



Presented by the Center for Business and Economic Research

BUSINESS FORECAST

2022



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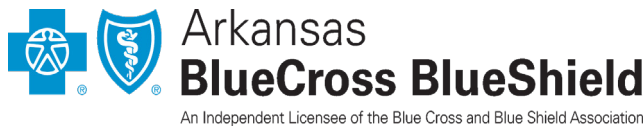


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UNIVERSITY OF ARKANSAS

**Sam M. Walton
College of Business**

Center for Business & Economic Research

Business Forecast 2022

January 28, 2022

11:30 a.m. - 1:30 p.m.

Schedule of Events

Welcome and Contest Awards

Mervin Jebaraj

director, Center for Business and Economic Research
Sam M. Walton College of Business
University of Arkansas

Special Remarks

Matt Waller

dean, Sam M. Walton College of Business
University of Arkansas

Introduction of Moderator

Matt Waller

Special Remarks and Introduction of Panelists

Brett Biggs

executive vice president and chief financial officer
Walmart

Global Forecaster

Juhi Dhawan

senior managing director, partner, and macro strategist
Wellington Management

Domestic Forecaster

David Altig

executive vice president and director of research
Federal Reserve Bank of Atlanta

Regional Forecaster

Mervin Jebaraj

Panel Discussion

Juhi Dhawan, David Altig, Mervin Jebaraj

Recognitions and Announcements

Matt Waller

Business Forecast 2022 is in association with the National Association for Business Economics (NABE).

Please use Twitter hashtag #BF2022 for this event.



Brett Biggs is the executive vice president and chief financial officer for Walmart. He is responsible for Walmart Enterprise Solutions, which includes all finance functions as well as Global Procurement. Prior to his current role, Brett has held the roles of chief financial officer for Walmart International, Walmart U.S. and Sam's Club. He has also served as senior vice president of international strategy, mergers and acquisitions, and as senior vice president of corporate finance. Brett was also the senior vice president of operations for Sam's Club. Prior to joining Walmart in 2000, Brett held various M&A and corporate finance positions with Leggett & Platt, Phillips Petroleum Co., and Price Waterhouse. Brett serves on the American Red Cross Board of Governors, the Walton Arts Center Board and the Board of Trustees of the National Urban League. Brett also serves on the Board of Regents at Pepperdine University and is Walmart's corporate representative on the McCombs School of Business Advisory Council at the University of Texas. Within Walmart, he serves on the Walmart Foundation Board as well as being an executive sponsor for the Hispanic/Latino Resource Group. Brett graduated from Harding University with a bachelor's degree in accounting and received a Master of Business Administration with Honors from Oklahoma State University.



Juhi Dhawan is the senior managing director, partner, and macro strategist for Wellington Management. As a member of the firm's Global Macro Strategy Group, Juhi leads Wellington Management's analysis of the US economy. Her work on growth, inflation, interest rates, and economic policy is a core input to portfolio managers and analysts across the firm. She is an active participant in investment strategy groups and works closely with investors to translate her work into investment ideas and themes. Prior to joining Wellington Management in 1995, Juhi held positions at the International Monetary Fund (1991 – 1992) and the World Bank (1992). Juhi received her PhD (1995) and AM (1991) in economics at Brown University. She also holds a BA from the University of Delhi (1989).



David Altig is executive vice president and director of research at the Federal Reserve Bank of Atlanta, overseeing the Bank's Research Division leading the research and engagement portfolio on benefits cliffs. He serves as a member of the Management and Discount Committees and is the executive cosponsor of the Working Families Employee Resource Network. Dr. Altig is an adjunct professor of economics in the Booth School of Business at the University of Chicago. He is currently the vice president-elect of the National Association for Business Economics, for which he served as director from 2016 to 2019. He is also a member of the advisory council of the Global Interdependence Center and serves on the board of the Konstanz Seminar on Monetary Theory and Policy. His research includes articles in the American Economic Review, the Journal of Econometrics, the Journal of Monetary Economics, and the National Tax Journal. Prior to joining the Atlanta Fed, Dr. Altig served as vice president and associate director of research at the Federal Reserve Bank of Cleveland. Previously, Dr. Altig was a faculty member in the department of business economics and public policy at Indiana University. Dr. Altig graduated from the University of Iowa with a bachelor's degree in business administration. He earned his master's and doctoral degrees in economics from Brown University.



Mervin Jebaraj is the director of the Center for Business and Economic Research. During his time at the center, he has been instrumental in creating and executing economic studies for clients such as the Arkansas Economic Development Commission, the Northwest Arkansas Council, the Walton Family Foundation, Arvest Bank, the University of Arkansas and many others. He has contributed to economic thinking and public policy discussion that journalists, business people, and community leaders alike rely on to understand how national and regional issues impact Northwest Arkansas and Arkansas as a whole. Arkansas Business and the Northwest Arkansas Business Journal recognized Mervin in their 40 Under 40 lists and on the Arkansas 250 list. He makes presentations that share the center's expertise directly to over 5,000 individuals annually and tens of thousands more hear and see his economic analysis and commentary through TV, radio and print media. Jebaraj serves on the Community Development Advisory Council of the Federal Reserve Bank of St. Louis and on the Board of Directors of the National Association for Business Economics. Regionally, he serves on the Board of Directors for both the Northwest Arkansas National Airport and the Walton Arts Center.



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The U.S. Macroeconomic Outlook

University of Arkansas Business
Forecast Luncheon

January 28, 2022

The views expressed in this presentation do not represent those of the Federal Reserve Bank of Atlanta, the Federal Reserve System, or anyone other than the presenter. If you think you heard otherwise, you are mistaken.

“The path of the economy continues to depend on the course of the virus.”

Statement of the FOMC, December 135, 2021

<https://www.federalreserve.gov/monetarypolicy/files/monetary20211215a1.pdf>

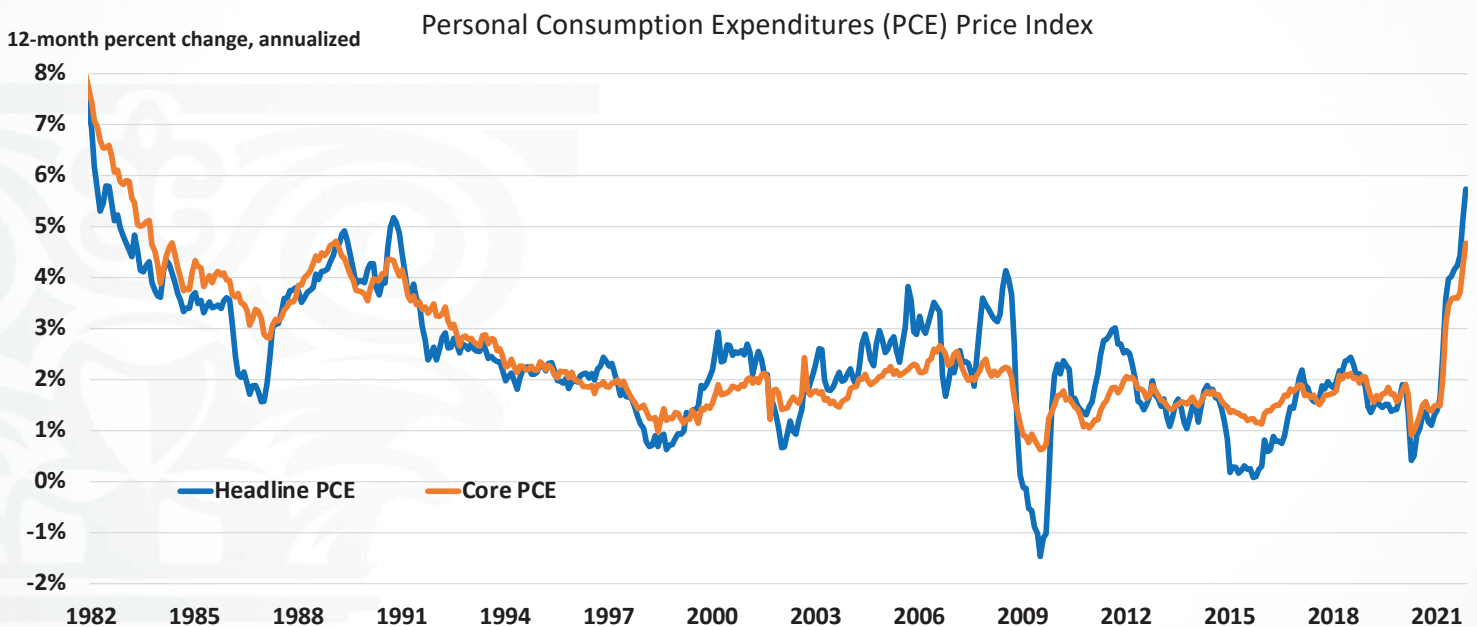
“The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run”

Statement of the FOMC, December 135, 2021

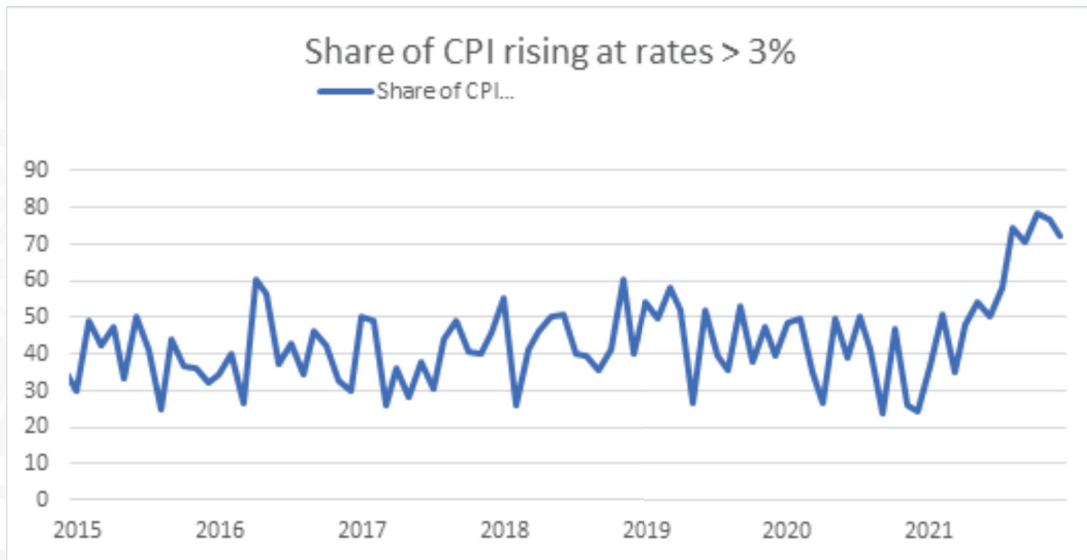
<https://www.federalreserve.gov/monetarypolicy/files/monetary20211215a1.pdf>

3

We have to go back to the 1980s to find (year-over-year) core inflation at current levels.



