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BANKRUPTCY
INSTITUTE

2023 Rocky Mountain Bankruptcy Conference

Economic Update with Robert Spendlove

Robert Spendlove
Zions Bank | Sandy, Utah

Zions Bank Economic Update

An Economy in Transition

Rocky Mountain Bankruptcy Conference

January 27, 2023



Recession Scenarios

1. The U.S. economy is currently in a recession
2. The U.S. economy is not currently in a recession, but one will happen in the next 12 months
3. The U.S. economy is slowing but will avoid a recession



Even the Fed Doesn't Know What Will Happen

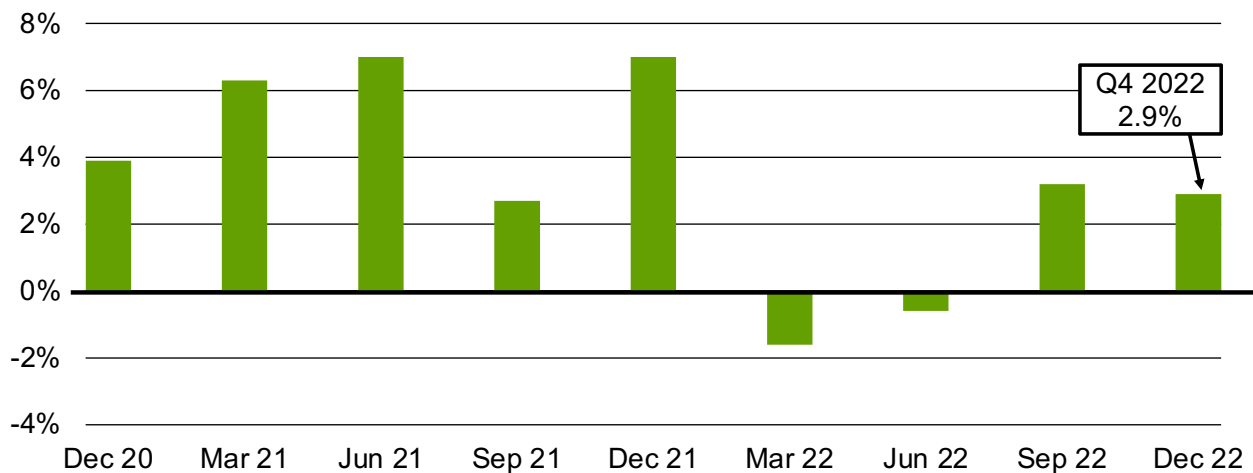
"I think no one knows whether there's going to be a recession or not. And if so, how bad that recession would be."

— Fed Chairman Jerome Powell

Source: Wall Street Journal

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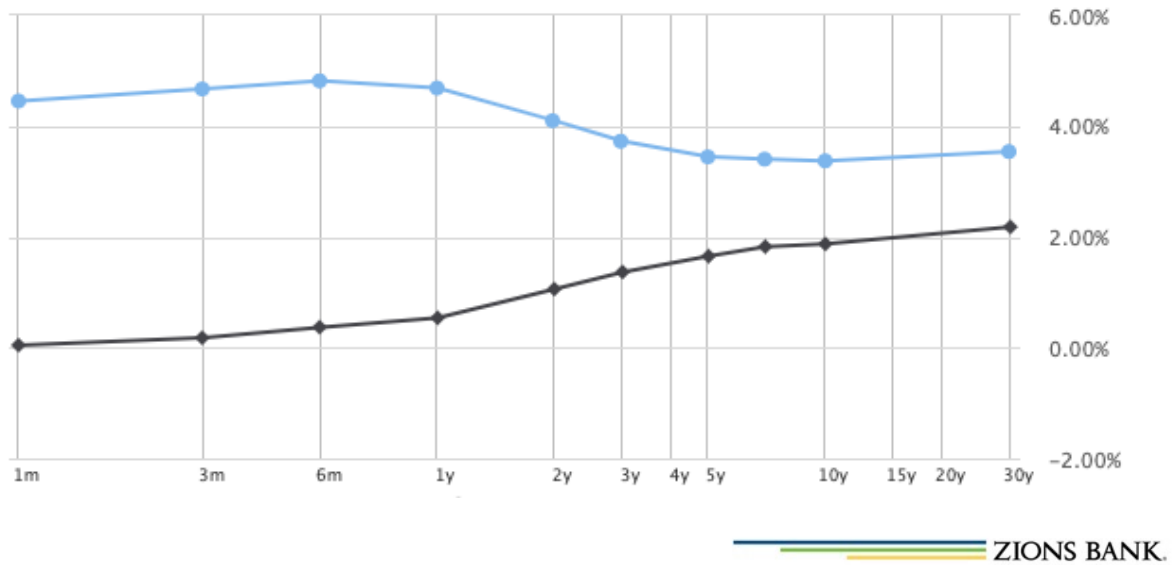
GDP Expanded in the Fourth Quarter



Source: U.S. Bureau of Economic Analysis
Seasonally adjusted at annual rates

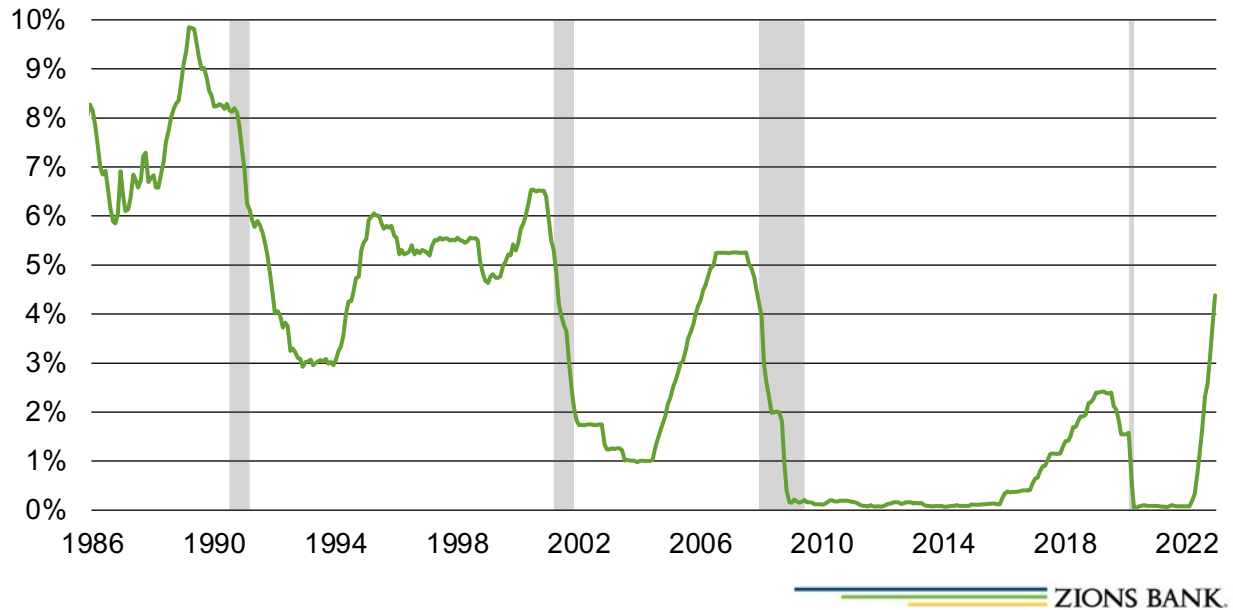
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Treasury Yield Curve Inverted



