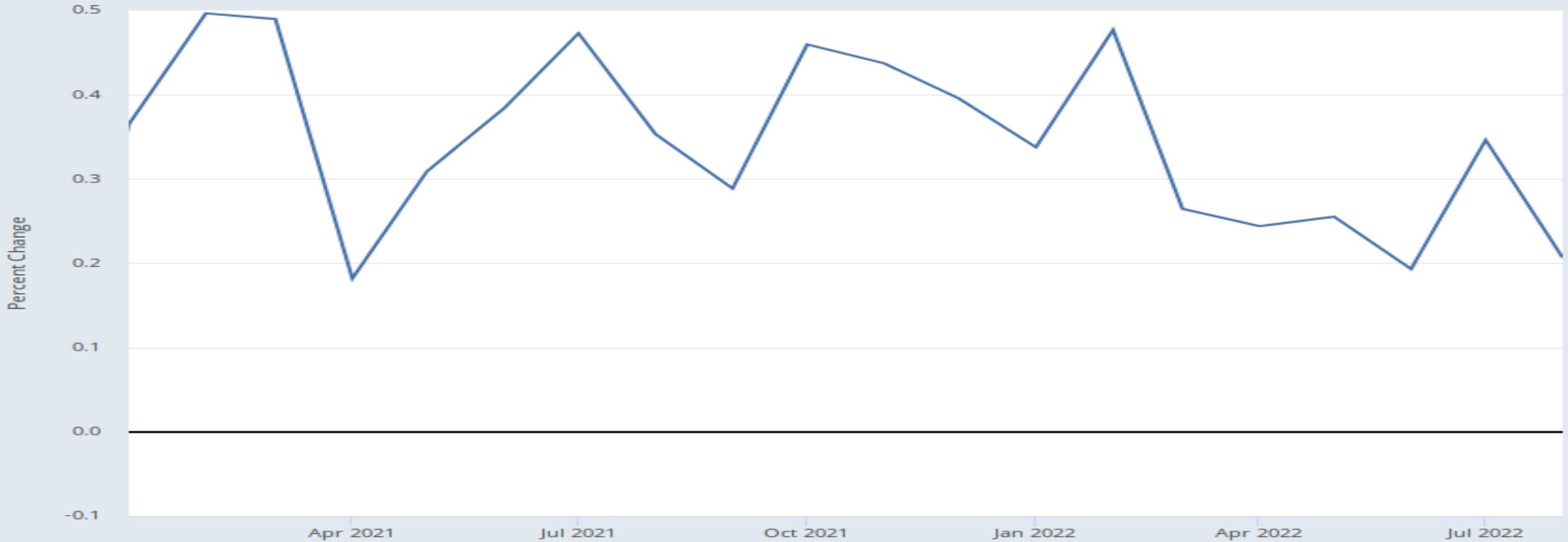


Are We In A Recession?

