Zions Bank Economic Overview

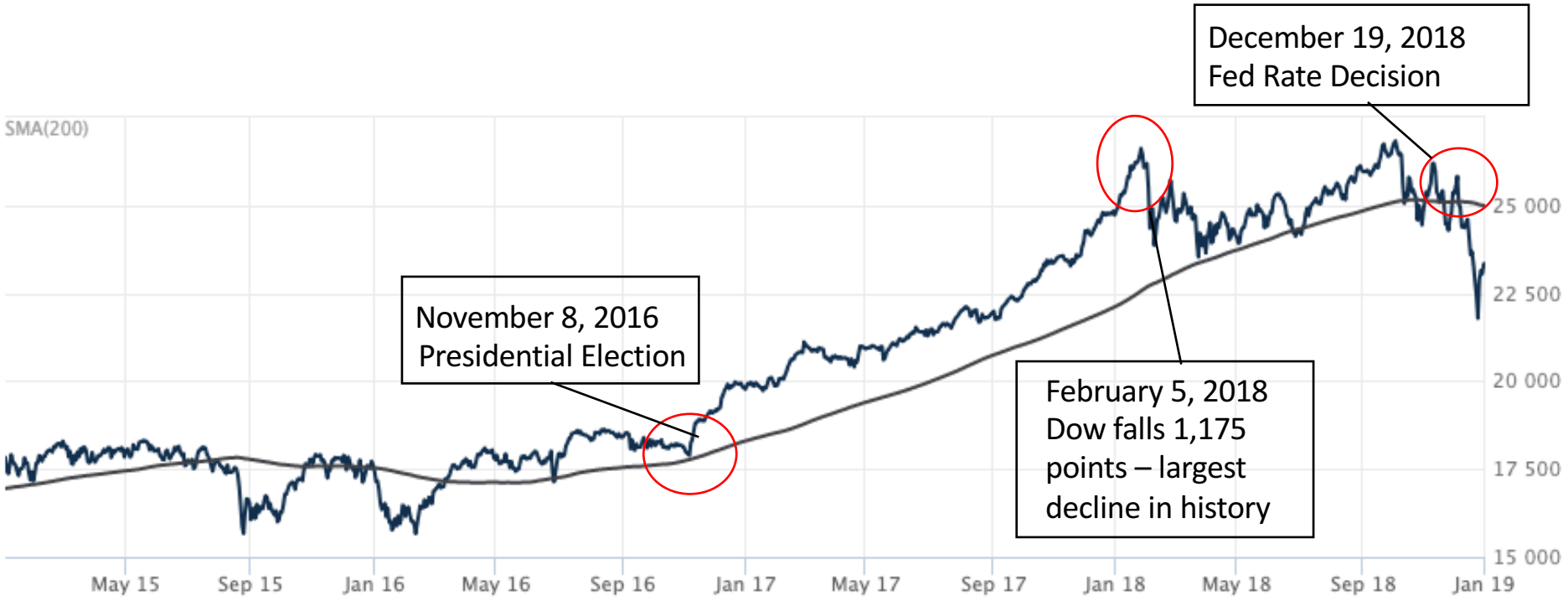
Utah Mechanical Contractors Association

Dealing with Mixed Indicators

- January 16, 2019

National Economic Conditions

Volatility in the Stock Market



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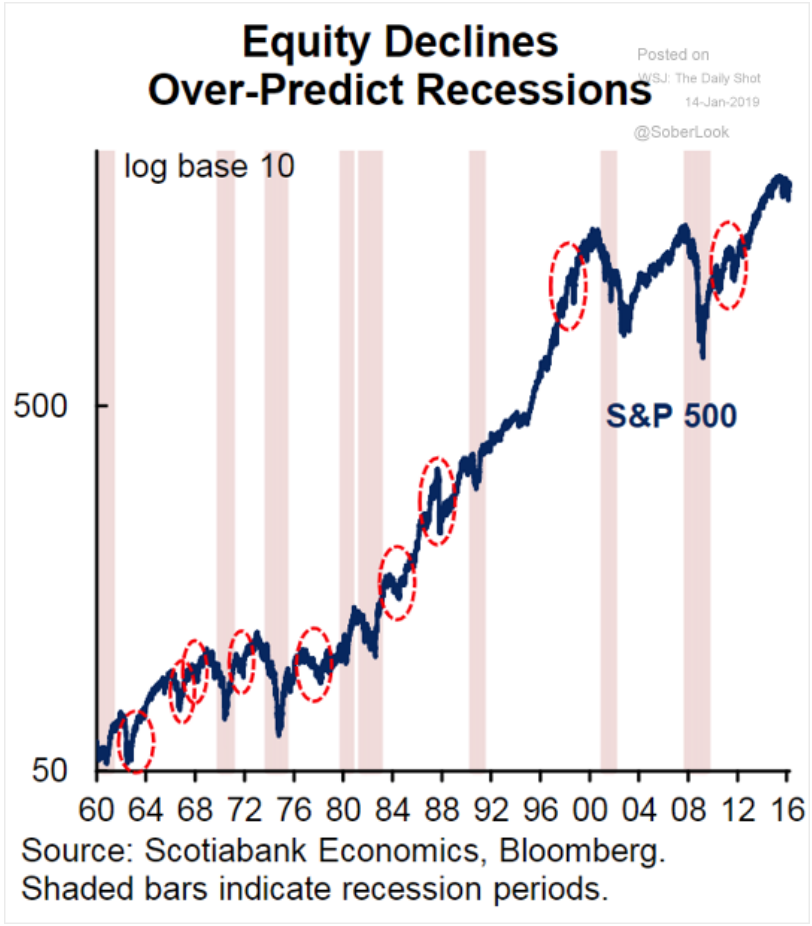
Source: Wall Street Journal

Markets Don’t Always Accurately Predict Downturns



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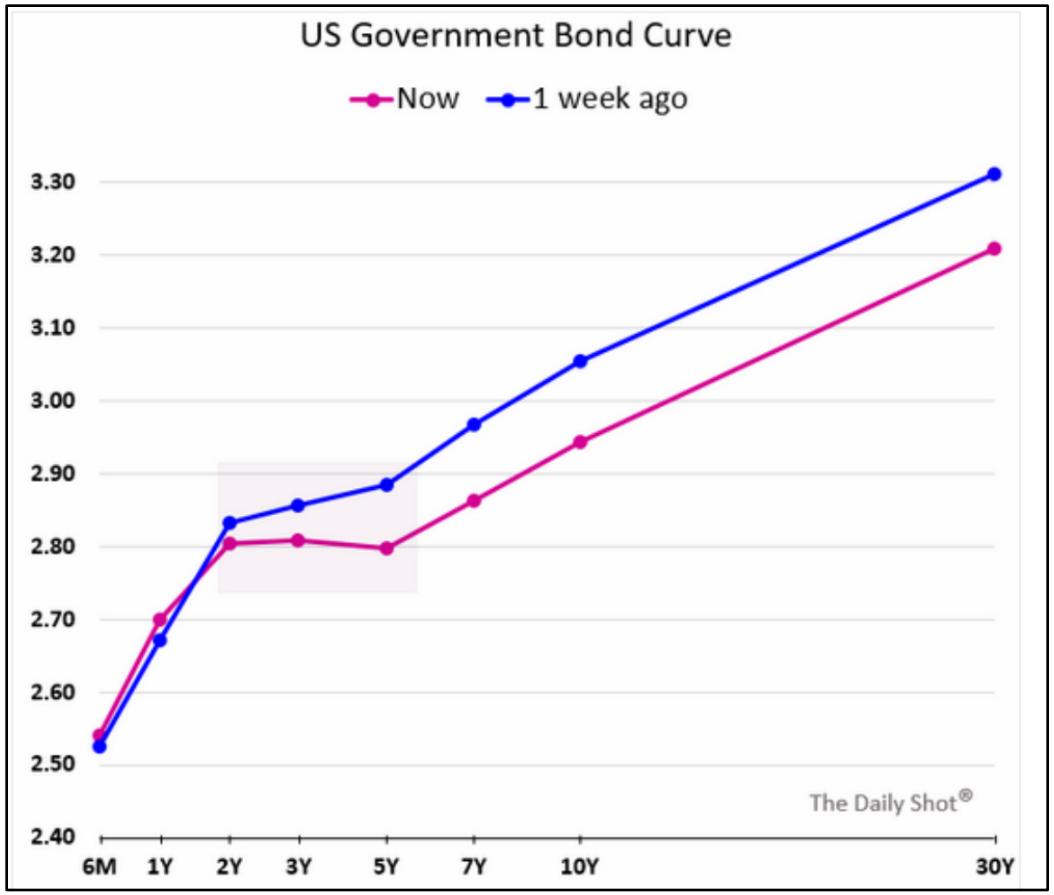
Source: Wall Street Journal

An Inverted Yield Curve…

December 4, 2018



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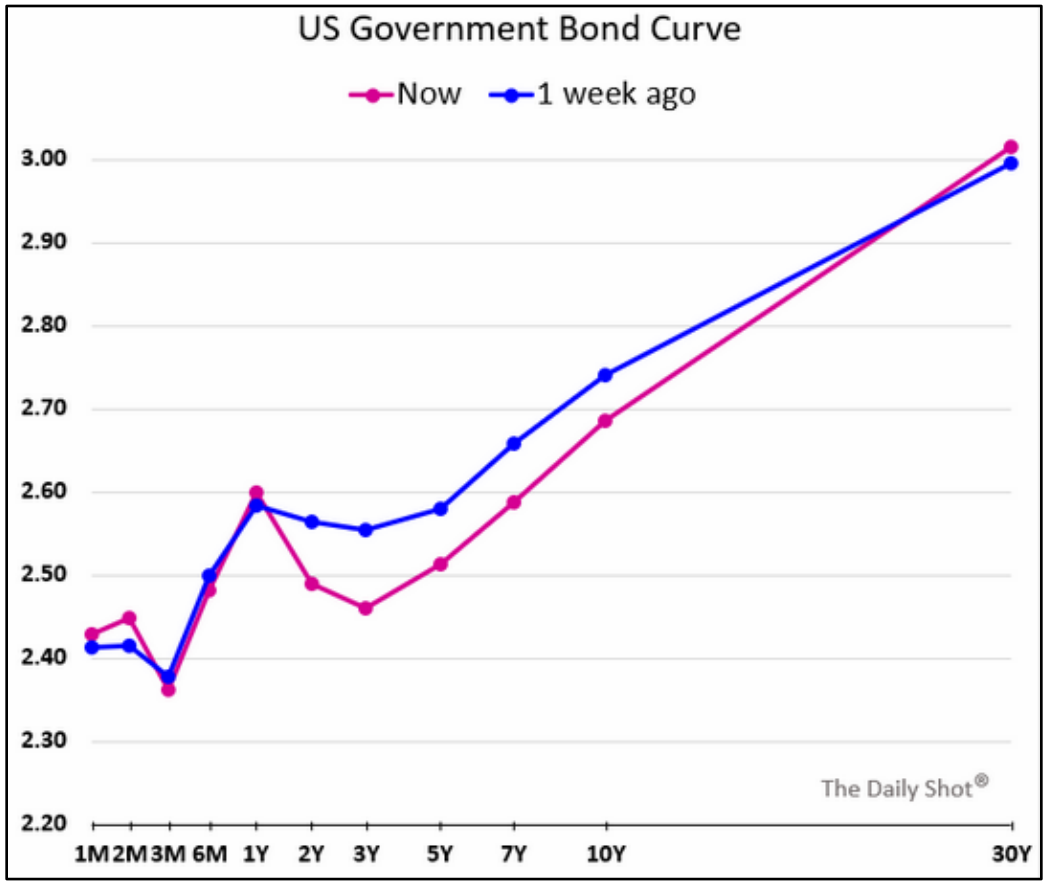
Source: Wall Street Journal

… Turning into a Distorted Yield Curve

January 2, 2019



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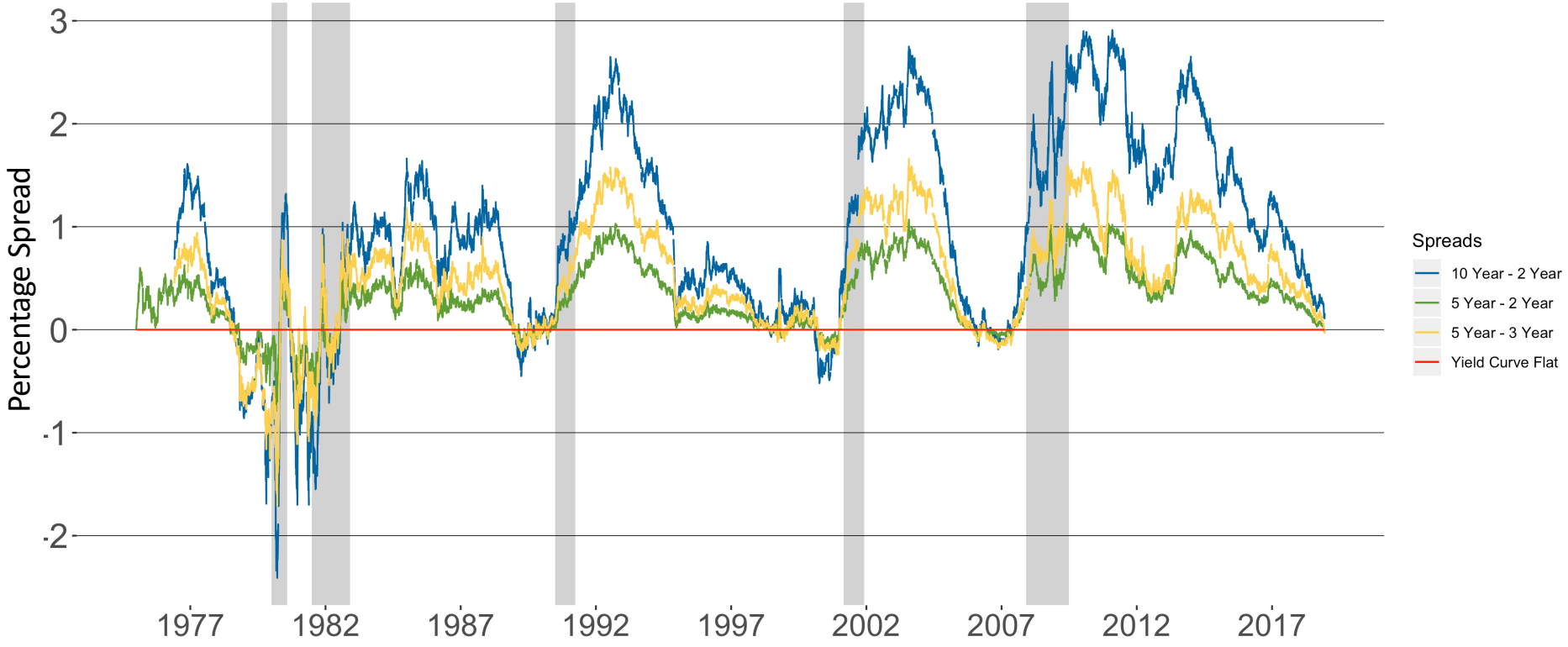
Source: Wall Street Journal

Segments of the Yield Curve Have Inverted Pointing Towards a Potential Recession?

Daily Treasury Yield Spreads from 1975 to Present



Source: Federal Reserve Bank of St. Louis

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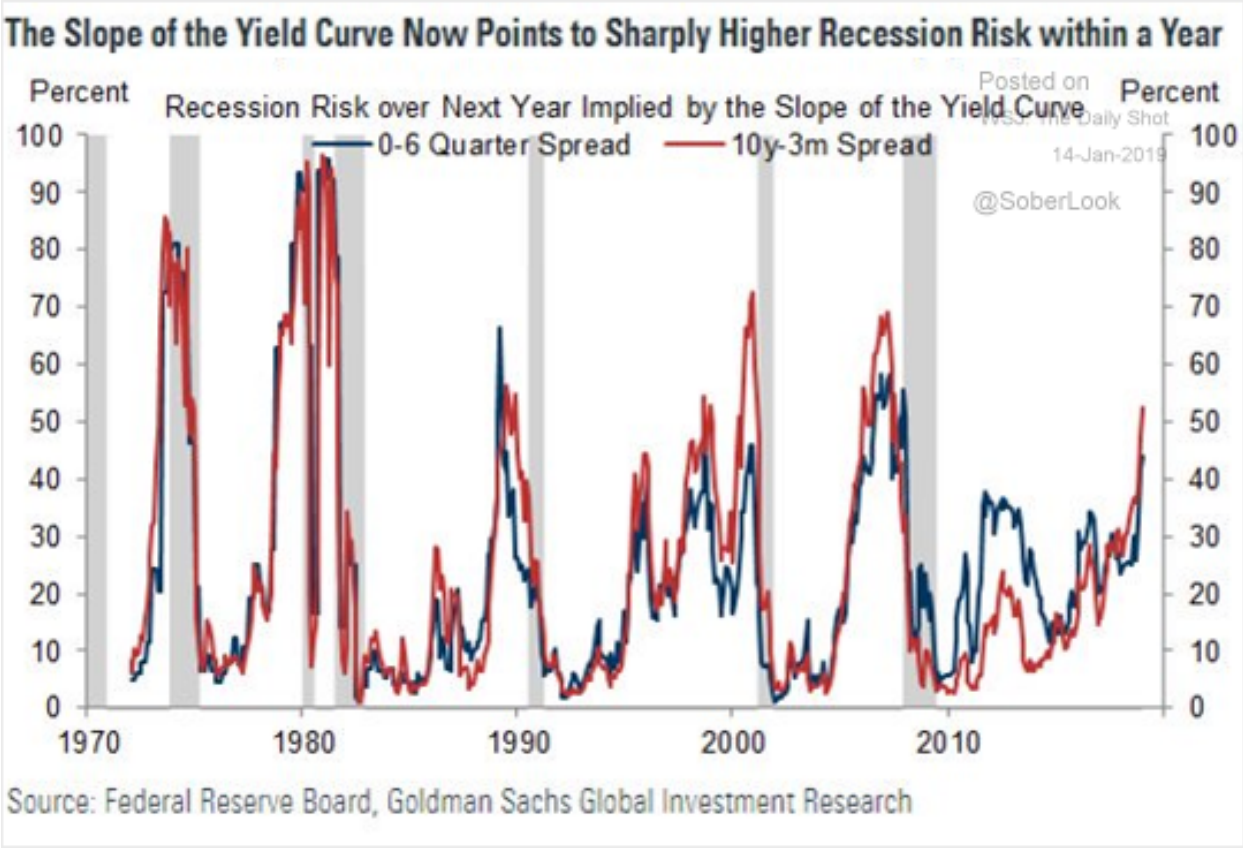
Is a Recession on the Way?



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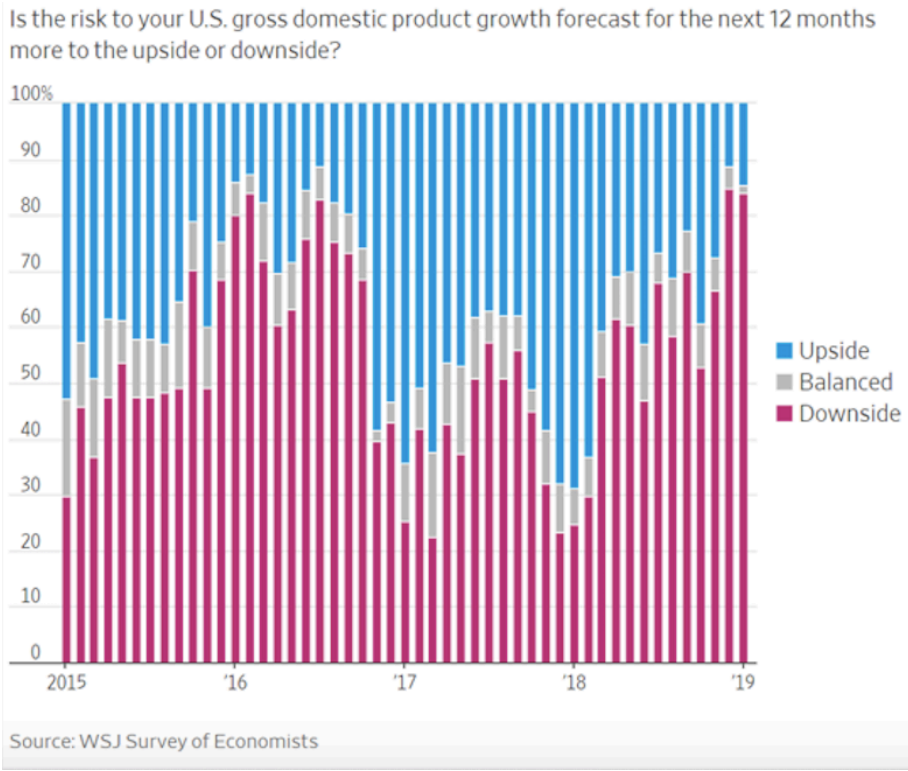
Source: Wall Street Journal

Is a Recession on the Way?



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Source: Wall Street Journal

Trade War Fears

CNBC

Trump says there will be a 'REAL DEAL' or no deal at all with China

THE WALL STREET JOURNAL.

