

# Zions Bank Economic Update

## An Economy in Transition

May 10, 2023



# Recession Scenarios

1. Soft Landing

2. Hard Landing

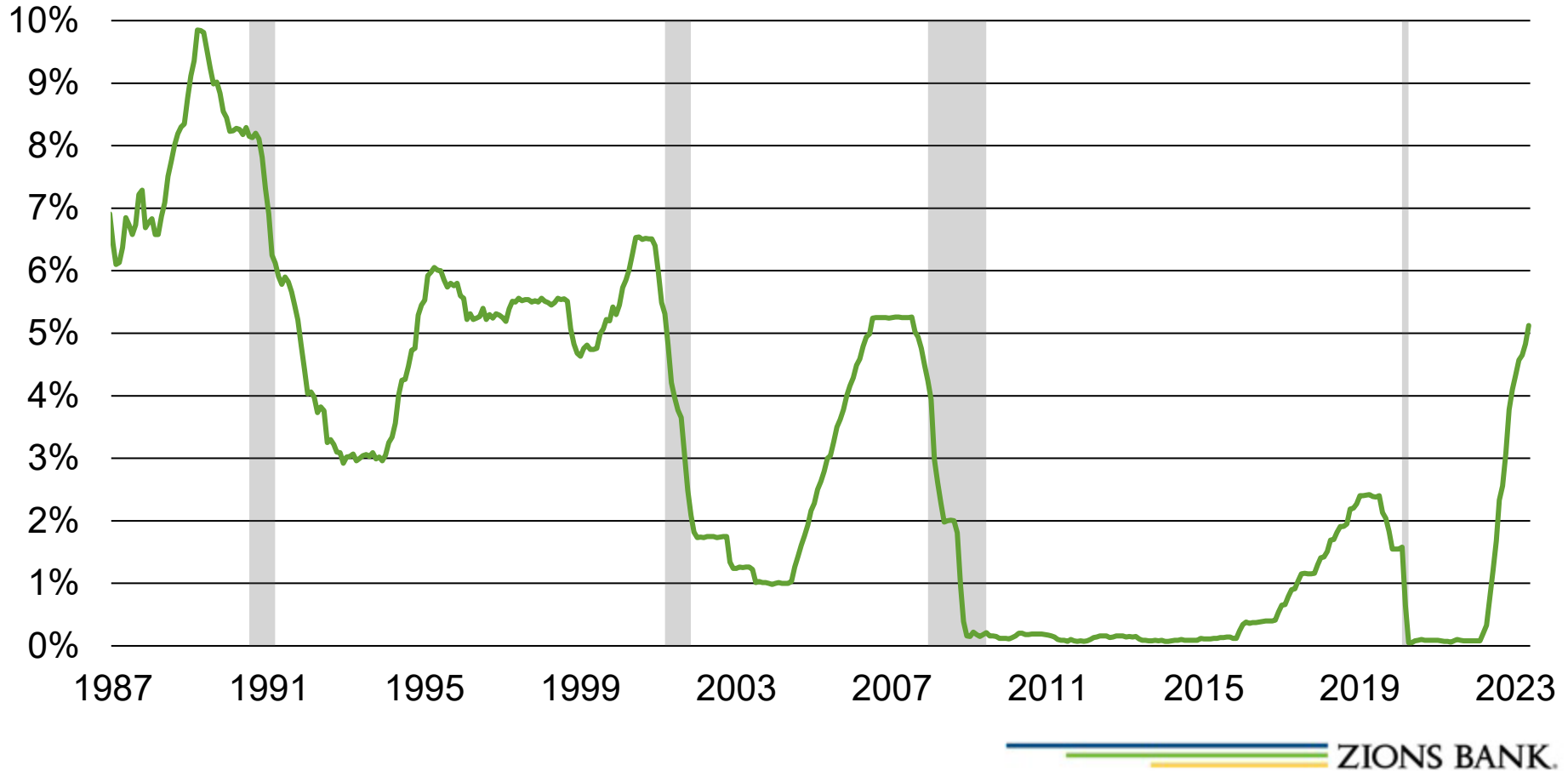
3. No Landing

# Even the Fed Doesn't Know What Will Happen

**"I think no one knows whether there's going to be a recession or not. And if so, how bad that recession would be."**

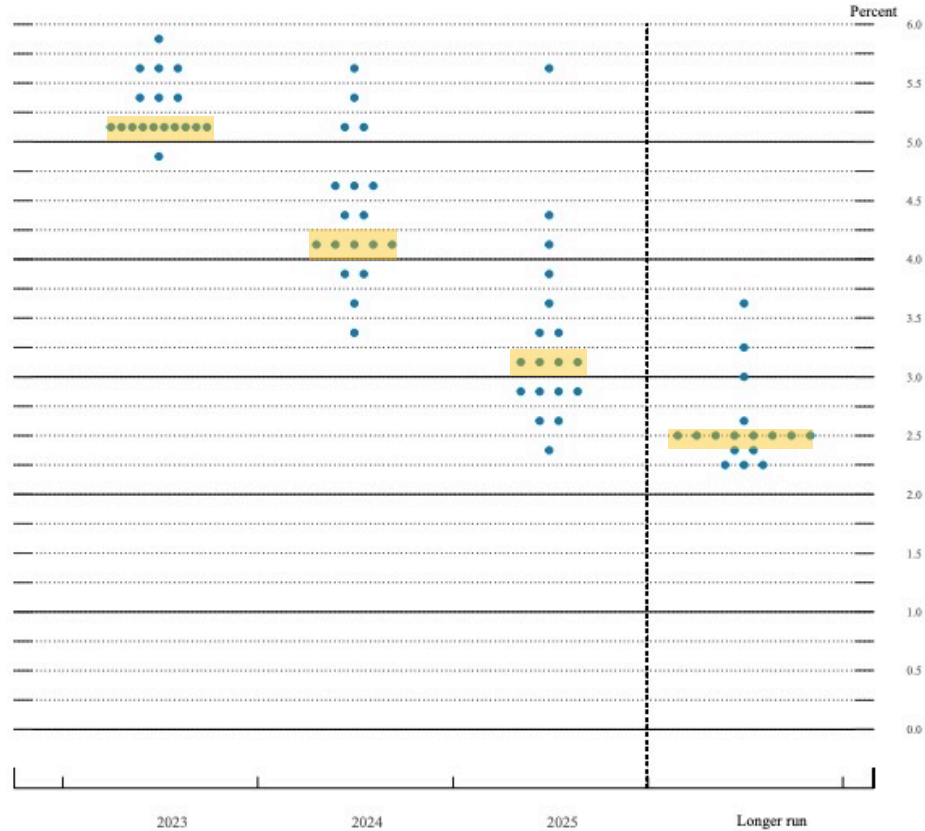
— Fed Chairman Jerome Powell

# Fed Interest Rate Highest Since 2007



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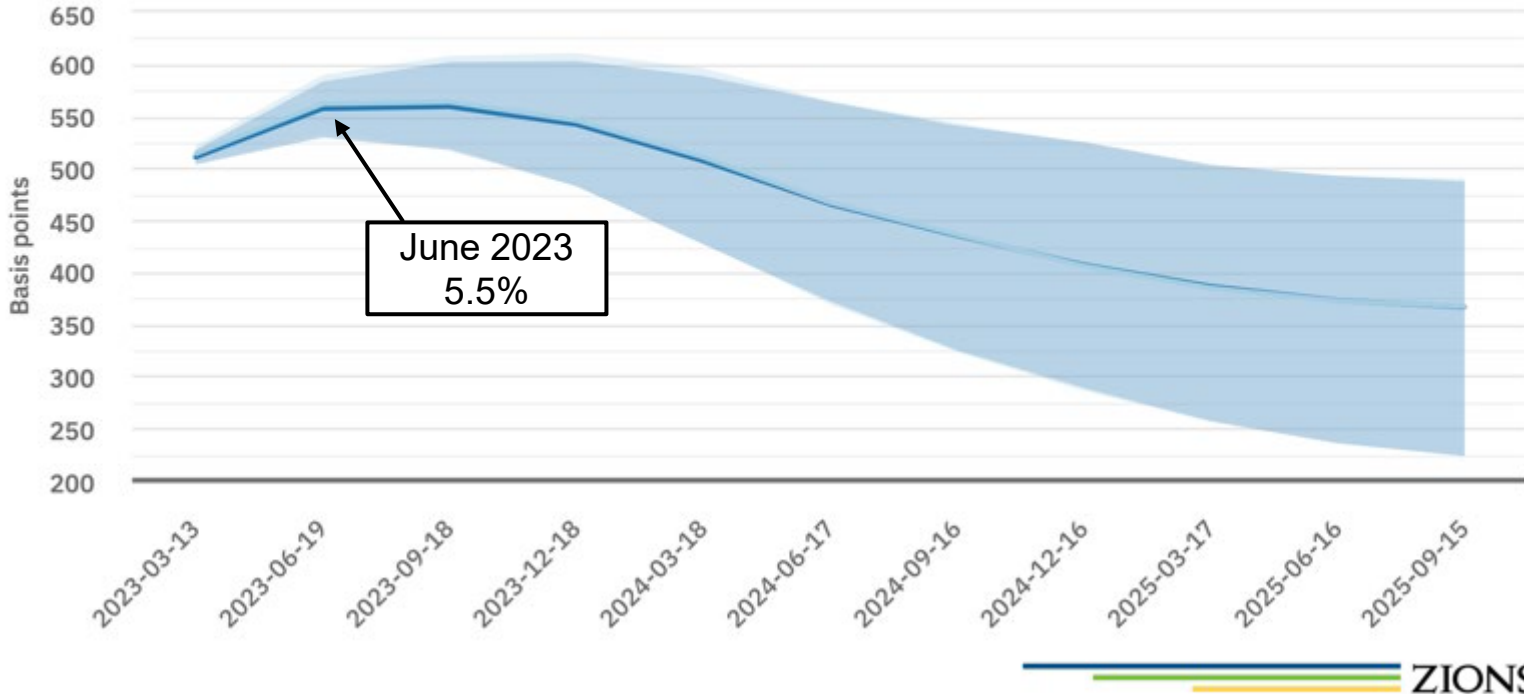
# Fed Indicates Pause in Rate Increases



# Market Rate Expectations - March 10

## The Expected Future Path of the Three-Month Average Fed Funds Rate

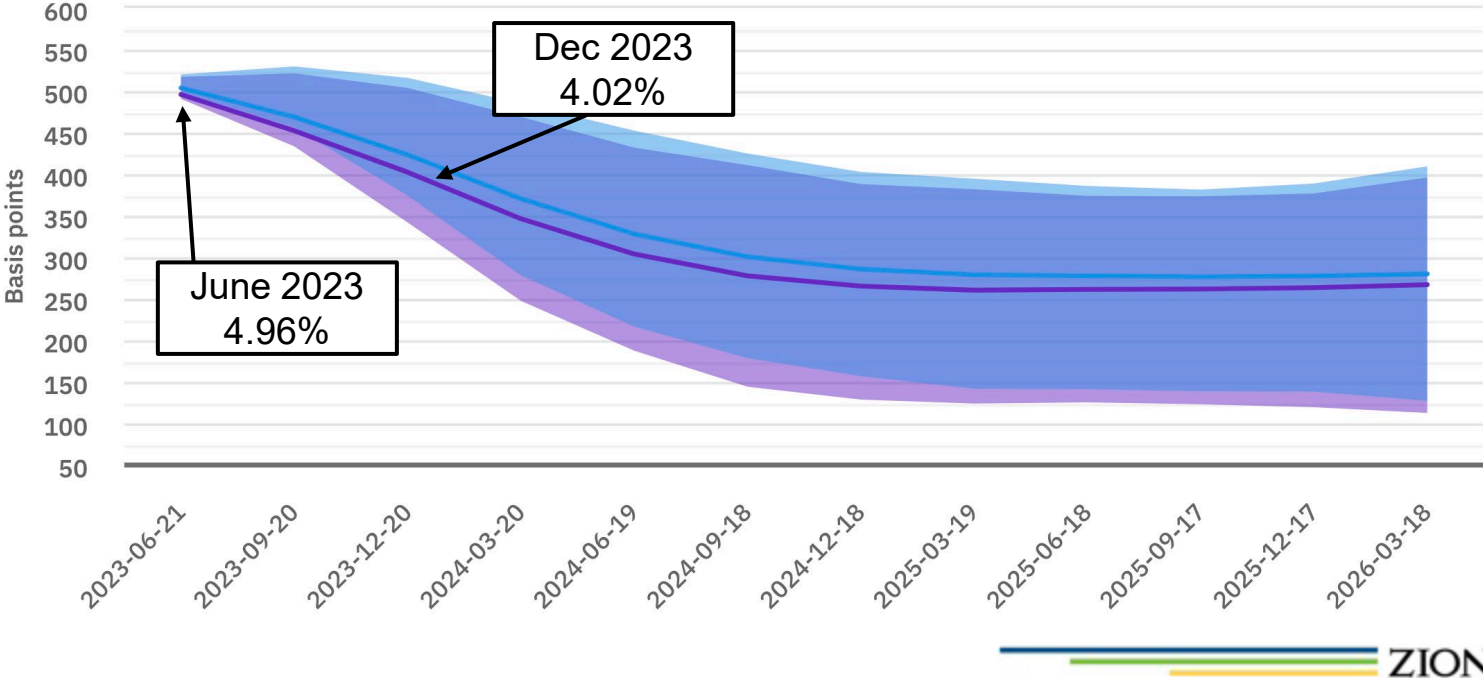
Current target range: 450 - 475 basis points