Jobs Are Still Growing **Not Declining**

FRED

— All Employees, Total Nonfarm



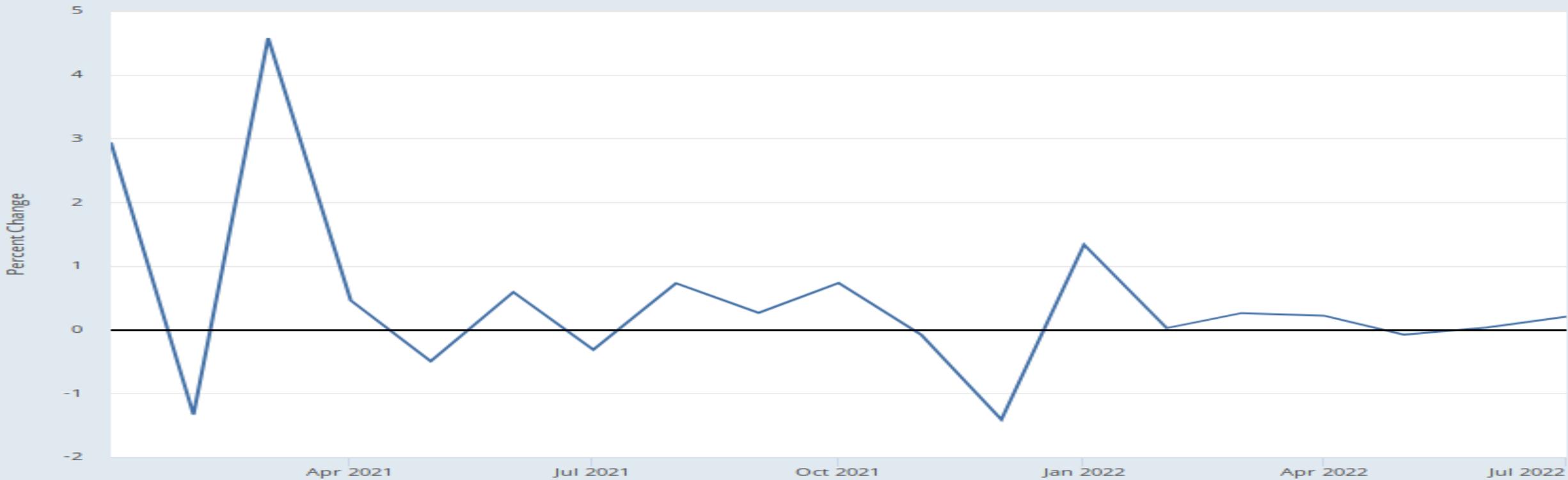
Source: U.S. Bureau of Labor Statistics

myf.red/g/TJB7

Real Personal Spending Is Still Positive...Barely

FRED

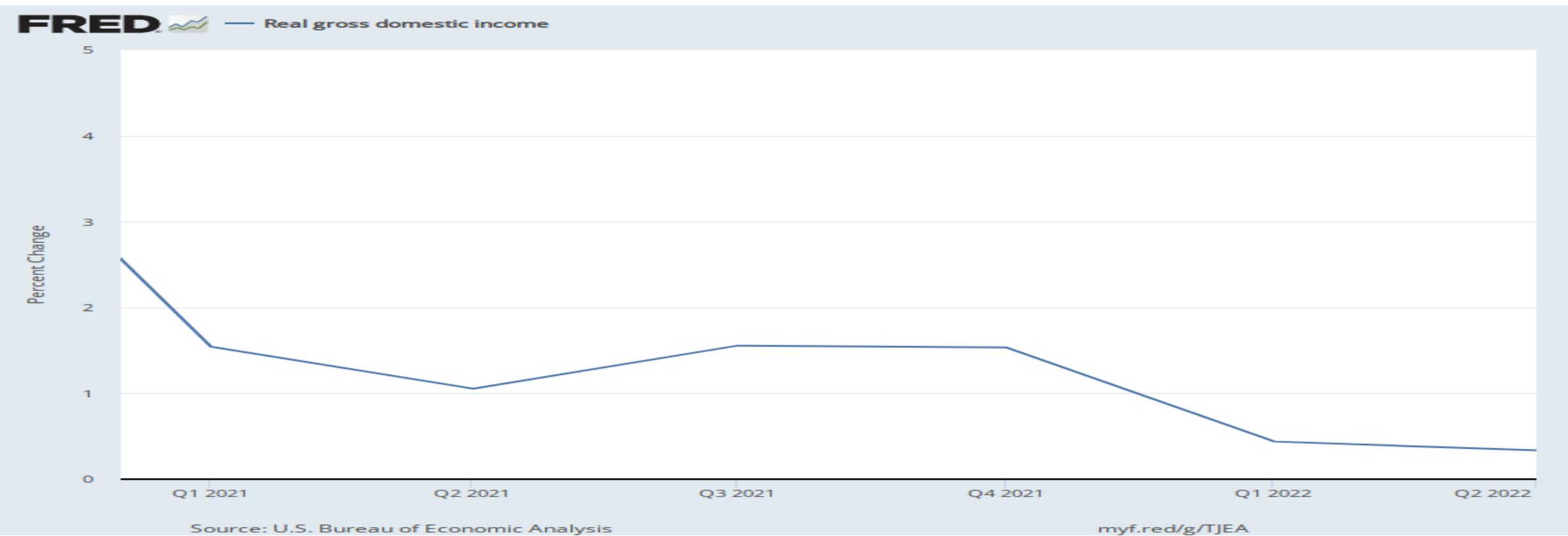
— Real Personal Consumption Expenditures



