

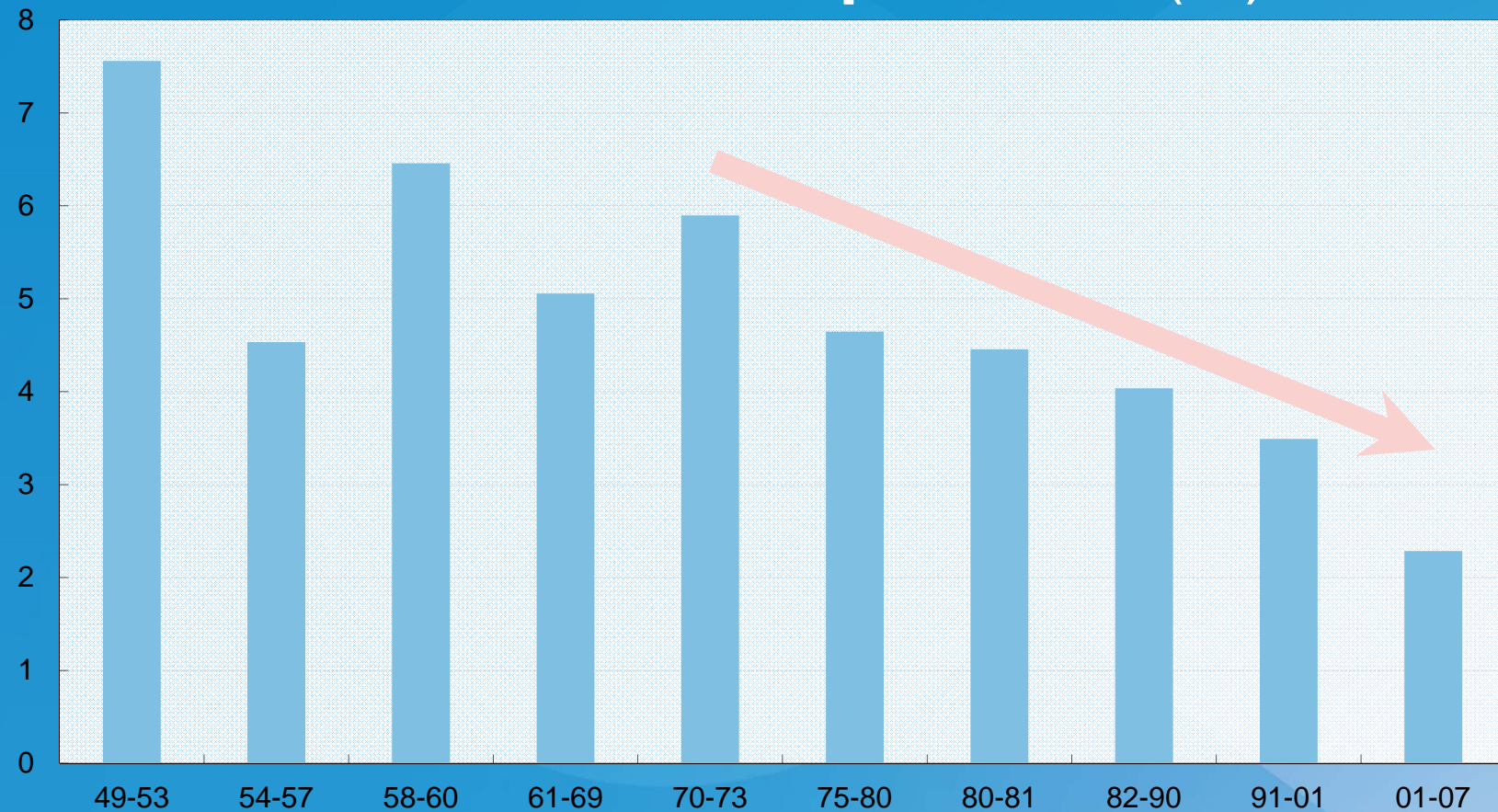
The Risk of Mistaking Cyclical for Structural

