

2022 Economic State and the Impact of Inflation

Tuesday, August 23, 2022 – 8:30am

Hosted by Frank Reinhard, Regional President – Delaware Market, and The First Citizens National Bank

Welcome!



Welcome!

As the past several weeks have shown, the business climate across the world continues to be tumultuous and uncertain. Because we are a trusted partner in our local communities, we're honored to provide expert resources to the community through our Business First Content Series. As you may have been a part of, our business survey showed that inflation and rise in cost of supplies was a major concern among local business owners. While this survey was done in the first quarter, we know this is a concern that remains at the forefront of everyone's business planning and decision making.

While none of us can predict the future, we hope these presenters provide insight into current economic climate, what that means for the global, national and local economies. We'll start with a global perspective, provide space for questions and answers, have a brief intermission, and end with the local economic perspective with time for questions and answers for both presenters at the end of the presentation deck.

Thank you for joining us – we'll get started by introducing today's speakers.

Today's Speakers:



Dr. Goran Skosples is an Associate Professor of Economics at Ohio Wesleyan University. Goran received his PhD in Economics at the University of Illinois at Urbana-Campaign. Goran has been at OWU since 2006 and his teaching focus includes comparative economics systems, macroeconomics, history of economic thought, and statistics. He encourages students to relate each lesson to current events to help them understand the underlying importance of government economic policies in their daily lives. His research deals with institutional changes in post-communist countries of Eastern Europe and the former Soviet Union, with a particular emphasis on banking, firm finance and the role of government in society.



Dr. Bill LaFayette is owner of Regionomics, a Columbus-based economic and workforce analysis and strategy firm. Bill offers more than 25 years of experience in economic analysis and development in Central Ohio. He is currently an adjunct faculty member of The Ohio State University's John Glenn College of Public Affairs.

Bill earned a Ph.D. in real estate economics from The Ohio State University in 1994. He also holds an MBA in investment management and a BS, *Summa cum Laude* in finance and accounting, both from Wright State University. He is a 2004 graduate of Leadership Columbus and the 2018 inductee into the Leadership Columbus Hall of Fame.

The First Citizens National Bank

The logo for Ohio Wesleyan University, featuring the university's name in white text on a red square background.

Ohio
Wesleyan
University

The State of the Economy

Goran Skosples

August 23, 2022

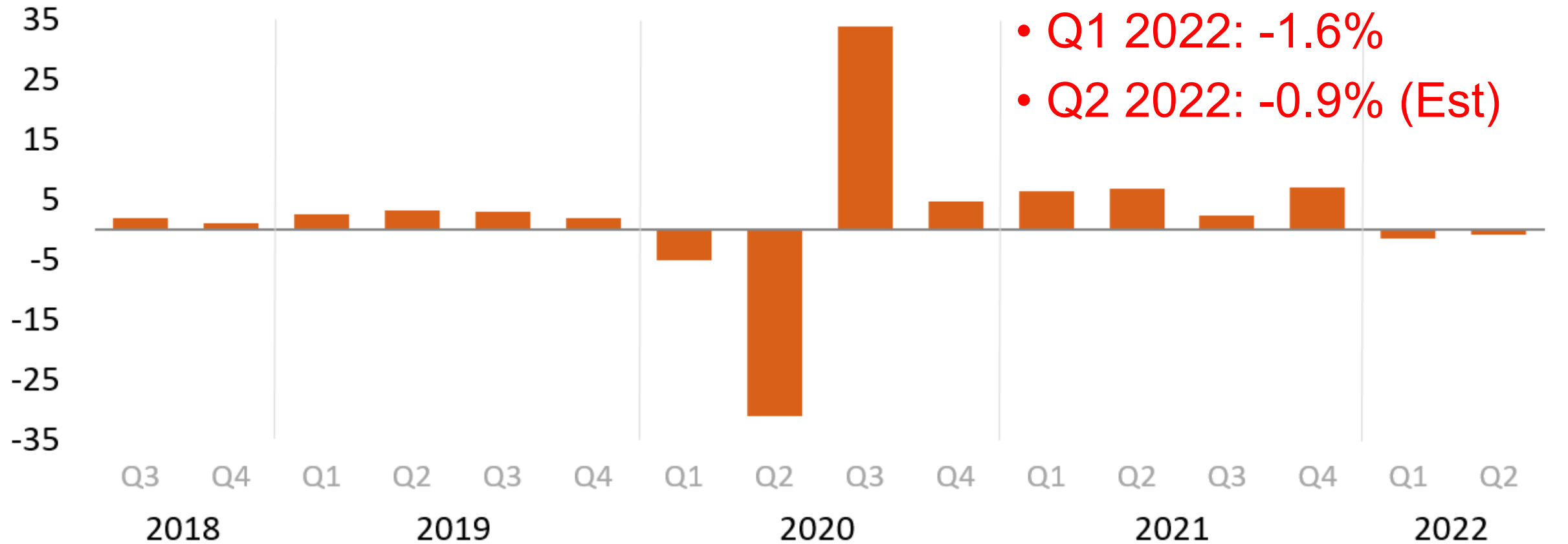
GDP

Real GDP: Percent change from preceding quarter

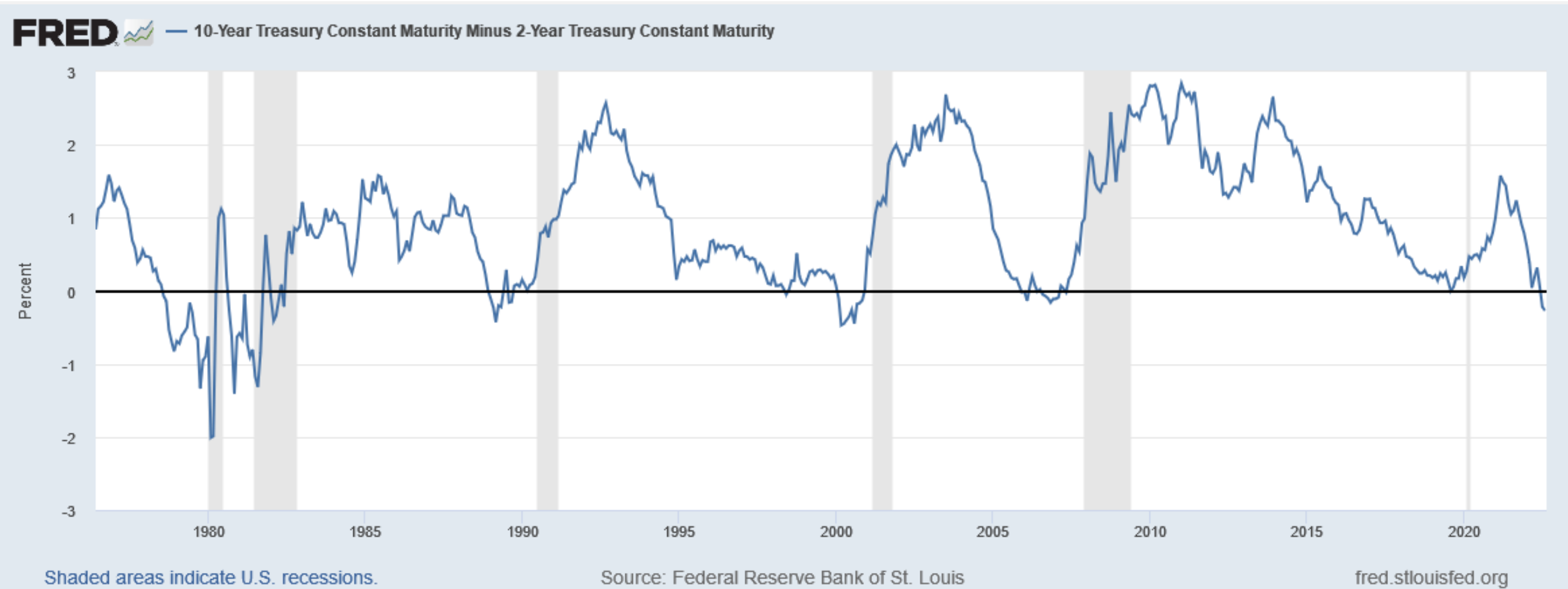


GDP

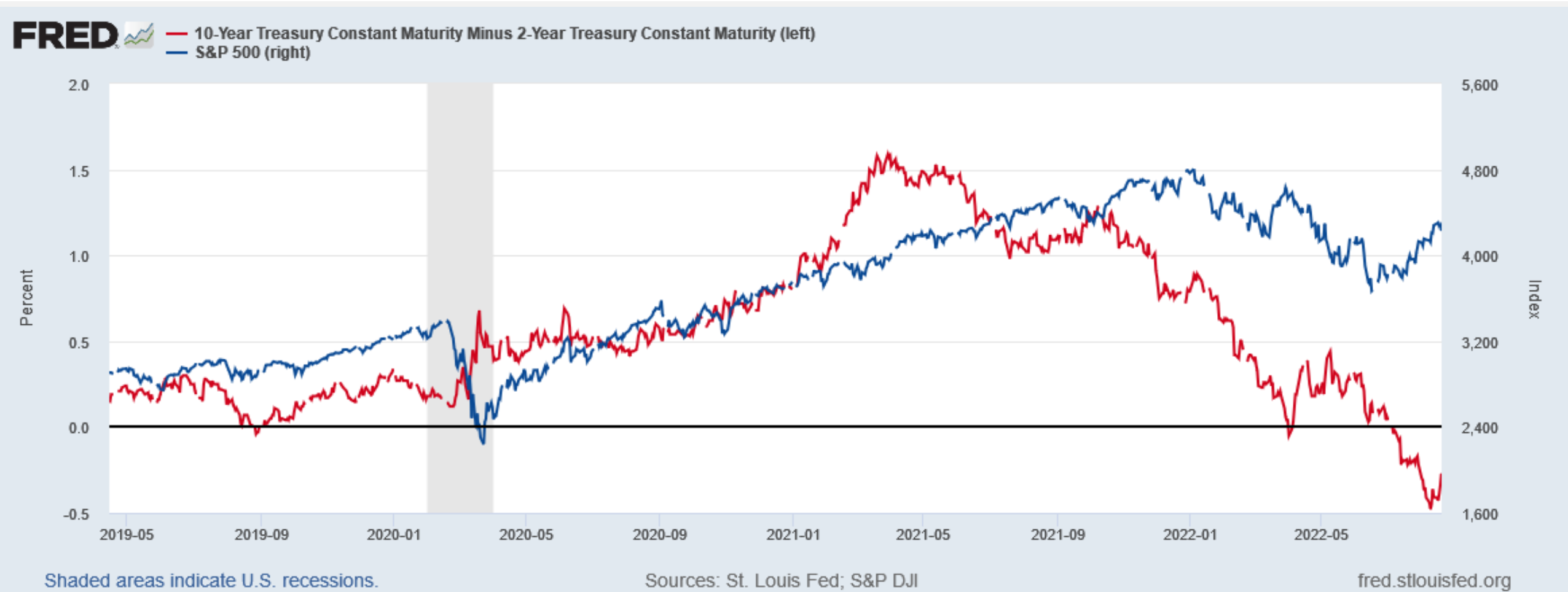
Real GDP: Percent change from preceding quarter



