



FIFTH THIRD BANK

U.S. Economic Outlook: Losing the Race?

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Executive Summary

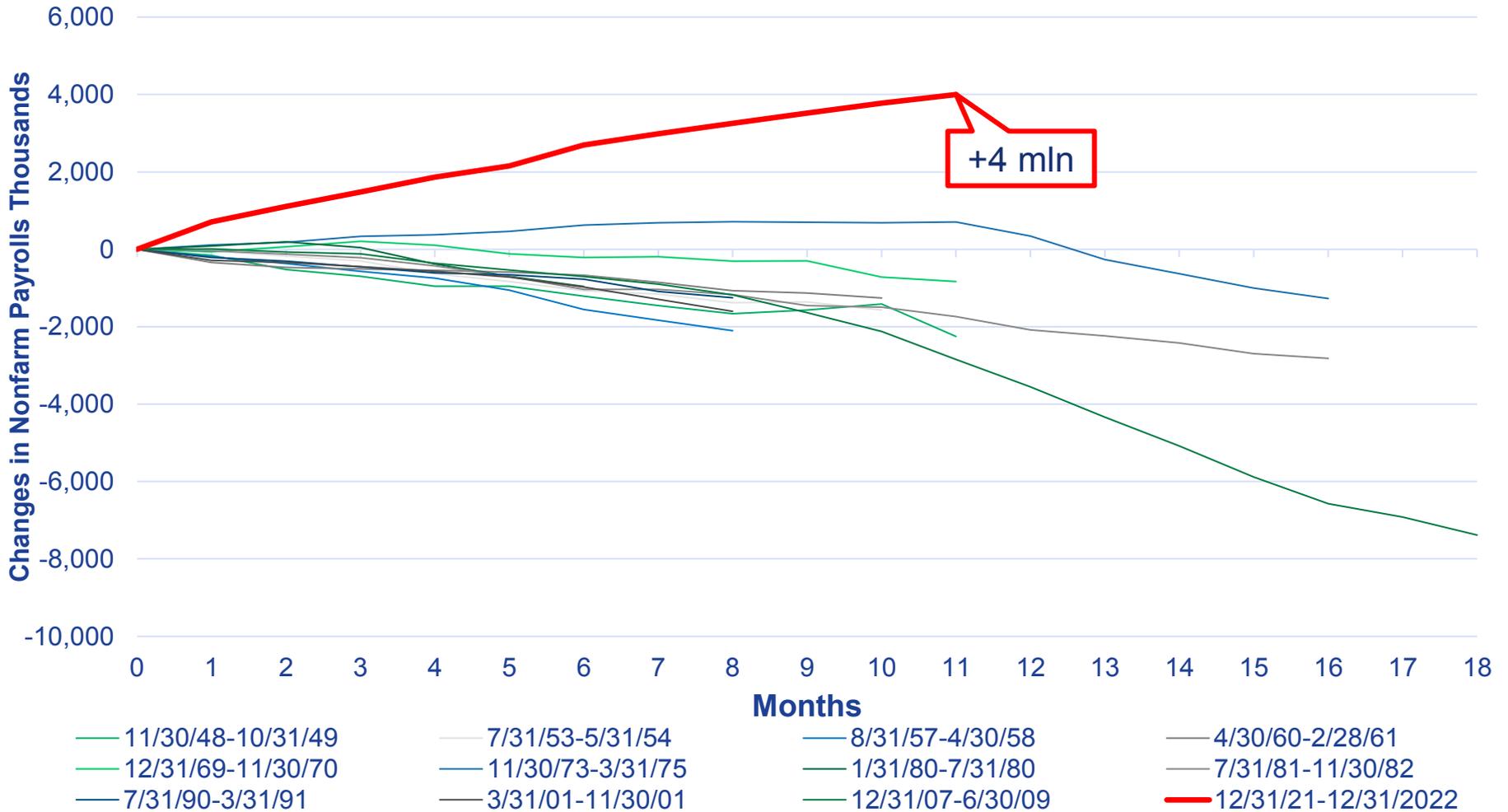
- Recession or Soft Landing?
- Defining a Recession
- Unusual Economic Resiliency
- The Inflation Question
- The K-Expansion

Support for growth: consumer economy



Source: Macrobond, BLS, as of 3/9/2023
Data from 1929-1947: annual unemployment rate, 14 years and over
Data from 1948 to current: monthly unemployment rate, 16 years and over

