



TFA

Monthly Newsletter

August 2022

IN THE NEWS

Canada Sets \$15B Deal Over Indigenous Child Welfare Flaws

7/15/22 – [indiancountrytoday.com](https://www.indiancountrytoday.com)

Southern Nevada Tourism Going 'Gangbusters' As COVID-19 Recovery Continues

7/11/22 – [lasvegassun.com](https://www.lasvegassun.com)

UK Gambling Study Could Hold Clues For US Sports Betting Market

7/13/22 – [legalsportsreport.com](https://www.legalsportsreport.com)

Analyst Shaves Slot Manufacturers' Share Price Targets

7/14/22 – [cdcmgamingreports.com](https://www.cdcmgamingreports.com)

No Florida Sports Betting Court of Appeals Ruling Until At Least 2023

7/14/22 – [saturdaydownsouth.com](https://www.saturdaydownsouth.com)

Arizona Sportsbooks Set Another Record in May, Even as Wagering Slows Down

7/24/22 – [pechanga.net](https://www.pechanga.net)

State of Alaska Recognizes Tribes With Historic Bill

7/30/22 – [indiancountrytoday.com](https://www.indiancountrytoday.com)

Recession... “not it”!

By Kristi Jackson

Nobody wants to say it – the feared word – **RECESSION**. We’ve been dancing around the prospects of this for months now – and we’ve finally seen two consecutive quarters of negative **Gross Domestic Product** (“GDP”) growth. The Bureau of Economic Analysis (“BEA”) announced last week that real GDP fell by 0.9% last quarter, which followed a decrease of 1.6% in the first quarter. This is a classic definition of a recession with which many people are now very familiar.

dence suggests the economy is not currently in a recession, including persistent strength in the labor market, expanding industrial production, and alternative estimates of economic growth that suggest rapid expansion.”

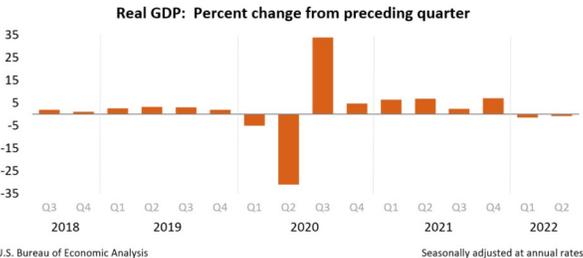
Three Ways of Looking at Economic Growth

The **first measure** of these is of course GDP. GDP is, simply (although none of this is “simple”) the total value of everything - goods and services - produced in our economy.

Now, the media is focused on a **second measure**: the concept of GDI, or **Gross Domestic Income**.

What is GDI, and why are economists and officials so focused on it in order to proclaim whether we are officially in a recession?

According to the BEA, GDI is an “alternative way of measuring the nation’s economy.” It is derived “by counting the incomes earned and costs incurred in production.” In theory, GDI should equal GDP, but the different source data frequently yield



We are not officially in a recession until the National Bureau of Economic Research (“NBER”) makes the call – and that is based on a variety of factors. Just this past week, the US Department of Treasury published an article which stated that “considerable evi-

(continued from Page 1)

different results. The difference between the two measures is known as the “statistical discrepancy”. In the first quarter of 2022, GDI actually *increased* 1.8%. The statistical discrepancy of nearly 3.5% was the largest on record.

Income Components of GDI

	2021Q3	2021Q4	2022Q1	2022Q2	Release date
Real GDP growth (Q/Q, annualized rate)	2.3	6.9	-1.6		28-Jul
Real GDI growth	6.4	6.3	1.8		29-Aug
GDP deflator growth	5.9	7.1	8.3		28-Jul
Gross domestic product (\$ billions)	23202	24003	24387		28-Jul
Gross domestic income (\$ billions)	23833	24620	25223		29-Aug
Compensation of employees, paid	12767	13142	13437	13685	28-Jul
Taxes on production and imports	1655	1693	1738		28-Jul
Less: subsidies	555	305	150		28-Jul
Net operating surplus	6071	6078	6055		29-Aug
Proprietors income	1867	1859	1878	1929	28-Jul
Rental income	729	744	748	778	28-Jul
Corporate profits with IVA/CCA	2405	2409	2353		29-Aug
Other miscellaneous income	1071	1067	1076		29-Aug
Consumption of fixed capital	3896	4012	4143		28-Jul
Statistical discrepancy	631	617	836		29-Aug

Because of the greater number of inputs--relative to GDP--needed to make GDI calculation, GDI is released later. The preliminary numbers are released with the second estimate of quarterly GDP (for the fourth quarter, GDI isn't released until the third estimate of GDP). 2022 Second quarter GDI will not be released likely until the end of August. Many economists however are pointing to the continued extremely low

unemployment rate, wage growth and higher tax revenues as reasons to believe that second quarter GDI will also show an increase.

A **third measure** of economic aggregate economic activity is **Gross Domestic Output** (“GDO”), which is simply the average of GDP and GDI. The Council of Economic Advisors in a 2015 report noted that GDO has been “a better gauge of the latest and presumably most accurate estimates of GDP growth than either GDP or GDI individually as well as a more stable predictor of future economic growth.” GDO growth for the first quarter of 2022 was also

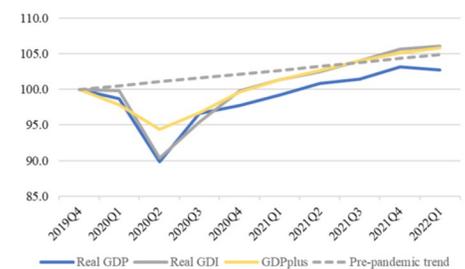
positive.

The Takeaway from The Three Methodologies

So, what do we see going forward? Because we emerged from a 2020 recession that was caused by a government-imposed economic shutdown attempting to manage the pandemic, the rapid increase in economic activity that we saw upon re-

opening was also historic. Getting people back to work, including a transition to hybrid workforces and new creative/alternative supply sourcing, has driven the US economy to be more productive. Higher wages will likely stick – keeping inflation around for a while, and therefore causing the Federal Reserve to continue its path of interest rate increases in reaction. As we know, these higher interest rates will slow the economy down. While it may take a few quarters, it is likely that at some point soon we will hear NBER utter the fated 9-letter word.

Measures of Real Output
Index, 2019Q4 = 100

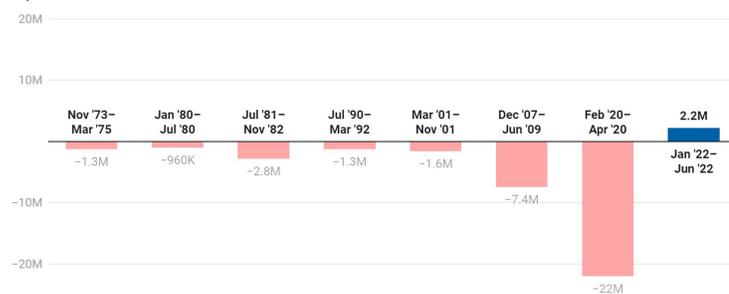


Which measure they will point to is anyone's best guess.

Please call us anytime – we welcome your views and are happy to expand on the discussion above.

Unlike in all recent recessions, the U.S. economy has been gaining jobs*

Change in nonfarm employment during the past 7 recessions compared with the first half of 2022, seasonally adjusted



*The U.S. economy has gained 2.2 million jobs since January 2022.



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