

Fasten Your Seatbelts...We Have Begun Our Descent

R. Andrew Bauer, Ph.D.
Vice President & Regional Executive
Research Department



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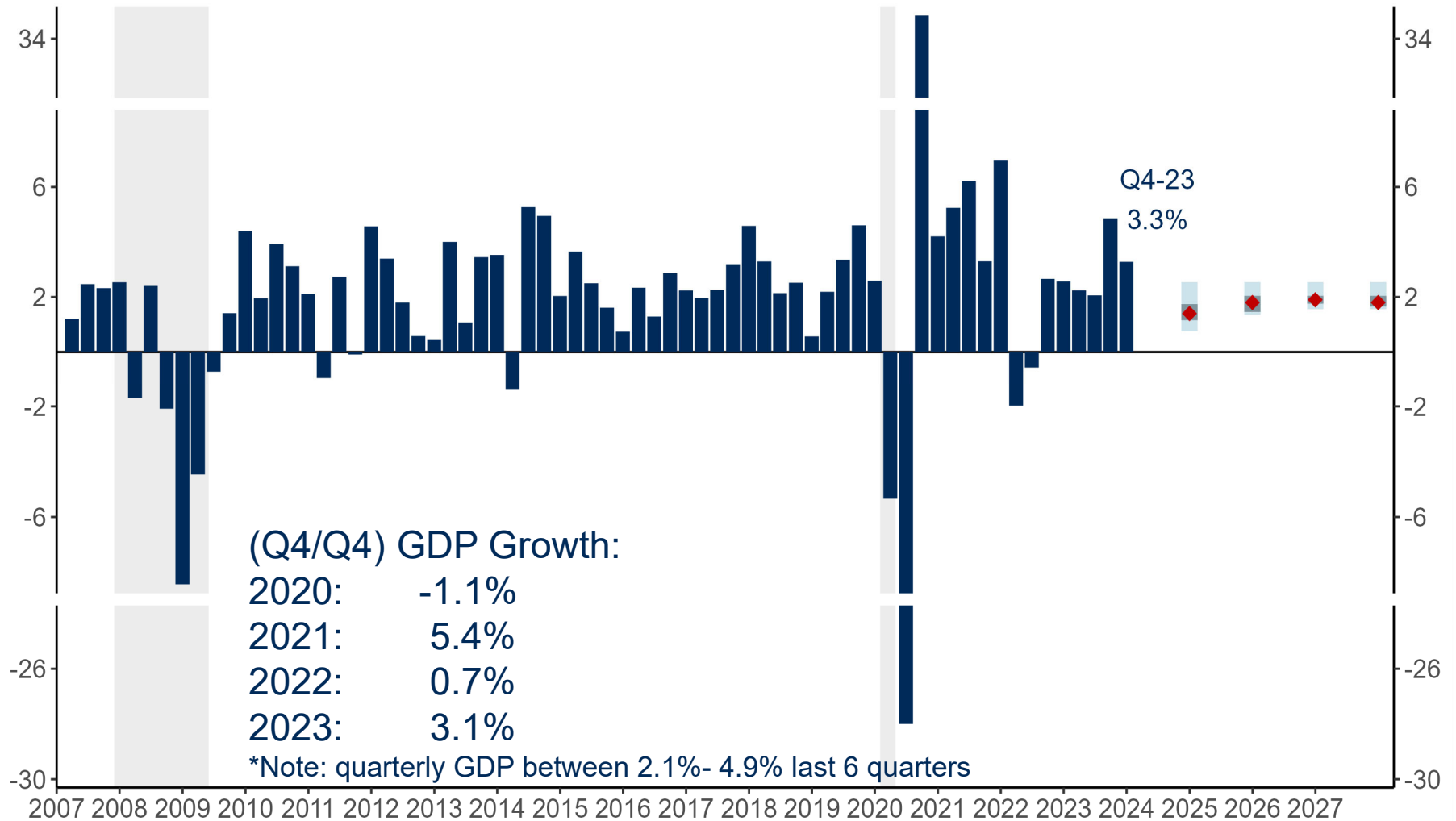
Growth Outlook

Soft landing or something else.....?

