

ARKANSAS

# BUSINESS FORECAST

JAN 27, 2023

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THE CENTER FOR BUSINESS AND ECONOMIC RESEARCH



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Sam M. Walton College of Business

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**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*



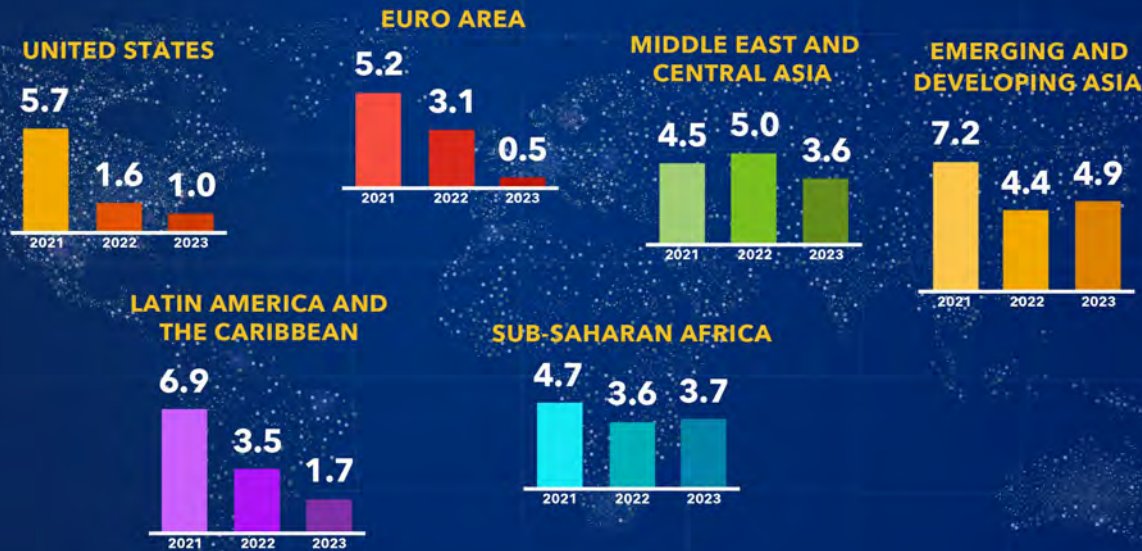
MacroPolicy Perspectives LLC is an economic research consulting firm. The information presented represent the views of the author and is not intended to be, and should not be considered, investment, tax, or legal advice.

# Clouds on the horizon around the globe

WORLD ECONOMIC OUTLOOK OCTOBER 2022

## GROWTH PROJECTIONS BY REGION

(PERCENT CHANGE)



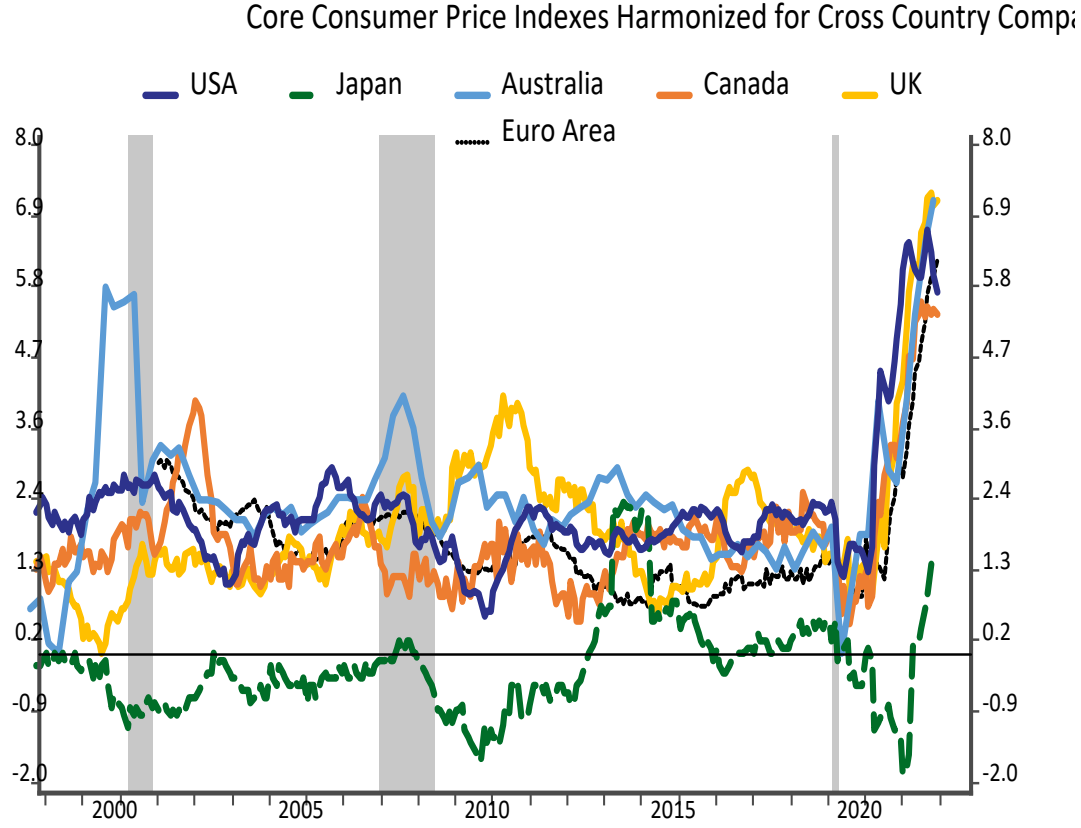
Source: IMF, World Economic Outlook, October 2022.

Note: Order of bars for each group indicates (left to right): 2021, 2022 projections, and 2023 projections.

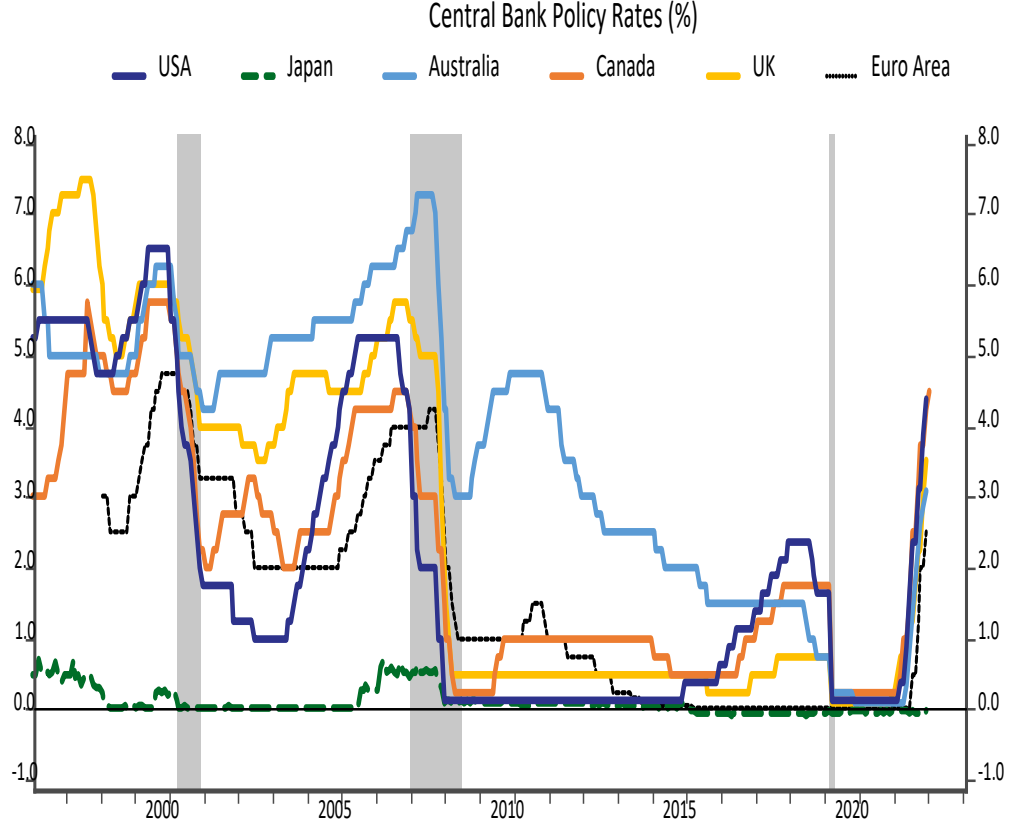
IMF.org/social

- *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



Sources: BLS, MIC, ABS/H, SCAN/H, ESTAT/H/Haver/Macropolicy Perspectives LLC

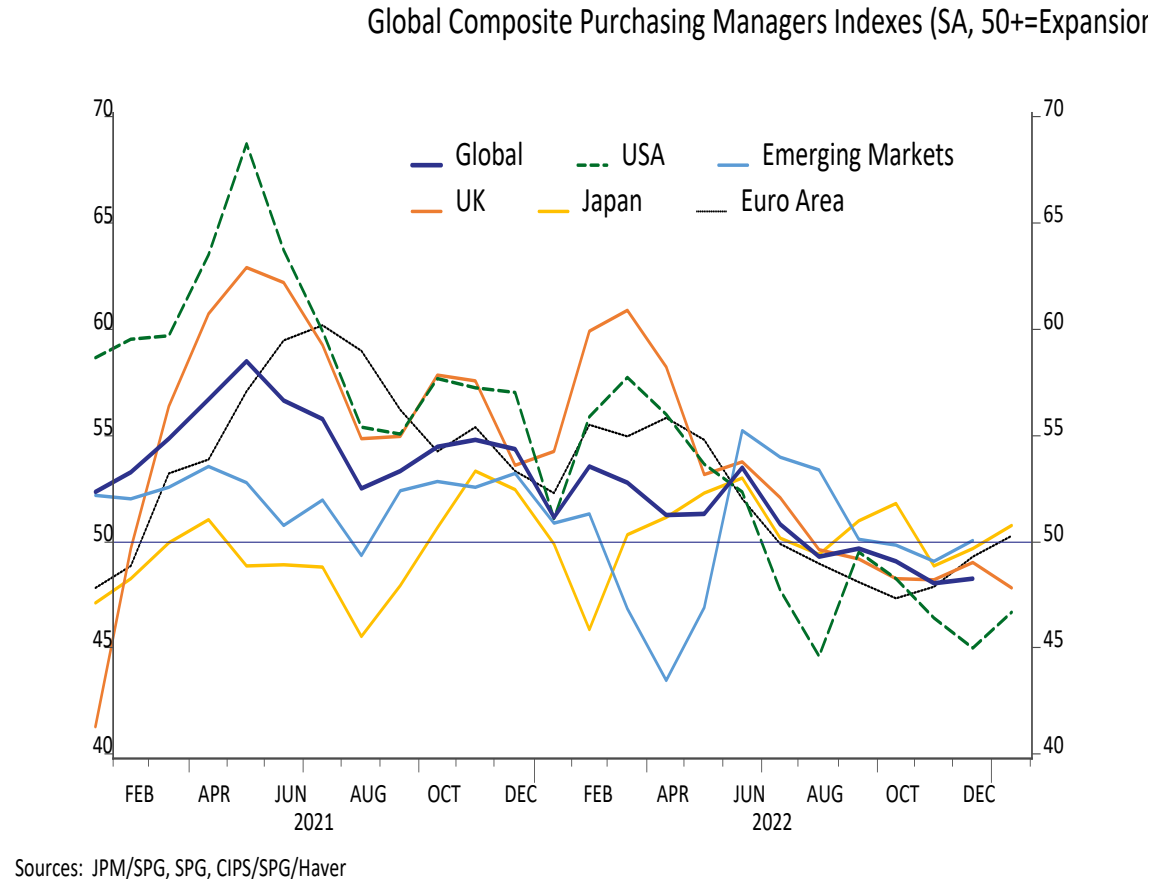
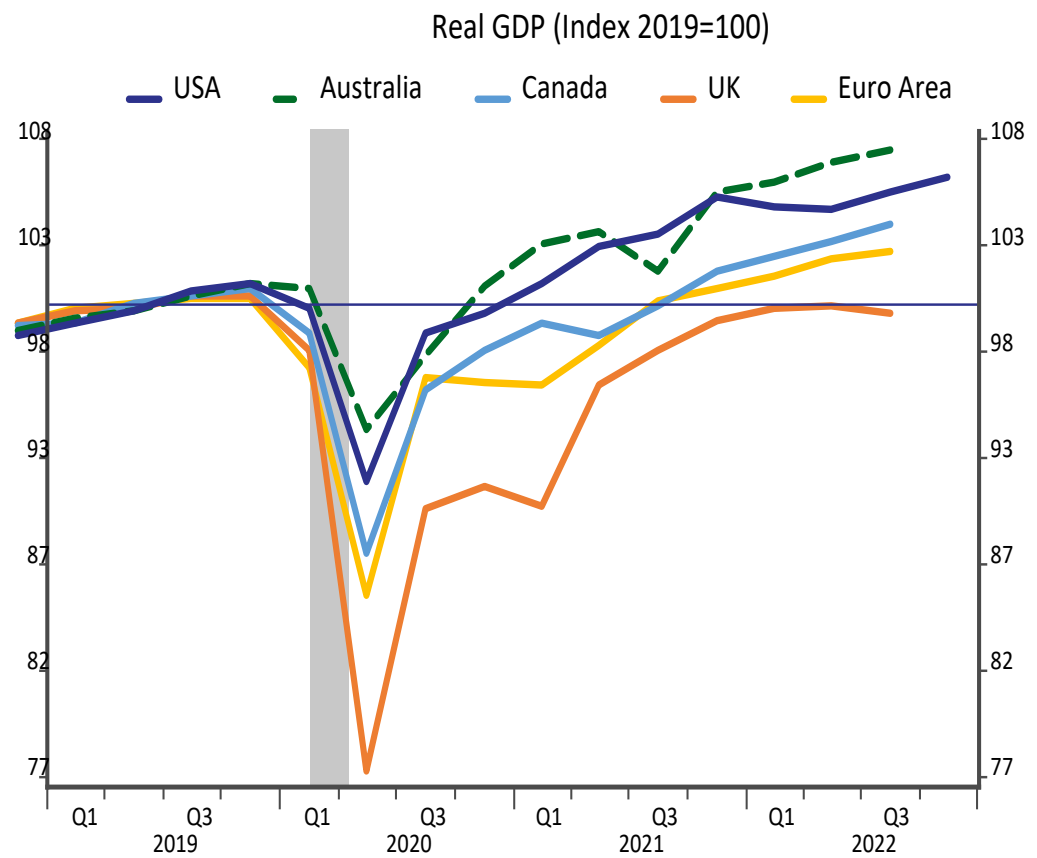


Sources: FRB, BoJ, RBA, BoC, BoE, ECB/Haver/Macropolicy Perspectives LLC

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

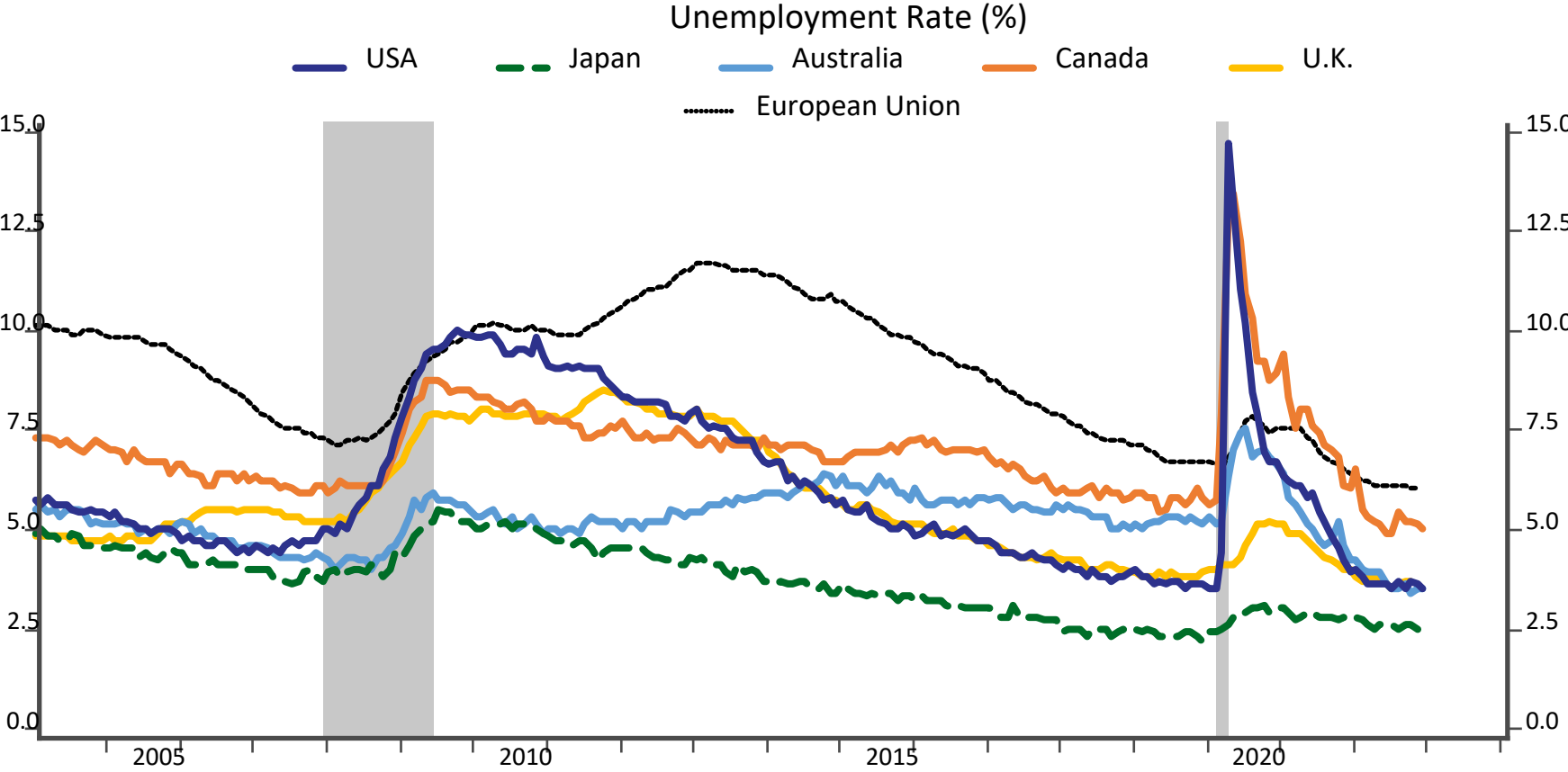


# Most countries boomed in 2021 then slowed through 2022



- Tighter fiscal and monetary policy and the end of reopening cooled growth in H2 but easing inflation and resilient labor markets have kept growth on track

