US Economic Survey: Mid-Year 2024

Forecasts from the SIFMA Economist Roundtable
Assessing the Economic Landscape and Monetary Policy

June 2024

Key Takeaways

- **Inflation & Monetary Policy:** The majority of our economists expect 2 rate cuts in 2024 and 4 rate cuts in 2025. Over 50% of our economists expect 100-175 bps of cuts by 4Q25. Over 50% of survey respondents expect a rate cut in September, followed by around two-thirds in November and over 85% in December. However, around 14% of our economists expect no rate cut in 2024.
- **Economic Outlook:** Core PCE estimated to end 2024 at +2.8%; +0.4 pps from the last full survey in December 2023, +0.3 pps from the March 2024 flash poll. The top factor to core inflation estimates is wage growth. Averaging 4.2% in 2024, wage growth remains 1.2 pps above the three-year pre-COVID average.
- **Labor Market:** Real GDP growth estimated at +1.6% in 2024 and +2.0% in 2025; +0.9 pps from our last full survey in December 2023 but no change from our flash poll in March 2024. Over 80% of our economists put the probability of recession from 0% to 30%. As to factors impacting U.S. economic growth, monetary policy – unsurprisingly – came in on top. This factor also shows up near the top in both upside and downside risks to the economy.
- Also in this report, we include forecast tables and charts for the full survey results, as well as an update on where we are in the economic landscape and a reference guide on historical trends for select economic data.

Contents

Setting the Scene

A Message from Our Chair

The COVID pandemic and subsequent macroeconomic policy responses imparted a series of shocks to the U.S. economy. After nosediving at an annualized rate of 28% in Q2-2020, real GDP came roaring back, posting a growth rate of 5.4% over the course of 2021. But the unprecedented policy response that led to a supercharged rate of GDP growth also contributed to the highest inflation rates the economy has experienced since the early 1980s. In response, the Federal Reserve raised its target range for the federal funds rate by 525 bps between March 2022 and July 2023, which many analysts feared would send the U.S. economy into recession. Despite significant policy tightening, the economy has remained resilient with real GDP growing 3.1% on a Q4/Q4 basis in 2023 (Q4/Q4), a rate that most analysts would consider to be stronger than the economy's potential growth rate at present. Sturdy economic growth notwithstanding, inflation has trended lower since its peak in mid-2022, although it remains above the Fed's target of 2%.

The June 2024 survey of the SIFMA Economist Roundtable found that members of the Roundtable generally have an upbeat near-term outlook for the U.S. economy. The mean forecast among the panelists expects that real GDP will grow 1.6% this year with growth picking up to 2.0% in 2025. The panel forecasts that growth in payrolls, which averaged 255K per month in the first six months of the year, will downshift modestly to 150K/month in 2025. Slower payroll growth will cause the unemployment rate to edge up a bit over the next few quarters from the current rate of 4.0%. More than 80% of the panelists judged that the probability of recession in the next twelve months was 30% or less. In short, Roundtable members generally expect a "soft landing" for the U.S. economy.

As noted previously, inflation has trended lower since 2022 with the year-over-year rate of core PCE inflation averaging 2.8% in Q1-2024. Looking forward, the panel expects the rate of core PCE inflation to remain essentially unchanged through the end of the year, due in part to challenging base effects, before receding further in 2025. The decline in inflation should induce the FOMC to begin easing policy later this year, with 86% of the panelists expecting at least one 25 bps rate cut by the December FOMC meeting. The panel looks for further easing next year with one-half of the Roundtable members forecasting 100 bps of rate cuts by the end of 2025. But the FOMC likely will continue to ease after the end of next year. When asked when the real fed funds rate will return to "neutral," more than 80% of the panelists replied "after 2H-2025."

Although Roundtable members generally have a relatively upbeat near-term outlook, there are some notable downside risks to that view. When asked to rate their level of concern about indications of household financial stress ("1" – least, "10" – most), a plurality of 36% rated it "6." In terms of other downside risks to their forecasts, roughly two-thirds of the panelists listed "monetary policy/interest rates" and "inflation." The implication of these notable downside risks is that elevated inflation could delay monetary easing, which would exert headwinds on economic growth. In that regard, more than 80% of the panelists believe that monetary policy is "restrictive" at present.

The optimism of the SIFMA Economist Roundtable regarding the economic outlook generally continues into the longer term as well. Specifically, the panel believes the Federal Reserve will achieve price stability. Survey respondents place two-thirds weight on the probability that the rate of core PCE inflation will be in a range of 1.5% to 2.5% in five-to-ten years. Additionally, Roundtable members generally look for long-term interest rates to remain at relatively low levels. When asked about their expectations for the yield on the 10-year Treasury note if "no more shocks hit the economy and it settled down to its long-run growth path," 50% of the panelists chose a range of 4.00% to 4.50%. Another 30% chose a range between 3.00% and 4.00%.

That said, there is some unease regarding the long-run fiscal position of the federal government. The Congressional Budget Office (CBO) recently projected that the budget deficit of the federal government will total $1.9 trillion during the current fiscal year that ends on September 30. American will go to the polls for the general election on November 5, which will have important implications for U.S. fiscal policy. In that regard, the panel does not seem to be overly concerned about the fiscal position of the federal government at present. Using a scale of “1” (least) to “10” (most), the panelists were asked to rate their concern “about the current budget deficit and the amount of debt held by the public.” Roughly two-thirds of the panelists rated their concern as “6” or lower. However, when asked the same question about the CBO’s projection of the budget deficit and publicly held debt in 2034 (under current legislation), 70% of the panelists rated their concern as “8” or higher.

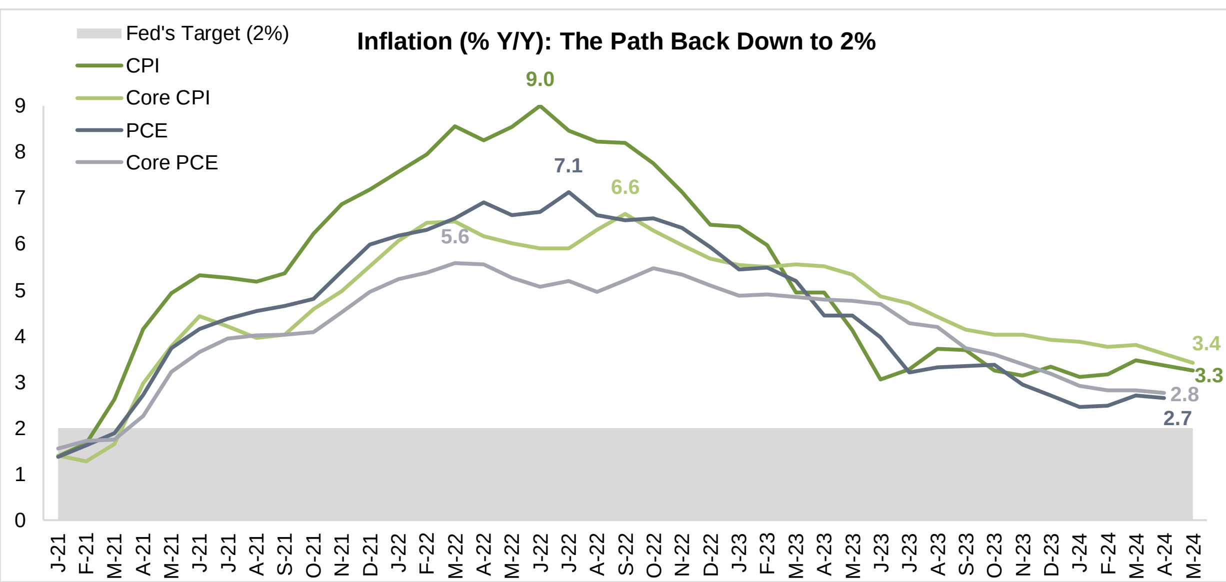
-- Jay Bryson, Ph.D., Managing Director and Chief Economist at Wells Fargo Corporate & Investment Banking and Chair of the SIFMA Economist Roundtable

Current Landscape: Inflation

We begin by setting the scene on where we are in the economic landscape, in particular inflation and the Fed's potential rate path to bring inflation back down to its 2% target. As a reminder, the Fed prefers the Core Personal Consumption Expenditures Price Index (PCE) over the Consumer Price Index (CPI) to set monetary policy. You can see the progress the Fed has made, with all inflation measures well below their peaks. Core PCE stands at 2.75% as of April – we are using an extra decimal place to show the M/M decline, otherwise not visible – down 2.8 pps from the March 2022 peak. However, the last mile of a marathon is always the hardest, with 0.8 pps to go to the 2% target.

We highlight the following:

- **Core PCE +2.75%**
  - Prior month +2.81%
  - Peak +5.6% in March 2022
  - **Path to 2% = -0.8 pps**
- **PCE +2.65%**
  - Prior month +2.70%
  - Peak +7.1% in July 2022
  - Path to 2% = -0.7 pps
- **CPI +3.3%**
  - Prior month +3.4%
  - Peak +9.0% in June 2022
  - Path to 2% = -1.3 pps
- **Core CPI +3.4%**
  - Prior month +3.6%
  - Peak +6.6% in September 2022
  - Path to 2% = -1.4 pps

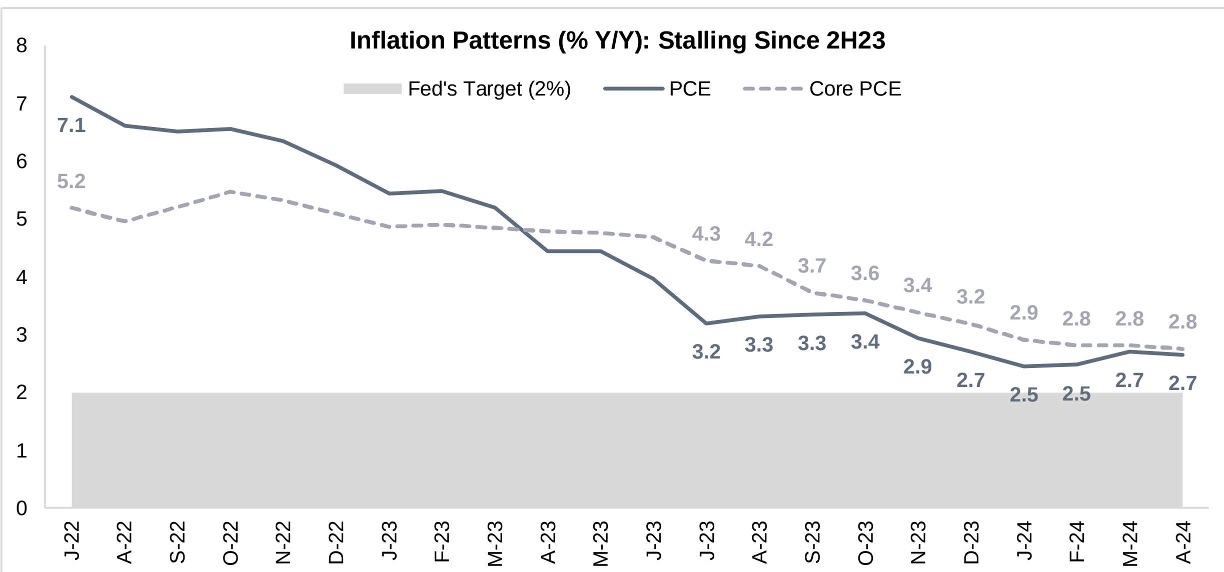


Source: FRED, SIFMA estimates
Note: Y/Y change. CPI as of May, PCE as of April.

Up until about mid last year, inflation rates had been on a steady downward path. We worked through the supply chain issues – there are no longer over 130 ships in queue off the port of LA/Long Beach and China reopened. We worked through goods inflation – this piece of the inflation puzzle is essentially 0%, even deflationary in some areas. The goods side of the inflation equation is the easiest piece of the puzzle for the Fed to tackle, as higher rates dampen demand and slow spending.

However, on the services side of the inflation basket, rate hikes are less impactful (if at all). Here, shelter, or housing, remains challenging and represents a large portion of the index. Additionally, the labor market remains strong and wage growth continues, albeit at a lessor pace. Finally, we have a continuation of fiscal spending[1], and the Fed has no impact on this inflation factor.

As such, the downward inflation path has stalled since 2H23, and reversals have made the Fed's decision harder. After PCE reached 3.2% in July 2023, it ticked back up for a few months. The rate then settled back down, only to take an upward sloping path again to start this year. The level was essentially flat M/M in April (next data release June 28).

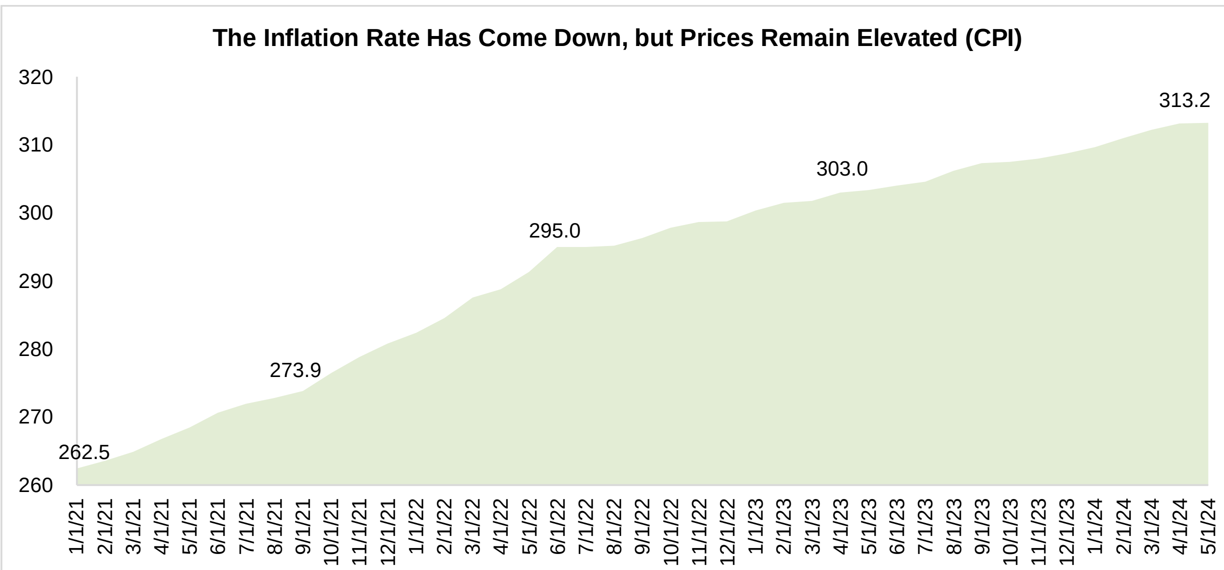


Source: FRED, SIFMA estimates

[1] COVID $7.1 trillion, Infrastructure Law $1.2 trillion, Ukraine $175.5 billion, CHIPS Act $280 billion, student loan cancellations $620 billion; totaling $9.4 trillion.

Finally, we thought it would be interesting to show the level of price increases since inflation began in the spring of 2021. After all, this is what consumers see at the grocery store, which feeds into consumer spending and its impact on economic growth. Consumers are seeing – in aggregate – disinflation, or the slowing of the growth rate for prices, not deflation or declining prices.

The level of prices is up 19.3% since the start of 2021. From the start of 2021 to the 295 level in mid 2022, prices rose +12.4%. Rate hikes then started to do their job, but prices rose another 6.2% from that point through May of this year. The rate of growth has slowed, but the level remains elevated, with consumers paying 19.3% in price increases since 2021.

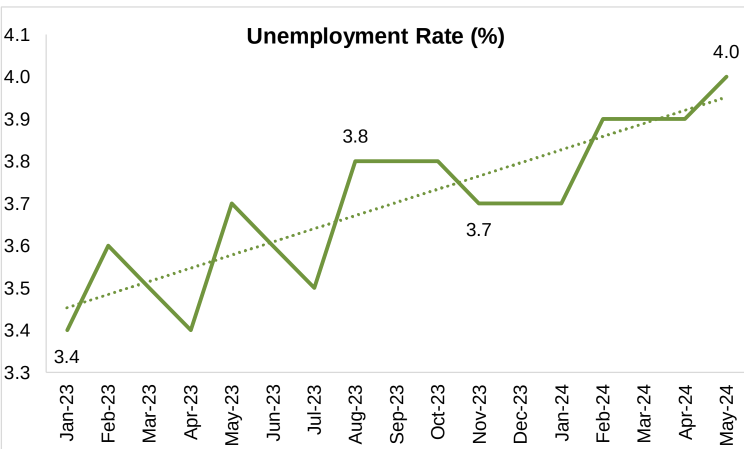


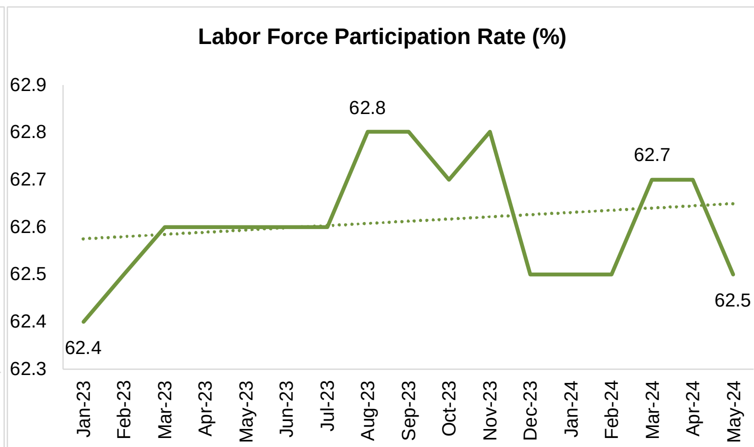
Source: FRED, SIFMA estimates

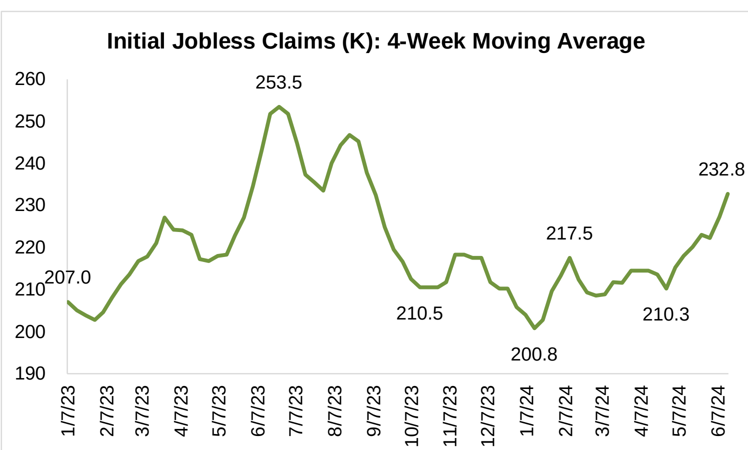
Current Landscape: Labor Market

As mentioned above, a sticky piece of the inflation equation is that the labor market has remained strong. For the first half of 2023, the unemployment rate remained in the 3.4% to 3.7% range. As of May 2024, this rate reached 4.0%, which is a level many have discussed as important to fighting inflation. The labor force participation rate was at 62.5% in May, essentially flat to the start of 2023 but still 0.4 pps below the three-year pre-COVID average. Further, the four-week moving average for initial jobless claims – those applying for unemployment for the first time – has averaged 214 thousand in 2024. As of June 15, this average stood at 232.8 thousand, +13.1% YTD.

