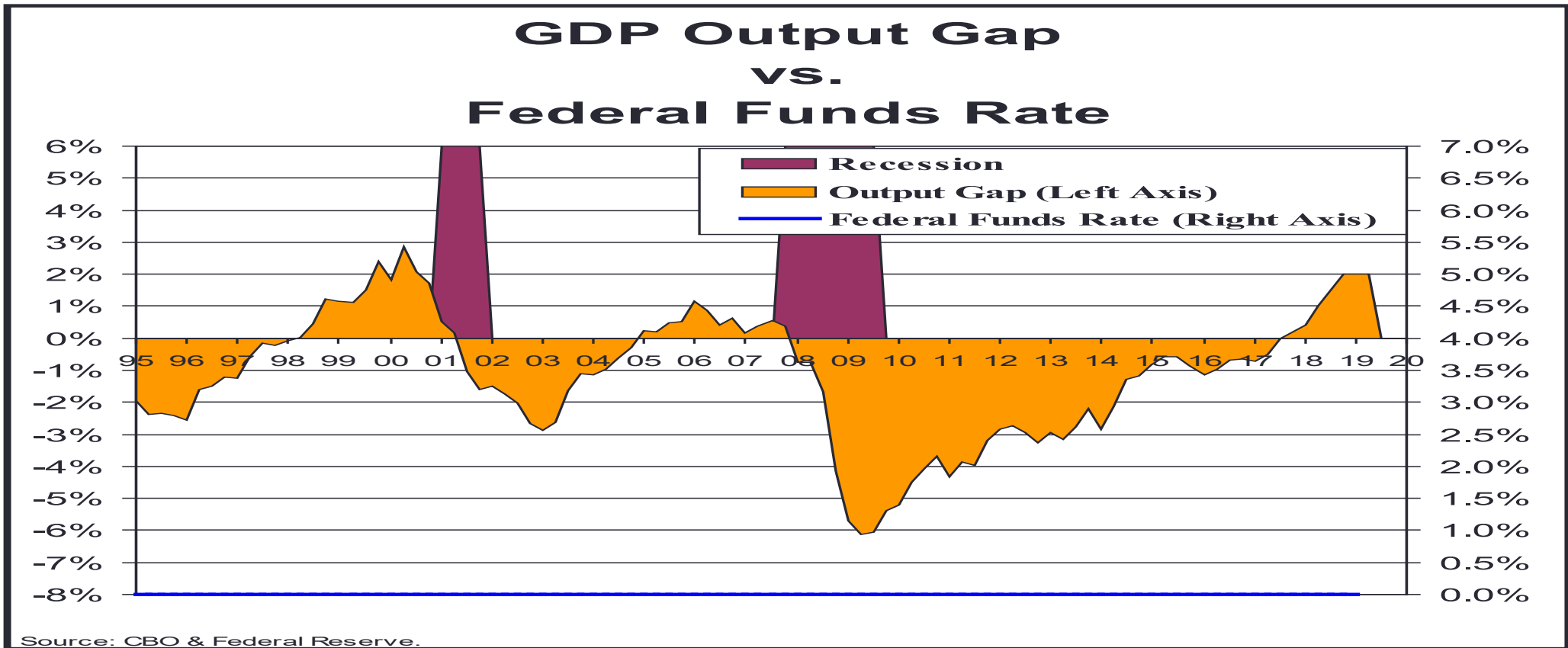
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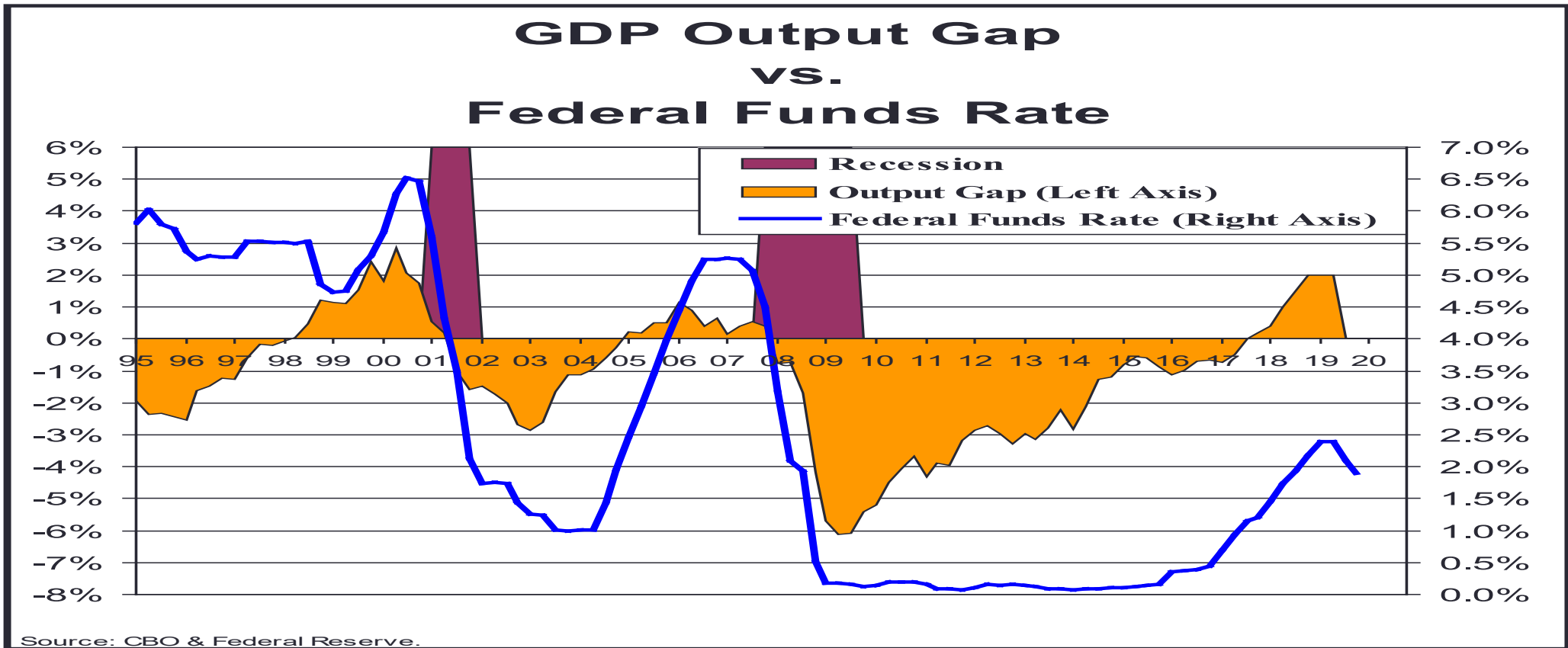
	Long-Run Equilibrium Goal	Actual
Inflation Rate	2%	1.8%
Unemployment Rate	5%	3.7%
Economic Output Gap	0%	2.0%

Positive GDP Output Gap in 2019 With the Economy Moving Above its Potential Level of Output



Source: CBO & Federal Reserve.

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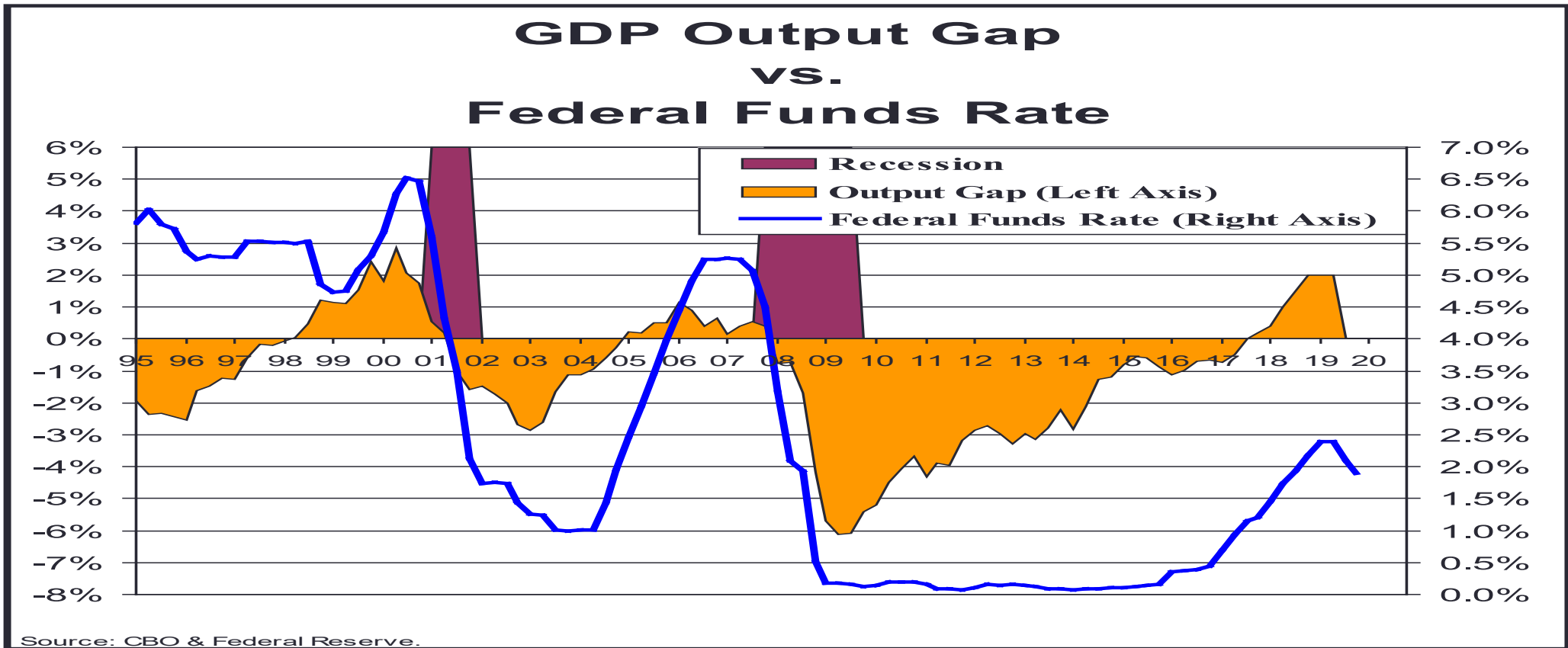
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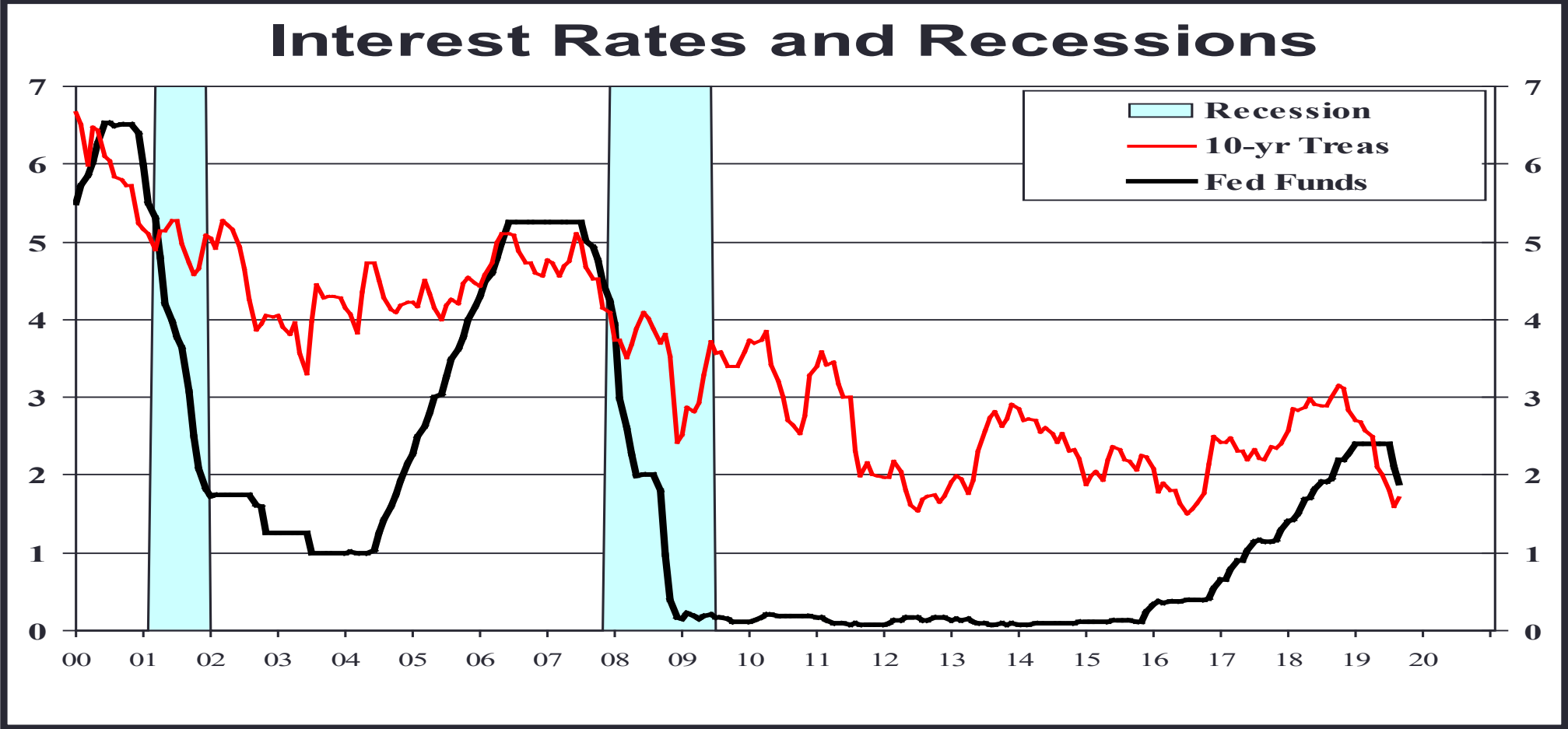
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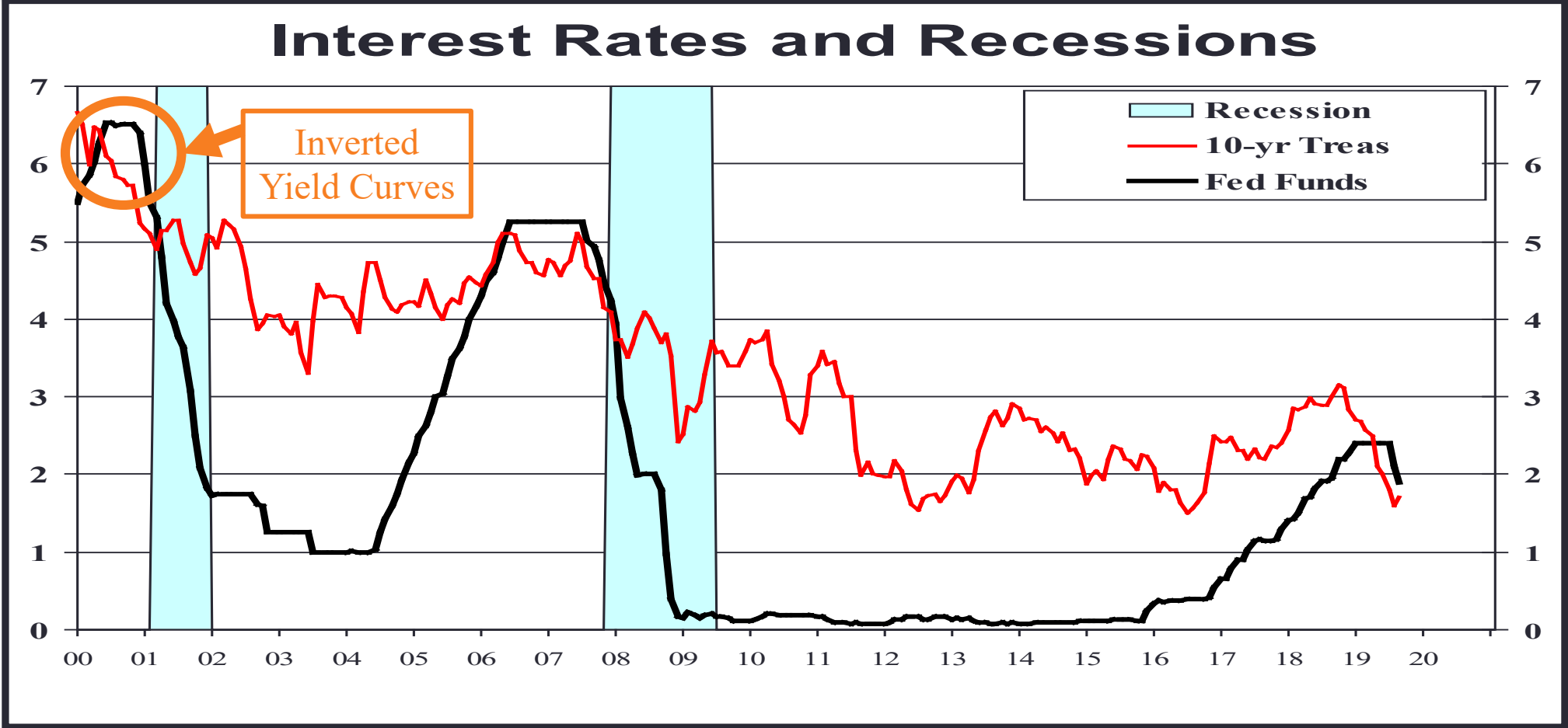
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Inflation Rate	2%	1.8%
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Fed Funds Interest Rate	2.5%	1.9%
10-Year Treasury Rate	4%	1.6%

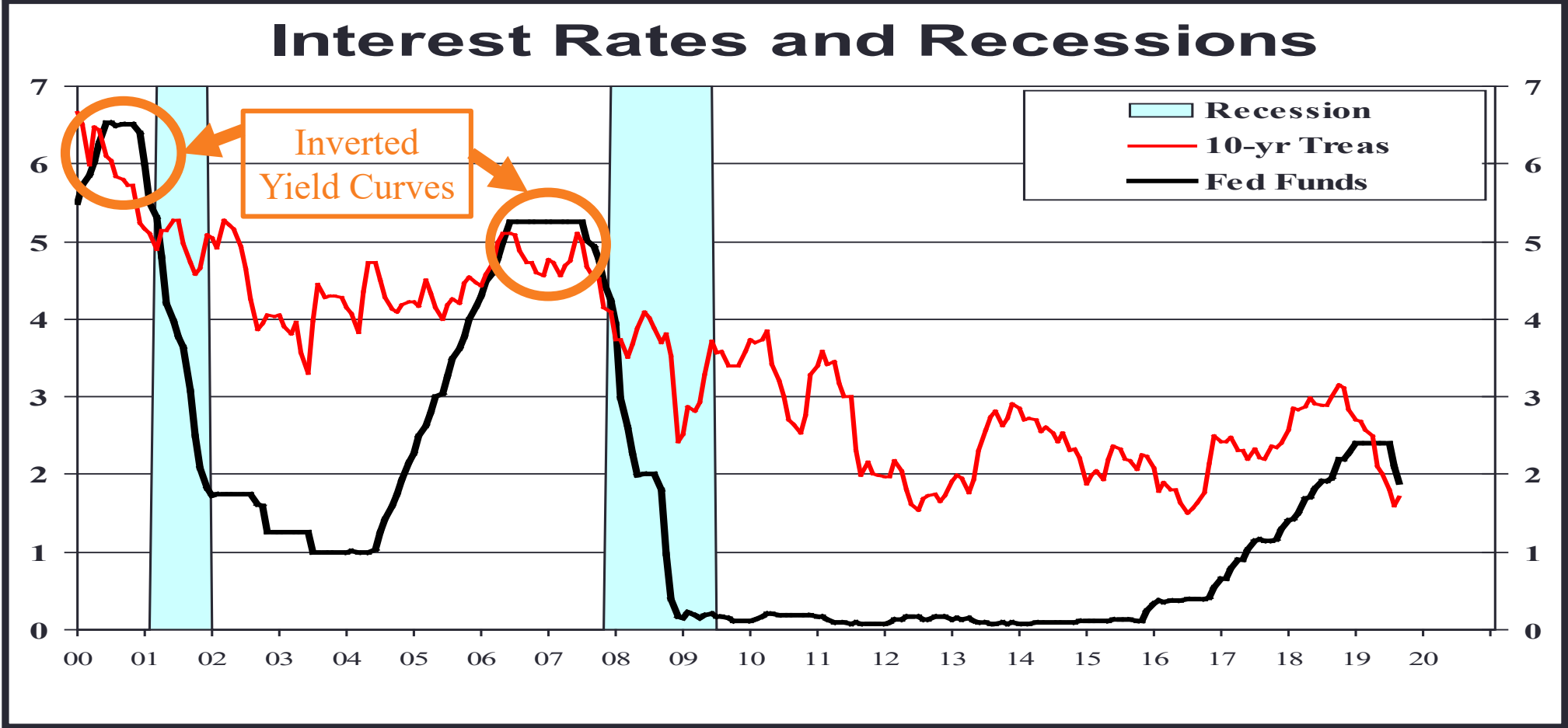
Inverted Yield Curves Herald Recessions in 9 Months