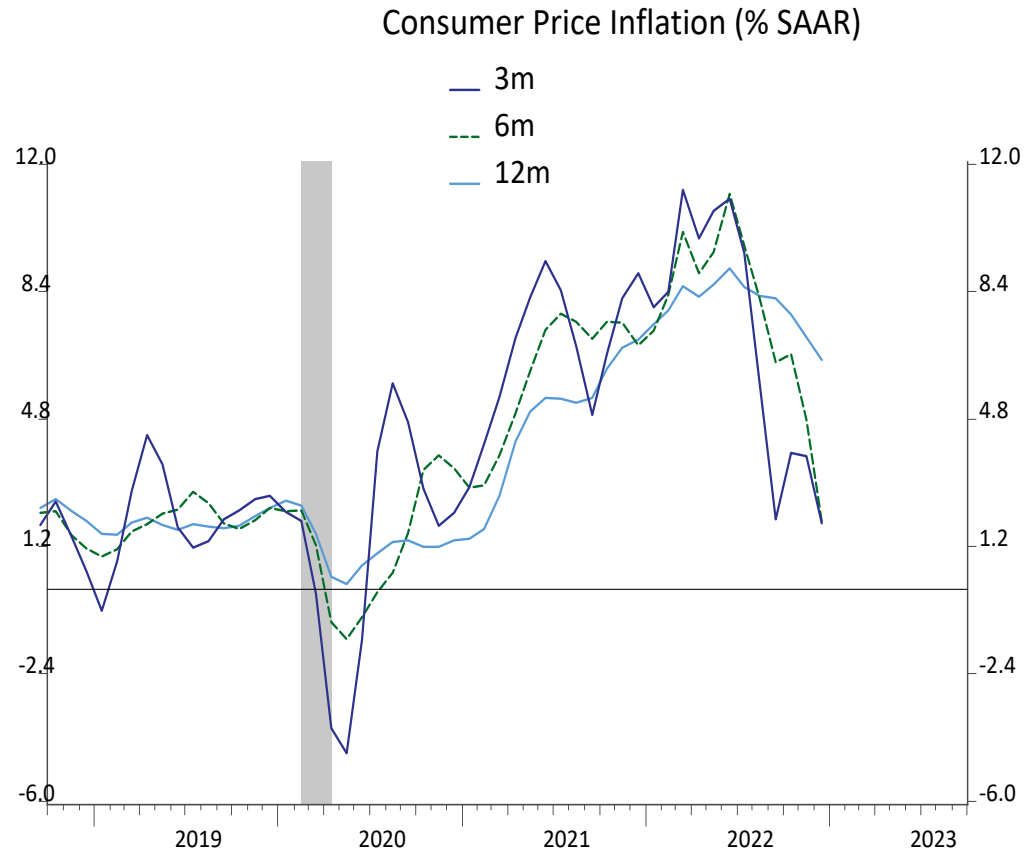
# Labor markets have recovered quickly, proven resilient



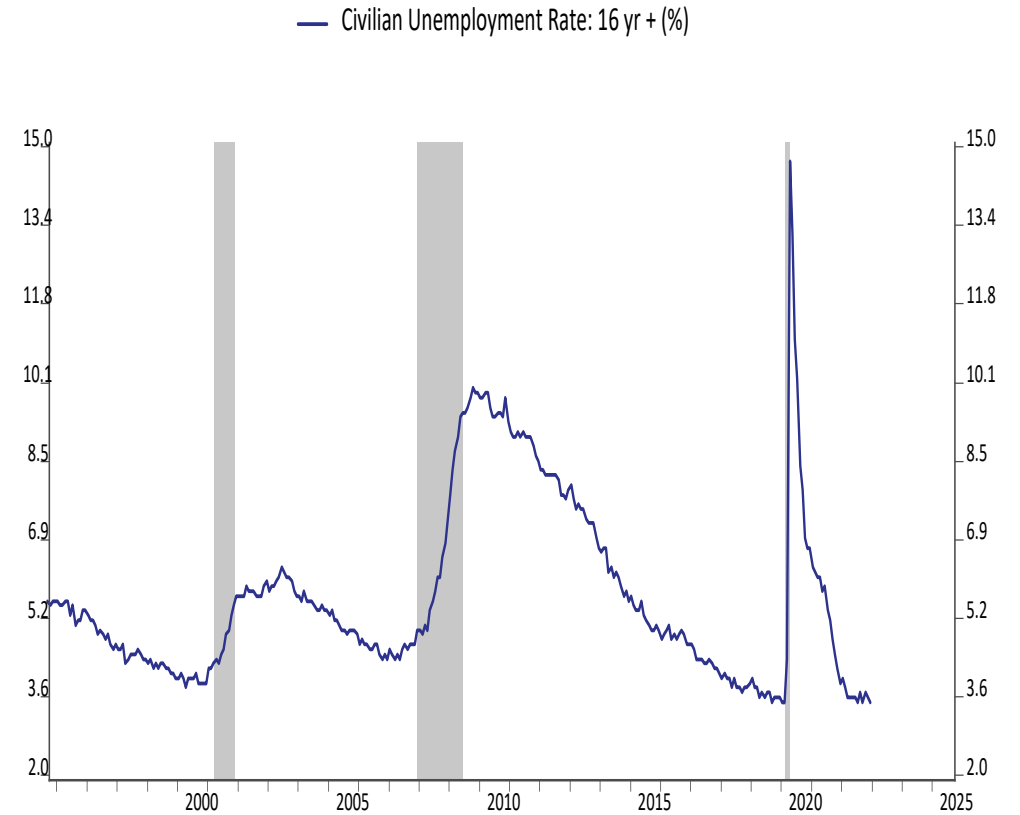
Sources: BLS, MHLW, ABS, StatCan, ONS, EUROSTAT/Haver/Macropolicy Perspectives LLC

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

# The Economy Continues to Defy Macroeconomic Convention



Source: Bureau of Labor Statistics/Haver Analytics

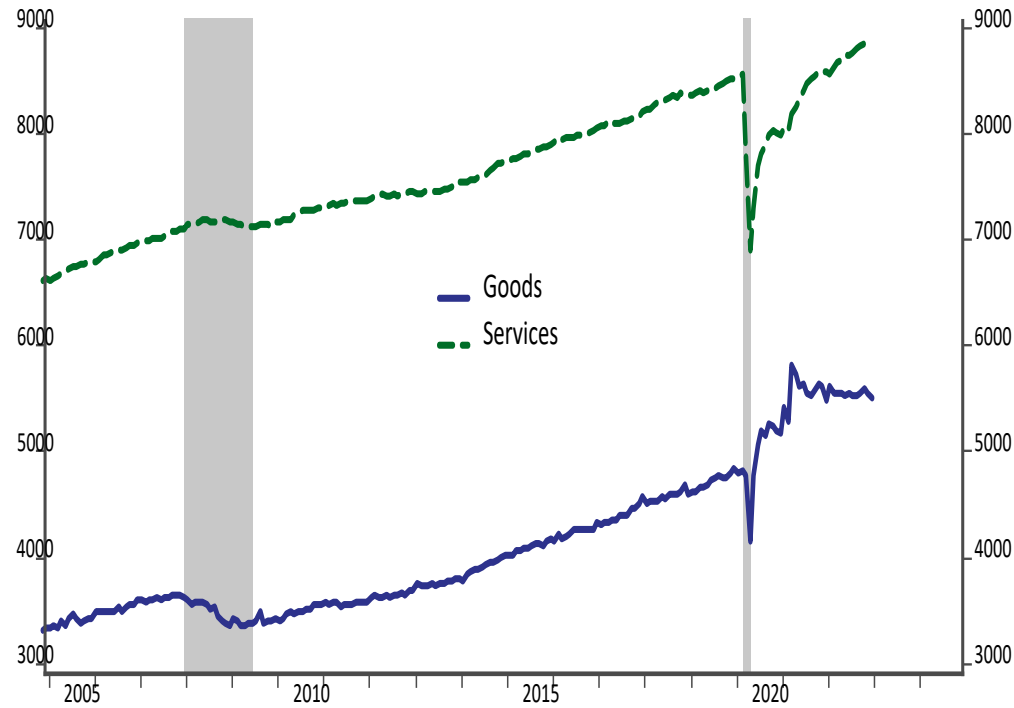


Source: MacroPolicy Perspectives/BLS/Haver

- Inflation and wage growth have been moderating but job gains have been robust and unemployment remains low

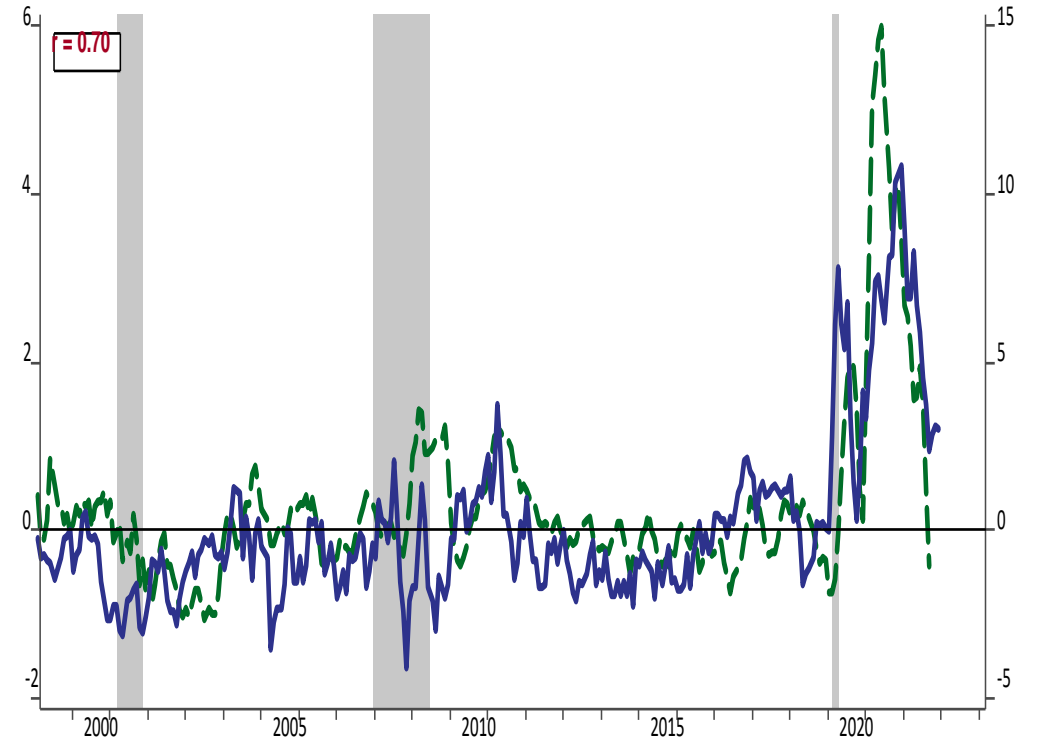
# The Pandemic was an Epic Shock to the Economic System

Real Personal Consumption Expenditures (SAAR, Bil.Chn.2012\$)



Source: Bureau of Economic Analysis/Haver Analytics

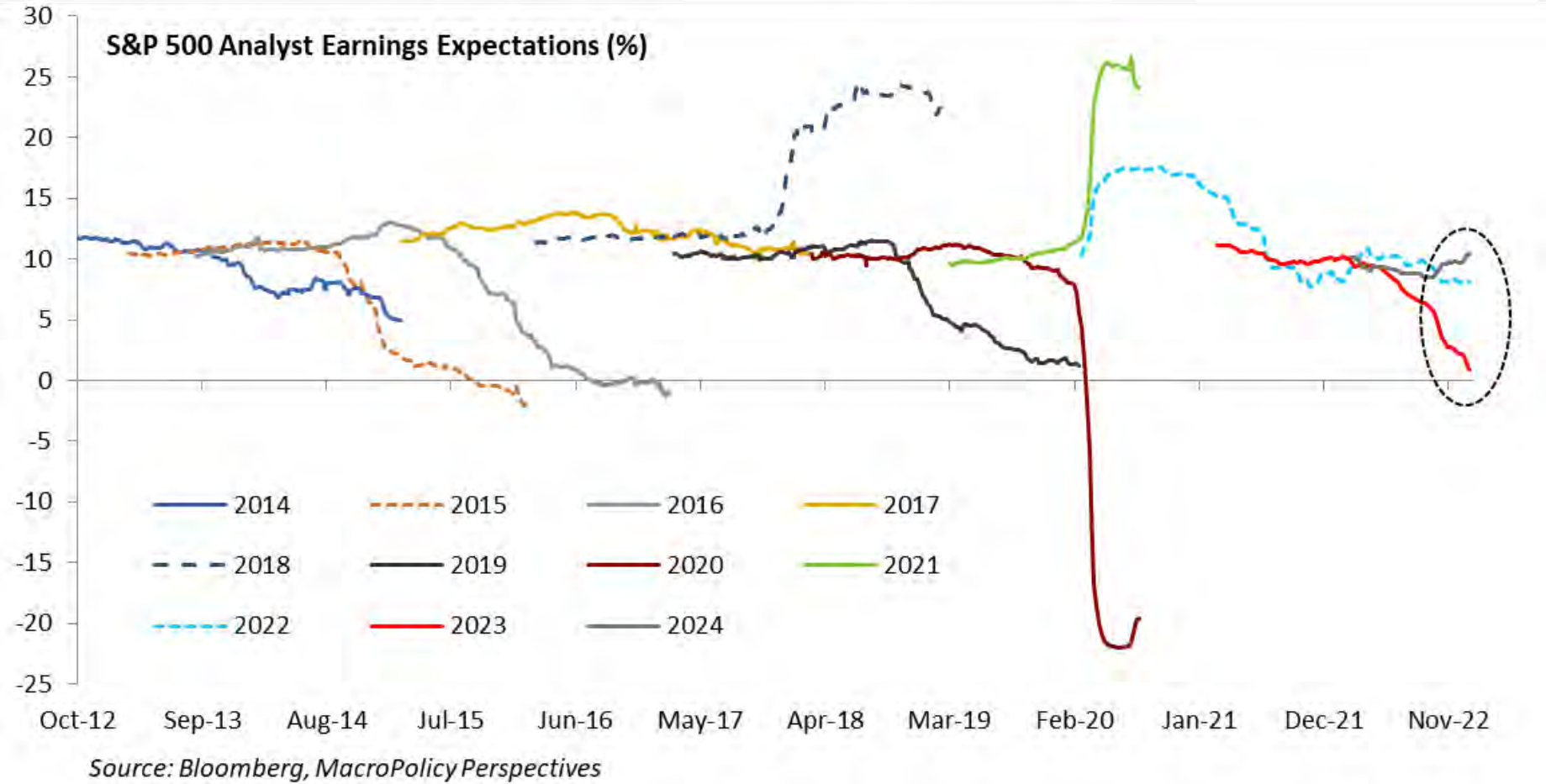
— Global Supply Chain Pressure Index (Std Dev Pts, left scale)  
- - US Consumer Price Index: Core Goods (% 6-month saar, lagged 3 months, right scale)



Sources: NYFEDLSE, BLS/Haver/MacroPolicy Perspectives LLC

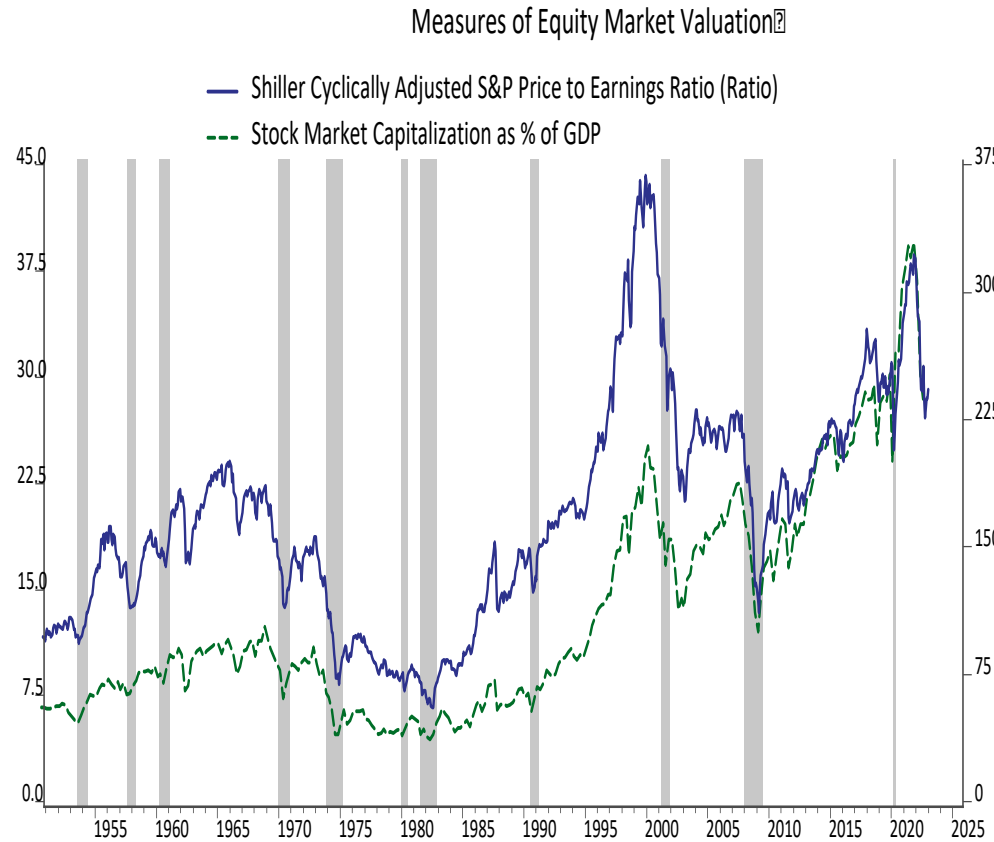
- Improved supply side functioning and renewed price sensitivity for consumer goods is bringing inflation down