Robert Spendlove

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MARKETS | U.S. MARKETS

Dow Tumbles Nearly 800 Points as Trade Jitters Return

Bond yields retreat amid worries about pace of U.S. growth

The New York Times

Trump Warns China That He's 'Tariff Man,' Spooking Stock Investors

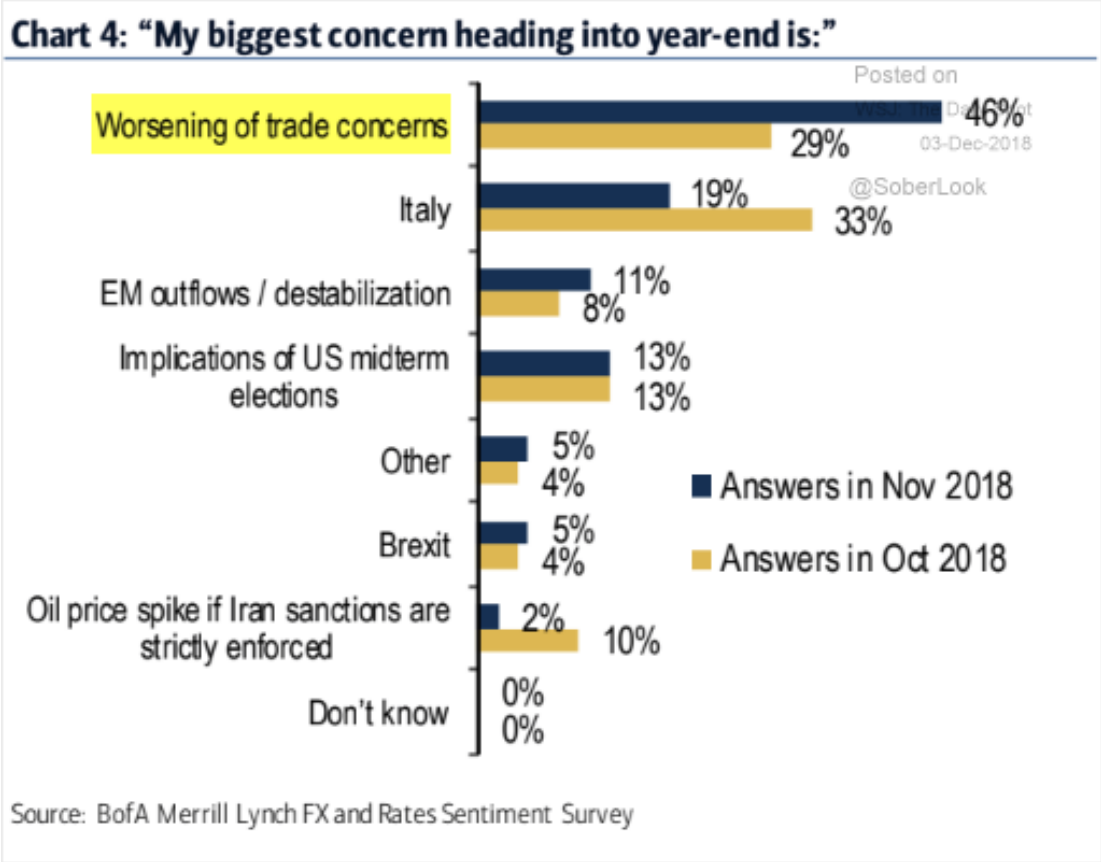
Trump tariff war with China sends U.S. retailers on buying binge

CHICAGO (Reuters) - In the nearly 40 years she has spent in trade, Amy Magnus has never seen retailers hoarding so much inventory.

ZIONS BANK

Source: Wall Street journal

Trade War Concerns Increasing



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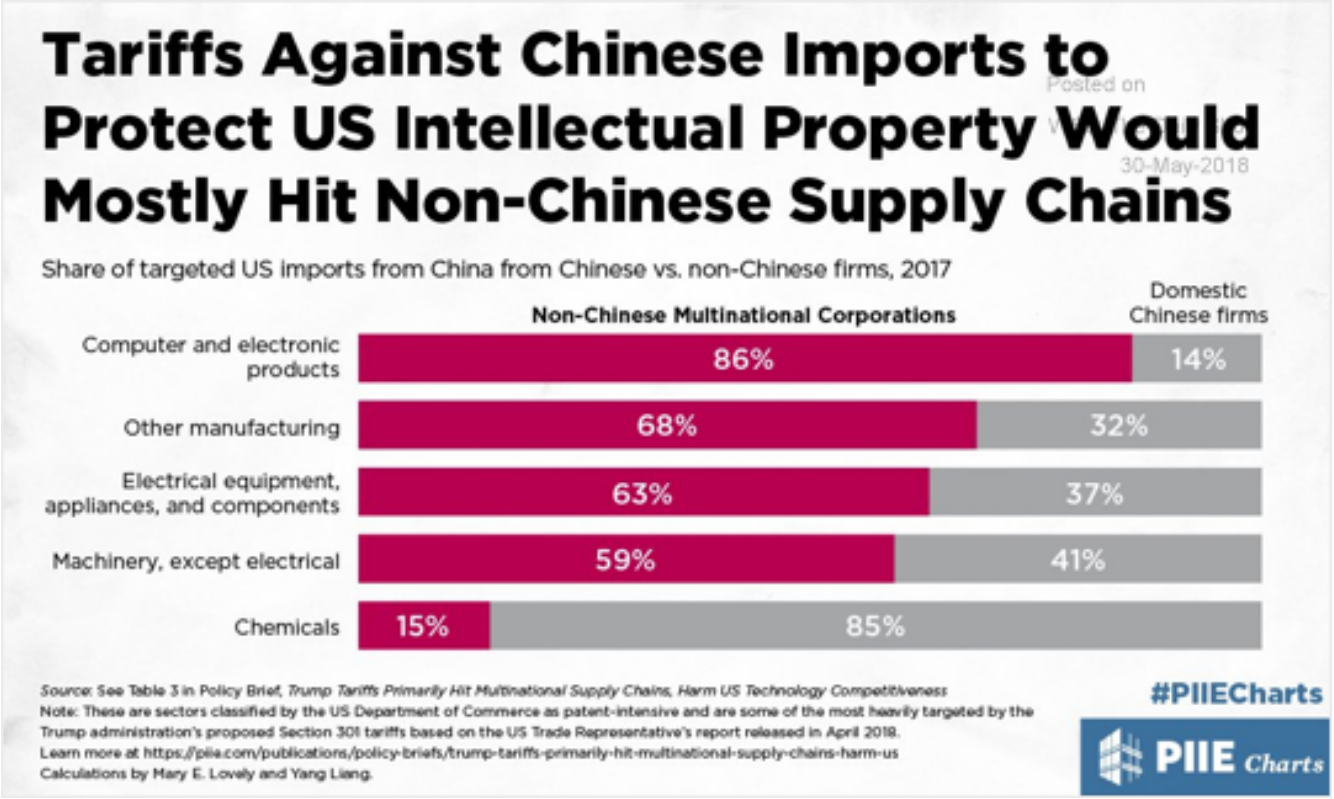
Source: Wall Street journal

Economic Protectionism Increases Costs



Source: Wall Street Journal

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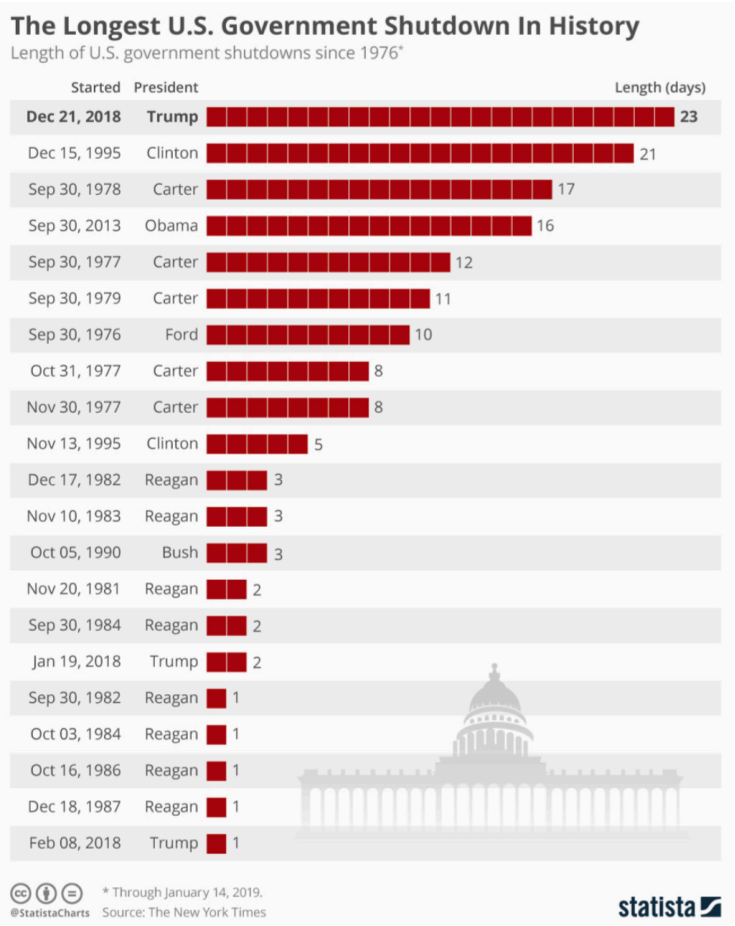
Federal Government Shutdown Continues



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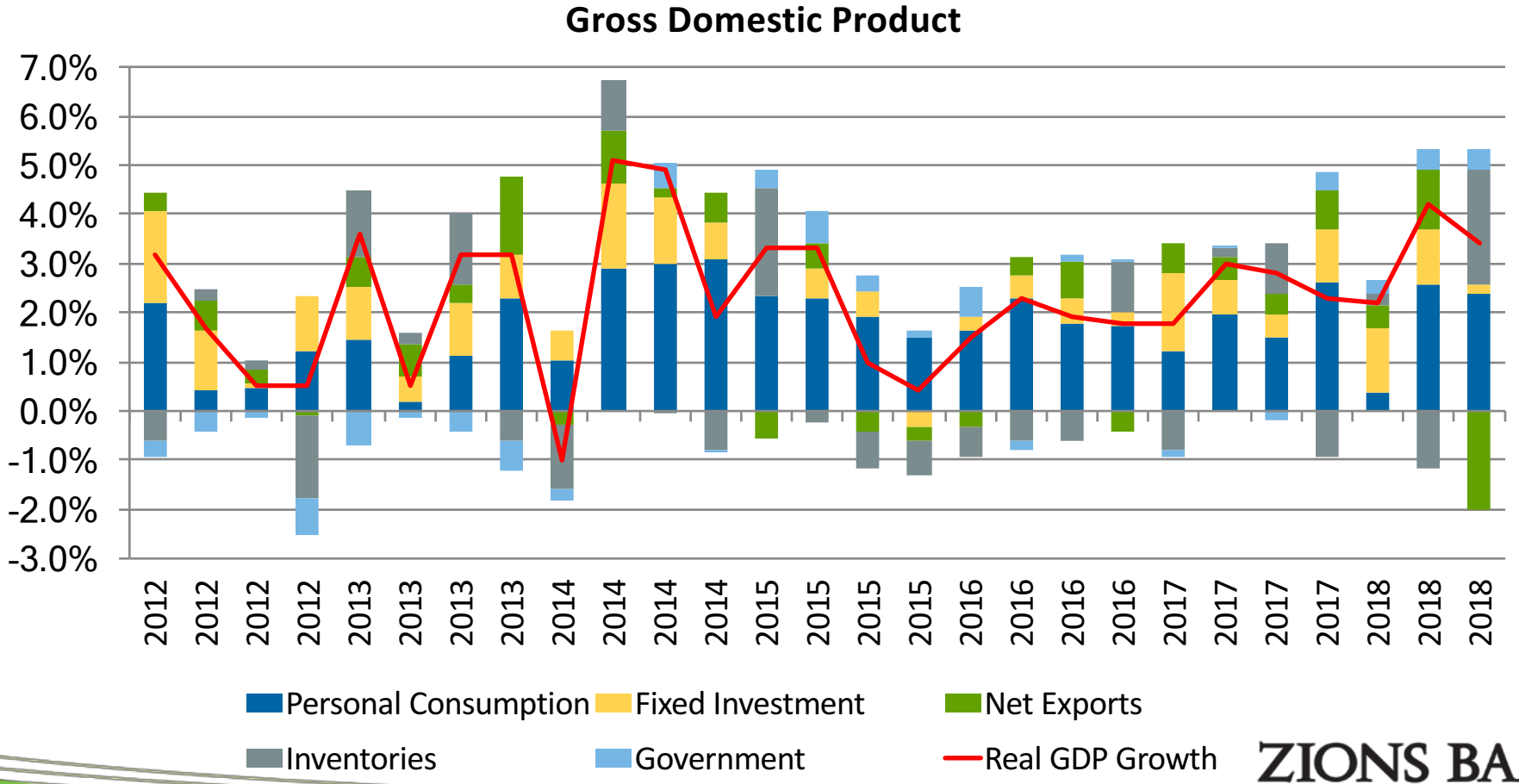
Source: Statista

Economic Growth Improved in 2018



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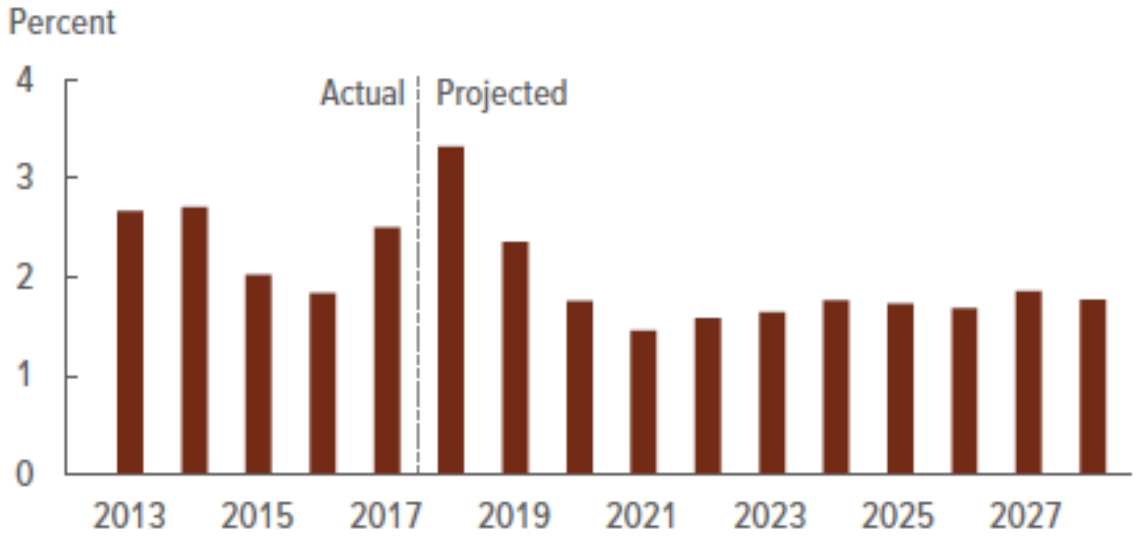
Source: Bureau of Economic Analysis

CBO Projections Show a Spike Followed by a Slowdown in Economic Growth

1 Spurred by fiscal stimulus, **real GDP growth** is expected to be 3.3 percent this year and 2.4 percent next year.



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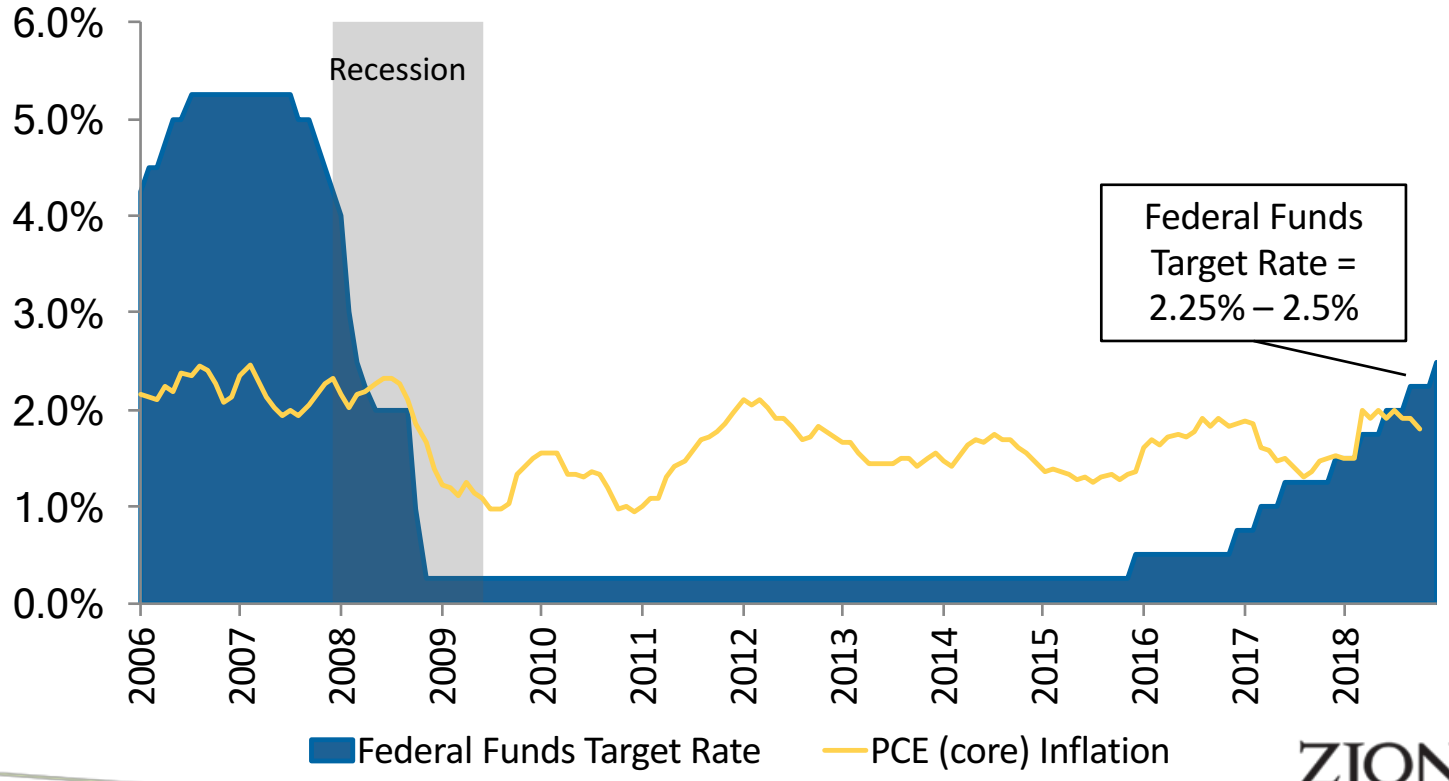
Source: Congressional Budget Office

Federal Funds Target Rate Sees 9th Increase in 3 Years



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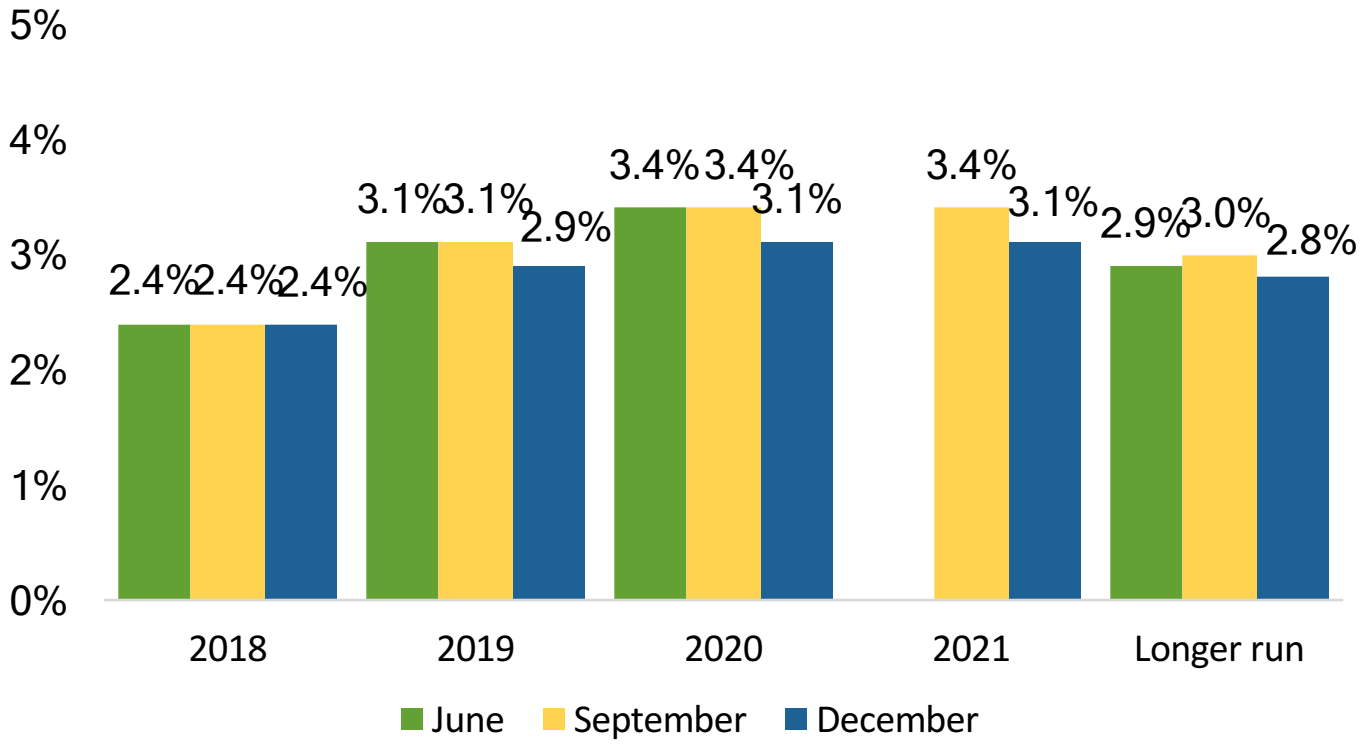
Source: Federal Reserve Board of Governors and BEA

