

# THOUGHT LEADERSHIP

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*Presents*

## ECONOMIC INDICATORS

An update for the 7 Rivers Region



October 25, 2018

*Economic Indicators and Trends*

Taggart J. Brooks, Ph.D.

UW-La Crosse Economics Department



Economic Indicators  
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## Economic Indicators

“Economic Indicators: An Update for the 7 Rivers Region” reports on a long-term study of regional economic indicators. The research is ongoing and spans a period of time to enable us to understand and report trends. This project is expected to continuously build on a base of economic information and provide decision makers with valuable tools for strategic planning. The information will also provide a basis for comparison with other regions and a measure of our progress.

State Bank Financial sponsors this research project in collaboration with the University of Wisconsin-La Crosse College of Business Administration and the *La Crosse Tribune*. These programs will continuously build on a base of information and provide decision makers like you with valuable tools for strategic planning.

Specific goals of this project are:

- Support business owners in their business decisions by gathering key local economic indicators and trend information.
- Develop specific economic indicators for this region that are not readily available to decision makers.
- Develop tools to assess our progress in economic growth. Prepare baseline measures that will allow comparison with other regions and measure future progress of the region.
- Track the region’s participation in the “new economy” and development in the high tech arena.
- Bring professionals together with business owners for discussion about the local economy and related critical issues.
- Create a business recruitment and retention tool by publishing the information.

Core economic indicators cover the following areas:

- Employment
- Income
- Cost of Living
- Consumer Attitude and Behavior
- Real Estate and Housing
- Interest Rates
- Equity Performance



## Economic Indicators and Trends

Taggart J. Brooks, Ph.D., UW-La Crosse Department of Economics

### October 2018:

#### Stock Market Correction<sup>1</sup>

At the time of this writing there is some question that the long running bull market might be nearing an end. Are we in a correction? Over the last week the Dow Jones Industrial Average hit a low of just over 25,000 from a peak on October 3 of 26,828. This represents a loss of just under 7%. Traditionally corrections are considered declines of 10% or larger. Below is a history of such declines. Some of them have preceded recessions, but not all of them.

#### Stock market corrections since 1980

Date range	Percent decline	Duration (number of days)
Jan.-Feb. 2018	-10.2%	13
Nov. 2015-Feb. 2016	-13.3%	100
May-Aug. 2015	-12.4%	96
April-Oct. 2011	-19.4%	157
April-June 2010	-16.0%	70
Nov. 2002-March 2003	-14.7%	104
July-Oct. 1999	-12.1%	91
July-Aug. 1998	-19.3%	45
Oct. 1997	-10.8%	20
July-Oct. 1990	-19.9%	87
Jan. 1990	-10.2%	28
Oct. 1983-July 1984	-14.4%	288
Feb.-March 1980	-17.1%	43
<b>Average</b>	<b>-14.6%</b>	<b>88</b>

**Shows declines of 10% to 20% in S&P 500, not including bear markets. Source: Yardeni Research**

<sup>1</sup> <https://www.marketwatch.com/story/if-us-stocks-suffer-another-correction-start-worrying-2018-10-16>

## Labor Market

One of the most impressive features of the U.S. economy at the moment is the labor market. The first graph below depicts the growth in employment over the last 8 years, with its steady and consistent growth starting in January of 2010.



Source: Bureau of Labor Statistics

As the number of employed has increased, the unemployment rate has fallen as one might expect. It is important to point out, however, that the unemployment rate is the number of people unemployed, divided by the labor force which includes only those actively looking for work or working. So it is not purely mechanical that the unemployment rate will fall as employment increases. It is possible – as always happens after a recession – that people reenter the labor market at a pace faster than employment growth, which actually increases the unemployment rate in the short run. It is a testament to how late we are in the business cycle that employment increases have continued to lower the unemployment rate, which is now at 3.7%, a 49-year low.



Source: Bureau of Labor Statistics

This tight labor market, while generally good for workers, makes for challenges in the hiring side. Insight into the challenges in the labor market can be seen in the Job Opening Labor Turnover Survey (JOLTS) data.

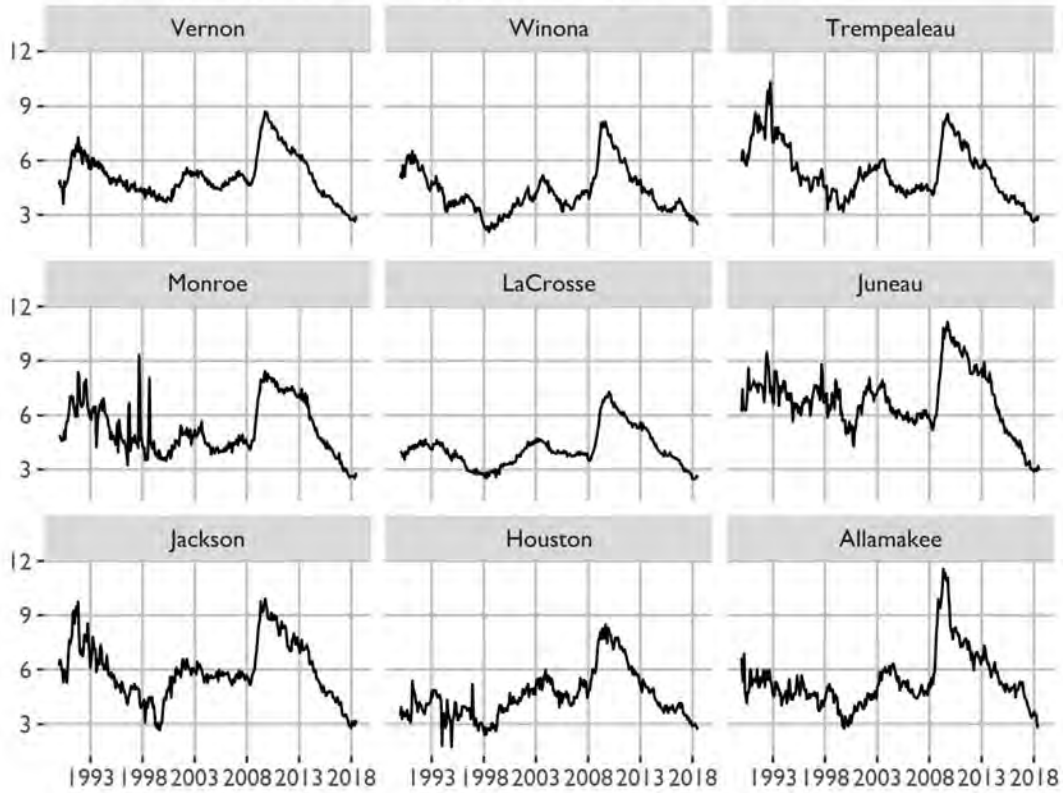
Job openings have continued to rise sharply with hires. Quits tend to increase as the labor market improves and workers recognize that finding a job has become easier; they are more confident that quitting will lead to a better job, not prolonged unemployment. Layoffs have trended lower, but is still relatively small. Finally, job openings display a continued rapid increase keeping ahead of the hiring. This is another indicator of the hiring challenges firms currently face.

### Job Openings and Labor Turnover Survey (JOLTS)



Turning to the counties of the 7 Rivers Region, we see that every unemployment rate is at 3.0% or below for all counties. While these do not appear to be 47 year lows, they are certainly at the lowest levels we have seen since the late 90's.

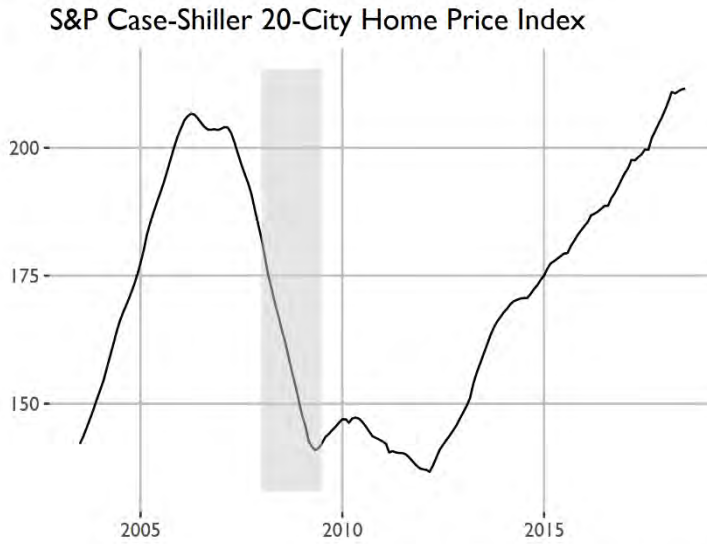
### Seasonally Adjusted County Unemployment Rates



Source: U.S. Bureau of Labor Statistics



## Housing



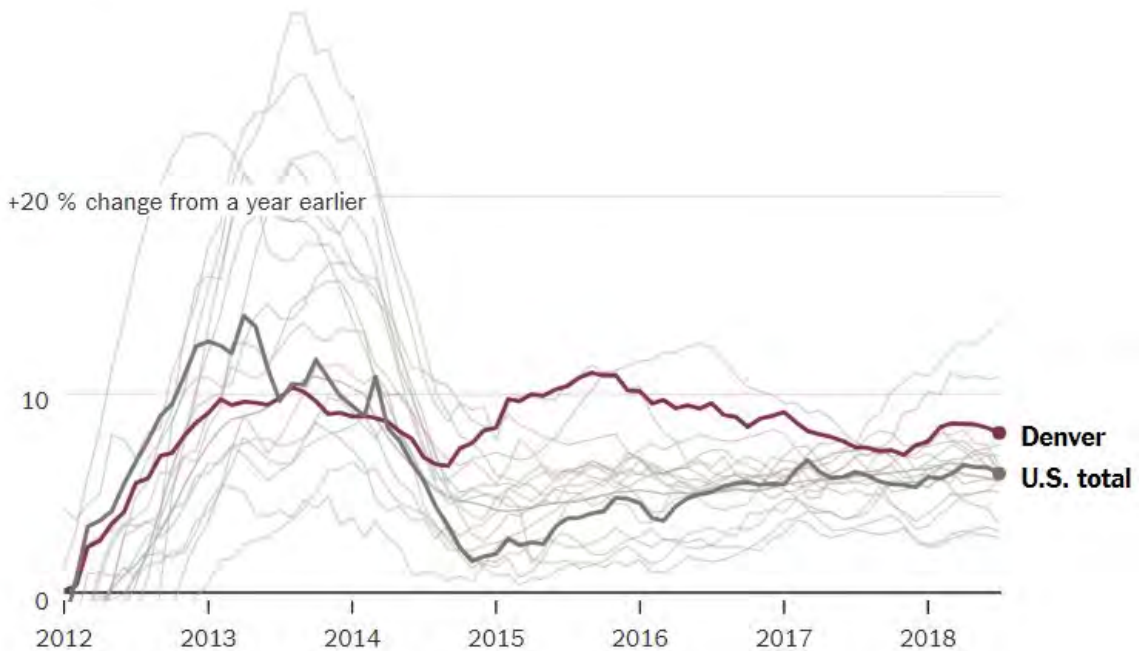
Source: Standard and Poor's

The housing market has fully rebounded from its lows in the 2012 according to the Case-Shiller 20 City Home price index. There is, however, some indication that the housing market has again, run a bit too far, outpacing wages.