These factors are all positive signs for the Fed's inflation fight.





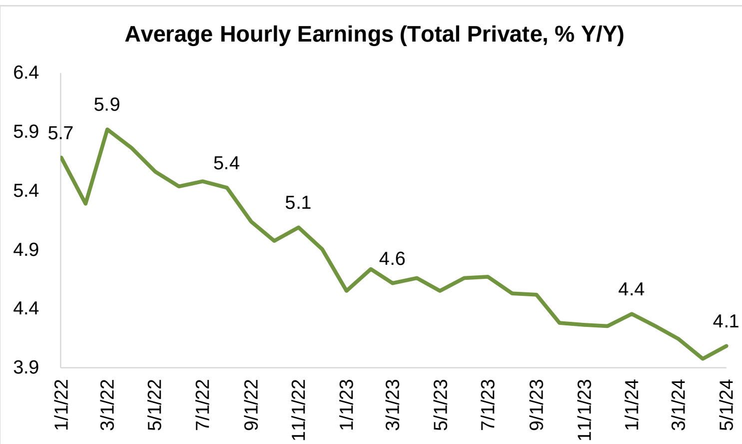


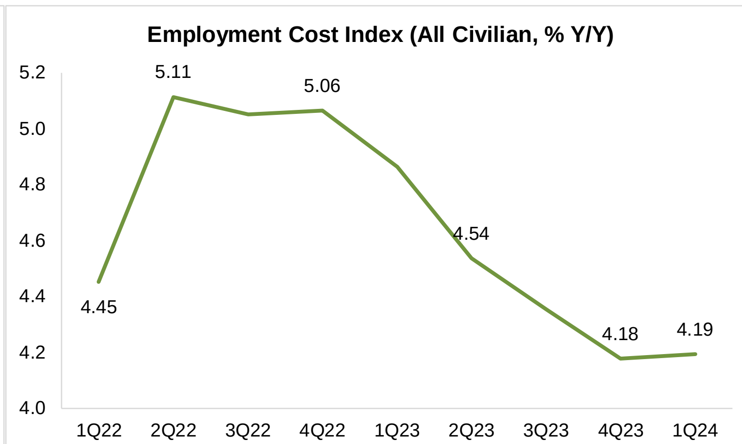
Source: FRED, SIFMA estimates

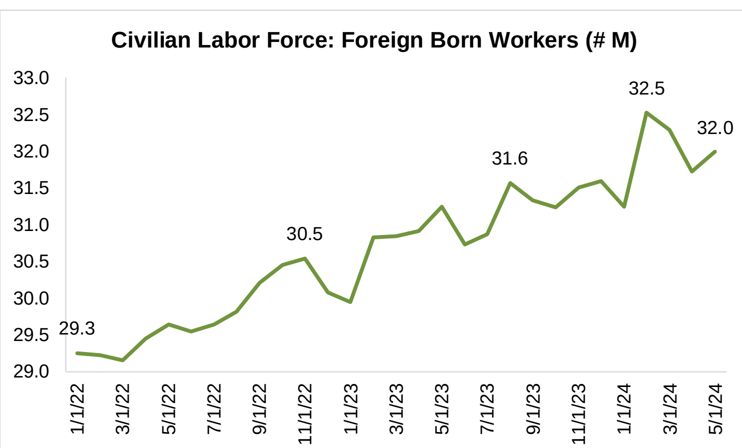
On the other side of the equation, the Fed continues to monitor labor costs, which have come down but remain high. Wage growth – as measured by Y/Y growth in average hourly earnings for private workers – has averaged 4.2% in 2024. This was down from the peak of 5.4% on average in 2022, but still 1.2 pps above the three-year pre-COVID average. Wage growth was 4.1% in May, which was a slight M/M increase. Looking at the Employment Cost Index – total compensation per employee hour worked, measuring changes in employee costs for employers – it was +4.19% Y/Y in 1Q24, also a slight increase from the prior period. This level was -0.73 pps from the 2022 peak of +4.92%, but remains elevated to 2019 levels, +1.45 pps.

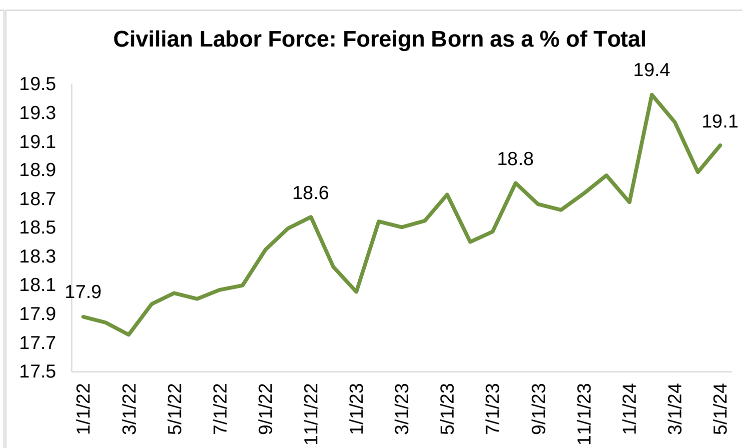
While there is still work to go on costs, one factor alleviating some of the pressure in labor markets – by reducing the labor supply gap – has been the impact of immigration. As of May 2024, foreign born workers as a percent of the total labor force stood at 19.1%, or 32.0 million workers. The average level for 2024 was also 32.0 million workers, +12.6% to the 2019 average of 28.4 million. On a percent of total labor force basis, foreign workers are up 1.7 pps from the 2019 level of 17.4%.

Looking at all of these charts in this section together, one can see the Fed's conundrum – some data points are positive while others are negative for its inflation fight.







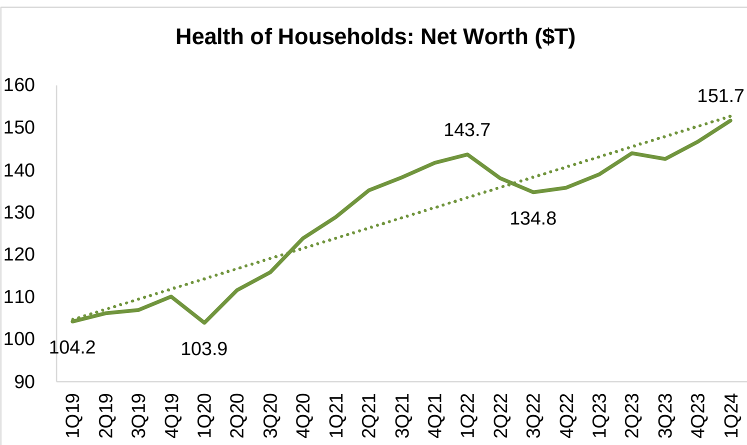


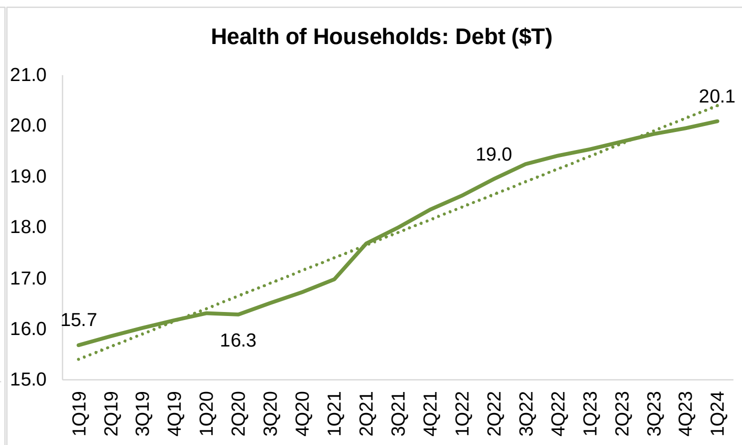
Source: FRED, SIFMA estimates

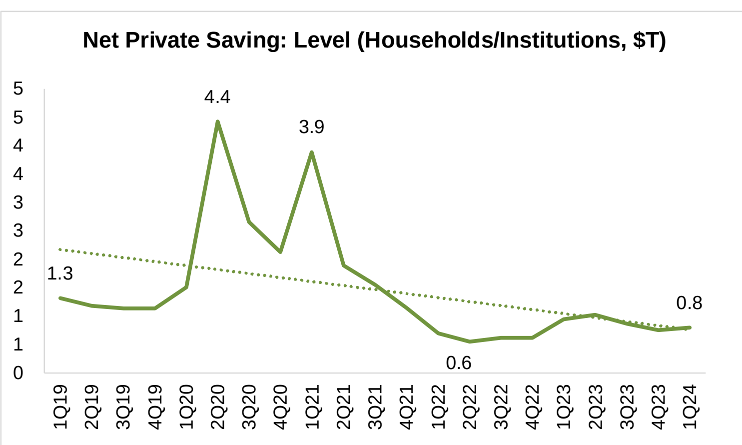
Current Landscape: The Consumer

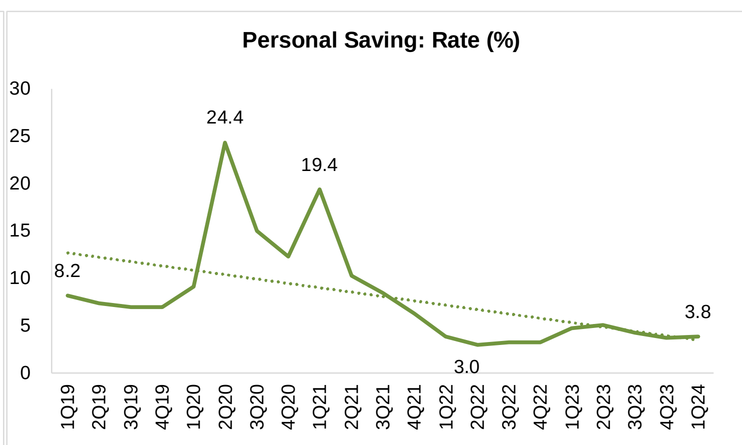
Another factor pushing against the Fed's inflation fight is that the health of households has remained strong, enabling consumers spending to continue. As of 1Q24, household net worth was $151.7 trillion, +37.7% since 4Q19 (over this time period, home prices grew 48.7% and the S&P 500 grew 62.6%). Household debt stood at $20.1 trillion as of 1Q24, +24.3% since 4Q19. Over the last year, household debt grew 2.9% while household net worth grew 9.2%. Growth in household wealth has outpaced that of growth in household liabilities. Since 2019, the slope for the household net worth chart was 9.6x that of household debt. This grew to 20.3x from 1Q23 to 1Q24.

On the other side of the consumer story, net private savings have come down 30.0% since 4Q19, standing at $0.8 trillion in 1Q24. The level of savings decreased 16.0% from 1Q23 to 1Q24, a slowing in the pace of the decrease. The personal saving rate was 3.8% in 1Q24, -3.1 pps since 4Q19 but then -0.9 pps since 1Q23. The decline in savings appear to have stabilized, but that does not change the story that many consumers turned to savings to combat higher prices in this inflationary time period.







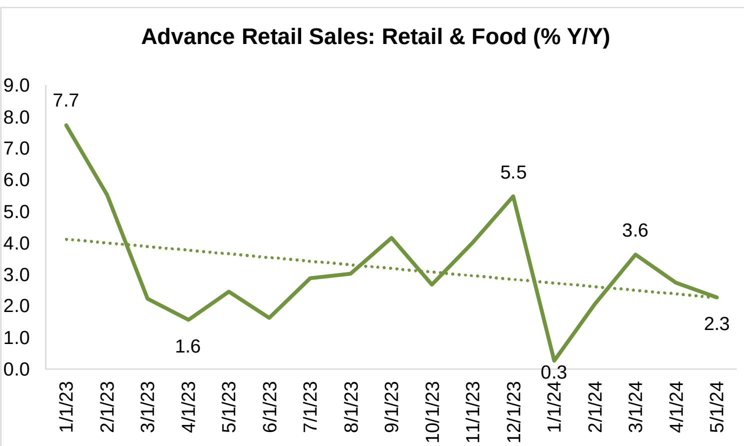


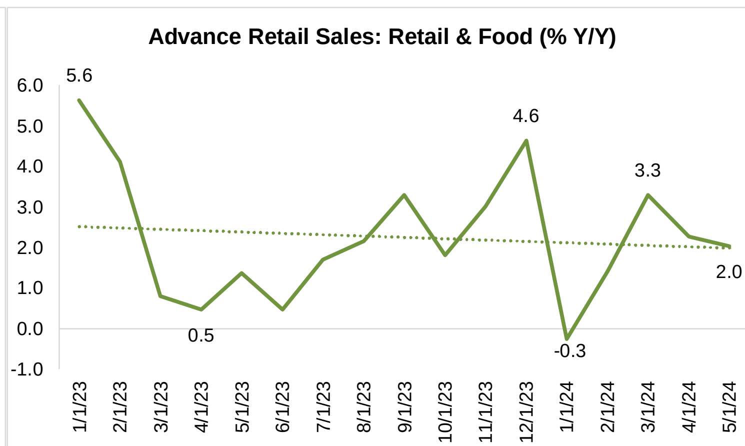
Source: FRED, SIFMA estimates
Note: For debt, households includes nonprofit organizations.

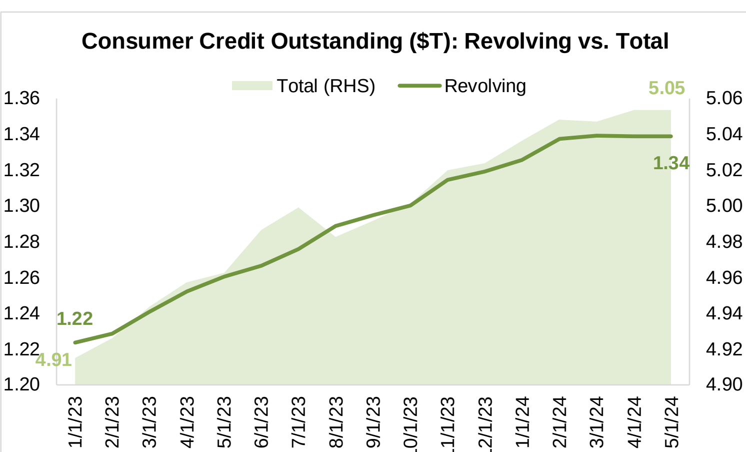
The health of household balance sheets has enabled consumers to continue to spend. However, retail sales have slowed. As of May 2024, advance retail sales for retail trade and food services was +2.3% Y/Y. This figure was -3.1 pps since 2023 and -3.2 pps YTD. Looking just at advance retail sales for retail trade, the May level was +2.0% Y/Y, -2.2 pps since 2023 and -2.6 pps this year.

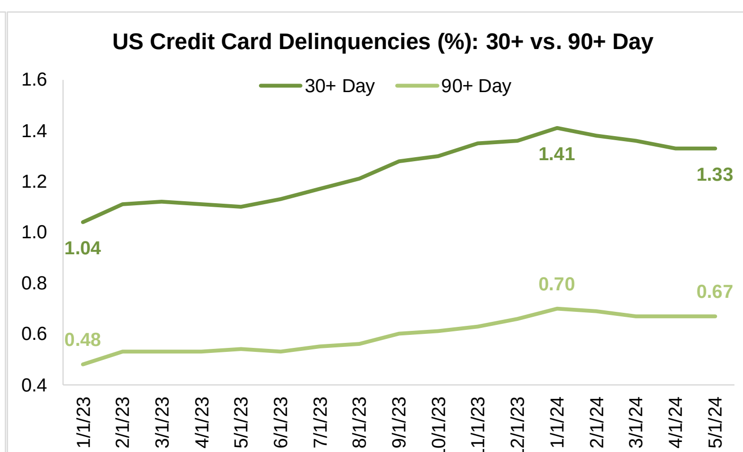
As of May 2024, total consumer credit outstanding stood at $5.05 trillion, +3.3% since 2023 and +0.6% YTD. Revolving consumer credit was $1.34 trillion, +10.4% since 2023 and +1.5% YTD. The growth in the amount of credit outstanding has plateaued, with revolving credit actually declining slightly from March 2024 levels. As credit standards tighten and consumers reach credit limits, less money becomes available to spend. This slowdown in the growth of credit corresponds to the stabilization in delinquencies as well. 30+ day credit card delinquencies, 1.33% as of May 2024, grew 0.35 pps since 2023. This shifted to a slight decline for this year, +0.03 pps. 90+ day delinquencies (0.67% in May) showed a similar pattern, +0.23 pps since 2023 but +0.01 pps this year.

I know we have written this before, but could the cooling of credit availability finally slow the spending party?





