

# Today's Economy & Credit Unions

CUNA Community CU Conference  
The Federation Annual Conference

September 23, 2015

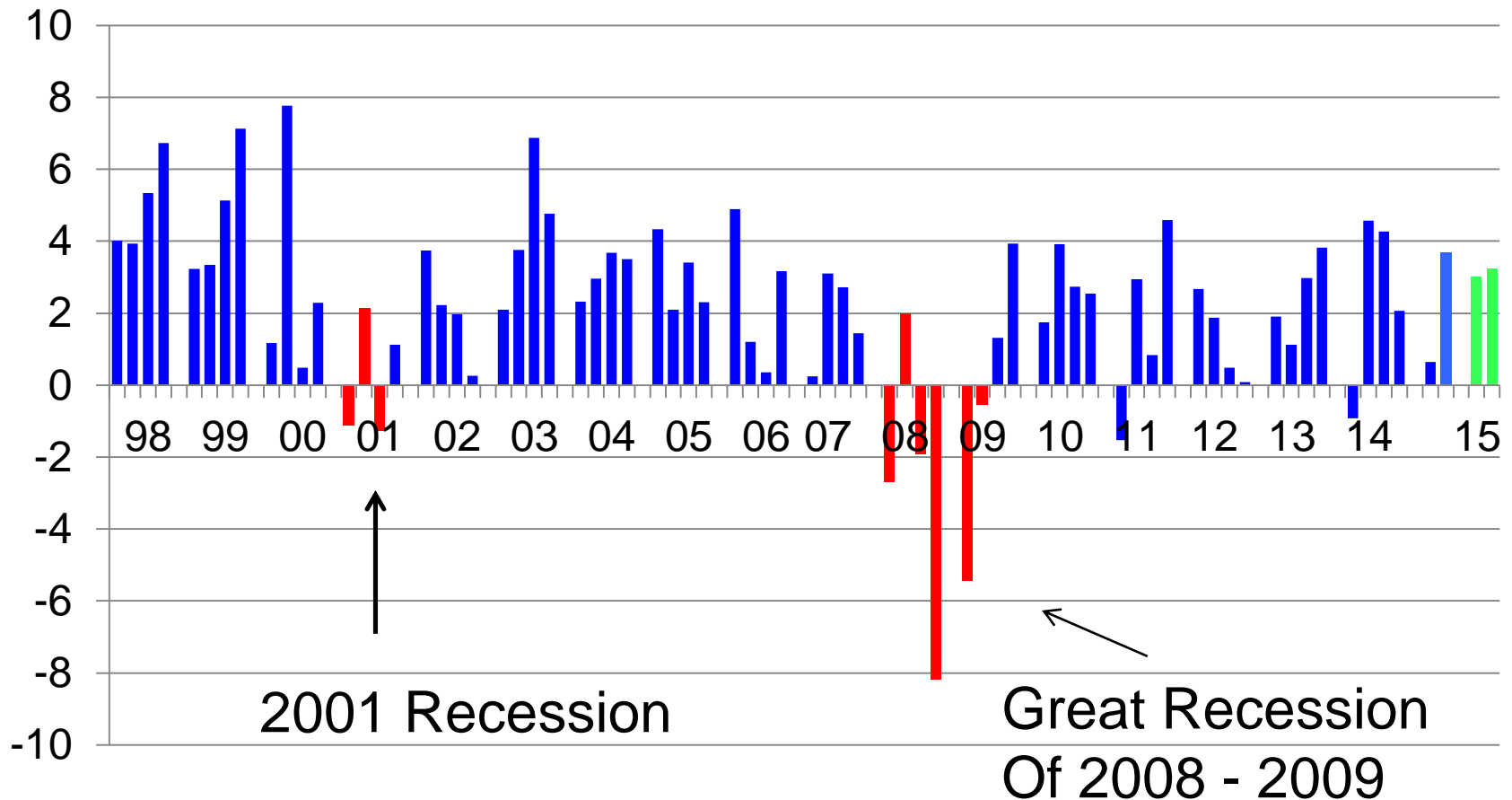
Bill Hampel, Chief Policy Officer  
Credit Union National Association  
[bhampel@cuna.coop](mailto:bhampel@cuna.coop)

# Economic Summary

- Beginning the seventh year of recovery.
- Job market improving, but still some slack.
- Inflation outlook moderate.
- Economy now in a sustained recovery: escape velocity.
- External risks not life threatening.

# Gross Domestic Product

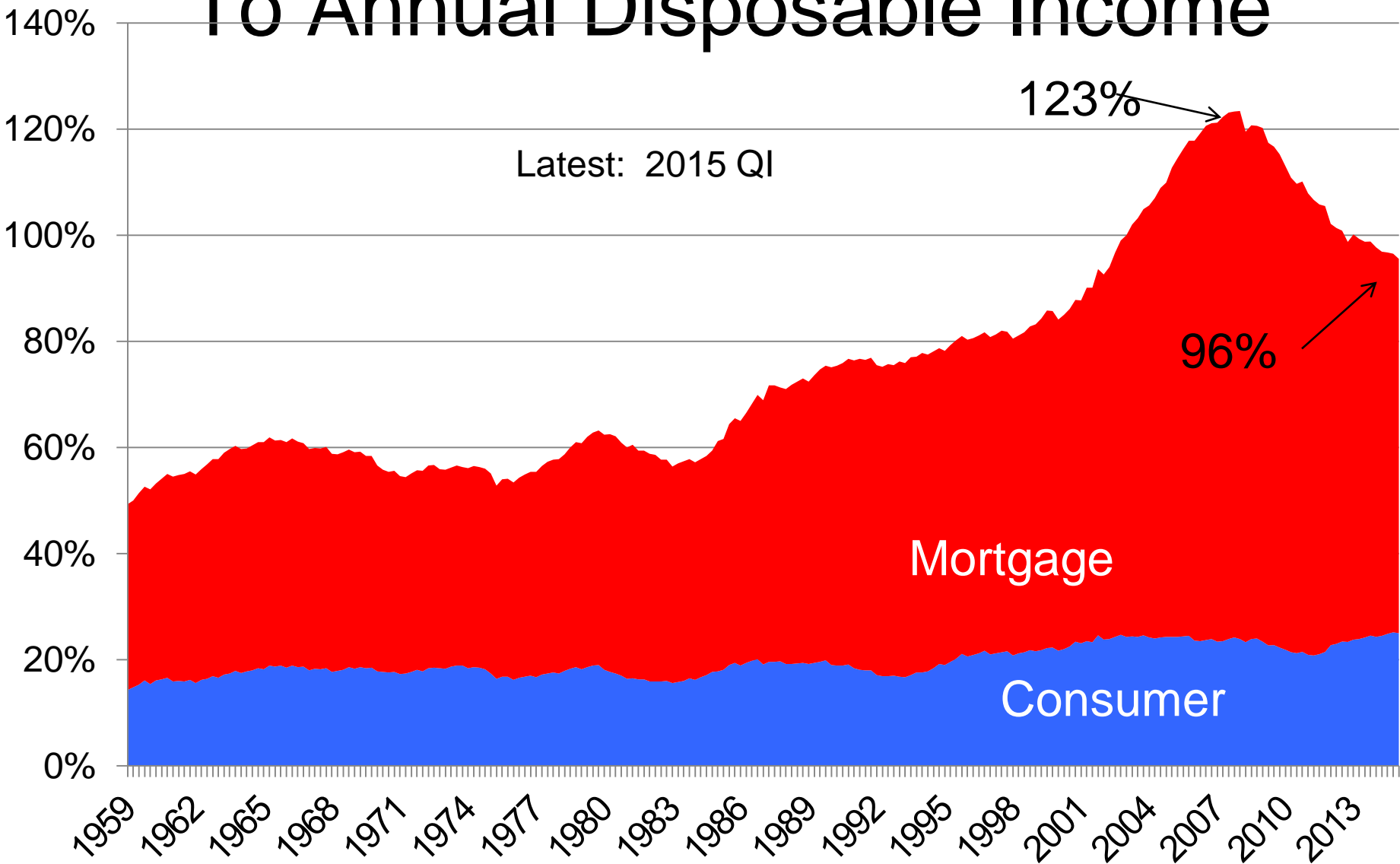
## Quarterly Changes at Annual Rates, Real



# Household Finances

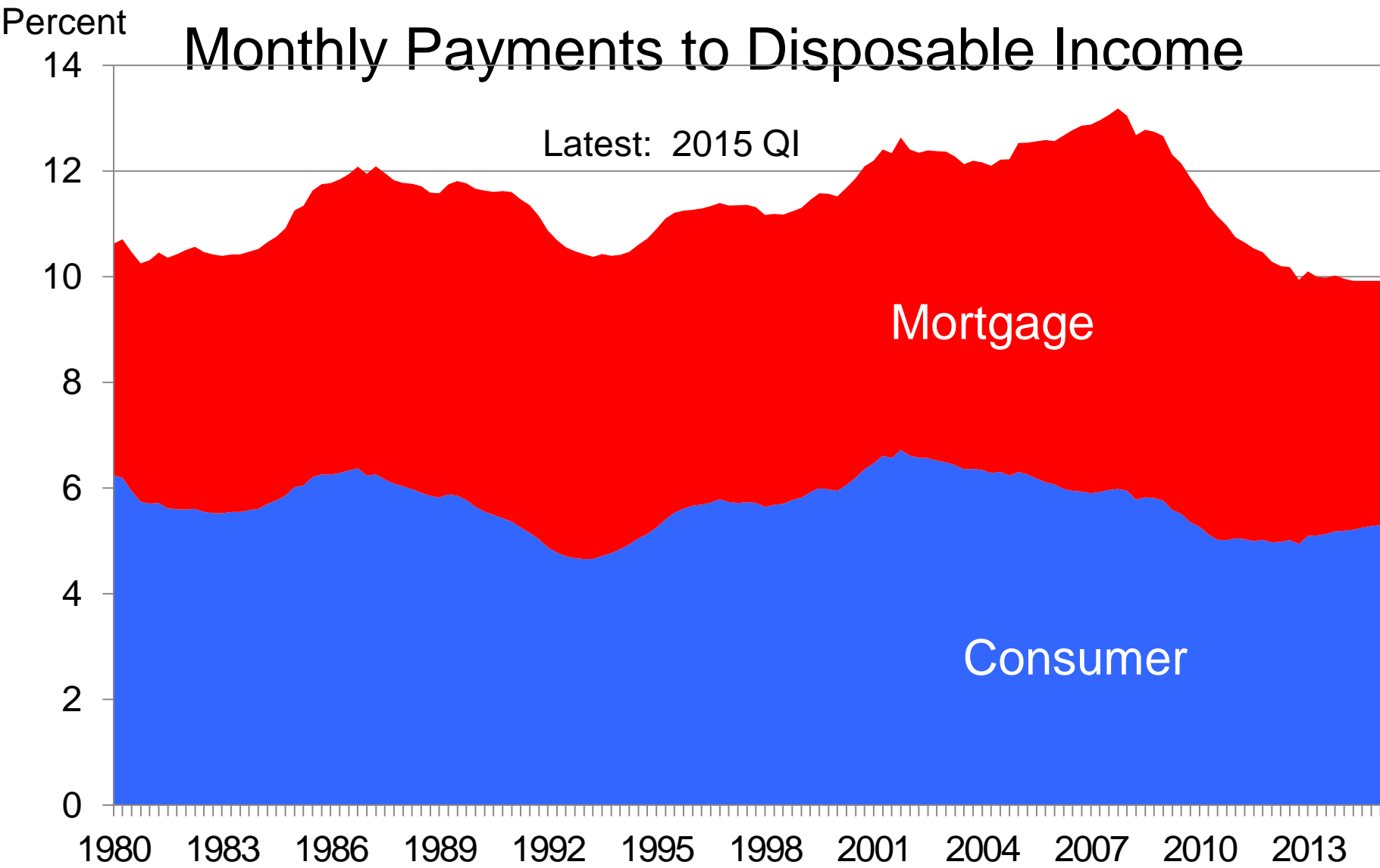
- Recovered:
  - Debt payments low
  - Stock market recovered
  - Home prices rising
- But still room for further improvement:
  - Debt outstanding still relatively high
  - Home prices still off peak
- Improved ability to spend, willingness hasn't yet caught up
- Demand backlogs

