

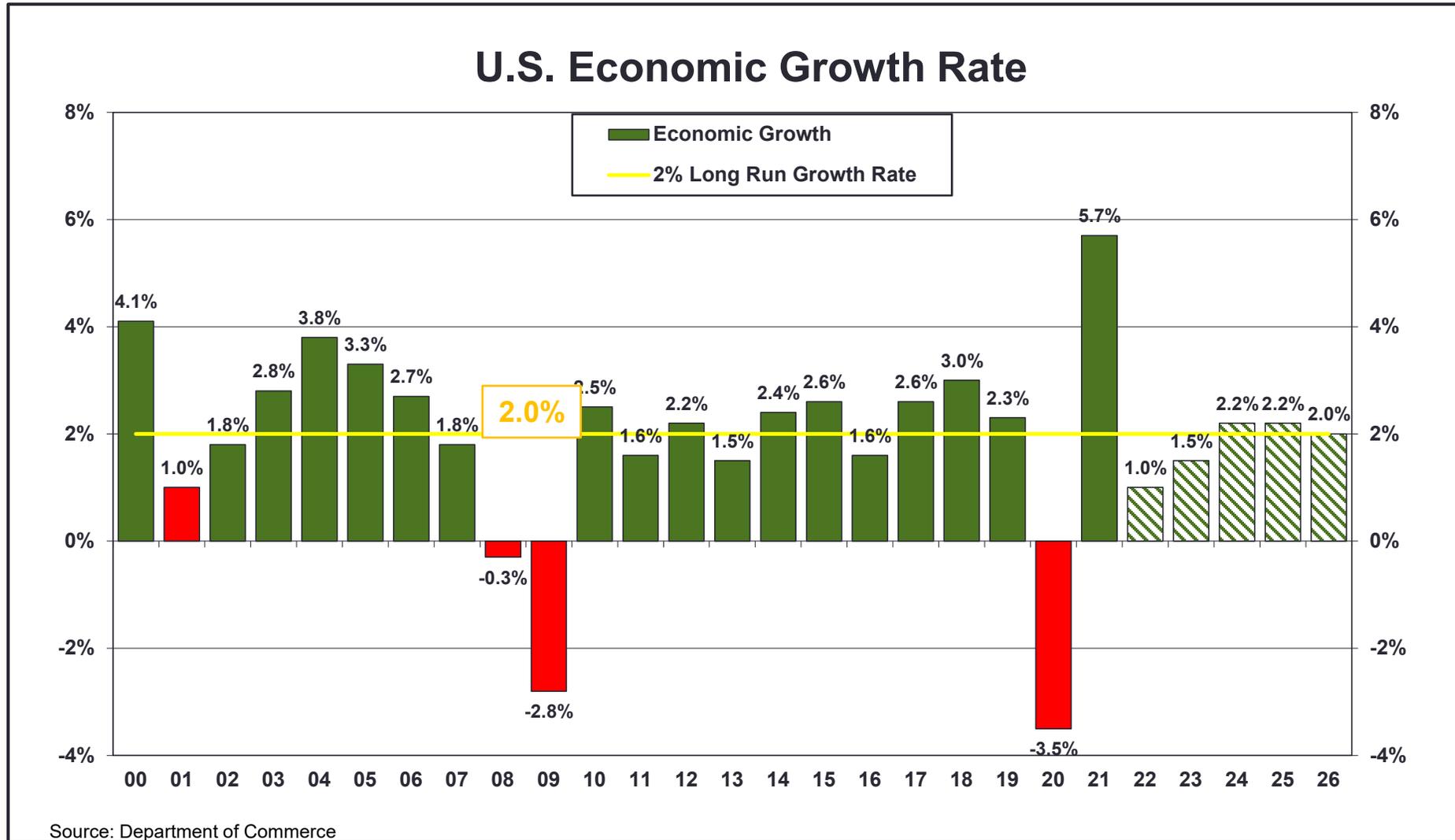
# **Economic Outlook & Its Impact on Employers (& their Employee Healthcare Plans)**

October 2022

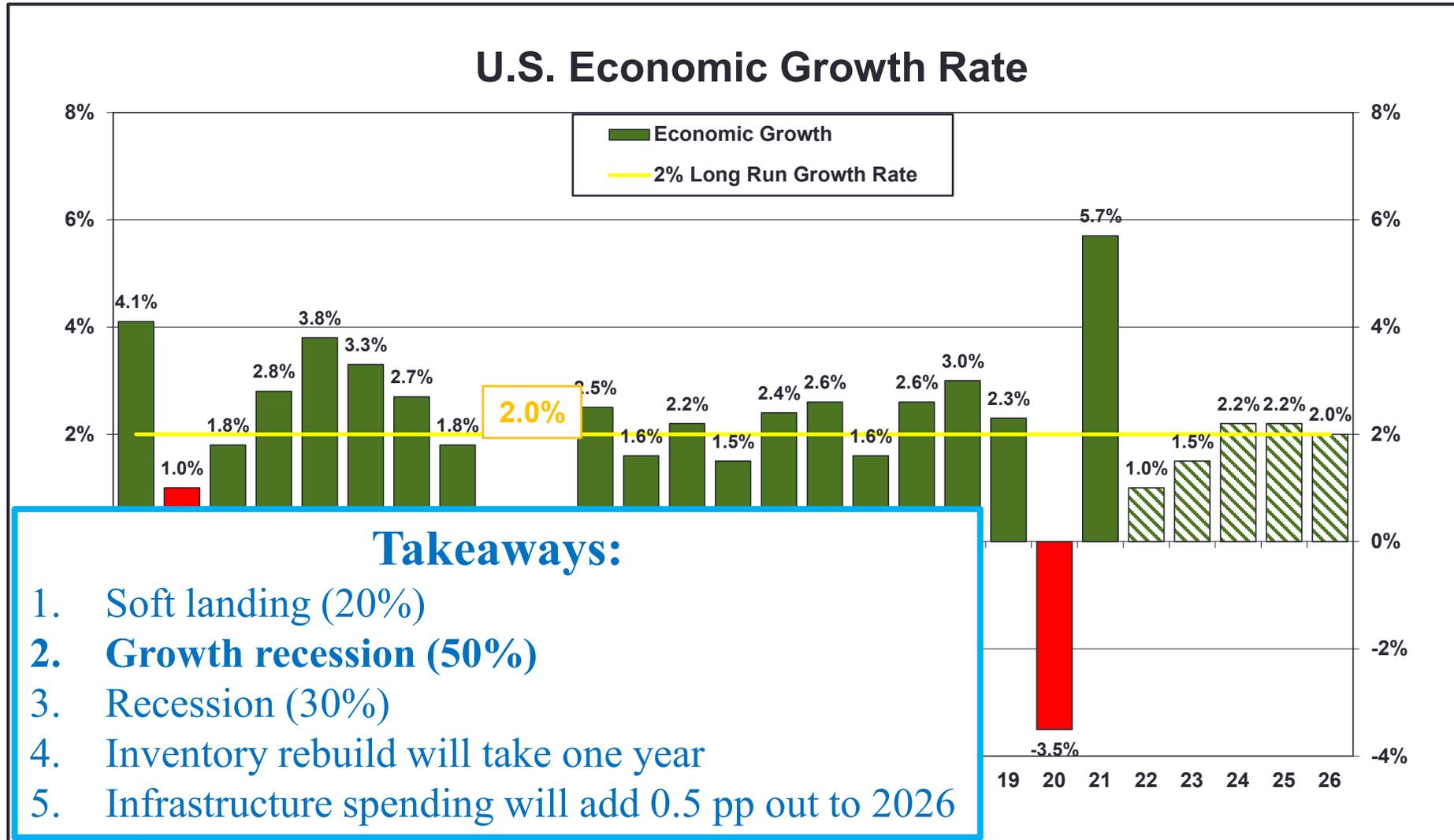
If you have any questions or  
comments, please contact:

**Steven Rick, Chief Economist**  
CUNA Mutual Group – Economics  
800.356.2644, Ext. 665.5454  
[Steve.rick@cunamutual.com](mailto:Steve.rick@cunamutual.com)

# Moderate Economic Growth for Next 5 Years

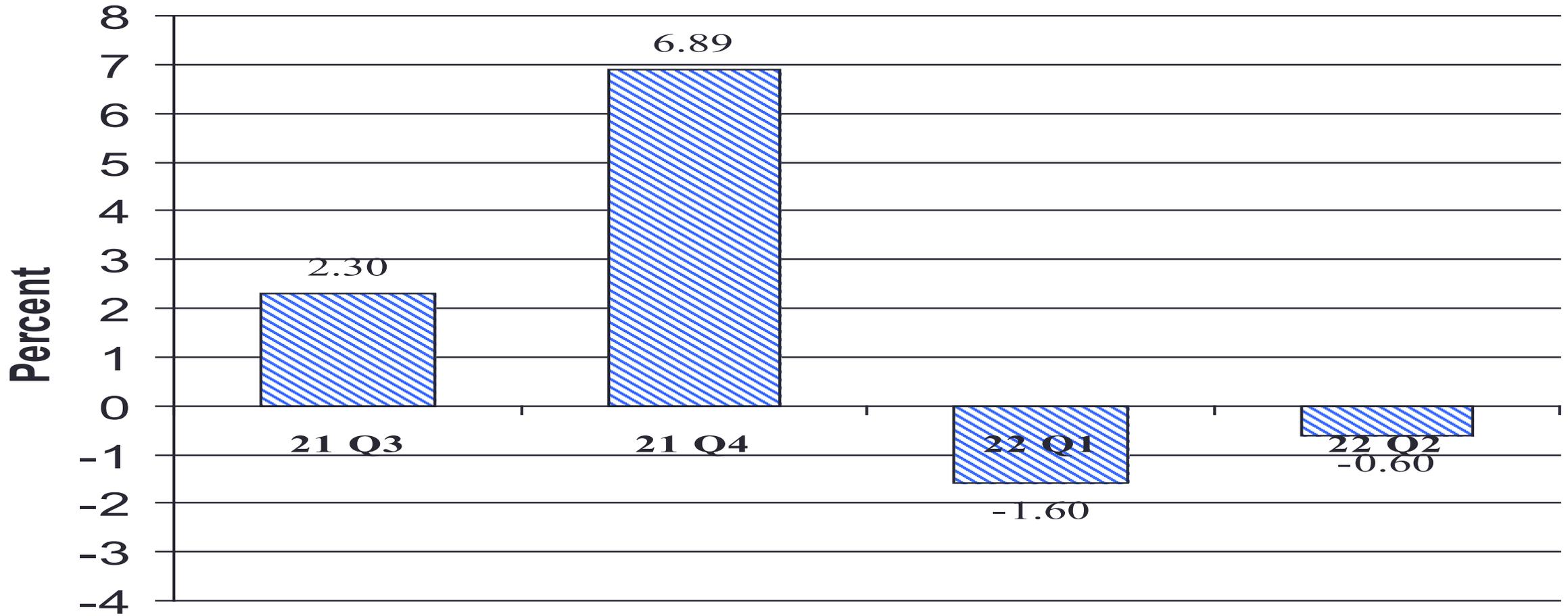


# Above Trend Economic Growth for Next 5 Years

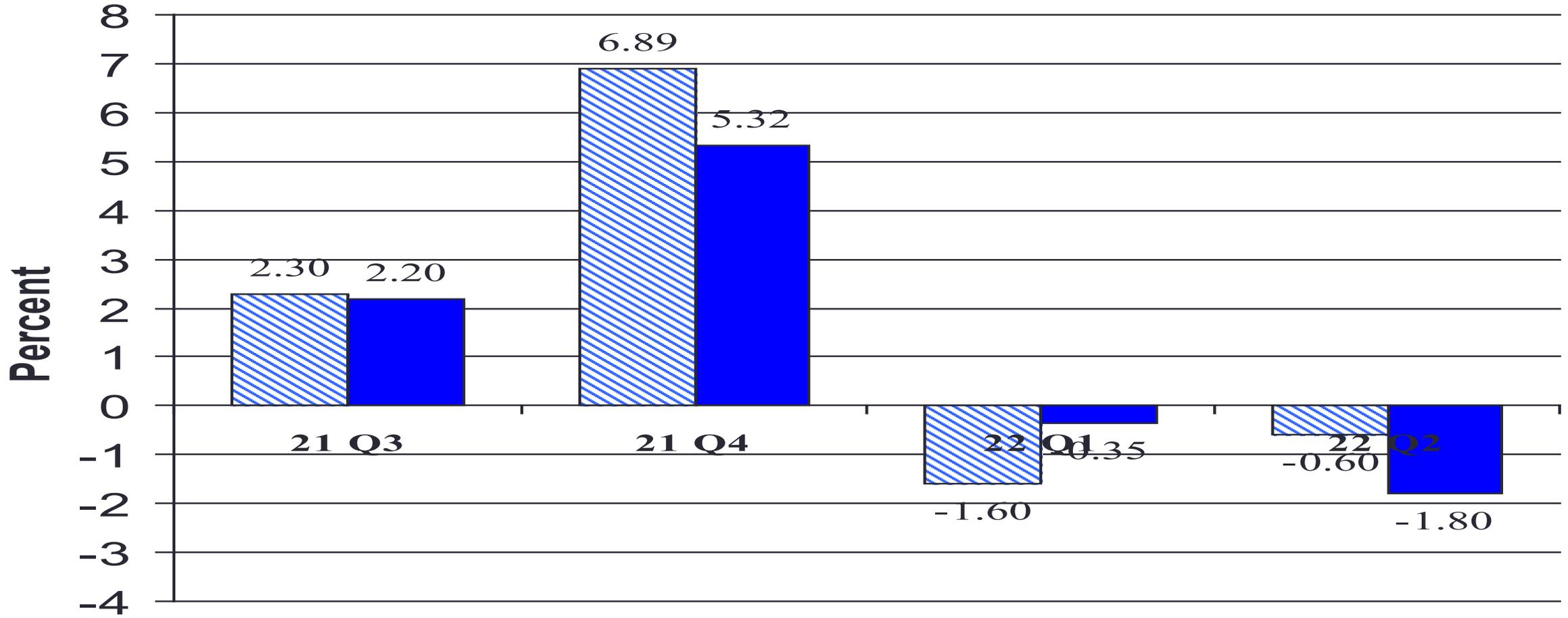


# Economic Growth

Real GDP Growth



# Economic Growth



# The Big Question

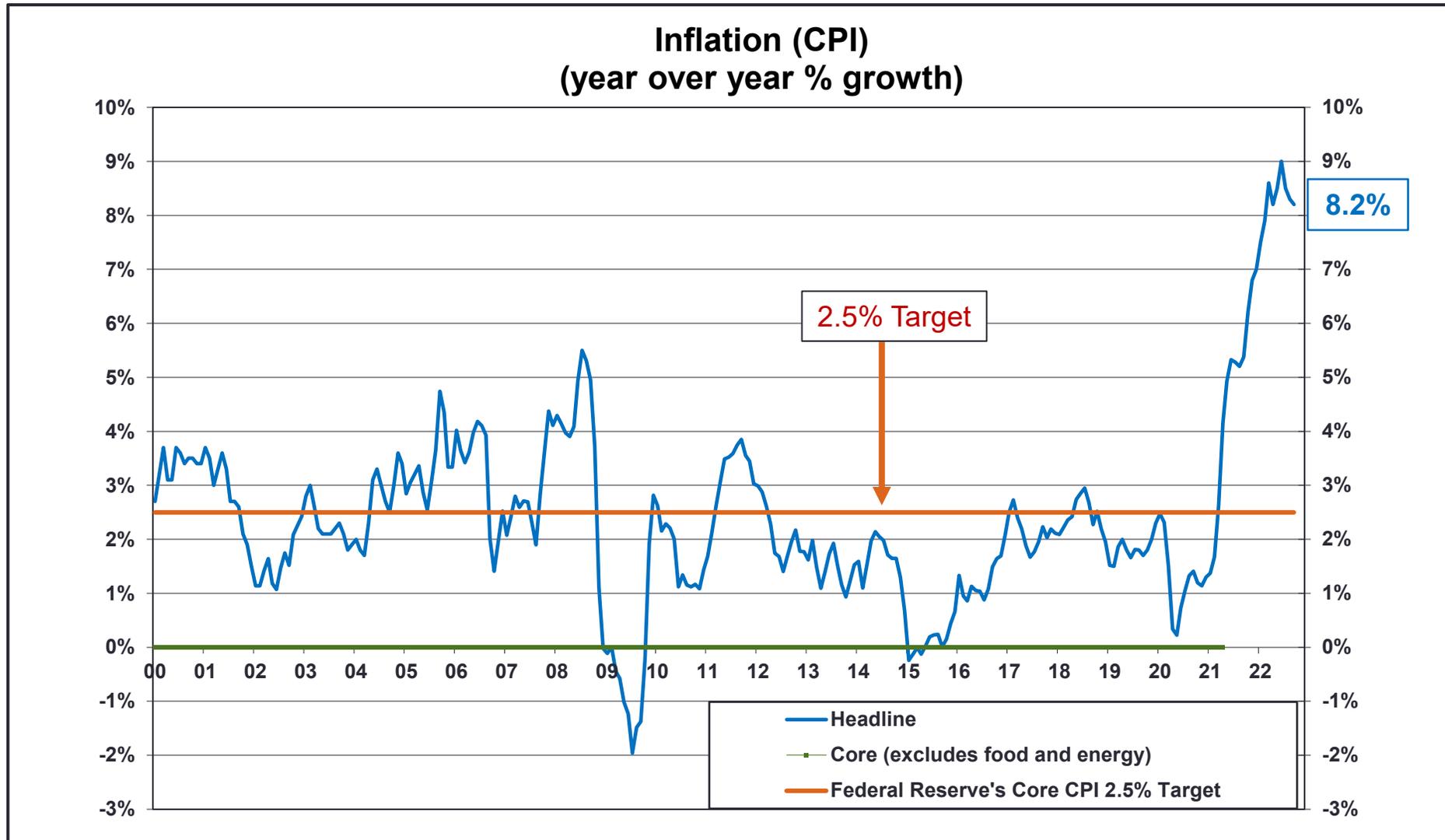
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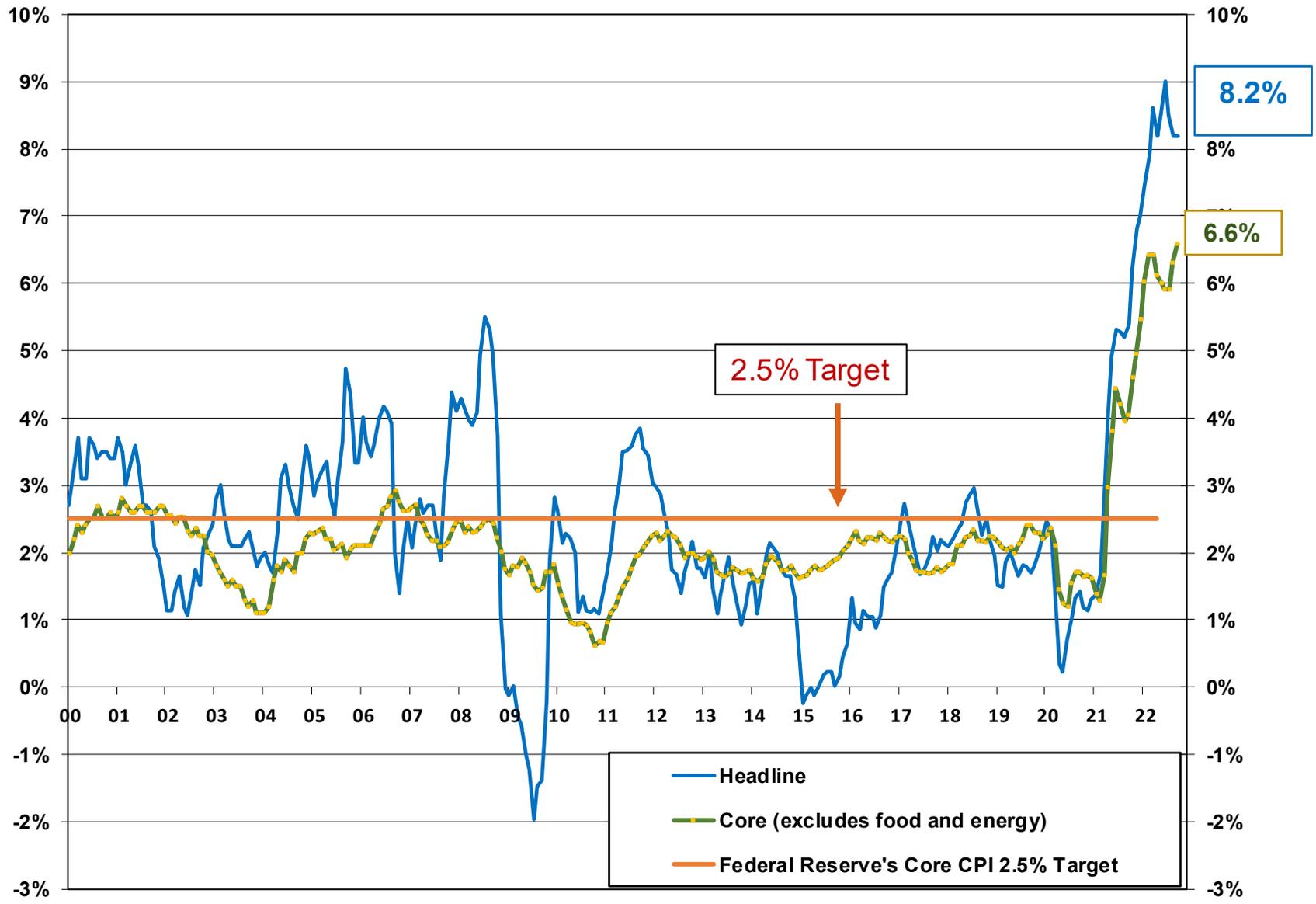
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**Inflation or Deflation  
tell me if you can  
will we be Zimbabwe  
or will we be Japan?**

