

 ECONOMIC CURRENTS

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## Longing for Yesterday

**Global Growth is Slowing while Recession Risks are Rising**

**Special International Edition: Part I of II**

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Yesterday,  
All my troubles seemed so far away  
Now it looks as though they're here to stay  
-The Beatles, 1965

Budapest. Every year, I meet for a week with more than 25 economists representing every region of the world. This year we met in Budapest, a city whose beauty masks the scars of the oppression it experienced under Nazi Germany and the former Soviet Union. The dichotomy provided an apt metaphor for a world that is seeing the most profound surge in populism and accompany ascent of autocratic leaders since the 1930s.

I chose the Beatles song, “Yesterday,” as an anthem for our discussions. Populism is inherently rooted in a desire to return to a glorified version of the past. Adolf Hitler promised his followers that Germany could regain the status it lost after World War I. The song also captures a longing among the economists for more predictable outcomes.

The trends toward populism are global in scope. They have triggered a pickup in nationalism and protectionism, a focus on border security and defense, and a backlash to anything foreign: immigrants and refugees, including Muslims and non-Muslims. The concept of “foreign” cuts across a broad spectrum of people who may even resemble their neighbors but differ in their religious beliefs, sexuality, gender and/or gender identity.

Our discussions covered more than 120 countries located on every continent of the world. There were some green shoots but even those were overshadowed by the heavy hands of autocratic leaders and related corruption.

We also discussed the structural shifts we are facing, which most of us are ill prepared to deal with. These span aging and the disruptions associated with new technologies and climate change. Those issues will be discussed in next month’s edition of this report to curb exhaustion.

This special report is the first of two which provides a summary of what I learned. Part one focuses on the outlook for the global economy, highlighting key countries and regions. Part two, which comes out next month, will examine the structural changes we are enduring.

Spoiler alert: The risk of recession is rising as global growth is slowing. China, now the second largest economy in the world, is central to the plot. Weakness there is reaching the shores of nearly every other economy. China’s overhang of debt may exceed anything we have ever seen. This is at the same time that central banks are low on the ammunition needed to stimulate sluggish economies.

More could be done with fiscal policy but most saw that as a longshot, unless we hit a crisis. Even then, what little we may see in terms of fiscal stimulus will be aimed at stabilizing our economies over the short term instead of investing in people or infrastructure. To say this year’s discussions were intense is an understatement.

# Global Outlook

## Losing Momentum

### North America

Growth in North America is slowing in response to a rising tide of domestic problems and trade tensions. Trust in the U.S. has eroded across the board with recent actions on trade and a push to negotiate bilateral over multilateral agreements. Threats to impose a 5% tariff on Mexico in response to the refugee crisis were viewed with outrage. Why bother to negotiate a trade deal with a country willing to renege in a tweet?

The **U.S.** is expected to slow from 3% to about 2% in 2019. Most economists see the U.S. economy slipping into what is termed a “growth recession” in 2020. That means a pace of growth that is too weak to hold down the unemployment rate. We are unique in that we are actually forecasting a recession next year, while secretly hoping it doesn’t occur. The probability of a recession according to measures by the **New York Federal Reserve Bank** jumped to 33% in July, the highest level since 2009; a recession has occurred every time that indicator crossed 30%.

There are several reasons for the slowdown; many are familiar to readers of this report: waning fiscal stimulus, an overhang of corporate debt, slowing global growth and a surge in policy uncertainty. The latter is the most insidious. The slowdown in business investment is global in scope and widely expected to worsen as the full impact of trade wars hits supply chains in 2020.

The **Federal Reserve** is expected to cut short-term rates at least once in 2019. Our forecast includes two rate cuts. A persistent miss on the Fed’s inflation target, coupled with new research that shows the labor market has more room to run, suggests that the Fed may have overshot with a rate increase in December. The Fed is also hedging the drag associated with trade tensions, weaker growth abroad and the risk of a negative news shock.

