



US Economy: 5 Things to Watch in 2016

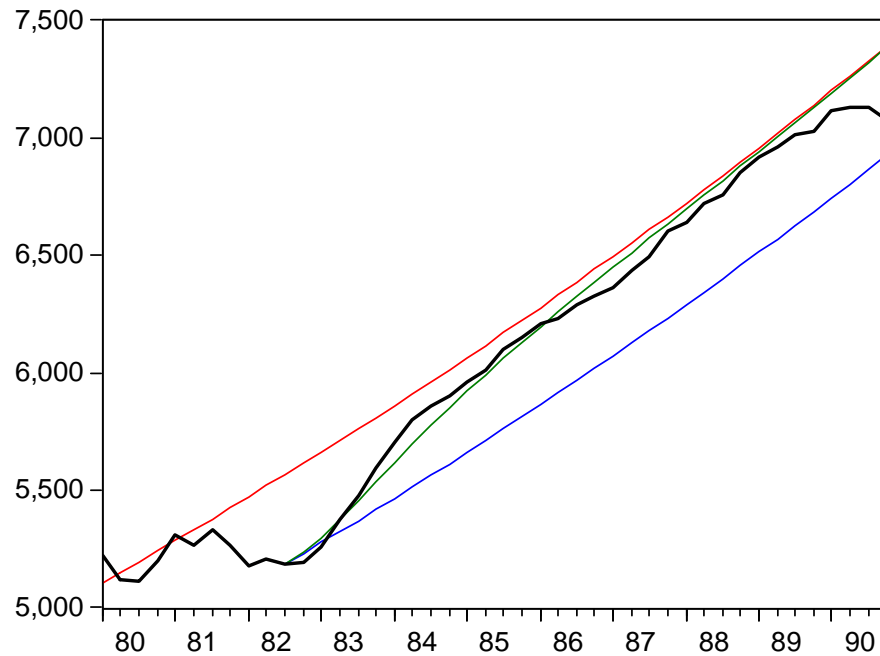
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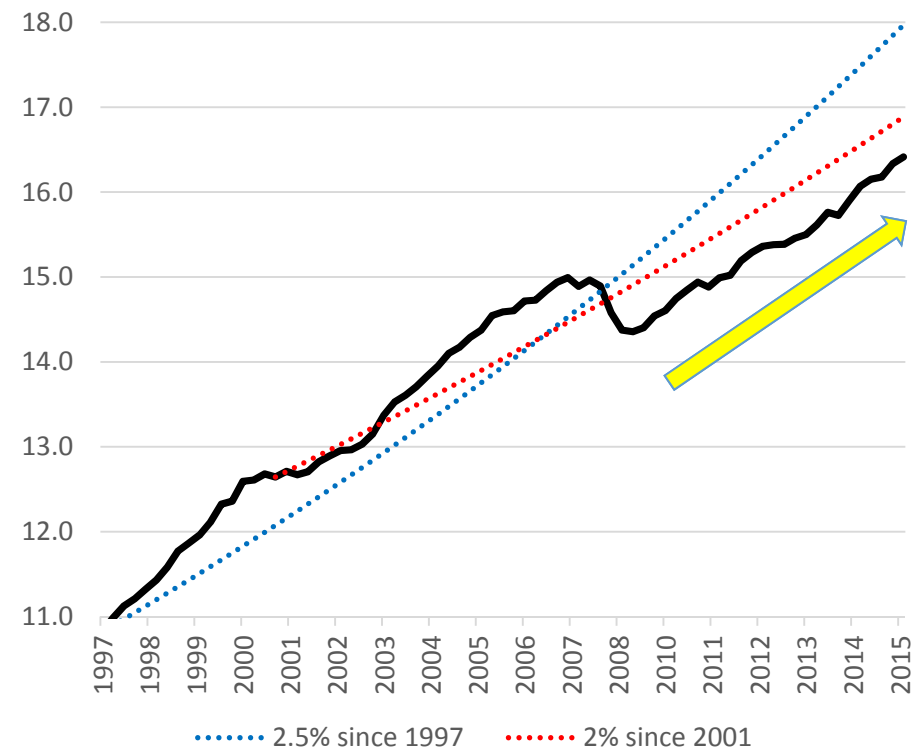
1) US: Growth, but no “Recovery”

In the past, recessions were followed by faster than average growth – we reverted to a long-run trend. Since 2010, we’ve averaged ~2.1% real GDP growth: solid, but no “recovery.”