Nonfarm payroll changes during recessions vs. 2022



*source: U.S. Bureau of Labor

Consumer resiliency despite higher rates



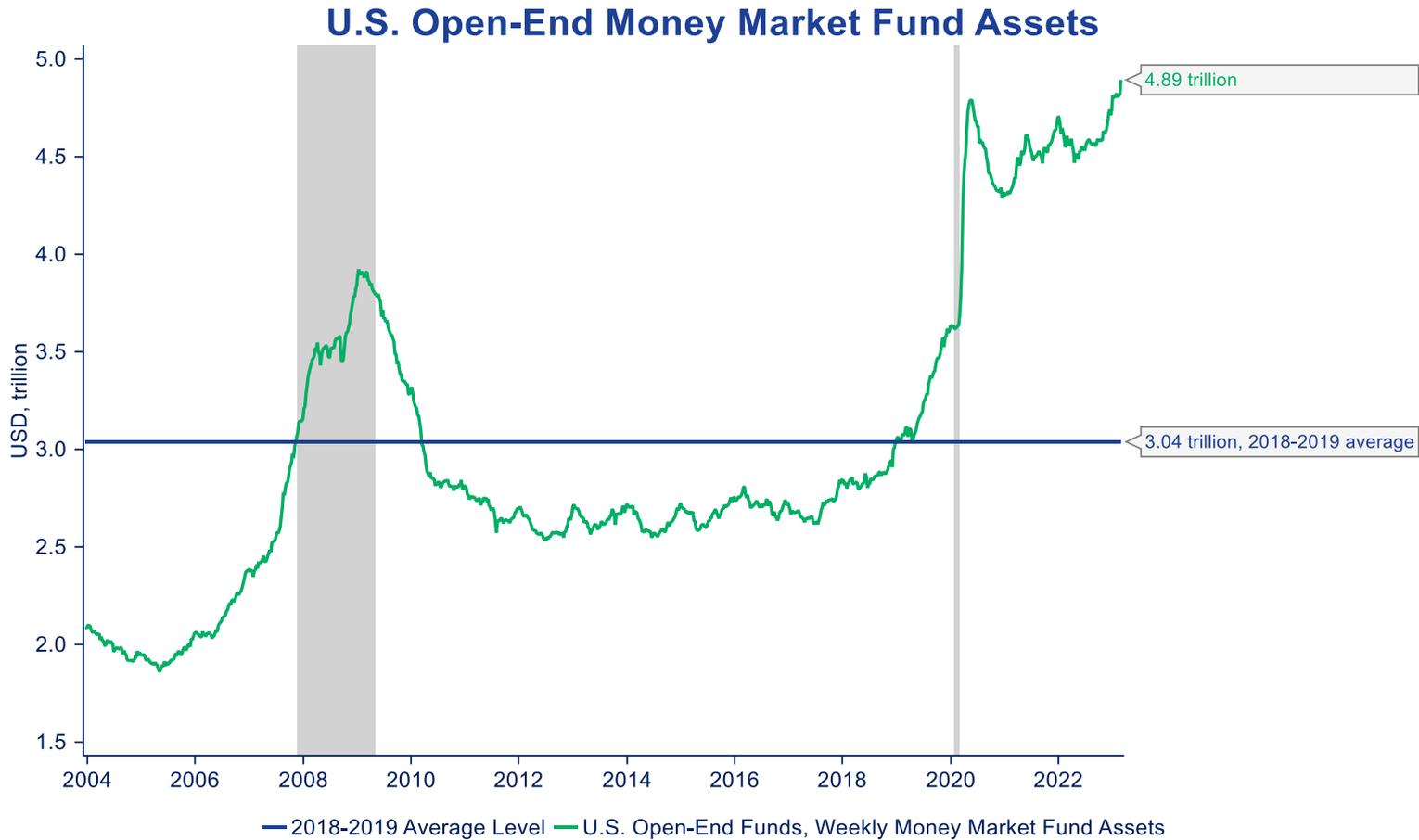
Source: Macrobond, Fed, as of 3/9/2023

Corporate financial strength



Source: Macrobond, Fed, as of 3/9/2023

Support for growth: money on the sidelines



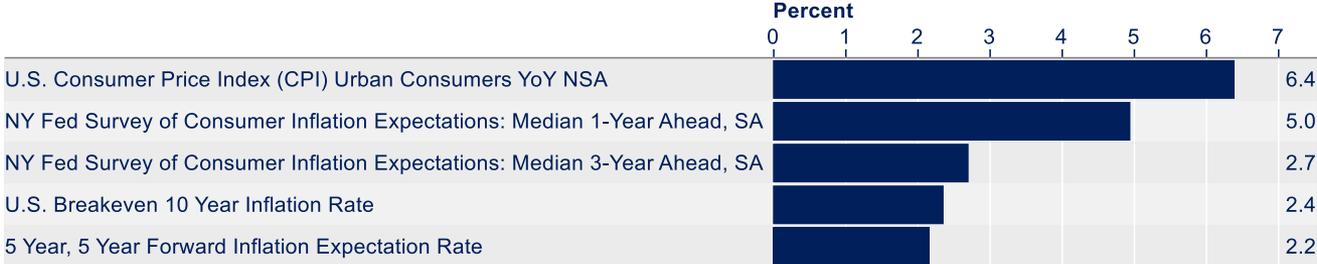
Source: Macrobond, ICI, as of 3/9/2023

Risk to growth: inflation is persistently high



Source: Macrobond, Bloomberg, as of 3/9/2023

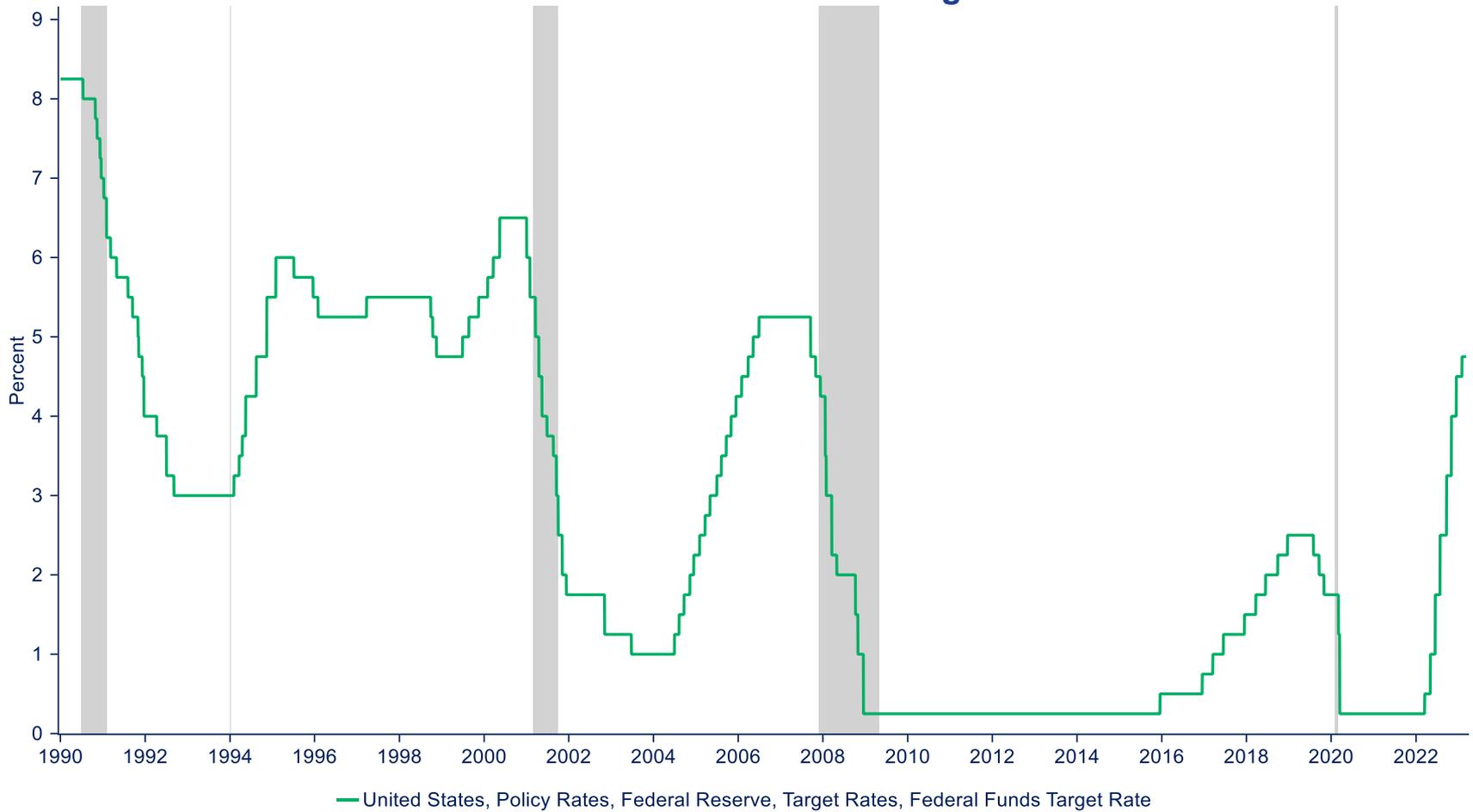
The risk of inflationary psychology



Source: Macrobond, Bloomberg, as of 3/9/2023

Fed on the warpath

United States Federal Funds Target Rate



Source: Macrobond, Fed, as of 3/9/2023

Fed Funds Hiking

Fed Funds Bottom	Fed Funds Peak	Duration (Years)	Change in Fed Funds (%)	From Start to End of Hikes Plus 12 months, the outcome was:
2/28/2022	?	0.83	3.7	?
11/30/2016	1/31/2019	2.25	1.99	No Recession
6/30/2004	8/31/2007	3.25	3.99	Recession
6/30/1999	1/31/2001	1.67	1.22	Recession
2/28/1994	5/31/1995	1.33	2.76	No Recession
2/28/1987	4/30/1989	2.25	3.74	No Recession
2/28/1983	8/31/1984	1.58	3.13	No Recession
7/31/1980	7/31/1981	1.08	10.01	Recession
1/31/1977	4/30/1980	3.33	13	Recession
2/29/1972	9/30/1973	1.67	7.49	Recession
11/30/1967	6/30/1969	1.67	4.77	Recession
4/30/1961	11/30/1966	5.67	4.27	No Recession
7/31/1958	11/30/1959	1.42	3.32	Recession

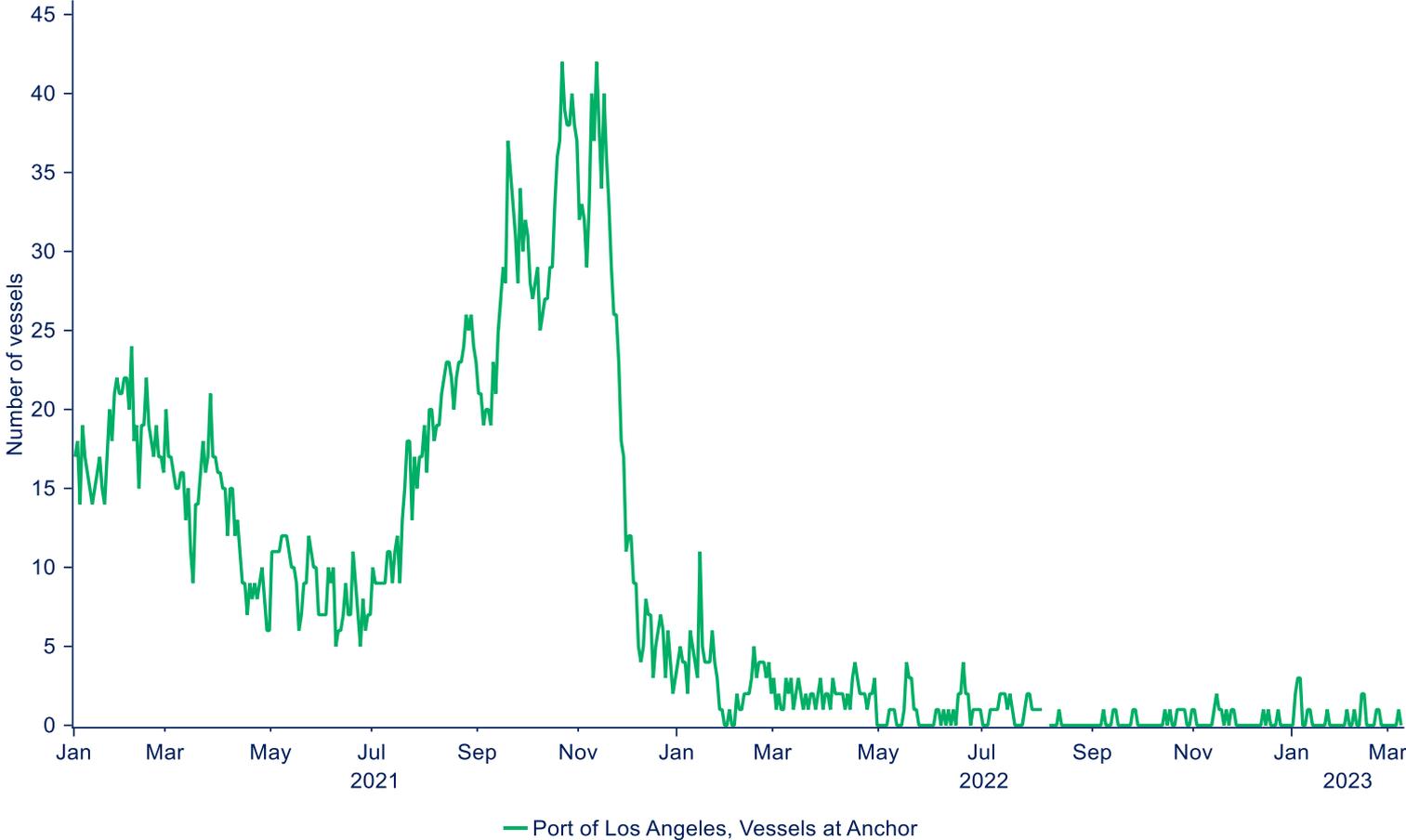
*Source: Bloomberg Monthly Data

Money supply growth collapse



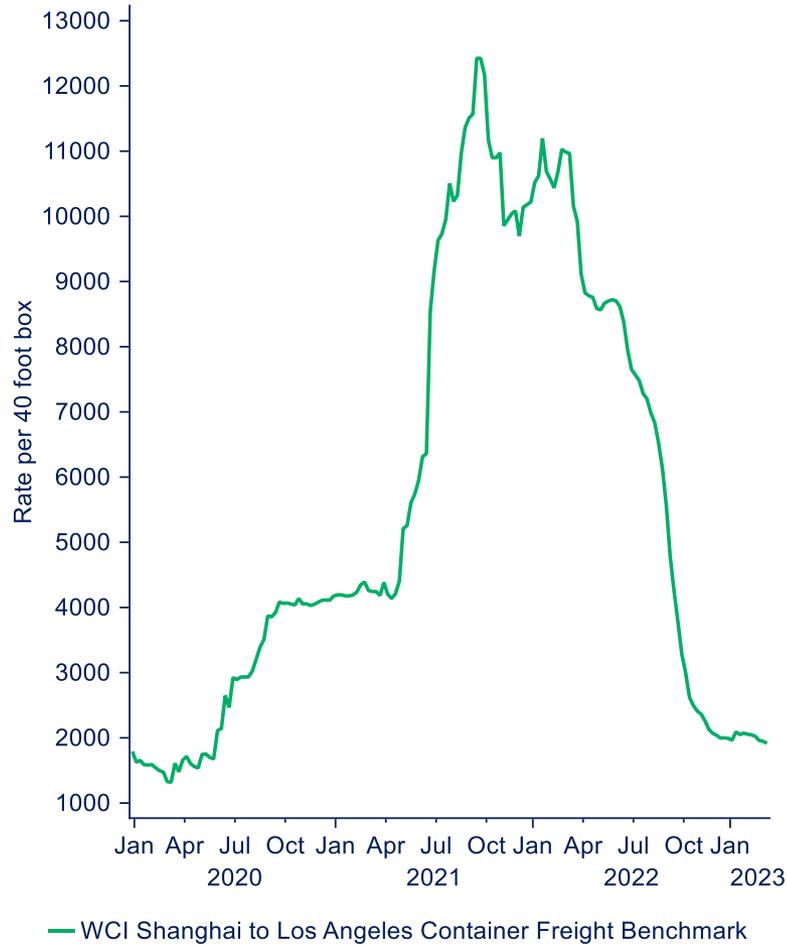
Source: Macrobond, Bloomberg, as of 3/9/2023