Presidential bullying is not influencing the Fed’s decisions but has delivered a blow to the Fed’s credibility. This, coupled with bubbling asset prices, has prompted a minority of regional Fed presidents to push back. They prefer to delay a cut in rates. Look for at least one dissent when the Fed moves to cut rates.

“Turkey provides a cautionary tale for autocratic leaders bent on controlling economic outcomes instead of incenting them through market reforms.

**Canada** slowed fairly dramatically in the first half of the year. Oil production dropped as consumers felt the pinch of a large overhang of debt and persistently weak wage gains. A rebound in the second half could raise growth to 1.5% in 2019. That still represents a slowdown for the year.

Prospects for 2020 are highly uncertain and contingent upon the passage of the United States Mexico Canada Agreement (USMCA) in the U.S. I am erring on the side of caution. Best-case scenarios show a muted pickup in growth but forecasts for international growth have consistently fallen short of expectations.

Disruptions to global supply chains are intensifying. Tariffs and trade tensions compound over time, which make it difficult for many to see the linkage between a slowdown in trade and weaker growth.

The **Bank of Canada** is attempting to stand pat on rate cuts. A more probable scenario is that it follows the Fed with a preemptive cut in rates before year-end.

**Mexico** has slowed to a crawl and is flirting with recession. Weak domestic demand in the wake of tighter monetary policy added to the uncertainty that arose in the business community in the wake of the election of a left-wing government are the primary reasons. The saving grace has been trade. Mexico is one of the largest winners of the trade war between China and the U.S. as firms have diverted goods and production to Mexico to avoid tariffs.

Growth is expected to eke out a slight gain in 2019, half the pace of 2018. Hopes for 2020 are better but contingent upon a cessation of trade conflicts with the U.S. There is optimism that populists in control will make good on government plans to privatize the oil industry.

The **Bank of Mexico** is expected to reverse course and cut rates. Inflation has fallen back into the target range, while the peso appears to have stabilized at least for now.

## South America

South America is plagued with slow productivity growth and a lack of investment. Its economies also tend to be highly protectionist, with high tariffs and a broad spectrum of subsidized industries. The most extreme example is Venezuela, which has managed to ward off regime change, despite a severe humanitarian crisis. Most major economies, with the exception of Chile, have lost a decade of growth when measured on a per capita basis.

“Official data (in Venezuela), which understate the real pain, show the country’s GDP has halved in size during the last five years.”

The signing of the recent free trade agreement between the European Union (EU) and Latin America is an exception to the rule. It was twenty years in the making and represents one way in which even heavily protected economies are moving ahead without the U.S.

**Brazil**, the region’s largest economy, suffered a recession in the first half of 2019 but is poised to rebound on more stimulative fiscal and monetary policy. Growth is expected to come in just above 0.5%. The forecast for 2020 is for a rebound but risks are to the downside.

Widespread corruption and lagging economic performance led to a big win for right-wing populist President Jair Bolsonaro. Now, he is under fire. He appointed his son to be the ambassador to the U.S. because he already knows our president’s children and son-in-law well. Nepotism and special favors for close allies go hand-in-hand with populism.

The surprise has been the legislature, which remains in the hands of centrist politicians. It has acted as a check on Bolsonaro’s extreme social views. Brazil recently enacted much-needed reforms to social security and is poised to pass another set of reforms to stimulate the moribund economy. The central bank is rumored to have held back on rate cuts until the legislature passed social security reforms. It denies this officially.

The **Central Bank of Brazil** is expected to cut rates in July and again in the second half of the year. Inflation has finally moderated with the recession, while the currency is stabilizing. The Fed’s shift toward cuts is easing external pressure to keep rates higher.

**Argentina** is emerging from recession, just barely, and still suffers hyperinflation, which is running at nearly 56%. Reform fatigue has set in, which is acting as a hurdle to the reforms necessary to right the ship of the country’s debt burden. The situation is so bleak that former President Cristina Fernandez de Kirchner, who caused the recent round of hyperinflation and debt defaults, is rising in the polls as a vice presidential candidate.

