

# The economic outlook: Themes & risks!

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# Global growth: unsynchronized, peaking, increasingly vulnerable

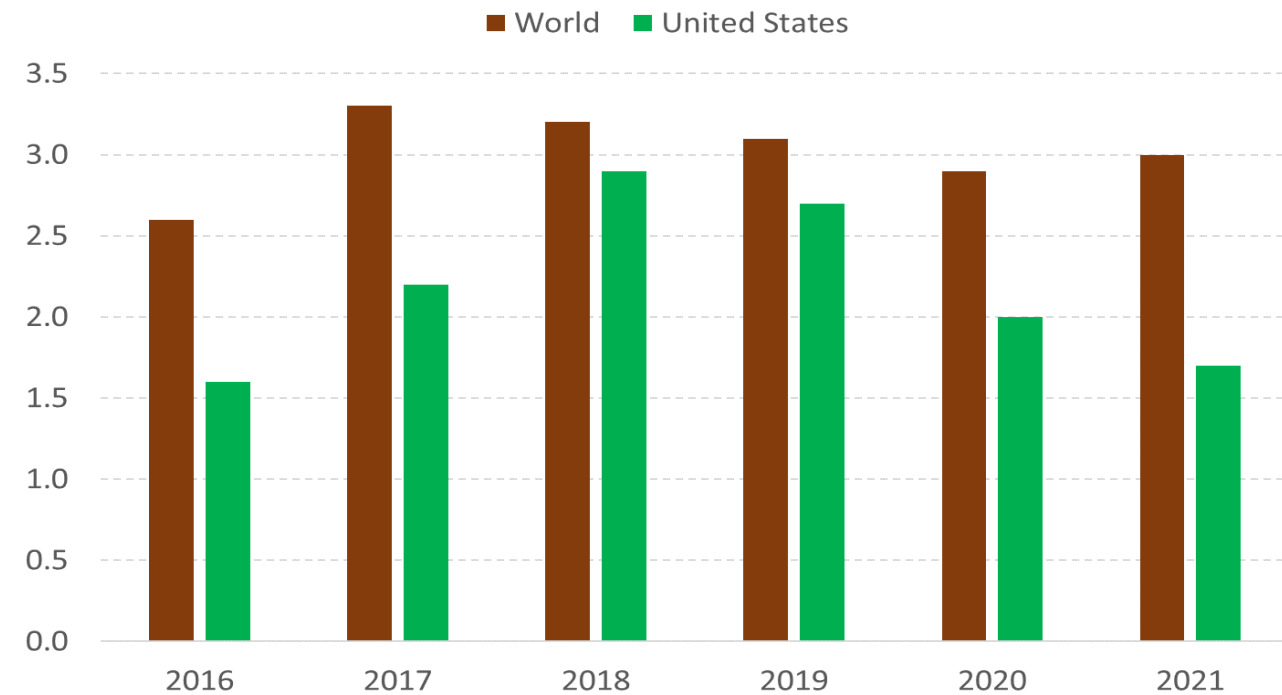
Still solid, but rising concerns about protectionism and emerging market stress; differentials favoring US dollar

## A Quick Look at the Numbers...

	2016	2017	2018	2019	2020	2021
Real GDP Growth (% , Y/Y)						
<b>World</b>	<b>2.6</b>	<b>3.3</b>	<b>3.2</b>	<b>3.1</b>	<b>2.9</b>	<b>3.0</b>
<b>United States</b>	<b>1.6</b>	<b>2.2</b>	<b>2.9</b>	<b>2.7</b>	<b>2.0</b>	<b>1.7</b>
Canada	1.4	3.0	2.2	2.3	2.2	2.0
Eurozone	1.9	2.5	2.0	1.7	1.6	1.5
United Kingdom	1.8	1.7	1.2	1.1	1.4	1.6
Japan	1.0	1.7	1.1	0.9	0.5	1.2
China	6.7	6.9	6.7	6.1	6.0	6.0
India	7.1	6.7	7.2	7.1	7.0	7.2
Brazil	-3.5	1.0	1.5	2.5	2.5	2.9
Russia	-0.2	1.5	1.8	1.6	1.6	1.7
Exchange Rates (year end)						
Dollar/euro	1.05	1.20	1.13	1.10	1.10	1.12
Yen/dollar	116.80	112.90	112.32	118.29	119.62	117.38

