On the Economic, Business & Political Climate

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North American Rail Shippers Association
2023 Annual Meeting
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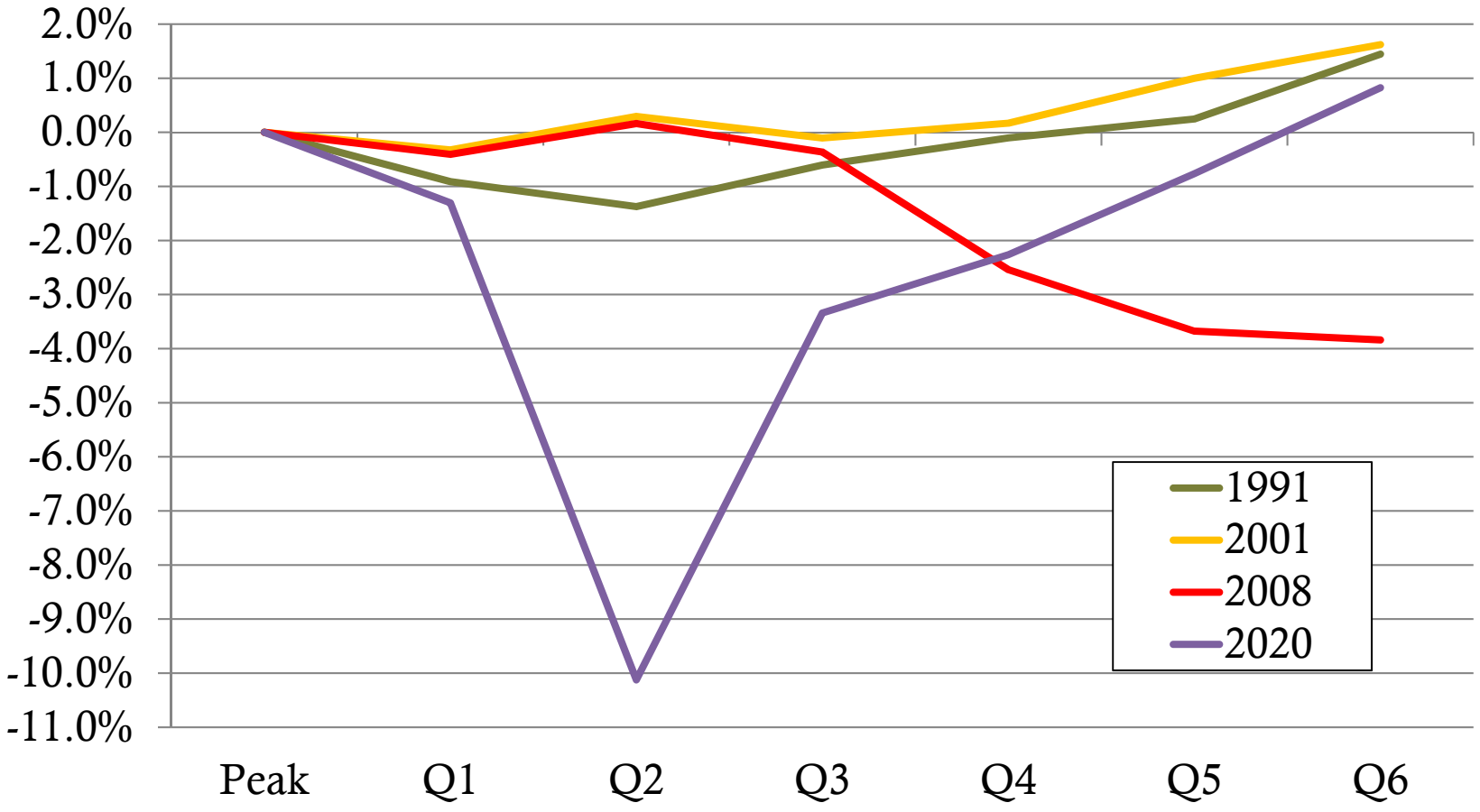
Tale of 4 Recessions



(Source: Bureau of Economic Analysis)

Contributions to GDP Growth

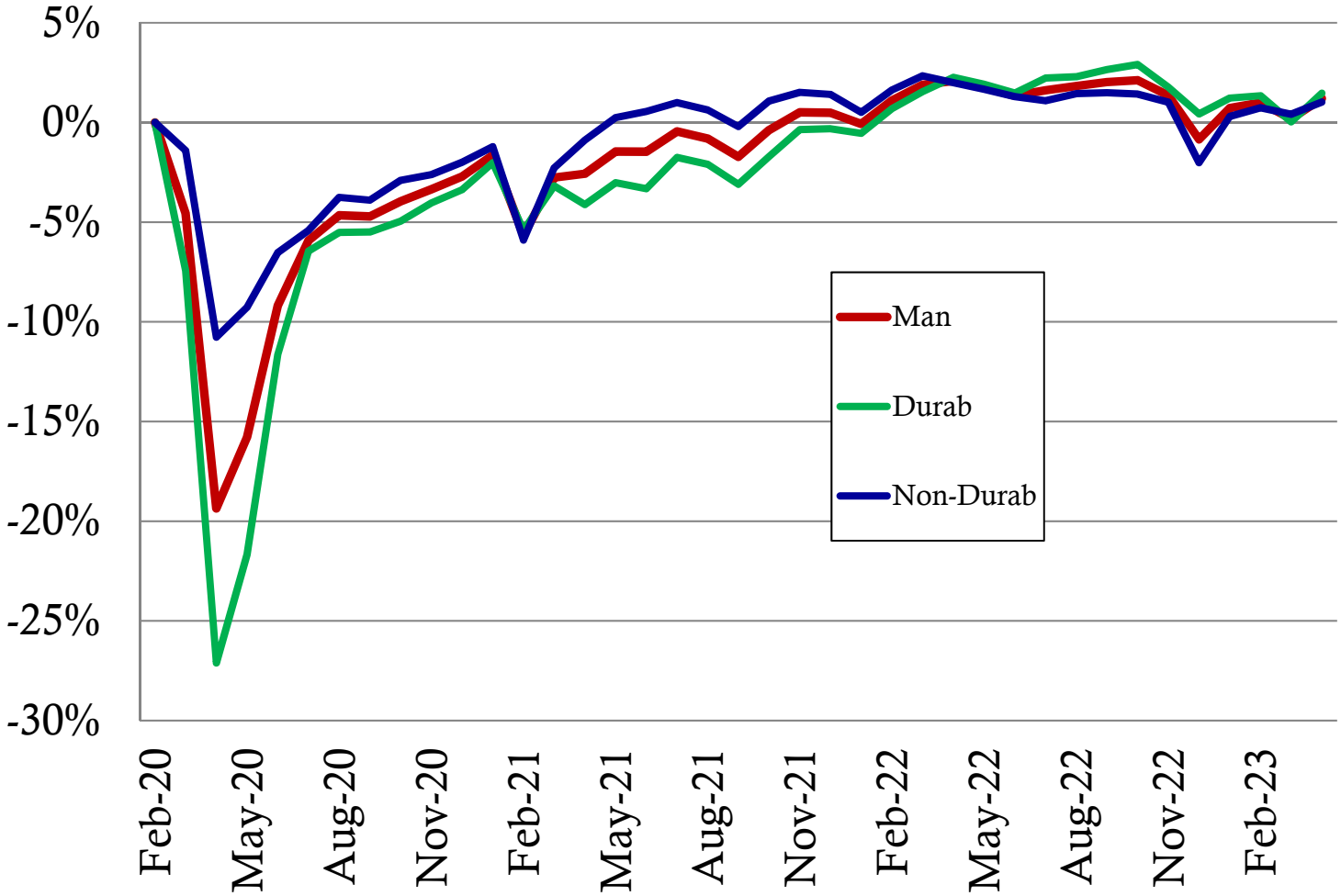
(source: Bureau of Economic Analysis)

	GDP =	Consumption	Gross Investment	Net Exports	Government
2021: Q1	6.30%	6.98%	-0.82%	-1.02%	1.18%
2021: Q2	7.00%	7.84%	0.30%	-0.60%	-0.54%
2021: Q3	2.70%	1.98%	1.78%	-1.08%	-0.02%
2021: Q4	7.00%	2.14%	5.14%	-0.16%	-0.16%
2022: Q1	-1.60%	0.91%	0.98%	-3.13%	-0.40%
2022: Q2	-0.60%	1.38%	-2.83%	1.16%	-0.29%
2022: Q3	3.20%	1.54%	-1.80%	2.86%	0.65%
2022: Q4	2.60%	0.70%	0.79%	0.42%	0.65%
2023: Q1	1.30%	2.52%	-2.14%	0.00%	0.89%

	Gross Investment	Nonresidential	Residential	Inventory
2021: Q1	-0.82%	1.18%	0.52%	-2.52%
2021: Q2	0.3%	1.29%	-0.24%	-0.75%
2021: Q3	1.78%	0.10%	-0.29%	1.96%
2021: Q4	5.14%	0.17%	-0.05%	5.01%
2022: Q1	0.98%	0.98%	-0.15%	0.15%
2022: Q2	-2.83%	0.01%	-0.93%	-1.91%
2022: Q3	-1.80%	0.80%	-1.42%	-1.19%
2022: Q4	0.79%	0.52%	-1.20%	1.47%
2023: Q1	-2.14%	0.18%	-0.22%	-2.10%

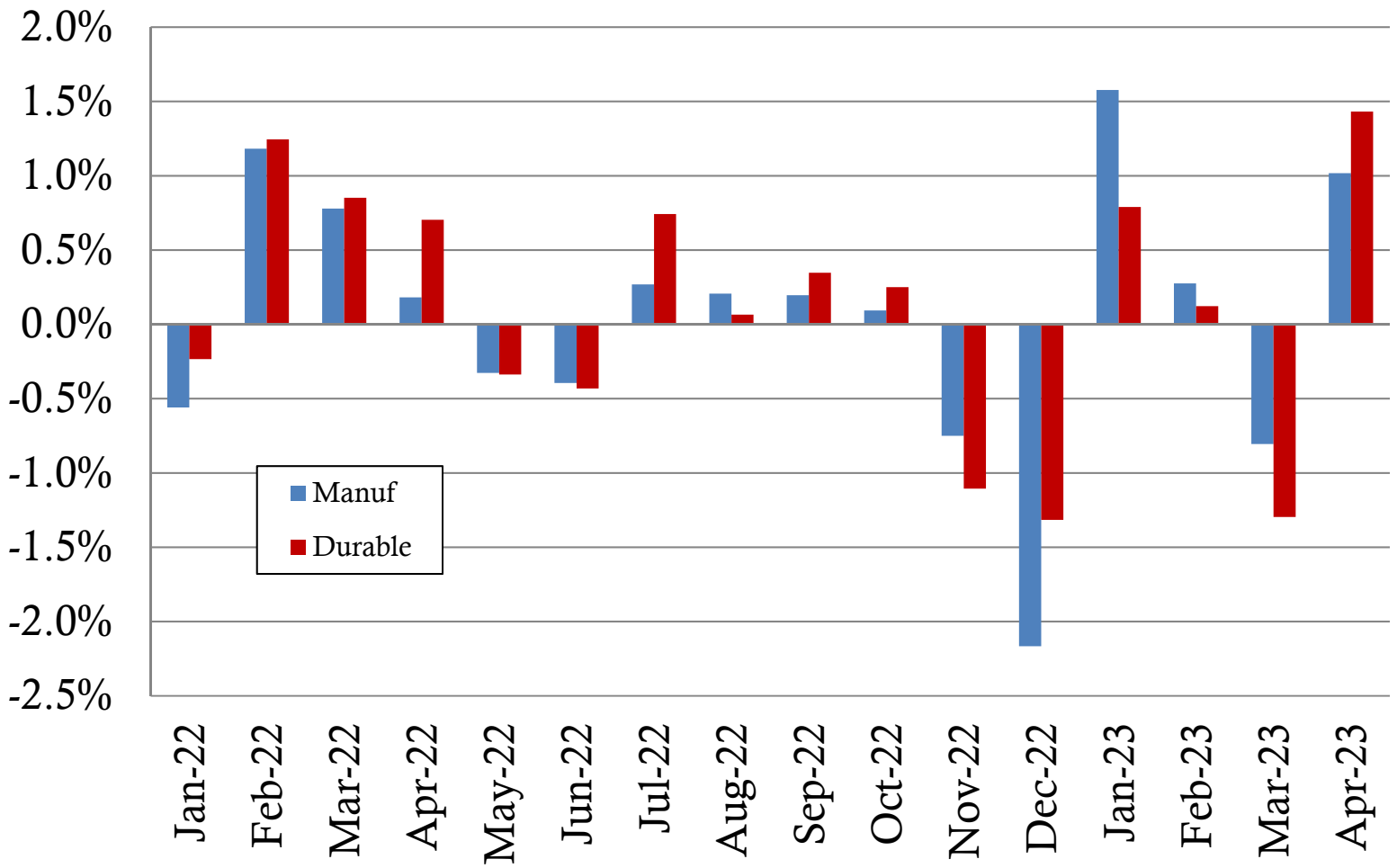
Industrial Production: From Peak

(source: Federal Reserve)



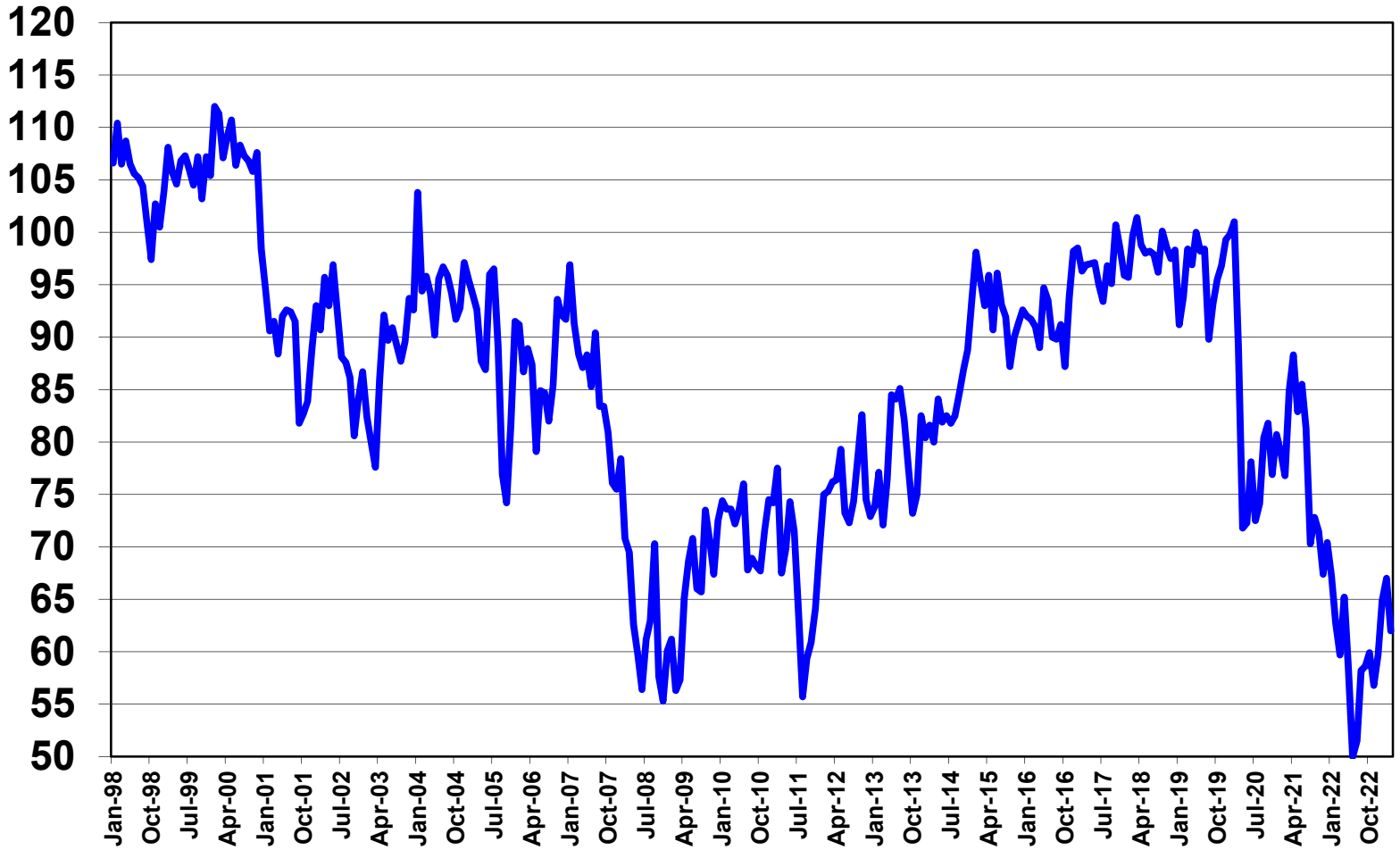
Industrial Production: Month over Month

(source: Federal Reserve)



