



**Key Trends impacting the  
livelihood of you and your family**

**“New Normal”**

**“Build a Border Wall!”**

**The 1%**

**“We Need Single Payer Healthcare!”**

**“Buy Gold!”**

**Expect Inflation**

**“A Livable Wage”**

**“Fair Trade, Not Free Trade!”**

**QE1..QE2...QE3**

**Expect Deflation**

**“Imagine debt free College!”**

**The Collapse of the Dollar**

**Runaway Debt**

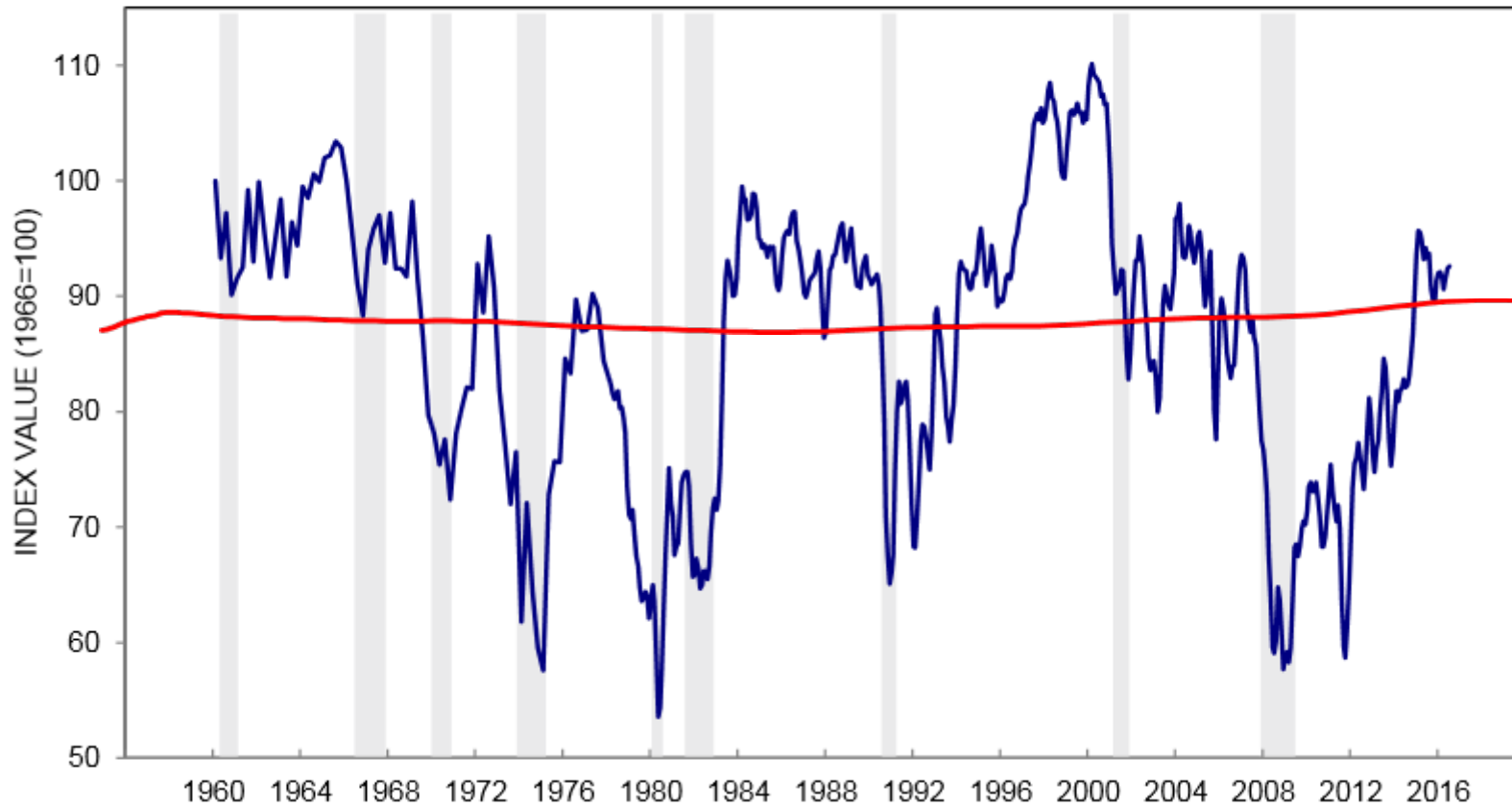
**“Legalize Pot!”**



# Discussion Topics

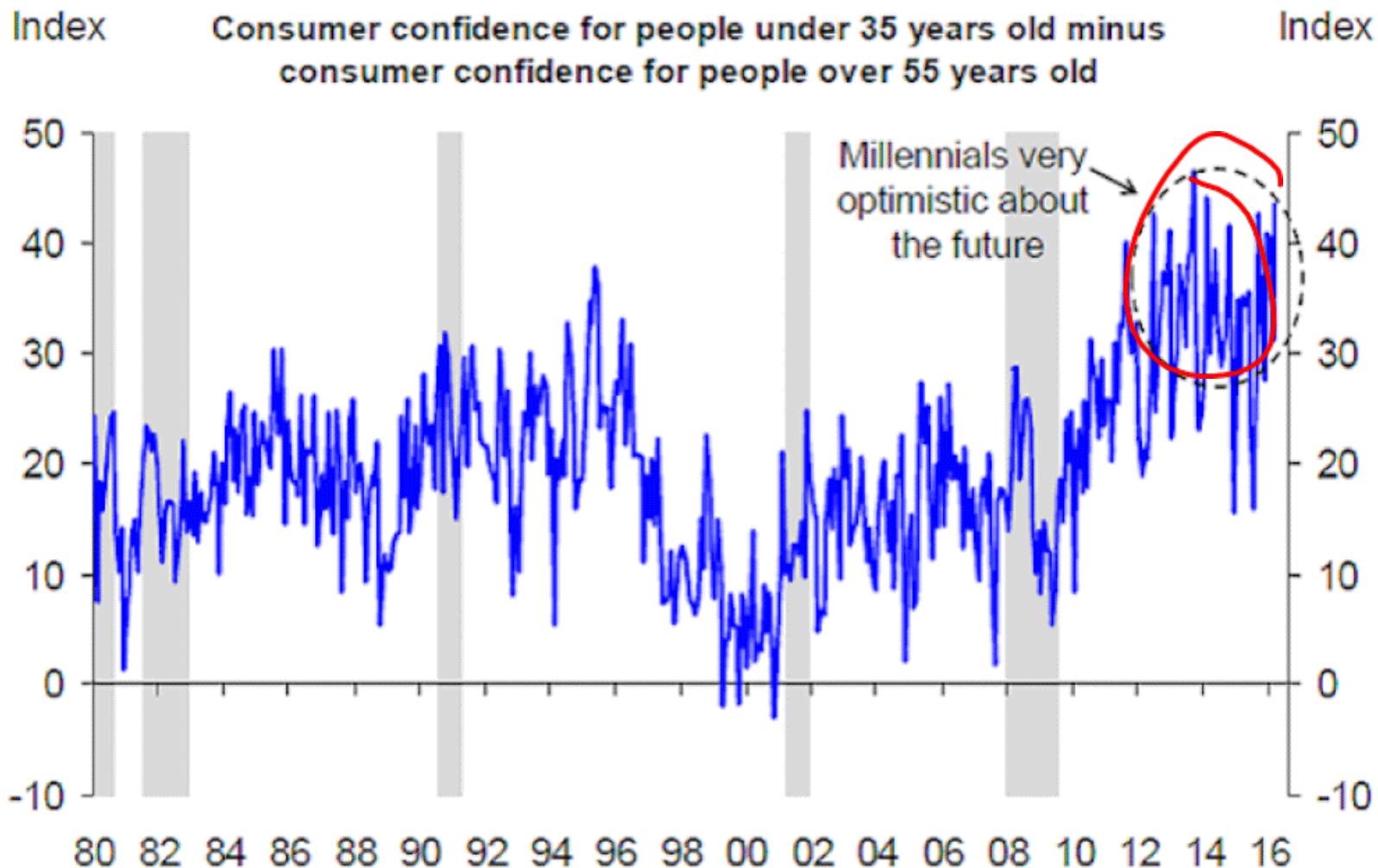
- Key Survey Findings
- Income and Cost of Living
- Investments and Debt
- Root Cause Analysis
- Key Takeaways

## THE INDEX OF CONSUMER SENTIMENT



Source: *surveys of consumers, University of Michigan – June 2016*

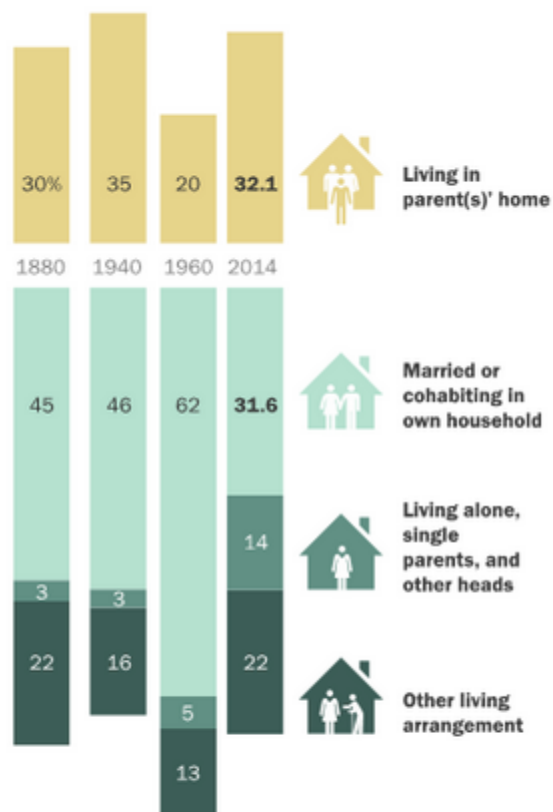
Record difference in consumer confidence between people under 35 years old compared with people above 55



Source: CB, Haver Analytics, DB Global Markets Research

## Living with a parent is the most common young adult living arrangement for the first time on record

% of 18- to 34-year-olds by living arrangement



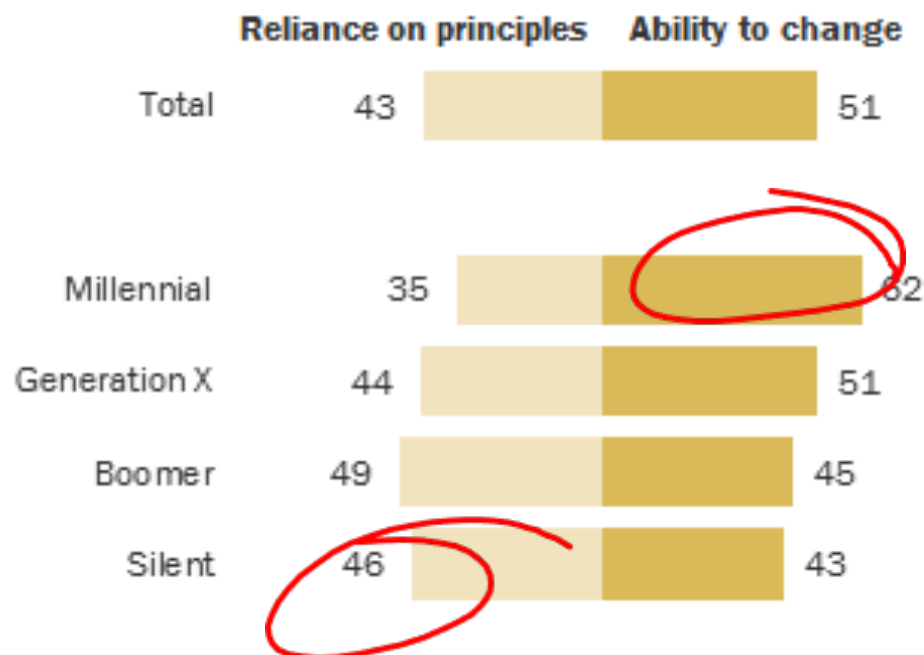
Note: "Living in parent(s)' home" means residing in a household headed by a parent regardless of the young adult's partnership status. "Other heads" include young adults who are the household head and living with roommates or boarders. "Other living arrangements" include living in the home of a grandparent, an aunt/uncle or a sibling or residing in a group quarters living arrangement (college dormitory or correctional facility).

Source: Pew Research Center tabulations of the 1880, 1940 and 1960 U.S. decennial censuses and 2014 American Community Survey (IPUMS)

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## Why has U.S. been successful? Younger adults point to its 'ability to change'

*% who say the United States has been successful more because of ...*



Note: Don't know responses not shown.

Source: Survey conducted Aug. 27-Oct. 4, 2015.

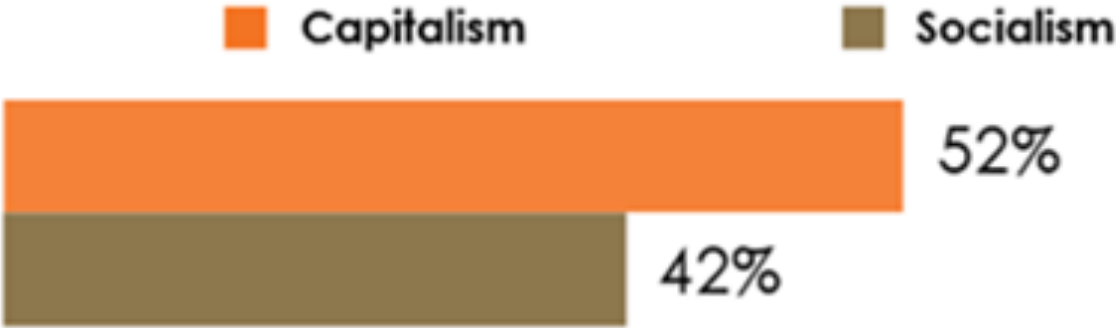
**PEW RESEARCH CENTER**

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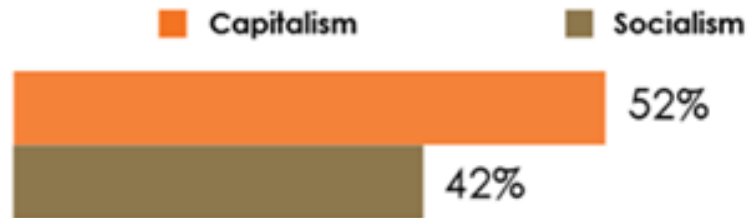


# Millennial Views on Capitalism vs. Socialism

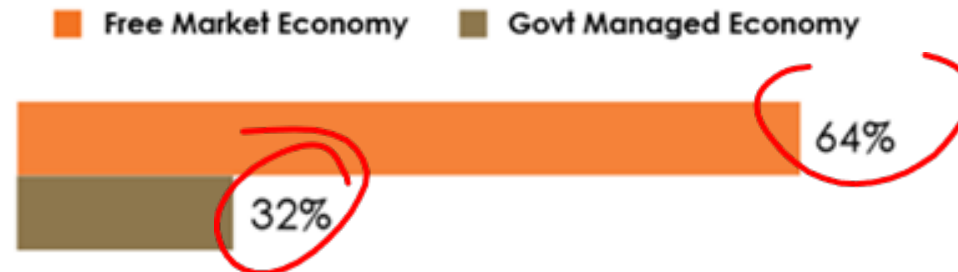
*Which is the better system: capitalism or socialism?*



Which is the better system: capitalism or socialism?



Which is the better system: free market economy or an economy managed by the government?



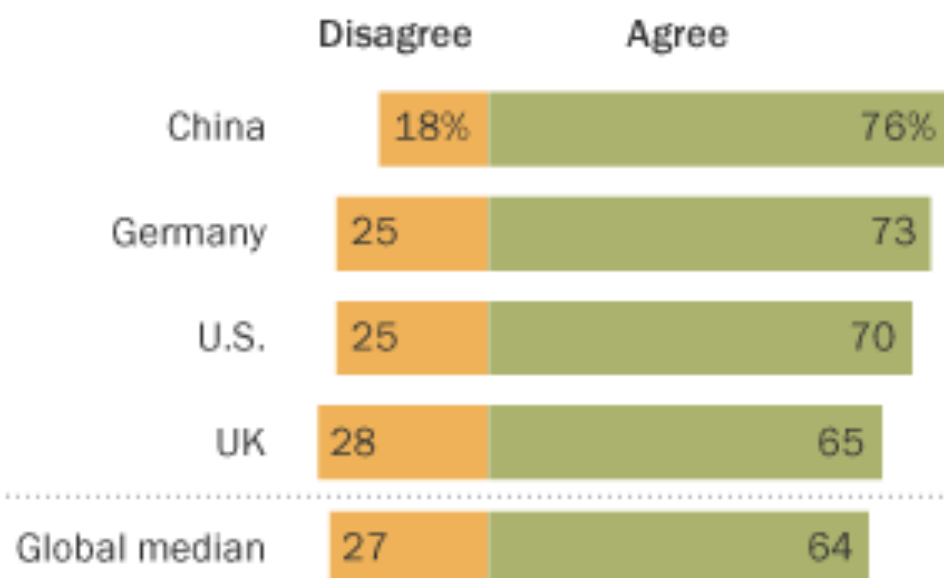
Reason - Rupe Spring 2014 Millennial Poll

"Don't know/refused" responses not shown

- 64 percent of millennials say cutting government spending by 5 percent would help the economy
- 74 percent of millennials say government has a responsibility to guarantee every citizen has a place to sleep and enough to eat

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*Most people are better off in a free market economy, even though some people are rich and some are poor.*



Note: Global median excludes China, Germany, U.S. and UK.

Source: Spring 2014 Global Attitudes survey.

PEW RESEARCH CENTER

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“

Our data indicate that there will be no surge from the small business sector anytime soon and prospects for economic growth are cloudy at best.”