1982: US Real GDP (\$ bil) and Est. Trends



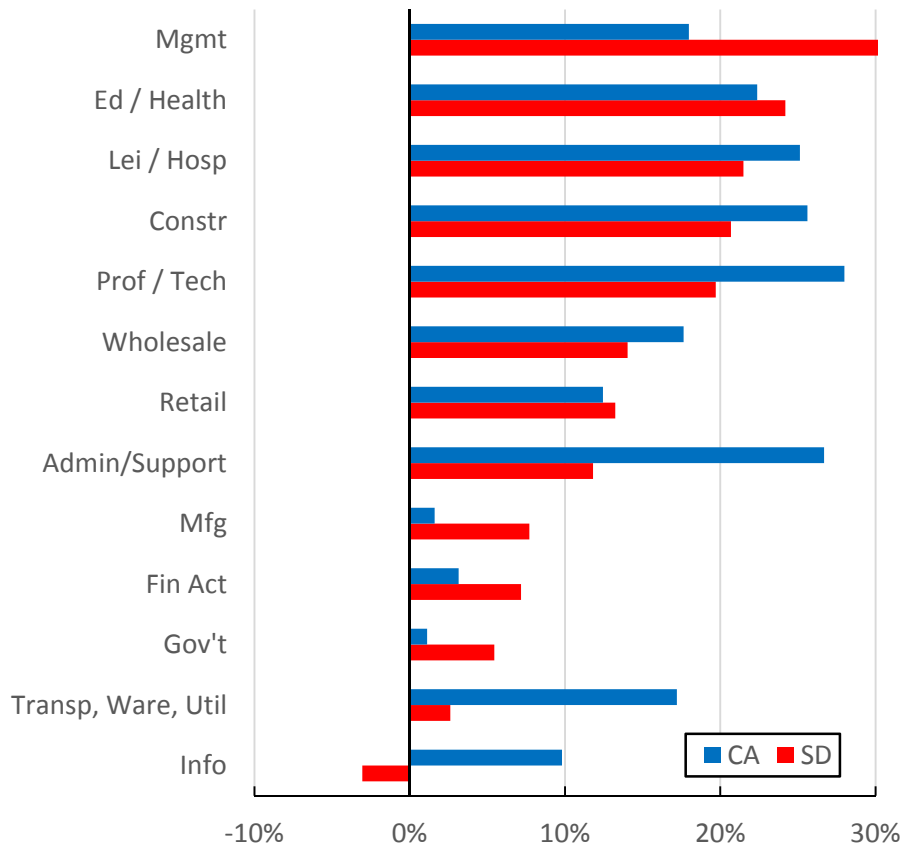
2010: US Real GDP (\$ tril) and Est. Trends



