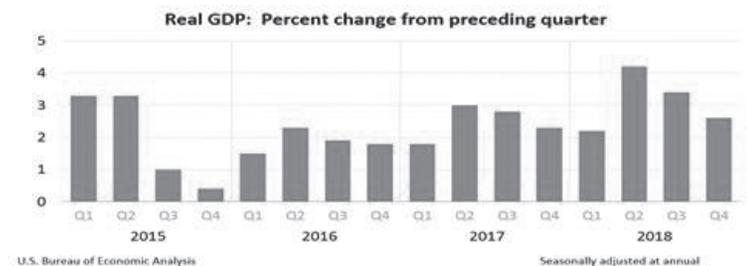




Economic VOICE

Q4 Real GDP Growth Still Good



By Harlan Green / Special to VOICE

REAL GROSS DOMESTIC PRODUCT (GDP) INCREASED AT AN ANNUAL RATE OF 2.6 PERCENT

in the fourth quarter of 2018 (table 1), according to the "initial" estimate released by the Bureau of Economic Analysis. In the third quarter, real GDP increased 3.4 percent.

Due to the recent partial government shutdown, this initial report for the fourth quarter and annual GDP for 2018 replaces the release of the "advance" estimate originally scheduled for January 30th and the "second" estimate originally scheduled for February 28th. See the Technical Note for details.

The fourth-quarter GDP

estimate surprised many analysts. Consumer spending rose 2.8 percent, despite the sharp drop in December retail sales, which is down from outsized rates of 3.5 and 3.8 percent in the prior two quarters but still good.

So why do jittery stock and bond investors keep waiting for the other shoe to drop with growth so good? We know a major reason for the record low interest rates is the huge amount of excess liquidity not being invested in productive assets, but chasing inflated stock values, which makes buying long term sovereign debt in particular such a safe investment.

It's called running for cover when the geopolitical situation is worsening with a

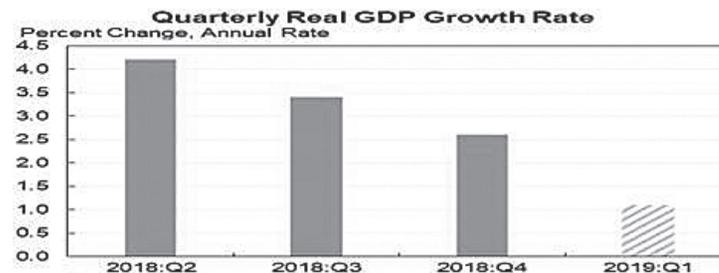
U.S. administration that cannot live without drama, ballooning trade wars, and massive federal debt now predicted to reach 100 percent of GDP per the Congressional Budget Office by 2023.

The flight to quality syndrome keeps investors buying up sovereign government debt in particular, thereby keeping interest rates in line with the very low inflation rate, which is a good time to invest in public education, infrastructure, and the general welfare.

In fact, the 10-year Treasury yield has not been this low since the 1950s, when money was plentiful and U.S. economic growth was phenomenal, reaching six and seven percent GDP growth rates after WWII.

This is the reverse of conditions that led to the housing bubble bust. Housing prices became inflated in the early 2000s because inflation was rising faster than interest rates that Federal Reserve Chair Alan Greenspan kept reducing to pay for Pres. George W. Bush's wars on terror.

What more drama can happen this time? There was little damage to the overall economy to date from the record 35-day government shutdown and loss of business activity, though the BEA says it kept the annual growth rate at



2.9 percent rather than 3 percent. But we don't know yet how much this will affect 2019 growth.

Let's hope we find a better way to invest the excess liquidity, if we want to maintain full employment and rising wages. January's 304,000 new payroll jobs is a good start. The U.S. has to be investing much more in productive enterprises, as I've said.

Business investment rose 6.2 percent for nonresidential fixed investment in Q4, back near the high single-digit increases of the first half of last year when the corporate tax cut was driving spending. Residential investment, however, was weak, down 3.5 percent for the fourth straight quarterly decline that offers definitive evidence of how weak the housing sector has become.

Former chief economic advisor Jason Furman isn't so optimistic about 2019 growth.

"I'm not seeing a sustained supply-side expansion in the wake of the (2017) tax cuts," he says.

That means such productive investments haven't been increased enough, and probably won't, unless there's more agreement on Capitol Hill about what's really needed to keep this virtuous business cycle, and the financial markets, from collapsing in 2019.

Harlan Green © 2019 Follow Harlan Green on Twitter: <https://twitter.com/HarlanGreen>.

Harlan Green has been the 16-year Editor-Publisher of PopularEconomics.com, a weekly syndicated financial wire service. He writes a Popular Economics Weekly Blog. He is an economic forecaster and teacher of real estate finance with 30-years experience as a banker and mortgage broker. To reach Harlan call (805)452-7696 or email editor@populareconomics.com

Voice Classifieds

JOBS

ADVERTISING ASTRONAUT needed for VOICE Magazine. This position will set goals to increase local connections to the marketplace, while adding readership to one of SB's best read publications. Commission and some expenses. Call Mark, 805-965-6448.

RENTALS

DRAMATIC OCEAN VIEW with no steps and deck. Remodeled. Top floor, one bedroom. Covered parking on a dead end street. Only 6 blocks to the ocean. \$3000 Call John at 805-451-4551

INSPIRING OCEAN VIEWS with no steps and deck. Remodeled. Top floor, one bedroom. Fully furnished. Covered parking on a dead end street. Only 6 blocks to the ocean. \$3200 Call John at 805-451-4551

VOICE Classifieds
Have you tried us?
advertising@voicesb.com

CASH ON THE SPOT

**CLASSIC CARS
RV'S • CARS
SUV • TRUCKS
MOTORHOMES**



We come to you!

702-210-7725

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
'11	80	94	146	119	135	140	147	156	160	128	126	170
'12	114	113	183	170	225	215	217	213	173	218	190	275
'13	141	146	189	197	265	209	217	216	181	178	138	167
'14	142	132	141	186	207	174	196	179	171	160	137	170
'15	142	113	235	202	226	210	207	217	155	149	124	150
'16	126	118	153	166	220	195	174	214	187	161	158	159
'17	142	132	164	149	189	257	193	224	178	173	172	170
'18	101	121	172	179	234	211	165	225	184	171	145	163
'19	129	141										



Computer Oriented RE Technology
For Information on all Real Estate Sales:
805-962-2147 • JimWitmer@cox.net • Cortsb.com

Santa Barbara South County Sales

Commemorative Tree Plaques Make Great Gifts!

Dedicate a tree as a tribute to a family member or friend.

Santa Barbara Beautiful

For more info visit:
www.sbbeautiful.org

Santa Barbara Beautiful is a 501 (c) 3. Donations may be tax deductible. TAX ID: 23-7055360

SCULPTURE RESTORATION & RESURFACING

PROTECT & RESTORE your valuable sculpture in Stone, Bronze or other material by making it new again!

Indoor and outdoor refinishing.
Museum quality restoration.

JOANNE DUBY
30+ years of experience
References available

805.794.6618
joanne@joanneduby.com