

NGDP Christmas Update

We wish you a Merry/Happy Christmas, but regret that the only gift we have is a delayed forecast update, and gloomy one at that. This quarter has been a disaster for the outlook. We started at 4.7% expected current-dollar growth and are ending at 3.4%. This is the biggest drop in a forecast we've seen in a quarter.



At 3.4%, the NGDP outlook has swung from a post-recession high, to the lowest level since early 2017.

If this forecast proves accurate, the weaker NGDP path won't cause a recession, but it is inexplicably irresponsible of the Fed to in October tell the world: "we will allow the good times to roll" and in December proclaim: "We want to bring the economy to the edge of recession".

This abrupt change of direction, only visible if you think in terms of market-implied forecasts, underscores the dysfunction at the heart of our monetary regime. There's no accountability, no recourse and no explanations. The public is subjected to wealth and employment volatility due largely to the whim of a few unelected technocrats, who drive the economy about according to their own flawed understanding or personal agendas. We are left wondering what they'll do next. As things stand today, 2019 is set to be a year characterized by weak growth and below-target inflation, thanks to the Fed.