# Market Rate Expectations - Today

## The Expected Future Path of the Three-Month Average Fed Funds Rate

Current target range: 25–50 basis points

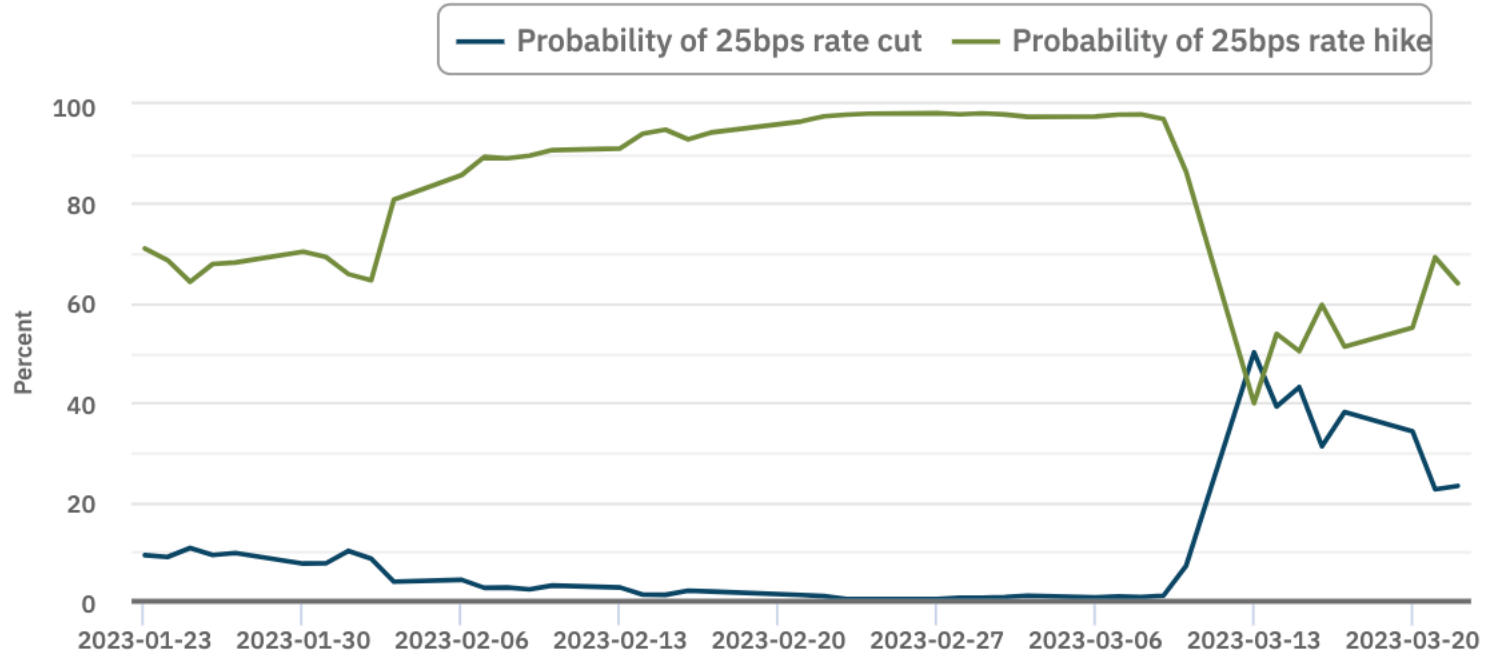


Source: Federal Reserve Bank of Atlanta

# Market Rate Expectations Changed – Late March

## Probability of a Rate Hike or Cut by 2023-06-19

Current target range: 450 - 475 basis points

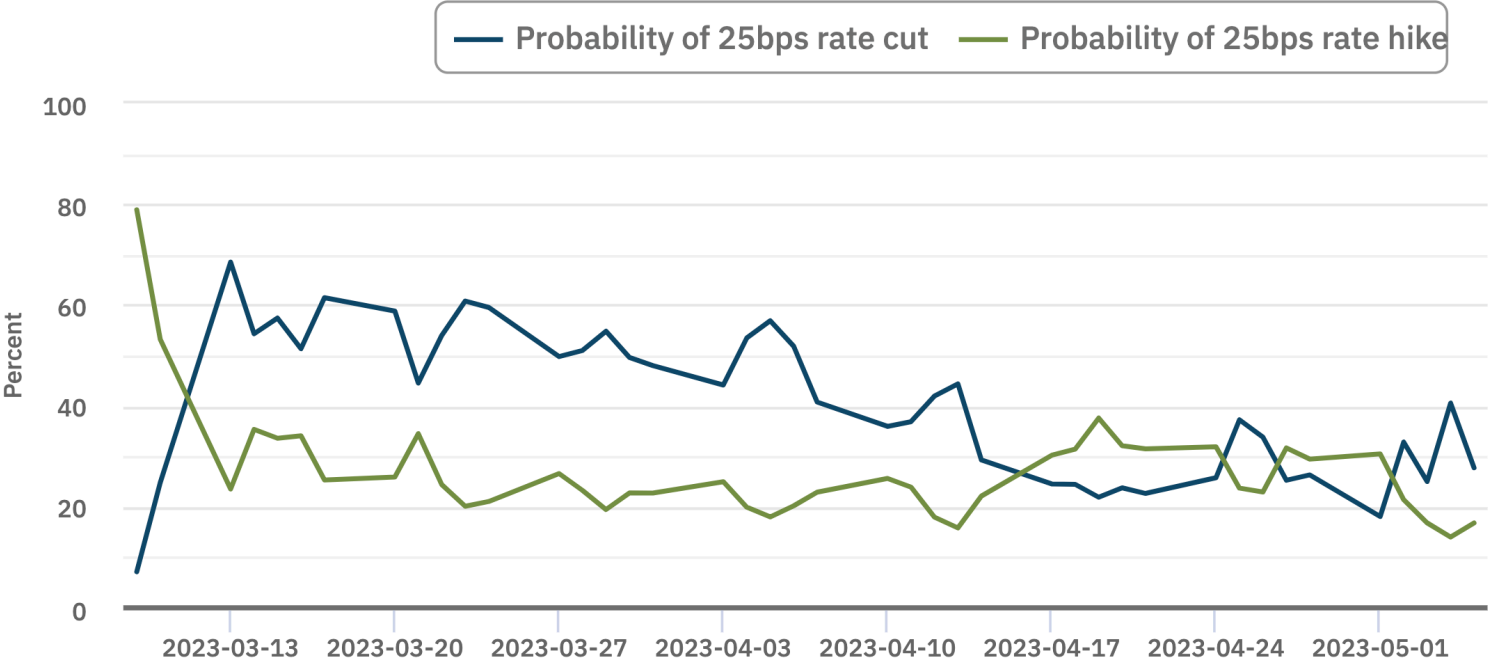




# Market Rate Expectations Changed - Today

## Probability of a Rate Hike or Cut by 2023-06-21

Current target range: 25–50 basis points

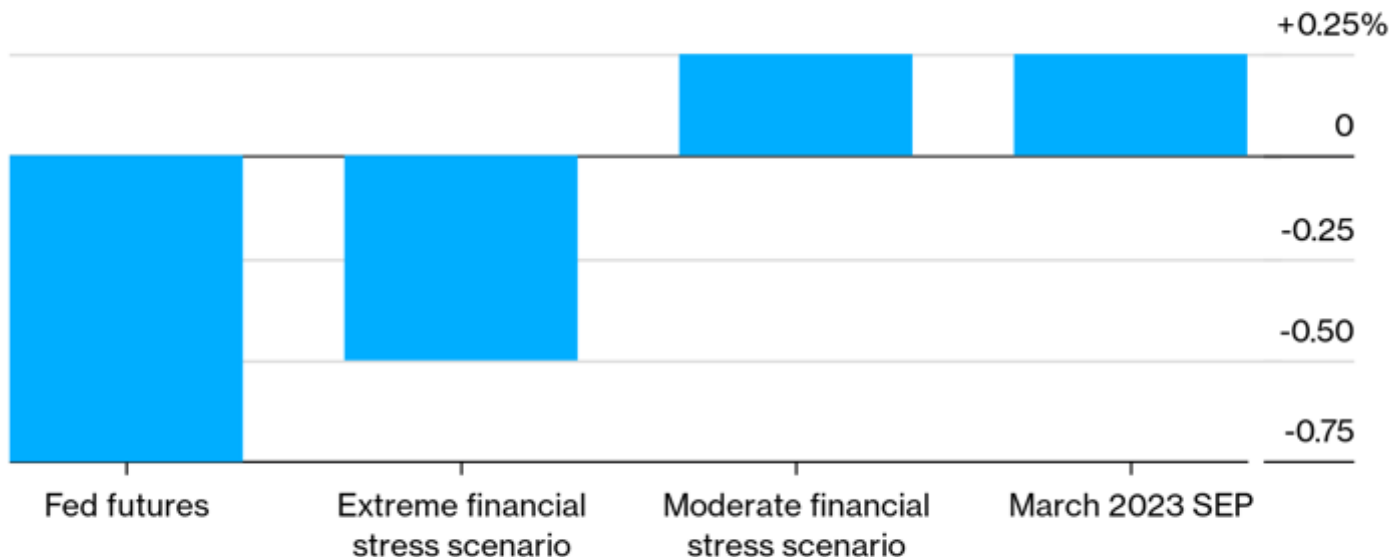


Source: Federal Reserve Bank of Atlanta

# Markets Don't Agree With the Fed

## Market's Fed View Assumes Extreme Financial Stress

Forecasts for change in Fed funds rate by end of 2023



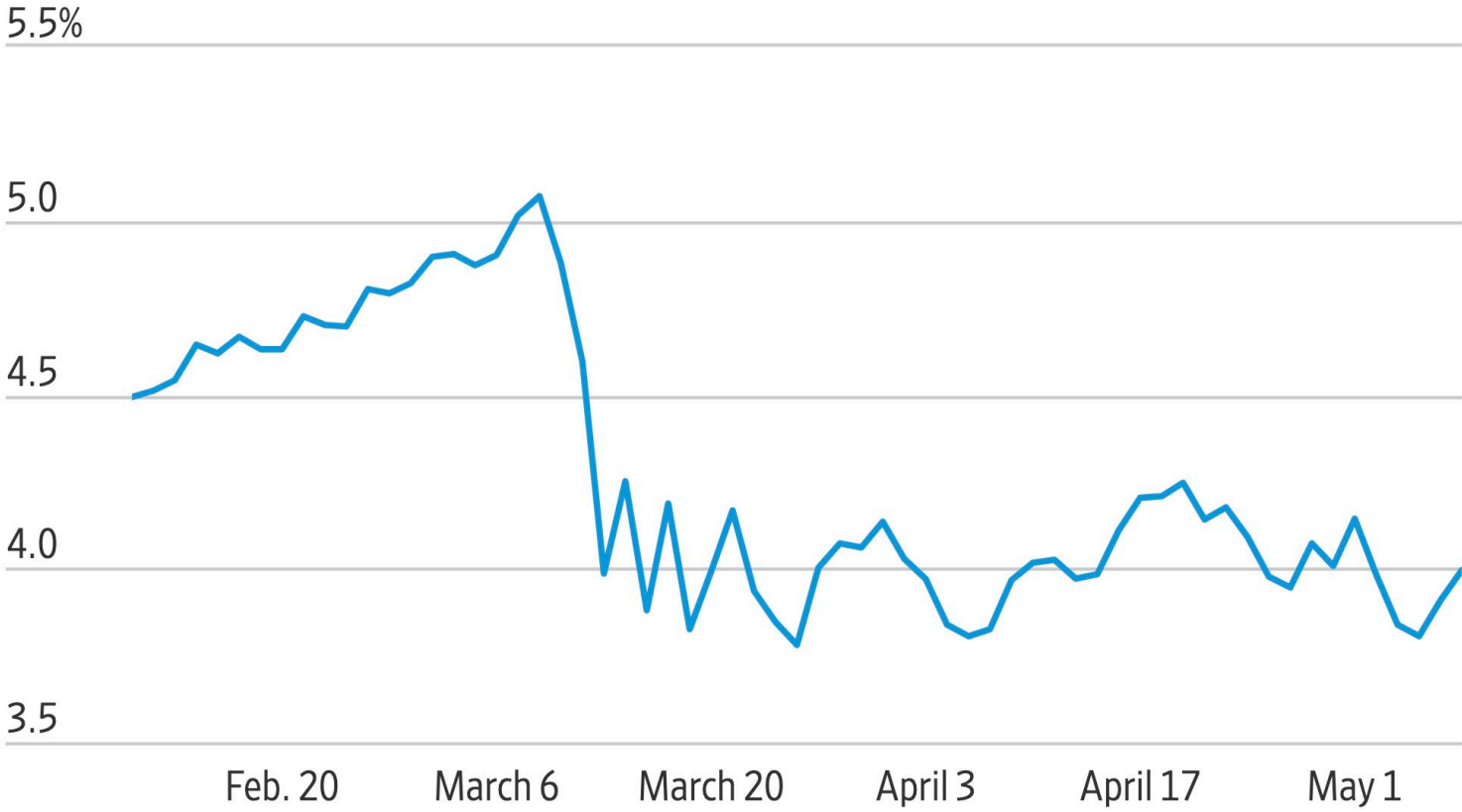
Source: Bloomberg Economics

Note: Scenarios are from Bloomberg Economics using SHOK modeling tool

**Bloomberg**



# Two-Year Note



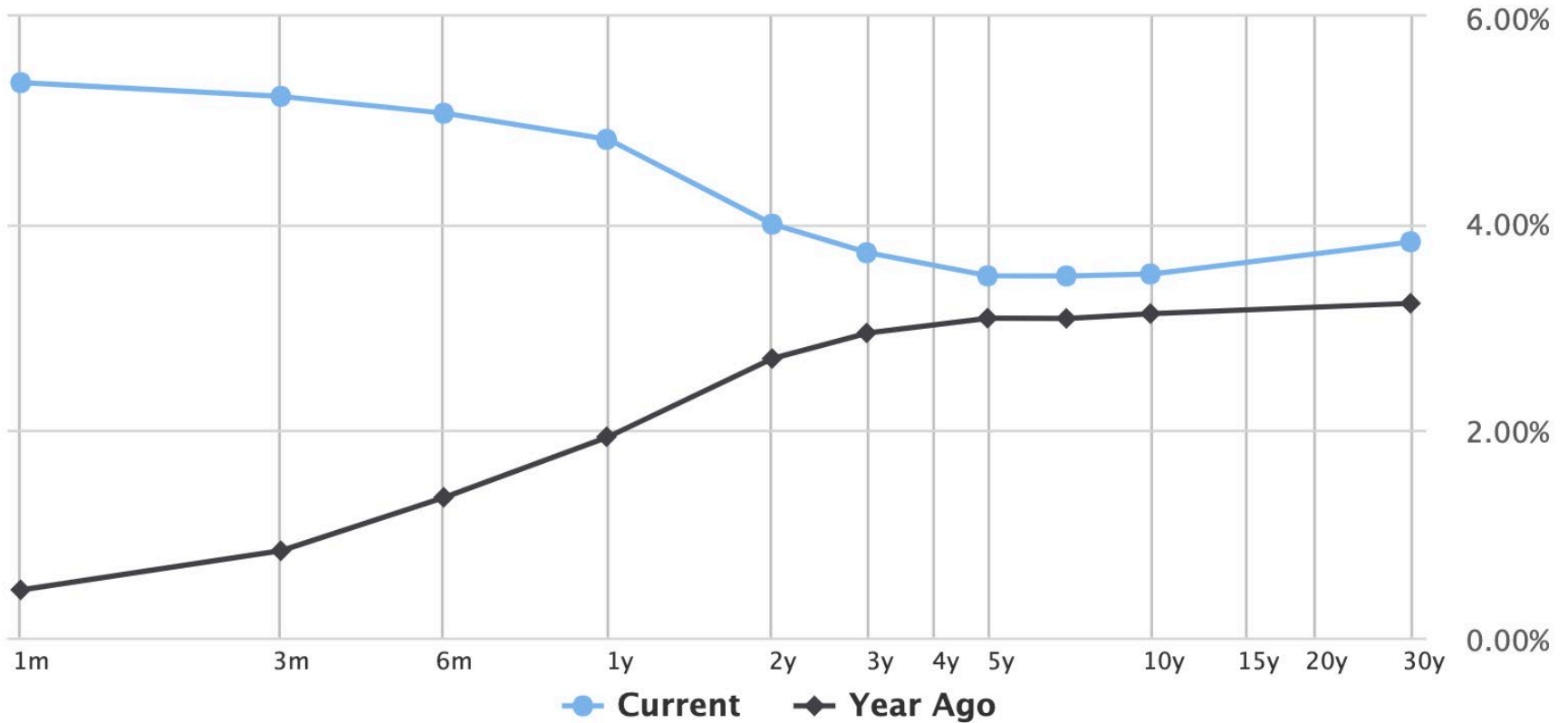
ZIONS BANK.

