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"Normal" and "Normalization" for the U.S. and the Global Business Cycle—Better Times Ahead!

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"Normal" and "Normalization" for the U.S. and the Global Business Cycle—Better Times Ahead!

by Allen Sinai [*]

U.S. Economy in "Normal" Expansion—Not Yet the Global Economy, But Better Times Coming

After nearly seven years of recessions, financial crises, subpar and extremely weak economic activity—*the U.S. business cycle has normalized. Pronounced and Normal Expansion is in-place!*[1]

This is good news for the Global Economy, which has *not* yet normalized, particularly Europe, Japan, and Developing Countries such as Russia and Brazil. *Once again, as has been the case throughout much of history, the U.S. has become the engine of growth for the rest-of-the-world.*

Lagging behind a pronounced U.S. pickup is Europe, Japan and China, parts of Asia, and some Developing Countries. Quite low inflation has been a consequence in many countries, along with continuing high unemployment. *For net oil and energy-consuming economies* the "Black Swan-Like" plummeting of crude oil prices over the past half-year should raise economic growth and lower price inflation further; *for net oil-supplying countries*, sharp declines in economic activity can be expected on the huge drop in crude oil and energy prices with downward pressure on inflation and negative financial effects that could bring a collapse, or near-collapse, for some Developing Countries.

The huge declines in crude oil prices, a result of more supply than demand and the geopolitics surrounding one of the world's greatest prizes, oil, is an odd event, a "Tail Risk," nonlinear in its effects, and can be expected to produce extraordinary volatility in asset prices as well as troubles for major oil suppliers and the companies that do business with them. The essentially deflationary tax cut of lower oil and energy costs should lift real disposable income and consumption in the U.S. and throughout the world, ultimately more-than-offsetting the early negative effects, cutbacks, and uncertainties from the biggest supply shock to crude oil prices since the 1970s.[2]

Better times lie ahead in 2015 and 2016 as a strong, and possibly boomy, U.S. economy spreads its effects globally and continuing aggressively easy monetary

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[1] See "Macroeconomic Policies in an Aberrant Business Cycle," DE *Economic Studies Series #74,* March 6, 2013 and "Economic Policy and the Economic Outlook: Help or Hindrance?" DE *Economic Outlook and Issues,* November 25, 2013, presented at the 61st Annual Economic Outlook Conference, University of Michigan, published in The Economic Outlook for 2014 Proceedings, November 21-22, 2014, pp. 126-160, for discussion of why the U.S. economic upturn was so anemic, futility of the fiscal policy stimulus that was used, but how monetary policy and Quantitative Easing (QE) actually did work.

[2] Crude oil prices tripled between 1973 and 1975, then more-than-doubled over 1979-80. The only other supply-driven crude oil price change, up-or-down, that has been bigger than the latest one since last June 20 occurred over 1985-1988, but only by a little bit more. The speed of the current declines has been much greater.

policies in Japan, the Eurozone and, to some extent, China, work through asset price channels to lift real economic activity to a sustainably higher. Despite some deflationary and recessionary effects for certain countries from the declines in oil and energy prices, and for companies and the Energy Sector, the long-term net effect on the U.S. and Global economies should be positive.

The "Oil Shock"—Positive or Negative?

One of the biggest crude oil price shocks ever has occurred since last June, with $60 per barrel-and-up reductions in crude oil prices from previous peaks.

This nearly 60% decline in crude oil prices represents a huge shock to the Global Economy, setting up reductions in oil prices, various energy costs, the prices of derivative products and services that directly, or indirectly, use oil and will lower costs and price inflation. Numerous prices—commodity, final product, services—will feel the effects of lower oil and energy costs and their inflation decline as a result.

Lower price inflation will increase purchasing power, raising consumption and real economic growth, more where gasoline and energy costs are a larger portion of spending, less where not. Business costs will be lower, stimulative to profits, and raise business spending. The large declines in crude oil prices will open up the possibility of nonlinear surprises in numerous directions because of the numerous effects that crude oil prices have on inflation, production, and demand.

Decision Economics, Inc. (DE) judges that the declines in crude oil prices; while not settling yet at a new equilibrium level, will be "permanent," not "temporary" and more of a "supply-side" shock than "demand-side."