Supply chain stabilization

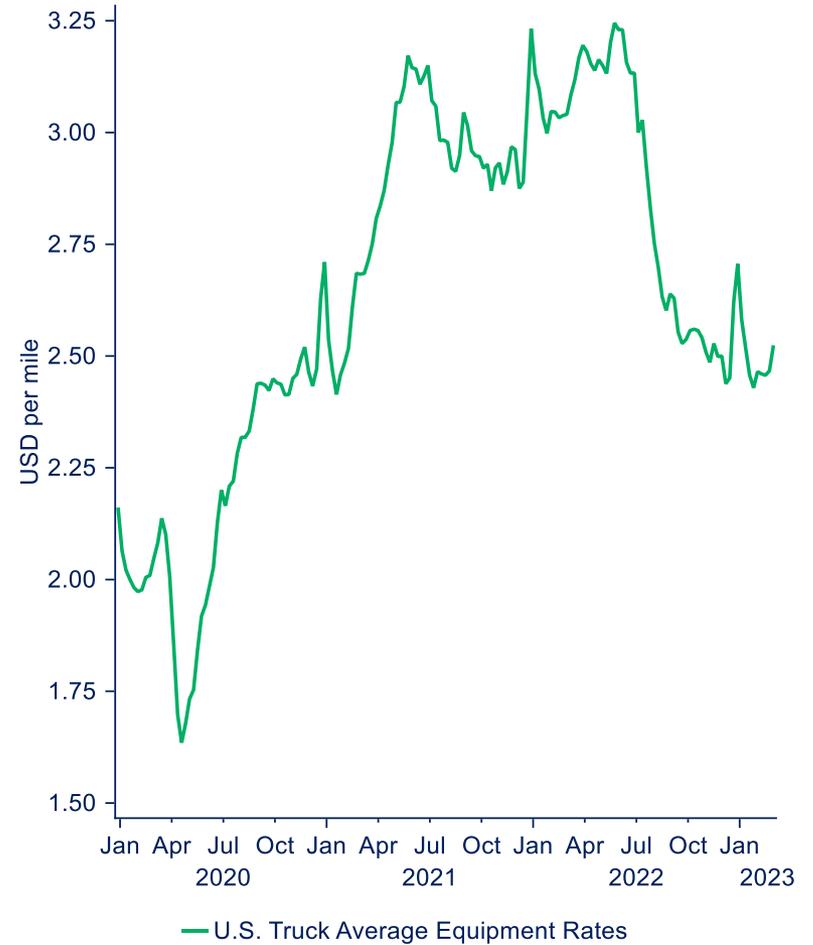


Source: Macrobond, Port of Los Angeles, as of 3/9/2023

Supply chain stabilization



Source: Macrobond, Bloomberg, Cornerstone Macro Research as of 3/9/2023



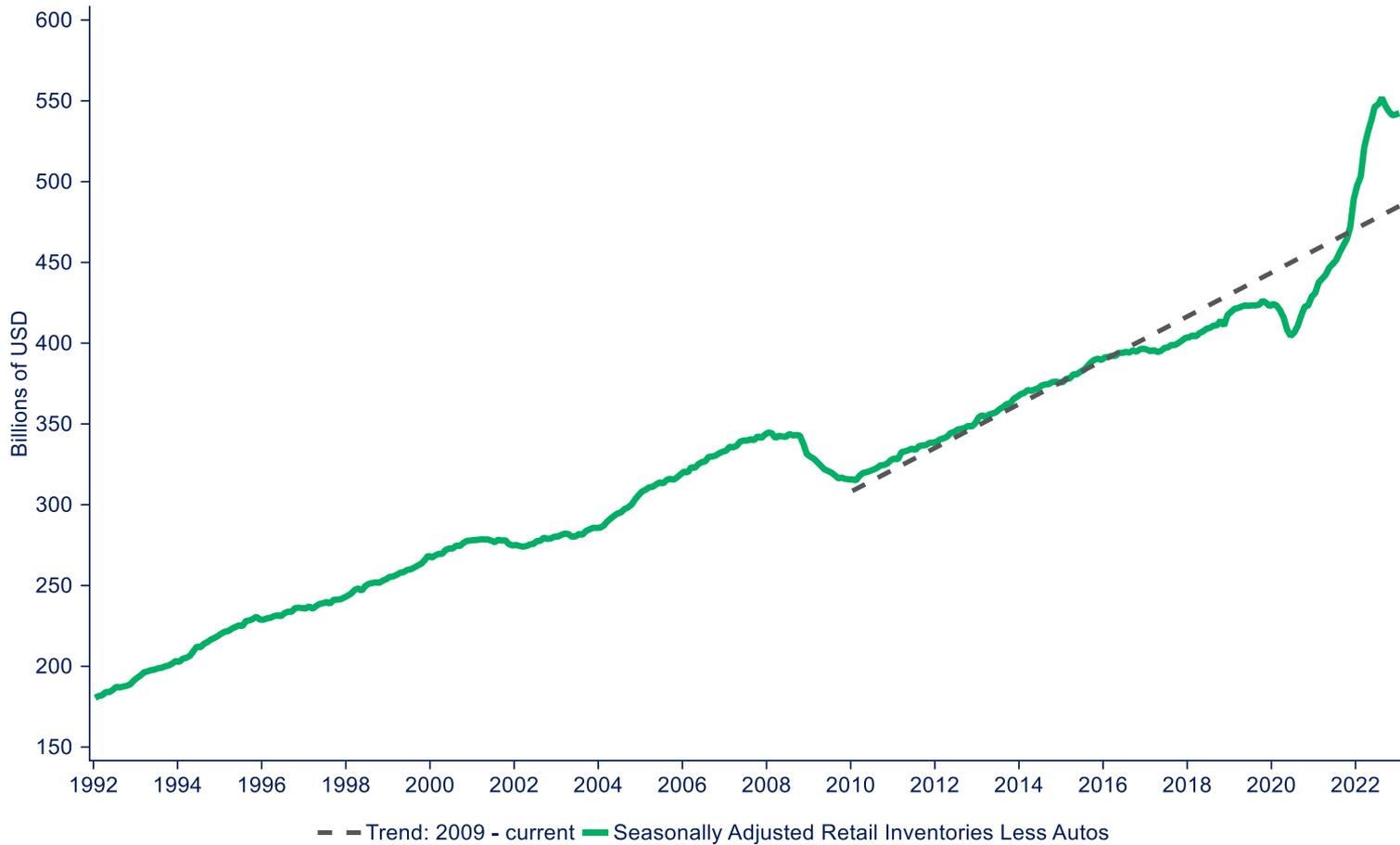
Source: Macrobond, Bloomberg, Truckstop.com, Cornerstone Macro as of 3/9/2023

Commodity prices retreating



Source: Macrobond, EIA, MGEX, CME Group, NRCan, as of 3/9/2023

Ex-auto inventories support disinflation



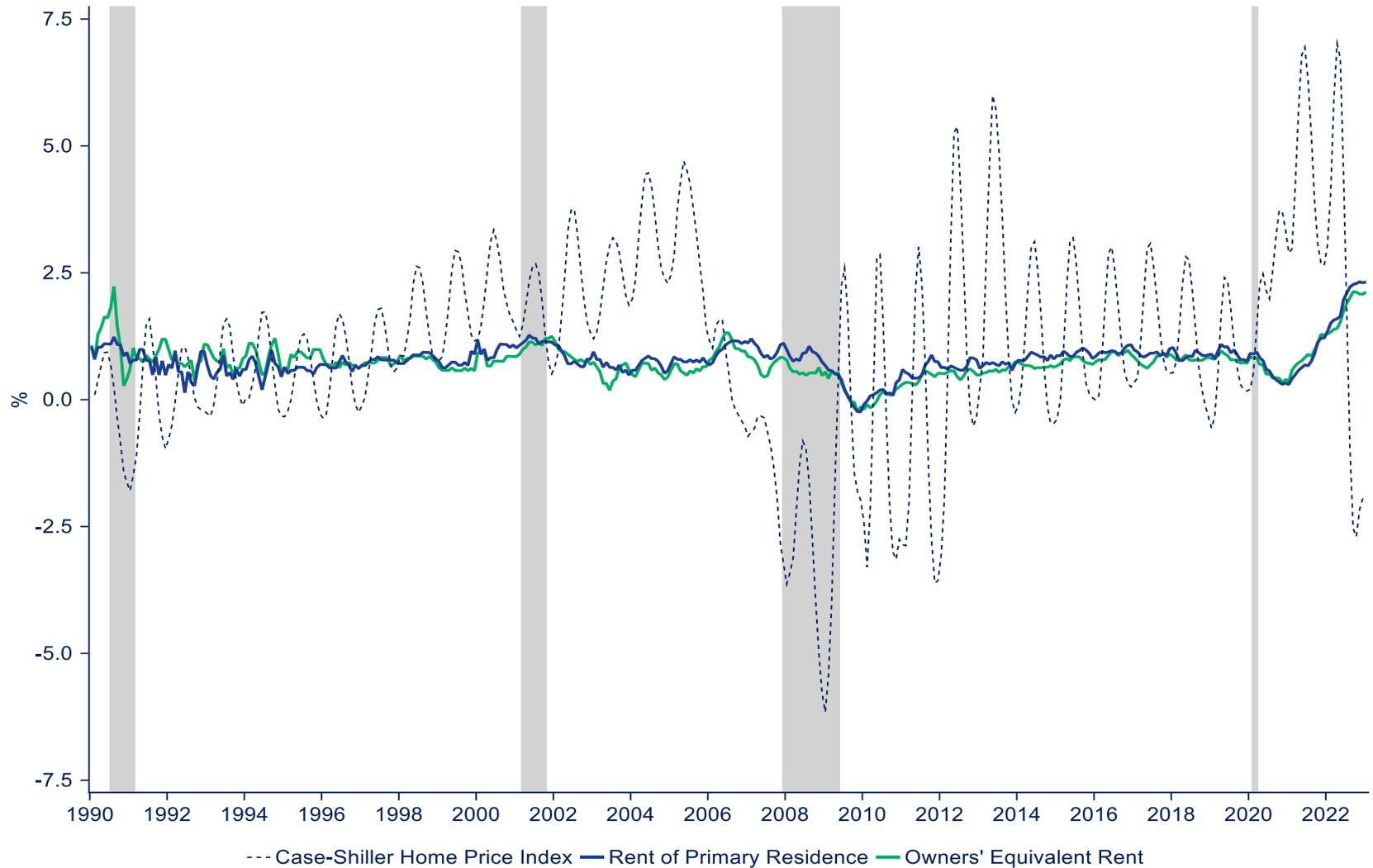
Source: Macrobond, Bloomberg, as of 3/9/2023

