



Economic Outlook



November 7th, 2023

Institute for Economic Forecasting

How Did We Get Here?

All of the major economic issues we are and have been facing:

- Inflation
- Supply Chain Failures
- Labor Market Shortages
- High Oil/Gasoline Prices

are rooted in COVID-19 policies.



How Did We Get Here?

Emergence of a new secular religion:

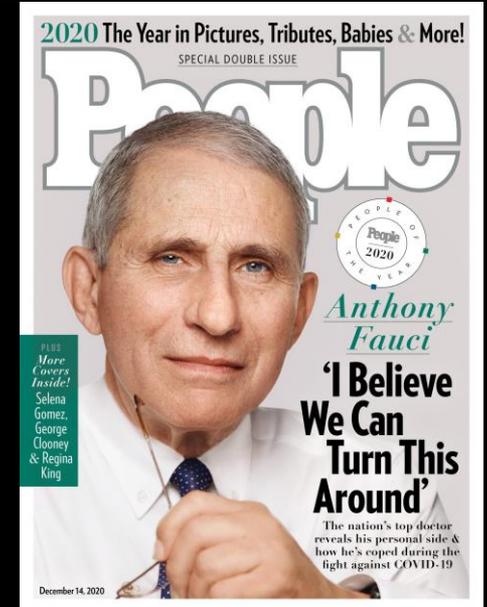
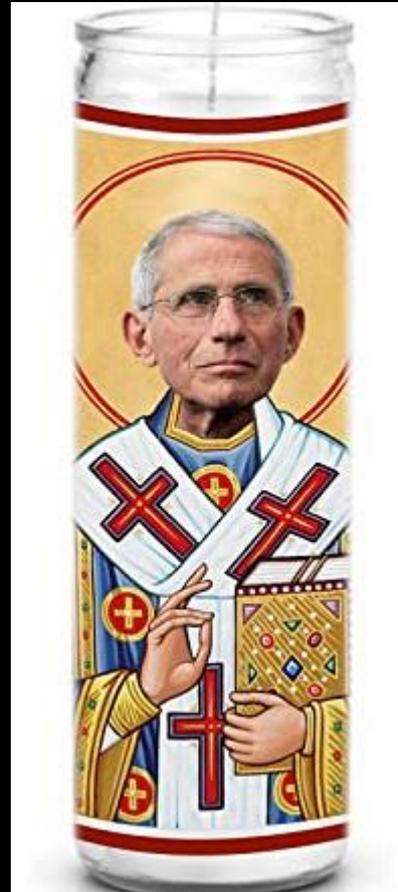
Scienceology

- Polytheistic
- Many of the deities are "experts"
- Questioning their predictions/proclamations is blasphemous





How Did We Get Here?



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How Did We Get Here?

Statistician George Box famously said:

"All models are wrong; some models are useful."

In March 2020, a study released by Imperial College of London predicted 2.2 million deaths from COVID in the United States.

Lesson:

Experts should be on tap, not on top or
Be wary of experts using models to make predictions

