

Global Developments and the U.S. Economic Outlook

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The views expressed herein are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of Kansas City or the Federal Reserve System.



Themes

- Global growth has waned over the last couple of years, creating headwinds for some components of U.S. economic growth
- U.S. financial conditions have exhibited volatility since the onset of the coronavirus outbreak emanating from China
- Recent strength of the U.S. dollar is weighing on import prices, contributing to muted inflation pressures overall



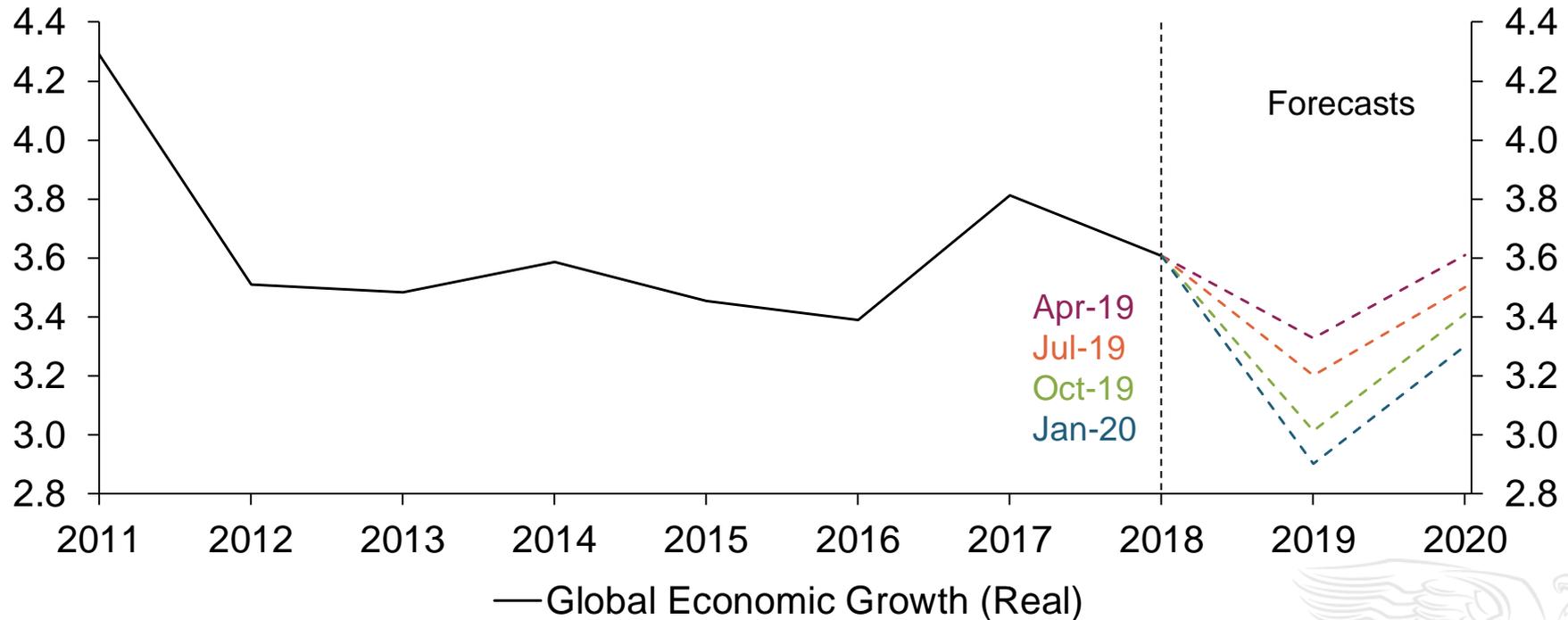
Disclaimer

Some of the statistical analysis of U.S. import activity within this presentation was conducted at Federal Statistical Research Data Centers within the U.S. Department of Commerce under arrangements to maintain legal confidentiality requirements. The views expressed are those of the authors and do not reflect official positions of the U.S. Department of Commerce.