Transportation – prices sticky



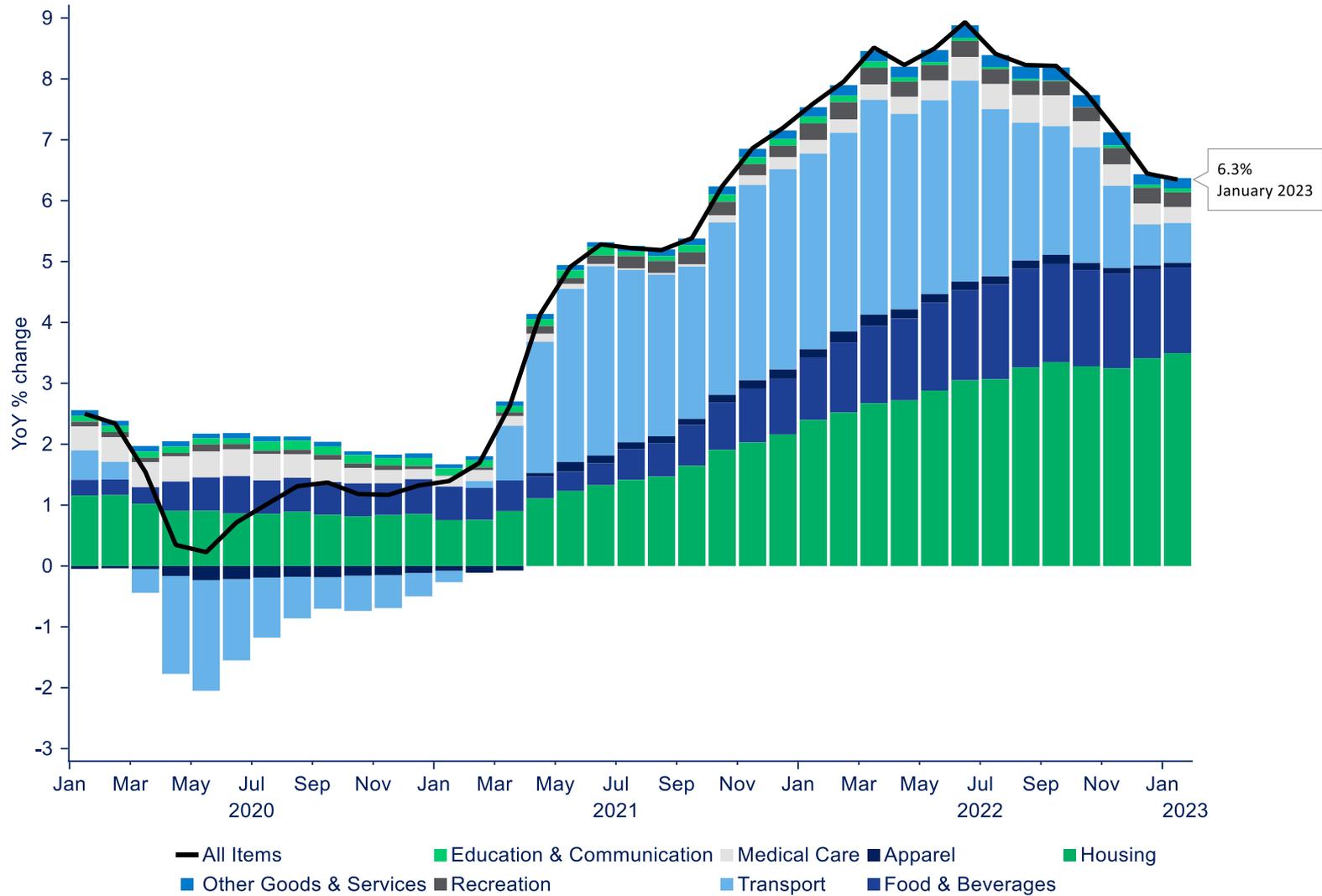
Source: Macrobond, BLS, as of 3/9/2023

Housing – rents lag home price appreciation



Source: Macrobond, BLS, SPDJI, as of 3/9/2023

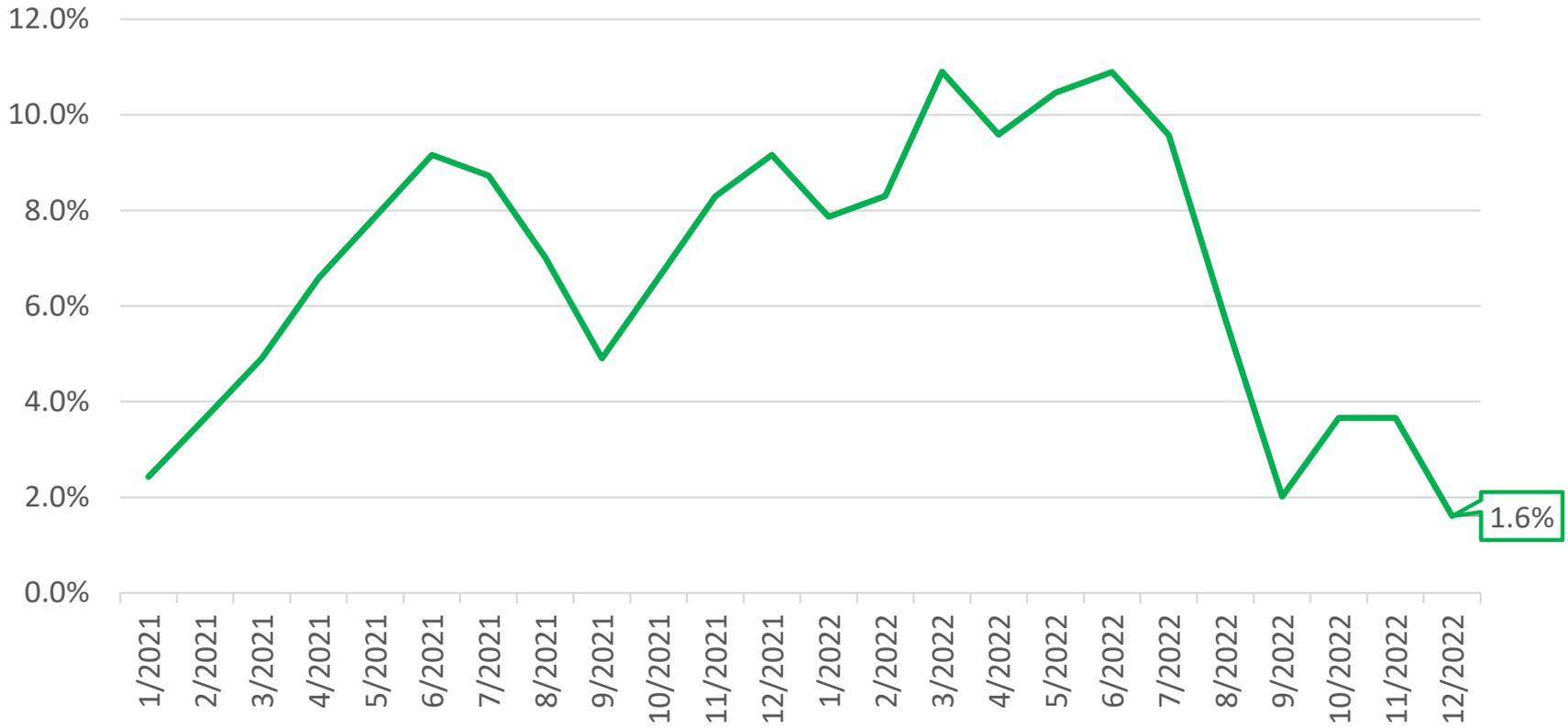
Revisiting the problem - Contributions to CPI



Source: Macrobond, BLS, as of 3/9/2023

Improvement but is it enough?

3 Month Moving Average of Month-over-Month CPI (annualized)



*Source: Bloomberg

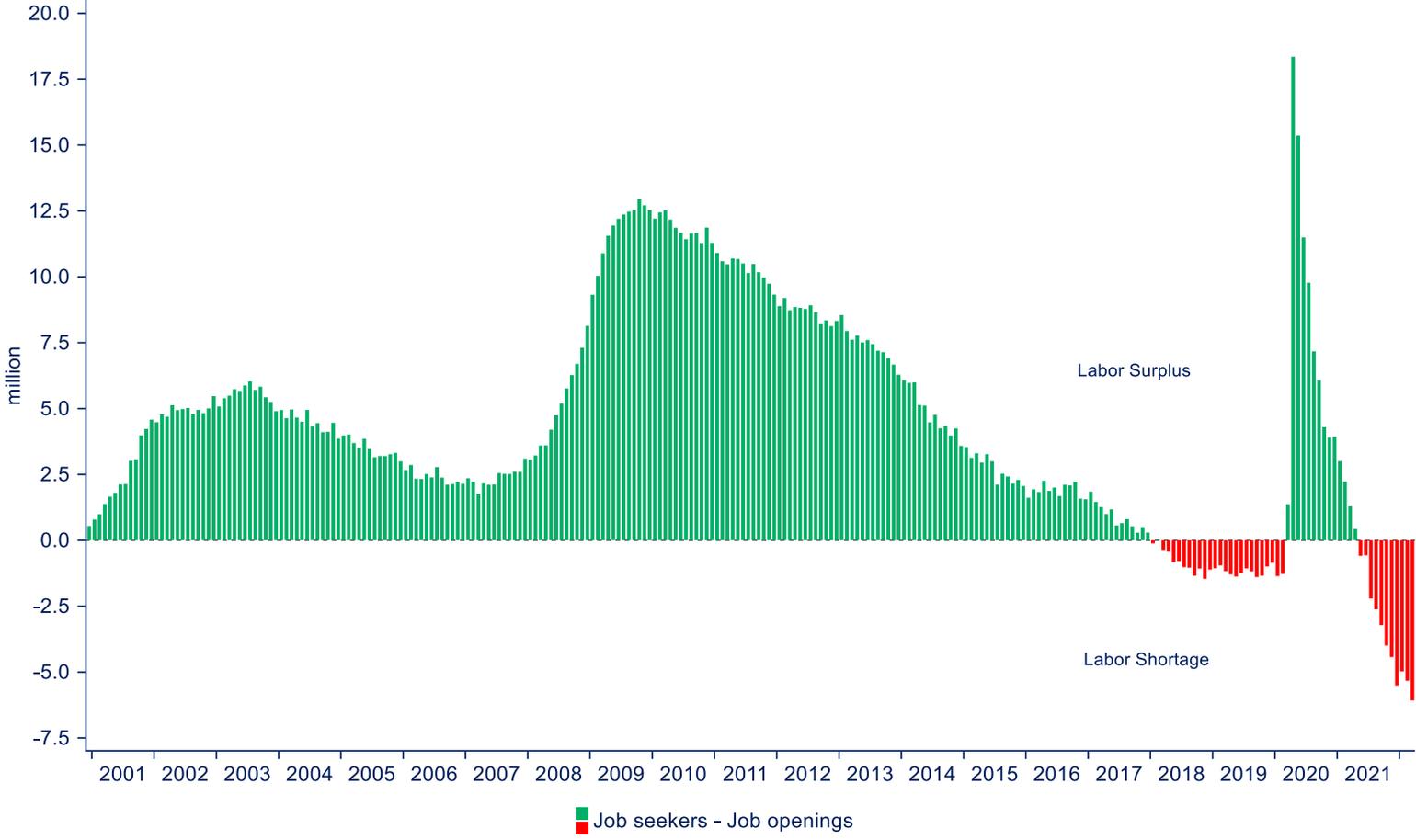
— 3 Month Moving Average of Month-over-Month CPI (annualized)

