



RESEARCH

Economics

Economist Roundtable Flash Poll: 3Q24

Updating SIFMA Economist Roundtable's Forecasts & Monetary Policy Questions

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Key Takeaways

The SIFMA Economist Roundtable brings together chief U.S. economists from over 20 global and regional financial institutions. Its semiannual survey, published prior to the upcoming Federal Open Market Committee (FOMC) meeting, compiles the median economic forecast of Roundtable members.

This Flash Poll provides an updated pulse on select questions following our last semiannual survey, including (for 2024):

- **Real GDP growth rate:** +2.1% Y/Y; +0.5 pps vs. last survey
- **U.S. unemployment rate:** 4.3% estimate; +0.2 pps vs. last survey
- **Inflation** (Y/Y estimate; vs. last survey)
 - CPI/Core CPI: +2.5%/+3.1%; -0.5 pps/-0.2 pps
 - PCE/Core PCE: +2.3%/+2.7%; -0.3 pps/-0.1 pps
- **Federal Funds (Fed Funds) rate**
 - Number of cuts in 2024 (including September's cut): 83.3% responded 3
 - Expected Fed funds rate at end-2024: 83.3% responded 4.25%-4.50%

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Economist Roundtable Flash Poll

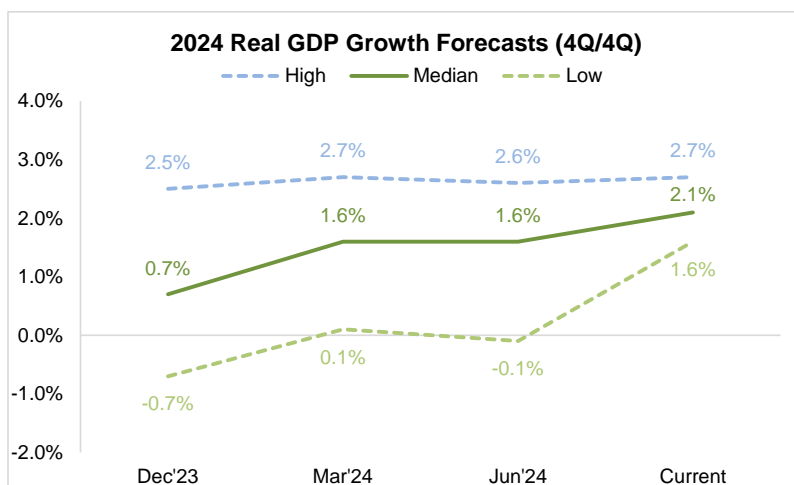
This Flash Poll provides an updated pulse on select questions from the last semiannual survey of SIFMA's Economist Roundtable, published in June 2024, and in advance of the next survey to be published in November 2024.

The Economy

We began by asking about the overall health of the U.S. economy, in terms of GDP growth. 2Q24 real GDP increased at an annual rate of 3.0% (third estimate, released September 26). This represented no change to the second estimate for 2Q24 real GDP but was up 1.4 pps from 1Q24 real GDP, +1.6%. By this measure, the economy accelerated quite a bit in the second quarter.

Our Roundtables' expectations for 2024 real GDP growth have increased since the last survey, driven by increases to the low estimates. Survey responses showed the following annual real GDP growth (median forecast, 4Q/4Q) forecasts for 2024:

- Flash Poll = +2.1%, vs.
- Last Survey = +1.6%
- +0.5 pps versus the last survey

