

Andy Fanter

Cyclcast Intericast - Forecasting
2022 Economic Outlook



 **PACIFIC LOGGING CONGRESS**

Key Points

- Economy: 2022 should be another good year for growth. Unemployment will be around 4%. Housing and retail sales will continue to be strong. Interest rates will remain near zero. The restaurant industry will continue to lose employees and locations to better paying jobs with regular hours.
- Housing: For most of the US it will remain strong with low inventory levels. Mortgage rates are low, builders are able to hire a few more people, and more space is needed for many families. Single family housing needs to average a million permits a year to keep up with population growth and natural disasters. The average from 2000 through 2020, 880k.
- The US needs 4 million more single family homes to meet current demand. Inventory level is 2.5 months, and normal is the 6 to 9 month range. The younger generations are ready to buy homes, and older generations reluctant to sell---build more homes.
- Nonresidential: The housing expansion will provide more growth in retail locations and warehouses. Sewer, water, and electric will continue to be good sectors as residential and nonresidential expand.
- Highway/Street: Housing and retail sales are helping states with tax base. The current forecast does not include a Federal infrastructure bill.



US ECONOMIC INDICATORS								
		PRODUCER	CONSUMER	Industrial			National	
	Fed Funds	PRICE	CORE PRICE	Production	MILLIONS	AUTOS	RETAIL	US
	Rate%	INDEX	Ex food, energy	%CHG	AUTOS	%CHG	SALES %CHG	GDP
16	0.39	-1.0%	1.8%	-2%	17.5	1%	4%	1.6%
17	1	3.2%	1.5%	2%	17.1	-2%	4%	2.3%
18	1.79	3.0%	1.9%	4%	17.2	1%	4%	2.5%
19	2.16	0.8%	1.6%	1%	16.9	-2%	3%	2.3%
20	0	-1.0%	1.4%	-7%	14.5	-14%	0%	-3.5%
21	0	7.0%	3.4%	6%	14.0	-3%	18%	6.0%
22	0	3.0%	2.6%	5%	17.0	21%	5%	5.0%



Notes on inflation, interest rates

- CORE inflation, excludes food and energy, most businesses use it for wage increases.
- Inflation declines as consumers travel, attend events, buy less physical goods.
- The reverse created inflation in 2020.
- The FED has talked raising short terms rates late 2022 or early 2023. I am thinking 2023.



Employment

- Current unemployment rate is 5%
- End of 2022 rate will be 3.5 to 4%.
- Mid tier chain restaurants and small, locally owned restaurants will struggle with retaining employees.
- Many people took early retirement.
- Rural areas have good people available, but with agriculture improving it might be difficult to relocate.

Supply Chain and Port Issues

- The US retail system works in 3 to 5% annual increases, currently US retail is up 20%ytd. This is equivalent to four years into one.
- Single family housing permits surge 14% in 2020, and 20%+ in 2021. Trucks moving machines, materials.
- People want everything delivered: Amazon goods, Doordash food, groceries.



US NATURAL GAS AND OIL								
	BCF US		Henry Hub	1000s barrels		WTI OIL	US	
	Natural Gas		Price AVG	US OIL		Price	Rig Count	
2016	32,650	-1%	\$2.52	3,250	-6%	\$43	510	-27%
2017	33,170	2%	\$2.99	3,400	5%	\$51	875	72%
2018	36,970	11%	\$3.17	3,995	18%	\$65	1,025	17%
2019	36,200	-2%	\$2.56	4,465	12%	\$57	945	-8%
2020	36,165	-0%	\$2.04	4,140	-7%	\$39	438	-54%
2021	37,287	3%	\$4.46	4,140	0%	\$70	475	8%
2022	38,500	3%	\$4.40	4,300	4%	\$75	590	24%