The International Monetary Fund (IMF) is working on yet another deal with the country’s lenders. One has to ask why anyone would actually invest in Argentina, given its long record of defaults. The IMF just released a **stand-by arrangement** which, along with interventions by the central bank to support the currency, has temporarily stabilized financial markets.

**Venezuela** remains mired in a depression with hyperinflation. Official data, which understate the real pain, show the country’s GDP has halved in size during the last five years. Sanctions are only exacerbating the losses triggered by the inept leadership of Nicolas Maduro and the corruption that accompanies autocrats.

Hopes for regime change faded with a failed coup attempt in April. The military remains largely loyal to President Maduro, despite plummeting approval ratings. The hope is that an outside country (Norway or Sweden?) may be able to broker a peaceful exit for Maduro. The U.S. has lost influence in the region.

## Europe

A rising tide of populism, trade tensions and negative rates across much of the region top the list of concerns about Europe. Few countries have the latitude to stimulate as their economies falter. The irony to many in Europe is that the U.S. is actually running a trade surplus with the region as a whole, a fact that is lost in translation when it comes to the White House’s focus on bilateral trade flows. There are a few green shoots in Norway, Ireland (for now), Spain and Central Europe but they remain sparse as growth continues to disappoint.

There is more optimism about membership in the EU and the Eurozone than we saw just a year ago. Then, most feared that the Brexit vote would be contagious. Now, the slowdown that the UK has experienced before it exits the EU is acting as a deterrent to other states.

## United Kingdom

Brexit dominates discussion in the UK. A hard Brexit, or one without negotiated terms of withdrawal from the EU, now appears more likely with Boris Johnson poised to take over as prime minister after he is elected head of the Conservative party. He has already raised more money for his pro-Brexit campaign than any other candidate. The fear of a hard Brexit is dampening growth and depreciating the currency. Companies are hedging against the consequences of Brexit; they are moving their production to mainland Europe.

The **Bank of England** has held off on a rate cut, pending a decision on Brexit. It will need all it has to counter the costs of a hard Brexit, which financial markets put at a 40% chance of occurring. Our own in-house experts are less sanguine, with their estimates of the probability of a hard Brexit much higher. No one is quite sure of the contagion effects from such an event, but they are likely to be larger than most have assumed. There just isn't a benchmark to measure the blow to confidence and behavior that such a step could cause.

The silver lining is that such a catastrophic event could eventually oust the populists from power. The blow to living standards and the time that those shifts take to convince an entire population will take time. The mantra of British pundits has become, "The lunatics are running the asylum."

## Eurozone

The Eurozone is expected to slow from a 1.9% pace in 2018 to between 1 and 1.5% in 2019. The consensus is for a slight pickup in 2020 but downside risks are mounting. The contagion associated with a hard Brexit may be much larger than expected. Ireland looks poised to suffer the largest blow given the risk that border restrictions with Northern Ireland are reinstated. Domestic demand has held up better than exports over the last six months, but growth in the service sector also appears to be waning. Higher tariffs are expected from the U.S.

The **European Central Bank** (ECB) is expected to ease to provide some sort of an offset for the slack in external demand. It remains extremely unclear how well that will succeed, given the costs associated with negative interest rates, including liquidity problems with banks, financial market imbalances and the limits placed on what the ECB can buy via its asset purchase program.

Separately, former IMF head, Christine Lagarde has been chosen to replace Mario Draghi at the helm of the ECB. Our German colleagues are not pleased with the choice; economists outside of Germany are more optimistic. Lagarde's skills as a diplomat and dealmaker could gain credibility for the bank and act as a check on some of the region's more populist tendencies.

**Germany** and **France** are the region's largest economies. France has been able to buck regional trends with both its service and manufacturing sectors picking up in recent months. Germany is being hit harder by the spillover effects of the trade war between the U.S. and China and will be hit harder than other countries by a rise in vehicle and parts tariffs implemented by the U.S. German vehicle companies are already looking to curb production in the U.S. because of the various trade wars that U.S. moves have triggered.