# Household Debt Outstanding To Annual Disposable Income



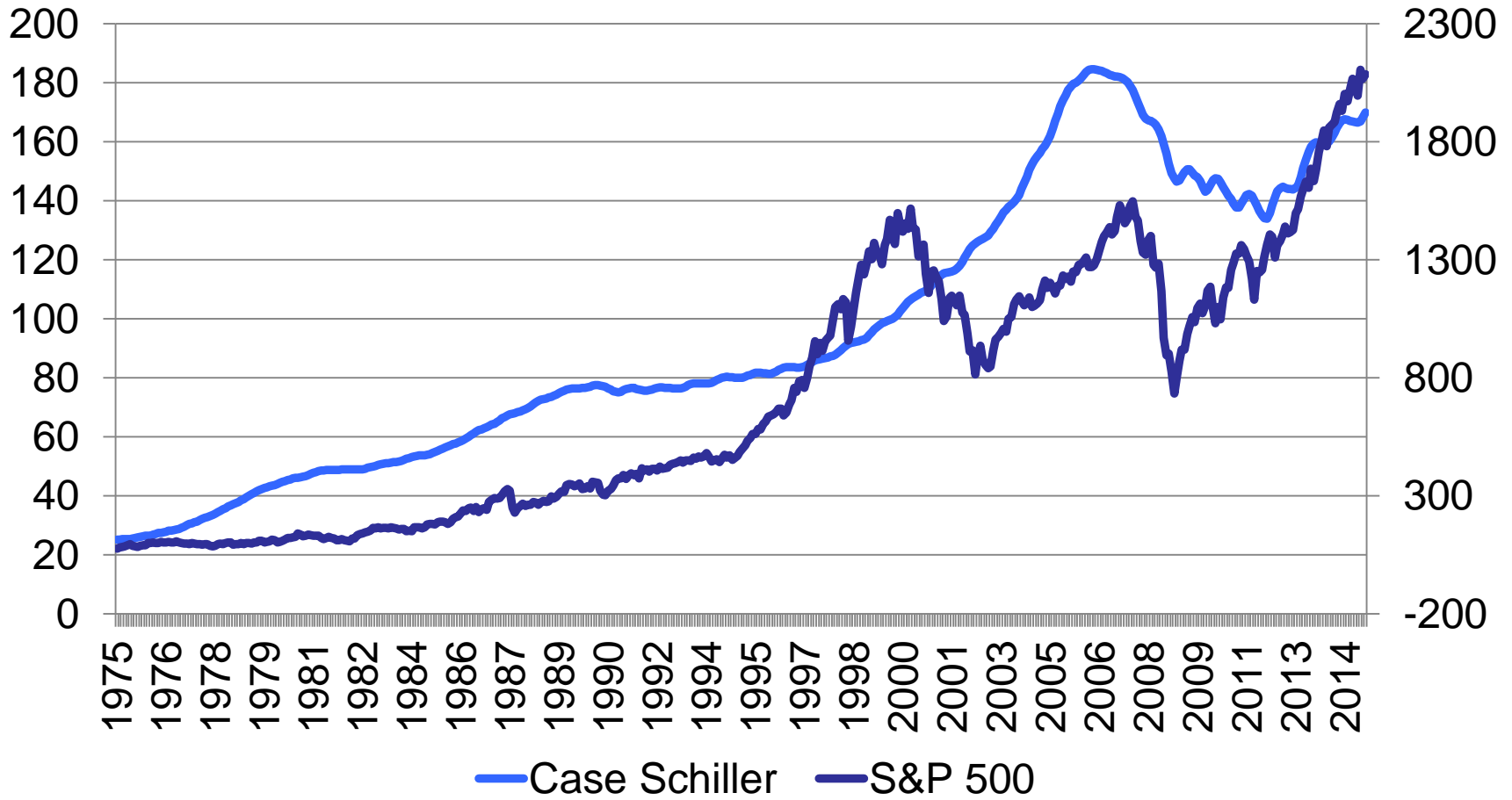
# Household Debt Service Ratio

## Monthly Payments to Disposable Income

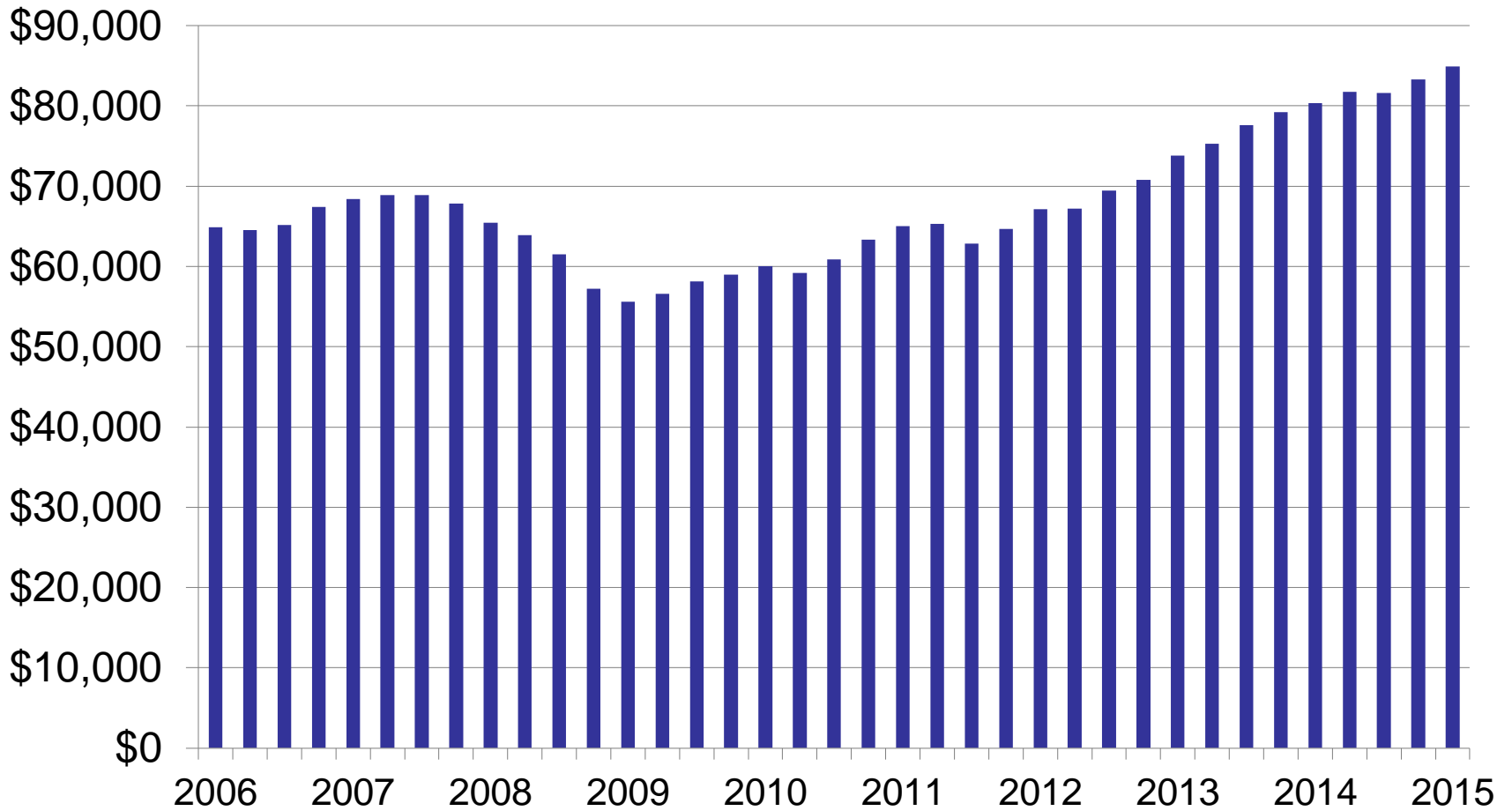


# US Home vs. Stock Prices

Case-Schiller National Index, S&P 500



# Household Net Worth

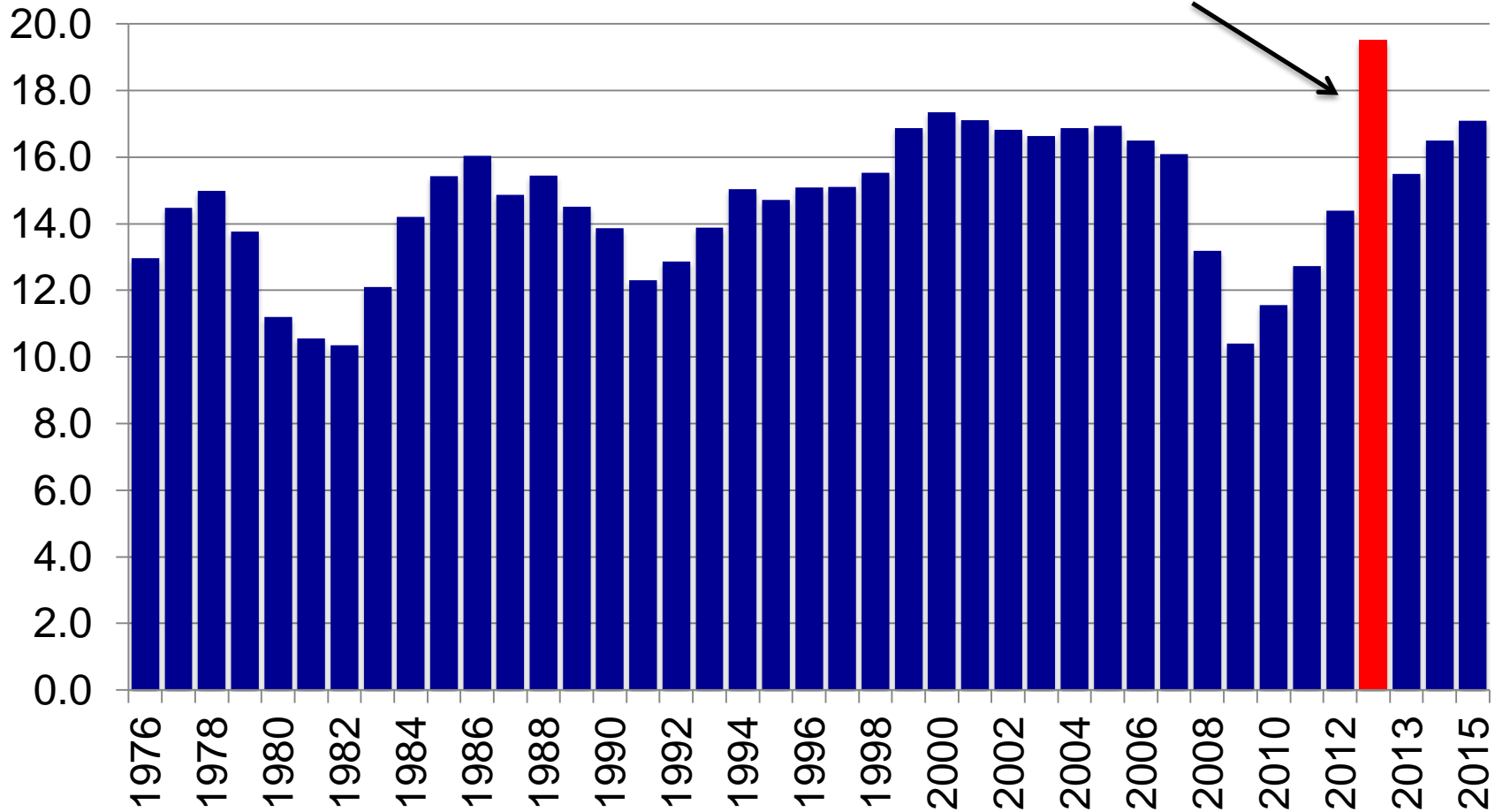




# Annual Light Vehicle Sales

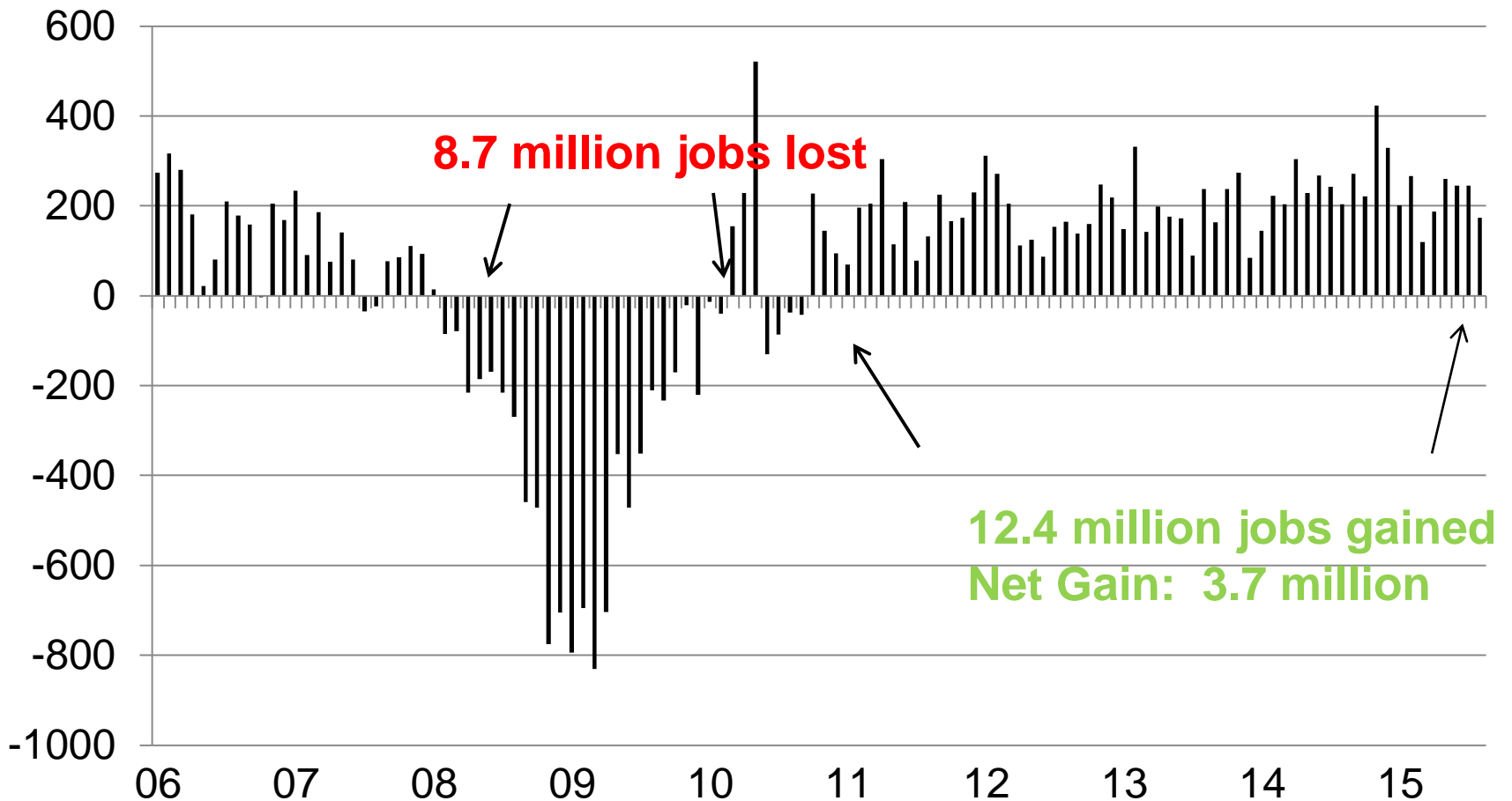
Millions

Sales \$19 million  
below trend: 08 to 12



# Non-Farm Payrolls

Monthly Changes SA, to August 2015



# Job Loss and Recovery: Four Recessions Since 1980

Scaled to 2008 Employment of 138 million

## Great Recession

Job Losses in  
Recession

8.7 million

Job Gains First  
Five Years

11.1 million

Net Change Five  