Source: Macroeconomic Advisers by IHS Markit

Real GDP Growth (Percent, Year/Year)



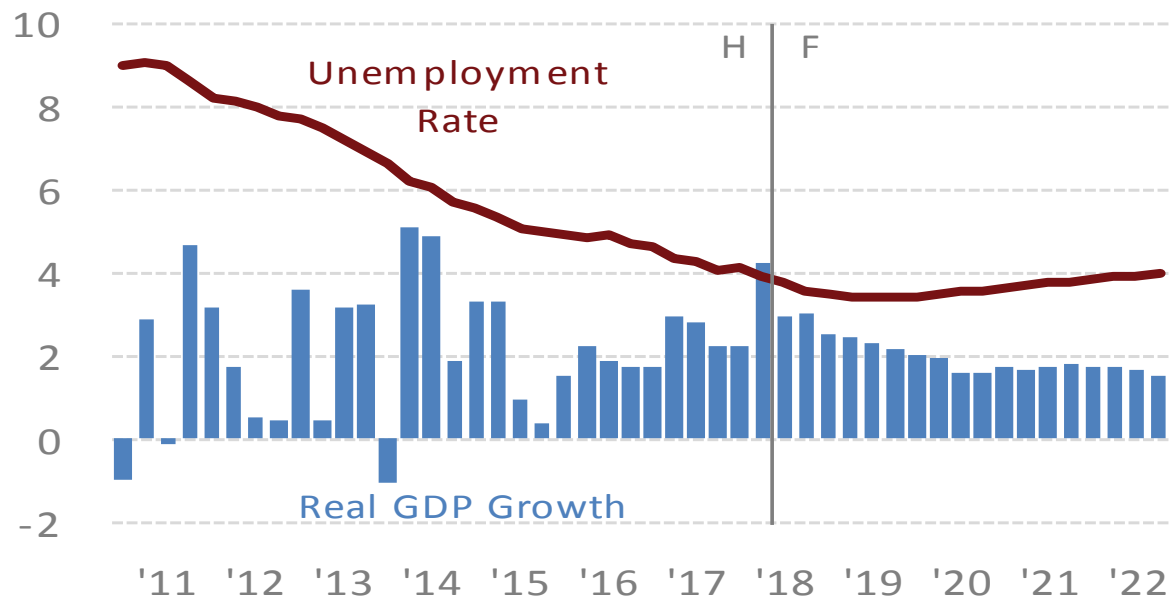
Source: Macroeconomic Advisers by IHS Markit