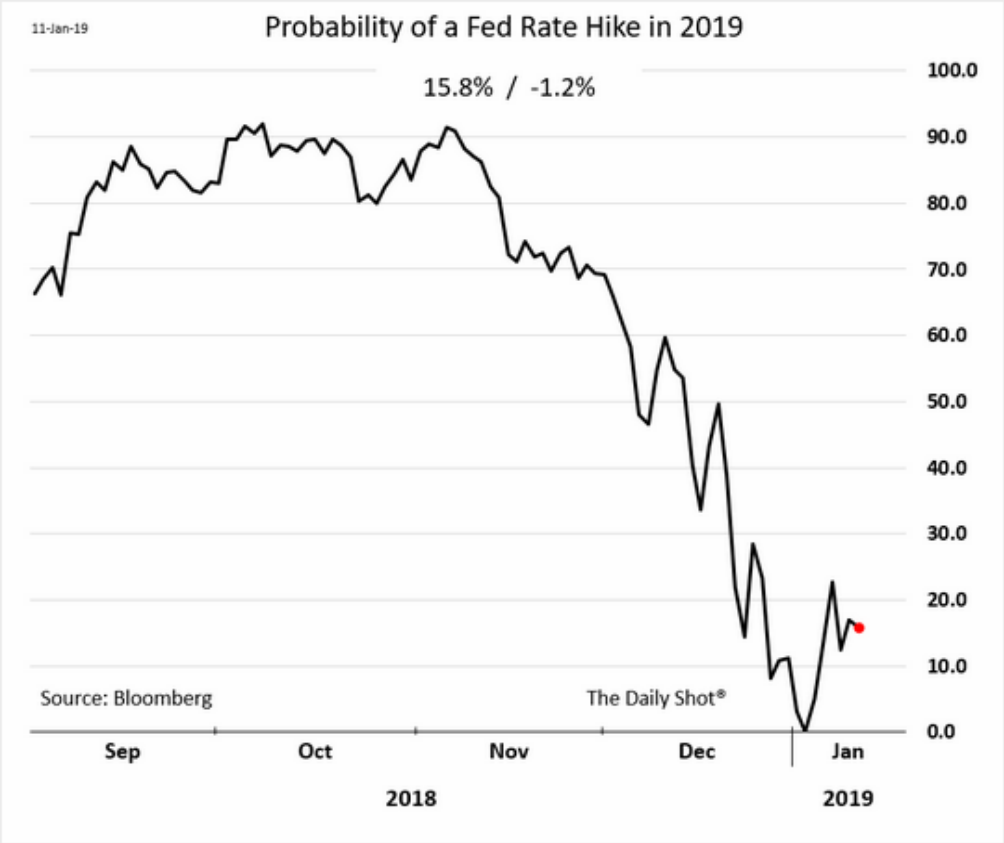
Fed Projections Signal Fewer Rate Hikes in 2019



ZIONS BANK

Source: Board of Governors of the Federal Reserve

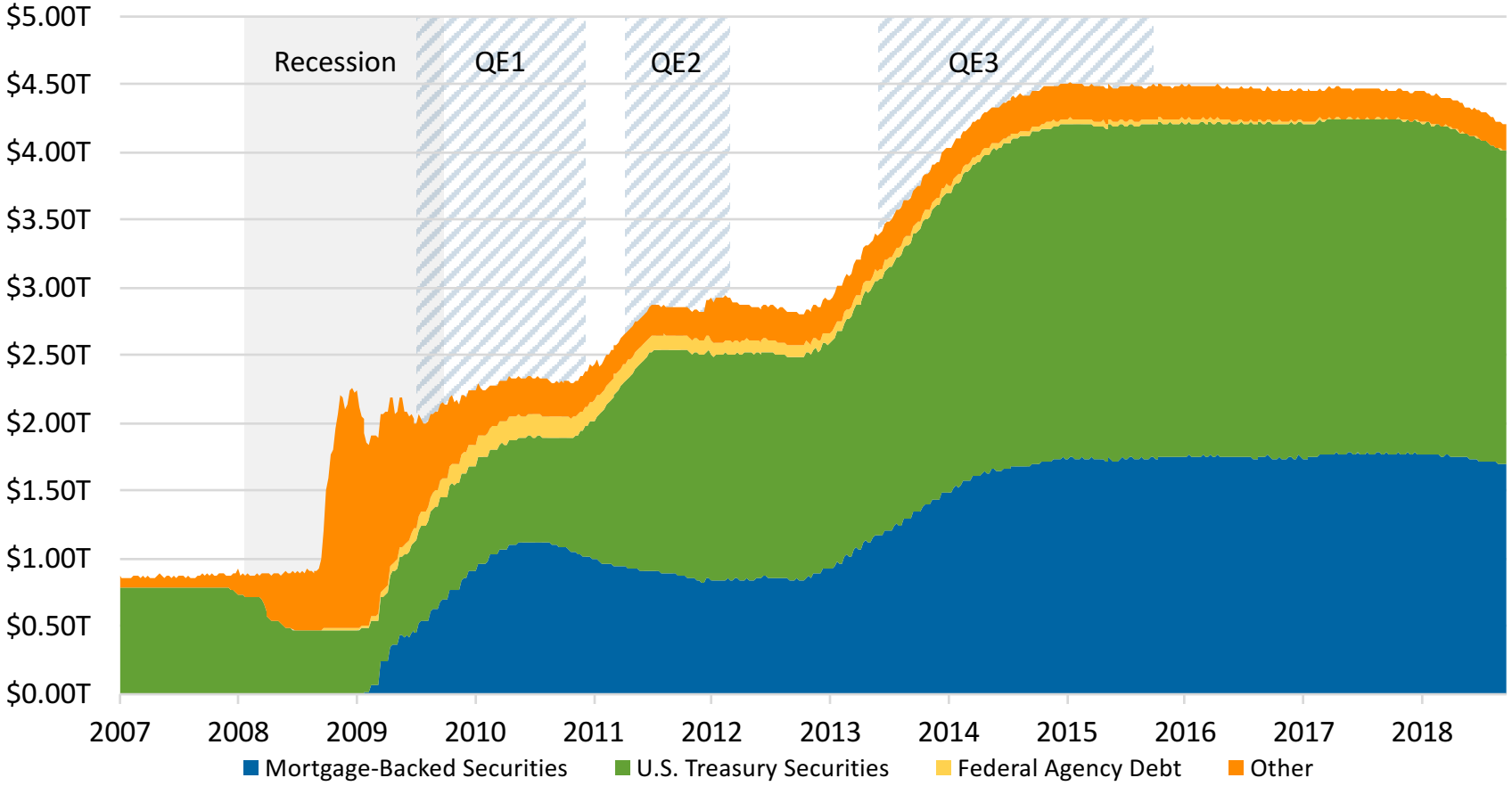
Markets See Further Rate Increases Less Likely



ZIONS BANK.

Source: Wall Street Journal

The Fed Reduces its Balance Sheet



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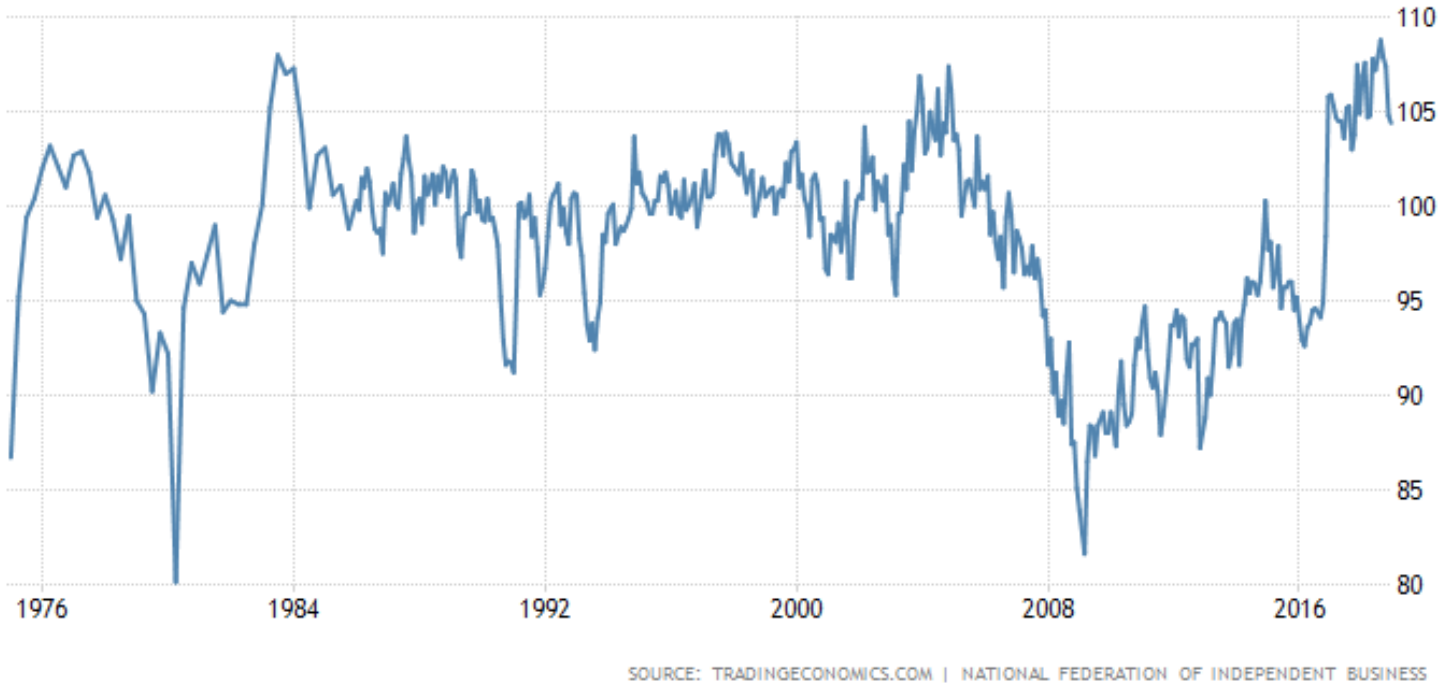
Source: Federal Reserve Bank of St. Louis

Business Optimism Moderating



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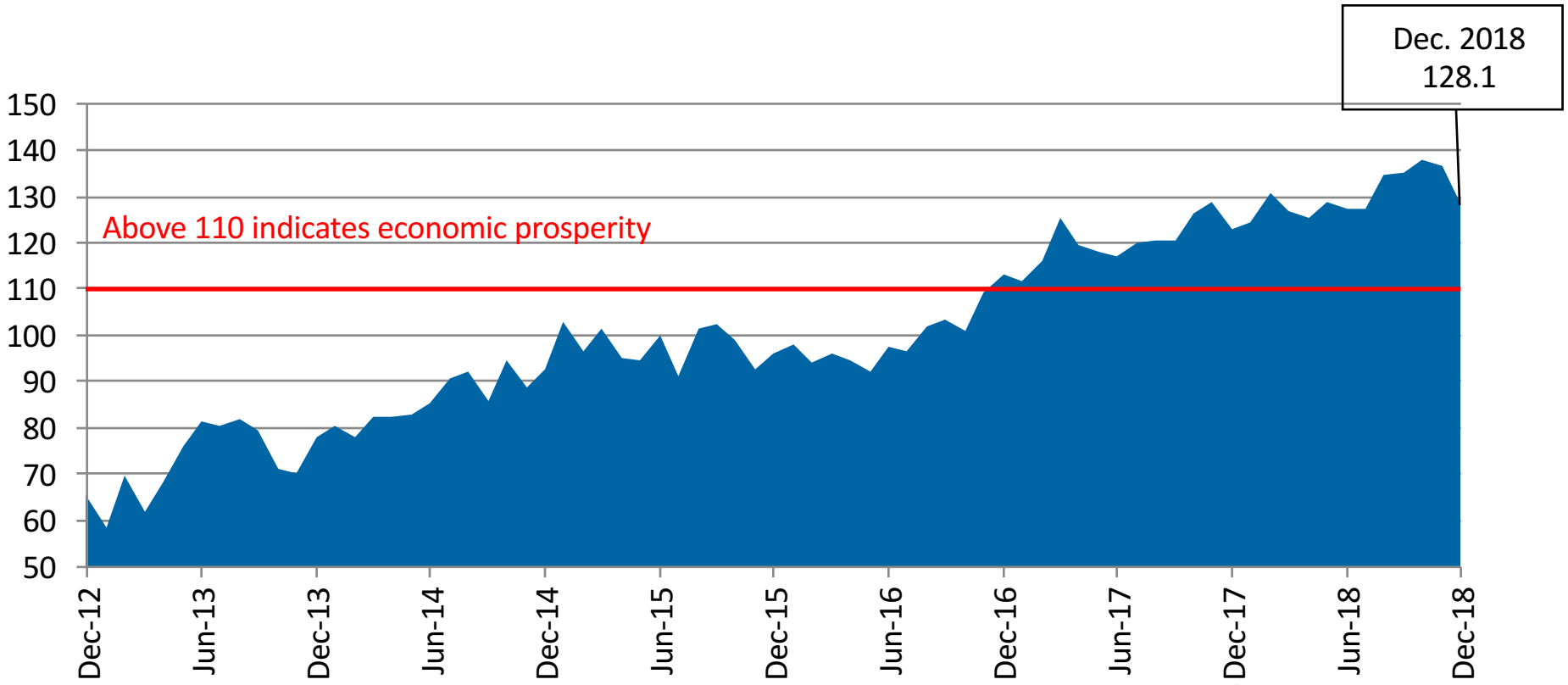
Source: Trading Economics, NFIB Small Business Optimism Index

Consumer Confidence Declines, but Remains High



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Source: The Conference Board

December Jobs Report Comes in Strong

Employment Situation

Released On 1/4/2019 8:30:00 AM For Dec, 2018

	Prior	Prior Revised	Consensus	Consensus Range	Actual
Nonfarm Payrolls - M/M change	155,000	176,000	180,000	160,000 to 200,000	**312,000**
Unemployment Rate - Level	3.7 %		3.7 %	3.6 % to 3.8 %	**3.9 %**
Private Payrolls - M/M change	161,000	173,000	175,000	160,000 to 200,000	**301,000**
Manufacturing Payrolls - M/M change	27,000		19,000	-6,000 to 23,000	**32,000**
Participation Rate - level	62.9 %		62.9 %	62.8 % to 62.9 %	**63.1 %**
Average Hourly Earnings - M/M change	0.2 %		0.3 %	0.2 % to 0.4 %	**0.4 %**
Average Hourly Earnings - Y/Y change	3.1 %		3.0 %	3.0 % to 3.3 %	**3.2 %**
Av Workweek - All Employees	34.4 hrs		34.5 hrs	34.4 hrs to 34.5 hrs	**34.5 hrs**

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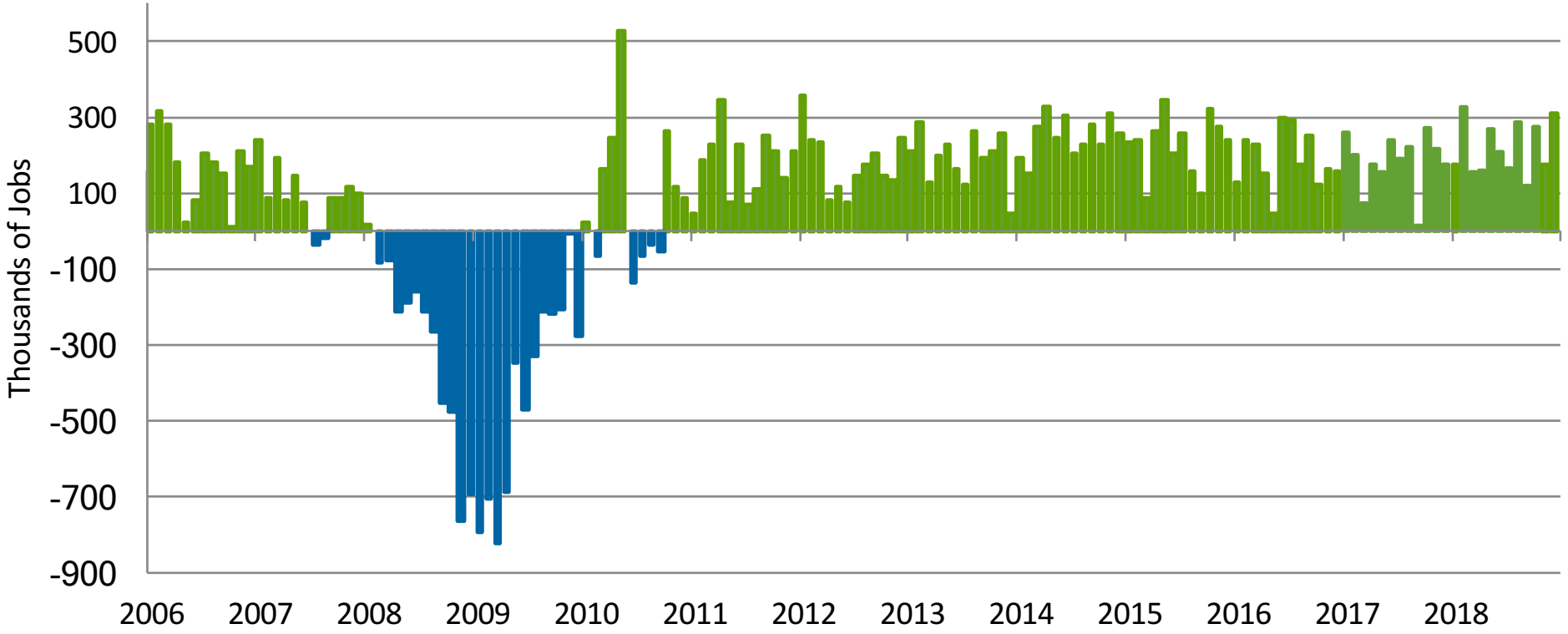
Source: Wall Street Journal and Econoday

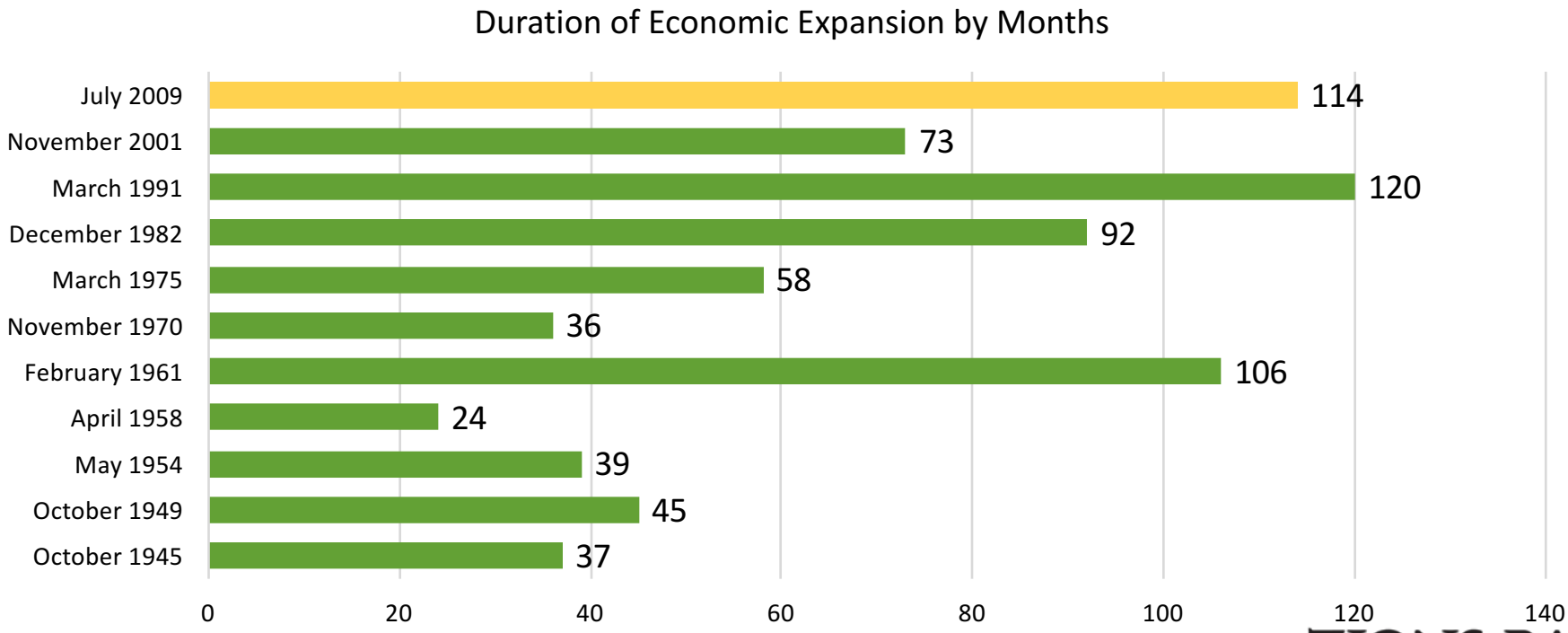
December Marked 99 Consecutive Months of Job Growth in the U.S.



