



TFA

Monthly Newsletter

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IN THE NEWS

Recession – A Self-Fulfilling Prophecy?

By Kristi Jackson

A recent Conference Board survey of 1,100 US executives reported that a nearly unanimous 98% of them expected a recession within the next 12-18 months. This figure is staggering and makes us ask the obvious question: could a recession become a self-fulfilling prophecy?

It feels like we are headed there now. Stimulus-driven demand and supply chain constraints led to skyrocketing inflation and now the Fed has reacted with a sharp, steady increase in interest rates – a move which has started to slow the economy. 4th Quarter 2022 GDP grew at an annualized rate of 2.9%¹ which is down from the 6.9%² we saw a year ago, arguably related to the run up in rates. As interest rates edge higher, consumers rely less on credit for purchases, and spend less overall.

The number of home sales is down some 16.4%³ in the last year as mortgage rates have ticked up north of 7% for a period of time.

Most recently, the press can't stop reporting on the massive, announced tech industry layoffs –over 56,000 jobs in the first 20 days of January alone.⁴ While headline-grabbing, mega-cap tech went on pandemic-era hiring binges as they built up massive new infrastructure, much of which was in reaction to the demand for new services coming from a remote or hybrid-work environment, with over a million jobs added during 2019-2022. Amazon alone doubled their global workforce over the period. As the CEO's in these large technology companies sense slowing revenue growth ahead, they are paring back staff to prepare.

Joe Biden signs water bills benefiting tribes

1/6/23 – [ictnews.org](https://www.ictnews.org)

Analyst "still positive" on gaming despite economy

1/11/23 – [cdcgaming.com](https://www.cdcgaming.com)

National Indian Gaming Commission announces departure of general counsel

1/23/23 – [indianz.com](https://www.indianz.com)

First woman elected Speaker of the Navajo Nation

1/25/23 – [ictnews.org](https://www.ictnews.org)

NAFOA: 5 Things You Need to Know this Week

1/30/23 – [indianz.com](https://www.indianz.com)

Native leaders: Educational trust fund will be key

1/30/23 – [ictnews.org](https://www.ictnews.org)

IHS Invests \$139M to Fight Diabetes in Indian Country

1/31/23 – [nativenewsonline.net](https://www.nativenewsonline.net)

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This is not the case however in many other areas of the economy. The unemployment rate nationally is still near historic lows. Companies in the industrial, travel, leisure, hospitality and services sectors aren't experiencing layoffs. In fact, they are still struggling to fill open positions.

There remains roughly 1.7 open job vacancies for every unemployed person in the US. Since COVID lockdown restrictions have gone away, consumers continue to migrate from purchasing durable goods to services. This is tempering the recessionary expectation.

So we've seen the signs – but when and how bad will it get? Dana Peterson, the chief economist for the Conference Board, reports that the CEO's in their survey largely expect this next "inevitable" recession to be both "short and shallow". Kip Ritchie, COO of Potawatomi Business Development Corporation agrees, saying "unless you are paying attention, you may not notice this next recession." With so many people still employed, and job openings still tougher to fill, companies are responding to the forecast for recession in slightly different, and less severe ways.

CEO's are reporting that they are doing a few things to prepare for a probable recession.

Spending less – With increased uncertainty in the economy, discretionary projects are being pushed out on the calendar.

New pricing strategies – We've heard from gaming operators in particular who are increasing reinvestment in customers that weren't recently active so that when a recession comes, they will have more customers coming to their property.

Maintaining cash reserves – As the massive pandemic shutdowns are still visible in the rearview mirror, many executives with whom we spoke noted that they want to make sure they have access to lines of credit and cash as they head into the next year. As bankers, we know the time a borrower really needs to tap into a new line of credit is not the time they should be asking for it – the line should already be established.

Making selective investments – One tribal gaming CEO we spoke with said that while they believe there will be a recession this year, it will be over within a year. They plan to add

much-needed capacity (i.e., hotel rooms). Their capital program won't open for two years, and when it does open, they'll have something that others in their area won't because they believe others will likely stand pat and not spend resources during a recession. Another executive, Joe Nayquonabe, CEO of Mille Lacs Corporate Ventures, notes that it's becoming a little easier to find available contractors and subcontractors given that several projects in the area have been put on hold.

By doing the above, are we encouraging slower growth and ultimately creating a recession by planning for one? Probably. There is a conscious and widespread deceleration in spending. However, given that the employment picture remains strong – and there appears to be a consumer that is still willing to make purchases for services in particular – a short and shallow downturn seems to be the most likely scenario.

Sources:

¹ [BEA.gov](https://www.bea.gov)

² [BEA.gov](https://www.bea.gov)

³ [Census.gov](https://www.census.gov)

⁴ [Forbes](https://www.forbes.com)

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