[nfib.com/sbet](http://nfib.com/sbet)

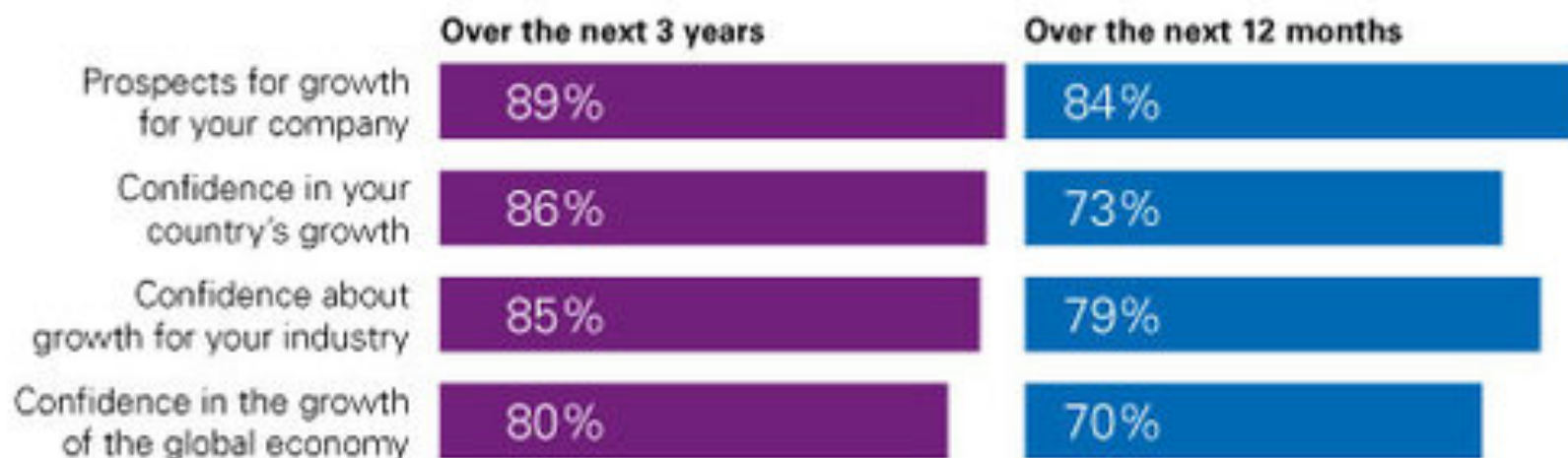
**Bill Dunkelberg**

NFIB Chief Economist

*Source: NFIB June 2016 Report:  
Small Business Economic Trends*

## CEOs' 3-year growth predictions





### Prospects for growth



Source: 2016 Global CEO Outlook, KPMG International

# Newsroom

## Press Release

Share:  Tweet  Share  824  G+1 +5

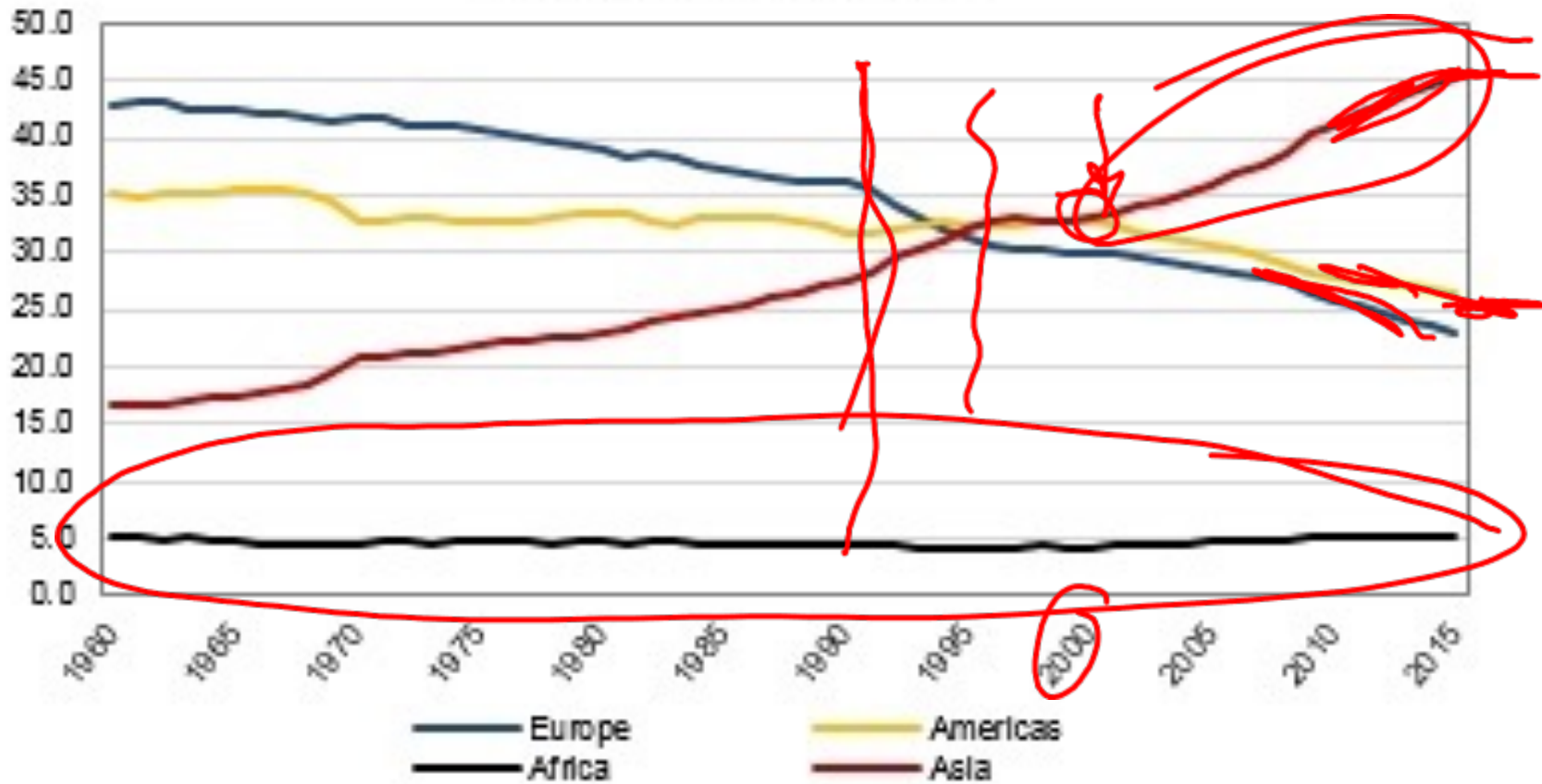
STAMFORD, Conn., April 20, 2016

[View All Press Releases](#)

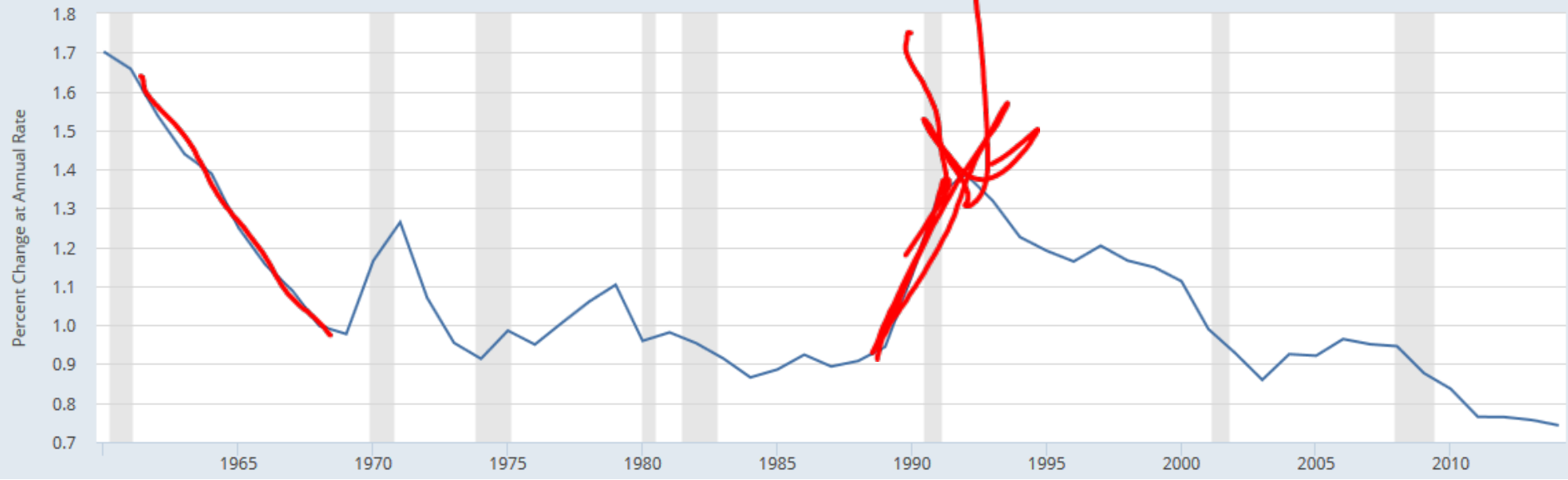
**Gartner 2016 CEO and Senior Business Executive Survey Shows That Half of CEOs Expect Their Industries to Be Substantially or Unrecognizably Transformed by Digital**

# **Income & Cost of Living observations**

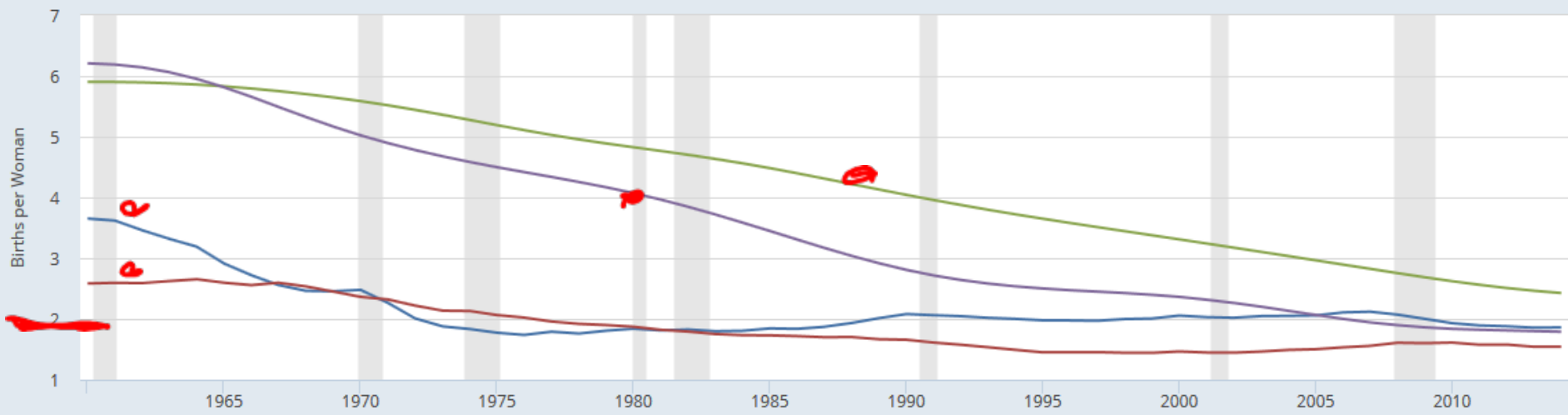
% Share of World Real GDP



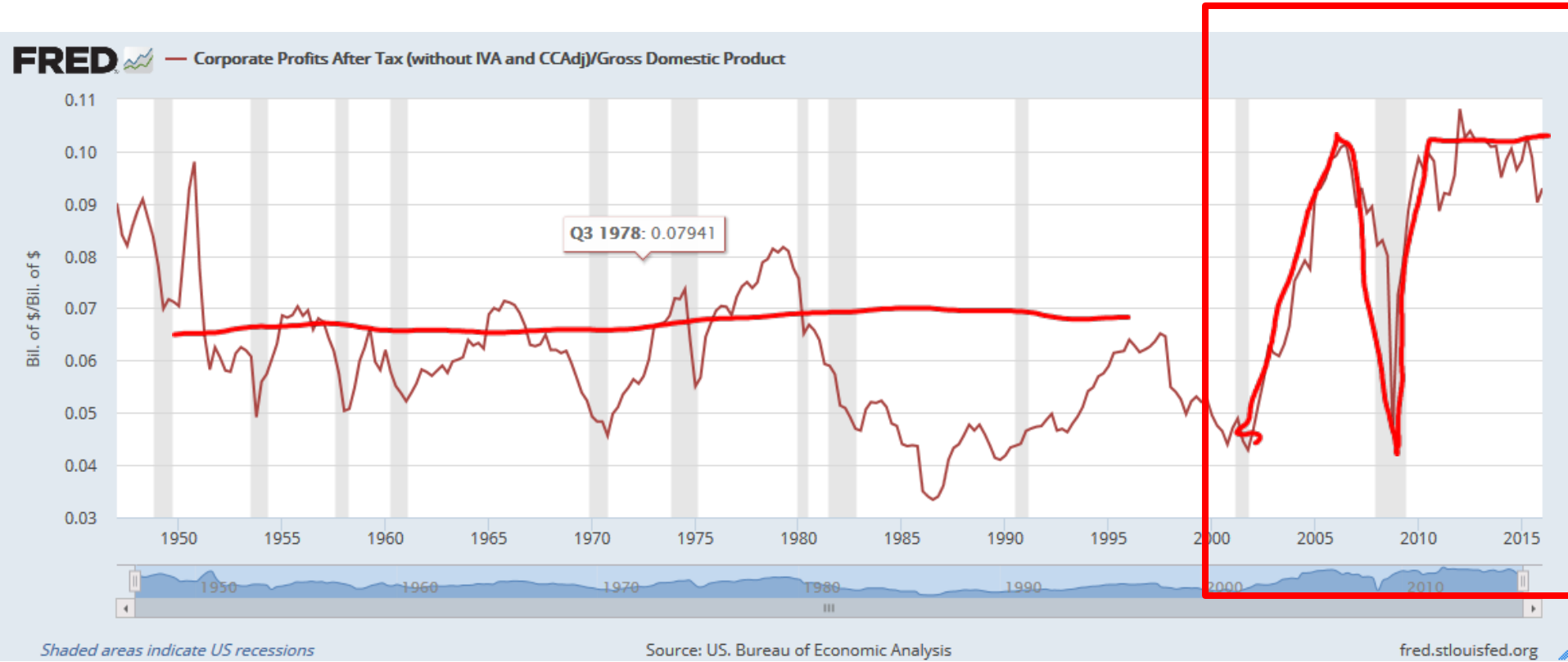




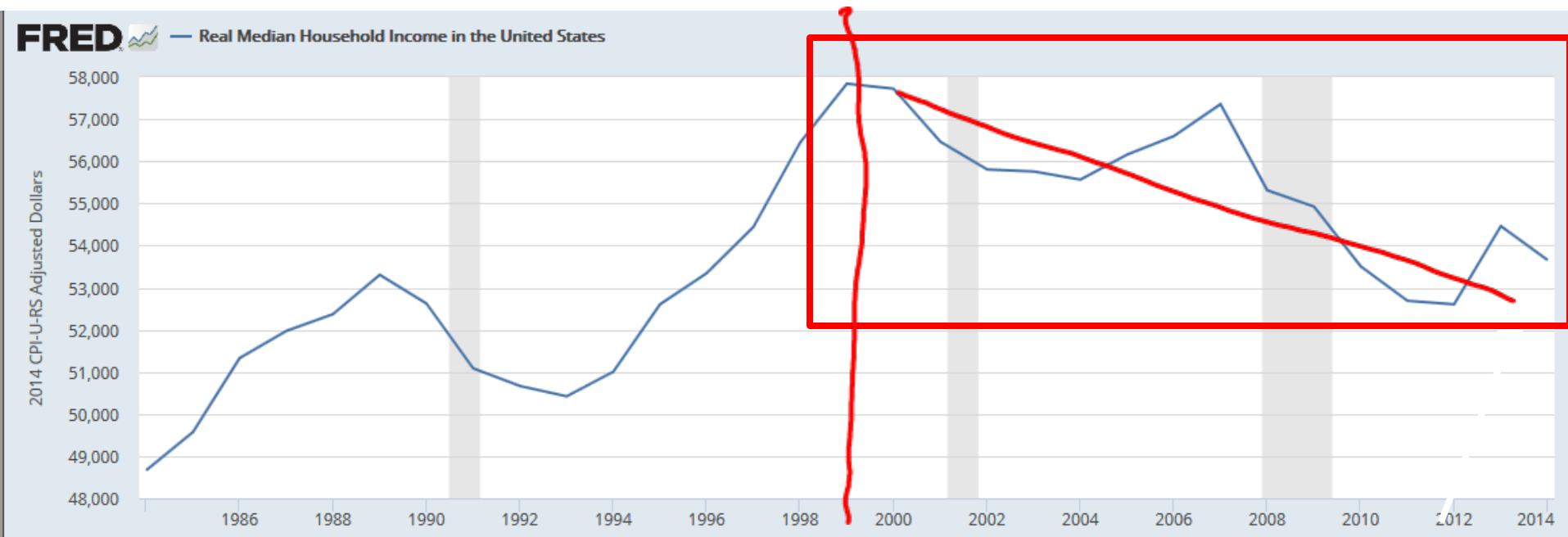
- Fertility Rate, Total for the United States
- Fertility Rate, Total for the European Union
- Fertility Rate, Total for India
- Fertility Rate, Total for Brazil



# Corporate Profits are Rising as % of GDP



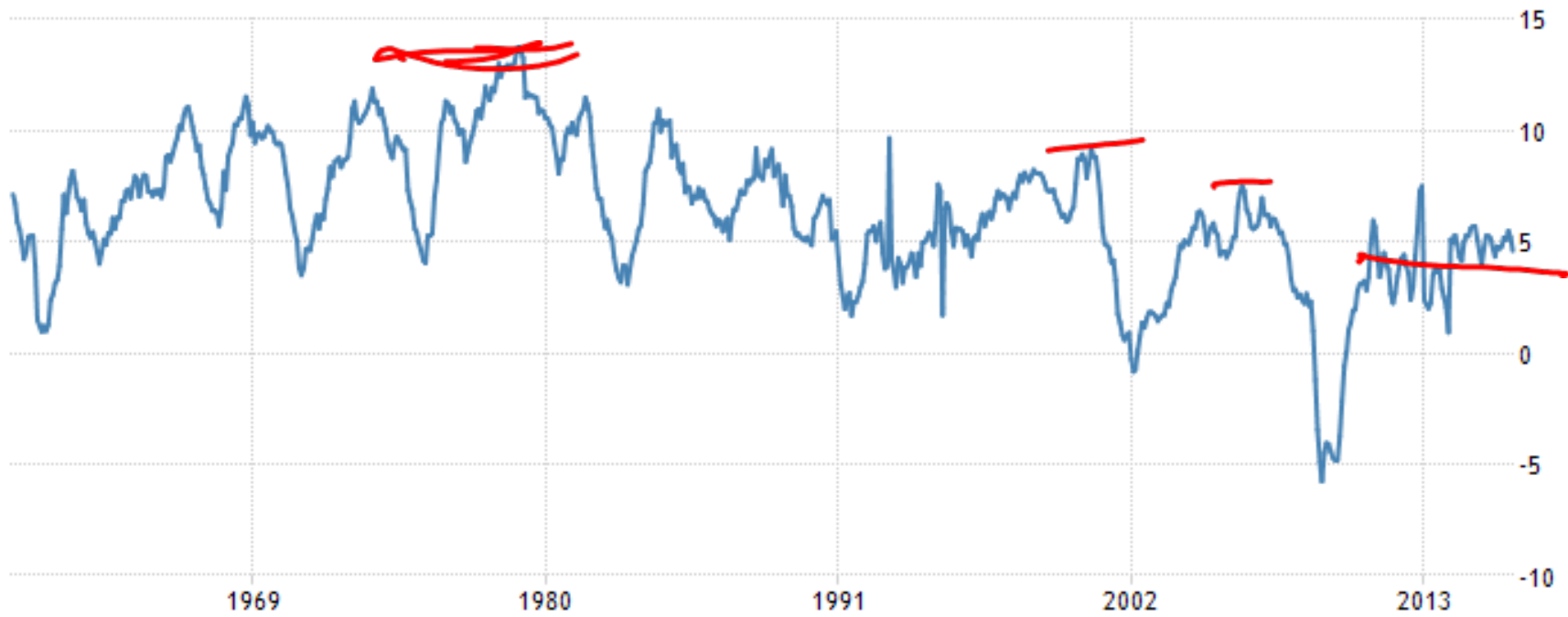
# ...While Real Household Income is falling



