

Notes on the August 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 August 7-13, 2020.

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

Gross Domestic Product (QoQ%) median

Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
20.0%	6.5%	5.0%	4.0%	3.5%	3.2%	2.8%

Source: Bloomberg.

- Economists believe the chance of (another) recession within the next 12 months is 40%.
- The Bloomberg median GDP forecast for Q3 2020 is +20.0%, an increase from +18% in the July survey and a healthy rebound from Q2's -32.9% contraction.
- Consumer spending is expected to rise +23.6% in Q3 2020 and +5.5% in Q4, both forecasts are lower than indicated in the July survey.
- Private investment is expected to increase +12.8% in Q3, and +10.8%, +9.9% and +6.5% over the next three quarters.
- The year-over-year forecasted decline in U.S. GDP for all of 2020 is -4.6%.
- *Global* GDP is expected to contract by -3.7% in 2020, an improvement from -3.9% in the previous survey, before rebounding +5.1% in 2021.

Unemployment Rate (median)

Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
10.0%	9.0%	8.2%	7.5%	7.0%	6.5%	6.4%

Source: Bloomberg.

- The survey indicates a 9.0% unemployment rate at year end. *This is down from the July 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

Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
0.9%	0.8%	0.9%	1.3%	1.4%	1.6%	1.6%

Source: Bloomberg.

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Inflation - Overall CPI (YoY%) median

Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022
0.8%	0.7%	0.9%	2.1%	1.9%	2.0%	2.0%

Source: Bloomberg.

- The median year-over-year forecast for the core Personal Consumption Expenditures Index (PCE) is +0.9% for Q3 2020 and +0.8% in Q4.
- The median forecast for overall CPI (annualized) in the next three quarters is +0.8%, +0.7% and +0.9%. Although still extremely low, the forecast is (again) higher than the previous survey.
- Energy costs have risen from depressed levels along with global growth.
- Economists seem to believe overall CPI will return to +2.0% within 12 months, but core PCE will remain shy of the Fed's +2.0% target.

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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.*
- 25 economists in the survey did not offer forecasts beyond 2021.
- The only Primary Dealer in the survey calling for an increase before 2023 is Citigroup, who expects the Fed to begin hiking in the first quarter of 2022.
- 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.
- In theory, 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
0.15%	0.16%	0.20%	0.25%	0.30%	0.35%	0.40%	0.45%	0.51%	0.60%	0.68%

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
0.70%	0.65%	0.74%	0.84%	0.94%	1.00%	1.01%	1.15%	1.27%	1.35%	1.43%

Source: Bloomberg.

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