Social Narratives / Economic Realities

Federal Deficits, Asset Bubbles, and the Economic Outlook

Focus on Fort Collins Colorado

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Founding Partner, Beacon Economics

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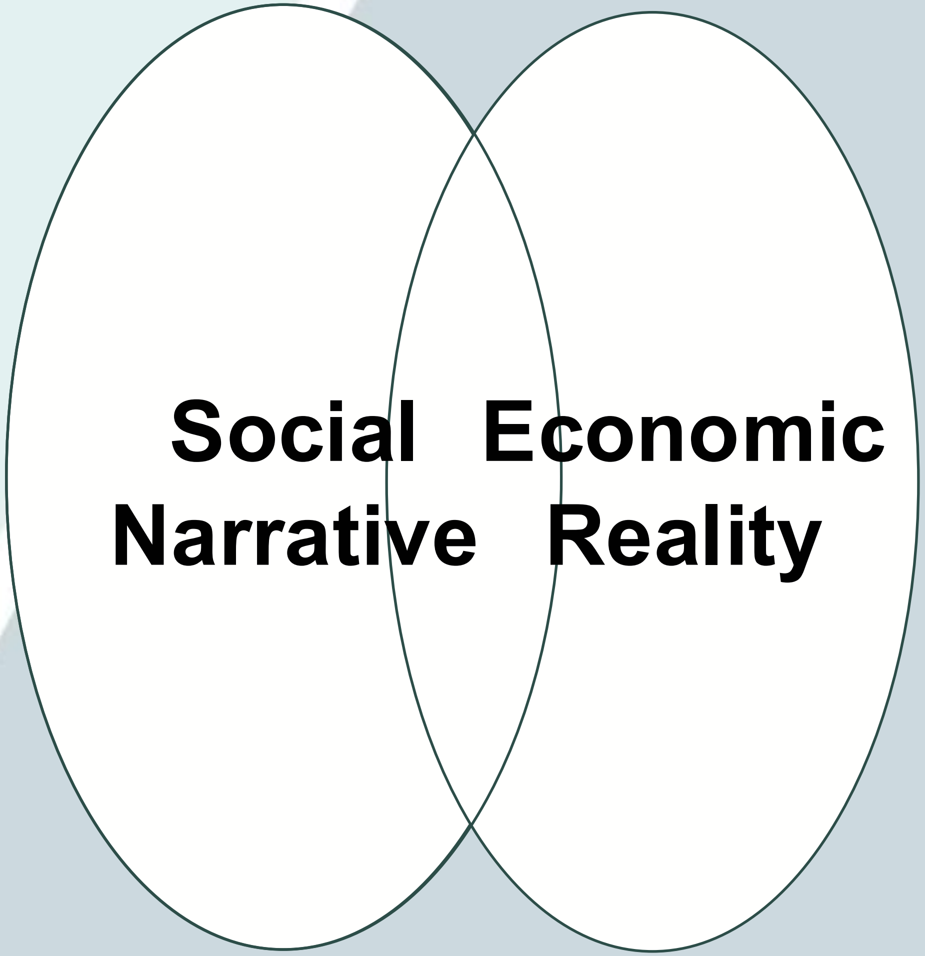
Beacon Economics

- Economic research firm founded in 2006 with a commitment to letting the *data* determine the *answer*.
- Impact studies, Policy Analysis, Regional Development and Revenue Forecasts

A Tale of Two Economies

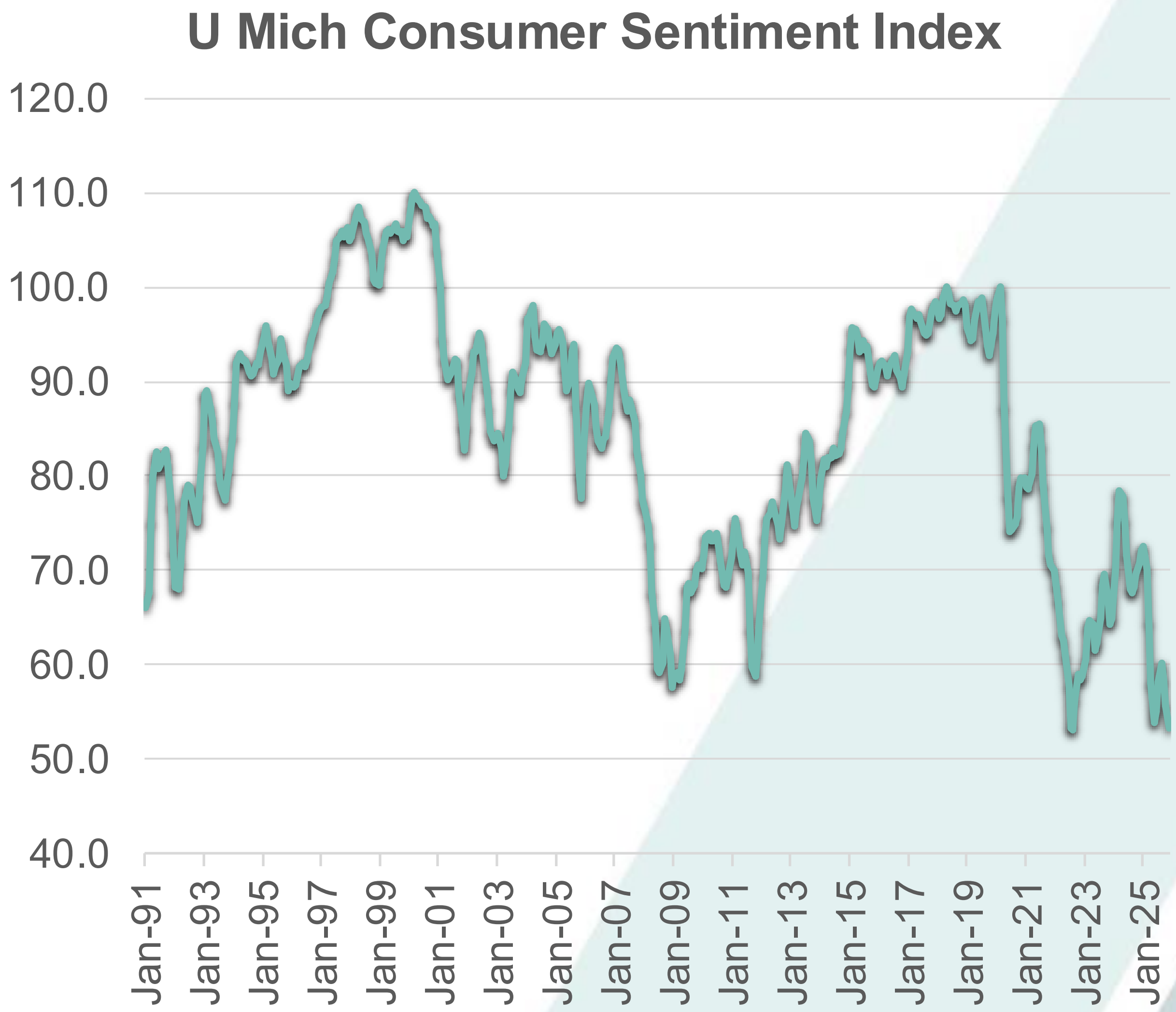
- What we *think* is happening in our economy (our social narrative or “lived experience”)
- What is *actually* happening in our economy (our objective statistical reality)

Good choices and smart policies start with the correct narrative.

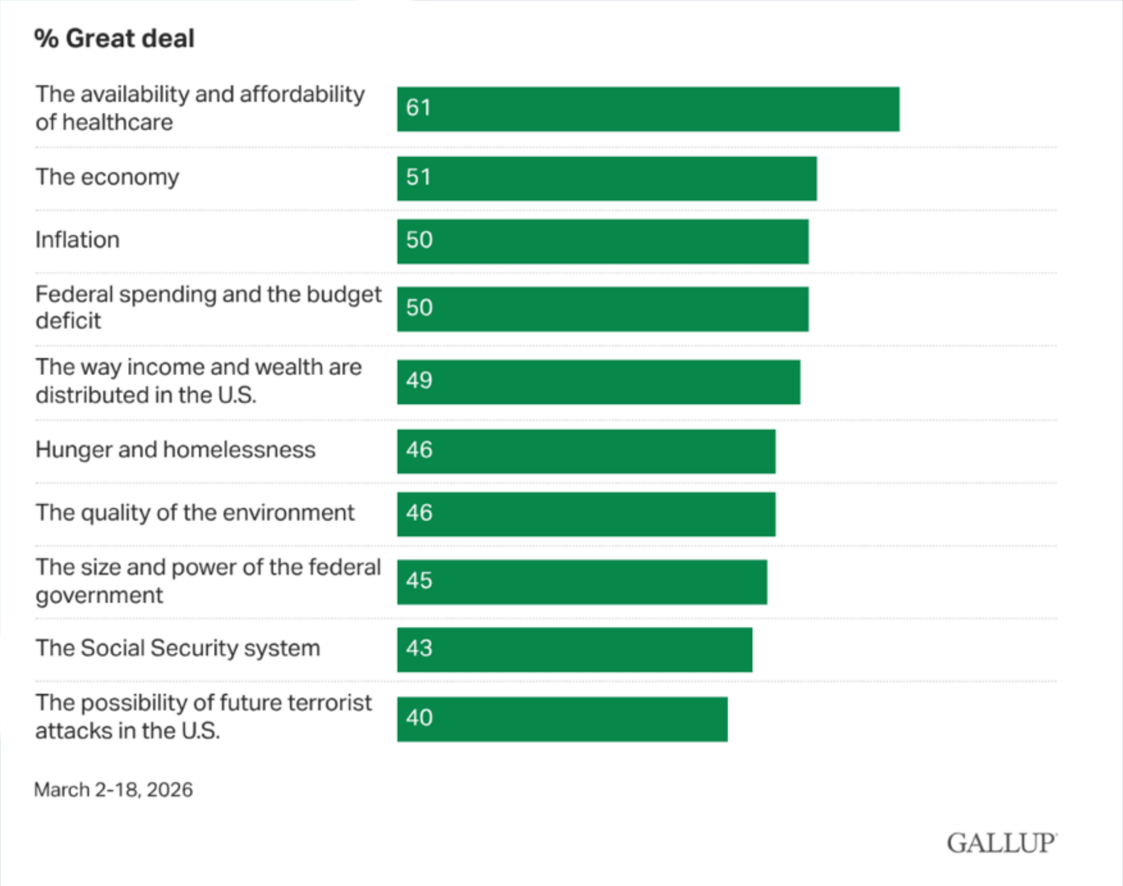


Slides available by using QR code at end of presentation, or email Kristen@beaconecon.com

The 2025-2026 Narratives



What People are Worried About
Gallup Polling



Forecast Accuracy?

2019: The Real Estate Recession!

2020: The Pandemic Depression!

2023: The Yield Curve Recession!

2025: The Tariff Recession!

Real Estate | Market Outlook

Housing Market Crisis 2.0: The Jury Is In For 2018-2019

Coronavirus to cause worst economic downturn since Great Depression, IMF forecasts

She said the IMF would release an updated world economic forecast on Tuesday that would show just how quickly the coronavirus outbreak ...

7 hours ago

Survey: The U.S. economy has a 64% chance of entering a recession this year

Written by Sarah Foster, Edited by Amy Sims

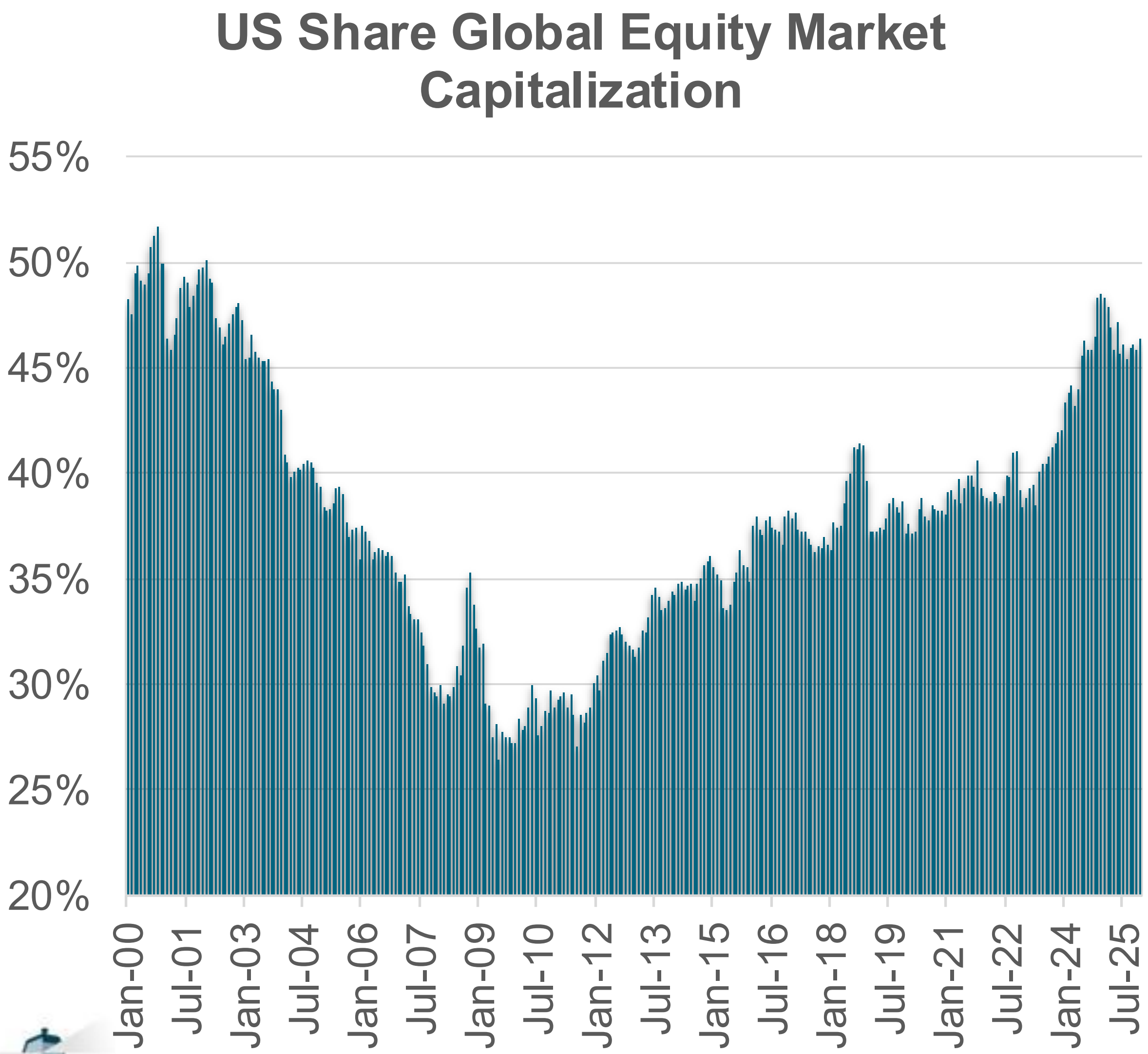
CNBC

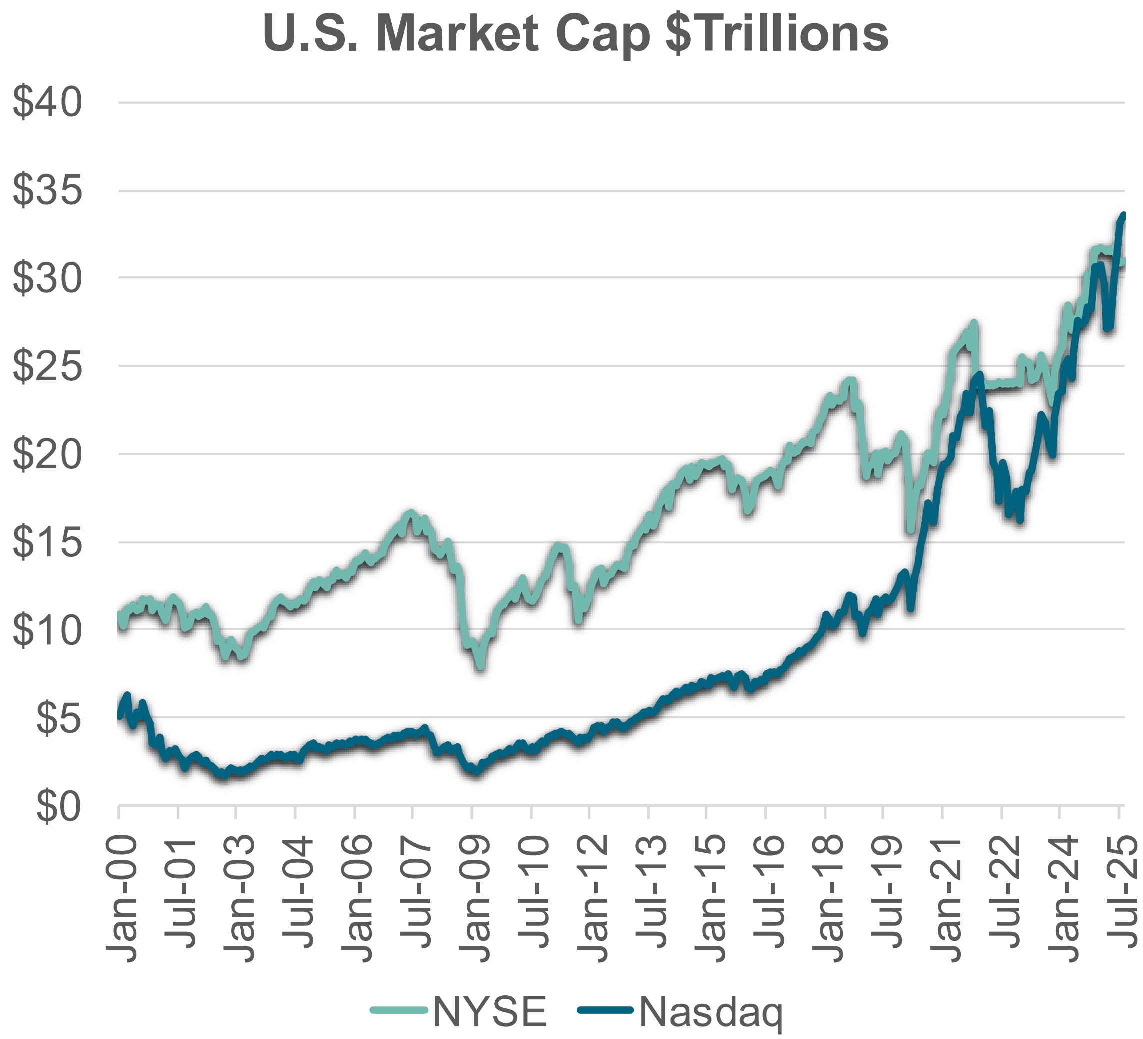
Jamie Dimon says a recession is 'likely outcome' from Trump's tariff turmoil

JPMorgan Chase CEO Jamie Dimon said Wednesday he sees the US economy likely headed to recession as President Donald Trump's tariffs roil financial markets.

Apr 9, 2025

That *Other* Economic Narrative





Roberty Shiller CAPE

Cyclically Adjusted P/E Ratio

The Beacon Outlook 2026

Economic Trends: Still pointing up…

- Household / Business finances still strong
- More fiscal and monetary stimulus being through at the economy
- Major drags: population growth stalled, political uncertainty

Colorado & Fort Collins

- Economy growing well on the *intensive* margin
- State housing "affordability" issue is a housing supply crisis
- FC: Rising incomes, falling population

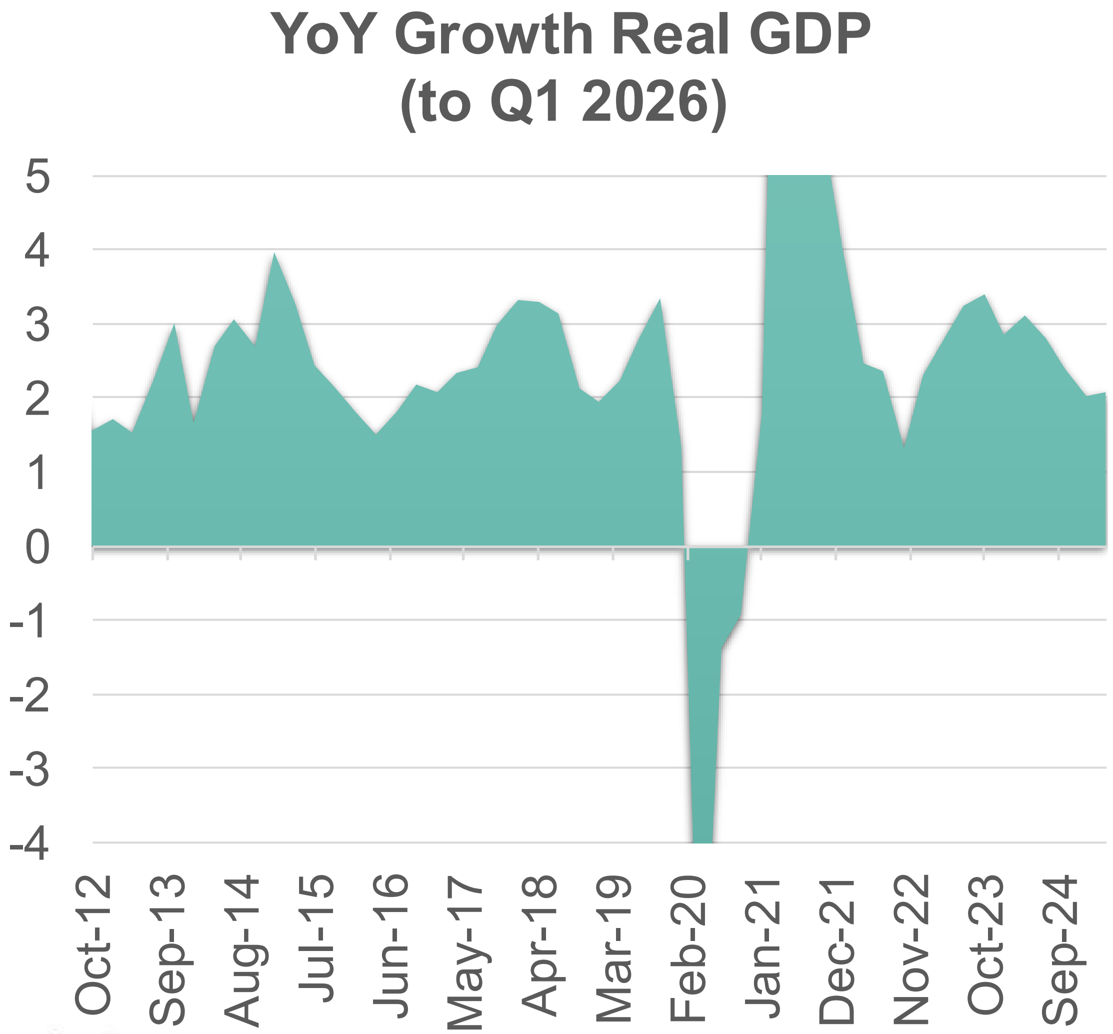
Beware the Imbalances

- Strong finances a function of public deficits and financial bubbles
- Even a small disruption in capital inflows could set off a fiscal crisis

Beware the Narrative

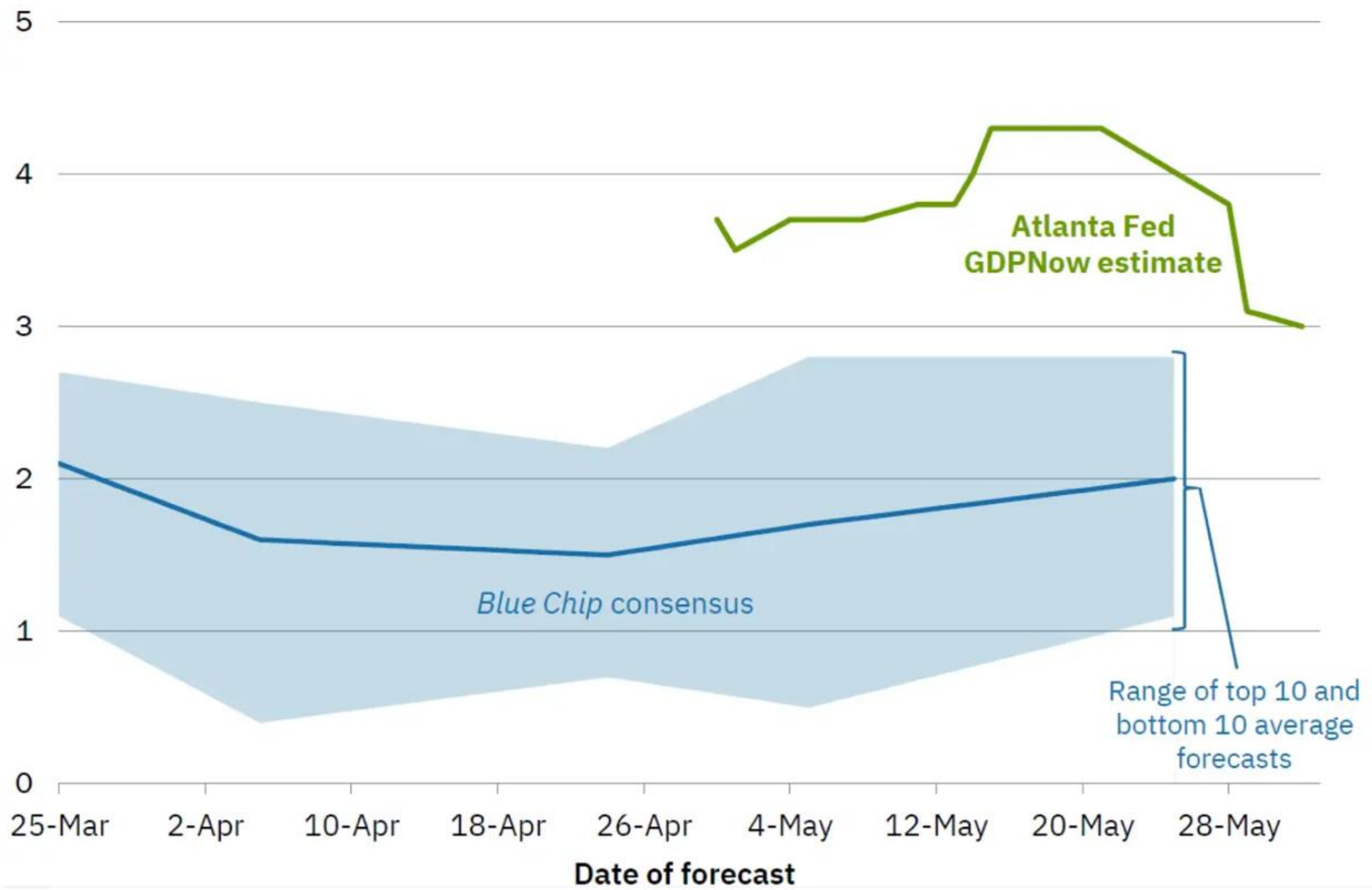
- Common sense policies are prevented by broken narratives
- The rise of populism in the age of abundance

GDP Growth: Still Steady

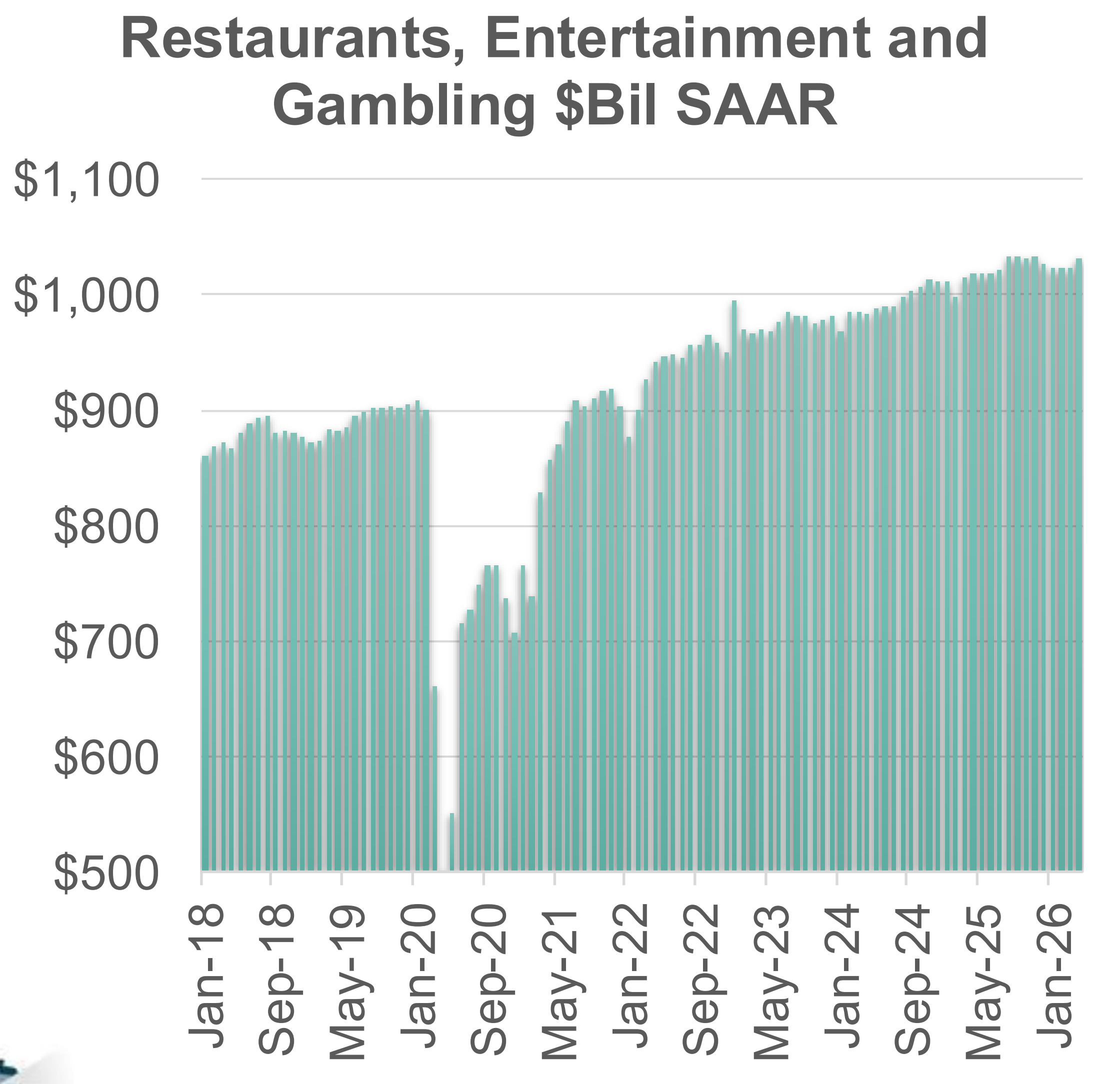


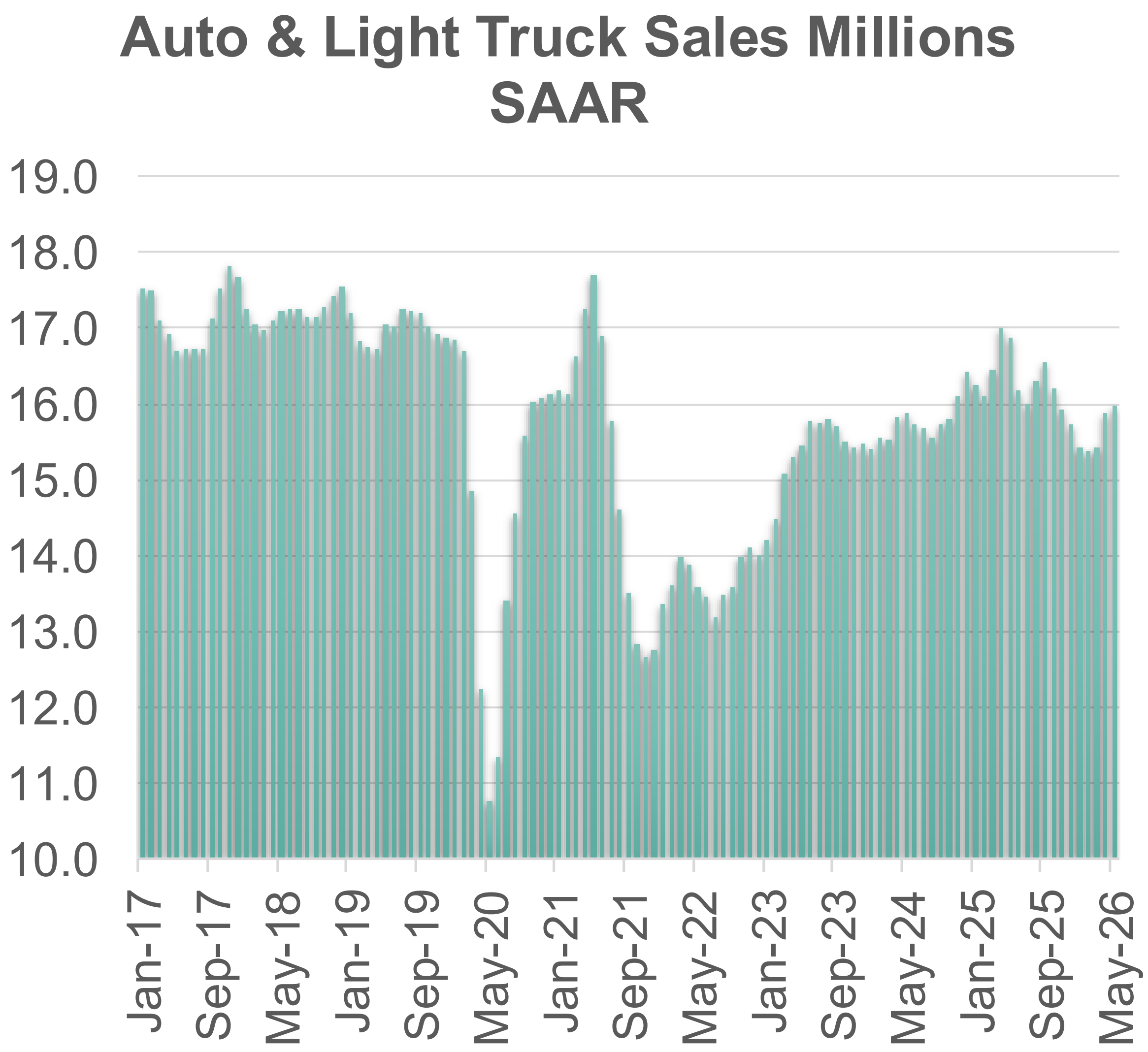
GDP Growth by Contribution	2023	2024	2025	2026 Q1
GDP	**2.9**	**2.8**	**2.1**	**1.6**
Final Demand	**2.9**	**3.2**	**2.4**	**2.8**
Consumption	**1.7**	**2.0**	**1.8**	**1.0**
Goods	0.4	0.6	0.7	0.1
Services	1.4	1.4	1.1	0.9
Fixed investment	**0.6**	**0.5**	**0.5**	**1.1**
Structures	0.5	0.0	-0.2	-0.2
Equipment	0.2	0.2	0.4	0.9
Intellectual	0.3	0.2	0.3	0.6
Residential	-0.4	0.1	-0.1	-0.2
Net exports	**0.5**	**-0.4**	**-0.2**	**-1.3**
Exports	0.3	0.4	0.2	1.3
Imports	0.1	-0.8	-0.4	-2.6
Government	**0.6**	**0.7**	**0.2**	**0.7**

Evolution of Atlanta Fed GDPNow real GDP estimate for 2026:Q2
Quarterly percent change (SAAR)

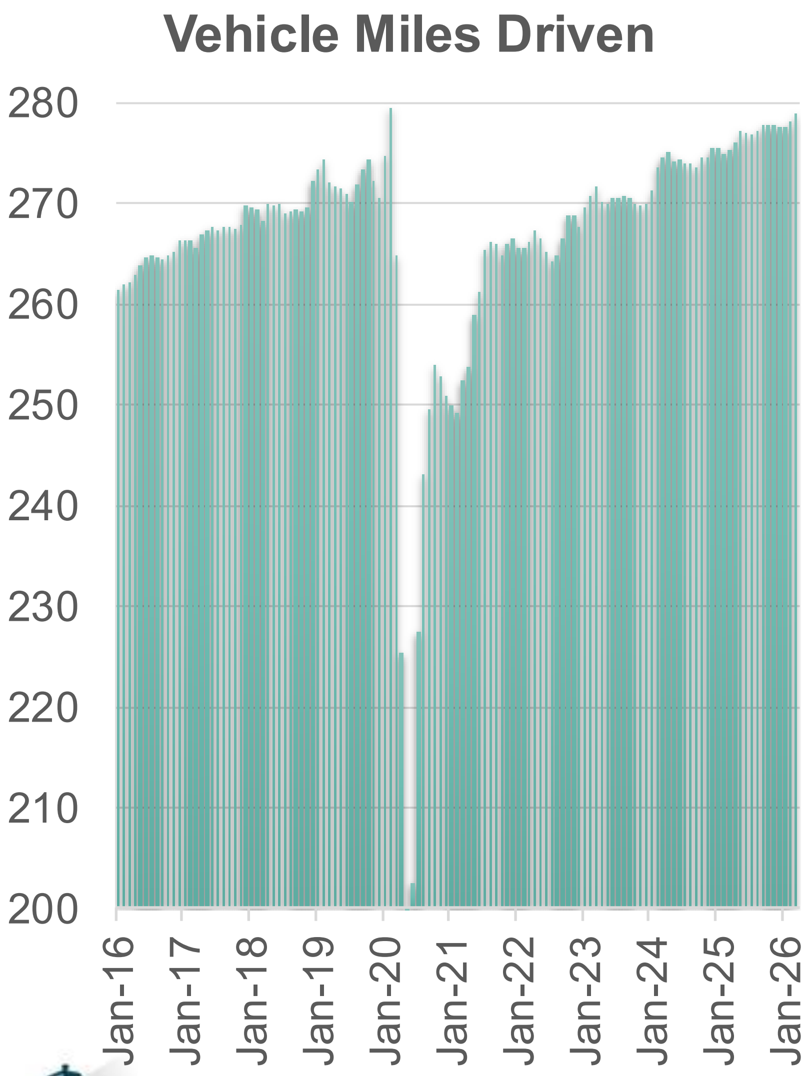


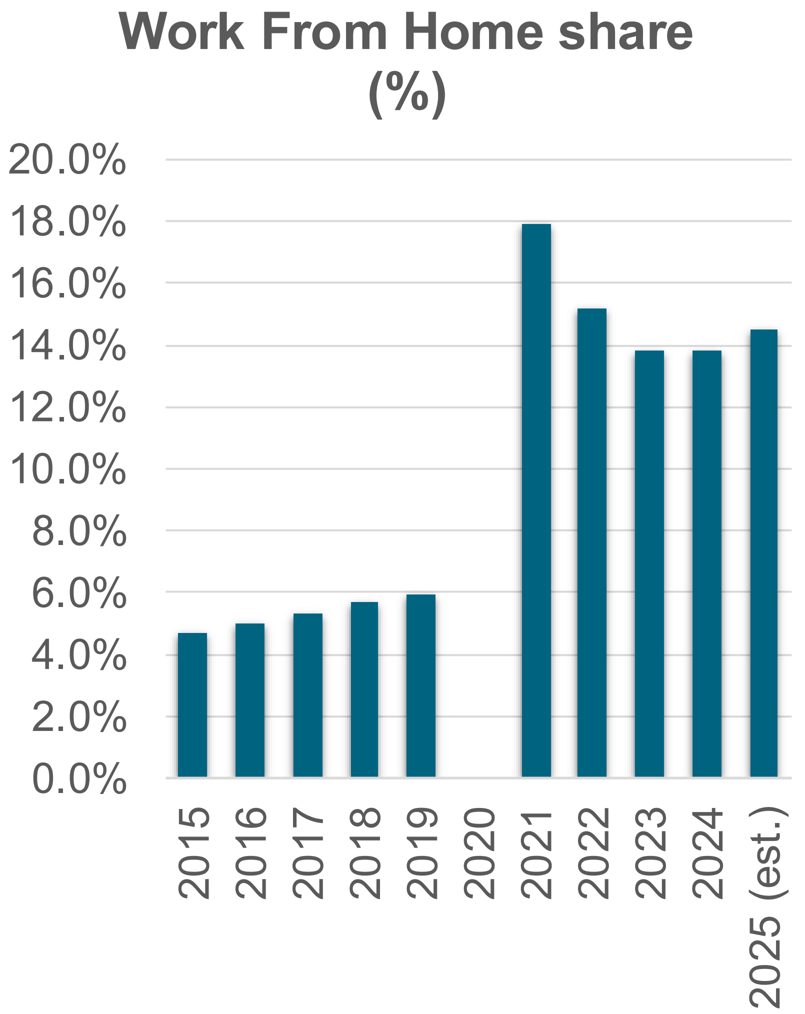
Consumers: Still Having Fun!

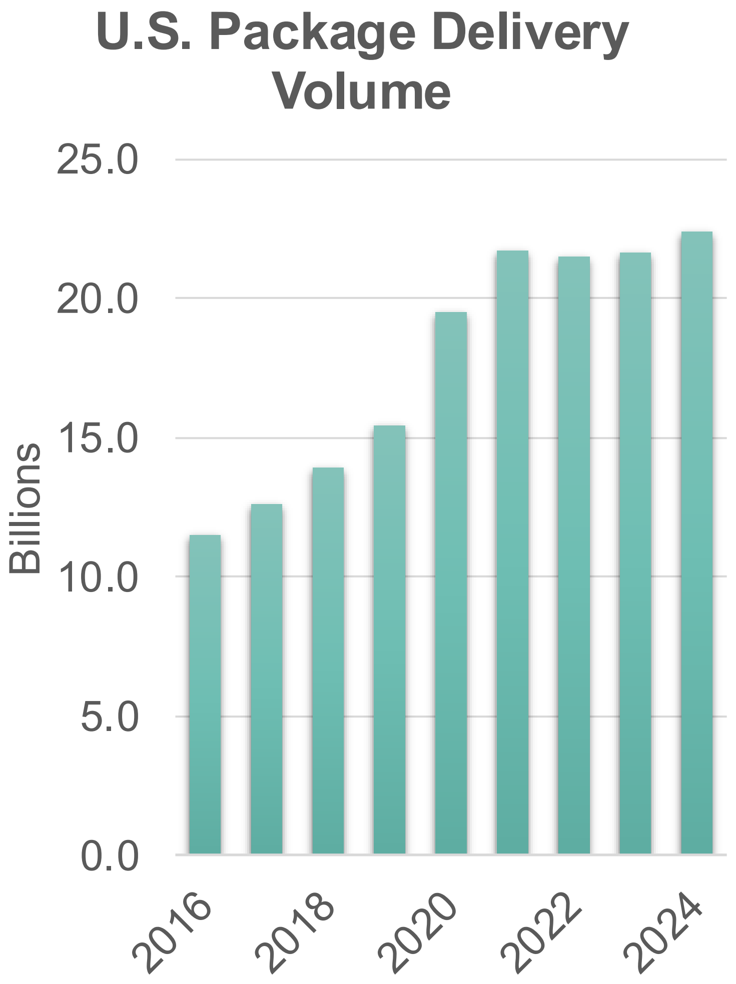




Driving… where?