Presented to the
27th Annual Hyman P. Minsky Conference

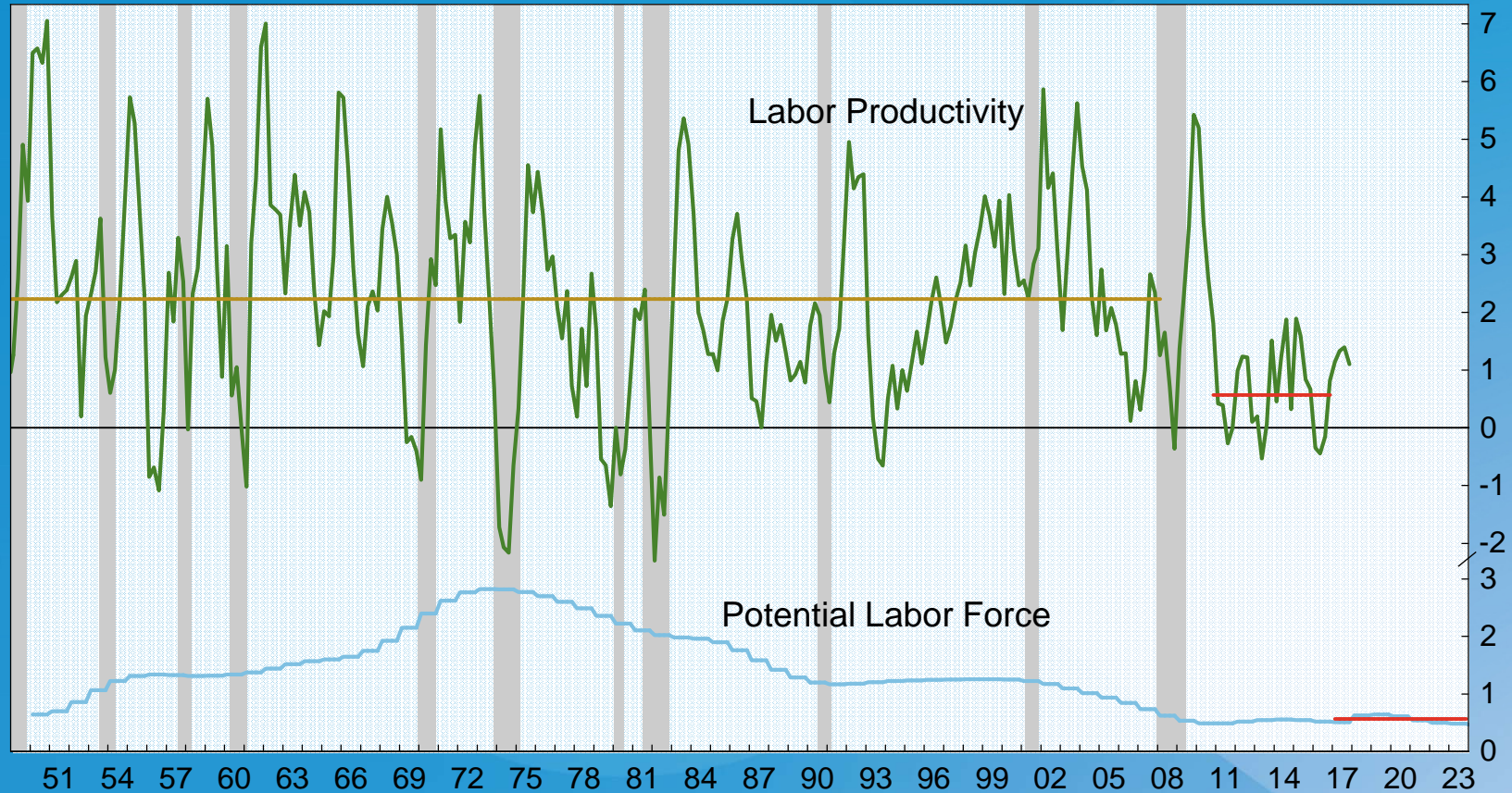
April 2018

Lakshman Achuthan
Co-Founder & Chief Operations Officer

Growth Rates in U.S. Expansions (%)

