

Economic Predictions: What Lies Ahead?

Here's what the financial forecast may have in store.

Provided by Scott E. Holstein, CPA, PFS, CFP®

It can be easy to overlook the nation's solid economic fundamentals when the financial media splashes stories every day about an army of amateur traders, short-selling mania, and initial public offerings (IPOs) that double in price on the first day of trading.

But a recent survey by The Wall Street Journal showed just how upbeat economists are about 2021.¹

Here's a quick summary of the highlights.

Increased projected economic expansion. Economists now expect the economy to expand by 4.9% this year, an increase from their estimate of 4.3% last month. The forecast has brightened due to the distribution of COVID-19 vaccinations and the prospect of additional fiscal relief.

They are less optimistic about employment. The group sees 4.8 million jobs to be added this year, versus a January 2021 forecast of 5 million. There is an ongoing worry that jobs may take longer to return to certain industries, such as leisure, airlines, and restaurants.²

Brace for higher inflation. They project a 2.8% increase in consumer prices in June 2021 compared with a year earlier.

Decreased chance of an economic downturn. The economists believe there is a 17.5% chance of an economic downturn in the next 12 months, an improvement from the 21.2% risk estimate in January. Vaccines and the prospect for new federal spending are driving the optimism.

While the consensus is upbeat about 2021, it's important to remain vigilant as economic trends unfold this year. An outside force can cause a sudden shift in sentiment, which is why we monitor surveys like the one conducted by The Wall Street Journal.

Keep us in mind as you read information about the economy. We'd welcome the opportunity to hear your thoughts.

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Citations.

1. The Wall Street Journal, February 11, 2021
2. S&P Global Market Intelligence, September 21, 2020