

STRONG HEADWINDS SLOWING GOOD MOMENTUM (AND HIGH INFLATION)

OUTLOOK 2022-23 & BEYOND

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*Peering into the future before
it becomes present*

Inflation:

- **Supply shock**
 - Global supply chains
 - Labor shortages
 - Services capacity
- **Demand (Fed is slowing)**
 - Low interest rates/ high asset values
 - High housing demand
 - Government deficit spending and high levels of HH savings
- **Government**
 - Regulation & laws
 - Sanctions & Tariffs
- **Risk of inflation expectations**

Employment

- Labor force participation
 - Boomers down 2 million
 - Immigration barriers
 - Criminal justice
- Great resignation
 - Asset prices
 - Age & lifecycle
 - Improved healthcare access
- Great reprioritization
 - Retraining & education
 - Family and health
 - From services to products
- Drugs, alcohol & addiction

Where's the national economy?



The Great Disequilibrium – 2022 - 2032

- Generational shifts and aging populations in more developed world, younger in less developed work
 - Intergenerational wealth transfer
 - Post peak earning/productivity (Boomers) growing earnings/productivity (all others)
- Growing societal and workplace diversity threatens the status quo
- Technology
 - Information (AI, autonomous, big data, Cybersecurity)
 - Biotech (gene editing, new materials, microbiomes, MRNA, health monitoring, alt-proteins)
- Wellbeing
 - Housing cost
 - Infrastructure reliability & safety
 - Health (obesity, mental, viruses, drug & alcohol abuse)
 - Safety in in public settings and at home
- Climate Change
 - Rising seas, extreme weather, biodiversity & ecosystem crises, increased average temperatures
- Overpopulation
 - Water and food shortages
 - Mass migration pressures
- Escalating political volatility
 - Internal in democracies
 - External in authoritarian regimes
- Global Trade Cycle
 - China sentiment
 - Strategic metals, manufacturing, and information systems
- Pandemic aftermath

Heightened disequilibria increases turbulence - conflict due to challenges and potential collaboration due to opportunities



Bottom Line

Long-Term (3-7 yrs)

- Good momentum due to technology, need for public investment, millennial generation, reassessment of defense strategies
- Potential stagnation due to high federal debt service, transfers reduction, and higher taxes
- Continued inflation (2%-4%) due to persistent labor shortages, healthcare costs, decreased global trade, housing demand
- Possible asset price stagnation

Short-Term (0-2 yrs)

- RECESSION 25% chance of no recession, 50% soft landing, 25% hard landing.
- Greater volatility
- Inflation setting in at 3% to 4%. Labor force participation increasing 0.5%, housing and asset prices leveling
- Low unemployment rate



Challenges at the Community Level

- Workforce Availability
 - Right skills, work ethic
 - New approaches to staffing – there's an app for that
 - Mental health and substance abuse use treatment
 - Lack of key trades to replace retirees
 - Lack of public transport and affordable childcare
- Across the board inflation
 - Gas, housing, groceries, autos, Pandemic shift from services. Especially hard on renters and Millennials who are acquiring housing at rapidly rising rates and commuting.
- Stress on healthcare systems & services
- Crime
- Housing shortage
 - Demographic demand (2nd homes, new HH formation, retirees in big houses)
 - Lot shortage (land use regulations, water & utility availability, land supply and cost)
 - Building codes and construction defects litigation
 - Exclusionary zoning prohibiting higher densities
- The need for Broadband (Synchronous 100/100 internet), especially in lower income and less dense areas



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