# Focus on US

Above trend growth, falling unemployment through 2019

## Modestly Above-Trend Growth Through 2019

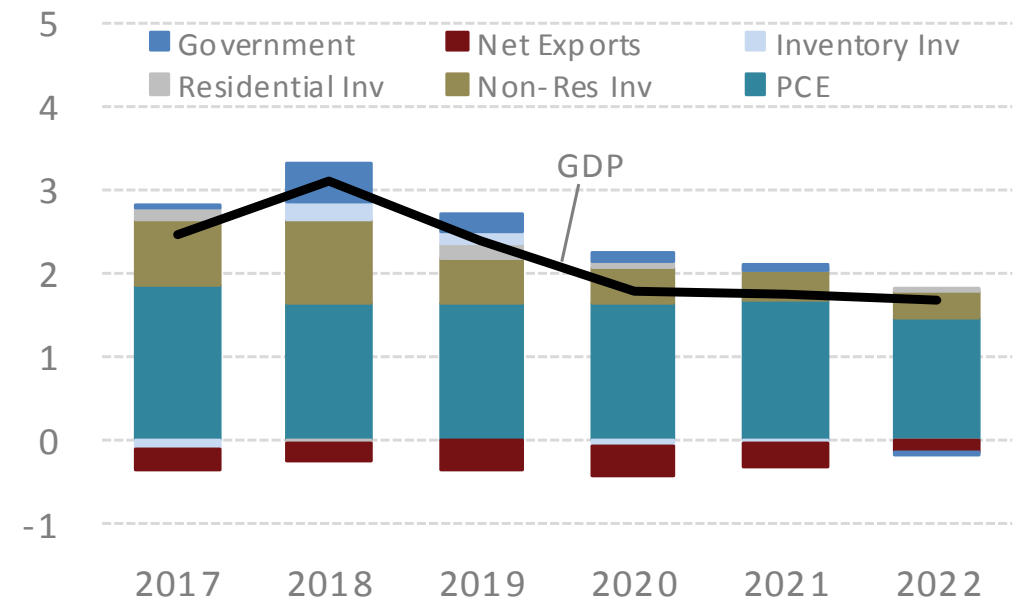
percent



Source: Macroeconomic Advisers by IHS Markit, BEA, BLS

## Contributions to GDP Growth

percentage points

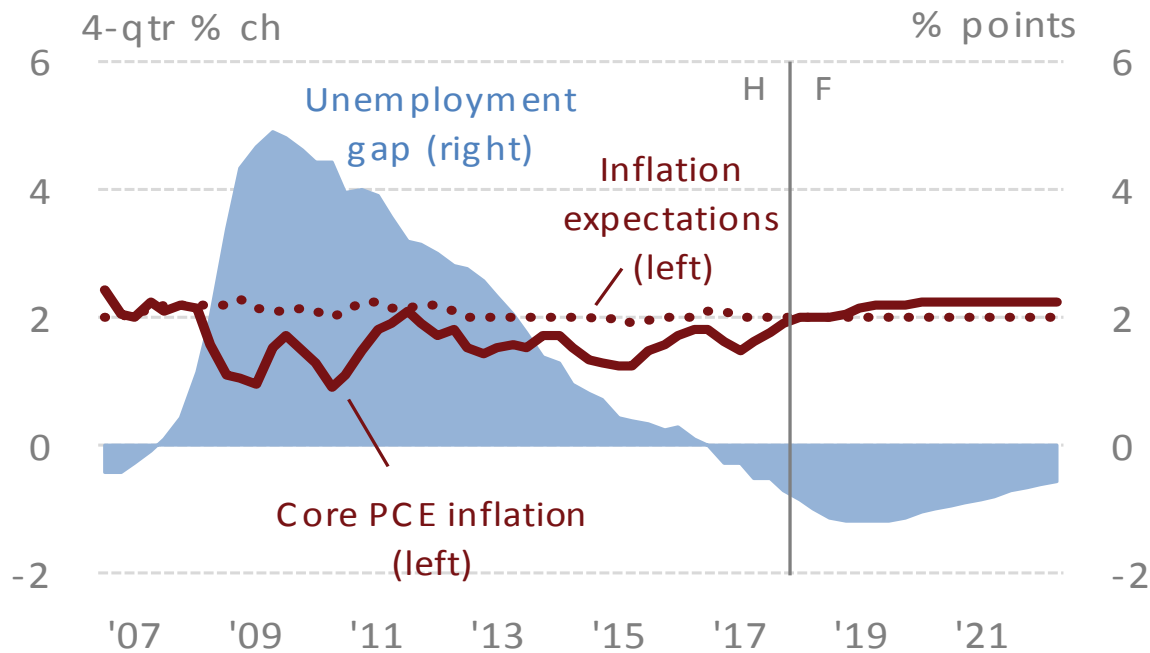


Source: Macroeconomic Advisers by IHS Markit, BEA