Source: Wall Street Journal

# Ten-Year Note



# Treasury Yield Curve Inverted



# Too Soon To Tell...

**"Events in the banking system over the past two weeks are likely to result in tighter credit conditions for households and businesses, which would in turn affect economic outcomes. It is too soon to determine the extent of these effects, and therefore too soon to tell how monetary policy should respond."**

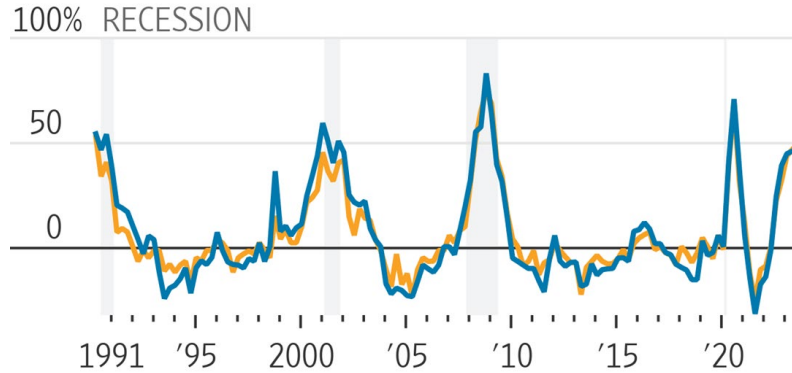
— Federal Reserve Chairman Jerome Powell



# Credit Supply and Demand Tightening

**Net percentage of domestic banks tightening standards for commercial and industrial loans to...**

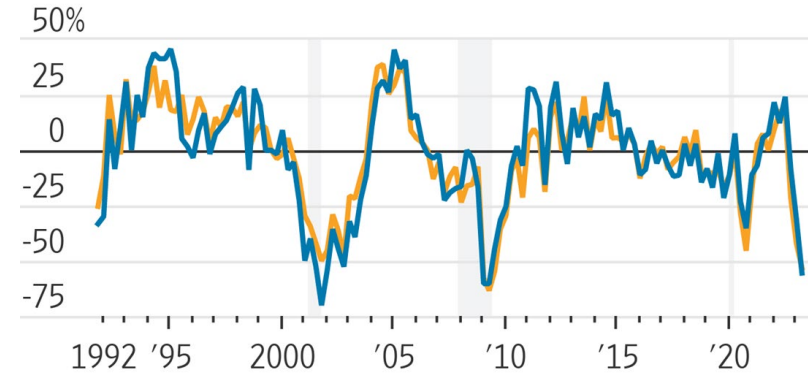
- Large- and middle-market firms
- Small firms



Source: Federal Reserve via the St. Louis Fed

**Net percentage of domestic banks reporting stronger demand for commercial and industrial loans from...**

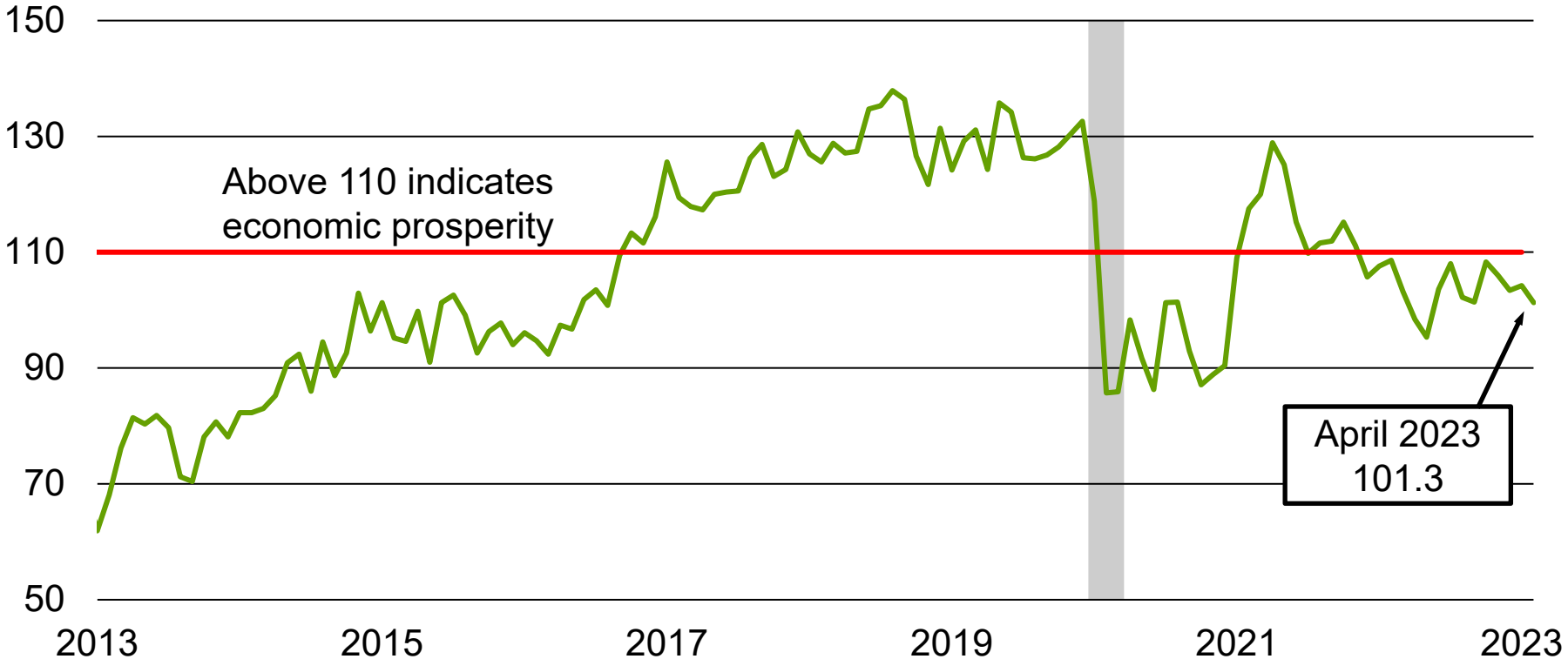
- Large- and middle-market firms
- Small firms