Yield Curve Inversion

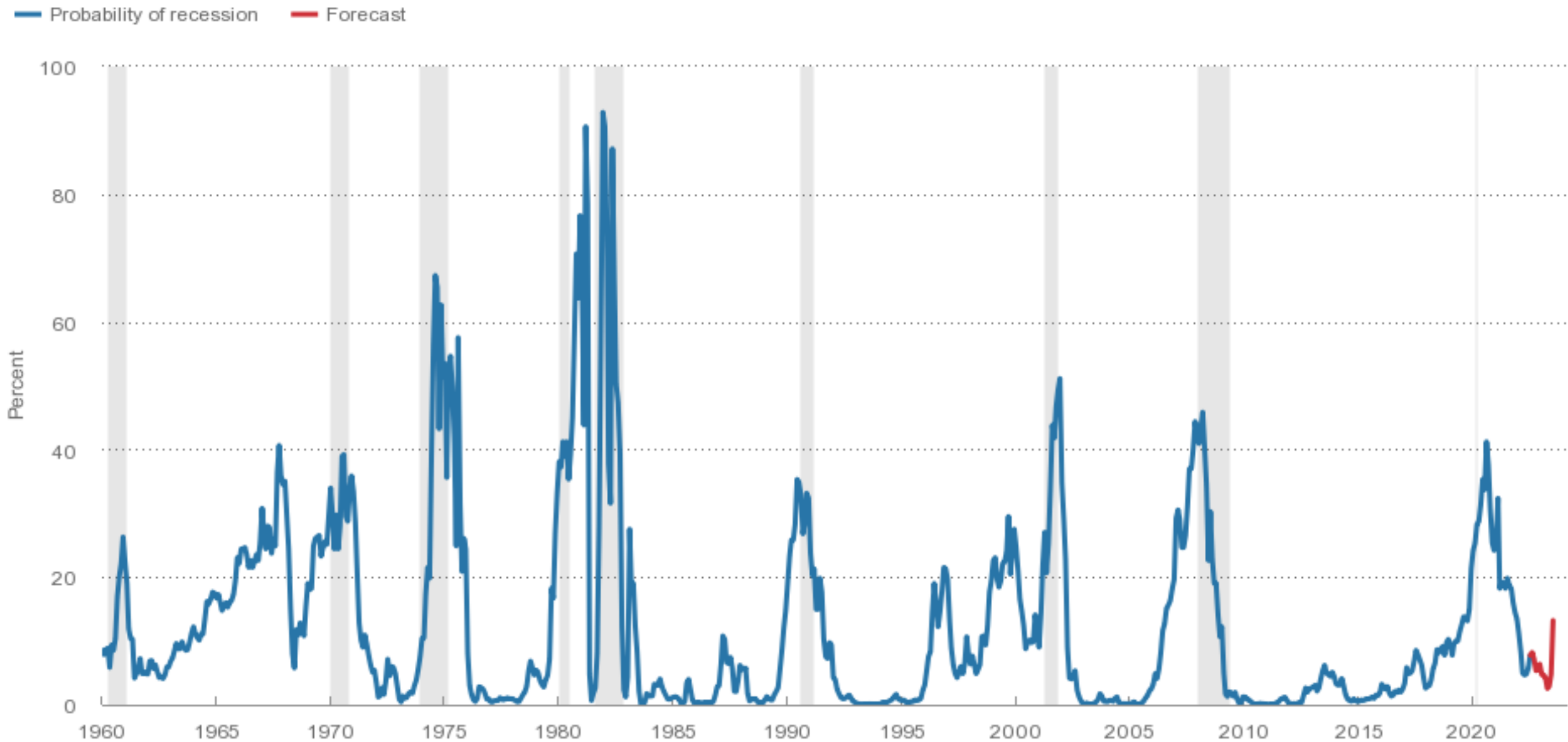


Yield Curve Inversion



Probability of Recession Calculated from the Yield Curve

Click/drag to zoom



Note: Shaded bars indicate recessions.
Source: Federal Reserve Board, Federal Reserve Bank of Cleveland, Haver Analytics

UM Consumer Sentiment

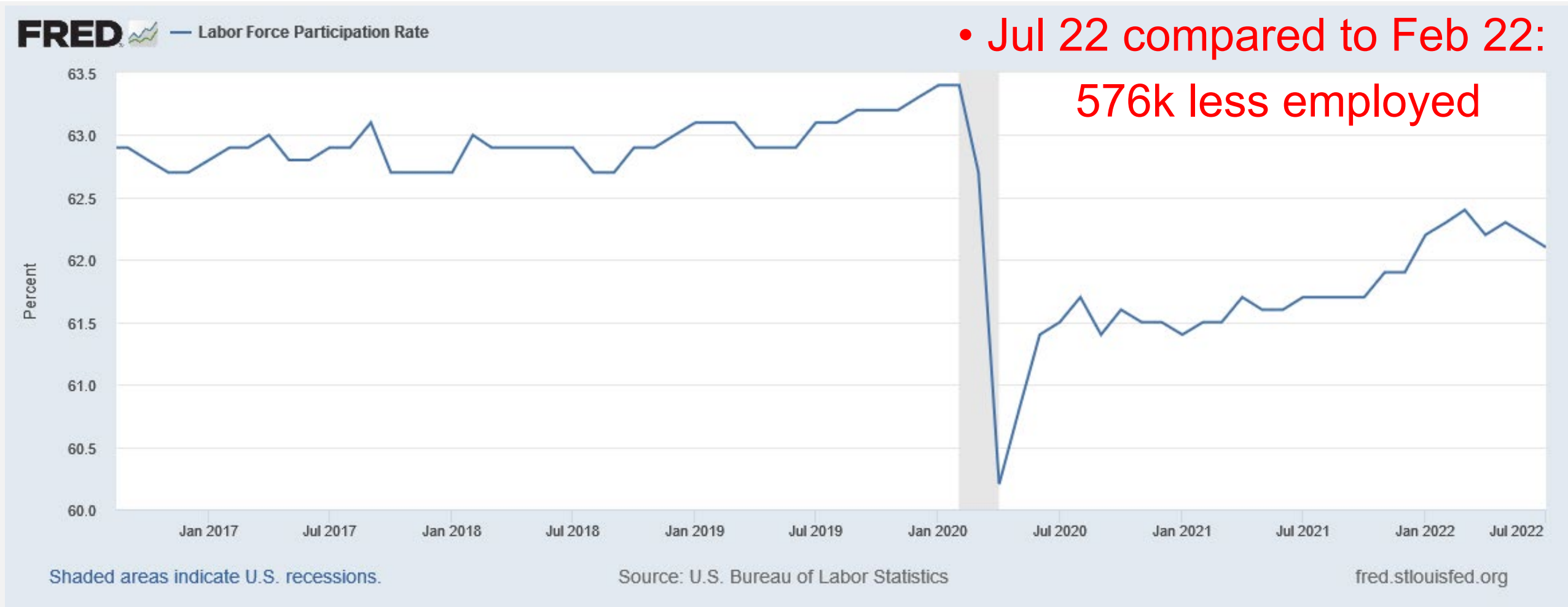
Preliminary Results for August 2022

	Aug 2022	Jul 2022	Aug 2021	M-M Change	Y-Y Change
Index of Consumer Sentiment	55.1	51.5	70.3	+7.0%	-21.6%
Current Economic Conditions	55.5	58.1	78.5	-4.5%	-29.3%
Index of Consumer Expectations	54.9	47.3	65.1	+16.1%	-15.7%

