



EXECUTIVE SUMMARY

FOR MEMBERS

OVERVIEW

State of the U.S. Economy & the IPO Market

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The U.S. economy has been sputtering since the Great Recession began in 2007, but recent upticks in the job market, consumer spending, the IPO market and mutual funds are positive. Are these signs a harbinger of brighter times or merely false hope?

THE U.S. ECONOMY, while emerging from the Great Recession, has been to the edge of the fiscal cliff and even experienced a brief shutdown in Q4 2013. Dr. Frank Hatheway is chief economist for NASDAQ OMX Group, Inc., a company whose exchange lists 3,400 global companies worth \$6 trillion in market cap. Frank appears regularly before national regulatory agencies around the world and the US Congress to discuss issues surrounding the equities and derivatives markets. In this presentation, Frank shares his views on the U.S. economy and the IPO market.

“The prospects of default in the United States are politically driven, not economically driven.”

- **WHAT'S IMPEDING PROGRESS?** The 2013 tax increases and sequester spending cuts have only temporarily slowed the growth of federal debt. Uncertainty about when and how fiscal balance will be restored is one of the negatives faced by businesses and the economy. Uncertainty about when and how fiscal balance will be restored is one of the negatives faced by businesses and the economy.

- **BUSINESS INVESTMENT**—which creates demands for capital goods and improves the efficiency of the economy—has been growing steadily since early 2010. At the same time, job losses have been as low as any other time in the preceding six years.
- **THE CURRENT JOB RECOVERY** has been widely characterized as slow but steady. Part-time employment and long-term unemployment rates remain well above pre-recession levels. Disposable income and consumer consumption rates have slowed considerably since 2011, indicating the public’s lack of confidence in the economy.
- **THE IPO MARKET**—which typically takes time to recover from a market downturn—last year posted its best year since 2007 in terms of number of deals and capital raised.
- **INVESTORS** are slowly beginning to invest in equities again, as data showed a slight uptick in mutual funds in 2013.
- **CONSUMER CONFIDENCE** is improving, but remains well below its record peak of 103 in 2004. Investor and consumer sentiment, while positive and good for IPOs, likely remains fragile.
- **SLOW TO MODERATE GROWTH** will be the norm for the U.S. in 2014 and beyond. As private sector growth accelerates in the U.S. and Europe, threats to economic growth from chronic structural, fiscal and trade deficits are mitigating but could quickly reemerge. Necessary longer-term changes in both monetary policy and fiscal policy remain the primary threat to growth in the U.S. and Europe.



The executive summary above was written by staff from watching the presentation and many other ideas were presented. Members may watch the full presentation if wished by logging in.