Moderate Growth Likely Pending ‘Fiscal Cliff’ Compromise

The Manufacturers Alliance for Productivity and Innovation

Arlington, VA. — Major issues still need to be addressed, but presuming the United States gets its fiscal house in some semblance of order, the U.S. economy could be in a transition from sluggish growth to a longer period of moderate growth, according to a new report.

The Manufacturers Alliance for Productivity and Innovation (MAPI) Quarterly Economic Forecast predicts that inflation-adjusted gross domestic product (GDP) will expand by 1.8 percent in 2013 and by 2.8 percent in 2014, a slight increase from the 1.7 percent anticipated for 2013 and the 2.7 percent expected in 2014 in MAPI’s August report. The new forecast includes a five-year window where it envisions GDP growth averaging 2.7 percent form 2013-2017, a subpar expansion following a deep recession, and with a high of 3.3 percent growth in 2015.

MAPI believes final 2012 GDP growth will be 2.1 percent and manufacturing production will be 4.2 percent.

“Much of the outlook is predicated on political dynamics,” noted Daniel J. Meckstroth, Ph.D., MAPI Chief Economist. “In order for the transition to moderate growth to occur successfully, there needs to be compromise on the ‘fiscal cliff’ issues, agreement on raising the debt ceiling early in 2013, and establishing a ‘grand compromise’ plan for meaningful long-term federal deficit reduction that phases in over several years.”

Manufacturing production is expected to show growth of 2.0 percent in 2013 and 3.2 percent in 2014. The 2013 figure is down from 2.3 percent and the 2014 estimate is down from 3.3 percent from the August forecast. Manufacturing is expected to see a net increase in hiring, with the sector expected to add 163,000 jobs in 2013, below the August forecast of 231,000 jobs. The longer term outlook is for an increase of 270,000 jobs in 2014 and 230,000 jobs in 2015, but a rise of only 150,000 jobs in 2016 and 97,000 jobs in 2017.

Production in non-high-tech industries is expected to increase by 1.8 percent in 2013 and by 3.7 percent in 2014. High-tech manufacturing production, which accounts for approximately 10 percent of all manufacturing, is anticipated to grow at a 3.0 percent rate in 2013 and 8.3 percent in 2014.

The forecast for inflation-adjusted investment in equipment and software is for growth of 6.1 percent in 2013 and 7.4 percent in 2014. Capital equipment spending in high-tech sectors will also rise. Inflation-adjusted expenditures for information processing equipment are anticipated to increase by 7.2 percent in 2013 and by 9.3 percent in 2014.

MAPI expects industrial equipment expenditures to advance by 5.2 percent in 2013 and by 8.6 percent in 2014. The outlook for spending on transportation equipment is for growth of 6.2 percent in 2013 and 4.0 percent in 2014. Spending on nonresidential structures will improve by only 0.6 percent in 2013 before improving by 6.8 percent in 2014.

Inflation-adjusted exports are anticipated to improve by 2.3 percent in 2013 and by 4.1 percent in 2014. Imports are expected to grow by 3.9 percent in 2012 and by 4.7 percent in 2013. MAPI forecasts overall unemployment to average 7.8 percent in 2013 and 7.4 percent in 2014. Over the five-year aggregate window of 2013-2017, unemployment is expected to average 6.8 percent.

"The unemployment rate will continue to fall but will not achieve 5.0 percent unemployment, the rate consistent with full employment," Meckstroth said. "We forecast the average annual growth rate for manufacturing production will be 3.2 percent over the next five years, higher than the 2.7 percent anticipated for the overall economy."

The refiners' acquisition price per barrel of imported crude oil is expected to average $90.5 per barrel in 2013 and $87.60 in 2014.

MAPI Economic Forecast

GDP Expenditure Categories	**Inflation-Adjusted Percent Change**				
	2012	**2013(F)**	**2014(F)**	**2015(F)**	**2016**
Gross Domestic Product	**2.1**	**1.8**	**2.8**	**3.3**	**2.8**
Total Consumption	1.9	2.3	2.7	2.5	2.5
Durables	7.5	5.8	4.7	4.7	4.4
Nondurables	1.2	2.2	2.1	1.6	2.0
Services	1.3	1.7	2.6	2.5	2.4
Nonresidential Fixed Investment	7.3	4.5	7.3	7.7	5.8
Equipment & Software	6.8	6.1	7.4	7.6	5.6
Information Processing Equipment	3.4	7.2	9.3	8.0	8.2
Industrial Equipment	6.7	5.2	8.6	8.5	2.6
Transportation Equipment	18.4	6.2	4.0	4.8	-0.8
Structures	8.7	0.6	6.8	7.8	6.3

Residential Fixed Investment	12.5	15.1	19.4	18.3	6.1
Exports	3.3	2.3	4.1	6.5	6.1
Imports	2.9	3.9	4.7	4.6	3.2
Federal Government	-1.7	-2.8	-3.2	-2.1	-1.3
State & Local Government	-1.4	-0.3	0.1	0.5	0.8

F=Forecast

Source(s): MAPI, November 2012

MAPI Economic Forecast

Economic Indicators	**Percent Change or Level as Specified**				
	2012	**2013(F)**	**2014(F)**	**2015(F)**	**2016(F**
Prices (% change)					
Consumer Prices	2.0	1.3	1.7	1.6	1.8
Excl. Food & Energy	2.1	1.7	2.0	1.9	1.8
Producer Prices, Finished Goods					

	2.0	1.0	0.3	0.6	1.2
Energy ($)					
Imported Crude Oil ($ per barrel)	$99.9	$90.5	$87.6	$82.8	$87.4
Natural Gas Wellhead Price ($mmbtu)	$2.7	$3.6	$4.4	$4.6	$4.3
Other Key Measures					
Nonfarm Inventory Change (Billion 2005$)	$56	$45	$43	$50	$35
Light Vehicle Sales (Million units)	14.4	15.1	15.6	16.2	16.6
Housing Starts (Million units)					

	0.767	0.979	1.290	1.601	1.690
Federal Surplus (NIPA, Billion $)	-$1,065	-$854	-$773	-$684	-$691
Current Account Balance (Billion $)	-$476	-$449	-$506	-$529	-$582
Labor					
Unemployment Rate (%)	8.1	7.8	7.4	6.7	6.3
Payroll Employment (% change)	1.4	1.5	1.7	1.9	1.8
Production (% change)					
Manufacturing (SIC Basis)					

	4.2	2.0	3.2	4.2	3.1
Computers & Electronic Products	3.8	3.0	8.3	9.9	11.0
Non-High-Tech Manufacturing	4.5	1.8	3.7	4.1	2.9

F=Forecast

Source(s): MAPI, November 2012

The Manufacturers Alliance for Productivity and Innovation (MAPI), founded in 1933, contributes to the competitiveness of U.S. manufacturing by providing economic research, professional development, and an independent, expert source of manufacturing information.

For more information, visit www.mapi.net *[1].*

Source URL (retrieved on *09/30/2014 - 3:28pm*):
http://www.impomag.com/articles/2012/11/moderate-growth-likely-pending-%E2%80%98fiscal-cliff%E2%80%99-compromise?qt-digital_editions=0&qt-recent_content=0

Links:
[1] http://www.mapi.net/