

The Comerica Economic Outlook

A New Year and New Uncertainties

Robert A. Dye Ph.D.
January, 2020

The logo consists of the word "Comerica" in a white serif font, centered within a blue rounded rectangular border with a white outline. A registered trademark symbol (®) is located to the right of the logo.

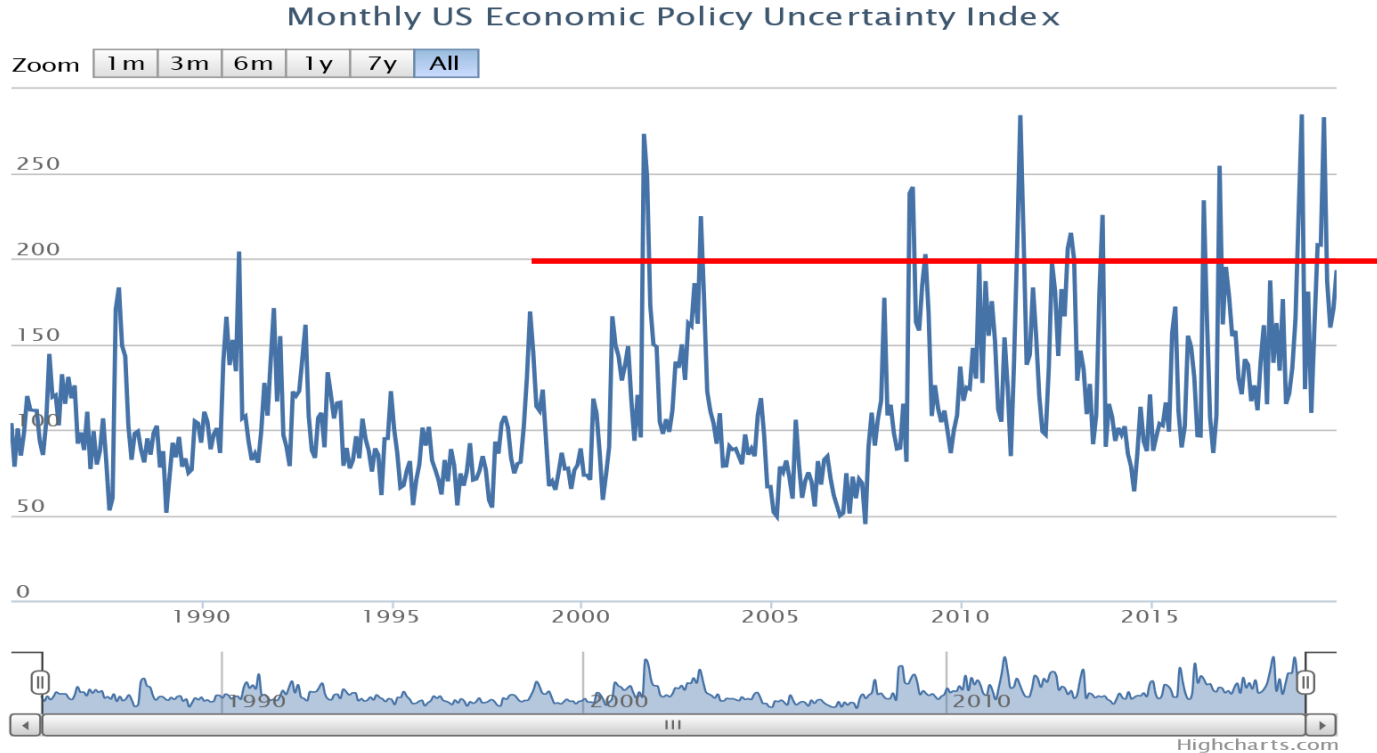
Comerica®

RAISE YOUR EXPECTATIONS.

