



# Economic Outlook Robert Fry

Robert Fry Economics LLC

Osher Lifelong Learning Institute  
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**Excuse me.  
Can you tell  
me where I  
am?**

**You're in  
a balloon.**





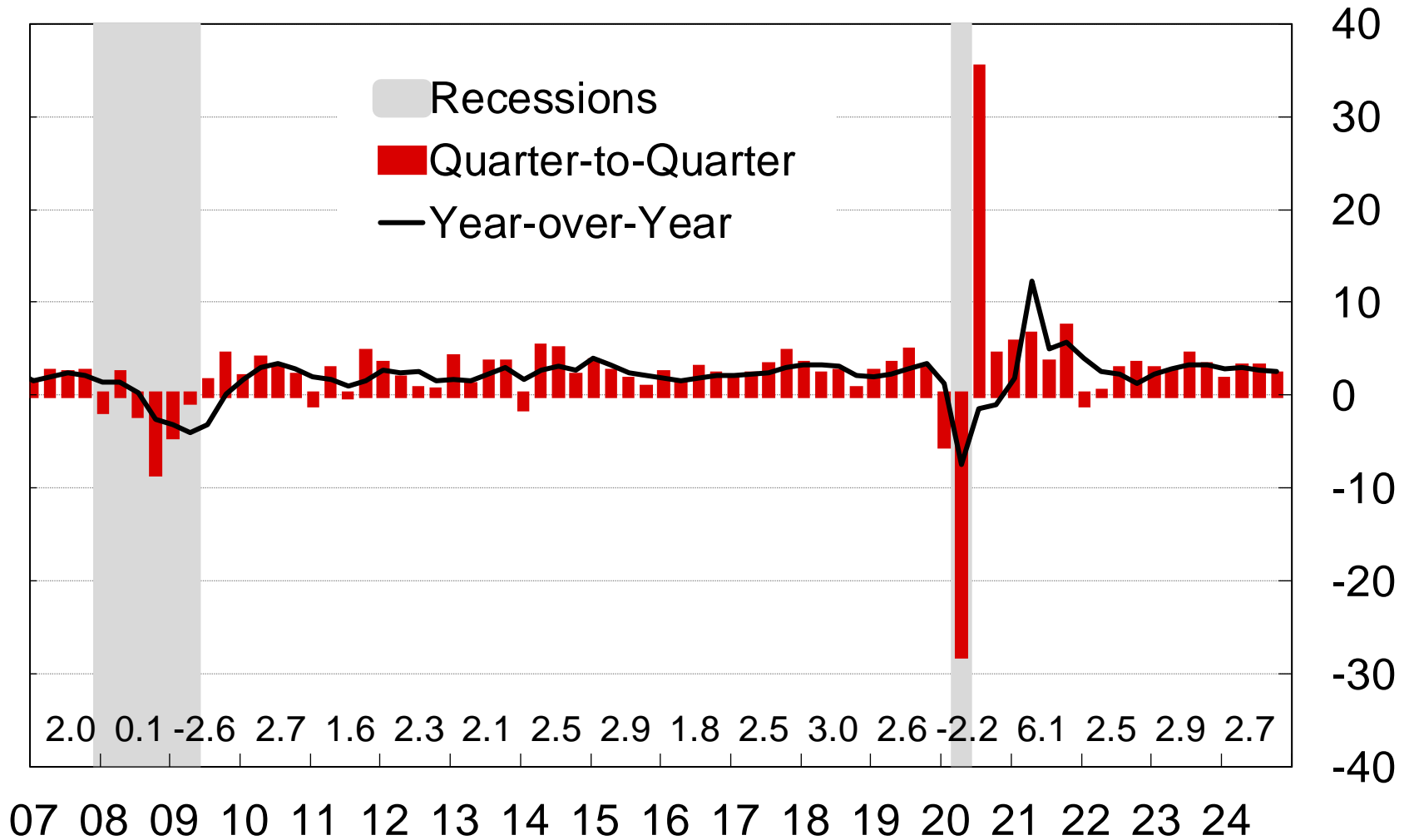
**You must  
be a economist.  
Your answer is  
perfectly correct  
and totally  
useless.**