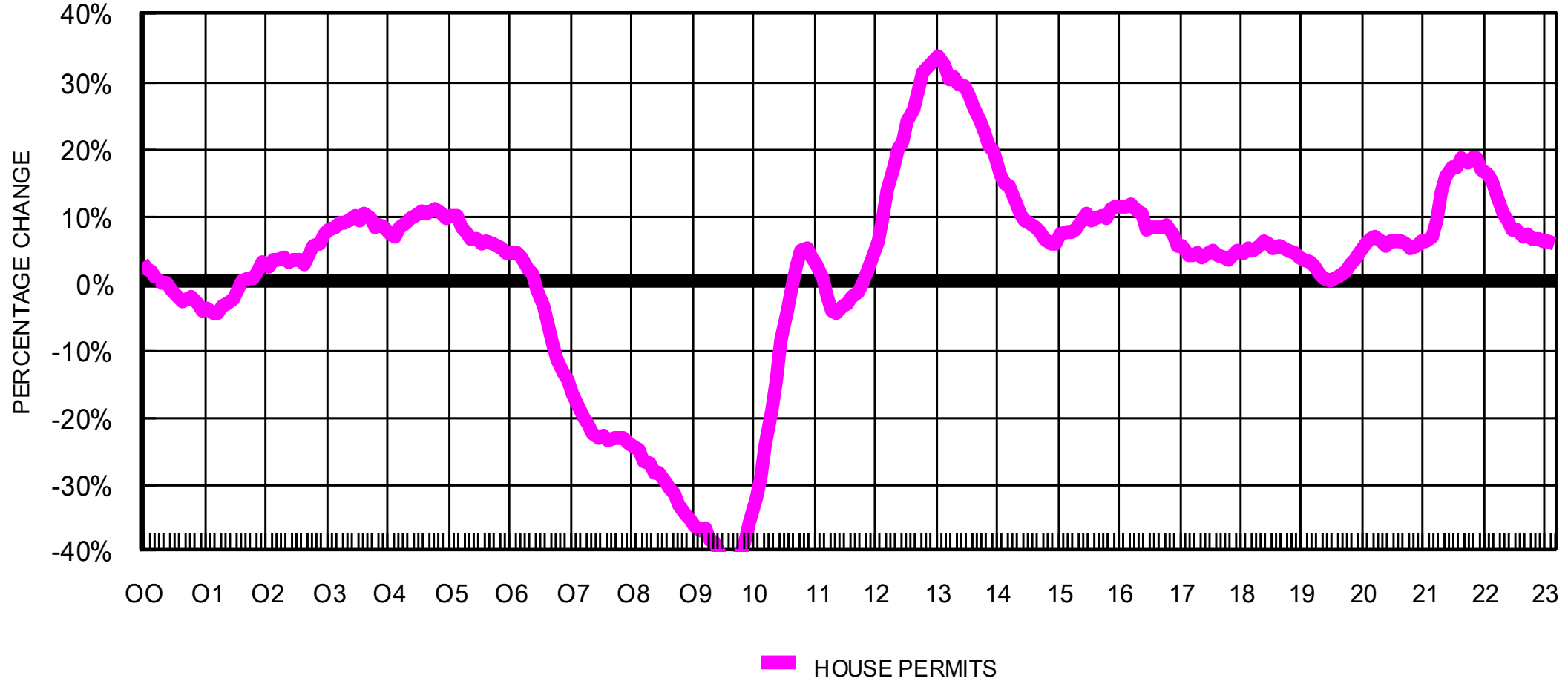


UNITED STATES CONSTRUCTION ACTIVITY							Nonresidential		Street, Highway, Bridge	
	TOTAL HOUSE		SINGLE FAMILY		MULTI FAMILY		Inflation adjusted		Inflation adjusted	
	PERMITS	% chg	PERMITS	% chg	PERMITS	% chg	MILLIONS \$	% chg	MILLIONS \$	% chg
16	1,225,421	5%	750,640	8%	474,781	1%	275,885	1%	74,035	8%
17	1,281,977	5%	819,624	9%	462,353	-3%	296,410	7%	76,735	4%
18	1,328,818	4%	855,220	4%	473,598	2%	330,255	11%	80,459	5%
19	1,386,048	4%	861,916	1%	524,132	11%	363,220	10%	83,020	3%
20	1,471,141	6%	979,221	14%	491,920	-6%	336,055	-7%	85,209	3%
21	1,719,098	17%	1,193,050	22%	526,048	7%	360,748	7%	90,543	6%
22	1,825,746	6%	1,289,020	8%	536,726	2%	400,204	11%	95,492	5%

