The (US) economic outlook: themes, issues, risks…and lots of questions!

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Dr. Joel Prakken, VP, Chief US Economist, Co-head of US Economics
+1 314 779 1980
Joel.Prakken@ihsmarkit.com
Global growth: peaked, slowing and, for the largest economies, synchronized
Still respectable, but heightened concerns about downside risks: trade, Brexit, oil supplies; fundamentals favor strong USD

**A Quick Look at the Numbers...**

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*Source: Macroeconomic Advisers by IHS Markit; 18 September 2019*
Focus on US: policy pivots towards fiscal & monetary accommodation

The 2019 Budget Act and the Fed’s early-2019 dovish turn help prolong recovery in the face of new downside risks
Focus on US: consumers carry the water

Above trend growth, falling unemployment through 2020; consumers, govt lend support; goods production, trade soft
Focus on US: recent soft patch in inflation fading

Inflation firms above Fed’s 2% objective; unneeded monetary accommodation eventually reversed

Core PCE inflation is on the rise

Fed cuts funds rate in Oct. and again in Jan. before reversing in late 2020, term yields rise gradually
Tariffs: why so little impact (so far)?

- Tariffs as a tax
  > About 0.5% of GDP over several years
  > Compare that to recent tax & spending stimulus; and, there are offsets
  > So far, trade diversion, not destruction
  > 10%+ depreciation of the yuan
  > Some substitution towards US production
  > Margin compression => differential impacts
- Tariff policy as a source of uncertainty
  > Financial conditions: higher risk spreads, but (mostly) offset by lower risk-free rates
  > Cap ex plan on hold? yes, esp in mfg, but…
- Macro vs micro
Recession odds (within a year): somewhat elevated, but not “show-stopping”

But if recession odds are 1 in 3, what “expected” economic environment should we plan for?
Time for…the lightning round!
Quick answers to most frequently, recently asked questions
• Manufacturing recession?
• Boeing 737 MAX problems, GM strike?
• Impact of attack on Saudi infrastructure?
• Slope of the yield curve ➔ recession imminent?
• If not the above, then recession odds?
• Whither stocks – bear market?
• Impact of 2020 Presidential election?
• Policy efficacy in next recovery?
• Modern monetary theory?
• Updated odds on Brexit, no-deal Brexit, remain? Impacts on UK, global economy?