ZIONS BANK.

Source: Bureau of Labor Statistics

US is Currently in the 2nd Longest Economic Expansion on Record

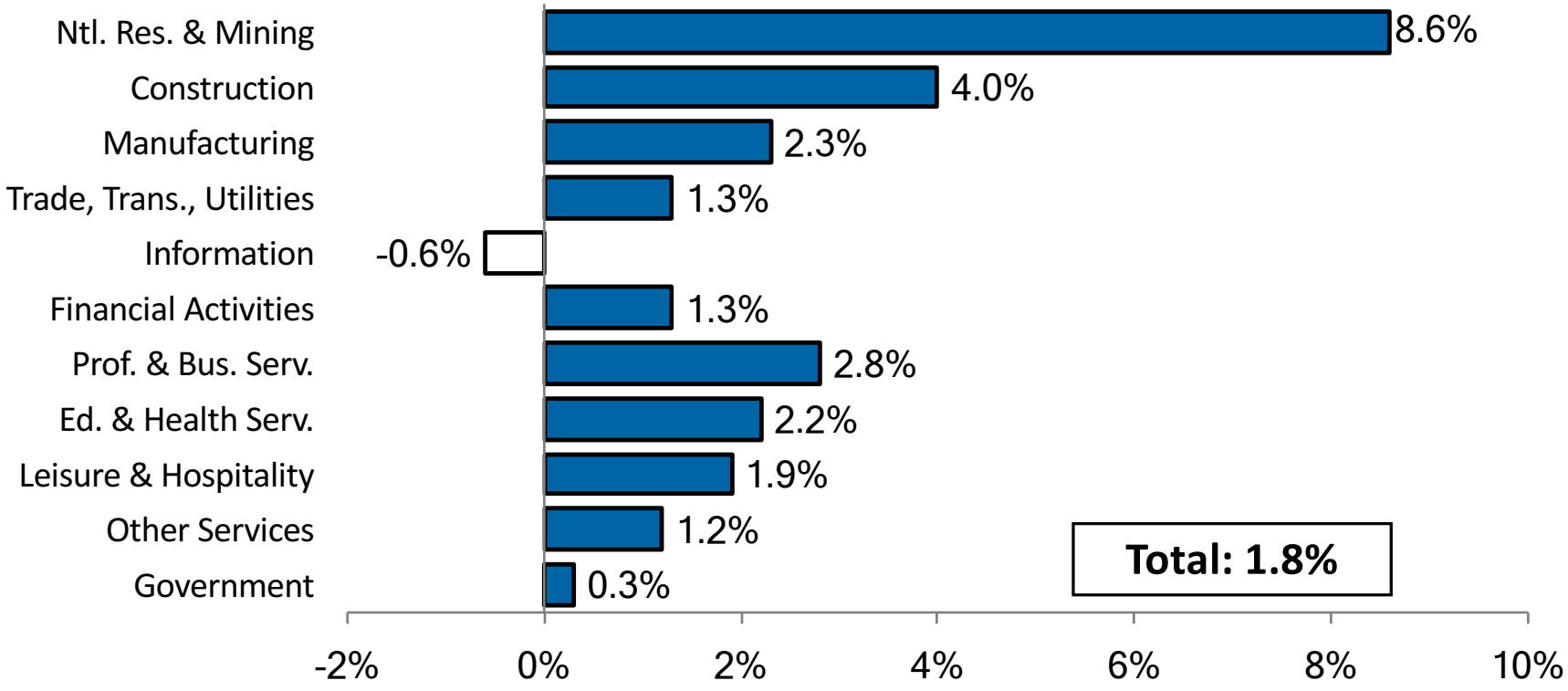


ZIONS BANK

Source: National Bureau of Economic Research

National Employment Change

Percent Change in National Employment by Industry: December 2017 to December 2018

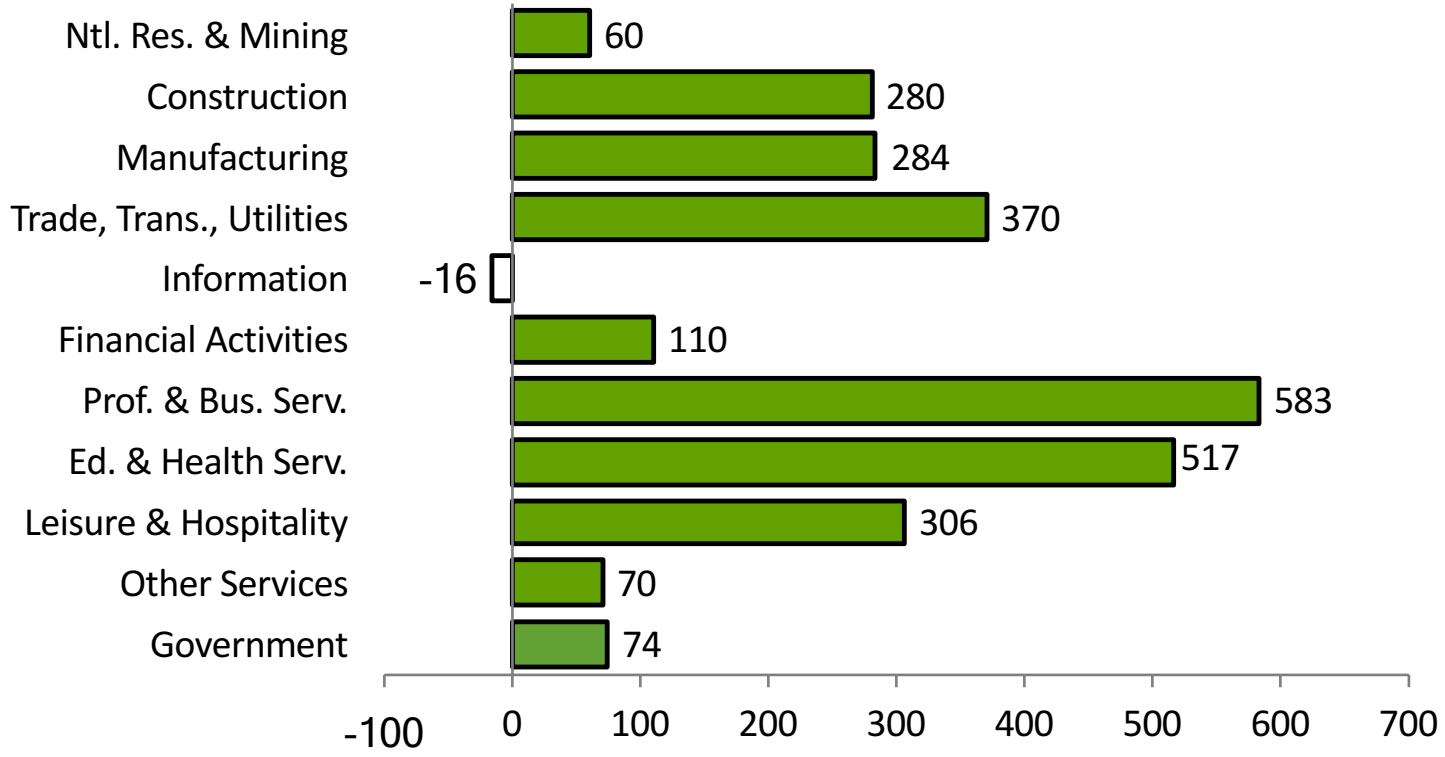


ZIONS BANK

Source: Bureau of Labor Statistics

National Employment Change

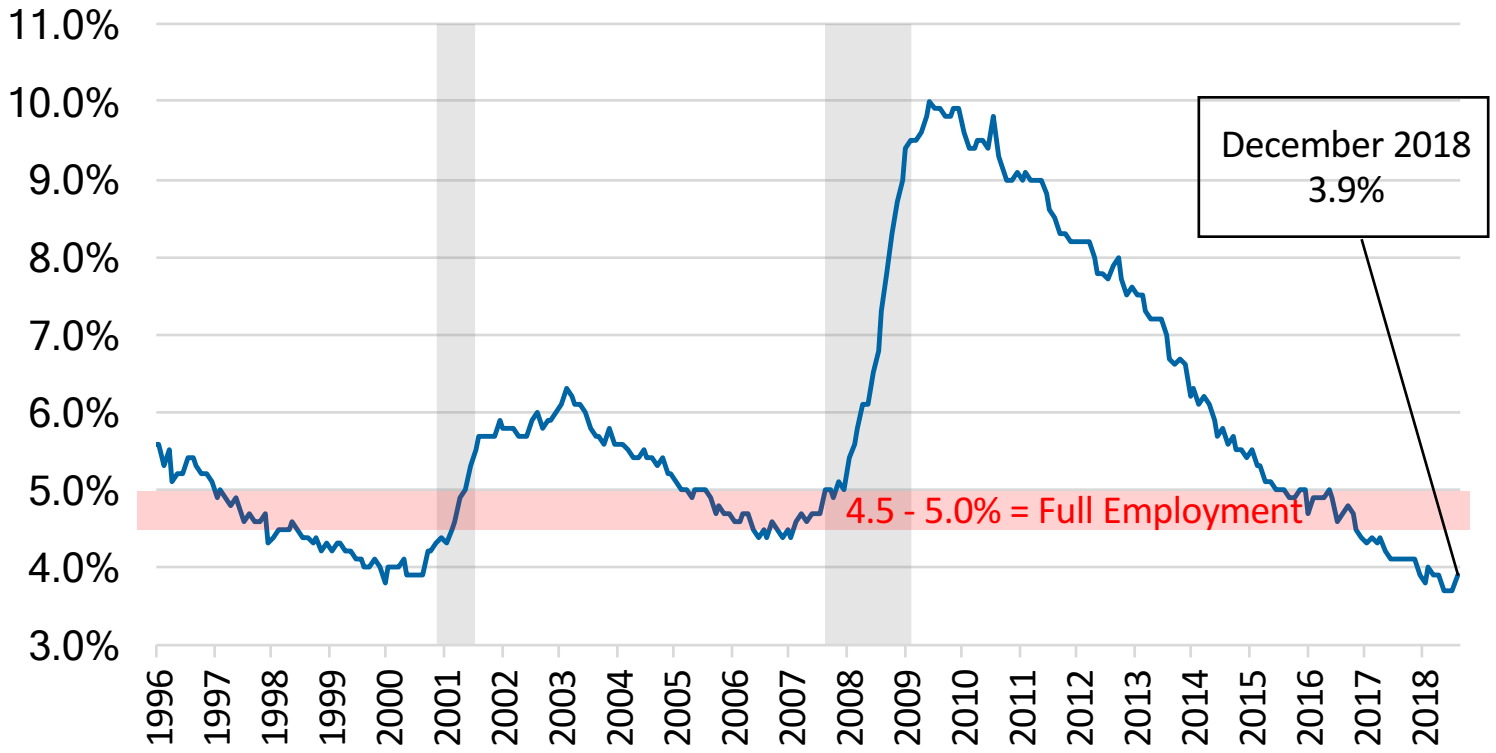
Total Change in Number of Jobs by Industry in Thousands: December 2017 to December 2018



ZIONS BANK

Source: Bureau of Labor Statistics

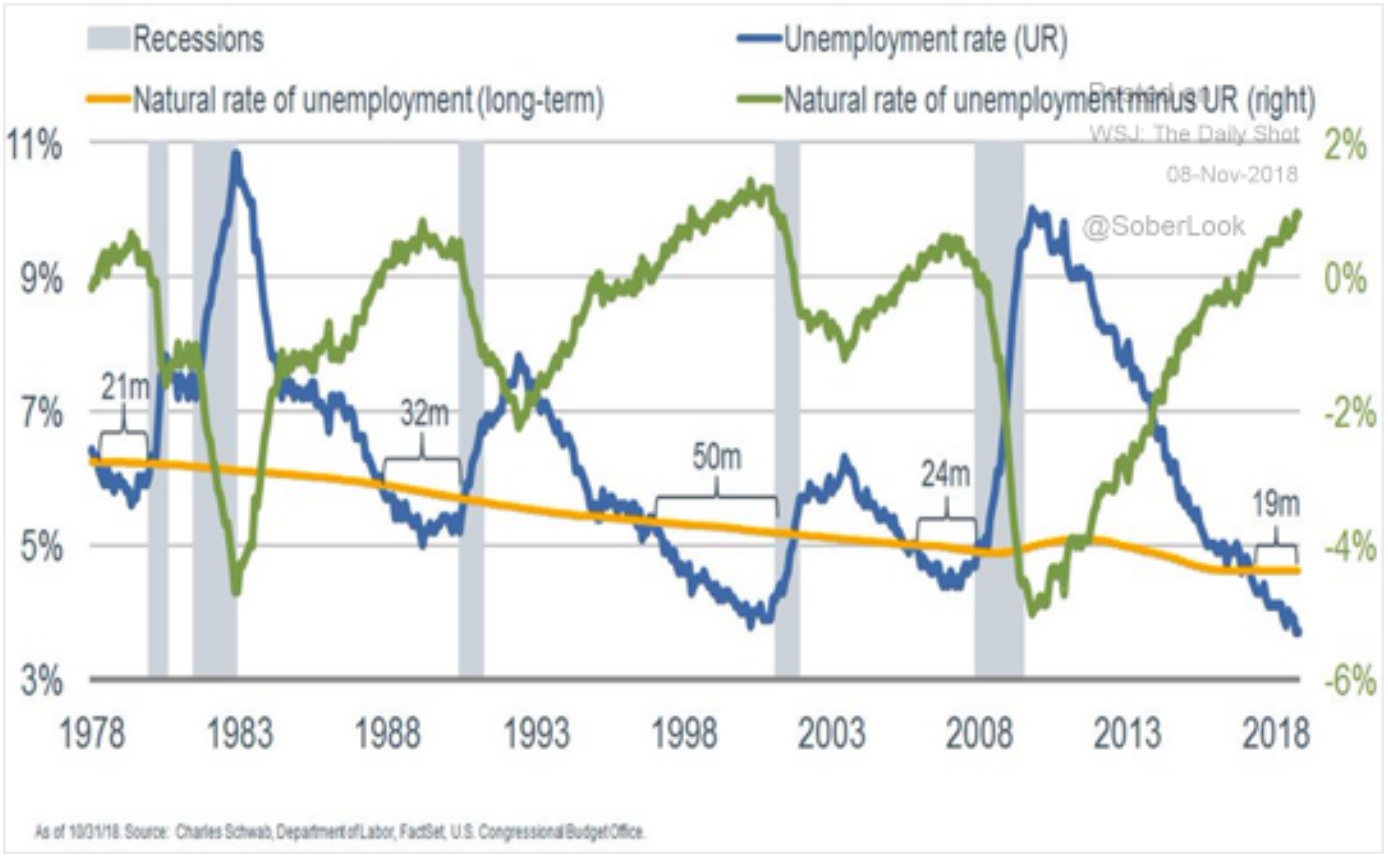
US Unemployment Rate Remains Historically Low



ZIONS BANK

Source: Bureau of Labor Statistics

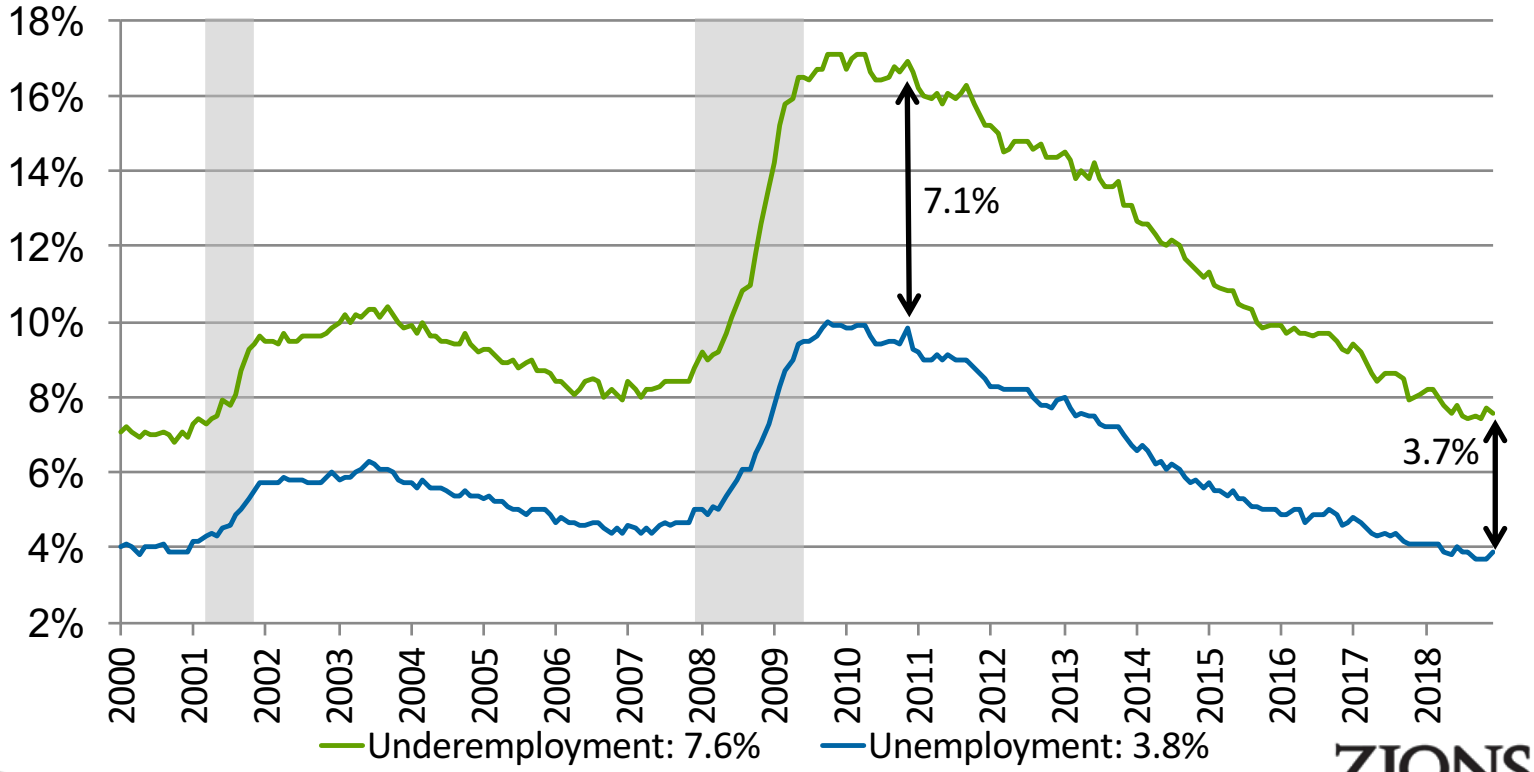
Low Unemployment Leads to Recessions



ZIONS BANK.