Yrs into Recovery

PLUS  
2.4 million

# Job Loss and Recovery: Four Recessions Since 1980

Scaled to 2008 Employment of 138 million

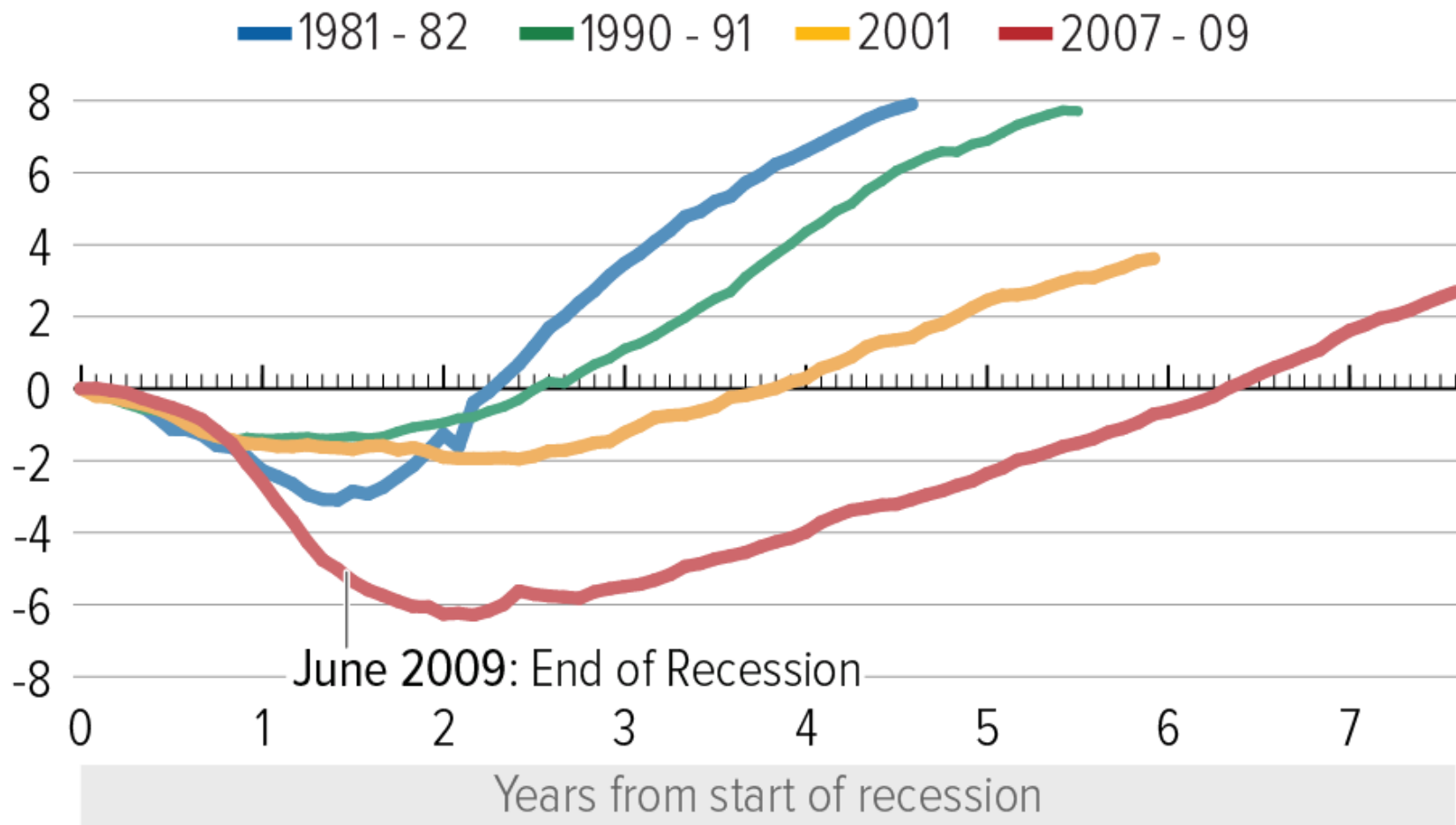
	Great Recession	Average of Three Previous Recessions
Job Losses in Recession	8.7 million	3.0 million
Job Gains First Five Years	11.1 million	14.0 million
Net Change Five Yrs into Recovery	PLUS 2.4 million	PLUS 11 million

# Job Loss and Recovery: Four Recessions Since 1980

Scaled to 2008 Employment of 138 million

	Great Recession	Average of Three Previous Recessions	Difference
Job Losses in Recession	8.7 million	3.0 million	5.7 million
Job Gains First Five Years	11.1 million	14.0 million	-2.9 million
Net Change Five Yrs into Recovery	PLUS 2.4 million	PLUS 11 million	BEHIND 8.6 million