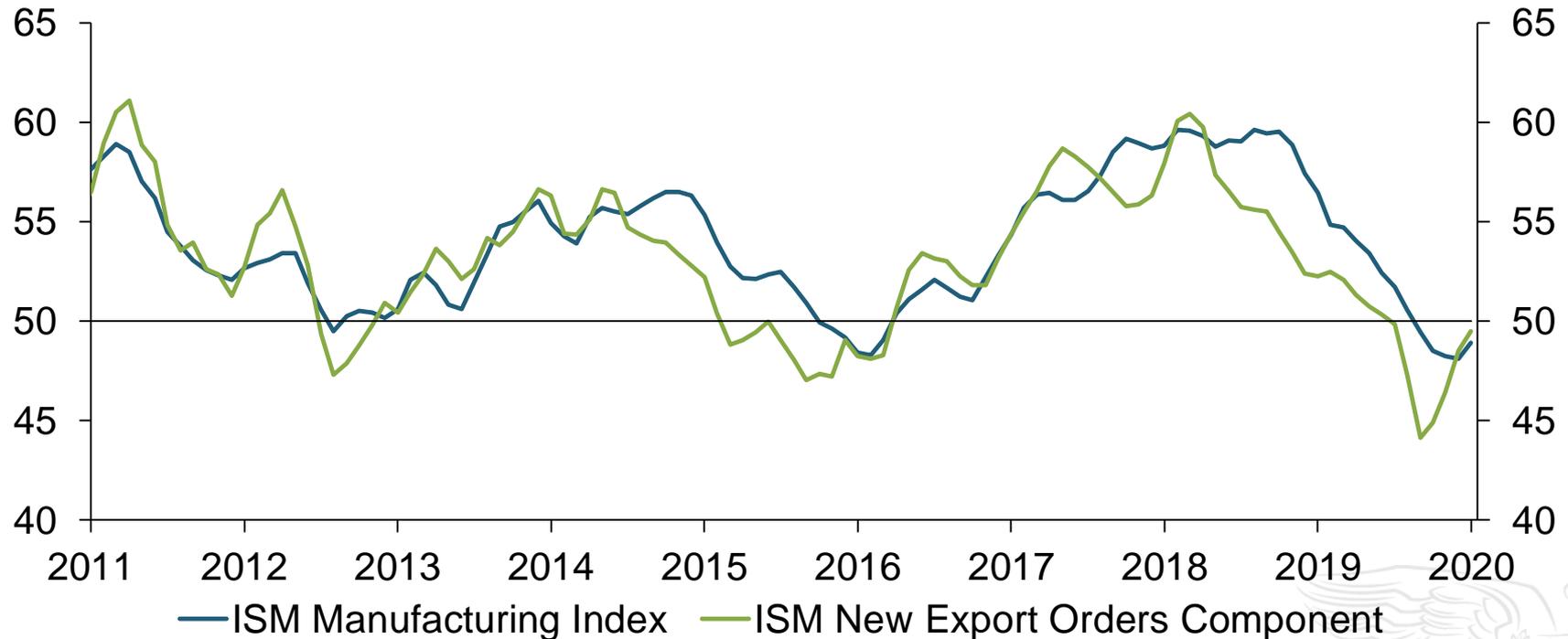
Global growth has lost momentum and medium-term forecasts have been repeatedly revised downward over the past year

