

# CUNA Economic Update

July 2018

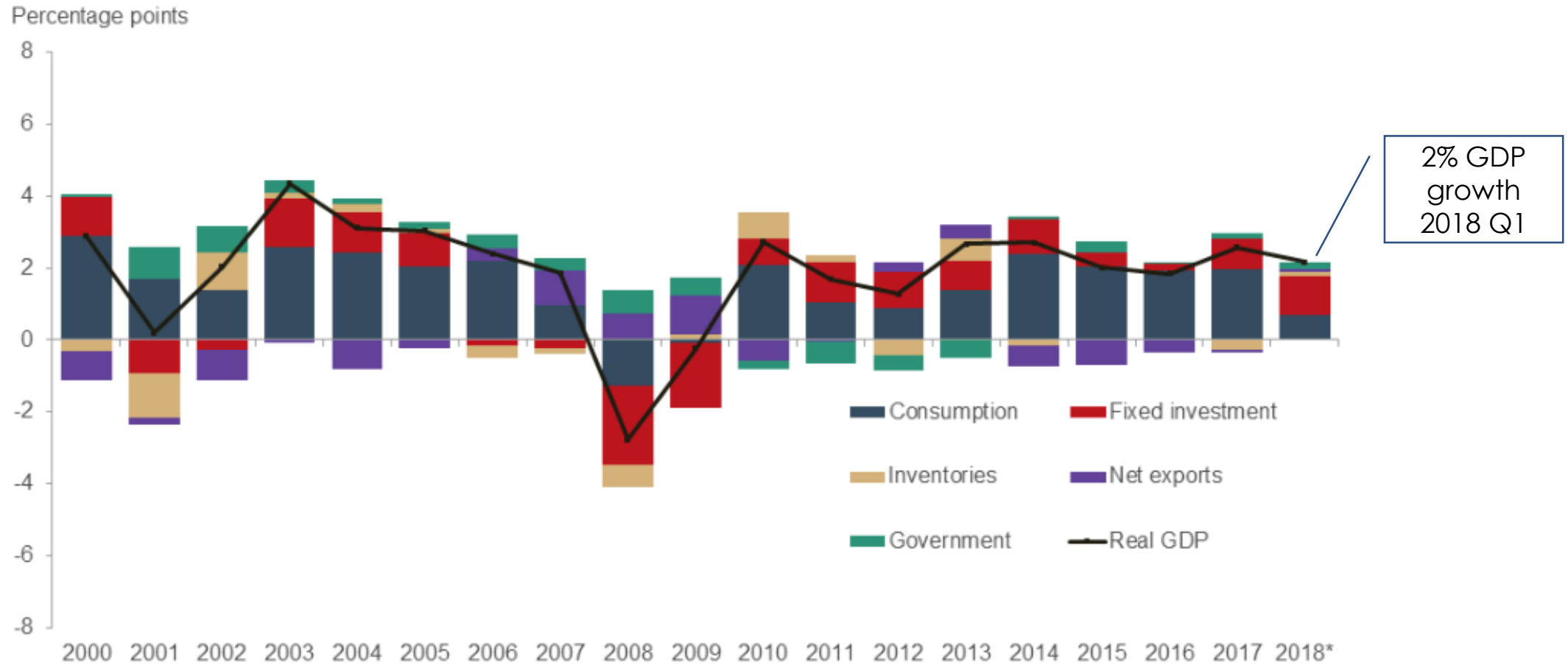
Samira Salem, Ph.D.  
Senior Policy Analyst

