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## Stratas Advisors See GDP Growth in 2020 and 2021

Stratas Advisors

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The outlook for 2020 is brighter after the US and China signed a Phase One trade deal. Several major agencies have revised their GDP expectations higher for the next two years. Stratas Advisors expects global GDP growth of 3.35% in 2020 and 3.45% in 2021.

Much has been written about the new agreement between the US and China, and while the deal is a boon to markets it is not a guarantee of growth – more like a reassurance of stability. China has committed to aggressive purchasing targets, agreeing to buy \$200 billion more US goods and services than in 2017. Markets remain skeptical that China can meet the proposed targets, especially over the long term, as the deal currently only accounts for the next two years.

Both sides are also easing tariffs but not fully removing them, which means consumers and businesses will continue to pay higher prices. While the deal has its limitations, it should result in increased confidence. The deal formalizes the complaint process and withdrawal process if needed, thus adding a modicum of predictability to the US's trade strategy. This predictability, combined with increased activity, should help support global growth in the latter half of the year.

Economic indicators continue to urge caution in many OECD countries, but a trade deal between the US and China, combined with recent indicators, gives reason for cautious optimism. We remain particularly cognizant of data around wages, employment, and general consumer confidence, as these were the primary support for economic growth in many areas in 2019.

Emerging markets will struggle to maintain robust growth over the next two years. In Latin America, economies remain vulnerable to climate shocks and commodity price gyrations. Additionally, high public debt, chronic unemployment and limited access to international financing are all hindering government-led reform efforts.