The Risk of Mistaking Cyclical for Structural

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Growth Rates in U.S. Expansions (%)

- 49-53: 7.5%
- 54-57: 4.9%
- 58-60: 5.7%
- 61-69: 5.3%
- 70-73: 6.4%
- 75-80: 5.2%
- 80-81: 5.0%
- 82-90: 4.8%
- 91-01: 3.8%
- 01-07: 2.6%
Growth in Labor Productivity and Labor Force (%)

Shaded areas represent U.S. business cycle recessions.
BRIC Labor Productivity and Labor Force, Growth Rates (%)
U.S. Coincident Index, Growth Rate (%)
Indicators of U.S. Inflation

Shaded areas represent U.S. inflation cycle downturns.

CPI Food and Energy Growth (%)

Core CPI Goods Growth (%)

Core CPI Services Growth (%)
Global Reflation

ECRI’s international future Inflation gauges show a widespread buildup of cyclical reflationary pressures, despite sustained structural deflation.

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.

Chart 1: Indicators of Global Inflation

A cyclical upswing in global industrial growth is finally gaining traction, and is likely to continue...
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 (SRC) upturn is now at hand. Specifically, the upswing in U.S. Long...

Many think the 35-year secular bond...
Improving Global Growth Outlook

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

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 (%)
Shaded areas represent U.S. business cycle recessions.
An Indicator of Globalization

World Trade Growth minus World GDP Growth (Percentage Points)
Measures of Global Growth

Leading Index of Global Growth

Indicator of Globalization (Percentage Points)
International GDP Growth Rolling Over

U.S.
Eurozone
Japan

Q1-2017 Q2-2017 Q3-2017 Q4-2017

3.2% 2.8% 2.4% 2.0% 1.6% 1.2%
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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