



US Economic Update

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NEED
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National Economic Education Delegation

- **Vision**
 - One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.
- **Mission**
 - NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.
- **NEED Presentations**
 - Are **nonpartisan** and intended to reflect the consensus of the economics profession.

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Who Are We?

- **Honorary Board: 54 members**

- 2 Fed Chairs: Janet Yellen, Ben Bernanke
- 6 Chairs Council of Economic Advisers
 - o Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 3 Nobel Prize Winners
 - o Akerlof, Smith, Maskin

- **Delegates: 652+ members**

- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 49 Ph.D. Economists**

- Aid in slide deck development

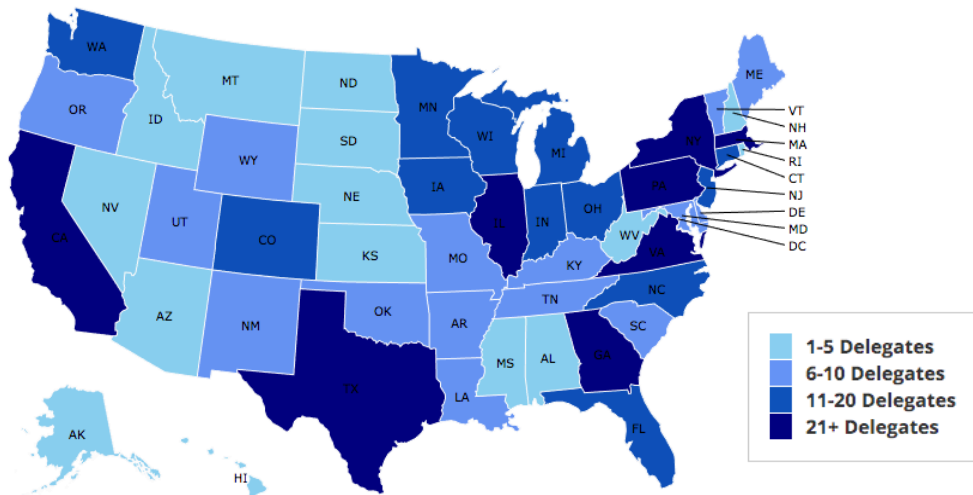


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Where Are We?



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Available NEED Topics Include:

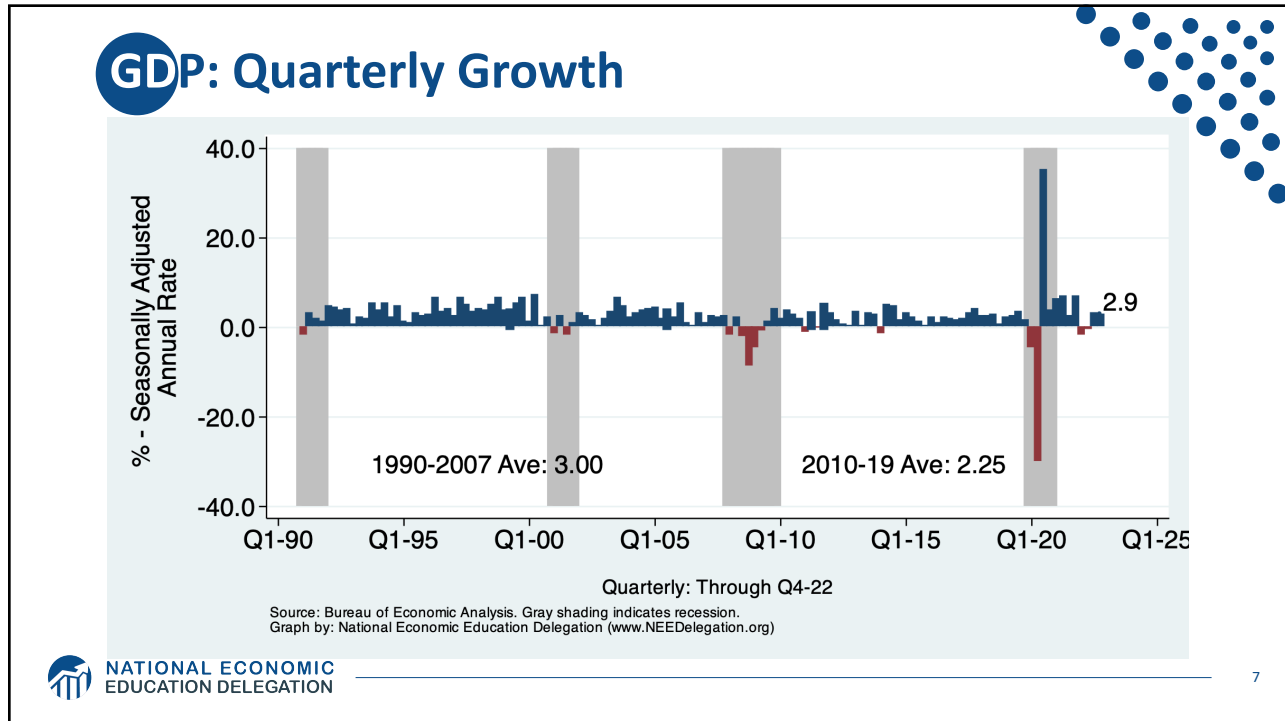
- US Economy
- Healthcare Economics
- Climate Change
- Economic Inequality
- Economic Mobility
- Trade and Globalization
- Minimum Wages
- Immigration Economics
- Housing Policy
- Federal Budgets
- Federal Debt
- Black-White Wealth Gap
- Autonomous Vehicles
- Healthcare Economics