The Key Takeaways

- 1) Recession risk for the U.S. has decreased, but still remains high
- 2) The U.S. household sector is a buffer, but it is not impervious
- 3) Central banks are looking for normal
- 4) Cooler growth ahead for U.S. and Michigan economies

U.S. Economic Uncertainty Is Very High



Source: Economic Policy Uncertainty Project



Changing Sources of Uncertainty

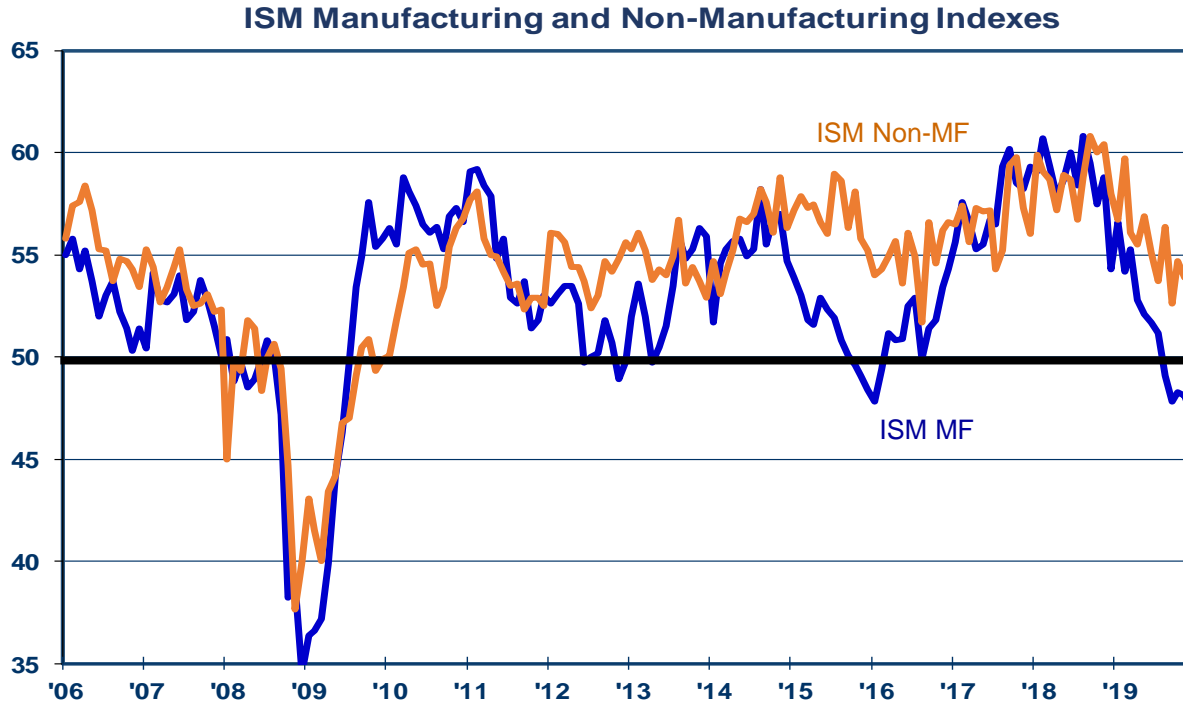
Reduced Uncertainty in Late 2019

- Phase 1 trade deal
- USMCA trade deal
- Lower recession risk, steeper yield curve
- Fed enters pause mode
- House concludes impeachment proceedings
- Federal budget agreement
- UK election, Brexit
- GM/UAW strike
- China stabilizes (maybe)
- Drilling rig count stabilizes

Ongoing and New Uncertainty in 2020

- Boeing halts 737Max production
- Geopolitics in the Middle east
- U.S. manufacturing recession
- Leading labor market data
- Europe, Central and South America
- Auto sales cycle

