

2024 US Economic Outlook

# Landing?

February 2024



Let us know you are here!  
Please check in



Sponsored by:

## Program Agenda

7:45 coffee/networking (coffee and pastries are provided)

8:00 program begins with welcome remarks

- Dr. Laurie Joyner, President, St. Norbert
- Dr. Kevin Quinn, Dean, Schneider School, St Norbert
- Kurt Voss, Amerilux CEO (event sponsor)

8:10 - State of the Economy Presentation

- Dr. Marc Schaffer & CBEA Research Analyst Fellows

9:15 - State of the Economy presentation concludes

2024 US Economic Outlook

# Landing?

February 2024



## CBEA RESEARCH ANALYST FELLOWS

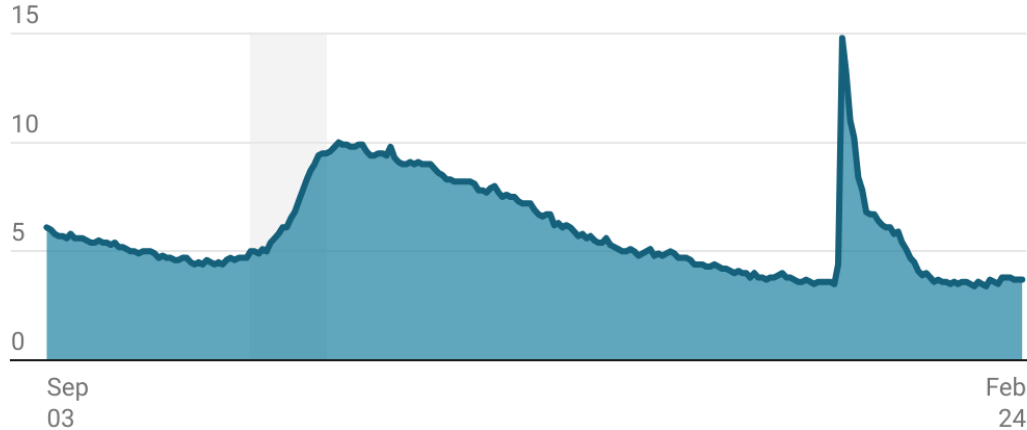
David Vandenberg  
Evan Glaser  
Sarah Scanlan  
Elizabeth Phipps

Marc Schaffer, Ph.D.  
Professor, Economics & Data Analytics  
Executive Director, CBEA

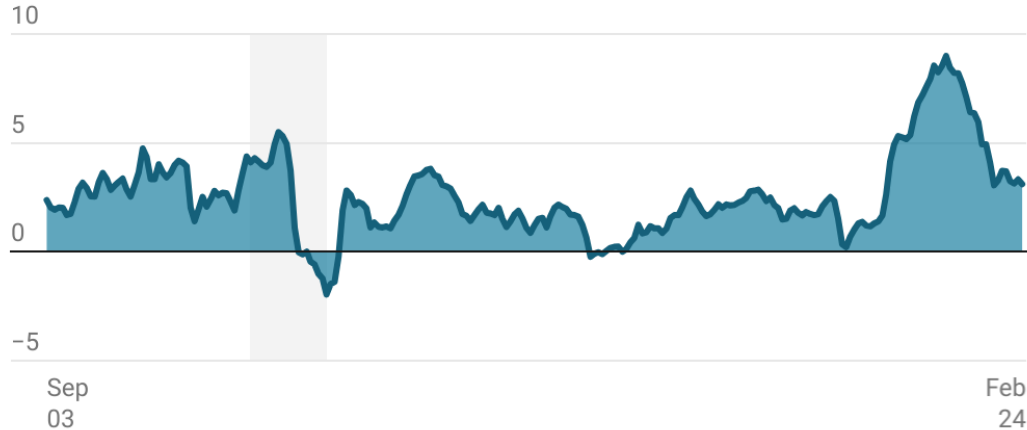
# Relationships Matter: A look at unemployment, inflation, and Fed policy

## Economic Variables

### Unemployment Rate

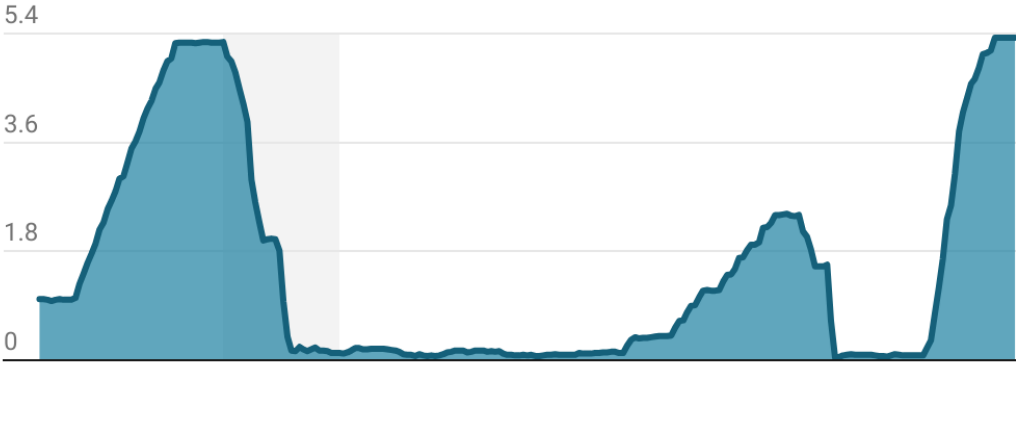


### Inflation Rate

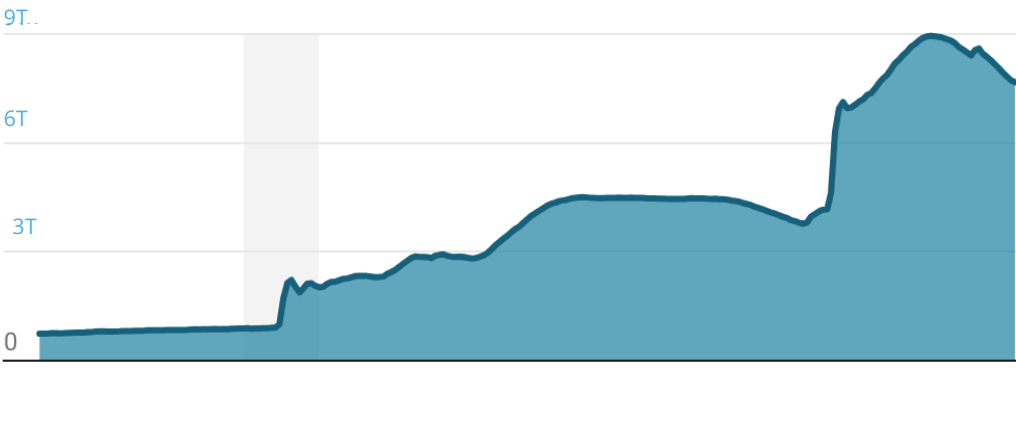


## Policy Variables

### Federal Funds Rate



### Federal Reserve Assets

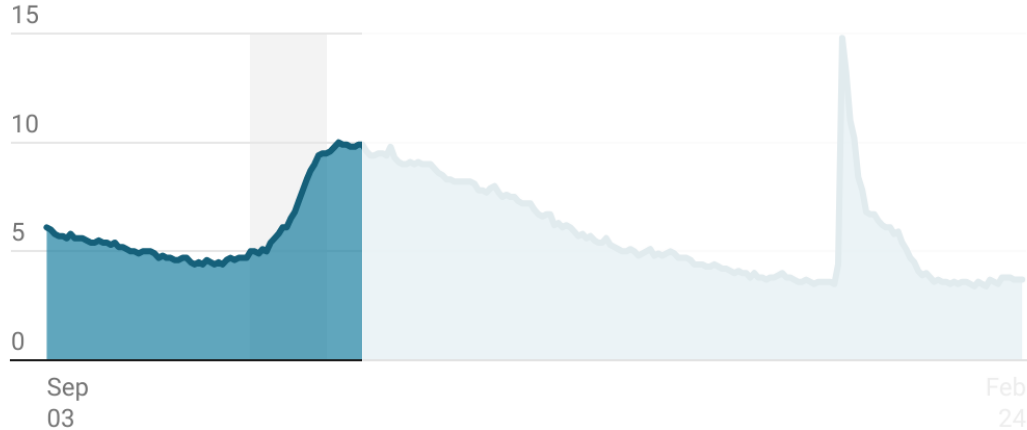


Source: FRED

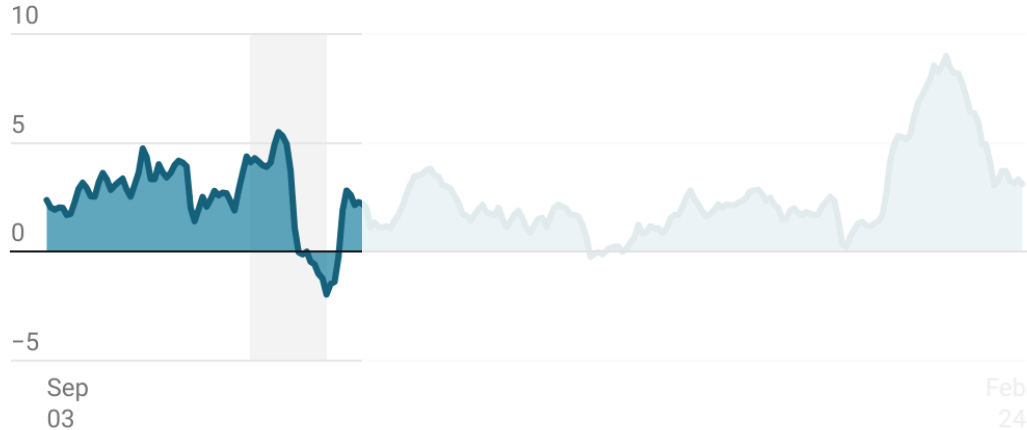
# Relationships Matter: a look at the behavior over the financial crisis...

## Economic Variables

### Unemployment Rate

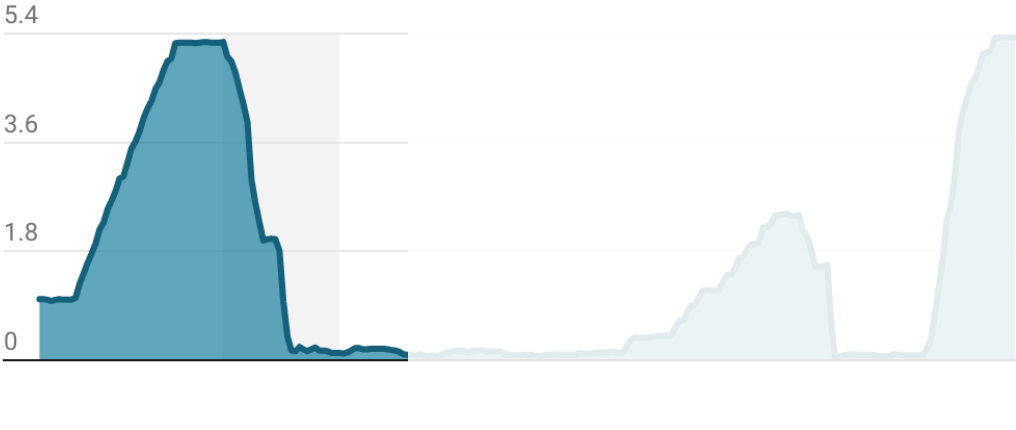


### Inflation Rate

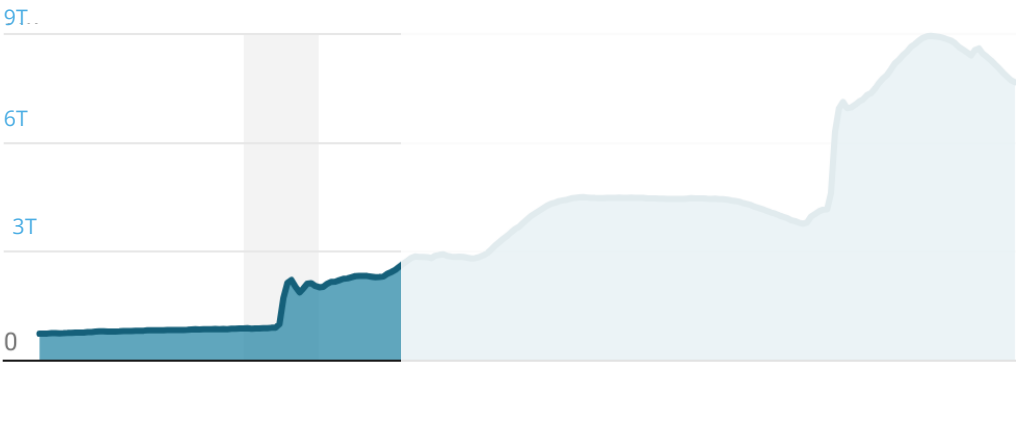


## Policy Variables

### Federal Funds Rate



### Federal Reserve Assets



Source: FRED

# Relationships Matter: a look at the behavior during the early stages of pandemic period

## Economic Variables

### Unemployment Rate



### Inflation Rate

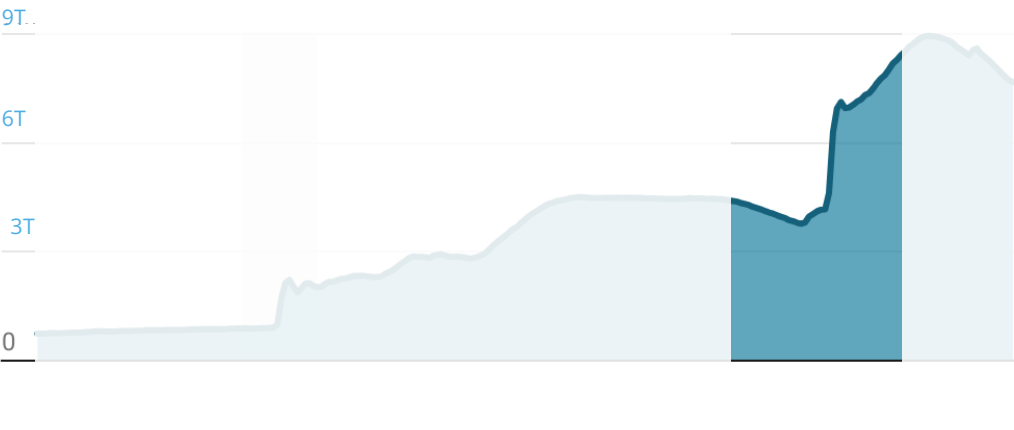


## Policy Variables

### Federal Funds Rate



### Federal Reserve Assets



Source: FRED

# Relationships Matter: a look at the behavior in recent years

## Economic Variables

### Unemployment Rate



### Inflation Rate

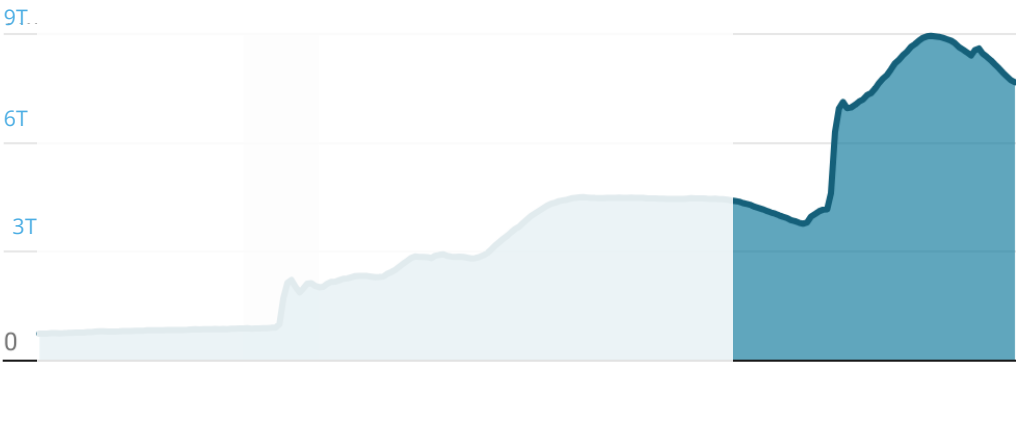


## Policy Variables

### Federal Funds Rate



### Federal Reserve Assets



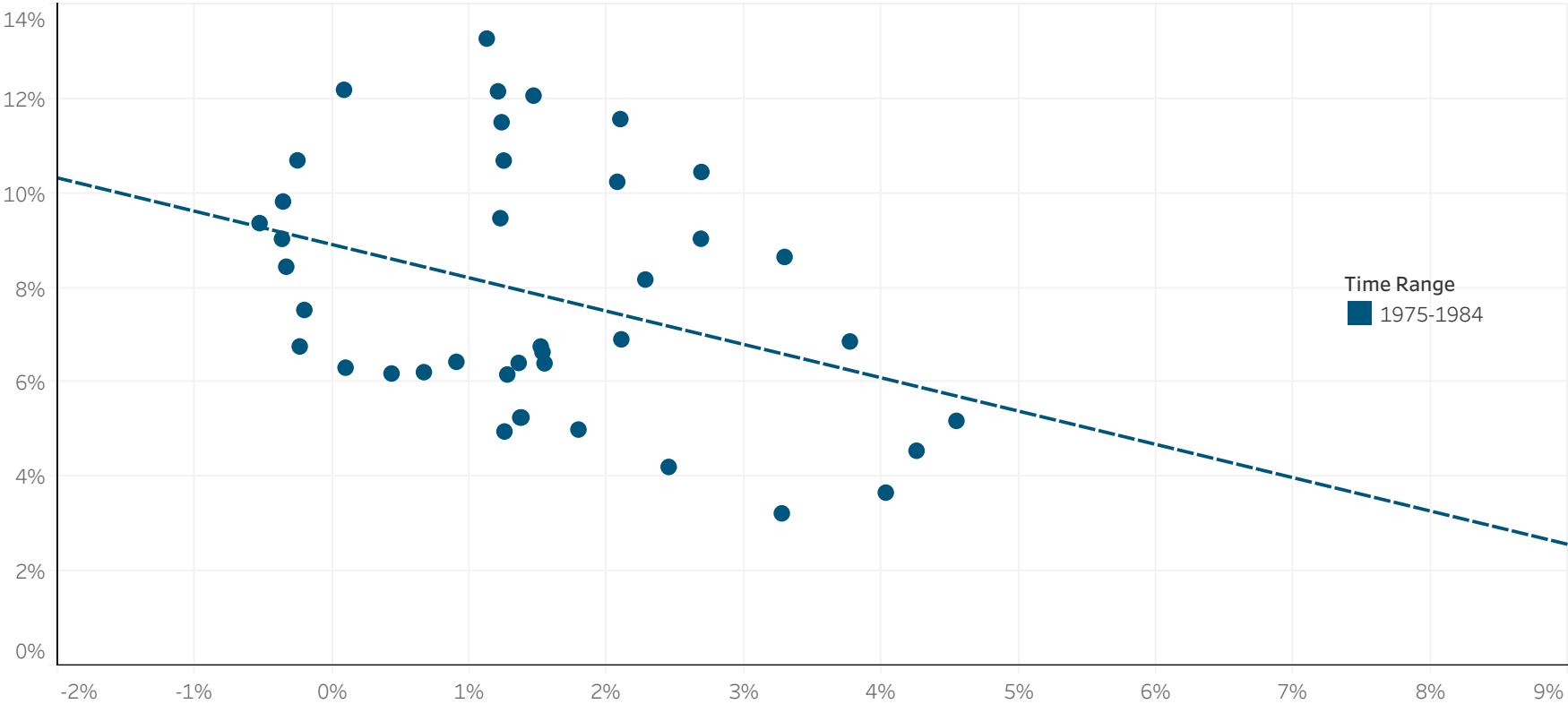
Source: FRED

Historically, the Phillips Curve demonstrated a "close" (inverse) relationship between inflation and unemployment

---

### Phillips Curve: A Retrospective

Inflation and Cyclical Unemployment in the US, quarterly

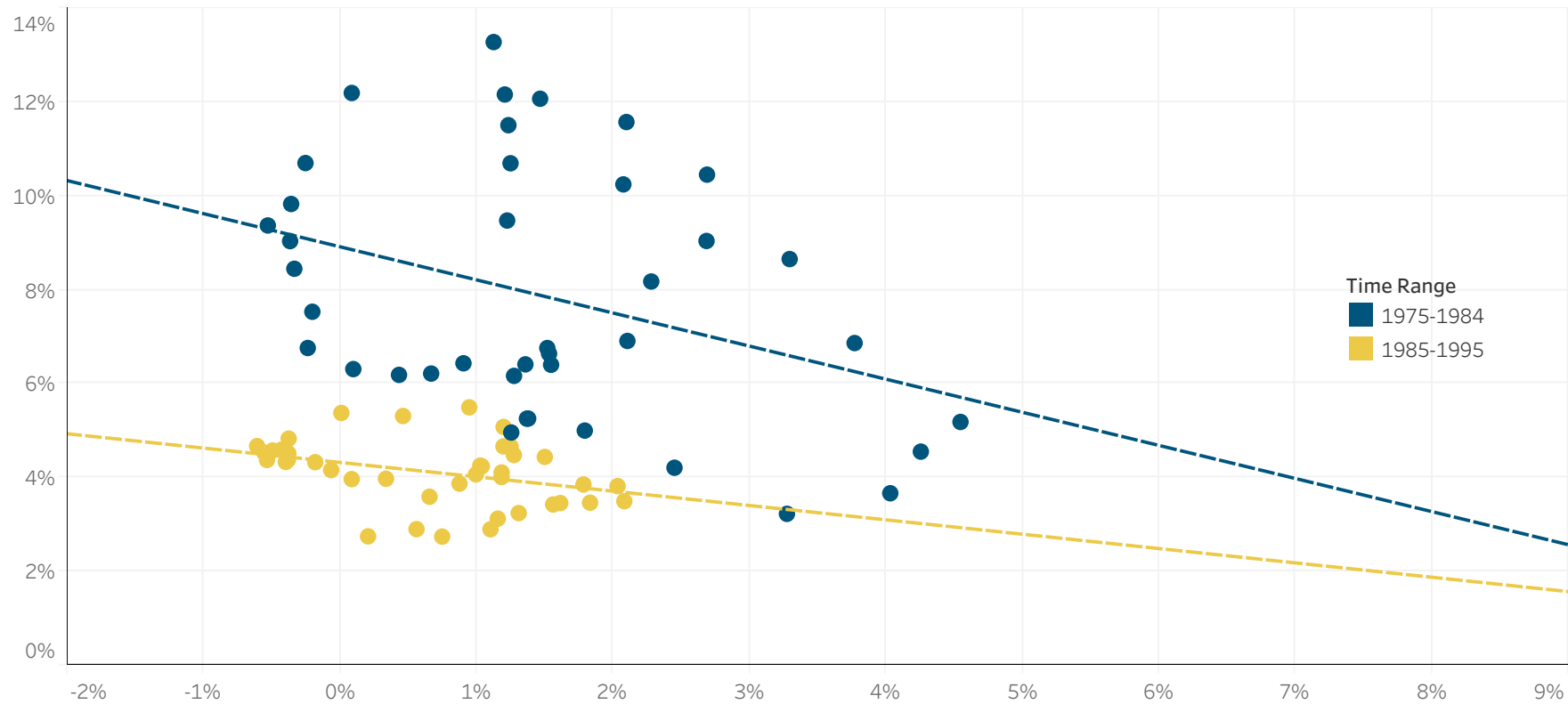


Source: FRED

# Fast forwarding a decade, the inverse relationship still exists, but weakens

## Phillips Curve: A Retrospective

Inflation and Cyclical Unemployment in the US, quarterly



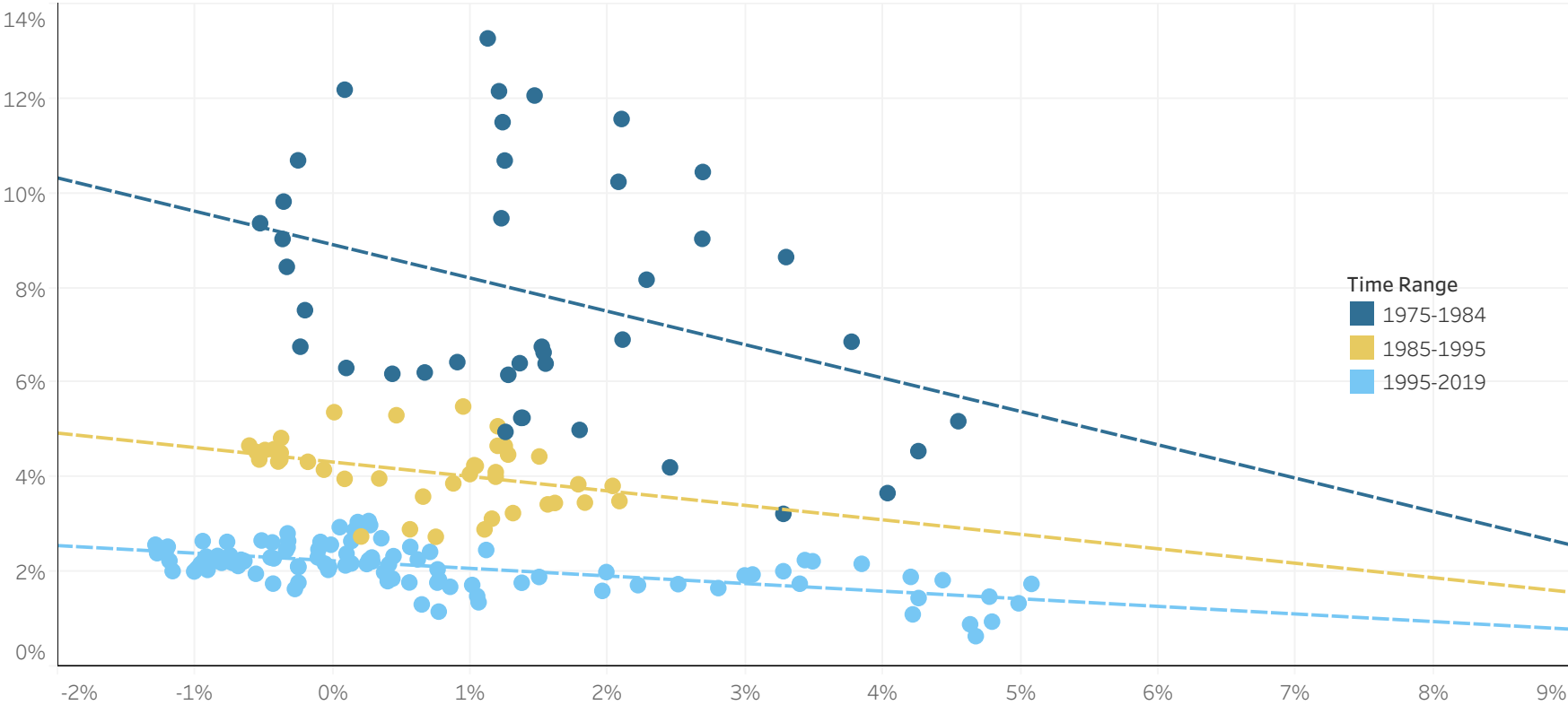
Source: FRED



# Phillips curve relationship flatlines in pre-pandemic decades...

## Phillips Curve: A Retrospective

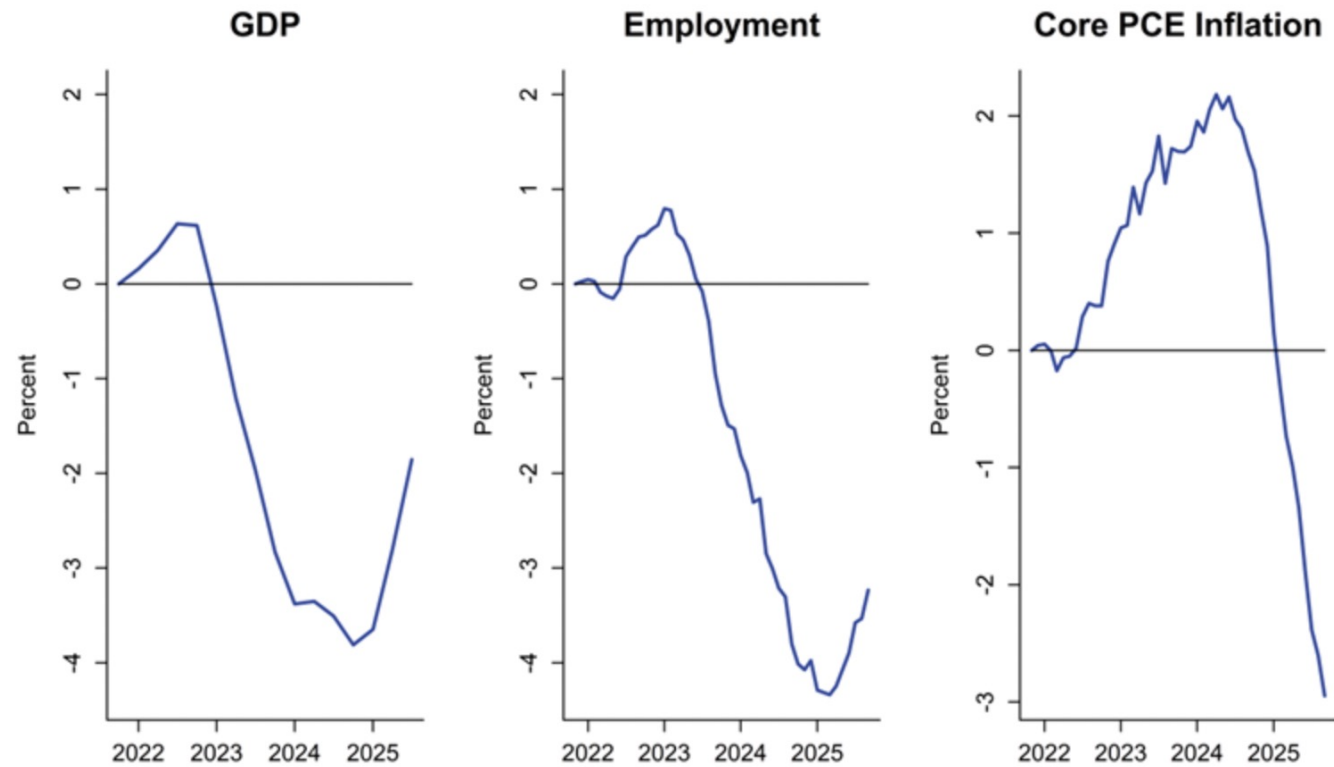
Inflation and Cyclical Unemployment in the US, quarterly



