# Assessment of Economic Conditions in USA 4Q 2019

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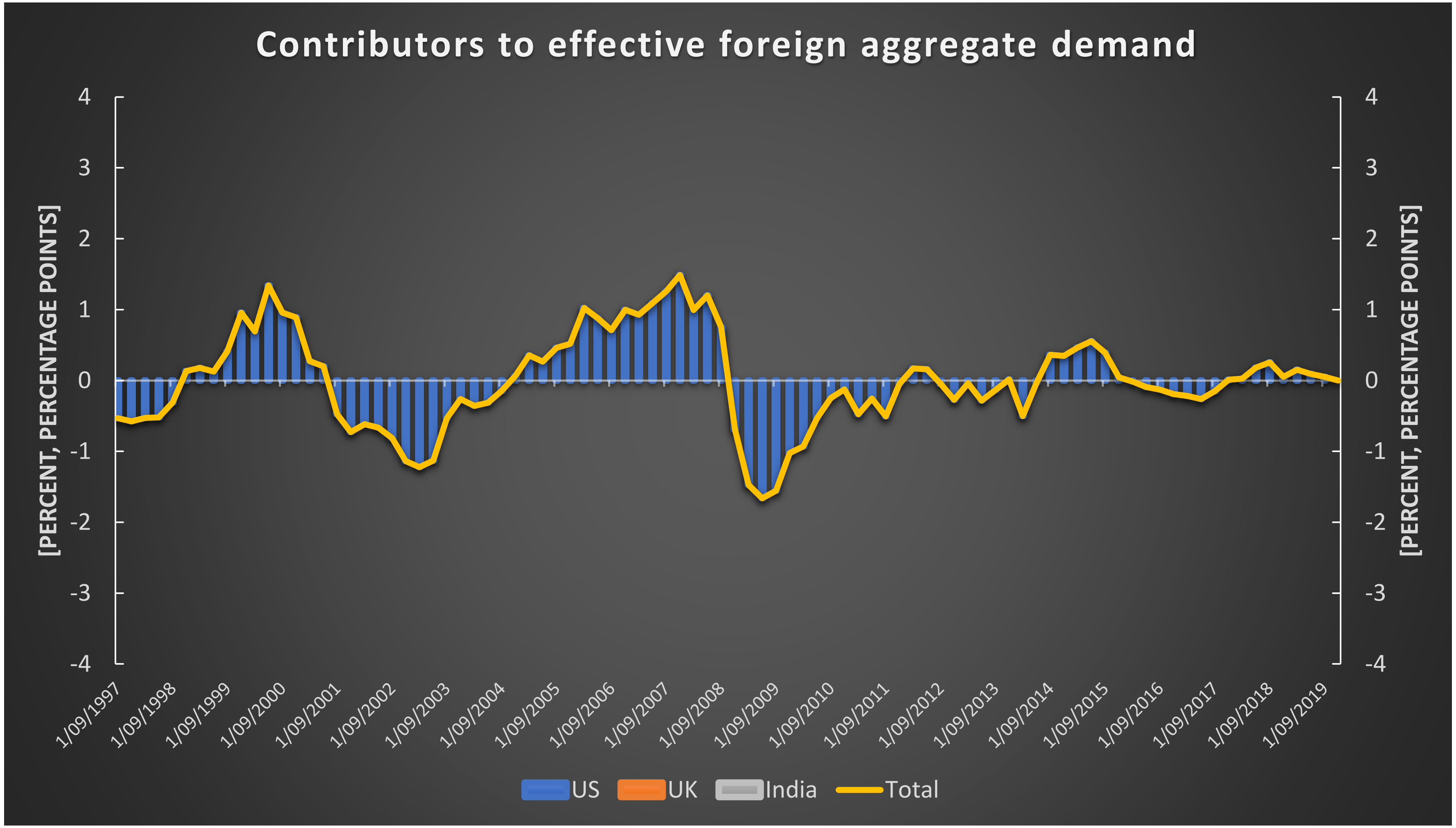
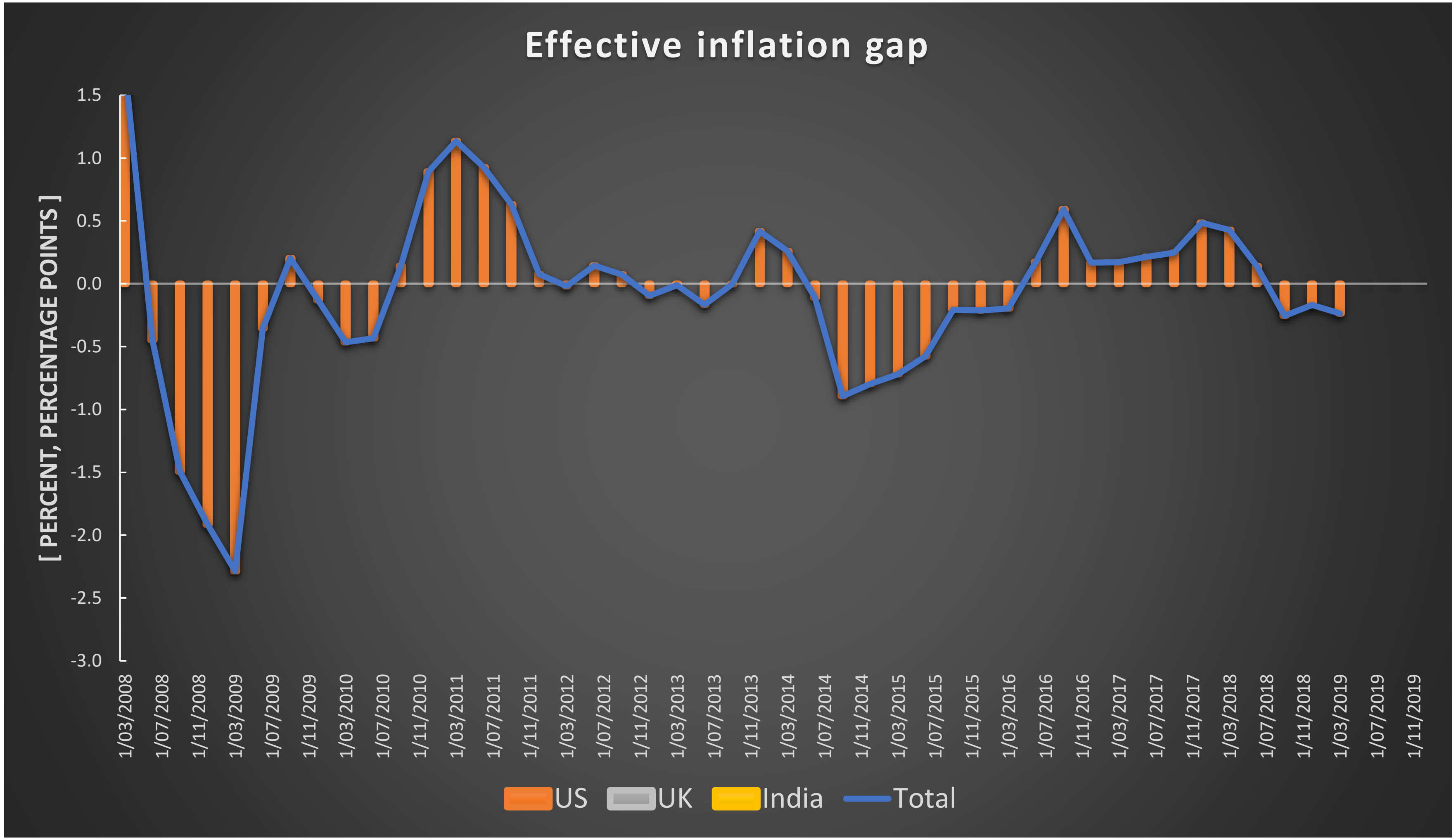
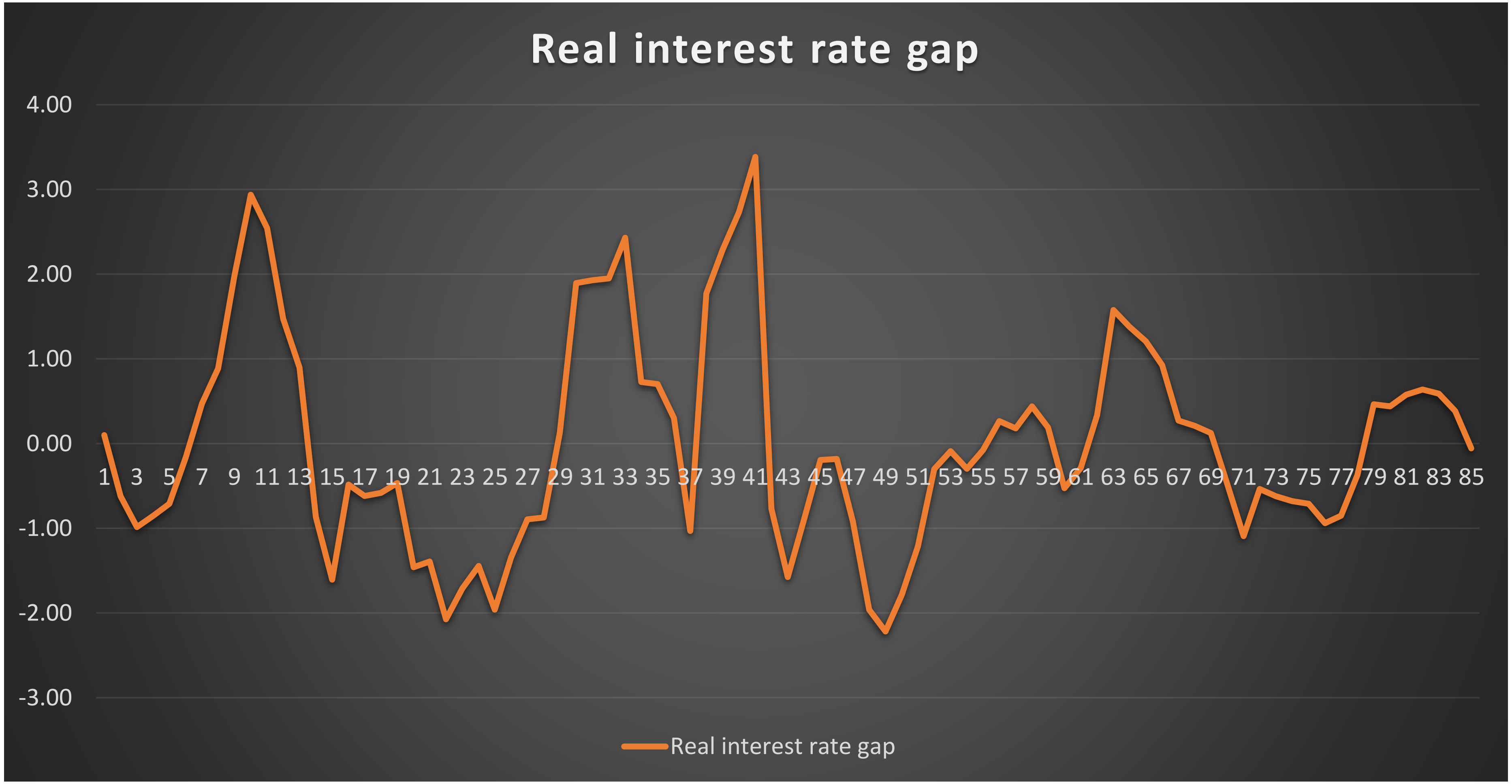
# Economic Activity is at potential



# Inflation below trend



# Real interest rates at the long term trend



# Neutral to Loosening Policy Stance

| Sector | Summary Assessment | Momentum | Implication for Inflation | Implication for MPR | Weightage |
|---|---|---|---|---|---|
| Economic Activity | +0.08% | ↘ | → | → | 10% |
| CCPI Inflation | -0.38% | → | ↘ | ↘ | 50% |
| Real Interest Rates | -0.06% | ↘ | → | → | 10% |

# SL AWCMR will be lower

- US is on a neutral to loosening bias.
- Implies lower US interest rates, hence capital flows into SL.
- Expect LKR appreciation, imports cheaper vs USD. Hence lower inflation.
- Economic activity weakens – apparel exports slowdown.
- AWCMR – case for lower rates.