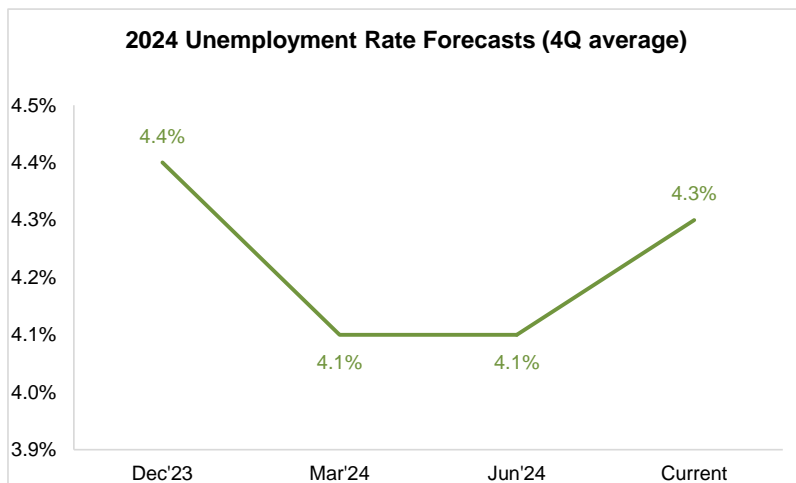


Source: SIFMA Economist Roundtable Quarterly Flash Poll

The Fed continues to monitor the labor piece of the inflation equation closely. The U.S. unemployment rate stood at +4.2% Y/Y in August, after crossing the 4% threshold in May of this year (average 3.8% for the year prior to this month). Looking at other labor market metrics, August nonfarm payrolls increased by 142,000 M/M. On average in 2024, the M/M change in payrolls averaged 184,000 versus 251,000 on average in 2023. Average hourly earnings rose 3.8% Y/Y in August, after dropping below the 4% level in May.

Our Roundtables' expectations for the 2024 unemployment rate have increased since the June survey. Survey responses showed the following unemployment rate (4Q average) forecasts for 2024:

- Flash Poll = +4.3%, vs.
- Last Survey = +4.1%
- +0.2 pps versus the last survey

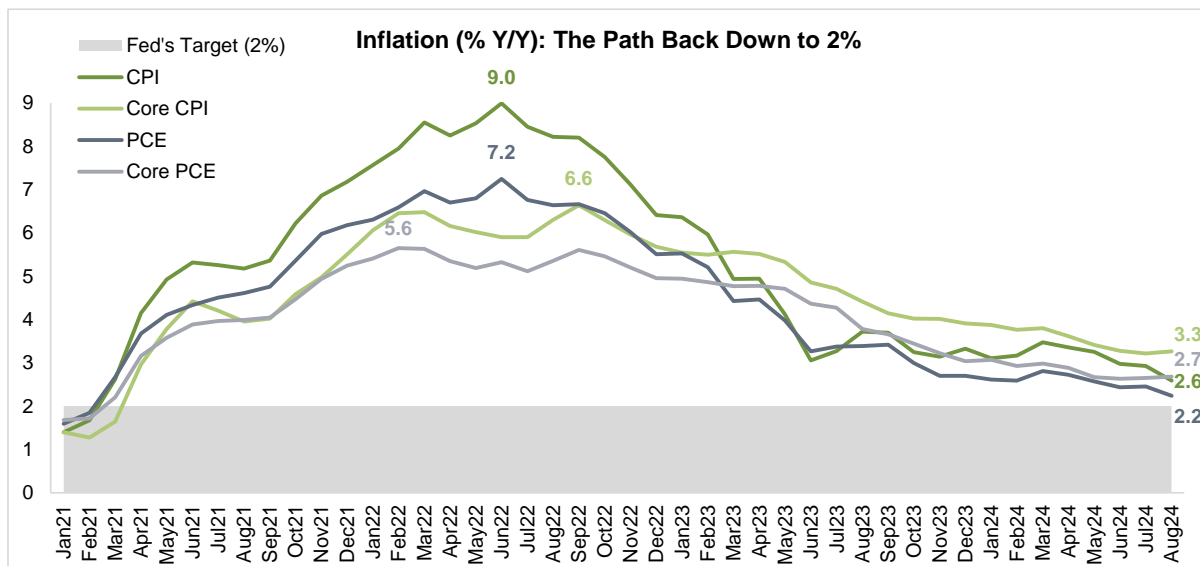


Source: SIFMA Economist Roundtable Quarterly Flash Poll

This section ends with an assessment of the inflation environment, key to the terminal Fed Funds rate. The August inflation data was mixed. CPI decreased 0.3 pps to 2.6%, but core CPI increased 0.1 pps to 3.3%. PCE decreased 0.3 pps to 2.2% but core PCE rose 0.1 pps to 2.7%. Inflation continues on a downward path, getting closer to the Fed's 2% target.