Source: U.S. Bureau of Economic Analysis

[myf.fred/g/TJcN](https://myf.fred.stlouisfed.org/g/TJcN)

Real Gross Domestic Income Still Positive

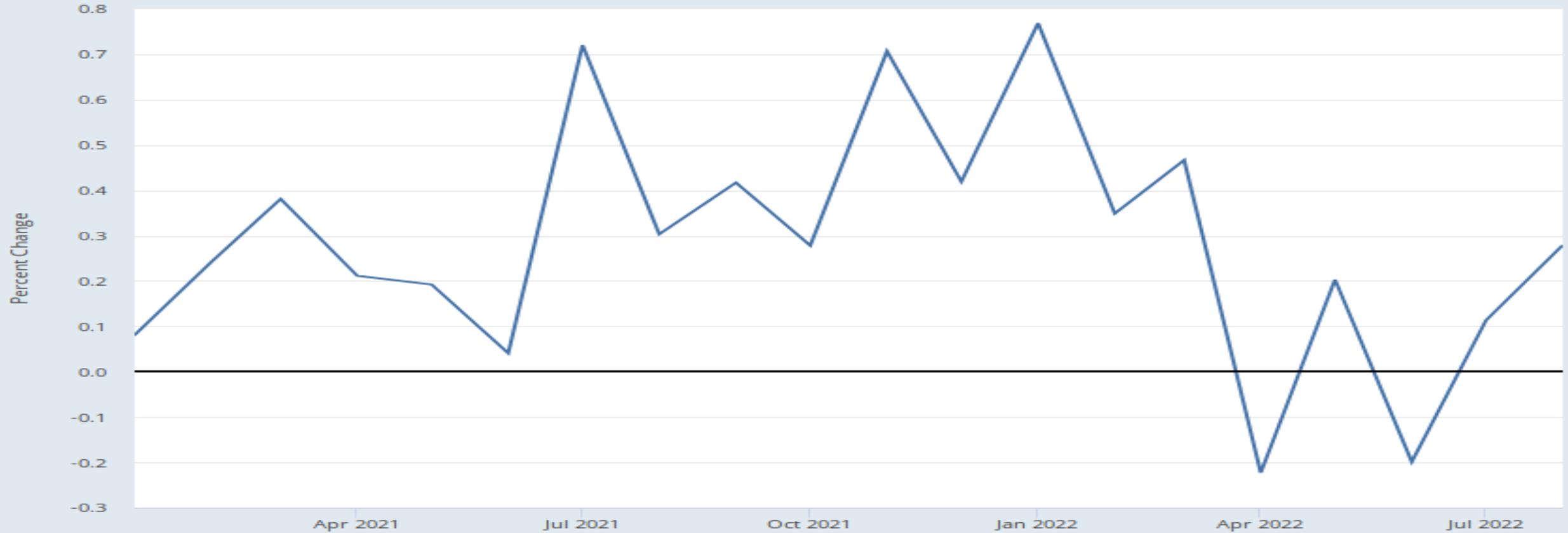


Employment No Sustained Decline

FRED