**You must be a manager. You  
have a great view, but don't  
know where you are.**

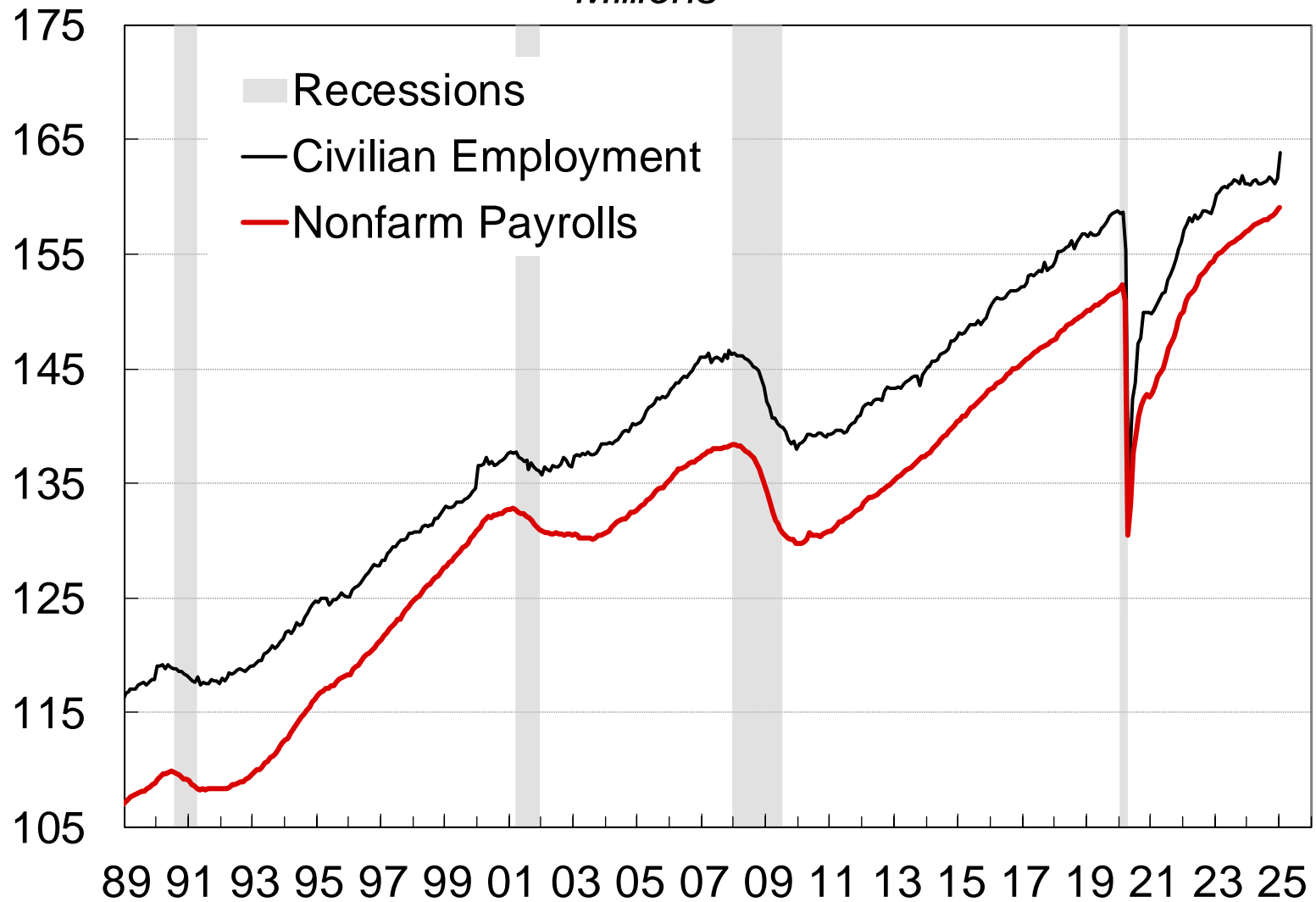


# US Real Gross Domestic Product

## *Annualized Growth Rates*

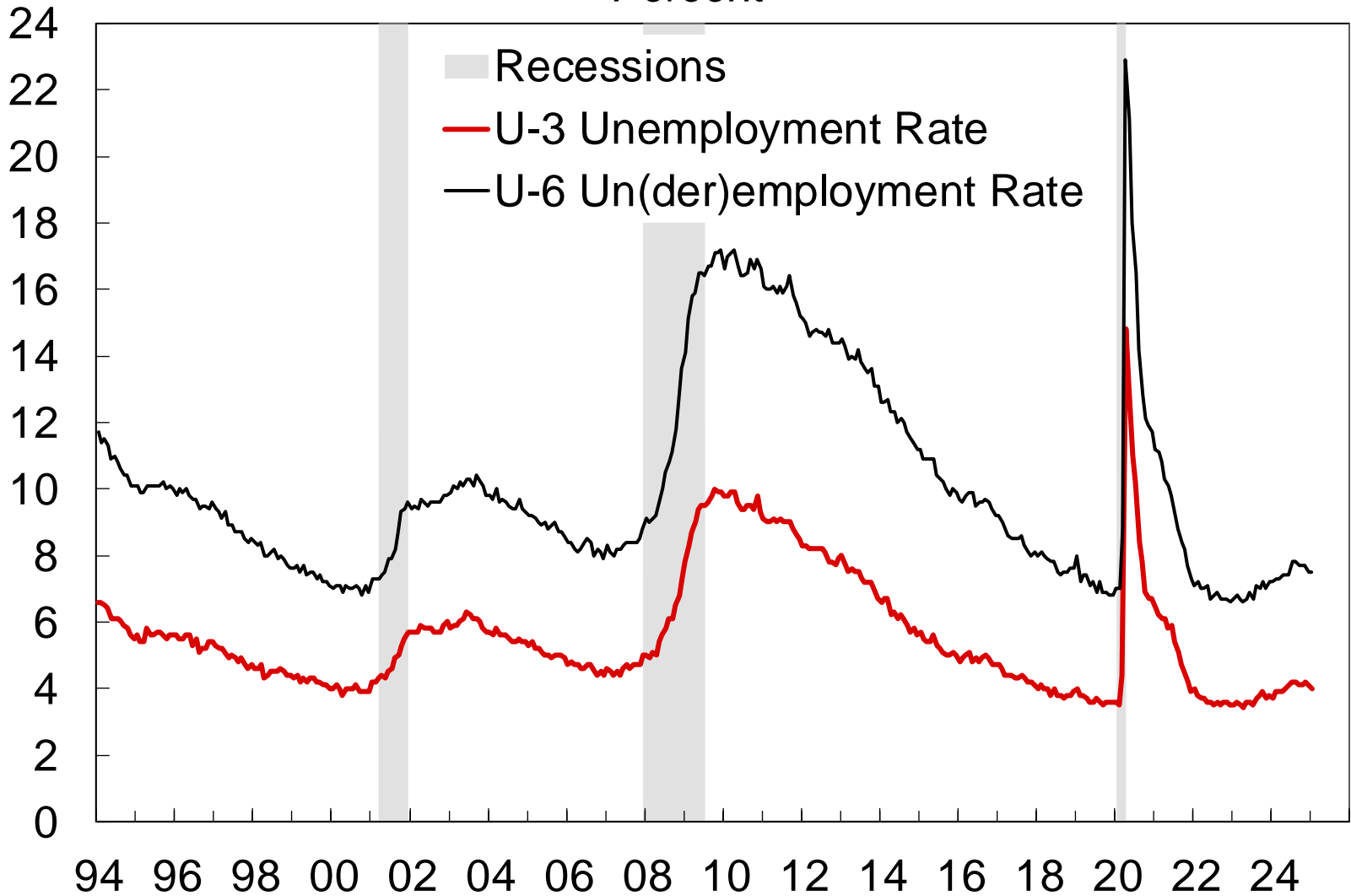


# US Employment *Millions*



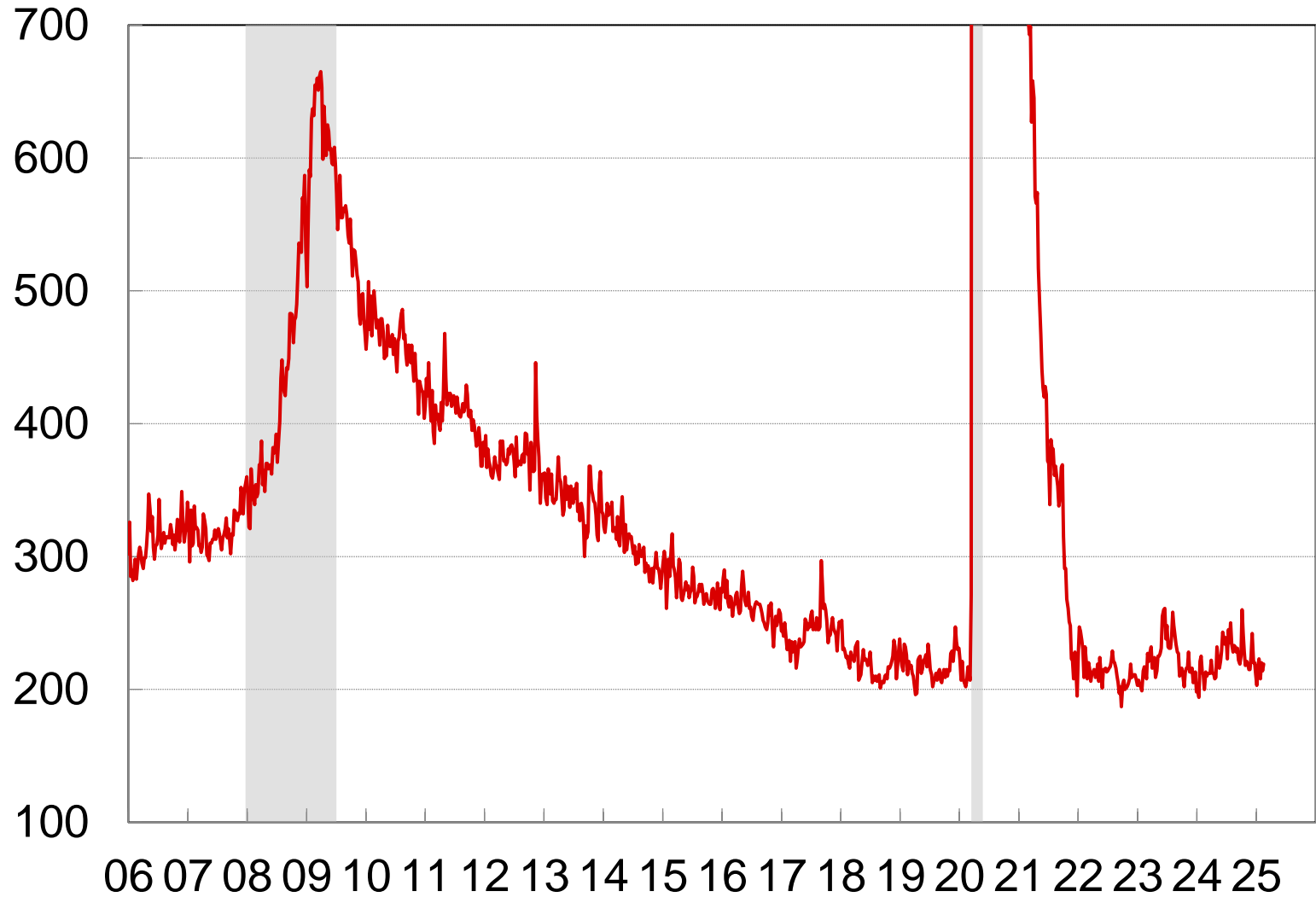
# US Civilian Unemployment Rate

*Percent*



# Initial Claims for Unemployment Insurance

*Thousands*

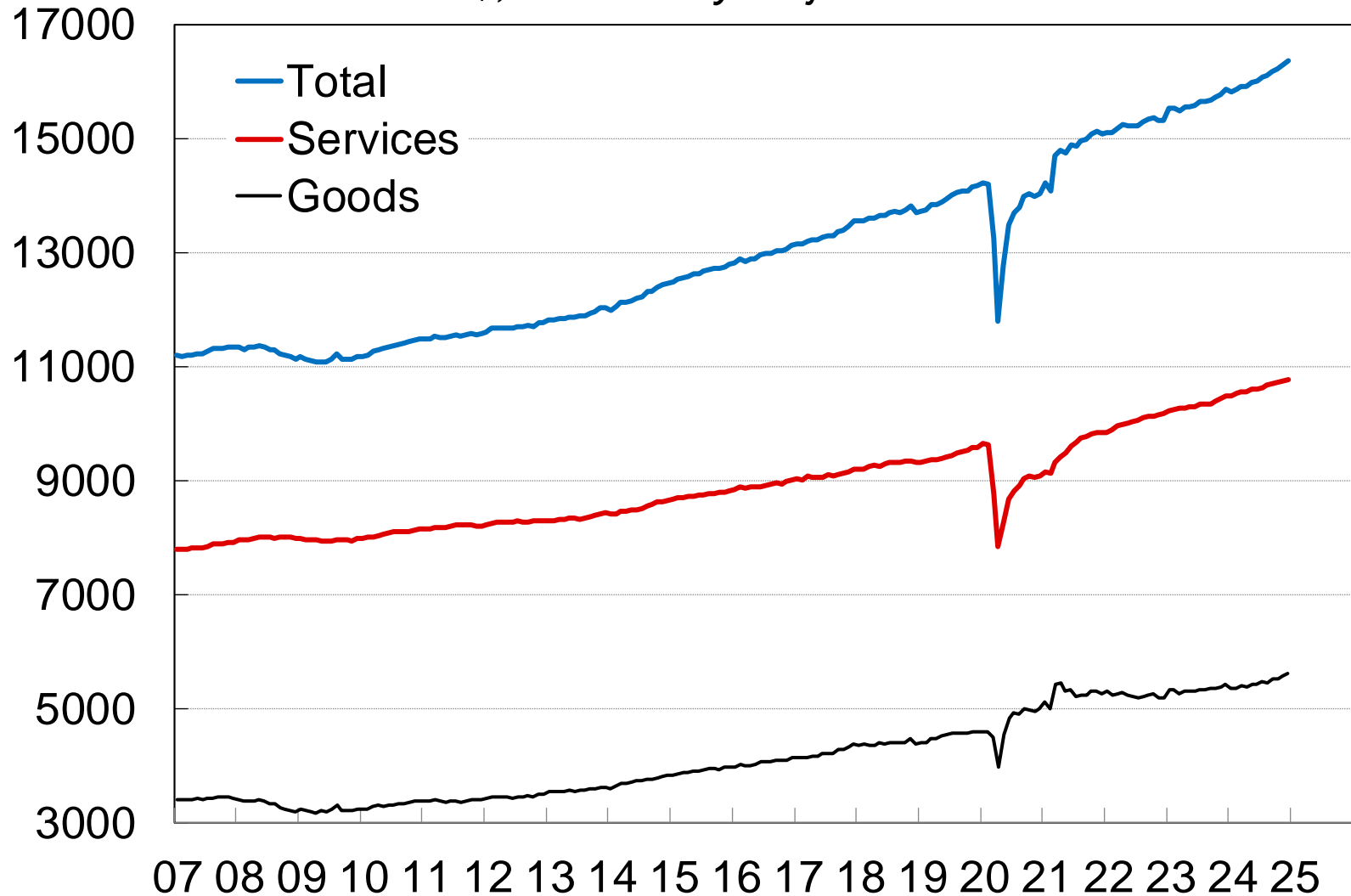


Source: U.S. Employment and Training Administration/FRED



# US Real Personal Consumption Expenditures

*Billion 2017 \$, Seasonally Adjusted Annual Rates*



Source: U.S. Bureau of Economic Analysis/FRED

# **US economy continues to grow.**

**GDP continues to grow at an above-trend rate.**

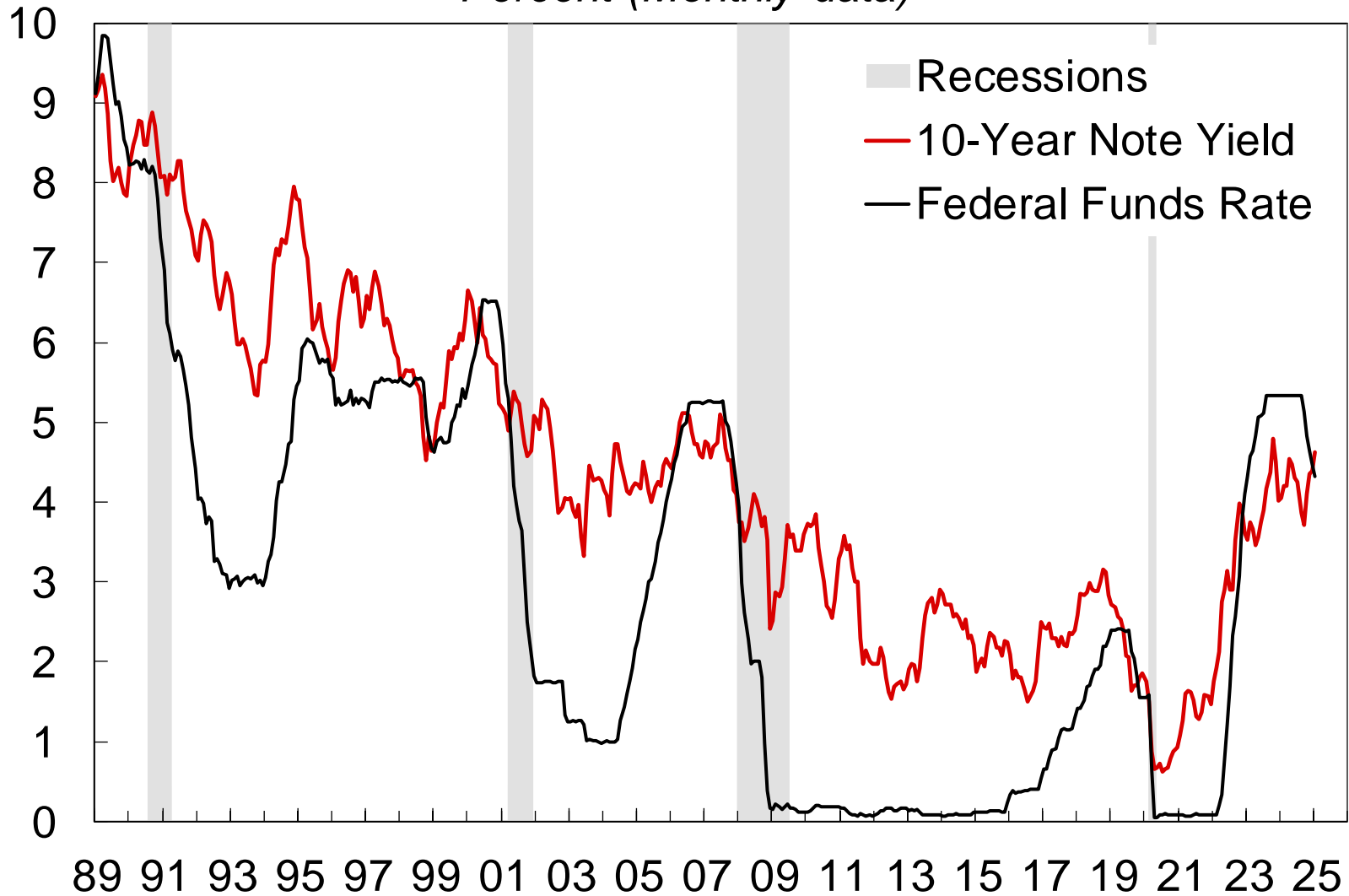
**Employment growth remains strong.**

**Unemployment is lower than in all but one month in 70s, 80s, and 90s.**

**Consumers continue to lead the expansion.**

# US Interest Rates

Percent (Monthly data)



# Why didn't high interest rates cause a recession?

## **Maybe oil prices mattered more than interest rates all along.**

- Fracking has reduced the level and the volatility of oil prices.