Actual Data through September 2021, Andy Fanter cafanter@gmail.com



US HOUSE PERMITS



Housing Notes

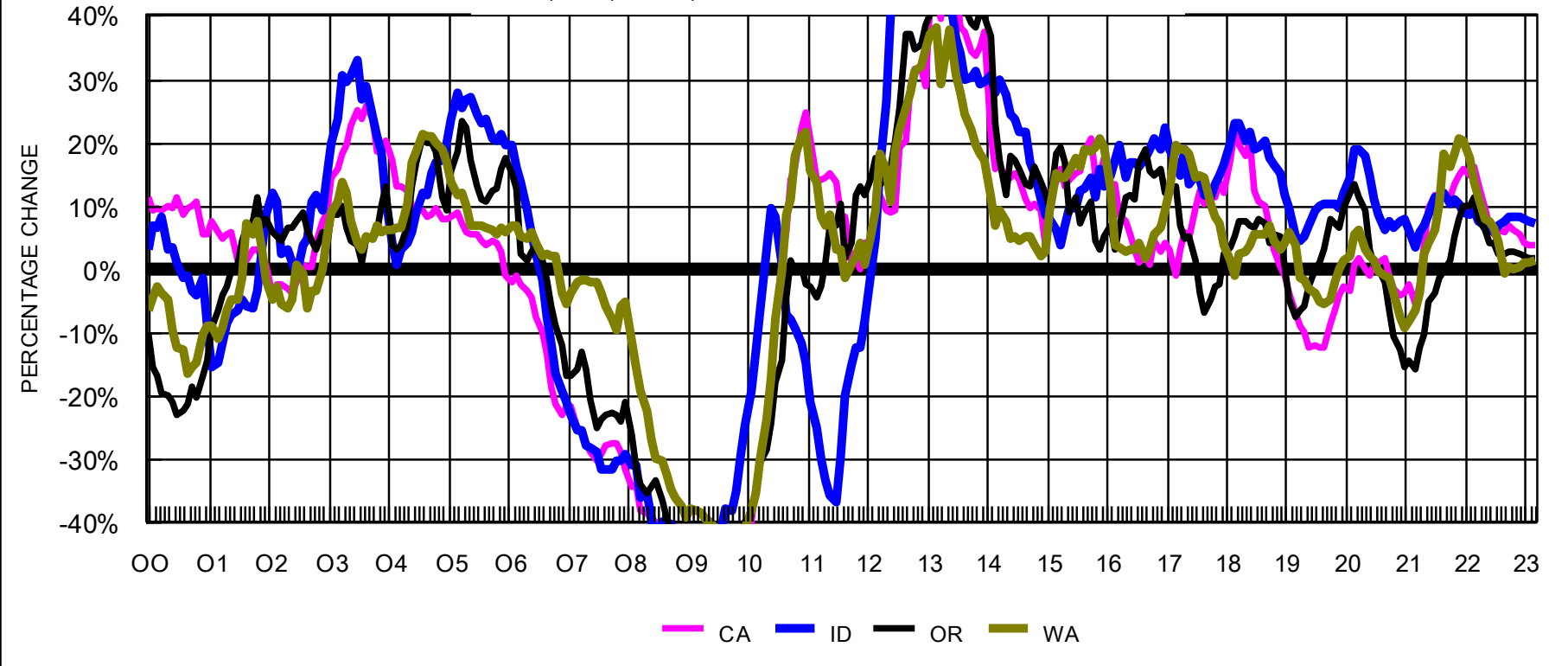
- Single family permits need to average a million per year for demographics, disasters.
- The average for the US 2000 through 2020, 880,000. A shortage of 2.5 million homes.
- Younger buyers have less concern on price, look at house as investment.
- Older generations are reluctant to sell and buy again. More inventory is needed.



	CALIFORNIA				WASHINGTON			
	TOTAL HOUSE		SINGLE		TOTAL		SINGLE	
	PERMITS	% change	FAMILY	% change	PERMITS	% change	FAMILY	% change
16	102,350	4%	50,311	10%	44,077	9%	22,643	14%
17	114,780	12%	57,132	14%	45,794	4%	23,115	2%
18	113,502	-1%	58,831	3%	47,746	4%	23,676	2%
19	110,197	-3%	58,575	-0%	48,424	1%	23,300	-2%
20	106,075	-4%	59,043	1%	43,881	-9%	23,542	1%
21	122,670	16%	70,000	19%	52,736	20%	29,000	23%
22	127,577	4%	74,000	6%	53,263	1%	31,000	7%
	IDAHO				OREGON			
	TOTAL HOUSE		SINGLE		TOTAL HOUSE		SINGLE	
	PERMITS	% change	FAMILY	% change	PERMITS	% change	FAMILY	% change
16	12,165	22%	9,739	25%	19,586	12%	11,006	7%
17	14,183	17%	11,019	13%	20,053	2%	10,604	-4%
18	15,824	12%	12,176	11%	20,132	0%	11,217	6%
19	17,716	12%	12,978	7%	22,037	9%	11,586	3%
20	19,130	8%	14,969	15%	18,665	-15%	11,492	-1%
21	20,823	9%	16,500	10%	20,535	10%	12,850	12%
22	22,488	8%	18,000	9%	20,946	2%	13,000	1%

