

ARKANSAS

BUSINESS FORECAST

JAN 27, 2023

PRESENTED BY

THE CENTER FOR BUSINESS AND ECONOMIC RESEARCH



UNIVERSITY OF
ARKANSAS

Sam M. Walton College of Business

THANK YOU TO OUR 2023 Business Forecast Sponsors

Presented by: Center for Business and Economic Research

Walton Presenting Partner



Walton Academic Partners



THANK YOU TO OUR 2023 Business Forecast Sponsors

Presented by: Center for Business and Economic Research

Walton Corporate Partners



Walton Business Partners



Walton Media Partners





UNIVERSITY OF
ARKANSAS

Sam M. Walton
College of Business
Center for Business & Economic Research

Business Forecast 2023
January 27, 2023
11:30 a.m. - 1:30 p.m.
Schedule of Events

Welcome

Charles Robinson
Chancellor
University of Arkansas

**Special Remarks and
2022 Contest Awards**

Matt Waller
Dean, Sam M. Walton College of Business
University of Arkansas

Introduction of Moderator

Matt Waller

Introduction of Panelists

Todd Simmons
Chief Executive Officer and Vice-Chairman
Simmons Foods

Global Forecaster

Julia Coronado
President and Founder
MacroPolicy Perspectives

Domestic Forecaster

John List
Chief Economist
Walmart

Regional Forecaster

Mervin Jebaraj
Director, Center for Business and Economic Research
Sam. M. Walton College of Business
University of Arkansas

Panel Discussion

**Todd Simmons, Julia Coronado, John List,
Mervin Jebaraj**

Recognitions and Announcements

Matt Waller

Business Forecast 2023 is in association with the National Association for Business Economics (NABE).
Please use Twitter hashtag #BFL2023 for this event.



Todd Simmons is the chief executive officer of Simmons Foods, Inc. and Affiliates located in Siloam Springs, AR. He joined Simmons in 1990. Todd attended Georgetown University where he earned a Bachelor of Science degree in Business Management and a Minor in Theology. Simmons Foods is a vertically integrated chicken producer serving restaurants and retailers, and a pet food producer manufacturing for retailers and global brands. Simmons Foods has revenue of \$2.35B and 10,000 employees in North America. Todd is also Chairman of the Board of Namida Lab Inc., a cancer diagnostic testing firm, and is a General Partner of Natural Capital LLC, a heartland focused private equity fund. He currently serves on the Boards of the National Chicken Council, Signature Bank of Arkansas, The Razorback Foundation, TheatreSquared, Northwest Arkansas Council and Endeavor Global of Northwest Arkansas.



Julia Coronado is founder of the economic research firm MacroPolicy Perspectives and a Clinical Associate Professor at the McCombs School of Business. Julia received her Ph.D. in Economics from the University of Texas then served as an economist at the Federal Reserve Board of Governors for eight years forecasting the US economy and publishing scholarly articles on pension finances and market valuations, retirement saving, and digital currency and monetary policy. She is President of the National Association of Business Economics, and serves on the Board of Directors of Robert Half International and Dynex Capital, the Advisory Boards of the Bureau of Economic Analysis, the Pension Research Council at the Wharton School and the Cleveland Fed's Center for Inflation Research.



John List is the Kenneth C. Griffin Distinguished Service Professor in Economics at the University of Chicago, and chief economist at Walmart. His research focuses on combining field experiments with economic theory. List pioneered field experiments as a methodology for testing behavioral theories and learning about behavioral principles. To obtain data for his field experiments, List has made use of several different markets, including charitable fundraising activities, the sports trading card industry, the ride-share industry, and the education sector, to highlight a few. This research has led to collaborative work with several different schools and charities, as well as firms including: Lyft, Uber, United Airlines, Virgin Airlines, Humana, Sears, Kmart, Facebook, Google, General Motors, Tinder, Citadel, Walmart and several non-profits. His research includes over 200 peer-reviewed journal articles and published textbooks. He co-authored the international best seller, *The Why Axis*, and is author of *The Voltage Effect*. List was elected a Member of the American Academy of Arts and Sciences in 2011, and a Fellow of the Econometric Society in 2015. List received the 2010 Kenneth Galbraith Award, the 2008 Arrow Prize for Senior Economists for his research in behavioral economics in the field, and was the 2012 Yrjö Jahnsson Lecture Prize recipient. He is a current Editor of the *Journal of Political Economy*.



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 impacting Arkansas. 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.