Source: Wall Street Journal

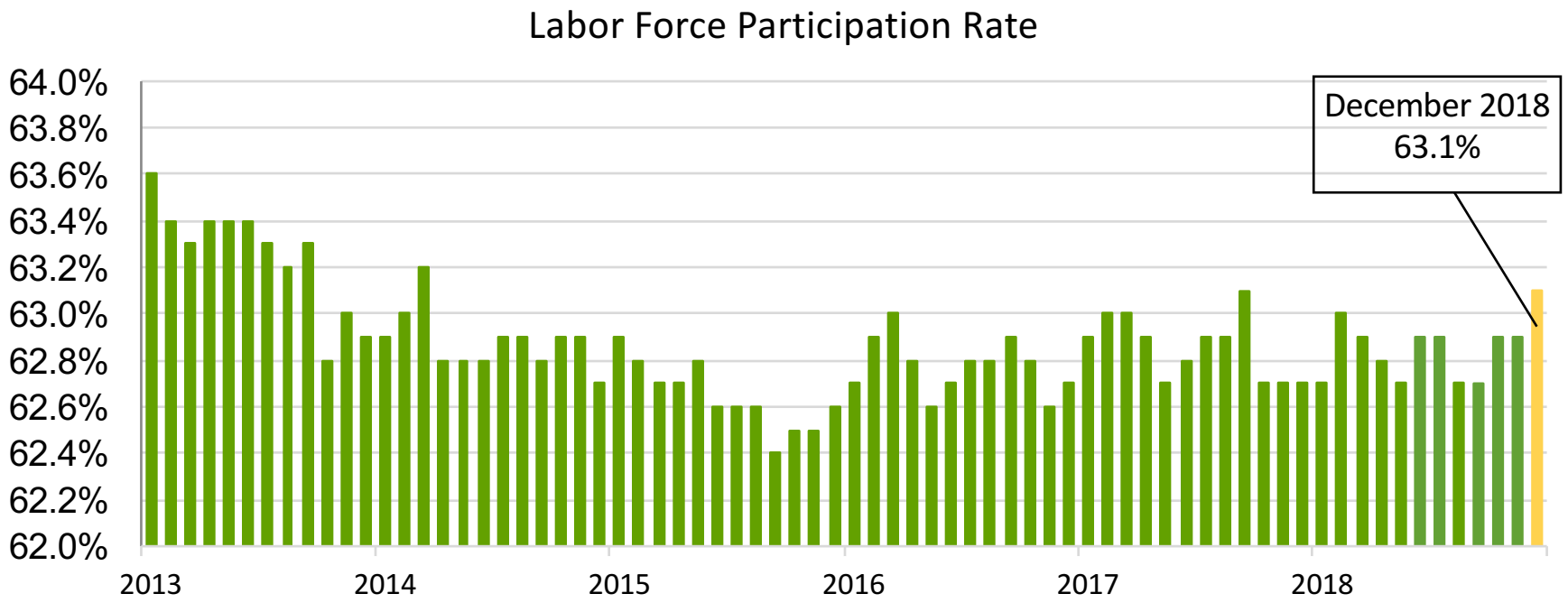
Unemployment and Underemployment Remain Low



ZIONS BANK

Source: Bureau of Labor Statistics

Labor Force Participation Rose in December



Source: Bureau of Labor Statistics

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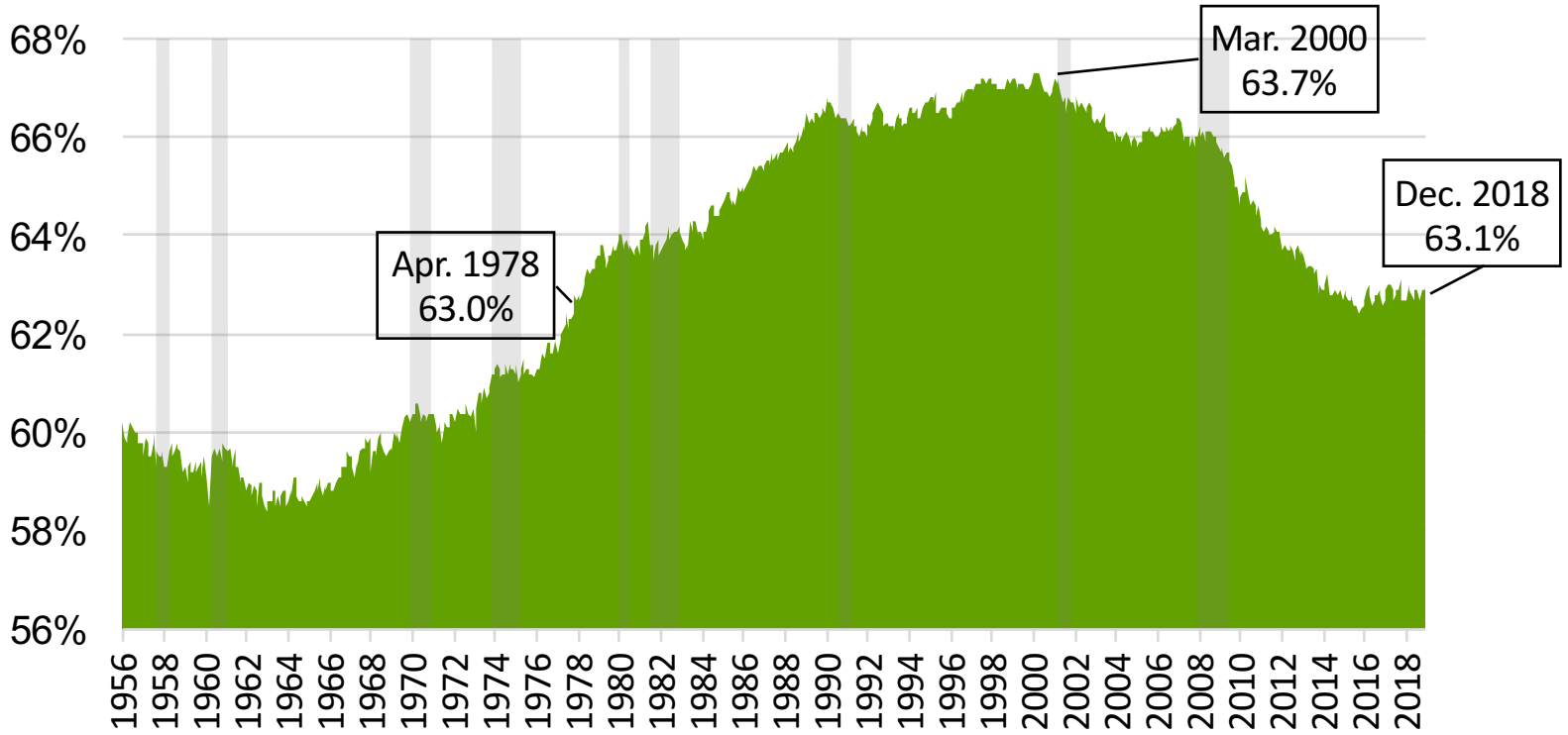
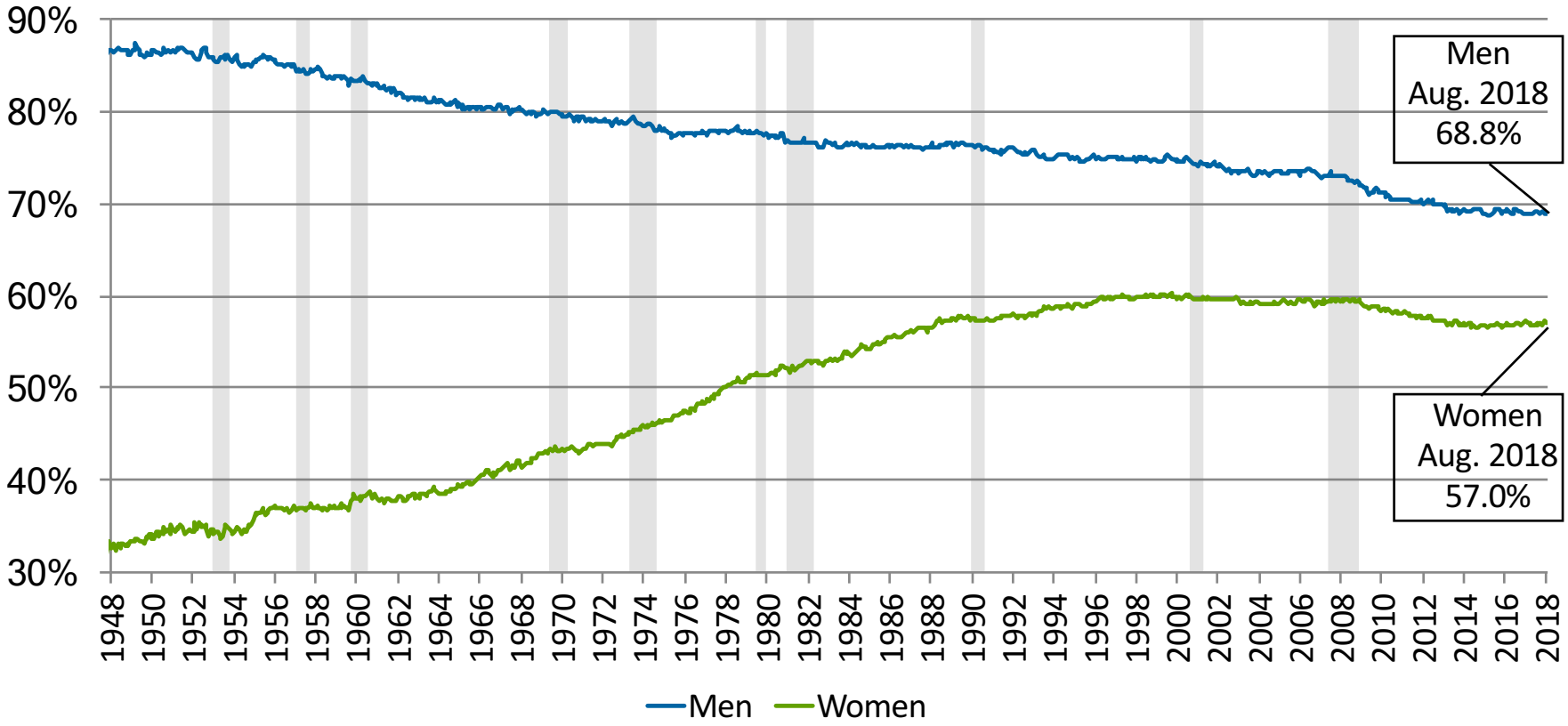
Labor Force Participation
Among Lowest Level in Almost 40 Years



ZIONS BANK.

Source: Bureau of Labor Statistics

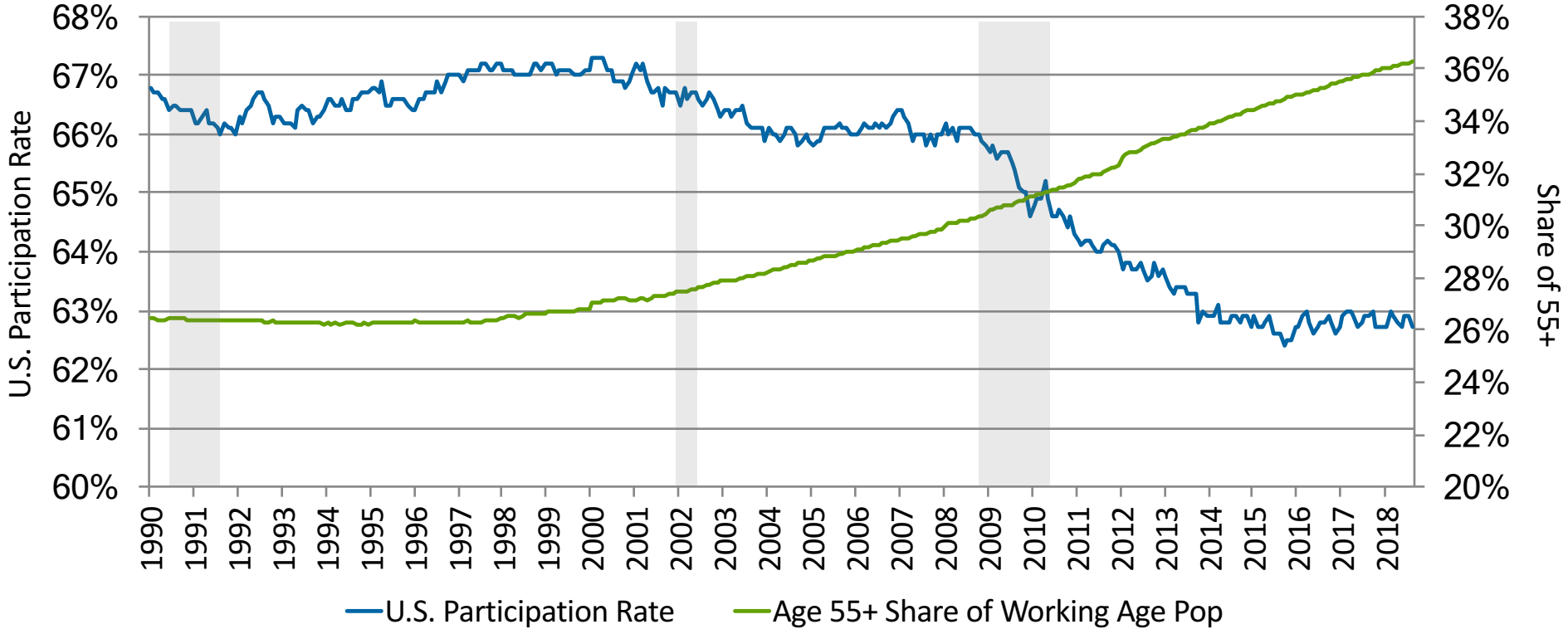
Civilian Labor Force Participation Rate



ZIONS BANK

Source: Bureau of Labor Statistics

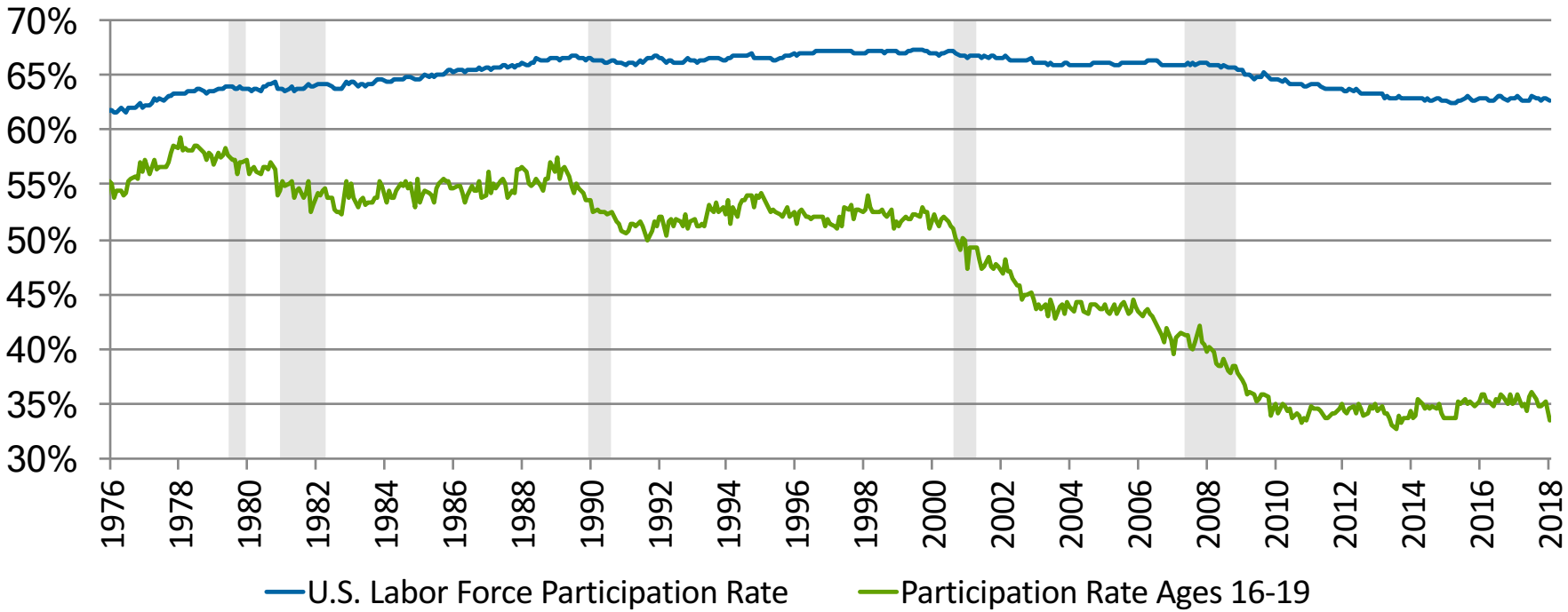
Baby Boomers Head for Retirement



ZIONS BANK

Source: Bureau of Labor Statistics

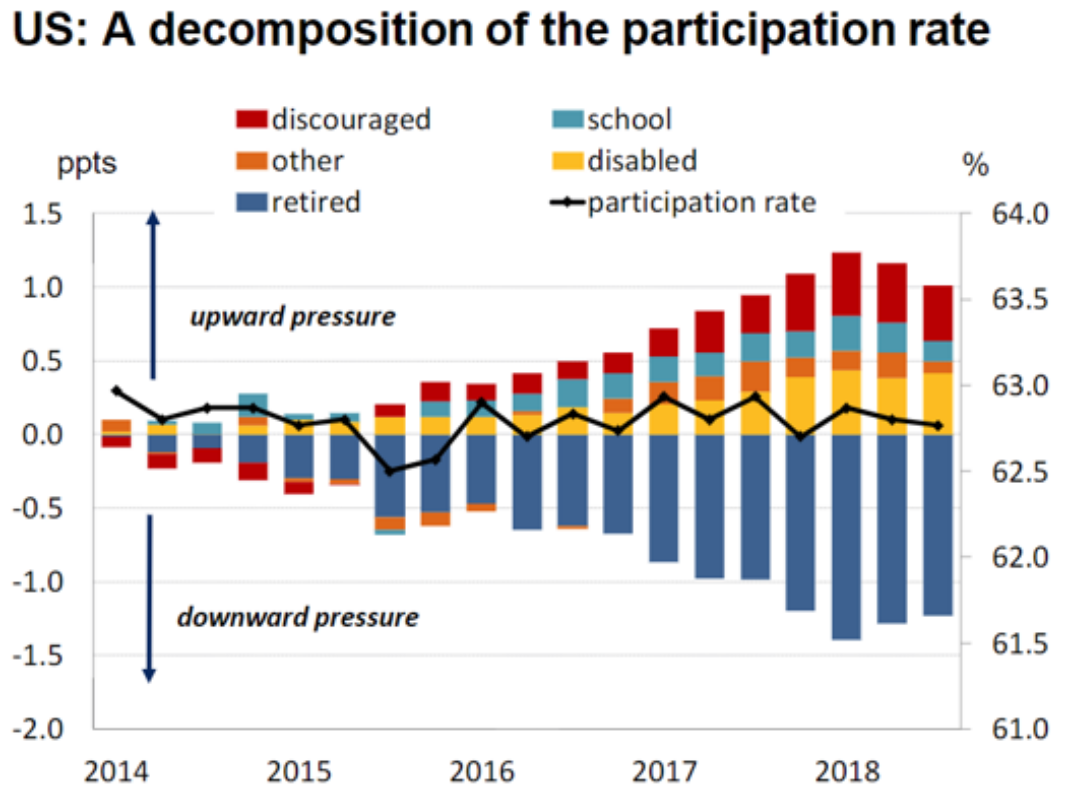
Long-Term Decline of the Teenage Workforce



ZIONS BANK.