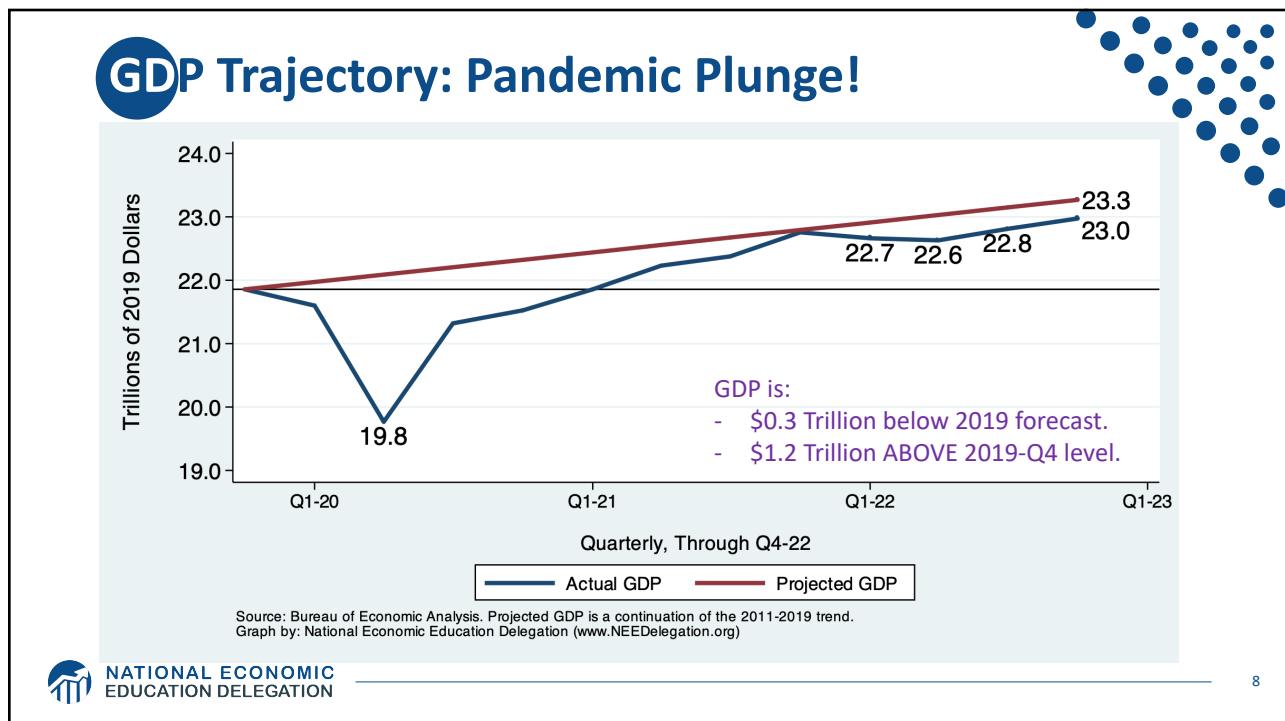
Outline

- Economic Indicators
- Inflation/Federal Reserve
- Debt Ceiling



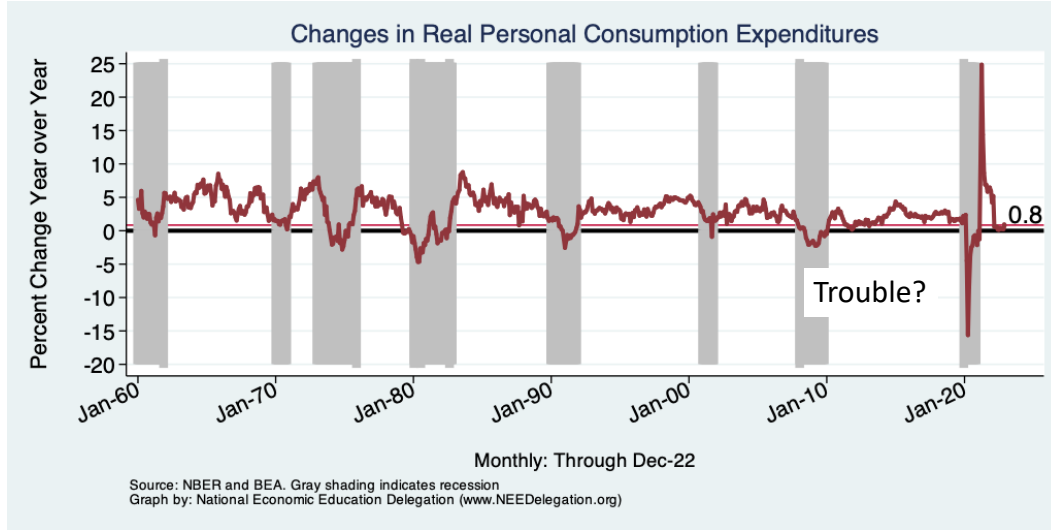


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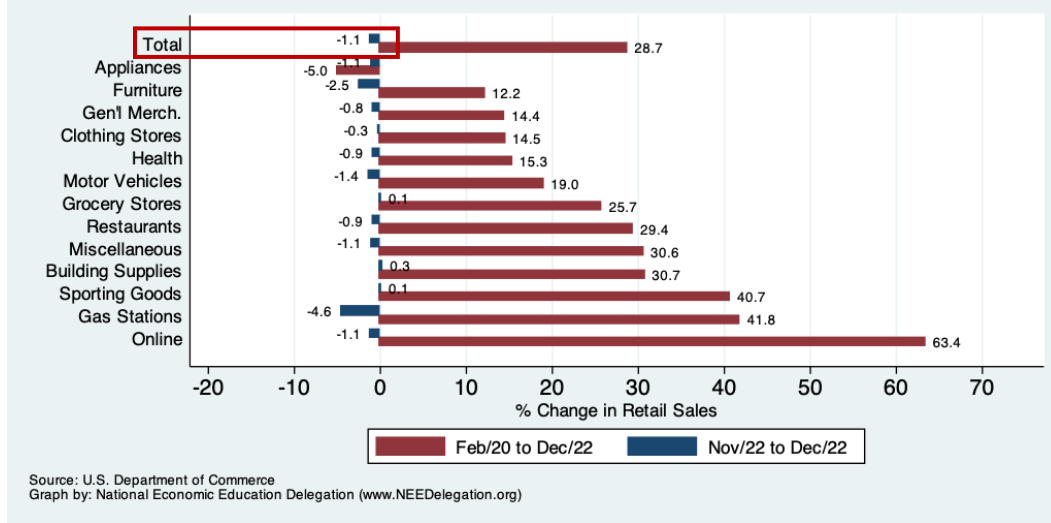


