Stuck in a Rut:

The State of the Global & U.S. Economy

CNBC's Sara Eisen

"Worldwide Exchange" & "Squawk on the Street" Co-Anchor

@SaraEisen

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?

THE WALL STREET JOURNAL.

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.

The New York Times

Student Loans and Car Sales Contribute to a Rise in Consumer Debt

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.

USA TODAY

Study: Millennials really want homes, but are waiting ... for now

(Photo: SAUL LOEB, AFP/Getty Images)

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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.

Fed Chair Janet Yellen on Inflation

May 22, 2015

“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)

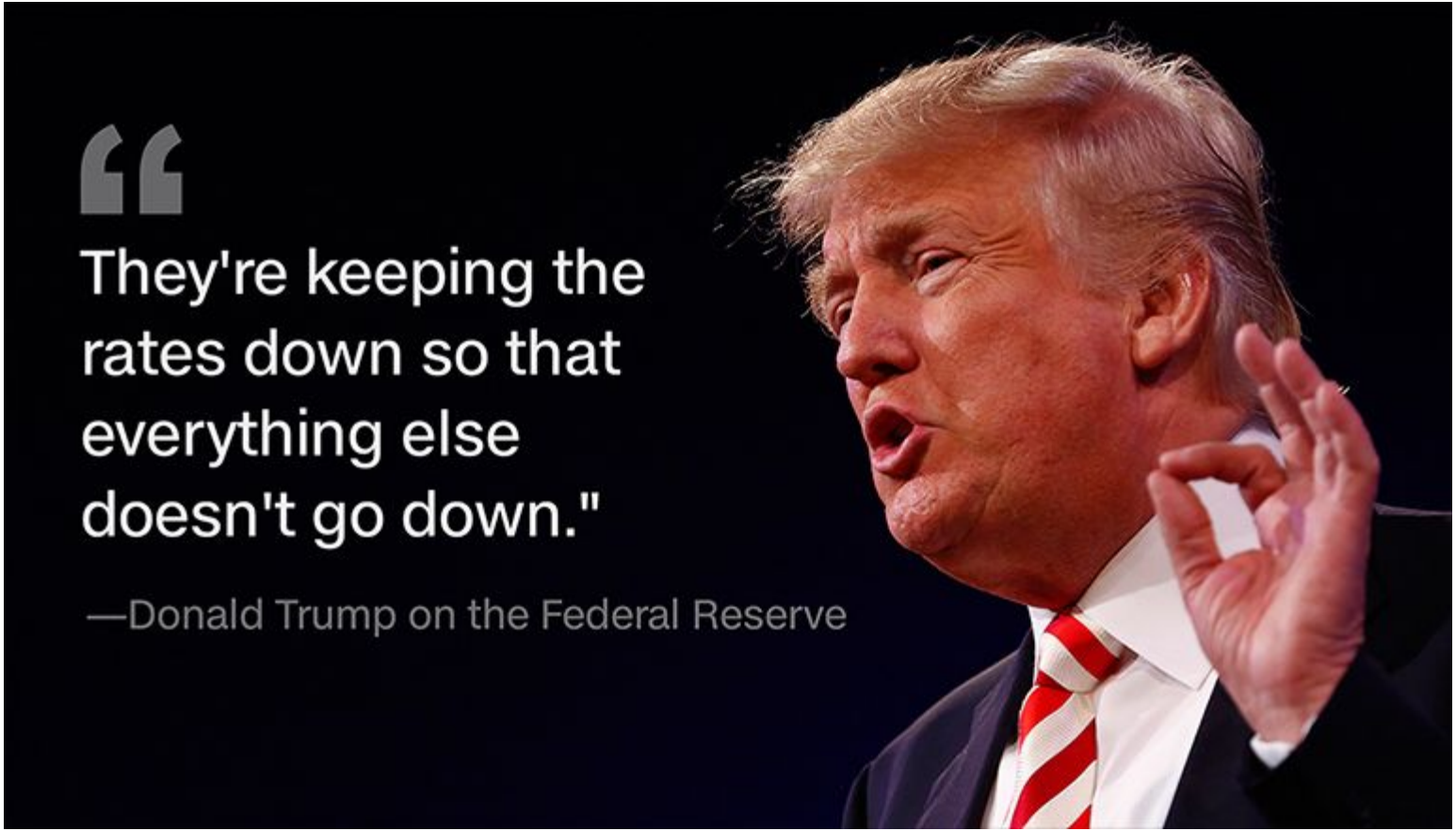
Excluding Rent

(year-over-year percent change)