## Out of Reach

After years of breakneck growth, home prices are now rising more slowly in Denver and many other metro areas. But prices are still rising faster than wages, and few experts expect them to fall outright.

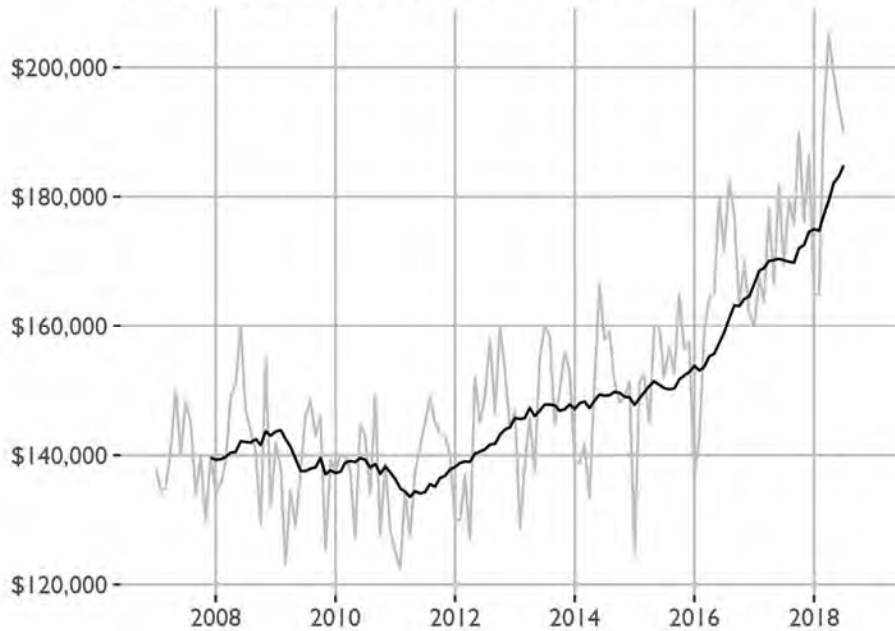


By The New York Times | Source: S&P Case-Shiller Index

The New York Times article focuses on Denver, but the problems have been seen elsewhere. Rapid growth in home prices outpacing income growth, which eventually leads to a cooling market as residents simply can't afford to buy. Rental rates climb, and people find it challenging to move.

<sup>2</sup> The graphic and text comes from the New York Times.  
<https://www.nytimes.com/2018/09/29/business/economy/home-prices-housing-market-slowdown.html>

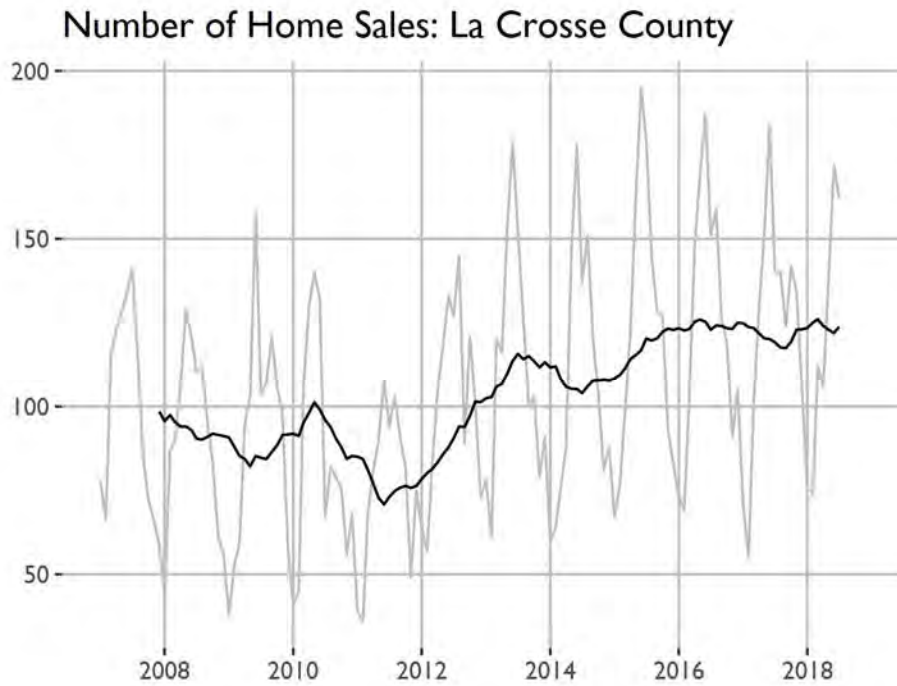
## Median Home Prices: La Crosse County



Source: Wisconsin REALTORS® Association

While home prices have grown in the region, they have not grown as rapidly as some of the aforementioned large cities. Since 2012, median home prices in La Crosse County has risen by 32%, which translates to approximately a 4.63% growth rate annually for the last 6 years.

Rising prices are in part a function of supply not responding as quickly as it could. A quick look at the number of listings shows that there is something on the order of 125 listings sold per month in the county. That has been fairly steady over the last several years.



Source: Wisconsin REALTORS® Association

Meanwhile the number of building permits in the state of Wisconsin has not responded as rapidly as we might expect.

### Wisconsin - New Private Housing Units Authorized By Building Permit



Source: Federal Reserve Bank of St. Louis

The slowdown we are witnessing nationally has been led in part by rising interest rates. Rates have been increasing the cost of financing a home. They currently sit at about 4.63% from the low of 3.44% a couple years ago.

### 30-Year Fixed Rate Mortgage Average in the United States

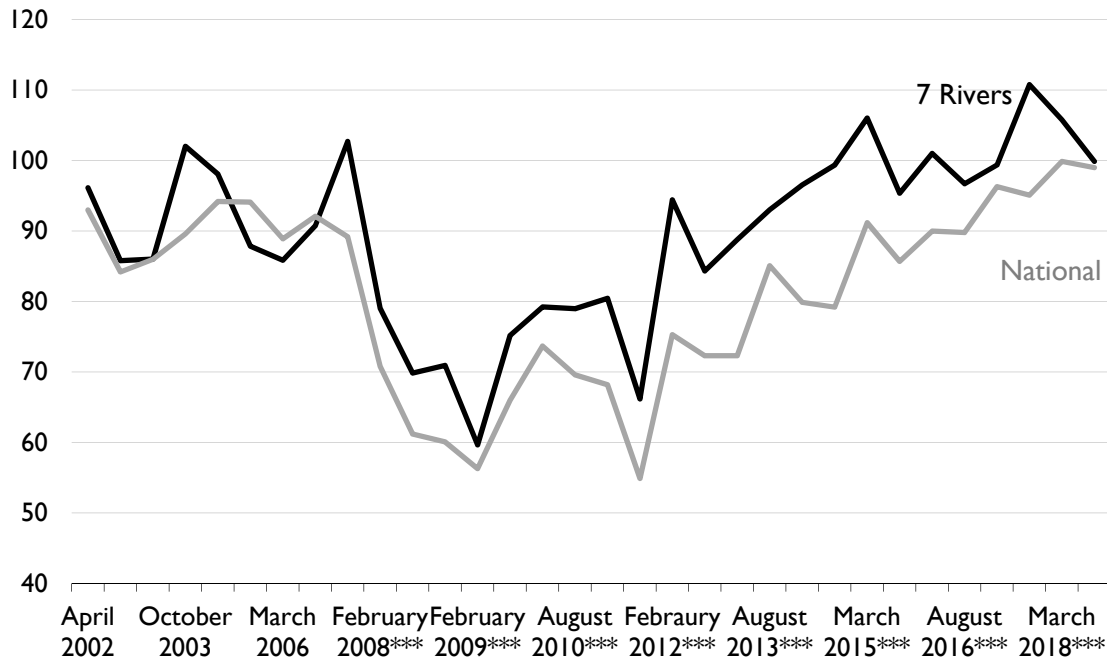


Source: Freddie Mac

### Consumer Sentiment Index

During the week of October 8th I distributed, via email, the biannual consumer sentiment survey to approximately 1,400 past participants in programs related to the 7 Rivers Region. The following data is based on results from the initial 89 responses received. A table with all the data since the inception of the regional survey is available below. We see from the most recent data the regional overall consumer sentiment index has fallen from its peak in October 2017. The 7 Rivers Region has seen its premium over the national index decrease, driven mostly by very large contraction in the 7 Rivers Region expectations index.