France, which had escaped the ire of the U.S., has joined the fray. The country levied taxes on digital transactions despite warnings from the White House this month. Those will hit large American technology companies the hardest.

The one outlier in the region is **Spain**, which underwent brutal reforms during the height of its austerity boosted its competitiveness. It is now one of the best performing economies in the region. Ireland is stronger but faces the highest risks should the UK opt to exit the EU abruptly.

"The host country for our conference, Hungary, is now one of the fastest growing economies in Europe with growth expected to top 5% for the second year in a row."

**Portugal** has made some surprising strides. It is inexpensive and attracting investment, notably in housing. Portugal makes it easier to obtain an EU passport if you buy a home there; this has made it popular with foreigners looking to hedge their bets, including British purchasers who do not want to lose their EU passports to Brexit.

**Italy** is the black sheep of the region with its economy already mired in recession. The next major showdown is likely to occur this fall, when Italy submits a budget to the European Commission (EC). The EC is widely expected to force Italy into an austerity program.

Italy is much too big to fail, but no one is running to its side. Germany has been particularly reluctant to reward bad behavior, despite its own lack of reforms in recent years. Another sovereign debt crisis cannot be ruled out.

## Central and Eastern Europe

Central and Eastern Europe have been a bright spot, surprising to the upside in 2018 and early 2019. All have outperformed the euro area in recent years. The host country for our conference, Hungary, is now one of the fastest growing economies in Europe with growth expected to top 5% for the second year in a row. The country is benefitting from a shift in production from other parts of Europe and ultra-easy monetary policy. The central bank of Hungary is pursuing a high-pressure strategy with negative rates and subsidies to key industries.

The question is whether the good news can continue. A dearth of investment, lagging educational attainment and the rise of autocratic leaders are hurdles. Many of the economies in question have seen a sharp increase in corruption and a breakdown of key institutions, including the independence of the judiciary and the central bank.

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## Asia Pacific

### China

China is expected to report growth of 6.25% in 2019 but actual growth will be much weaker. Estimates range from 4 to 5.50%. Slower growth will undermine China's ability to service its massive overhang of debt. The trade war with the U.S. is merely exacerbating structural problems with the centrally planned and highly subsidized economy.

Estimates of the country's debt top 300% of GDP and may be even higher. China has systemically overreported growth in recent years. One province of the country admitted that it **overreported** its growth by at least 30%, but Chinese authorities never adjusted the official data down to reflect that transgression. The economy is actually smaller than official data suggest, and by extension, the debt to GDP ratio much higher.

China is attempting to stimulate via fiscal and monetary policy but its efforts are not working as they have in the past. Over-indebtedness is the primary reason. It is hard to get consumers to spend and companies to invest when debt service is already eating up much of their income. Over capacity is another hurdle, as President Xi Jinping continues to reward communist party leaders over the broader population. Many companies that say they are private entities are still very much in party hands and beholden to the government.

China is also suffering from a severe outbreak of the swine flu, which has taken a toll on the supply of hogs. Pork prices have surged and are expected to trigger stagflation by year-end. Imports will not be enough to offset domestic losses to disease (U.S. farmers shouldn't hold their breath, hoping to export to China given current tensions).

Add the potholes (sinkholes?) in the last mile of differences between the U.S. and China, and prospects for a detente in trade tensions do not look good. **Chinese laws** actually charge its citizens with treason for failure to report advances made by foreign-owned employers. They see removing those laws as a threat to their national security, while we see their business practices as a threat to both the functioning of our economy and our national security.

Our allies share our frustration over China's business practices and want to penalize China's intellectual property theft but are reluctant to join us in that battle. The U.S. has lost a lot of allies by opting out of the Trans-Pacific Partnership (TPP) trade pact, which isolated and penalized China.

