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Economists Credit Trump as Tailwind for U.S. Growth, Hiring and Stocks

Forecasters surveyed by The Wall Street Journal give first year generally positive marks

By Ben Leubsdorf Jan. 11, 2018

Economists surveyed by The Wall Street Journal say President Donald Trump has had generally positive effects on U.S. economic growth, hiring and the performance of the stock market during his first year in office.

The professional forecasters also predicted 2018 would see solid growth and a continued decline in the jobless rate. One factor: the tax cuts signed into law by Mr. Trump in December, which most economists say will boost the economy for several years at least

More broadly, most forecasters surveyed by the Journal suggested Mr. Trump's election deserves at least some credit for the economy's recent strength.

Asked to rate Mr. Trump's policies and actions to date, a majority of economists said he had been somewhat or strongly positive for job creation, gross domestic product growth and the stock market. Most also said he had been either neutral or positive for the country's long-term growth trajectory, while his influence on financial stability was seen as largely neutral

“There is definitely a sense in the business community that the president’s actions on taxes and regulations have led to a more pro-growth environment for them to operate,” said Chad Moutray, chief economist at the National Association of Manufacturers.

Still, it is early yet to evaluate Mr. Trump’s performance. He inherited an economy that had already experienced years of falling unemployment and durable if slow growth.

“We have to be cautious about giving Trump too much credit for the economy’s strength,” said **Bernard Baumohl of the Economic Outlook Group**. “Job creation and business capital spending were on the rise prior to his presidency. The jury is still out how much more his actions moved the economy forward.”

A year ago, President Barack Obama got mixed grades as he prepared to leave office after eight years. Most economists surveyed by the Journal in January 2017 saw his policies as positive for financial stability, positive or neutral for job creation, negative or neutral for GDP growth and negative for long-term potential growth.

Looking forward, the economists surveyed in recent days had high hopes for 2018.

On average, the forecasters predicted GDP would expand a healthy 2.7% this year. They saw the unemployment rate, which was 4.1% in December, falling to 3.9% by midyear and 3.8% in December. The pace of hiring was expected to slow further, with monthly nonfarm payroll gains set to average 165,000 in 2018. Monthly job gains averaged 171,000 in 2017 and 187,000 in 2016, according to the Labor Department.

The probability of a recession in the next 12 months ticked down in January to 13%, the lowest average since September 2015. More than two-thirds of forecasters said they saw the risks to the growth outlook as tilted to the upside.

One reason for the rosy 2018 forecasts: a package of tax-law changes enacted last month. More than 90% of economists said the tax cuts would increase GDP growth over the next two years, similar to their thinking in earlier months when the details of the legislation were still in flux.

Still, economists aren't confident the boost will prove long-lived. They on average expected GDP growth would ease to 2.2% in 2019 and 2% in 2020, and identified 2.1% as its long-run average. Half of economists said the tax legislation will boost the economy's long-run trend at least modestly, while the other half said it would have no effect or leave growth somewhat below its current trajectory.

"The corporate tax cut has the theoretical potential of increasing trend rate, but I am skeptical if there is that much of pent-up investment demand left unfulfilled," said Rajeev Dhawan, director of Georgia State University's Economic Forecasting Center.

Policy makers have debated who will reap the benefits of one major tax provision—reducing the U.S. corporate tax rate to 21% from 35%.

White House economists have said workers should see higher incomes as a result of the tax cut while a 2012 Treasury analysis found most of the corporate-tax burden falls on owners of capital, not workers.

Roughly three in four economists surveyed by the Journal said shareholders, not employees, would see the larger benefit from the corporate-tax cut. "We'll still see much of the earnings go to stock buybacks, raise dividends or help finance" mergers and acquisitions, Mr. Baumohl said.

The Journal's survey of 68 academic, business and financial economists was conducted Jan. 5-9, though not every economist answered every question.

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