<https://fred.stlouisfed.org/series/MEHOINUSA672N>

July 19, 2016

## US WAGES AND SALARIES GROWTH



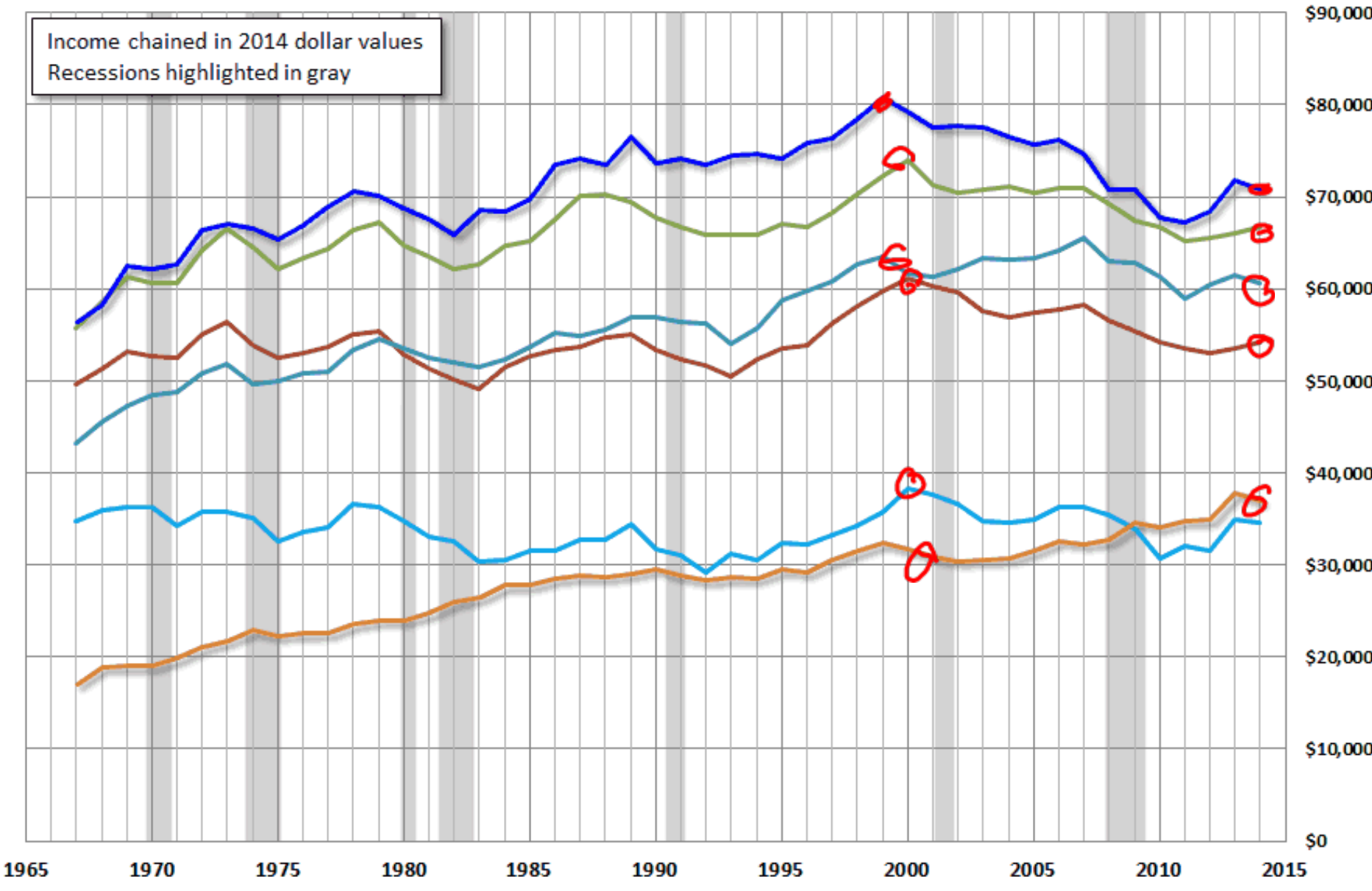
SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

Source: <http://www.tradingeconomics.com/united-states/wage-growth>

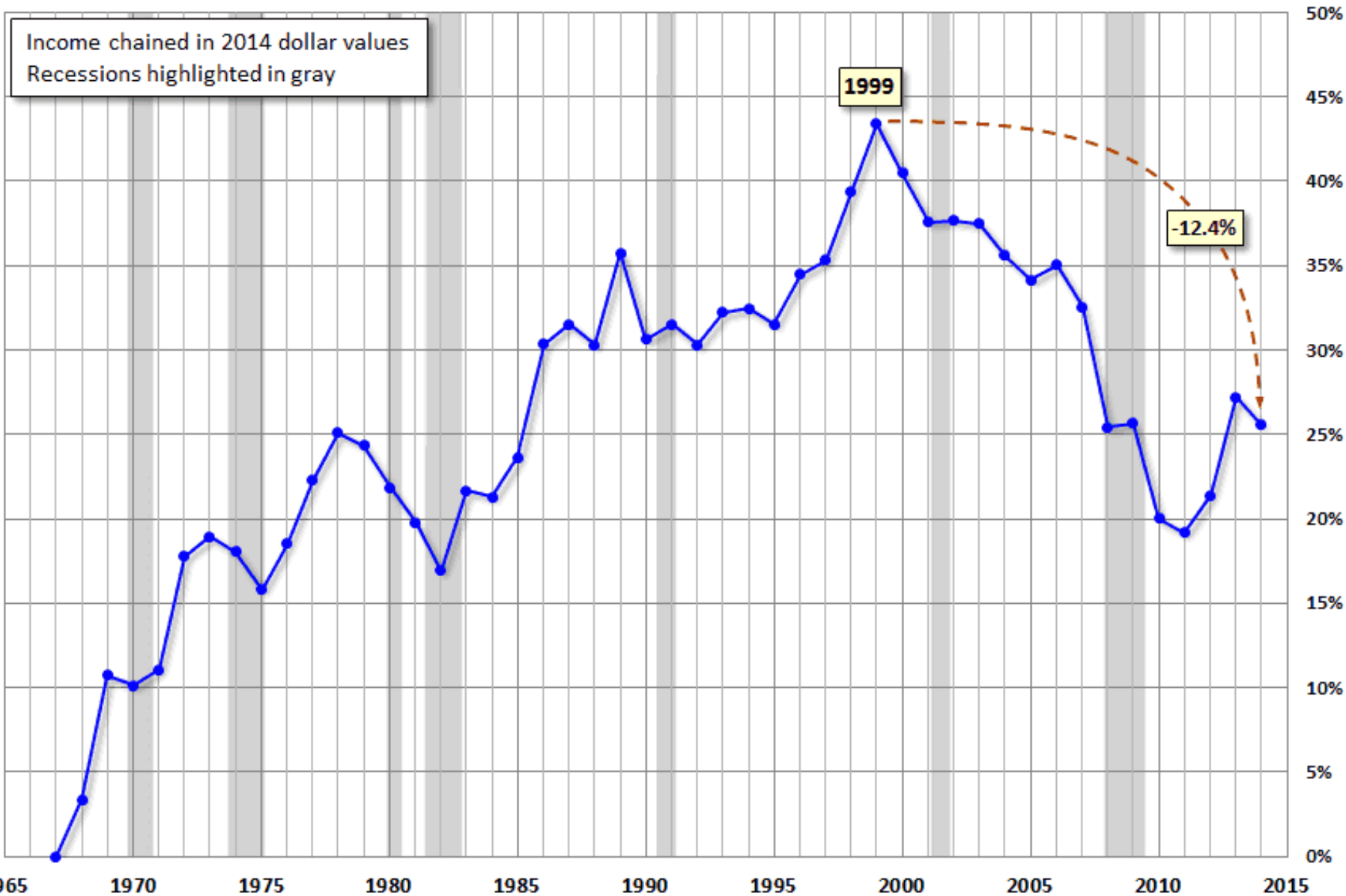
# Median Real Household Incomes By Age Bracket

15-24 Years    25-34 Years    35-44 Years    45-54 Years    55-64 Years    65 and Older

Income chained in 2014 dollar values  
Recessions highlighted in gray

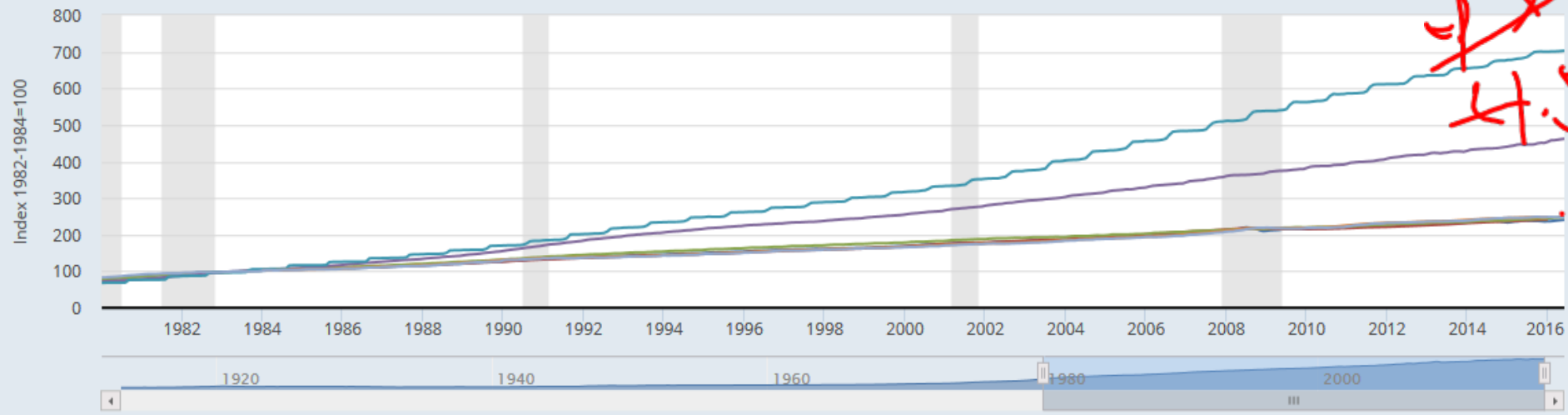


# Median Real Household Income Growth Ages 45 to 54





- Consumer Price Index for All Urban Consumers: All Items
- Consumer Price Index for All Urban Consumers: Housing
- Consumer Price Index for All Urban Consumers: All Items Less Food and Energy
- Consumer Price Index for All Urban Consumers: Medical Care
- Consumer Price Index for All Urban Consumers: Tuition, other school fees, and childcare
- Consumer Price Index for All Urban Consumers: Food and beverages
- Consumer Price Index for All Urban Consumers: Food



Shaded areas indicate US recessions

Source: US. Bureau of Labor Statistics

fred.stlouisfed.org

<https://fred.stlouisfed.org/series/CPIAUCNS#0>



# Federal Loans to Students

Recessions Highlighted

Billions

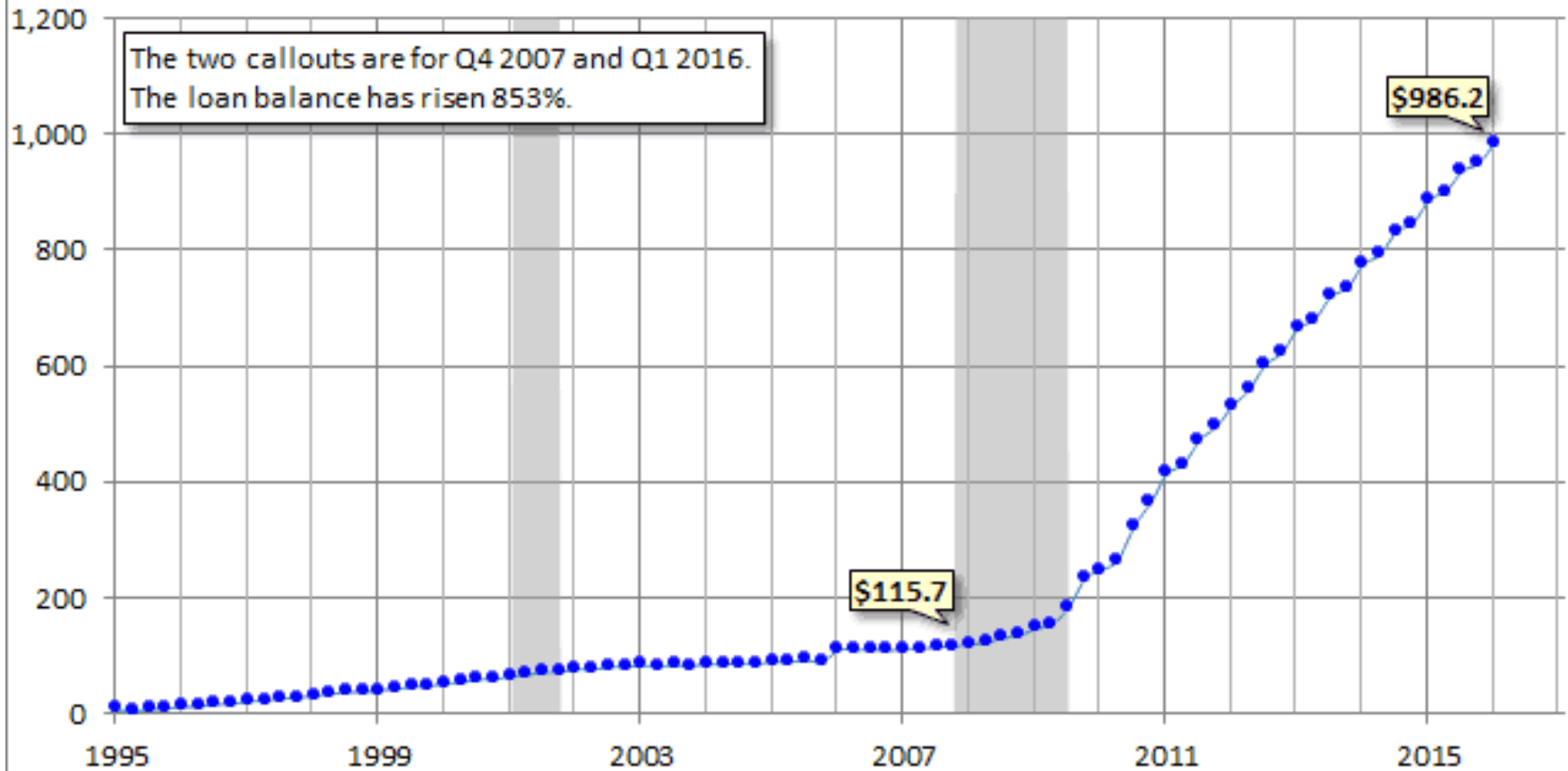
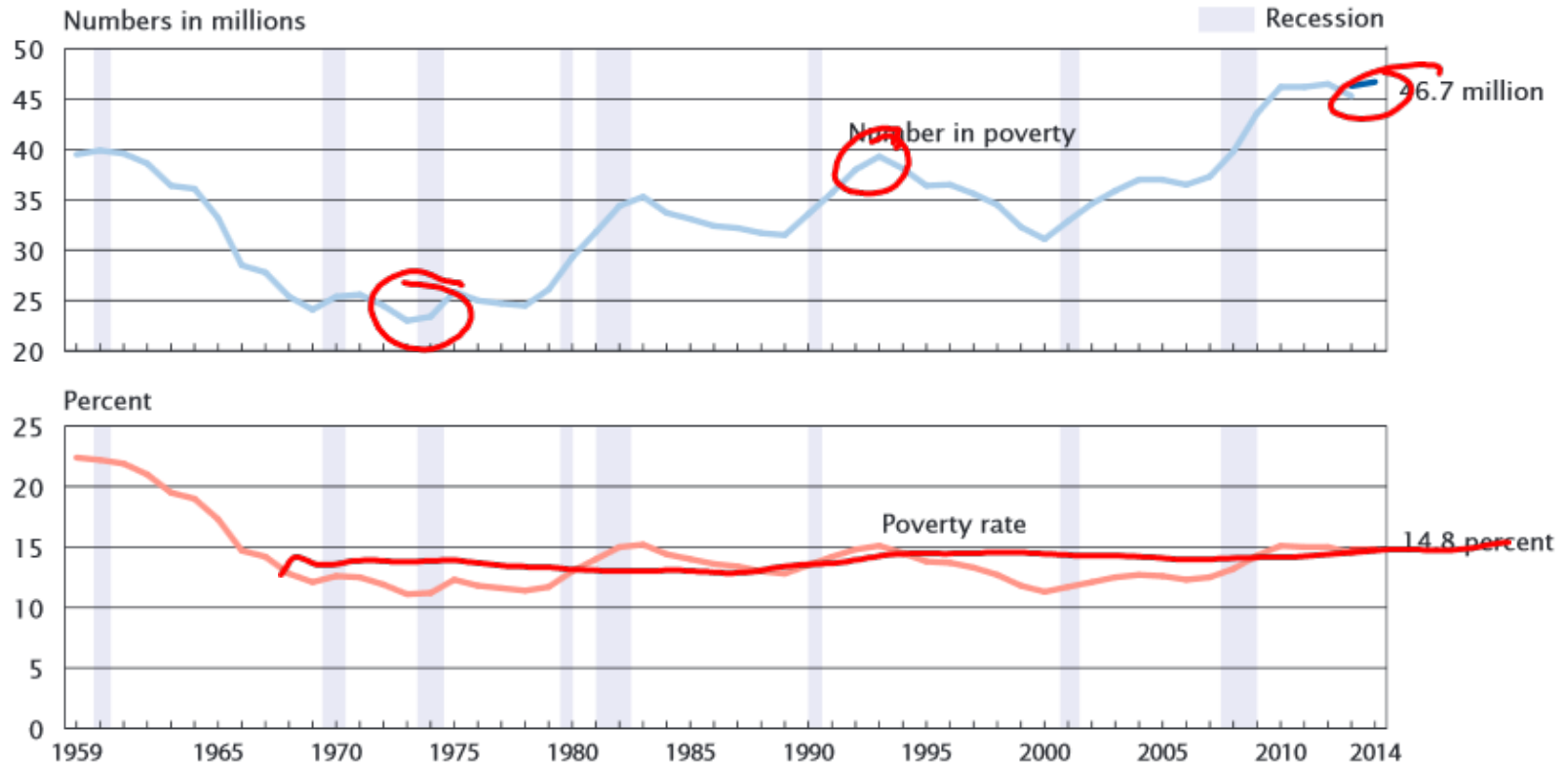


Figure 4.  
**Number in Poverty and Poverty Rate: 1959 to 2014**



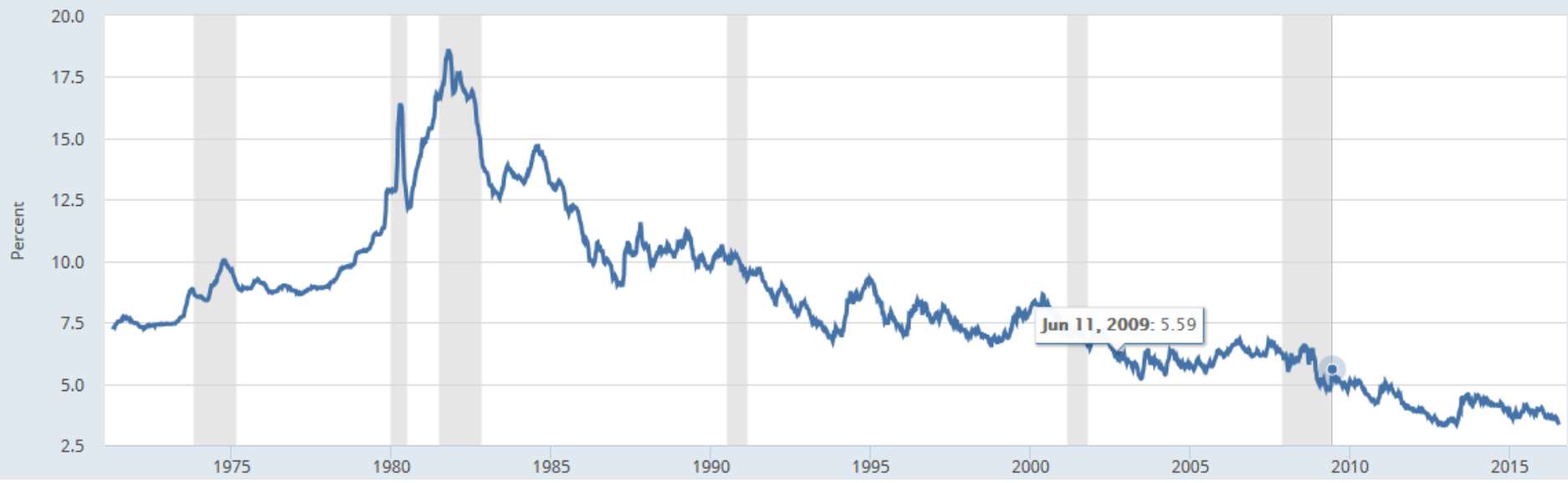
Note: The 2013 data reflect the implementation of the redesigned income questions. See Appendix D for more information. The data points are placed at the midpoints of the respective years. For information on recessions, see Appendix A. For information on confidentiality protection, sampling error, nonsampling error, and definitions, see <<ftp://ftp2.census.gov/programs-surveys/cps/techdocs/cpsmar15.pdf>>.