## **Fiscal stimulus has offset monetary tightening.**

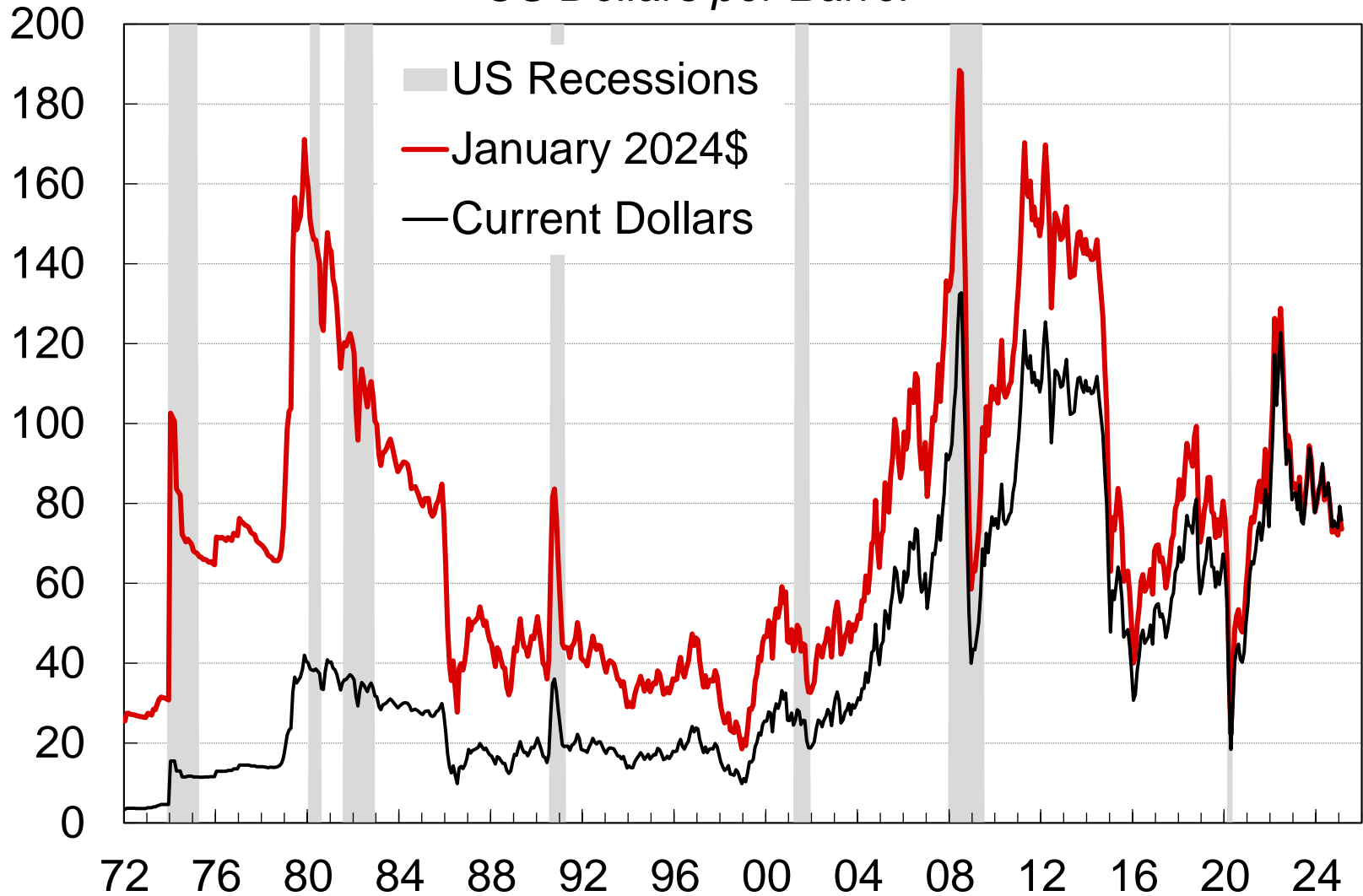
- Excess savings from 2020-21 pandemic relief packages sustained spending.
- Bipartisan Infrastructure Act, CHIPS Act, Inflation Reduction Act added stimulus.

## **Economy is less interest-sensitive than in the past.**

- 2017 TCJA increased standard deduction. Fewer taxpayers deduct interest.
- Businesses & homeowners locked in long-term financing when rates were low.
- Higher interest income of risk-averse savers offsets higher interest expenses.

# Brent Blend Oil Price

*US Dollars per Barrel*



# US Regular Gasoline Price

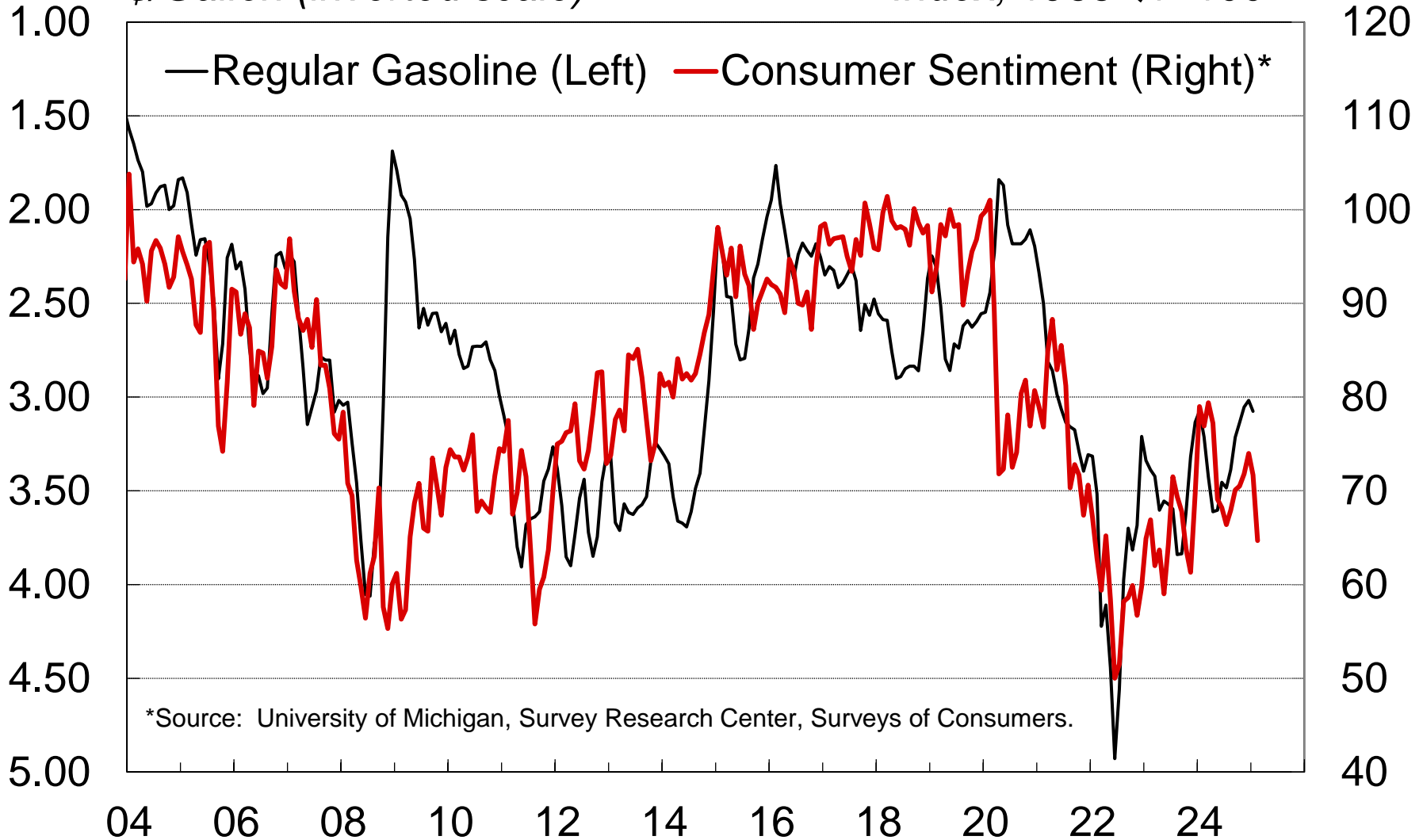
*Dollars per gallon, Weekly data*



# Gasoline Price and Consumer Sentiment

*\$/Gallon (inverted scale)*

*Index, 1966Q1=100*



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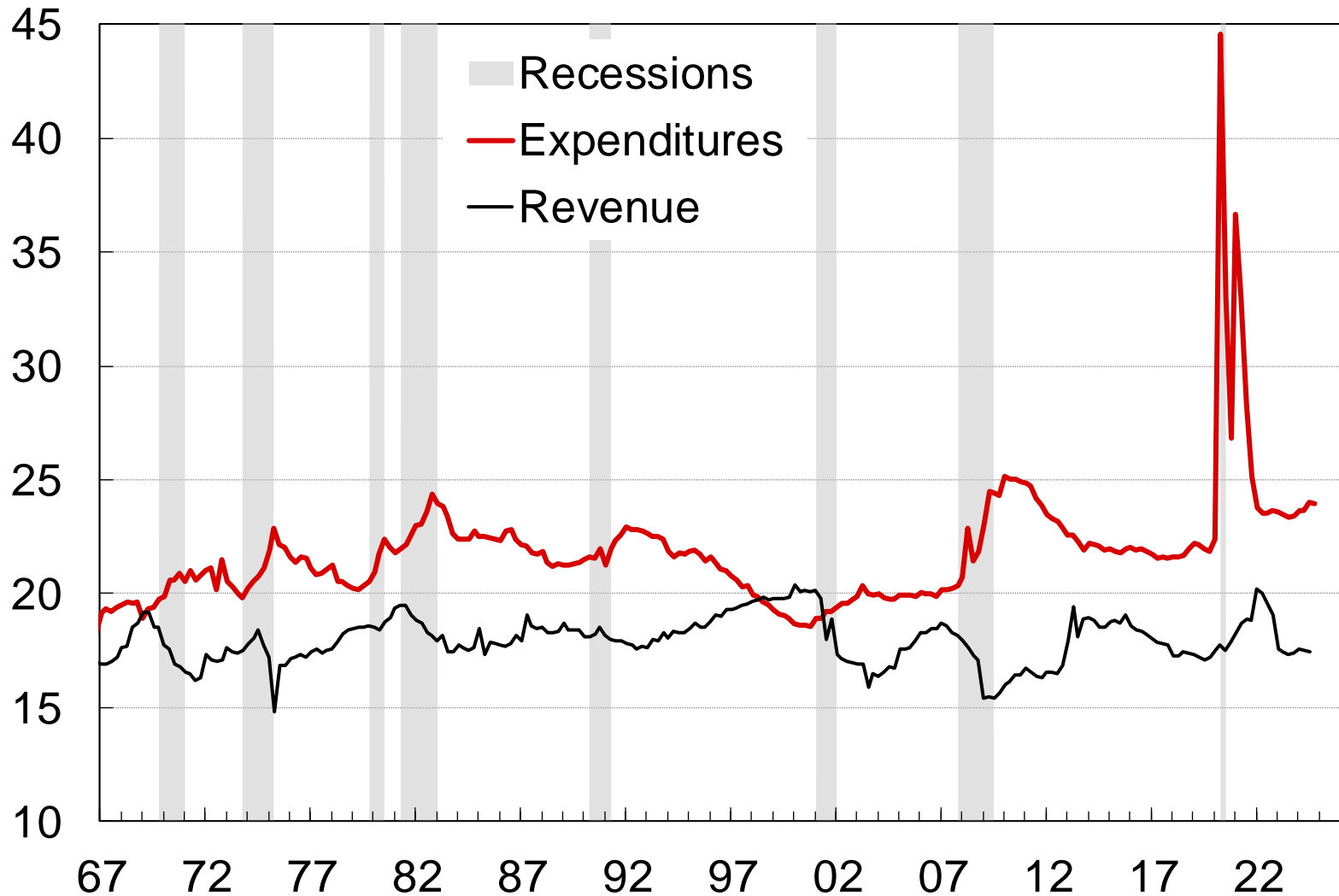
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# US Federal Govt Current Expenditures & Revenue *Percent of GDP*



