

Regional Economic Studies Institute

Economic Outlook FORUM Tuesday, November 14 9:00AM

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Regional Economic Studies Institute

Economic Outlook



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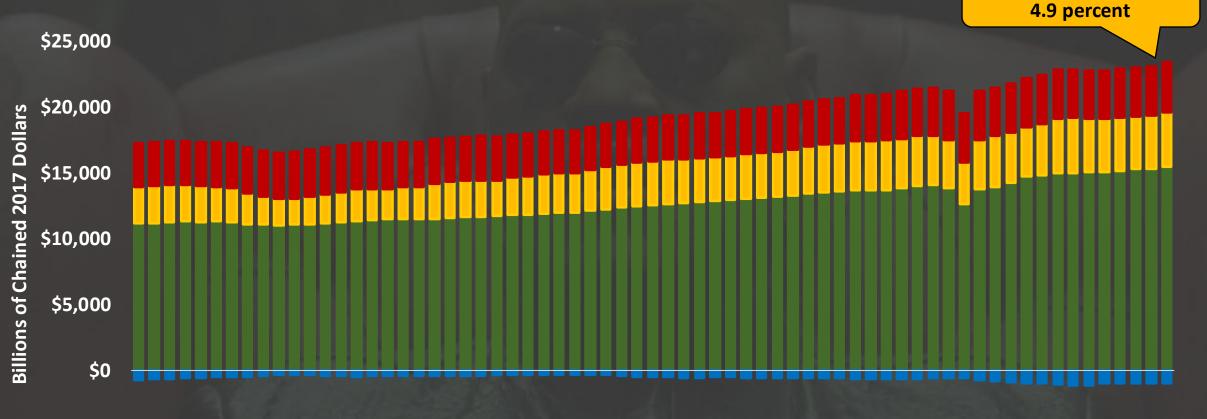
Towson University



THE ALECONDMY

"Remember, all I'm offering is the truth. Nothing more."

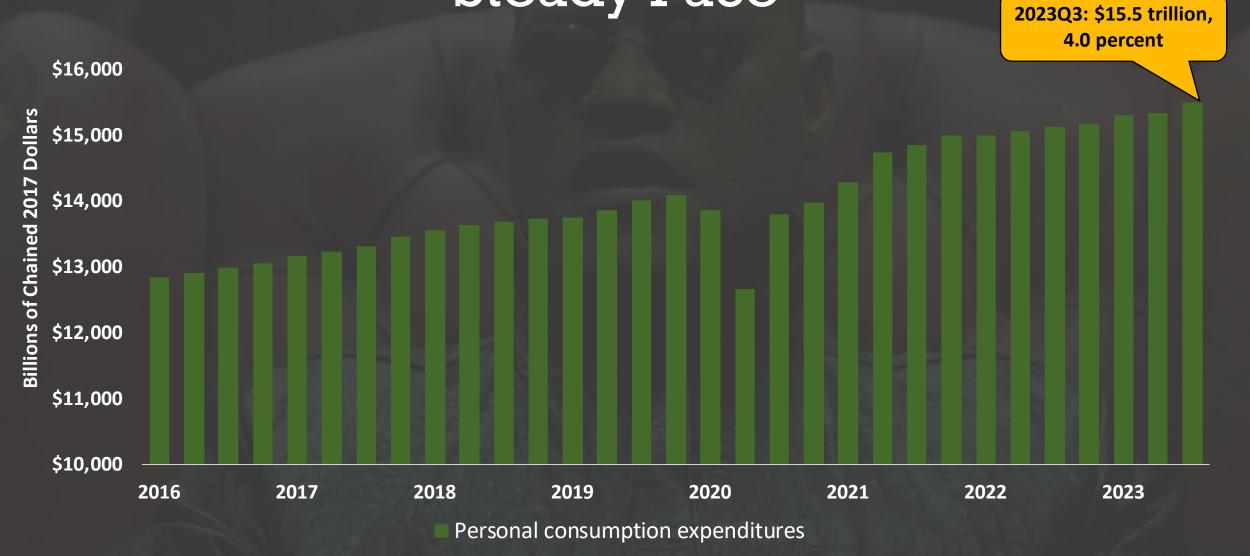
GDP Has Increased for Five Straight Quarters 2023Q3: \$22.5 trillion,



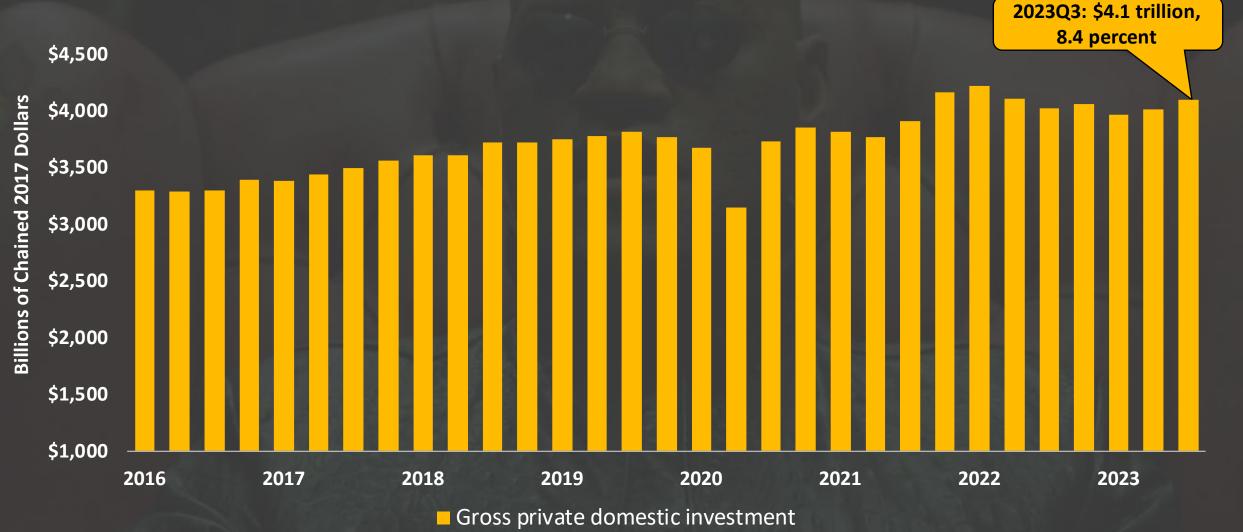
-\$5,000

Personal consumption expenditures Gross private domestic investment Net exports of goods and services Government consumption expenditures and gross investment

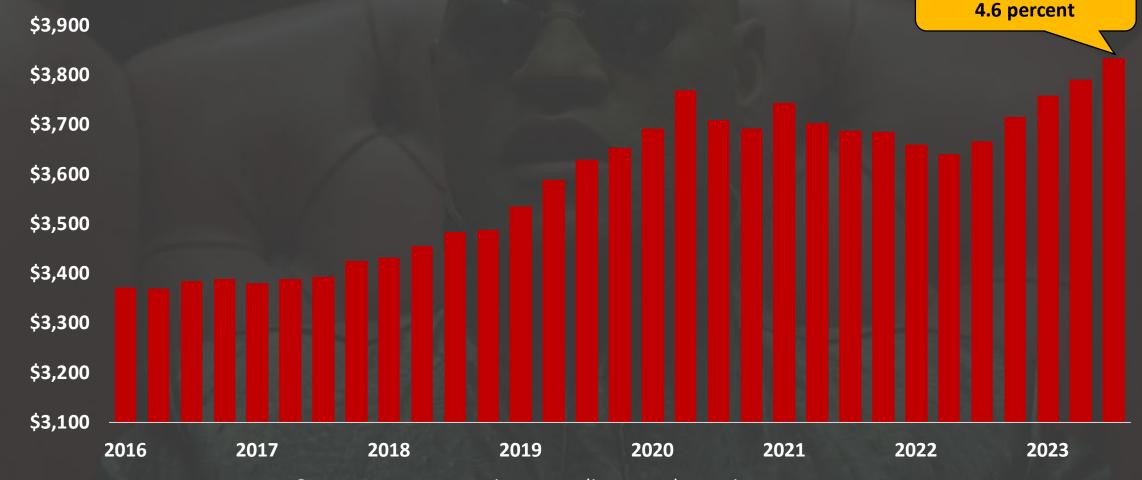
Consumption Continues to Climb at a Steady Pace



Investment Ticked Upwards in the Third Quarter of 2023



Government Spending Has Risen Sharply for Five Straight Quarters



Government consumption expenditures and gross investment

COVID-19 Stimulus Was Nearly 3x the Size of the Great Recession Stimulus as a Percentage of Annual GDP