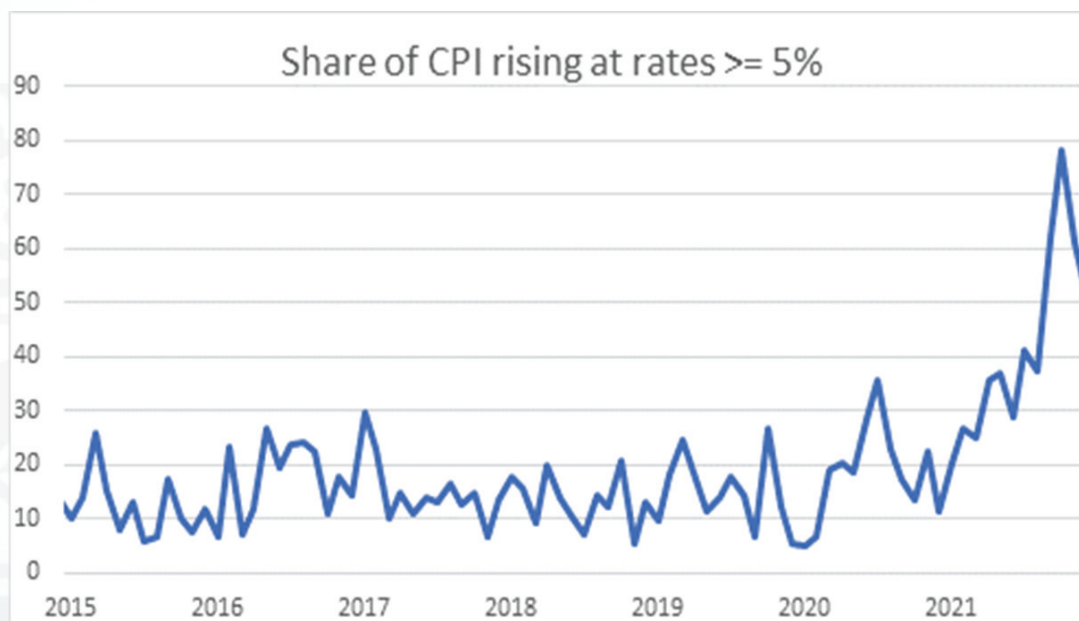
We have to go back to the 1970s to find inflation as high percentage of prices rising at a 3% annual rate...



Source: Bureau of Labor Statistics and Atlanta Fed staff calculations

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... or 5% (!), for that matter.



Source: Bureau of Labor Statistics and Atlanta Fed staff calculations

6

Inflation measures have been hot across the board.

The Atlanta Inflation Dashboard

Inflation Measure (12-month) Growth Rate	1-year window
Core PCE Index	
Market-Based PCE Index	
FRB Dallas Trimmed-Mean Index	
FRB San Francisco Cyclical Core PCE Index	
Stock and Watson Cyclically Sensitive Inflation	
Core CPI	
FRB Cleveland Median CPI	
FRB Cleveland 16% Trimmed-Mean CPI	
FRB Atlanta Sticky-Price CPI	

Color code:

On target:

- Within 0.25 percentage points (ppts) of target

Below target:

- Between 0.25 and 0.50 ppt below target
- More than 0.50 ppt below target

Above target:

- Between 0.25 and 0.50 ppt above target
- More than 0.50 ppt above target

Source: See the Federal Reserve Bank (FRB) of Atlanta *Underlying Inflation Dashboard*: <https://www.frbatlanta.org/research/inflationproject/underlying-inflation->

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“...the Committee seeks to achieve inflation that averages 2 percent over time, and therefore judges that, following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time.”

Statement on Longer-Run Goals and Monetary Policy Strategy,
Adopted effective January 24, 2012; as reaffirmed effective January 26, 2021
https://www.federalreserve.gov/monetarypolicy/files/FOMC_LongerRunGoals.pdf

Inflation indicators are on-target-to-hot over a 5-year window.

The Atlanta Inflation Dashboard

Inflation Measure (12-month) Growth Rate	1-year window	5-year window
Core PCE Index	Red	Yellow
Market-based PCE Index	Red	Green
FRB Dallas Trimmed Mean Index	Red	Green
FRB San Francisco Cyclical Core PCE Index	Red	Red
Stock and Watson Cyclically Sensitive Inflation	Red	Red
Core CPI	Red	Yellow
FRB Cleveland Median CPI	Red	Yellow
FRB Cleveland 16-Percent Trimmed-Mean CPI	Red	Yellow
FRB Atlanta Sticky-Price CPI	Red	Green

Color code:

On target:

- Within 0.25 ppt of target

Below target:

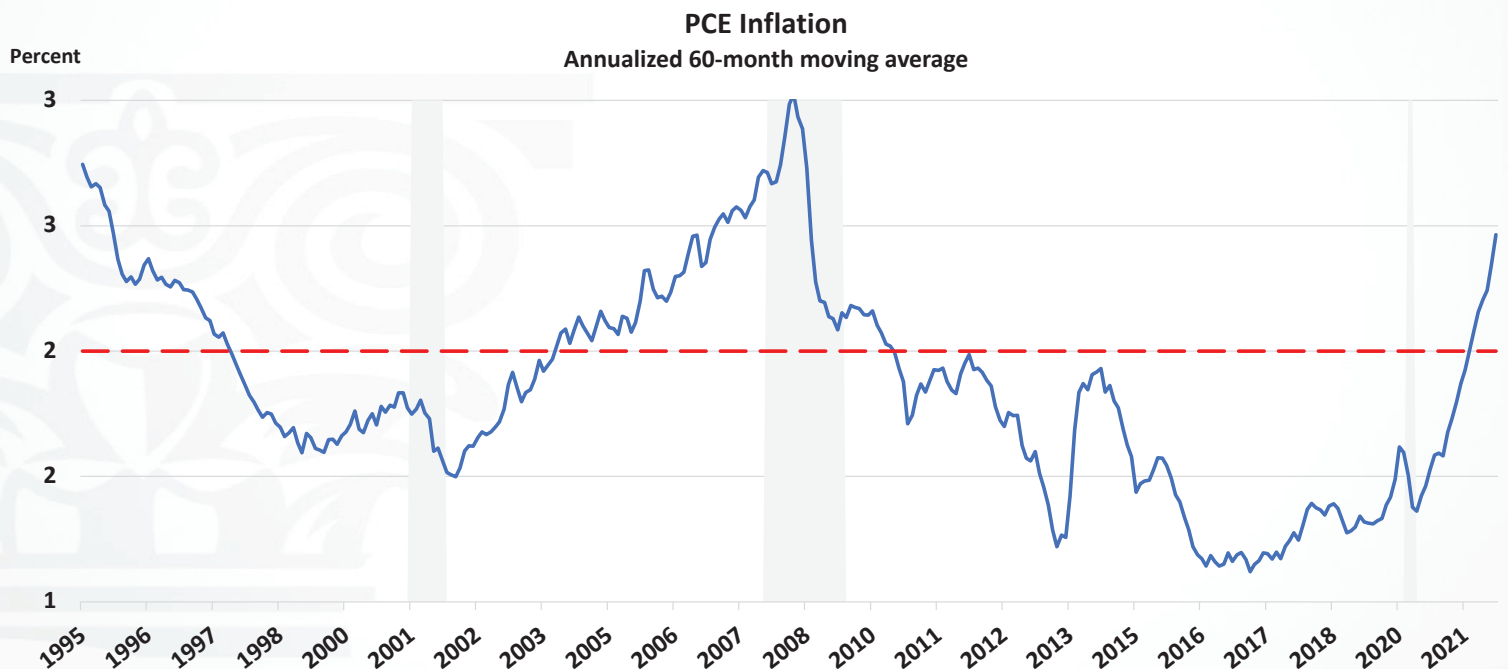
- Between 0.25 and 0.50 ppt below target
- More than 0.50 ppt below target

Above target:

- Between 0.25 and 0.50 ppt above target
- More than 0.50 ppt above target

9

Over a 5-year window, the sub-2% inflation picture has been more than offset by recent price-level growth.



Sources: Bureau of Economic Analysis; Haver Analytics

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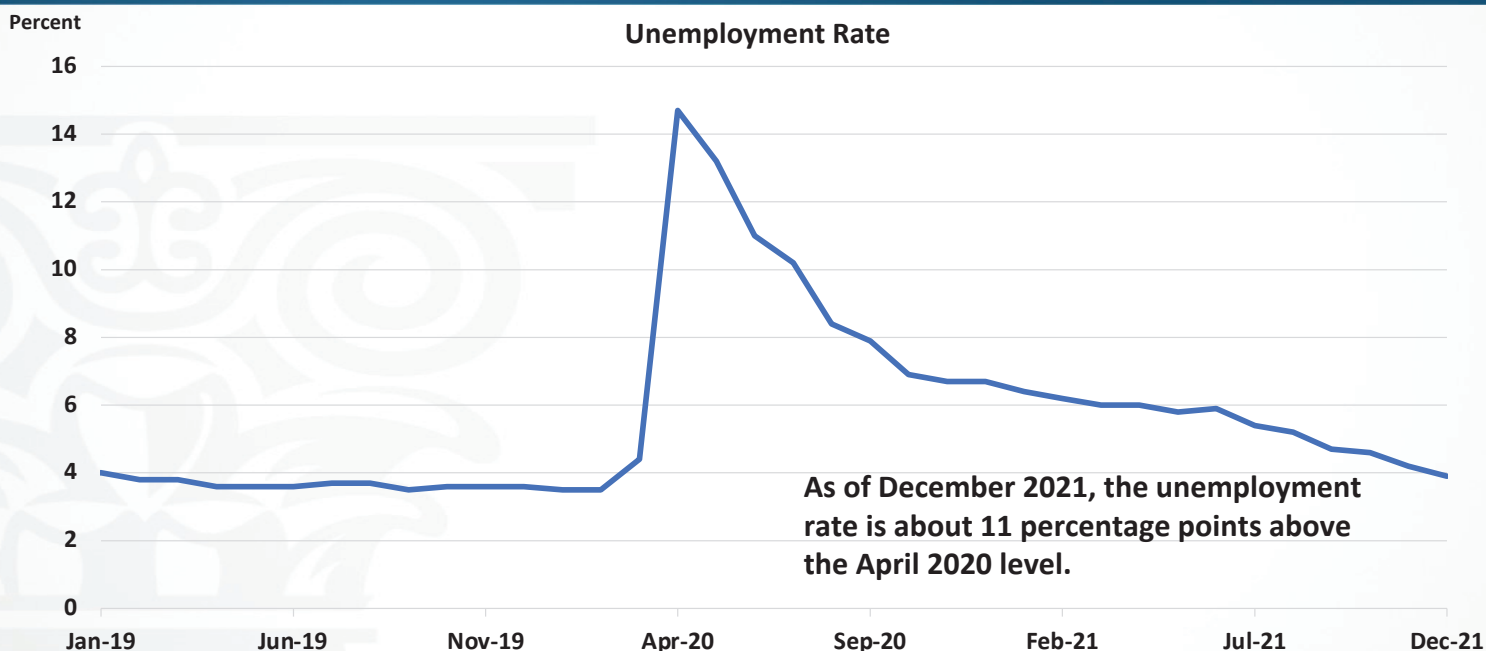
“...if these high levels of inflation get entrenched in our economy and people’s thinking, then inevitably that will lead to much higher monetary policy from this,” [Chair Powell] said. “That could lead to a recession and that will be bad for workers.”



