

ROBERTSON STEPHENS WEALTH MANAGEMENT

2020 Economic Outlook

Global Economic Activity

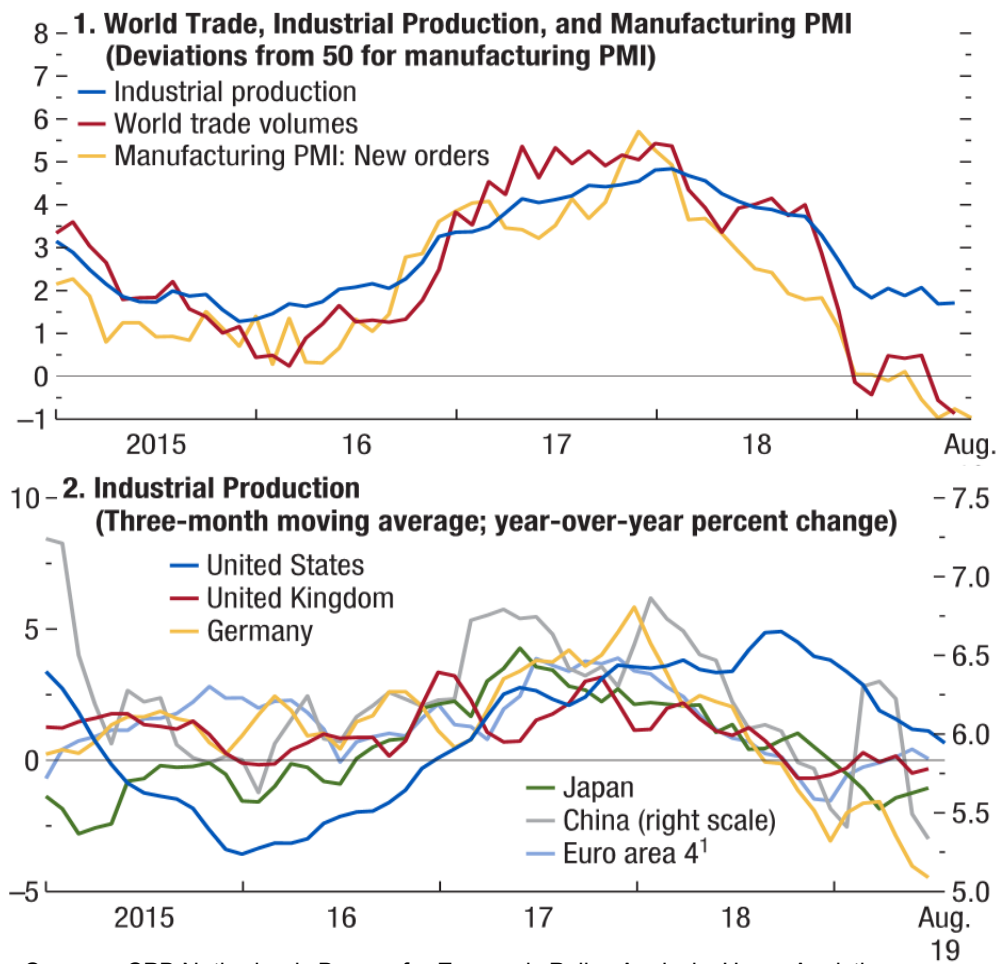
World economic growth slowed in 2019 to its lowest level since 2008, approximately 3% by the end of the year.

In the United States, GDP growth of 2.3% - down from earlier levels closer to 3% - was primarily a result of trade frictions and business uncertainty.

Growth in China also fell to approximately 6%, for many of the same reasons.

In Europe, however, slower growth resulted from ineffective monetary policy, which in 2020 is expected to be supplanted by fiscal stimulus.

Global Activity Indicators



Sources: CPB Netherlands Bureau for Economic Policy Analysis; Haver Analytics
Markit Economics; and IMF staff calculations

