

CUNA Economic Update

May 2019

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Chief Economist

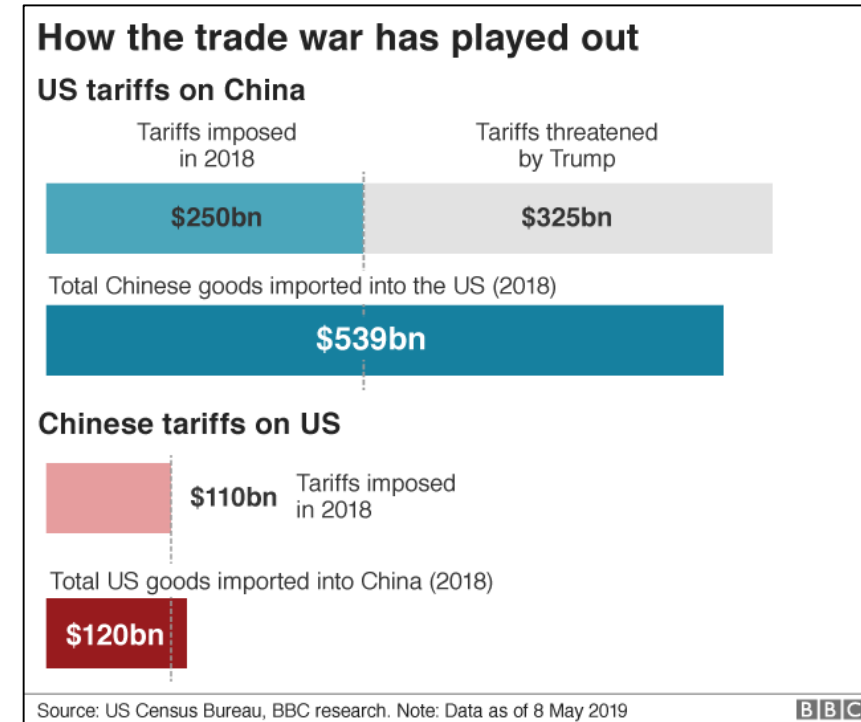
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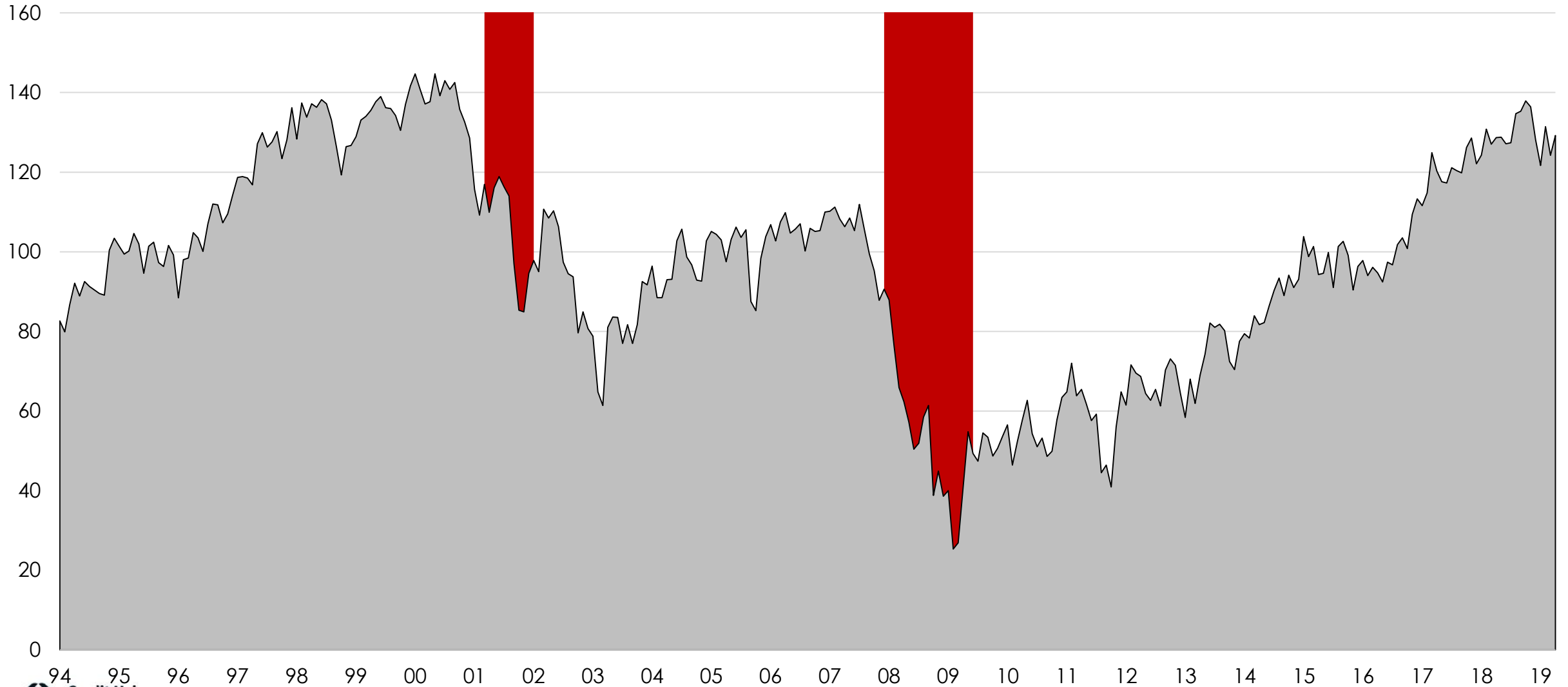
Abbreviated China Trade War Chronology

- **January 22nd 2018:** U.S. imposes 30% tariff on foreign solar panels (China is the world leader in solar panel manufacture) and 20% tariff on washing machines (in 2016 China exported \$425 million worth of washers to U.S.)
- **July 6th 2018:** U.S. imposes 25% tariff on \$34 billion in Chinese goods
 - China retaliates with tariffs on U.S. goods of similar value
- **August 23rd 2018:** U.S. imposes 25% tariff on additional \$16 billion in Chinese goods
 - China retaliates with tariffs on U.S. goods of similar value
- **September 17th 2018:** U.S. announces beginning September 24th, an additional \$200 billion of Chinese goods would be subject to 10% tariff - increasing to 25% by year-end. Threatens tariffs on an additional \$267 billion worth of imports if China retaliates
 - September 18th 2018: China retaliates, imposing a 10% tariff on \$60 billion in U.S. goods
- **December 1st 2018:** Planned increase in U.S. tariffs (from 10% to 25%) is delayed
- **May 5th, 2019:** China reportedly backtracks on previously negotiated trade concessions causing President Trump to announce that the previous 10% tariffs levied on \$200 billion in Chinese goods would be raised to 25% on Friday, May 10th.