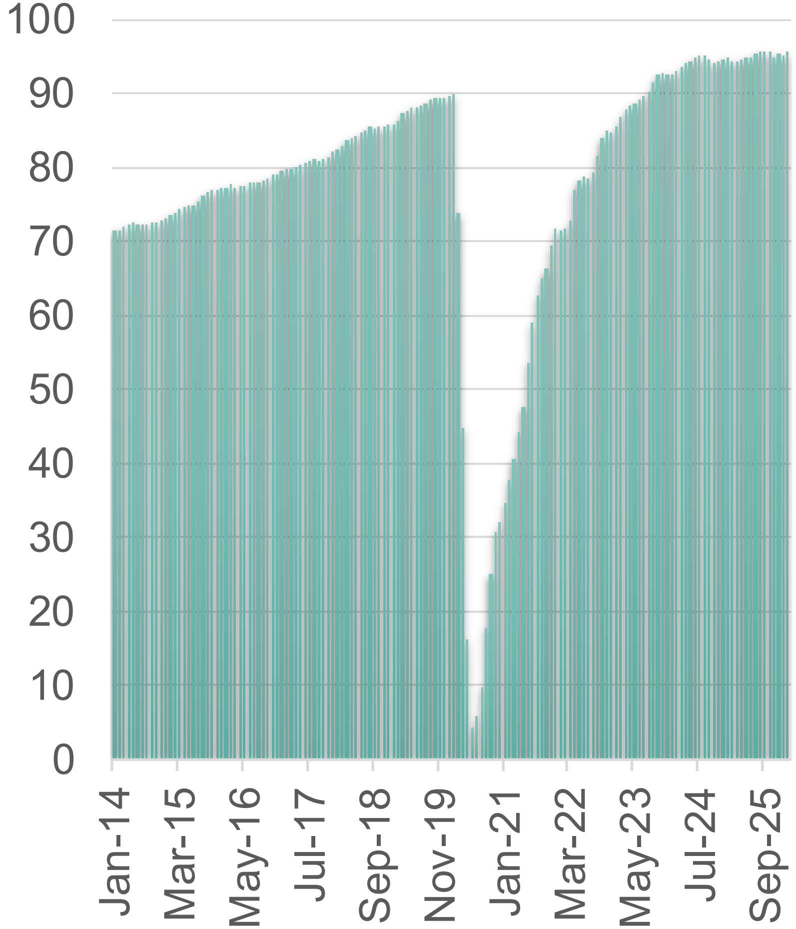




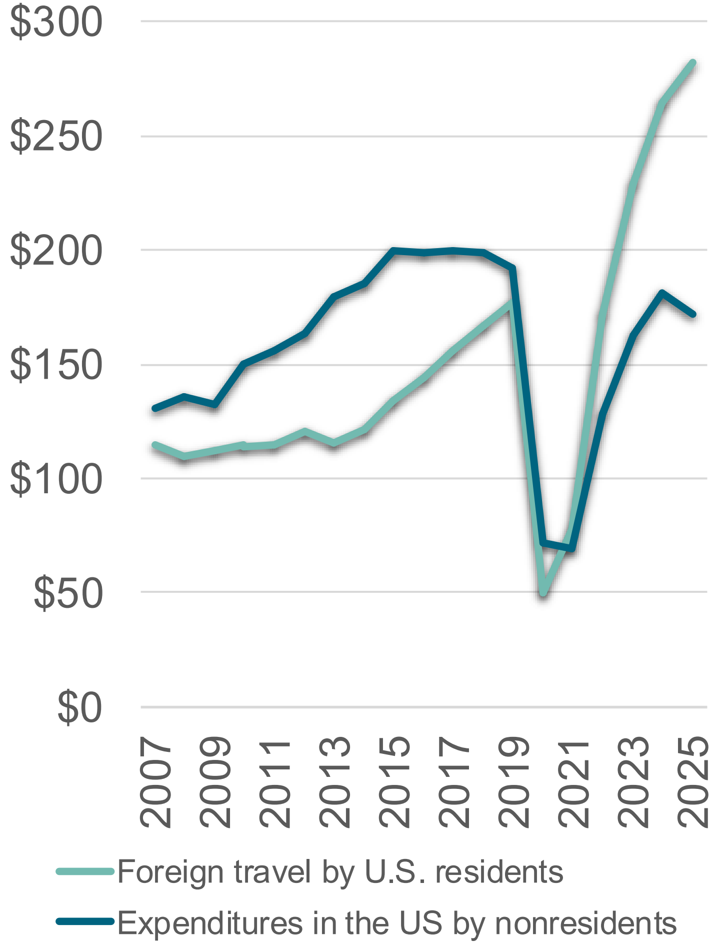


Travel, Flying, and the $US

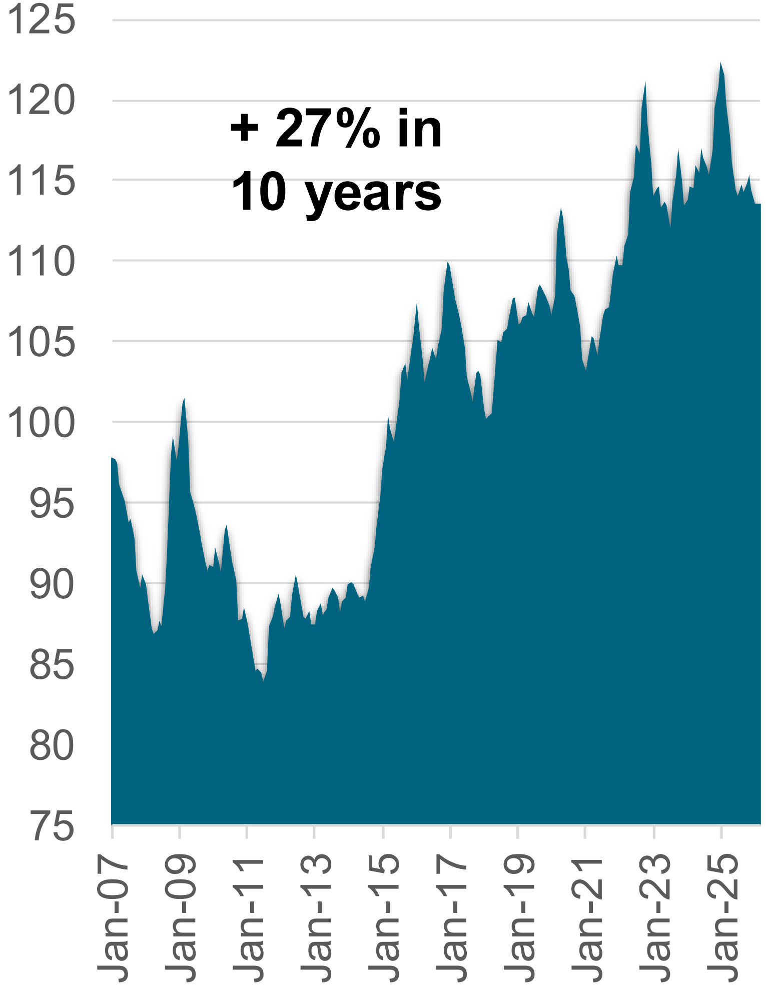
US Air Passenger Miles



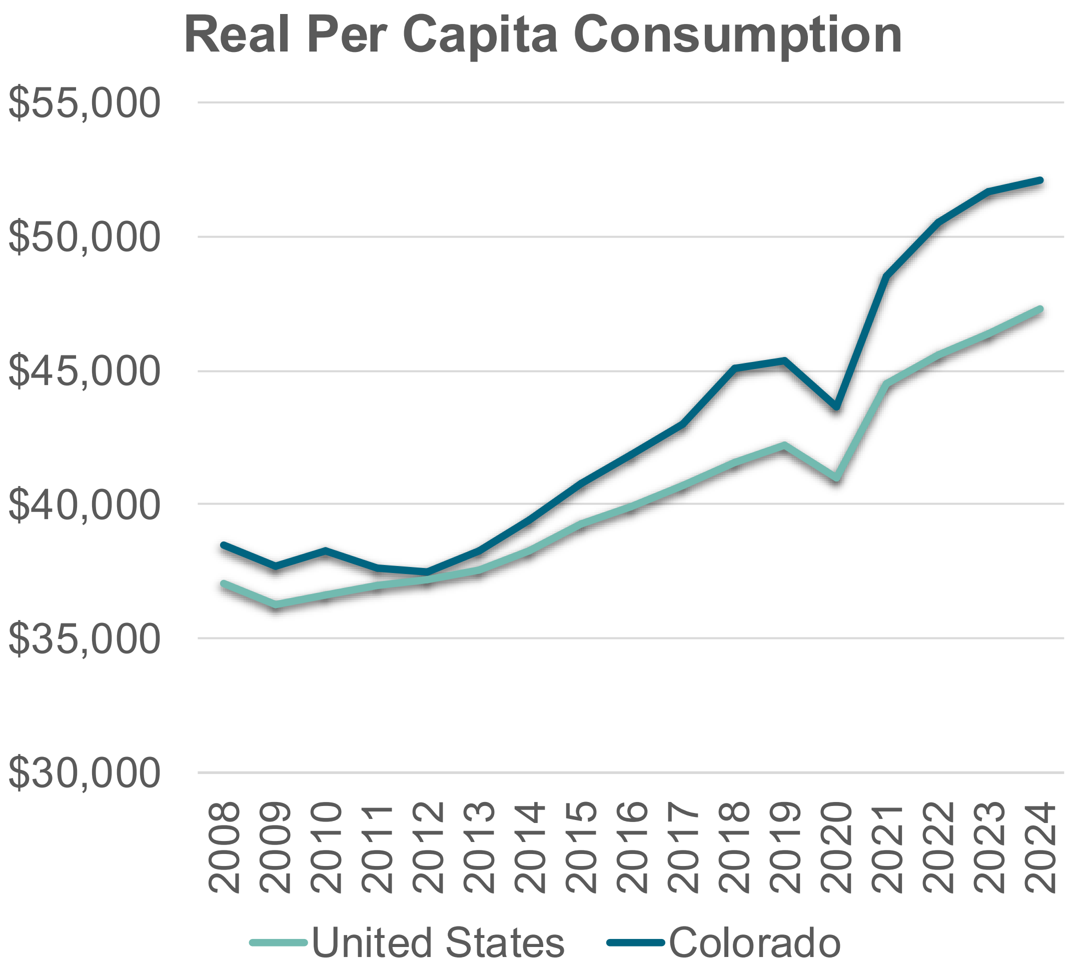
Real Spending on International Travel



Real $US Broad Index



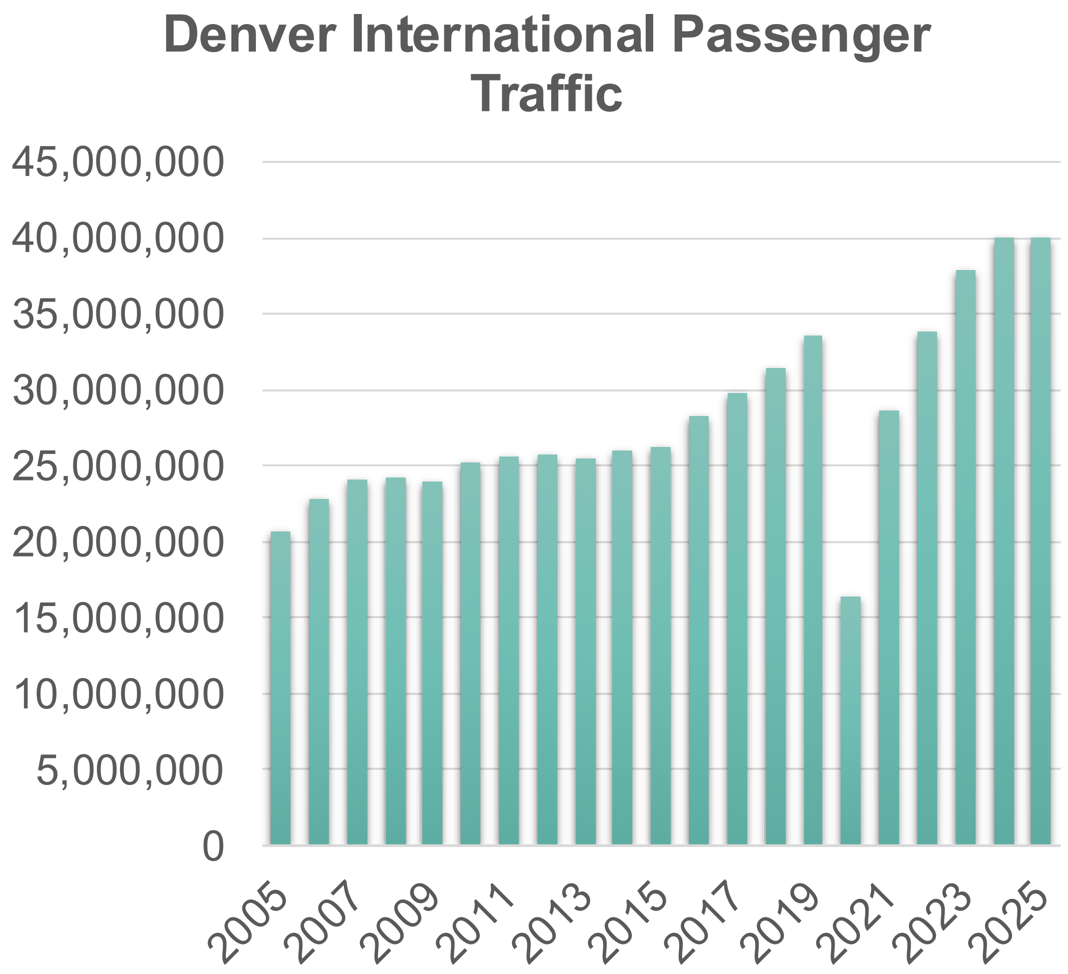
Colorado Consumption



State Gross Sales

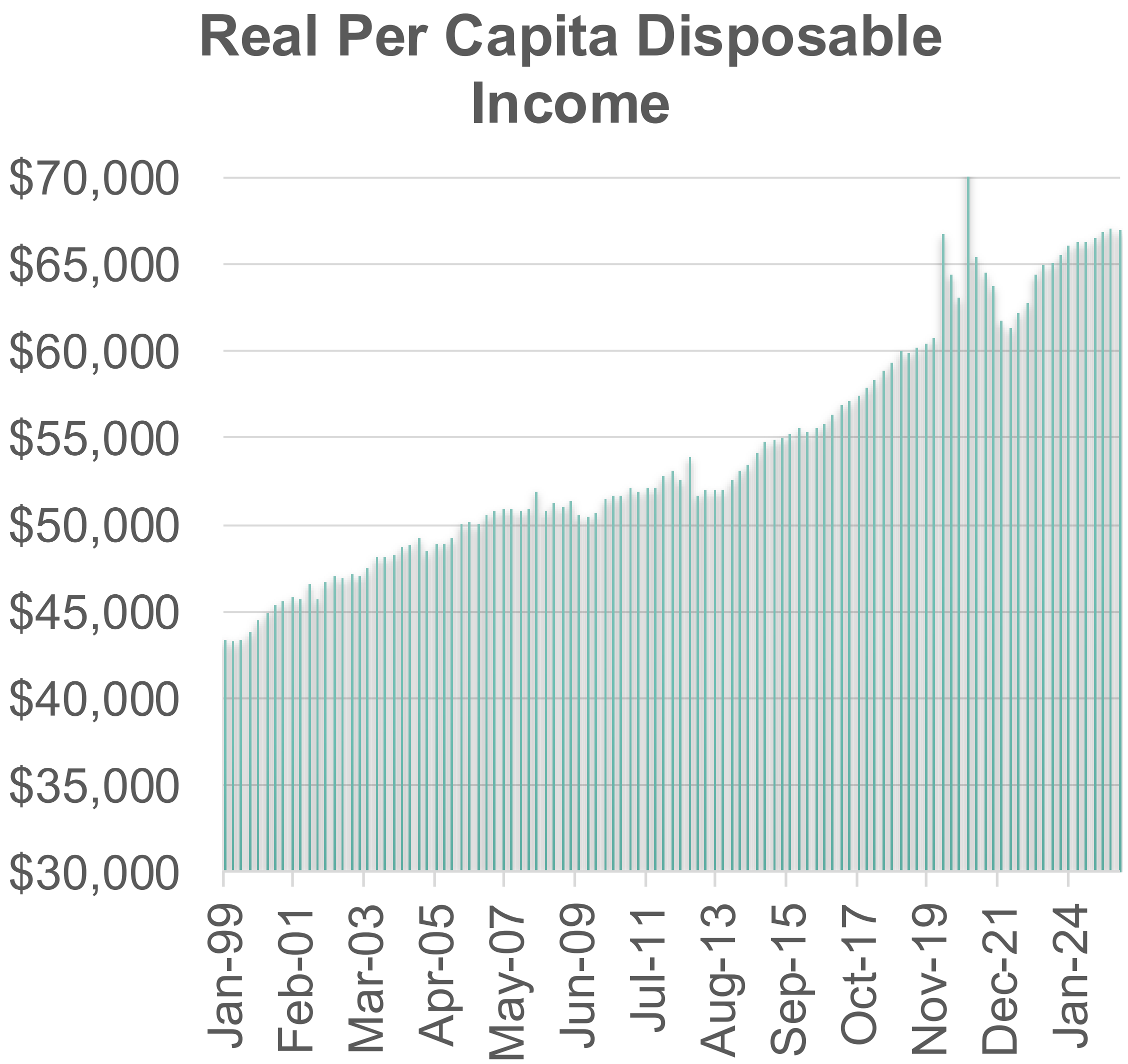
	Gr 24-25	Gross Sales
Total	4.0%	$425,273
Utilities	12.2%	$13,374
Health Care	8.6%	$25,457
Professional	6.8%	$20,173
Sporting Goods	6.7%	$19,538
Information	6.1%	$11,050
General Merch	5.3%	$39,797
Manufacturing	3.6%	$43,261
Motor Vehicle	2.9%	$34,573
Management	2.3%	$10,775
Food Services	2.3%	$19,654
Wholesale Trade	0.8%	$69,195
Food Retailers	0.6%	$24,765
Construction	-1.6%	$10,545

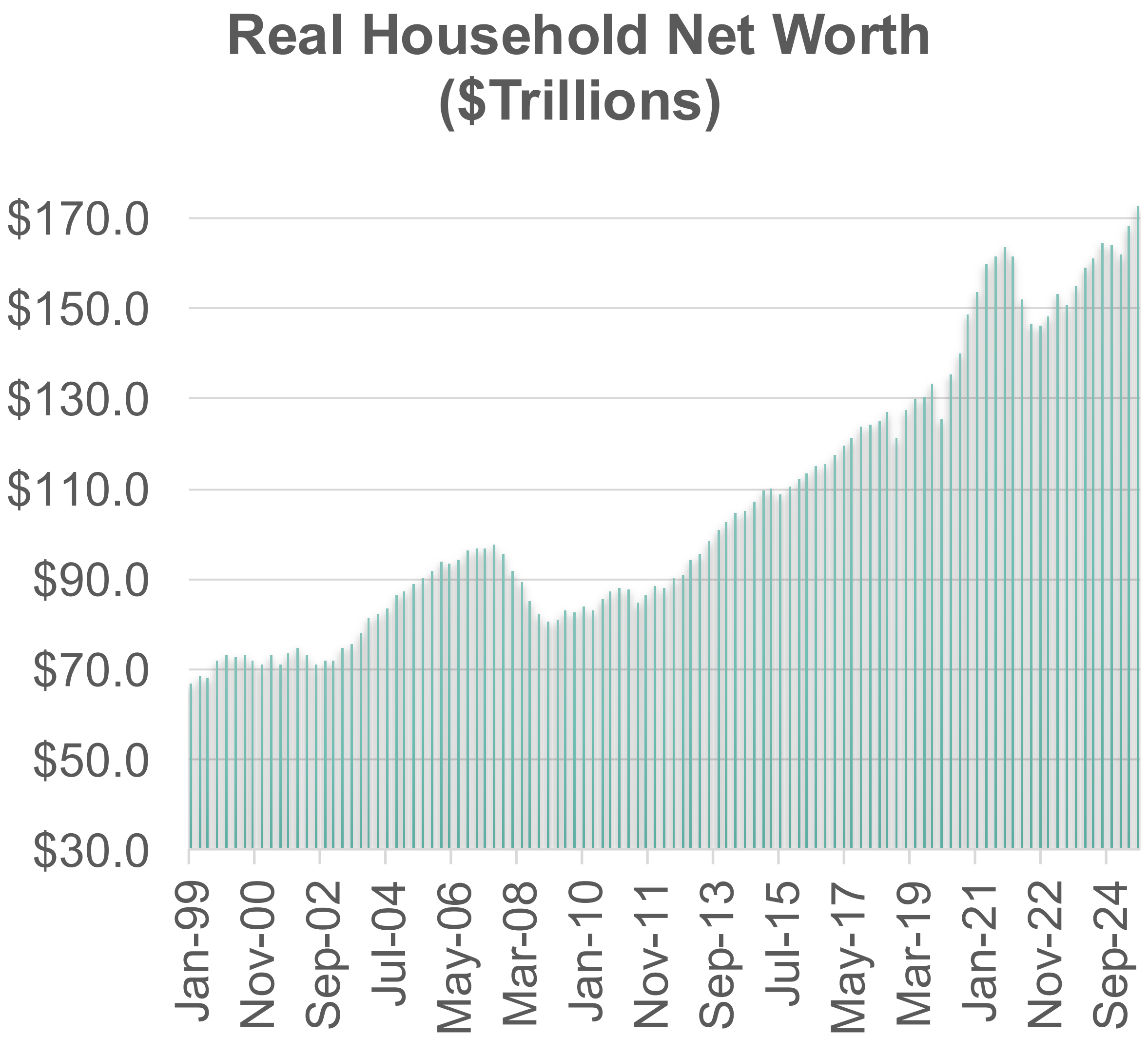
Regional Airport and Hotels



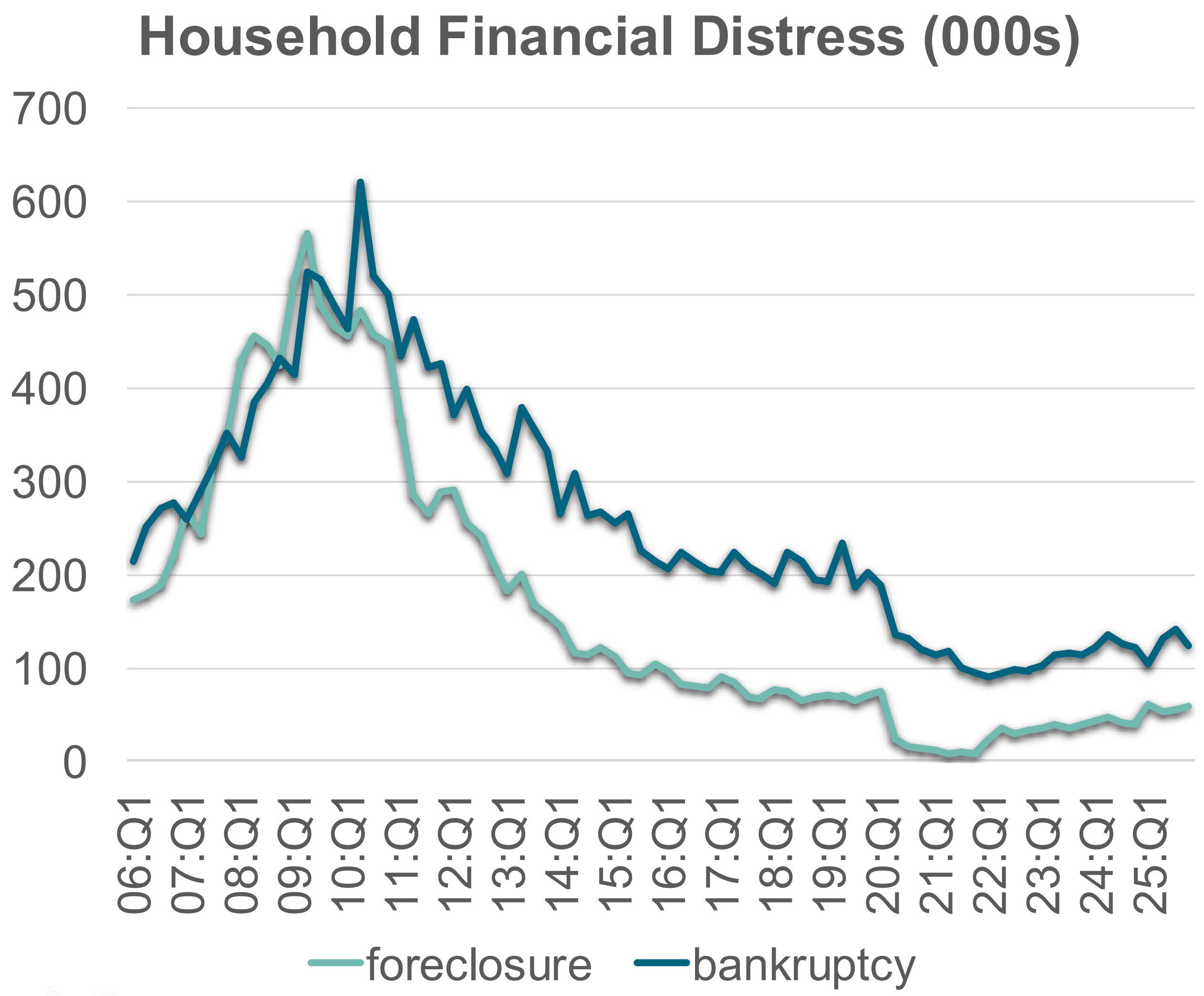
Location	May-26 RevPAR	1-Year Chg. (%)	Chg. since Dec-19 (%)
United States	103.52	4.3	20.1
Colorado Ski Area	175.80	-5.2	22.3
Boulder & Longmont	113.40	-2.2	10.8
Denver	104.58	6.0	10.0
Colorado Springs	86.82	6.6	1.8
Fort Collins Area	83.00	8.0	14.1
Loveland Area	78.85	0.5	19.5
Colorado Southwest Area	72.47	-2.5	18.8
Colorado East Area	62.82	4.2	9.6

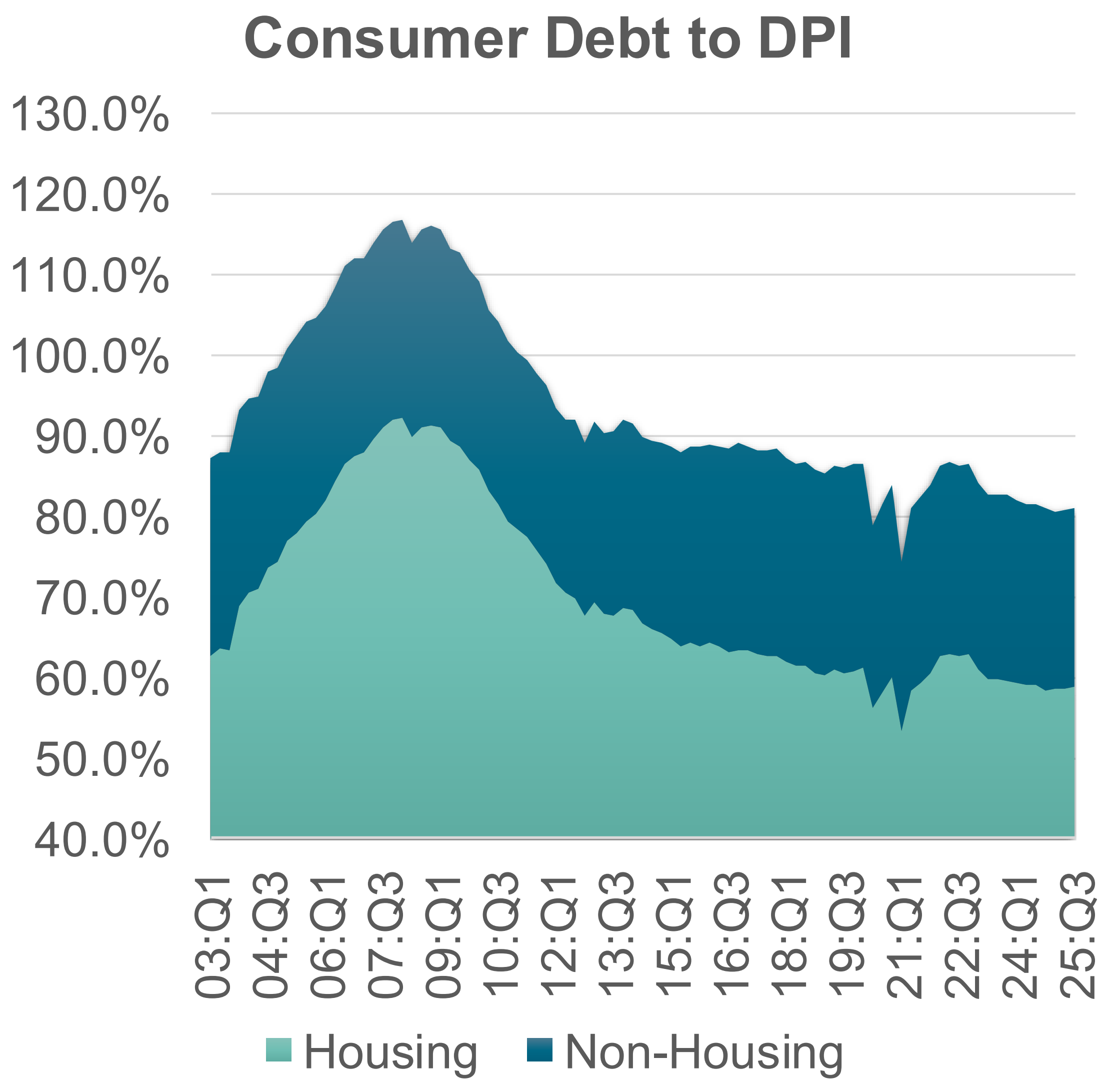
Record HH Income and Net Worth



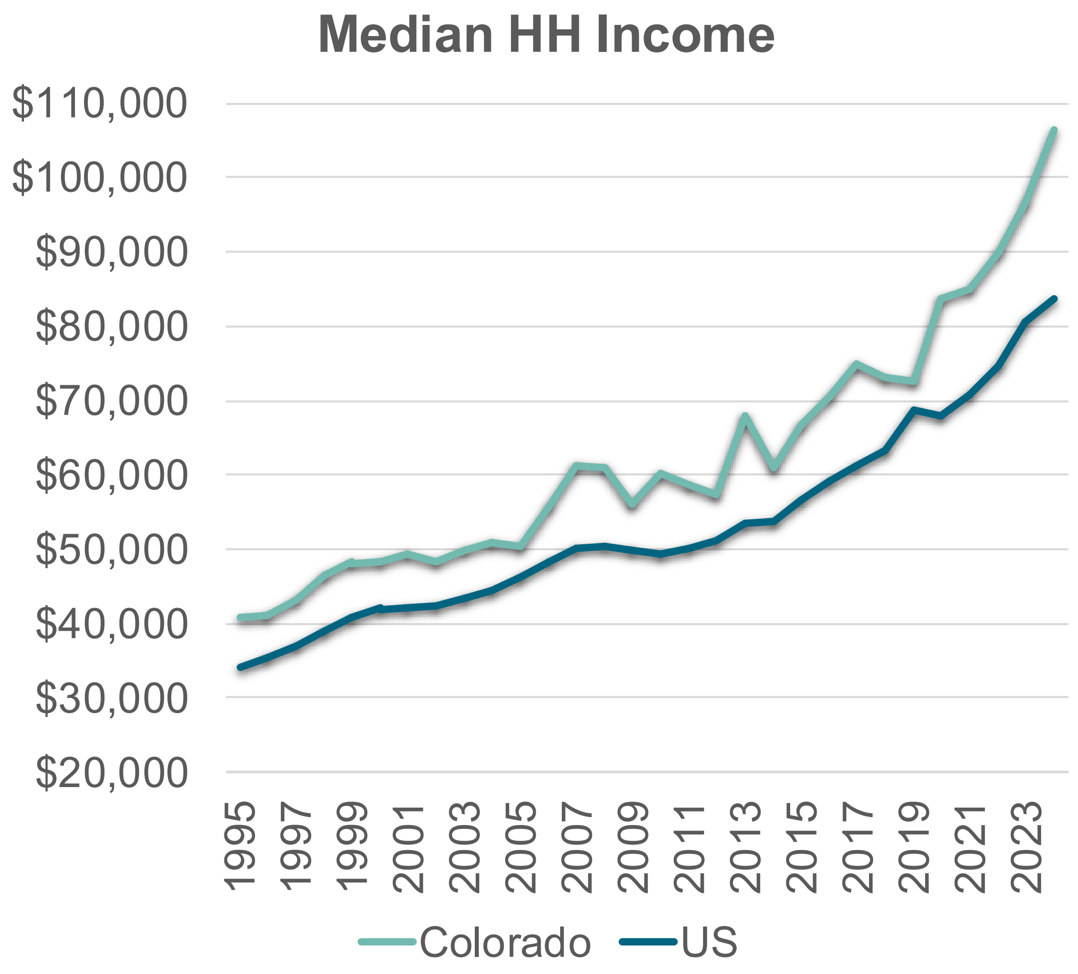


Consumer Debt Situation: Steady





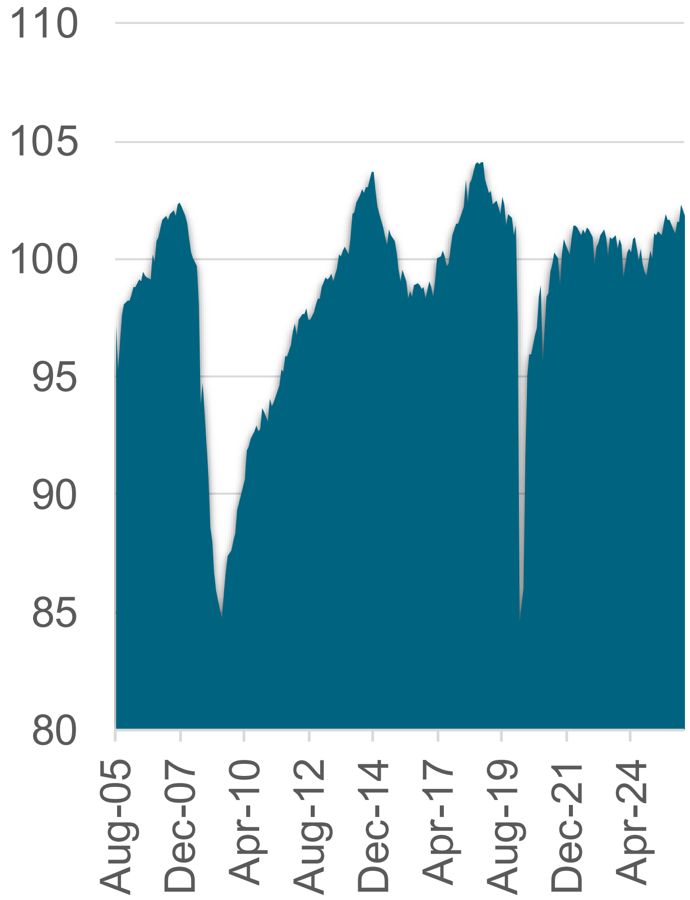
Local Household Incomes



Median Household Income	2024	5-Year Chg. (%)
United States	81,604	24.2
Colorado	97,113	25.9
Arvada	124,317	38.9
Aurora	93,837	35.5
Westminster	108,877	33.9
Lakewood	90,852	29.5
Pueblo	55,194	27.9
Thornton	101,096	25.1
Greeley	76,462	24.3
Denver	92,504	22.3
Centennial	135,629	21.9
Colorado Springs	83,672	18.6
Fort Collins	81,199	15.2
Boulder	85,761	14.5

Business Activity

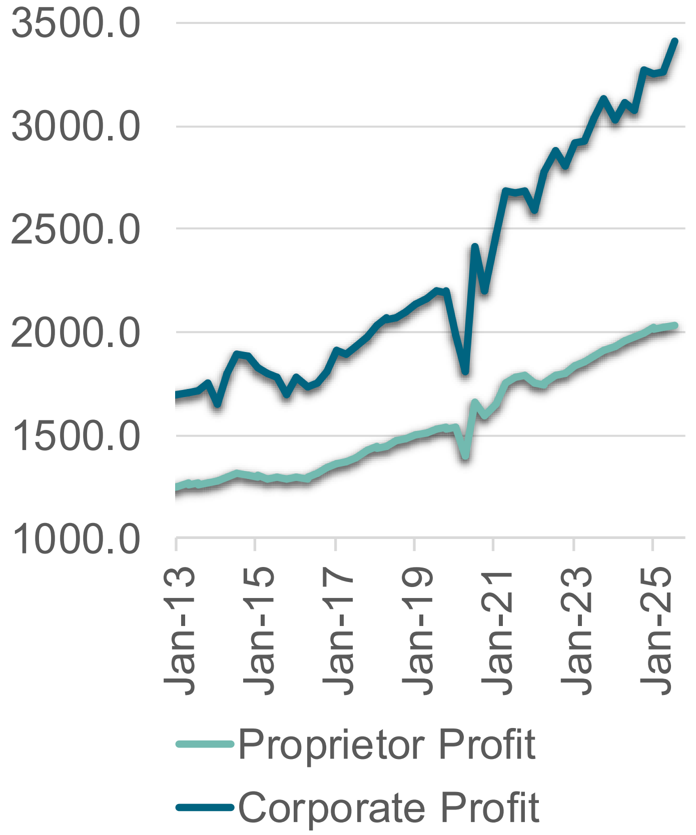
Industrial Production



US Real Growth Investment by Type

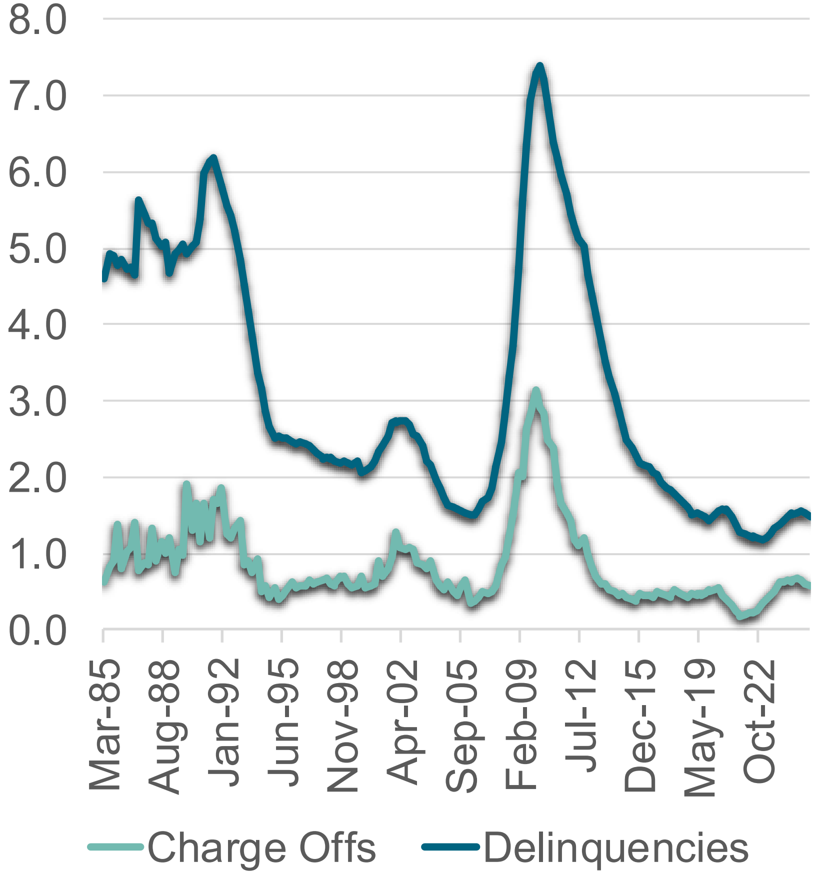
	21-23	23-25
Private fixed inv	**8.1%**	**4.4%**
Structures	21.9%	-4.3%
Comm health	13.9%	-5.6%
Equipment	8.9%	9.2%
IT Eq	1.7%	19.9%
Intellectual prop	8.4%	7.1%
Res Permanent	1.1%	-4.4%
Other Residential	-4.2%	6.8%

Business Profits ($Bil, SAAR)

