

# US Economic Outlook and Risks

## American Staffing Association

30 January 2024

Dana M Peterson



# US Economic Outlook

- Mega Trends: Inflation, Monetary Policy, Recession Risk
- Producer price inflation easing
- Consumer price inflation easing
- Elevated interest rates
- Consumer confidence rising
- Business confidence mixed
- Soft landing possible
- Short, shallow recession a risk
- Labor market to say tight

Source: The Conference Board.

Source: The Conference Board.



# Series of Shocks Driving Global Inflation From 2020 to 2023

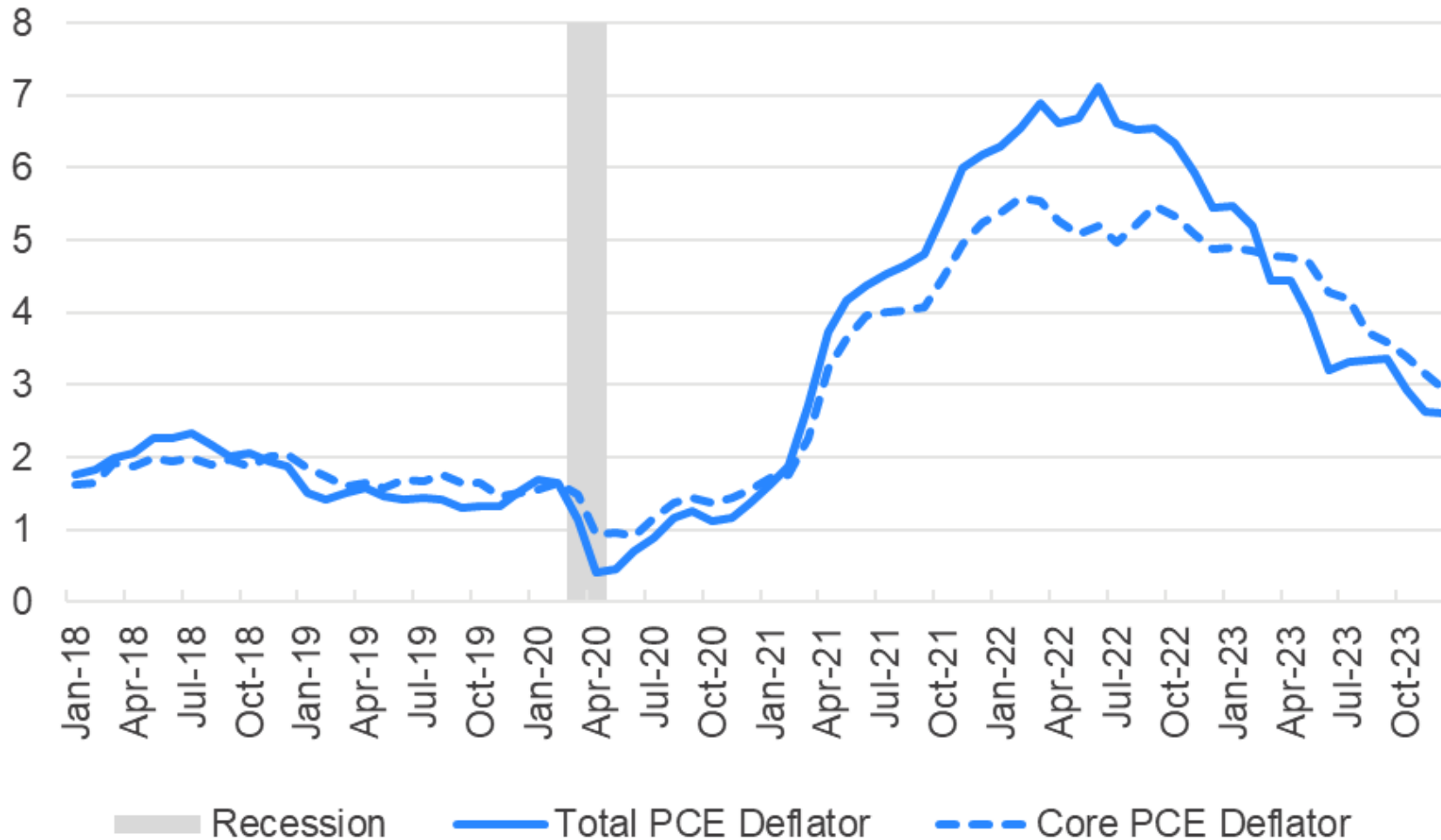


Source: The Conference Board.



# Inflation Slowing Towards Fed's 2-Percent Target

## US: Key Inflation Metrics (Yr-to-Yr Percent Change)

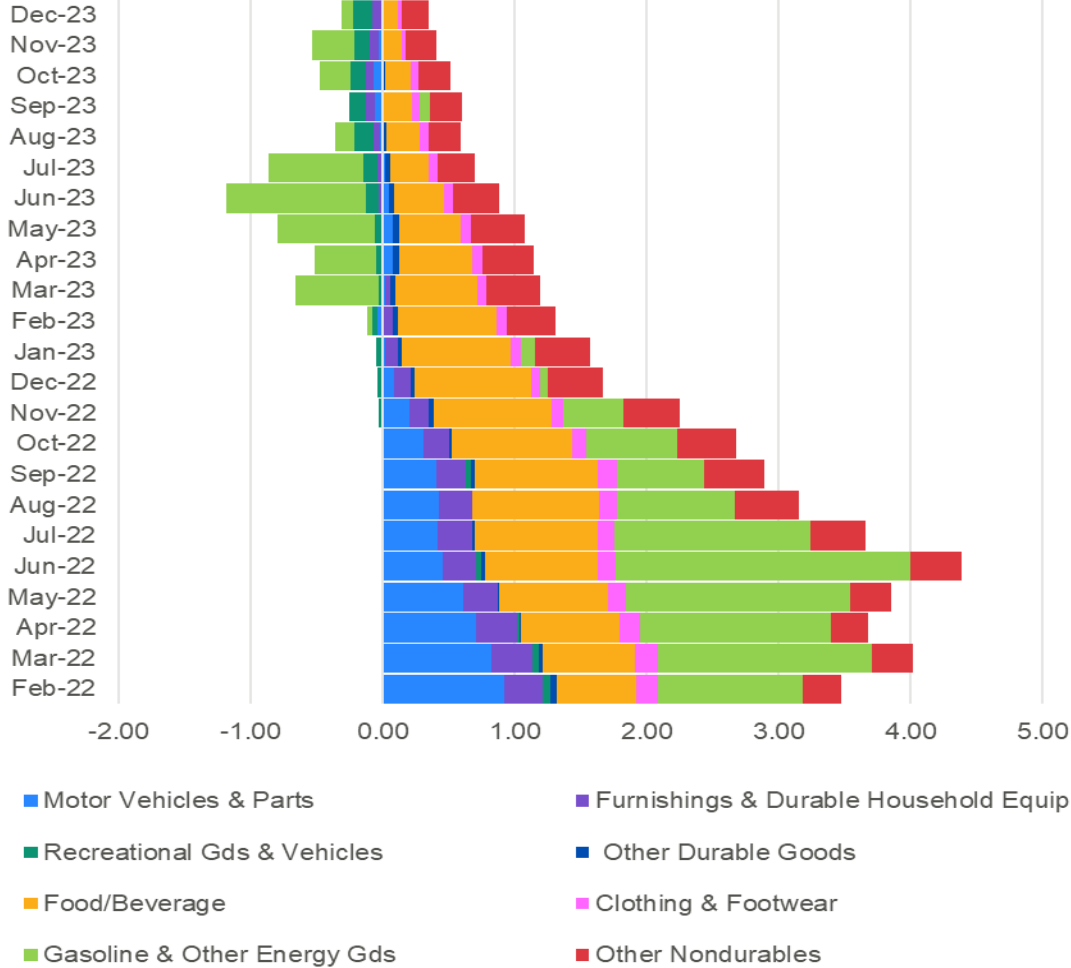


Sources: Bureau of Labor Statistics and The Conference Board.

