

ACG Minnesota's Monthly Luncheon was held on January 21, 2020 at Windows on Minnesota in the IDS Center, Minneapolis, featuring Benjamin Tal, Deputy Chief Economist at CIBC.

2020 Economic Outlook + Overview

With eager anticipation, ACG Minnesota event attendees looked to Benjamin Tal, Deputy Chief Economist, CIBC, to share insights into the economy and what we can expect in 2020. Tal, highly sought after to comment on and contribute to discussions on everything from labor market dynamics to business economic conditions, often is also the one setting the agenda for these discussions.

Tal is a charming economist with an appreciated wit, noting, "The ultimate measure of intelligence is what you do when you don't know what to do." Uncertainty is just part of the job. Tal walked us through the fog and confusion of what the year could hold -- giving us past, present and future insights at a concise higher level. He went deeper on occasion when it was warranted and connected all of the disparate dots.

When is the Recession Coming?

"To what extent might 2020 be a year of convergence?", he prompted before moving into an overview of our current state of expansion. The question always on everyone's mind historically at this point in an expansion, *when is the recession coming?* This expansion looks unique in that it's the longest and weakest (or muted) expansion ever. Spoiler alert, it's unlikely 2020.

Factors in the Economic Outlook

Tal touched on speed limits, demographics, a growing aging workforce, saving vs. consumption, education, trade and more while laying out all of the forces to consider when forming an economic outlook. A few key points included:

- 1.) the significant reduction in the economy's speed limit – meaning the rate of inflation in the past at 4.5% is now more like 2.5-3% if we're lucky
- 2.) the wage mechanism is broken; wages aren't rising
- 3.) education in the U.S. needs an overhaul to break negative association to skilled labor/trades

Diving a bit deeper into the wage wall and education correlation, Tal planted the idea, "The labor market of tomorrow is the most exciting ever. Now, there is a wall protecting this paradise. Some kids will not make it." In contrast to other countries' more advanced view of education, the U.S. education system is not structured to help students thrive in the future, acting as if nothing is happening. In Germany and Sweden, for example, you can get a B.A. in history and minor in plumbing.

The Yield Curve

Moving into the next segment of Tal's share, he presented the yield curve (the inverted yield curve). Historically, it's a solid predictor of recession, especially looking to '95 and '98 where the

Fed cut interest rates based on the yield curve to postpone or prevent a recession. “We need to respect the yield curve. The yield curve should have been today’s presenter, not me,” quipped Tal.

That’s a lot of respect. At this point, Tal turned the conversation to how low interest rates are like being in a relationship. “Early on you cannot breathe and it’s exciting. If you’re not breathing after five years, you have asthma. It’s no good.” This elicited a laugh from the audience, along with many other clever comparisons throughout the economic outlook.

The Fog of Confusion

He then guided us through slides highlighting that one-third of the global bond mortgage rate is negative, the love for the Euro is at an all-time high, and the fog that is currently hovering. He touched on the implications of each, ending by going more in-depth on the trade policy fog that’s creating uncertainty while the current administration holds one-on-one talks, skirting the WTO (World Trade Organization) by allowing our U.S. judge appointees to expire.

Tal rounded out his presentation noting that China is not playing fair and sharing some “He Said. Xi Said.” (Trump and Xi Jinping) commentary. For fun, extra points for audience insights might be offered if anyone can interpret Jinping’s quote, “Jade can be polished by stones from other hills.” However you interpret what’s happening in trade relations, know that it’s the beginning of deglobalization and after the election, we’ll see trade disputes showing up.

Tal closed out the conversation with the reminder that the demise of the wage mechanism explains so much. Importantly, he left us all with an enlightened view of issues and causes and how they’re connected to the economy.

*Thank you to all of our sponsors who make it possible to bring in speakers like Benjamin Tal. ACG Minnesota **Platinum Sponsors:** Allied Executives, Boulay, Bremer Bank, CIBC, Highland Bank, Lathrop GPM, Lurie, Oxbow Industries, Quazar Capital Corporation, Redpath and Company, Tri-Net, Twin Cities Business Magazine and Winthrop & Weinstine; and ACG Minnesota **Gold Sponsors:** Baker Tilly, Ballard Spahr, Bank of America Merrill Lynch, Dorsey, Fredrikson & Byron P.A., Faegre Baker Daniels, Go! Growth Operators, Mid Country Bank, Merrill Corporation, Passkey, Riveron, and Stinson.*