Global Outlook: A Test of Resiliency

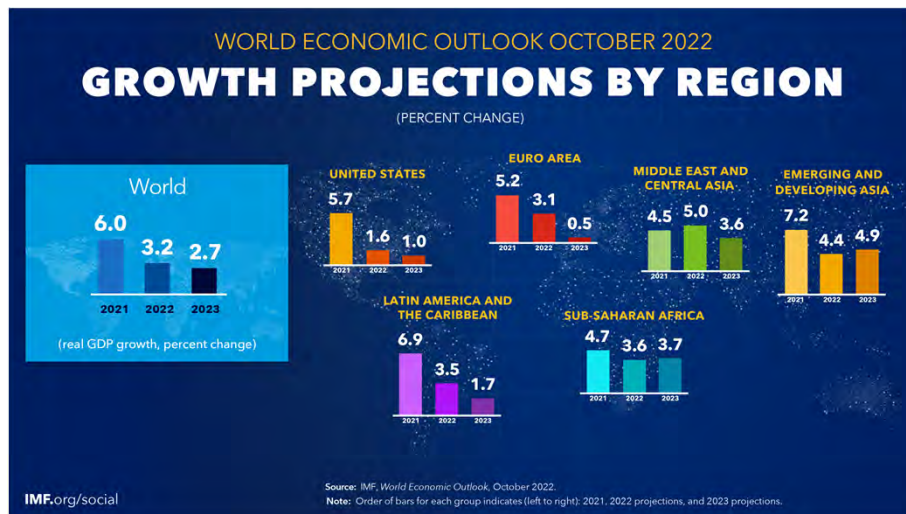
January 2023

Julia Coronado
President, MacroPolicy Perspectives



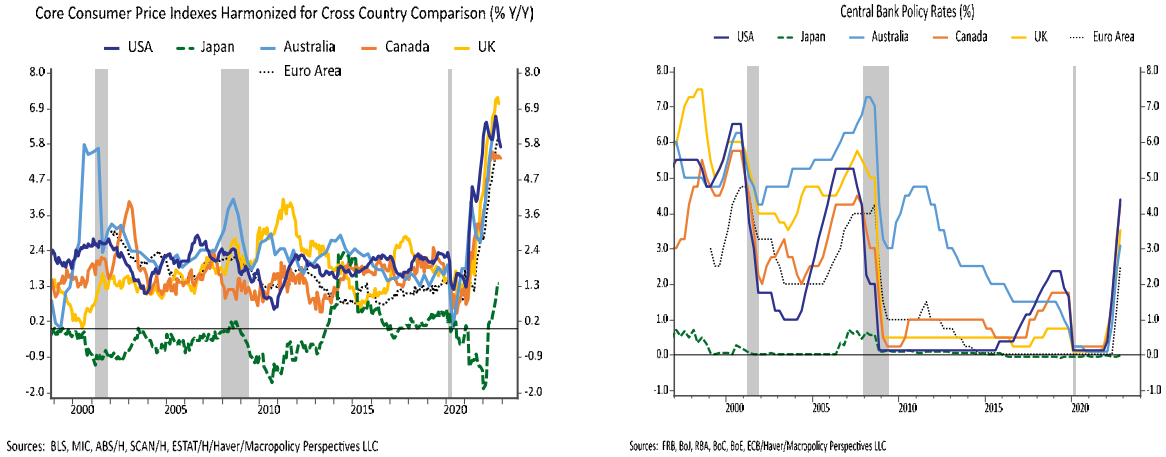
MacroPolicy Perspectives LLC is an economic research consulting firm. The information presented represent the views of the author and is not intended to be, and should not be considered, investment, tax, or legal advice.

Clouds on the horizon around the globe



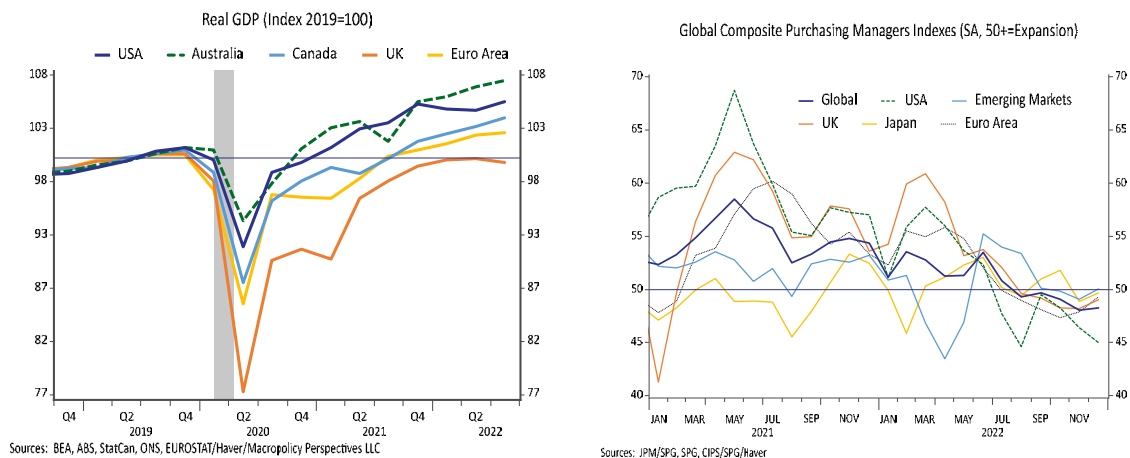
- Fiscal policy tightening as COVID support expires
- Monetary policy tightening in response to high inflation
- China slowing on a structural basis ending two decades as the engine of global growth but could get a boost from reopening
- Europe is at war with lasting disruption to the economy
- Globalization to global fragmentation

In 2022 central banks turned their attention to fighting inflation



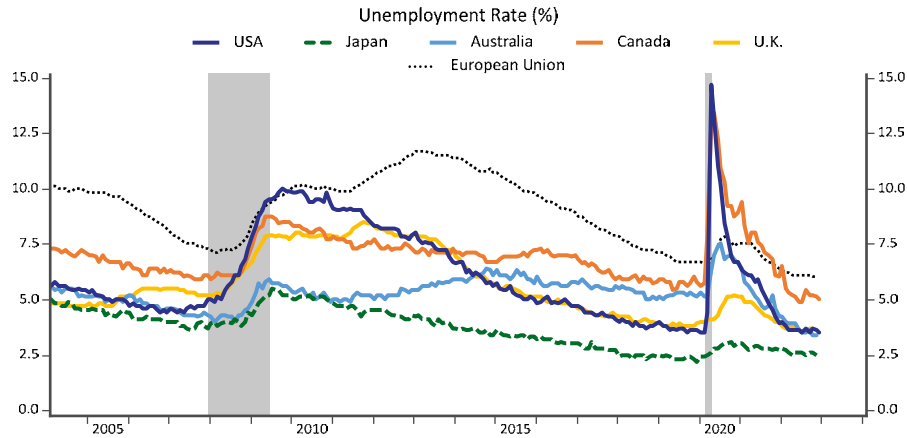
- Central banks engaged in the fastest most synchronized rate hiking cycle on record

Most countries boomed in 2021 then slowed through 2022



- Tighter fiscal and monetary policy and the end of reopening cooled growth in H2

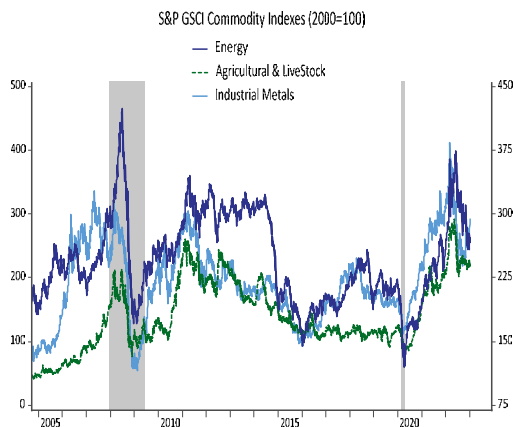
Labor markets have recovered quickly, proven resilient