Source: U.S. Bureau of Economic Analysis/FRED

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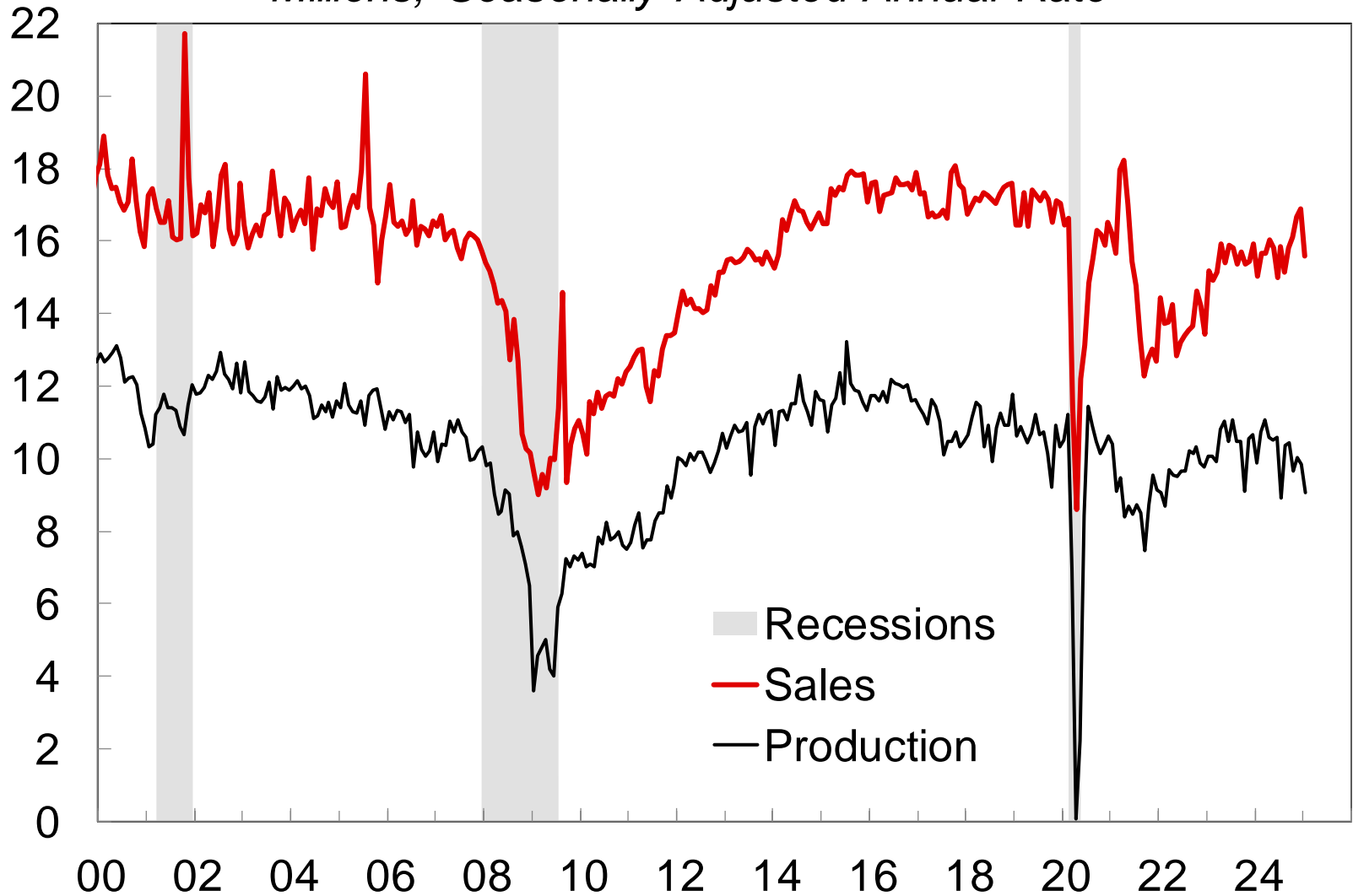
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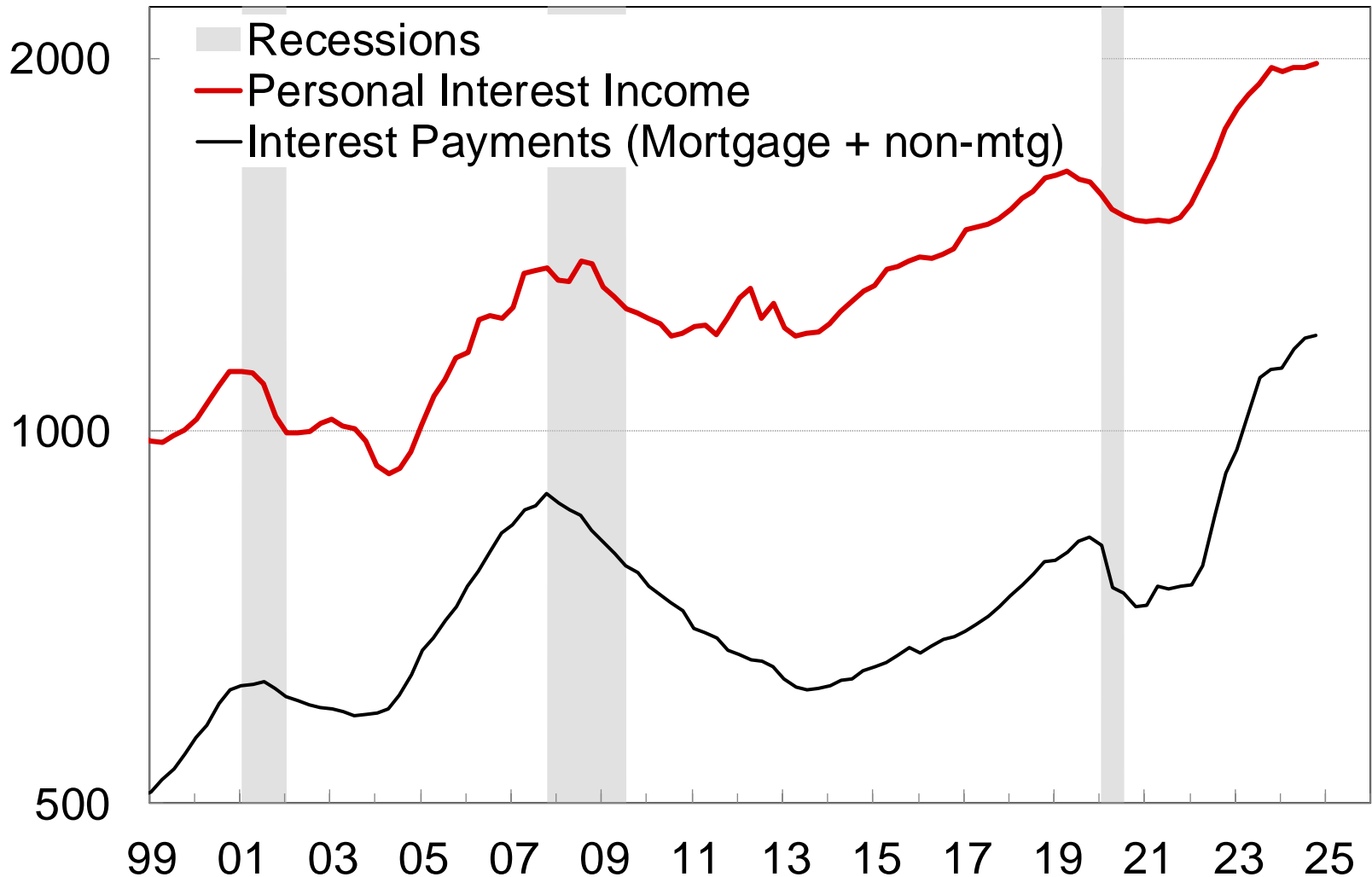
# US Light Vehicle Sales & Production