Source: U.S. Census Bureau, Current Population Survey, 1960 to 2015 Annual Social and Economic Supplements.

- Key 2014 US Poverty Demographics:
- 1) Native-born citizens 14.2%
  - 2) Naturalized immigrants 11.9%
  - 3) Non-citizens 24.2%
  - 4) 21% of non-adults in poverty

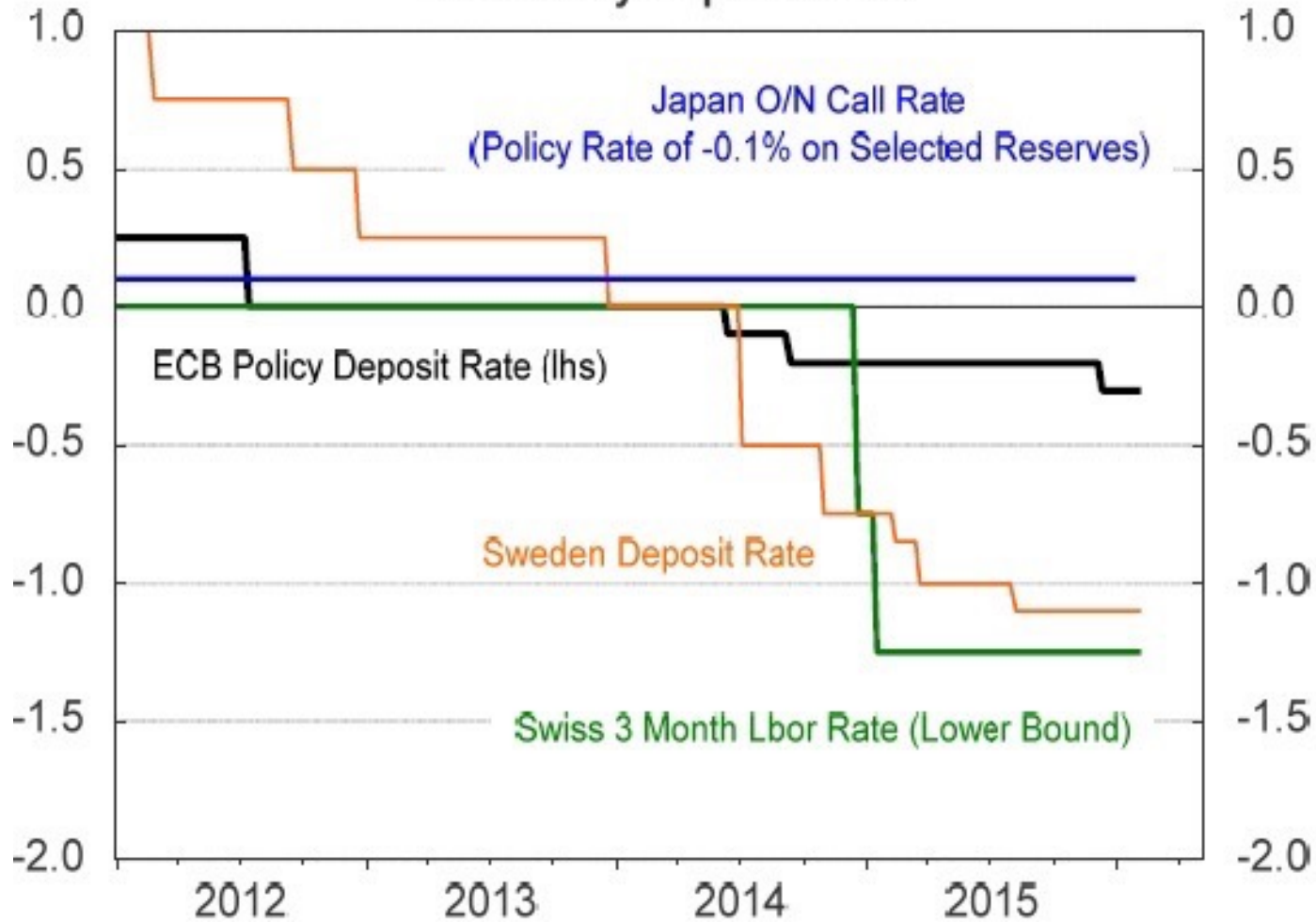
# Investment & Debt

**FRED** — 30-Year Fixed Rate Mortgage Average in the United States©



Source: <https://fred.stlouisfed.org/series/MORTGAGE30US>  
July 19, 2016

## ECB Policy Deposit Rate



Source: <http://www.businessinsider.com.au/cba-the-simple-reason-why-negative-interest-rates-arent-weakening-the-yen-and-euro-2016-2>