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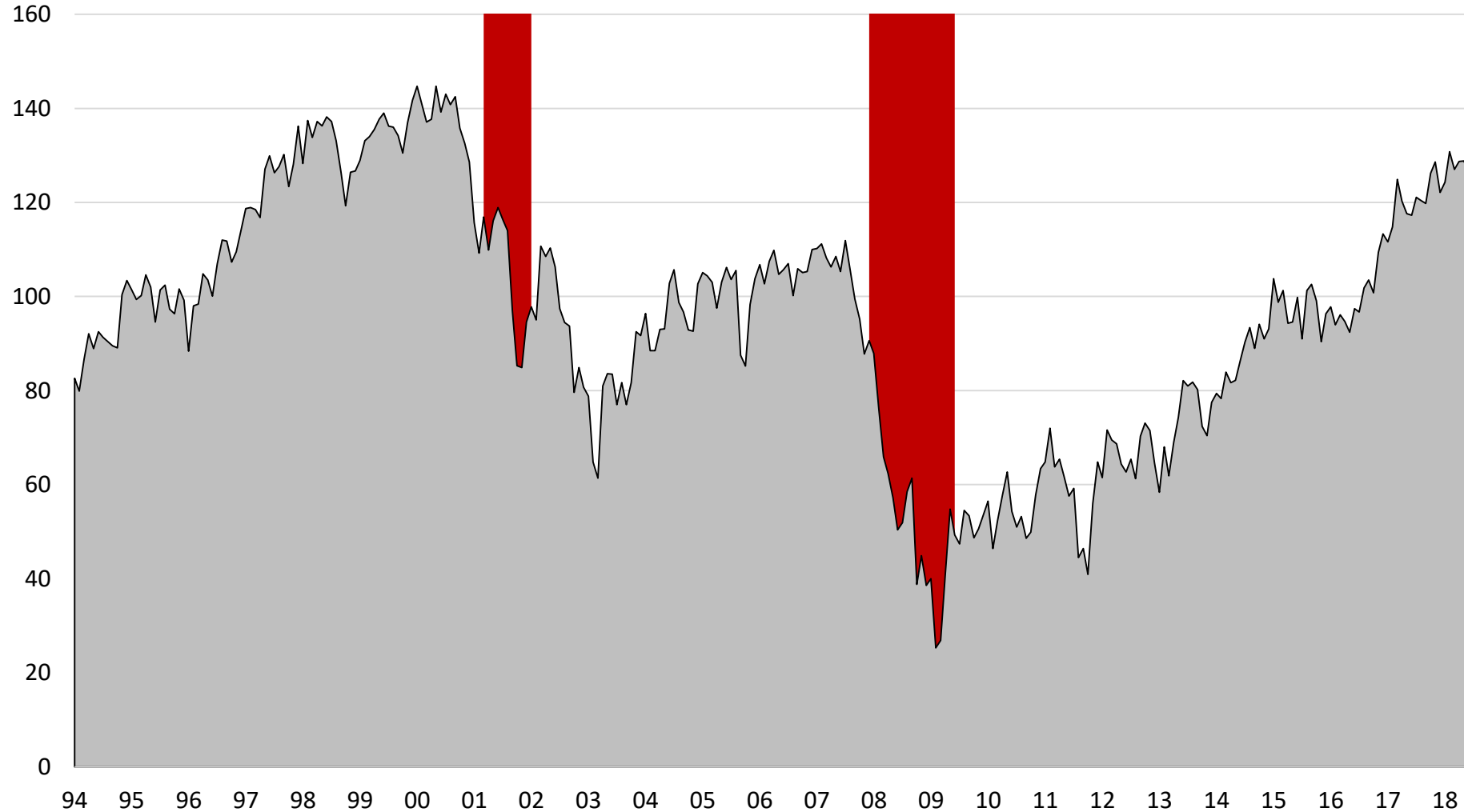
# Solid real GDP