Year-over-year percent change



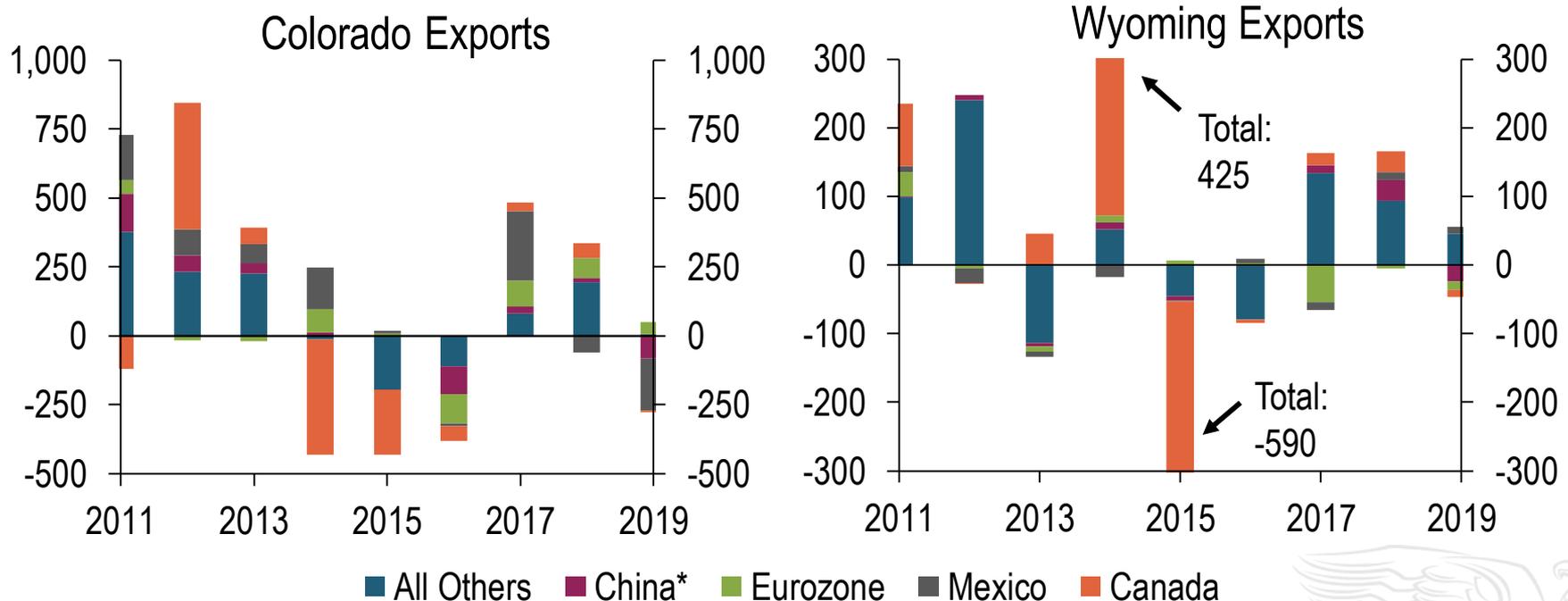
Declining export demand continues to be a headwind to U.S. manufacturing activity

