

SENSIGHTS

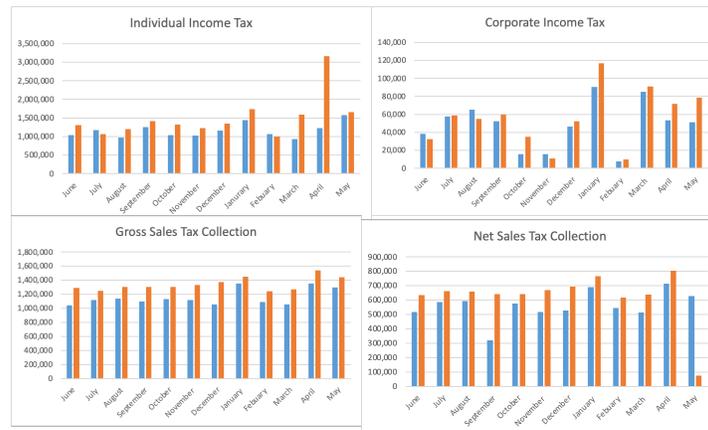
A monthly roundup of various economic indicators that could, will, or are impacting Georgia

No Financial Hurricane-Yet

JP Morgan CEO Jamie Dimon caused a stir lately when he talked about a "hurricane" hitting the US economy. He may eventually be right, but is way too early. The employment report for May confirmed that the US economy continues to grow. Notably, there is some evidence of a transition in the economy away from goods and toward services. Retail payrolls are still up from where they were pre-COVID, but dropped 61,000 in May. With the exception of the initial onset of COVID-related lockdowns in 2020, that's the steepest drop for any month since 2009. Meanwhile, jobs in leisure & hospitality increased 84,000, the seventeenth consecutive monthly gain. In turn, this fits with recent activity on the stock market, where companies that specialize in retail goods have suffered relative to those, like theaters and airlines, which provide services. More people want to be out and about, getting back toward normal. The worst part of the jobs report was for wages, where average hourly earnings rose 0.3%. In a normal economy, a 0.3% gain would be perfectly fine. But with consumer prices up an estimated 0.7% in May, that's no bueno for workers. The bottom line is that loose money from the Federal Reserve has inflated everything. Moreover, monetary policy remains loose and the lag between loose money and the economy is long and variable. Put it all together and it means some sort of hurricane is on the radar, but it isn't very close. -Monday Morning Outlook

May Revenues Rise Slightly

The State of Georgia's net tax collections for May totaled \$2.7 billion, for an increase of 1.6 percent, compared to May 2021. Year-to-date net tax collections totaled nearly \$30.24 billion, for an increase of \$5.84 billion, or 23.9 percent, compared to fiscal year 2021, when net tax revenues totaled almost \$24.40 billion as of the end of May.



Key: June 2021 - May 2022 June 2022 - May 2023

Housing Starts Decline

Housing starts declined 0.2% in April to a 1.724 million annual rate, below the consensus expected 1.756 million. Starts are up 14.6% versus a year ago. The drop was due entirely to single-family starts. Notably, residential construction is still just 3% below the fastest pace since 2006 set in February, demonstrating resiliency despite the pressure coming from both the supply and demand sides of the housing market. Recent distributional effects aside, the level of new housing starts remains impressive given that the number of homes already under construction are at the highest level on record back to 1970. These figures illustrate a slower construction process due to a lack of workers and other supply-chain difficulties. In this context, it's not surprising to see new building permits fall 3.2% in April. -DataWatch

