US economists expect recession in 2020 or 2021

Washington, United States

A majority of economists expect a US recession in the next two years, but have pushed back the onset amid Federal Reserve actions, according to a survey released yesterday.

The survey came out after President Donald Trump pushed back against talk of a looming recession as a raft of US data reports last week showed a mixed picture on the economy.

"I'm prepared for everything. I don't think we're having a recession. We're doing tremendously well. Our consumers are rich," Trump told reporters Sunday.

"I gave a tremendous tax cut, and they're loaded up with money. They're buying. I saw the Wal-Mart numbers, they were through the roof," he said.

"And most economists actually say that we're not going to have a recession. But the rest of the world is not doing well like we're doing."

His chief economic advisor Larry Kudlow also downplayed talk of a recession.

"I sure don't see a recession," he told NBC's Meet the Press.

"Consumers are working at higher wages. They are spending at a rapid pace. They're actually saving also while they're spending... So I think actually the second half, the economy's going to be very good in 2019," he said.

"We're doing pretty darn well in my judgment. Let's not be afraid of optimism."

The National Association for Business Economists (NABE) found far fewer experts now think the next recession will start this year compared to a survey in February.

NABE conducted its policy poll as Trump put the Fed under constant attack, demanding more stimulus, but before the central bank cut the benchmark lending rate on July 31.

However, the Fed was already sending strong signals that it intended to pull back on the rate increases made in 2018 due to concerns starting to dog the economic outlook, including the trade war with China.

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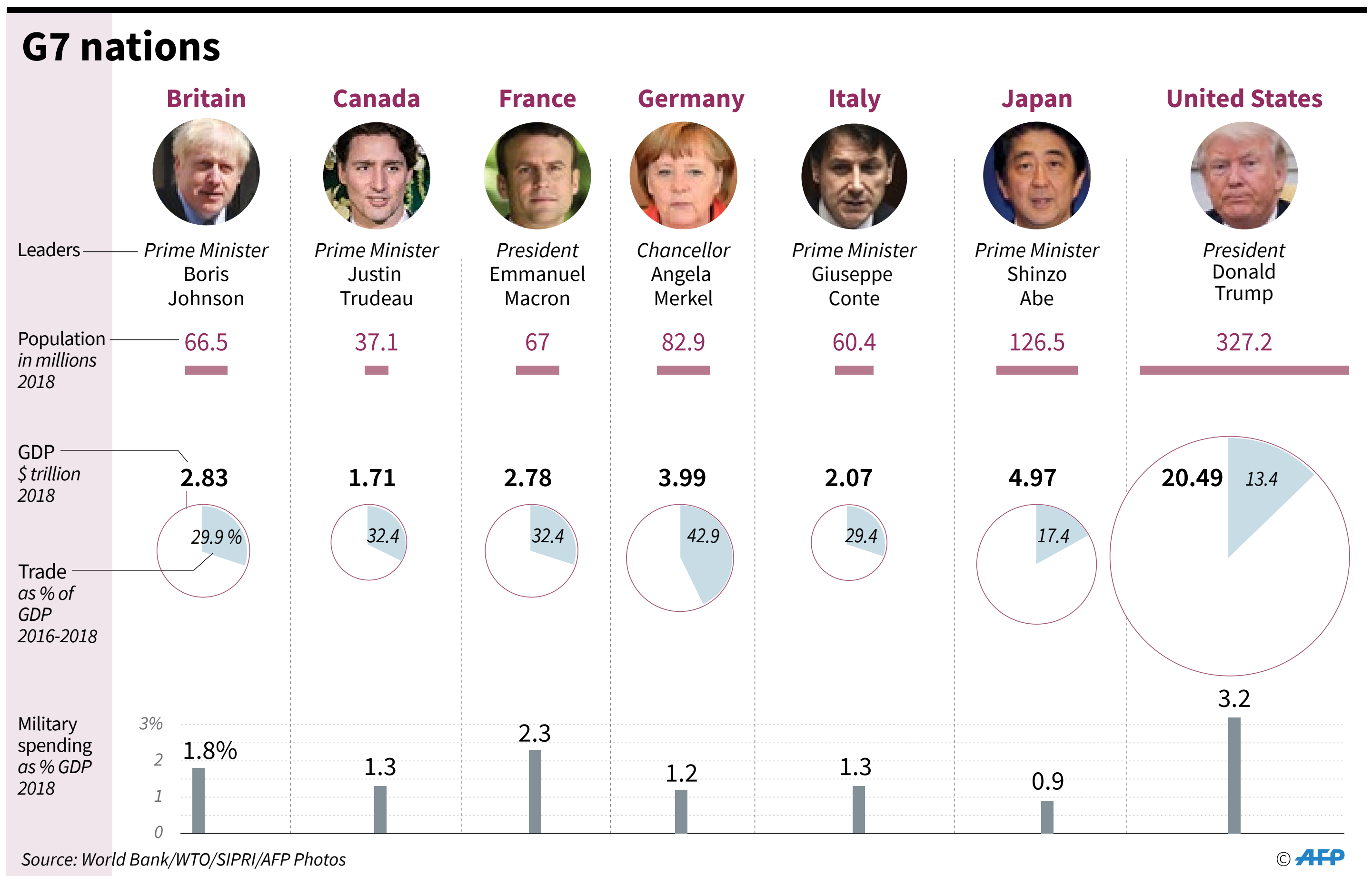