*Millions, Seasonally Adjusted Annual Rate*



# US Personal Interest Income and Payments

*Billion \$, Seasonally Adjusted Annual Rates*

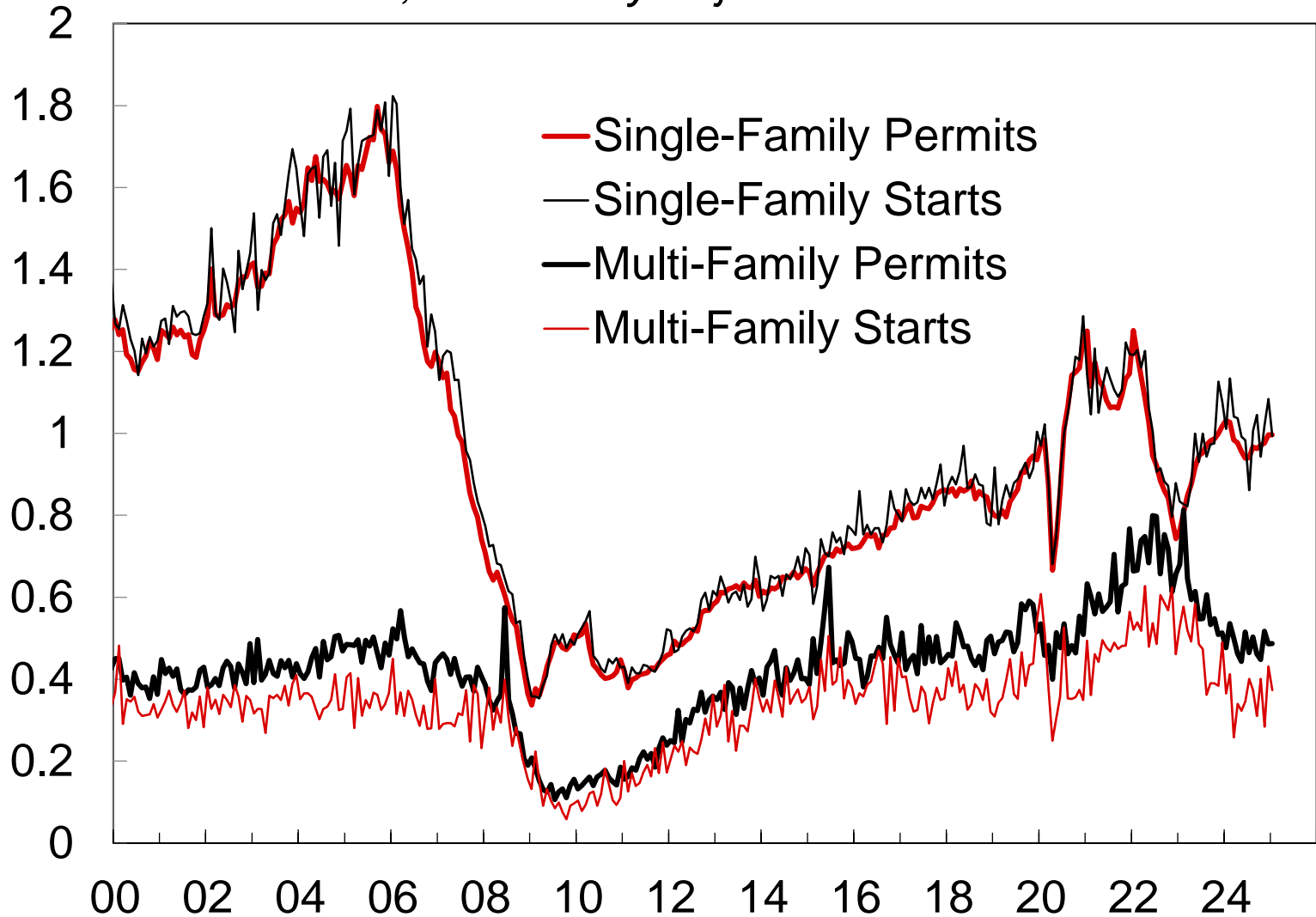


Source: U.S. Congressional Budget Office/FRED

**Interest rates still matter in some sectors.**

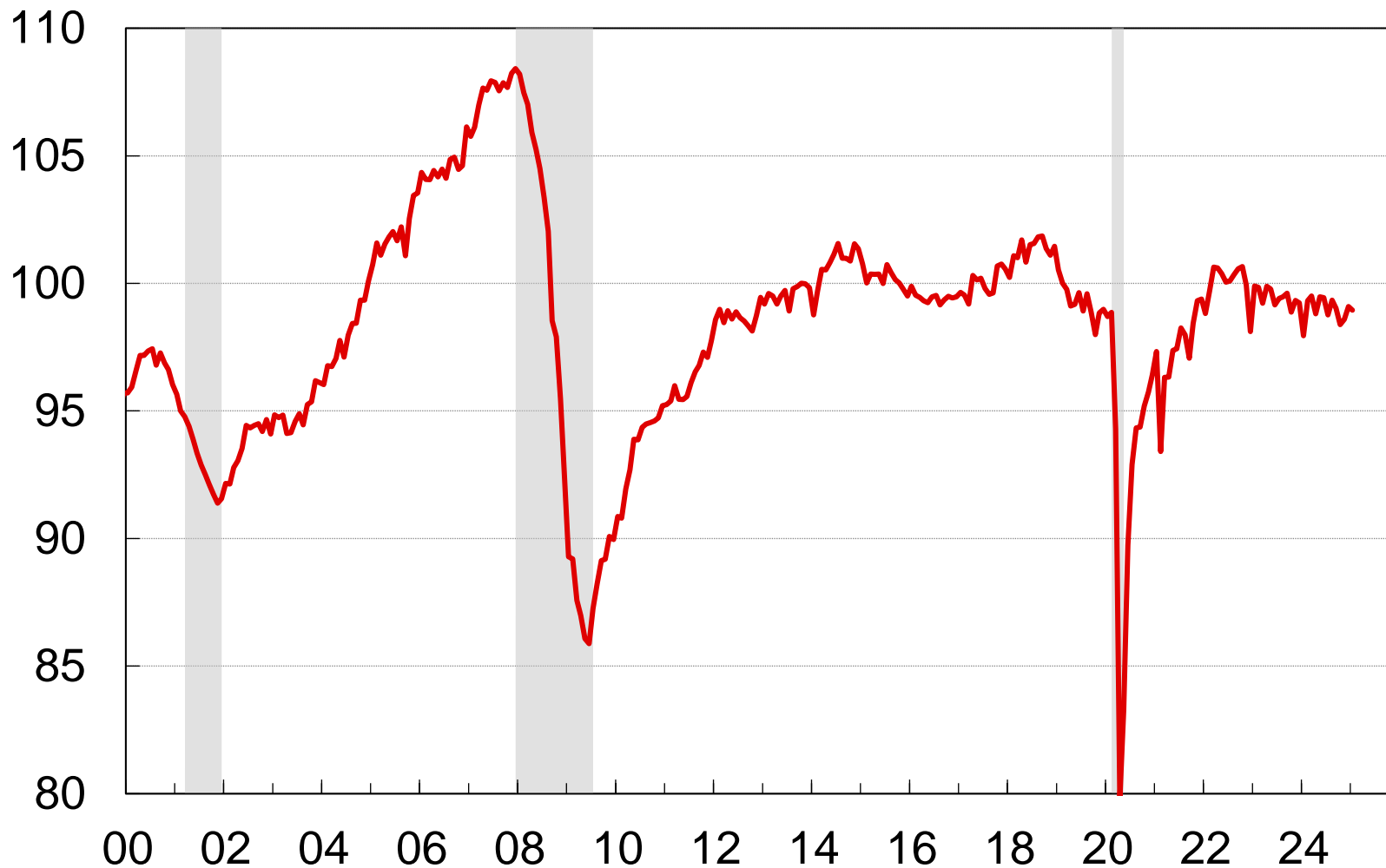
# US Housing Starts & Building Permits

*Millions, Seasonally Adjusted Annual Rate*



# US Industrial Production: Manufacturing

*Index, 2017=100*



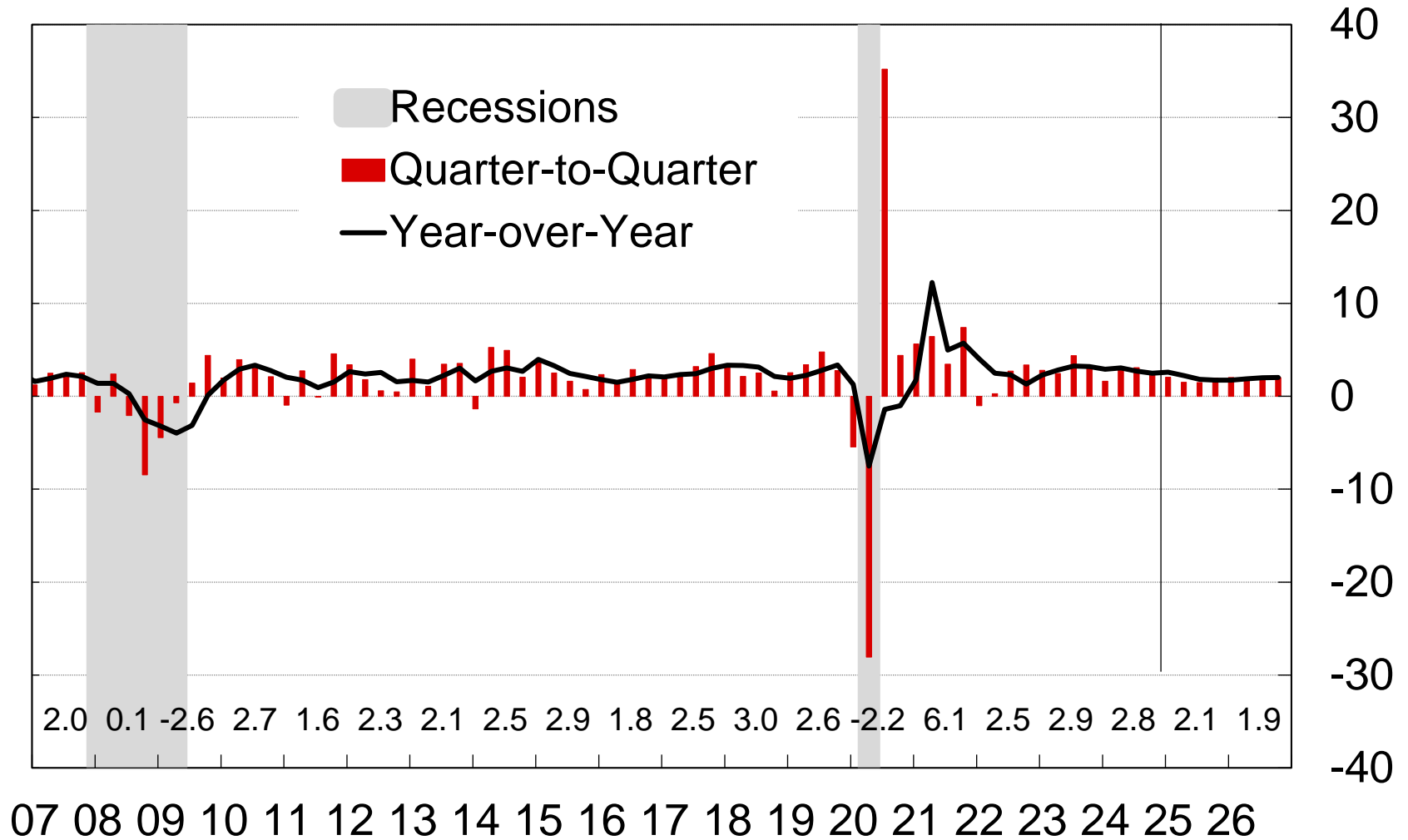
**“Prediction is very difficult, especially about the future.”**

