



ECONOMIC OUTLOOK

MIND THE STEP DOWN: ECONOMIC PROSPECTS FOR 2020

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Crowe LLP Year-End Accounting & Tax Client Seminar
The Westin Yorktown Lombard
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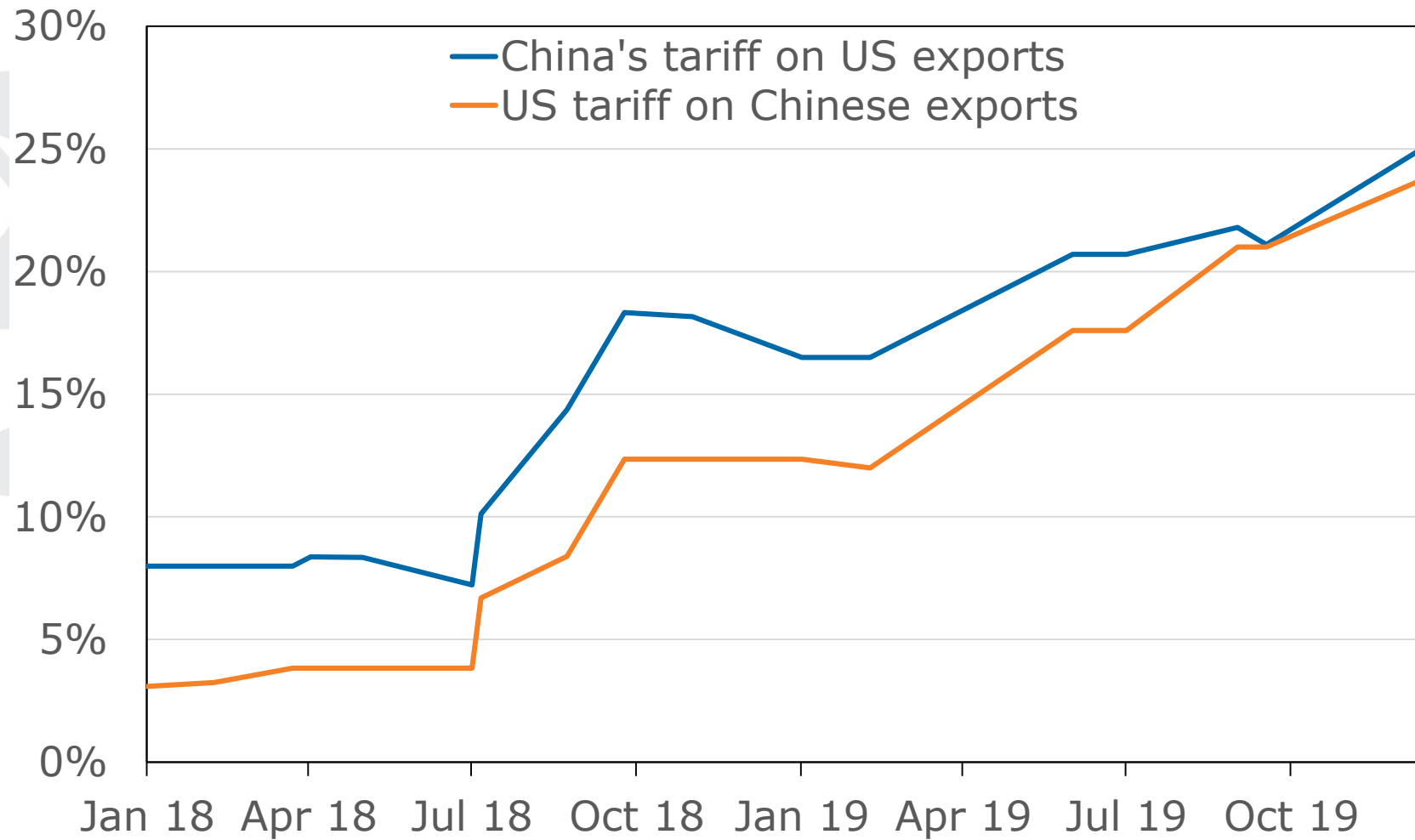
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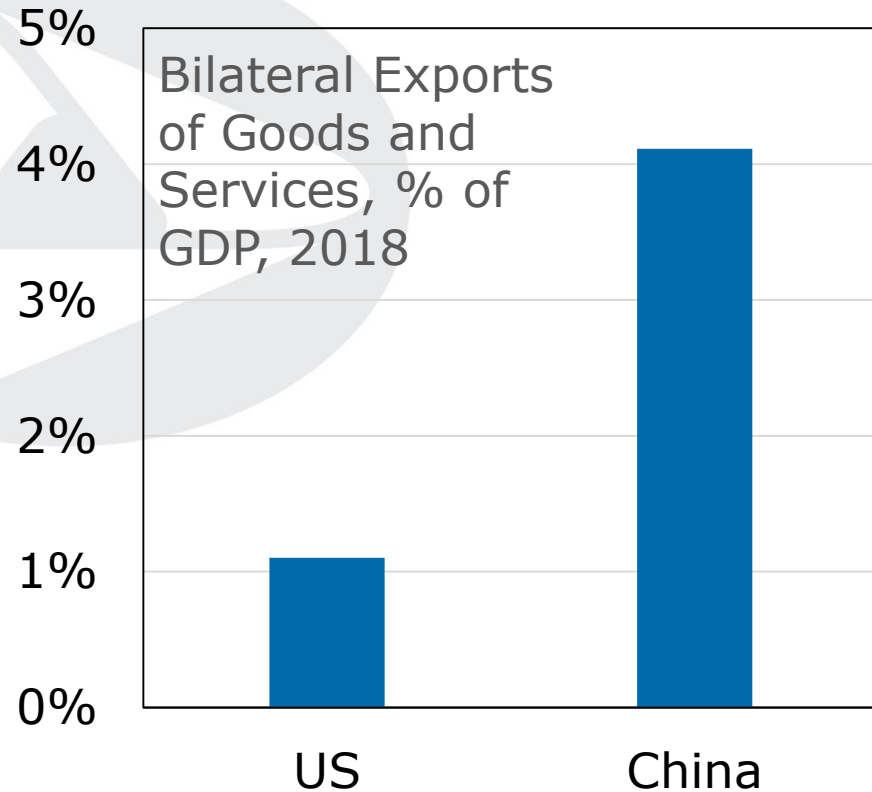
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THE US-CHINA TRADE WAR IS THE KEY SOURCE OF UNCERTAINTY FOR THE US ECONOMY



Source: Chad P. Bown. 2019. US-China Trade War Tariffs: An Up-to-Date Chart. PIIE Chart, Peterson Institute for International Economics (October 11), <https://www.piie.com/research/piie-charts/us-china-trade-war-tariffs-date-chart>