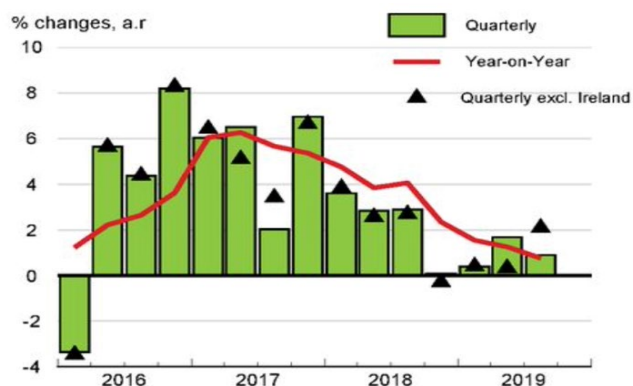
Note: PMI = purchasing managers' index

Euro area 4 comprises France, Italy, the Netherlands and Spain

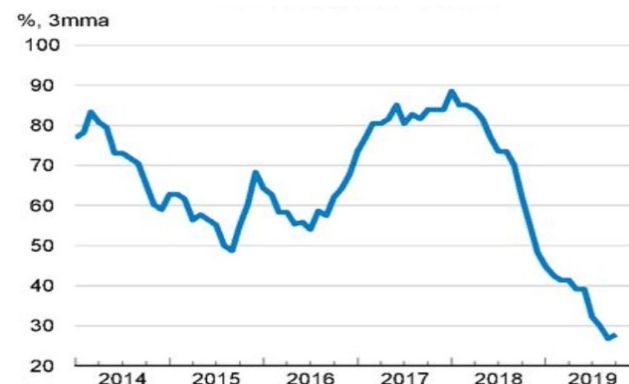
Global Fixed Investment and Trade

Declining imports and exports detail the overall reduction in world trade activity that has the hallmark of global economic activity for the last two years. Consumer spending for domestic goods and services has supported regional economic growth, while manufacturing (and business spending in general) has borne the brunt of rising trade frictions and barriers, reducing the pace of economic expansion. The decline in Chinese imports has been particularly dramatic, as the country's leaders have resisted trade pressures from the United States. No significant improvement in world trade activity is expected in 2020, but neither is further deterioration.

