Bank Economists See Soft Landing, Three Rate Cuts by Fed

By Paul Bubny

Add the American Bankers Association's Economic Advisory Committee to the economists anticipating a soft landing for the economy of the 2024. Comprised of 16 chief economists from some of North America's largest banks, the committee cited diminishing recession risks, moderating inflation and continuing robust gains in employment. A "gentle" easing cycle by the Federal Reserve will start around mid-year, facilitating trend-like GDP growth, according to the group.

"Last year's combination of resilient growth and moderating inflation is unusual historically and should be celebrated," said Simona Mocuta, committee chair and chief economist at State Street Global Advisors. "The elements appear in place to extend a milder version of this in 2024, although we should not take this for granted. The risks to the outlook are two-sided but nuanced. The committee sees risks to the growth forecast as fairly balanced, but risks to the inflation forecast remain skewed to the upside."

The bank chief economists see evidence of modest labor market softening, with the pace of anticipated job creation forecast to slow from over 139,000 per month in 2024 to just about 117,000 in 2025. However, this is merely a story of slower job growth rather than job losses, the group said.

The consensus view of the committee is that the Fed will begin lowering the target federal funds rate range in mid-2024, instituting three 25-basis-point cuts before the year ends.

"The committee believes that easing wage pressures and realized progress on inflation will allow the Fed to begin reducing the restrictiveness of its policy stance later this year," said Mocuta.