# Focus on US

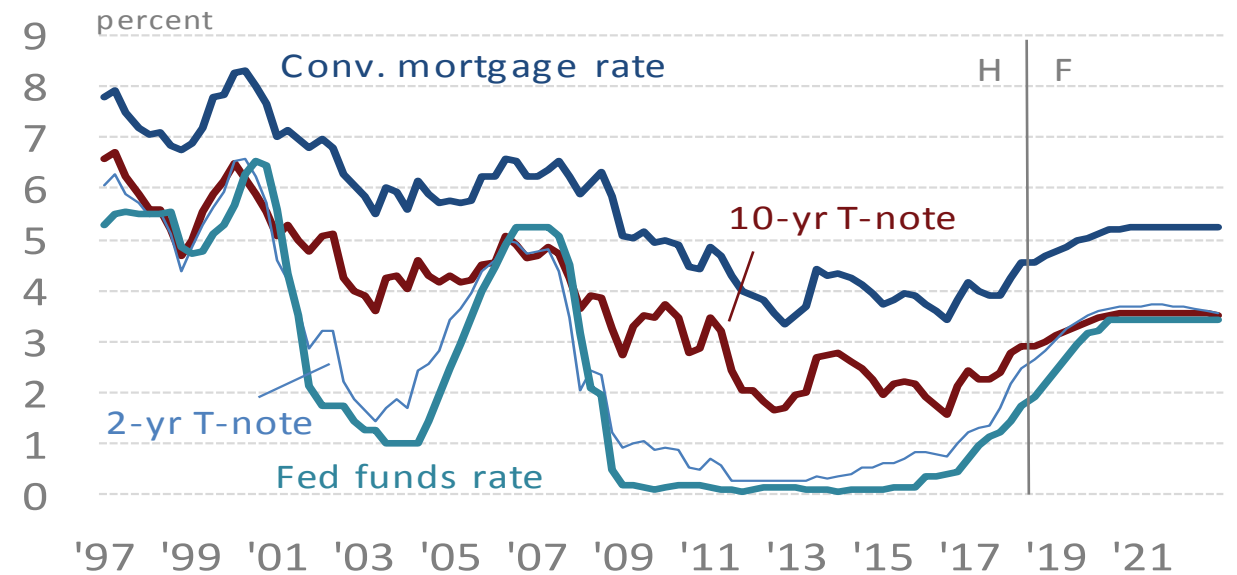
Inflation firms above Fed's 2% objective, interest rates "normalize"

### Core PCE Inflation Rises to 2%, and Higher



Source: Macroeconomic Advisers by IHS Markit, Philly Fed, BEA, BLS

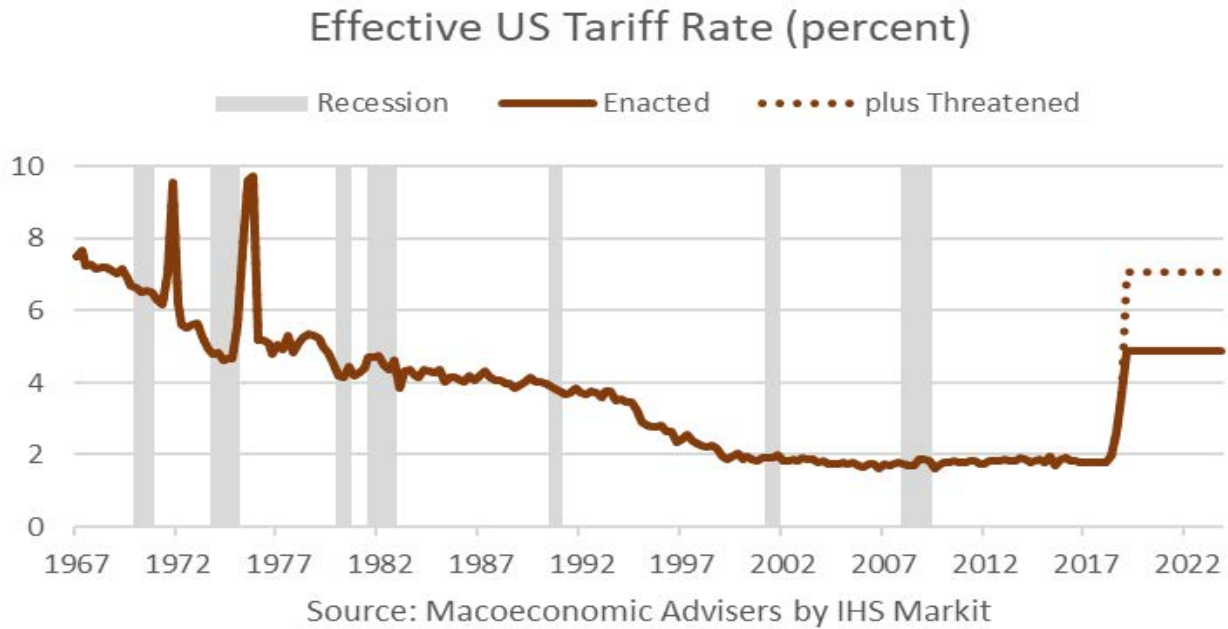
### Rising Expected Fed Funds and Normalizing Term Premium Drive Term Yields Higher



