

# Paul Donovan's daily audio – Changing the growth narrative

## Audio

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The OECD revised down estimates of US growth for this year and next. The OECD does not have any special insight (other than the extraordinary insight of all economists), and market forecasts for growth tend to adjust faster than those of the OECD. The announcement is a reminder of the shift in the narrative about US growth, in the face of erratic policy and rising US consumer taxes.

Political polarization in the US has created unrealistic views of the economy (both pessimistic and optimistic). Some of the pessimistic polarization may be evident in yesterday's sharp declines in business sentiment. Retail sales data did flag some concerns—weaker restaurant spending is sometimes an early warning of growing consumer fears for the future.

Israel's overnight attacks on Gaza have contributed to a slightly higher oil price, but markets are not likely to react strongly. Energy supply seems unlikely to be disrupted, and investors are more likely to focus on the growth narrative and demand.

The German ZEW survey of economic forecasters is just a sentiment survey, but it will be interesting to see how economists have shifted in the wake of fiscal adjustments in Germany. US February import price data represents inflation pressures before trade taxes are imposed.

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## Appendix

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