growth



\* Year to date

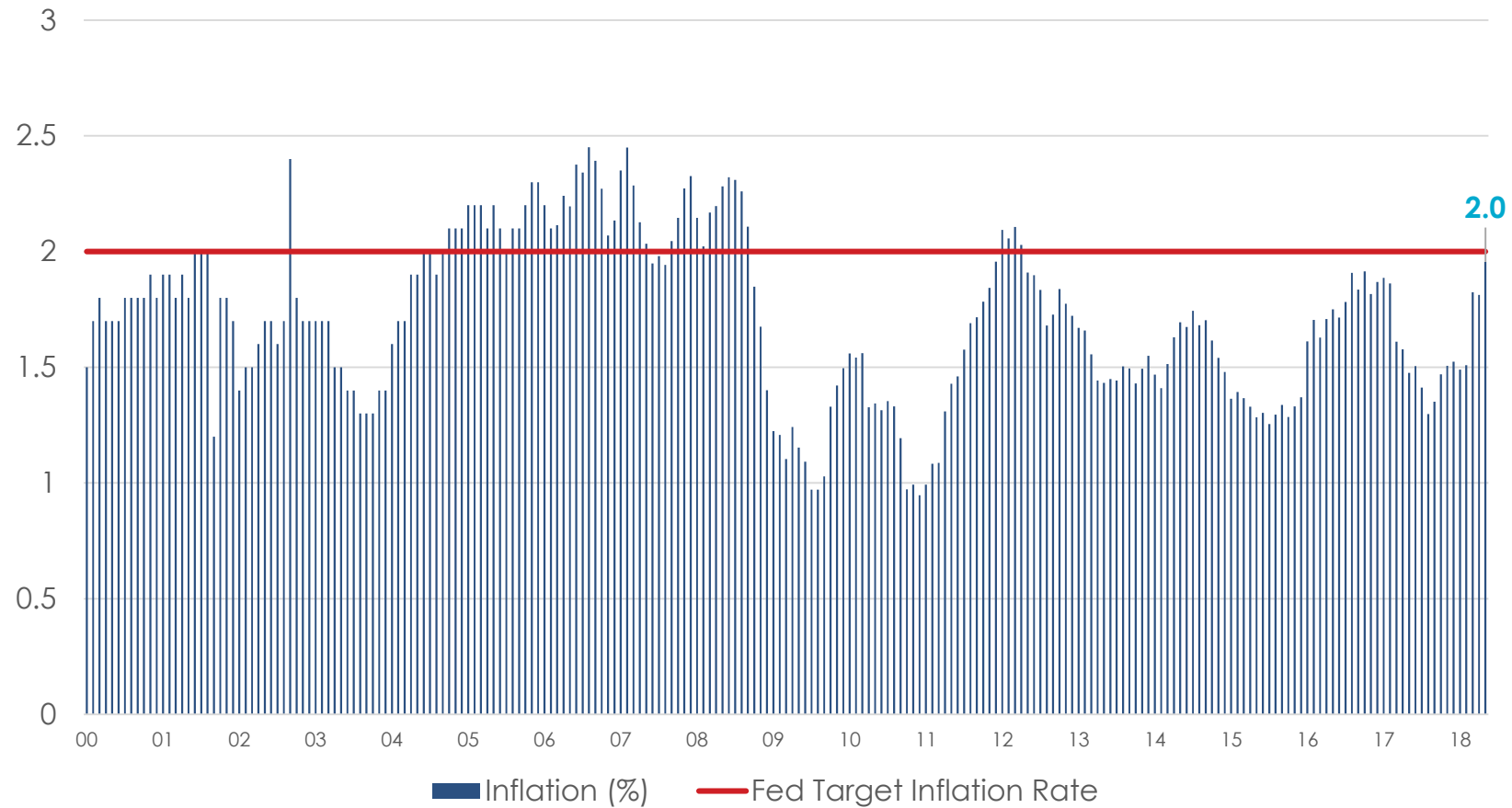
Source: BEA and Federal Reserve Bank of Dallas