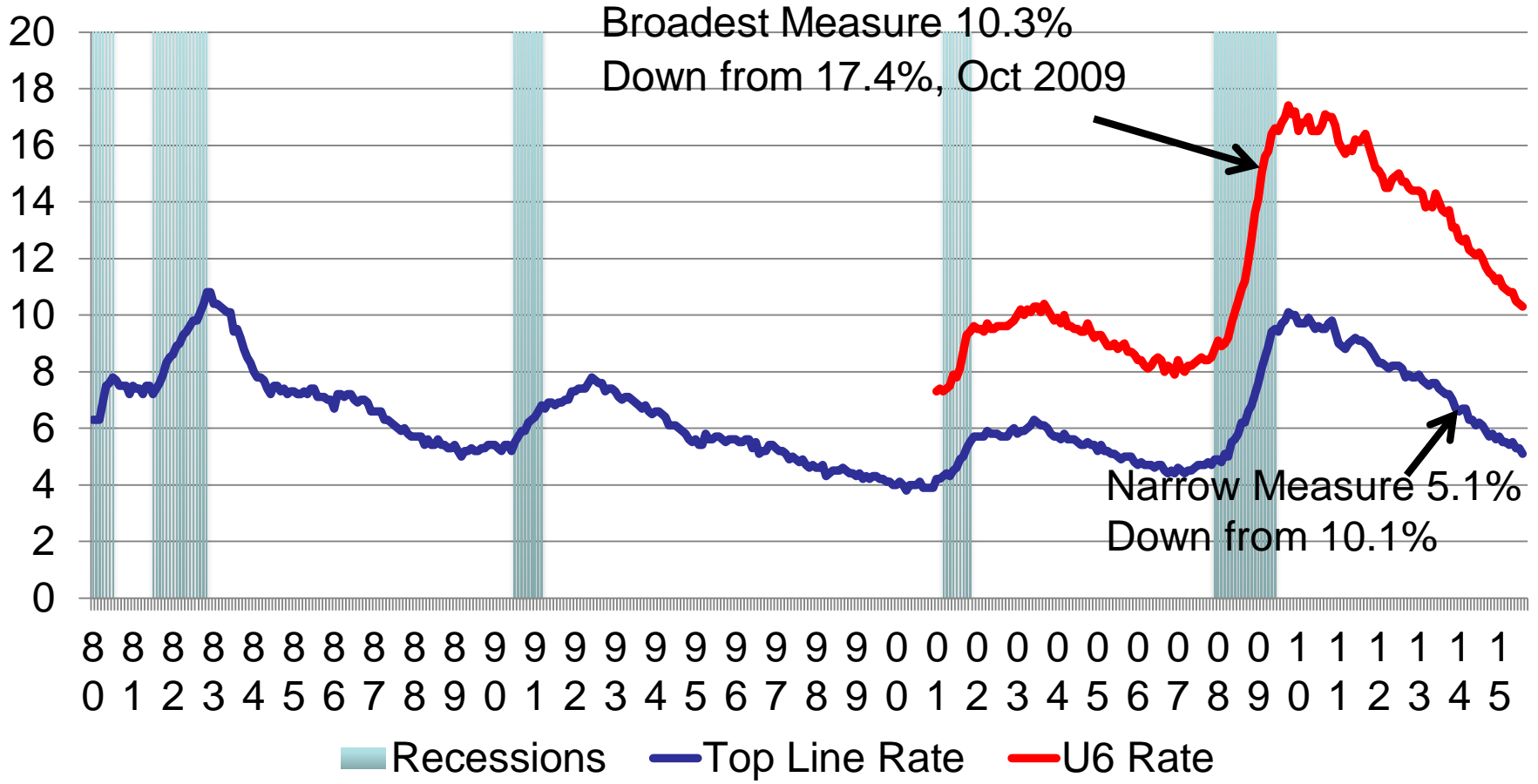
# Percent Change in Nonfarm Payroll Employment Since Start of Recession



Source: CBPP calculations from Bureau of Labor Statistics data.

