

Trade and Macroeconomic Outlook

Ian Sheldon

sheldon.1@osu.edu

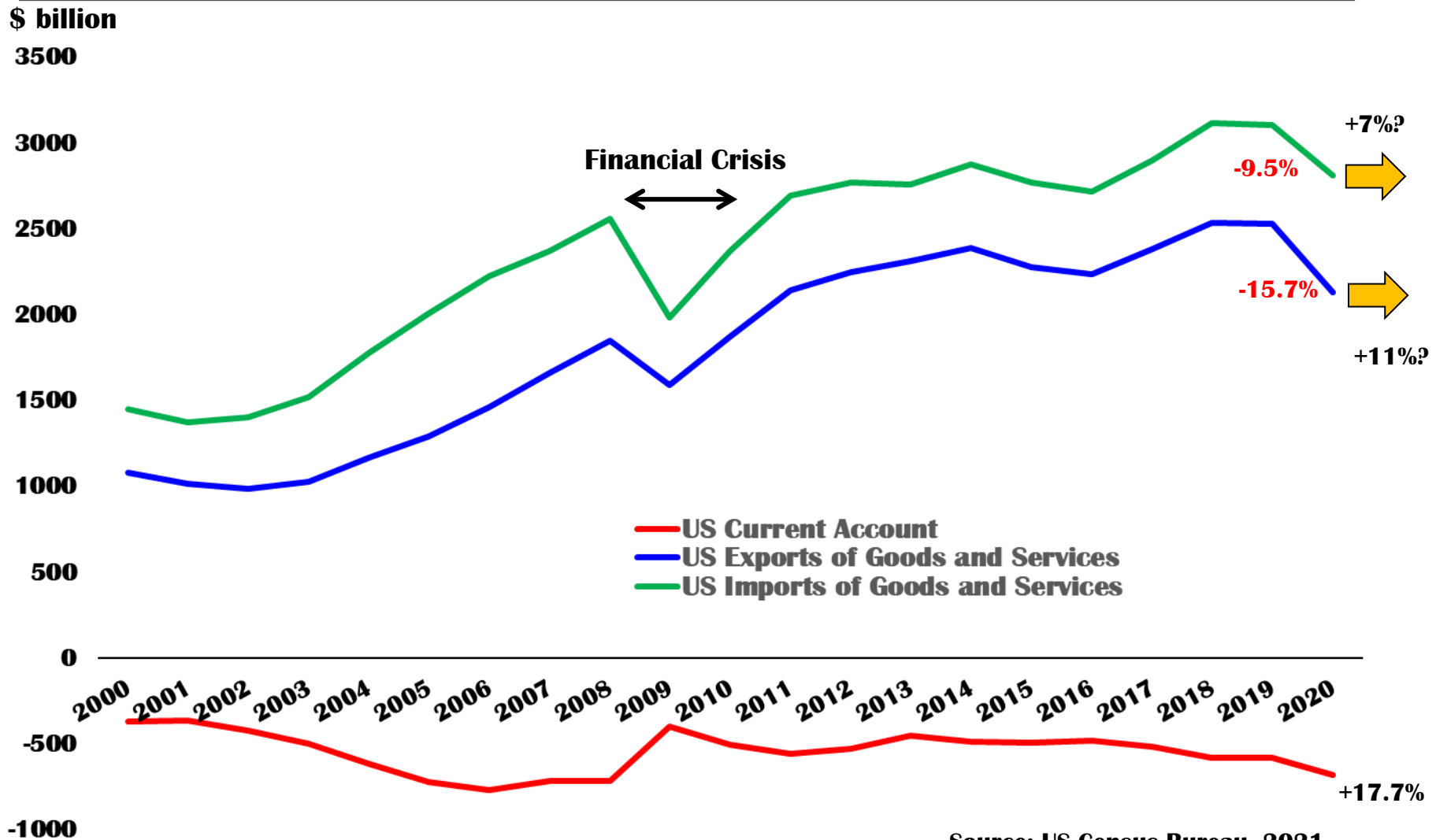
<https://aede.osu.edu/research/andersons-program>

