

# The Prospects of an Economic Crisis Are Increasing

## hpo economic commentary, 2<sup>nd</sup> quarter 2019

Here are 4 reasons why hpo forecasting comes to this conclusion.

### According to hpo forecasting, what are the four reasons for an imminent economic crisis?

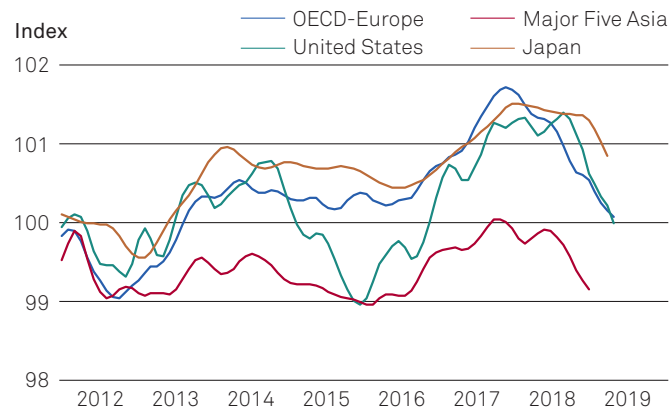
**1<sup>st</sup>** The analyses by hpo forecasting show that **consumer and industrial cycles** have reached or clearly exceeded their peaks in all major economic regions as expected. One year ago, Peter Meier wrote in an NZZ article that this is a reliable indicator for an impending economic crisis that occurs only every 7 to 12 years. With the Peter Meier Forecasting Model, hpo forecasting was able to predict and accurately date the impending crisis about two years ago.

**2<sup>nd</sup>** We now see falling figures for incoming orders in almost all capital goods sectors, but still at a high level. **Incoming orders** have already **declined** significantly in early-cycle industries such as the semiconductor industry. In the last two quarters, global demand for semiconductors has already shrunk by 22 percent – the biggest decline since the crisis in 2008..

**3<sup>rd</sup>** In the past quarter, we have observed a **steep decline in business confidence** in Europe, the USA, and Asia (see chart). In the past, such a synchronized and drastic drop in business confidence was usually observed only before major economic crises. The Business Confidence Index (BCI) in the USA and Europe reached

level 100 at the end of April 2019. Values below 100 mean a negative outlook.

**4<sup>th</sup>** The **American yield curve**, which has been much discussed in the business press, has flattened considerably and fell into negative ground on 13 May 2019. In the past, an inverse yield curve has announced economic crises with a high degree of reliability. However, for a reliable signal it would have to fall even stronger and longer into the negative range. According to hpo forecasting, the fact that the financial markets have not yet come under higher pressure has much to do



**Business Confidence Index (BCI)**  
based on OECD data

with the monetary policy of the central banks and little to do with the real economy. How long will the financial markets be able to withstand the pressure of the real economy? The next few months will show.

1 NZZ of 14 May 2018, When will the next crisis come?  
(available at [www.hpoforecasting.ch](http://www.hpoforecasting.ch))

2 Consideration: Government bonds with a maturity of 10 years vs. 3 months

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### Who is hpo forecasting?

The forecasting specialists at hpo forecasting create company-specific forecasts for the incoming orders of industrial companies (capital goods and consumer durables). The forecasts are based on the scientifically founded and empirically proven Peter Meier Forecasting Model.

hpo forecasting – we predict your business