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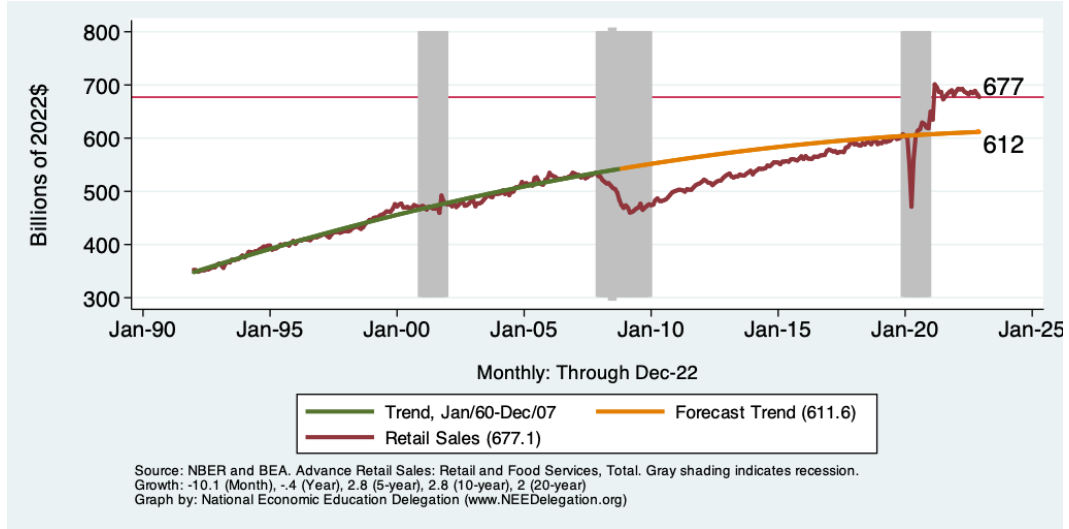
Personal Consumption Expenditures



Retail Sales Fell in December

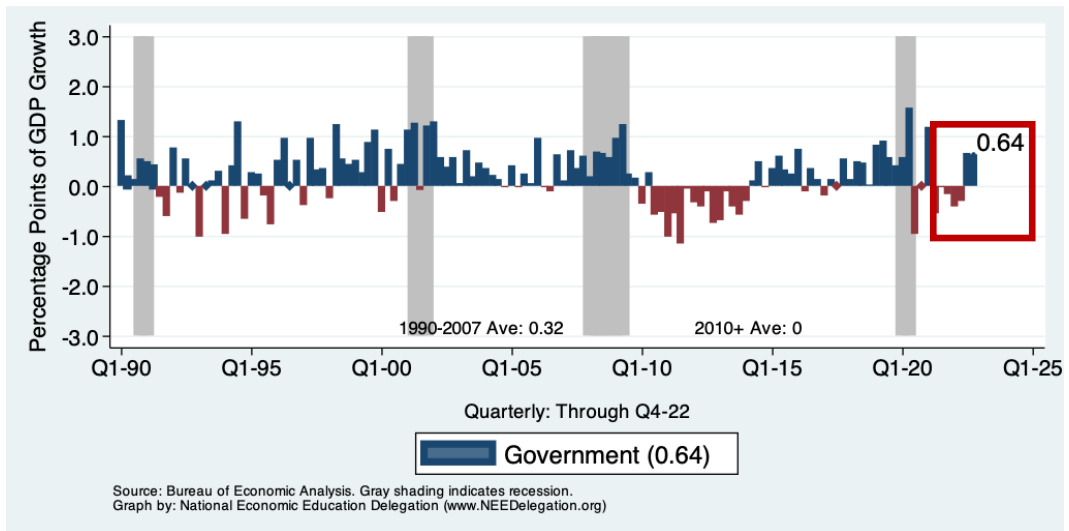


But SUPER High to Begin With!



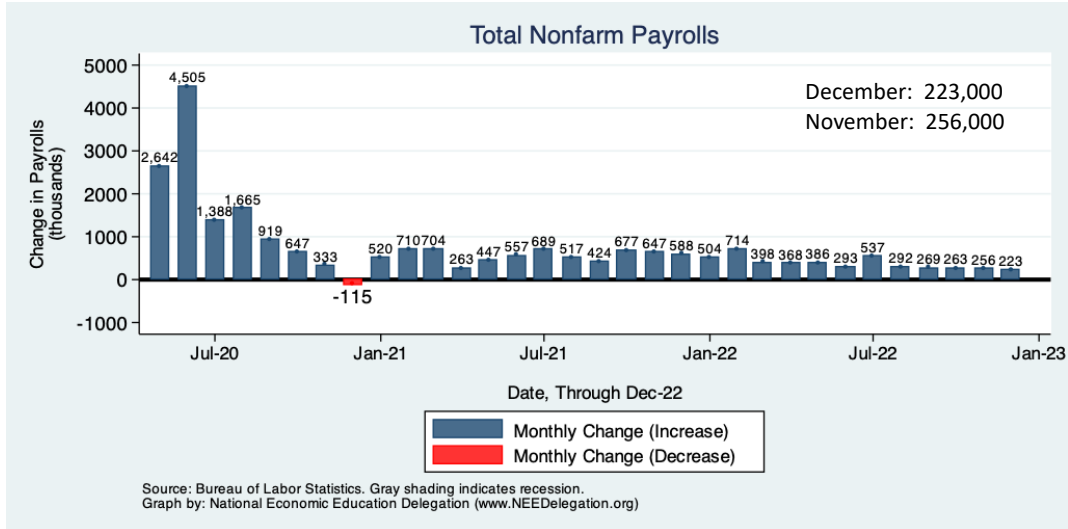
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Contributions to GDP: Government



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Monthly Changes in Nonfarm Employment



Layoffs?

- **79,000 tech layoffs in the Bay Area in January**
 - Doesn't show up yet in the aggregate data.
 - Will know more on Friday.