# Profit margins are another route to lower inflation

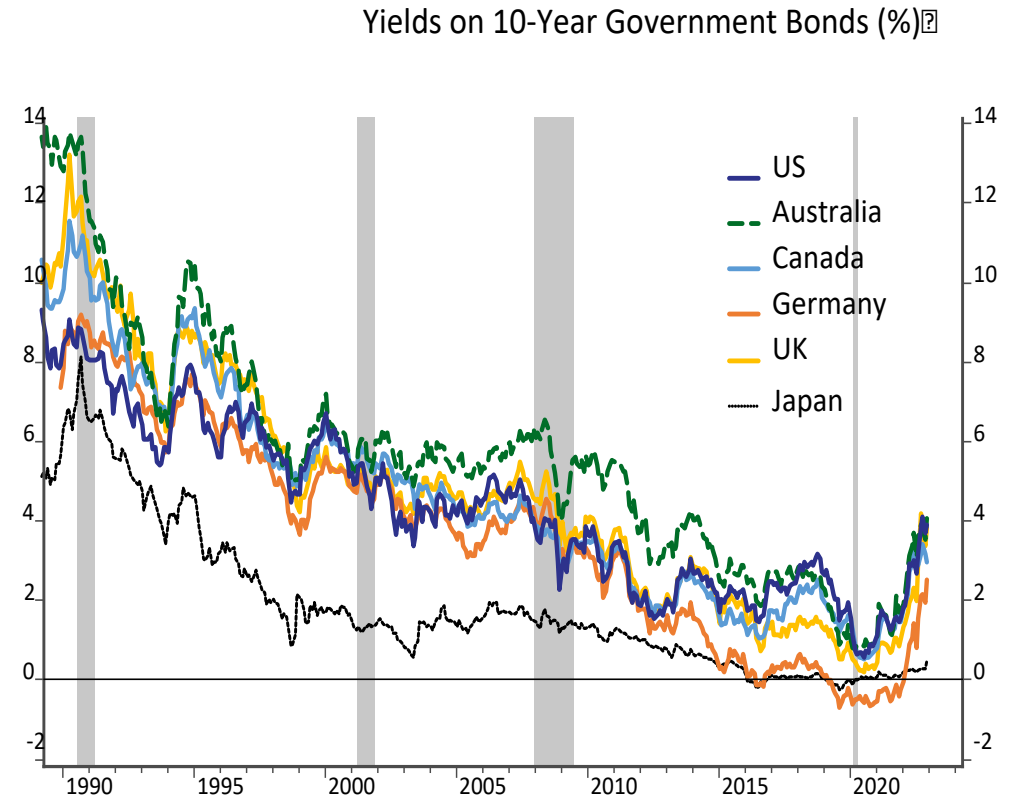


- Consumer discretionary & staples, energy & materials, health care and tech are among the sectors expecting decline in earnings in 2023

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



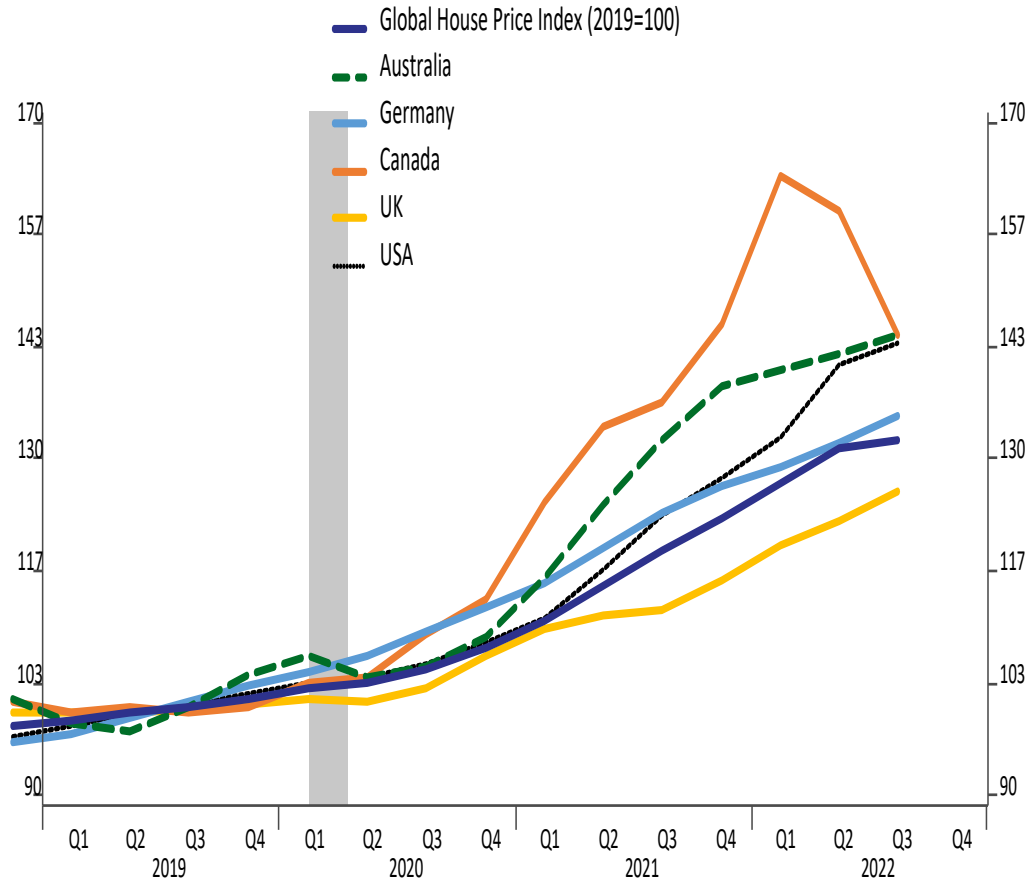
Source: Robert Shiller/Haver Analytics



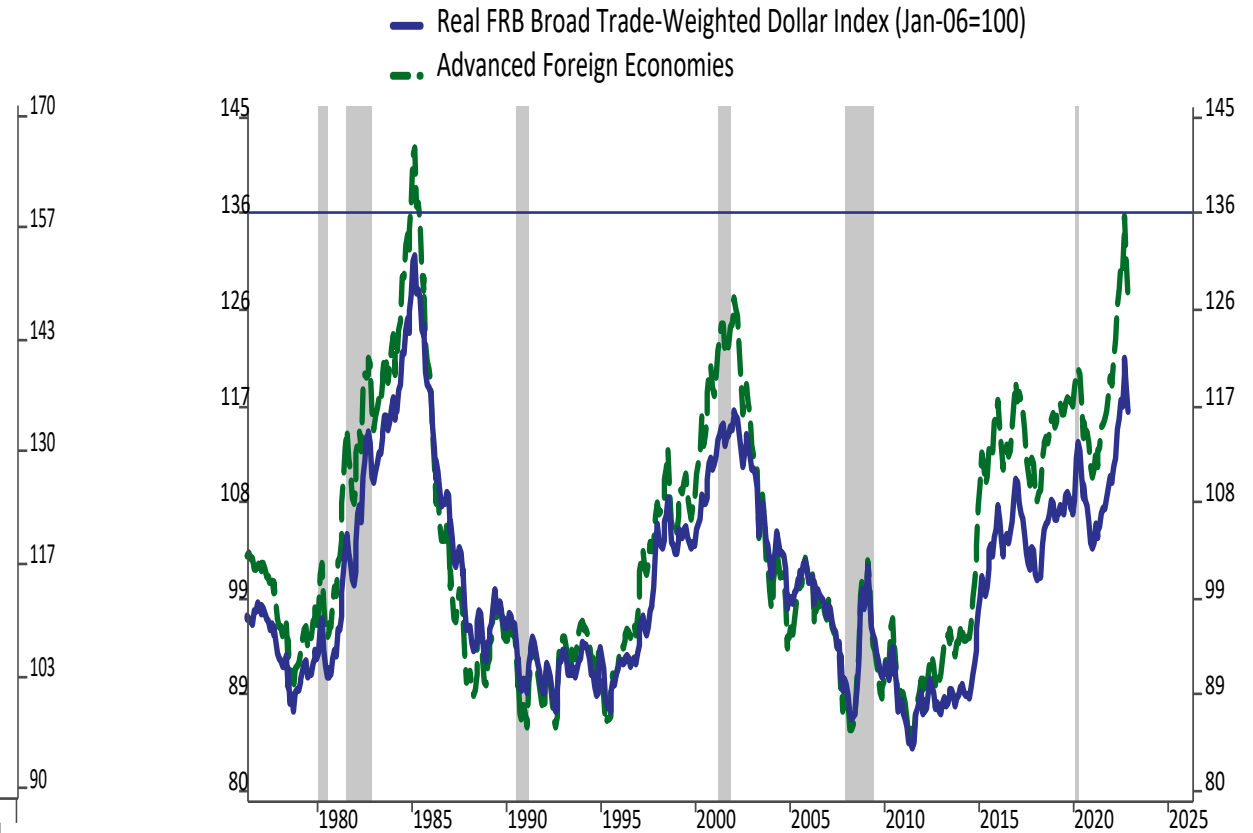
Sources: TREASURY, RBA, BoC, Bbk, BoE, MoFJ/Haver

- 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

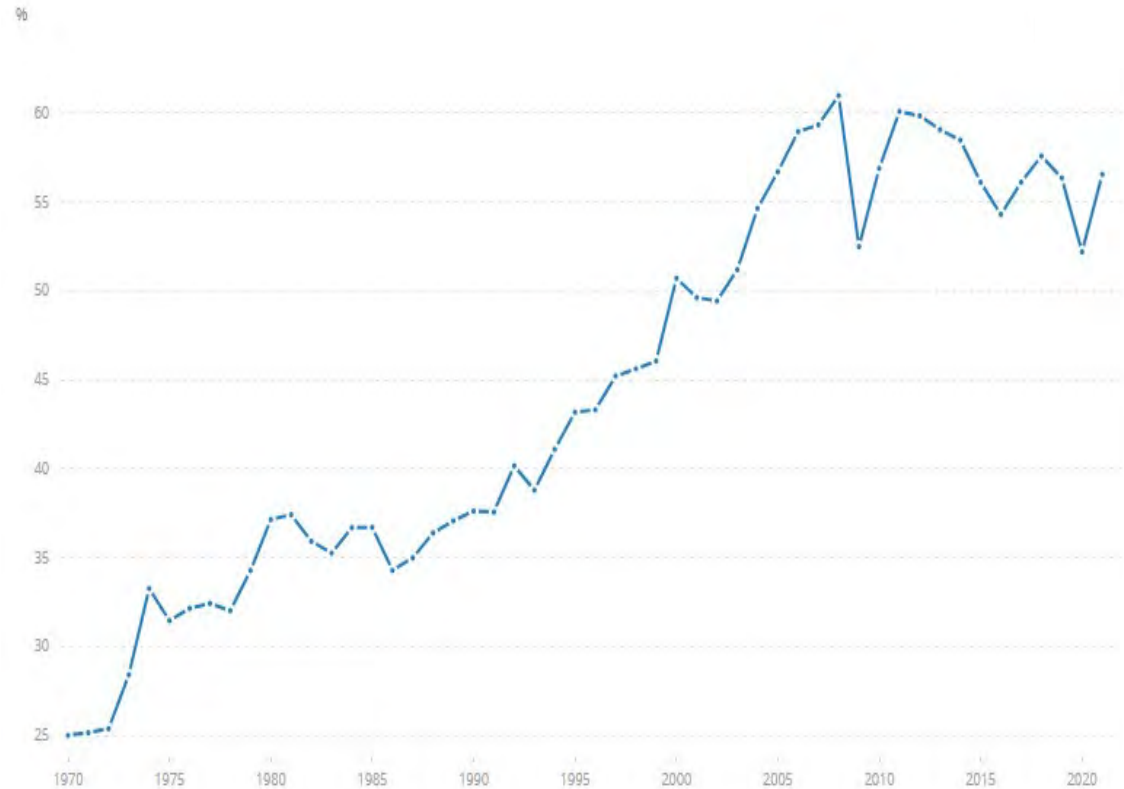


Source: FRB/Haver/MacroPolicy Perspectives LLC

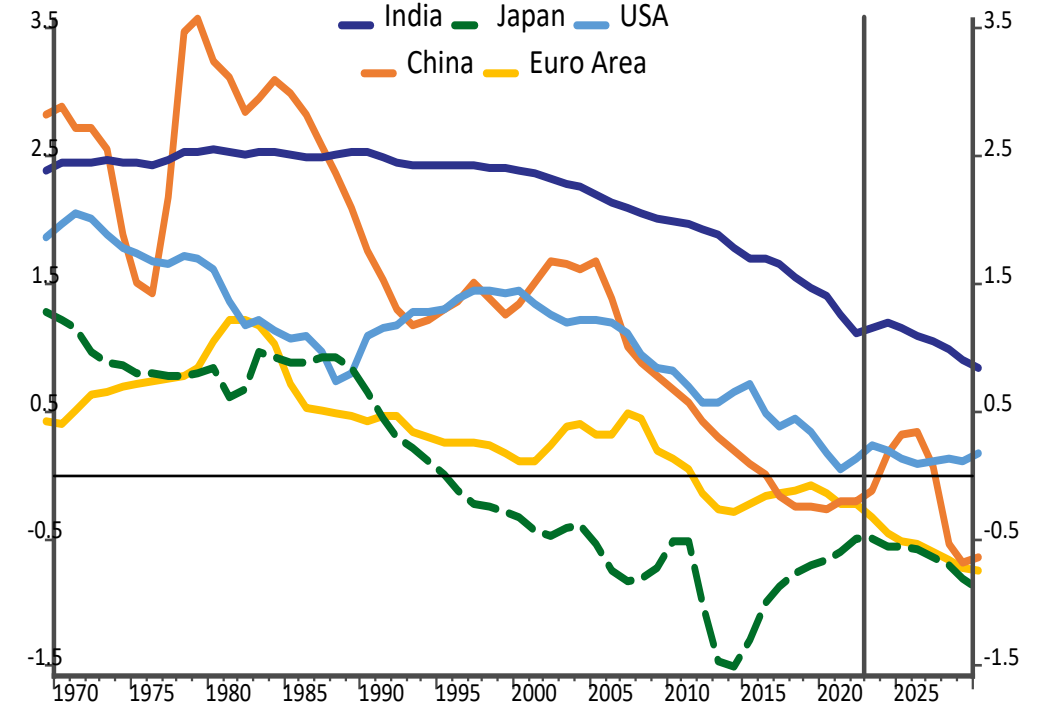
- Countries with variable rate mortgages (Australia, Canada, Scandinavian countries) are most vulnerable to higher rates but a likely pause in rate hikes is easing dollar strength

# 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 and better productivity? Will companies hold onto margins without mass layoffs?
- Global disruption remains high and we are unlikely to return to an era of low volatility
- A better mix of monetary and fiscal policy means rates will likely stay higher than last cycle

## *Building a Career in Economics*

Find resources here to help you on your career journey in economics – from deciding your career path, landing an internship or job, and continuing your professional development!



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Find out about the many different career opportunities for an economist.

[More Info](#)



### *Internship Opportunities*

Gain practical experience outside of your academic training through an economics internship.

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### *Resumes & Interviews*

View resources to help craft your resume and ace your interview.

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### *Networking and Professional Development*

Landing the job isn't the last step - learn how to continue advancing in your career.

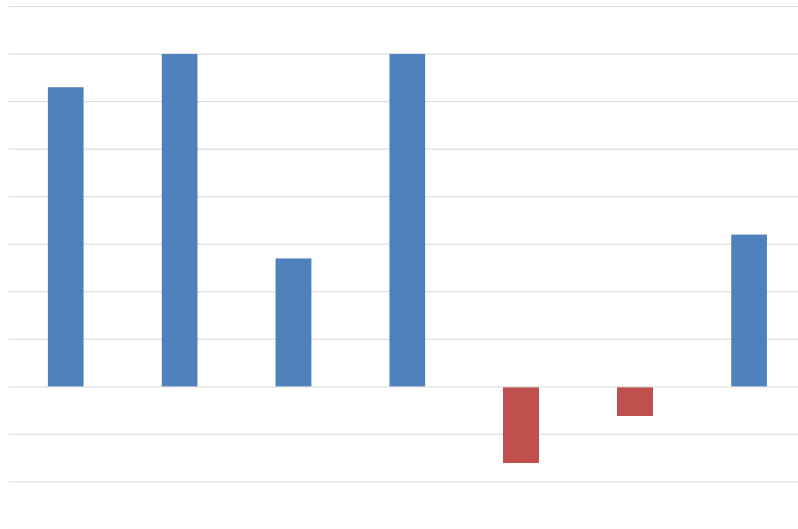
[More Info](#)

# 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.

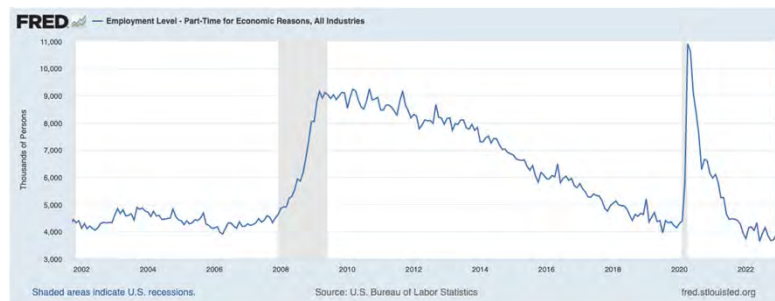
- The number of job openings decreased by ....
  - almost 2 million after the dotcom bubble
  - 2 million after the Great Recession
  - 2.3 million after the Covid Recession

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.



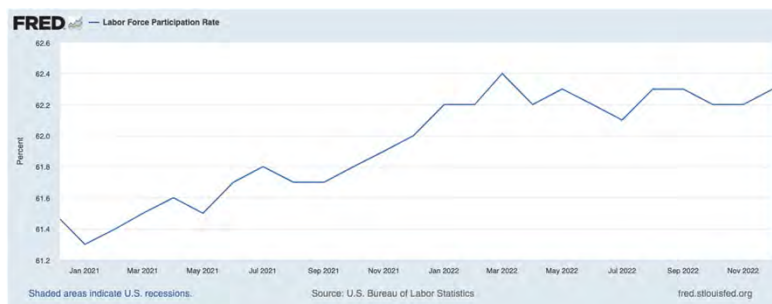
**FACT 4:** Wage growth slows during recessions.

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!