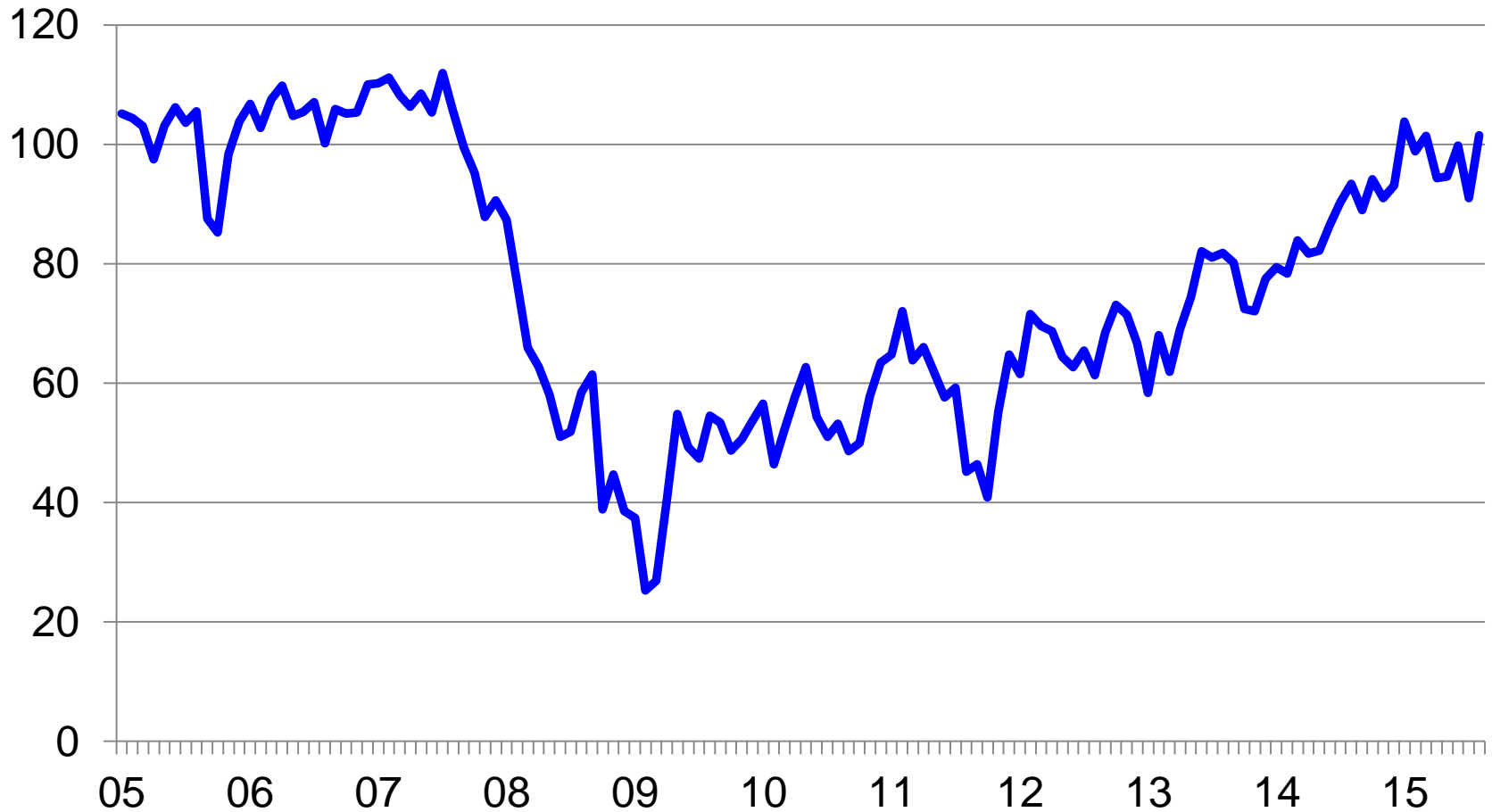
# Unemployment Rates and Recessions

Percent of the Labor Force



# Consumer Confidence?

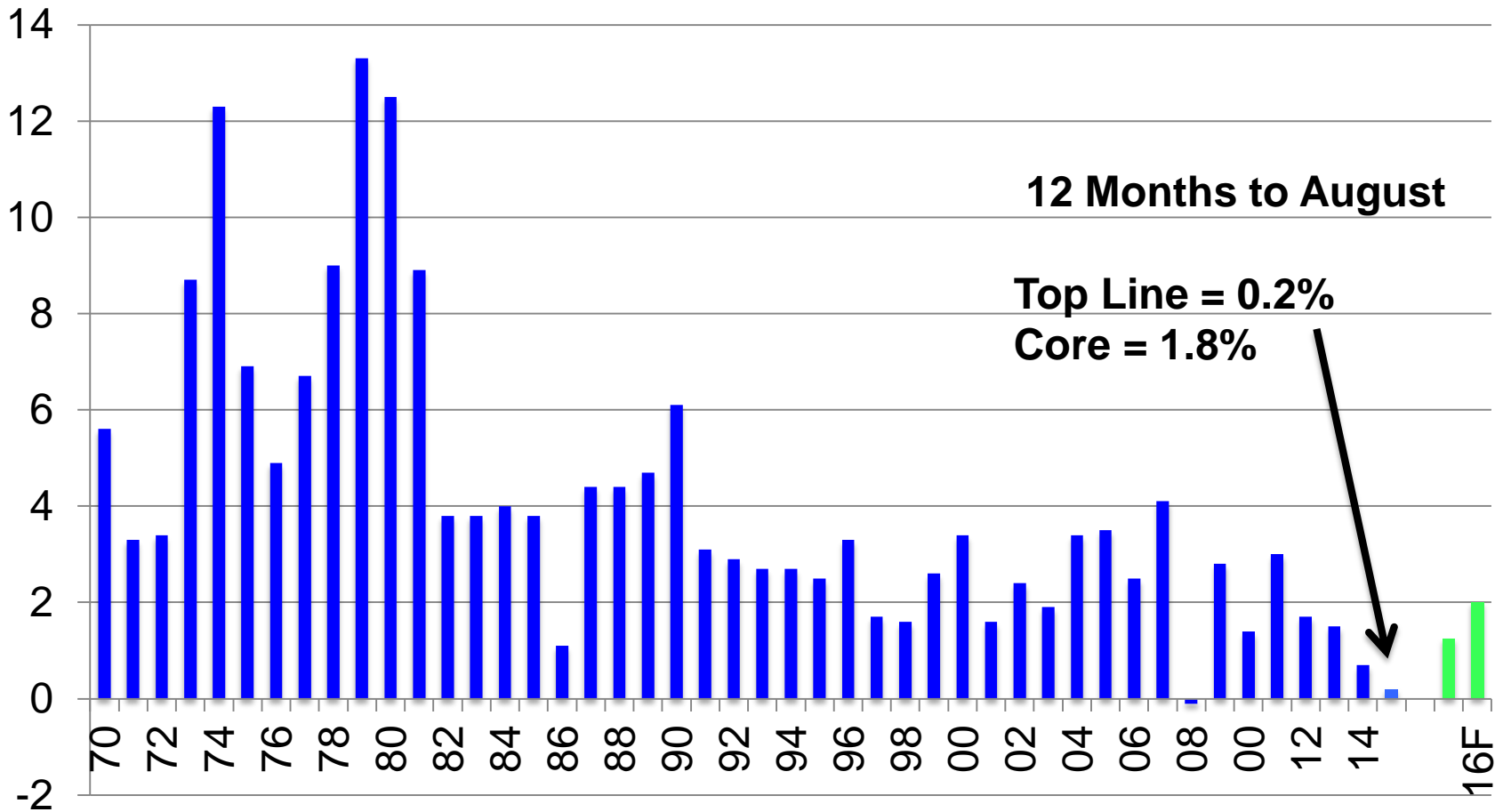
Conference Board





# Consumer Price Inflation

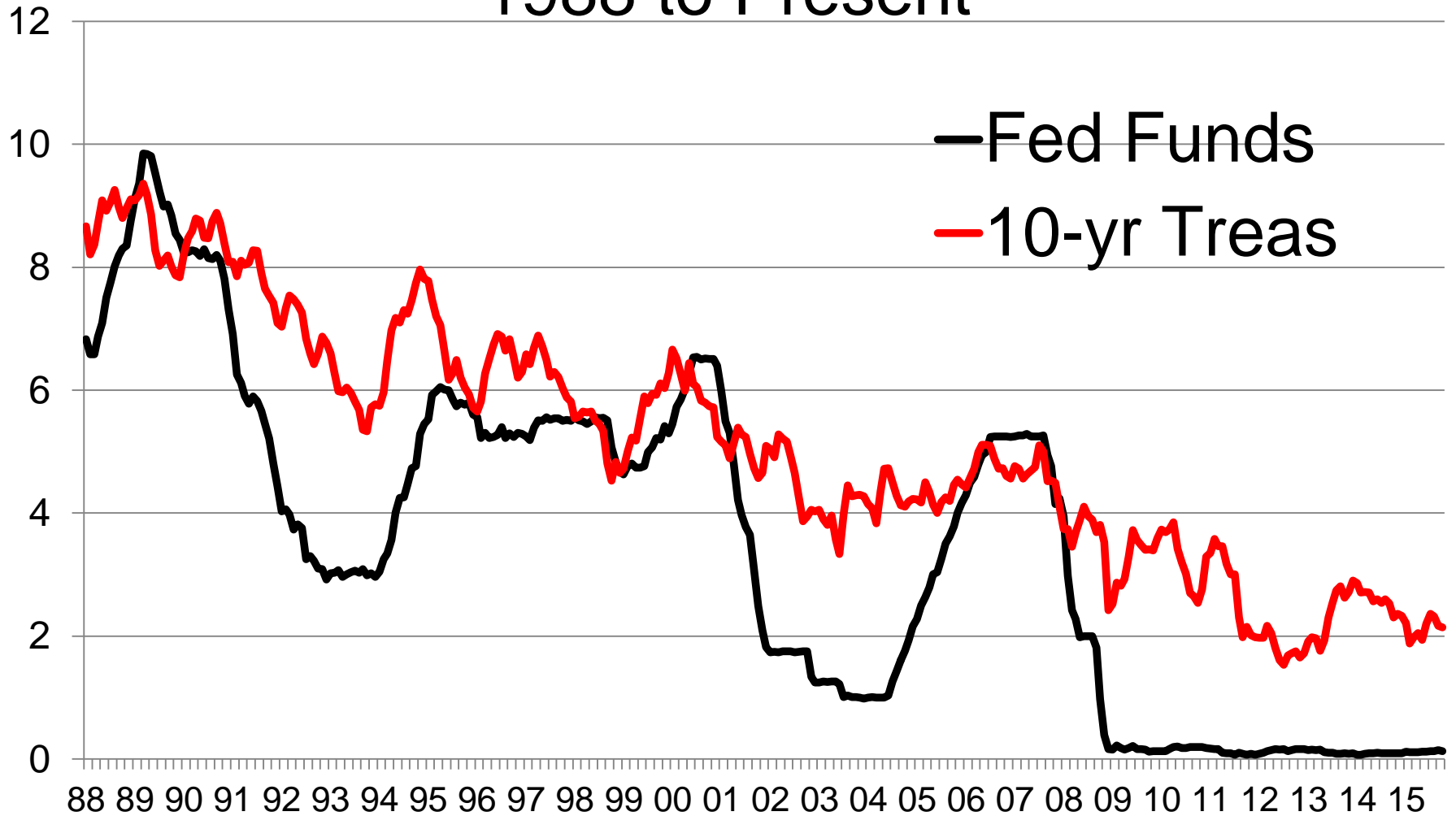
## 1970 to Present, Annual Rates



# Interest Rate Outlook

# Interest Rates

1988 to Present

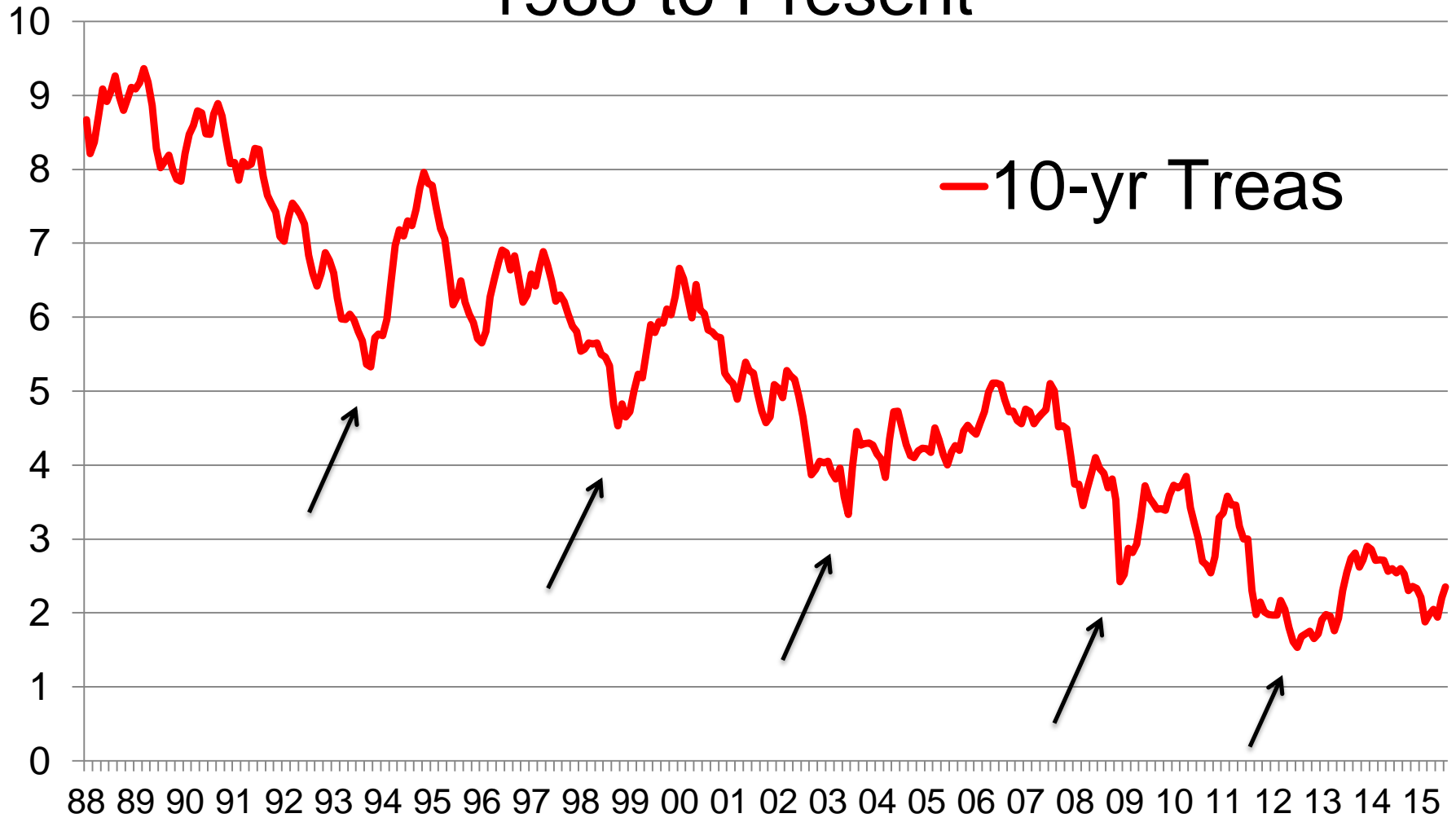


# Waiting on the Fed

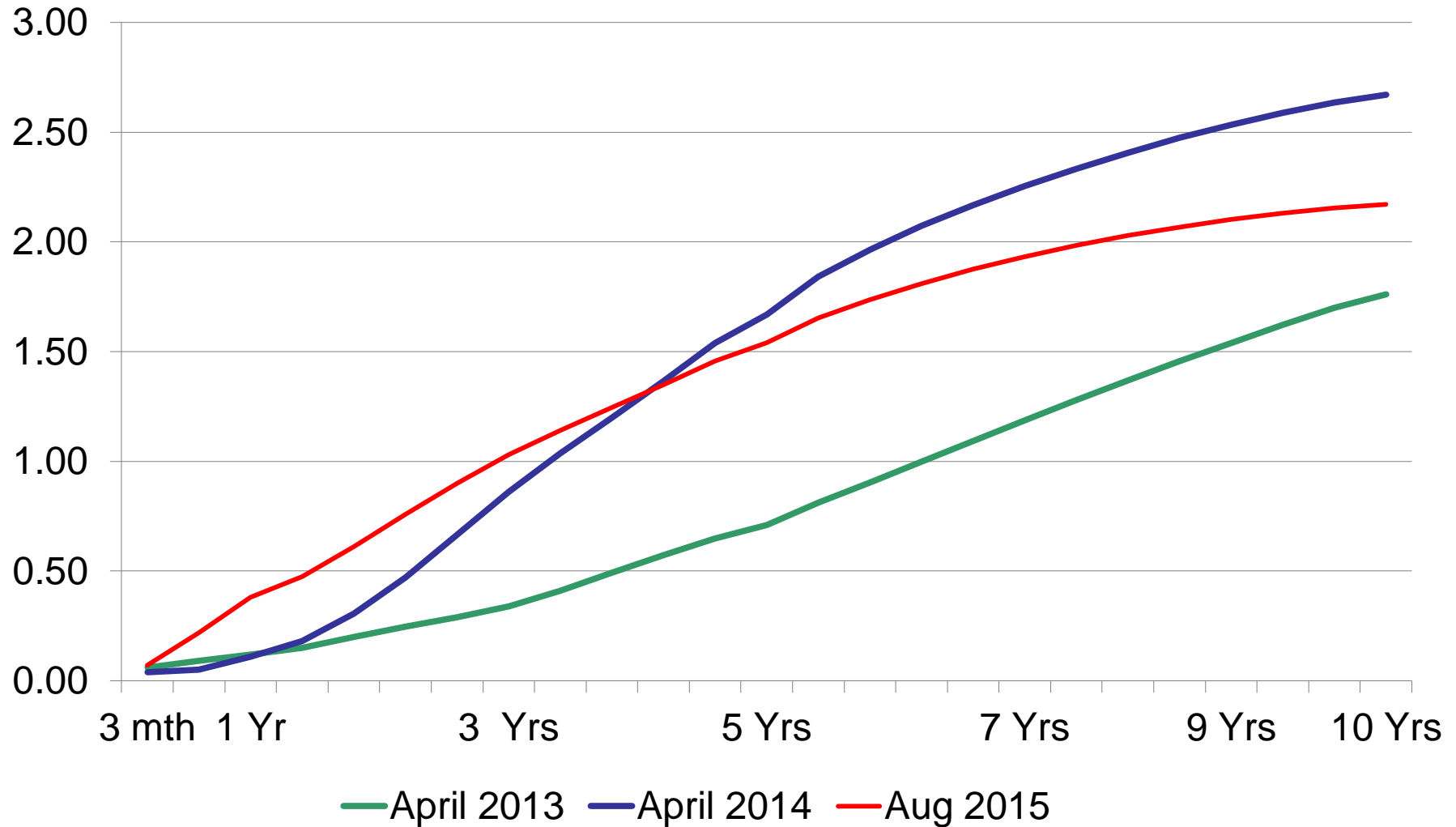
- The Fed has lost its patience.
- But we exist in international financial markets.
- Fed Funds Rate Move:
  - October, December?
  - Speed and frequency
- Longer-term rates.
- Liquidity vs. NEV or Net Interest Income