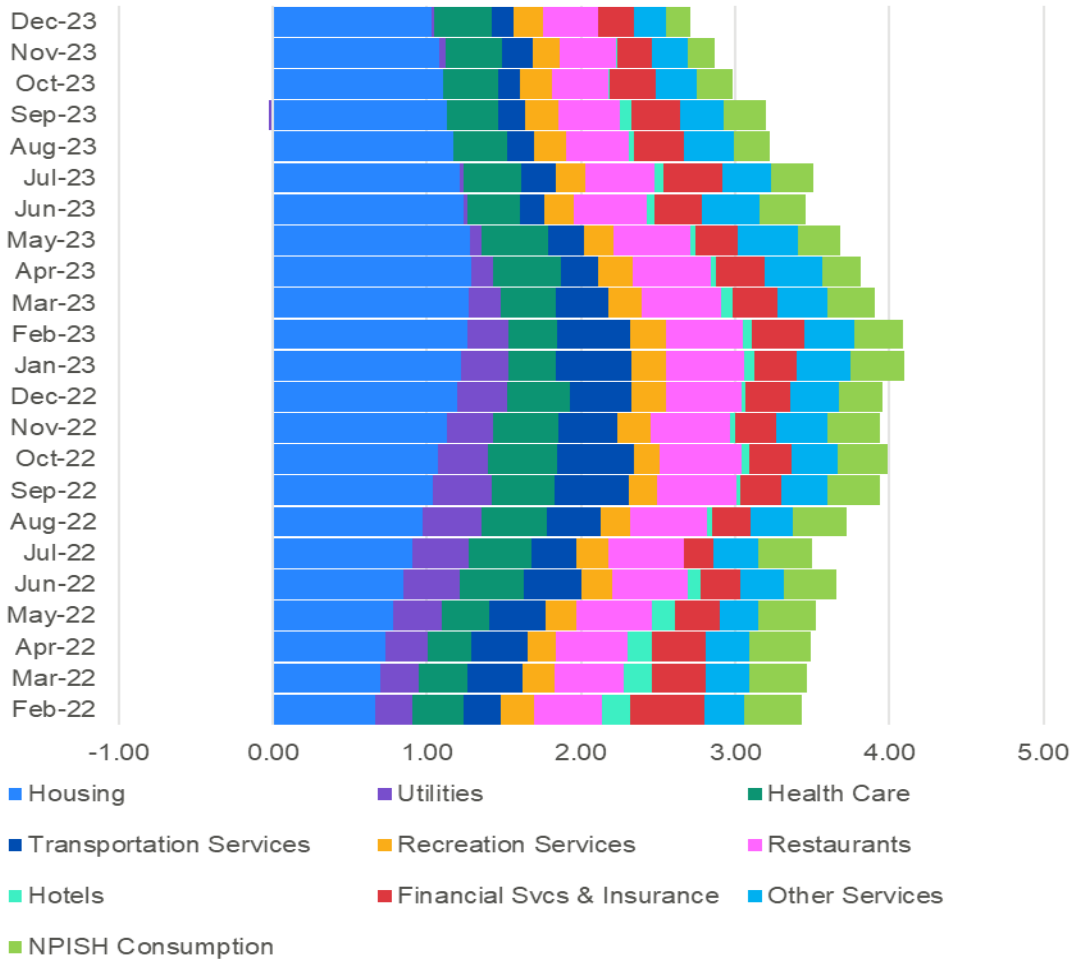


# What is Driving Inflation

US: Contributions to YoY% Change in PCE Deflator - Goods



US: Contributions to YoY% Change in PCE Deflator - Services

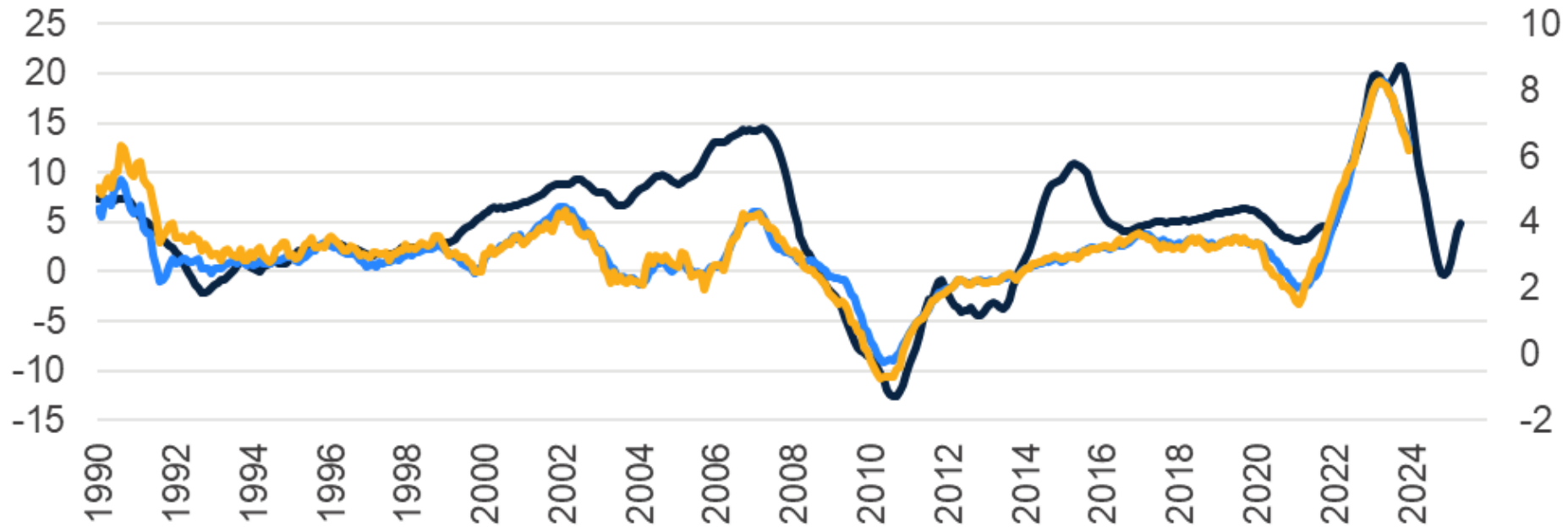


Sources: Bureau of Economic Analysis and The Conference Board.



# Housing Costs Starting to Cool

## Existing Home Prices vs. Rent Inflation



— S&P CoreLogic Case-Shiller Home Price Index: US National (18-Mo Lag, YoY%, Left)

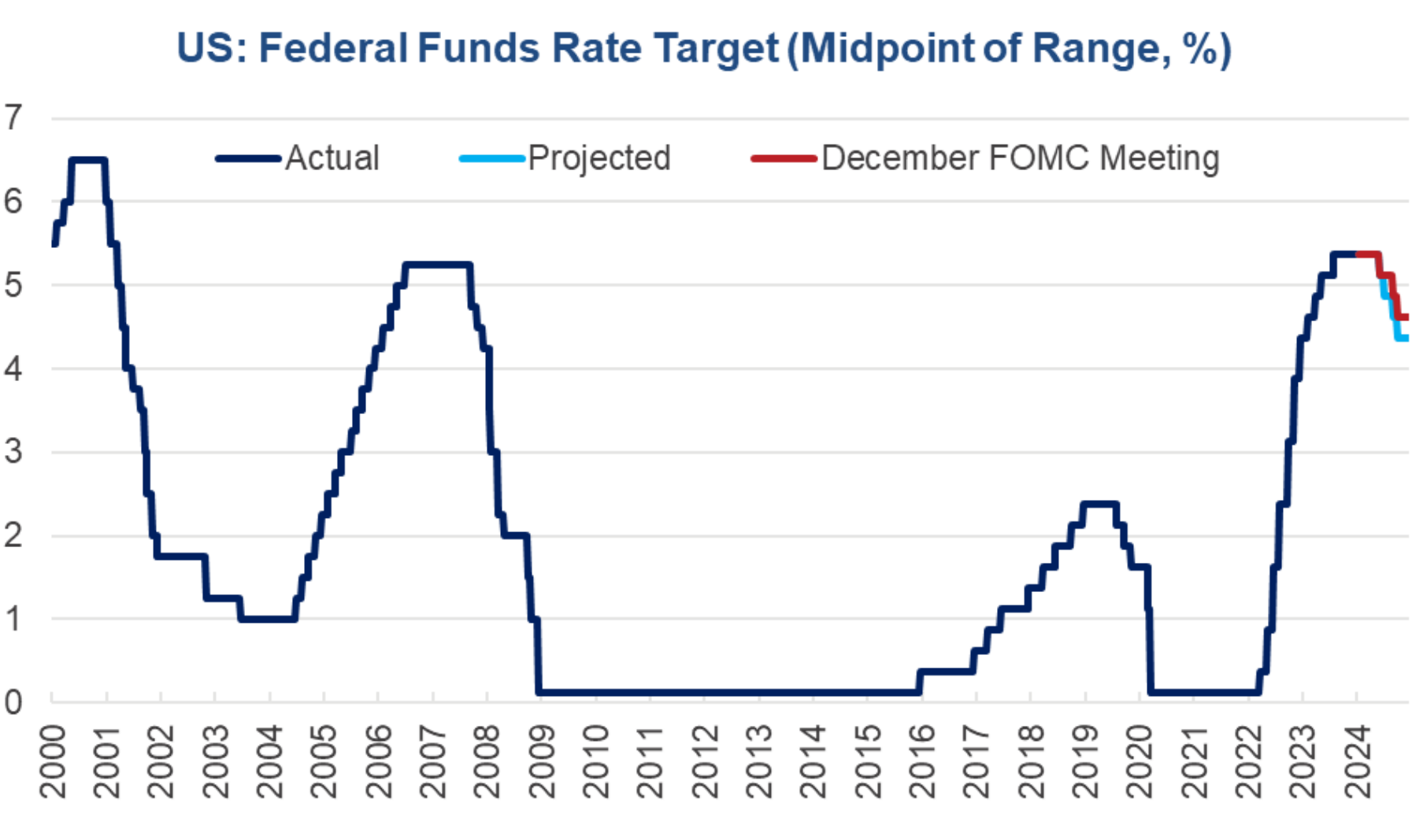
— PCE Inflation: Actual and Imputed Rents (YoY%, Right)

— CPI-U: Rent of Shelter (YoY%, Right)

Sources: S&P, Bureau of Economic Analysis, Bureau of Labor Statistics, and The Conference Board.



