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QUARTERLY ECONOMIC
OUTLOOK
Coronavirus Special Report

SPEAKERS



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AGENDA

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2020 US ECONOMIC OUTLOOK

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CORONAVIRUS SPECIAL REPORT

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US SECTORS WE ARE TRACKING

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2020 US ECONOMIC OUTLOOK



CURRENT STATE OF US ECONOMY

1

Data points toward slower growth, possible inflection point in late 2020

2

Uncertainty very elevated, particularly around Covid-19

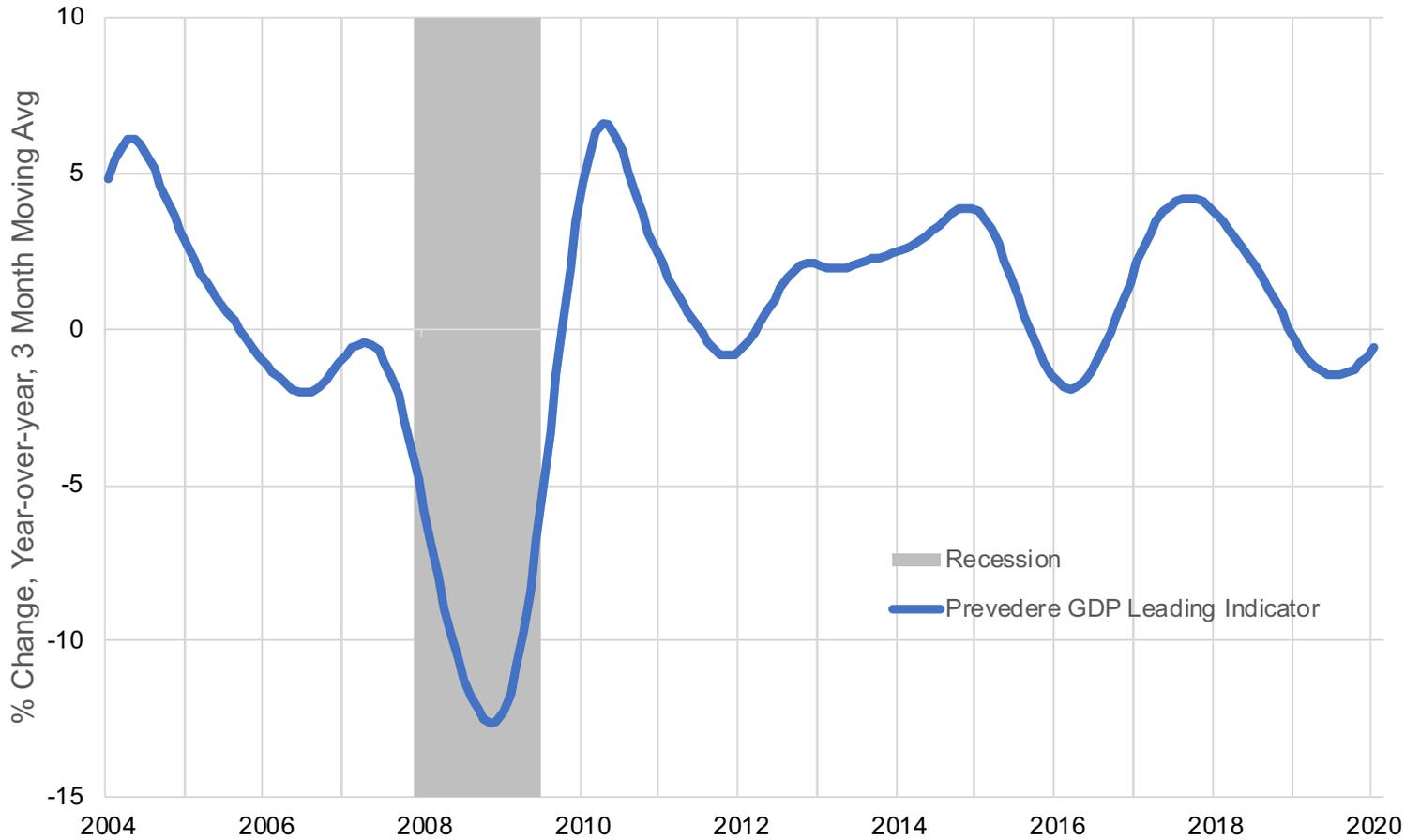
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Global supply chains disrupted, impacting manufacturing and logistics

