

## Longest Recovery Ever

**Brian S. Wesbury** – *Chief Economist*  
**Robert Stein, CFA** – *Dep. Chief Economist*  
**Strider Elass** – *Economist*

If the current economic expansion lasts another year and a half, it'll be the longest on record, even surpassing the expansion of the 1990s that ended in early 2001.

Notice how we didn't say it'll be the "best" expansion of all-time, just the longest; it's not the best by a long shot. From the recession bottom to the expansion peak, real GDP expanded 39% in the 1980s and 43% in the 1990s. So far, eight years in, this one is only up 19%. That's why we've been calling it the Plow Horse Economy.

Still, the length of the current expansion is pretty remarkable given how doubtful most were that it would even get started back in 2009, as well as all the predictions since then that it would end in spectacular fashion during the past eight years.

And we think the odds of going at least another 18 months are very high. Nowhere do we see the kinds of policy shifts or imbalances that could curtail economic growth enough to throw us back in recession.

In terms of policies, tight monetary policy, a major shift toward protectionism, or large tax hikes could all hurt growth.

In the past, tight money has usually been the key factor behind recessions. But, for now, short-term interest rates are about 125 basis points below the yield on the 10-year Treasury, roughly 200 basis points below the growth trend in nominal GDP (real GDP

growth plus inflation), and the banking system remains stuffed with excess reserves.

Yes, President Trump has talked tough on some trade issues, but has yet to follow through in any major way compared to previous presidents. Meanwhile, geopolitical issues regarding North Korea may limit his ability to antagonize China with the sort of protectionist policies he suggested during the presidential campaign.

As far as tax hikes go, recent tax proposals would cut key marginal tax rates, not raise them.

In other words, public policy isn't going to be the source of recession anytime soon.

Meanwhile, home builders haven't overbuilt, consumer financial obligations are still hovering near the lowest share of income since the early 1980s, and bank capital ratios are substantially higher than before the financial crisis. Moreover, market-to-market accounting rules were tamed so that there's less likely to be a sudden drop in monetary velocity.

Will there be another recession? Certainly! It's just very unlikely to start any time before Spring 2019, which means the current expansion looks set to become the longest on record. And if Congress and the President get their acts together and find a way to pass tax cuts or tax reform (or both!), that should postpone the next recession even further into the future.

Just another reason why equity investors have good reason to remain bullish.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
10-12 / 7:30 am	Initial Claims – Oct 7	252K	<b>250K</b>		260K
7:30 am	PPI – Sep	+0.4%	<b>+0.4%</b>		+0.2%
7:30 am	“Core” PPI – Sep	+0.2%	<b>+0.2%</b>		+0.1%
10-13 / 7:30 am	CPI – Sep	+0.6%	<b>+0.7%</b>		+0.4%
7:30 am	“Core” CPI – Sep	+0.2%	<b>+0.1%</b>		+0.2%
7:30 am	Retail Sales – Sep	+1.6%	<b>+1.6%</b>		-0.2%
7:30 am	Retail Sales Ex-Auto – Sep	+0.9%	<b>+0.8%</b>		+0.2%
9:00 am	Business Inventories – Aug	+0.6%	<b>+0.7%</b>		+0.2%
9:00 am	U. Mich Consumer Sentiment- Oct	95.0	<b>95.6</b>		95.1