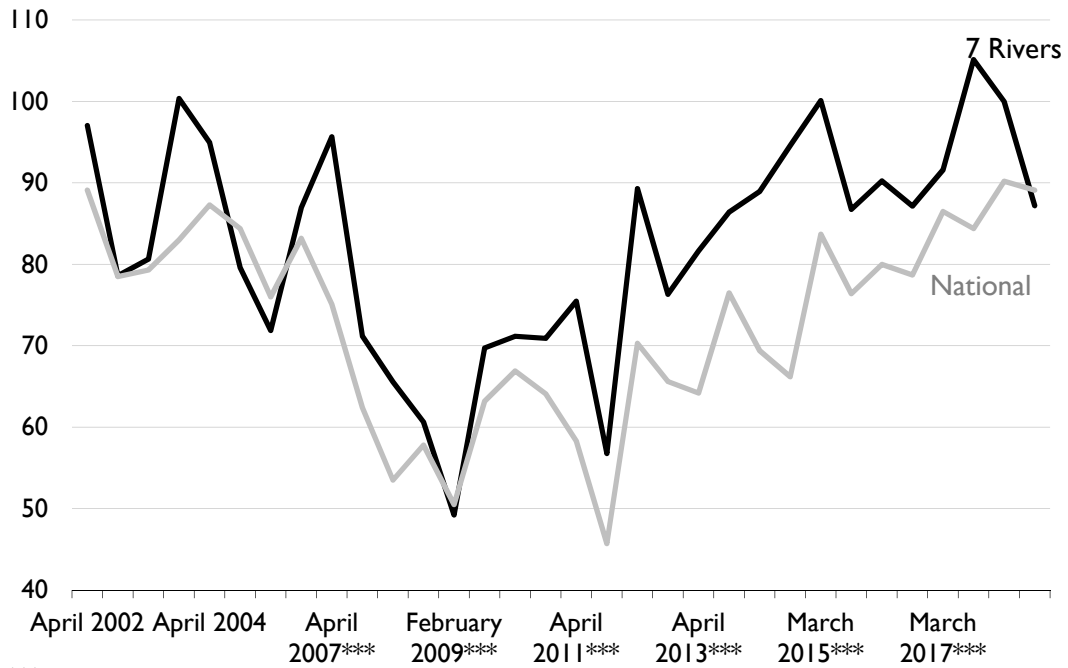
### 7 Rivers Consumer Sentiment Index



\*\*\* Survey moves to web

It is worth noting that this survey was conducted during the aforementioned contraction in the stock market, so it is entirely possible that the narrowing of the difference between the national figures and the regional ones are due to that. The national survey was conducted the week preceding the stock market decline so would be unaffected.

### Consumer Expectations Index





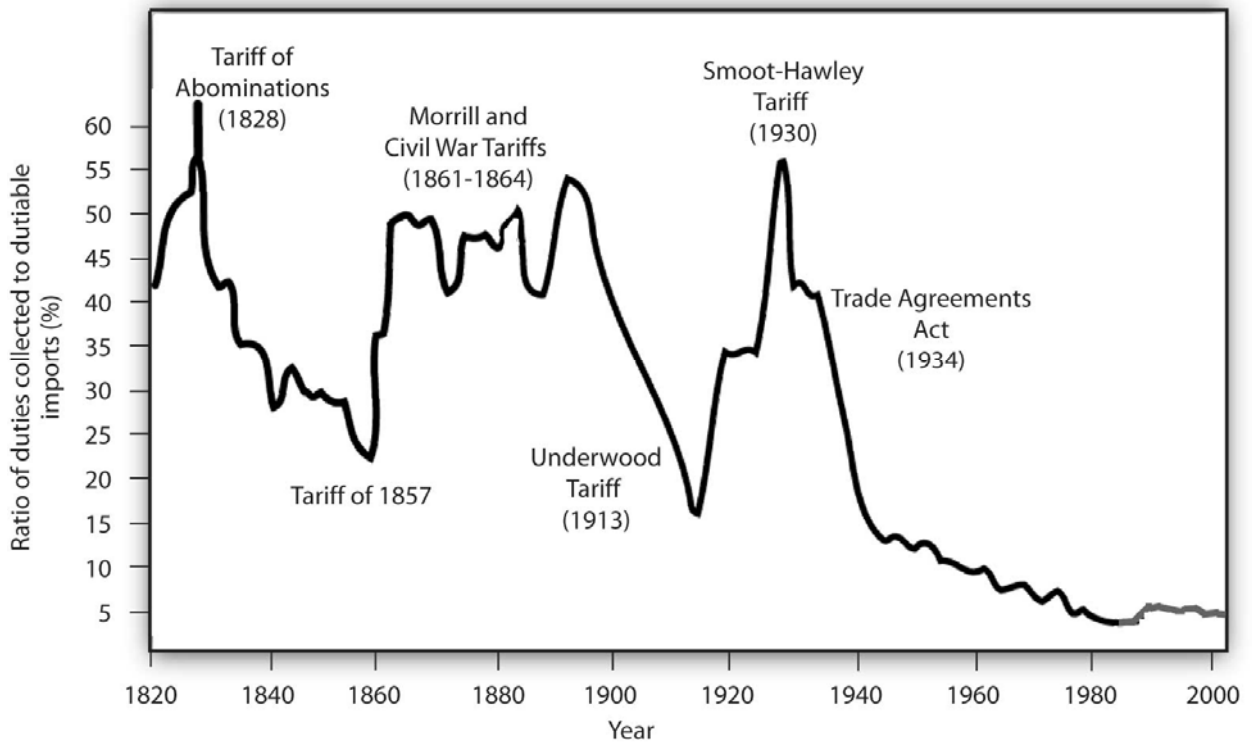
## Consumer Sentiment Index Data

	Consumer Sentiment		Current Conditions		Consumer Expectations	
	7 Rivers	National	7 Rivers	National	7 Rivers	National
April 2002	96.1	93	94.7	99.2	97.1	89.1
November 2002	85.8	84.2	97.0	93.1	78.6	78.5
April 2003	86.0	86	94.4	96.4	80.6	79.3
October 2003	102.0	89.6	104.6	99.9	100.4	83.0
April 2004	98.1	94.2	102.9	105	95.0	87.3
February 2005	87.9	94.1	100.7	109.2	79.6	84.4
March 2006	85.9	88.9	107.6	109.1	71.9	76.0
November 2006	90.8	92.1	96.7	106	86.9	83.2
April 2007***	102.7	89.2	113.7	111.1	95.7	75.1
February 2008***	79.1	70.8	91.3	83.8	71.2	62.4
August 2008***	69.9	61.2	76.5	73.1	65.6	53.5
December 2008***	70.9	60.1	87.0	69.5	60.6	57.8
February 2009***	59.7	56.3	75.9	65.5	49.2	50.5
July 2009***	75.2	66	83.7	70.5	69.7	63.2
February 2010***	79.2	73.7	91.8	84.1	71.2	66.9
August 2010***	79.0	69.6	91.5	69.0	70.9	64.1
April 2011***	80.5	68.2	88.2	83.6	75.5	58.3
August 2011***	66.2	54.9	80.8	69.3	56.8	45.7
February 2012***	94.4	75.3	102.4	83.0	89.3	70.3
August 2012***	84.3	72.3	96.8	82.7	76.3	65.6
April 2013***	88.8	72.3	99.9	84.8	81.6	64.2
August 2013***	93.0	85.1	103.3	98.6	86.4	76.5
March 2014***-	96.6	79.9	108.4	96.1	89.0	69.4
August 2014***-	99.4	79.2	106.8	99.6	94.6	66.2
March 2015***	106.0	91.2	115.3	103.0	100.1	83.7
September 2015***	95.4	85.7	108.8	100.3	86.7	76.4
March 2016***	101.0	90.0	117.8	105.6	90.2	80.0
September 2016***	96.7	89.8	111.6	107.0	87.2	78.7
March 2017***	99.4	96.3	111.5	111.5	91.6	86.5
October 2017***	110.7	95.1	119.5	111.7	105.1	84.4
March 2018***	105.8	99.9	114.7	115.1	100	90.2
<b>October 2018***</b>	<b>99.9</b>	<b>99.0</b>	<b>119.8</b>	<b>114.4</b>	<b>87.2</b>	<b>89.1</b>

\*\*\* Survey moved to the web. Data for October 2017 preliminary at time of publication

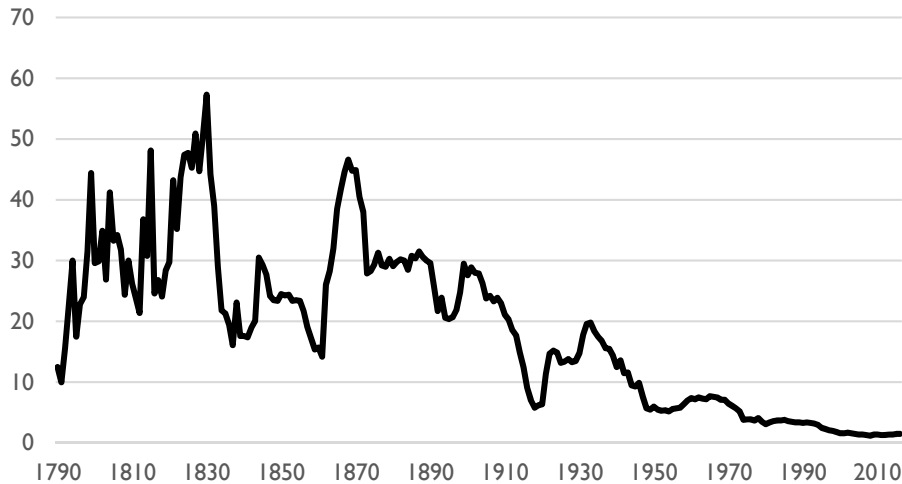
## Trade

For a long time in our history tariffs were used as the primary source of income for the government. To be very clear and state the obvious, tariffs are nothing more than taxes on goods from other countries. Goods for which the domestic consumer would like to purchase. Tariffs therefore raise the cost of goods purchased domestically. The reason they were historically taxed is that goods being imported were easy to observe and easy to tax. Far easier than income. Below we have a graph that provides the historical level of duties collected on dutiable imports. It is important to note that while this generally follows the pattern of average tariff rates, they are not the same thing. There are many categories of imports that are entirely exempt from import duties. This graph depicts the current rate of 5%, whereas the average tariff rate is around 1.5%.