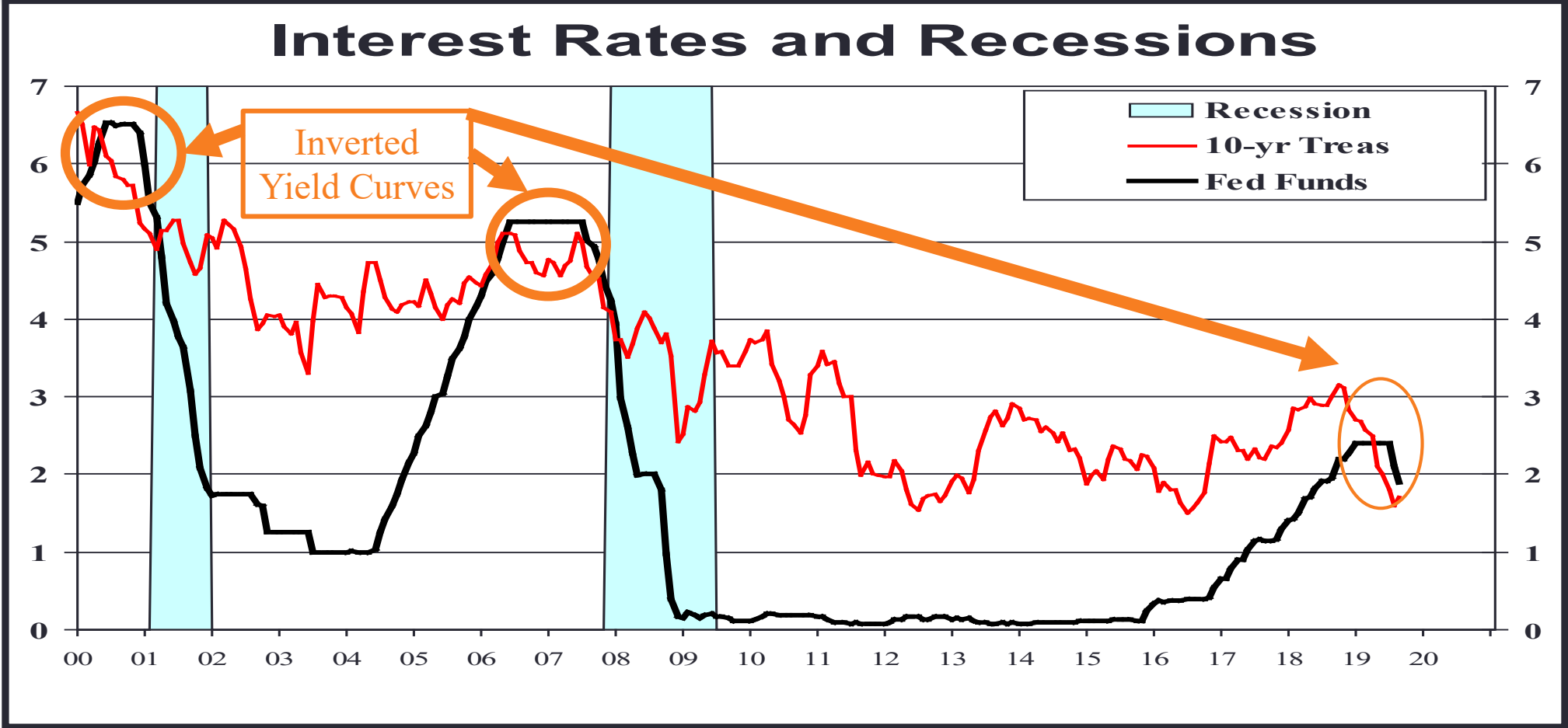
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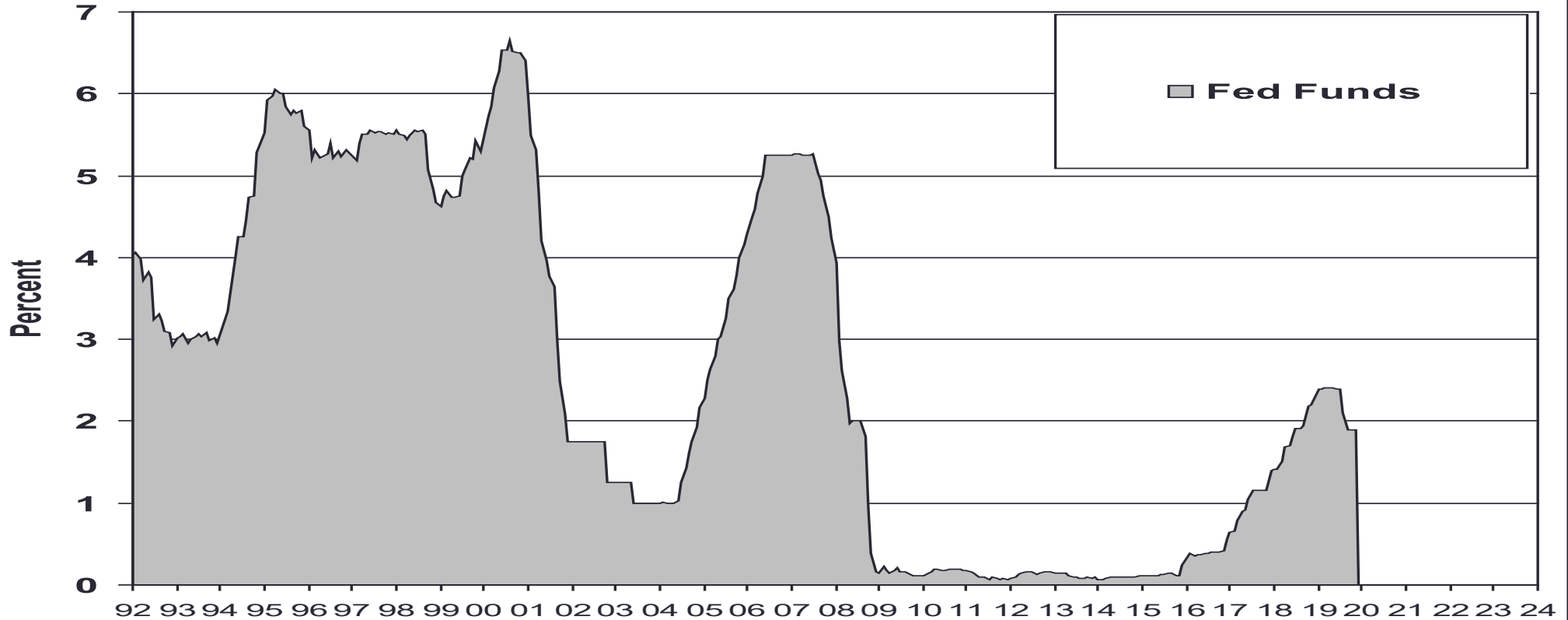


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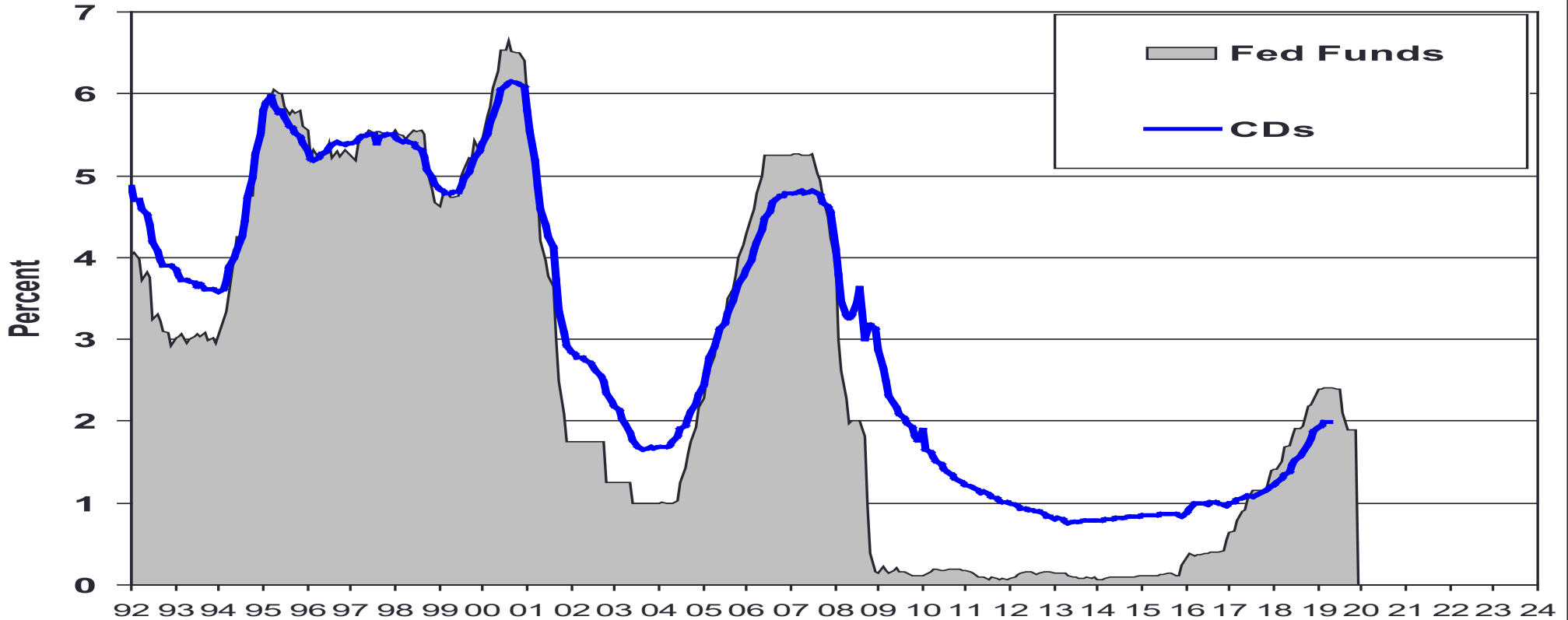
Deposit Pricing and the Fed Funds Rate

Deposit Interest Rates versus Fed Funds



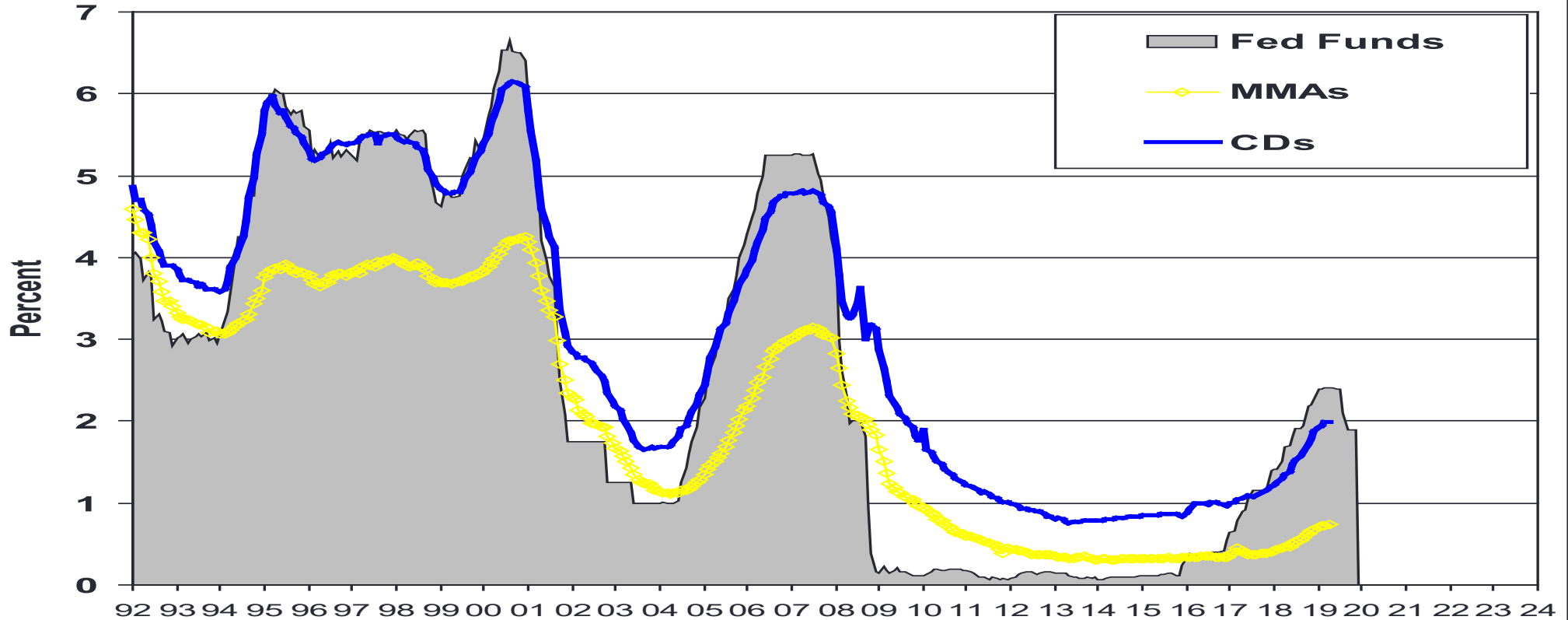
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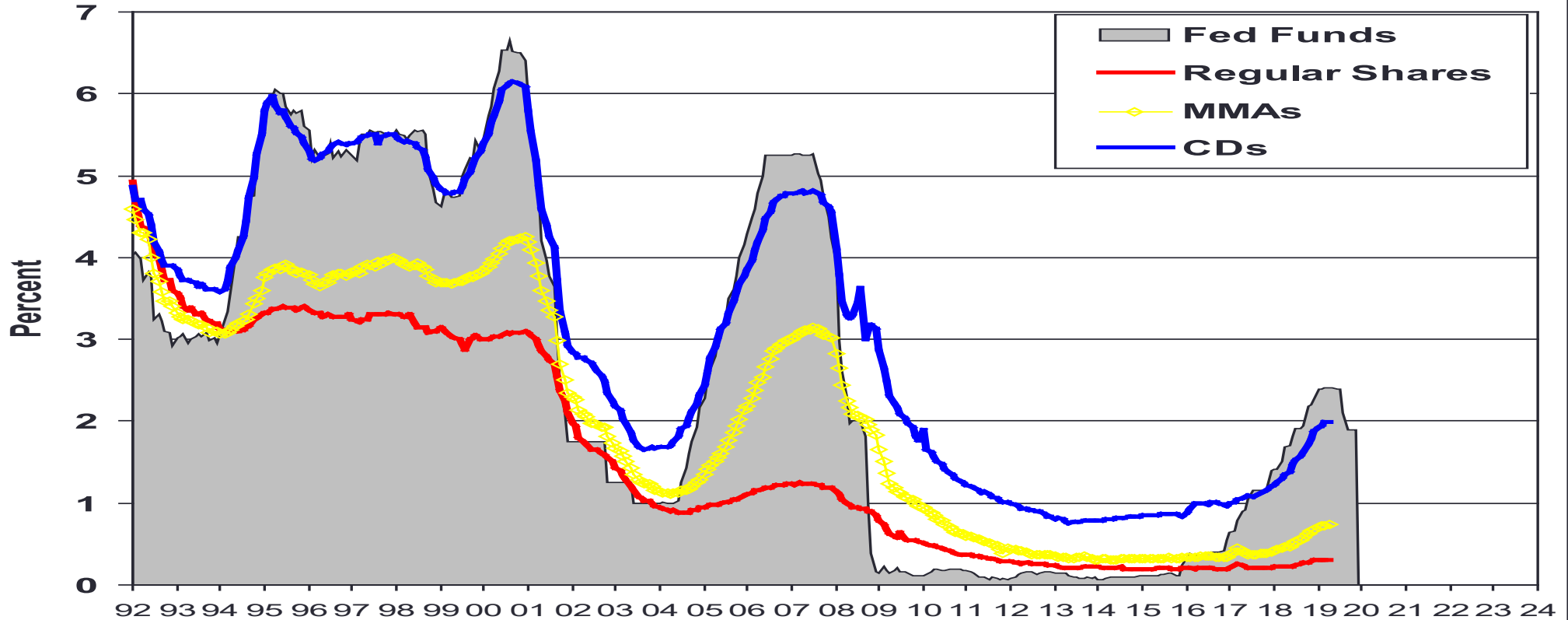
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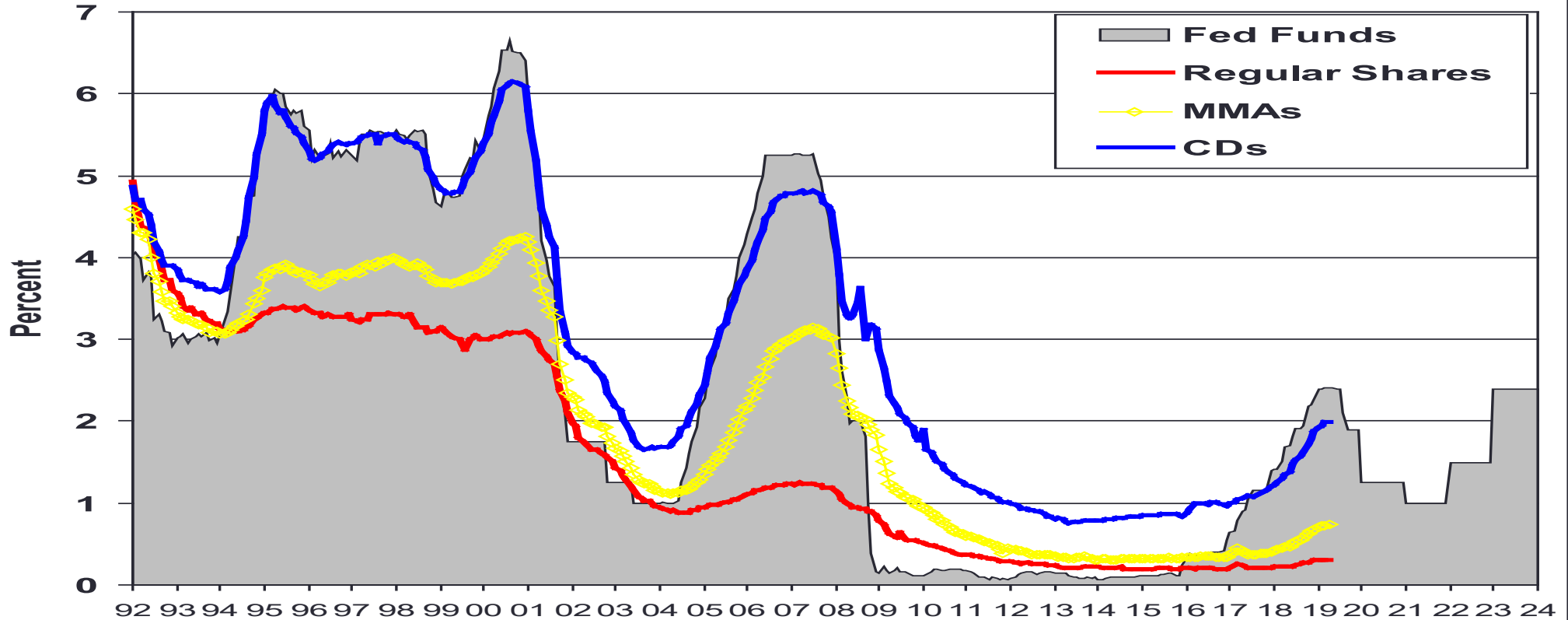
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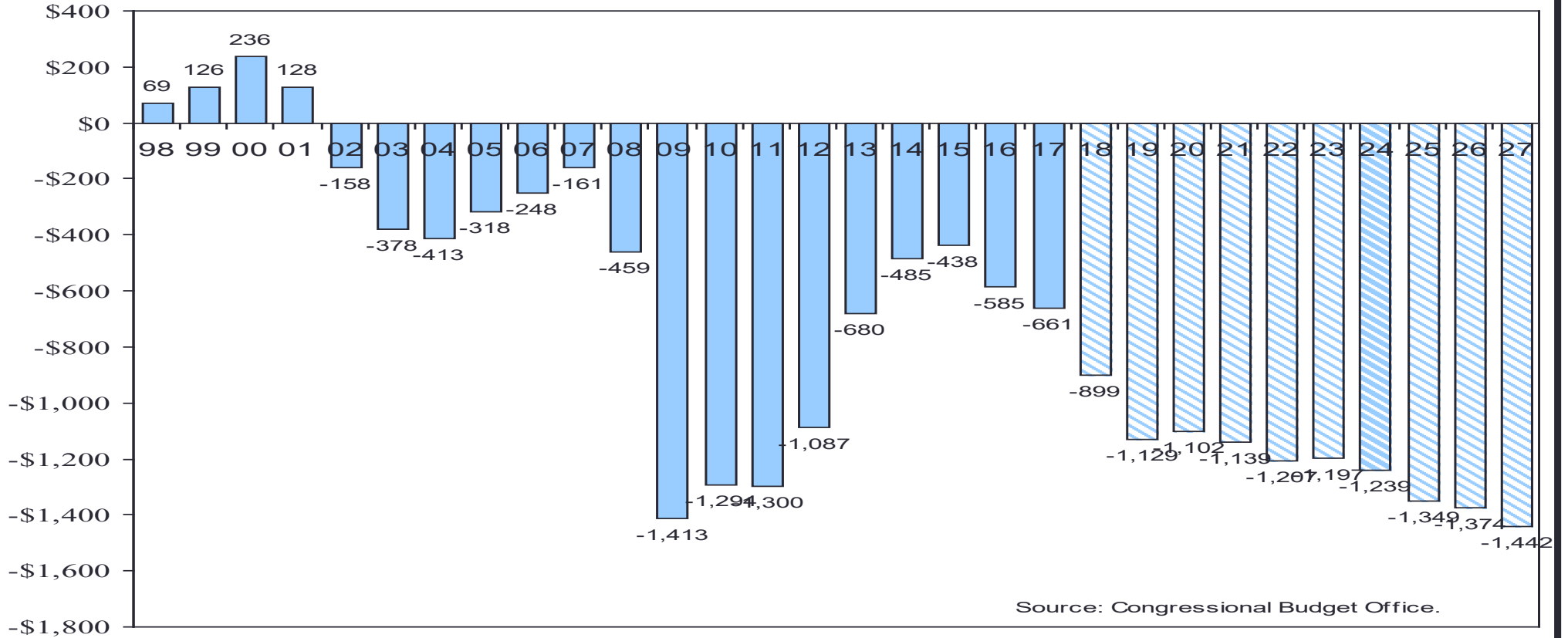
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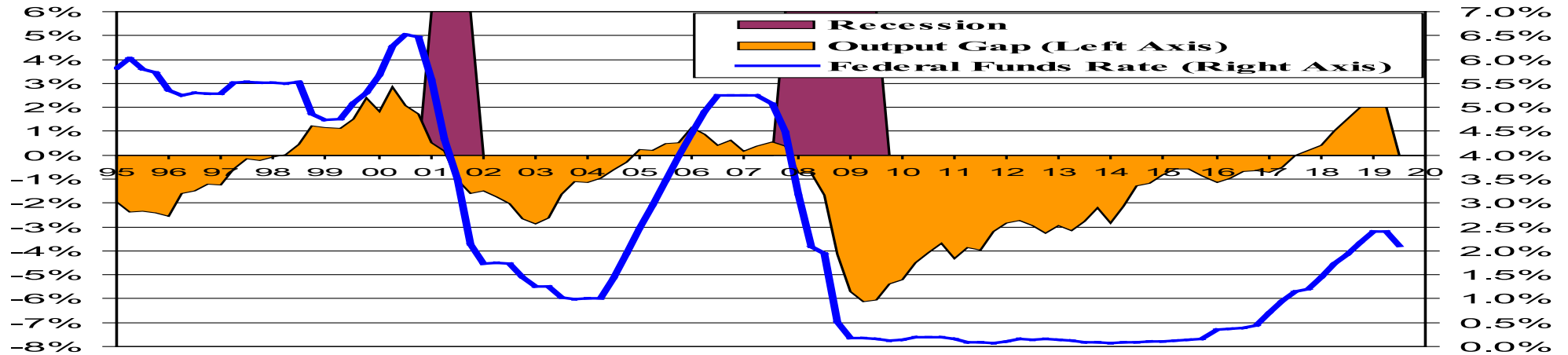
Rising Deficits