Unemployment



Labor Force Participation Rate



Inflation

FRED

— Consumer Price Index for All Urban Consumers: All Items in U.S. City Average



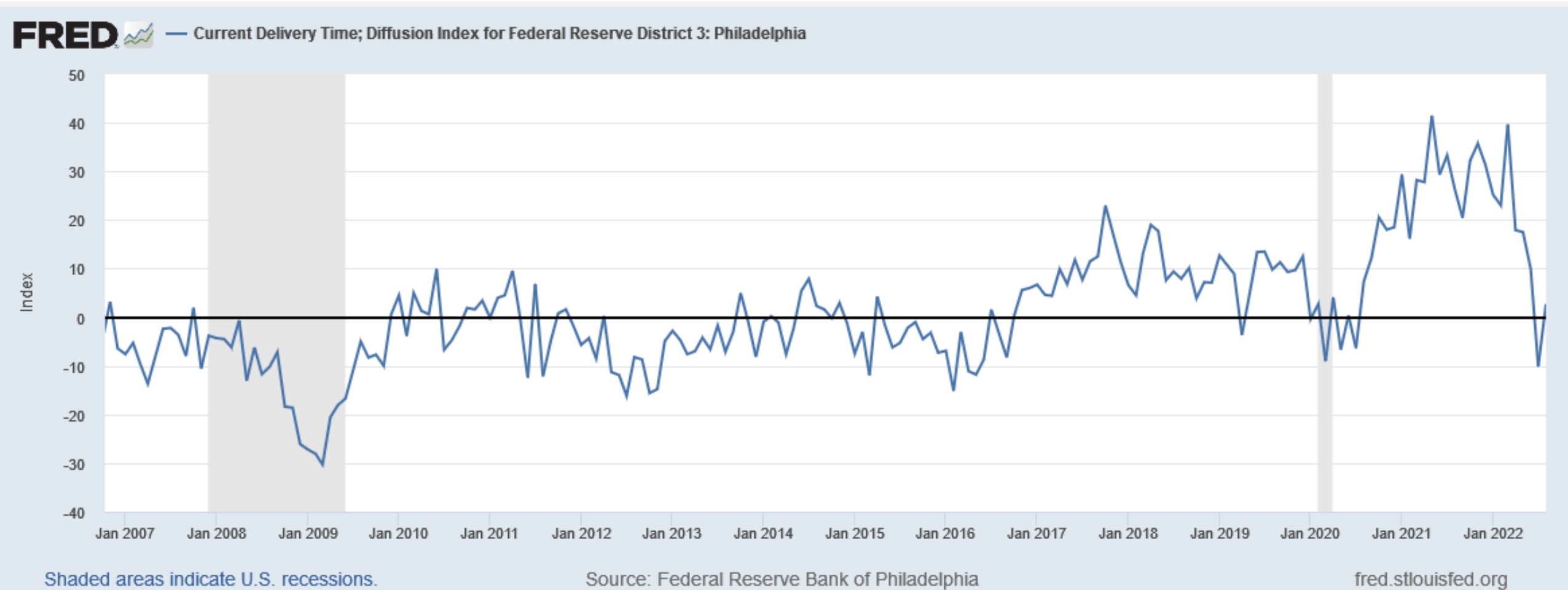
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

fred.stlouisfed.org

			Un-adjusted 12-mos. ended Jul. 2022	
	Jun. 2022	Jul. 2022		
All items	1.3	0.0	8.5	
Food	1.0	1.1	10.9	
Food at home	1.0	1.3	13.1	←
Food away from home ⁽¹⁾	0.9	0.7	7.6	
Energy	7.5	-4.6	32.9	
Energy commodities	10.4	-7.6	44.9	←
Gasoline (all types)	11.2	-7.7	44.0	
Fuel oil ⁽¹⁾	-1.2	-11.0	75.6	
Energy services	3.5	0.1	18.8	
Electricity	1.7	1.6	15.2	
Utility (piped) gas service	8.2	-3.6	30.5	
All items less food and energy	0.7	0.3	5.9	
Commodities less food and energy commodities	0.8	0.2	7.0	
New vehicles	0.7	0.6	10.4	
Used cars and trucks	1.6	-0.4	6.6	
Apparel	0.8	-0.1	5.1	
Medical care commodities ⁽¹⁾	0.4	0.6	3.7	
Services less energy services	0.7	0.4	5.5	
Shelter	0.6	0.5	5.7	←
Transportation services	2.1	-0.5	9.2	
Medical care services	0.7	0.4	5.1	