Positive outlook for growth in 2024

Real Gross Domestic Product

Percent change from previous quarter at annual rate



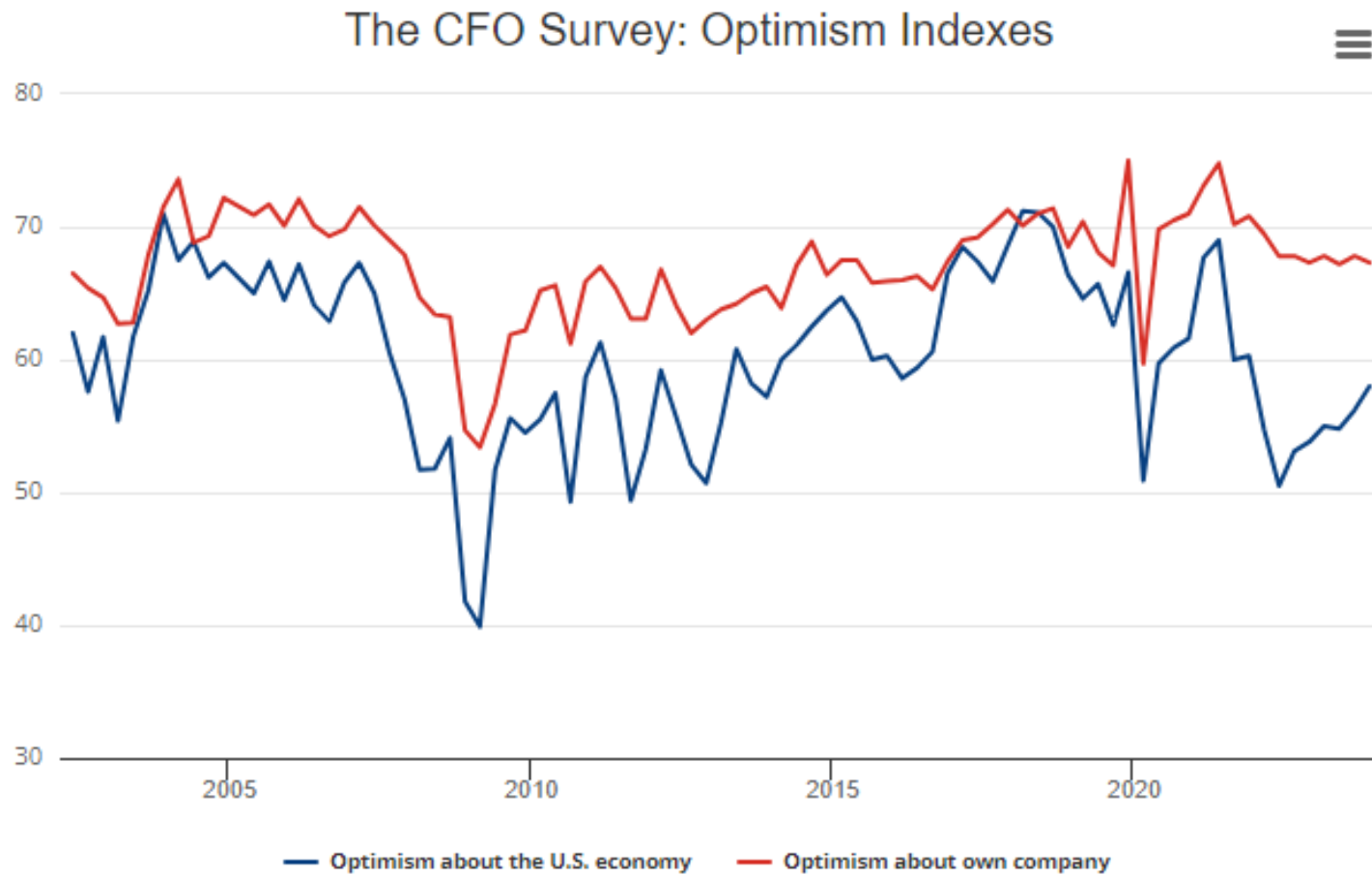
Source: Bureau of Economic Analysis via Haver Analytics & Federal Reserve Board

Note: Projection is the median, central tendency, and range from the Summary of Economic Projections. Red dots indicate median projections. Projections of change in real gross domestic product (GDP) are from the fourth quarter of the previous year to the fourth quarter of the year indicated.