Notes:

Shaded regions represent periods of U.S. recession

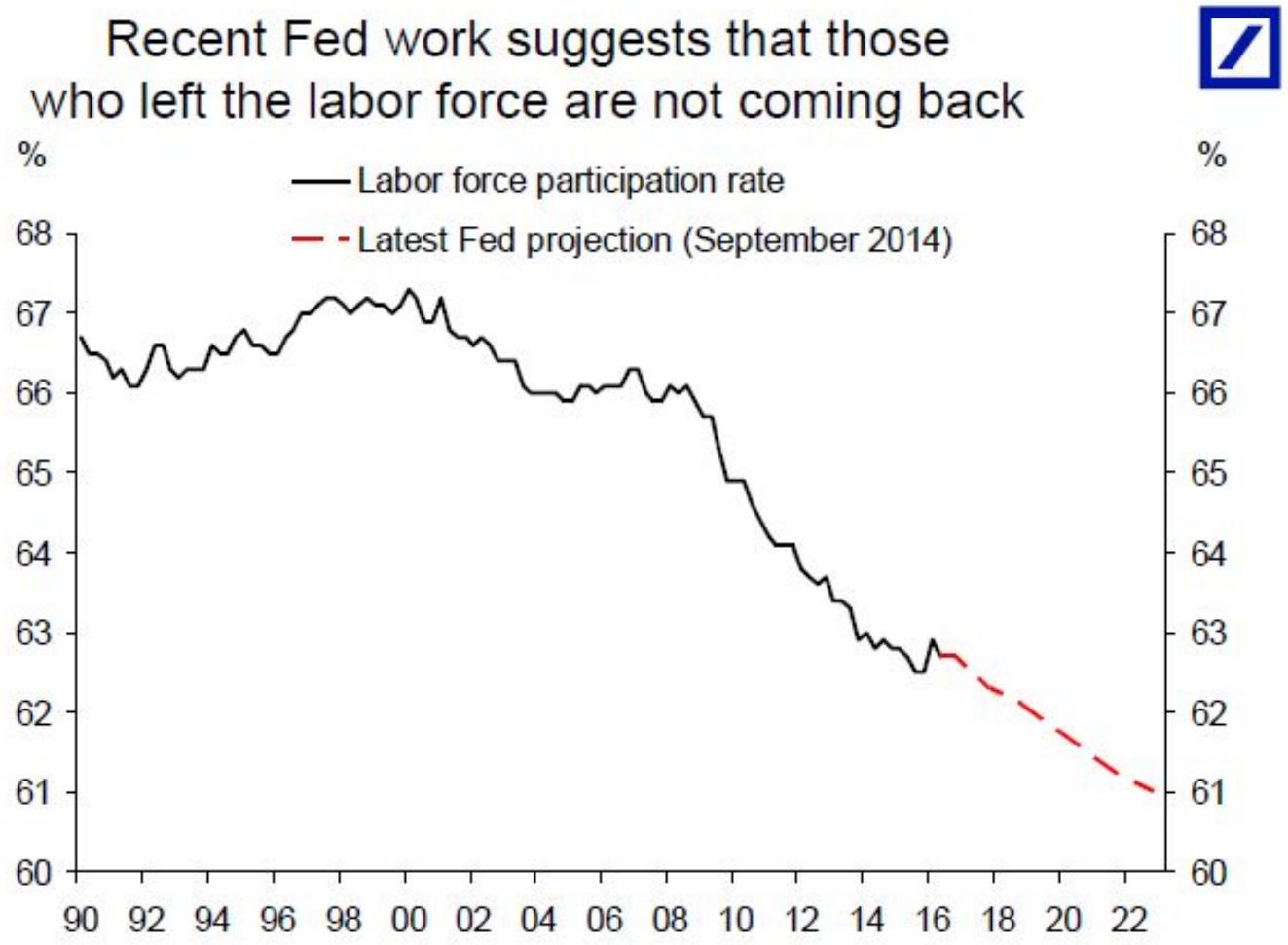
Source: Haver Analytics, Gluskin Sheff


“
They're keeping the rates down so that everything else doesn't go down."
—Donald Trump on the Federal Reserve