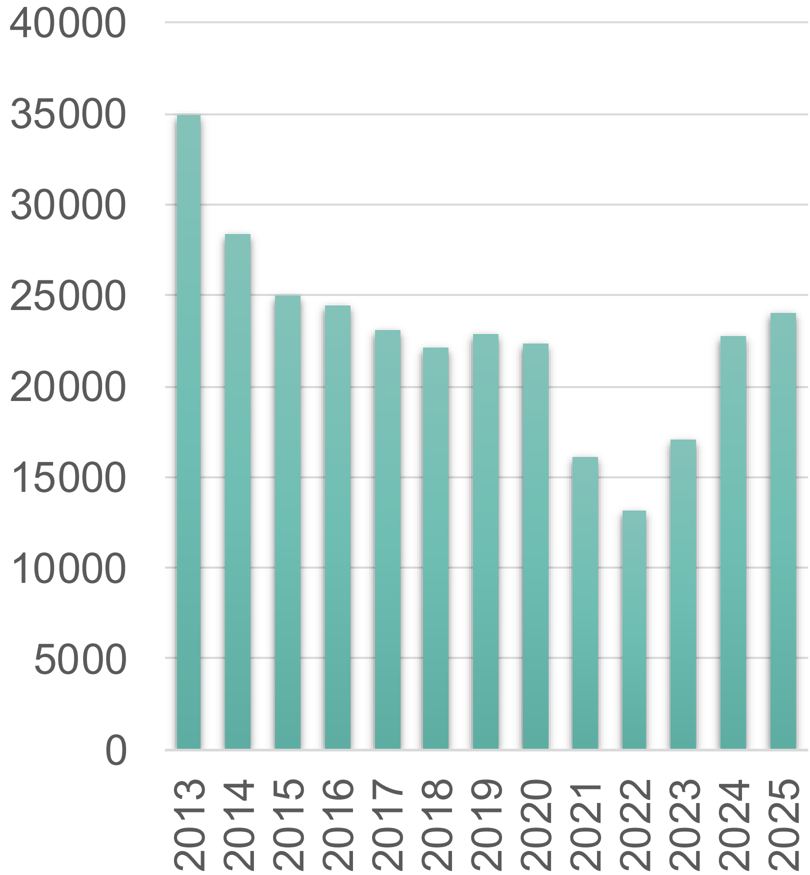


Bank Debt, Closures and Job Openings

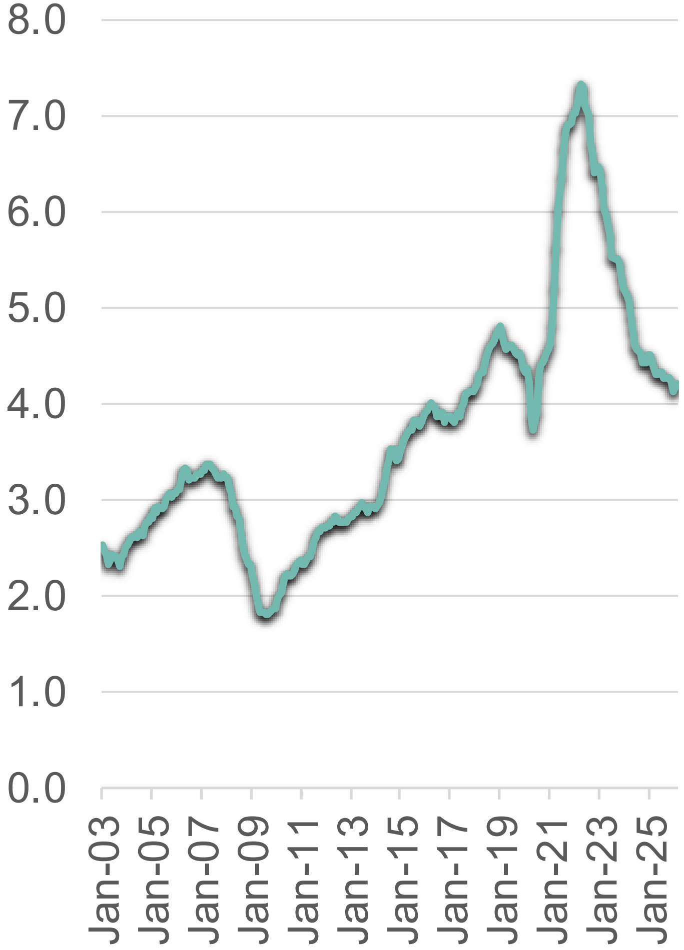
Commercial Bank Loan Distress (%)



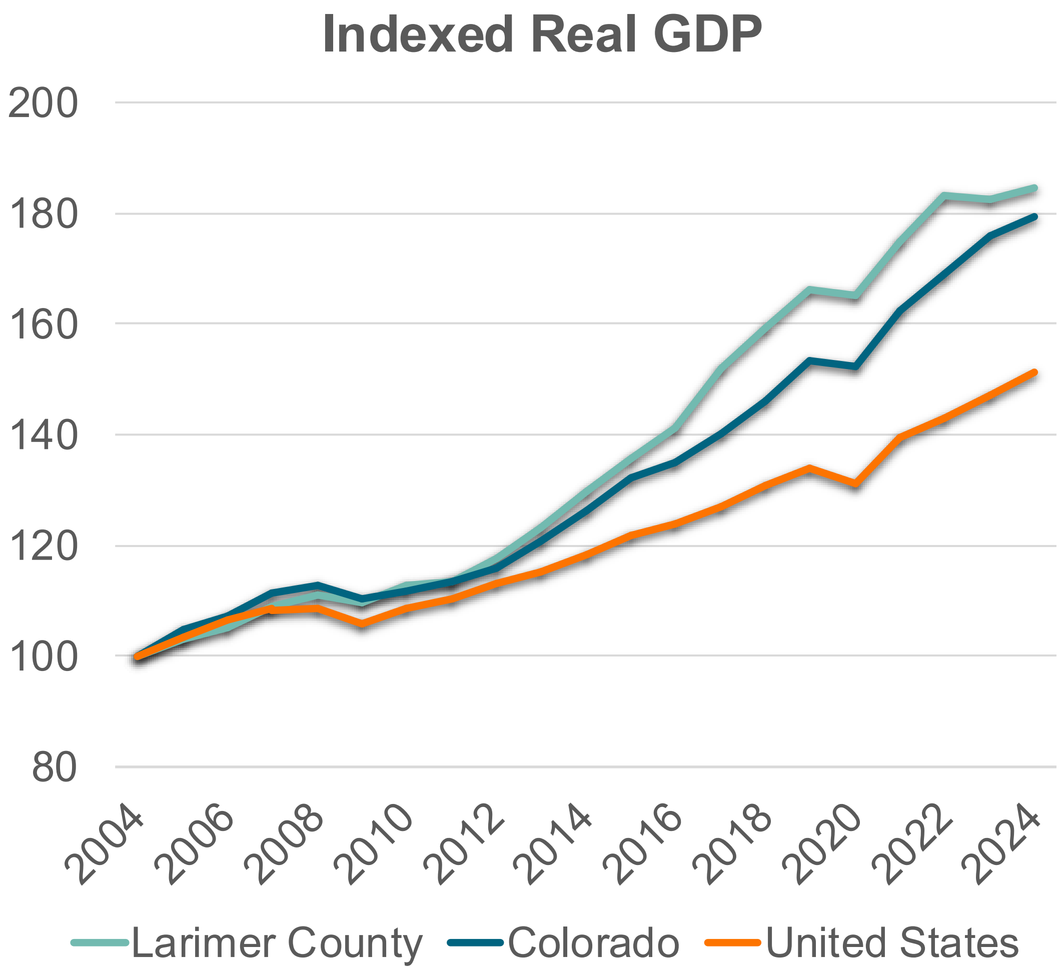
U.S. Business Bankruptcy Filings



Job Opening Rate



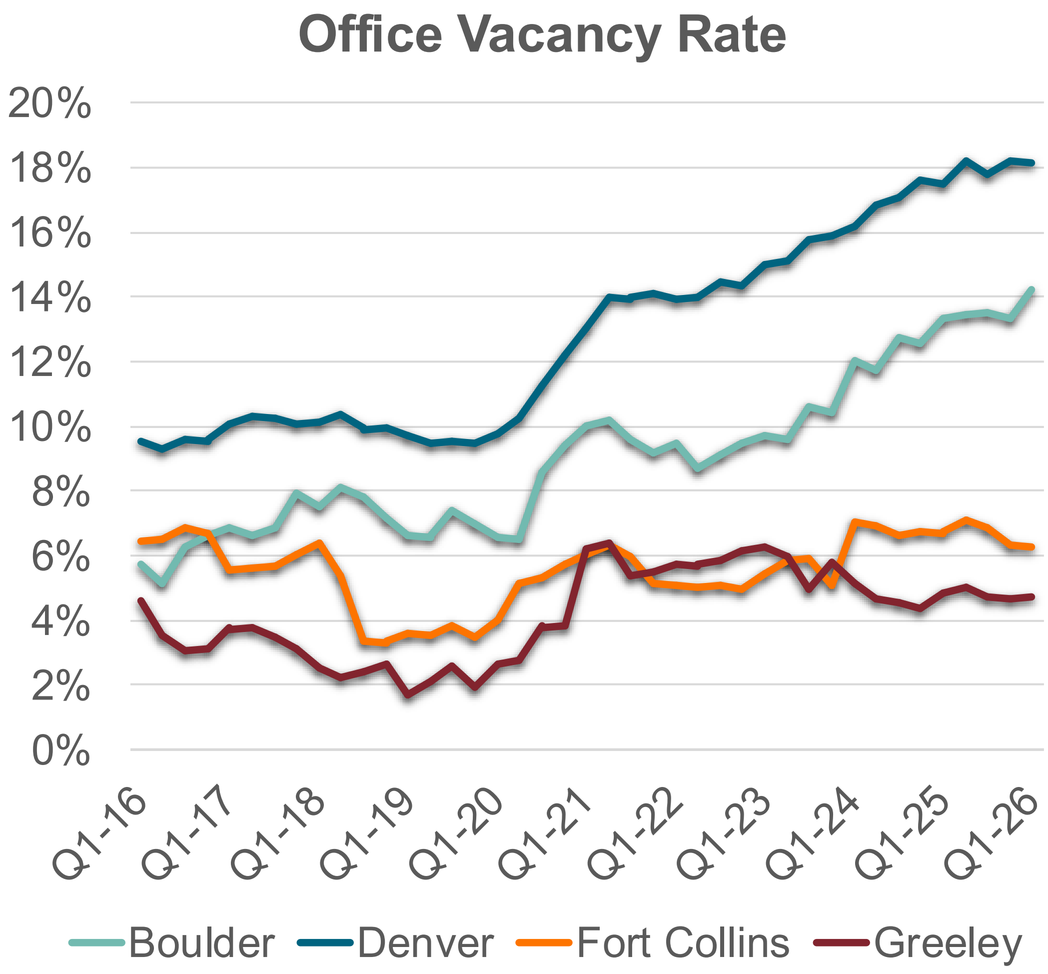
Local Real Output



Larimer County	2024 ($, Mil.)	1-Year Chg. (%)	5-Year Chg. (%)	LQ
All Industry Total	22,618	1.1	11.2	1.0
Manufacturing	3,500	0.7	6	1.5
Construction	1,204	6.2	-8.2	1.4
Government	3,511	1.3	12.7	1.4
Other Services	527	0.2	-1.6	1.3
Leisure and Hospitality	1,025	-3.5	10.2	1.2
Retail/Wholesale Trade	2,474	2.4	11.4	1
Professional/Business	3,523	-1.7	42	1
Financial Activities	4,106	2.4	3.1	0.9
Education/Health	1,699	3.1	25.1	0.8
Information	654	2.4	26.1	0.4
Utilities	144	-8.3	-13.5	0.4
Logistics	244	-2.7	10.3	0.3
NR/Mining	172	-4.9	-19.6	0.3

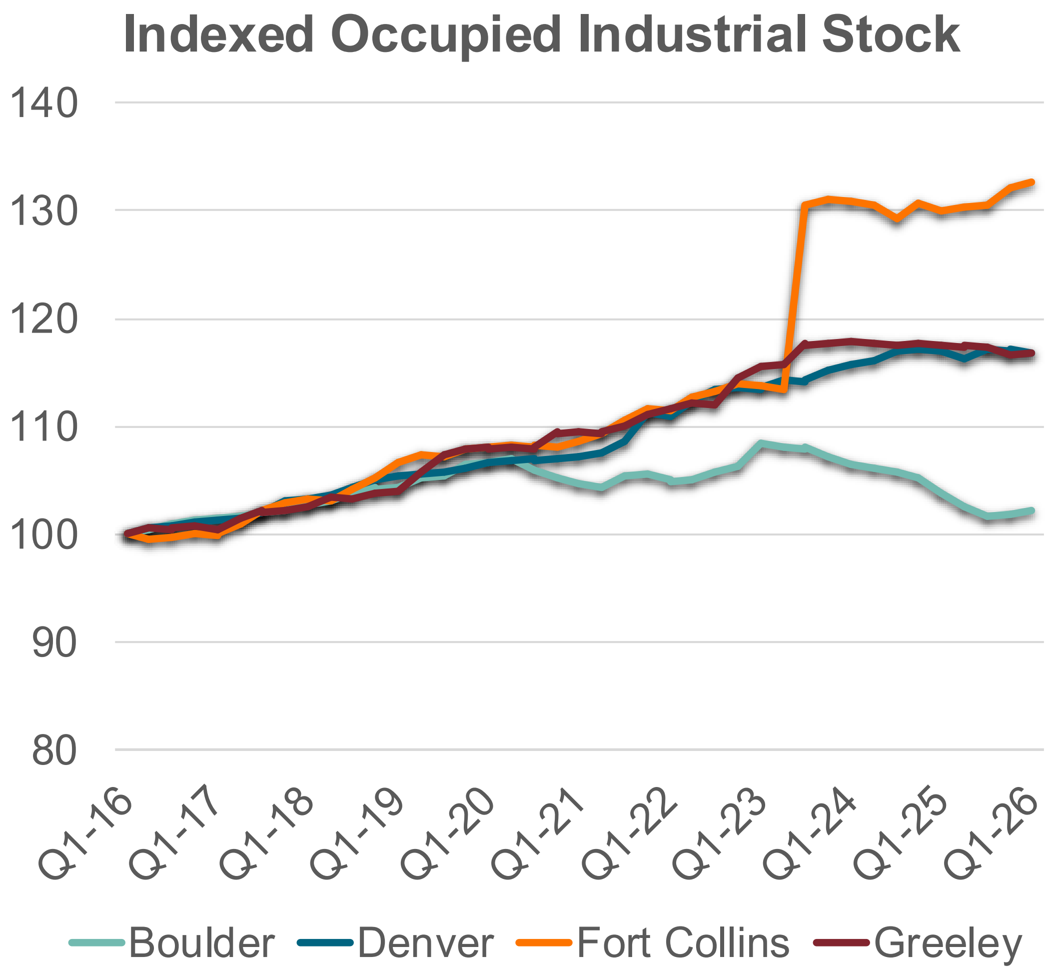
Fort Collins Manufacturing	Firms	Emp	LQ
NAICS 3113 Confectionery	10	464	4.99
NAICS 3121 Beverage	49	1,440	4.33
NAICS 3345 Instruments	25	1,752	3.98
NAICS 3254 Pharmaceutical	16	870	2.3
NAICS 3344 Semiconductor	13	923	2.23
NAICS 3371 Furniture	21	401	1.79
NAICS 3261 Plastics	22	1,033	1.67
NAICS 3279 Other nonmetallic	4	105	1.24
NAICS 3111 Animal food	8	100	1.2
NAICS 3332 Industrial machinery	10	163	1.16

Office Vacancy Rate



Office Vacancy Rate	Q1-26 (%)	1-Yr Change (pp)	Change since Q4-19 (pp)
United States	14.0	-0.1	4.6
Grand Junction	2.8	-1.9	-1.0
Pueblo	4.3	1.4	2.6
Greeley	4.7	-0.1	2.8
Fort Collins	6.3	-0.5	2.8
Cheyenne	11.4	8.3	8.8
Salt Lake City	11.8	0.8	5.8
Colorado Springs	12.2	1.7	3.9
Boulder	14.2	0.9	7.2
Denver	18.1	0.6	8.7

Industrial Occupancy



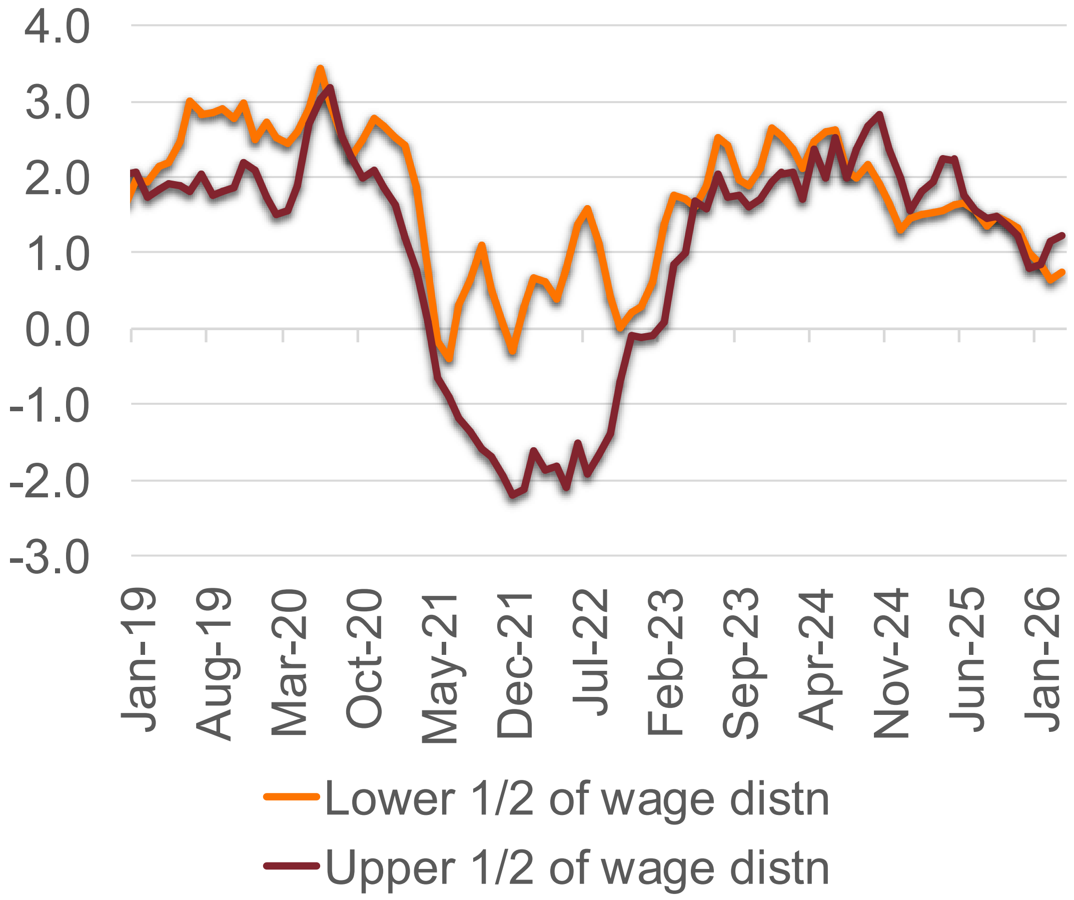
Industrial Occupied Stock	Q1-26 (Sq. Ft., Mil.)	1-Yr Growth (%)	Change since Q4-19 (%)
United States	17,845.9	0.7	9.8
Fort Collins	29.8	2.0	23.0
Cheyenne	8.1	1.7	5.3
Salt Lake City	186.5	0.9	18.9
Grand Junction	9.6	0.6	2.1
Denver	261.5	-0.2	10.2
Pueblo	14.0	-0.5	0.2
Greeley	29.9	-0.6	8.3
Colorado Springs	40.2	-1.5	12.6
Boulder	26.7	-1.6	-4.0

A K-Shaped Recovery?

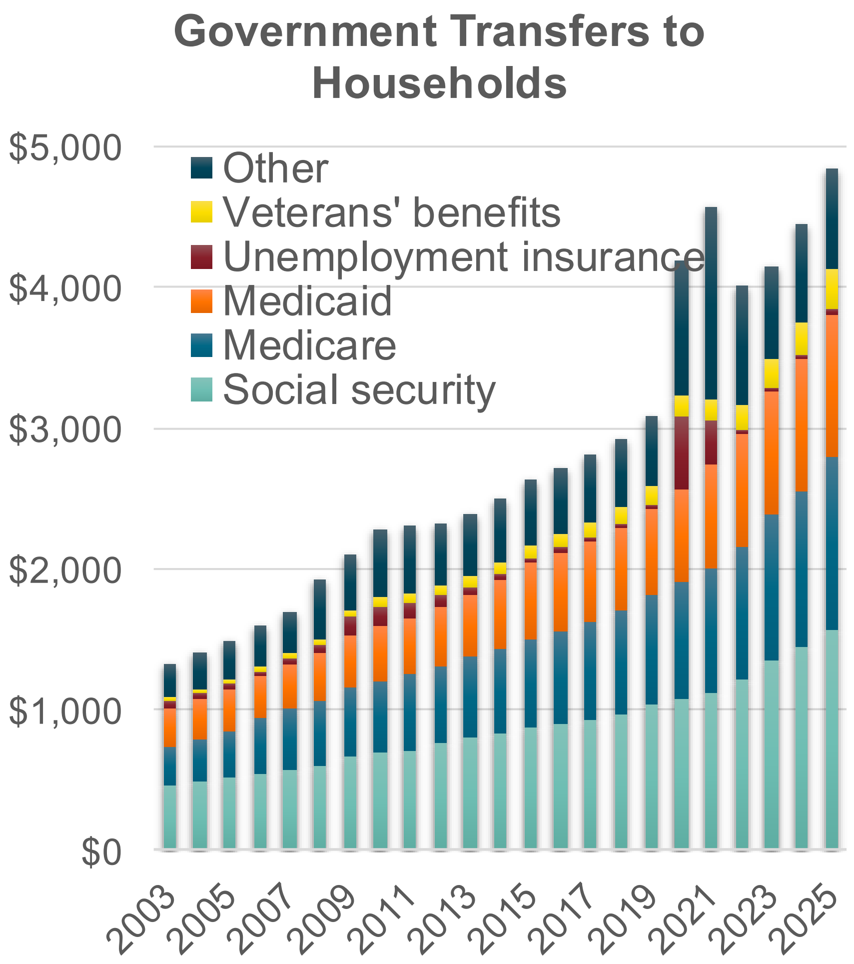
Income and Spending by Household Income Quintile

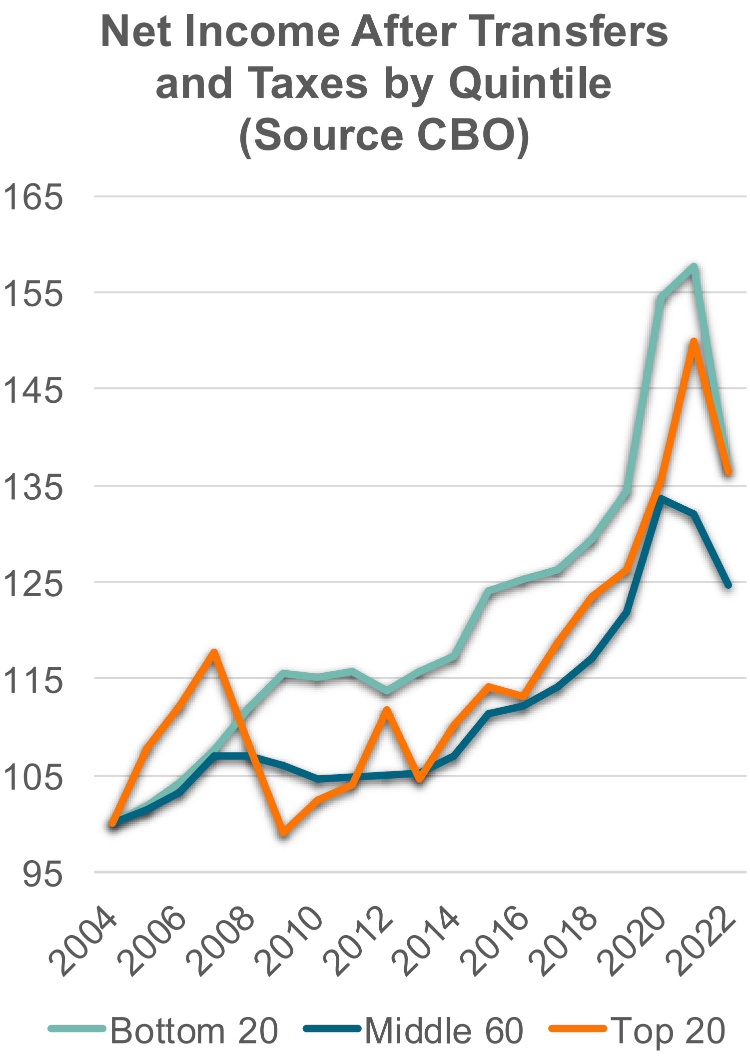
	Avg HH Income 2024	Real Growth 14-24
Lowest	$18,460	22.8%
Second	$49,380	23.4%
Middle	$84,390	21.3%
Fourth	$136,800	21.1%
Highest	$316,100	26.5%
Top 5%	$560,000	30.9%

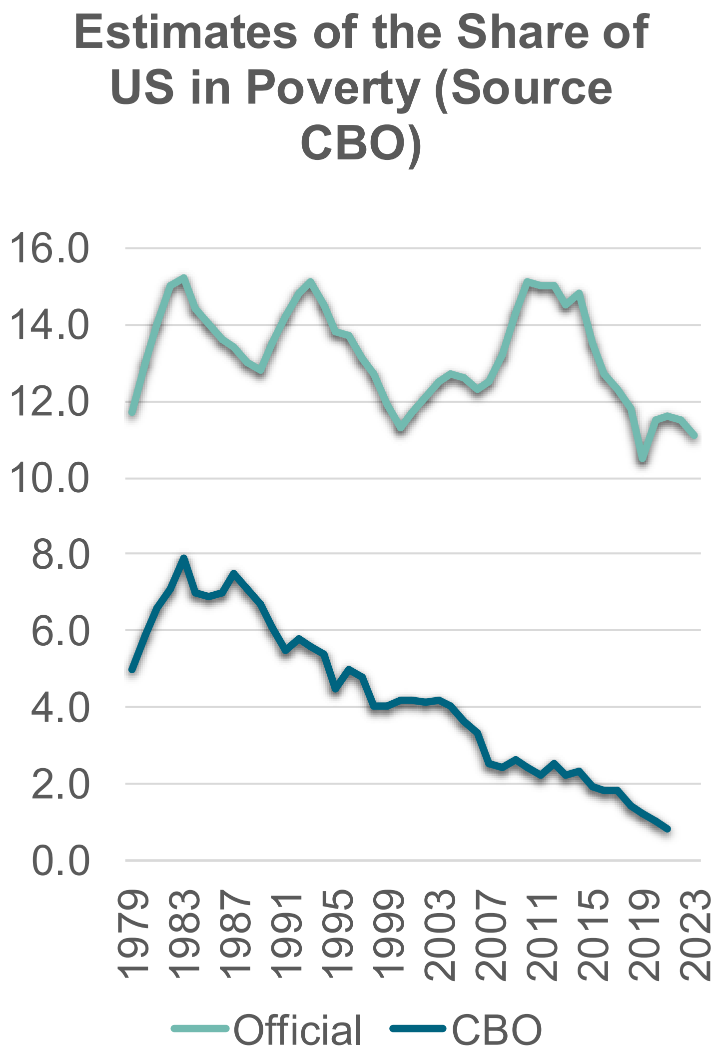
Real Median YoY Earnings Growth



Gross vs Net Income



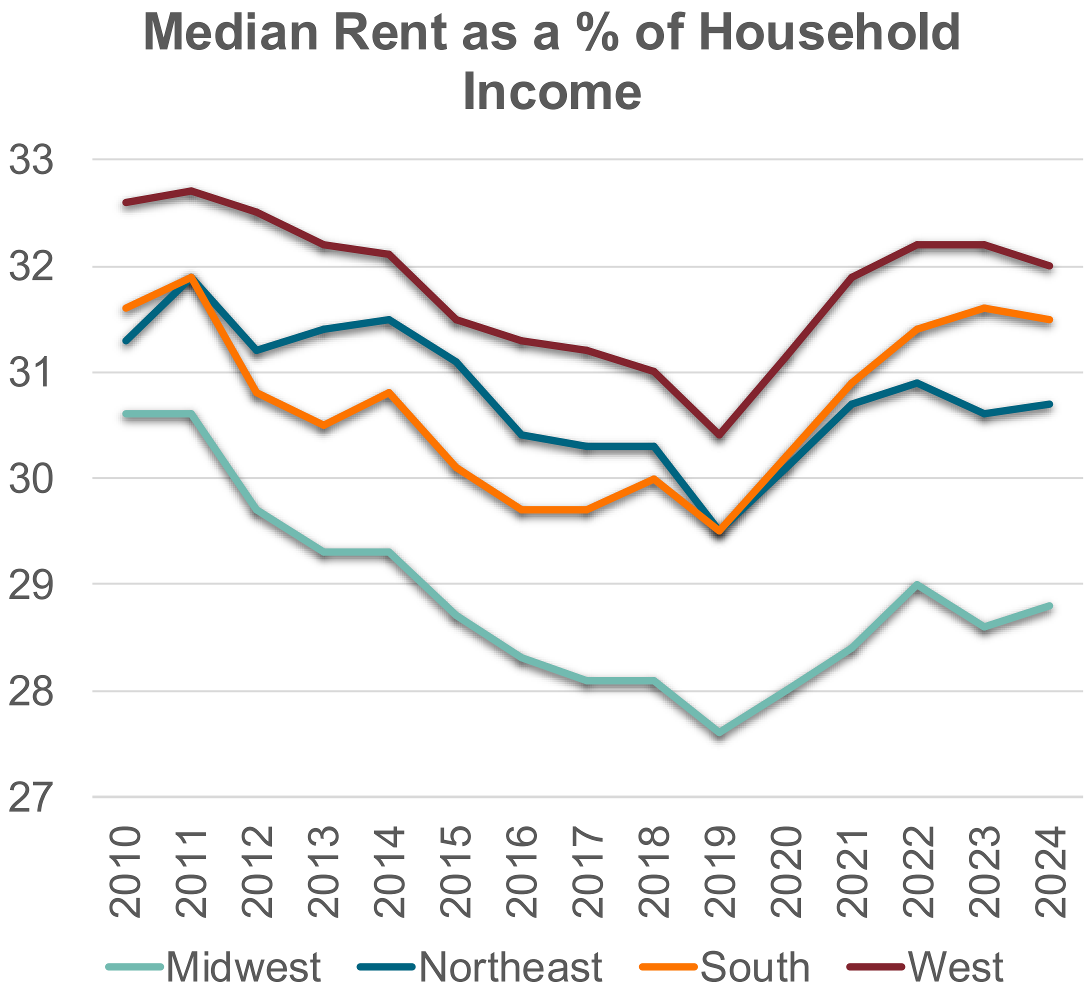


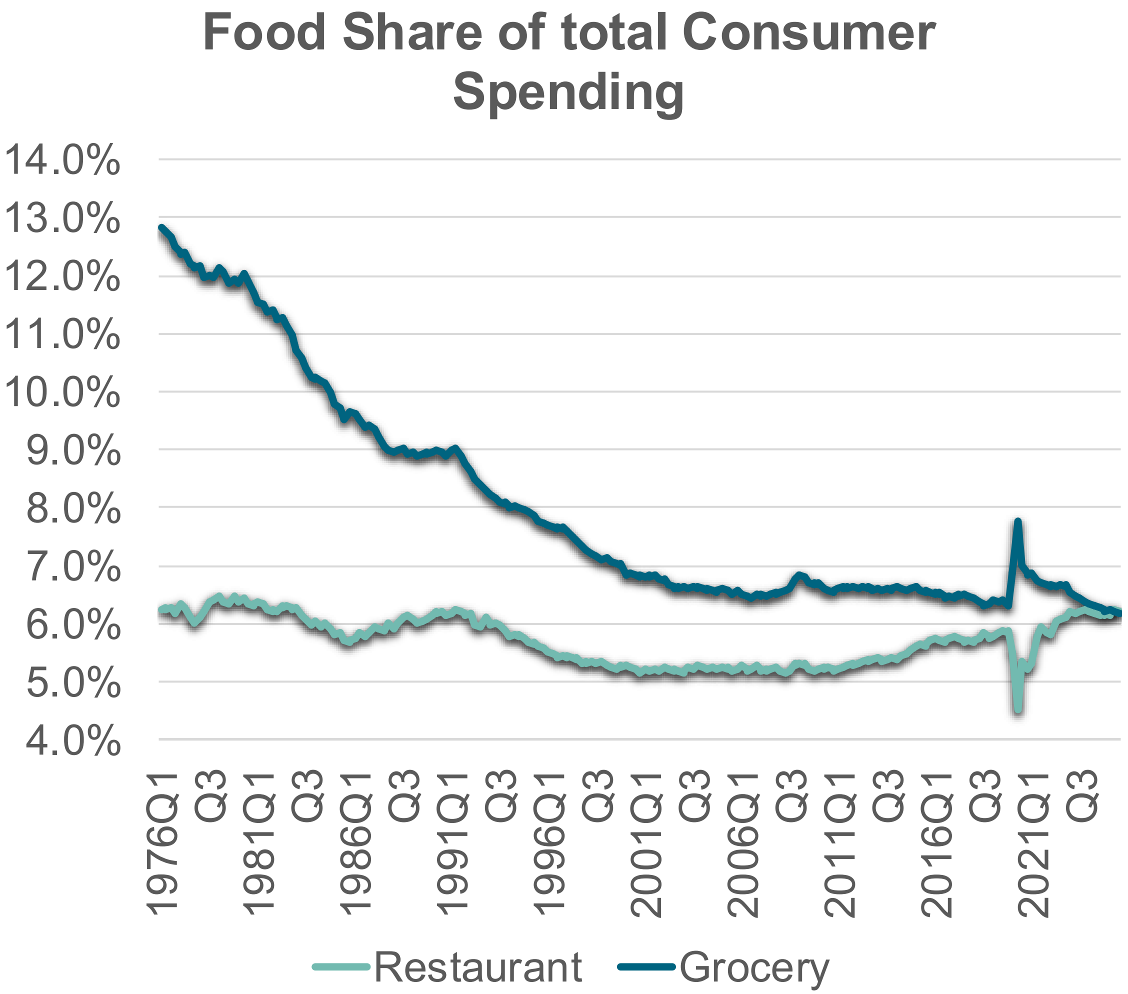


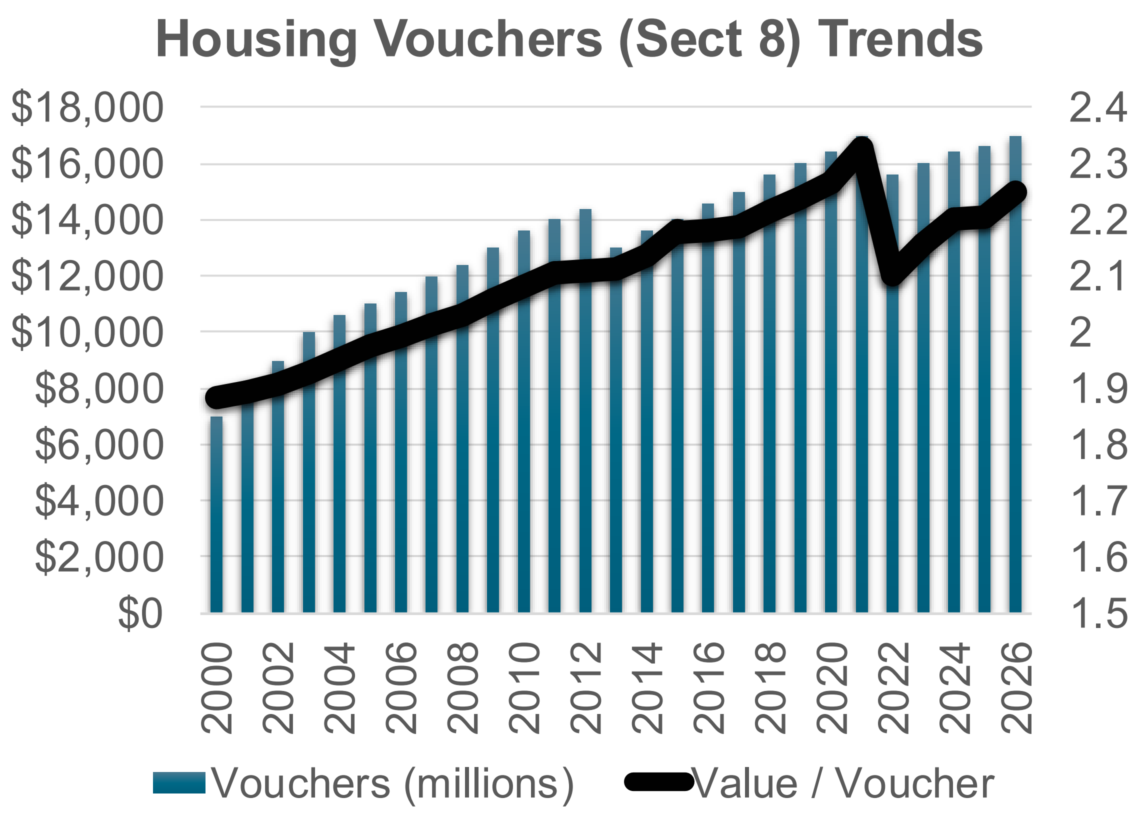
Correlates with Poverty

	2024	2018
Less than high school graduate	24.0%	24.4%
High school graduate	14.3%	13.5%
Some college, associate's degree	9.7%	9.5%
Bachelor's degree or higher	4.6%	4.4%
Worked full-time, year-round	2.3%	2.5%
Worked part-time or part-year	14.9%	15.8%
Did not work	21.3%	21.3%
	Married Couple	**Single Parent**
Families	4.5%	22.3%
1 or 2 children	4.3%	26.8%
3 or 4 children	9.1%	49.2%
5 or more children	22.0%	67.8%

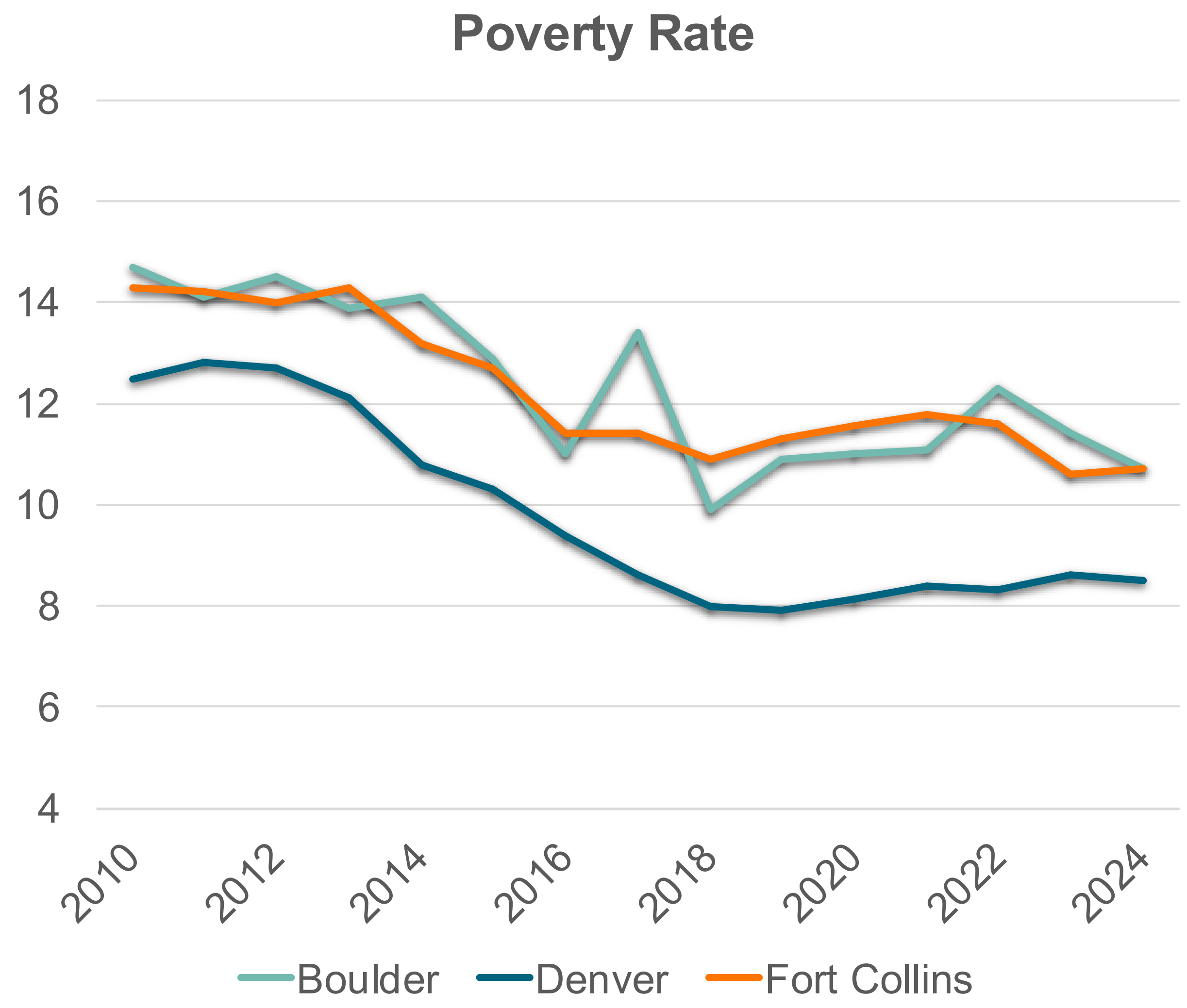
What about the cost of food and shelter?