Source: FRED

# Hard Landing

The simulated response of the US economy to the Federal Reserve interest rate hikes of 2022

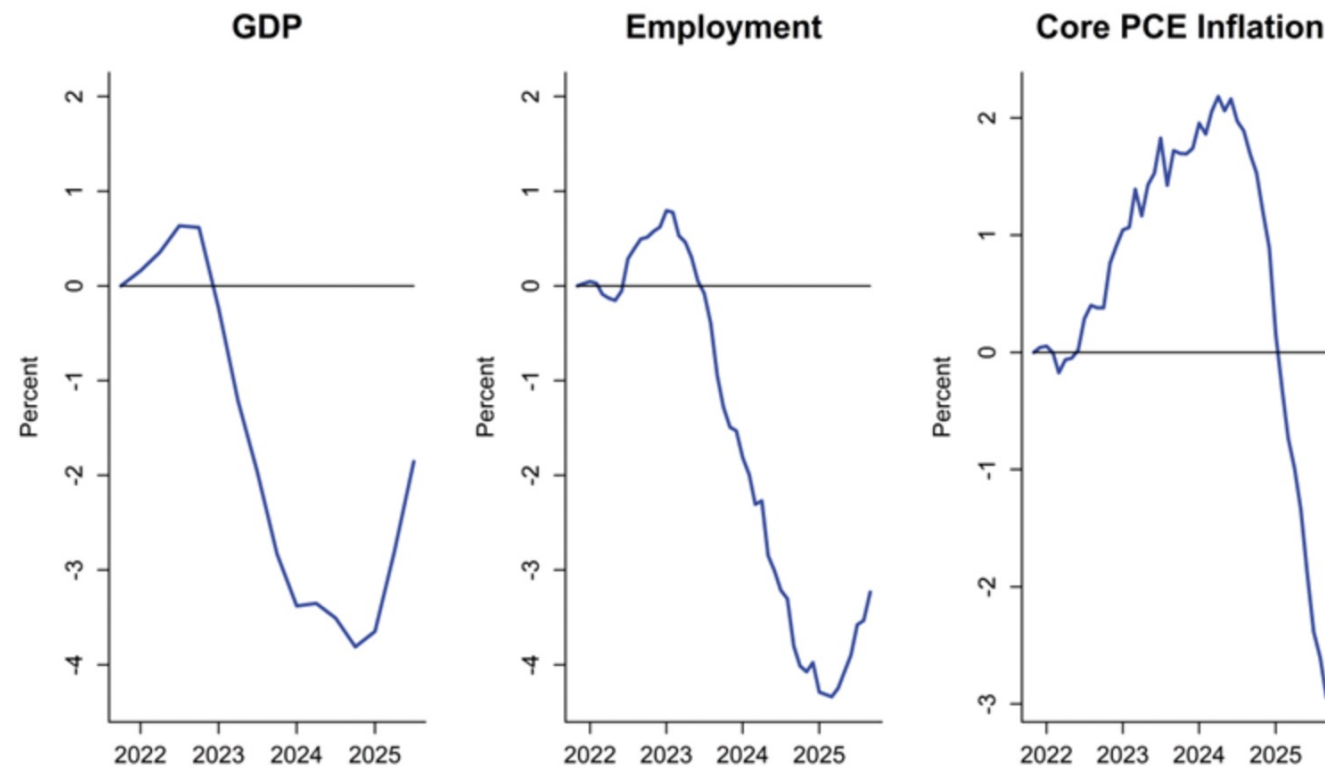


*Note: Log levels of GDP and nonfarm payroll employment and the 12-month change in core PCE prices.*

Source: Federal Reserve Bank of Chicago

# Hard Landing

The simulated response of the US economy to the Federal Reserve interest rate hikes of 2022



*Note: Log levels of GDP and nonfarm payroll employment and the 12-month change in core PCE prices.*

Source: Federal Reserve Bank of Chicago

**\* In order to bring down inflation, employment and GDP will face sizeable declines**

# Hard Landing

## Prompt

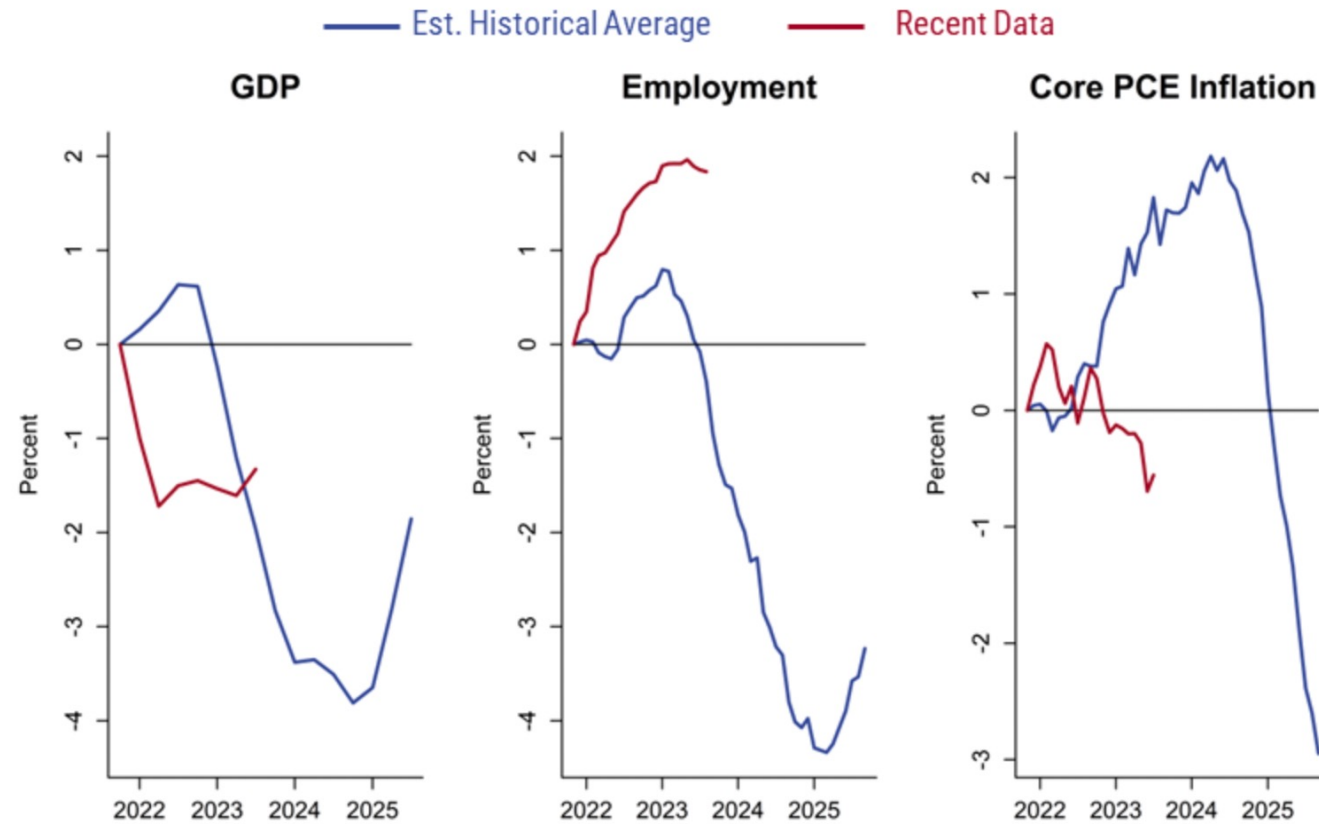
Jerome Powell and Janet Yellen in a bar looking very sad and somber drinking whisky with a portrait of adam smith on the wall behind them



Source: Stable  
Diffusion

# Soft Landing

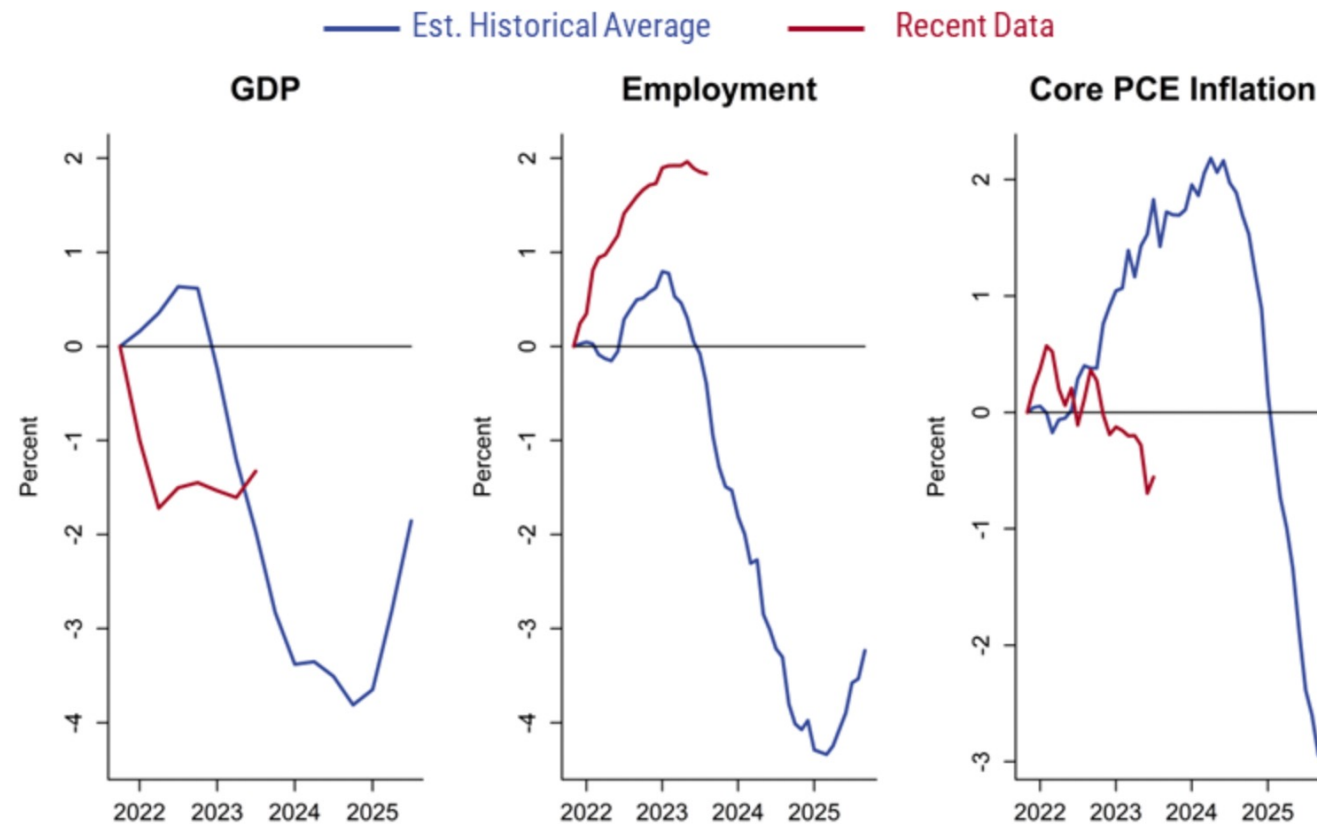
The simulated response of the US economy to the Federal Reserve interest rate hikes of 2022 and what actually happened



*Note: Log levels of GDP and nonfarm payroll employment and the 12-month change in core PCE prices. Recent data are quarterly since 2021:Q4 for GDP and monthly since November 2021 for employment and core PCE inflation.*

# Soft Landing

The simulated response of the US economy to the Federal Reserve interest rate hikes of 2022 and what actually happened



*Note: Log levels of GDP and nonfarm payroll employment and the 12-month change in core PCE prices. Recent data are quarterly since 2021:Q4 for GDP and monthly since November 2021 for employment and core PCE inflation.*

- \* The current behavior (so far) is following a slightly different path than the model prediction rooted in the “flat” Phillips curve framework

# Soft Landing

## Prompt

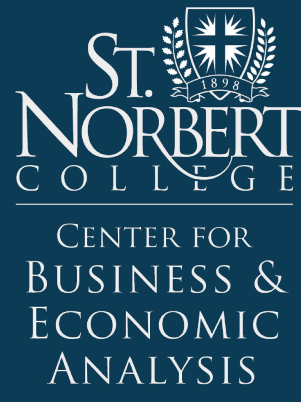
Jerome Powell and Janet Yellen giving a toast in a bar drinking whisky with a portrait of adam smith on the wall behind them



<https://stablediffusionw/>

Source: Stable  
Diffusion

# Overview



## 1 | Economic growth continues...a tad bit slower

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | Inflation normalizing above Fed target

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | Labor Markets continue slow down in hiring activity

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | Notable Headwinds on the Horizon

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

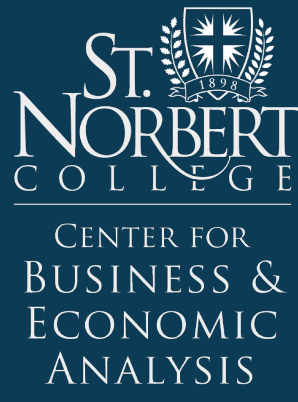
Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

## 5 | Recession Probability?

Recession likelihood continues to fall into 2024 with odds below 40%



# Overview



## 1 | Economic growth continues...a tad bit slower

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | Inflation normalizing above Fed target

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | Labor Markets continue slow down in hiring activity

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | Notable Headwinds on the Horizon

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

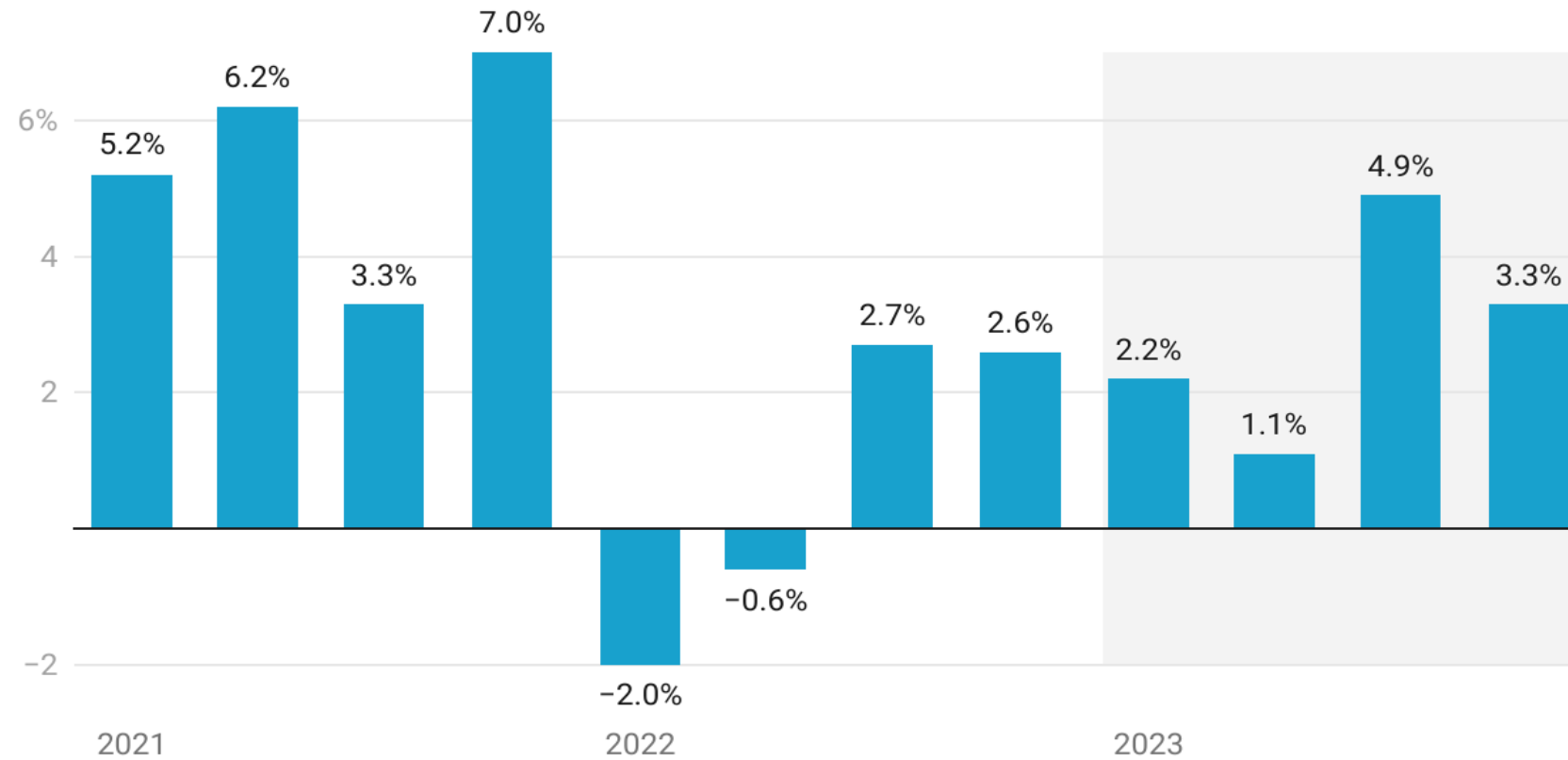
## 5 | Recession Probability?

Recession likelihood continues to fall into 2024 with odds below 40%

Following modest growth in early '23, real GDP grew at 3.3% in Q4

## Real GDP Uptick in Q4

percent change from preceding quarter at seasonally adjusted rates

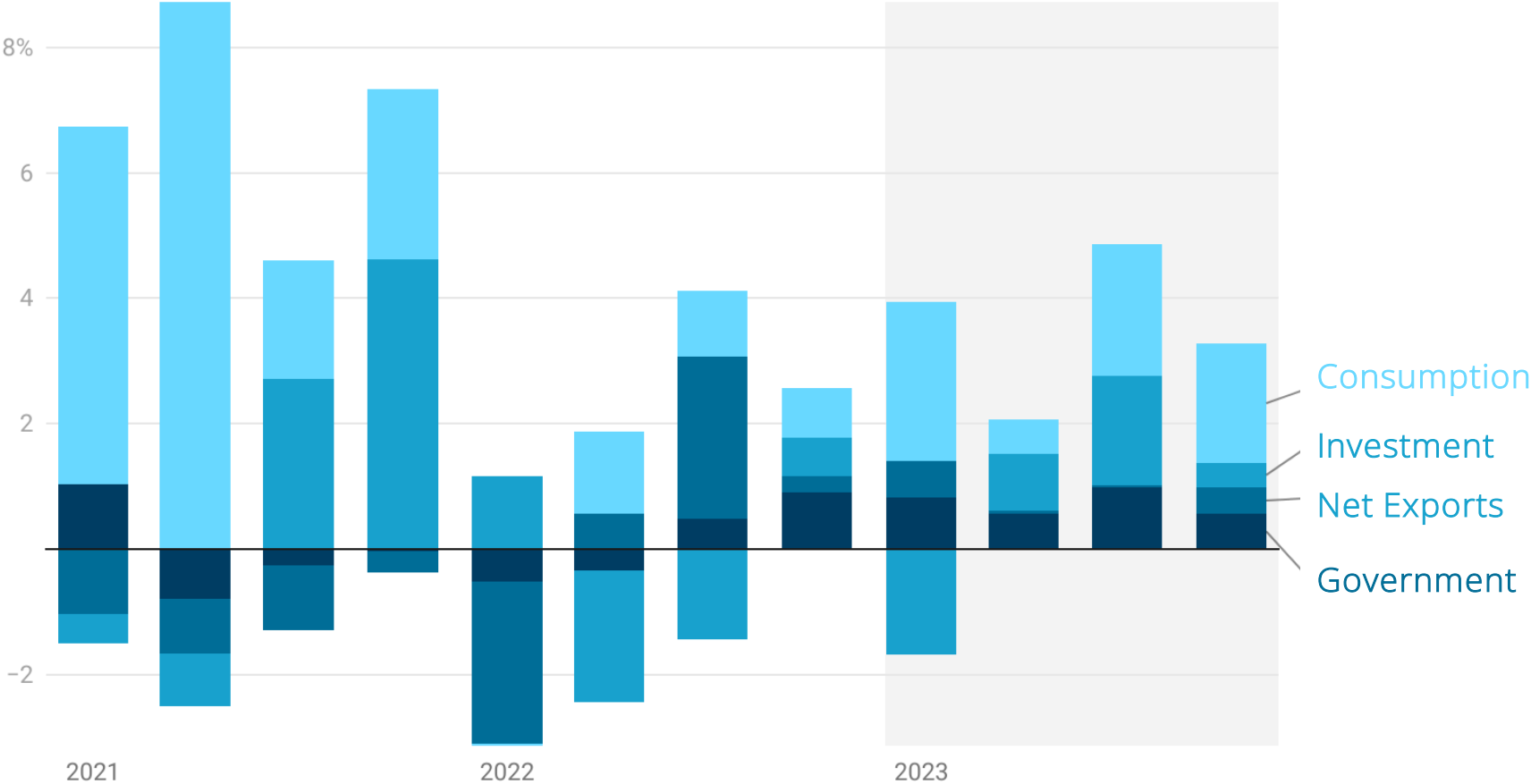


Source: BEA

# Strong Private Consumption leads to moderate growth in 2023

## Gross Domestic Product

percentage component contribution to GDP



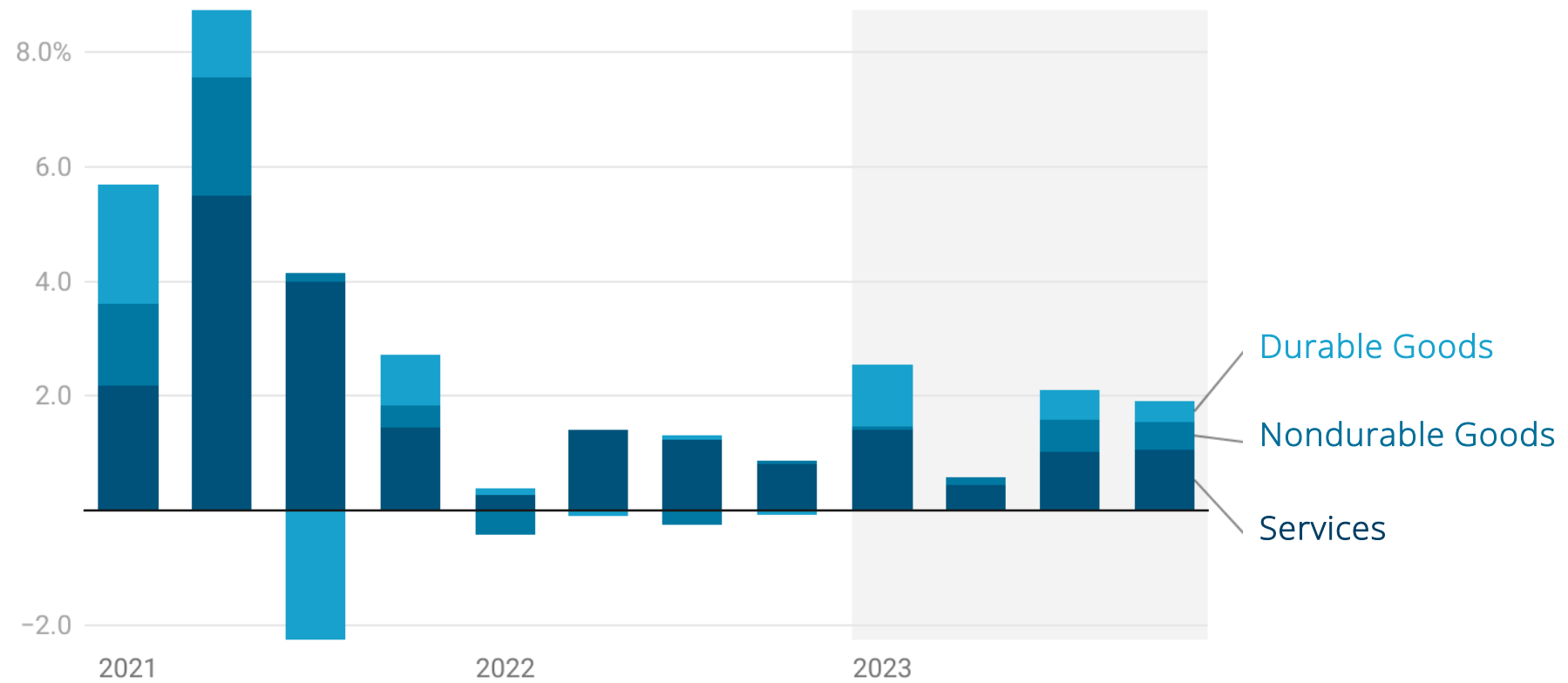
Source: BEA

# Goods and Services spending contribute equally to GDP in the latter half of 2023

---

## Personal Consumption Expenditures

percentage component contribution to consumption



Source: BEA

Question

**Is your household better  
or worse off today than it  
was in 2022?**



While consumer sentiment is still down from the pre-pandemic period, it is showing signs of upward momentum

---

### University of Michigan Consumer Sentiment

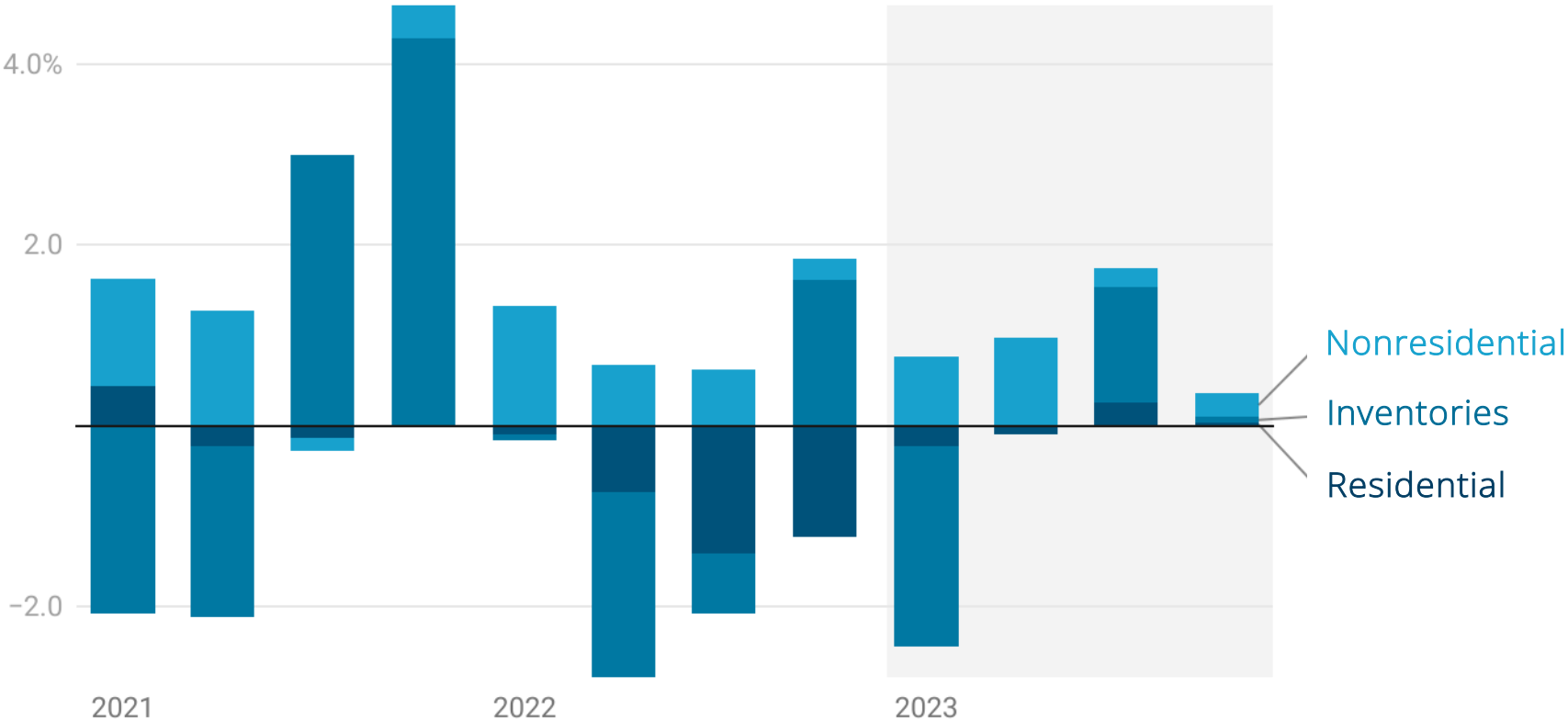


Source: University of Michigan

Investment swings driven by cyclical inventory swings, with softness in the residential investment market