Supply Chain Issues



Pain at the Pump

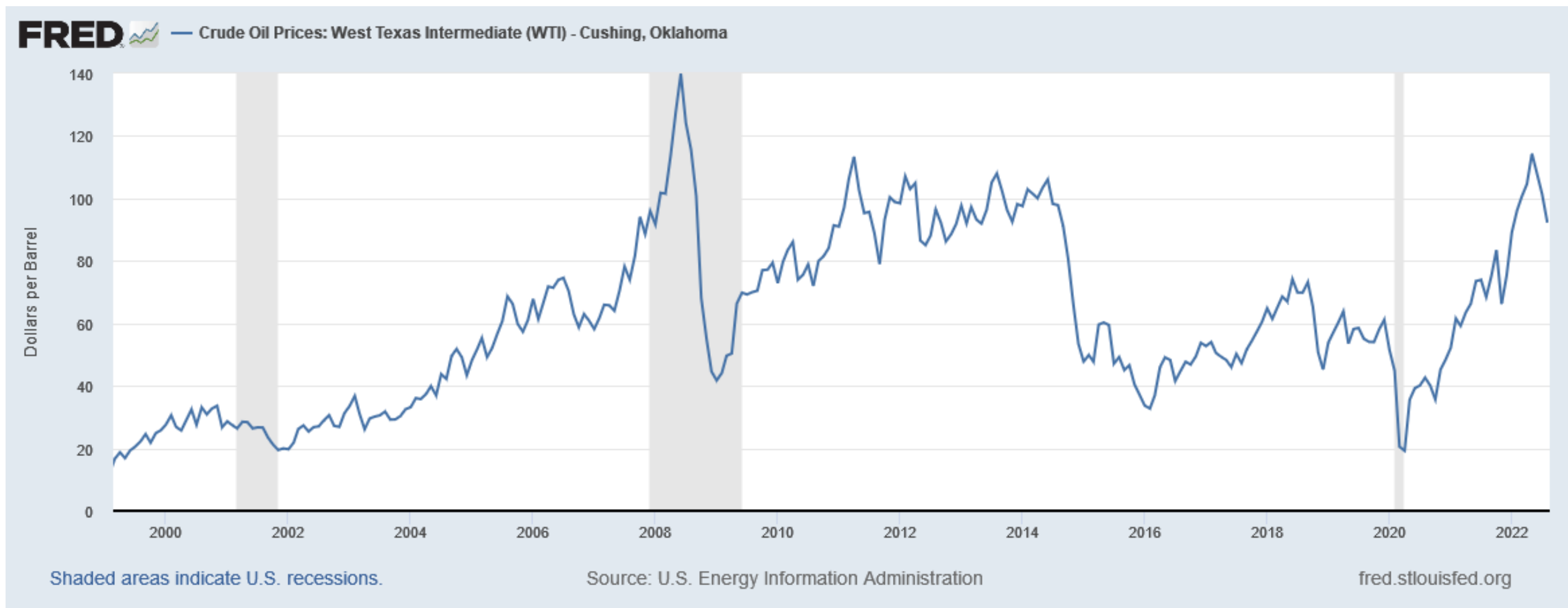


- June 2022:
 - \$5.065

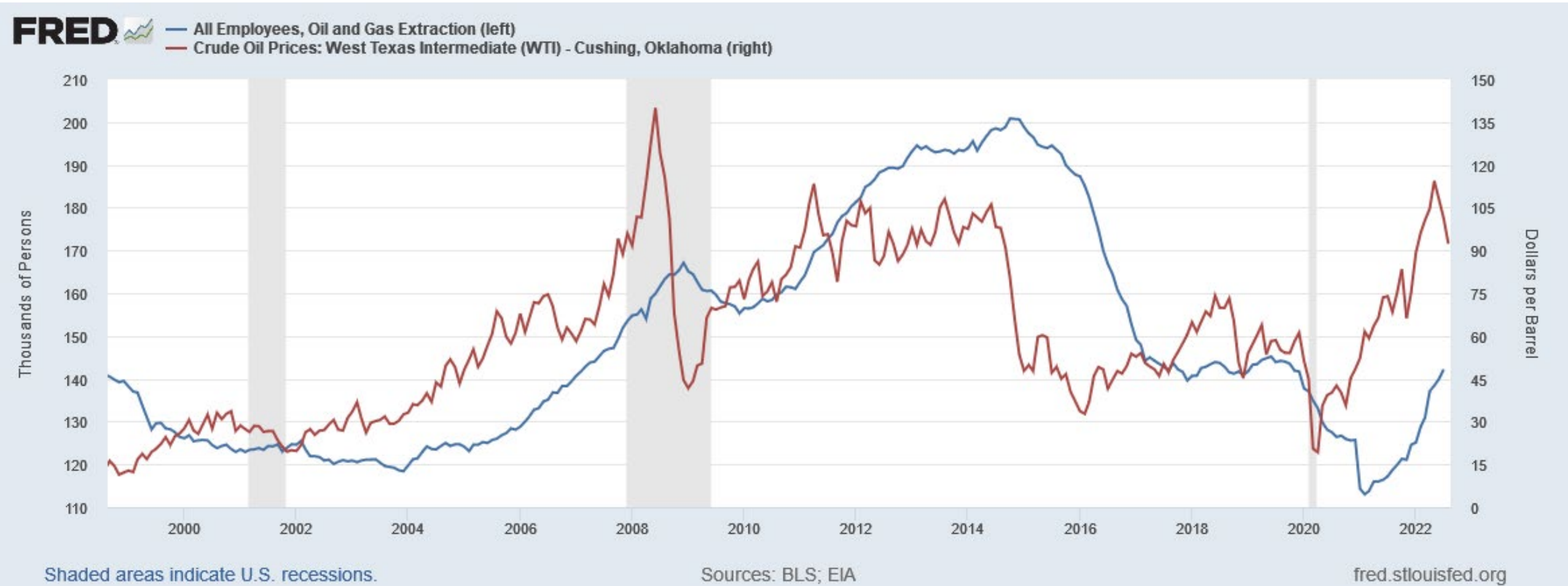


- July 2008:
 - \$4.054
 - \$5.46 in current prices

Oil



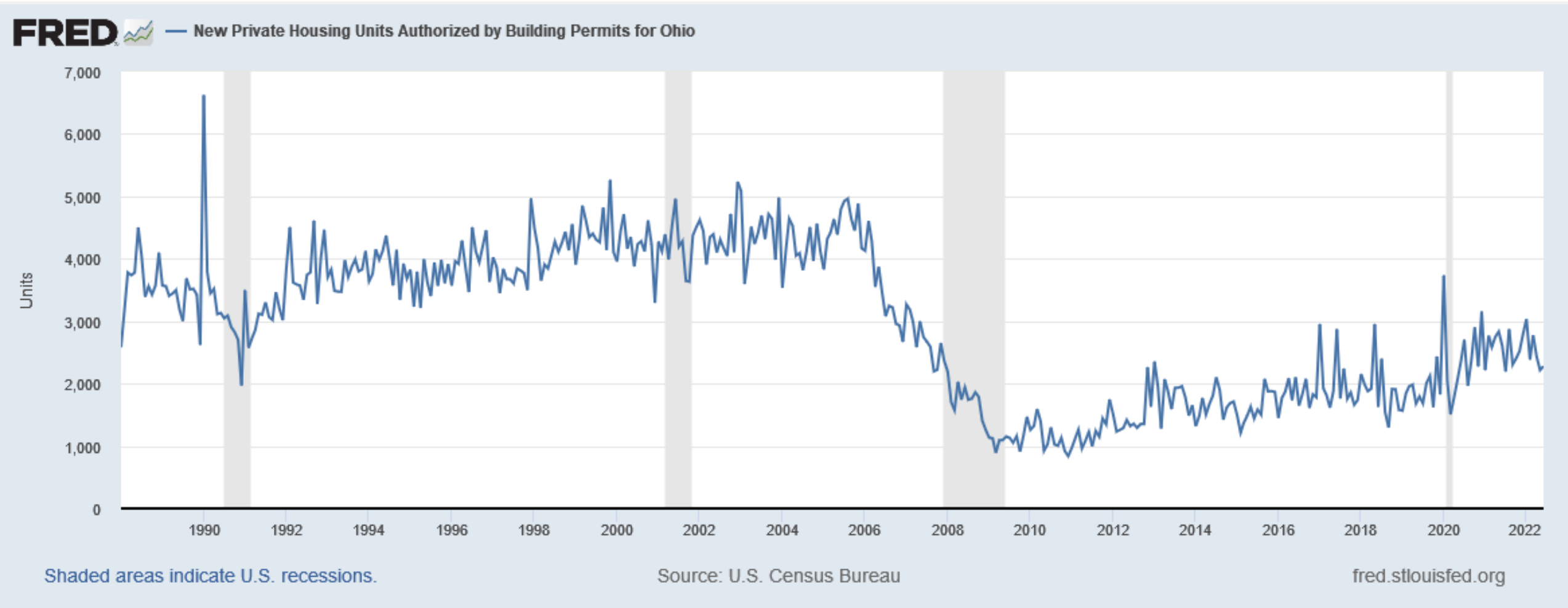
Oil Industry



Housing



Housing



Food/Farming

Price of a bushel of corn

- 8/2021: 5.50
- 8/2022: 6.26
- Prices of corn, wheat, and soybeans have fallen since May 2022
 - Not good news for the Ohio farmers
 - Good news for inflation

Immigration

1.2 mil

decrease in w
issued between M
and July 2

Source: Cato Institute, Migration Policy Institute, and Econ



of the **agriculture industry**
is comprised of immigrants

arket

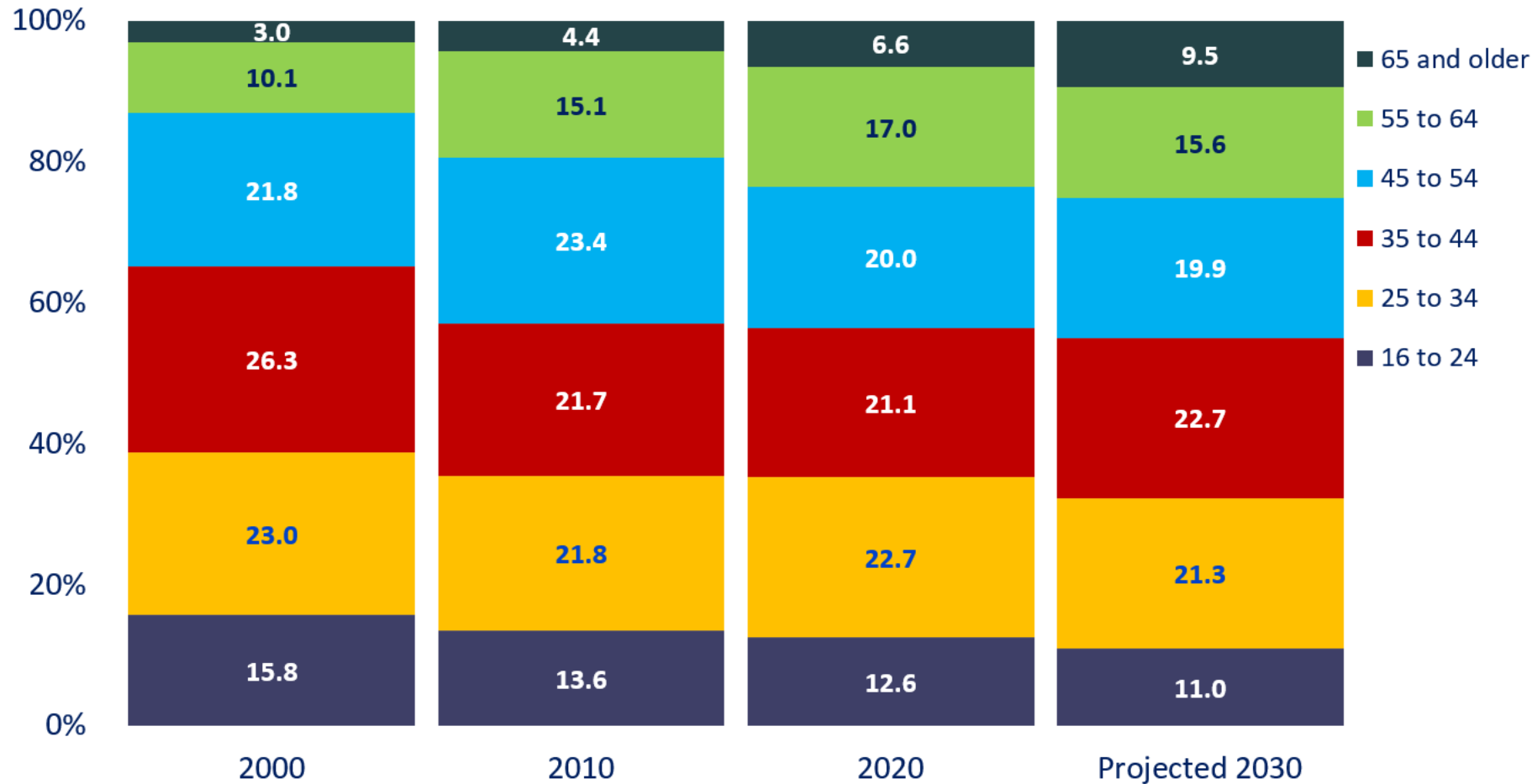
million

ease in working age
migrants between
h 2020 and Dec 2021

BOUNDLESS

Labor Force Share, by Age Group, 2000, 2010, 2020 and Projected 2030

Percent distribution of the labor force*



*Data may not sum to 100 percent because of rounding

Top 10 Fastest Growing Occupations, Excluding Pandemic Recovery*

	Percent change, projected 2020-30	Employment change, projected 2020-30 (in thousands)	Median annual wages, May 2021
Wind turbine service technicians	68.2%	4.7	\$56,260
Nurse practitioners	52.2%	114.9	\$120,680
Solar photovoltaic installers	52.1%	6.1	\$47,670
Statisticians	35.4%	14.9	\$95,570
Physical therapist assistants	35.4%	33.2	\$61,180
Information security analysts	33.3%	47.1	\$102,600
Home health and personal care aides	32.6%	1,129.9	\$29,430
Medical and health services managers	32.5%	139.6	\$101,340
Data scientists and mathematical science occupations, all other	31.4%	19.8	\$100,480
Physician assistants	31.0%	40.1	\$121,530

*Data excludes occupations that had a decline in wage and salary employment greater than the decline for all occupations from 2019 to 2020 (approximately 6%).

Note: Wage data are from the Occupational Employment and Wage Statistics program, U.S. Bureau of Labor Statistics.

