

U.S. Economic Report

October 10, 2019

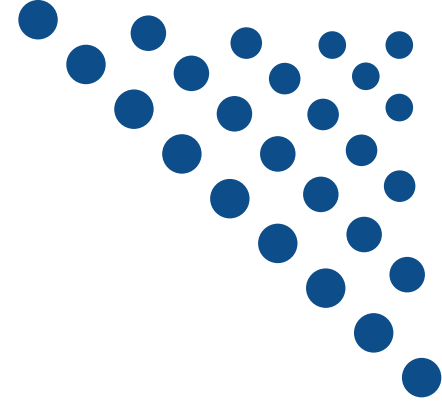
California Marine Affairs &
Navigation Conference

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Executive Director
National Economic Education Delegation



National Economic Education Delegation



- **Vision**

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

- **Mission**

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

- **NEED Presentations**

- Are **nonpartisan** and are intended to reflect the consensus of the economics profession.



Who Are We?

- **Honorary Board: 44 members**

- 2 Fed Chairs: Janet Yellen, Ben Bernanke
- 6 Chairs Council of Economic Advisers
 - o Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 3 Nobel Prize Winners
 - o Akerlof, Smith, Maskin

- **Delegates: 367 members**

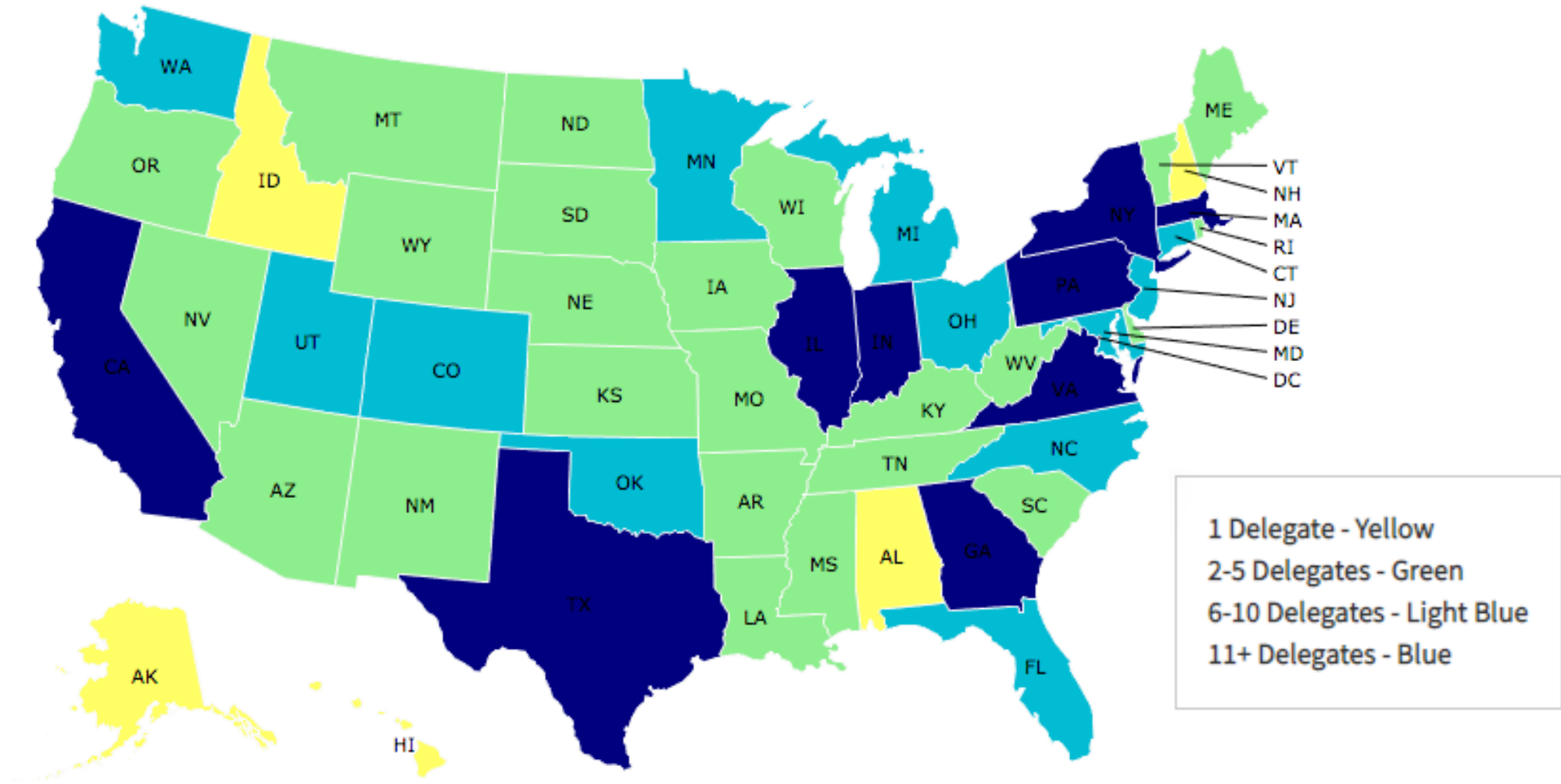
- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsourc slide decks
- Give presentations

- **Global Partners: 42 Ph.D. Economists**

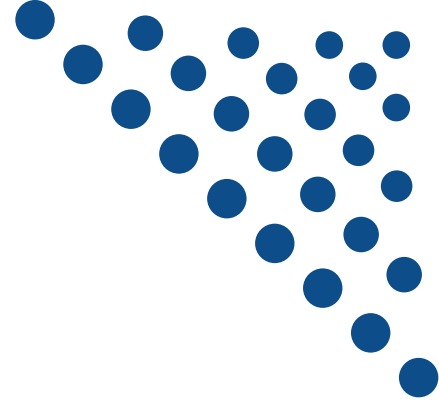
- Aid in slide deck development



Where Are We?



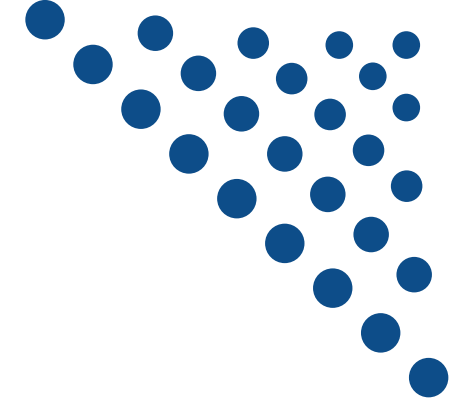
Credits and Disclaimer



- **This slide deck was authored by:**
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- **Disclaimer**
 - NEED presentations are designed to be nonpartisan
 - It is, however, inevitable that the presenter will be asked for and will provide their own views.
 - Such views are those of the presenter and not necessarily those of the National Economic Education Delegation (NEED).

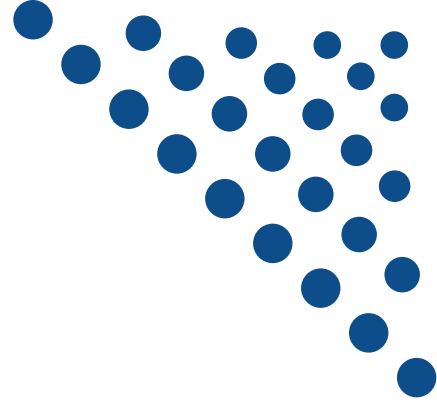


Outline – Economic Outlook



- **U.S. Economy**
- **Trade War**
- **Summary**

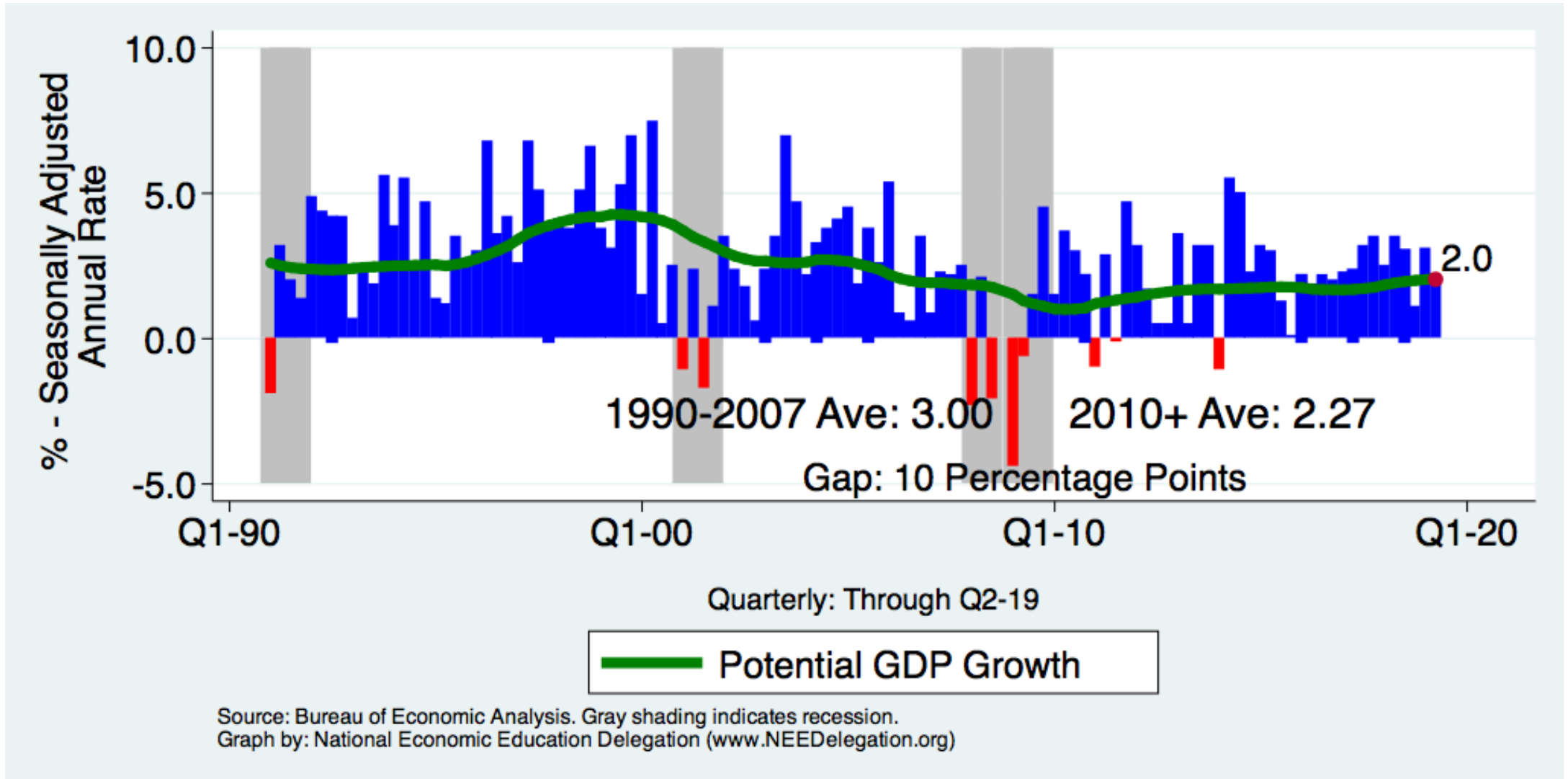
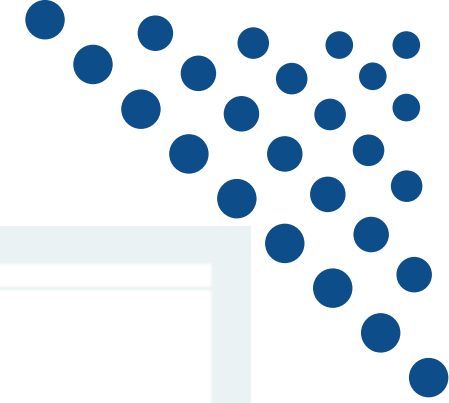