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## The Arkansas Economy in 2023

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

Twitter: #BFL2023  
@uawaltoncollege @MervinJebaraj



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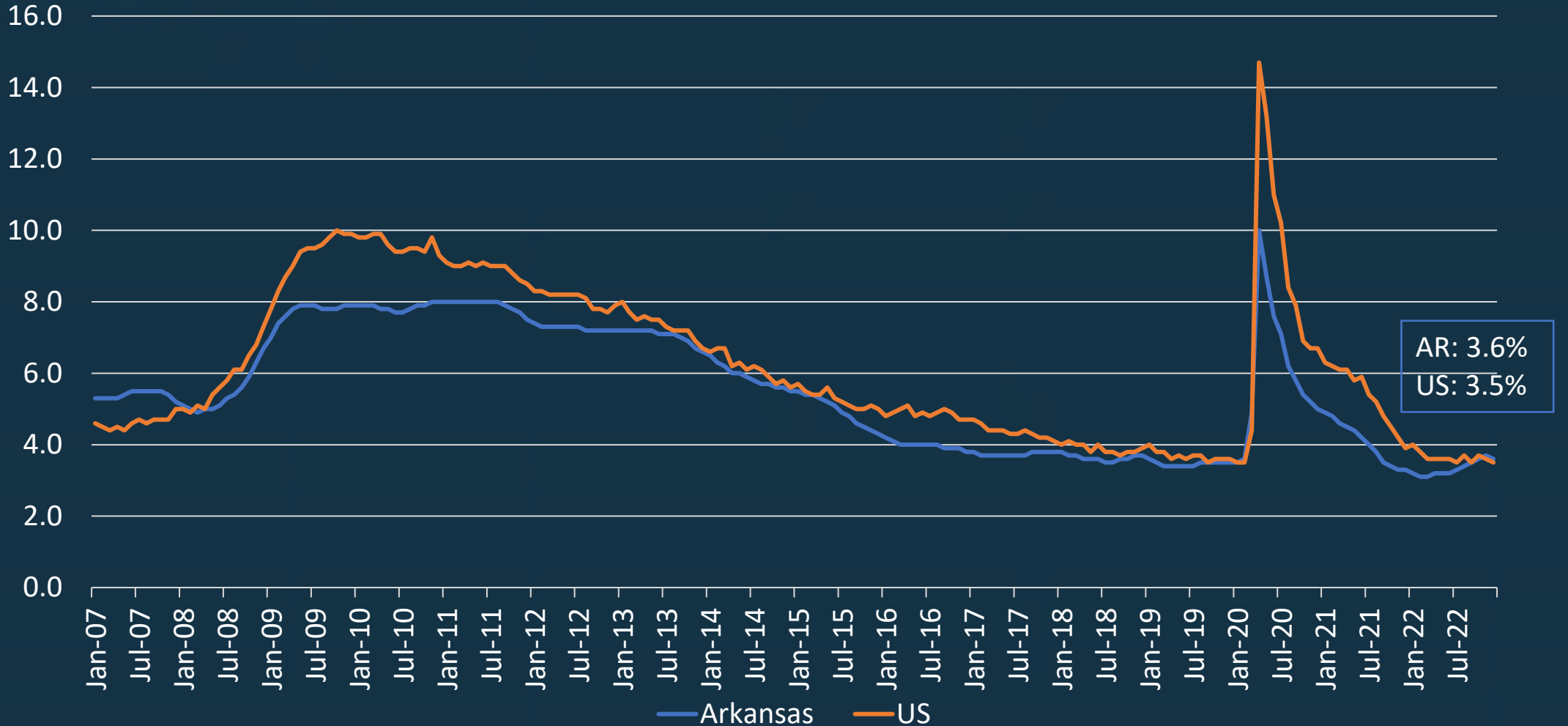


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## Arkansas Unemployment Rate



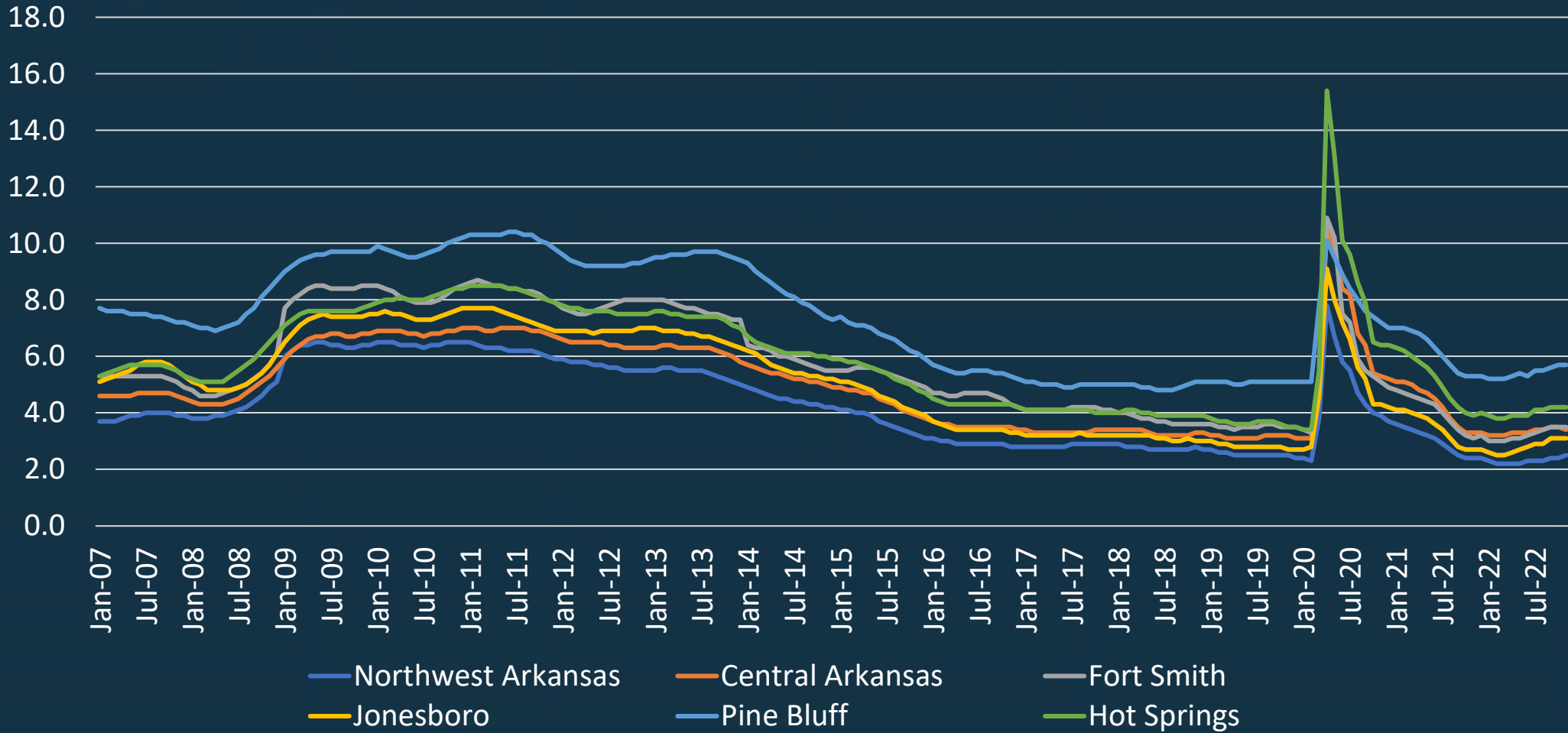
Source: Bureau of Labor Statistics

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## Arkansas MSA Unemployment Rates



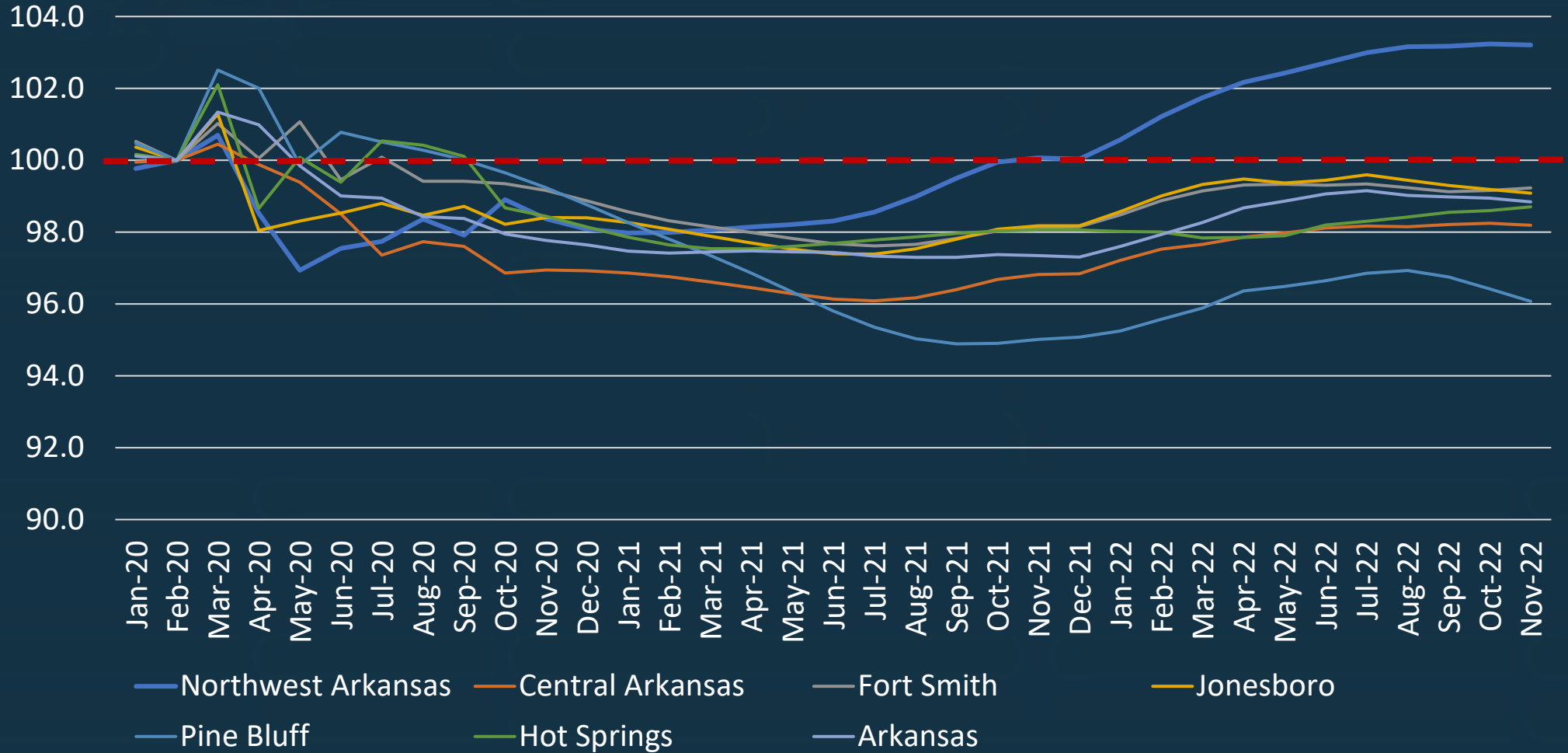
Source: Bureau of Labor Statistics

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## Labor Force by MSA, Indexed to Feb 2020



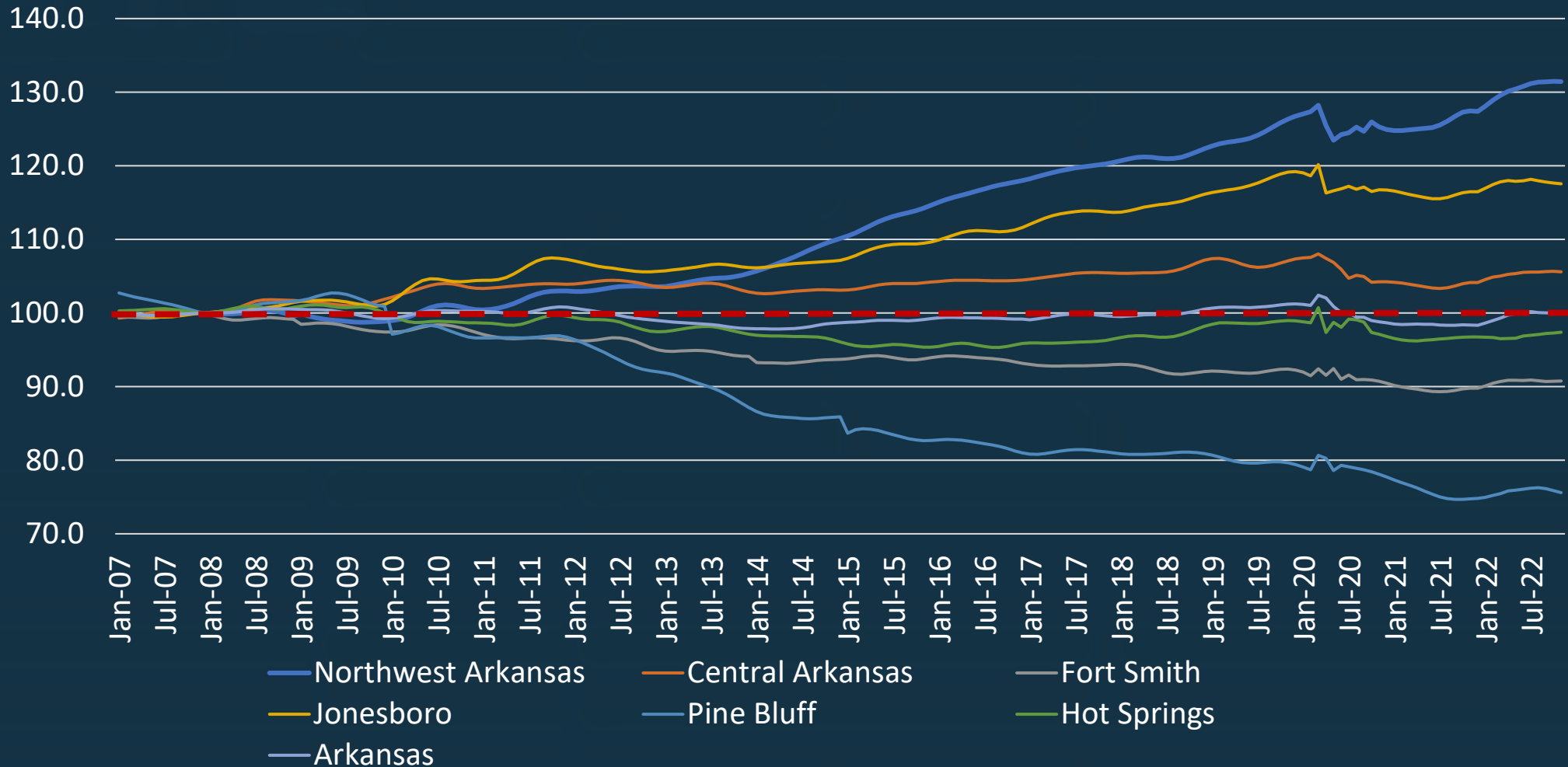
Source: Bureau of Labor Statistics, CBER calculations

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## Labor Force by MSA, Indexed to Dec 2007



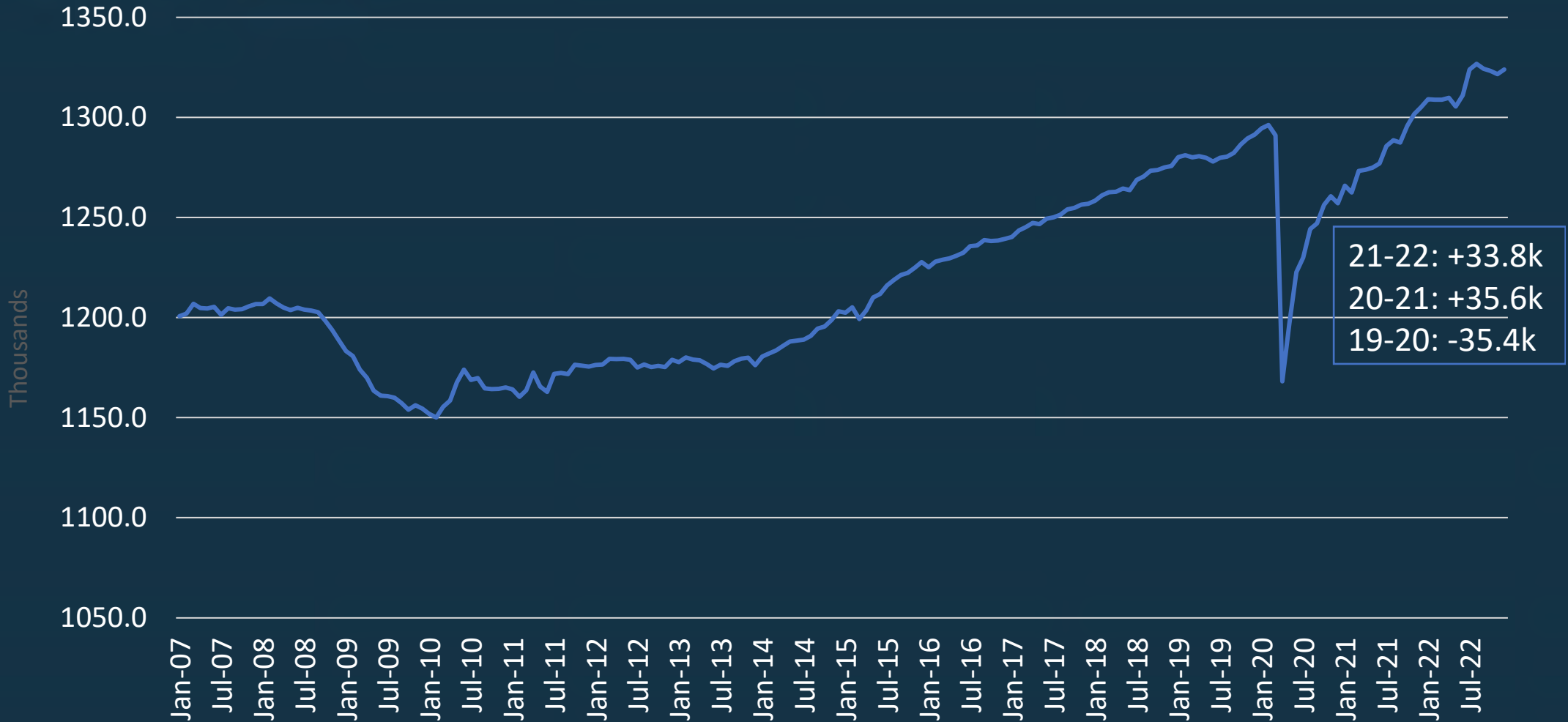
Source: Bureau of Labor Statistics, CBER calculations

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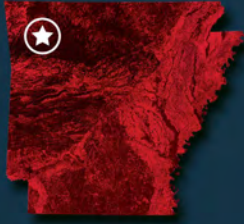
## Arkansas Non-Farm Employment