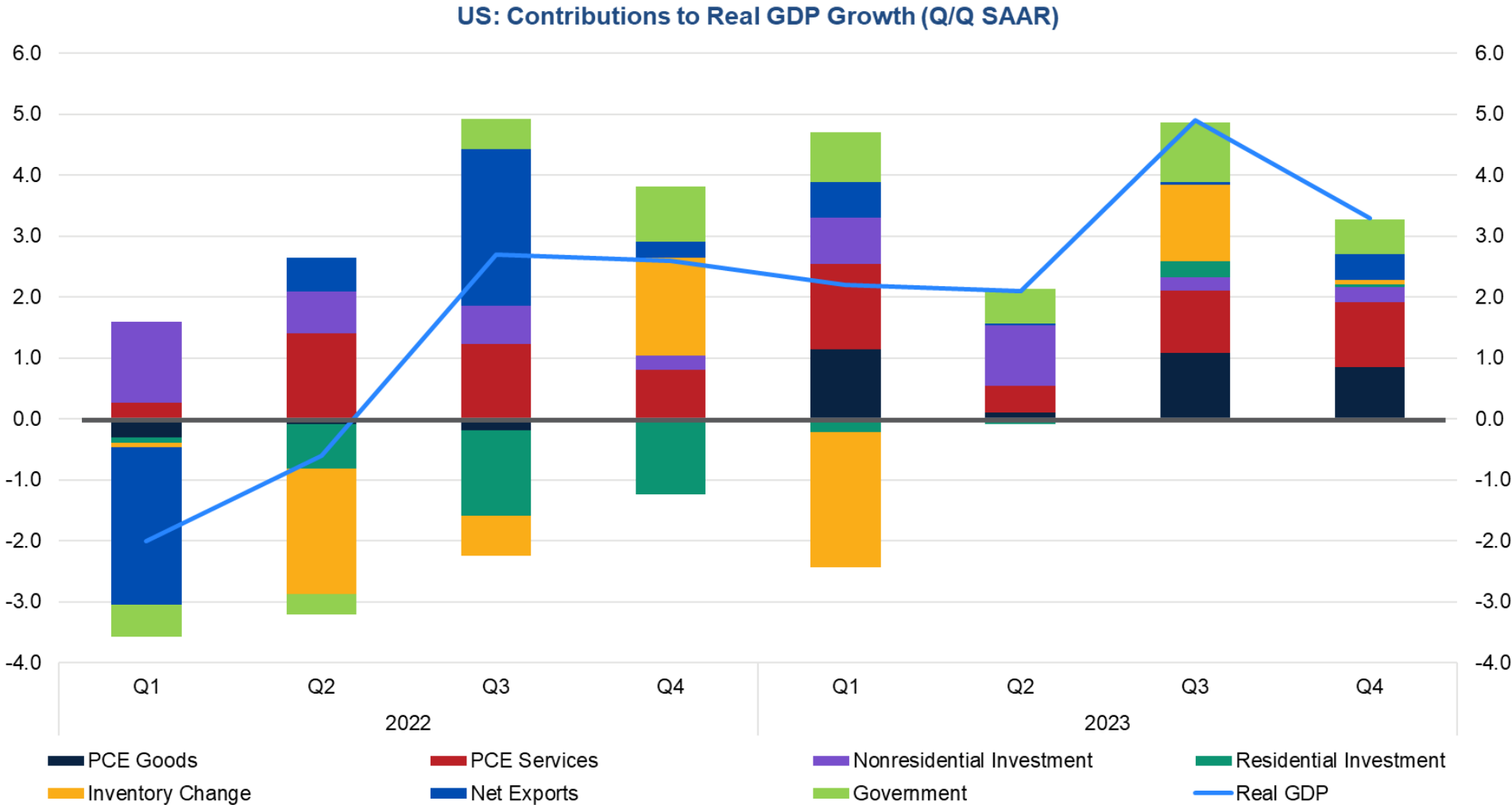
# Fed Likely On Pause Until Mid-2024



Sources: Federal Reserve Board and The Conference Board® Forecasts, January 2024



# What Have Been the Effects of Fed Tightening?



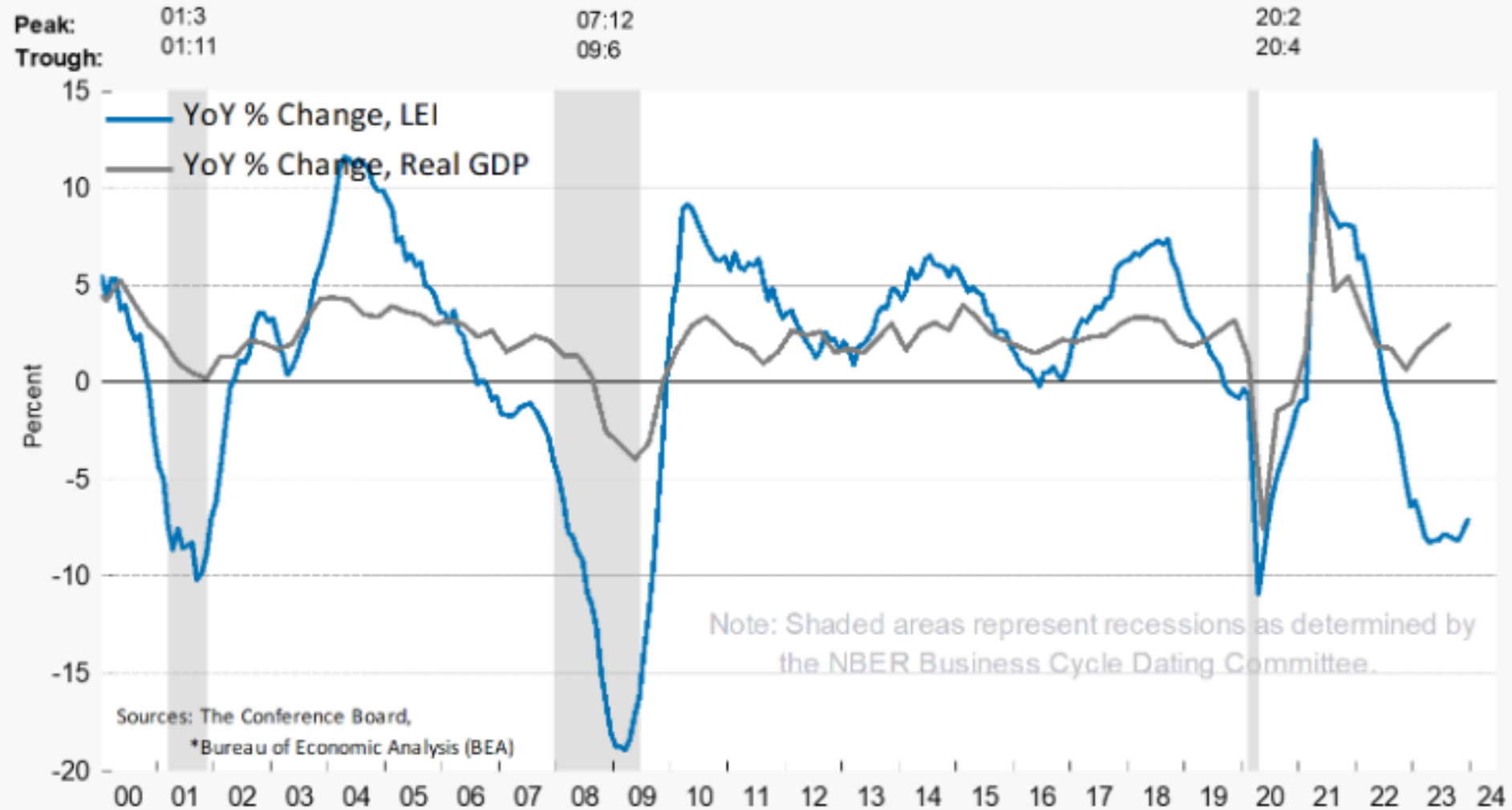
Sources: Bureau of Economic Analysis and The Conference Board.





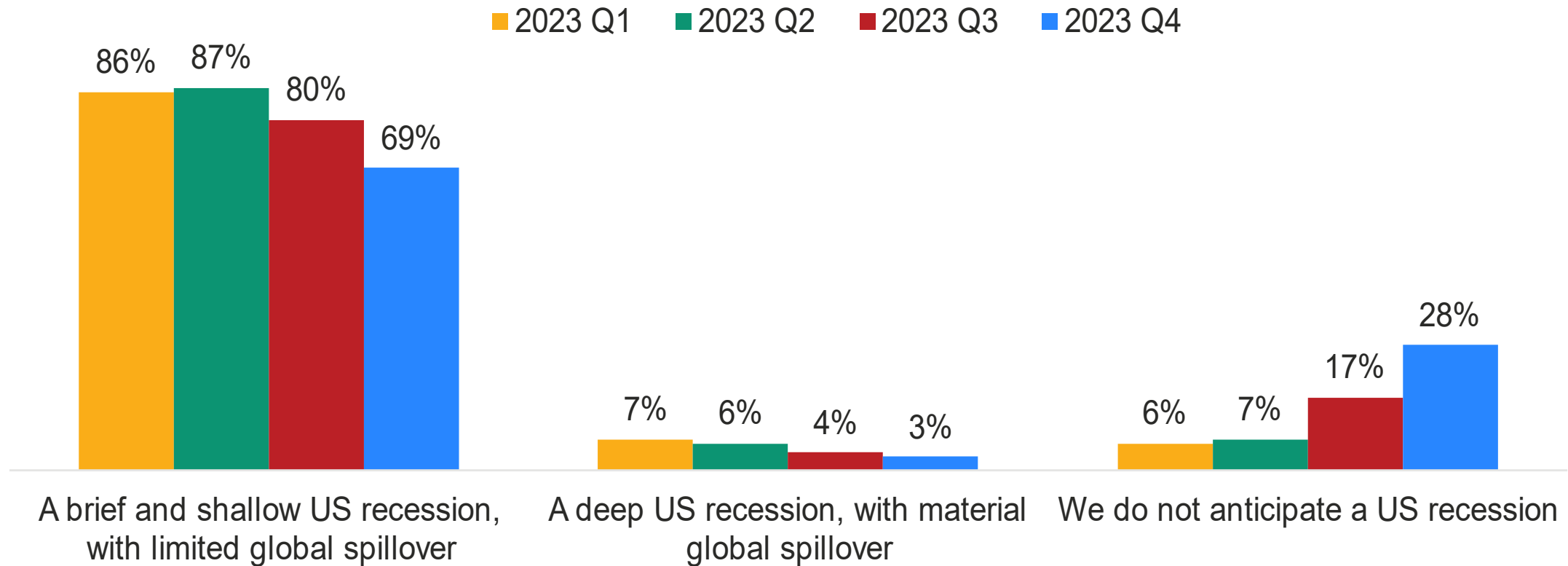
# What are recession signals? – Leading Indicators

## The annual growth rate of the LEI remains deeply negative



# CEOs of Fortune 500 Firms Expect Recession But Hold Less Conviction

Over the next 12-18 months, are you preparing for...