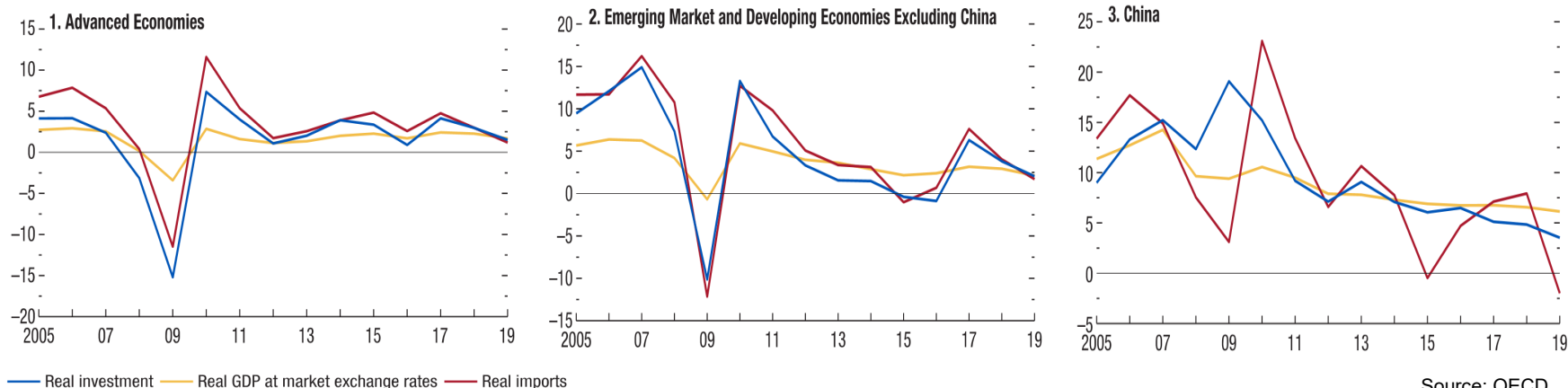
World Trade Growth



Share of Countries with Rising Export Orders



Global Investment and Trade

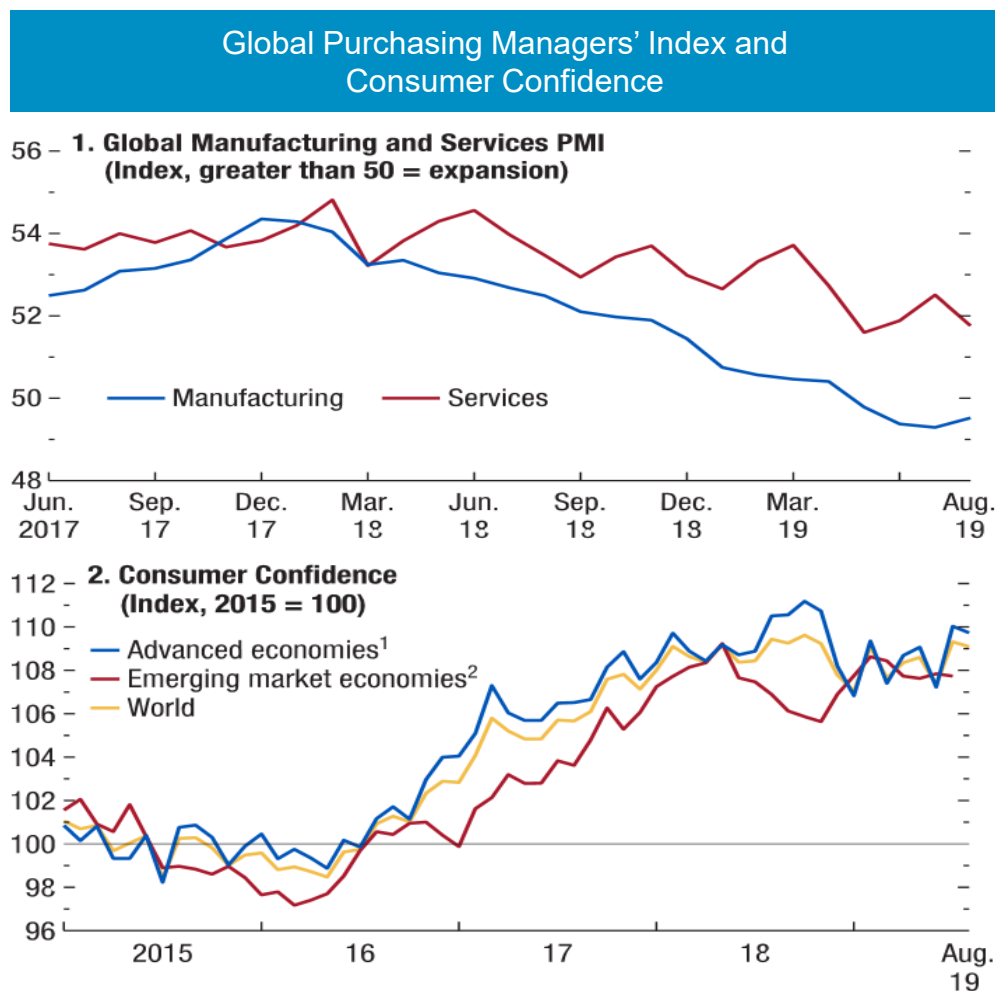


Source: OECD

Consumers and Business Managers Moving in Different Directions

In the United States, a strong and increasingly confident consumer, bolstered by rising wages and record low unemployment has stood in sharp contrast to the concerns and uncertainties voiced by business leaders.

This bi-polarity is being witnessed worldwide, befitting its source in the sharply altered business landscape globally which is more inclined towards protectionism than any time in the last thirty years.