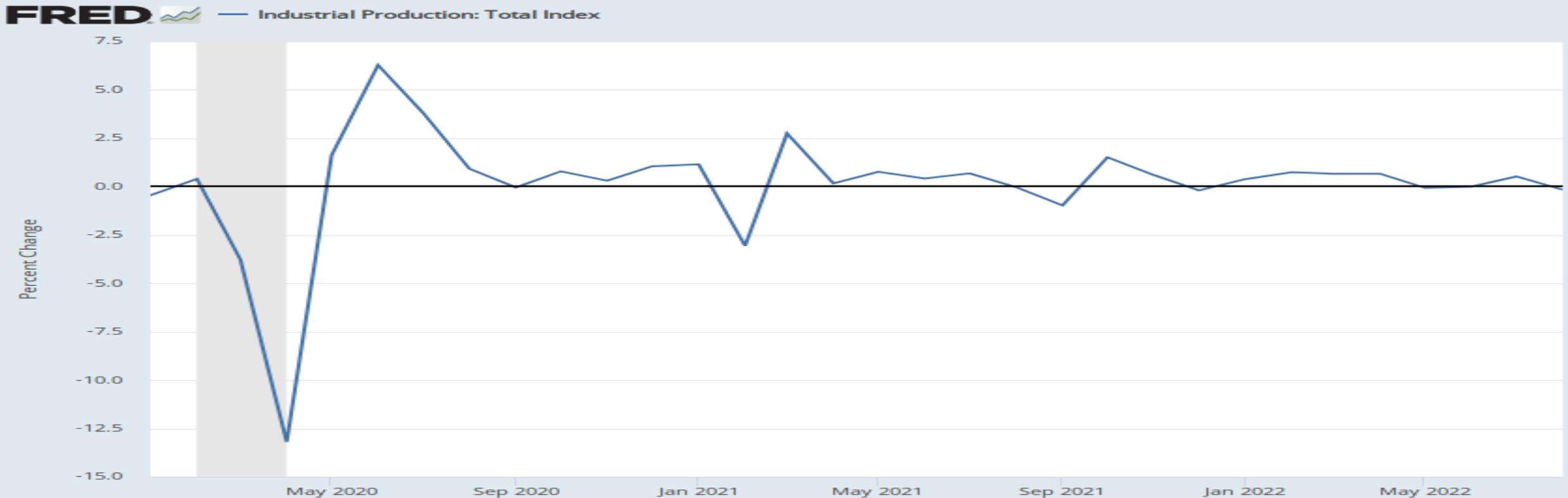
— Employment Level



Source: U.S. Bureau of Labor Statistics

myf.red/g/TJBk

Manufacturing No Sustained Decline

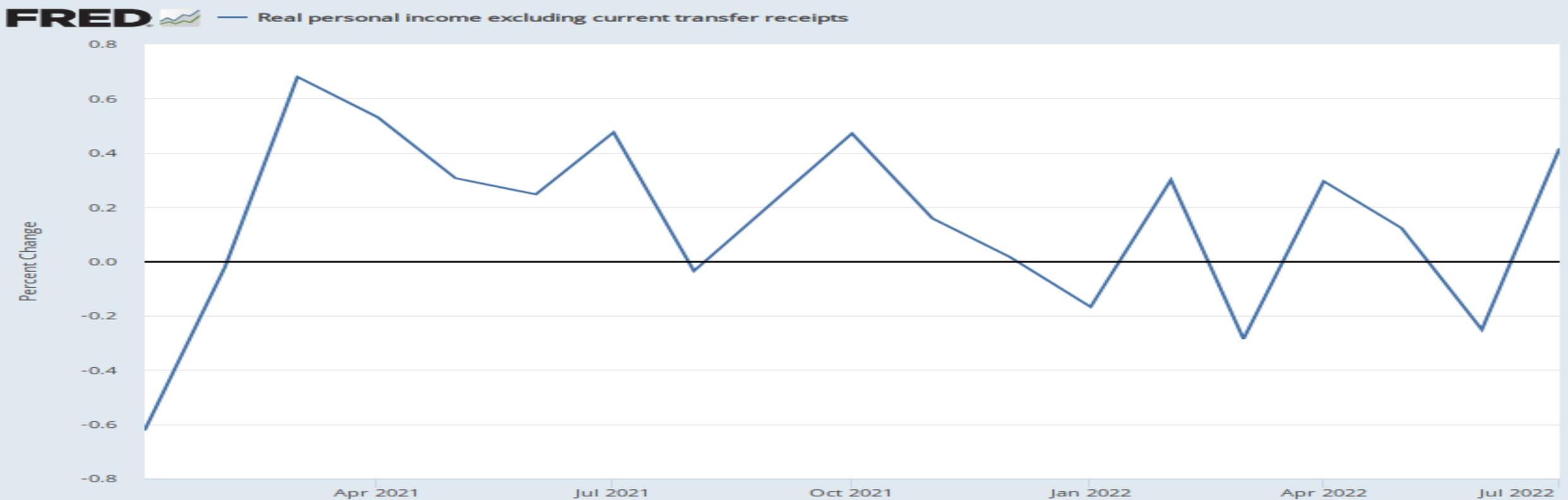


Source: Board of Governors of the Federal Reserve System (US)