Source: CNBC, January 11, 2022: <https://www.cnbc.com/2022/01/11/powell-says-rate-hikes-tighter-policy-will-be-needed-to-control-inflation.html>

11

Labor markets are substantially improved...

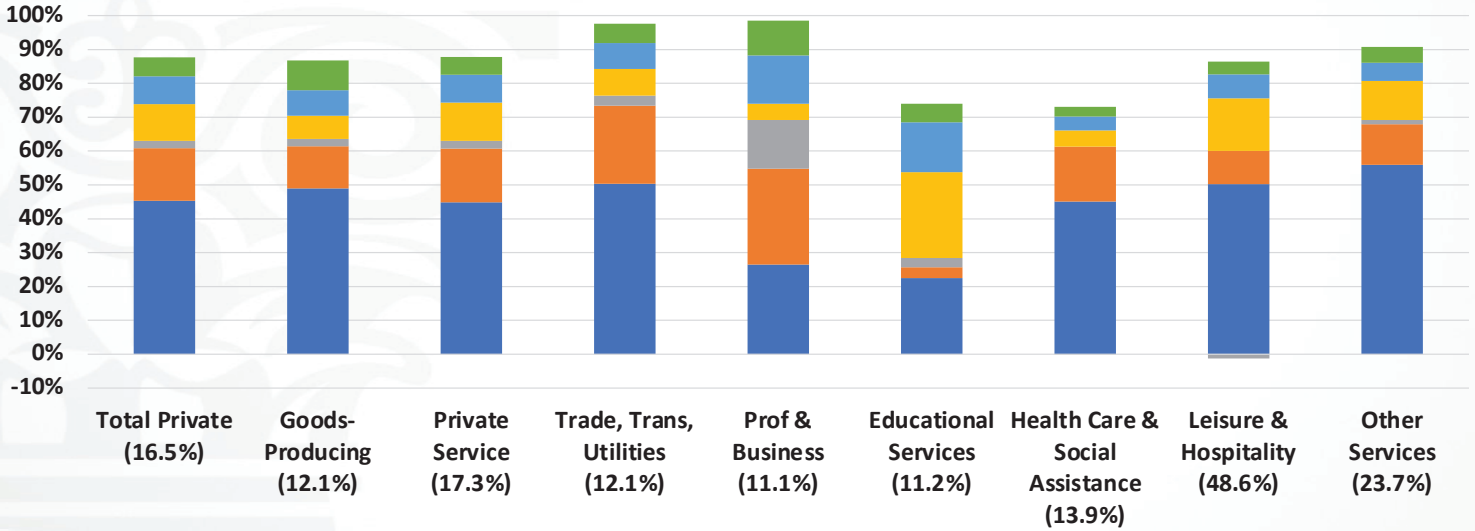


... and the recovery has been reasonably broad based.

Employment Recovery

(Percent recovery from job loss over Feb to Apr 2020 period)

■ Apr to July ■ July to Nov ■ Nov to Feb ■ Feb to June ■ Jun to Sep ■ Sep to Dec



Source: Bureau of Labor Statistics - Establishment Data. Employment loss between Feb and Apr 2020 is shown in parentheses.

13

Firms are trying to hire a lot of workers. But the shortfall of hires over vacancies is extremely large.

Job Openings (million)



Hiring Balance (million)

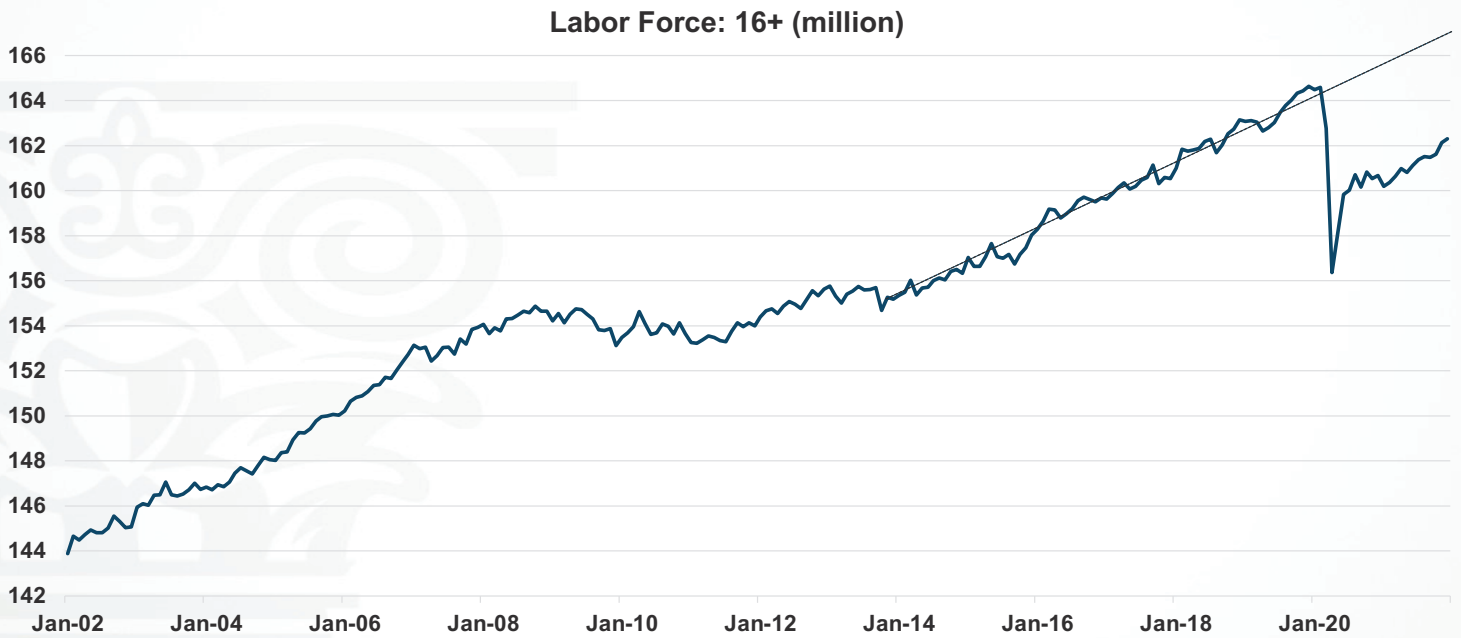


Source: Job Openings and Labor Turnover Survey (through Nov. 2021)

Source: Job Openings and Labor Turnover Survey. Data through Nov. 2021. Hiring Balance is the number of hires in a month less the stock of posted job openings at the end of the prior month.

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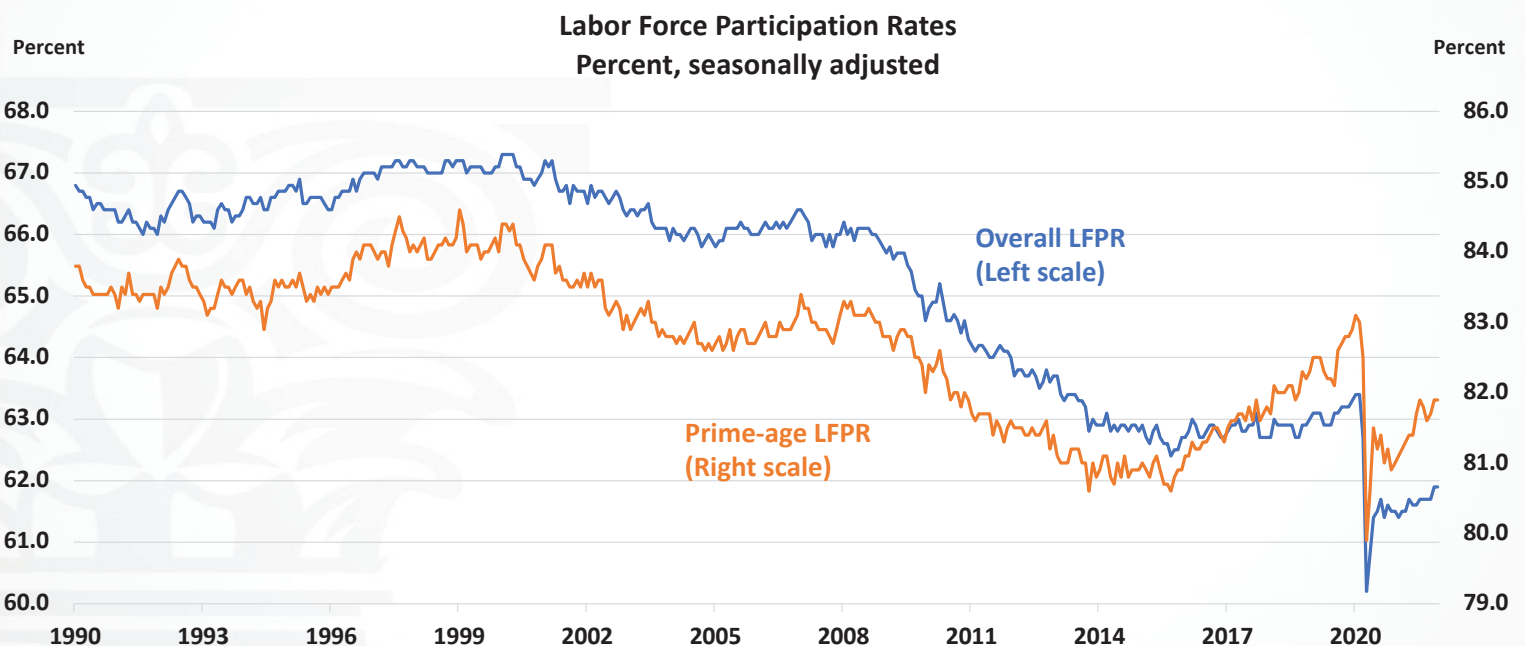
The size of labor market remains much smaller than before COVID.



Source: Bureau of Labor Statistics. Data through Dec. 2021

15

Prime-age participation is much closer to “normal” than overall participation.