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U.S. Forecast



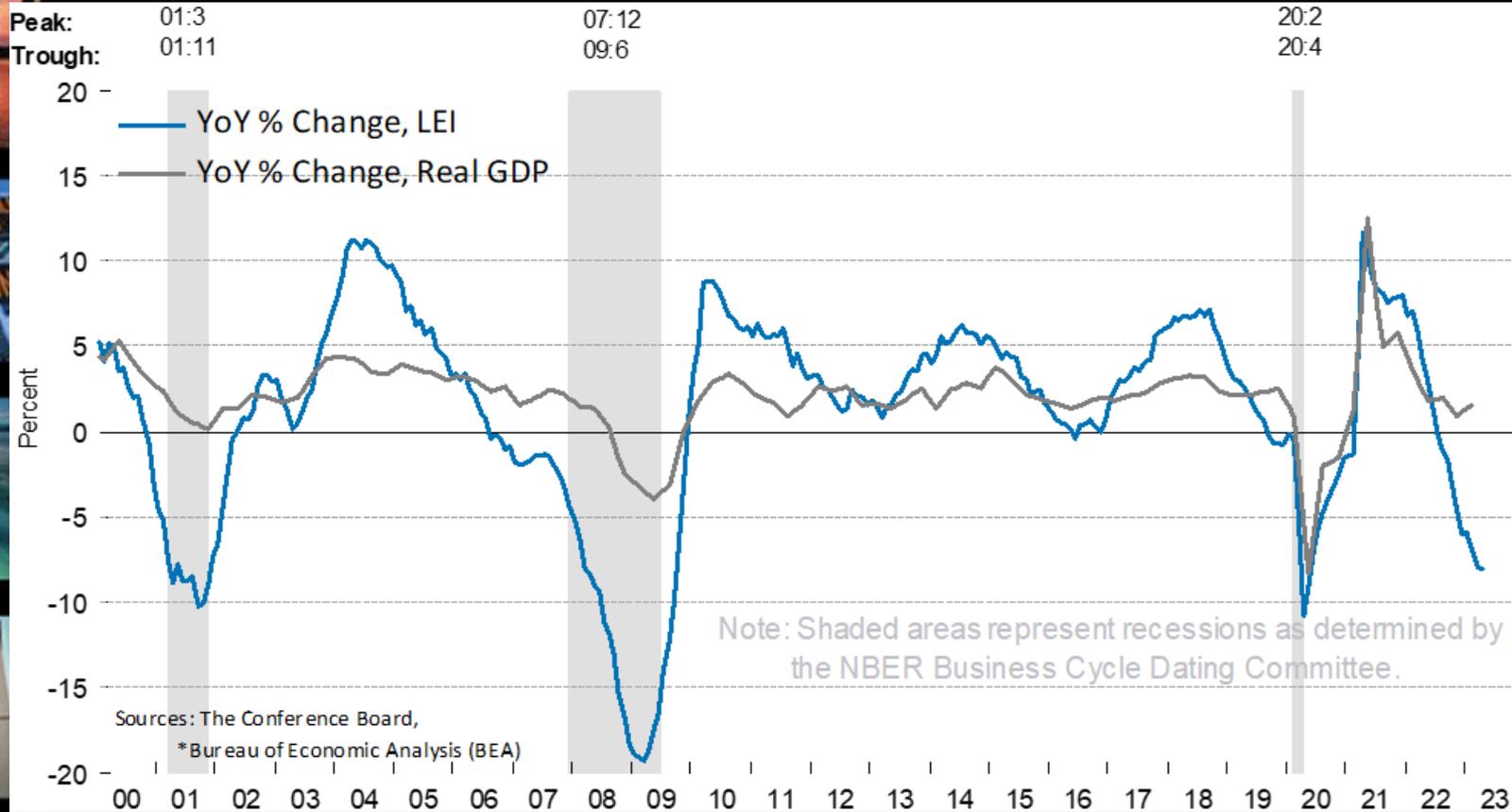
Is the U.S. economy currently in or on the brink of another recession?



Multiple indicators point to recession:

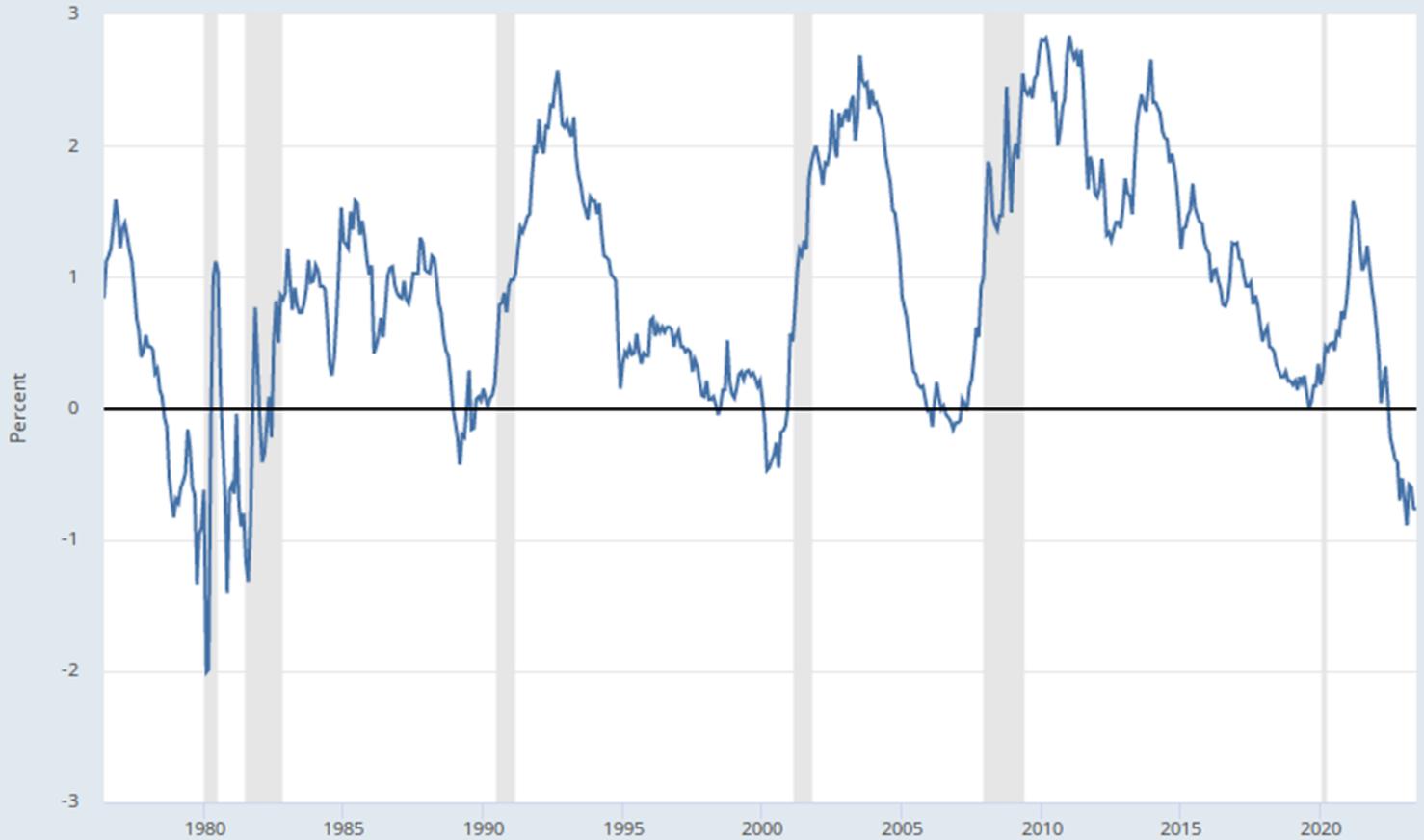
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- The Conference Board Leading Economic Index
 - Inverted yield curve
 - Anxious Index
 - Wall Street Journal Economic Survey
- 

