

Notes on the July Bloomberg Economists Survey

Once a month, Bloomberg surveys more than 70 of the nation's economists on their economic and interest rate outlook. The most recent survey was conducted July 2 to 8.

These numbers are still *guesses* as evidenced by the *extreme forecast variance* from economist to economist.

Gross Domestic Product (QoQ%) median

Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
-33.7%	18.0%	6.9%	5.0%	4.1%	3.8%	3.1%

Source: Bloomberg.

- The Bloomberg median GDP forecast for Q2 2020 is -33.7%, easily the worst quarterly drop on record, but not as bad as the -35% median forecast from the prior month survey.
- A sharp rebound is expected in Q3 with a median growth forecast of +18.0. This is down from +19.9% in the previous survey.
- Consumer spending is expected to drop -36.1% in Q2 2020 before rebounding +24.0%, +7.4% and +4.2% over the next three quarters.
- Private investment is expected to drop -36.7% in Q2 2020 before rebounding +2.0%, +7.5% and +10.4% over the next three quarters.
- *Global* GDP is expected to contract by -3.9% in 2020 before rebounding +5.1% in 2021. *Little change from the June survey.*

Unemployment Rate (median)

Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
13.4%	10.3%	9.2%	8.5%	7.8%	7.1%	6.7%

Source: Bloomberg.

- Economists now expect the unemployment rate to peak in Q2 2020 with a median quarter end forecast of 13.4%.
- By the end of the year, the survey indicates a 9.2% unemployment rate. *This is down from the June survey, but still uncomfortably high.*
- Note: The Fed expects 9.3% unemployment at the end of this year, dropping to 6.5% in 2021 and 5.5% in 2022.
- Note: Economists have struggled mightily to figure out the actual number of unemployed Americans in recent months.

Inflation - Core PCE (YoY%) median

Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
1.0%	0.8%	0.8%	0.8%	1.2%	1.4%	1.6%

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%	0.6%	0.6%	0.8%	2.0%	2.0%	2.0%

Source: Bloomberg.

Economists seem to believe overall CPI will return to the Fed's +2.0% target within 12 months.

- The median forecast for the core Personal Consumption Expenditures Index (PCE) falls to +0.8% year-over-year by Q3 2020, and is expected to remain in this range until Q2 2021.
- The median forecast for overall CPI (annualized) in the next three quarters is +0.4%, +0.6% and +0.6%. Although still extremely low, the forecast is slightly above the previous survey.
- Energy costs are expected to depress headline inflation until global growth picks up.
- Economists seem to believe overall CPI will return to the Fed's +2.0% target within 12 months.
- Note: Core CPI has declined over three consecutive months through May, the first time this has happened in 60+ years of history.

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.
- 29 economists in the survey did not offer forecasts beyond 2021.
- No Primary Dealer in the survey is calling for an increase before 2023.
- The median forecast indicates no change in the overnight rate before 2023.
- *None of the economists surveyed expect the Fed to cut the overnight rate below zero.*
- Note: The Fed would only consider raising the overnight rate to slow economic growth and stem inflation.

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2-year Treasury note yield (median)

Current	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
0.16%	0.20%	0.25%	0.30%	0.35%	0.40%	0.43%	0.60%	0.60%	0.68%	0.75%

Source: Bloomberg.

10-year Treasury note yield (median)

Current	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
0.64%	0.75%	0.85%	0.95%	1.00%	1.08%	1.20%	1.20%	1.30%	1.35%	1.47%

Source: Bloomberg.

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