Trade war skepticism

"Survey respondents indicate that the expansion will be extended by the shift in monetary policy," said NABE president Constance Hunter, who is chief economist at KPMG.

Only two percent of the 226 respondents now see a recession this year, compared to 10 percent in February's survey, NABE said.

However, "the panel is split regarding whether the downturn will hit in 2020 or 2021," Hunter said in a summary of the survey, which showed 38 percent expect a contraction of growth next year, while 34 percent don't see it until the following year.

More economists shifted their recession prediction to 2021, narrowing the gap from the prior report, which had many more expecting the change next year.

The results show 46 percent expect at least one more rate cut this year from the Fed, while about a third see policy holding where it is now, with 2.25 percent as the top end of the policy range.

Economists are skeptical about a resolution to Trump's trade wars, although 64 percent said a "superficial agreement is possible," NABE said.

But that was before Trump announced another round of tariffs of 10 percent on the remaining $300 billion in goods not yet hit by US punitive duties. The new measures will take effect in two stages, on September 1 and December 15.

As Trump continues his vocal campaign criticizing the Fed, the NABE survey found economists are concerned about the impact: 55 percent said his remarks do not influence Fed decisions but do "compromise the public's trust in the central bank."

And over a quarter of respondents said the criticism will "cause the Fed to be more dovish than otherwise, thus threatening its independence."

The survey also asked about fiscal policy, and a majority of economists said Trump's tax cuts "had an overall negative impact on housing activity over the past 18 months," due to changes in deductions allowed for mortgage interest.

China plans to make Shenzhen a 'better place' than Hong Kong

- **Policy document included goals such as transforming Shenzhen's "economic strength and development quality" into one of the best in the world by 2025**

Beijing, China

China's government has unveiled plans to boost the mainland city of Shenzhen and make it into what state media called a "better place" than neighbouring Hong Kong, following another huge pro-democracy rally in the semi-autonomous financial hub.

Weeks of rallies, demonstrations, and occupations have plunged Hong Kong into crisis -- which Beijing is now framing as an opportunity for Shenzhen's development.

Yesterday, state-run media outlined a set of guidelines released by the central Chinese government that aims to turn Shenzhen into a pilot area of "socialism with Chinese characteristics".

Without giving much in the way of specific details, the policy document included goals such as transforming Shenzhen's "economic strength and development quality" into one of the best in the world by 2025.

It also outlined an intention to build greater integration with Hong Kong and Macau.

By 2035, the southern Chinese city will "lead the world" in overall economic competitiveness, the document said.

But Hong Kong is at risk of falling behind, hinted the nationalist state-run Global Times, citing experts.

"If Hong Kong is still not ready to embrace opportunities to join the country's development... the city's development would be 'very limited in the future while Shenzhen is running at a much faster speed'," said Tian Feilong, a professor at Beihang University, speaking to the Global Times.

Shenzhen's gross domestic product (GDP) was behind that of Hong Kong in 2018, according to end-of-year exchange rates, but grew at a fast 7.6 percent clip year-on-year to 2.4 trillion yuan ($352 billion).

Hong Kong's economy clocked in at 2.8 trillion Hong Kong dollars ($363 billion) in 2018 but at a slower 3 percent growth rate.

Shenzhen's Composite Index, which tracks stocks on China's second exchange, closed up more than 3 percent Monday.