Federal Government Surplus/Deficit (Billions of Dollars)



What causes Recessions?

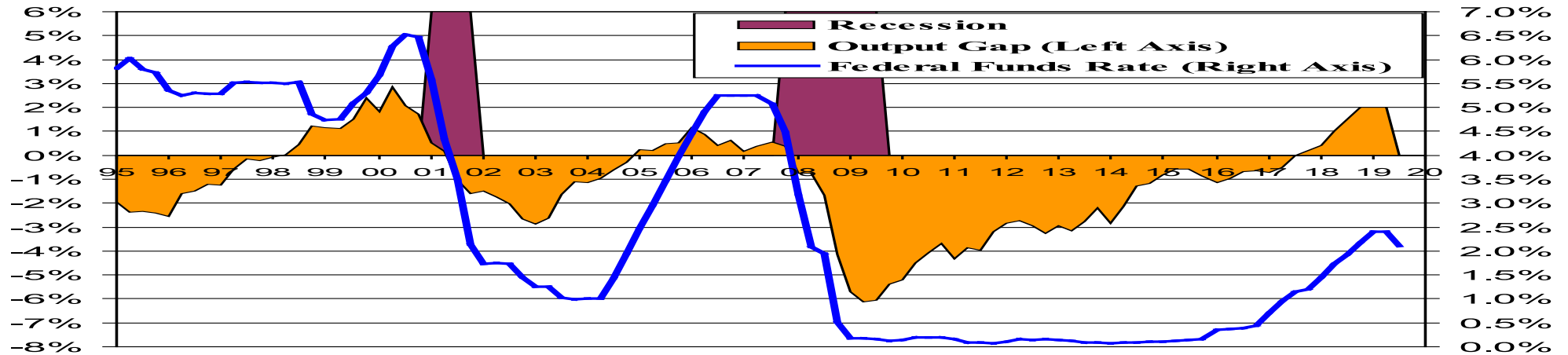
GDP Output Gap vs. Federal Funds Rate



What causes Recessions?

Necessary condition: Overheating economy:

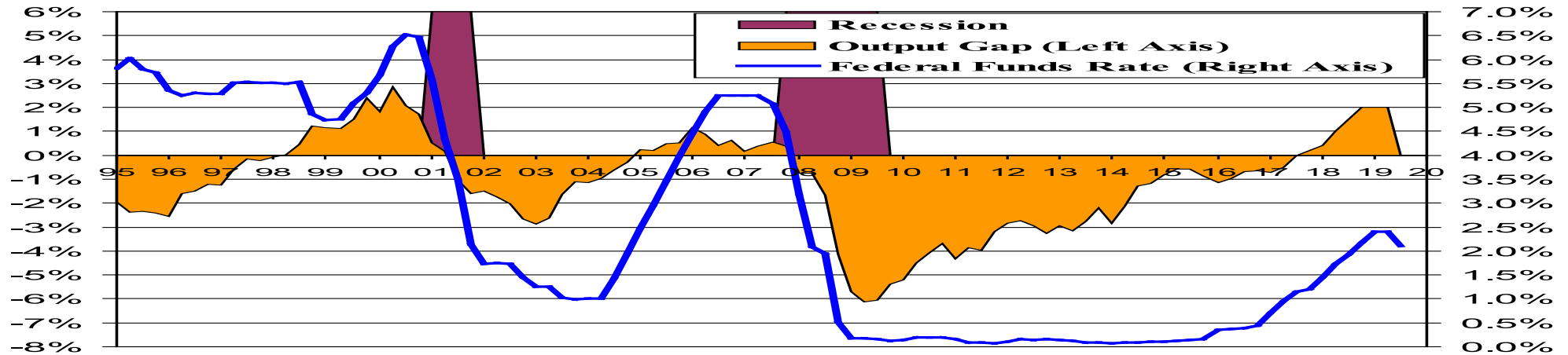
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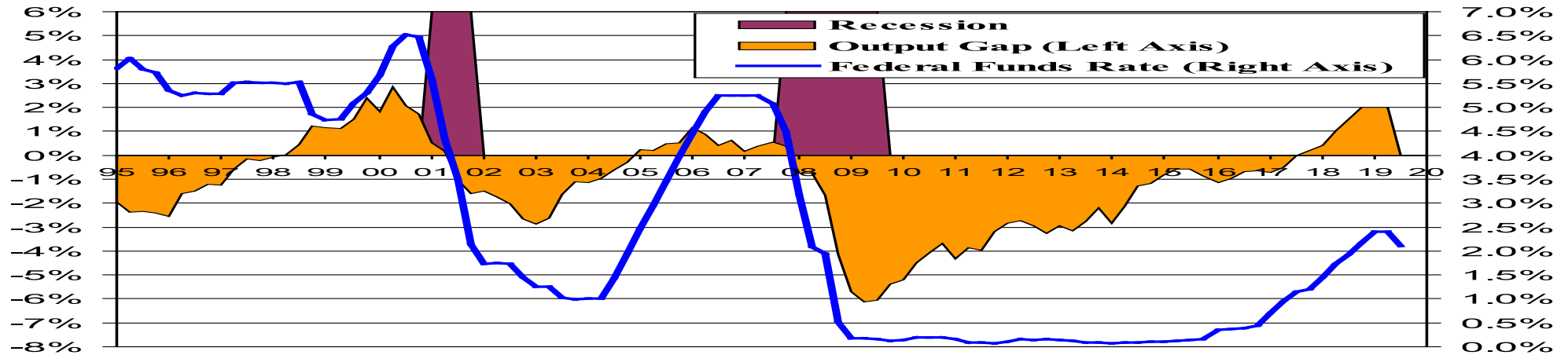


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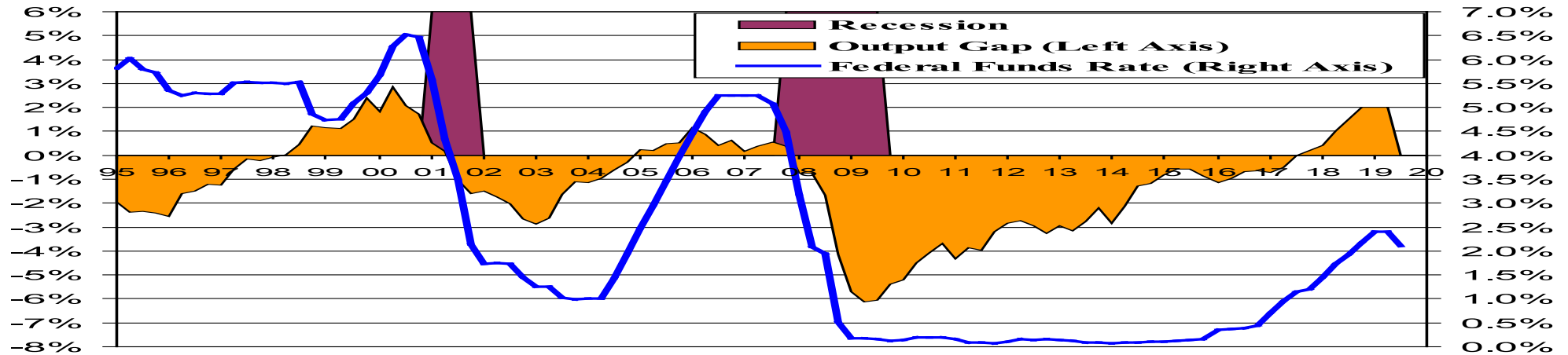


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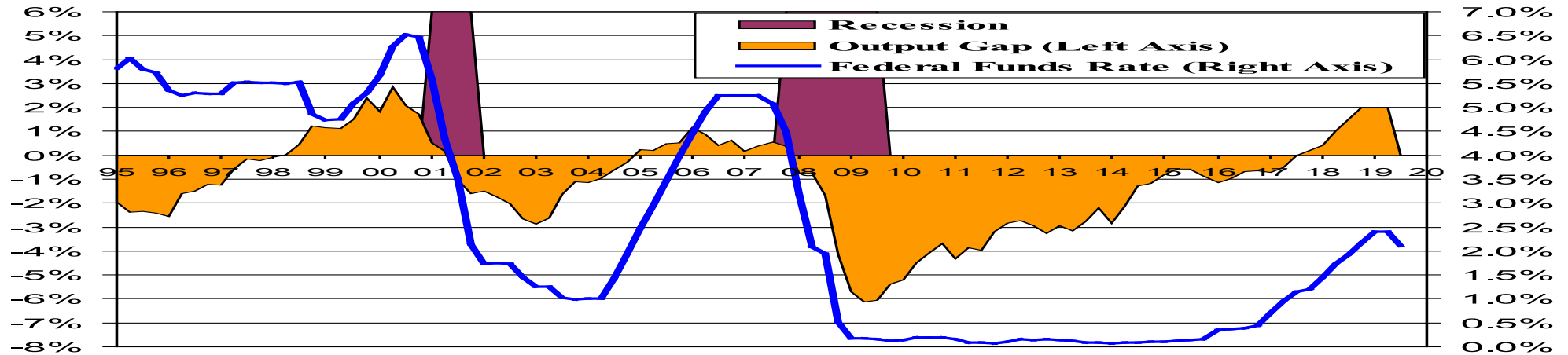


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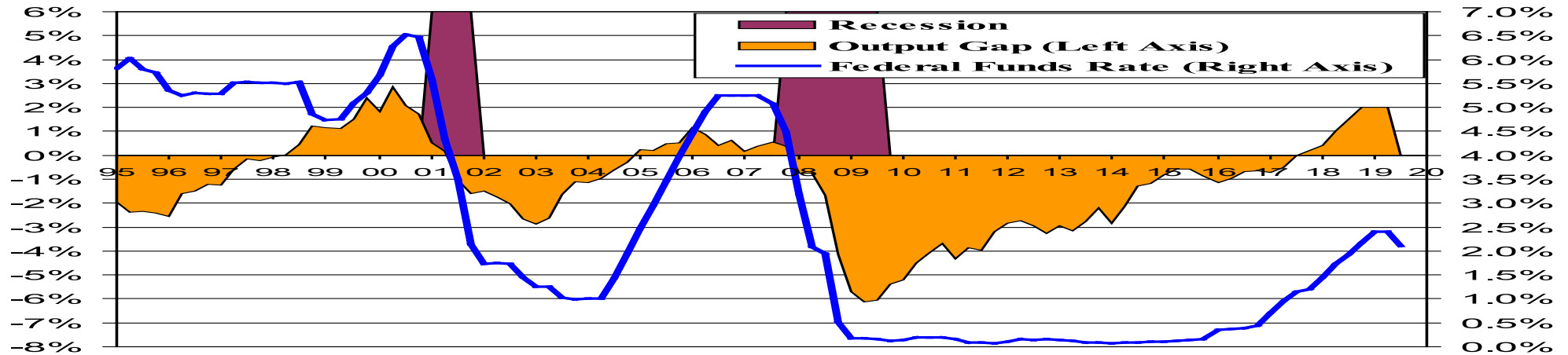


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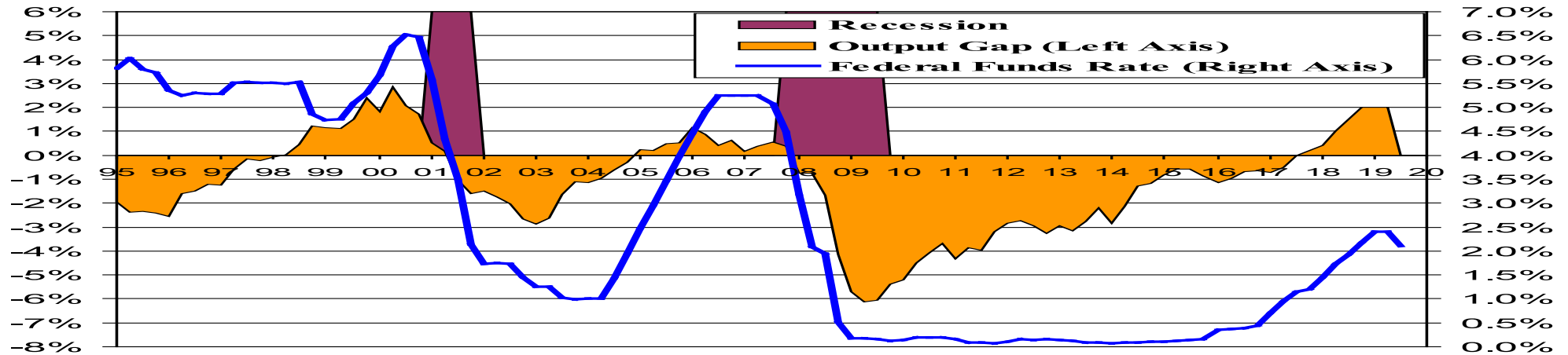