# High Inflation for the Next Year



# Inflation (CPI) (year over year % growth)

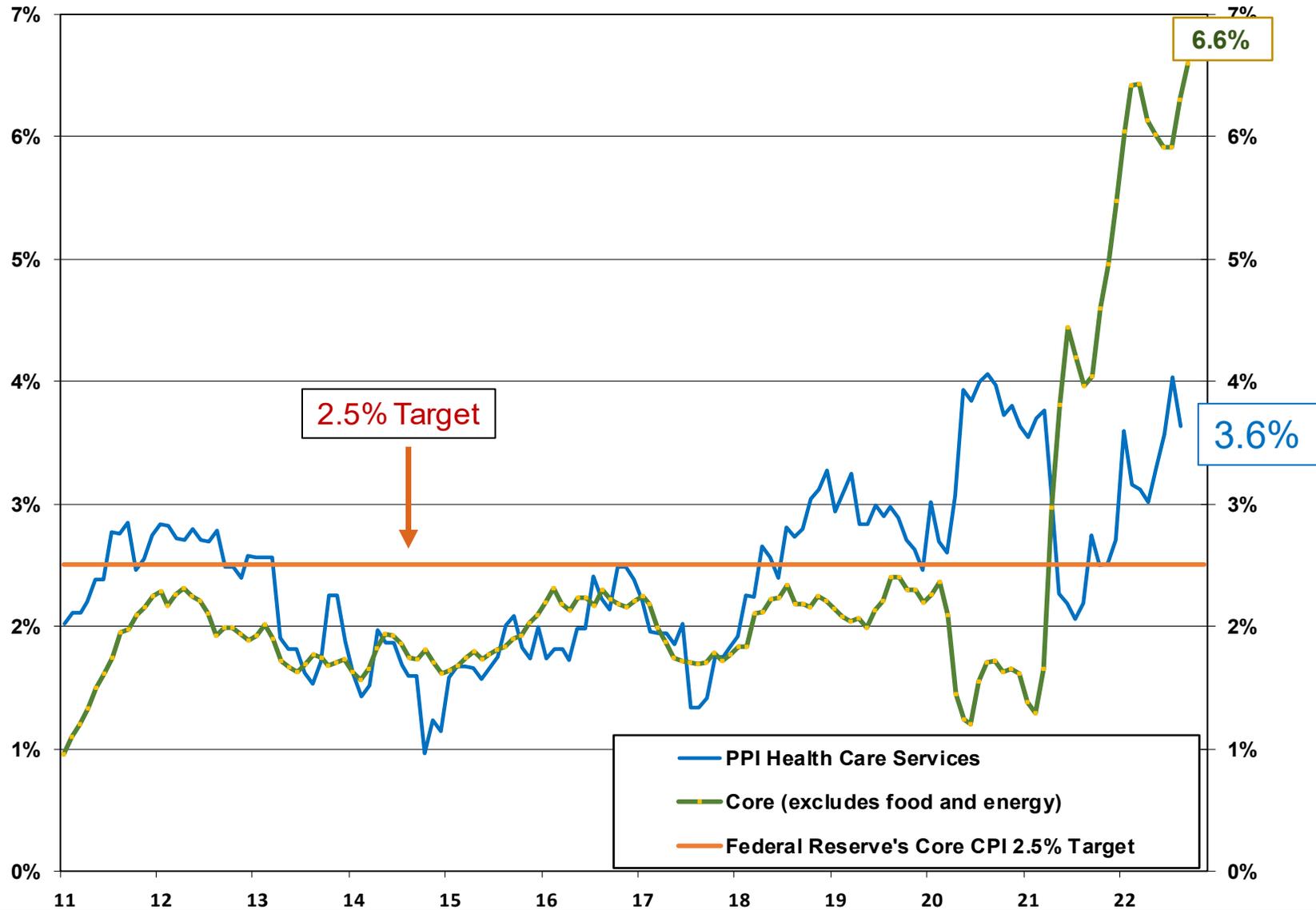


# Consumer Price Index

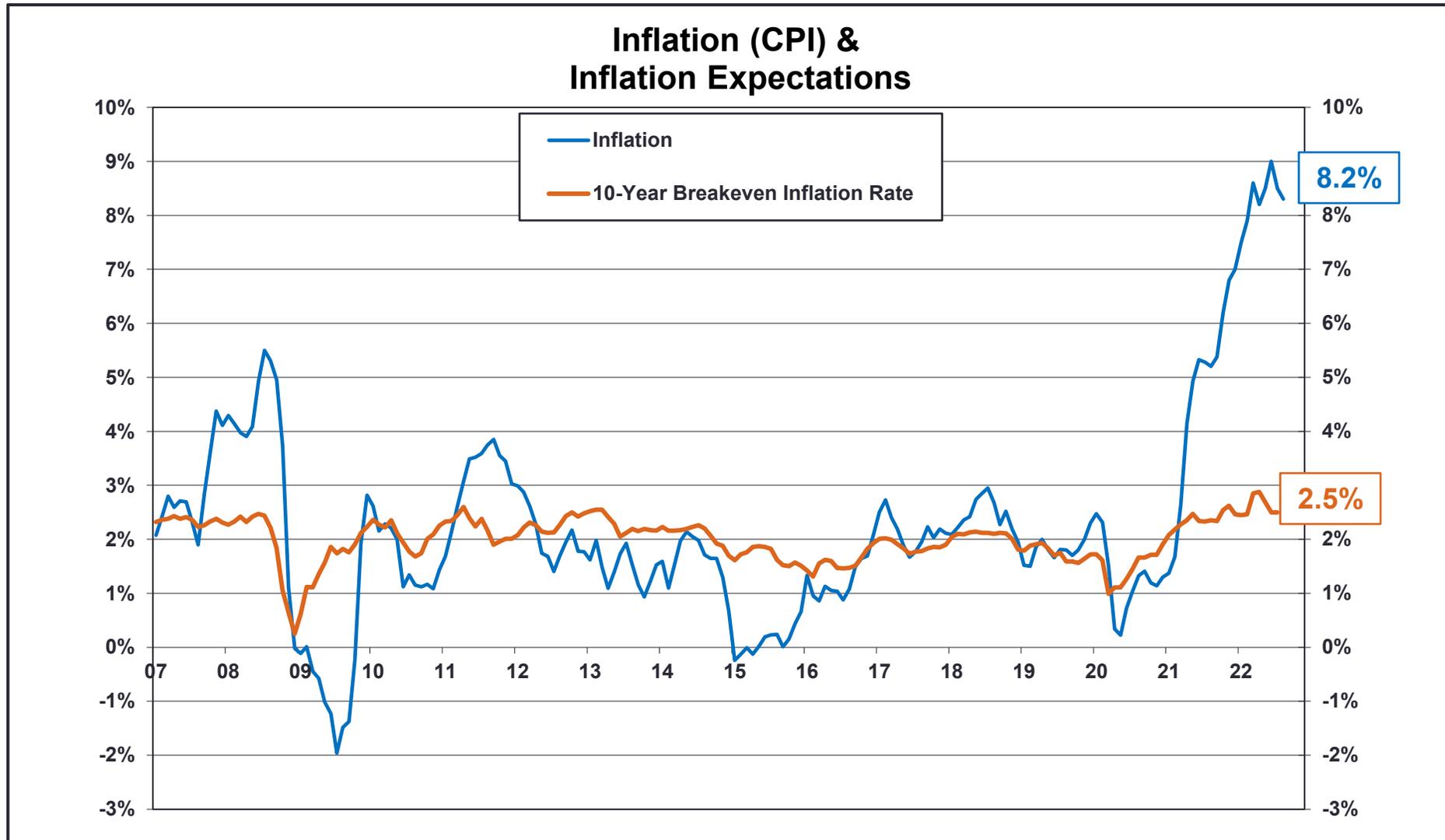
<i><u>Expenditure Components</u></i>	<i><u>Share of Total</u></i>	<i><u>Growth</u></i>	
		<i><u>m/m</u></i>	<i><u>y/y</u></i>
<b>All Items</b>	<b>100%</b>	<b>0.1</b>	<b>8.2</b>
<b>Food</b>	<b>14</b>	<b>0.8</b>	<b>11.4</b>
Meat, poultry, fish, eggs	2	0.5	10.6
Fruits, vegetables	1	0.5	9.4
<b>Energy</b>	<b>7</b>	<b>-5.0</b>	<b>23.8</b>
Motor fuel	4	-10.5	26.2
Electricity service	3	1.5	15.8
<b>All Items (less food &amp; energy)</b>	<b>79%</b>	<b>0.6</b>	<b>6.6</b>
<b>Commodities (less food/energy)</b>	<b>21</b>	<b>0.5</b>	<b>7.1</b>
Apparel	3	0.2	5.1
New Vehicles	4	0.8	10.1
Used Vehicles	3	-0.1	7.8
<b>Services (less energy)</b>	<b>58</b>	<b>0.6</b>	<b>6.1</b>
Shelter	33	0.7	6.2
Rent	8	0.7	6.7
Owners' Equivalent Rent	24	0.7	6.3
Medical Care	7	1.0	6.5
Transportation	5	0.5	11.3



# Inflation (CPI) (year over year % growth)



# High Inflation for the Next Year



# The Inflation Debate:

## Higher Inflation Factors:

1. Pent up demand for goods and services
2. Supply chain disruptions reducing inventories
3. Rising energy & commodity prices
4. Massive monetary and fiscal stimulus
5. Lower dollar exchange rate => import prices
6. Rising housing and medical care costs

# The Inflation Debate:

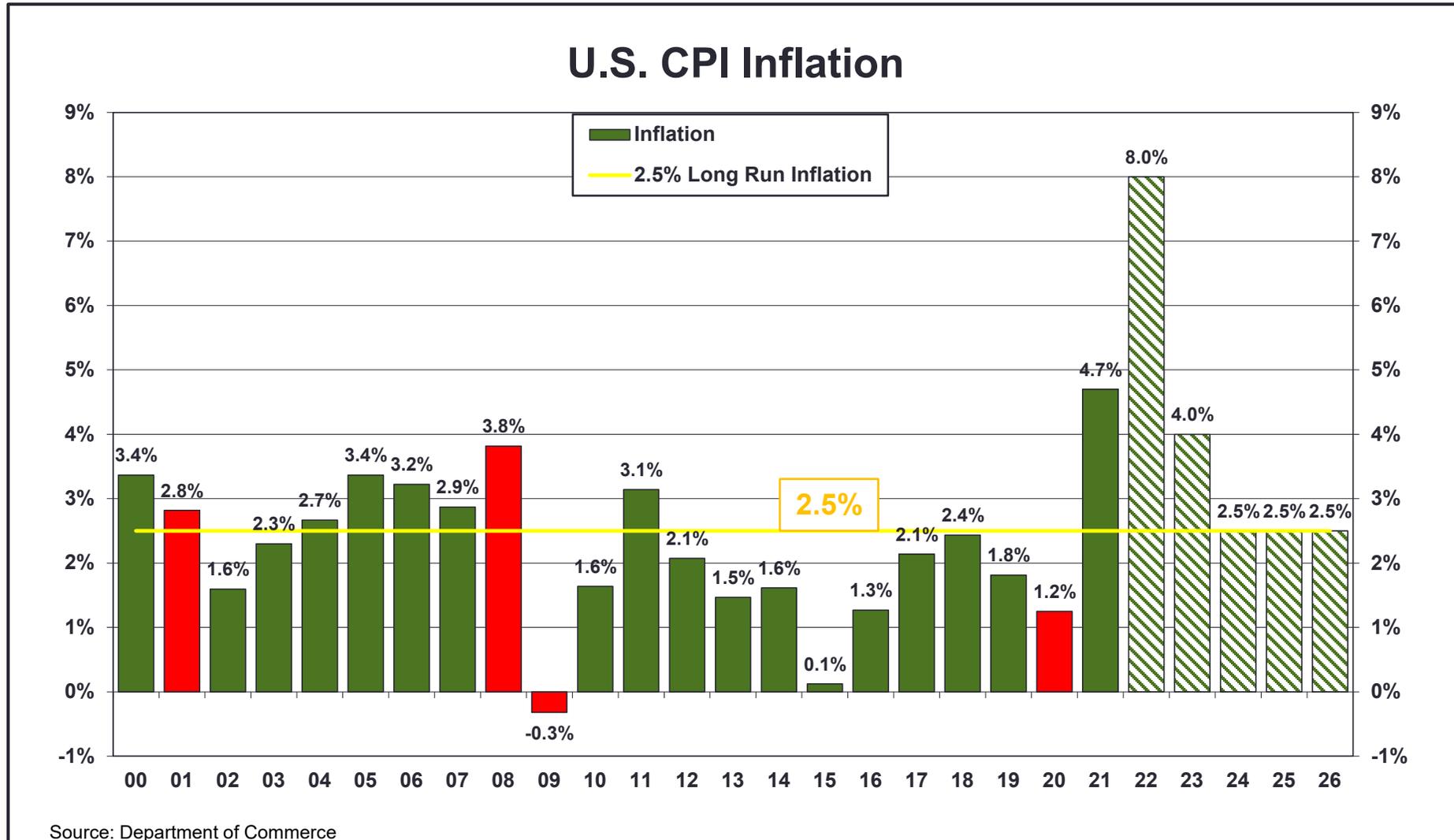
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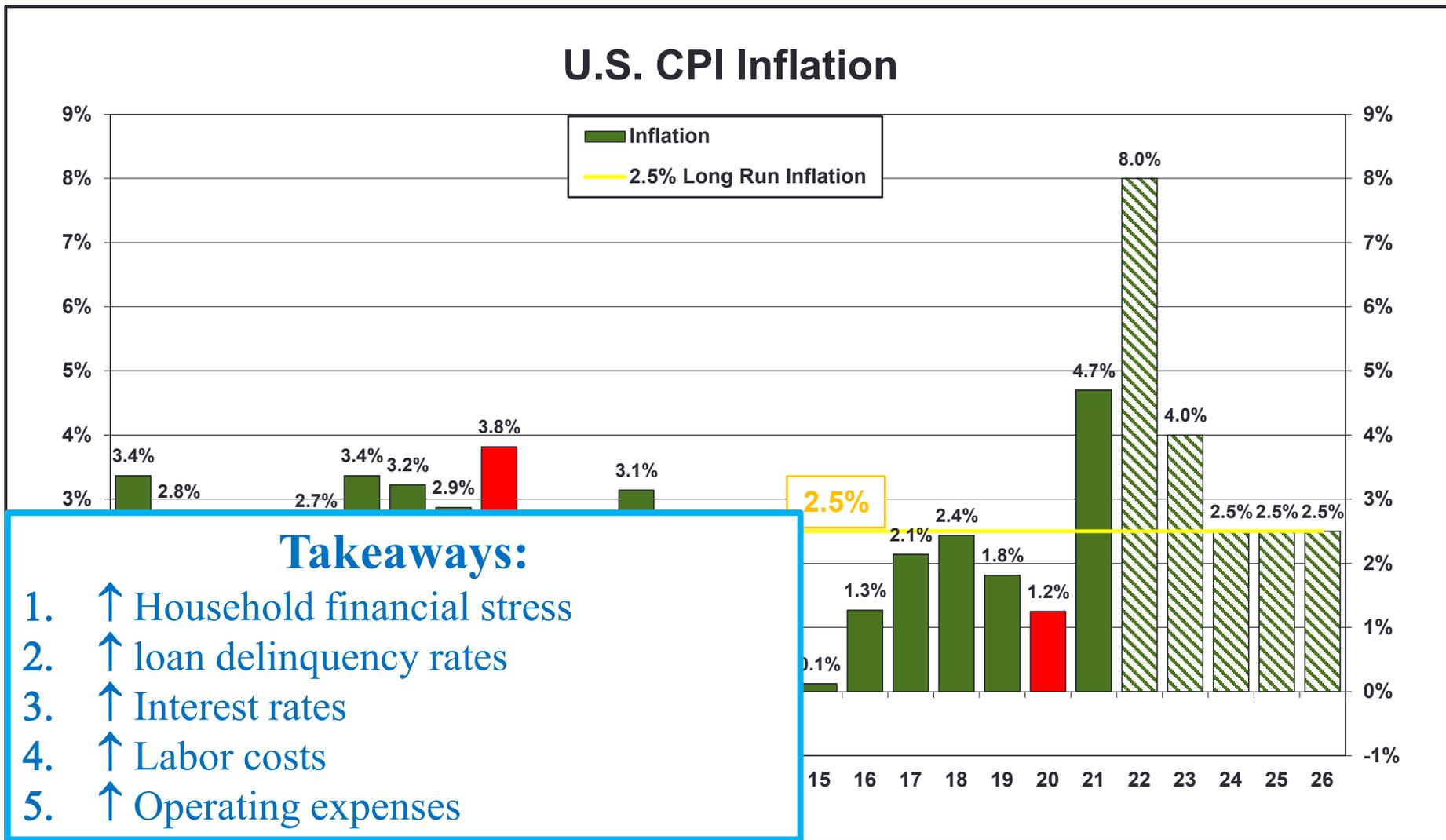
## Lower Inflation Factors:

1. eCommerce is a powerful deflationary force
2. Rising competition from globalization
3. Rising productivity => falling costs per unit
4. Low population growth
5. Negative output gap and excess production capacity
6. Excess supply of labor

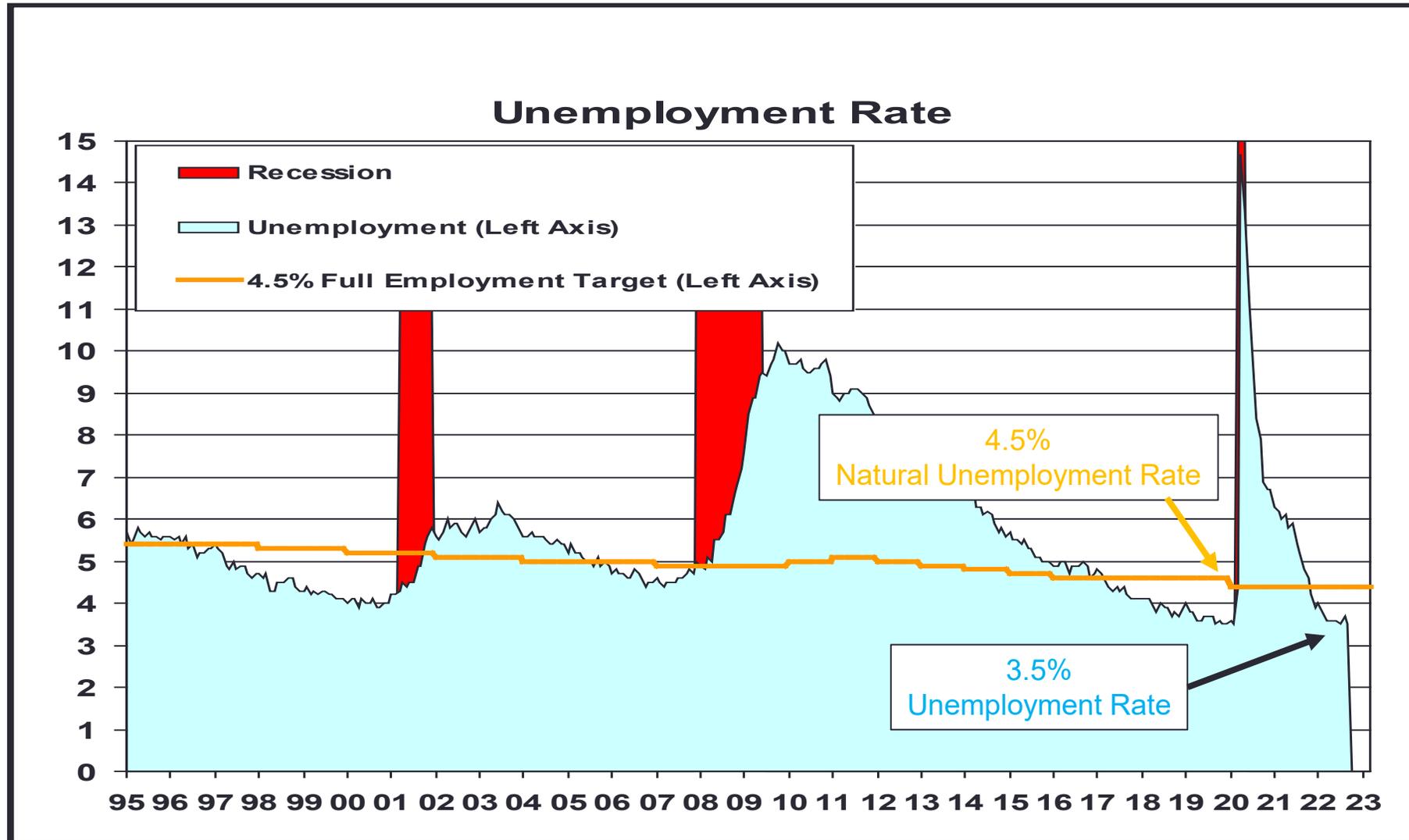
# Inflation Above Target Until 2024



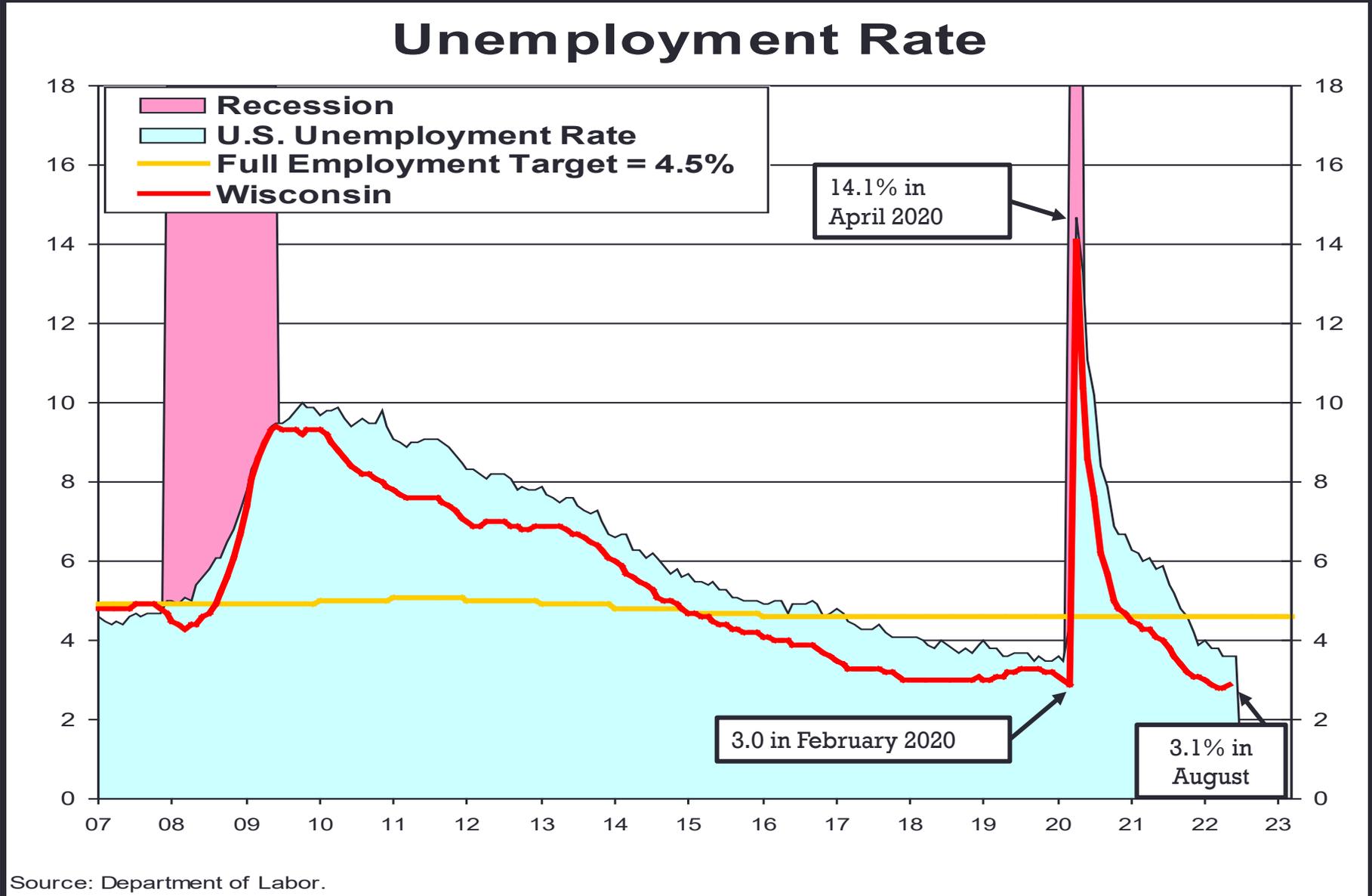
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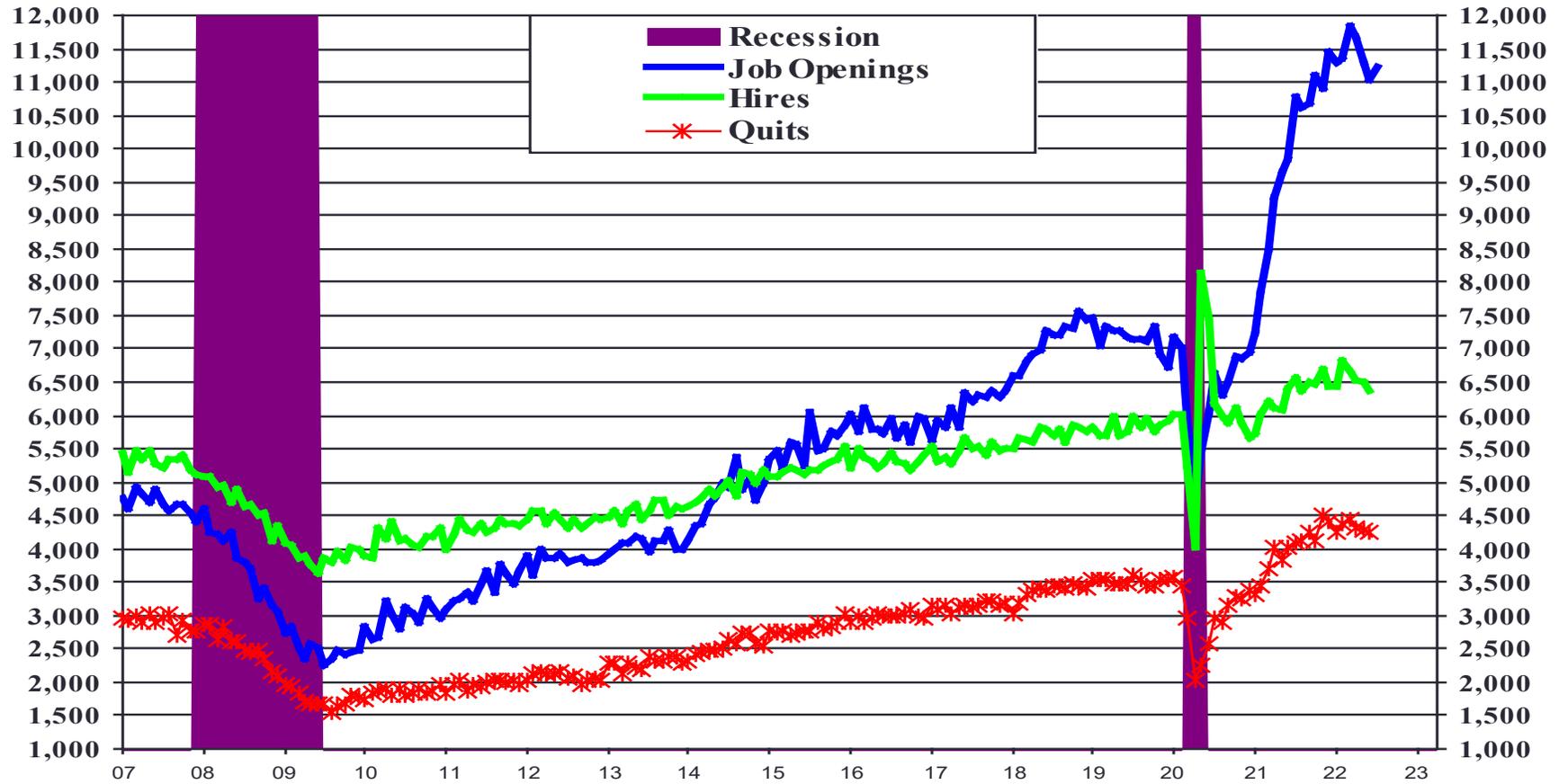
# Unemployment Rate Below Natural Unemployment Rate



# 3.1% Wisconsin Unemployment Rate is below the Natural Unemployment of 4.5%



## Job Openings, Hires, and Quits (Thousands, SA)



**Job Openings Rate** is the number of job openings on the last business day of the month as a percent of total employment plus job openings.

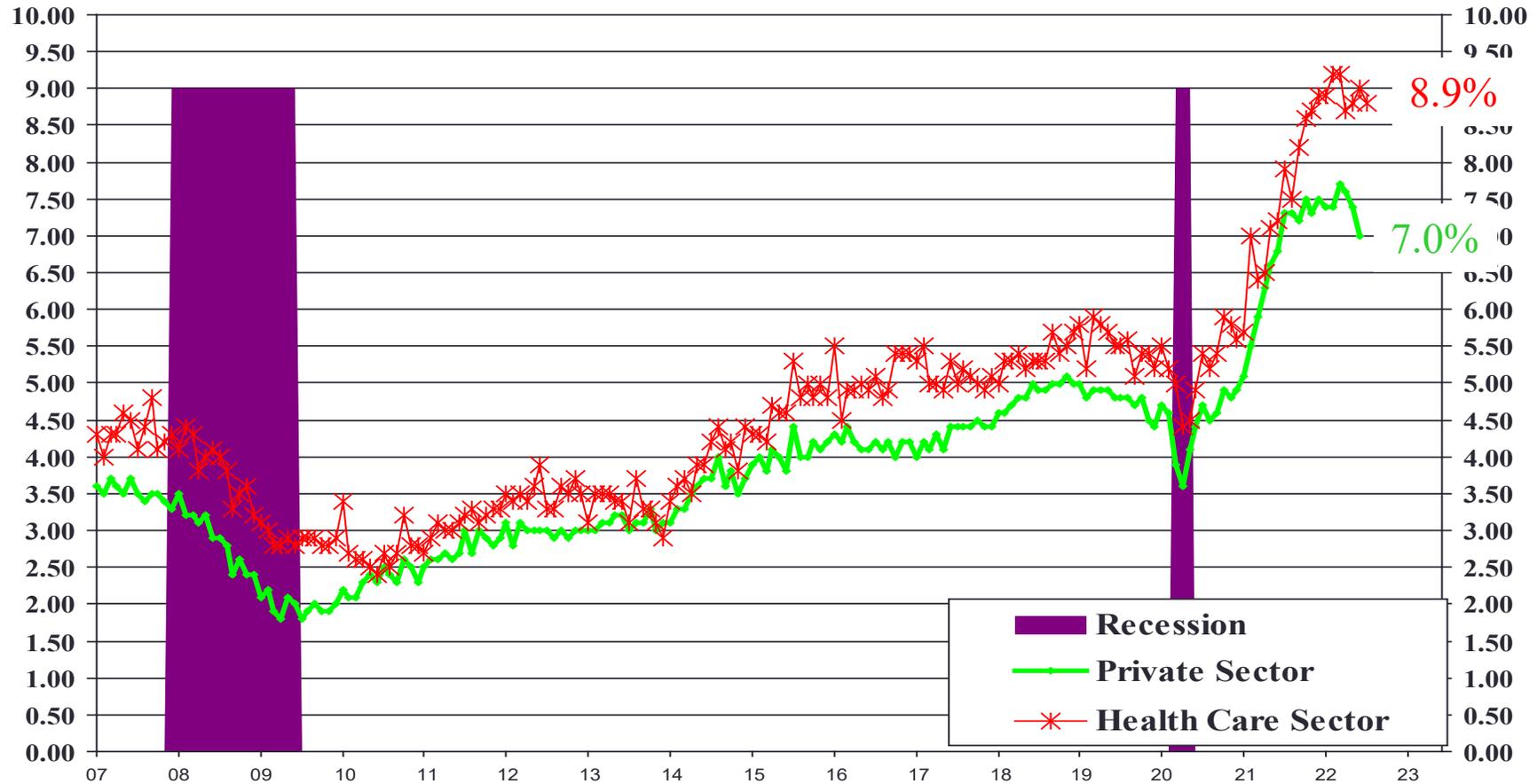
**Quit Rate** is the number of voluntary separations by employees as a percent of total employment