Source: Federal Reserve via the St. Louis Fed

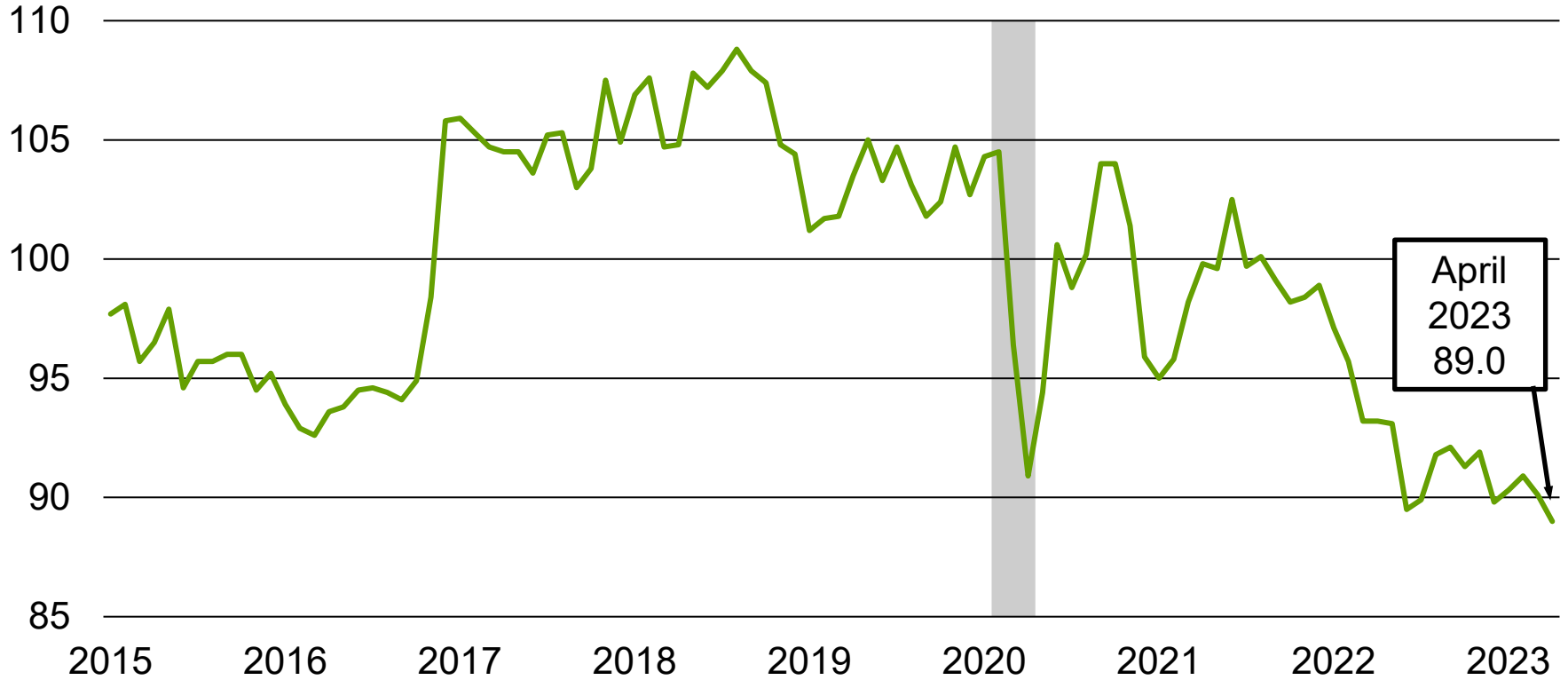


# Consumer Confidence Dropping

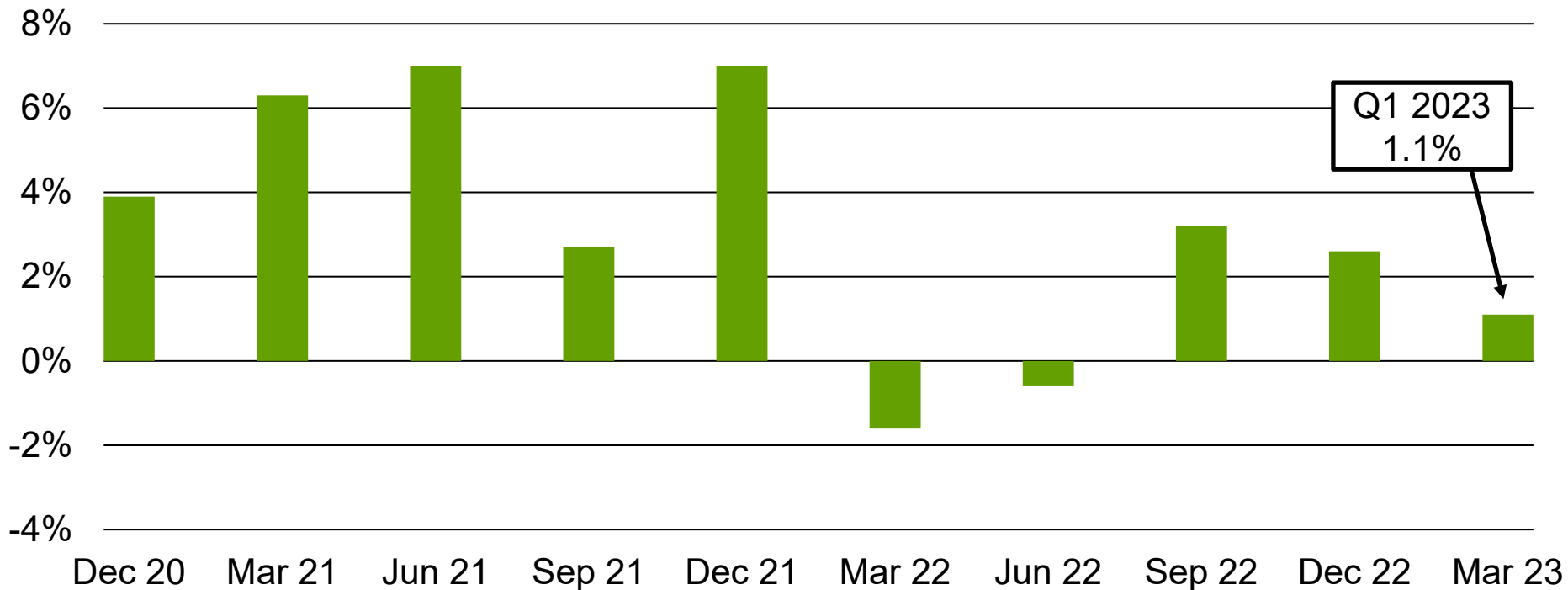


Source: The Conference Board

# Small Business Optimism At New Low



# GDP Slowed in the First Quarter

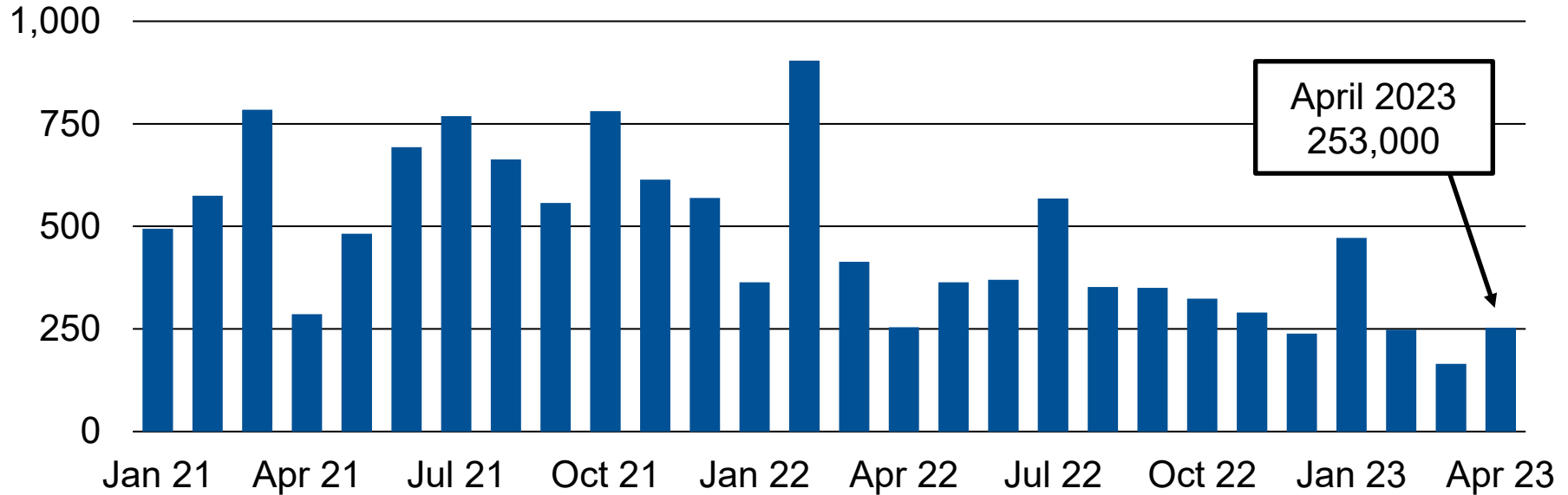


# April Employment Indicators

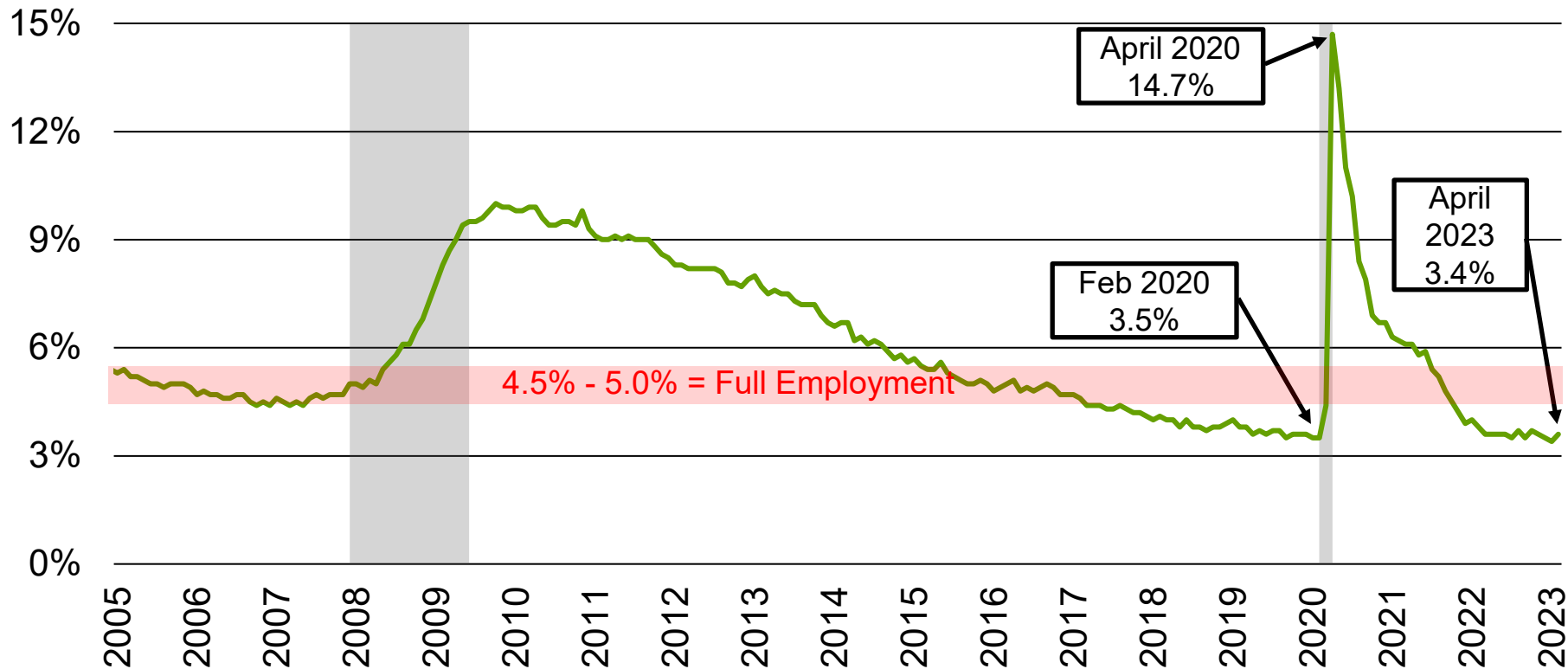
Indicator	Previous Month	Forecast	Actual
Total Nonfarm Payrolls	236,000	178,000	253,000
Unemployment Rate	3.5%	3.6%	3.4%
Underemployment Rate	6.7%	-	6.6%
Private Payrolls	123,000	153,000	230,000
Annual Average Hourly Wage Growth	4.3%	4.2%	4.4%
Labor Force Participation	62.6%	-	62.6%

# U.S. Job Growth Increased in April

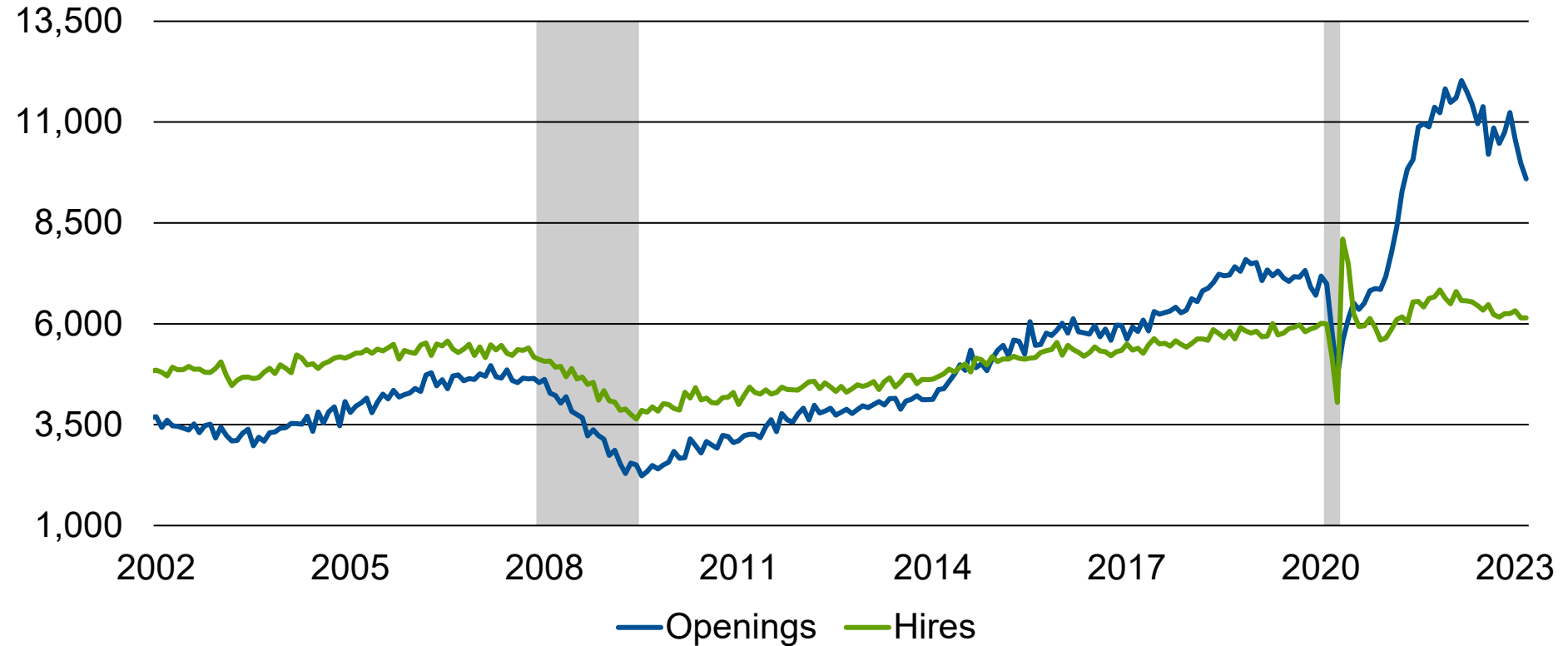
Month-to-Month Nonfarm Payroll Change: Thousands of Employees



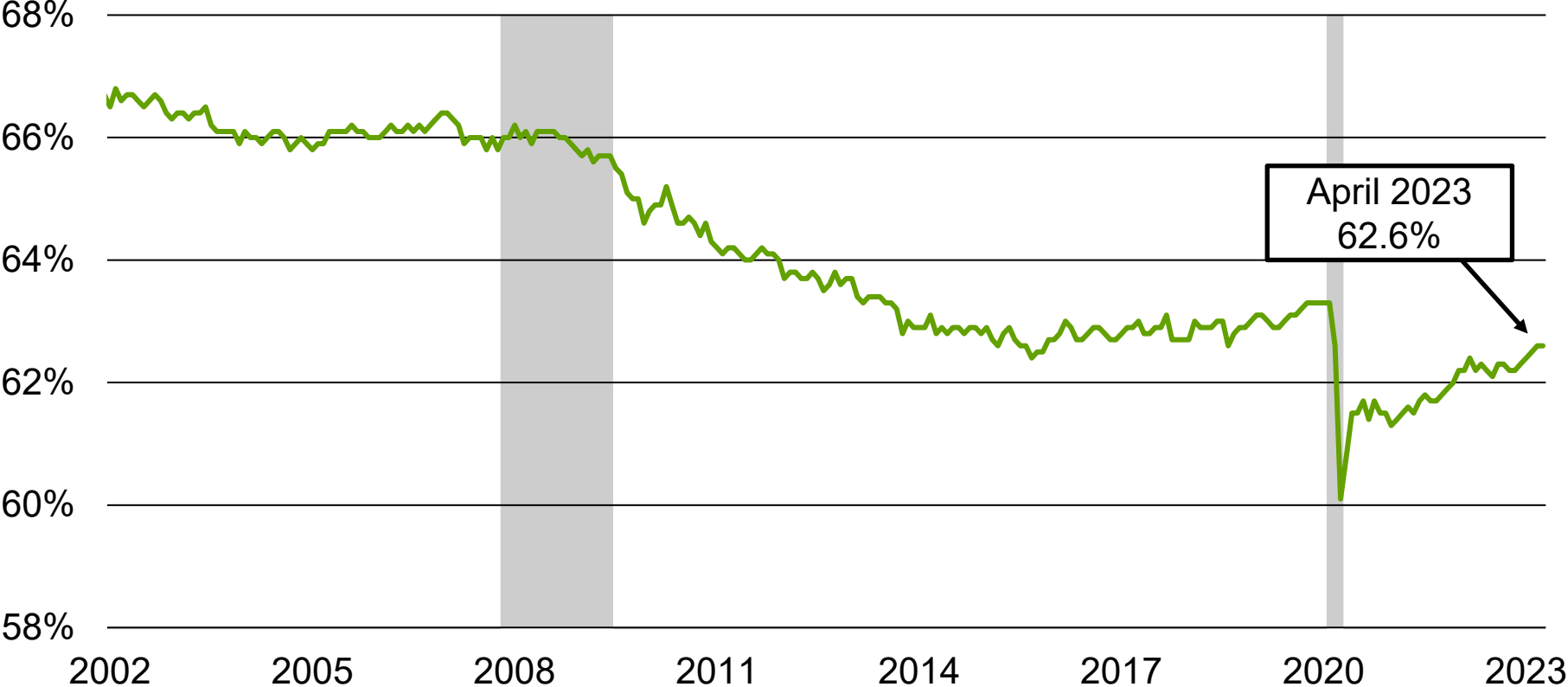
# Unemployment Rate Dropped in April



# Job Openings Outnumber Hires by 3.4 Million



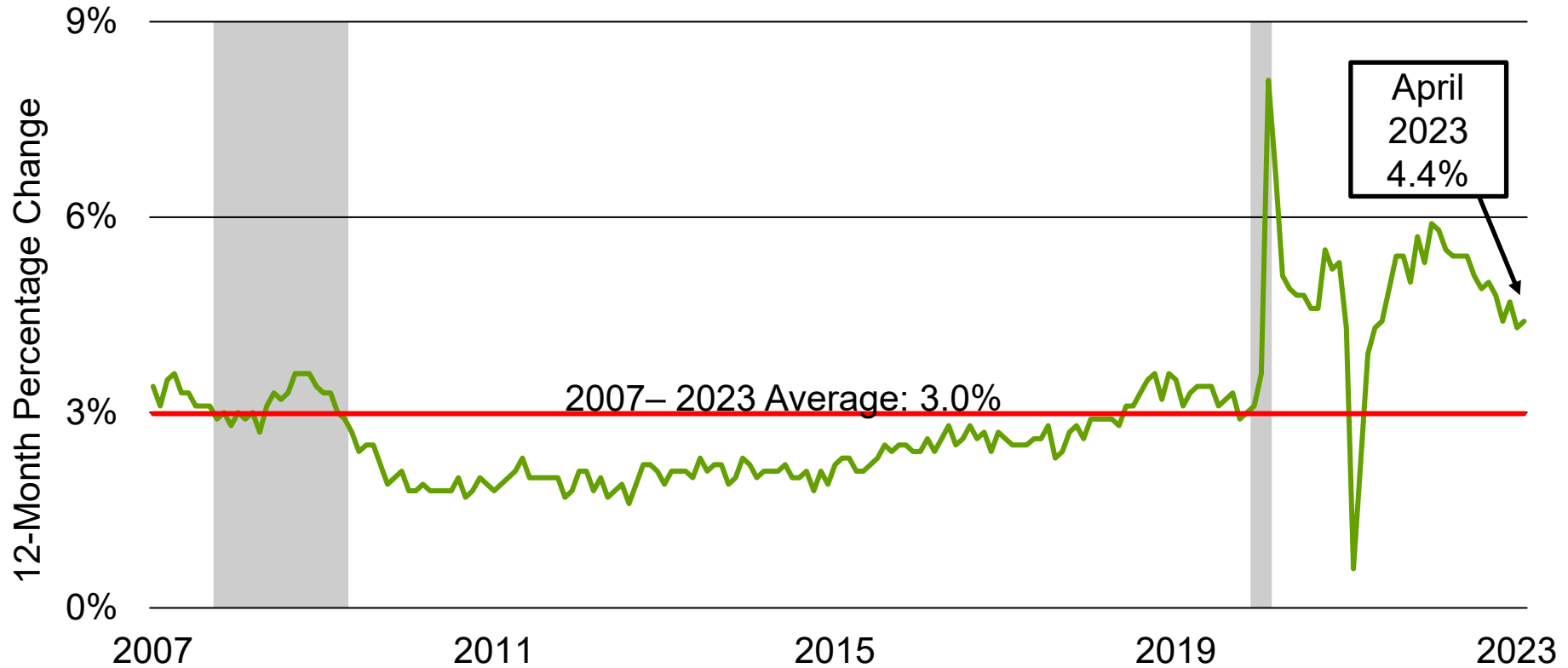
# Labor Force Participation Unchanged in April