20.0%

30.0%

25.0%

15.0%

10.0%

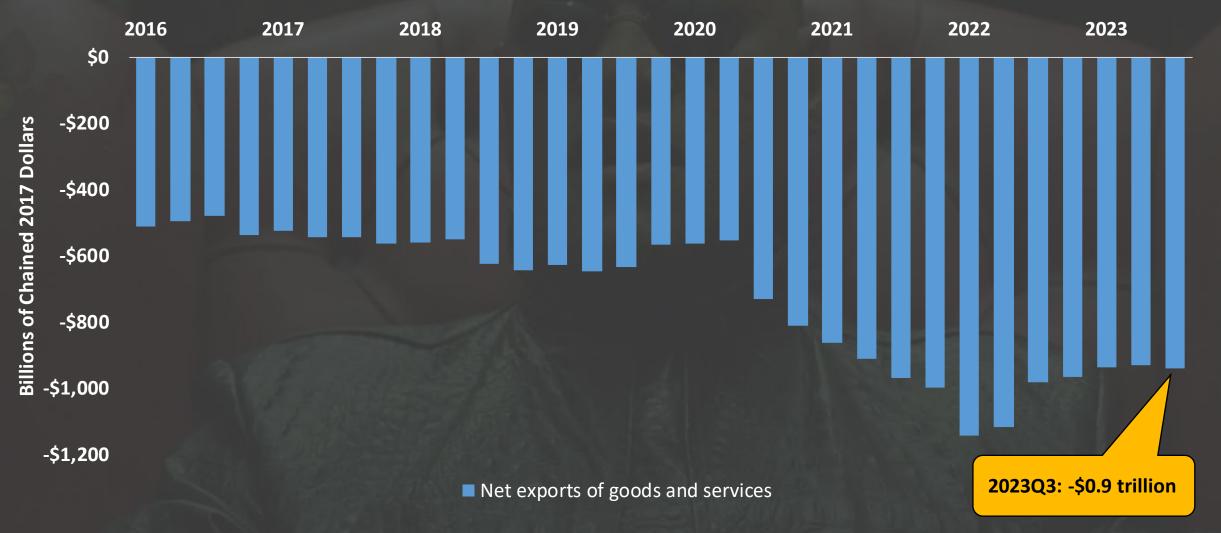
5.0%

0.0%

Great Recession (2008-2009)

COVID-19 Pandemic (2020-2021)

The Trade Deficit Increased Slightly in the Third Quarter of 2023

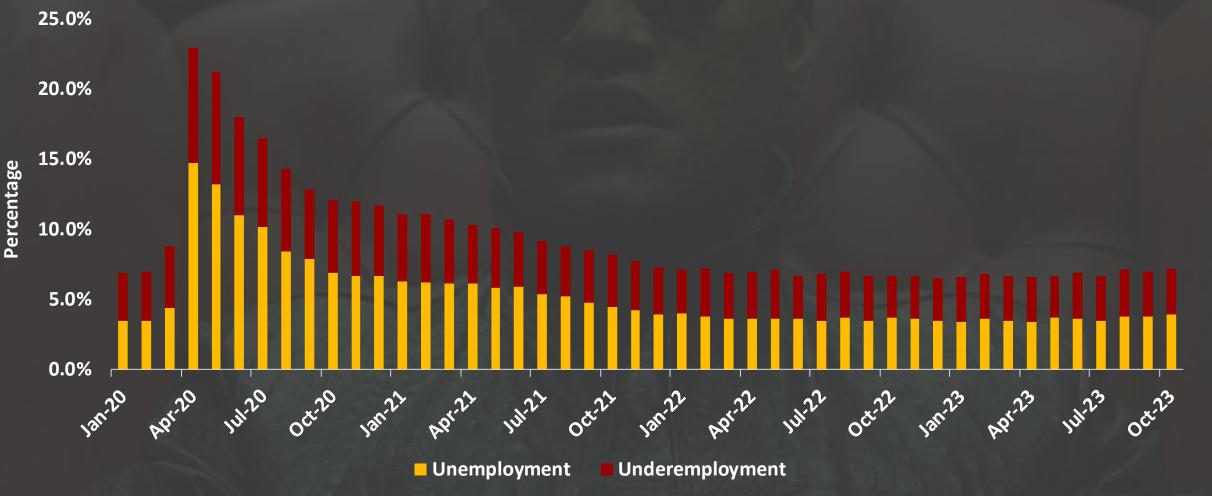


The War in Ukraine Continues to Affect the World Economy

- Production and shipping of major Ukrainian exports are disrupted, and economic sanctions against Russian remain in place.
- World economic growth was projected at 5.0% in 2022 prior to the invasion, fell to 3.1% by the end of the year.
- Growth was 2.2% worldwide in 2023, but only 0.3% across Europe.



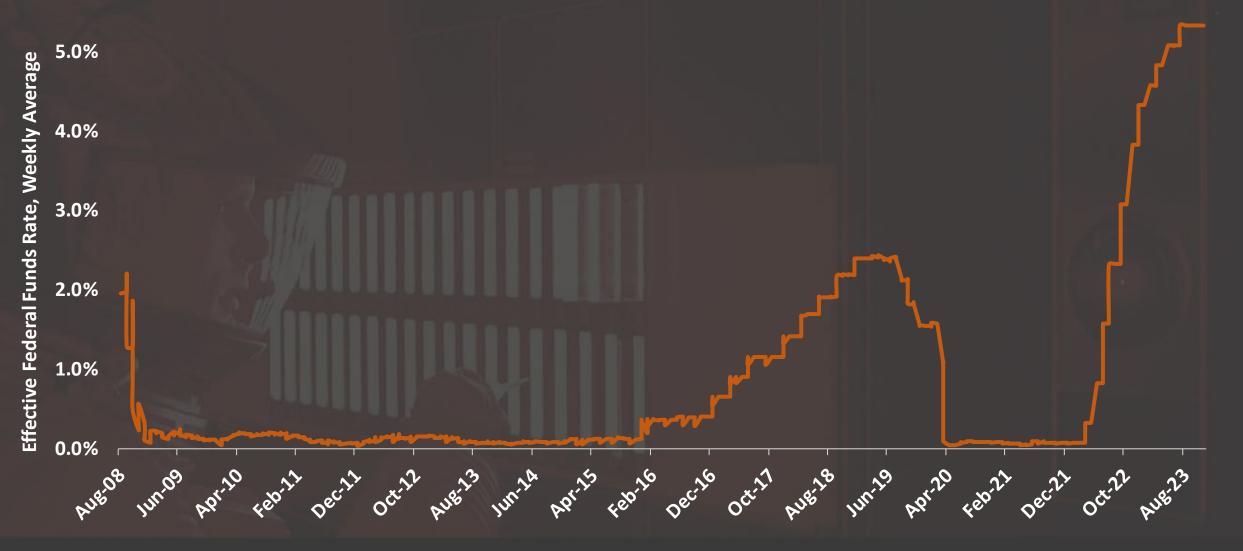
National Unemployment and Underemployment Are Stabilizing at Around Pre-Pandemic Levels



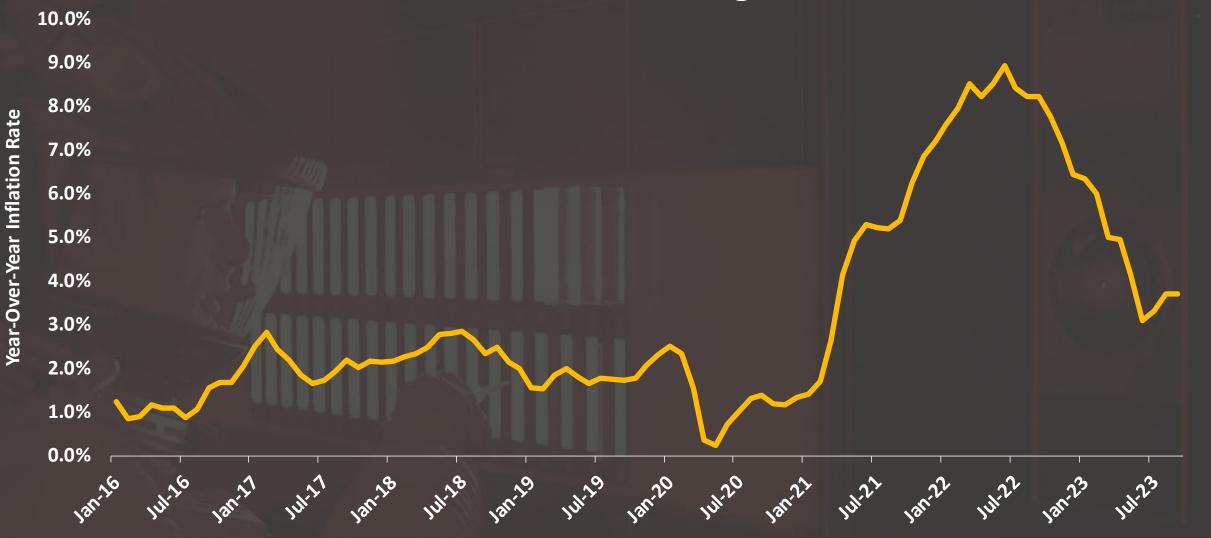
Source: U.S. Bureau of Labor Statistics

"I know I've made some very poor decisions recently, but I can give you my complete assurance that my work will be back to normal."