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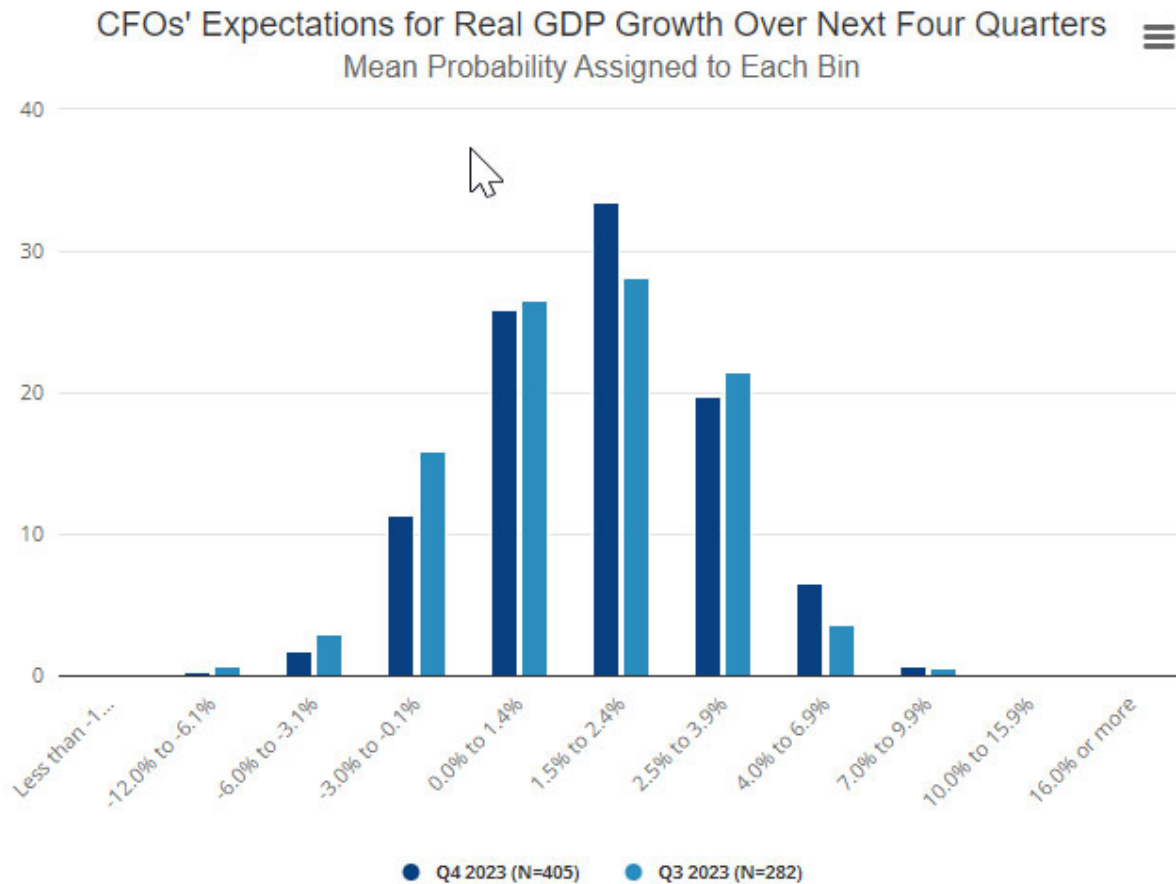
Richmond • Baltimore • Charlotte

CFO sentiment *about the economy* off improving



Source: Duke University, FRB Richmond and FRB Atlanta, The CFO Survey - Q4 2023 (November 14 - December 1, 2023)

Large majority of CFOs expect positive growth



Note: Results from the Q3 2023 survey (August 21 - September 8, 2023) are shown for comparison. Responses are weighted by sales revenue. Probabilistic expectations that do not sum to 100 percent are excluded. Respondents who indicate they are unfamiliar with Gross Domestic Product (GDP) are not presented with this question. Please see The CFO Survey Methodology for further information.

Source: Duke University, FRB Richmond and FRB Atlanta, The CFO Survey - Q4 2023 (November 14 - December 1, 2023)

Recent Data:

- Resilient consumer
- Manufacturing softening
- Weak residential market
- Strong labor market
- Inflation decelerating

Economy is normalizing

- Resilient consumer
 - 2.6% in 2023 (6.1% durable goods)
- Manufacturing softening but level solid
 - ISM @ 49.1 (15 months below 50.0)
 - Richmond Fed @ -15 (neg. 19 of last 21 months)
 - Manufacturing production (IP) flat over last 22 months
- Business investment slowing
 - Core K goods: shipments 1.4% || orders 1.6% yy
- Weak residential
 - Existing home sales – near historic lows
 - New home sales – near 20-year average
 - New construction not keeping pace with demand

It's still a tight labor market...
but there is improvement

Labor market remains tight

- Strong job growth: 250k in 2023 (225 last 3-m)
- Unemployment rate at 3.7% (4.0%[>] for 2yrs)
- Labor force participation at 62.5% (vs 63.3%)
- Employment-population ratio at 60.2% (vs 61.1%)
- Job openings indicate some softening
 - 9m job openings vs 6.1m unemployed
- Wages softening: average hourly wages up 4.5% over past 12 months (down from 5.4% in 2022)