Here is a better representation of the average tariff rate faced by imports into this country.

Tariffs as a percentage of imports



3

But what about the tariff rates faced by U.S. exporters? Of course it depends on where the exports are headed. For example, U.S. exports to the European Union face an average tariff of about 1.9%, as opposed to the 1.4% that their exports to the U.S. face. Although there are some categories with large differences hidden in that average.<sup>4</sup>

### U.S.-Mexico-Canada Agreement, or USMCA

Turning to your opinions on trade. The following survey questions were included in the consumer sentiment survey discussed above. For each question the percentage responding with that answer is provided to the left in **bold**.

Q6 Overall, do you think these increased tariffs between the U.S. and its trading partners will be good or bad for the United States?

**27%** Good for the United States (1)

**61%** Bad for the United States (2)

**12%** Other, Please Specify (3)

Q7 As you may know, NAFTA, or the North American Free Trade Agreement, is a trade agreement between the U.S. and other countries. All in all, would you say NAFTA is

**54%** Good for the United States (1)

**28%** Bad for the United States (2)

<sup>3</sup> <https://www.theatlantic.com/charts/SyXJGvOtf>

<sup>4</sup> <https://money.cnn.com/2018/07/11/news/economy/us-eu-tariffs-trade/index.html>



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**18%** Other, Please Specify (3)

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Q8 It appears that an agreement has been reached to revise NAFTA. The new trade agreement is being called USCMA. From what you know, will this agreement generally be

**57%** Good for the United States (1)

**11%** Bad for the United States (2)

**32%** Other, Please Specify (3)

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My general sense of these opinions is that the respondents understand the value of freer trade, but likely some of the resistance might in fact be that some of them are in industries facing challenging international competition. In which case it is likely hard to separate their fortunes and those of their industry/business from those of the country as a whole.

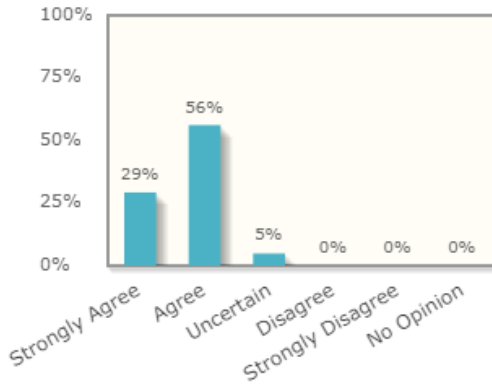
Of course public opinion of something is not the same as scientific consensus on that thing. Turning to a survey of top economists we find that they overwhelmingly agree with statements that suggest citizens of the U.S. are better off under NAFTA than without it. The survey respondents are allowed to not only provide their answer but also provide their level of certainty.

Tuesday, March 13th, 2012 9:18 am

## Free Trade

**Question A: Freer trade improves productive efficiency and offers consumers better choices, and in the long run these gains are much larger than any effects on employment.**

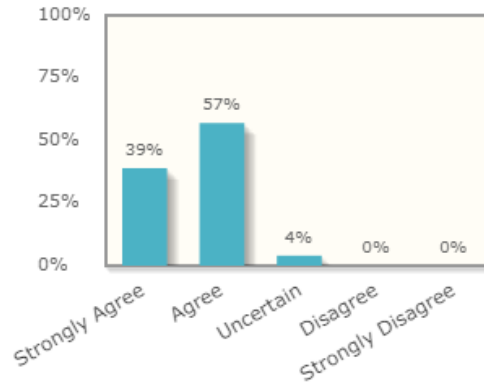
### Responses



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Source: IGM Economic Experts Panel  
[www.igmchicago.org/igm-economic-experts-panel](http://www.igmchicago.org/igm-economic-experts-panel)

### Responses weighted by each expert's confidence

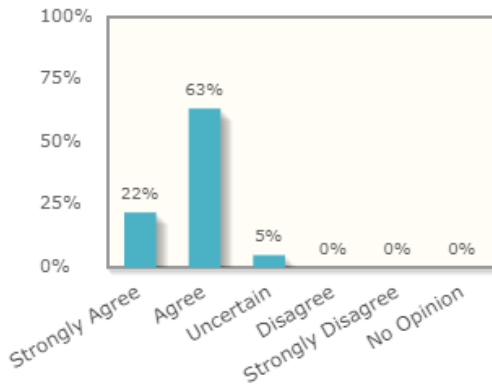


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Source: IGM Economic Experts Panel  
[www.igmchicago.org/igm-economic-experts-panel](http://www.igmchicago.org/igm-economic-experts-panel)

**Question B: On average, citizens of the U.S. have been better off with the North American Free Trade Agreement than they would have been if the trade rules for the U.S., Canada and Mexico prior to NAFTA had remained in place.**

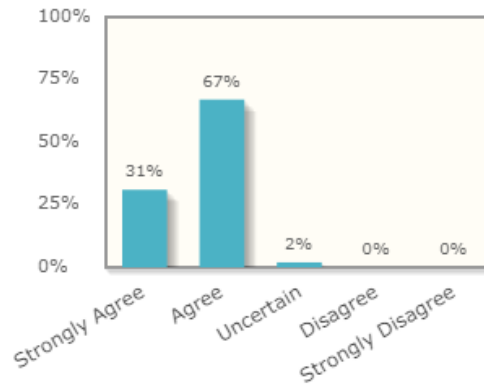
### Responses



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Source: IGM Economic Experts Panel  
[www.igmchicago.org/igm-economic-experts-panel](http://www.igmchicago.org/igm-economic-experts-panel)

### Responses weighted by each expert's confidence

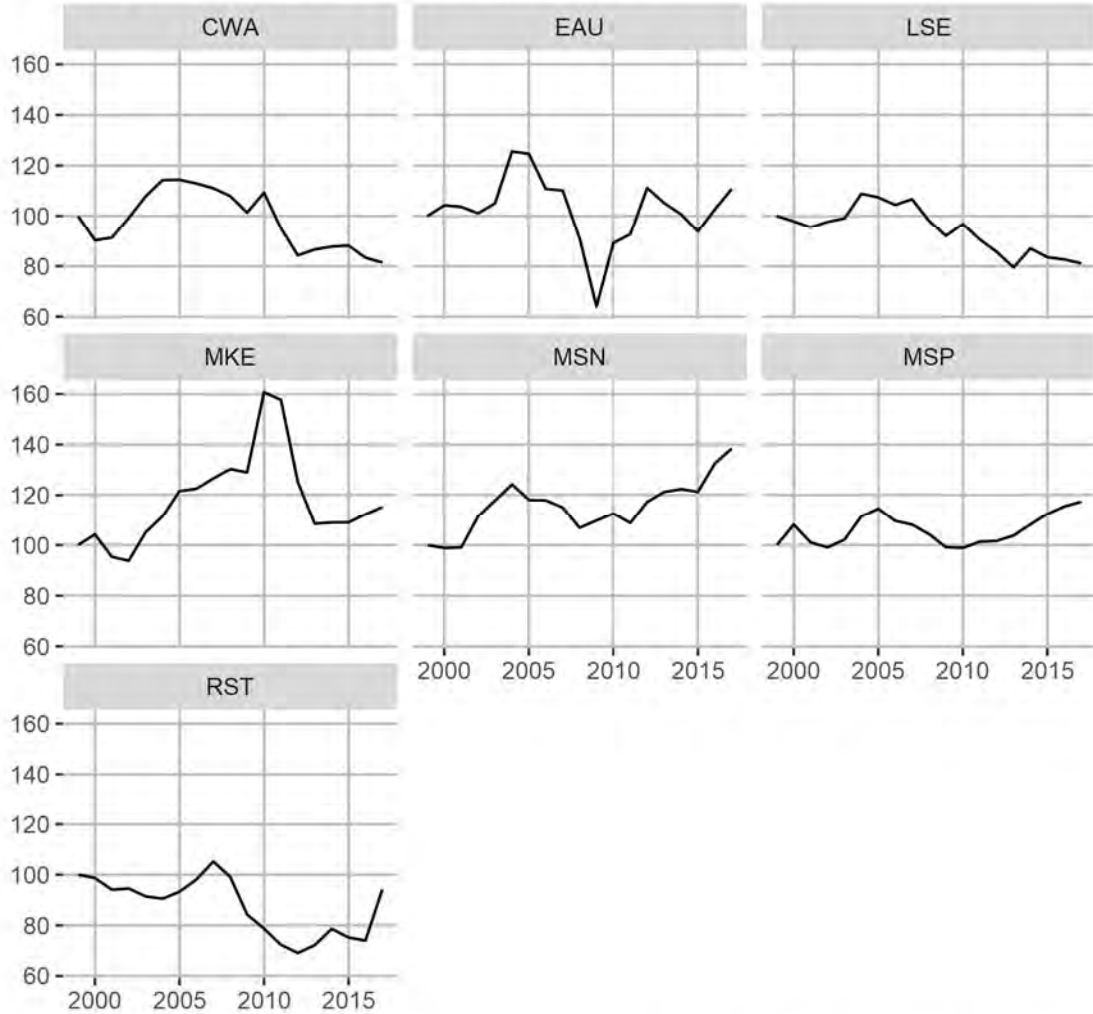


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Source: IGM Economic Experts Panel  
[www.igmchicago.org/igm-economic-experts-panel](http://www.igmchicago.org/igm-economic-experts-panel)