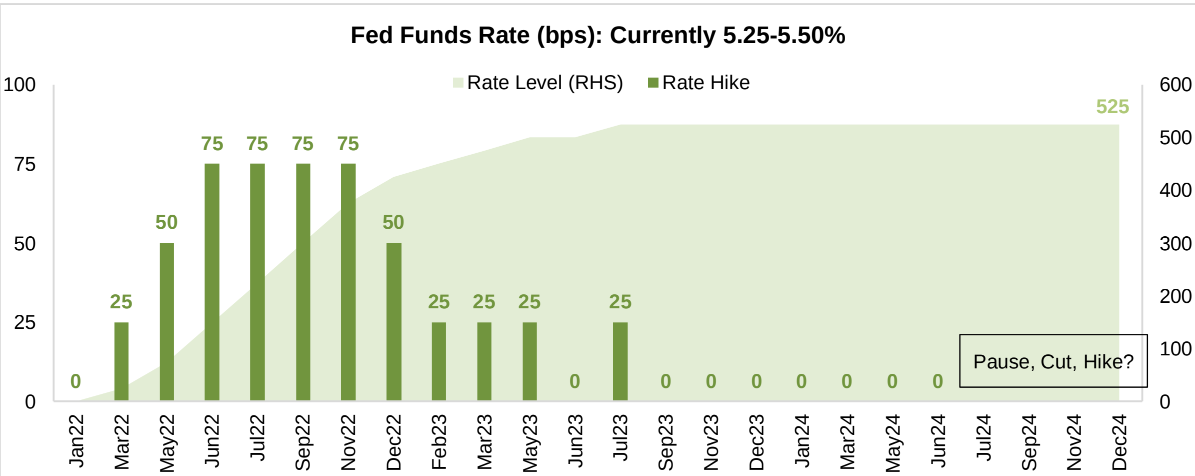




Source: Bloomberg, SIFMA estimates

Current Landscape: Fed Funds Rate

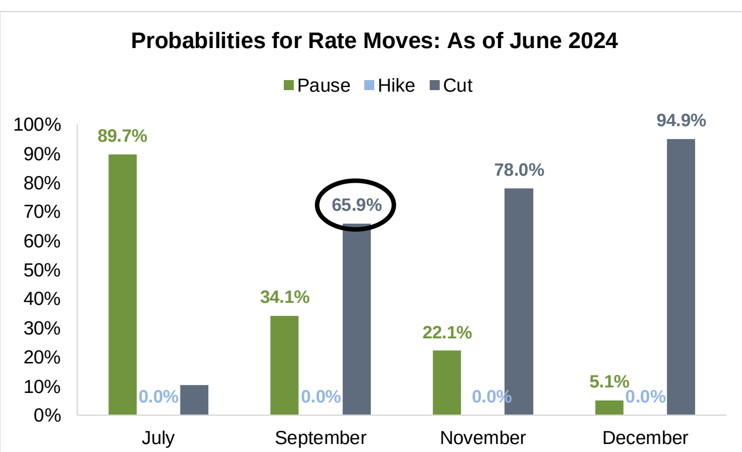
Next, we put all of these factors together to assess the potential timing and level of rate cuts. Currently – and since July 2023 – the Fed Funds rate remains in the 5.25% to 5.50% range. After remaining near/at zero for around a decade, the rate increased 525 bps in seventeen months, including an (unheard of) stretch of four 75 bps hikes in a row. Since then, the Fed has been on pause for seven FOMC meetings. With four meetings to go in 2024, the question remains: pause, cut, or (even) hike?

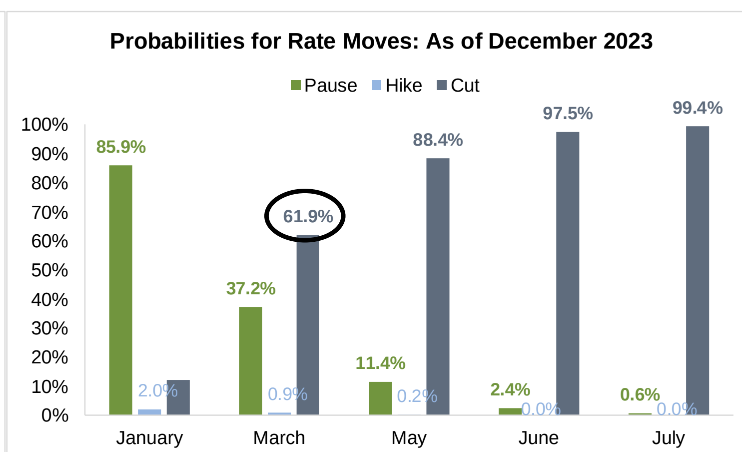


Source: Federal Reserve, SIFMA estimates

Note: FOMC remaining meetings = July 30-31, September 17-18, November 6-7, and December17-18.

According to market participants – or at least the futures market – the Fed will remain on hold in July. Come the fall, the probability of rate cuts rises. Futures pricing shows an almost two-thirds probability of a cut in September, reaching an almost 100% chance by December. This is quite a difference from how we started this year. As of December 2023, market participants expected a cut as soon as March, with near 100% probabilities of a cut for June and July. Now, the timing of the first cut has been pushed back to September at the earliest.





Source: CME FedWatch Tool, SIFMA estimates

Note: The CME FedWatch Tool analyzes the probabilities of changes to the Fed Funds rate as implied by 30-Day Fed Funds futures pricing data.

Survey Highlights[2]

We begin by highlighting what we view as the most interesting results from the survey. The full survey results can be found at the end of this report.

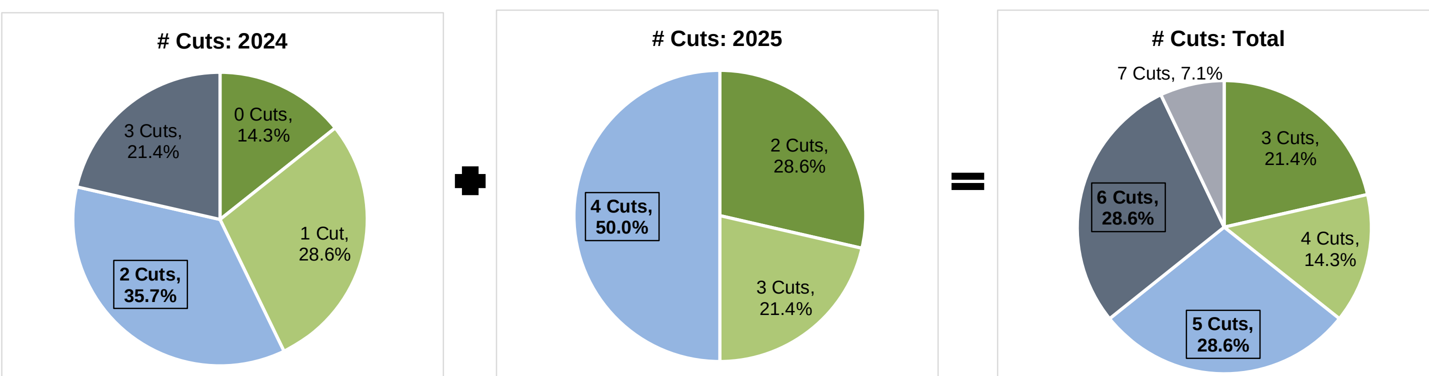
Inflation & Monetary Policy

(Forecasts on page 23; survey responses for inflation and monetary policy on pages 30-34, rates markets on pages 35-36)

Rate Cuts

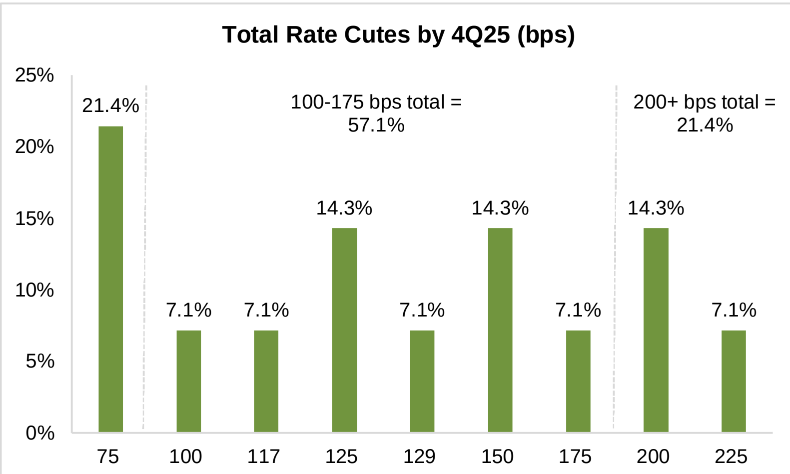
In an Uber, at the doctor's office – it seems you cannot escape discussing when the Fed will cut rates. As such, we decided to put the analysis of our Economist Roundtable forecasts for the Fed Funds rate through 2025 at the top of the highlights. The majority of our economists expect:

- Two rate cuts in 2024; ranging from zero to three cuts
- Four rate cuts in 2025; ranging from two to four cuts
- For total cuts, we had a tie at five to six cuts by the end of 2025; ranging from three to seven cuts



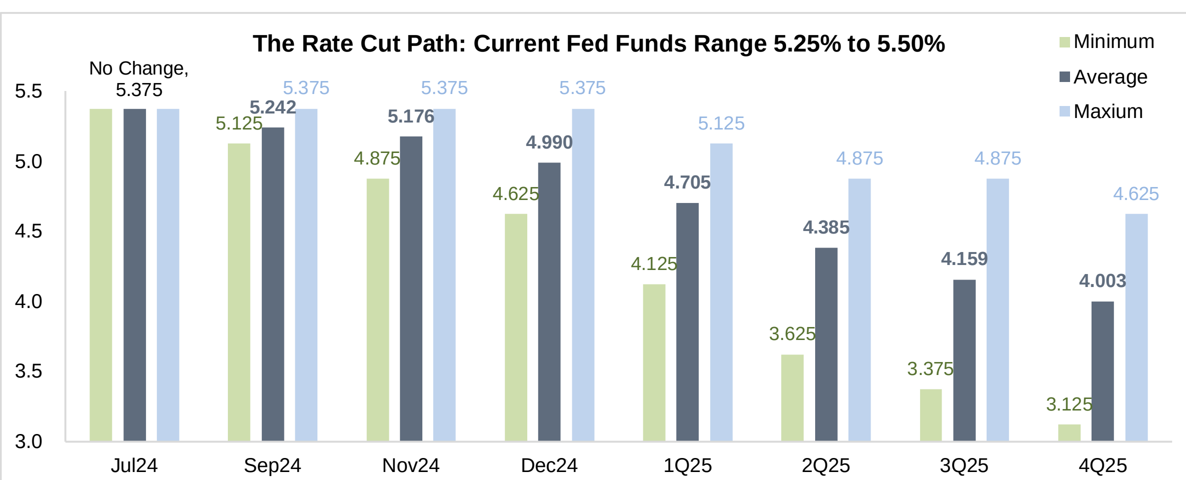
[2] Source: All charts include responses from the SIFMA Economist Roundtable and estimates from SIFMA.

Putting this in basis points for total rate cuts by the end of 2025, over half of our economists landed in the 100 bps to 175 bps range, with equal percentages on the tails (<100 bps, 200+ bps).

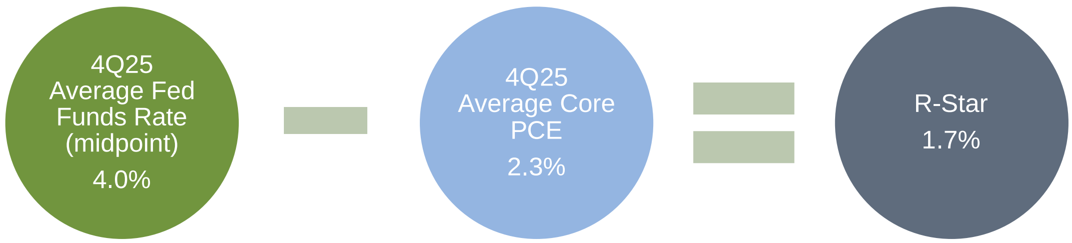


Finally, we assess the rate cut path across FOMC meetings, based on our economists' Fed Funds rate forecasts. The chart below shows the average midpoint estimate for Fed Funds in dark purple, with the minimum and maximum estimates in the lighter colors.

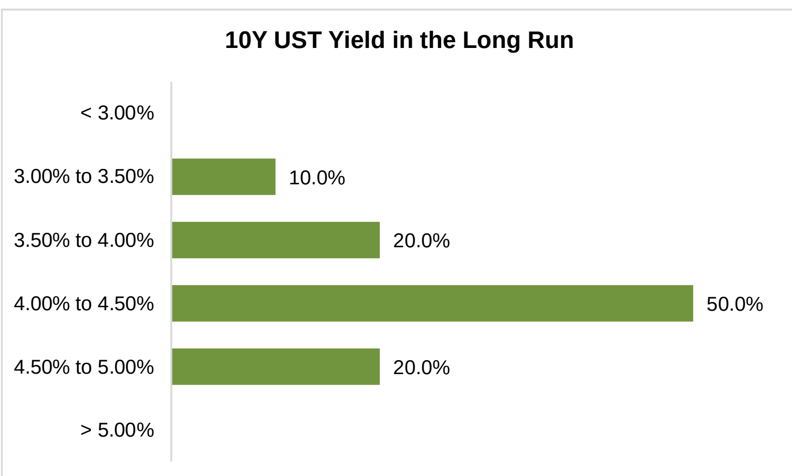
No one expects a cut at the July meeting. Then the rate cuts begin, slowly at first but growing in steam as we move into 2025. The topic of a September rate cut has been widely debated, as some market participants wonder if the Fed will delay a cut to not appear to be interfering in the upcoming presidential election. Our economists have faith that the Fed will remain nonpolitical, follow the data, and cut rates in September (over 90% of our economist do not believe the election will impact the FOMC's decision). Over half of respondents see a rate cut in September, followed by almost two thirds in November and over 85% in December. Around 14% of our economists expect no rate cut in 2024. On average, the projected rate path will be from today's midpoint of 5.275% to 4.003% in 4Q25.



We also assessed what economists expect for the neutral real Fed Funds rate, or r-star. A strong majority, 75%, of our economists put r-star in the 1.0% to 1.5% range, which has climbed somewhat higher over the last twelve months. Based on our economists' forecasts, this would be a 2026 event. Our economists forecast the Fed Funds rate to end 2025 at 4.0% on average, with an average Core PCE estimate of 2.3%. This would put r-star at 1.7%, slightly above the majority range projected by our economists. In fact, over 80% of our economists expect the real Fed Funds rate to reach neutral after 2025.



Finally, based on estimates for the Fed Funds rate, our economists see the long run level of the ten-year Treasury yield – pending no additional economic shocks – to be in the 4.00% to 4.50% range.



Inflation

Our economists estimate that Core PCE will end 2024 at +2.8%. This is a 0.4 pps increase from the last full survey in December 2023 and a 0.3 pps increase from the March 2024 flash poll. The estimate for Core PCE decreases to 2.3% for 2025. Based on survey responses, the top factor to core inflation estimates is wage growth (3.7 rank, on a scale of 1-5 with 5 the highest). This aspect of the labor market is not yet under control. Averaging 4.2% in 2024, wage growth remains 1.2 pps above the three-year pre-COVID average.

On inflation expectations, while economists continue to believe the Fed's rhetoric has kept inflation expectations in check, we saw a 25% decrease in economists responding yes to this answer from the December 2023 survey (75% currently, 100% last time). However, over 90% of economists surveyed do not expect inflation expectations to become unanchored (a decrease of 0.6 pps from the last full survey). While it is a positive that inflation expectations are not expected to become unanchored, they are not expected to move the needle so to speak. It has been noted by some economists that if inflation hits the 2.5% level, inflation expectations could take care of the rest of the work down to 2%. Our economists disagree, with over 70% responding no to this question.

Other

When looking at the comparison of common questions across surveys (pages 21-22), we saw an interesting change. Since 2021, we have asked our economists to rate the efficiency of the Fed's communications with markets around its timeline for monetary policy adjustments. From 2021 through 2023, the response "excellent" averaged 50% of responses (52% just for 2023). This dropped to 17% in the most recent survey. This is less than half of each of the low periods in 1H21 – can you say transitory? – and 2H22, after the unprecedented series of rate hikes left market participants wondering what came next. This has been attributed by some market participants to the multitude of Fed officials speaking publicly, muddling the delivery of a consistent message.

Rate the Efficiency of the Fed's Communication

	1H21	2H21	1H22	2H22	1H23	2H23	1H24
Excellent	35%	67%	60%	36%	50%	54%	17%
OK	47%	33%	40%	64%	50%	46%	67%
Not great	18%	0%	0%	0%	0%	0%	17%

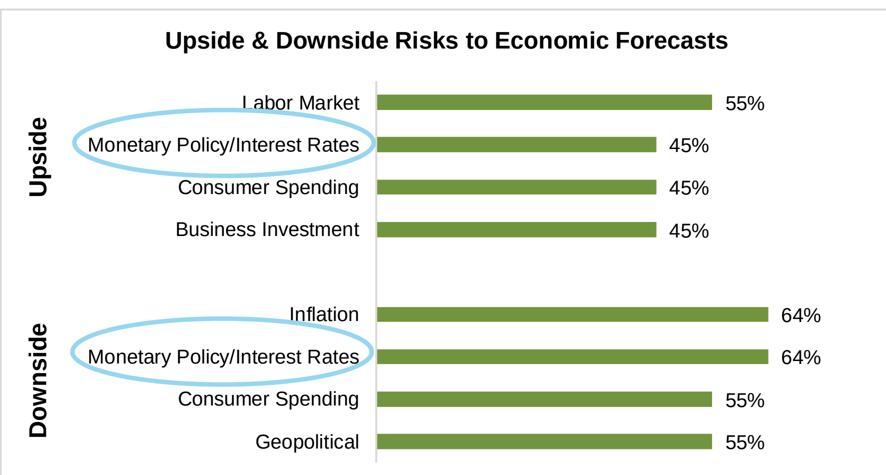
Economic Outlook

(Forecasts on page 23, survey results on pages 24-27)

Our economists estimate the real GDP growth rate for 2024 will be 1.6%. This is +0.9 pps from our last full survey in December 2023 but no change from our flash poll in March 2024. The estimate for real GDP growth increases to 2.0% for 2025. According to our economists, there remains a low probability of a recession, with over 80% putting the probability from 0% to 30%.