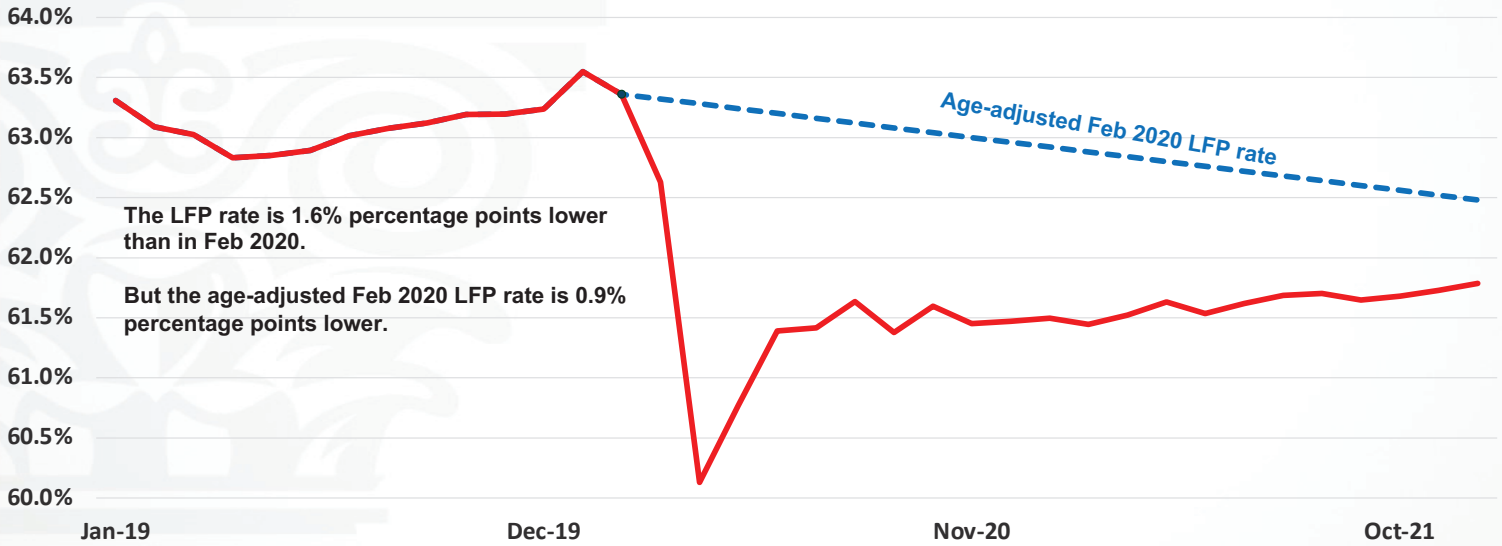


Sources: Bureau of Labor Statistics; Haver Analytics

16

Aging of the population potentially accounts more than half of the participation rate “gap.”

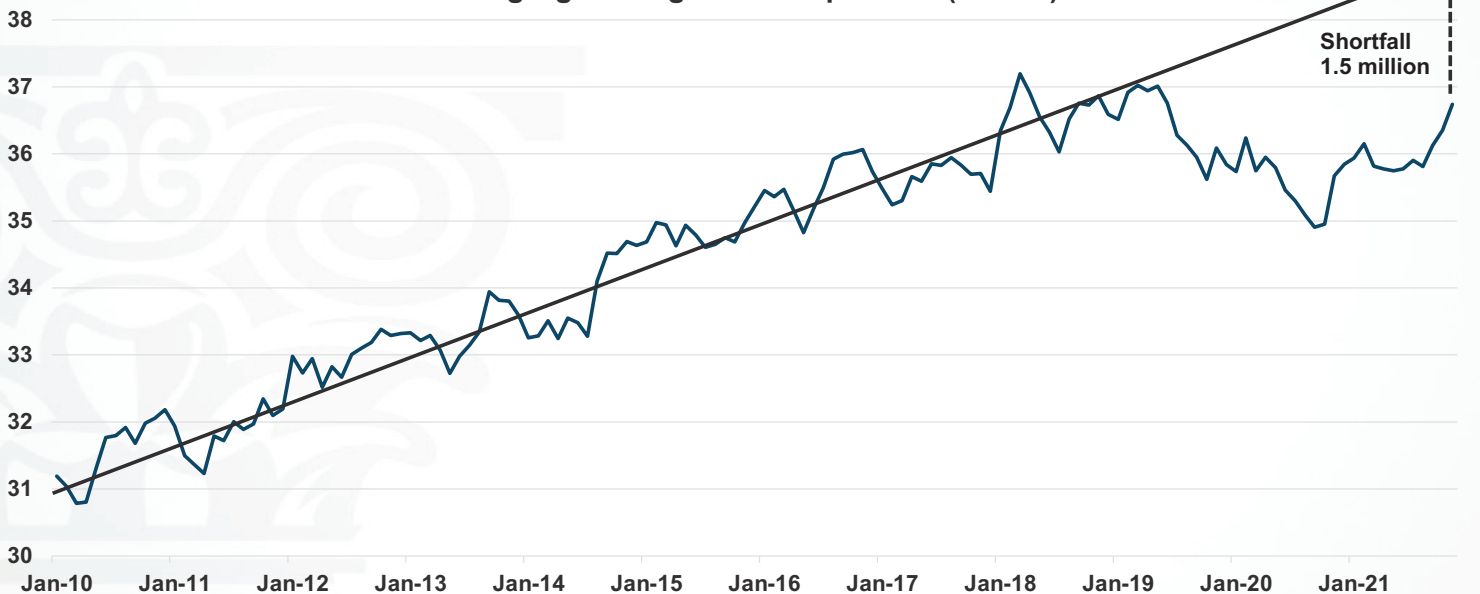
Labor Force Participation Rate
Percent, seasonally adjusted



Source: BLS, FRBA staff calculations. The age-adjusted LFP rate is computed using age-specific LFP rates and the change in the age distribution of the population since Feb 2020. Data through December 2021.

A decline in immigration has been adding to labor supply problems.

Working-Age Foreign-Born Population (million)

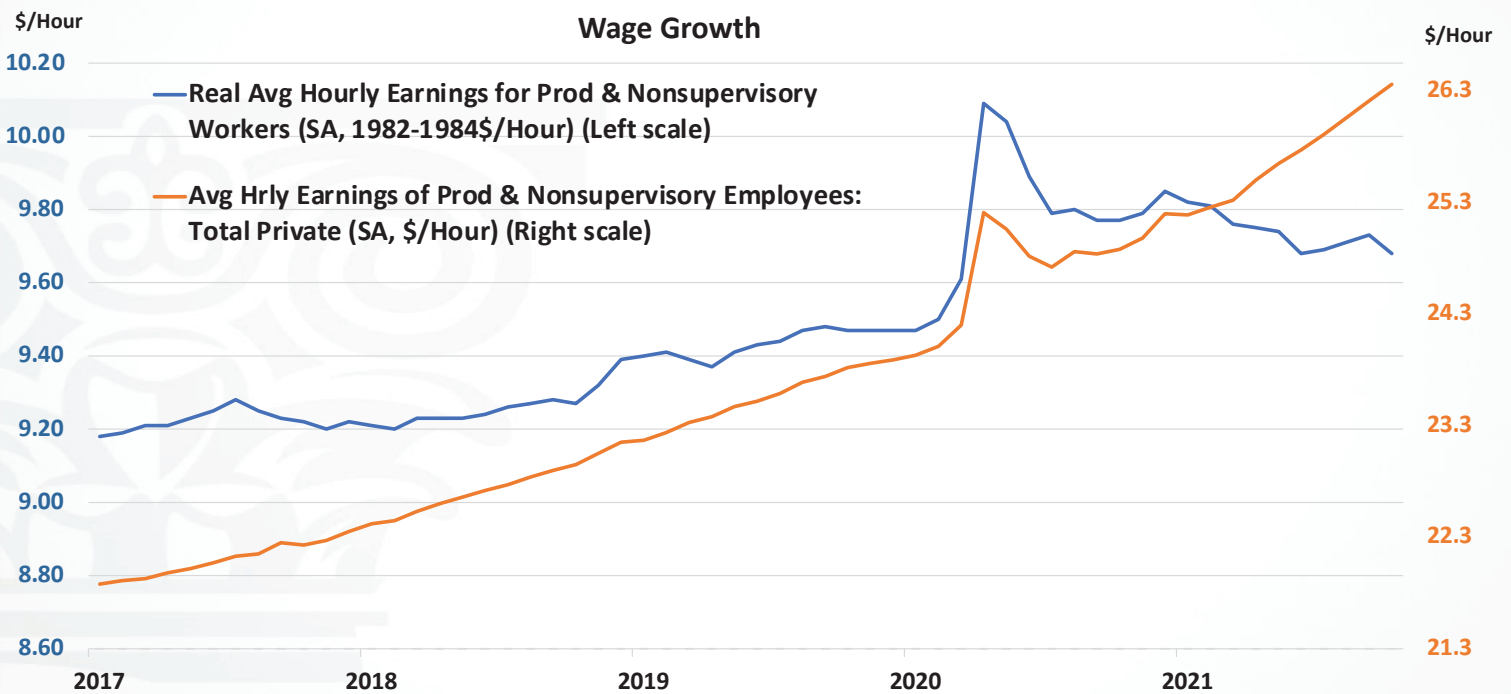


Source: CPS, staff calculations. Population aged 18-65

On the watch list.

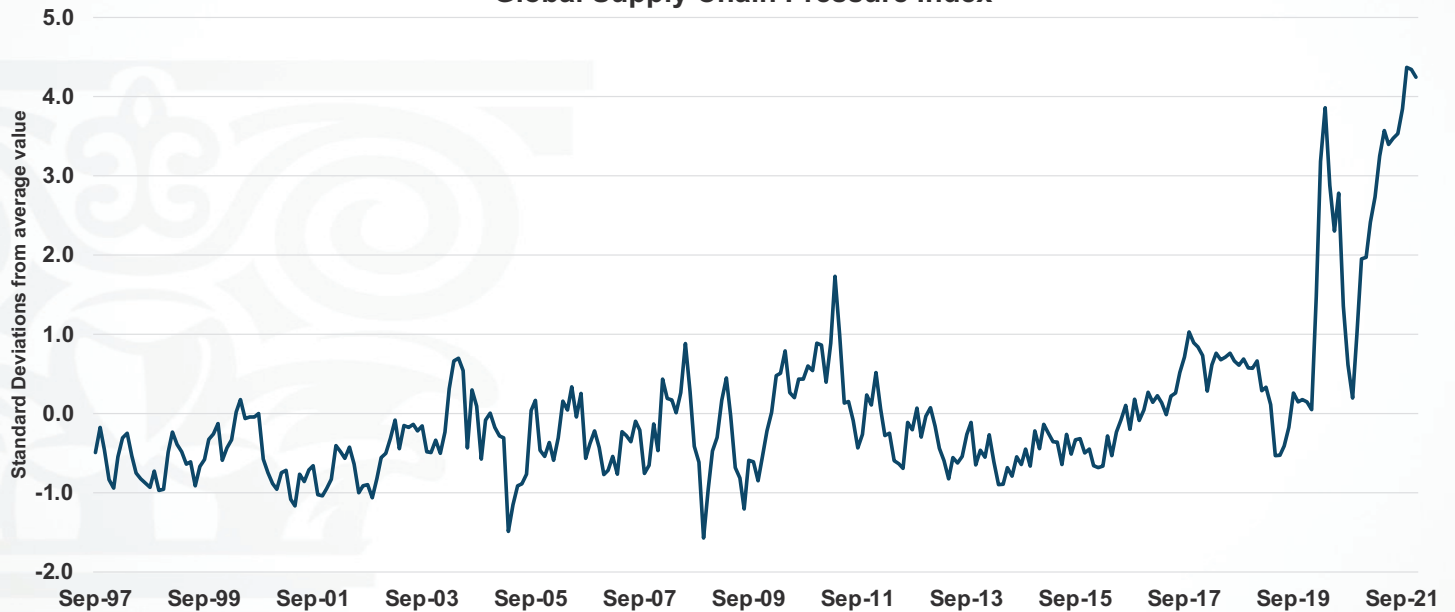


Wages are rising, but not when adjusting for inflation.