The Conference Board Leading Economic Index



Inverted Yield Curve

FRED  — 10-Year Treasury Constant Maturity Minus 2-Year Treasury Constant Maturity



Source: Federal Reserve Bank of St. Louis

myf.red/g/15Wdg

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Anxious Index



The *Survey of Professional Forecasters* asks panelists to estimate the probability that real GDP will decline in the quarter in which the survey is taken and in each of the following four quarters.



The anxious index is the probability of a decline in real GDP in the quarter after a survey is taken.



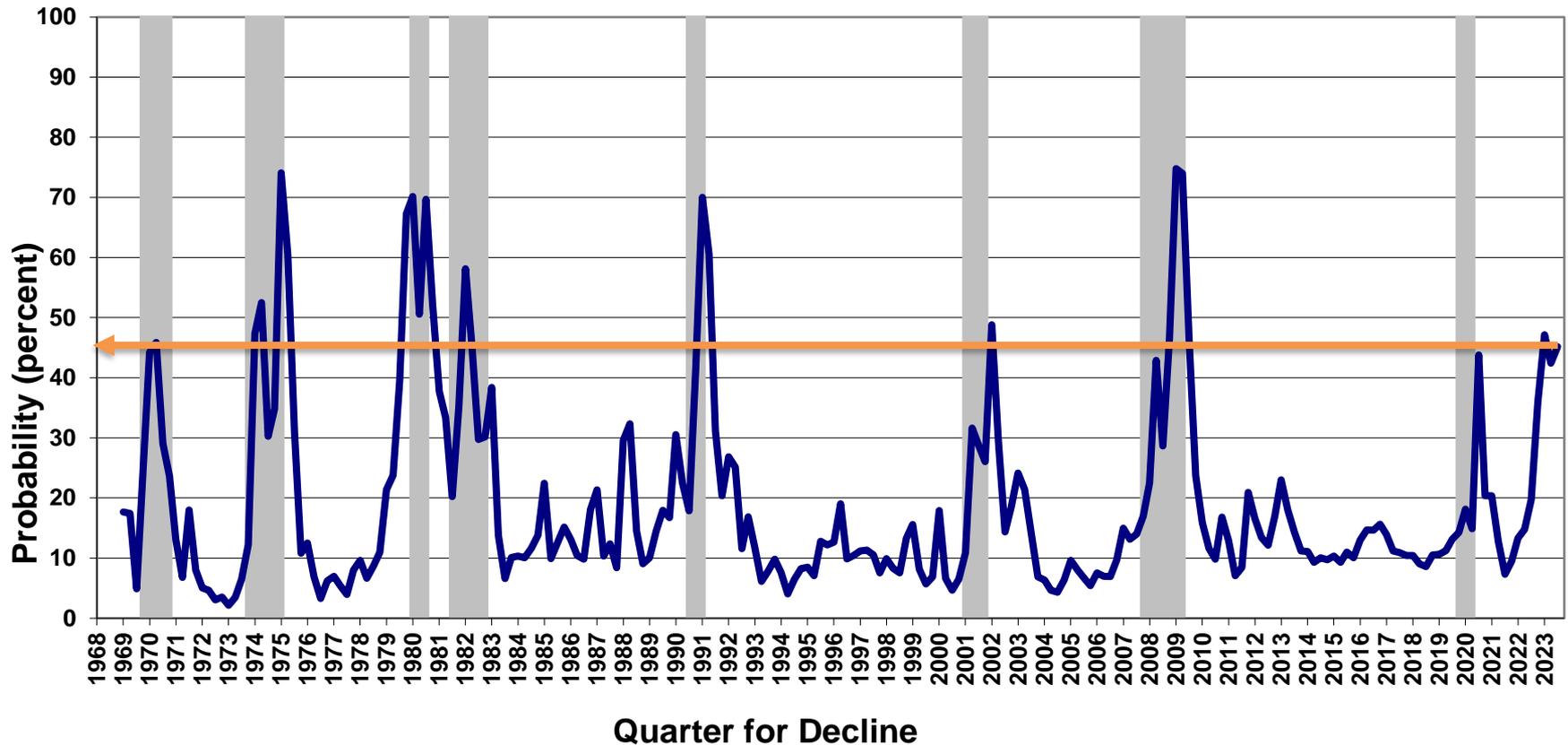
In the survey taken in the fourth quarter of 2022, the anxious index is 45.2, which means that forecasters believe there is a 45.2 percent chance that real GDP will decline in the third quarter of 2023.