February 10, 2016

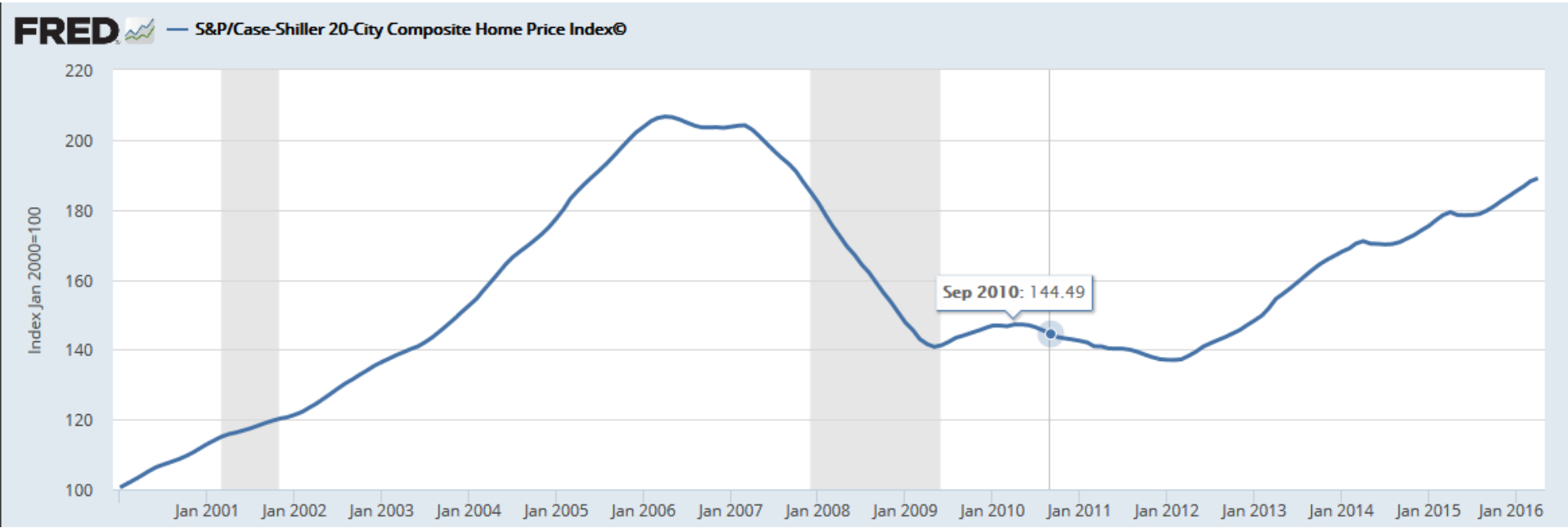


Shaded areas indicate US recessions

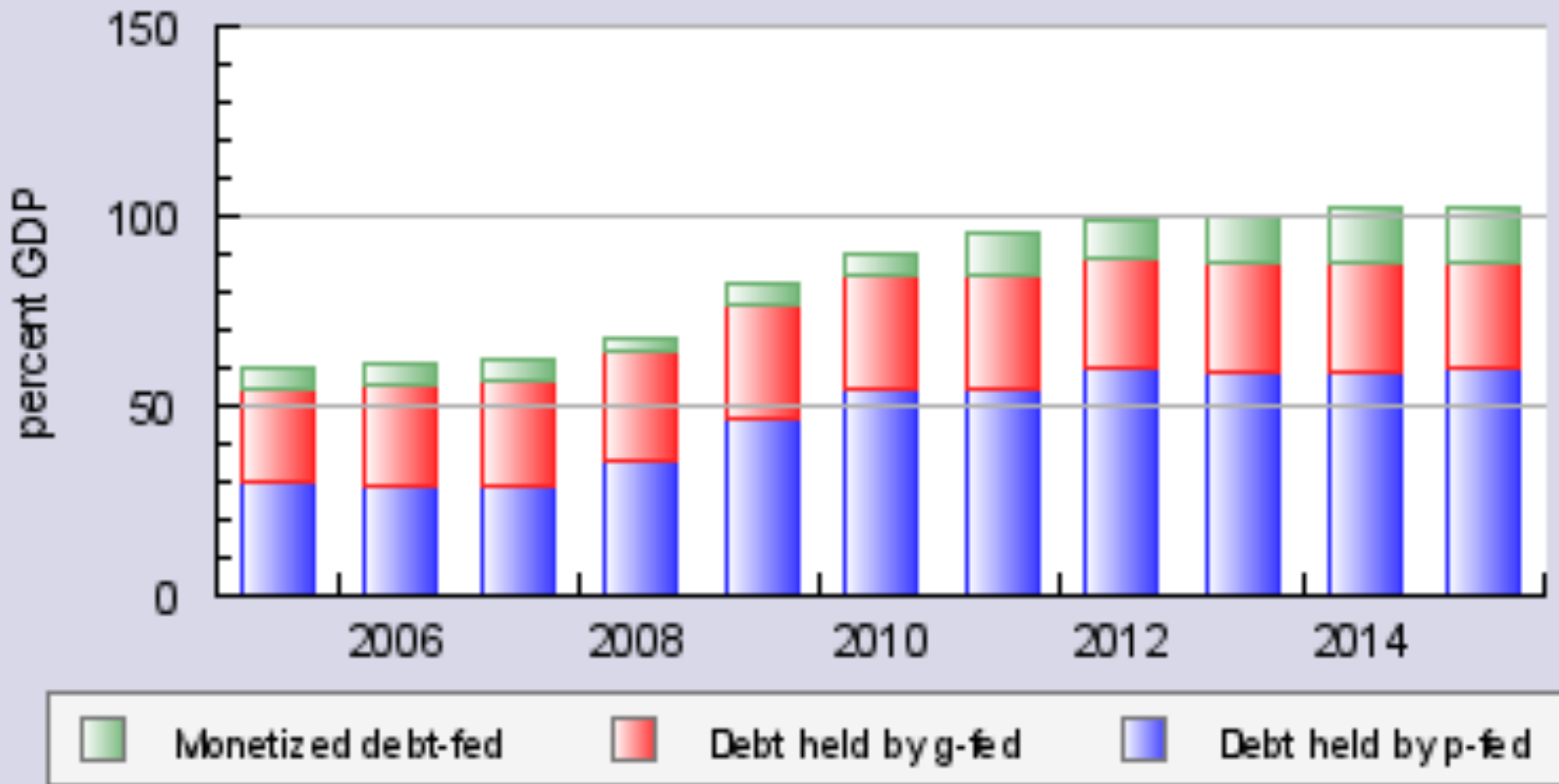
Source: NASDAQ OMX Group

fred.stlouisfed.org

# Housing Prices are approaching the 2006 High

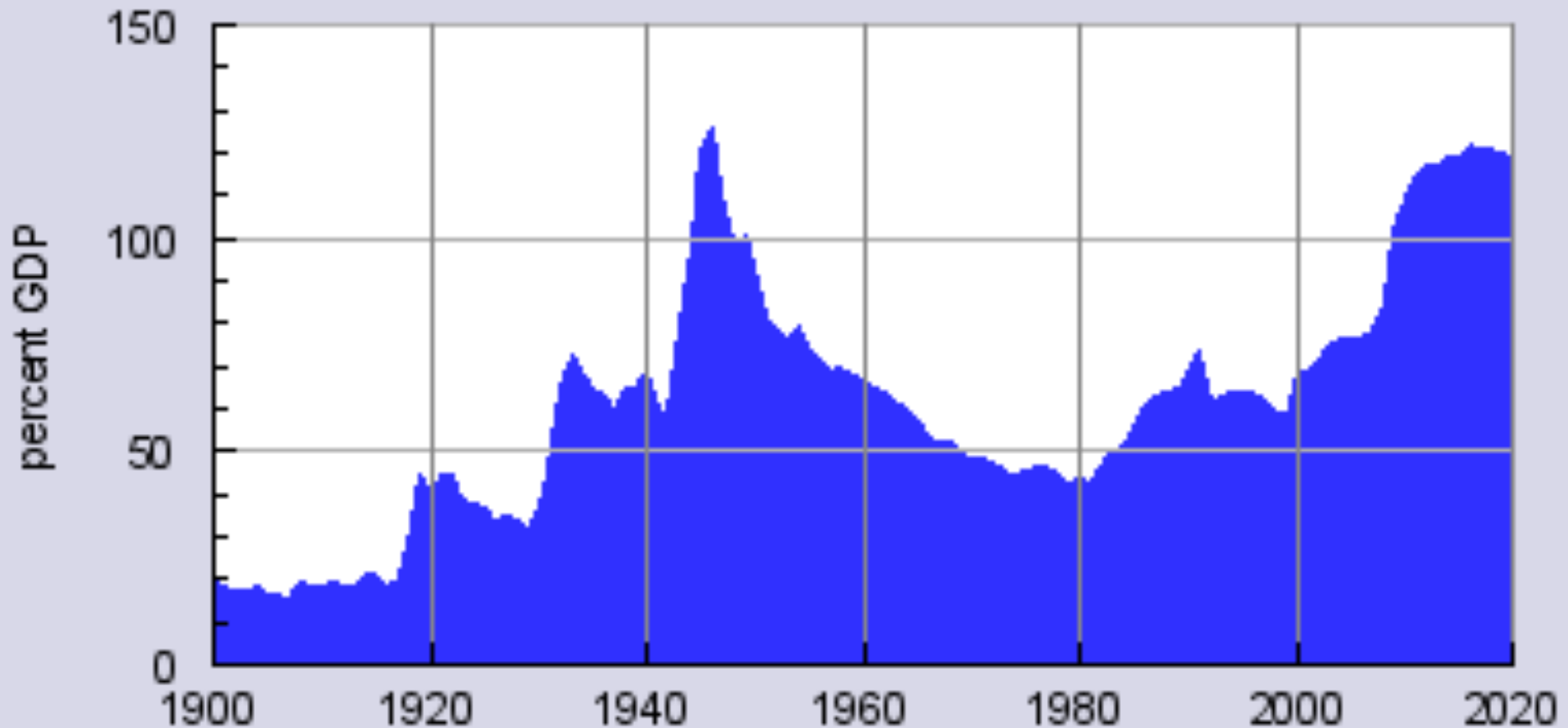


# Recent Federal Debt As Percent GDP US from FY 2005 to FY 2015





# Total Debt In 20th Century US from FY 1900 to FY 2020



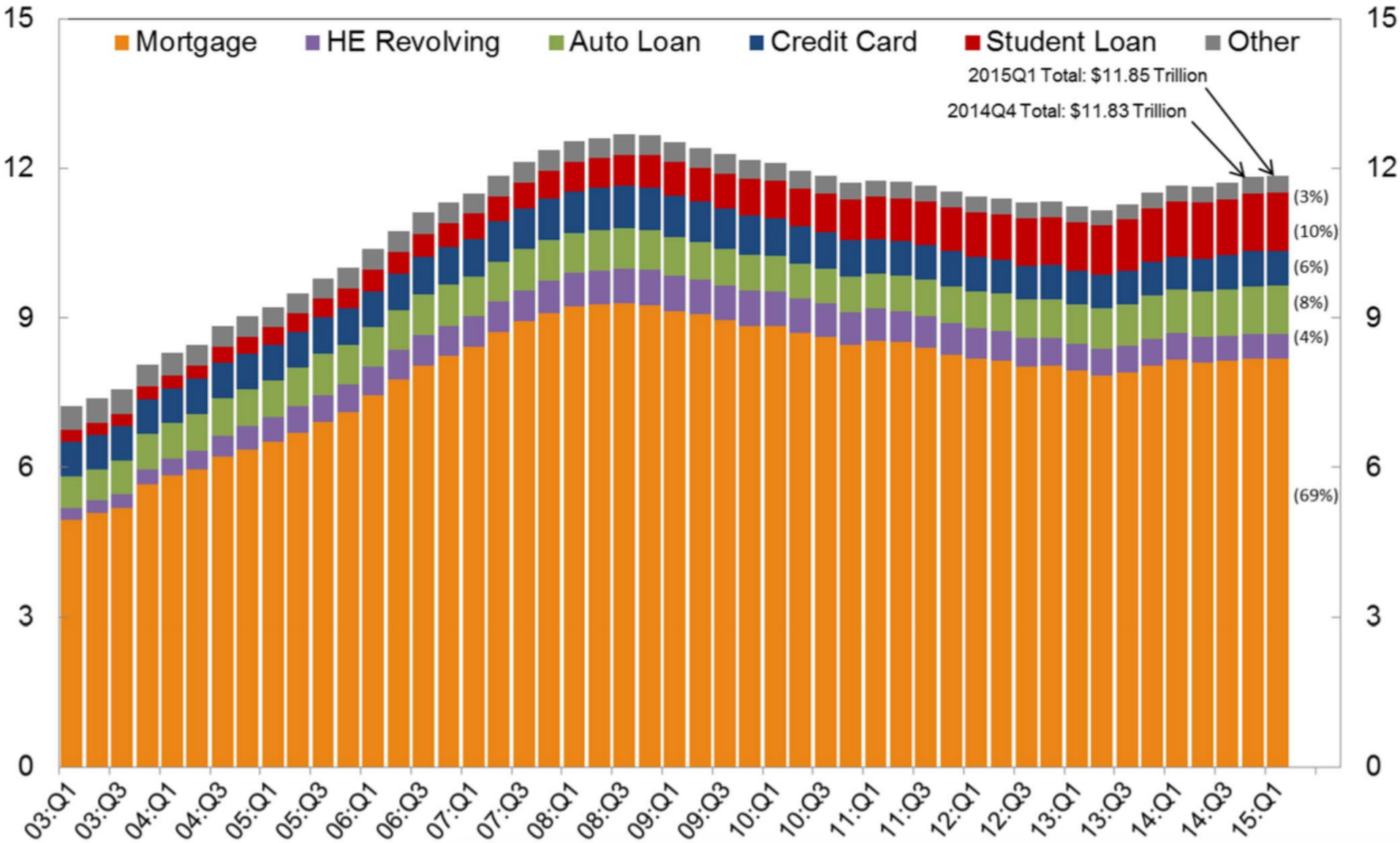
jpggraph

usgovernmentspending.com

# Total Debt Balance and its Composition

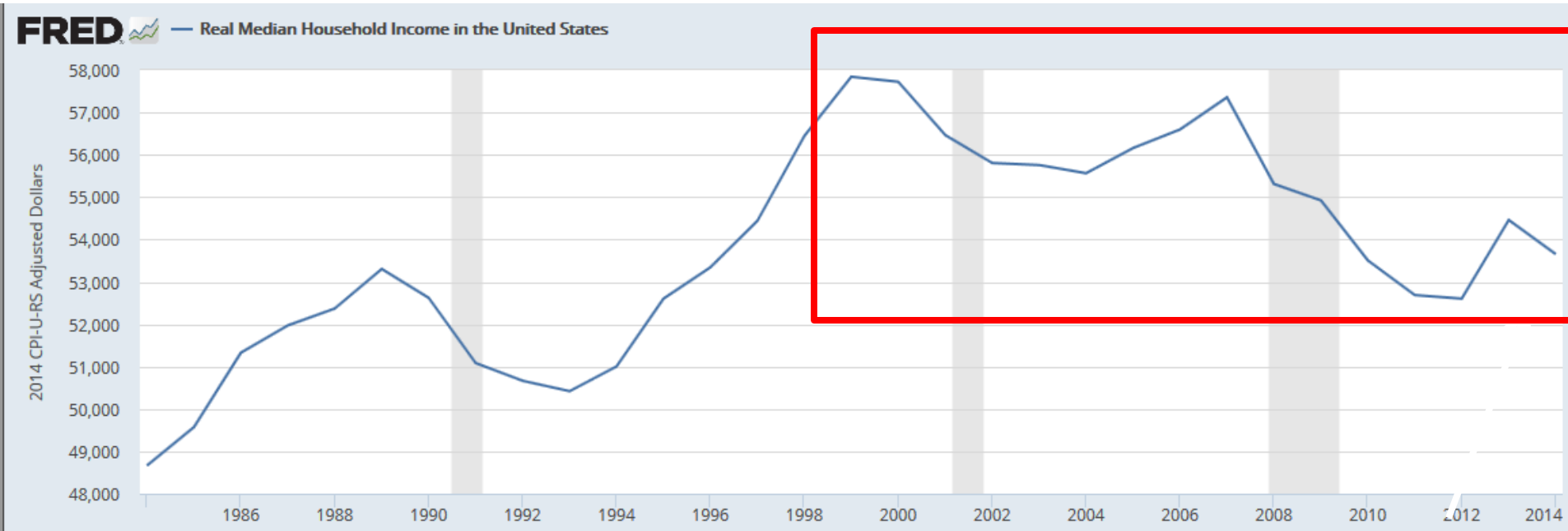
Trillions of Dollars

Trillions of Dollars



Source: FRBNY Consumer Credit Panel/Equifax

# So, WHY are Companies doing better than Individuals?

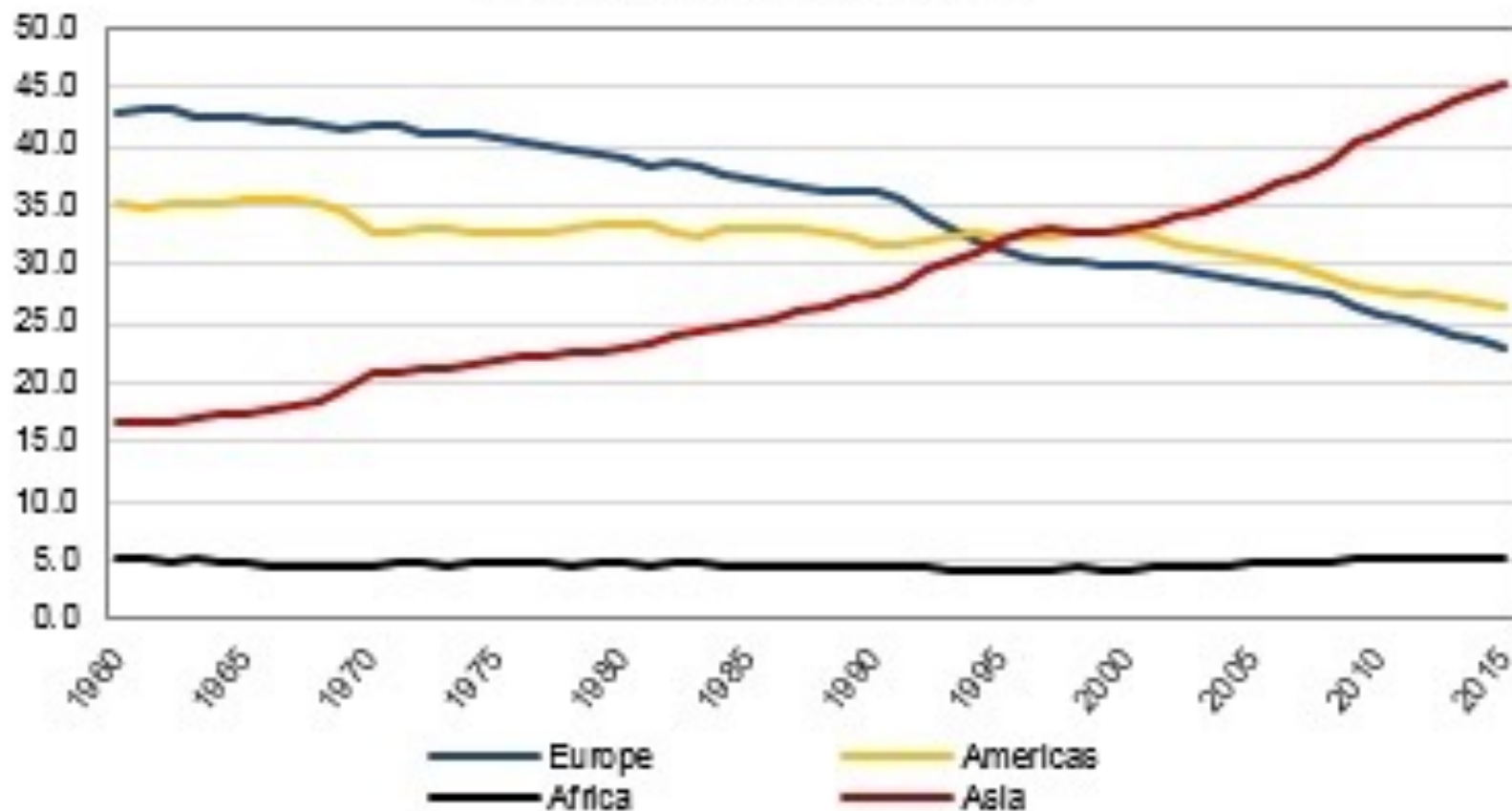


<https://fred.stlouisfed.org/series/MEHOINUSA672N>

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# Root Cause Analysis

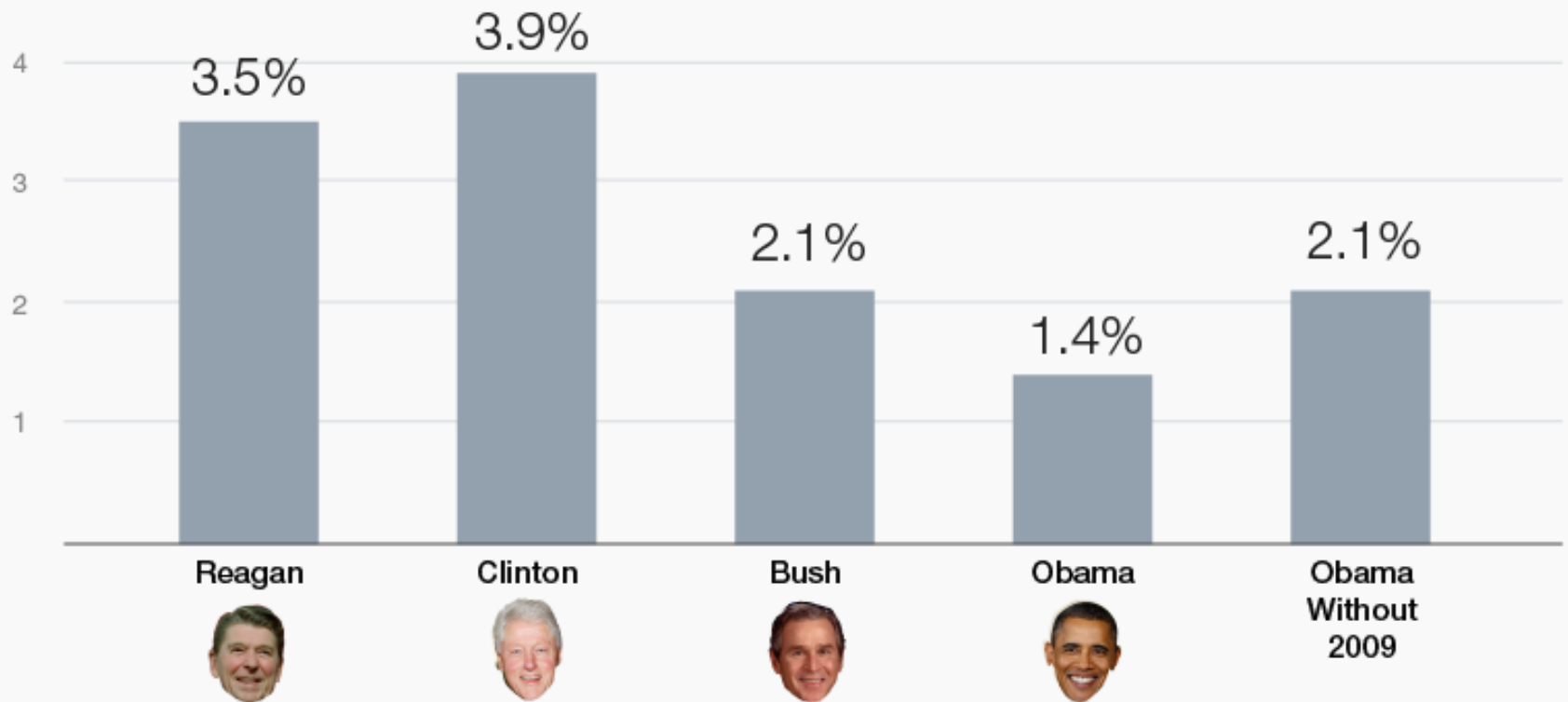
% Share of World Real GDP



# Growth under recent U.S. presidents

(Average annual GDP)

5 Percent



SOURCE: BUREAU OF ECONOMIC ANALYSIS

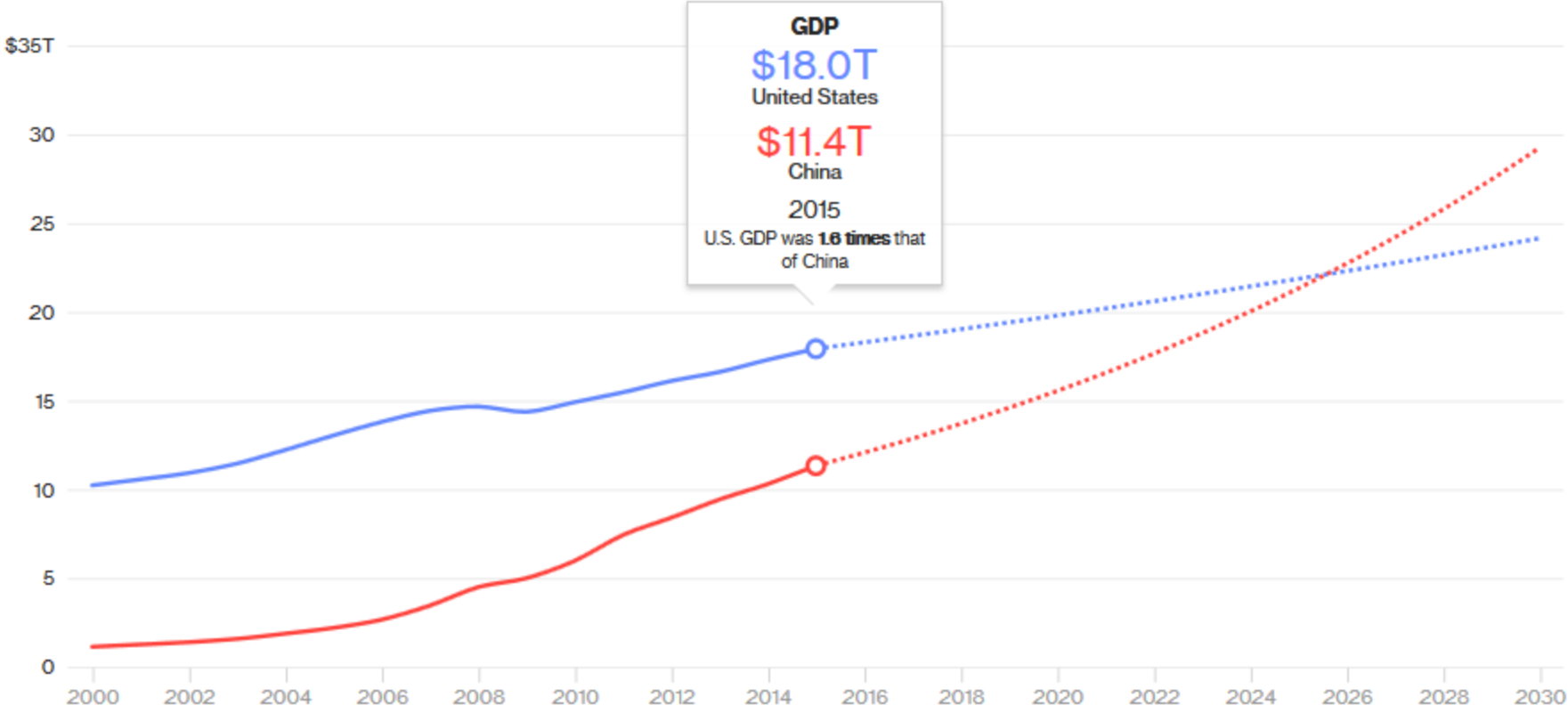
<http://money.cnn.com/2016/01/12/news/economy/state-of-the-union-obama-economy/index.html?iid=EL>

# China's GDP will overtake the U.S. level in 2026 at these 2030 target growth rates:

U.S. 2.0%

China 6.5%

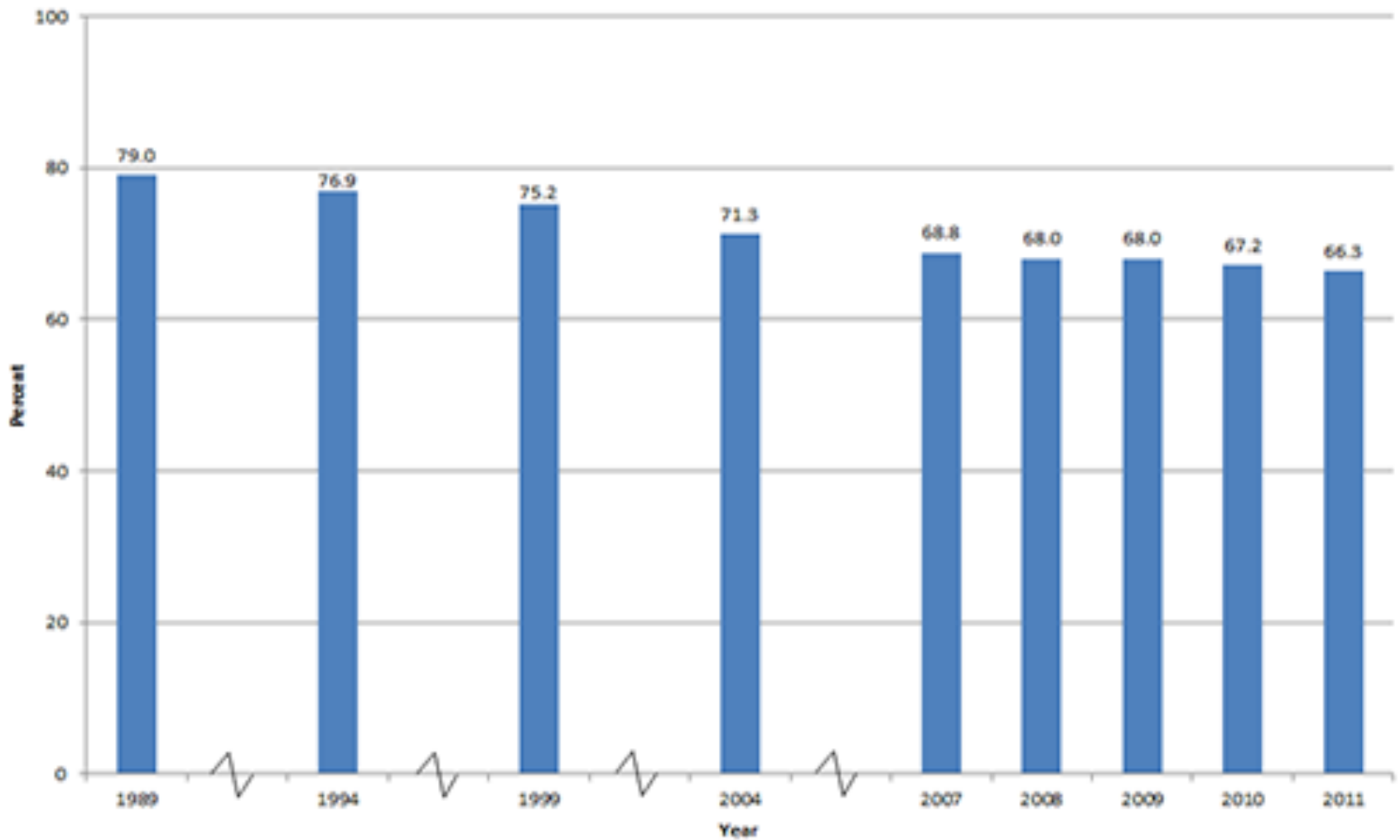
Use the slider to change the target rate