**Niels Bohr, 1885-1962  
Nobel Laureate, 1922**



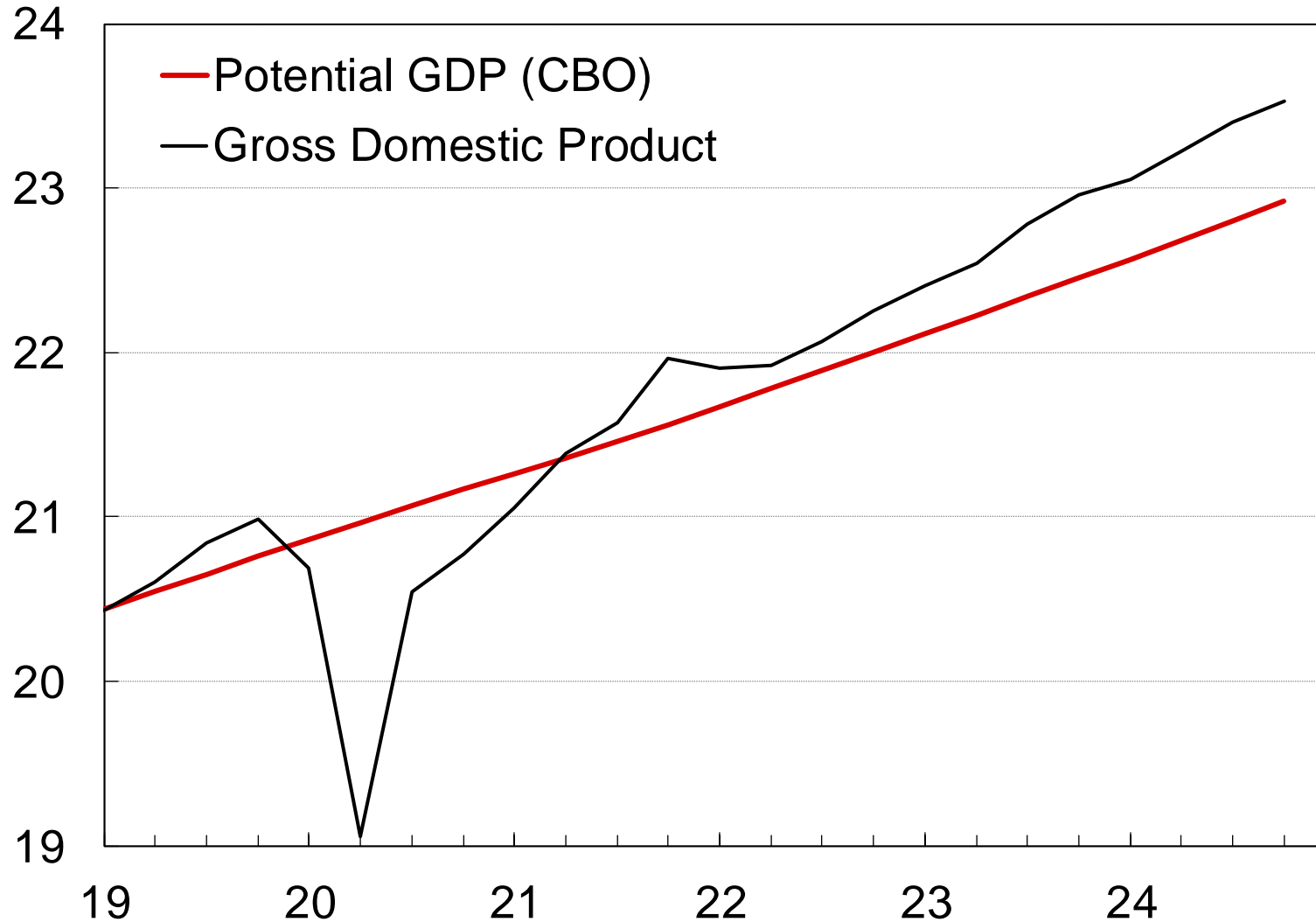


# US Real Gross Domestic Product *Annualized Growth Rates*



# US Real Gross Domestic Product

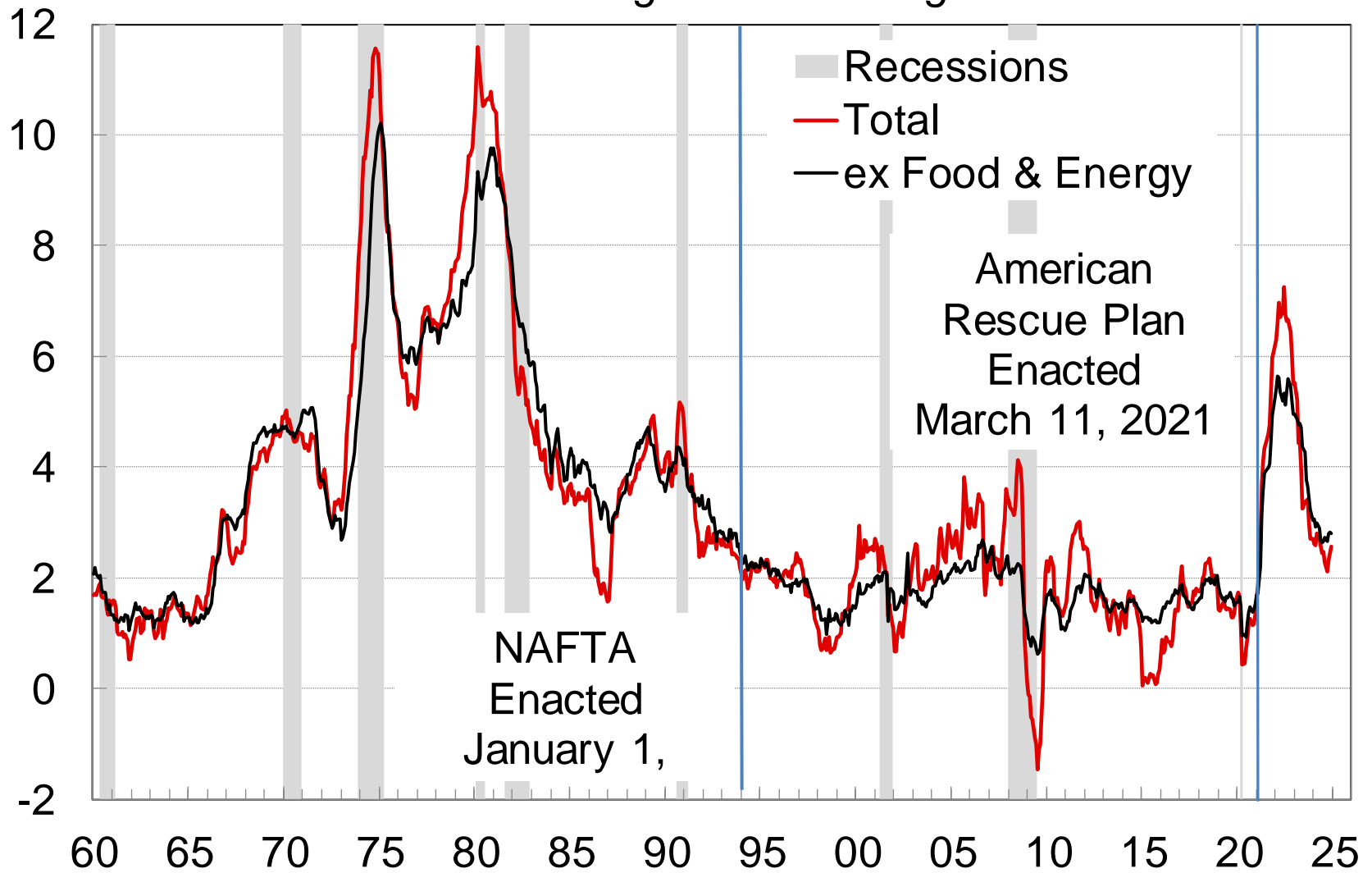
*Trillion 2017 \$*



Source: U.S. Bureau of Economic Analysis/U.S. Congressional Budget Office/FRED

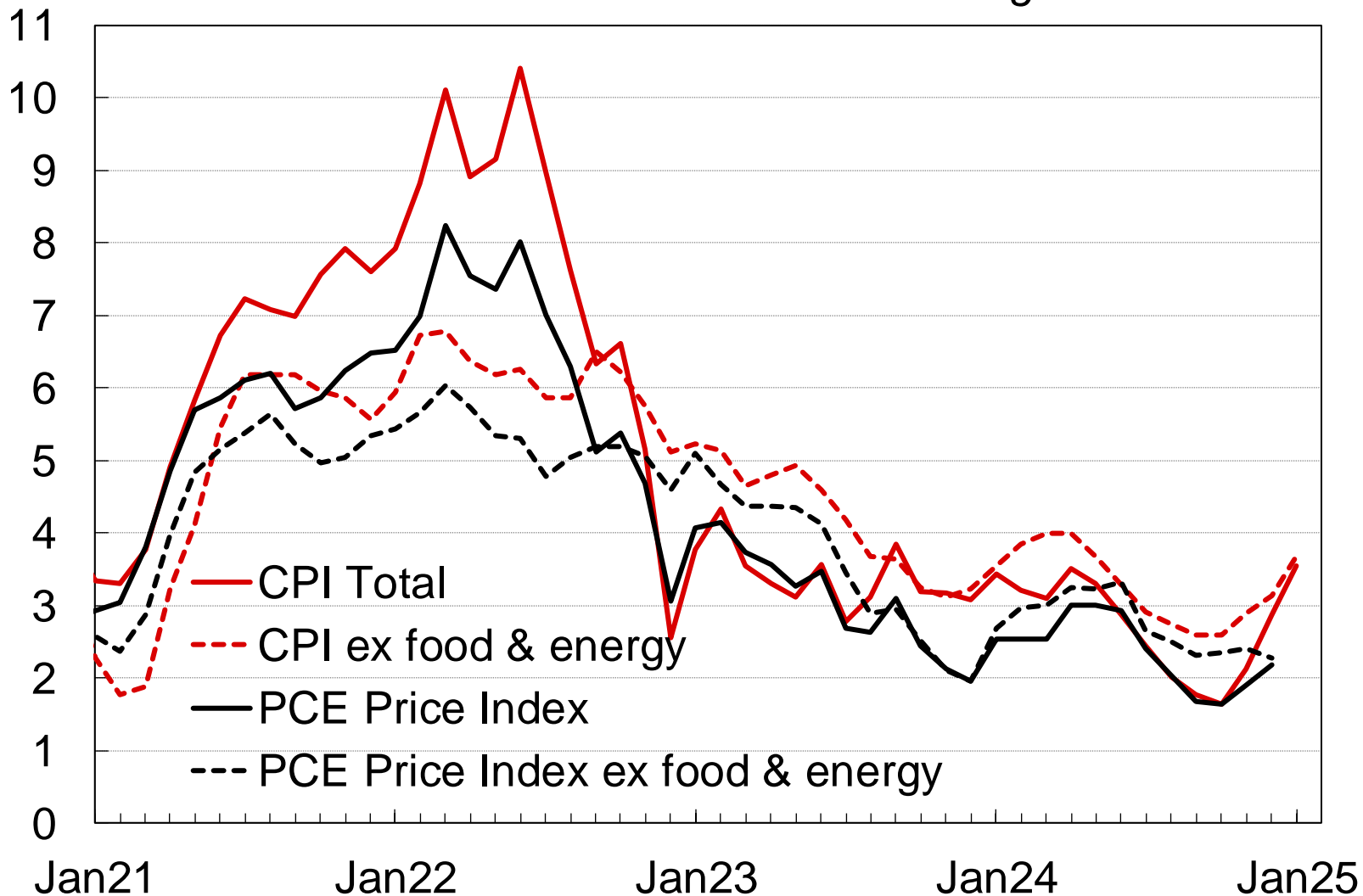
# US Personal Consumption Expenditures Price Index

*Percent Change from Year Ago*



# US Price Indexes

## 6-Month Annualized Percent Change



Source: U.S. Bureau of Labor Statistics/FRED

# **Inflation rose and fell faster than the Fed expected**

**Rise in inflation was bigger and more persistent than the Fed expected. Fed had to raise rates more than it planned.**

**Inflation has come back down but remains above 2% target.**

**Inflation has never fallen this much without a recession.**

**But progress against inflation has stalled.**

**Big deficits make the Fed's job more difficult.**

**Tariffs might make the Fed's job more difficult too.**

# US Macroeconomic Summary

**US economy continues to grow.**

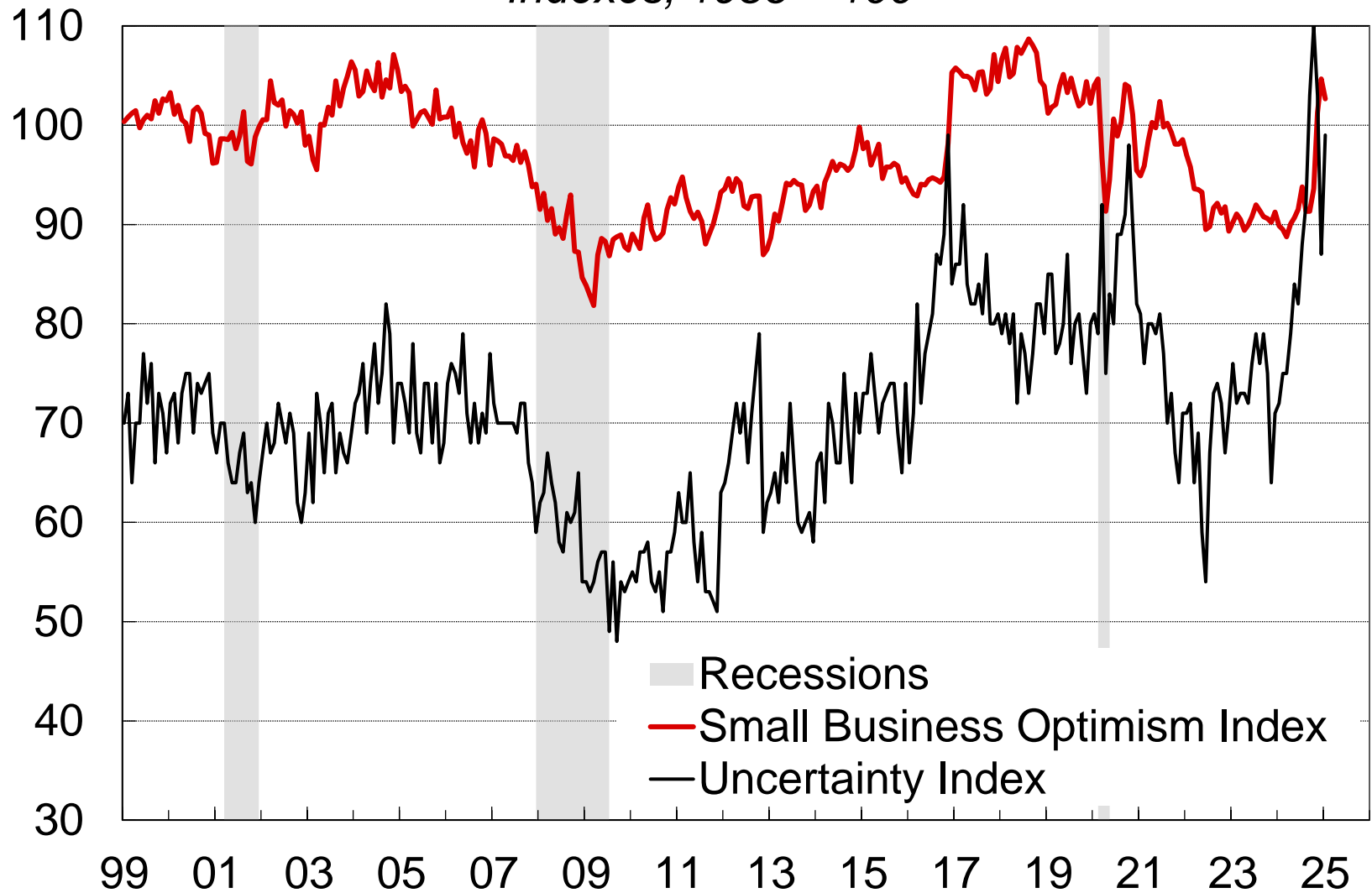
**Labor market and consumer spending remain strong.**

**Inflation remains above Fed's 2% target and has stopped declining.**

**Trump policies introduce significant uncertainty**

- Deregulation increases growth, reduces inflation.
- Tax cuts increase growth (but not as much as in 2017), increase inflation.
- Tariffs reduce growth, increase inflation (but only temporarily).
- Deportations reduce growth, increase labor costs.
- Spending cuts, please!

# National Federation of Independent Business *Indexes, 1986 = 100*

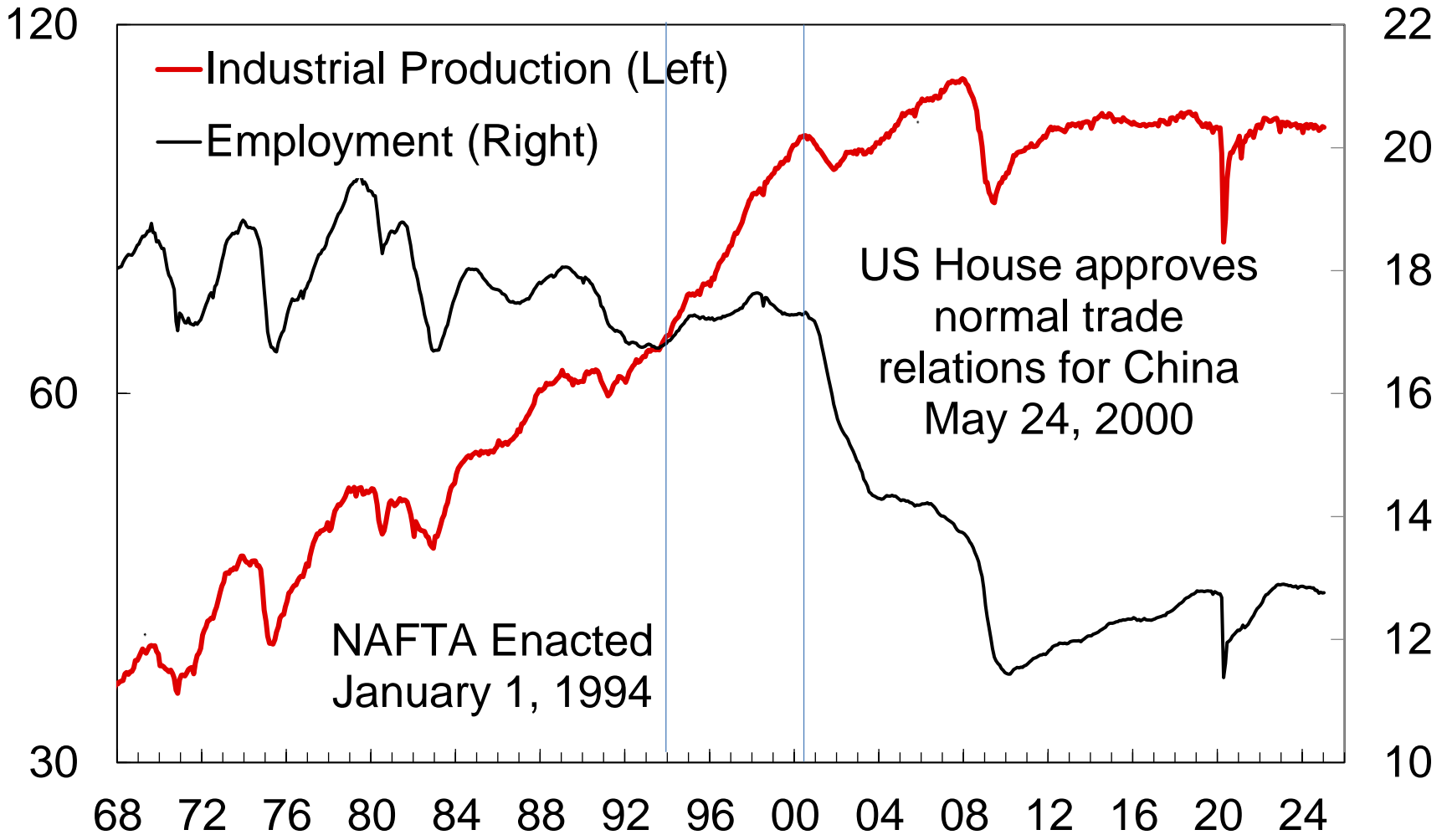


# Industry Detail



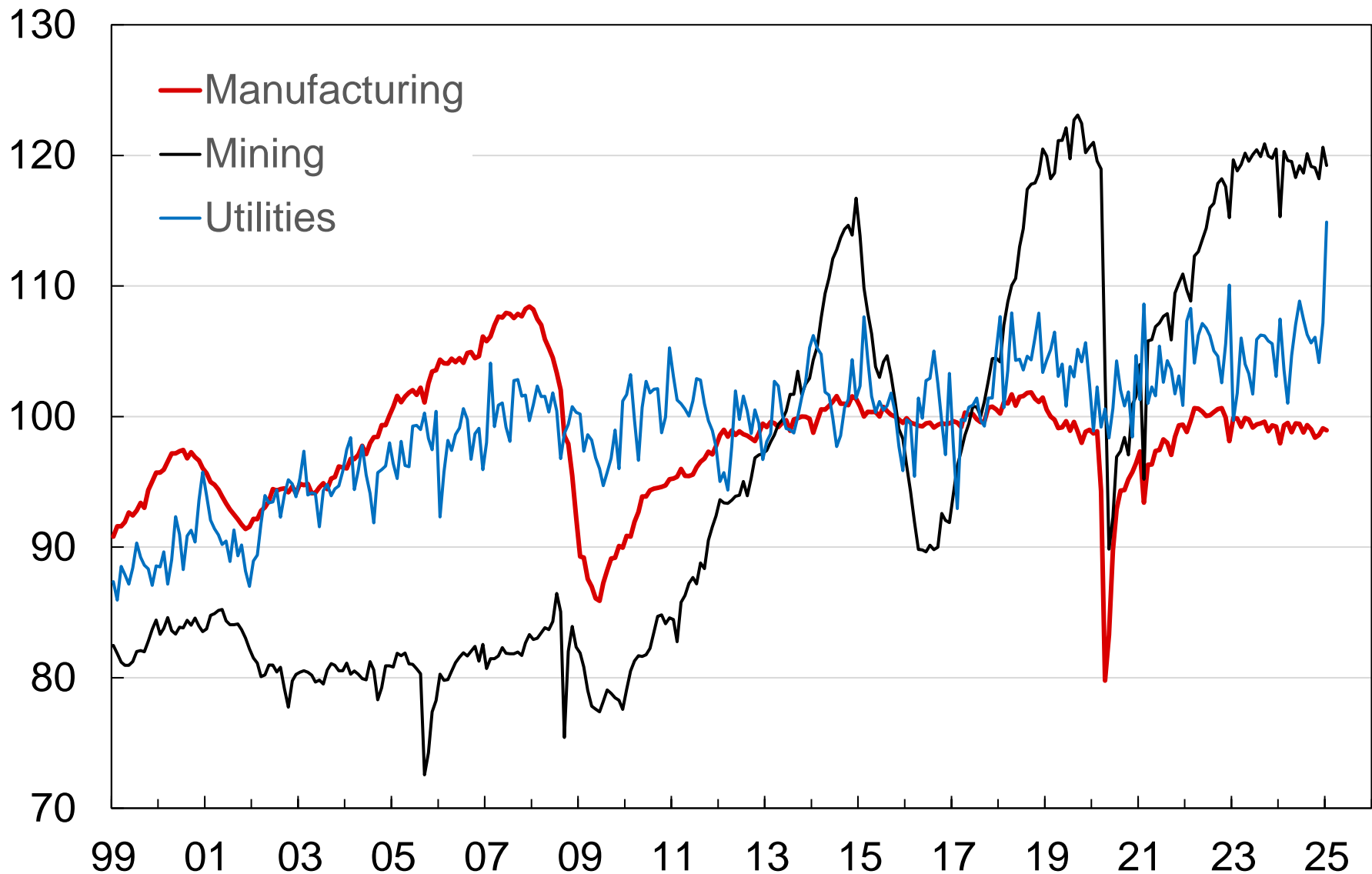
# US Industrial Production & Employment: Manufacturing