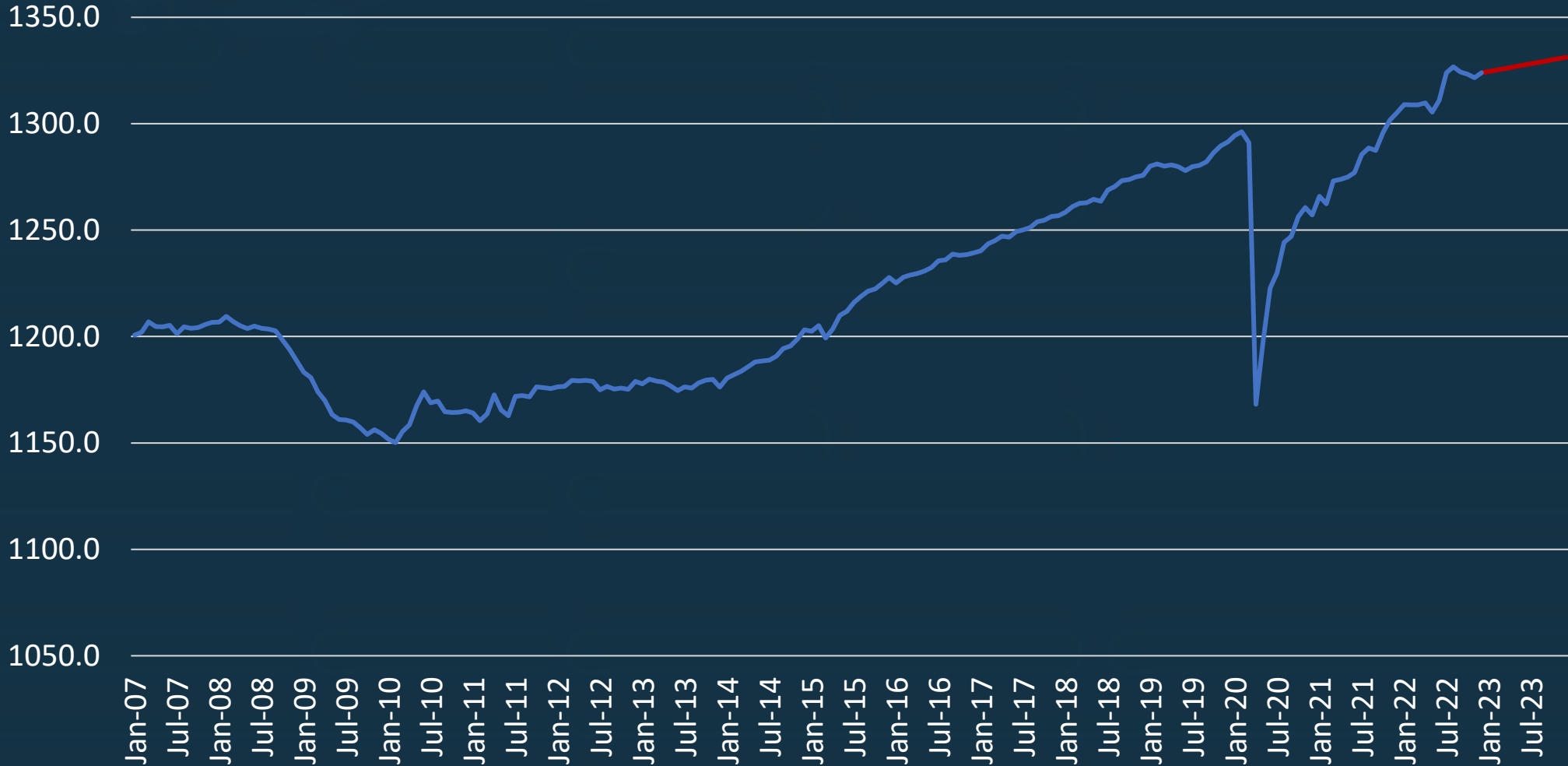
Source: Bureau of Labor Statistics

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## Arkansas Non-Farm Employment Forecast



Source: Bureau of Labor Statistics

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**The Great Crash of 1929**

**Philadelphia A's win  
1929 World Series**



 MORNING BREW

**Early 1980s recession**

**Philadelphia Phillies win  
1980 World Series**



**Great Recession**

**Philadelphia Phillies win  
2008 World Series**

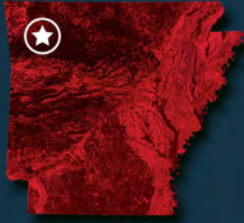


**Incoming financial crisis?**

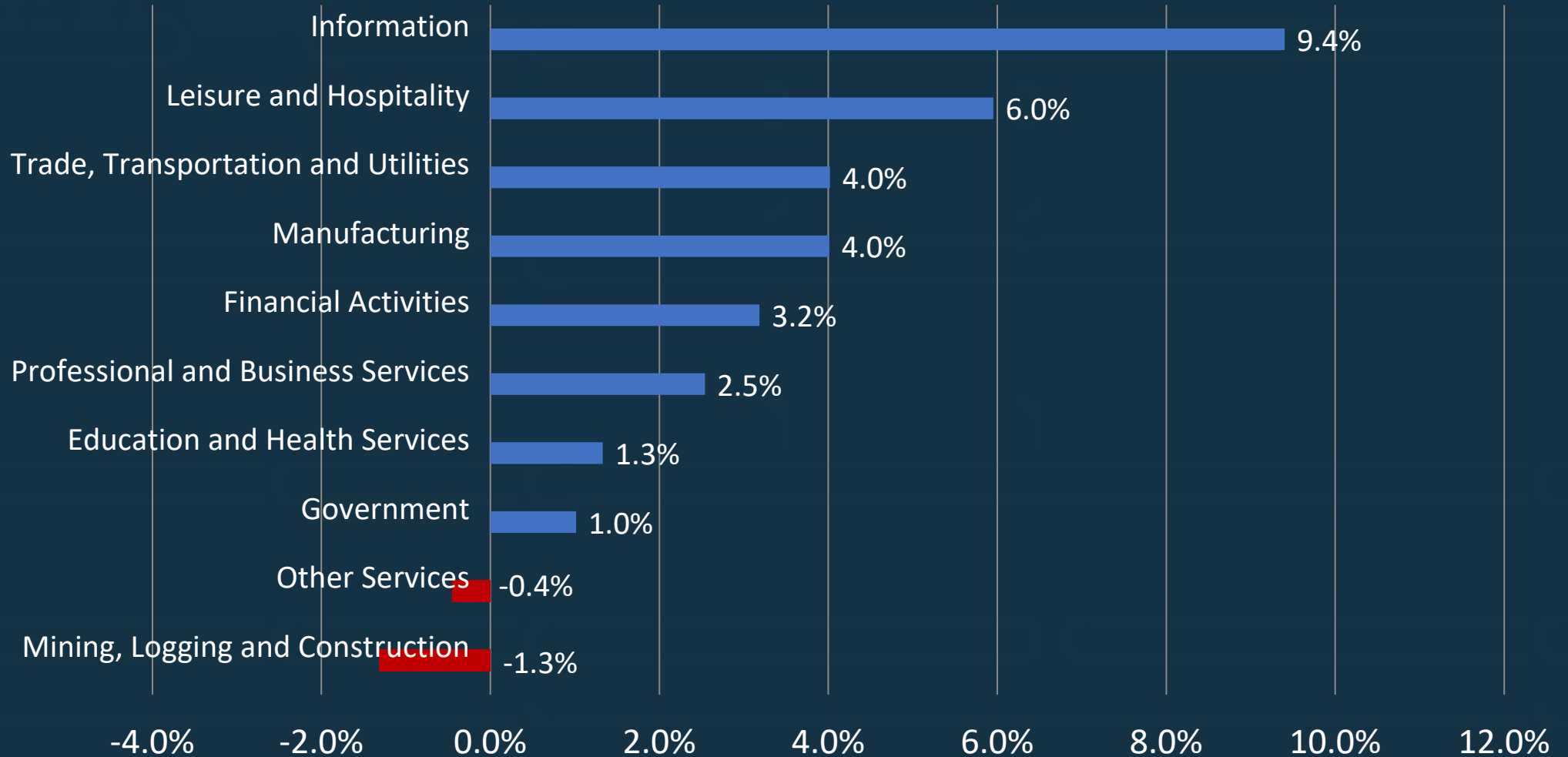
**The Philadelphia Phillies will face the  
Houston Astros in the 2022 World Series**



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## Arkansas Change in Employment by Sector 2021-22



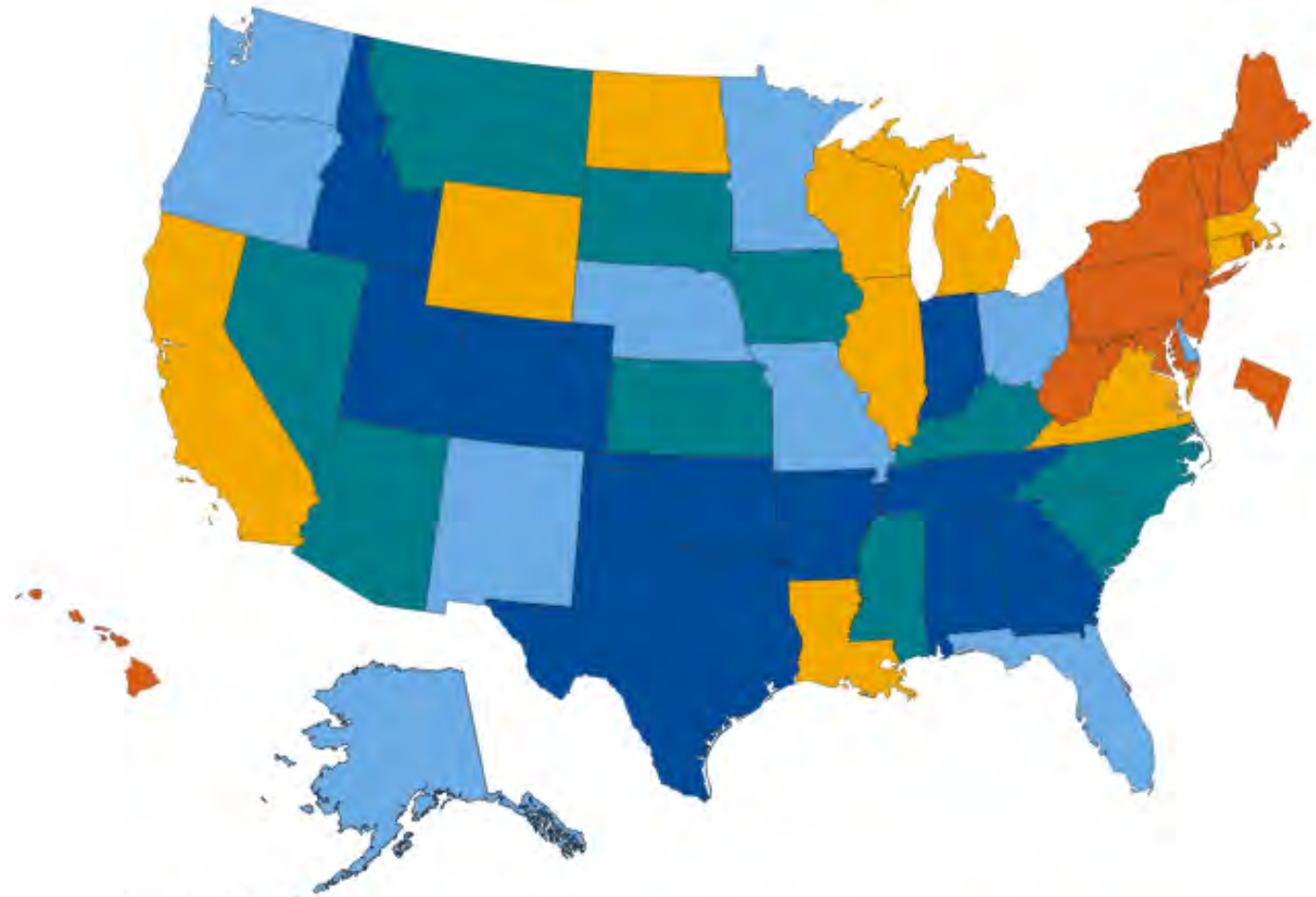
Source: Bureau of Labor Statistics

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## Outdoor Economy Employment Growth 2012-2021



Sources: BEA

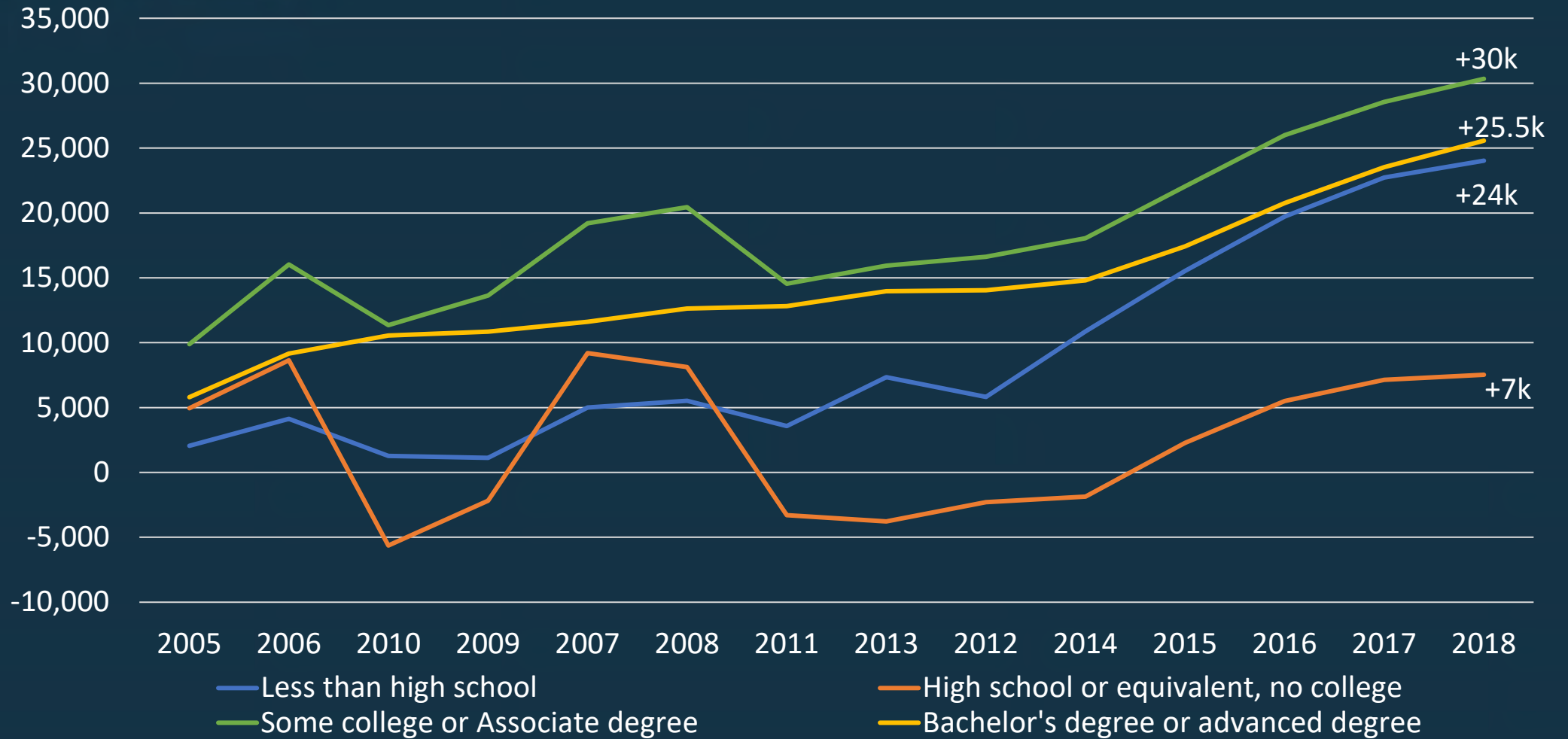
Legend: -0.3 to 1.5, -0.5 to -0.3, -0.8 to -0.5, -1.5 to -0.8, -4.3 to -1.5

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## Cumulative Change in Employment by Educational Attainment

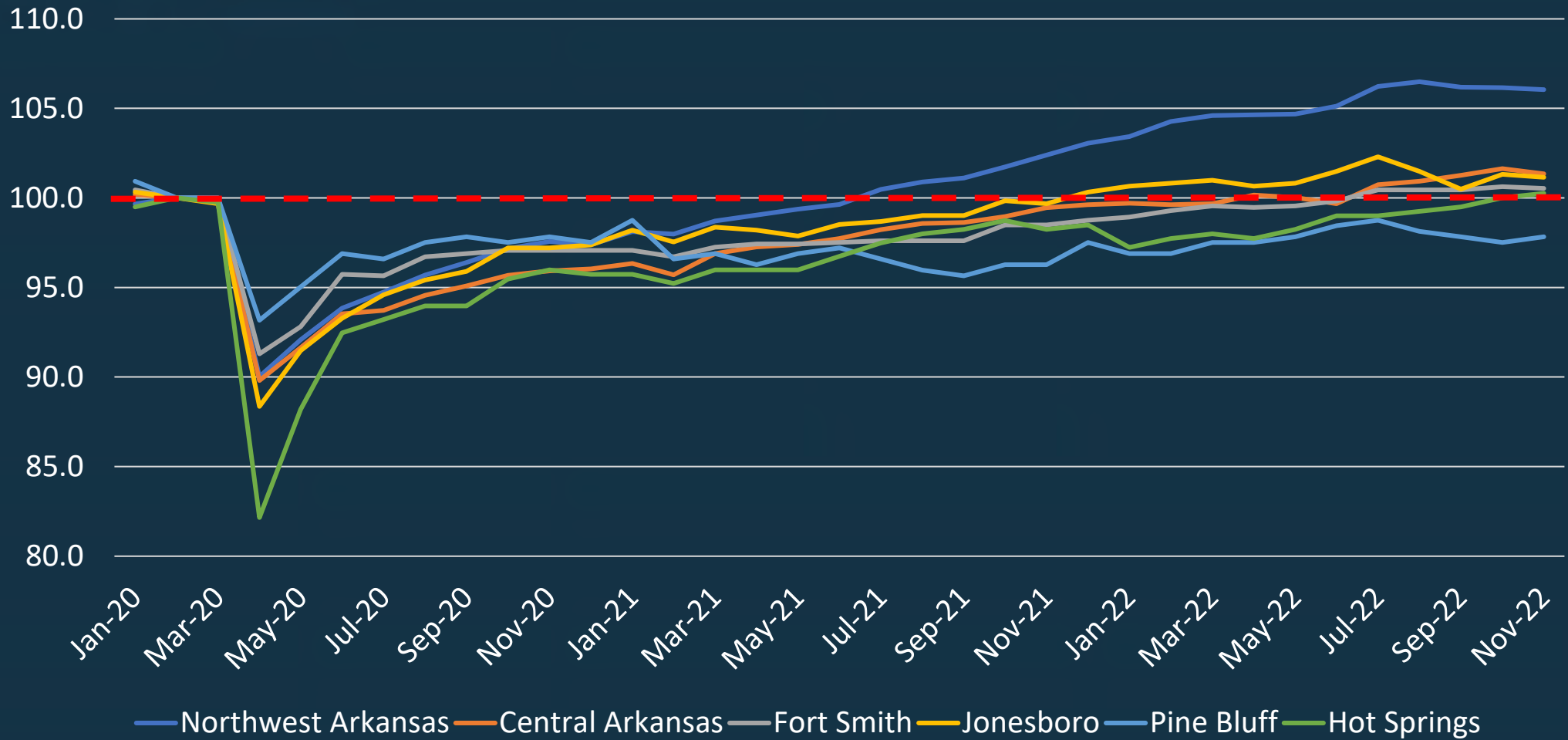


Source: U.S. Census Bureau

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## Employment by MSA, Indexed to Feb 2020