Seasonally adjusted, three-month-moving-average, index: 50+ = expansion

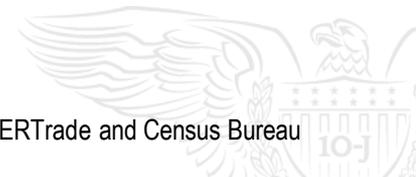


Regional export growth softened across all major trading partners since 2017

Change from previous year in millions of dollars

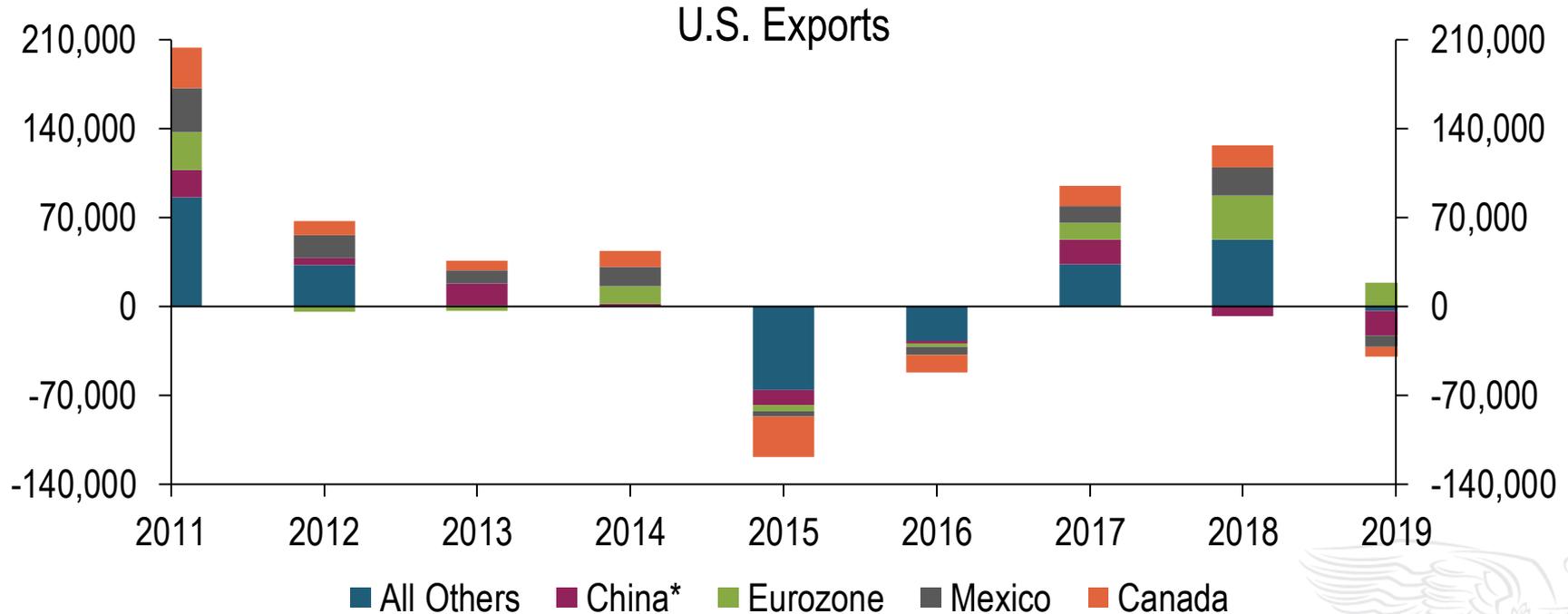


6 *China includes mainland China, Taiwan, Hong Kong and Macau



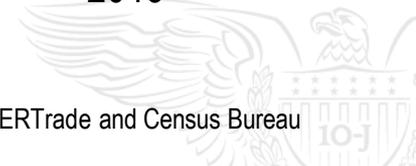
Net exports contributed little to overall economic growth last year

Change from previous year in millions of dollars



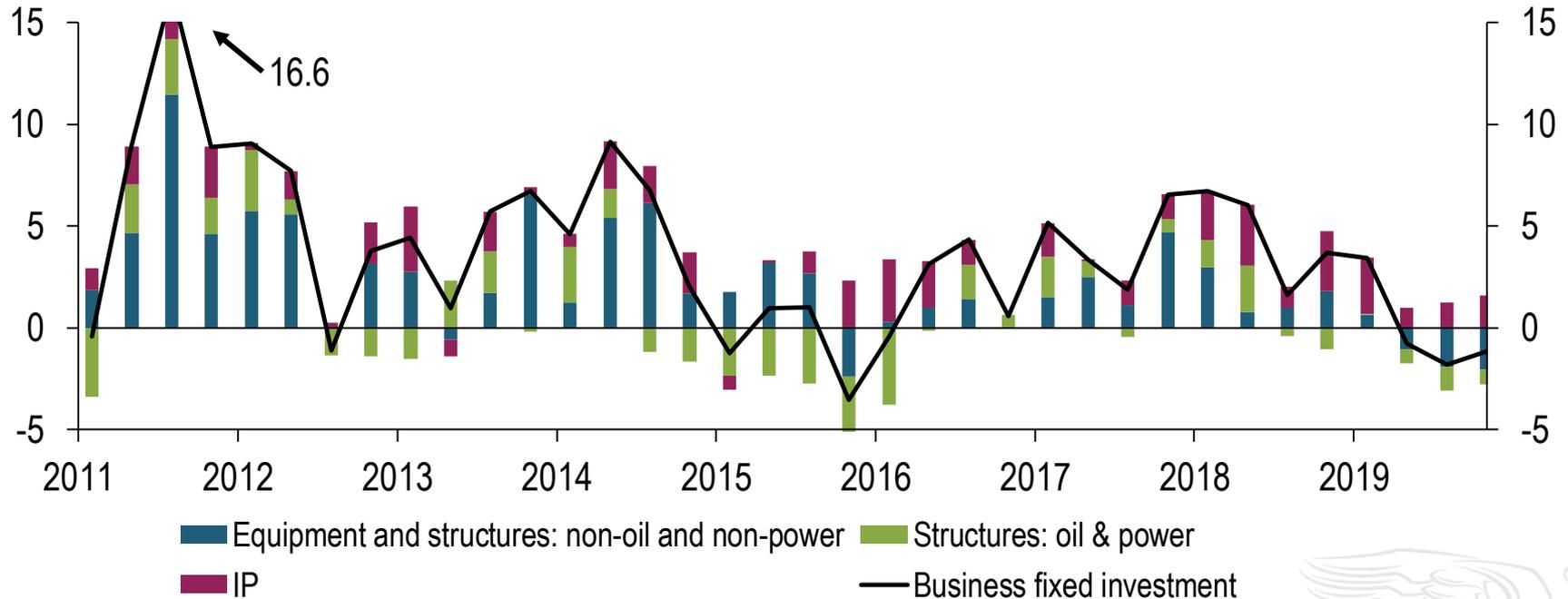
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Sources: WISERTrade and Census Bureau