myf.red/g/TJBO

Real Personal Income

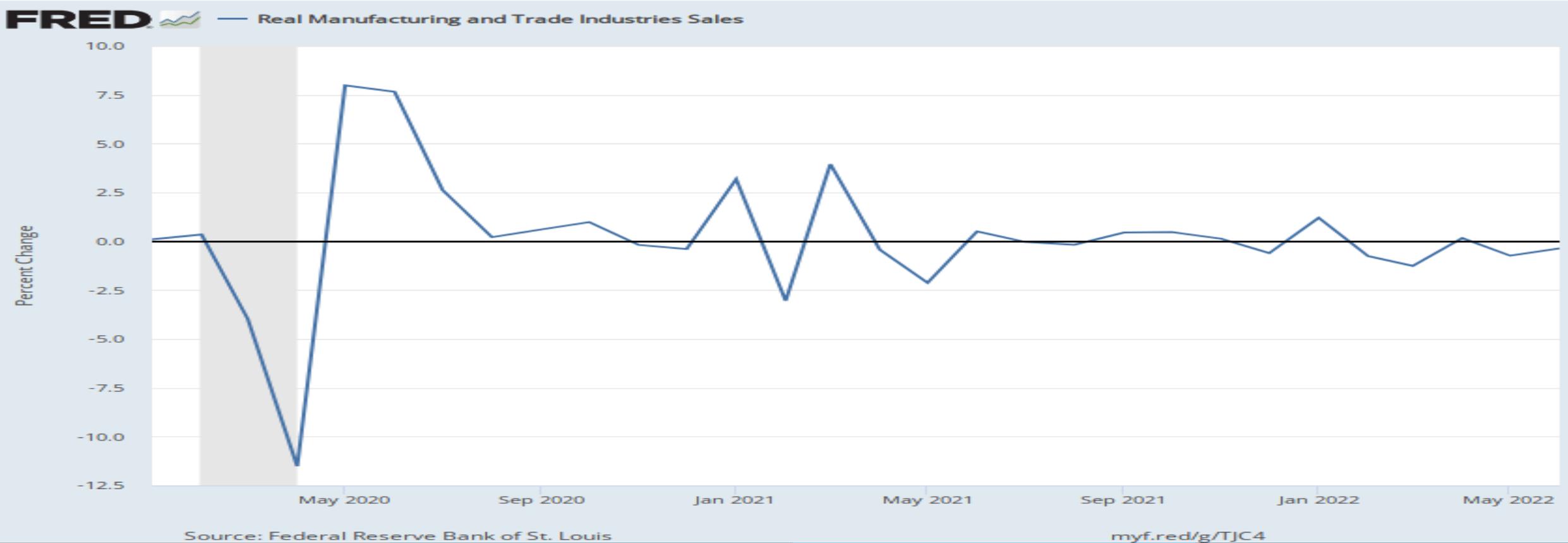
Inconsistent Pattern



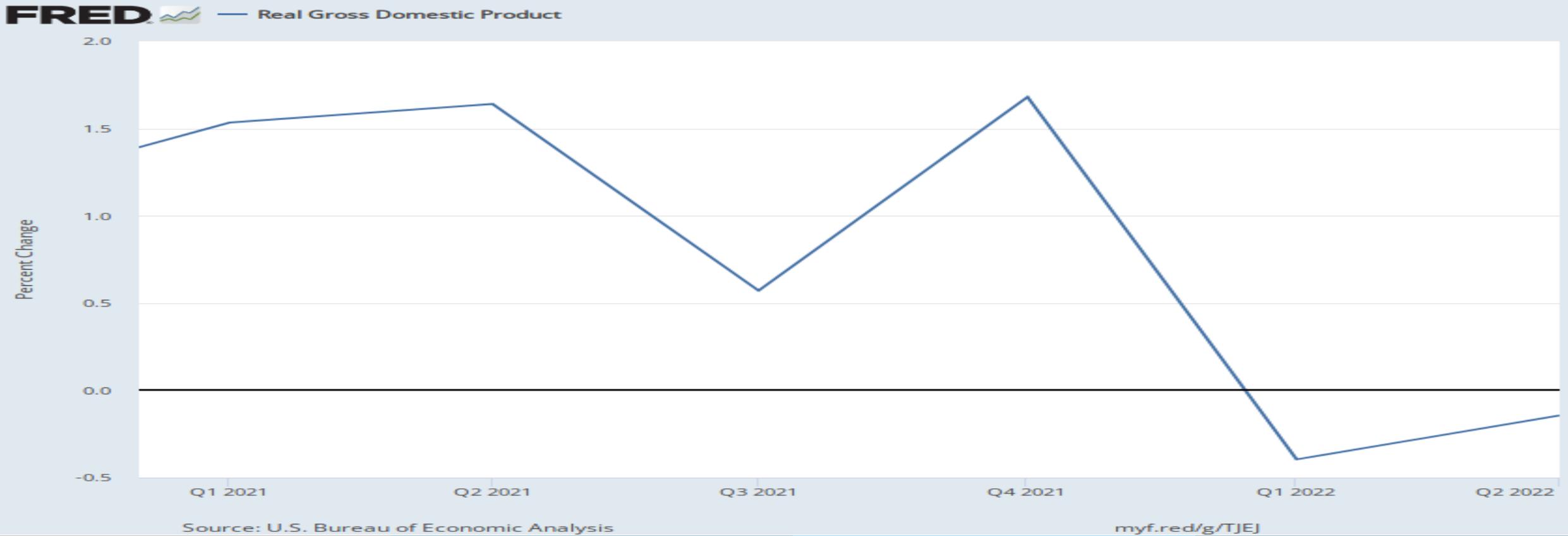
Source: U.S. Bureau of Economic Analysis

[myf.fred/g/TJCV](https://myf.fred/staff/TJCV)

Manufacturing & Trade Industry Sales Are Flashing A Recession Signal



Real Gross Domestic Product Flashing A Recession Signal



Are We Heading For A Recession?

Recession Dashboard

Recession Warning In Effect

	August 31, 2022	July 31, 2022	June 30, 2022	
Consumer	Housing Permits	↑	↑	↑
	Job Sentiment	↑	↑	↑
	Jobless Claims	↑	↑	↑
	Retail Sales	×	×	●
	Wage Growth	×	×	×
Business Activity	Commodities	×	×	●
	ISM New Orders	●	●	●
	Profit Margins	↑	↑	↑
	Truck Shipments	↑	↑	↑
Financial	Credit Spreads	×	×	×
	Money Supply	×	●	●
	Yield Curve	●	●	↑
Overall Signal	×	●	↑	

↑ Expansion ● Caution × Recession

Can The Consumer Keep Spending?