# Job Openings Rate VS Quit Rate

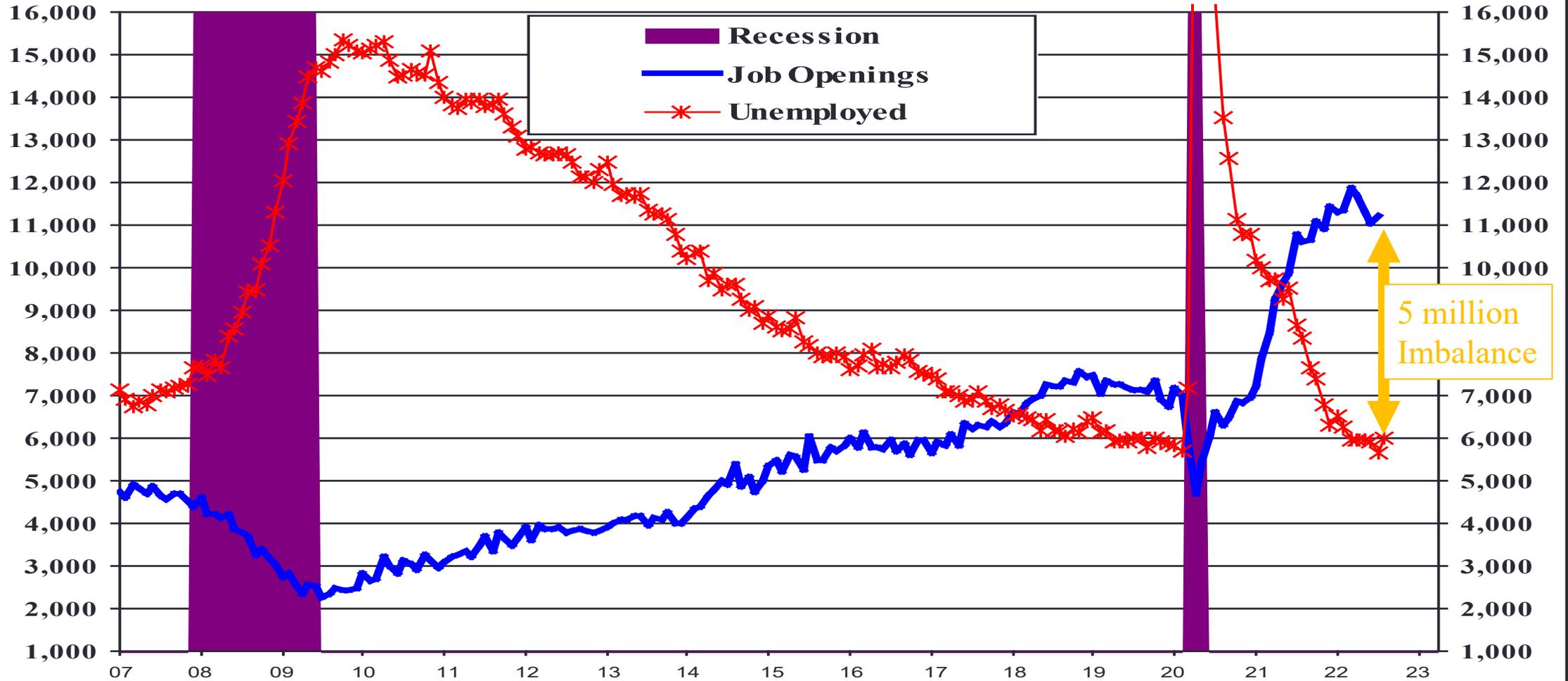


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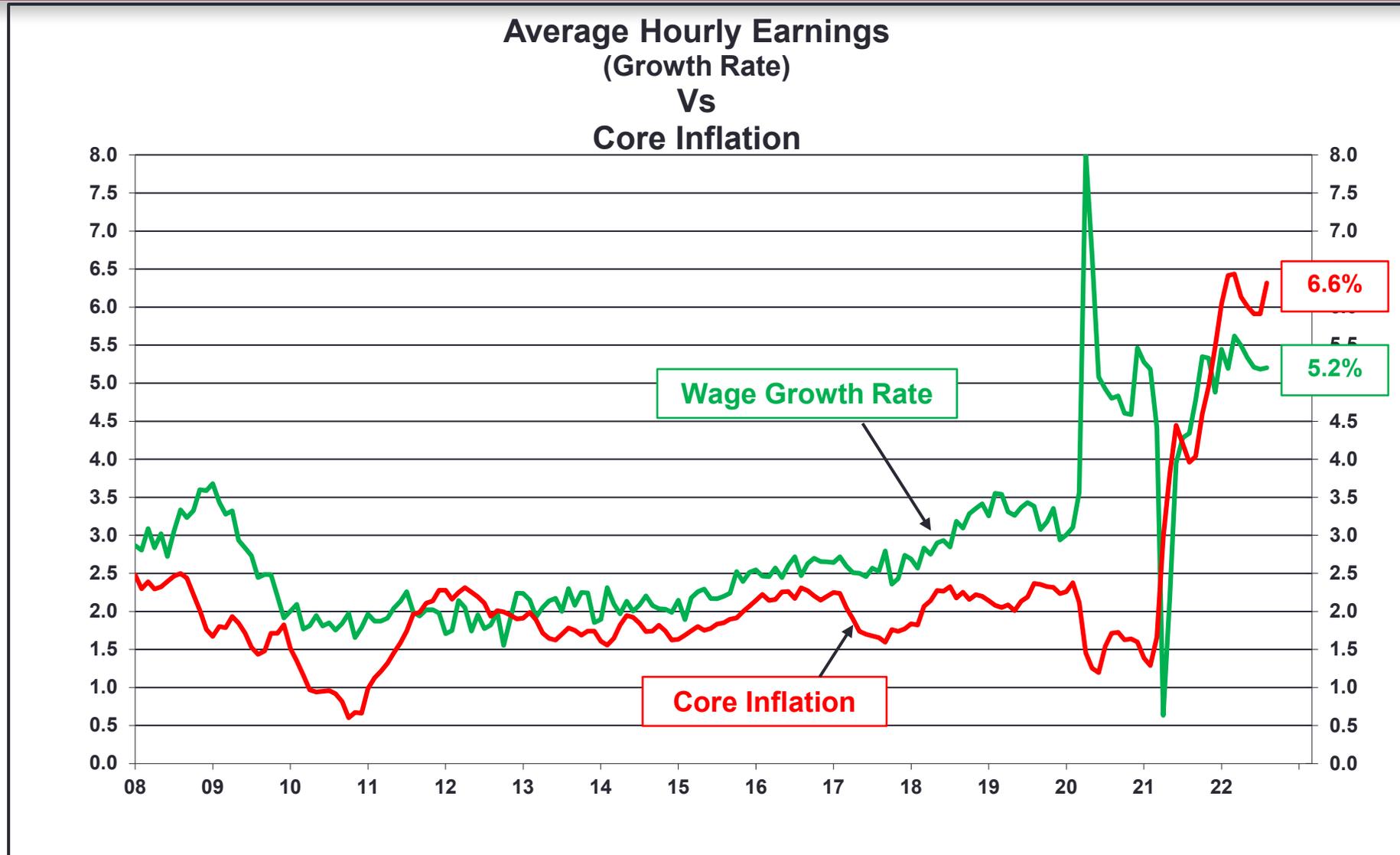
# Job Openings Rate



# Job Openings vs Unemployed



# Wage Growth Exceeds 5% Since October 2021

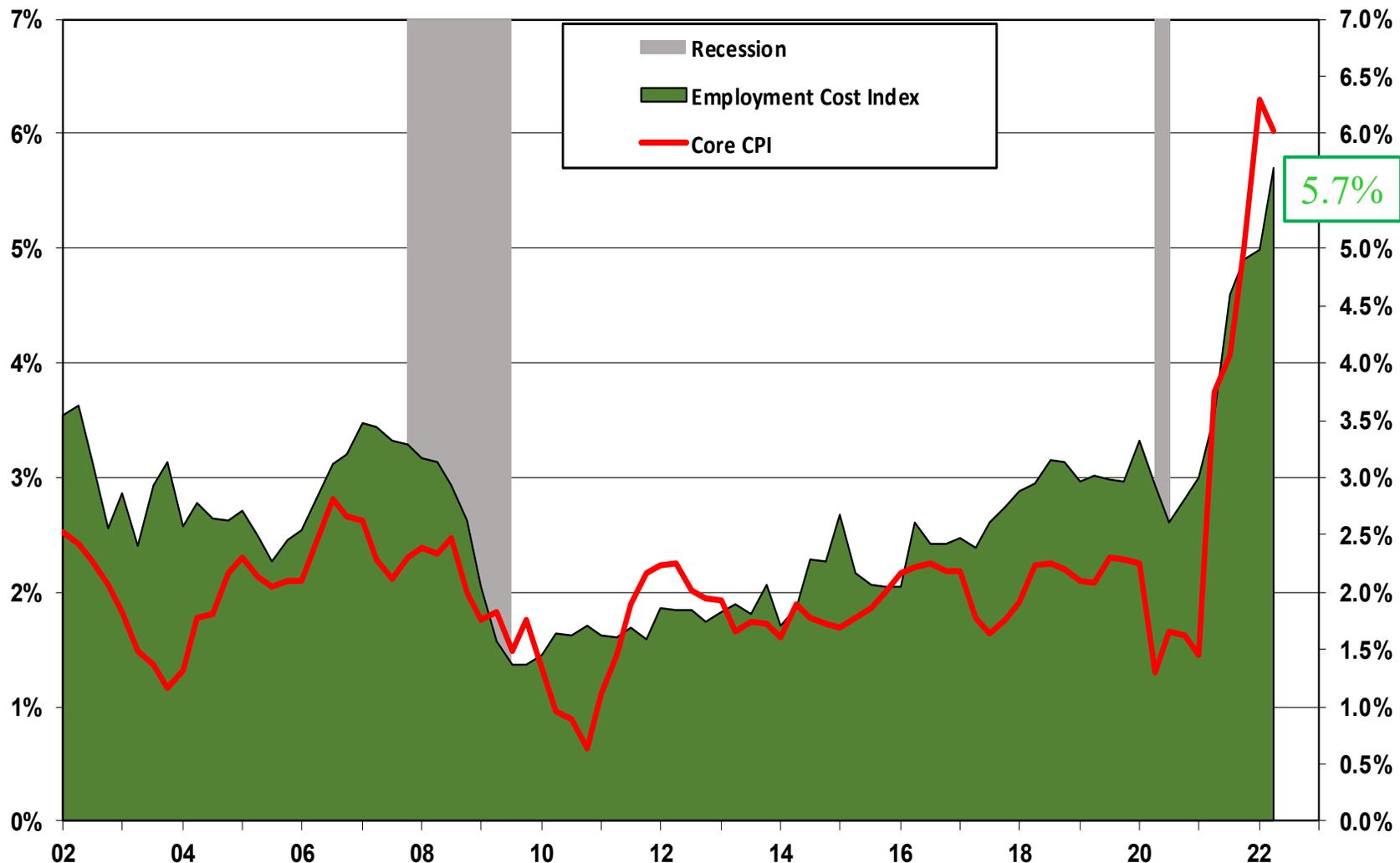


# Employment Cost Index (Year over Year Percent Change)

Employment Cost Index measures the change in total employee compensation (salaries and benefits) per quarter.

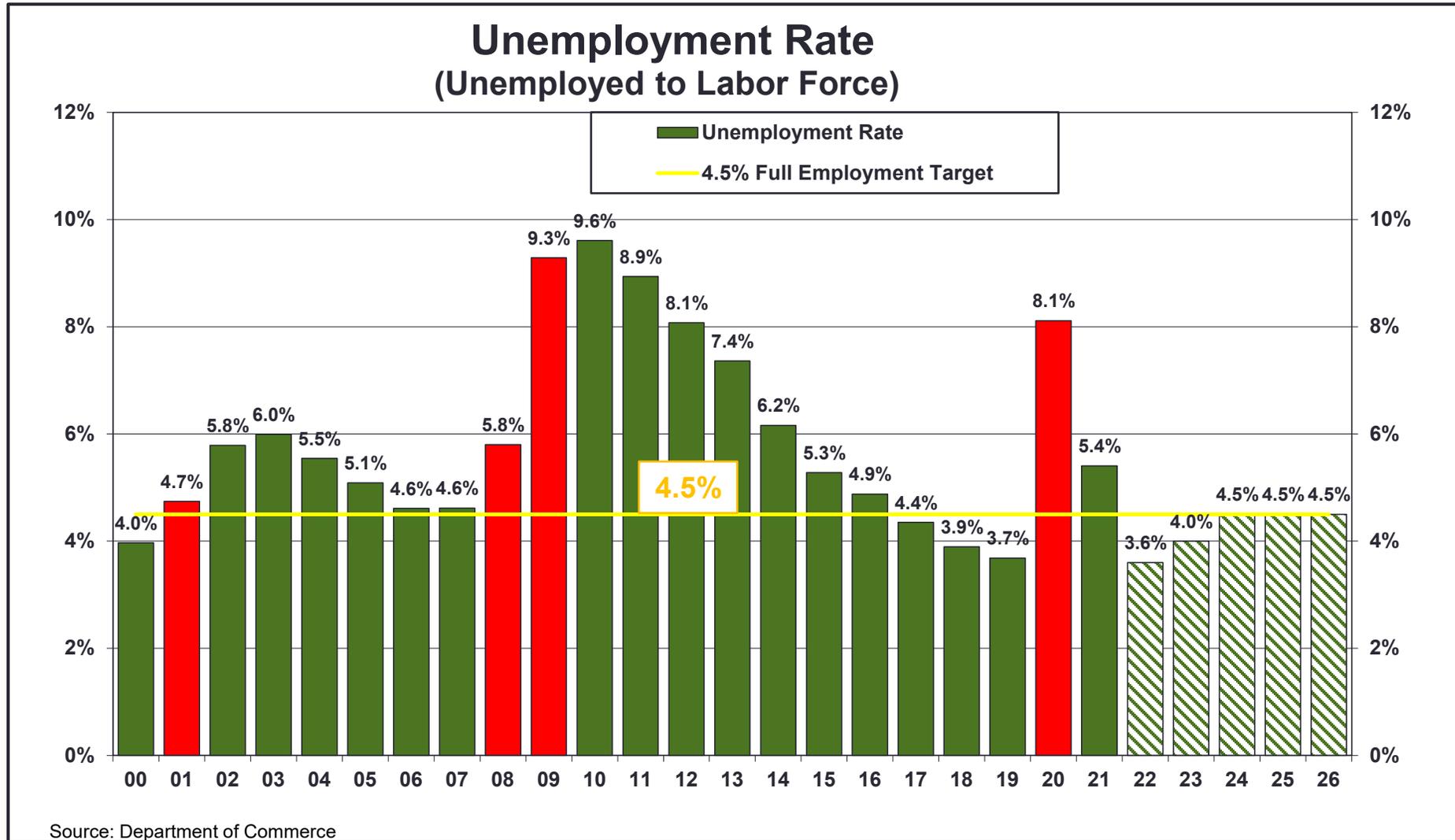
1. Firms use to set pay scales for employees.
2. Wage pressures increase before firms hike consumer prices

## Employment Cost Index VS. Core CPI

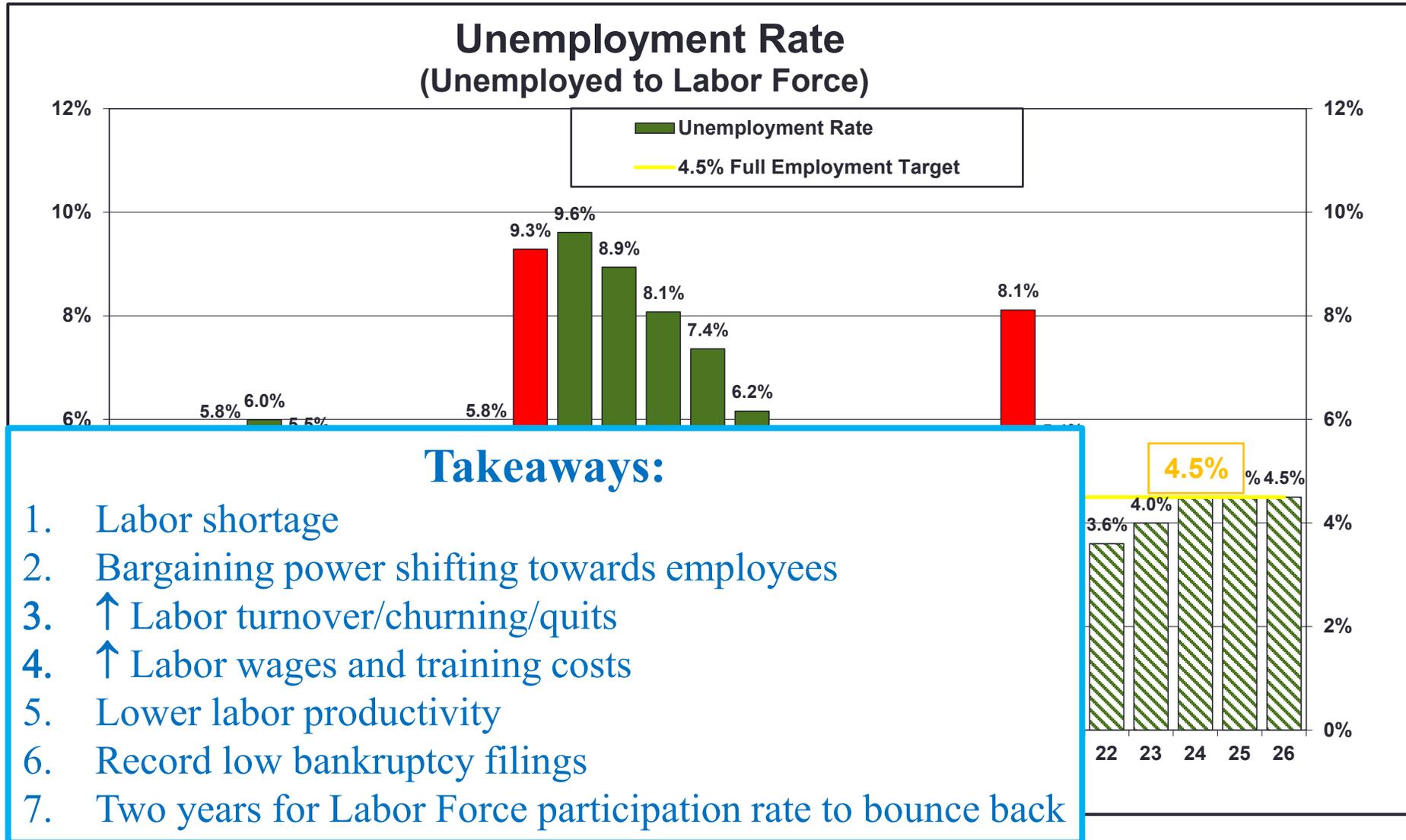


Source: CBO & Federal Reserve

# Unemployment Rate Below Normal for Next 2 Years



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**What is the most important  
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**The Price of Money**