U.S. Economy

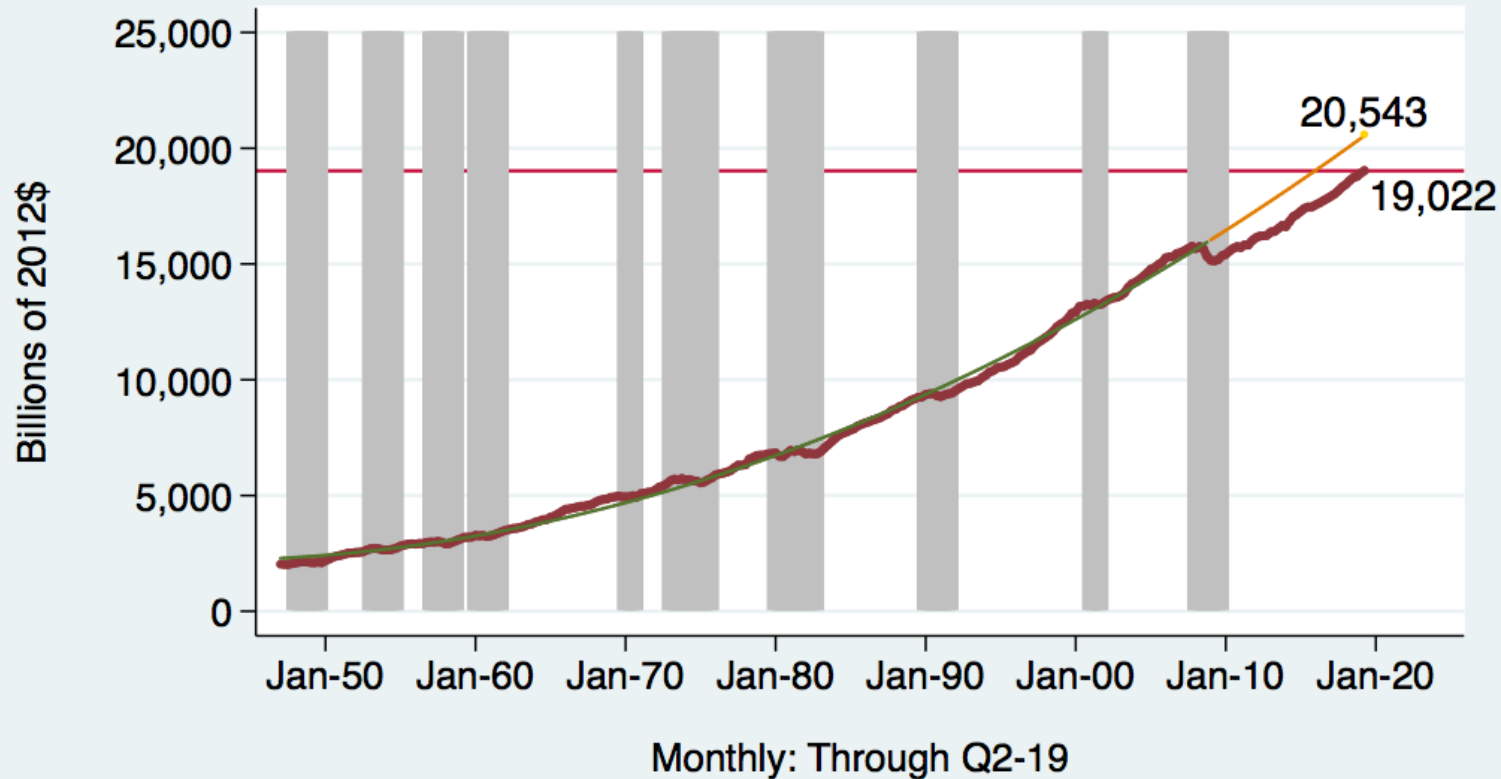


GDP Growth During Economic Recovery



Source: Bureau of Economic Analysis. Gray shading indicates recession.
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

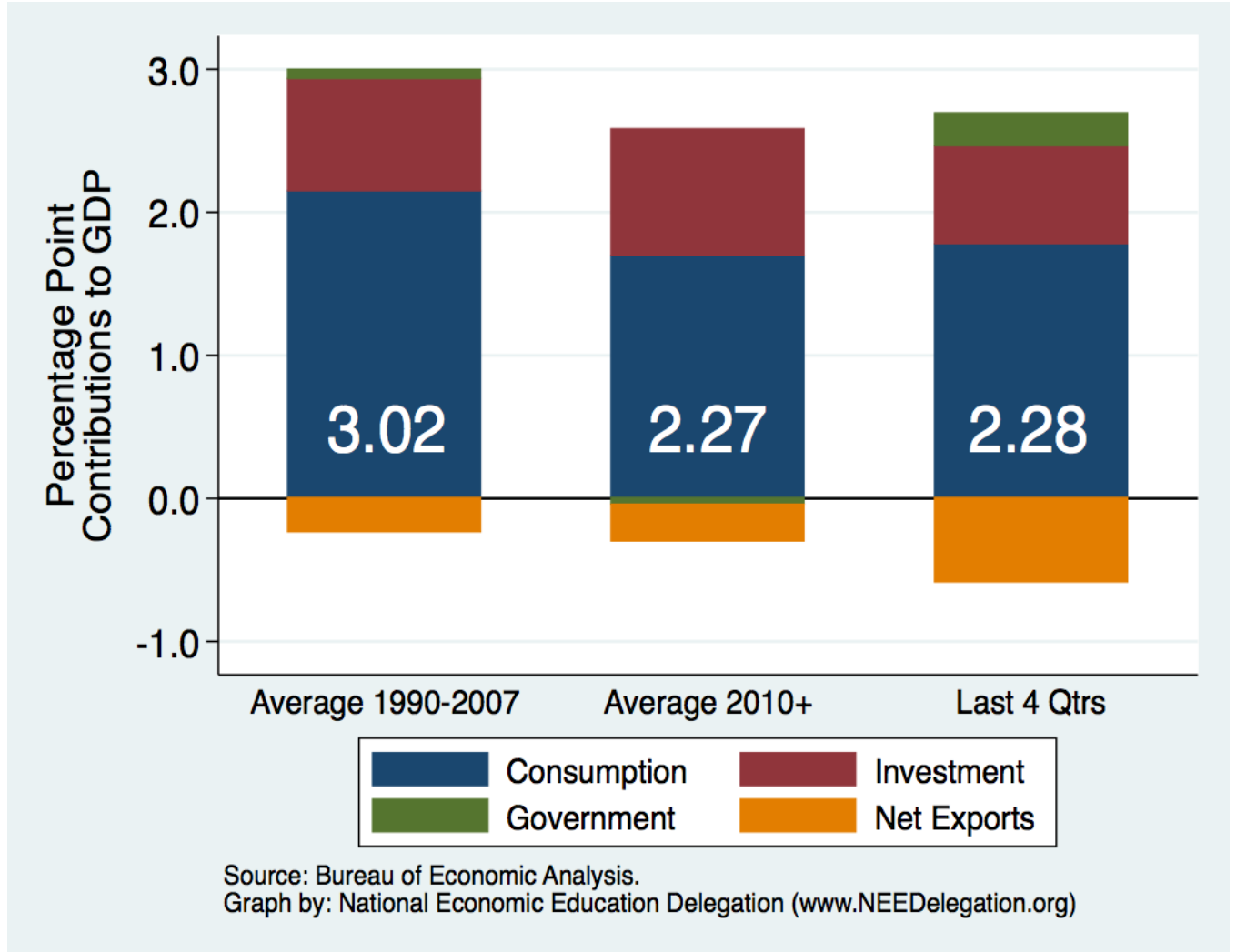
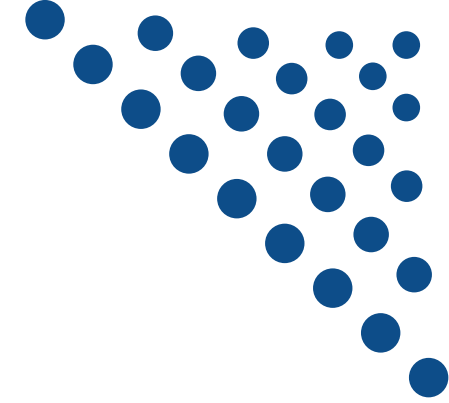
GDP Relative to Long-Term Trends



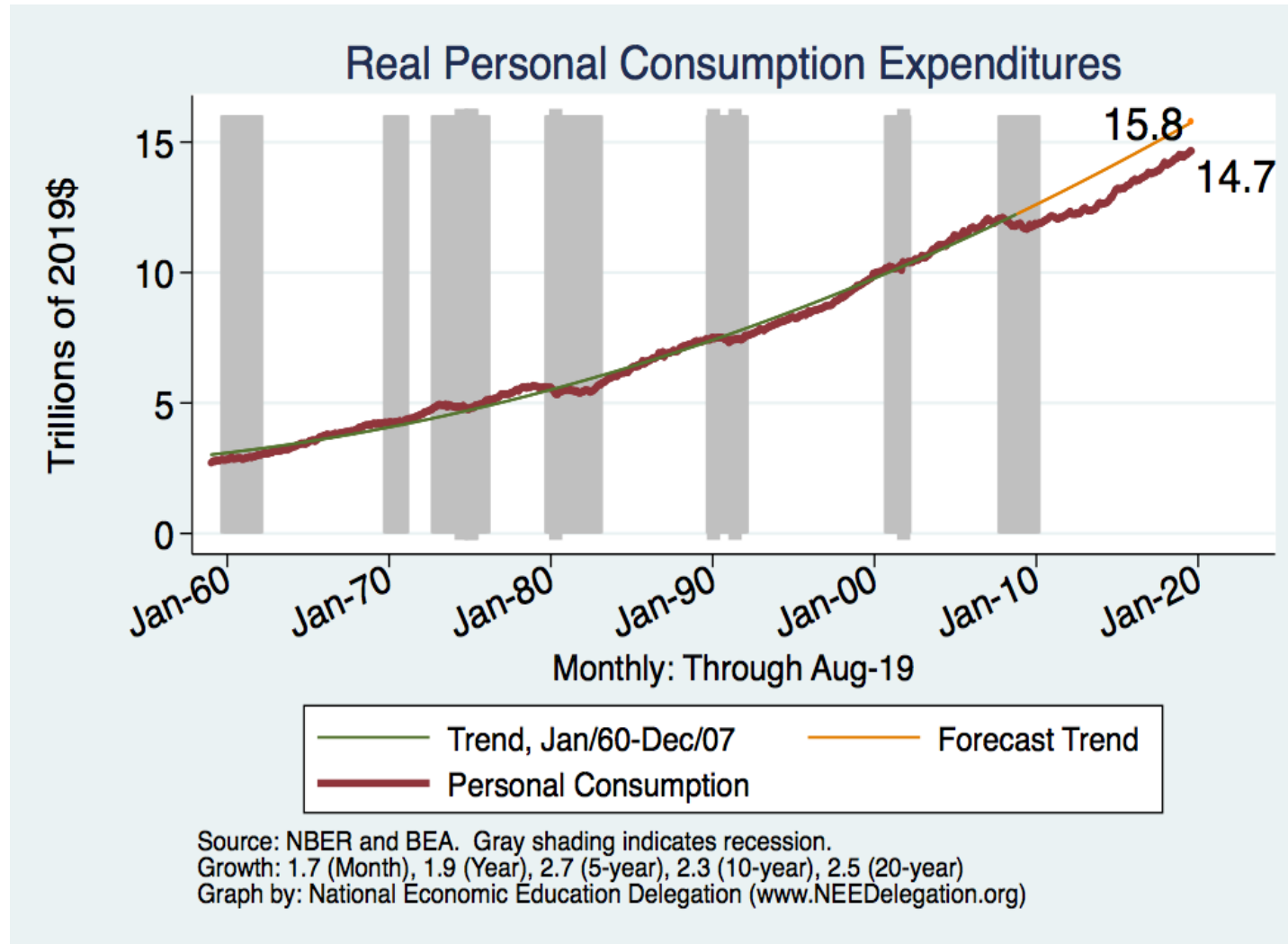
— Trend, Jan/60-Dec/07 — Forecast Trend
— Real GDP