As to factors impacting U.S. economic growth, monetary policy – unsurprisingly – came in on top (3.2 rank, on a scale of 1-5 with 5 the highest). The next top factor was U.S. household conditions (2.6 rank, on a scale of 1-5 with 5 the highest). As discussed above, household balance sheets remain solid. However, there are concerns around delinquencies. When asked to rank their level of concern over the rise in payment delinquencies on auto loans and credit cards, around 55% of our economists ranked their concern from 6-8 (10 being most concerned).

We end this section by indicating the top upside and downside risks to economic forecasts. You can see that the top factor impacting economic growth noted above – monetary policy – shows up near the top in both upside and downside factors. It appears everything is hinging on the Fed getting it right. We also note that consumer spending was also listed in both upside and downside risks. This matches the data in the current environment section above. Consumer spending has kept the economy going, but it also presents a risk to the downside as credit availability deteriorates.

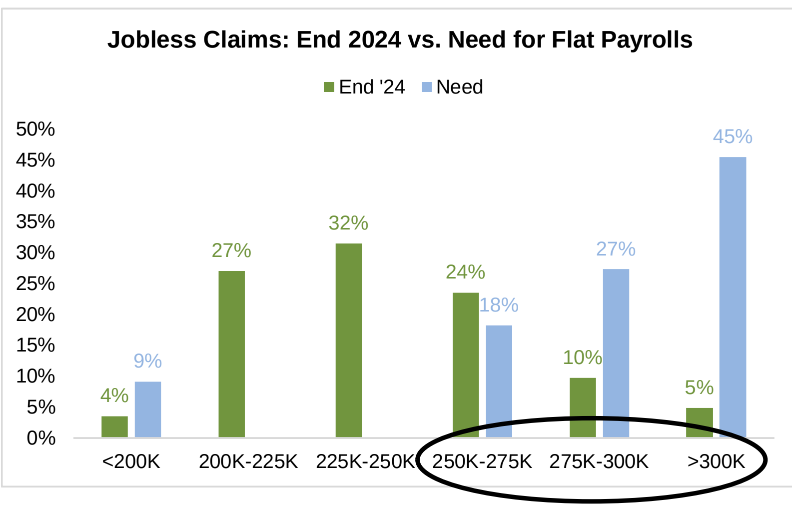


Labor Market

(Forecasts on page 23, survey results on pages 28-29)

As noted in the current environment section, the unemployment rate hit 4% in May of this year. This moves us into the range (4.0% to 4.5%) consistent with Core PCE reaching 2%, as per over half of our economists surveyed. On initial jobless claims, almost a third of our economists expect to end this year in the 225 thousand to 250 thousand range – we are there, ending May at 232.8 thousand. However, over 45% of our economists believe this level needs to hit 300+ thousand to be consistent with flat growth in non-farm payrolls.

The chart below combines the two survey questions. 91% of our economists indicate that initial jobless claims need to be between 250 thousand to 300+ thousand to be consistent with flat growth in non-farm payrolls. However, only 39% of economists expect to reach those levels by the end of this year. This indicates that we are not quite there yet.



Additionally, on labor costs, the Employment Cost Index was +4.2% Y/Y in 1Q24. Over 80% of our economists believe this needs to be in the 3.0% to 4.0% range to be consistent with Core PCE of 2%. This indicates that there is still more work to be done on costs.

Fiscal Policy

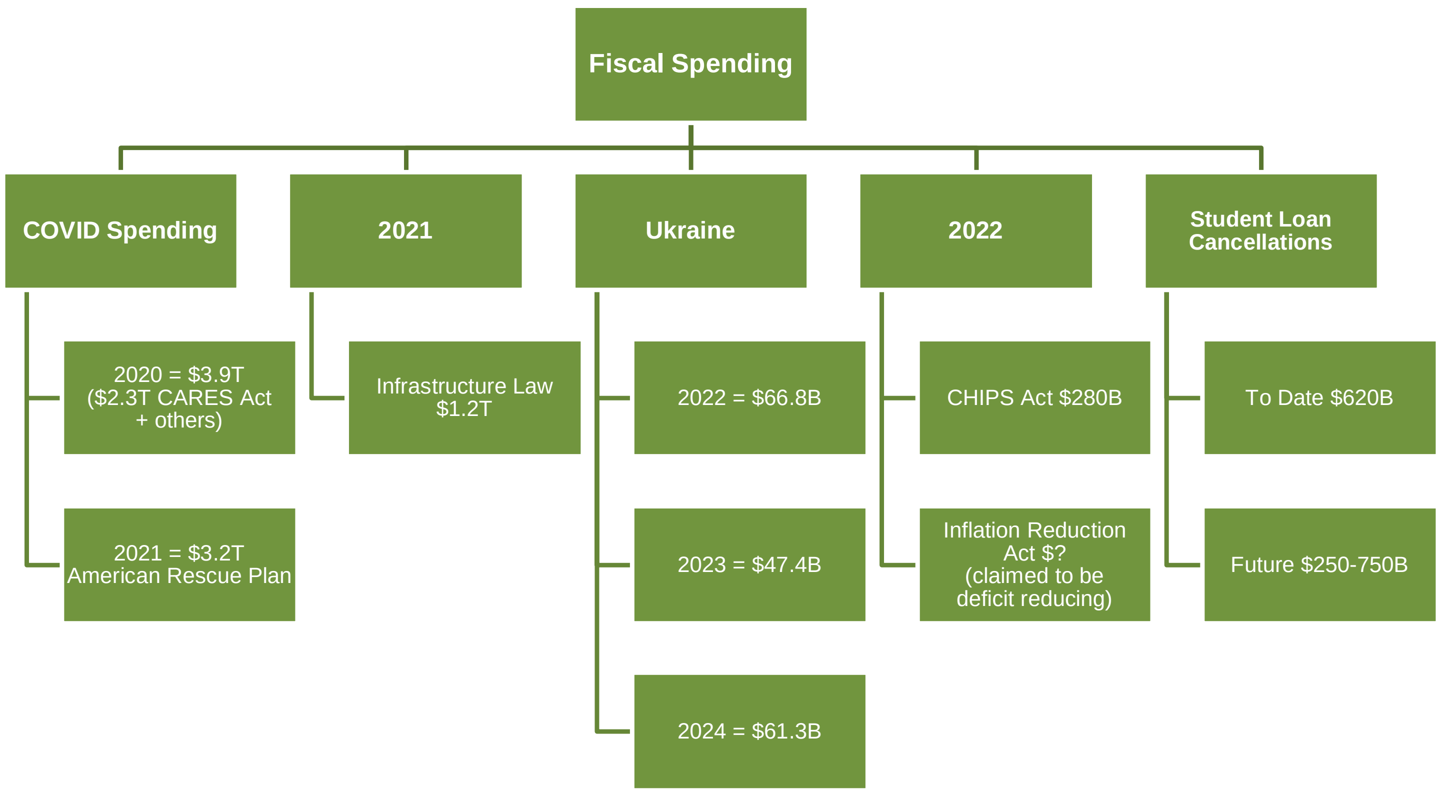
(Survey results on pages 37-38)

We finish off by addressing concerns around fiscal policy. While most people look at three legs of the inflation stool – demand side, supply side, and the labor market – fiscal spending represents another leg of this stool. The federal deficit ended 2023 at $1.7 trillion. While this was down 45.9% from the 2020 COVID peak of $3.1 trillion, it is +109.3% to the three-year pre-COVID average of $0.8 trillion.

Our economists remain increasingly concerned about the level of the budget deficit. When asked to rank their level of concern over the current projected budget deficit, around 55% ranked their concern from 6-10 (10 being most concerned). This grows to 80% of respondents rating their concern for the 2034 projected budget deficit from 7-10.

The suggested solutions? On the cost cutting side, the top ranked choices were to reduce non-defense discretionary spending and then cut spending on Medicare and Medicaid (3.9 and 3.6 ranks respectively, on a scale of 1-5 with 5 the highest). On the revenue side, the top two ranked choices were to increase taxes (unfortunately), with the top choice being taxes on high income earners only (5.3 rank, on a scale of 1-6 with 6 the highest).

The Fiscal Spending Map



Source: IMF, McKinsey, U.S. Senate, Council on Foreign Relations, Committee for Responsible Federal Budget, SIFMA estimates

Comparing Current and Prior Surveys

Below we compare results from the current and prior surveys for questions that were repeated in each survey – we adapt the survey to the current economic environment each time – to gauge changes in estimates of the economic outlook. For questions where responses were ranked, we show the top three answers for each survey.

	Current Survey	Flash Poll	Last Survey
Economic Indicators (annual)	**(2024E)**	**(2024E)**	**(2024E)**
Real GDP (4Q/4Q)	+1.6%	+1.6%	+0.7%
Unemployment Rate (4Q average)	+4.1%	+4.1%	+4.4%
Labor Force Participation Rate (4Q average)	+62.7%	n/a	+62.9%
CPI (4Q/4Q)	+3.0%	+2.8%	+2.2%
Core CPI (4Q/4Q)	+3.3%	+3.1%	+2.6%
PCE (4Q/4Q)	+2.6%	+2.3%	+2.3%
Core PCE (4Q/4Q)	+2.8%	+2.5%	+2.4%
Rates			
	(Dec FOMC)	**(Dec’24E)**	**(Dec’24E)**
Federal Funds Rate (midpoint)	4.933%	4.375%	4.678%
	(Dec ‘24E)	**(Dec’24E)**	**(Dec ‘24E)**
2-Year UST Yield (end-of-period)	4.47%	n/a	3.93%
10-Year UST Yield (end-of-period)	4.35%	n/a	4.00%
30-Year Fixed Mortgage (end-of-period)	6.63%	n/a	7.00%

Note: Current survey June 13-21, 2024, flash poll March 25-April 3, 2024, last survey November 6-22, 2023. Questions and/or ranges may change across surveys. UST = U.S. Treasury securities.

	Current Survey	Last Survey
Economic Outlook		
What factors will have the greatest impact on U.S. economic growth over next 12-18 months	U.S. monetary policy, U.S. household financial conditions, U.S. labor market developments	U.S. monetary policy, U.S. consume spending, inflation
What is your estimate of the long-term potential growth rate of the U.S. economy	1.5% to 2% (58.3% of respondents)	1.5% to 2% (93.3% of respondents)
Has your estimate of the long-term growth rate changed in the last 12 months	No, stayed the same (54.5% of respondents)	No (85.7% of respondents)
Top risks to economic forecasts - upside	Labor market, monetary policy/interest rates, consumer spending, business investment	Consumer spending, labor market, inflation
Top risks to economic forecasts - downside	Inflation, monetary policy/interest rates, consumer spending, geopolitical	Monetary policy/interest rates, geopolitical, labor market
U.S. to enter a recession	0% to 15% and 15% to 30% probability (41.7% of respondents each)	Yes, shallow recession in 2024 (60.0% of respondents)
Inflation		
What are the most important factors in your outlook for core inflation	Wage growth, growth in domestic demand, monetary policy	Consumer spending – services, stickiness of wage increases, inflation expectations
Fed's strong rhetoric has kept inflation expectations in check	Yes (75.0% of respondents)	Yes (100% of respondents)
Inflation expectations to become unanchored	No (91.7% of respondents)	No (92.3% of respondents)
Monetary Policy		
How do you rate the efficiency of the Fed's communication with markets	OK, somewhat murky but decipherable (66.7% of respondents)	Excellent, very clear (53.8% of respondents)
Interest Rates		
Factors having the greatest impact on long-term Treasury yields	Inflation/inflationary expectations, U.S. monetary policy including quantitative tightening, U.S. economic activity – current rate	Level of upcoming UST issuance, current rate of U.S. economic activity, U.S. budget deficit trend
Expect the Treasury yield curve to return to a normal upward sloping curve	1Q25 and 2Q25 (30.0% of respondents each)	Beyond 2024 (75.0% of respondents)

Note: Current survey June 13-21, 2024, last survey November 6-22, 2023. Questions and/or ranges may change across surveys.

Full Survey Results: Forecast Tables

Economic Indicators – Annual

Economic Indicators – Annual

(%, unless indicated)	2021	2022	2023	2024E	2025E
Real GDP (4Q/4Q)	5.4	0.7	3.1	1.6	2.0
Real Personal Consumption (4Q/4Q)	7.2	1.2	2.7	2.0	2.0
Nonresidential Fixed Investment (4Q/4Q)	4.9	5.6	4.6	2.8	2.6
Residential Fixed Investment (4Q/4Q)	0.4	-17.4	0.4	5.4	3.5
Real Government Spending (4Q/4Q)	-0.2	0.8	4.6	1.2	1.0
Non-Farm Payroll Employment (K, avg. monthly change)	603.8	377.3	251.1	200.6	150.0
Unemployment Rate (4Q average)	4.2	3.6	3.7	4.1	4.0
Labor Force Participation Rate (4Q average)	61.9	62.2	62.7	62.7	62.8
Average Hourly Earnings (4Q/4Q)	5.3	5.0	4.3	3.7	3.2
Real Disposable Income (4Q/4Q)	0.3	-1.5	3.8	2.0	1.9
Personal Savings Rate (annual average)	11.3	3.3	4.5	3.8	3.9
CPI (4Q/4Q)	6.8	7.1	3.2	3.0	2.4
Core CPI (4Q/4Q)	5.0	6.0	4.0	3.3	2.6
PCE (4Q/4Q)	5.9	5.9	2.8	2.6	2.2
Core PCE (4Q/4Q)	4.9	5.1	3.2	2.8	2.3
Industrial Production Index (annual % change)	4.4	3.4	0.2	0.4	1.7
Housing Starts (K, annual average)	1,604.8	1,552.0	1,421.4	1,400	1,489
S&P Corelogic Case-Shiller Home Prices (Y/Y)	17.1	14.8	2.4	5.6	2.4
Federal Budget Surplus/(Deficit) ($B, FY)	(2,775.4)	(1,375.9)	(1,695.2)	(1,750.0)	(1,850.0)

Economic Indicators – Quarterly

Economic Indicators – Quarterly

(%)	1Q24	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Real GDP (Q/Q, annualized)	1.3	2.0	1.8	1.5	1.9	2.1	2.1	2.0
Real Personal Consumption (Q/Q, annualized)	2.0	2.1	1.8	1.7	2.0	2.0	2.0	2.0
Nonresidential Fixed Investment (Q/Q, annualized)	3.3	2.9	2.0	2.0	3.0	2.8	3.3	3.3
Residential Fixed Investment (Q/Q, annualized)	15.4	0.8	2.5	2.8	3.5	3.5	3.6	3.7
Unemployment Rate	3.8	3.9	4.0	4.1	4.2	4.1	4.1	4.1
CPI (Y/Y)	3.2	3.2	3.0	3.0	2.6	2.3	2.4	2.4
Core CPI (Y/Y)	3.8	3.5	3.5	3.3	3.0	2.7	2.7	2.6
PCE (Y/Y)	2.5	2.6	2.4	2.6	2.3	2.2	2.1	2.2
Core PCE (Y/Y)	2.8	2.7	2.8	2.8	2.5	2.4	2.2	2.3

Fed Funds Rate – FOMC Meeting/Quarterly

Federal Funds Target Rate (Midpoint)

(%, midpoint)	Jun'24	Jul'24E	Sep'24E	Nov'24E	Dec'24E	1Q25E	2Q25E	3Q25E	4Q25E
Federal Funds Target Rate (midpoint)	5.375	5.375	5.193	5.125	4.933	4.810	4.459	4.235	4.106

Interest Rates – End-of-Period

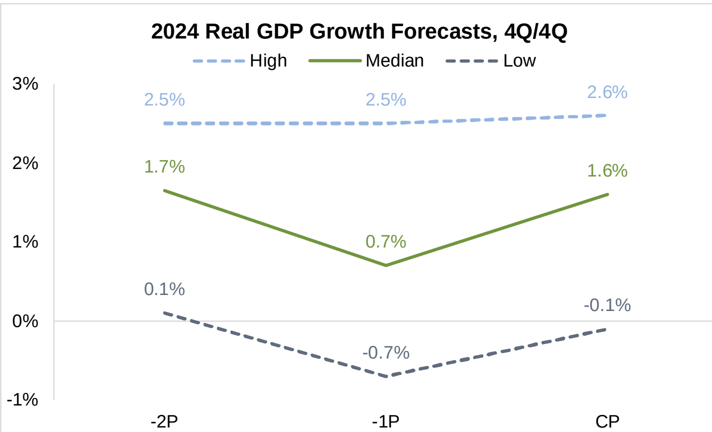
Interest Rates (Monthly Average)

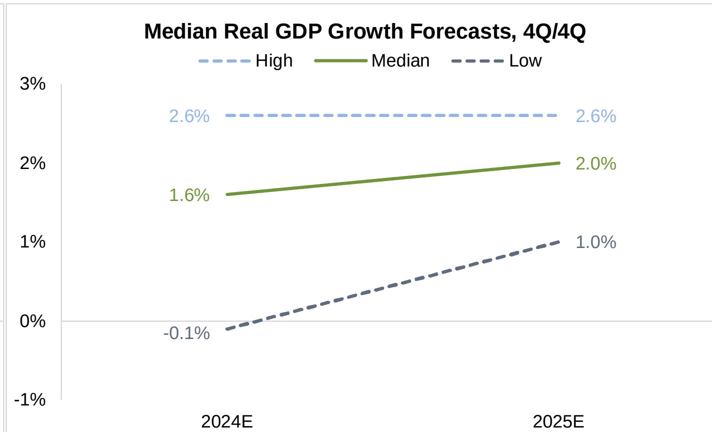
(%, monthly averages)	Mar'24	Jun'24E	Sep'24E	Dec'24E	Mar'25E	Jun'25E	Sep'25E	Dec'25E
2-Year UST Yield	4.59	4.87	4.73	4.47	4.37	4.19	3.98	3.88
10-Year UST Yield	4.21	4.52	4.45	4.35	4.26	4.21	4.11	4.08
30-Year Fixed Mortgage Rate	6.82	7.00	6.87	6.63	6.49	6.34	6.17	6.09