Source: Macroeconomic Advisers by IHS Markit, Federal Reserve

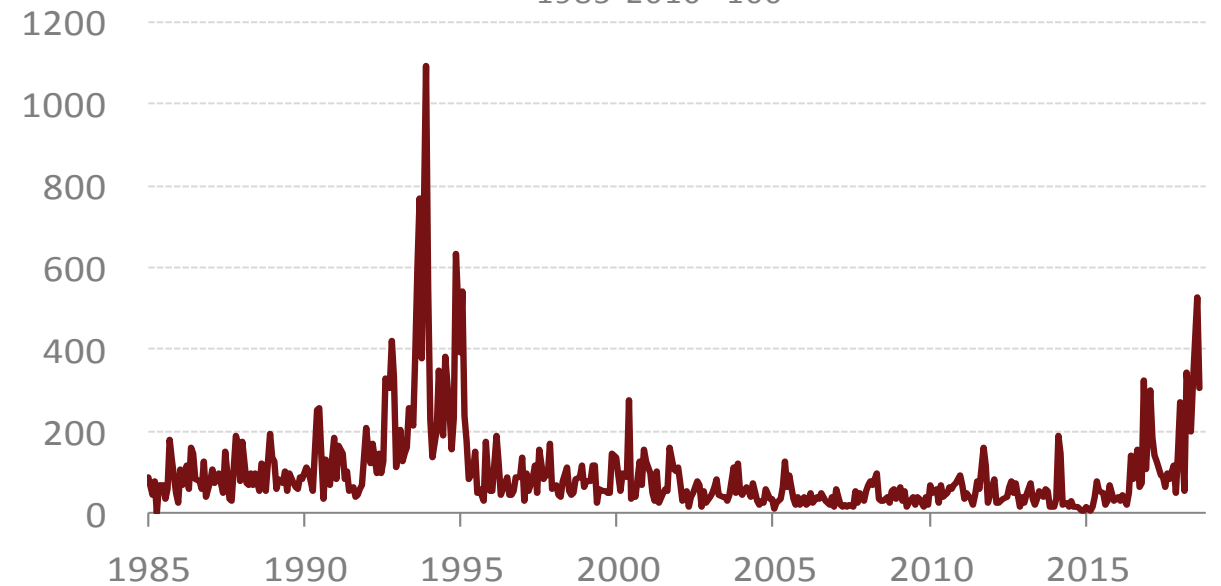
# Tariff tensions

Effective tariff rate rises as uncertainty over trade policy climbs



## US Economic Trade Policy Uncertainty Index Spikes

1985-2010= 100

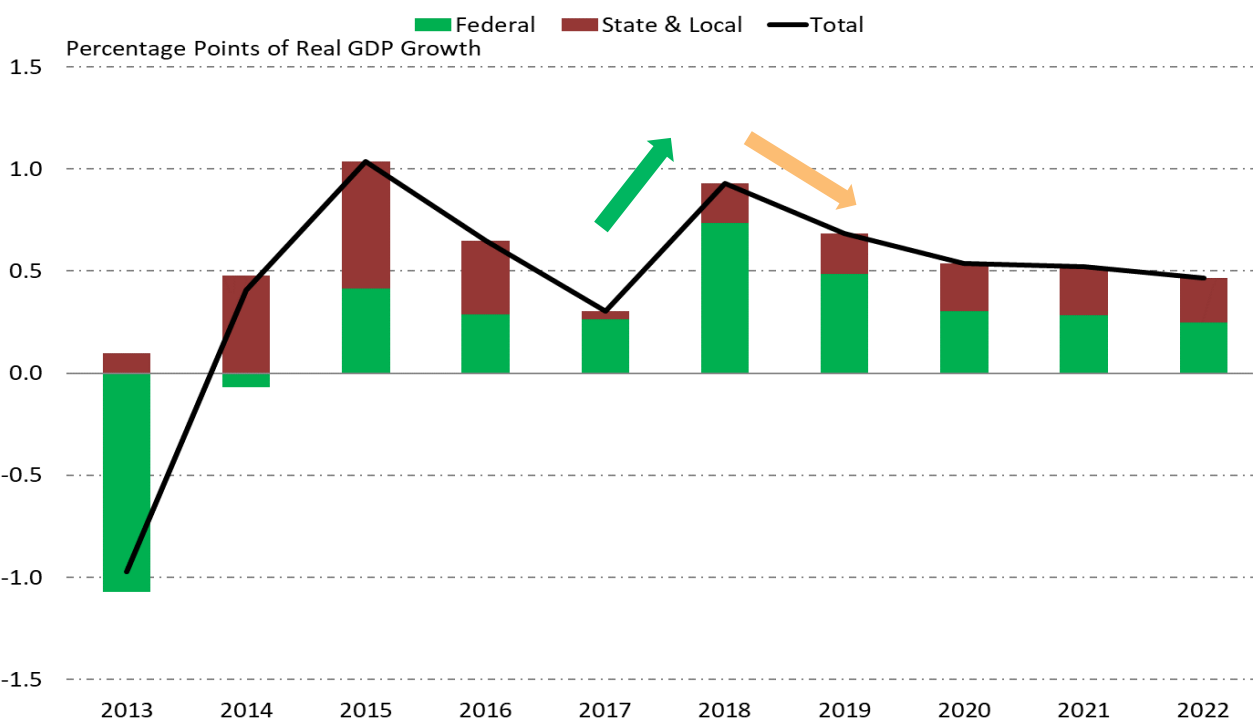