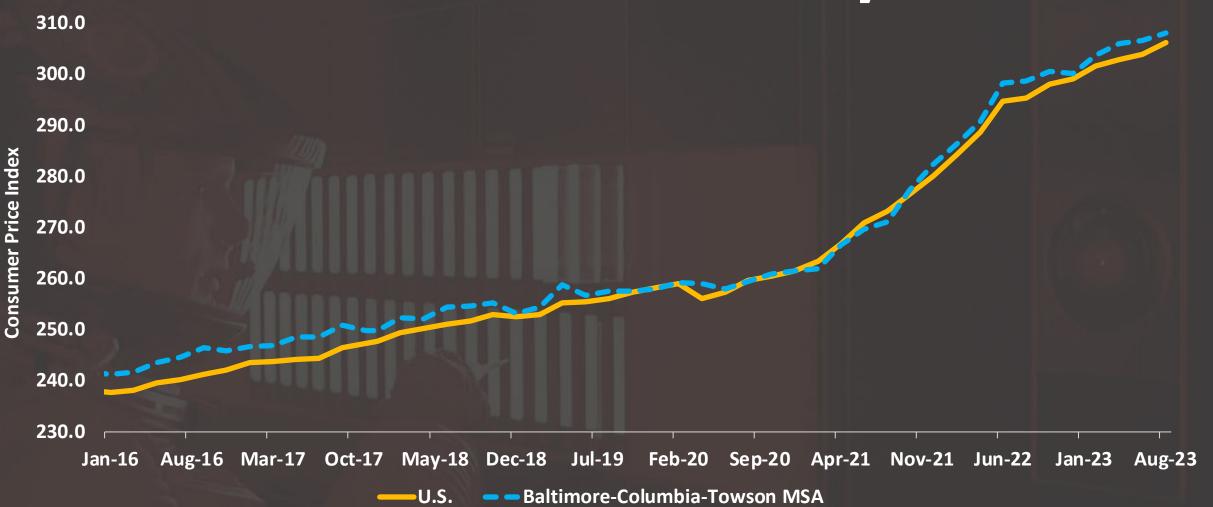
The Fed Continues to Raise Interest Rates to Fight Inflation



Year-Over-Year Inflation Has Come Down, but Not Enough

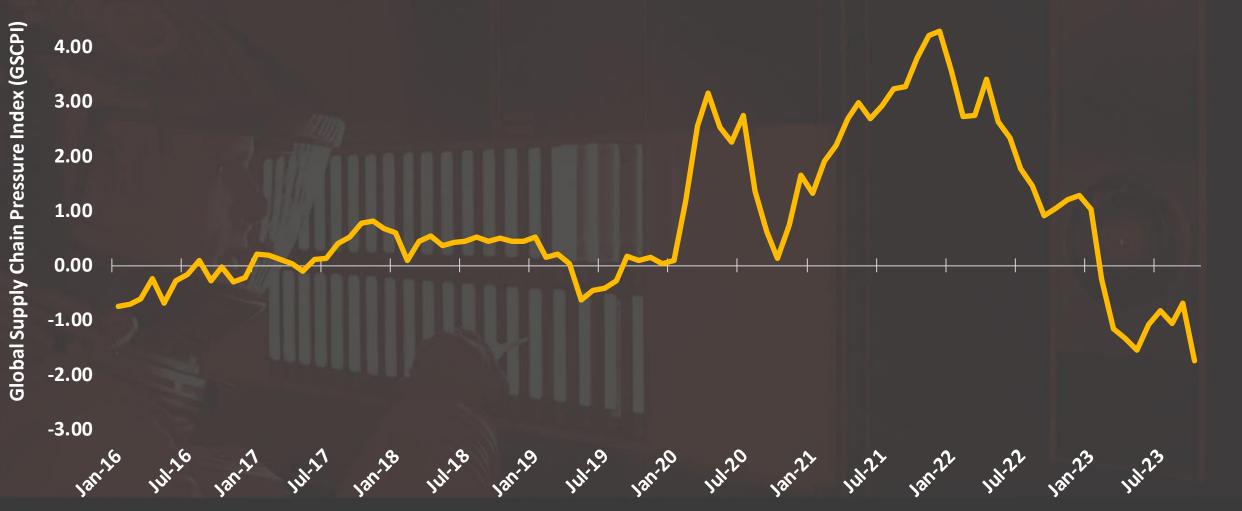


Consumer Prices Are Also Increasing at a Slower Pace Locally



Global Supply Chain Pressures Have Dropped Sharply in 2023

5.00



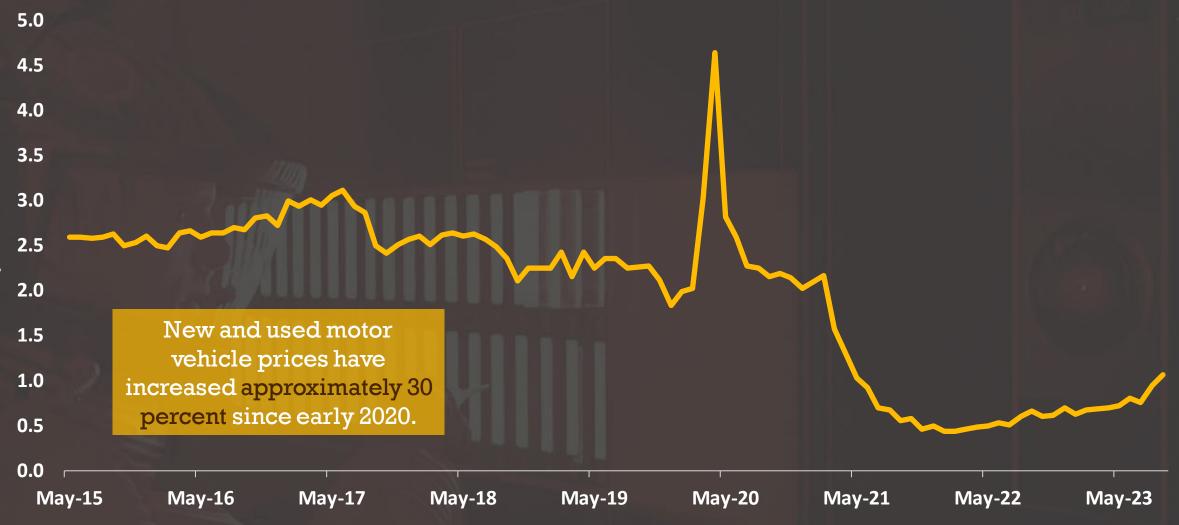
Source: Federal Reserve Bank of New York

Gasoline Prices Declined After Peaking in 2022



Source: Federal Reserve Economic Data

Inventory for Cars Is Low but Improving



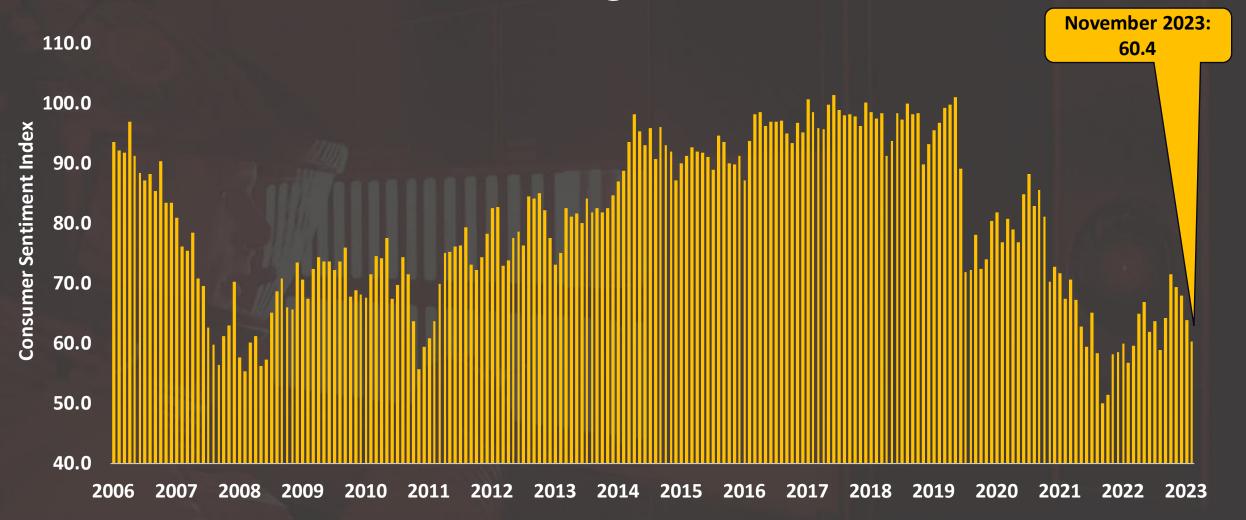
Source: Federal Reserve Economic Data

Consumer Debt Dropped in 2020 but Has Climbed Since



Source: Federal Reserve Economic Data

Consumer Sentiment Has Declined for Four Straight Months



Source: University of Michigan

"Hope, It is the quintessential human delusion, simultaneously the source of your greatest strength, and your greatest weakness."