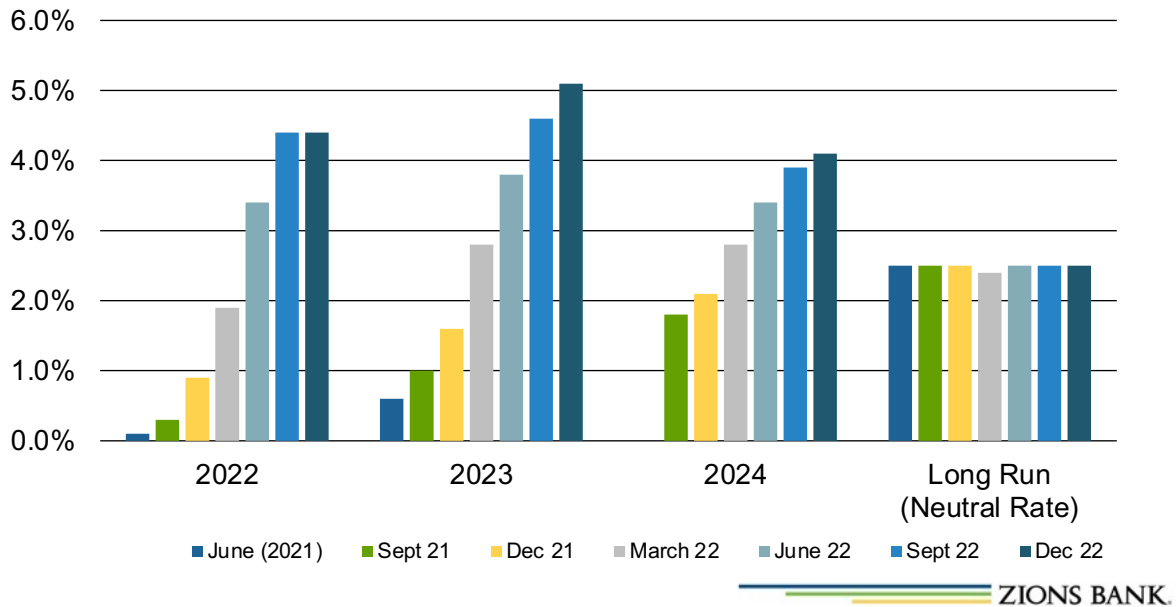
Source: Wall Street Journal

Fed Interest Rate Increases Continue



Source: Federal Reserve Board of Governors

Fed Funds Rate Expectations Changed Dramatically

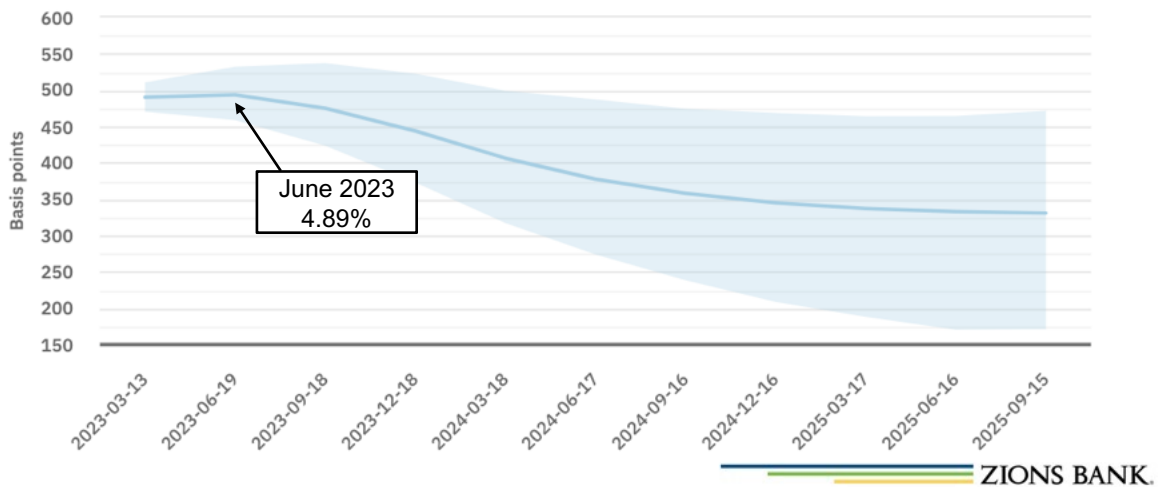


Source: Federal Reserve Board of Governors

Markets Expect More Rate Increases

The Expected Future Path of the Three-Month Average Fed Funds Rate

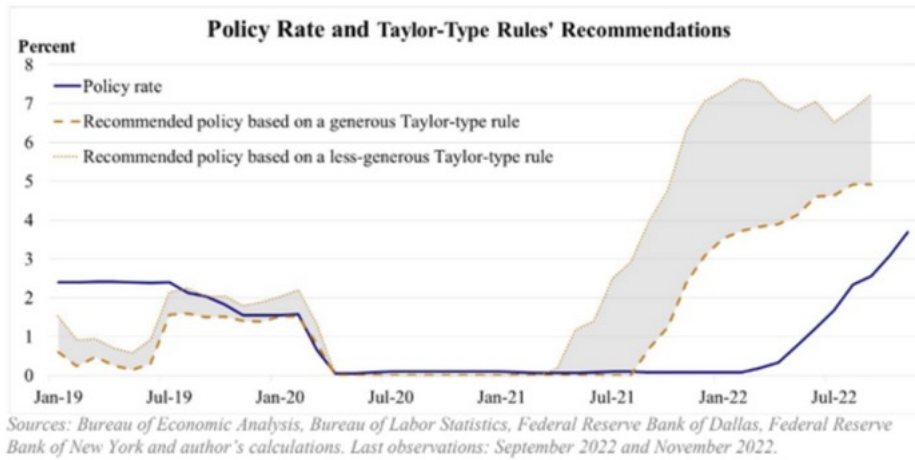
Current target range: 425 - 450 basis points



Source: Federal Reserve Bank of Atlanta

The Fed Might Get Even More Aggressive

The sufficiently restrictive zone



FEDERAL RESERVE BANK of ST. LOUIS | James Bullard

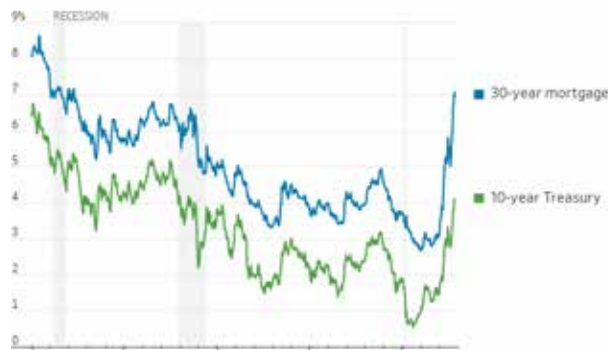
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Source: Federal Reserve Bank of St Louis

The Housing Market is the First Casualty of Higher Rates

The Federal Reserve's campaign of interest rate increases has raised borrowing costs and helped push the housing market into a deep slump

10-year Treasury yield vs. U.S. average 30-year fixed-rate mortgage



Note: Weekly average
Sources: Freddie Mac, Federal Reserve via St. Louis Fed

Homeowners who could save money by refinancing at current rates

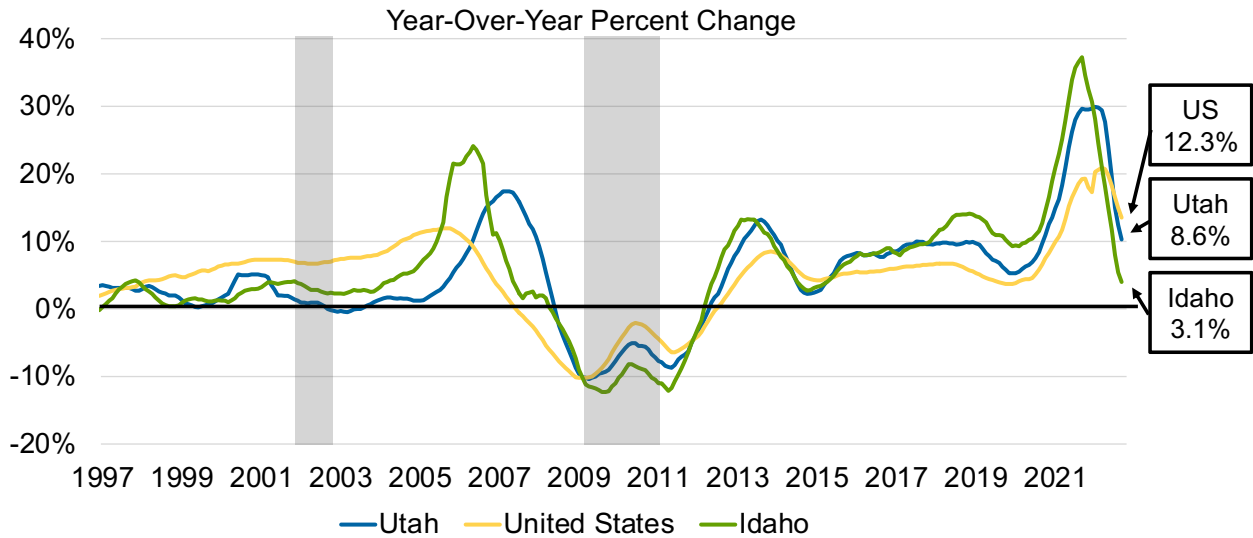


Note: Counts only homeowners with at least 20% equity and 720 credit score, who are current on payments and could cut 0.75% off current rate
Source: Black Knight

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Source: Wall Street Journal

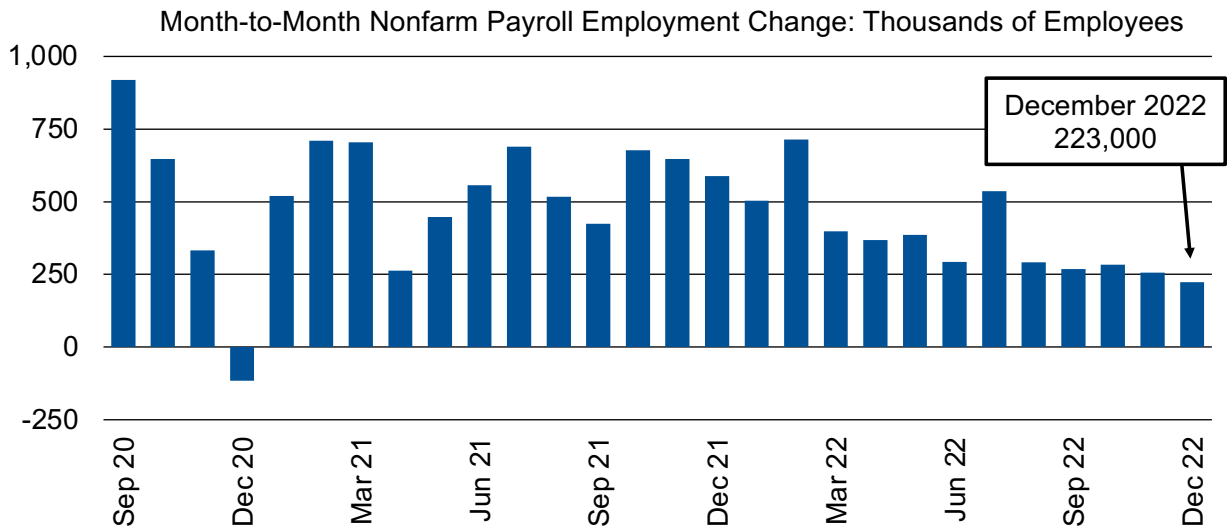
Home Price Growth Slowing



Source: Zillow Research

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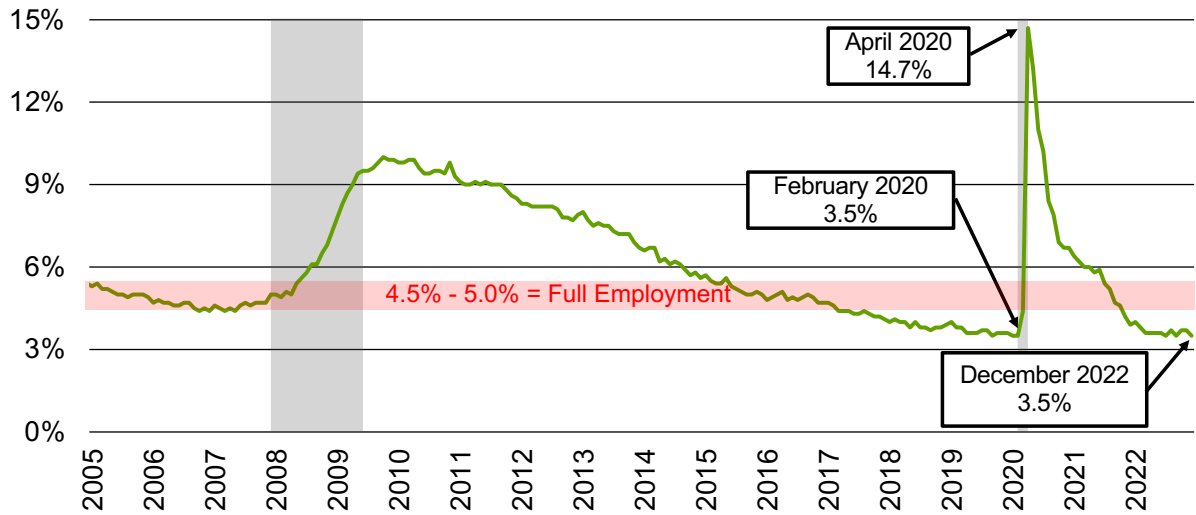
U.S. Job Growth Strong in December