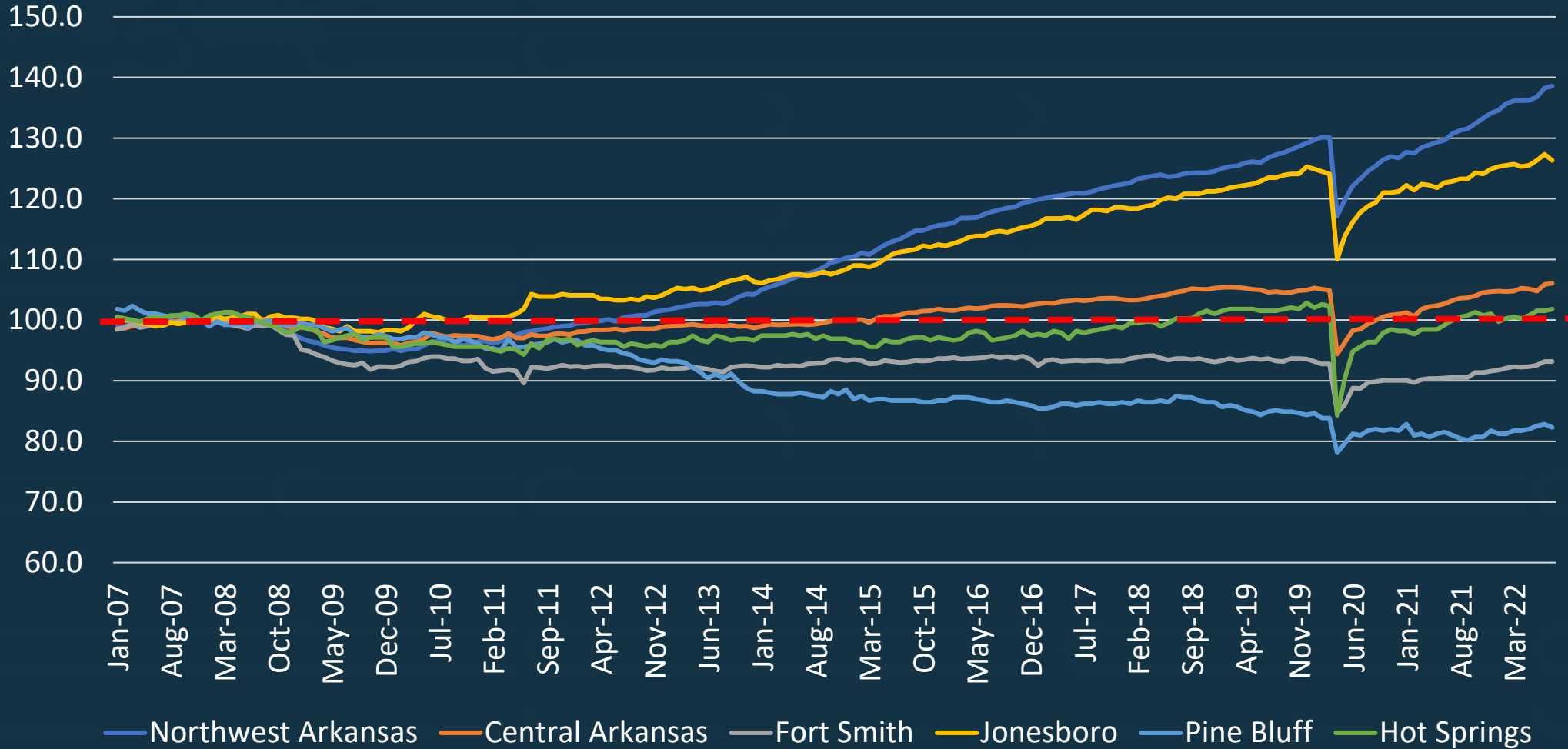
Source: Bureau of Labor Statistics, CBER calculations

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## Employment by MSA, Indexed to Dec 2007



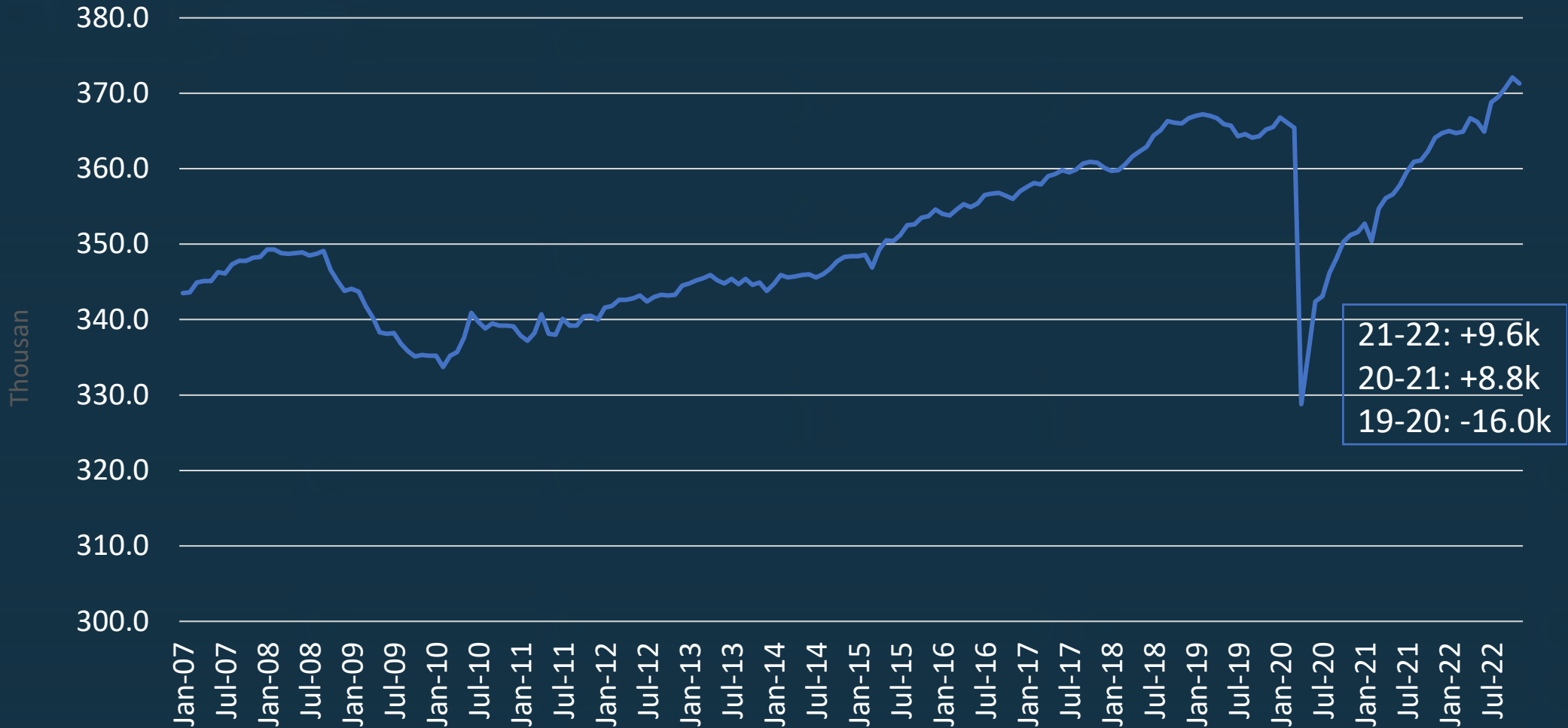
Source: Bureau of Labor Statistics, CBER calculations

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## Central Arkansas Non-Farm Employment

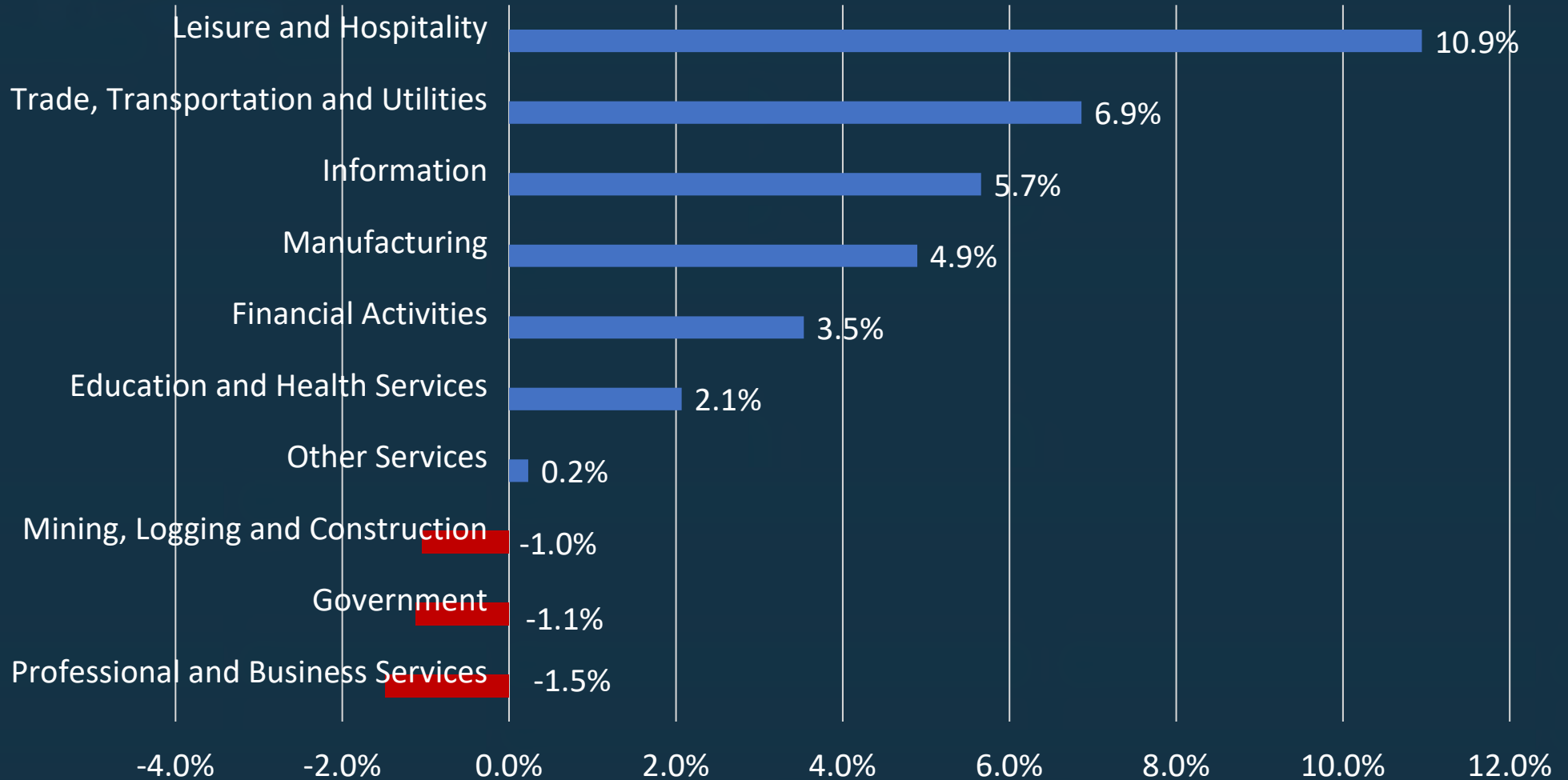


Source: Bureau of Labor Statistics

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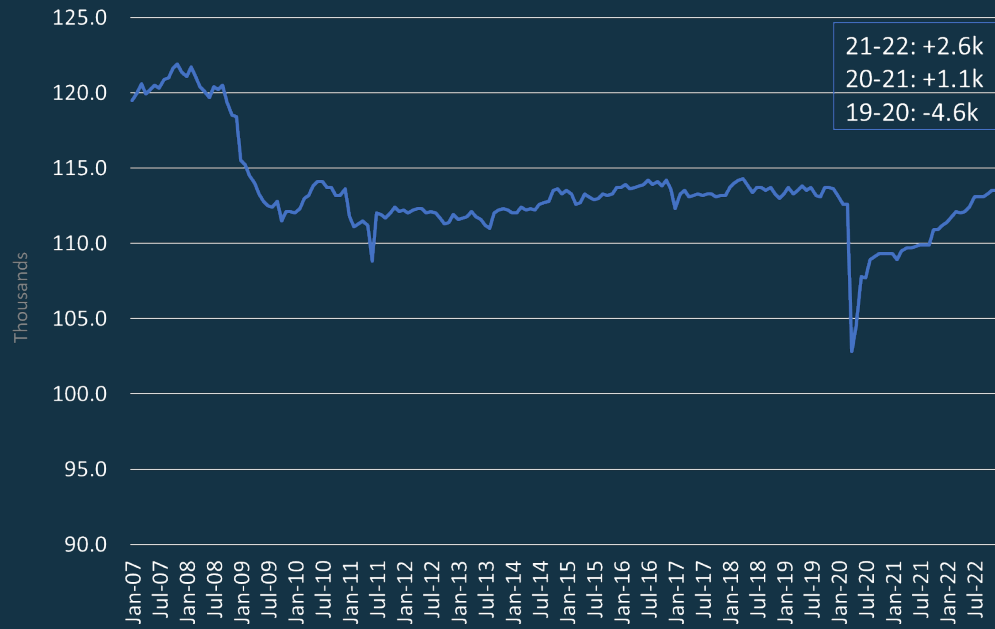