Source: Bureau of Labor Statistics

Discouraged and Disabled Workers Offset Boomers

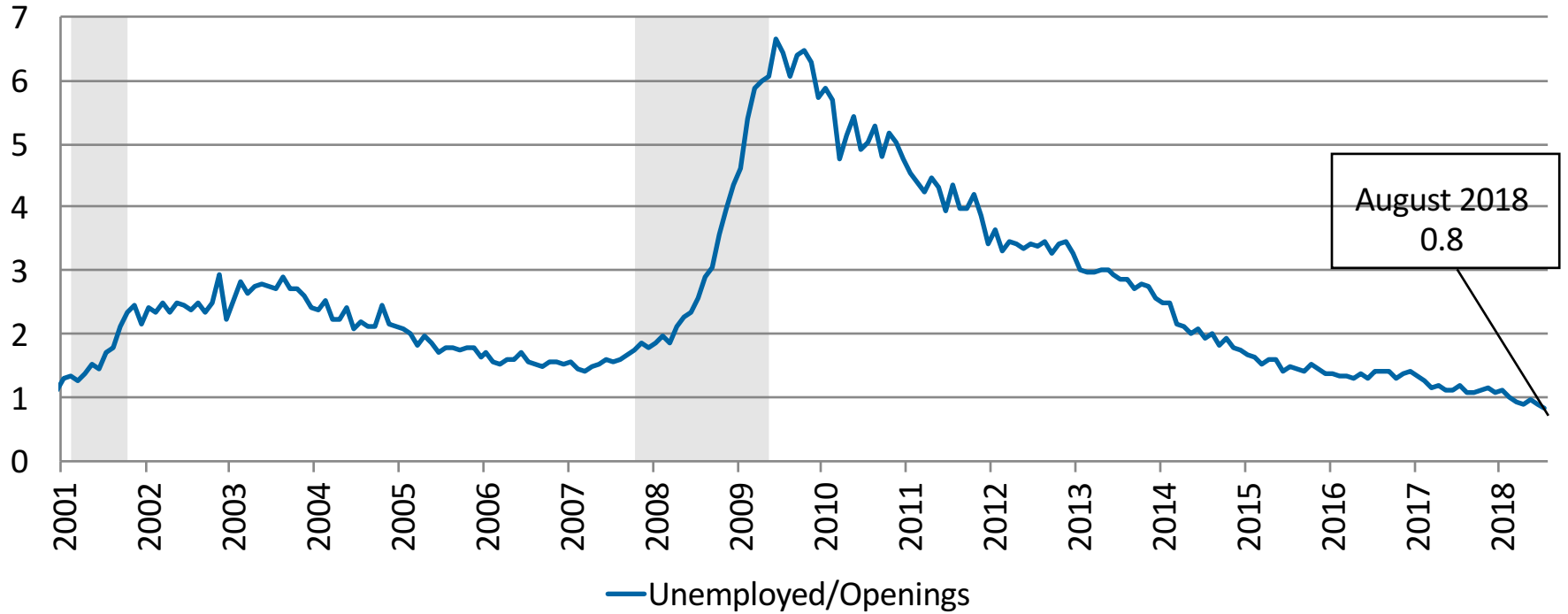


Source: Oxford Economics/ Shigeru Fujita, Federal Reserve Bank of Philadelphia

ZIONS BANK

Source: Wall Street journal

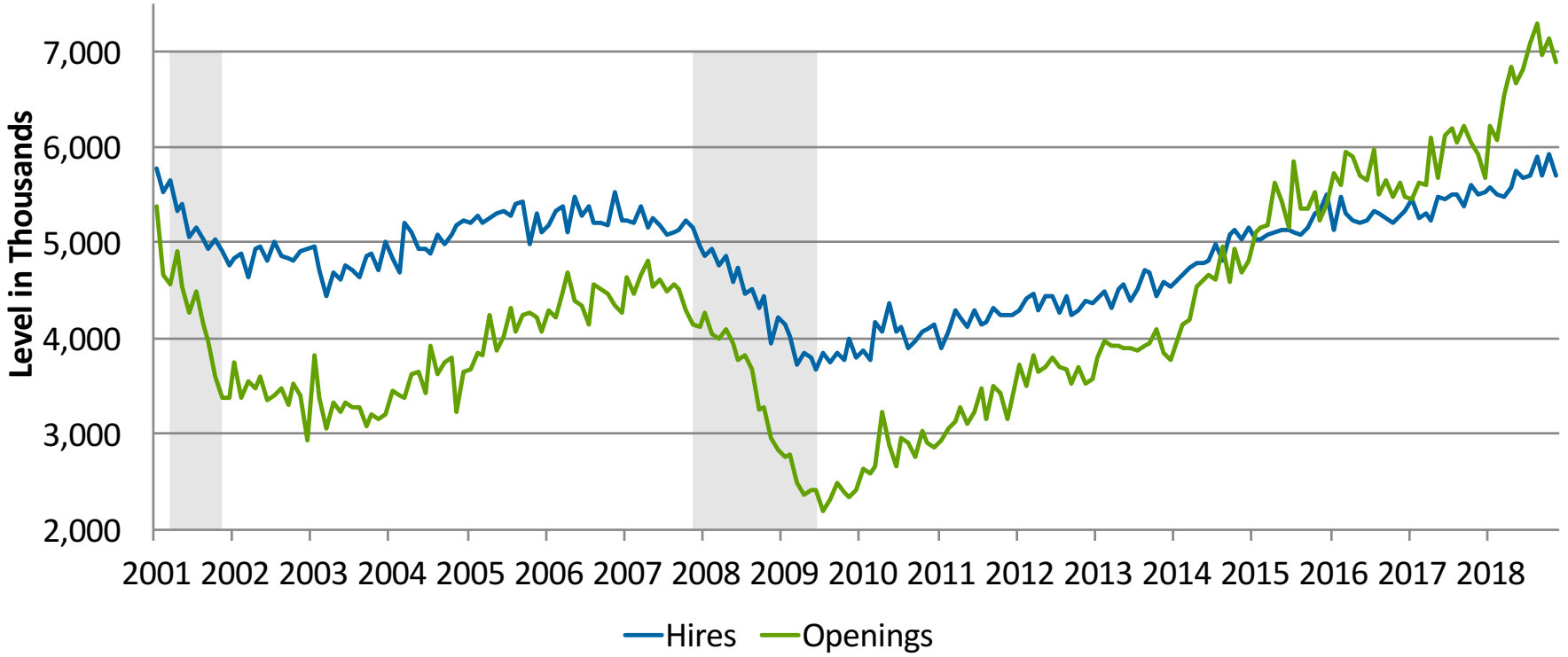
Fewer than One Unemployed Worker Per Job Opening



ZIONS BANK.

Source: Bureau of Labor Statistics

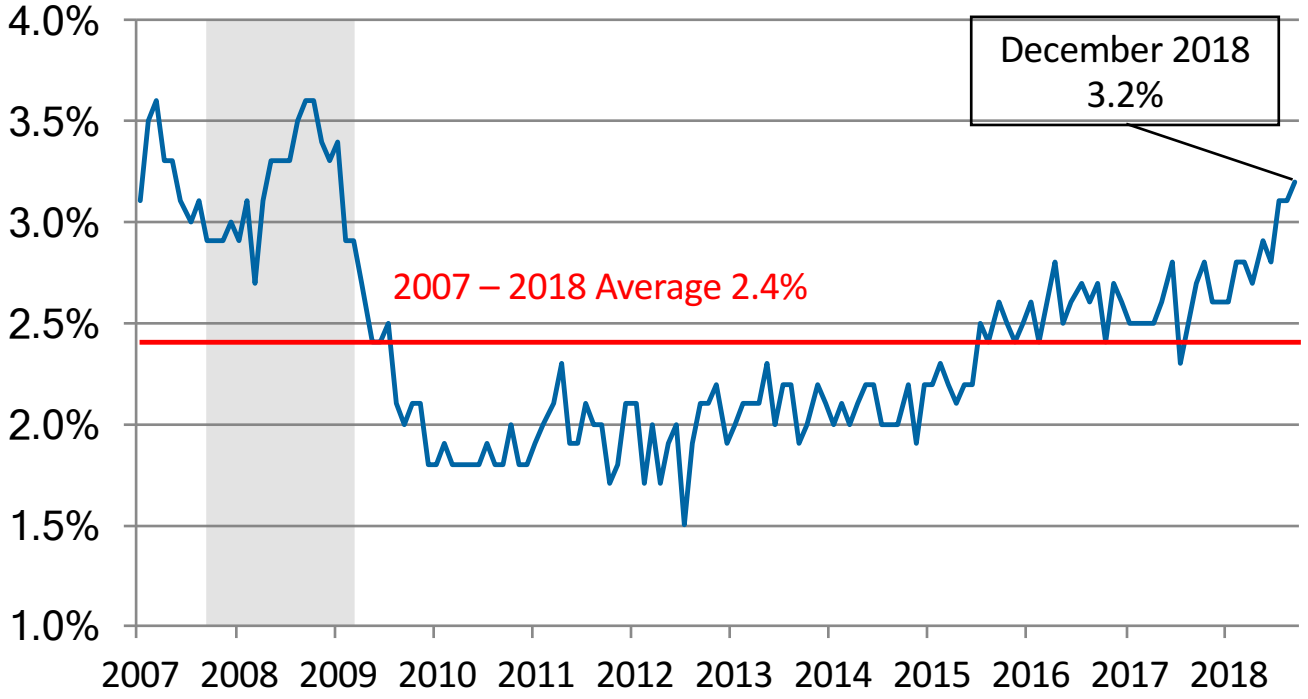
Job openings continue to outpace job hires



ZIONS BANK

Source: Bureau of Labor Statistics

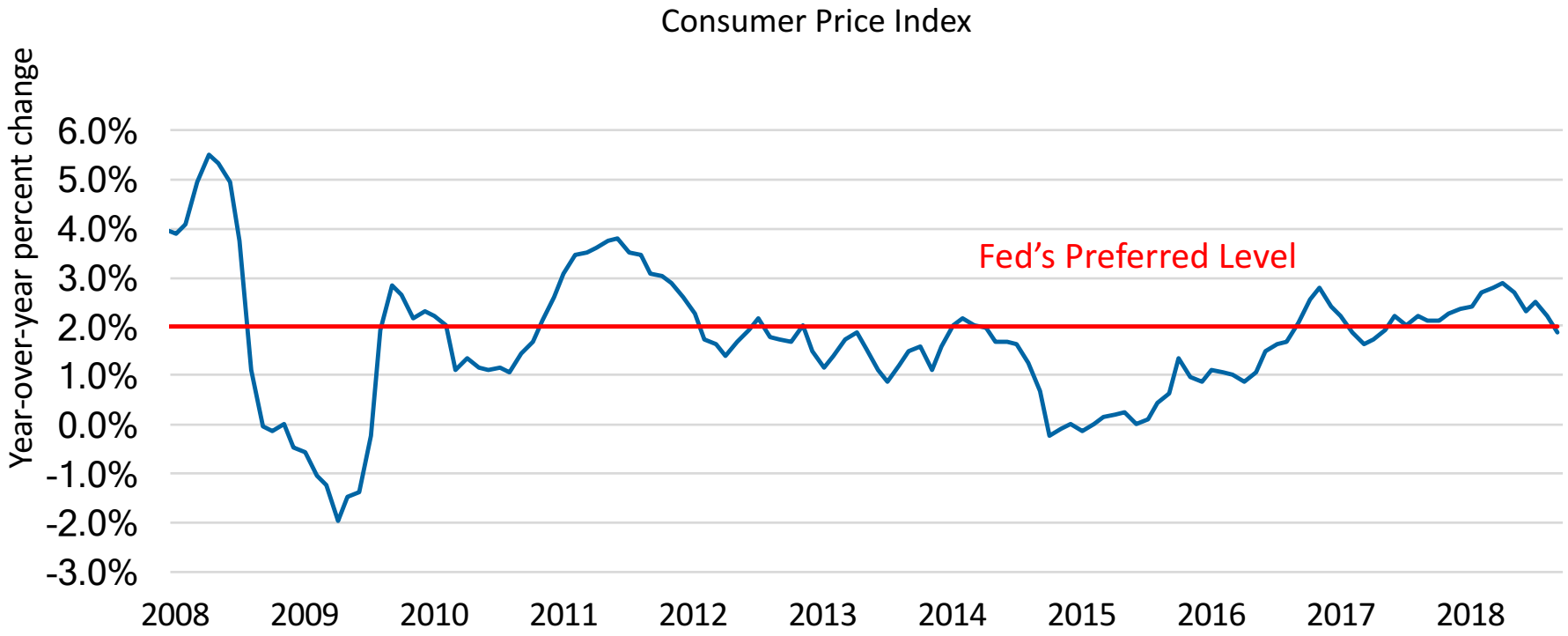
Highest Annual Wage Growth Since 2009



ZIONS BANK.

Source: Bureau of Labor Statistics

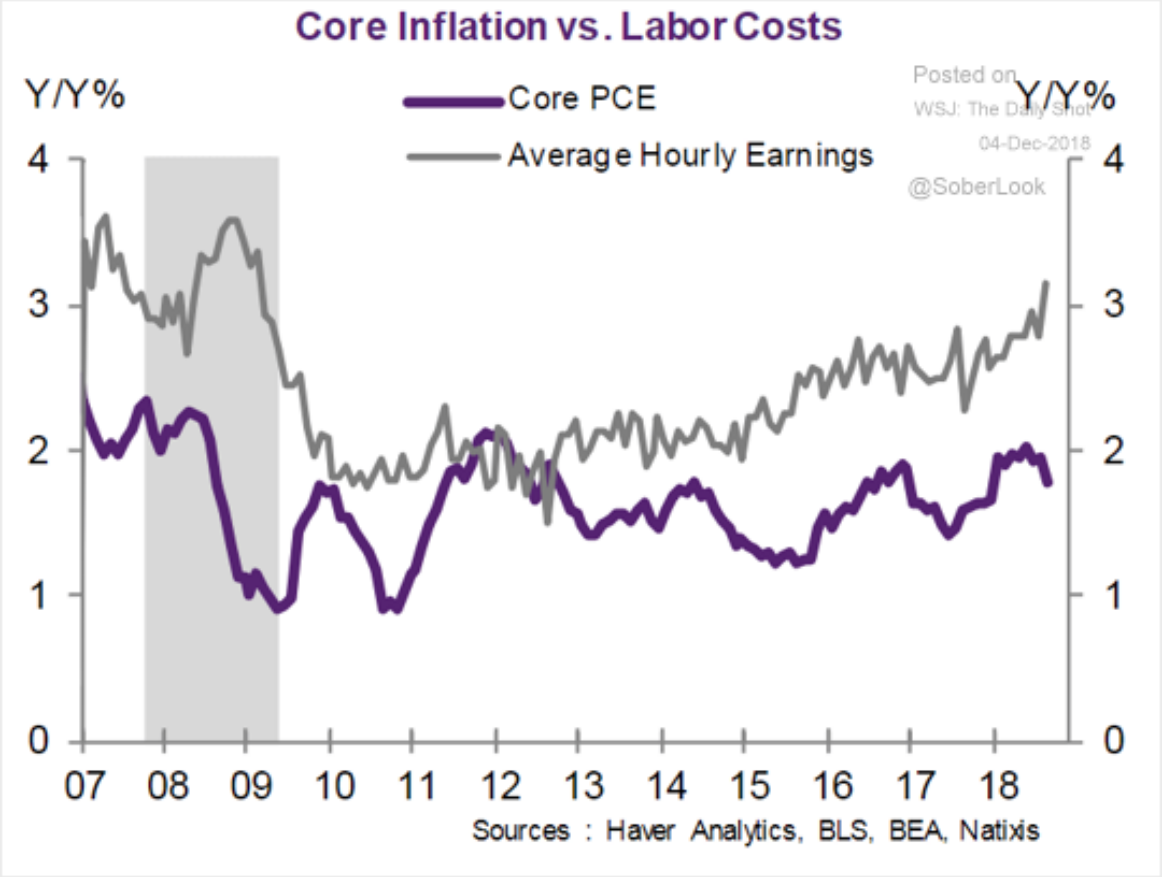
Inflation is Near the Fed's 2% Goal



ZIONS BANK.

Source: Bureau of Labor Statistics

Inflation and Wages Tend to Move Together



ZIONS BANK

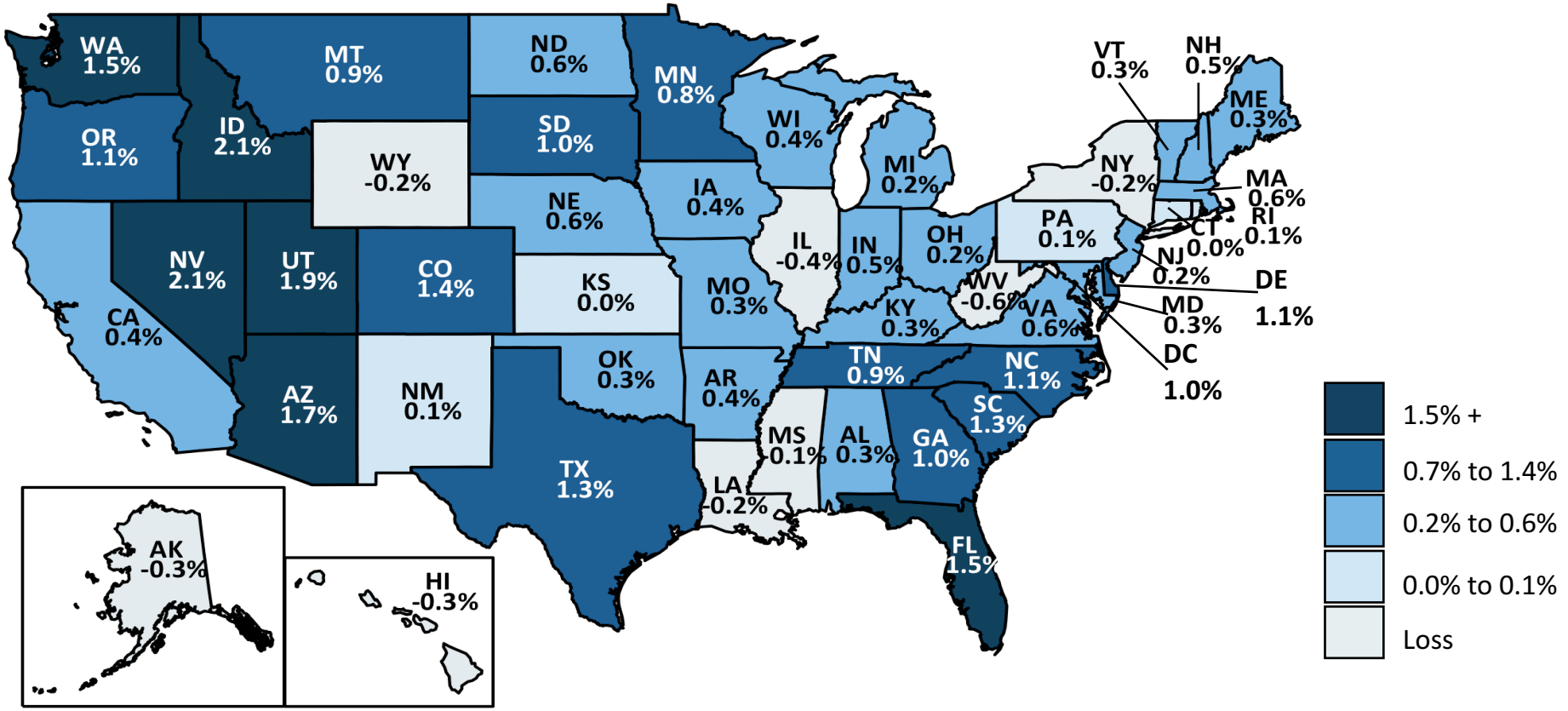
Source: Wall Street journal

Regional Economic Conditions

Utah Population 3rd Fastest Growing in U.S.