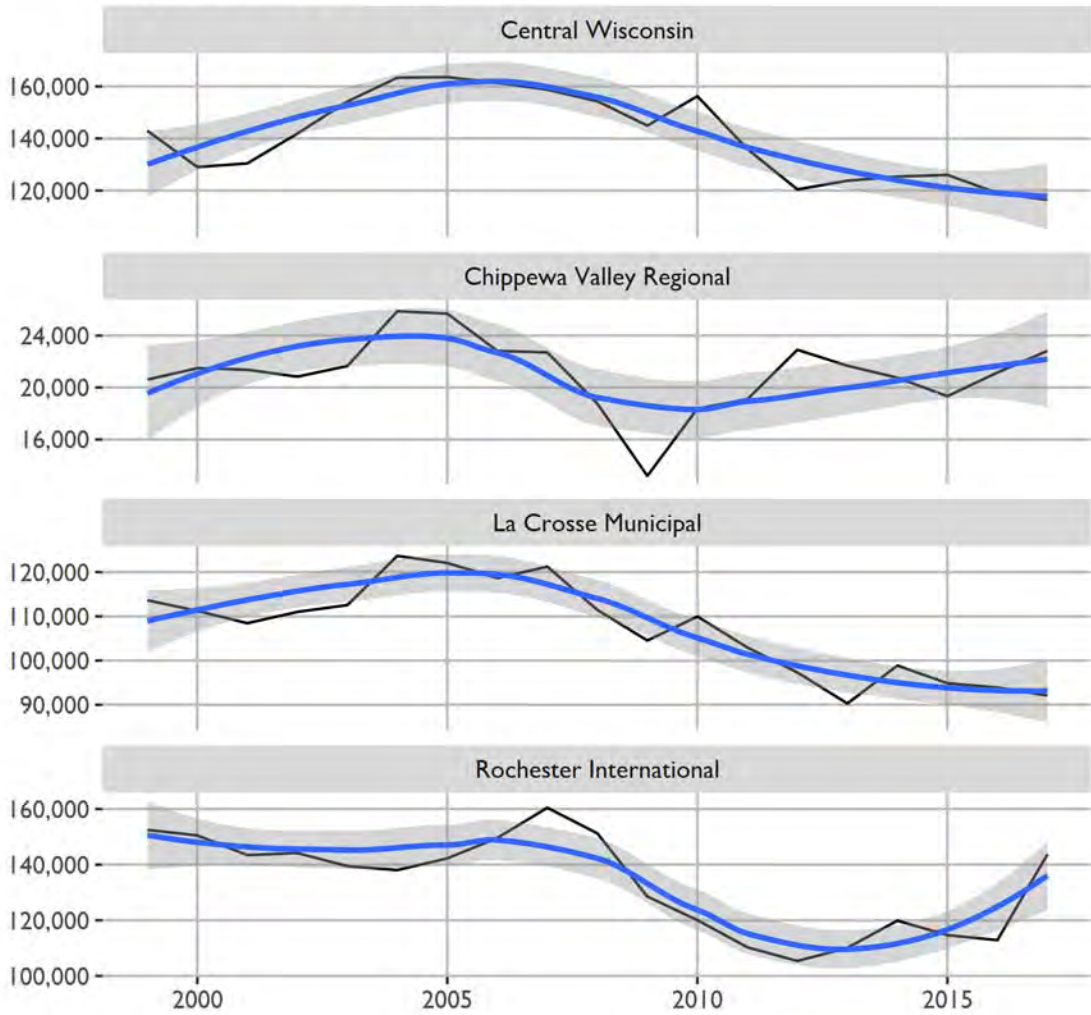
## Appendix

### Regional Airport Enplanements Index



Source: Federal Aviation Administration

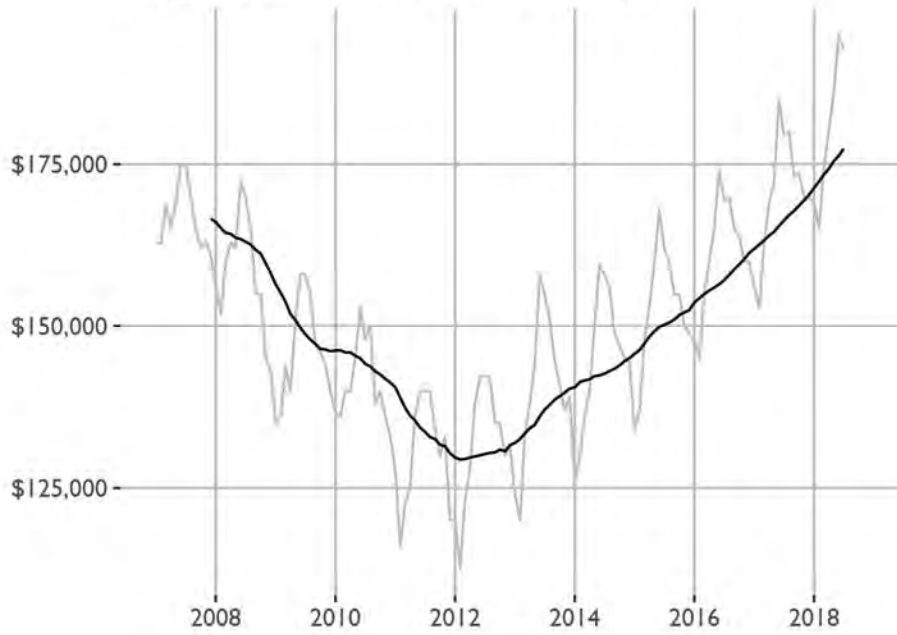
## Regional Airport Enplanements



Source: Federal Aviation Administration

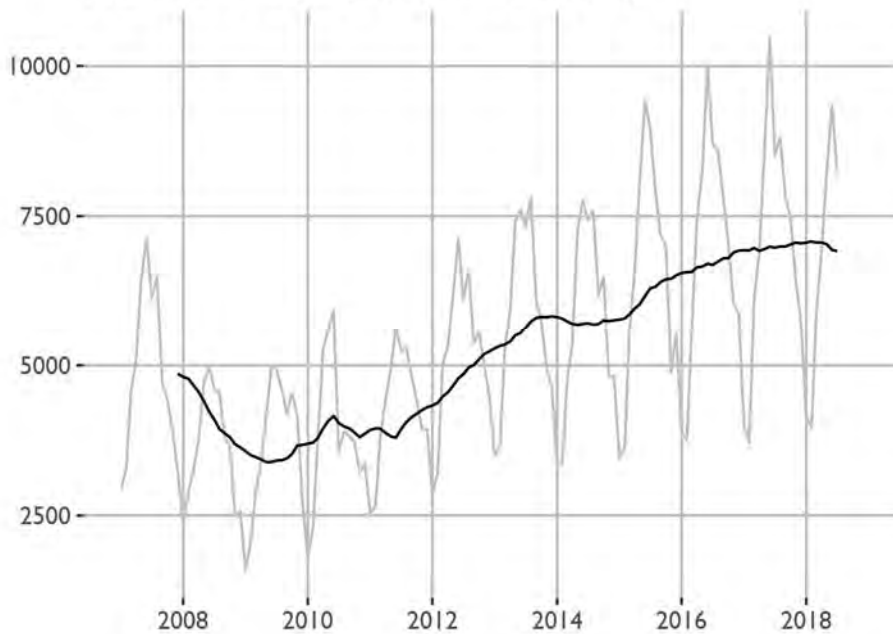


### Median Home Prices: WI County



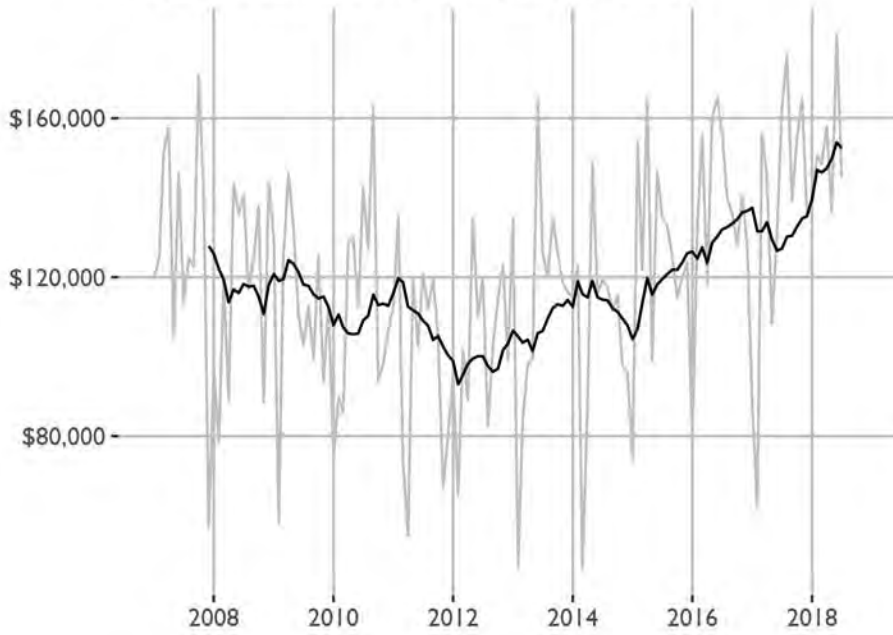
Source: Wisconsin REALTORS® Association

### Number of Home Sales: WI County



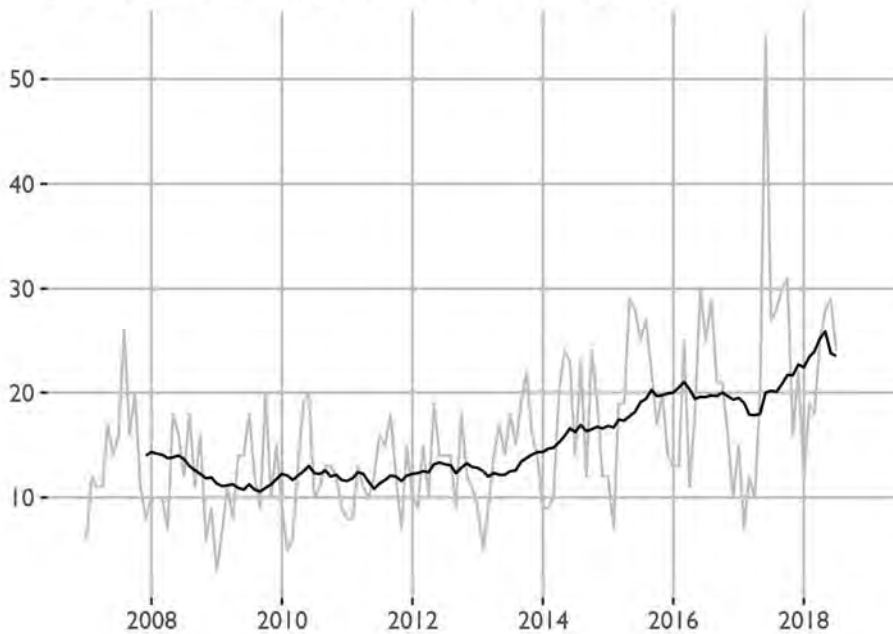
Source: Wisconsin REALTORS® Association