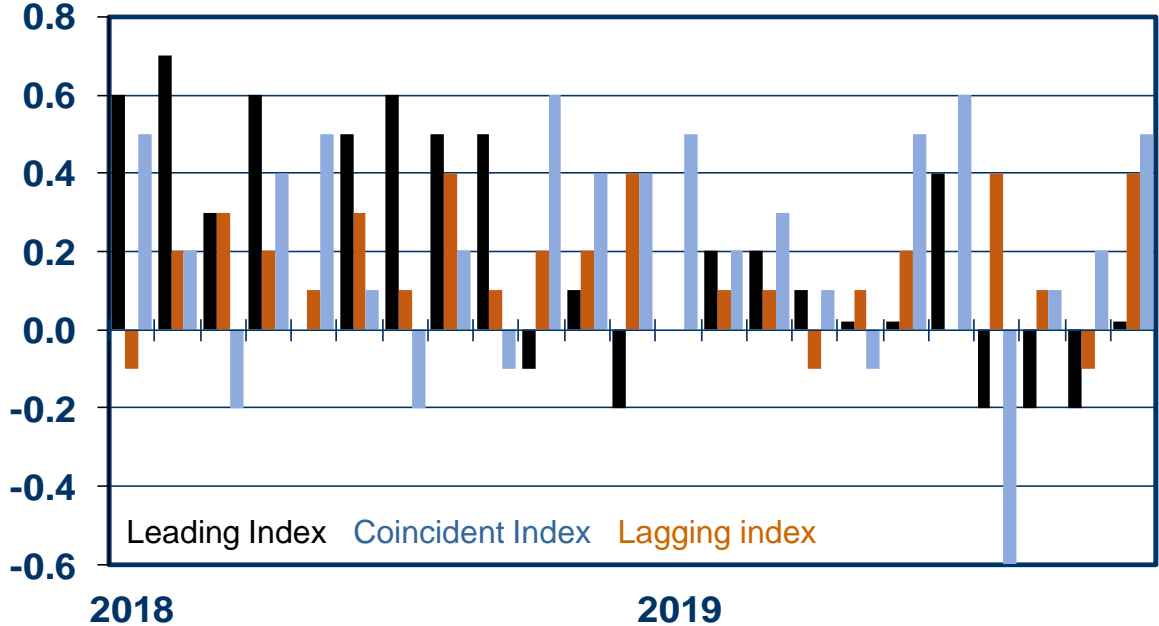
U.S. Current Conditions are Mixed, Broad Indicators Cycling Down



Source: Institute of Supply Management

Leading Index Weak at the End of 2019

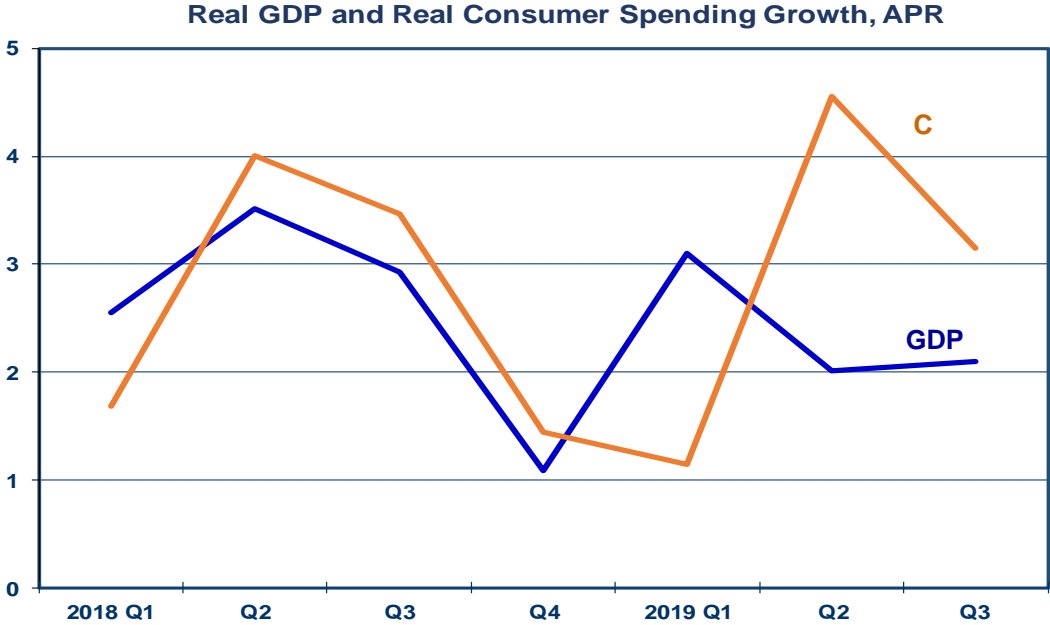
Leading, Coincident and Lagging Indexes
Percent Change M/M