FAST TRADE WAR RESOLUTION IS UNLIKELY; BOTH US AND CHINA THINK THEY HOLD THE UPPER HAND

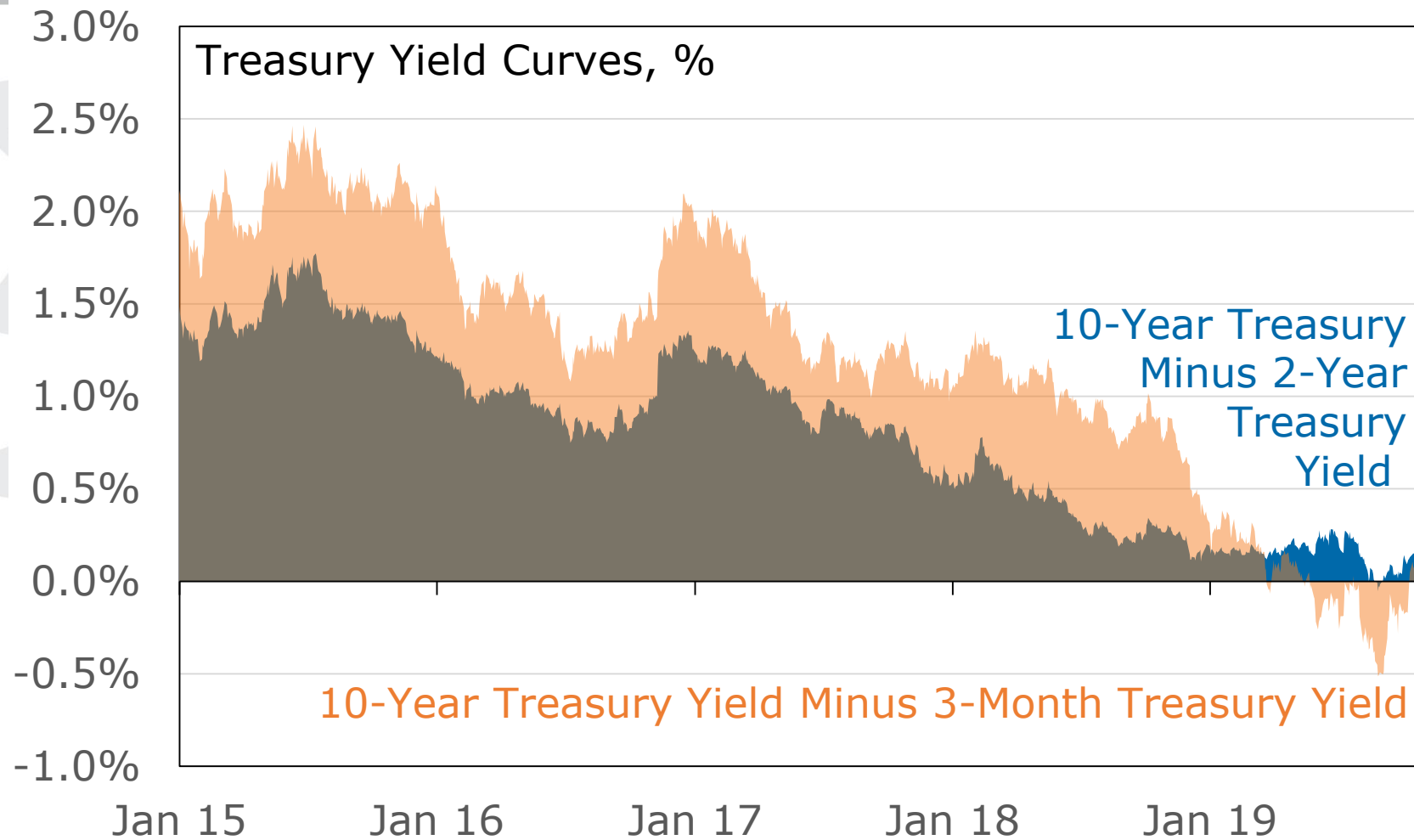


Schedule of Competitive Presidential Elections

<u>USA</u>	<u>China</u>
2012	
	2013
2016	????
2020	
2024	

Sources: Census Bureau, BEA, NBS, PNC Economics

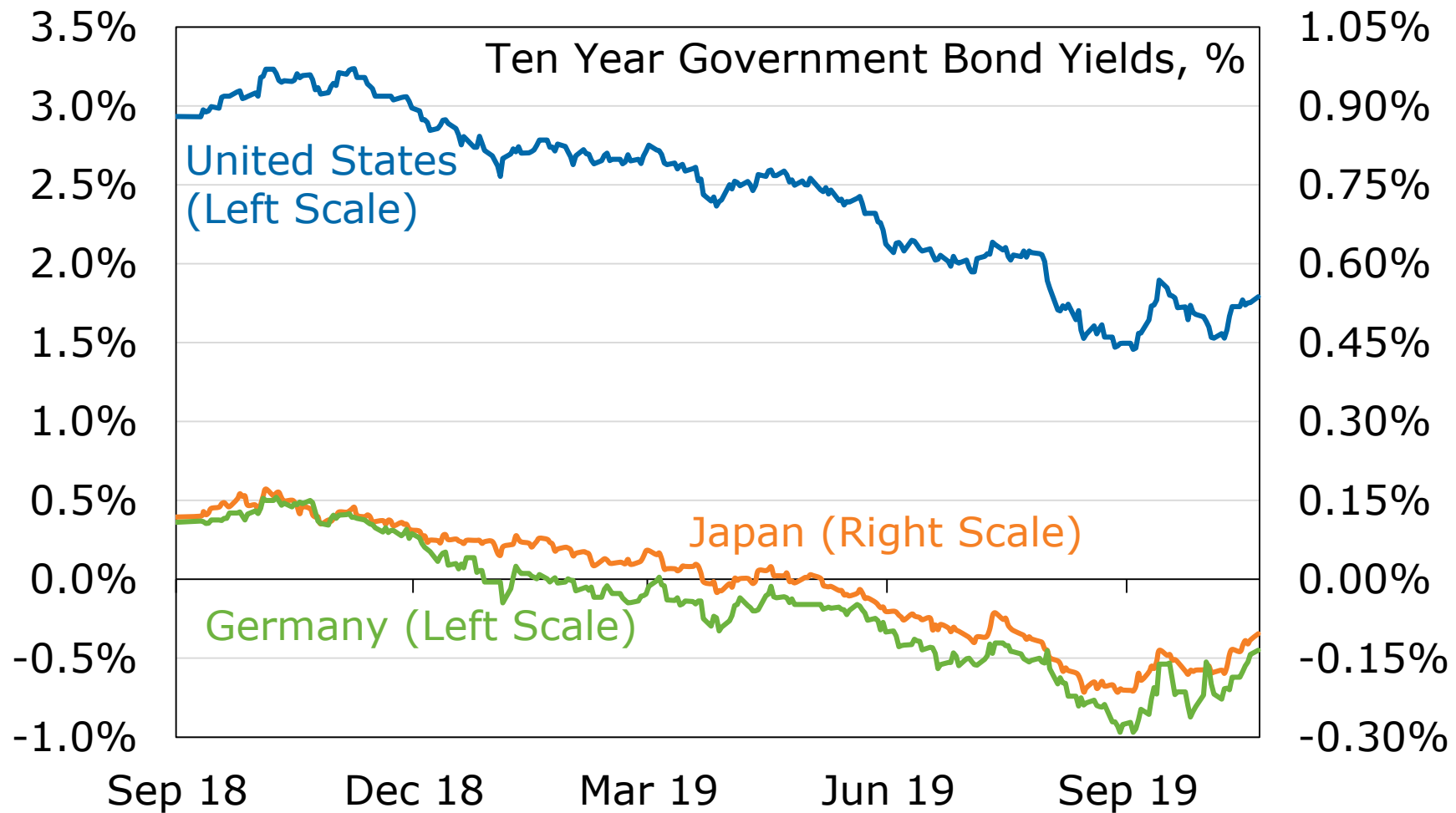
THE YIELD CURVE INVERTED BETWEEN MAY AND OCTOBER, SPURRING FEARS OF A RECESSION



Sources: Bloomberg; data through October 21, 2019



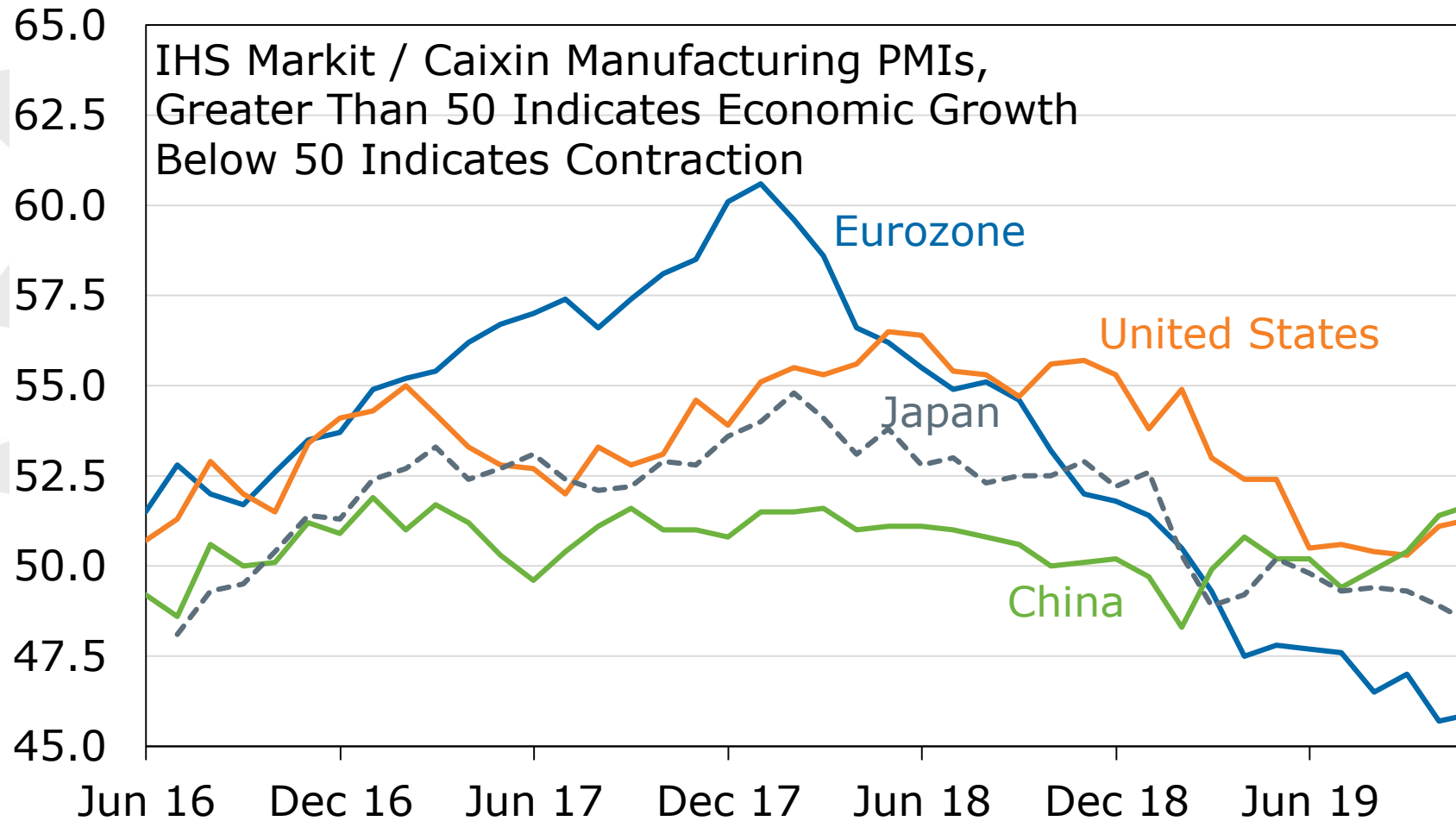
SPILOVER FROM FOREIGN NEGATIVE INTEREST RATES MEANS RECESSION RISK IS BELOW 50-50



