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United States

We have used this space repeatedly over the past several years to criticize Federal Reserve policy and the significant impacts that it is having on the U.S. economy.

To review a [speech by Fed Chair](#) Jerome Powell in early March, the Fed undertook extraordinary policy interventions during the financial crisis. These interventions were intended to be temporary responses to crisis conditions. The responses have long-term negative consequences for the economy, which are known. While the Fed's own internal logic argues for unwinding IOR, selling off the Fed's balance sheet and returning to a normal short term interest rate regime, we are now going to make these policies permanent. We will simply live with the negative economic consequences that they produce.

The outlook for the U.S. economy is thus diminished.

As detailed in the forecast, the outlook for the U.S. is anemic. Using quarterly annualized growth rates, our next five quarter forecast average is 2.5 percent.

Two percent growth is likely here to stay, despite historic reforms to the corporate tax system and the benefits that continue to flow from them. Even more worrisome is the outlook when an outside shock next pushes the economy over into recession. We can't imagine what the Federal Reserve's response will be, given that the Fed will still be mired in the crisis-era responses of the previous downturn. Unfortunately, the Federal Reserve doesn't know what its response will be either.

California

The 2018 population "July 1" data from the U.S Bureau of Census released in December indicated yet another drop in the state's population growth rate. Our forecast, also published in December, was for 0.54 percent growth. The actual number was 0.40 percent. Our December 2018 net domestic migration forecast was negative 141 thousand. The actual ended up being negative 156 thousand.

CERF economists take the implications of negative net domestic migration seriously. It is a result of underlying economic weakness, but this is not all, it is also a harbinger of future economic weakness. Ultimately, sustained population outflows will feed over into further weakening the economy. And, California's net domestic population flows have been negative for more than a quarter of a century now.

Our forecast for the state has California's 2019 and 2020 GDP growth premium staying roughly similar to 2018, while the state's 2019 and 2020 jobs premium narrows a bit in each year.