Source: "Measuring Economic Policy Uncertainty" by Scott Baker, Nicholas Bloom and Steven J. Davis at [www.PolicyUncertainty.com](http://www.PolicyUncertainty.com)

# US macro policies shifting towards restraint

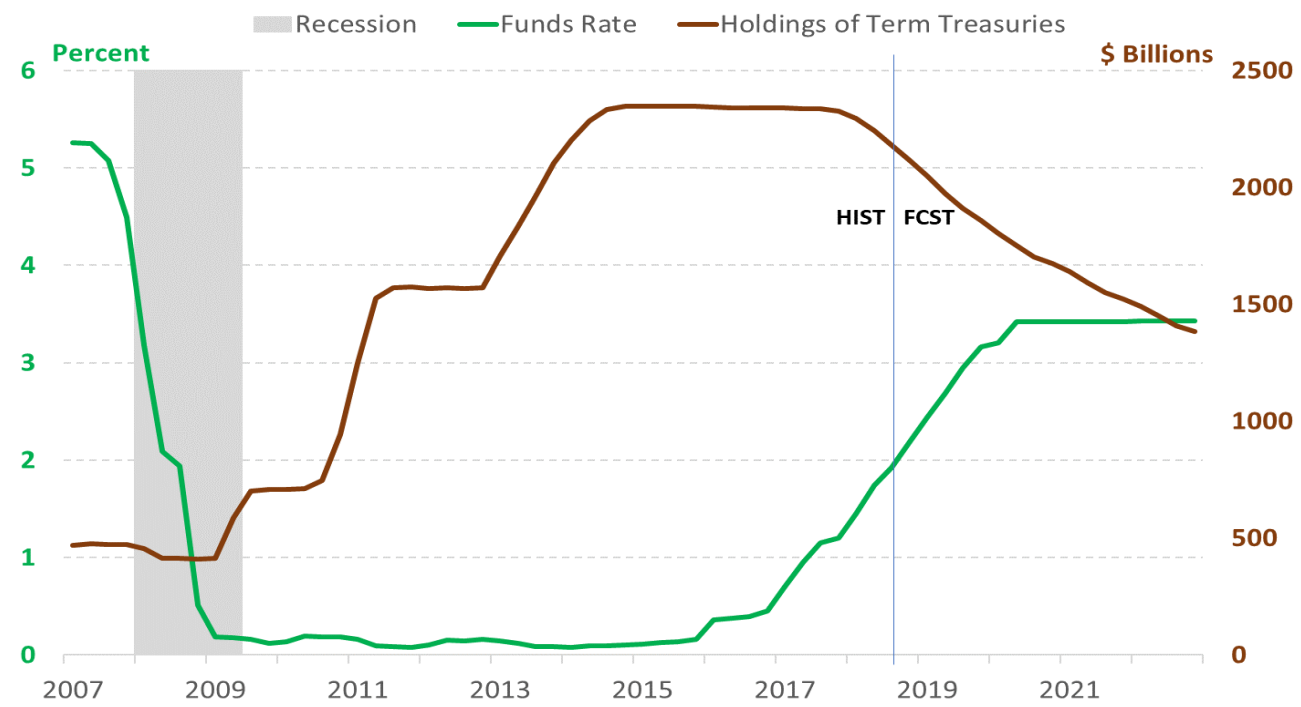
And this assumes no “sequestration” in fiscal year 2020