Wage and compensation costs rising



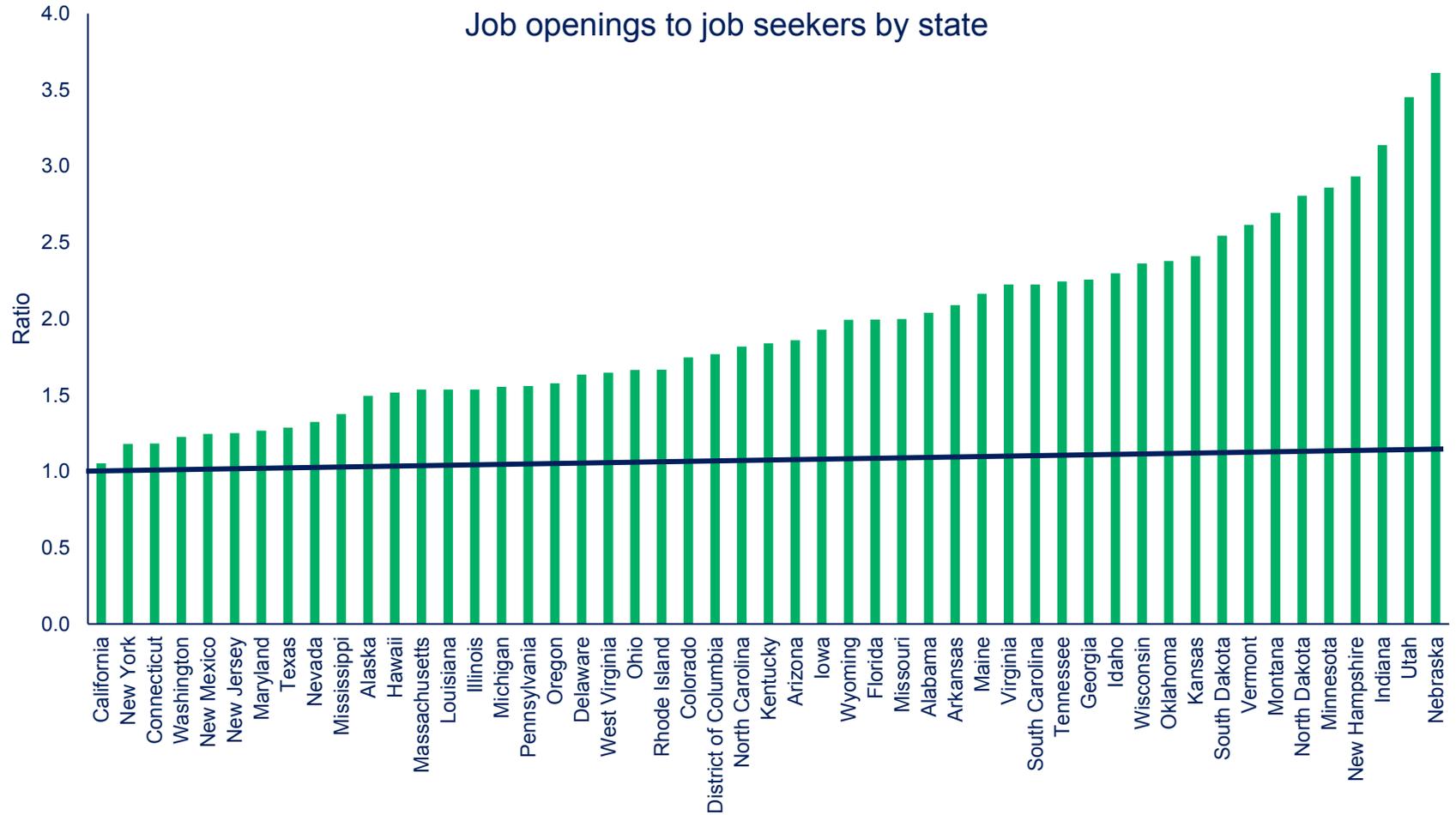
Source: Macrobond, Bloomberg BLS, as of 3/9/2023

A historic labor gap



Source: Macrobond, BLS, as of 3/9/2023

No relief for employers



Source: Bureau of Labor Statistics, as of 1/31/22

Labor Force Participation Rate



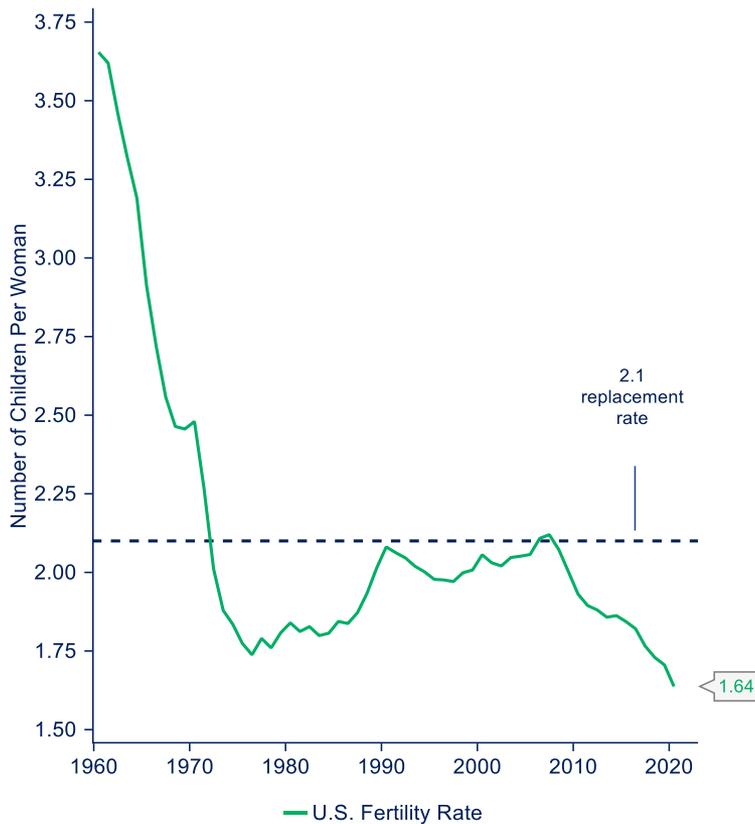
Source: Macrobond, BLS, as of 3/9/2023

Labor: the multi-decade challenge

Structural issues

Employers can help themselves

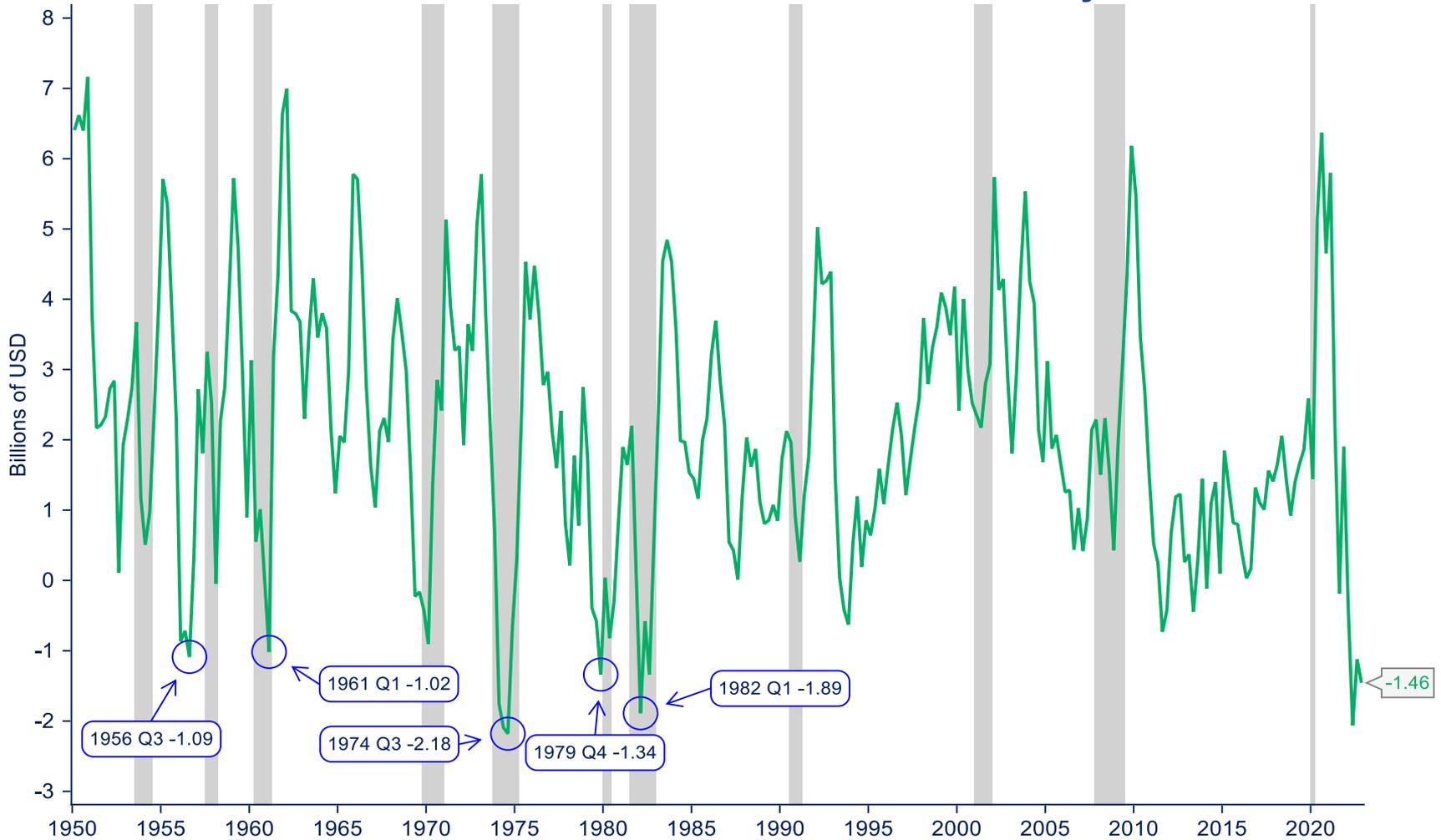
- Eliminate unnecessary barriers
- Flexibility for working parents
- Pathways for older workers
- Establish non-traditional talent pipelines