The facts...

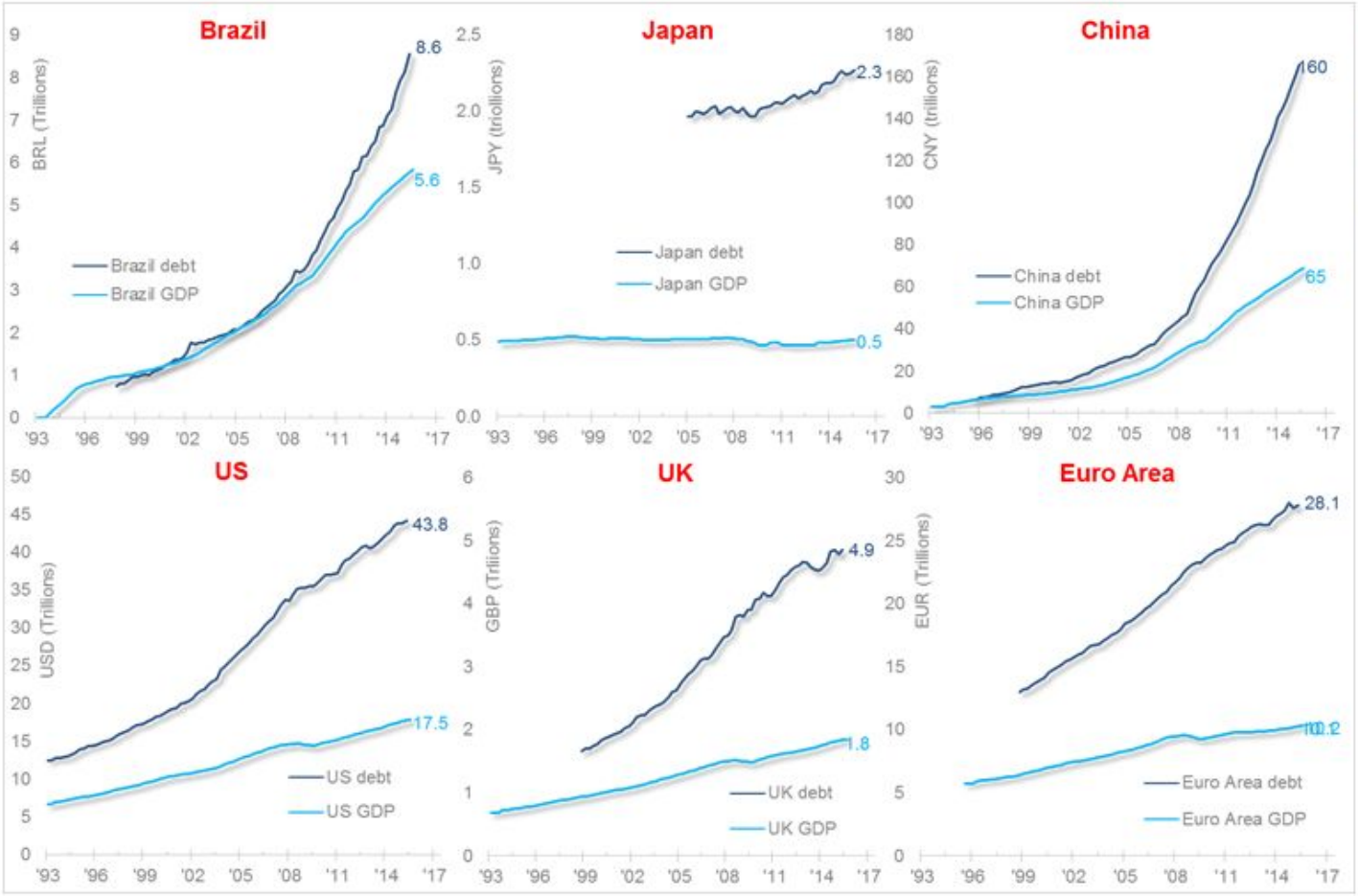
DOW INDUSTRIALS
18,179.20
+49.24 [+0.27%]
VOL: 39,520,288
INTRA DAY
18240
18,129.96
CLOSE
9:30A
12P
2P
4P
BREAKING NEWS
STOCKS PUSH HIGHER AS FED LEAVES RATES UNCHANGED
CNBC