Inflation decelerated
considerably in 2023;
approaching 2% target

Inflation moving toward 2-percent target

Personal Consumption Expenditures Price Index
12 Month Percent Change

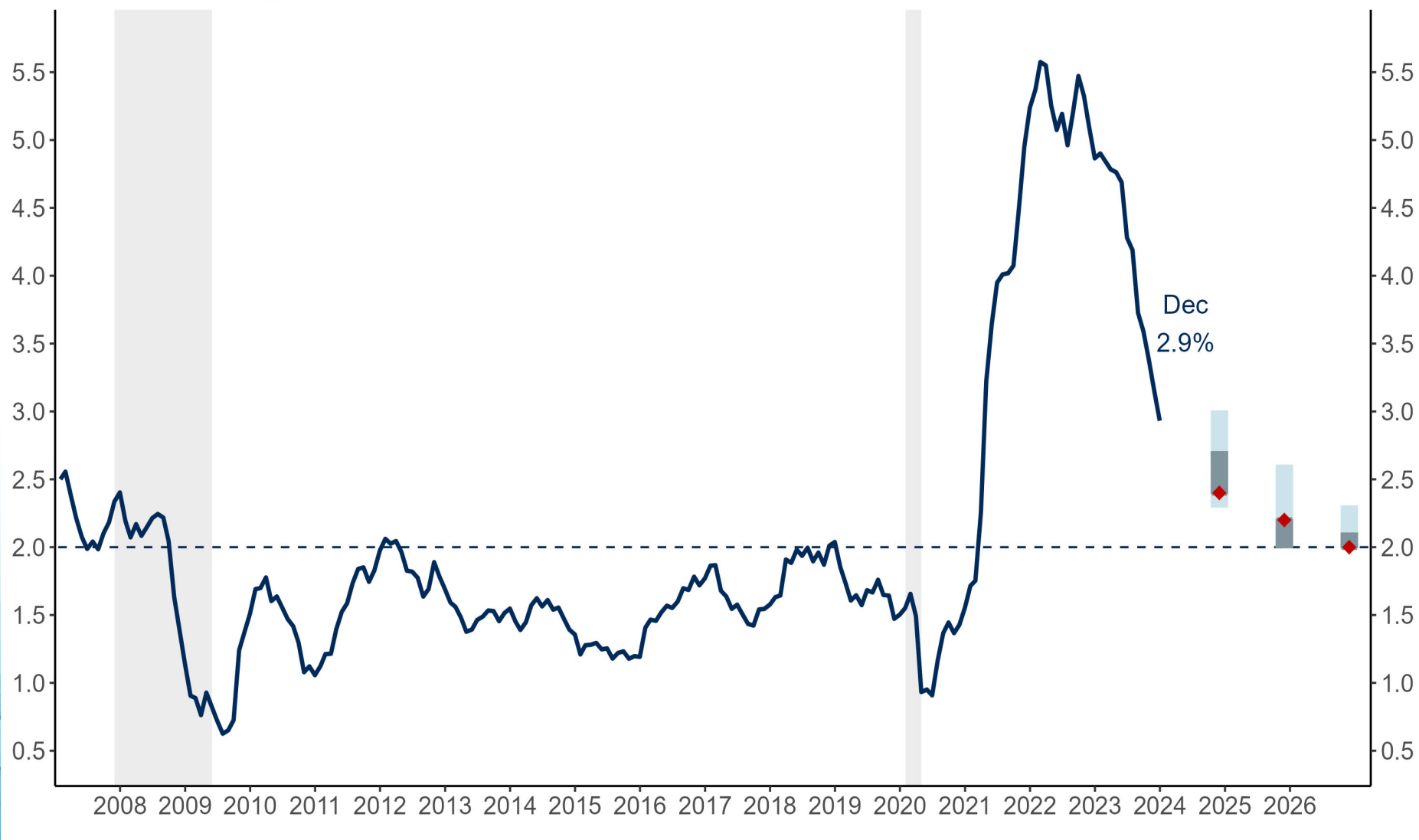


Source: Bureau of Labor Statistics via Haver Analytics

Notes: FOMC projection is the median, range, and central tendency for the Q4 levels, from the Summary of Economic Projections. Red dots indicate median projections.

Inflation moving toward 2-percent target

Core Personal Consumption Expenditures Price Index
12 Month Percent Change



Source: Bureau of Labor Statistics via Haver Analytics

Notes: FOMC projection is the median, range, and central tendency for the Q4 levels, from the Summary of Economic Projections. Red dots indicate median projections.