Central Arkansas Change in Employment by Sector, 2021-22



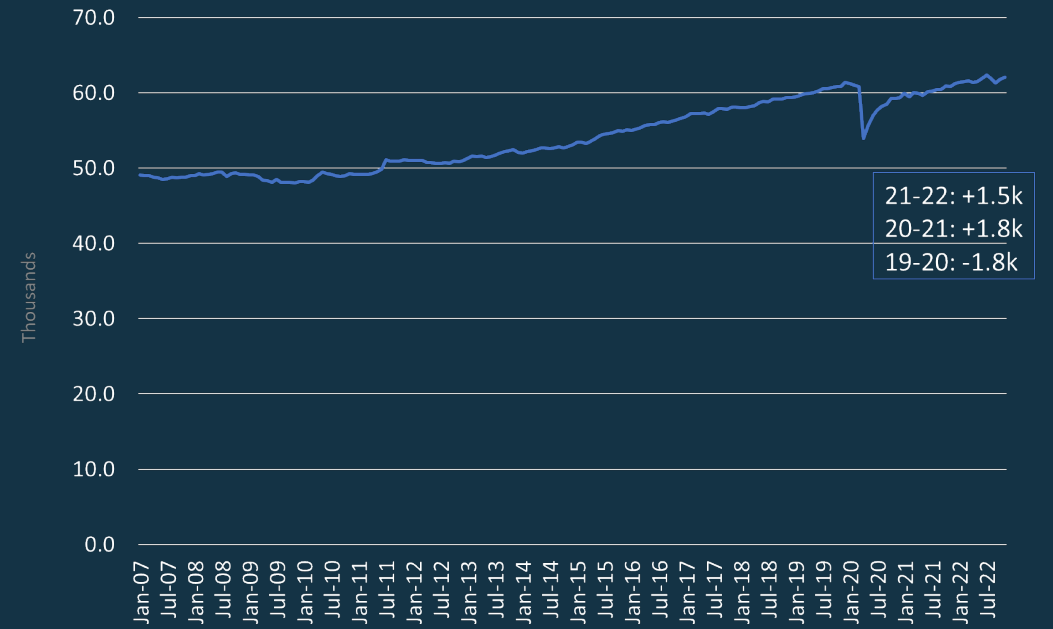
Source: Bureau of Labor Statistics

### Fort Smith Non-Farm Employment



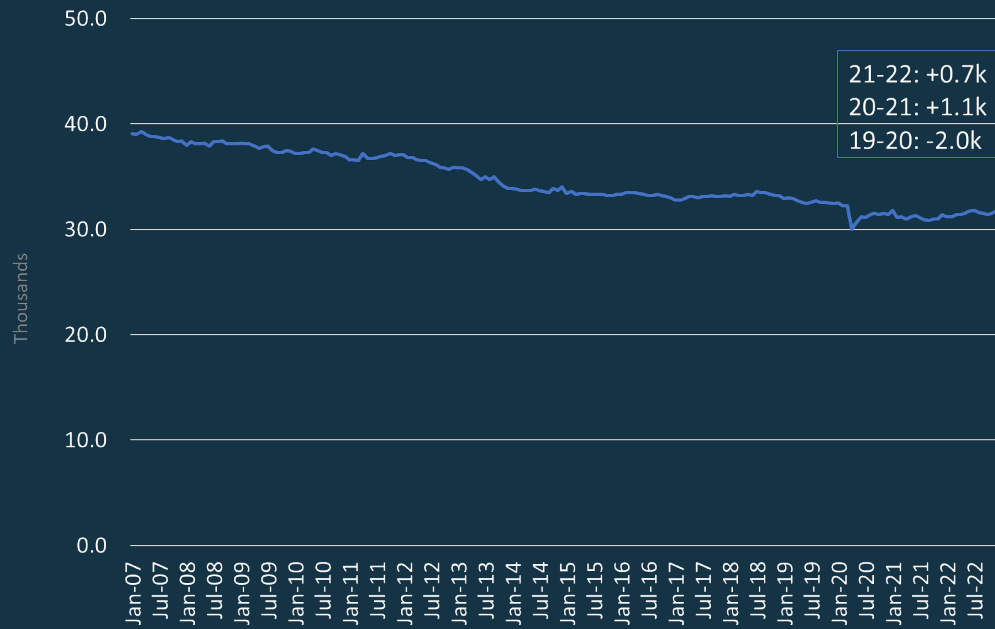
Source: Bureau of Labor Statistics

### Jonesboro Non-Farm Employment



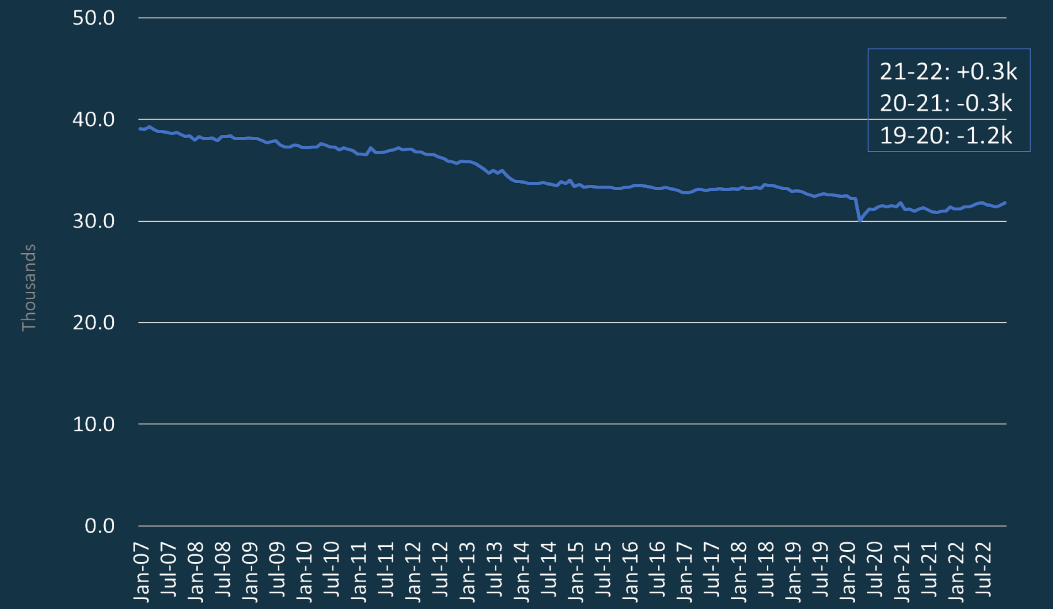
Source: Bureau of Labor Statistics

### Hot Springs Non-Farm Employment



Source: Bureau of Labor Statistics

### Pine Bluff Non-Farm Employment



Source: Bureau of Labor Statistics

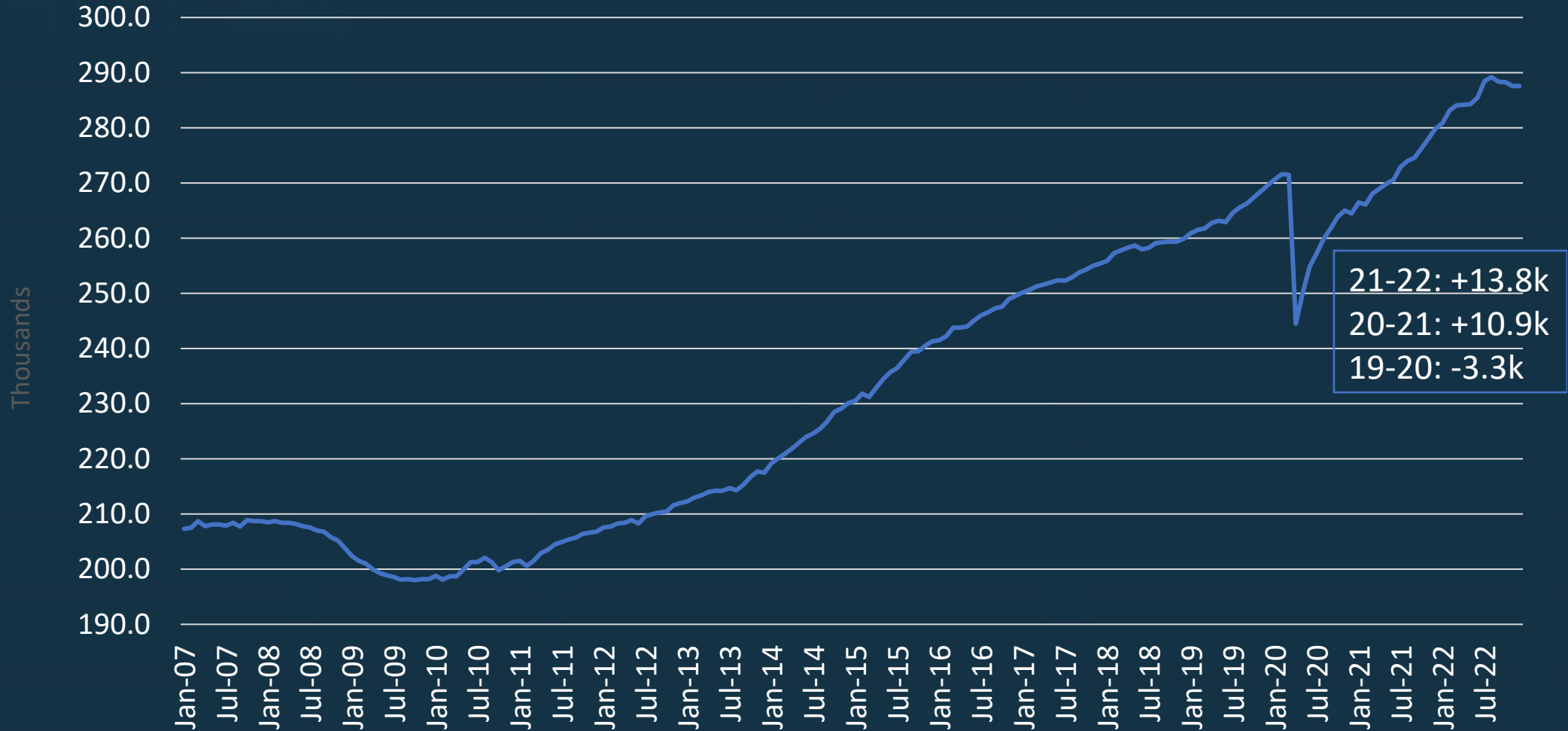


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## Northwest Arkansas Non-Farm Employment



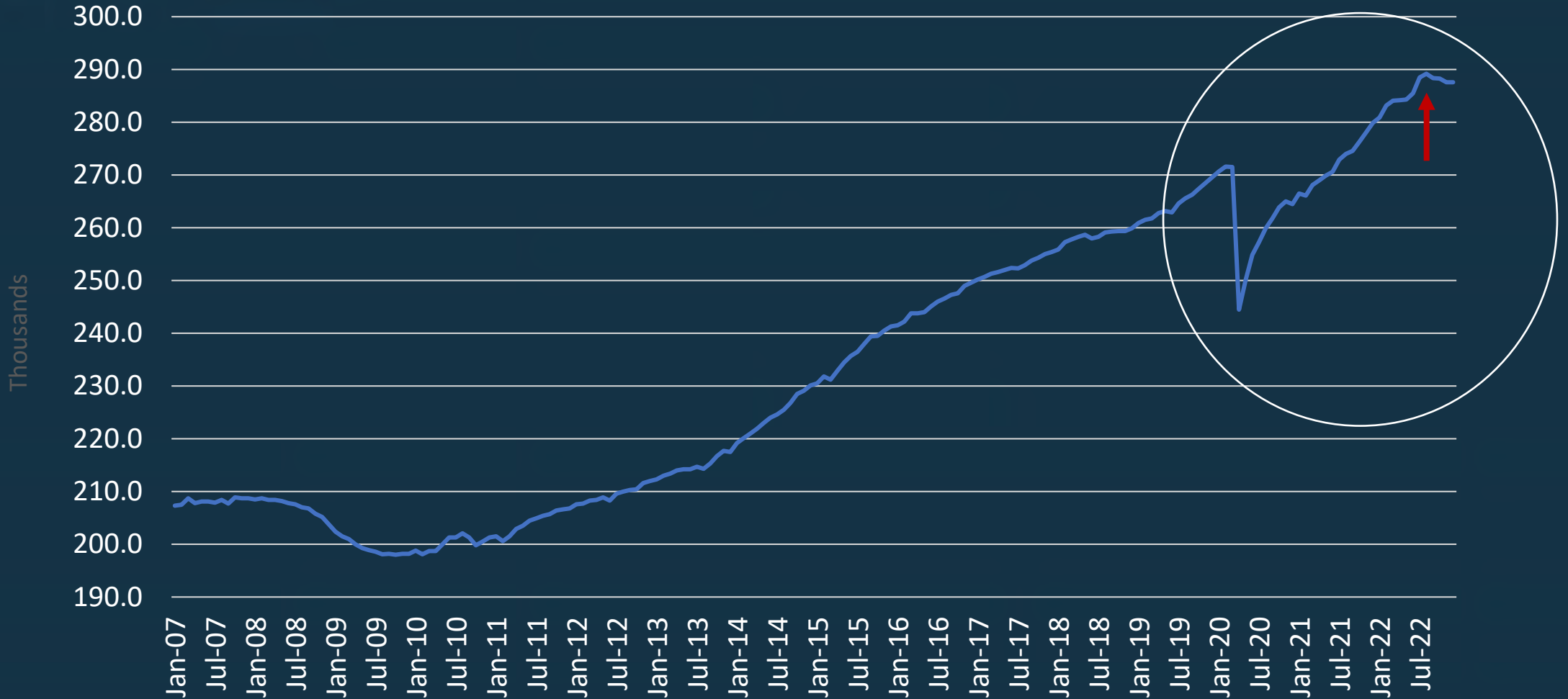
Source: Bureau of Labor Statistics

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## Northwest Arkansas Non-Farm Employment



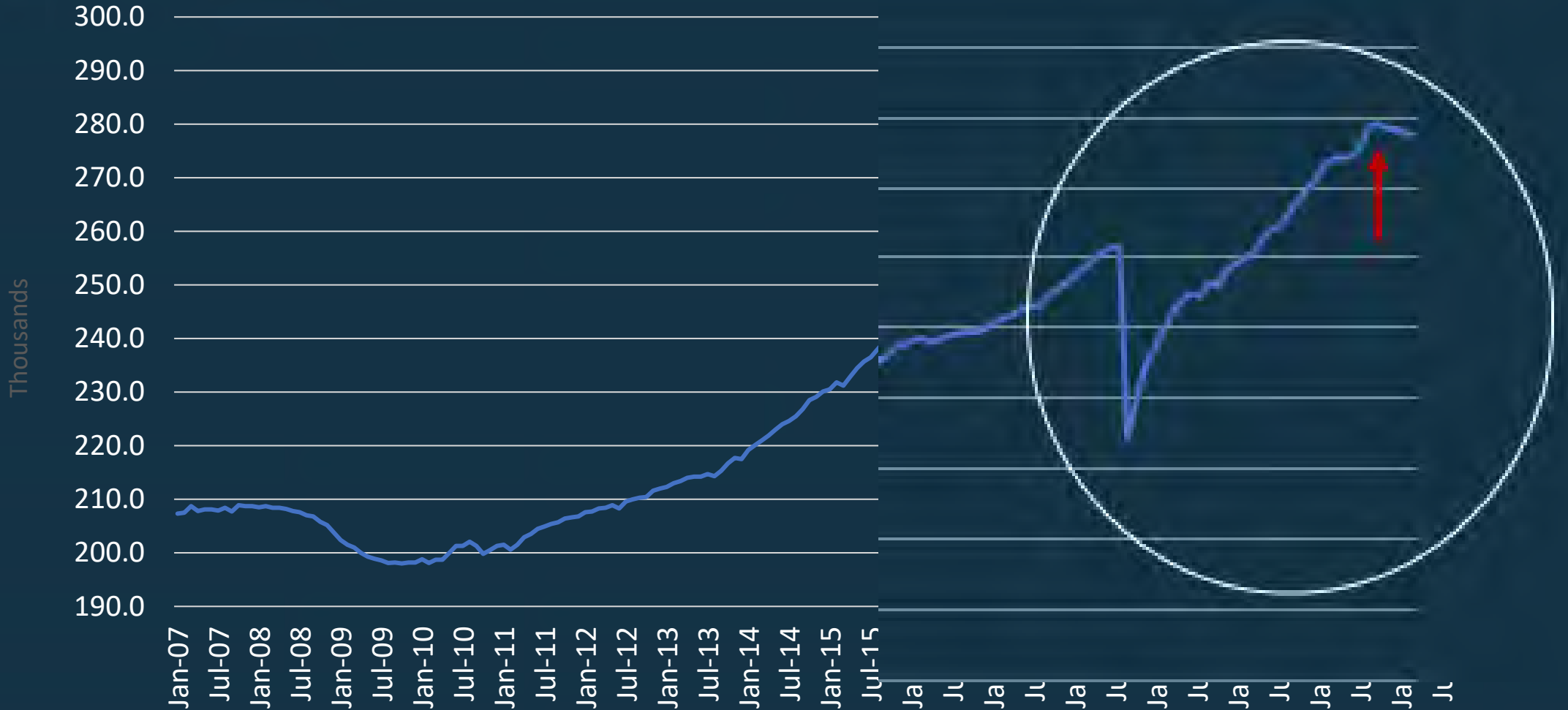
Source: Bureau of Labor Statistics

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## Northwest Arkansas Non-Farm Employment



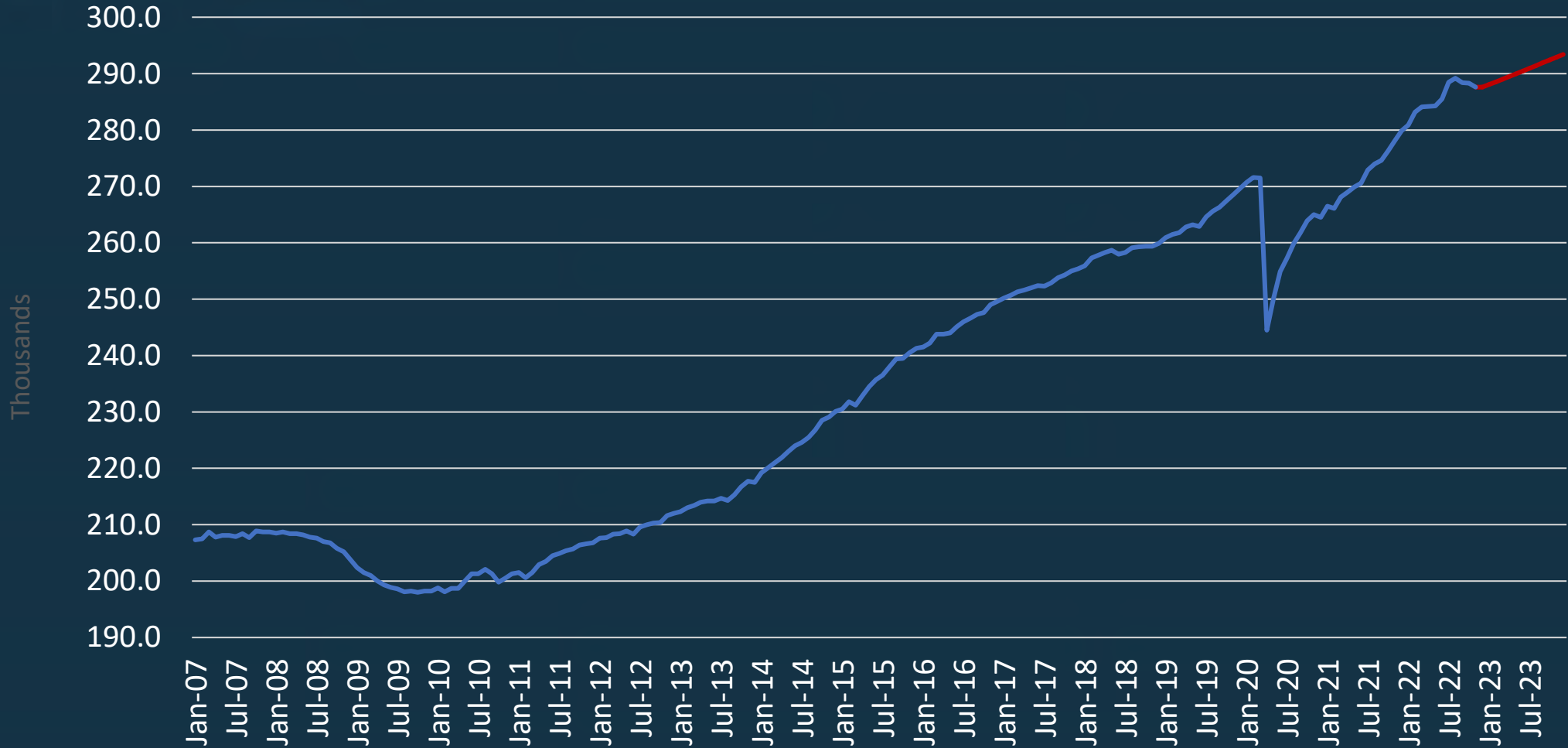
Source: Bureau of Labor Statistics

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## Northwest Arkansas Non-Farm Employment Forecast

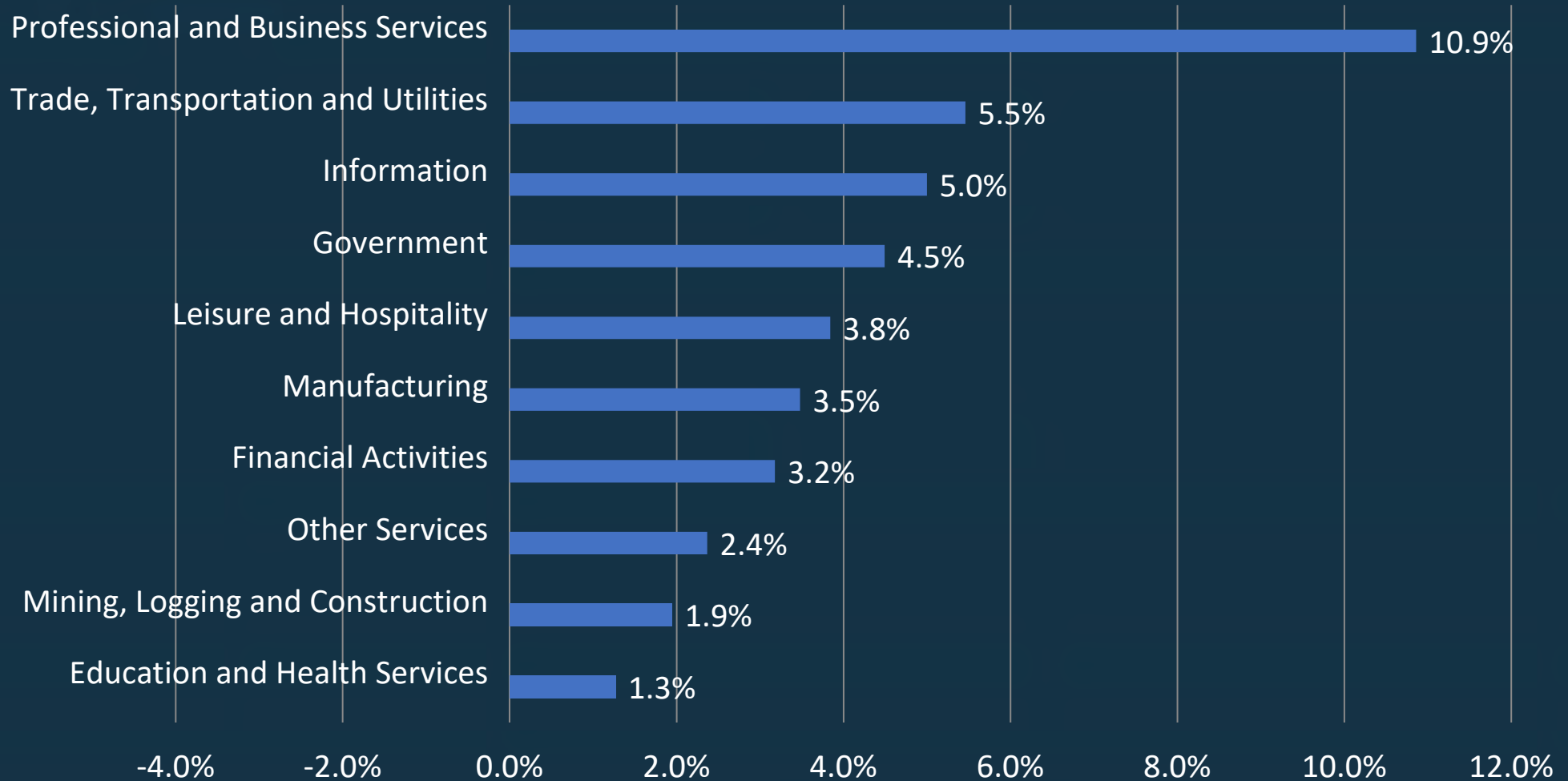


Source: Bureau of Labor Statistics

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Northwest Arkansas Change in Employment by Sector, 2021-22



