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SIFMA Releases Mid-Year 2013 Economic Forecast.

Washington, D.C., July 24, 2013-SIFMA's Economic Advisory Roundtable today released its outlook for the second half of 2013 and predictions for 2014, forecasting that the economy will grow at a rate of 1.7 percent in full-year 2013 and 2.6 percent in 2014.

"Our Roundtable maintains their forecast for moderate economic growth for 2013 and 2014, with upside and downside drivers varied among respondents," said Kyle Brandon, managing director and director of research at SIFMA. "Generally, the continued housing recovery and low energy prices were seen as positive drivers of growth, while external factors such as Europe and emerging markets featured as the downside risks to the economy."

The Economy

The median forecast called for gross domestic product (GDP) to rise 1.7 percent in 2013 on a year-over-year basis, and by 2.0 percent on a fourth quarter-to-fourth quarter basis. For full year 2014, the median forecast was 2.6 percent year-over-year; on a quarterly basis, the first two quarters of 2014 were expected to stabilize at 2.7 and 2.9 percent annualized GDP growth, respectively.

Unemployment was expected to remain at elevated levels throughout 2013 and 2014. Survey respondents expected the full-year average unemployment rate to decline to 7.5 percent in 2013, a slight improvement from the end-year 2012 forecast of 7.7 percent, and a further decline to 6.9 percent expected in 2014.

Monetary Policy

Three-fourths of respondents expect the FOMC to reduce the pace of securities purchases as early as September 2013, with the remainder expecting a reduction sometime in the fourth quarter of 2013 or at the latest January 2014, an assessment noted by Chairman Ben Bernanke in his semiannual monetary report to Congress. Opinions diverged slightly more when asked about timing for the end of securities purchases, with over half expecting an end in the second quarter of 2014, slightly less than a third expecting an end in the first quarter of 2014, and the balance in the third quarter of 2014.

Impact of Sequestration and the Debt Ceiling

Sequestration, the result of budget negotiations from 2011 and 2012, came into effect on March 1, impacting approximately \$85 billion of federal spending. Nearly 90 percent of respondents believed the impact of sequestration lowered GDP growth in full-year 2013 by up to 100 basis points. One respondent noted that higher taxes would be a "larger drag on economic growth in 2013 than spending cuts."

Respondents were relatively unanimous in their opinion that debt ceiling negotiations would not impact GDP in a meaningful way in 2013, with one respondent noting that a fiscal deal was likely to be reached without a government shutdown or "excessive brinksmanship." Another noted that the

deficit was shrinking “rapidly” and that in fact the resulting increase in revenues as a percentage of GDP “could result in considerable, unexpected fiscal drag in 2014.”

The full report can be found at the following link: <http://www.sifma.org/econoutlook20132h/>.

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