### Gross Domestic Private Investment

percentage component contribution to investment



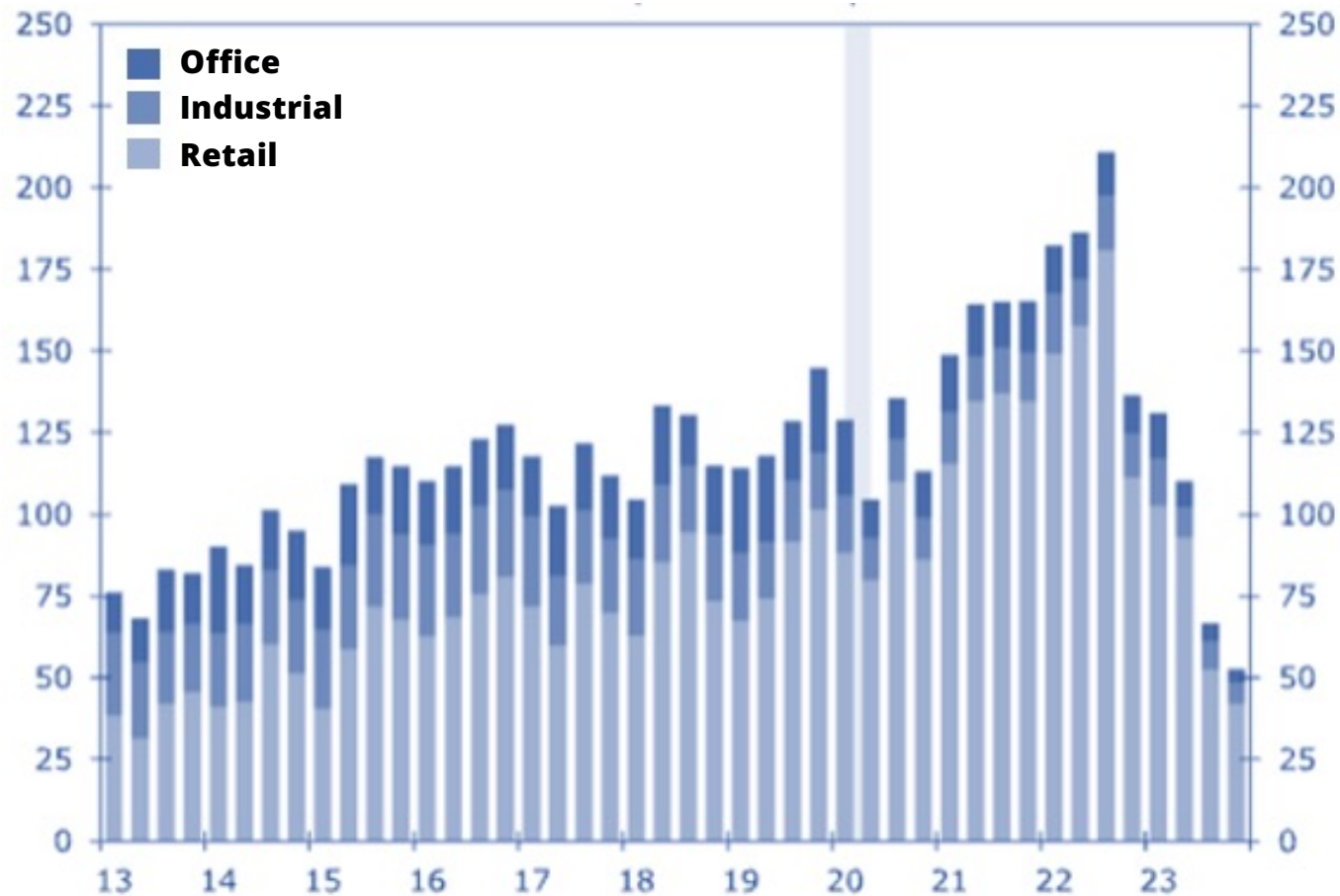
Source: BEA

# New commercial construction among twenty-year lows amid high interest rates and shifting workplace standards

---

## Commercial Construction Downshifting

Construction Starts, Millions of Square Feet

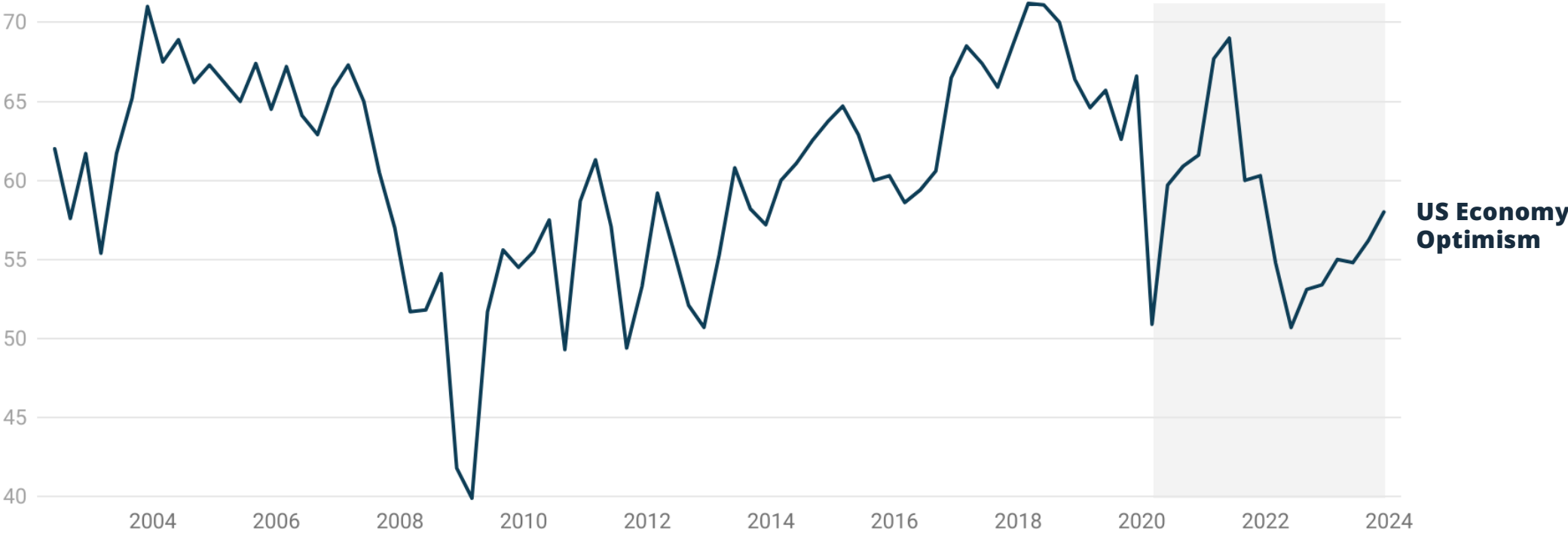




Much like consumers, CFOs are more confident “soft landing” is achievable

### CFO Confidence in the Economy

survey-based optimism index

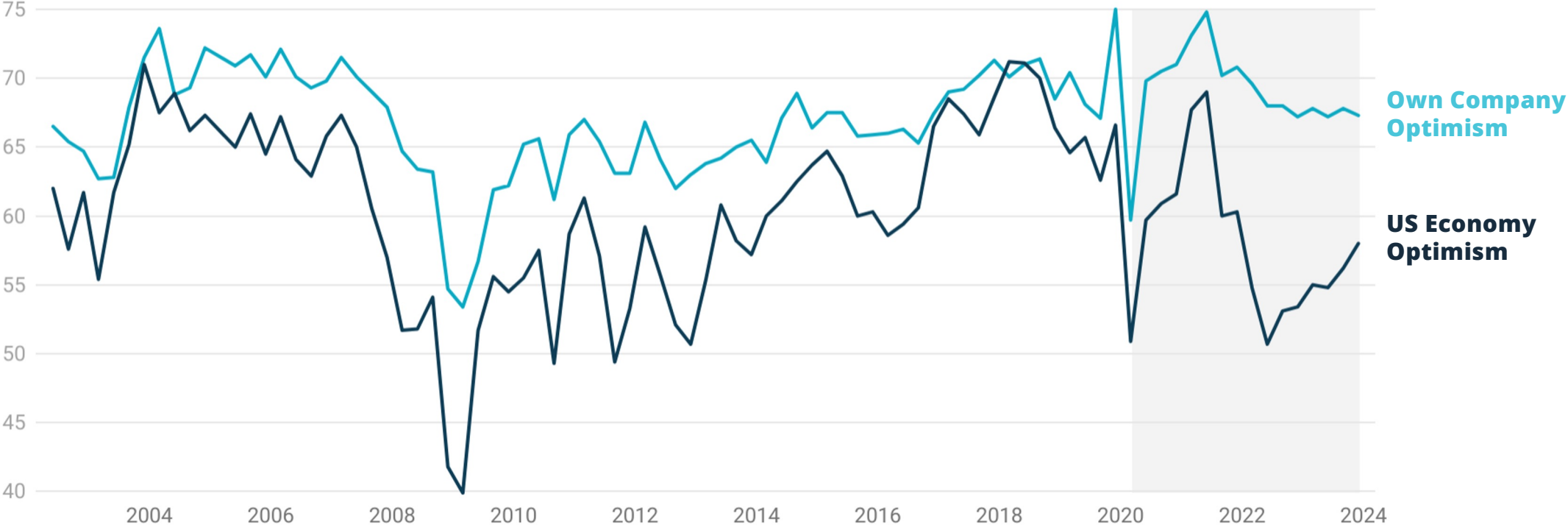


Source: Duke University

Much like consumers, CFOs are more confident “soft landing” is achievable

### CFO Confidence in the Economy

survey-based optimism index



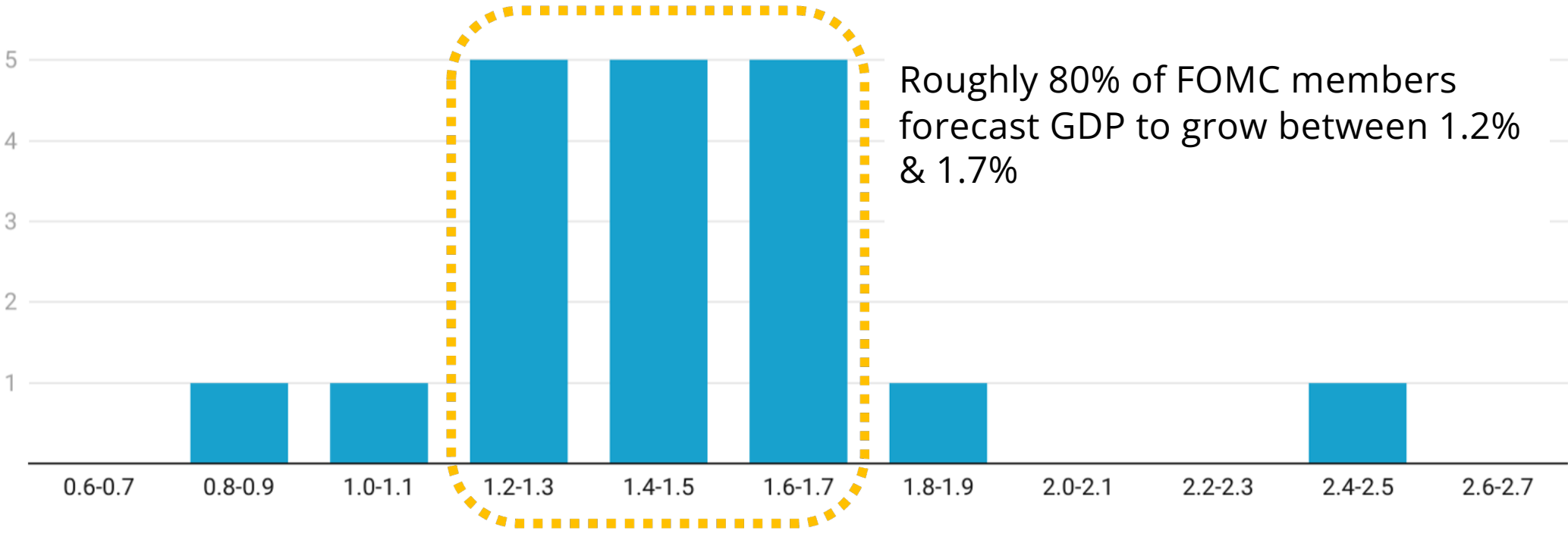
Source: Duke University

# Federal Open Market Committee expects moderate GDP growth in 2024

## FOMC Projections of Real GDP Growth

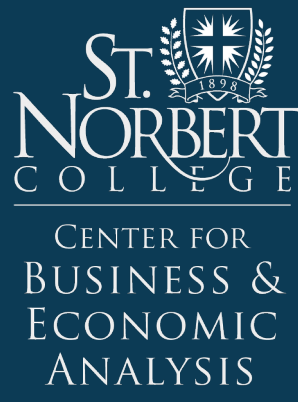
participant's median projection for GDP growth

Number of Participants



Source: Federal Reserve

# Overview



## 1 | Economic growth continues...a tad bit slower

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | Inflation normalizing above Fed target

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | Labor Markets continue slow down in hiring activity

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | Notable Headwinds on the Horizon

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

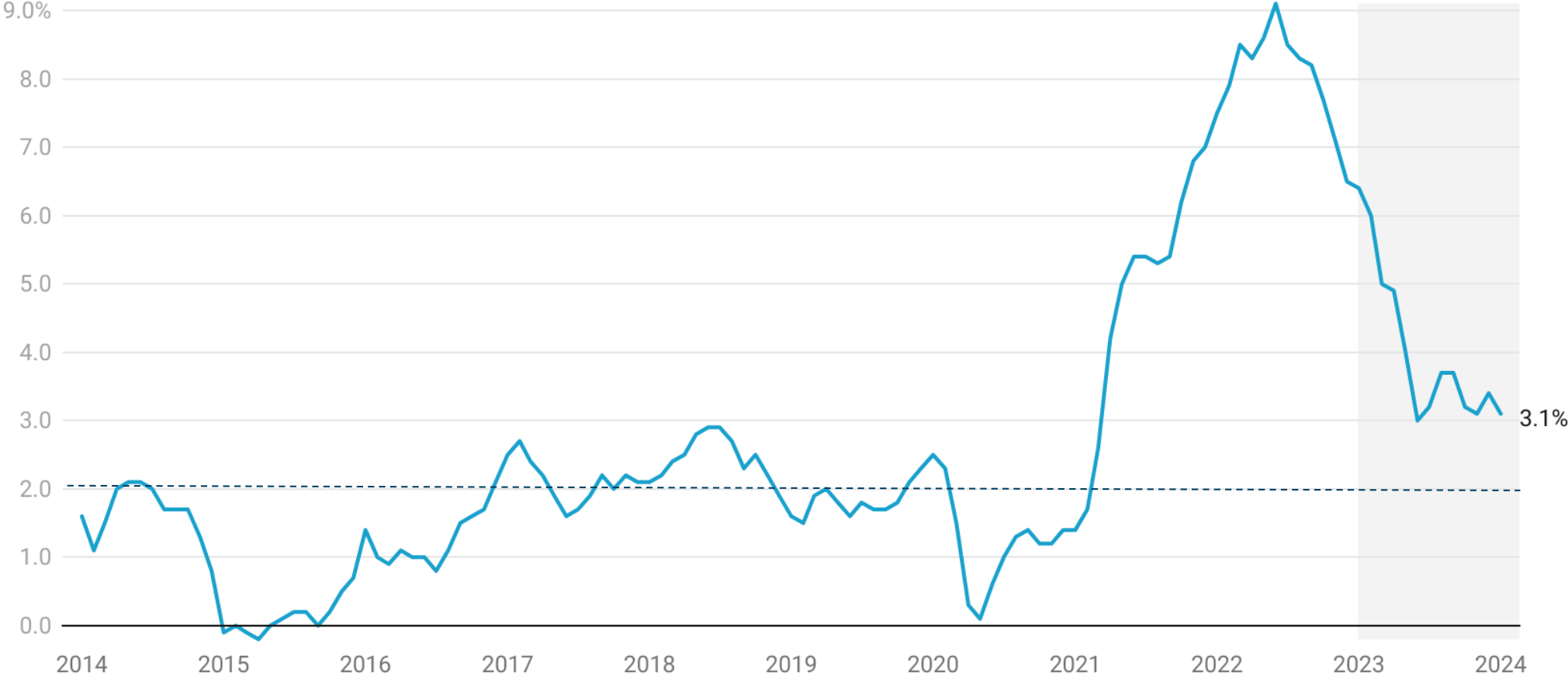
## 5 | Recession Probability?

Recession likelihood continues to fall into 2024 with odds below 40%

After a sharp decline in 2022, inflation has proven stubborn into 2024

### Consumer Price Index

year-over-year change in all items

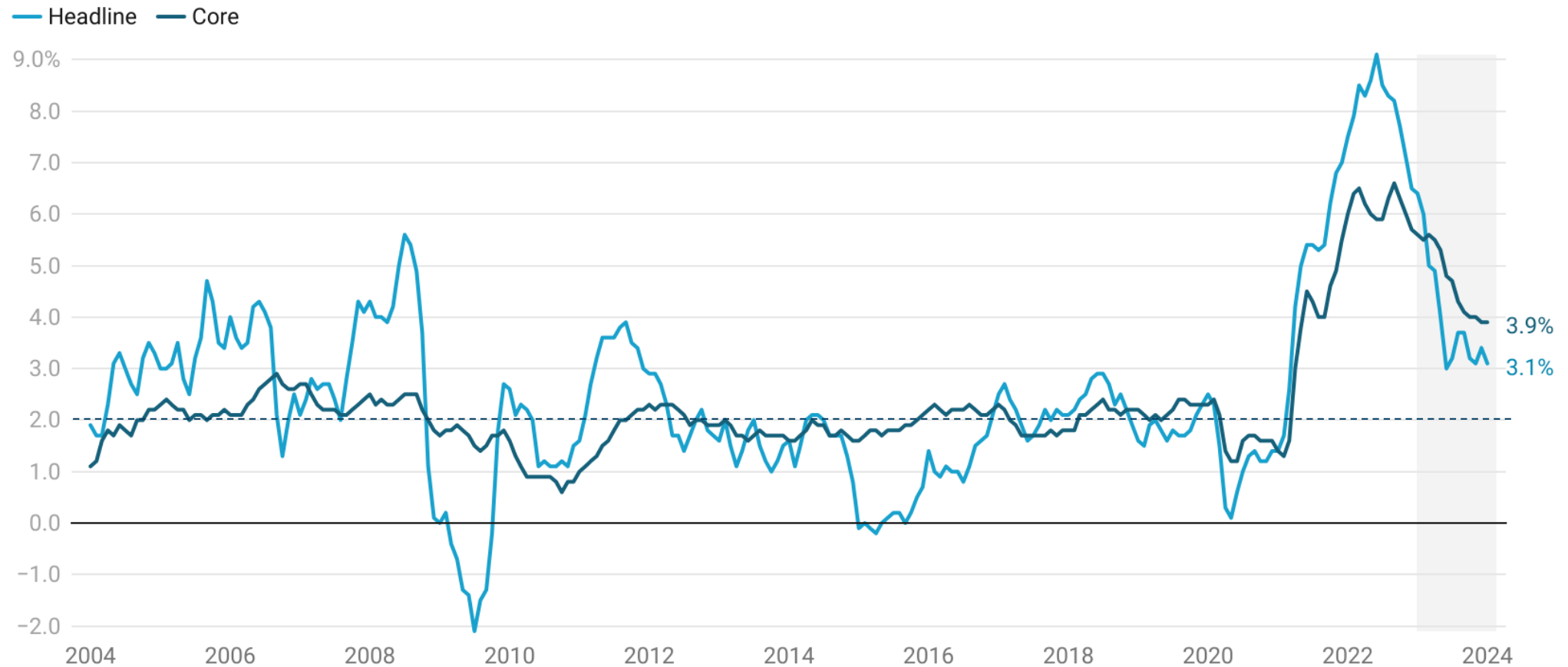


Source: BLS

While there are signs of inflation starting to turn, core inflation is rather stubborn

### Headline vs. Core Inflation

headline (all items CPI) vs core (all items less food and energy CPI) | annual % change



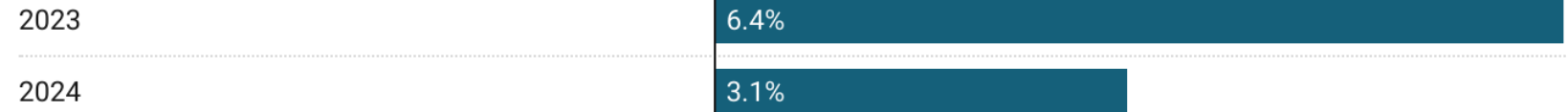
Source: BLS

While all the key elements of CPI showed slowed price increases, energy prices decreased in 2023

## Price Movers Perspective

Annual Percentage Change Jan 2023 vs Jan 2024

### All items



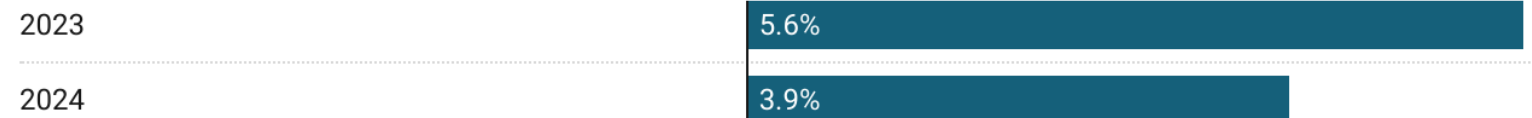
### Food



### Energy



### All items less food and energy

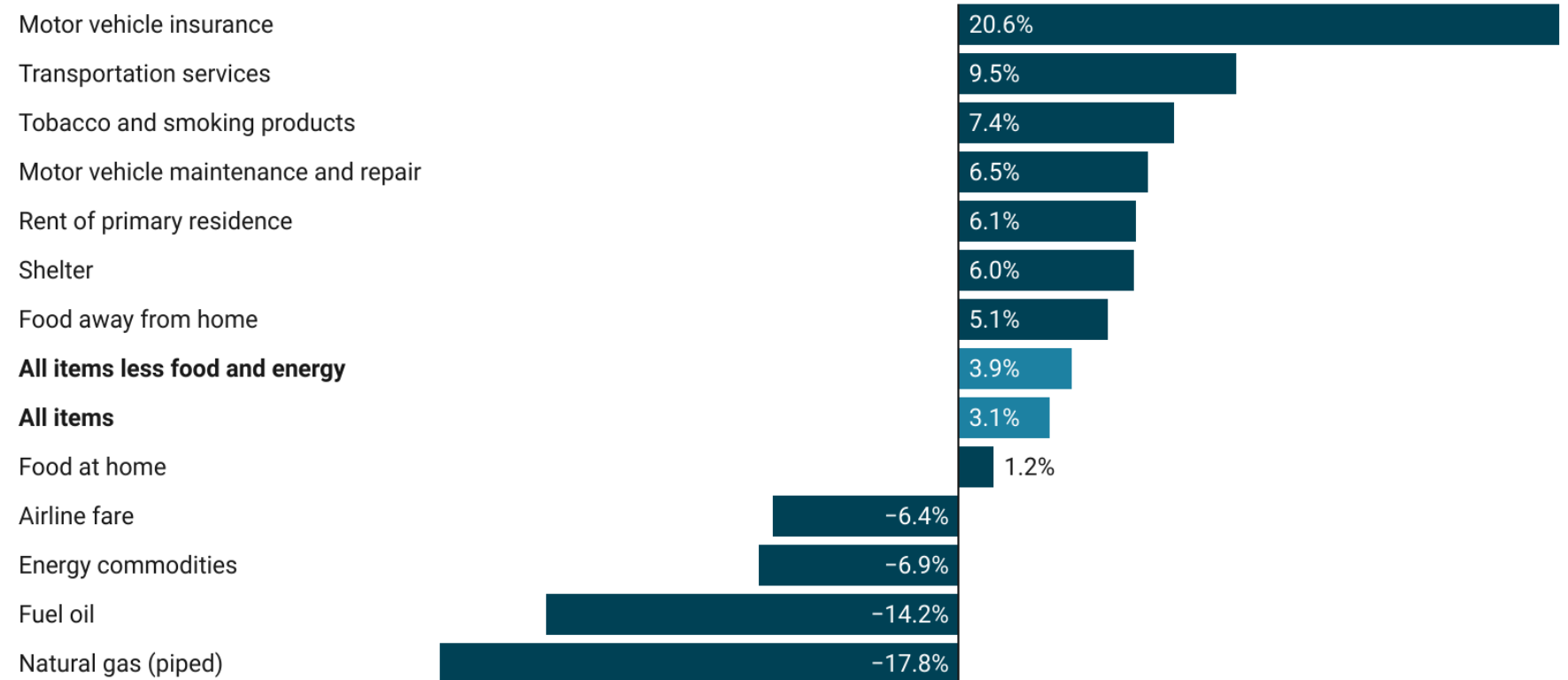


Source: BLS

Transportation  
Industry feeling  
Inflationary  
pressures while  
energy pressure  
is down

## Price Movers

Annual Percentage Change in CPI as of Jan 2024, select categories





# Overview



## 1 | **Economic growth continues...a tad bit slower**

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | **Inflation normalizing above Fed target**

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | **Labor Markets continue slow down in hiring activity**

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | **Notable Headwinds on the Horizon**