Savings

Consumer Has Not Run Out Of Savings Yet



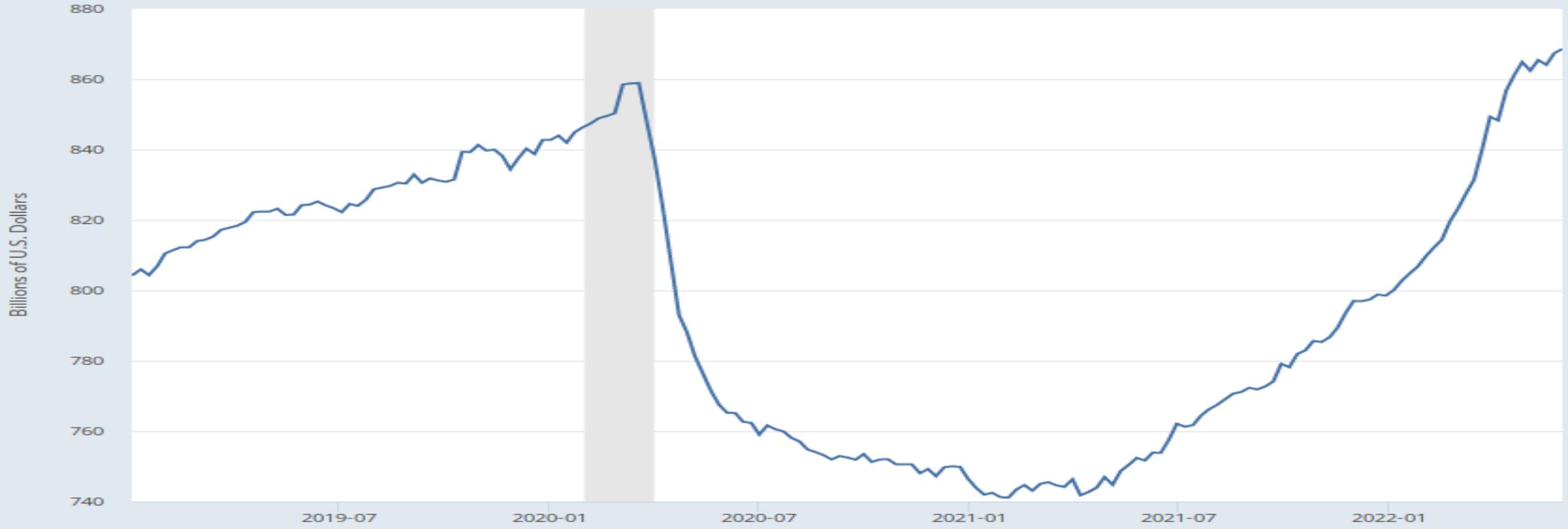
Source: U.S. Bureau of Economic Analysis

[myf.fred/g/TJFs](https://myf.fred.stlouisfed.org/g/TJFs)

Credit Cards



— Consumer Loans: Credit Cards and Other Revolving Plans, All Commercial Banks



Source: Board of Governors of the Federal Reserve System (US)

myf.red/g/QCJo

Interest Rates

What Lies Ahead?

Federal will continue raise rates until something breaks

- **Will it be inflation?**
- **Will it be the economy?**

Impact on Consumer

Higher Borrowing Cost Will Slow Consumer Spending

- Mortgage Rates
- Credit Cards
- Student Loans
- Car Loans

Impact on Businesses

Higher Borrowing Costs Will Slow Business Expansion

- **Operating lines will rise with Fed Funds**
 - **Prime: 6.5% - 7.0%**
- **Term rates will be volatile within a range**
 - **10 Year Treasury: 3.50% - 4.50%**

Commercial Real Estate

Things to Consider

- **Fundamentals matter again**
- **Idaho at risk due to housing affordability**
- **Resolution on the “new normal” business model needed**
- **“Just In Case” inventory management**
- **Multi-family should remain in demand**

Conclusions

- **Economy is heading for a recession by end of 2023 if the Federal Reserve continues on its current course of action.**
- **Recessions are a natural cleansing process for the economy.**

What Should You Do?

- **Focus on your business and clients, not on the media**
- **Ensure your economic disaster recovery plan is ready**
- **Don't create a self-fulfilling prophecy**
- **Be ready to look for opportunities**