Source: The Conference Board



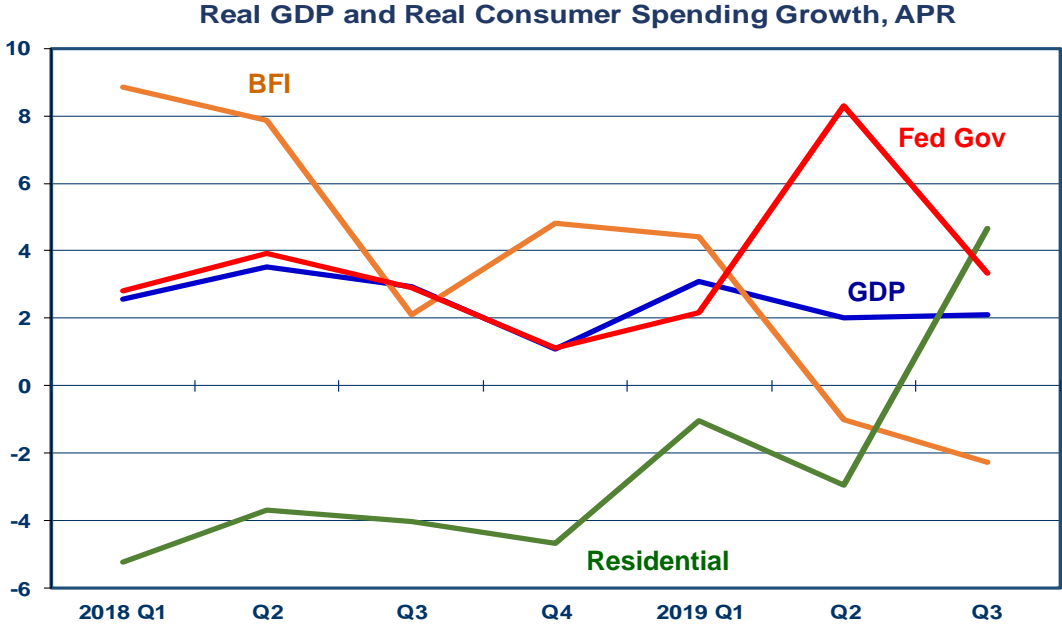
Consumer Spending Boost in 5 of Last 7 Quarters



Source: Bureau of Economic Analysis



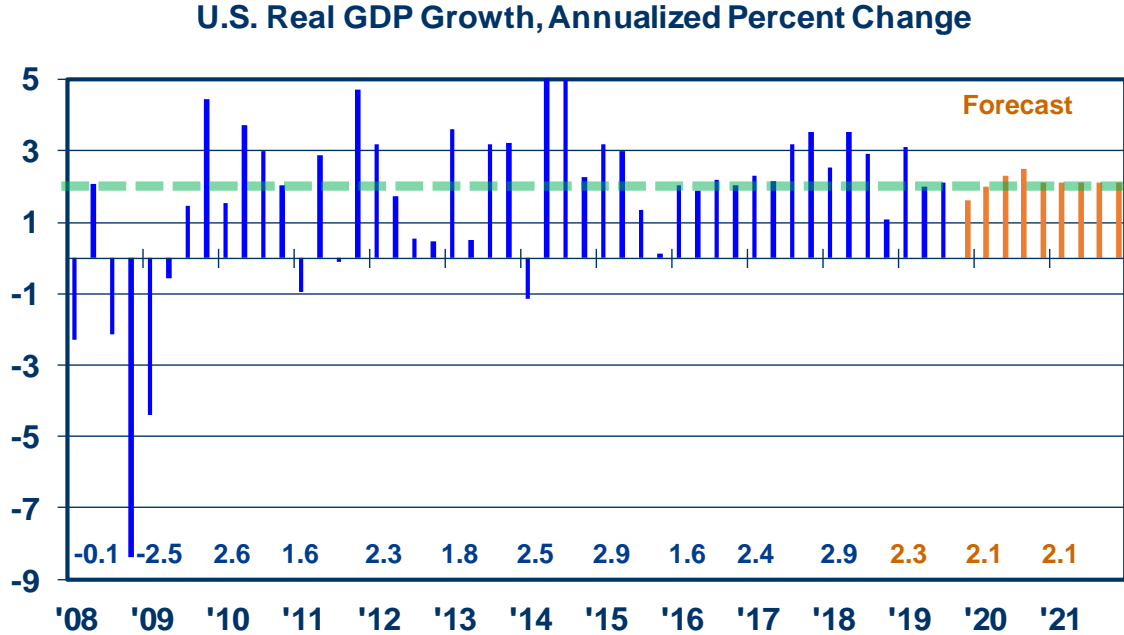
Business and Residential Sectors Underperforming