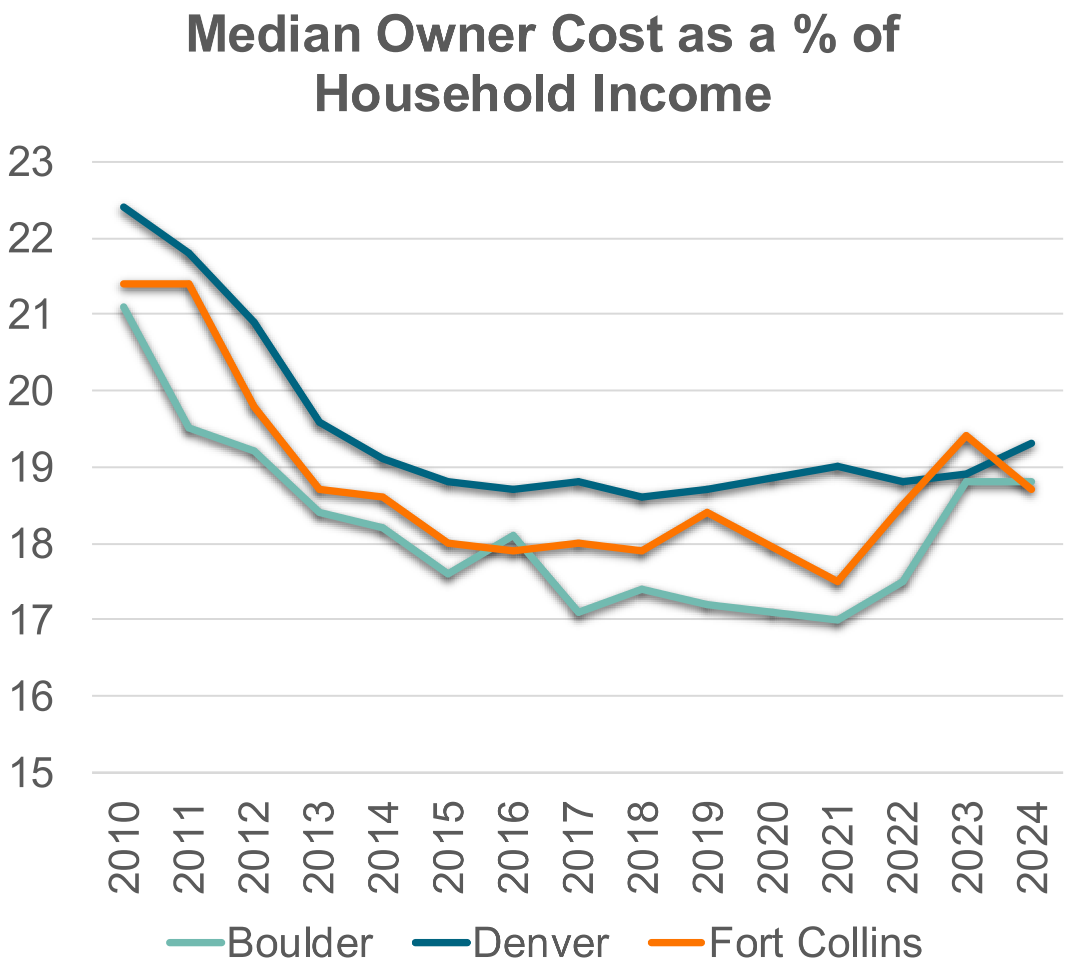

Housing Vouchers (Sect 8) Trends
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
2.4
2.3
2.2
2.1
2
1.9
1.8
1.7
1.6
1.5
2000
2002
2004
2006
2008
2010
2012
2014
2016
2018
2020
2022
2024
2026
Vouchers (millions)
Value / Voucher

Poverty and the Regional Cost of Living



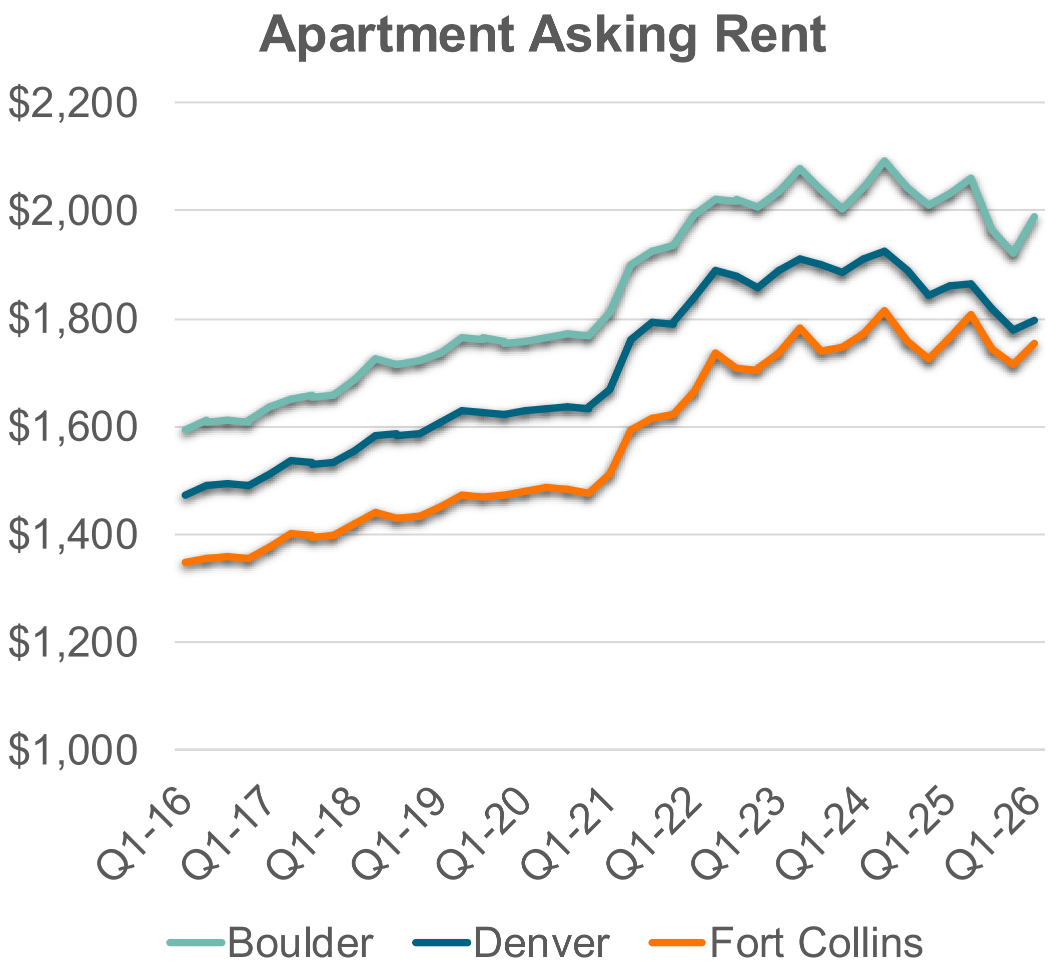
Location	RPP 2024	1-Year Chg.	5-Year Chg.
Colorado	103.1	1.2	0.6
Pueblo	91.8	-1.2	-0.8
Grand Junction	95.5	2.7	-3.1
Cheyenne	96.5	4.9	0.1
Greeley	100.2	3.5	-0.6
Colorado Springs	100.7	2.6	0.4
Salt Lake City	100.9	3.7	1.2
Fort Collins	101.1	3.8	-1.1
Boulder	105.2	4.6	-0.3
Denver	105.8	0.0	1.4

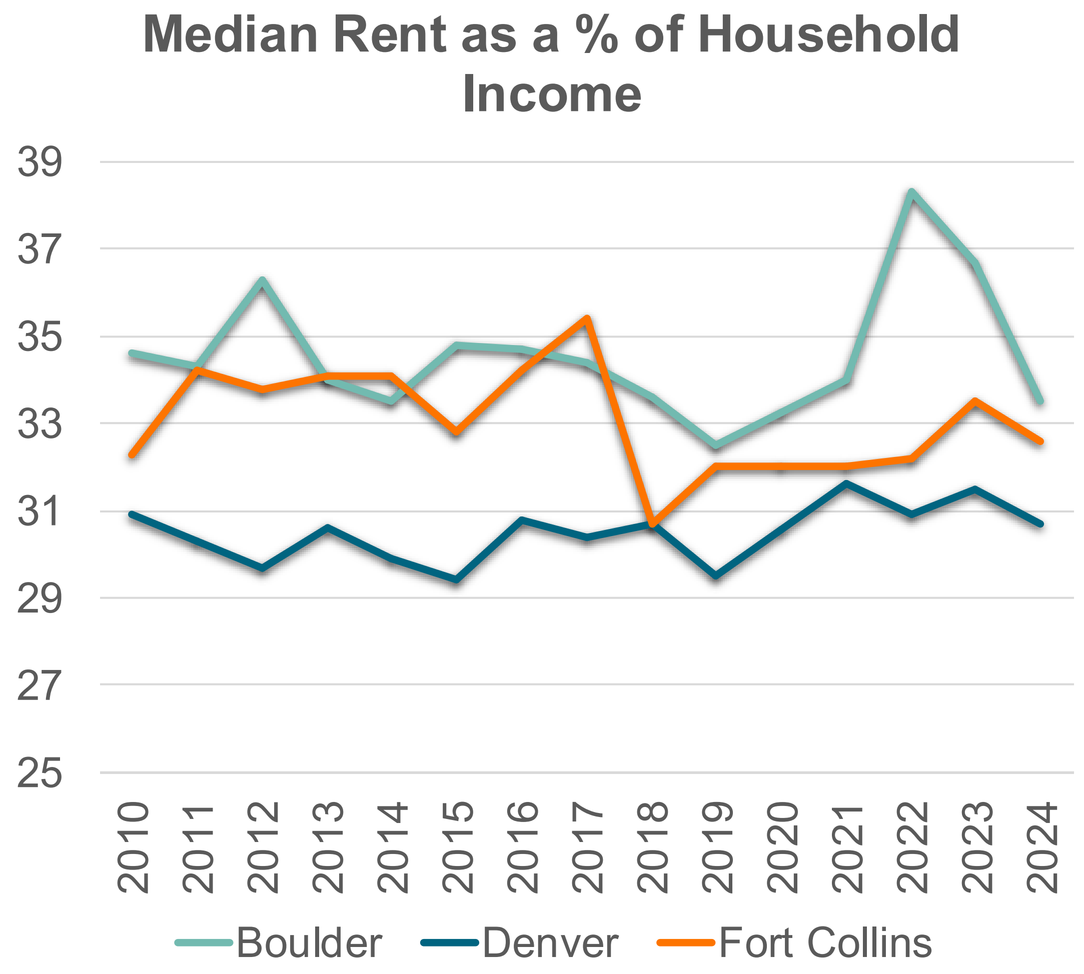
Regional Housing Affordability



Location	Mar-26 Median Home Price ($000s)	1-Year Chg. (%)	Chg. since Feb-20 (%)
United States	457.8	1.3	47.6
Colorado	639.9	-4.0	43.4
Grand Junction	442.6	3.5	56.1
Boulder	832.7	1.6	36.7
Salt Lake City	594.7	1.2	51.0
Cheyenne	407.0	1.0	34.4
Greeley	511.9	-1.6	37.9
Fort Collins	579.7	-1.6	39.2
Denver	634.9	-1.9	35.5
Pueblo	314.0	-2.2	46.6

Apartment Rents and Burden

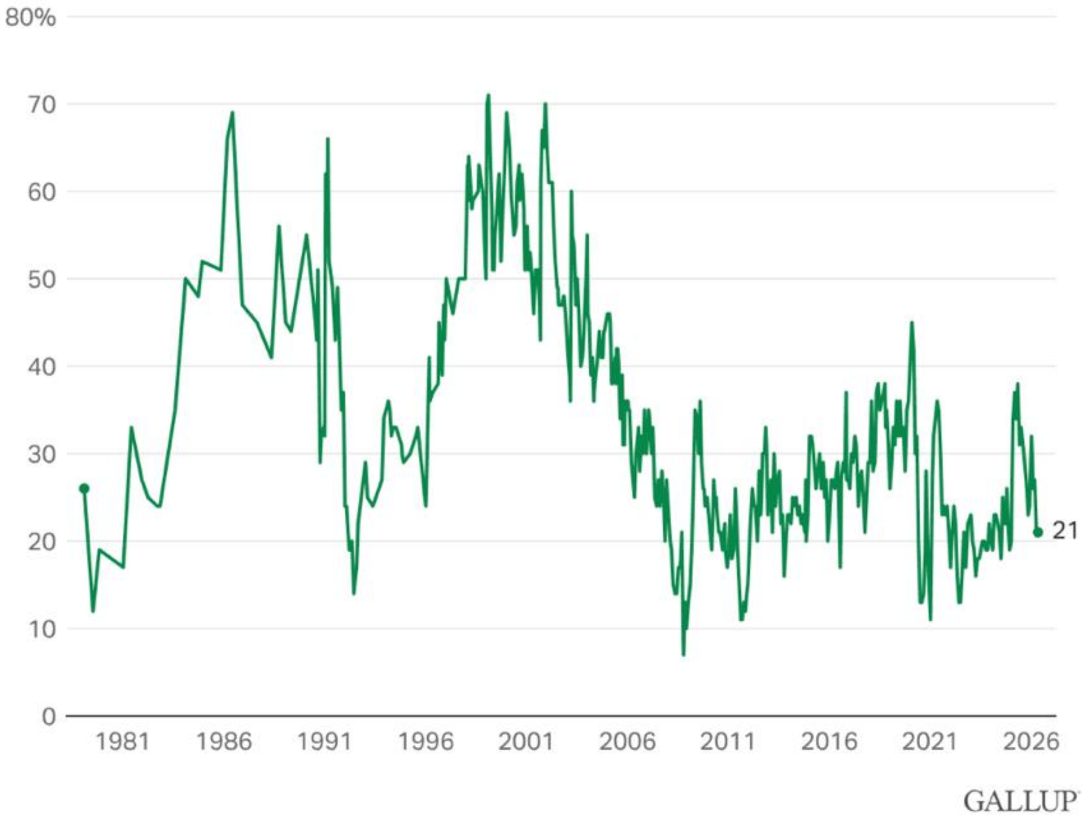




The national mood?

5. U.S. Satisfaction Remains Low

In general, are you satisfied or dissatisfied with the way things are going in the United States at this time?



Globally, most think children will be worse off financially than their parents

% who say that when children in their country grow up, they will be ___ financially than their parents

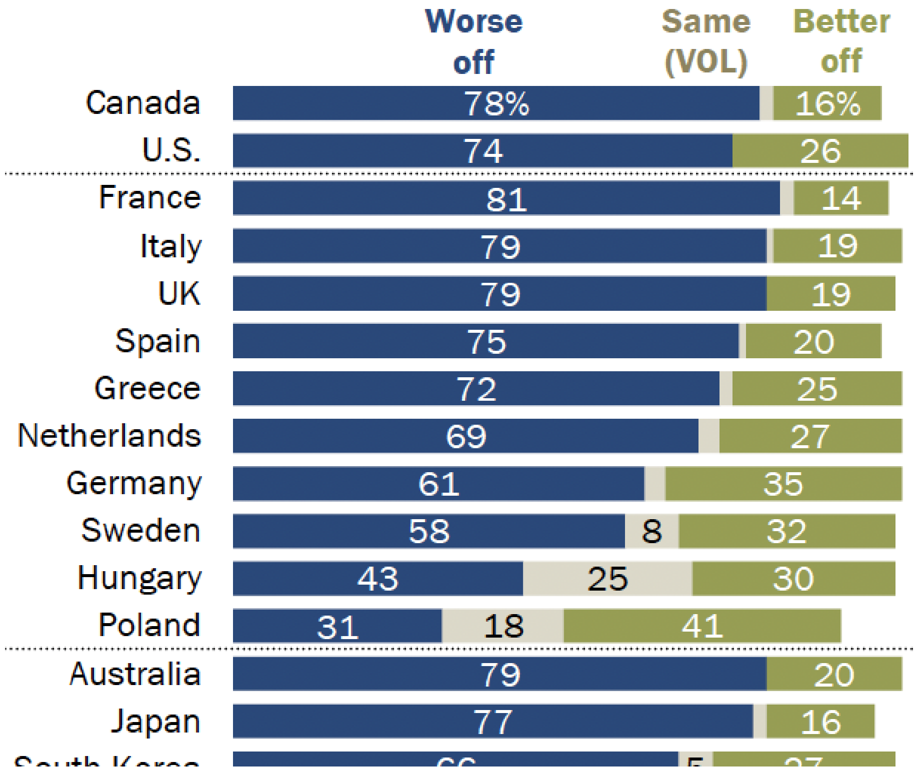
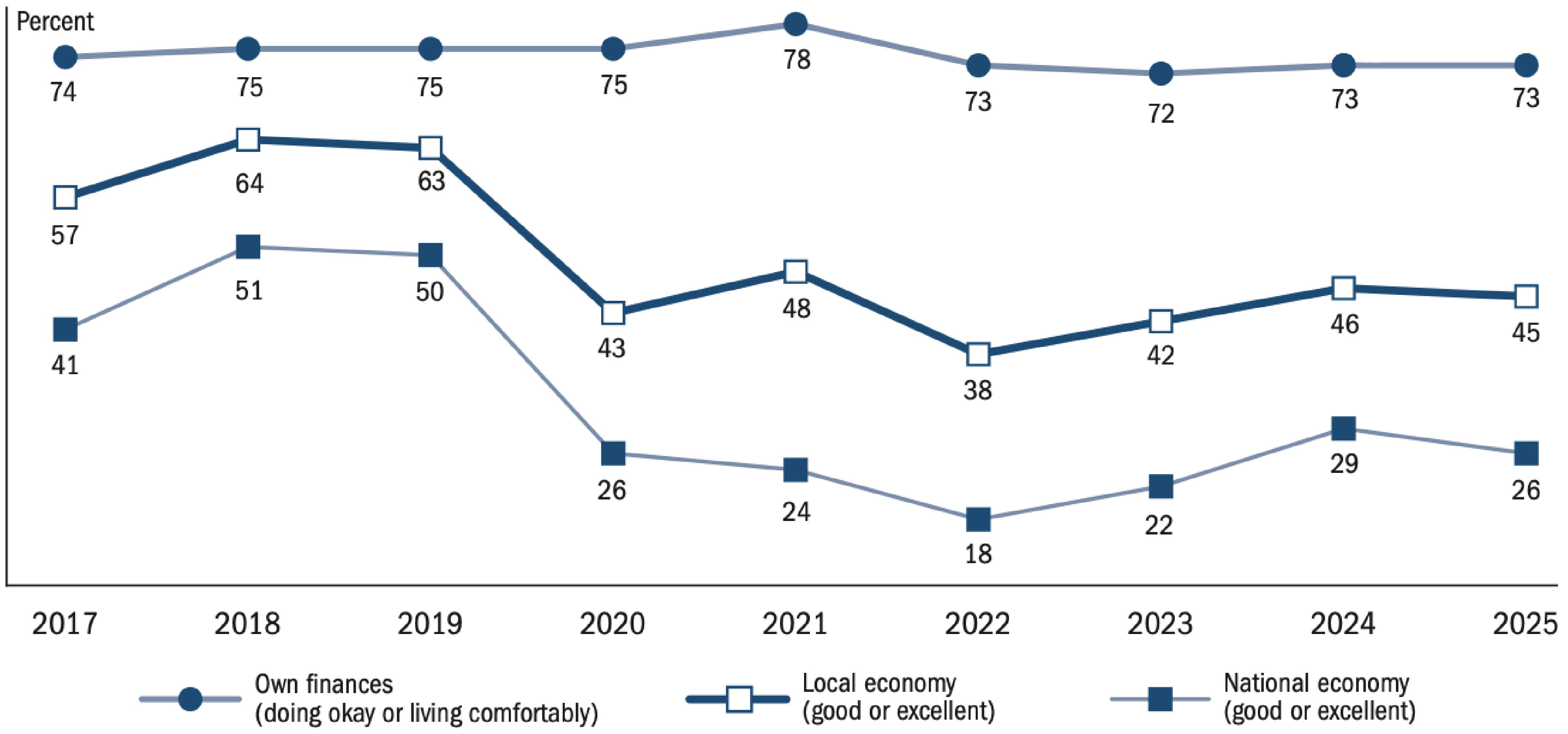


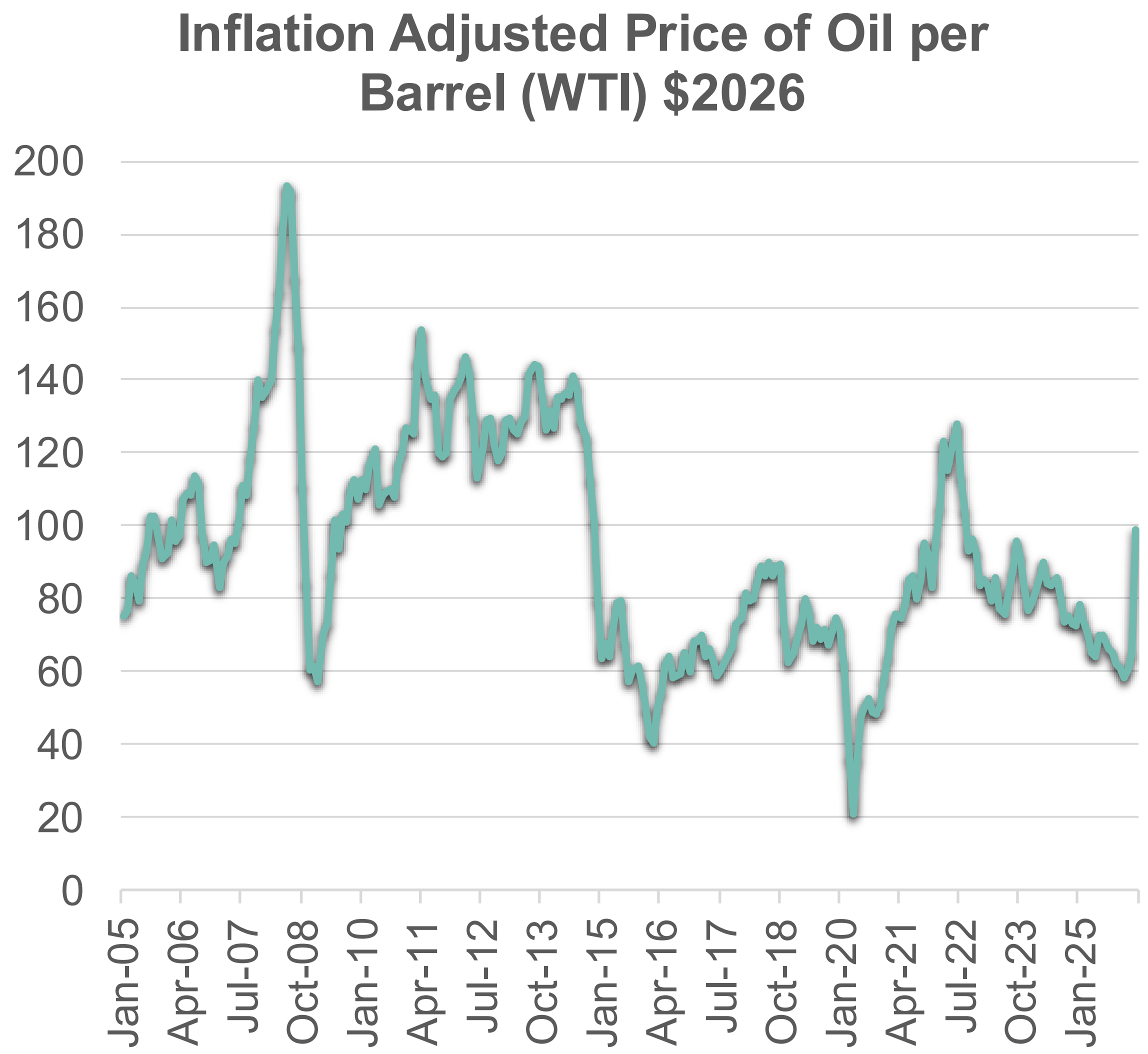
Figure 6. Assessment of own financial well-being, local economy, and national economy (by year)

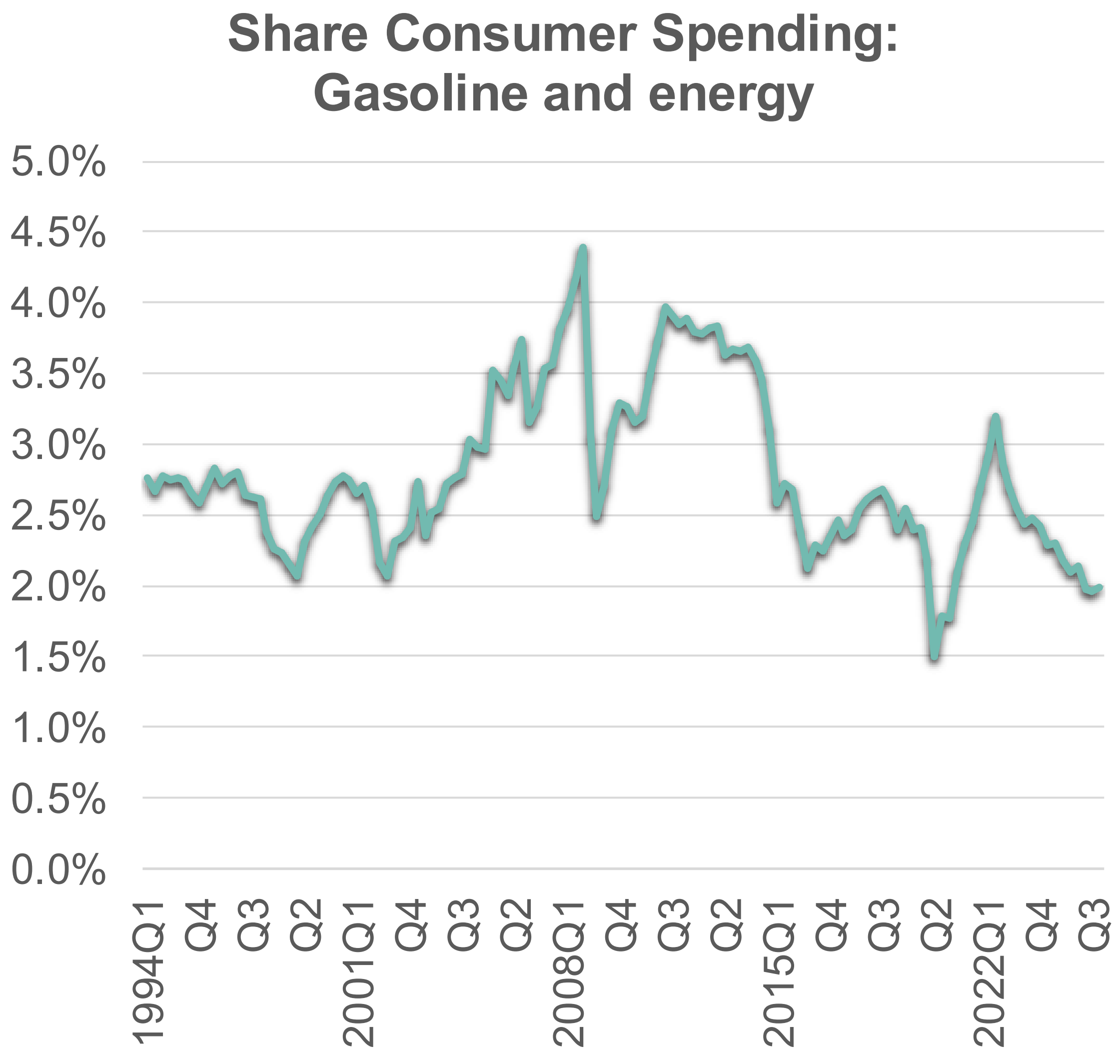


Where is Inflation at?

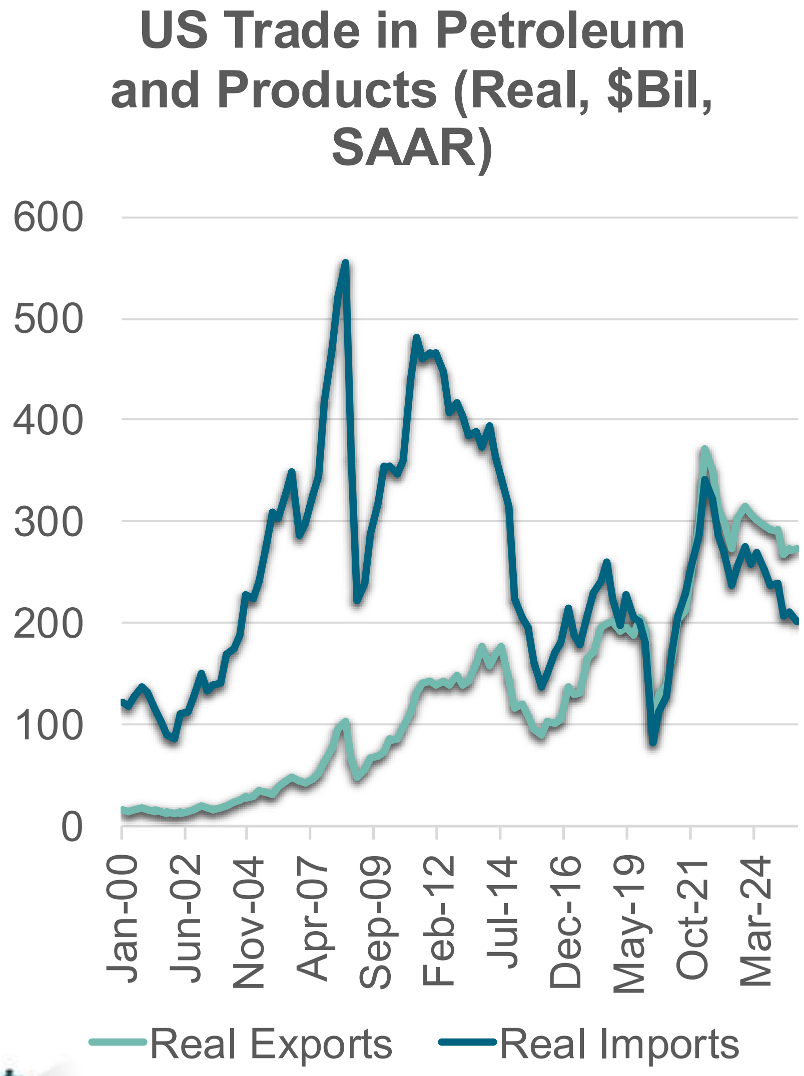
	Weight	Inflation
PCE Prices to February		**2.9%**
Finance & insurance	**15.7%**	**6.4%**
Recreation services	6.1%	4.6%
Furnishings, HH equipment	3.8%	4.0%
Housing and utilities	21.1%	3.7%
Food Lodging	7.4%	3.3%
Other services	8.3%	2.7%
Health care	16.0%	2.6%
Other nondurables	7.5%	2.4%
Transportation services	2.3%	2.1%
Food for off-premises	5.2%	2.1%
Other durable goods	1.2%	1.8%
Recreational goods	3.0%	1.8%
Motor vehicles and parts	1.5%	1.2%
Clothing and footwear	0.3%	0.3%
Gasoline, energy	**-1.3%**	**-1.9%**

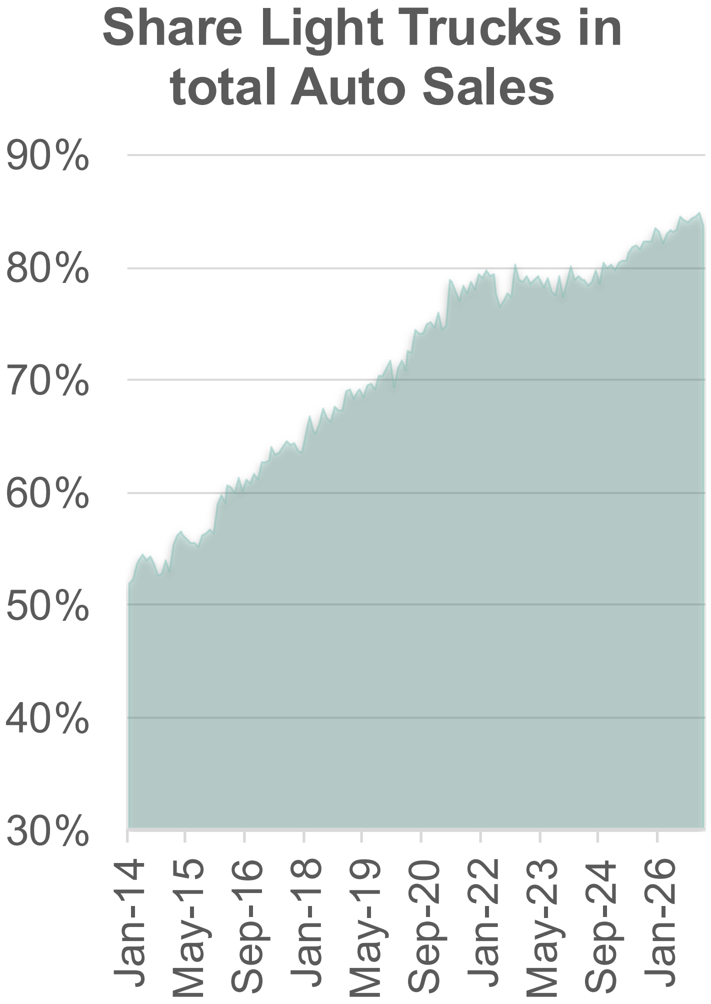
What about oil and gas prices?

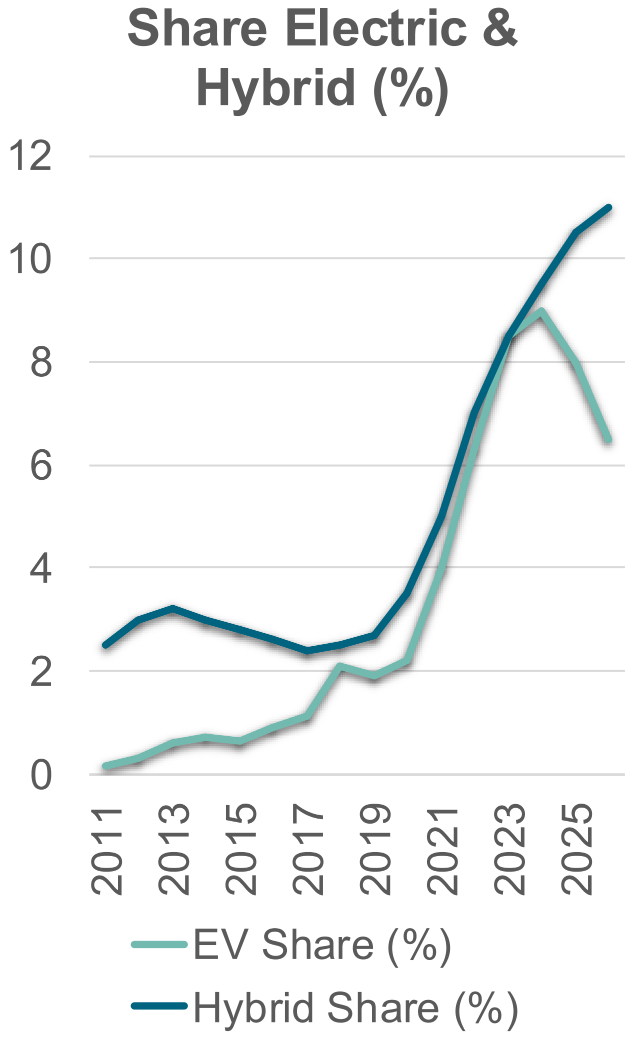




Ameliorating Factors





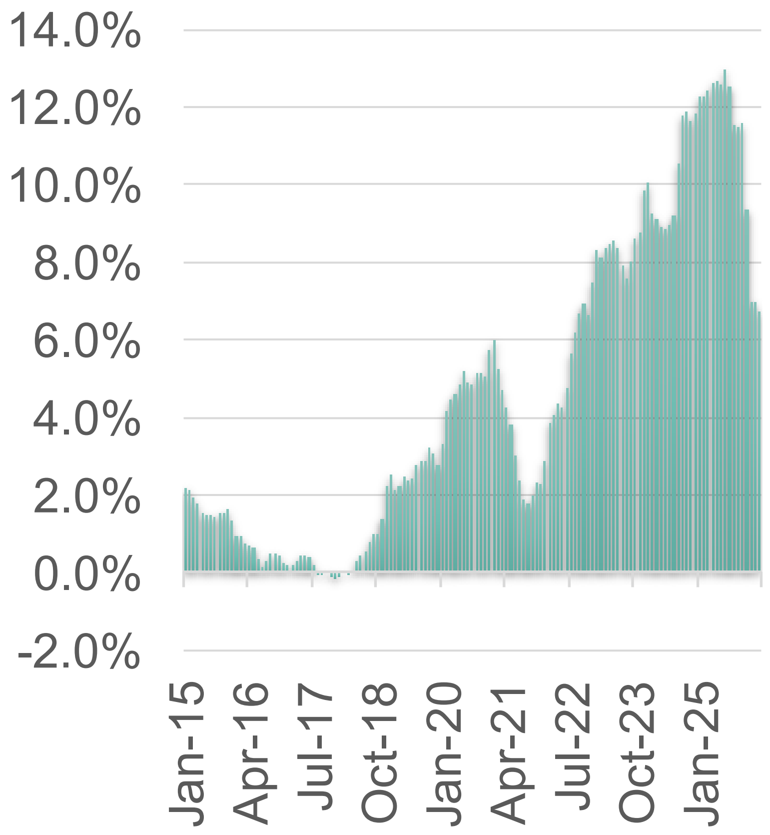


The Insurance Issue

Consumer Insurance Inflation

	Ann Gr 19-22	Ann Gr 22-26
Total	3.19%	3.40%
Life Ins.	2.28%	5.11%
Home Ins.	1.62%	7.44%
Health Ins.	1.41%	2.73%
Auto Ins.	-0.02%	7.00%

Commercial Multiple Peril Insurance YoY Gr



Why is insurance so expensive?

- Higher Claim Costs (more sophisticated products)
- More Claims (climate / behavior)
- Reinsurance Costs
- Regulatory and compliance costs
- Litigation issues: number of cases, nuclear verdicts
- Insurance industry financial losses driven by rising rates

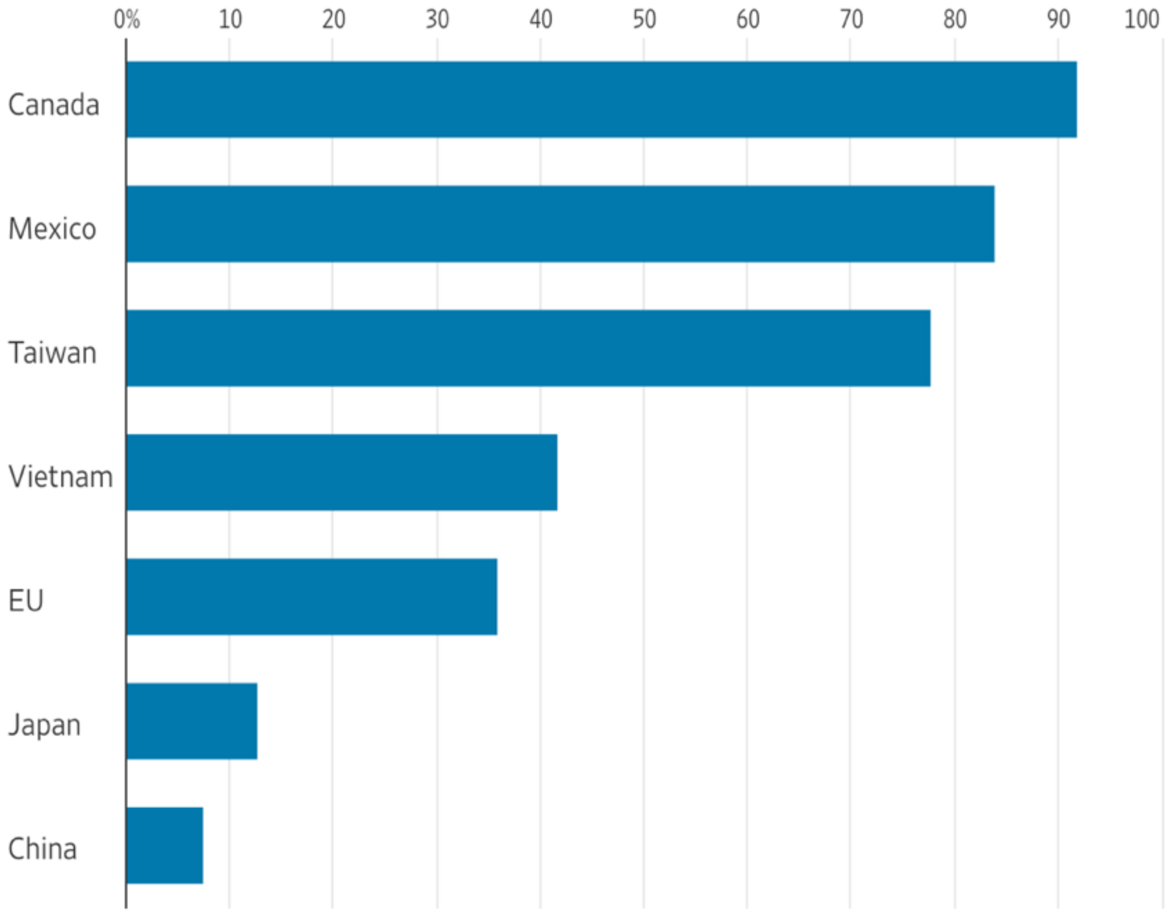
The Tariff Impact?