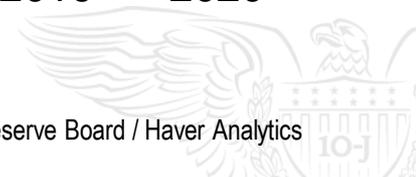
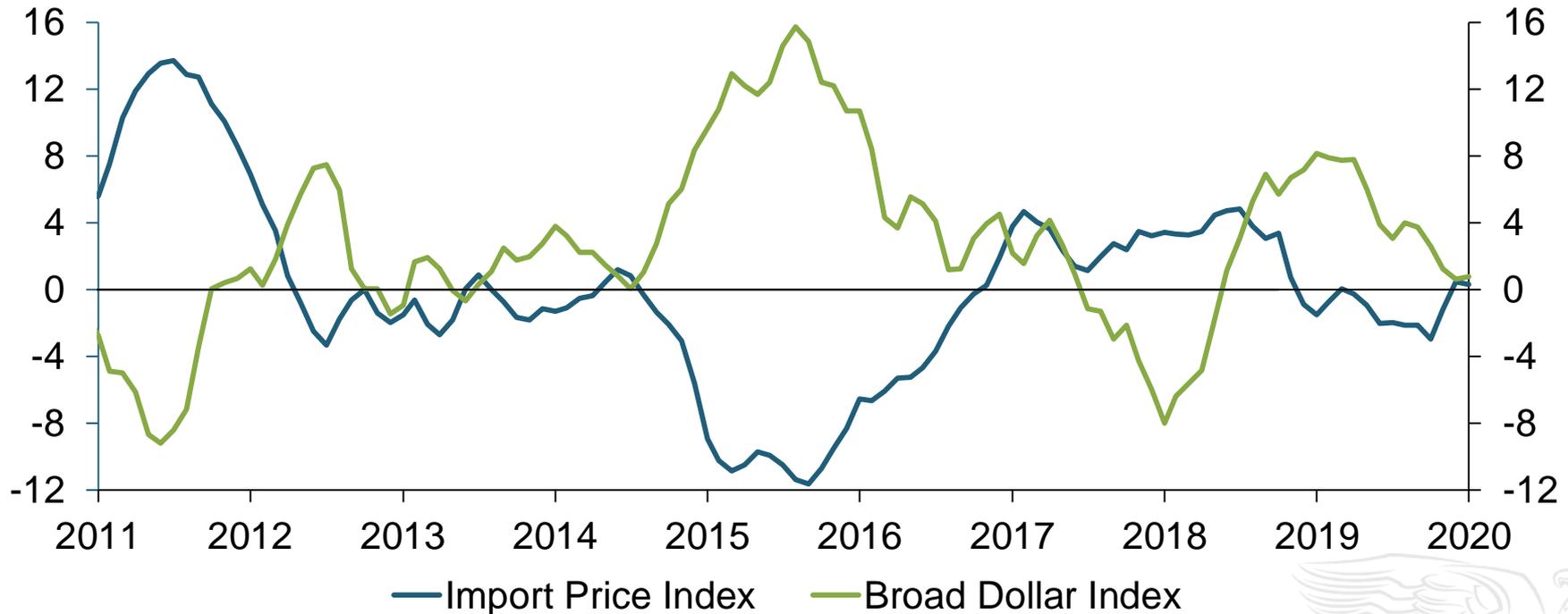
As export demand has waned, business investment has been subdued