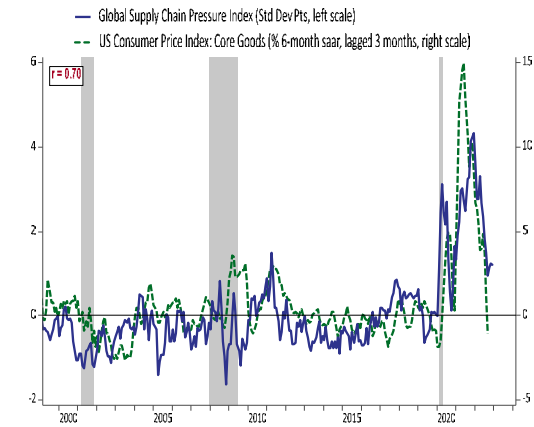
Sources: BLS, MHLW, ABS, StatCan, ONS, EUROSTAT/Haver/Macropolicy Perspectives LLC

- Countries had different degrees of unemployment during the pandemic but developed economies recovered quickly and labor markets have been resilient through the 2022 slowdown

Cooling and shifting demand has brought signs of inflation relief



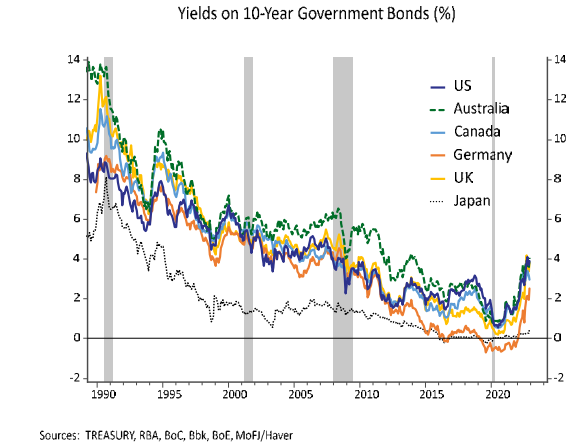
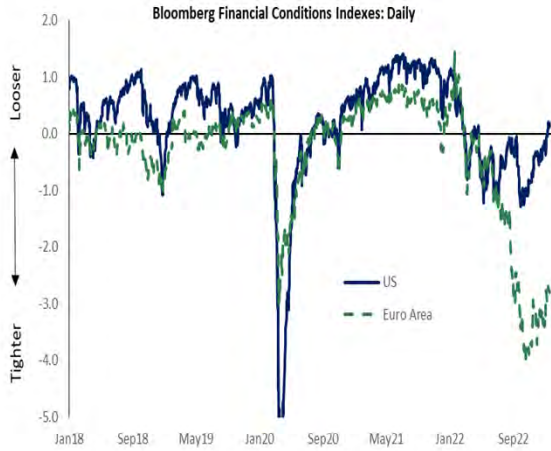
Source: Standard & Poor's/Haver Analytics



Sources: IVFEDLSE, BLS/Haver/Macropolicy Perspectives LLC

- Improved supply side functioning and commodity relief are easing pipeline pressures

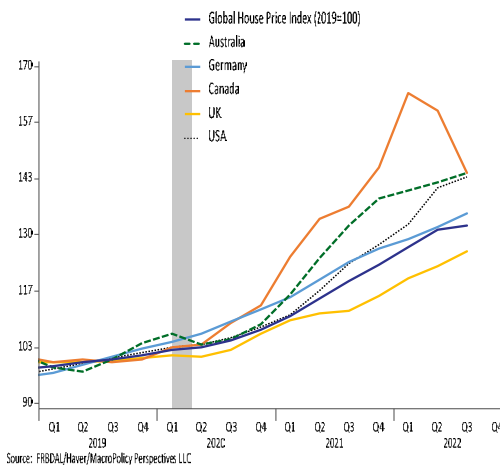
Financial markets took a beating in 2022 but have eased of late



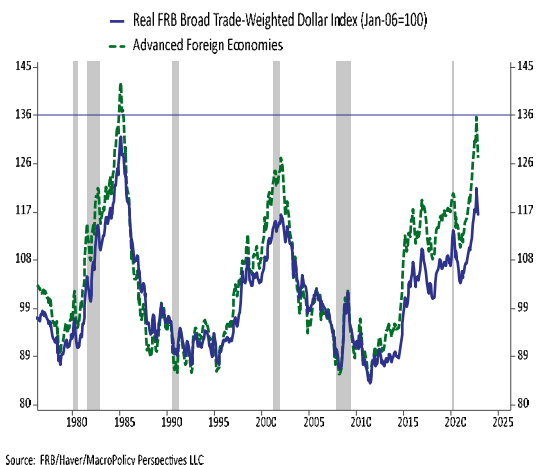
Sources: TREASURY, RBA, BoC, BkK, BoE, MoF/Haver

- Longer term rate remain above pre-pandemic norms but are off the highs, areas of froth such as crypto, tech stocks and house prices have corrected most sharply

Housing markets still vulnerable but dollar strength is easing



Source: FRBDAL/Haver/MacroPolicy Perspectives LLC

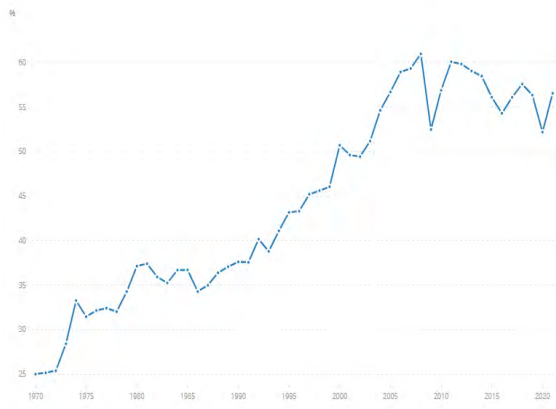


Source: FRB/Haver/MacroPolicy Perspectives LLC

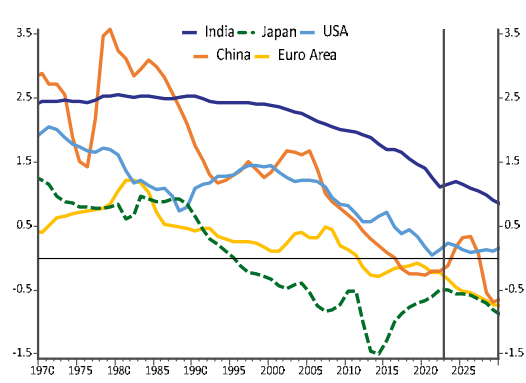
- Countries with variable rate mortgages (Australia, Canada, Scandinavian countries) are most vulnerable to higher rates but a likely pause in rate hikes is easing dollar strength

