

Notes on the May Bloomberg Economists Survey

Once a month, Bloomberg surveys 70 of the nation's economists on their economic and interest rate outlook. The most recent survey was conducted May 8-14.

These numbers are *still wild guesses* as evidenced by the *extreme forecast variance* from economist to economist. Case-in-point: There is a 26 percentage point difference in Q2 GDP forecast between JP Morgan (-40%) and Vining Sparks (-14%).

Gross Domestic Product (QoQ%) median

Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
-32.6%	15.0%	7.5%	5.0%	4.2%	3.6%	3.0%

Source: Bloomberg.

- The Bloomberg median GDP forecast for Q2 2020 is -32.6% easily the worst quarterly decline in history, but a rebound is expected in Q3 with a median forecast of +15%.
- For all of 2020, the survey average indicates the U.S. economy will contract by -5.7% before expanding +3.9% in 2021 and +3.0% in 2022. *This is both a bigger drop and a sharper rebound than the last survey.*
- Consumer spending is expected to drop -38.7% in Q2 2020 before rebounding +15% in Q3 and +10% in Q4. This is the engine that will drive (or stall) GDP growth.
- Private investment is expected to drop -42.8% in Q2 2020 and -2.4% in Q3, before rebounding +12.2% in Q4 and +11.1% in Q1 2021.
- *Global* GDP is expected to contract by -3.3% in 2020 before rebounding +5.0% in 2021. *This is both a bigger drop and a sharper rebound than the last survey.*

Unemployment Rate

Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
16.2%	12.5%	10.3%	8.9%	8.0%	7.3%

Source: Bloomberg.

- Economists expect the unemployment rate to peak in Q2 2020 with a median quarter end forecast of 16.2%, gradually declining to 8.0% by the end of Q2 2021.
- The median unemployment rate forecast drops to 7.9% average for 2021 and 6.3% for 2022.
- Like the GDP forecast, there's a wide range of opinion on employment. Citigroup sees the unemployment rate at 6.0% a year from now, while Raymond James expects 14.0%.

Inflation - Core PCE (YoY%) median

Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
1.4%	1.1%	1.1%	1.0%	1.2%	1.6%	1.4%

Source: Bloomberg.

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Inflation - Overall CPI (YoY%) median

Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
0.4%	0.4%	0.3%	0.8%	2.0%	2.1%	2.0%

Source: Bloomberg.

Energy costs will depress overall inflation until global growth picks up.

- The median forecast for the core Personal Consumption Expenditures Index (PCE) falls to +1.0% year-over-year by Q1 2021, and is expected to climb to just +1.4% by the end of 2021.
- The median forecast for overall CPI (annualized) in the next three quarters is +0.4%, +0.4% and +0.3%.
- Energy costs will depress inflation until global growth picks up.
- The Fed would like to see inflation at closer to +2.0%.
- Economists seem to believe overall CPI will return to the Fed's target within a year.

Overnight fed funds target rate

- The overnight target range is currently 0.00% to 0.25%. It was 2.25% to 2.50% a year ago.
- Citigroup is the only Primary Dealer calling for an increase before the end of 2021.
- The median forecast indicates no change in the overnight rate until Q1 2022.
- The median forecast indicates only one hike in 2022.
- None of the economists surveyed expect the Fed to cut the overnight rate below zero.
- The Fed would only consider raising the overnight rate to slow economic growth and inflation expectations.

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2-year Treasury note yield (median)

Current	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
0.18%	0.20%	0.25%	0.33%	0.35%	0.40%	0.49%	0.57%	0.63%	0.70%	0.80%

Source: Bloomberg.

10-year Treasury note yield (median)

Current	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
0.72%	0.69%	0.75%	0.83%	0.92%	1.00%	1.00%	1.10%	1.20%	1.30%	1.39%

Source: Bloomberg.

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