Percent, seasonally adjusted annualized rate



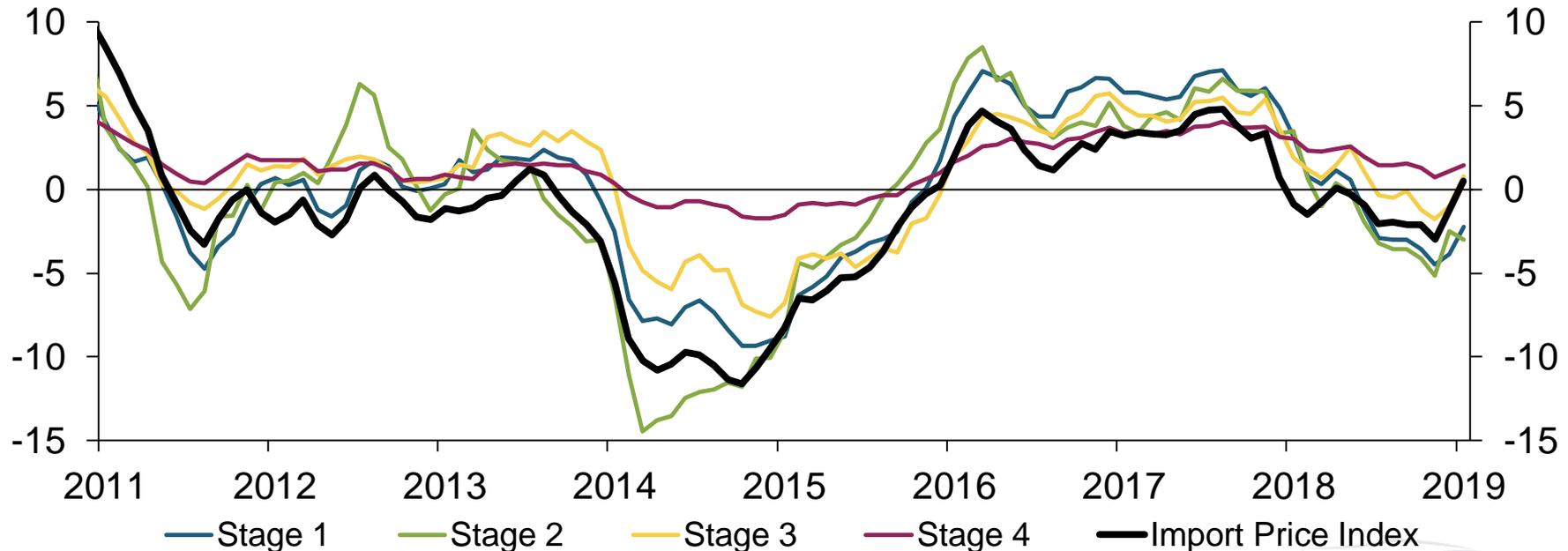
Recent dollar strength puts downward pressure on import price growth

Year-over-year percent change

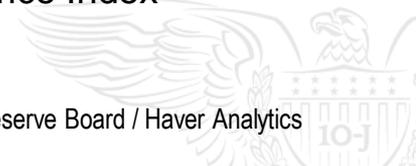


Declines in import prices do not pass through fully to consumers, while early-stage producers receive lower prices