Source: Bloomberg

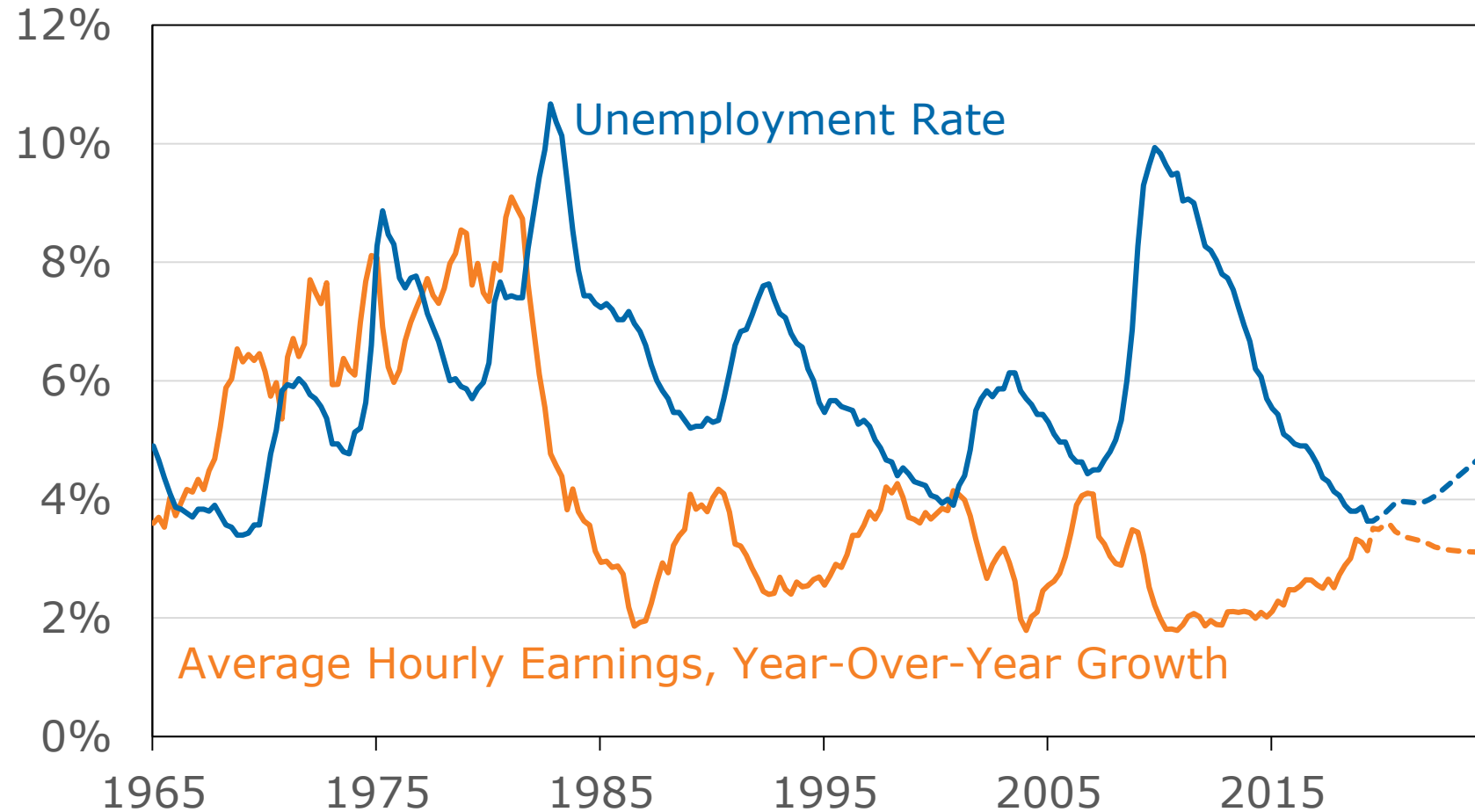


GLOBAL MANUFACTURING CLEARLY HAS ENTERED A DOWNTURN



Sources: Caixin / Jibun / IHS Markit, Bloomberg

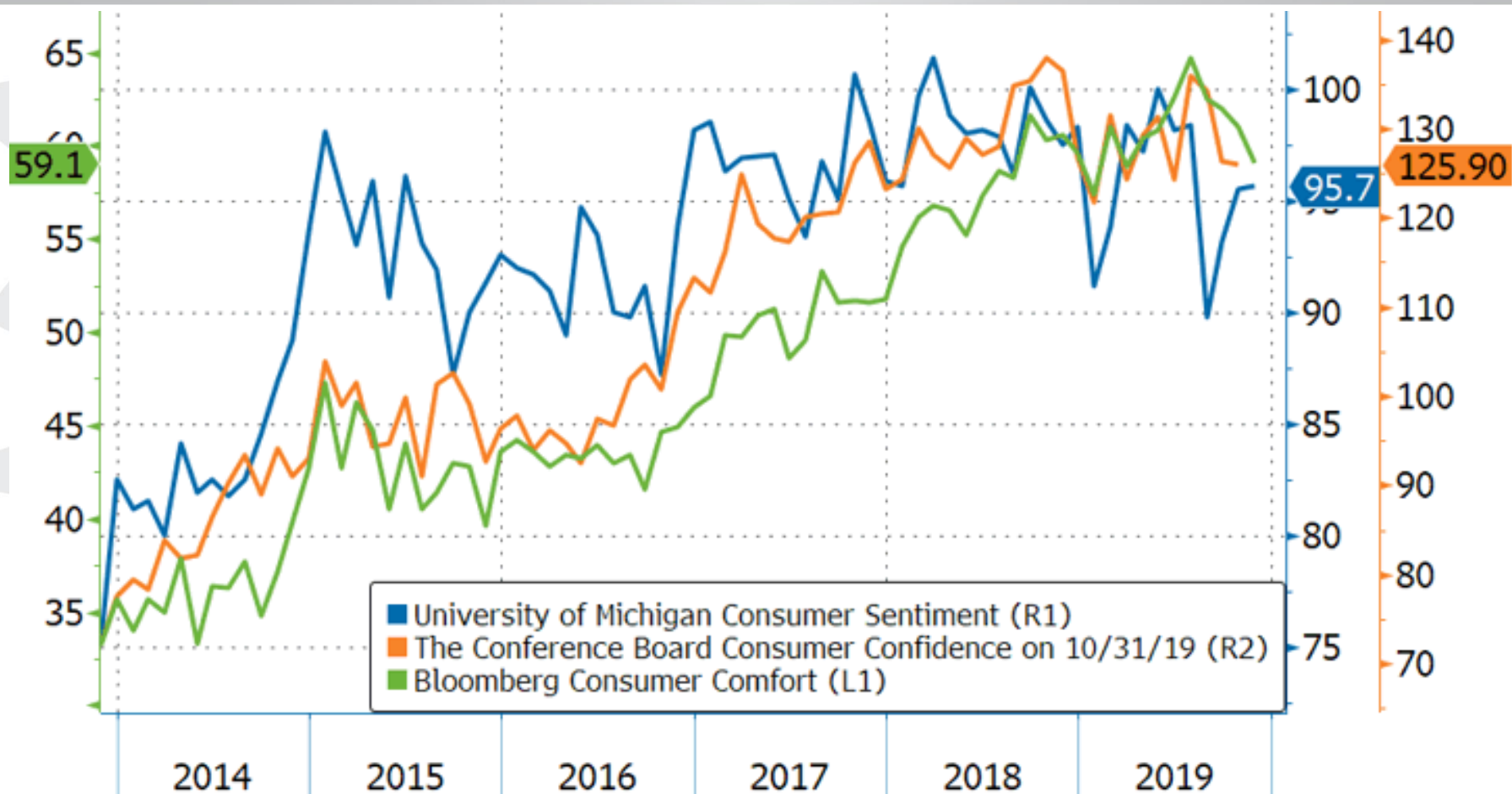
AT THE SAME TIME, THE UNEMPLOYMENT RATE IS NEAR THE BEST IN 50 YEARS, AND WAGES RISING



Sources: Moody's Analytics, BLS, St Louis Fed FRED database, PNC October 2019 Baseline Economic Forecast