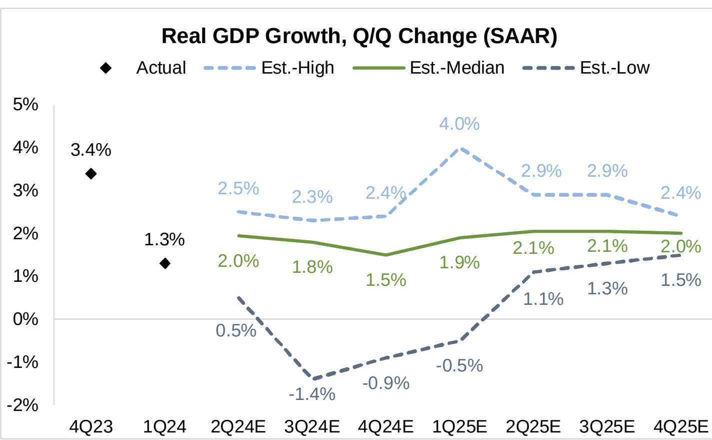
Full Survey Results: Charts[3]

Economic Outlook

Real GDP growth estimates:



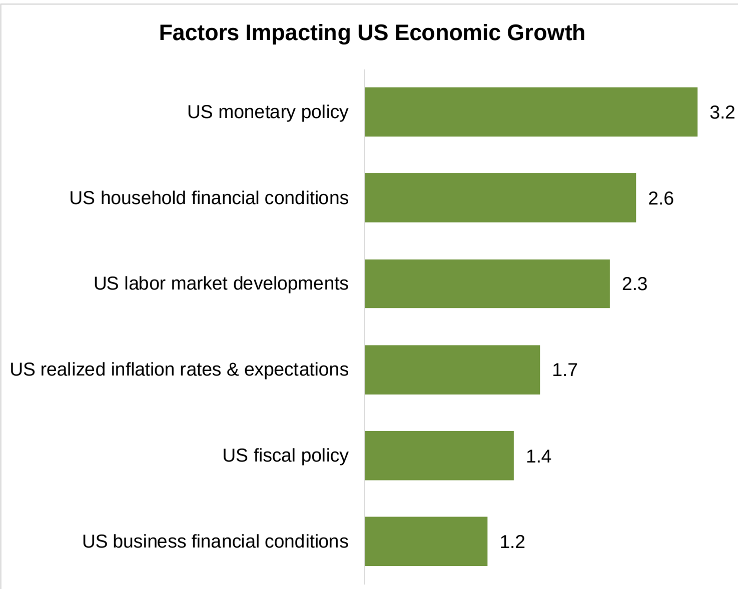




Source: Bureau of Economic Analysis (BEA), SIFMA Economist Roundtable
Note: SAAR = seasonally adjusted annual rate

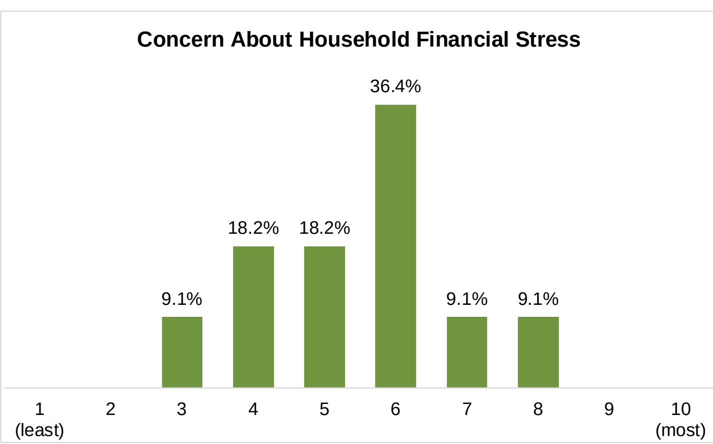
[3] Source: All charts include responses from the SIFMA Economist Roundtable and estimates from SIFMA, all other sources noted as is.

Q. What five factors will have the greatest impact on U.S. economic growth over the next 12-18 months? Please select and rank order your top 5 factors with “5” having the greatest effect and “1” having the smallest effect (among the five factors you chose).



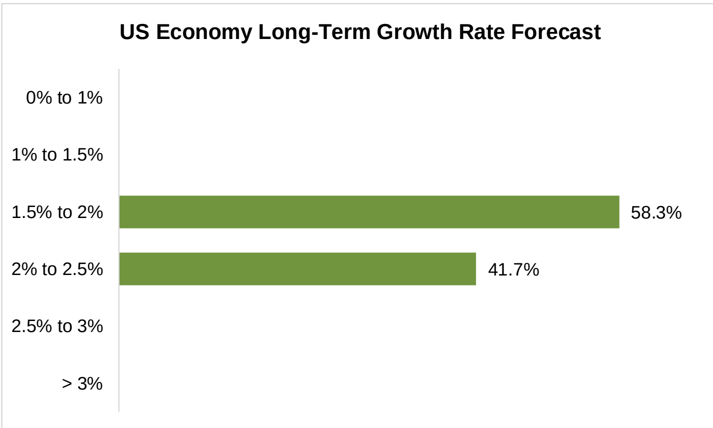
Note: Factors receiving a score of 1 or less were removed from the chart. These included: U.S. credit market conditions, Geopolitical events, Commodity prices, Economic and financial developments in Asia, Economic and financial developments in Europe, Economic and financial developments in other regions, Supply chain developments, Changes in the value of the U.S. dollar, and Other (immigration, AI narrative driving equity prices/potential downside risk to household wealth if changes).

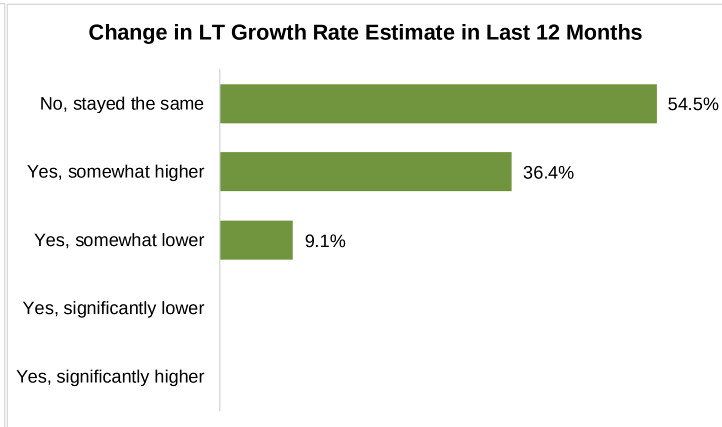
Q. The rise in recent quarters in payment delinquencies on auto loans and credit cards suggests that some households are experiencing financial stress. On a scale of “1” (least) to “10” (most), how concerned are you about these indications of financial stress and their implications for the U.S. economic outlook?



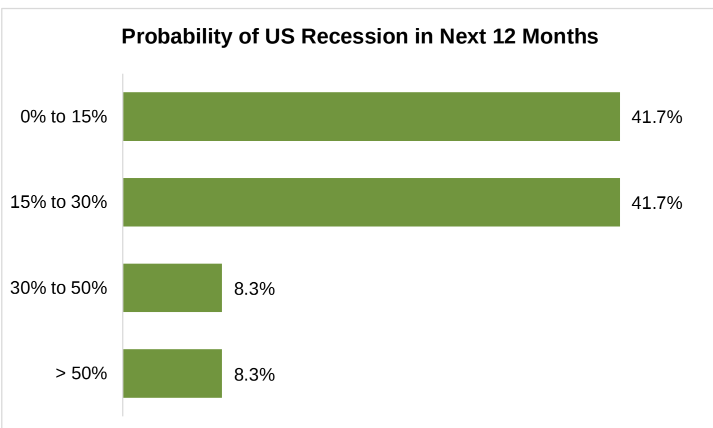
Q. What is your estimate of the potential growth rate of the U.S. economy in the "long run" (5 to 10 years from now)?

Q. Has your estimate of the long-term potential growth rate of the U.S. economy changed over the last 12 months?



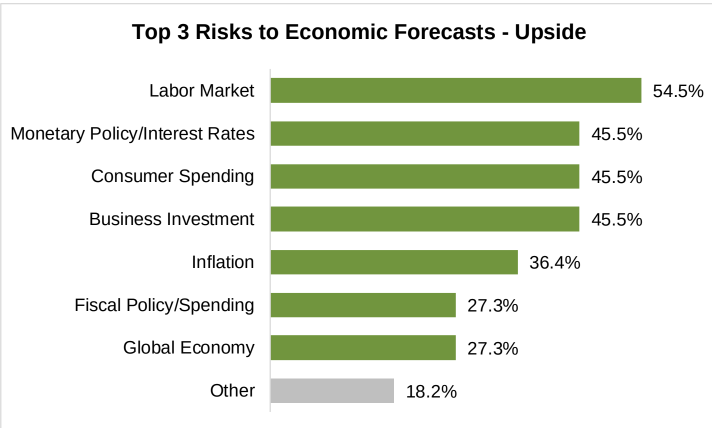


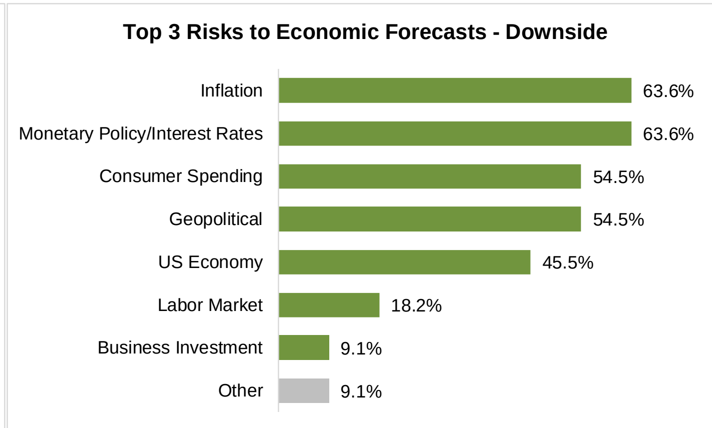
Q. What is the probability of a U.S. recession in the next twelve months?



Q. Please list your top three upside risks to your economic forecasts.

Q. Please list your top three downside risks to your economic forecasts.





Upside: Labor Market = resilient labor market, productivity, faster immigration, reduced turnover, wage growth; Monetary Policy/Interest Rates = adept monetary policy, quicker easing; Consumer Spending = consumer spending, resilient consumer, strong household balance sheets; Business Investment = business investment in tech and AI, capex spending, corporate profitability; Inflation = lower inflation; Fiscal Policy/Spending = fiscal stimulus, larger budget deficit; Global Economy = resilient Chinese economy, faster supply chain normalization, stronger global growth; Other = stronger stock market, 2017 tax cuts made permanent.

Downside: Inflation = sticky inflation, persistent inflation; Monetary Policy/Interest Rates = tighter monetary policy, high interest rates; Consumer Spending = weaker consumer spending, decline in household wealth, increased saving, rising delinquencies; Geopolitical = geopolitical shocks, escalation of wars; U.S. Economy = equity price correction, weak regional bank system, financial system stress, crash in commercial real estate; Labor Market = slower immigration; Business Investment = lower capex spending; Other = increase in crude oil prices

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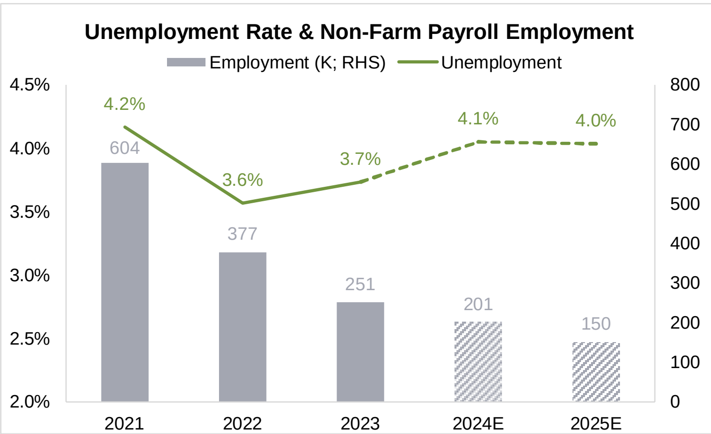
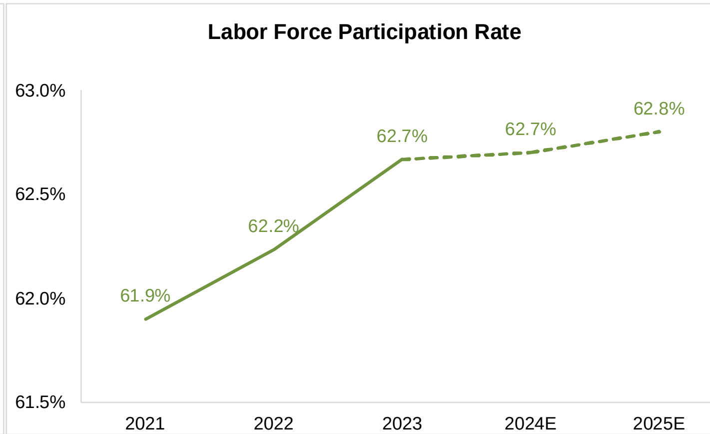
Labor Market

Labor market estimates:

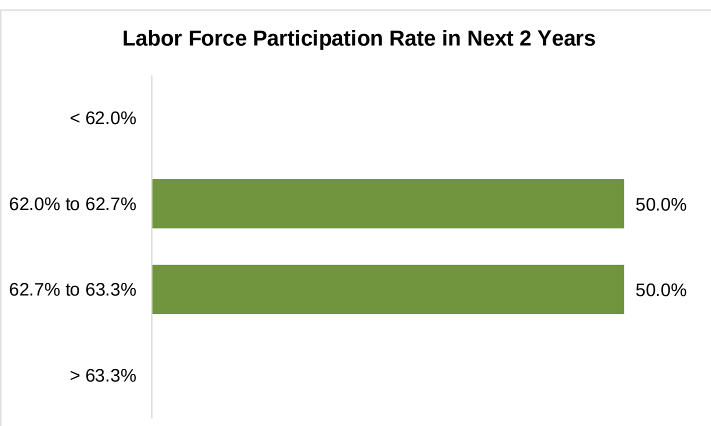


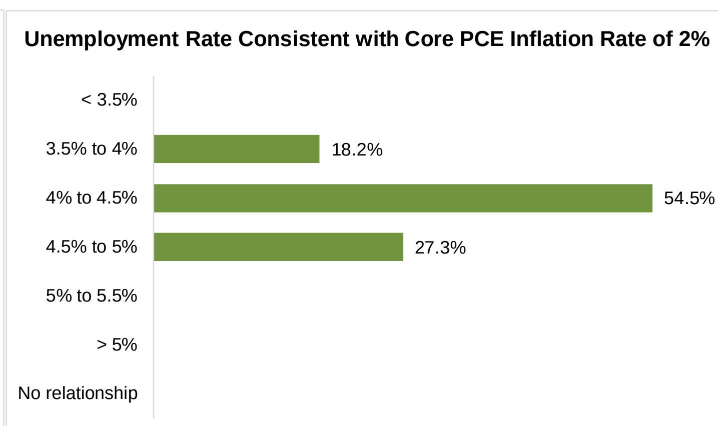


Source: Bureau of Labor Statistics (BLS), SIFMA Economist Roundtable
Note: Average monthly change for non-farm payroll employment, 4Q average for unemployment rate

Q. The labor force participation rate (LFPR) stood at 63.3% in February 2020. It is 62.5% presently (as of May). Where do you see the LFPR over the next two years?

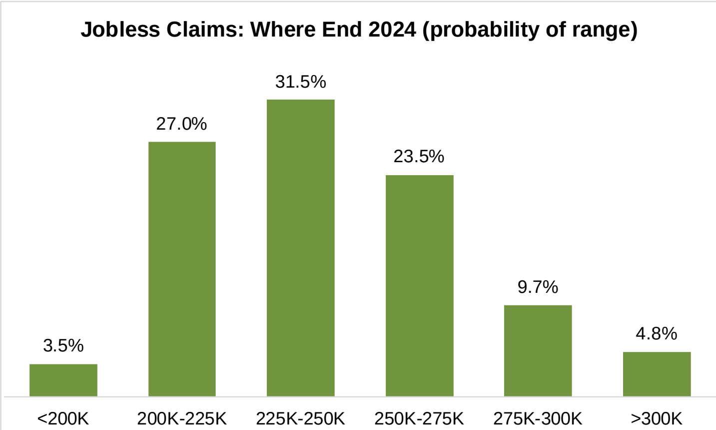
Q. The U-3 unemployment rate is currently 4.0%. What level of the U-3 rate is consistent with a core PCE inflation rate of 2%?

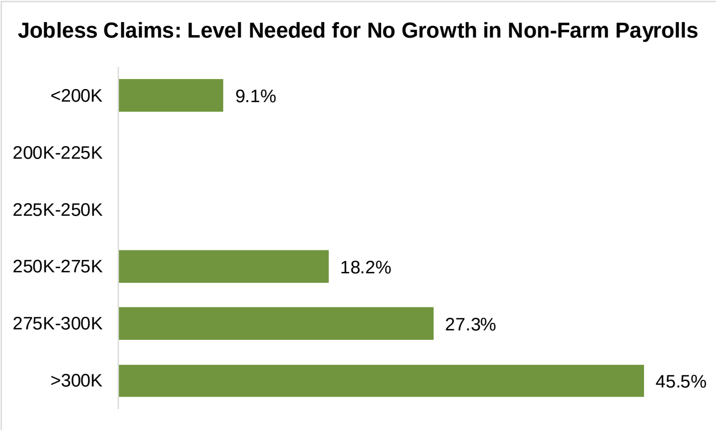




Q. The 4-week moving average of initial jobless claims has been rangebound between 200K – 225K per week since October 2023. What is the probability that the 4-week moving average of initial claims moves into the following ranges by the end of the year? (Please mark a probability for each range; probabilities need to sum to 100%.)