Source: Bureau of Economic Analysis



Most Likely Near-Term Outlook, Ongoing Near-2-Percent Growth

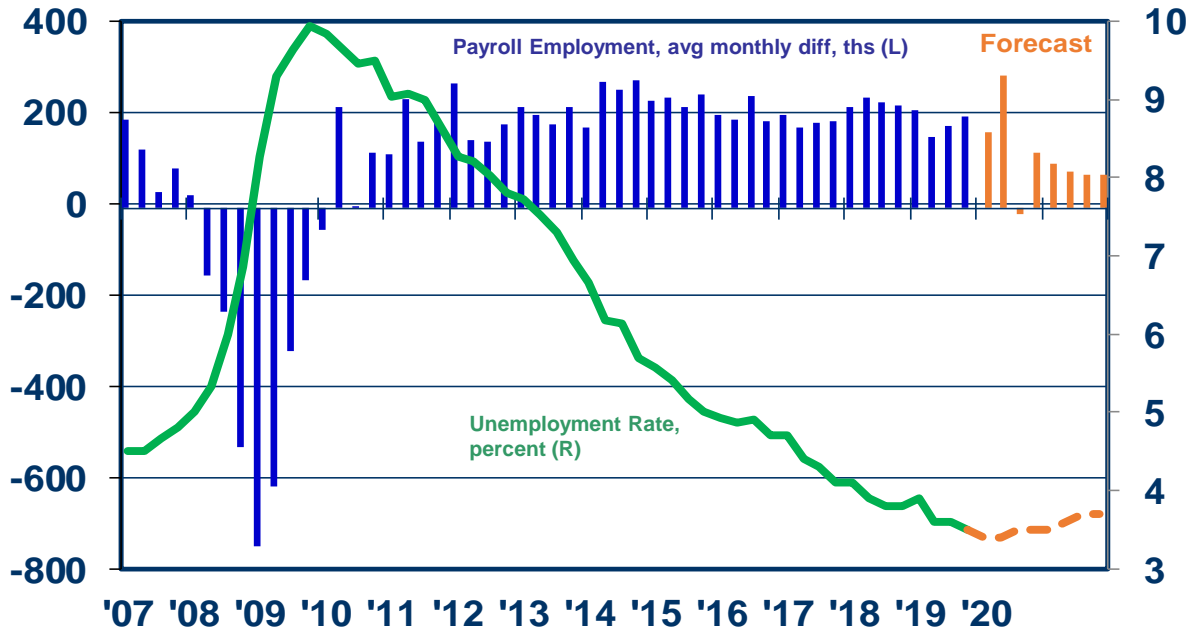


Source: Bureau of Economic Analysis, Comerica Bank



Job Growth to Ease

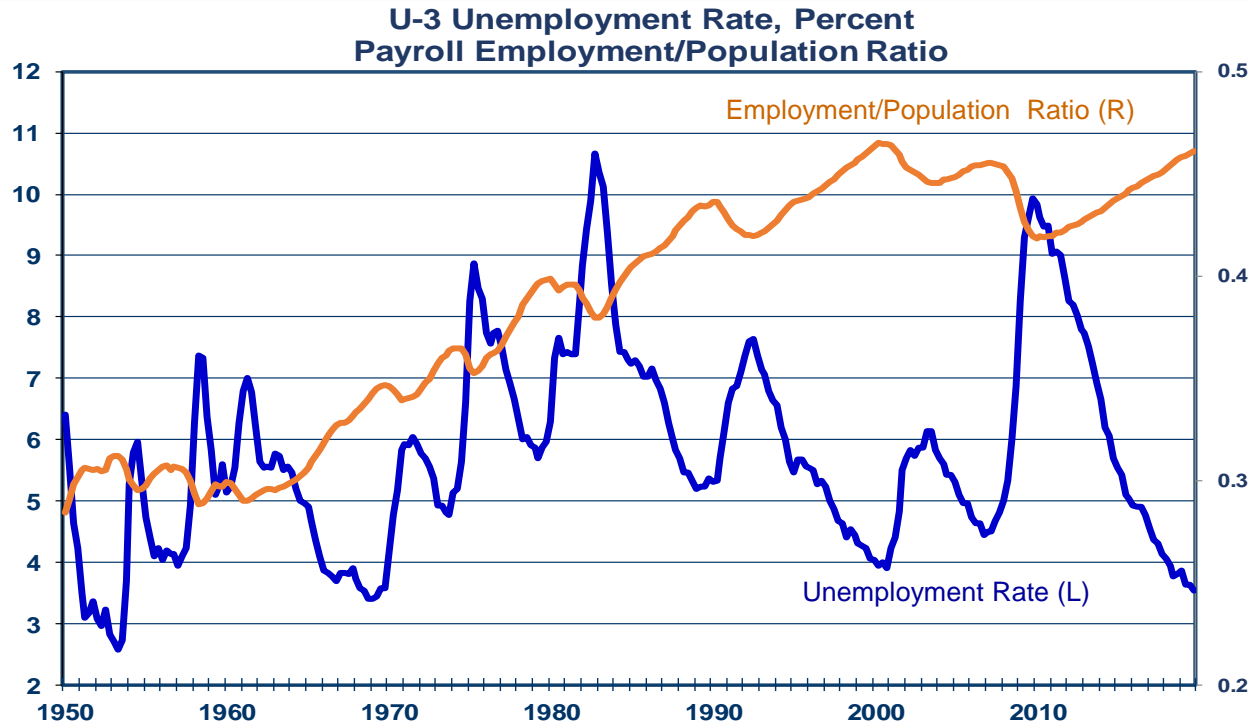
+145k in December, U. Rate 3.5 Percent



Sources: Bureau of Labor Statistics, Comerica Bank

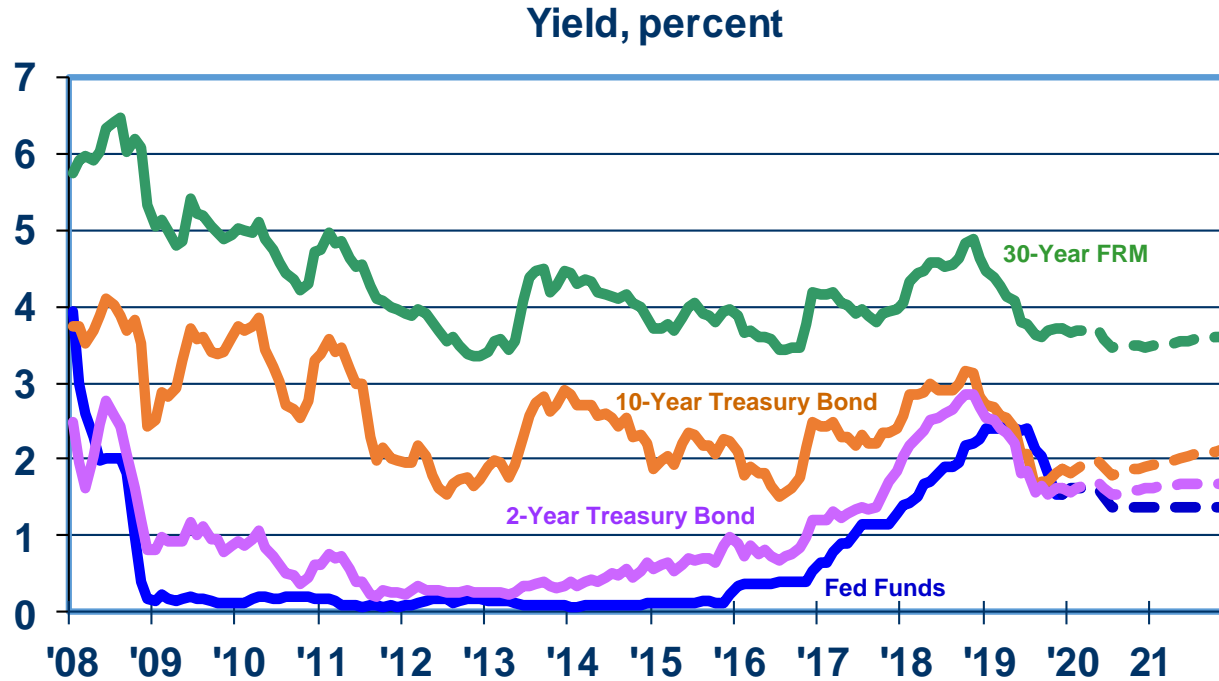


Two Measures of Labor Market Tightness



Sources: Bureau of Labor Statistics, Census, Comerica Bank

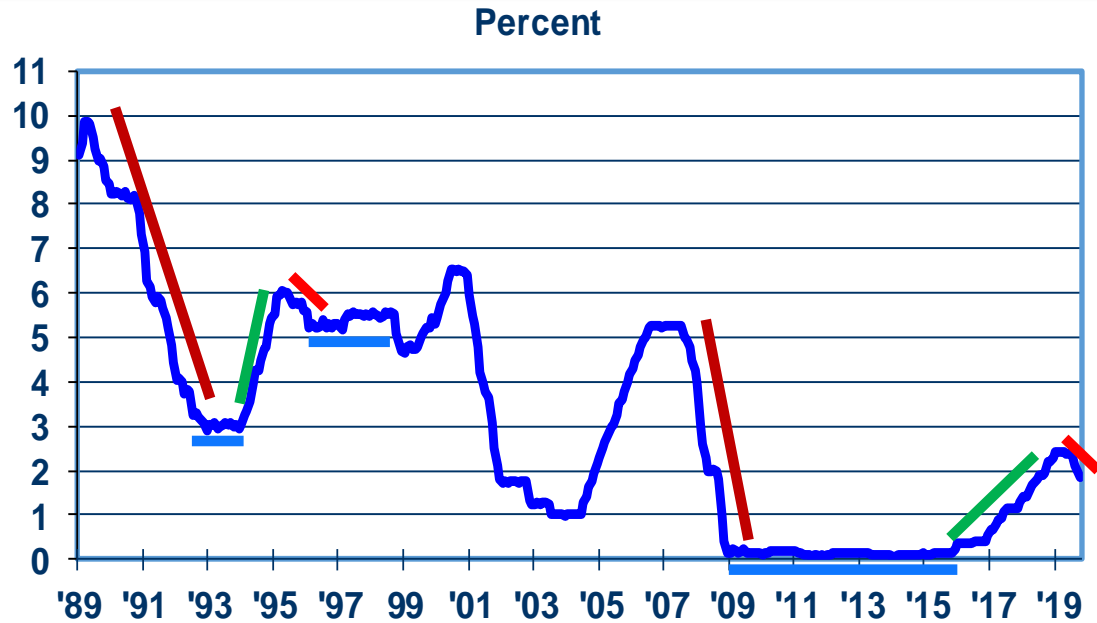
January Interest Rate Forecast



Source: Federal Reserve, Comerica Bank



Historical Fed Funds Rate



Source: Federal Reserve

Forecast Risks, the 360 View ...

Downside Risks

- ROW growth, China, Japan, Europe
- Geopolitics
- Layoffs accelerate
