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The U.S. Economic Outlook 2023–2024

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Jacob T. Burton
Gabriel M. Ehrlich
Daniil Manaenkov
Michael R. McWilliams
Tereza Ranošová

Research Seminar in Quantitative Economics
# Review of the Forecast for 2022

<table>
<thead>
<tr>
<th></th>
<th>Nov. 2021 Forecast</th>
<th>Nov. 2022 Expected</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth (%)</td>
<td>4.0</td>
<td>1.9</td>
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</tbody>
</table>
Current State of the Economy
Real GDP Growth Composition

2020Q4  2021Q1  2021Q2  2021Q3  2021Q4  2022Q1  2022Q2  2022Q3

-4 -2 0 2 4 6 8 10

Real GDP growth
Consumption Expenditures
Fixed Investment
Inventory Investment
Net Exports
Government Expenditures
Residential Housing Market Metrics

Graph showing the Diffusion Index and Volume Index over time, with data points from 1992 to 2024. The graph compares the NAHB Housing Market Index and MBA Mortgage Loan Applications for Purchase.
10-year to 2-year Treasury Bond Yield Spread
Households’ Balance Sheet: Checkable Deposits And Currency
Inputs
Inflation very high, labor market still tight

Long-term inflation expectations stable

Too soon to celebrate October CPI surprise slowdown

The Fed to keep raising rates through late spring of 2023
  • Terminal fed funds rate range at 5.25–5.5 percent

The Fed starts easing in early 2024, once PCE inflation forecasts show imminent return to 2.0 percent inflation

Gradual fed funds rate range cuts through rest of 2024
Divided Government is (likely) back
  • Lower chances of major fiscal action starting January

Packed agenda for the lame duck session

Defense spending set for brisk growth

Slow growth of discretionary nondefense spending likely
  • Replay of 2011 debt ceiling standoff possible
  • Thin Republican House majority will limit demands

Public Health Emergency declaration will likely expire next spring
  • Medicare, Medicaid, CHIP spending will slow
Single-Family Home Price Appreciation

Percent change

- Quarterly growth, annual rate
- Year-over-year growth

RSQE: November 2022
U.S. Forecast
Consumer Price Inflation (CPI-U)

Percent change, annualized rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Core CPI</th>
<th>CPI</th>
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<tbody>
<tr>
<td>2020</td>
<td>1.62</td>
<td>1.20</td>
</tr>
<tr>
<td>2021</td>
<td>5.01</td>
<td>6.72</td>
</tr>
<tr>
<td>2022</td>
<td>6.10</td>
<td>7.59</td>
</tr>
<tr>
<td>2023</td>
<td>3.27</td>
<td>2.31</td>
</tr>
<tr>
<td>2024</td>
<td>2.34</td>
<td>2.32</td>
</tr>
</tbody>
</table>

Forecast
Light Vehicle Sales

![Light Vehicle Sales Graph]

- **Light Vehicle Sales**
- **Light Truck Sales**
- **Car Sales**

Data Source: RSQE: November 2022
Risks

- Inflation Dynamics
- Monetary Policy
- Housing Sector
- War in Ukraine
- Financial Stress
- Fiscal path
- Pandemic
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