PCE – the Fed's preferred measure of inflation for setting monetary policy – stood at +2.7% in August, 0.7 pps away from target. August data stood at the following for the various inflation measures (Y/Y change):

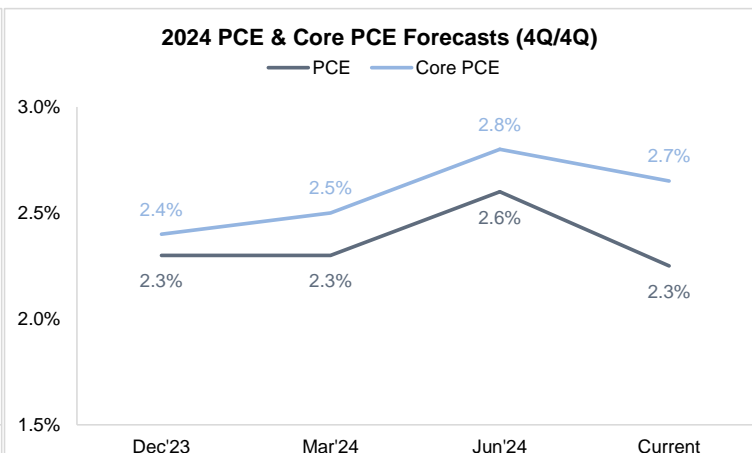
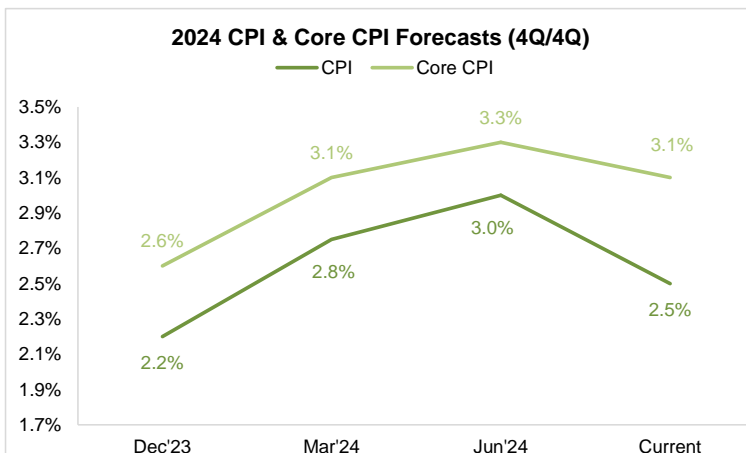
- CPI +2.6%
- Core CPI +3.3%
- PCE +2.2%
- Core PCE +2.7%



Source: FRED, SIFMA estimates

Our Roundtables' expectations for inflation have decreased since the last survey. Survey responses showed the following inflation forecasts for 2024:

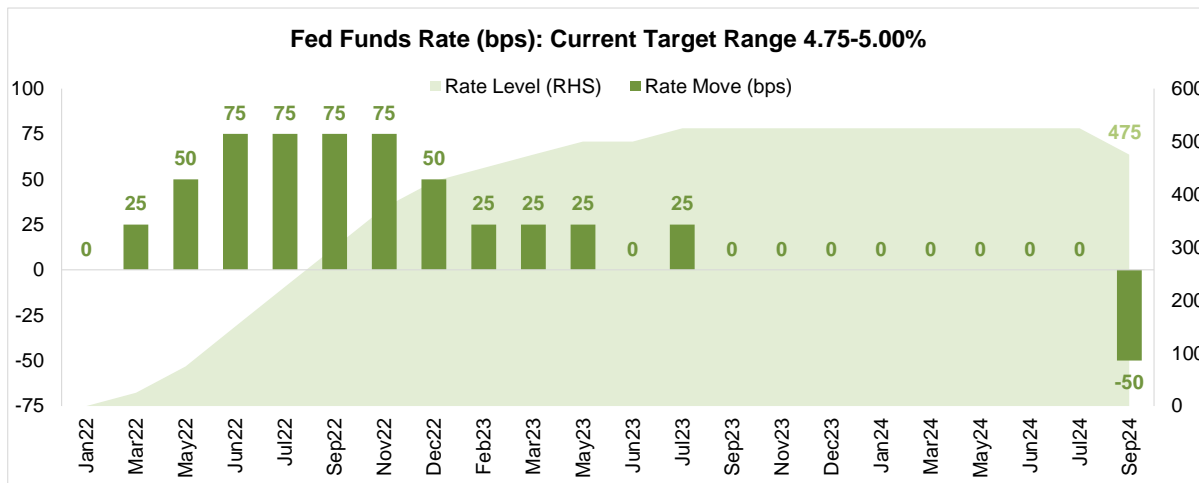
- CPI
 - Flash Poll = +2.5%
 - Last Survey = +3.0%
 - -0.5 pps versus the last survey
- Core CPI
 - Flash Poll = +3.1%
 - Last Survey = +3.3%
 - -0.2 pps versus the last survey
- PCE
 - Flash Poll = +2.3%
 - Last Survey = +2.6%
 - -0.3 versus the last survey
- Core PCE
 - Flash Poll = +2.7%
 - Last Survey = +2.8%
 - -0.1 pps versus the last survey