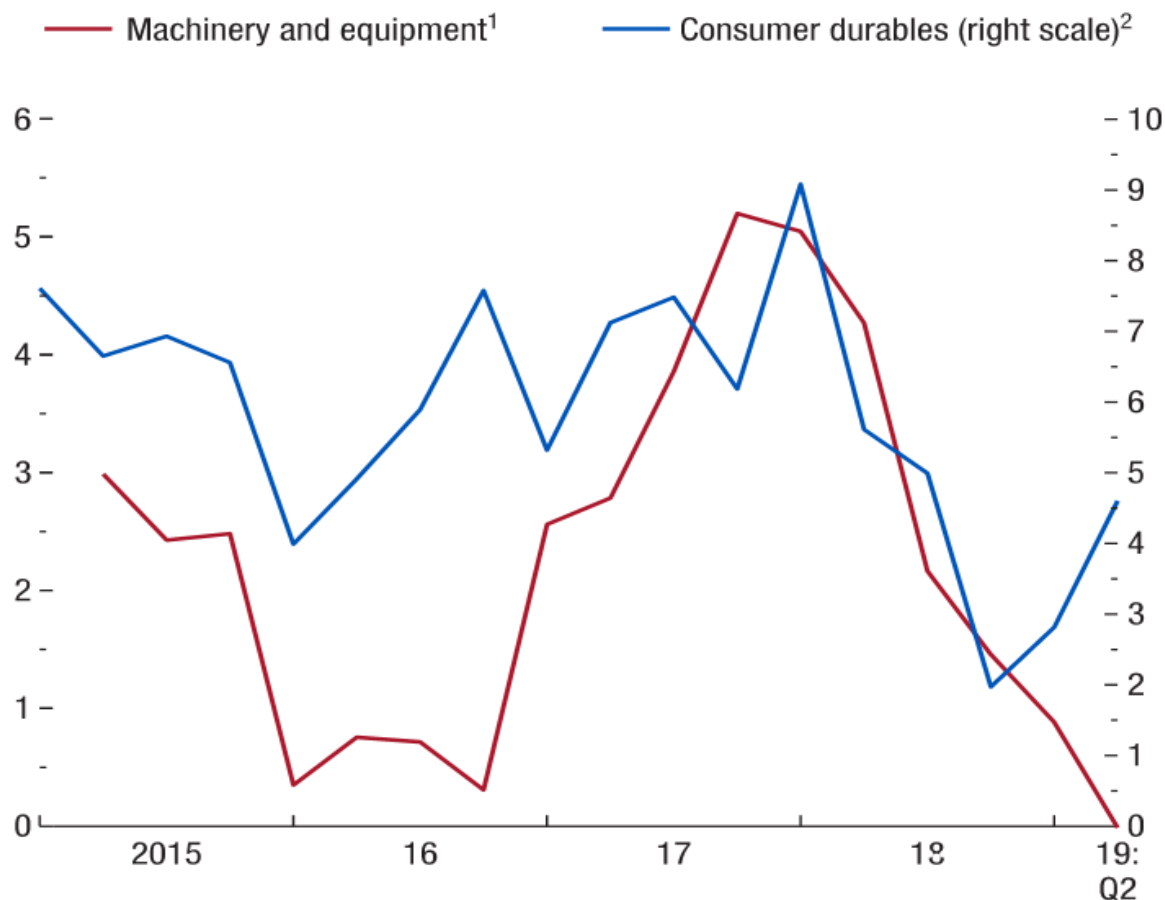


Sources: Haver Analytics; Markit Economics; and IMF staff calculations.

¹Australia, Czech Republic, Denmark, euro area, Hong Kong SAR, Israel, Japan, Korea, Norway, Sweden, Switzerland, Taiwan Province of China, United Kingdom, United States.

The Slowdown in Global Investment has Impacted Durable Goods

Spending on Durable Goods (% Change from a year ago)



Sources: Haver Analytics; Markit Economics; and IMF staff calculations.

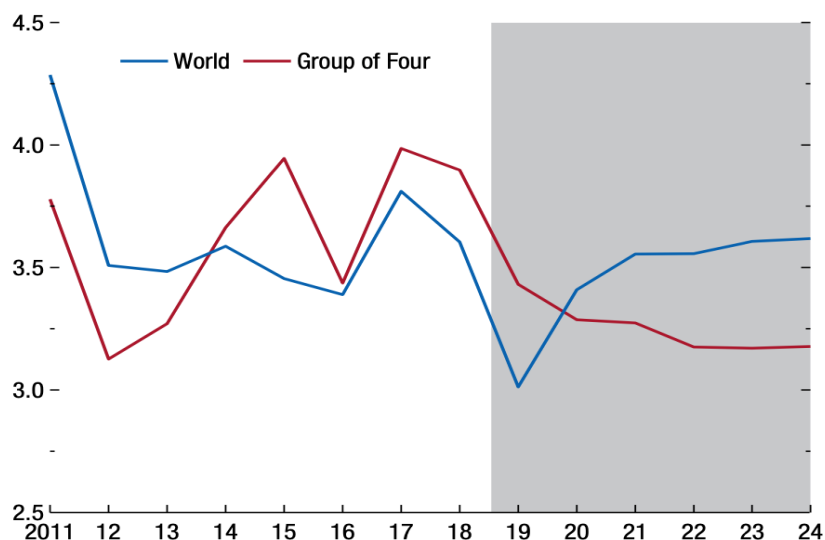
¹Australia, Brazil, Canada, Chile, China, euro area, India, Indonesia, Japan, Korea, Malaysia, Mexico, Russia, South Africa, Turkey, United Kingdom, United States.

²Australia, Brazil, Canada, Chile, China, euro area, Indonesia, Japan, Korea, Malaysia, Mexico, South Africa, Turkey, United Kingdom, United States.

Labor Markets are of Growing Significance

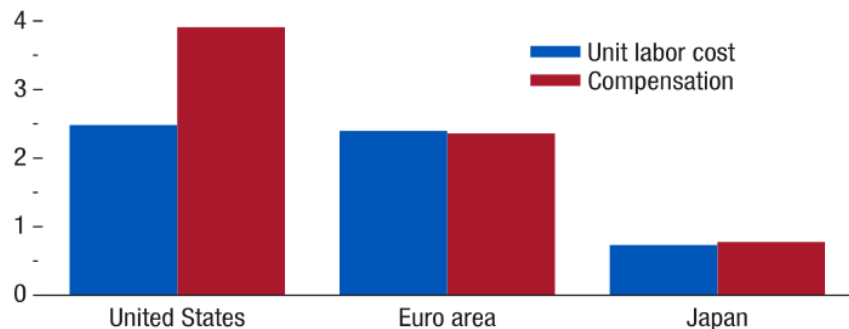
Not surprisingly, labor market conditions around the world differ widely, as demographic, regulatory and cultural factors all come into play. Developed countries other than the United States have a somewhat greater surplus of labor as 2020 begins, but all developed economies are struggling with an aging labor force and slowing population growth. Without reasonable prospects for a substantial increase in labor force productivity, long term prospects for developed markets economic growth rates are modest, at best. Emerging markets with young, growing populations and increasing labor force participation rates have greater opportunity for more rapid economic growth as a result.