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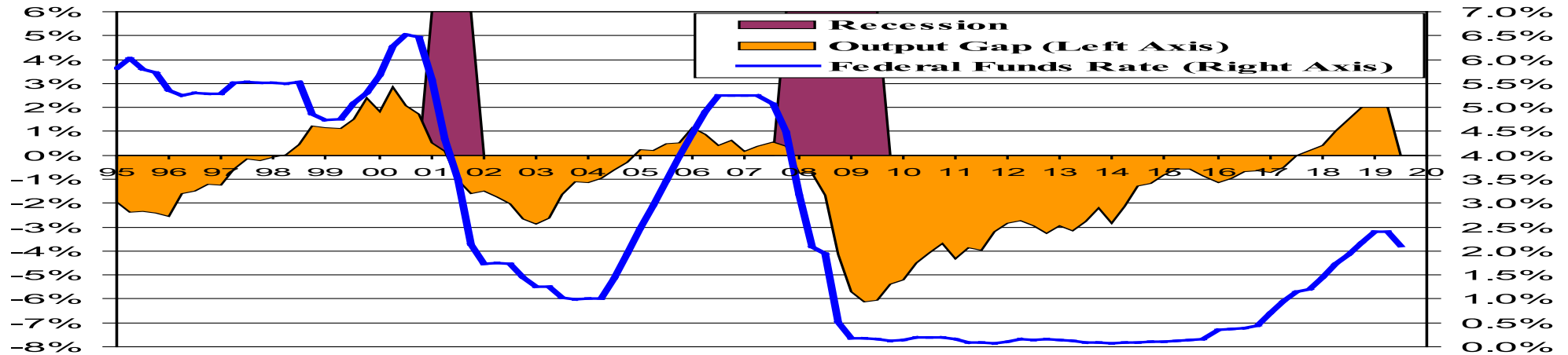


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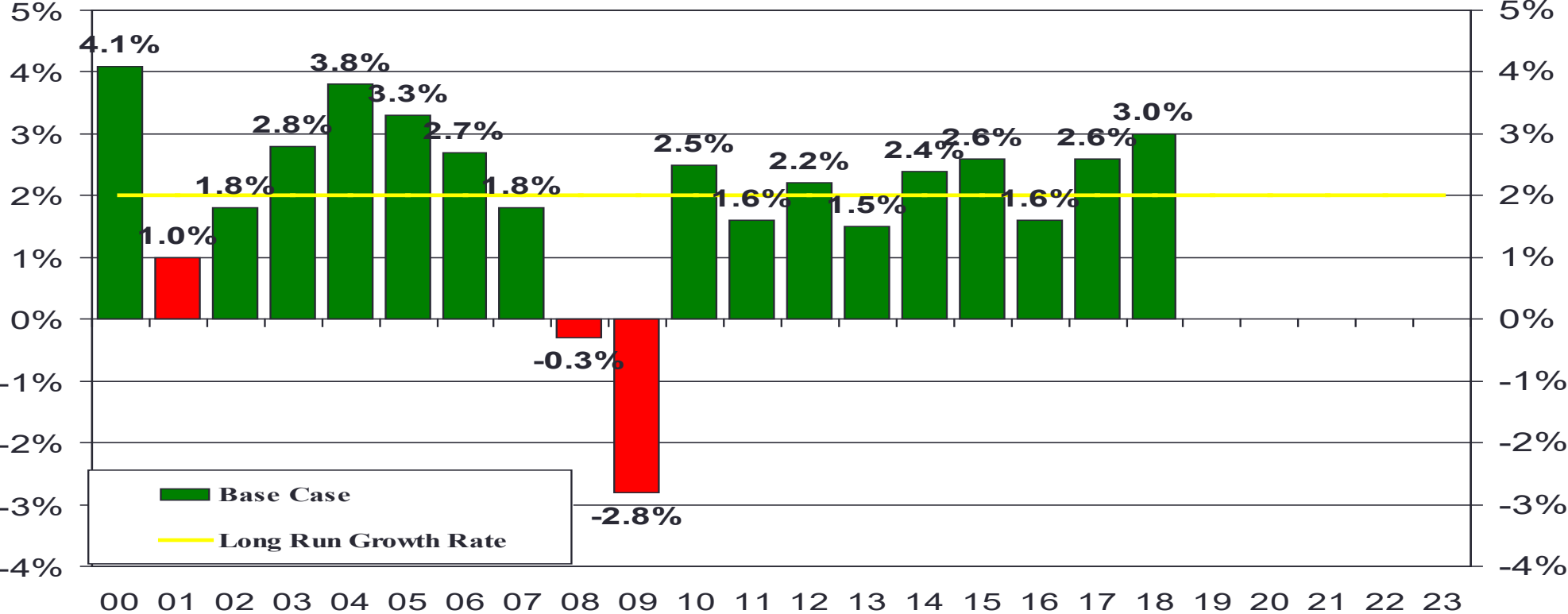
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4. High Inventories => inventory correction

**GDP Output Gap
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Federal Funds Rate**



Slower Economic Growth in 2019, around 2.3%, and 0.5% in 2020

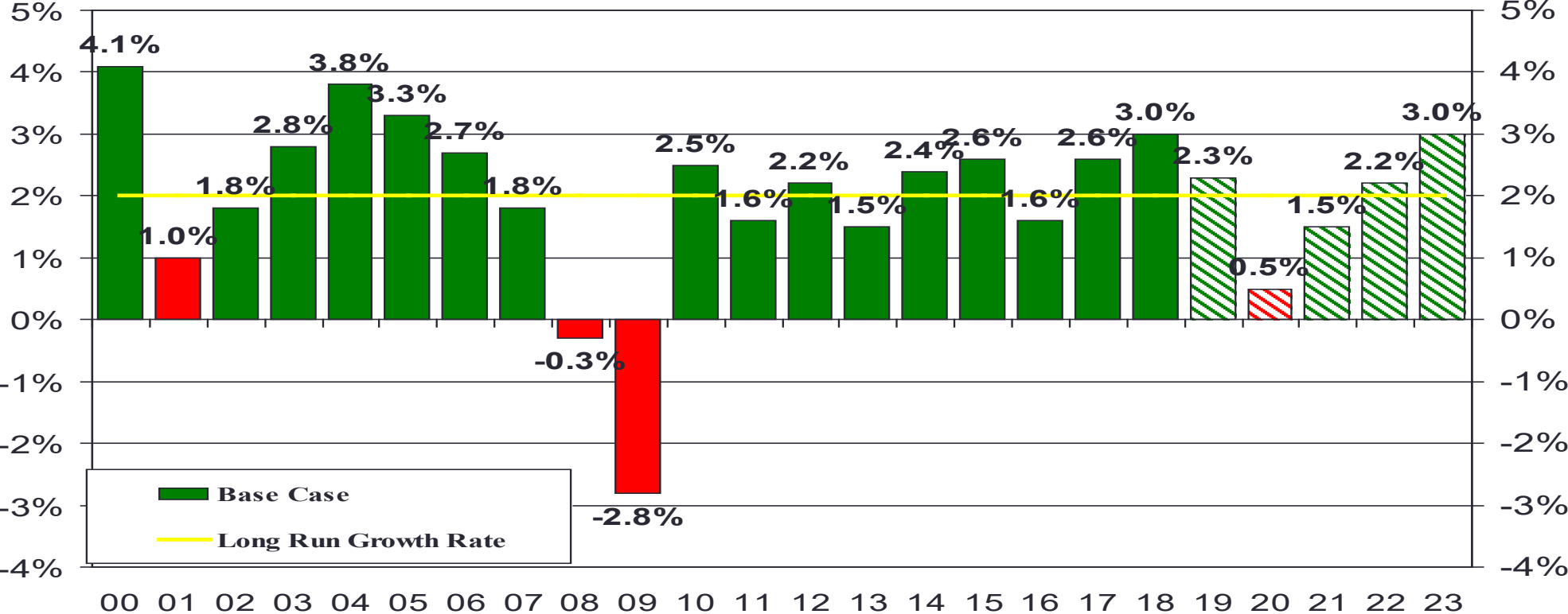
U.S. Economic Growth Rate



Source: Department of Commerce.

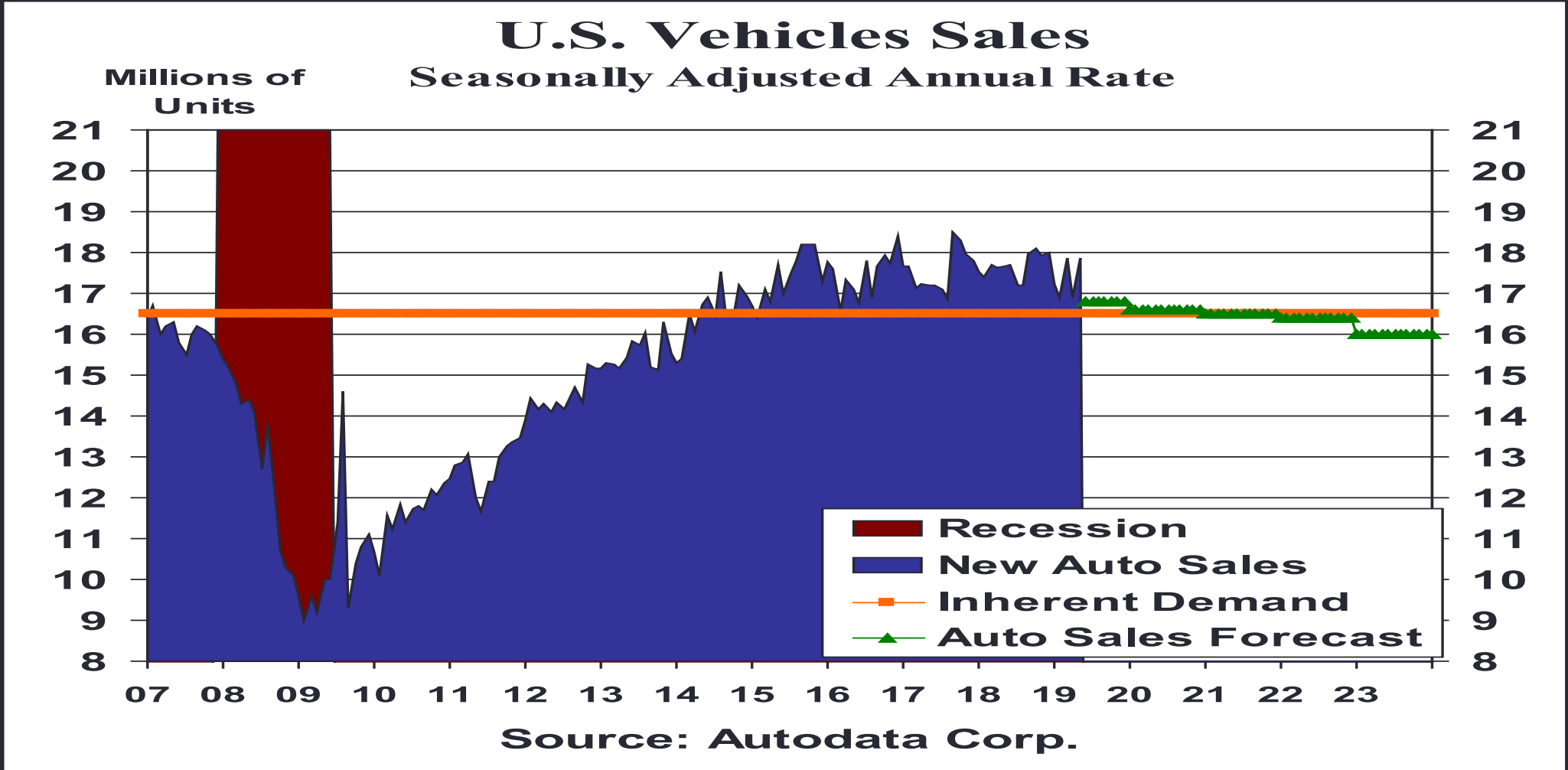
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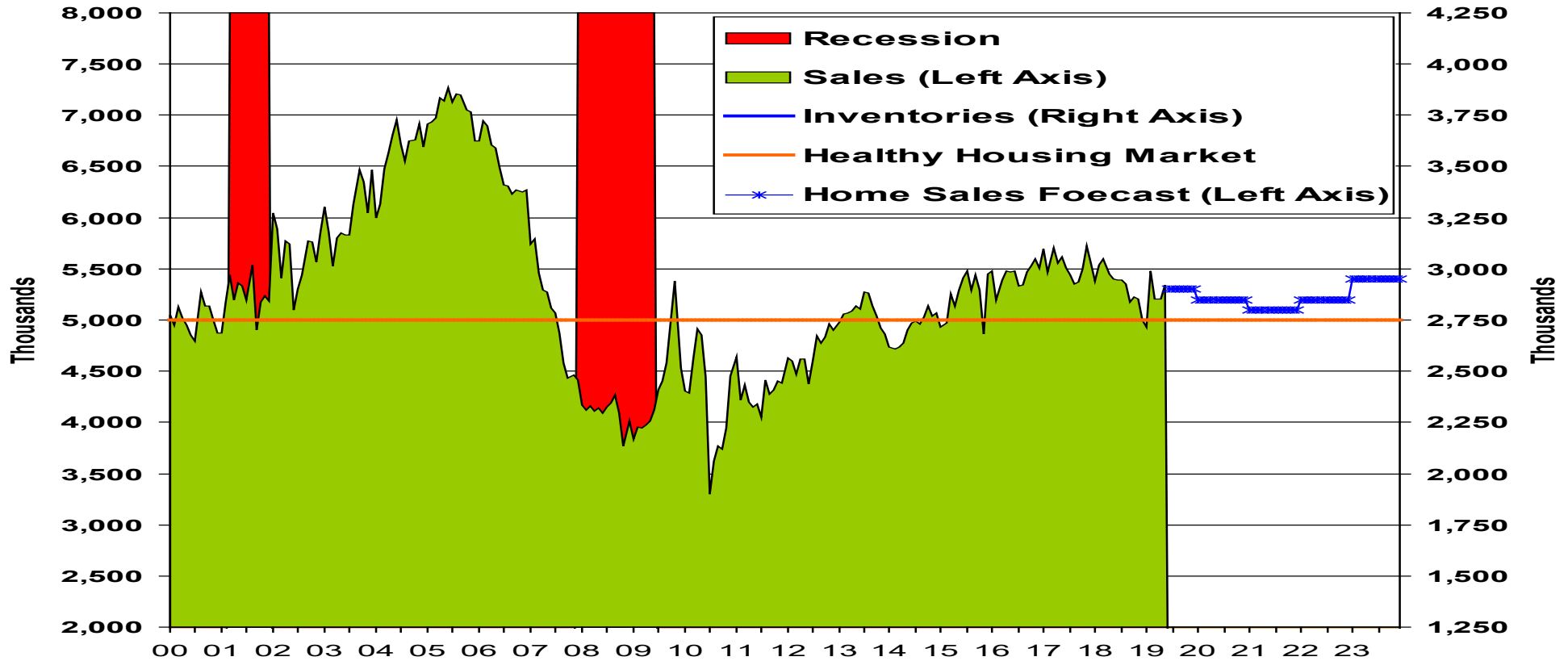
Source: Department of Commerce.

Slowing New Vehicle Sales: 16.8 million in 2019, to 16.0 million by 2023

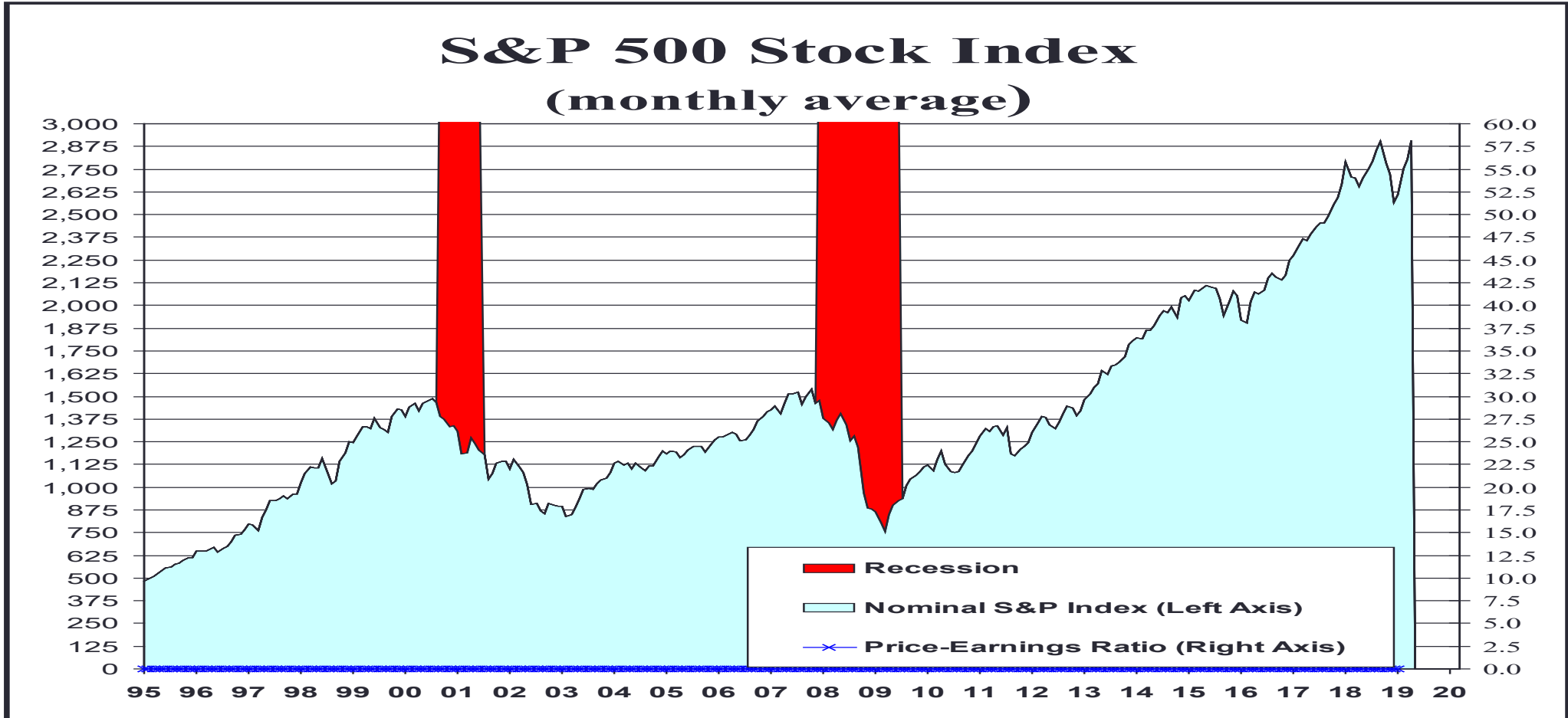


Home Sales will Decelerate through 2021

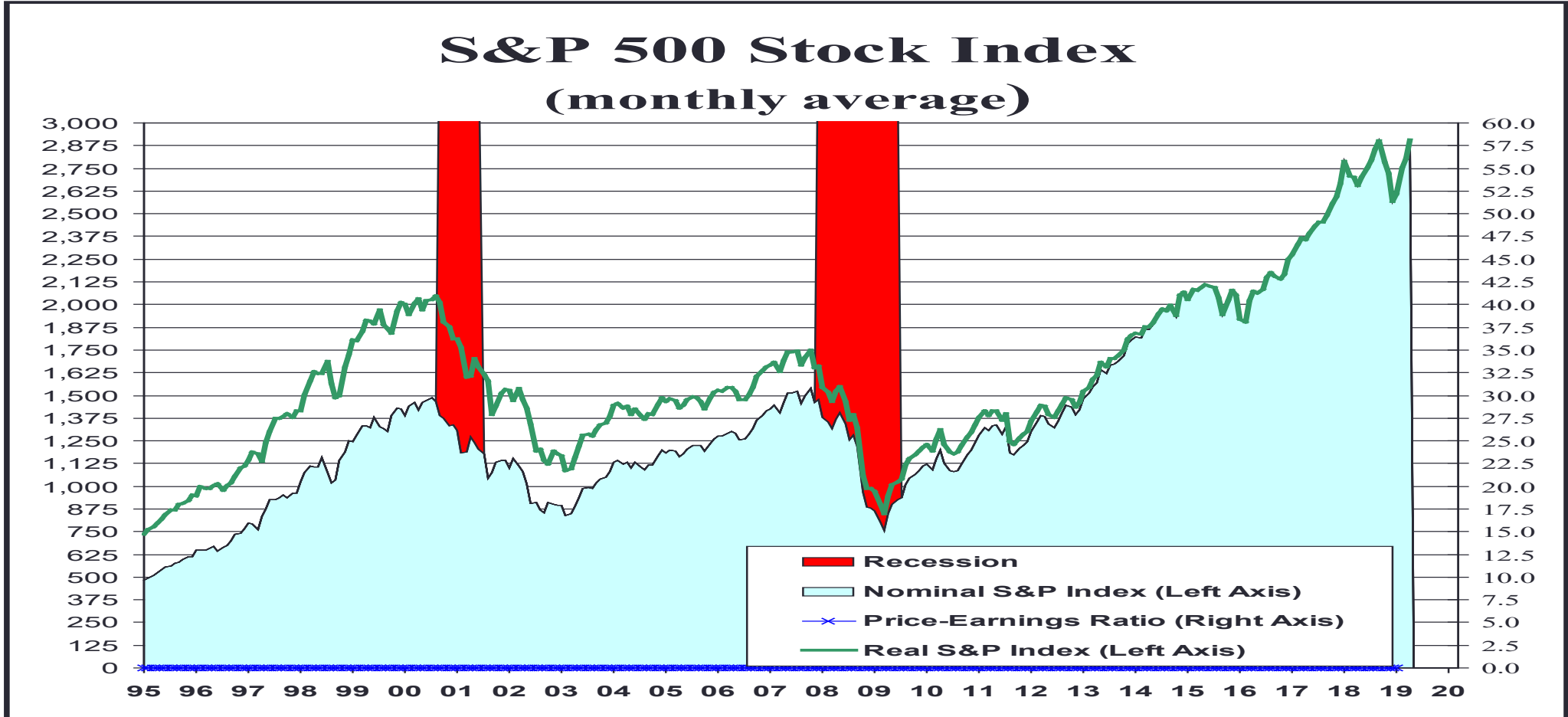
Existing Home Sales (annual rate) & Inventories