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
%
%
Labor force participation rate
Latest Fed projection (September 2014)
68
67
66
65
64
63
62
61
60
90 92 94 96 98 00 02 04 06 08 10 12 14 16 18 20 22

The Global Economy

Too Much Debt Too Little Growth



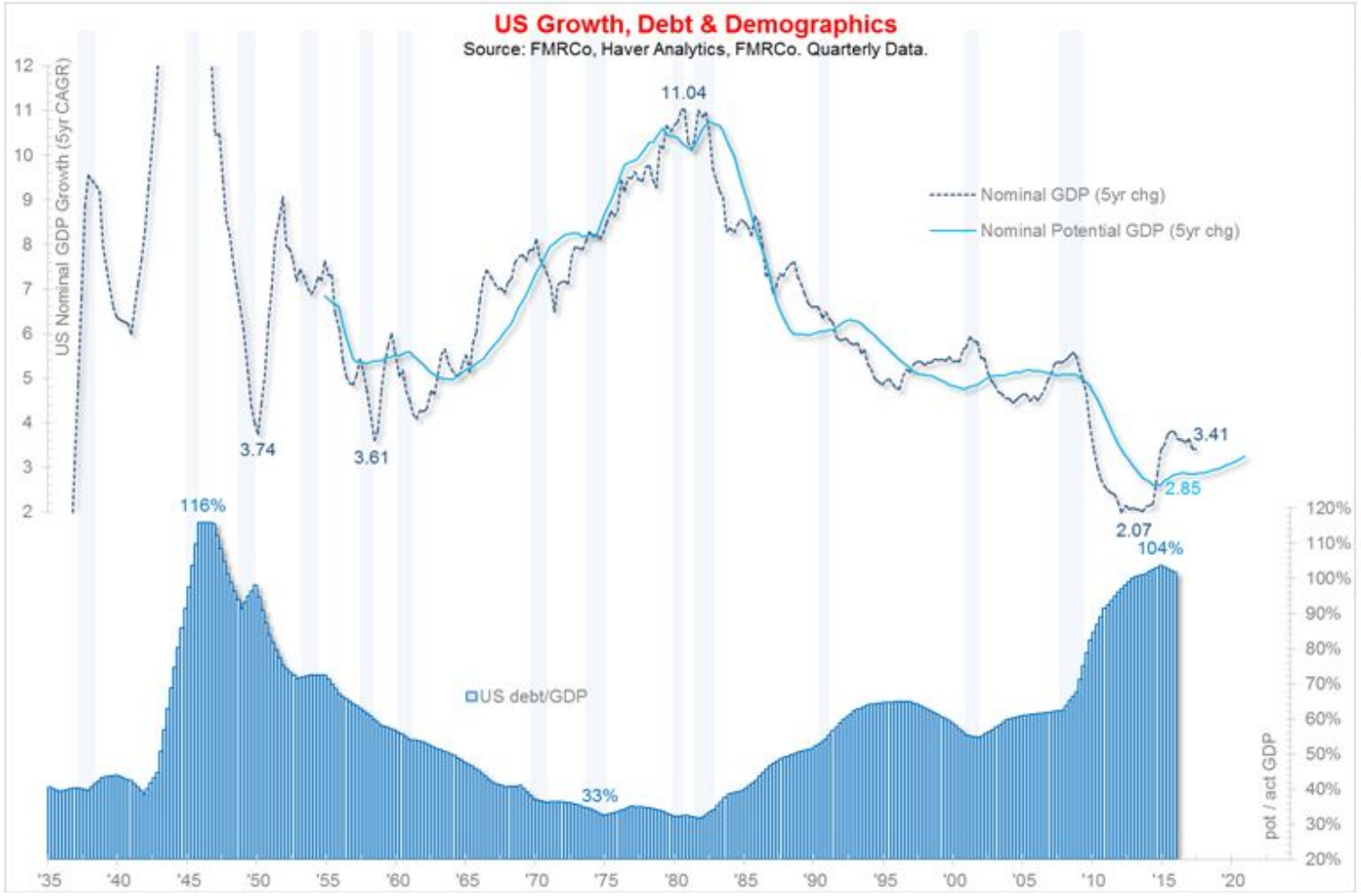
The problem is that the world has too much debt and too little growth. This has led to increasingly interventionist monetary policy from the world's central banks.