Source: Macrobond, World Bank, as of 3/9/2023

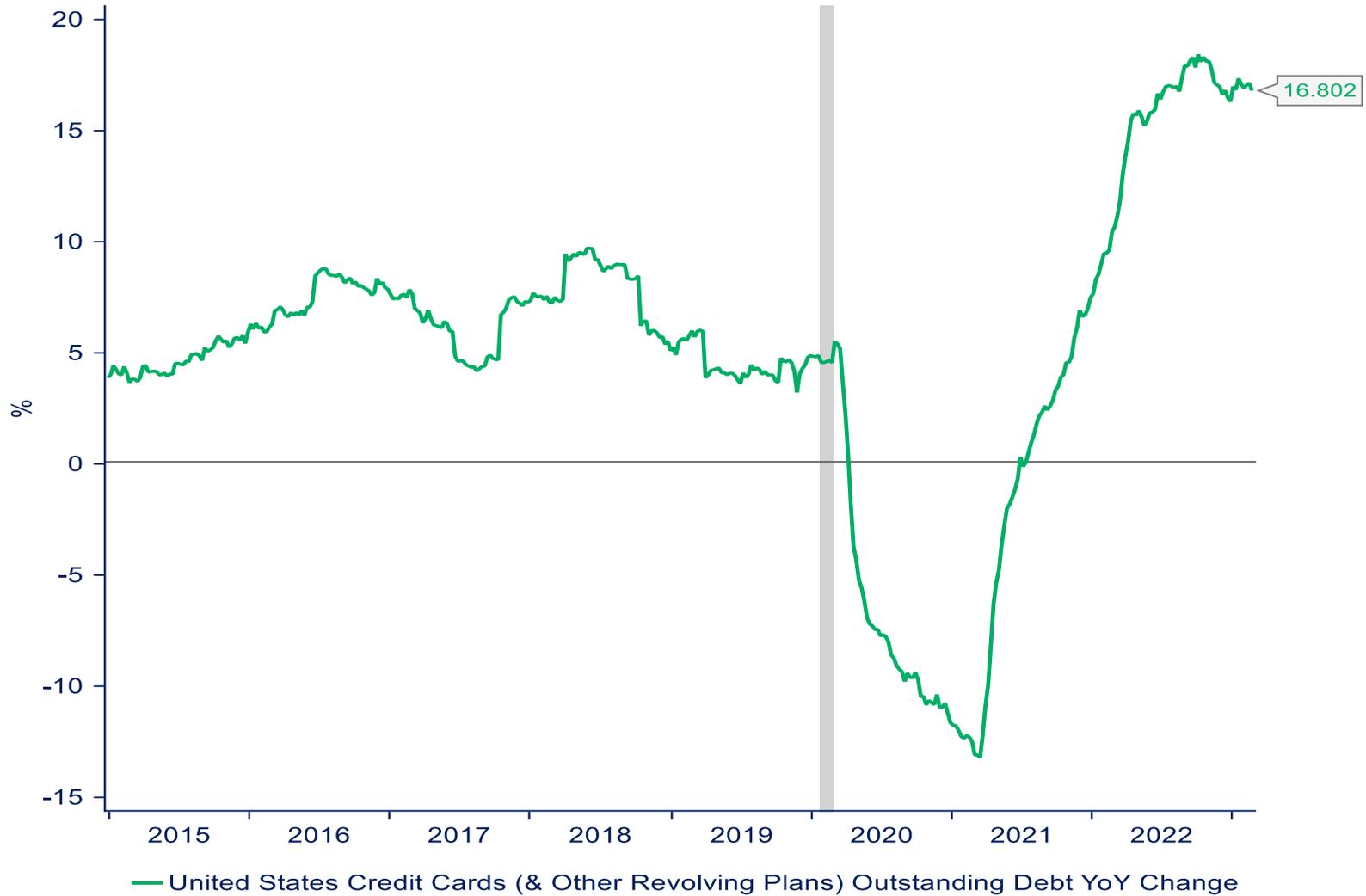
Productivity Fear

United States Year-over-Year Productivity



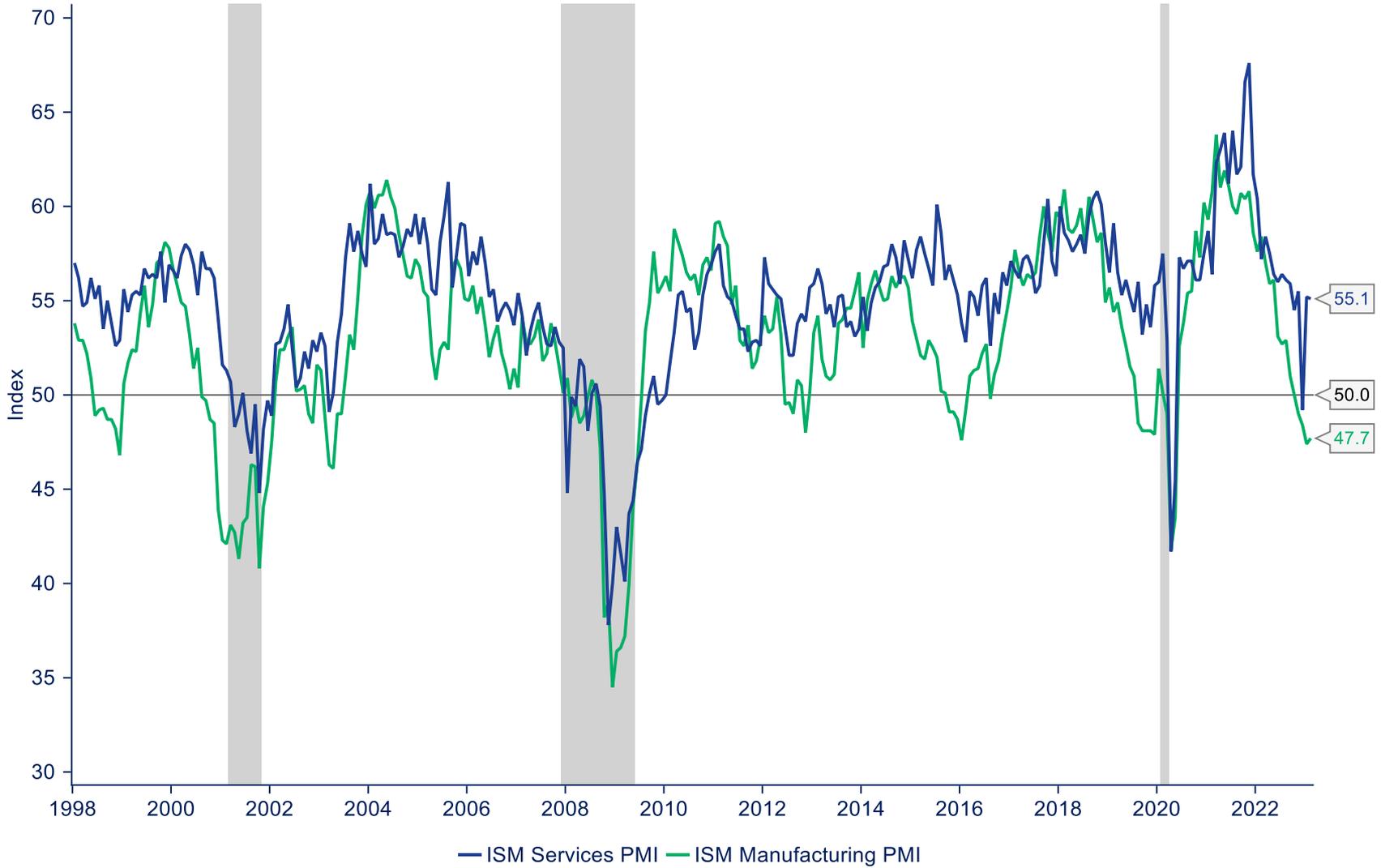
Source: Macrobond, Bloomberg, as of 3/9/2023