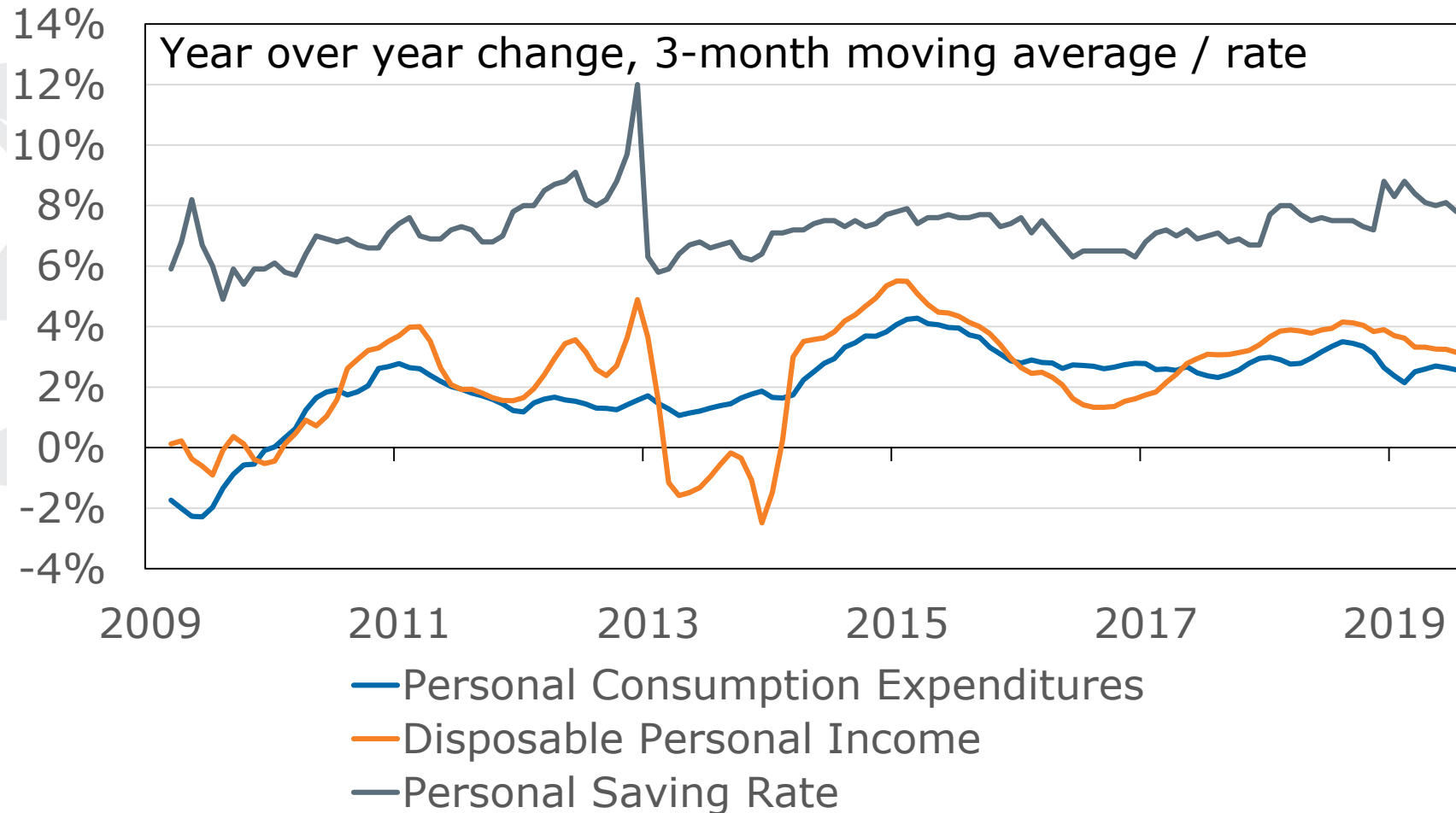
A STRONG JOB MARKET AND LOW GAS PRICES HAVE US CONSUMERS FEELING CHEERY



Sources: The Conference Board, University of Michigan, Bloomberg



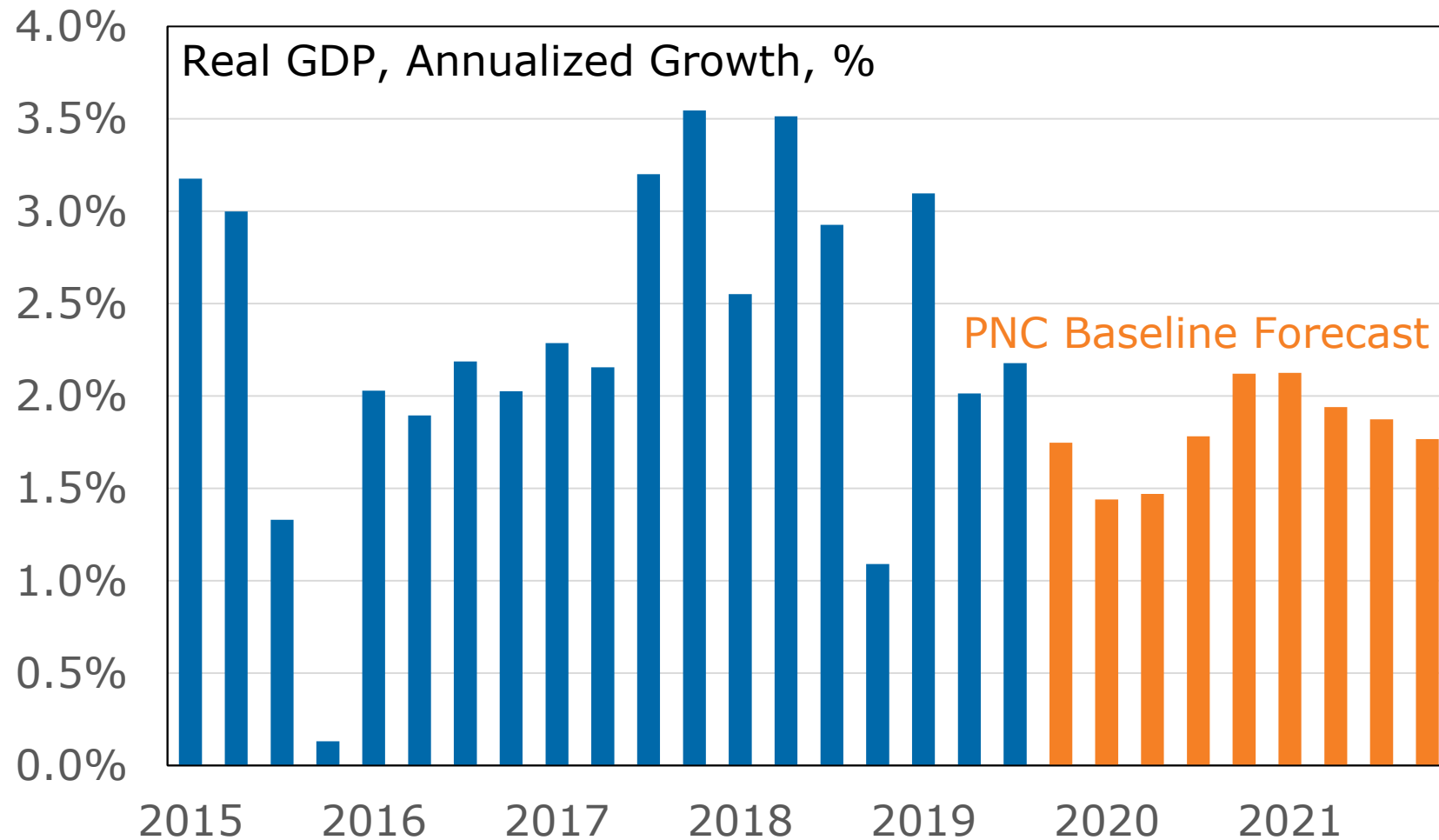
INCOME AND SPENDING GROWTH ARE HOLDING UP AND THE SAVING RATE IS HIGH



Sources: BEA, BLS, Federal Reserve Bank of St Louis FRED database



PNC FORECASTS SLOWER BUT STILL POSITIVE REAL GDP GROWTH IN THE FIRST HALF OF 2020



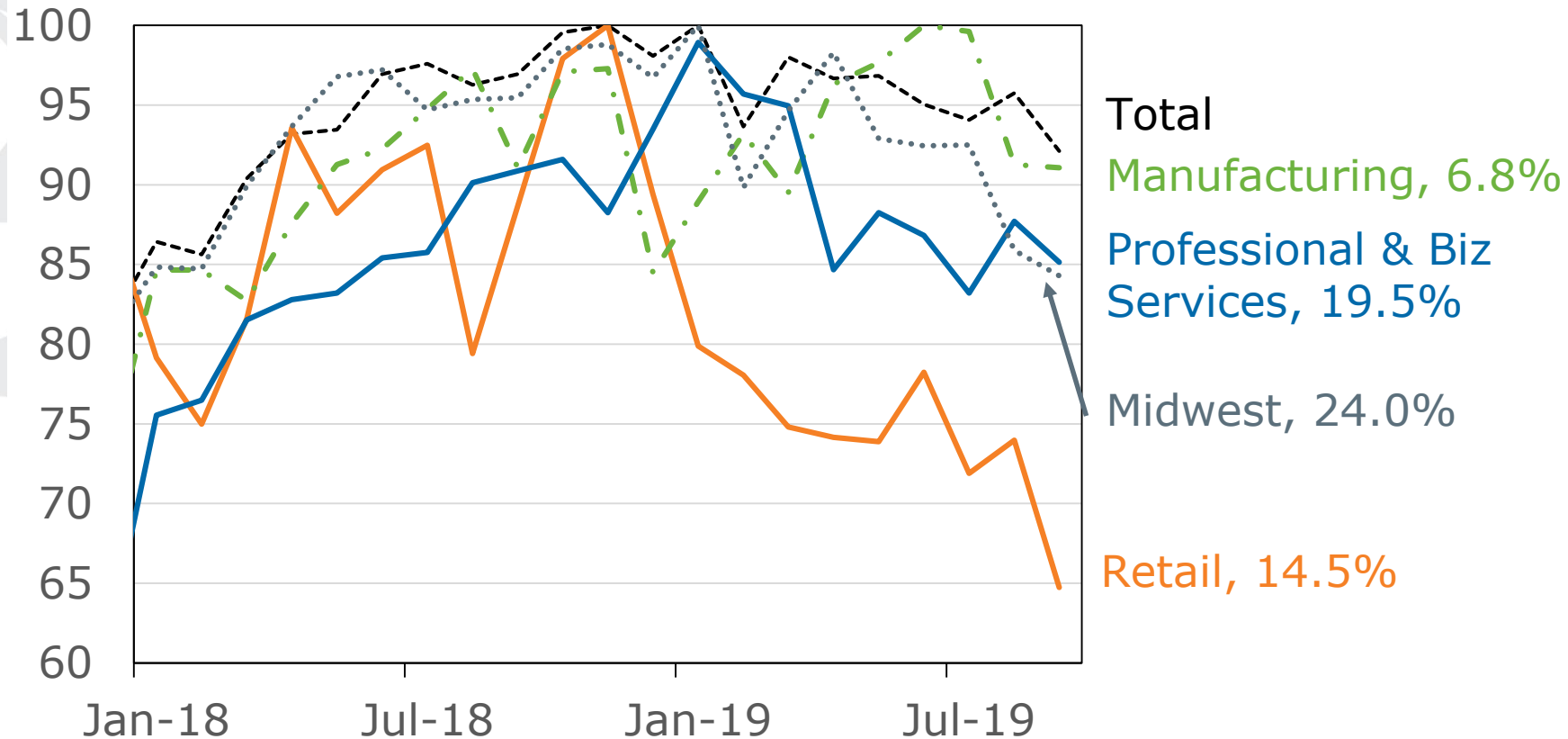
Sources: Moody's Analytics, PNC Economics Baseline Forecast October 2019