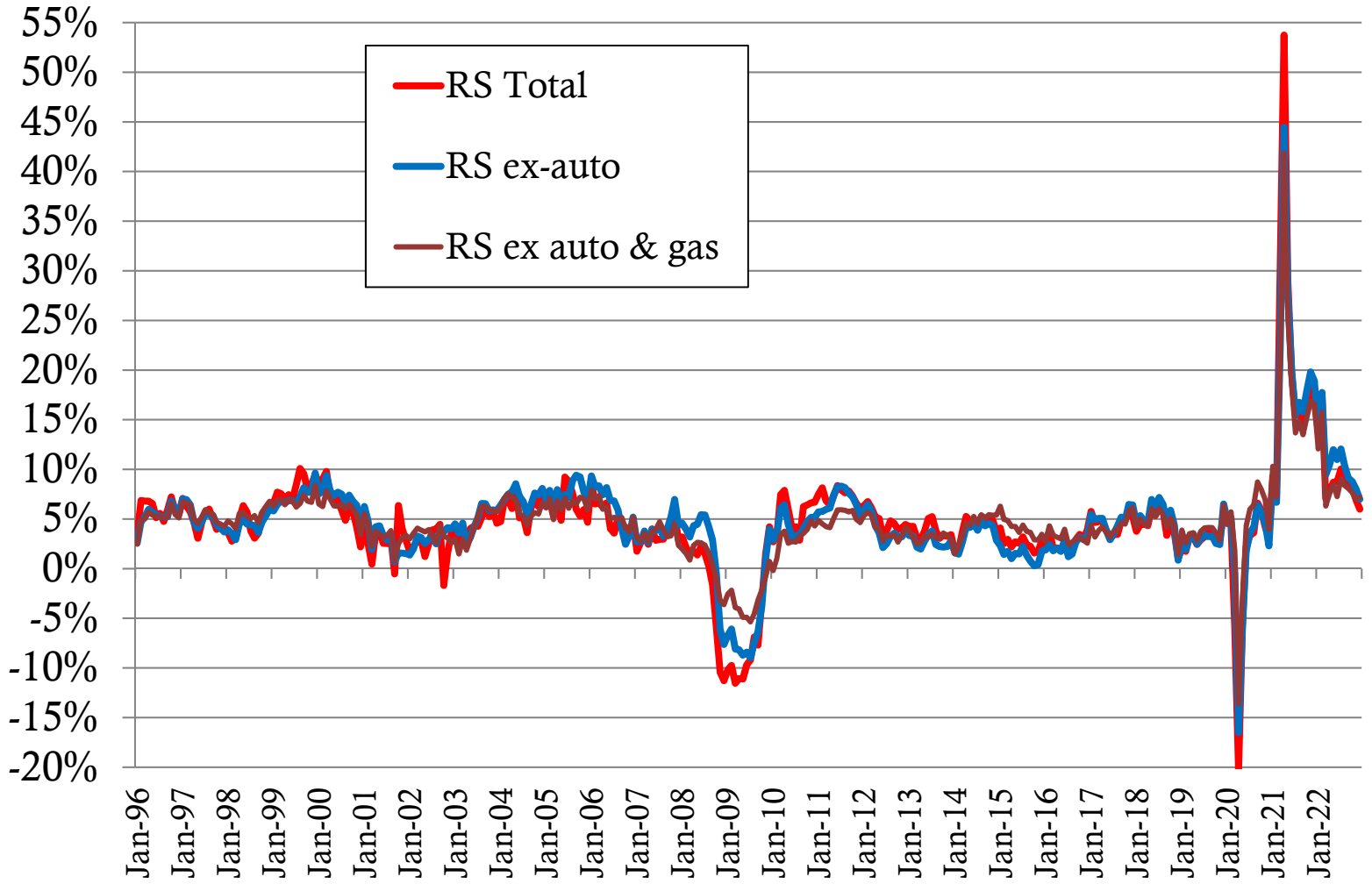
Consumer Sentiment

(source: University of Michigan, Survey Research Center)



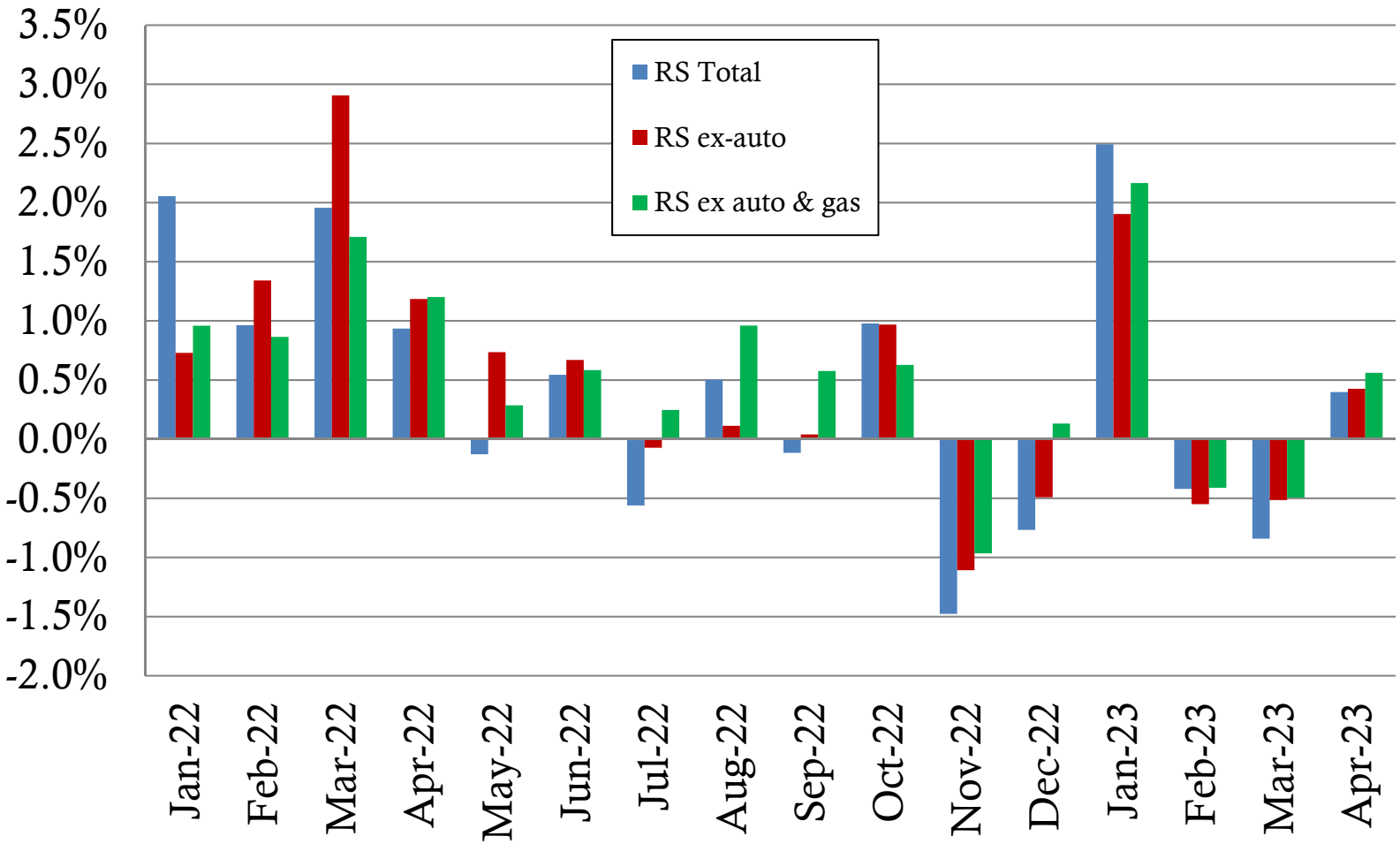
Retail Sales

(source: U.S. Bureau of the Census, annual rate of growth)



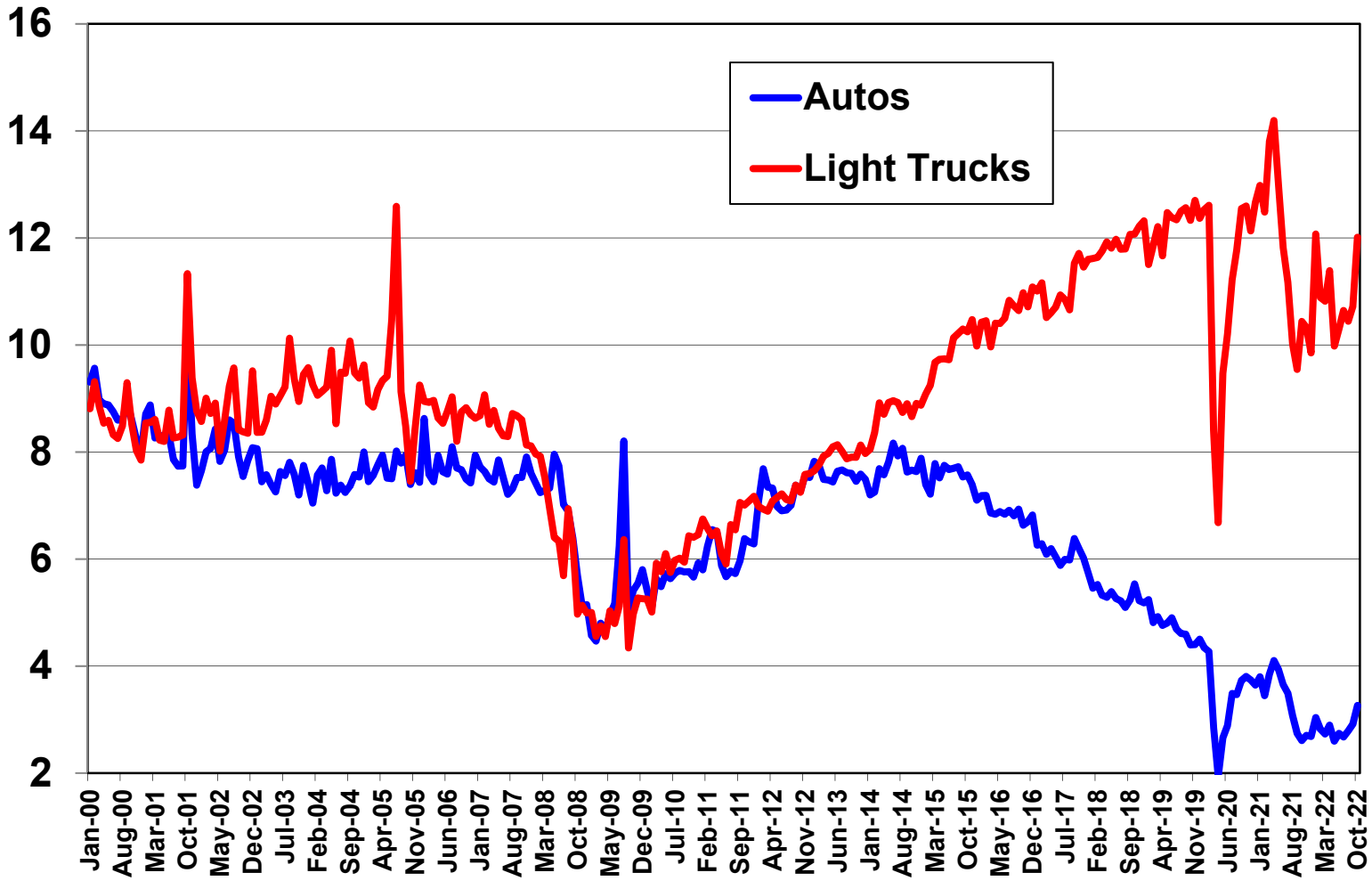
Retail Sales: Month over Month

(source: U.S. Bureau of the Census)



Auto & Light Truck Sales

(Source: Department of Commerce, in millions)

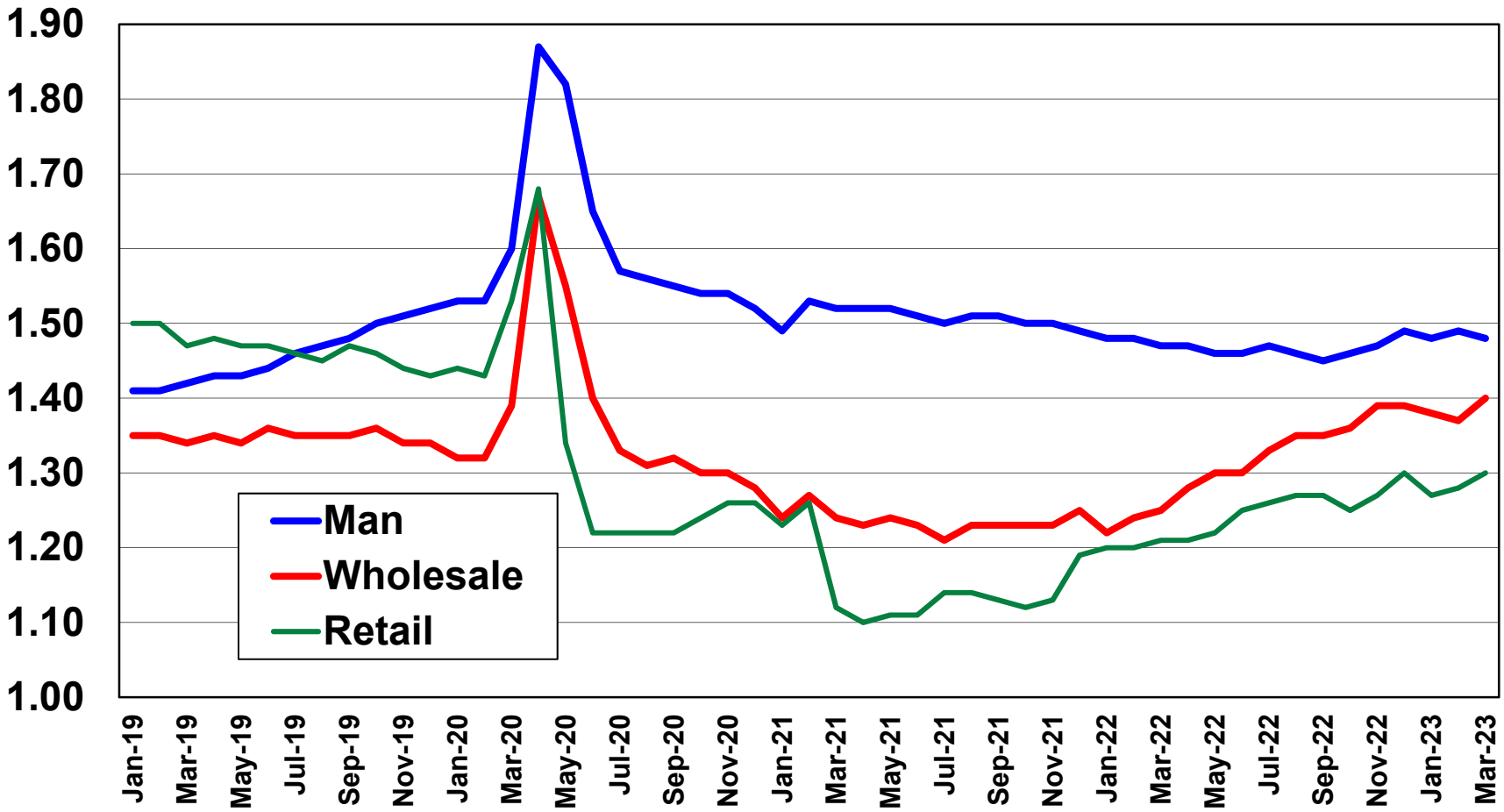


Leading Economic Indicators

(source: Conference Board, 6 month change)