Mortgage Rates Dropped After an October High, but are Rising Again

Oct-21

Feb-22

Jun-22

Oct-22

Feb-23

Jun-23

1.0

0.0

Feb-20

Jun-20

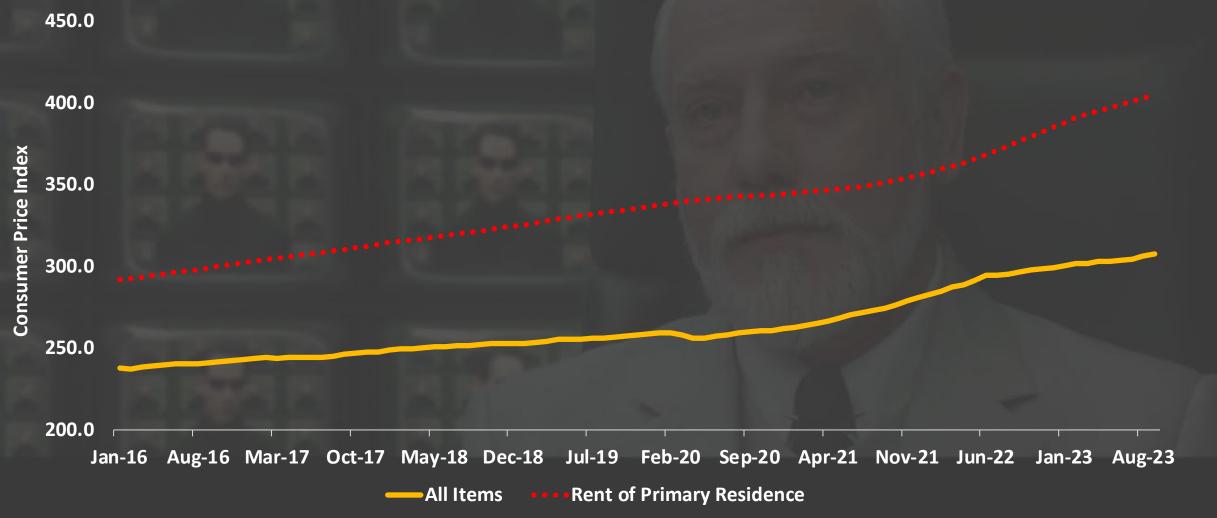
Oct-20

Feb-21

Jun-21

Oct-23

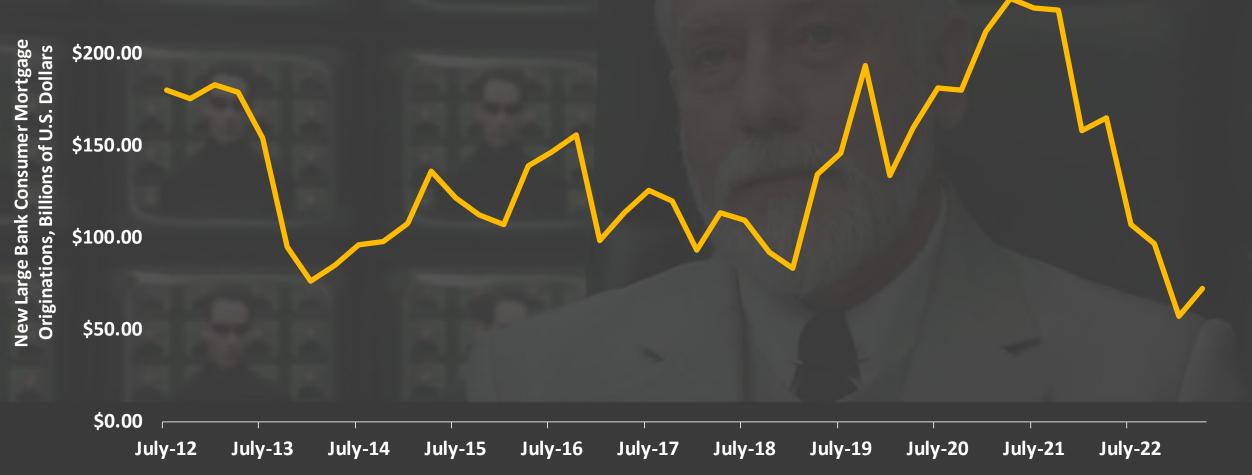
The Price of Rent Rises Faster Than Overall Inflation in U.S. Cities



Source: Bureau of Labor Statistics

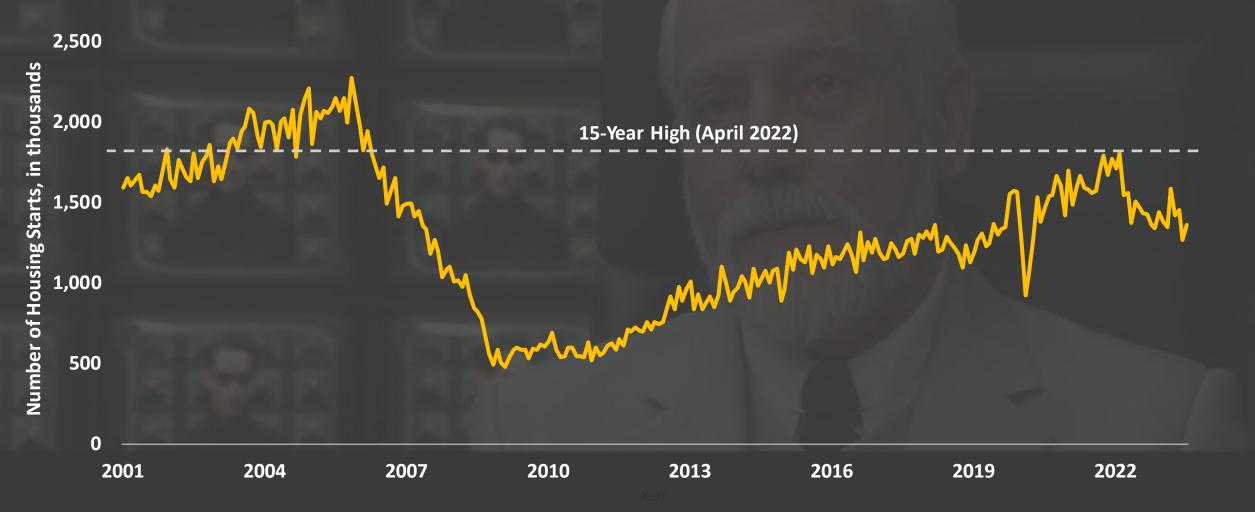
Mortgage Originations Have Dropped After Peaking in 2021