# Interest Rates

1988 to Present



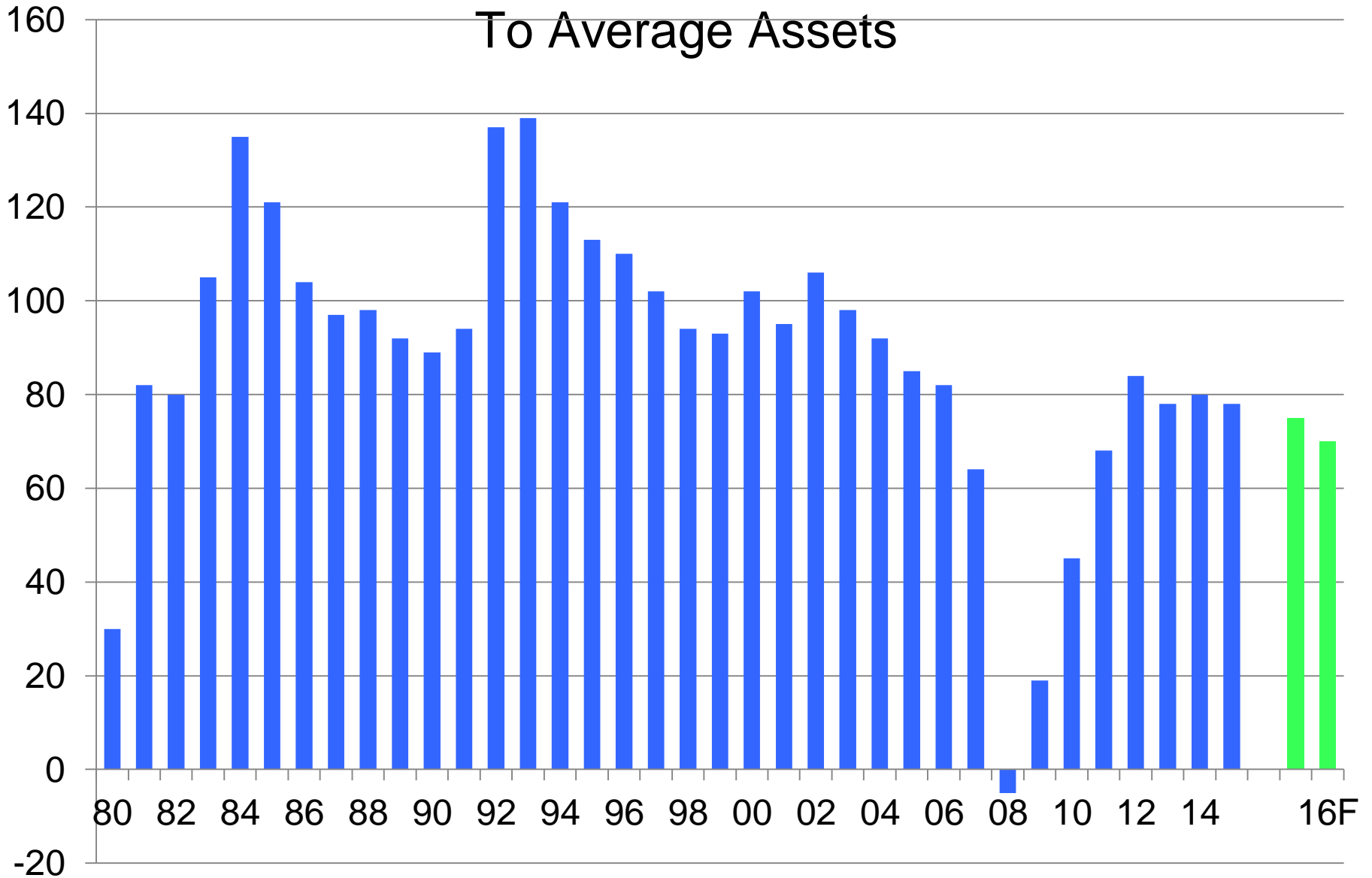
# Treasury Yield Curves



# Credit Union Outlook Through 2015

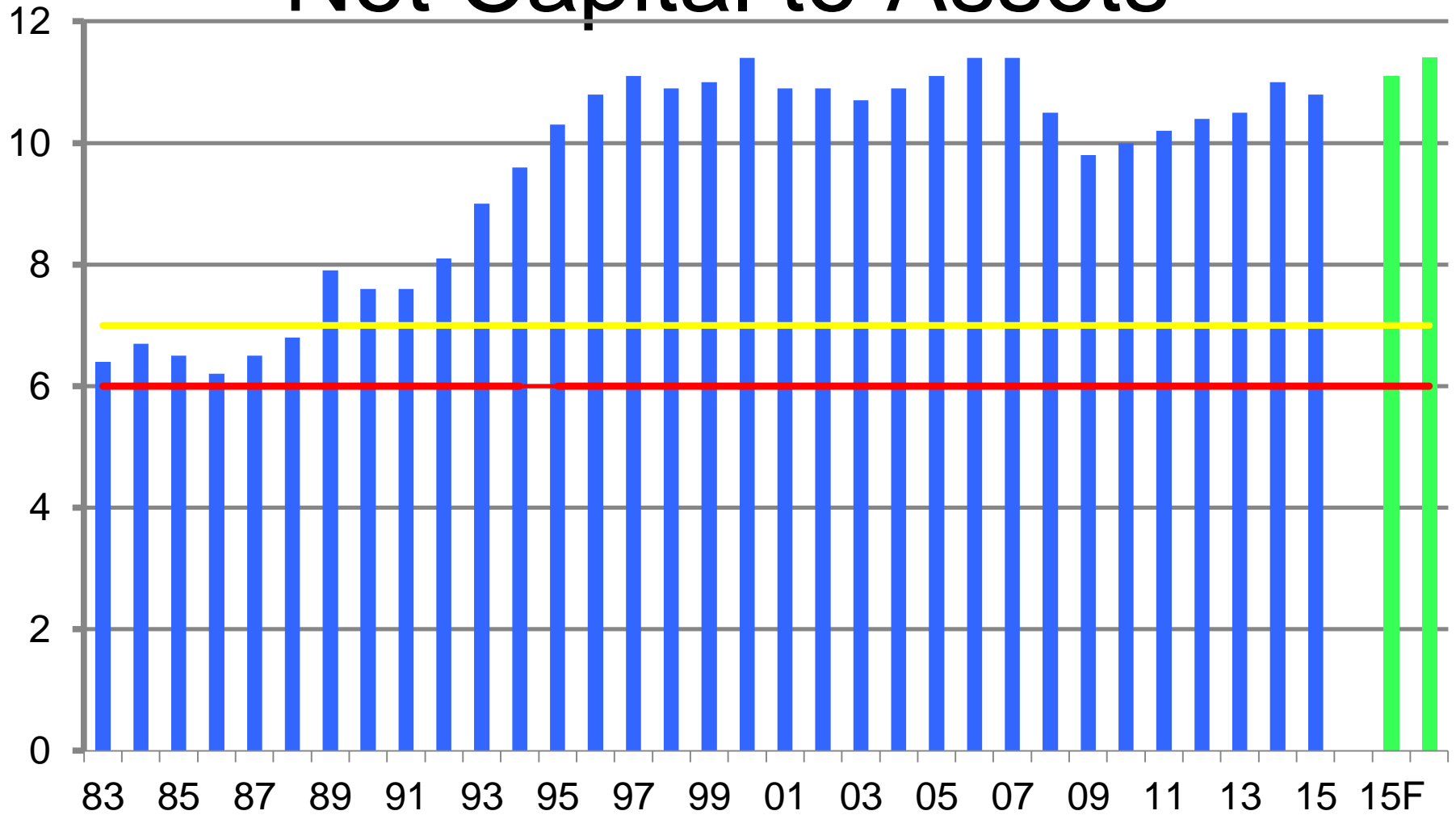
- Weak savings and asset growth
  - Low interest rates
  - Consumer spending growth
- Strengthening loan growth
  - Household de-leveraging slowing
  - Improving confidence, building backlogs
- Loan delinquencies and losses about back to normal
- Mixed outlook for net income
  - See below
- Rising net worth ratios