GDP Growth: World and Group of Four

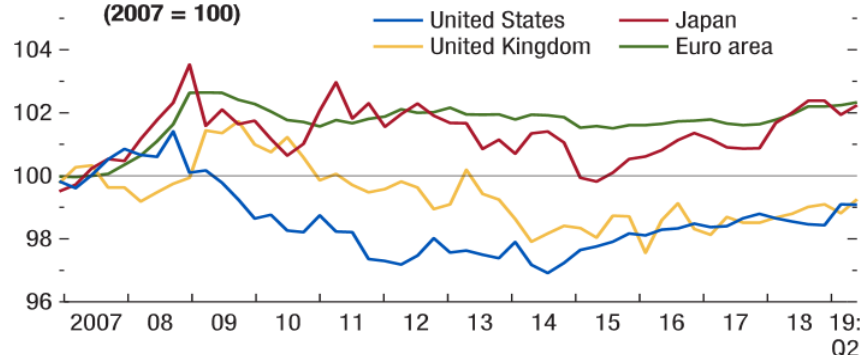


Wages, Unit Labor Costs, and Labor Shares

5 – 1. Unit Labor Cost and Compensation, 2019:H1
(Percent change from one year ago)



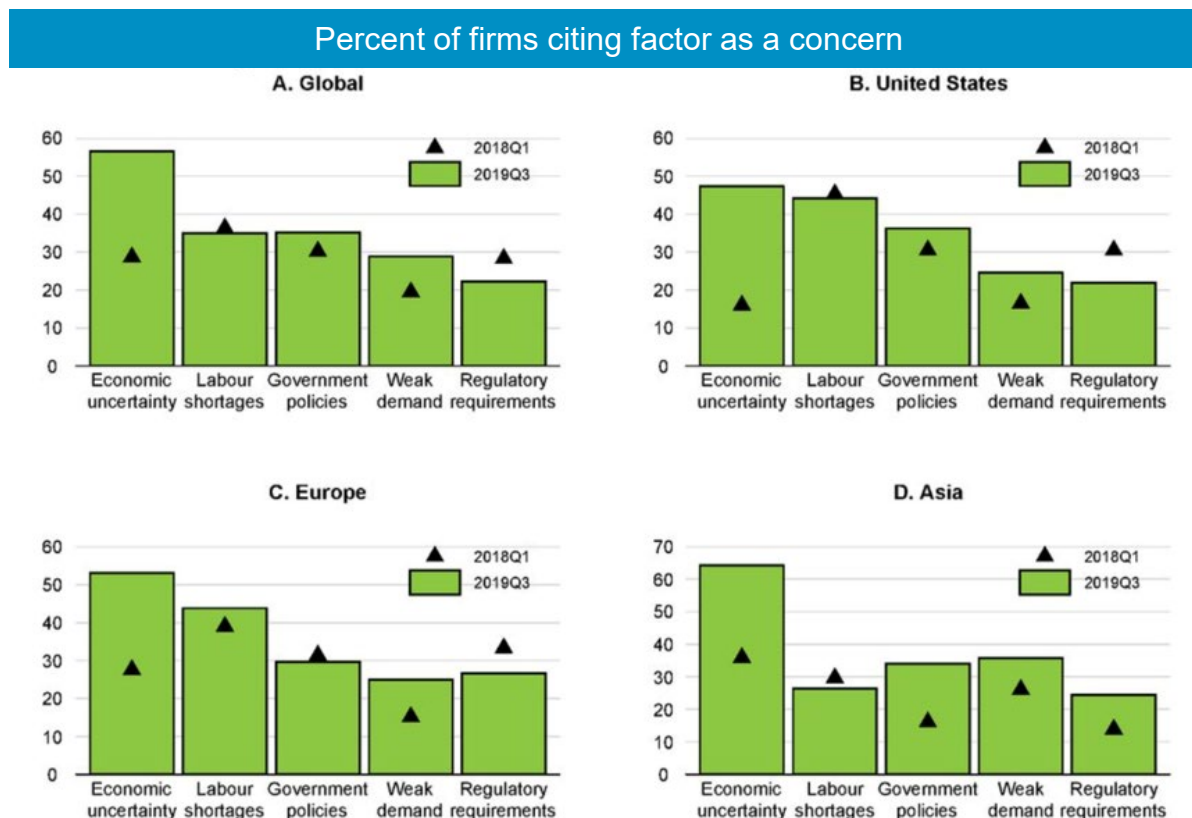
106 – 2. Labor Share
(2007 = 100)



Sources: Haver Analytics; and IMF staff calculations.