\$250.00



Source: Federal Reserve Bank of Philadelphia

Housing Starts Have Declined After Hitting a 15-Year High in April 2022

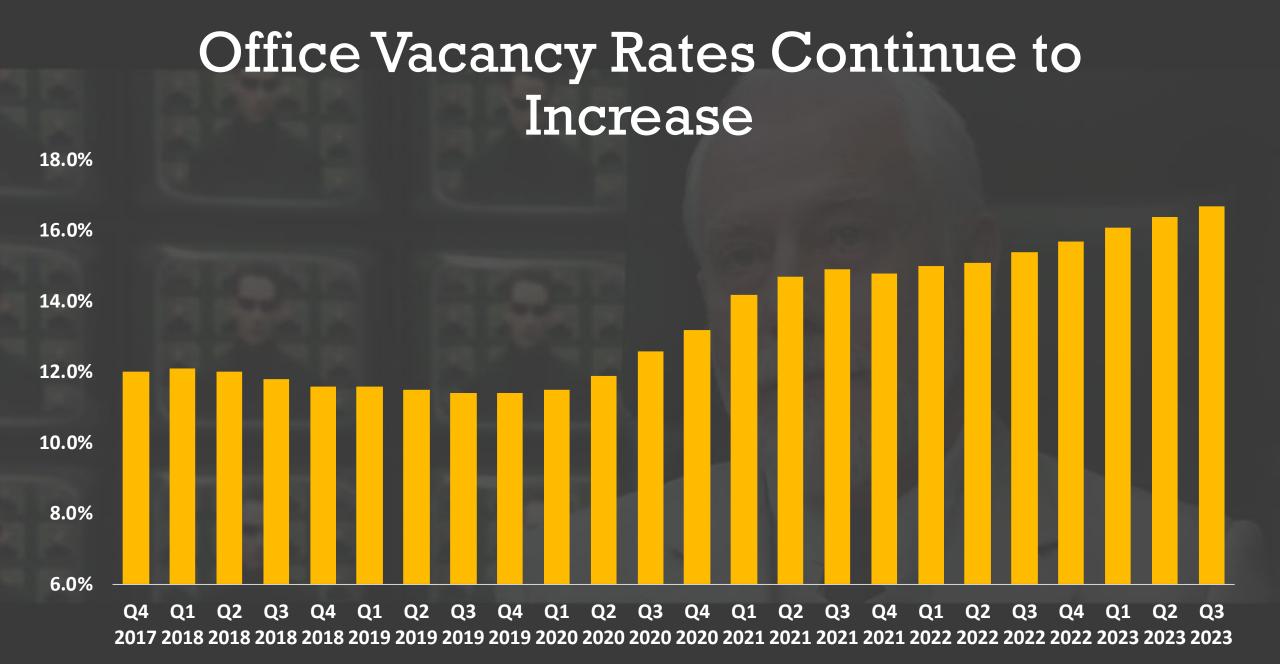


Source: FRED, U.S. Census Bureau

The U.S. is Currently Short up to 6 Million Homes

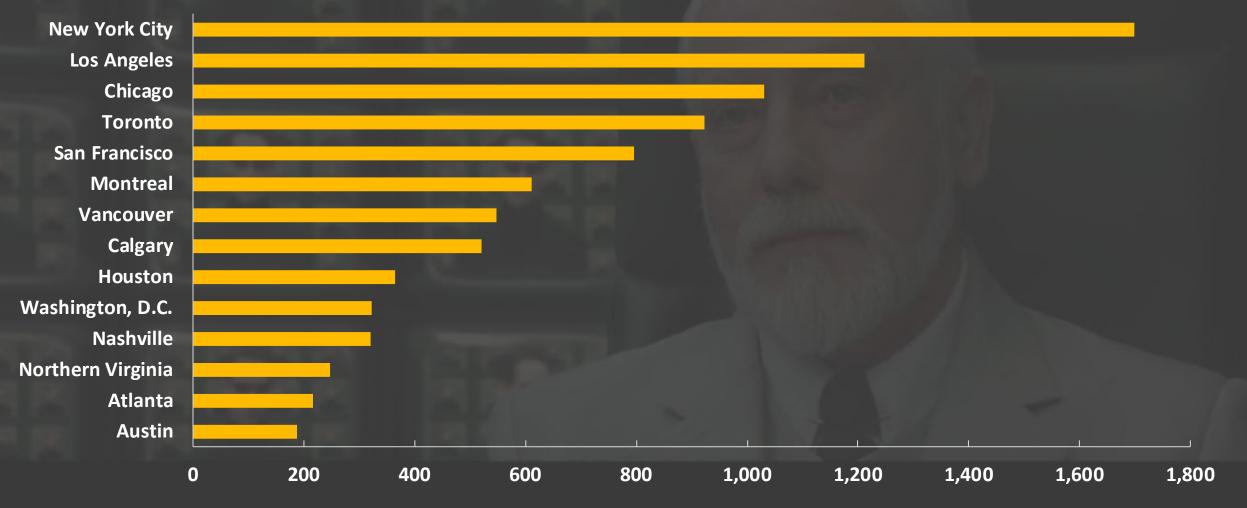
- According to various estimates, the United States is short anywhere between 2 and 6 million homes.
- This not only drives up home prices and rental rates – it can exacerbate inequality and contribute to climate change through increased use of cars.





Source: Statista; Colliers International

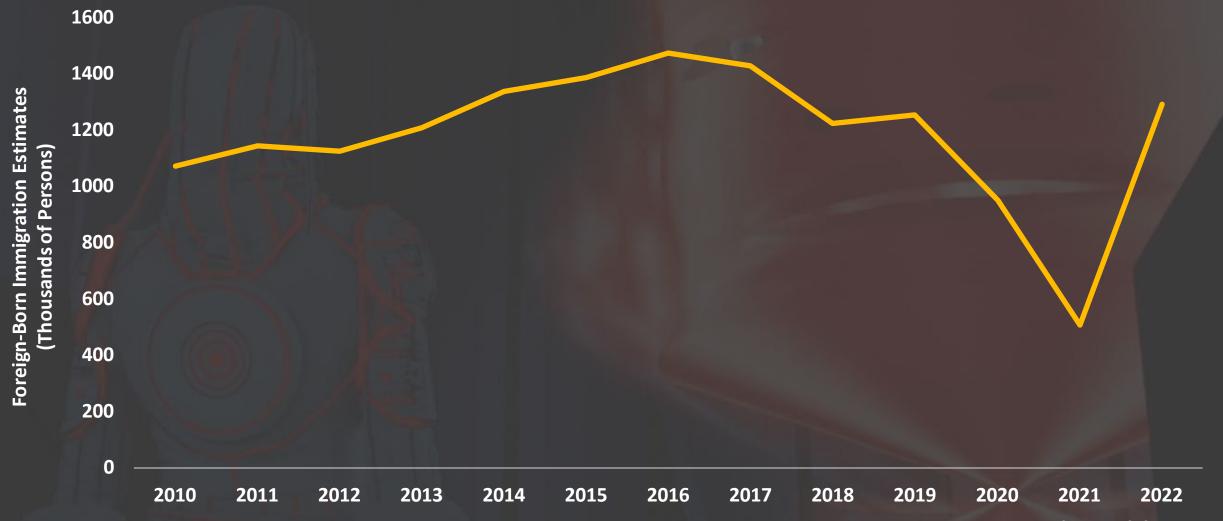
Offices Across North American Could be Repurposed into Residential Housing



Estimated Number of Conversion Candidates

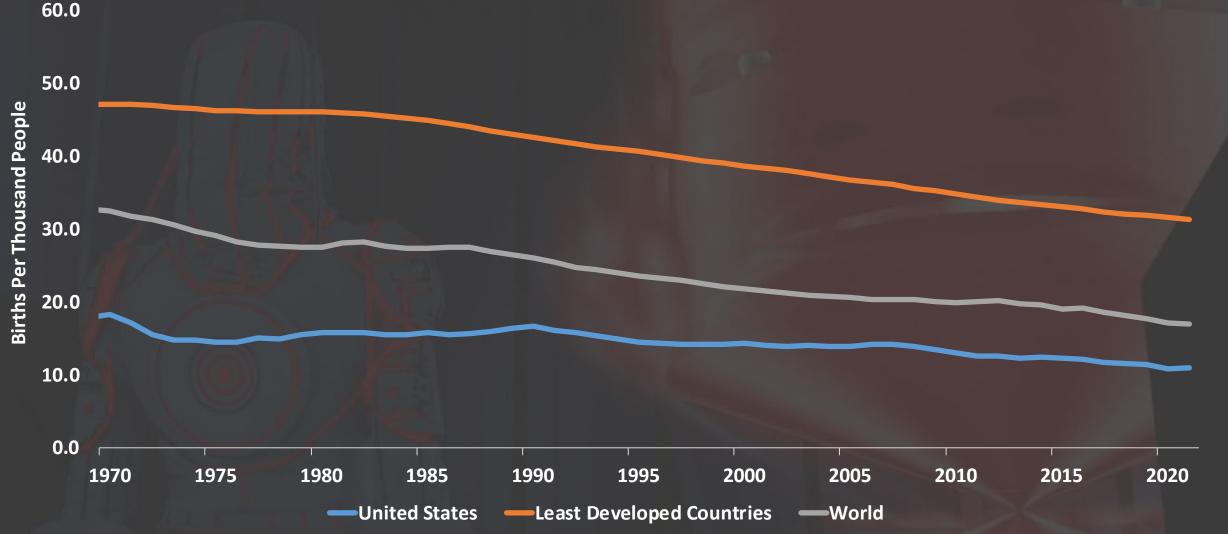
"With the information I can access, I can run things 900 to 1,200 times better than any human."