4

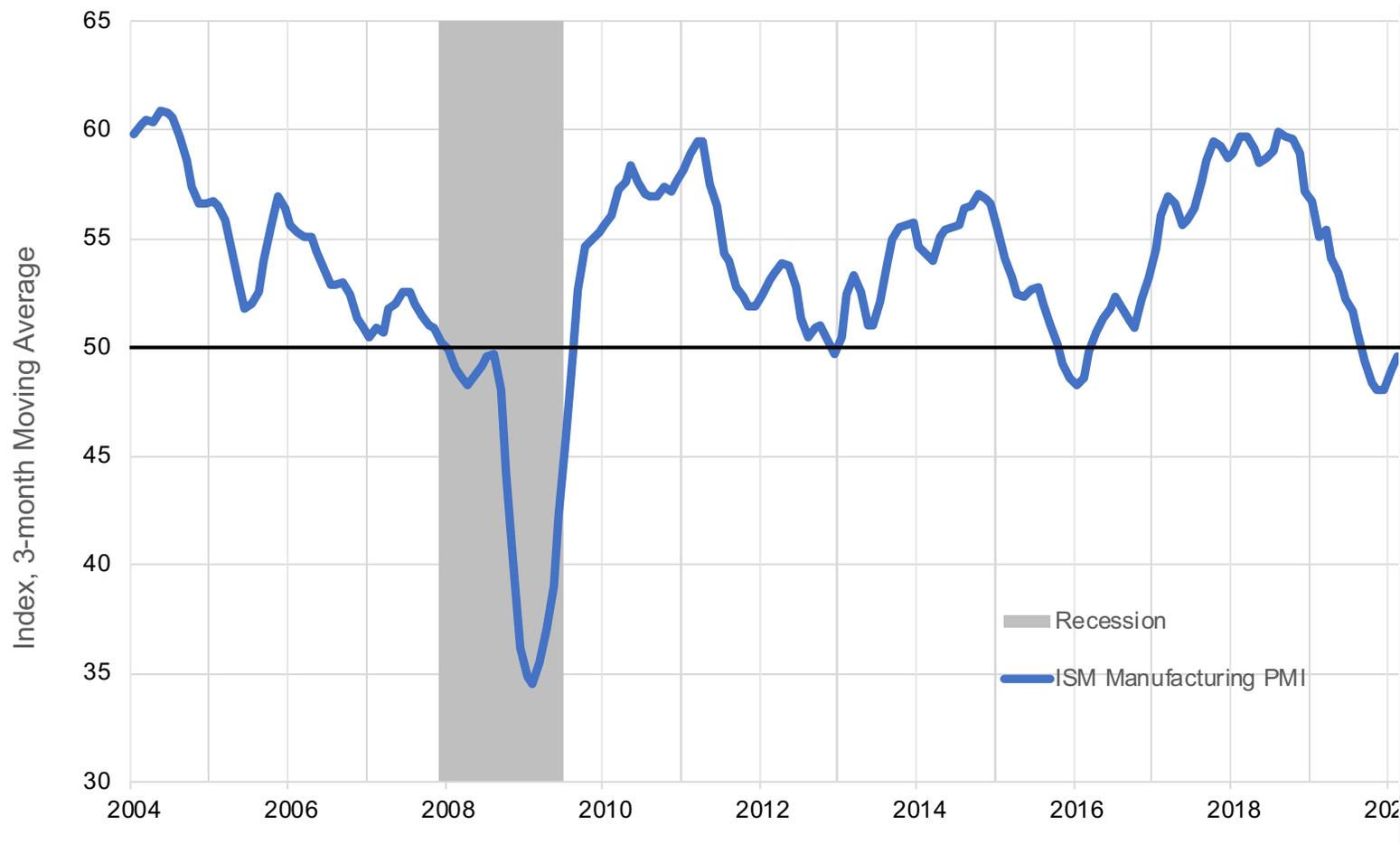
Consumer resiliency, but may face additional headwinds

GDP LEADING INDICATOR POINTS TO INFLECTION POINT



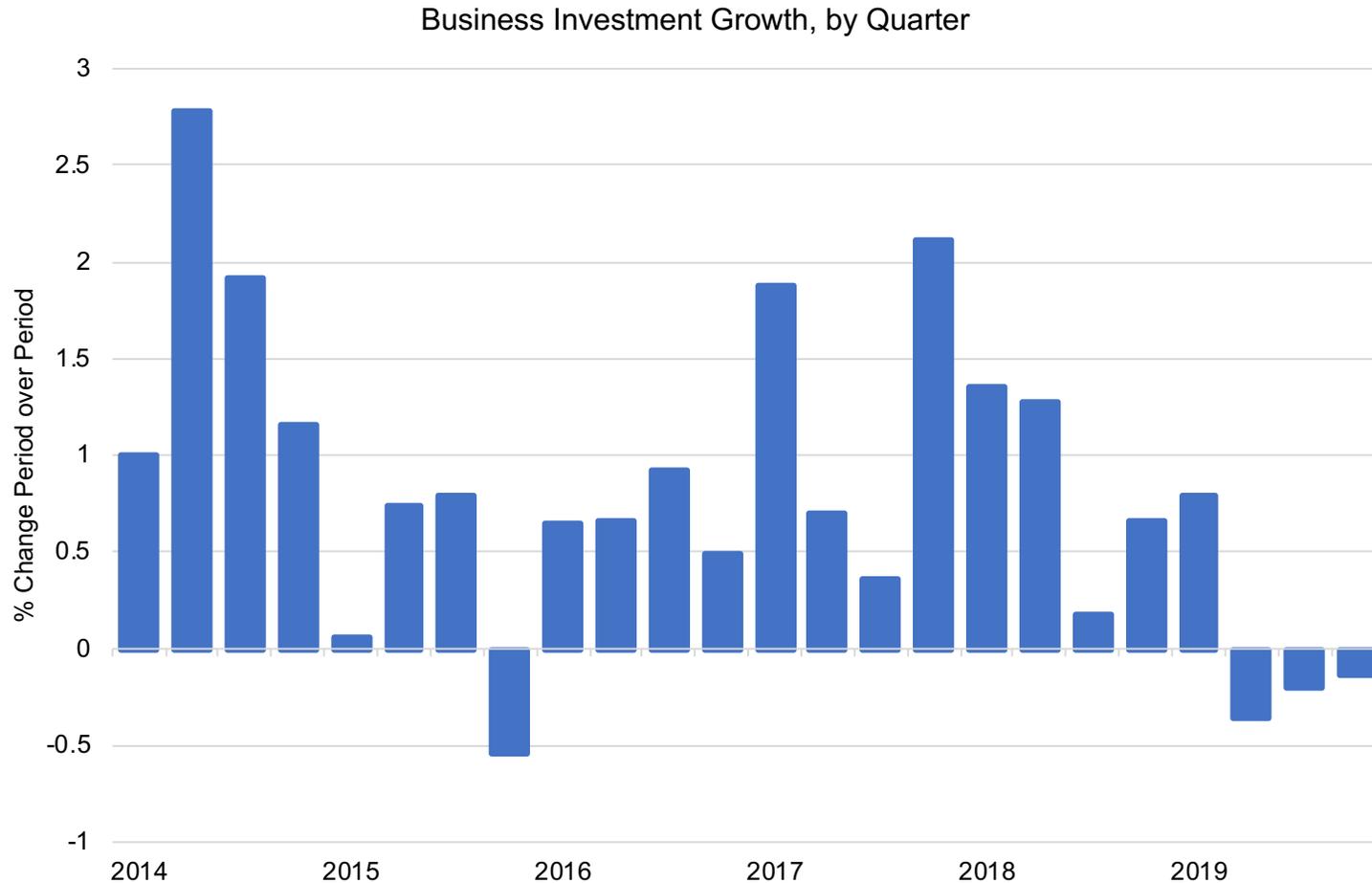
- Best evidence yet of a “slowdown,” not a recession.
- Still points to some slowing growth ahead before reaching inflection point during 2020.
- Primarily does not incorporate coronavirus impact.