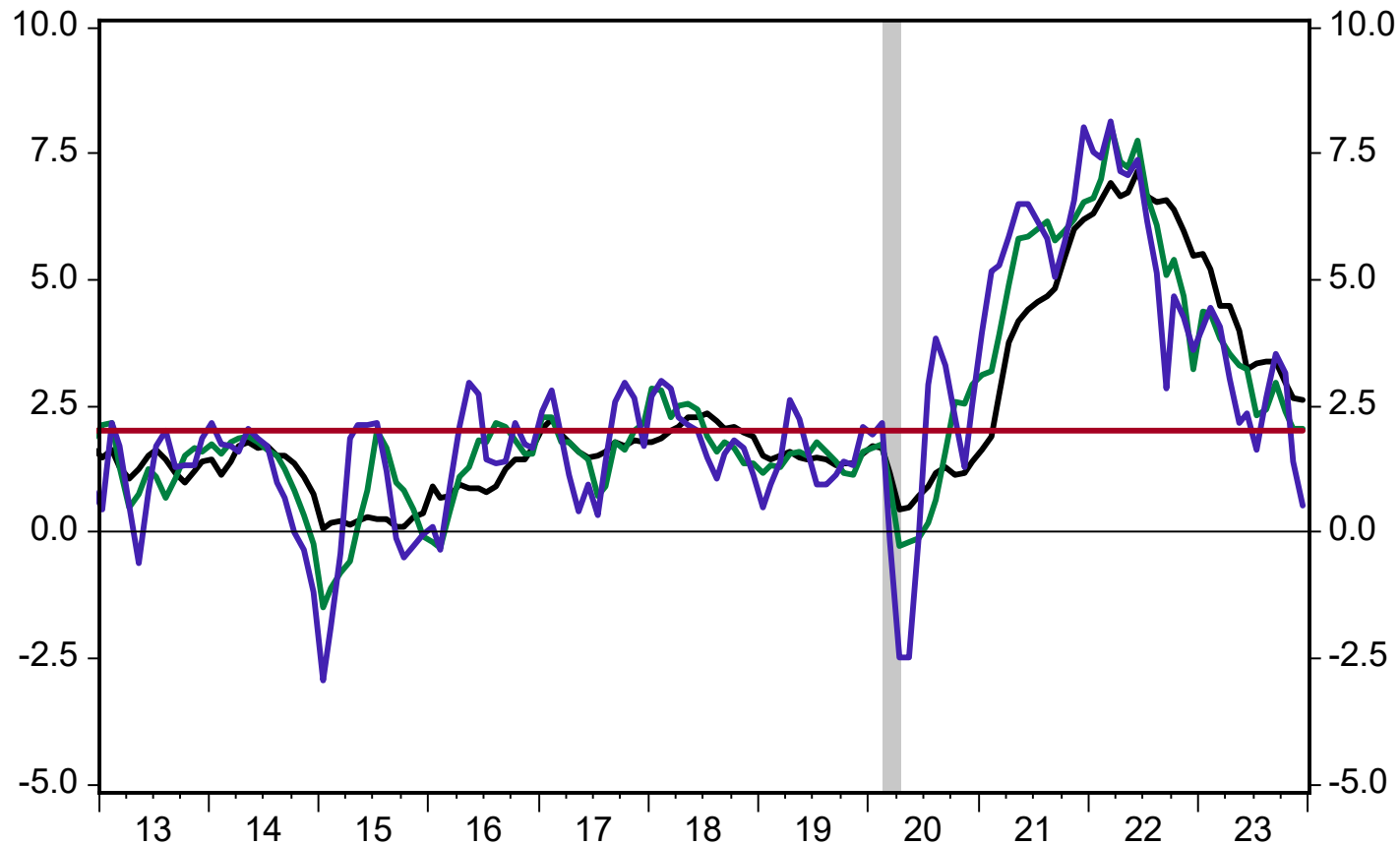
Recent data very positive

Constant=2

difa%(PCE: Chain Price Index (SA, 2017=100),3)

difa%(PCE: Chain Price Index (SA, 2017=100),6)

yryr%(PCE: Chain Price Index (SA, 2017=100))