**Ohio Top Farmers 2021 Annual Meeting
February 27, 2021**



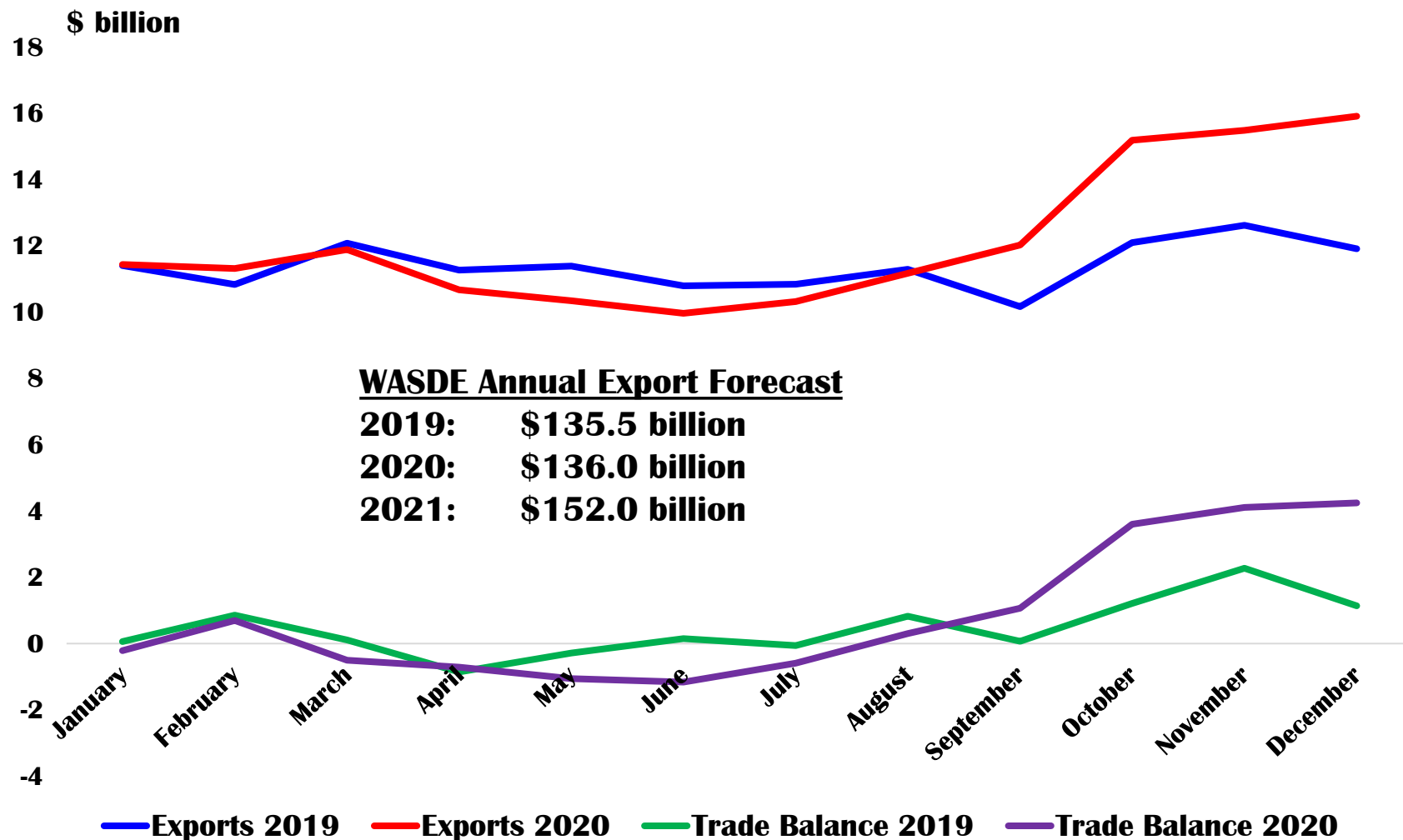
THE OHIO STATE UNIVERSITY
COLLEGE OF FOOD, AGRICULTURAL,
AND ENVIRONMENTAL SCIENCES