# Consumer confidence is at a near 18-year high!



# Inflation is ticking up

(YOY Core Inflation, PCE)



# The budding trade war

## Trump tariff tracker

The United States imported **\$2.4 trillion** in goods in 2017.



Trump has enacted tariffs on **\$85 billion worth of goods**, or 3.6 percent of total imports.

## Trump's trade fight by country

### China



### Mexico



### Canada



### Japan



### European Union

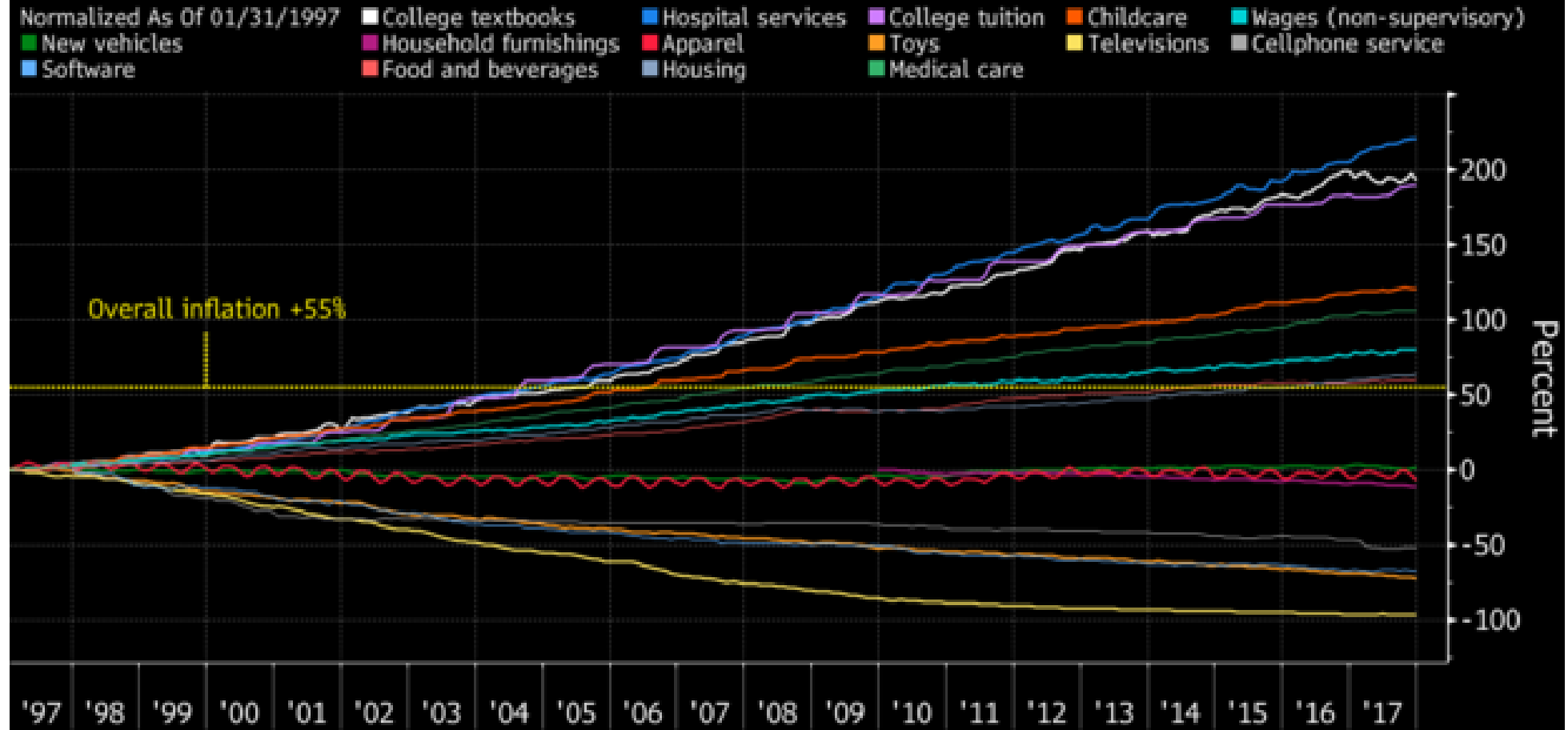


Sources: U.S. Census Bureau; Peterson Institute for International Economics

WAPO.ST/WONKBLOG

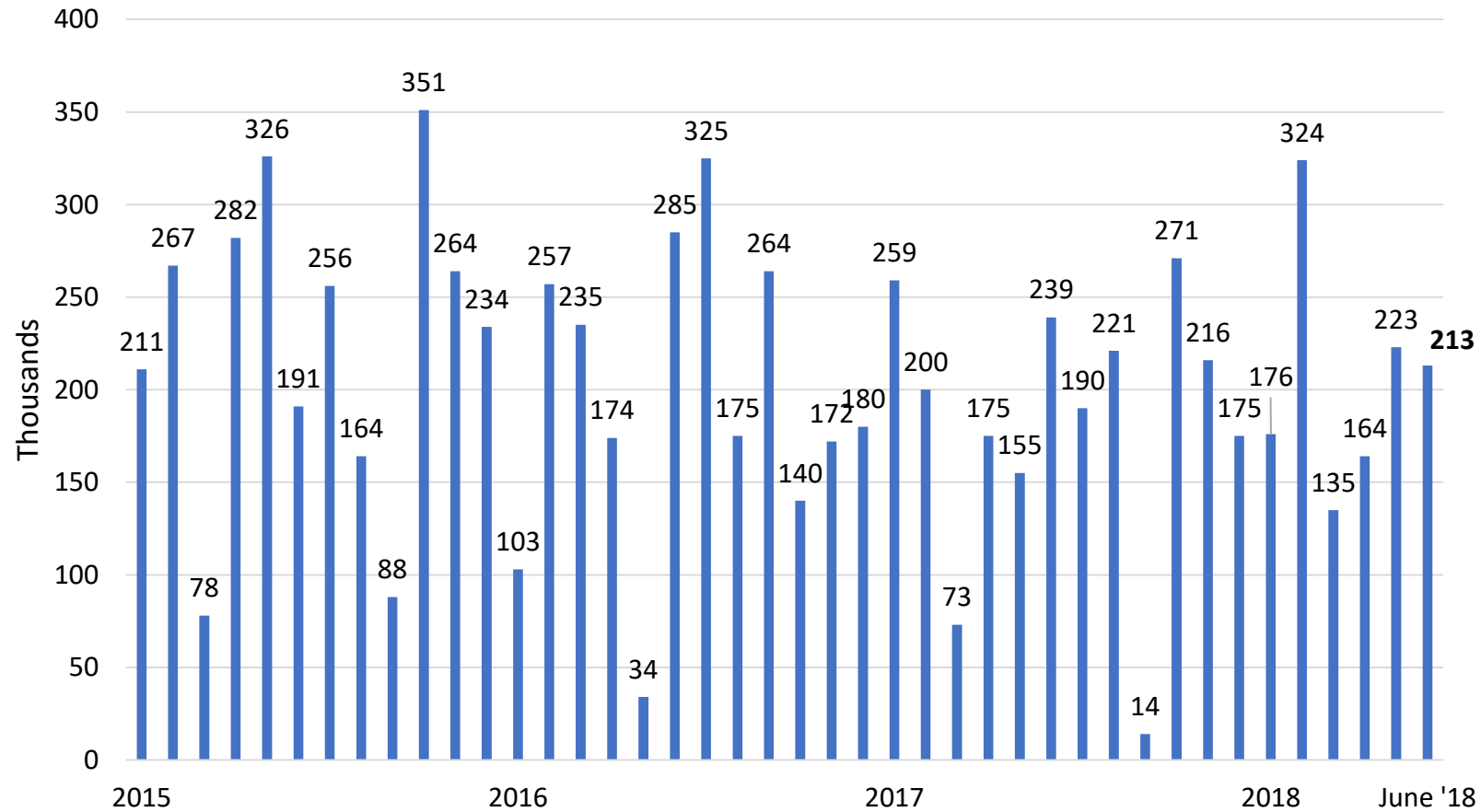
# Painting America's Price Picture

## Changes in wages and the costs of select goods and services since 1997



Source: Bureau of Labor Statistics, American Enterprise Institute

