

ECONOMIC FORECASTING CENTER

P.O. Box 3988
Atlanta Georgia 30302-3988
Office: 404-413-7260
Fax: 404-413-7264
Web: robinson.gsu.edu/efc



From the Desk of Rajeev Dhawan

2016: A Year in Review

Clearly, the most notable news item to happen was the election of Donald J. Trump as President. The lead-up to the election was wrought with anemic investment which brought down overall GDP growth. We hope that going forward, the uncertainty of the election rhetoric will get out of our systems and result in better investment, but only time will tell in that regard. However, looking at our financial markets, there really was no uncertainty there. After it was determined that Mr. Trump was projected to win on November 8, there was a brief “blip” in financial markets, but since his “soothing words” at his gracious victory speech markets have been on the up-and-up!

Financial markets were more disrupted by Britain’s decision to leave the European Union in June. There, markets fell over 5% in the following days, while here, the election of Mr. Trump pushed markets higher by 1%! Furthermore, the pound has yet to recover from the Brexit fallout and remains down 15%. The dollar, meanwhile, continues to appreciate. By broad measures, the dollar is up 3.4% for the year, but up more than 4.5% since the Brexit vote.

Global market uncertainty stems from anemic economic growth in Europe as well as in China and its suppliers. Thus, here at home, economic growth had to come from within – in other words, from domestic oriented sectors. For one, consumers seemed insatiable to vehicle purchasing and bought 17.5 million cars on an annualized basis thus far this year – surpassing the strong 17.4 million units last year. Light trucks were the purchase of choice due to low gasoline prices from persistent low oil prices (another result of the weakened global economy). The housing market also made headway this year. Overall, existing home sales were up 2.9% while new homes sales jumped 12%. Thus, consumption in the economy clipped along at a fairly decent 2.8% in the third quarter GDP growth figures.

Consumption growth was helped by a healthy labor market in 2016. The economy averaged 180,200 monthly job gains in the first eleven months but was a bit off the monthly average of 229,400 new jobs witnessed last year, which is an indication of anemic investment. Sectors affected mostly this year were those facing global headwinds such as manufacturing, transportation, and the corporate sector. Meanwhile, sector such as retail trade, hospitality and financial activities—those sectors that are influenced by domestic demand—did not decelerate in their job creation pace in 2016.