Source: NBER and BEA. Gray shading indicates recession.
 Growth: 1.9 (Qtr), 2.2 (Year), 2.5 (5-year), 2.5 (10-year), 2.6 (20-year)
 Graph by: National Economic Education Delegation (www.NEEDelegation.org)

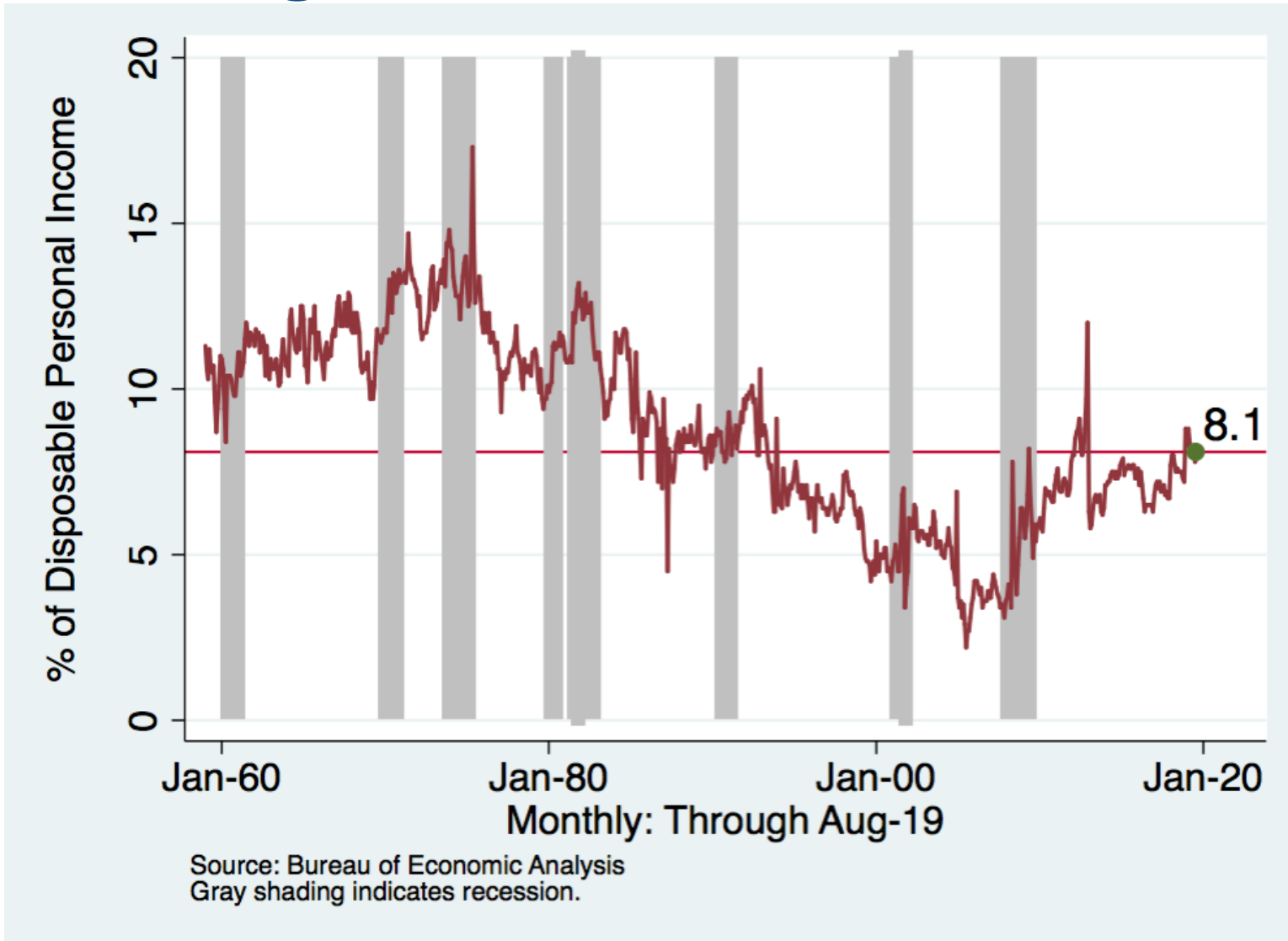
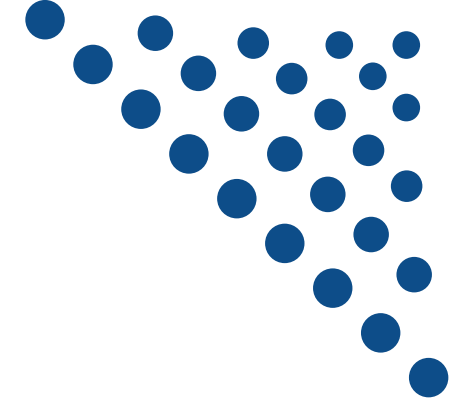
Expenditure Summary



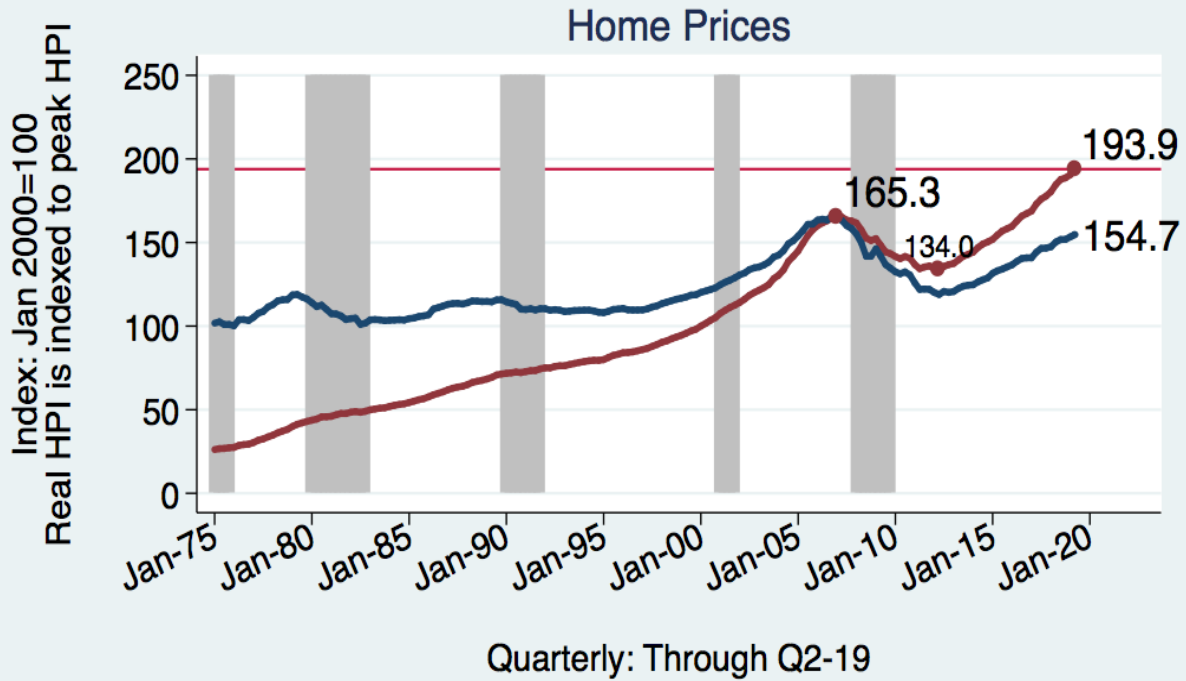
Personal Consumption Expenditures



Personal Savings

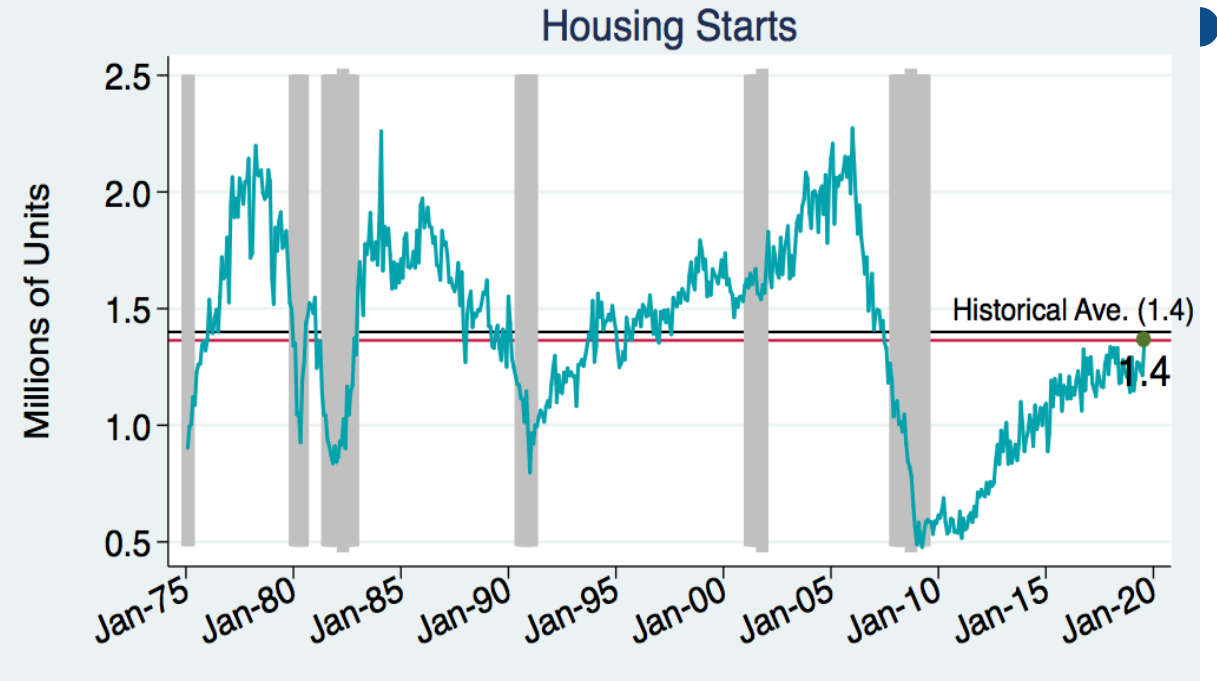


Home Prices and Housing Starts



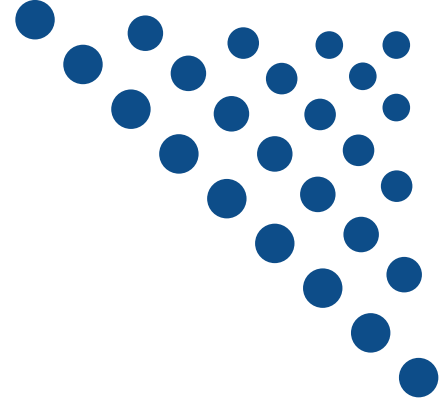
— Home Price Index (HPI) — Real HPI

Source: NBER and U.S. Federal Housing Finance Agency. Gray shading indicates recession.
Graph by: National Economic Education Delegation (www.NEEDelegation.org)



Source: NBER and Bureau of the Census. Gray shading indicates recession.
Total: New Privately Owned Housing Units Started.
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