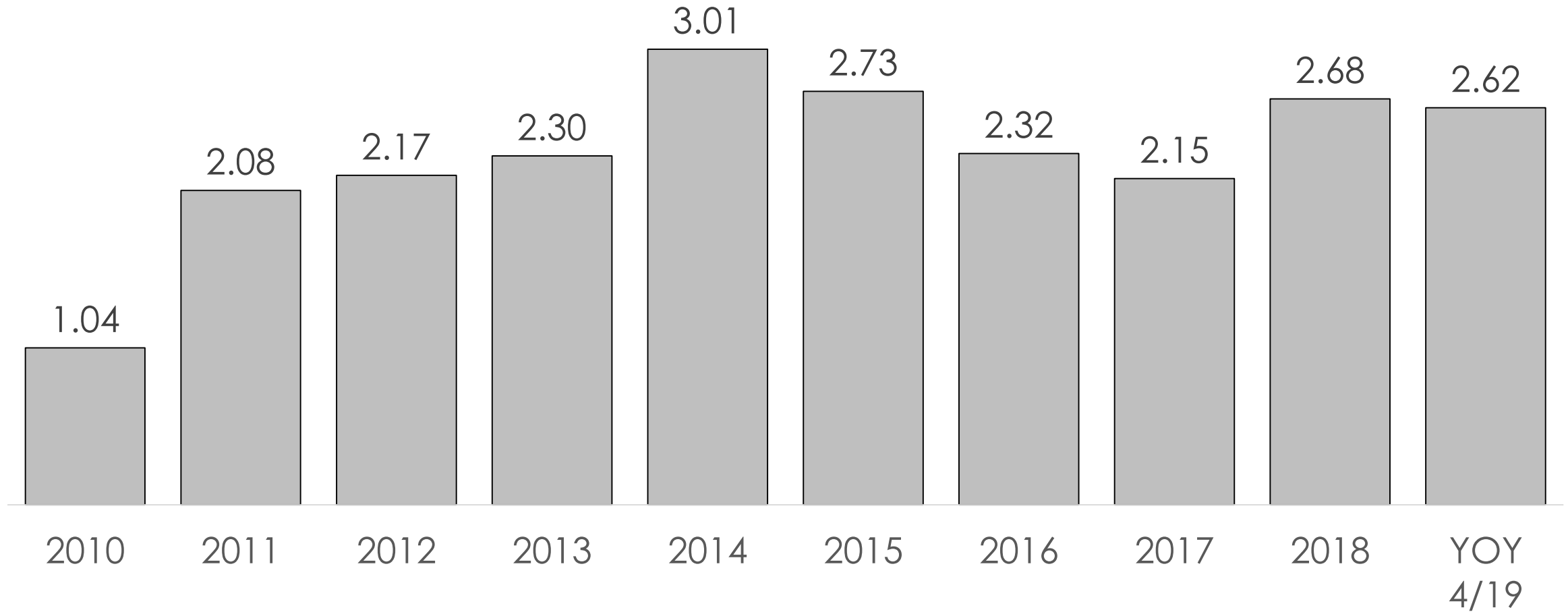
Consumer Confidence: Close to a 20-Year High