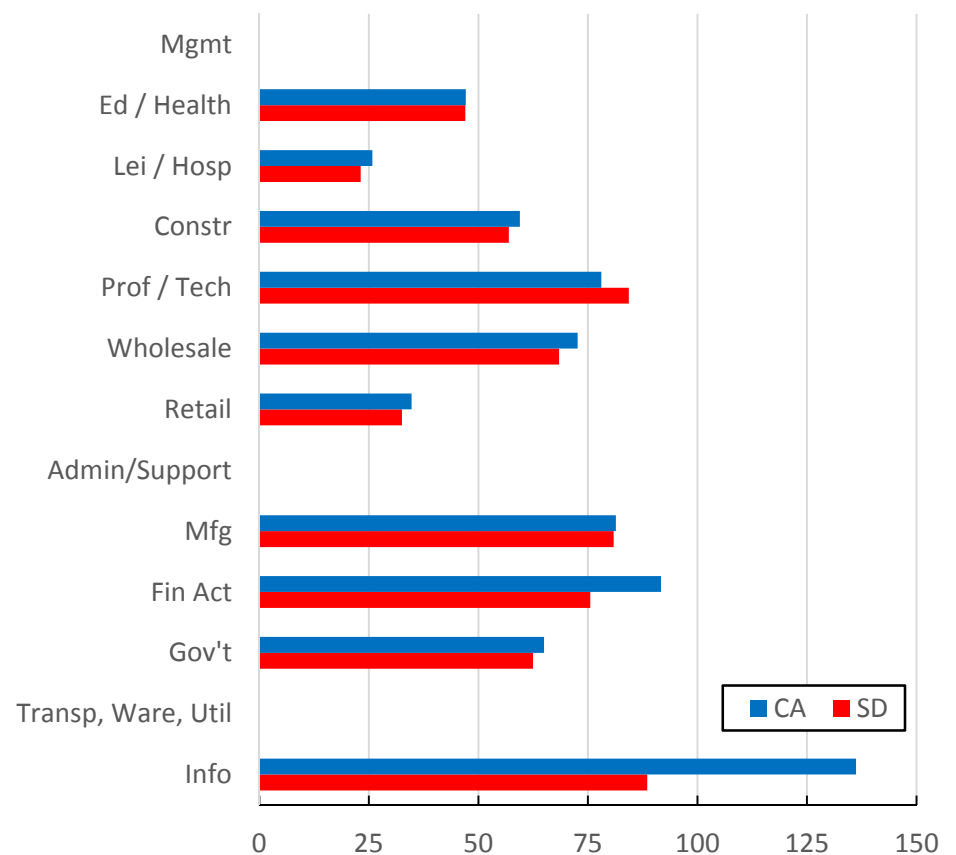
2) Polarized Job / Income Growth

CA and SD see growth in high wage/high skill jobs, and low wage/low skill jobs. Not much growth in the middle....

% Chg in Emp. Since Nov 2009



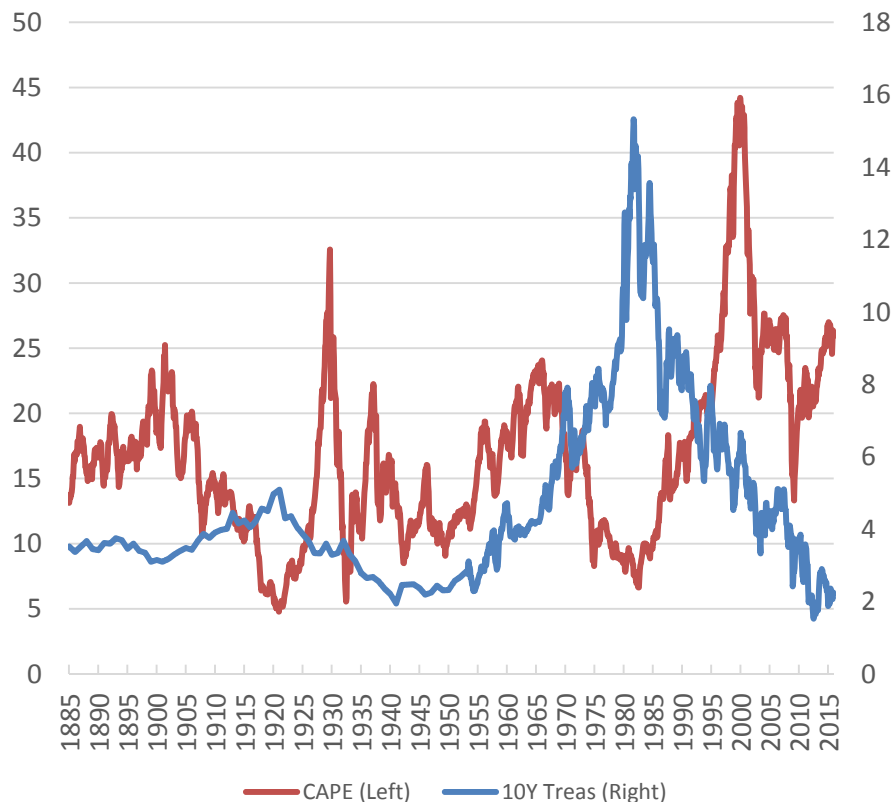
Ave. Ann. Salary (\$1000s)



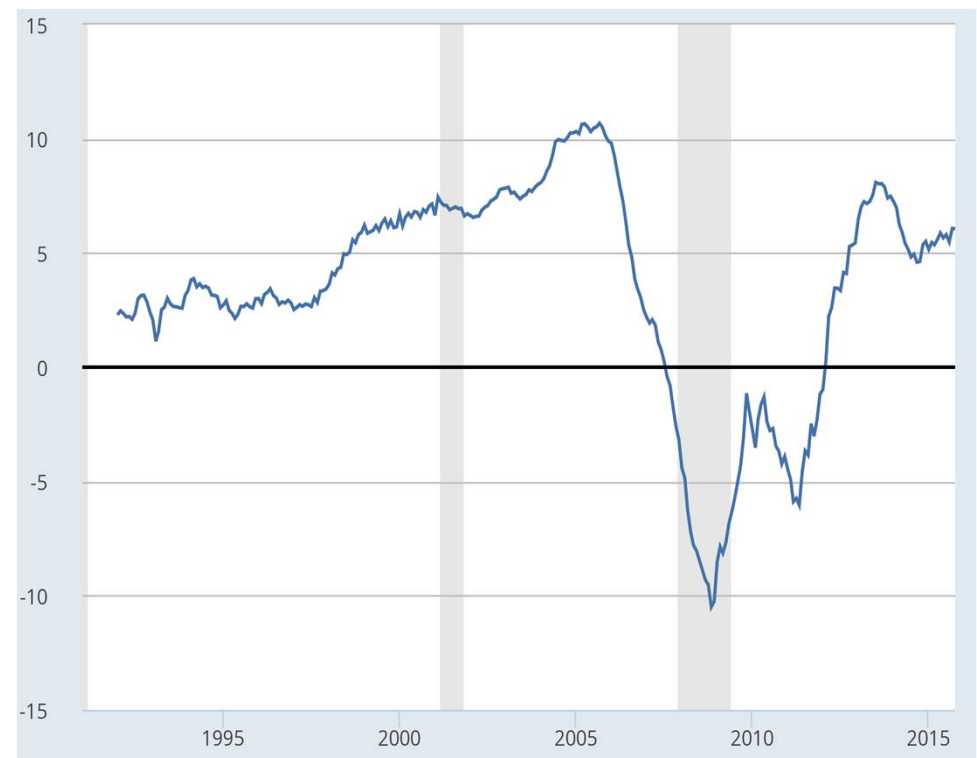
3) Stocks / Housing: High Price ≠ Bubble