Interactive chart assumes gradual change from 2015 pace to nominated 2030 rate

Source <http://www.bloomberg.com/graphics/2016-us-vs-china-economy/>

**Chart 1. U.S.-Parent Share of Employment by U.S. Multinational Companies for Selected Years**



Source: <http://www.bea.gov/newsreleases/international/mnc/mncnewsrelease.htm>



# Cumulative U.S. jobs displaced by growing goods trade deficit with China, 2001–2013 (in thousands of jobs)

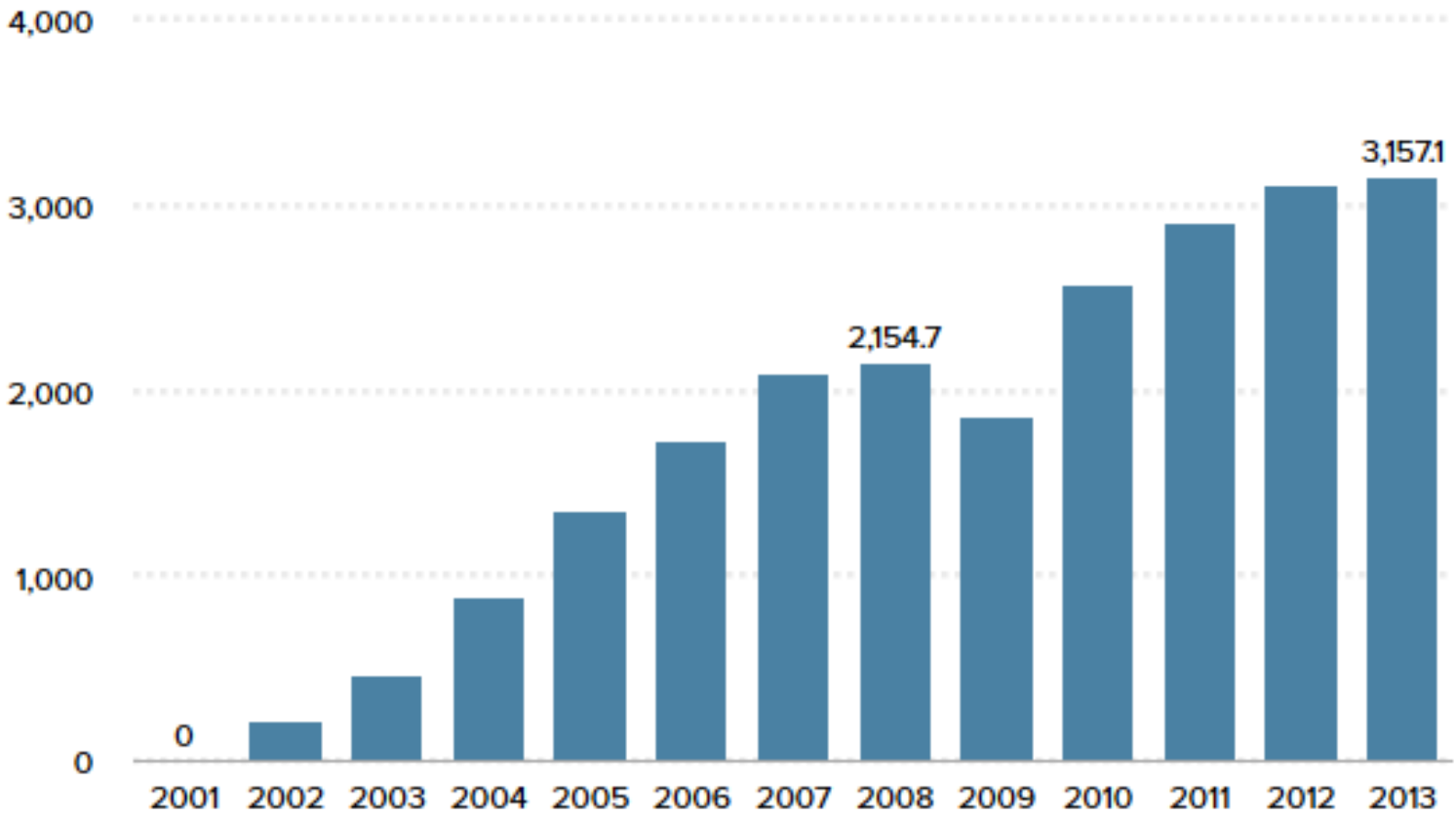
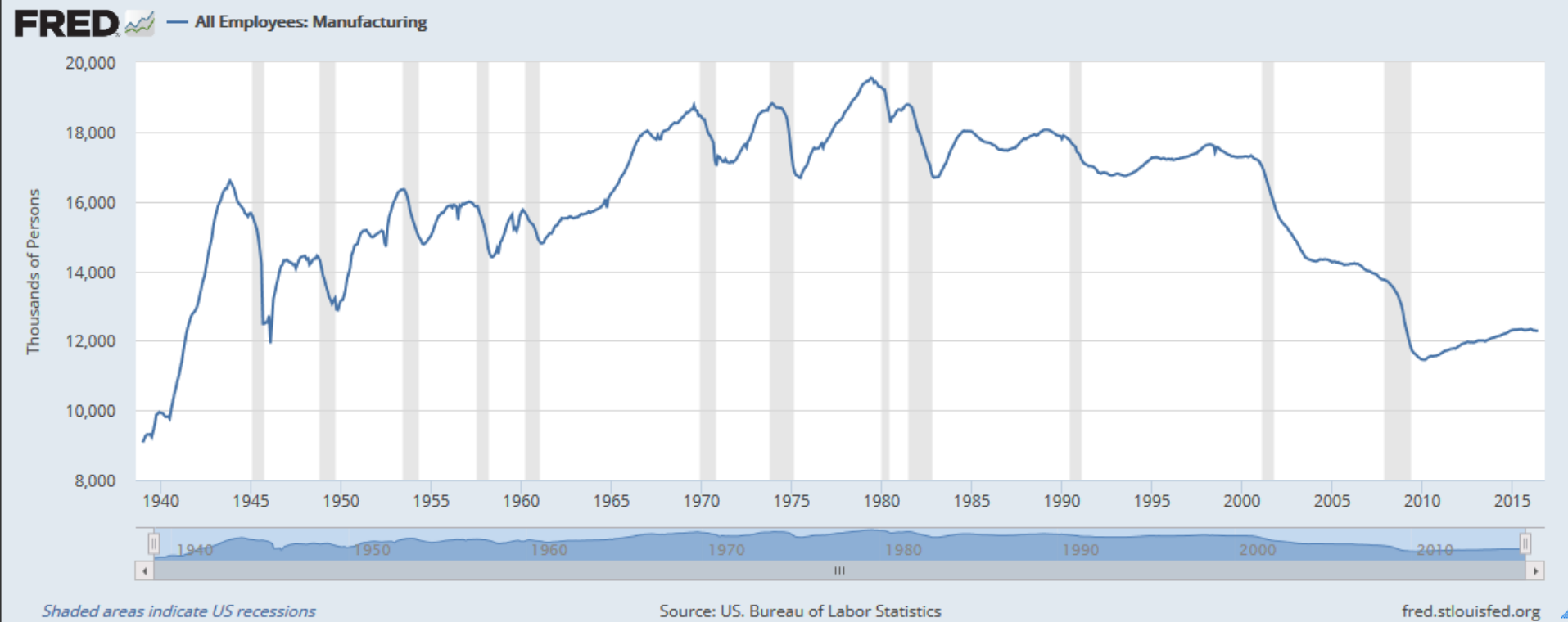


Chart Data

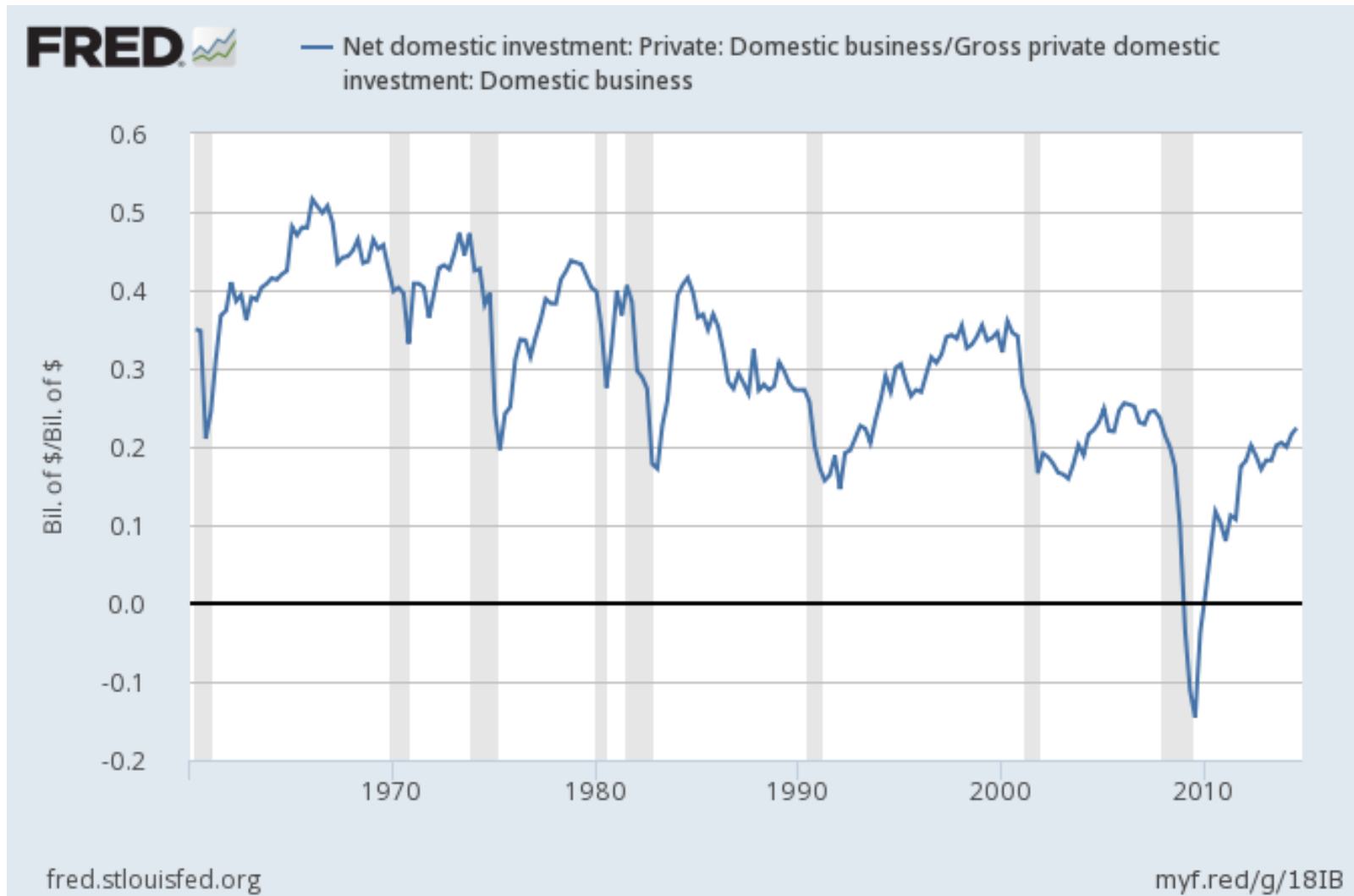
**Source:** Authors' analysis of U.S. Census Bureau (2013), U.S. International Trade Commission (USITC 2014), Bureau of Labor Statistics (BLS 2014b), and BLS Employment Projections program (BLS-EP 2014a and 2014b). For a more detailed explanation of data sources and computations, see the appendix.



<https://fred.stlouisfed.org/series/MANEMP>

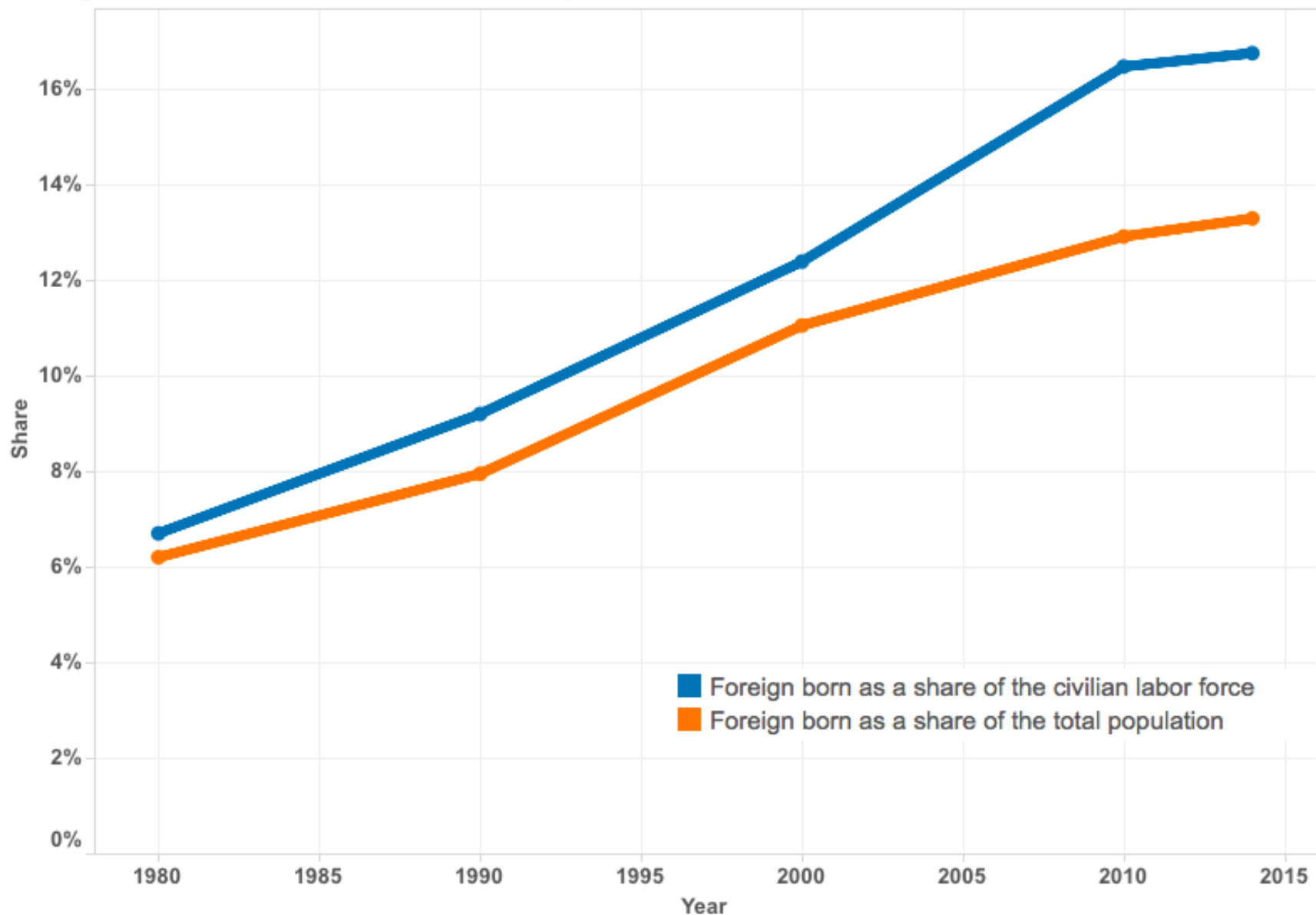
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# US-Based Businesses Investing is down since 1999



Source: <http://misunderstoodfinance.blogspot.com/2015/04/disinvestment-declining-us-business.html>

## Immigrants in the Civilian Labor Force by U.S. State, 1980-2014



## Key Observations on Immigration

1. 29% of foreign-born (25 or higher) have a college degree or higher (*b*)
2. STEM jobs growing 3x faster than rest of economy last decade (*b*)
  - Native-born STEM students growing .8% annually
3. Immigrants are 33% of doctorate and 57% of post-doctorates in US Science and engineering programs (*b*)
4. Immigrants founded 25% of new business in the US in 2014 and are twice as likely to start a business as native-born citizens (*a*)
5. 52% of Silicon Valley startups (1995-2005) had an immigrant founder (*a*)
6. 2014 Poverty data (*c*)
  - 28% of Mexican immigrant families in poverty
  - 18% of all immigrant families in poverty
  - 10% of native-born families in poverty
7. 2014 Healthcare coverage data (*c*)
  - 47% of Mexican immigrants uninsured
  - 27% uninsured level for all immigrants
  - 9% uninsured level for native-born population

A: Source: <http://www.inc.com/magazine/201502/adam-bluestein/the-most-entrepreneurial-group-in-america-wasnt-born-in-america.html>

B: Source: <http://www.renewoureconomy.org/issues/highly-skilled-immigrants/>

C: Source: <http://www.migrationpolicy.org/article/mexican-immigrants-united-states#Income%20and%20Poverty>