Seasonally adjusted, year-over-year percent change

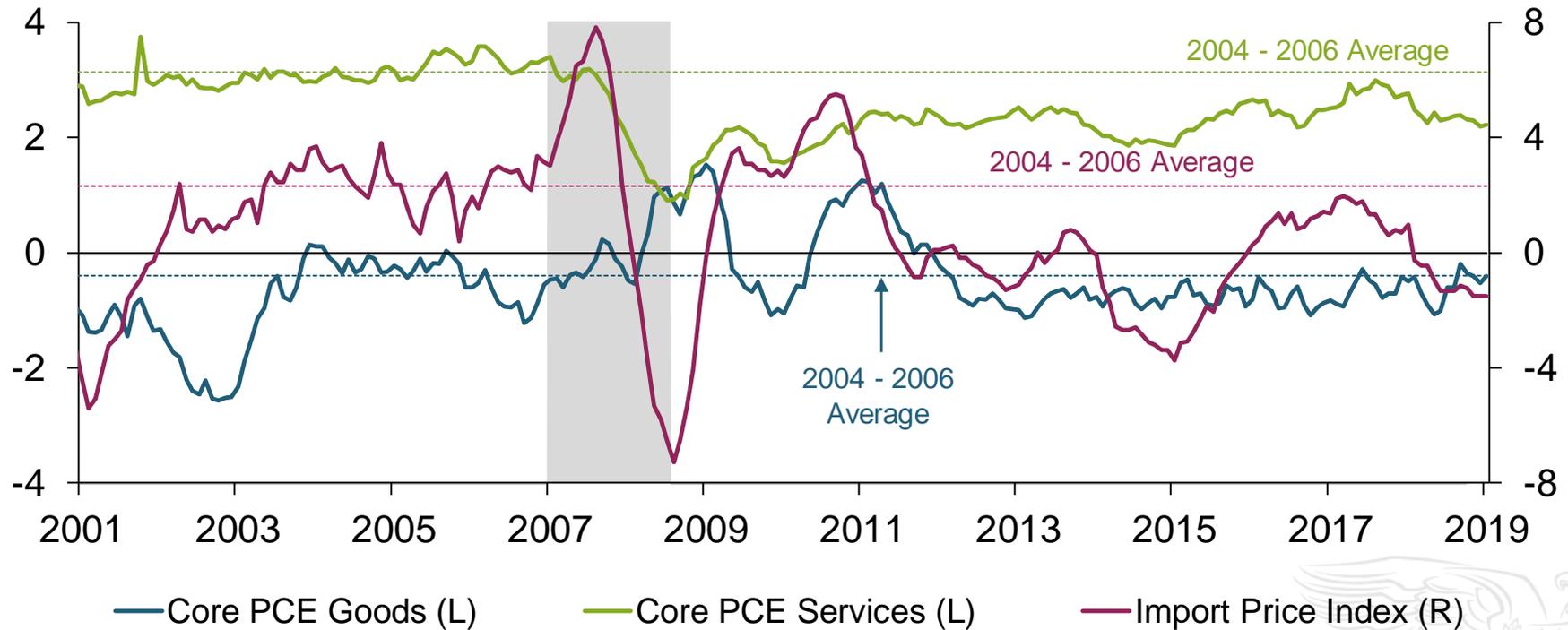


Producer Price Inflation by Stage of Production



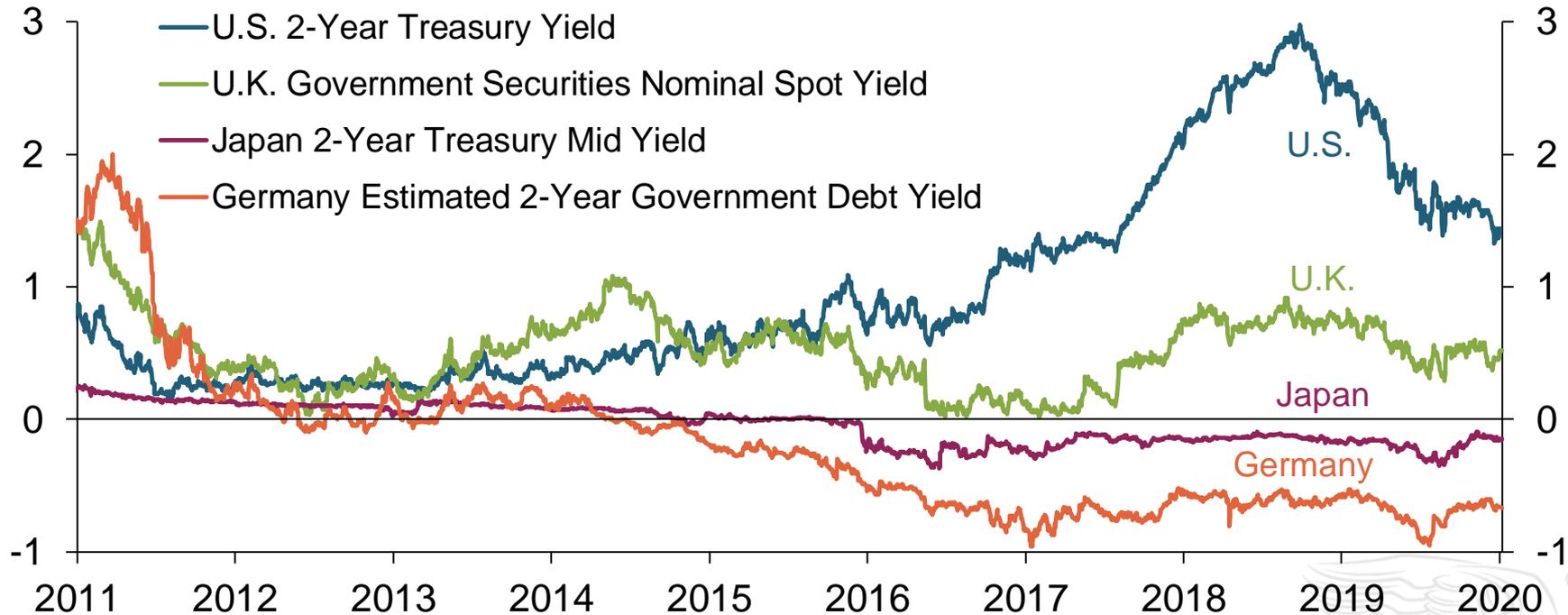
Lower import price growth is contributing to muted inflation pressures overall