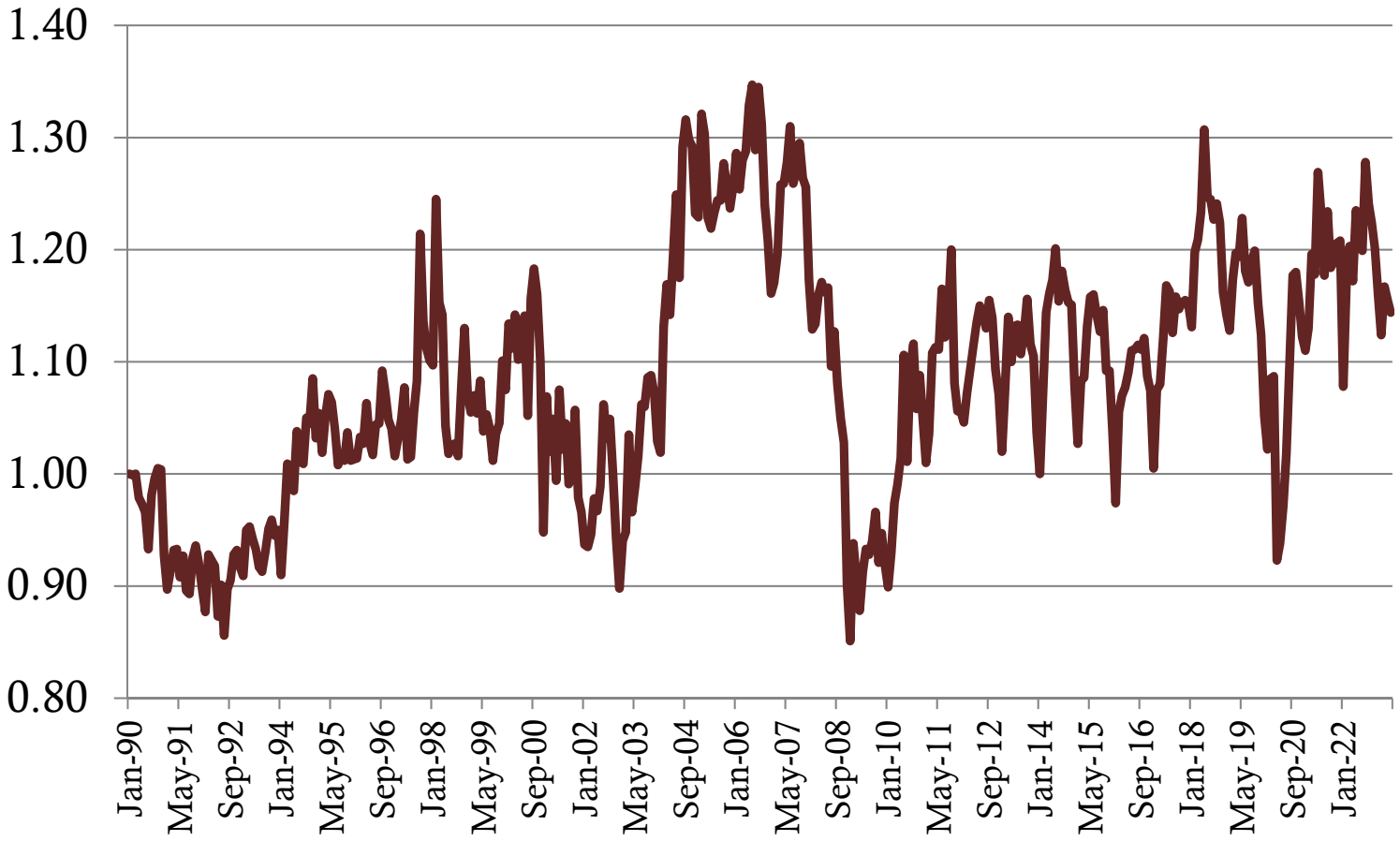
Inventory/Sales Ratio

(Source: Department of Commerce, in months)



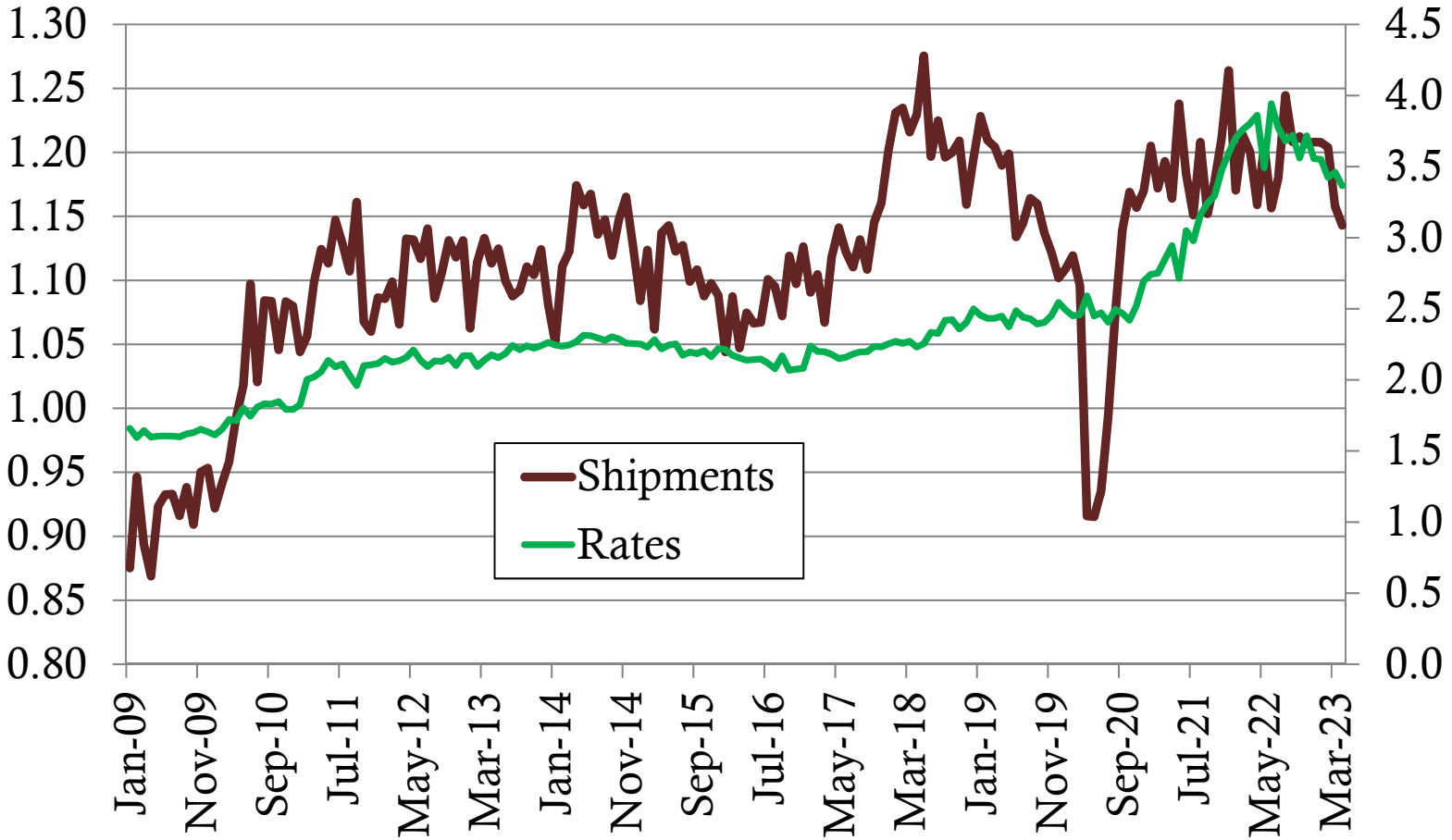
Freight: Shipments

(source: Cass Freight Index, Seasonally Adjusted)



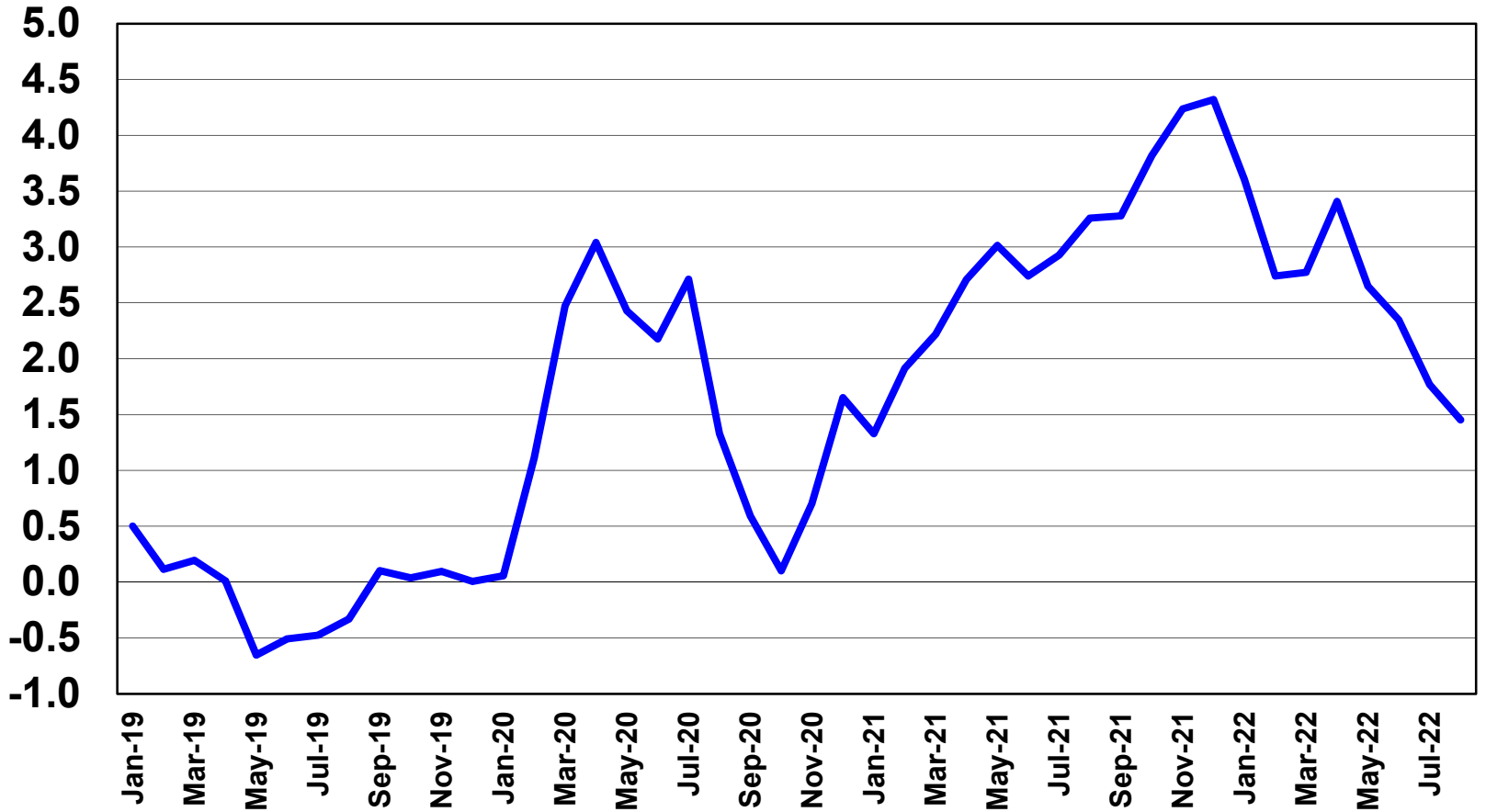
Freight: Shipments & Rate

(source: Cass Freight Index, Seasonally Adjusted)

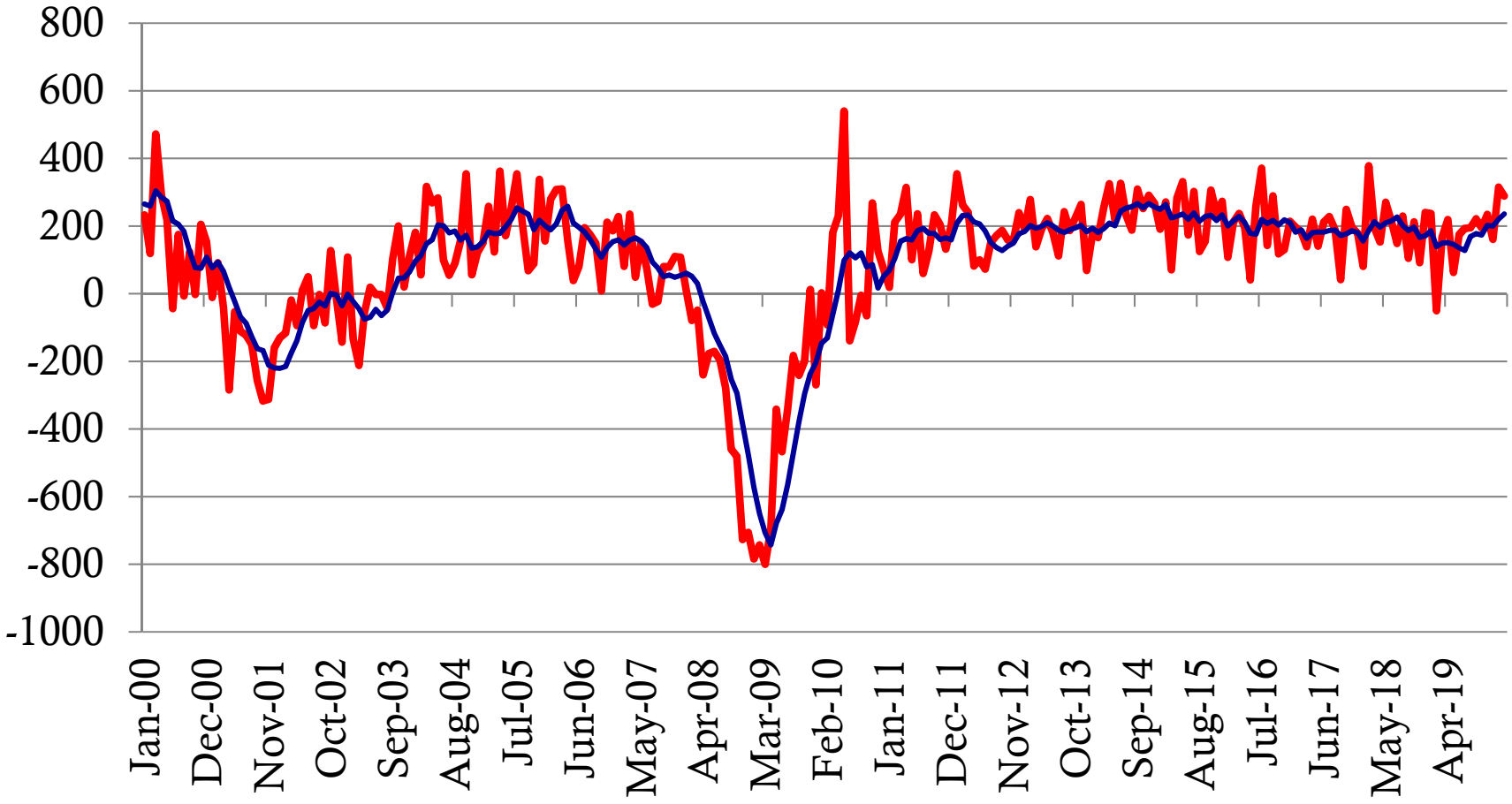


Global Supply Chain Pressure

(Source: Federal Reserve Bank of New York)