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

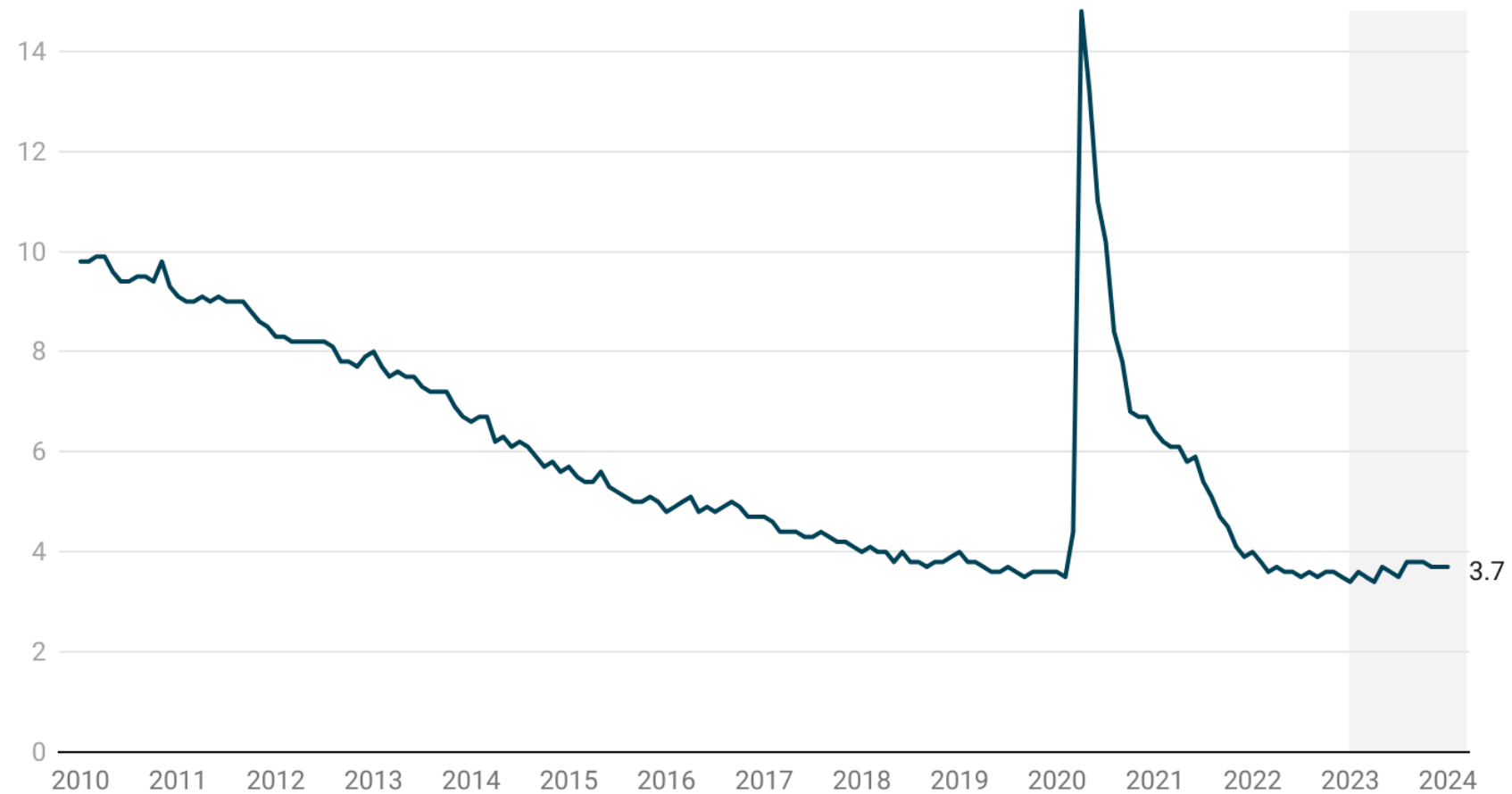
## 5 | **Recession Probability?**

Recession likelihood continues to fall into 2024 with odds below 40%

# Unemployment Rate Holds Steady at 3.7% in January of 2024

## Unemployment Rate

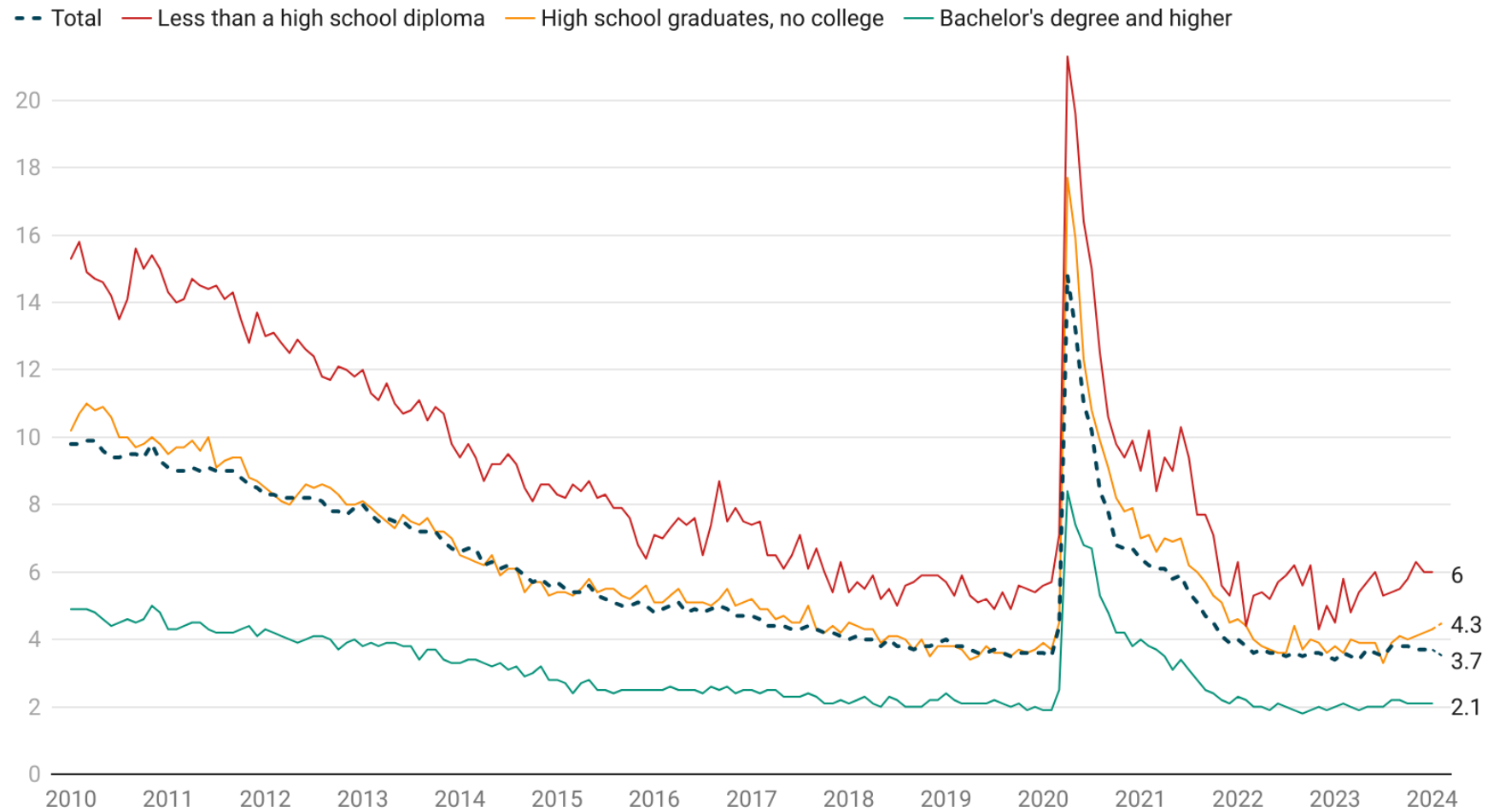
Monthly Unemployment Rate (Seasonally Adjusted)



Source: BLS

# Unemployment Rate for those without a high school diploma rises in 2023

## Unemployment Rate by Education Level

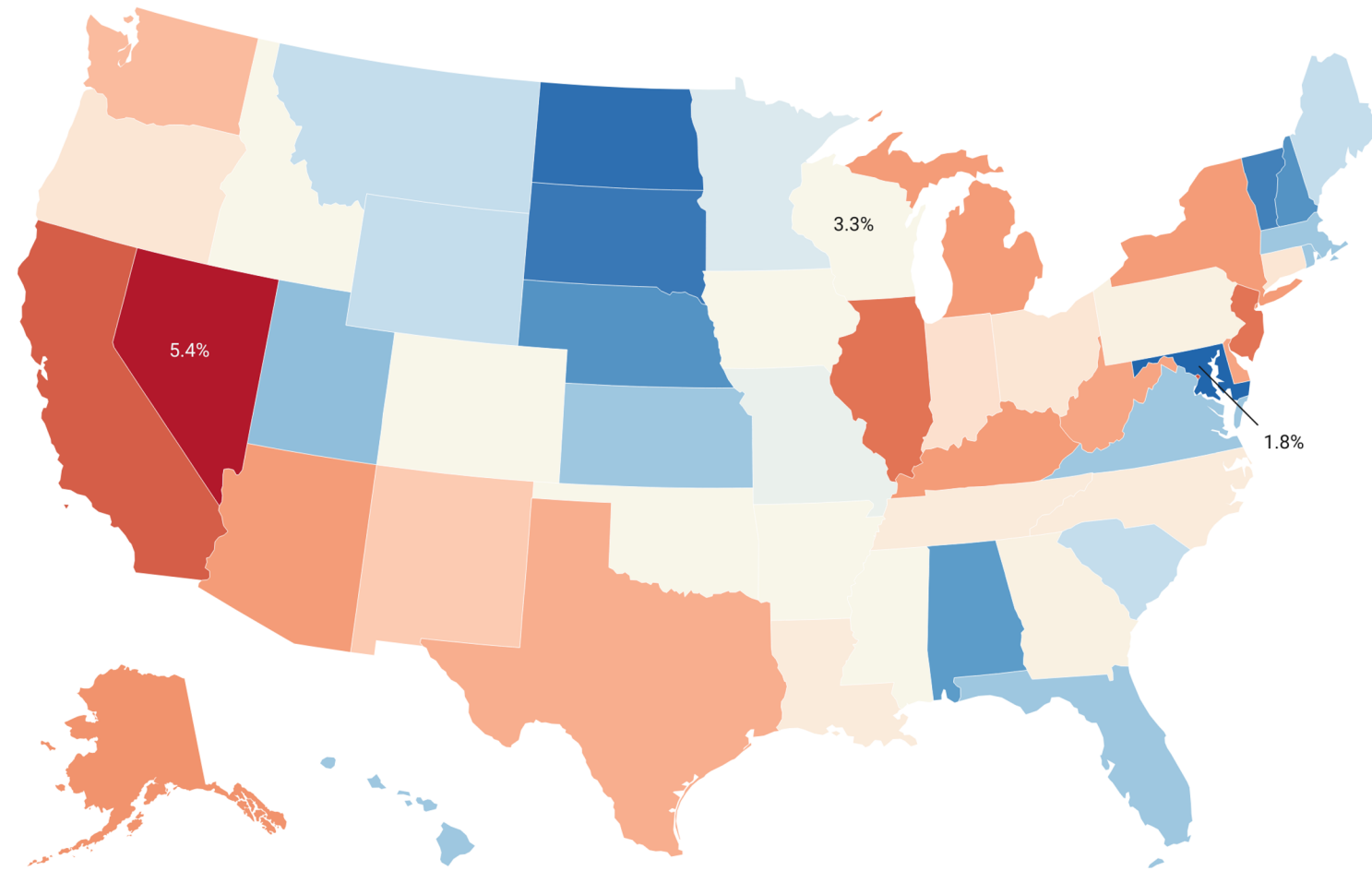


Source: BLS

# Unemployment Rate in Wisconsin sits below national average of 3.7%

---

Unemployment Rate by State in December 2023



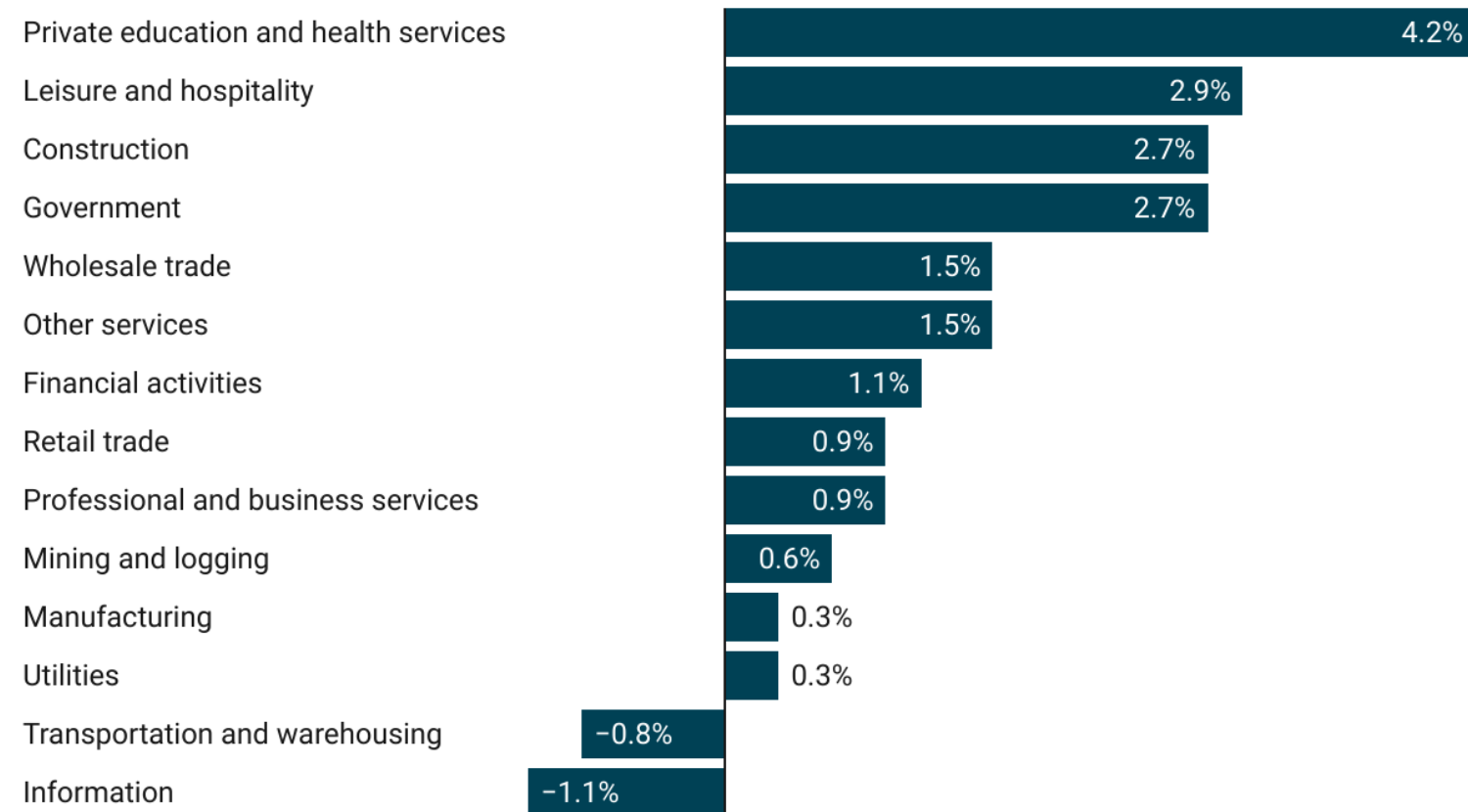
Source: BLS

# Private Education/Health Services and Government see largest Job Growth in 2023

---

## Employment Growth by Industry

12-Month Employment Change by Industry (Seasonally Adjusted)



Source: BLS

Question

**In your opinion, is it easier or harder to find qualified job candidates today than it was in 2022?**

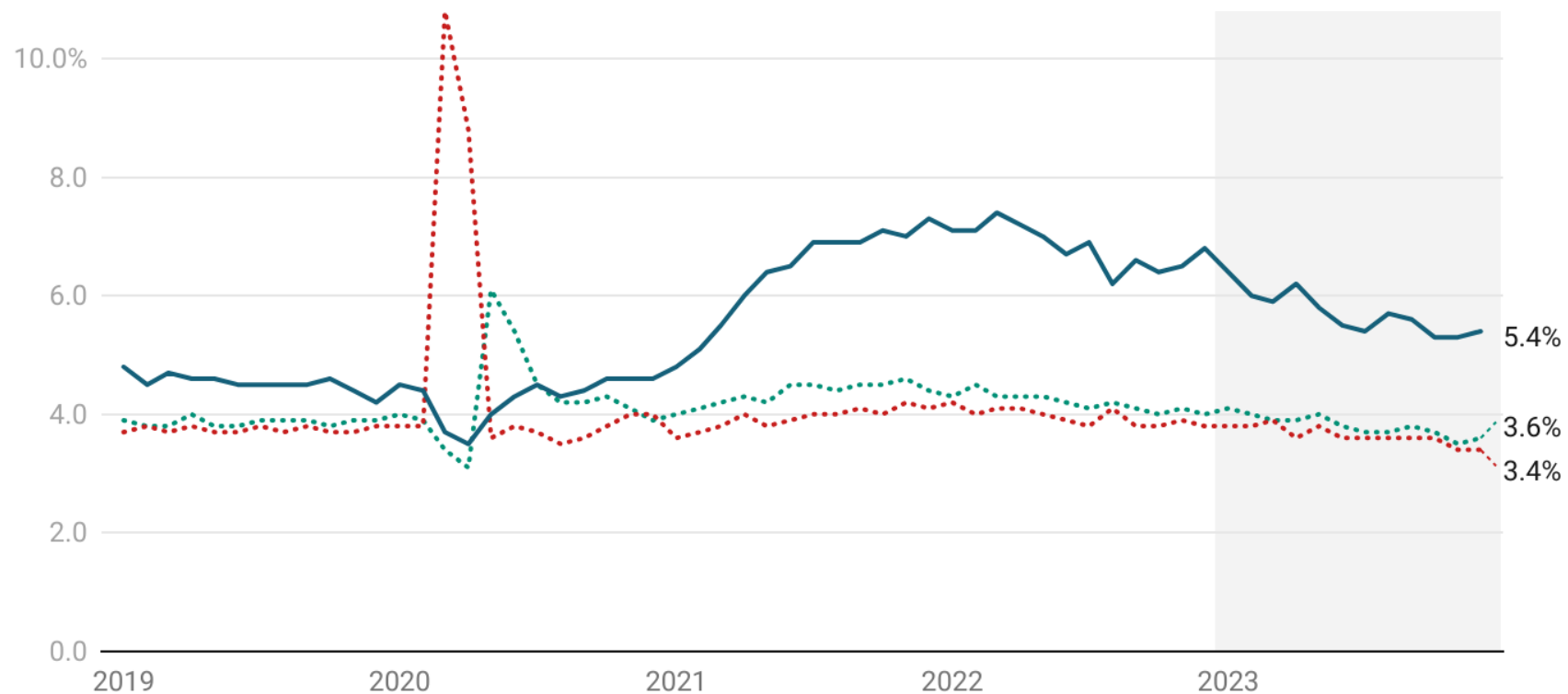


# Job Openings and Hires Continue to Soften Slightly into 2024, while separations remain steady

## Job Openings, Hires, and Separations

Total Non-Farm Rates, seasonally adjusted

— Openings    ··· Hires    ··· Separations



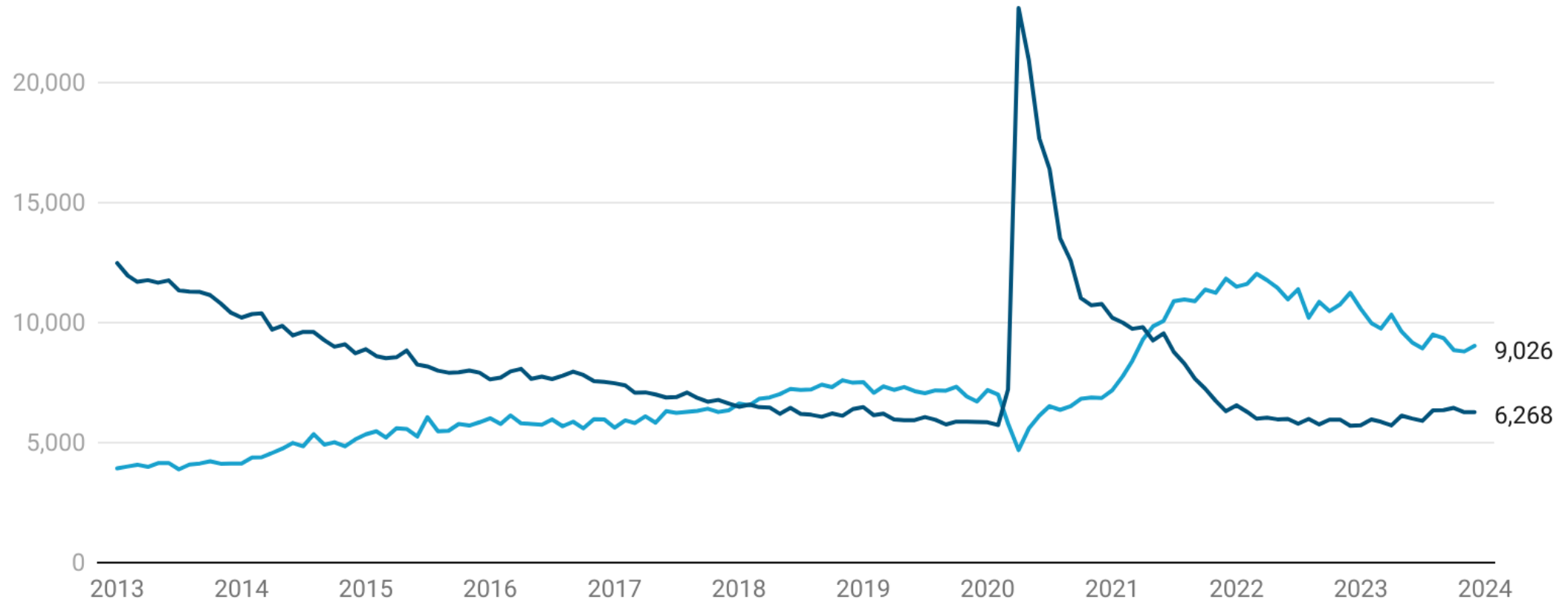
Source: BLS

While total job openings remain higher than unemployment, that gap is tightening entering 2024

## Unemployment and Job Openings

Non-farm job openings and Civilian Unemployment (Thousands)

— Total Non-Farm Job Openings — Total Unemployed



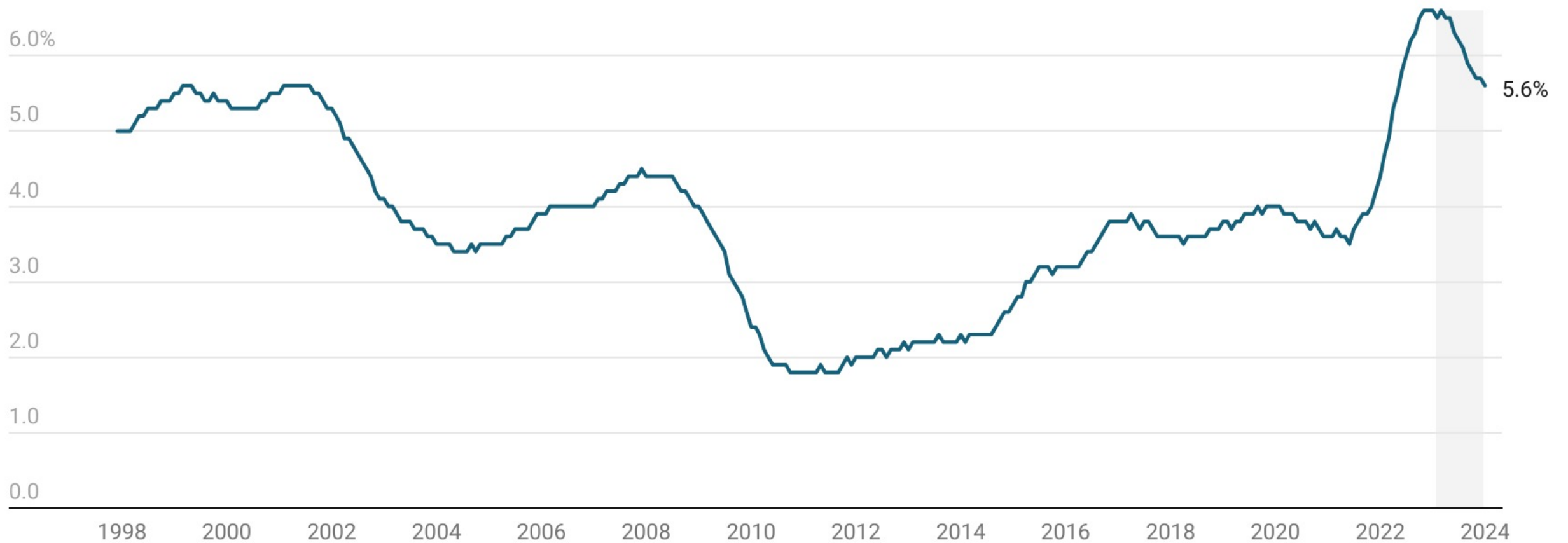
Source: BLS



# Wage Growth Spiked in 2022, and remains on steady decline into 2024

## Wage Growth

12 Month Moving Averages of Wage Growth (%)



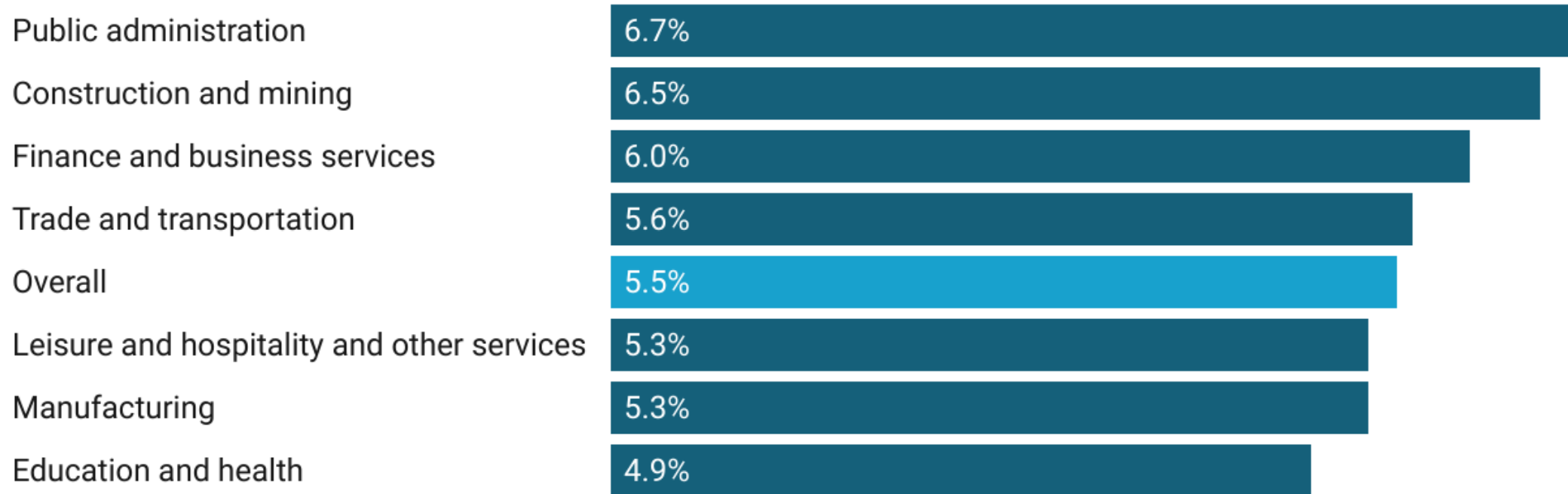
Source: BLS

Despite seeing largest employment growth, the Education and Health Industry wage growth lags behind total wage growth

---

## Wage Growth by Industry Jan 2024

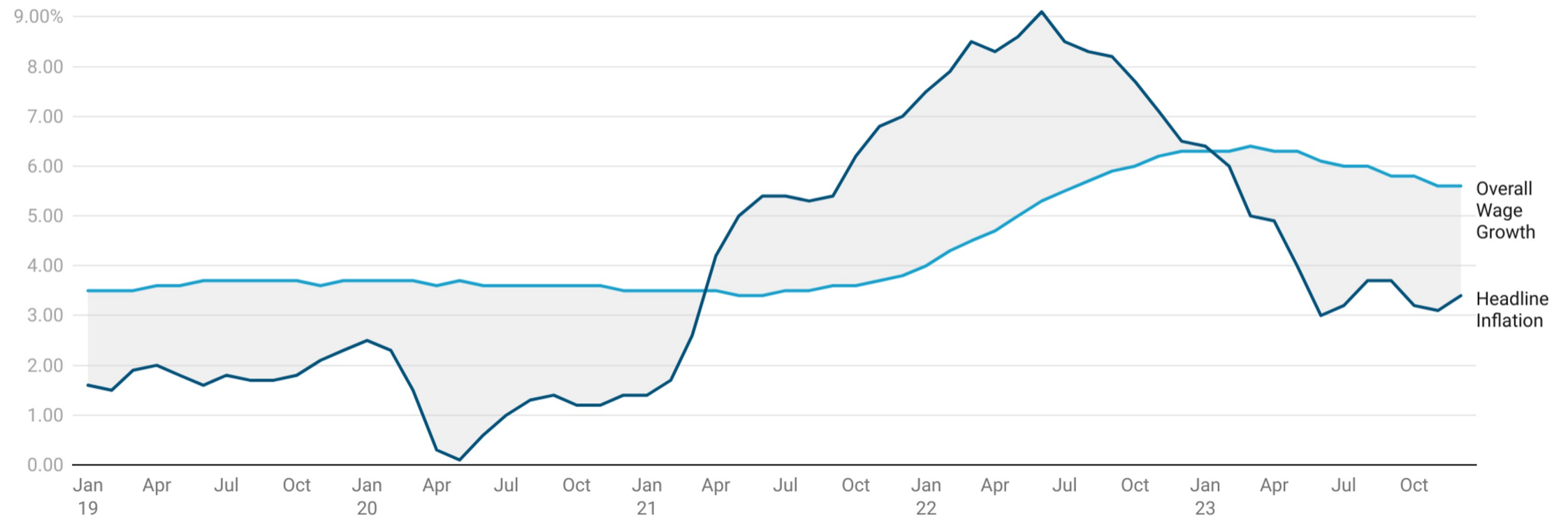
12 Month Moving Average, Monthly Median Wage Growth



# Wage growth in 2023 finally outpaces inflation for the first time since the beginning of 2021

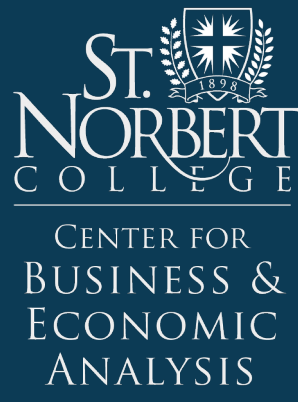
## Wage Growth and Headline Inflation

Annual Percent Change in Overall Wage Growth and Headline Inflation



Source: BLS

# Overview



## 1 | Economic growth continues...a tad bit slower

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | Inflation normalizing above Fed target

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | Labor Markets continue slow down in hiring activity

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | Notable Headwinds on the Horizon

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

## 5 | Recession Probability?

Recession likelihood continues to fall into 2024 with odds below 40%

# Overview



## 1 | Economic growth continues...a tad bit slower

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | Inflation normalizing above Fed target

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | Labor Markets continue slow down in hiring activity

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | Notable Headwinds on the Horizon

The challenged consumer with diminished savings, slowing wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

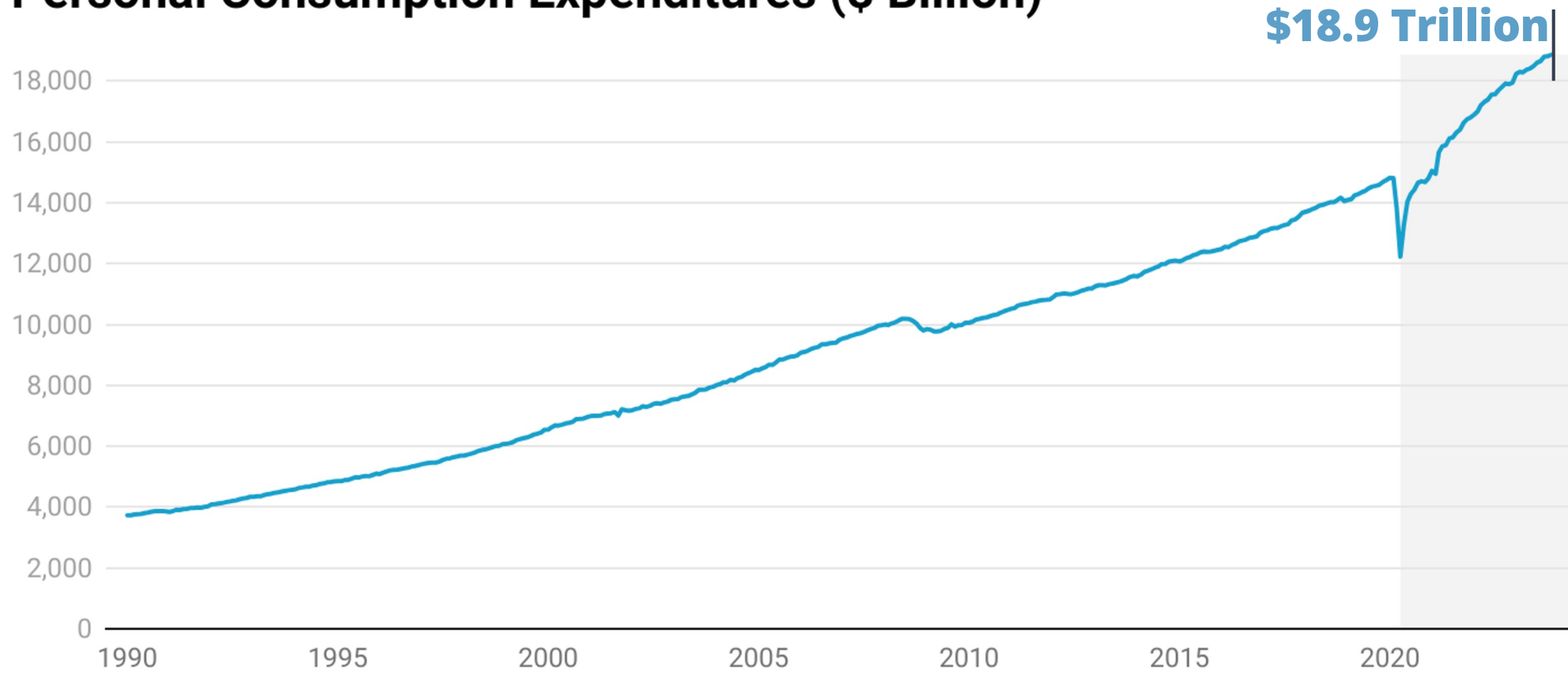
## 5 | Recession Probability?