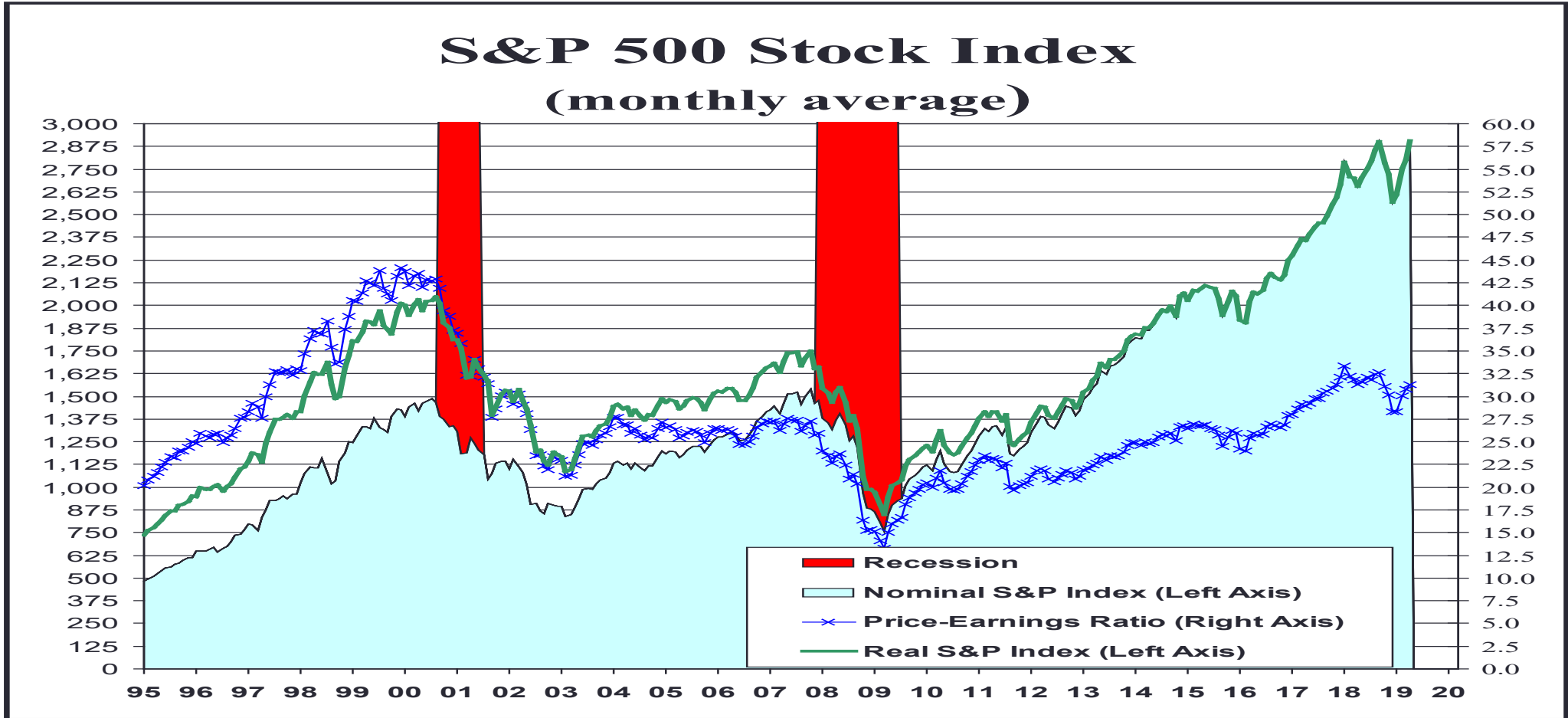
High Stock Prices Producing “Wealth Effect” among High-Income Households



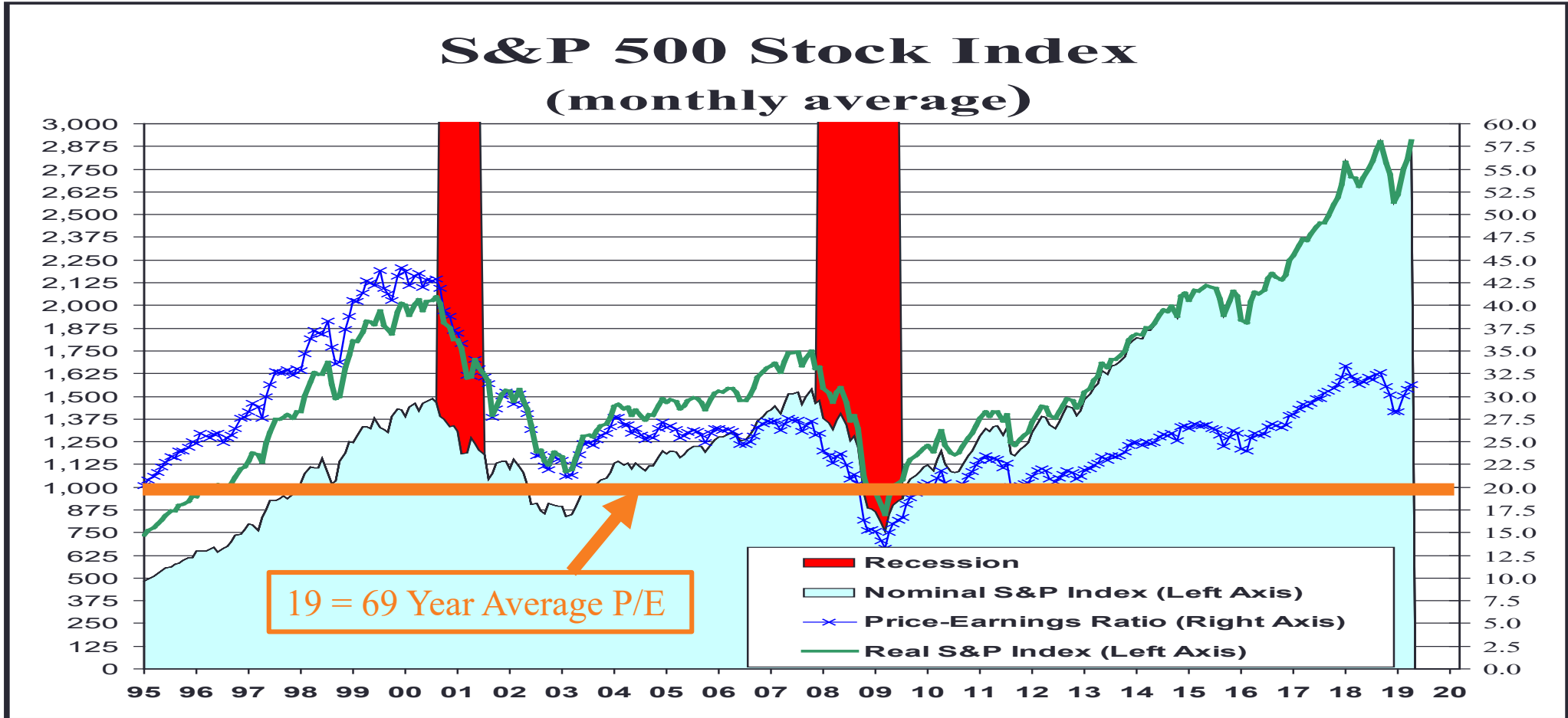
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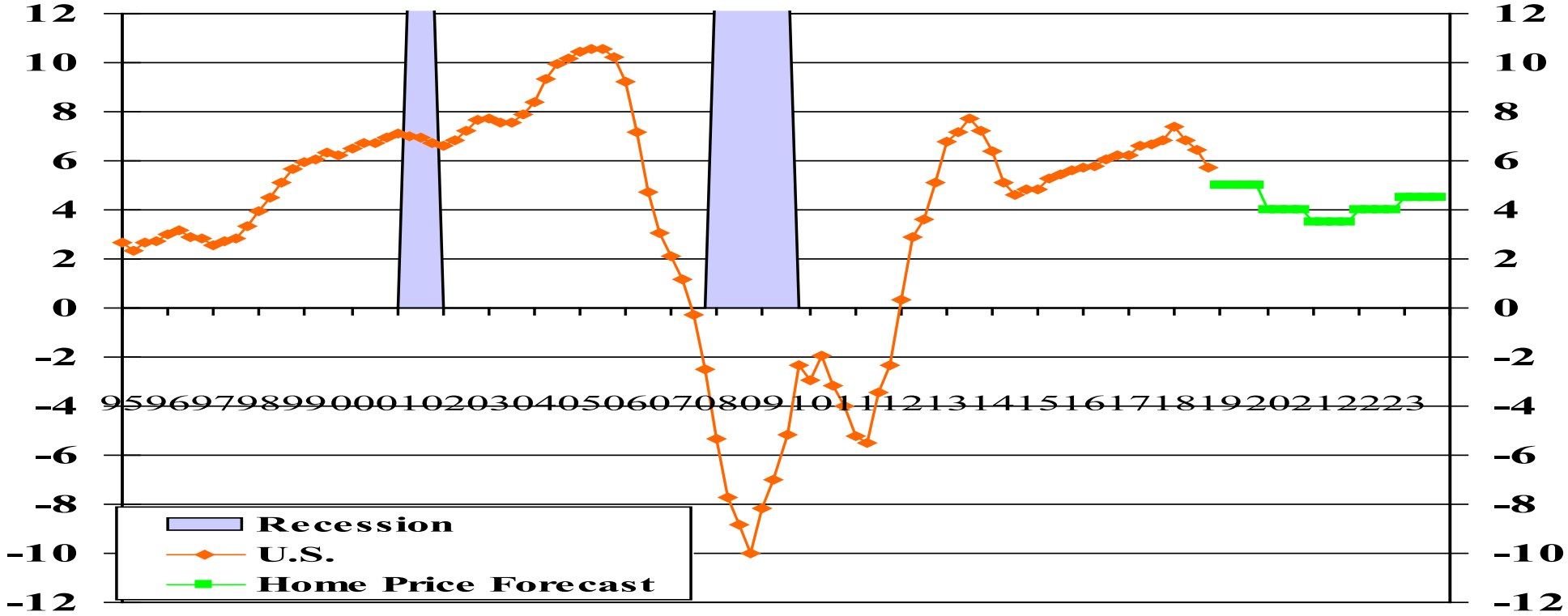


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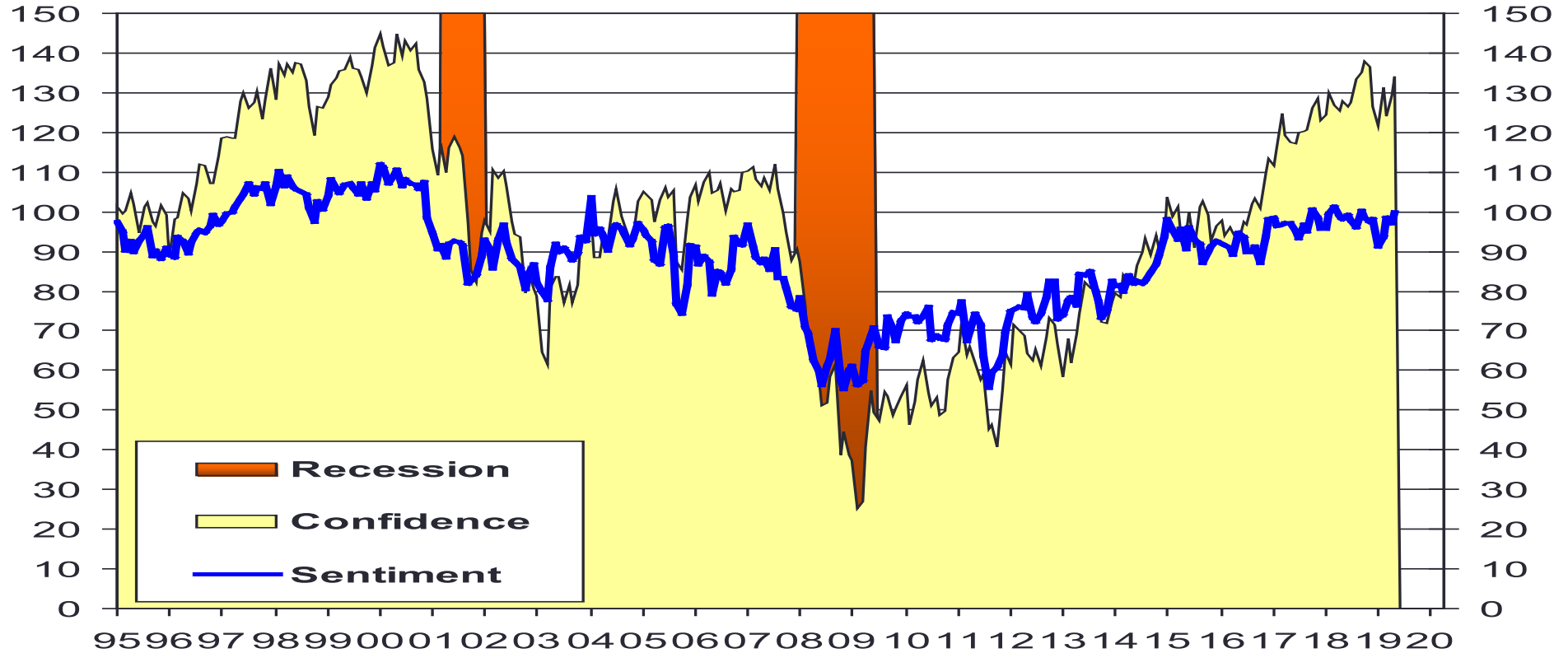
Home Price Growth will Slow to 3.5% by 2021, from 5% Today

OFHEO House Price Index (4-Qtr Percent Change)

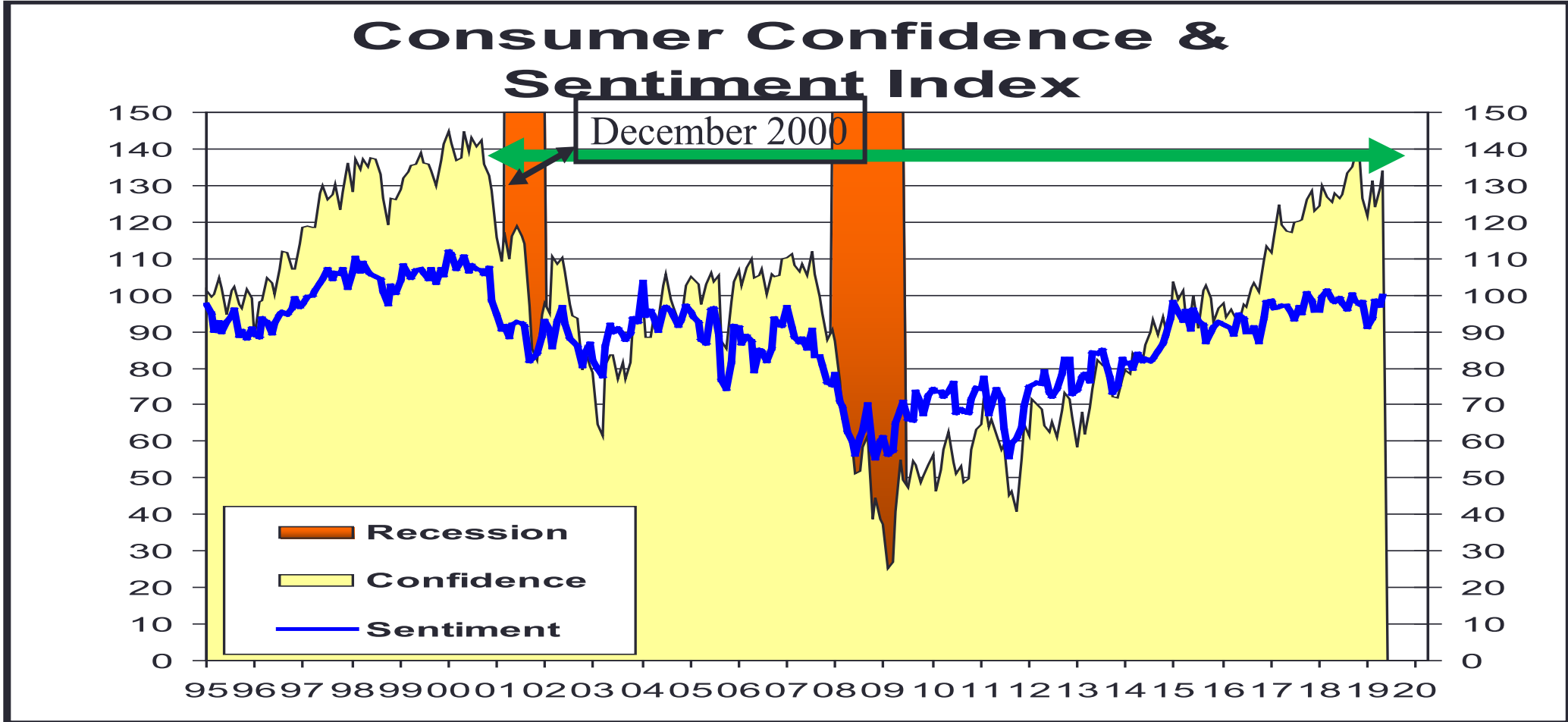


Confidence at 19 year Highs

Consumer Confidence & Sentiment Index



Confidence at 19 year Highs



Optimism:

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8. tax cuts.