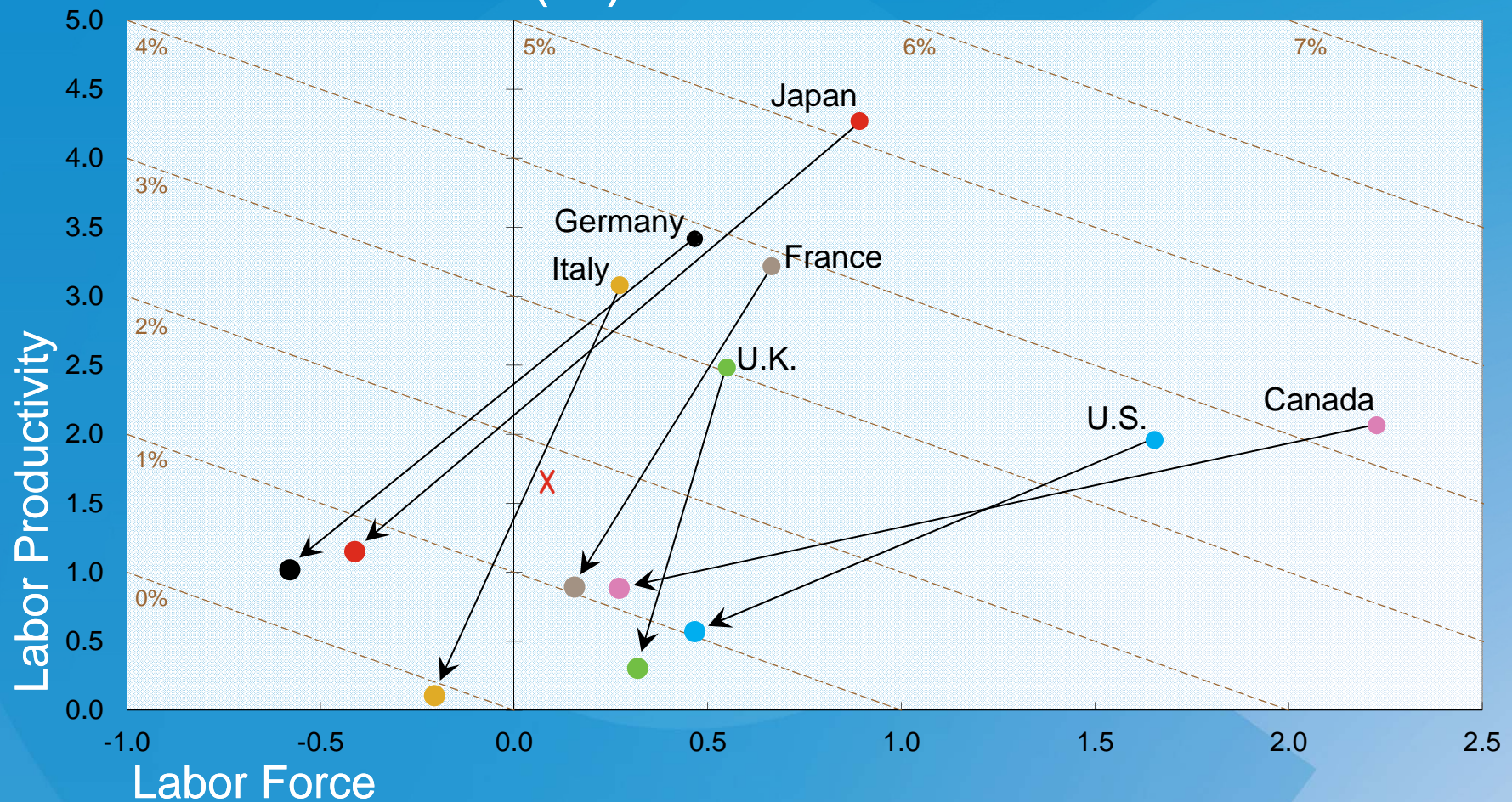


Growth in Labor Productivity and Labor Force (%)

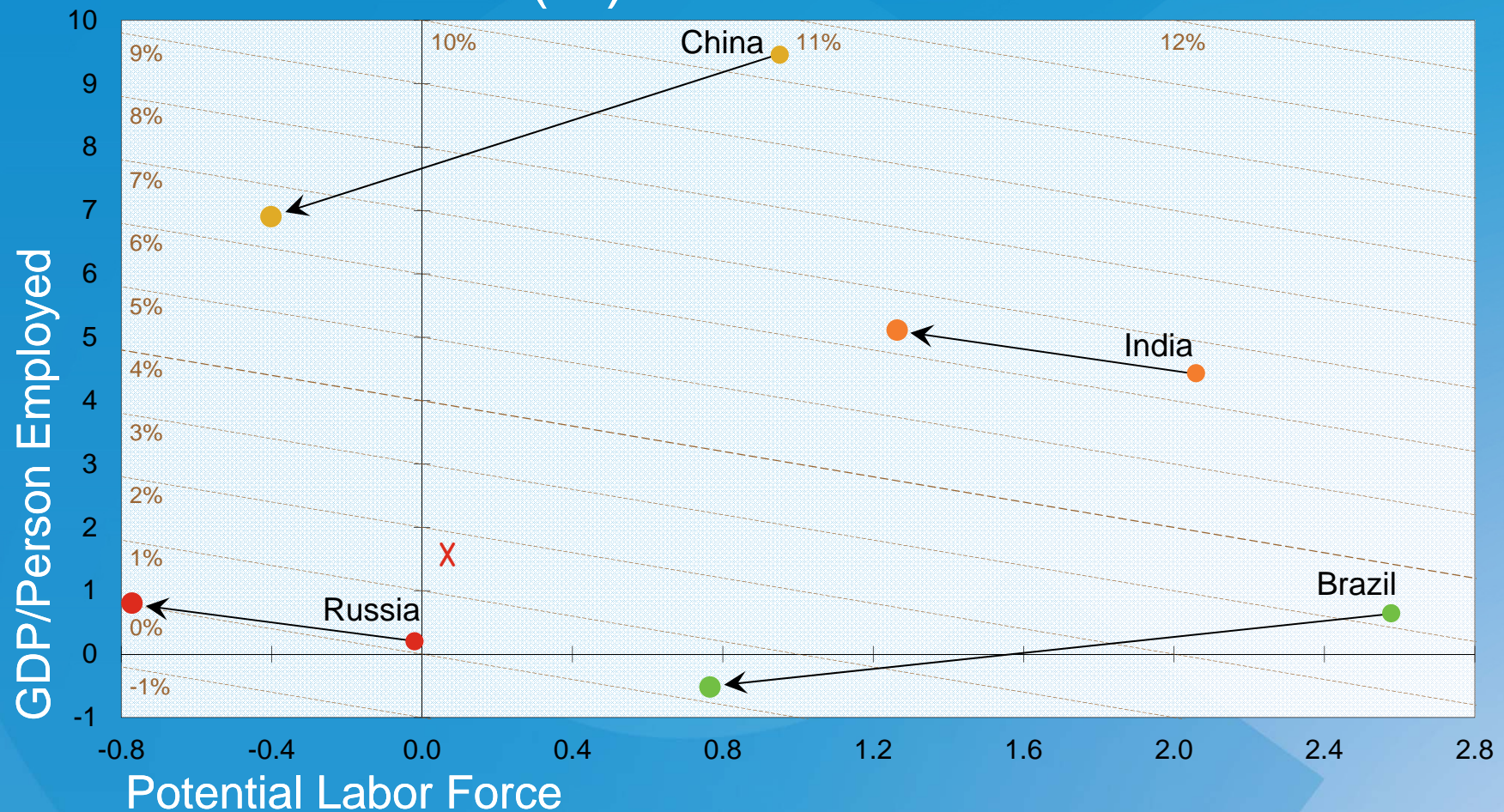


Shaded areas represent U.S. business cycle recessions.