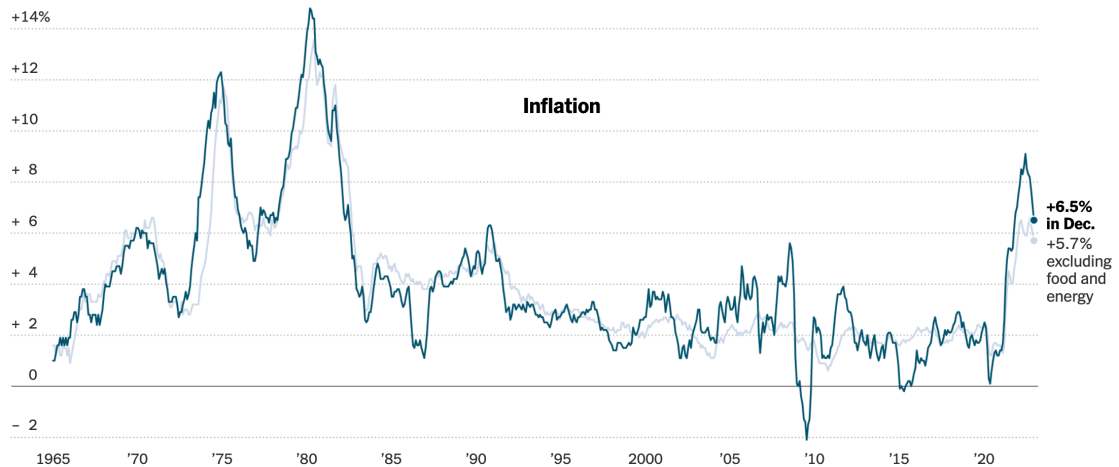


Inflation



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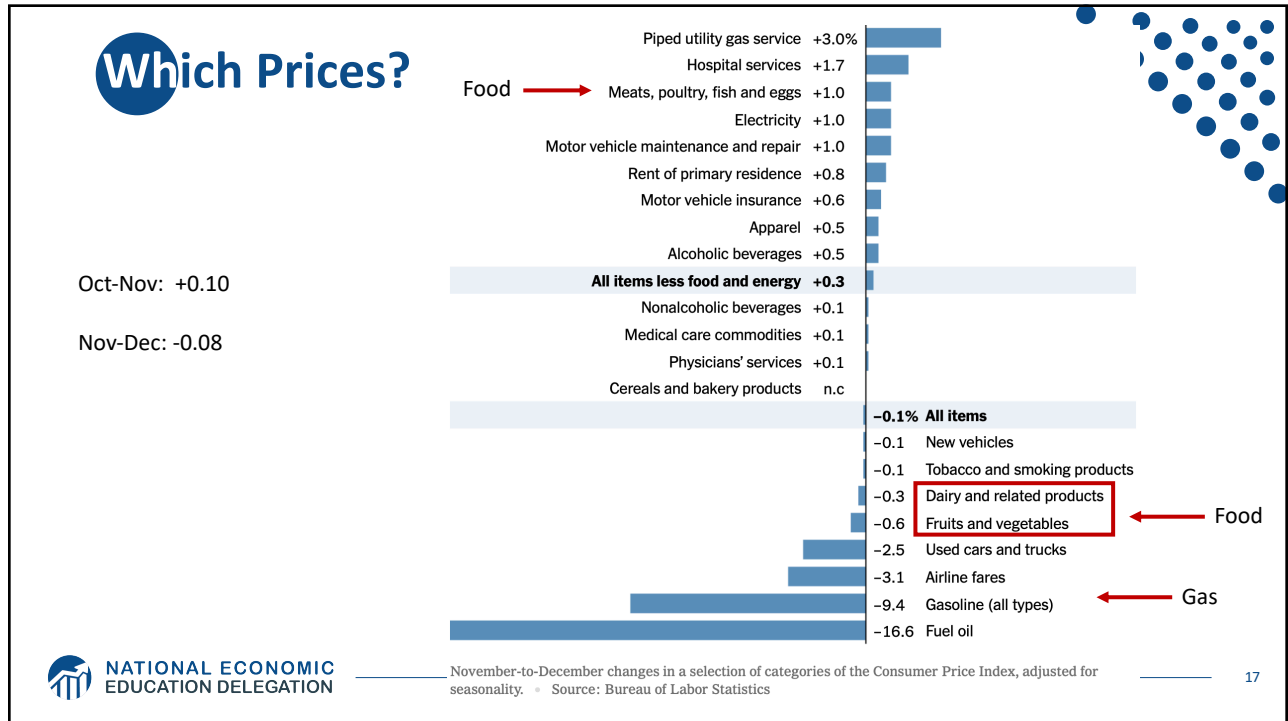
Inflation: Latest Figures



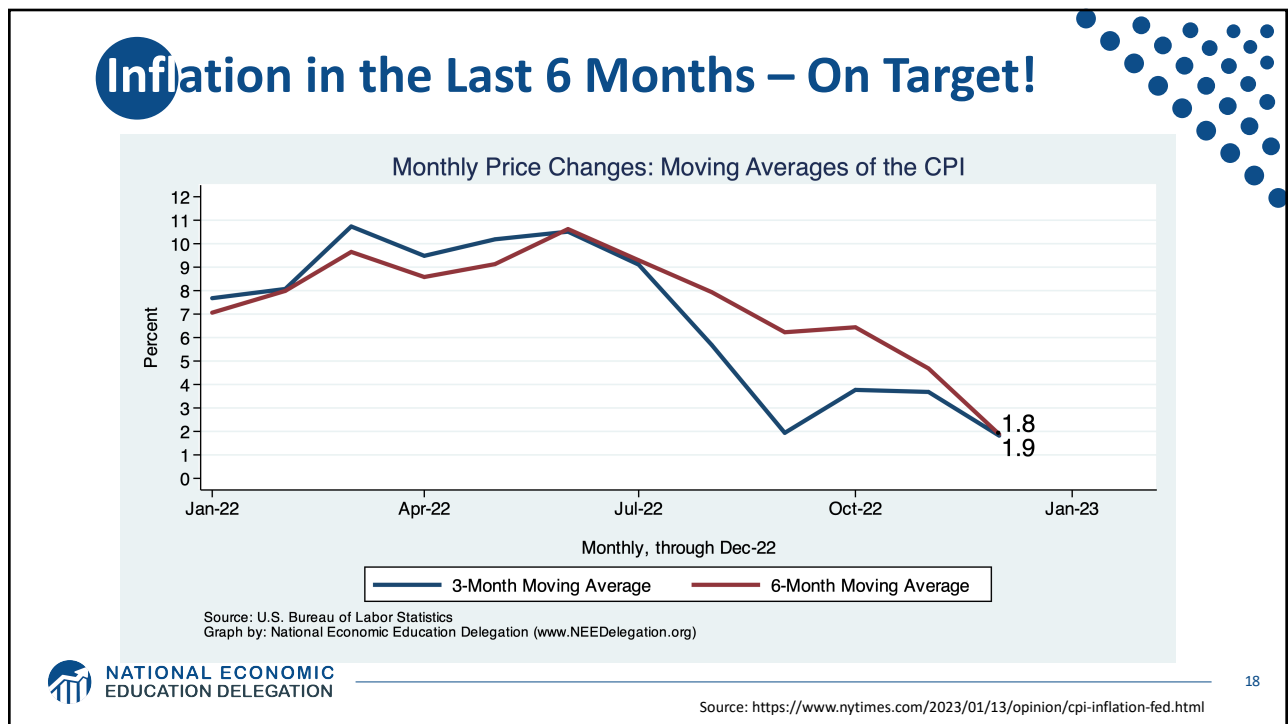
Year-over-year percentage change in the Consumer Price Index • Source: Bureau of Labor Statistics