Source: U.S. Bureau of Labor Statistics  
Seasonally Adjusted

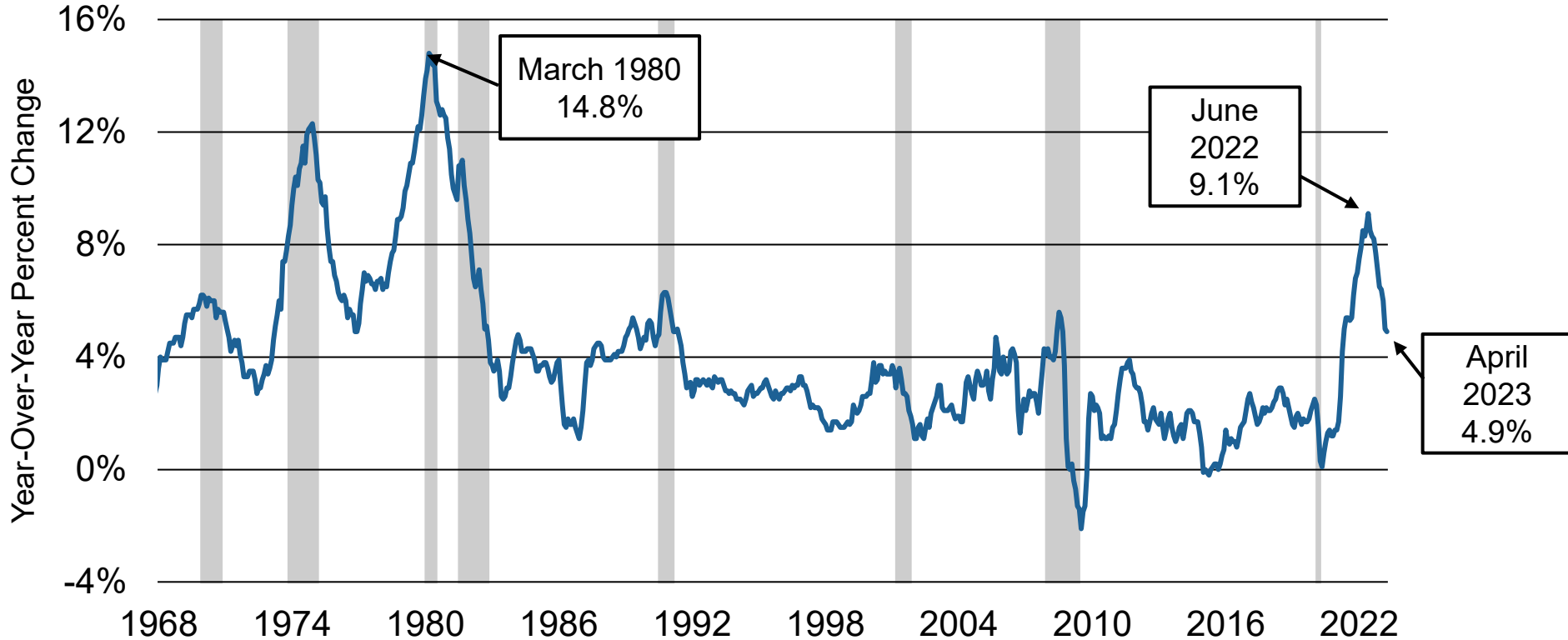


# Wage Inflation Increased in April

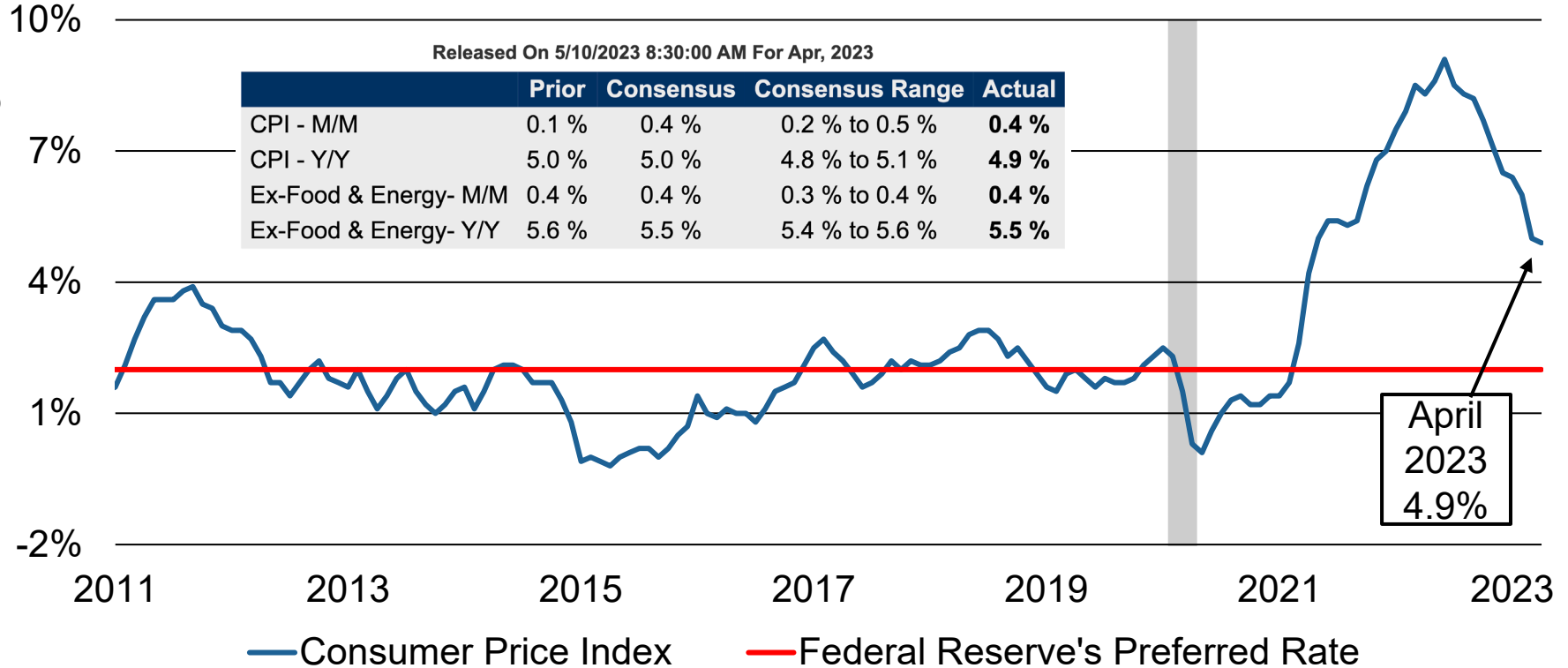


# Inflation Slowing – But How Long Until it Returns to Normal?

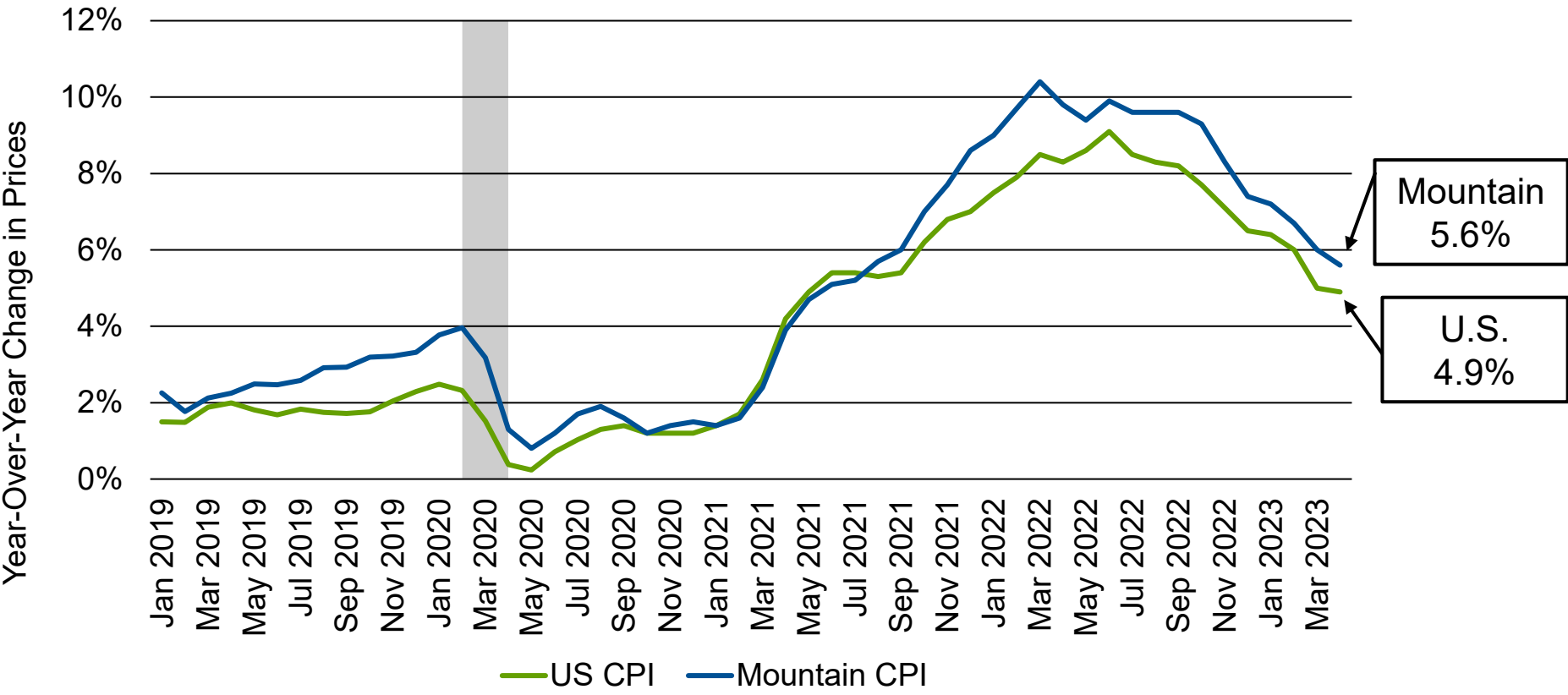
Consumer Price Index



# Inflation Slowing – But How Long Until it Returns to Normal?



# Mountain State Inflation Above National Average

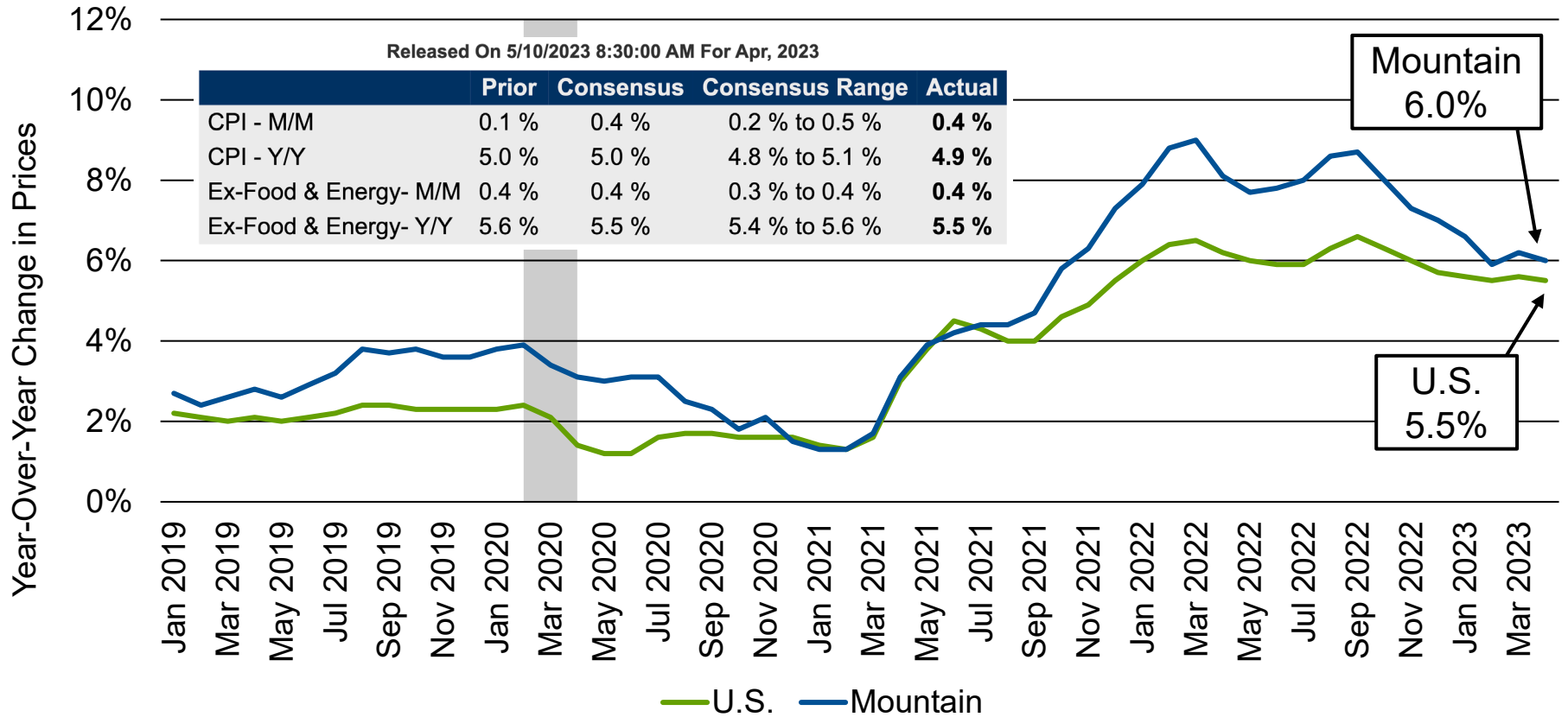


Source: U.S. Bureau of Labor Statistics  
 Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

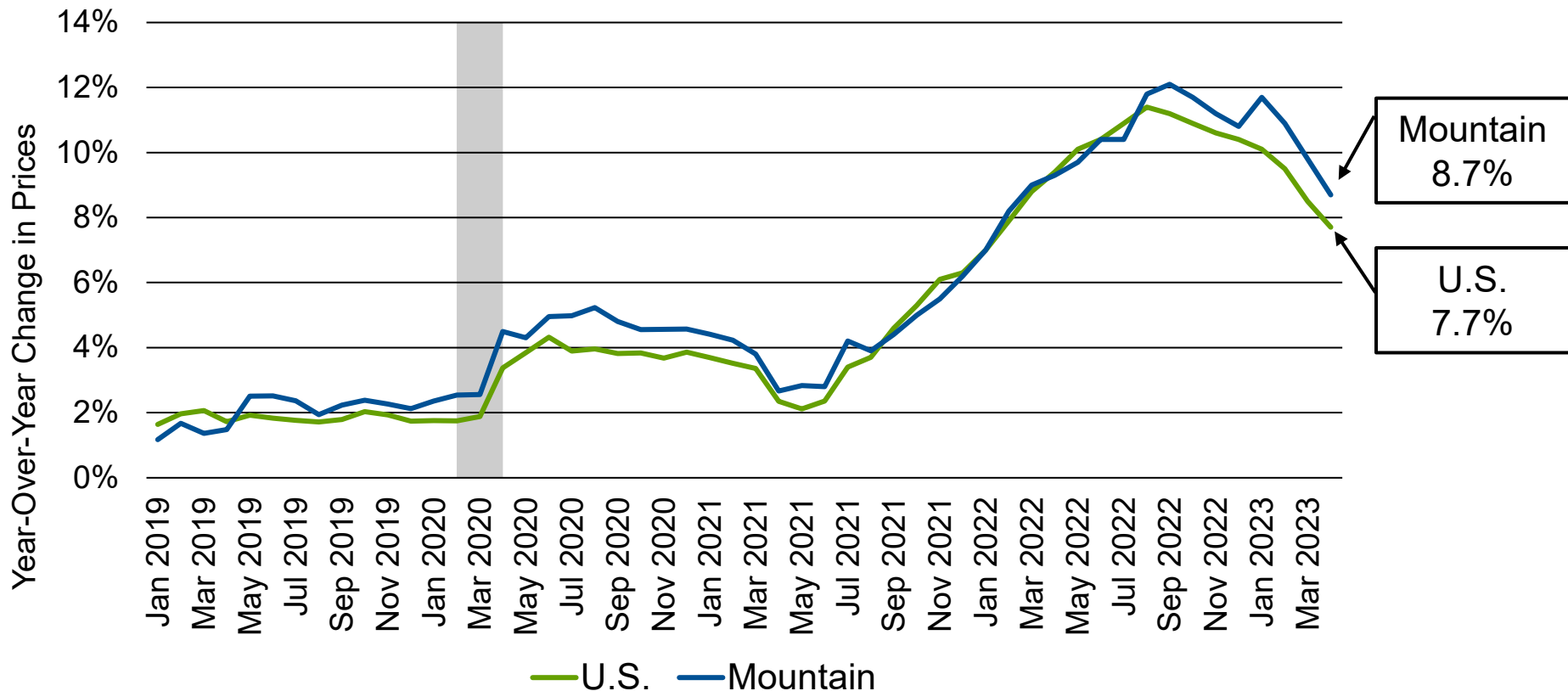
# All Items Less Food and Energy (Core Inflation)