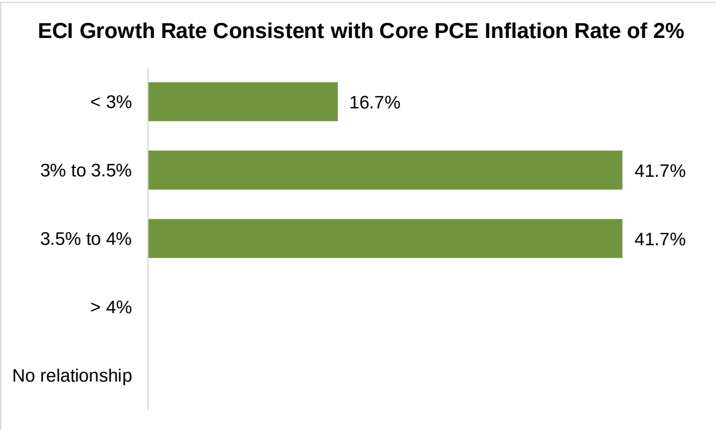
Q. What range in the 4-week moving average of initial jobless claims is consistent with no growth in non-farm payrolls?

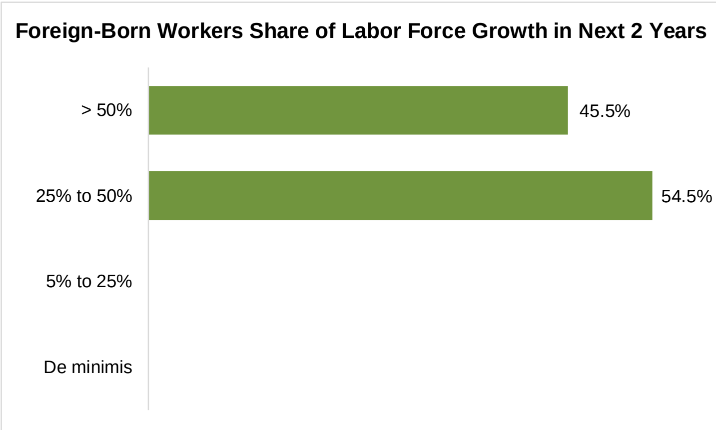




Q. The Employment Cost Index (ECI) for civilian workers was up 4.2% on a year-ago basis in 1Q24. What rate of increase in the ECI is consistent with a core PCE inflation rate of 2%?

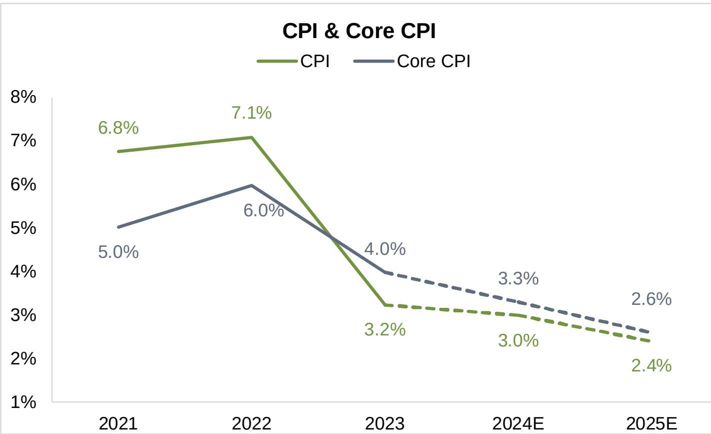
Q. Foreign born workers accounted for roughly one-half of the increase in the labor force over the past two years. What contribution do you think foreign-born workers will make to labor force growth over the next two years?

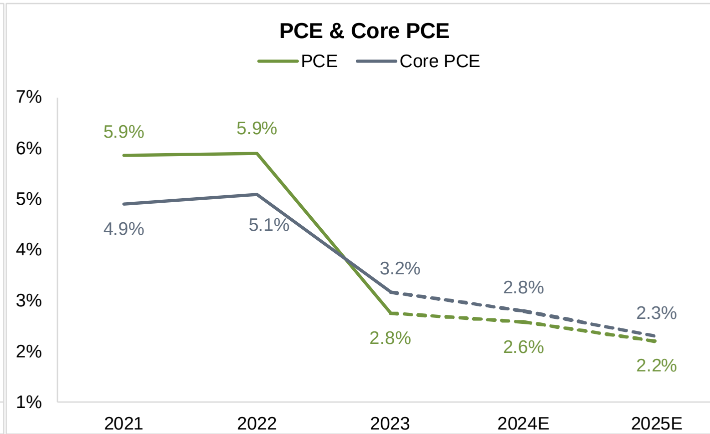




Inflation & Monetary Policy

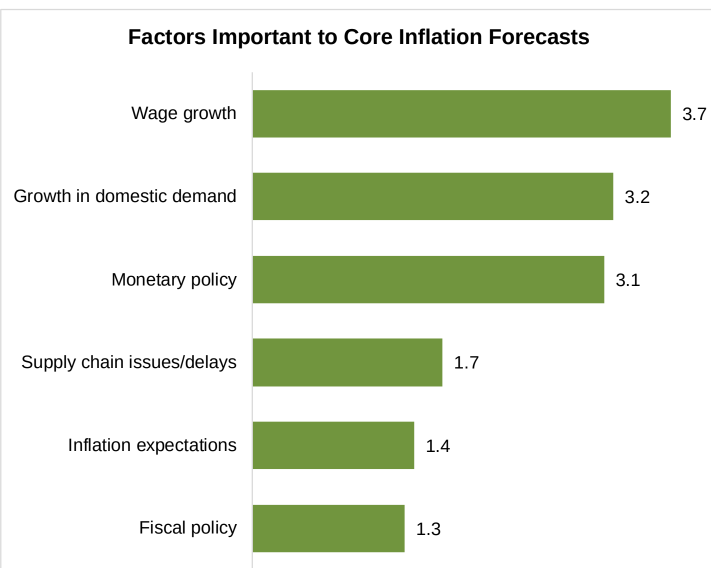
Inflation estimates:





Source: Bureau of Economic Analysis (BEA), SIFMA Economist Roundtable

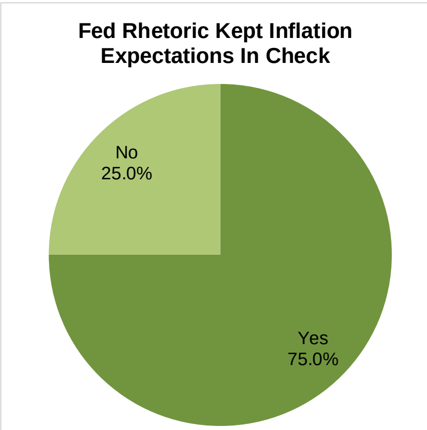
Q. What are the five most important factors in your outlook for core inflation? Please select and rank order your top 5 factors with “5” having the greatest effect and “1” having the smallest effect (among the five factors you chose).

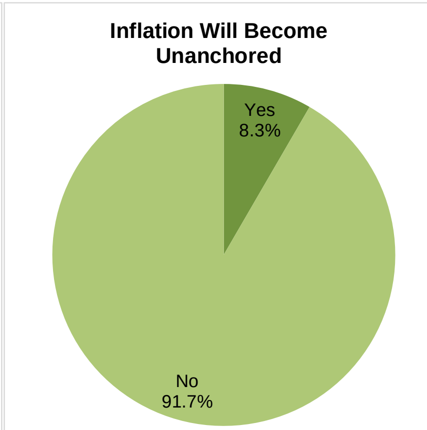


Note: Factors receiving a score of 1 or less were removed from the chart. These included: Shifting supply chains to domestic / near locations, Credit market condition, Changes in the value the U.S. dollar, Global economic conditions, and Other (aging demographics and declining LFPR).

Q. Do you believe the generally hawkish rhetoric from Fed officials in recent months has kept inflation expectations in check?

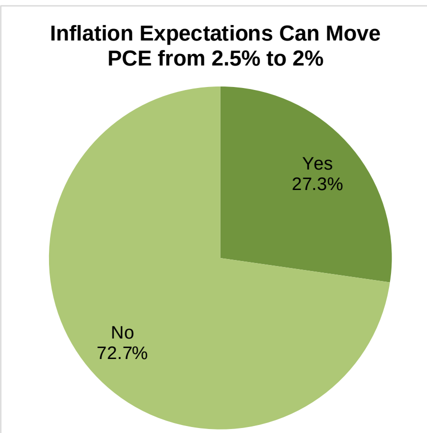
Q. Do you believe inflation expectations will become unanchored in the foreseeable future?

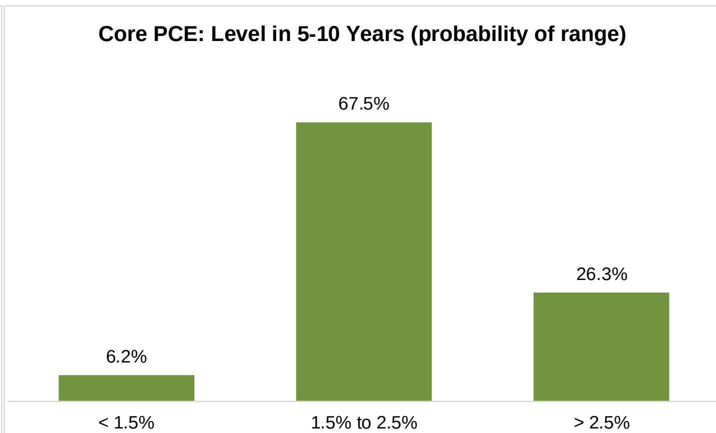




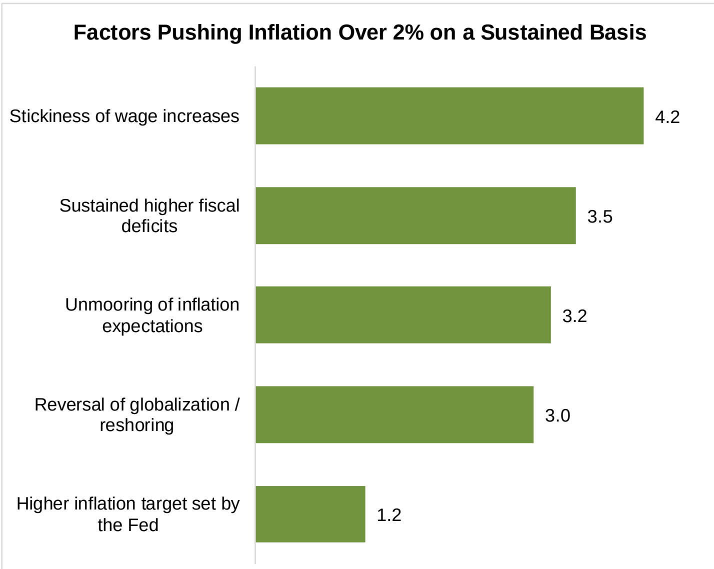
Q. Do you believe that once PCE inflation falls to 2.5% on a sustained basis that inflation expectations can do the rest of the work to bring inflation down to 2%?

Q. Thinking ahead five to ten years from now, what probabilities would you place on the following average annual changes in the rate of core PCE inflation? (Percentages must sum to 100%.)





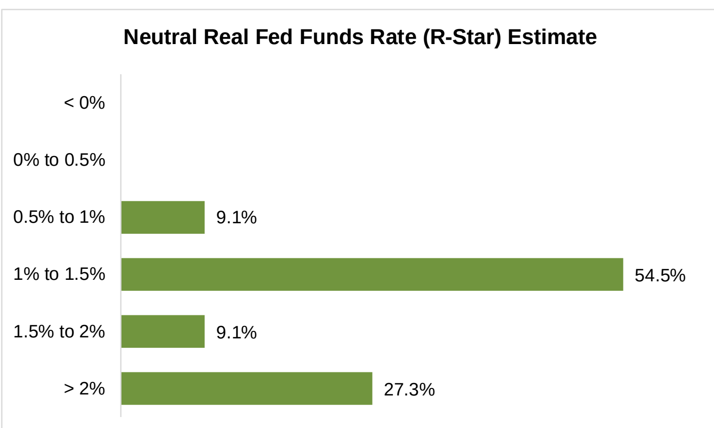
Q. If inflation were to exceed 2% on a sustained basis in coming years, what factors do you believe could cause it to do so? Please rank order your choices from those listed below.

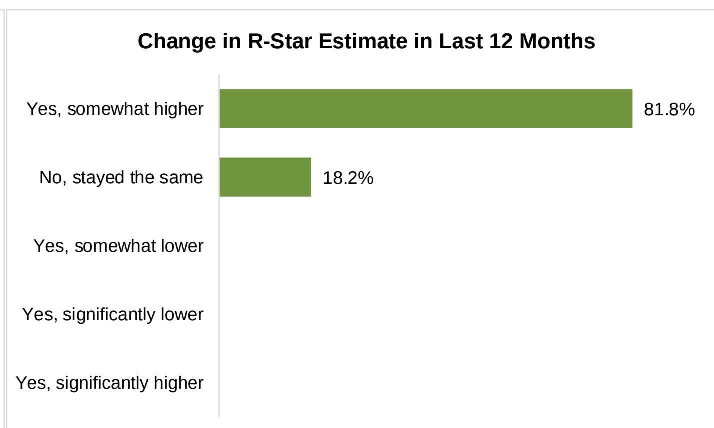


Note: Other = stronger than expected rental inflation; aging demographics and declining LFPR

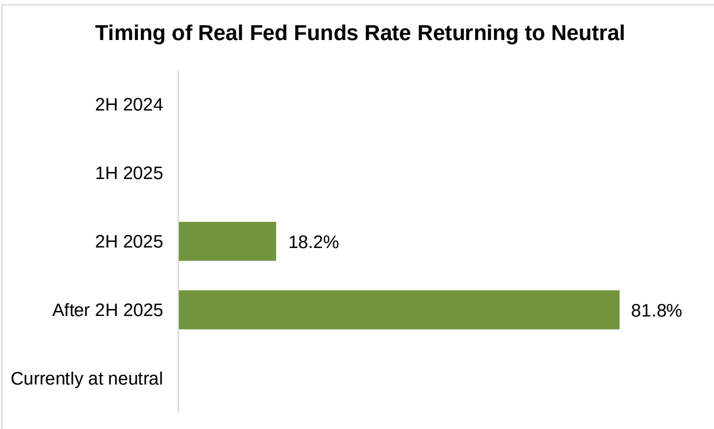
Q. What is your estimate of the neutral real fed funds rate (i.e., r-star) range?

Q. Has your estimate of the neutral real fed funds rate changed over the last twelve months?



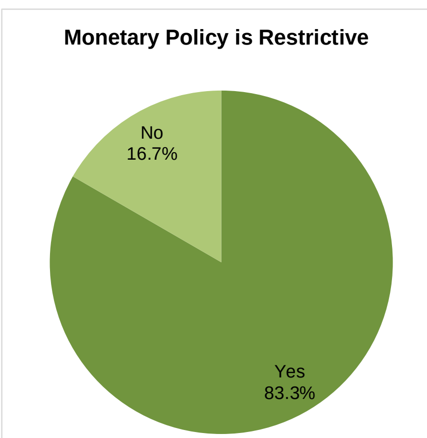


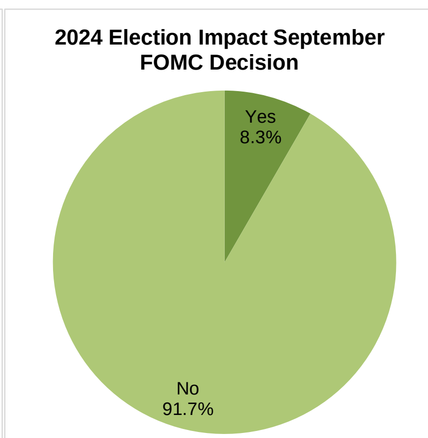
Q. When will the real fed funds rate return to neutral?



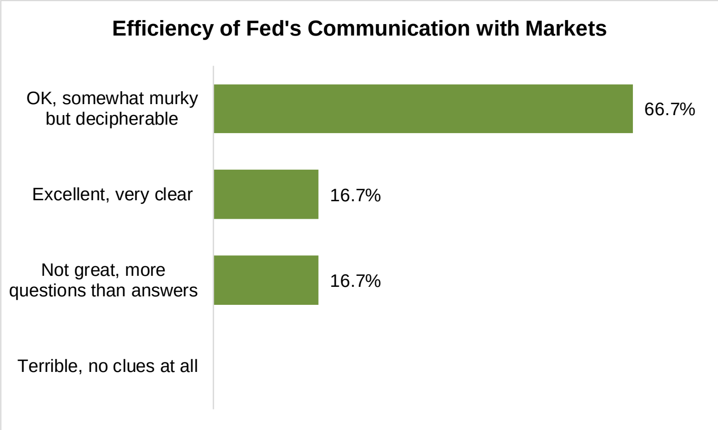
Q. Do you believe the stance of monetary policy today is “restrictive”?

Q. Will the timing of the 2024 election on November 5 play a significant role in the FOMC’s policy decision at its meeting on September 18?



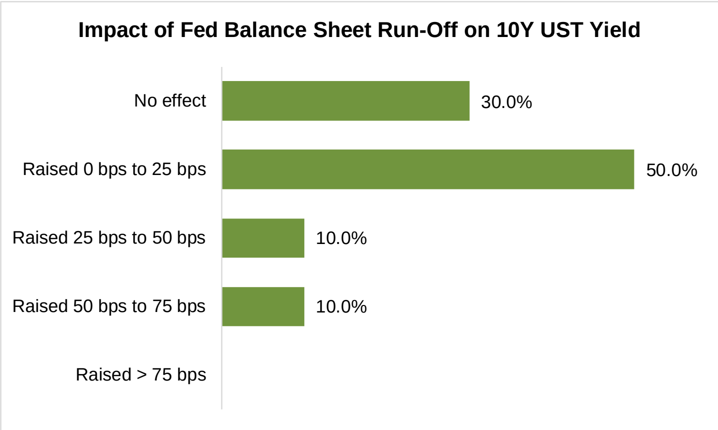


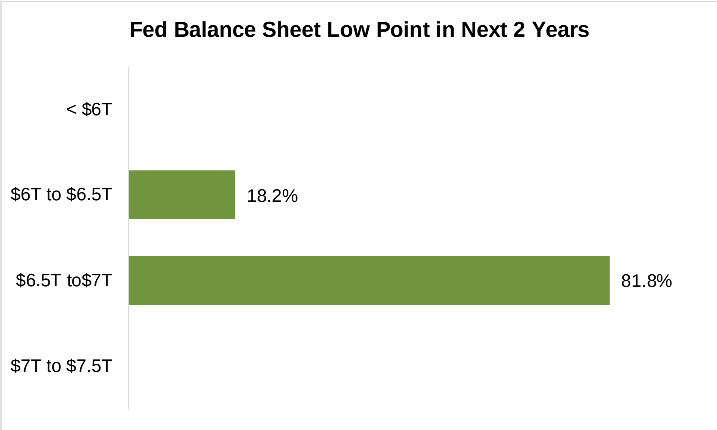
Q. In general, how do you rate the efficiency of the Fed's communication with markets around its timeline for monetary policy adjustments (rate moves, balance sheet draw down, etc.)?