Recession likelihood continues to fall into 2024 with odds below 40%

Post-pandemic, consumption grew at a faster pace, which is beginning to soften

---

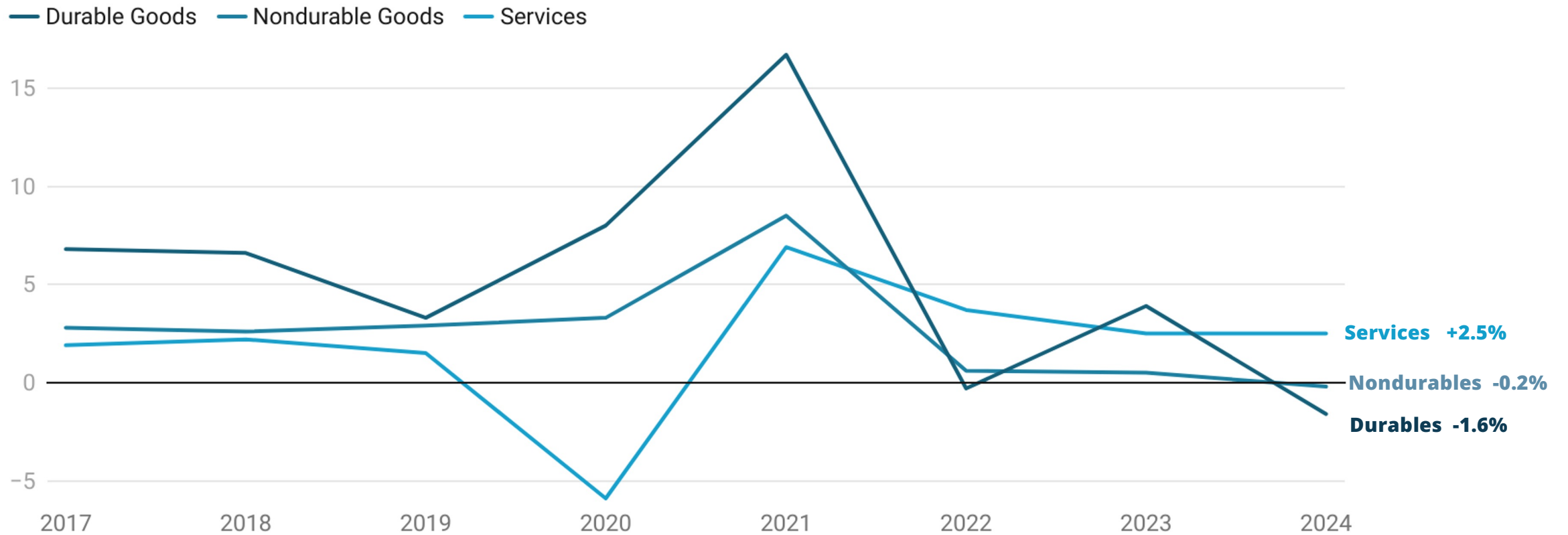
### Personal Consumption Expenditures (\$ Billion)



Source: FRED

Near the end of 2023, spending growth on services was higher than it was before Covid-19, while spending on durables and nondurables was significantly lower

## Consumer Spending Growth



Depicts the % change period over period

Source: Deloitte

In June of 2022, the personal savings rate was the lowest it's been since April of 2008; while it has increased since then, it is still hovering below pre-pandemic trends

## Personal Savings Rate (%)



Source: FRED



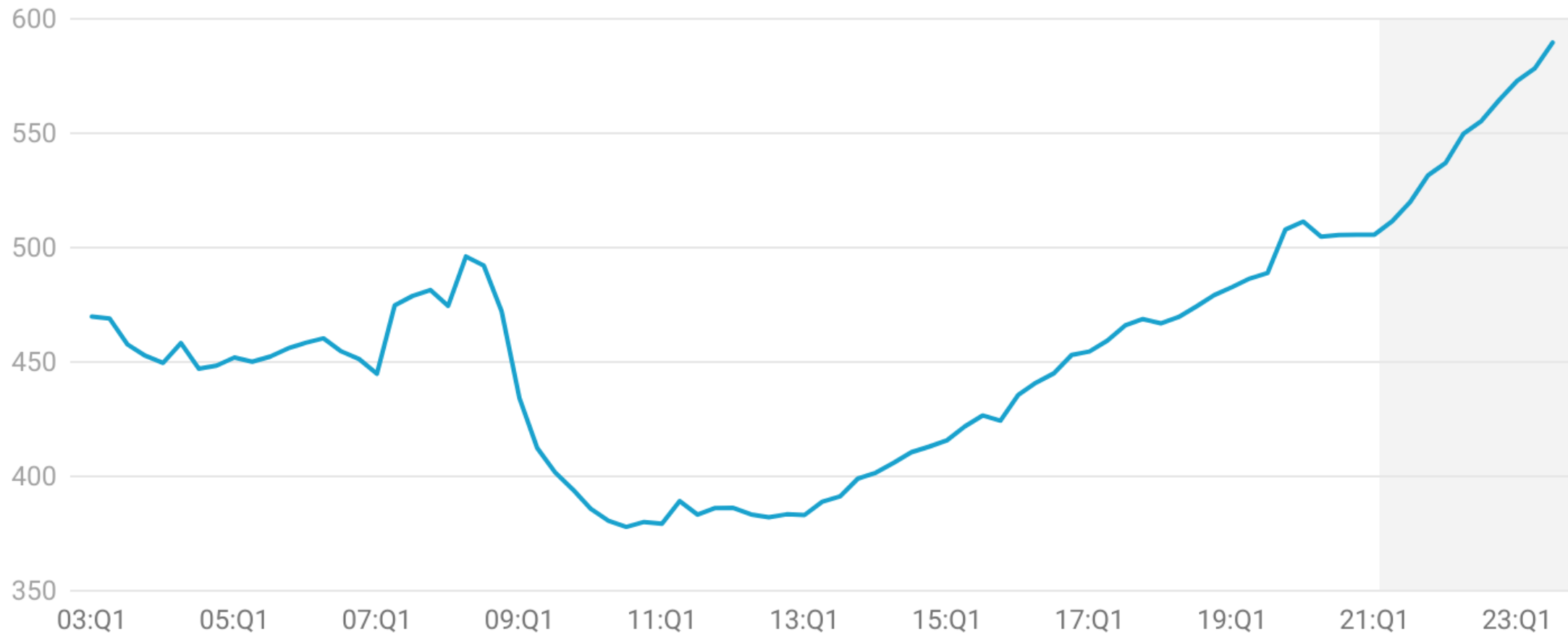
Question

**How many credit cards  
are open in the United  
States?**



While overall debt levels for consumers remains healthy, there are some early signs of potential stress

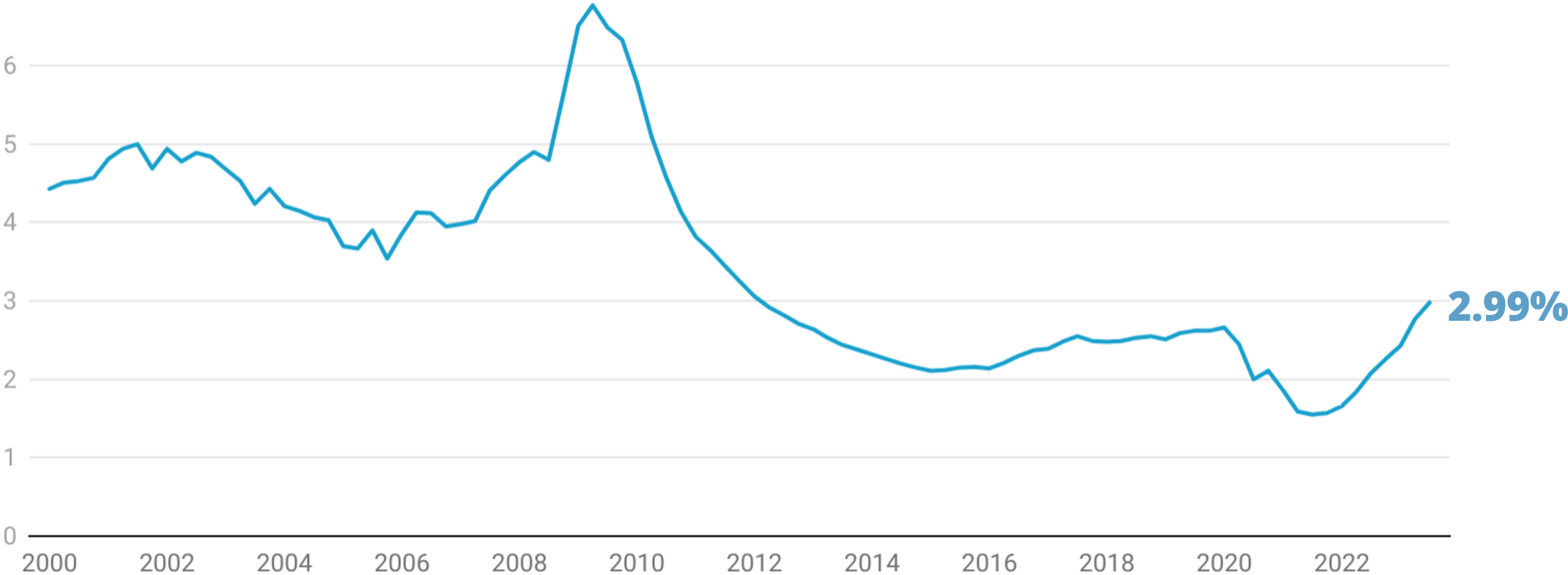
## Number of Credit Card Account Holders (Millions)



Source: New York Fed

Delinquency rates on credit cards are slowly on the rise...

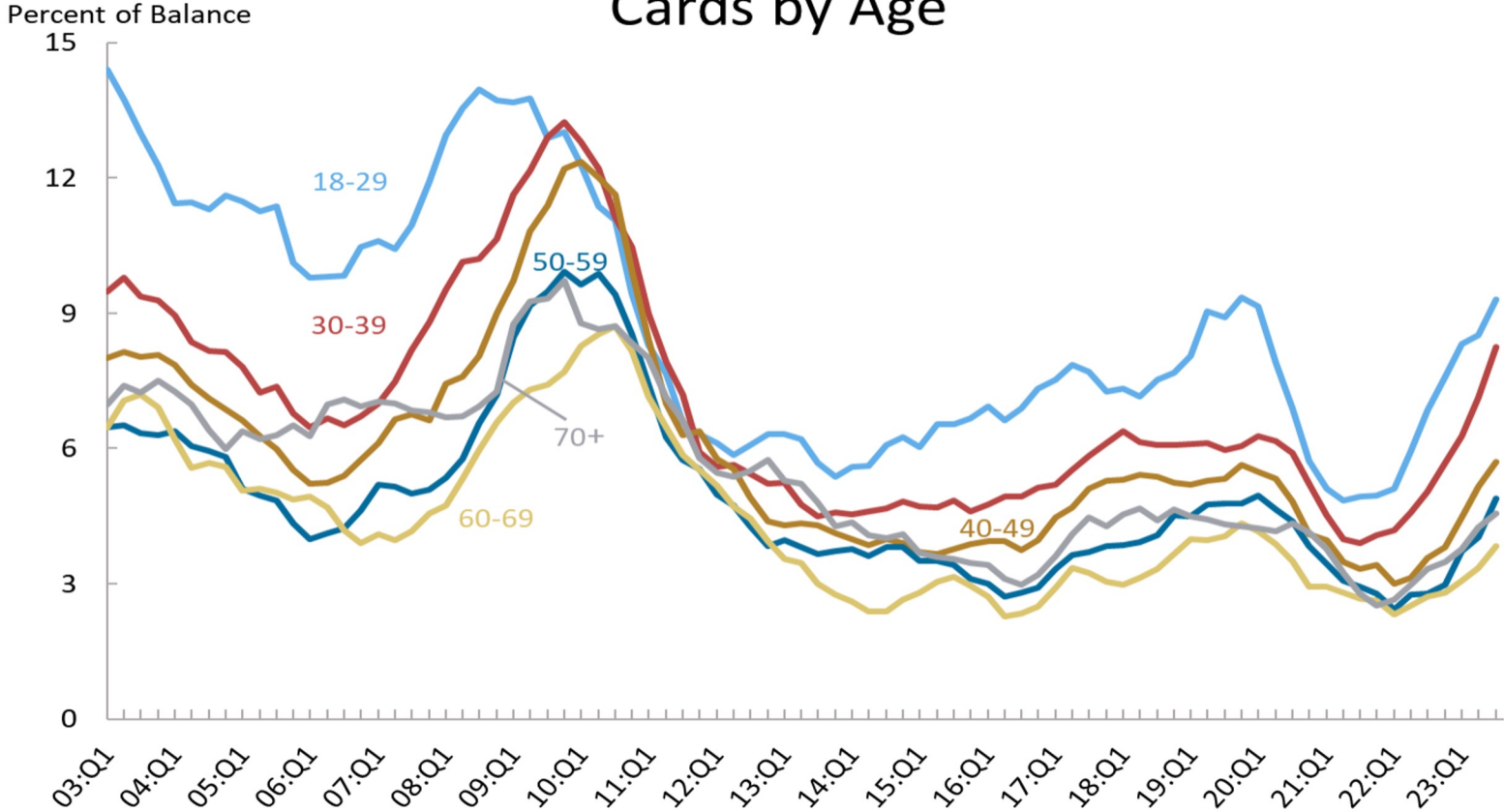
### Delinquency Rate on Credit Card Loans (%)



Source: FRED

This modest uptick in delinquency is consistent across age groups, with the younger demographic leading the way

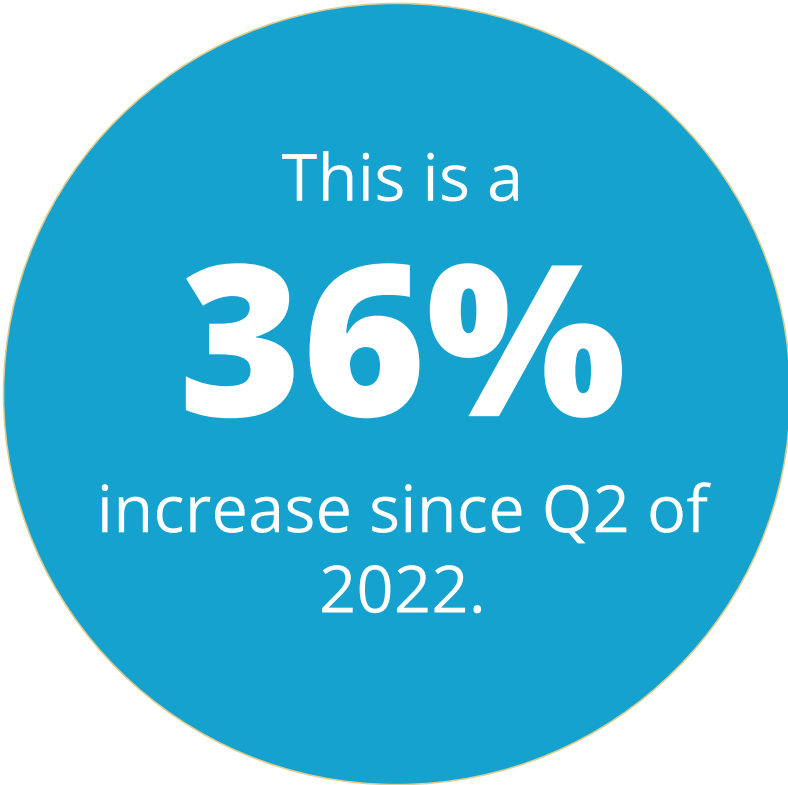
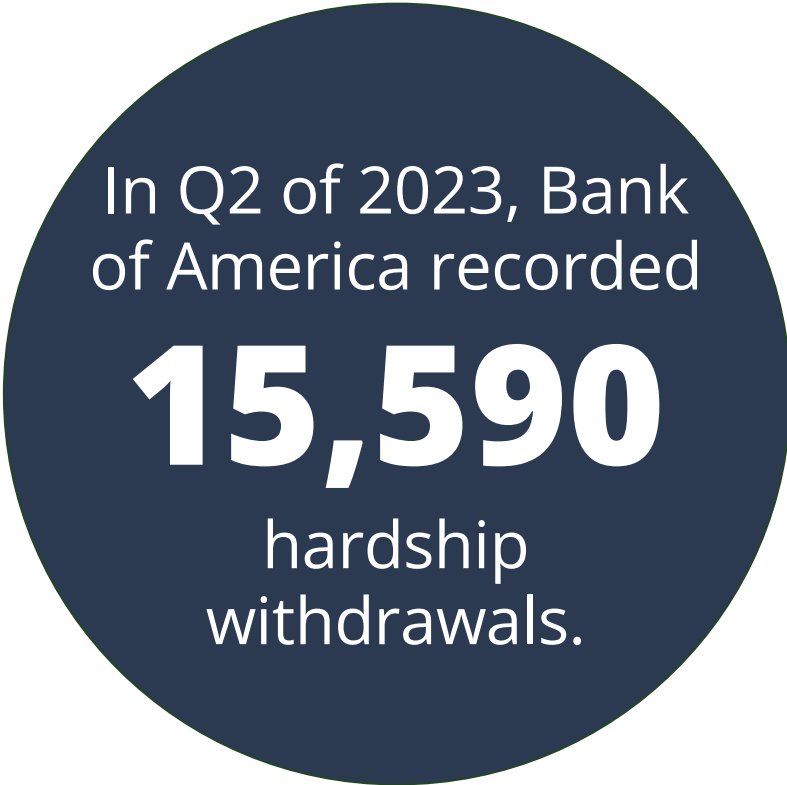
### Transition into Serious Delinquency (90+) for Credit Cards by Age



Source: New York Fed Consumer Credit Panel/Equifax

Another interesting indicator of potential financial stress...an uptick in hardship withdrawals for 401k account holders...

---

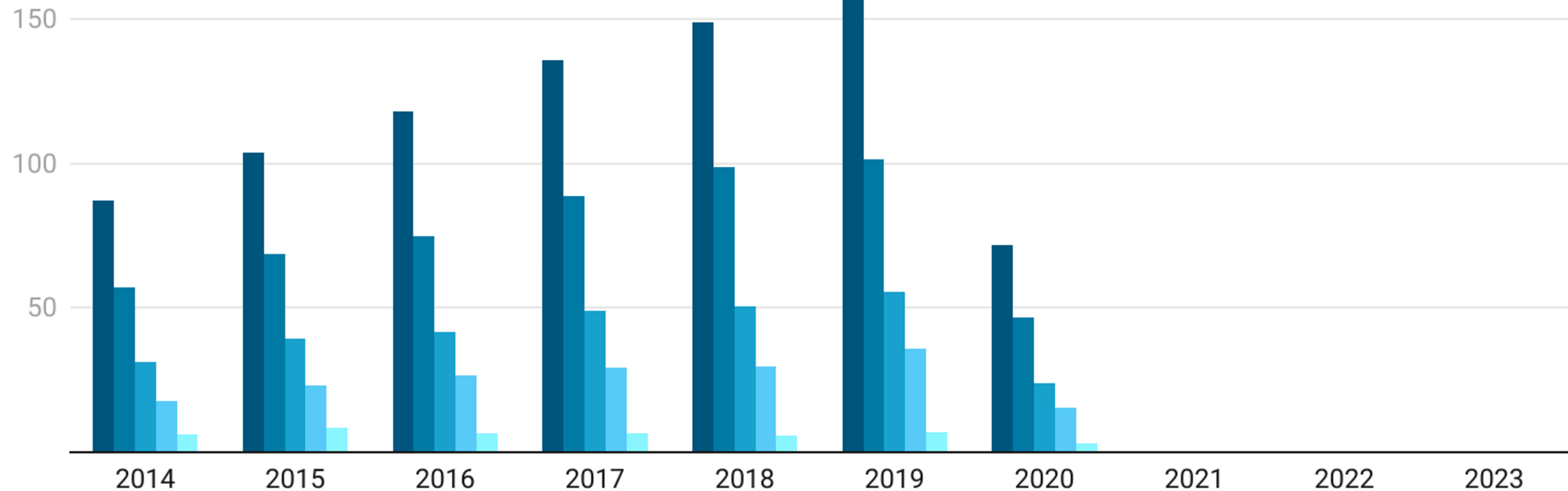


Source: Forbes – Bank of America

The effect of "unpausing" student loan payments is yet to be seen but may add additional financial stress to the consumer sector in 2024

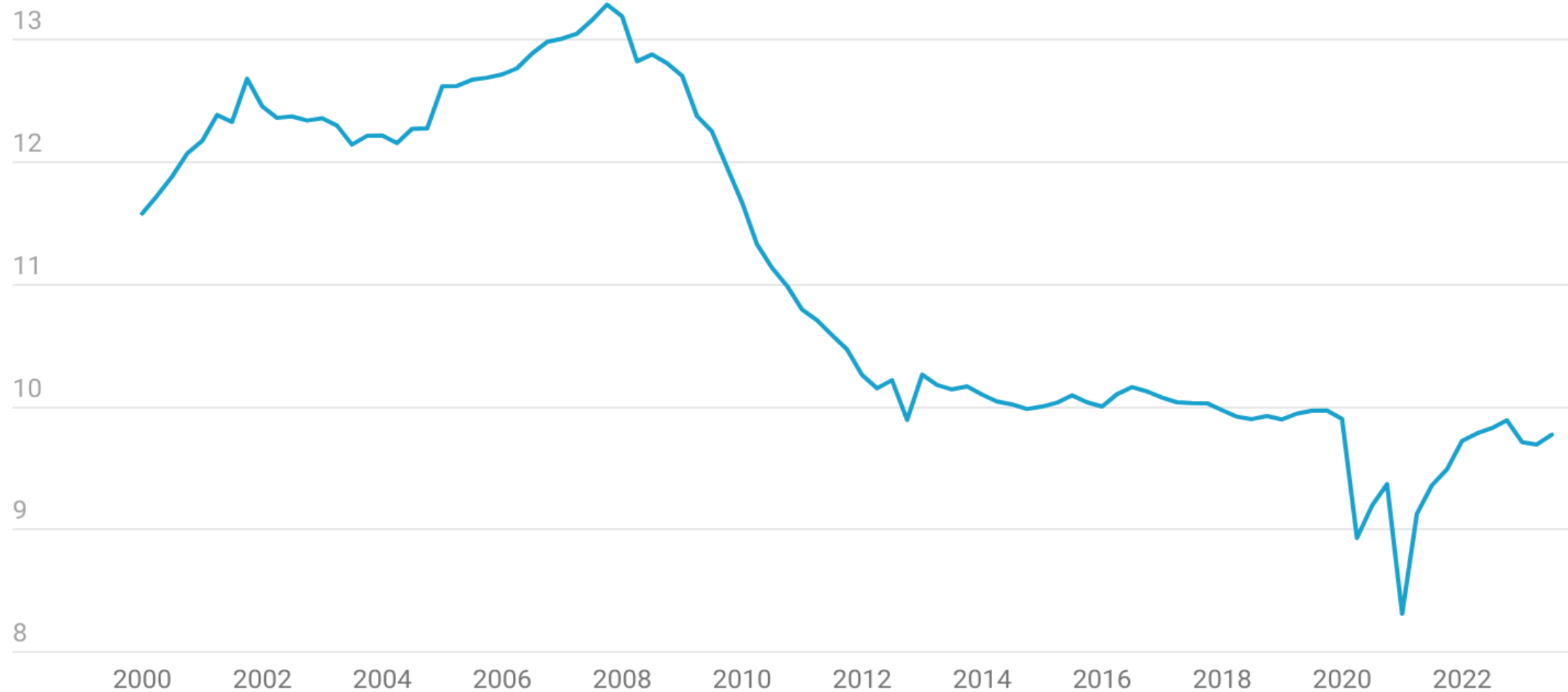
## Direct Loan Portfolio Delinquency Status (\$ billion)

31-90 Days 91-180 Days 181-270 Days 271-360 Days Collections



Household debt payments are beginning to stabilize and have reached pre-pandemic levels

## Household Debt Service Payments (% of Disposable Income)



Source: Board of Governors of the Federal Reserve System (US)

# Overview



## 1 | Economic growth continues...a tad bit slower

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | Inflation normalizing above Fed target

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | Labor Markets continue slow down in hiring activity

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | Notable Headwinds on the Horizon

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

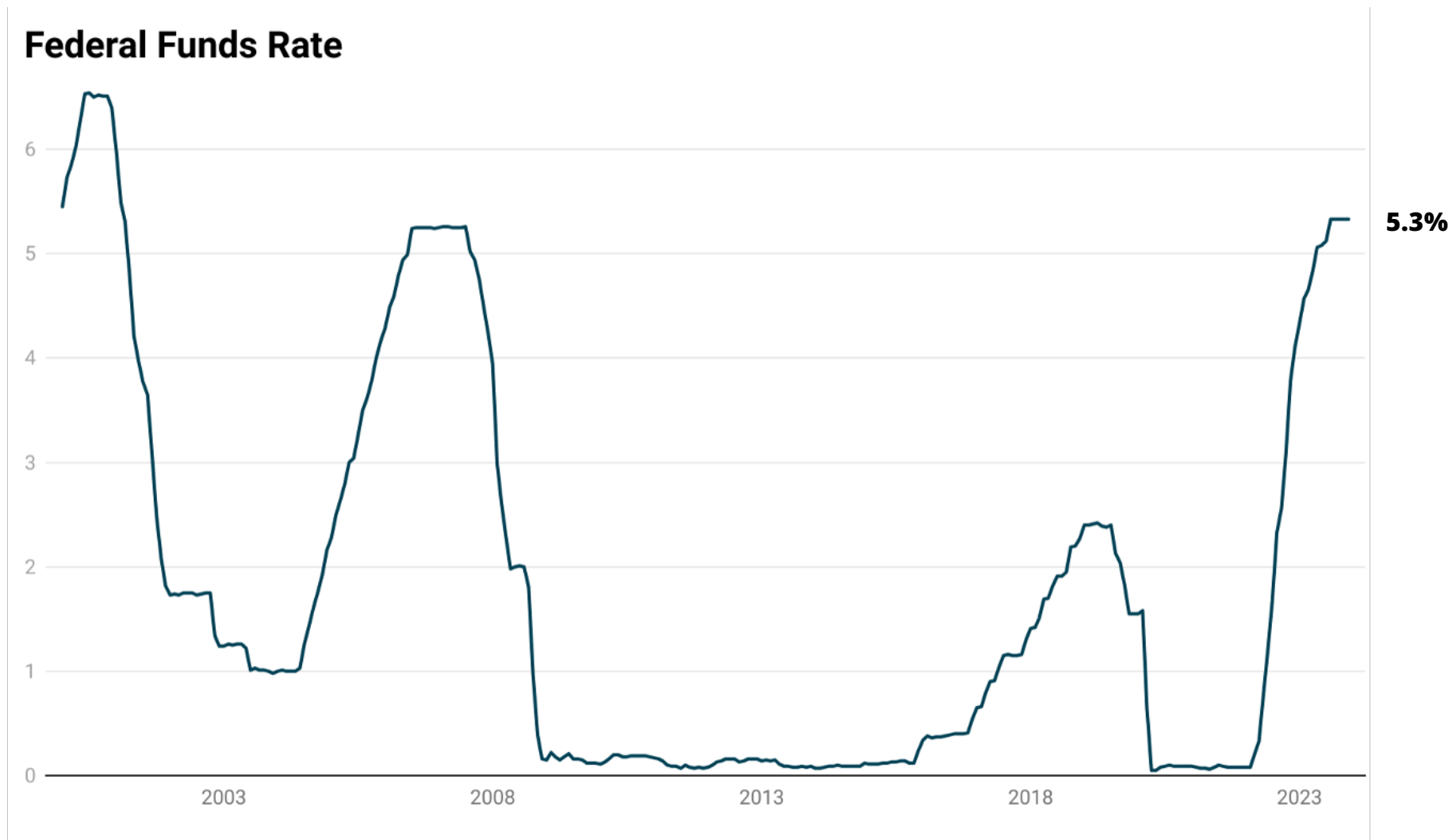
## 5 | Recession Probability?