### Median Home Prices: Vernon County



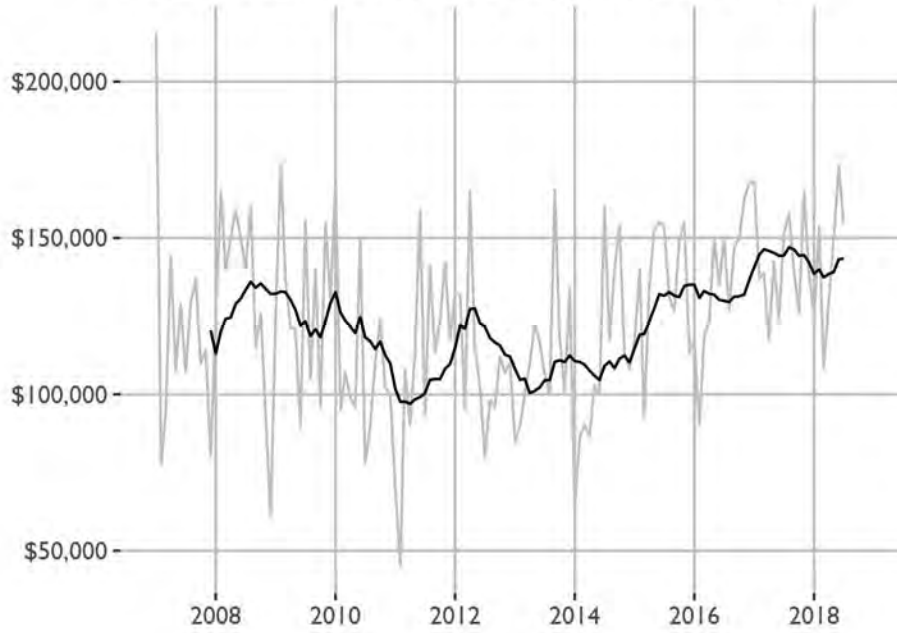
Source: Wisconsin REALTORS® Association

### Number of Home Sales: Vernon County



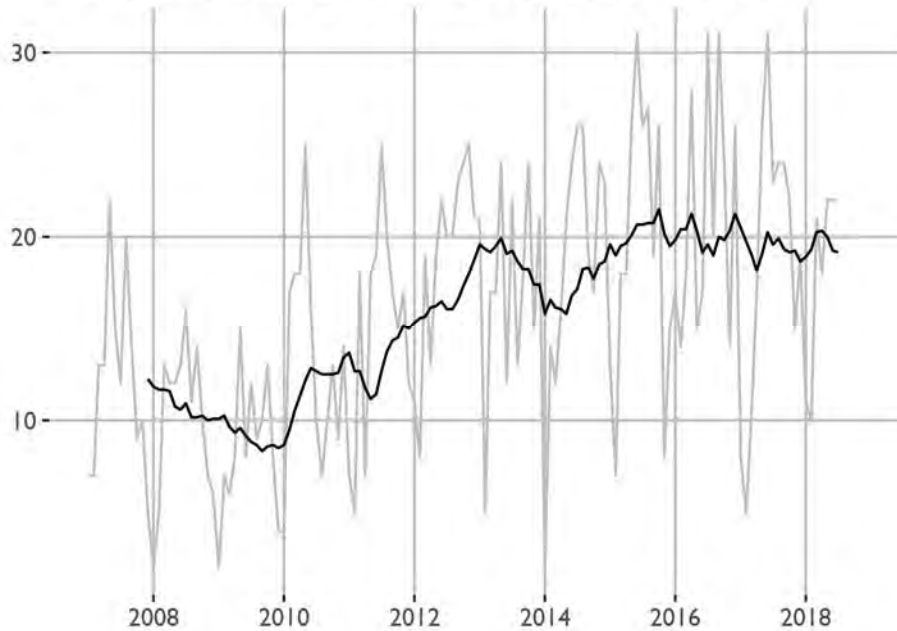
Source: Wisconsin REALTORS® Association

### Median Home Prices: Trempealeau County



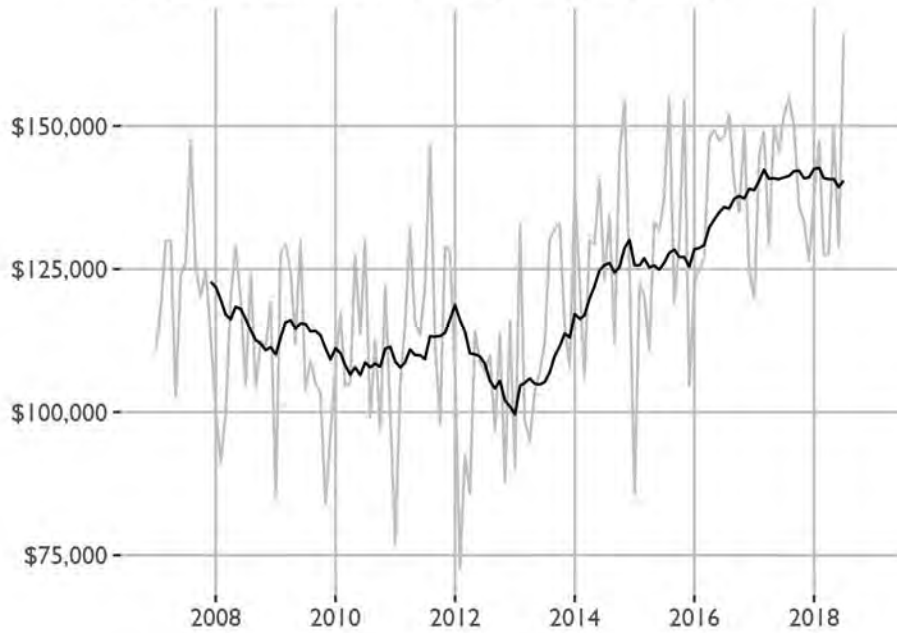
Source: Wisconsin REALTORS® Association

### Number of Home Sales: Trempealeau County



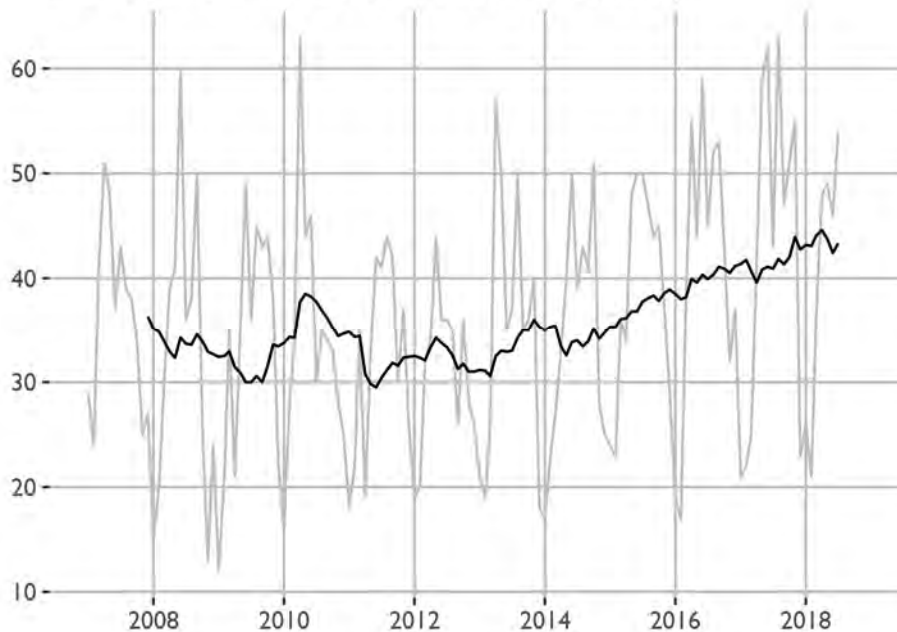
Source: Wisconsin REALTORS® Association