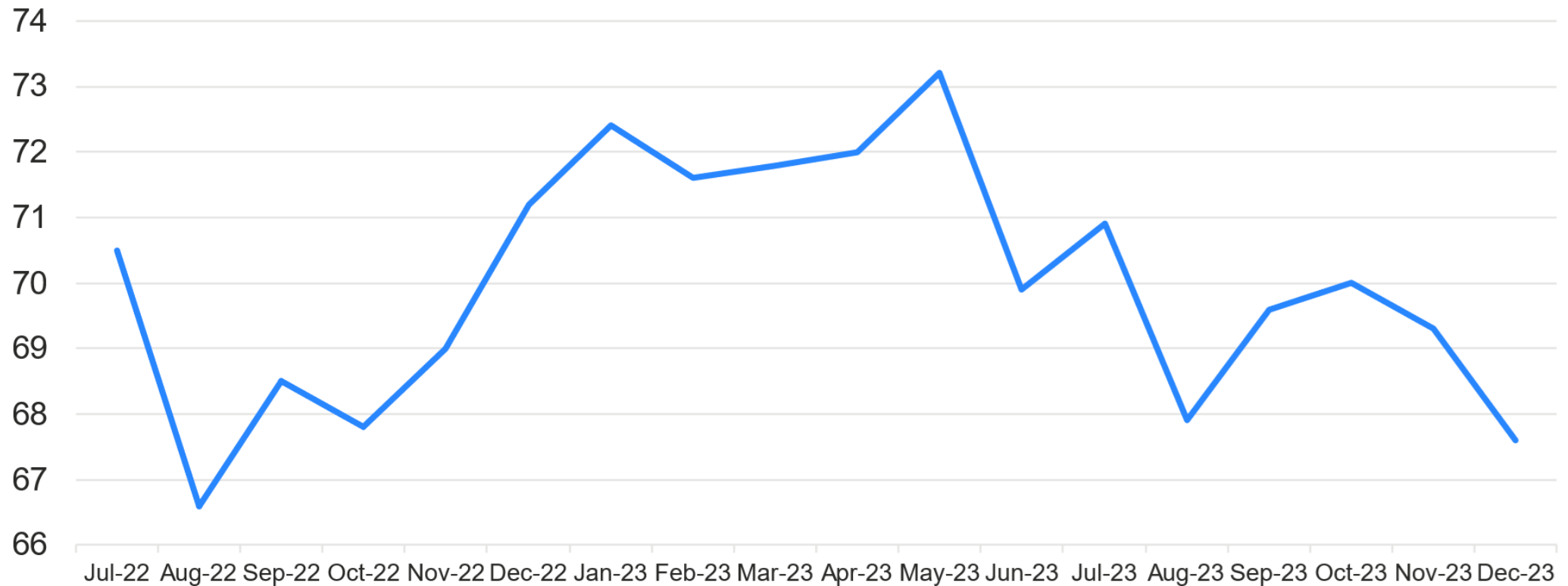


Sources: The Conference Board; The Business Council



# Consumers Also Believe Recession is Less Likely

**Perceived likelihood of a US recession over the next 12 months**  
*"Somewhat + Very Likely" (Percent)*

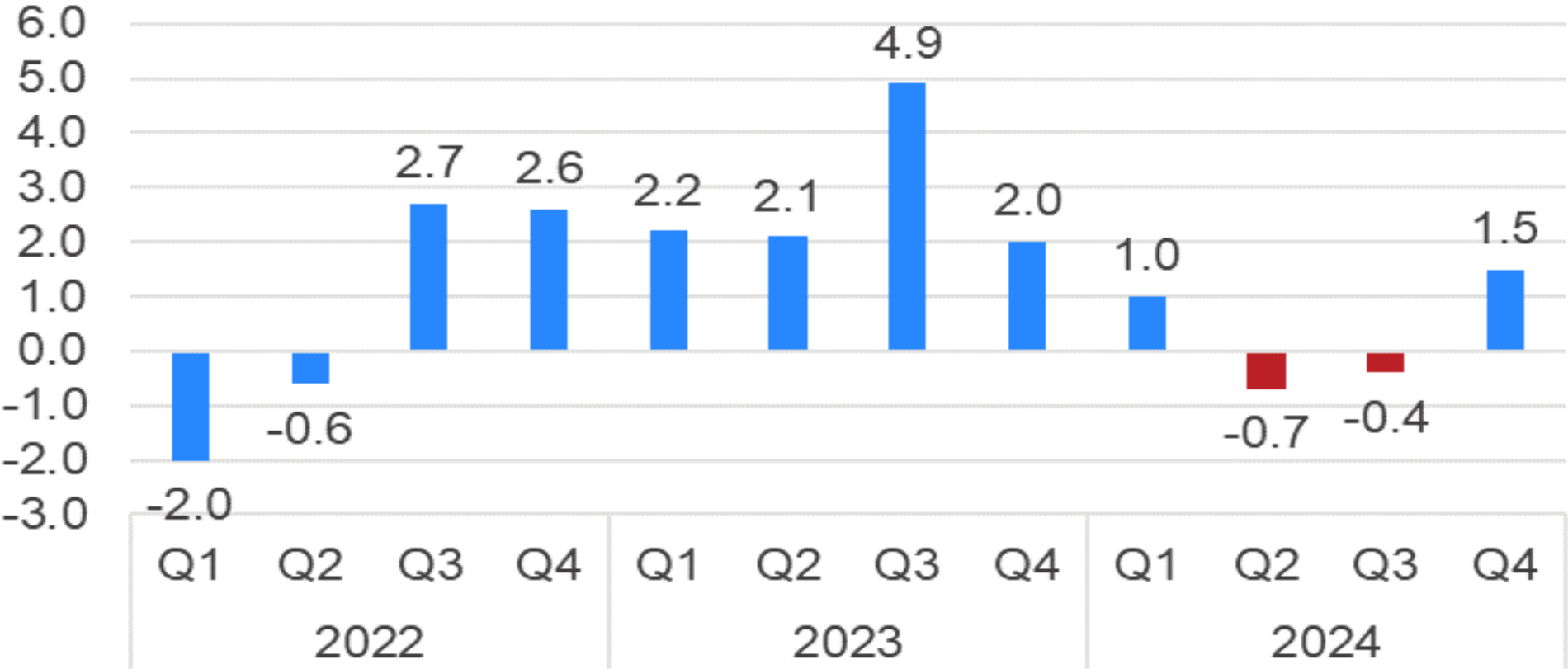


Source: The Conference Board, Consumer Confidence Survey®



# The US May Enter Short and Shallow Recession

## US - Real GDP Growth (Quarterly Annualized Percent Changes)



Sources: Bureau of Economic Analysis and The Conference Board® Forecasts, November 2023



# Which Industries May Suffer The Most During the Projected Recession?



# Which Industries Have and May Continue to Experience Layoffs

## Industry job loss risk index score

(1 = Lowest risk, 10 = Highest risk)