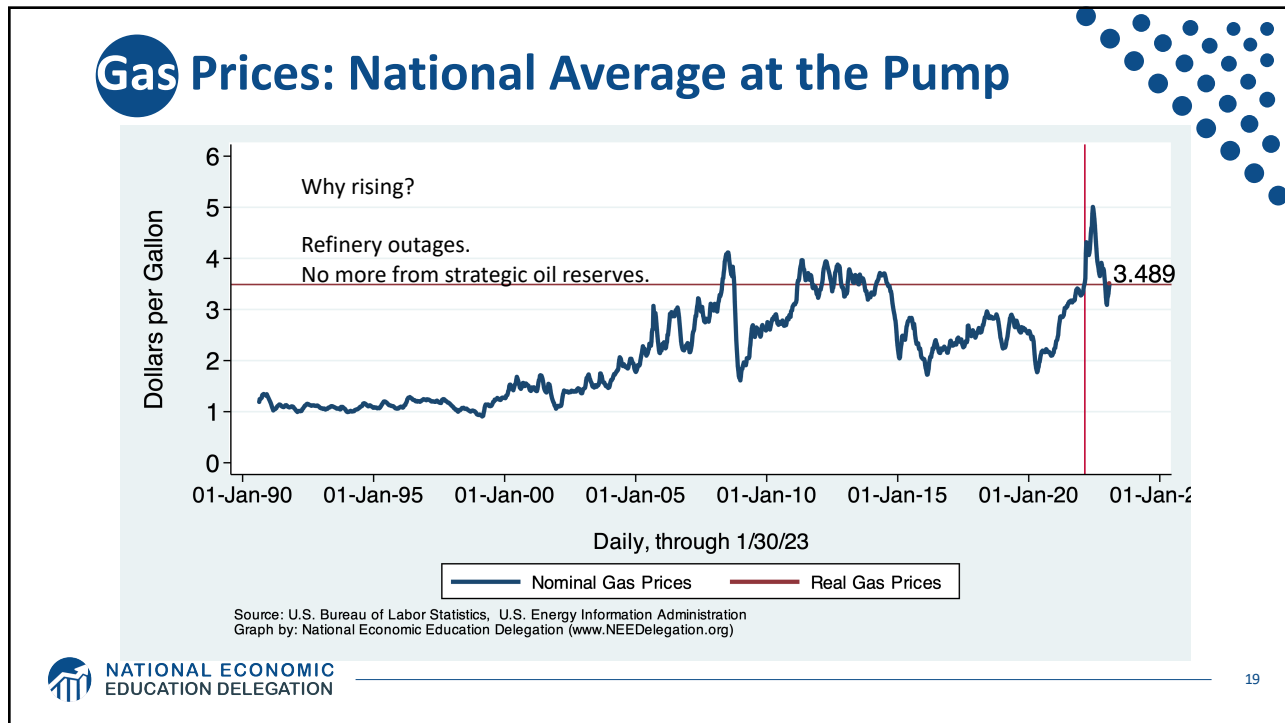
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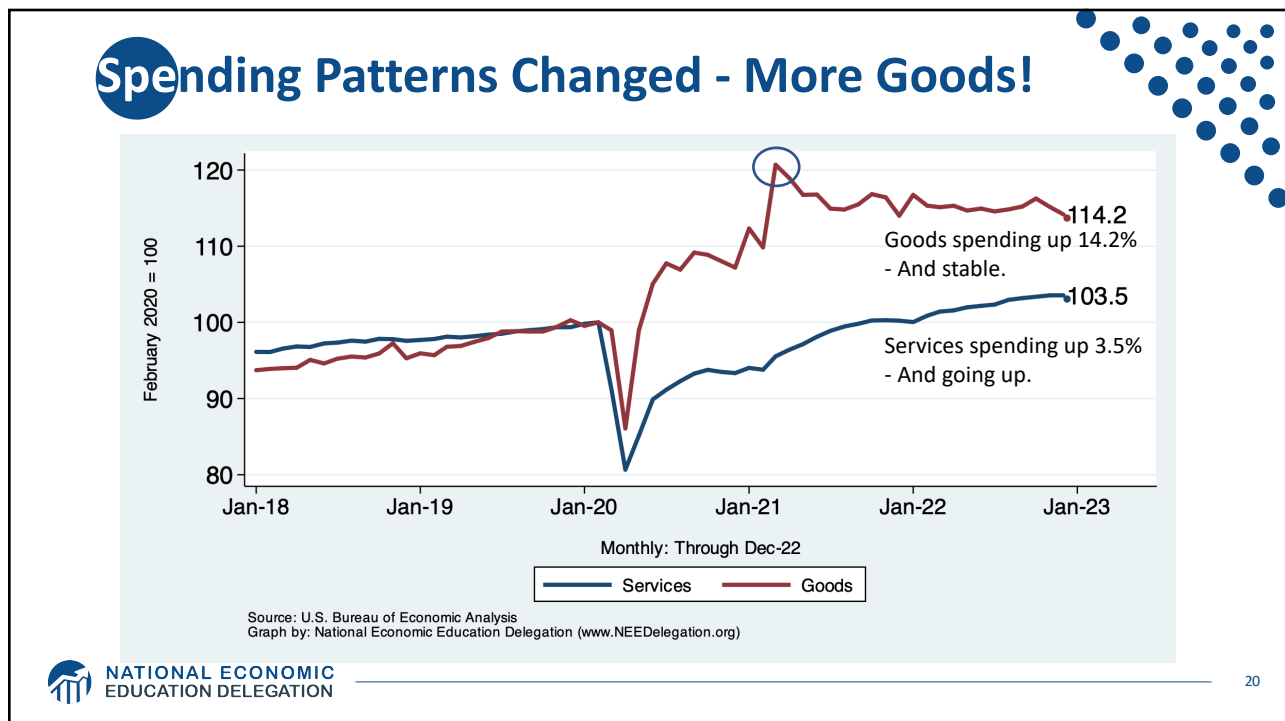
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My Thoughts on the Sources of Inflation