Economic Truism

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**Balance
Sheets**

Economic Truism

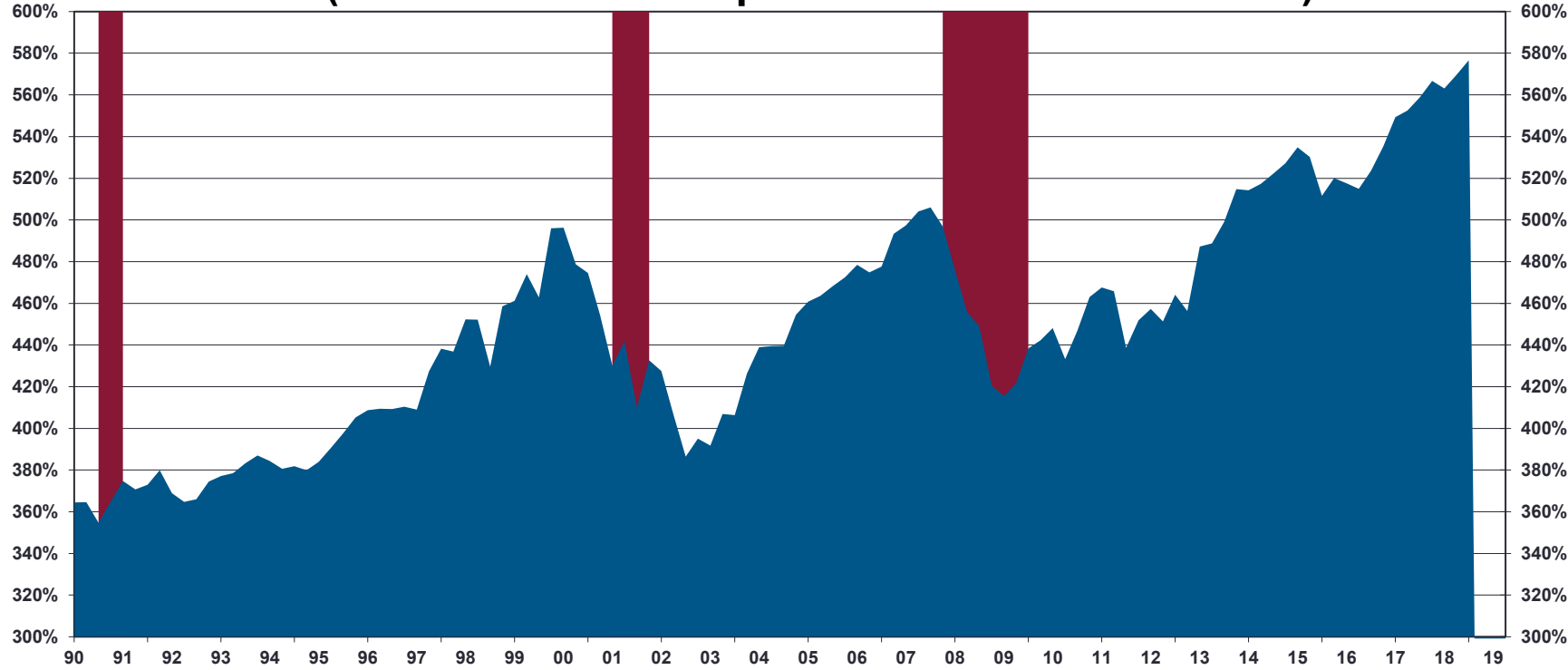
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**Balance
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**Income
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Household Financial Assets are at Historical Highs Relative to Income

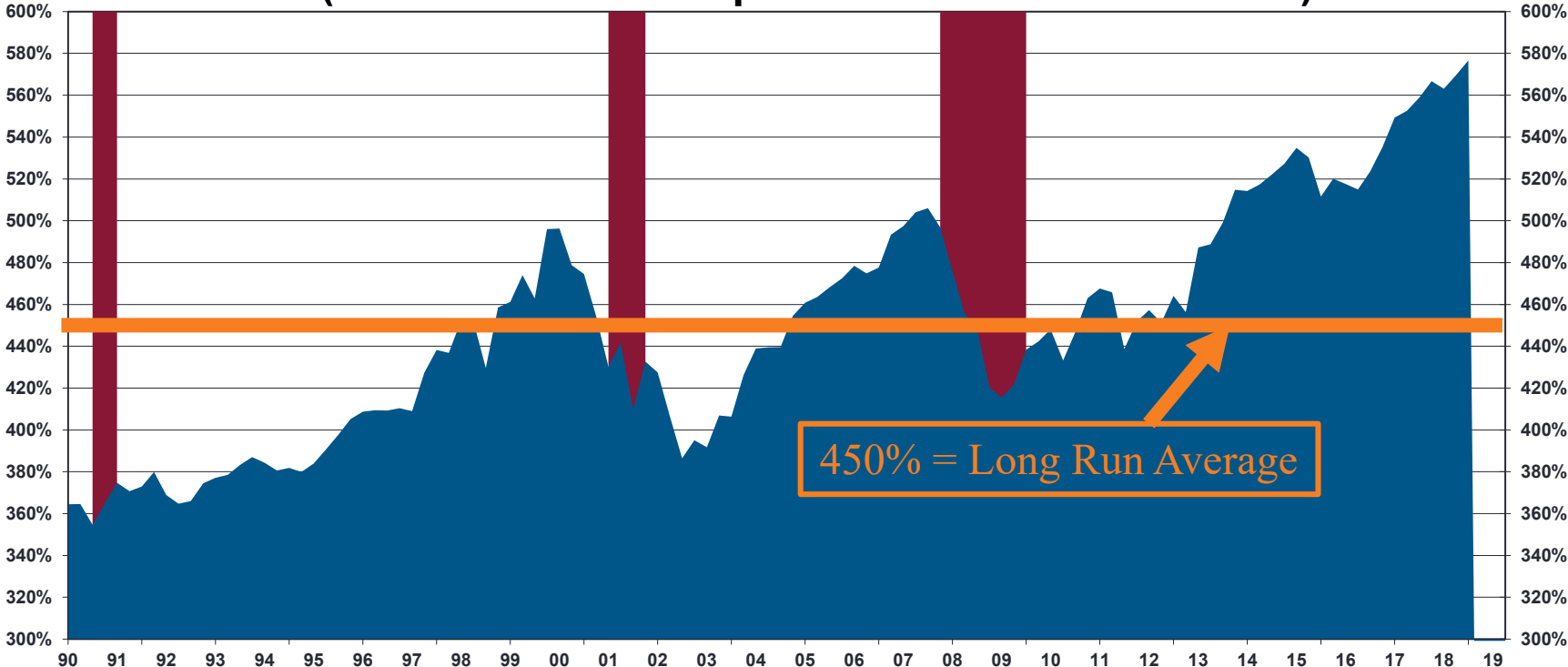
Household Financial Assets (As a Percent of Disposable Household Income)



Source: BEA & Federal Reserve

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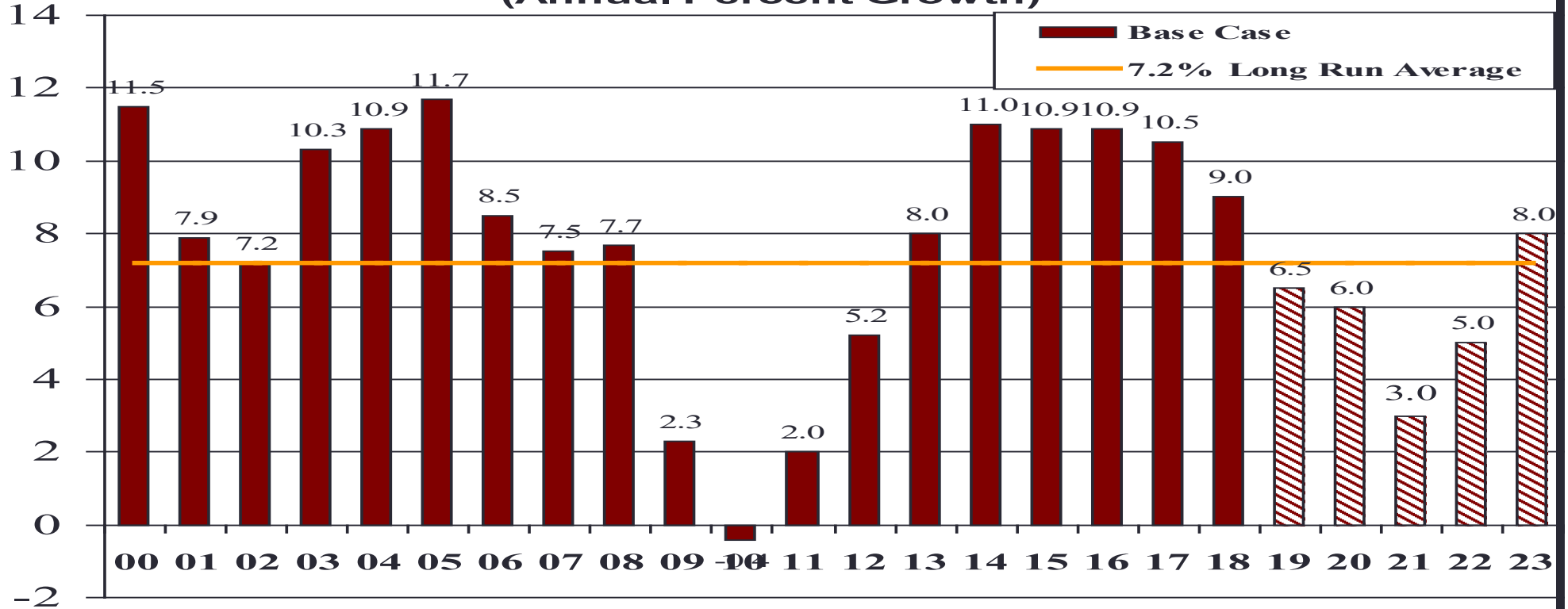
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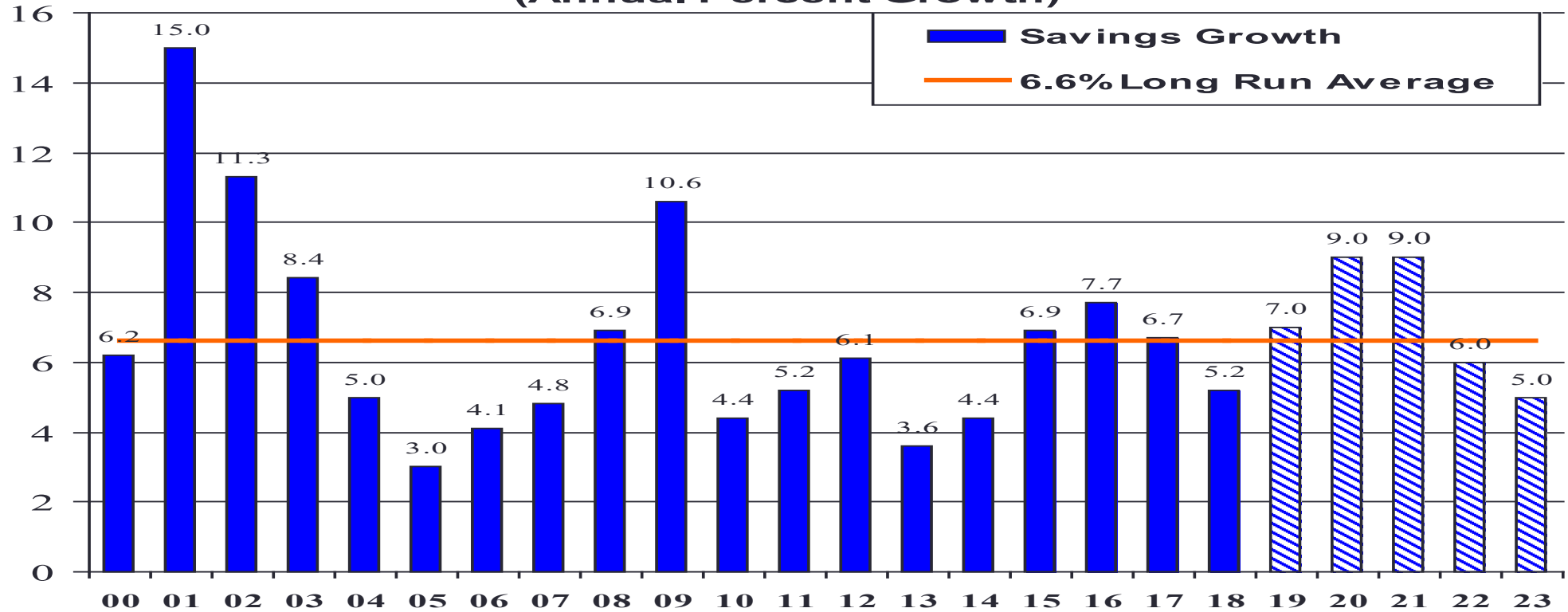
Credit Union Loan Growth Forecast

Credit Union Loan Growth (Annual Percent Growth)



Faster Credit Union Saving Growth Through 2021

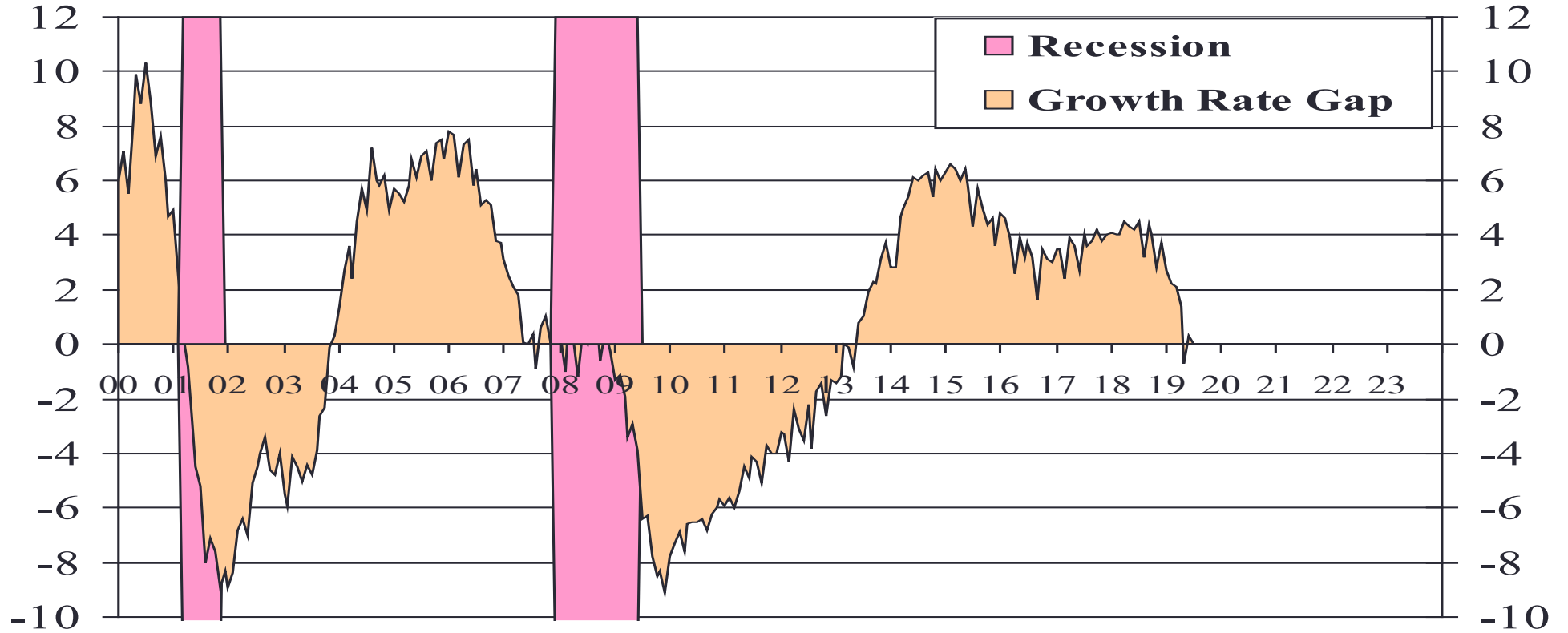
Credit Union Savings Growth (Annual Percent Growth)



When is the Next Recession?