Source: Bureau of Economic Analysis/Haver Analytics

Source: Bureau of Economic Analysis; Federal Reserve Bank of Richmond

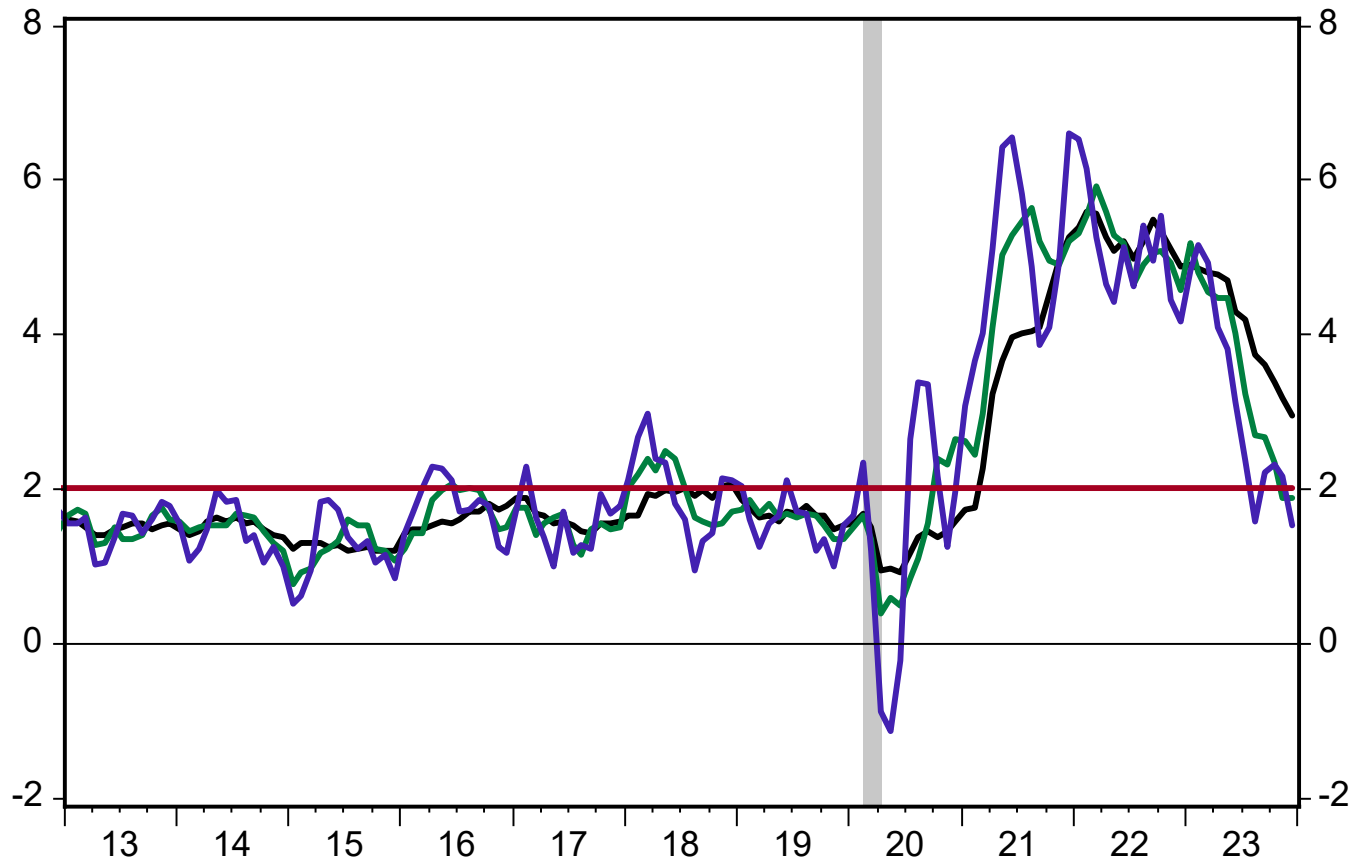
Recent data very positive

Constant=2

difa%(PCE less Food & Energy: Chain Price Index (SA, 2017=100),3)

difa%(PCE less Food & Energy: Chain Price Index (SA, 2017=100),6)

yryr%(PCE less Food & Energy: Chain Price Index (SA, 2017=100))



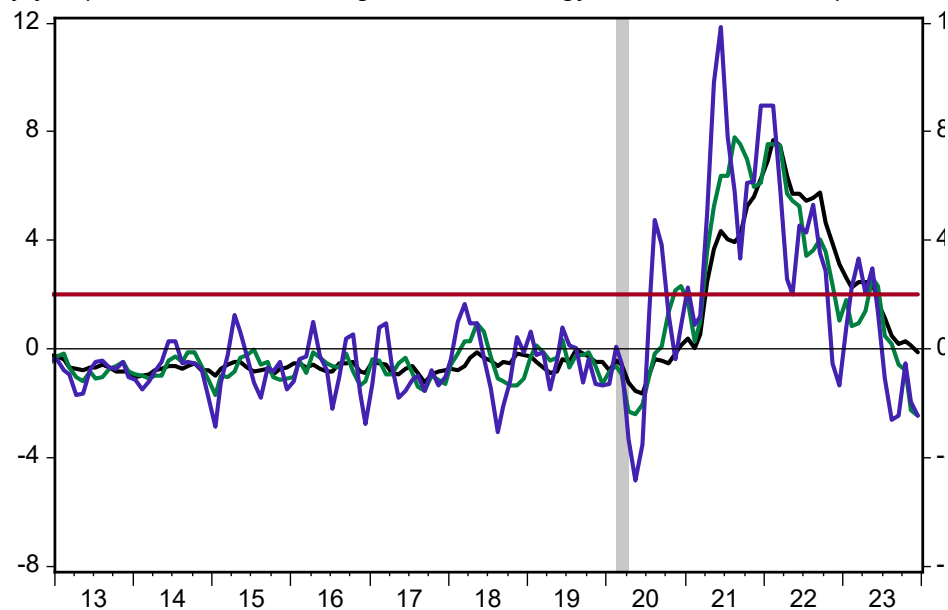
Source: Bureau of Economic Analysis/Haver Analytics

Source: Bureau of Economic Analysis; Federal Reserve Bank of Richmond

Both goods & services inflation improving

Constant=2

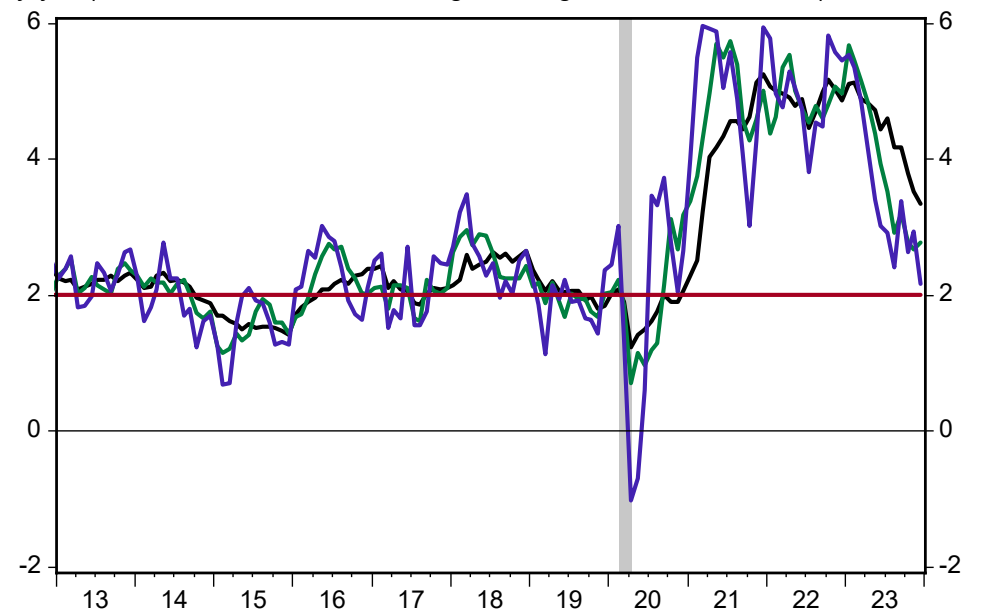
difa%(PCE: Goods Excluding Food and Energy: Chain Price Index (SA, 201...
 difa%(PCE: Goods Excluding Food and Energy: Chain Price Index (SA, 201...
 yyr%(PCE: Goods Excluding Food and Energy: Chain Price Index (SA, 201...



