

Outlook 2020

U.S. Economic Forecast: Clouds, Sunshine or Showers?

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Please see important information at the end of this program. Filmed on 11/22/2019

Our baseline forecast for the economy in 2020 is for a trend-like growth, trend-like being defined of close to 1.7% growth. And if you think about the average throughout this recovery,

[TEXT ON SCREEN]

Forecast for U.S. Growth:

Slightly lower than average
during the recovery,
but still expanding.

... it's been about 2.2%. So it's slightly lower than the average over the recovery, but it's not in a contraction territory.

[TEXT ON SCREEN]

Forecast for U.S. Growth:

Some clouds are likely

We've been characterizing our baseline forecasts as partly cloudy. But of course, if you think about the risks, they are certainly in both directions.

[TEXT ON SCREEN]

Forecast for U.S. Growth:

But chance of sunshine ... or thunderstorms

You could see sunshine, or unfortunately, you could see thunderstorms.

So to address those risks, you have to consider, first, what happens abroad. And importantly, that's the U.S.-China trade war.

[TEXT OVER B-ROLL OF TRADE FOOTAGE]

Key risk: U.S. China trade war

If things get resolved quickly, if it looks like there's a rollback on tariffs, you could see a real return of confidence in the business community. Some of that delayed investment could come back, and that could spur economic activity in a pretty meaningful way.

But on the downside, if things do escalate negatively in terms of the trade war, that will further impair confidence and potentially bleed in a negative way into the household sector.

You also have to consider, though, just the fundamentals of that household sector.

[TEXT OVER B-ROLL OF HOUSING / CONSTRUCTION FOOTAGE]

U.S. housing market has been strong

Specifically, the housing market has done quite well in the last few quarters. And that's in large part due to the fact that the Fed has cut interest rates, and borrowing costs are quite low. So we've seen a return in housing demand. We've seen a pickup in housing construction, as well, particularly for single family homes. And that likely will help to boost home prices.

And it also will help to fuel some confidence. Housing is a big asset on consumer balance sheets.

And if it's appreciating, and it looks like there's a bit more health to the housing market, that should help to support consumer confidence.

The main takeaway is that we don't think this business cycle is ending right now. We do think that there's capacity for the recovery to persist, certainly into 2020 and beyond.

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