Immigration Plummeted During the Pandemic but is Bouncing Back



Source: U.S. Census Bureau

Birth Rates Are Dropping Across the World



Source: World Bank

National Net Migration Dropped During the Pandemic but is Bouncing Back



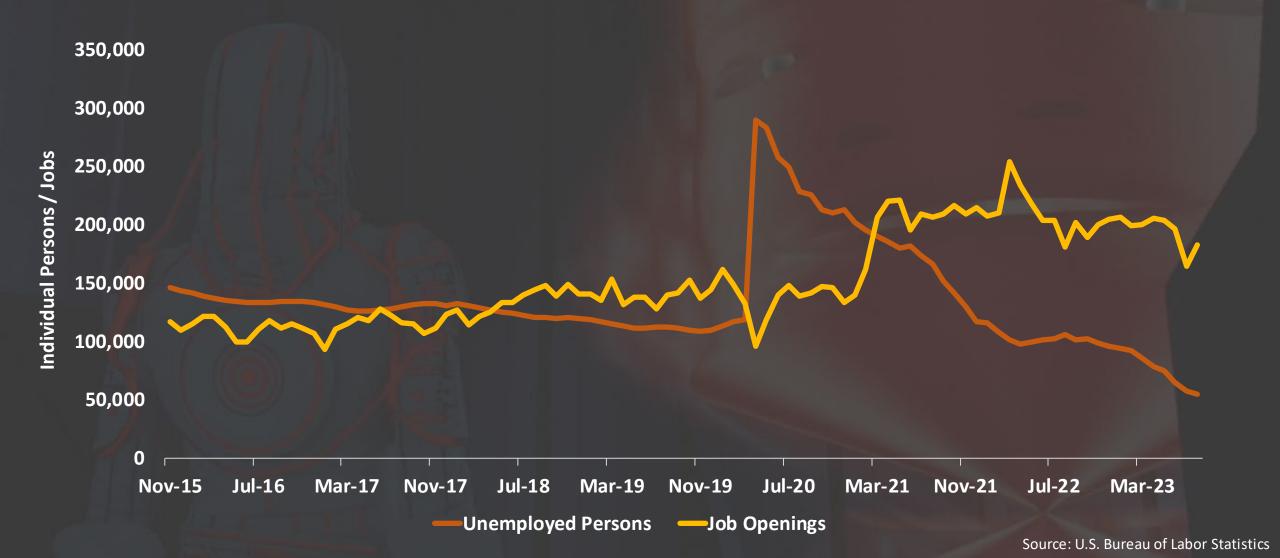
Source: U.S. Census Bureau

Job Openings Greatly Outnumber Persons Looking for Work in the U.S.

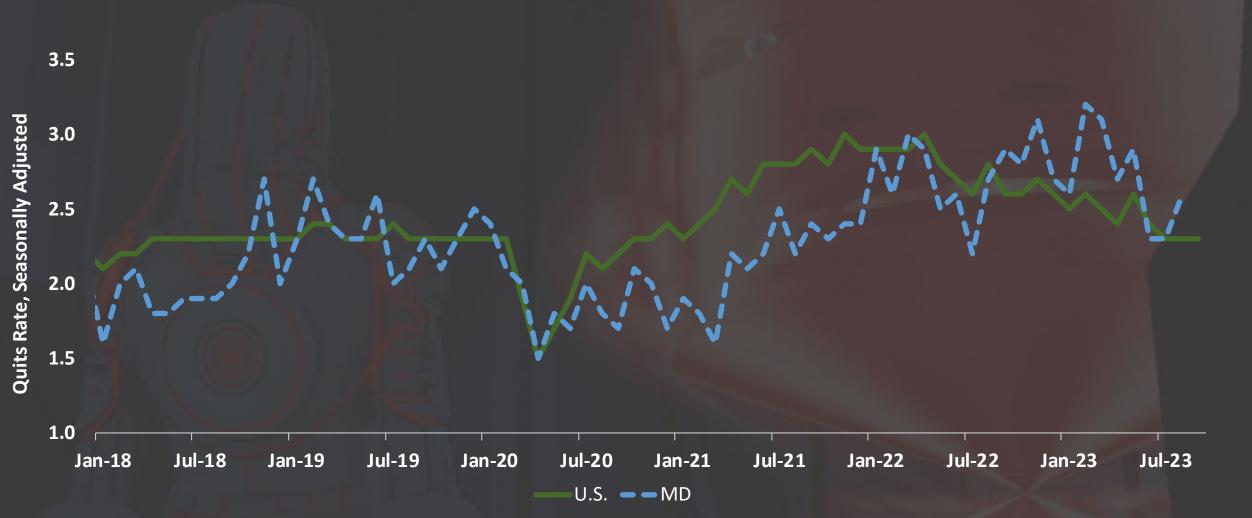


Source: U.S. Bureau of Labor Statistics

The Same is True for Jobs in Maryland



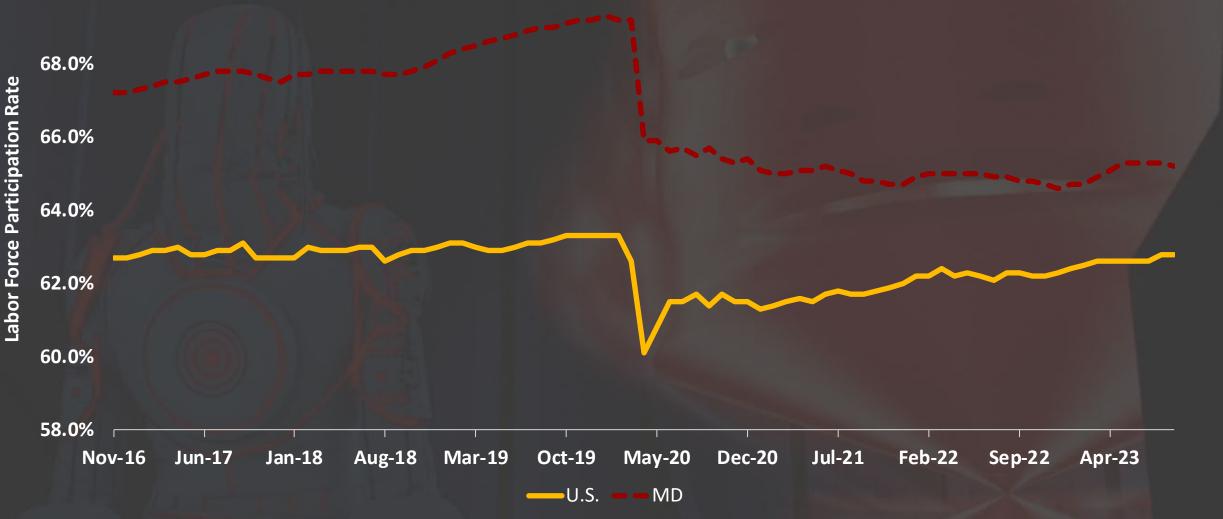
Quit Rates have slowed down



Source: U.S. Bureau of Labor Statistics

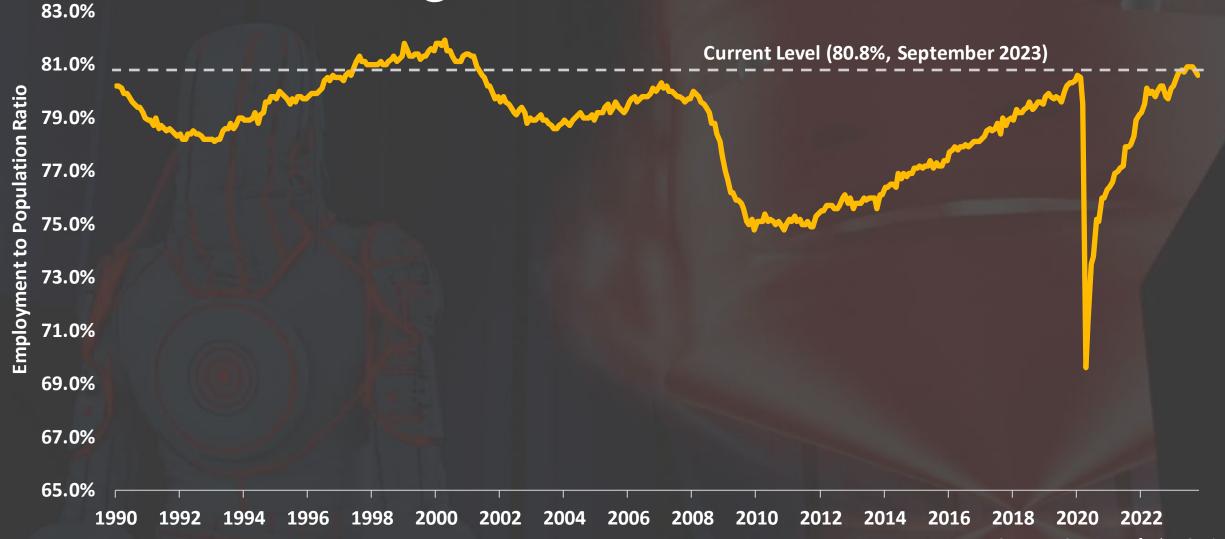
Labor Force Participation Overall is Lower Than Pre-Pandemic