Released On 5/10/2023 8:30:00 AM For Apr, 2023

	Prior	Consensus	Consensus Range	Actual
CPI - M/M	0.1 %	0.4 %	0.2 % to 0.5 %	<b>0.4 %</b>
CPI - Y/Y	5.0 %	5.0 %	4.8 % to 5.1 %	<b>4.9 %</b>
Ex-Food & Energy- M/M	0.4 %	0.4 %	0.3 % to 0.4 %	<b>0.4 %</b>
Ex-Food & Energy- Y/Y	5.6 %	5.5 %	5.4 % to 5.6 %	<b>5.5 %</b>



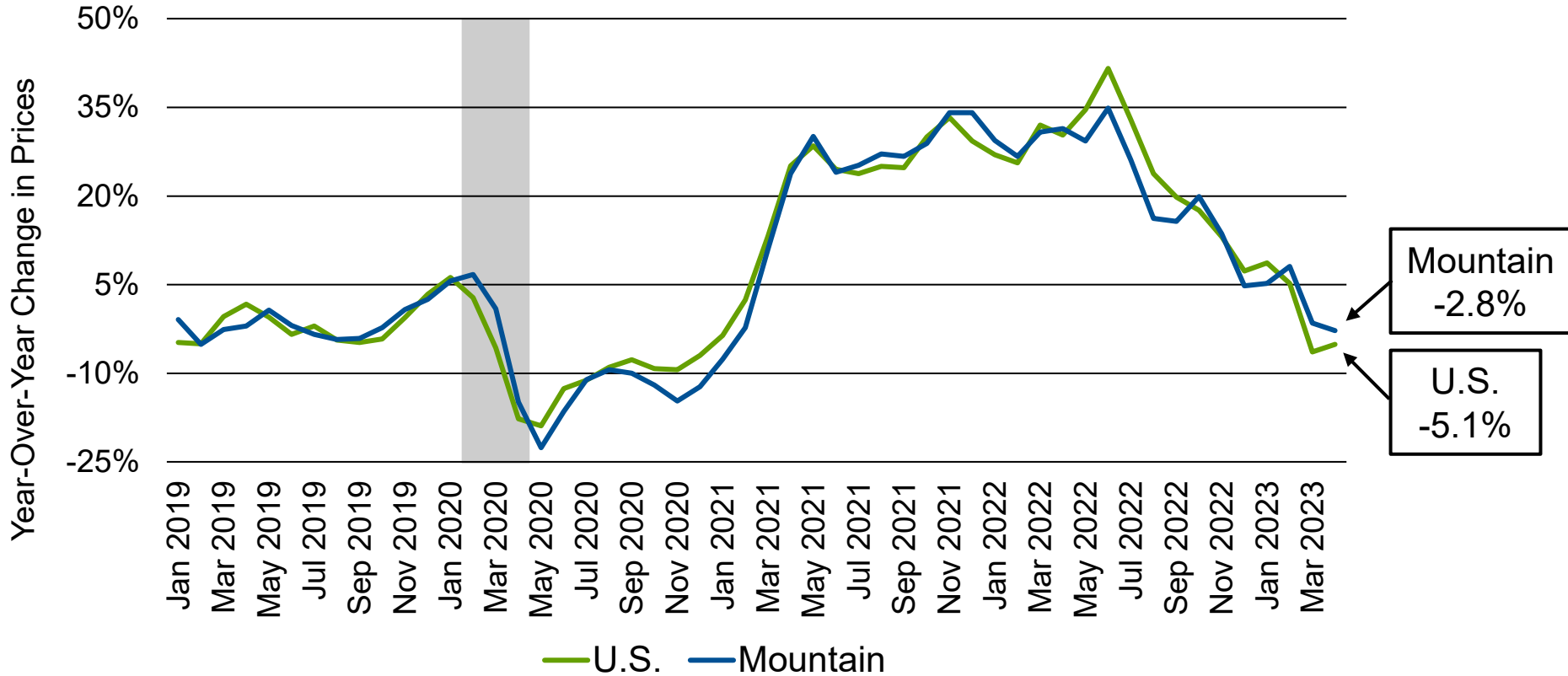
# Food Price Inflation Coming Down But Too High



Source: U.S. Bureau of Labor Statistics

Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

# Energy Inflation Now Negative

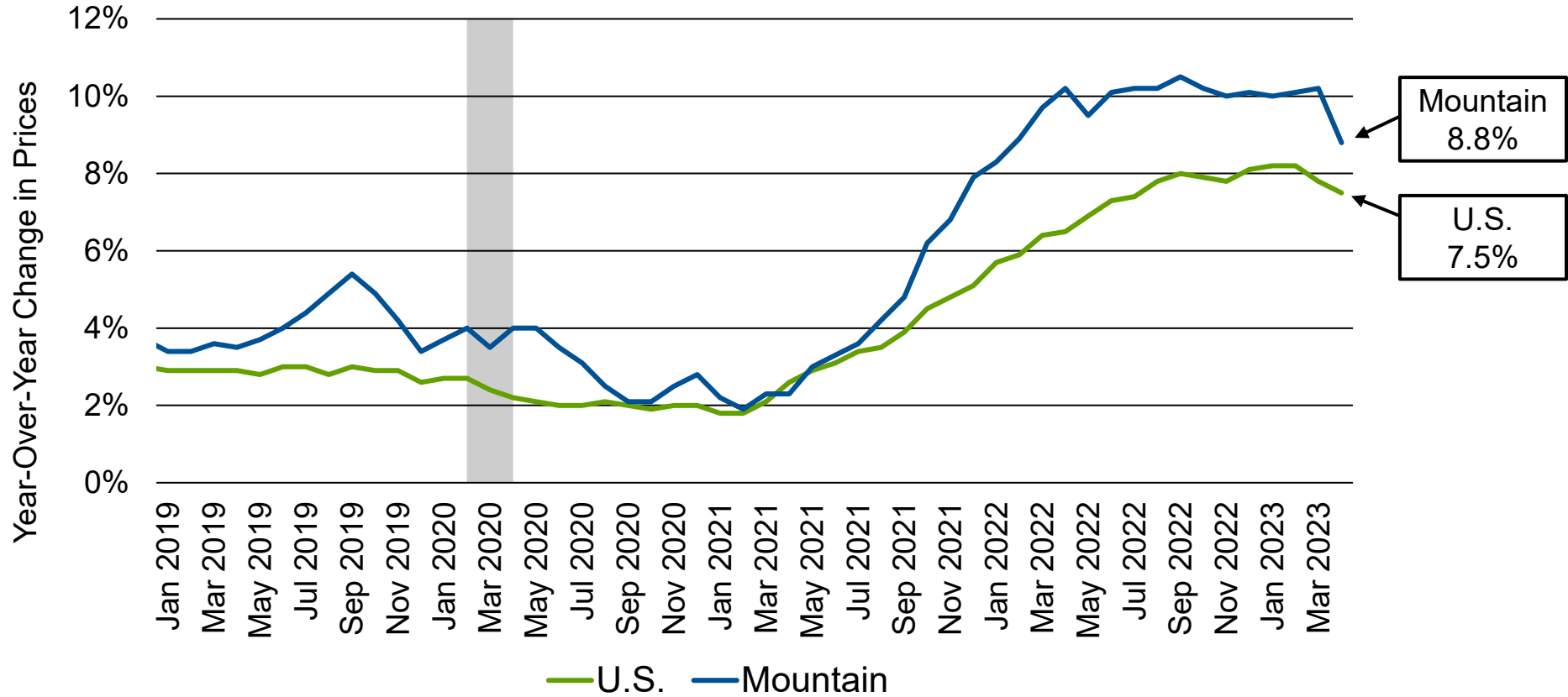


Mountain  
-2.8%

U.S.  
-5.1%

Source: U.S. Bureau of Labor Statistics  
Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