The global economy faces challenges of fragmentation, slowing population growth

Global Trade (Exports + Imports) as % of GDP



Working Age (15-64) Population (% y/y)



Source: United Nations/Haver Analytics

- We are re-globalizing into trading blocks not de-globalizing. Growth momentum will be driven increasingly by innovation, productivity not demographics

Conclusions

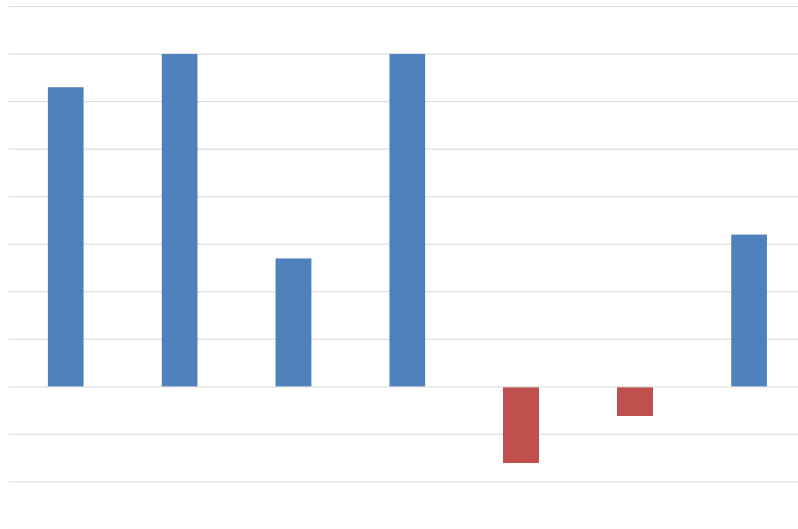
- The global economy enters 2023 with plenty of headwinds from tighter fiscal and monetary policy, a war, and global fragmentation but also some tailwinds from cooling inflation, supply side healing, labor market resiliency.
- How much inflation relief come from supply side improvement, increasing price sensitivity will help determine whether various economies avoid a recession
- Global disruption remains high and we are unlikely to return to an era of low volatility

WHAT THIS CURRENT ECONOMY MEANS FOR YOU

Arkansas Business Forecast Lunch
John A. List,
Kenneth C. Griffin Distinguished
Service Professor in Economics at
the University of Chicago

The Nation

Quarterly % Change in U.S. Gross Domestic Product 2021-22



5 RECESSIONARY FACTS

Freebie: Average recession lasts about 17 months

FACT 1: Okun's Law: Employment and GDP fall together; 2% GDP drop, 1% increase in unemployment).

This current labor market looks very different than the market in most recessions.

Since the beginning of 2022, the unemployment rate has dropped from 4.0% to 3.5%.

FACT 2: Job openings tend to plummet early in recessions and hires follow suit.

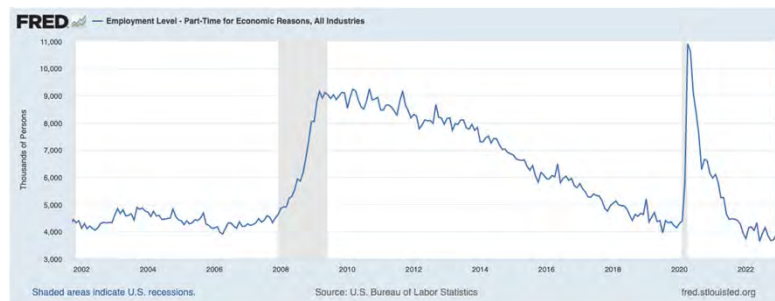
- The number of job openings decreased by
 - almost 2 million after the dotcom bubble
 - 2 million after the Great Recession
 - 2.3 million after the Covid Recession

While there has been some negative news around layoffs recently (mostly in tech, real estate, crypto, and e-commerce), those are largely in areas of economy that saw significant growth during the pandemic. The current hiring rate is still above where it was from 2010-2019.

FACT 3: Underemployment rises during recessions.

More people who want full-time work end up accepting part-time jobs.

Underemployment in 2022 was the lowest it's been in the past 20 years.



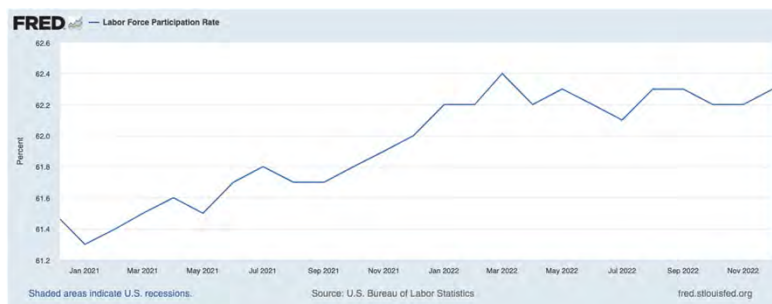
FACT 4: Wage growth slows during recessions.

While wage growth did dip slightly from Q2 to Q3, at its current level (5.3%), wage growth is higher now than at any other point in the last 20 years.



FACT 5: The percent of people in the labor force generally declines during recessions.

After growing consistently in 2021, the labor force participation rate has been largely flat in 2022.