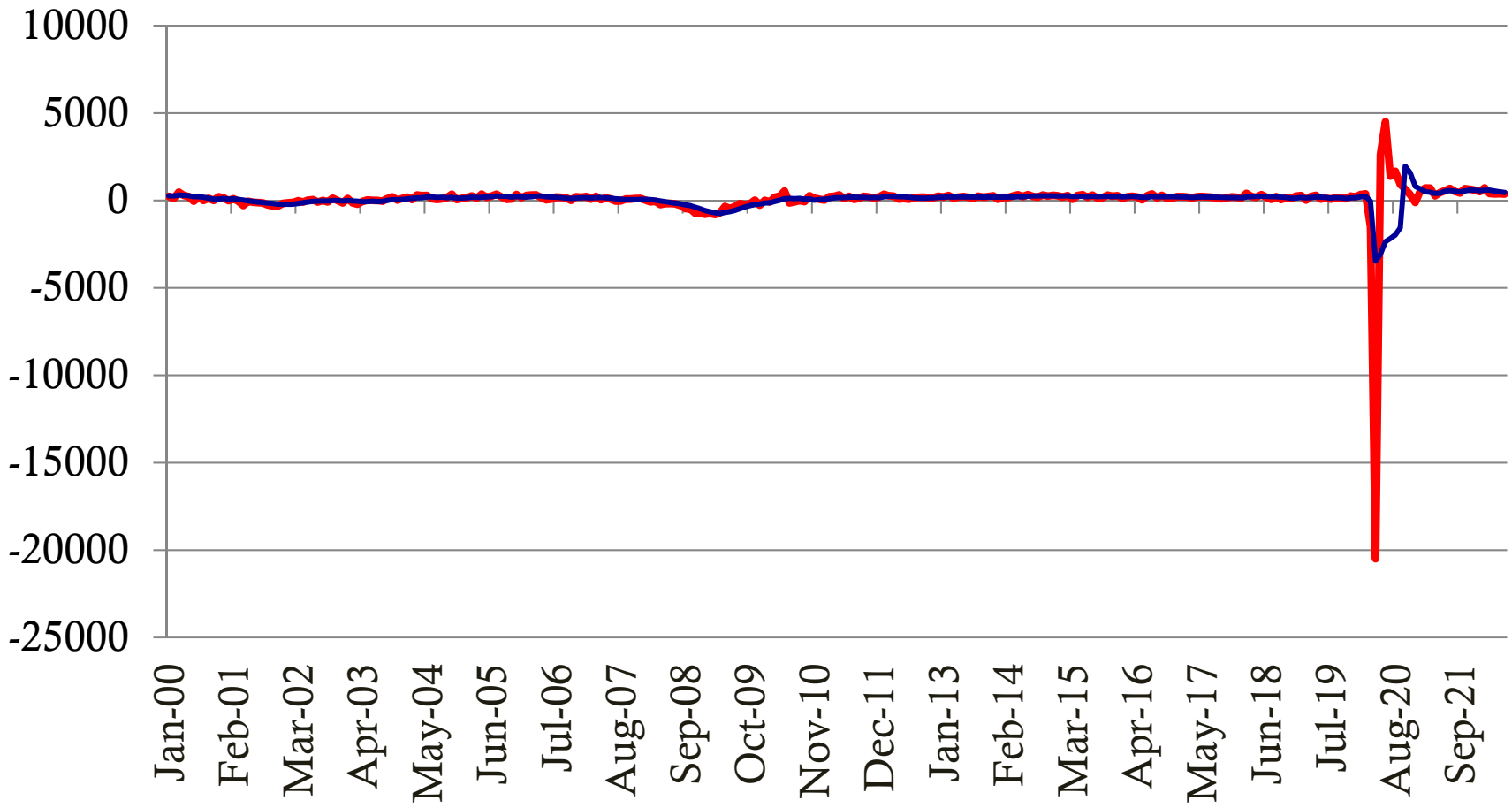


Change in Payroll Employment



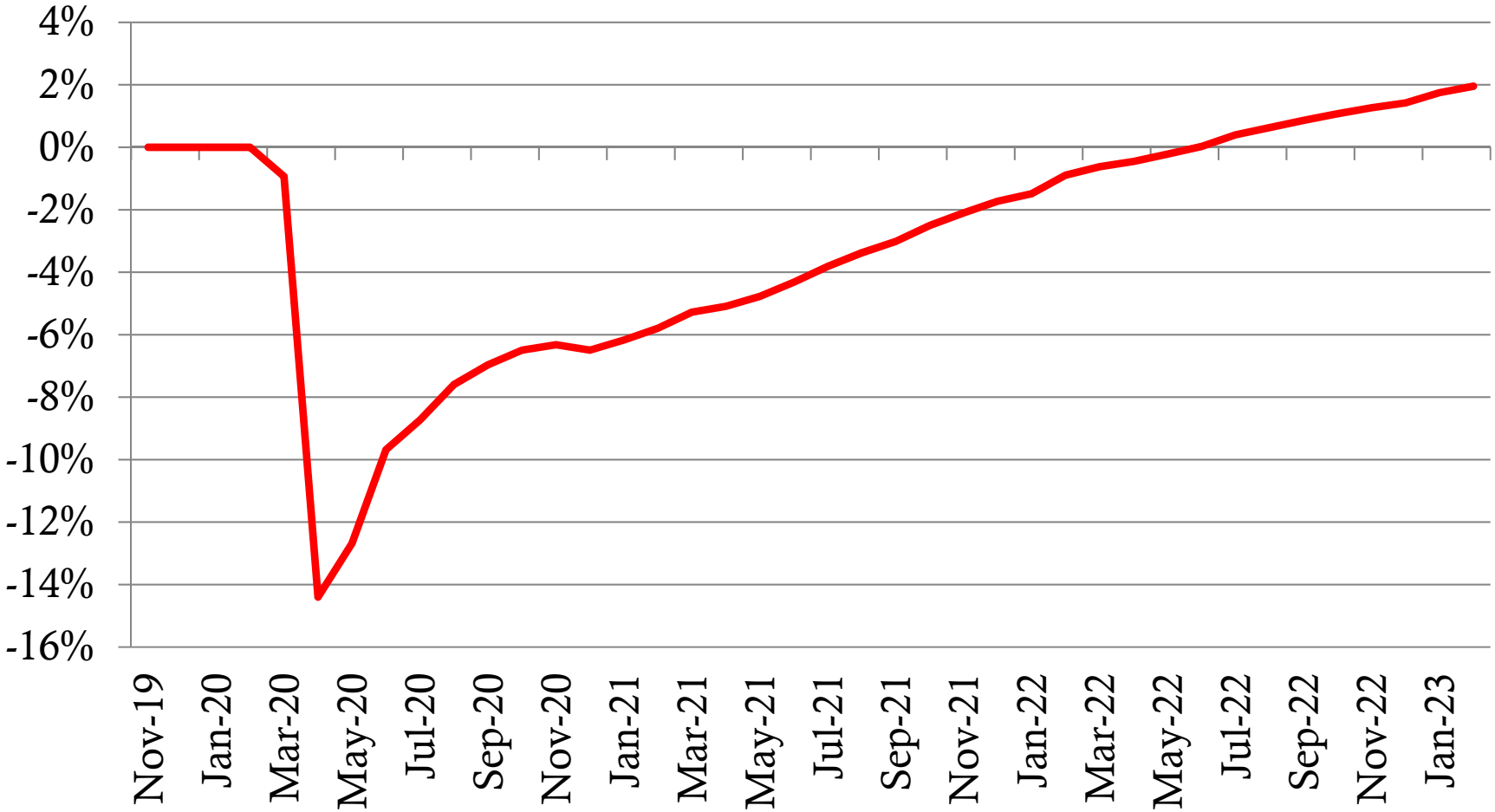
(Source: Bureau of Labor Statistics, in thousands)

Change in Payroll Employment



(Source: Bureau of Labor Statistics)

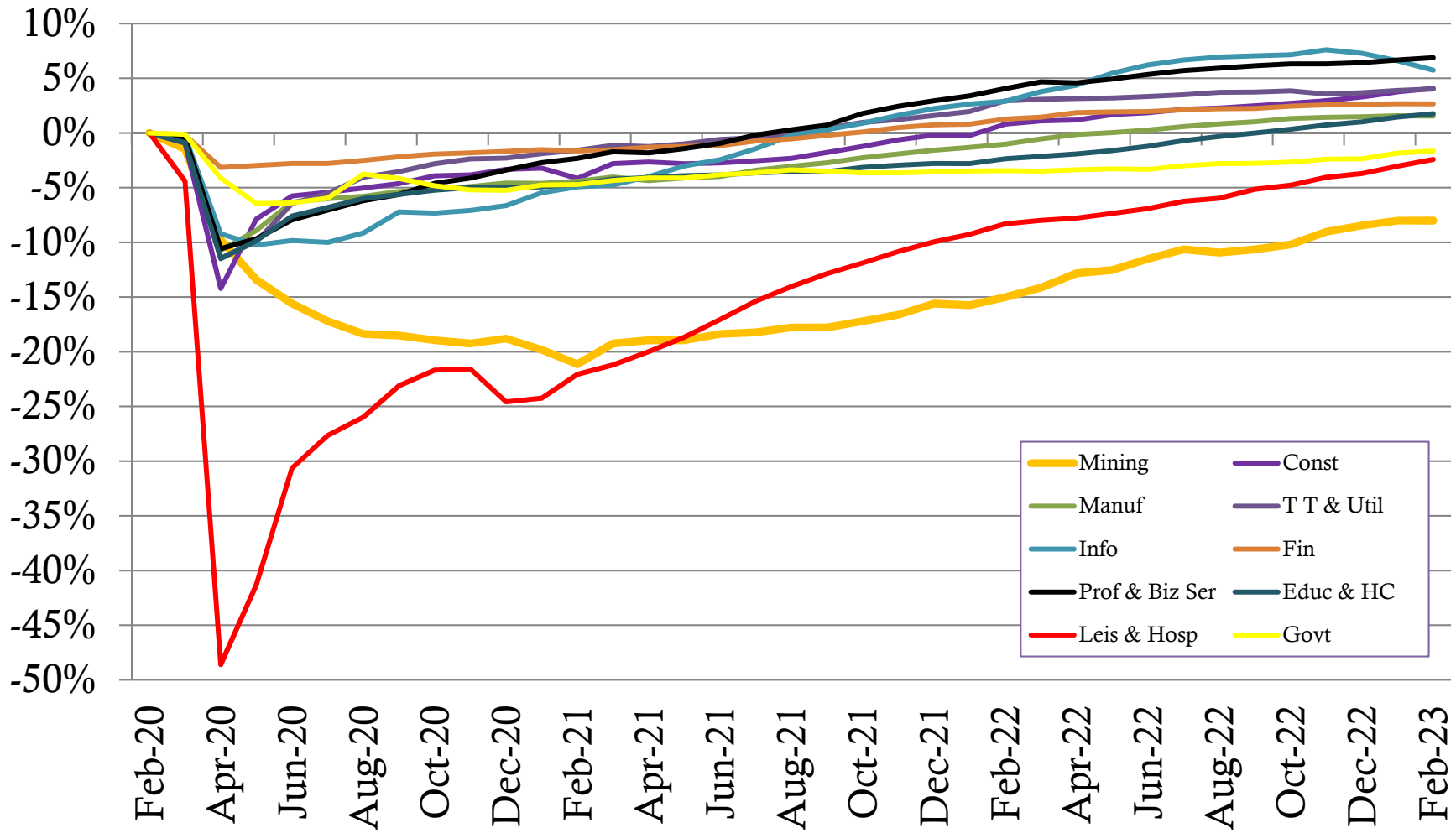
Employment Below Peak



(Source: Bureau of Labor Statistics)

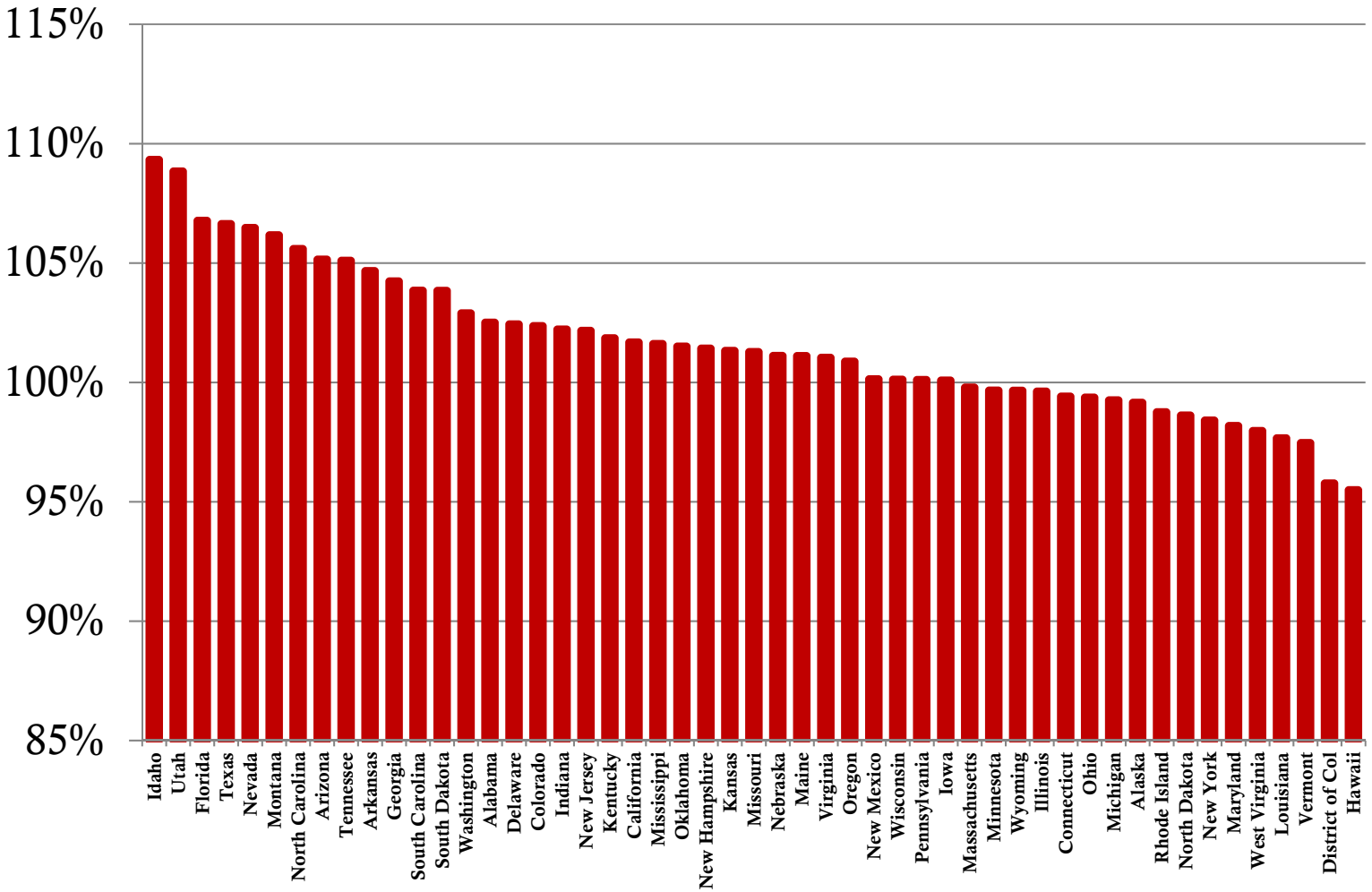
Employment

(Source: Bureau of Labor Statistics)



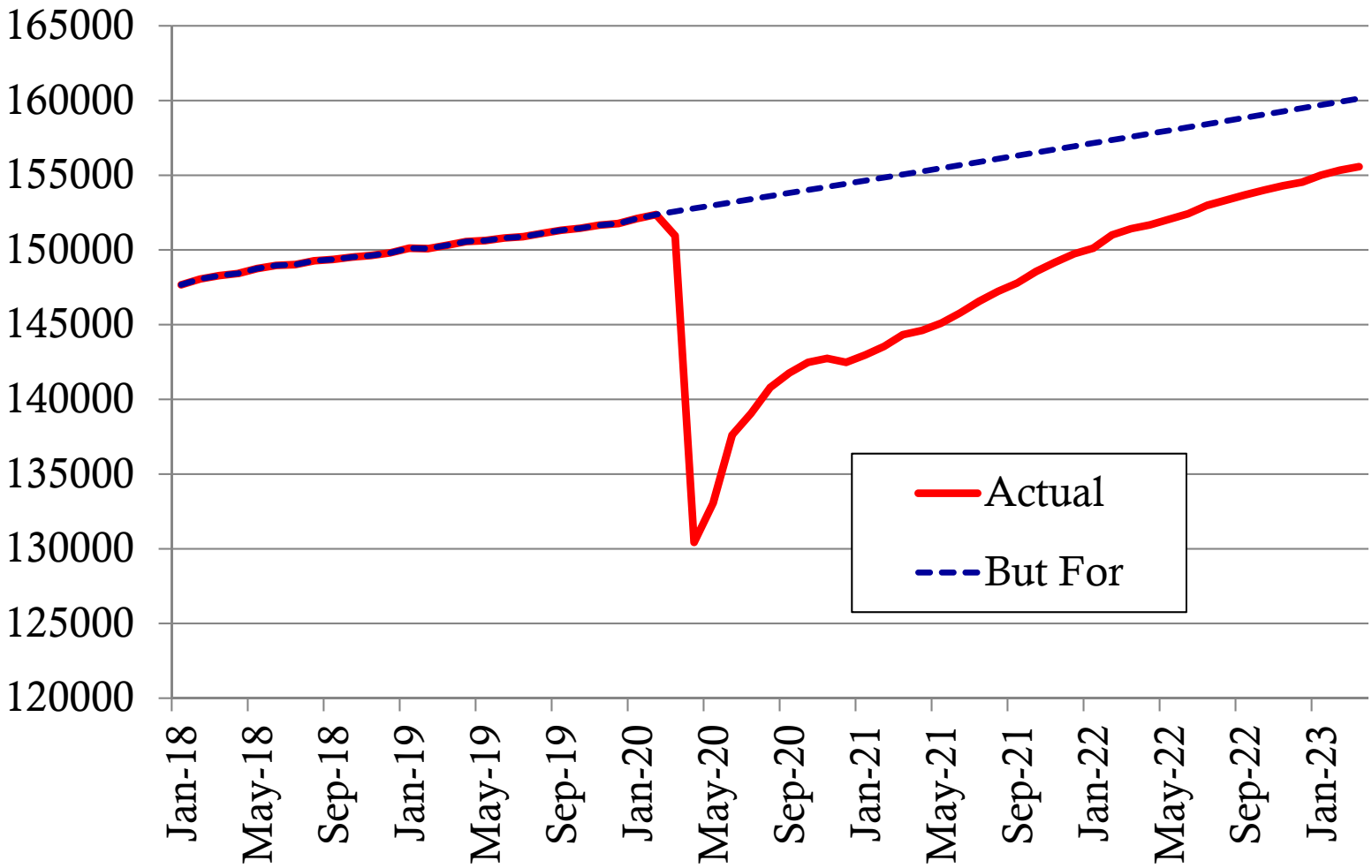
Recovery from Bottom

(Source: Bureau of Labor Statistics)