The Tariff Tax: Context

	Billions	Share GDP
GDP	$29,723	
Total Imports Goods	$3,267	11.0%
~~New Tariffs	$653	2.2%
Federal Deficit	-$1,847	-6.2%
Personal Taxes to Feds	$2,391	8.0%
Corp Taxes to Fed	$490	1.6%

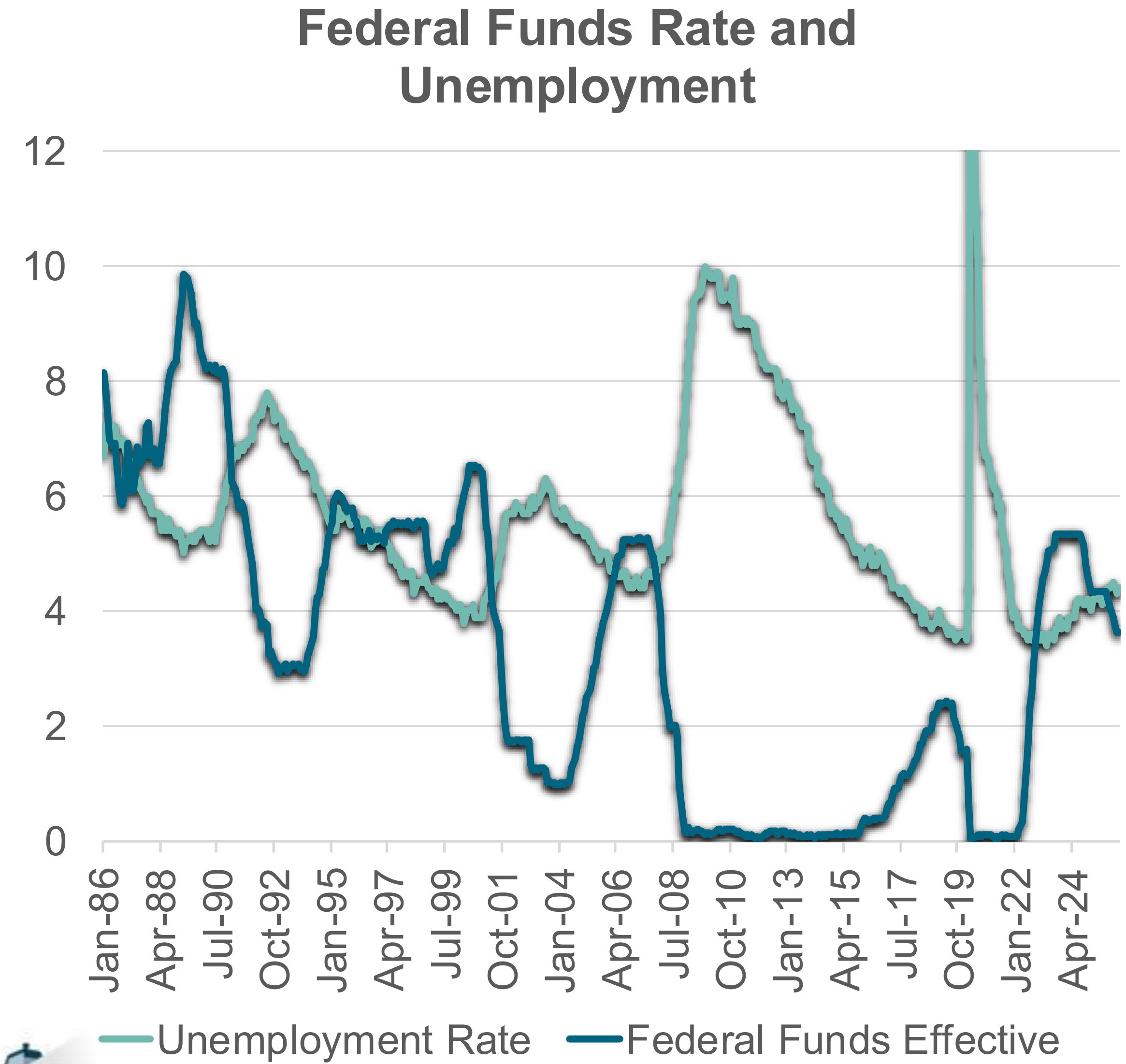
Country	**Exports (% GDP)**	**Imports (% GDP)**	**Total (% GDP)**
United States	11	15	26
Brazil	18	17	35
China	20	17	37
Japan	22	22	44
India	22	25	47
Russia	27	20	47
United Kingdom	31	33	64
France	31	34	65
Canada	33	34	67
Italy	35	33	68
South Korea	44	42	86
Germany	47	41	88
Switzerland	75	68	143
Belgium	85	82	167
Netherlands	93	83	176
Singapore	174	147	321

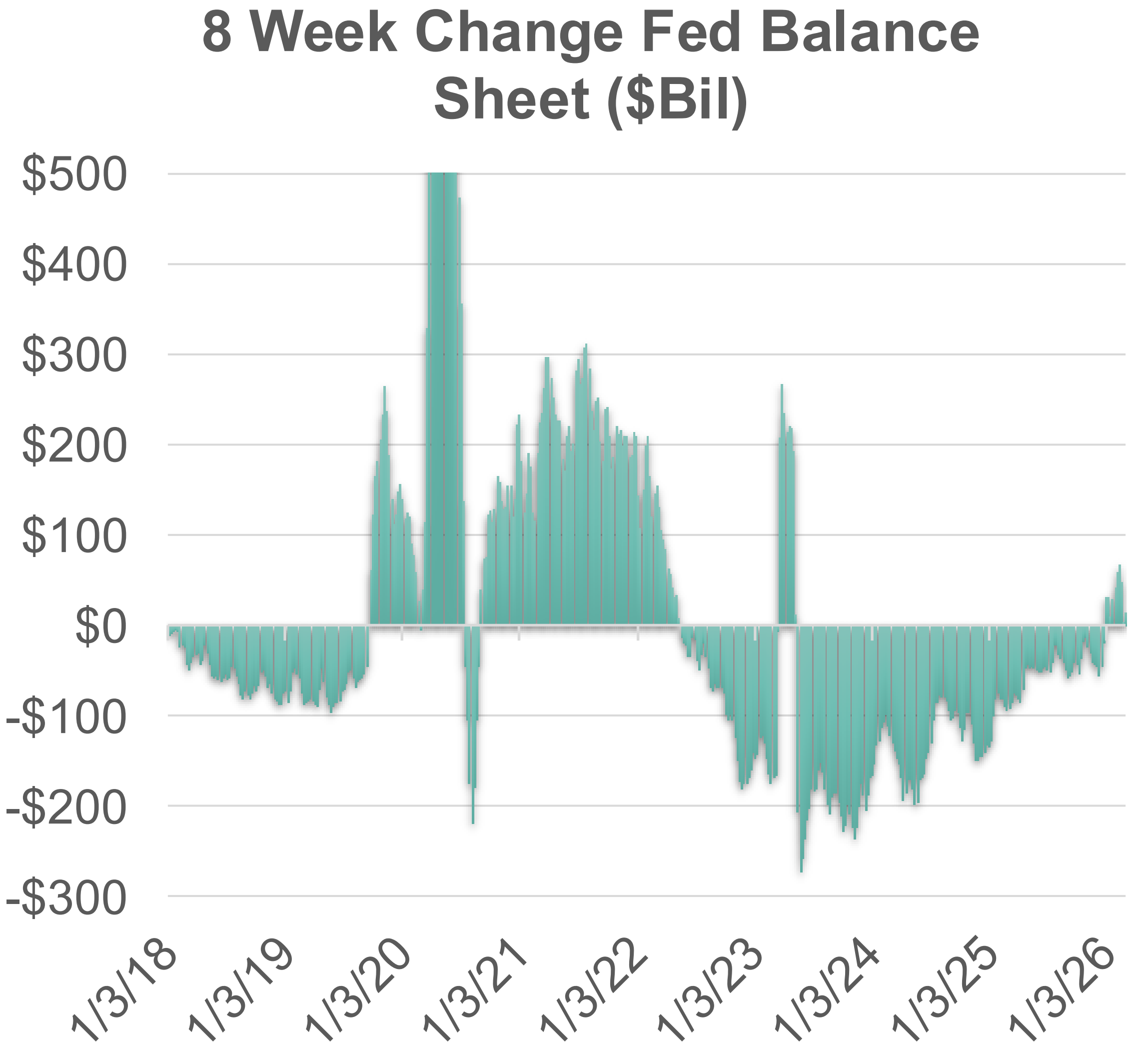
Share of June U.S. imports that were duty-free, by origin



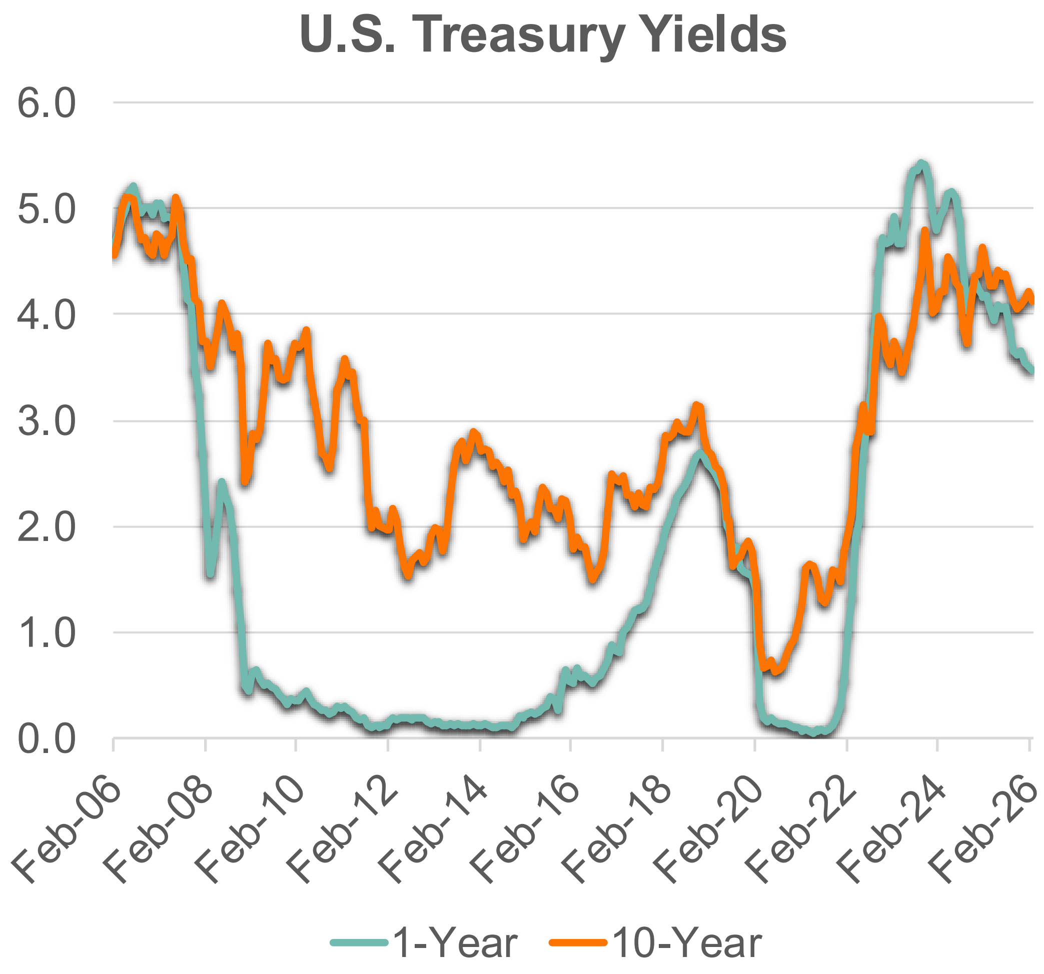
Source: Barclays Research analysis of U.S. Census Bureau data

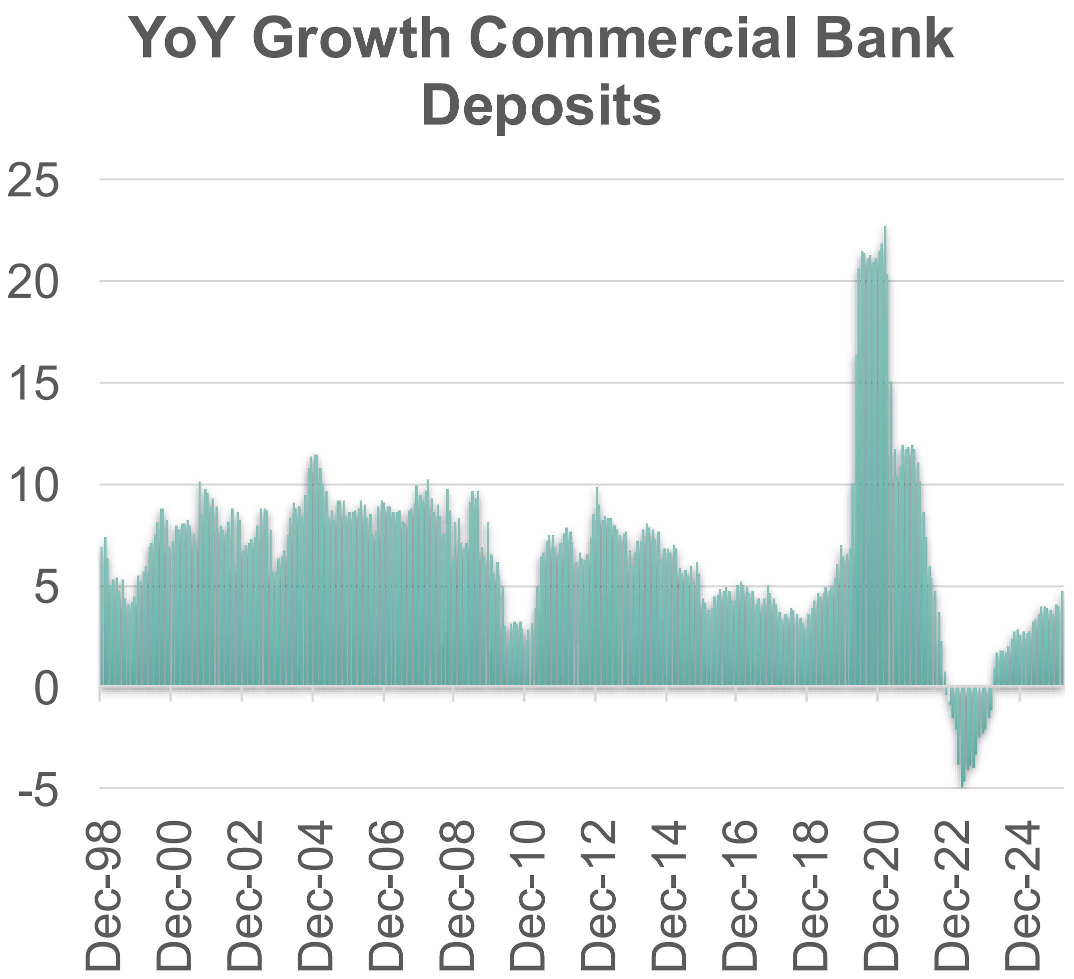
The Fed's Directional Shift



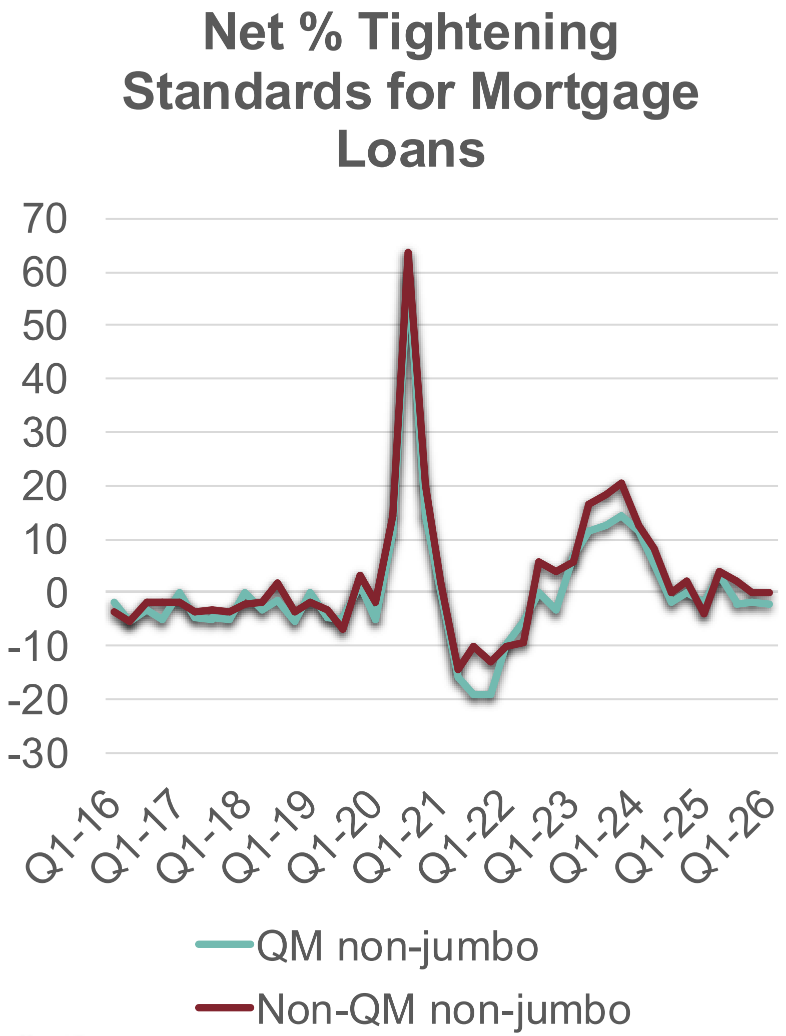


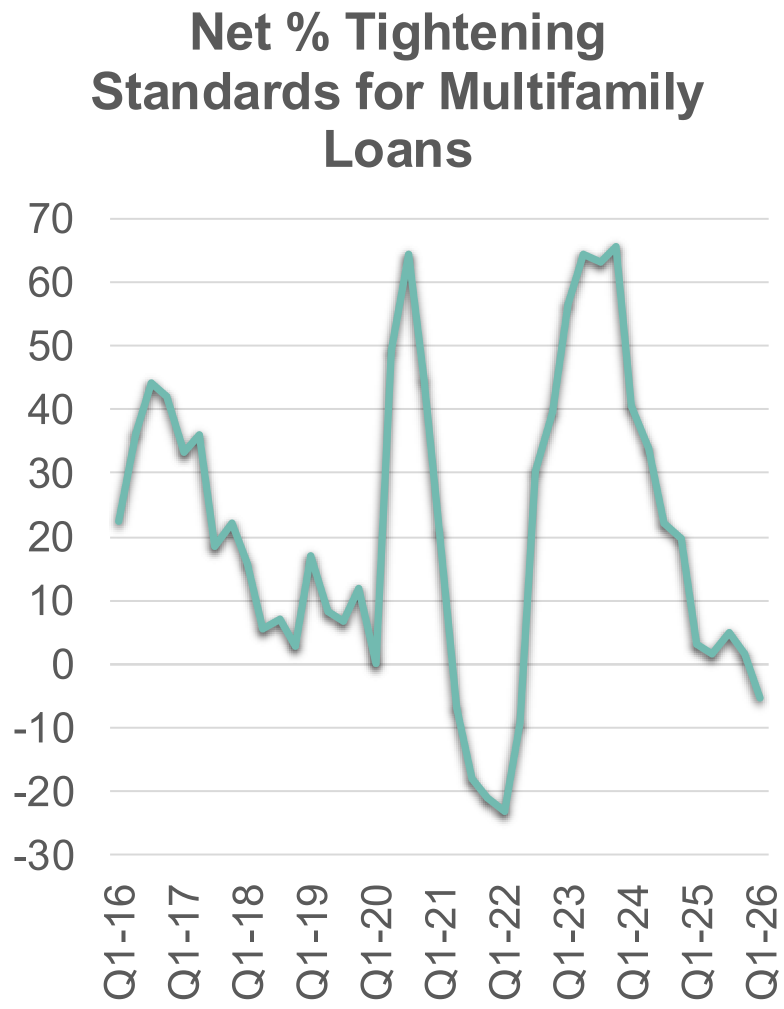
Government Bonds / Banking

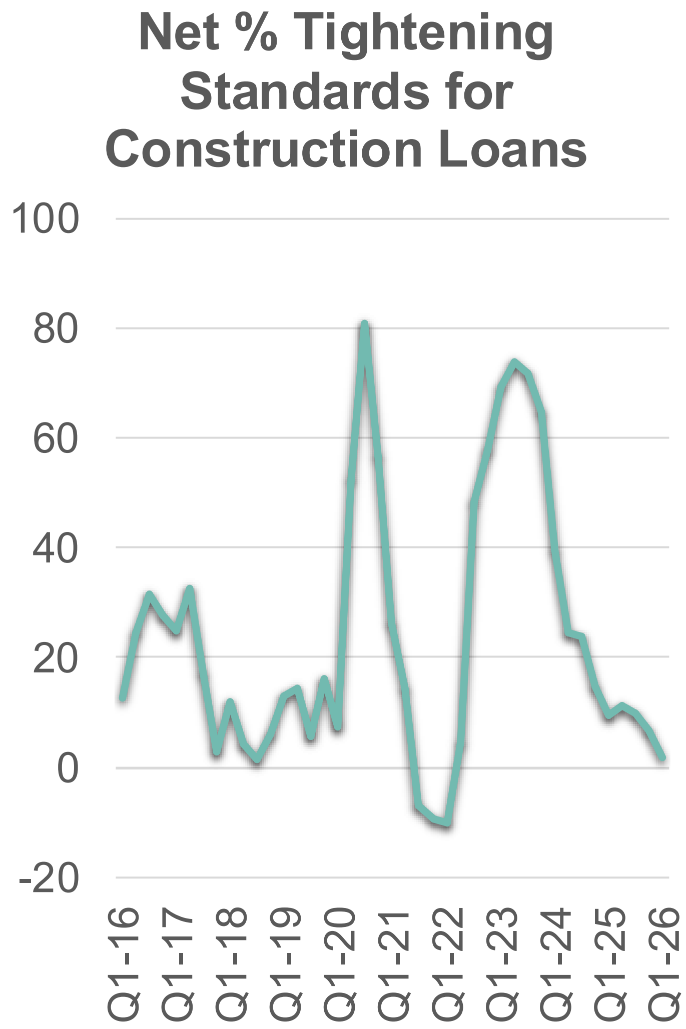




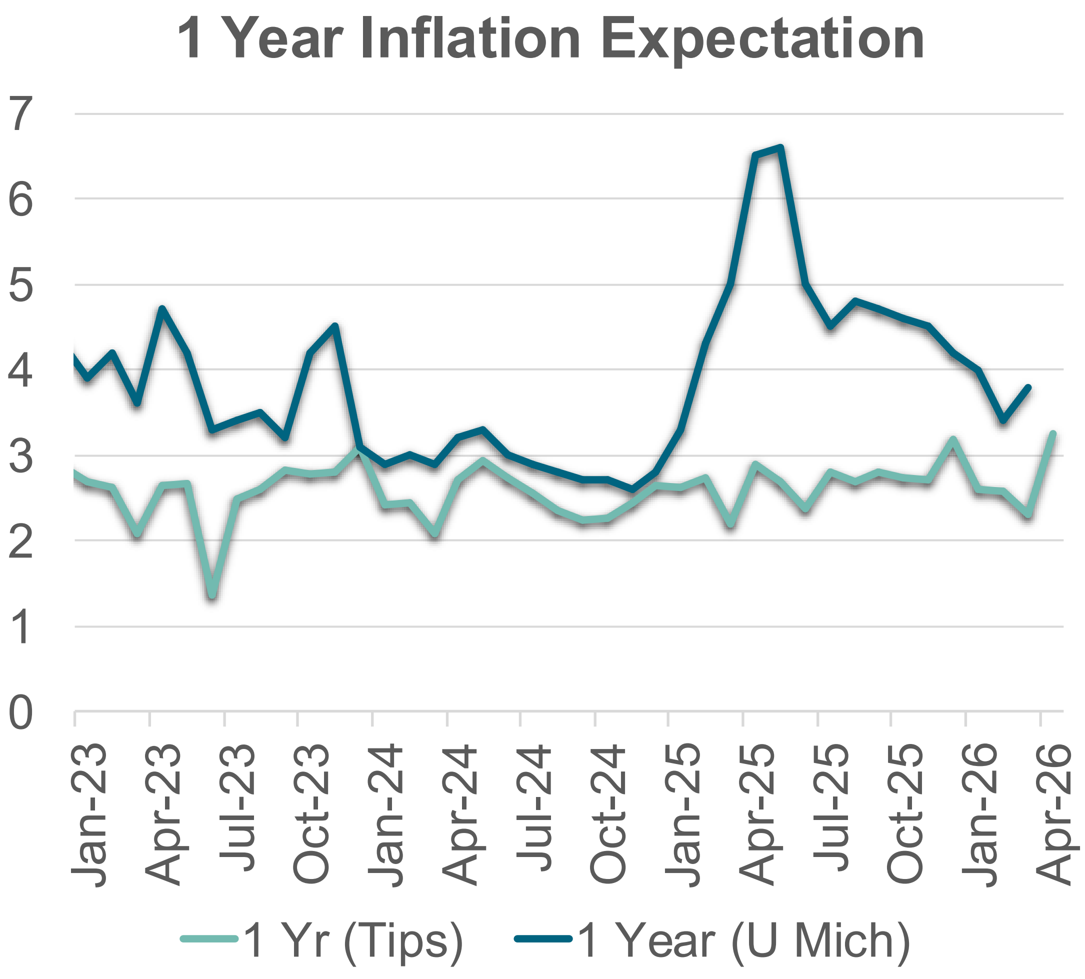
Lending Constraints

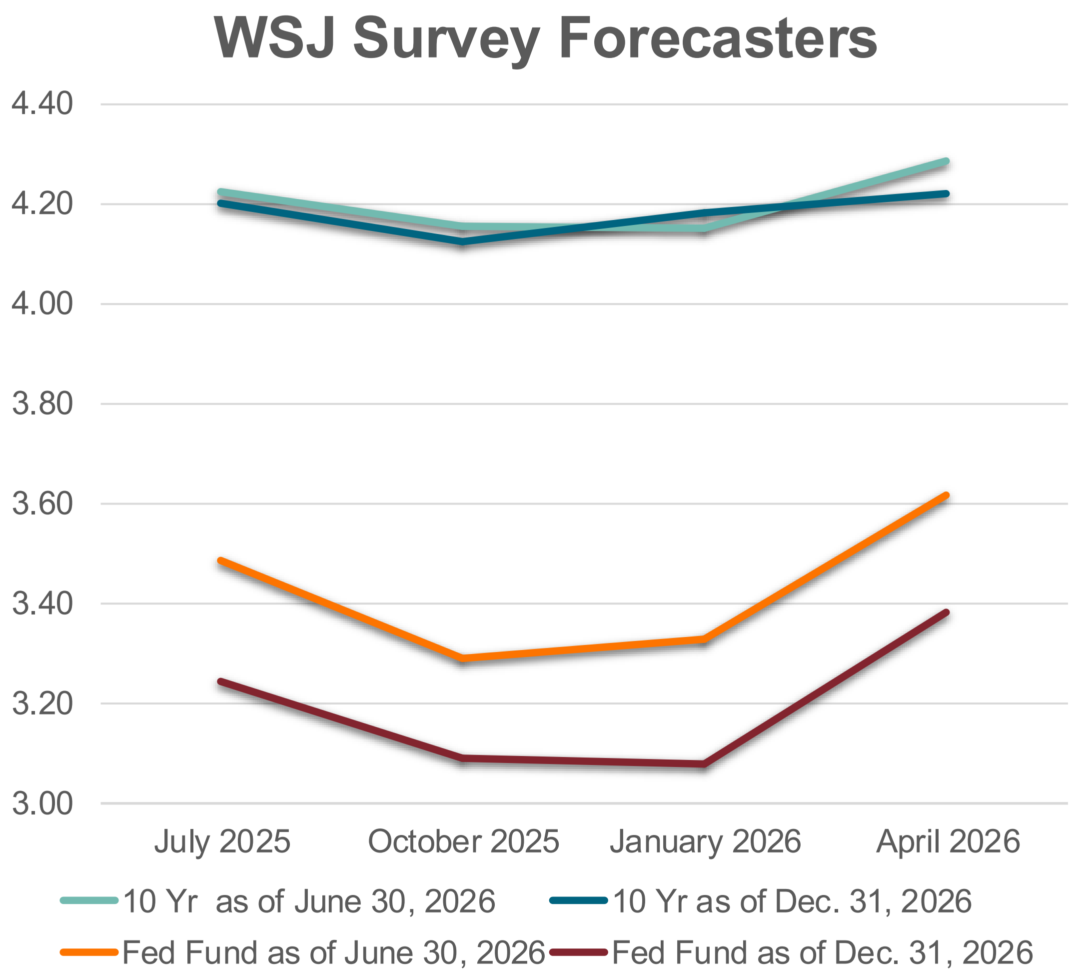




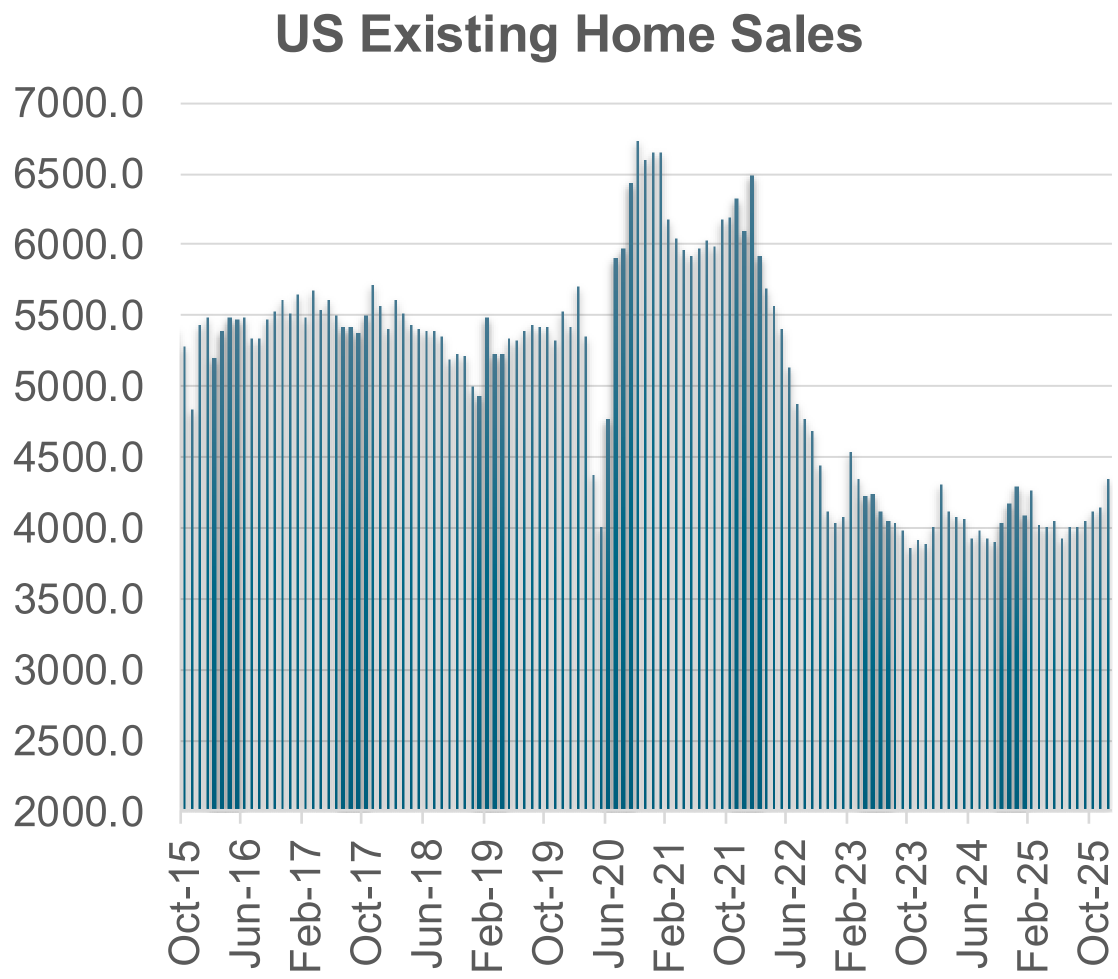


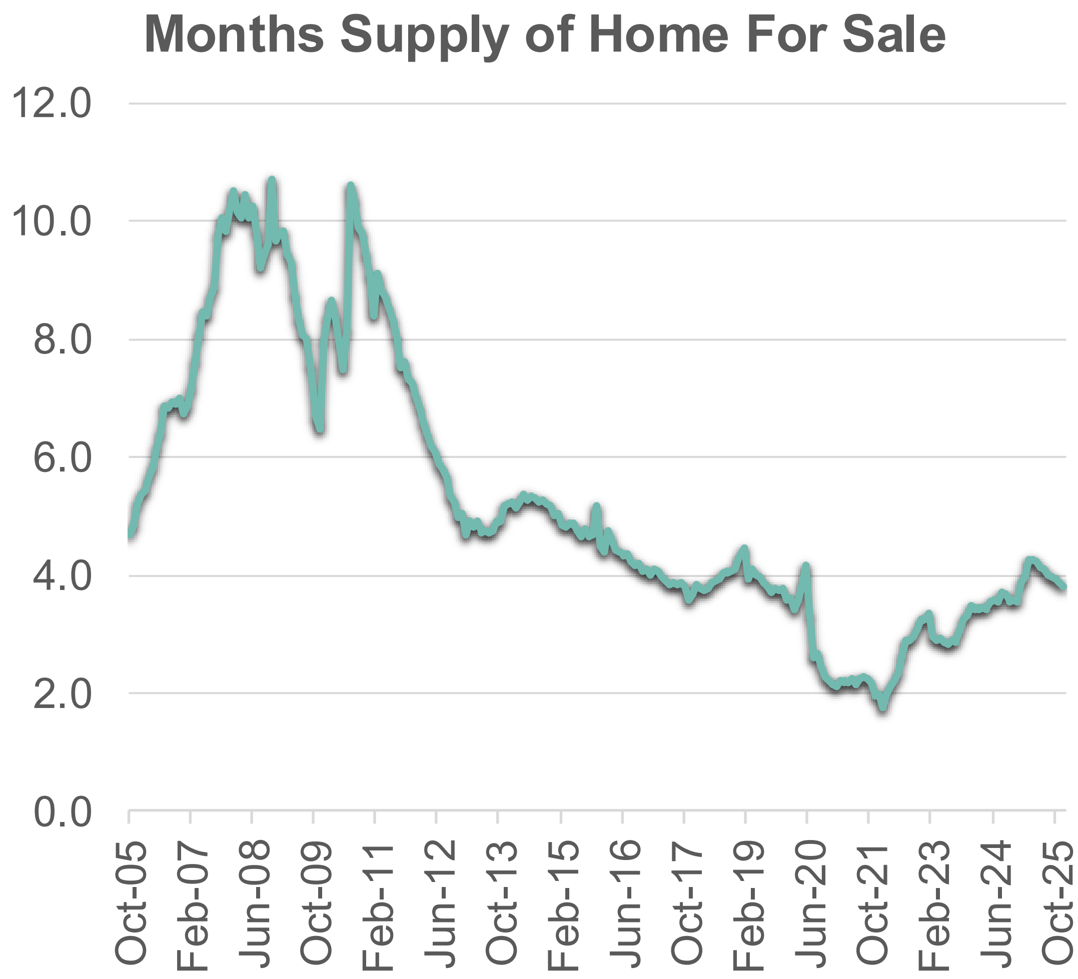
The Fed’s Direction now?