Fiscal Stimulus / Drag



Source: Macroeconomic Advisers by IHS Markit

US Monetary Policy

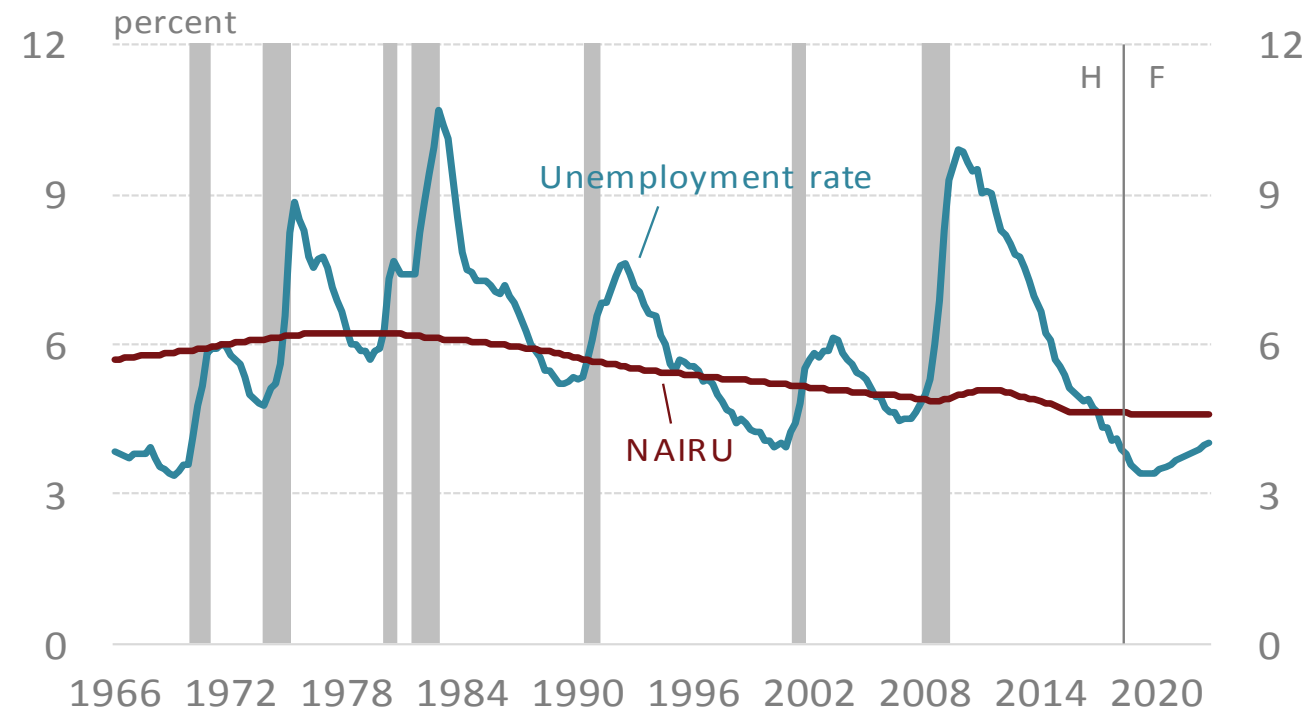


Source: Macroeconomic Advisers by IHS Markit

# Vulnerability of US economy rises sharply by early 2020

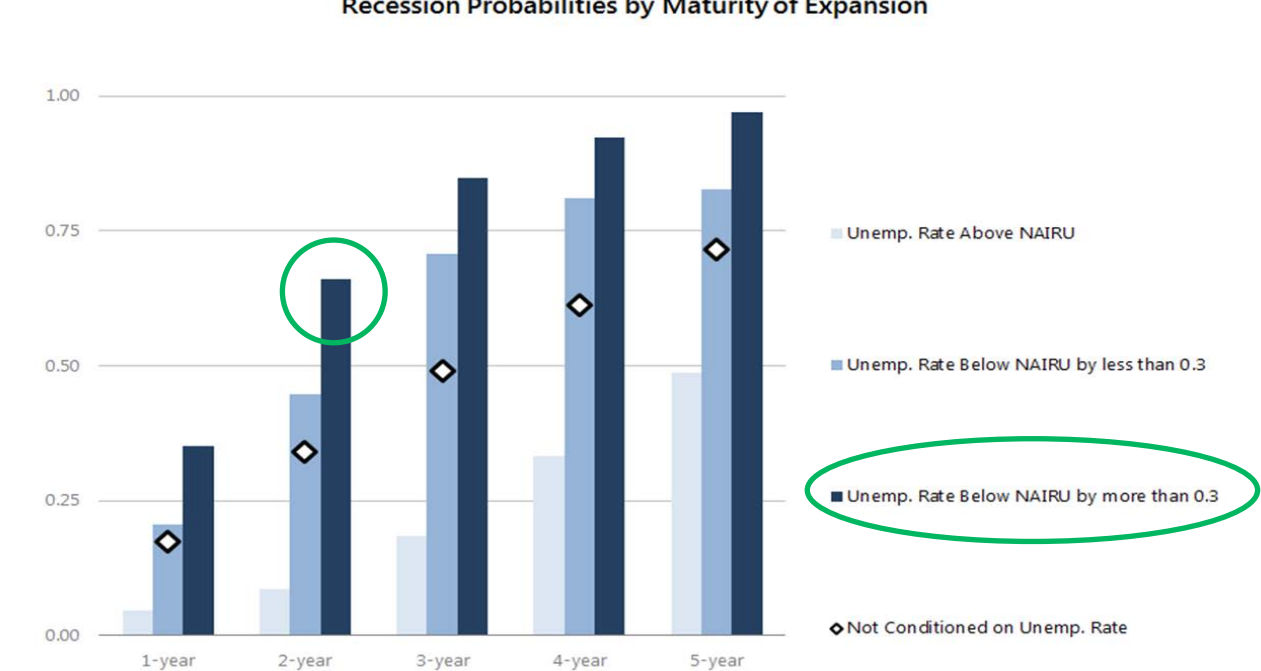
Expansion don't die of old age, they're "killed" by policy mistakes, shocks...that tend to occur at low unemployment rates

In Search of a Unicorn



Source: Macroeconomic Advisers by IHS Markit

Figure 1  
Recession Probabilities by Maturity of Expansion



Source: Macroeconomic Advisers, LLC

# Lightning Round!

Quick answers to most frequently asked questions

- Oil price rollercoaster?
- Spending sequestration in FY 2020?
- Slope of the yield curve → recession imminent?
- Recession odds? Likely endgame scenarios?
- Whither stocks – bear market?
- Impact of US mid-term elections?
- Policy efficacy in next recovery?
- Impact of *global* trade “war”; NAFTA update?
- Brexit, Remain? Impact on UK
- China – greatest risks, near-term, far-term?
- EM contagion risk?