This level is consistent with the previous eight U.S. recessions.

Anxious Index

The Anxious Index
 One-Quarter-Ahead Probability of Decline in Real GDP
 Quarterly, 1969:Q1 to 2023:Q3



The shading shows the period beginning with each NBER peak and ending with the corresponding trough.



Wall Street Journal Economic Survey

The 2023 1st quarter survey of economists by the Wall Street Journal indicates that the economists surveyed believe the risk of a recession in the next 12 months was 61% as of January 2023.

- October 2022 survey: 49%
- July 2022 survey: 28%
- April 2022 survey: 18%

October 2023 survey: 48%



Commercial Real Estate

- Silicon Valley Bank fallout
- Shrapnel hitting regional banks.
- Still grappling with the transition from pandemic era work from home to the new normal, what ever that may be.
- Office space and associated retail are in a difficult place.
- Higher interest rates and tighter credit conditions.
- Bottom line: commercial real estate has a much bumpier road ahead than does residential.





The National Debt

We got \$33.6 trillion problems...

Now Fitch is one



The National Debt



How does this level of debt compare to other countries?



At the peak of the debt crisis, Greece had \$380 billion in debt.



The U.S. has run deficits in a *single quarter* greater than the total Greek debt



What matters is the ability to service the debt



The National Debt

Debt to GDP Ratio

Country	Debt/GDP (%)
Venezuela	350
Japan	266
Sudan	259
Greece	206
Lebanon	172
Cabo Verde	157
Italy	156
Libya	155
Portugal	134
Singapore	131
Baharain	128
United States	128



The National Debt



In Ernest Hemingway's *The Sun Also Rises*, there is the following exchange between two characters, Bill Gorton and Mike Campbell:



"How did you go bankrupt? Bill asked.

"Two ways," Mike said.

"Gradually and then suddenly."