Bottom Line

- While the labor participation rates may give some pause, wage growth, underemployment numbers, and hiring rate data all paint a much brighter picture.
- Going forward....who knows! A lot depends on on the Fed!

ARKANSAS
**BUSINESS
FORECAST**



The Arkansas Economy in 2023

Mervin Jebaraj, Director
Center for Business and Economic Research
January 27, 2023

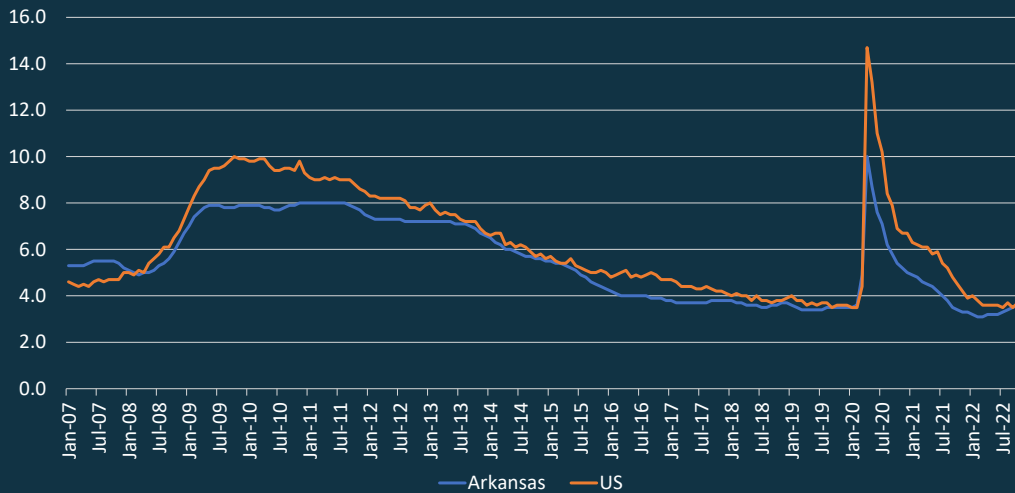
Twitter: #BFL2023
@uawaltoncollege @MervinJebaraj