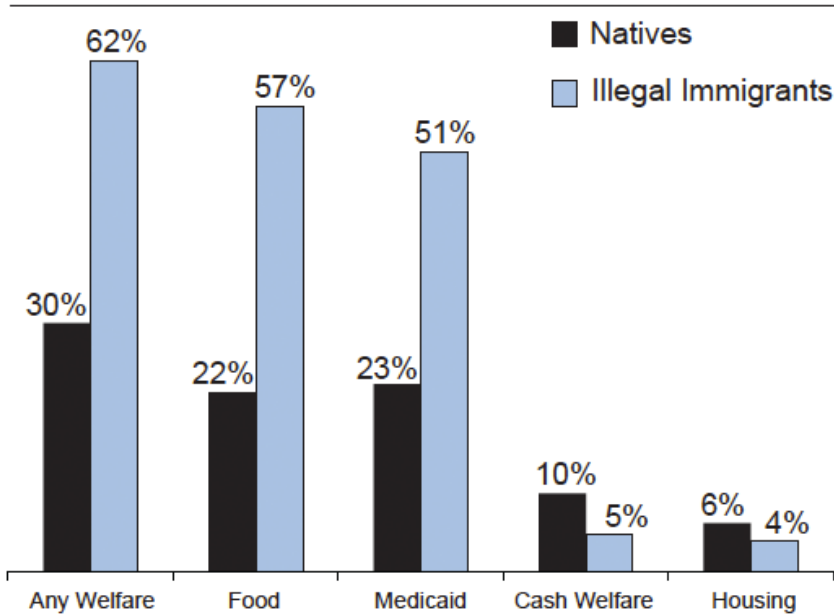
Popular Today  
Popular All Time



## Welfare Use by Legal and Illegal Immigrant Households

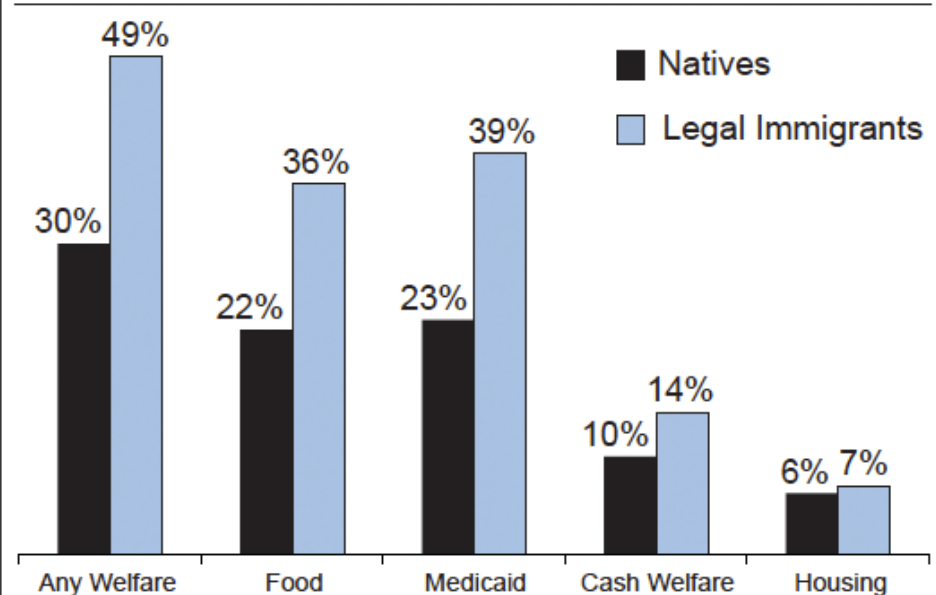
By Steven A. Camarota September 2015

Figure 1. Welfare Use for Illegal Imm. & Native Households in 2012

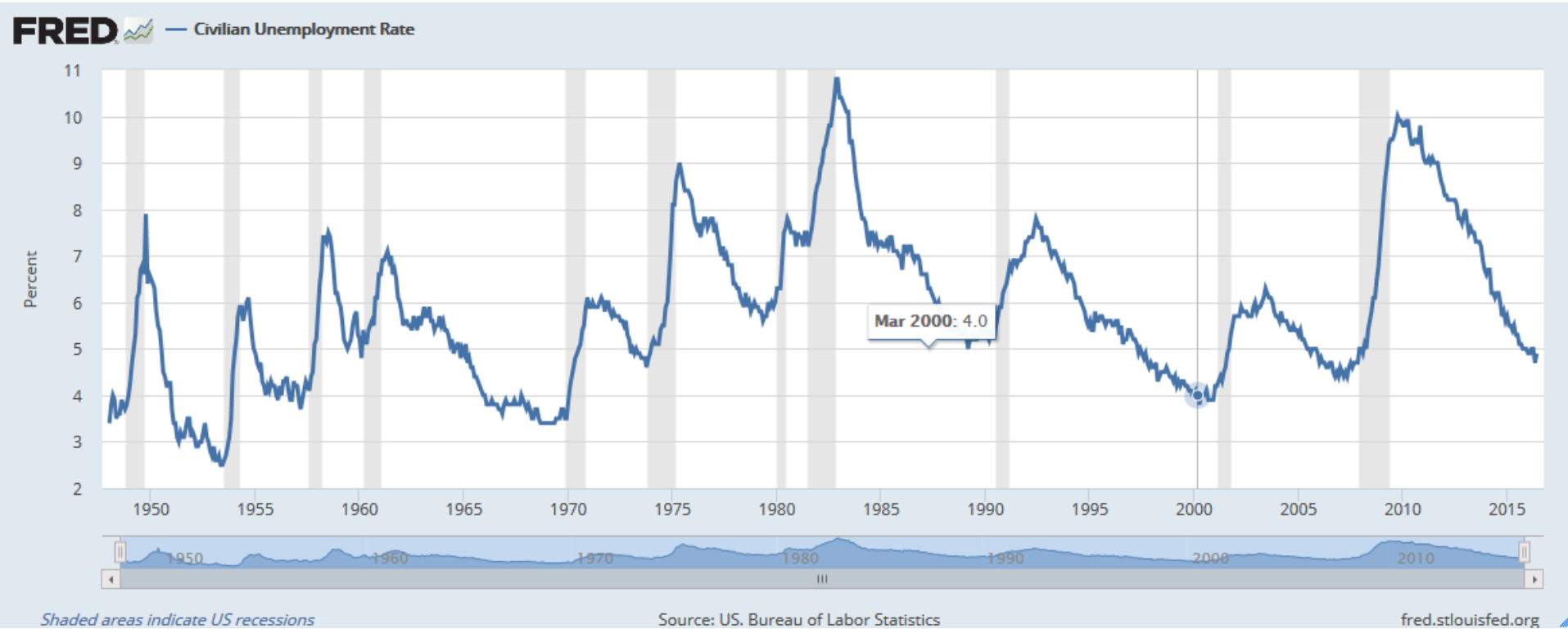


Source: Survey of Income and Program Participation, 2012 data. Households classified by the nativity and legal status of the household head. Illegal immigrants' higher welfare use is statistically significant overall, and for food and Medicaid; native use is statistically higher for cash and housing. Food programs include free/subsidized school lunch, WIC, and SNAP; cash includes SSI and TANF; and housing includes subsidized and public housing.

Figure 2. Legal immigrant households have higher welfare use than native households for most types of programs.



Source: Survey of Income and Program Participation, 2012 data. Households classified by the nativity and legal status of the household head. Legal immigrants' higher welfare use is statistically significant overall, and for food, Medicaid, and cash.



<https://fred.stlouisfed.org/series/UNRATE>

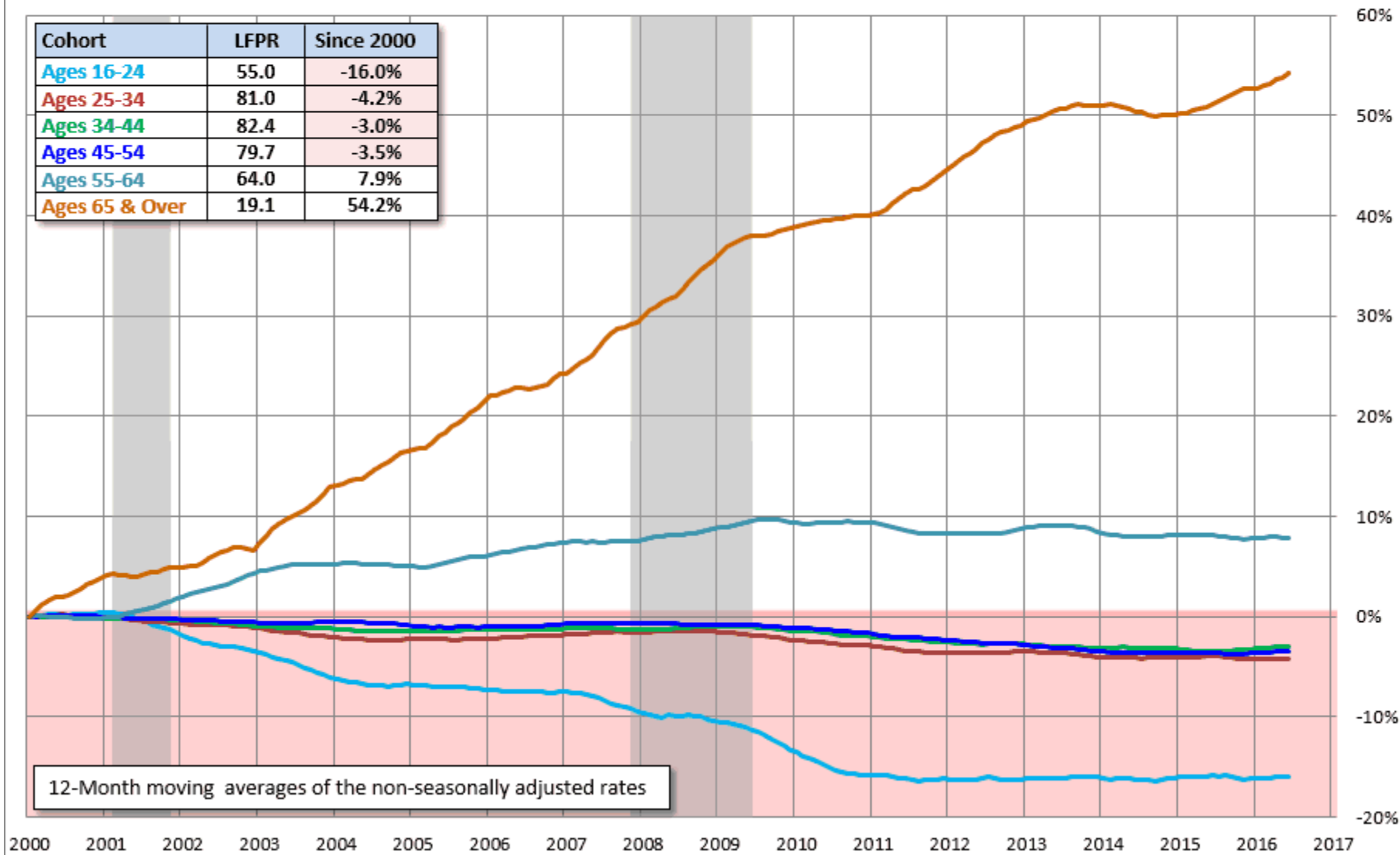
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# Labor Force Participation Rate Smoothed Growth Since 2000

dshort.com  
July 2016  
Data through June

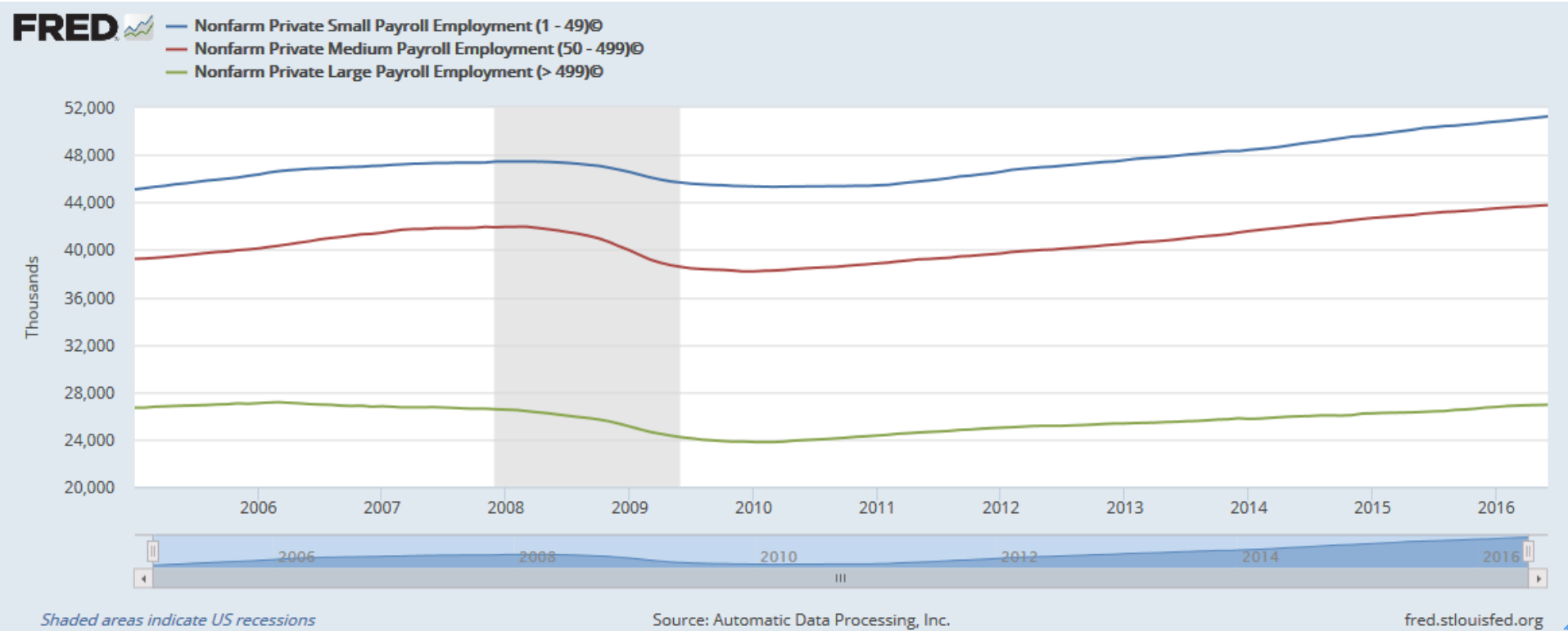
Recessions — Ages 16-24 — Ages 25-34 — Ages 35-44 — Ages 45-54 — Ages 55-64 — Ages 65 and Over

Cohort	LFPR	Since 2000
Ages 16-24	55.0	-16.0%
Ages 25-34	81.0	-4.2%
Ages 34-44	82.4	-3.0%
Ages 45-54	79.7	-3.5%
Ages 55-64	64.0	7.9%
Ages 65 & Over	19.1	54.2%



12-Month moving averages of the non-seasonally adjusted rates

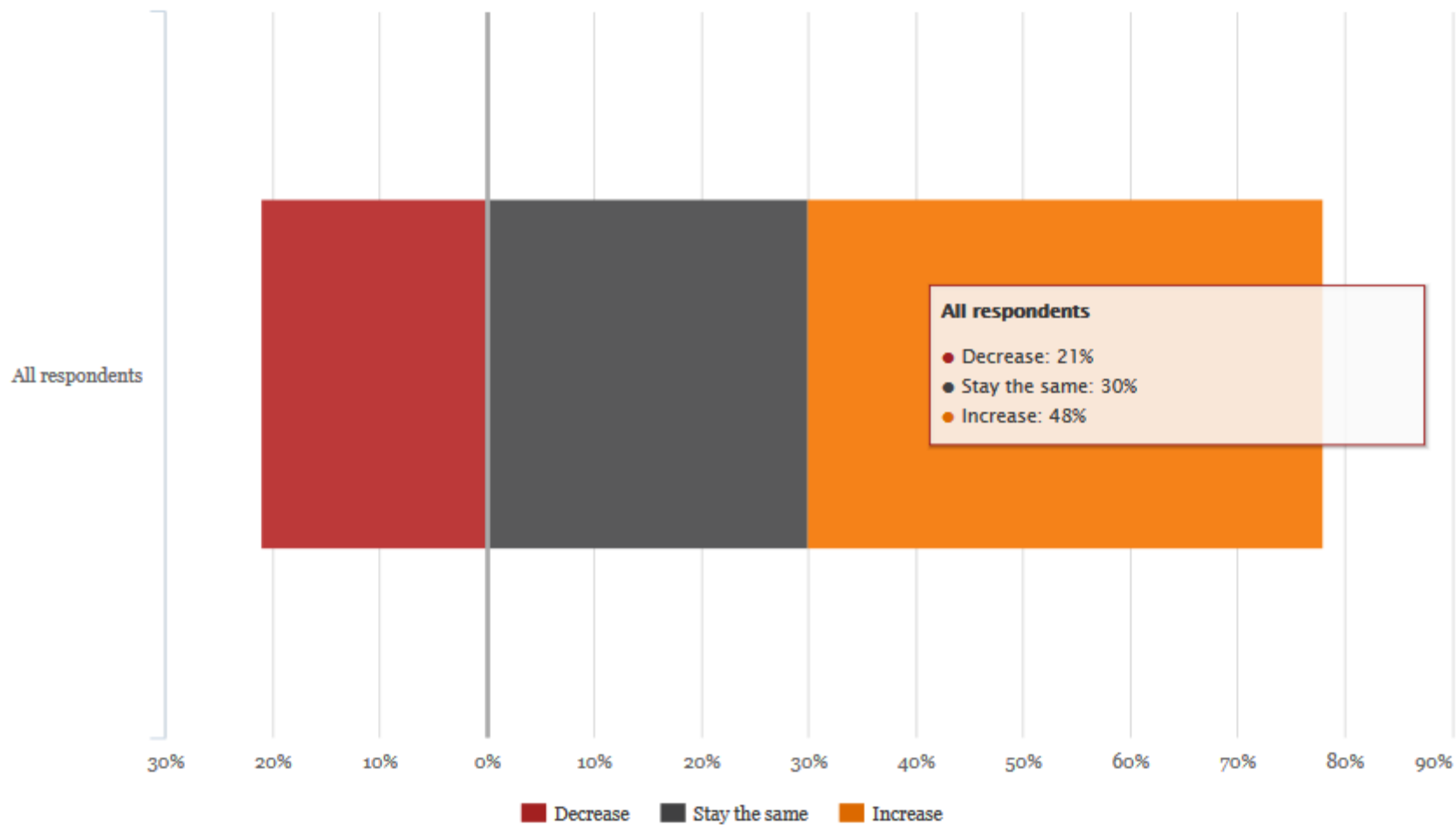




<https://fred.stlouisfed.org/series/NPPTS#0>

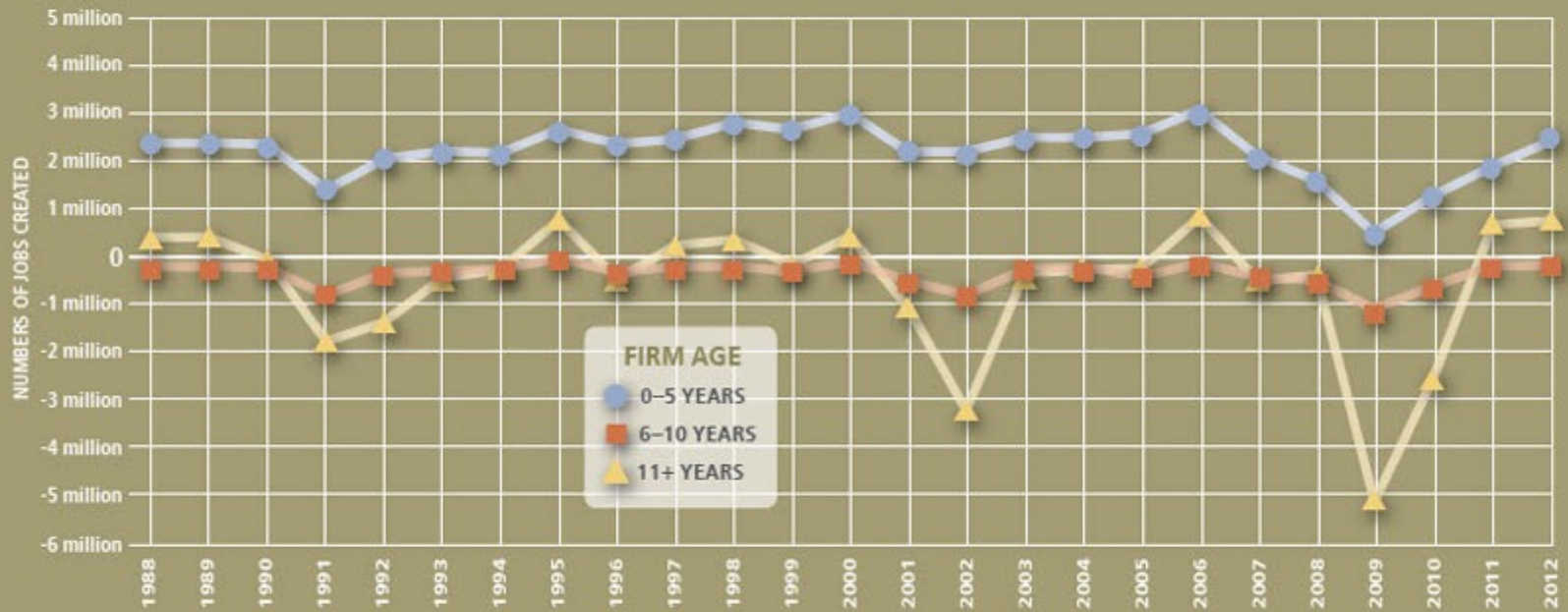
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## Do CEOs expect headcount at their company to increase, decrease or stay the same over the next 12 months?