As such, the declines are assumed to last at least six months and very likely a lot longer. The geopolitical dimensions of the tumbling crude oil prices mean that *OPEC Cartel as previously known is over—it is history*. An oligopolistic global crude oil industry structure is emerging, to be dominated by Saudi Arabia, Russia and the United States. *The OPEC Cartel is no more!*

The deflationary and economic effects from lower oil and energy costs are showing up already in gasoline prices, the energy complex of prices, and will reverberate through the production cost chain to final prices which have energy-related costs in them.

The notion that the declines in crude oil prices are permanent makes stems from the DE assessment of demand-supply conditions surrounding the global oil market and the geopolitics of crude oil supplies, now dominated by three producers—Russia, Saudi Arabia and the U.S.—with a lot of other countries, particularly OPEC, shrinking in size relative to supplies in the world crude oil market.

Simply put, it is expected that the weak demands of the Developing Countries, including China, and of Europe will stay well behind the increased or maintained supplies coming from Russia, Saudi Arabia and the United States. The global oil sector is evolving into an oligopolistic structure, dominated by three large sellers who can set prices because collectively their share of the oil market will dominate.

The initial assumption and forecast for the path of crude oil prices is approximately $60/barrel; not far above the recent running rate of $45 to $50 per barrel. *This is very uncertain and considerable volatility is likely—crude oil prices could swing as low as $20/barrel to as high as $80/barrel but, on average, will be permanently lower.*

The macroeconomic effects of such a decline in crude oil prices should be stronger real economic growth, lower unemployment, and lower price inflation for net oil-consuming countries and the opposite for net oil-suppliers, depending upon how big a factor oil and energy are in the economy.

Initially, such large declines in crude oil prices could prove devastating for major oil producers such as Russia and Venezuela, very damaging to Iraq and Iran, Mexico, Canada, and injurious to Saudi Arabia, Kuwait and energy producers in the United States. The energy sectors in those economies will fall into recession or depression, or suffer badly, with all of the attendant effects and consequences.

Collectively, the aggregate size of the main oil suppliers is much smaller in the world economy than net beneficiaries. But, depending upon the speed of cutting back by companies, industries, sectors and countries damaged by lower crude oil prices, the initial economic effects may be more negative than positive.

Longer-run, permanently lower crude oil price declines will benefit greatly much of the industrialized world. A shift in wealth over the longer-run can be expected, favoring the United States.

The effects on growth, employment, and price inflation add to the growth prospects for countries like the United States, Japan, China, Asia generally, Germany, most of Europe, and much of Latin America.

Countries principally damaged by the huge declines in crude oil prices include Russia (10.3 mbd of production), Saudi Arabia (9.7 mbd) and the United States (about 9 mbd with approximately one-third due to shale oil production). Other countries whose economies are likely to be damaged include Mexico, Canada, Venezuela, Nigeria, Qatar and Kuwait. Countries and regions close to these in trade will feel the effects. Debt issues likely will arise, especially also where currencies are declining against the U.S. dollar. Norway, a big oil producer, and even the U.K. on North Sea oil, also will be hurt. In the United States, Texas, Oklahoma, North Dakota, Louisiana and a few other states will suffer substantial economic harm as will businesses in those regions.

Generally, consumer-based companies should benefit most from the freeing-up of spending from increased real disposable income. Lower price inflation may well keep interest rates lower longer, helping the Housing and Construction industries in the U.S.. The Airline Transport industry and shippers such as Fedex and UPS also benefit greatly.

Net-net, lower crude oil prices should produce many more "Winners" than "Losers" and higher real economic growth.

For example, in the United States the DE estimate for real GDP growth is now 3.7% in 2015 as opposed to 3.3% without the oil price shock; 3.9% in 2016 compared with 3.7%. The unemployment rate is estimated at 4.9% at the end of 2015 instead of the forecasted 5.1% before the crude oil price shock. S&P500 Operating Earnings should be higher later in 2015 and 2016 but with large shortfalls in the Energy Sector and for companies where energy companies are major customers. Interest rates likely will rise at a slower rate than otherwise would have been the case as the Federal Reserve decides how to "normalize" monetary policy with overall inflation much lower than had been expected.

The "Oil Shock" definitely is positive for the U.S., especially over the longer-term, and for the Global Economy as well.