Source: Conference Board



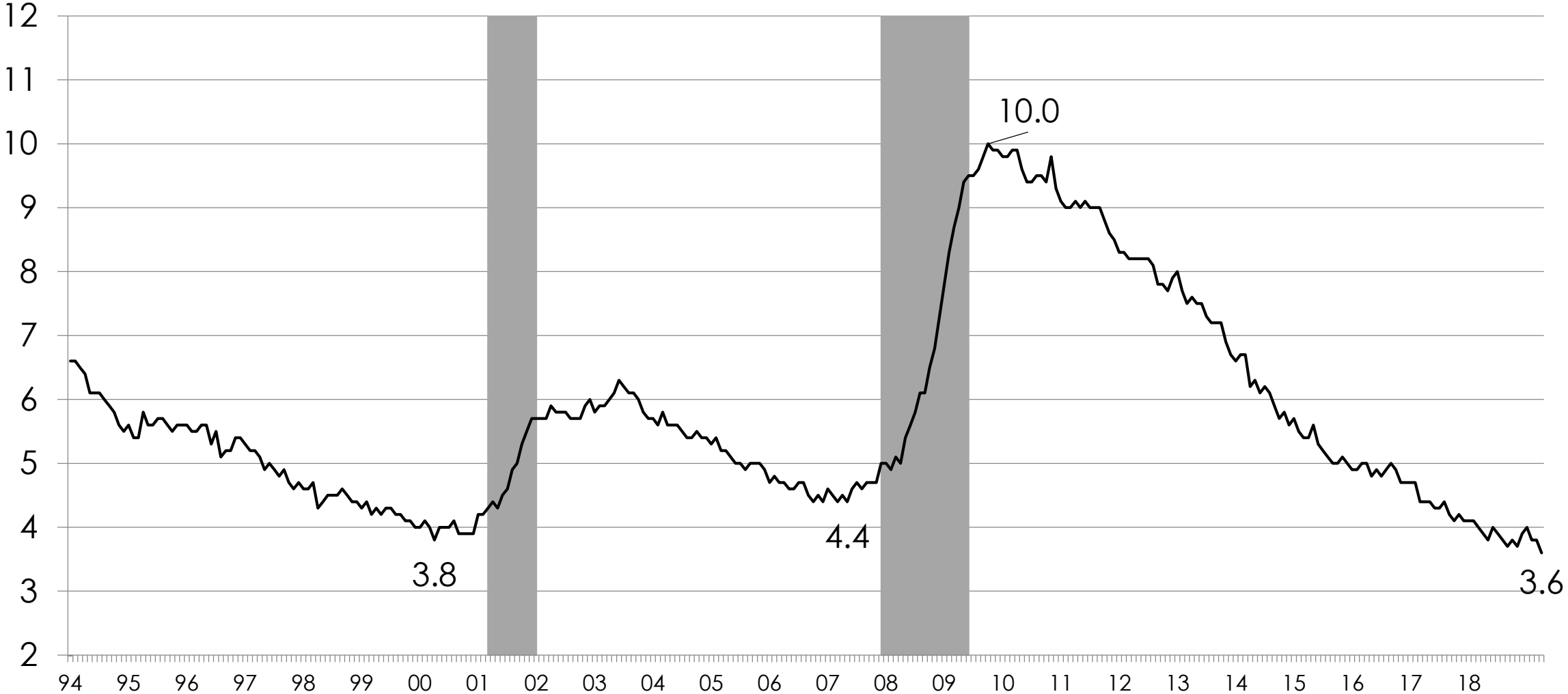
Annual Increases in Non-Farm Employment

Millions of Employees. Source: BLS



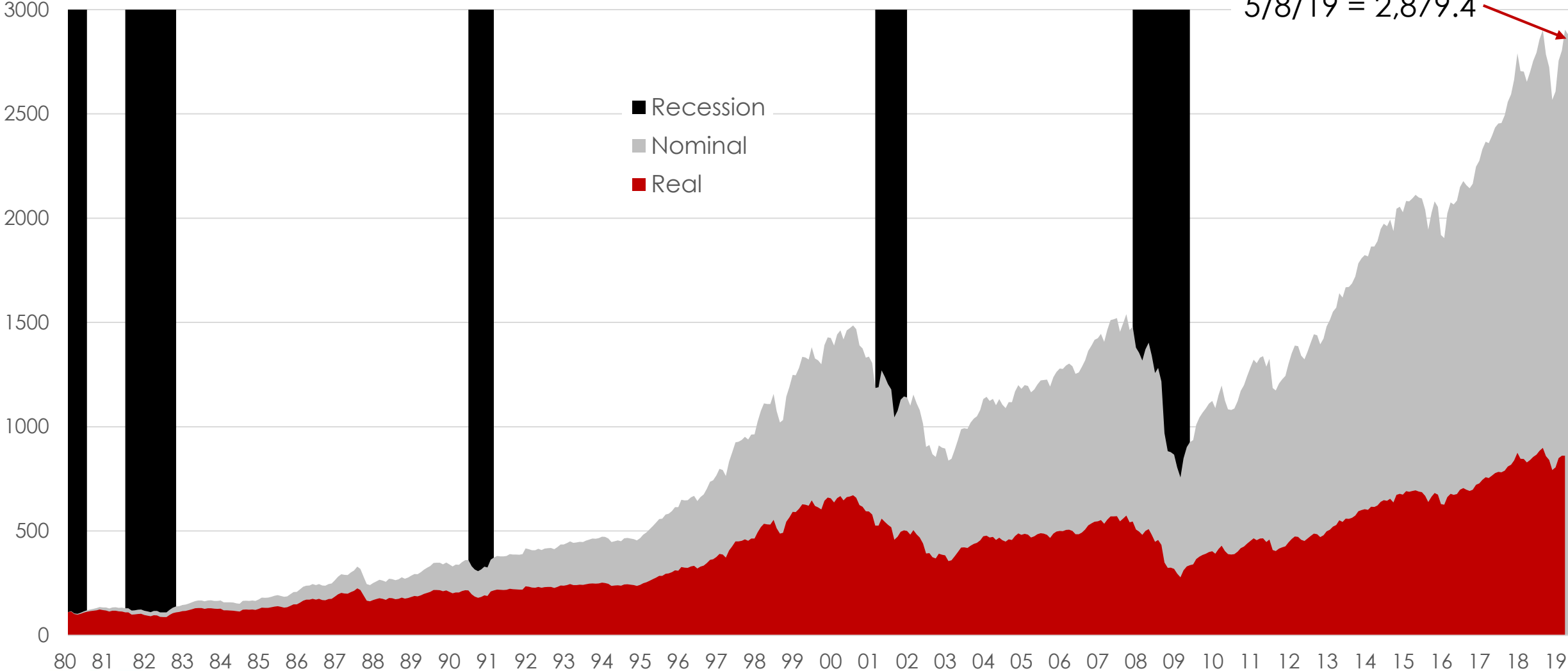
U.S. Unemployment Rate (%)

(Source: BLS and CUNA)