Source: SIFMA Economist Roundtable Quarterly Flash Poll

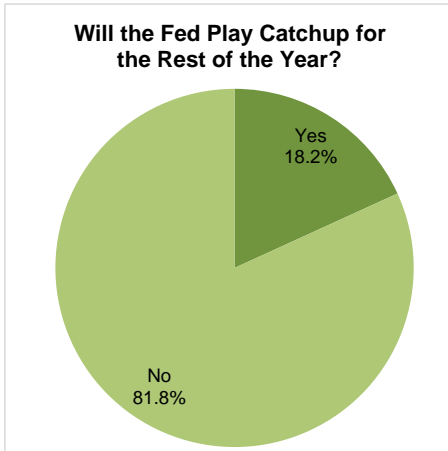
Monetary Policy

Putting all of these economic indicators together, we move on to monetary policy expectations. At the September Federal Open Market Committee (FOMC) meeting, the Fed lowered the target range for the Fed Funds rate by 50 bps to 4.75%-5.00%, after 16 months of higher for longer (5.25%-5.50% target range). With the first rate cut behind us, markets have turned to modeling out the path of rate cuts for the remainder of the year – for both number and level of cuts – and what will eventually be the terminal Fed Funds rate.



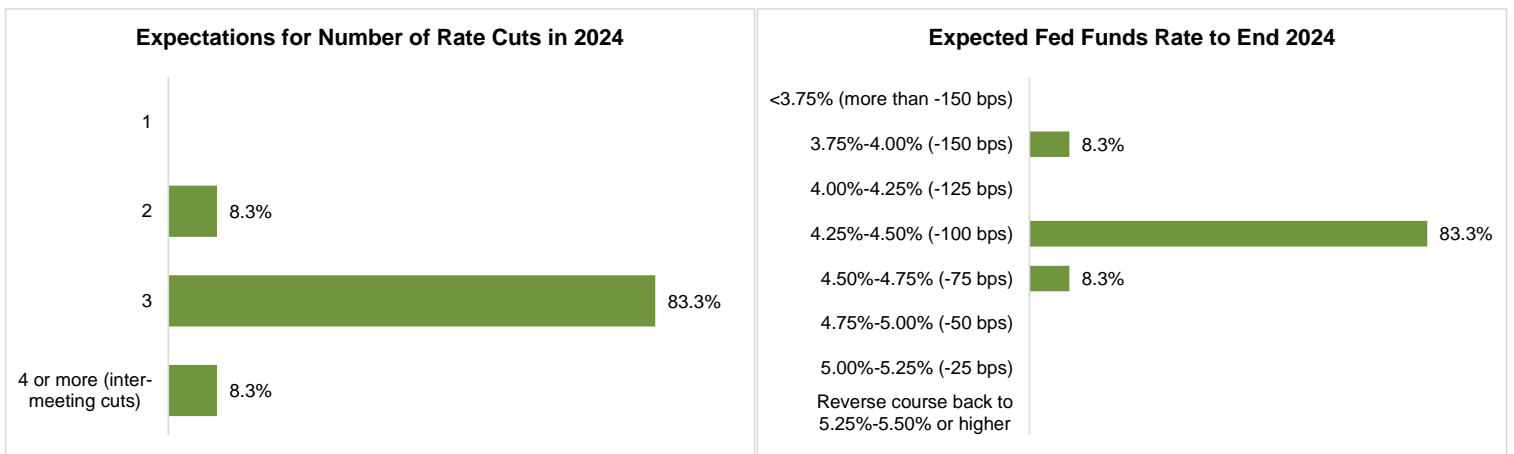
Source: Federal Reserve

After the big 50 bps move at the last FOMC meeting, only 18.2% of economists surveyed believe the Fed is behind the curve and will need to play catch up for the rest of the year.



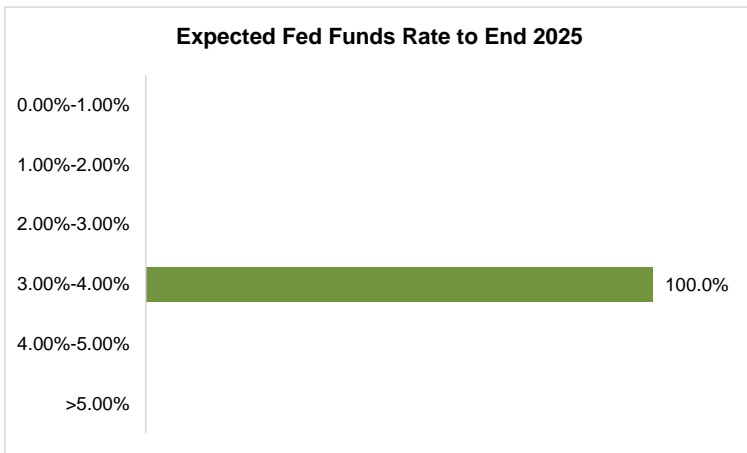
Source: SIFMA Economist Roundtable Quarterly Flash Poll