# Housing Inflation Slowing

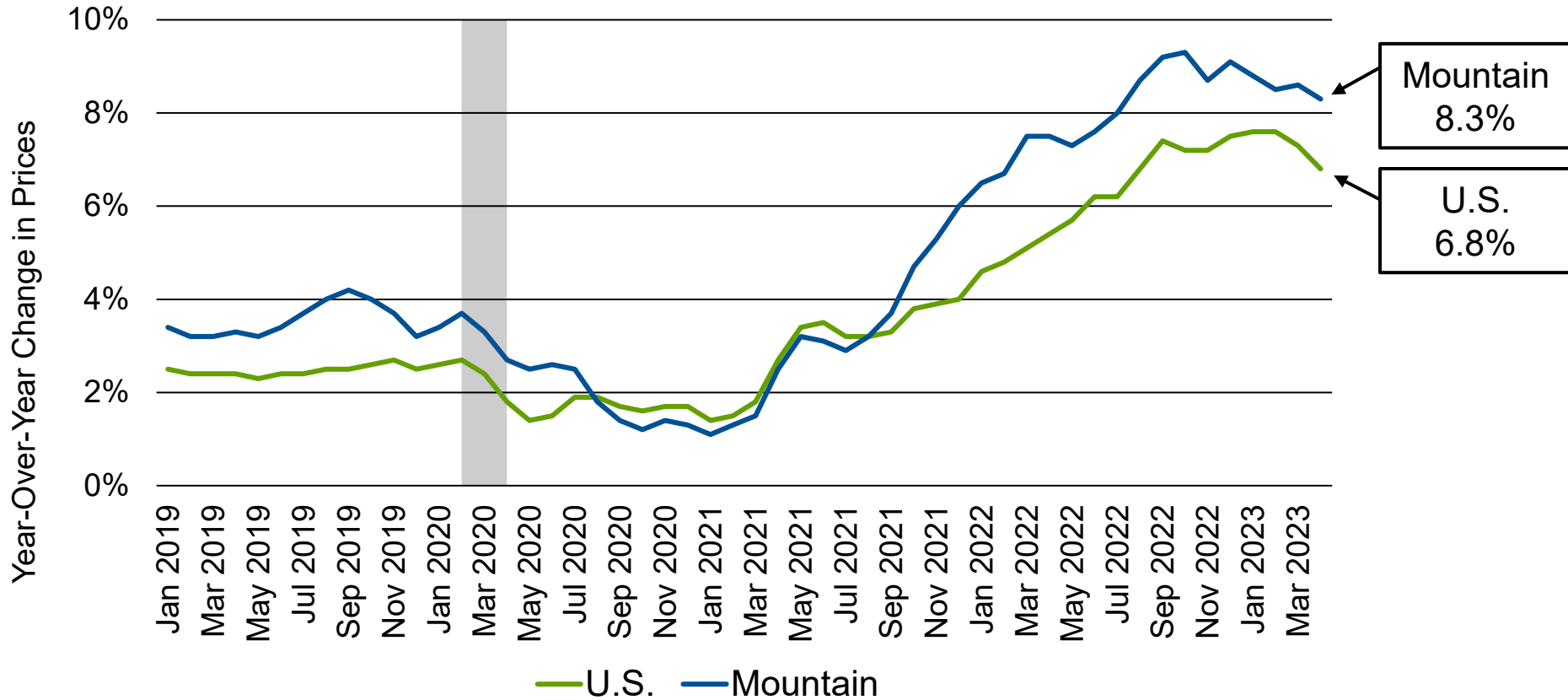


Source: U.S. Bureau of Labor Statistics

Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY



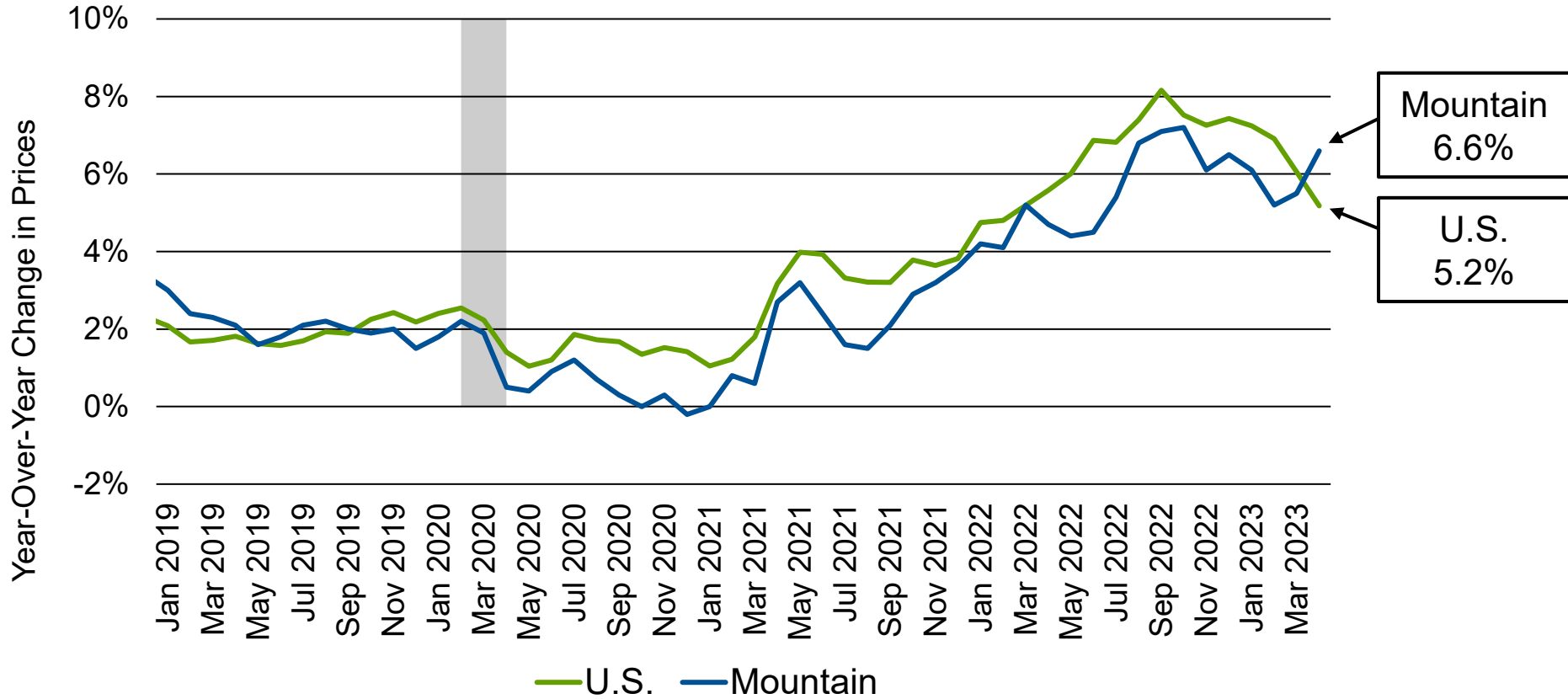
# Services Price Inflation Still High



Source: U.S. Bureau of Labor Statistics

Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

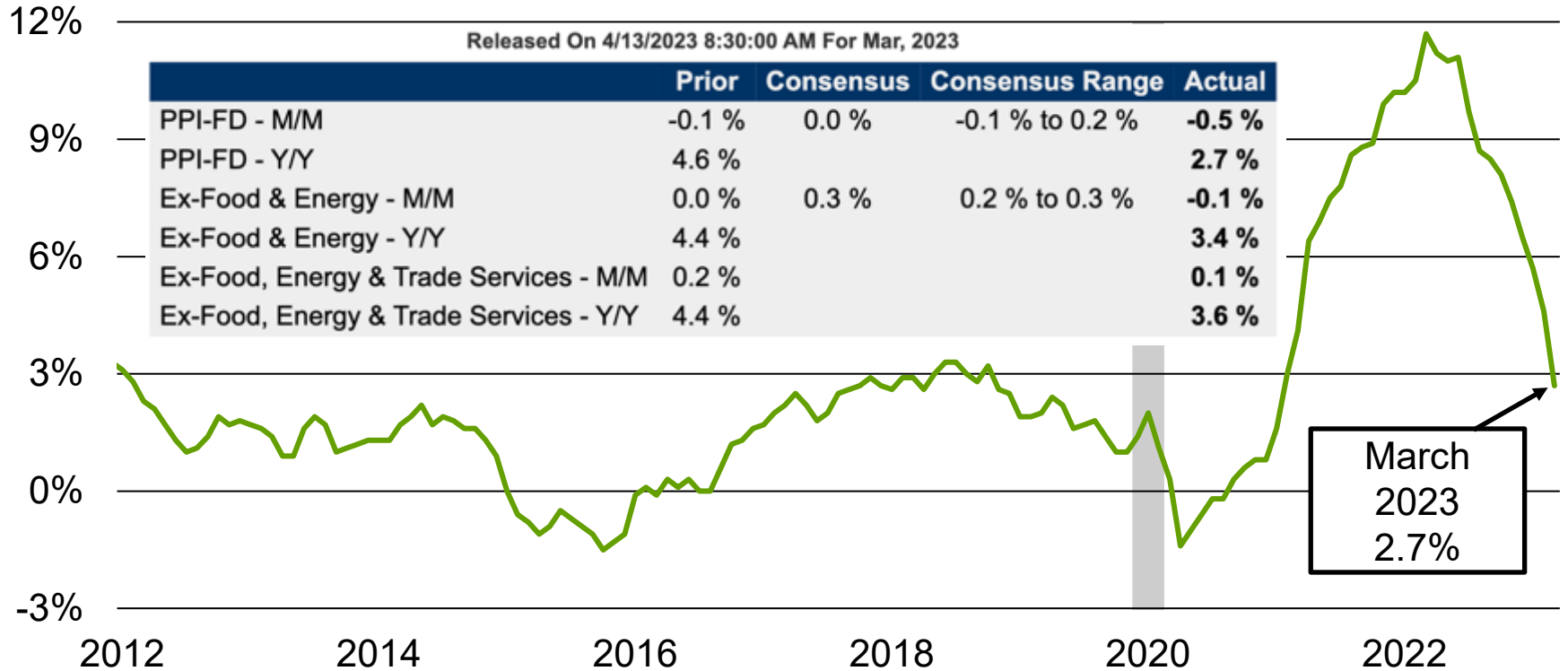
# Services Less Shelter Inflation Mixed



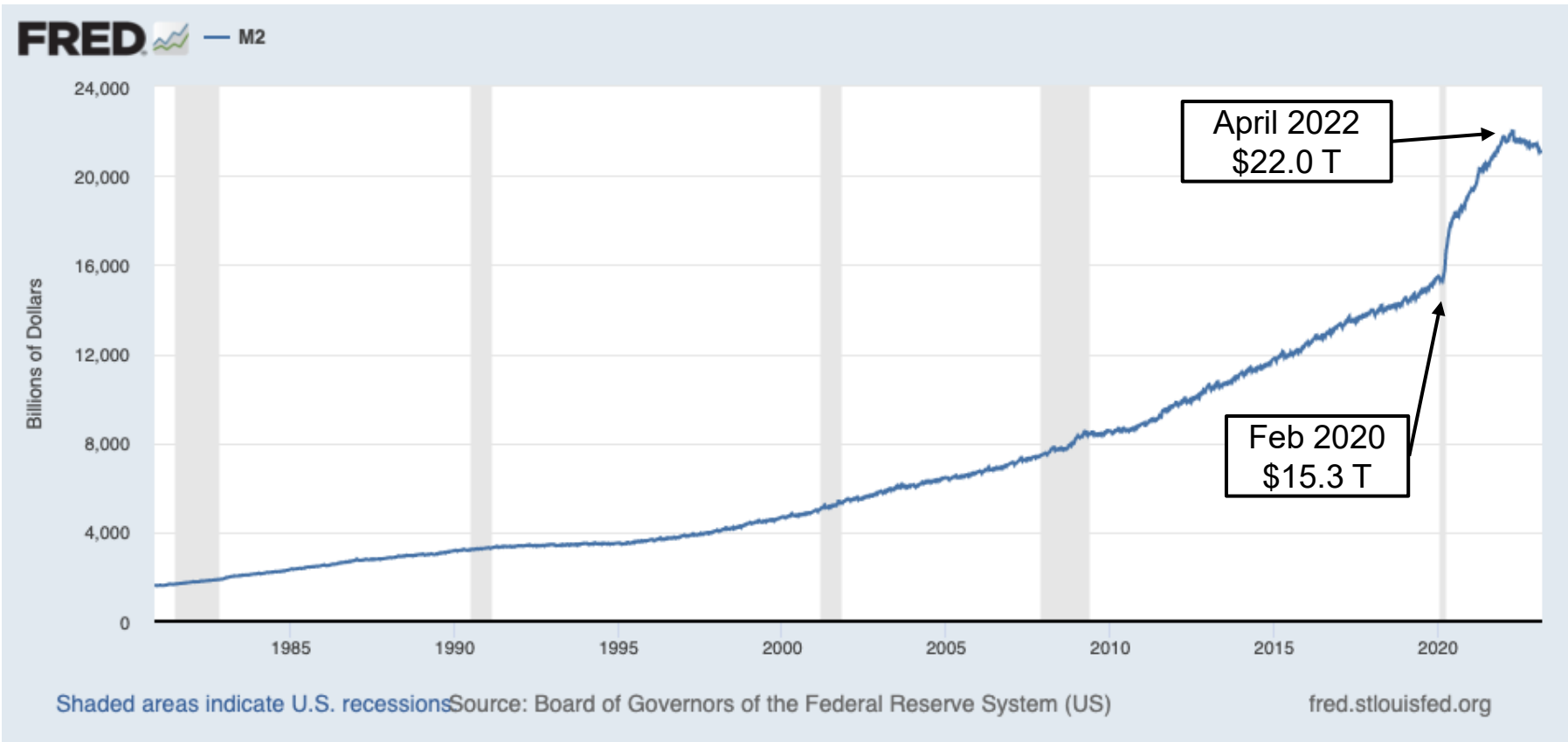
Source: U.S. Bureau of Labor Statistics

Note: Mountain states include AZ, CO, ID, MT, NV, NM, UT, WY

# Producer Inflation Dropping

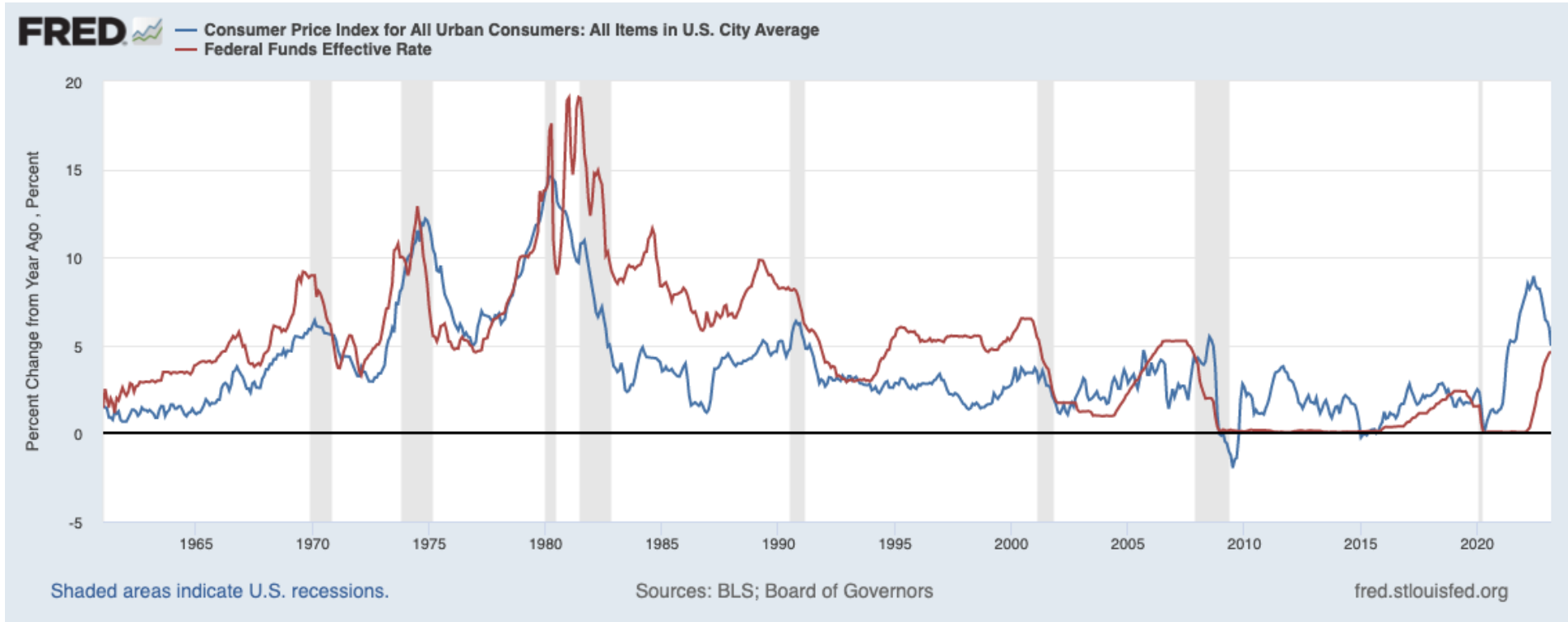


# U.S. Money Supply Increased By \$6.7 Trillion



# Lessons Learned from the 1970s

## Several Failed Attempts to Bring Down Inflation

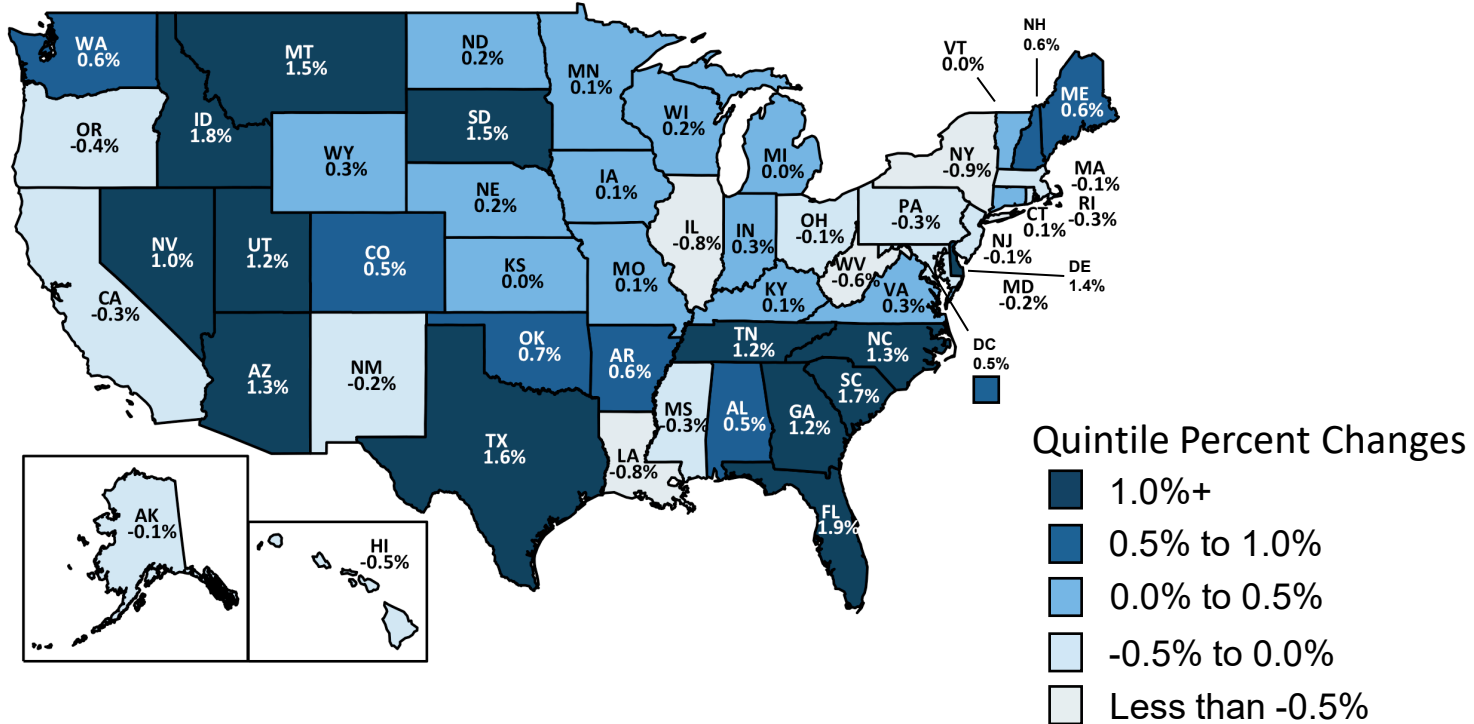


# Regional Economic Conditions

# Large Differences in State Population Growth

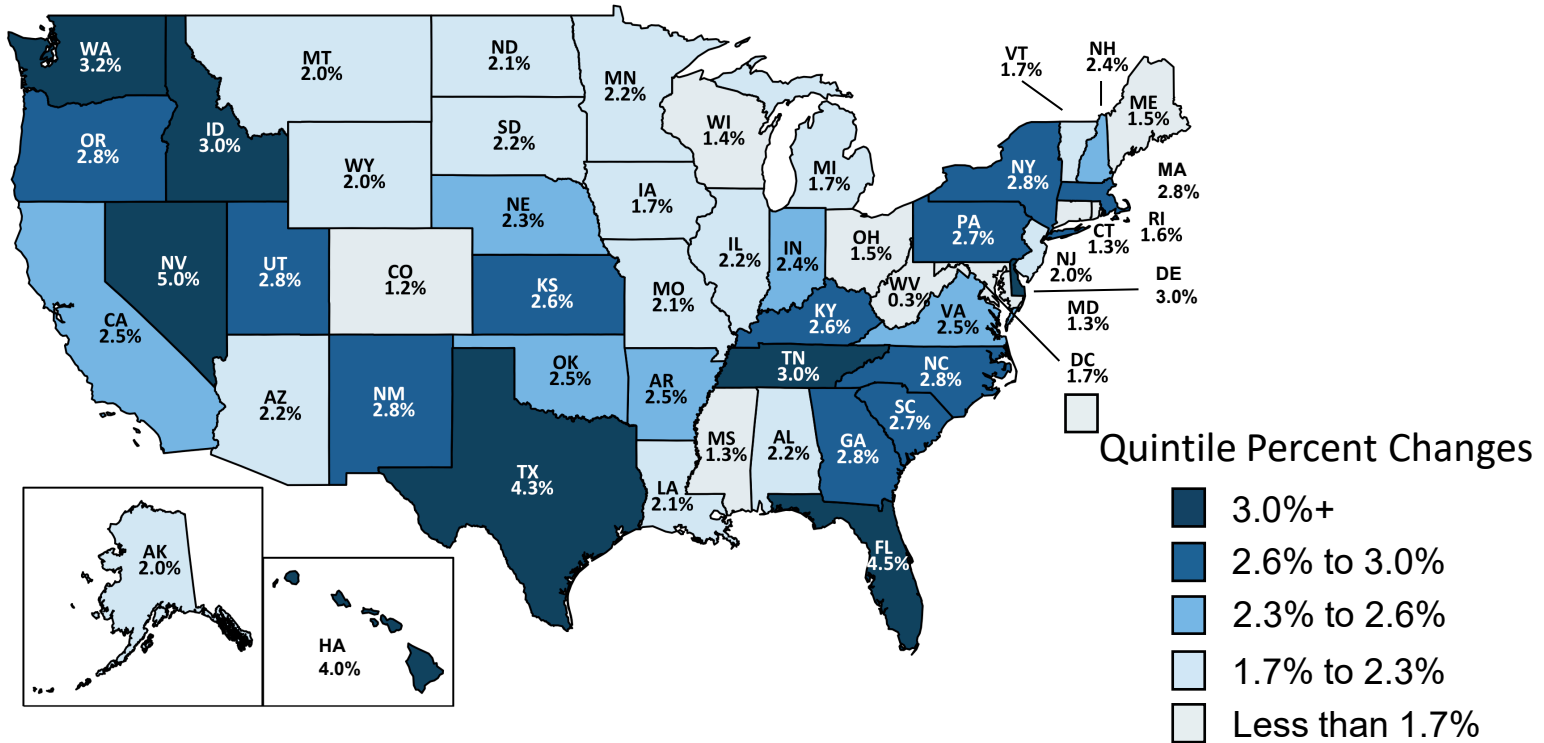
Percent Change: 2021 – 2022

U.S. Rate = 0.4%



