

## Notes on the September 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 Sept. 4-10, 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
24.8%	5.0%	4.0%	4.0%	3.3%	3.2%	2.8%

Source: Bloomberg.

- Economists believe the chance of (another) recession within the next 12 months is 40%. This is unchanged from last month and still indicates significant uncertainty.
- The Bloomberg median GDP forecast for Q3 2020 is +24.8% (annualized), an increase from +20% in the August survey.
- Example of the *extreme forecast variance*: Goldman is predicting a +38% GDP increase in Q3, while BOA/Merrill predicts a +15% gain.
- The year-over-year forecasted decline in U.S. GDP for all of 2020 is -3.9%, an improvement from -4.6% in the August survey.
- *Global* GDP is expected to contract by -3.9% in 2020, a bit worse than the -3.7% forecast 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
9.0%	8.0%	7.5%	7.1%	6.7%	6.2%	6.0%

Source: Bloomberg.

- The survey indicates an 8.0% unemployment rate in Q4. This is down from the August survey, and slightly below the current headline unemployment rate of 8.4%.
- Most of the jobs that have returned over the past several months reflect the broad reopening of the U.S. economy. Future job gains will be more challenging.
- Many Americans who were laid-off during the pandemic have not begun looking for work, and are not accounted for in the headline unemployment rate.
- Note: Economists have struggled 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
1.2%	1.2%	1.2%	1.7%	1.6%	1.7%	1.7%

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
1.1%	1.0%	1.3%	2.4%	1.9%	2.0%	2.0%

Source: Bloomberg.

- The median year-over-year forecast for the core Personal Consumption Expenditures Index (PCE) is +1.2% for both Q3 and Q4 2020.
- The median forecast for overall CPI in the next three quarters is +1.1%, +1.0% and +1.3%. Although still extremely low, the forecast is (again) higher than the previous survey.
- Economists seem to believe overall CPI will return to the Fed's +2.0% target by summer, while core PCE will remain below.
- Fed officials have recently indicated they will focus on an average inflation target, and allow future inflation to move above the current target "for a time."

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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 surveyed did not offer forecasts beyond 2021.
- All Primary Dealers surveyed expect the Fed to be on hold for at least two more years.
- 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
0.14%	0.15%	0.20%	0.23%	0.26%	0.30%	0.35%	0.40%	0.45%	0.53%	0.58%

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
0.68%	0.70%	0.75%	0.85%	0.91%	0.96%	1.02%	1.11%	1.23%	1.30%	1.38%

Source: Bloomberg.

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