# Fast U.S. job growth...

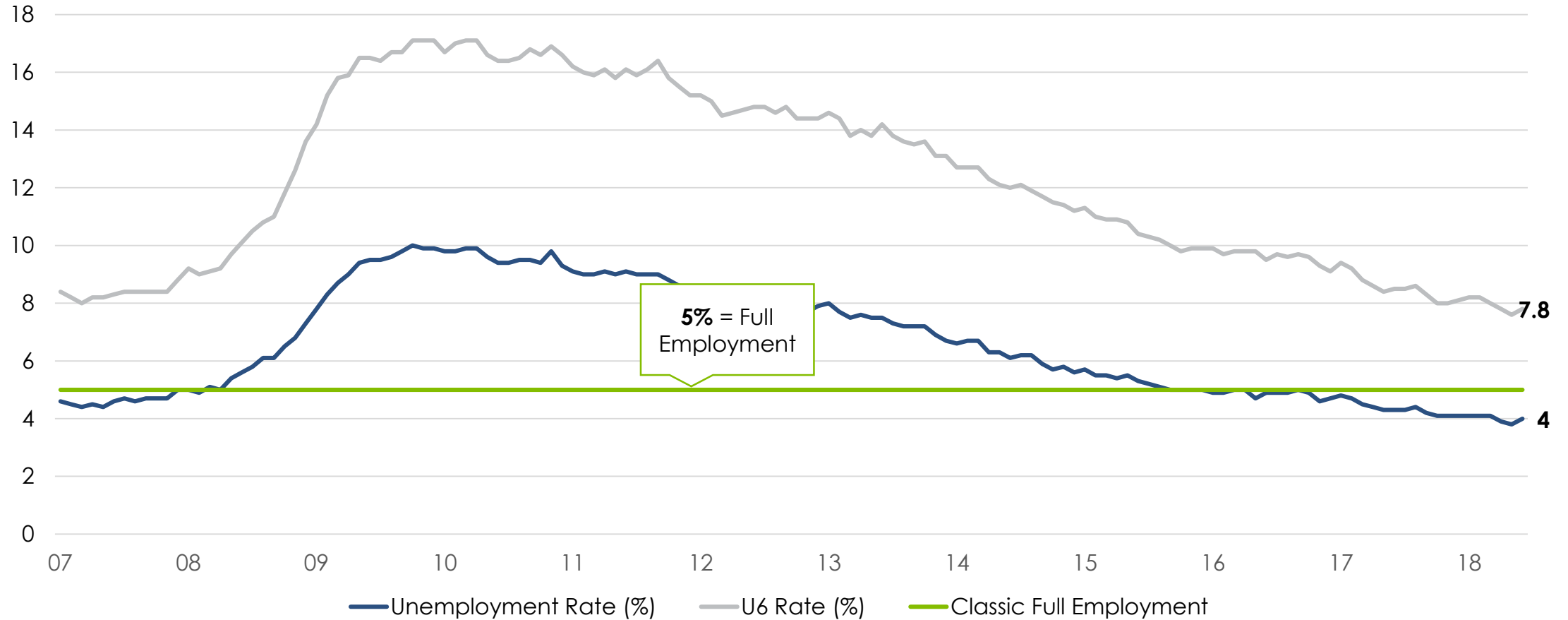




# Broad-based employment gains in June

	Sector	Job Growth	Percent of Private Sector Employment
Low -Wage	Leisure and Hospitality	+25,000	13%
Low-Wage	<b>Retail</b>	<b>-22,000</b>	13%
Mid-Wage	<b>Education and Health Services</b>	<b>+54,000</b>	19%
Mid-Wage	Construction	+13,000	6%
Mid-Wage	<b>Manufacturing</b>	<b>+36,000</b>	10%
Mid-Wage	Other Services, Transportation and Warehousing, Wholesale Trade	+34,000	14% (Other Services 5%, Transportation 4%, Wholesale Trade 5%)
High-Wage	<b>Professional &amp; Business Services</b>	<b>+50,000</b>	17%
High-Wage	<b>Mining &amp; Logging, Utilities, Information</b>	<b>+12,000</b>	9% (Mining and Logging 1%, Utilities 7%, Information 2%)