# Utah Job Growth Above National Average

March 2022 – March 2023  
U.S. Rate = 2.7%

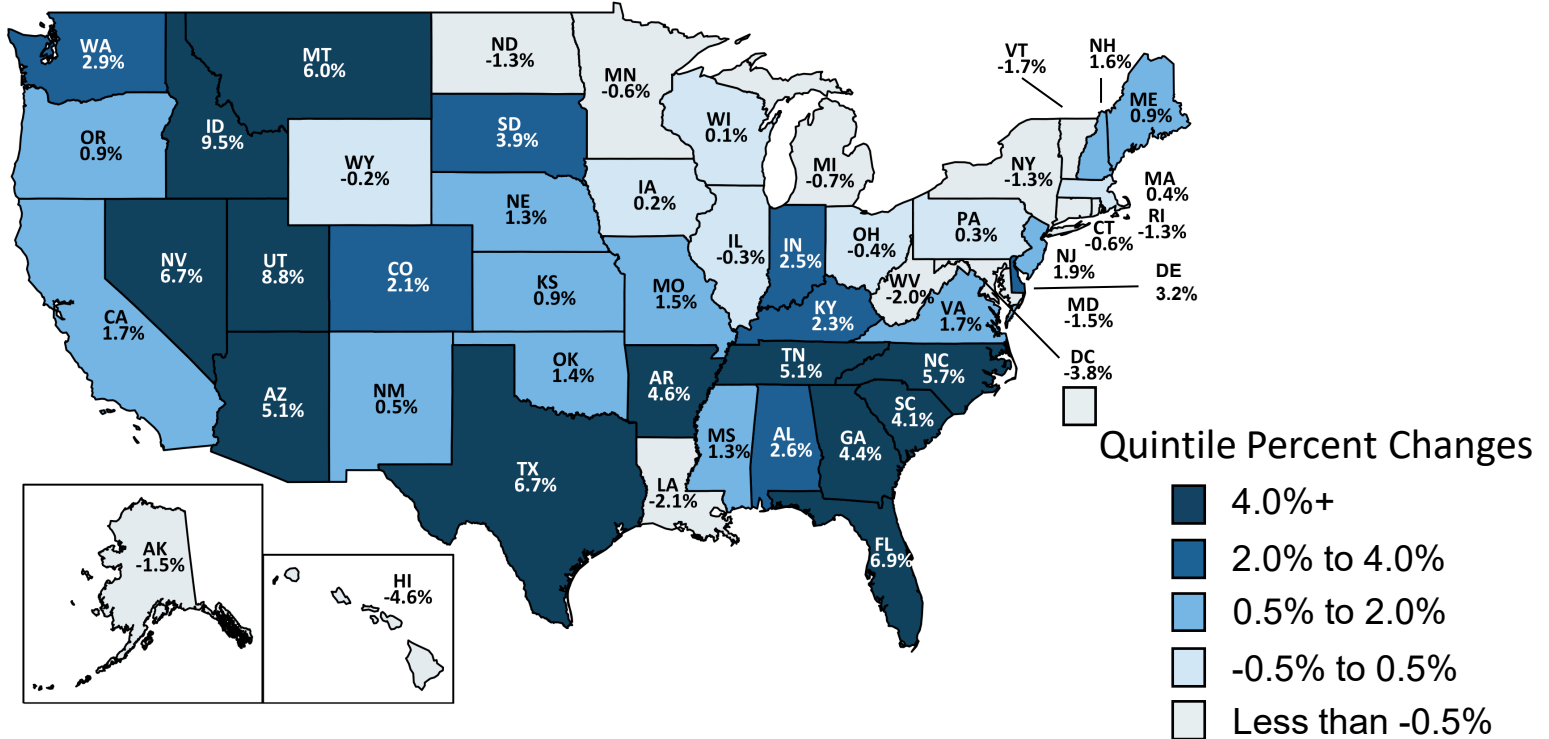




# 35 States Have Positive Job Growth Since Pre-COVID

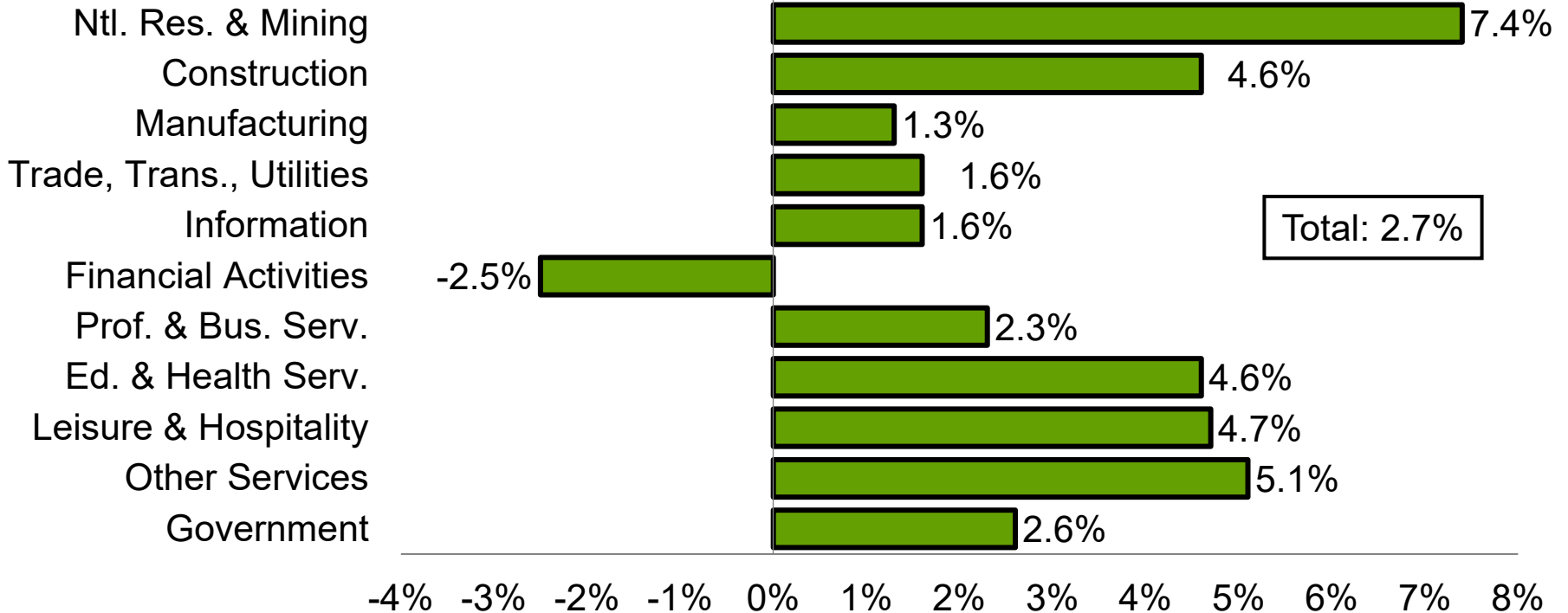
February 2020 – March 2023

U.S. Growth Rate = 2.1%



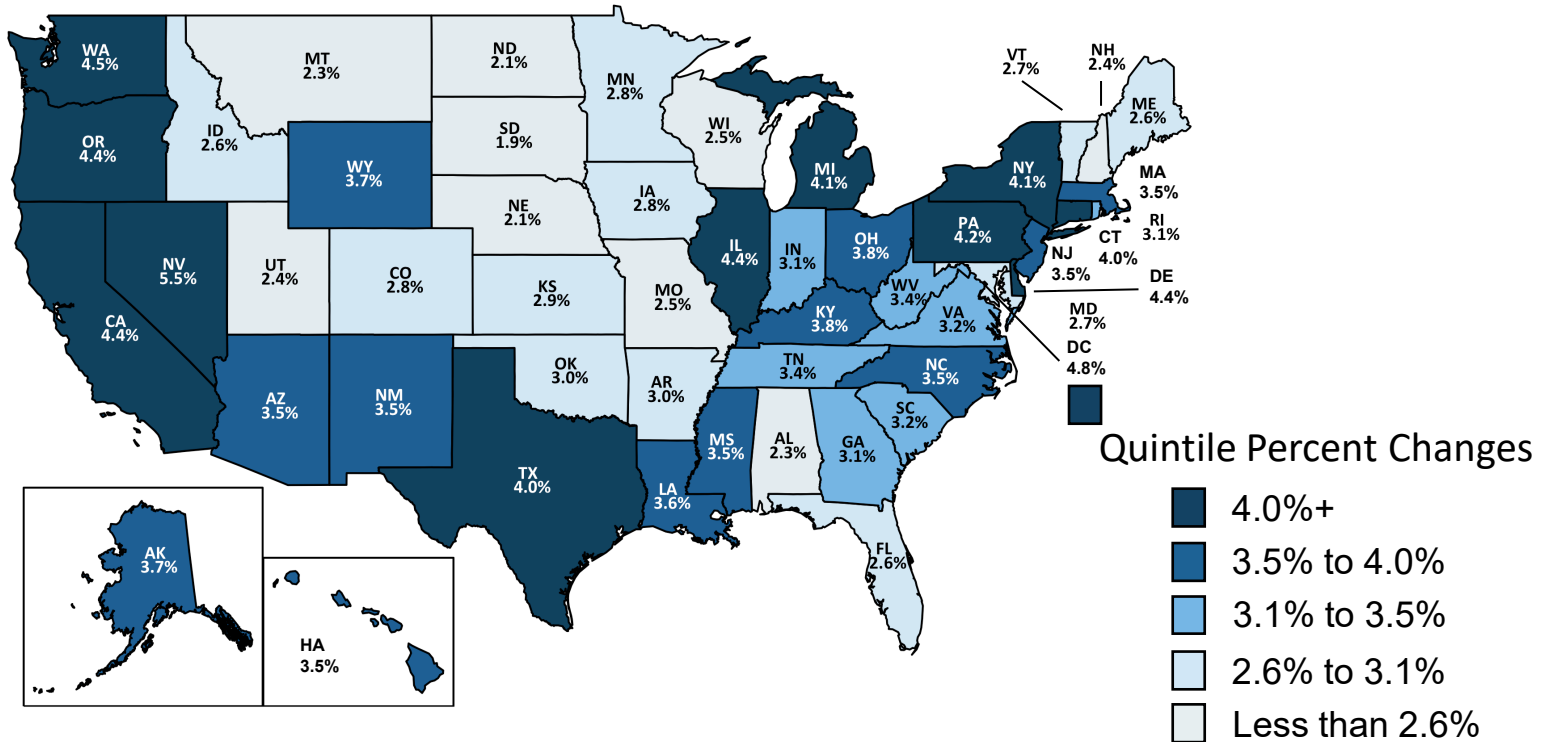
# Most Utah Industries Grew Over the Past Year

March 2022 to March 2023



# Utah Unemployment Among Lowest in the Nation

March 2023 U.S. Rate = 3.5%



# 2023 Economic Outlook

Economic Growth	Uncertain	
Interest Rates	Increases End	
Job Creation	Increasing	
Unemployment	Low	
Wage Inflation	Dropping but High	
Labor Force Participation	Too Low	
Consumer Confidence	Low	
Inflation	Dropping but High	
Housing Prices	Dropping	
Mountain West Region	Resilient and Strong	
Green = Positive	Red = Negative	Blue = Neutral

# ZIONS BANK®

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WHO KEEPS US IN BUSINESS®

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