70.0%



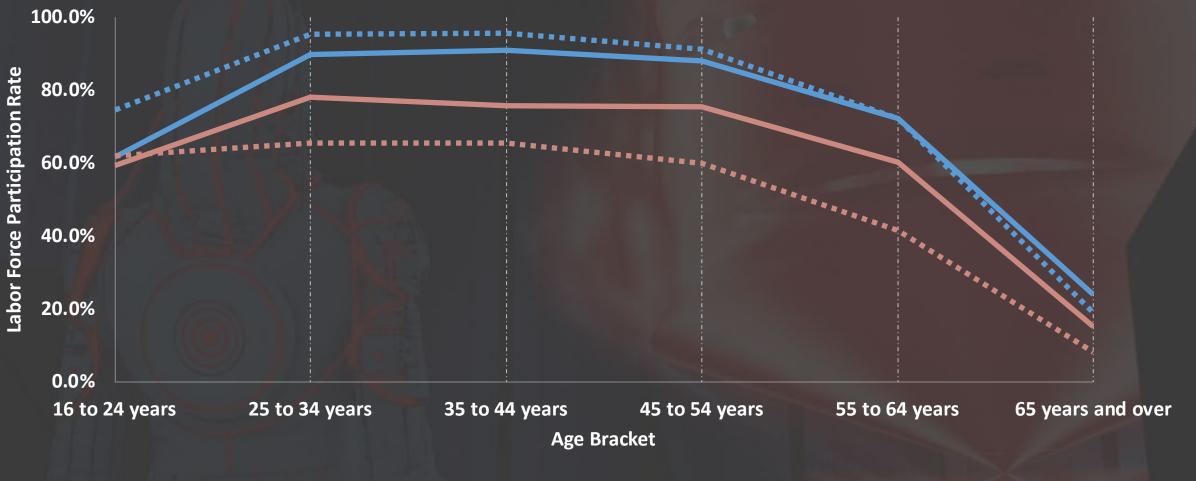
Source: U.S. Bureau of Labor Statistics

But "Prime-Age" Employment is the Highest Since 2001



Source: U.S. Bureau of Labor Statistics

Women Have Increased and Men Have Decreased Labor Force Participation Since 1980



---- Men 2022 ----- Women 2022 ---- Men 1980 ---- Women 1980

"The future has not been written. There is no fate but what we make for ourselves."

The Potential Effects of A.I. on GDP

- A report from McKinsey Global Institute estimates that generative A.I. could add \$4.4 trillion to the global economy annually.
- Up to 60 to 70 percent of workers' time could be saved through automation, improving productivity



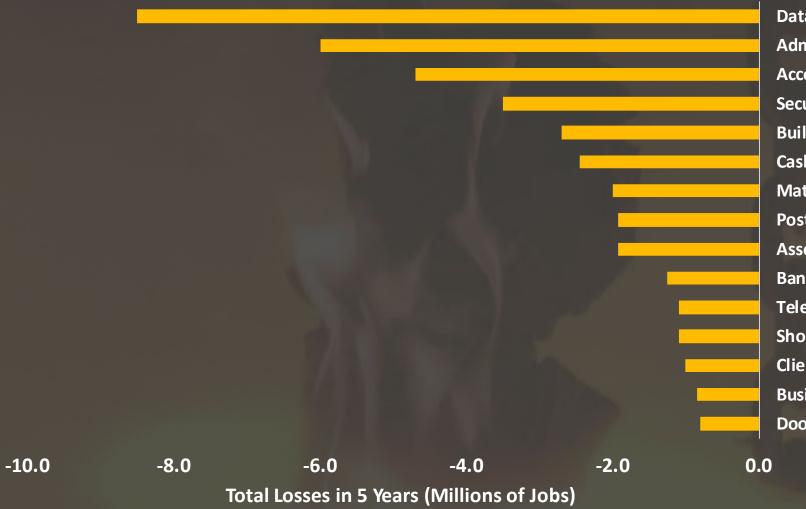
A.I. and Automation Will Displace Jobs but New Jobs Will Take Their Place

• The World Economic Forum's "Future of Jobs Report 2023" estimated that 83 million jobs are projected to be lost over the next 5 years.

• Over the same period, 69 million jobs are expected to be created.



Job Roles with the Largest Expected Losses

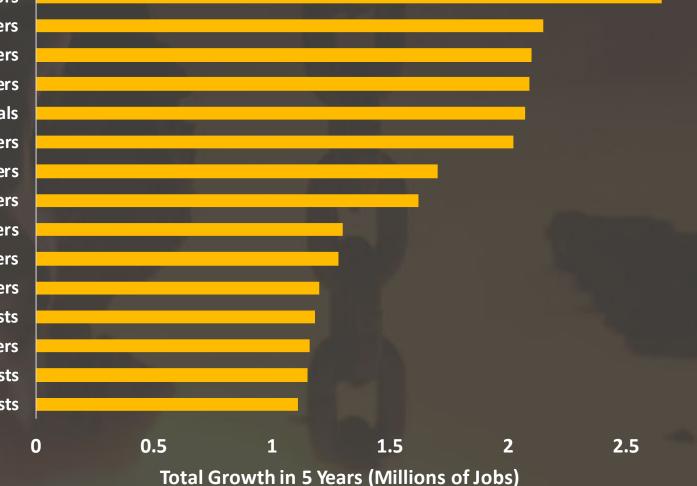


Data Entry Clerks Administrative and Executive Secretaries Accounting, Bookkeeping, and Payroll Clerks **Security Guards Building Caretakers and Housekeepers Cashiers and Ticket Clerks** Material-Recording and Stock-Keeping Clerks **Postal Service Clerks Assembly and Factory Workers Bank Tellers and Related Clerks** Telemarketers Shop Salespersons **Client Information and Customer Service Workers Business Services and Administration Managers** Door-to-Door Sales Workers, News and Street Vendors

Source: World Economic Forum

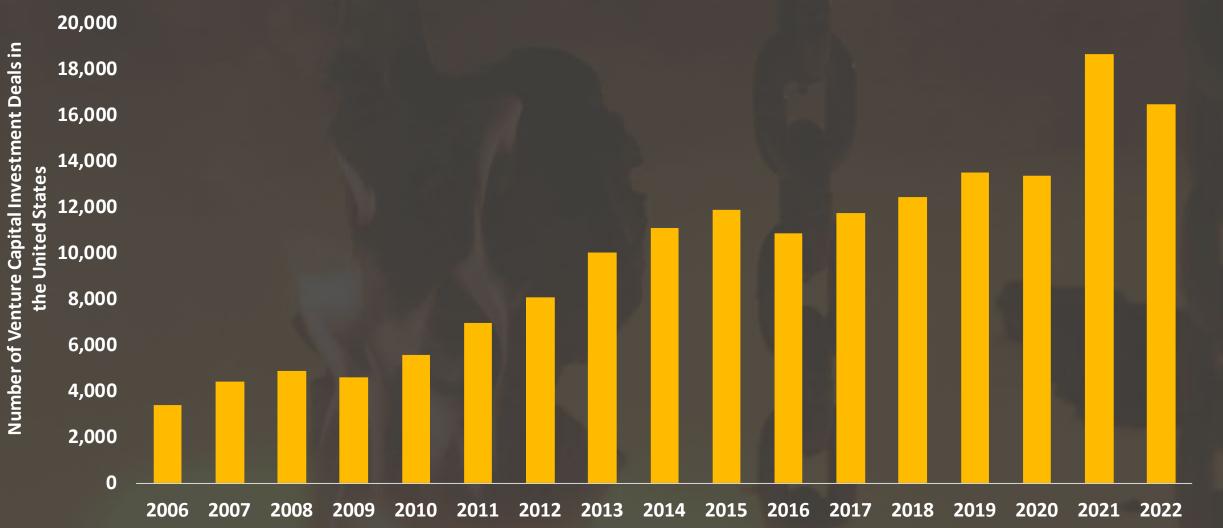
Job Roles with the Largest Expected Gains

Agricultural Equipment Operators Heavy Truck and Bus Drivers Vocational Education Teachers Mechanics and Machinery Repairers Business Development Professionals Building Frame and Related Trades Workers University and Higher Education Teachers Electrotechnology Engineers Sheet and Structural Metal Workers, Moulders and Welders **Special Education Teachers Light Truck or Delivery Services Drivers Digital Transformation Specialists Construction Laborers** Sustainability Specialists **Digital Marketing and Strategy Specialists**



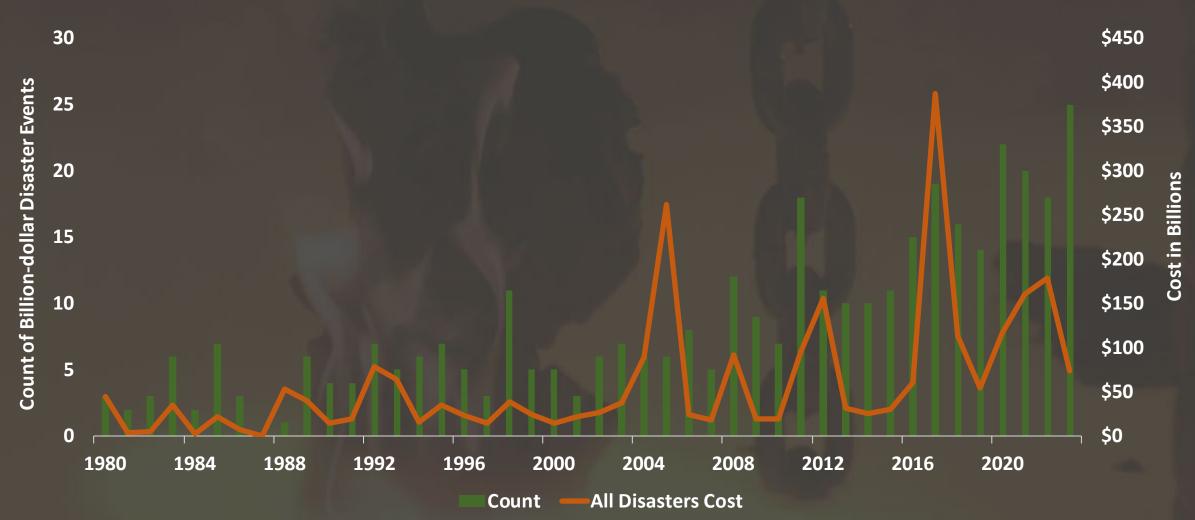
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Venture Capital Deals Decreased in 2022