MANUFACTURING ACTIVITY



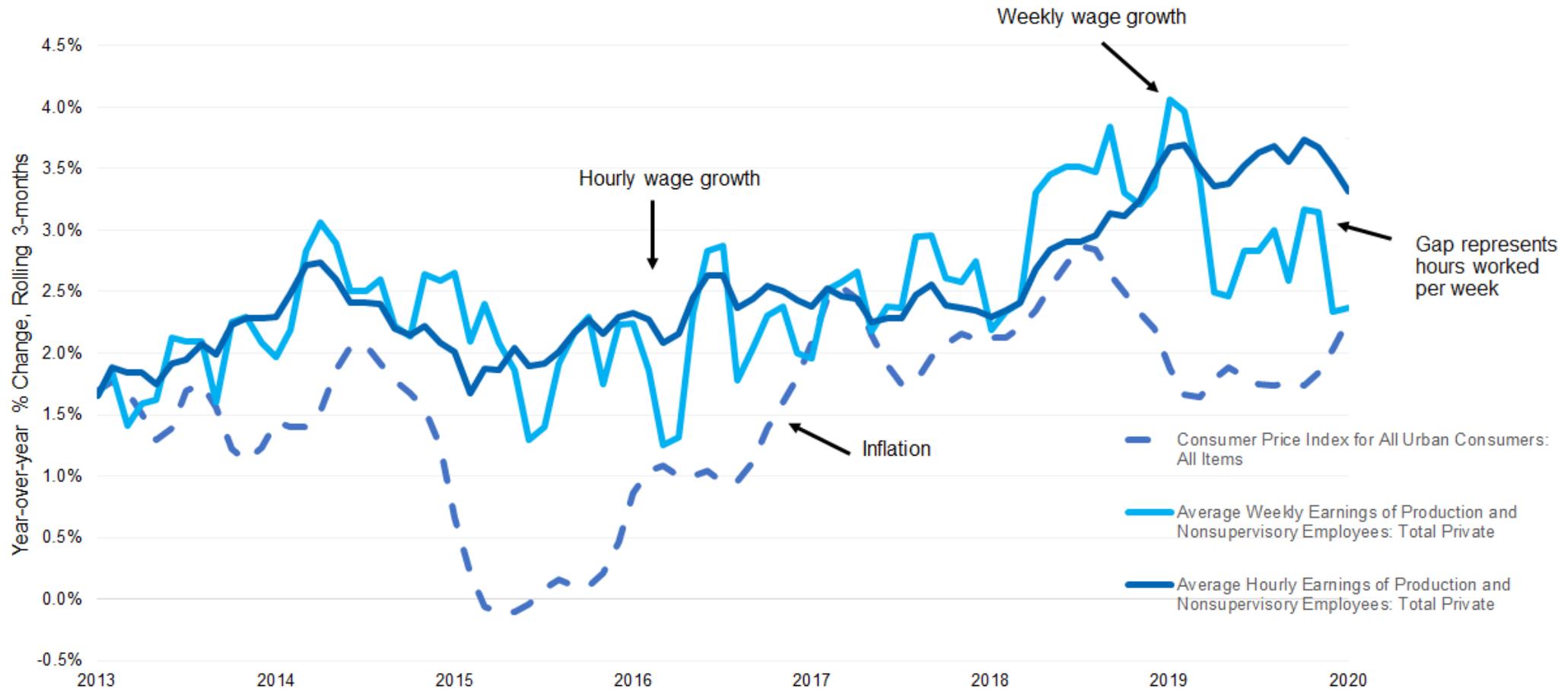
- Although still weak, manufacturing showed signs of turning around in recent months.
- Tends to lead US Economy by 4-12 months.
- Manufacturing still makes up around 20% of the US economy.

FIXED INVESTMENT



- Investment includes:
 - Buildings
 - Equipment
 - Intellectual Property
- These long-term investments set the path for future growth