Very High High Medium Low Very Low

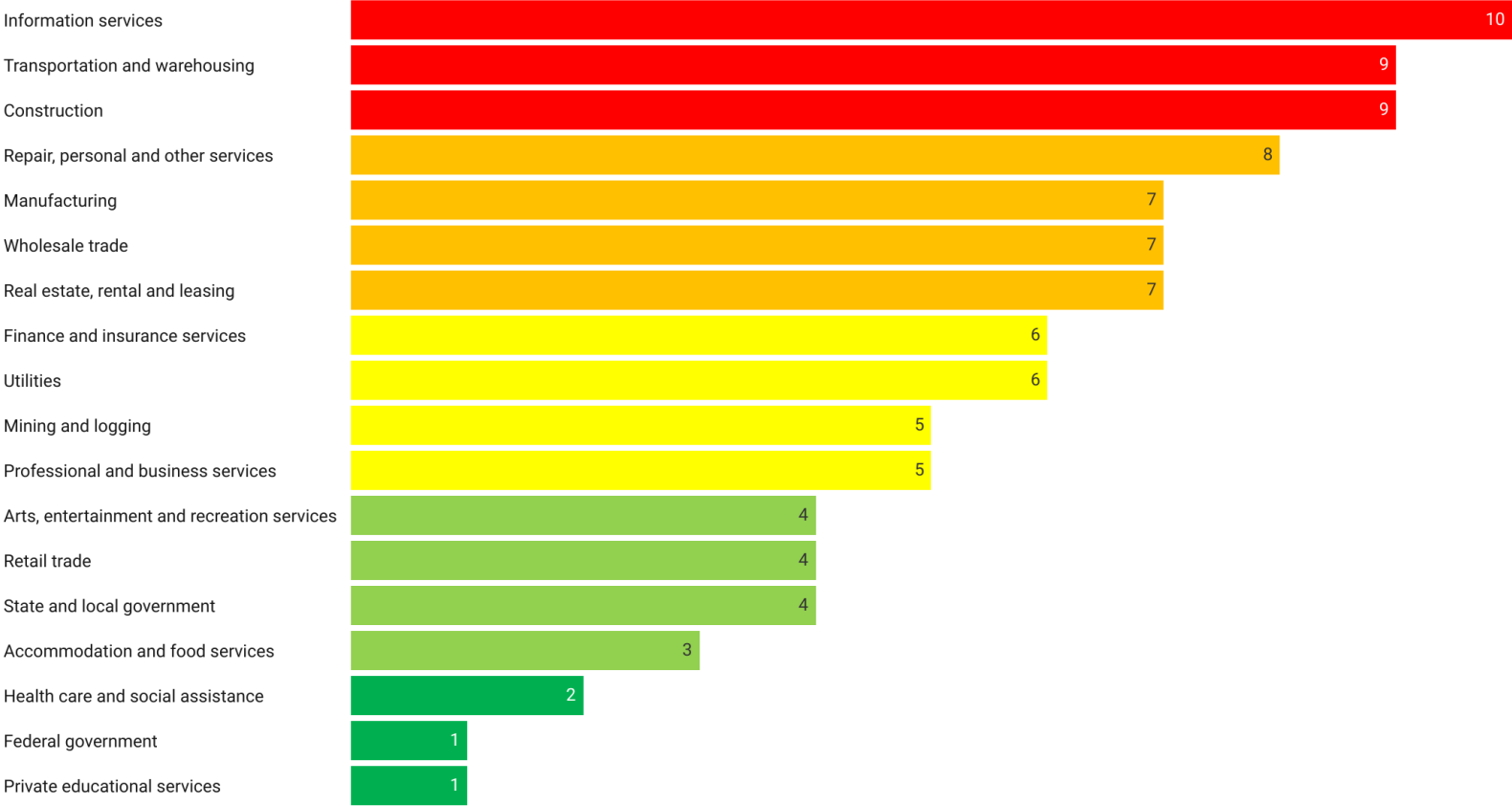
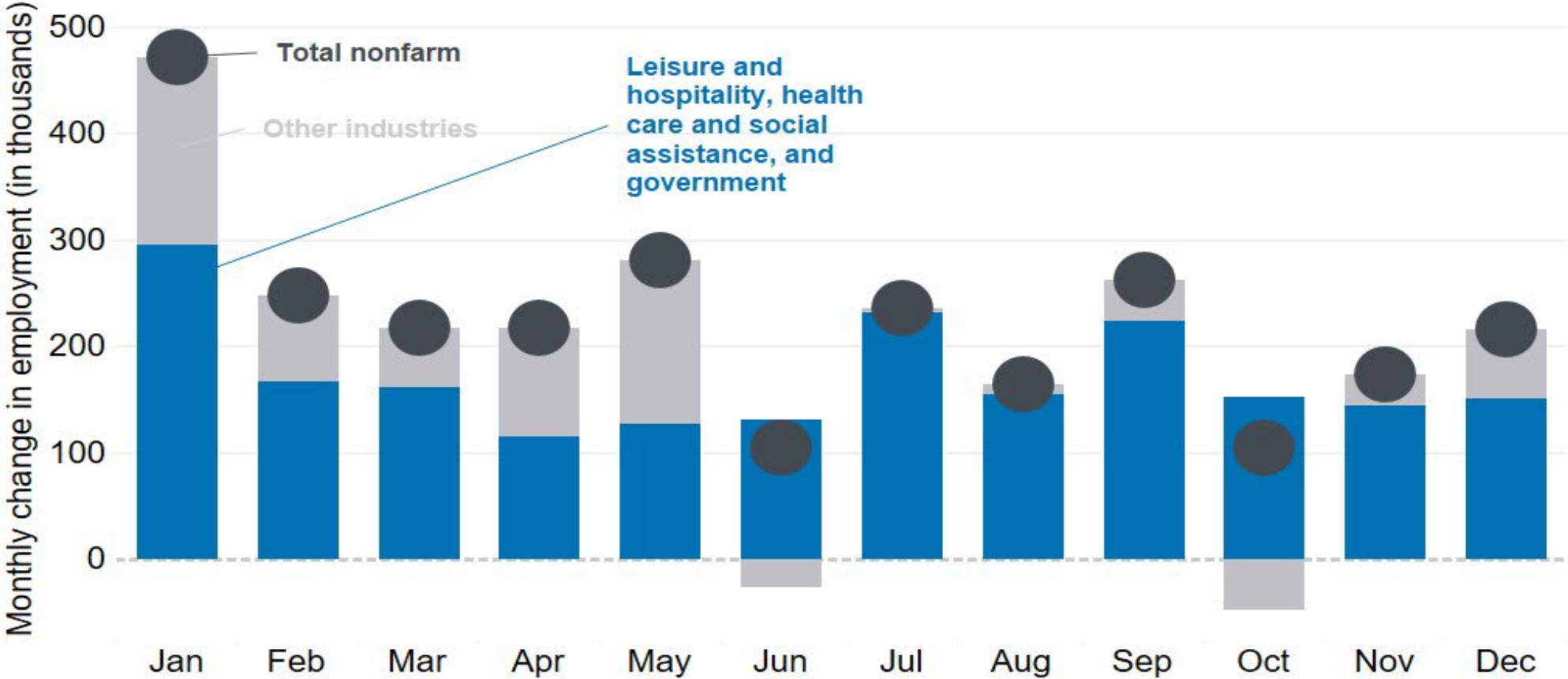


Chart: © 2023 The Conference Board, Inc. • Created with Datawrapper



# Only a Few Industries Driving Employment Gains

Monthly change in employment, leisure and hospitality, health care and social assistance, government, and other industries (in thousands)



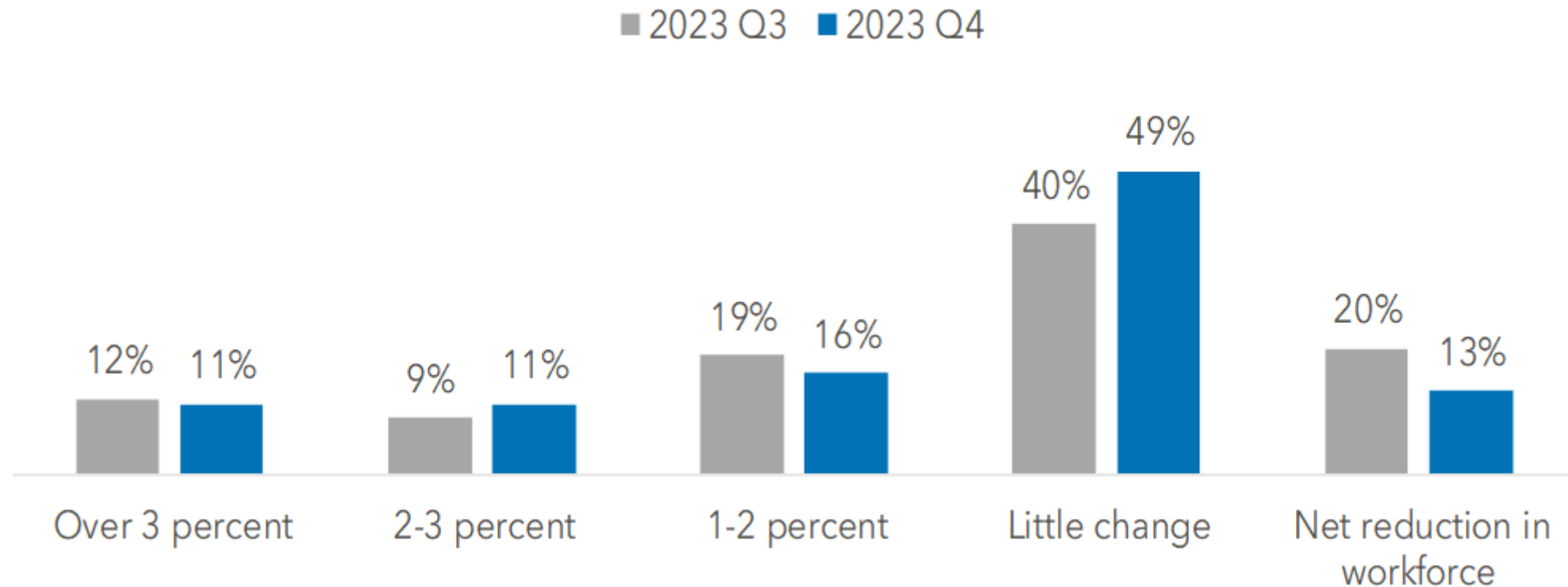
Source: US Bureau of Labor Statistics

© 2024 The Conference Board, Inc.



# Few CEOs are Shedding Workers, Most Hoarding or Hiring

Employment: Expected expansion of workforce, aside from acquisitions in the next 12 months



Note: Percentages may not add to 100 due to rounding.