2015 stock market valuations were high relative to history, thanks in part to historically low interest rates. Home price appreciation looks average lately. I don't see bubbles, but some potential for stock correction and home price slowdown.

Shiller Cyc. Adj. PE Ratio for SP500



FHFA Home Price Index, % Chg fr. Year Ago



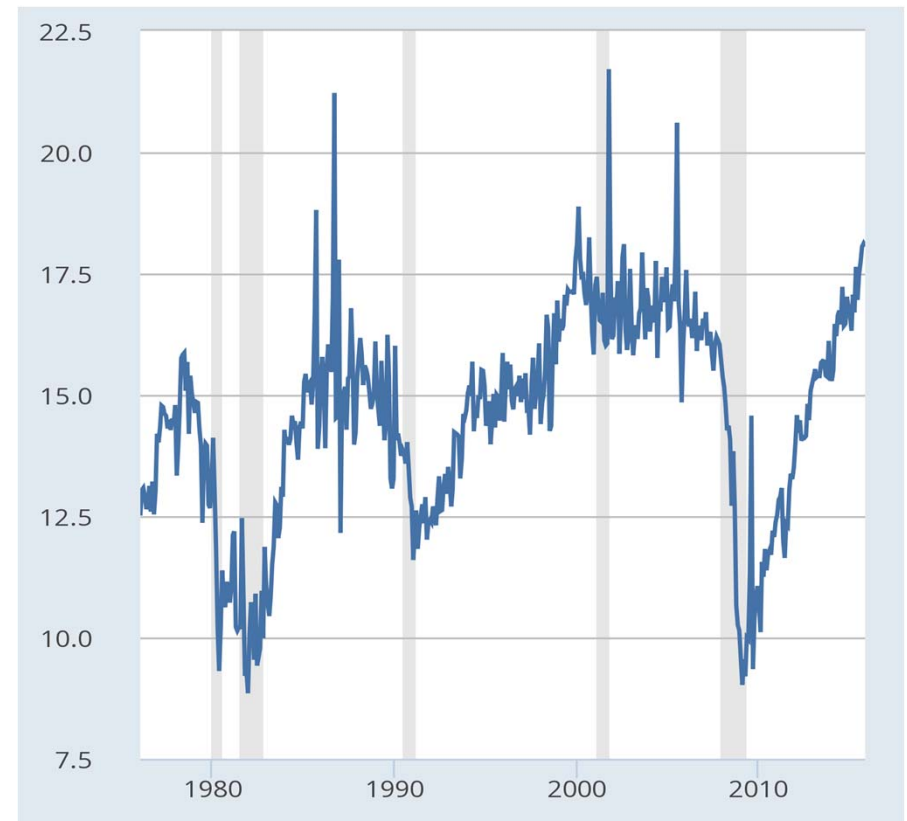
4) Recession? Look to Housing & Cars

Declines in big, forward-looking, financed purchases typically precede recessions. US home construction is still below average, and auto sales may be making up for huge decline. No signs of trouble here yet – but keep an eye on these in 2016....

US Housing Starts (1000s, SA)



US Car & Light Truck Sales (mil SA)



5) Int'l Freakout: Mixed News for US

Foreign Inflows looking for safety lead to stronger dollar. Foreign goods are cheaper, US interest rates are lower. But less foreign demand for US exports...

Trade Weighted US Dollar Index (Broad)



Chinese Foreign Reserves (bil \$, PBOC)

