THE WALL STREET JOURNAL.

REAL TIME ECONOMICS

Newsletter: We Got This

By Jeffrey Sparshott
January 6, 2020

TOP STORIES
2020 Vision

2019 ended on a positive note. The U.S. and China struck a partial trade deal. The House approved a revamped U.S.-Mexico-Canada trade pact and kept the government funded. Economic activity around the world stabilized. Stocks posted one of their best years of the decade. So what's next?

- **Economists polled** by The Wall Street Journal forecast gross domestic product will advance 1.8% this year, down from an estimated 2.2% growth in 2019 and 2.9% in 2018. The economy is slowing but odds of a recession appear low.
- **The good stuff**: The labor market is solid, consumer spending strong, housing resurgent, inflation benign and interest rates low.
- **The bad stuff**: The manufacturing sector is contracting and business investment is lagging.
- **Wild cards**: There's still plenty of uncertainty, headlined by Iran, Hong Kong, Brexit, trade policy, climate change and a presidential election. "Buckle-up: Exogenous shocks to become more frequent…and more consequential," said the **Economic Outlook Group's Bernard Baumohl**.

- **Oil prices rose and gold jumped to a six-year high** as an escalation in geopolitical risk in the Middle East reverberated around the world. The moves reflect investor anxiety following the U.S. airstrike last week that killed a powerful Iranian general in Iraq, which could result in more violence across the oil-rich region.

What Have You Done for Me Lately?

The Tax Cuts and Jobs Act is now two years old. So what did it do? Tax bills went down for most families and corporations. But more broadly, it seems the tax cuts contributed to economic growth—though not enough to pay for themselves, as many backers promised. And even some of the intended beneficiaries say the gains haven't been dramatic: Early growth in business investment seems to have faded; overall economic growth rose before pulling back again. Cross-border investment patterns have changed only modestly, Richard Rubin and Theo Francis write.

Tech Tensions

The expanding U.S.-China rivalry in the world of technology is set to be put on full display this week, with a smaller Chinese presence expected in Las Vegas for CES, the world's biggest consumer-electronics exhibition. Chinese exhibit space at the annual show is projected to be down 5% to 6% compared with last year, event organizers said. The drop-off is a reversal from years past. In 2018, the exhibition had 15,383 attendees from China, the country's highest reported attendance ever, Raffaele Huang and Stu Woo report.

OPEC, but for Chocolate

The West African nations of Ivory Coast and Ghana, which combined produce more than 60% of the world's cocoa, have banded together to form their own chocolate-coated version of the Organization of the Petroleum Exporting Countries. The decision by the world's top two cocoa producers is expected to raise the cost of candy bars, ice cream and cake. The two-nation chocolate bloc has decided to charge an extra $400 per metric ton of cocoa, which is currently trading around $2,500 per metric ton, Alexandra Wexler reports. "Who's paying the bill for this? Ultimately, it'll be the consumers," said Jonathan Parkman, co-head of agricultural trading at London-based brokerage Marex Spectron.

Inferno

The human, environmental and economic toll of Australia's devastating wildfires is mounting. The flames have torn through an area about the size of West Virginia—killing at least 20 people, shrouding cities in choking haze and stretching firefighters to a breaking point. Australia's insurance council says more than $260 million worth of claims have been lodged since Nov. 8, when it declared a catastrophe, but that represents a trickle of what is to come, Stephen Wright reports. "We're talking several thousand homes destroyed, thousands more badly damaged, thousands of acres of farmland, vineyards, orchards, grain crops, livestock absolutely destroyed," council spokesman Campbell Fuller said. "The economic impact on Australia is going to be far above and beyond purely the raw numbers of insurance losses."

###