Single-Family Home Sales Drop

In other housing related news, new single-family home sales dropped 16.6% in April to a 0.591 million annual rate, well below the consensus expected 0.749 million. Sales are down 26.9% from a year ago. Sales in April fell in all of the major regions. The median price of new homes sold was \$450,600 in April, up 19.6% from a year ago. The average price of new homes sold was \$570,300, up 31.2% versus last year. The housing market is clearly struggling to find some footing so far in 2022 due to declining affordability. While rapidly rising prices have been an issue in the housing market throughout the COVID-19 pandemic, the recent run-up in borrowing costs has been adding to the burden as the Federal Reserve begins to tighten monetary policy. Assuming a 20% down payment, the rise in mortgage rates and home prices just since December amount to a 42% increase in monthly payments on a new 30-year mortgage for the median new home. No wonder new home sales posted the largest monthly decline in nine years in April. -Data Watch

Q1 Real GDP Growth Revised

Real GDP growth in Q1 was revised slightly lower to a -1.5% annual rate from a prior estimate of -1.4%. Downward revisions to inventories and home building more than offset an upward revision to consumer spending. The largest positive contributions to the real GDP growth rate in Q1 were consumer spending and business investment. The weakest components were net exports and inventories. Do today's data mean we are heading into a recession? No. Consumer spending (+3.1% annual rate), business fixed investment (+9.2% rate), and home building (+0.4% rate) all increased in the first quarter, which is not something you'd see during a recession. -Data Watch

An Update on the Trade Deficit

The trade deficit in goods and services came in at \$87.1 billion in April, smaller than the consensus expected \$89.5 billion. Exports rose by \$8.5 billion, led by soybeans, civilian aircraft, and natural gas. Imports declined \$12.1 billion, led by finished metal shapes, computers, and other textile apparel & household goods. Trade was a major detractor from first quarter GDP growth, as a more open U.S. saw demand for international goods and services rise, while continued COVID restrictions abroad (most notably in January) hampered US export demand. Expect the trade deficit to remain volatile from month to month but generally stay large in the months ahead as the US has recovered from the coronavirus faster than most other countries. In addition, Russia's invasion of Ukraine, and COVID restrictions in China may affect trade patterns for some time. Given massive and artificial government stimulus in the US, both fiscal and monetary, the demand for imports should continue to outstrip the demand for exports to the rest of the world. . -First Trust

Updated 12 Month-Trailing Average



A “Not-So-Hot” Economy isn’t all Bad News

When it comes to the economy, more is usually better. Bigger job gains, faster wage growth and more consumer spending are signs of a healthy economy. Growth might not be sufficient to ensure widespread prosperity, but it is necessary – making any loss of momentum a worrying sign that the economy could be losing steam or, worse, headed into a recession. But these are not normal times. Ordinarily, one number from the monthly report – the overall jobs added or lost – is enough to signal the labor market's health. Most of the time, the driving force in the labor market is demand. If business is strong, employers will want more workers, and job growth will accelerate. When demand lags, then hiring slows, layoffs mount and job growth stalls. Right now, though, the limiting factor in the labor market is not demand but supply. Slowing job growth coupled with a growing labor force could be a sign that the labor market is coming back into balance as demand cools and supply improves. The thing about such a “soft landing,” as Fed officials call it, is that it is still a landing. Job opportunities will be fewer. Workers will have less leverage to demand flexible schedules or other perks. For the Fed, achieving that outcome without causing a recession would be a victory – but it might not feel like one to workers. -New York Times