Global supply chain pressures on goods remain elevated.

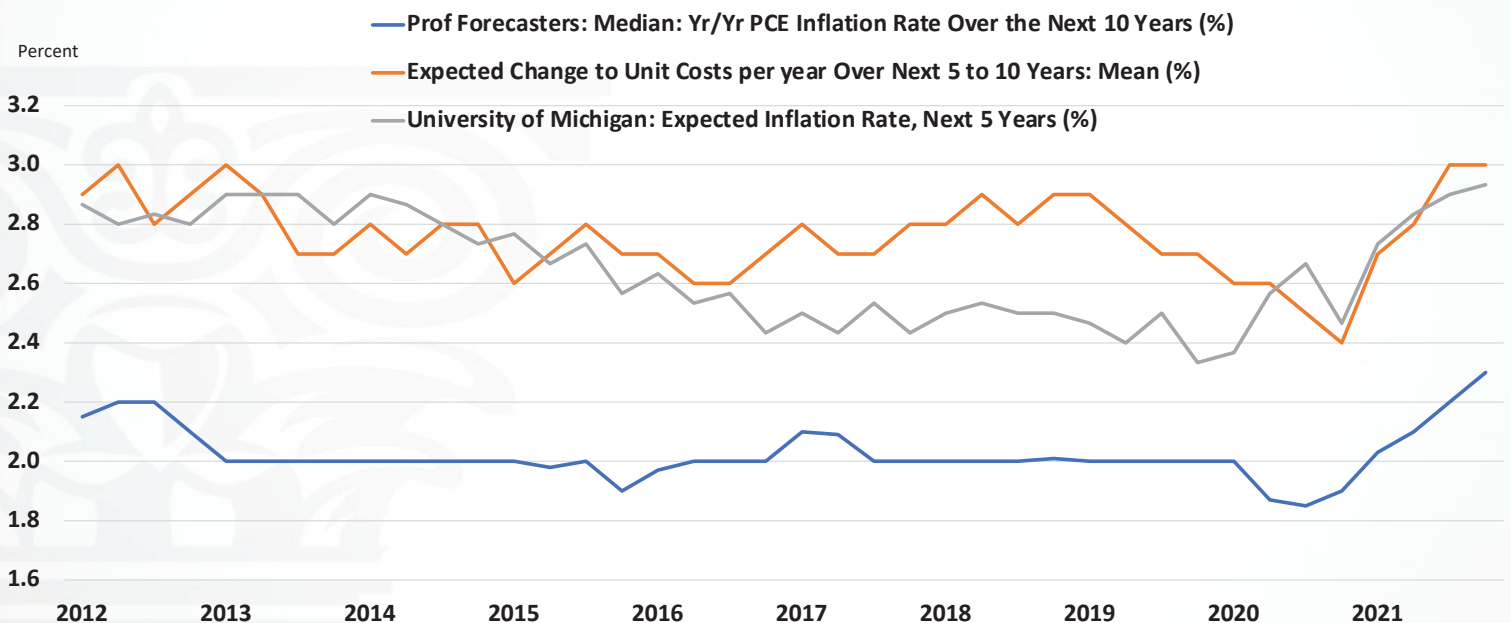
Global Supply Chain Pressure Index



Source: New York Fed. The index is constructed from 27 measures of supply chain pressure, including delivery times, backlogs, purchased stocks, and various freight costs. Data through December 2021

21

Longer-run inflation expectations have ticked up, but much less so than near-term measures.



Sources: Federal Reserve Bank of Atlanta, Federal Reserve Bank of Philadelphia, University of Michigan, Haver Analytics



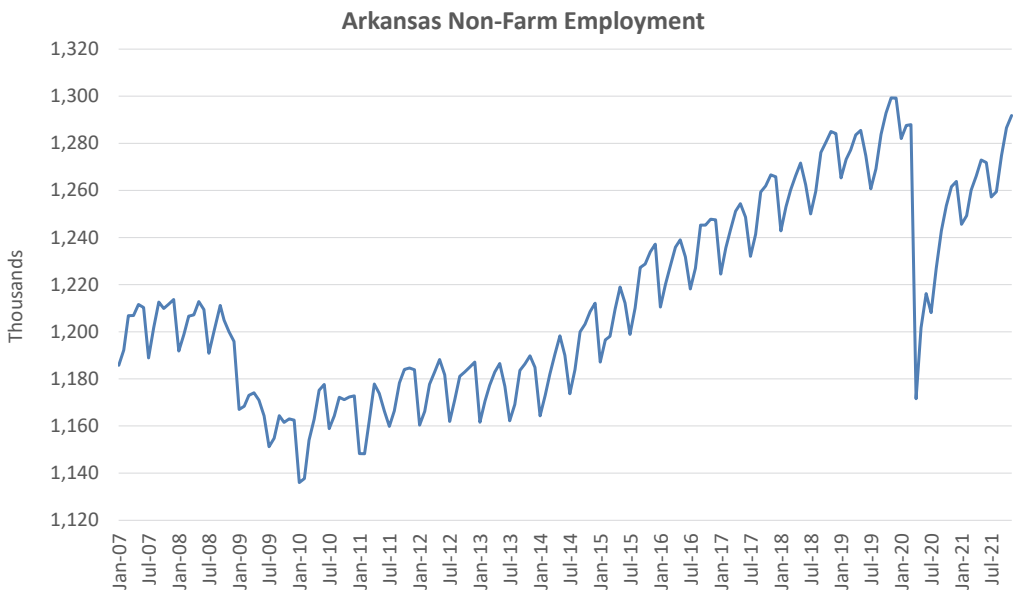
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The U.S. Macroeconomic Outlook

The Arkansas Economy in 2022

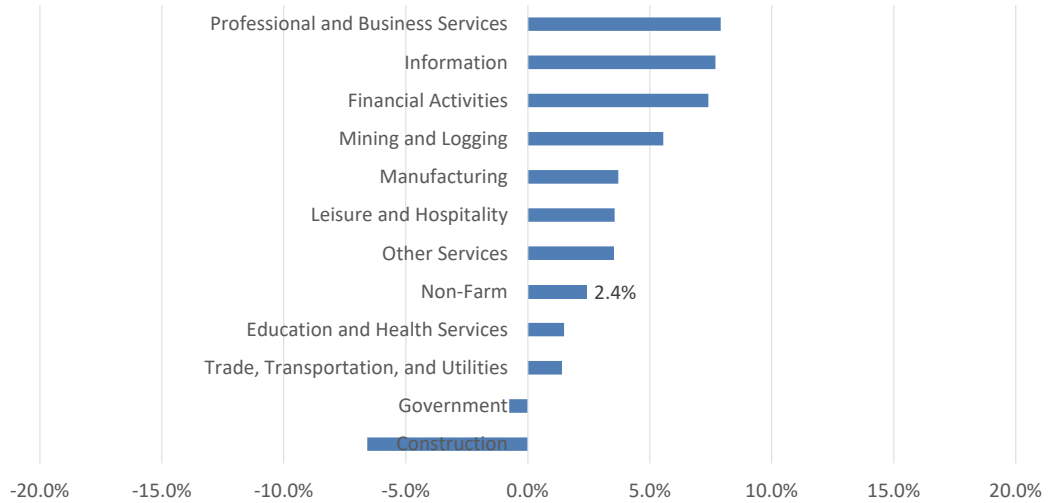
Mervin Jebaraj, Director
Center for Business and Economic Research
January 28, 2022

Twitter: #BF2022
@uawaltoncollege @MervinJebaraj



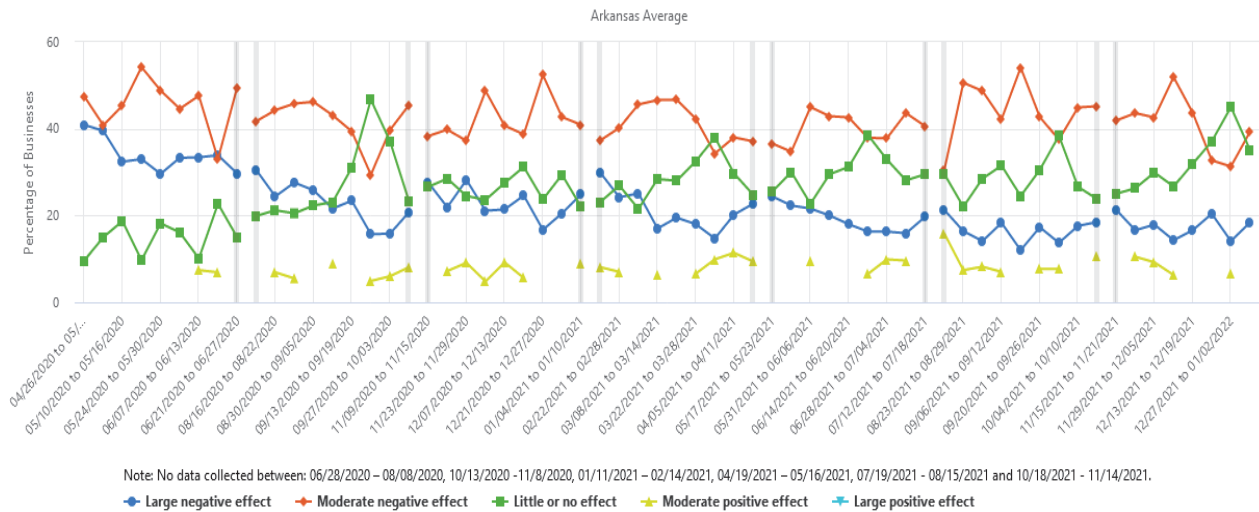
Source: Bureau of Labor Statistics

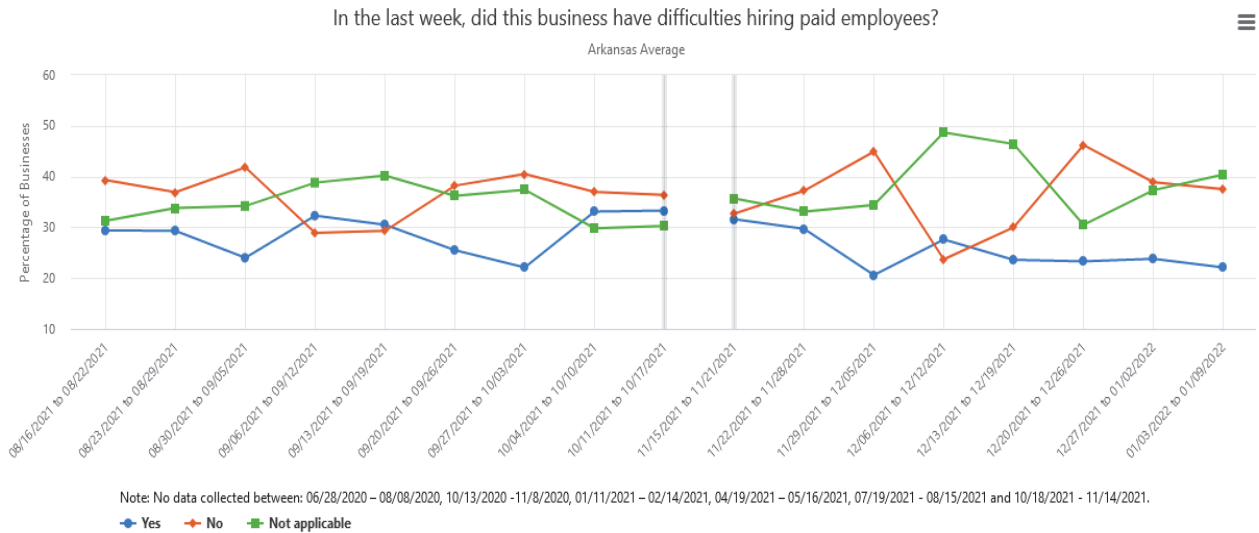
Change in Arkansas Employment by Sector November 2020 - November 2021



