Trade and Macroeconomic Outlook

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Ohio Top Farmers 2021 Annual Meeting
February 27, 2021
U.S. Agricultural Trade

WASDE Annual Export Forecast
2019: $135.5 billion
2020: $136.0 billion
2021: $152.0 billion

Source: USDA/ERS February 27, 2021
U.S.-China Phase 1 Trade Deal

U.S. Exports of All Goods Covered by Phase 1 Deal

2020 Commitment: $159 billion
Actual Exports: $94 billion

-41%

Source: Bown (February 8, 2021)
Actual Exports: $27.3 billion
2020 Commitment: $33.4 billion
-18%

Source: Bown (February 8, 2021)
Future of U.S. Trade Policy?

- House Ways and Means trade lawyer Katherine Tai nominated as new U.S. Trade Representative
- Current tariffs and Phase 1 Deal with China being reviewed by Biden administration
- Likely coalition will be sought with allies to reset/reform WTO trade rules and isolate China
- End “trade war” with EU, and seek to resolve Boeing-Airbus export subsidy dispute
- Unlikely to see U.S. in new FTA negotiations anytime soon – might revisit TPP in future?
Global Trade Projections

Index: 2011:Q1 = 100

Trade Volume:
Optimistic and Pessimistic scenarios

Source: WTO (October 2020)
GDP Projections

A. World GDP
Index 2019Q4 = 100

B. GDP growth by region
Change from baseline, %pts

Source: OECD (December 2020)
Monetary Policy

A. Change in policy interest rates

B. Central bank total assets

- little “wiggle” room on interest rates
- focus on asset purchases

Source: OECD (December 2020)
A. General government budget balance

In percentage of GDP

Source: OECD (December 2020)
Inflation Outlook

- Oil price rises partly due to expectations about demand, but also supply constraints.
- Chinese demand has boosted price of battery metals, but also supply constraints due to pandemic.

**Gaining purchase**

<table>
<thead>
<tr>
<th>Consumer prices, % change on a year earlier</th>
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<tbody>
<tr>
<td>United States</td>
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<tr>
<td>Euro area</td>
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<td>Japan</td>
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**Inflation expectations, five-year swap rate, %**

<table>
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<tr>
<th>United States</th>
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<td>Euro area</td>
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<td>Japan</td>
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**All charged up**

<table>
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<th>Price of metals used in electric vehicles</th>
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<td>January 3rd 2020=100</td>
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<table>
<thead>
<tr>
<th>Neodymium oxide*</th>
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<tbody>
<tr>
<td>Praseodymium oxide*</td>
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<tr>
<td>Cobalt</td>
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<tr>
<td>Nickel</td>
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<tr>
<td>Copper</td>
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<td>Lithium</td>
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**Brent crude oil price, $ per barrel**

<table>
<thead>
<tr>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td>0</td>
<td>0</td>
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<tr>
<td>20</td>
<td>40</td>
</tr>
<tr>
<td>60</td>
<td>80</td>
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Sources: Refinitiv Datastream; Bloomberg

*Estimate

Sources: CRU Group; Bloomberg

*Rare-earth metals
“Inflategate”? 

- Concern US economy will overheat with Biden stimulus and widespread vaccine application 
- Expectation prices will rise on average by 2.3% over next five years – and steepening yield curve 
- Federal Reserve’s current policy of allowing inflation to overshoot 2% target does not allow for large or persistent overshoot 
- As prices rise faster, there could be rapid “catch up” in interest rates 
- Higher US rates would drive up dollar, increasing capital outflows from emerging economies