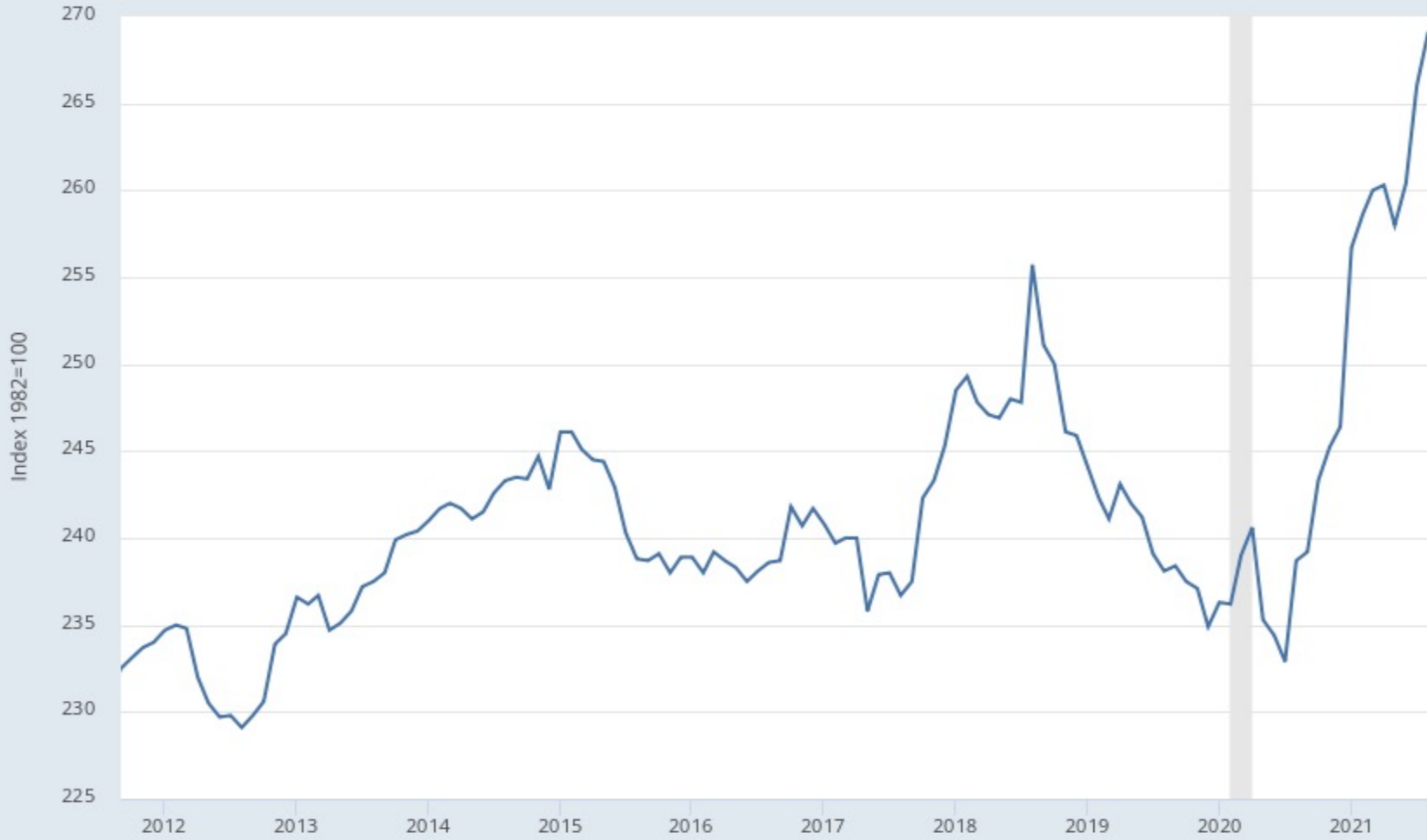


CA, ID, OR, WA HOUSE PERMITS





— Producer Price Index by Commodity: Lumber and Wood Products: Logs, Bolts, Timber, Pulpwood and Wood Chips