Source: U.S. Bureau of Labor Statistics

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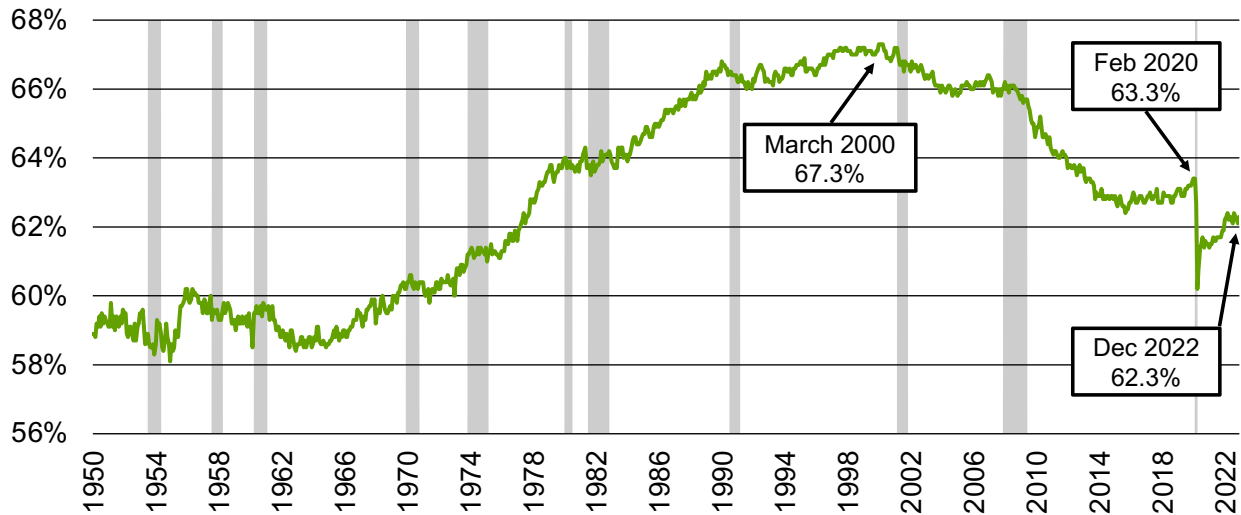
Unemployment Rate Still Very Low



Source: U.S. Bureau of Labor Statistics
Seasonally Adjusted

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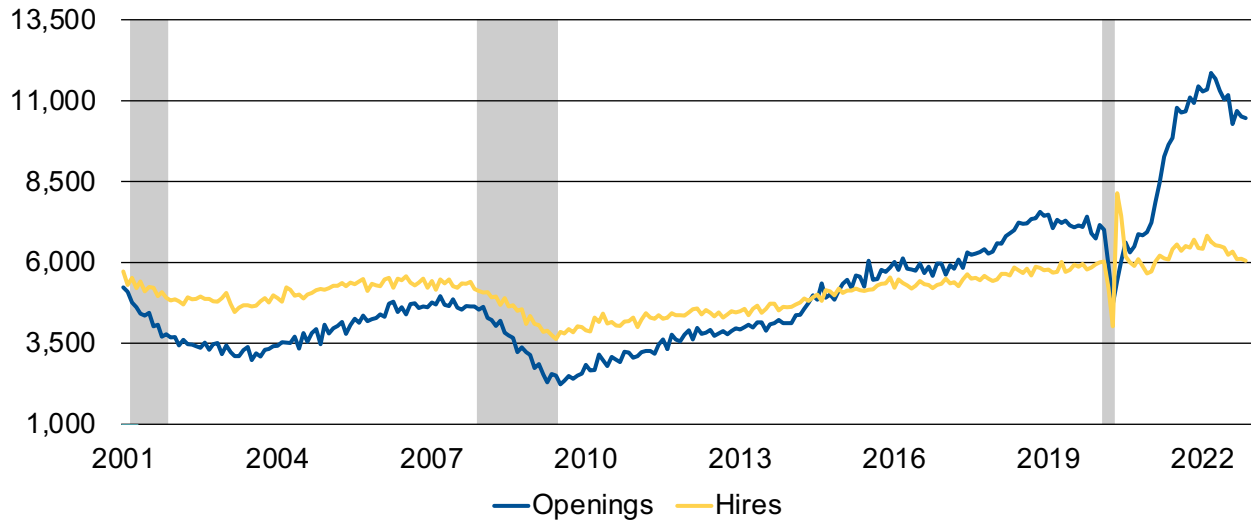
Labor Force Participation Hasn't Recovered From Pandemic



Source: U.S. Bureau of Labor Statistics
Seasonally Adjusted

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Job Openings Dropping But Still High



Source: U.S. Bureau of Labor Statistics
Seasonally Adjusted

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Initial Unemployment Insurance Claims Dropping

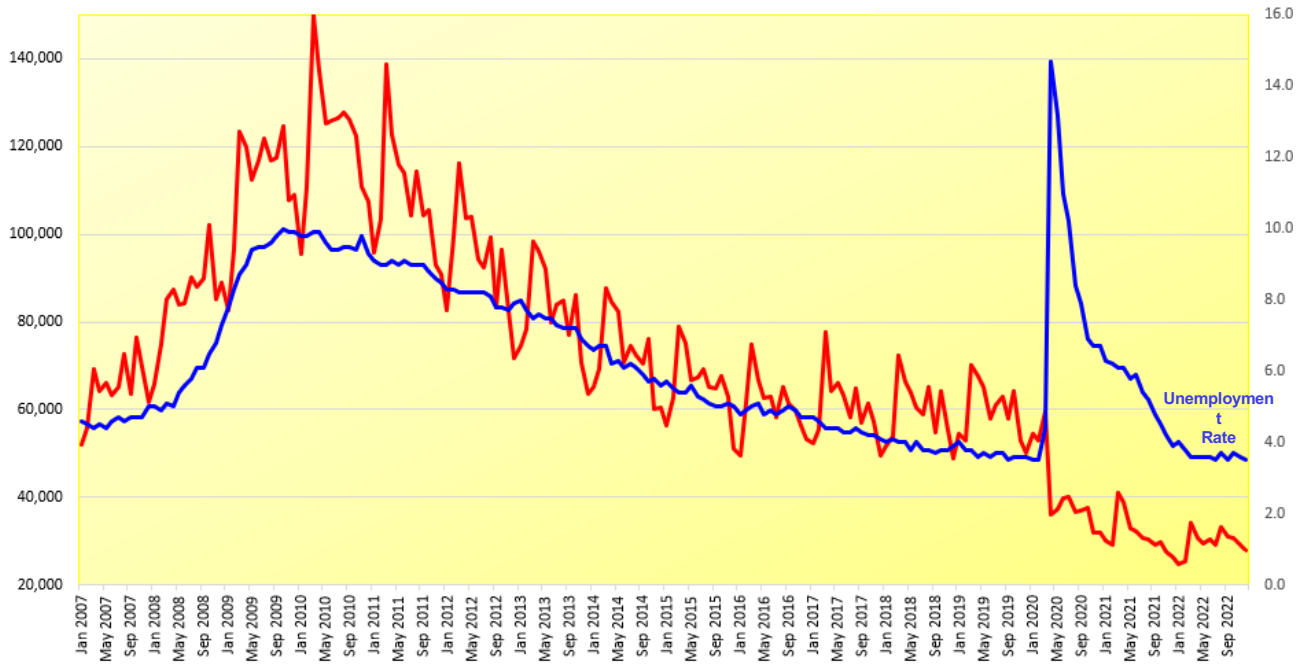


Source: Federal Reserve Bank of St Louis

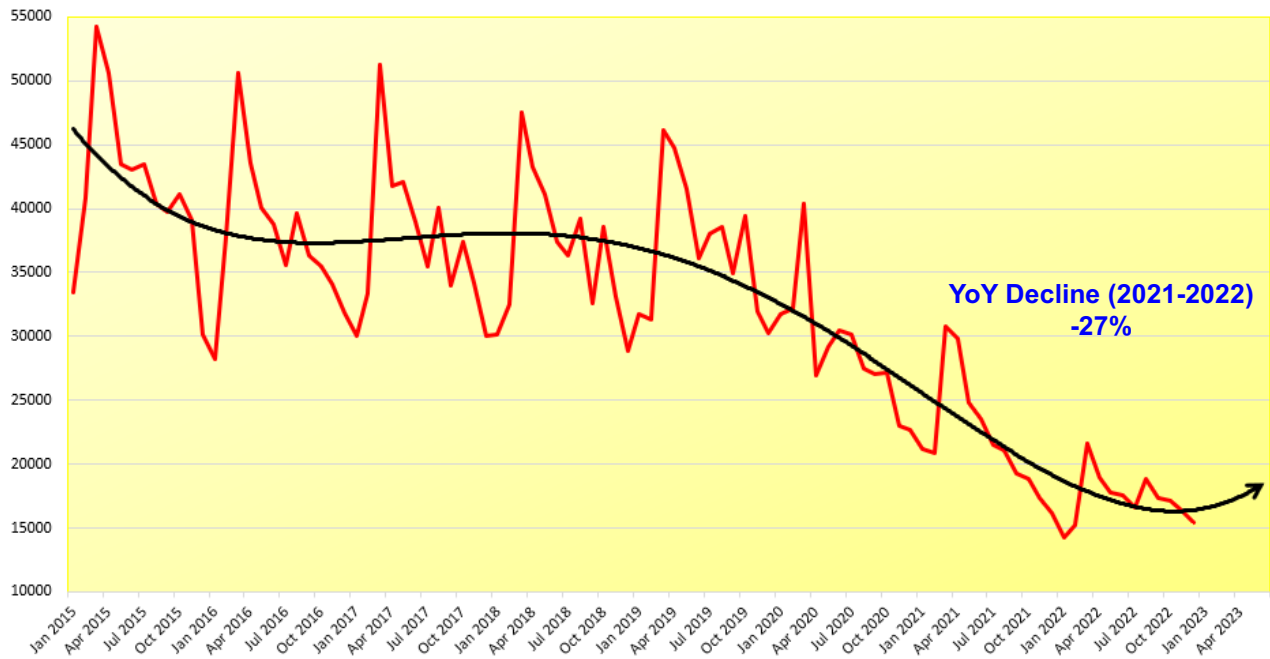
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Nat'l Chapter 7 & 13 Filings vs. Unemployment Rate