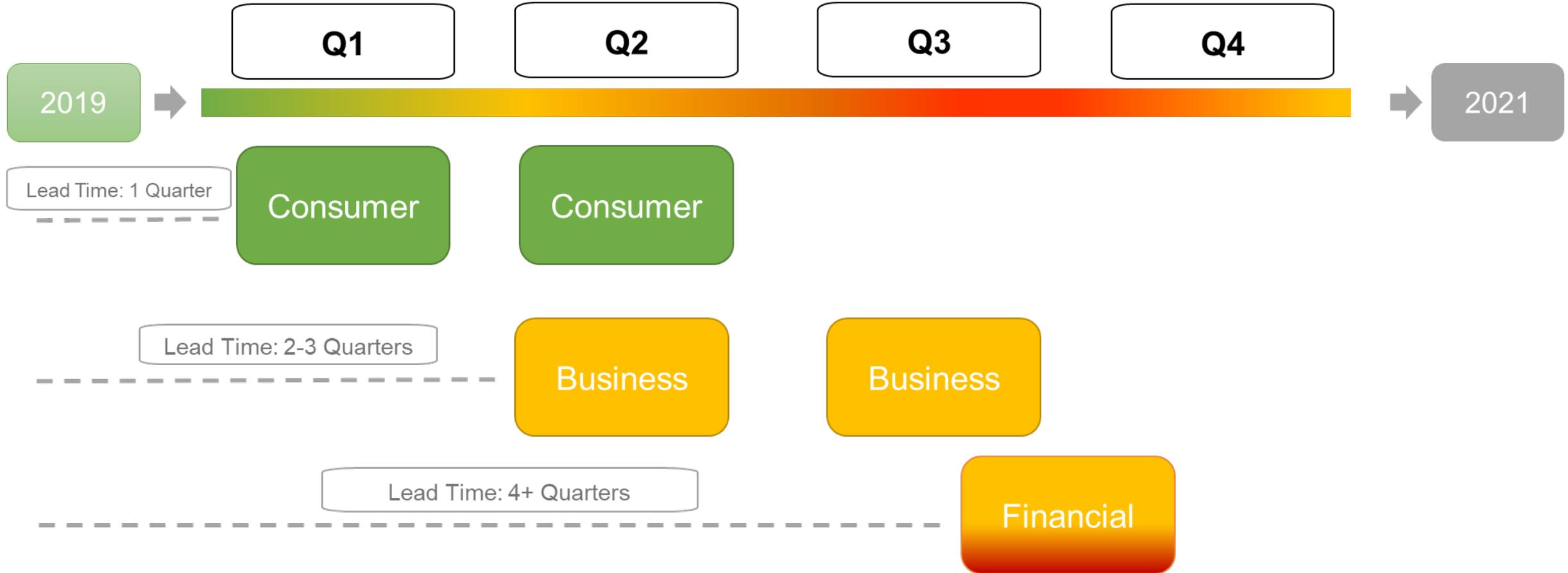
DISAPPEARING PURCHASING POWER GROWTH



RECESSION LEADING INDICATOR SUMMARY

Indicator	Lead Time	Reliability	Signal
Corporate Profits – Nonfinancial Sectors	1-2 Quarters	Medium to High	
Consumer Sentiment	0-3 Months	Medium	
Retail Sales per Person (Price-adjusted)	0-6 Months	Medium to High	
Vehicle Sales	4-6 Months	Medium to Low	
Manufacturing – Purchasing Managers' Index	4-12 Months	Medium	
Prevedere GDP Leading Indicator	6 Months	Medium	
Residential Real Estate Existing Home Sales New Home Building Permits	3-18 Months	Medium	
US Government Bond Yield Curve	12-18 Months	High	

