



Trump Seen as 'Single Largest Risk' to Economy

The president-elect's incoming administration is seen as a high-risk, high-reward prospect among experts.

By Andrew Soergel | Economy Reporter Dec. 5, 2016

President-elect Donald Trump's incoming administration is being viewed as a high-risk but potentially high-reward opportunity for the U.S. and global economies, according to a new report from Oxford Economics.

Oxford's latest client survey – conducted in the aftermath of Trump's victorious Election Day – suggests the president-elect "poses the single largest risk to the global economy" of all known variables and concerns.

"More than a quarter of respondents (27 percent) highlight a trade war triggered by Trump as the top risk to the global economy over the next two years," the report said, noting that "six months ago, only 2 percent of respondents cited Trump as the key risk."

Trump's hard-line trade stances became a much more real concern for trade-minded experts, investors and Oxford contacts after Nov. 8. Trump, for example, has advocated for the restructuring or termination of the North American Free Trade Agreement, which would turn America's trade relations with Canada and Mexico, two of its largest trade partners, on their heads.

He also has vowed to crack down on imports from countries like Mexico and China with steep tariffs – as high as 45 percent for China, and 35 percent for Mexico.

"If he goes through with those tariffs, it's likely both those countries will retaliate against the U.S. That would trigger a trade war at a time when the U.S. economy is growing at barely 2 percent," **Bernard Baumohl, chief global economist at The Economic Outlook Group**, wrote in a research note Friday. "That's not much of a buffer to protect the economy from slipping into a recession."

For comparison's sake, a "severe downturn in the Chinese economy" was the next most commonly cited global risk in the Oxford survey, followed by "geopolitical tensions." Trump during his presidential campaign seemed intent on patching up relations with Russia, though he has already played a role in a diplomatic complaint from China after speaking with the leader of Taiwan in recent days.

Yet while Trump's stance on trade has ruffled more than a few feathers among experts and his foreign policy chops remain to be seen, his domestic policies are viewed as potentially stimulative for the U.S. if all goes according to plan.

Oxford's report notes that Trump "is also viewed as the most likely source of upside risk" due to potential White House economic policies like lower personal and corporate taxes and infrastructural improvement, among others.

"The potential for U.S. growth to surge on the back of a Trump fiscal stimulus package is cited as the top upside risk by 38 percent of respondents," the report said. The next most commonly cited upside was "fiscal policy loosened globally."

Domestic markets have responded favorably to Trump's election and the GOP's control of Congress, with the Dow Jones industrial average and Standard and Poor's 500 index surging to record highs in the aftermath of Election Day. A unified Republican governing front is generally expected to allow more legislation to work its way through Capitol Hill, especially with regard to GOP hot-button issues like tax reform and private-sector deregulation. If Trump sticks to his campaign guns, it's unlikely GOP lawmakers will face a presidential veto on related legislation.

Meanwhile, economists have quibbled over whether Trump will be able to oversee 4 percent long-term economic growth, as he's claimed he'll be able to bring about. Indeed, the outlook for his economic policies – much like the sentiments surrounding Trump himself – has become polarized, with some experts fearing the worst while others expect the best.

"The president-elect still represents the mother of all uncertainties when it comes to domestic and foreign policies. There is absolutely no record of governing we can count on," Baumohl said. He noted there is "still so much that is not known about how this new administration will govern, what Congress will pass and how this inexperienced White House will respond to foreign crises."

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