

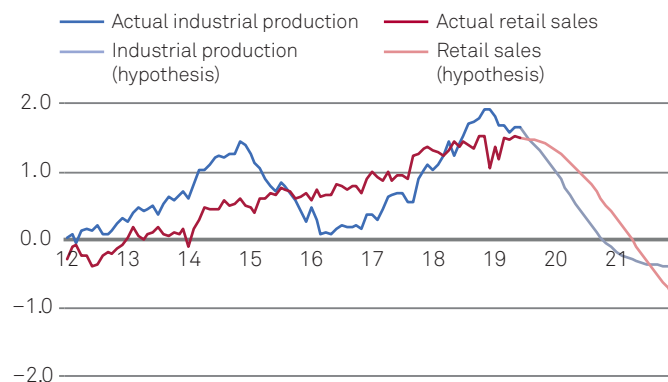
# Strong US/EU Consumption Still Supports the Economy

## hpo economic commentary 3<sup>rd</sup> quarter 2019

### The signs of a broad economic decline are intensifying.

For quite some time now, hpo forecasting has been predicting the beginning of an economic decline this year. Individual OECD economies are already showing negative growth rates. In the first half of August, many influential institutions downgraded their GDP forecasts for 2019 and 2020 significantly.

While a **decline in demand** is already being observed in the **capital goods industry**, and the Purchasing Manager Indices (PMI Industry) have fallen dramatically in some areas in recent months, demand for **services** and short-dated **consumer goods** remains **dynamic** in many markets.



**Industrial production and retail sales USA**  
(standardized deviation from long-term trend)

The chart at the bottom left shows the standardized deviation from long-term trend growth for industrial production (“industrial cycle”) and retail sales (“consumption cycle”) in the USA. The curves from mid-2019 show the hypotheses we have calculated for the further course in the coming years. The coming months will also see a peak in consumption dynamics, followed by a **decline in demand for consumer goods and services**.

This is the moment when the crisis will reach the awareness of the general public. The same graph also shows that our model predicts a sustained decline in dynamics over a more extended period. The potential for correction is still high, and unlike what can (still) be read in many commentary columns of the business press, the decline will intensify in the coming year.

**Retail sales** in the world’s regions are **developing differently**. While Europe, like the USA, is likely to see continued strong retail dynamics until the end of the year, Asia has already suffered a significant decline in the corresponding growth rates.

**Industrial production has already peaked in all regions**, but – with a few exceptions – the level is still relatively high.

As the economy weakens, the danger of various bubbles bursting in the financial market due to the extremely comprehensive central bank policy of the last ten years increases. **The risk of a new financial crisis is growing.**

#### Your contact



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#### Who is hpo forecasting?

The forecasting specialists at hpo forecasting create company-specific forecasts for the incoming orders of industrial companies (capital goods and consumer durables). The forecasts are based on the scientifically founded and empirically proven Peter Meier Forecasting Model.

hpo forecasting – we predict your business