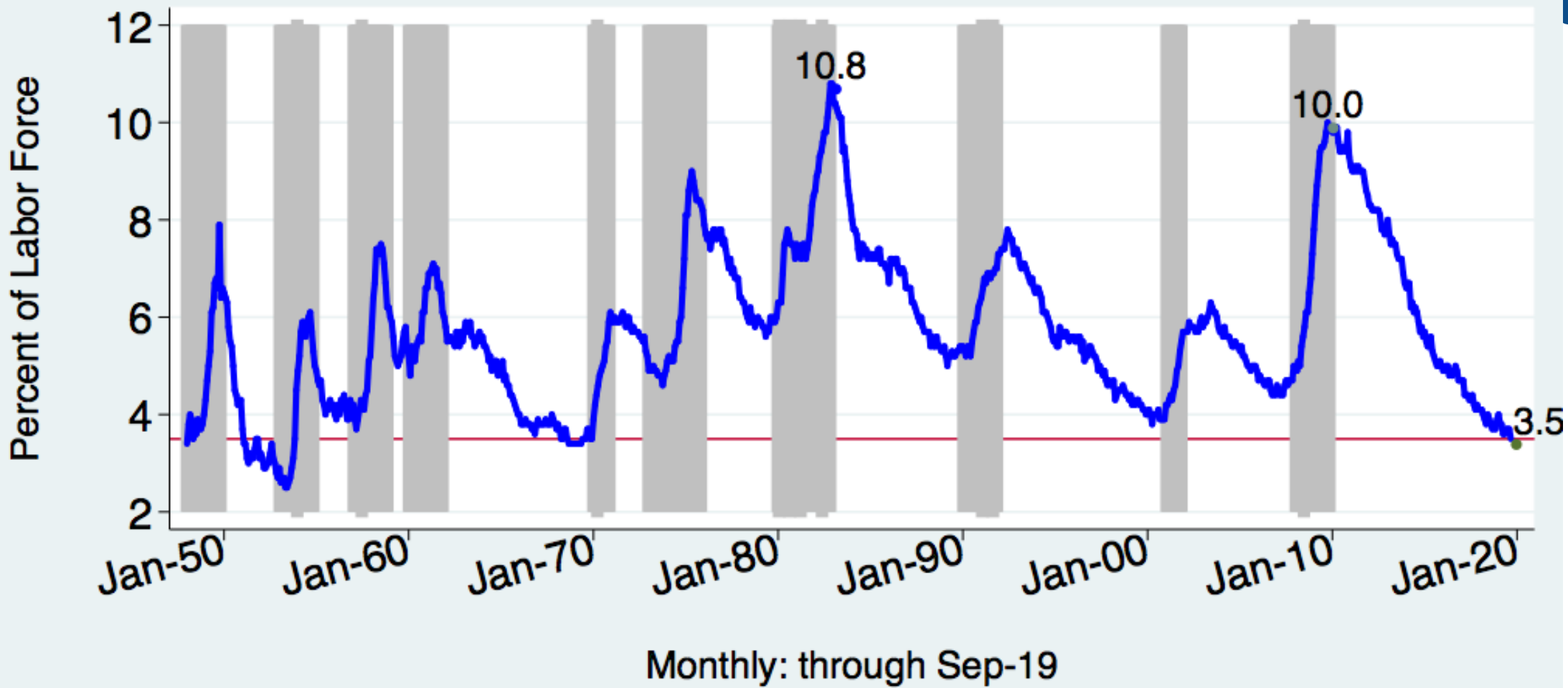
Summary



- **Recent years have seen relatively tepid increases in demand for output.**
 - In particular, consumption and government spending have been slow relative to other periods.
- **This tepid growth has lead to slow increases in employment.**
 - Although labor markets have tightened, wages have not experienced rapid growth.



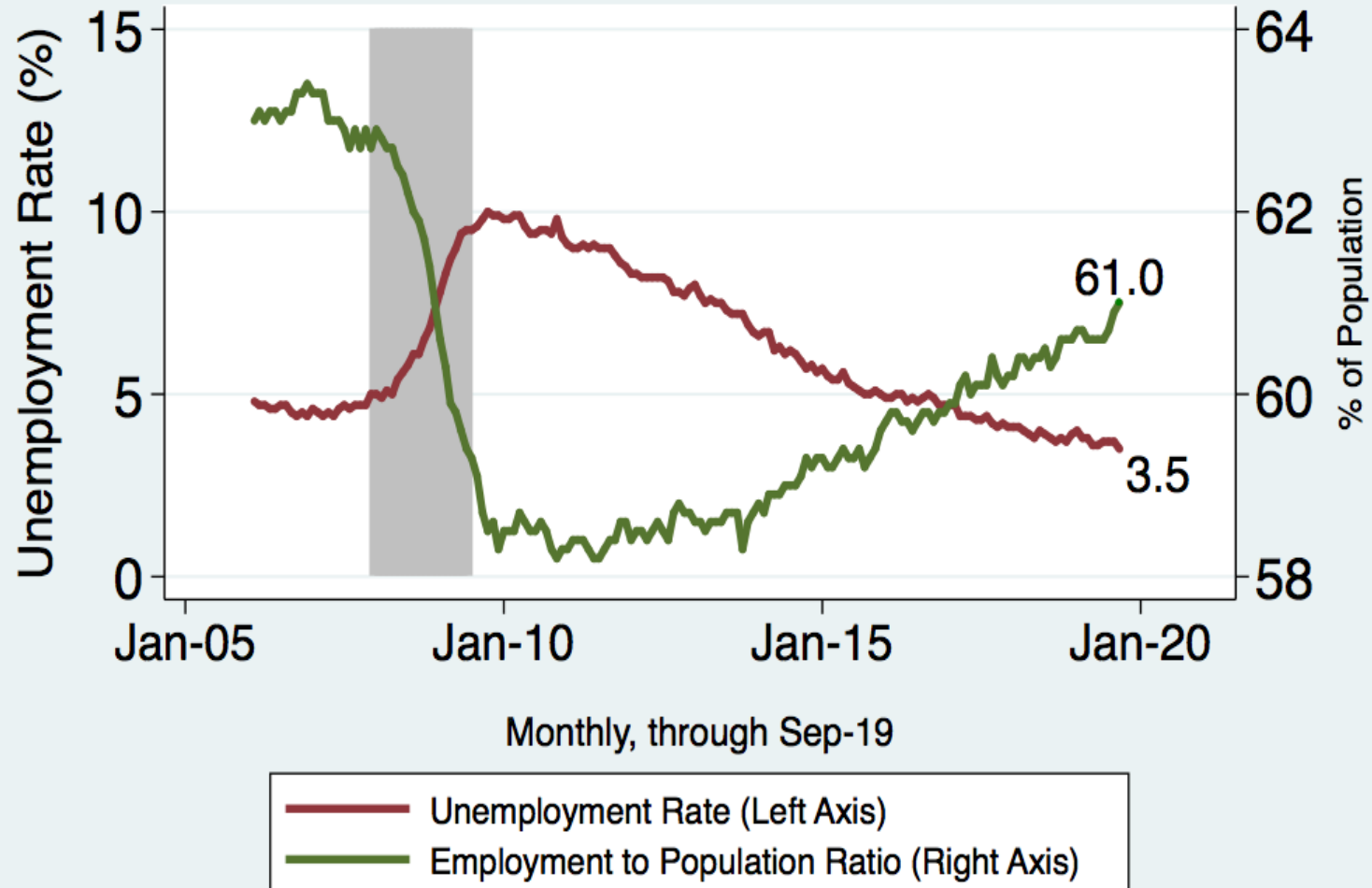
Unemployment Rate



Source: Bureau of Labor Statistics
Gray shading indicates recession.