U.S. Economy Lift Off a Positive "External Shock" for the Rest-of-the-World

The U.S. economy pickup is an "external shock" to the rest-of-the-world, a positive one, and familiar—a "normal" U.S. economic and labor market upturn that, with lags, mainly through exports, trade and financial markets, will lift up export-oriented global economies and stimulate business activity, hiring, then spending, increasing profits and cash flow, and then more hiring in a positive feedback loop, or virtuous cycle, with positive results.

Falling currencies against the U.S. Dollar and relatively so, particularly for the Euro and Yen, will help lift a number of country and global regional exports, except for oil exporters. Exports for many countries are a key to higher growth, although potentially with long lags.

Commodity exporters eventually should be helped but, at the same time, a downwave of lower commodity prices has been damaging the economies of commodity exporters. If the dollar and other strong currencies, like the Swiss franc, loom large in the indebtedness for the economy and for business, credit issues may add to the downward thrust. Aggressively easy monetary policy in Japan and Europe should provide upward impetus from within again with lags, through financial channels and responses to better financial conditions. *The time lags here can be quite long.*

A Perspective

Despite being chronologically old, the U.S. economic upturn is functionally young, set to stimulate economies in the rest-of-the-world. *All things considered, the best of the U.S. and Global economic expansions is yet-to-come.*

Forecast Issues, Risks, and Themes

The DE Basic Prospect for the U.S. and Global Economies is surrounded by a number of important questions. Macro Risks, near- and long-term, are notable. A number of themes, economic and investment, emerge.

Some Questions on the U.S. and Global Economies and Financial Markets—and Some Answers

– *Is the acceleration of the U.S. economy sustainable?*

A. *Yes*, the U.S. economy is now expanding at a relatively rapid pace, with real GDP growth likely in a 3%-to-4% range this year and even higher in 2016. The reason is the American consumer, where the fundamentals of jobs and income, sentiment, household financial conditions, and easier credit are increasingly supportive for an acceleration in the pace of consumption to the highest rate in eight years.

U.S. exports likely will weaken on a strong dollar and economic weakness abroad, but are relatively small compared with aggregate consumption, which is 68% of U.S. real GDP.

– *How strong and how much longer will be the U.S. expansion?*

A. *Although chronologically old, the U.S. economic expansion appears functionally young*. Financial conditions are excellent across-the-board for all sectors—households, nonfarm financial corporations, financial institutions, state and local governments, and even the federal government. There is plenty of financial power to support increased spending and the pent-up demands after so long a period of depressed real spending. The U.S. Expansion can last another two-to-four years, perhaps more.

– *What are the prospects for the rest-of-the-world?*

A. *Not so bright for much of 2015 but better later this year and in 2016.*

The Japanese economy this year should make the turn from weakness to some strength. China's economic growth is bottoming-out and should turn up by 2016. And, the Eurozone and European economies can pick up modestly, then moreso in 2016.

– *Which countries and global regions will be most helped by the U.S. upturn?*

A. *Canada and Mexico benefit from a strong U.S. upturn because the U.S. is their biggest export end market; so does Europe, China and Japan,* particularly from increased spending by the American consumer. The mechanisms are these countries' exports and increased spending domestically by multinational U.S. corporations.

– *Will "Normalization" of Federal Reserve monetary policy hurt the economic upturn?*

A. With the U.S. economy getting closer to full employment, "Normalization" for the Federal Reserve now centers on raising short-term interest rates back toward levels consistent with a "Normal" Expansion.

This means a likely increase in the key central bank policy rate, the federal funds rate, by midyear, with periodic increases subsequently, *but not at every Federal Reserve Meeting*. The federal funds rate is forecasted at 1% by end-2015, then gradually increasing to 2% by the end of 2016.

These increases, while at the time of implementation probably destabilizing to financial markets, should not materially interfere with the positive growth impulse that now characterizes the U.S. economic expansion.

The increases, especially with short-term interest rates still at zero in Japan and Europe, should be supportive to the U.S. Dollar uptrend that is well in-train.

– *Is the "Black Swan-Like" collapse in crude oil prices net positive or negative?* Effects on the U.S. and world economies—growth, inflation and unemployment? On monetary policy?

  A. *Longer-run, net, the collapse in crude oil prices is a huge plus for the U.S. and Global economies*. The reason is that there are many more "Winners" than "Losers" from lower oil and energy costs and the lower prices that derive from them. The losers are on the supply-side of crude oil and energy production.