U.S. Trade and Pandemic



Source: US Census Bureau, 2021

U.S. Agricultural Trade

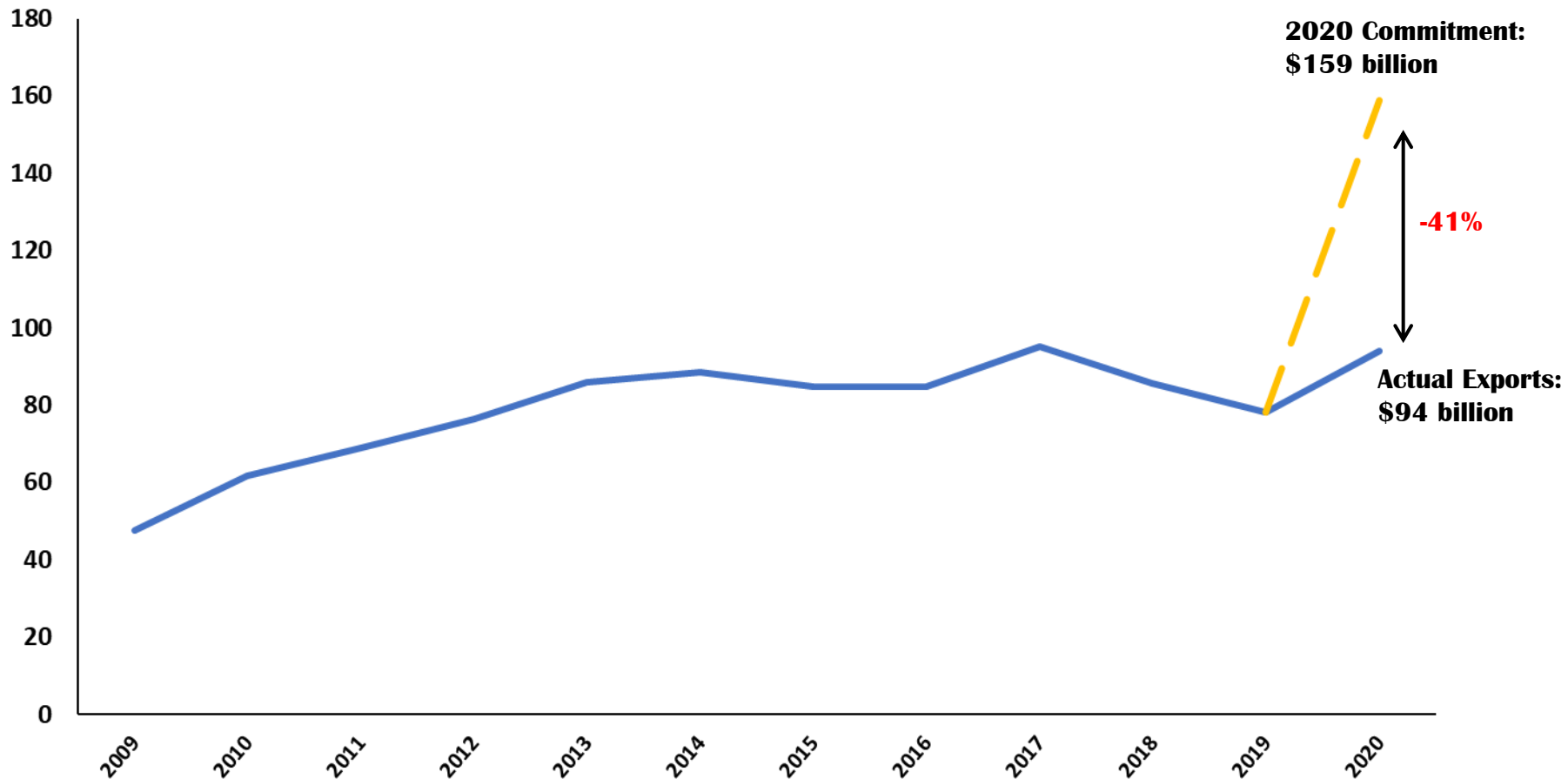


Source: USDA/ERS February 27, 2021