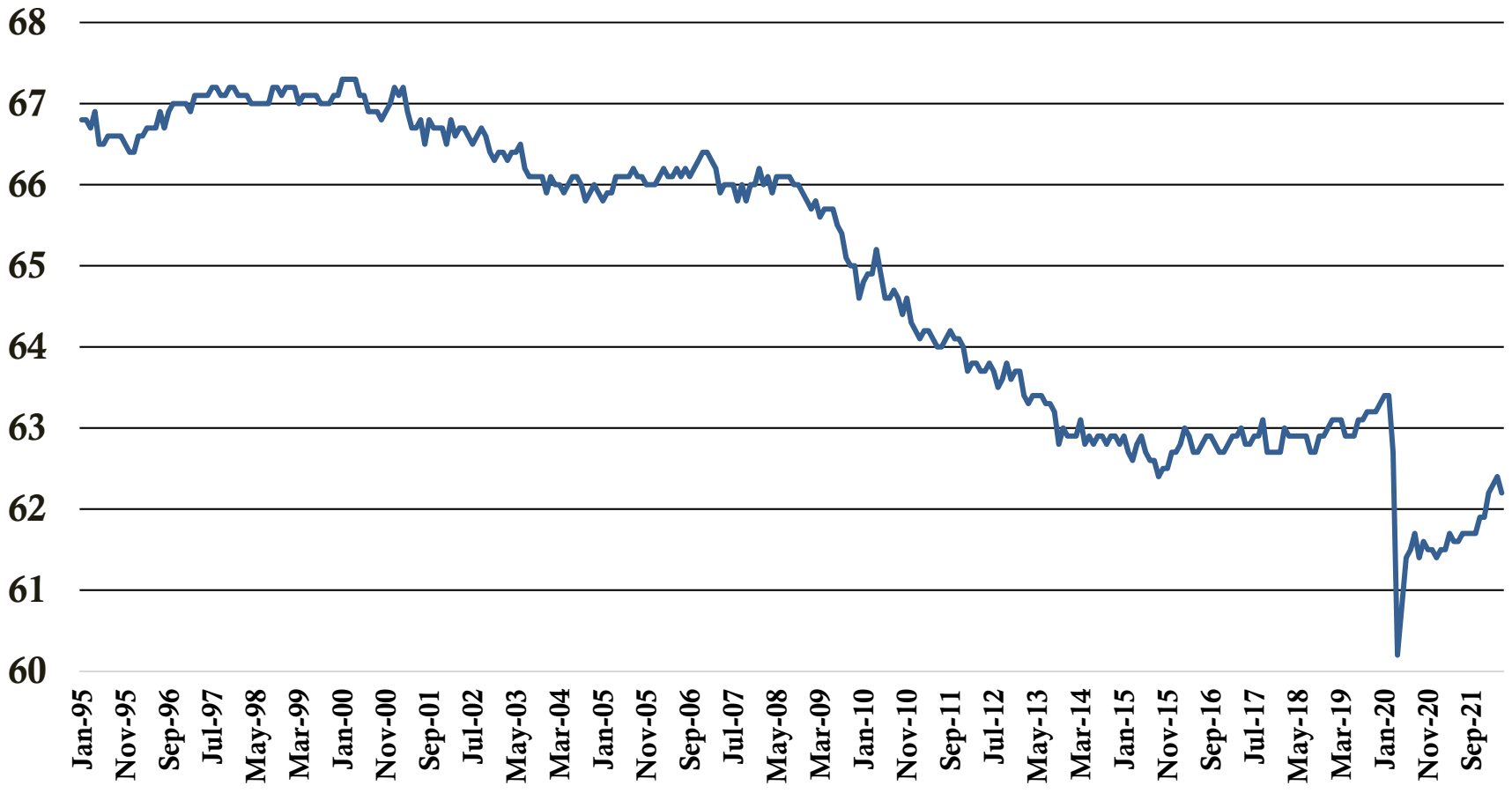


Payroll Employment: "But For" Pandemic

(source: Bureau of Labor Statistics, in thousand of jobs)



Labor Force Participation



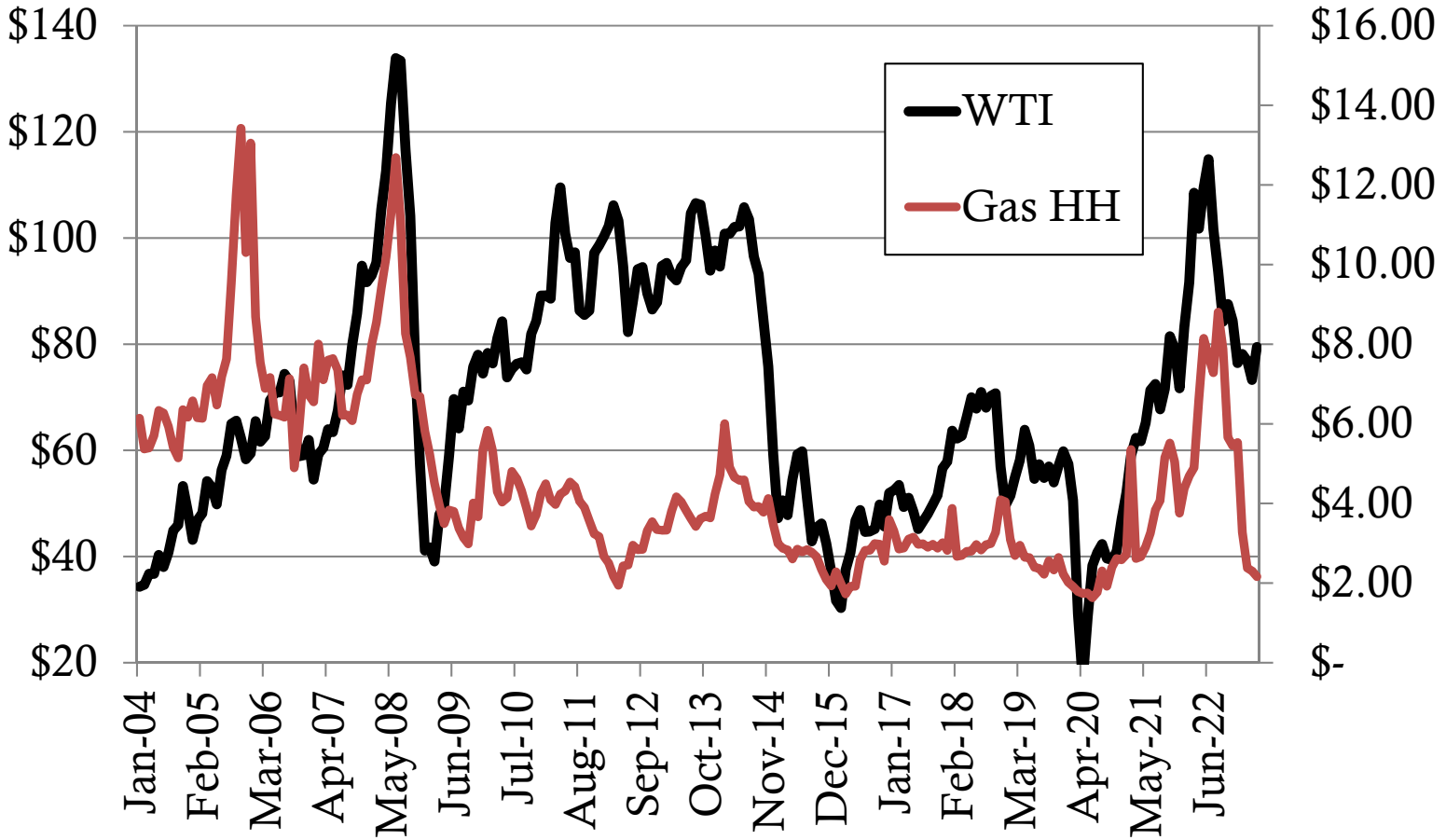
(Source: Bureau of Labor Statistics)

Inflation: Transitory or Persistent?

(source: Bureau of Labor Statistics)

- CPI by 0.4% in April – after being up 0.1% and 0.4% in March and February. Overall CPI up 4.9% over last 12 months.
- Core CPI up 0.4% in March – after being up by 0.4% and 0.5% in March and February. Core up 5.5% over same period.
- Energy component rose by 0.6% in February and dropping for 4 of 6 previous months. The energy component is down 5.1% over the last 12 months.
- PCE up 4.2%, core PCE up 4.6% over last 12 months thru March.

Energy Cost: Oil & Natural Gas



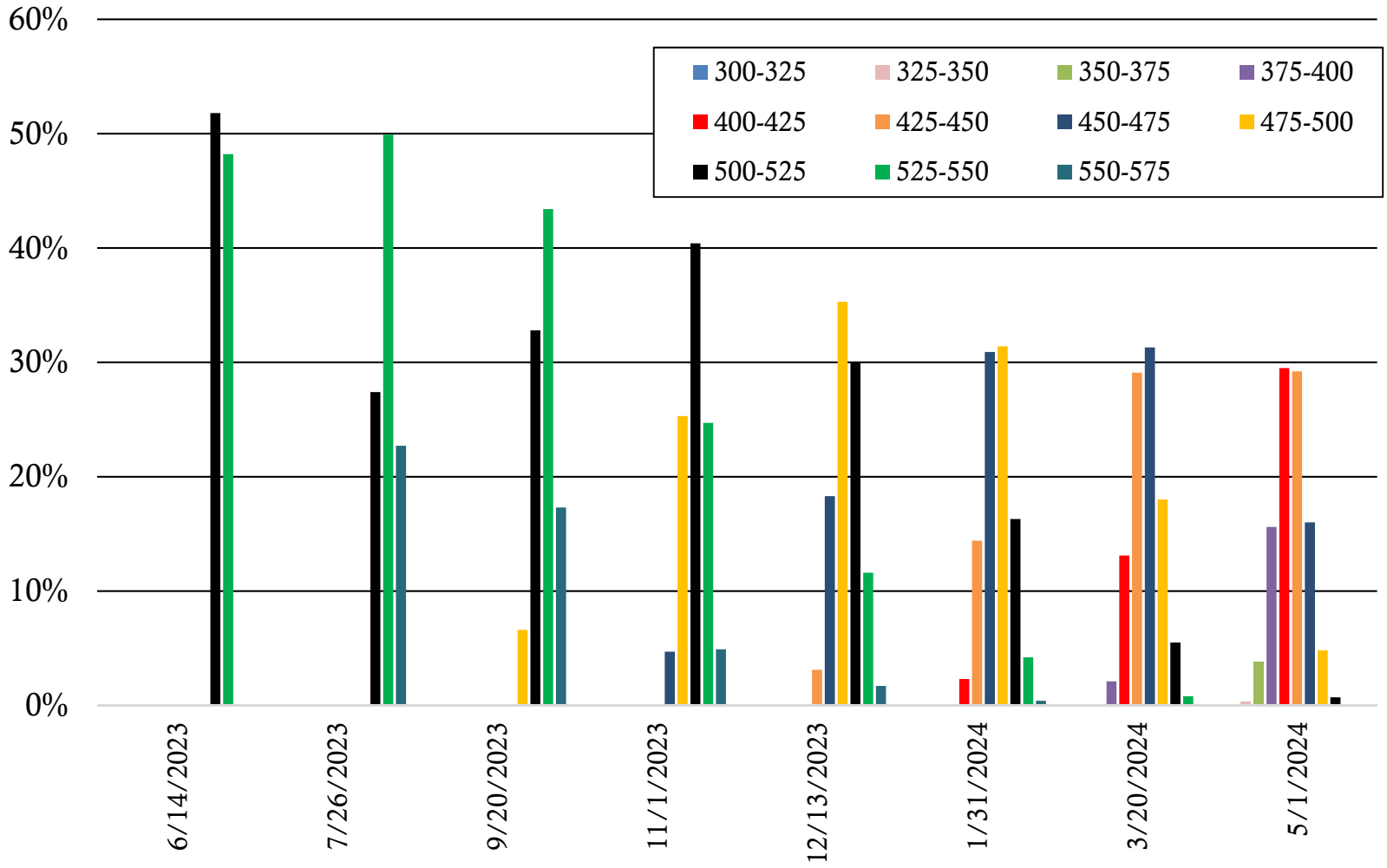
Federal Funds Rate

9 Up, 3 Down, back to ZLB – Now back up.

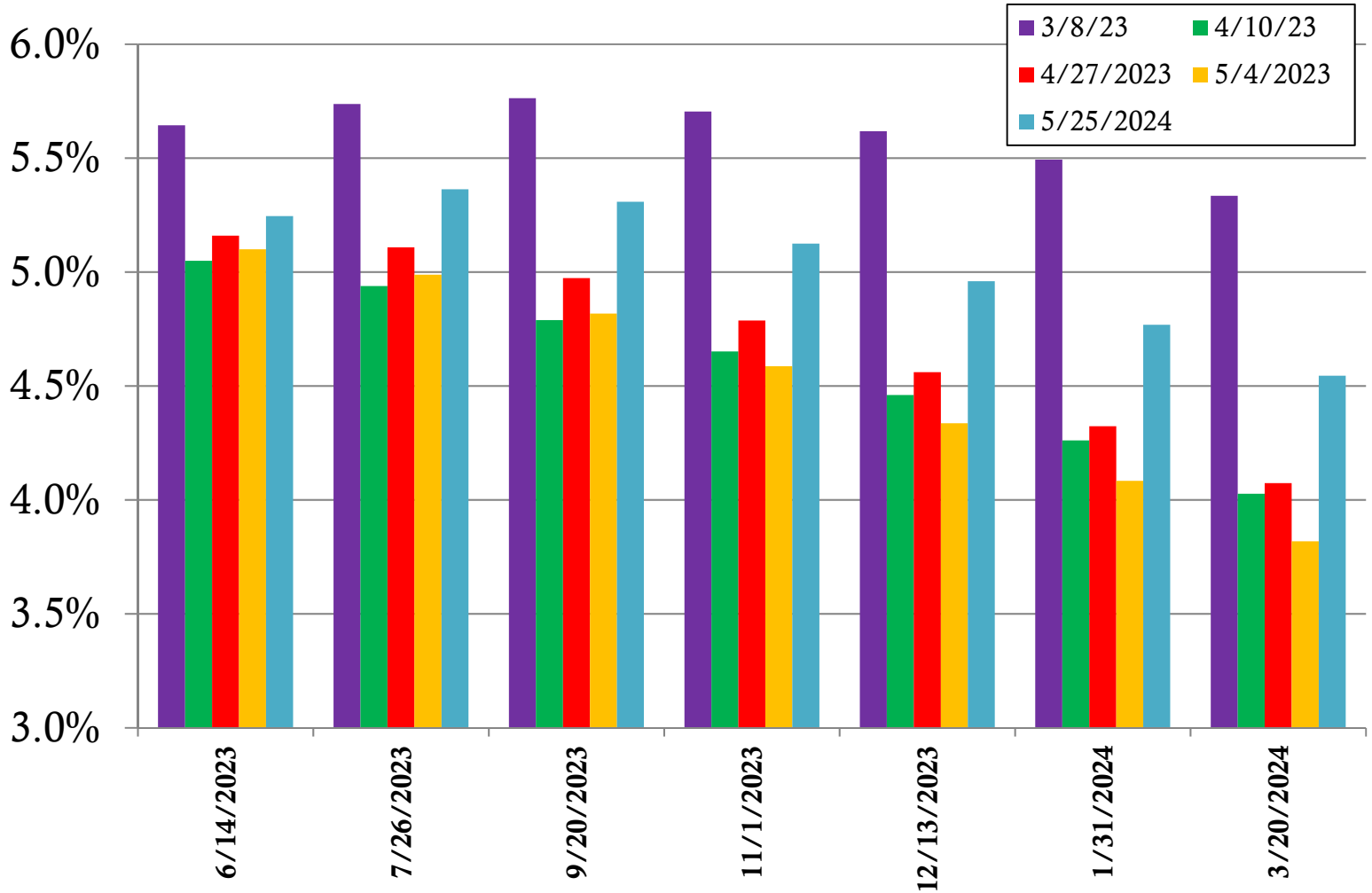
(Source: Board of Governors of Federal Reserve System)

Market's Expectation for FFR

(Source: CME Group)