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First Trust Economics

Indicator	2022	2021	% Change 2021	% Change 2020	% Change 2019
Weekly Retail Sales	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas & Auto)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto & Restaurants)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants & Hotels)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels & Travel)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel & Entertainment)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment & Education)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education & Health)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health & Transportation)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation & Leisure)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure & Finance)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance & Insurance)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance & Real Estate)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate & Energy)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy & Utilities)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities & Information)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information & Telecommunications)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications & Media)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications, Media & Arts)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications, Media, Arts & Recreation)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications, Media, Arts, Recreation & Food)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications, Media, Arts, Recreation, Food & Beverage)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications, Media, Arts, Recreation, Food, Beverage & Health Care)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications, Media, Arts, Recreation, Food, Beverage, Health Care & Pharmaceuticals)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications, Media, Arts, Recreation, Food, Beverage, Health Care, Pharmaceuticals & Chemicals)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications, Media, Arts, Recreation, Food, Beverage, Health Care, Pharmaceuticals, Chemicals & Metals)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications, Media, Arts, Recreation, Food, Beverage, Health Care, Pharmaceuticals, Chemicals, Metals & Mining)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications, Media, Arts, Recreation, Food, Beverage, Health Care, Pharmaceuticals, Chemicals, Metals, Mining & Agriculture)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications, Media, Arts, Recreation, Food, Beverage, Health Care, Pharmaceuticals, Chemicals, Metals, Mining, Agriculture & Forestry)	1,000.00	1,000.00	0.0%	0.0%	0.0%
Weekly Retail Sales (excl. Gas, Auto, Restaurants, Hotels, Travel, Entertainment, Education, Health, Transportation, Leisure, Finance, Insurance, Real Estate, Energy, Utilities, Information, Telecommunications, Media, Arts, Recreation, Food, Beverage, Health Care, Pharmaceuticals, Chemicals, Metals, Mining, Agriculture, Forestry & Fishing)	1,000.00	1,000.00	0.0%	0.0%	0.0%
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RECOVERY TRACKER

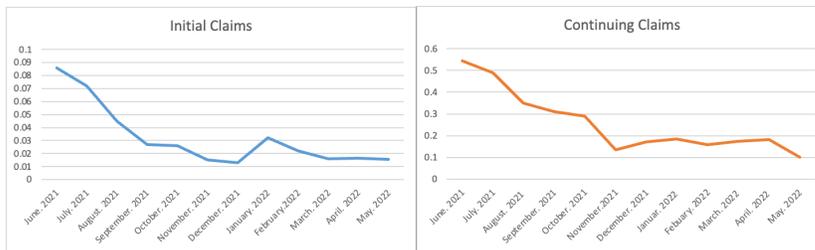
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Air Fare Up Significantly This Summer

Delta Air Lines says its air fares are 25-30% higher this summer on average compared with 2019, the year before the pandemic, as high fuel prices and strong demand drive up the cost of flying. Ed Bastian, the CEO of Atlanta-based Delta, cited the figures during an investor conference Wednesday, adding that “we’ve never seen anything of that scale.” Delta, like other airlines, is battling inflation, soaring fuel costs and labor shortages, amid robust demand for travel as people are more willing to take vacations and travel for business after two years of pandemic-depressed demand. Fares are so high that Delta expects to see its total revenue this quarter reach 2019 levels, despite the fact that it is operating only about 82% of the flight capacity it had previously.

-AJC

Continuing and Initial Unemployment Update



Chairman Hufstetler’s Final Thoughts

In March we talked about Janet Yellen's view on inflation March 16, 2021 being opposite to our view at the time. To her credit she did come out last week and say "I was wrong". But the damage is done. A 1.9 trillion stimulus with easy money Federal Reserve rates was a disaster waiting to happen and is now with us. You will see a late knee jerk reaction of maybe a full percent rate increase on borrowing. High energy, record high inflation in May, a tanking stock market and no discipline in Washington has us headed the wrong way. We do a pretty good job at the state in balancing the budget as well as the needs of our citizens. We will probably have a painful next year. Thankfully our fund balance reserve will make it slightly less painful. Other than that, have a great summer.

Chairman Tillery’s Final Thoughts

Another month of 8% or better inflation has now led to home builds stagnating and home prices finally leveling off. The recent wage increases we’ve been able to add for employees doesn’t even keep up with inflation as fuel and now food eat up all discretionary spending. The increase in individual savings we saw in 2020 is now an increase in credit card debt. If you don’t feel they have already, matters are about to get very serious very fast. Take the recent baby formula shortage. Imagine if it was more that baby formula- food and fuel prices could soon lead us to see this on a terrifying scale. Forget state budgets, I’m now worried about civilized society when we the masses, and their children, are hungry.