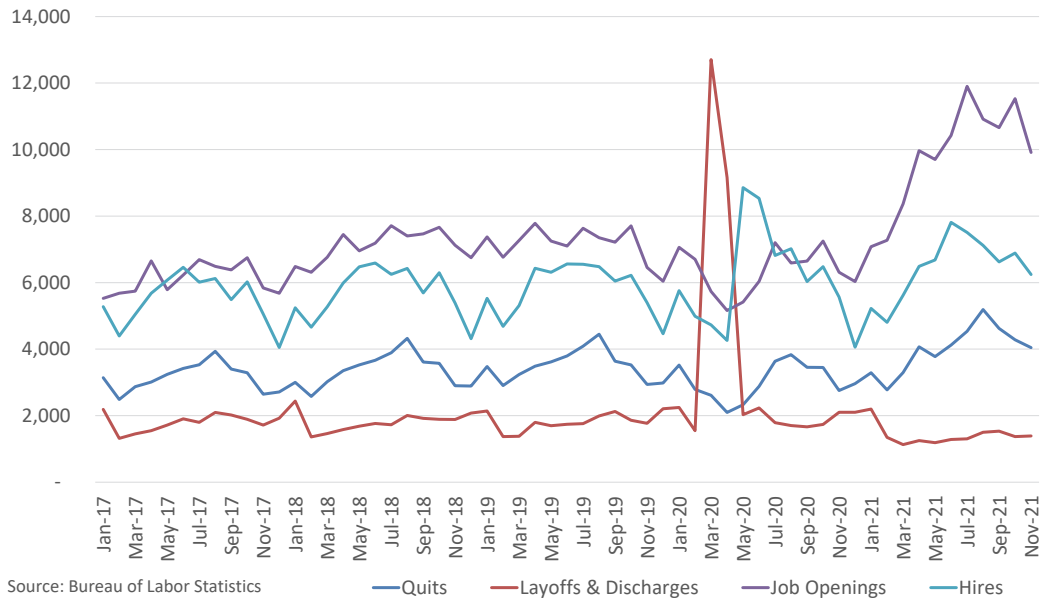
Source: Bureau of Labor Statistics, CBER Calculations

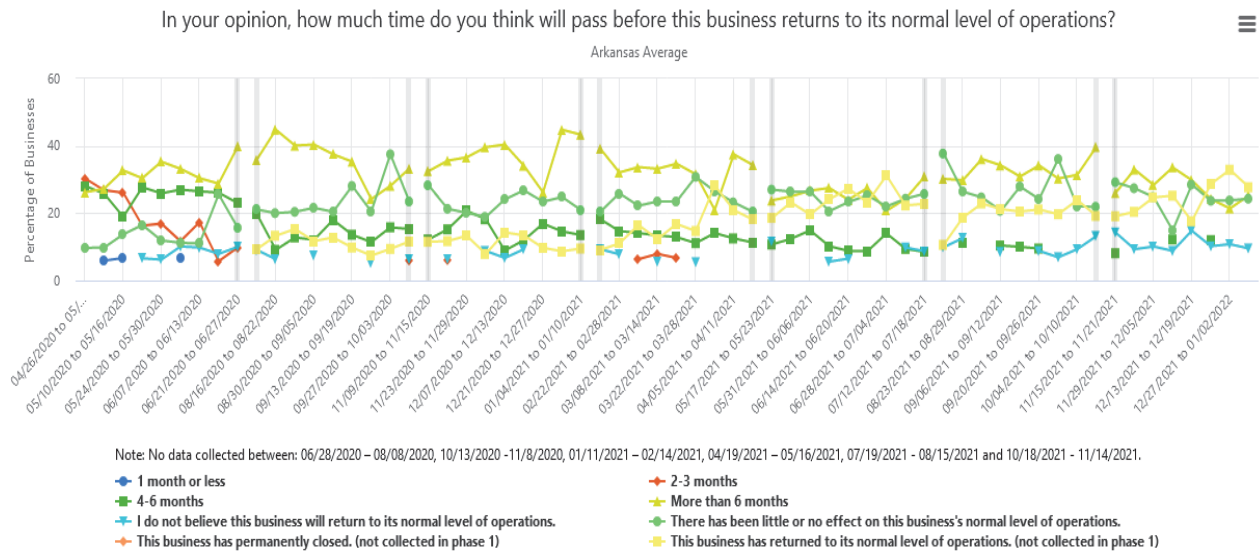
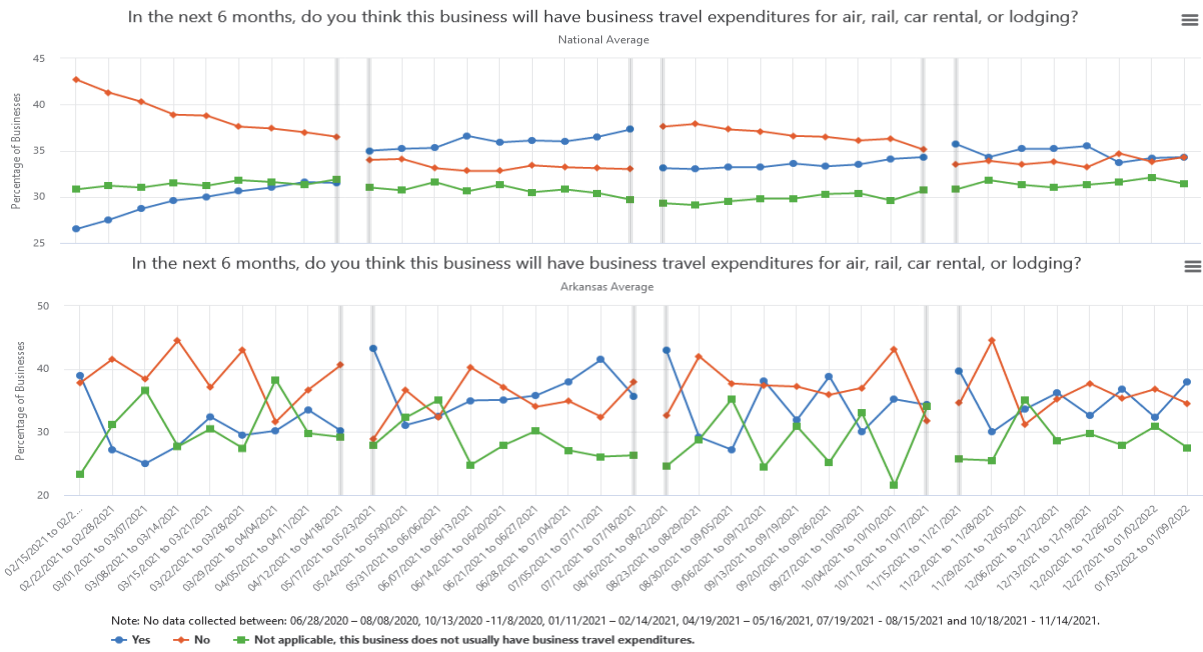
Overall, how has this business been affected by the Coronavirus pandemic?