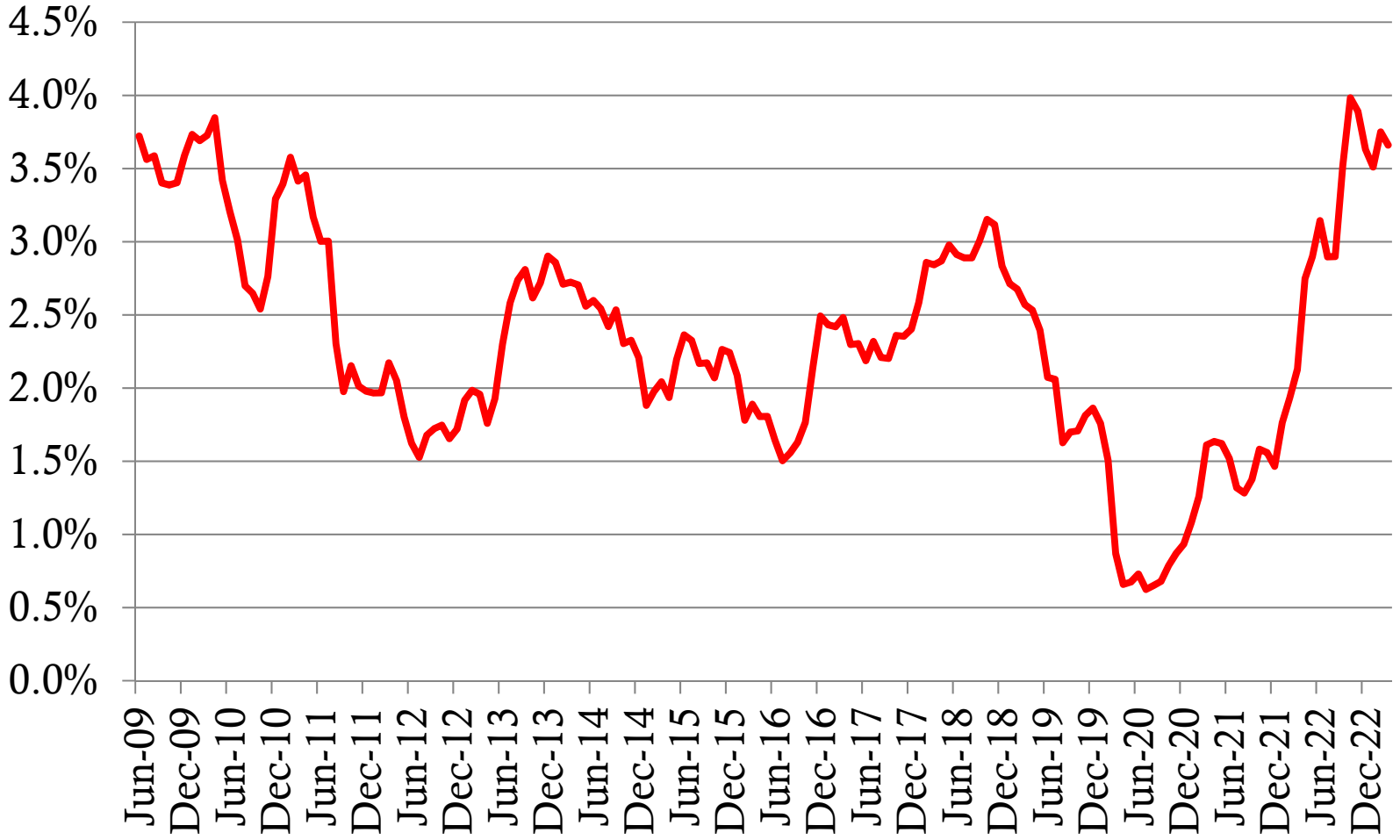


Market's "Expected FFR"



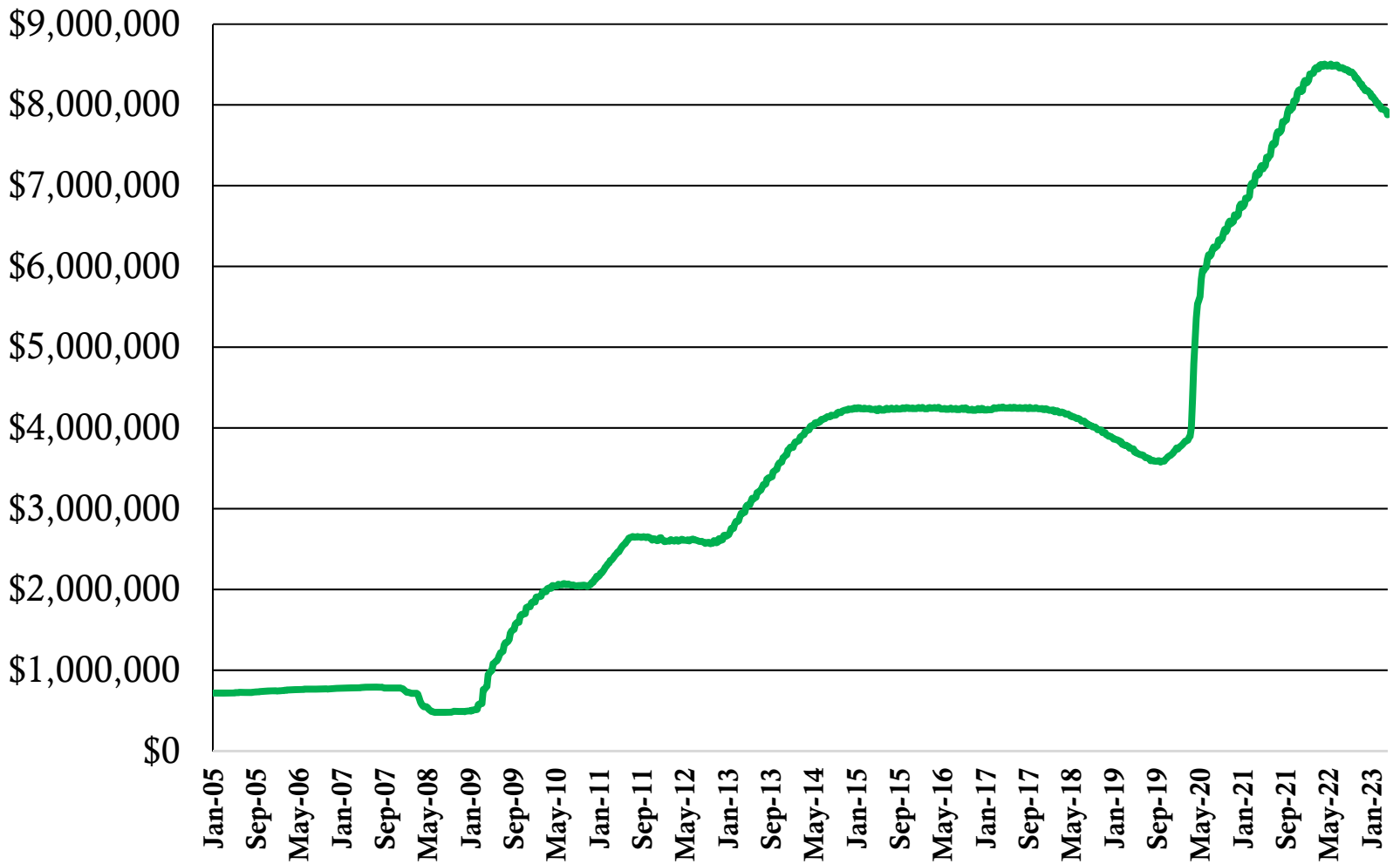
10-Year Treasury Bonds

(source: Board of Governors of Federal Reserve)

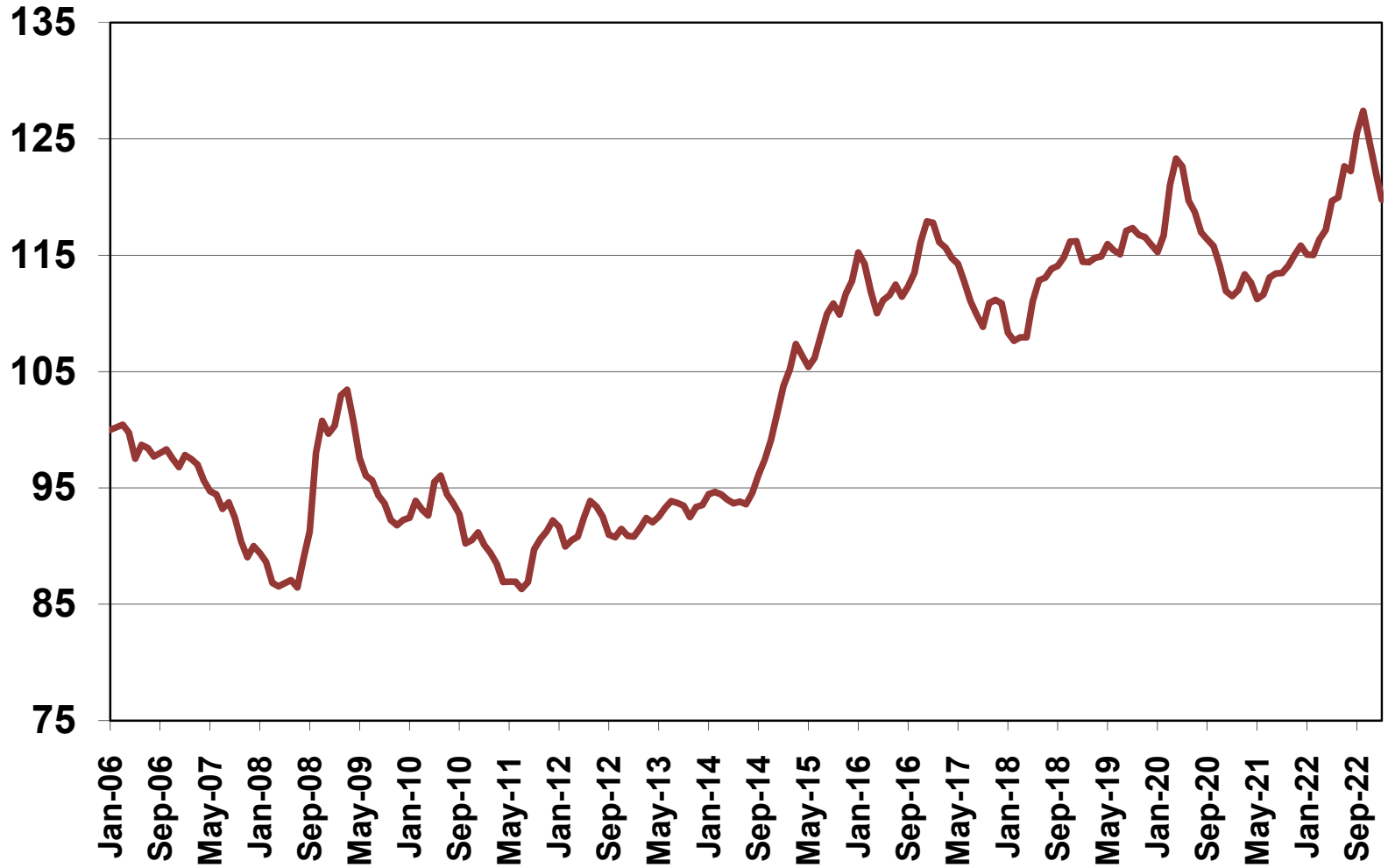


Fed: Securities Held Outright

(in millions, source: Board of Governors of Federal Reserve)

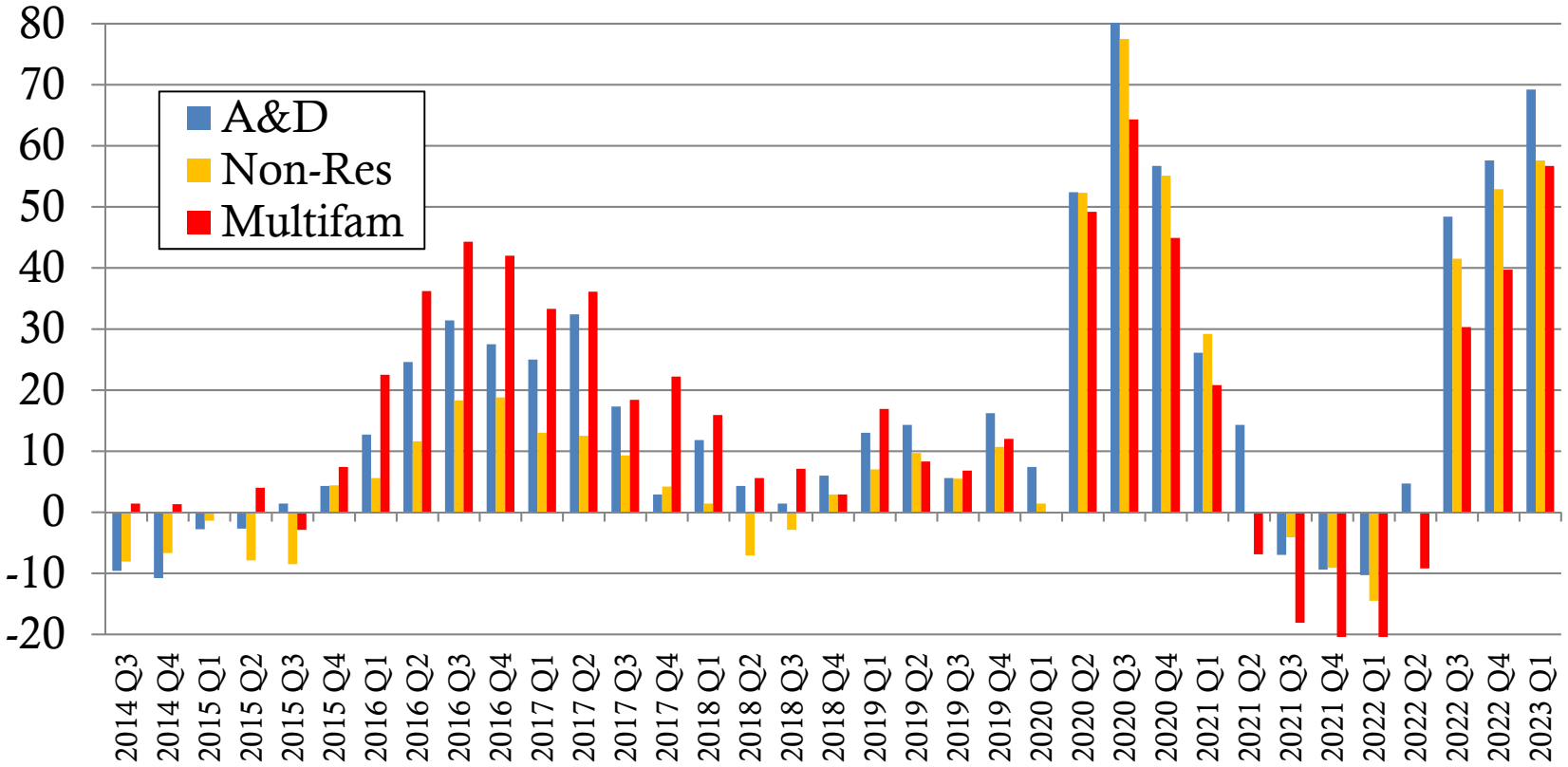


Foreign Exchange

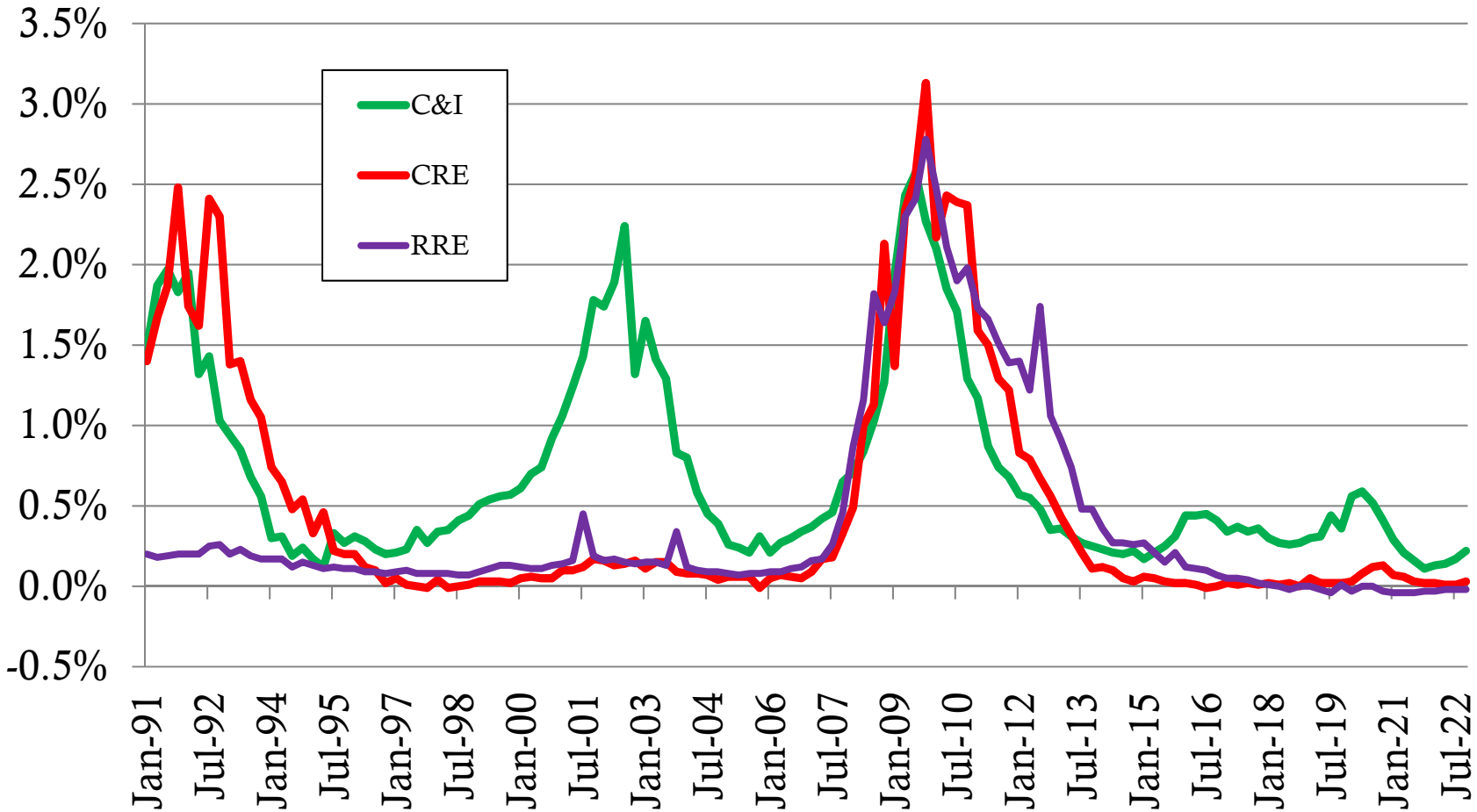


CRE Loan Standards: Net Tightening

(Source: Federal Reserve System, Senior Officers Lending Survey)