Experts on China are almost uniformly dour. The slowdown in China is one of the primary reasons that global growth forecasts are being revised lower. The only out for China is a sharp depreciation in the currency, which would only further enrage the White House.

China has been strategic in its retaliation. States that our president won in 2016 have been hit hardest. Now it has detained a U.S. executive there on business. China is also weighing curbs to precious minerals exports, which would disrupt the supply chain for U.S. tech companies. It is also taking a more aggressive stance in the South China Sea, which acts as a choke point for the global supply chain.

Disruptions to the global supply chain are expected to intensify over the next year, even if the U.S. holds the line on tariffs with China. The U.S. recently levied tariffs on Vietnam, Thailand and South Korea. They were penalized for helping producers escape tariffs by shipping their goods from those countries instead of directly from China. Workarounds that many companies used to limit disruptions to their supply chains are going to be cut off.

## Japan

Growth in Japan is expected to come in at 0.7% in fiscal 2019, the same as fiscal 2018. The country was among the hardest hit by the slowdown in China and the spillover effects in other Southeast Asian countries that have become close trading partners of Japan. Trade tensions with the U.S. are also escalating; Japan will likely be hit with some kind of a hike in tariffs on vehicles and parts by year-end.

“On July 1, Japan halted exports of materials critical to South Korea's technology sector under the guise of national security.”

This is at the same time that trade tensions between Japan and South Korea have escalated. On July 1, Japan halted exports of materials critical to South Korea's tech sector under the guise of national security. (Sound familiar?) The real issue is more diplomatic in nature. Japan is pushing back on demands that it atones for the atrocities committed during its occupation of Korea. This will further disrupt supply chains.

Separately, Japan has also scheduled another hike in its consumption tax (VAT), which has already been delayed twice. That will put a crimp in consumer spending.

The **Bank of Japan** is attempting to hold off on further rate cuts. Short-term rates are already negative. An appreciating yen coupled with the weakness tied to trade tensions will likely force a rate cut before year-end.

## Southeast Asia

Growth has slowed dramatically across eastern Asia in response to the weakness in China and trade wars within the region. The exceptions are Vietnam and Indonesia. Much of the production that was once in China has shifted to Vietnam, a move the White House is not pleased with. Large multinational producers are scrambling to build housing to get workers to move from rural to urban areas, much like we once saw in China. Indonesia has also benefited from a rise in offshoring.

Inflation is moderating across much of the region but central banks have been reluctant to act. Exchange rates are the primary concern. Most currencies have already fallen dramatically against the dollar. The exception is South Korea. Room to stimulate via fiscal policy is limited across the region, given large debts and deficits.

## Turkey & the Middle East

### Turkey

Turkey provides a cautionary tale for autocratic leaders bent on controlling economic outcomes instead of incenting them through market reforms. Erratic policy decisions by President Recep Tayyip Erdogan, a high level of political uncertainty and efforts by the Federal Reserve to tighten in 2018 triggered a massive deterioration in the country's currency, an erosion of purchasing power, curbs to investment and a recession in late 2018/early 2019. Sanctions by the U.S. are also taking a toll.

The greatest risk moving forward is Erdogan's firing of the head of the central bank; Erdogan was frustrated that he was not cutting rates fast enough. In response, the country's debt rating was downgraded, its currency depreciated and rates moved higher instead of lower.

## Middle East

Growth across much of the Middle East is slowing in response to lower oil prices. Sanctions on Iran have tipped it into a severe recession. Unemployment across the region remains in the double digits. The Arab Spring was particularly problematic, as it opened the door to more militant and fundamentalist leaders instead of more democratic regimes in the region.

The key conflict is between Saudi Arabia and Iran, who are engaged in a series of proxy wars from Syria to Yemen. Iran's nuclear intentions are more strategic than many realize; they see the threat of nuclear weapons as a way to gain power and leverage on the global stage. The U.S. opened the door to expanding those powers once the president threw out the multilateral deal to check Iran's development of nuclear weapons.