# Credit Union Net Income





# Net Capital to Assets



■ U.S.    ■ PCA Well Cap'd    ■ PCA Adequate

# What's Driving Earnings?

## POSITIVES:

- Lower provision expenses
- Finished stabilization assessments

## NEGATIVE, for a while longer:

- Net Interest Income

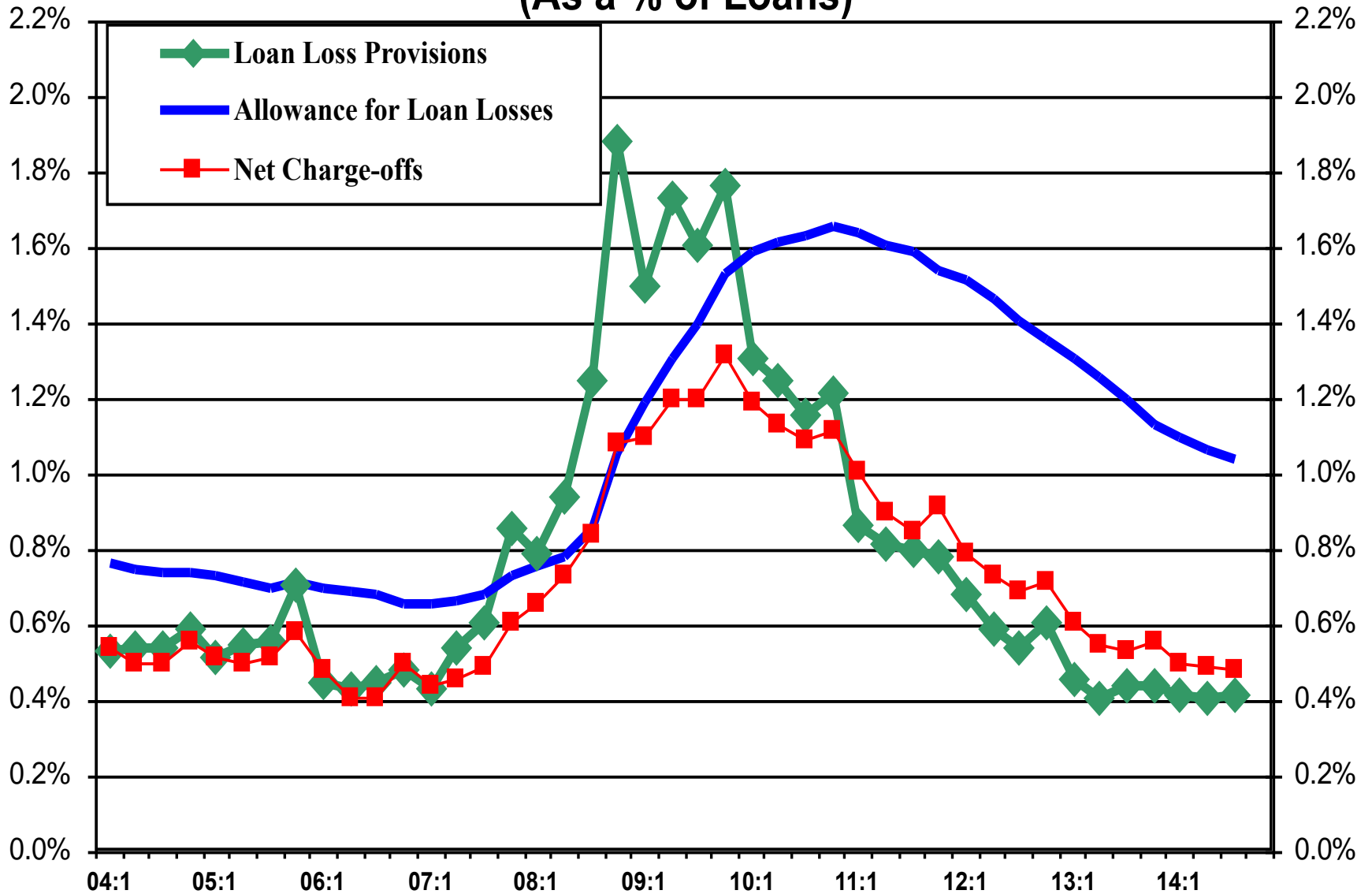
## EVAPORATING

- Mortgage refinance revenue

## AT LONG-TERM RISK

- Debit interchange revenue
- Overdraft revenue

# Credit Union Credit Quality (As a % of Loans)



Source: NCUA

# What's Driving Earnings?

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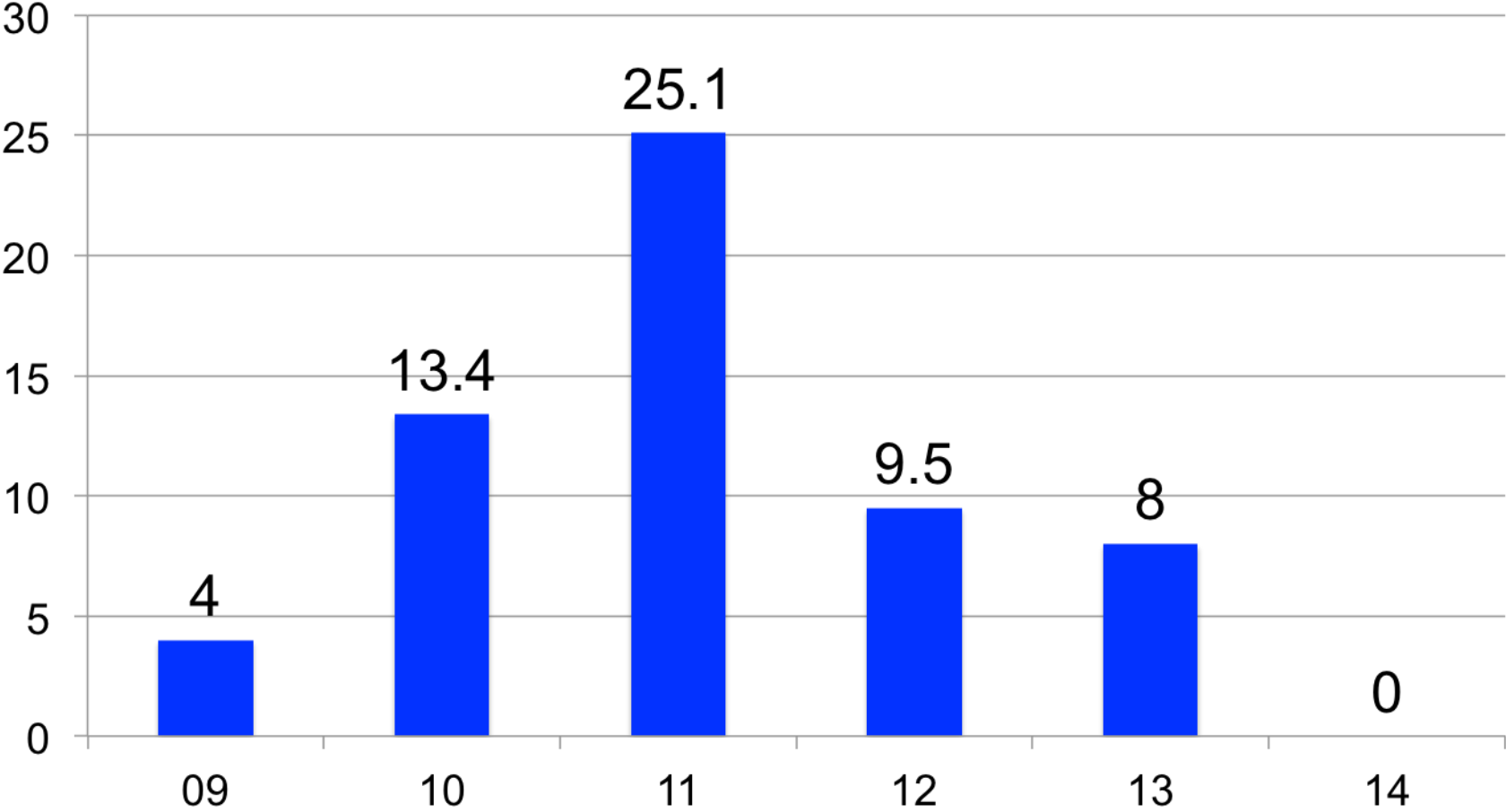
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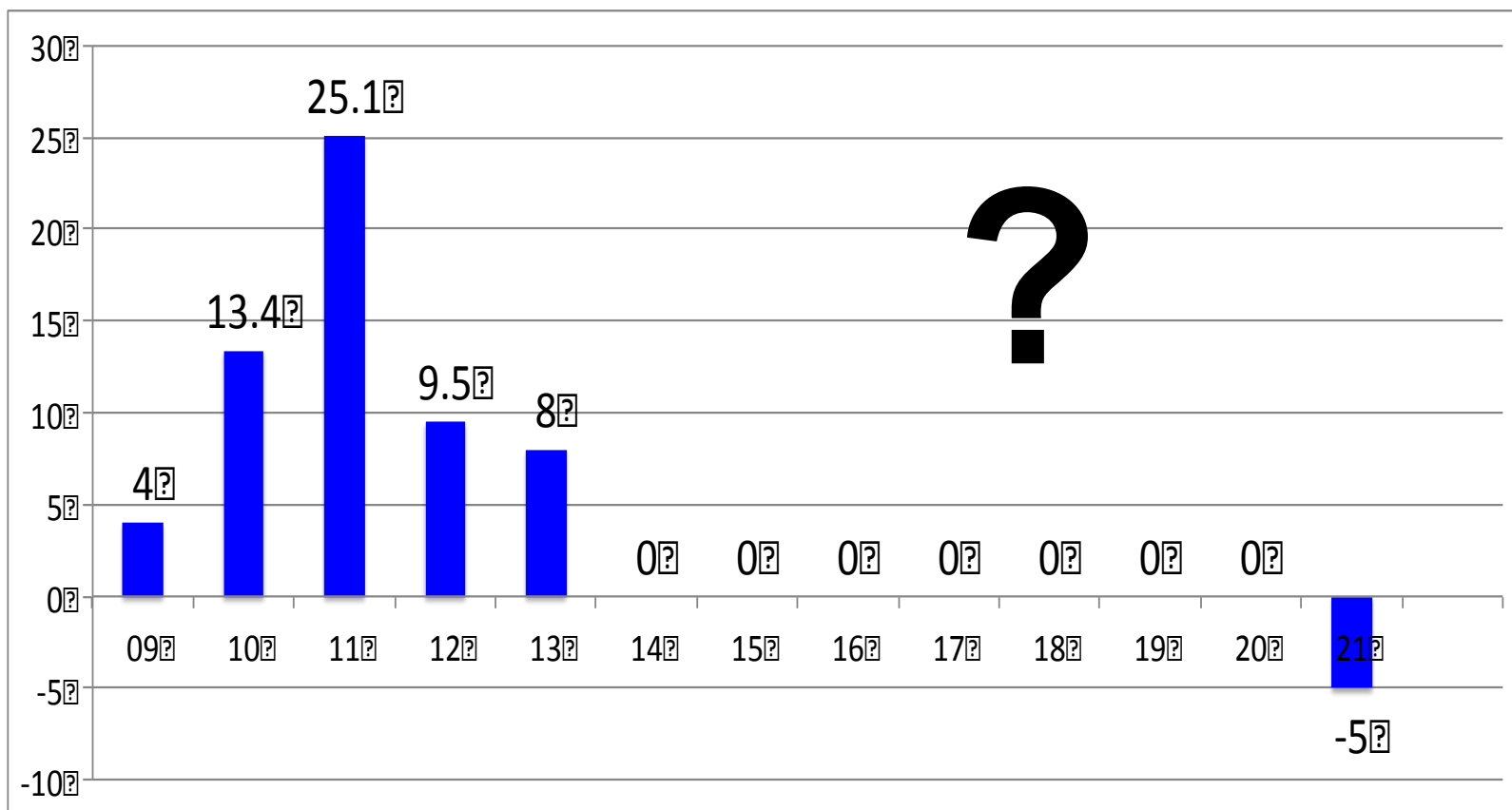
# Corporate Stabilization Assessments