U.S.-China Phase 1 Trade Deal

\$ billion

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

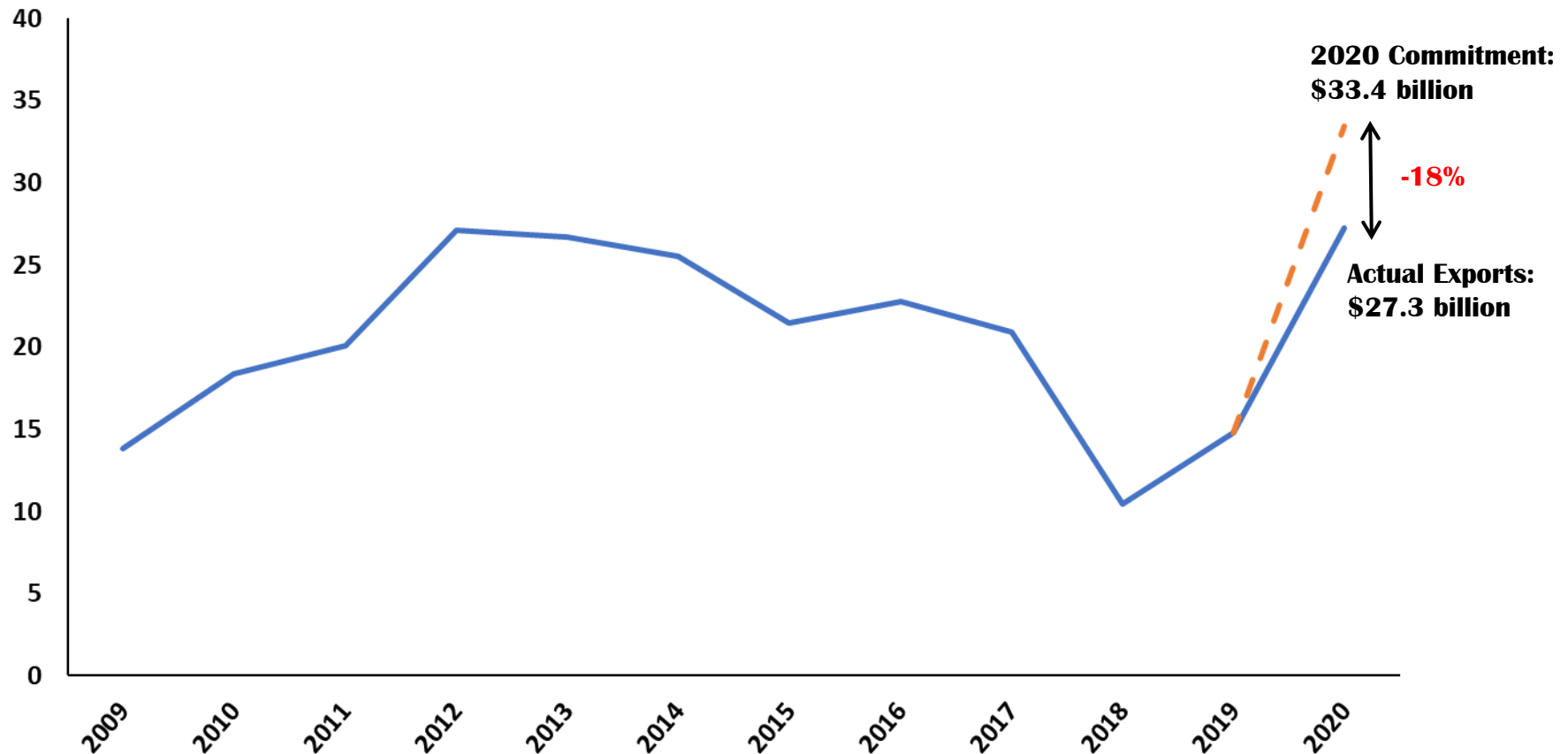


Source: Bown (February 8, 2021)