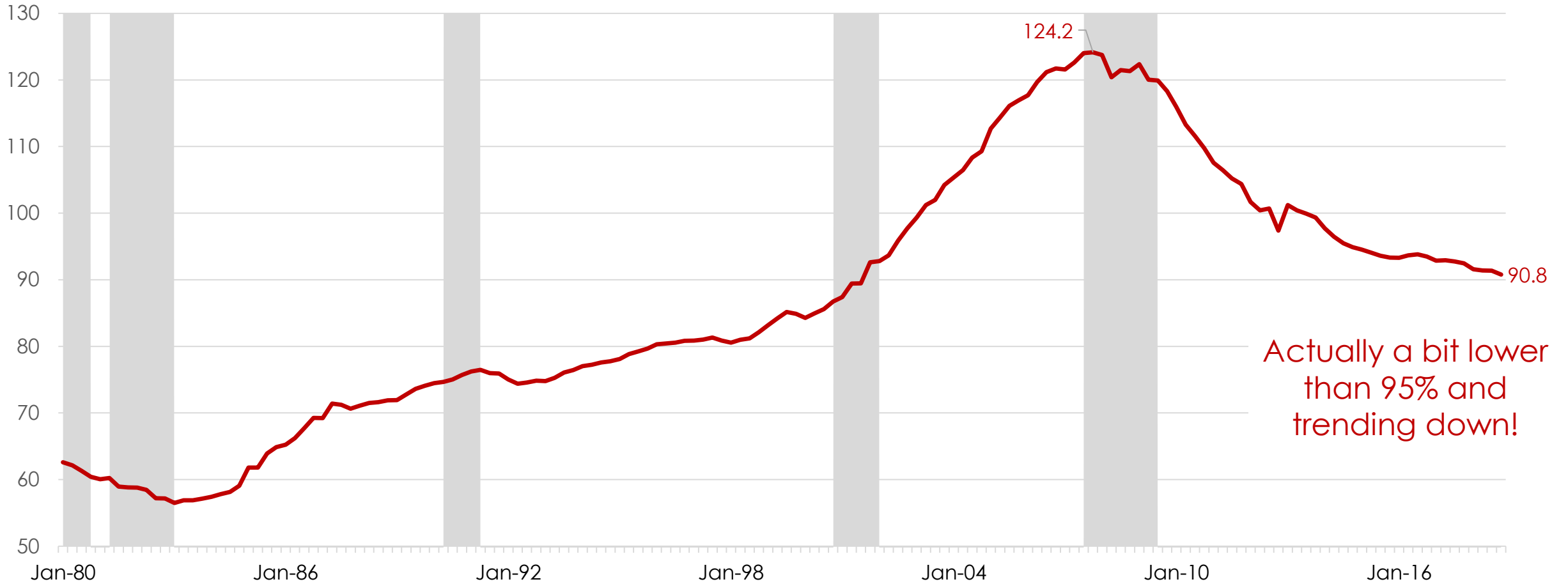
S&P 500 Monthly Average

(Source: S&P)