The majority of our Roundtable economists believe there will be three rate cuts in 2024 (83.3% of respondents). The survey also showed that most respondents expect the Fed Funds rate to end 2024 in the 4.25%-4.50% target range (83.3% of responses), down 50 bps from current rate of 4.75%-5.00%. This is down from the June survey, where the average for the Fed Funds estimate at the end of the year was around 5%.



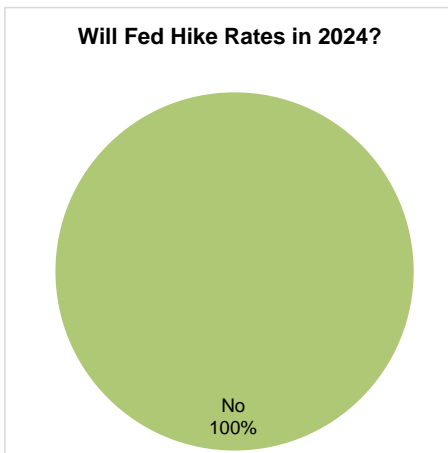
Source: SIFMA Economist Roundtable Quarterly Flash Poll

Looking further into 2025, 100% of our economists surveyed expect the Fed Funds rate to end 2025 in the 3.00%-4.00% range. This is down from the June survey, where the average for the Fed Funds estimate at the end of this year was around 4%.



Source: SIFMA Economist Roundtable Quarterly Flash Poll

More and more economists now believe that inflation is under control. With the focus shifted to the labor data – where some are seeing cracks – no survey respondents expect the Fed to have to reverse course and raise rates in 2024.