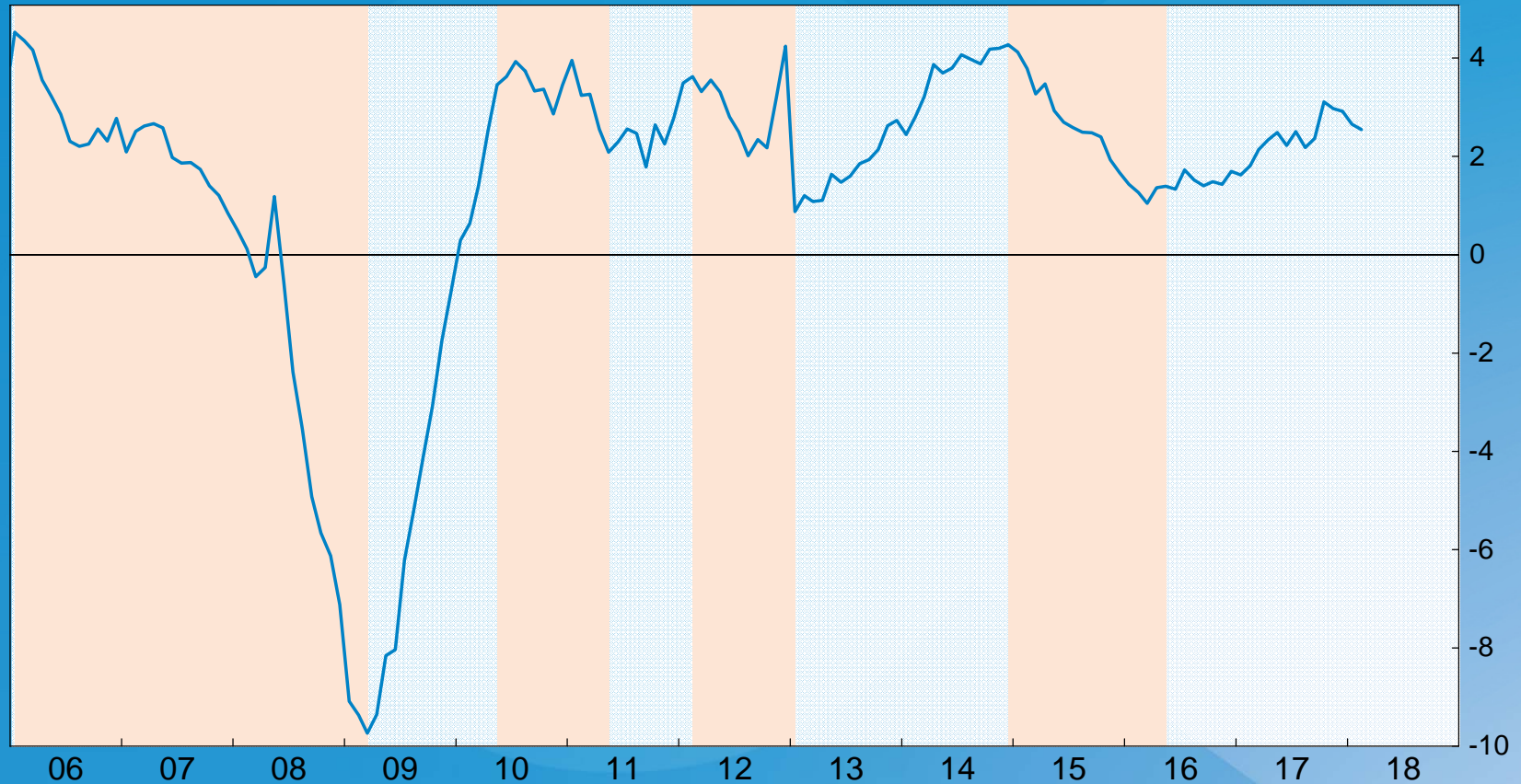
G7 Labor Productivity and Labor Force, Growth Rates (%)



BRIC Labor Productivity and Labor Force, Growth Rates (%)