Year-over-year percent change



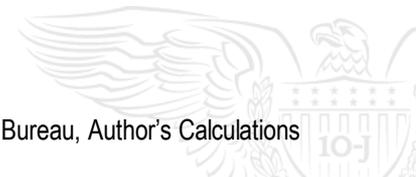
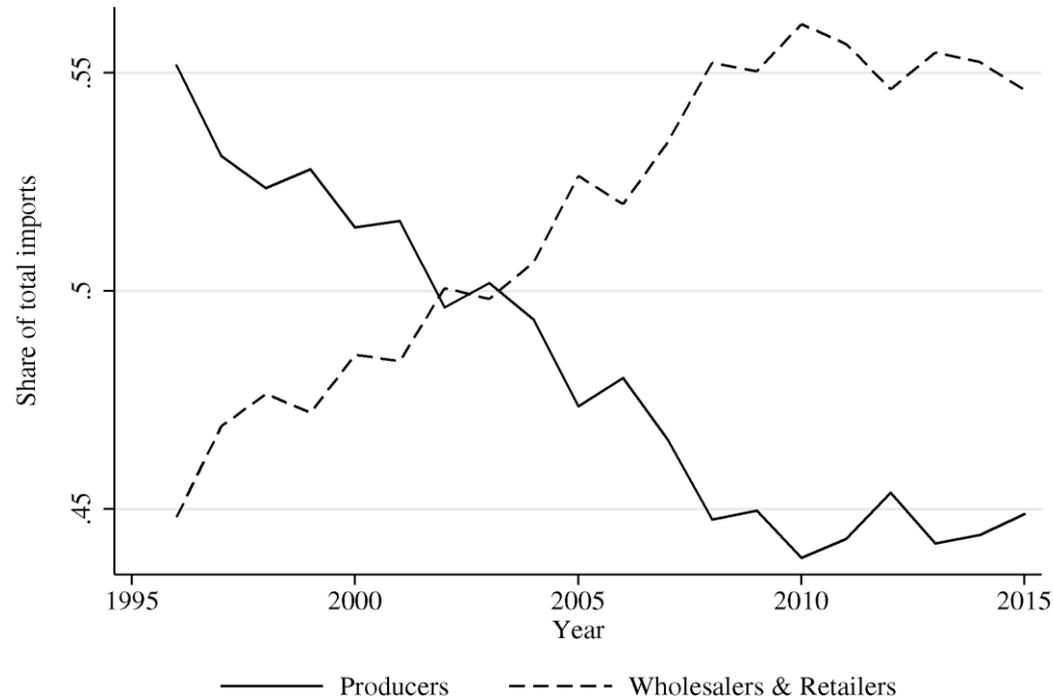
Global interest rates remain divergent, but have come into closer alignment over the past year

Percent



Sources: U.S. Treasury, Bank of England, Tullett Prebon Information, Deutsche Bundesbank / Haver Analytics

U.S. import activity has shifted across sectors over the last 25 years, highlighting the need to gather current perspectives on developments



Looking Forward

- So far U.S. consumers have remained insulated from global economic concerns and have supported economic growth that is slightly above trend levels
- On net, recent global developments have weighed on overall price pressures, yet inflation remains low and stable
- Soft demand for U.S. exports is a current challenge, but an additional risk to the outlook is extended supply chain disruptions stemming from the coronavirus outbreak
- An area to continue monitoring is how concerns about global growth are influencing U.S. financial conditions