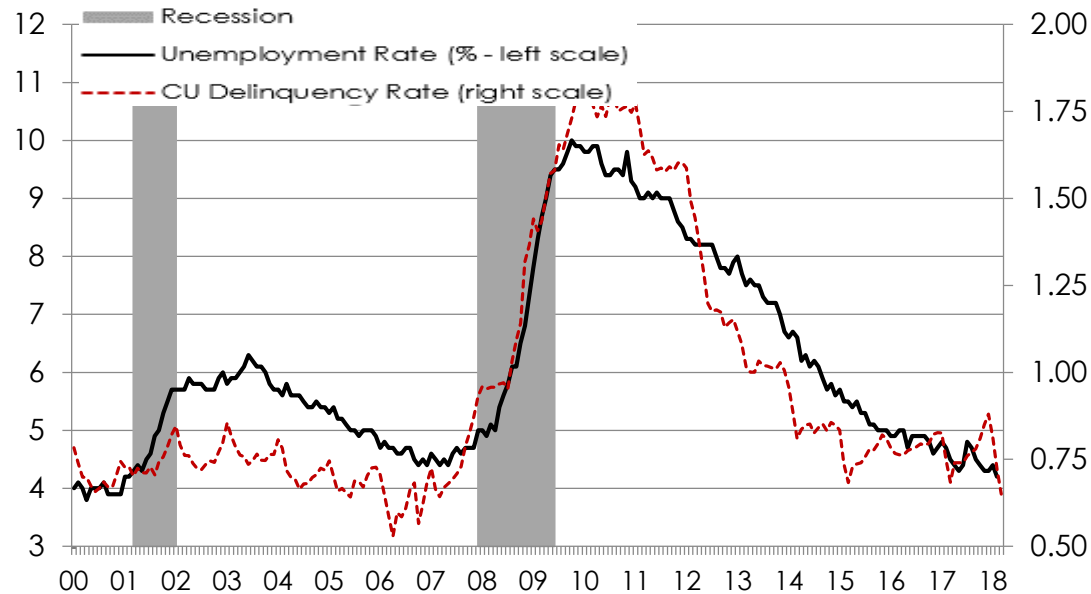
# Unemployment is at an historic low



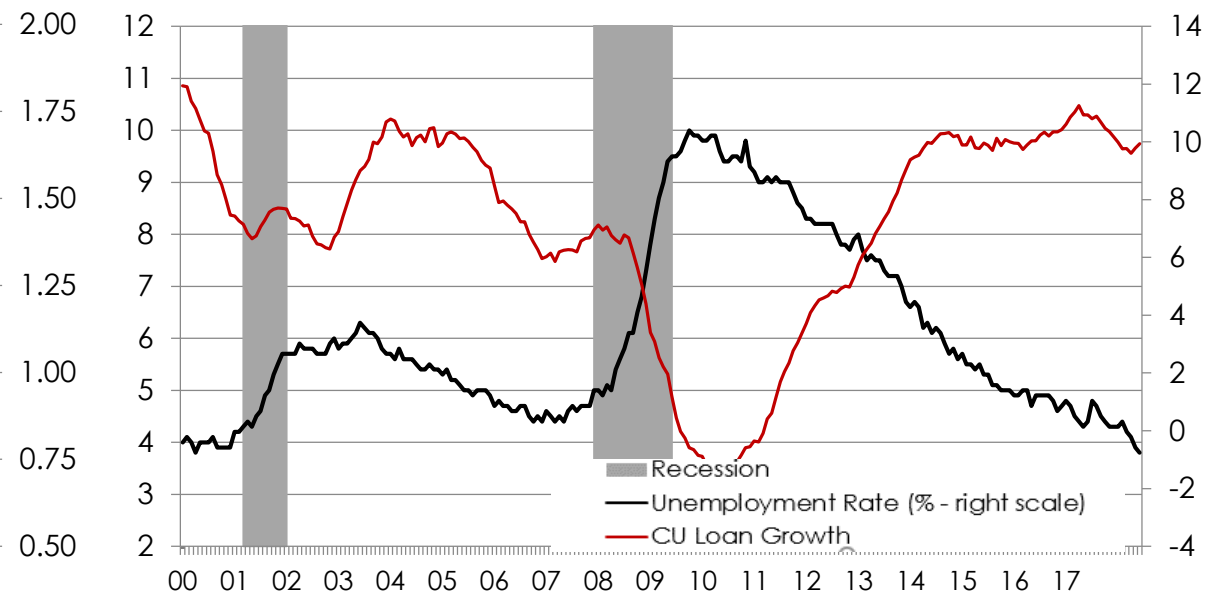
Source: BLS