ARKANSAS
**BUSINESS
FORECAST**



Arkansas Unemployment Rate



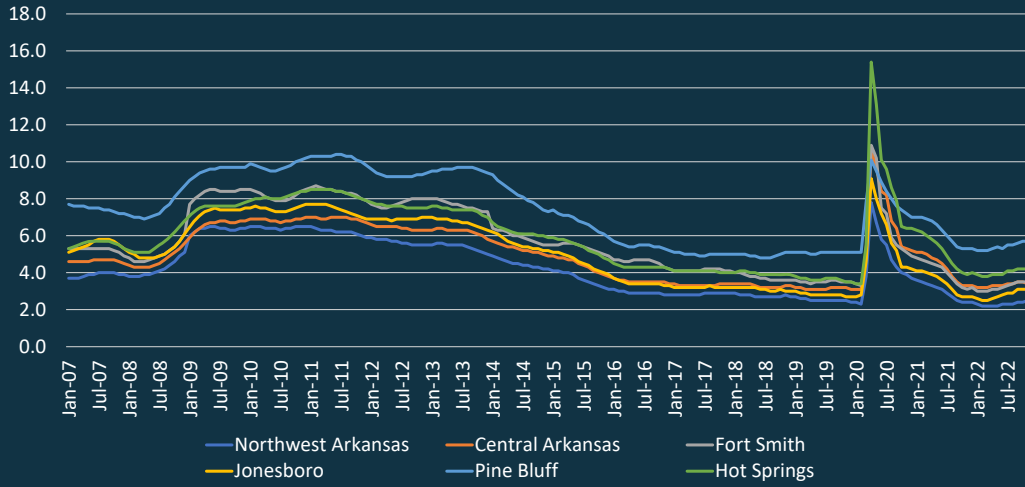
Source: Bureau of Labor Statistics

ARKANSAS

BUSINESS FORECAST



Arkansas MSA Unemployment Rates



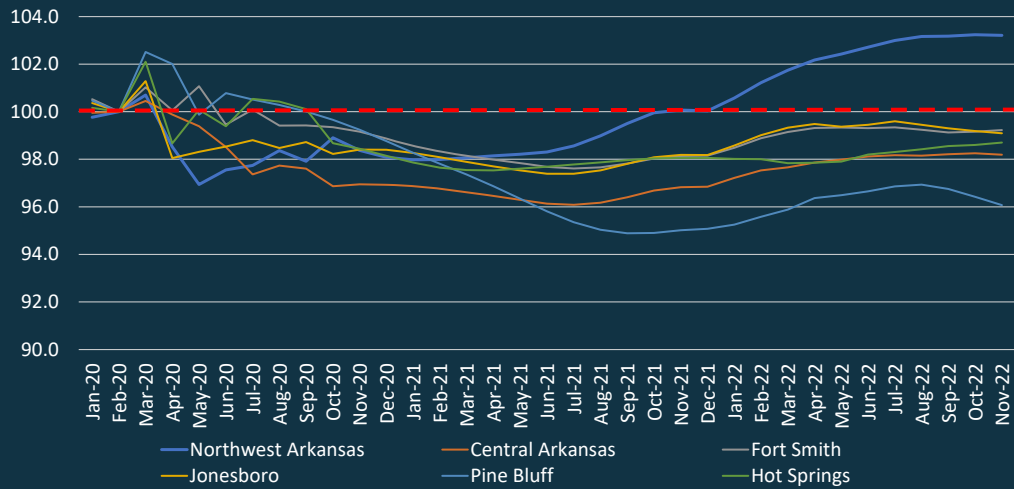
Source: Bureau of Labor Statistics

ARKANSAS

BUSINESS FORECAST



Labor Force by MSA, Indexed to Feb 2020



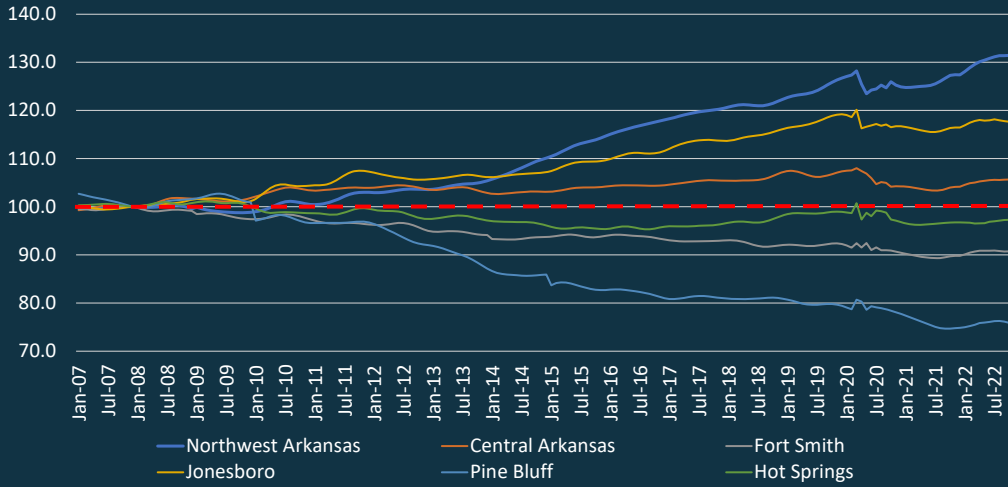
Source: Bureau of Labor Statistics, CBER calculations

ARKANSAS

BUSINESS FORECAST



Labor Force by MSA, Indexed to Dec 2007



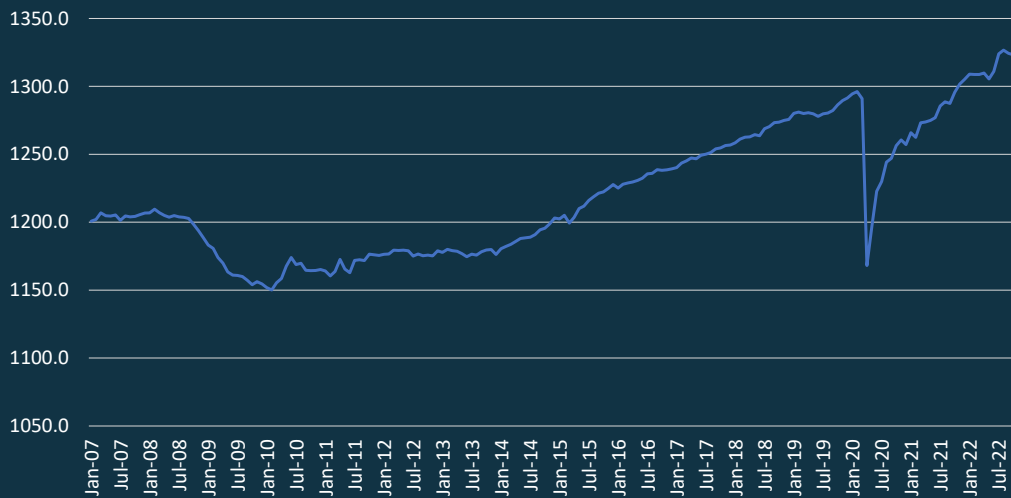
Source: Bureau of Labor Statistics, CBER calculations