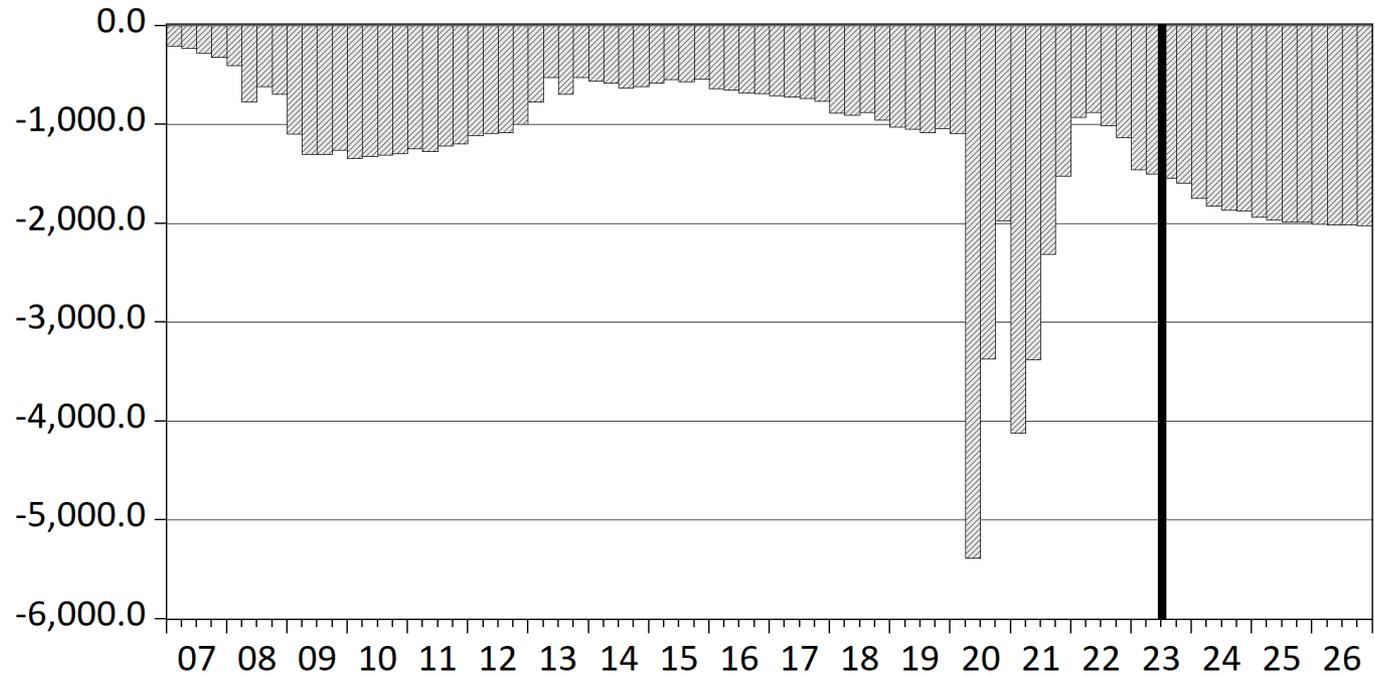


U.S. Forecast



Federal Budget Surplus

(Billions of Dollars)