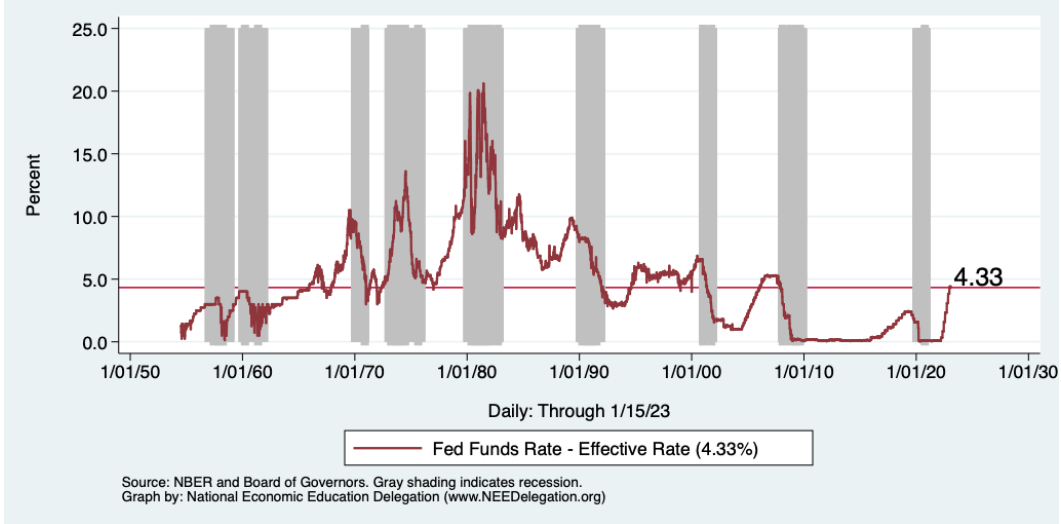
- **Supply Chain issues were significant – less so now.**
- **Composition of spending changed significantly.**
 - Is now bouncing back, as are prices.
- **Corporations have used the cover of inflation to raise prices more.**
- **But there was too much total spending.**
 - Fiscal stimulus led households to increase saving over 2021 by more than \$2 trillion. Strong retail sales numbers suggest they are prepared to spend it.
- **Whose to Blame: ARP probably too big, but the Fed could have acted sooner.**
- **Bottom line: Recovery from a dramatic economic disruption is seldom painless.**



What's the Fed Doing About It?

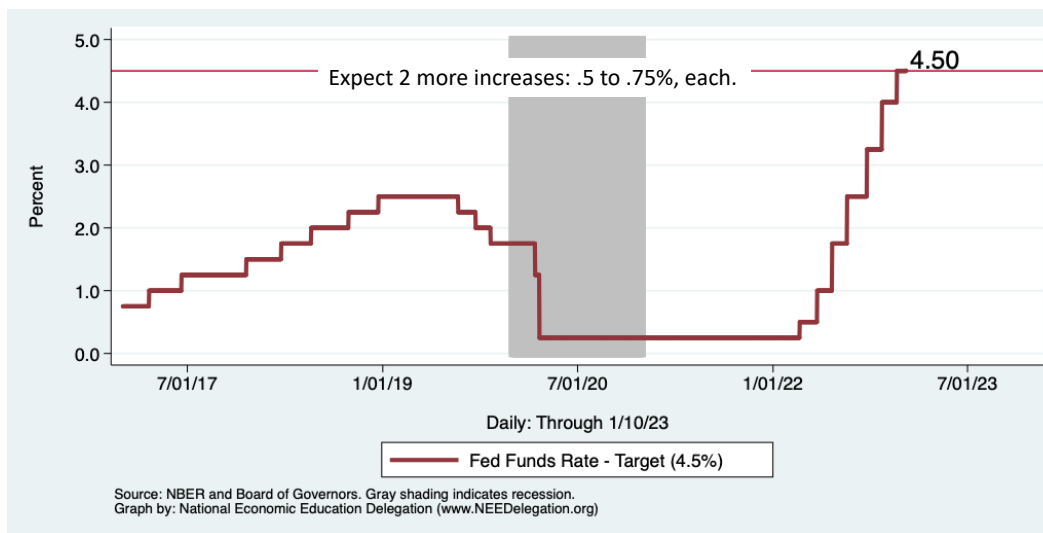


Federal Funds Rate



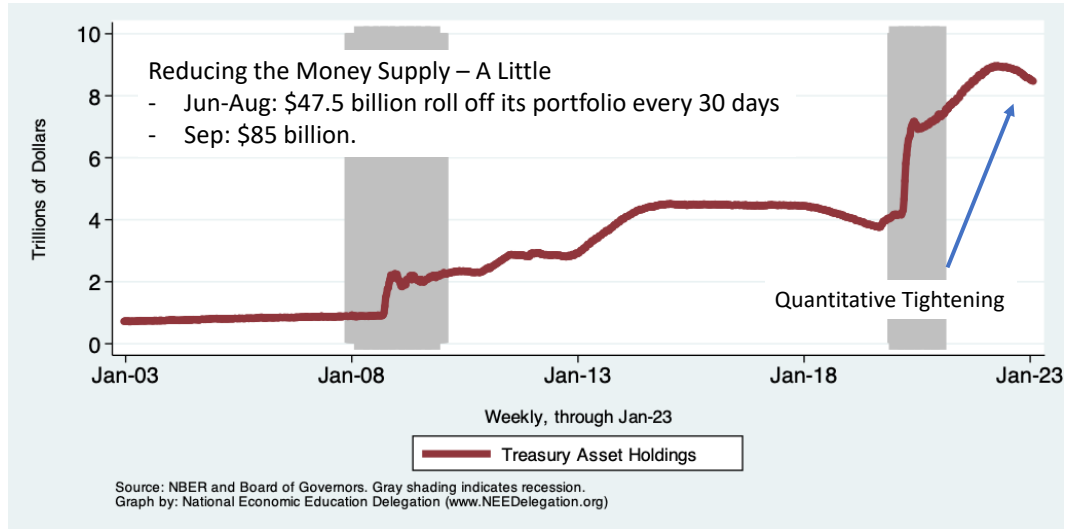
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Federal Funds Rate – Recent Activity



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Fed: Also Reducing its Asset Holdings



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Implications for Demand

- Investment borrowing
- Home loans – tied to 10-year Treasury
- Car loans
- Credit cards
- Savings accounts – positive
- And more....
- All of which slows the economy.