Business Uncertainty Throughout the World

Businesses everywhere have witnessed a peaking of key economic activity indicators in 2018 and remain uncertain as to the direction – stabilization? Rebound? Further decline? – in 2020. With these questions unresolved at the start of the new year, business investment spending and development of new business opportunities is likely to be cautious, if not limited. Nevertheless, it is anticipated that the growing evidence in support of stabilization of economic activity in developed markets and good growth in developing/emerging economies, business sentiment will improve and business investment activity will pick up modestly in 2020.

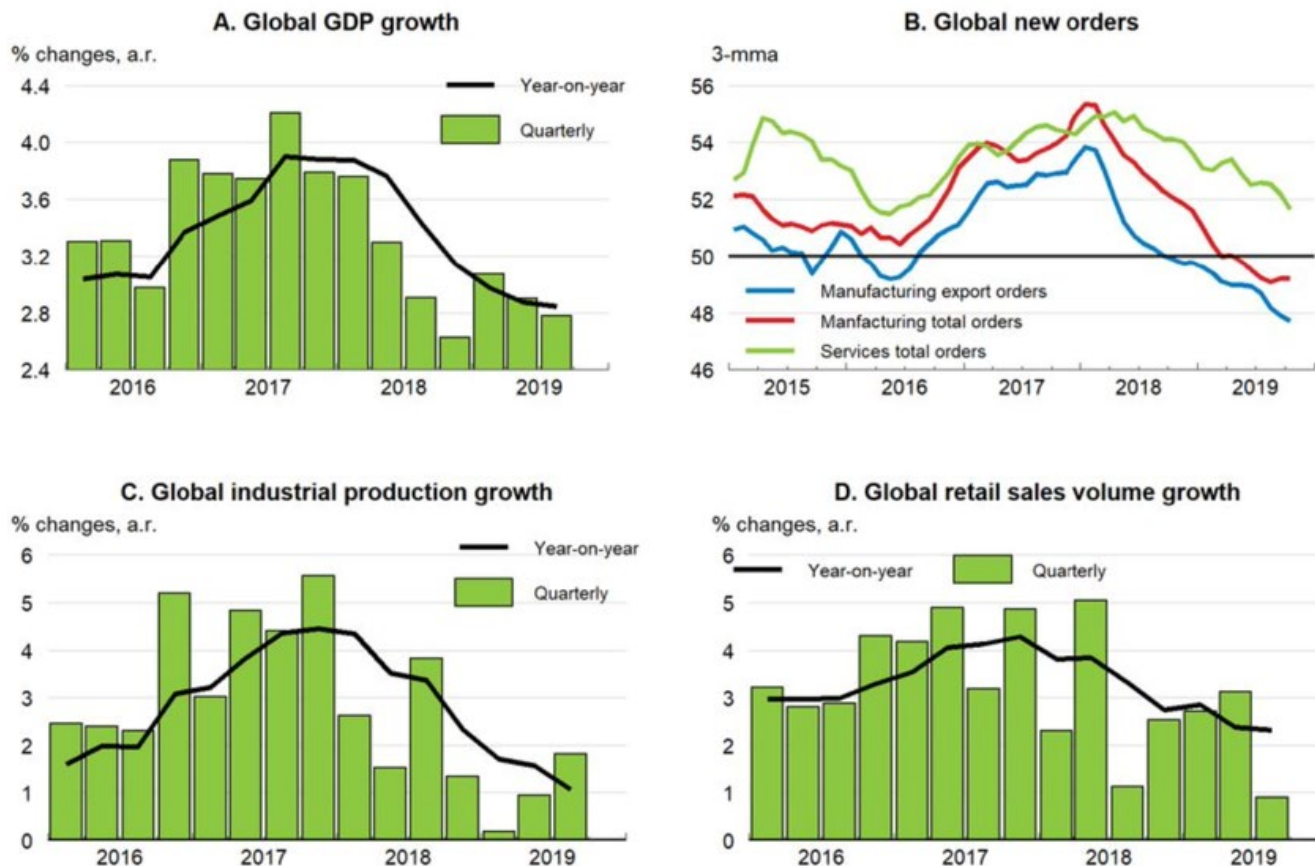


Note: Share of firms citing the factors shown as the most pressing concern of senior management over the past quarter. Based on surveys from March 2018 and September 2019. The factors shown are the ones most heavily cited globally. Firms are allowed to choose more than one factor.