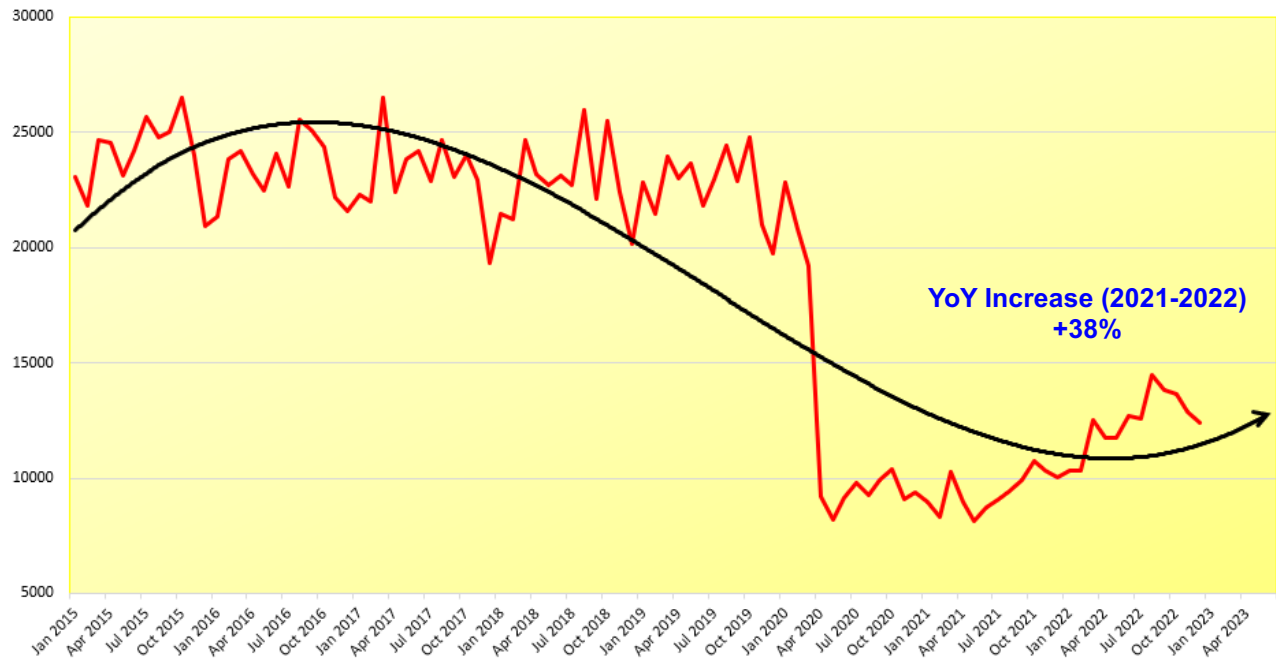


Nat'l Chapter 7

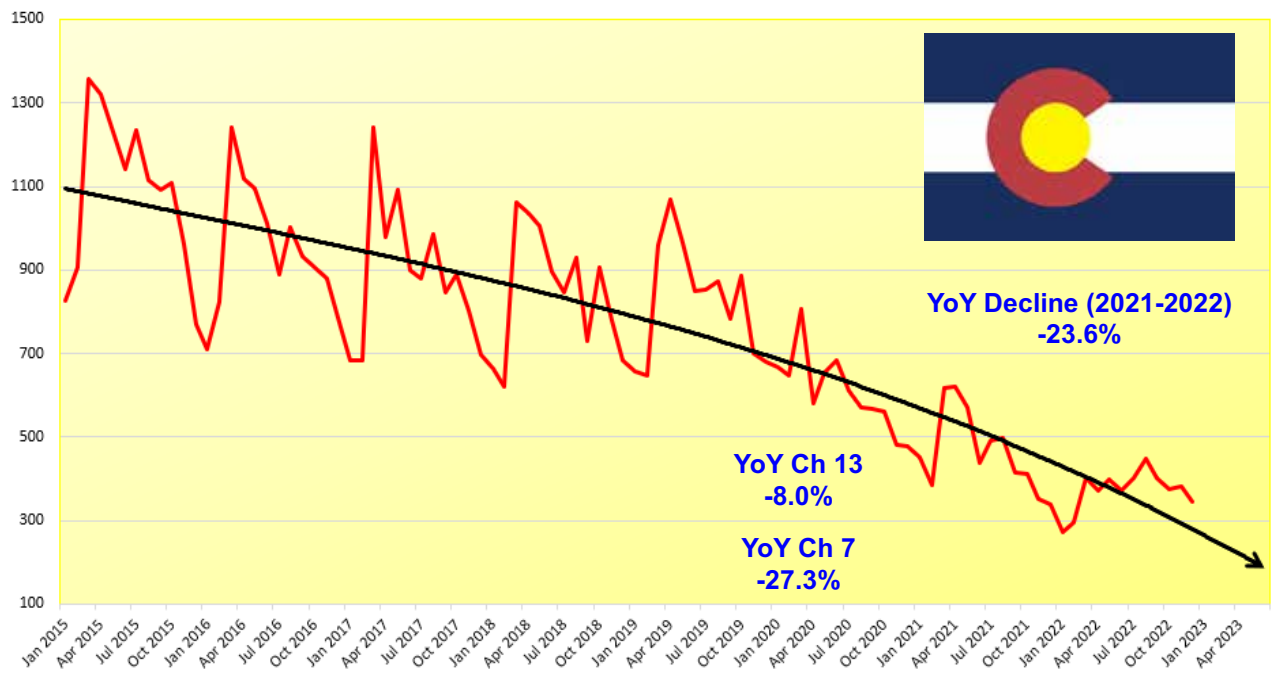


2023 ROCKY MOUNTAIN BANKRUPTCY CONFERENCE

Nat'l Chapter 13

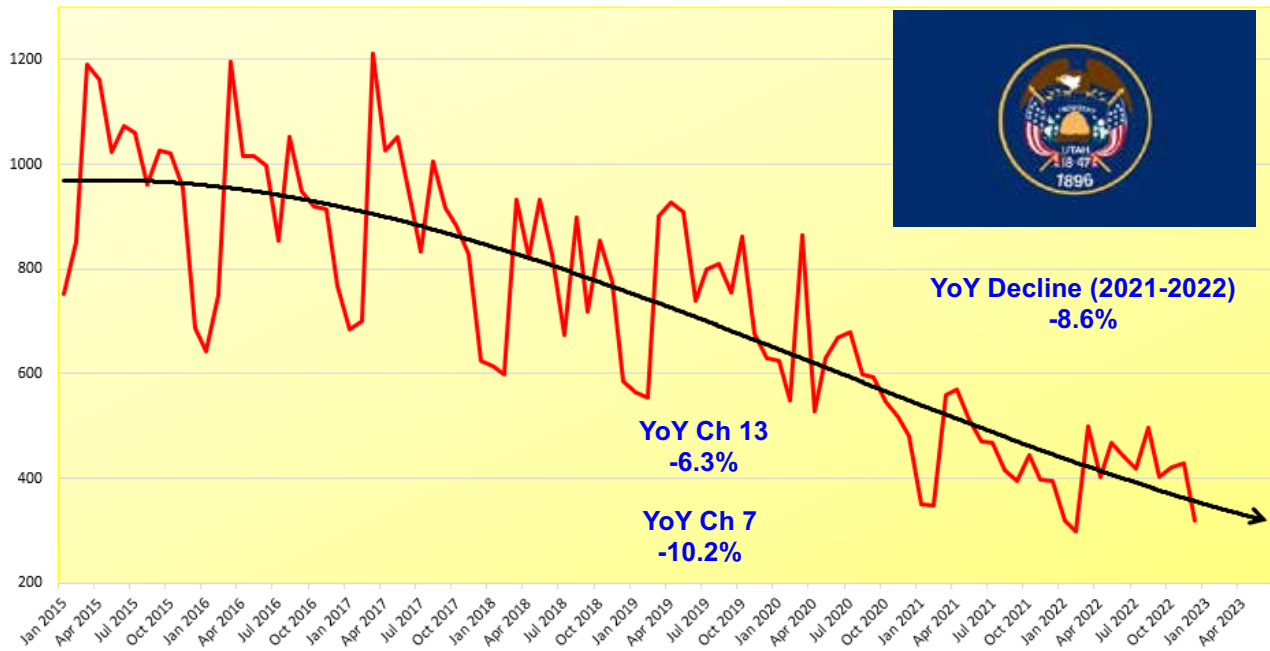


Ch 7 & 13 - Colorado



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Ch 7 & 13 - Utah



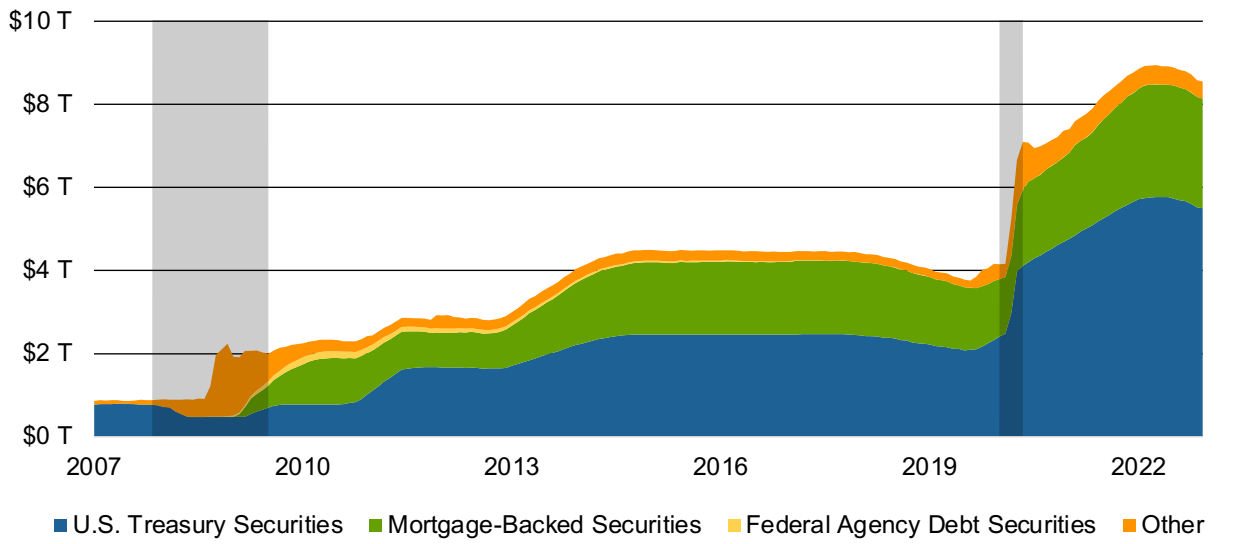
U.S. Money Supply Increased By \$6 Trillion



Source: Federal Reserve Bank of St Louis

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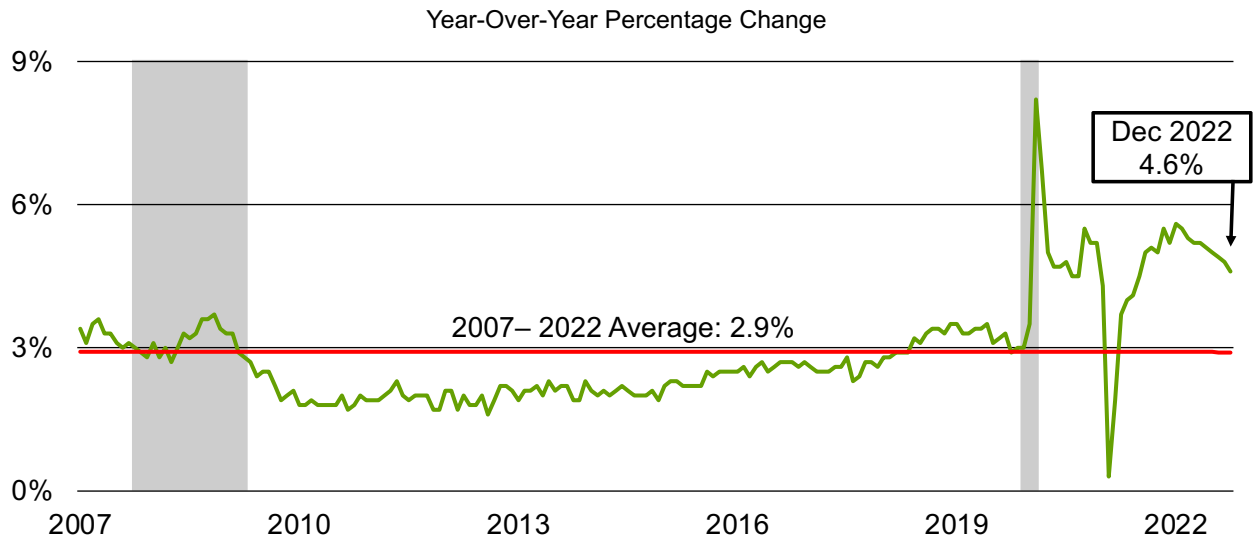
Fed Shrinking Its Balance Sheet