Recession likelihood continues to fall into 2024 with odds below 40%



After the fastest rate hike in 40 years, Fed leaves funds rate unchanged in January

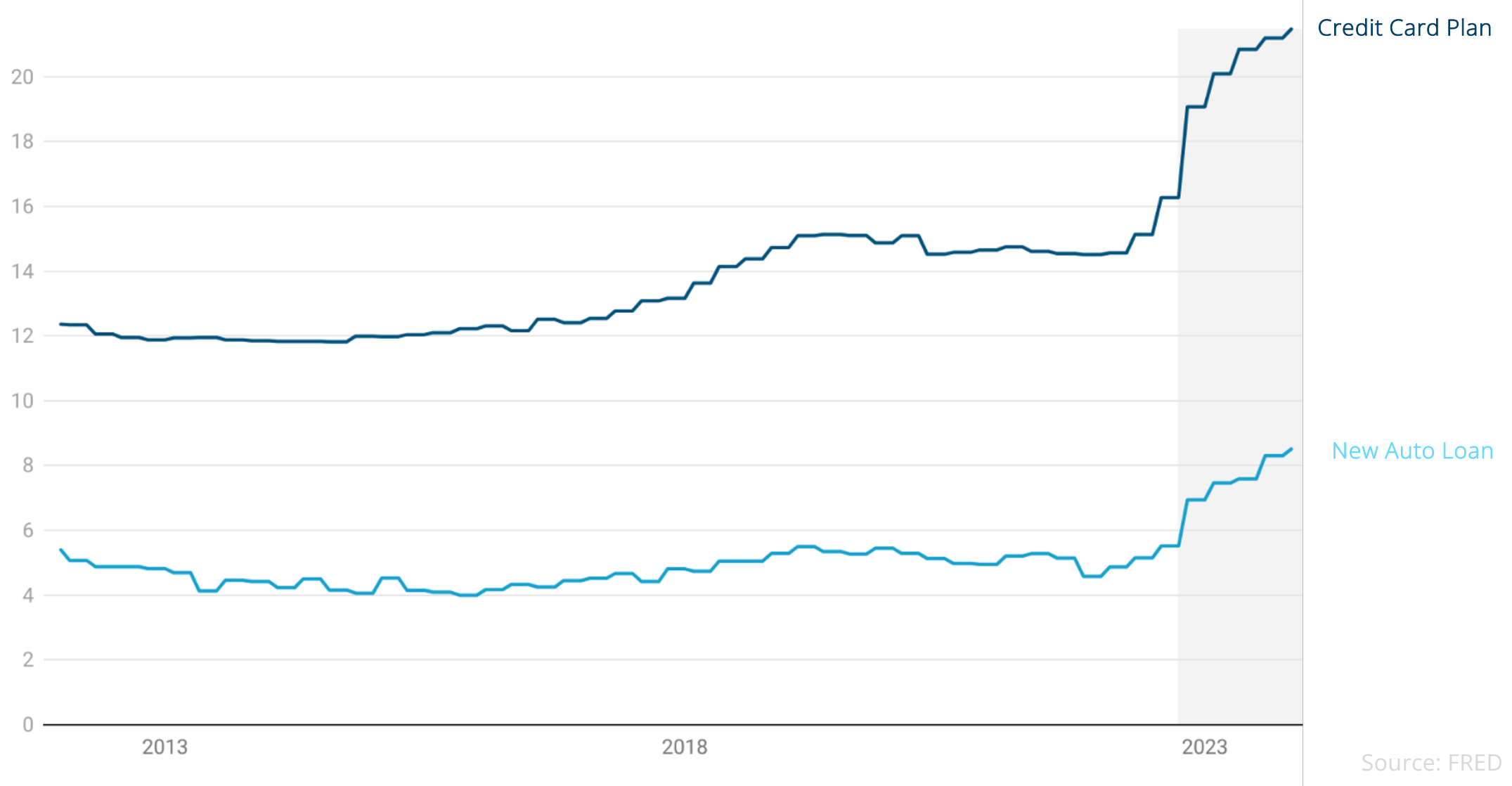
---



Source: FRED

Despite the Fed signaling a pivot, consumers are still feeling the pain of rising interest rates

**Finance Rate on New Auto Loan & Credit Card Plans**



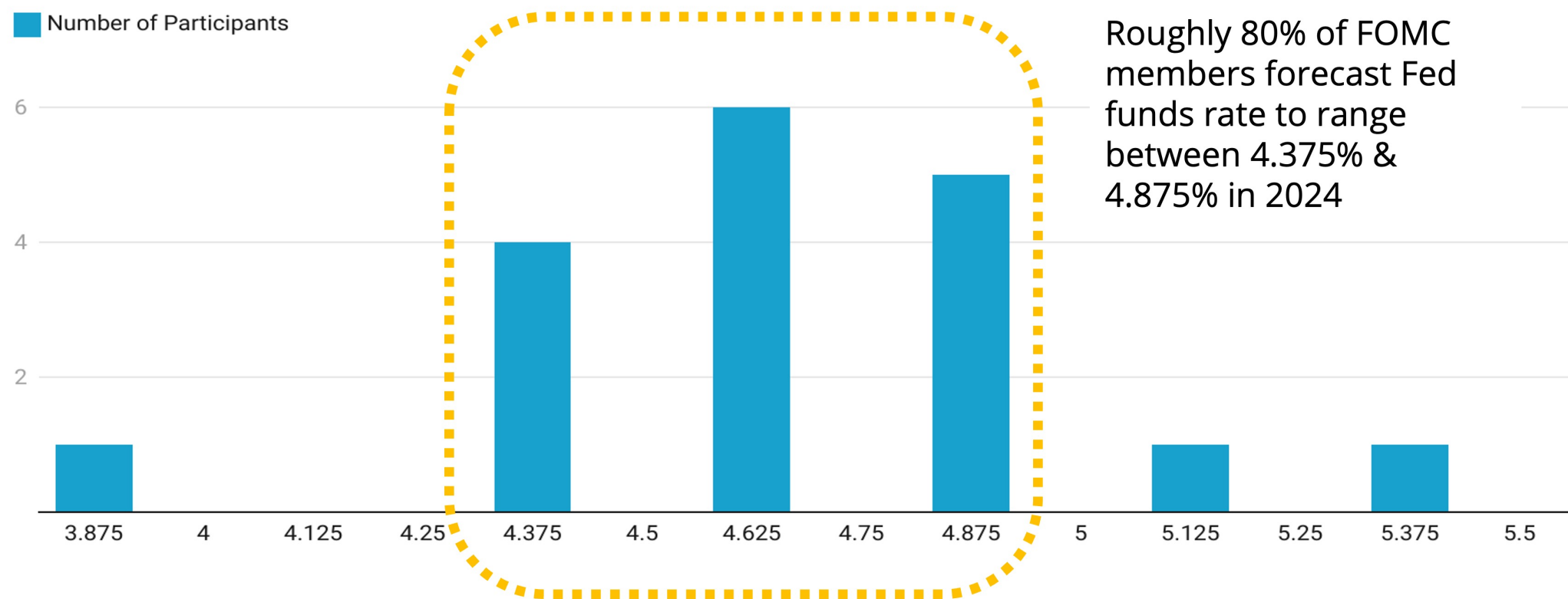
Source: FRED

# Federal Open Market Committee projects three rate cuts for 2024

## FOMC Federal Funds 2024 Projection

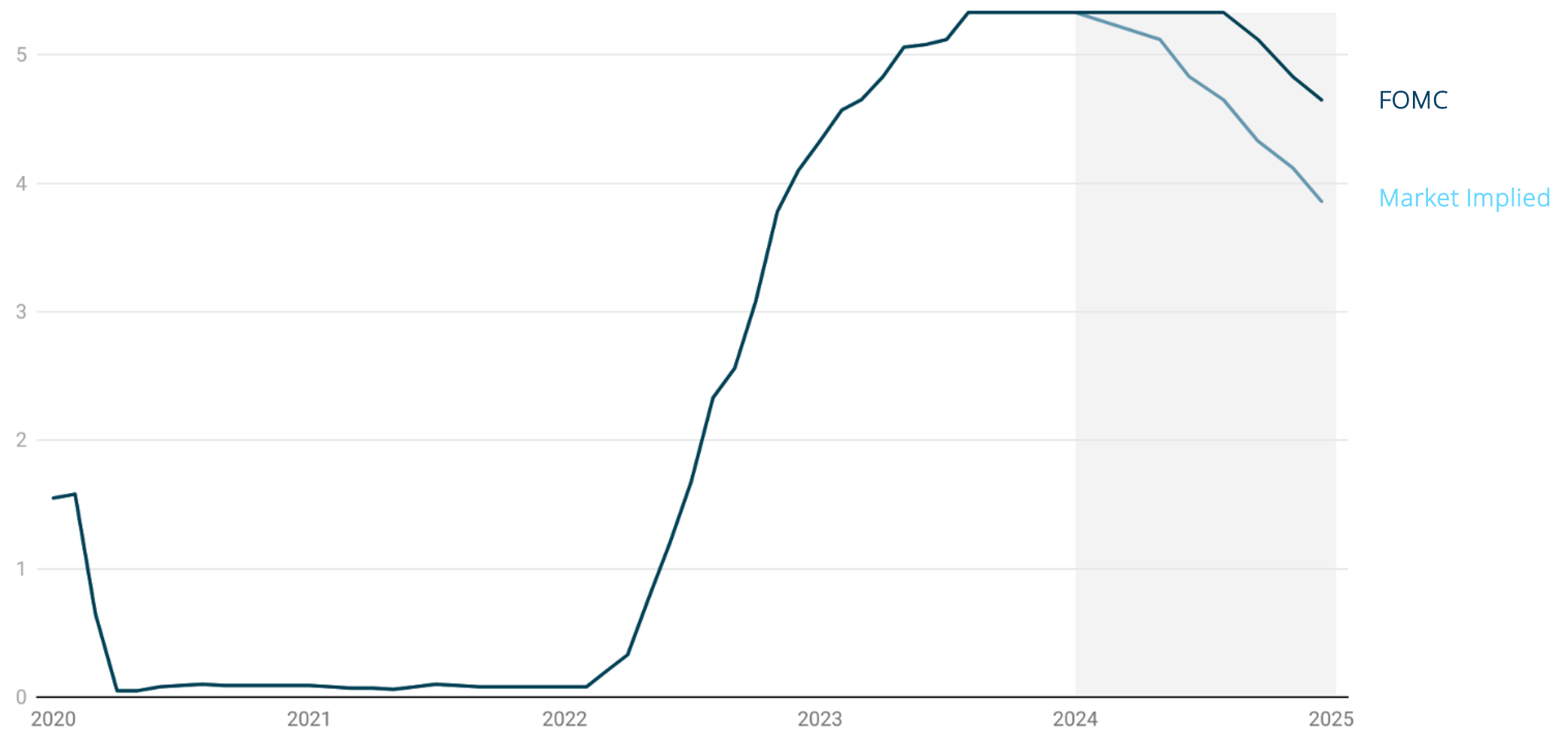
participant's midpoint of target range

■ Number of Participants



Despite stubborn inflation and low unemployment, the markets were expecting six 25bp rate cuts in 2024

### Federal Funds Rate



Jerome Powell  
Federal Reserve Chair  
2.04.24

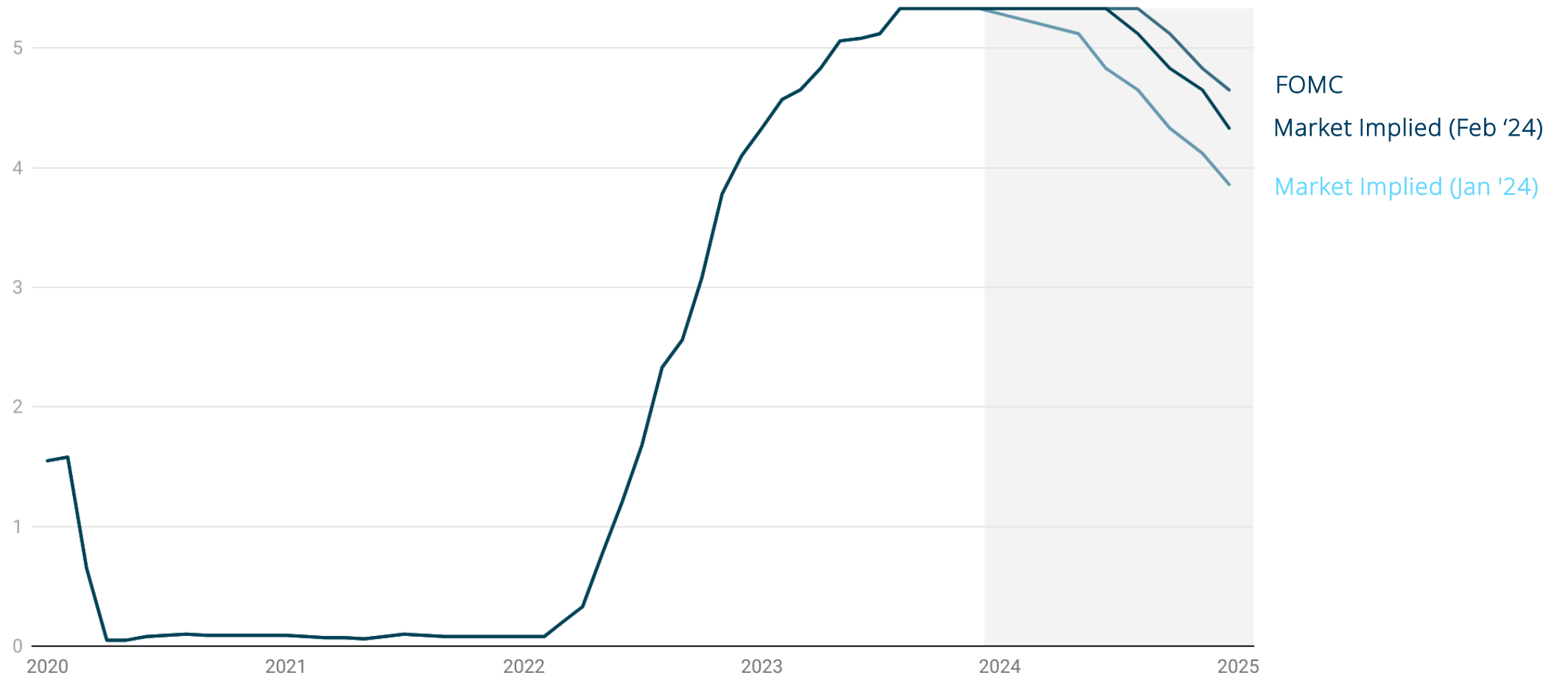
“

We want to see more evidence that inflation is moving sustainably down to 2%. We just want some more confidence before we take that very important step of beginning to cut interest rates.

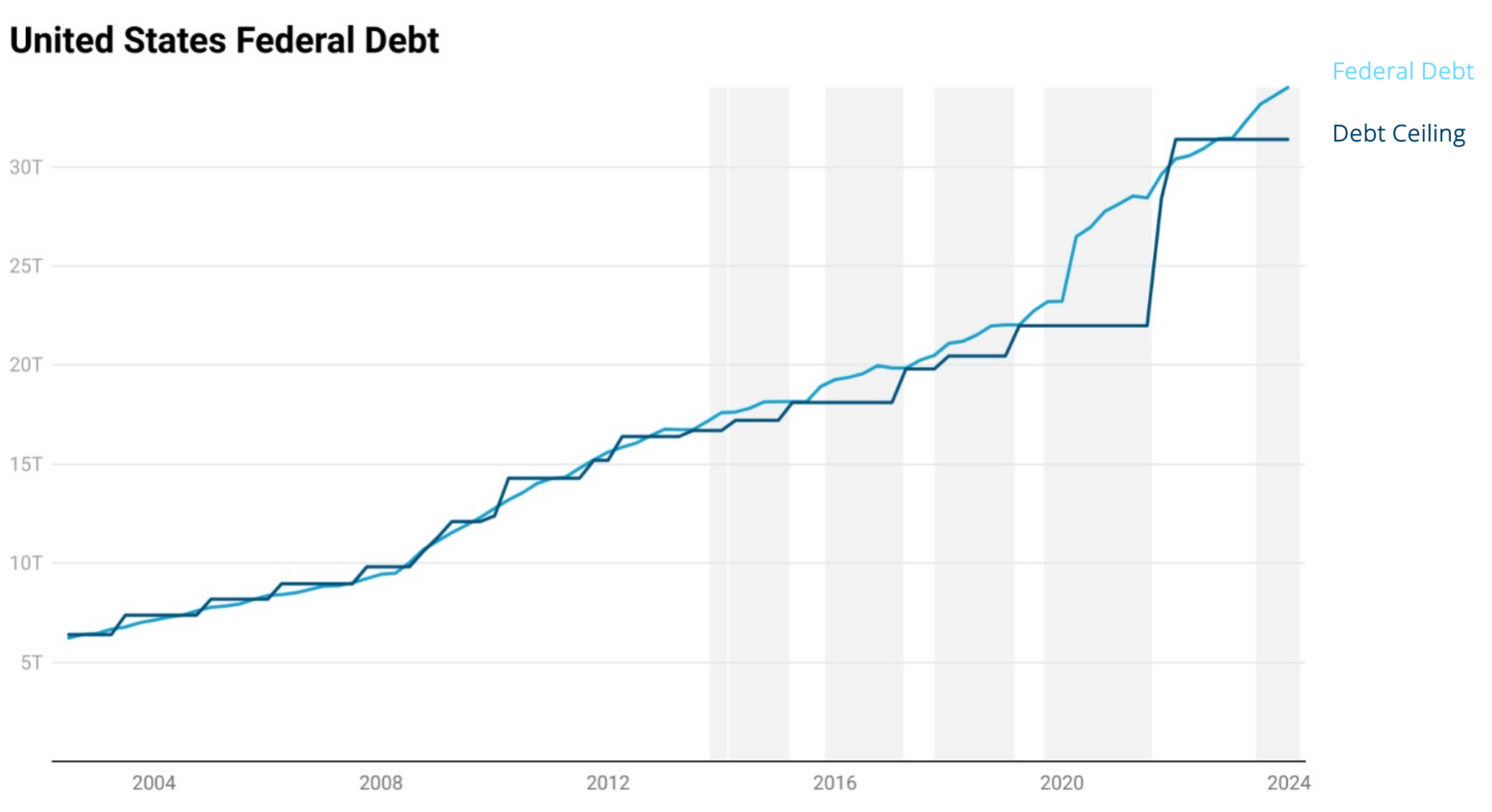
”

# January Fed meeting dampens hopes of early rate cuts

## Federal Funds Rate



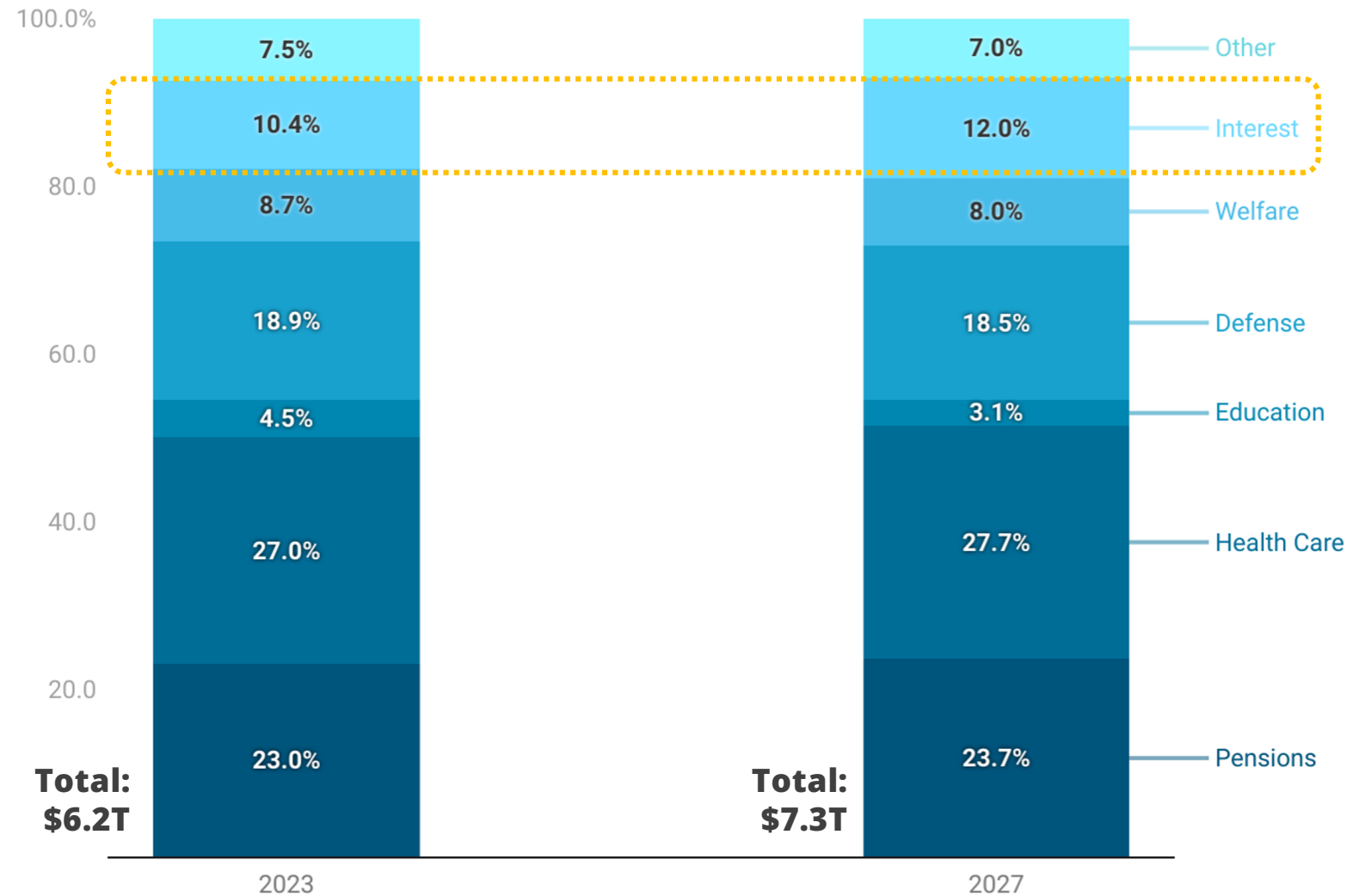
# National debt reaches 34 trillion after government suspends debt ceiling until 2025



Source: Congressional Budget Office

# Interest on federal debt represents over 10% of government expenditures

## Estimated Government Spending in 2023 & 2027

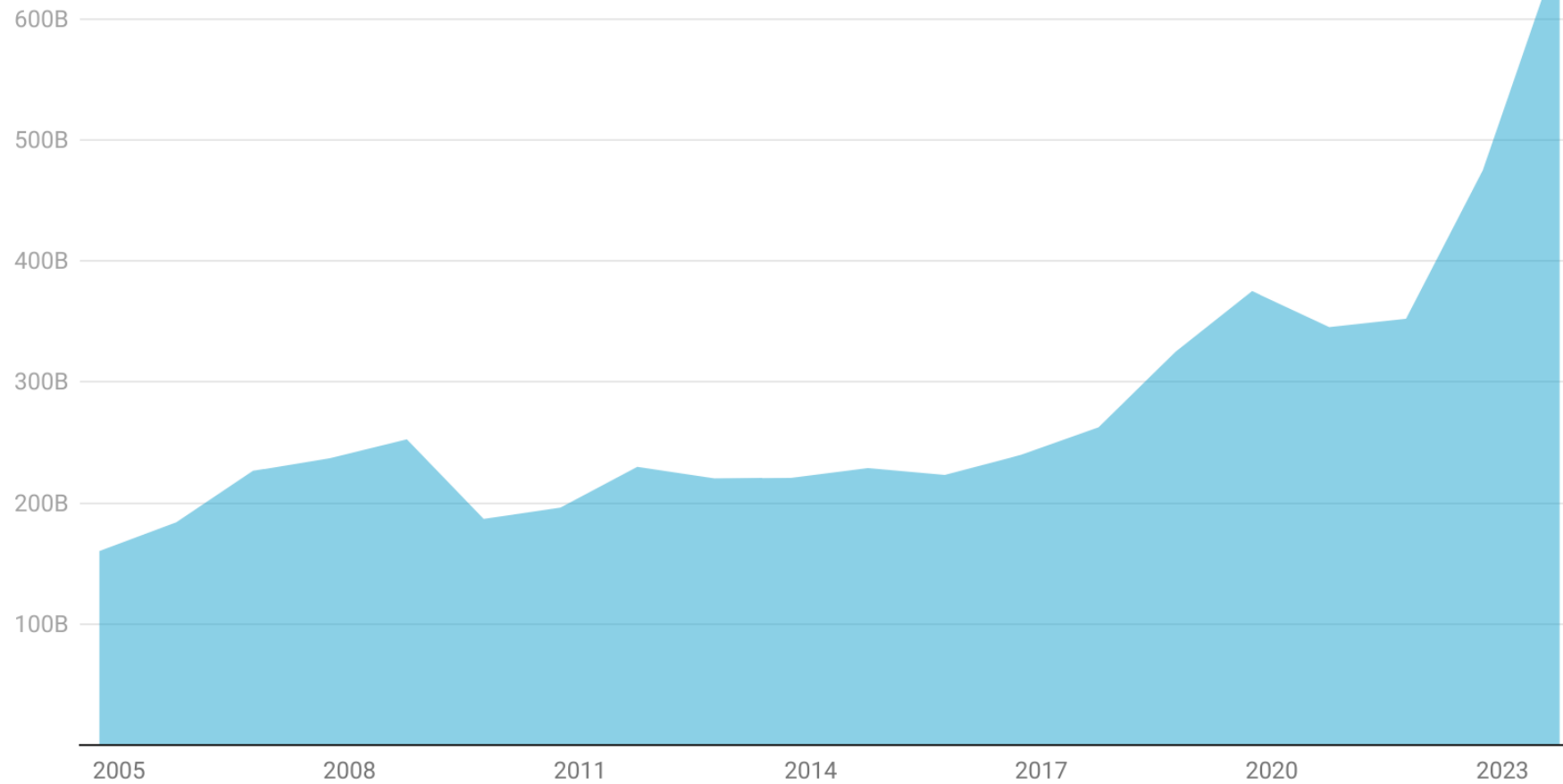




# Net interest soars amid mounting debt and high interest rates

---

## Interest on Federal Debt

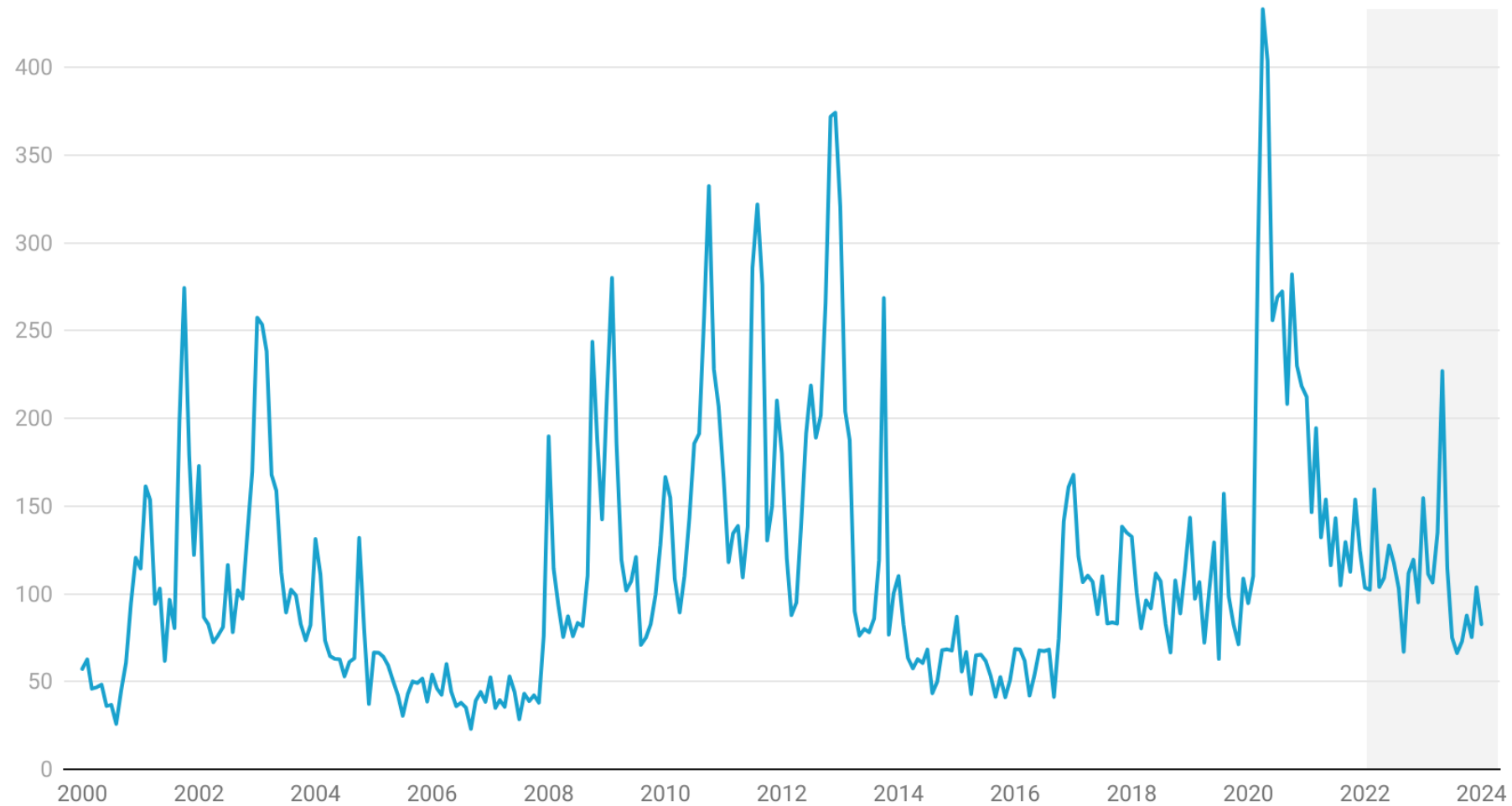


Source: Congressional Budget Office

Uncertainty regarding future fiscal policy falls following agreement to suspend debt ceiling, but slightly elevates due to political volatility concerns into 2024