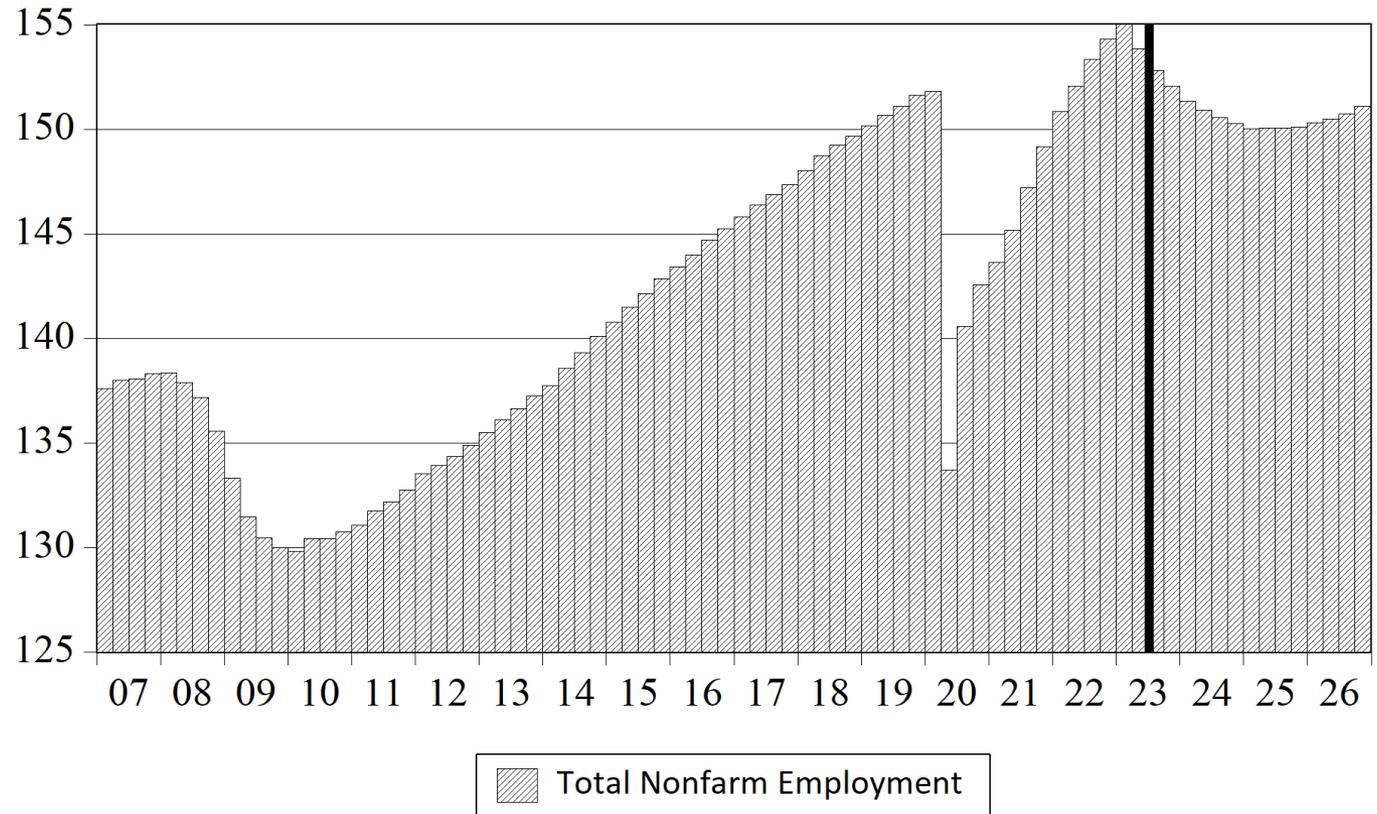
 Federal Budget Surplus

U.S. Forecast



Total Nonfarm Payroll Employment

(Millions)

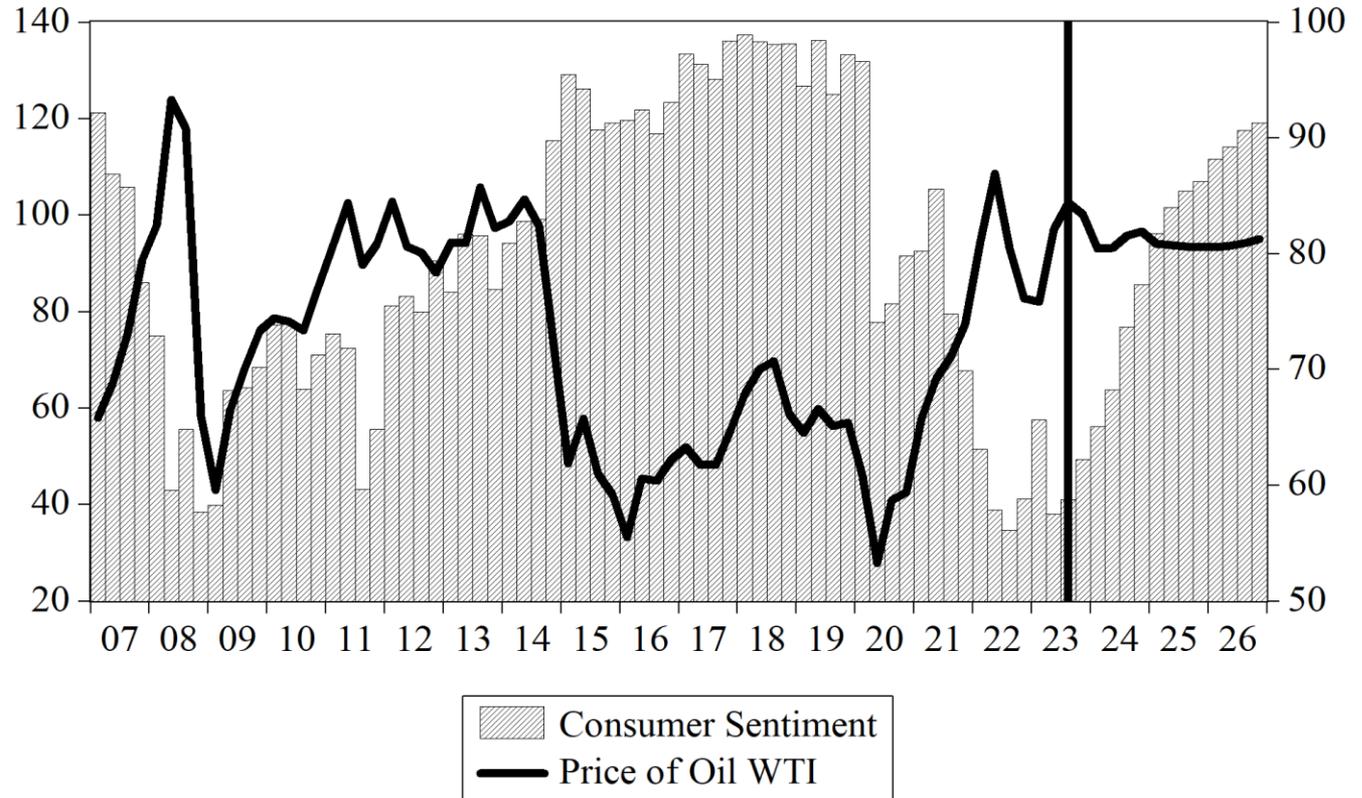


U.S. Forecast



Oil and Consumer Confidence

Oil (\$ Per Barrel) - Left Axis



U.S. Forecast



	2022	2023	2024	2025	2026	2027
Real GDP % Change, Annual Rate	2.1	3.1	0.5	1.3	1.7	2.0
Unemployment Rate %	3.6	4.2	5.0	5.6	5.5	5.1
Payroll Employment % Change Year ago	4.3	1.6	-0.9	-0.4	0.3	0.9
Consumption % Change, Annual Rate	2.7	1.8	0.7	1.6	2.2	2.4