- Stock market correction
- Inventory correction
- Political meltdown
- Reverse Trump Bump
- Consumers and businesses lose confidence
- Corporate sector, profits and debt
- Business investment stalls
- Housing stalls
- Auto sector deteriorates

Upside Risks

- Trade wars resolve
- Lower interest rates
- International conditions, Brexit
- Business confidence
- Wealth effects
- Deregulation, including financial
- Job growth stays strong
- Manufacturing rebound
- Second leg up for housing

Robert A. Dye, Chief Economist

To View Our Publications:
www.comerica.com/insights

Follow on Twitter
[@Comerica_Econ](https://twitter.com/Comerica_Econ)

The opinions in this presentation are for general information only, are subject to change, and are not intended to provide specific investment, legal, tax or other advice or recommendations. The information contained herein reflects the thoughts and opinions of the noted authors only, and such information does not necessarily reflect the thoughts and opinions of Comerica or its management team. We are not offering or soliciting any transaction based on this information. We suggest that you consult your attorney, accountant or tax or financial advisor with regard to your situation. Although information has been obtained from sources we believe to be reliable, neither the authors nor Comerica guarantee its accuracy, and such information may be incomplete or condensed. Neither the authors nor Comerica shall be liable for any typographical errors or incorrect data obtained from reliable sources or factual information.