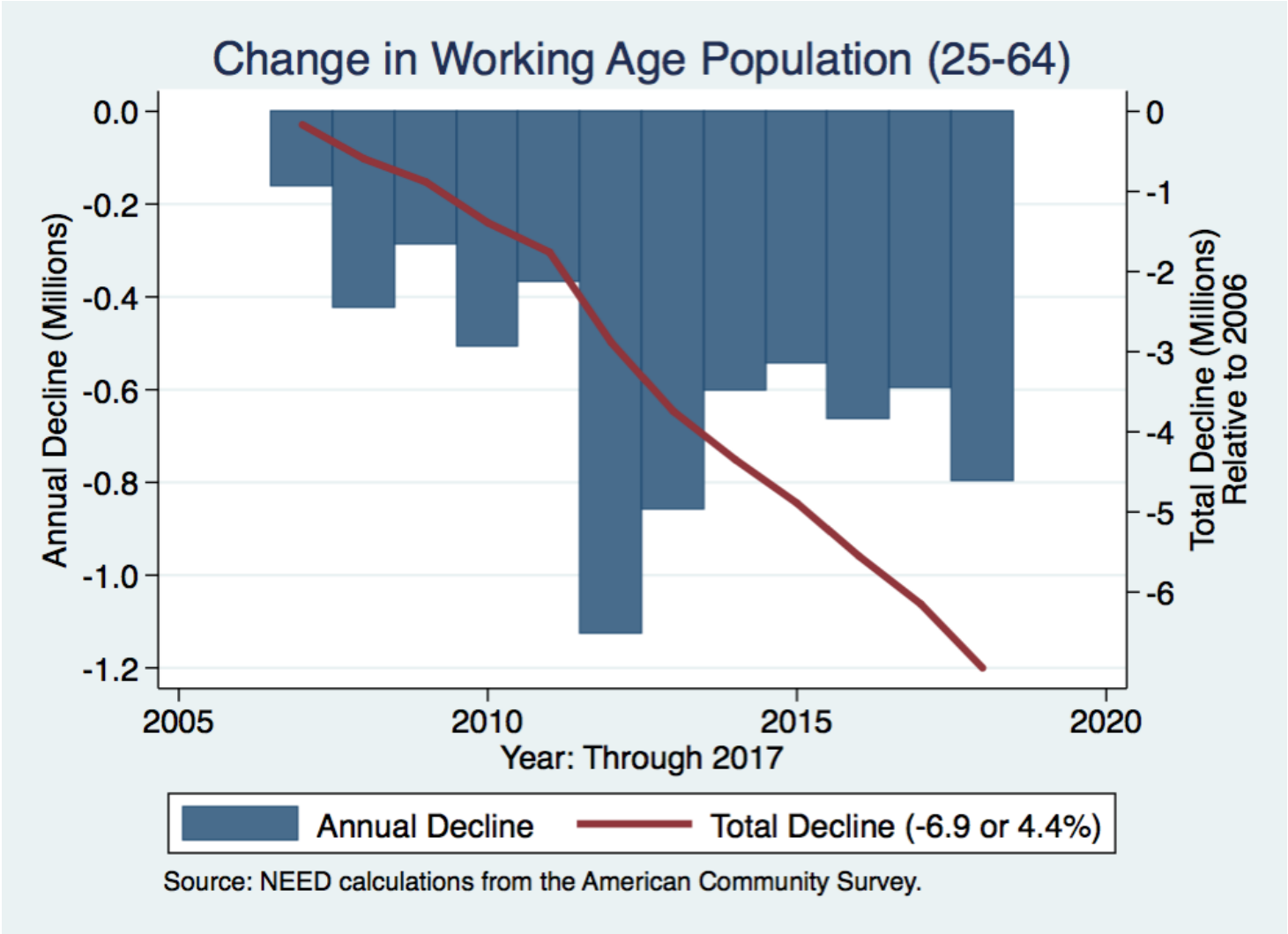


Slow Employment Recovery

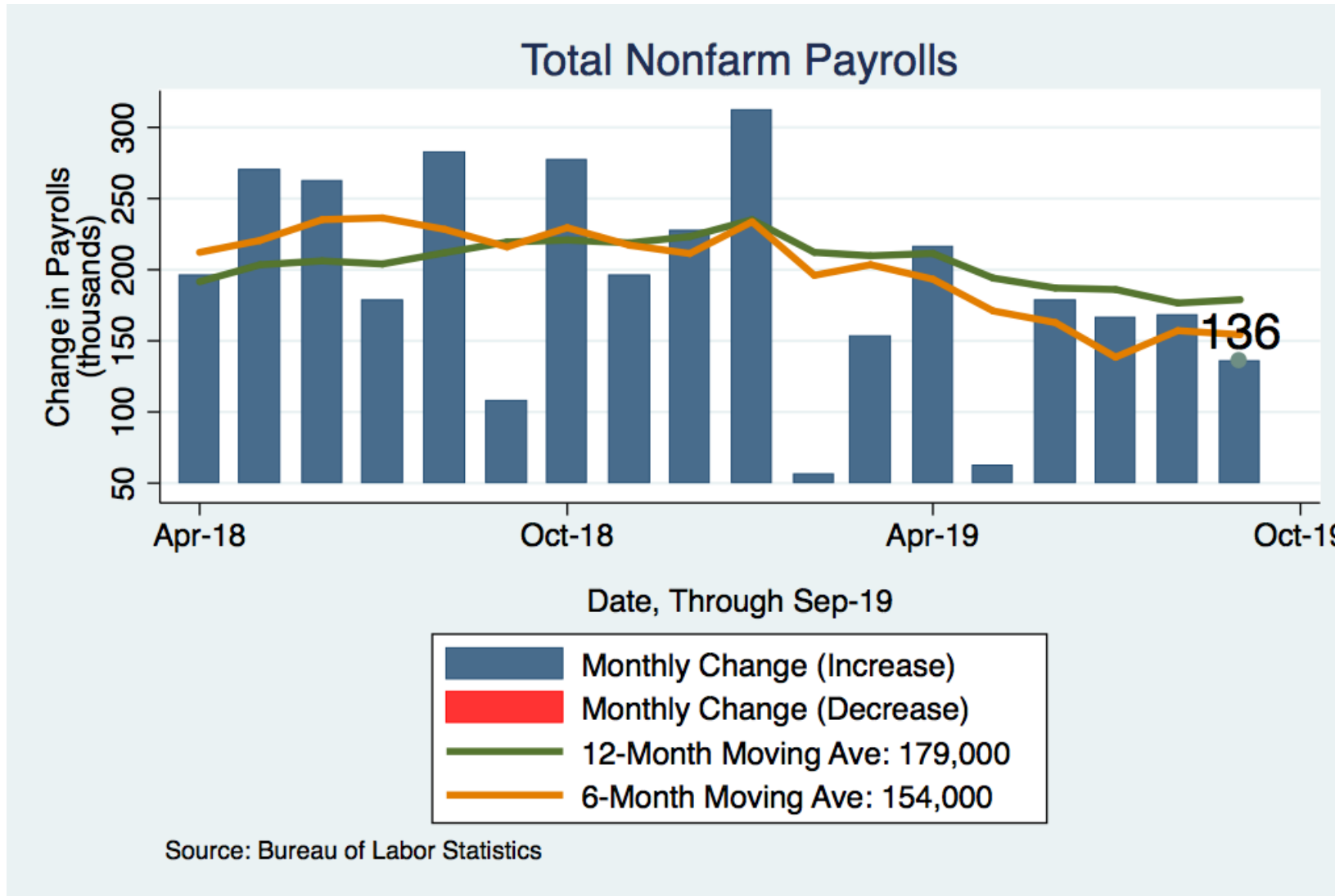


Source: US Bureau of Labor Statistics. Gray shading indicates recession.
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

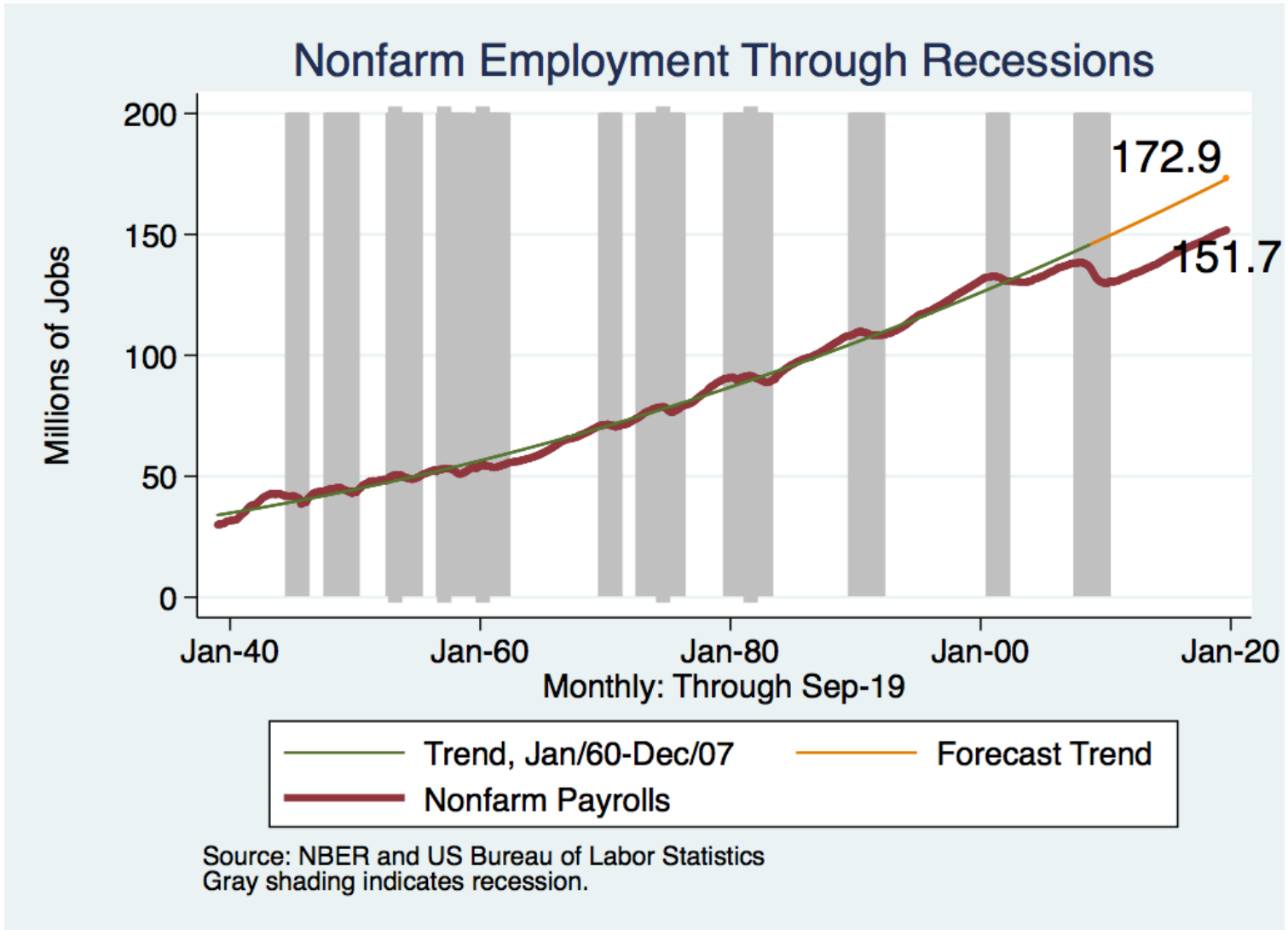
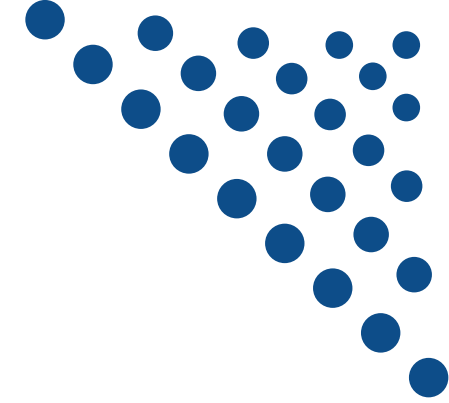
Baby Boomers Are Retiring!



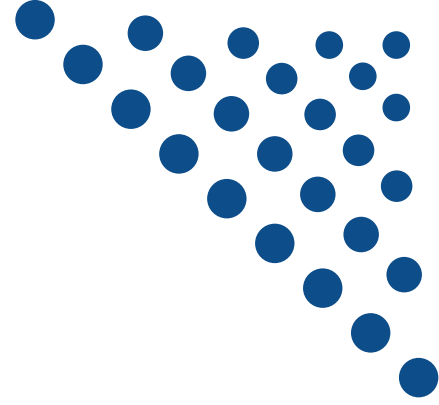
Monthly Changes in Nonfarm Employment



Employment Growth



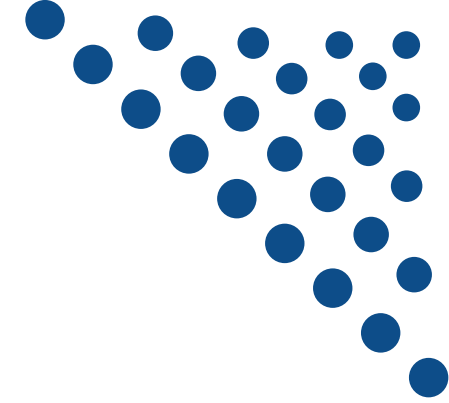
Cautious Outlook



- **Job growth is slowing**
- **Wage growth, but not too much**
- **Business investment is helpful, but will uncertainty bite?**
 - Slowed significantly in Q2/19
- **Inflation and interest rates remain favorable**
- **Potential source of concern:**
 - Auto and light truck sales are slowing
 - Home building is slowing



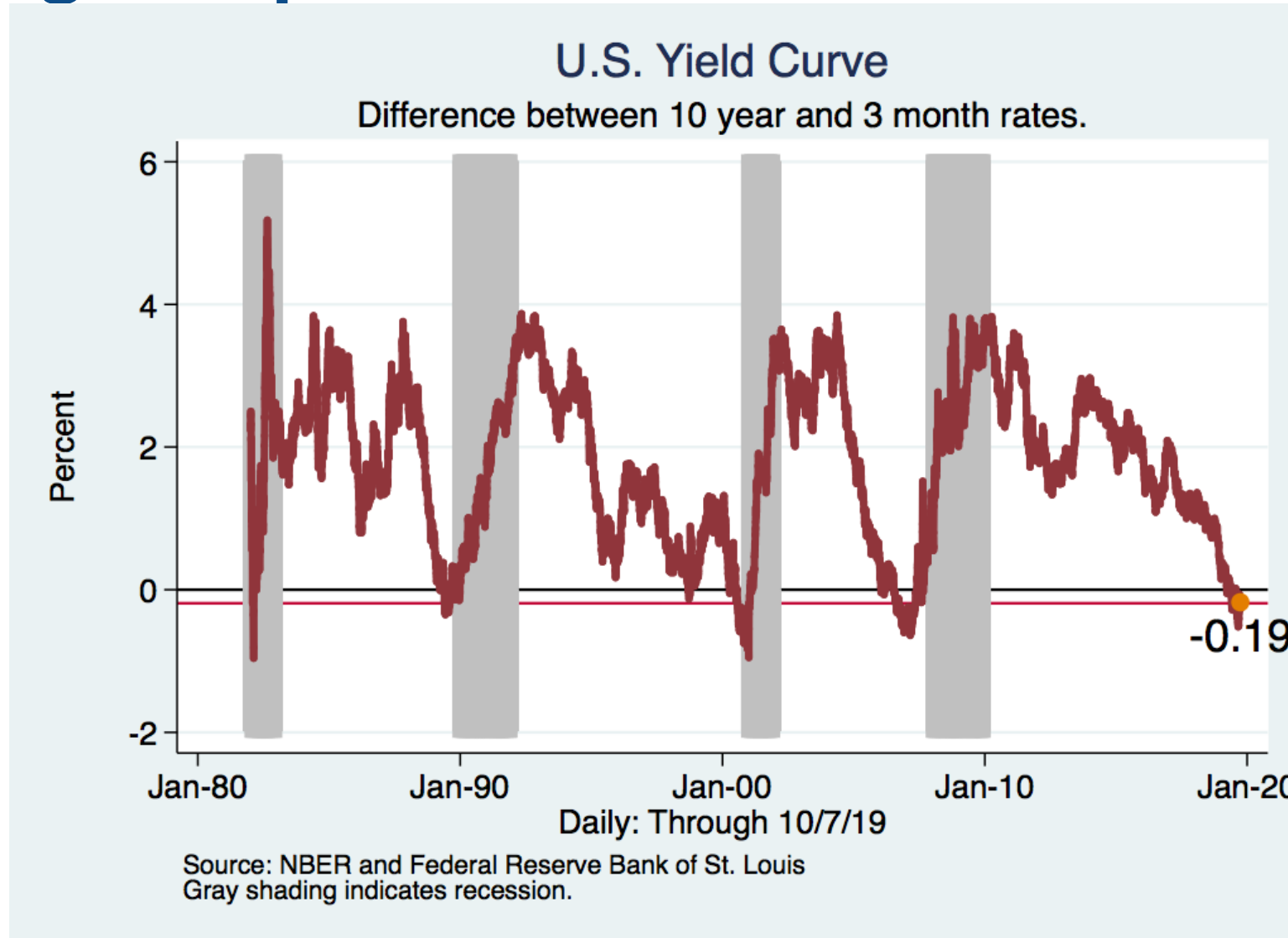
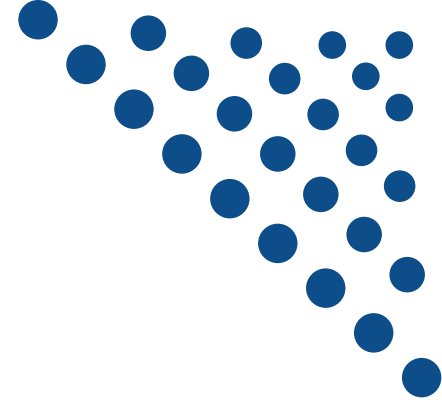
Things to Be Worried About