U.S.-China Phase 1 Trade Deal

\$ billion

U.S. Agricultural Exports Covered by Phase 1 Deal

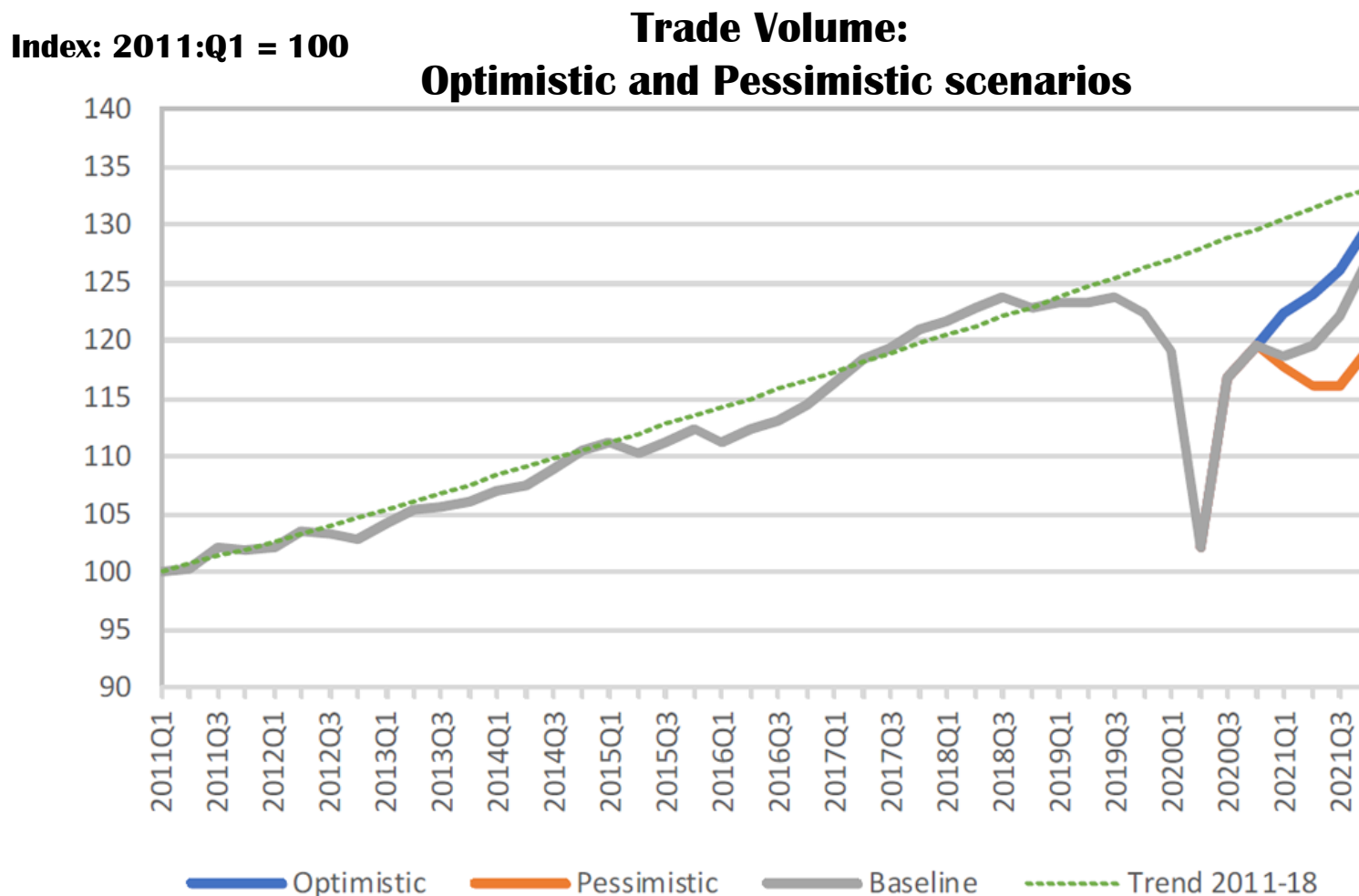