Q. The Federal Reserve has allowed roughly $1.3 trillion worth of Treasury bills, notes and bonds to roll off its balance sheet since May 2022. What effect has this run-off had on the yield on the 10-year Treasury note, ceteris paribus?

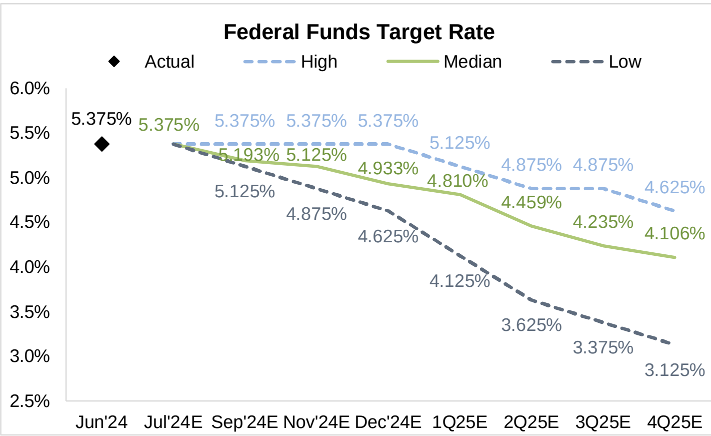
Q. The Fed's balance sheet totals about $7.3 trillion at present. What do you believe will be its low point over the next two years?

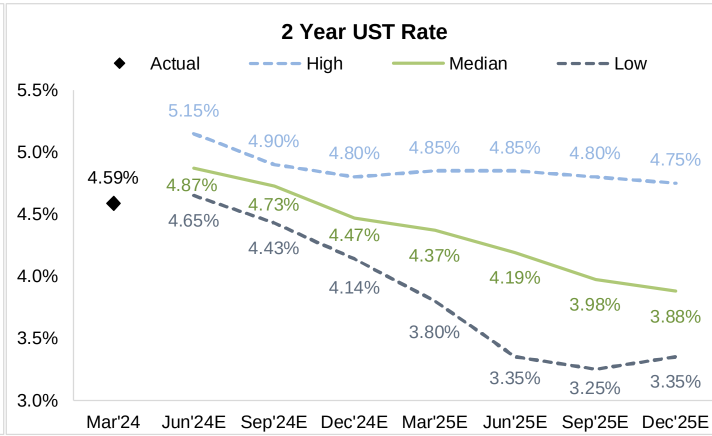


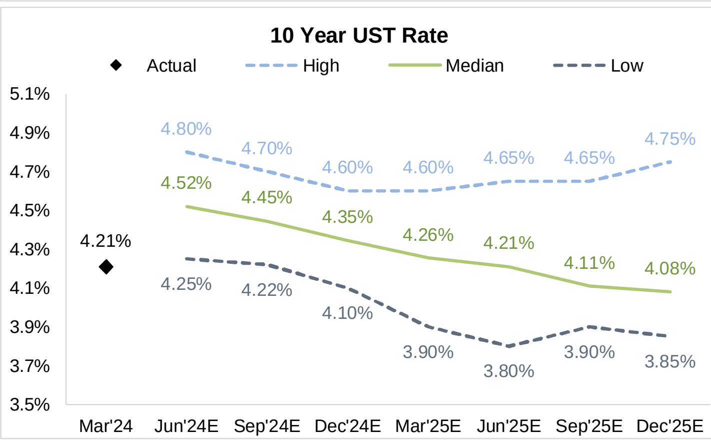


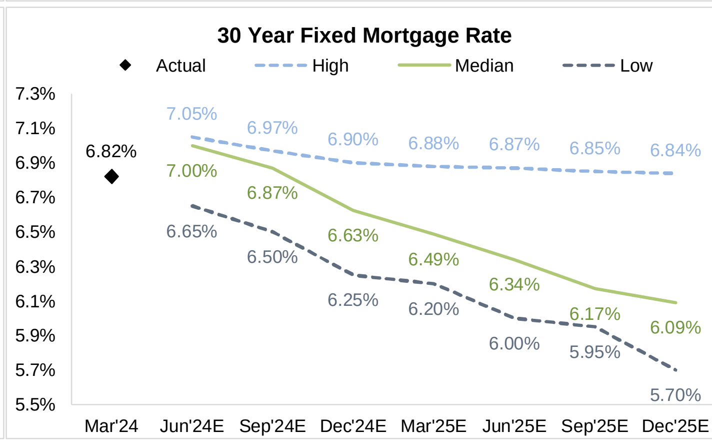
Rates Markets

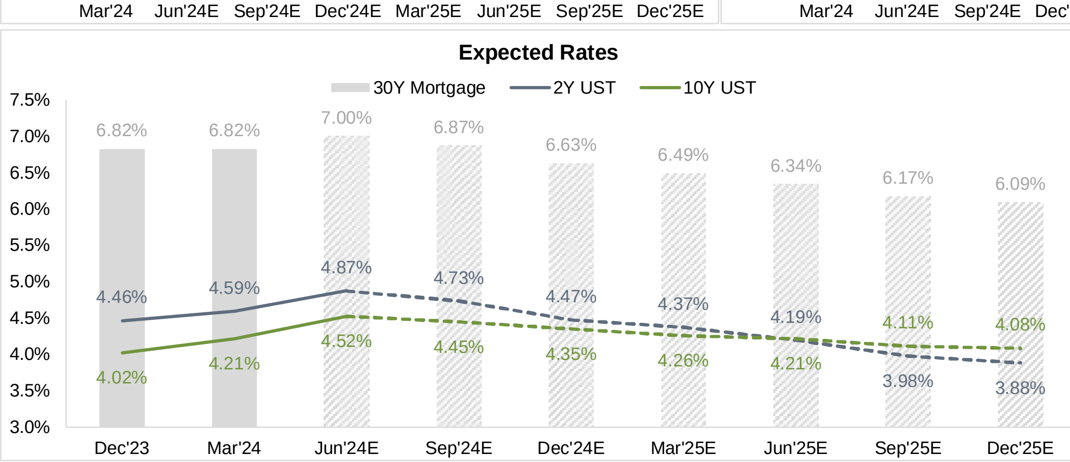
Interest rate estimates:





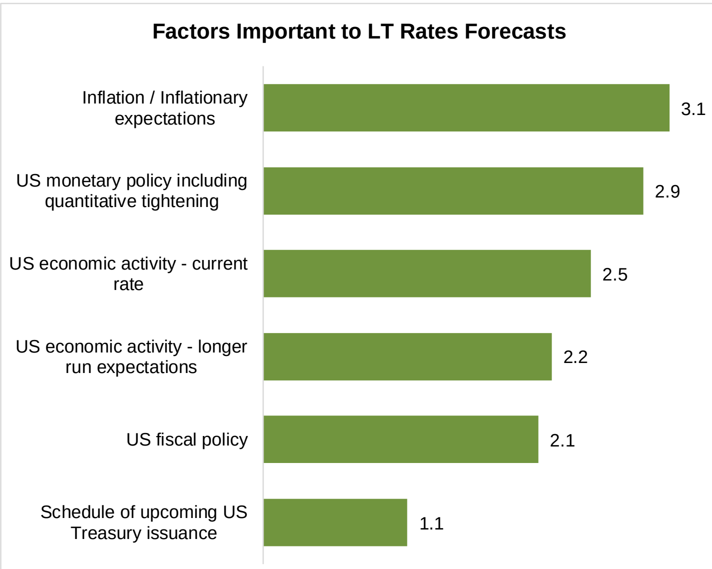






Source: Bloomberg, SIFMA Economist Roundtable

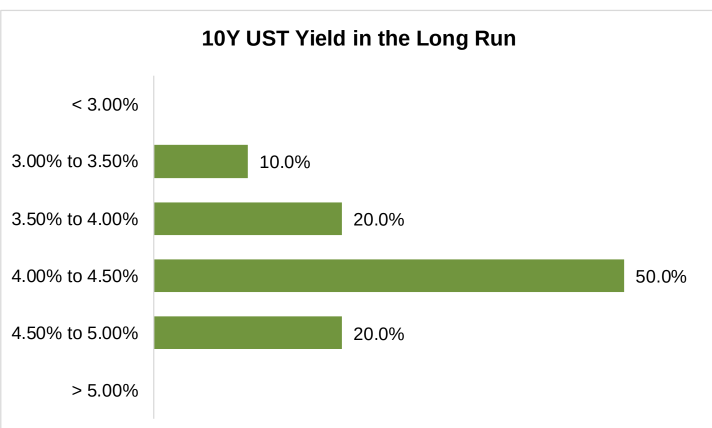
Q. What are the five most important factors in your outlook for longer term rates? Please select and rank order your top 5 factors with “5” having the greatest effect and “1” having the smallest effect (among the 5 factors you chose).

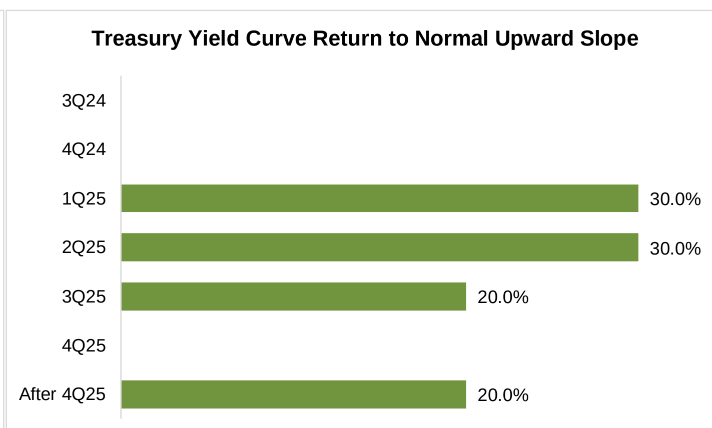


Note: Factors receiving a score of 1 or less were removed from the chart. These included: Monetary policy in foreign economies, Economic conditions in foreign economies, Exchange value of the U.S. dollar, Geopolitical risks, and Other (demand for dollar-denominated risk-free assets).

Q. What do you believe the yield on the 10-year Treasury note would be if no more shocks hit the economy and it settled down to its long-run growth path?

Q. When do you expect the Treasury yield curve to return to a normal upward sloping curve?

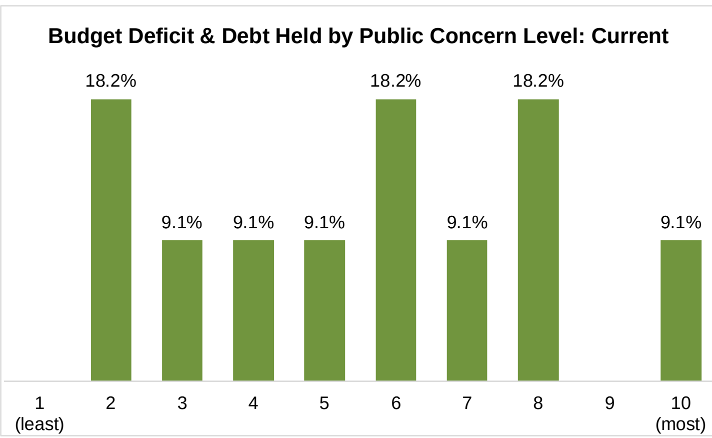


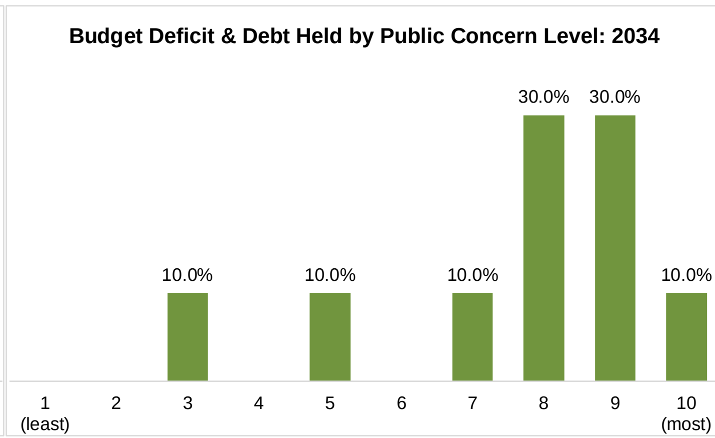


Fiscal Policy

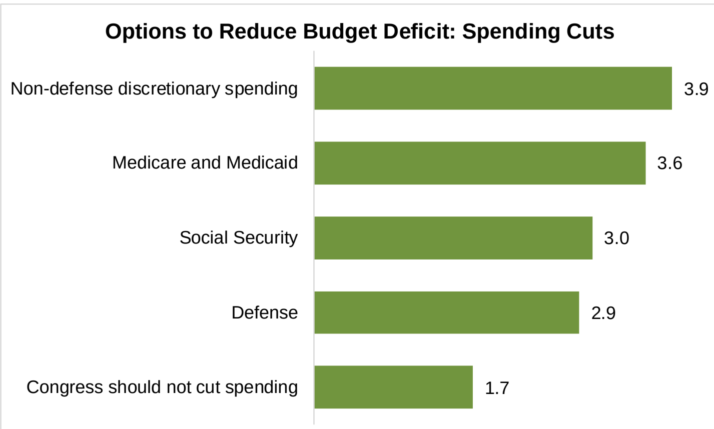
Q. CBO projected in February 2024 that the budget deficit of federal government would total about $1.6 trillion in FY 2024 with the public holding about $28 trillion (99% of GDP). On a scale of “1” (least) to “10” (most), how concerned are you about the current budget deficit and the amount of debt held by the public?

Q. CBO projected in February 2024 that under current legislation the budget deficit of federal government in FY 2034 would total about $2.6 trillion with the public holding about $48 trillion (116% of GDP). On a scale of “1” (least) to “10” (most), how concerned are you about the projected budget deficit and the amount of debt held by the public in FY 2034?

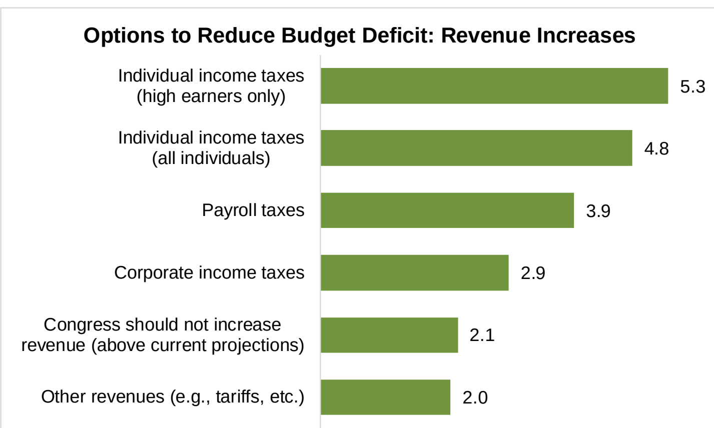




Q. If Congress wants to reduce the size of budget deficits, rank order the spending programs on which lawmakers should focus budget cuts if they want to reduce growth of federal spending with “5” the most important. Please rank order your choices from those listed below.

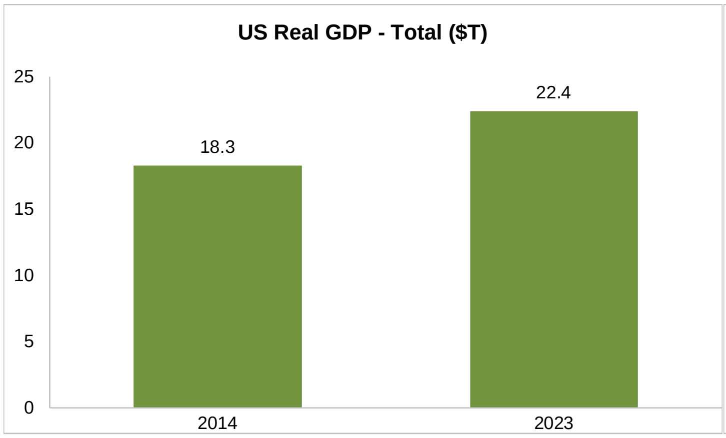


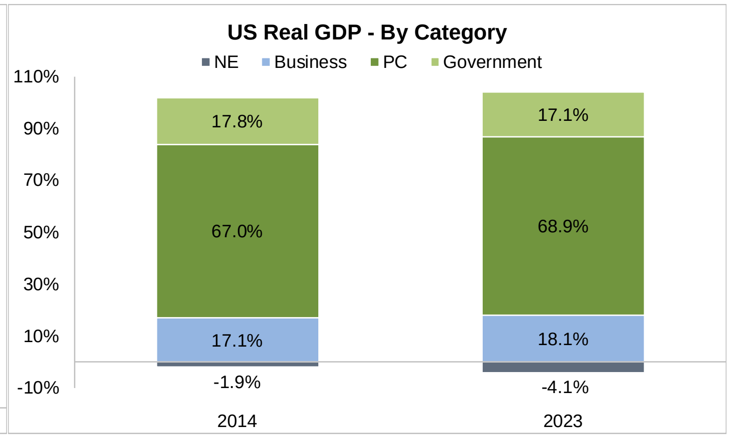
Q. If Congress wants to reduce the size of budget deficits, rank order the revenue programs on which lawmakers should focus revenue increases (above current projections) if they want to reduce the growth of federal spending with “6” the most important. Please rank order your choices from those listed below.