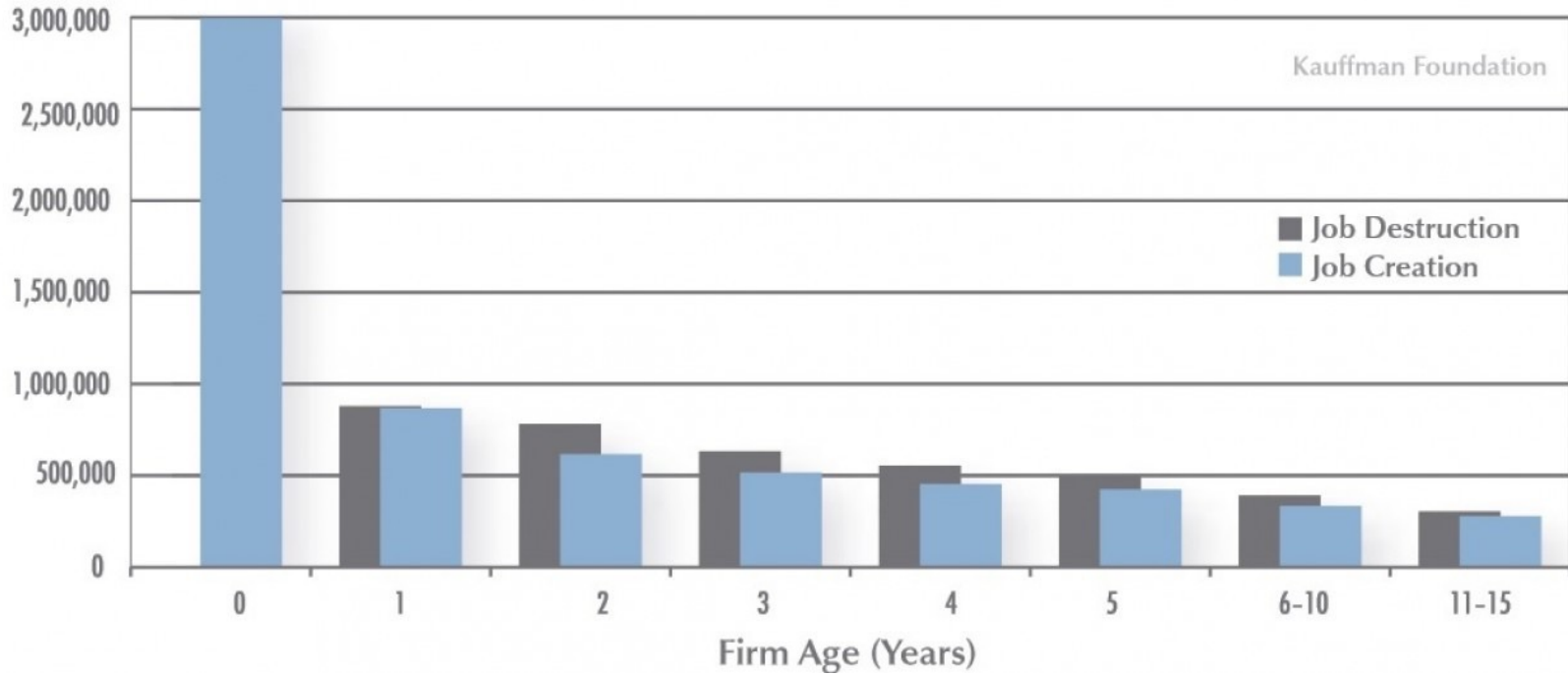
Source: PwC's 19th Annual Global CEO Survey. Base: All respondents (1,409)

## NET JOB CREATION



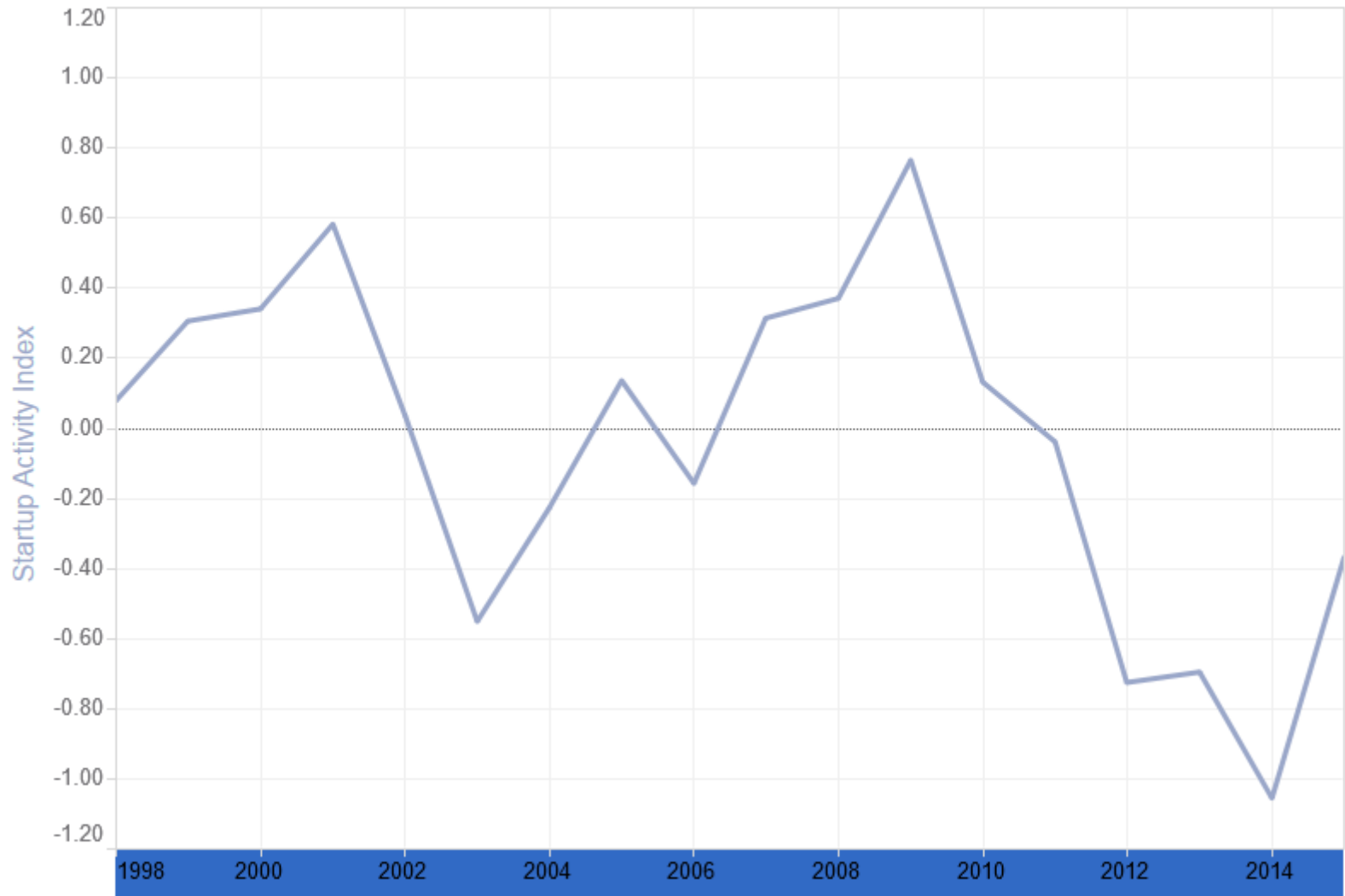
SOURCE: U.S. CENSUS BUREAU BUSINESS DYNAMICS STATISTICS

Figure 4: Job Creation and Loss by Firm Age  
(Average per year, by year-group, 1992–2006)



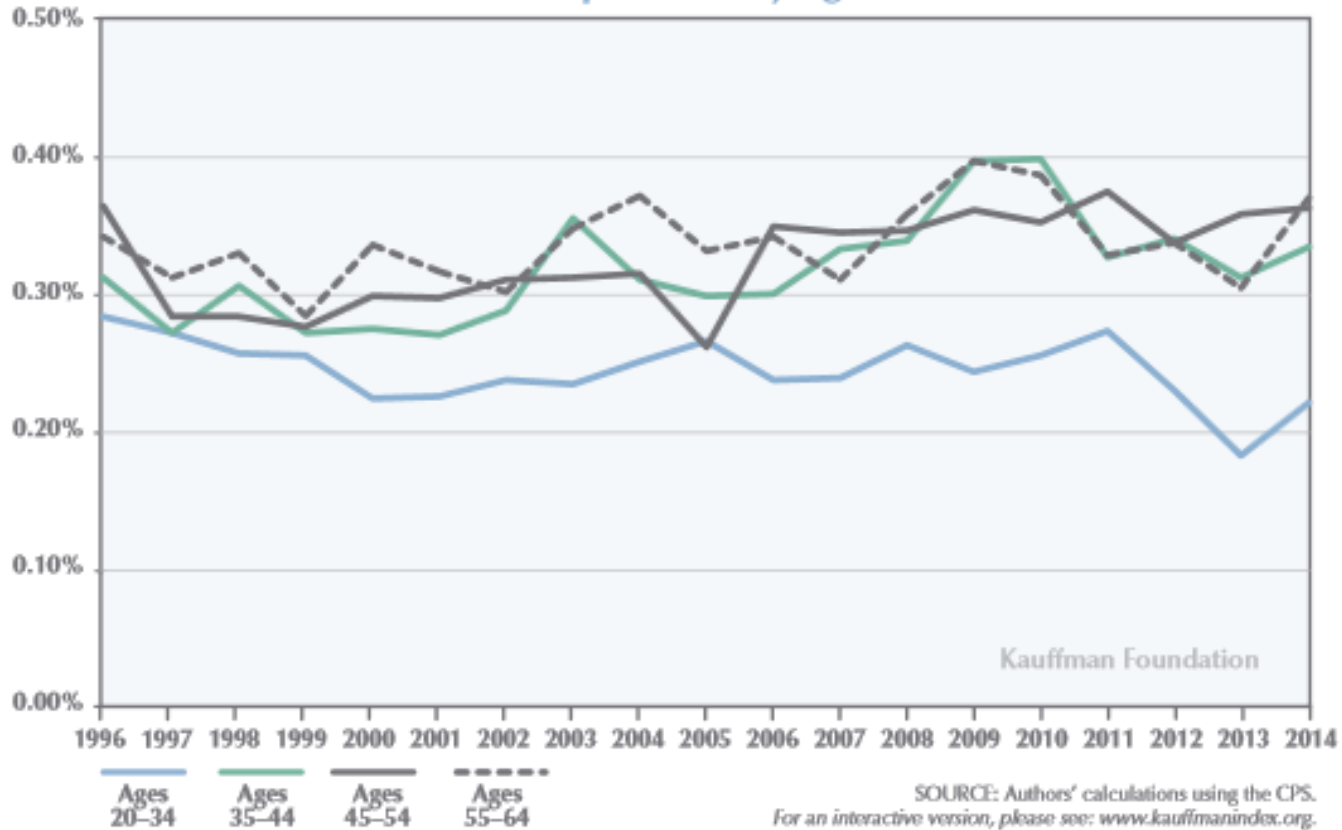
Source: <https://www.washingtonpost.com/news/on-small-business/wp/2015/02/12/the-decline-of-american-entrepreneurship-in-five-charts/>

## Kauffman Index: Startup Activity (1997-2015)



Citation: <http://www.kauffman.org/microsites/kauffman-index/rankings/national?Report=StartupActivity>

Figure 5  
**Rate of New Entrepreneurs by Age (1996–2014)**



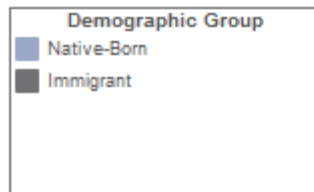
Citation: <http://www.kauffman.org/microsites/kauffman-index/rankings/national?Report=StartupActivity>

# United States of America Entrepreneurial Demographics

## Nativity of New Entrepreneurs

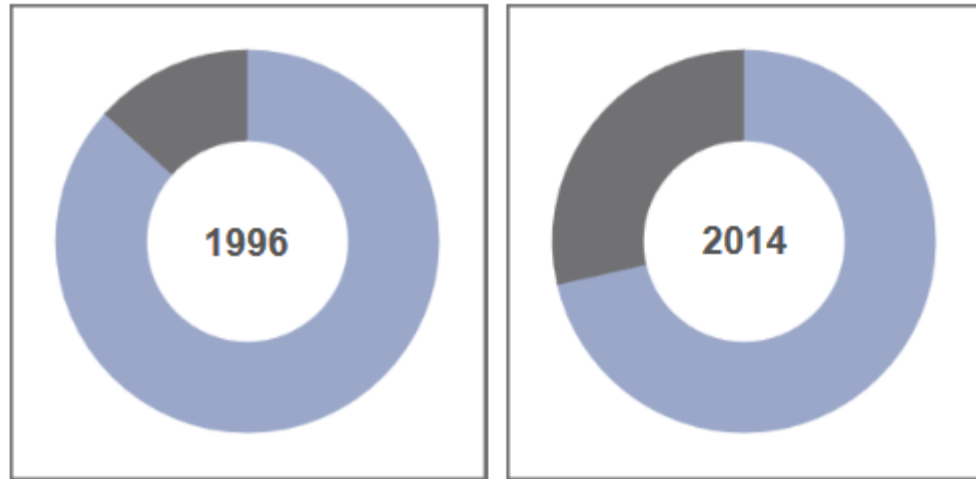
### Change in the Composition of New Entrepreneurs

Measures the share of all new entrepreneurs comprised by demographic group.



Source: Author calculations from CPS.

### Change in the Composition of New Entrepreneurs

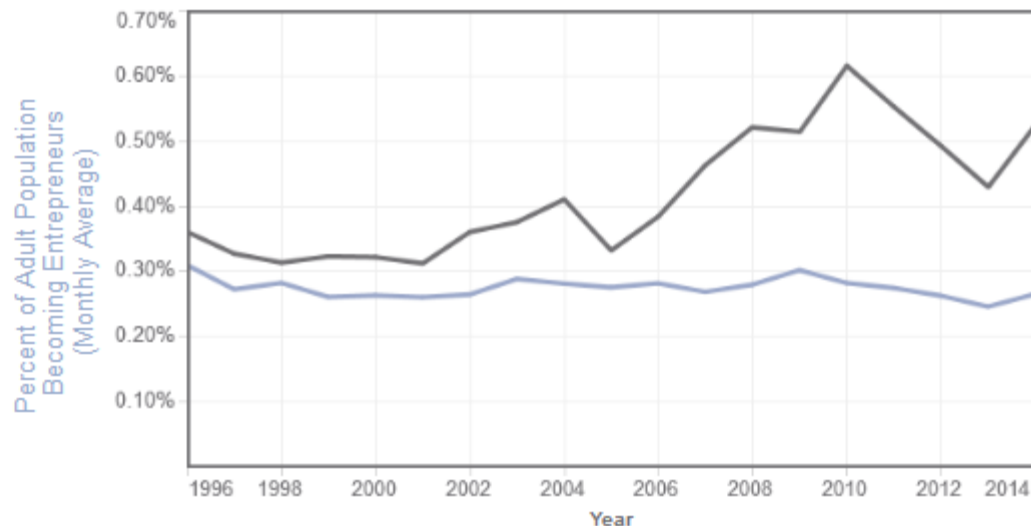


### Rate of New Entrepreneurs

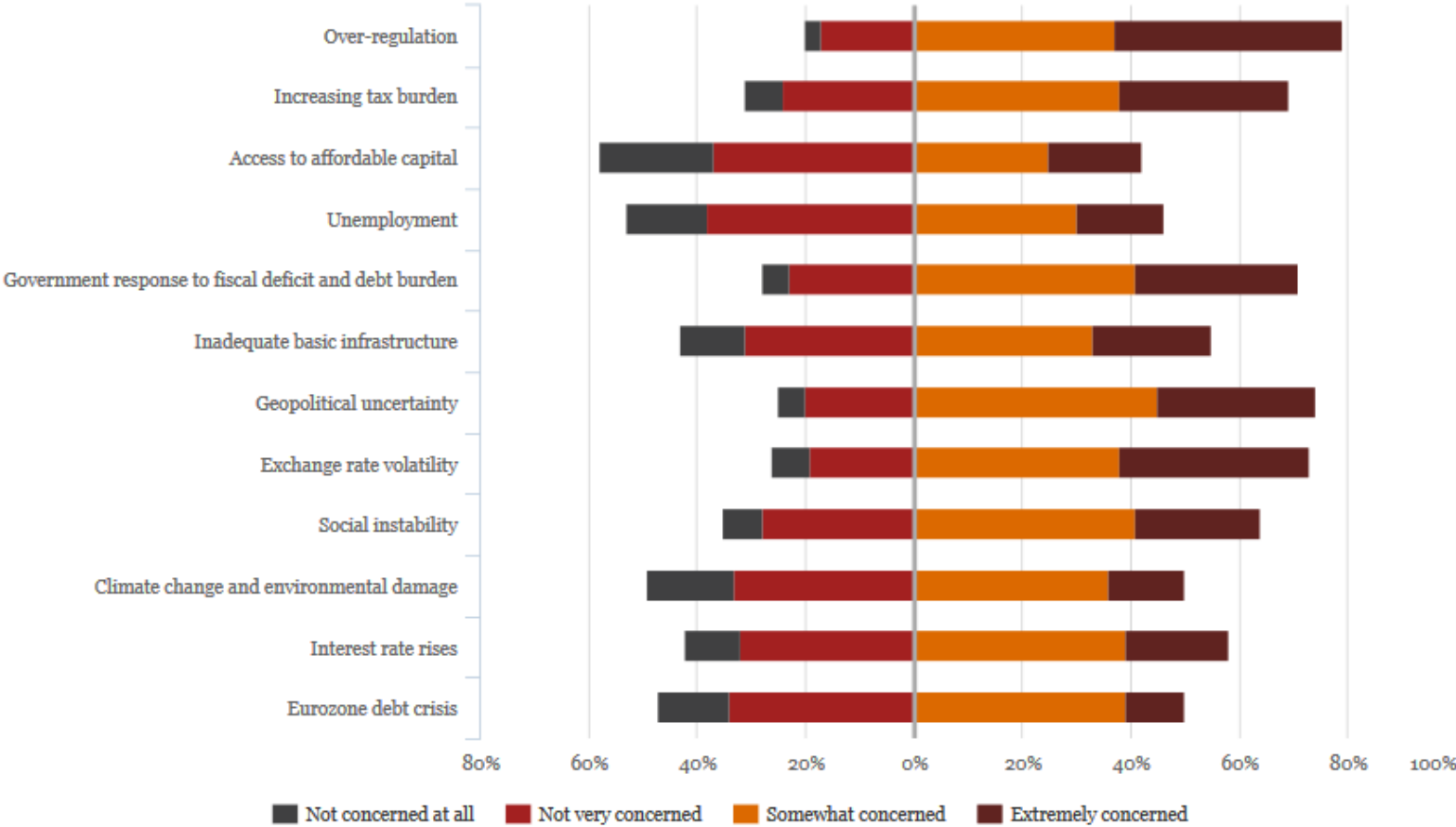
Early and broad measure of business ownership. Measures the percent of the adult population of an area that became

Source: Author calculations from CPS. Yearly measure.

### Rate of New Entrepreneurs



*How concerned are CEOs about the following potential economic, policy, social and environmental threats to their organisation's growth prospects?*



Source: PwC's 19th Annual Global CEO Survey. Base: All respondents (1,409)

Source: PWC 19<sup>th</sup> Annual Global CEO Survey -- 2016



# Key Takeaways

- GDP Growth is correlated with Household Income
  - Aging and slower growing population, higher private/public debt and reduced business spending all are pulling down U.S. GDP
- Impact of Globalization
  - Business Profits up materially
  - overall negative effect on wages
  - created *and* destroyed jobs
  - brought down inflation
- New job startups are essential in turning around employment
  - reduced regulation, simplified tax policy and access to capital are on the critical path - unleash Millennial Entrepreneurialism
- Skilled immigrants are key to economic growth
- Americans need to develop specific STEM or vocational skills
- Investment markets are in uncharted waters with cheap money/negative interest rates