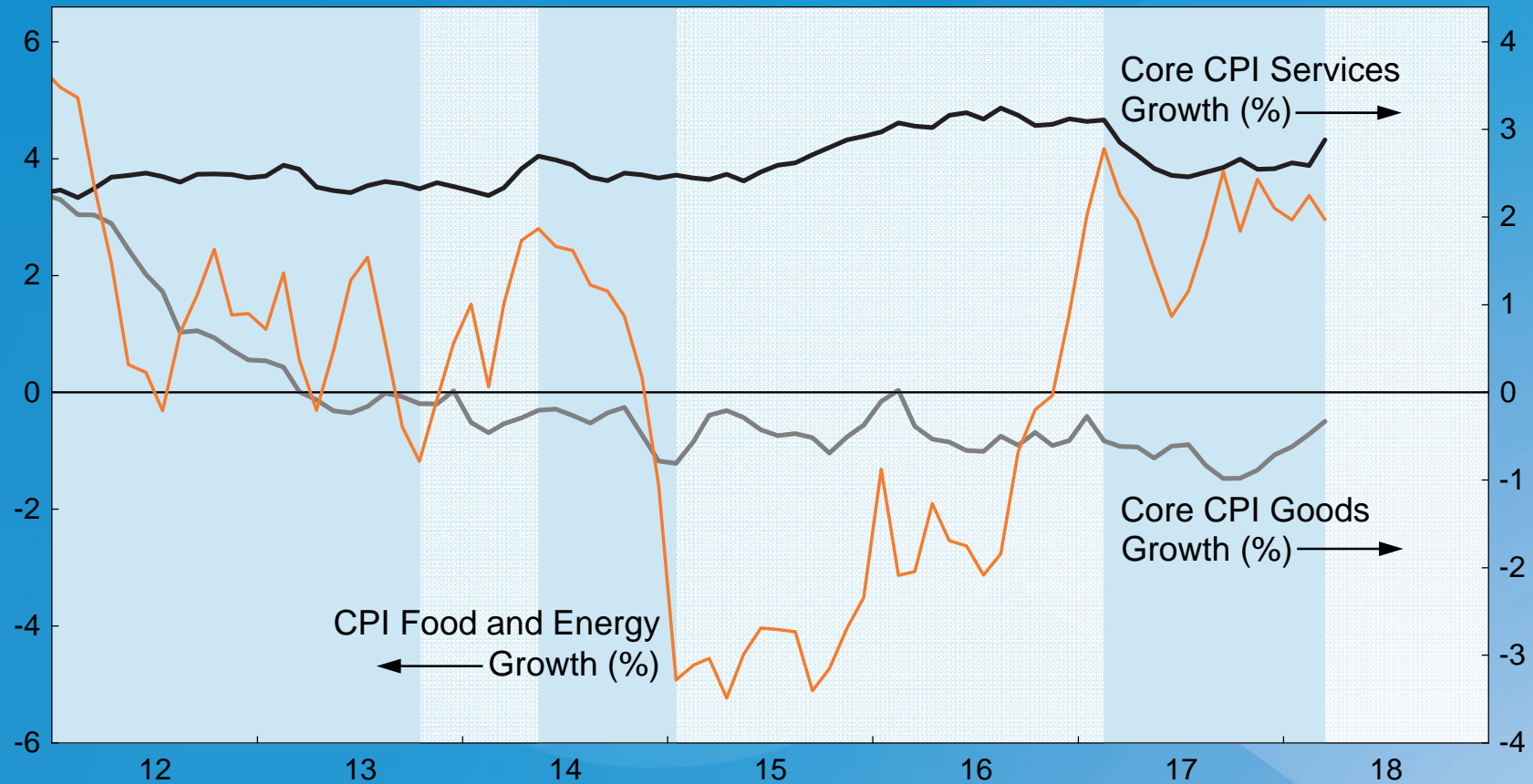


U.S. Coincident Index, Growth Rate (%)



Shaded areas represent U.S. growth rate cycle downturns.

Indicators of U.S. Inflation



Shaded areas represent U.S. inflation cycle downturns.

August 2016

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Global Reflation

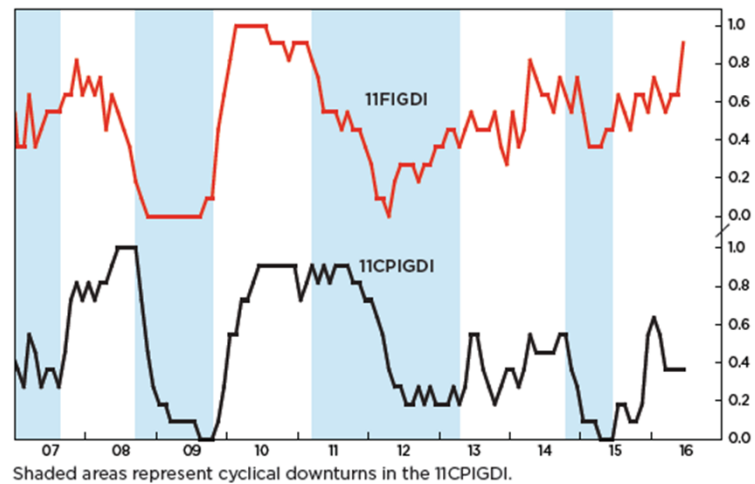
ECRI's International future Inflation gauges show a widespread buildup of cyclical reflationary pressures, despite sustained *structural* lowflation.

Global Warming Underlying inflation pressures are now rising around the world. But most are unaware of this reality, which is evident from our large array of international cyclical leading indicators of inflation.

Notably, the future inflation gauges are at their highest readings in over eight years in the U.S., over five years in the U.K., over four years in Germany, and almost four years in Mexico. The French Future Inflation Gauge is nearing a 4½-year high, and the Korean Future Inflation Gauge is at a 1½-year high.

