

THE ECONOMIC OUTLOOK GROUP



475 Wall Street
PRINCETON, NEW JERSEY 08540 Tel: 609 - 529 - 1300
www.economicoutlookgroup.com

ECONOMIC TALKING POINTS

Bernard Baumohl
Chief Global Economist

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Will Trump's Impulsive Management Style Begin to Puncture Optimism Over His Presidency?

Could President Trump's apparent "ready, fire, aim!" management style and more specifically his contentious policy directives endanger the US economy?

We're just a few days into this Presidency and yet virtually all our clients have expressed concern the Trump White House has spent way too much political capital forging ahead with a wall across Mexico's border and on defending the order to block US entry of immigrants from seven Muslim countries.

The hope had been that President Trump would leverage his election victory to pursue historic tax reform, rollback regulations and boost infrastructure spending. Instead, we have detected a clear undercurrent of anxiety that his obsession with Mexico financing the wall's construction and the bruising he received from world leaders and outraged Americans over his immigration ban have, in fact, so distracted the President that his ability to advance meaningful changes in fiscal and regulatory policies could be at risk.

Already we are seeing a widening rift between the White House and Republican leaders in Washington over tax cuts, government infrastructure spending, regulatory changes, US policy towards Russia, the revamping of Trump's national security team, and his general anti-global stance.

The question that now looms large is whether the optimism sparked by Trump's election win, along with the GOP's control of Congress, is beginning to wane?

Could Trump's governing style and priorities be so at odds with party leaders that confidence in the new Administration is deflating to the point where it will soon show up in the economic data and financial markets? If so, we may begin to see signs of this discontent as early as this week.

While most of the economic reports this week are based on business activity prior to Trump’s inauguration, we will be watching closely for any nascent signs that the initial optimism that was to fuel growth this year is being replaced with increasing angst.

In particular, we’ll be monitoring closely the following economic releases:

- Employment Cost index – January 31st (8:30 AM)
- January’s consumer confidence by the Conference Board – January 31st at (10 AM)
- MBA Mortgage Applications – February 1st (7 AM)
- ADP Employment – February 1st (8:15 AM)
- ISM manufacturing index – February 1 (10 AM)
- FOMC statement – February 1st (2 PM)
- Jobless claims - February 2nd (8:30 AM)
- Bloomberg consumer comfort – February 2nd (9:45 AM)
- Employment report – February 3rd (8:30 AM)
- ISM non-manufacturing – February 3rd (10 AM)

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Key Economic Forecasts												
<ul style="list-style-type: none"> • Actual • Forecast 												
United States												
	I 2016	II 2016	III 2016	IV 2016	I 2017	II 2017	III 2017	IV 2017	I 2018	II 2018	III 2018	IV 2018
Real Gross Domestic Product (GDP):												
%	0.8	1.4	3.5	1.9	2.2	2.2	2.4	2.7	2.5	2.7	3.0	2.7
Personal Consumption Expenditures:												
PCE	1.6	4.3	3.0	2.5	2.2	3.6	2.8	2.6	2.6	3.5	3.3	2.5
Inflation, end of period, year-over-year:												
CPI %	0.9	1.0	1.5	2.1	2.3	2.5	2.6	2.5	2.5	2.6	2.6	2.8
Unemployment Rate (end of period):												
%	5.0	4.9	5.0	4.7	4.8	4.9	4.9	5.0	4.8	4.7	4.5	4.3
Non-farm Payrolls, monthly avg. thousand:												
	196	146	212	165	135	115	155	160	155	140	150	155
Treasury 10-yr Note Yield % (end of period)												
	1.78	1.49	1.60	2.45	2.63	2.50	2.36	2.70	3.10	3.15	3.15	3.20
Federal funds rate % (end of period)												
	0.38	0.38	0.38	0.63	0.63	0.88	0.88	1.13	1.38	1.63	1.88	2.13

GDP Growth - Global Economy

Country	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
US	1.8	-0.3	-2.8	2.5	1.6	2.2	1.7	2.4	2.6	1.9	2.4	2.7
Eurozone	2.6	0.6	-4.1	1.7	1.4	-0.9	-0.3	1.2	1.8	1.5	1.3	1.7
United Kingdom	3.1	0.6	-5.2	1.7	0.7	0.3	1.8	2.9	2.2	2.0	1.2	1.5
Japan	2.1	-0.7	-5.4	4.6	-0.4	1.6	1.5	-0.1	1.1	0.9	1.3	1.3
Canada	2.7	0.7	-2.8	3.1	3.1	1.7	2.2	2.5	1.2	1.3	2.0	2.5
India	9.1	8.8	6.3	8.4	8.6	6.7	4.9	7.4	7.8	7.3	7.2	7.8
China	14.2	9.6	9.2	10.5	9.5	7.8	7.7	7.3	6.9	6.7	6.3	6.4
Brazil	5.7	5.1	-0.3	7.5	2.7	0.9	2.3	0.1	-3.8	-3.9	0.2	2.2
Mexico	3.3	1.4	-4.7	5.2	4.0	3.9	1.4	2.3	2.5	2.1	1.8	2.4
Australia	4.0	2.3	1.2	2.8	2.6	3.6	2.4	2.6	2.5	2.3	2.5	2.8
Russia	8.1	5.6	-7.9	4.0	4.3	3.4	1.3	0.6	-3.7	-0.2	1.1	1.8
World	5.4	1.6	-1.9	4.2	3.0	2.6	2.9	3.0	2.6	2.4	2.8	3.3

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