'Cohesiveness of Hong Kong'

Published on Sunday, the timing of the policy document coincided with the eleventh week of demonstrations in Hong Kong -- the biggest challenge to China's rule of the semi-autonomous city since its 1997 handover from Britain.

Initially triggered by opposition to a planned extradition law, the protests have evolved into a wider movement for democratic reforms.

The former British colony of Hong Kong operates under a "one country, two systems" framework, which gives citizens rights unseen on the mainland, such as freedom of speech.

Across the border, Shenzhen sits behind the country's "Great Firewall", which restricts access to news and information, but has risen to become a symbol of the transformative reforms China launched 40 years ago.

The policy document said that individuals who are from Hong Kong and Macau but work and live in Shenzhen would be treated as residents.

The guidelines also support creating a "more open and convenient" entry and exit system at its borders, and allowing foreign permanent residents to launch science and technology enterprises -- potentially trying to encroach on Hong Kong's territory as an easy place for international businesses to be based.

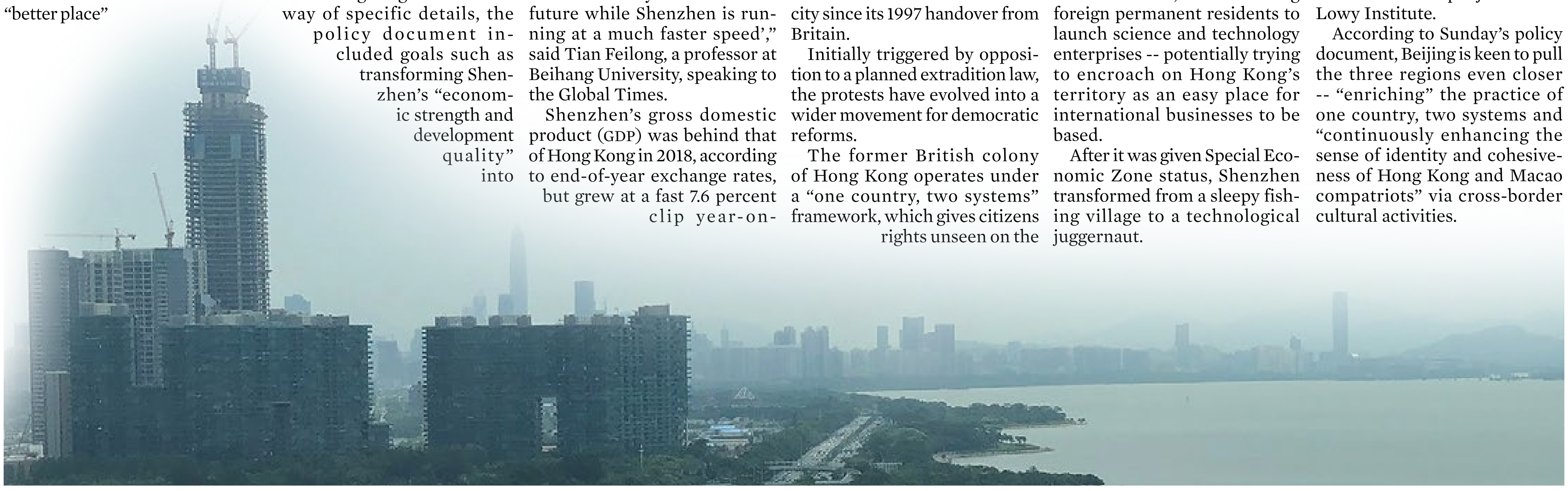
After it was given Special Economic Zone status, Shenzhen transformed from a sleepy fishing village to a technological juggernaut.

The city is already a key part of Beijing's "Greater Bay Area" policy, which plans greater integration between Hong Kong, Macau and mainland Guangdong province, where Shenzhen sits.

However, experts expressed doubt on how easy integration would be.

"Because of the ongoing political crisis, China is increasing inspections at the border between Shenzhen and Hong Kong, and that undermines this grand integration projection," said Ben Bland, director of the Southeast Asia project at the Lowy Institute.

According to Sunday's policy document, Beijing is keen to pull the three regions even closer -- "enriching" the practice of one country, two systems and "continuously enhancing the sense of identity and cohesiveness of Hong Kong and Macao compatriots" via cross-border cultural activities.



Shenzhen, bordering Hong Kong in China's southern Guangdong province