Sources: Federal Reserve Economic Data (FRED) and Board of Governors of the Federal Reserve System (US)

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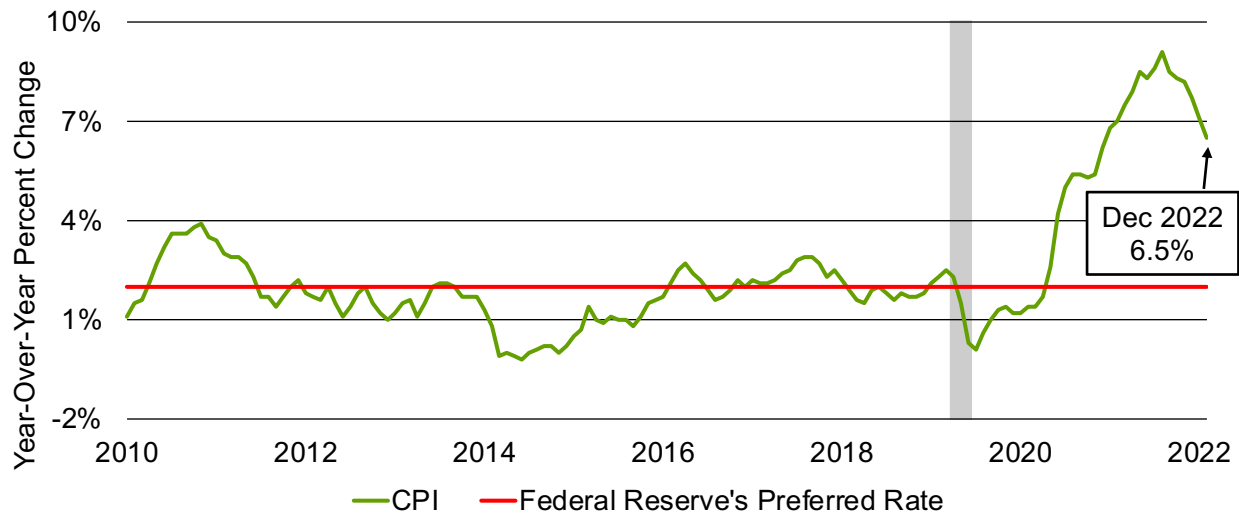
Wage Inflation Decreased in December



Source: U.S. Bureau of Labor Statistics
Seasonally Adjusted

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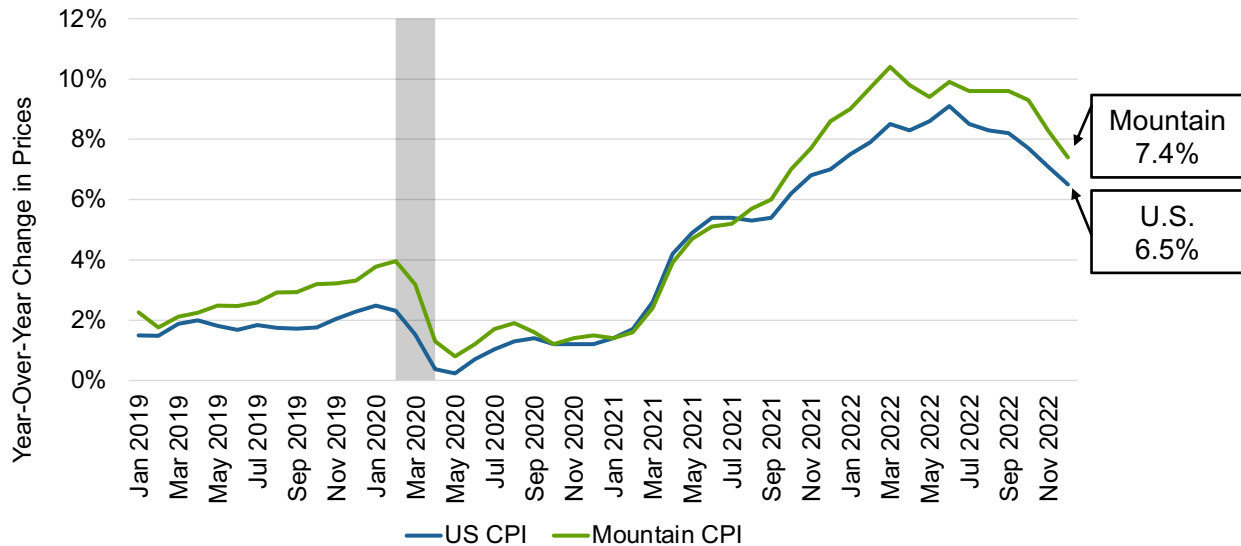
Inflation Slowing – But How Long Until it Returns to Normal?



Sources: U.S. Bureau of Labor Statistics

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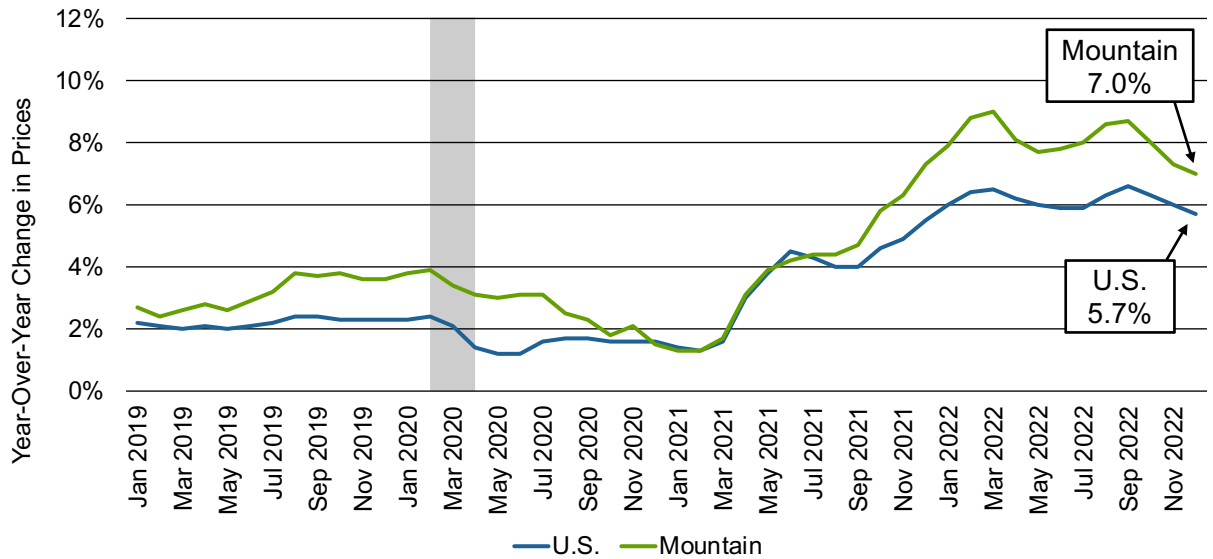
Mountain State Inflation Above National Average