A cyclical upswing
in global industrial
growth is finally
gaining traction, and
is likely to continue in

Chart 1: Indicators of Global Inflation



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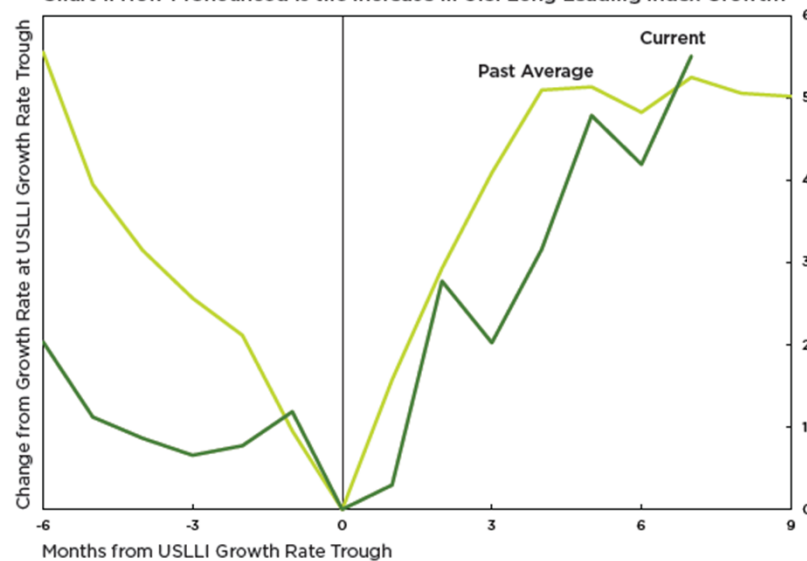
Growth Rate Cycle Upturn at Hand

U.S. Long Leading Index growth is now in a pronounced, pervasive and persistent upturn.

We Have Ignition Building on the gradual improvement that has been evident in recent months, the latest forward-looking data finally provides clear evidence that a growth rate cycle (GRC) upturn is now at hand. Specifically, the upswing in U.S. Long

Many think the 35-year secular bond

Chart 1: How Pronounced is the Increase in U.S. Long Leading Index Growth?



December 2016

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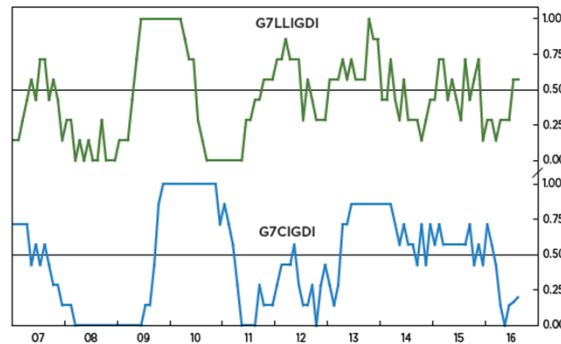
October 2016, February 2017

ECRI

International Cyclical Outlook
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Improving Global Growth Outlook

Chart 1: G7 Long Leading and Coincident Index Growth Diffusion Indexes



October 2016

International Cyclical Outlook Essentials

EC

February 2017

International Cyclical Outlook Essentials

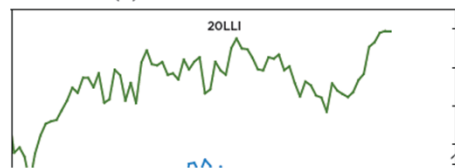
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Brightest Global Growth Outlook Since 2010