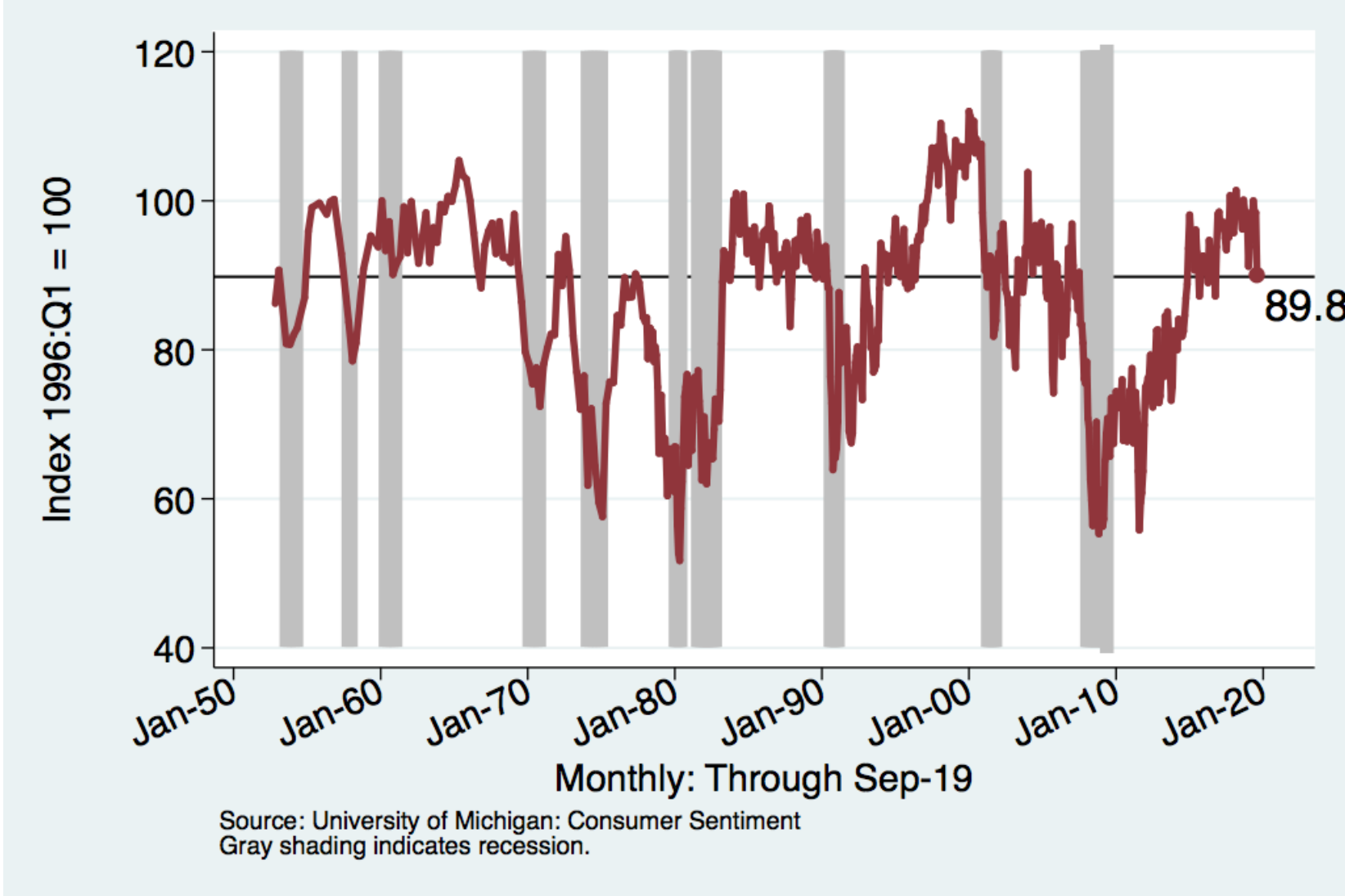
- **Yield Curve**
- **Growing Pessimism**
- **Growth Abroad**
- **Corporate Debt**
- **Government Debt**
- **Policy Uncertainty**
 - Trade and immigration policy, especially



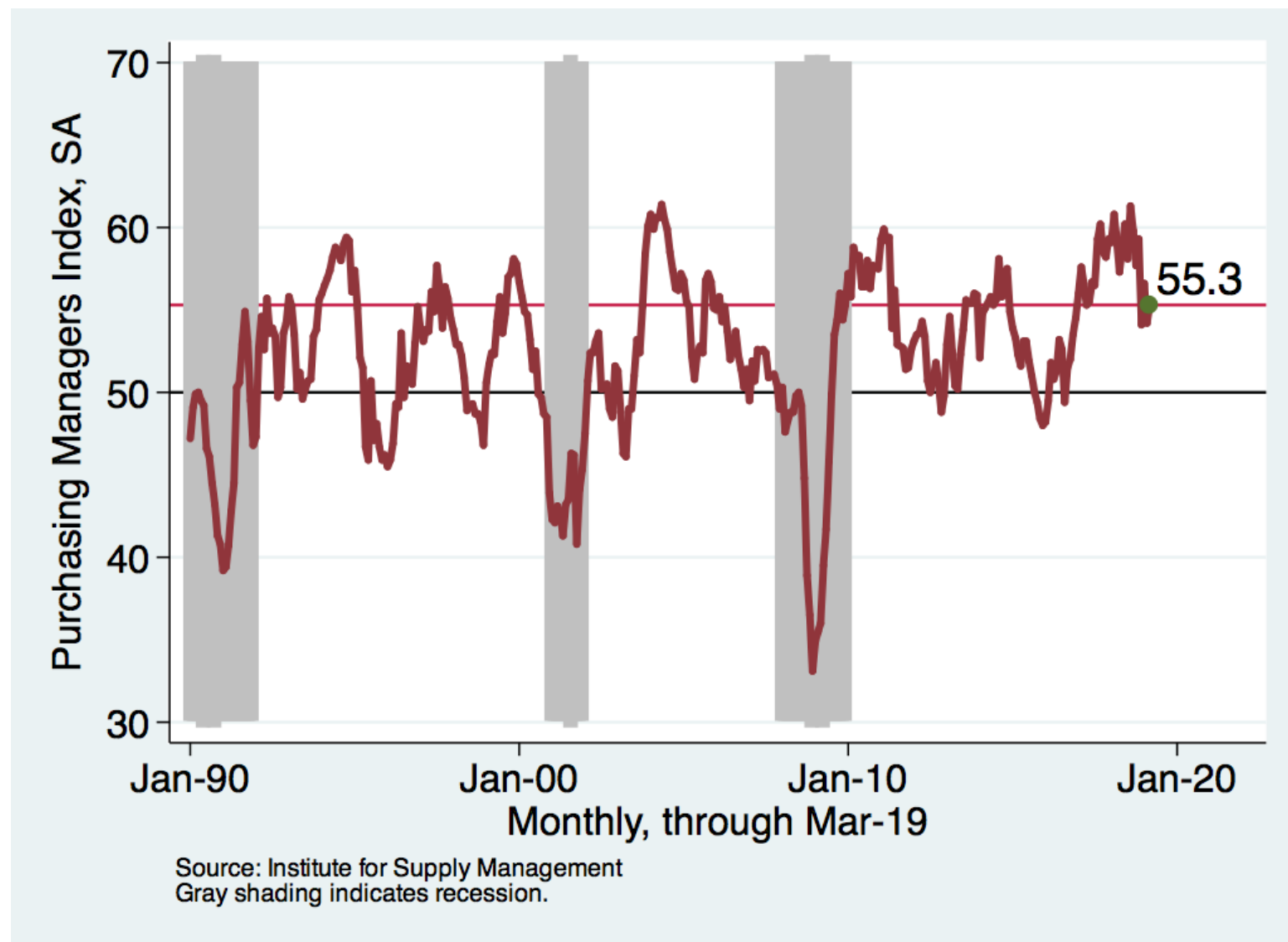
Alarming Compression of Interest Rates



Consumer Confidence: Waning?

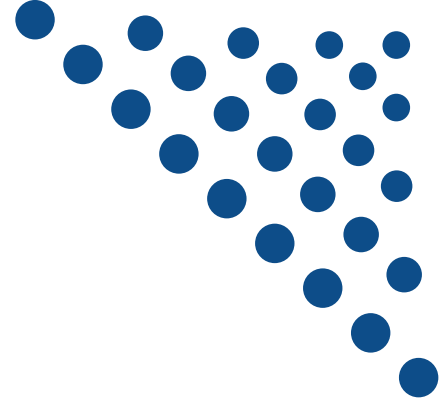


Producer Confidence: Not What it Used to be!



Source: Institute for Supply Management
Gray shading indicates recession.

Overall Summary



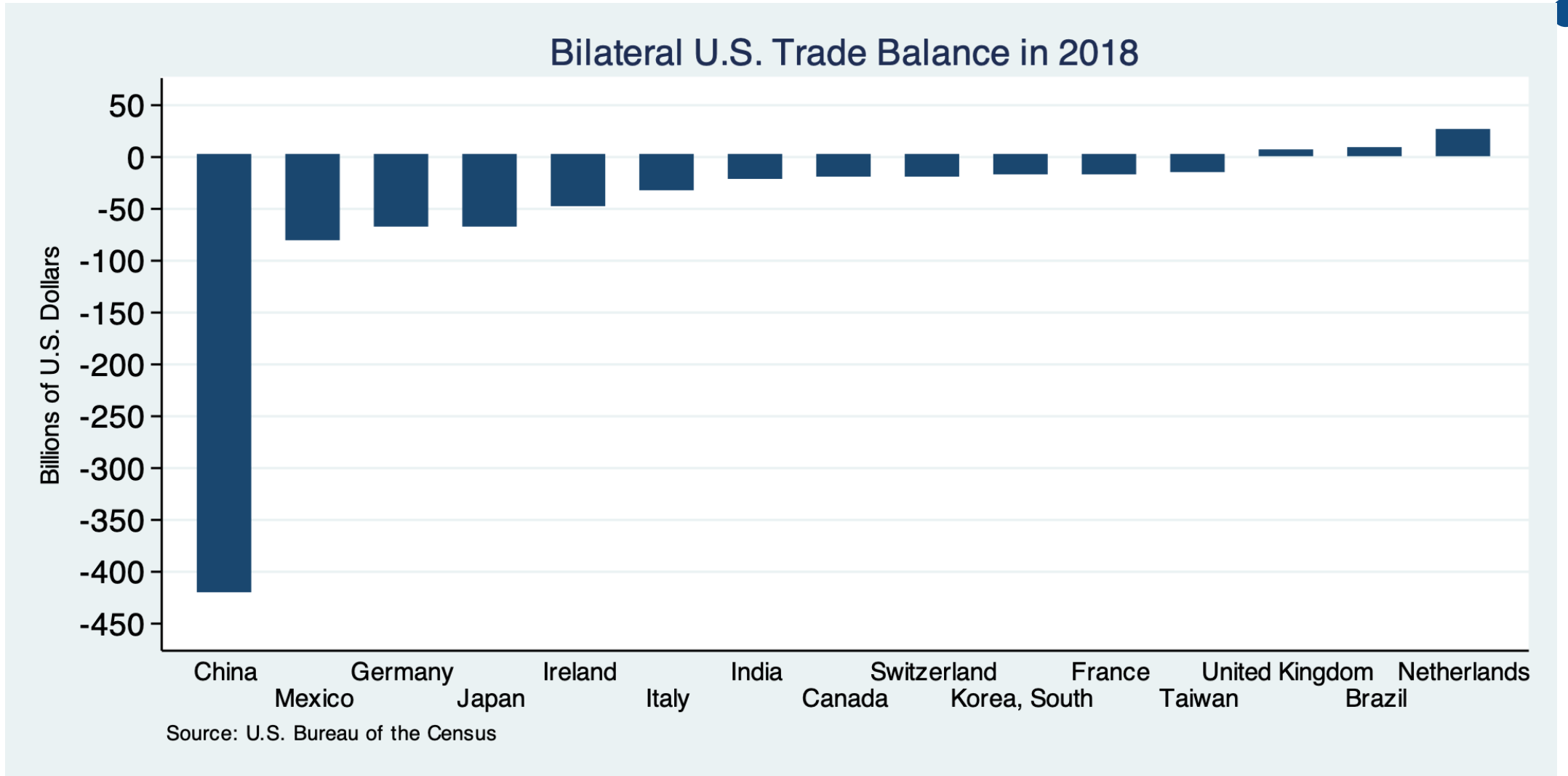
- **Tailwinds and headwinds both exist (mostly headwinds)**
 - Economic forecasts for near term are moderate, but gaining pessimism.
 - 2020 and 2021 forecasts are less sanguine.
- **There remains room for the economy to grow**
 - Labor force growth is available
 - Consumption has room to grow
 - Business investment is slowing
 - Slack in housing markets
- **Long term concerns unaddressed...**
 - Inequality, Infrastructure, Federal Debt