FALLING JOB OPENINGS POINT TO SLOWER HIRING IN RETAIL, MANUFACTURING, MIDWEST

Job openings index, recent peak = 100

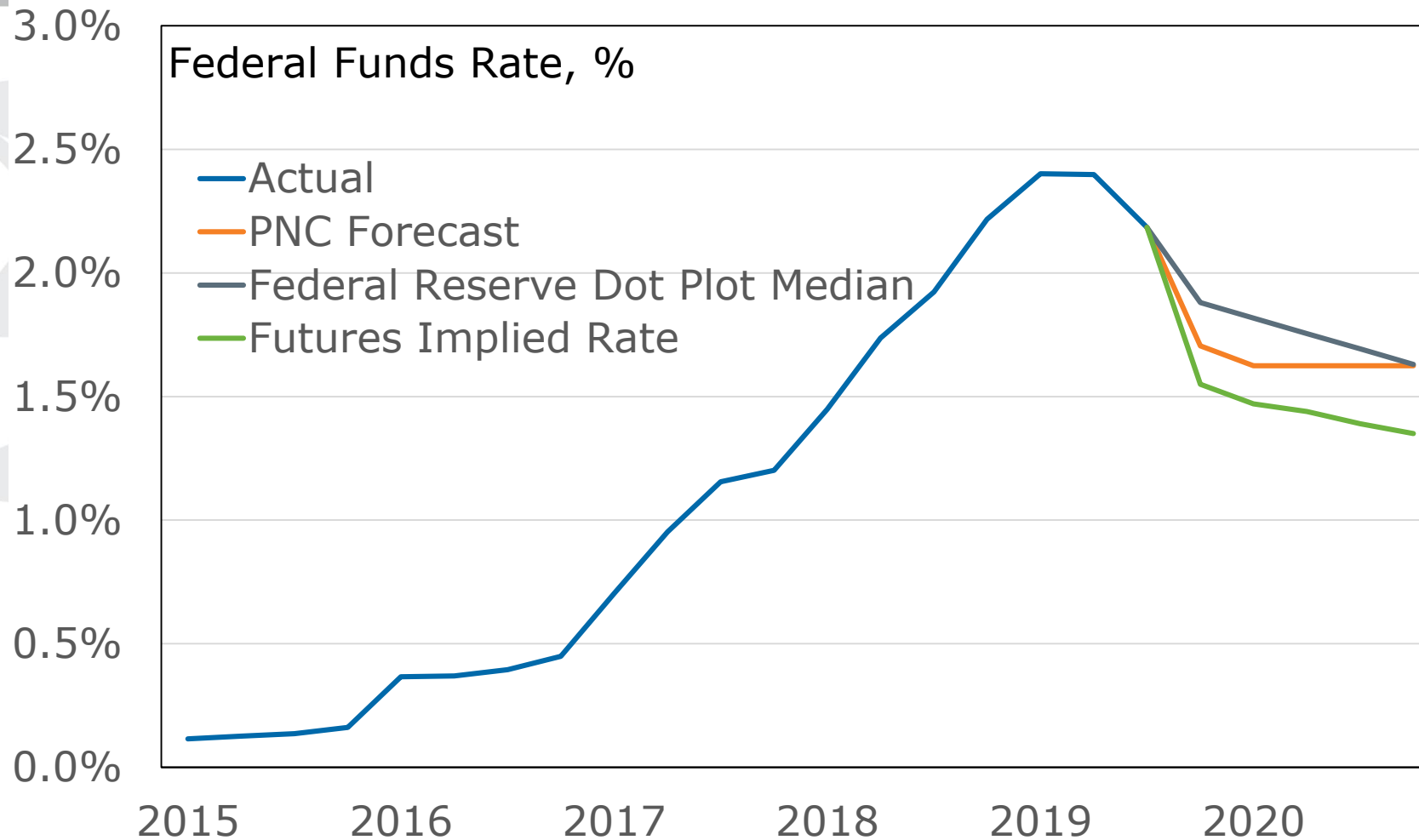
Category, % of Total US Job Openings



Sources: BLS, Federal Reserve Bank of St Louis FRED database



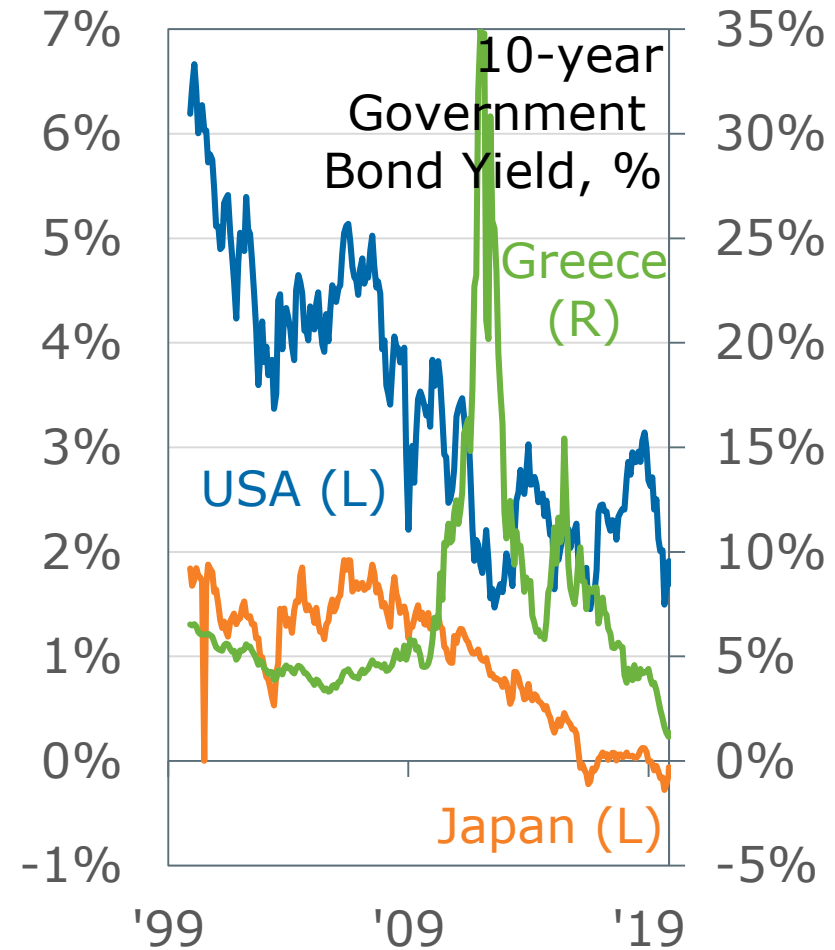
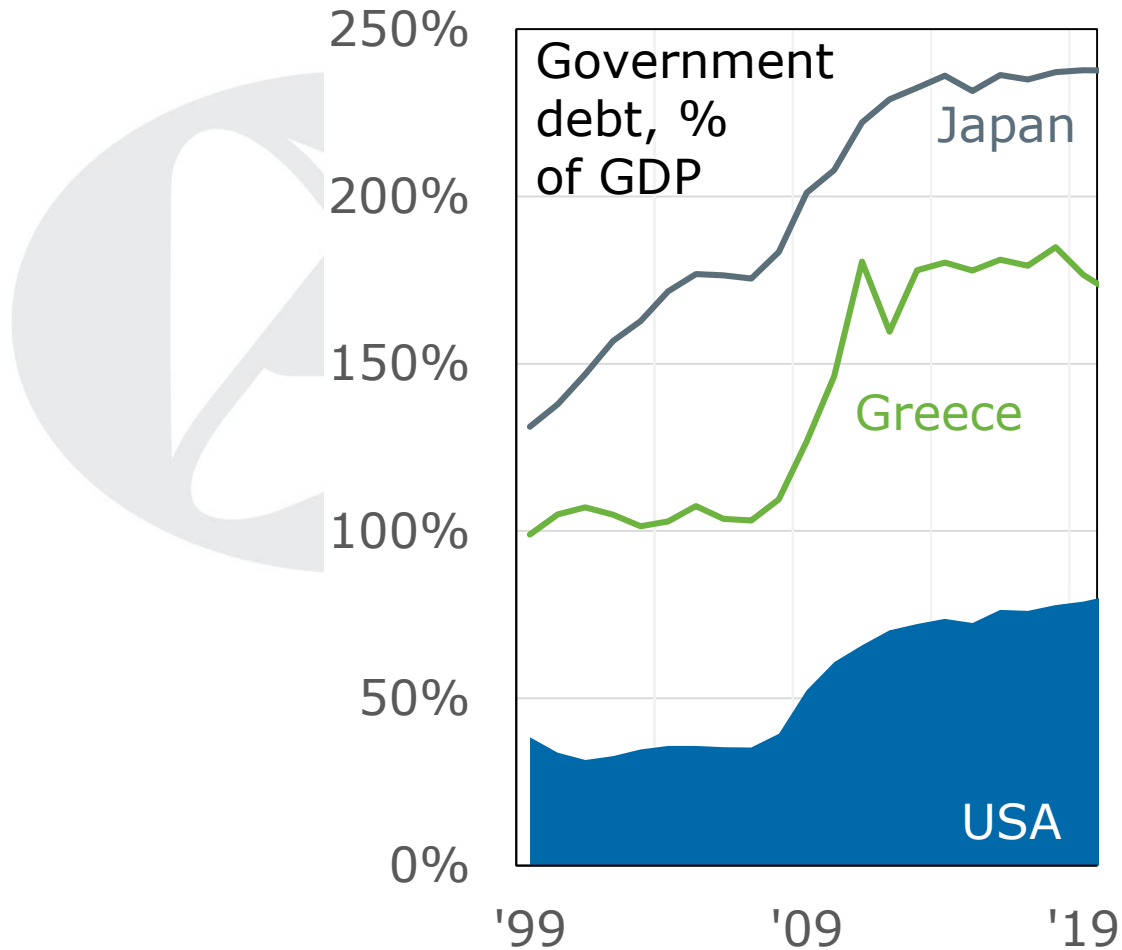
UNLESS THE OUTLOOK DETERIORATES, OCTOBER'S RATE CUT WAS LIKELY THE FED'S LAST



Sources: Federal Reserve September 2019 dot plot, Bloomberg WIRP as of 11/8/19, PNC Economics Baseline Forecast Oct 2019