Growing levels of credit card debt



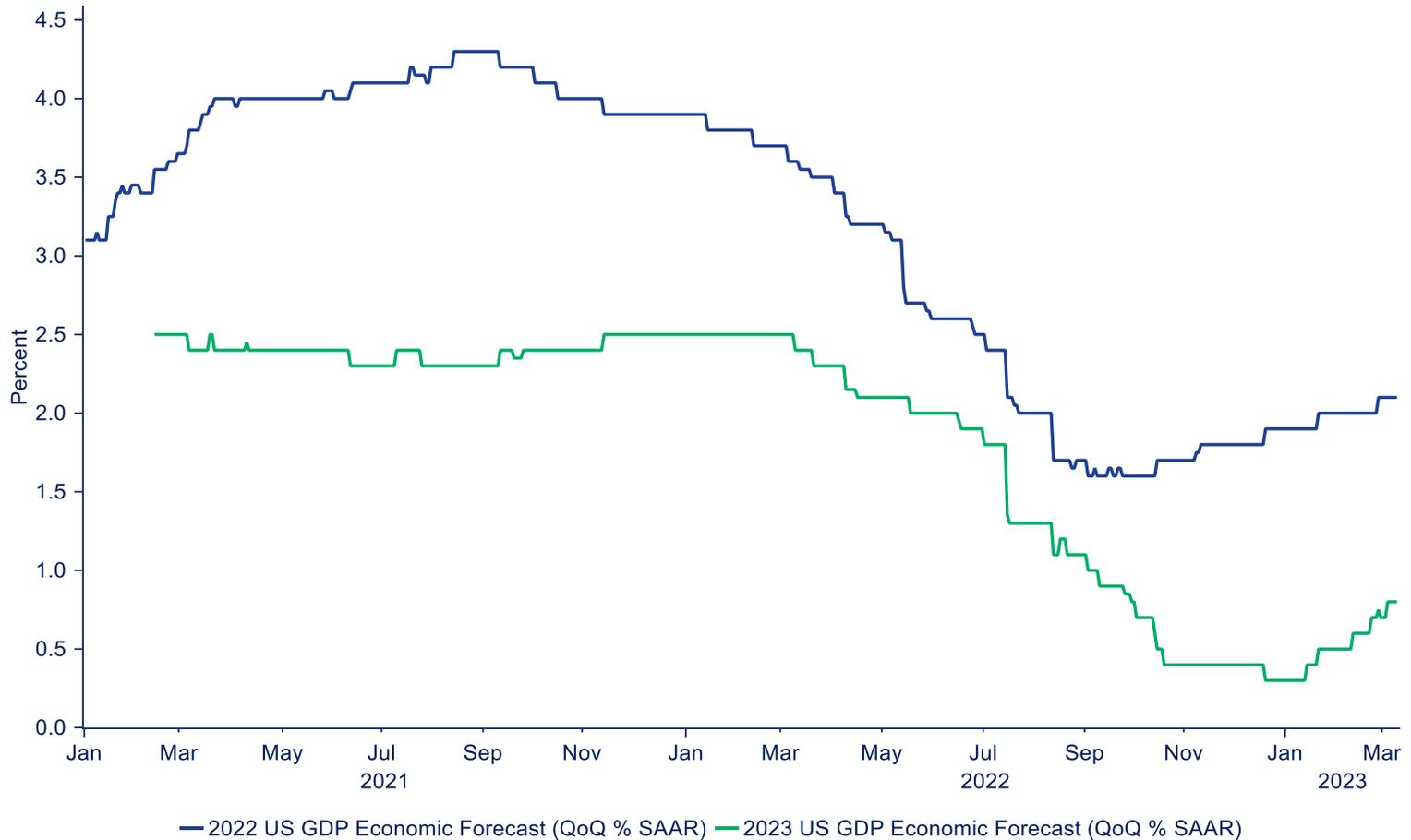
Source: Macrobond, Fed, as of 3/9/2023

PMI data is mixed



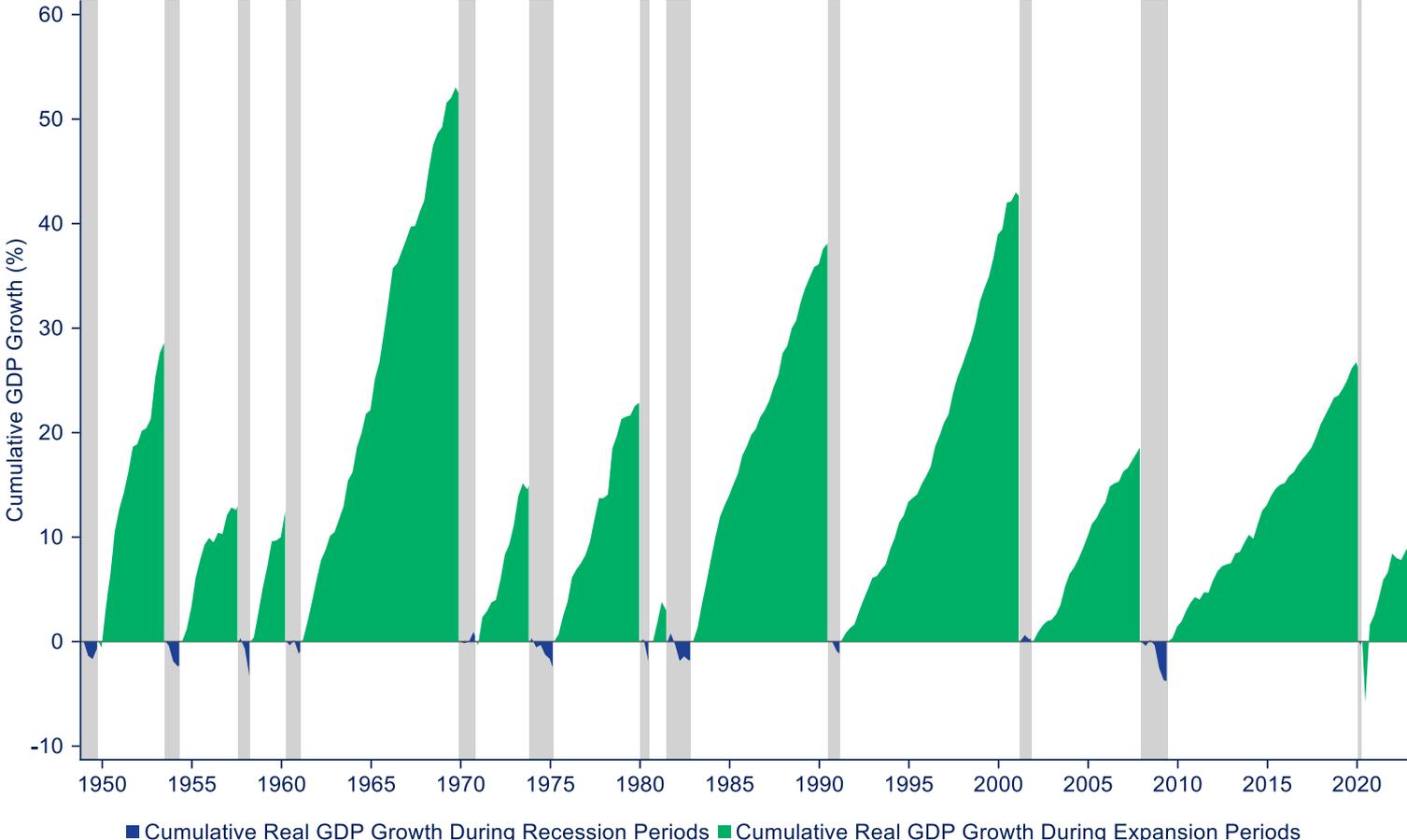
Source: Macrobond, ISM, as of 3/9/2023

Forward growth expectations falling



Source: Macrobond, Bloomberg, as of 3/9/2023

The big question



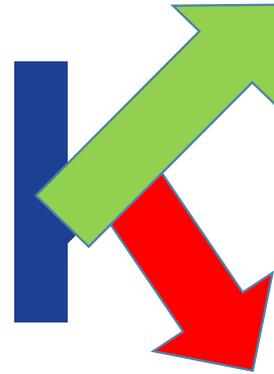
Source: Macrobond, NBER, BEA, as of 3/31/2022

Questions?

Thank you

Appendix

The

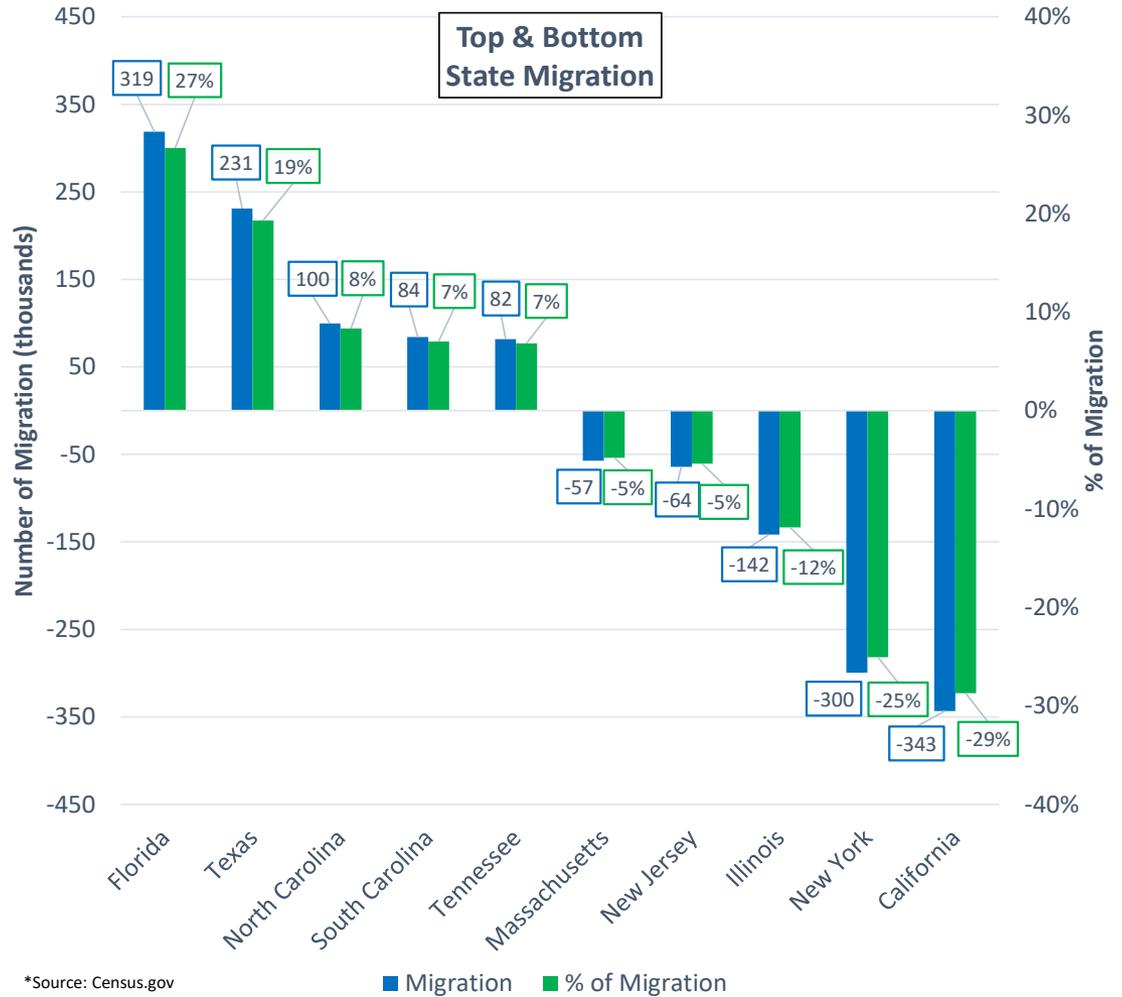


Expansion

Interstate Domestic Migration

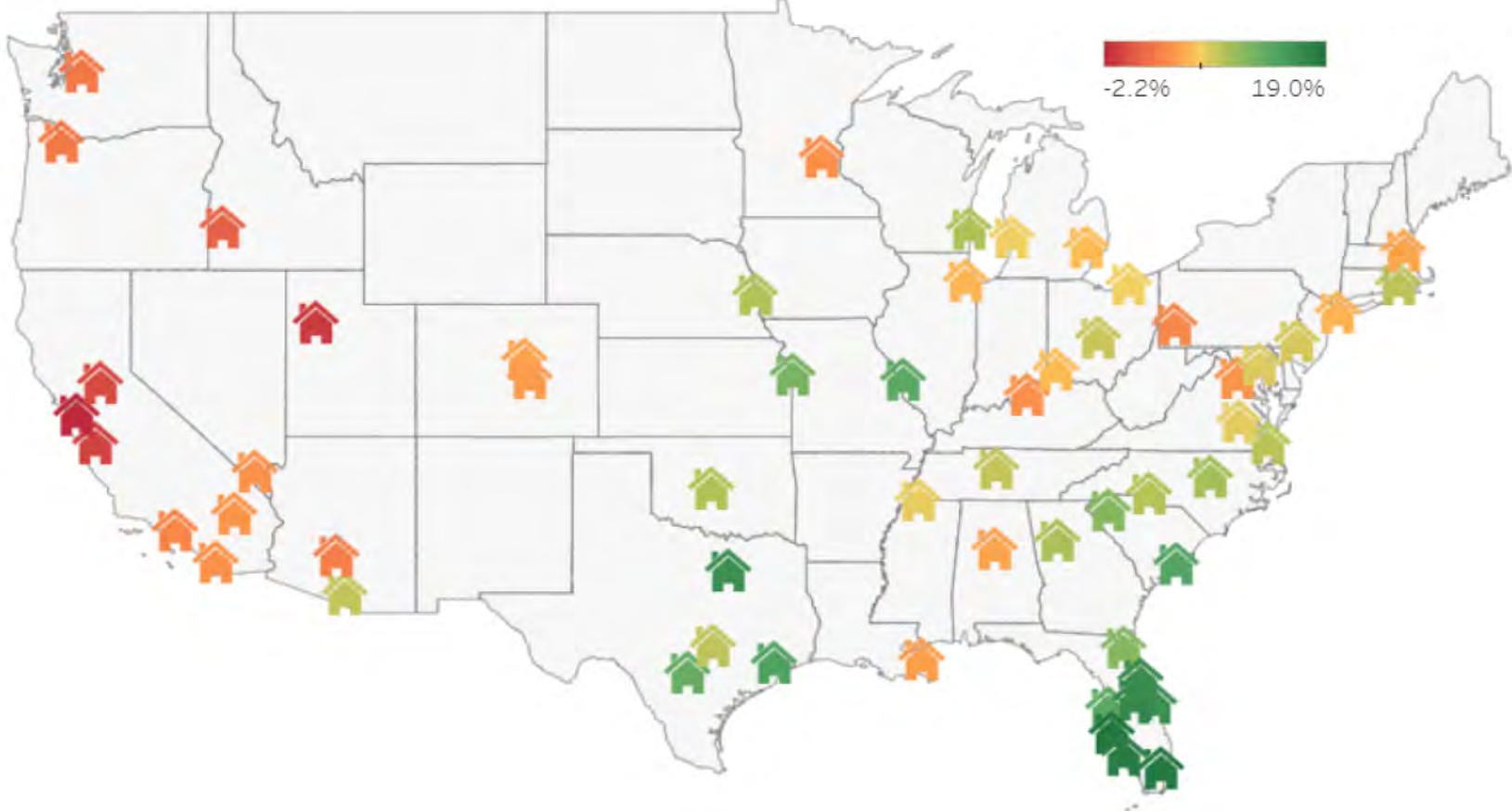
Net Migration Rank	State	Net Migration	Inflow/Total Moves
1	Florida	318,855	26.7%
2	Texas	230,961	19.3%
3	North Carolina	99,796	8.3%
4	South Carolina	84,030	7.0%
5	Tennessee	81,646	6.8%
6	Georgia	81,406	6.8%
7	Arizona	70,984	5.9%
8	Idaho	28,639	2.4%
9	Alabama	28,609	2.4%
10	Oklahoma	26,791	2.2%
42	Minnesota	(19,400)	-1.6%
43	Virginia	(23,952)	-2.0%
44	Pennsylvania	(39,957)	-3.3%
45	Maryland	(45,101)	-3.8%
46	Louisiana	(46,672)	-3.9%
47	Massachusetts	(57,292)	-4.8%
48	New Jersey	(64,231)	-5.4%
49	Illinois	(141,656)	-11.9%
50	New York	(299,557)	-25.1%
51	California	(343,230)	-28.7%

