



Economic Forecast for the U.S. Economy

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The Conference Board Economic Forecast for the US Economy

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The Conference Board forecasts that economic weakness will intensify and spread more broadly throughout the US economy in the second half of 2022, and expects a recession to begin before the end of the year. This outlook is associated with persistent inflation and rising hawkishness by the Federal Reserve. We forecast that 2022 Real GDP growth will come in at 1.4 percent year-over-year and that 2023 growth will slow to 0.3 percent year-over-year.

While we do not believe the US economy is currently in recession - due to strength in a number of sectors and the extremely tight labor market - we expect that a broad downturn in the economy is on the way. Nevertheless, we are upgrading our forecast for Q3 2022 from 0.0 percent to 0.3 percent - largely due to an upward revision in the previous quarter's GDP data and several indicators pointing to a slight improvement in the economic momentum at the beginning of the quarter. However, we expect these improvements to be short-lived as the Fed continues to raise interest rates to curb stubbornly high inflation readings. While consumer spending isn't likely to contract until Q4 2022, we expect non-residential investment to buckle under the weight of higher interest rates sooner. Residential investment will continue to contract as the housing market finds a new equilibrium.

The weakening economic growth seen over the course of 2022 coupled with persistently high inflation readings are consistent with a stagflationary environment. While easing supply-side constraints and a more hawkish monetary policy should help to cool inflation over the coming quarters, rising interest rates will tip the US economy into a broad-based recession before year-end. This contraction will impact extremely tight labor markets and drive the unemployment rate higher. We expect the coming recession to be relatively short and somewhat mild, but that the US economy will emerge from the slowdown in 2023 still grappling with inflation well above the Fed's 2-percent target. This period will also exhibit stagflationary characteristics - though not as severe as those seen presently.

Risks to our forecast remain plentiful. On the downside, (1) the Federal Reserve could hike more aggressively than expected, (2) the housing market could see a major correction, and (3) inflation could be even more persistent than forecasted. All three of these risks could result in a longer duration, more acute contraction in 2023. The only meaningful upside risk, if our view, is a rapid and unexpected decline in inflation. However, even if this were to occur we do not believe a growth slowdown would be avoidable.

THE CONFERENCE BOARD ECONOMIC OUTLOOK, 2020-2021-2022-2023
Percentage change, seasonally adjusted annual rates (except where noted)

	2020				2021				2022				2023				2019
	IQ*	IIQ*	IIIQ*	IVQ*	IQ*	IIQ*	IIIQ*	IVQ*	IQ*	IIQ*	IIIQ	IVQ	IQ	IIQ	IIIQ	IVQ	
Real GDP	-5.1	-31.2	33.8	4.5	6.3	6.7	2.3	6.9	-1.6	-0.6	0.3	-0.5	-0.5	0.5	2.0	3.0	2.3
Real GDP (YoY)	0.6	-9.1	-2.9	-2.3	0.5	12.2	4.9	5.5	3.5	1.7	1.2	-0.6	-0.3	0.0	0.4	1.2	2.3
Real disposable income	3.1	48.5	-16.6	-8.3	54.7	-29.1	-4.1	-4.5	-7.8	-0.6	-0.5	-1.0	-1.0	0.0	1.0	1.5	2.3
Real consumer spending	-6.9	-33.4	41.4	3.4	11.4	12.0	2.0	2.5	1.8	1.5	1.0	-0.6	-0.7	-0.5	1.3	1.8	2.2
Residential investment	20.3	-30.8	60.0	34.4	13.3	-11.7	-7.7	2.1	0.5	-16.2	-10.0	-5.0	-5.0	-1.0	-1.0	0.0	-0.9
Nonresidential investment	-8.1	-30.3	18.7	12.5	12.9	9.2	1.6	2.9	10.0	0.0	-0.2	-1.1	-2.5	-0.9	2.5	3.4	4.3
Inventory change (bln chn '12\$)	-30	-253	25	89	-88	-169	-67	193	189	84	33	4	-10	-11	-14	11	75
Total govt spending	3.7	3.9	-2.1	-0.5	4.2	-2.0	0.9	-2.6	-2.9	-1.8	1.0	2.5	3.4	3.6	4.0	4.4	2.2
Exports	-16.3	-59.9	54.5	22.5	-2.9	7.6	-5.3	22.4	-4.8	17.6	4.0	2.0	0.5	0.5	1.5	3.5	-0.1
Imports	-13.1	-53.1	89.2	31.3	9.3	7.1	4.7	17.9	18.9	2.8	-2.0	-1.0	-1.0	-1.7	0.4	2.5	1.1
Unemployment rate (%)	3.8	13.0	8.8	6.8	6.2	5.9	5.1	4.2	3.8	3.6	3.6	3.6	3.7	3.9	3.9	3.7	3.7
PCE Inflation (%YY)	1.7	0.6	1.2	1.2	1.8	3.9	4.3	5.5	6.3	6.5	6.3	4.2	3.4	3.0	2.9	2.7	1.5
Core PCE Inflation (%YY)	1.8	1.0	1.5	1.4	1.7	3.4	3.6	4.6	5.2	4.8	4.6	4.4	3.4	2.9	2.8	2.6	1.7
Fed Funds (% Mid-point, Period End)	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.375	1.625	3.125	3.625	3.875	3.875	3.875	3.875	1.625

*Actual Data



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