### Median Home Prices: Monroe County



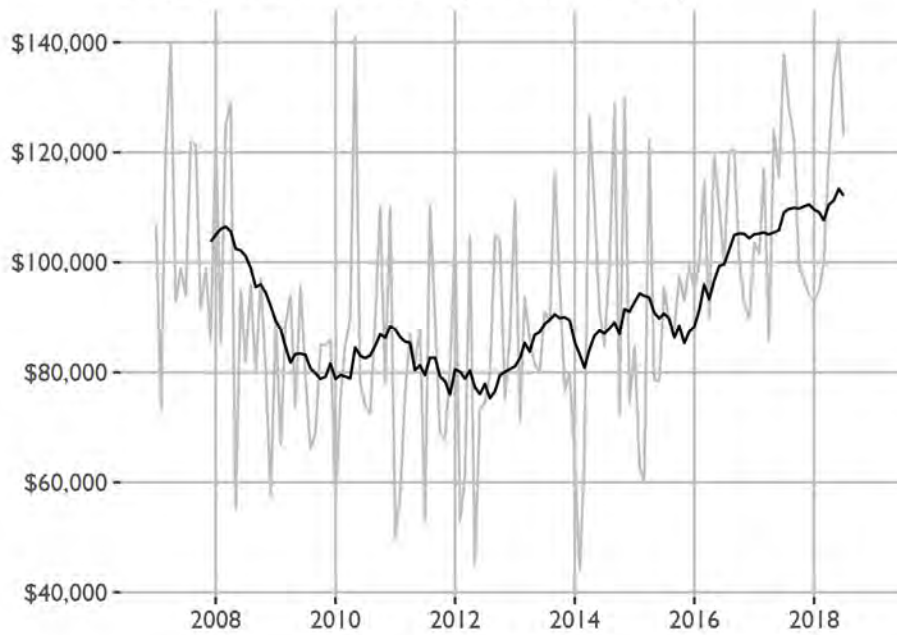
Source: Wisconsin REALTORS® Association

### Number of Home Sales: Monroe County



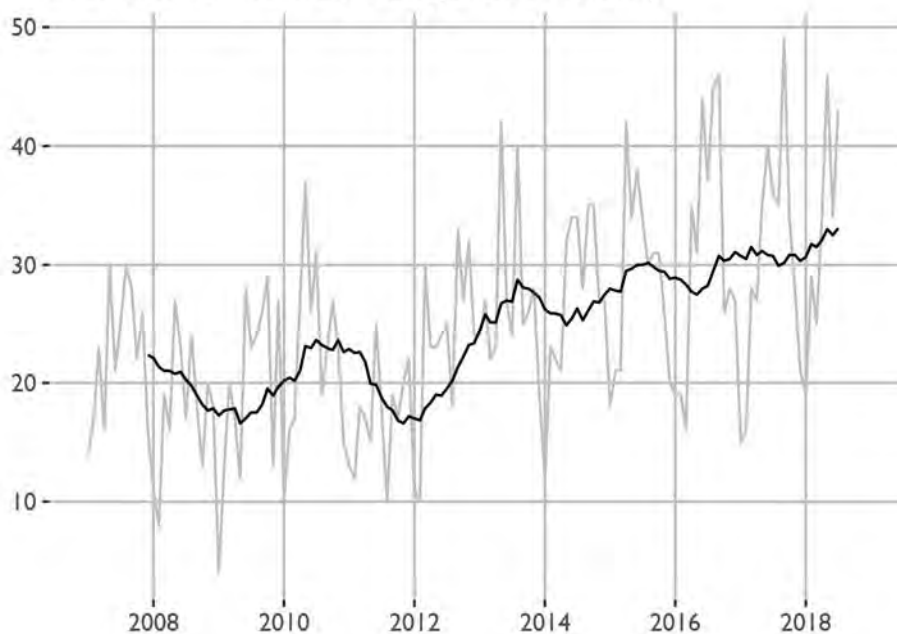
Source: Wisconsin REALTORS® Association

### Median Home Prices: Juneau County



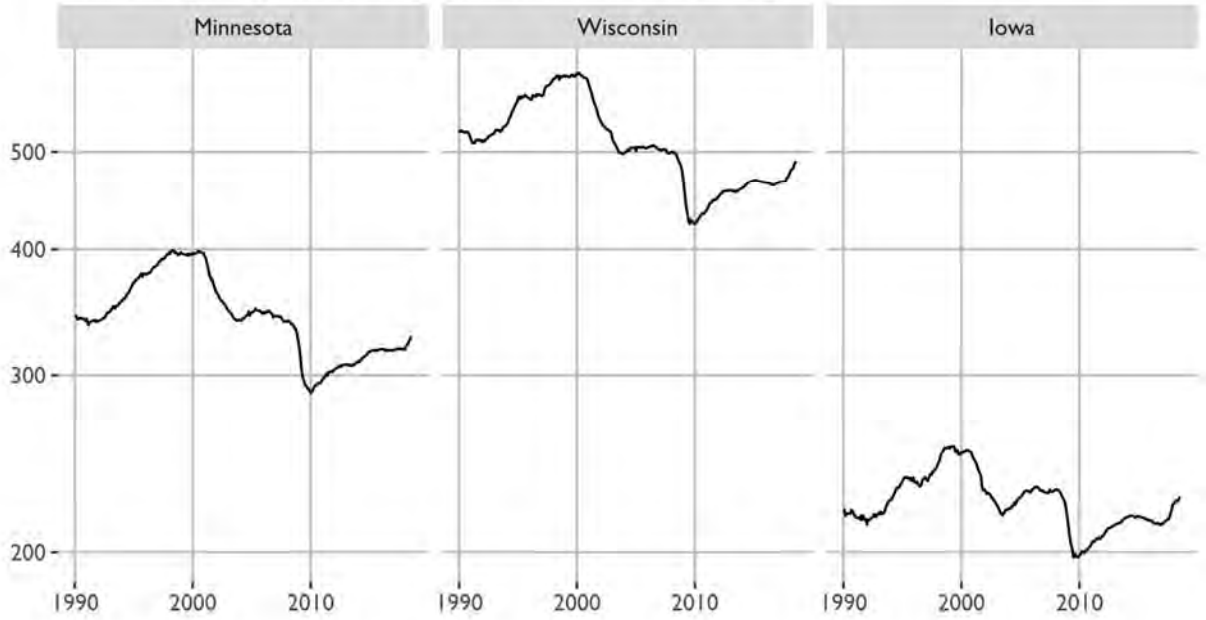
Source: Wisconsin REALTORS® Association

### Number of Home Sales: Juneau County

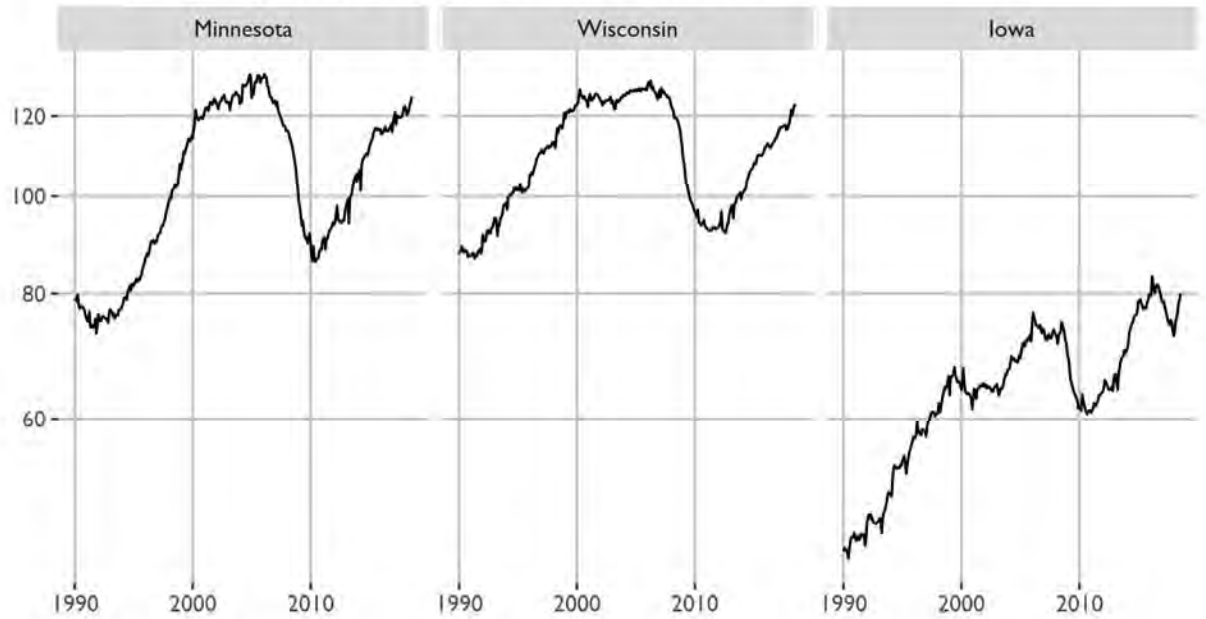


Source: Wisconsin REALTORS® Association

### Seasonally Adjusted, Employment - Manufacturing

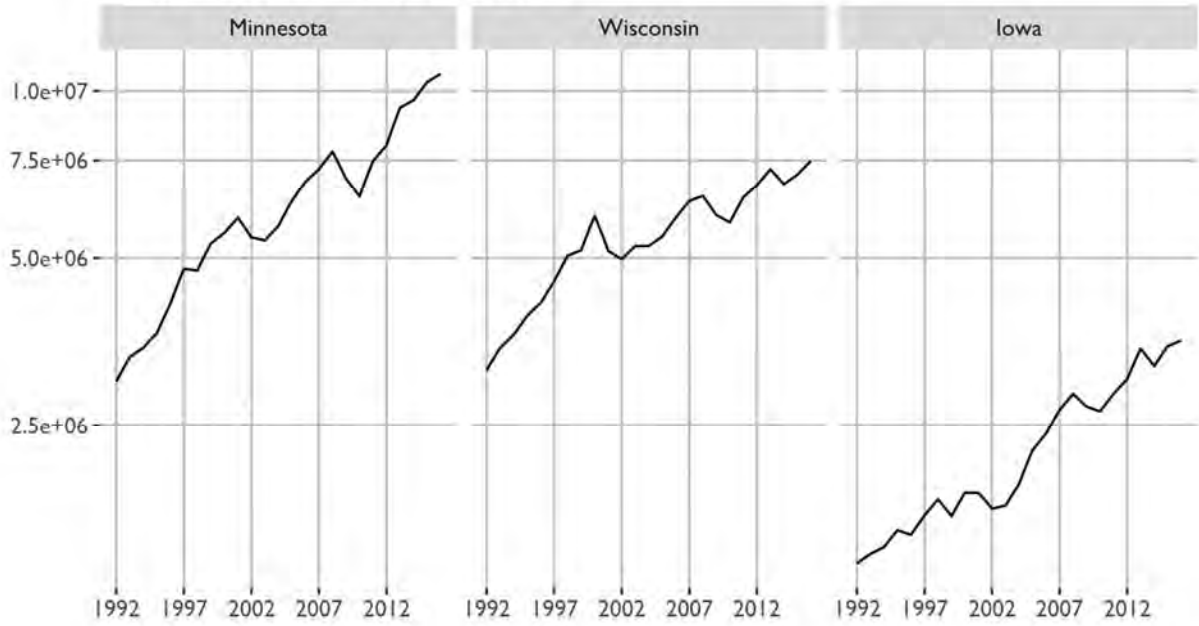