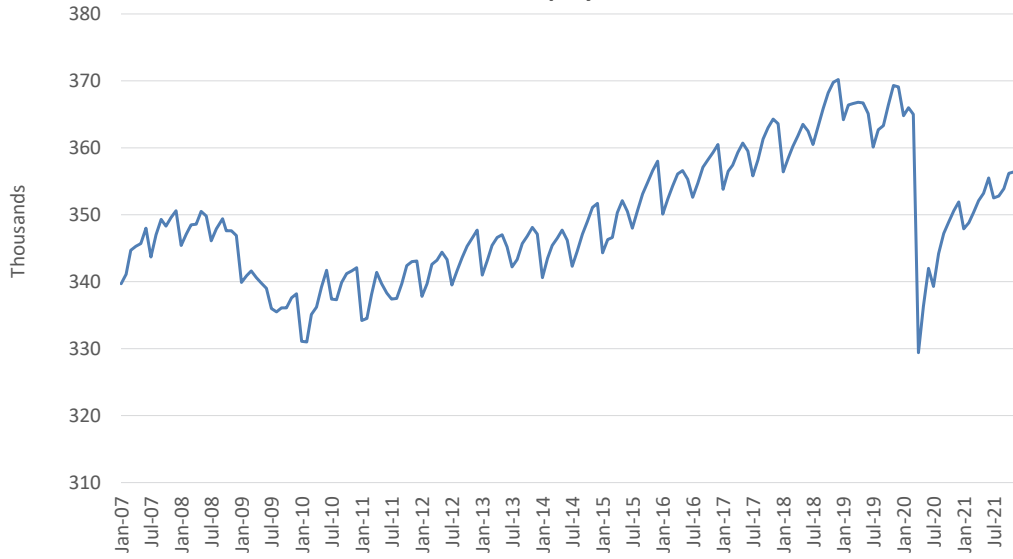


Job Openings, Hires, Quits and Layoffs in Arkansas



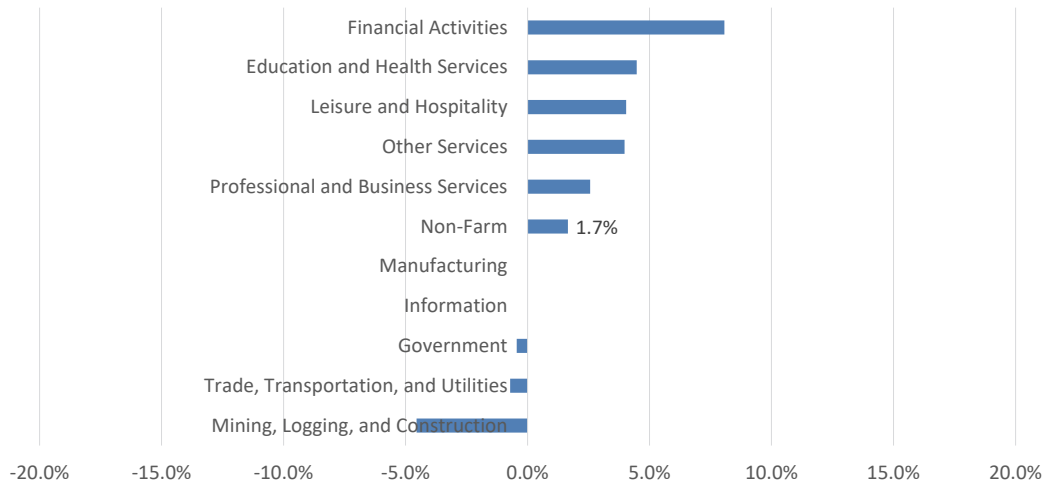


Little Rock-North Little Rock-Conway MSA Non-Farm Employment



Source: Bureau of Labor Statistics

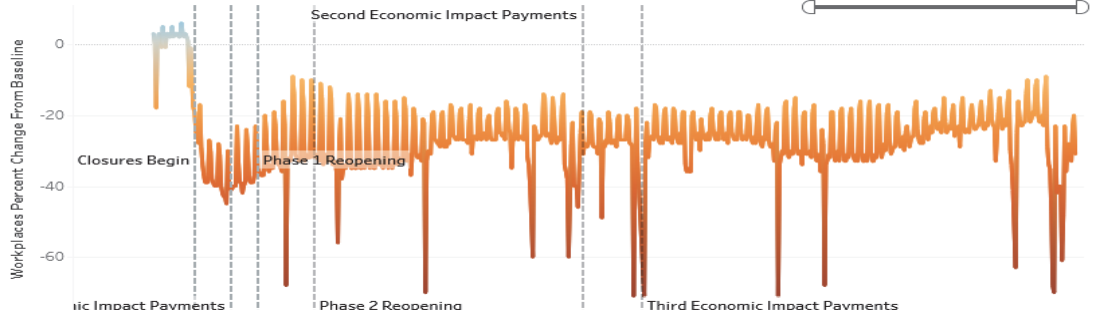
Change in Little Rock-North Little Rock-Conway MSA Employment by Sector, November 2020 - November 2021



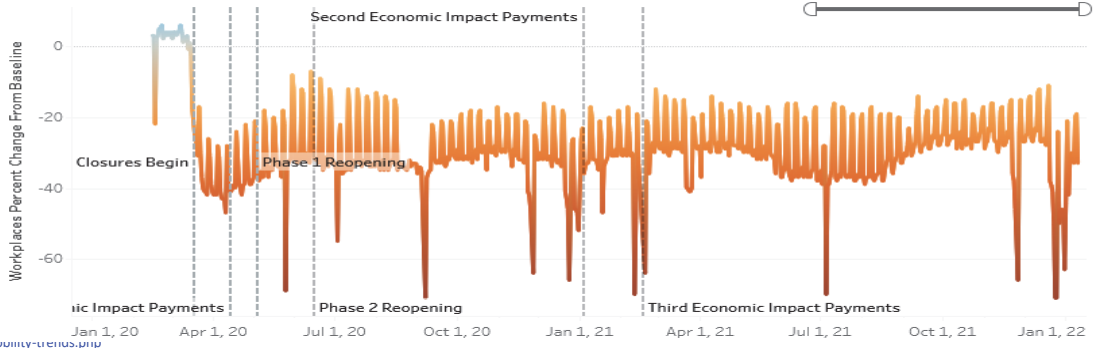
Source: Bureau of Labor Statistics, CBER Calculations



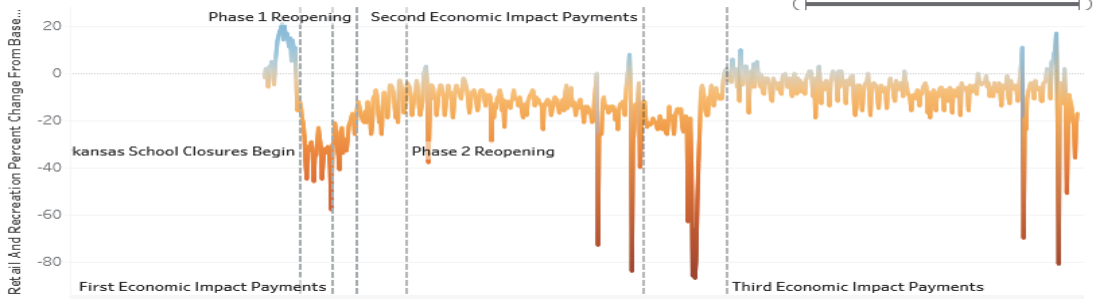
Percentage Change in Workplaces - Pulaski County



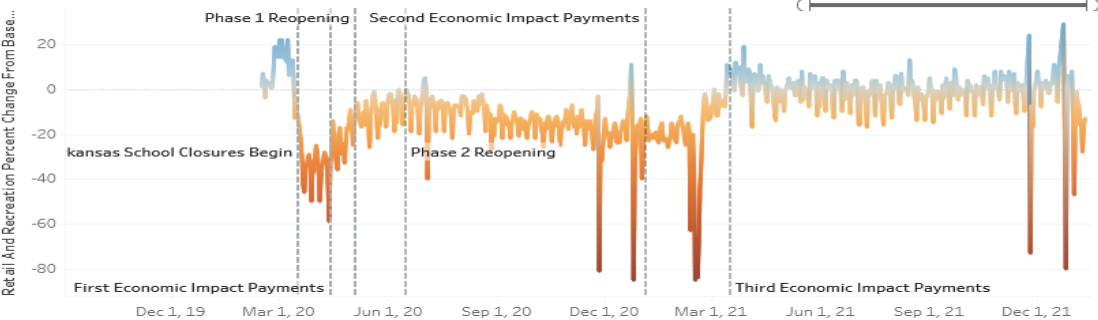
Percentage Change in Workplaces - Faulkner County

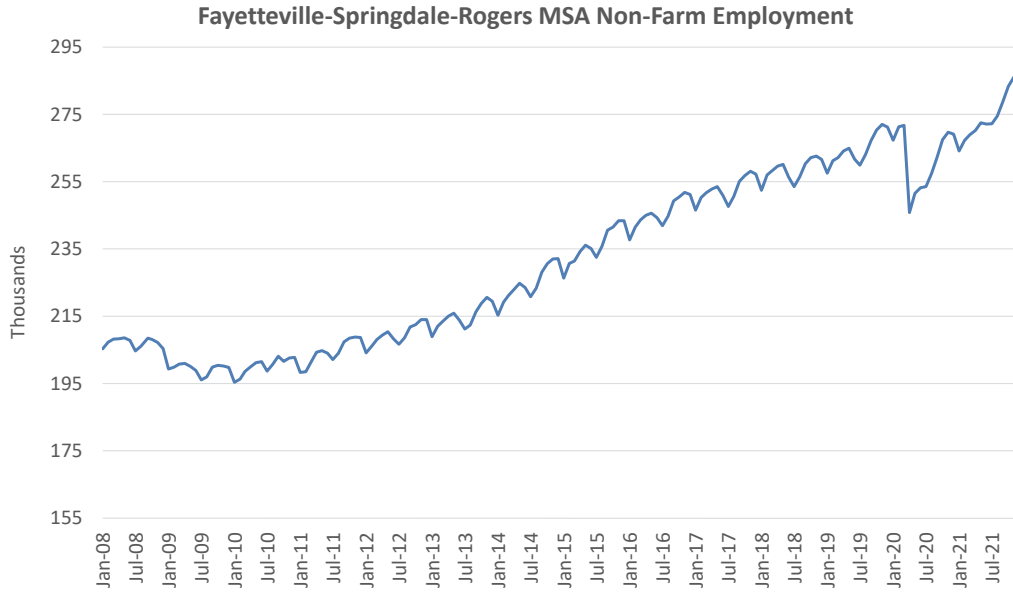


Percentage Change in Retail and Recreation - Pulaski County

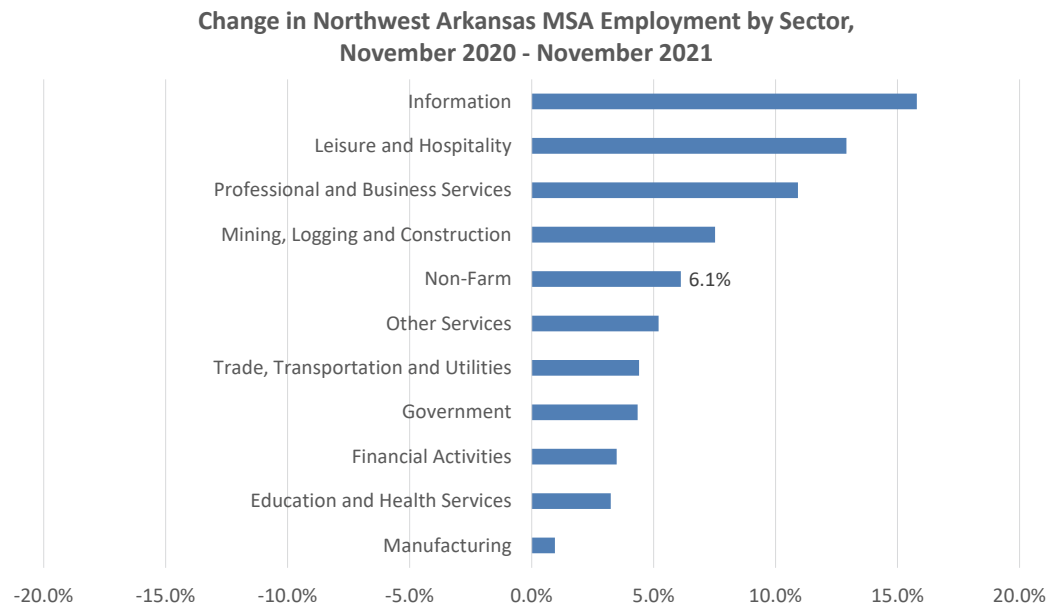


Percentage Change in Retail and Recreation - Faulkner County





Source: Bureau of Labor Statistics



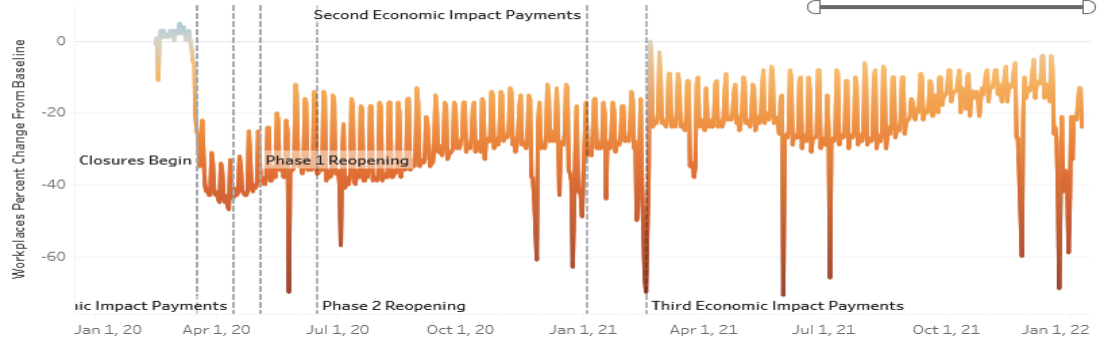
Source: Bureau of Labor Statistics, CBER Calculations