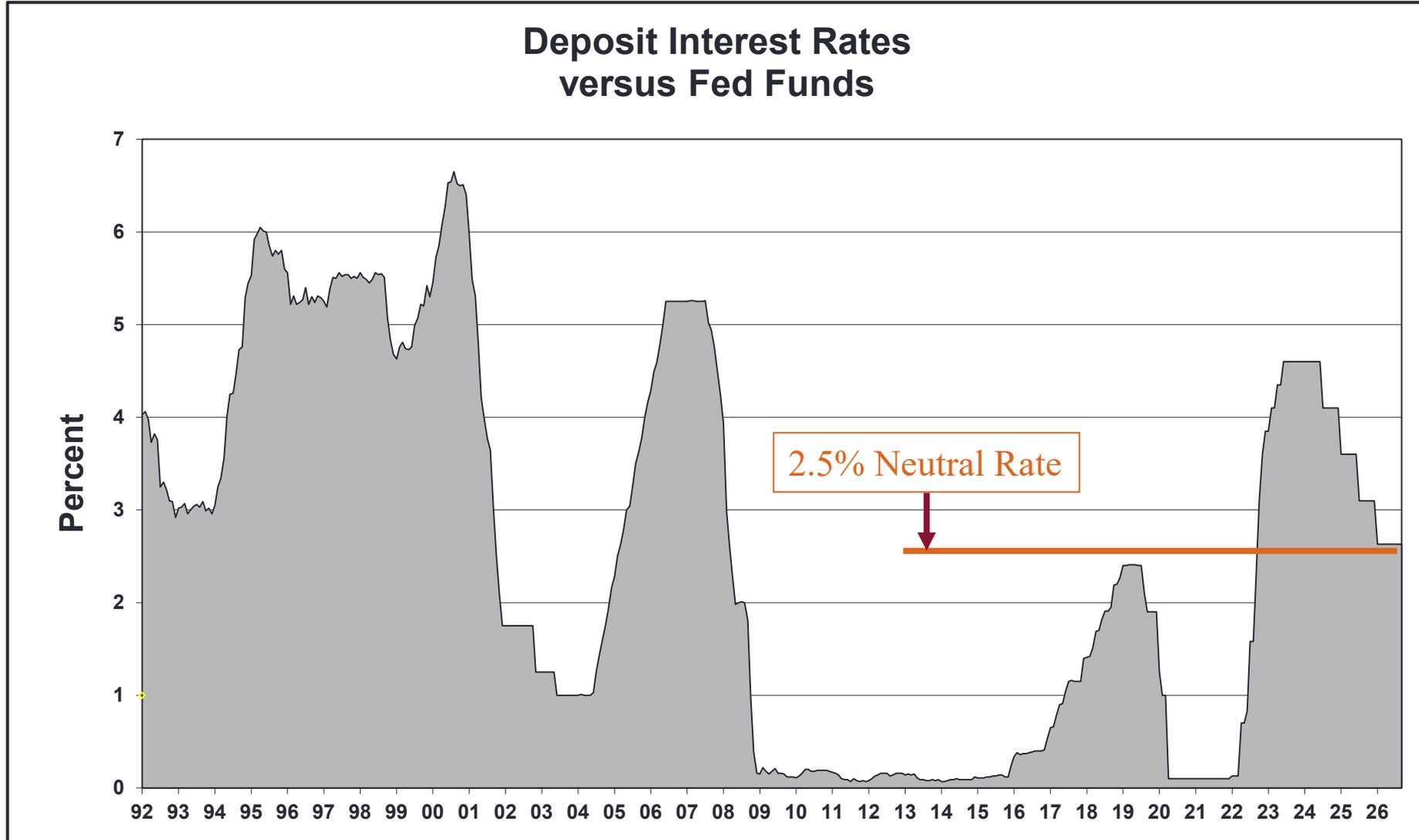
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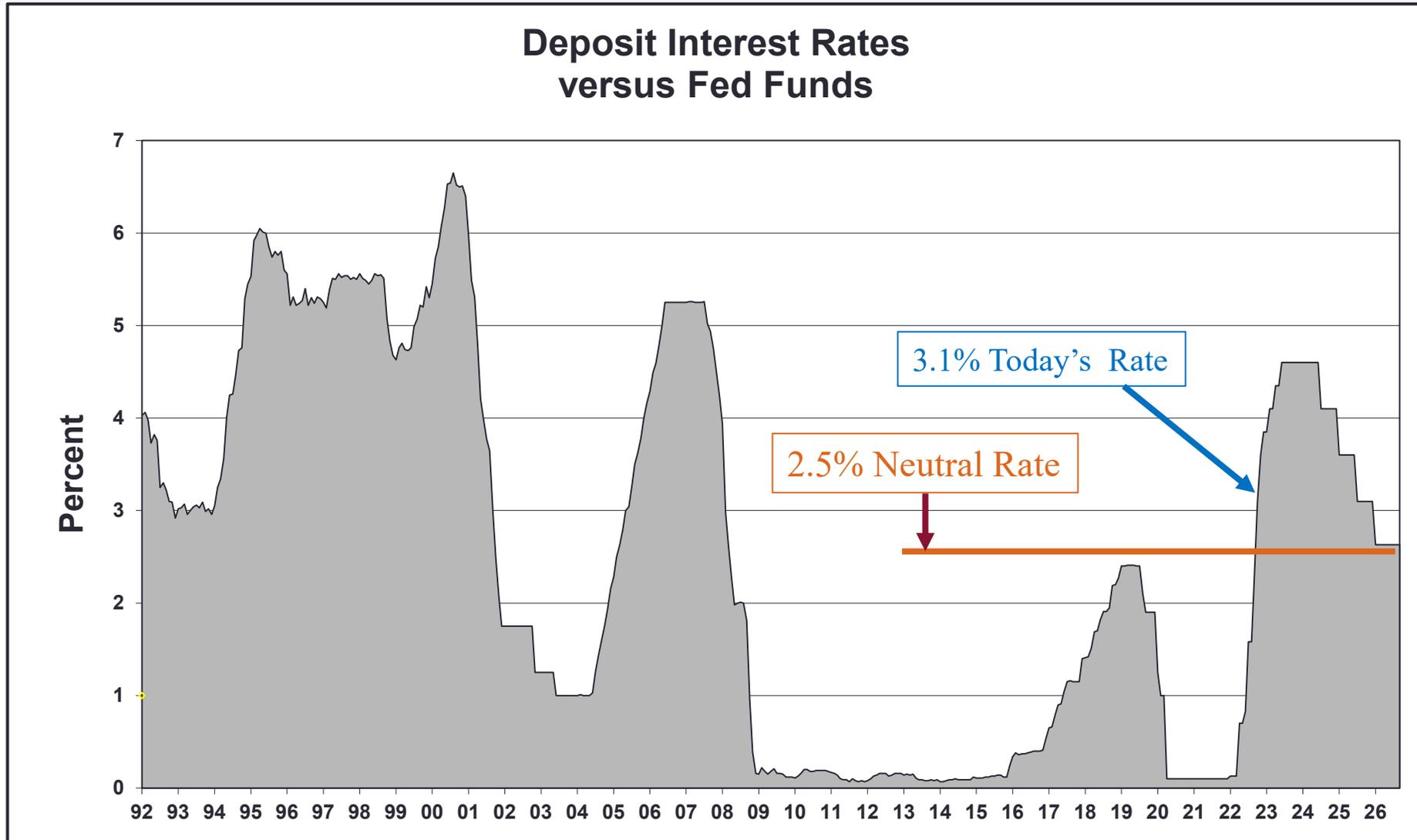
**The Price of Money**

**Interest Rates**

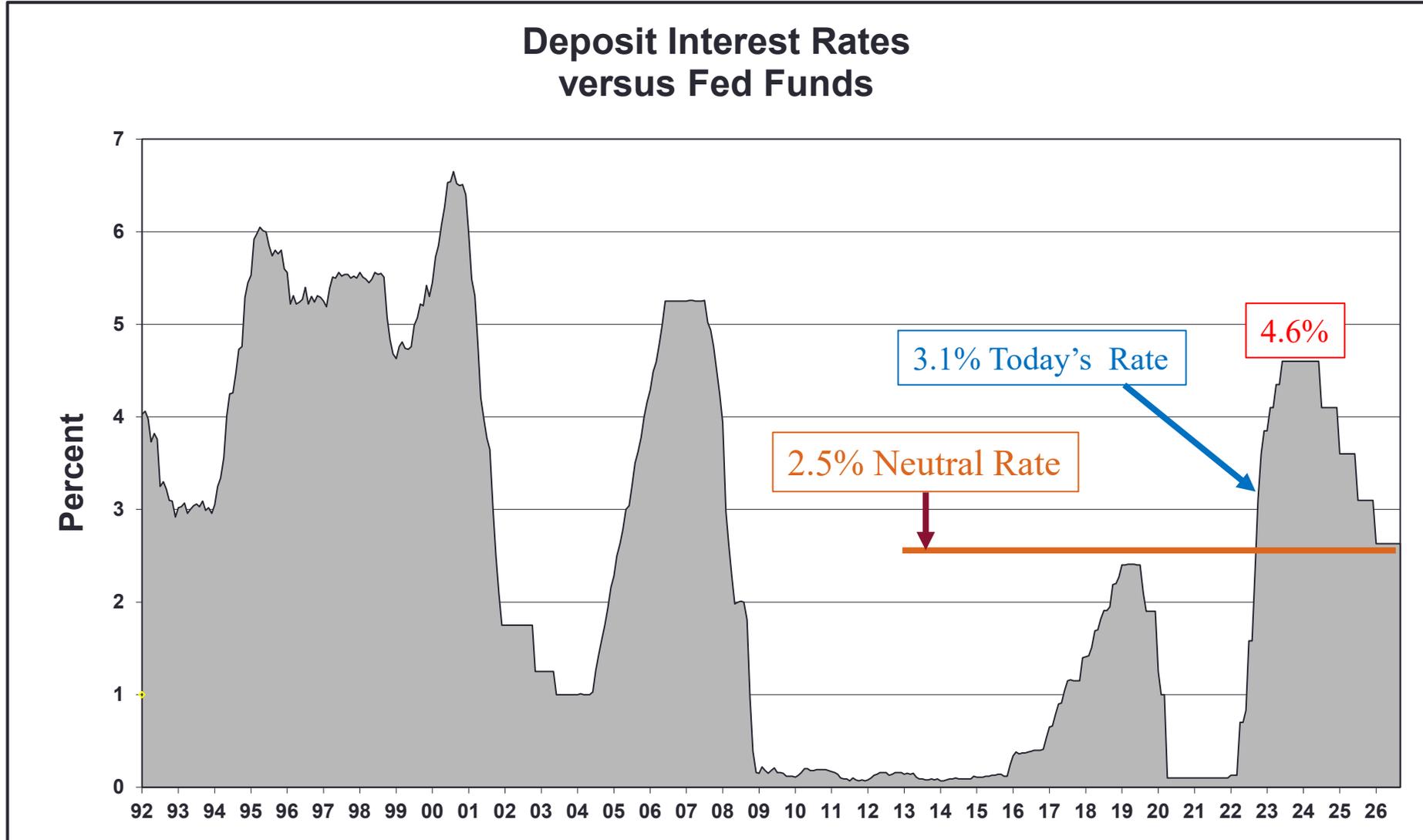
# Rising Fed Funds Interest Rate and Deposit Pricing



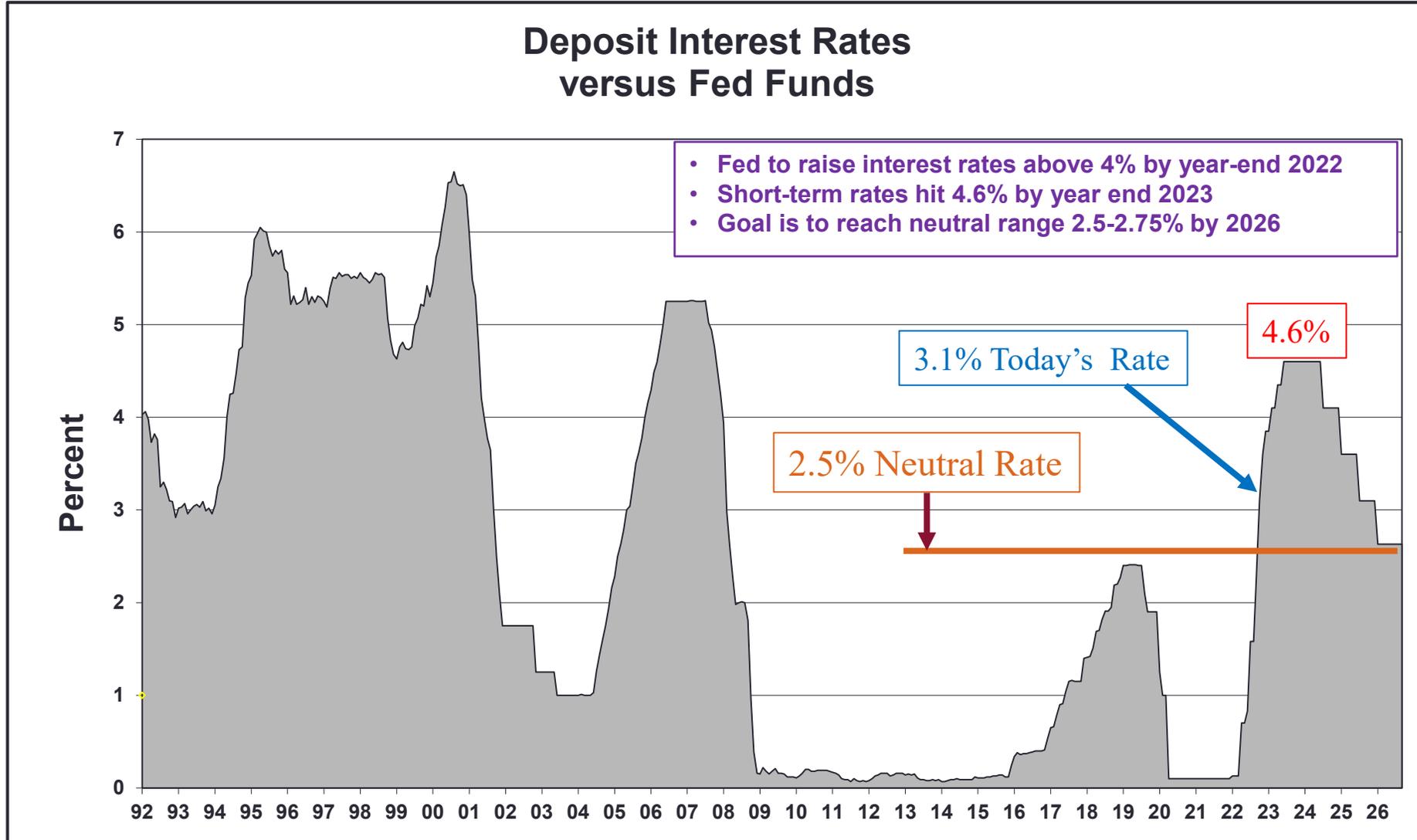
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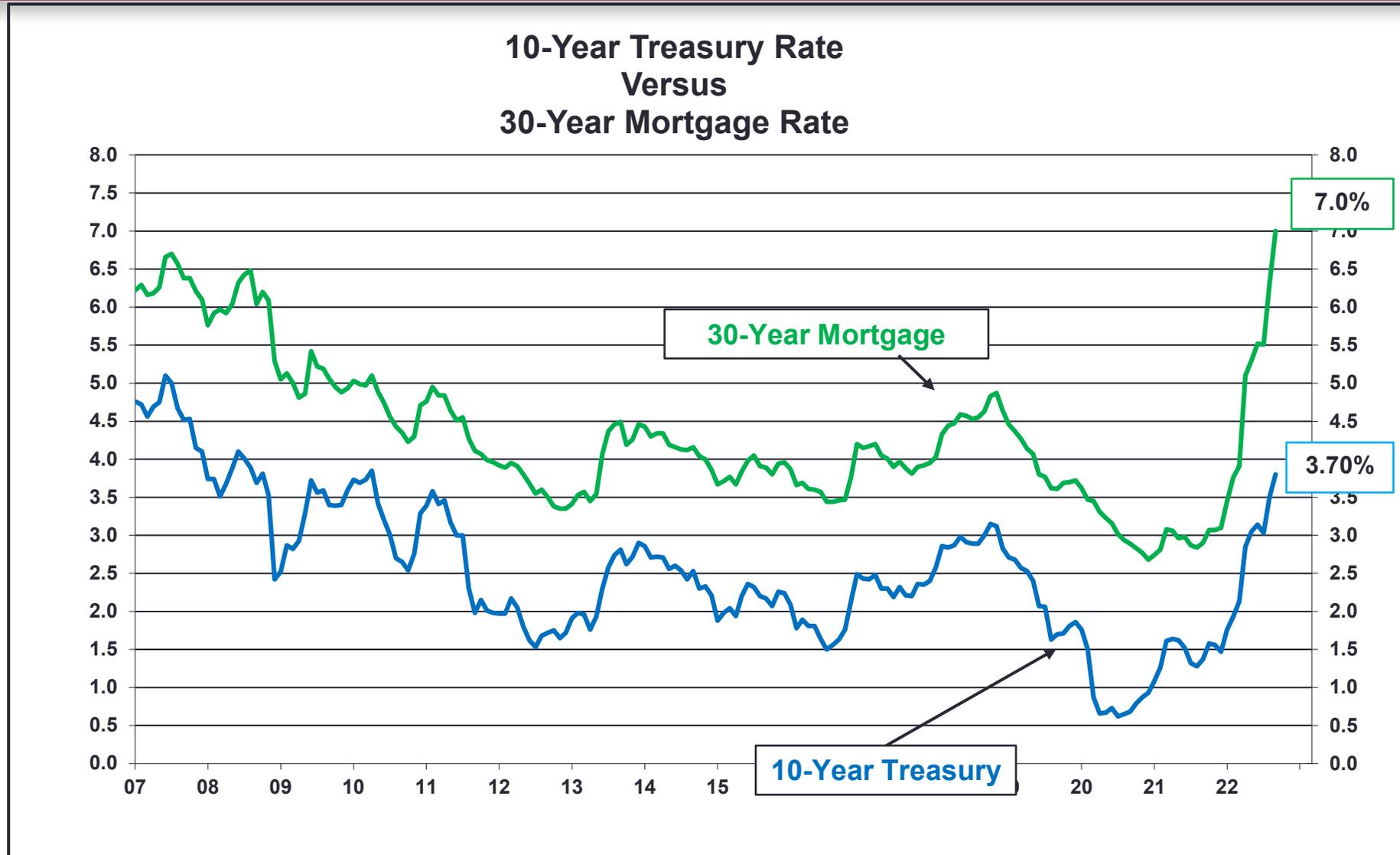
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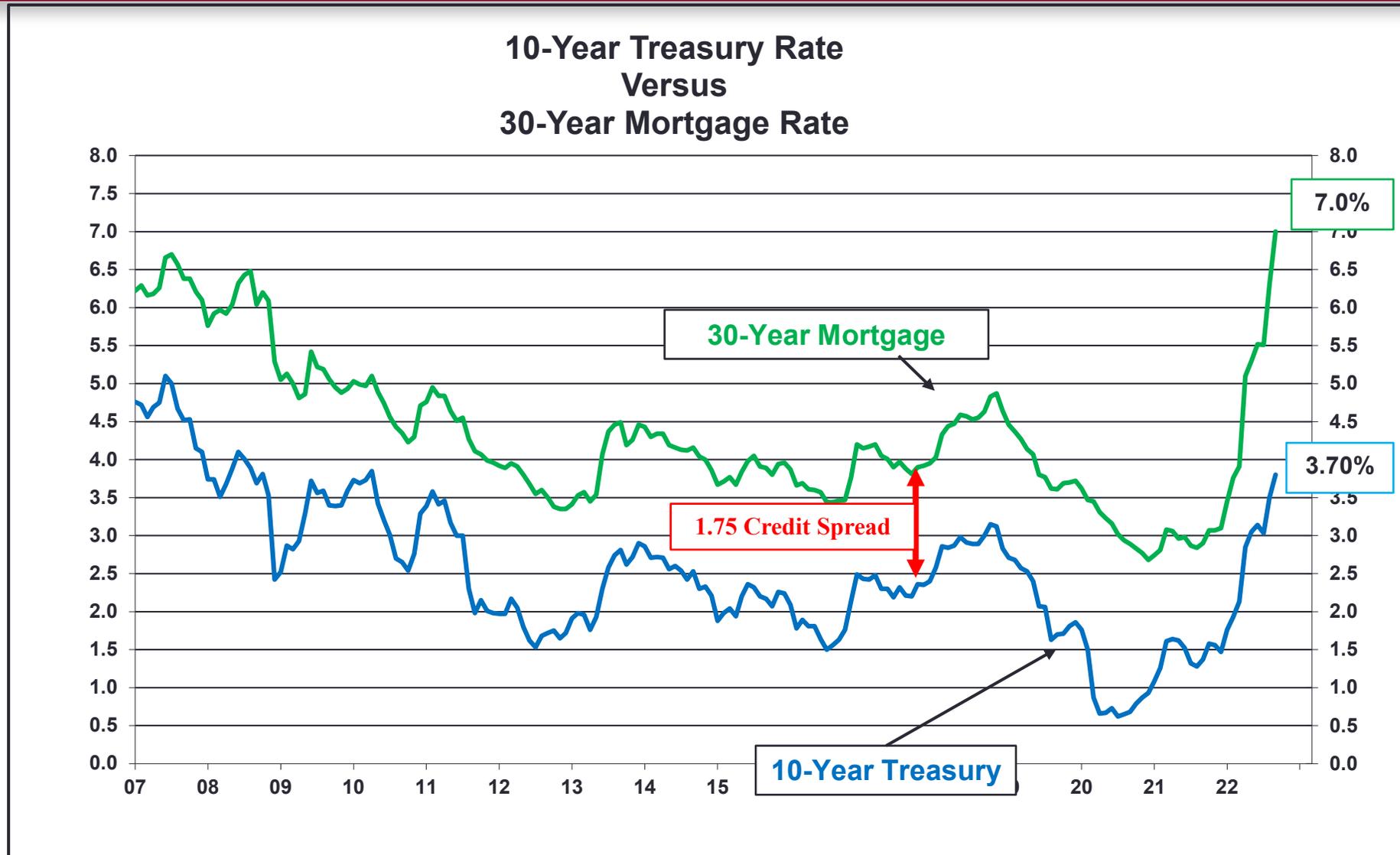
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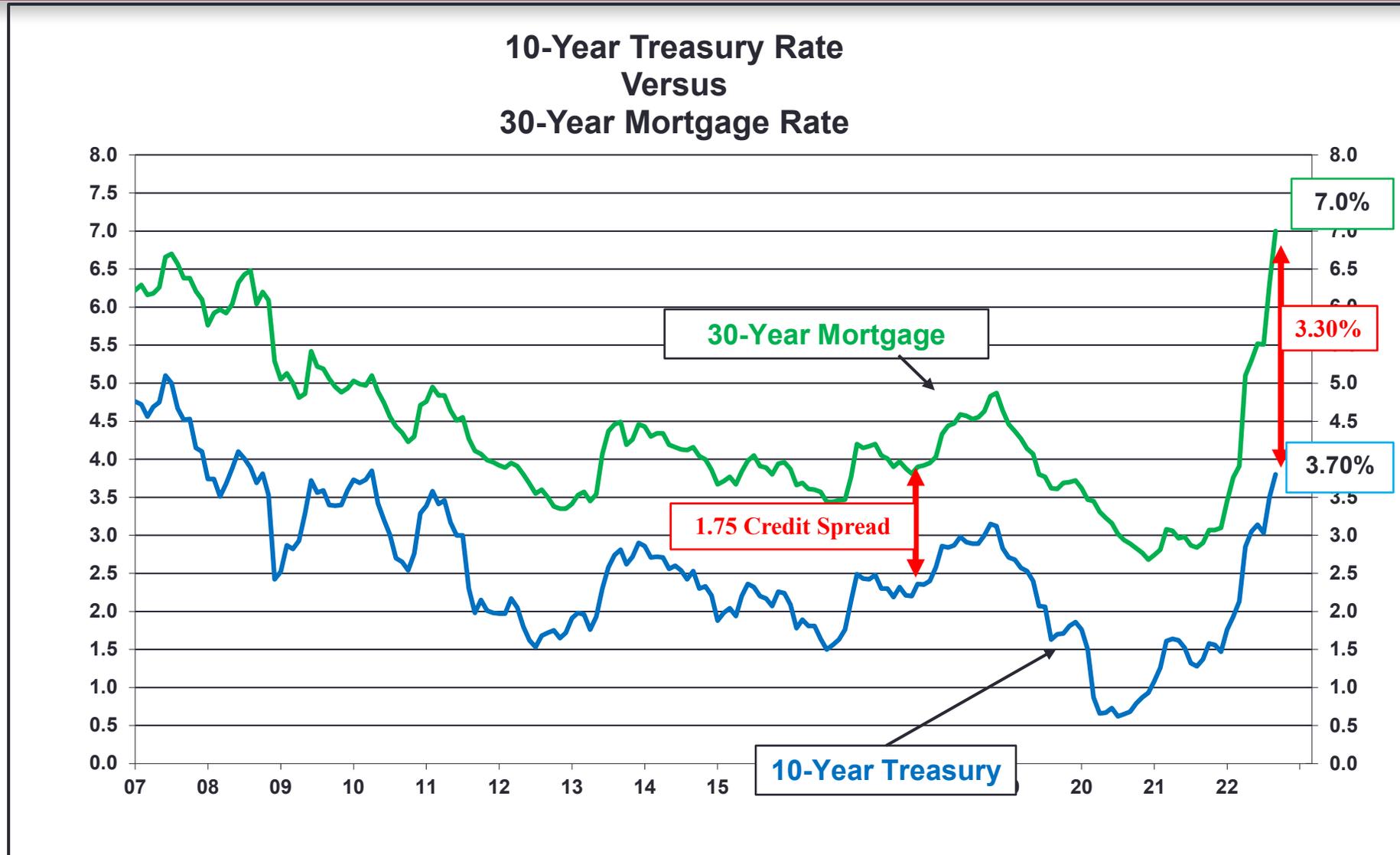
# Rising Real Interest Rates, and Rising Inflation Expectations will Push Up Nominal Interest Rates



