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In 2015, the U.S. and global economy grew at a slowing pace with signs for concern, optimism and apprehension throughout the year. America ended 2015 in a similar fashion to 2014, basically where it started, with confidence from automobile sales, disillusionment with GDP growth and indecision in Washington.

The Dow Jones Industrial Average closed 2011 at 12,218 and real U.S. gross domestic product ended the year at an annualized growth rate of 1.8 percent. The Dow Jones Industrial Average was at 13,105 at the end of 2012 and real U.S. GDP was up 2.8 percent. The Dow Jones Industrial Average closed 2013 at 16,588, up 27 percent, and real U.S. GDP ended the year at an annualized growth rate of 2.4 percent. The Dow Jones Industrial Average was at 17,823 by the end of 2014, up 7.52 percent for the year, with real U.S. GDP growing at 2.5 percent for the year. The Dow Jones Industrial Average ended 2015 at 17,425, down almost 2.23 percent for the year, with real U.S. GDP expected to grow at no more than 2.15 percent for the year.

The following are our predictions for the U.S. and global economies for 2016 with brief comparisons to our 2015 predictions when appropriate:

1. U.S. real GDP will grow at an annualized rate between 1.8-2.1 percent in 2016 (our 2015 prediction was 2.3-2.5 percent GDP growth; the latest Bureau of Economic Analysis (BEA) estimate for GDP in 2015 is 2.2 percent).

2. The global economy will grow at an annualized real GDP rate of 2.6-3.0 percent in 2016 (our 2015 prediction was 2.9-3.2 percent Global GDP growth; recent World Bank estimate for 2015 shows global GDP growth at roughly 2.9 percent for 2015) with Chinese annualized GDP growth in 2016 at 4.5-5 percent (our 2015 prediction was 6.8-7.2 percent GDP growth in China; recent World Bank 2015 estimate is 6.8 percent GDP growth for China) and Europe will continue to experience economic and political reform and mild economic growth again in 2016 (our 2015 prediction was mild growth in Europe with recent World Bank estimates of 1.4 percent growth for the Euro area in 2015).
3. U.S. unemployment will average 5.1 percent or above in 2016 (our prediction for 2015 was 5.5 percent or above; actual data for 2015 shows a monthly average of 5.33 percent).

4. Again in 2016, the U.S. and allied nations will continue to keep Iran in check while we continue to be concerned over political instability and the growing size and scope of terrorist activity in the Middle East. Again, like last year, we see increased tension between Israel and Palestine and an ever-greater threat of terrorist activities spreading beyond the Middle East to democracies throughout the world. We continue to be concerned about tension from North Korea and a growing Russian and Chinese military presence in Europe and Asia respectively.

5. Real interest rates (FED Funds rate) will be at 1-1.25 by the end of 2016 (our prediction of 1 -1.5 FED Funds rate in 2015 was high, as the rate finished 2015 at 0.5).

6. Austerity measures and European Central Bank intervention will once again keep the Euro area out of recession with GDP growth realizing 1.7-1.9 percent in 2016 (we were spot on in terms of 2015 GDP growth in the Euro area as we predicted 1.3-1.6 percent growth with initial World Bank estimates for Europe in 2015 being 1.4 percent growth).

7. Once again, Congress and President Obama will leave a larger deficit burden and an ever-difficult financial position to be dealt with in 2017 and beyond. We had hoped the fall of 2014 elections would drive change in Congress and were optimistic that Congress would propose a major pro-business tax reform in 2015. We see little chance for change in 2016 with the election coming this November.

8. U.S. inflation will average between 0 and 2 percent in 2016 while the Dow Jones Industrial Average will flirt with 18,500 before ending the year at just below 18,200 (we predicted inflation to be between 2 and 3 percent in 2015 and that the Dow Jones Industrial Average would flirt with 19,000: inflation averaged roughly 0.1 percent in 2015 and the Dow Jones Industrial Average hit 18,351 before settling at 17,425).

9. The Chinese economy will slow again in 2016 as the clash between the country’s communist planning model and capitalist trends continues to create conflicts and disequilibrium. Market forces will continue to press for greater transparency in the Chinese economy in 2016. The growing Chinese debt burden at the provincial level, as well as a slowing manufacturing sector, will again pose concerns for foreign investors and domestic policy in 2016, again putting downward pressure on the Chinese stock market in 2016.

10. U.S. Federal Reserve monetary policy in 2016 would not be able to prevent a recession if the economy slows as additional quantitative easing is not in the cards to offset irresponsible federal fiscal policy as it has in the recent past. As you can see, we continue to be guardedly optimistic about the new Congress, and are hopeful for statesperson-like achievement in 2016 but are not holding our
breath. We predict that the 2016 fall elections will bring a pro-business leader to the White House that can truly work with Congress to bring about market oriented tax reform, which includes a long term model to balance the federal budget and drive GDP growth to 3-4.5 percent consistently on an annualized basis.

11. We continue to believe that hydraulic fracking and horizontal drilling will provide the necessary production to keep oil and natural gas supplies and prices in the United States at very competitive levels in 2016. We continue to be concerned about increasing healthcare costs and burdensome regulations on the U.S. economy in 2016, yet we are amazed at what the private sector is doing in areas ranging from rockets and aerospace technology to cancer breakthroughs involving nanotechnology and the human genome.

Our “big news” prediction for 2016 is that we see oil averaging below $40 a barrel per month in 2016...remember, oil reached a peak of just under $108 a barrel in June of 2014 and averaged $96.24 for the year. We predicted a monthly average of less than $65 a barrel in 2015, with the actual monthly average coming in at $51 a barrel.

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