Percent Change: 2017 to 2018

U.S. Rate = 0.6%



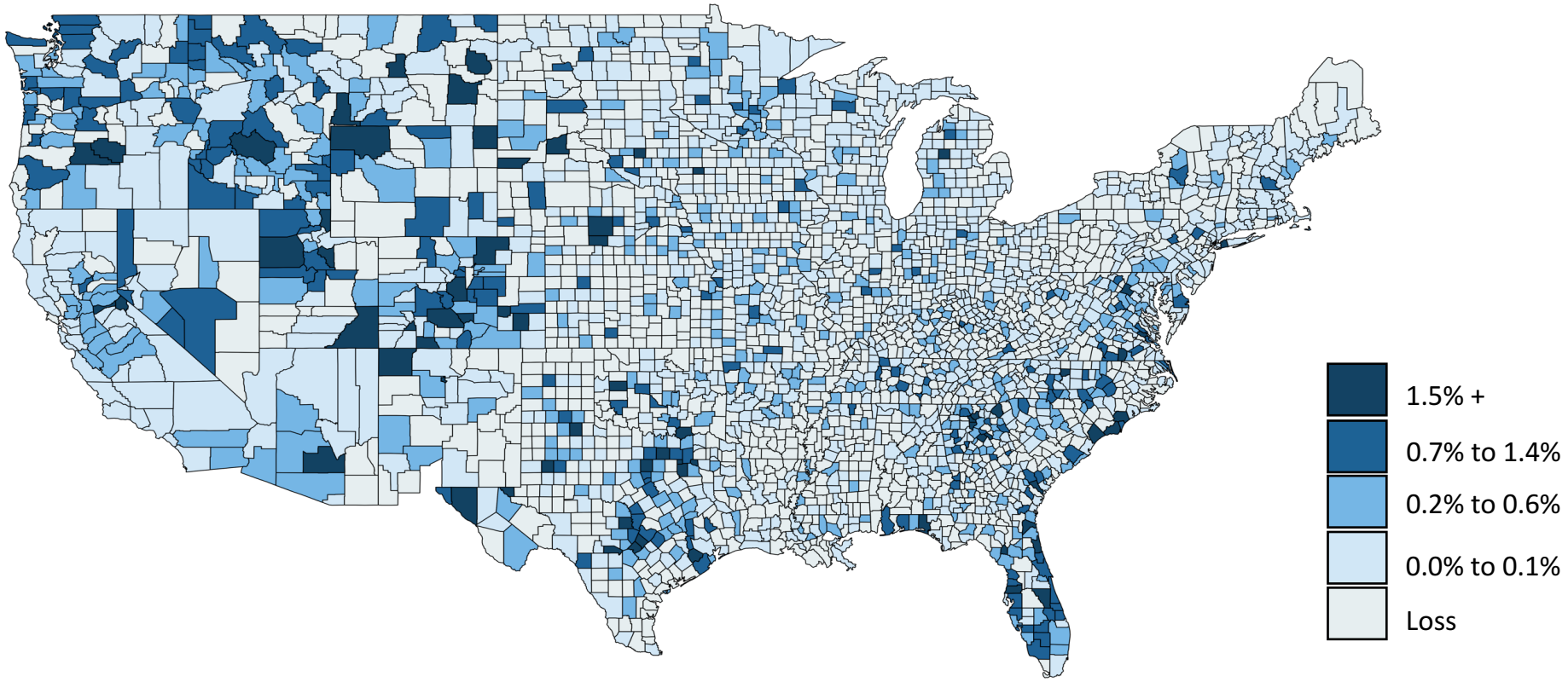
ZIONS BANK

Source: U.S. Census Bureau

Western Counties' Growth Outpacing Nation

Percent Change: 2016 to 2017

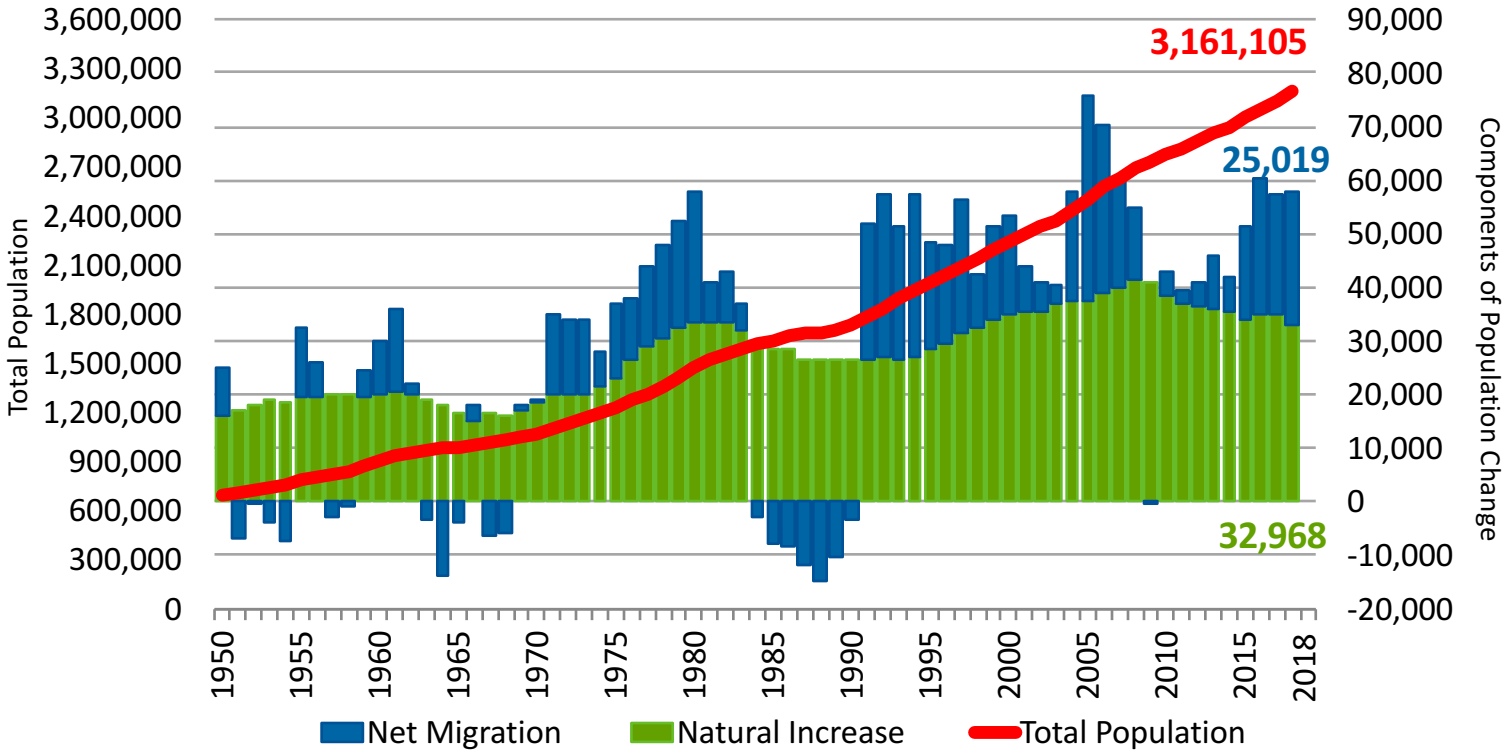
U.S. Rate = 0.7%



ZIONS BANK

Source: U.S. Census Bureau

Utah Population and Components of Change



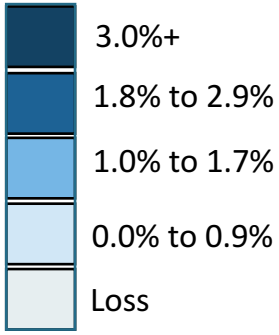
ZIONS BANK

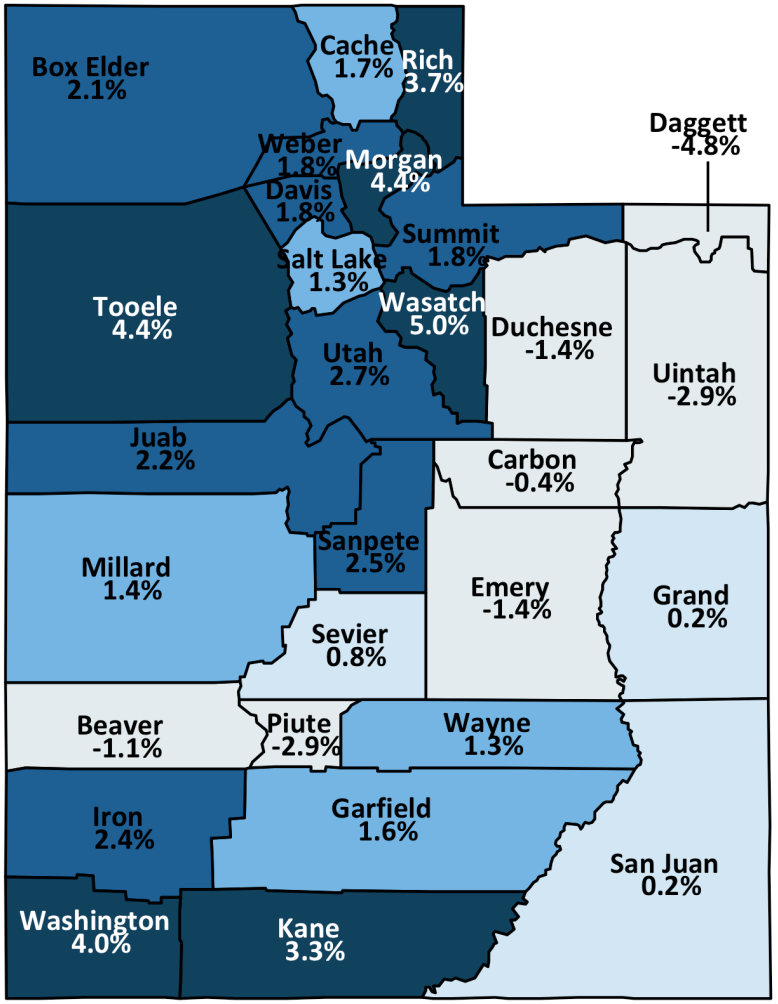
Sources: U.S. Census Bureau

e = estimate, f = forecast

Utah Population Growth Rates By County 2016 to 2017

State Average = 1.9%



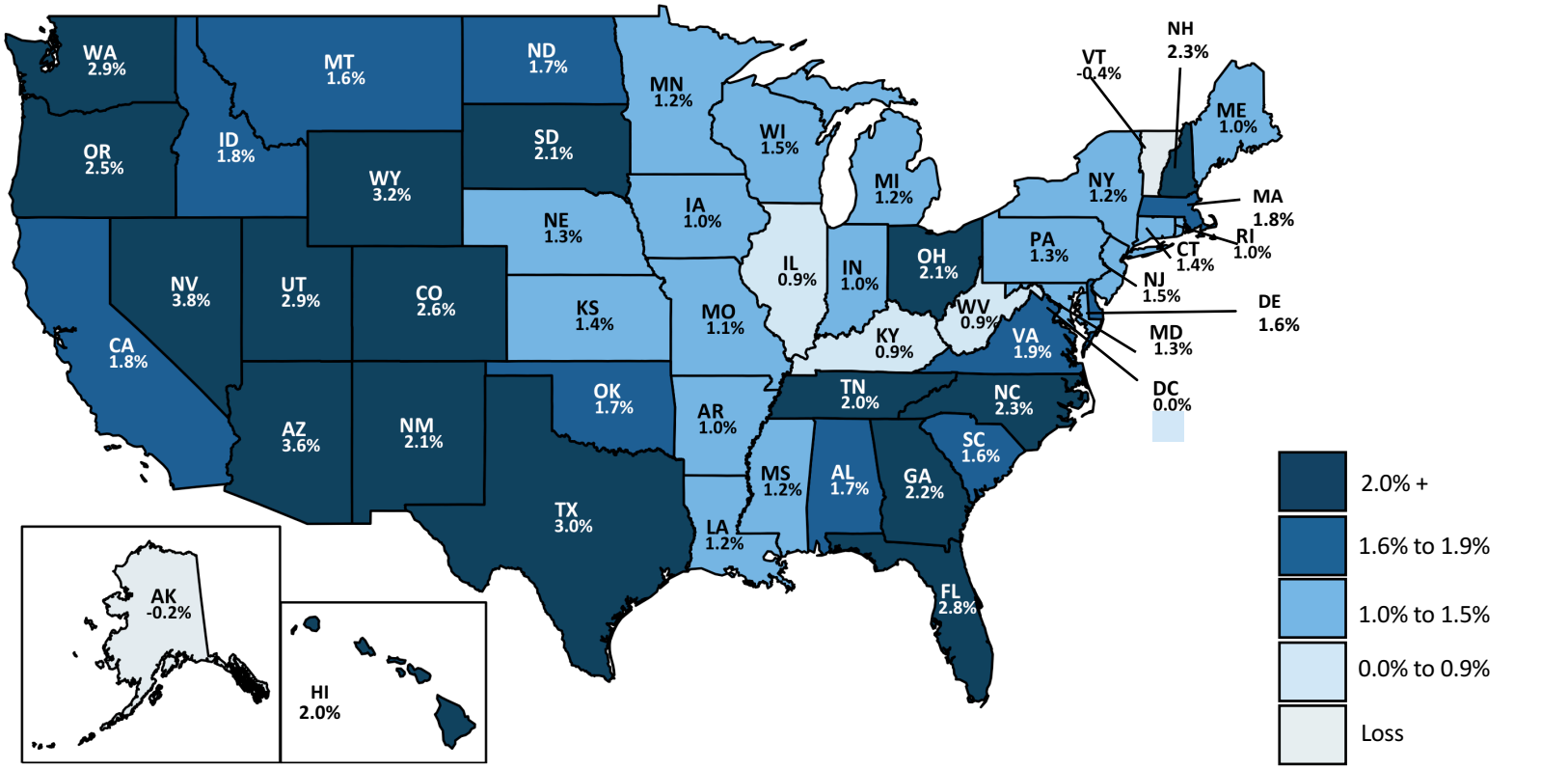


ZIONS BANK

Source: U.S. Census Bureau

Utah Employment Growth 5th Highest in the Nation

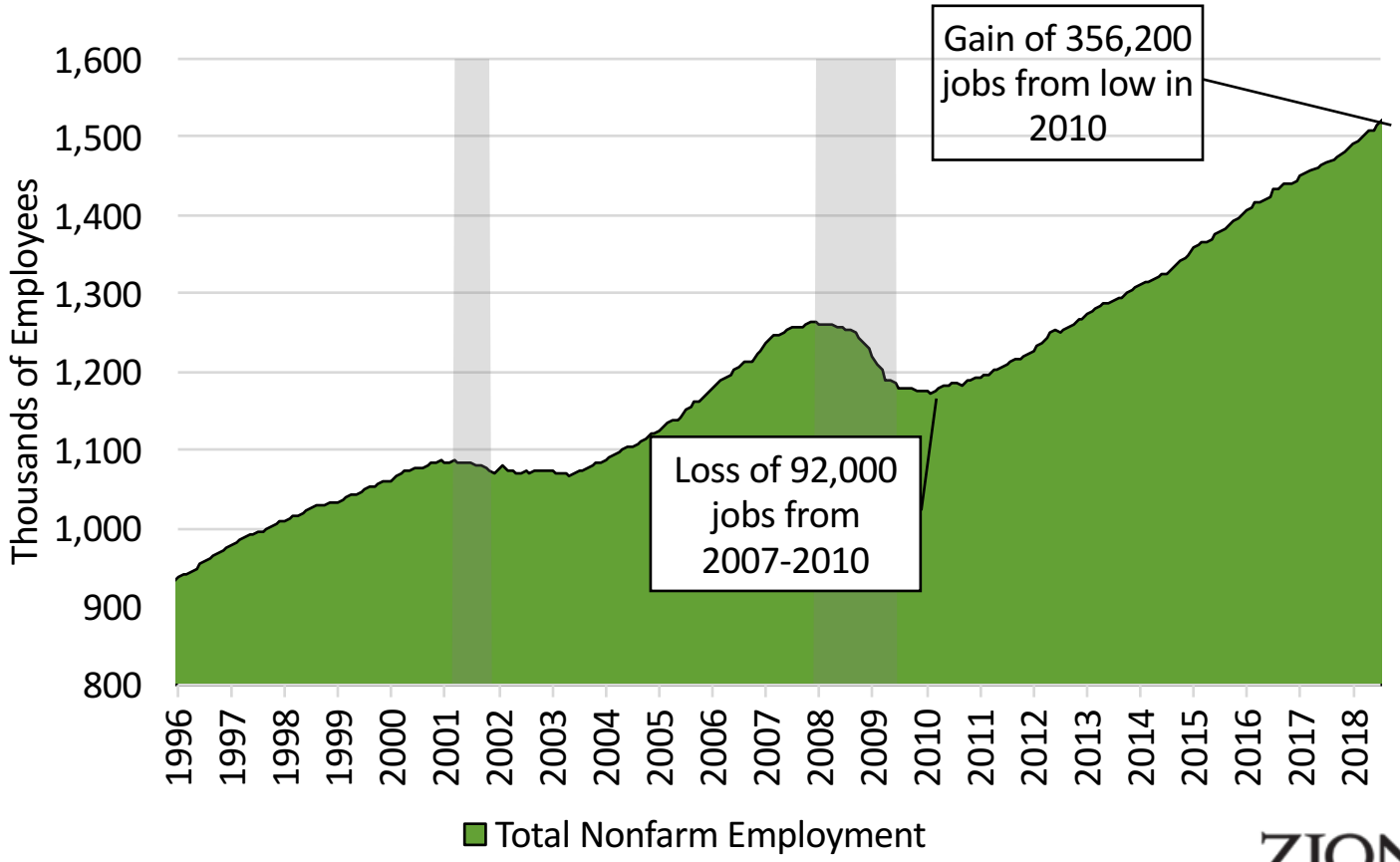
Percent Change in Employment for States: November 2017 to November 2018
U.S. Rate = 1.7% UT Rate = 2.9%



ZIONS BANK

Source: Bureau of Labor Statistics

Utah Total Employment at New Highs

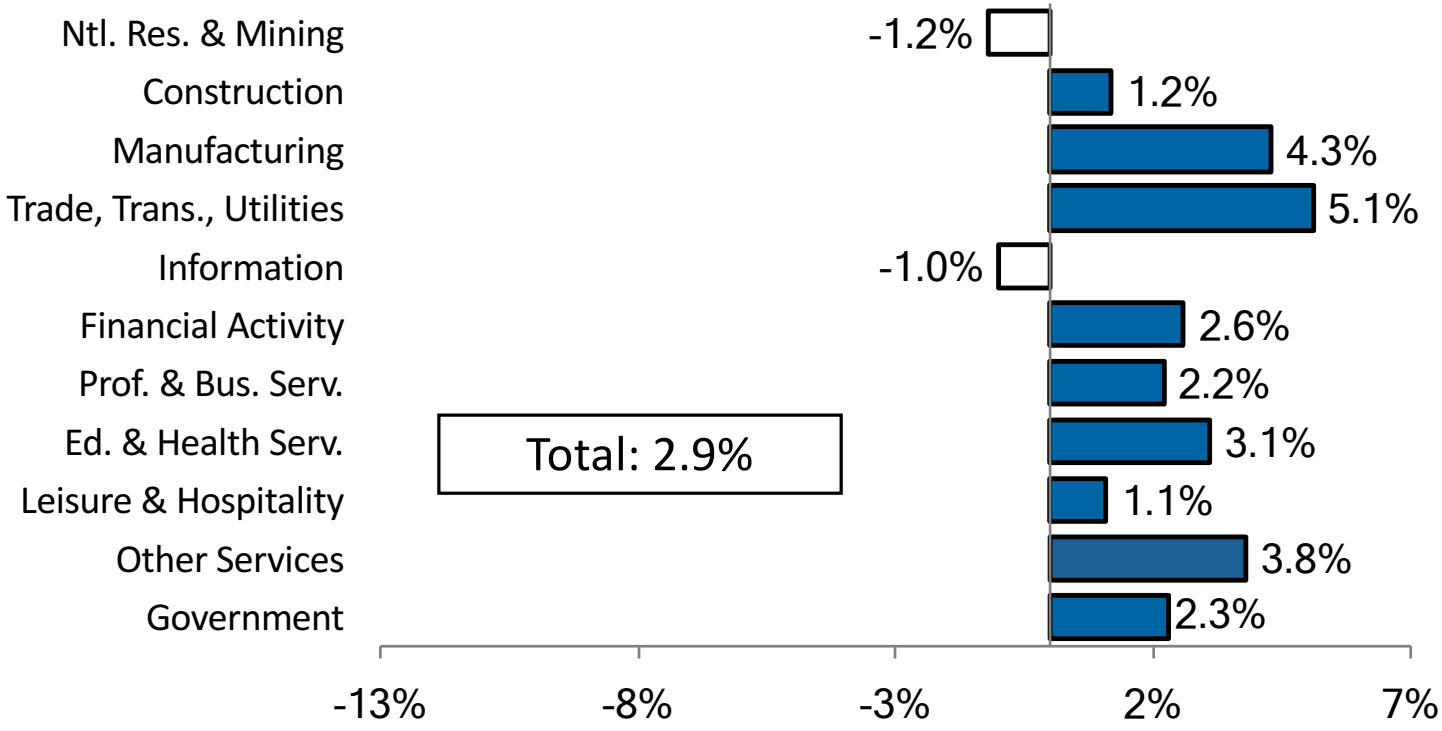


ZIONS BANK

Source: U.S. Bureau of Labor Statistics
Note: Numbers rounded to nearest thousand