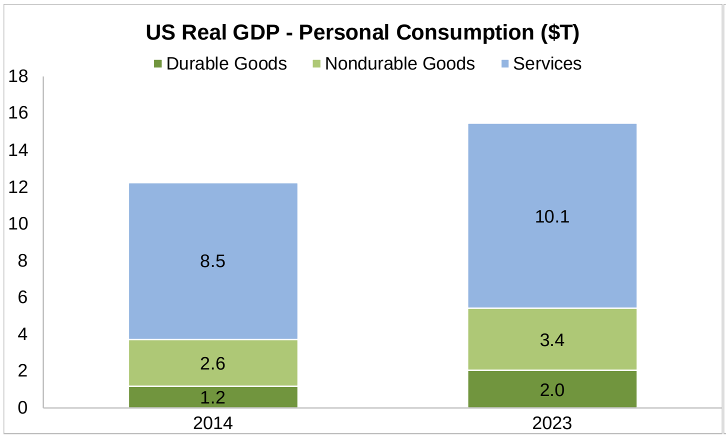


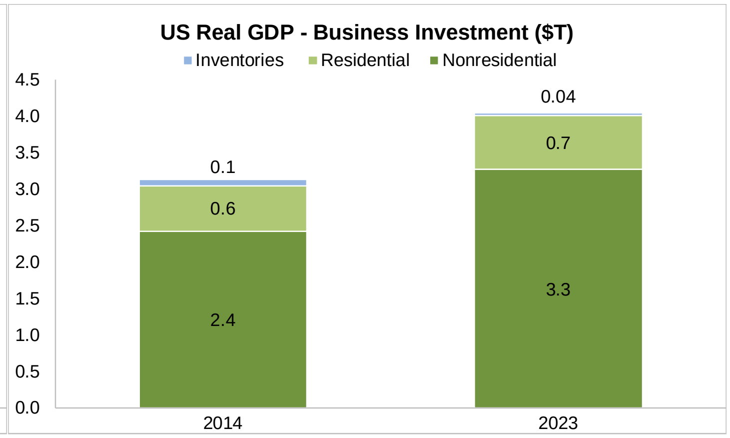
Reference Guide: Economic Landscape

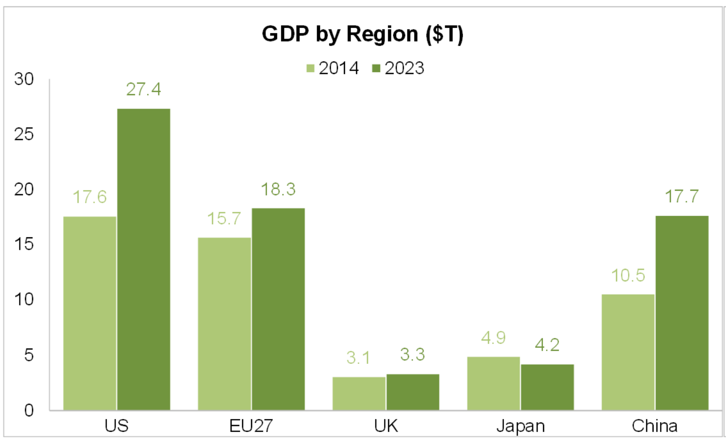
Real GDP Breakout

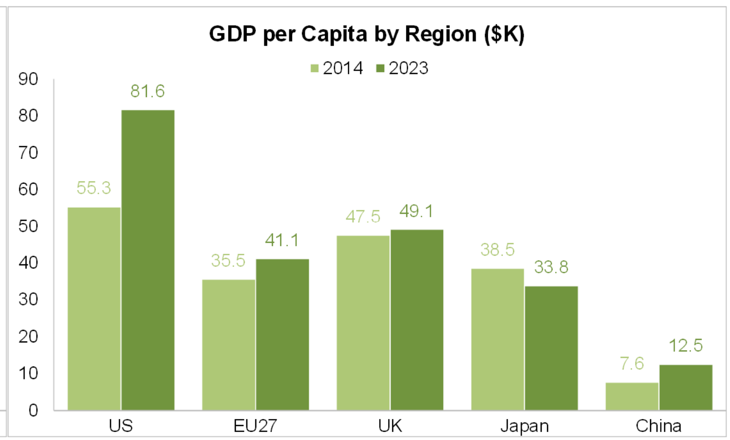






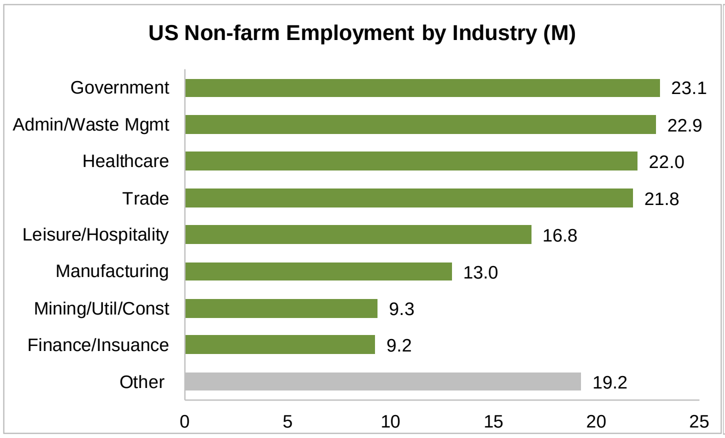


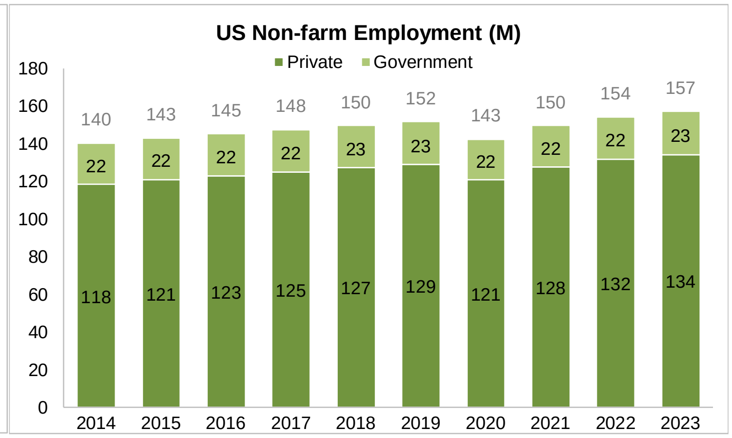


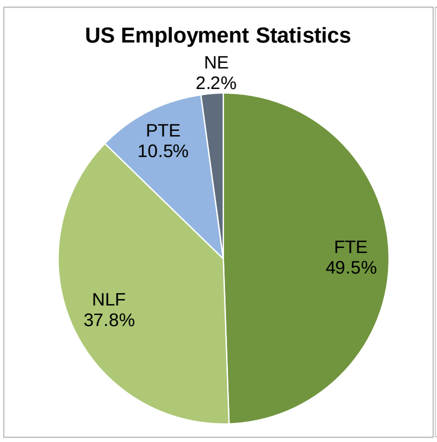


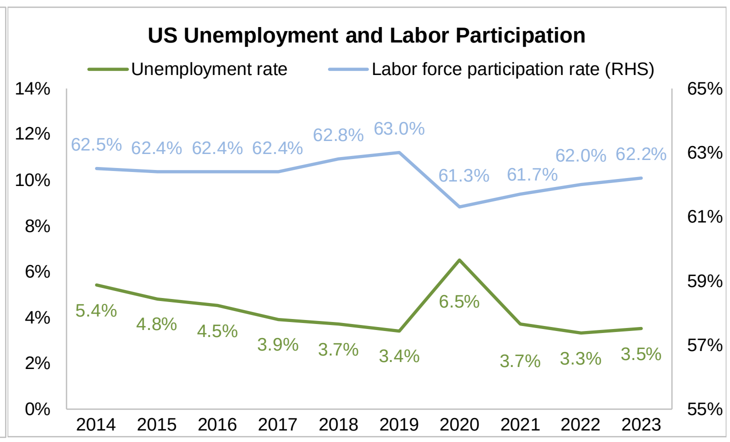
Source: Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), SIFMA estimates

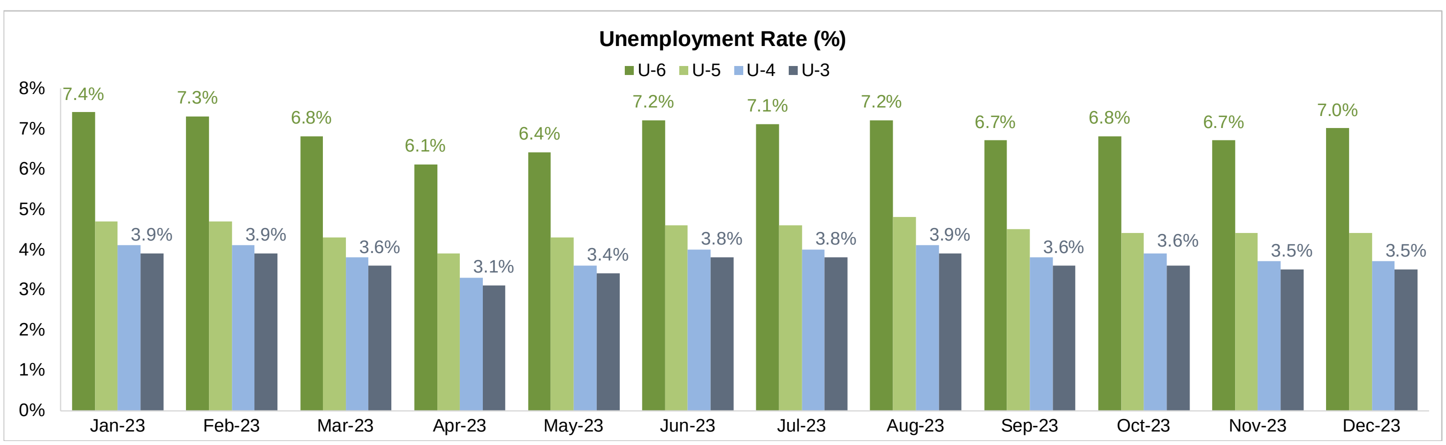
Employment Breakout





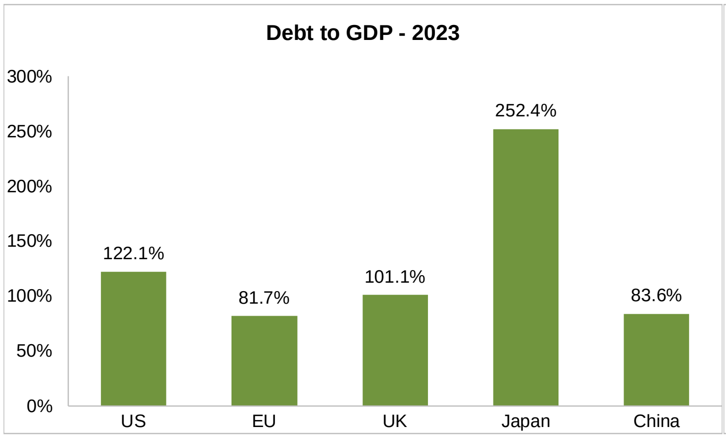


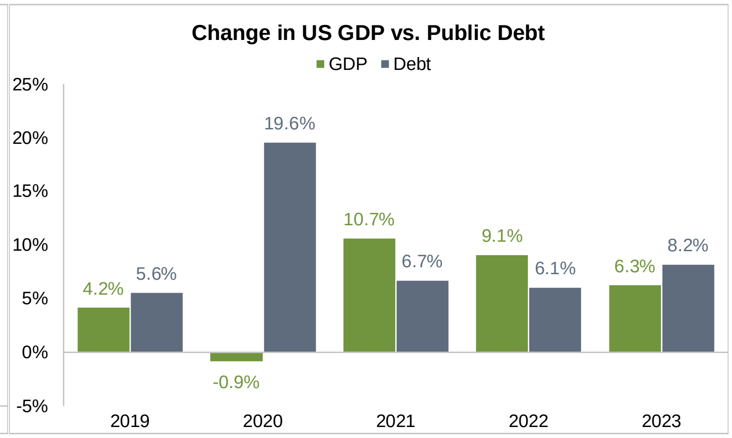


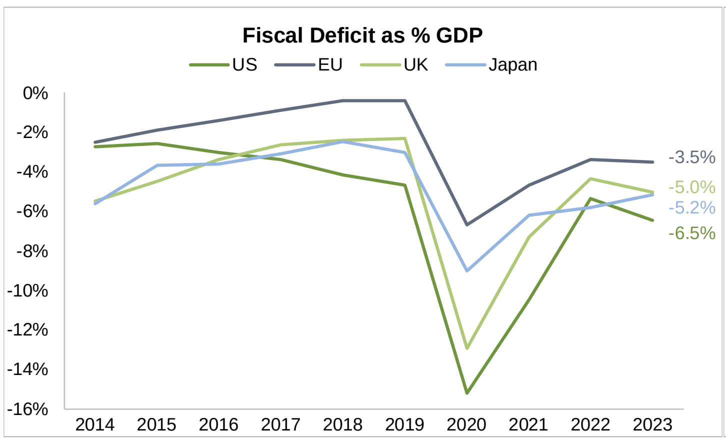


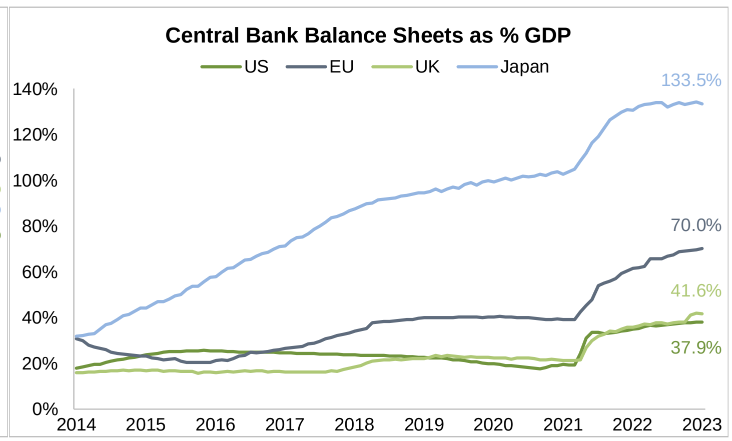
Source: U.S. Bureau of Labor Statistics (BLS), SIFMA estimates

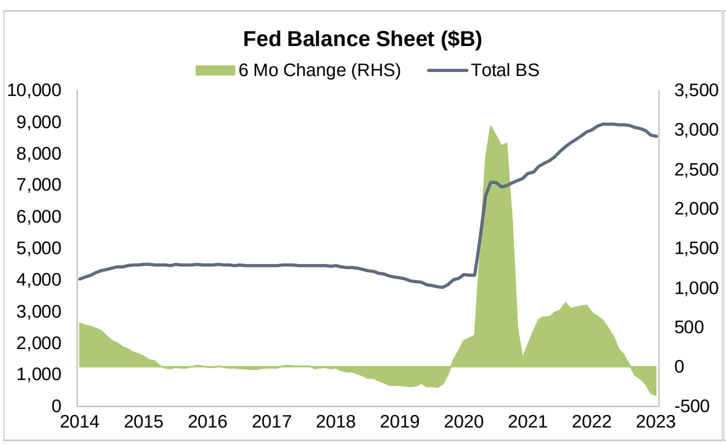
Federal Debt and Central Bank Balance Sheets

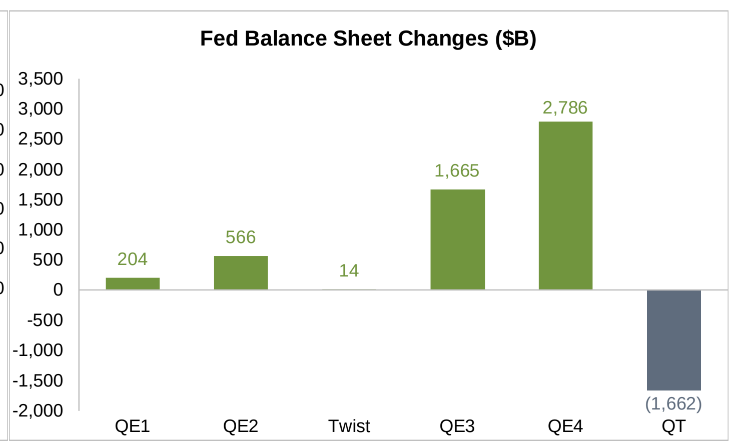












Source: Bloomberg, Bureau of Economic Analysis (BEA), Eurostat, The Federal Reserve, SIFMA estimates
Note: QE1 = 11/26/2008-3/31/2010; QE2 = 11/3/2010-6/29/2011; Twist = 9/21/2011-6/20/2012; QE3 = 9/12/2020-5/27/2020; QE4 = 3/11/2020-5/27/2020; and QT = 6/1/2022-ongoing, total in chart as of 6/19/2024.

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: (Unemployed ÷ Labor Force) x 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: The SIFMA Economist Roundtable

About the Group

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 Economist 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.

SIFMA Research also produces Quarterly Flash Polls to update key Economist Roundtable forecasts and select monetary policy questions on the off quarters from the main survey. The latest flash poll can be found here: https://www.sifma.org/wp-content/uploads/2023/10/SIFMA-Economics-Flash-Poll-1Q24-v3.pdf.

This survey was conducted between June 13-21, 2024.

Members

Chair

Jay Bryson
Wells Fargo Securities

Members

Michael Gapen
Bank of America

Marc Giannoni
Barclays Capital

Nathaniel Karp
BBVA Compass

Douglas Porter
BMO Financial

Andrew Hollenhorst
Citigroup

Nicholas Van Ness
Credit Agricole

Lawrence Werther
Daiwa

Matt Luzzetti
Deutsche Bank Securities

Christopher Low
FHN Financial

Jan Hatzius
Goldman Sachs

Michael Feroli
J.P. Morgan

Thomas Simons
Jefferies

Mark Zandi
Moody's Analytics

Ellen Zentner
Morgan Stanley

Kevin Cummins
NatWest

Lewis Alexander
Nomura

Carl Tannenbaum
Northern Trust

Augustine Faucher
PNC Financial

Eugenio Alemán
Raymond James

Stephen Gallagher
Société Générale

Lindsey Piegza, Ph.D.
Stifel Financial

Authors

SIFMA Research

Katie Kolchin, CFA, Managing Director, Head of Research
Justyna Romulus

Website: www.sifma.org/research
Email: research@sifma.org