Source: Bureau of Economic Analysis/Haver Analytics

Constant=2

difa%(PCE: Core Services excluding Housing: Chain Price Index (SA, 2017...
 difa%(PCE: Core Services excluding Housing: Chain Price Index (SA, 2017...
 yyr%(PCE: Core Services excluding Housing: Chain Price Index (SA, 2017...



Source: Bureau of Economic Analysis/Haver Analytics

Source: Bureau of Economic Analysis; Federal Reserve Bank of Richmond

Monetary Policy

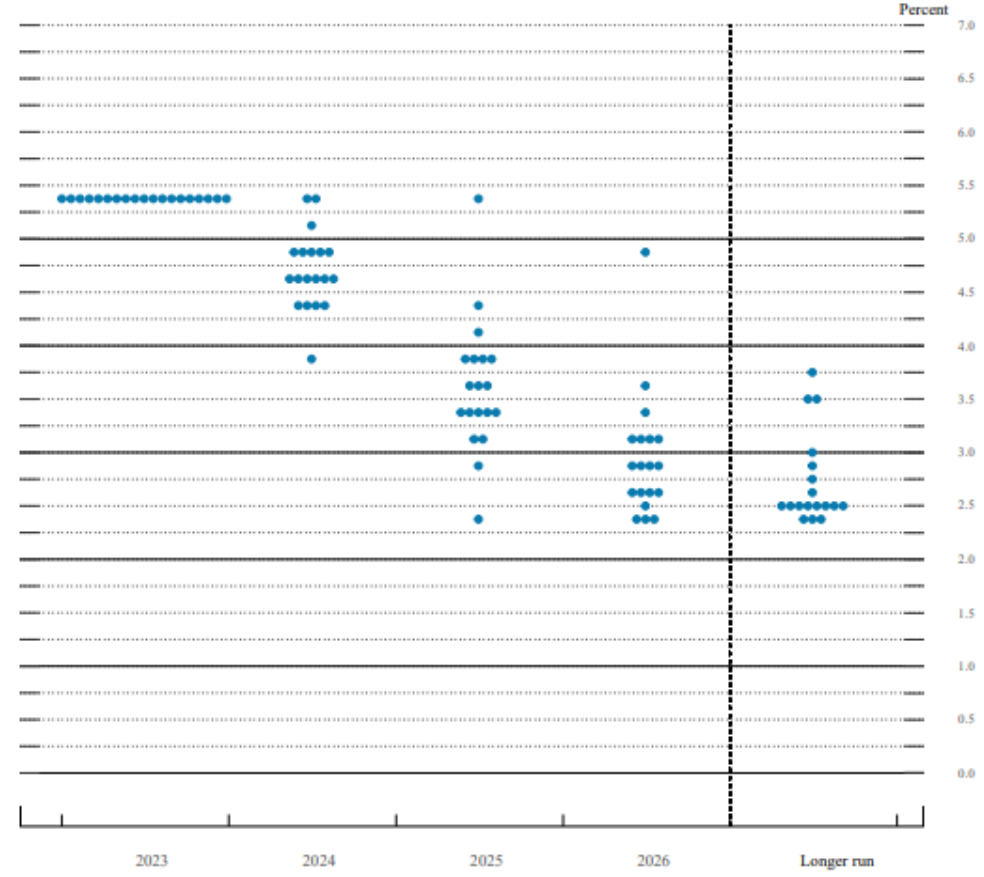
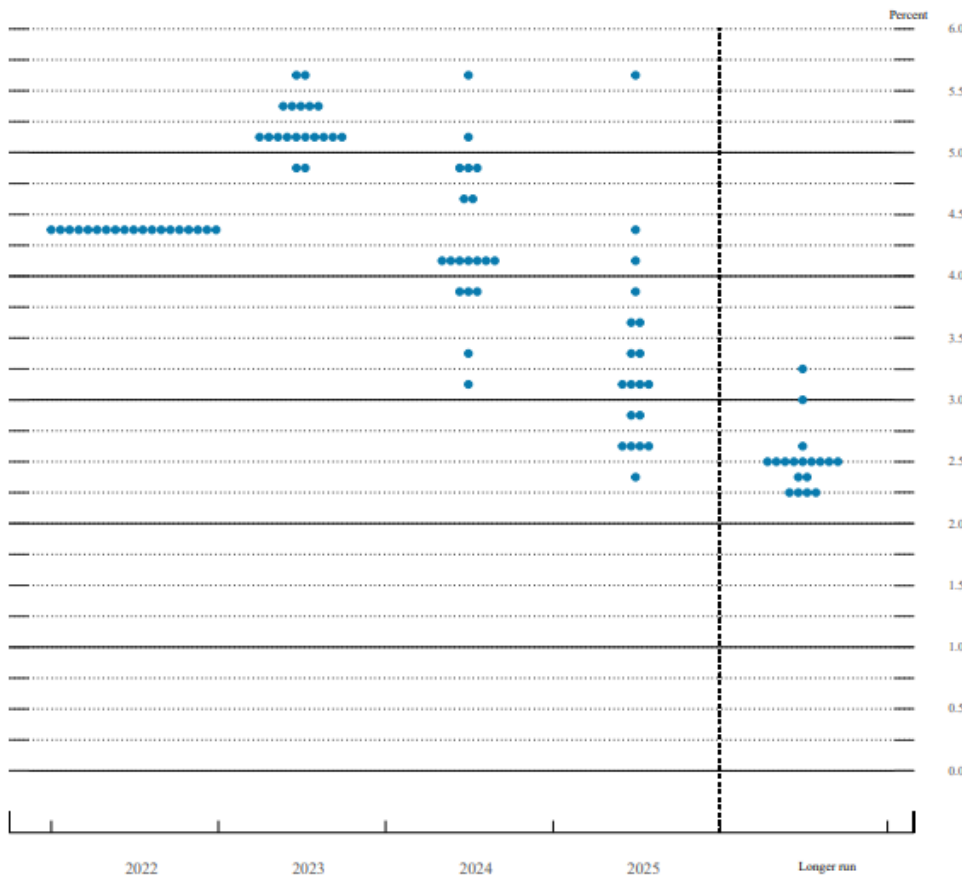
Most FOMC members anticipate rate cuts in 2024

