Stuck in a Rut:
The State of the Global & U.S. Economy

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Economic literacy & the next generation
The economy on the campaign trail...

Clinton’s take…

Trump’s take…
So... which is it?
a FALSE economy, or a STRONG economy?
Economic Scars Help Explain Bizarre 2016 Race

By GERALD F. SEIB

The search for an explanation of this year’s bizarre political climate leads to a basic conclusion: The recession that started in 2007 and the financial crisis of 2008 and 2009 scared and scarred the electorate more deeply and more permanently than has been recognized before.

Yes, the economic statistics say there’s been a recovery—a relatively nice one at that. But mentally, many Americans have never recovered, and perhaps never will. The experience has altered their attitudes about the political and economic systems and their leaders, and left them willing to consider risky alternatives.
WASHINGTON — Consumers increased their borrowing in November, as stronger demand for auto and student loans offset a drop in credit card debt, official data showed on Thursday.

The Federal Reserve said that consumer borrowing rose by $14.1 billion after a $16 billion increase in October. The gains have pushed consumer debt excluding real estate loans to a record level of $3.3 trillion.

The latest figures suggest that an improving economy and strong employment gains over the last year may be making consumers more comfortable with taking on more debt.
Study: Millennials really want homes, but are waiting ... for now

They're graduating from college, starting new jobs, getting married and having kids. But one life goal that's eluding a lot of Millennials is homeownership, according to a new NerdWallet analysis.

It's not that young people don't want to own homes. In fact, most Millennials would like to buy a home but haven't yet done so because they think they can't afford it, the analysis found. In other words, Millennials want the stability and freedom that homeownership affords, but they worry they won't qualify for an affordable loan.
The Consumer

The backbone of the economy.
“Consumer price inflation remains below the Fed’s stated objective two percent. The notion that inflation can be too low may sound odd, but over time, low inflation means that wages as well as prices will rise by less, and very low inflation can impair the functioning of the economy - for example, by making it more difficult for households and firms to pay off their debts.”
EX-HOUSING, WE ARE BACK IN DEFLATION!

United States: Consumer Price Index

**Headline**
(year-over-year percent change)

**Excluding Rent**
(year-over-year percent change)

*Notes:*
Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Gluskin Sheff
"They're keeping the rates down so that everything else doesn't go down."

—Donald Trump on the Federal Reserve
The facts...

STOCKS PUSH HIGHER AS FED LEAVES RATES UNCHANGED

DOW INDUSTRIALS
18,179.20
+49.24 [+0.27%]
VOL: 39,520,288

THE UNEMPLOYMENT RATE FELL BELOW 5%
FOR THE FIRST TIME IN 8 YEARS
Recent Fed work suggests that those who left the labor force are not coming back.
The Global Economy
The problem is that the world has too much debt and too little growth. This has led to increasingly interventionist monetary policy from the world’s central banks.

Past performance does not guarantee future results.

Can We Grow Our Way Out of Debt?

Possible ways to reduce debt/GDP ratio:
1. Default (shrink numerator)
2. Grow (increase denominator)
3. Inflate (increase denominator)
4. Debase currency

But it’s hard to grow/inflate when the population is aging/shrinking and productivity growth is low.

And it’s hard to debase a currency when everybody else is doing the same.
NOT SO BLACK & WHITE
THE LABOR MARKET
Quitters are winners

Quitters see faster wage gains.

Source: BLS and UBS
Companies & The Consumer
Boston Fed President Eric Rosengren

October, 2016

“The lessons from this recovery—perhaps an understanding of a ‘new normal’ environment—may very well impact how we should be thinking about monetary policy going forward...One must always be cautious about assuming that current trends reflect something different from historical experience.”
1. The employment rate is below pre-recession levels.
2. Inflation is close to pre-recession levels.
3. The poverty rate is back to pre-recession levels.
4. The S&P 500 is 215% higher than its 2009 low.
5. Wages are rising.
Questions?