2020 ECONOMIC OUTLOOK

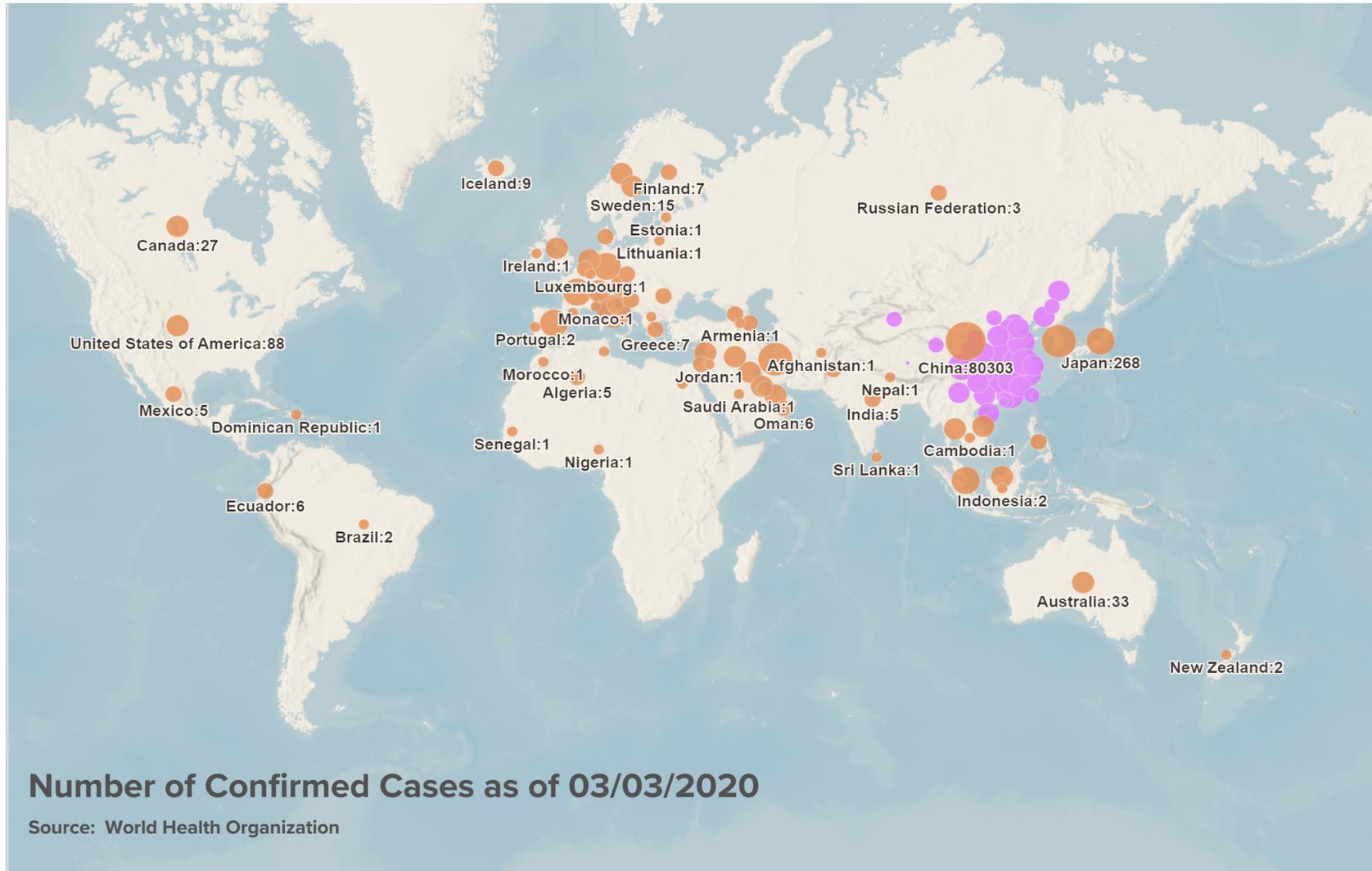


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CORONAVIRUS SPECIAL REPORT

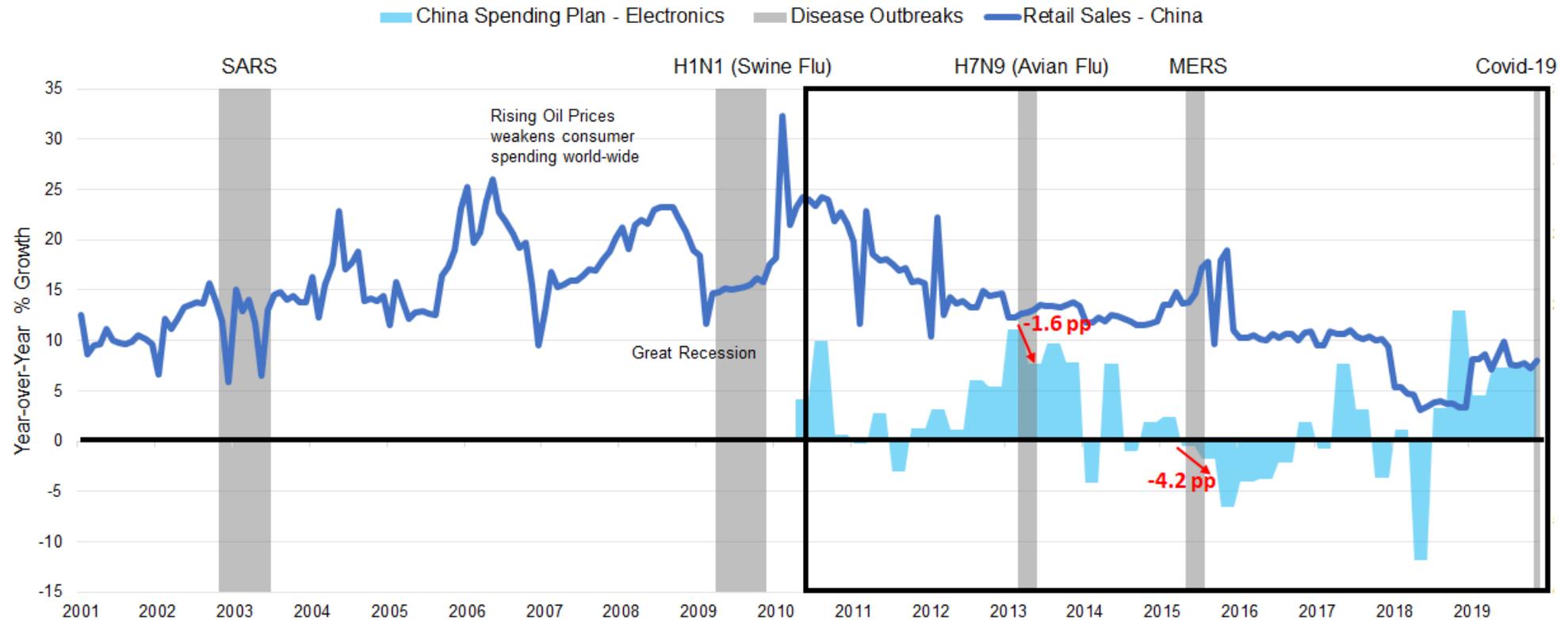


CORONAVIRUS 2020



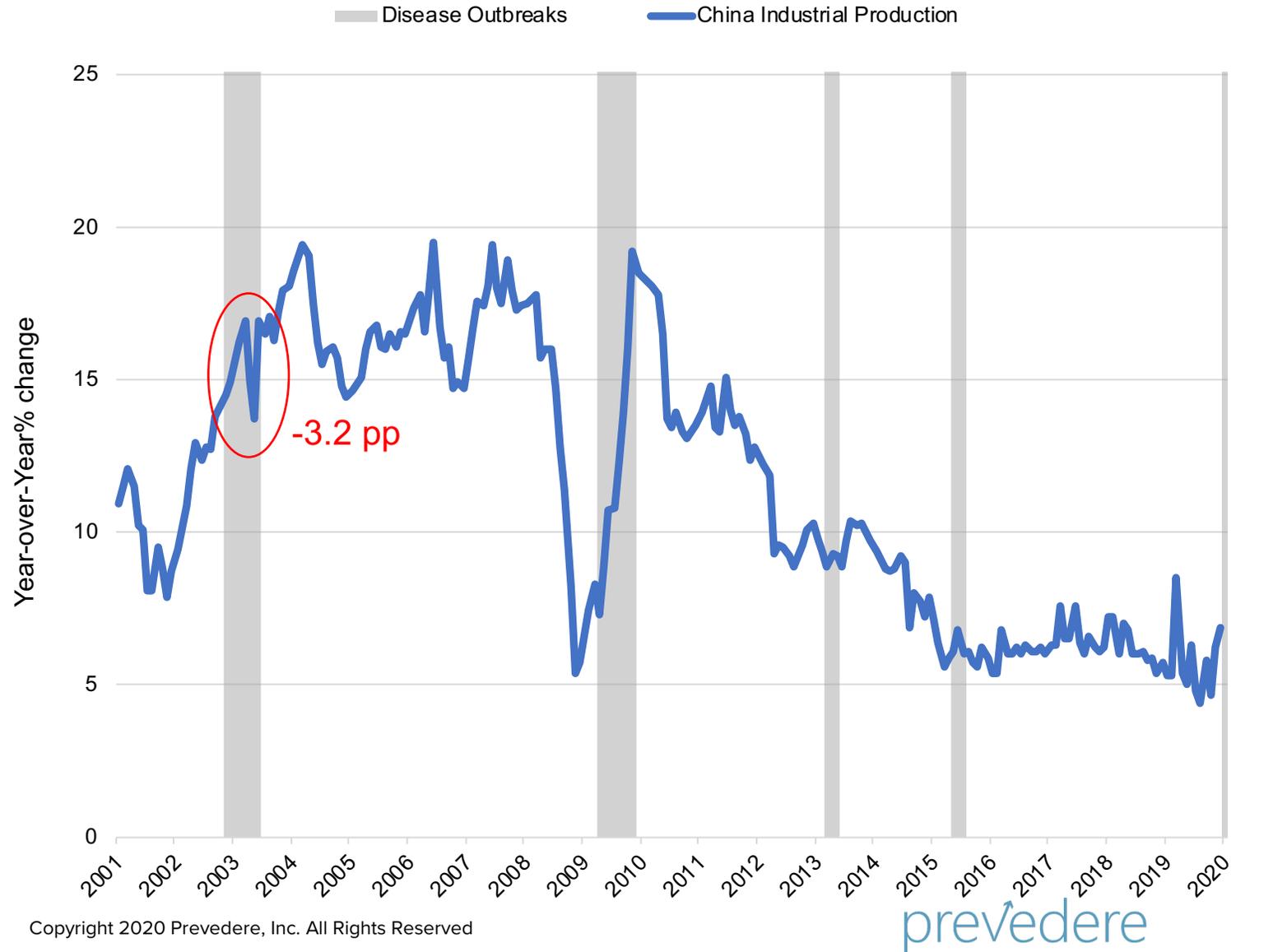
- Rapidly evolving disease outbreak
- Determining the economic impact
- Indicators to watch