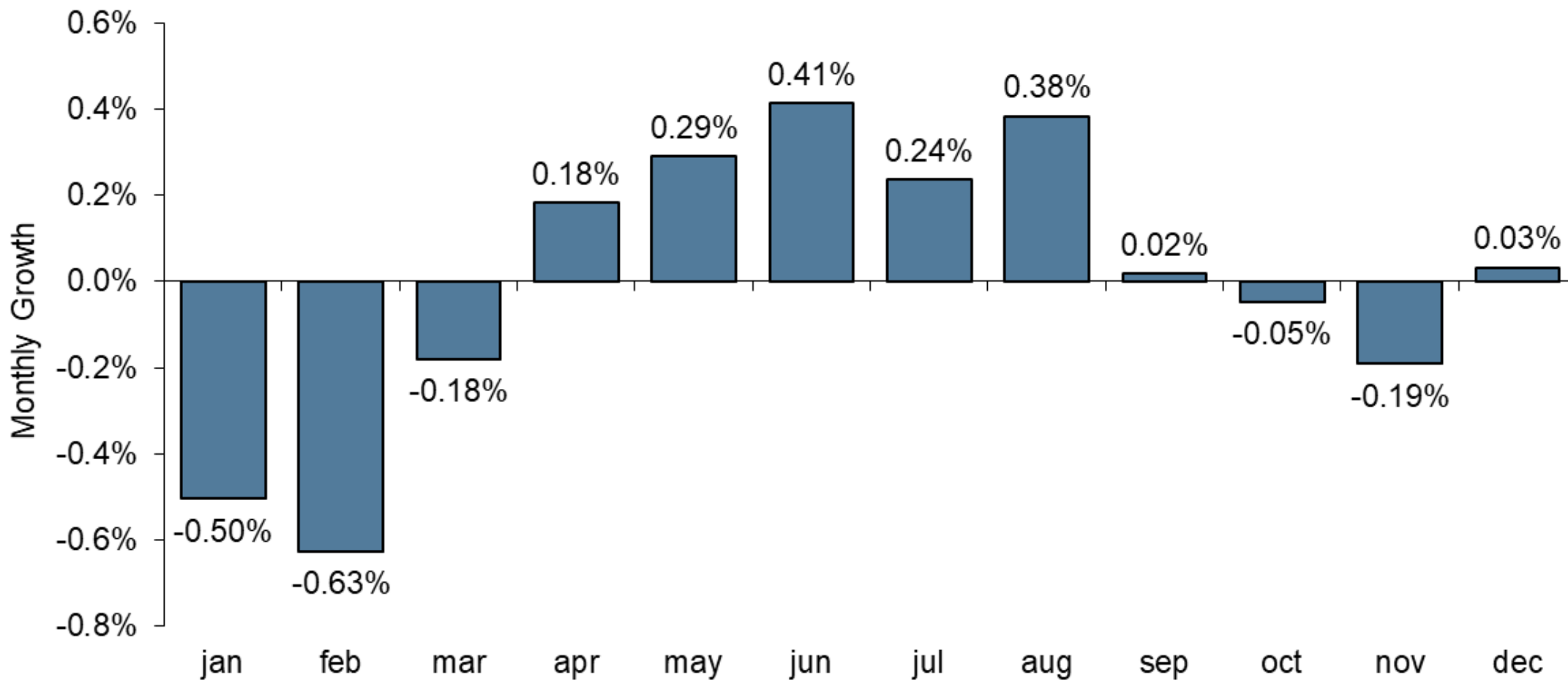
Household Consumer & Mortgage Debt

As a % of Disposable Household Income // Source: Federal Reserve



CU Loan Seasonal Factors

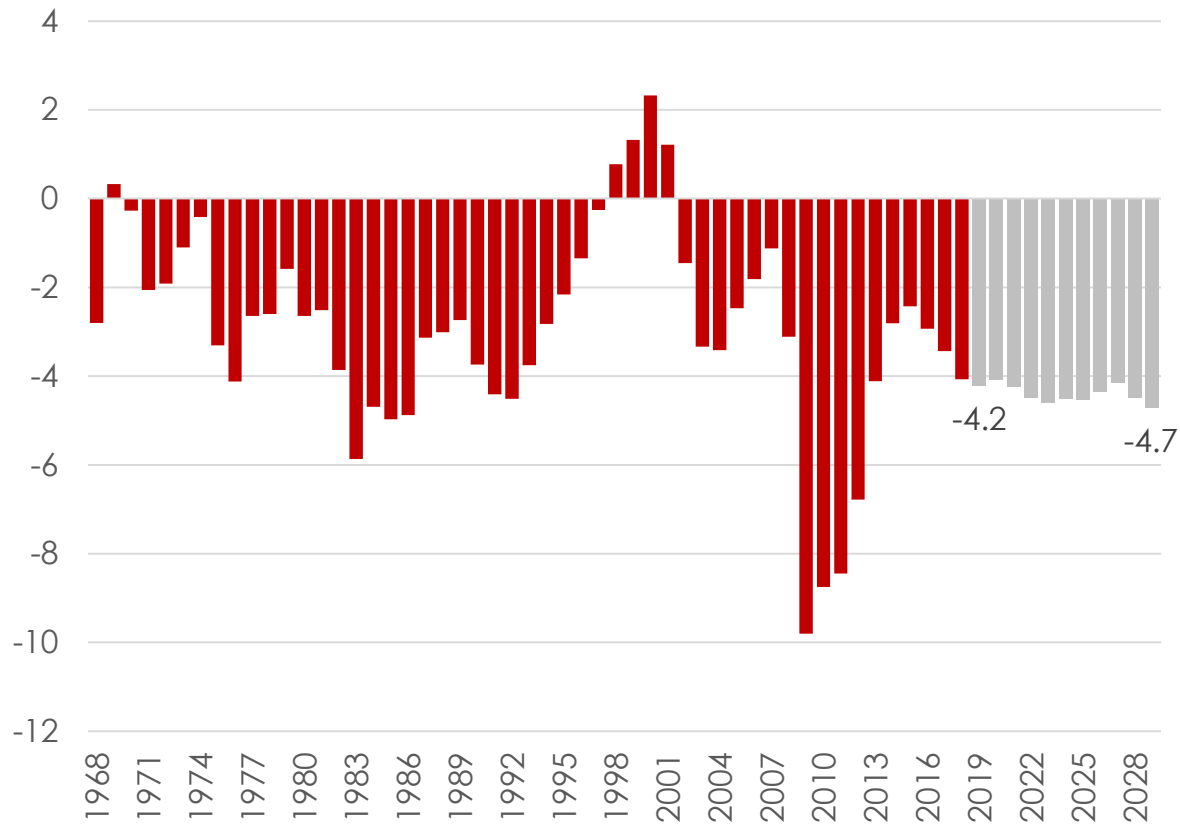
Average Monthly Growth Compared to Trend



More spending and lower taxes will present more obvious challenges

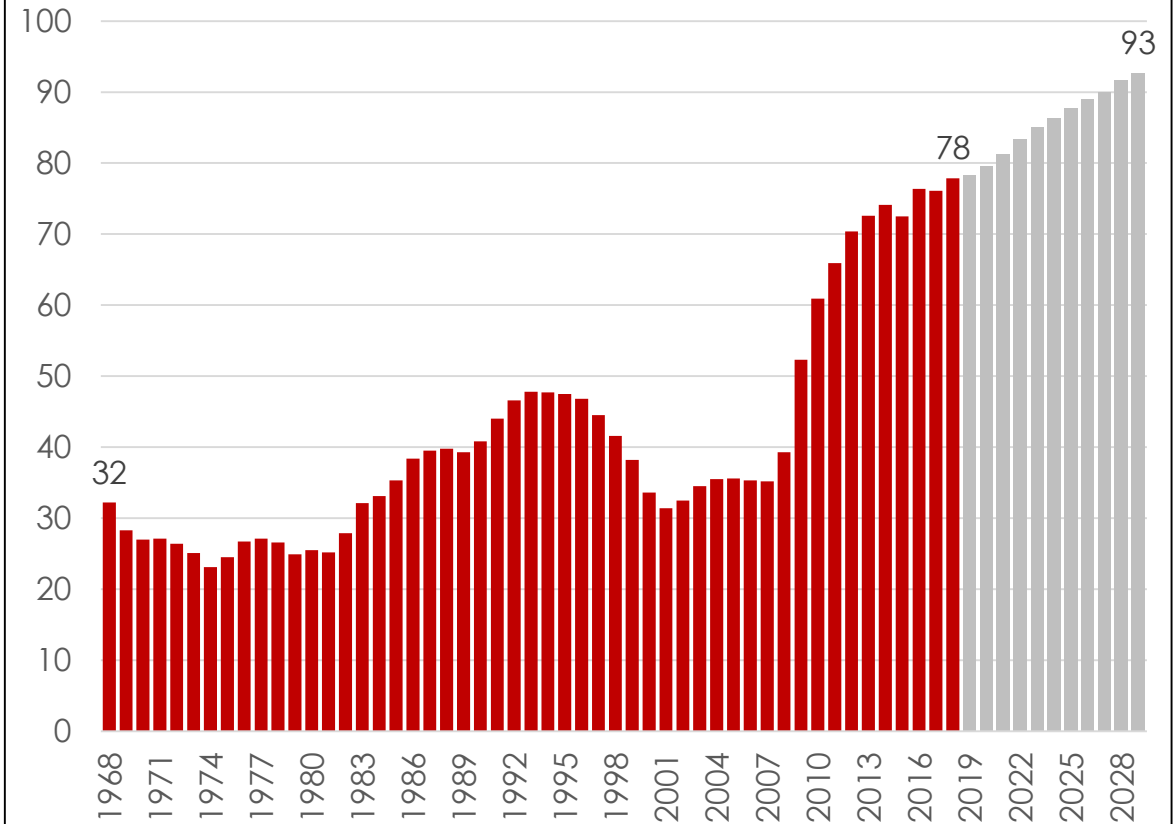
Total Deficits & Surpluses

Percent of GDP. Source: CBO.