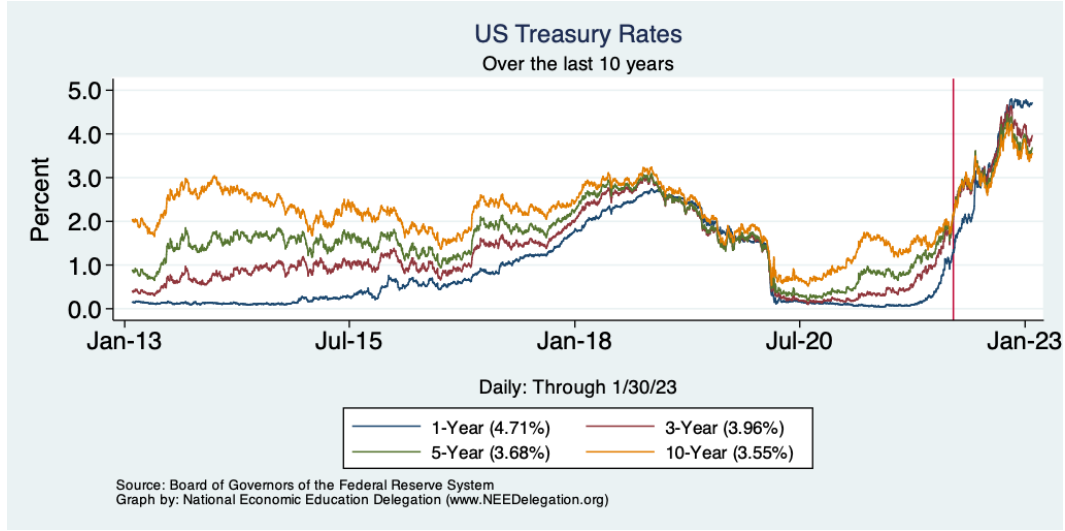


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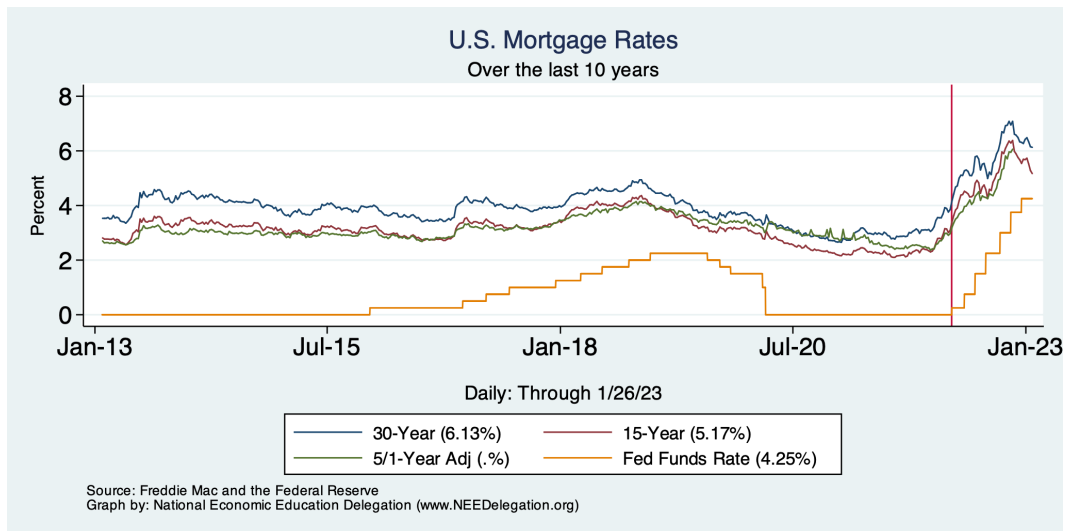
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Treasuries



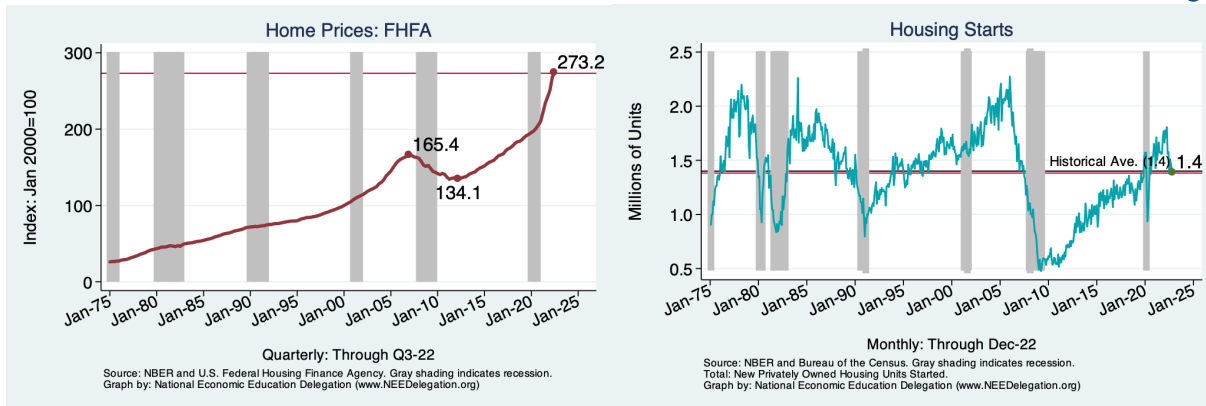
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Mortgage Rates