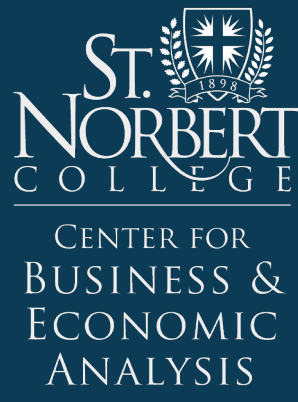
---

### Fiscal Policy Uncertainty



Source: Economic Policy Uncertainty

# Overview



## 1 | Economic growth continues...a tad bit slower

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | Inflation normalizing above Fed target

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | Labor Markets continue slow down in hiring activity

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | Notable Headwinds on the Horizon

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measures hitting decade low performance, expect Fed activity to grease the wheels in 2024

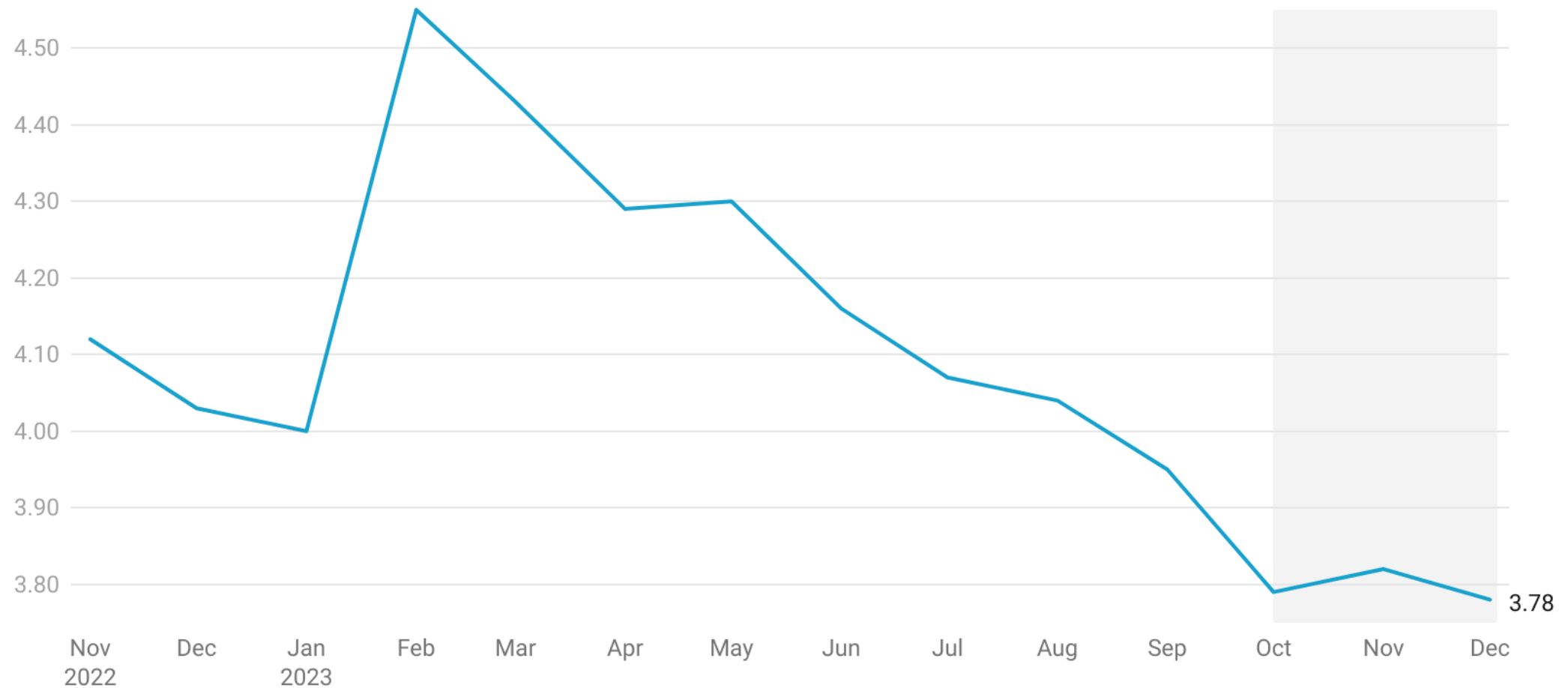
## 5 | Recession Probability?

Recession likelihood continues to fall into 2024 with odds below 40%

Unsurprisingly, fewer homes are being sold in the current market...

### Existing homes sales leveling off entering 2024

Existing home sales (number of units in millions)

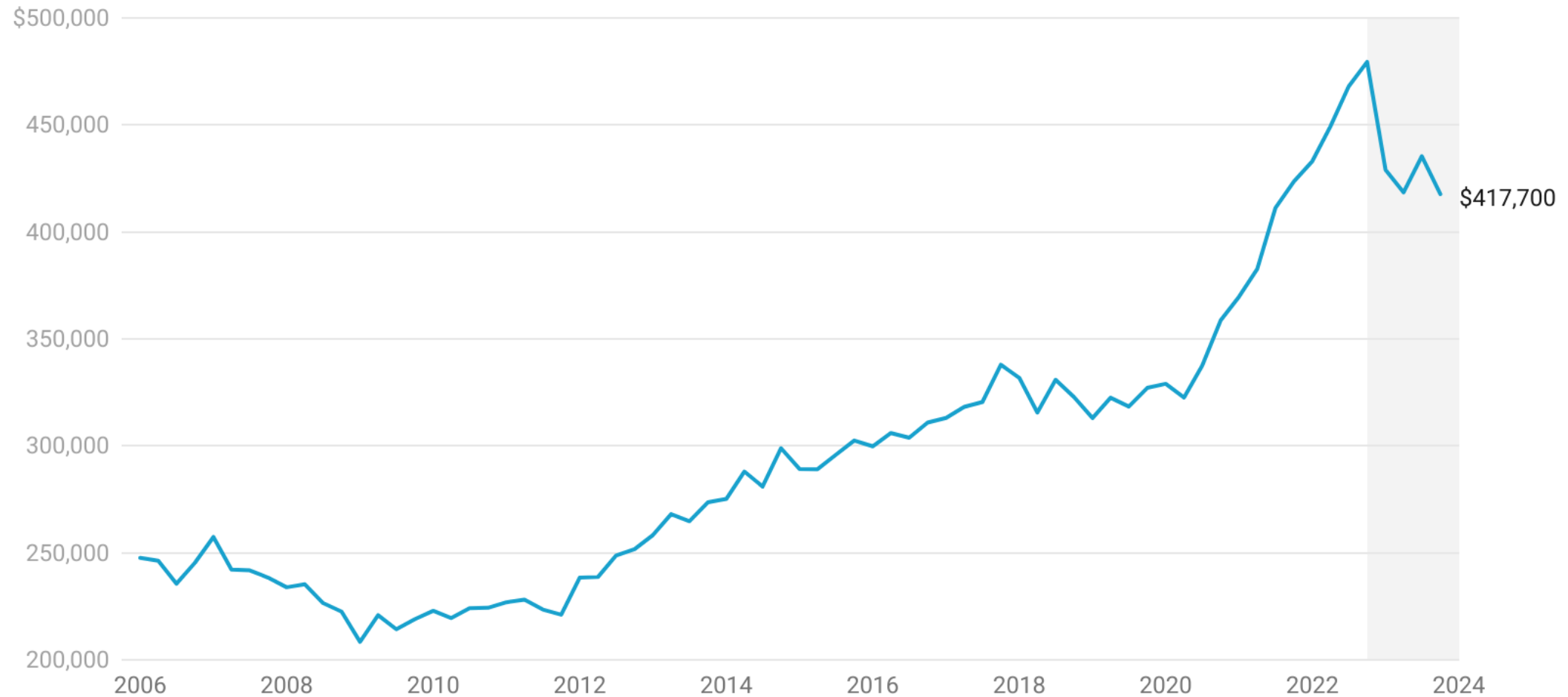


Source: FRED

...at much higher prices

## Housing prices are on the decline

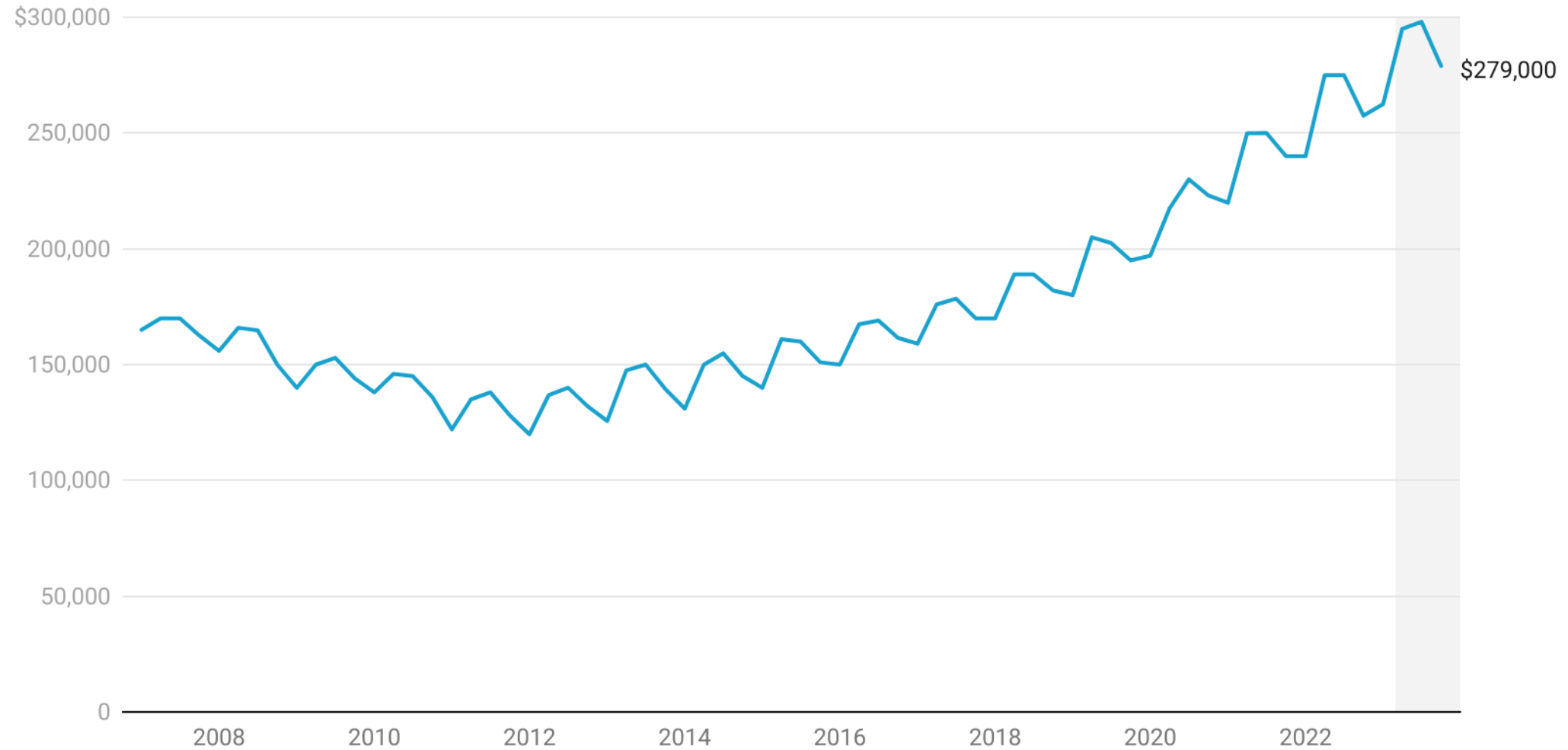
Median sales price houses sold for in the United States



Source: FRED

Housing prices continue to remain elevated due to both demand & supply challenges

### Median Sales Price of Houses Sold in Wisconsin

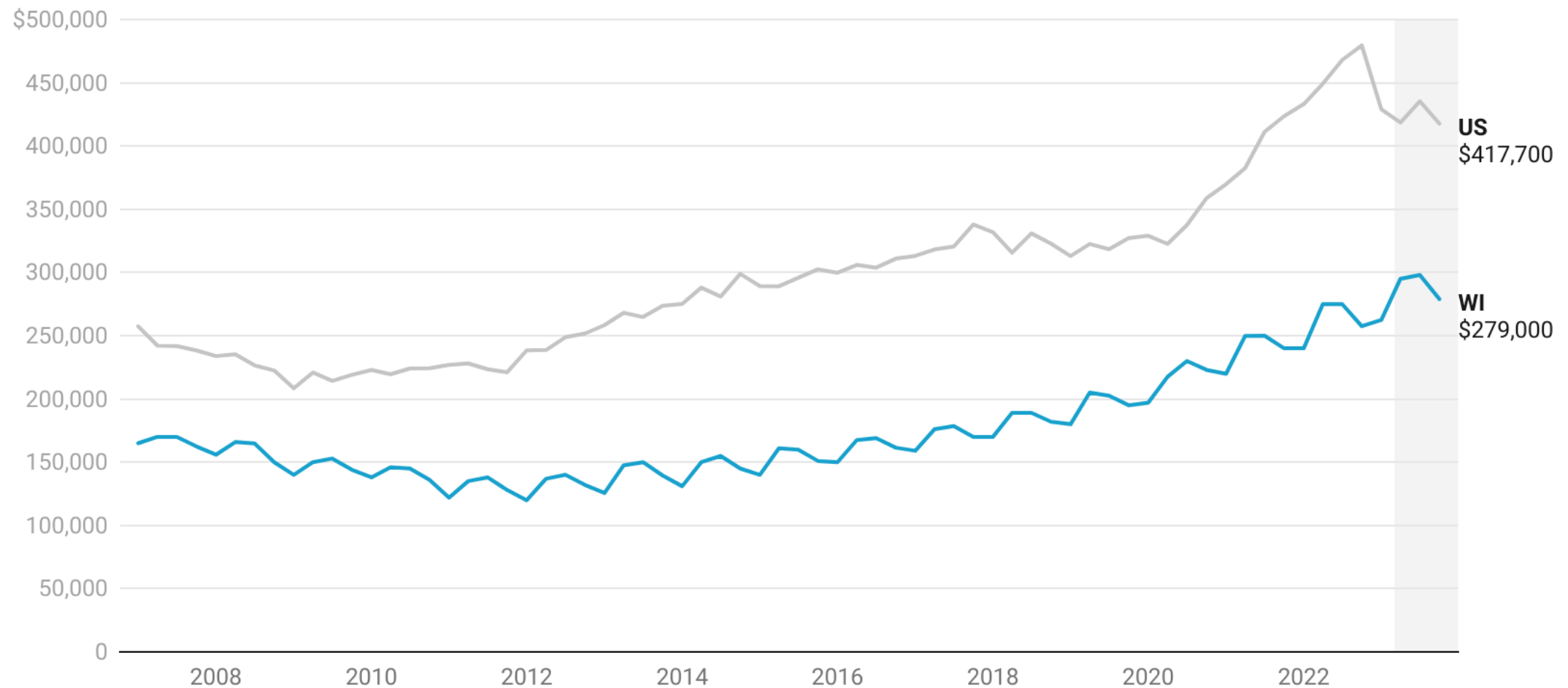


Source: Wisconsin REALTORS® Association

# Housing prices continue to remain elevated due to both demand & supply challenges

## Wisconsin Median Sales Price Trends Lower than the US Median

Median sales price of houses sold in the United States and Wisconsin

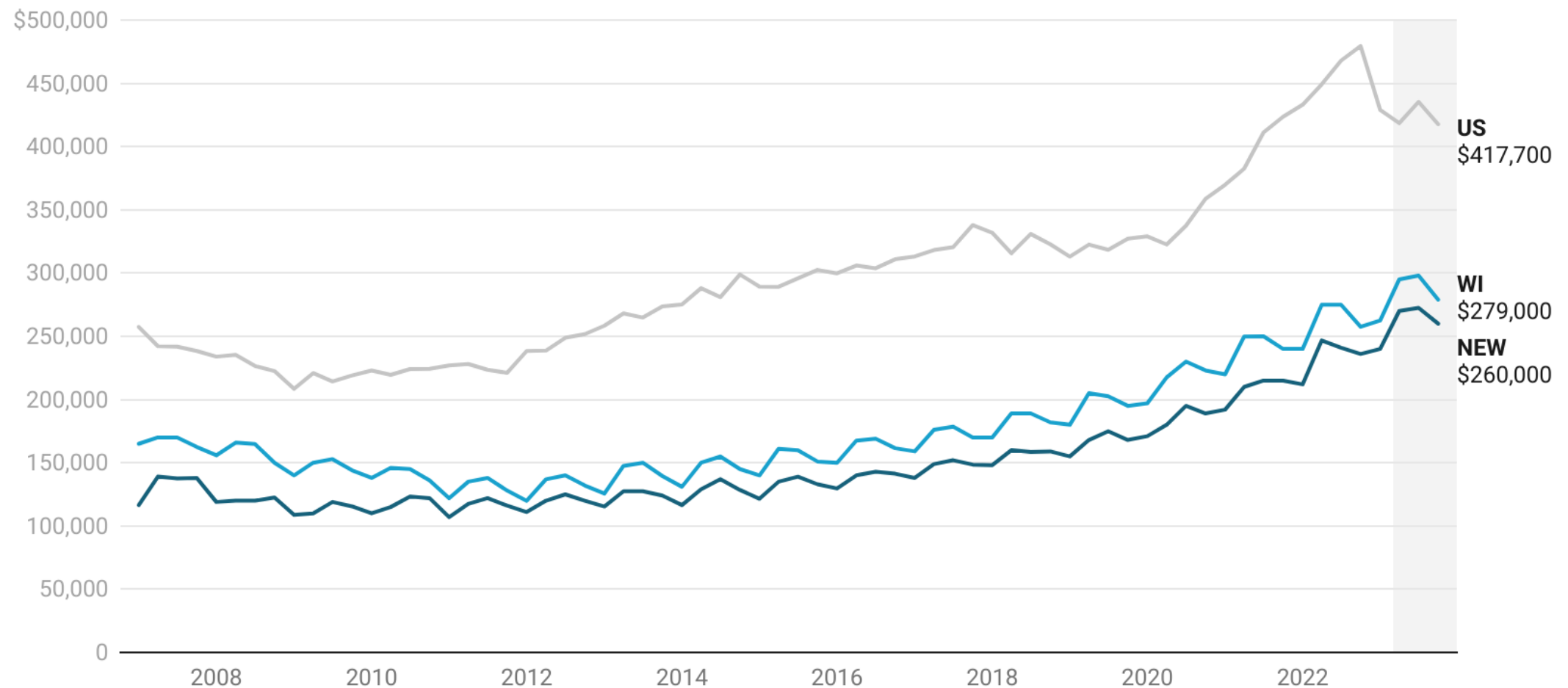


Source: Wisconsin REALTORS® Association

# Housing prices continue to remain elevated due to both demand & supply challenges

## Northeast Wisconsin Median Sales Price Trends Lower than the State Median

Median sales price of houses sold in the United States, Wisconsin, and Northeast Wisconsin



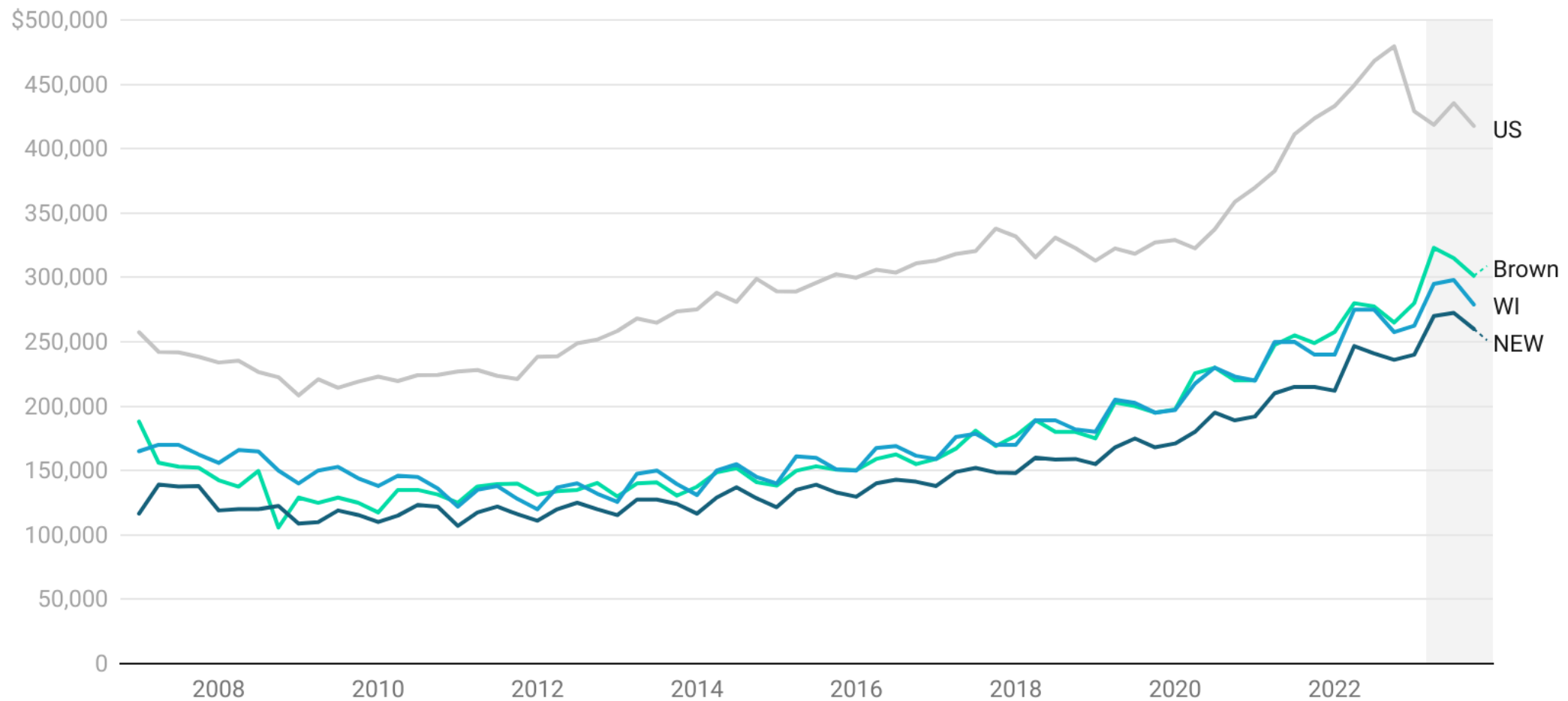
Source: Wisconsin REALTORS® Association



# Housing prices continue to remain elevated due to both demand & supply challenges

## Brown County Median Sales Price Slightly Higher than State Median

Median sales price of houses sold in the United States, Wisconsin, Northeast Wisconsin, and Brown County

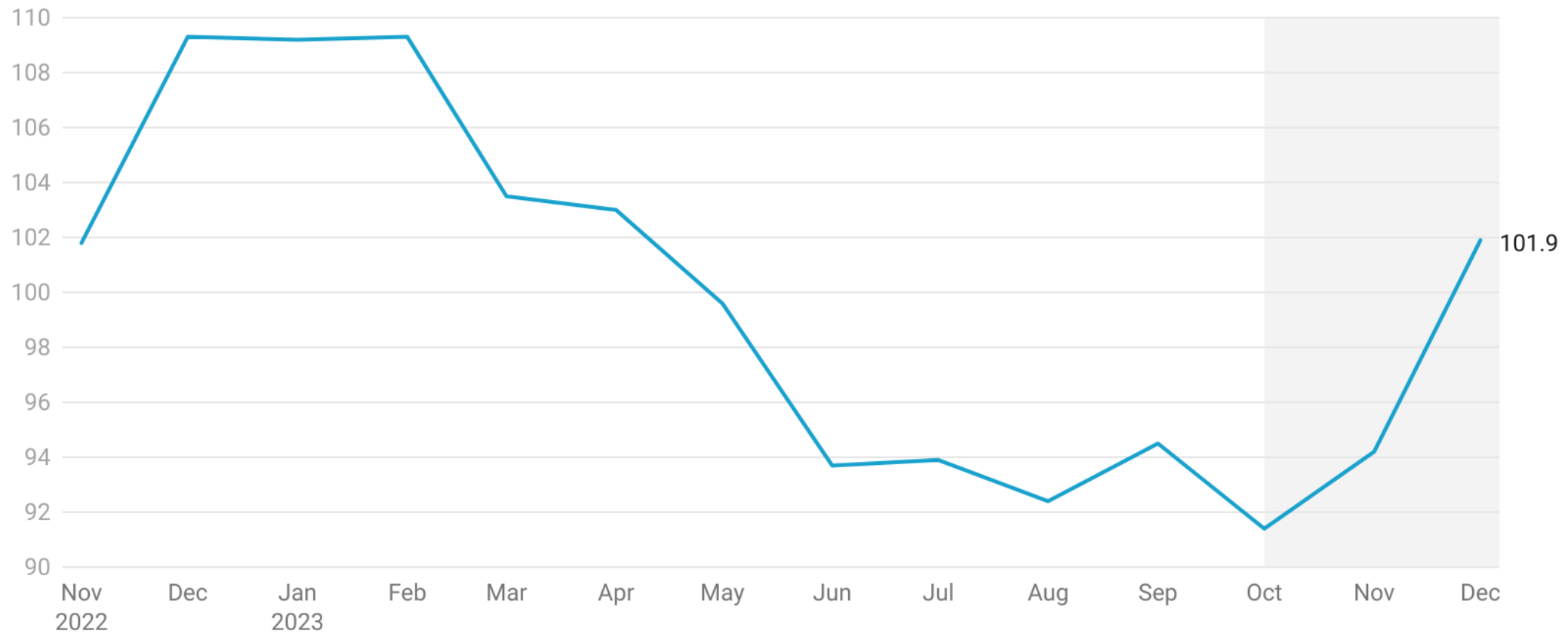


Source: Wisconsin REALTORS® Association

# Demand Side Challenges: Housing affordability is at its lowest level in roughly 40 years

## Housing Affordability Up From Historic Low

Housing Affordability Index (Fixed, not seasonally adjusted)



Measures the degree to which a typical family earns enough income to qualify for a mortgage loan on a typical home. 100 means that a family has exactly enough income to qualify.