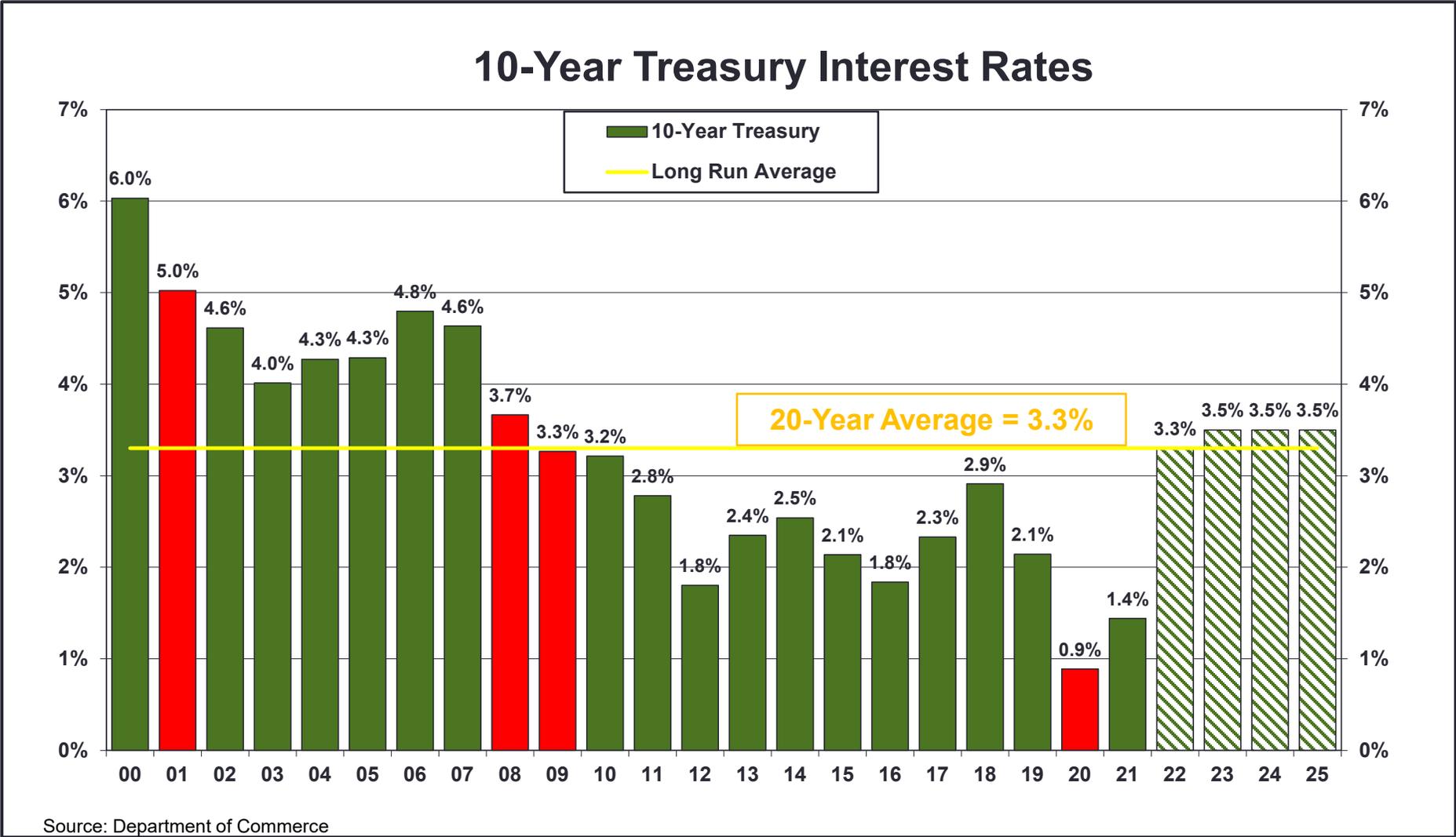
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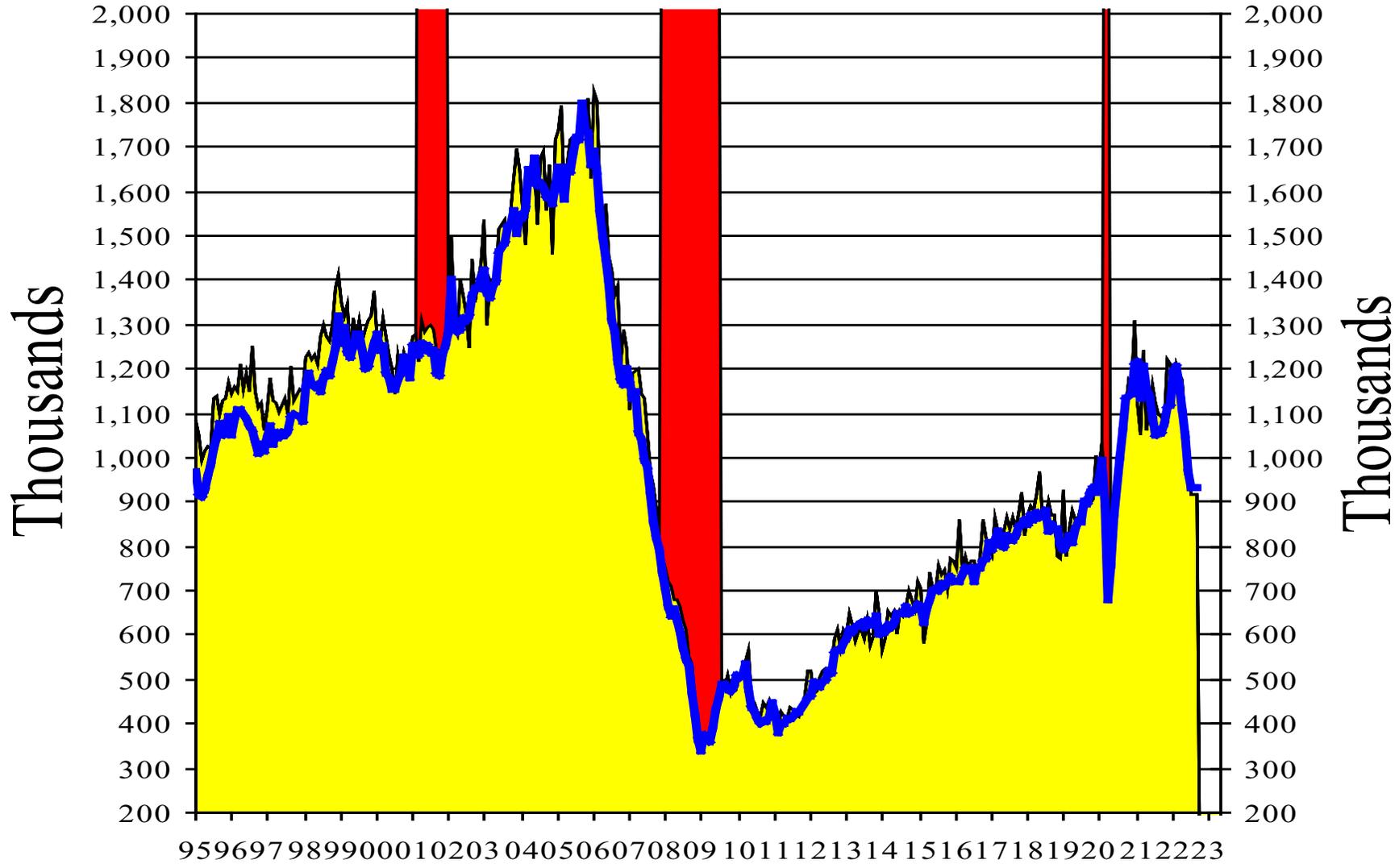
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# Rising Long-term Interest Rates