Utah Industries Seeing Growth

Percent Change in Utah Employment by Industry: November 2017 to November 2018

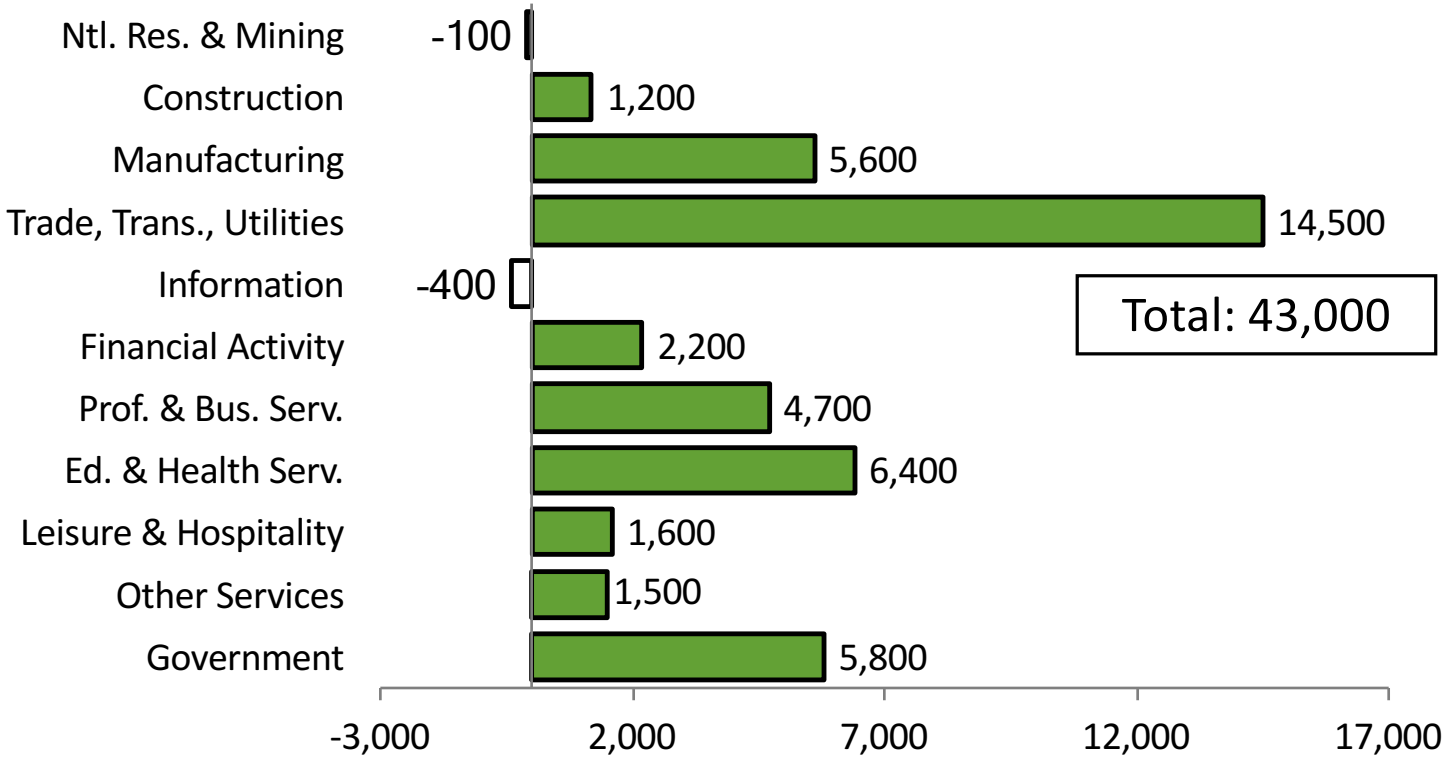


ZIONS BANK

Source: Utah Department of Workforce Services

Utah Industries Seeing Growth

Total Change in Utah Employment by Industry: November 2017 to November 2018



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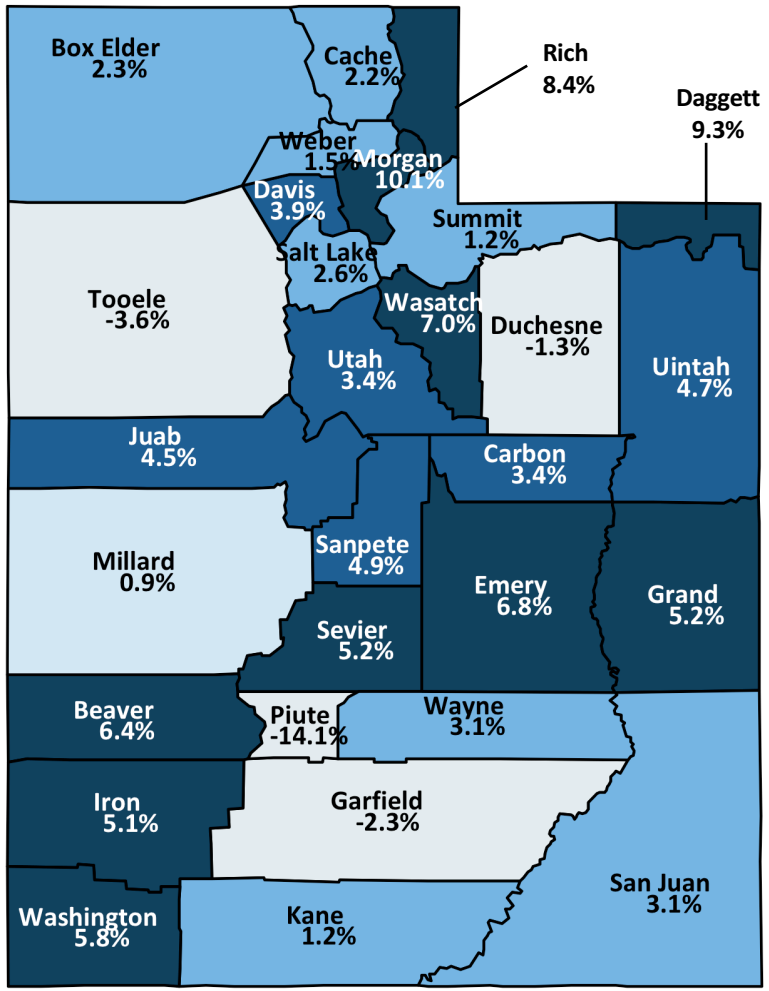
Source: Utah Department of Workforce Services

Utah Employment Change Rates By County November 2017 to November 2018

State Rate = 2.9%

- 5.0% +
- 3.3% to 4.9%
- 1.0% to 3.2%
- 0.0% to 0.9%
- Loss



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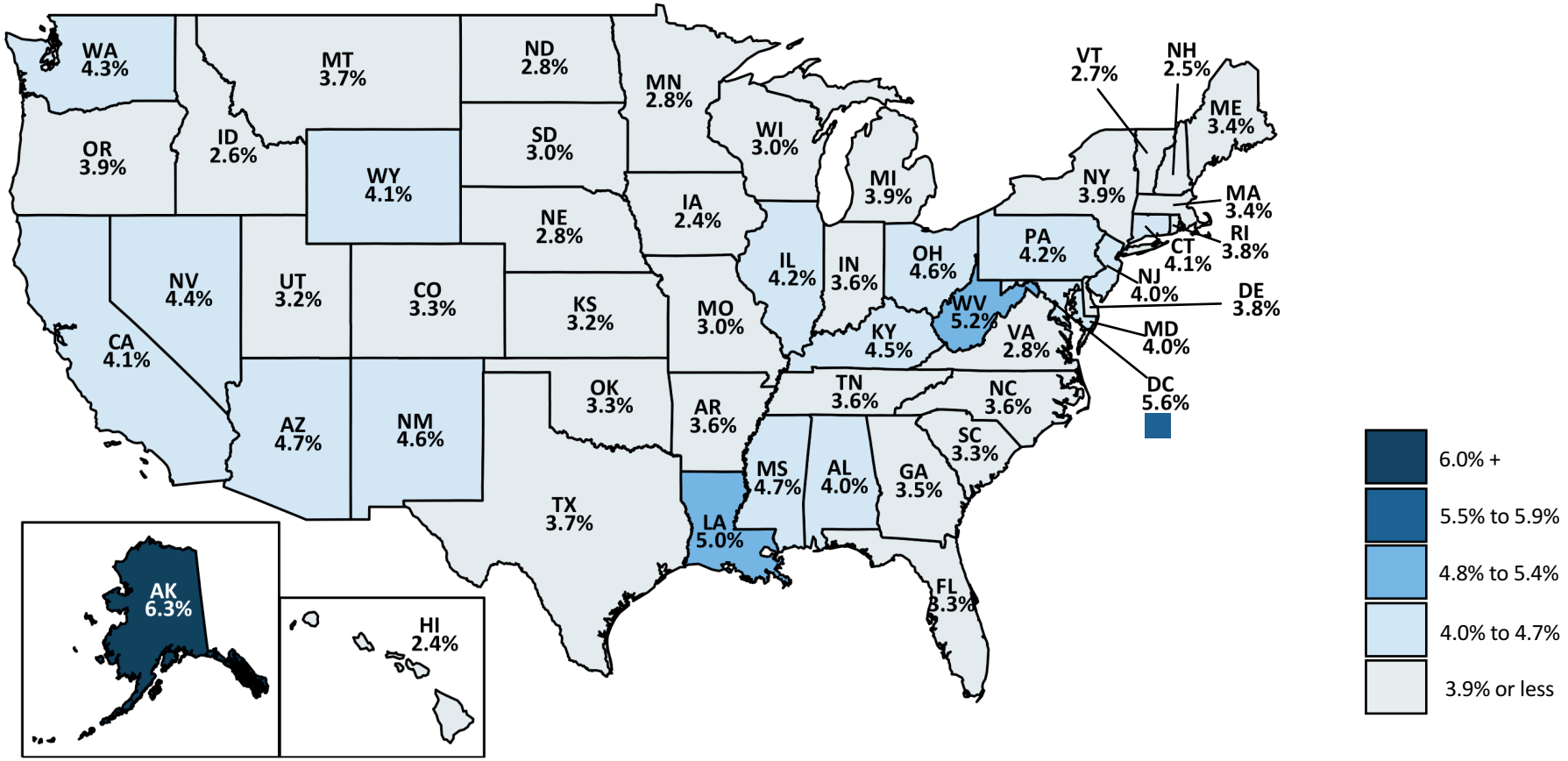
Source: Utah Department of Workforce Services

Utah Has the 14th Lowest Unemployment Rate

November 2018 U.S. Rate = 3.9%, UT Rate = 3.2%



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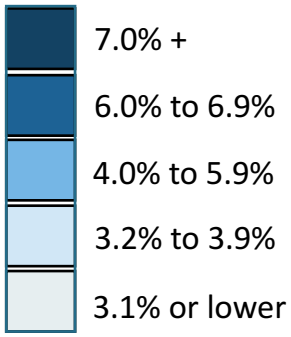
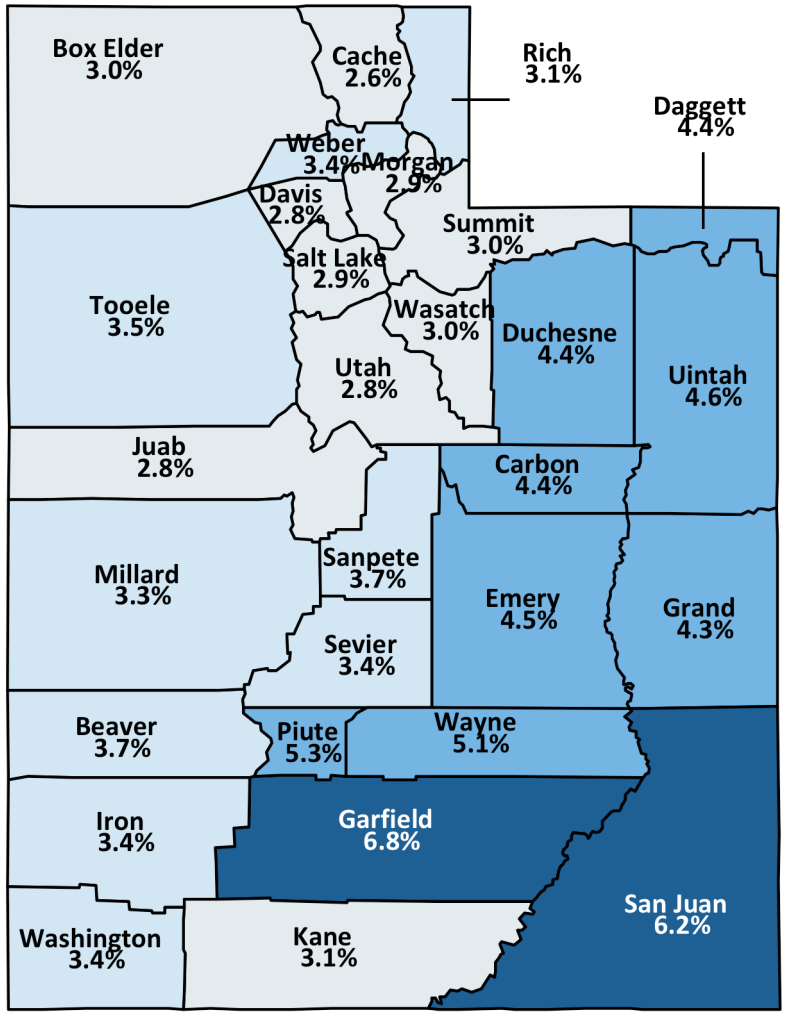
Source: Bureau of Labor Statistics

Utah Unemployment Rates By County

October 2018

State Rate = 3.2%





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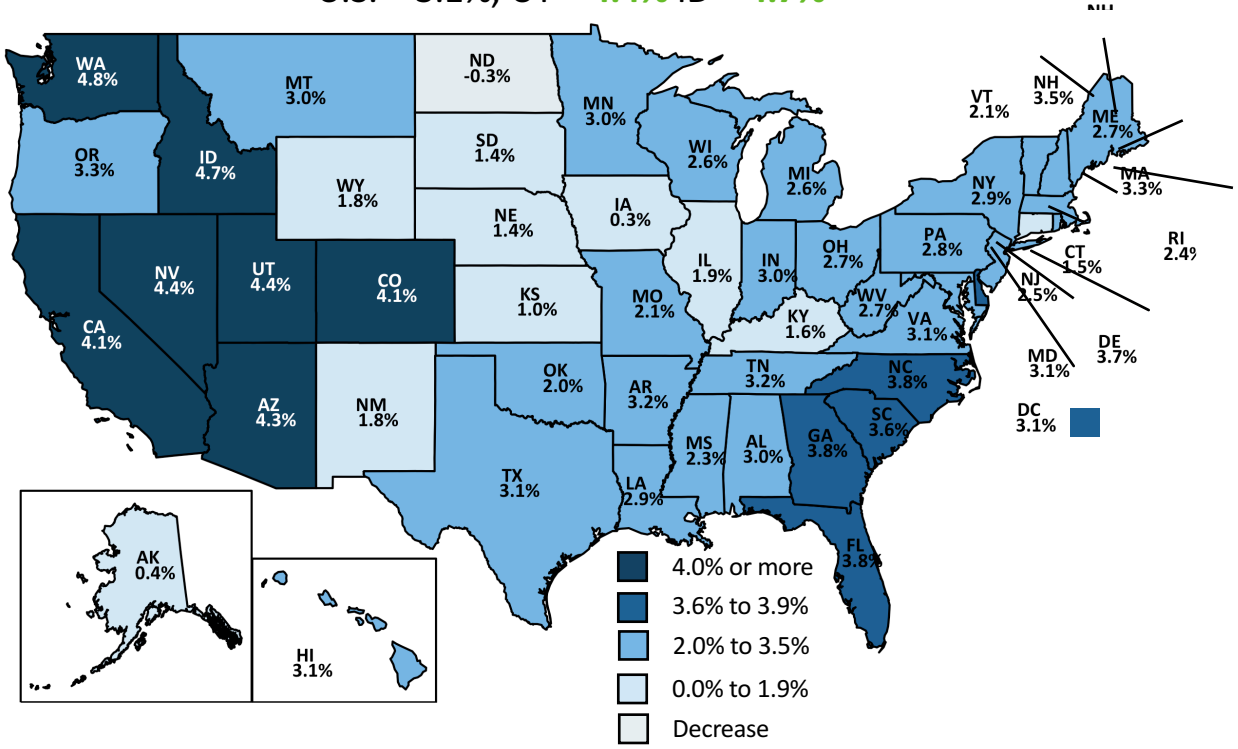
Source: Utah Department of Workforce Services

Utah Personal Income Growth
3rd Highest in the Nation

Percent Change in Personal Income : 2016 - 2017
U.S. = 3.1%, UT = **4.4%** ID = **4.7%**



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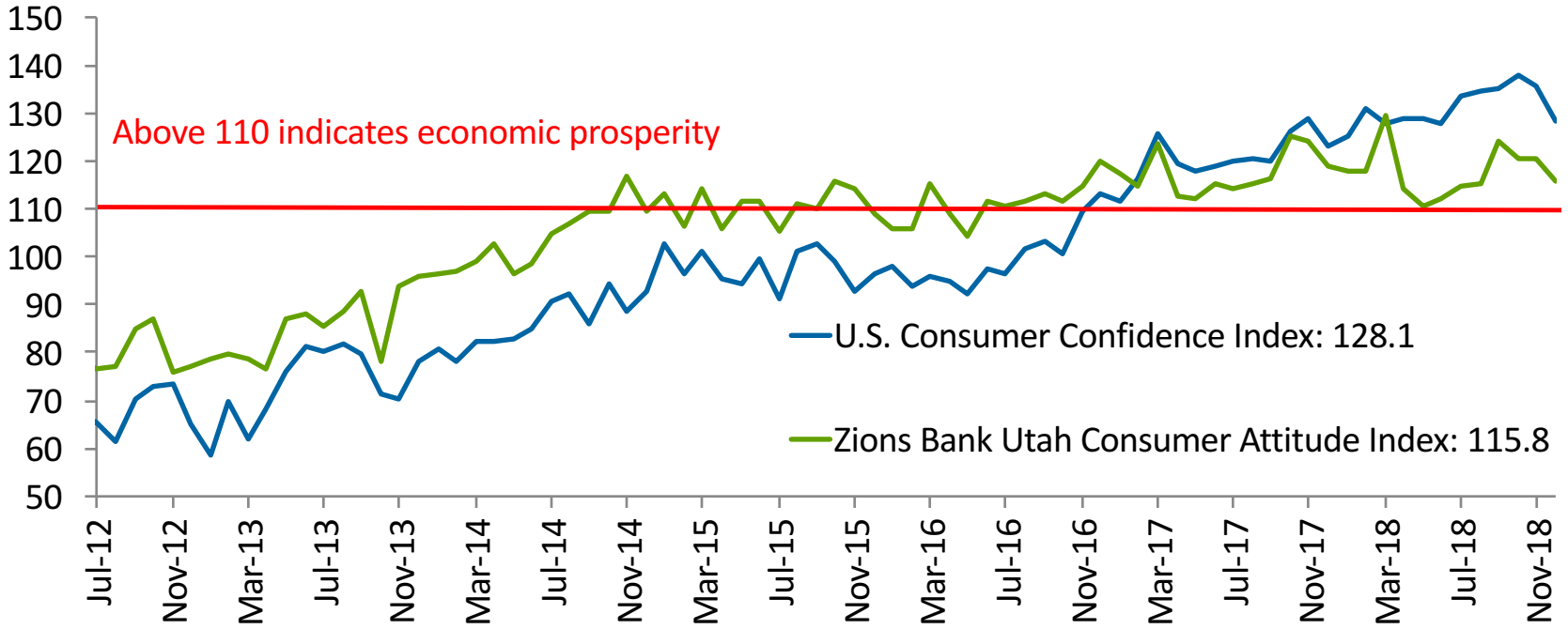
Source: Bureau of Labor Statistics

Consumer Sentiment Softening?



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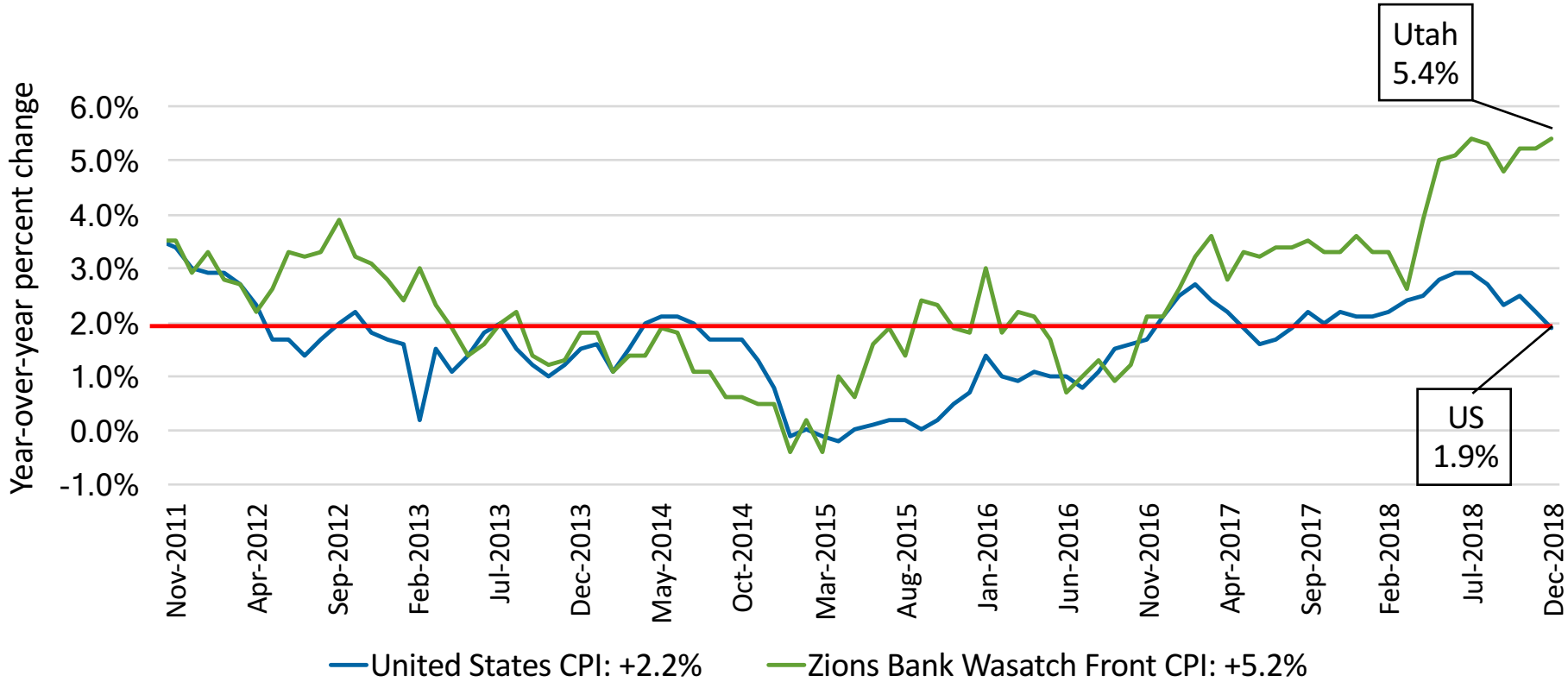
Sources: Conference Board and Cicero Group

Wasatch Front Inflation Near All-Time Highs



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Source: U.S. CPI from National Bureau of Labor Statistics and Wasatch Front CPI from Cicero Group

Economic Overview

Negatives

- Increasing interest rates
- Government shutdown
- Potential trade wars
- Potential of overheating economy
- National and international uncertainty
- Unsure inflation outlook

Positives

- Strong economic fundamentals
- Consumer and business confidence holding up
- Fed commits to “patience”
- The Western US has:
  - Strong population growth
  - Strong employment growth
  - Low unemployment
  - Strong income growth

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WE HAVEN'T FORGOTTEN
WHO KEEPS US IN BUSINESS®

Robert Spendlove

Economic and Public Policy Officer

Email: Robert.Spendlove@zionsbank.com

Phone: 801-560-5394

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