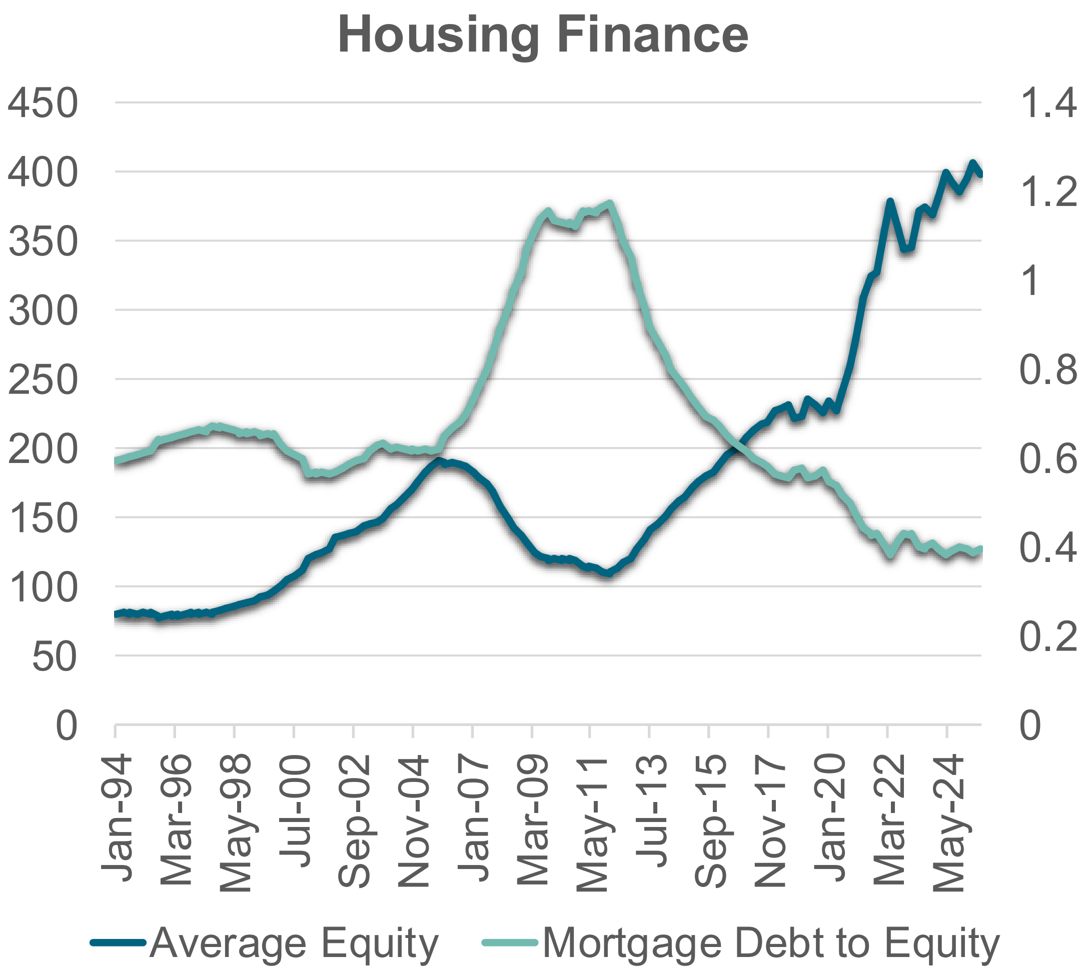


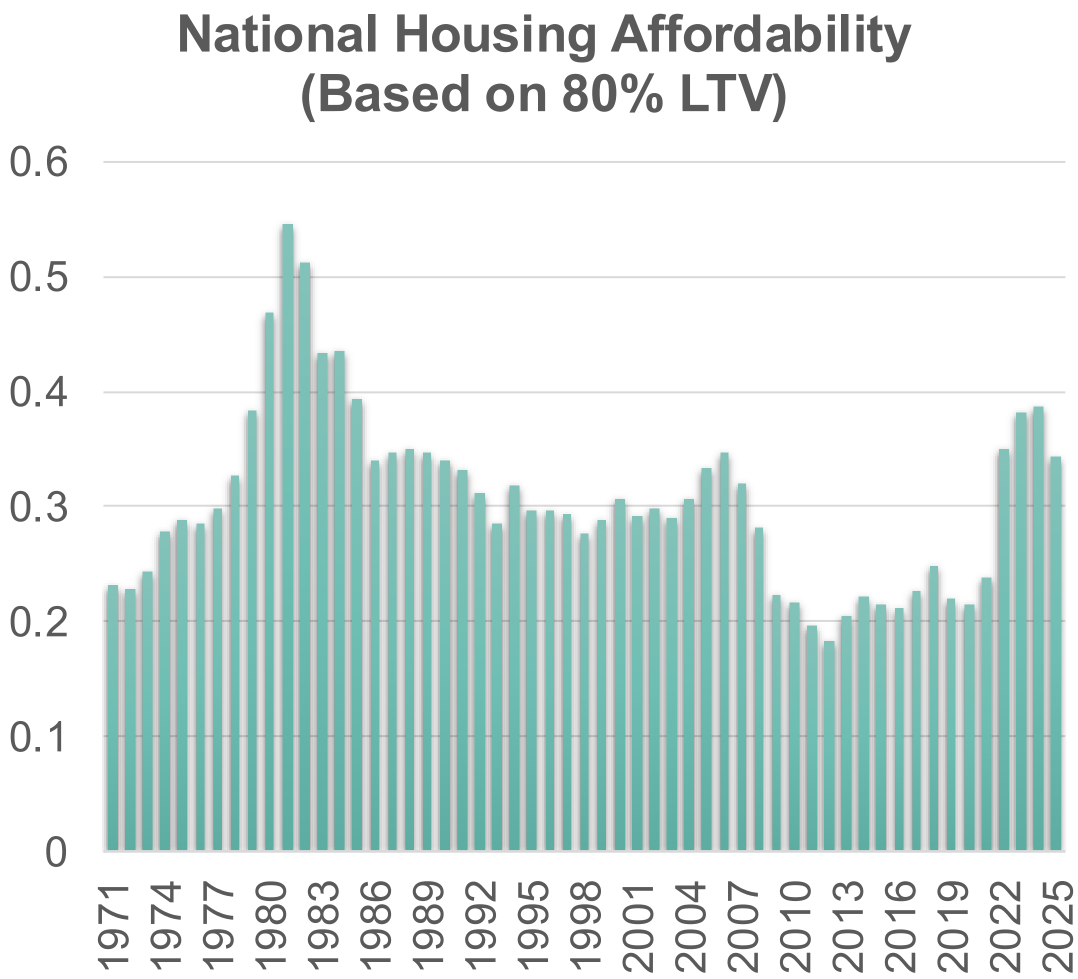
Existing Housing Sales



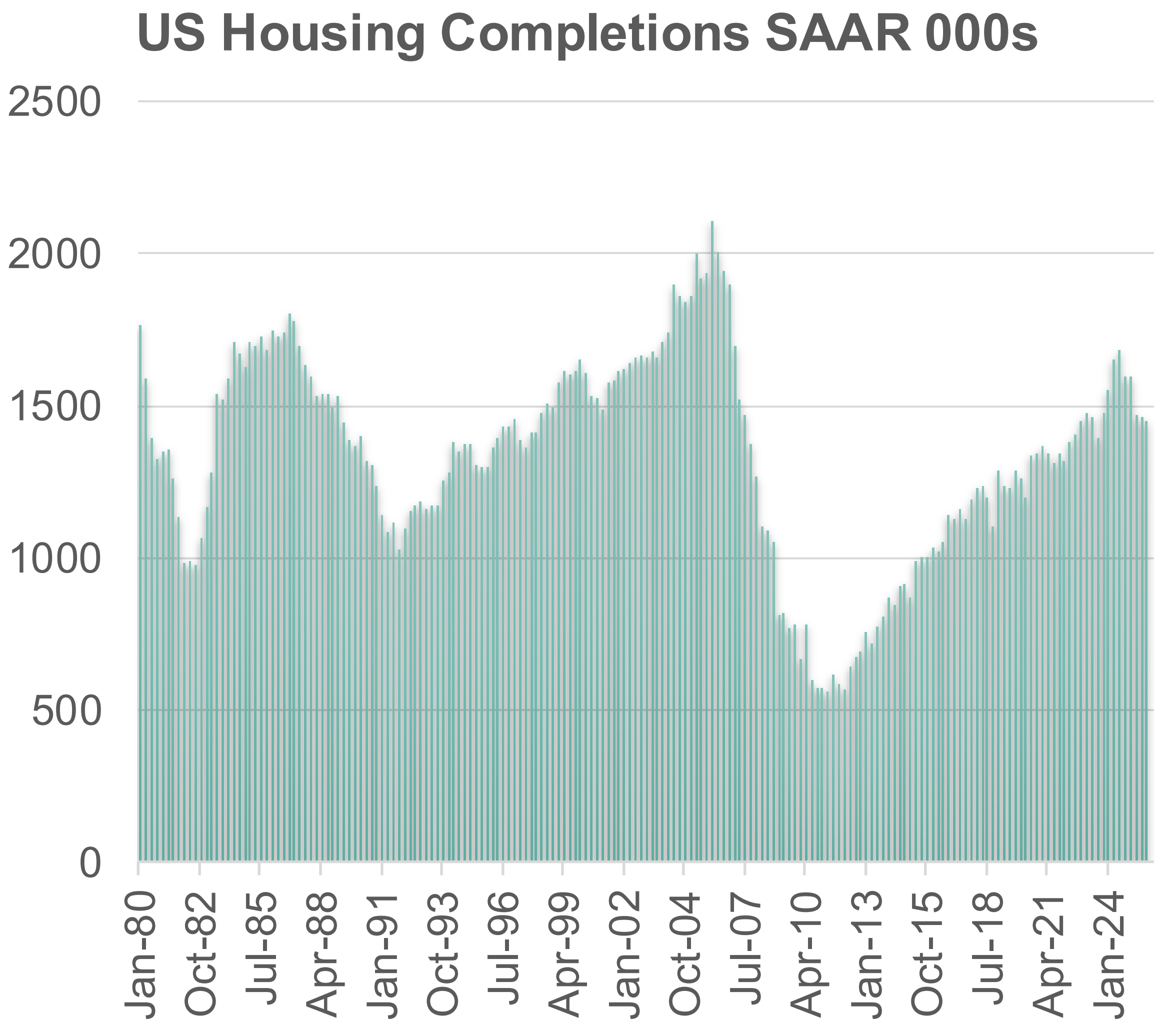


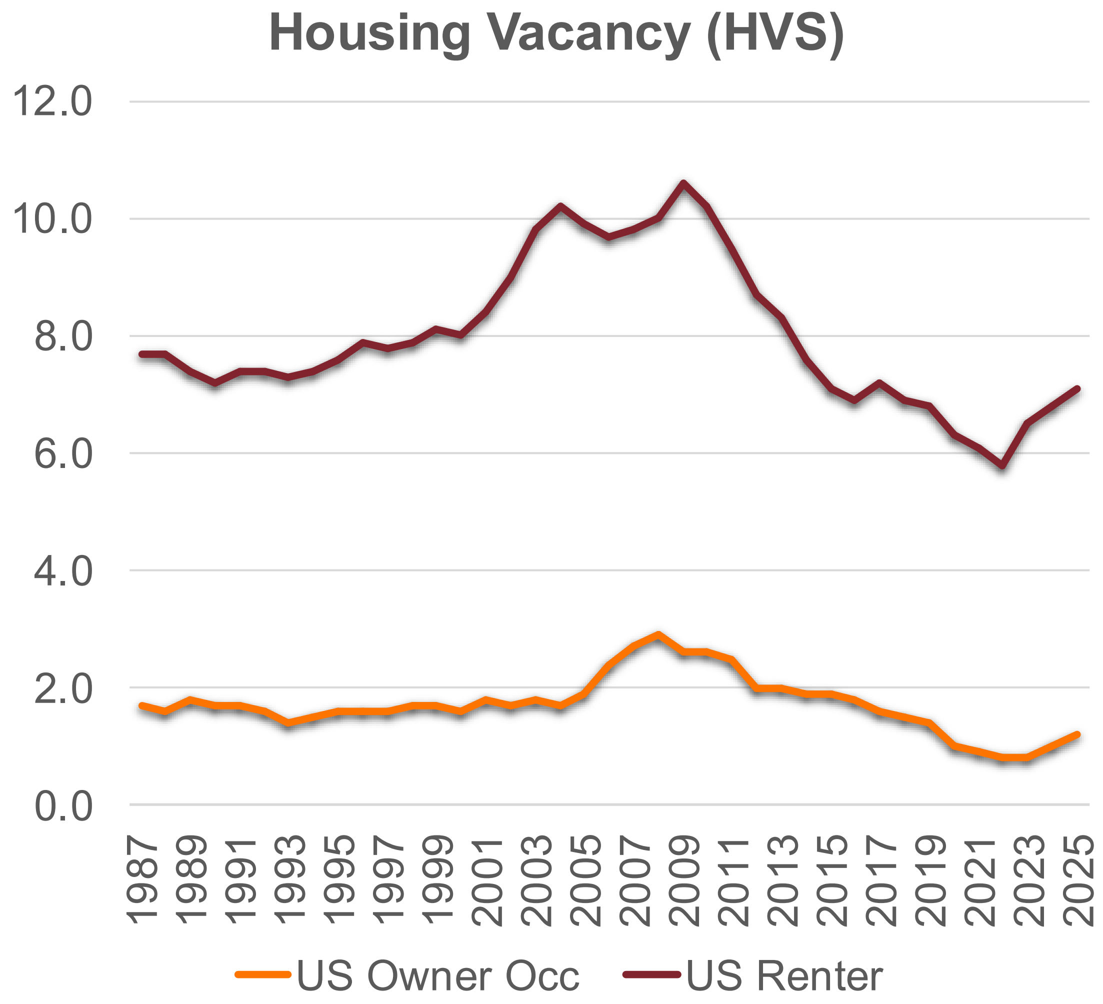
Housing affordability: Fine for owners





Housing Demand and Supply

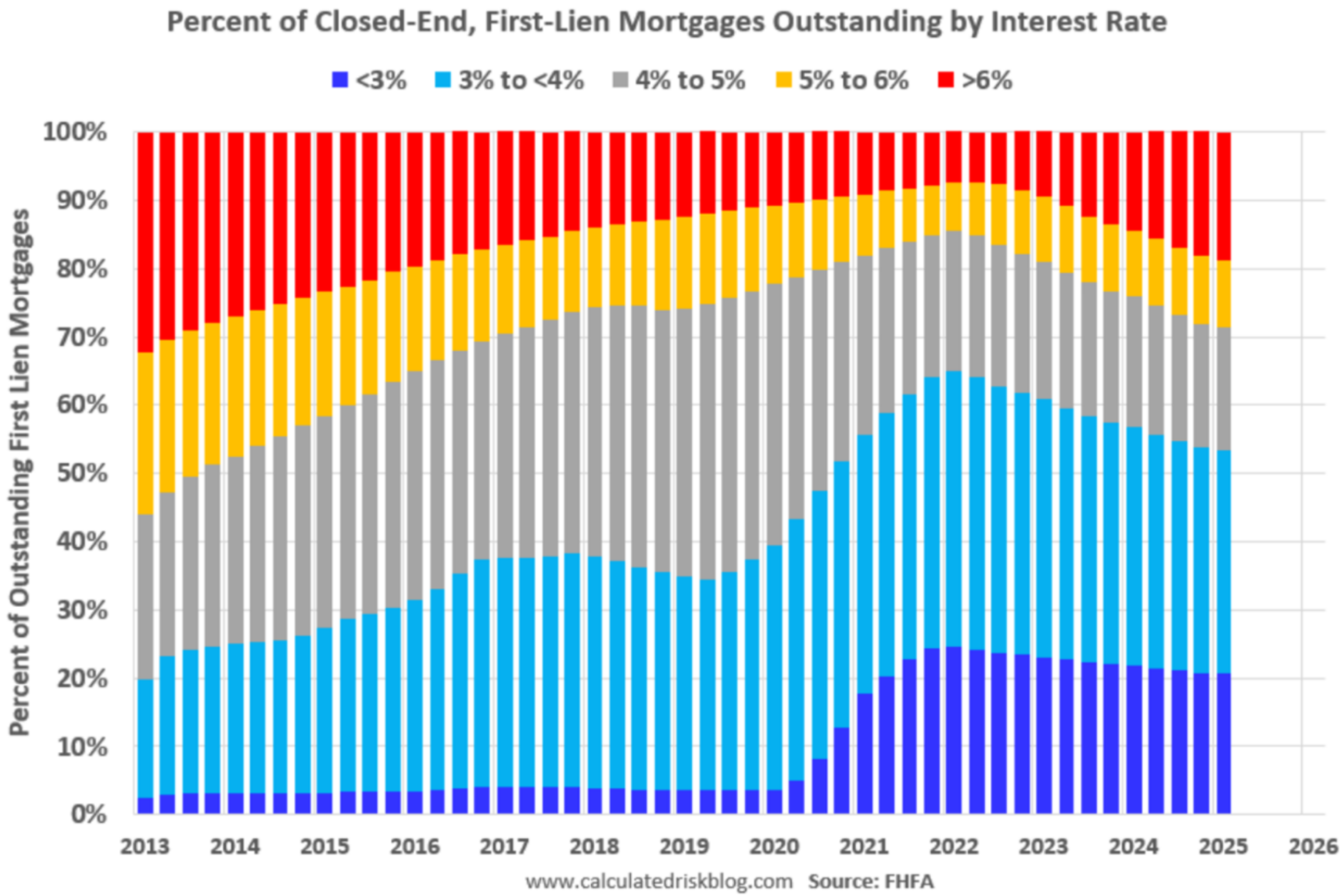




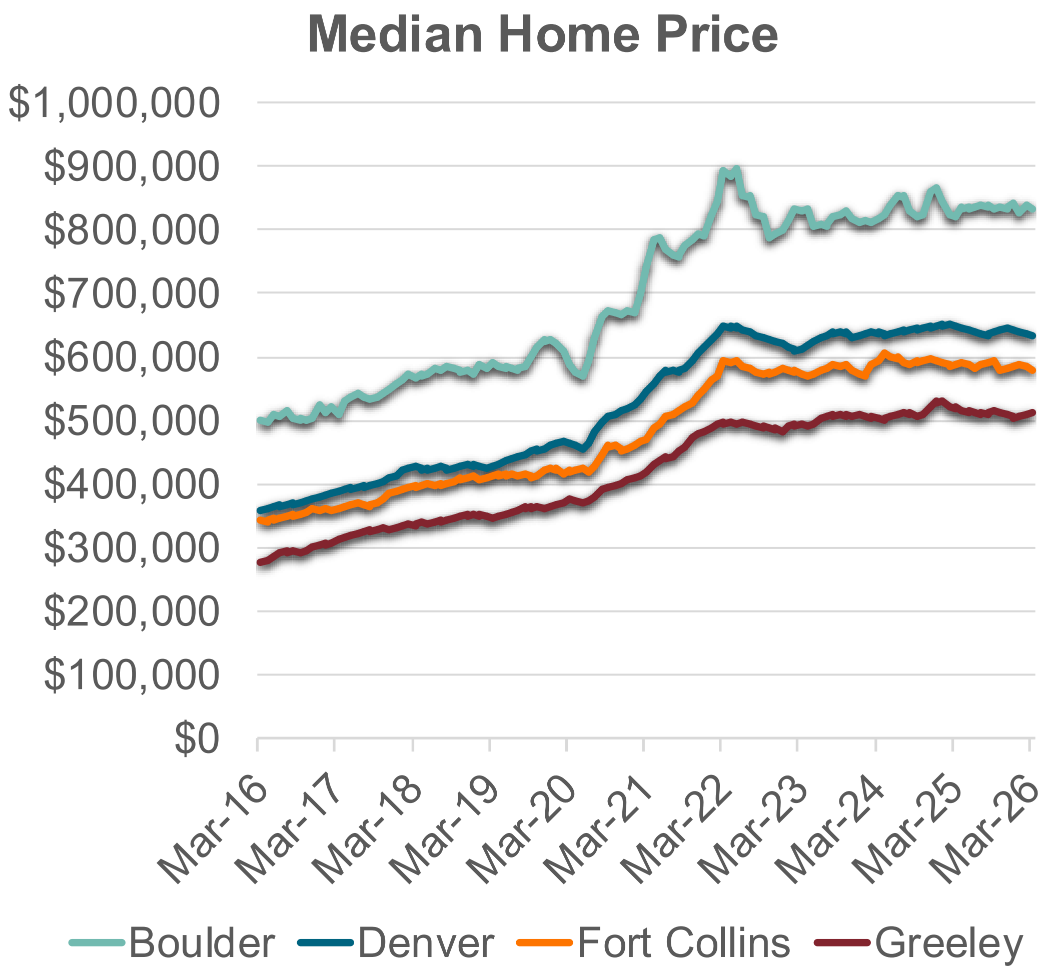
The Yin and Yang of New Home Markets

Regional Breakdown

Sales			
	2019	2025	Ch
Northeast	3	3	0.0%
Midwest	6	7	8.0%
South	34	38	12.7%
West	17	14	-18.8%
Units for Sale			
	2019	2025	Ch
Northeast	28	31	11.9%
Midwest	39	48	22.9%
South	181	301	66.0%
West	85	117	37.1%

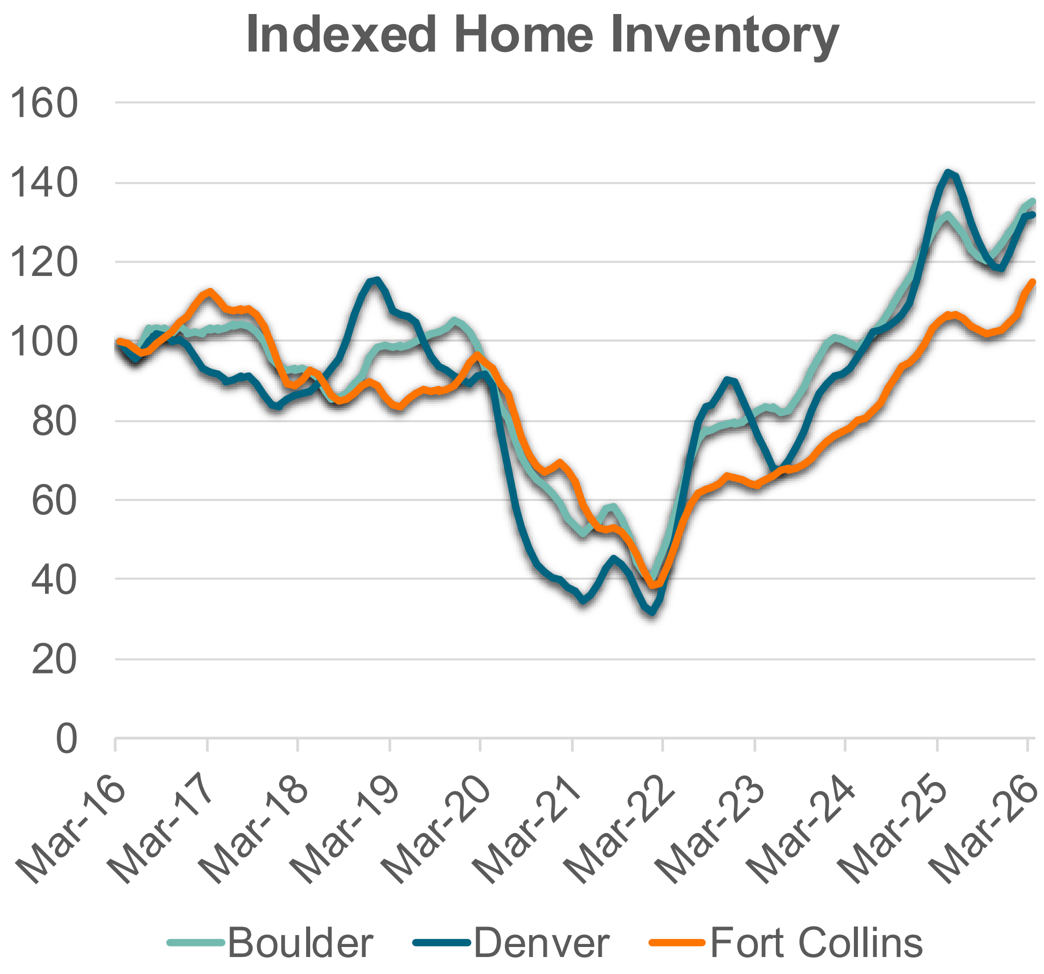

Percent of Closed-End, First-Lien Mortgages Outstanding by Interest Rate
<3%
3% to <4%
4% to 5%
5% to 6%
>6%
Percent of Outstanding First Lien Mortgages
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
www.calculatedriskblog.com Source: FHFA

Home Prices and Sales



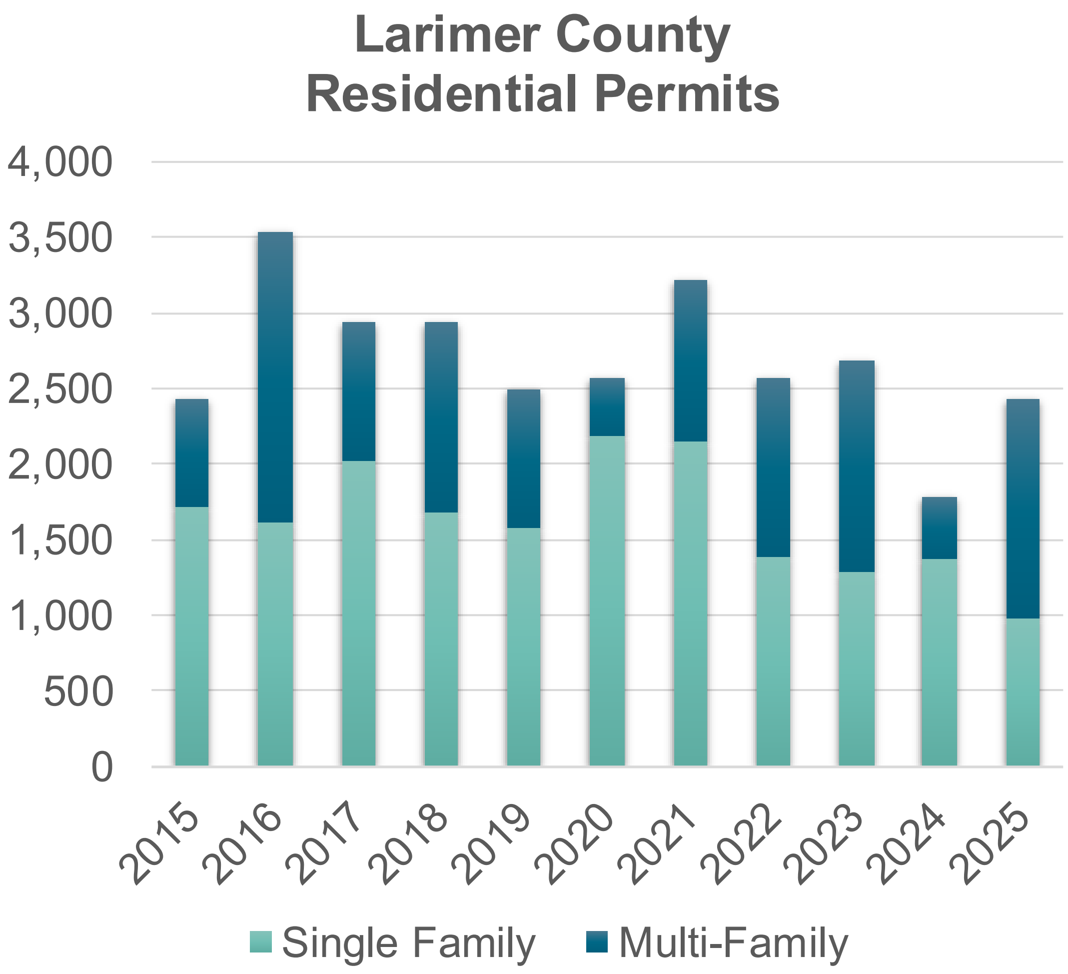
Location	Mar-26 Homes Sold	1-Year Chg. (%)	Chg. since Feb-20 (%)
United States	323,165	-2.0	-24.8
Colorado	4,808	3.3	-22.0
Salt Lake City	835	12.1	-26.4
Boulder	289	11.4	-16.4
Fort Collins	412	5.4	-9.8
Pueblo	167	3.9	-31.3
Greeley	425	3.4	-23.3
Denver	2,647	2.3	-23.2
Grand Junction	197	-4.8	-34.8
Cheyenne	102	-20.8	-27.5

Home Inventory



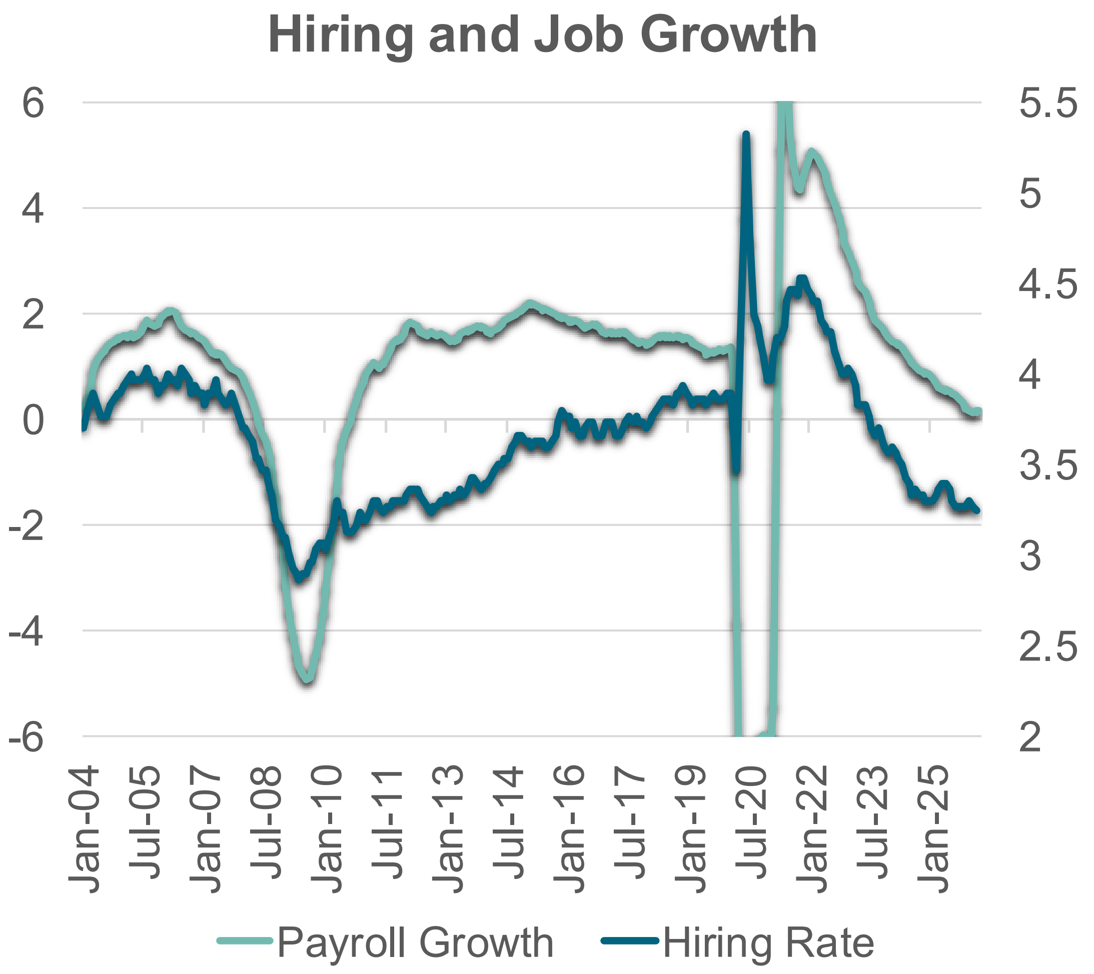
Location	Mar-26 Inventory	1-Year Chg. (%)	Chg. since Feb-20 (%)
United States	1,031,542	-5.2	-11.5
Colorado	20,787	0.8	22.3
Fort Collins	1,671	9.1	18.9
Grand Junction	590	8.0	-26.1
Boulder	1,038	3.4	36.1
Greeley	1,531	1.5	26.9
Salt Lake City	2,425	0.9	20.7
Pueblo	862	-1.4	46.7
Cheyenne	280	-3.3	-22.1
Denver	7,550	-5.2	44.4

Residential Permits



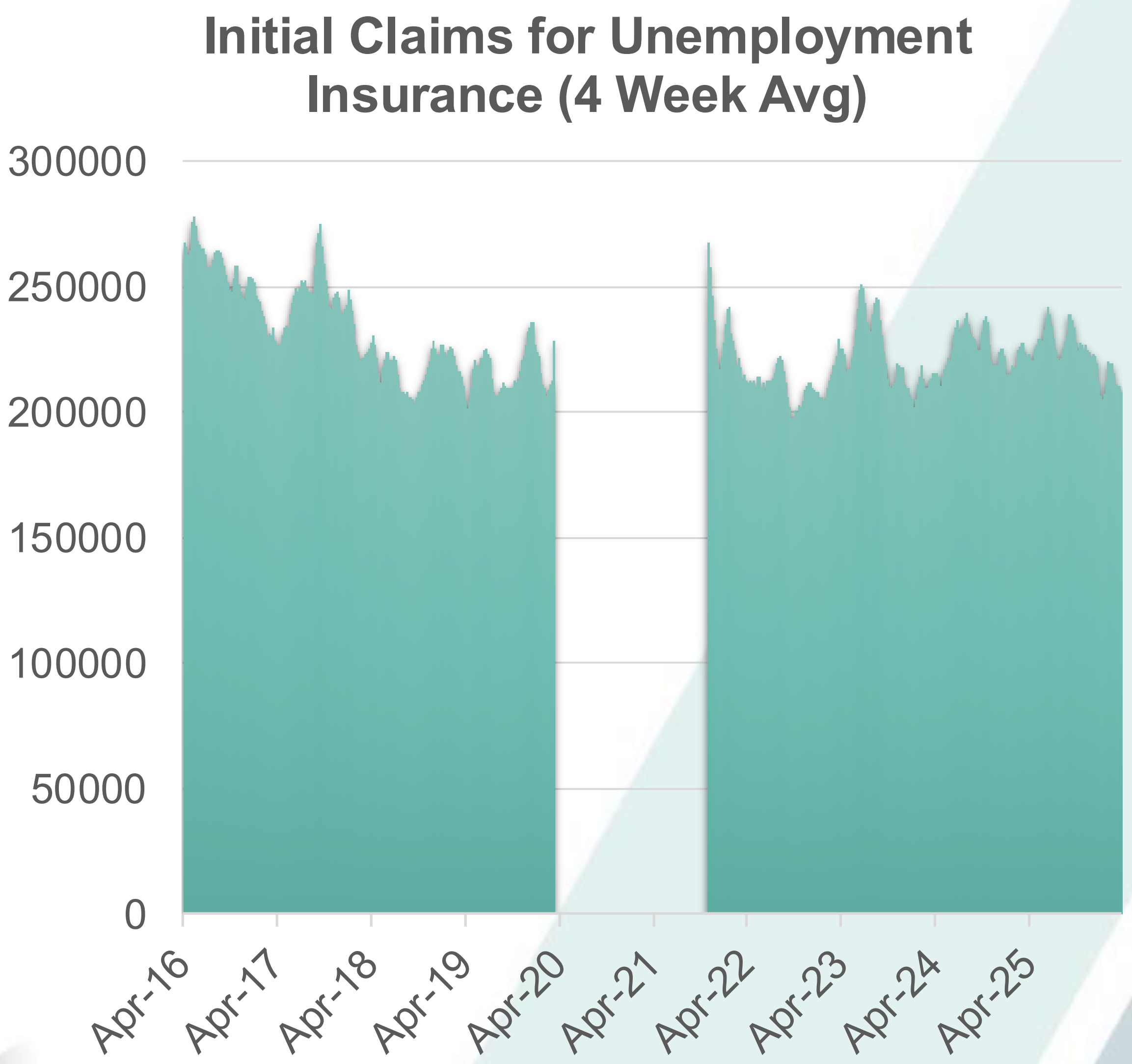
City	Res Permits 2025	1-Year Chg. (%)	6-Year Chg. (%)
Larimer County	2,436	36.4	-17.3
Fort Collins	1,313	91.7	22.6
Timnath town	514	74.2	23.9
Loveland	366	-5.2	-38.2
Berthoud town	143	-36.7	-72.3
Unincorporated	66	-22.4	-56.3
Wellington town	28	-33.3	-81.8
Estes Park town	6	-91.0	-86.7

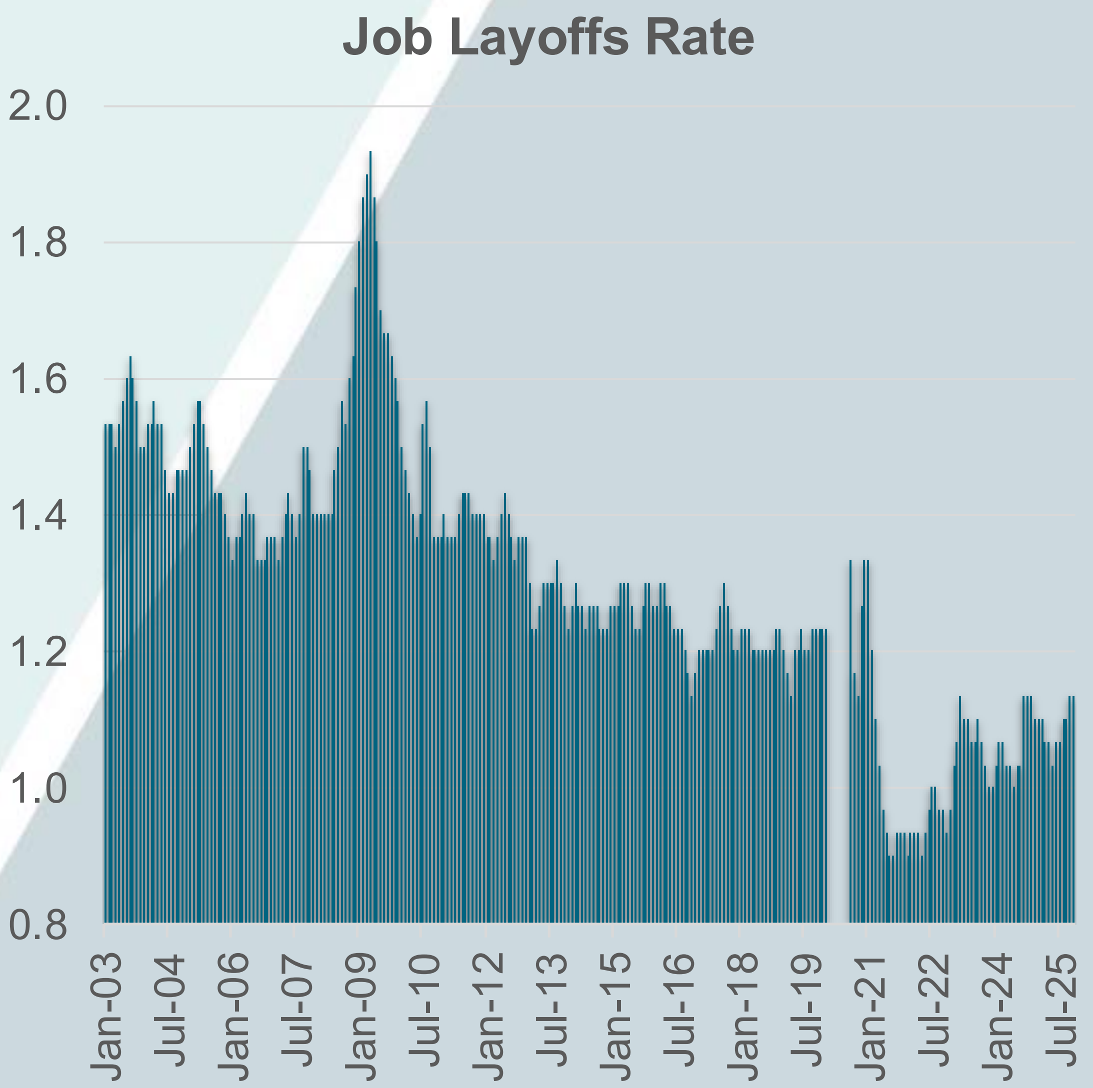
Labor Markets: Flat



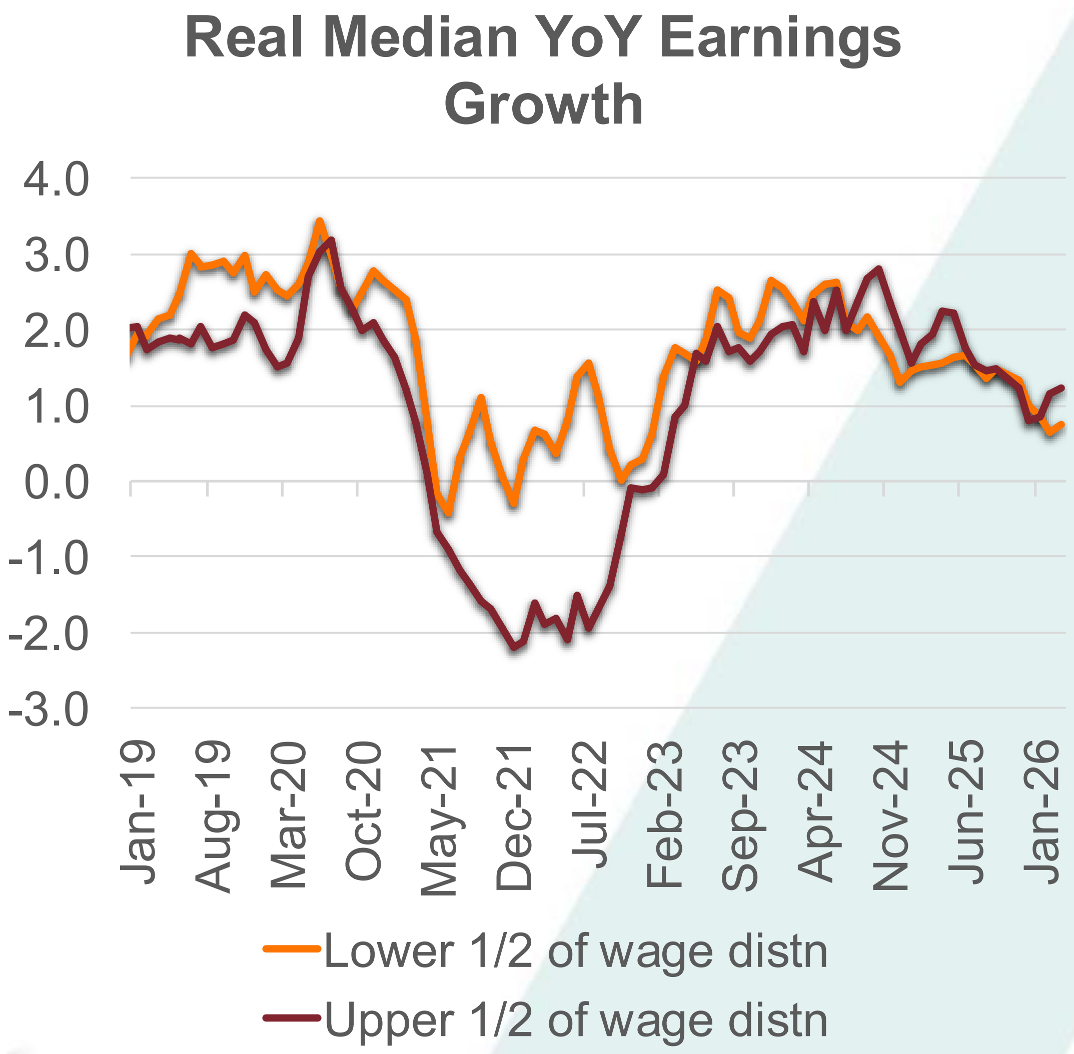
Location	Feb-26 Emplt (000s)	1-Year Chg. (%)	Chg. since Feb-20 (%)
United States	158,459	0.1	3.9
North Carolina	5,069	0.7	8.5
California	18,124	0.7	2.6
Texas	14,355	0.5	9.8
Pennsylvania	6,179	0.3	1.5
Washington	3,638	0.2	3.5
New York	9,979	0.1	1.4
Ohio	5,669	0.1	1.1
Arizona	3,273	0.0	8.5
Georgia	4,977	-0.1	6.1
Michigan	4,470	-0.3	0.4
Illinois	6,137	-0.3	0.0
Florida	9,969	-0.4	8.9

Labor Markets: Cold, not collapsing…





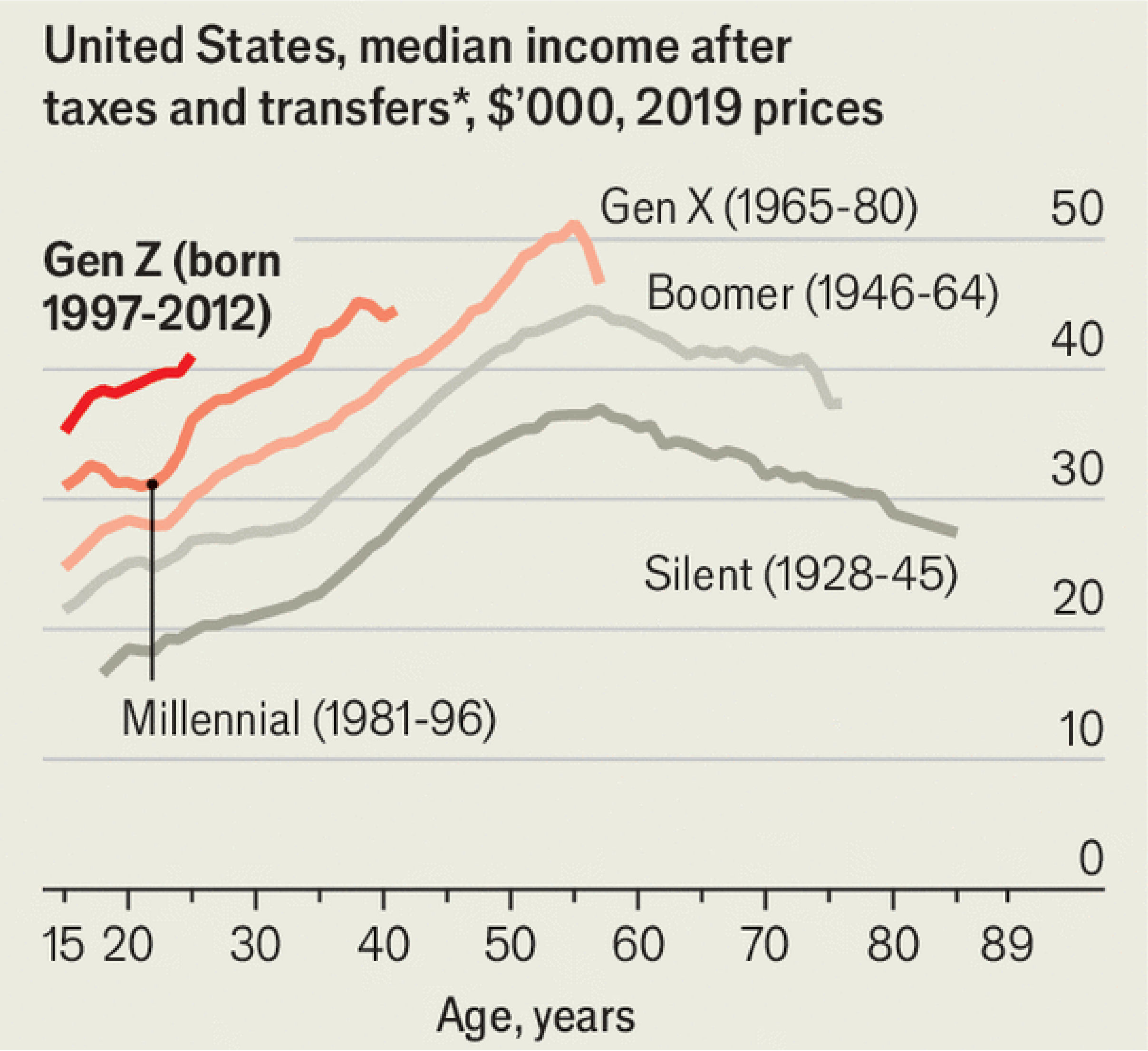
Earnings Growth

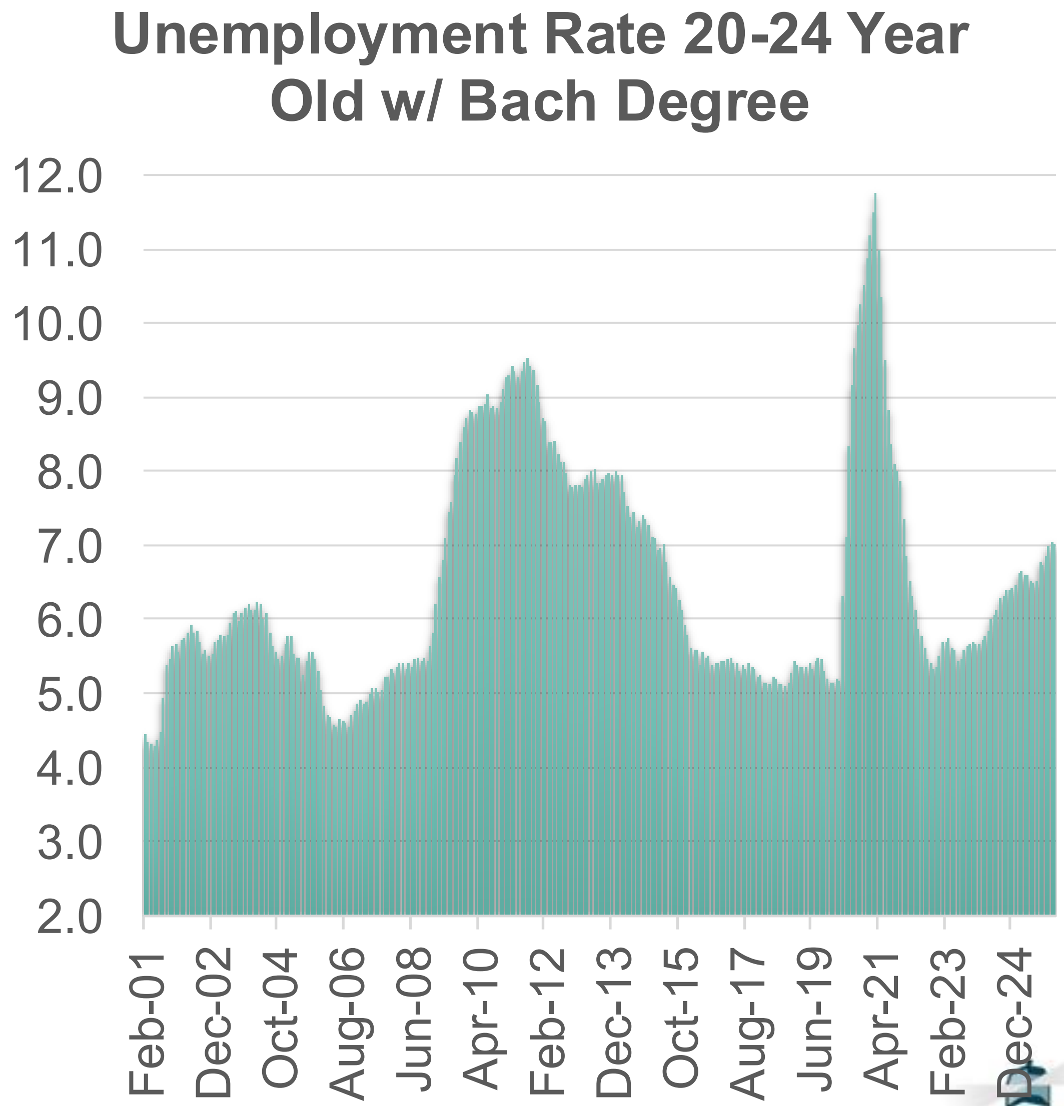


Real Median YoY Earnings Growth

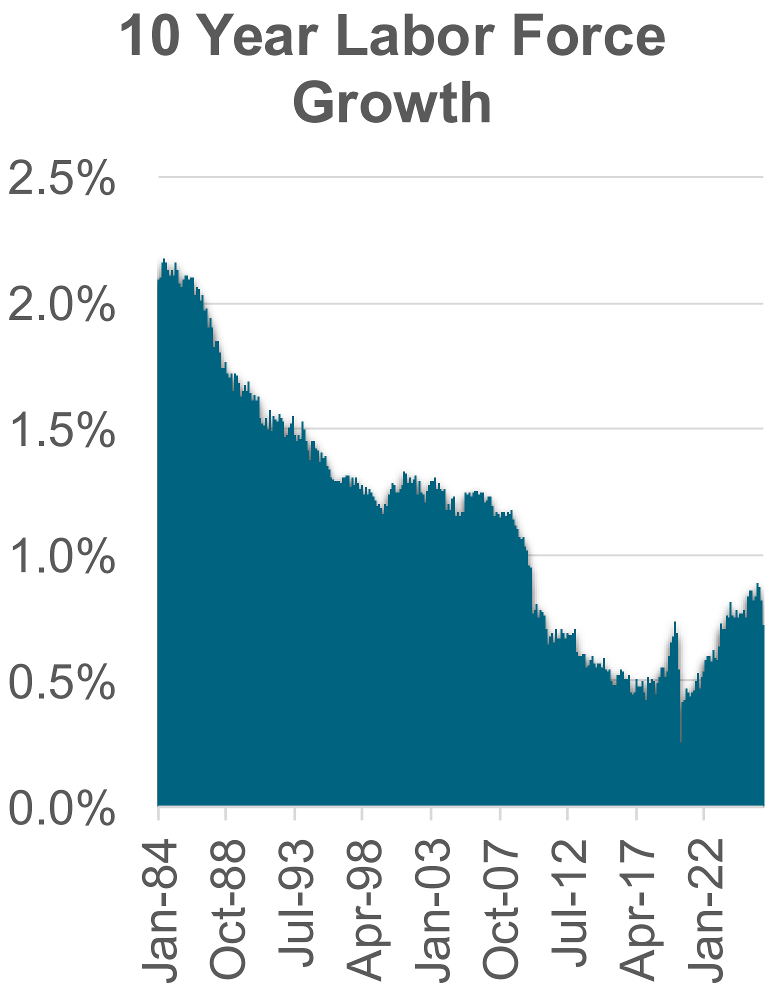
	19-25	25-26
Full-time	1.39	1.41
Female	1.33	1.20
Male	1.36	1.44
HS or Less	1.39	1.18
Bach +	1.25	1.87
16-24	5.79	3.55
25-54	1.55	1.73
55+	-0.14	0.62
White	1.24	1.50
Non-white	1.50	1.54

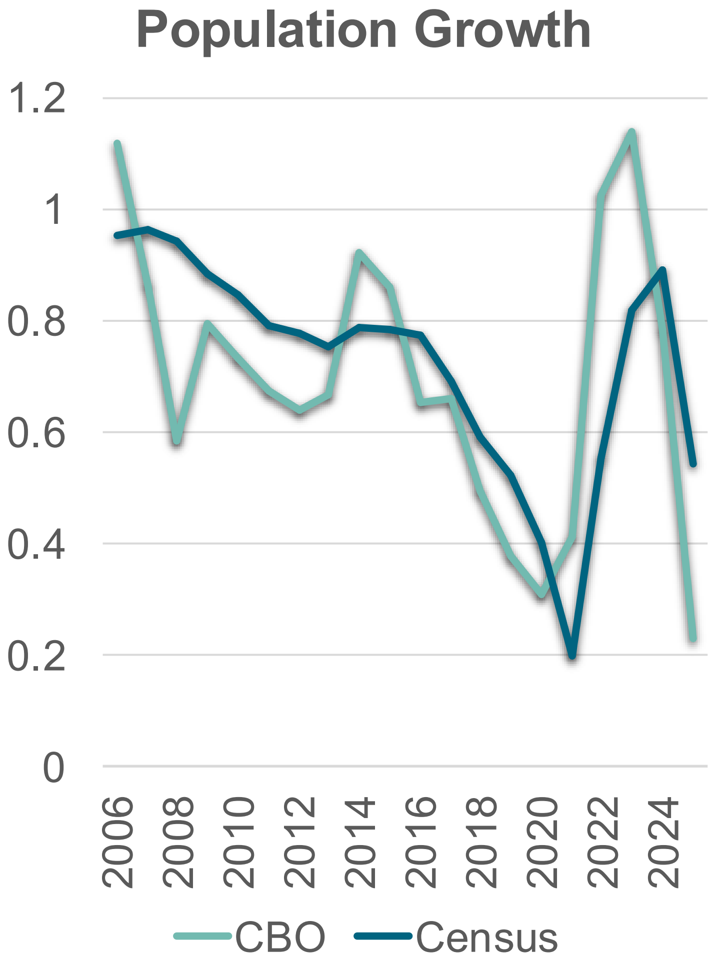
And Poor Gen Z?