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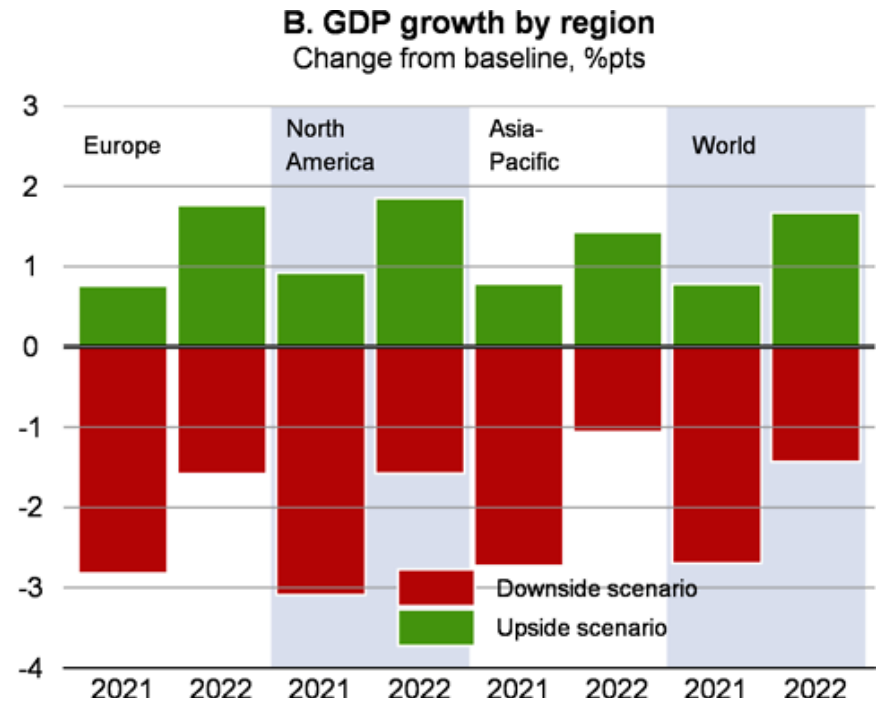
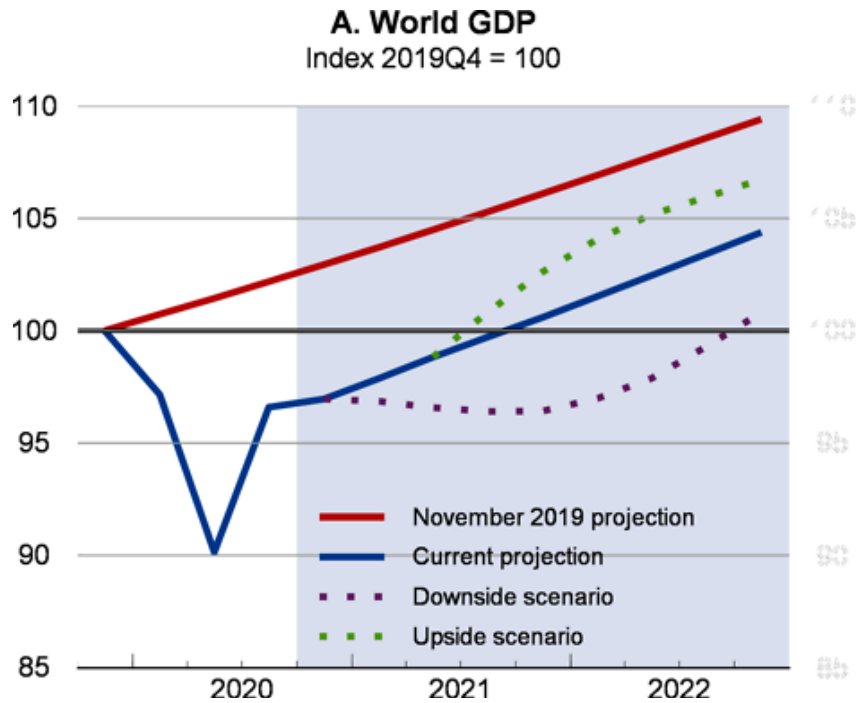
Future of U.S. Trade Policy?