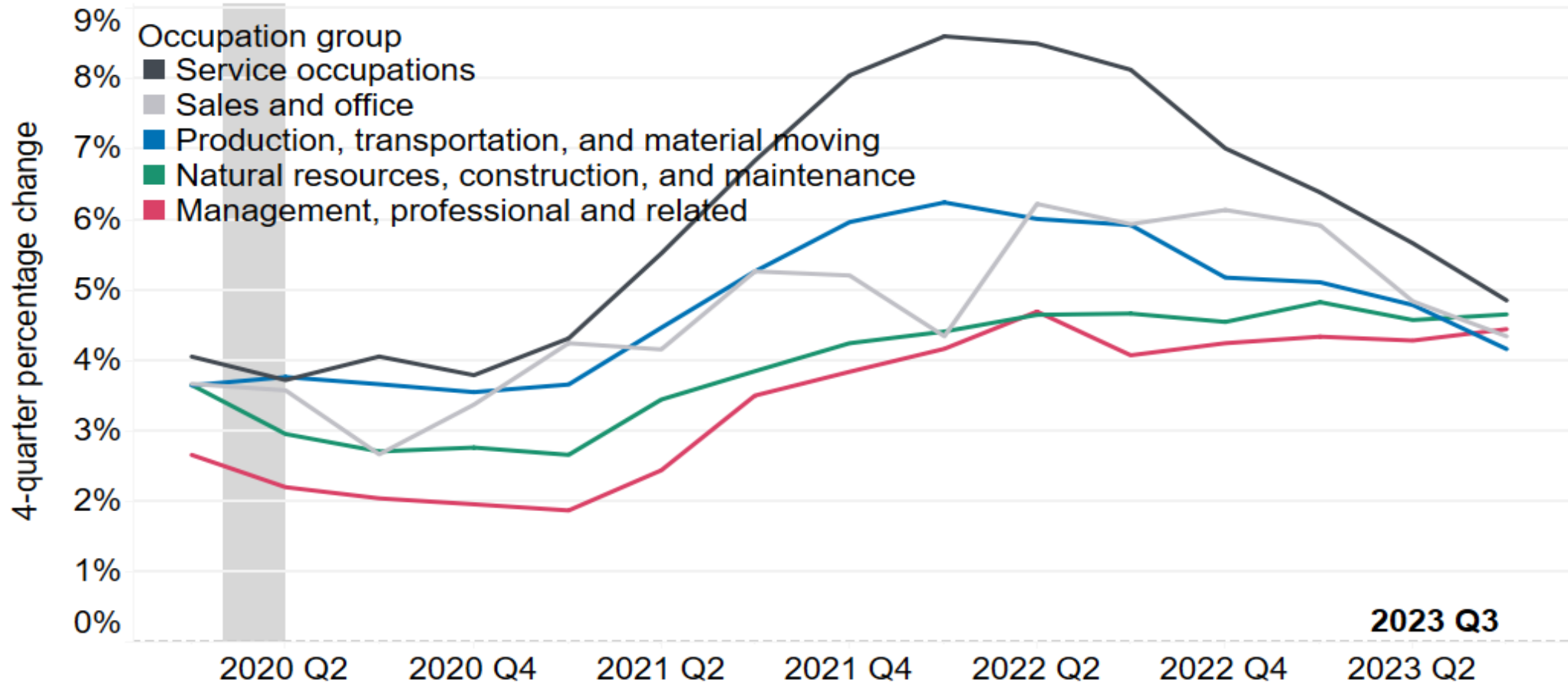
Source: The Conference Board *Measure of CEO Confidence*™ in collaboration with The Business Council





# Wages Cooling For Some Industries But Still Elevated

Employment Cost Index (private sector wages and salaries) by occupation, 4-quarter percentage change, seasonally adjusted



Note: Shaded area represents recession.

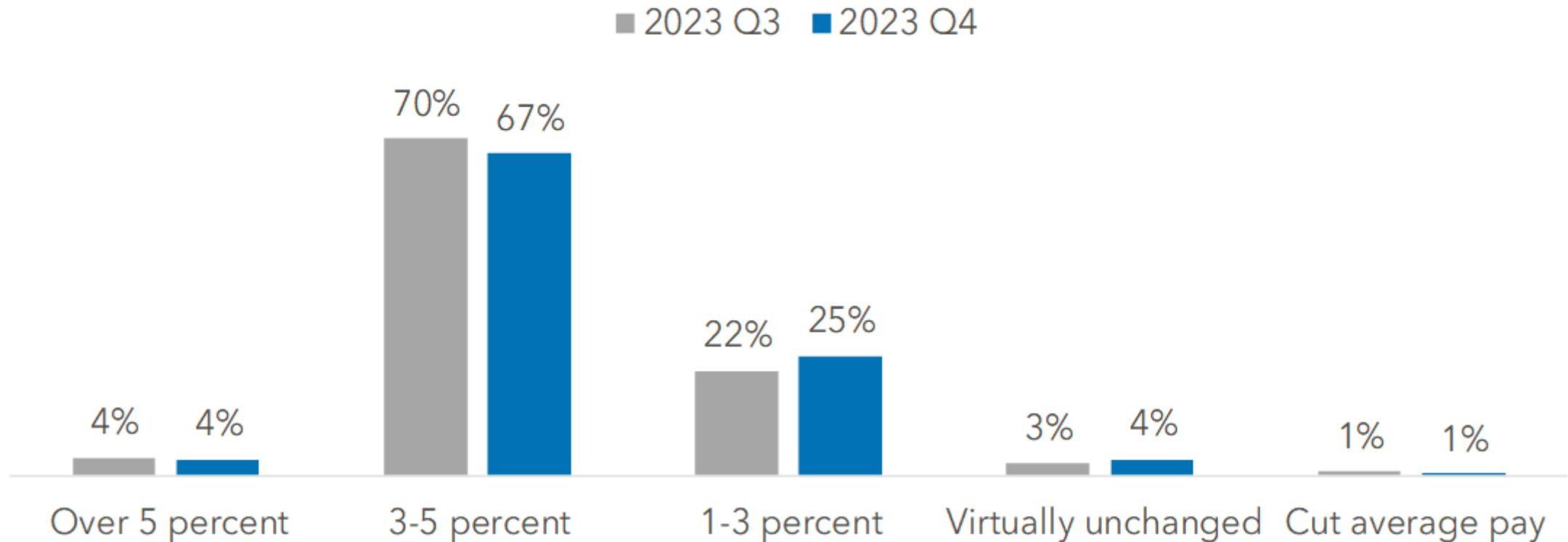
Source: US Bureau of Labor Statistics

© 2023 The Conference Board, Inc.



# CEOs Still Anticipate Significant Wage Raises

Wages: Expected increase in wages paid to employees in the next 12 months

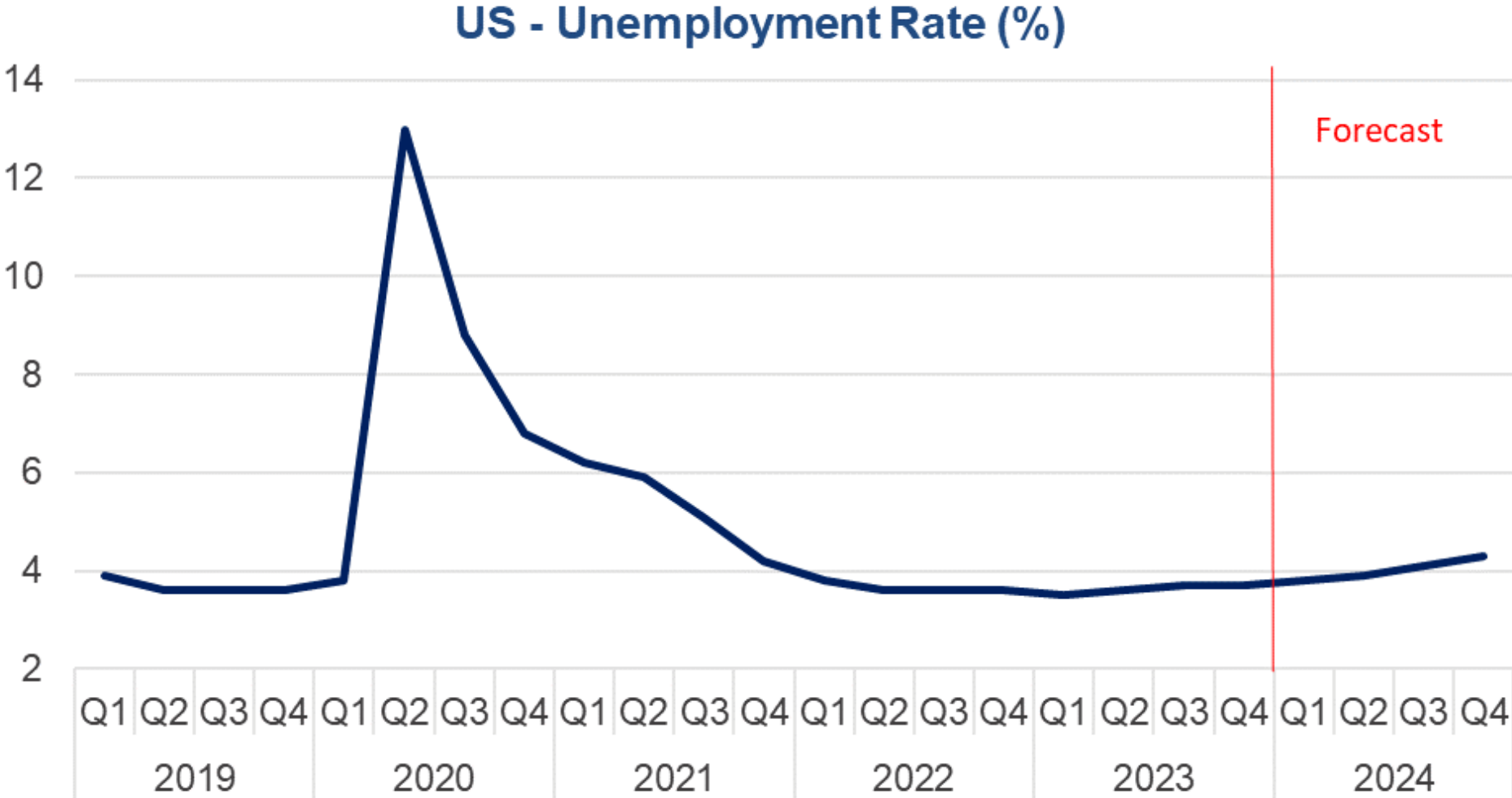


Note: Percentages may not add to 100 due to rounding.