Past performance does not guarantee future results.

Data source: FMR, Bloomberg, Haver Analytics, FactSet. Monthly data as of 10/27/2016.

Fidelity INVESTMENTS

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.

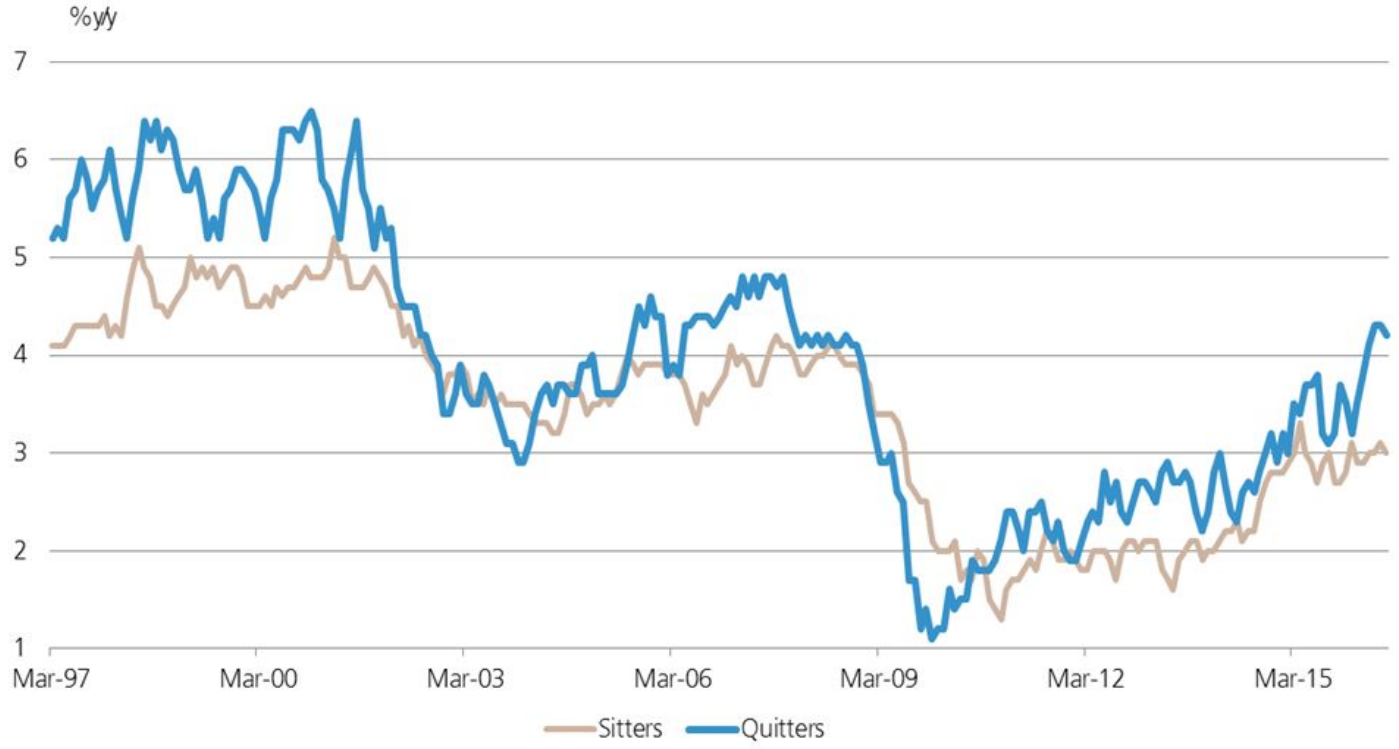
And its hard to debase a currency when everybody else is doing the same.