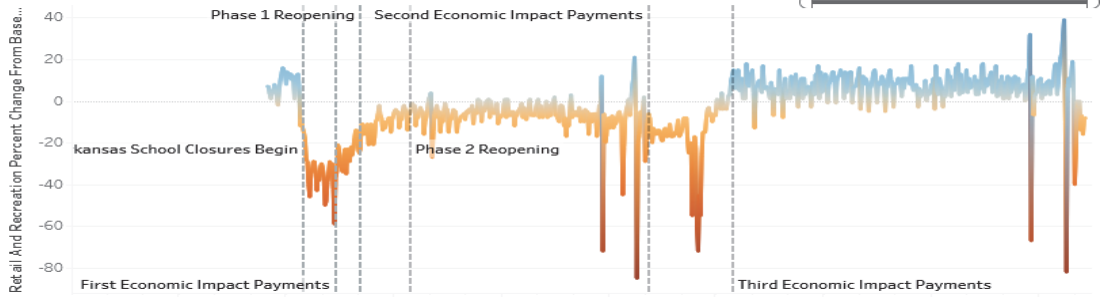
Percentage Change in Workplaces - Benton County



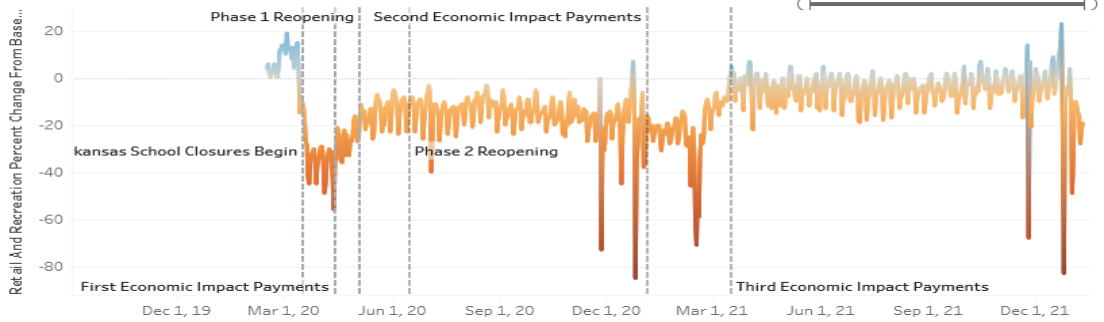
Percentage Change in Workplaces - Washington County

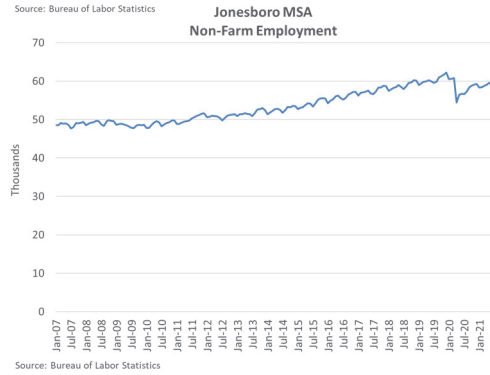
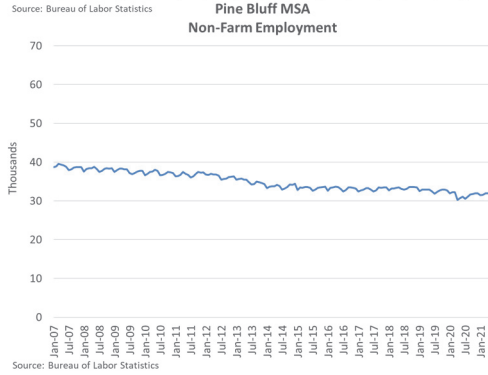
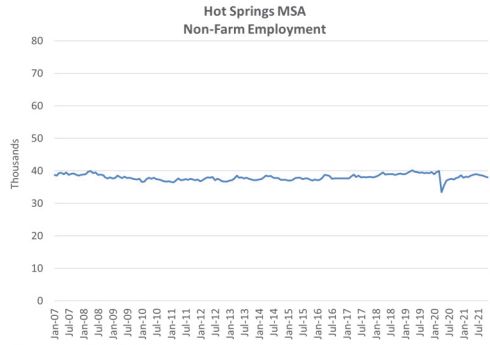
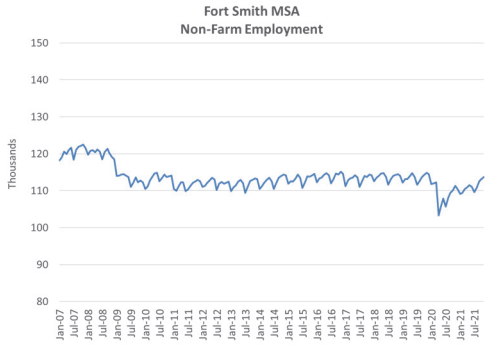


Percentage Change in Retail and Recreation - Benton County

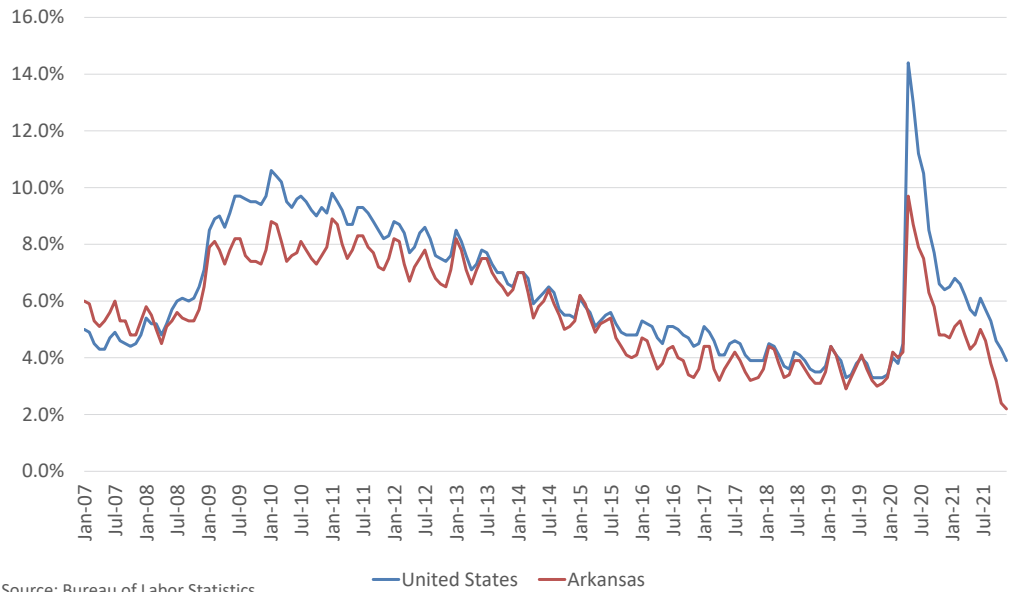


Percentage Change in Retail and Recreation - Washington County

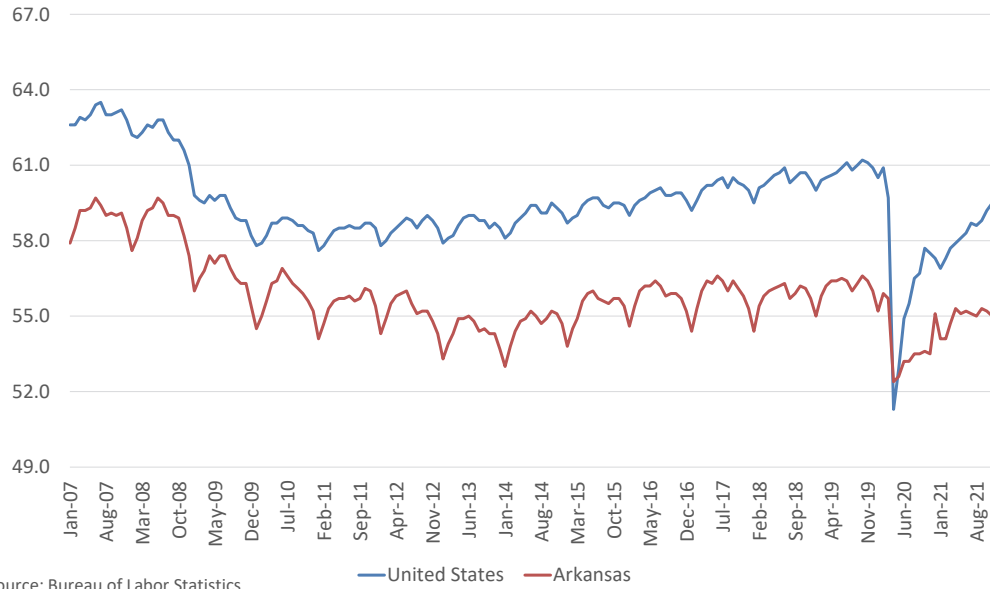




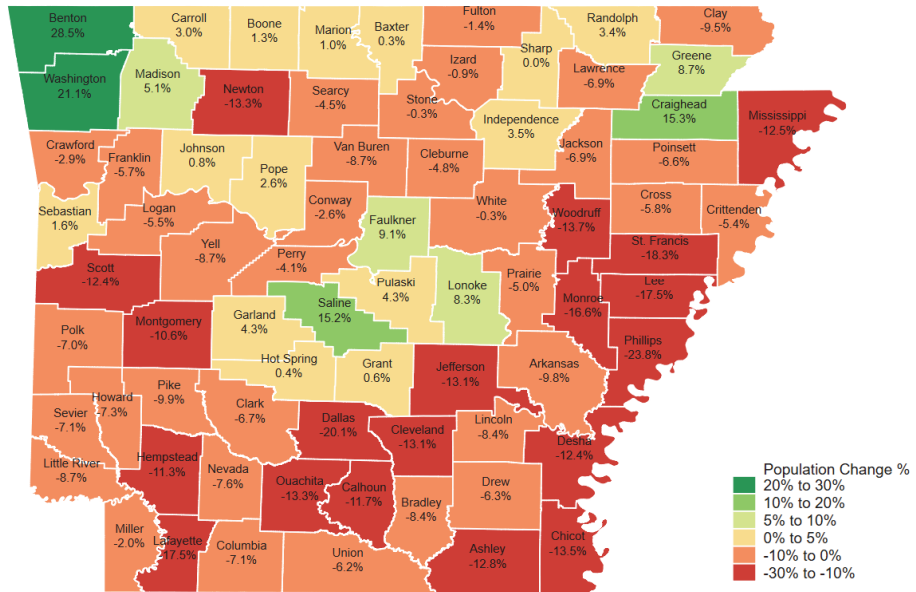
Unemployment Rates, Not Seasonally Adjusted



Employment-Population Ratio



Arkansas Population Change between 2010 and 2020 Census by County



NOTE: Data comes from the Census Bureau's 2010 and 2020 Decennial Census



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