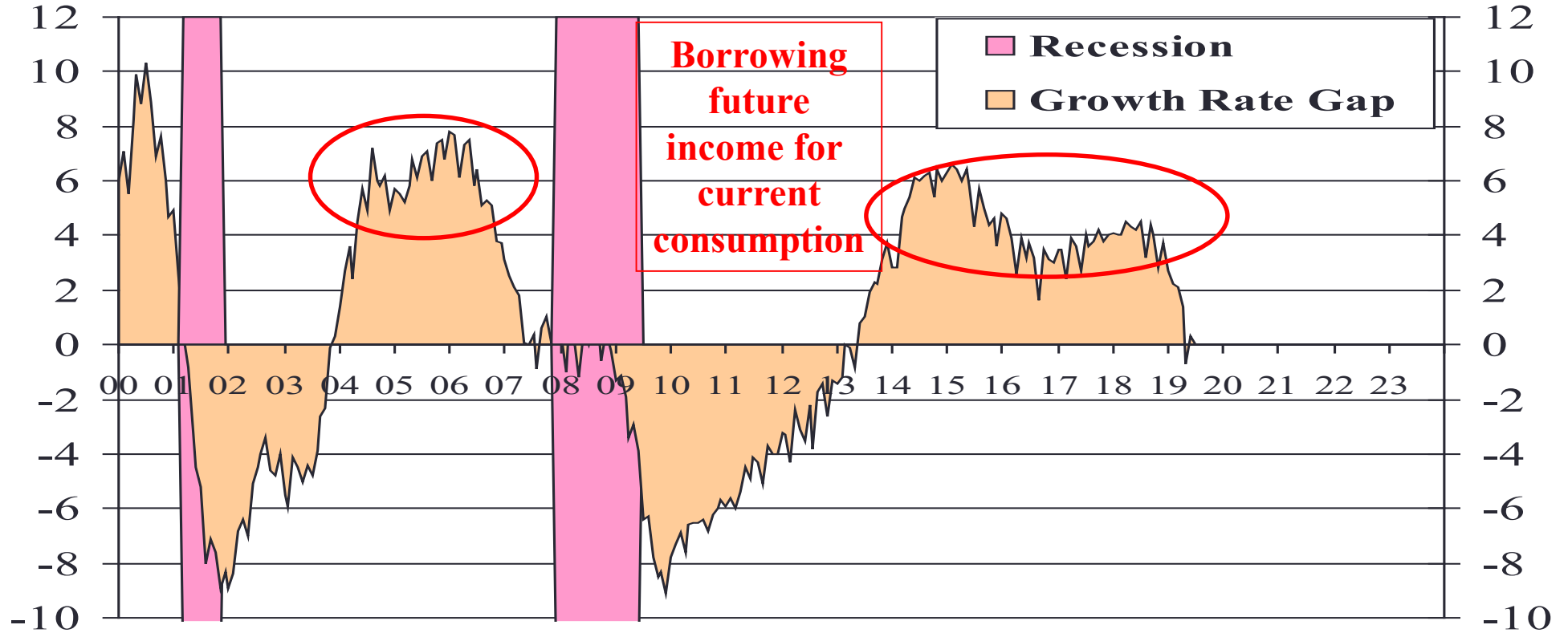
Growth Rate Gap

Loan Growth Less Deposit Growth



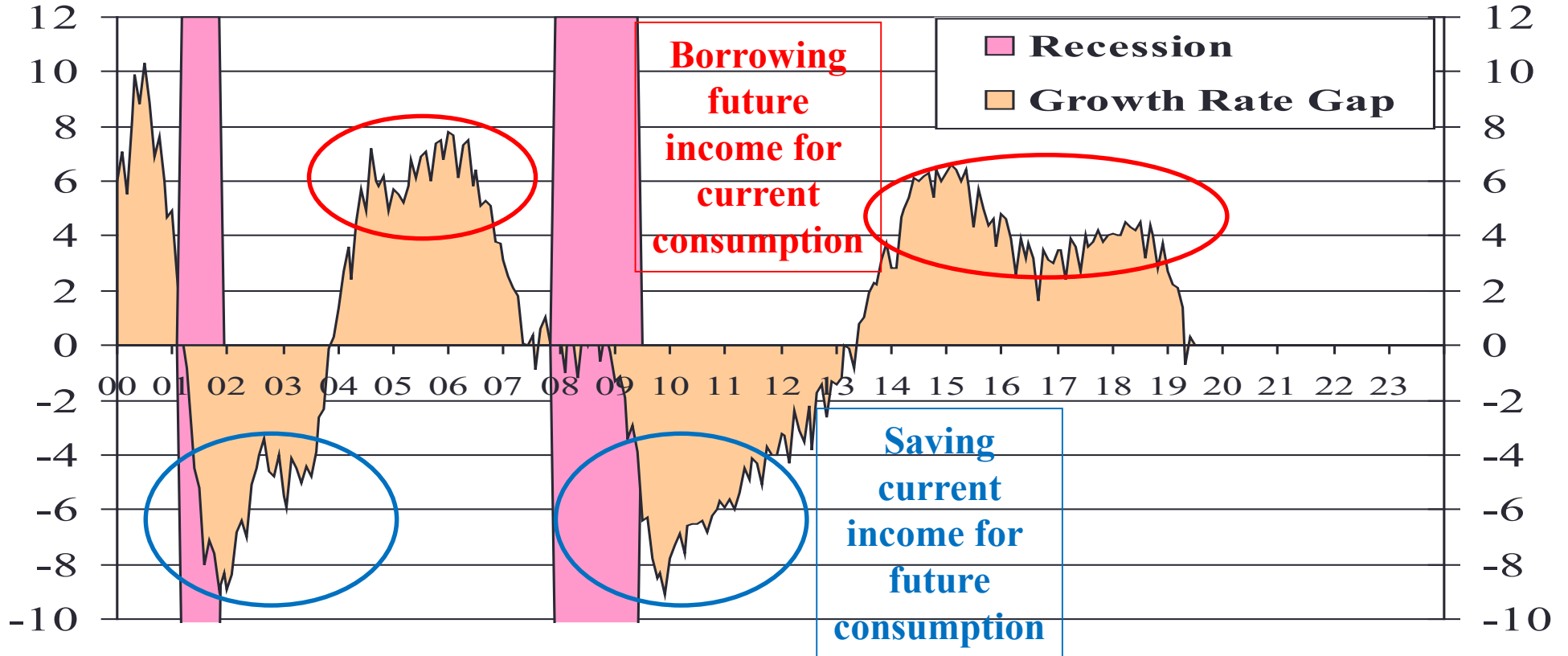
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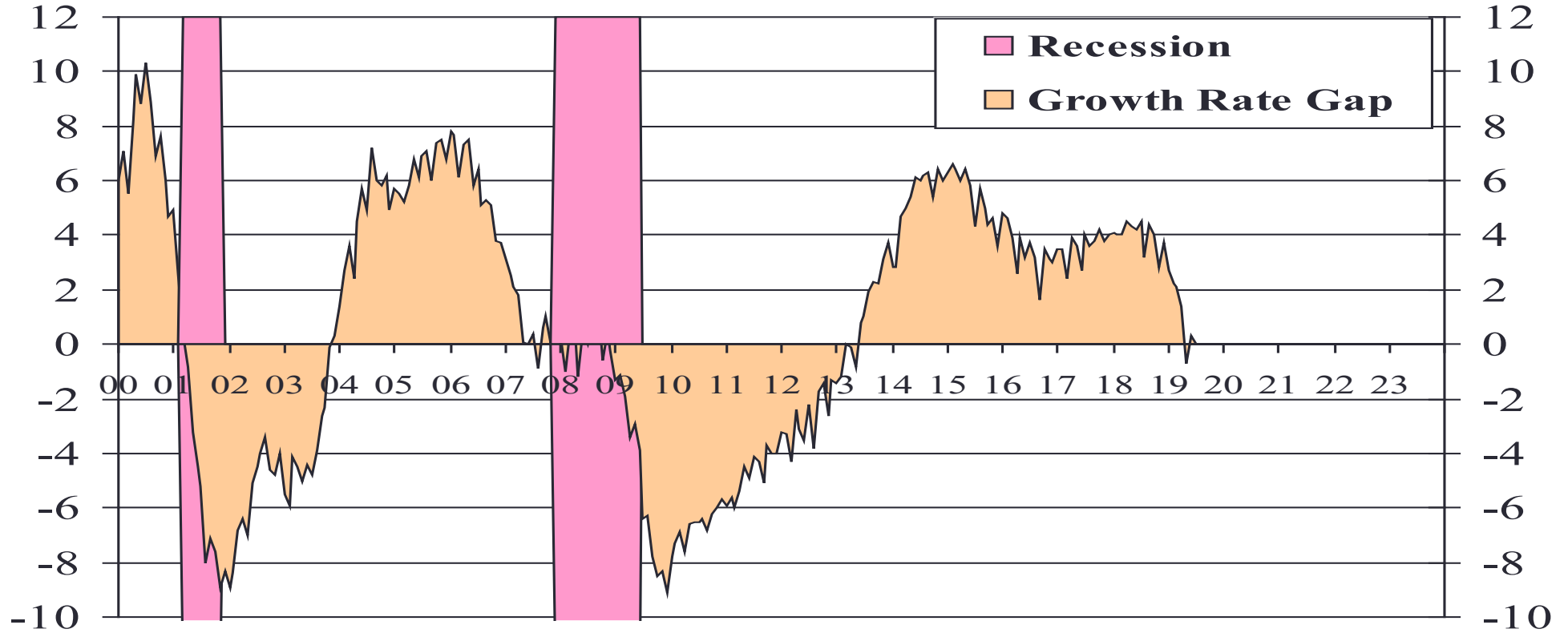
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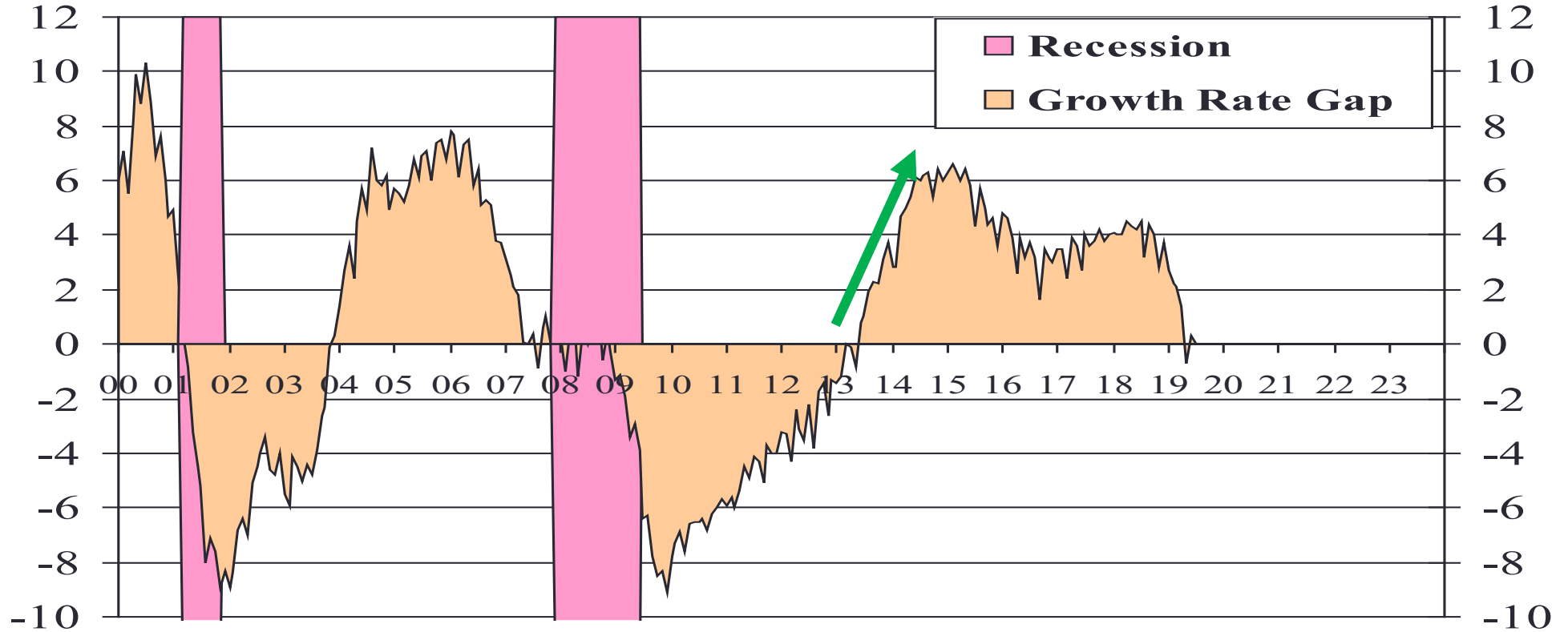
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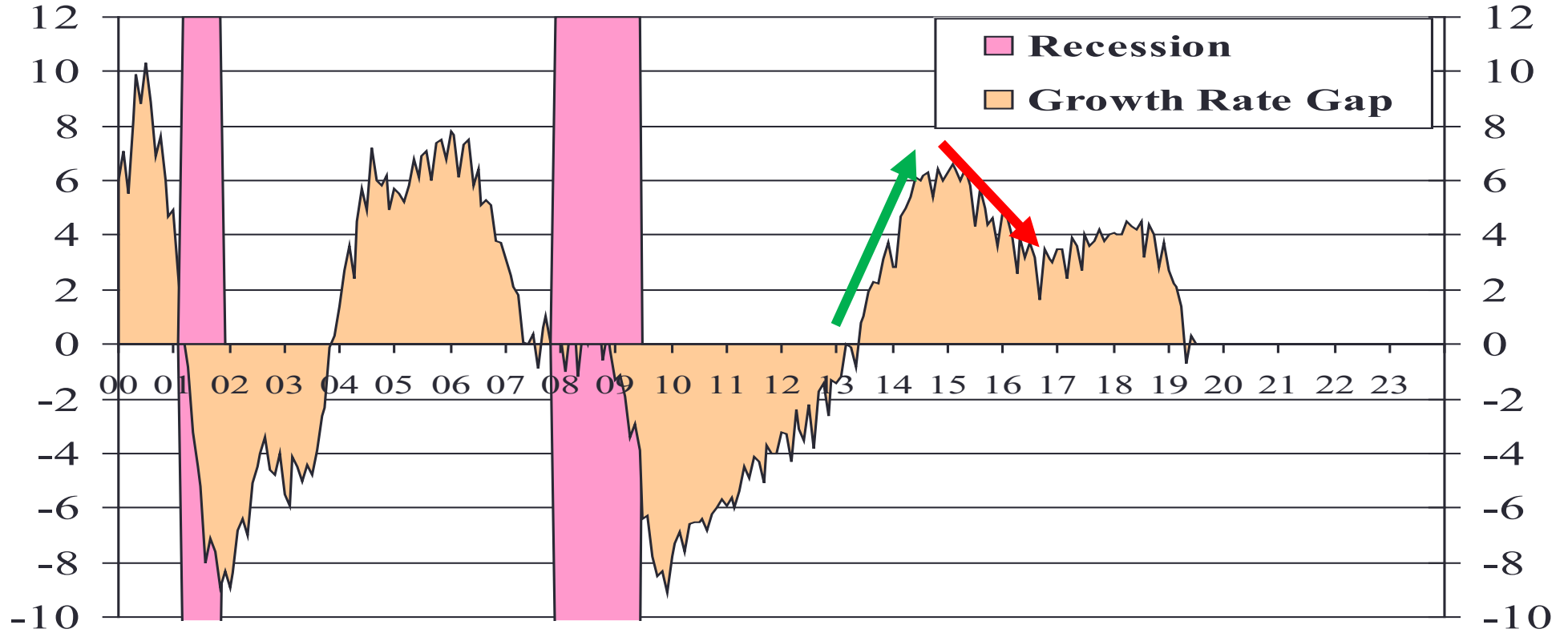
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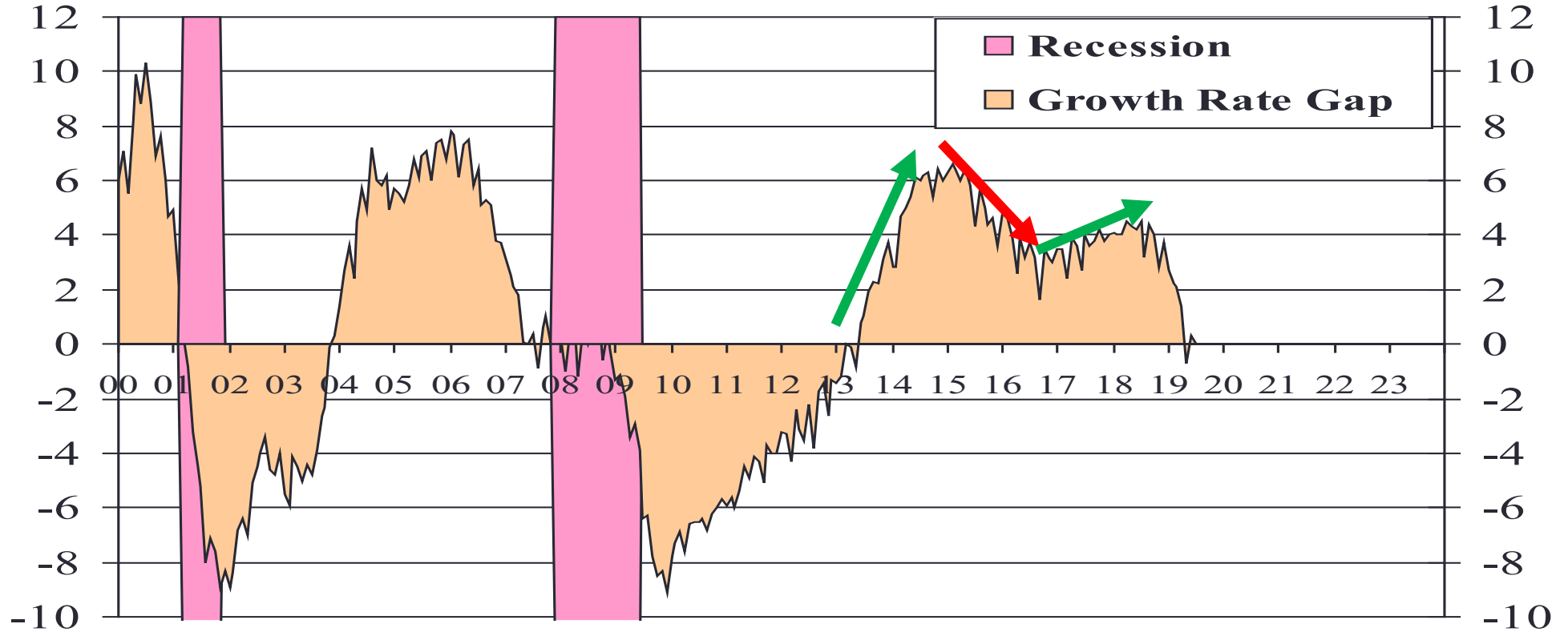
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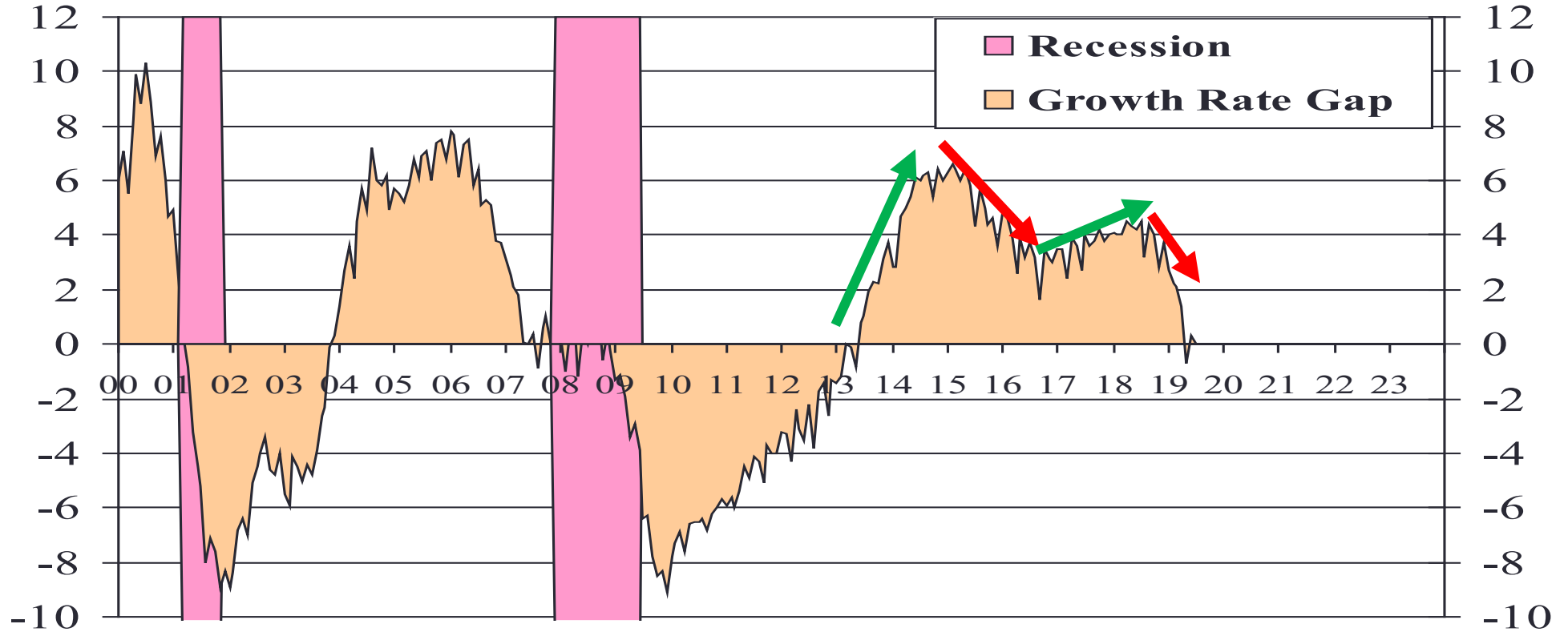
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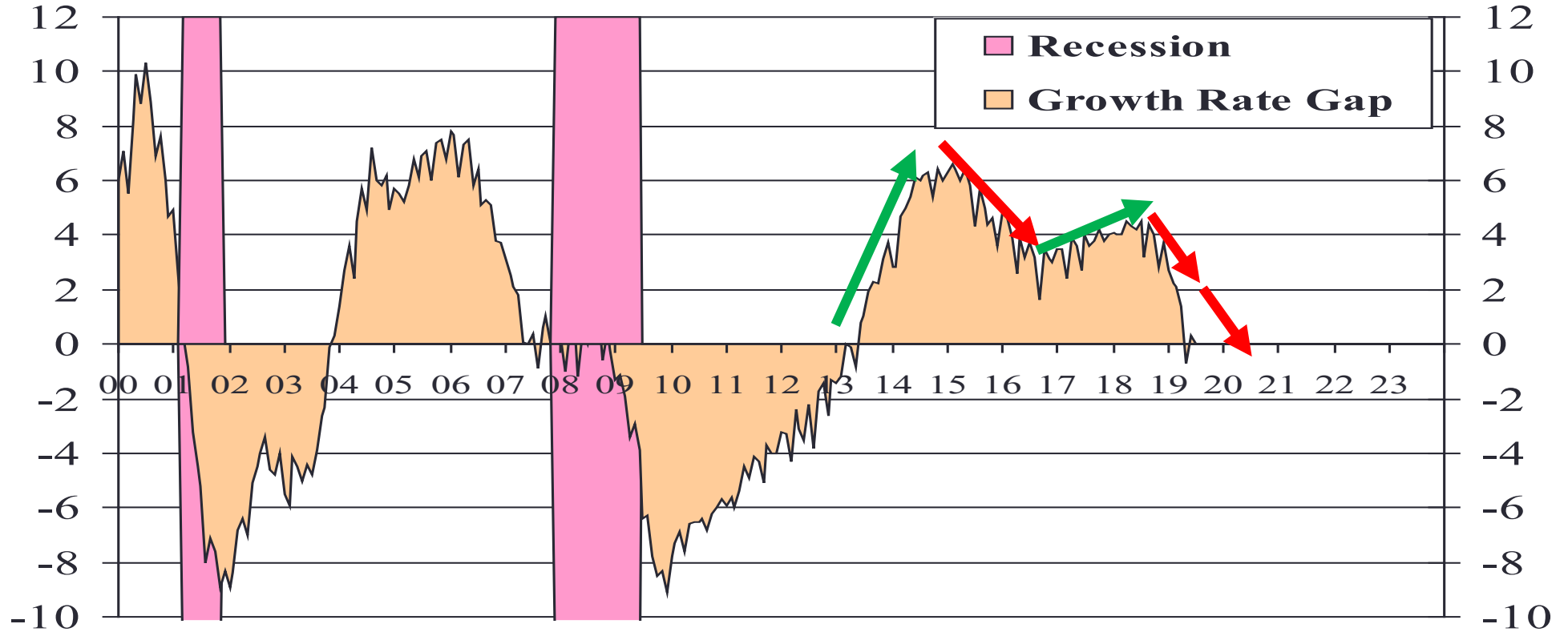
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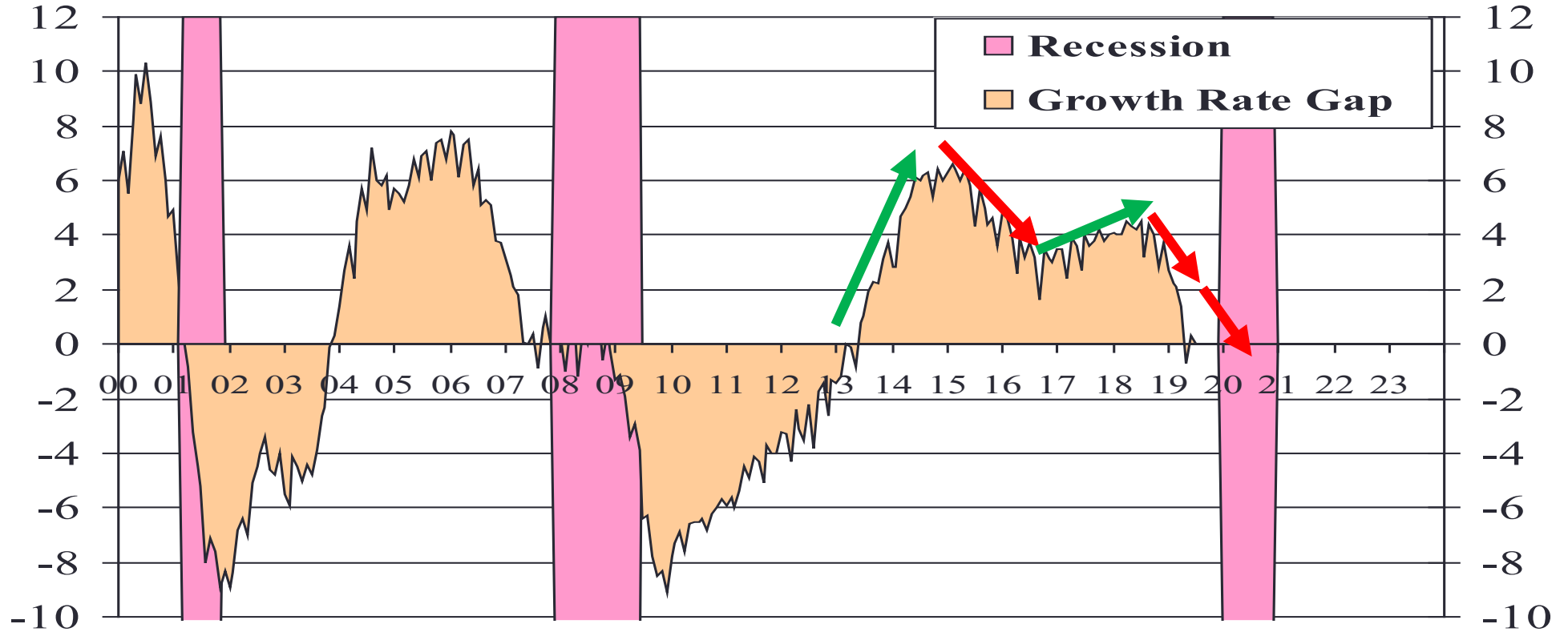
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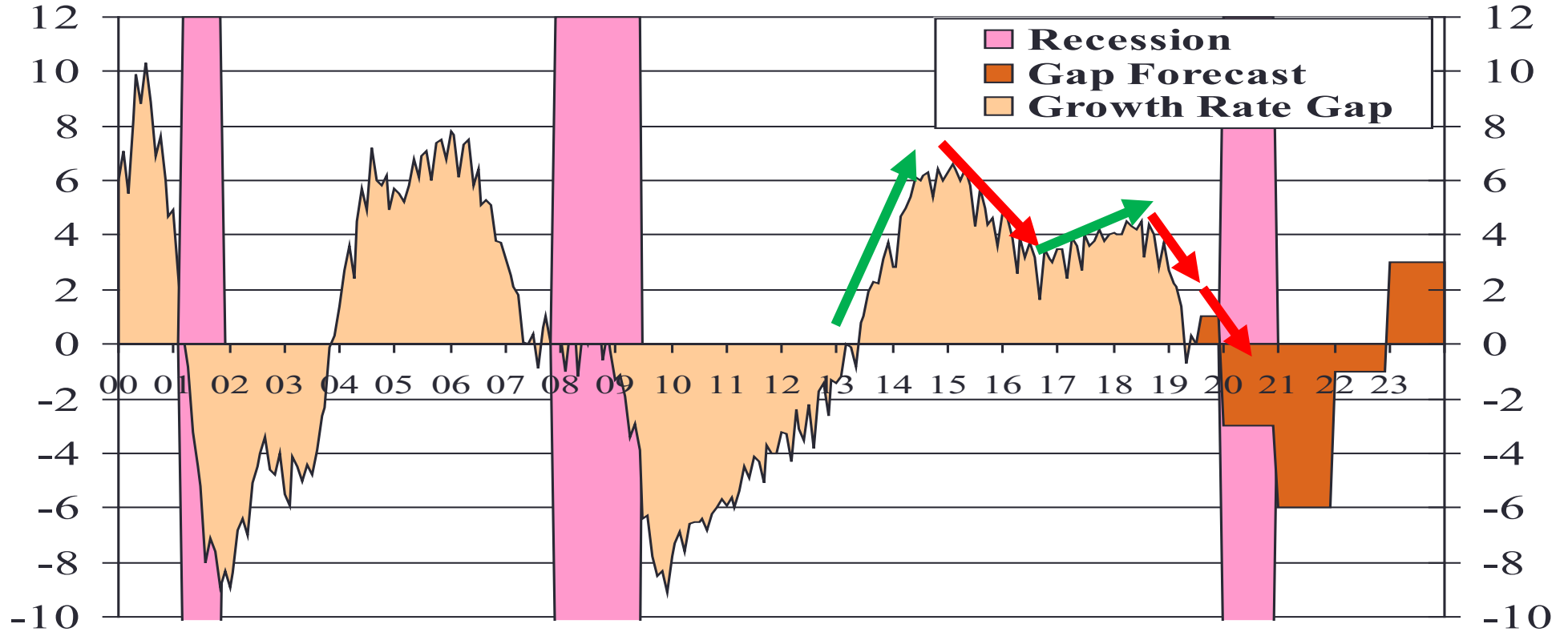
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Limerick of the Day