Charge Off Rates at Banks

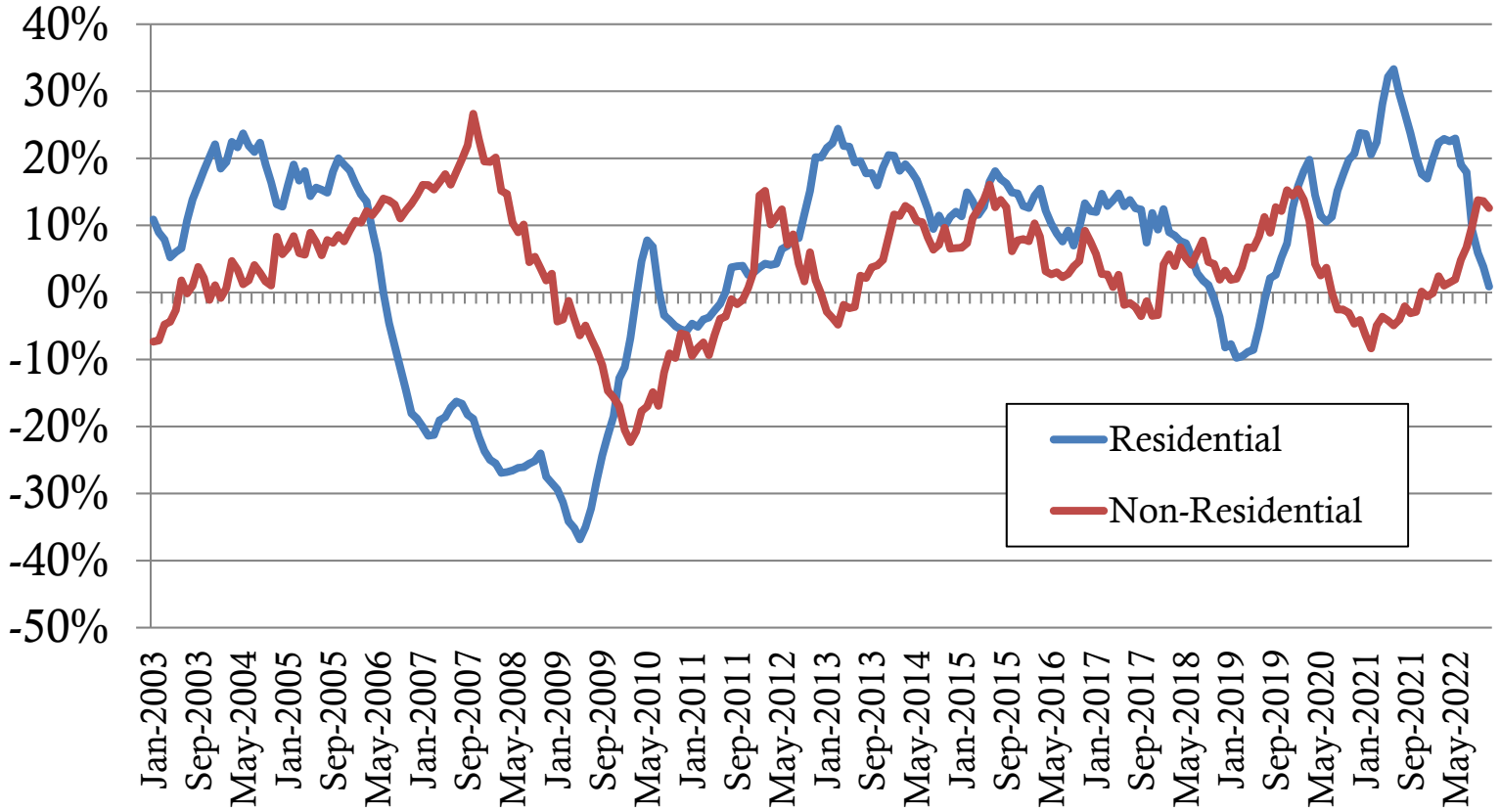


(source: Board of Governors of the Federal Reserve System)

Some Comments on Banks

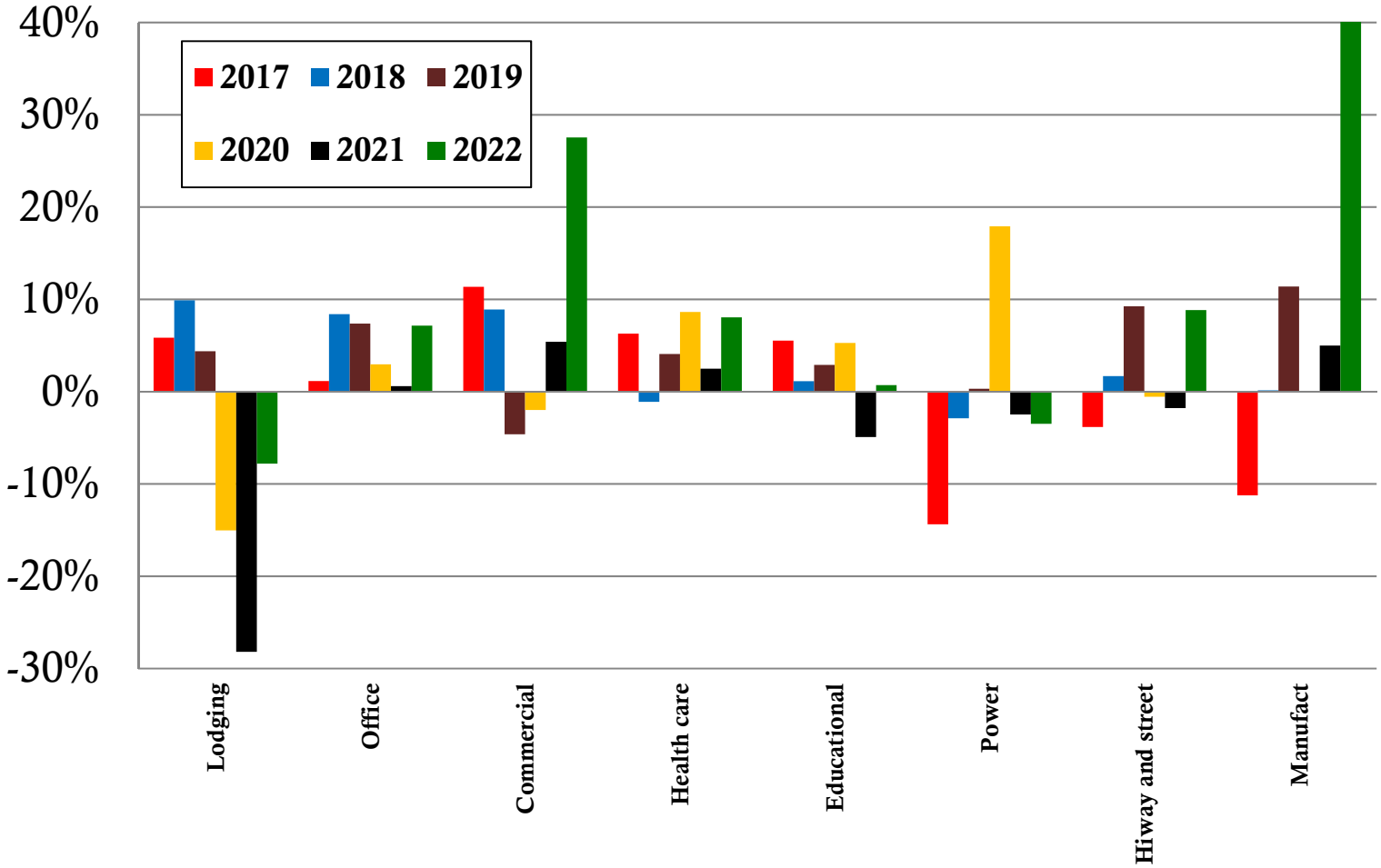
- 2008 was about credit risk, 2023 is about interest rate risk. But, what if they intersect?
- Assets & Liabilities mismatched – was SVB that unique?
- Fed, FDIC & US Treasury response.
- Are the other risk to banks?

Construction Spending

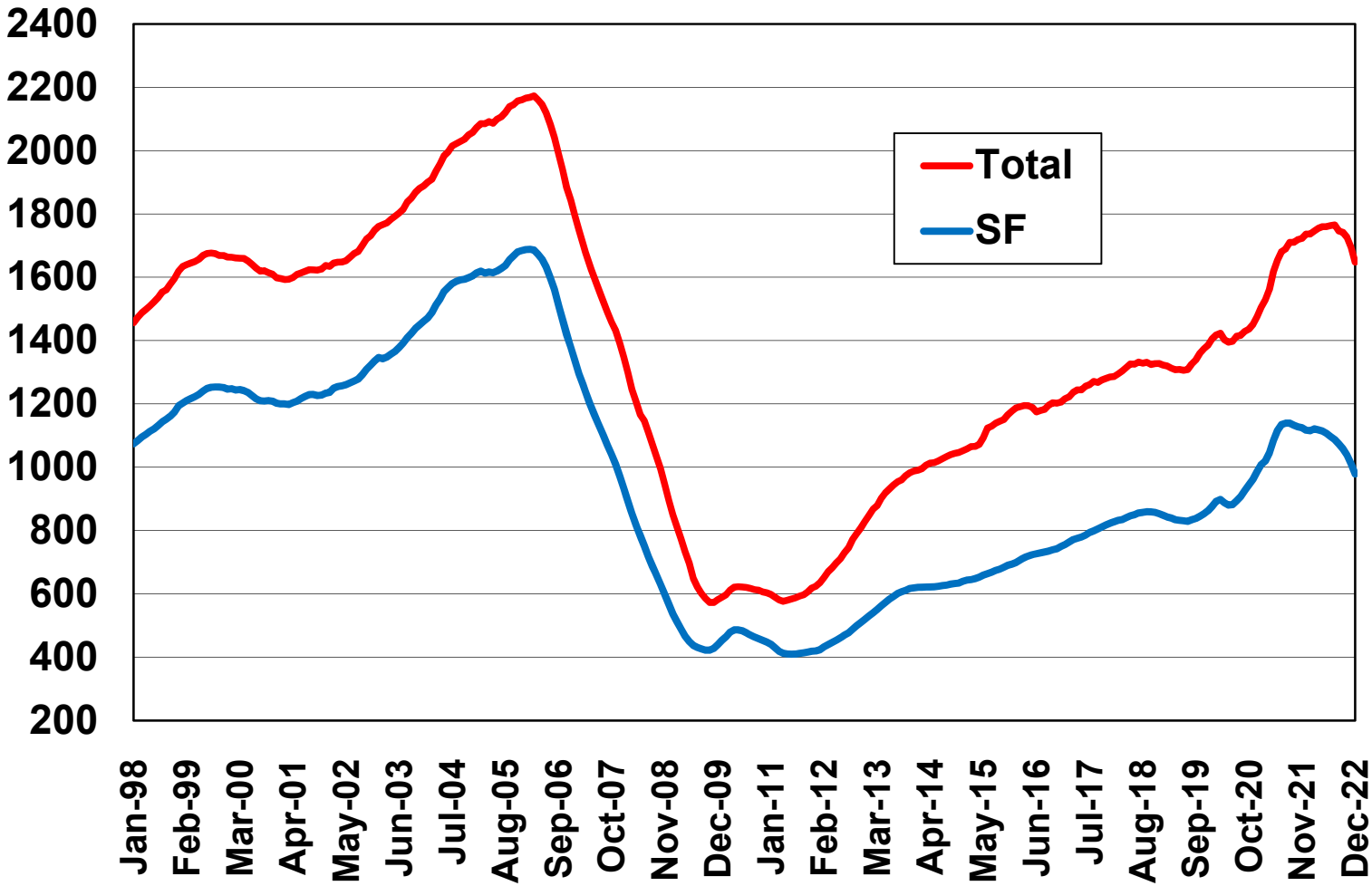


(Source: U.S. Bureau of Census)