Total Debt Held by the Public

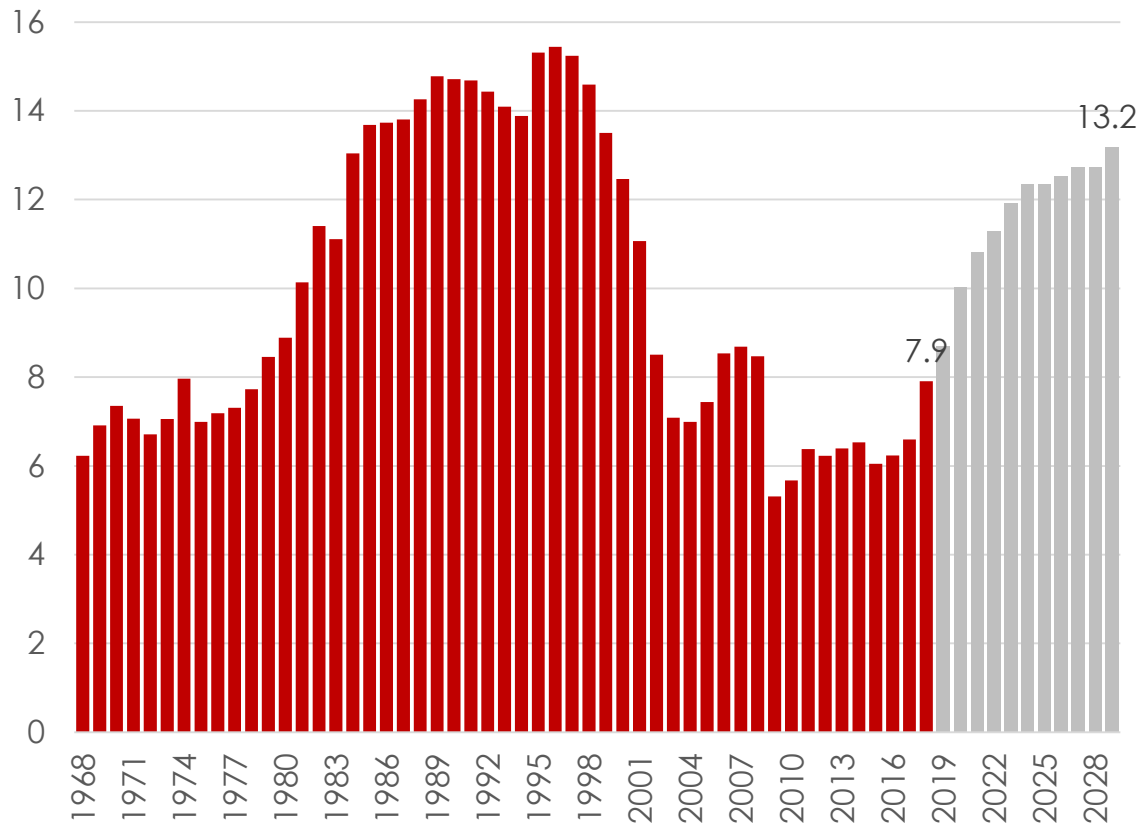
Percent of GDP. Source: CBO.



Yikes!