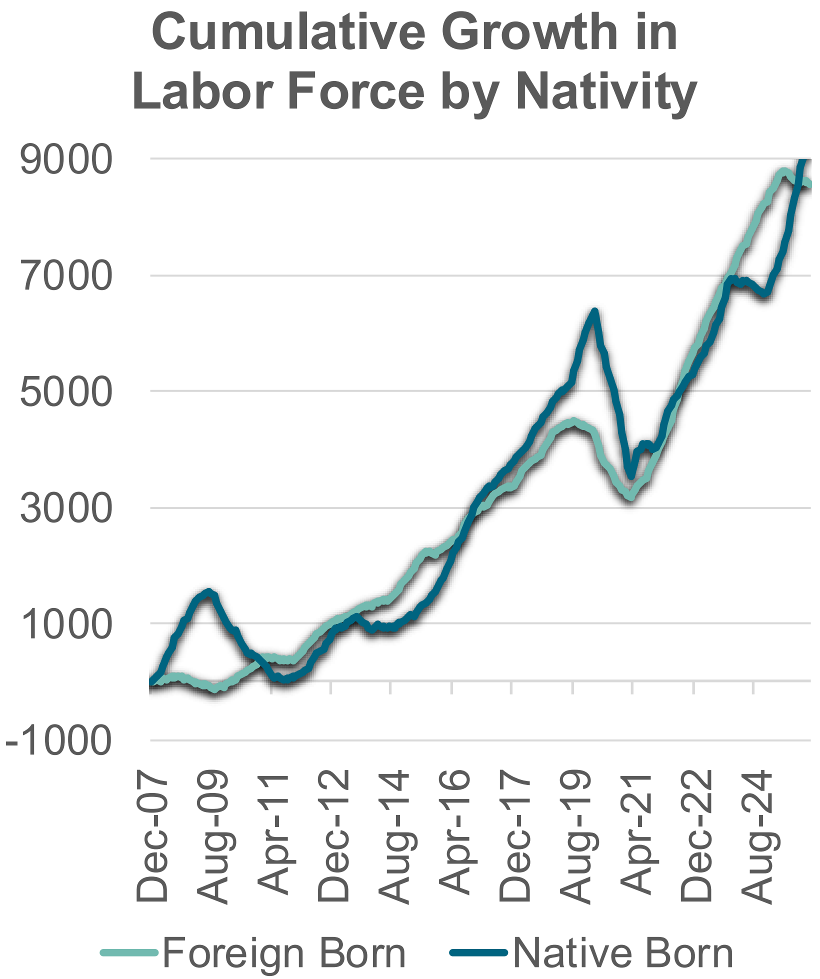




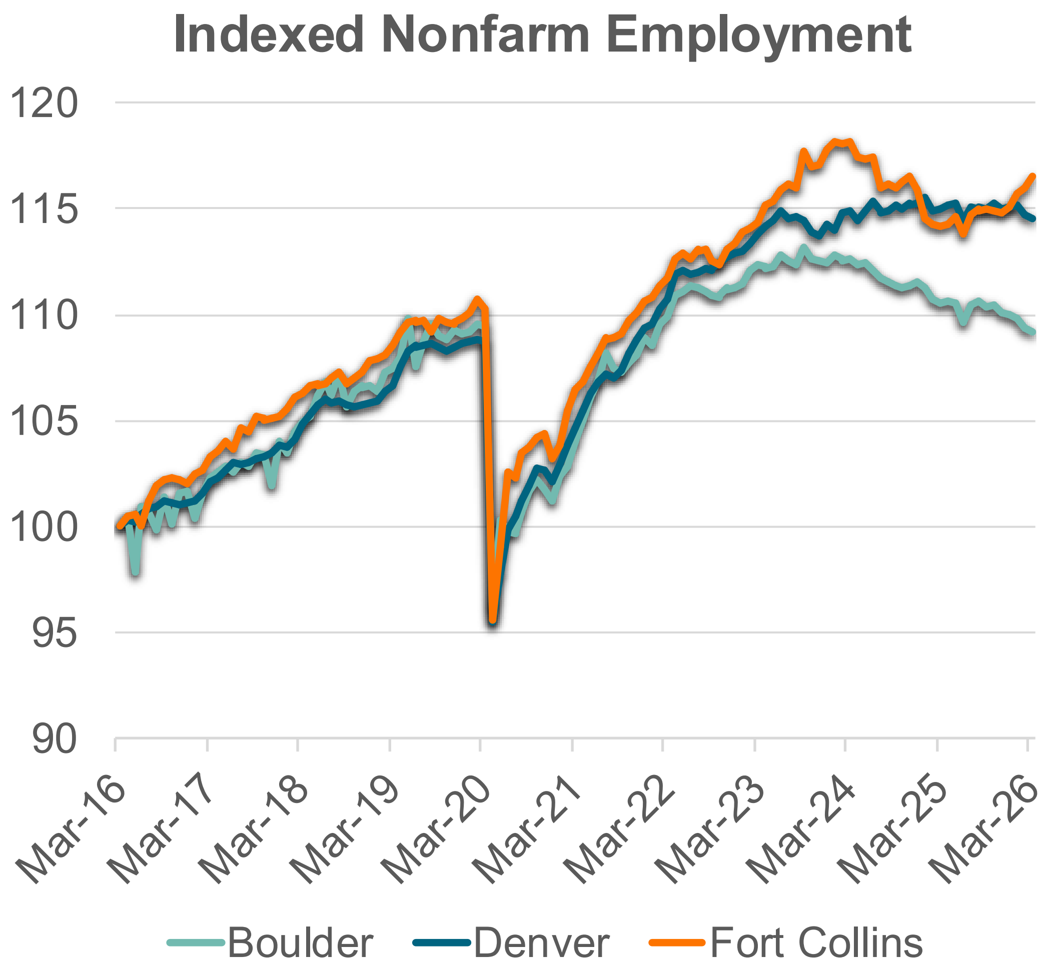
Labor Force Growth





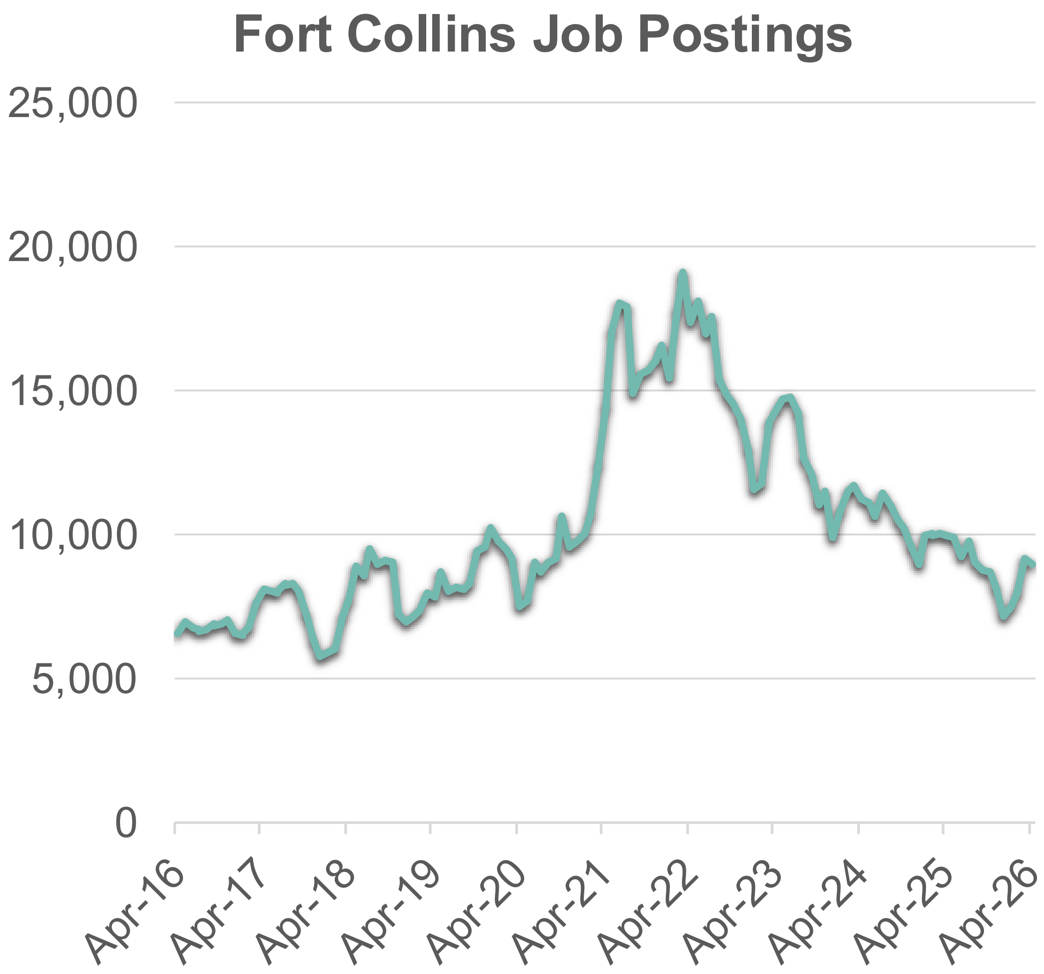


Regional Employment



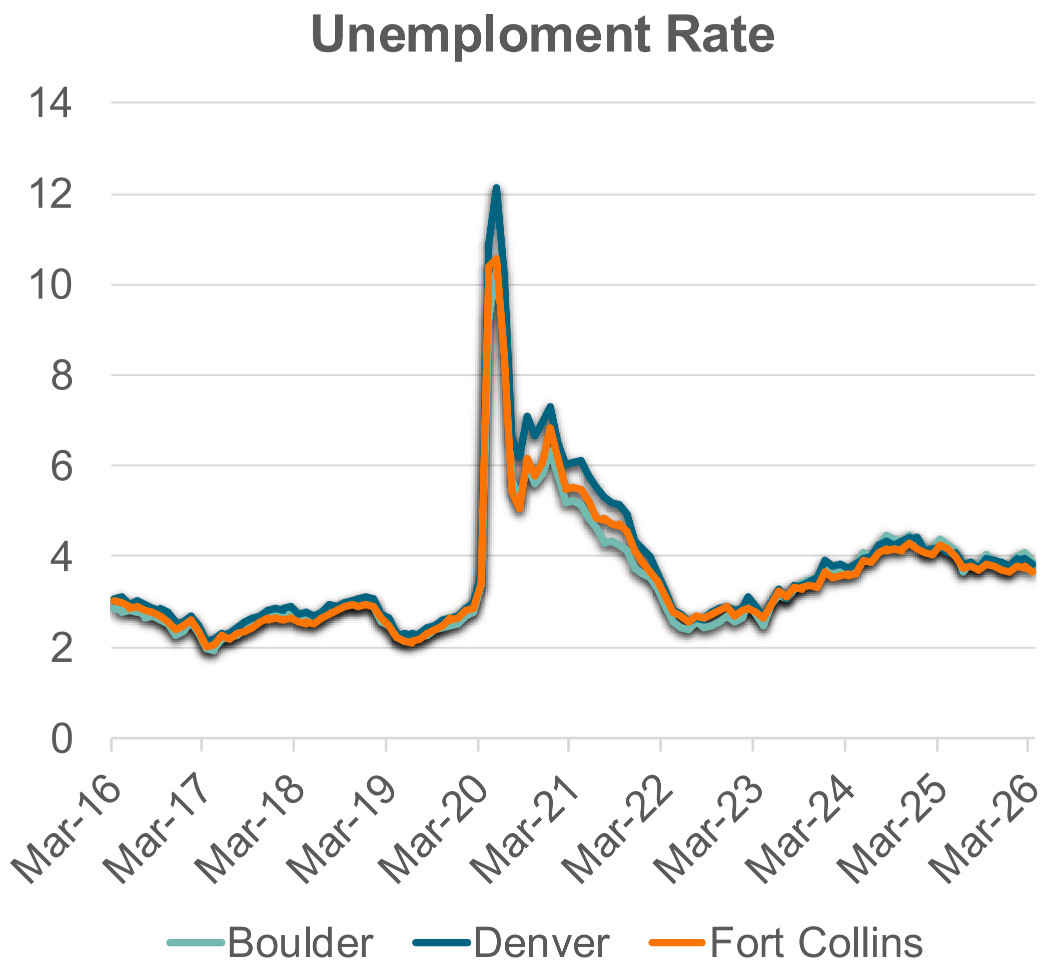
Location	Mar-26 Emplt (000s)	1-Year Chg. (%)	Chg. since Feb-20 (%)
United States	158,621.0	0.2	4.0
Colorado	2,956.0	-0.2	4.6
Fort Collins	185.8	2.1	5.1
Salt Lake City	844.3	1.1	9.9
Greeley	122.6	0.7	7.6
Denver	1,633.2	-0.5	5.0
Pueblo	62.8	-0.8	-3.4
Colorado Springs	326.0	-0.8	6.7
Grand Junction	68.5	-1.0	5.0
Boulder	201.4	-1.2	-0.4
Cheyenne	48.8	-1.7	1.6

Unemployment Rate



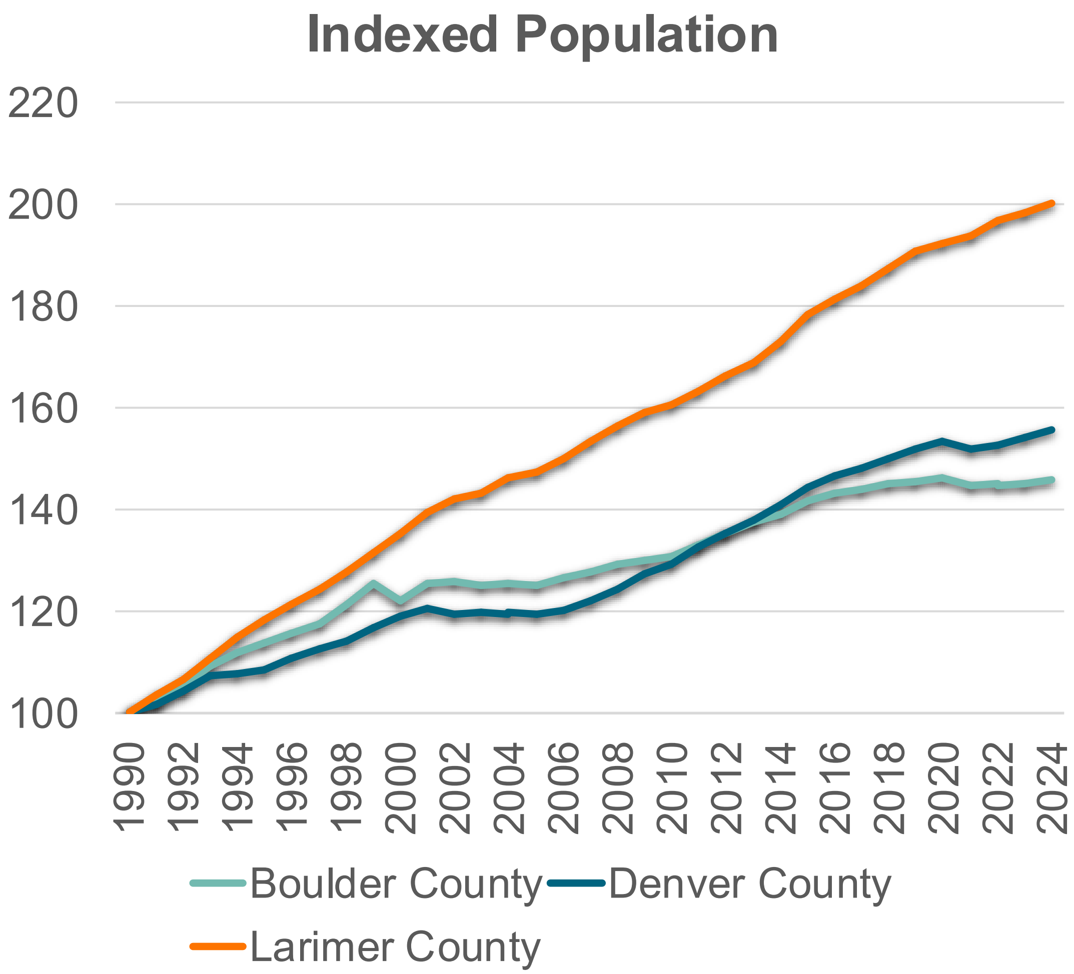
Industry	Fort Collins		
	Mar-26 Emplt (000s)	1-Year Chg. (%)	7-Year Chg. (%)
Total Nonfarm	185.8	2.1	5.7
Professional/Business	23.0	6.6	11.3
Education/Health	23.1	5.4	23.4
Financial Activities	7.3	2.9	6.2
Logistics	4.2	2.6	13.9
Leisure and Hospitality	22.8	2.1	2.5
Government	45.5	1.2	6.4
Retail Trade	19.1	0.5	-0.3
Manufacturing	14.3	0.0	-1.1
Wholesale Trade	5.8	0.0	10.0
Other Services	7.0	0.0	4.3
NR/Construction	11.4	0.0	-2.9

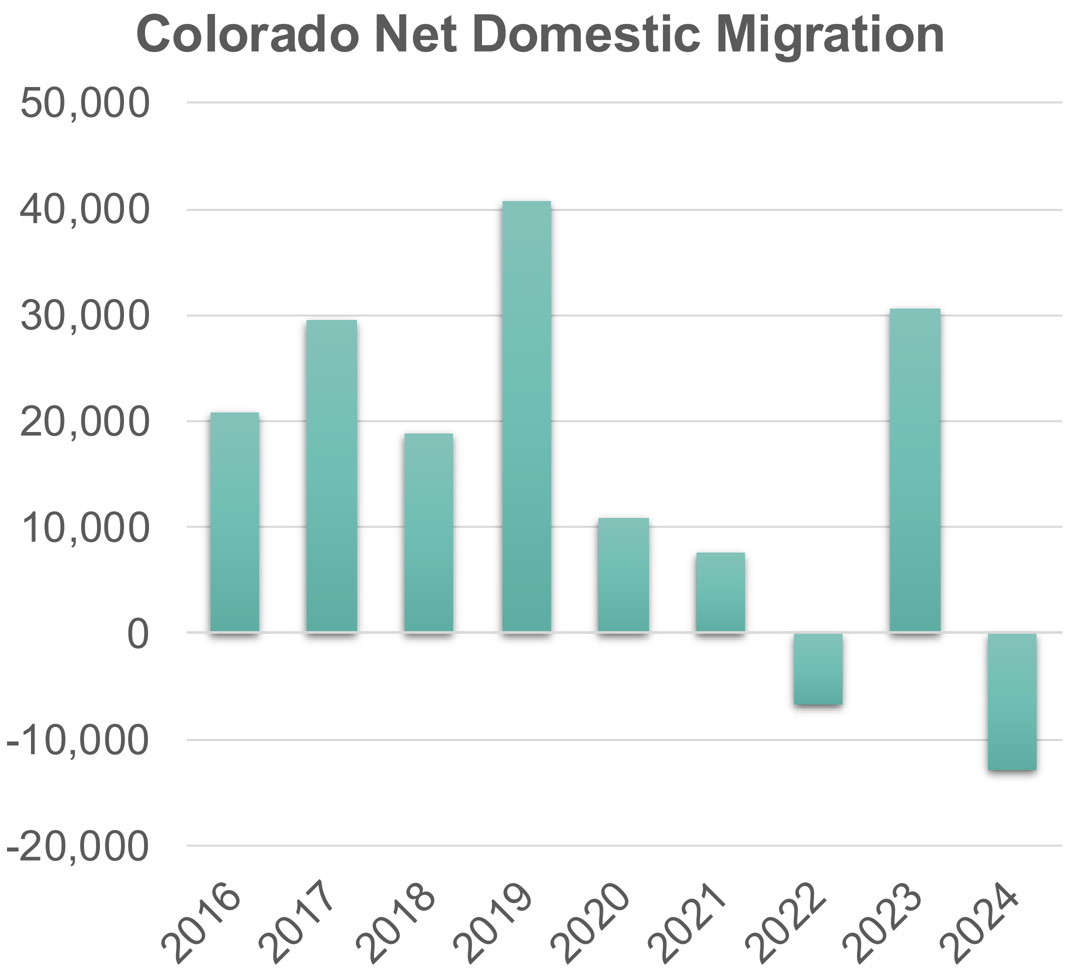
Job Postings and Labor Force



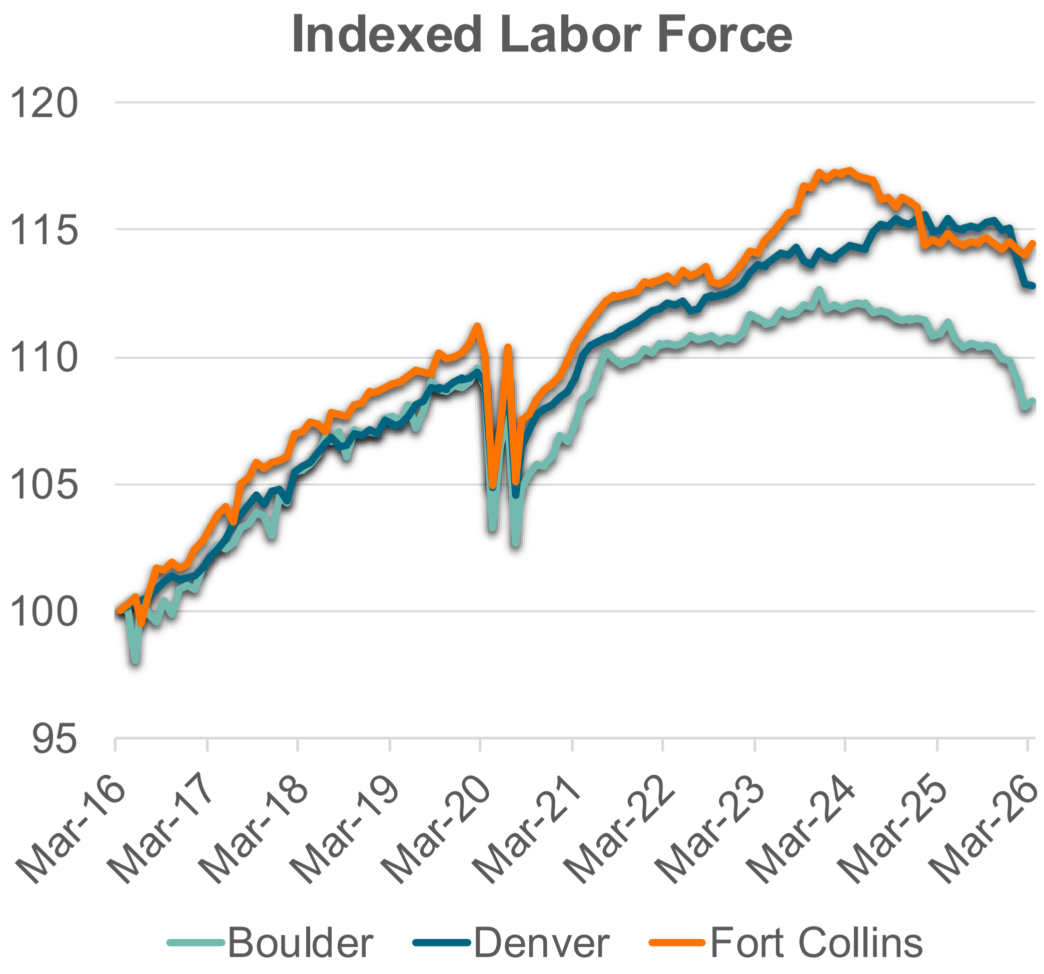
Fort Collins MSA	FC 2024 Est.	FC Cal 5-Year Chg. (%)	CO 5-Year Chg. (%)	US 5-Year Chg. (%)
Labor Force by Age	212,129	6.8	5.8	5.5
24 and Under	43,344	14.3	3.3	5.3
25 to 44	91,411	7.7	10.0	7.0
45 to 64	65,920	3.3	0.5	1.6
65 and Over	11,478	-5.3	10.3	18.2
Labor Force by Edu	157,291	5.8	6.1	4.6
Less than HS	5,025	11.6	-3.4	-3.0
High School	18,894	-22.5	-8.5	-1.2
Some College	38,967	-3.6	-5.8	-3.3
Bachelor's plus	94,457	19.0	19.9	15.8

Colorado Slowing Migration



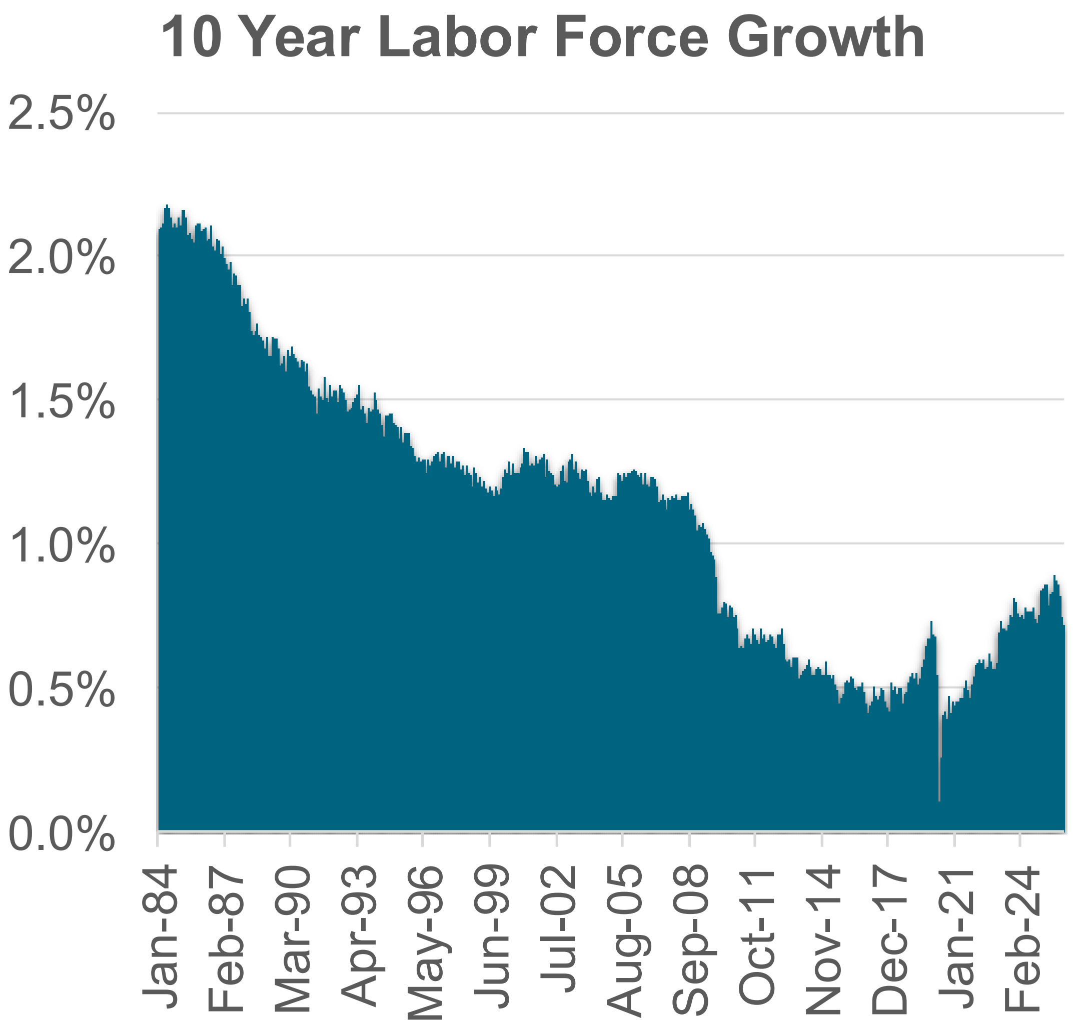


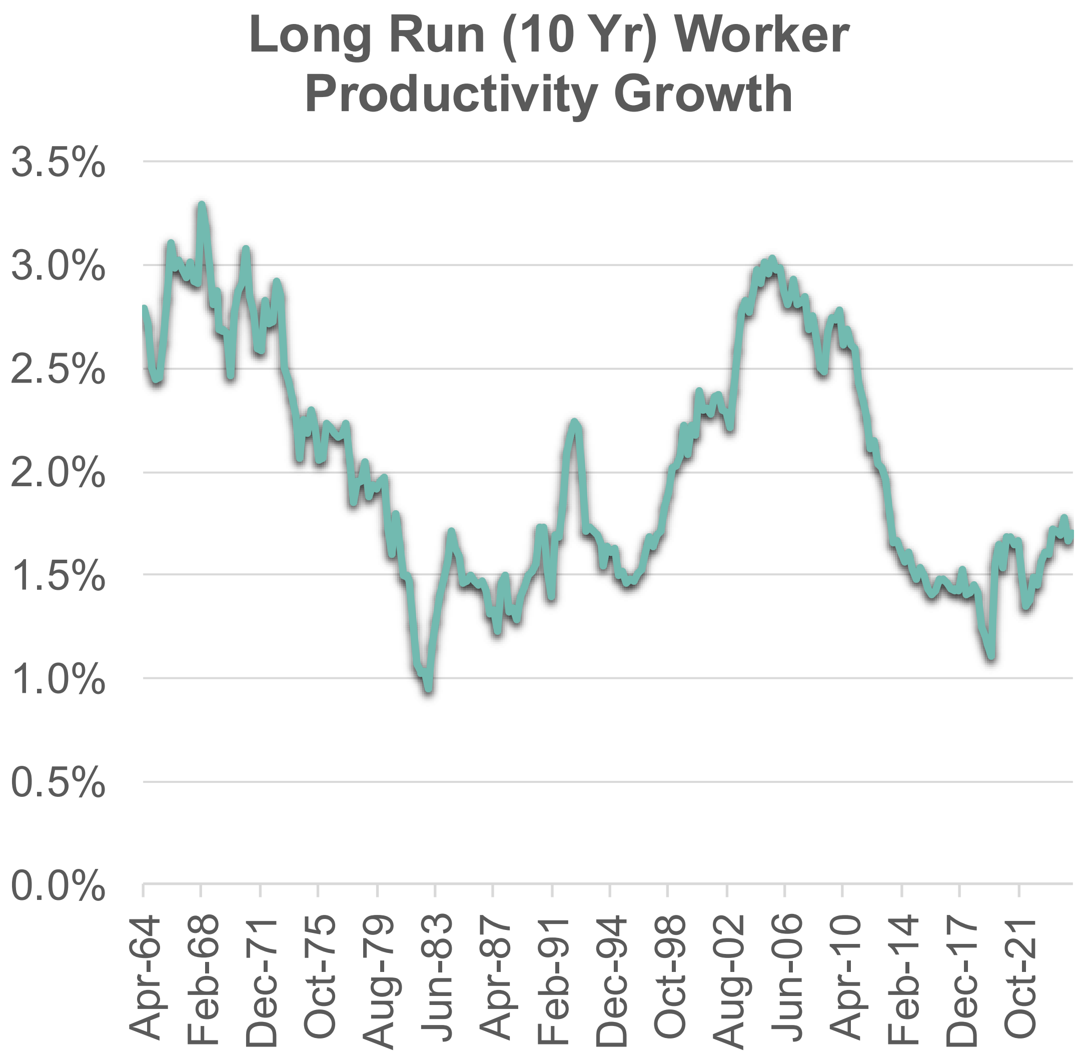
Labor Force



Location	Mar-26 LF (000s)	1-Year Chg. (%)	Chg. since Feb-20 (%)
United States	170,087.0	-0.3	3.3
Colorado	3,227.9	-1.3	3.0
Fort Collins	204.1	0.0	2.8
Salt Lake City	734.1	-0.7	7.6
Greeley	177.5	-1.9	3.9
Denver	1,745.7	-2.0	2.9
Colorado Springs	384.8	-2.2	4.5
Pueblo	71.2	-2.2	-4.9
Cheyenne	47.8	-2.3	-4.5
Boulder	187.4	-2.4	-1.1
Grand Junction	78.8	-2.7	1.5

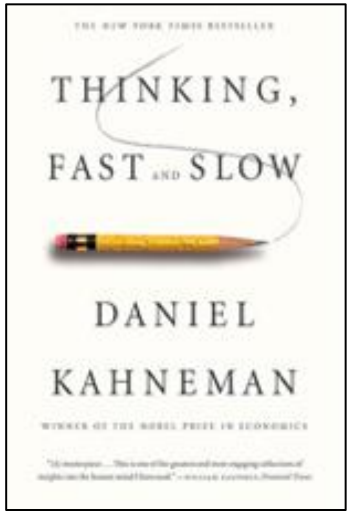
What about AI?

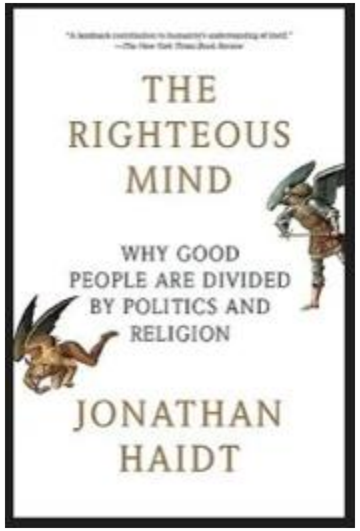


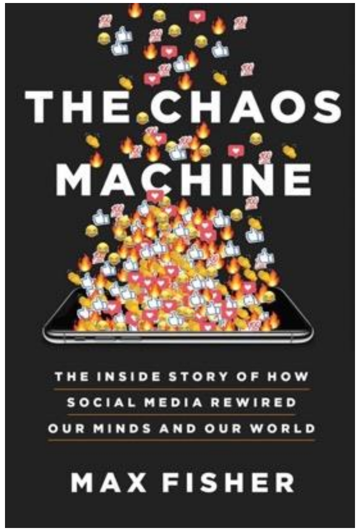


- “March of the Machine Makes Idle Hands” — The New York Times (1928)
- “The Automation Jobless” — Time Magazine (1961)
- “The Robots Are Coming—and So Are the Layoffs” — The Washington Post (1983)
- “The End of Work?” — The Economist (2003)
- “47% of U.S. Jobs at Risk of Automation” — widely reported after Oxford study (2013)
- “AI Could Replace Millions of Jobs” — The Washington Post (2023)

How do narratives go astray?



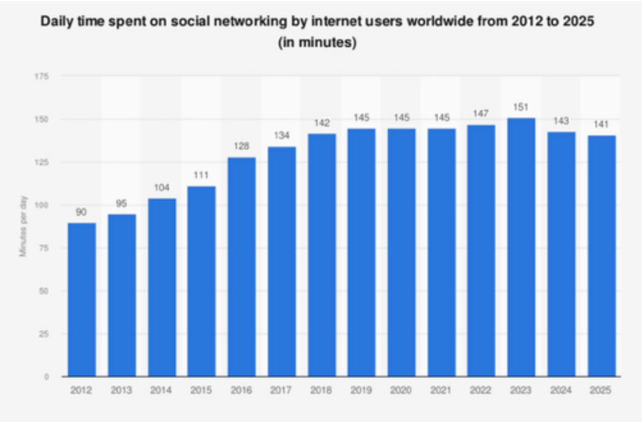




Type	1	2
Style	Emotional	Deliberative
Rules	Heuristics	Deduction
Speed	Fast	Slow
Energy	Low	High

Moral Nodes: Social issues that blind us emotionally

Care/ harm	Liberty/ oppression	Fairness/ cheating
Loyalty/ betrayal	Authority/ subversion	Sanctity/ degradation



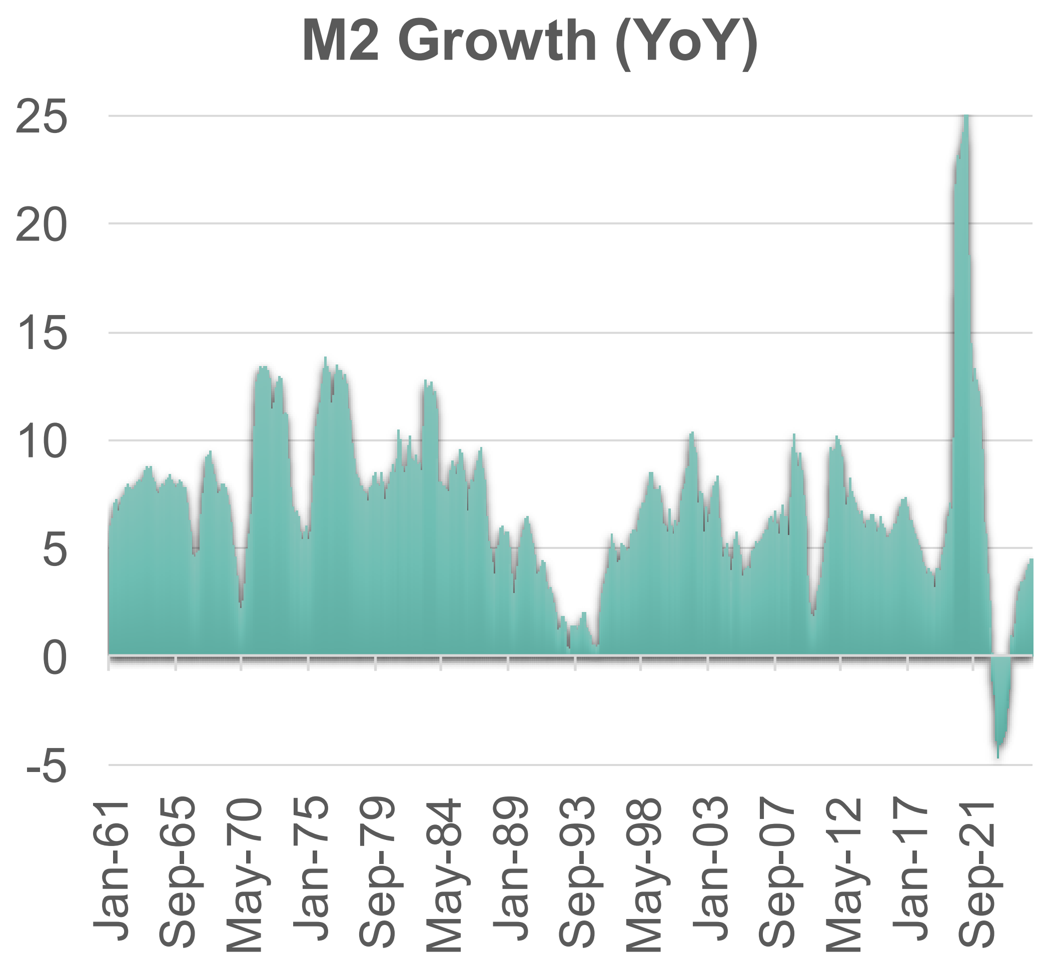
The Dangers of False Narratives

Pandemics don't cause depressions.

- Lost Output during Pandemic: $850 Billion
- Stimulus: $6 trillion, with $5 trillion in QE

The Money Multiplier

- Initial stimulus $50k per household
- Asset prices: $200K more in net worth
- 26% increase in average HH net worth



Who should Trump thank for his big election sweep?

Inflation: Hot Topics of the 2024 Election, defined

A recent survey from Bankrate reported that more than 40 percent of Americans say their No. 1 economic issue for this presidential election is inflation. Read on to learn more about the drivers of U.S. inflation.