U.S. Forecast



	2022	2023	2024	2025	2026	2027
Consumer Prices (Annual Rate)	8.0	4.6	3.4	2.2	1.9	1.8
Excl. Food & Energy (Annual Rate)	6.1	5.1	3.4	2.0	1.8	1.7
Producer Prices, Finished Goods (Annual Rate)	13.4	1.7	1.5	1.3	1.3	1.3

Regional Housing Markets

The surge in housing prices from 2020 to 2022 are not the same as Florida experienced in 2004-2006.

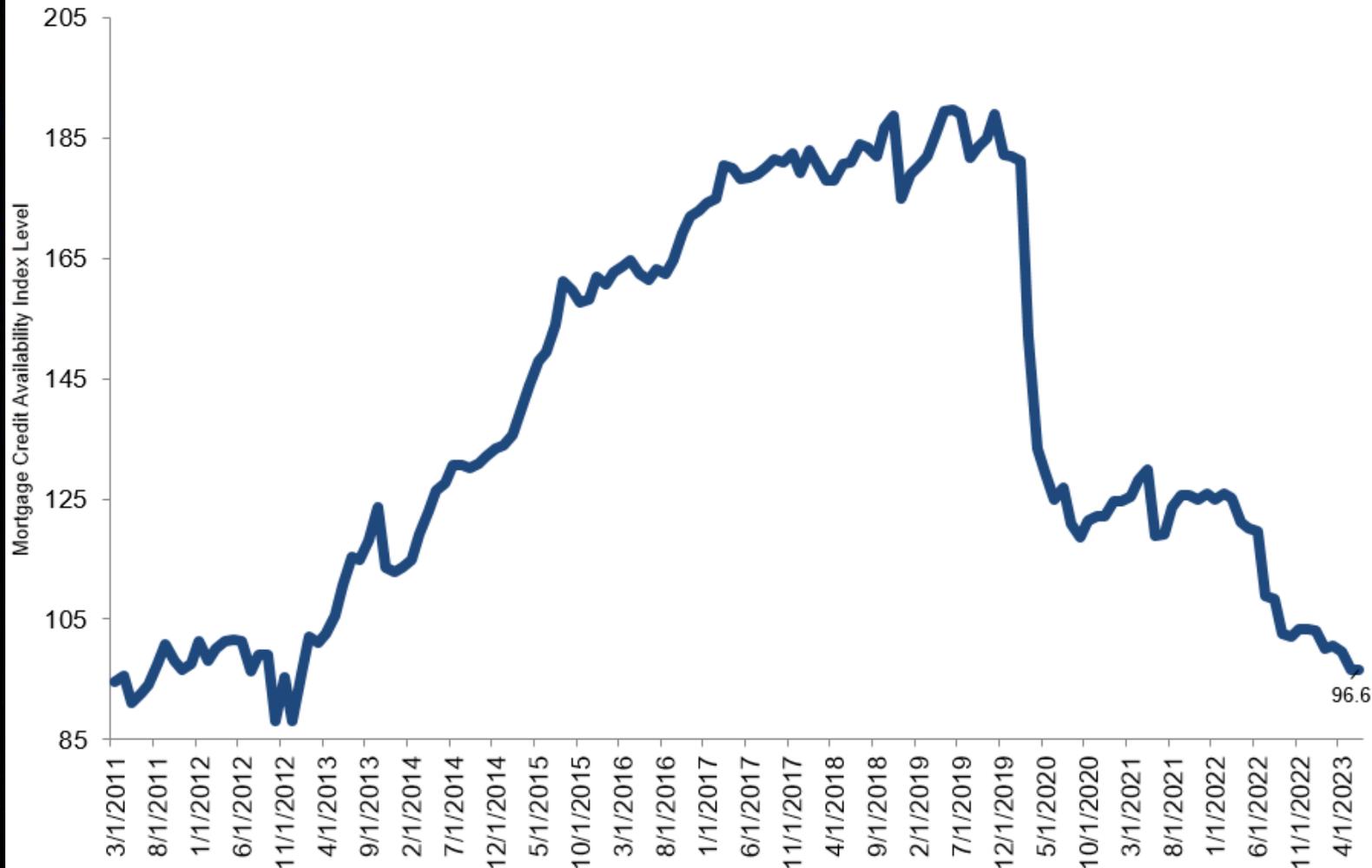
- Mortgage lending standards tightened during the pandemic and were far from the easy lending that fueled the housing bubble of 2004-2006.
- The wave of foreclosures and short sales that caused housing prices to plunge post 2006 will not repeat itself in the wake of the 2020-2022 price surge.
- Recent values of the mortgage credit availability index are a fraction of the levels in 2004-2006.