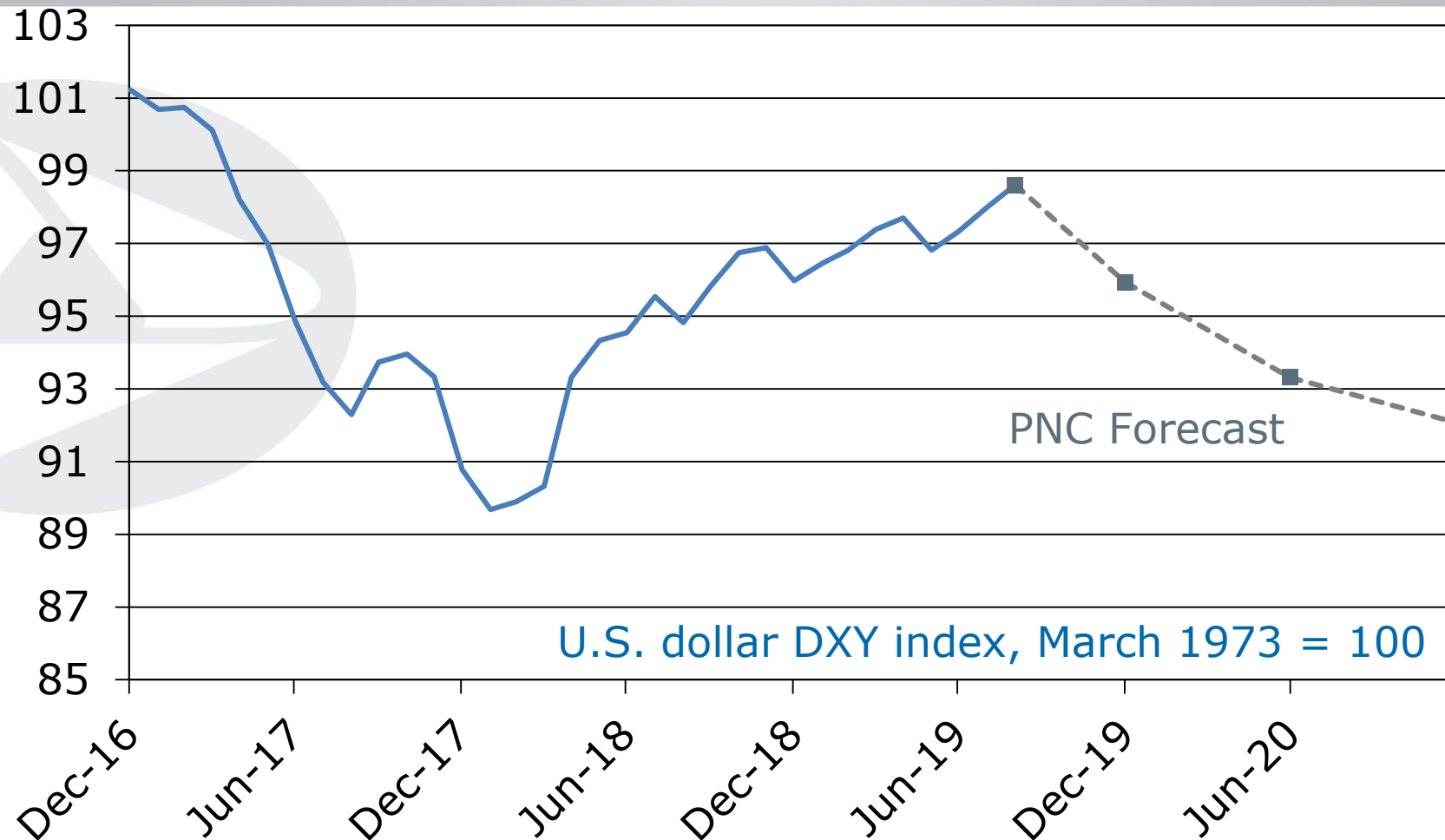


HISTORICALLY LOW INTEREST RATES DESPITE HISTORICALLY LARGE FISCAL DEFICITS



Sources: Congressional Budget Office, International Monetary Fund, Bloomberg
Note: US debt is federal debt in the hands of the public per CBO, Japanese and Greek debt is general government debt per IMF

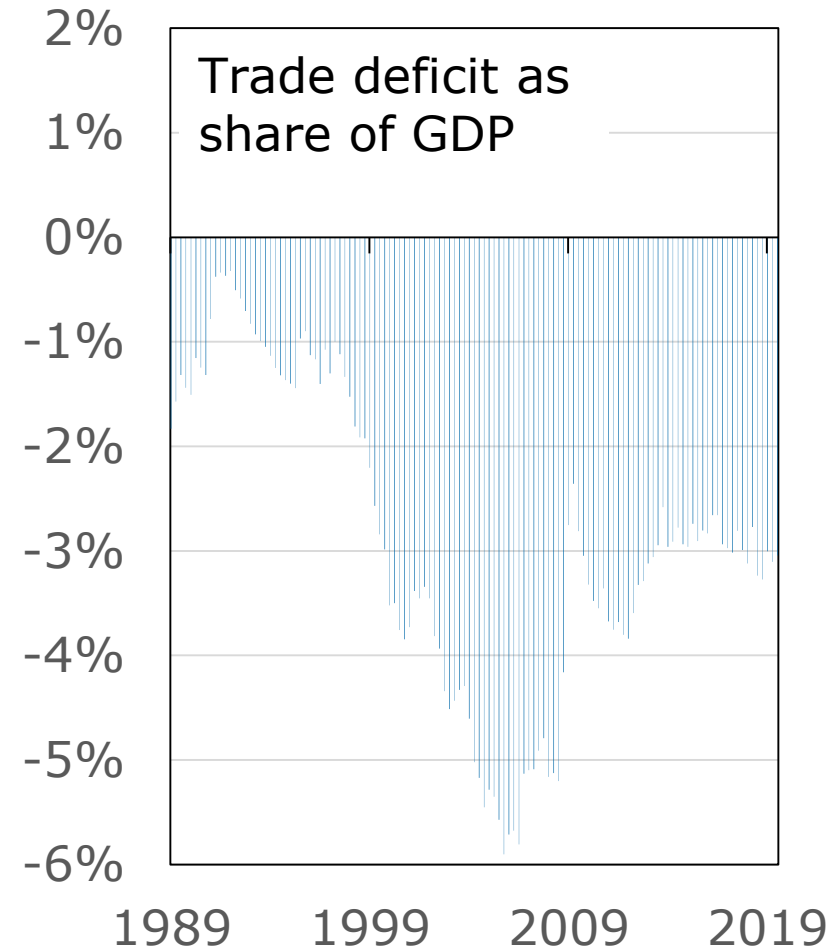
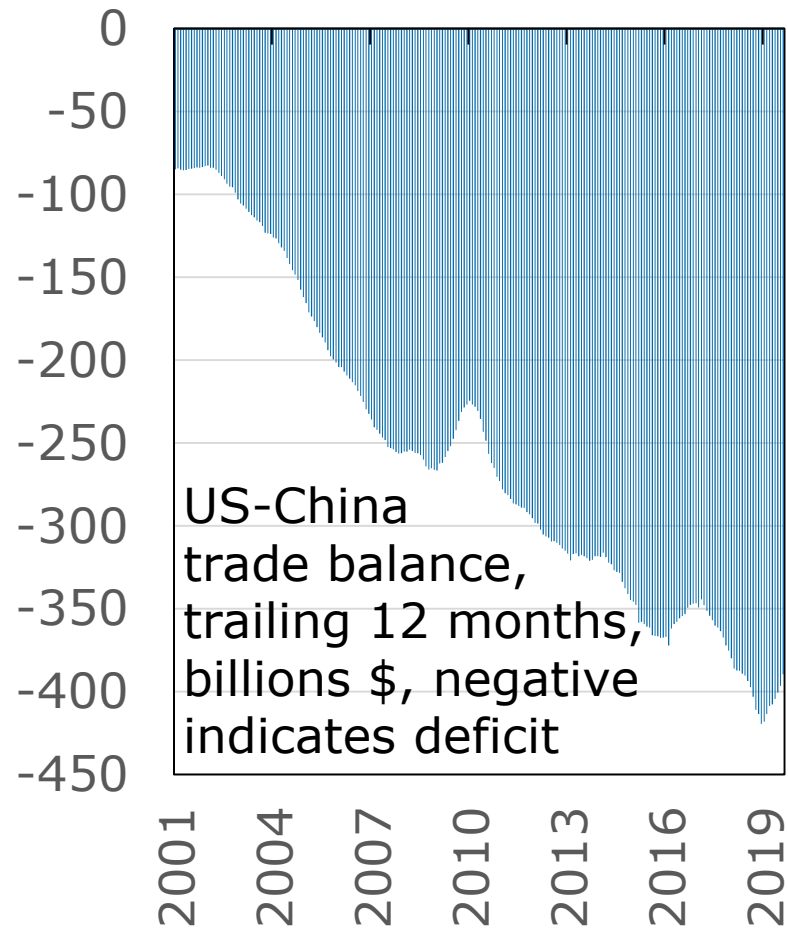
WE FORECAST THE DOLLAR TO GIVE BACK SOME STRENGTH AS US GROWTH SLOWS IN 2020-2021