*Index, 2017=100* *Millions*



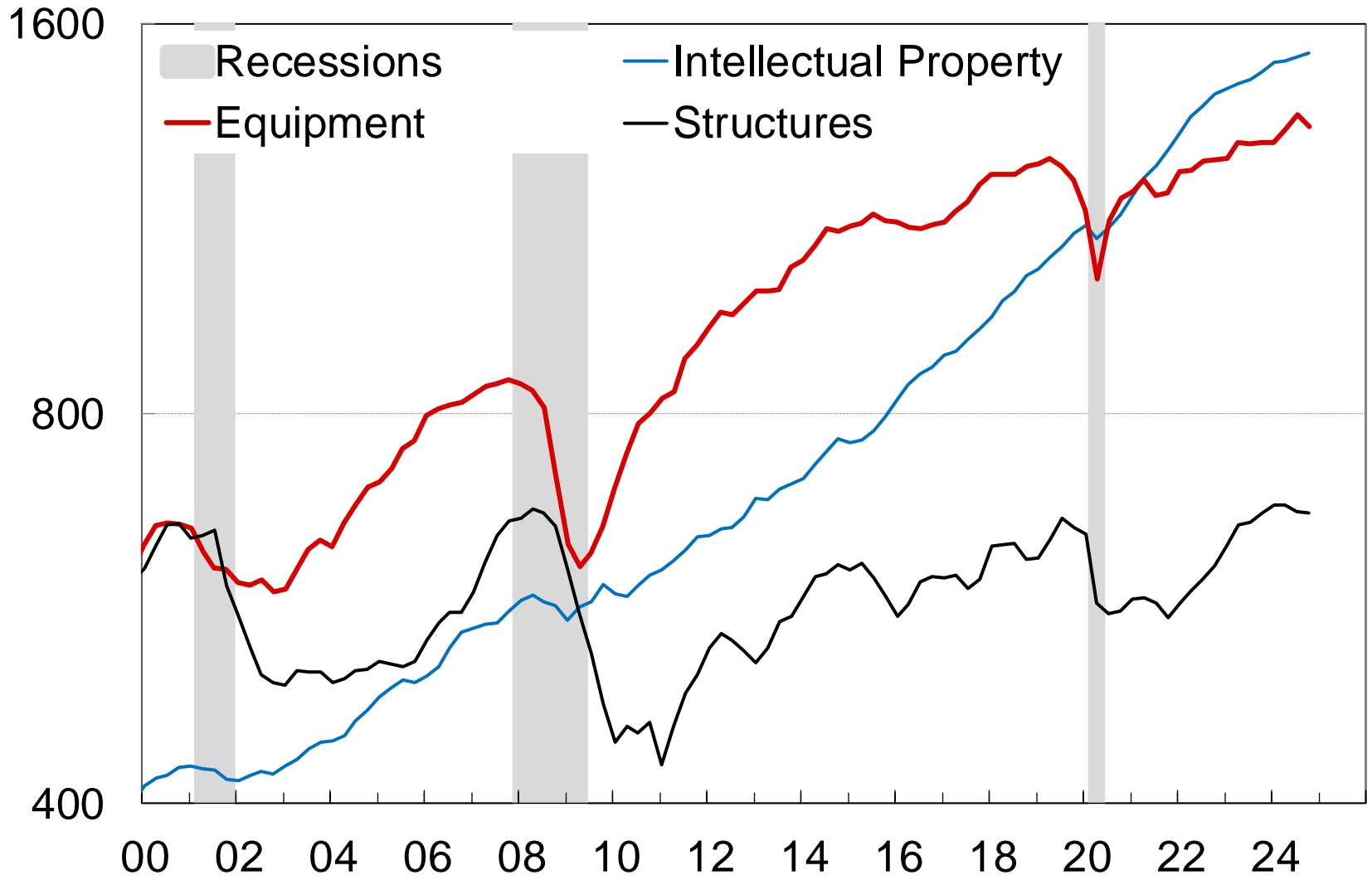
# US Industrial Production: Manufacturing