Assets Inflation



Assets Inflation



Inflation Reduction Act of 2022

Expected cost: \$485b

- Environmental elements
 - Clean electricity tax credits
 - Individual clean energy initiatives
- Other energy initiatives
- Health care measures
 - Expansion of ACA subsidies

Expected revenue: \$790b

- Health care measures
- Taxes on corporations
- Tax enforcement

Geopolitics

War in Ukraine

- 6 months long
- Growing dissatisfaction with costs/inflation
 - Natural gas in Europe 15x higher
 - Food prices very high in developing world (Sri Lanka)

China/Taiwan

- Price of imports
- Covid-19 policies

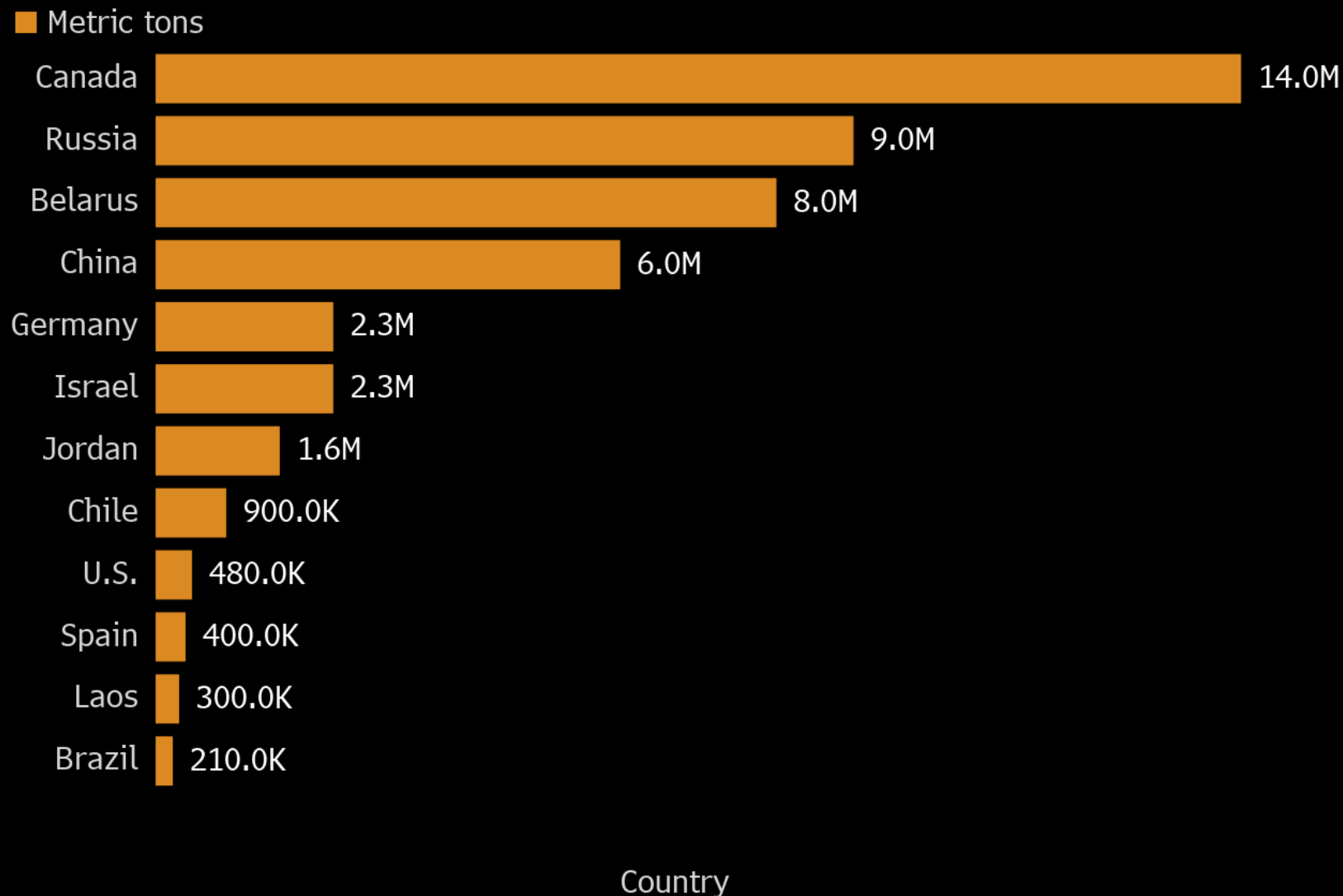
■ EU member states





Fertilizer Giants

Canada, Russia were the top potash producers in 2021



Source: USGS 2022 Mineral Commodity Summary

Note: Volumes are USGS estimates.

Marginal Production Cost, 2014



Cost of producing an additional barrel of oil (USD/bbl)

Country	Exploration Type	Marginal Production Cost	Transportation Cost
Russia	Arctic	120	
	Onshore	18	12
Europe	Biodiesel	110	2
	Ethanol	103	2
Canada	Sand	90	15
Brazil	Ethanol	66	5
	Offshore	80	2
United States	Deep-water	57	
	Shale	73	12
Angola	Offshore	40	
Ecuador	Total	20	
Venezuela	Total	20	
Kazakhstan	Total	16	
Nigeria	Deep-water	30	
	Onshore	15	
Oman	Total	15	
Qatar	Total	15	
Iran	Total	15	
Algeria	Total	15	
Iraq	Total	6	
Saudi Arabia	Onshore	3	2
United Arab Emirates	Total	7	

Any questions?

- We'll answer as many questions as we can, with both speakers now and at the end of the presentation.
- Simply raise your hand to ask a question and our speakers and/or moderator will call on you.
- We may limit this Q&A session, but will be sure to hold time at the end of the presentation to answer any remaining questions.

Intermission

We'll plan to reconvene in 5-10 minutes to begin the second portion of our presentation today.



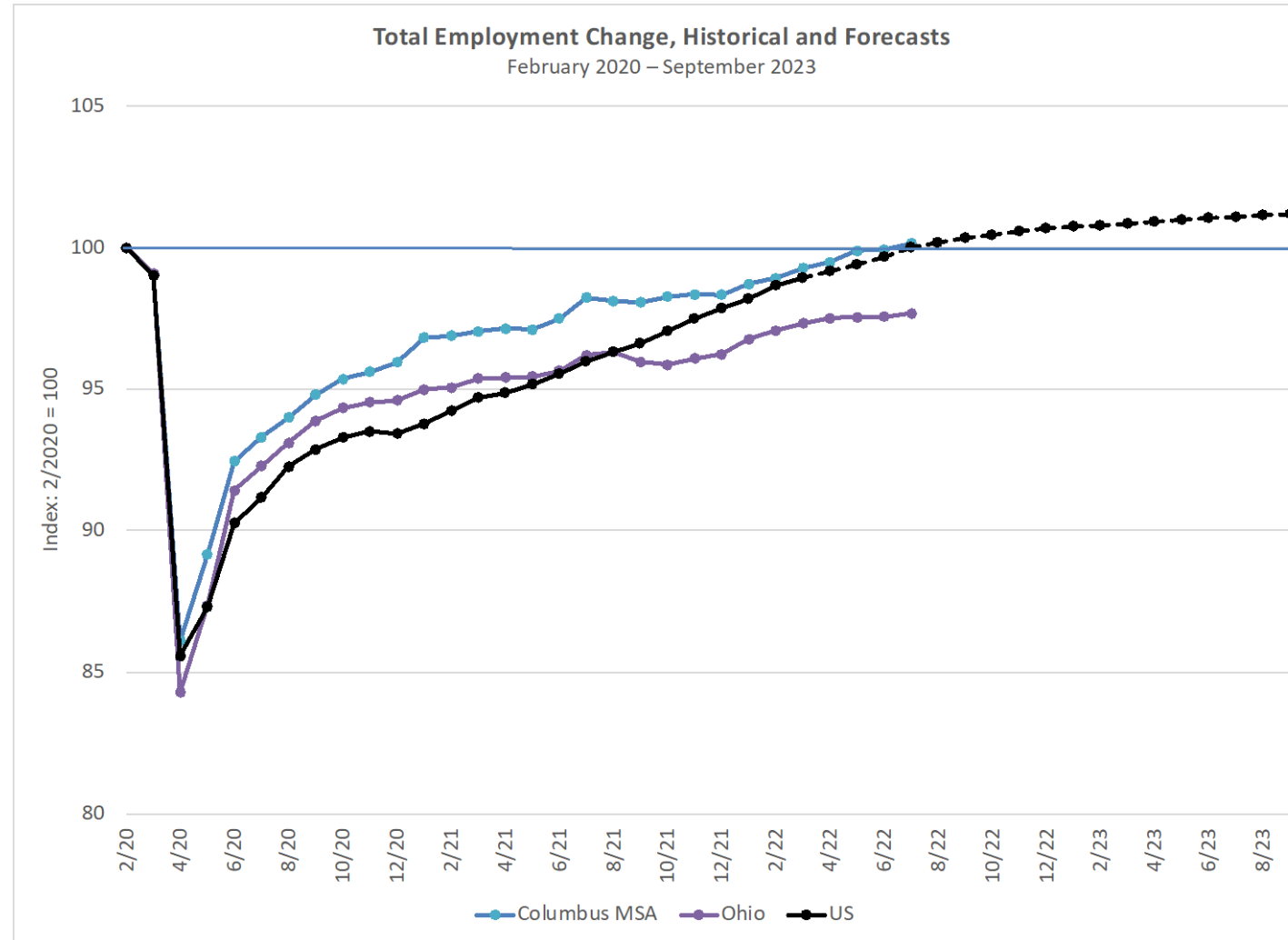
Economic Overview
Citizens National Bank
August 23, 2022