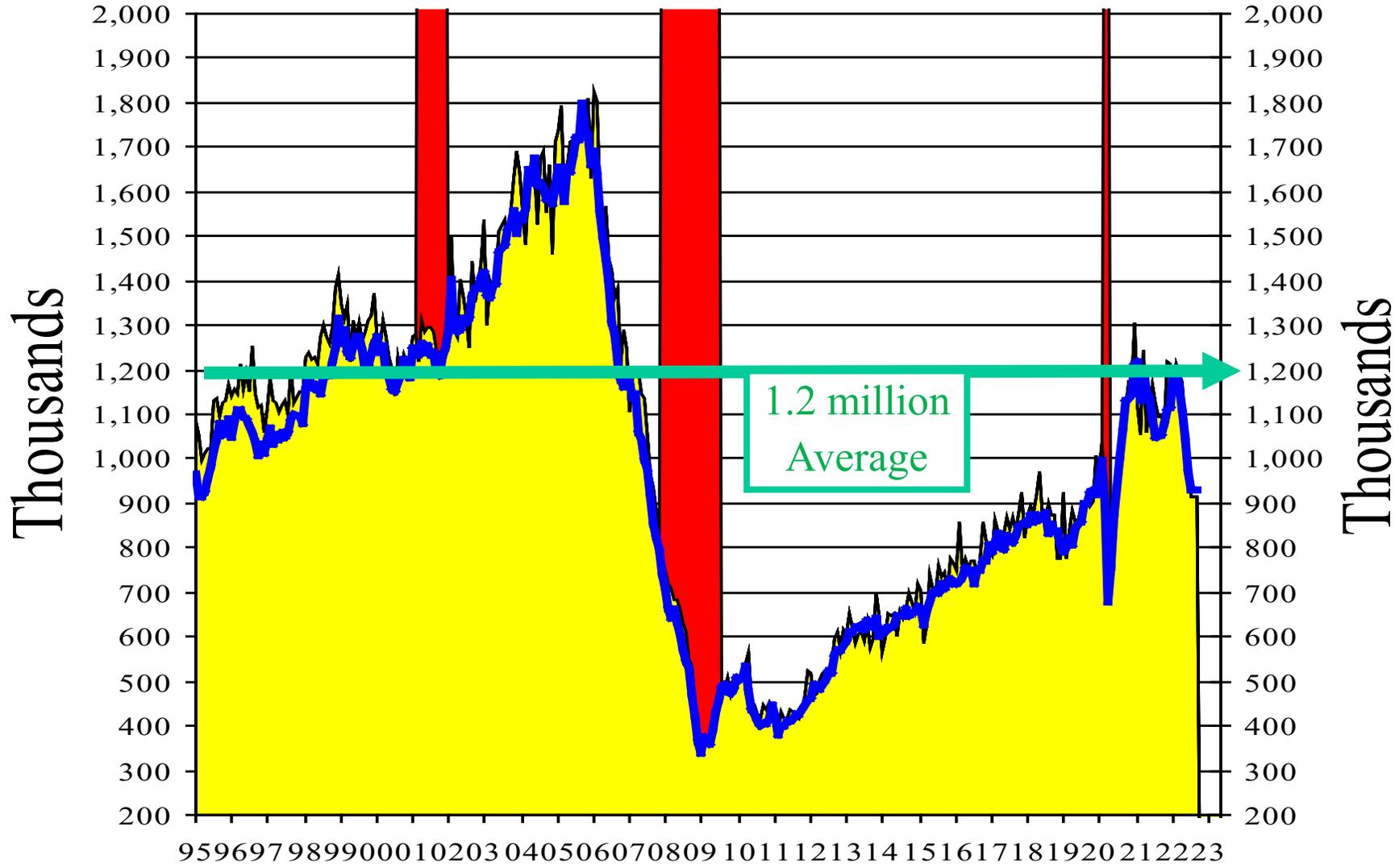


# Single Family Housing Starts & Building Permits (seasonally adjusted annual rate)



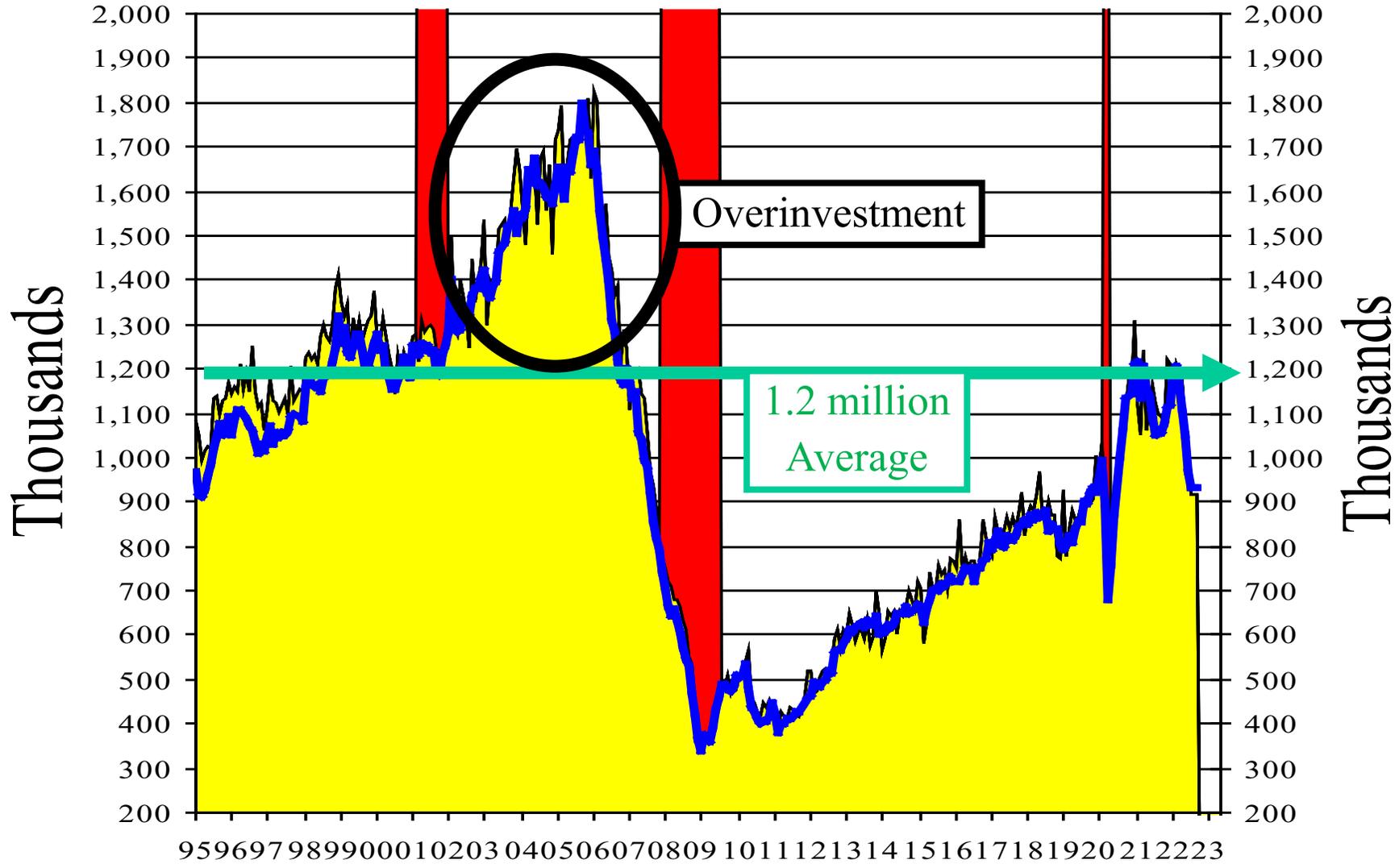
Starts Recession Building Permits

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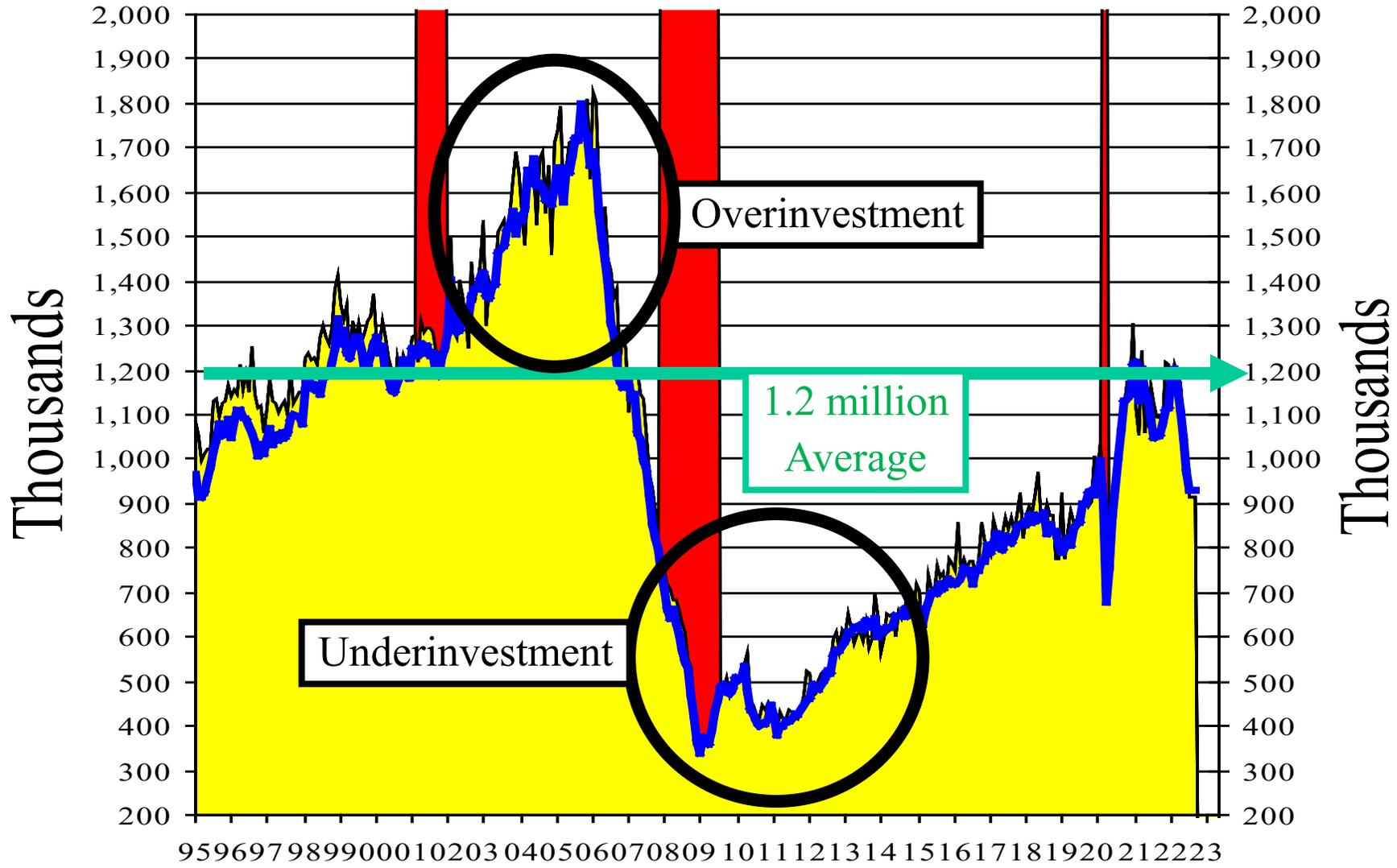
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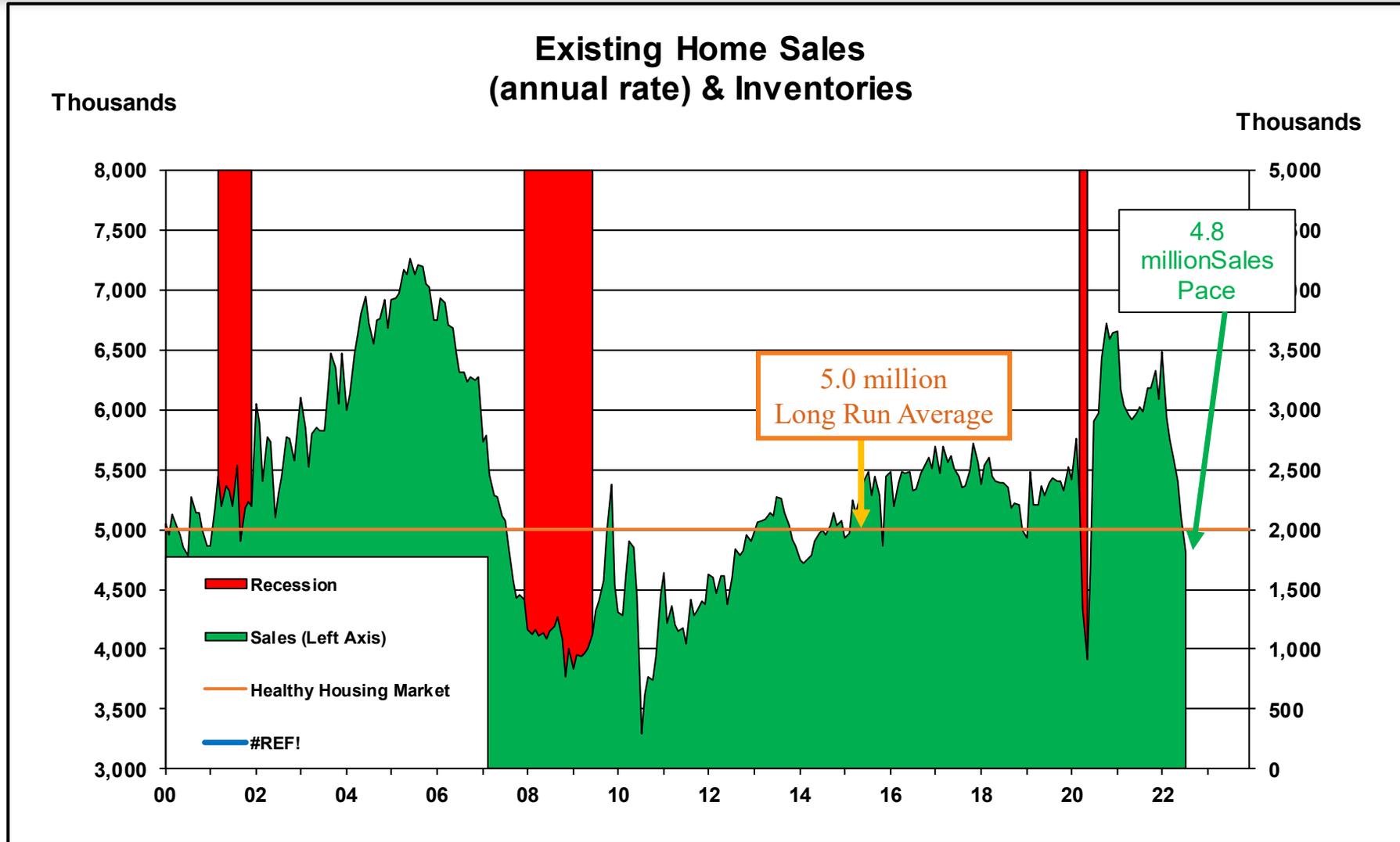
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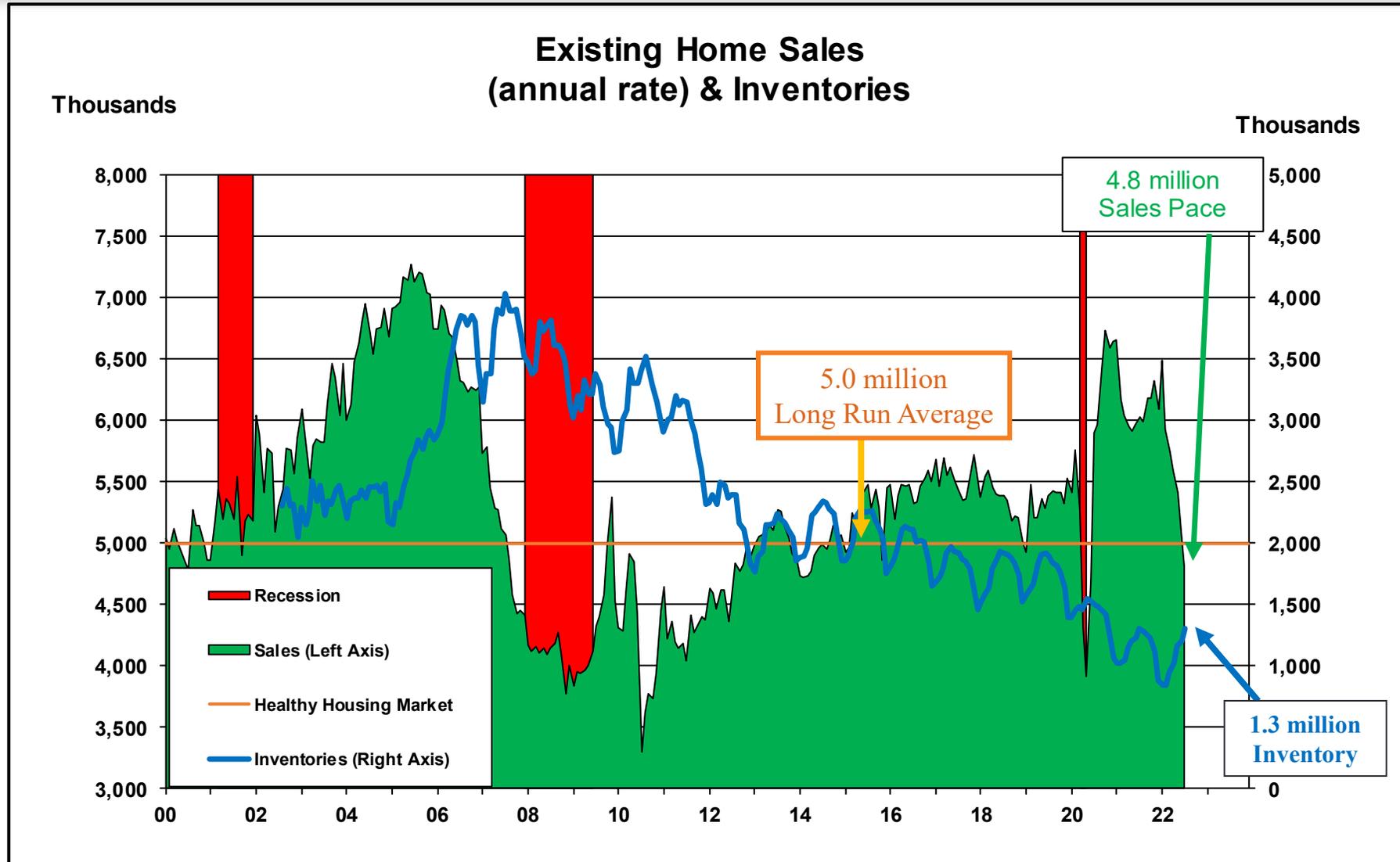


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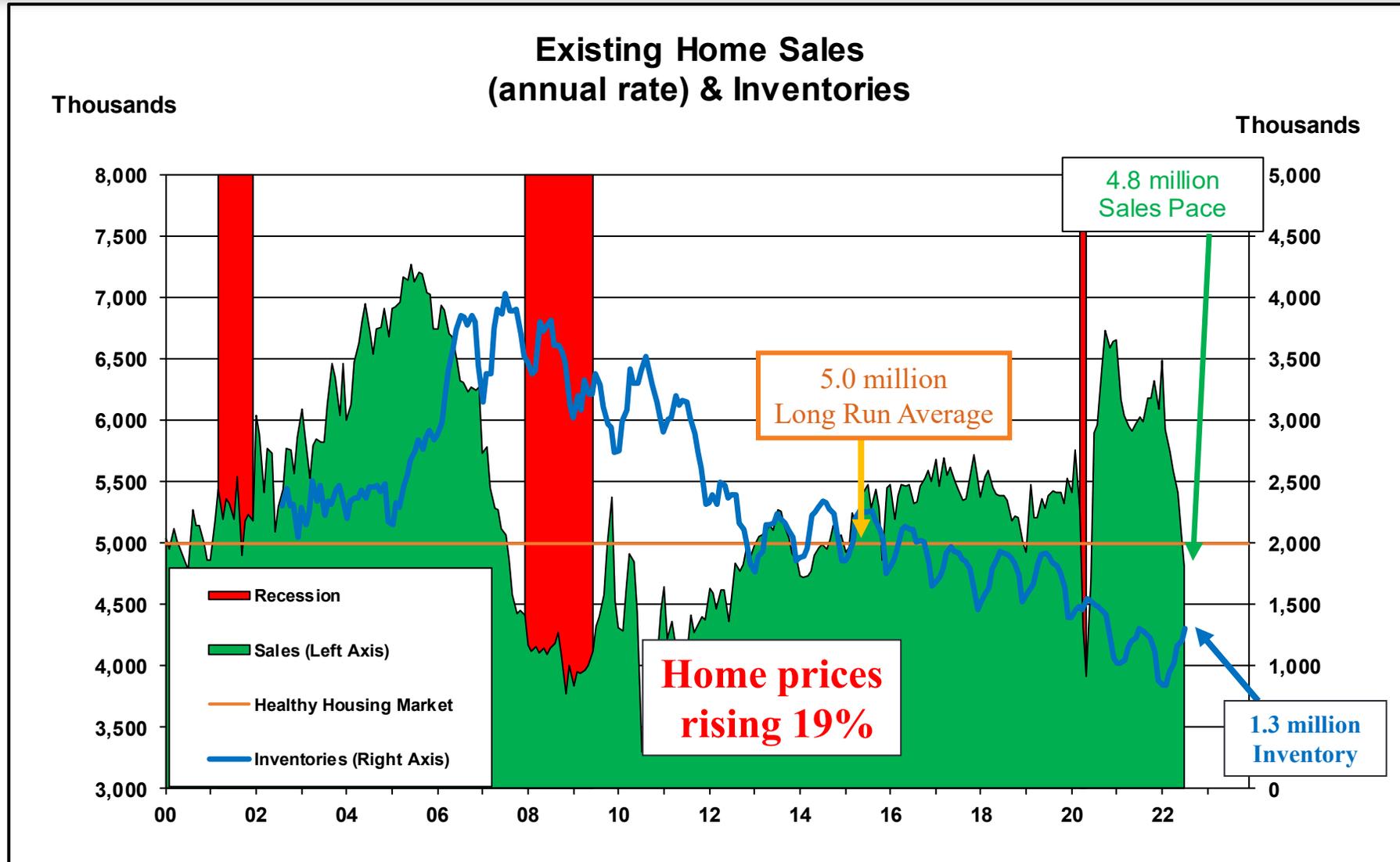
# Home Sales are Strong, but Inventories are Low



