

Forget Fed Rate Cuts Until 2024 Says Economist Group

NABE's latest consensus forecast also said inflation wouldn't ebb until next year.

By Erik Sherman

The May outlook from the National Associate of Business Economics has taken a significant turn from the previous outlook of February, though perhaps a further development might be more accurate. Then, the theme was that things weren't as bad as they expected, but that would change.

Now? "Respondents to the latest NABE Outlook Survey are divided as to whether a recession in the U.S. is likely in the next year," said NABE President Julia Coronado, founder and president, MacroPolicy Perspectives LLC, in prepared remarks. "However, the median forecast calls for economic growth through 2024 to be modest. On balance, the panel expects higher interest rates in 2023 than forecasted in the February 2023 Outlook Survey." At this point, the economists don't see a decline in interest rates until 2024, which is also when inflation "is expected to slow." Job growth will moderate, also, and unemployment, rise.

But consensus is tricky at this time. Out of the panel of 45 forecasters, the lowest five are calling a coming recession while the top five expect growth. The median forecast for real GDP growth sees a positive 0.4% from 2022 Q4 to the final quarter of this year, which is up from the 0.3% expected in the last report. Nominal GDP growth was 0.8% in the previous survey and is not projected at 1.2%.

Virtually all the economists said that the year-over-year core Personal Consumption Expenditures inflation rate would not come down to the 2% the Federal Reserve expects. At 59%, a majority of respondents don't expect inflation to hit 2% until 2025. Instead of the previously projected 3.0% CPI by the end of this year, the group is now saying 3.3%.

Unemployment will be 3.7%, rather than the previously projected 3.9%, and that will be by remaining at 3.5% in the first half of the year.

Although a number of 2023 growth factors were expected to be higher than in the previous report, the performance in 2024 is expected to be slower than when experts were polled a few months ago. "Forecasts for consumption, fixed investment, and inventories have been revised downward, resulting in 1.7% growth Q4/Q4 (or 1.2% year-over-year) in 2024 compared to 1.9% Q4/Q4 (or 1.4% year-over-year) forecasted in February 2023," they said.