Bill LaFayette, Ph.D., owner, Regionomics® LLC

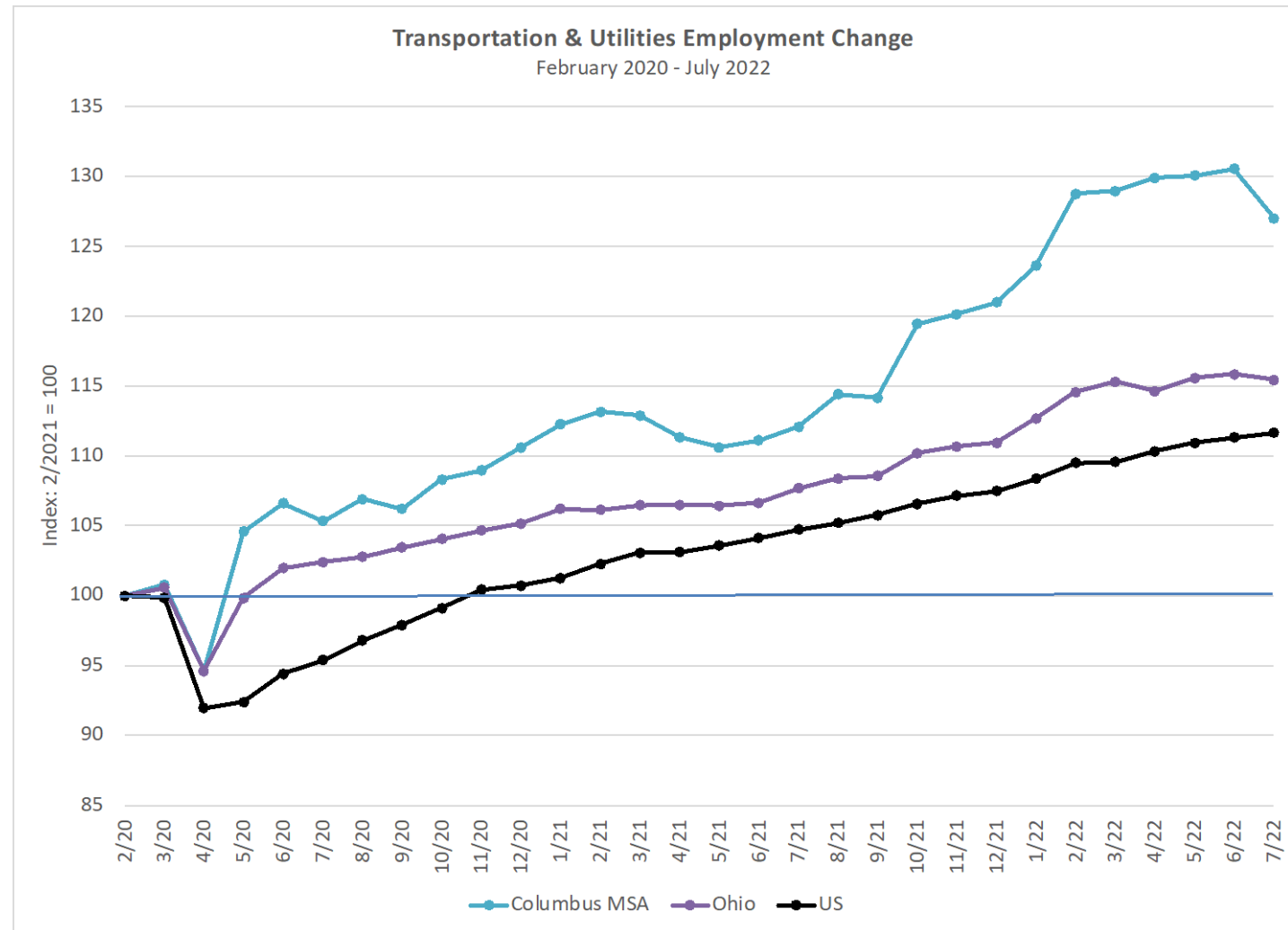
Columbus MSA



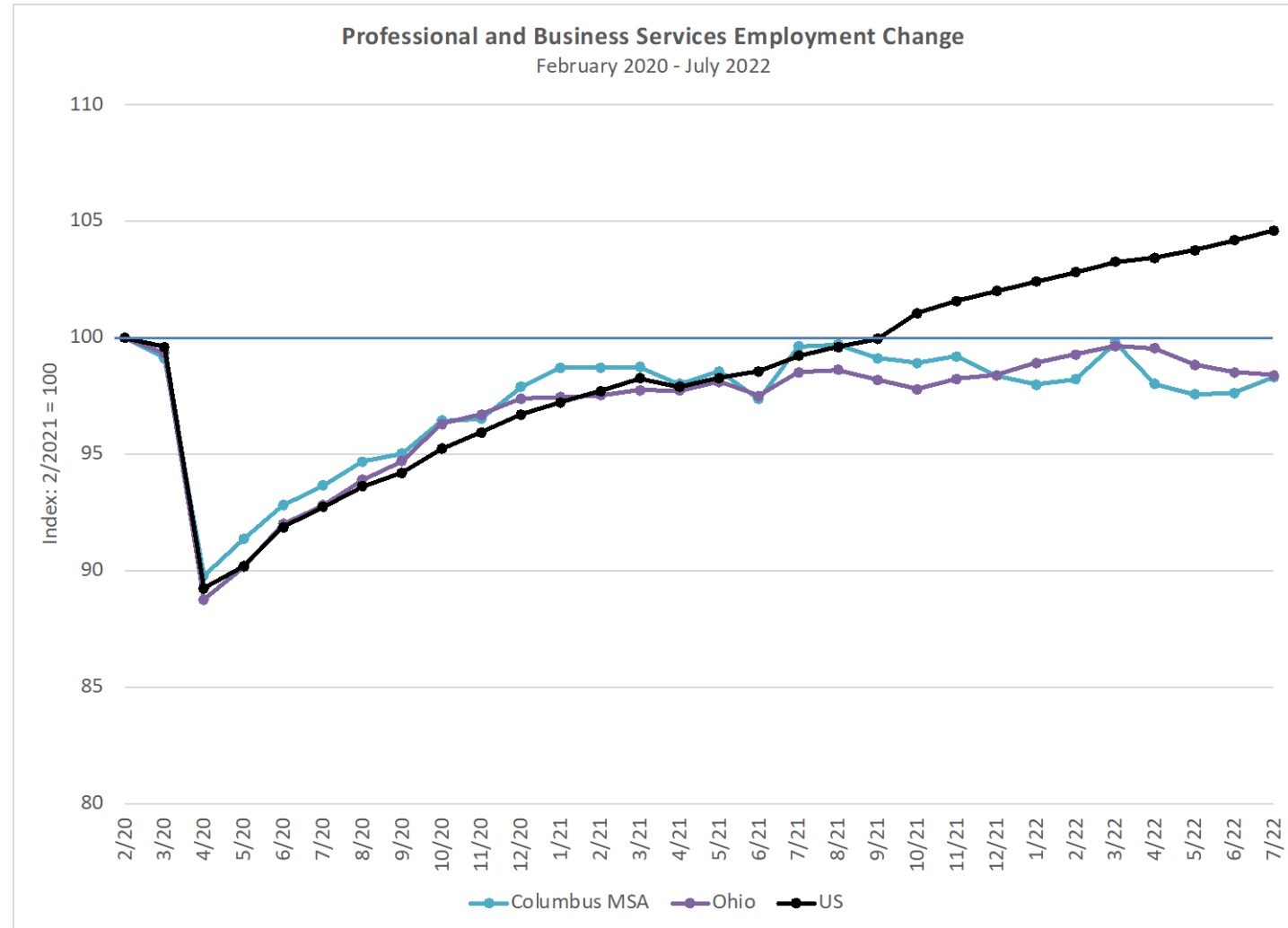
Employment



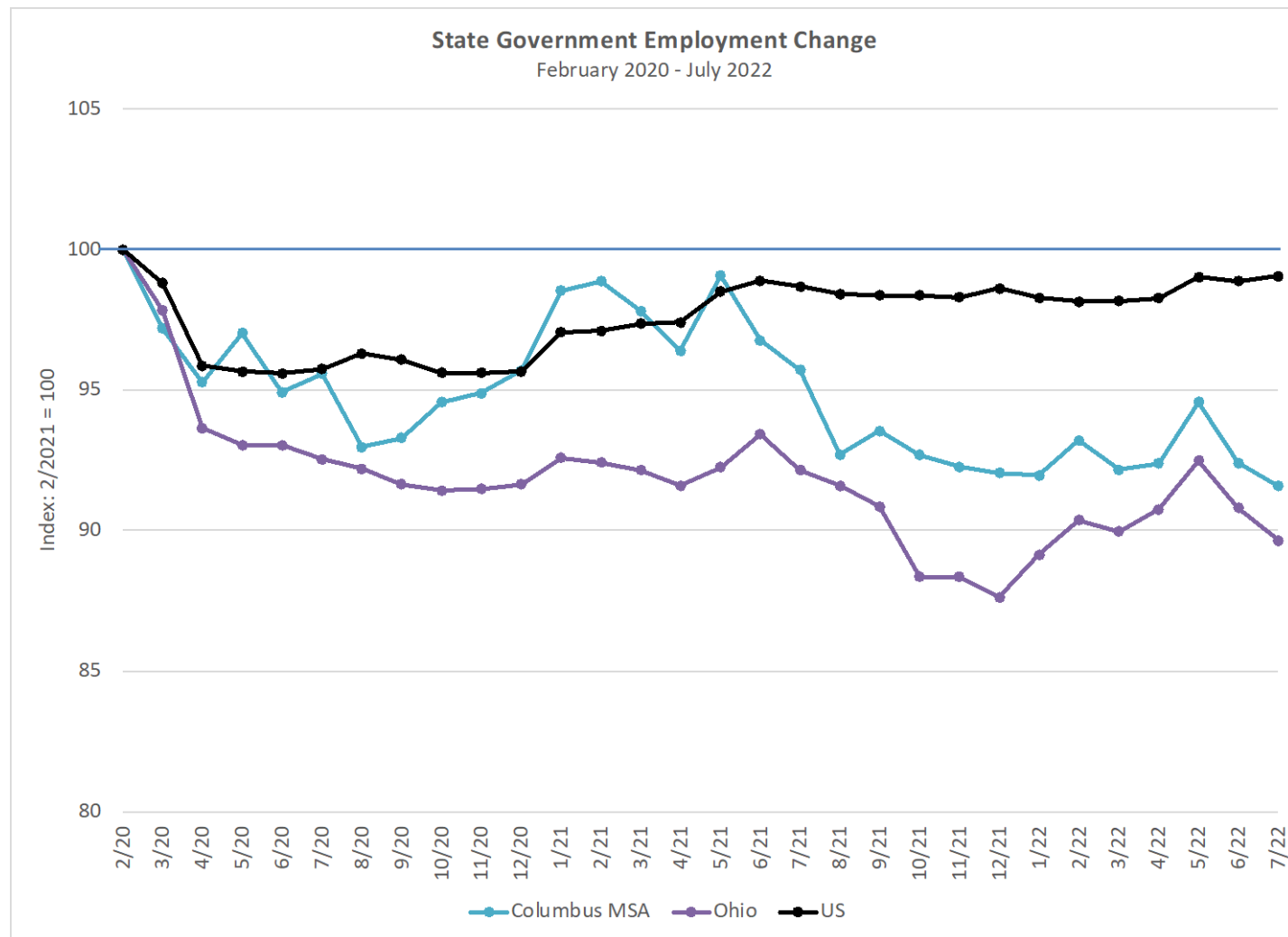
Employment



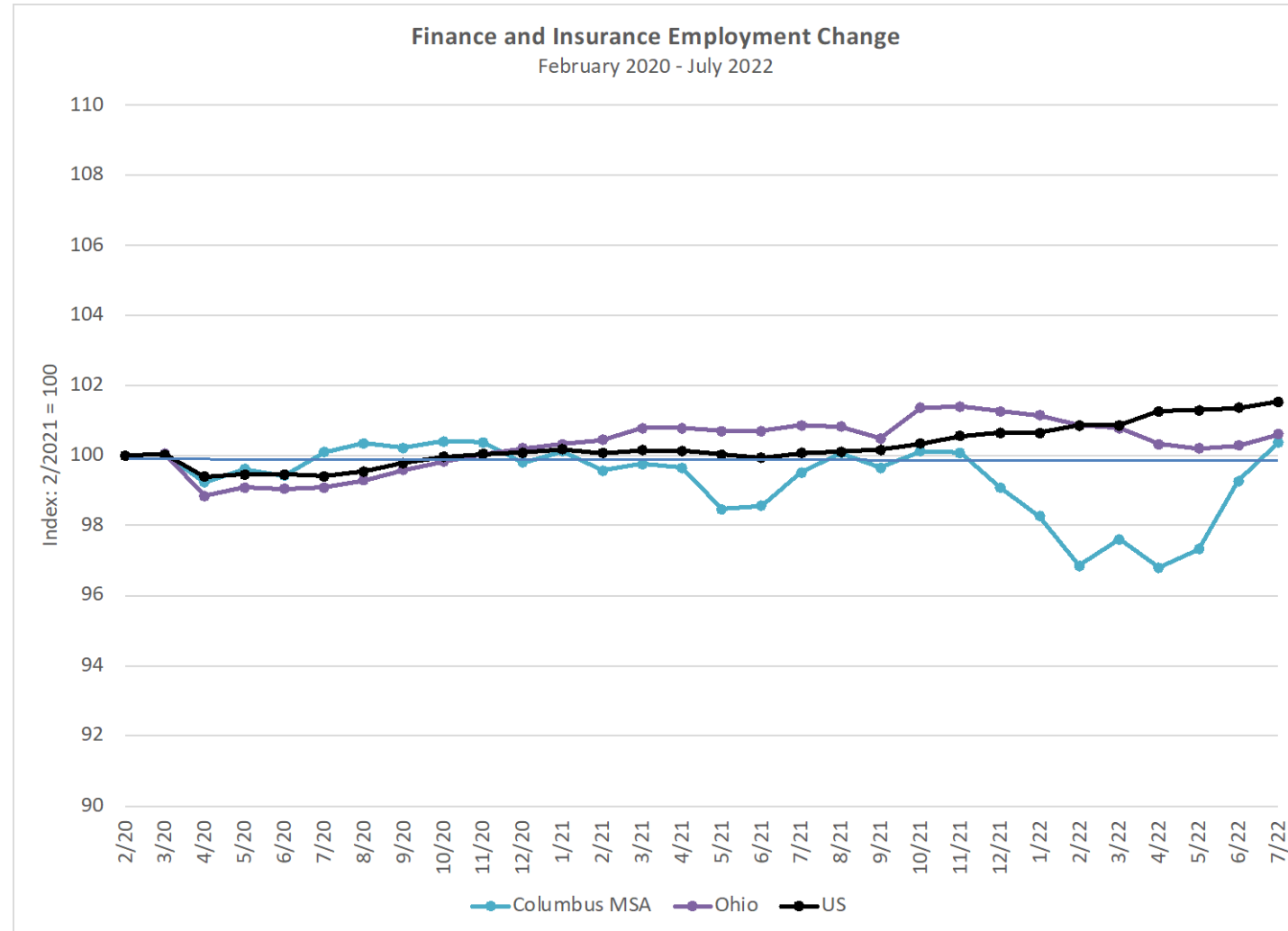
Employment



Employment



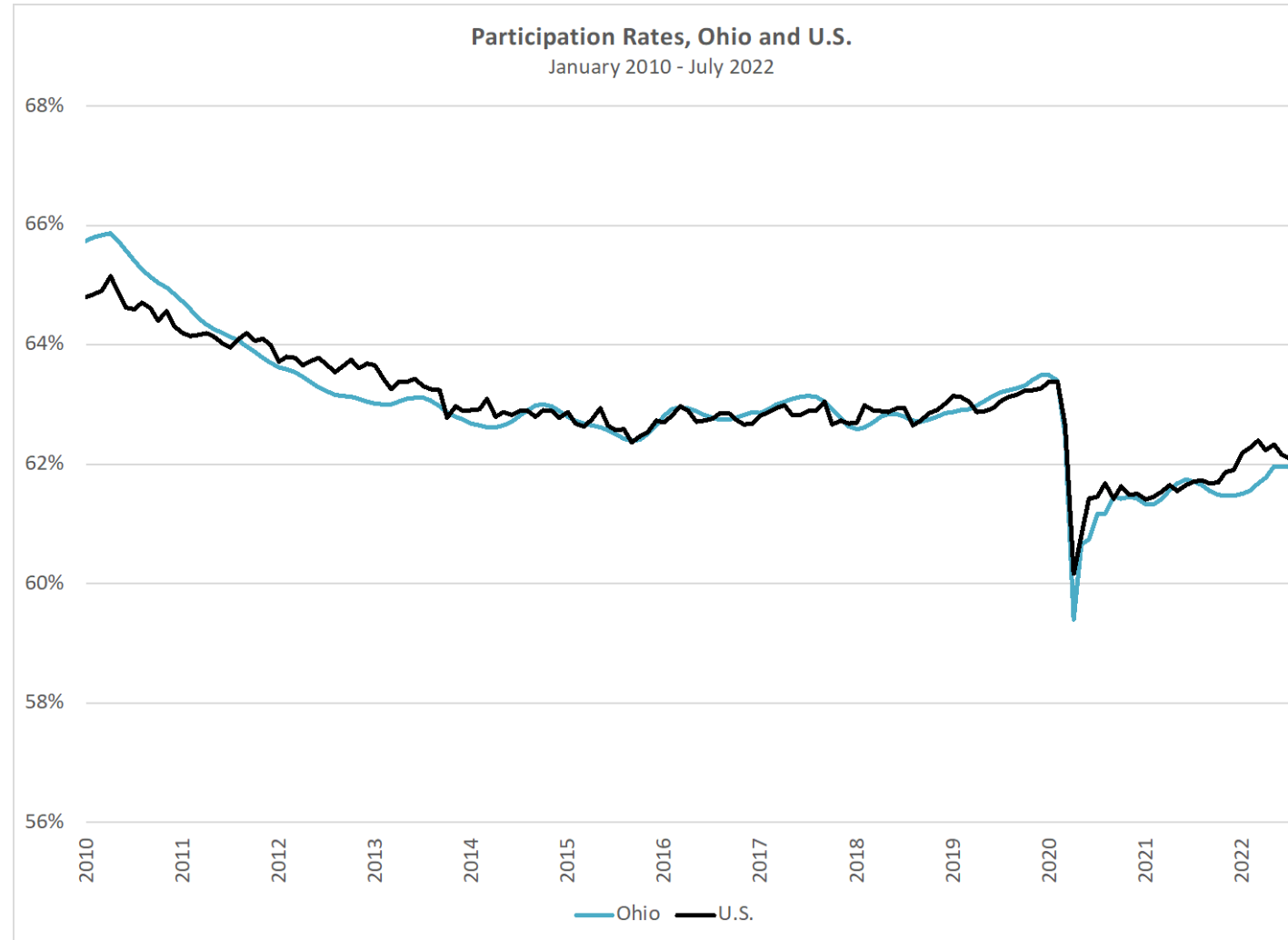
Employment





Labor force

Labor force





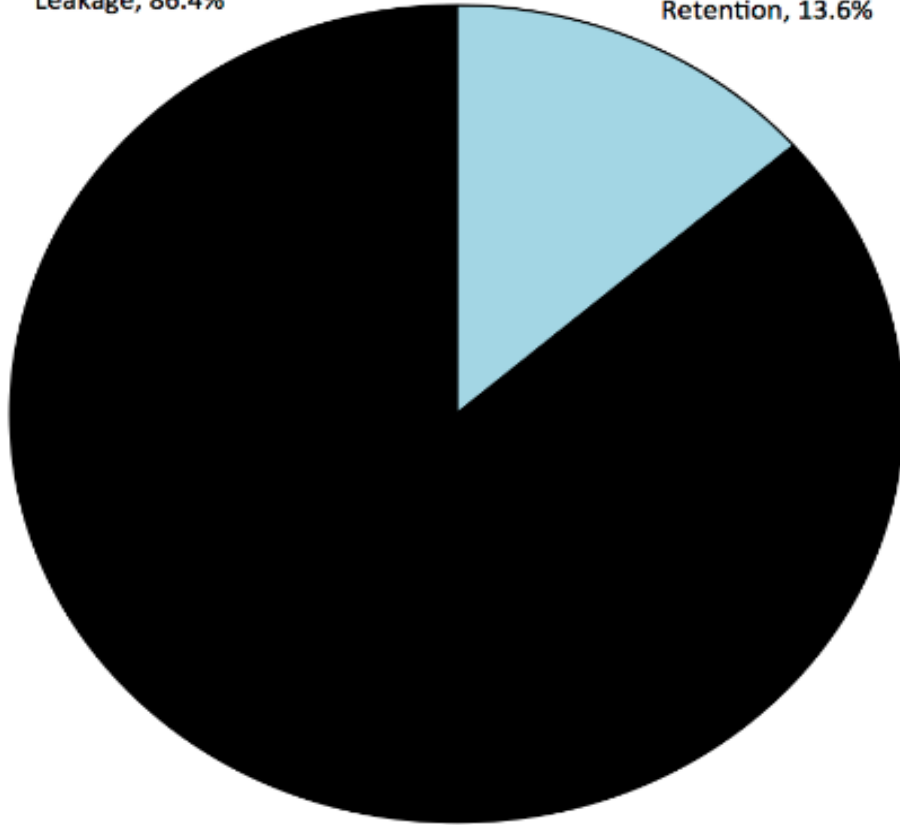
Small business

The role of local industries

Chain Retail Average

Leakage, 86.4%

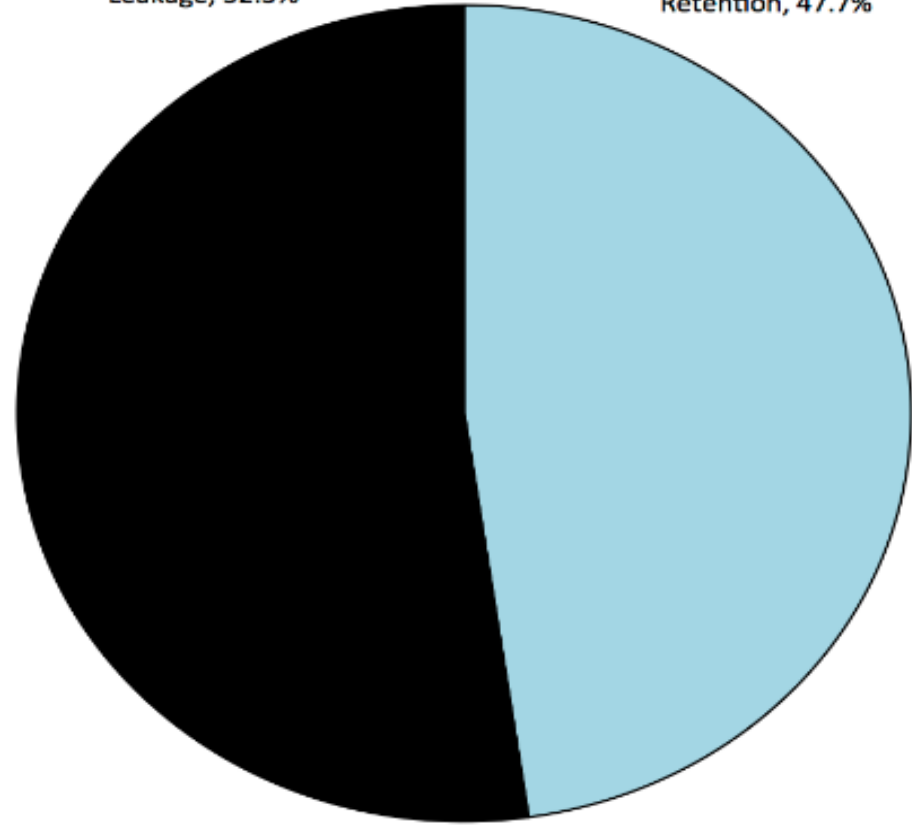
Retention, 13.6%



Locally-Owned Retail Average

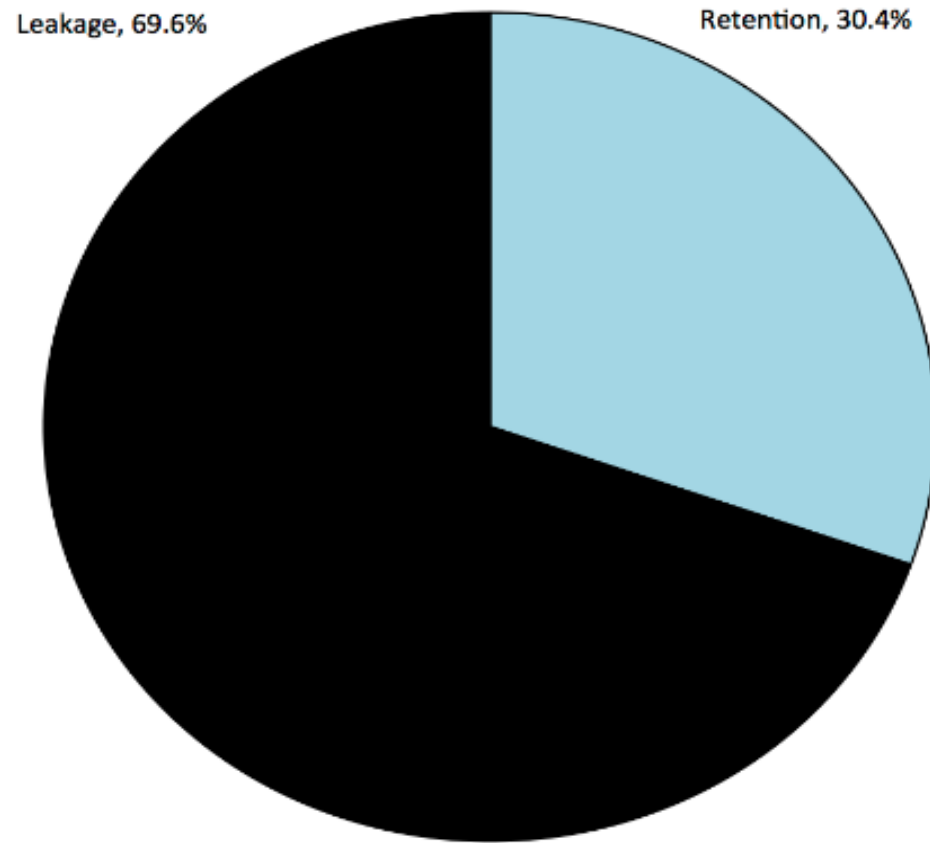