Sources: Bloomberg, PNC Exchange Rate Forecasts Fourth Quarter of 2019

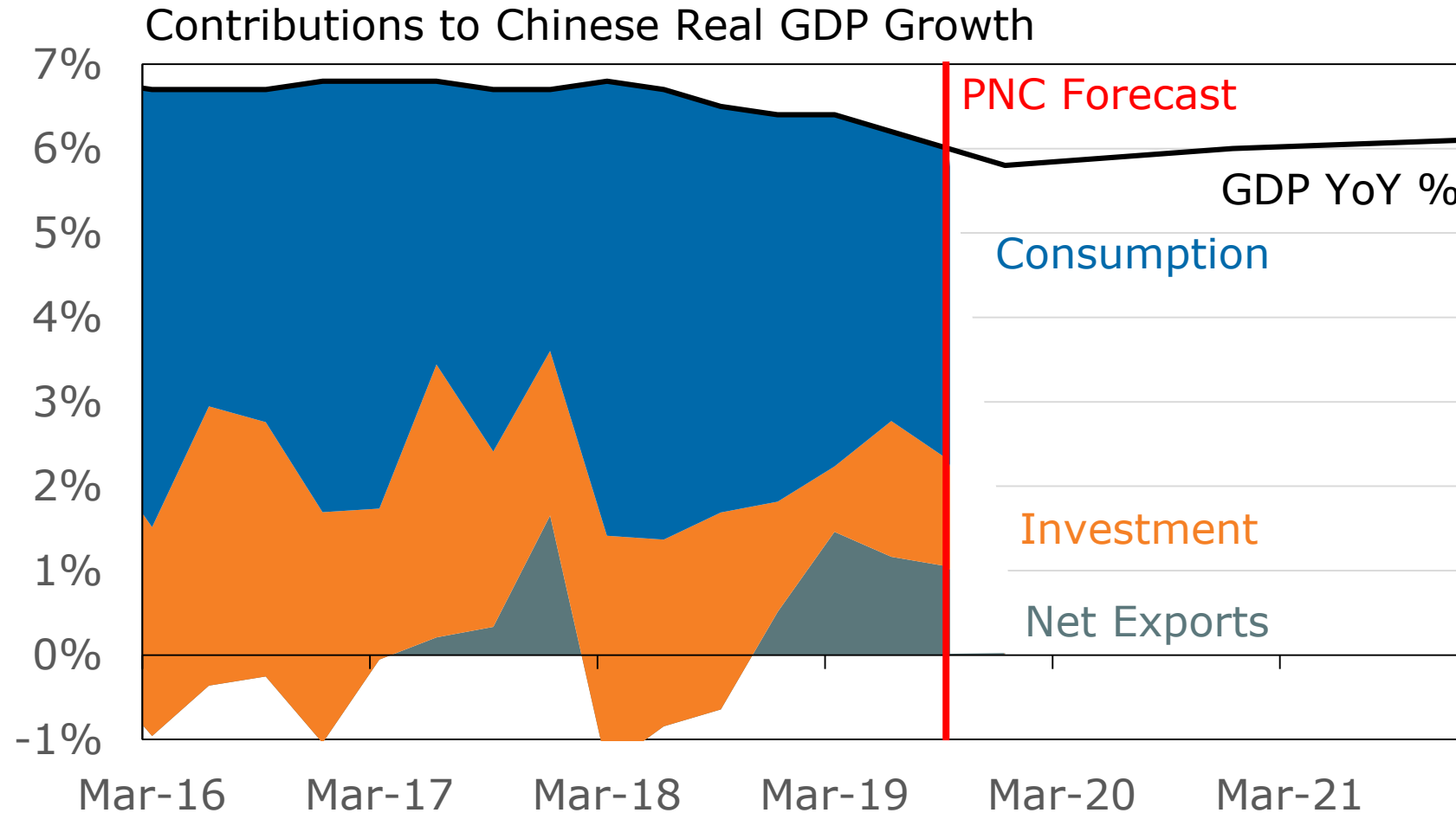


THE TRADE WAR HAS SHIFTED OUR DEFICIT WITH CHINA TO OTHER TRADING PARTNERS



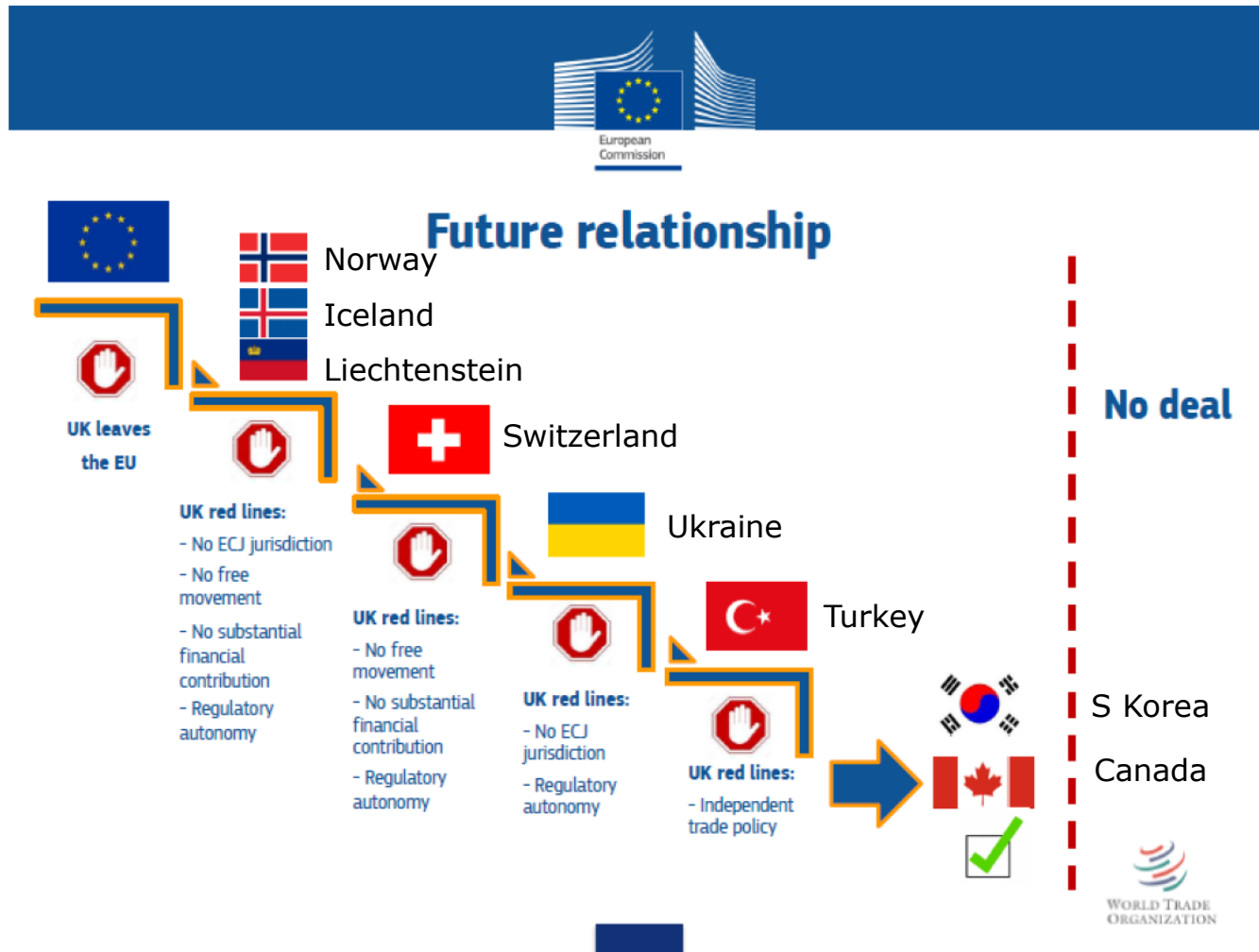
Sources: Census Bureau, BEA

WE FORECAST SLOWING GDP GROWTH INTO 2020 THAT LIKELY UNDERSTATES CHINA'S WEAKNESS



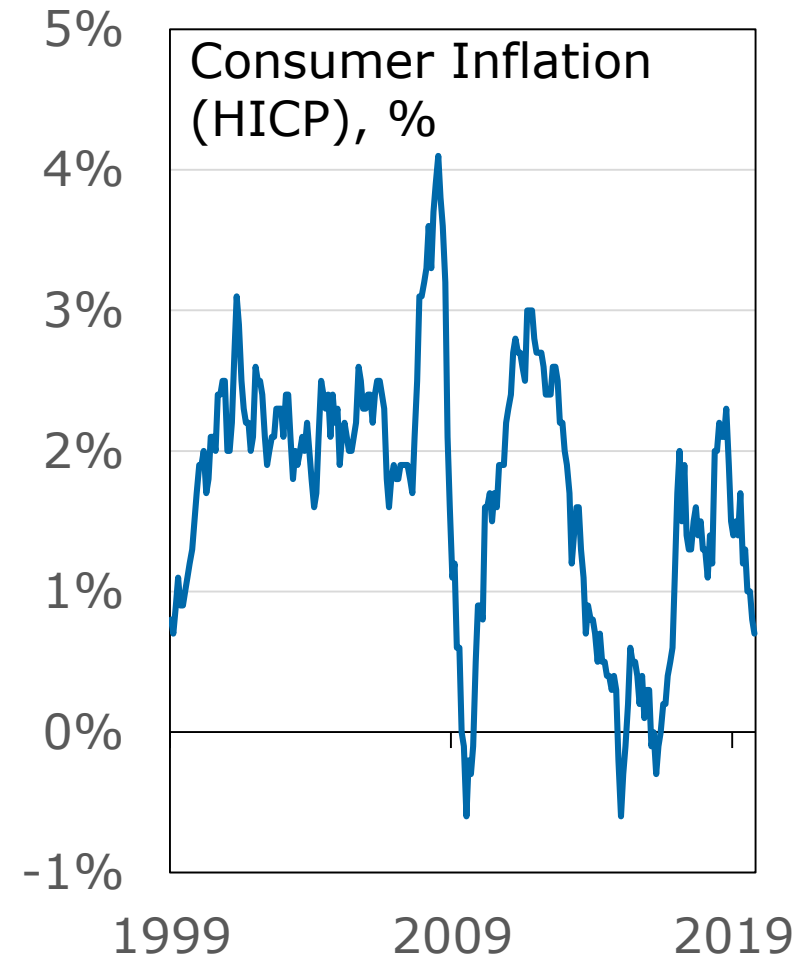
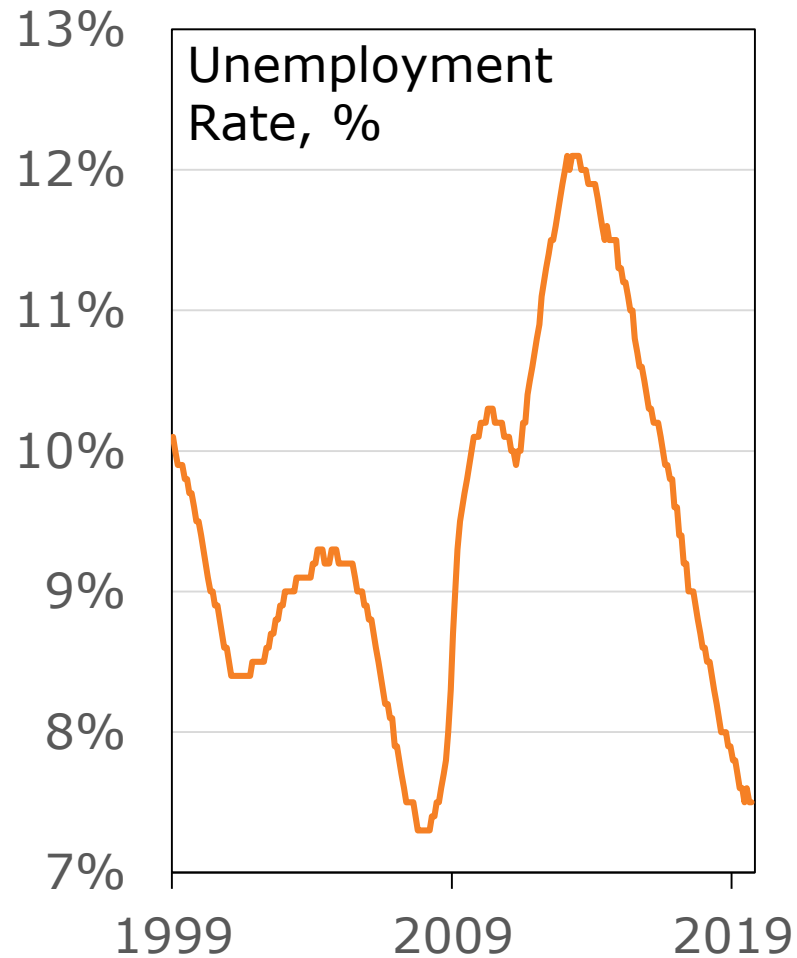
Sources: NBS