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

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FRED — 30-Year Fixed Rate Mortgage Average in the United States

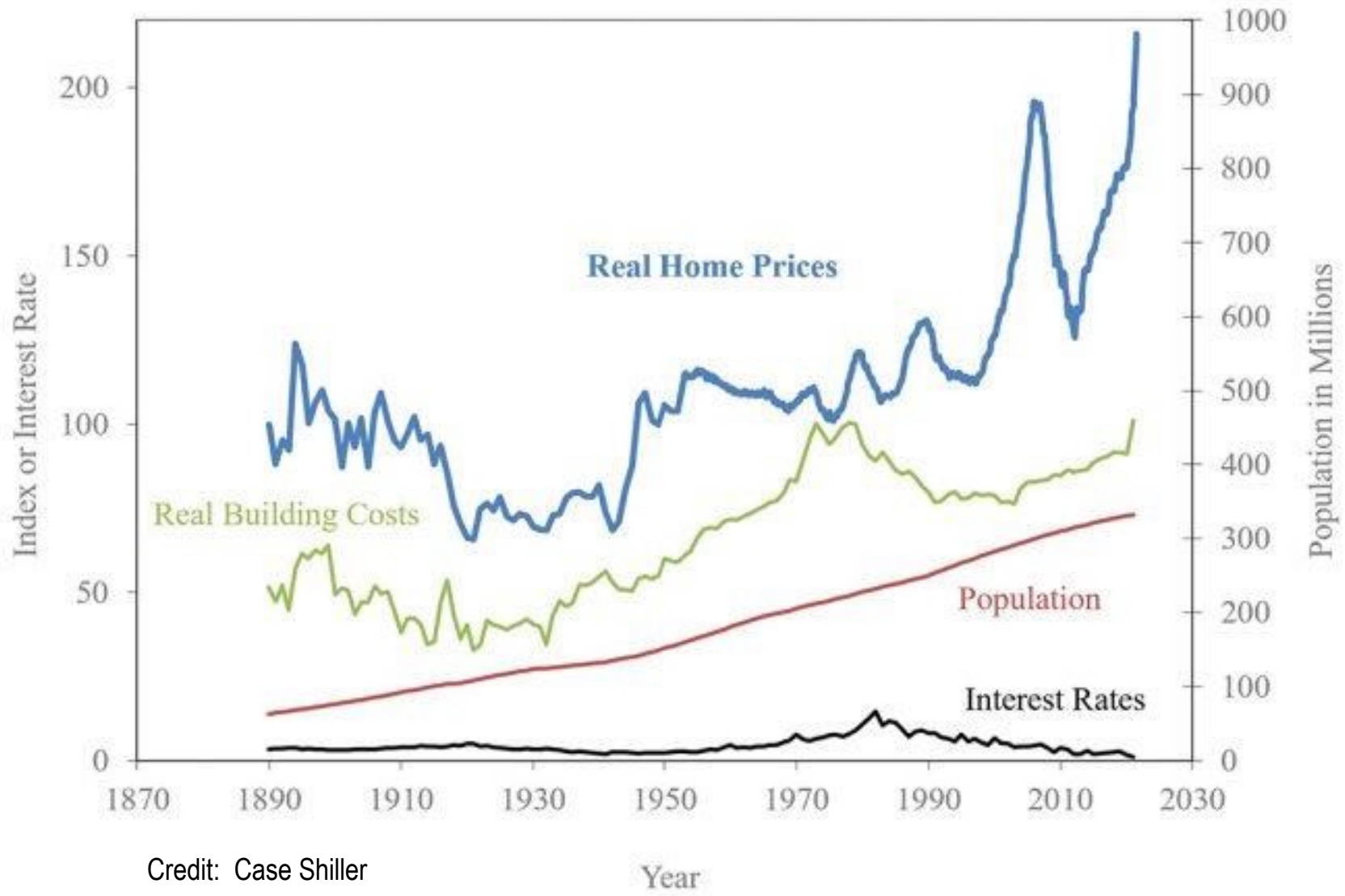


Shaded areas indicate U.S. recessions.

Source: Freddie Mac

myf.red/g/ld7k





Credit: Case Shiller