Source: U.S. Bureau of Labor Statistics
Note: Mountain states include AZ, CO, ID, NV, NM, UT, WY

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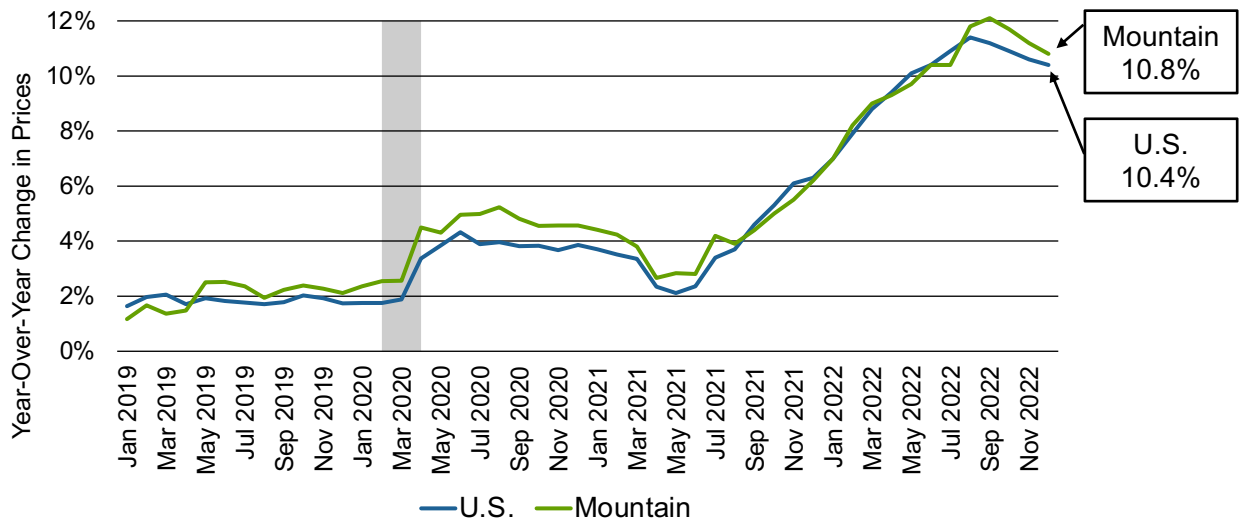
All Items Less Food and Energy (Core Inflation)



Source: U.S. Bureau of Labor Statistics
Note: Mountain states include AZ, CO, ID, NV, NM, UT, WY

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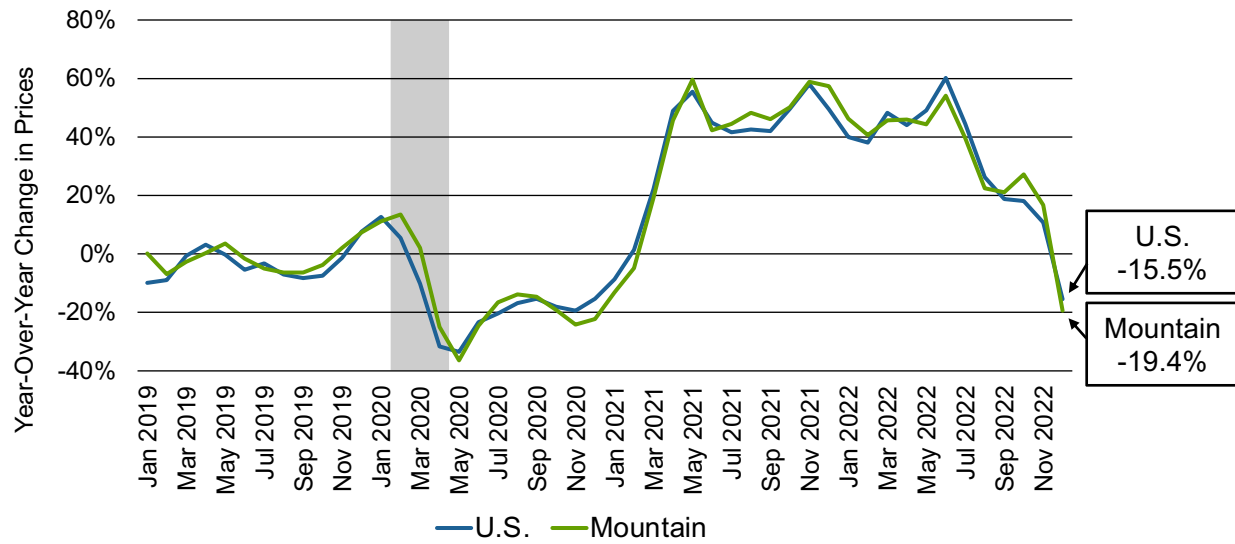
Food Price Inflation Decreasing But Still High



Source: U.S. Bureau of Labor Statistics
Note: Mountain states include AZ, CO, ID, NV, NM, UT, WY

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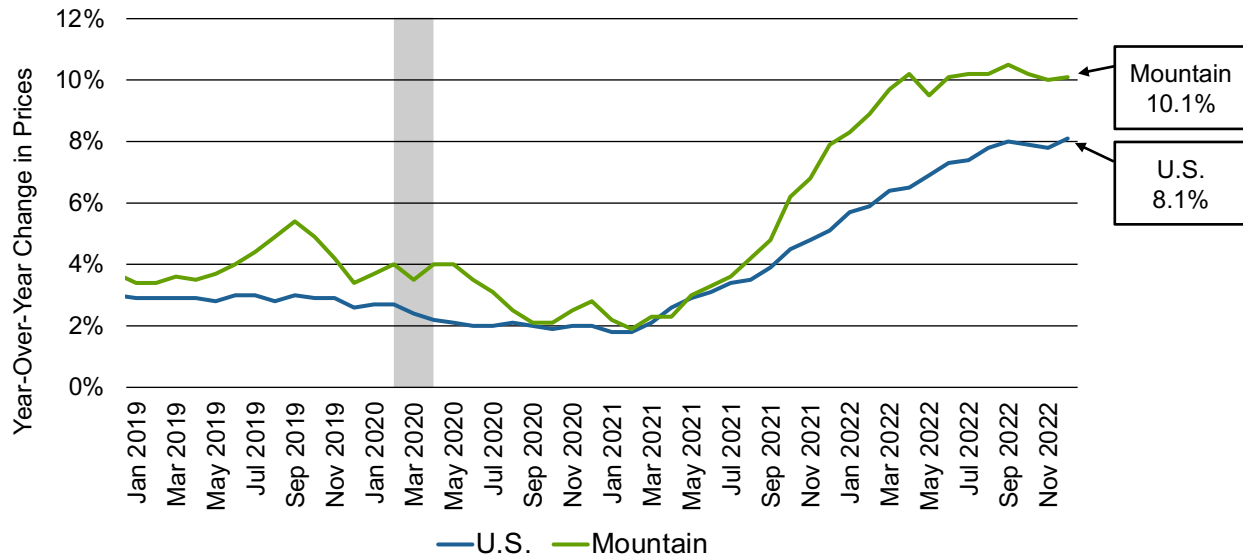
Motor Fuel Inflation Swings Negative



Source: U.S. Bureau of Labor Statistics
Note: Mountain states include AZ, CO, ID, NV, NM, UT, WY

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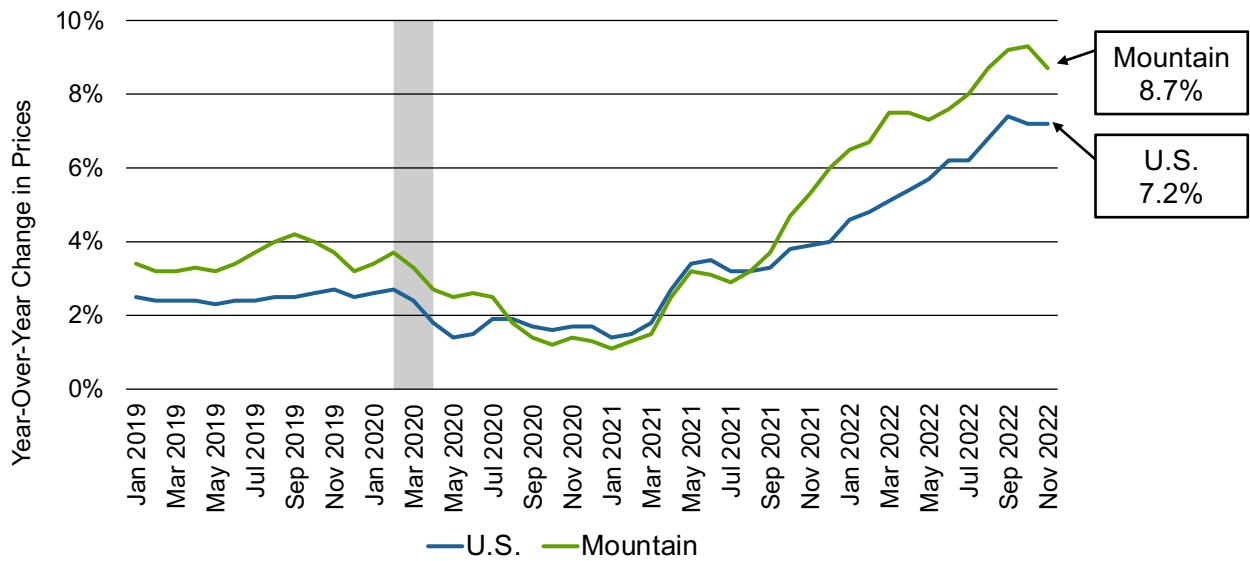
Housing Inflation Going Up???????