## Basis Points of Insured Shares



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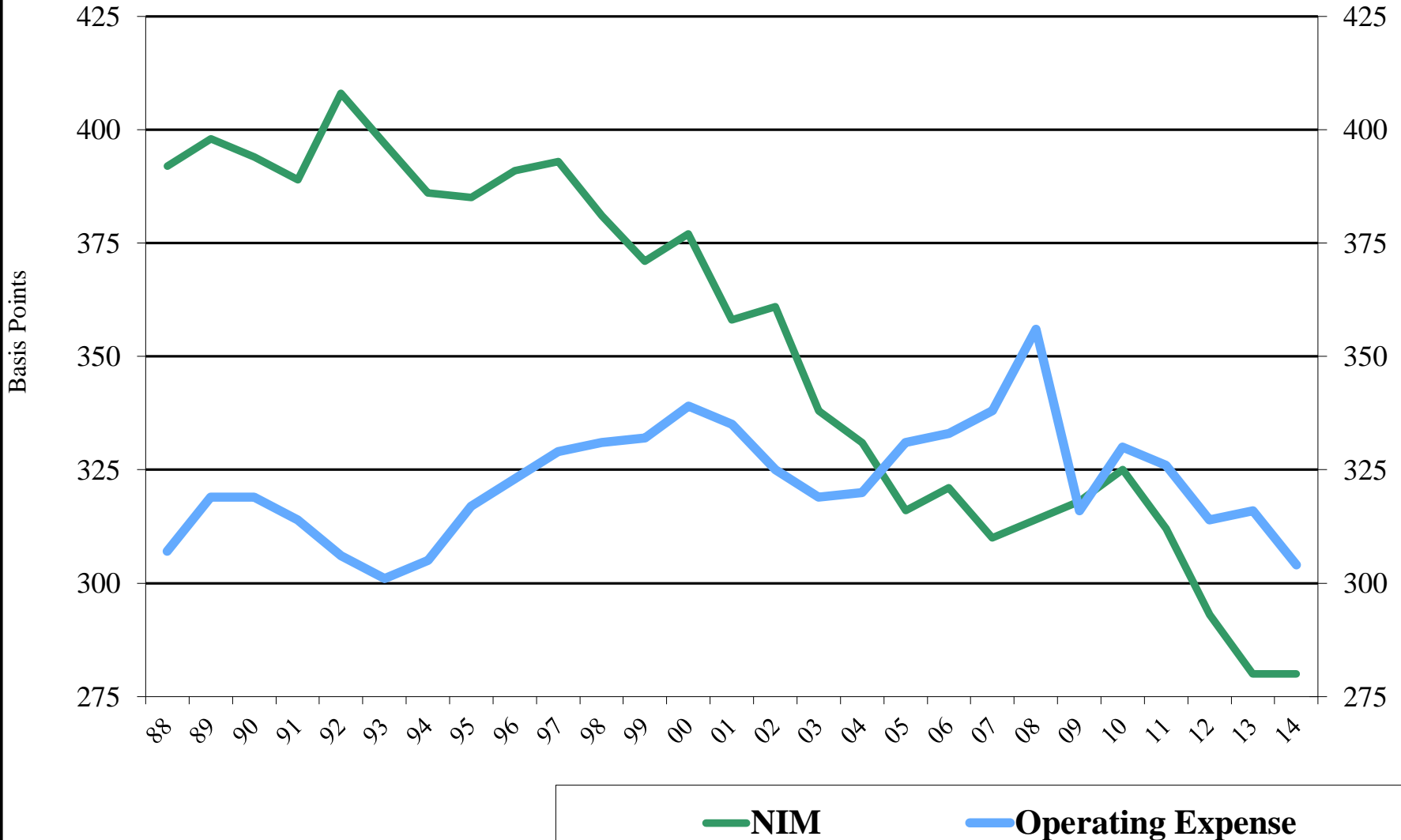
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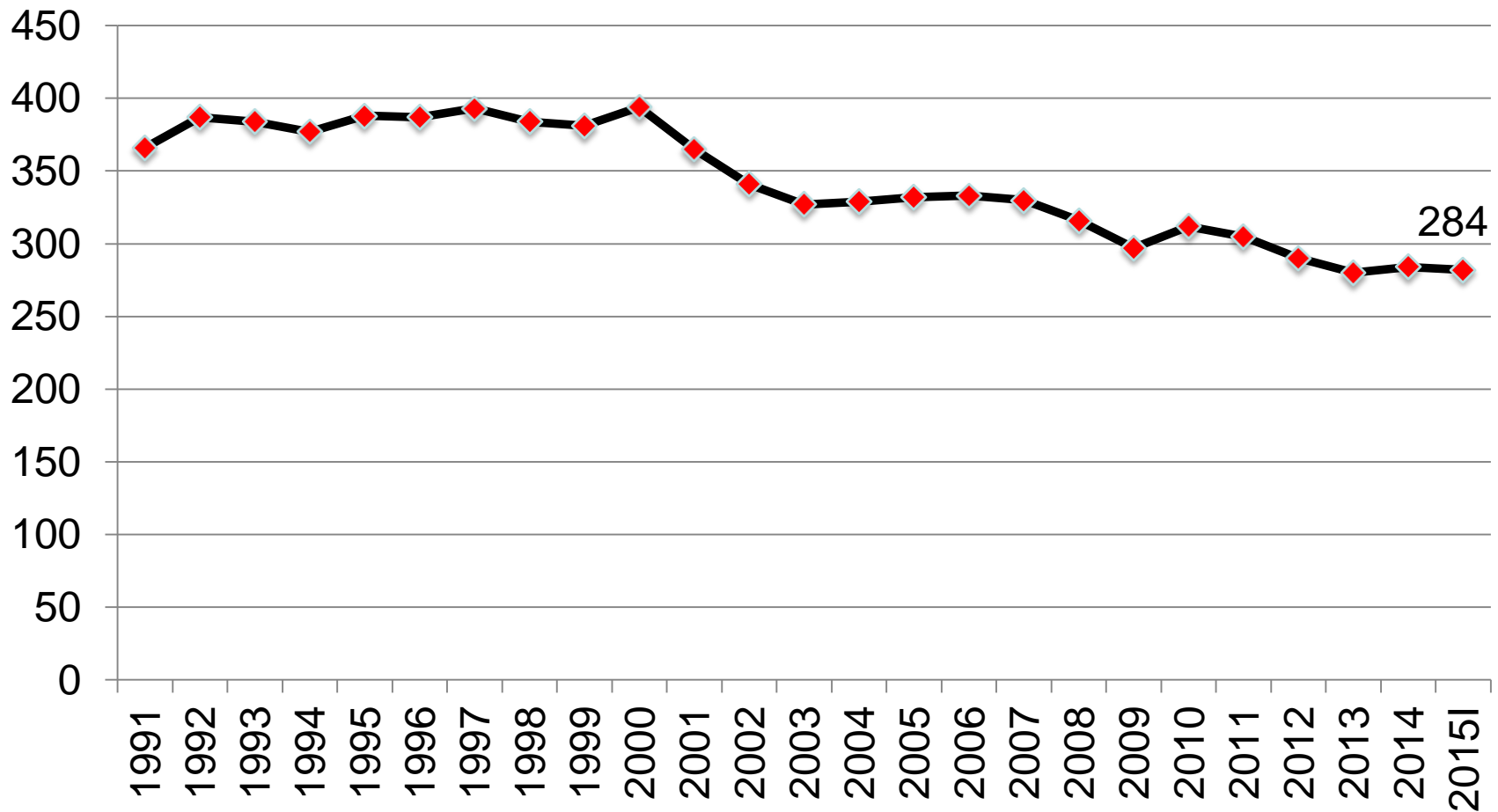
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# Net Interest Margin vs. Operating Expense to Average Assets





# Credit Union Net Interest Income



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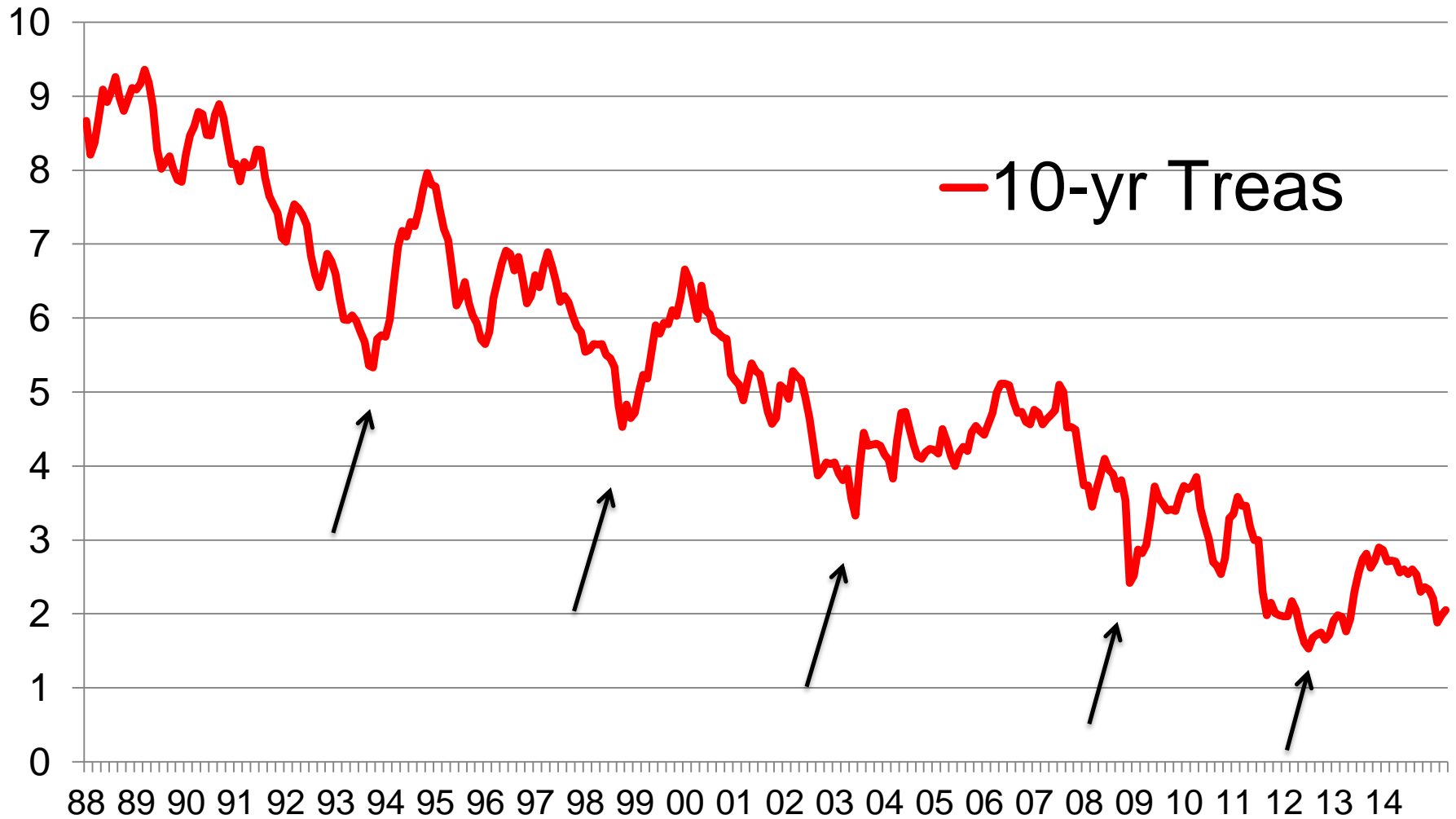
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# Mortgage Refinancing



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## EVAPORATING

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## AT LONG-TERM RISK

- Debit interchange revenue
- Overdraft revenue