Source: SIFMA Economist Roundtable Quarterly Flash Poll

Appendix: Terms to Know

- **Statistical analysis**
 - M/M – month-over-month change
 - Q/Q – quarter-over-quarter change
 - Y/Y – year-over-year change
 - Bps – basis points
 - Pps – percentage points

- **Gross Domestic Product (GDP):** A comprehensive measure of U.S. economic activity, indicating the value of the final goods and services produced without double counting the intermediate goods and services used up to produce them. GDP data are seasonally adjusted to remove the effects of yearly patterns – winter weather, holidays, or factory production schedules – to reflect true patterns in economic activity. The Bureau of Economic Analysis (BEA) releases new statistics every month, as it estimates GDP three times:
 - Advance estimate – This comes out around one month after the quarter's end, an early look based on the best information available at that time
 - Second estimate – Incorporates additional source data that were not available the month before, improving accuracy
 - Third estimate – Incorporates even more source data that were not available the month before, considered the most accurate estimate

- **Federal Funds Rate (Fed Funds):** The interest rate at which banks and other depository institutions lend money to each other, typically on an overnight basis. An important monetary policy tool is the Fed's open market operations, consisting of buying and selling U.S. Treasury securities on the open market, with the aim of aligning the actual Fed Funds rate with the Federal Open Market Committee's (FOMC) target rate.

- **Unemployment:** The unemployment rate represents the number of unemployed people as a percentage of the labor force, which is the sum of the employed and unemployed: $(\text{Unemployed} \div \text{Labor Force}) \times 100$. According to the Bureau of Labor Statistics Current Population Survey, people are classified as not in the labor force if: (a) they were not employed during the survey reference week; and (b) they had not actively looked for work (or been on temporary layoff) in the last 4 weeks. People not in the labor force are those who do not meet the criteria to be classified as either employed or unemployed as defined above and can be classified into several subgroups: (a) people who want a job now; (b) people marginally attached to the labor force (not in the labor force but currently want a job); and (c) discouraged workers (not actively searched for work in the last four weeks).

- **Inflation:** It is reflected quantitatively by an increase in the average price level of a basket of selected goods and services in an economy and represents the rate of decline of purchasing power of a given currency over some period of time. There are multiple components that go into the inflation equation. Pressure points can be bucketed as: supply side, demand side, and the labor component.
 - Consumer Price Index (CPI) – headline inflation; measures the change in direct expenditures for all urban households for a defined basket of goods and services (three largest components are housing, transportation, and food/beverages)
 - Personal Consumption Expenditures (PCE) – the metric the Fed monitors for monetary policy – measures the change in the prices of goods and services consumed by all households and nonprofit institutions serving households
 - Core CPI or PCE – makes adjustments to remove the source of the noise in the price data, i.e. food and energy, to get a measure of the underlying component of inflation
 - Differences between CPI and PCE include (among others): Basket composition – CPI based on household purchases (includes imports) versus PCE based on what businesses are selling (includes capital goods); calculation methodologies – expenditure weights assigned to categories of basket items (housing a main difference); accounting for basket changes (PCE allows substitution, CPI is always the same basket); CPI covers only out-of-pocket expenditures, PCE includes expenses paid by employers and federal programs; seasonal adjustment differences; PCE includes rural and urban consumers, CPI only urban; PCE includes expenditures from non-profit institutions serving households, CPI households only

Appendix: SIFMA Economist Roundtable Members

The SIFMA Economist Roundtable brings together chief U.S. economists from over 20 global and regional financial institutions. SIFMA Research undergoes a semiannual U.S. Economic Survey with this group, analyzing the median economic forecasts of Roundtable members, published prior to the upcoming Federal Open Market Committee (FOMC) meetings in June and December. In those reports, we analyze the Roundtable’s expectations for: GDP, unemployment, inflation, interest rates, etc. We also review expectations for policy moves at the upcoming FOMC meeting and discuss key macroeconomic topics and how these factors impact monetary policy. The most recent survey can be found here: https://www.sifma.org/wp-content/uploads/2024/06/Economic-Survey-Report_1H24_FINAL.pdf

The Flash Polls update key Roundtable Economists’ forecasts and select monetary policy questions on the off quarters from the survey. The next full survey will publish in November 2024.

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This survey was conducted between September 19-30.

Disclaimer: This document is intended for general informational purposes only and is not intended to serve as investment advice to any individual or entity. The information in the survey was provided for information purposes only to gauge an estimate of respondents' opinions on future events. It should not be relied upon and can change at any time without notice. The views in this report and interpretation of the data are that of SIFMA, not necessarily its member firms.

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