

Economist to Phoenix audience: Trade war a worry in otherwise healthy US economy

By Corina Vanek – Reporter, Phoenix Business Journal
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If the United States were to enter an economic recession within the next year, it would likely be caused by “acts of human folly,” economist **Bernard Baumohl** told attendees at the Phoenix Business Journal’s 2020 Economic Forecast event.

Baumohl, chief global economist at The Economic Outlook Group and keynote speaker at the Sept. 26 event, called the U.S. trade war with China a “big foot on the neck of the U.S. economy,” which could lead to several differing scenarios in the coming months for the financial state of the country. His economic forecasts relied heavily on whether or not the two countries could come to an interim or permanent agreement about trade policy.

The Wall Street Journal described **Baumohl** as the most accurate economic forecaster of 2018.

With either an interim or permanent agreement, the GDP of the U.S. can be expected to grow at a rate above 2% annually, **Baumohl** said. Without an agreement, GDP growth would likely fall below 2%, increasing the probability of an imminent recession.

The U.S. is in its 11th year of uninterrupted economic growth, nearly double the length of historical economic growth cycles, which averaged about five years, **Baumohl** said. Despite the length of the growth period, fundamentals remain strong with low unemployment, inflation remaining dormant, capital looking for investment and the fast pace of technological innovation, he said.

“These are not symptoms of a business cycle that is about to peak,” he said, adding there would have to be a “major confluence of events” including the escalating trade war, to trigger a recession.

As the U.S. GDP continues to grow, Arizona’s GDP growth outpaces that of the nation. Arizona has been one of the top states for GDP growth in recent years,

with the GDP growing 4% in 2018, compared with the entire country growing by 2.9%, according to the Bureau of Economic Analysis.

Consumers make up 70% of economic activity nationwide, **Baumohl** said. Much of that activity is driven by e-commerce, which allows more “impulse buying” than traditional brick-and-mortar stores.

In addition to the national economic forecast, a panel of local experts discussed sustainability, electrification and education in Arizona.

Chris Brady, city manager for the city of Mesa, Mick Dalrymple, director for sustainability practices at Arizona State University, and Michaela Martin, vice president and central region lead for commercial energy at ICF International, comprised the panel.

They discussed issues facing cities, public institutions and business including the increasing cost of recycling, the need for electric vehicle charging stations and making capital investments that will decrease costs in the long run, such as buying electric forklifts to replace diesel powered machines.

The event was sponsored by Salt River Project.

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