*Source: Census.gov
 **Including Washington DC



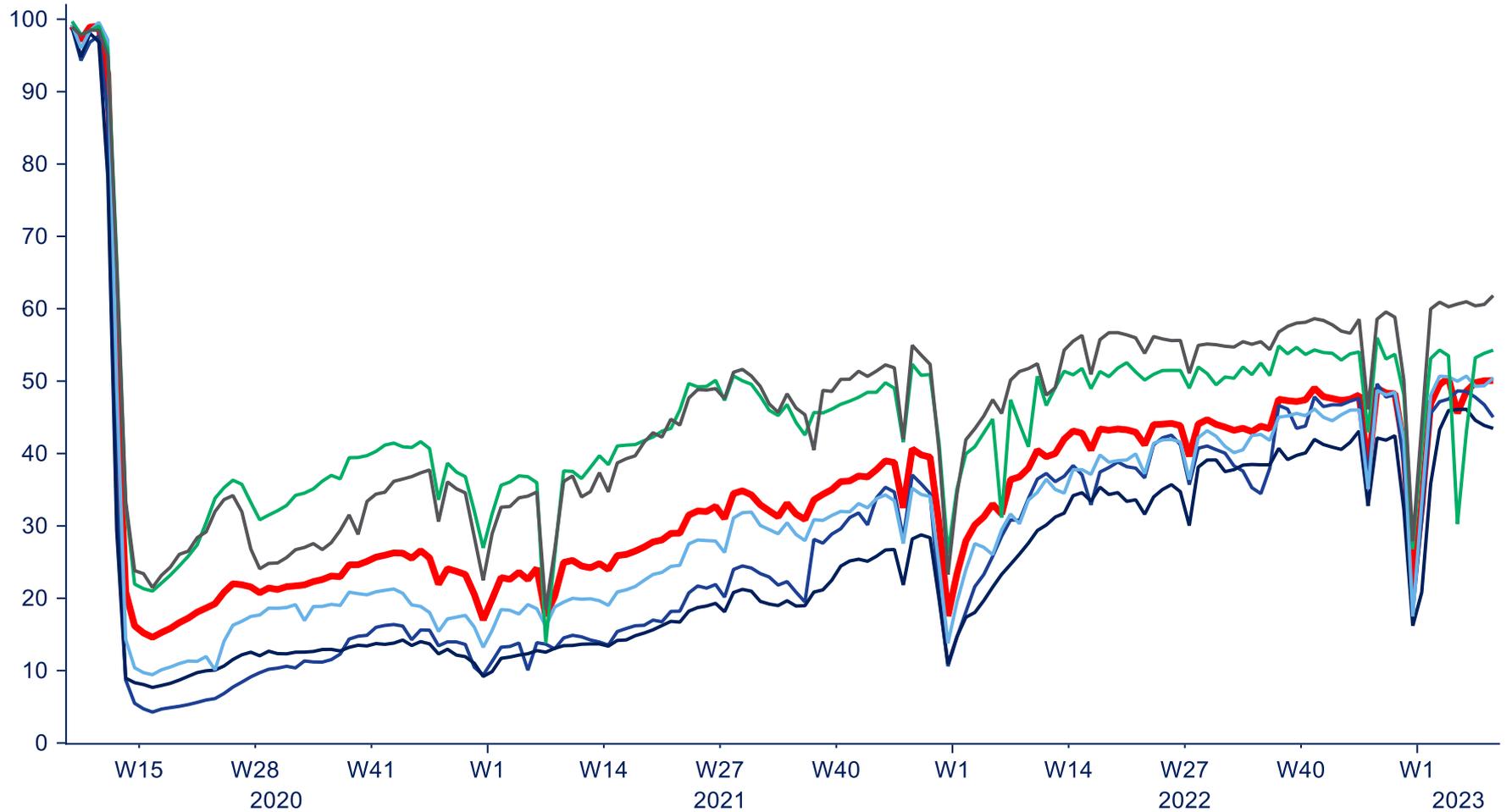
Migration: regional workforce trends and housing

Year-over-year House Price Appreciation (Oct. 2022)



Source: AEI.org

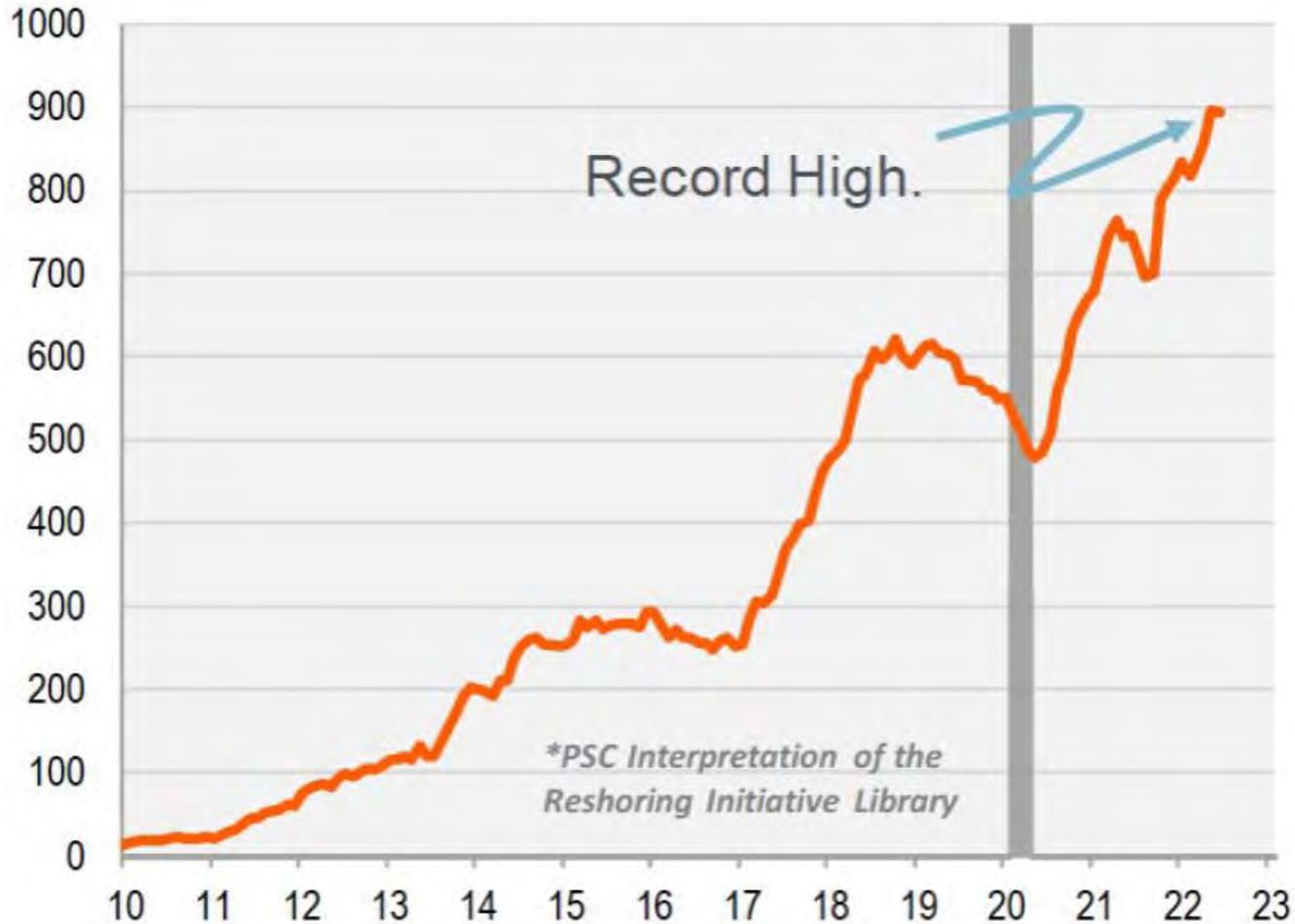
The workplace has changed



— Kastle Back to Work Barometer Houston — Kastle Back to Work Barometer Chicago — Kastle Back to Work Barometer New York
— Kastle Back to Work Barometer Dallas — Kastle Back to Work Barometer San Francisco — Kastle Back to Work Barometer Average

Reshoring of US manufacturing

**Cos Announcement of Onshoring*
+Cos Announcing of Expanding Production
12 Mo. Sum. Jun:895**



Source: Piper Sandler & Co

Definitions & Disclosures

U-3 Unemployment Rate is the total unemployed as a percentage of the civilian labor force. U-6 Unemployment Rate is the total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.

The U.S. Treasury Federal Budget Deficit or Surplus is reported in the monthly Treasury statement of Receipts and Outlays of the U.S. Government. This statement summarizes the financial activities of the Federal Government and off-budget federal entities conducted in accordance with the budget of the U.S. Government.

GDP (Gross Domestic Product) is the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.

The Federal Funds Rate (Fed funds) is the short-term interest rate targeted by the Federal Reserve's Federal Open Market Committee (FOMC) as part of its monetary policy.

The Federal Reserve balance sheet tracks the aggregate assets and liabilities of the Federal Reserve.

Money market funds are mutual funds that invest in highly liquid, near-term instruments including cash and cash equivalents.

Capacity utilization tracks the extent to which the installed productive capacity of a country is being used in the production of goods and services.

The labor force participation rate is a measure of the economy's active workforce. It is the sum of all workers who are employed or actively seeking employment divided by the total noninstitutionalized, civilian working-age population.

Personal consumption, or consumer spending, tracks goods and services purchased by consumers. Core personal consumption expenditures measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends.

The Consumer Price Index is a measure of prices paid by consumers for a basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

The U.S. Existing Home Sales Median Price Index tracks the median price in all existing home sales. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales based on closings from Multiple Listing Services.

5-Year, 5-Year Forward Inflation Expectation Rate measures expected inflation (on average) over the five-year period that begins five years from today.

The fertility rate represents the number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with current age-specific fertility rates.

The Employment Cost Index (ECI) measures changes in employee compensation costs (or labor costs). These include both direct costs, such as wages, bonuses or in kind benefits, as well as indirect costs, such as social security contributions, training costs, medical benefits, taxes, etc.

Total Public Debt as a Percent of Gross Domestic Product (GDP) is calculated using Federal Government Debt: Total Public Debt and Gross Domestic Product.

CEO Confidence Index measures CEO confidence in the economy, one year from now. This concept tracks the general state of the economy as it relates to businesses.

Capital Goods New Orders Nondefense Ex Aircraft & Parts tracks the value of new orders received during the reference period. It is often used as a proxy for capital expenditures, or CapEx. Capital expenditure are funds used by a company to acquire, upgrade, and maintain physical assets.

The Personal Saving Rate is household disposable income less household consumption as a percent of household disposable income.

Definitions & Disclosures

The BarCap U.S. Corporate HY YTW – 10-yr Treasury Spread is calculated by taking the Barclays Capital U.S. Corporate High Yield Yield-to-Worst minus the U.S. Generic Government 10-year Yield.

Bloomberg Commodity Index – The Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements.

Nonfarm Payrolls measures the number of employees on business payrolls.

Retail sales, also referred to as retail trade, tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

The Job Openings and Labor Turnover Survey (JOLTS) job openings tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

The Boston Consulting Group (BCG) Global Manufacturing Cost-Competitiveness Index estimates shifts in direct costs for the world's 25 leading manufacturing exporting economies in four dimension: manufacturing wages, productivity, energy costs and currency exchange rates.

Purchasing Managers' Indexes (PMIs) are indicators of the economic health of the manufacturing and services sectors. PMIs are based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

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