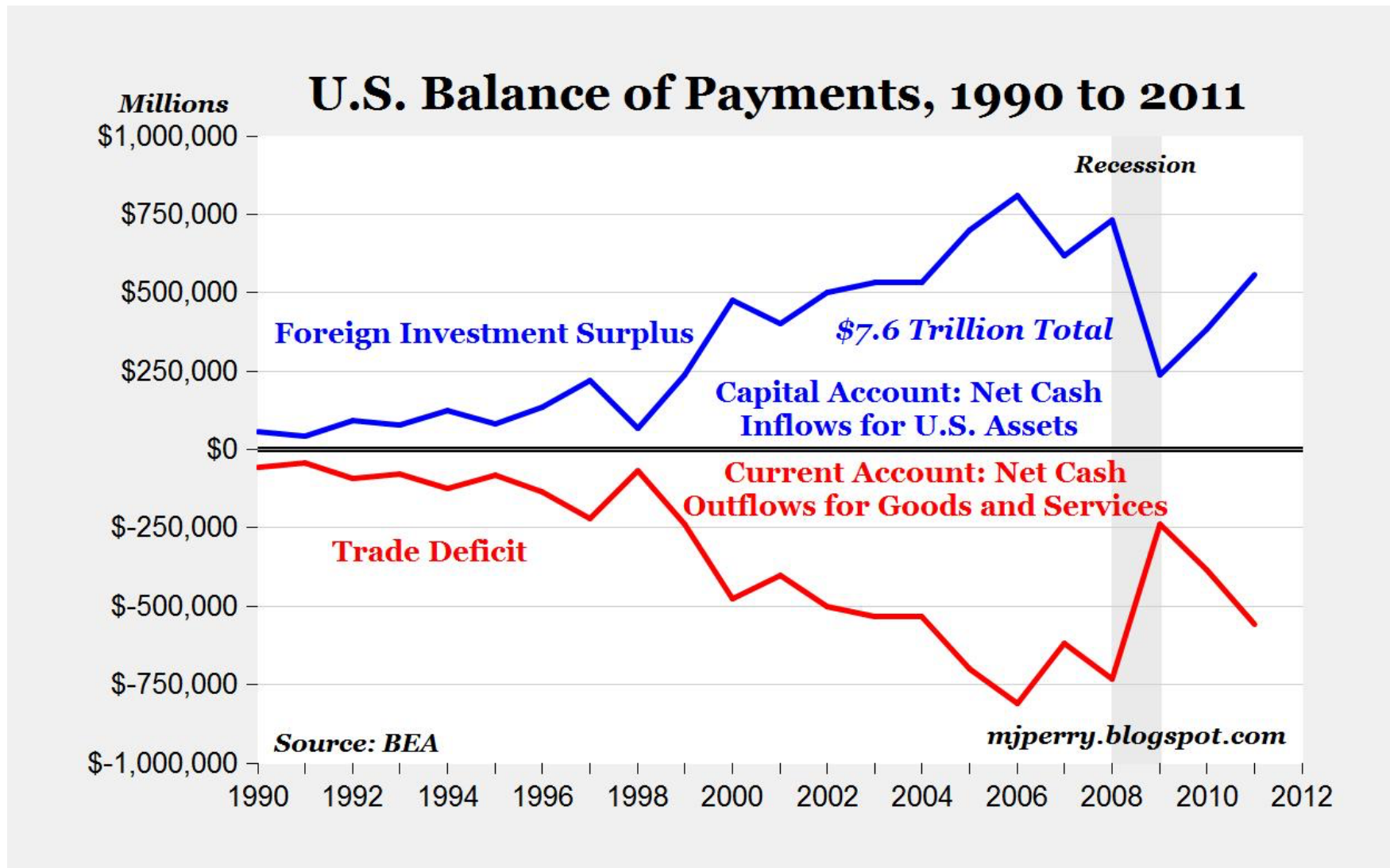
A Few Words on Trade Policy/Wars



Bilateral trading relationships

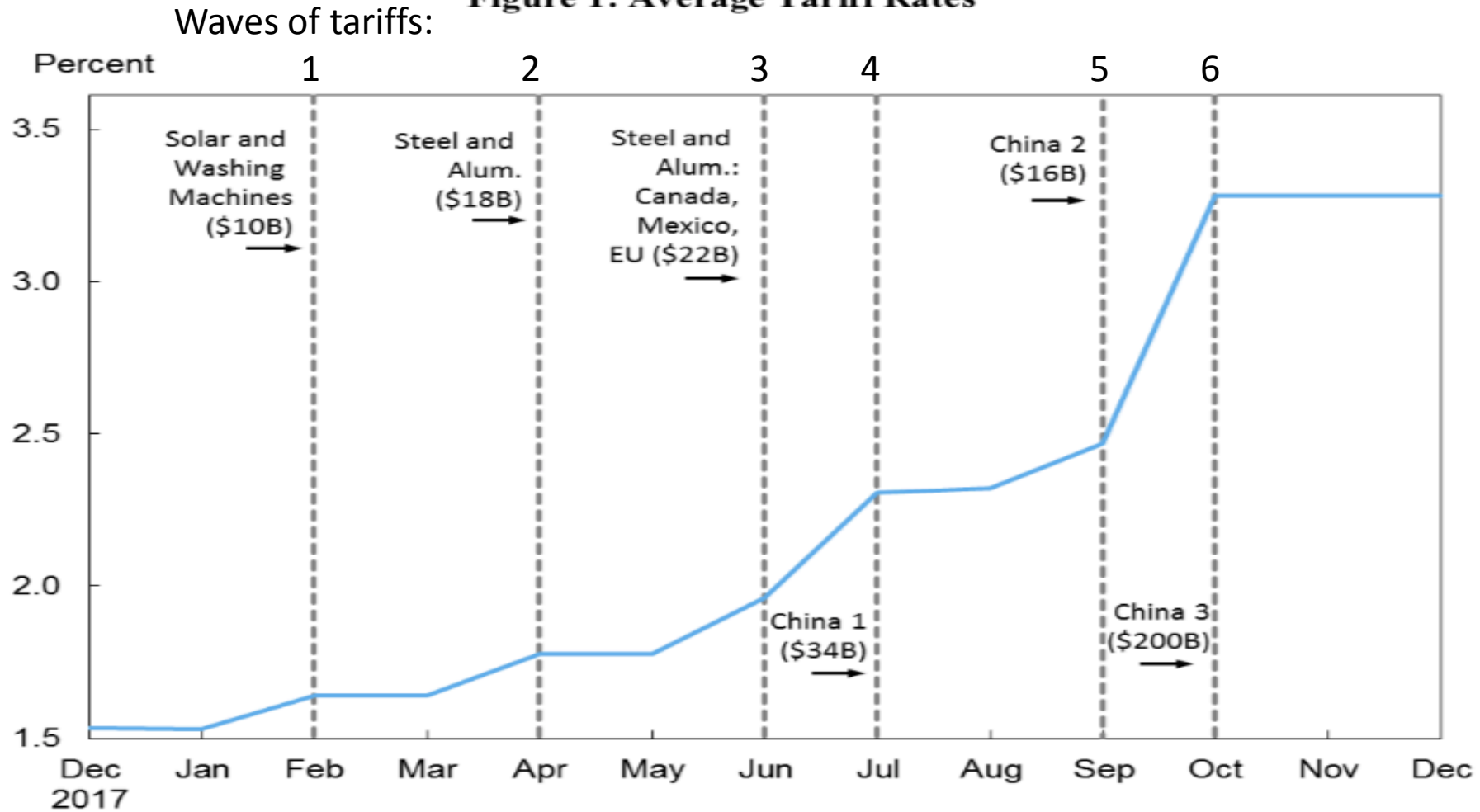


Trade and Investment Flows Balance Out



Trade War

Figure 1: Average Tariff Rates



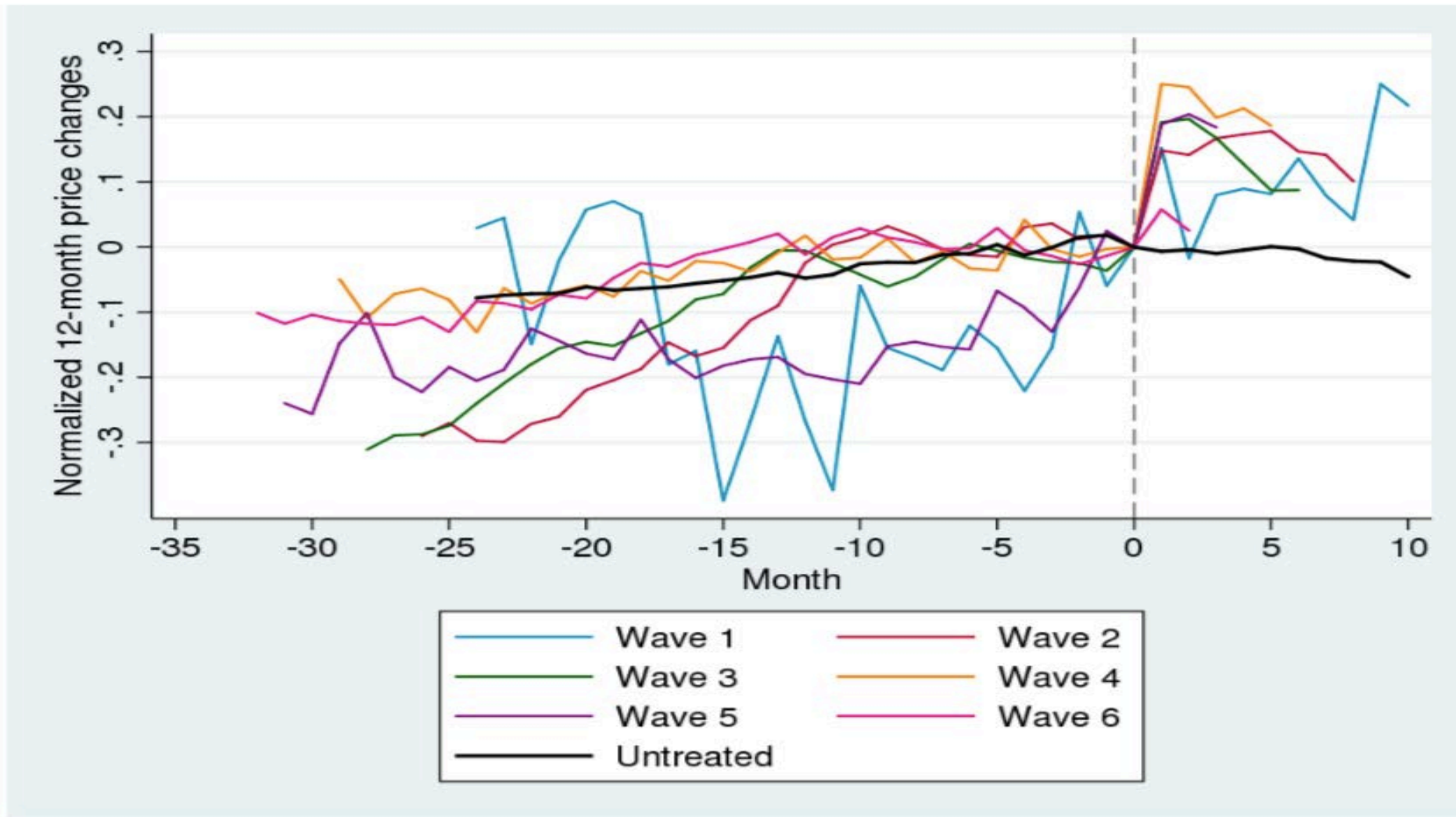
Source: US Census Bureau; USTR; USITC; authors' calculations.