The escalation of tensions with the U.S. is particularly worrisome as they could easily morph into a larger, hot war in the region. The U.S. has said as much, with the president citing the hawkish instincts of National Security Adviser John Bolton. "If it was up to him, he'd take on the whole world at one time," the U.S. president said after he cancelled an air strike on Iran in late June.

This is important as it reveals a sticking point for the president. He talks big, but has promised his base he would pull out instead of further entrenching ourselves in the Middle East. That is a theme that will no doubt arise on the campaign trail.

## Africa

Africa is a hard place to end my roundup, given the deterioration we are seeing across much of the continent. The laundry list of problems includes a rise in the number of natural disasters, disease, conflicts, political instability and corruption. The region also has very little physical and educational infrastructure, which is undermining its ability to integrate and grow.

**"Recessions are not preordained, nor do they represent a "healthy" rebalancing as many pundits would like to argue."**

Delays at borders alone make the benefits of the recently agreed upon free trade agreement almost impossible to realize. The young, who dominate its demographics, are lagging even farther behind.

Separately, countries within the region have begun to worry about China's commitment to the area. The Belt and Road project was predicated on an acceleration not a reversal in globalization.

The few green shoots are in East Africa and include economies that have strengthened the rule of law, eased hurdles to investment and opened doors to trade with the rest of the world. They include Ethiopia, Kenya and to a lesser extent, Rwanda, which is removing barriers to investment, but still faces substantial political hurdles.

## Bottom Line

I will end where I started, longing for an easier time to forecast with fewer downside risks to assess. Recessions are not preordained, nor do they represent a "healthy" rebalancing as many pundits would like to argue. I wonder if those pundits ever really experienced the arbitrary pain associated with recession, or the deep wounds they inflict? And we haven't even tackled the structural changes the world faces. That is for next month's edition of this report.

I am left hoping for a new theme to emerge from our talks slated for next year in Madrid, Spain, one of the stars of the Eurozone. Perhaps by then, we will all be singing "Here Comes the Sun," as our political leaders abandon their infatuation with populism and work more to invest in the future instead of wasting time and money pining for the past.