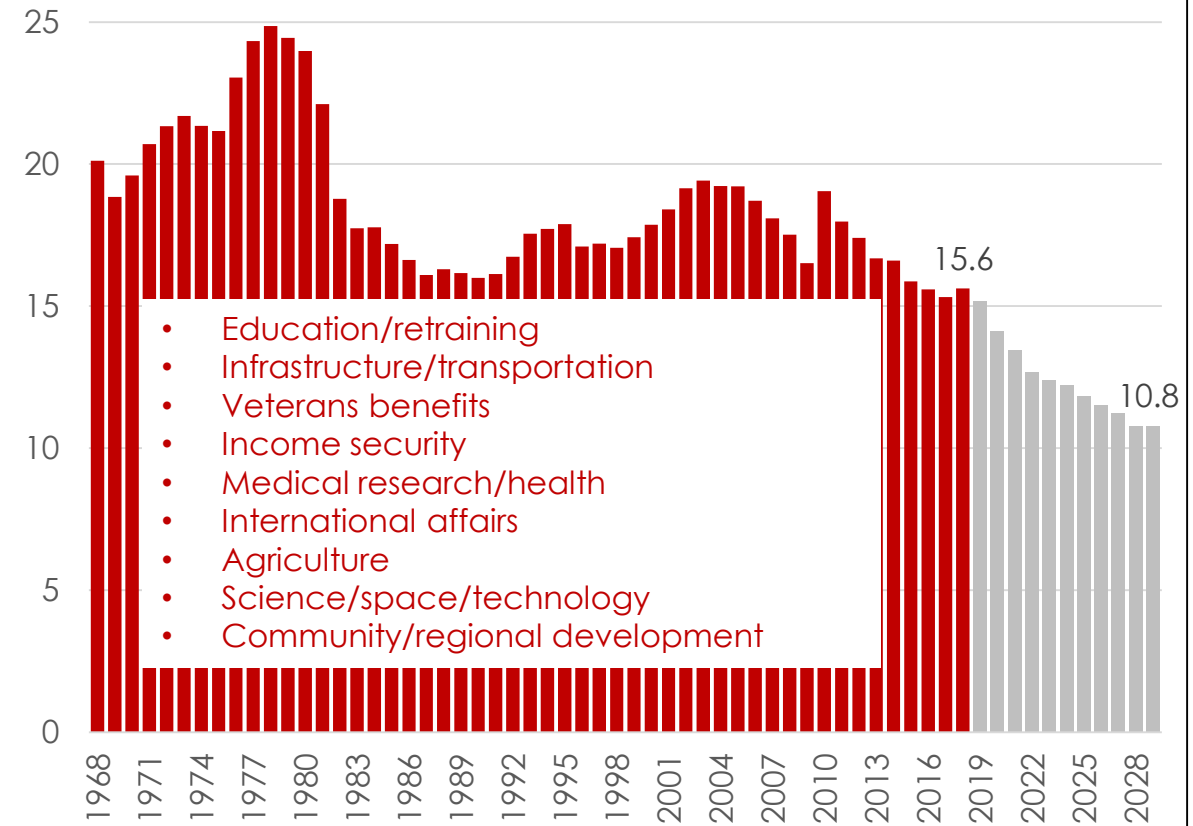
Net Interest Outlays

Percent of Total Outlays. Source: CBO.



Discretionary Non-Defense Spending

Percent of Total Outlays. Source: CBO.



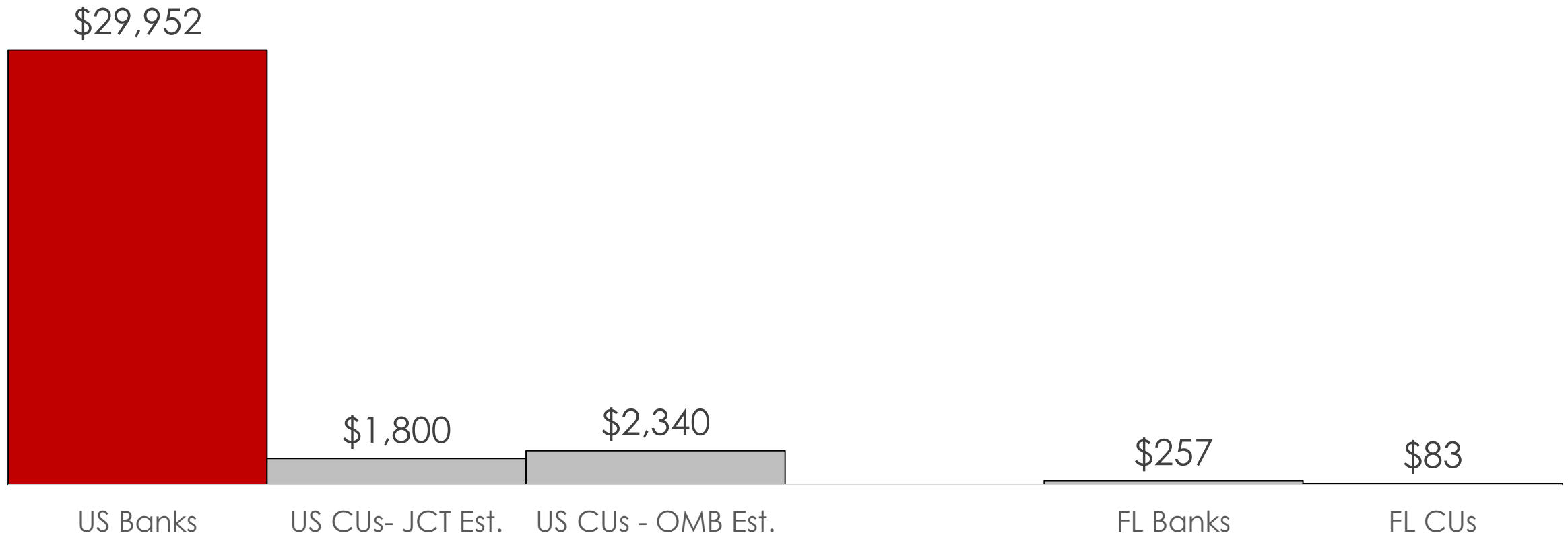
The Long-Term Deficit Problem

- Current Fiscal Policy:
 - Fueling economic activity at a time the Fed is trying to slow.
 - Limiting options for fiscal intervention in a down economy.
 - Contributing to a massive debt build-up.
 - Increasing the government's interest costs and limiting future funding for infrastructure spending, education spending.
 - Reducing national saving and income in the long term.
- It Gets Worse: Next Decade's Deficits:
 - Rising from 4% to nearly 5% of GDP
- Annual Deficit Consistent with Stable or Falling Debt to GDP Ratio: ~2% of GDP
 - So must reduce future deficits by ~3% of GDP
- 3% of GDP is about equal to:
 - All defense spending
 - All discretionary-non-defense spending
- What to do? Decrease spending? Increase taxes?
- Failure to act shifts more spending to debt service and limits choices/ policy options in the future