- ◆ **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



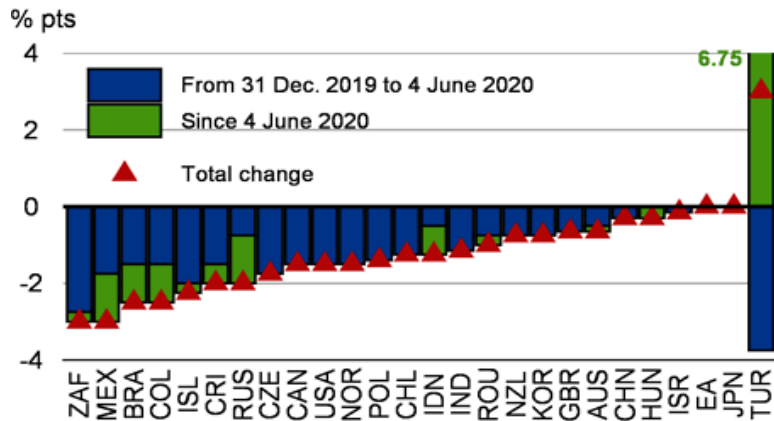
GDP Projections



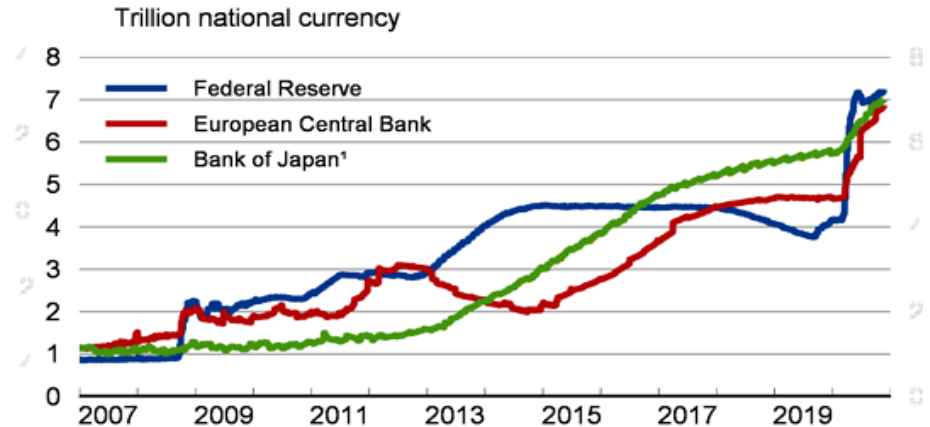
Source: OECD (December 2020)