NOT SO BLACK & WHITE

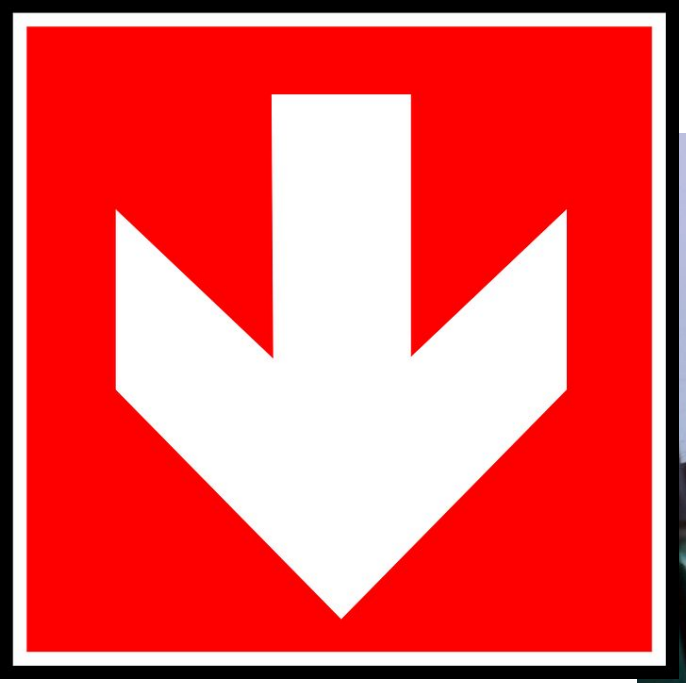
THE LABOR MARKET

Quitters are winners

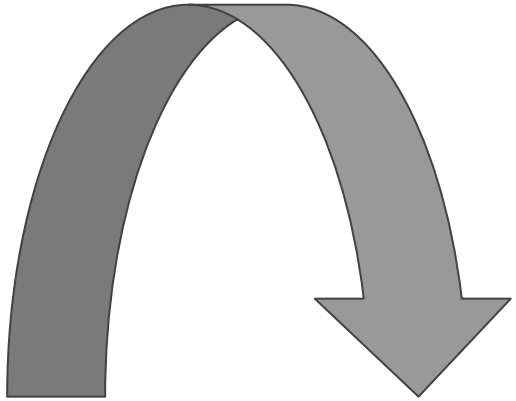
Quitters see faster wage gains.



Source: BLS and UBS



Companies & The Consumer



Corporate Innovation

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."

THE WALL STREET JOURNAL.

It's Not the Economy, Stupid. It's the Political Gridlock

Americans say the country is on the wrong track, but 'consumer confidence' is strong. So what gives?

By **ALAN S. BLINDER**

Updated Oct. 26, 2016 12:17 p.m. ET

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.

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Questions?