Alex Semancik | October 24, 2024

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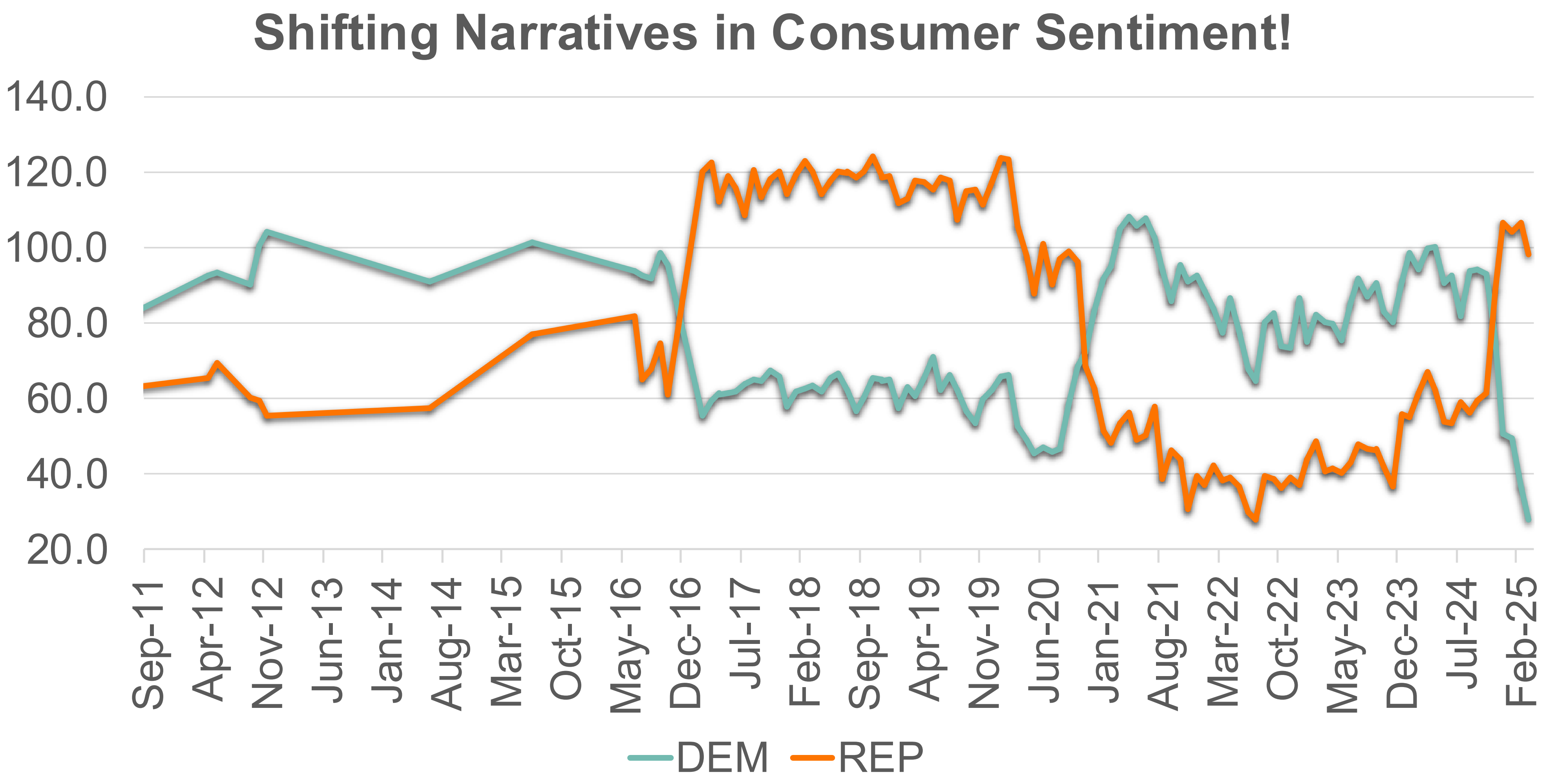
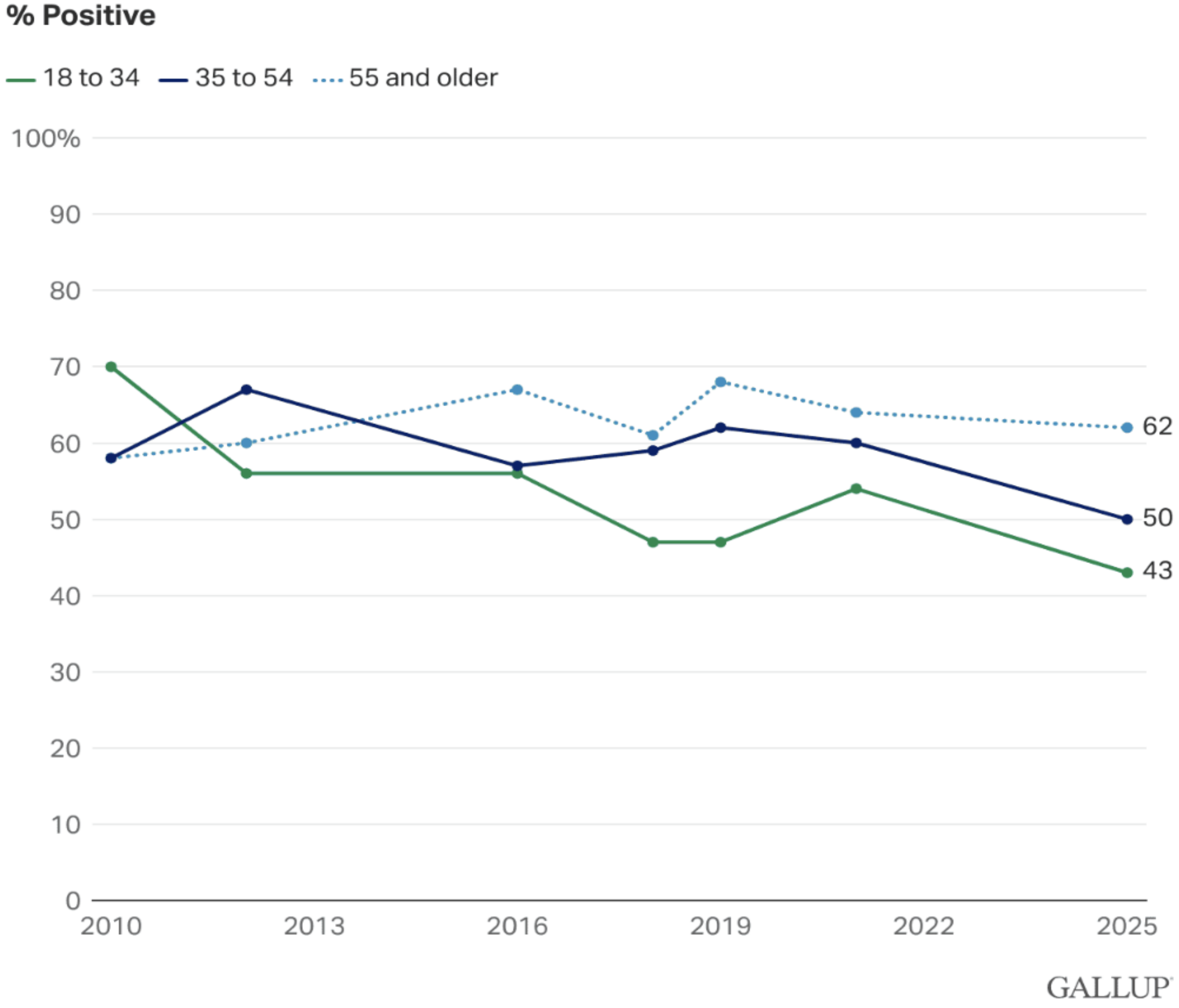
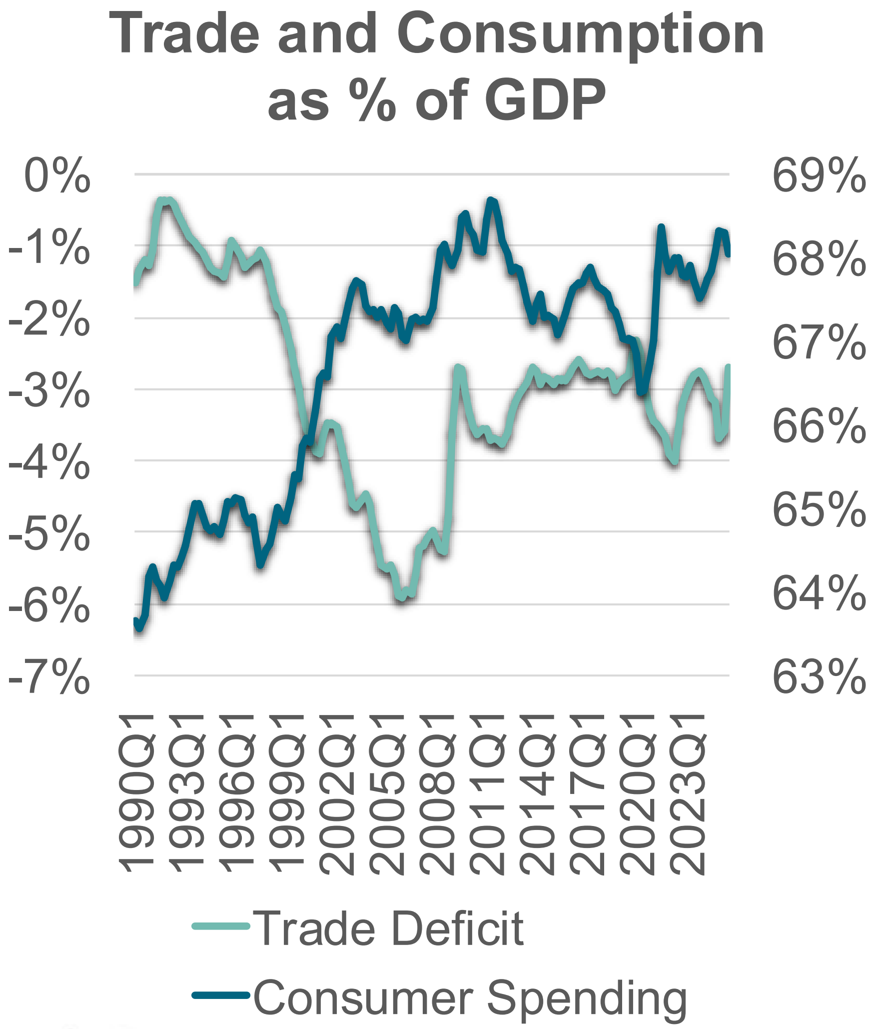

Shifting Narratives in Consumer Sentiment!
140.0
120.0
100.0
80.0
60.0
40.0
20.0
Sep-11
Apr-12
Nov-12
Jun-13
Jan-14
Aug-14
Mar-15
Oct-15
May-16
Dec-16
Jul-17
Feb-18
Sep-18
Apr-19
Nov-19
Jun-20
Jan-21
Aug-21
Mar-22
Oct-22
May-23
Dec-23
Jul-24
Feb-25
DEM
REP

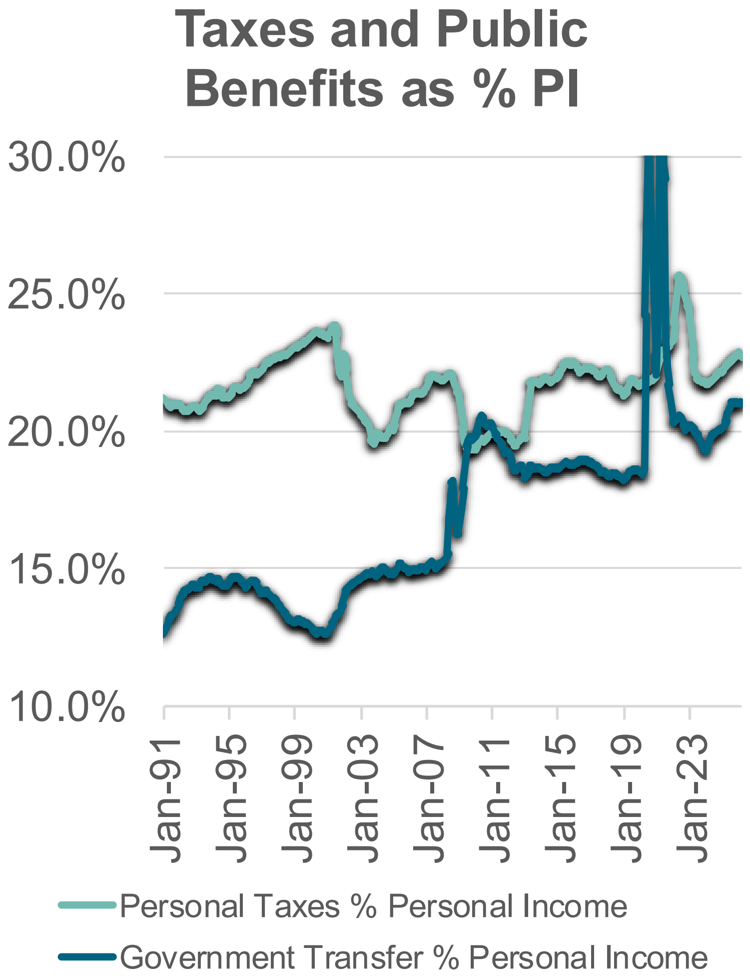
1. Capitalism Stumbles With Young Adults

Just off the top of your head, would you say you have a positive or negative image of each of the following? Capitalism



An Over-Consumption Problem…



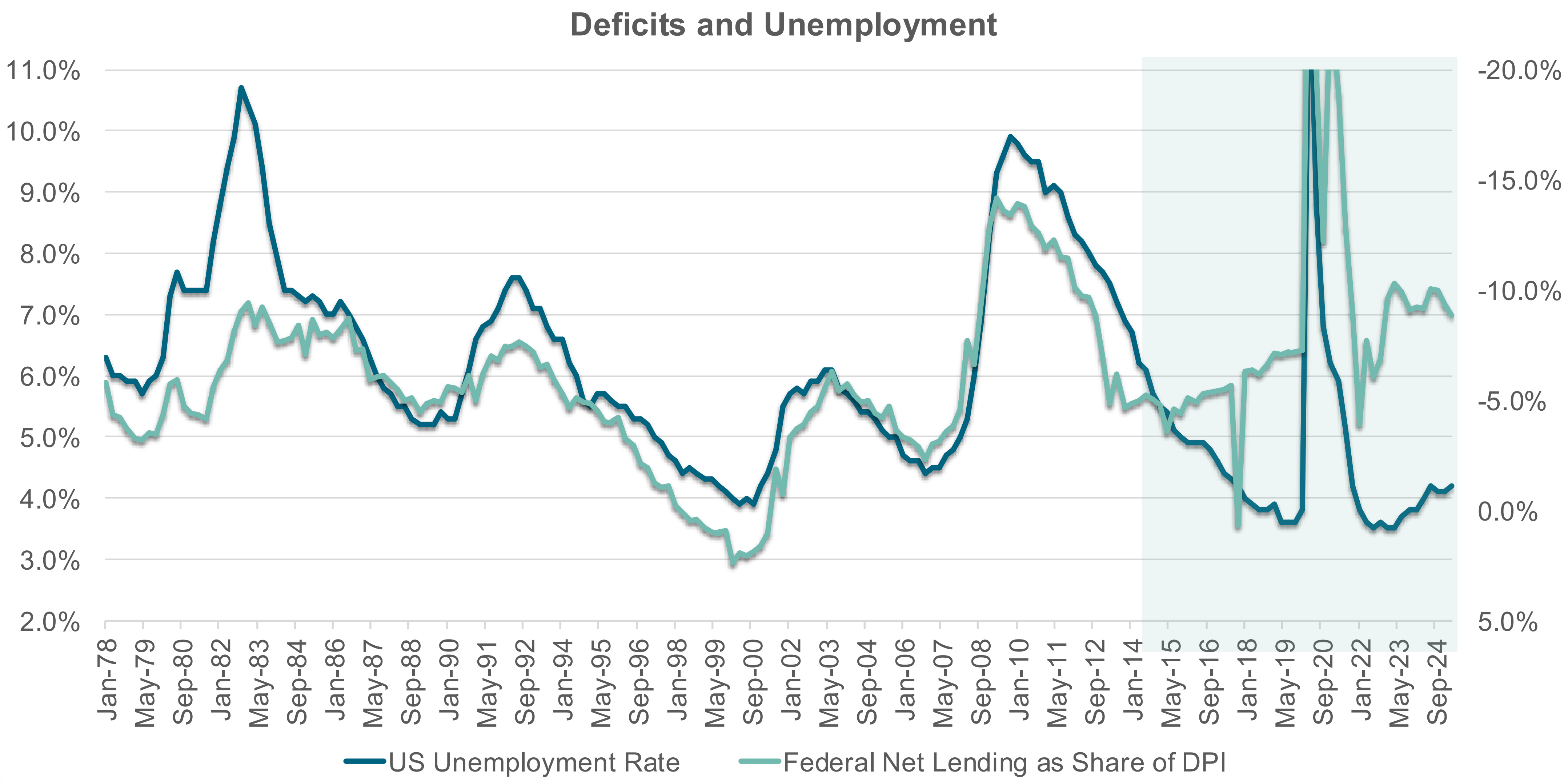


Deficit Closing?

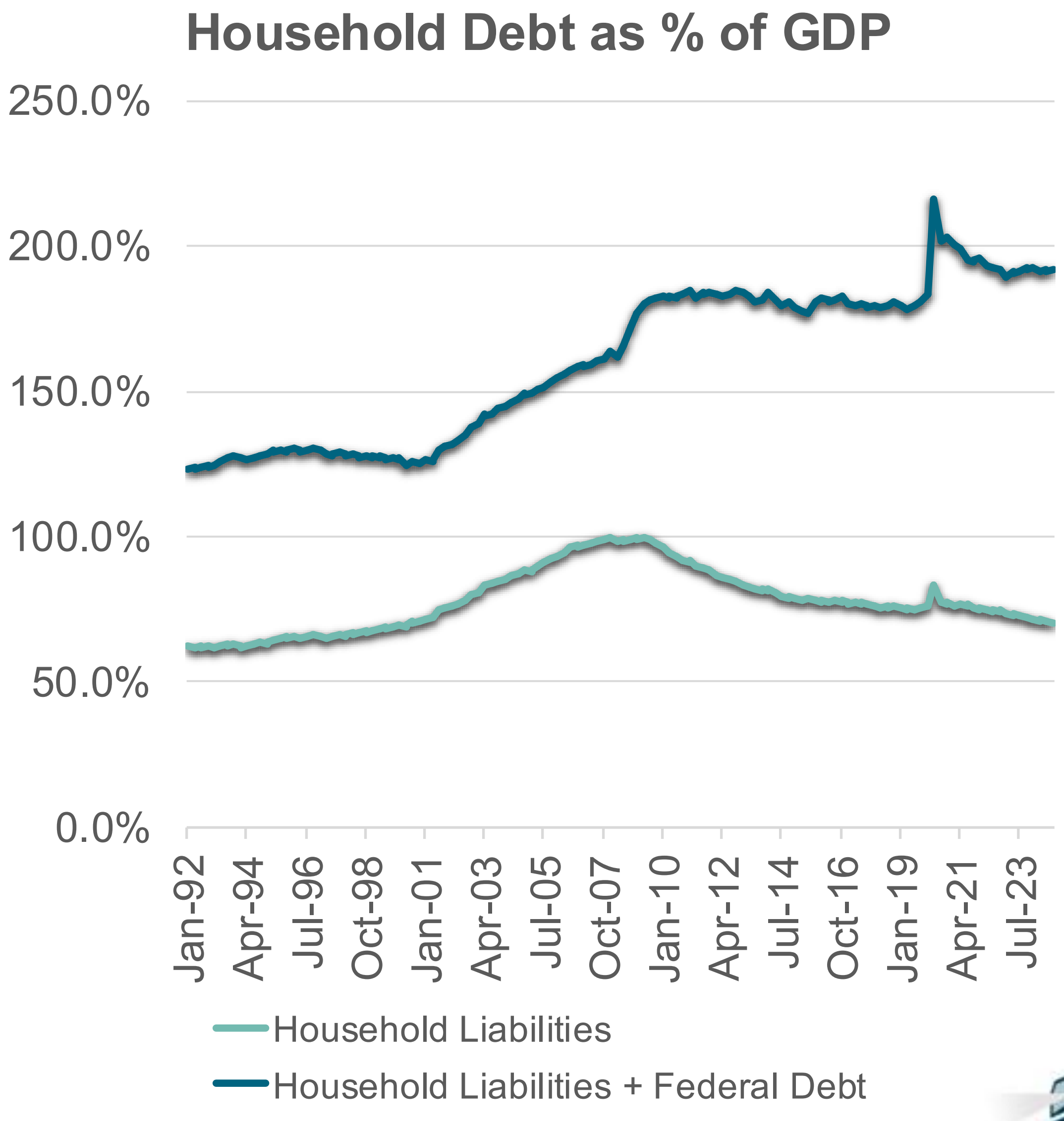
$15,000 per household per year

- Higher Taxes: 9% of Household Disposable Household Income
- Reduced Spending: 25% of total current Fed expenditures

Keynesianism Breaks Down…

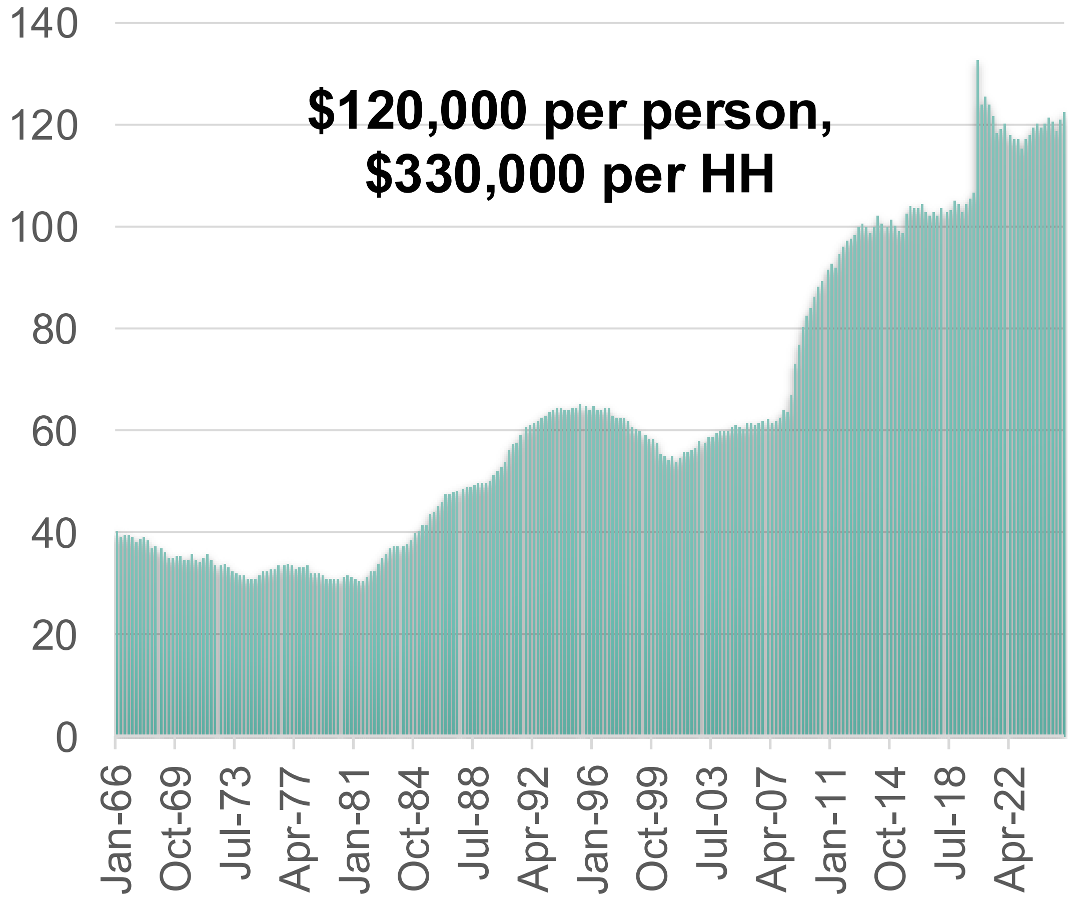


The Wealth / Income Mirage

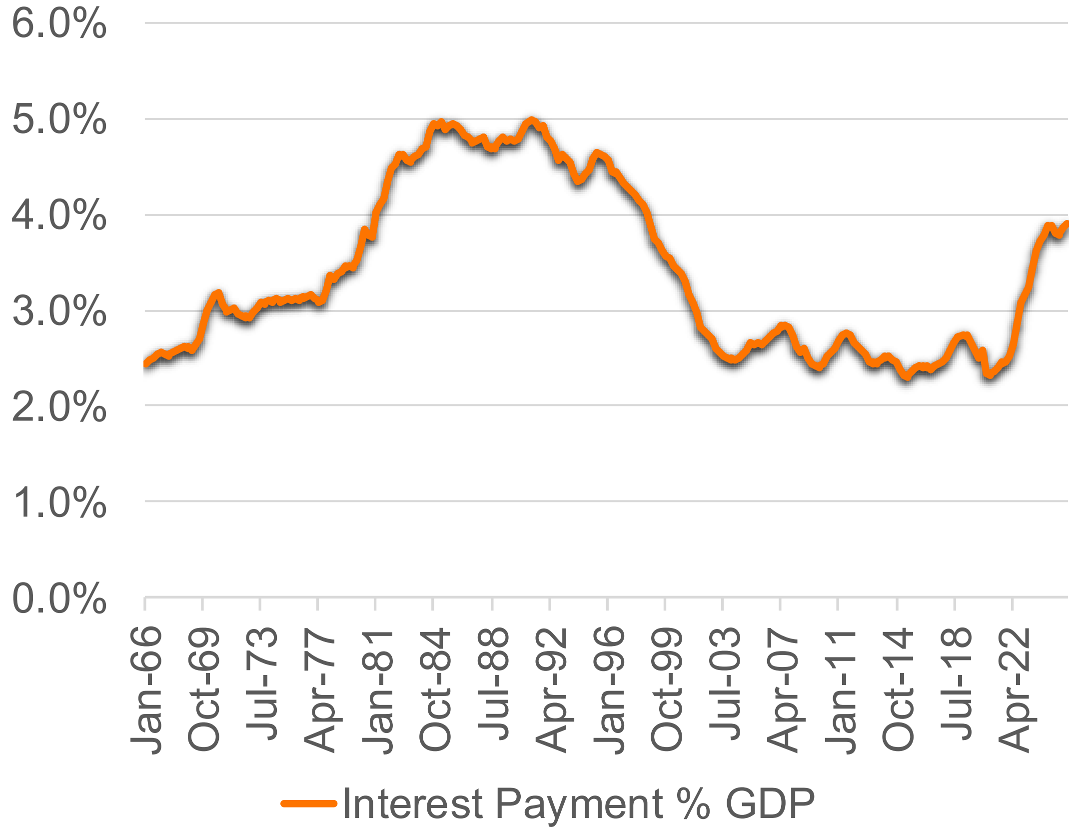


Federal Debt Levels

Federal Debt to GDP Ratio %

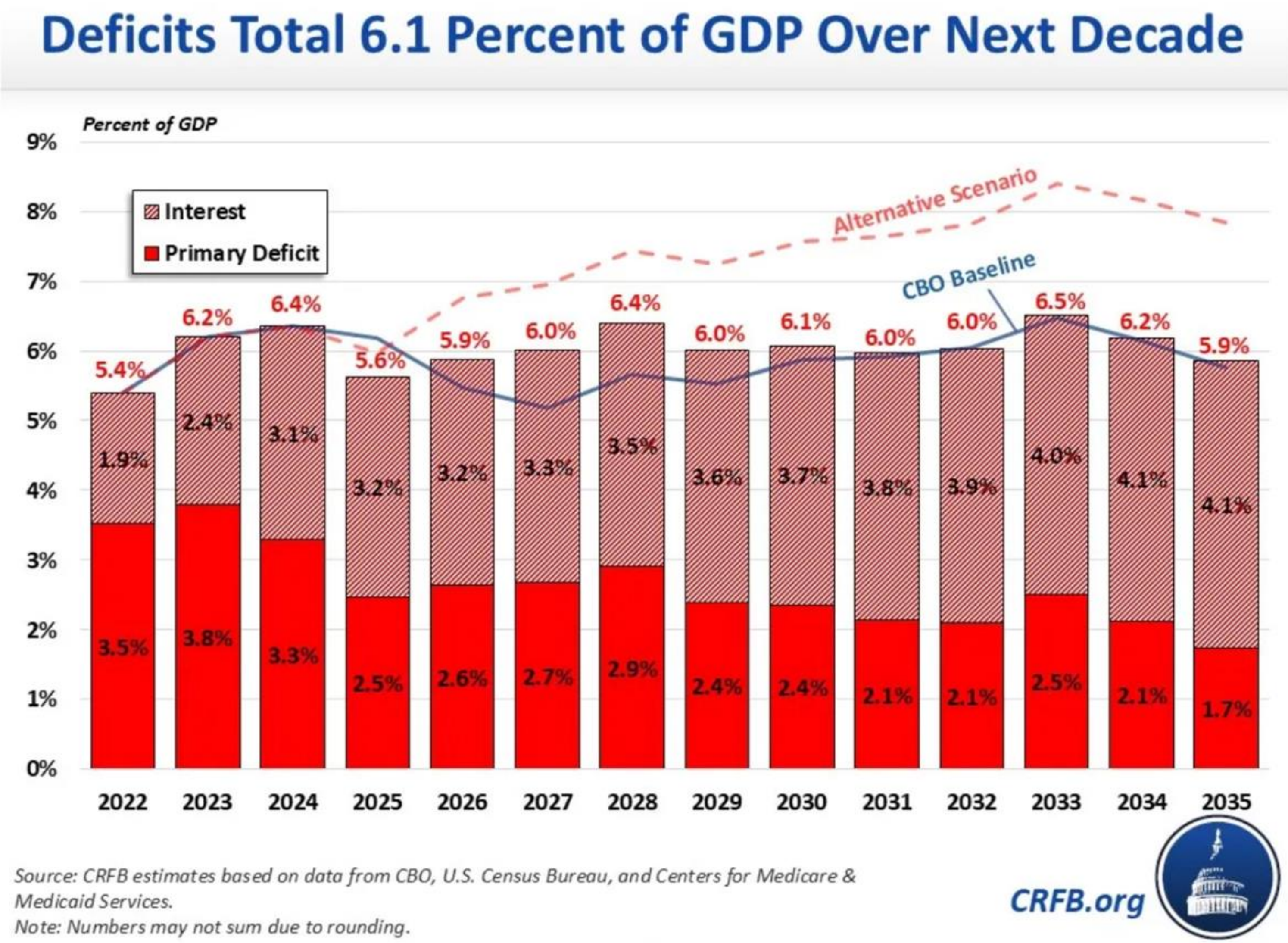


Federal Rates, Interest Payments and Debt Levels as % of GDP



US Federal Unfunded Liabilities:
$88.2 Trillion

What will reset the focus on the deficit

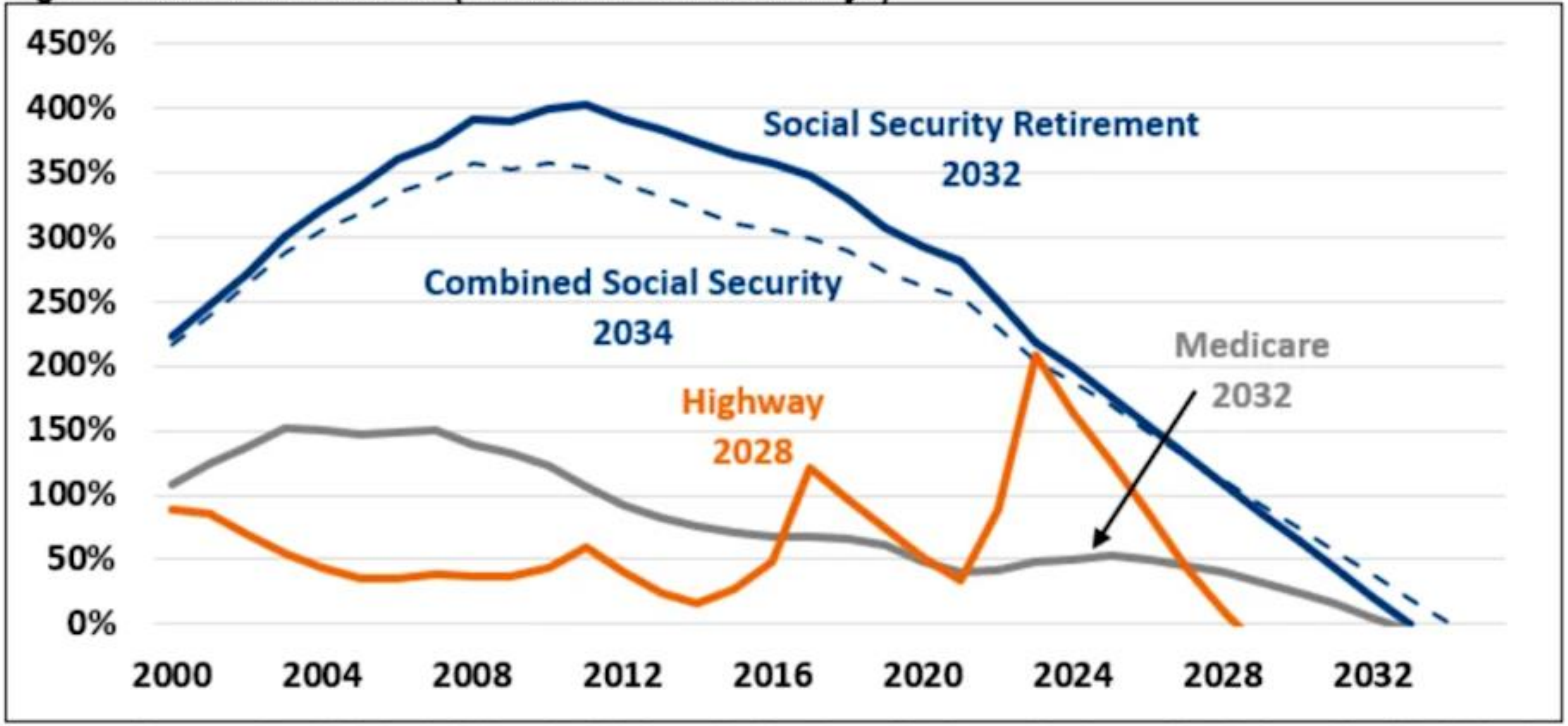


Tariff Removal

Forecast: 4% 10 Year forever

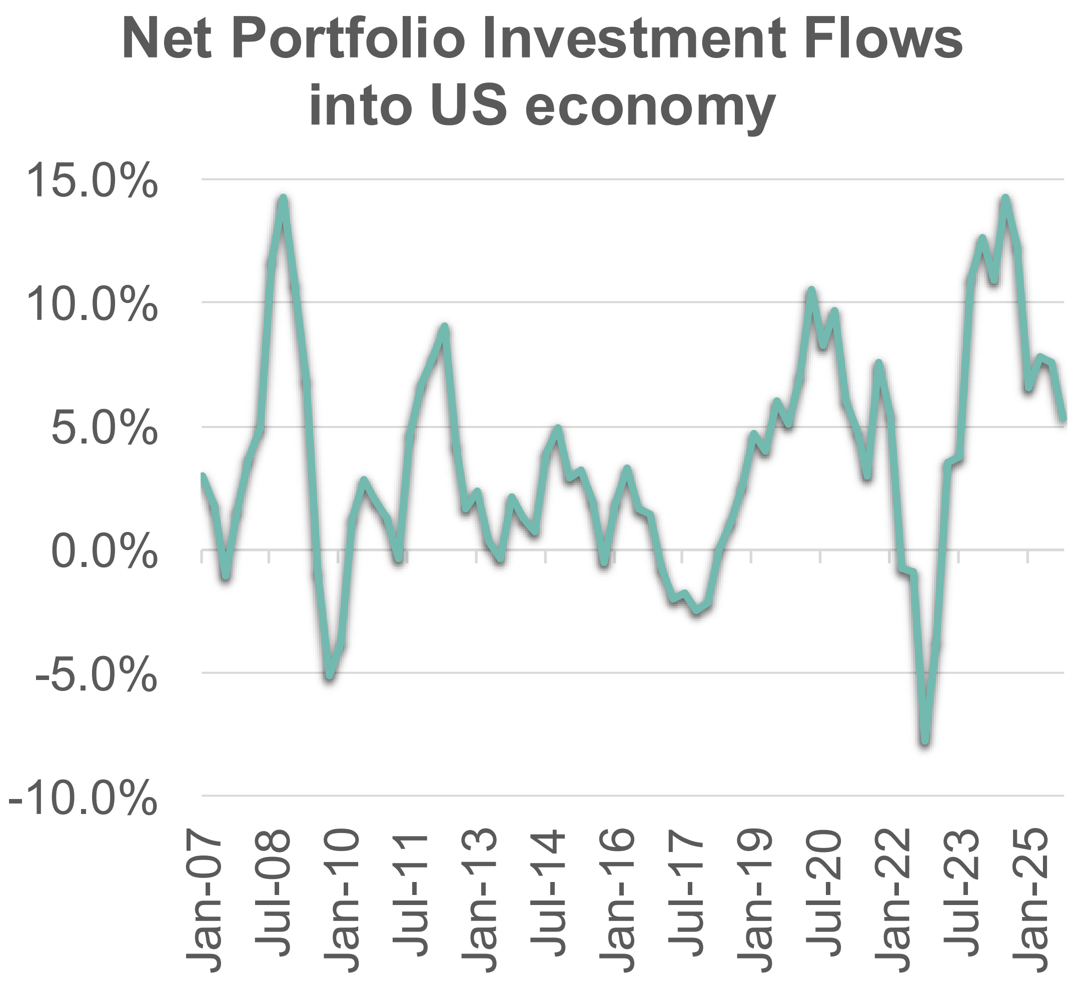
Primary Spending Balance?

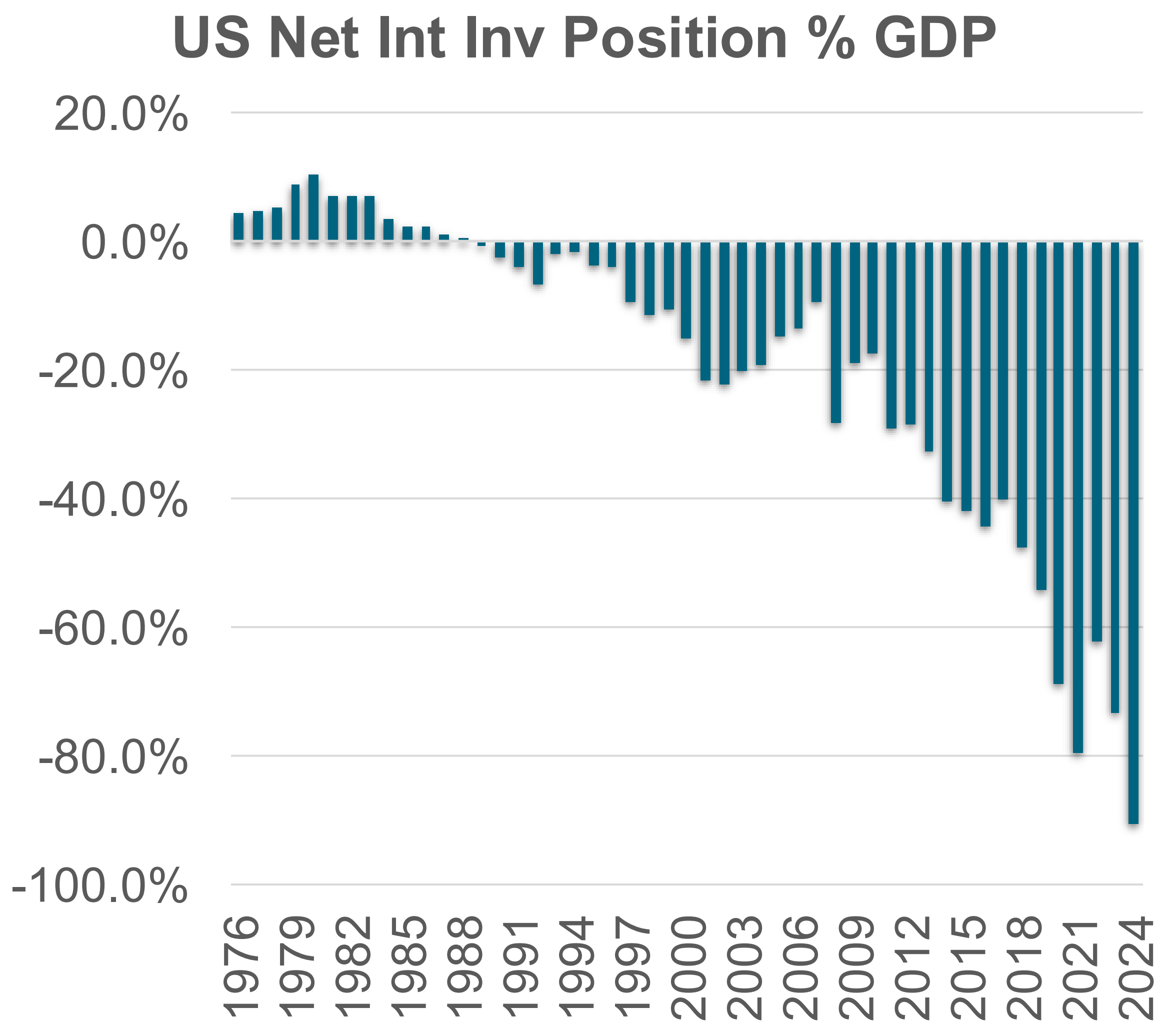
Fig. 1: Trust Fund Balances (Percent of Annual Outlays)



Sources: Congressional Budget Office, Social Security Trustees, Medicare Trustees, Social Security Administration Office of the Chief Actuary, Committee for a Responsible Federal Budget.

US Reliance on Foreign Capital





Asset Market to Fiscal Crisis…?

Rates Rise

- Decline in equity markets spurs retraction of foreign capital
- Resultant impact causes deficit to increase just through interest payments—the public debt death spiral

What then?

- Increase taxes / Cut spending popping household financial strength
- Federal Reserve rides to the “rescue” with more QE and inflation?

Growing Risks

Economic Trends: Picking Up

- Drags: reduced labor supply, political and economic uncertainty
- Strengths: Household & business finances, inflation / rates down
- Business Investment / Spending solid
- More fiscal and monetary stimulus being thrown at the economy
- FC economy: Great foundation, but slower immigration

Beware the Imbalances

- Strong private finances from public deficits and asset bubbles
- Growing external imbalances are the weak link in the chain
- The biggest imbalance is the gap between narratives and reality

For a copy of slides, please use the QR Code

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