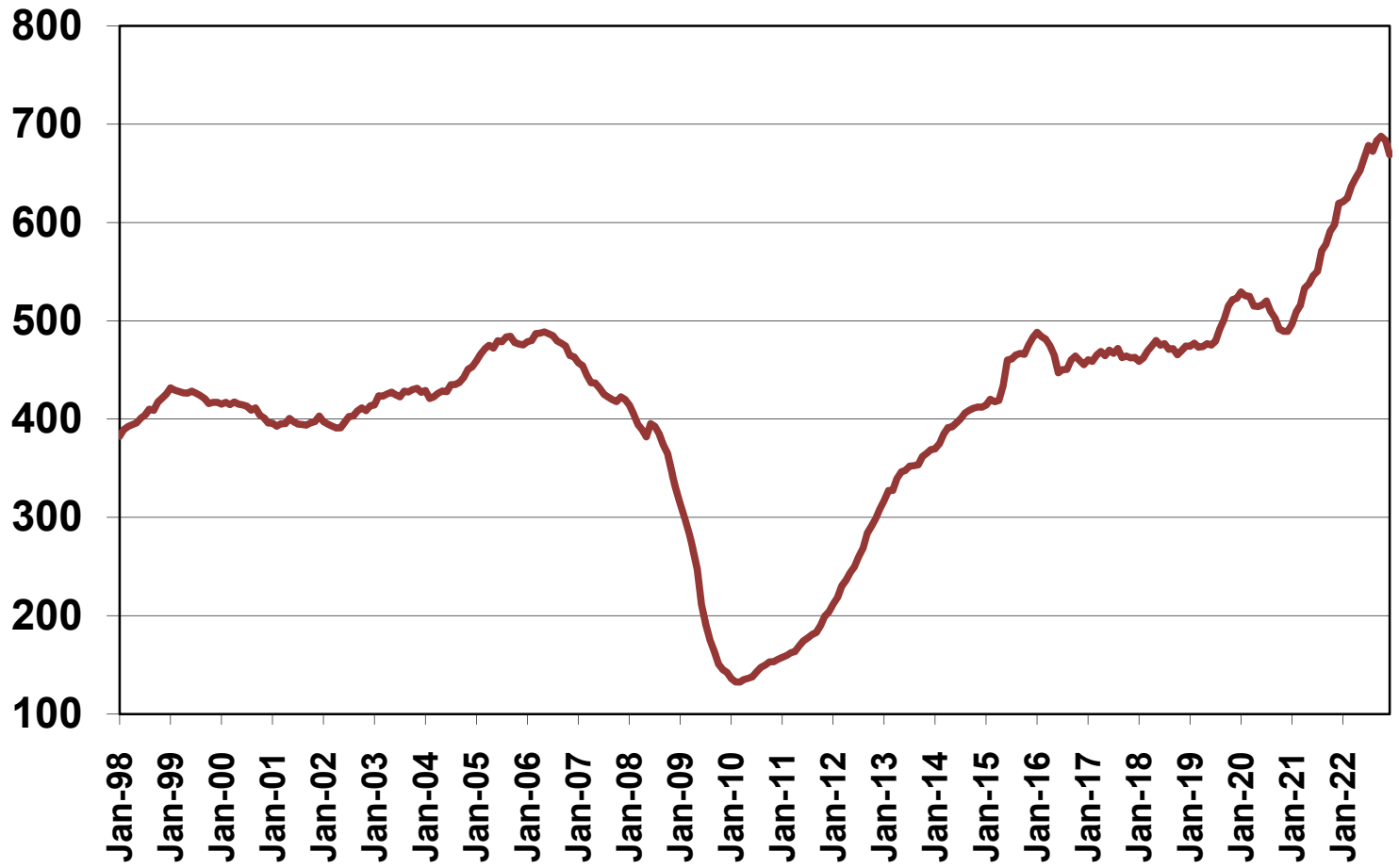
Non-Residential Construction



US Housing Permits: SF and Total

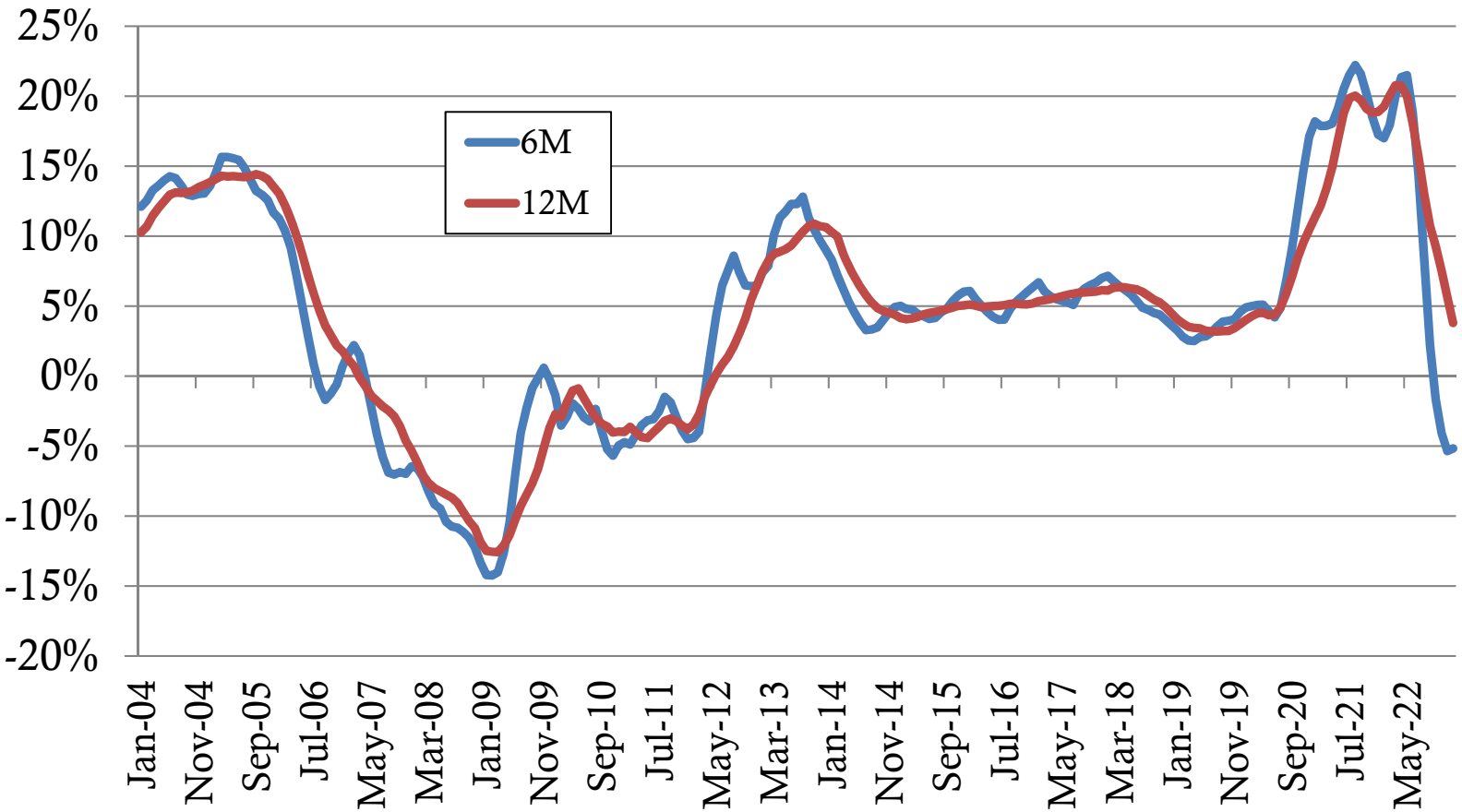


US Housing Permits: Multi-family



Case Shiller: National Index

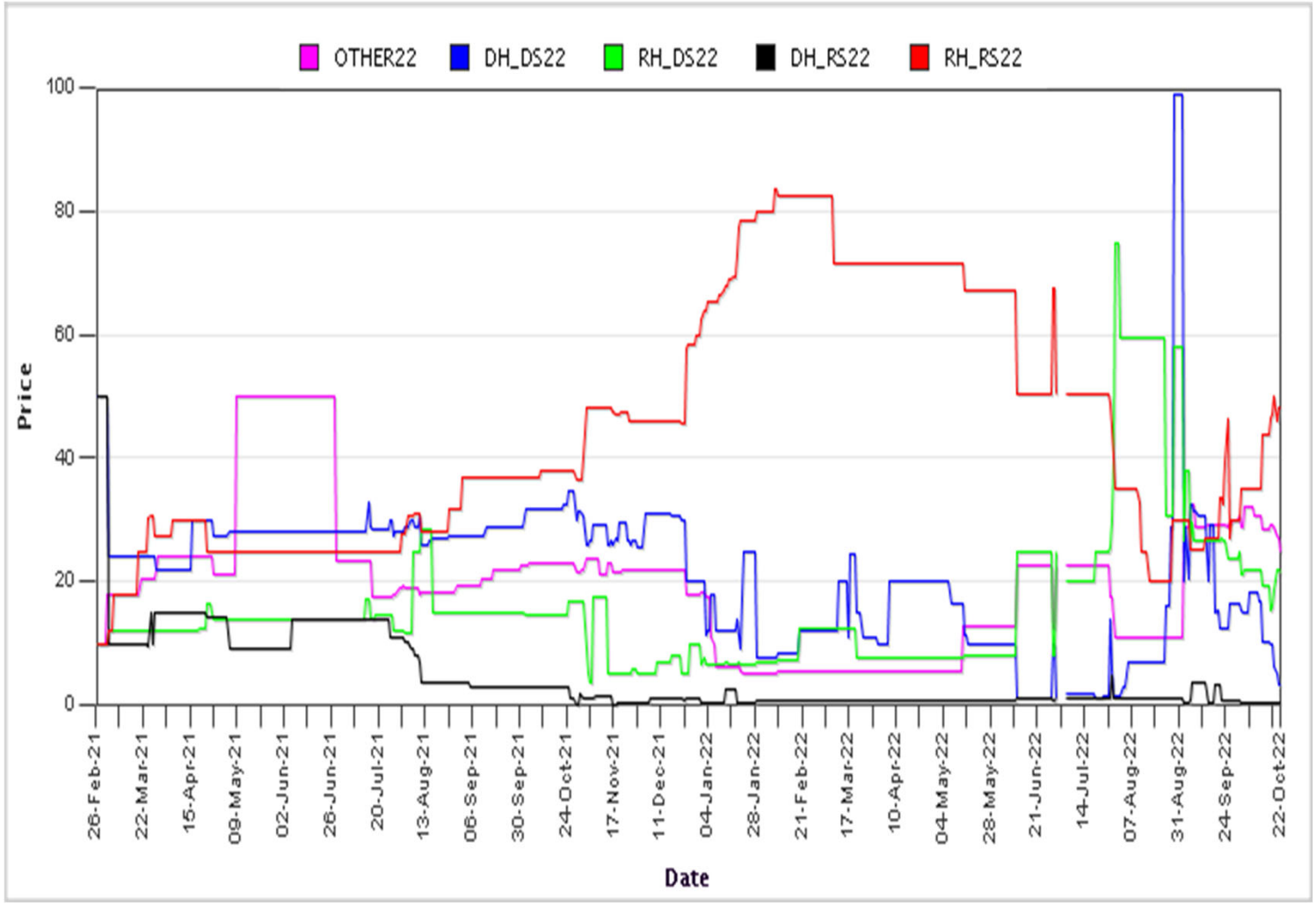
(source: Standard & Poor's Case-Shiller)



(source: Standard & Poor's Case-Shiller)

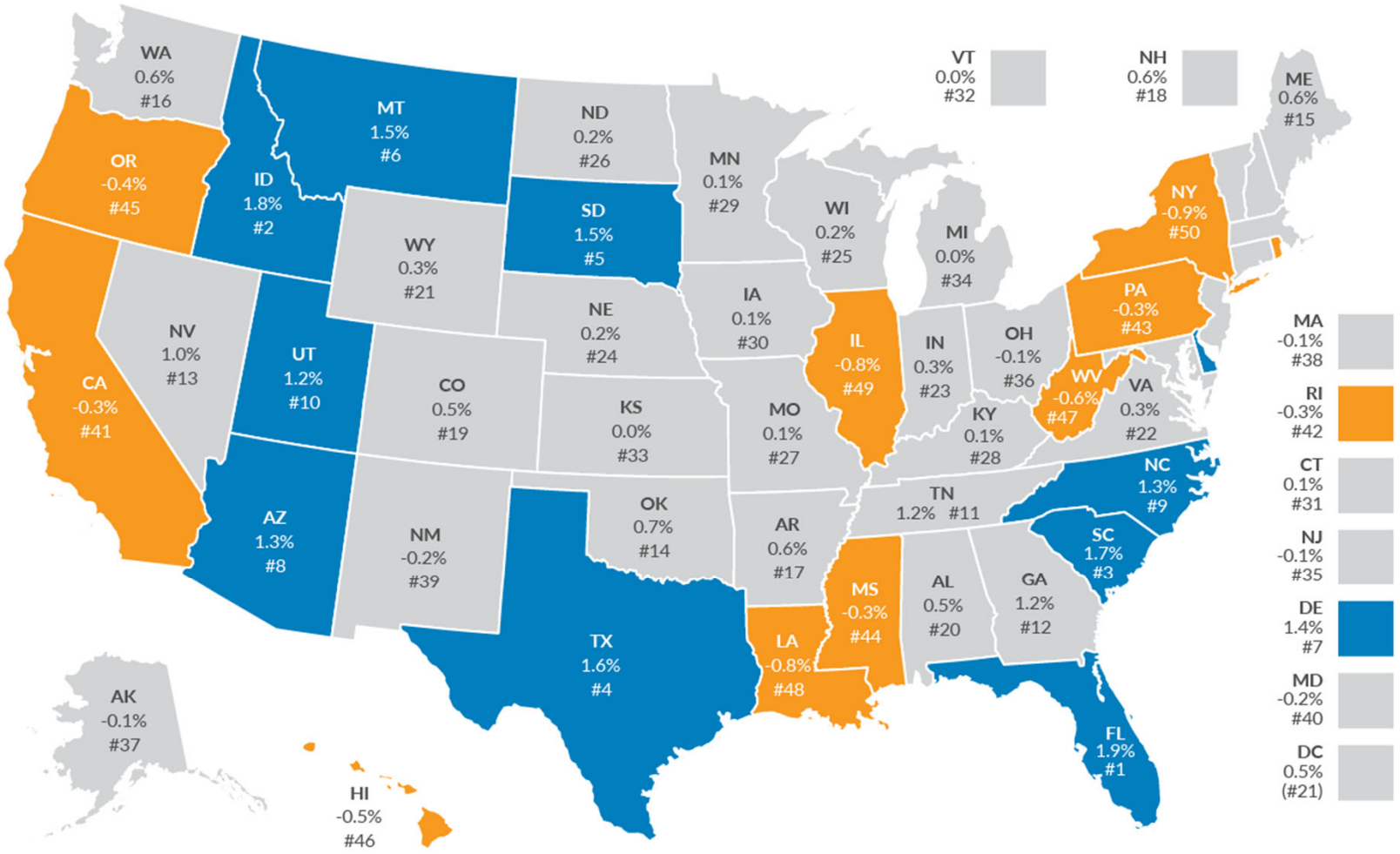
Iowa Electronic Markets: Congress

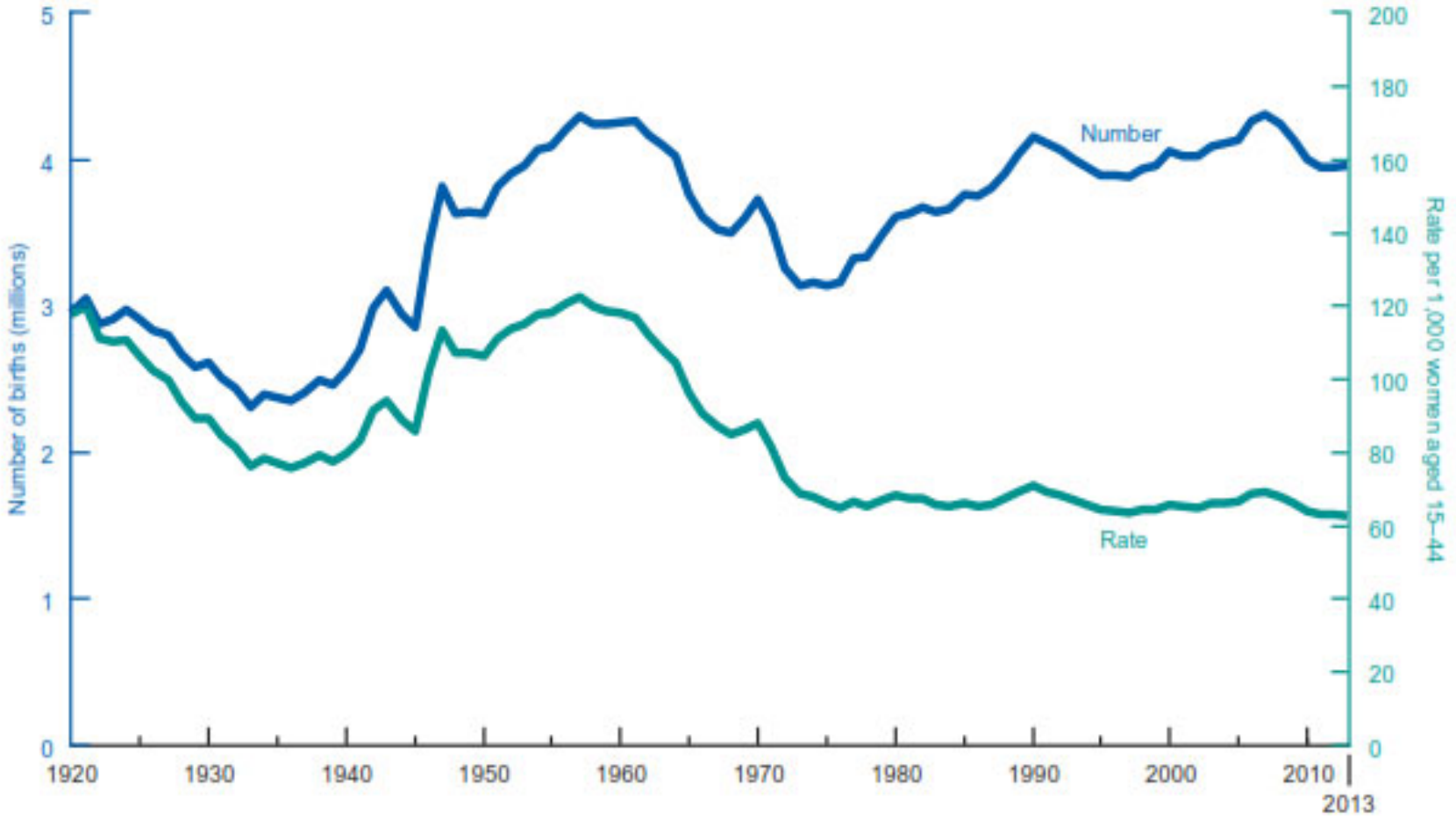
(source: University of Iowa)



Internal Migration

(source: Tax Foundation, 2022)



The Demographics: Boom & Bust

(source: U.S. Census Bureau)