The Health of the US Economy in 2020: Cynicism, Success or Slowdown?

The health of the U.S. and global economy has been a contentious topic in the past few years, especially with the rise of populism in the U.S. and several other countries around the world. Economists have predicted recessions along with growth, seemingly paradoxical outlooks from a variety of reliable sources. And while the political tensions continue to remain high in the U.S. with sporadic outcomes from unpredictable actions by the U.S. government, it is likely the economy will see a slowdown in the near future rather than a recession.

NACM Economist Chris Kuehl, Ph. D, led the NACM webinar “2020—The Year of Living Dangerously (Economically Speaking)” to address the main concerns and debunk any misconceptions conjured up between the news media, credit managers, salespersons, etc. While Kuehl admitted to the impossibility of clairvoyance—akin to how meteorologists cannot predict the weather with total confidence—economists can still make educated assumptions backed by data and similar patterns throughout history and throughout geographic location.

“We think we know what’s going on, but then we get more data,” Kuehl said. “... And so much of what happens in [the credit world] is really quite local. … In the United States, you’re going to have places that are in recession, you’re going to have places that are booming.”

Each state and each city within the U.S. has its own pulse, something which can be difficult to gage when extending credit to companies nationally. Kuehl explained how the entirety of California’s GDP is on par with that of the U.K.—a region with the “fifth-largest economy in the world,” Kuehl said—whereas a state like Idaho has a GDP similar to that of Myanmar. Understanding the difference in local economies can aid in determining the strength of a credit manager’s customers and how the local economies can plan to move forward.

A variety of surveys and indices have been wavering, but nothing has seen a dramatic drop off. NACM’s Credit Managers’ Index (CMI) remained steady throughout 2019, with the manufacturing and service sectors recovering; dollar collections showing strong numbers has helped to keep the index up. The Purchasing Managers’ Index (PMI) similarly held its own, staying outside of contraction territory.

The overall readings have not increased the past several months, but the mediocrity of the indices reflect that of the overall U.S. economy—all the while reminding creditors there has not been a need to panic.

“If we’re not heading for a recession, what are we heading for? It’s a slowdown,” Kuehl said. “We’re going to be going back to rates of growth that we have averaged—really over the last 20 to 25 years—around 2%. This is not bad growth, it is just kind of mediocre, unforgiving growth.”

The slowdown in the U.S. will likely be further punctuated with the 2020 election. Consumers lead the economy more than business-to-business organizations do, and if consumers slow down, so does the economy. After the 2016 election and the continuing tensions building and erupting, the next election cycle may hit the consumer.

“The consumer is the God, they run everything. … There’s a reason why the economy has skated through some of these more crisis situations,” Kuehl said. “... Something we know about a political year is that it depresses consumers. Consumers hear nothing but gloom and doom from both parties for a year. … And the consumer ends up becoming depressed and slowing things down."

—Christie Citranglo, NACM editorial associate