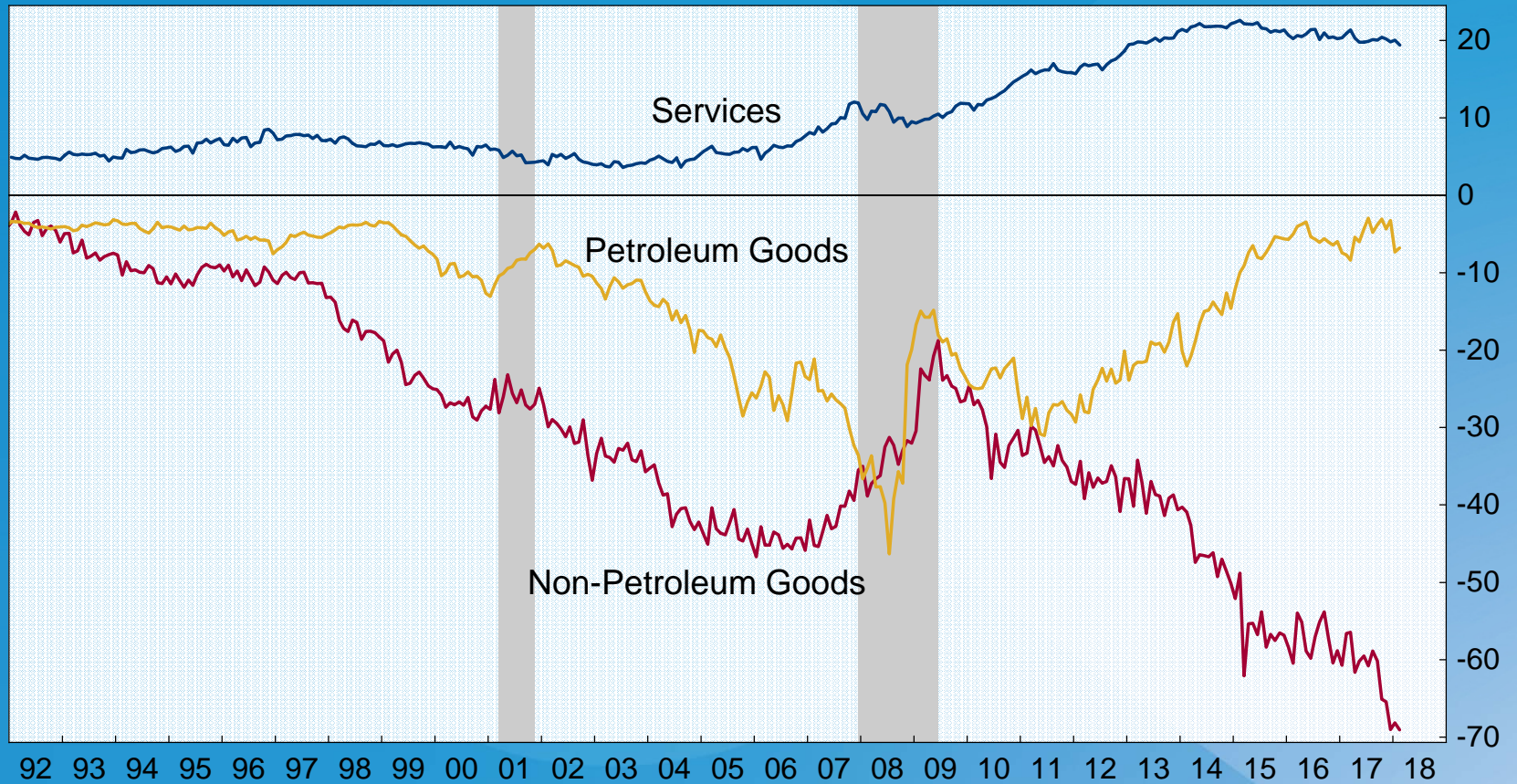
Most central banks remain highly accommodative, even with growth prospects staying upbeat and inflation nearing their targets in nearly all major advanced economies.

Chart 1: 20-Country Long Leading and Coincident Indexes, Growth Rates (%)



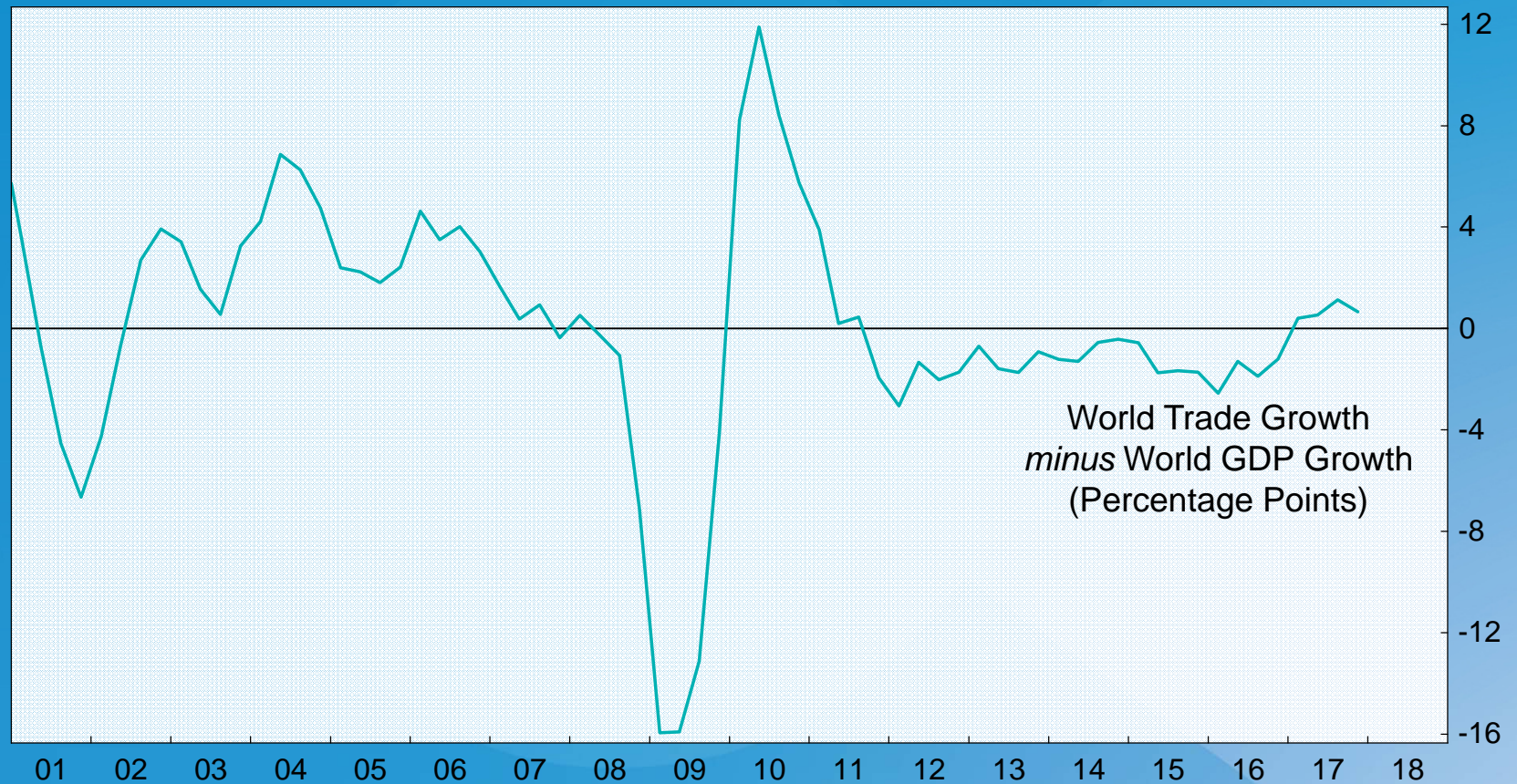
The ongoing cyclical upswings in economic growth and inflation will challenge central bankers sooner than many believe, possibly