December 2022

December 2023

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate

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Source: Board of Governors

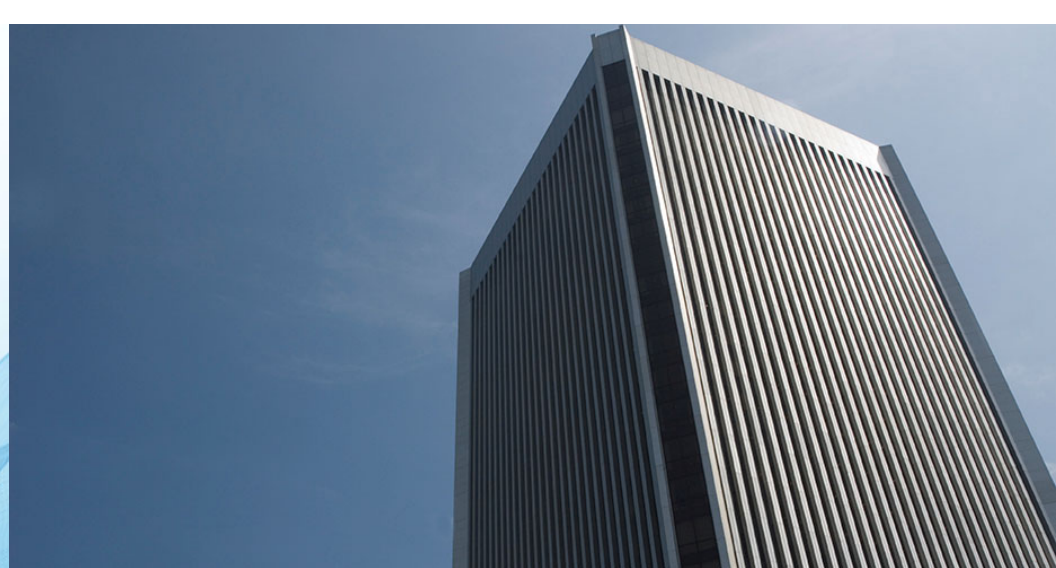
Note: Each dot in the chart represents the value of an FOMC participant's judgment of the midpoint of the appropriate target range (or the appropriate target level) for the federal funds rate at the end of the calendar year.

Outlook – growth expected to moderate in 2024

- Solid consumer demand
- Manufacturing & business investment leveling off after moderating from recent highs
- Labor market slowly loosening
- Pent up demand/low housing supply will result in a rebound in residential investment

- Risks: firms continue to push for higher prices, prior rate increases take hold, geopolitical factors, CRE

- Most FOMC members anticipate rate cuts
 - Median year-end federal funds rate projection = 4.6%



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