Source: The Conference Board *Measure of CEO Confidence*™ in collaboration with The Business Council



# Labor Market to Remain Tight Due to Labor Shortages

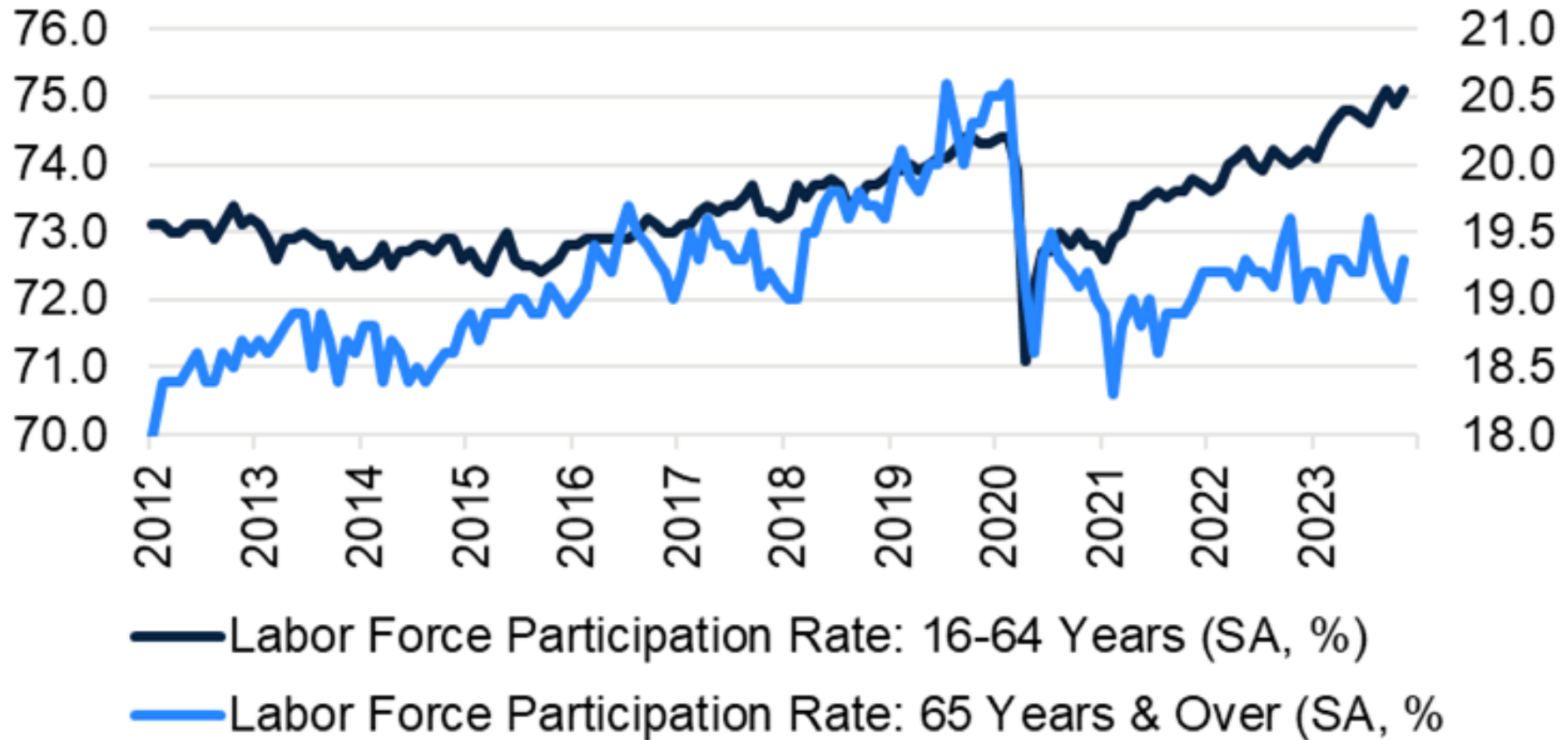


Sources: Bureau of Labor Statistics and The Conference Board® forecasts, November 2023



# Aging Demographic Capping Labor Force Participation

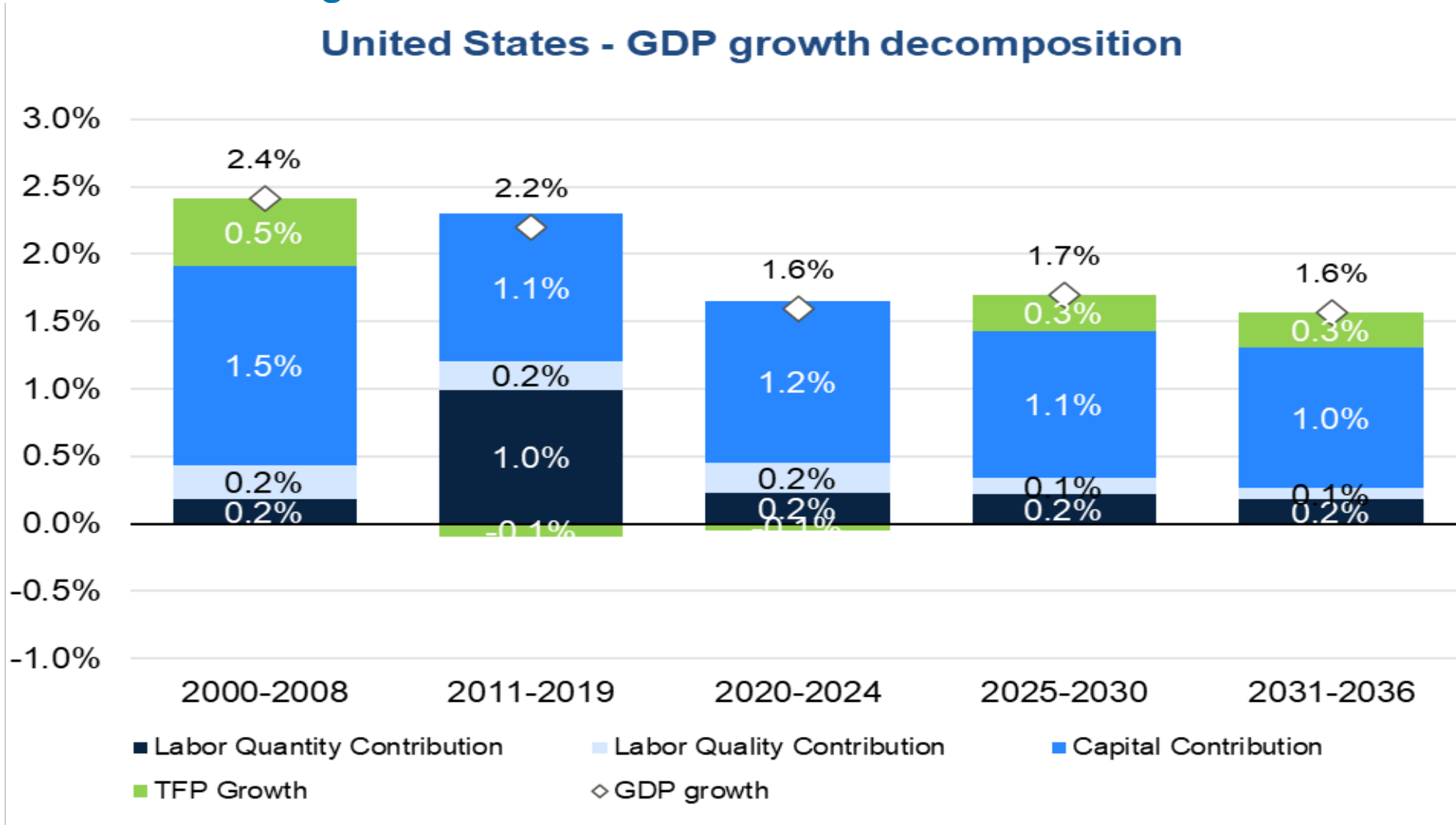
## US: Labor Force Participation Rates (Percents)



Sources: Bureau of Labor Statistics and The Conference Board.



# Contributions to Long-term US GDP Growth



Sources: The Conference Board.



# Risks to the Outlook

- Downside

- ✓ Upward inflation pressure; higher interest rates compared to past
  - ✓ Labor Shortages
  - ✓ Deglobalization
  - ✓ Energy transition
  - ✓ Housing supply
- ✓ More financial crises related to tight monetary policy
  - ✓ Banking Crisis Redux
- ✓ Greater sovereign debt risk
- ✓ Geopolitical uncertainties (Russia/Ukraine, China vs. US, MENA, BRICS expansion, Israel-Hamas war)

- Upside

- ✓ Peaceful end of wars in Ukraine, Gaza
- ✓ Significant productivity gains from past investments in R&D, automation, infrastructure, digital transformation, and human capital
- ✓ Potential breakthroughs in technological advancements that enhance production, profits, and livelihoods
- ✓ Lower inflation due to slower global growth but also technological advancements

Sources: The Conference Board.



