



Economic Update: Economies in Transition

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Inside this Issue...

Global economies in transition.....	1
Monetary and fiscal policies	2
Energy markets.....	3
Consumer spending and the housing markets	5
Unemployment and labor force participation	6
U.S. agricultural commodity markets	6
Concluding remarks.....	7

Key Points:

- **The global economy remains generally weak as the U.S., Europe, China, and other emerging countries realign their economies to the new economic and geopolitical realities.**
- **Lack of access to Iranian oil has reduced world petroleum supplies though some of its oil is being diverted to countries not participating in the embargo. The geopolitical risks in such a strategic region have added significant market uncertainty.**
- **While oil prices remain high, natural gas prices have declined dramatically, in response to the increased supplies of natural gas and acknowledged potential of shale oil and gas discoveries.**
- **U.S. economic growth will likely remain subdued for the foreseeable future, due to elevated levels of private, federal and state debt, high oil prices, declining home values, lackluster job growth and a lack of political commitment to address the underlying fiscal ills.**
- **Fiscal policies pose a major risk for the U.S. economy. Federal budget deficits continue to exceed \$1 trillion per year, and the total federal debt exceeds 100 percent of gross domestic product.**
- **Housing starts continue to languish, owing to the ongoing decline in housing values, the overhang of foreclosures, and the large inventory of unsold existing homes. However, we are beginning to see some signs of a recovery.**
- **Agriculture should continue its strong performance in 2012 as potentially record grain harvests should support returns and improve profitability in the protein and dairy sectors.**
- **The U.S. EIA has projected that U.S. electricity demand over the next 20 years will increase 23 percent as annual growth rates slow. However, the regional differences in demand will likely widen over this period.**

Global economies in transition

The major global economies are now undergoing significant economic transitions. The U.S., Europe and China are in the process of realigning their economies to the new economic and geopolitical realities. This process will mean major structural shifts over the next few years, and the magnitude and pace of these transitions will drive U.S. and global economic potential.

CoBank recently broadcast the third of its semiannual webinar series that provides its electric and water utility customers with an update on the global and U.S. economies. Dr. Terry Barr, CoBank's Senior Director of Knowledge Exchange, prepared the presentation; and the attached report is a summary of his remarks.