ARKANSAS

BUSINESS FORECAST



Arkansas Non-Farm Employment

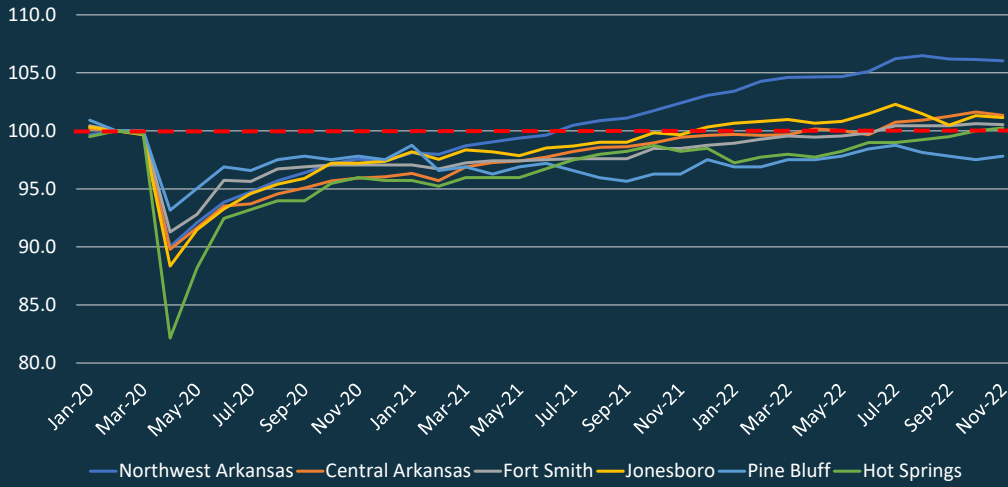


Source: Bureau of Labor Statistics

ARKANSAS
BUSINESS
FORECAST



Employment by MSA, Indexed to Feb 2020

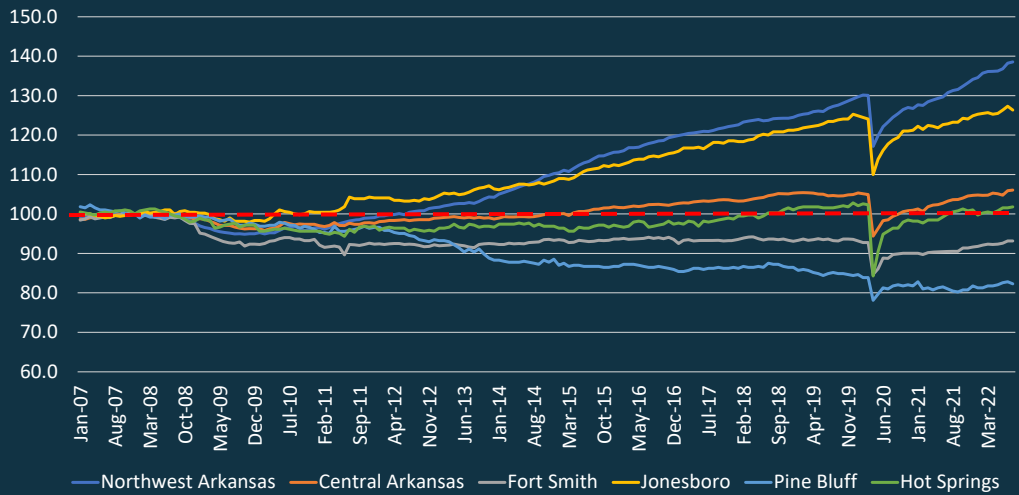


Source: Bureau of Labor Statistics, CBER calculations

ARKANSAS
BUSINESS
FORECAST



Employment by MSA, Indexed to Dec 2007

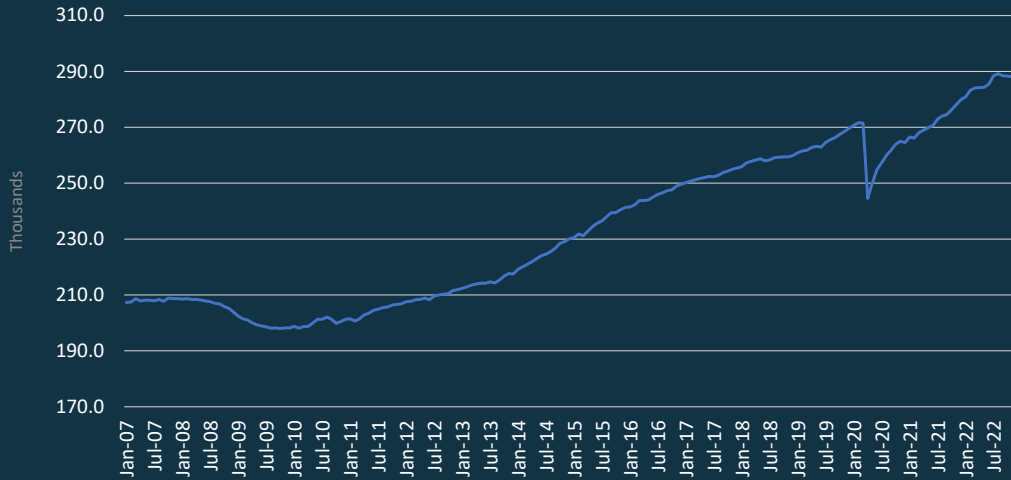


Source: Bureau of Labor Statistics, CBER calculations

ARKANSAS
**BUSINESS
FORECAST**



Northwest Arkansas Non-Farm Employment

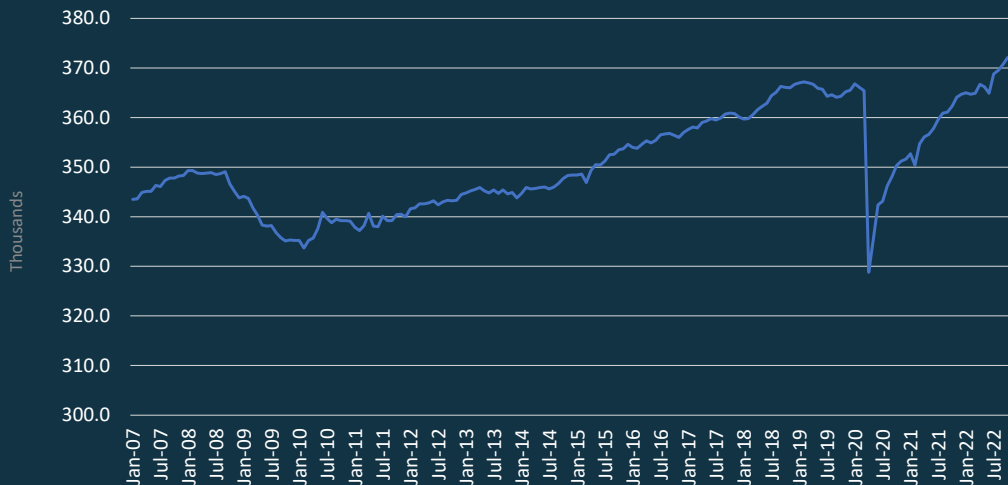


Source: Bureau of Labor Statistics

ARKANSAS
**BUSINESS
FORECAST**



Central Arkansas Non-Farm Employment



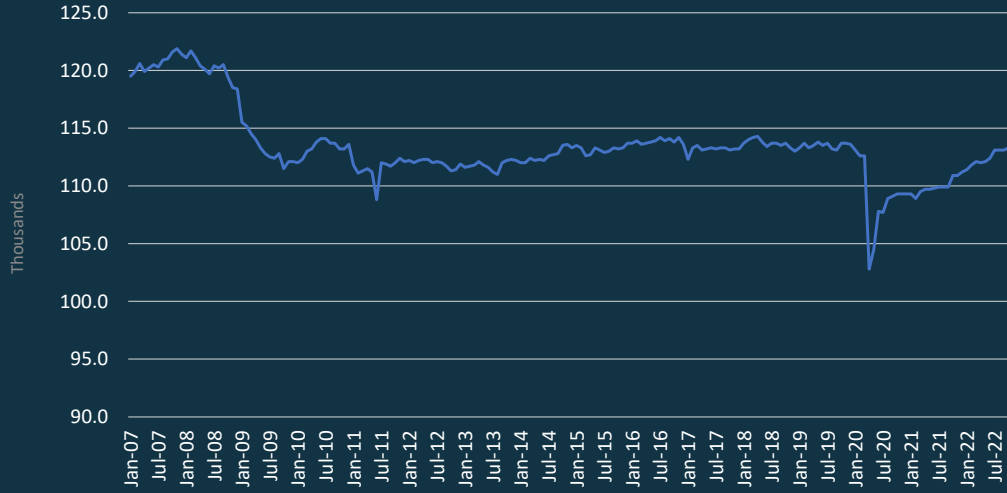
Source: Bureau of Labor Statistics

ARKANSAS

BUSINESS FORECAST