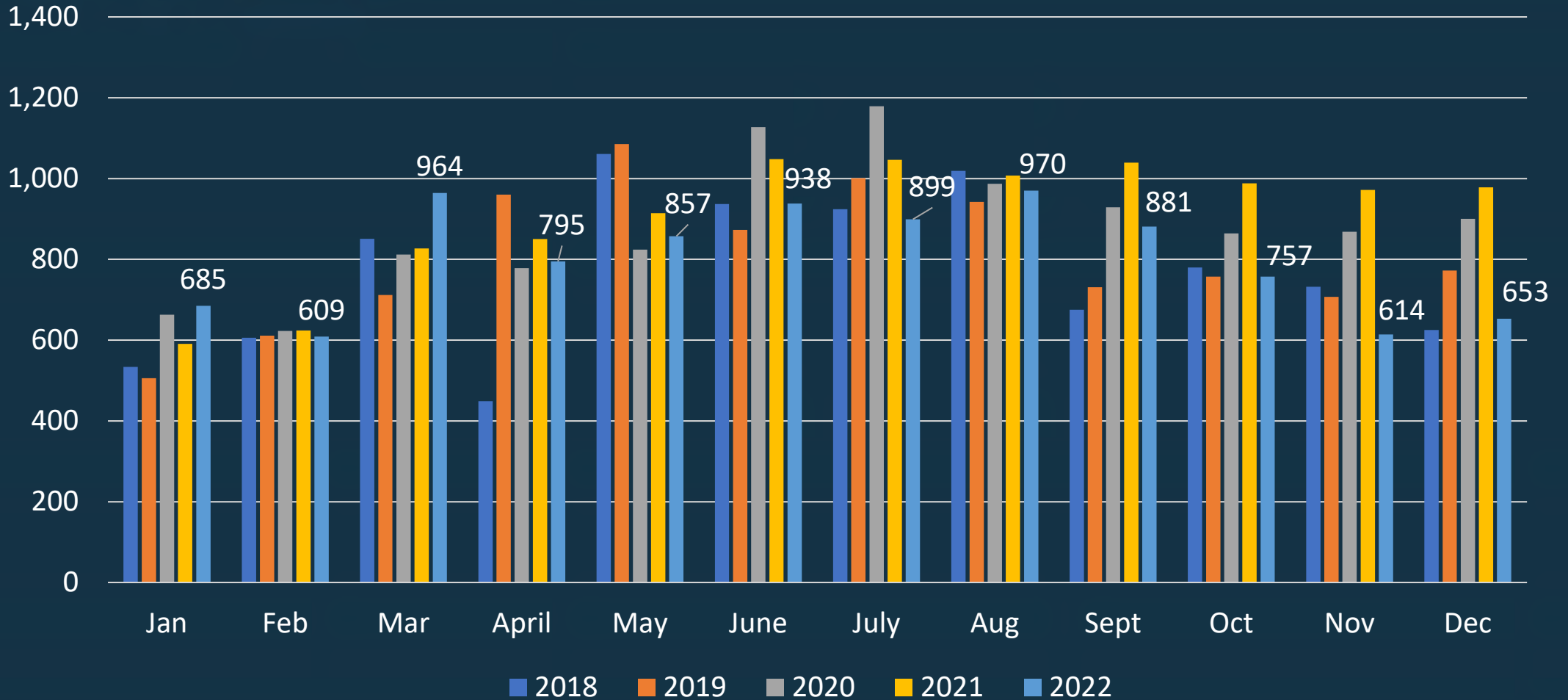
Source: Bureau of Labor Statistics

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## Northwest Arkansas Number of Homes Sold

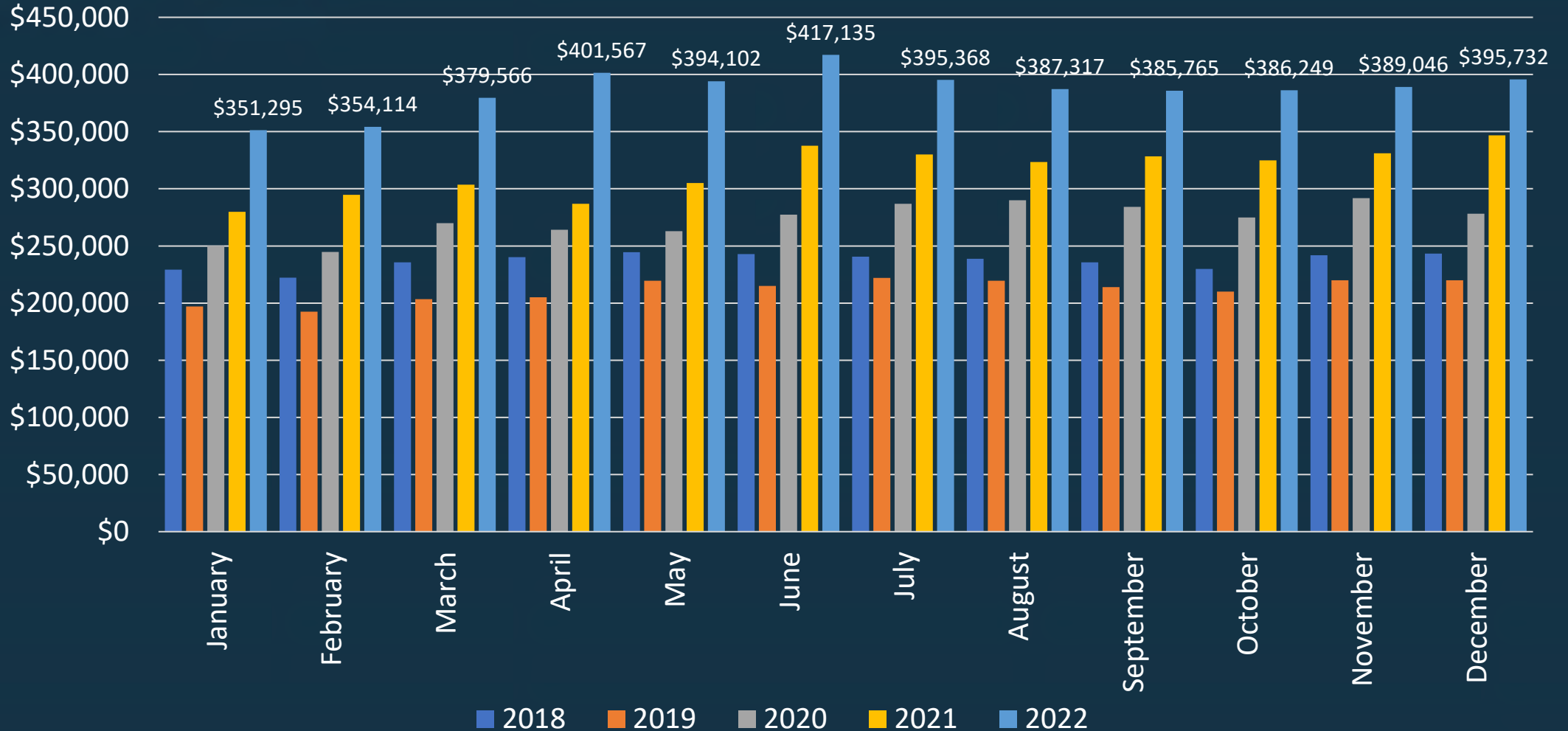


Source: Skyline Report, MLS Database

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## Northwest Arkansas Average Home Price

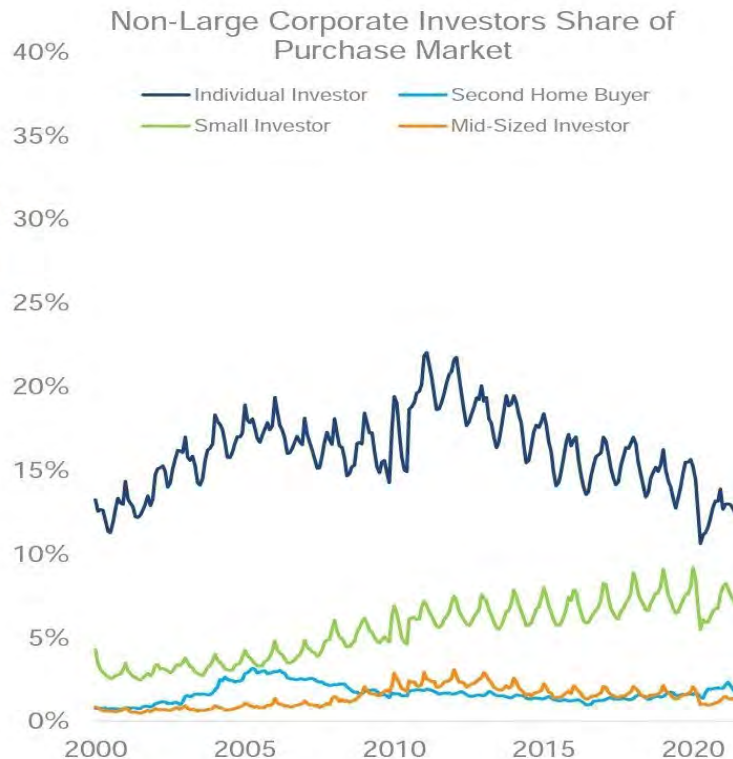


Source: Skyline Report, MLS Database

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## Investors Share Up Modestly, Large Corporate Investor Purchases are Rising but Remain a Small Share of the Market, Small Investors Are Rising the Most



Source: CoreLogic



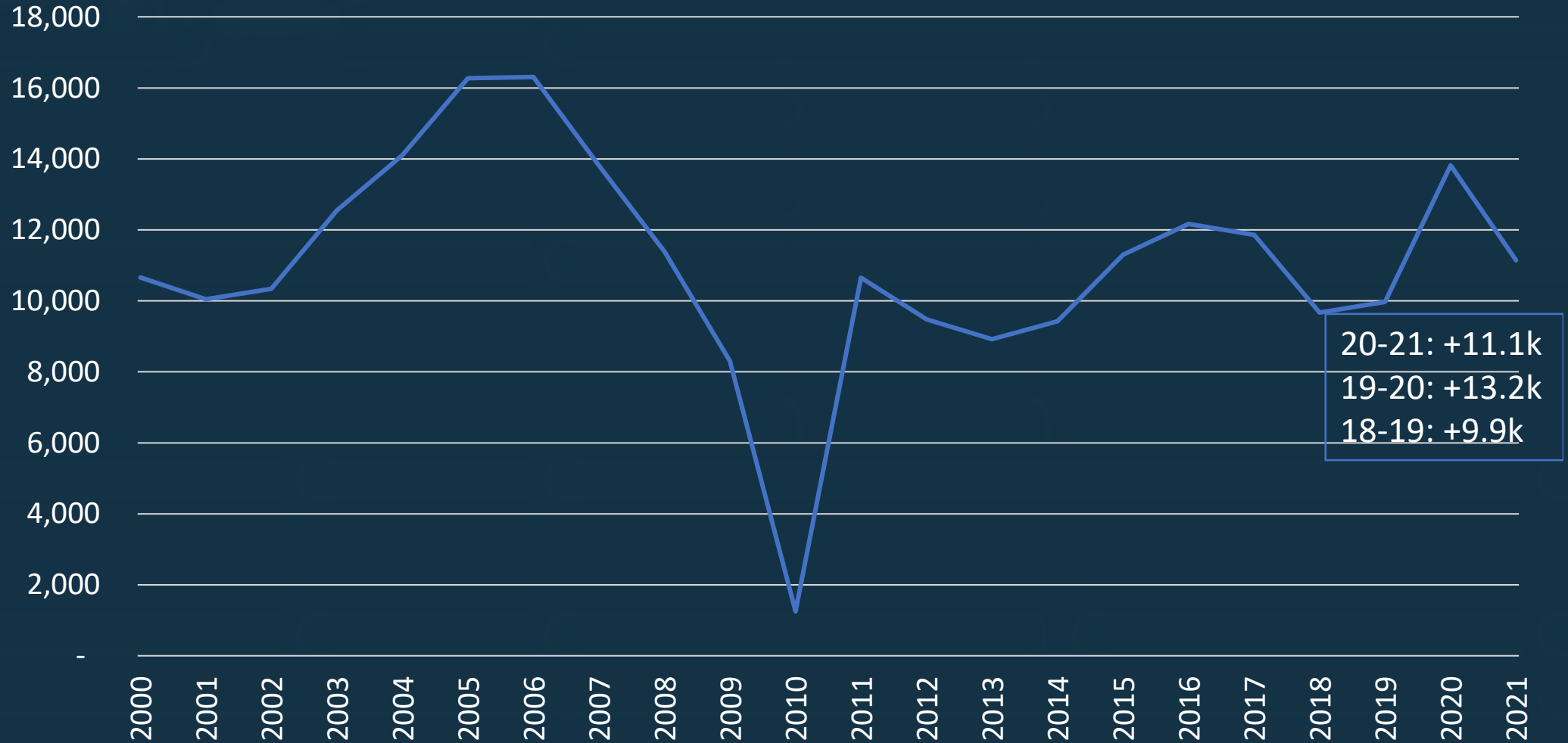


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## Northwest Arkansas Population Growth



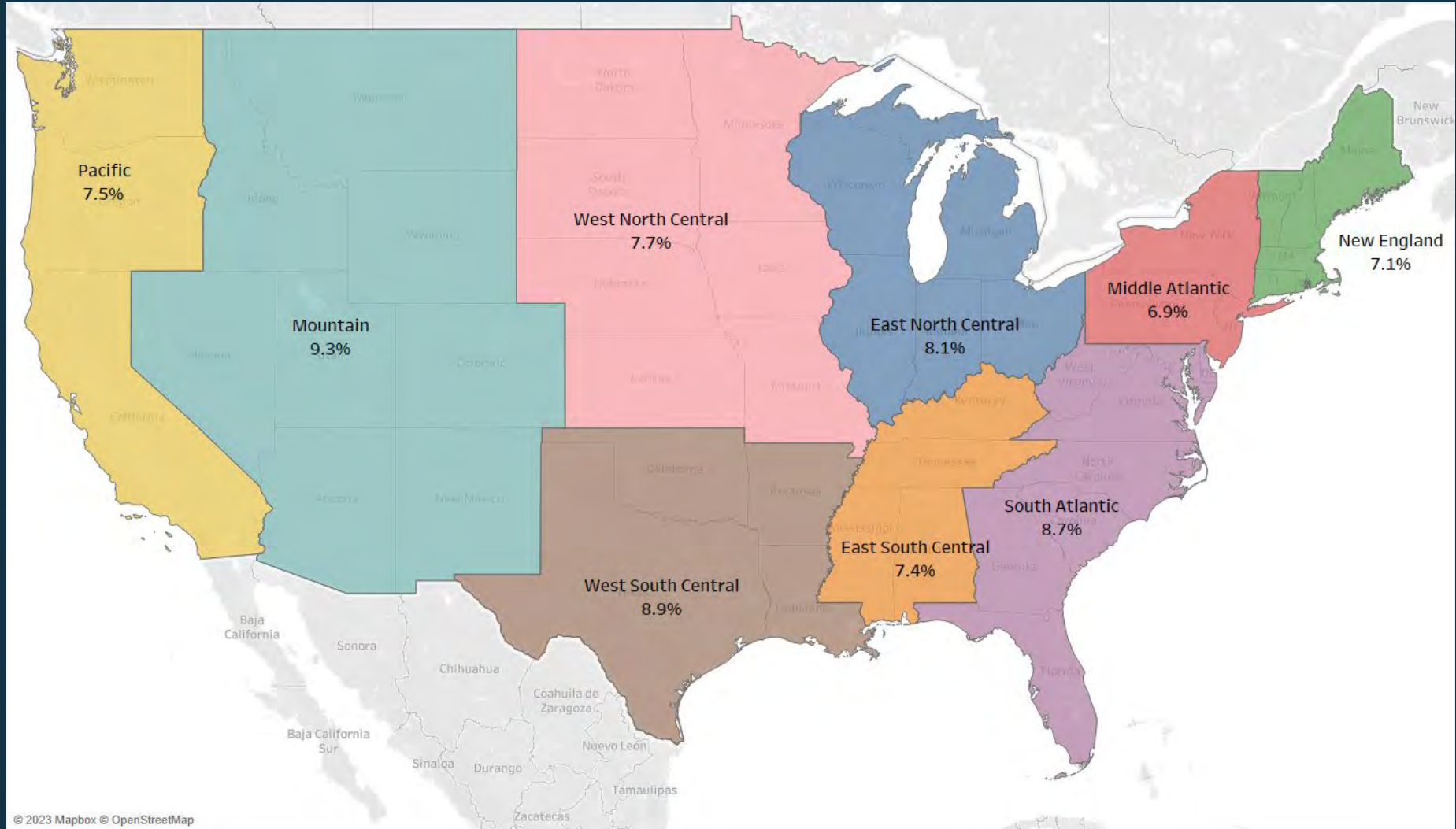
Source: U.S. Census Bureau

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## Annual Inflation Rate by Region



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JAN 27, 2023

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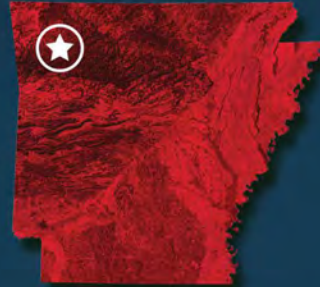
JBHT 404  
FAYETTEVILLE, AR 72701  
(479) 575-4151  
[cber@walton.uark.edu](mailto:cber@walton.uark.edu)



Sam M. Walton College of Business

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THE CENTER FOR BUSINESS AND ECONOMIC RESEARCH

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