Source: Duke CFO Global Business Outlook; and OECD calculations.

Business Uncertainty Throughout the World (cont.)

Global Business



Note: GDP, industrial production and retail sales aggregation use PPP weights. Data in Panel D are for retail sales in the majority of countries, but monthly household consumption is used for the United States and the monthly synthetic consumption indicator is used for Japan. Data for India are unavailable for Panel D.

Source: OECD Economic Outlook 106 database; Markit; OECD Main Economic Indicators database; Refinitiv; and OECD calculations.

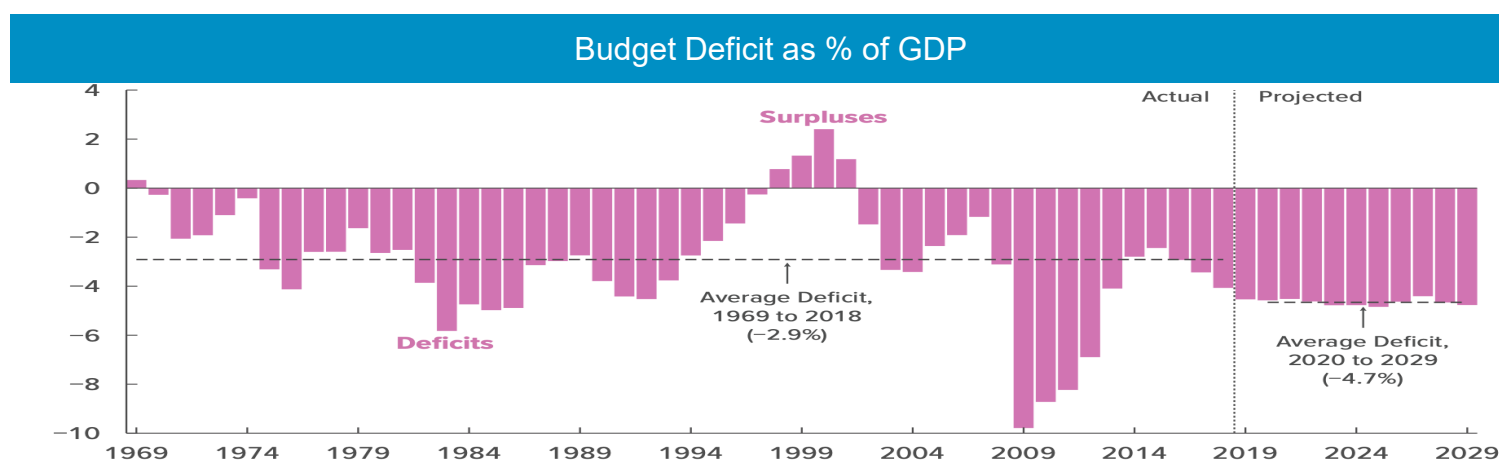
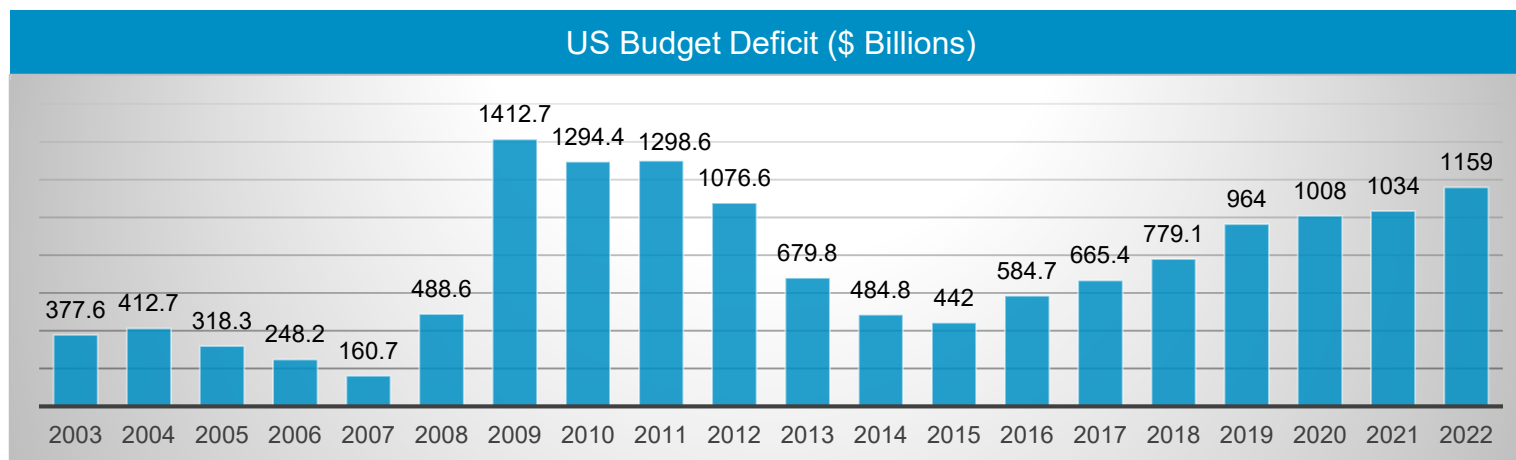
US Economic Forecast