  Consumers around-the-world will benefit from the increase in real disposable income. Businesses benefit from lower energy costs, for some a significant cost-of-production. Lower inflation suggests a lower path for interest rates, particularly longer-term interest rates. Interest rate sensitive areas of spending are supported and refinancing at lower interest costs by households and businesses should free up funds for more spending and saving.

  Global economic growth in 2015 should be 0.2-to-0.5 percentage points higher than otherwise; inflation 0.2-to-0.3 percentage points lower; jobs, net, improved; and unemployment rates lower in most countries. *On lower price inflation, central bank monetary policies can be easier for longer.*

  Substantial negative effects are occurring, and will occur, for the oil-supplying countries, regions, states and companies that derive a significant share of revenues from energy and energy-related businesses.

– *Has, and will, Quantitative Easing (QE) worked/work, an especially important question now that QE is coming soon from the European Central Bank (ECB)?*

  A. *QE has worked, although taking a long time, wherever it has been implemented, especially if tied to an economic or inflation objective.* This has been true in the U.K. where additions to the balance sheet continue even now. It is also true for the United States where, after several finite and time-dated QEs had limited impact, the "Open-Ended" QE instituted in September 2012 finally did work. *The current U.S. economic performance provides the evidence of success.*

DE believes that QE is working in Japan. But, lags are long between increases in the balance sheet assets that maintain lower interest rates, changing asset prices—interest rates, the currency, stock markets—and the linkages, that is the channels between changes in asset prices and the real economy.

Depending upon conditions in the economic and financial system of a particular country, the positive effects of QE on the economy occur no sooner than one year and as much as three or even four years after implementation. *QE has, will, and does work, but only if a central bank keeps at it and maintains the QE.*

– *Will the Japanese economy finally recover? The state of "Abenomics?" China prospect? Korean outlook?*

A. *The Japanese economy will certainly recover from the recent two-quarter decline in real GDP*, with the leading edge of eventual improvement showing in the asset price reactions to zero interest rates and increases in the Bank of Japan (BOJ) balance sheet.

Very low interest rates, very large declines in the Yen, and a stronger stock market are the "seeds" of Recovery and Expansion which, with considerable lags, will raise Japanese economic growth into a 1%-to-2% range. Lower oil and energy prices also will provide stimulus. Higher price inflation should follow behind an upturn in the economy, but with long lags. Tight fiscal policy, i.e., the sales tax increase in the second quarter, delayed and deterred an economic upturn from occurring. *Abenomics, at least the macroeconomic policy part, is working but not obviously so because of the long lags in the process.*

The Chinese economy has been drifting lower in growth but with new and increasingly aggressive monetary stimulus from the Peoples Bank of China (PBOC) should produce a bottoming-out in its decline of growth and pick up later this year and in 2016.

The outlook for Korea likewise is positive for later in 2015, 2016, and beyond. A declining Won, stronger economic growth in Japan and China, and more spending from American consumers should raise real economic growth with inflation staying low and relatively low interest rates in support.

– *How far down for the Yen vs. the U.S. Dollar? The Euro? The Won?*

A. *Long-run currency trends are very pronounced, favorable to the U.S. Dollar, unfavorable to the Yen, and unfavorable for the Euro*.

With the U.S. Federal Reserve set to raise its policy rate in 2015 and beyond, the BOJ holding interest rates at zero and continuing to add to its balance sheet, and the ECB soon launching its own form of QE, *the trends in monetary policies, so clearcut, suggest a stronger Dollar, weaker Yen, and weaker Euro.*

The U.S. Dollar has more support in fundamentals than just relative interest rates and a differing pace of "printing money" for the Federal Reserve vis-à-vis other major central banks, however.

The economy has picked up the pace of growth, a dollar positive. The federal budget has improved significantly and deficits and debt are now diminishing as a portion of GDP. The American economy looks solid with no significant excesses. Against hesitating growth in other global regions capital flows into the dollar are quite attractive on expected returns. Geopolitical tensions favor "safe haven" currencies such as the dollar.

The DE directional "target" for Dollar/Yen remains 130-135 on a 6-9 month timeline and the Dollar/Euro directional forecast is Parity as the ECB launches into what likely will be a long period of QE.

For the Korean Won, the expectation is 11-to-1150 by mid-to late-summer.