HOW DO DISEASE OUTBREAKS IMPACT RETAIL SALES IN CHINA?



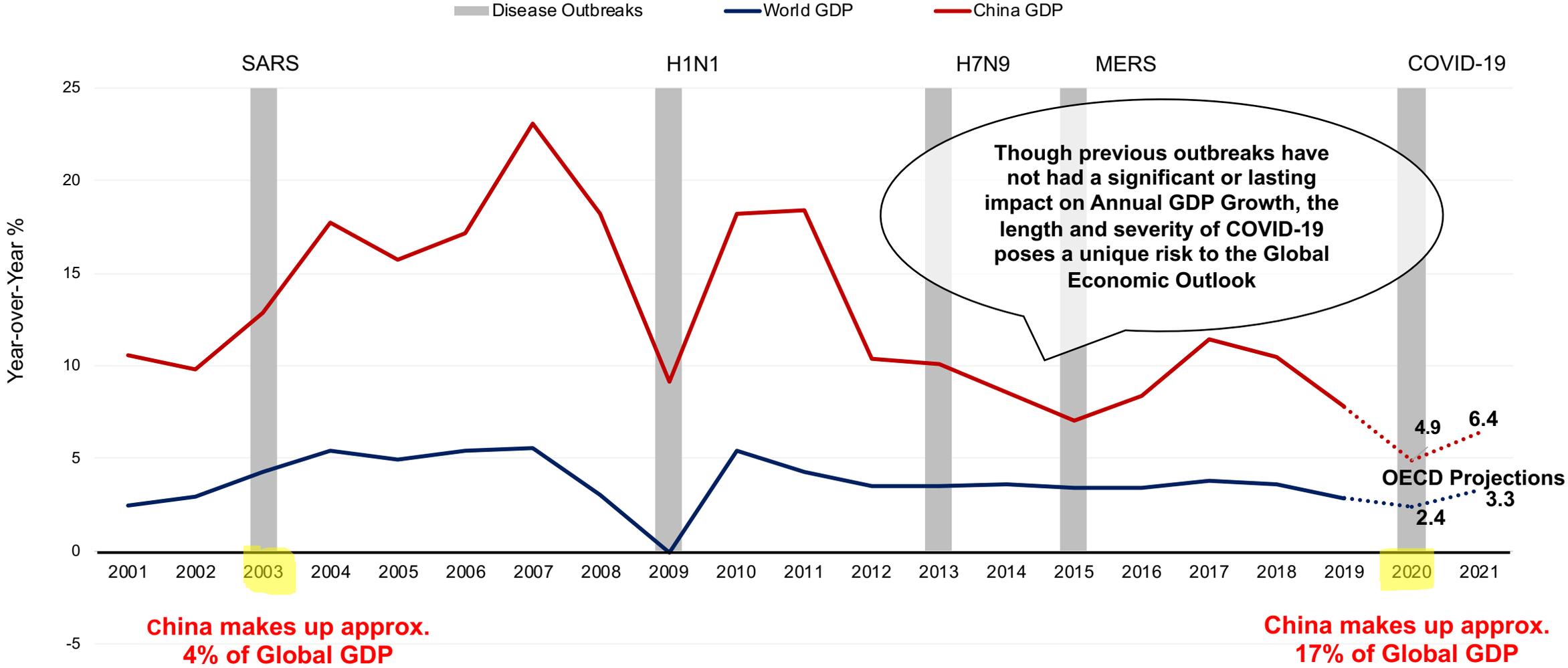
Retail Sales remained steady, despite soft consumer sentiment