Monetary Policy

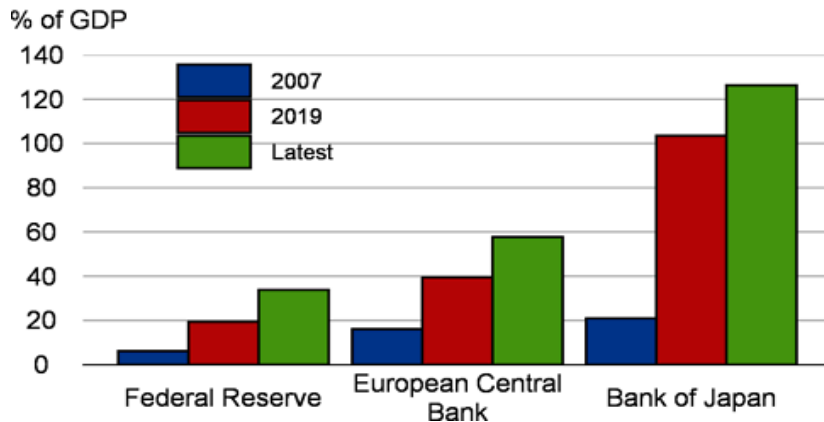
A. Change in policy interest rates



B. Central bank total assets



C. Central bank total assets²

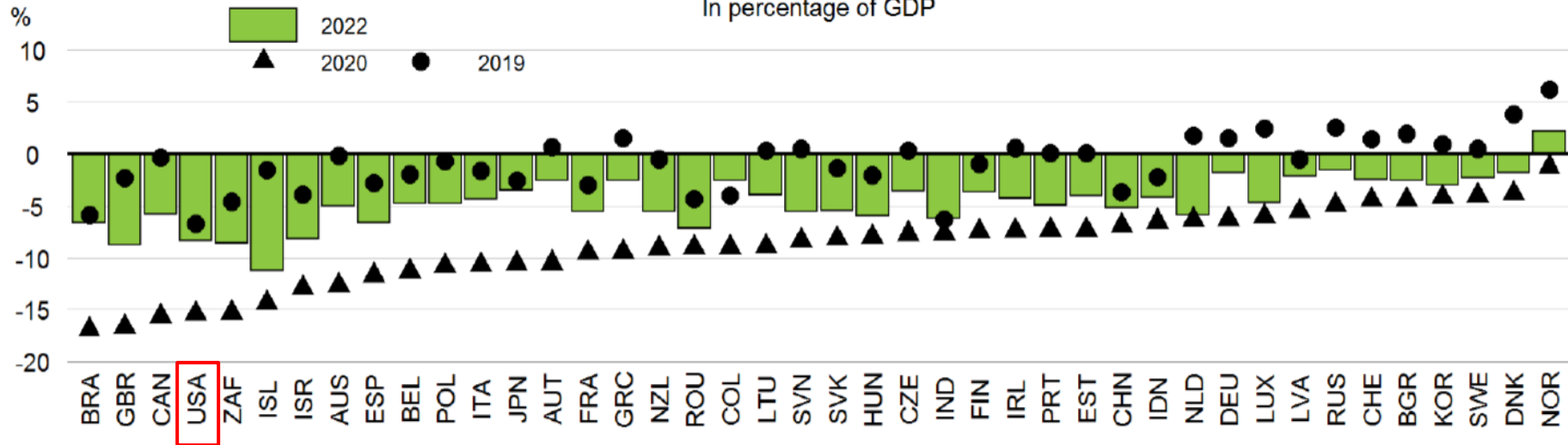


- little “wiggle” room on interest rates
- focus on asset purchases

Source: OECD (December 2020)

Fiscal Policy

A. General government budget balance
In percentage of GDP

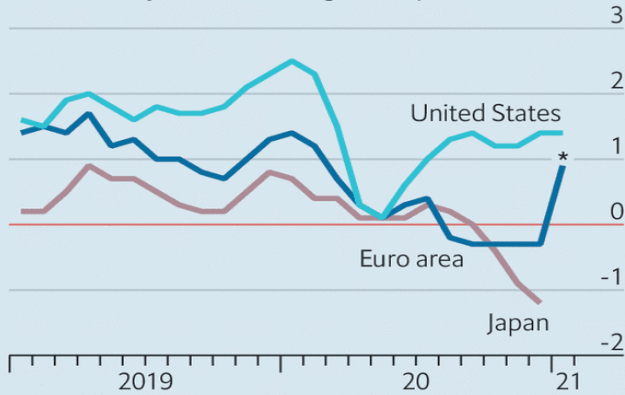


Source: OECD (December 2020)

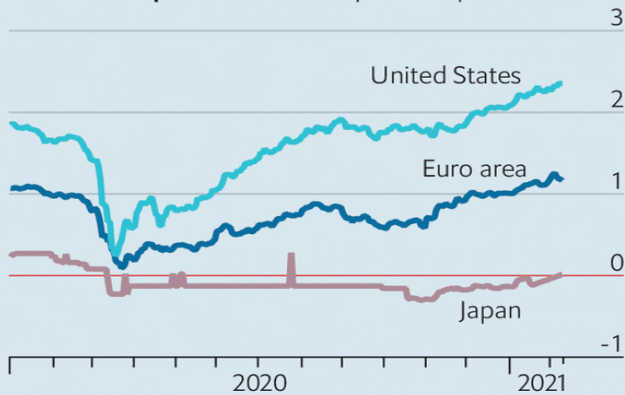
Inflation Outlook

Gaining purchase

Consumer prices, % change on a year earlier



Inflation expectations, five-year swap rate, %



Sources: Refinitiv Datastream; Bloomberg

*Estimate

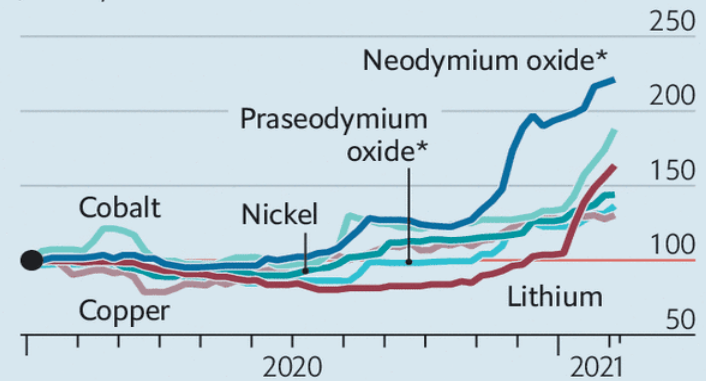
- **Chinese demand has boosted price of battery metals, but also supply constraints due to pandemic**

- **Oil price rises partly due to expectations about demand, but also supply constraints**

All charged up

Price of metals used in electric vehicles

January 3rd 2020=100



Brent crude oil price, \$ per barrel



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**