*Index, 2017=100*



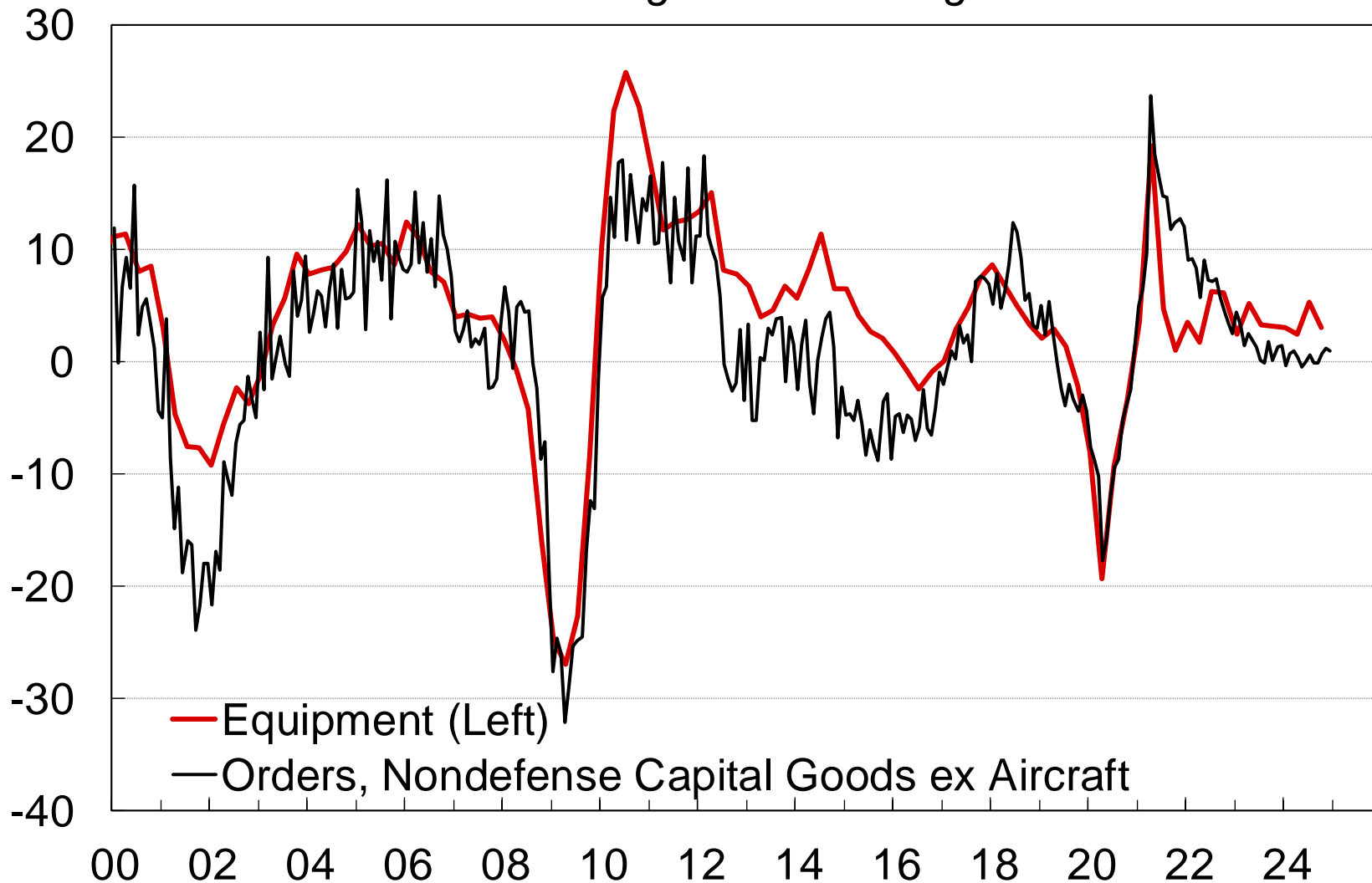
# US Nonresidential Fixed Investment

*Billion Chained 2017 Dollars*



# Real Investment in Equipment vs Capital Goods Orders

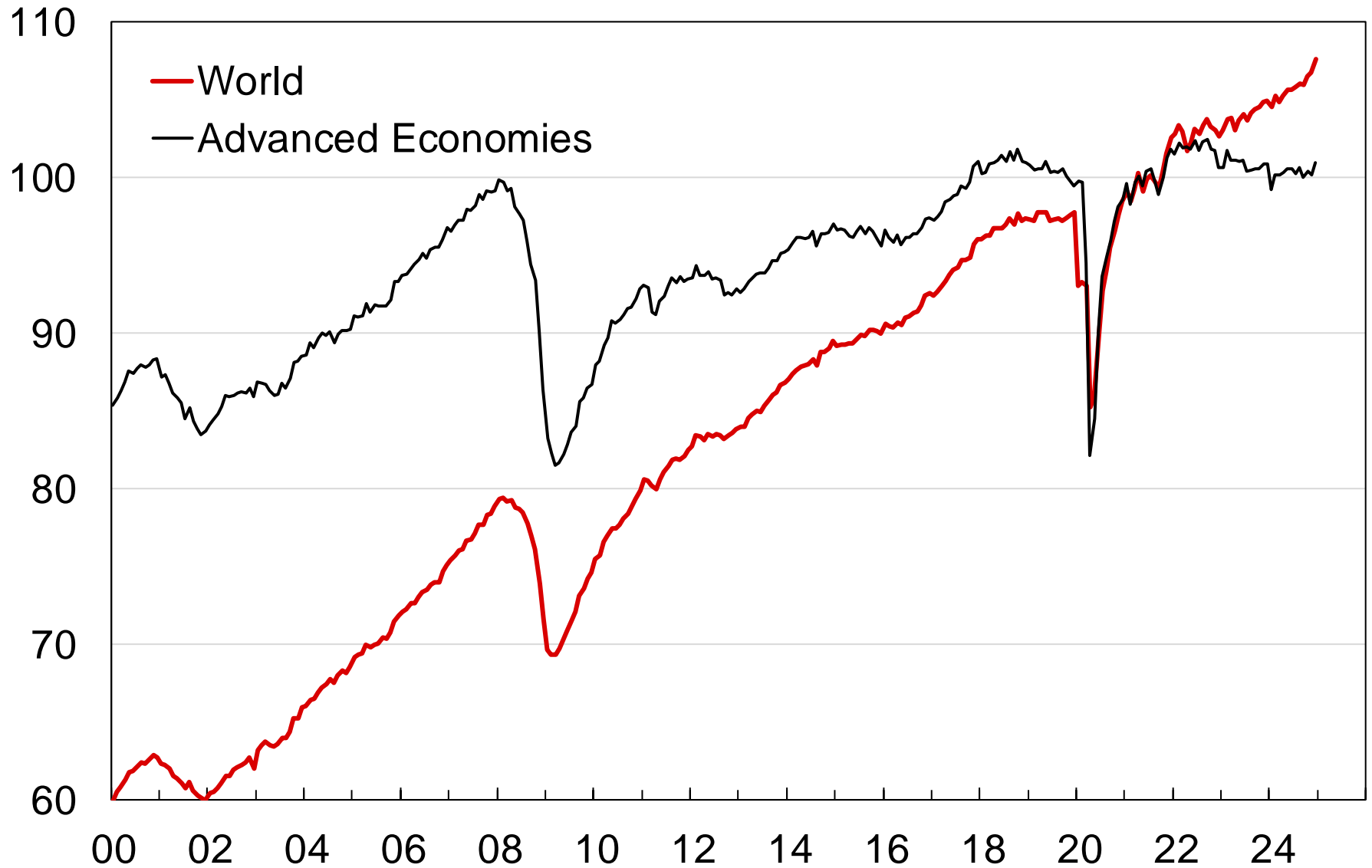
*Percent Change from Year Ago*



# Global Overview

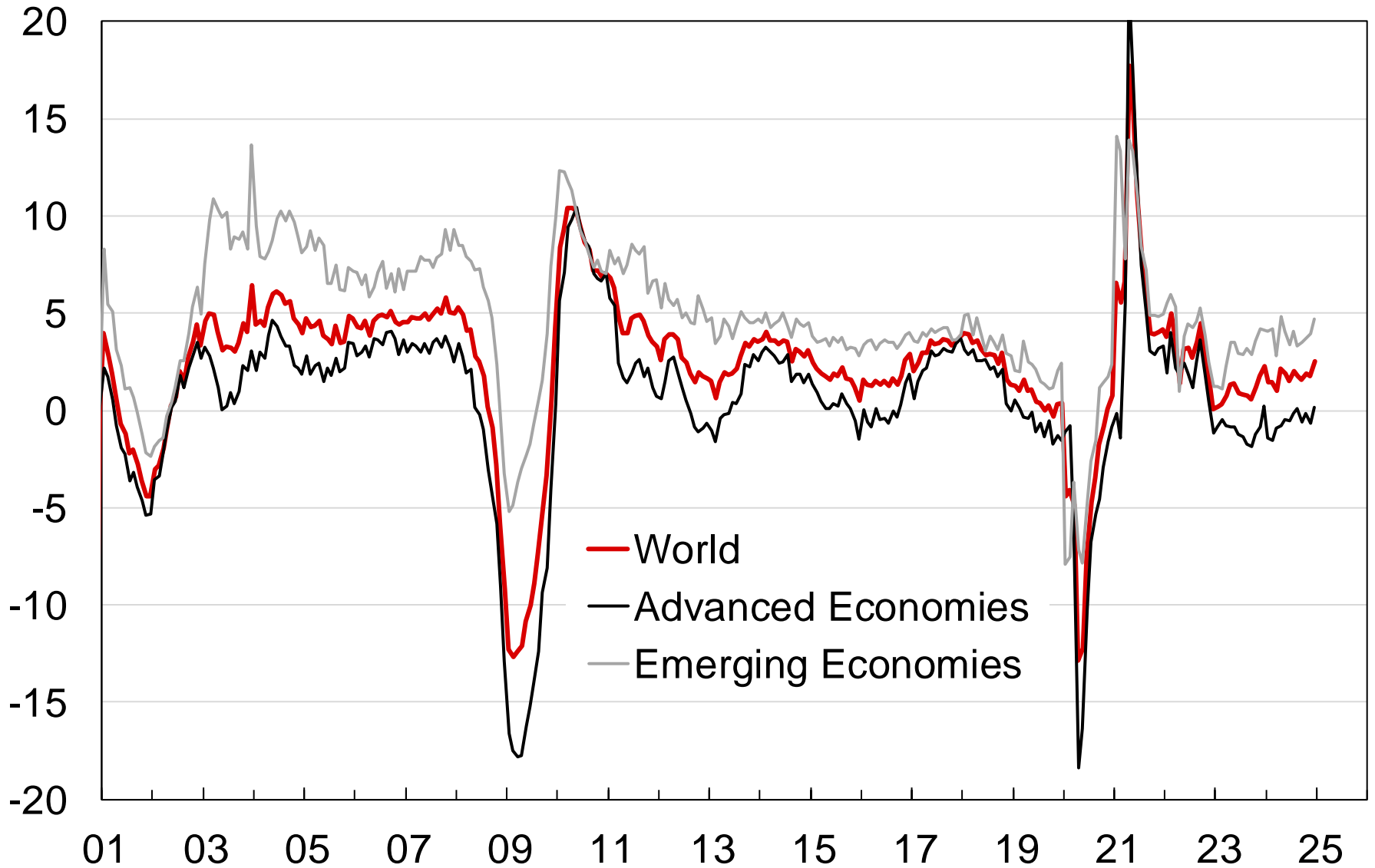
# Industrial Production ex Construction

*Index, 2021 = 100*



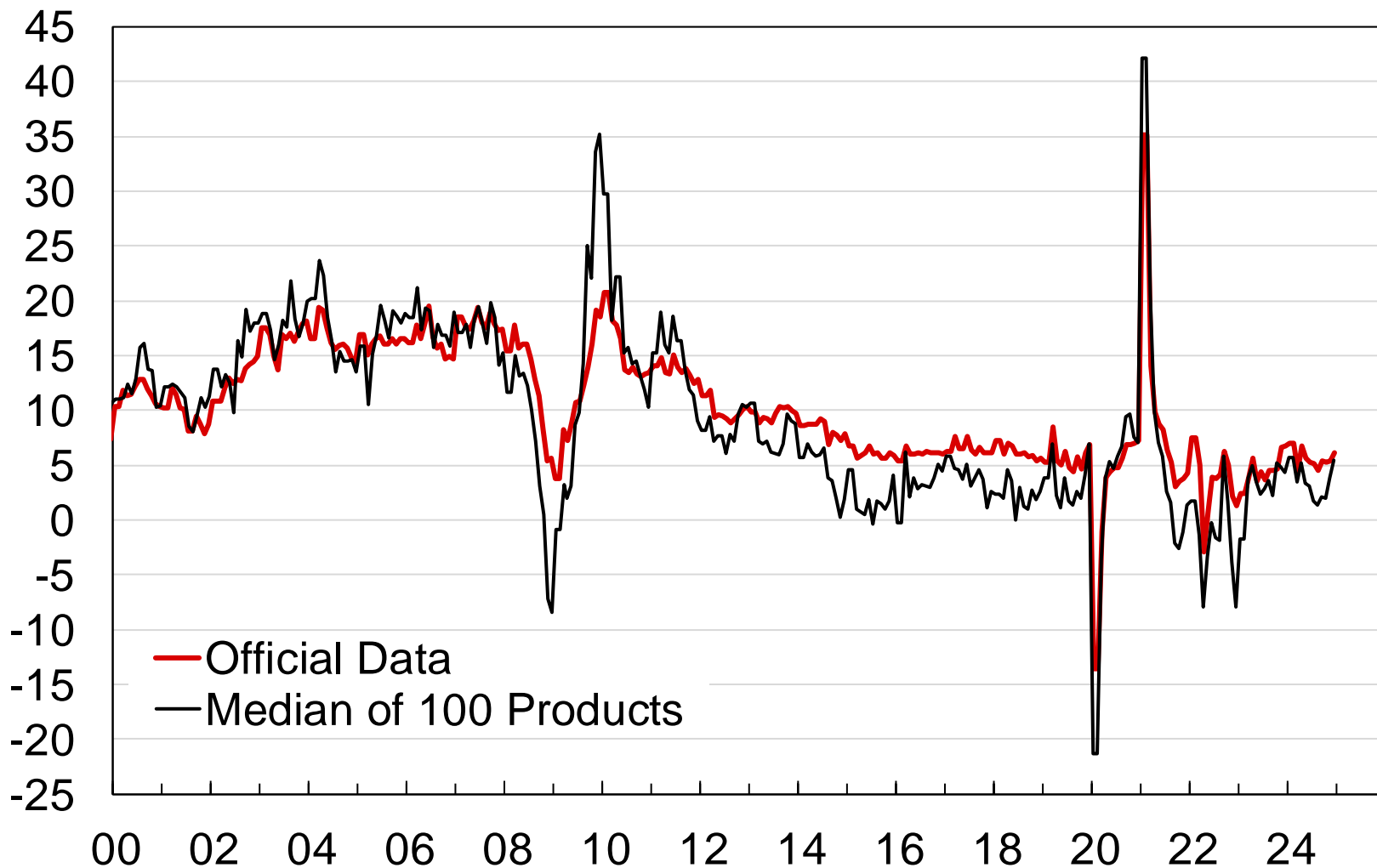
# Industrial Production ex Construction

*Percent Change from Year Ago*



# Value Added of Industry (Industrial Production): China

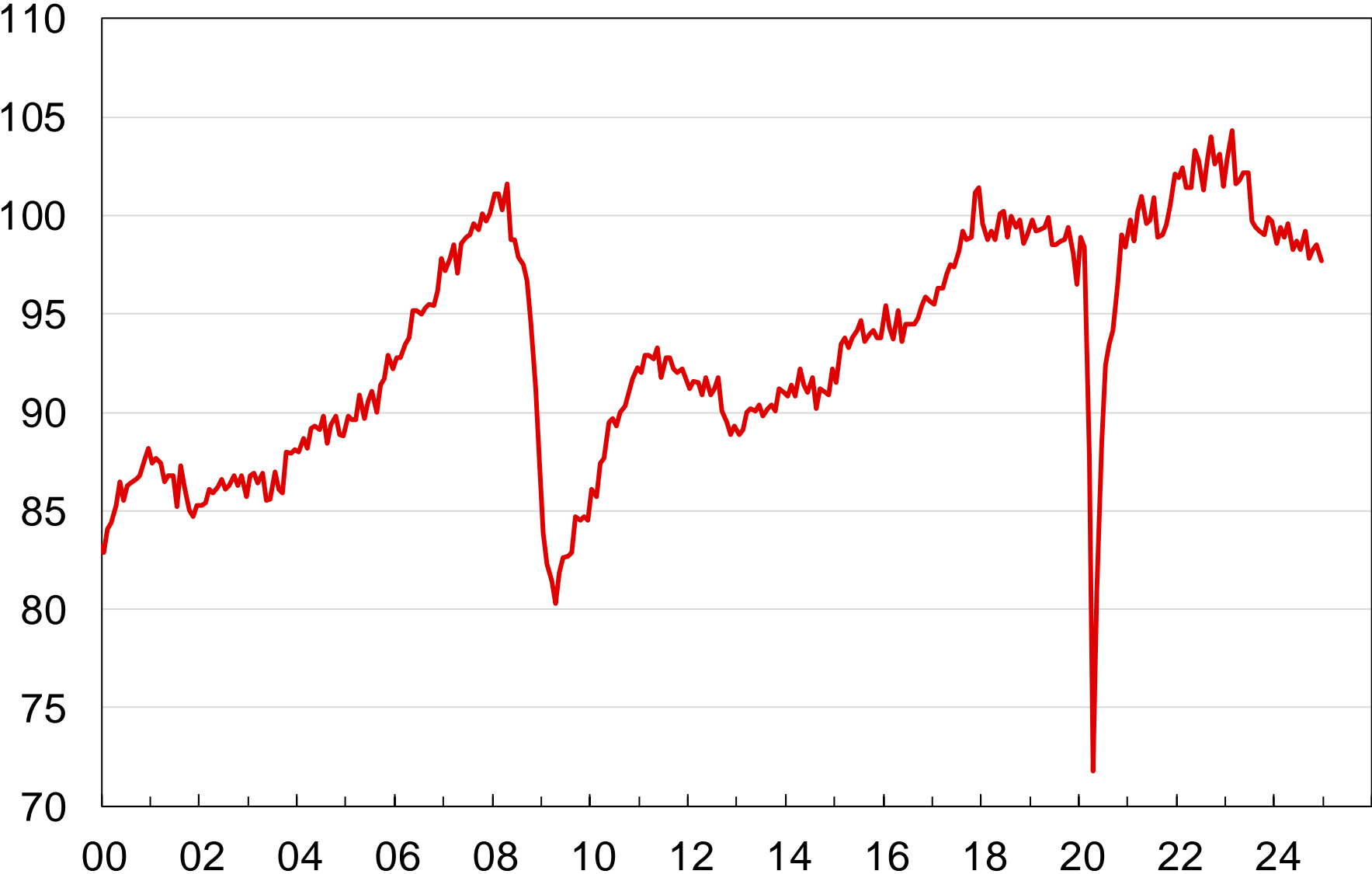
*Percent Change from Year Ago*





# Industrial Production, Manufacturing: European Union

*Index, 2021 = 100*



**“it is just not credible that  
the United States can  
remain an oasis of  
prosperity unaffected by a  
world that is experiencing  
greatly increased stress.”**

**Alan Greenspan  
1926-**



# Key takeaways

**The Fed might actually pull off the elusive soft landing, where US inflation falls to the Fed's 2% target without a recession, but progress against inflation has stalled.**

**Europe had a mild recession; now stagnating. Don't expect recovery until US economy reaccelerates or energy prices fall.**

**Chinese growth hurt by shrinking population, bad policy.**

**President Trump's proposed policies heighten uncertainty.**

**Fiscal deficits will slow long-term growth.**

- The absence of a debt crisis doesn't mean we aren't being hurt.
- Unless central banks tighten in response, inflation will go back up.

# Robert Fry Economics LLC

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