CHINA INDUSTRIAL PRODUCTION AND MANUFACTURING

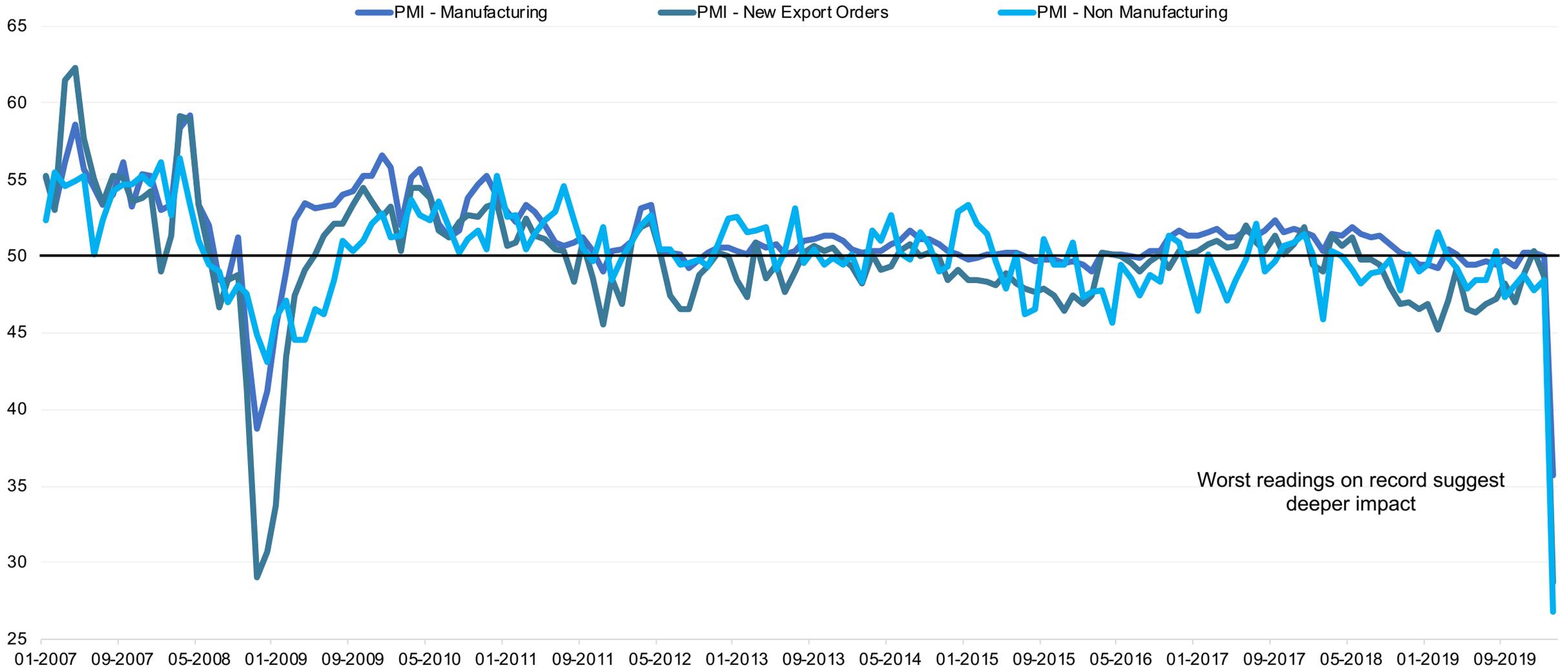


- SARS outbreak appears to have had a modest, short-term impact on Chinese Industrial Production and Manufacturing.
- Recovery was swift (approximately 3 months)
- Other outbreaks had little to no impact

IMPACT ON GDP GROWTH



WHAT'S DIFFERENT ABOUT COVID-19?



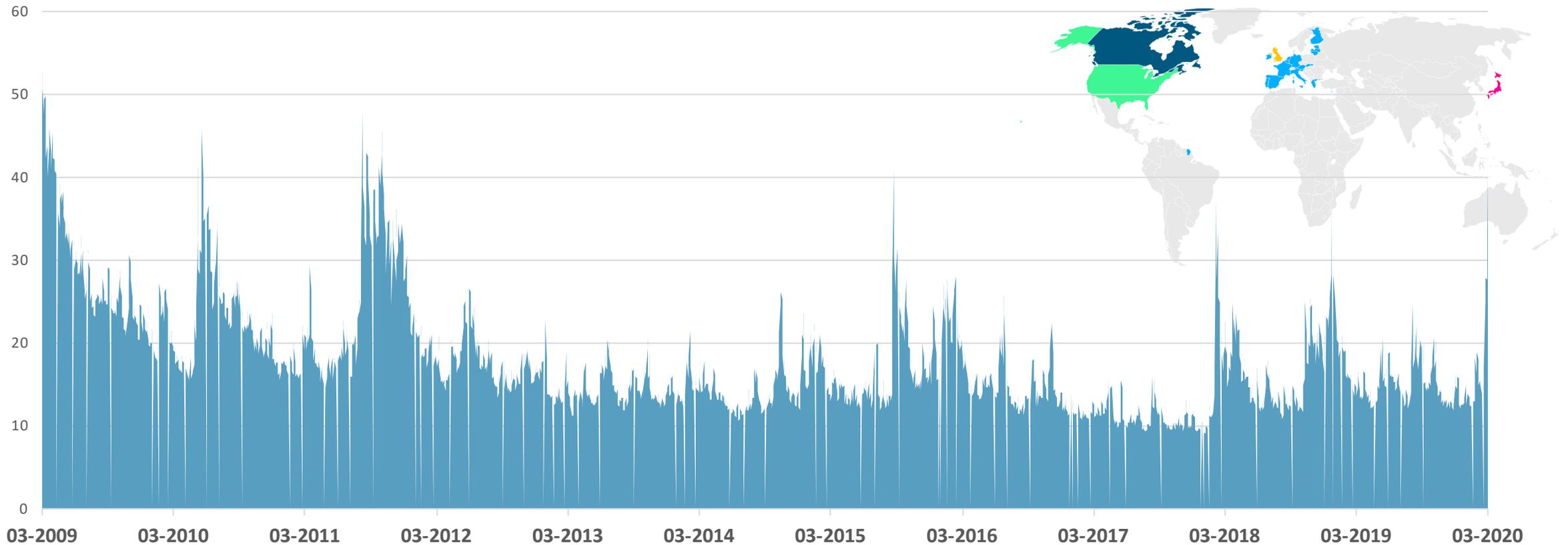
FINANCIAL MARKETS RESPONDING

CBOE Volatility Index (VIX)

Central Banks in G-7 Countries

Traders are betting global central banks could cut rates this month

Fed: Cut rates on March 3, next decision day is March 18 BOC decision day: March 4
ECB: March 12 BOJ: March 19 BOE: March 26



Source: Chicago Board Options Exchange, Bloomberg

2020 GLOBAL OUTLOOK

3 scenarios based on containment month (peak of new infections):

March:

Economic Impact expected to be localized and limited to the first quarter of 2020, followed by quick, v-shaped recovery in Q2.

US – Minimal Impact

April:

Economic Disruptions continue into Q2 and spread to multiple geographic regions. Modest recovery begins in Q3 and continues into Q4.