Trade Balance (Bil. U.S. \$)

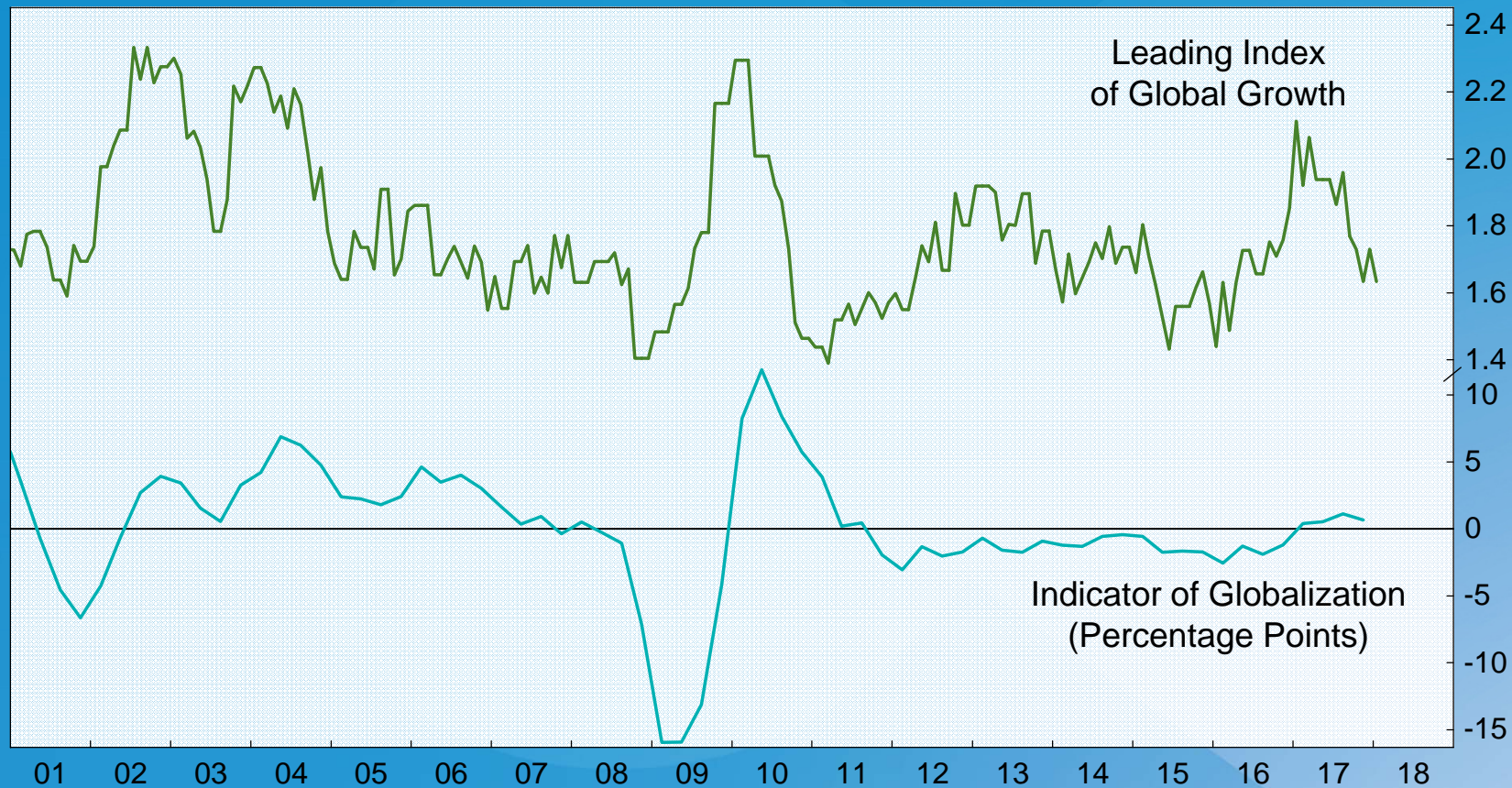


Shaded areas represent U.S. business cycle recessions.

An Indicator of Globalization



Measures of Global Growth



International GDP Growth Rolling Over



Conclusions

- ▶ Long-term decline in trend growth remains intact
- ▶ Economy's ups and downs since last recession – including recent synchronized global growth upturn – are explained by cyclical factors
- ▶ Actual structural shifts concern composition of U.S. trade balance and end of globalization

Thank you.

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