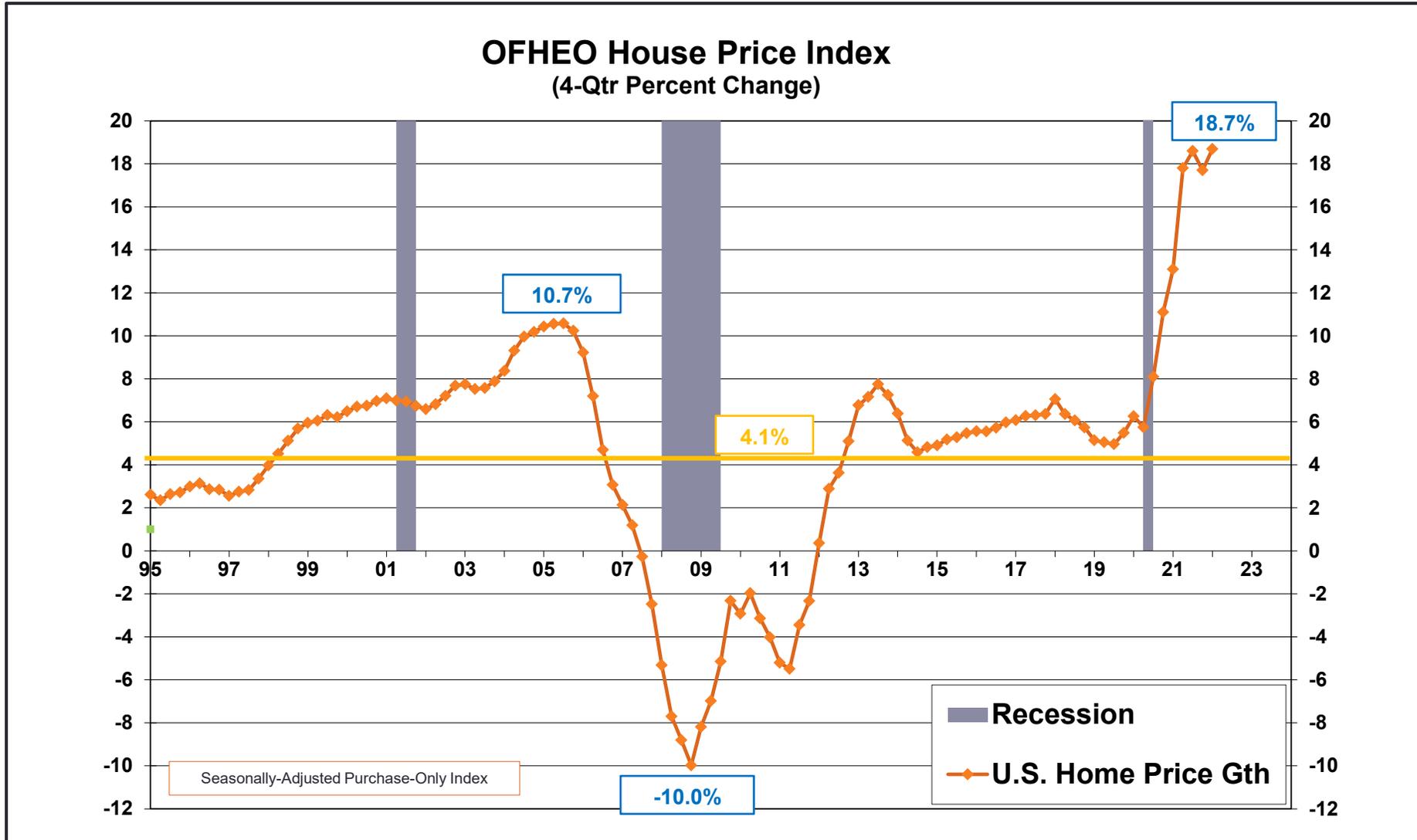
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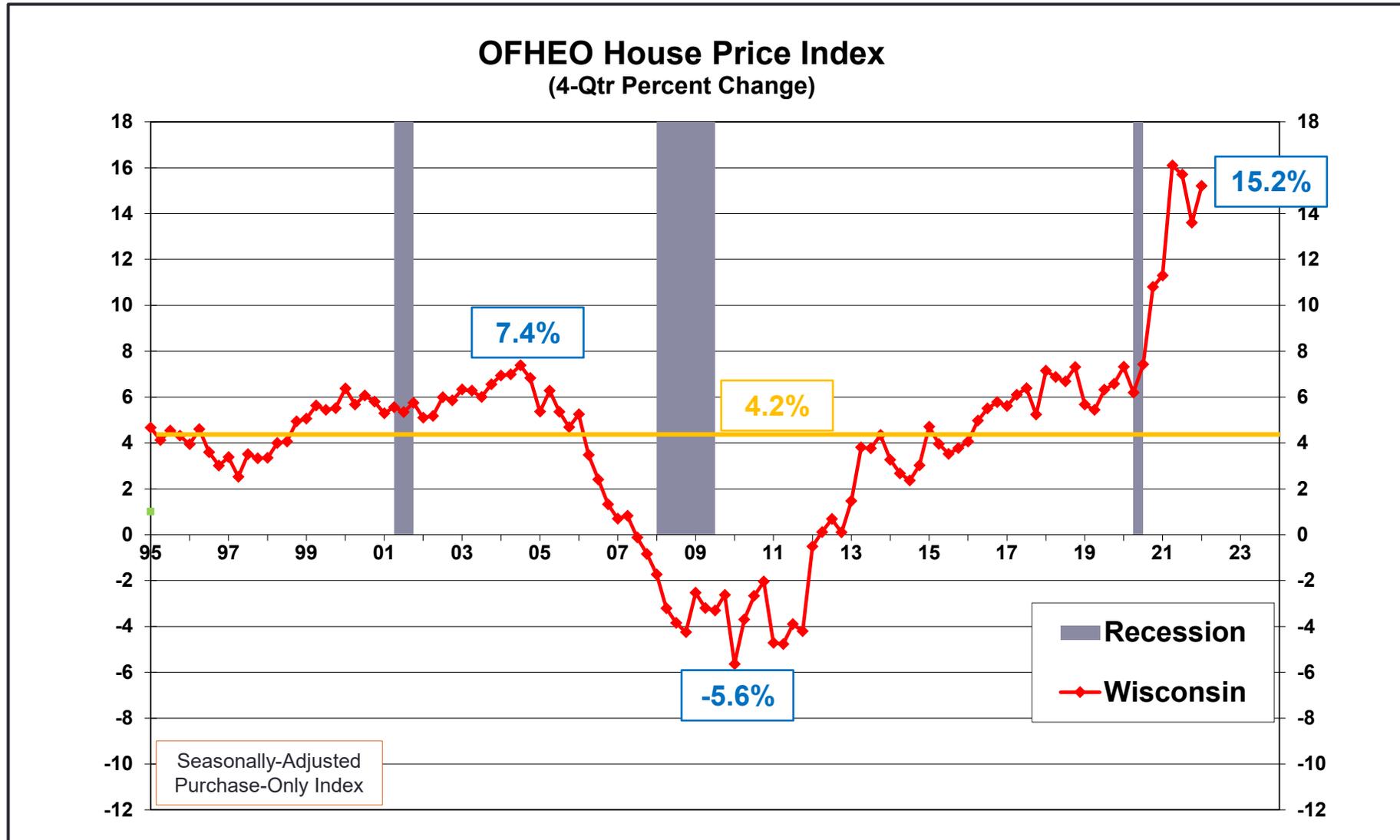
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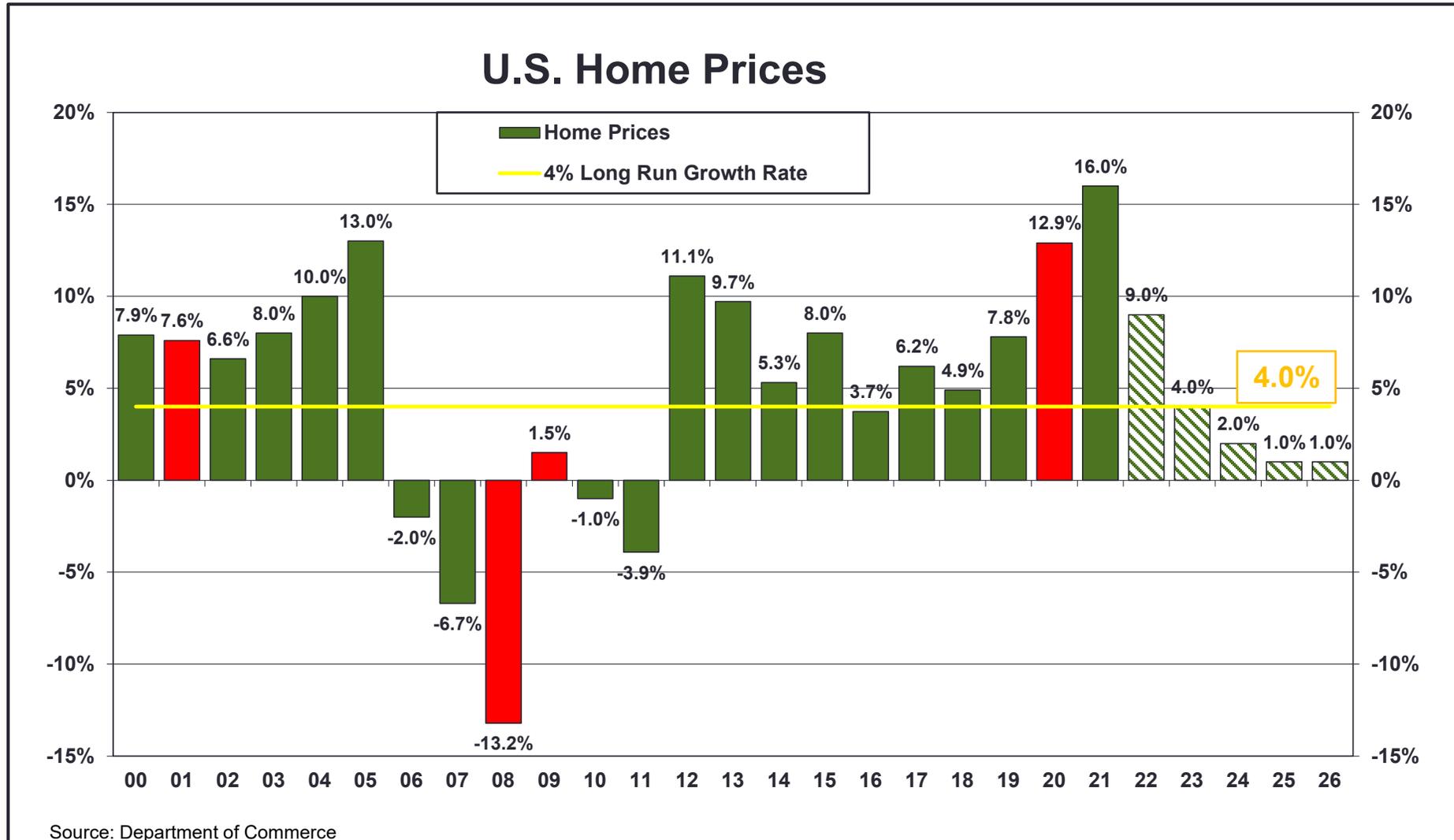
# Home Price Appreciation are at Record Levels



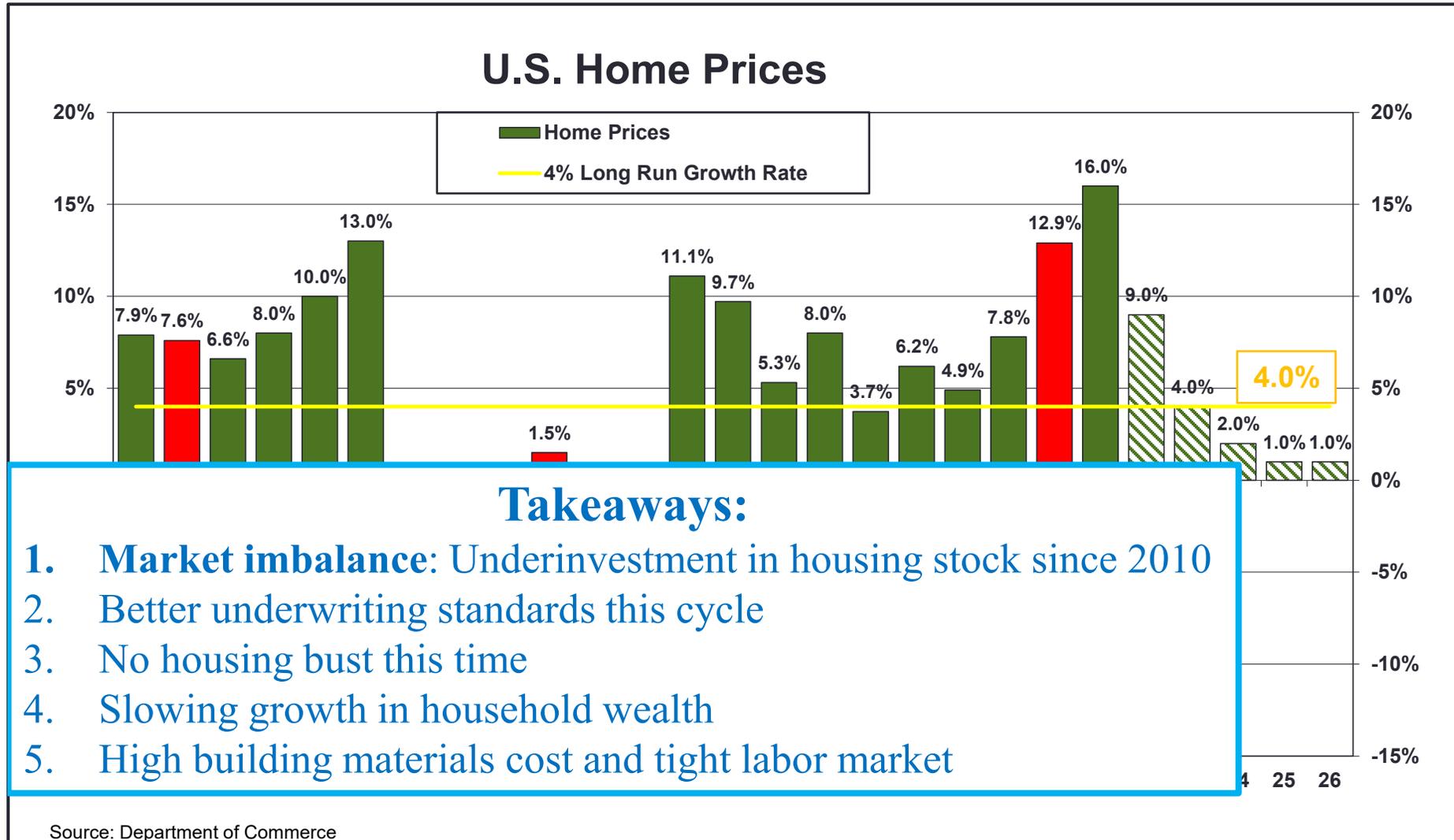
# Faster Home Price Growth Rates will Boost Household Wealth and Consumer Spending



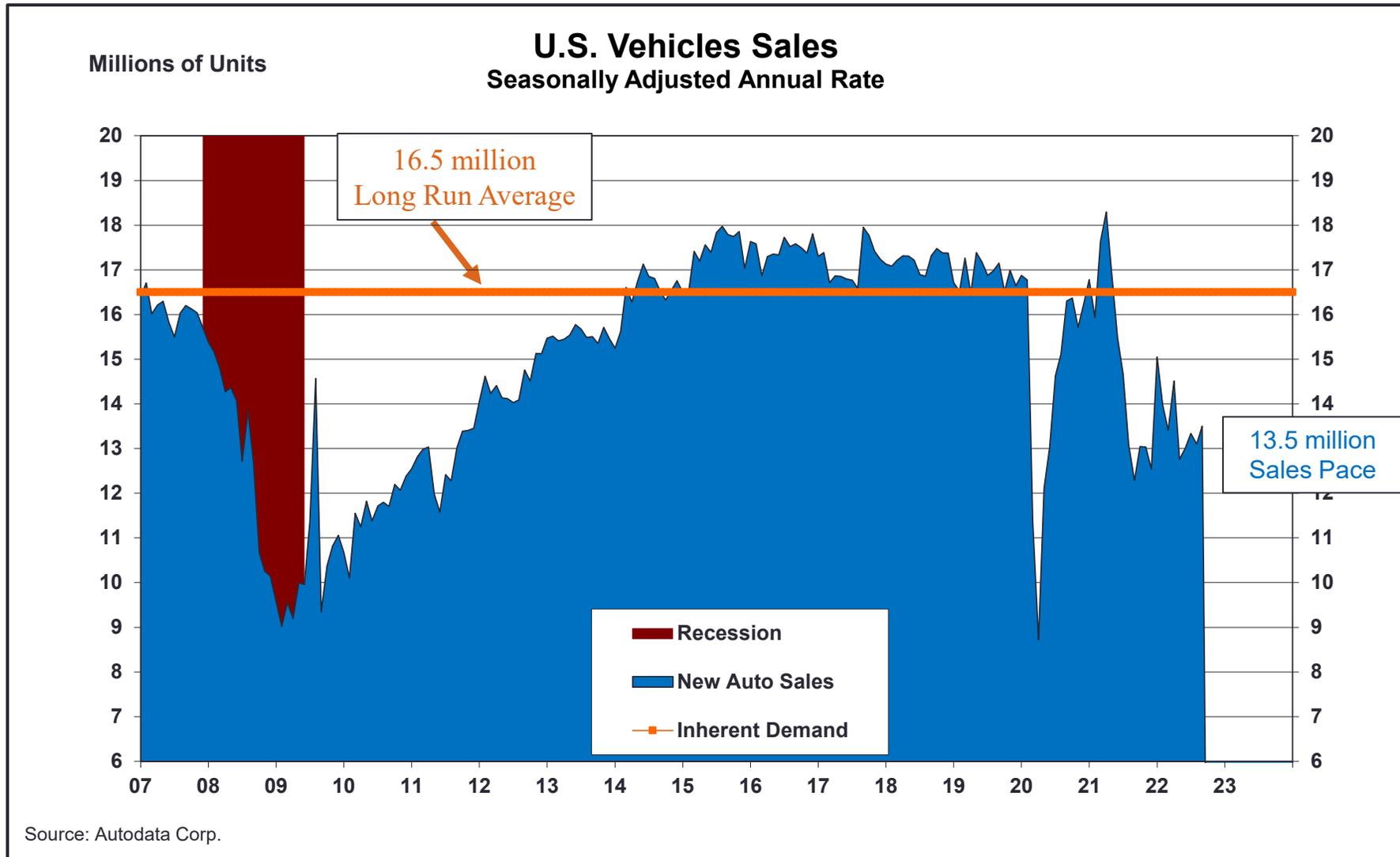
# Home Price Growth Rate Slowing



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# Low Auto Sales Below Long-term Trend



# Economic Update Summary For 2023

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# Economic Update Summary

## For 2023

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4. Long-term interest rates rising to 3.5% over the next 2 years

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# **Actions to Reduce Health Care Costs**

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5. Consider benefit plan redesign
6. Steer employees to where care is good, and costs are low

# PRESENTER

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University of Wisconsin

Chairman of the Board  
University of Wisconsin Credit Union