## Economic forecast — July 2019

	2018(A)	2019	2020	2018:4(A)	2019:1 (A)	2019:2	2019:3	2019:4	2020:1	2020:2	2020:3	2020:4
<b>National Outlook</b>												
Chain-Weight GDP <sup>1</sup>	2.9	2.5	0.7	2.2	3.1	1.9	1.6	1.6	0.9	-1.1	-0.7	2.0
Personal Consumption	2.6	2.4	1.3	2.5	0.9	3.7	1.8	2.1	1.2	0.1	0.0	1.5
Business Fixed Investment	6.9	3.1	-1.0	5.4	4.5	-0.6	1.2	1.4	-0.7	-3.3	-4.5	0.4
Residential Investment	-0.3	-1.8	-2.8	-4.7	-2.0	1.2	-1.1	0.8	-3.0	-5.2	-7.8	-2.3
Inventory Investment (bil \$ '12)	45	83	9	97	123	72	76	62	55	-12	-23	16
Net Exports (bil \$ '12)	-912	-922	-893	-956	-905	-929	-930	-926	-919	-901	-880	-871
Exports	4.0	2.1	2.6	1.8	5.4	-1.8	5.2	3.0	3.2	2.2	1.3	1.8
Imports	4.5	1.8	1.0	2.0	-1.9	1.3	3.9	1.7	1.6	-0.4	-1.3	0.3
Government Expenditures	1.5	2.2	1.3	-0.4	2.8	5.1	0.8	0.9	1.3	2.3	-0.1	0.2
Federal	2.6	2.8	1.7	1.1	0.0	8.5	2.5	0.7	1.4	3.9	-2.0	-1.7
State and Local	0.8	1.8	1.1	-1.3	4.6	3.1	-0.3	0.9	1.2	1.4	1.2	1.4
Final Sales	2.7	2.3	1.0	2.1	2.6	2.9	1.5	1.9	1.0	0.2	-0.5	1.2
<b>Inflation</b>												
GDP Deflator	2.2	1.8	2.4	1.7	0.7	2.1	2.7	2.4	2.7	2.0	2.3	2.0
CPI	2.4	1.9	2.2	1.6	0.8	2.9	2.2	3.3	2.3	1.5	1.9	1.1
Core CPI	2.1	2.1	2.3	2.2	2.2	1.7	2.2	2.6	2.4	2.3	2.3	1.9
<b>Special Indicators</b>												
Corporate Profits <sup>2</sup>	7.4	-1.3	-0.7	7.4	3.4	2.4	-1.6	-1.3	0.9	-3.4	-3.4	-0.7
Disposable Personal Income	2.8	2.1	1.7	3.2	2.0	1.6	2.4	1.5	2.2	1.2	0.6	2.2
Housing Starts (mil.)	1.25	1.22	1.13	1.19	1.21	1.26	1.22	1.20	1.19	1.13	1.08	1.14
Civilian Unemployment Rate	3.9	3.7	4.2	3.8	3.9	3.6	3.6	3.6	3.7	4.0	4.3	4.6
Total Nonfarm Payrolls (thous.) <sup>3</sup>	2360	1248	-804	674	311	257	401	279	156	-265	-444	-251
<b>Vehicle Sales</b>												
Automobile Sales (mil.)	5.5	4.9	4.0	5.5	5.3	5.0	4.8	4.5	3.7	3.5	4.3	4.5
Domestic	4.0	3.5	3.0	4.0	3.9	3.5	3.4	3.2	2.7	2.7	3.1	3.3
Imports	1.5	1.4	1.1	1.4	1.4	1.5	1.4	1.3	1.0	0.8	1.2	1.2
Lt. Trucks (mil.)	12.0	11.9	10.7	12.5	12.0	12.0	11.9	11.6	10.5	10.4	10.7	11.2
Domestic	9.5	9.5	8.8	9.7	9.4	9.6	9.5	9.4	8.7	8.6	8.8	9.1
Imports	2.5	2.4	1.9	2.8	2.6	2.4	2.4	2.2	1.8	1.8	1.9	2.1
Combined Auto/Lt.Truck	17.5	16.8	14.7	17.9	17.3	17.0	16.7	16.1	14.2	13.9	15.0	15.7
Heavy Truck Sales	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.4
Total Vehicles (mil.)	17.9	17.3	15.1	18.4	17.8	17.5	17.2	16.5	14.6	14.2	15.3	16.1
<b>Interest Rate/Yields</b>												
Federal Funds	1.8	2.3	0.6	2.2	2.4	2.4	2.2	2.1	1.3	0.9	0.1	0.1
10-Year Treasury Note	2.9	2.3	2.0	3.0	2.7	2.3	2.1	2.1	2.0	1.9	1.9	2.0
Corporate Bond BAA	4.8	4.7	4.4	5.1	5.0	4.6	4.6	4.5	4.5	4.5	4.3	4.3
<b>Exchange Rates</b>												
Dollar/Euro	1.18	1.13	1.11	1.14	1.14	1.12	1.13	1.12	1.11	1.11	1.11	1.11
Yen/Dollar	110.4	109.6	108.6	112.8	110.1	109.9	109.5	109.0	108.9	108.7	108.6	108.0

<sup>1</sup> In 2018, GDP was \$1856.6 billion in chain-weighted 2012 dollars.

<sup>2</sup> Corporate profits before tax with inventory valuation and capital consumption adjustments, quarterly data represents four-quarter percent change.

<sup>3</sup> Total nonfarm payrolls, quarterly data represents the difference in the average from the previous period. Annual data represents 4Q to 4Q change.

Quarterly data are seasonally adjusted at an annual rate. Unless otherwise specified, \$ figures reflect adjustment for inflation. Total may not add up due to rounding.

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