Source: U.S. Bureau of Labor Statistics
Note: Mountain states include AZ, CO, ID, NV, NM, UT, WY

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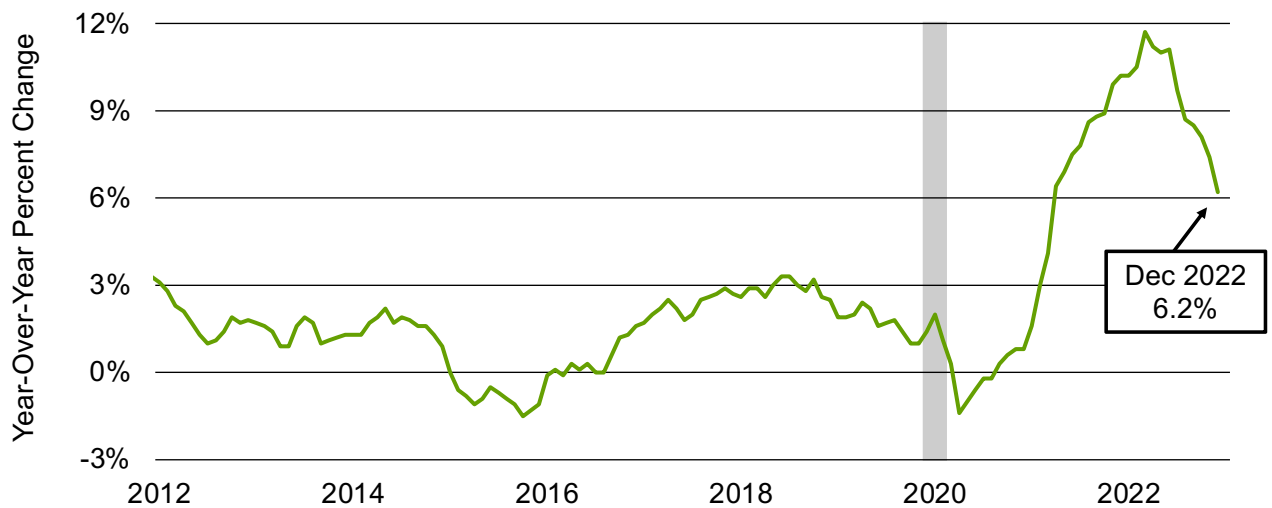
Services Price Inflation



Source: U.S. Bureau of Labor Statistics
Note: Mountain states include AZ, CO, ID, NV, NM, UT, WY

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Producer Inflation Back Below Consumer Inflation



Source: U.S. Bureau of Labor Statistics
Seasonally Adjusted

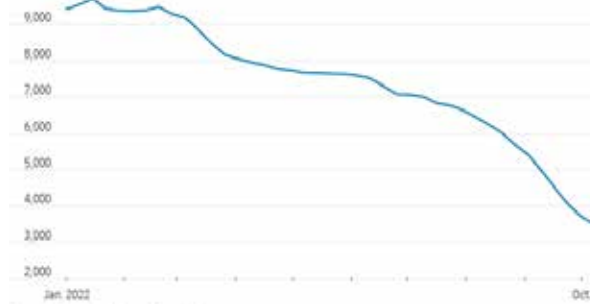
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Shipping Container and Truck Transportation Prices Dropping

Sinking Shipping Rates

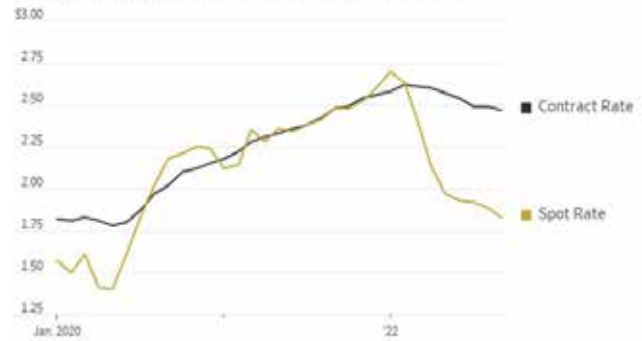
Drewry's World Container Index tracking spot rates

\$10,000 per 40-foot container



Source: Drewry Shipping Consultants

Average monthly spot and contract rates in the truckload van market.



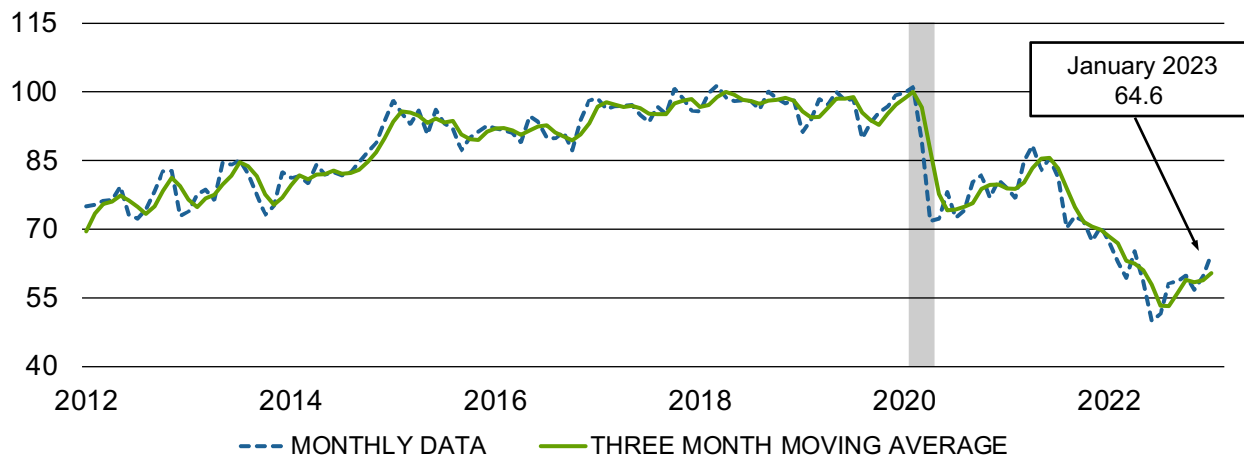
Note: Excludes fuel surcharges
Source: DAT Solutions

Source: Wall Street Journal

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Consumer Sentiment Increasing But Near Historic Low

University of Michigan Consumer Sentiment Index

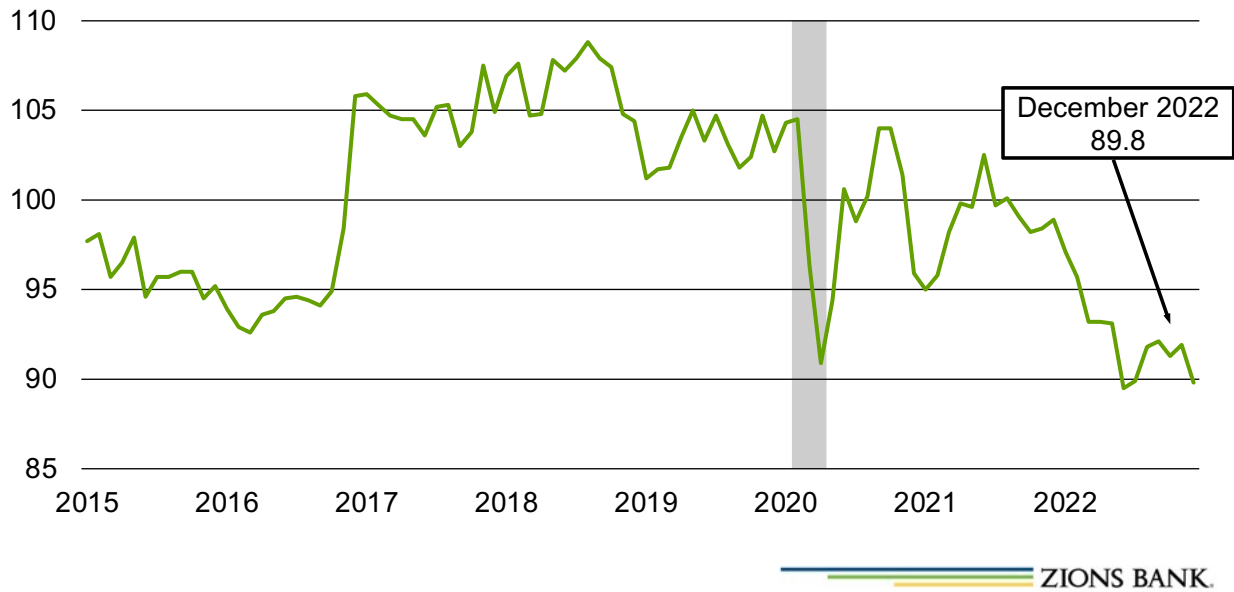


--- MONTHLY DATA — THREE MONTH MOVING AVERAGE

Source: University of Michigan

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Small Business Optimism Decreasing



Lessons Learned from the 1970s Several Failed Attempts to Bring Down Inflation



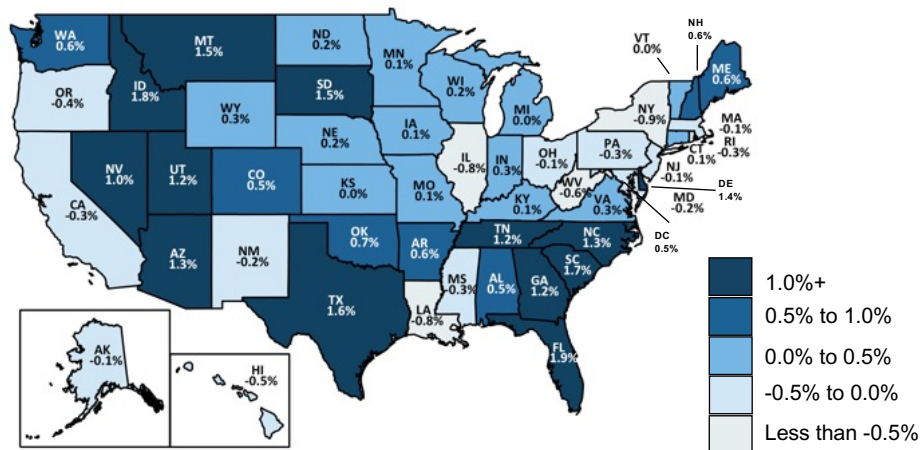
Source: Federal Reserve Bank of St Louis