Source: FRED

Demand Side Challenges: the elevated rate environment is definitely a factor weakening demand and affordability

---

### 30-Year Fixed Mortgage Rates Remain High

30-Year Fixed Mortgage Rate Average in the United States



Source: FRED

Question

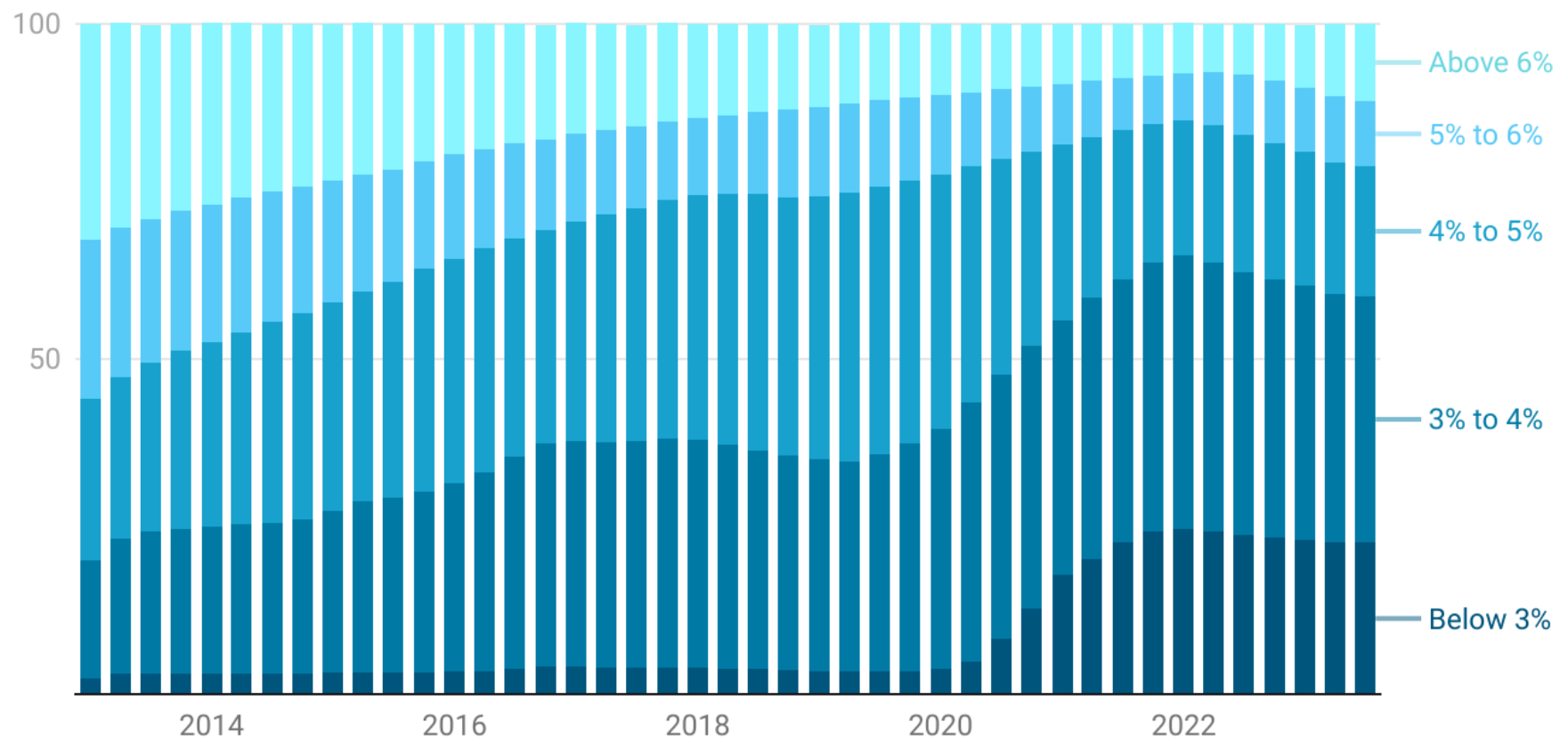
**Nearly 9 in 10 current mortgage holders have a mortgage rate below what percent?**



For both supply and demand, a majority of mortgage holders have loans far below current rates, little incentive to make a change

### Nearly 90% of all mortgage holders have a rate below 6%

share of mortgage loans outstanding by mortgage rate

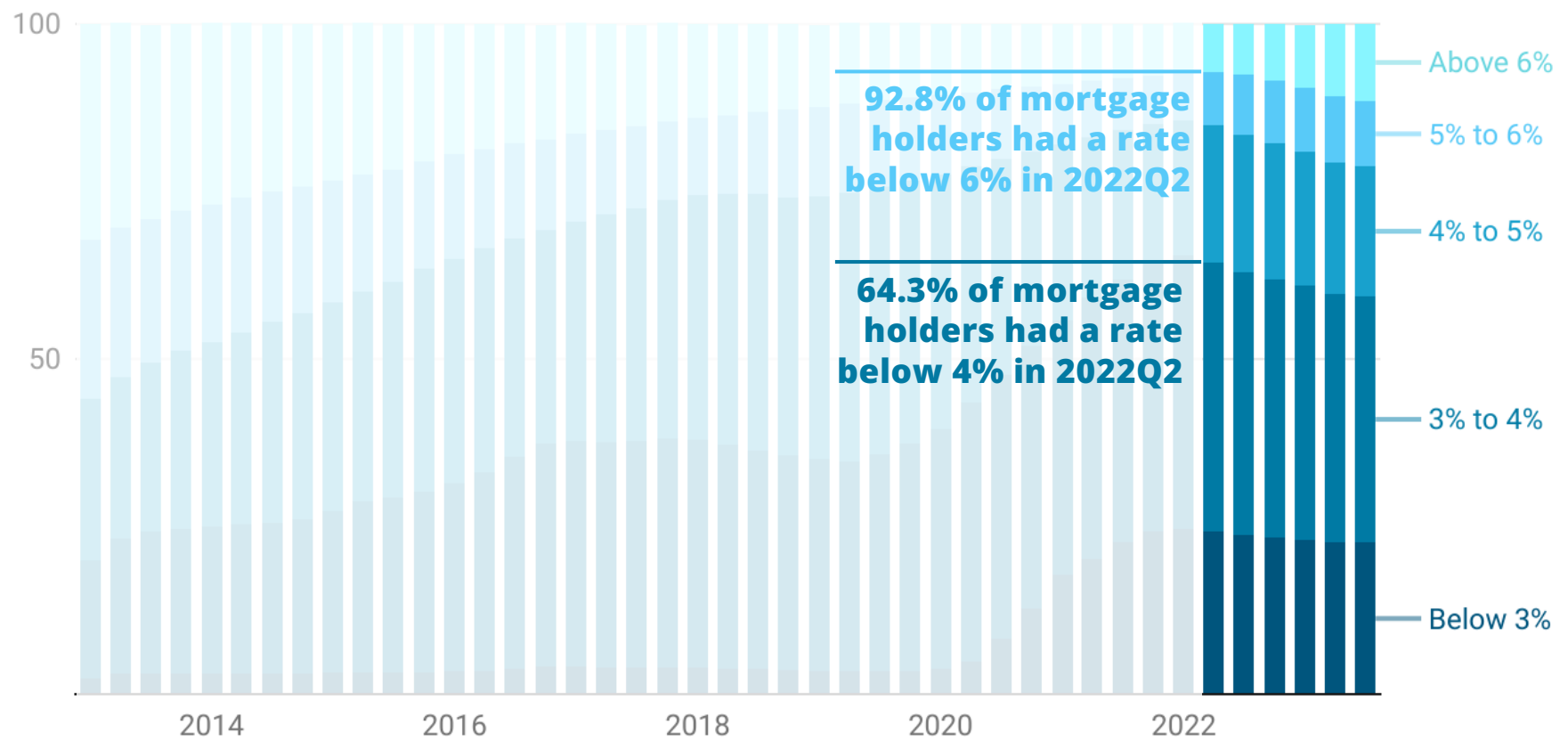


Source: Fannie Mae

For both supply and demand, a majority of mortgage holders have loans far below current rates, little incentive to make a change

### Nearly 90% of all mortgage holders have a rate below 6%

share of mortgage loans outstanding by mortgage rate

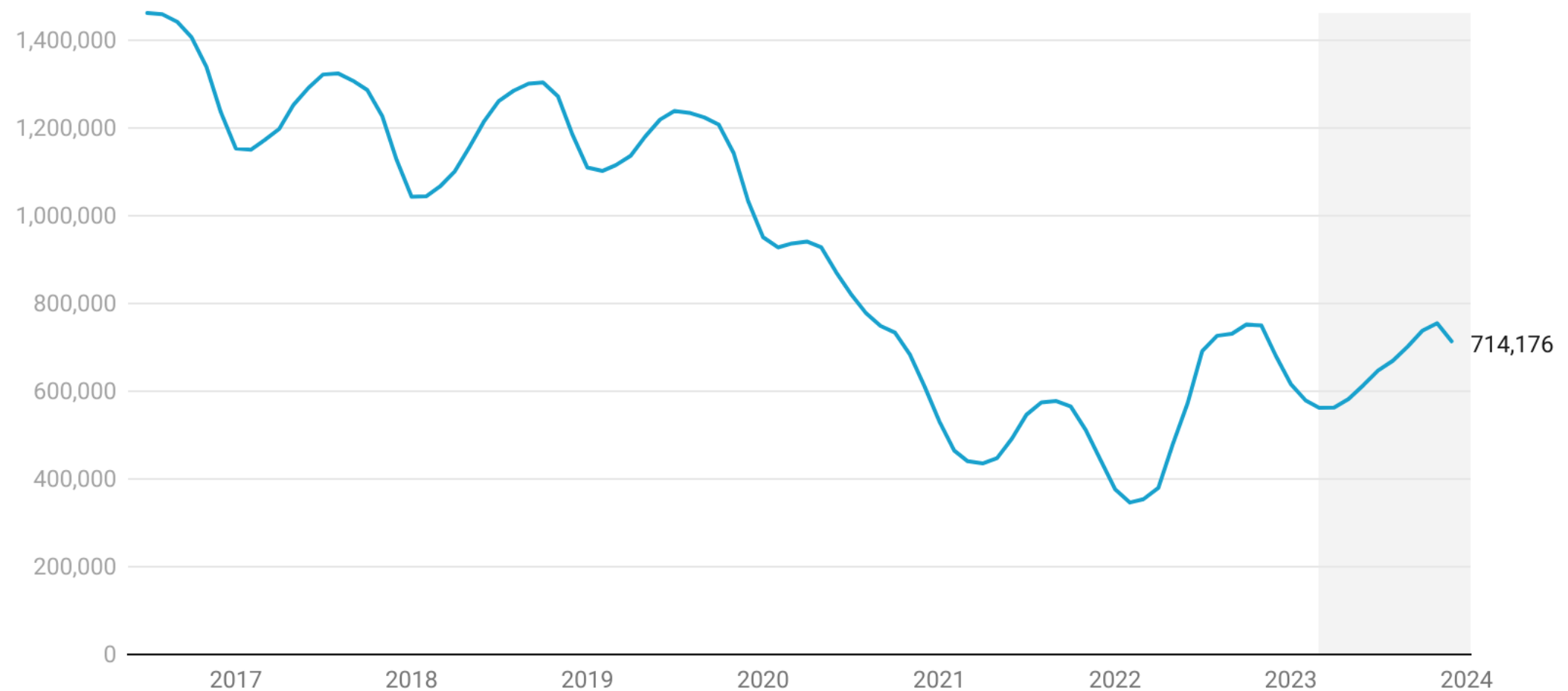


Source: Fannie Mae

# Supply Side Challenges: Relatively low housing inventory on the market

## Low Housing Inventory Contributes to Affordability Challenges

Housing inventory as active listing count in the United States



Source: FRED

# Supply Side Challenges: Housing starts have been soft over the last 2 years, with signs of improvement heading into 2024

## Housing Starts Slowly Bouncing Back

New Privately-Owned Housing Units Started: Total Units (Seasonally Adjusted Annual rate by thousands)



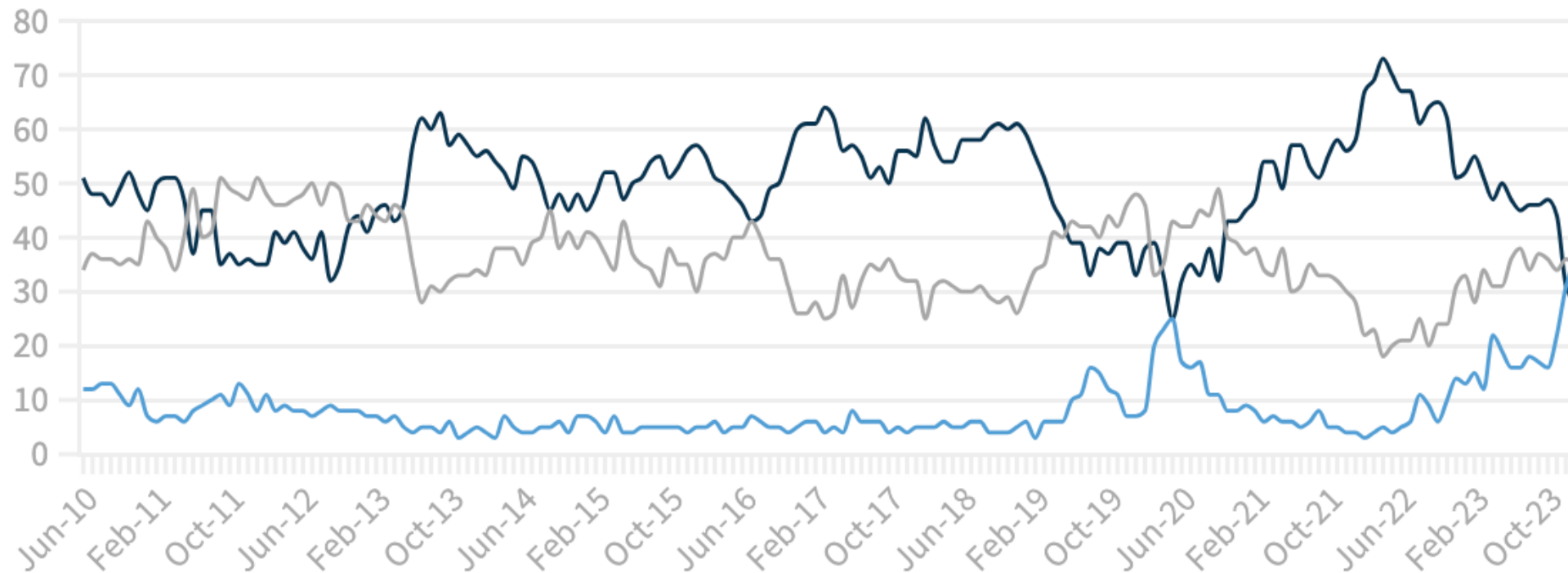
Source: FRED



On the bright side, discussion of Fed interest rate behavior is giving consumers a little bit of optimism (comparatively!)

### Consumer Expectations of Mortgage Rate Behavior

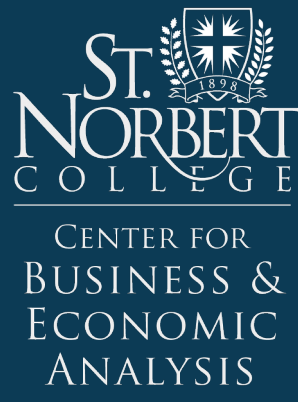
■ Go Up ■ Go Down ■ Stay the Same



Source: Home Purchase Sentiment Index® (HPSI)

Source: Fannie Mae

# Overview



## 1 | **Economic growth continues...a tad bit slower**

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | **Inflation normalizing above Fed target**

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | **Labor Markets continue slow down in hiring activity**

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | **Notable Headwinds on the Horizon**

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

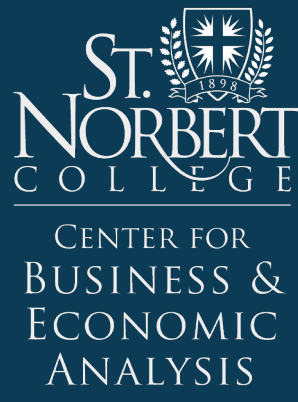
While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

## 5 | **Recession Probability?**

Recession likelihood continues to fall into 2024 with odds below 40%

# Overview



## 1 | **Economic growth continues...a tad bit slower**

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | **Inflation normalizing above Fed target**

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | **Labor Markets continue slow down in hiring activity**

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | **Notable Headwinds on the Horizon**

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

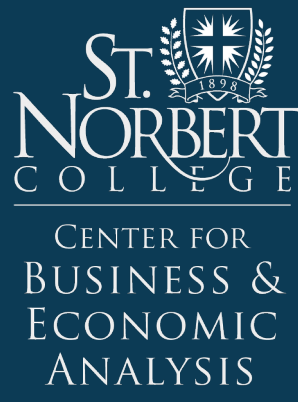
While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

## 5 | **Recession Probability?**

Recession likelihood continues to fall into 2024 with odds below 40%

# Overview



## 1 | Economic growth continues...a tad bit slower

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | Inflation normalizing above Fed target

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | Labor Markets continue slow down in hiring activity

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | Notable Headwinds on the Horizon

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

## 5 | Recession Probability?

Recession likelihood continues to fall into 2024 with odds below 40%

# Overview



## 1 | Economic growth continues...a tad bit slower

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | Inflation normalizing above Fed target

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | Labor Markets continue slow down in hiring activity

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | Notable Headwinds on the Horizon

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

## 5 | Recession Probability?

Recession likelihood continues to fall into 2024 with odds below 40%

# Overview



## 1 | Economic growth continues...a tad bit slower

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | Inflation normalizing above Fed target

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | Labor Markets continue slow down in hiring activity

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | Notable Headwinds on the Horizon

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

## 5 | Recession Probability?

Recession likelihood continues to fall into 2024 with odds below 40%

# Overview



## 1 | Economic growth continues...a tad bit slower

2023 saw 2.5% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | Inflation normalizing above Fed target

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | Labor Markets continue slow down in hiring activity

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | Notable Headwinds on the Horizon

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

## 5 | Recession Probability?

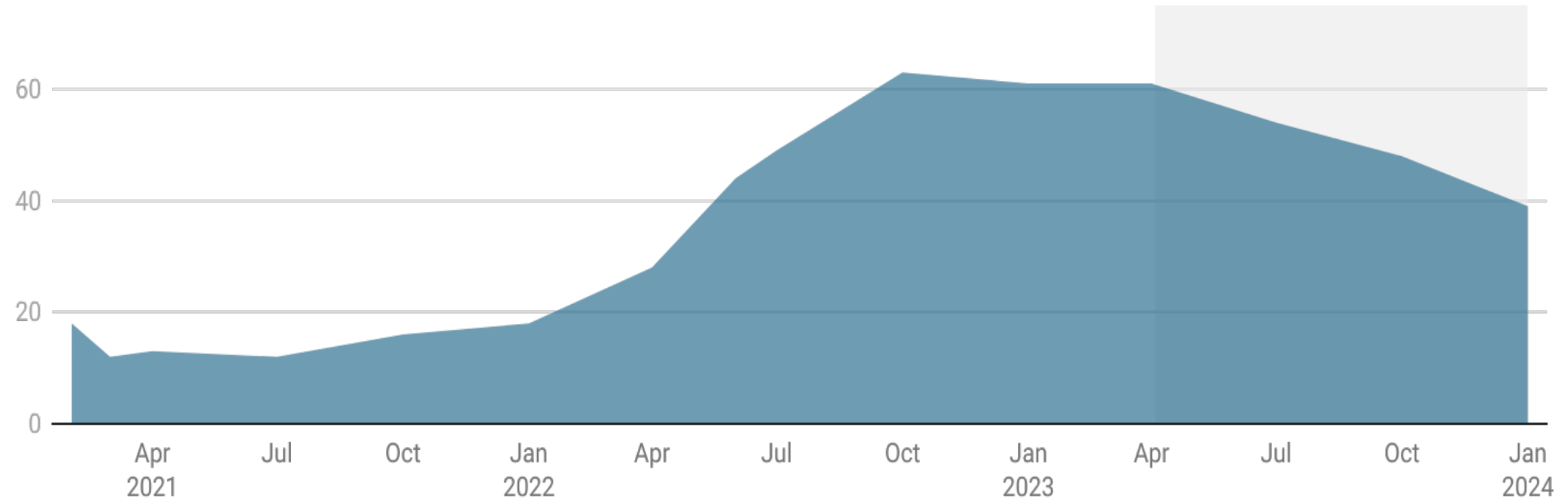
Recession likelihood continues to fall into 2024 with odds below 40%

# The "Recession" talk is continuing to ease into 2024

---

## Recession Probability

WSJ recession probability from professional forecasting survey



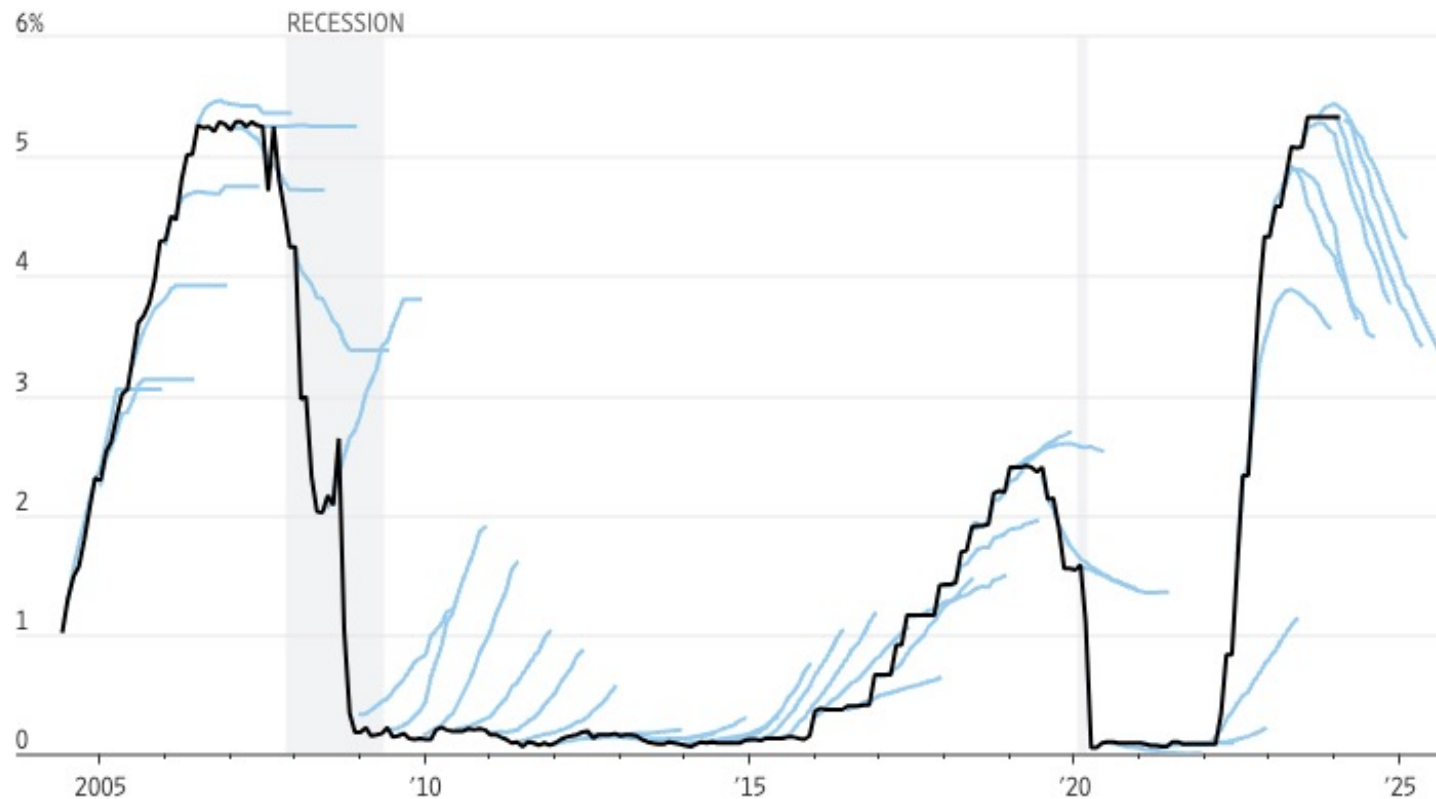


# Mixed signals & guessing games continue into 2024 as we pursue...

---

Federal-funds rate, market expectations vs. realized

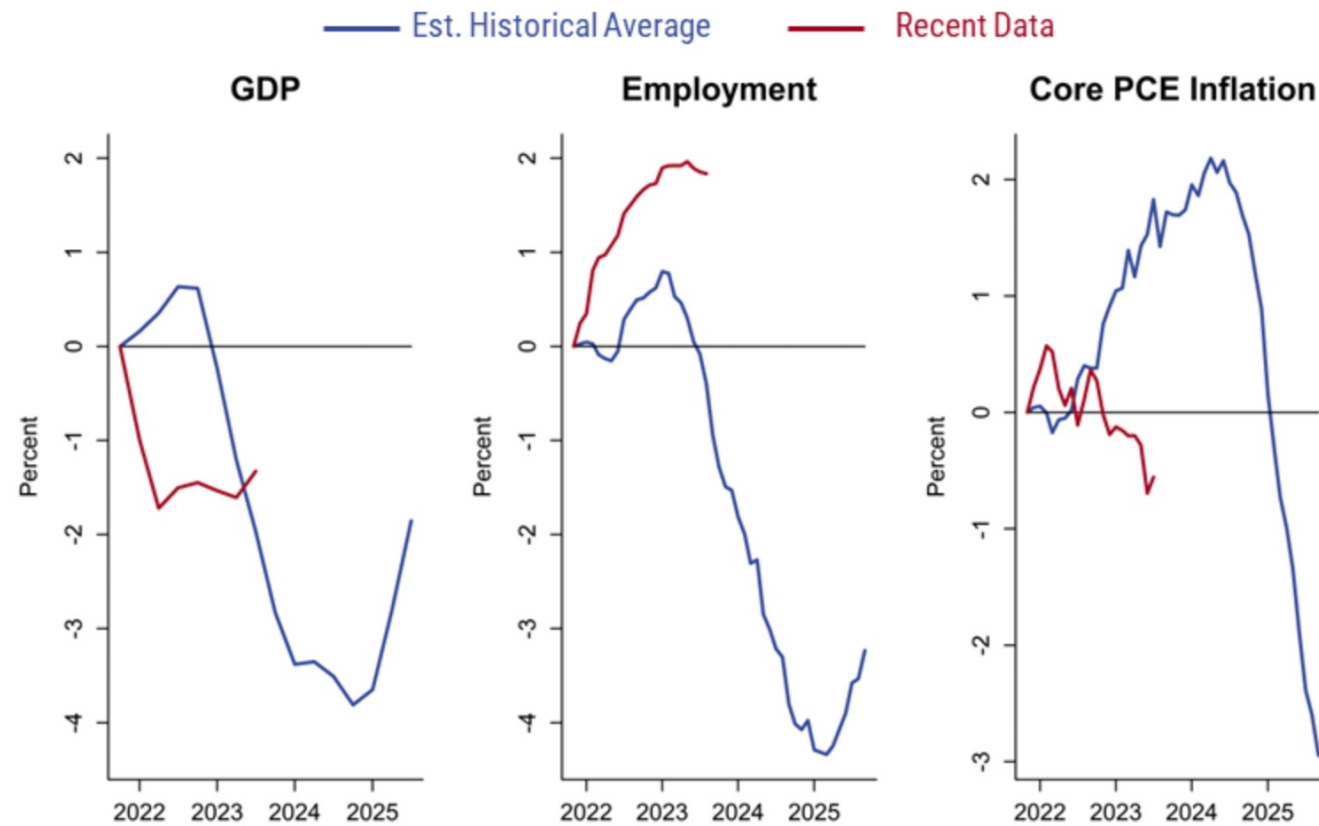
■ Effective rate ■ Expectations



Note: Expectations reflect pricing in the fed-funds futures market at select times.  
Source: Bespoke Investment Group

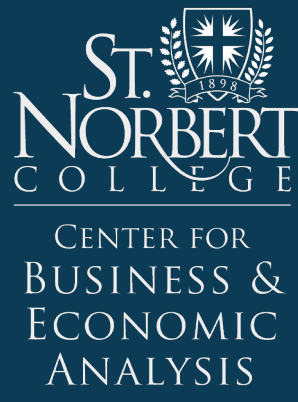
Source: Wall Street Journal,  
Bespoke Investment Group

# The Landing?



*Note: Log levels of GDP and nonfarm payroll employment and the 12-month change in core PCE prices. Recent data are quarterly since 2021:Q4 for GDP and monthly since November 2021 for employment and core PCE inflation.*

# Overview



## 1 | **Economic growth continues...a tad bit slower**

Q3 saw a 4.9% growth, signaling optimism. However, muted consumer spending and ongoing softness in investment (business, residential, and nonresidential) point to slower 2024 growth

## 2 | **Inflation normalizing above Fed target**

Inflation normalized in 3% range in 2023, slowed economic activity could drop this below 3% in 2024, but potentially falling interest rates may maintain the status quo

## 3 | **Labor Markets continue slow down in hiring activity**

Labor market is still on solid ground with momentum waning as noted by slight upticks in unemployment, declining quits, and subdued job openings

## 4 | **Notable Headwinds on the Horizon**

The challenged consumer with diminished savings, slowed wage gains, falling pent-up demand are showing early signs of stress

While the Fed waits for evidence to lower interest rates, political volatility regarding fiscal policy & debt will likely impact government spending

Housing activity stalled in 2023 with many activity measure hitting decade low performance, expect Fed activity to grease the wheels in 2024

## 5 | **Recession Probability?**

Recession likelihood continues to fall into 2024 with odds below 40%

**Presenting sponsor**



**Other CBEA sponsoring partners**



CENTER FOR  
BUSINESS &  
ECONOMIC  
ANALYSIS



**Presenting sponsor**



**Other CBEA sponsoring partners**



CENTER FOR  
BUSINESS &  
ECONOMIC  
ANALYSIS





CENTER FOR  
BUSINESS &  
ECONOMIC  
ANALYSIS

## Upcoming Events



Feb - May

### **CEO Breakfast Series**

Donald J. Schneider School of Business & Economics



March 19<sup>th</sup>

### **State of the County**

Brown County, Resch Center



April 17<sup>th</sup>

### **Regional Economic Update & Industry Spotlight**

New North, CBEA, & Wisconsin Department of Revenue