### Seasonally Adjusted, Employment - Construction

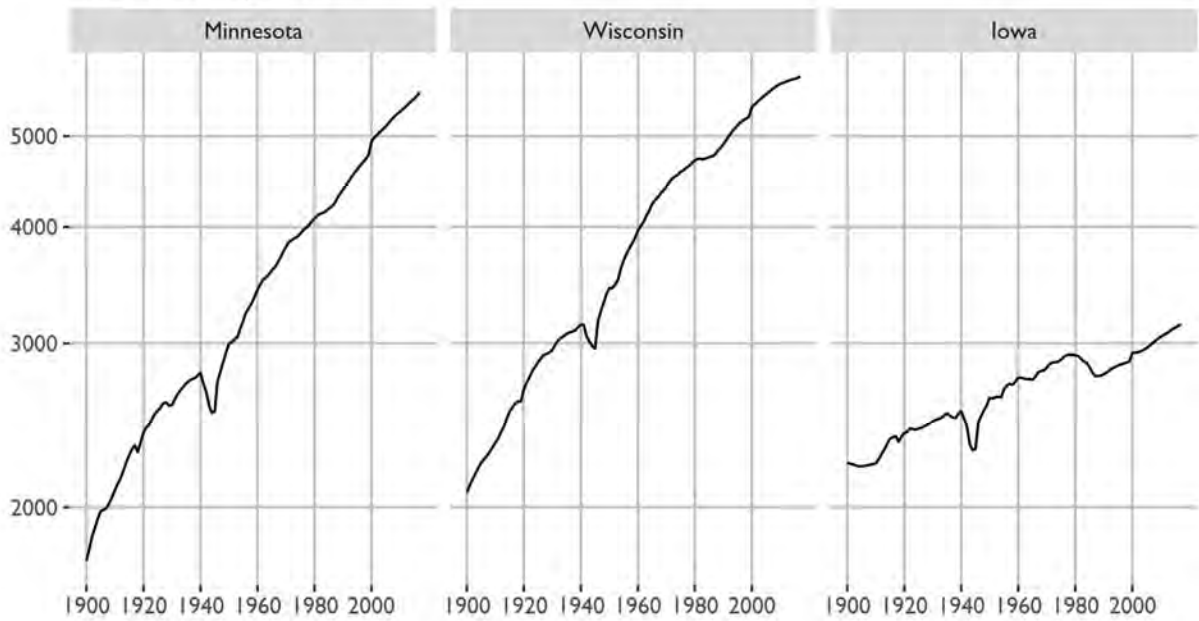




### Annual Income Tax Collections

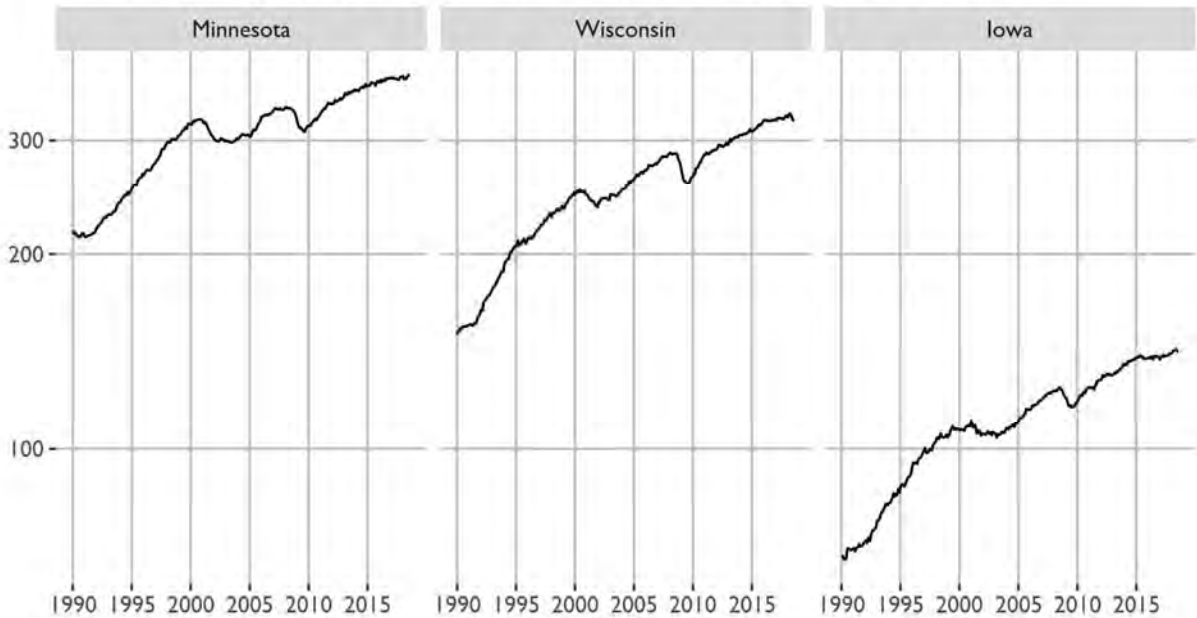


### Resident Population

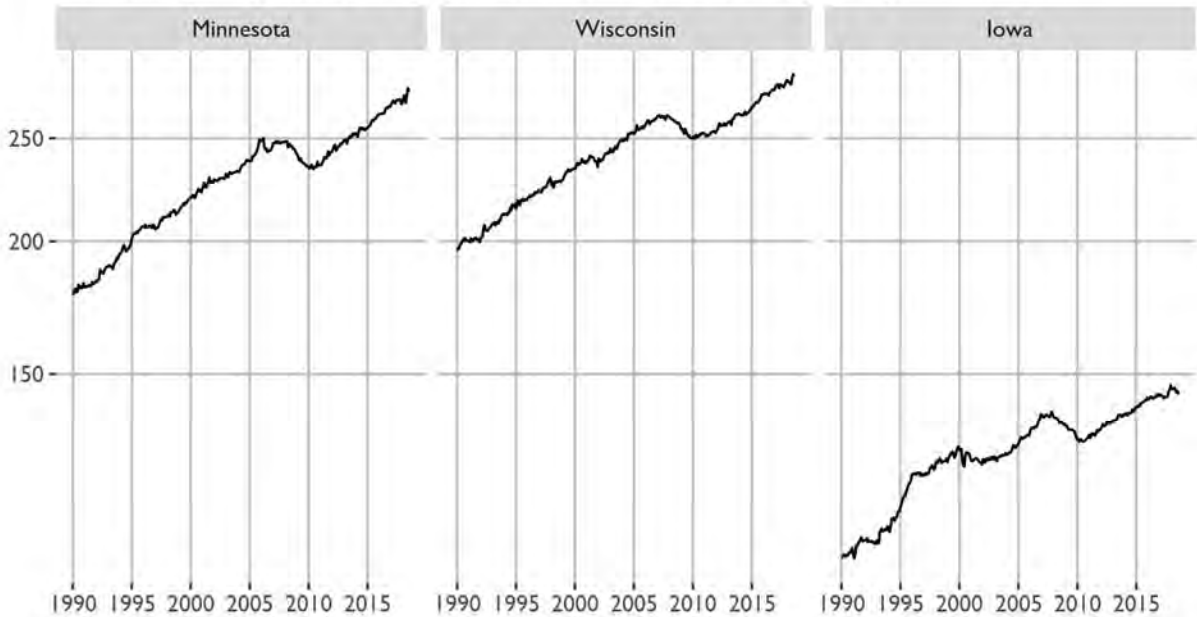




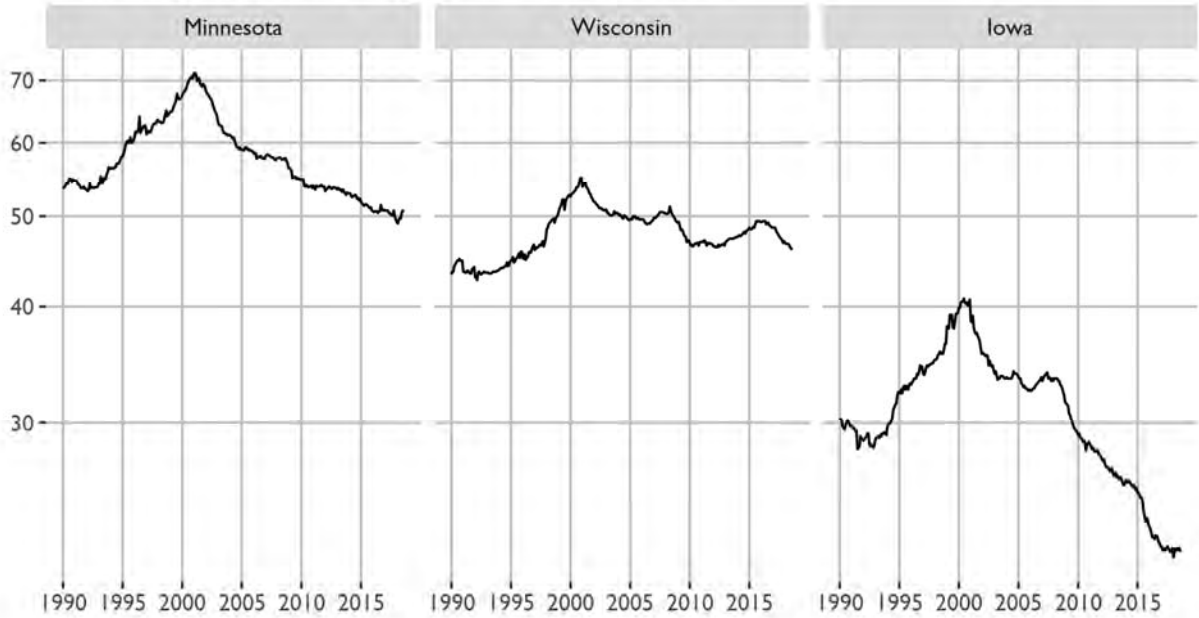
### Seasonally Adjusted, Employment - Trade, Transportation and Utilities



### Seasonally Adjusted, Employment - Leisure and Hospitality



### Seasonally Adjusted, Employment - Information



### Seasonally Adjusted, Employment - Government