Regional Housing Markets



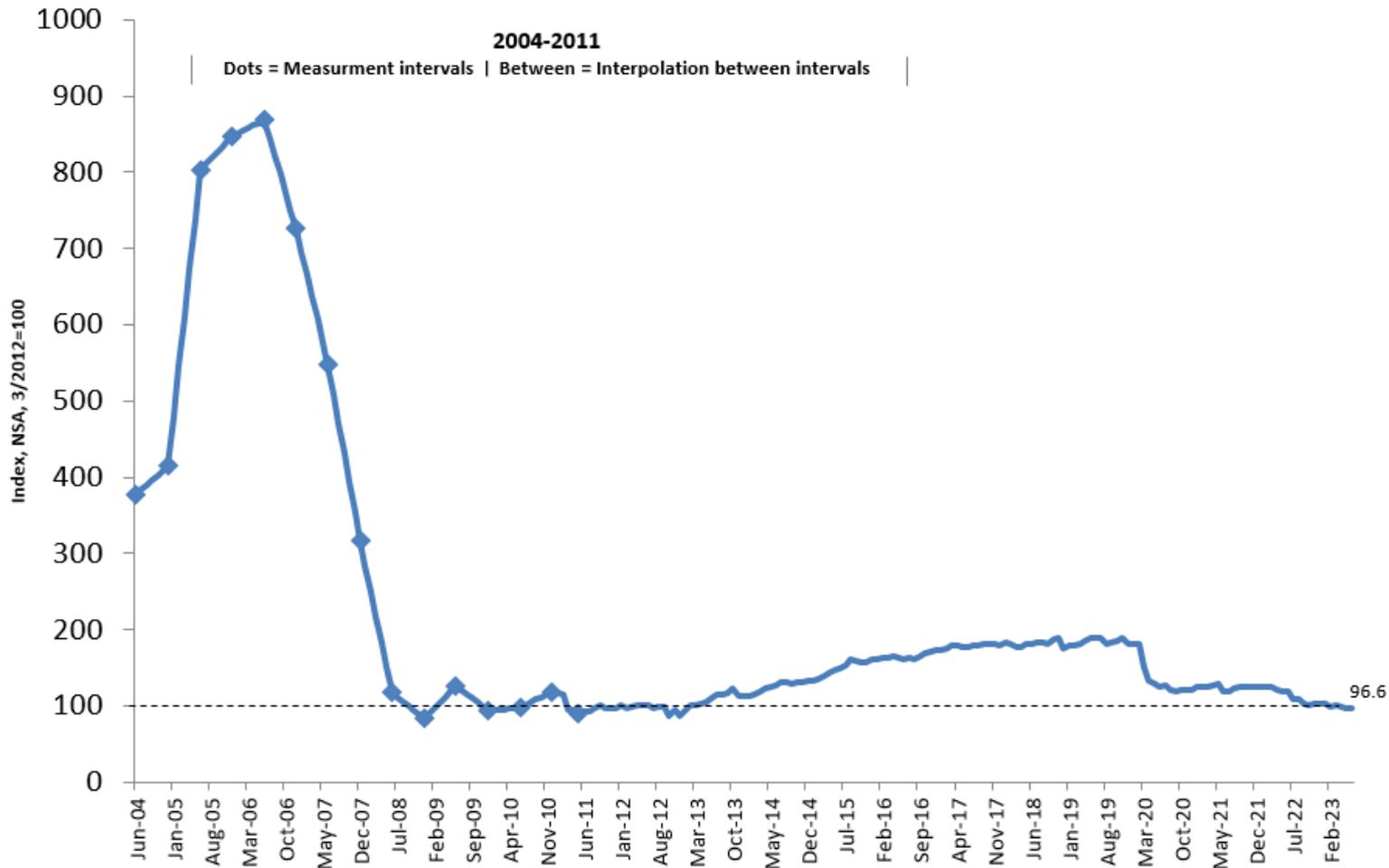
**Mortgage Credit Availability Index, Index Level by Month
(NSA, 3/2012=100)**



Regional Housing Markets



Mortgage Credit Availability Index (NSA, 3/2012 = 100)
Expanded Historical Series





Thank you

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