Indicator	2019 estimate	2020 Forecast
US Real GDP (%ch, annual)	2.3	2.1
Consumption Spending (%ch, annual)	2.7	2.5
Business Fixed Investment (%ch, annual)	2.3	2.3
Employment Cost Index (%ch, annual)	2.9	3.1
PCE Deflator (%ch, annual)	1.4	2.0
Federal Government Deficit (fiscal year, \$ bil)	984	1050
Fed Funds Rate (% , end of Q4)	1.75	1.75

Source: Robertson Stephens

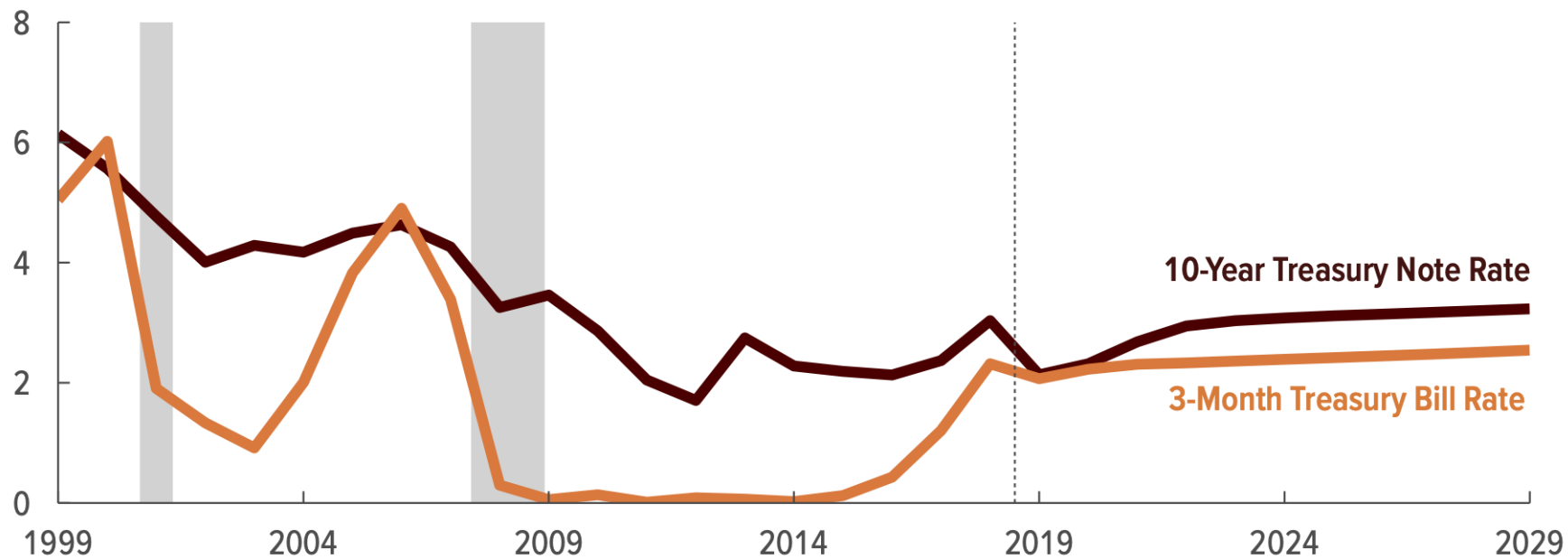
Rising Budget Deficits and Their Short and Medium Term Impact

As countries around the world employ fiscal stimulus – deficit spending – to achieve economic growth goals, the rising deficit and debt of the United States will become the norm. Although increased government debt is manageable in many regions, especially in times, such as now, of considerable global financial market liquidity, it is not without consequence. By 2021, the associated increased in debt issuance may serve to push interest rates up and ultimately force either a contraction in government spending or a push for greater government revenue. Or both.



Source: "An Update to the Budget and Economic Outlook, 2019 to 2029", Congressional Budget Office, August 2019

Interest Rates



Source: "An Update to the Budget and Economic Outlook, 2019 to 2029", Congressional Budget Office, August 2019

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