

## **Economists Fear These Factors Could Derail the Soft Landing** **Partisan conflict and a too-tight monetary policy are on the list.**

By Erik Sherman

The immediate future and chance of a soft landing are looking bright, according to two different respected surveys of economists. But each has a concern over conditions that could turn the good times bad.

First up, the National Association for Business Economics saw its survey of economists as 'more bullish on domestic economy.'

"Only a quarter of NABE respondents believes a recession will occur in 2024," said Ellen Zentner, NABE President, chief U.S. economist and managing director, Morgan Stanley, in prepared remarks.

But there are concerns that monetary policy may be too tight. "The percentage of panelists who feel monetary policy is 'too stimulative' is 8%, down from 12% in August 2023 and 26% in March 2023," they wrote. "Conversely, the share of respondents who indicate that current monetary policy is 'too restrictive' is 21%, up from 14% in both March and August 2023, and the third-largest share holding this view for the last two decades."

This echoes what some economics have been saying about the Fed's hold policy, that it may be too cautious in waiting to reduce interest rates.

The other survey was from the Federal Reserve Bank of Philadelphia and its Survey of Professional Forecasters.

"The forecasters predict the economy will expand at an annual rate of 2.1 percent this quarter, up from the prediction of 0.8 percent in the last survey," they wrote. "On an annual-average over annual-average basis, the forecasters expect real GDP to increase 2.4 percent in 2024, up 0.7 percentage point from the estimate in the previous survey."

They, too, had concerns, with the expectation that the unemployment rate would rise from 3.8% to 4.0% by the end of 2024. That's still a downward revision of their previous thought that unemployment would start at 4.0% and increase to 4.2% in the fourth quarter. Overall, they expect an average of 3.9% this year, rather than the previous 4.1% estimate.

Another concern on the part of the Philly Fed is its partisan conflict index, which measures the degree of political disagreement among U.S. federal politicians. The current level, which is still significantly down from a 2017 high, remains elevated over the period between 1981 and 2009. The more discord, the more difficult it is to strike deals and get necessary policies passed.

"As for the most likely geopolitical risks, NABE respondents express the greatest concerns about the Middle East conflict driving up oil prices or disrupting supply chains, a stagnant Chinese economy, and instability around U.S. elections."