Source: Pitchbook and Statista

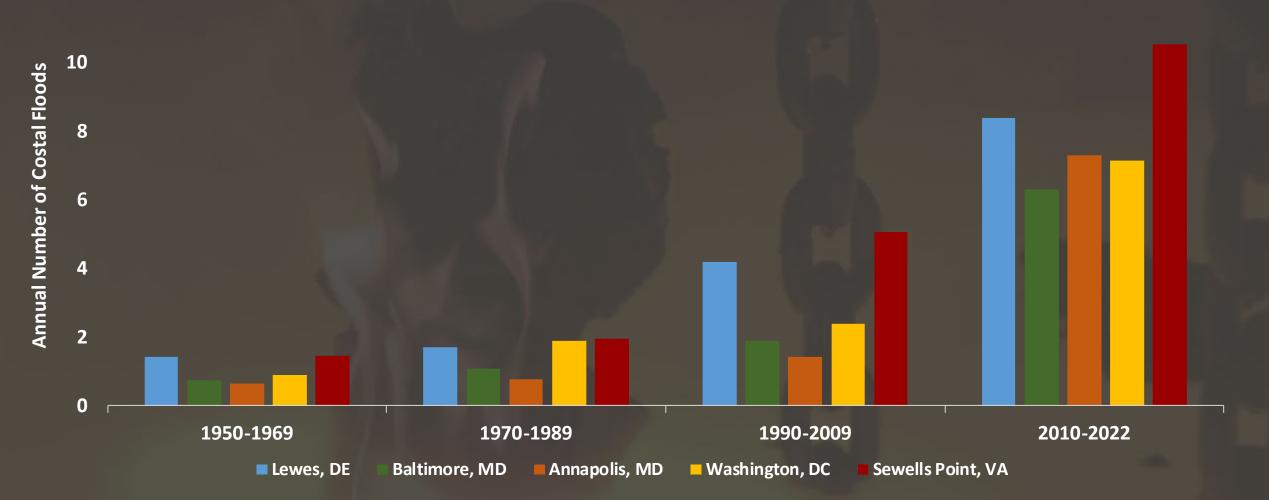
Billion-Dollar Disaster Events are Increasing in Frequency in the U.S.



Source: National Centers for Environmental Information

Coastal Flooding in our Region Has Become More Frequent

12



Source: Environmental Protection Agency

What the Future Holds

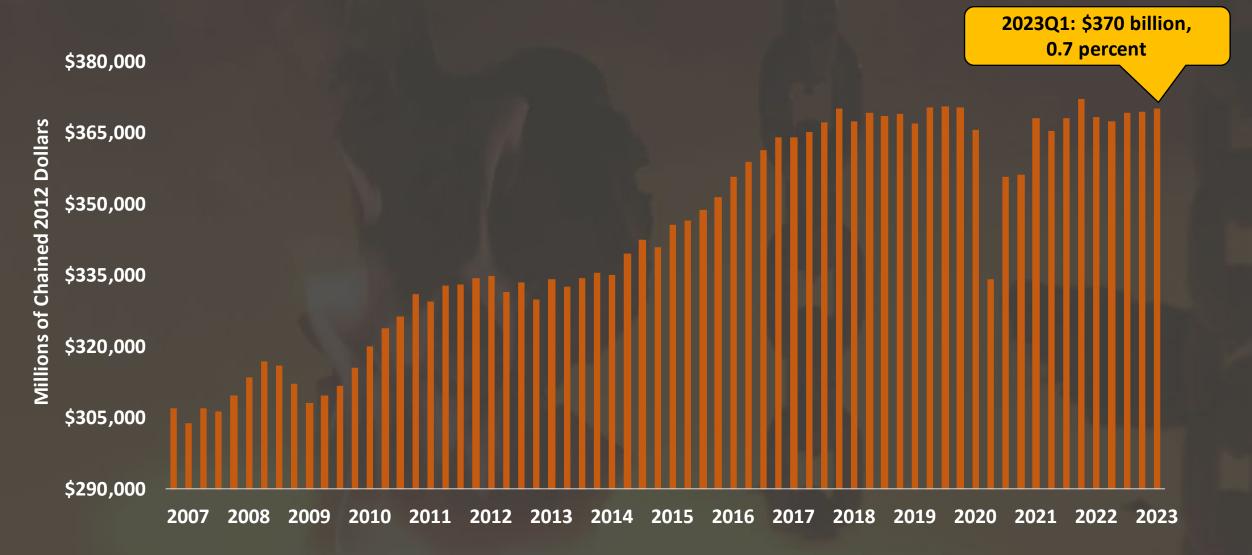
Headwinds

- Continuing War in Ukraine
- Terrorist Attack/Expanding regional conflict Mideast
- Slowing of World Economy
- Rising Interest Rates
- Inflation
- Volatility in Energy Markets
- Banking system
- Divided Congress
- Supply Chain Challenges
- Climate Change impacts-more frequent, more severe

TailwindsStrong Labor Markets

• Softening Home Prices

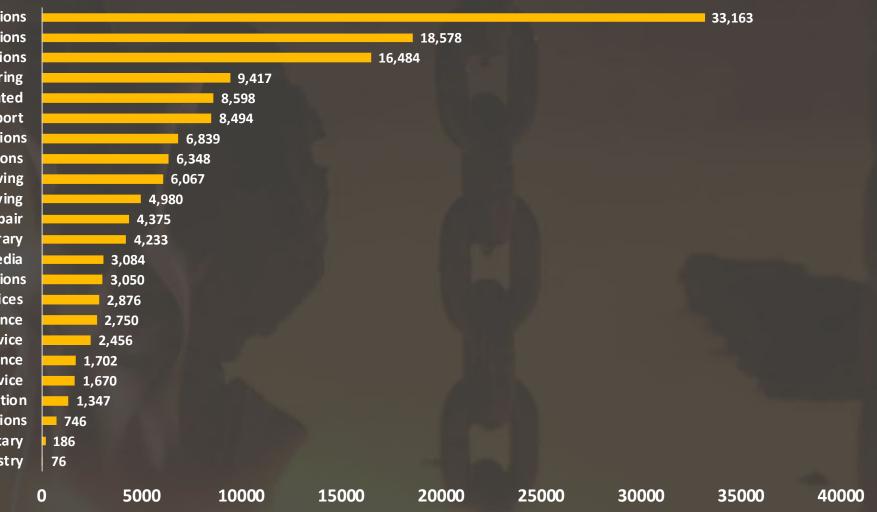
Maryland GDP Grew Slightly in 2023 Q1



Source: U.S. Bureau of Economic Analysis

Healthcare, Computer, and Management Occupations Dominate Openings in Maryland

Healthcare Practitioners and Technical Occupations **Computer and Mathematical Occupations Management Occupations** Architecture and Engineering Sales and Related Office and Administrative Support **Healthcare Support Occupations Business and Financial Operations Food Preparation and Serving Transportation and Material Moving** Installation, Maintenance, and Repair Education, Training, and Library Arts, Design, Entertainment, Sports, and Media **Production Occupations Community and Social Services** Life, Physical, and Social Science **Protective Service Building & Grounds Cleaning & Maintenance Personal Care and Service Construction and Extraction** Legal Occupations Military Farming, Fishing, and Forestry



Government and Healthcare Jobs Have the Largest Current Maryland Employment

Government	534.0
Health Care and Social Assistance	376.7
Professional, Scientific, and Technical Services	279.6
Retail Trade	263.6
Accommodation and Food Services	215.1
Mining, Logging, and Construction	168.9
Administrative and Support and Waste Management and Remediation Services	167.7
Financial Activities	133.5
Transportation and Utilities	119.1
Other Services	110.7
Finance and Insurance	90.0
Educational Services	89.5
Wholesale Trade	88.7
Durable Goods	59.8
Non-Durable Goods	49.7
Arts, Entertainment, and Recreation	44.3
Real Estate and Rental and Leasing	43.5
Management of Companies and Enterprises	29.1

Maryland's Economy

- Strong possibility of slowing down as world and national economies impact MD's economy
- Uncertainty around Federal budget
- MD Structural Deficit
- Population decline
- Affordability
- Banking
- Labor shortages continue to plague hospitality and eating establishments in addition to IT, health and transportation



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