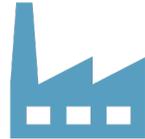
US – Minor-Moderate Impact, Swift Recovery

May or later:

Elevated risk of global recession, as impact economic impact reaches all major economies and recovery period drags

US – Elevated Risk Implications to 2020

US SECTORS WE ARE TRACKING

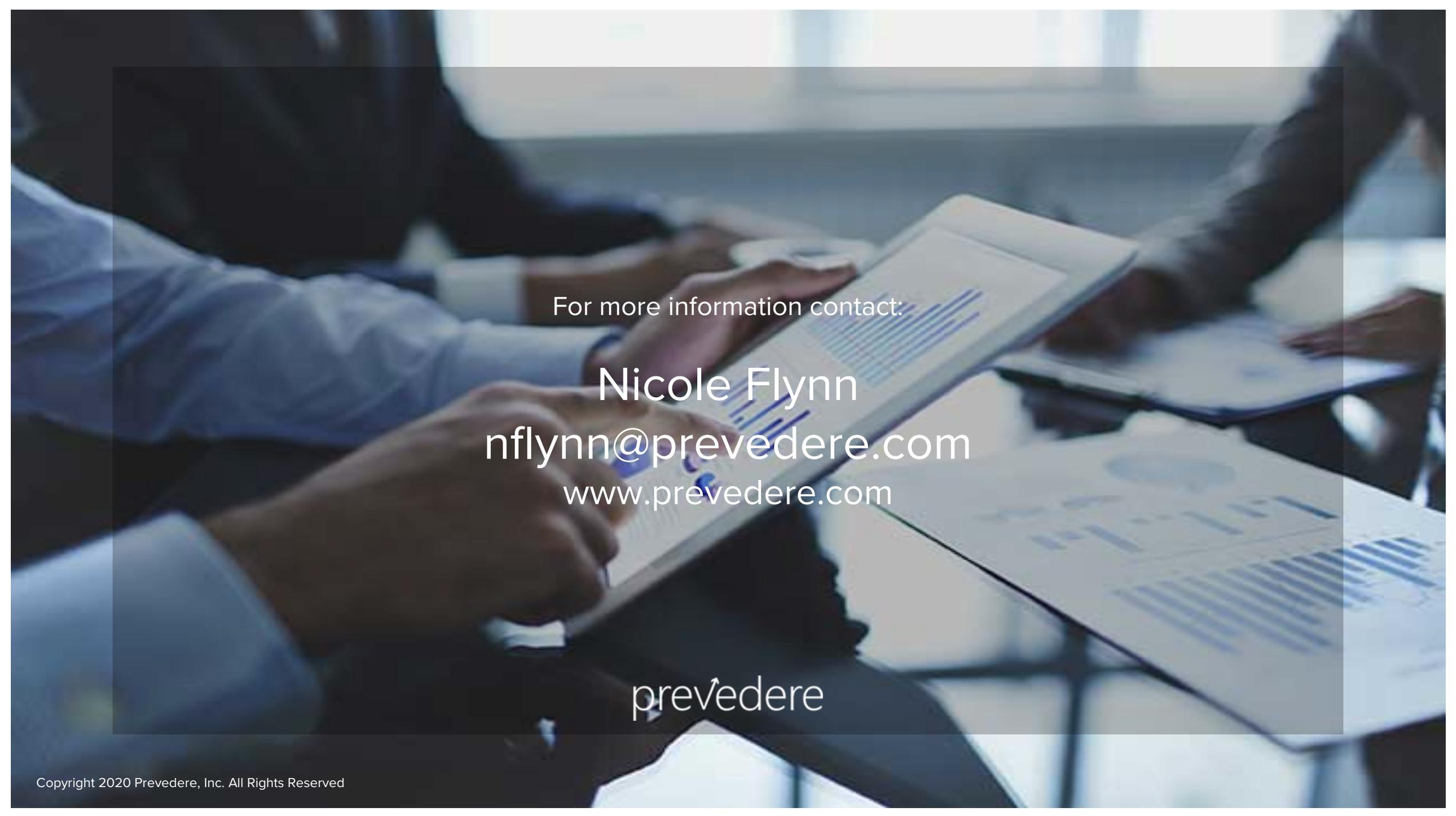


	Transportation and Tourism	Logistics and Manufacturing	Business Investment	Financial
	<ul style="list-style-type: none"> Entertainment Spending Sentiment – Vacations Hotel Occupancy Rates 	<ul style="list-style-type: none"> Purchasing Managers Index Automotive Sectors Electronics Sectors Imports / Exports Industrial Production 	<ul style="list-style-type: none"> New job openings OT hours Nonresidential Construction 	<ul style="list-style-type: none"> S&P 500, CBOE VIX Treasury Yields
Important Data Release	<ul style="list-style-type: none"> Consumer Sentiment: 3/13 Retail Sales: 3/17 	<ul style="list-style-type: none"> Trade Data: 3/6 & 3/26 Industrial Production: 3/17 US PMI: 3/24 	<ul style="list-style-type: none"> Jobless Claims: 3/5 Job Openings: 3/17 Construction Spending: 4/1 	Most data published daily

KEY TAKEAWAYS

2020 US Outlook

- Expecting continued slowing of growth; with elevated downside risk
 - Consumer spending is a key strength, need ongoing positivity from consumer sector to keep US economy on track
 - Manufacturing and logistics face challenging 1H20
 - Construction is a bright spot
 - Financial signals indicate a recession threat in second half of 2020
- Coronavirus increases the downside risk to the outlook
 - Minimal to moderate economic risks to the U.S. in the short-term
 - Expect supply chain disruptions and potential shortages
 - Watch for signs of softening in consumer markets, domestic production, and business investment
 - New information coming out daily

A blurred background image of a business meeting. Several people are seated around a table, looking at documents and laptops. The lighting is soft and professional, with a blueish tint. The focus is on the hands and documents in the foreground, while the rest of the room and people are out of focus.

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