# Improving credit quality as unemployment falls

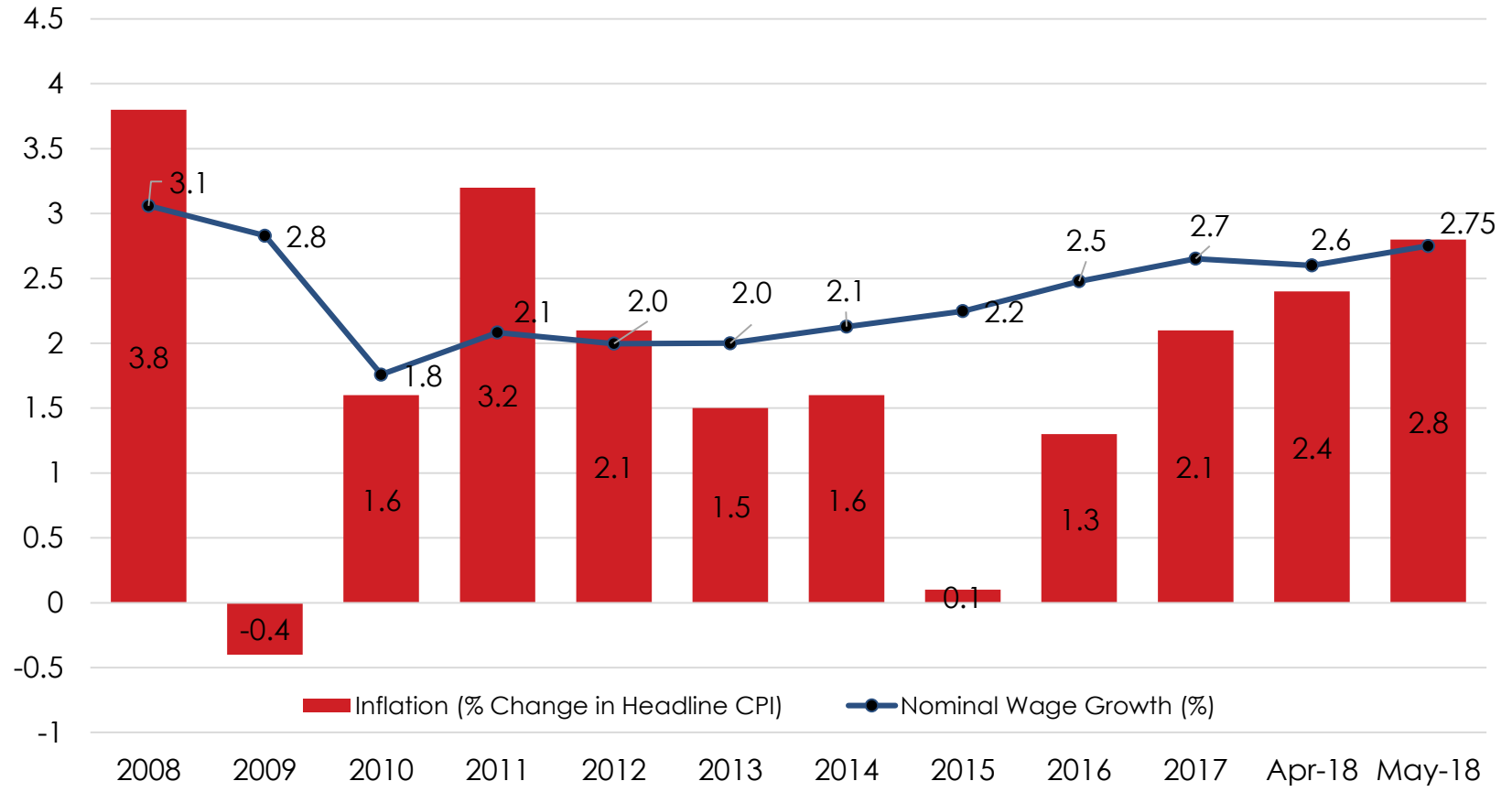
## CU Delinquency Rate vs. Unemployment Rate