The Euro/Yen prospect is a neutral to positive Yen, with a greater decline in the Euro currency necessary to revive European economic growth and to move inflation in the direction of the ECB 2% price target.

– *Why is price inflation so low in so many countries around-the-world?*

A. Price inflation has been surprisingly low, even without the crude oil price collapse, throughout much of the Developed and Developing Economy world. Inflation rates generally are ranging about between -0.5% to as high as over 8% in Asia and near -2.5% to about 2% in Europe. Deflation is showing in Greece, Spain and Portugal and the Eurozone in aggregate. The only significant increases of inflation appear in some Latin American countries and in Russia where the value of the currency has been declining sharply and monetary policy has been inflationary.

The low inflation can be attributed to sluggish global demands and weak economic growth in Japan, China, parts of Asia, Europe, and much of Latin America. Commodity prices have been sliding and those countries whose price indices are heavily commodity-based are exhibiting low inflation and disinflation.

In the U.S., considerable slack still in the economy is one factor. Low, or declining, unit labor costs is another. New are the forces of technology—disruptive forces of technological change and disruptive technology—*and the transformation to Internet and Website-based activities for an increasing share of economic activity.*

– *What are the basic trends in the U.S. equity and fixed income markets, and for the dollar?*

A. The U.S. and most global equity markets are in secular equity bull markets, a consequence of the expansion stage of the business cycle now in-place. Fixed income markets have shown a surprising downtrend in interest rates, from already very low levels, reflecting surprisingly low inflation, a downward shift in expected inflation, and essentially zero interest rates in the U.S., U.K., Japan and the Eurozone. Interest rates likely will remain stable at relatively low levels until economies pick up strongly enough to bring an end to QE, where it is occurring, lift inflation higher, and bring less accommodation, or a tightening, in monetary policies.

Some Macro Risks to the "Basic Prospect"

What are some "Macro Risks" to the relatively optimistic 2015-16 outlook?

- *The U.S. Consumer*—whether consumption spending stays up or consumers keep saving and spending is not strong.
- *Lack of Liftoff in the economies of Japan, Asia, and Europe*—like the disappointment in 2014 as these economies did not deliver stronger growth, in part on monetary and fiscal policies that were not stimulative enough.
- *Deflation and Contagion*—an apparent wave of commodity deflation in part from a strong U.S. dollar that is causing much weaker growth in the Developing World that can spread through credit and other financial assets to weaken the Global and U.S. economies.
- *A Eurozone Breakup*—"Grexit" and the aftermath of a breaking apart of the Eurozone arrangement, which on economic grounds, without political union, should not last.
- *"Russia" and Geopolitics*—the risks of a Russian economic collapse and uncertainty over the reactions of a cornered President Putin—a "belly up" possibility and of Russia devaluing and defaulting.
- *A Strong U.S. Dollar and Currencies*—a superstrong dollar like the 1980s a culprit in disinflation and deflation that will cause debt problems in weak currency, commodity-exporting countries and regions, bringing down growth in the Global and U.S. economies.
- *Crude Oil Price Collapse*—"Winners" and "Losers." Will the Losers cause enough trouble to significantly bring down growth in the Global and U.S. economies?

Major Economic and Investment Themes

1) *Accelerating real economic growth for the U.S. in 2015 and 2016*, with normal business cycle expansion patterns and financial market behavior, with at times extreme volatility.
2) *A change in the contextual backdrop for U.S. monetary policy—a switch during 2015 from achieving full employment to achieving price stability* as the U.S. economy approaches full employment faster than previously thought and inflation, with and without energy, remains well below the Federal Reserve's 2% price stability target.

3) *Continuing divergent central bank monetary policies*—gradual tightening in the U.S., continuing Quantitative Easing (QE) in Japan, and the beginning of an aggressive QE program in Europe.
4) *Crude oil prices staying low and volatile, more on supply-side effects than demand-side, with OPEC as previously known no more,* an emerging oligopolistic sellers' model led by Saudi Arabia, Russia and the United States.
5) *Still low inflation and relatively low interest rates in the U.S. but also Europe and Asia*, with a risk of deflation during the first half of 2015.
6) *A continuing secular equity bull market in the U.S. with repeated new highs;* also in Japan, China and Europe.
7) *The strongest dollar performance against major currencies* such as the Yen and the Euro in decades, largely the result of central banks managing the currencies as a by-product of goal-directed monetary policy, a first in modern history.
8) *Geopolitics throughout the year looming large* as a factor in the global economic and financial markets landscape.
9) *Secular stagnation not likely in the U.S.,* although remaining in Europe.
10) *Inequality as a major political issue in the U.S.* with early prospects suggesting a Republican victory in 2016 with potentially big changes in U.S. policies—economic, geopolitical and other.