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Big Shifts in Population

Percent Change: 2021 to 2022

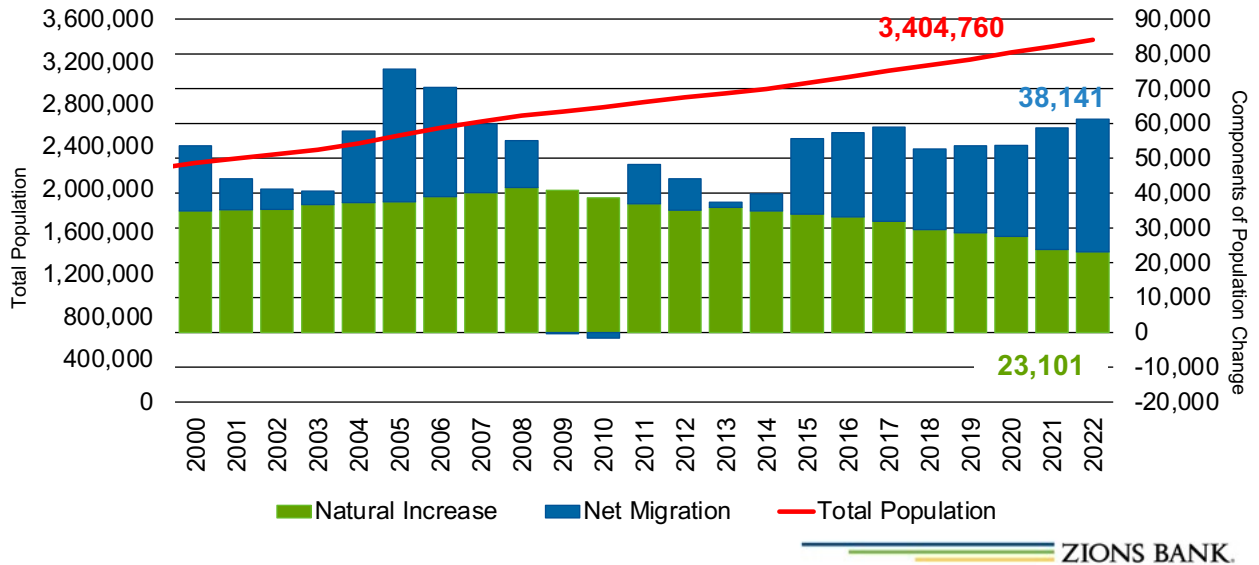
U.S. Rate = 0.4%



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Source: U.S. Census Bureau

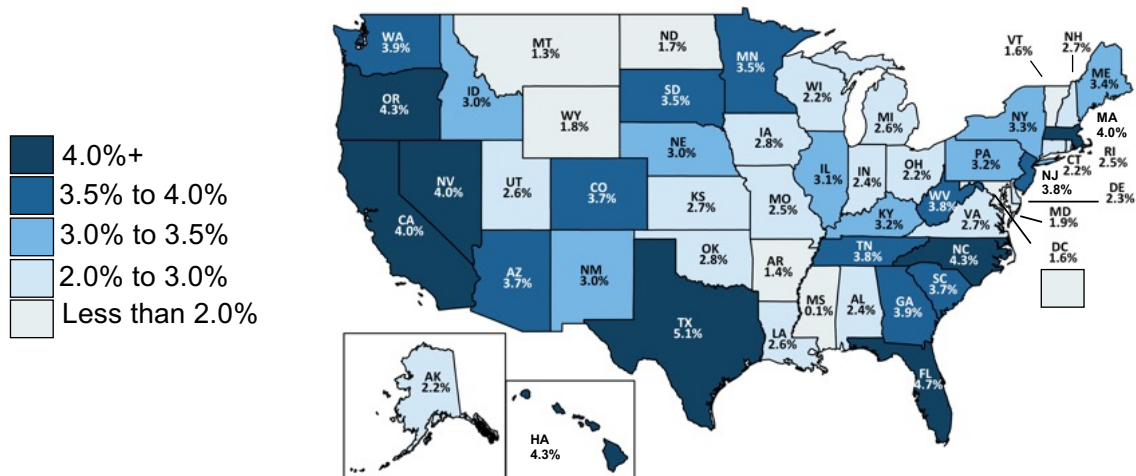
In-Migration Driving the Majority of Utah's Growth



Sources: U.S. Census Bureau 2000-2010, Gardner Policy Institute 2010-2022

Utah Employment Growth Below National Average

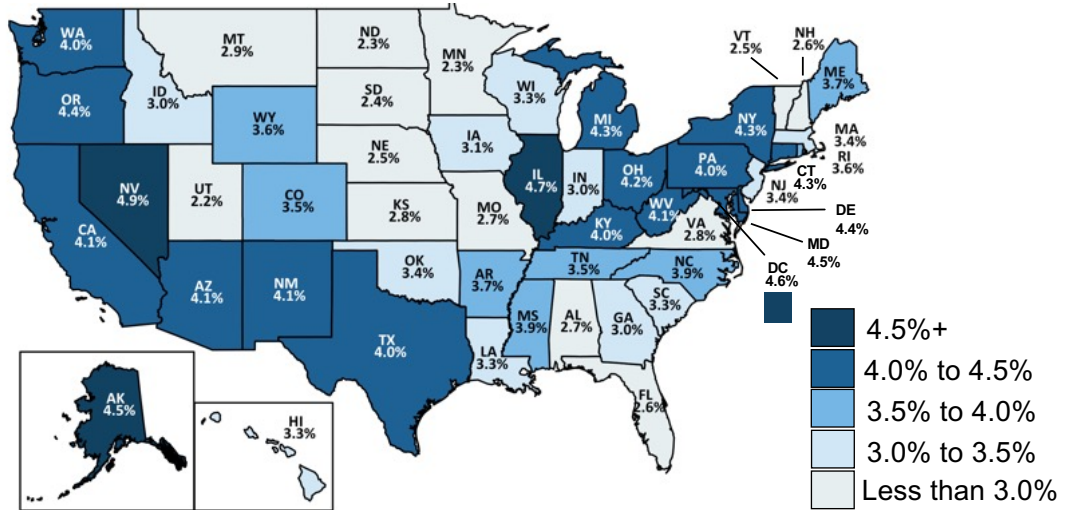
Percent Change in Nonfarm Payroll Employment for States: November 2021 – November 2022
U.S. Rate = 3.3%



Source: U.S. Bureau of Labor Statistics
Seasonally Adjusted

Utah Unemployment Lowest in the Nation

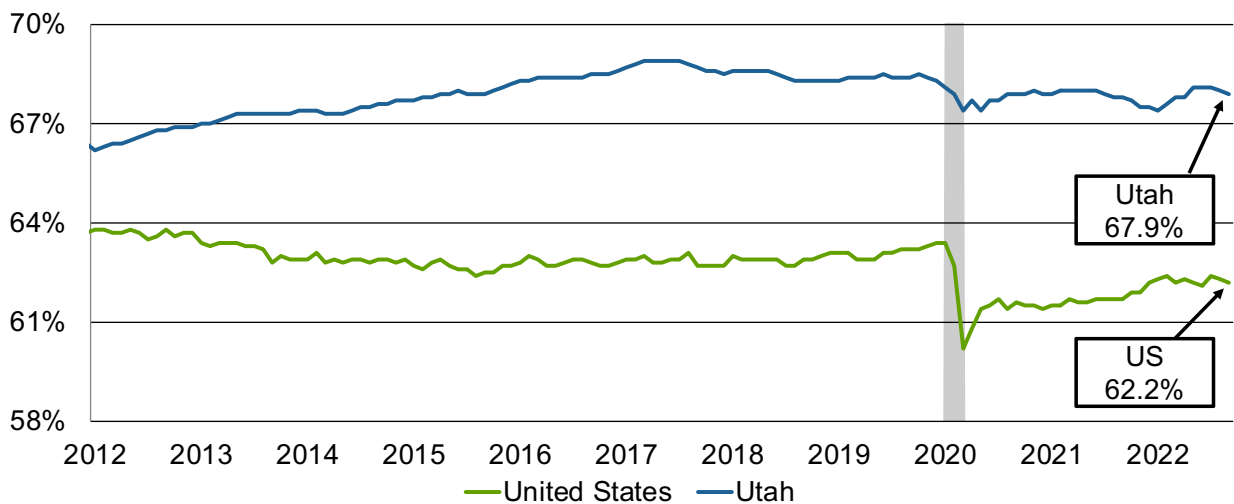
November 2022 U.S. Rate = 3.7%



Source: U.S. Bureau of Labor Statistics
Seasonally Adjusted

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Utah Labor Force Participation Much Higher Than US



Source: U.S. Bureau of Labor Statistics

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2023 Economic Outlook

Economic Growth	Uncertain
Interest Rates	Increases End
Job Creation	Increasing
Unemployment	Low
Wage Inflation	Increasing
Labor Force Participation	Low
Consumer Confidence	Low but Increasing
Inflation	Dropping but High
Housing Prices	Dropping
Mountain West Region	Resilient and Strong
Green = Positive Red = Negative Blue = Neutral	

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WHO KEEPS US IN BUSINESS®

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Faculty

Robert Spendlove is the senior economist for Zions Bank in Sandy, Utah. In this capacity, he monitors and reports on economic indicators and public policy developments for the bank. Founded in 1873, Zions Bank is Utah's oldest financial institution and it operates locations in communities throughout the Intermountain West. Mr. Spendlove's research interests are primarily in the areas of macroeconomics, demographics, financial markets and public policy. He frequently advises and briefs policymakers, as well as business and civic groups throughout the U.S. He also is regularly called on to give expert analysis in the media through print, radio and television. Mr. Spendlove is known for his insightful and understandable approach to explaining economic trends. He received his Master's of public administration with an emphasis in economic public policy from the University of Utah, where he is currently an adjunct instructor of public policy.