## CU Loan Growth Rate vs. Unemployment Rate



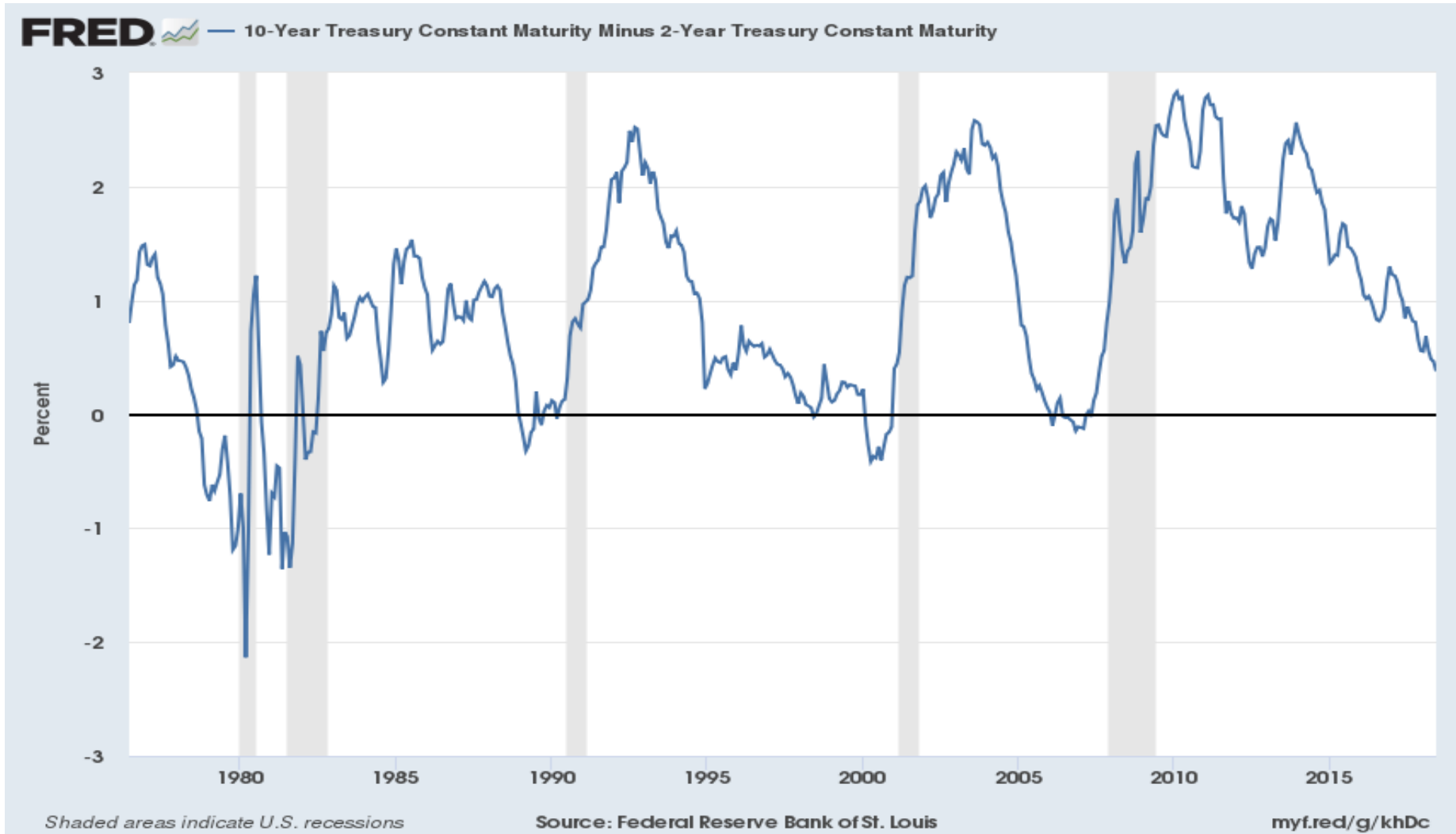
# Tightening labor market, but wage growth is weak



# Risks to the Economy

1. U.S. inflation moving higher=> interest rates moving up faster than expected
2. Emerging trade war
3. Ballooning national deficit and debt
4. Continued rise in U.S. inequality

# The yield curve is flattening...



# CUNA Credit Union Forecast

June 2018

	Actual Results		Quarterly Results/Forecasts				Annual Forecasts	
	5 Yr Avg	2017	2018:1	2018:2	2018:3	2018:4	2018	2019
<b>Growth rates:</b>								
Savings growth	5.7%	6.0%	3.9%	0.7%	0.7%	0.7%	6.0%	7.0%
Loan growth	9.8%	10.0%	1.6%	2.5%	2.5%	2.5%	9.0%	7.0%
Asset growth	6.2%	6.6%	2.7%	1.3%	1.3%	1.3%	6.5%	7.5%
Membership growth	3.5%	4.1%	1.4%	0.7%	0.7%	0.7%	3.5%	2.5%
<b>Liquidity:</b>								
Loan-to-share ratio**	77.3%	82.8%	81.0%	82.4%	83.9%	85.4%	85.4%	85.4%
<b>Asset quality:</b>								
Delinquency rate**	0.86%	0.81%	0.66%	0.80%	0.85%	0.85%	0.85%	0.90%
Net charge-off rate*	0.54%	0.59%	0.60%	0.60%	0.60%	0.60%	0.60%	0.65%
<b>Earnings:</b>								
Return on average assets (ROA)*	0.77%	0.77%	0.90%	0.80%	0.80%	0.80%	0.83%	0.70%
<b>Capital adequacy:</b>								
Net worth ratio**	10.9%	11.0%	10.9%	11.0%	11.0%	11.1%	11.1%	11.1%

\*Quarterly data, annualized. \*\*End of period ratio. Additional information and updates available on our MCUE website.

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