Appendix Tables

Table 1
U.S. Economic Forecast
Selected Measures—"Baseline"
(Ann. Pct. Chg., Unless Otherwise Noted)
(January 15, 2015)

	2012	2013	2014	2015F	2016F
Economy					
Real GDP	2.3	2.2	2.8	3.7	3.9
Real Consumption	1.8	2.4	2.5	3.0	3.2
Real Business Capital Spending	7.2	3.0	6.5	8.4	9.6
Net Trade (2005 $ bils.)	-452.5	-420.5	-441.2	-425.1	-404.9
Housing Starts (mils. units)	0.783	0.933	0.995	1.110	1.198
Vehicle Sales (mils. units)	14.4	15.5	16.4	17.3	17.7
Industrial Production	3.8	2.9	4.2	3.9	4.0
Inflation					
CPI-All Urban (%)	2.1	1.5	1.7	1.1	1.8
Core PCE Deflator (%)	1.8	1.3	1.4	1.6	2.0
Unemployment Rate (Q4 Avg.)	7.8	7.0	5.7	4.8	4.3
Interest Rates					
Fed Funds Rate (end-yr. yield)	0.17	0.08	0.12	1.00	2.00
10-Year Treas. (end-yr. yield)	1.69	2.73	2.33	2.37	2.87
Currency and Stock Market					
U.S. Dollar (Major Curr.)	2.3	3.3	3.5	7.5	5.3
S&P500 Oper. EPS ($s; Ann. Avg.)	104.3	110.8	119.6	131.7	141.8
Pct. Chg.	5.6	6.2	8.0	10.1	7.7
S&P500 Index (Ann. Avg.)	1379.6	1641.9	1929.4	2194.7	2357.3
Pct. Chg. (Y/Y)	8.7	19.0	17.5	13.8	15.2
S&P500 Index (Yearend)	1,418	1,771	2,022	2,306	2,505
Pct. Chg. (Y/Y)	4.6	24.9	14.2	14.0	8.6
Budget Deficit (Unified)					
(Bils. $s)	-1089	-680	-483	-459	-573
(% of GDP)	-6.7	-4.0	-2.8	-2.5	-2.2
Debt (Gross Public)					
(Bils. $s)	16066	16738	17824	18397	18992
(% of GDP)	98.9	99.6	102.0	99.9	97.4
Current Account					
(Bils. $s)	-440.4	-407.5	-405.0	-390.0	-372.3
(% of GDP)	-2.7	-2.4	-2.3	-2.1	-1.9

F-Forecast
Source: Decision Economics, Inc. (DE).

Table 2
DE Global Economic Outlook—"Baseline Prospect"
(January 15, 2015)

	2011	2012	2013F	2014F	2015F	2016F
World*	3.1	2.5	2.5	2.4	3.1	3.3
U.S.	1.6	2.3	2.2	2.5	3.7	3.9
U.K.	1.1	0.3	1.7	3.0	2.3	2.7
Eurozone	1.7	-0.5	-0.4	0.8	1.5	1.8
Canada	2.5	1.7	2.0	2.1	2.5	2.7
Mexico	3.9	4.0	1.0	2.5	4.1	4.3
Japan	-0.4	1.4	1.5	0.4	1.3	2.0
EMG	6.5	5.1	4.8	4.0	4.3	4.5
Brazil	2.7	1.0	2.3	0.2	1.7	2.0
Russia	4.3	3.5	1.3	-1.9	-6.8	-4.7
India	6.6	4.8	4.6	5.2	6.2	6.5
China	9.3	7.8	7.7	7.3	7.0	7.2

*Weighted average of country economic growth. Division between Expansion/Recession is 2% growth in real GDP, below the corresponding IMF measure of 2-1/2% to 3% which uses purchasing power parity weights for the global GDP calculation.

F - Forecast

Source: Decision Economics, Inc. (DE).