Source: Amiti, et al. 2019.



Trade War

Figure 3: 12-month Proportional Change in Import Prices by Tariff Wave



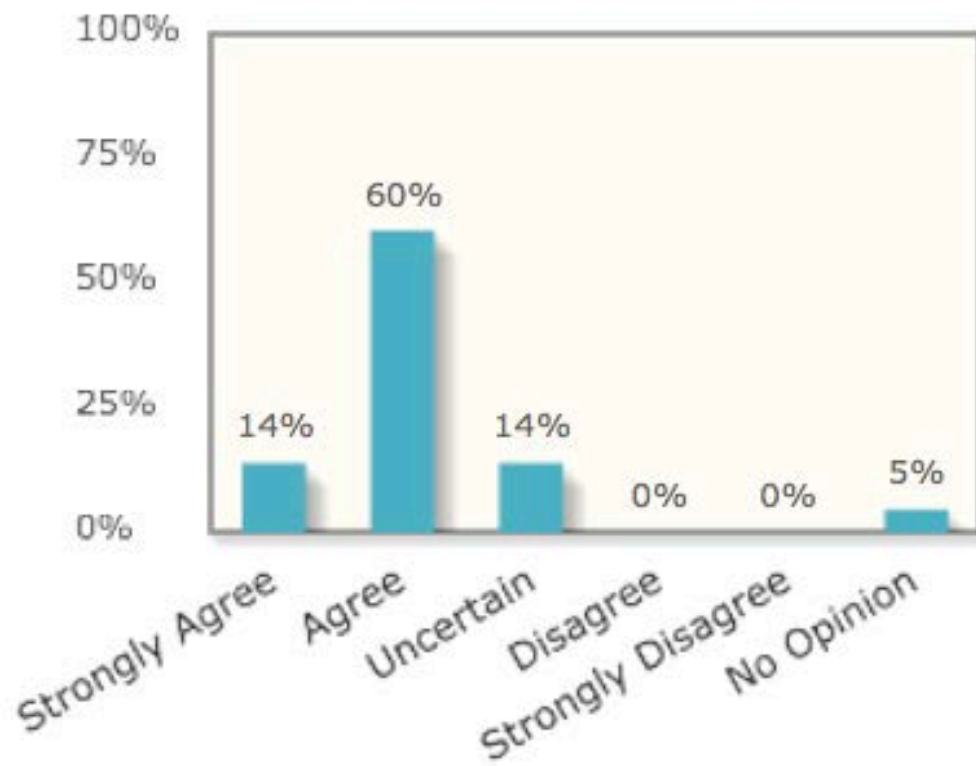
Source: Amiti, et al. 2019.



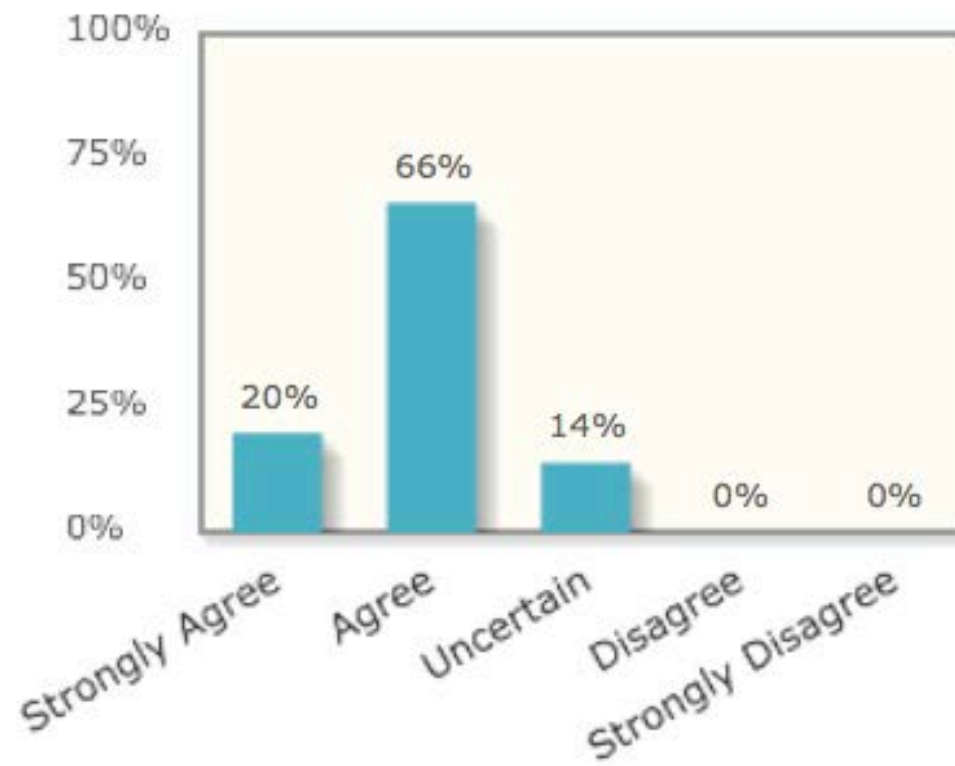
Agreement on Incidence

Question A: The incidence of the latest round of US import tariffs is likely to fall primarily on American households.

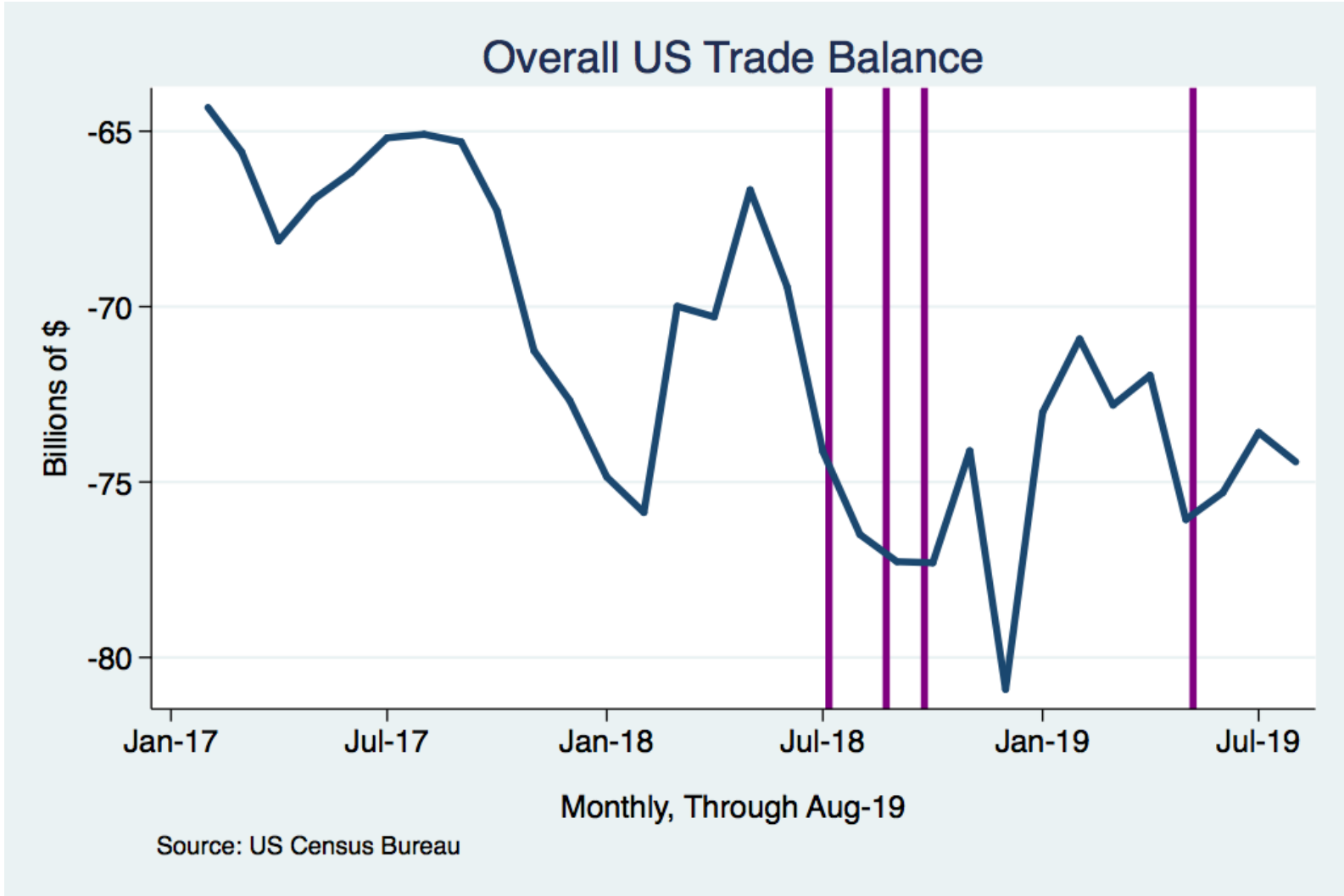
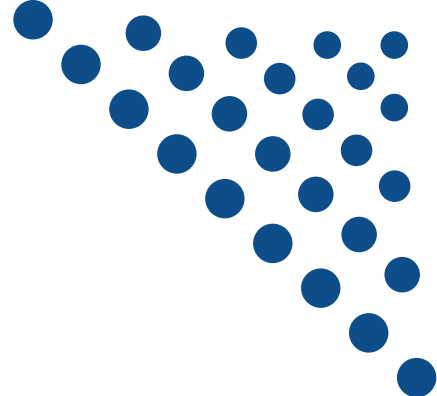
Responses



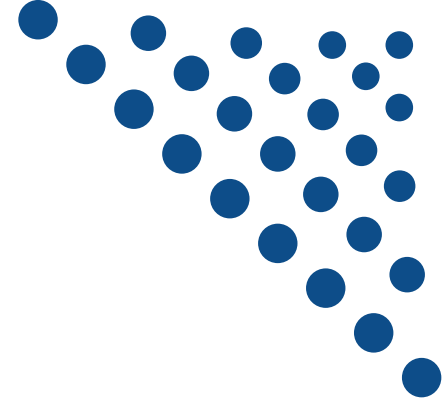
Responses weighted by each expert's confidence



Is It Working? Maybe...Maybe Not...



Trade Talks



What Might a China-US Trade Deal Include?

- **US wants** (per FT, 3/25/19):
 - Huge Chinese purchases of US exports
 - to reduce US trade deficit
 - Liberalization of market access for US goods and services
 - Reform of Chinese industrial policy
 - especially “forced transfers” of IP
 - US permitted to use punitive tariffs if these are violated
 - without China retaliating or complaining to WTO
- **China wants:**
 - Removal of US tariffs
 - Removal on restrictions on Huawei



Thank you!

Any Questions?

www.NEEDelegation.org

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