Foregone Federal Income Tax Revenue

Arising from Tax Status & 2017 Tax Reform

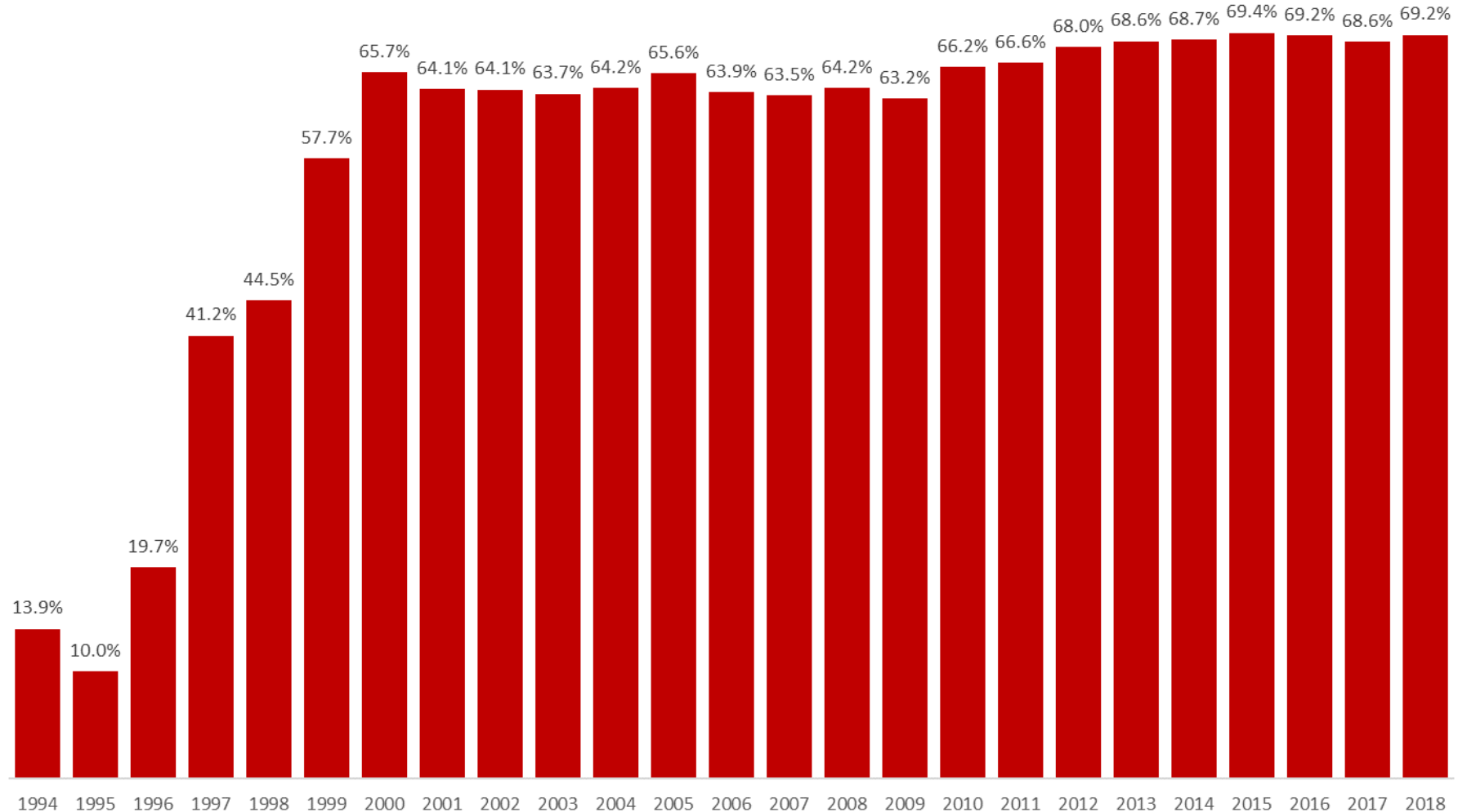
Millions of Dollars. Source: FDIC, JCT, NCUA, CUNA.



Out-of-State Banks Dominate Florida Depsitories

Market Share of Florida Deposits Controlled by Out-of-State Banks: Only 30% of Florida Deposits are in Locally-Controlled Banks and Credit Unions!

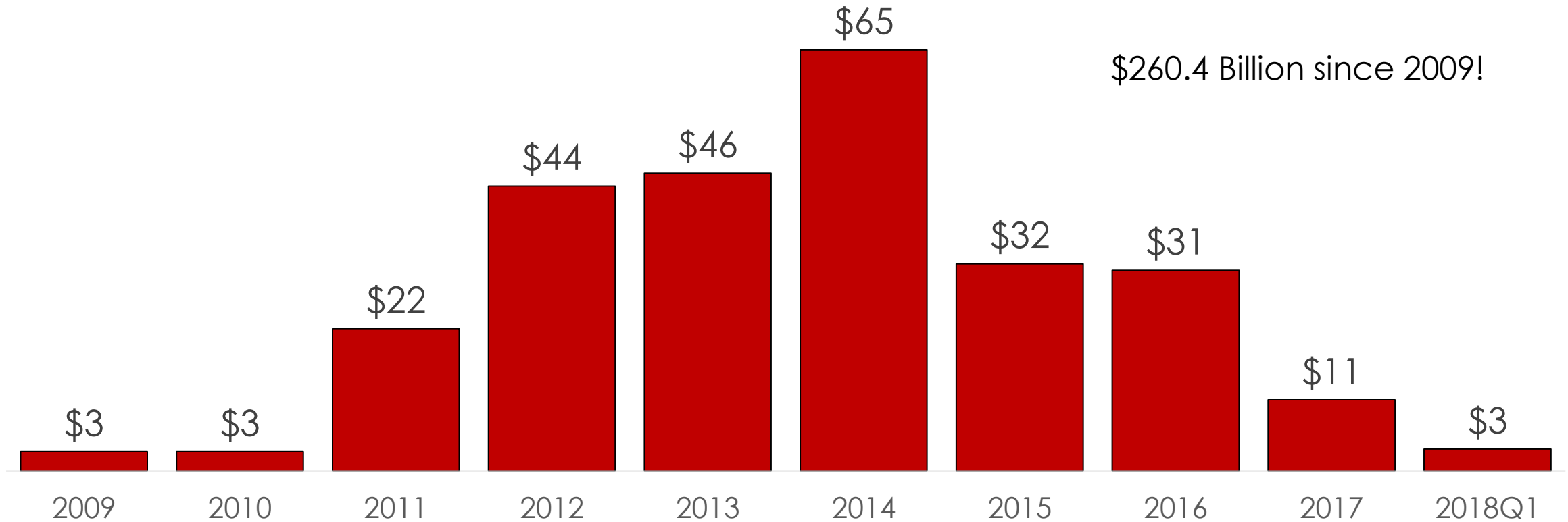
Source: FDIC, NCUA and CUNA.



Total U.S. Fines & Settlements for the 18 Largest Domestic and European Banks

Billions of Dollars. Source: Barclays and Capital Performance Group.

Totals include only fines of \$50 Million+



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