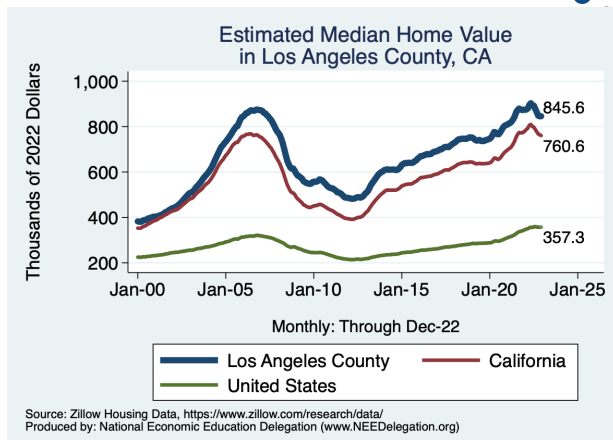
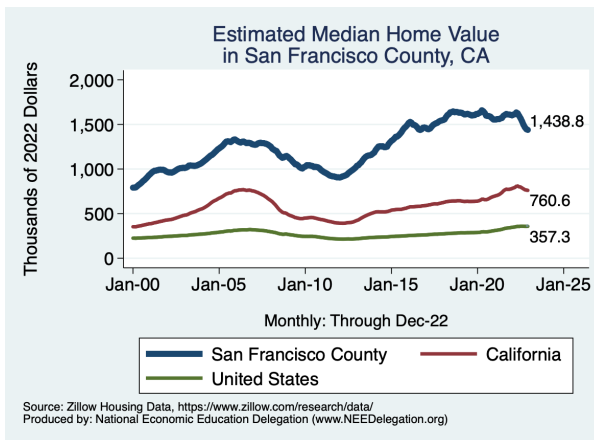


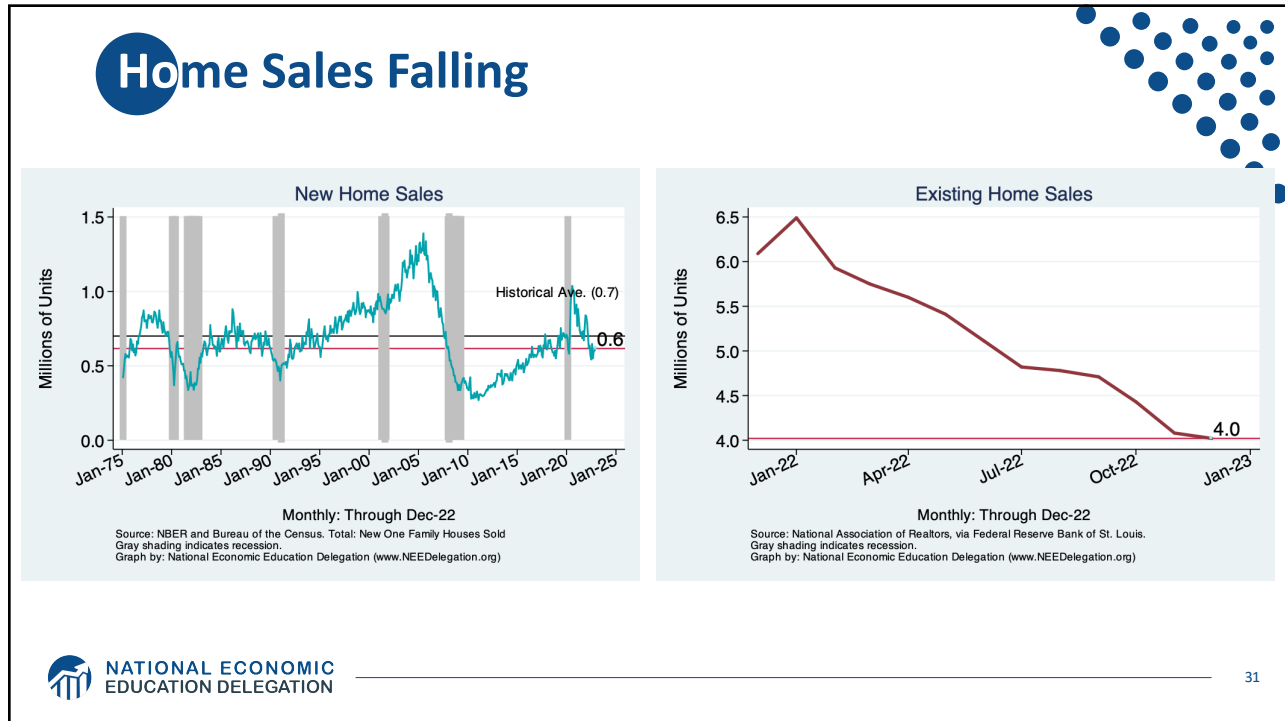
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Home Prices and Housing Starts



Home Prices ... Depends on Where You Are





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5 Things to Know about the Debt Ceiling

1. The debt limit has been raised continually for more than a century.
2. Raising the debt limit is not about new spending; it is about paying for previous choices policymakers legislated.
3. The uselessness of a debt limit is exhibited by the fact that only one other advanced country—Denmark—has a separate debt limit rule like ours.
4. If debt hits the ceiling, the Treasury Department uses several accounting gimmicks to postpone the day of reckoning, but these typically last only a few months.
5. The economic consequences of a large-scale, intentional default are unknown, but predictions range from bad to catastrophic.



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Source: <https://www.brookings.edu/2023/01/19/7-things-to-know-about-the-debt-limit/>

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Lessons from 2011

- **Government shutdown was very costly:**
 - Stock markets plunged (17%).
 - Employment growth stuttered.
 - Treasuries – downgraded credit ratings.
 - Borrowing costs rose.
- **The Debt Ceiling may be a very effective bargaining tool, but...**
 - It is costly.
 - It is unnecessary.
- **Accidental partial default in 1979:**
 - increased borrowing costs by \$40 Billion!



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Takeaways

- **Is a recession on the horizon?**

- Perhaps, but no reason to think that it will be anything more than shallow.
- Many indicators are still in the black.
 - o 2022-Q4 GDP growth was pretty good!

- **Threats to continued growth:**

- If inflation stays high, which seems unlikely.
- Layoff contagion.
- Debt ceiling negotiations
 - o Significant cuts to government budgets may well result.



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Thank you!

Any Questions?

www.NEEDelegation.org

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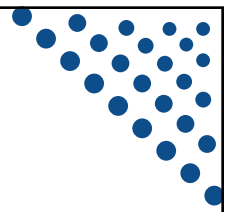
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