Credit Unions have always depended
On a rate of borrowing that is splendid
By consumers for whom
Their means to consume
May soon find them overextended.

Credit unions are so robust that,.....

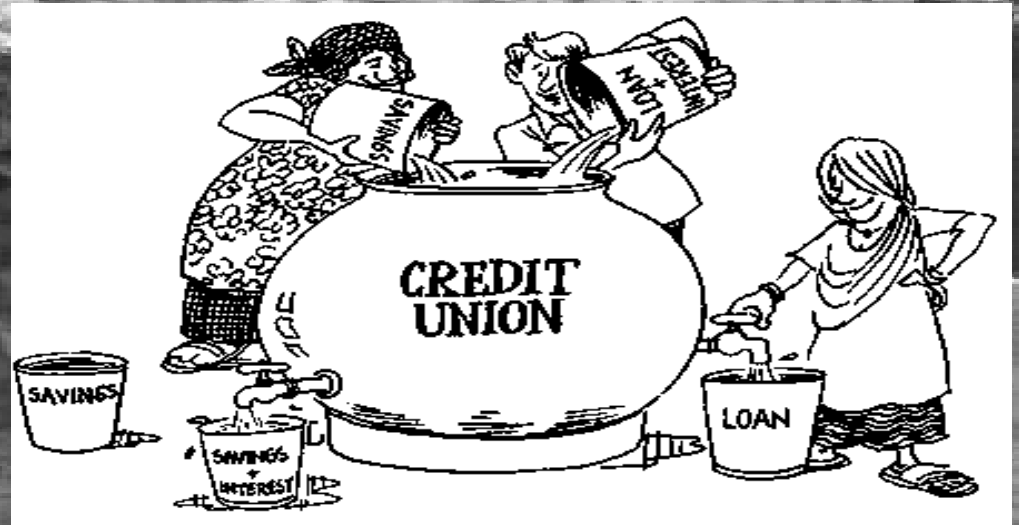
A black and white photograph of a nuclear mushroom cloud, likely from the Nagasaki atomic bombing. The cloud is massive and billowing, with a dark, dense column rising from the ground and a large, white, cloud-like top. The background is a dark, overcast sky. A pink rectangular box is overlaid on the image, containing the text "Credit unions are so robust that,.....".

Credit unions are so robust that,.....

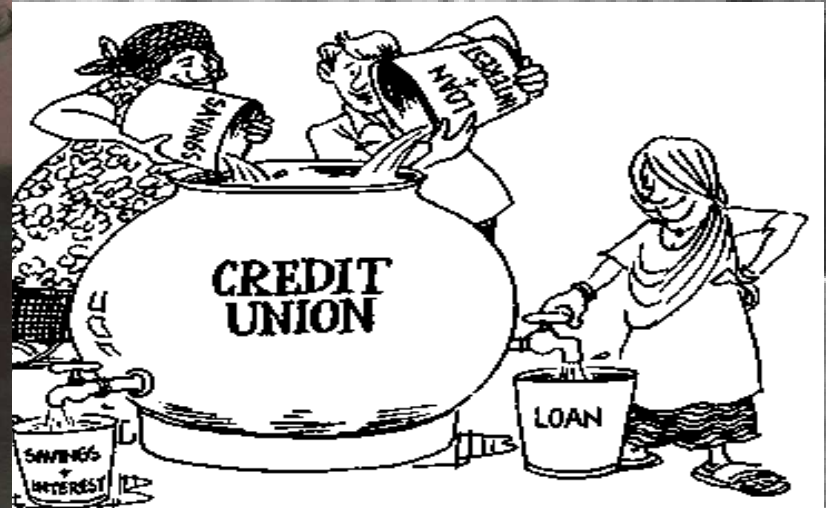
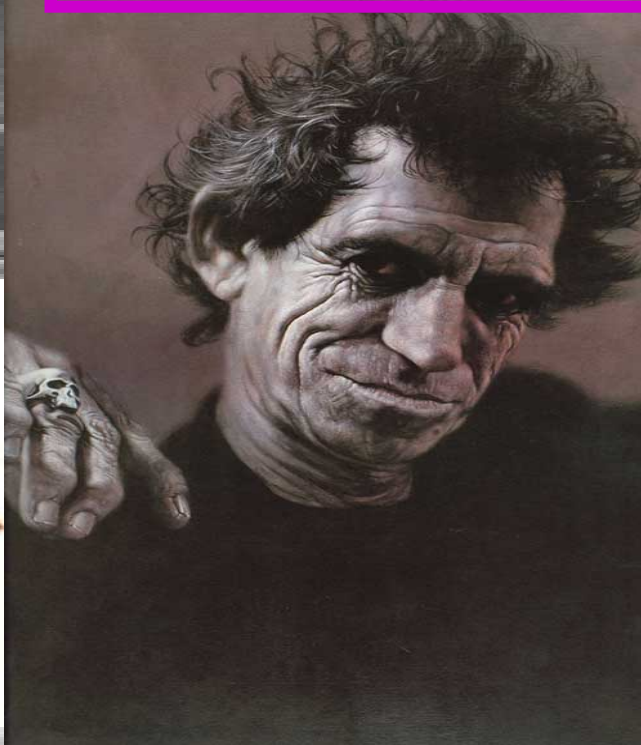
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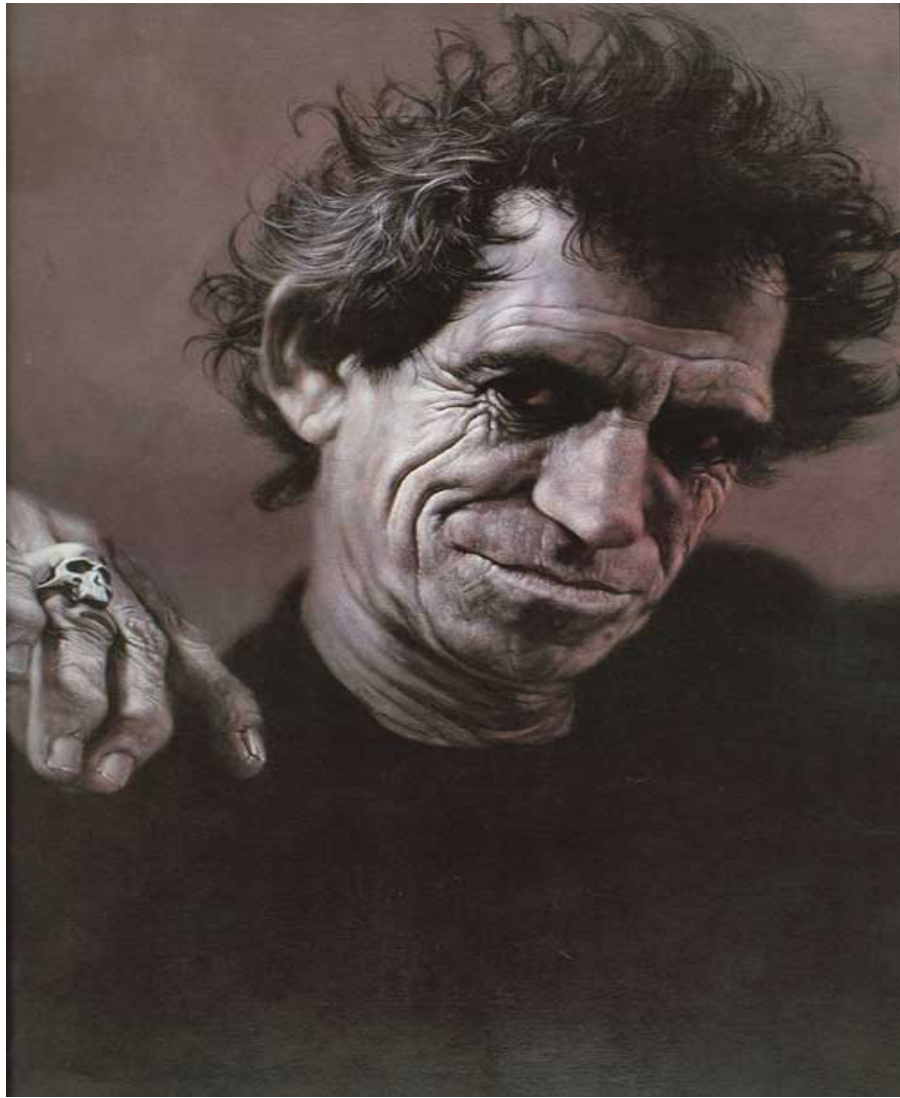


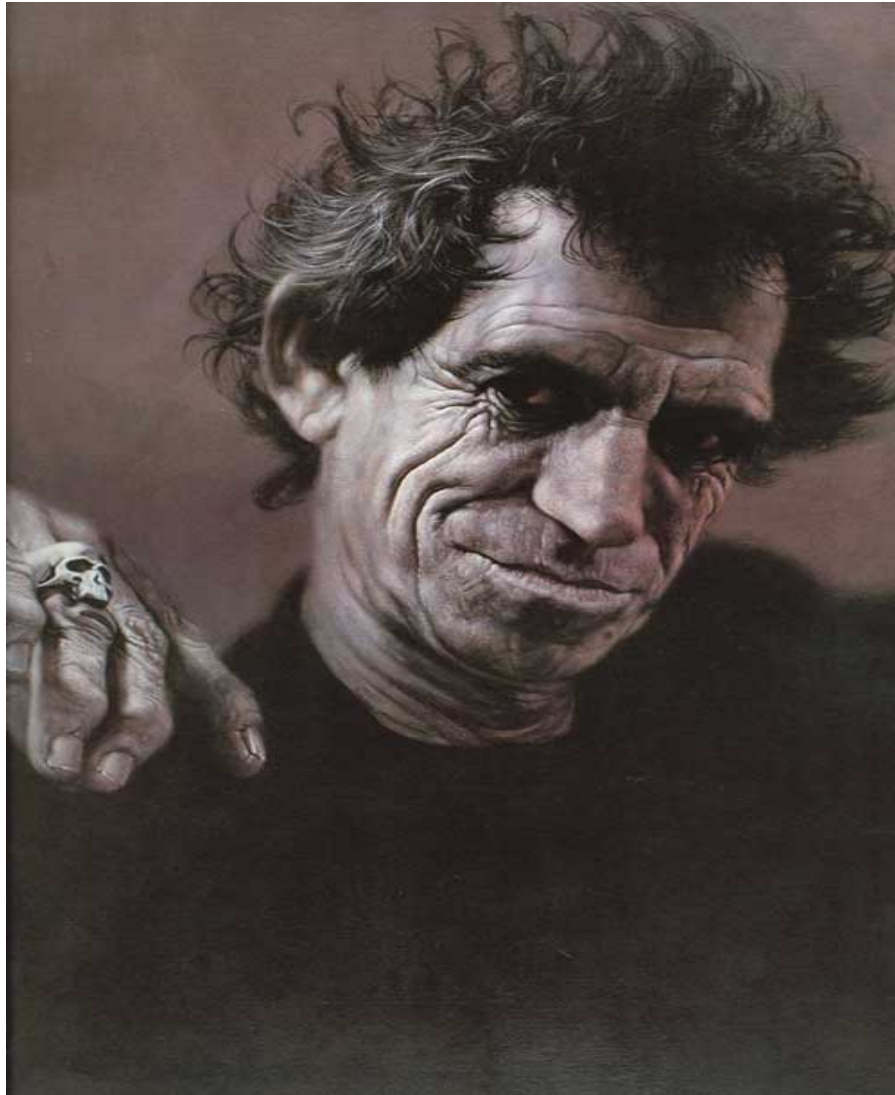
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Carpe Diem
“Seize the day”

Questions?

The End