Leakage, 52.3%

Retention, 47.7%

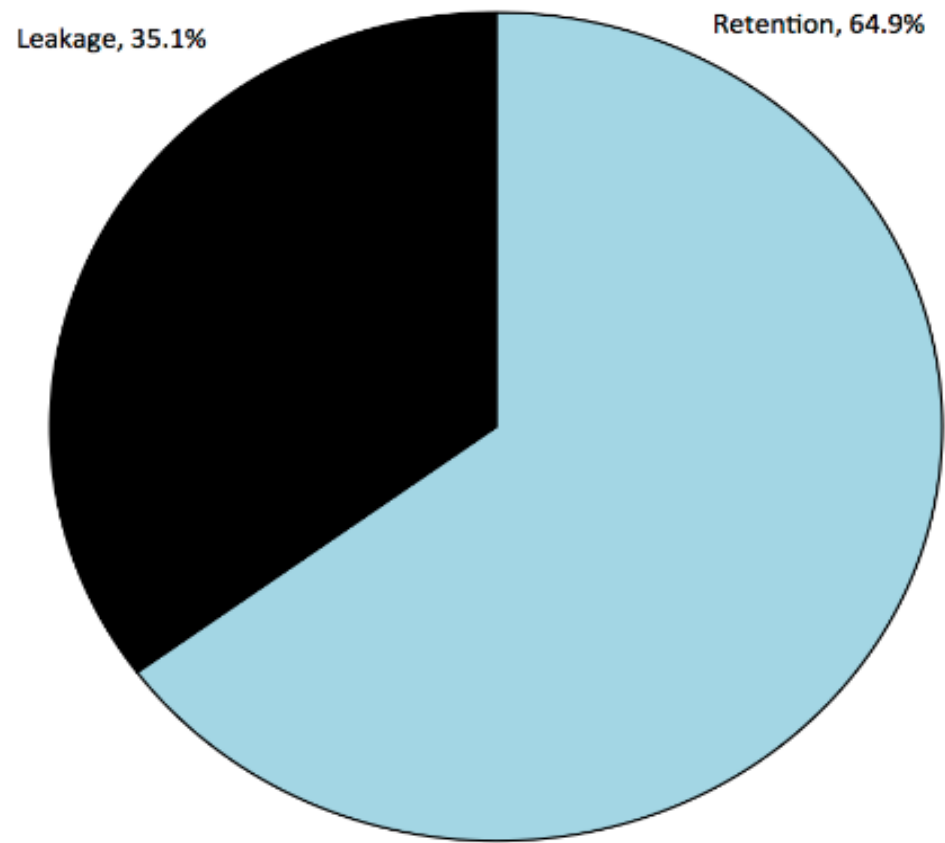


The role of local industries

Chain Restaurant Average



Locally-Owned Restaurant Average



Three troubling numbers

- ▶ Out of the 100 largest MSAs, Columbus ranks:
 - ▶ **86th** in the share of self-employed workers
 - ▶ **84th** in the percentage of businesses that are small (<20)
 - ▶ **74th** in the small business birthrate



Thank you!



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www.linkedin.com/company/regionomics-llc



We Welcome Your Questions!

- We'll answer as many questions as we can, with both speakers.
- Simply raise your hand to ask a question and our speakers and/or moderator will call on you.

KEY TAKEAWAYS



Speaker Series Upcoming Event Information

This concludes our presentation. In the coming months, we'll be providing additional key insights and content, events and expert articles based on the top concerns local businesses have identified.

We invite you to follow us on LinkedIn and Facebook to learn more about this series and be the first to know when new content is released and learn about our already published content.

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Thank you!

