Fed outlook on economy in 2020 expected Wednesday

By SCOTT REEVES in New York | China Daily Global | Updated: 2019-12-11 00:20

Federal Reserve Board building on Constitution Avenue is pictured in Washington, US, March 19, 2019. [Photo/Agencies]

The US Federal Reserve is expected to release its updated 2020 economic forecast for the nation at the conclusion of its final 2019 meeting on Wednesday.

Forecasting the future course of the economy is difficult. In December 2018, the Fed said it expected to raise interest rates twice in 2019. Instead, in three separate actions this year, it cut rates to a target range of 1.50 to 1.75 percent.

The Fed slashed interest rates in an effort to boost the US economy amid a worldwide slowdown, but has indicated it does not plan another cut this year barring a "material" change in the outlook.

The cuts reduce the cost of borrowing and are intended to boost consumer spending, which represents about two-thirds of the US economy. The Fed had raised rates nine times since December 2015.

When the Fed last made projections in September, eight of 17 policymakers forecast interest rates to remain at the current level through 2020 and expected annual economic growth to range from 1.8 percent to 2.1 percent.

Federal Reserve Chairman Jerome Powell last month said any change in monetary policy will be "based solely on careful, objective and non-political analysis".

Last spring, US President Donald Trump said the economy would take off "like a rocket ship" if the Fed cut rates sharply. Last summer, Trump urged the "boneheads" at the Federal Reserve to cut interest rates by a full point.

The Federal Reserve, an independent agency, ignored Trump's statements and reduced rates by one-quarter point each in July, September and October.

While the economy remains strong, Trump's trade policies may create additional uncertainty in 2020. It's unclear if Trump will impose another round of tariffs on Chinese imports Dec 15. At times, he has sounded optimistic that a deal is close, but recently said a deal may not be reached until after the 2020 election.

Trump unexpectedly said he would raise tariffs on steel and aluminum imports from Argentina and Brazil, a statement that puzzled many because there are no tariffs currently in place.

Trump also charged that Argentina and Brazil have manipulated their currencies, but few analysts agreed, and the US Treasury Department didn't mention either nation in its recent currency report.

But Trump backed off an earlier threat to impose tariffs as high as 100 percent on French imports to the US valued at $2.4 billion, including wine, cheese and designer handbags.

"There appears no speedy end to President Trump's trade war with China," Usha Haley, the W. Frank Barton Distinguished Chair in International Business and a professor of management at Wichita State University, told China Daily.

"Indeed, his trade policy as a whole appears as a huge uncertainty. The self-proclaimed Tariff Man has in addition to China, started or stoked trade disputes with Brazil, Argentina and France. Companies have responded by factoring in trade uncertainties into their planning on global supply chains and strategic operations."

This year, the Fed has received excellent domestic news about the US economy despite turmoil abroad.

Last week, the US Labor Department announced that employers added 266,000 jobs in November. The unemployment rate dipped to 3.5 percent, a 50-year low.

The report exceeded expectations. Analysts surveyed by The Wall Street Journal forecast a gain of 187,000 jobs last month and a 3.6 percent unemployment rate.

Fifty-three economists surveyed by the Washington-based National Association for Business Economics (NABE) expect economic growth to dip to a 1.8 percent annual rate next year. In the third quarter, the US economy grew at an annual rate of 2.1 percent, the US Bureau of Economic Analysis said.

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