Fort Smith Non-Farm Employment



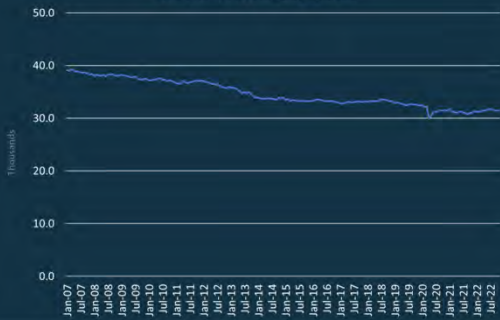
Source: Bureau of Labor Statistics

Fort Smith Non-Farm Employment

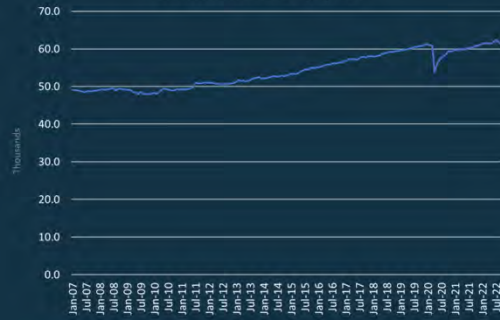


Source: Bureau of Labor Statistics

Pine Bluff Non-Farm Employment

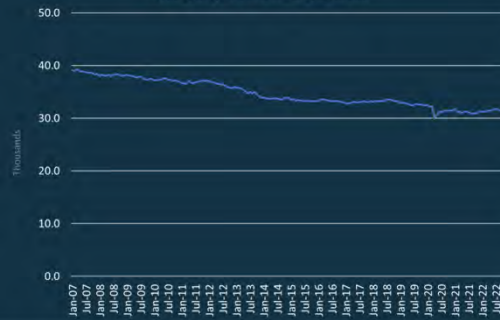


Jonesboro Non-Farm Employment



Source: Bureau of Labor Statistics

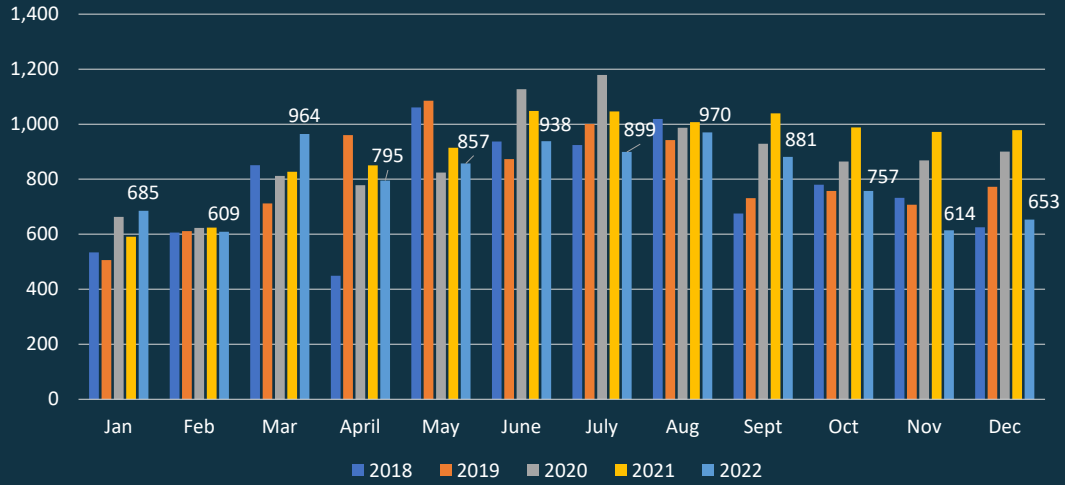
Hot Springs Non-Farm Employment



ARKANSAS
BUSINESS
FORECAST



Northwest Arkansas Number of Homes Sold

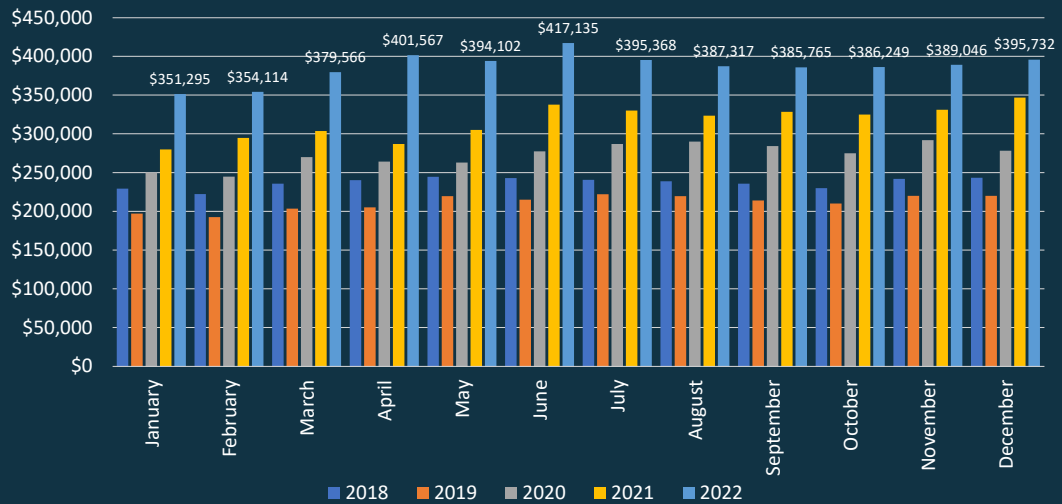


Source: Skyline Report, MLS Database

ARKANSAS
BUSINESS
FORECAST

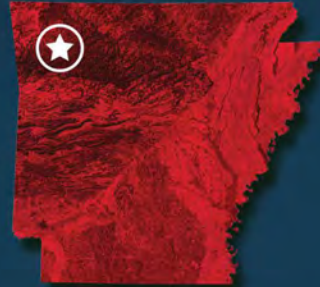


Northwest Arkansas Average Home Price



Source: Skyline Report, MLS Database

ARKANSAS
**BUSINESS
FORECAST**



FOR MORE INFORMATION
PLEASE VISIT CBER.UARK.EDU