DEADLINES ARE FINALLY FORCING THE UK TO PICK A BREXIT POLICY, AND 'BREVERMIND' IS AHEAD



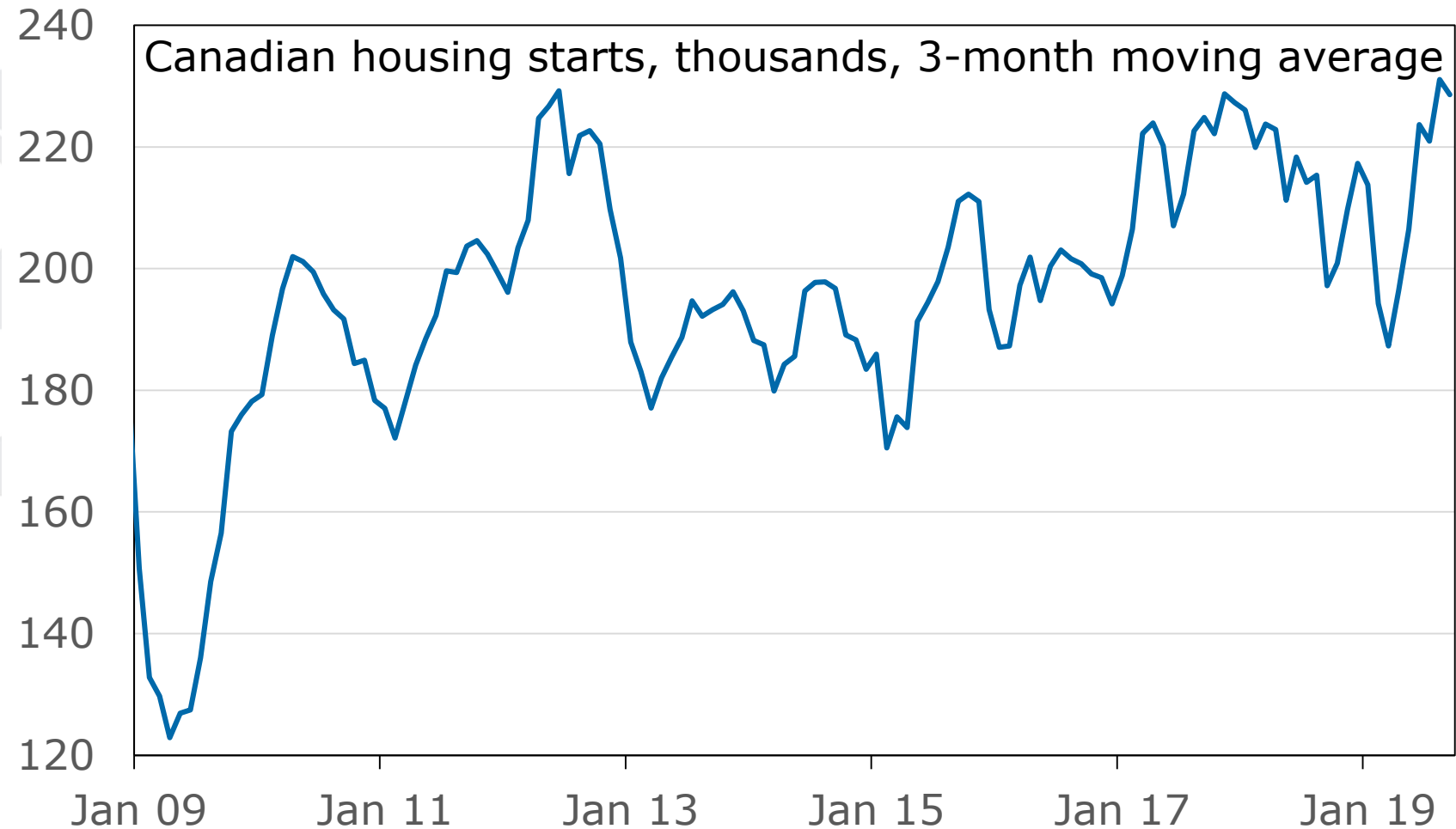
Source: European Commission, https://ec.europa.eu/commission/sites/beta-political/files/slide_presented_by_barnier_at_euco_15-12-2017.pdf

IN THE EUROZONE, WEAK INFLATION MEANS NEGATIVE INTEREST RATES AREN'T GOING AWAY



Source: Eurostat, Bloomberg

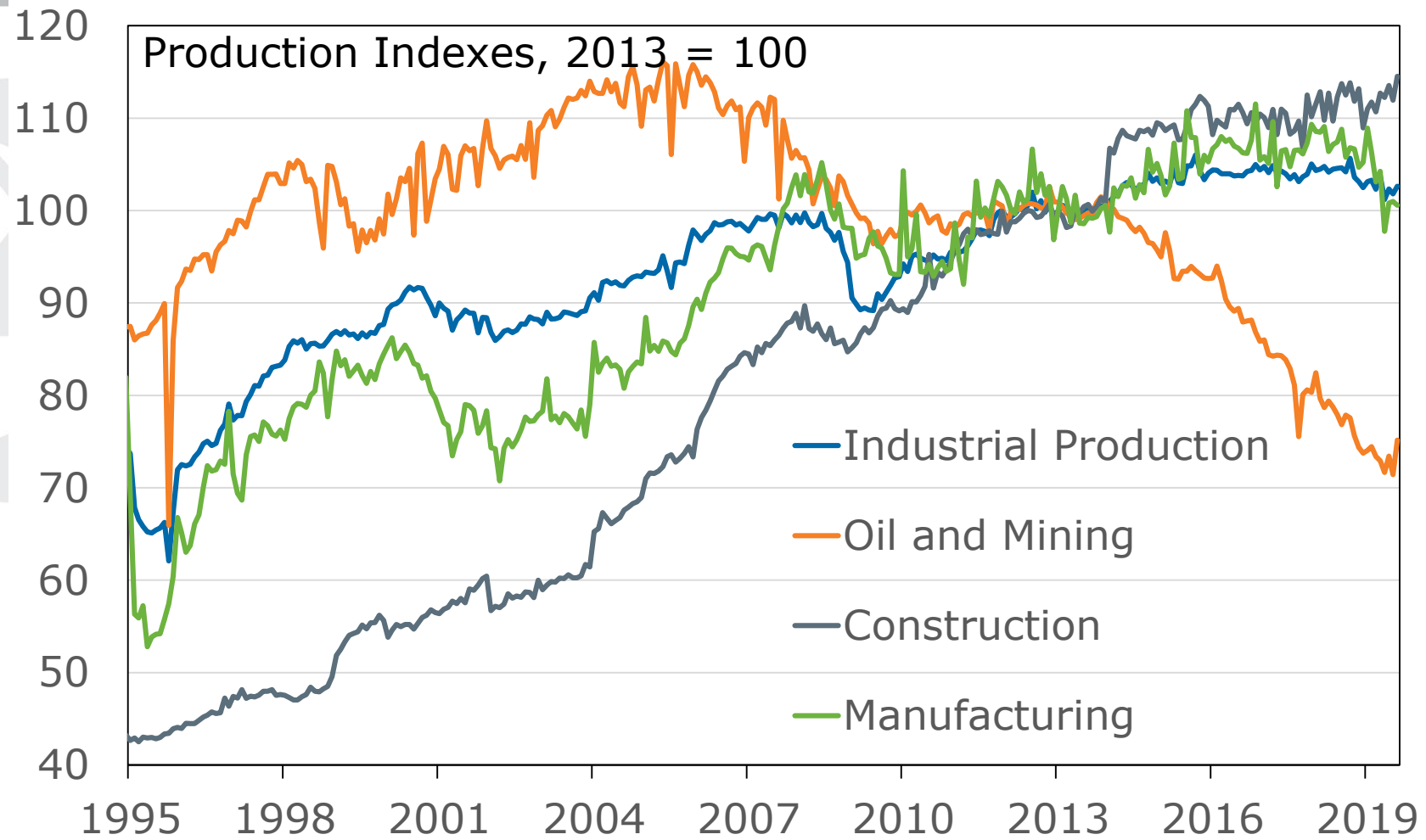
THE DRAG ON CANADA'S ECONOMY FROM THE HOUSING MARKET CORRECTION IS FADING



Source: Canada Mortgage and Housing Corporation, Bloomberg



MEXICO'S 2019 MANUFACTURING DOWNTURN COMPOUNDED THE CHRONIC DRAG FROM PEMEX



Source: INEGI



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