# Appendix

# Labor Shortages



# What Is Driving Labor Shortages?

Labor Supply

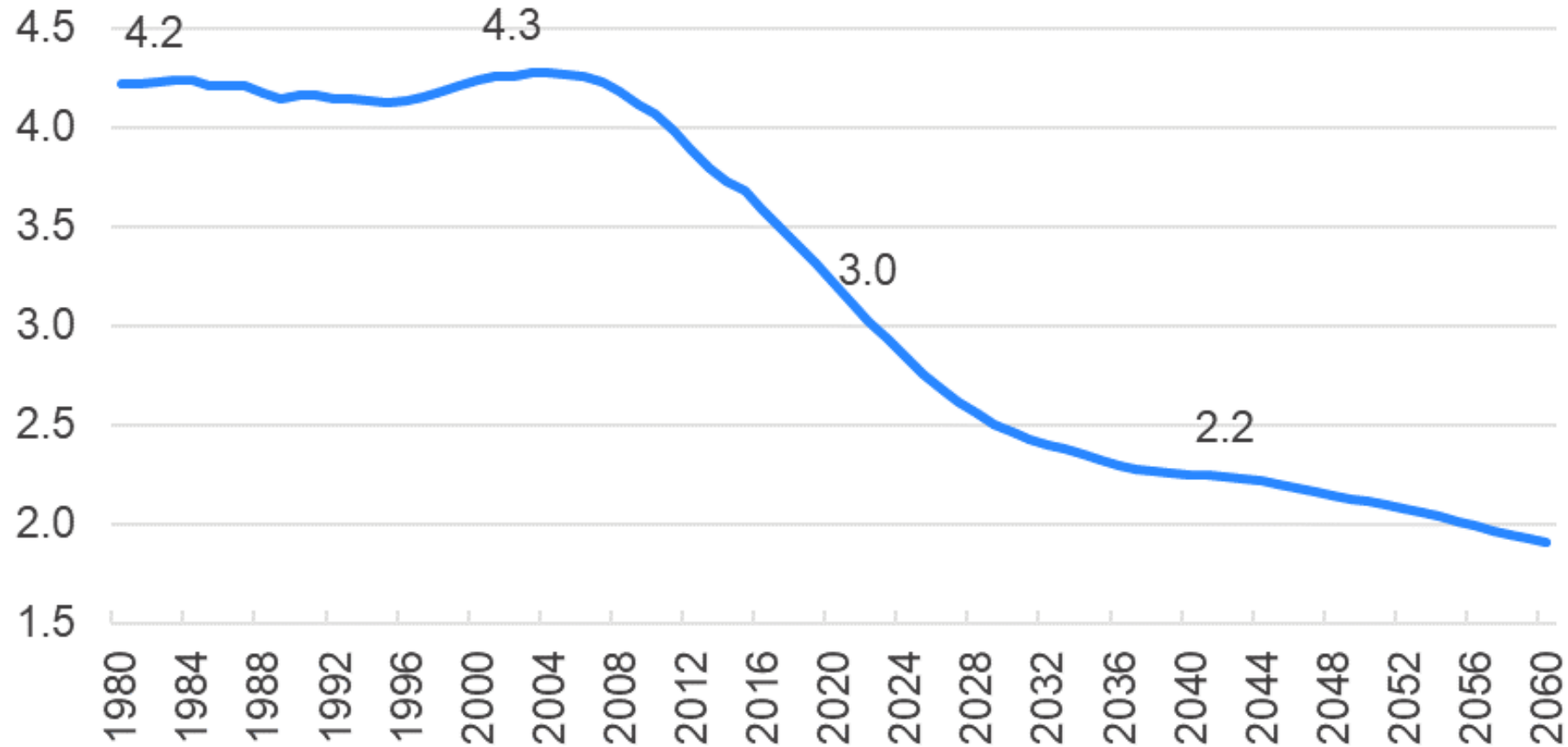
- Pandemic Era
  - ✓ COVID-19 fear factor, morbidity
  - ✓ Pre-existing conditions
  - ✓ Travel bans on foreign workers
  - ✓ Built-up savings
  - ✓ Vaccine mandates
  - ✓ Past fiscal policies
  - ✓ Great Resignation/Great Reset (US)
  - ✓ Excess retirements
- Post-Pandemic Era
  - ✓ Long-COVID
  - ✓ Child and adult care challenges
  - ✓ Aging populations
  - ✓ Skills mismatches
  - ✓ Low wages
  - ✓ Tight job requirements
  - ✓ Strict immigration policies
  - ✓ Fewer multiple job holders

Source: The Conference Board.



# Labor Shortages Likely to Worsen

## US: Ratio of Working-Aged Persons (Ages 25-64) to Retired persons (Ages 65+): Number of Persons



Sources: US Census Bureau and The Conference Board.



# Labor Shortages: Solutions

Corporations

- Solutions for Addressing Labor Shortages
  - ✓ Higher Wages
  - ✓ More Benefits
  - ✓ Remote Work
  - ✓ Outsourcing
  - ✓ Paid Leave
  - ✓ Subsidized Childcare
  - ✓ Automation
  - ✓ Flexible Hours/Work Arrangements
  - ✓ Upskilling & Training
  - ✓ Advertising wage, benefits
  - ✓ Lower education/skills requirements
  - ✓ Marginalized/Unconventional workers
  - ✓ Recognition/incentives
  - ✓ Job sharing

Policy

- ✓ Immigration
- ✓ Higher Birth Rates
- ✓ Encouraging later retirement
- ✓ Licensing reform
- ✓ Disability designation reform

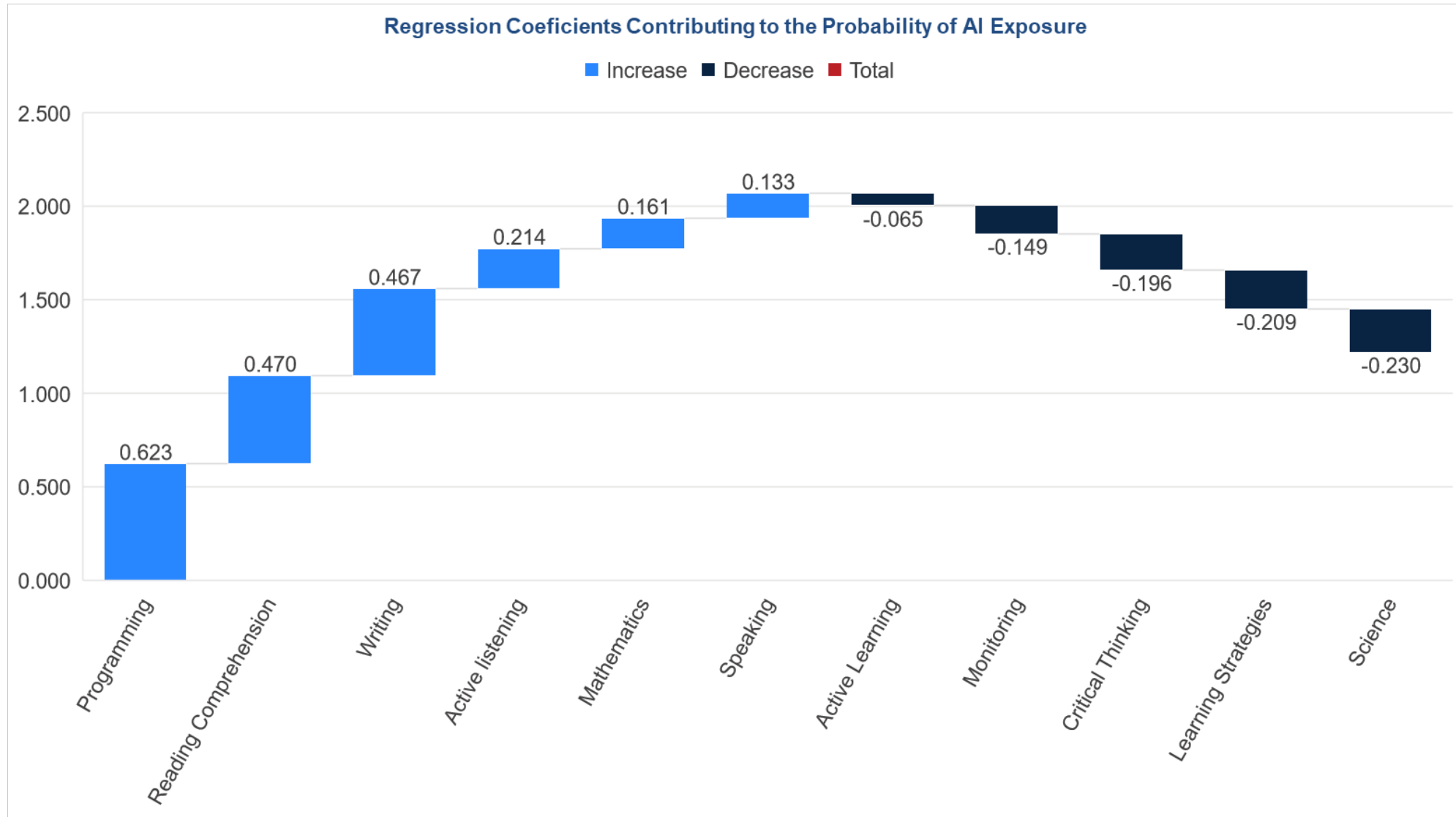


Sources: The Conference Board.



AI

# What Skillsets Are Most Exposed to AI

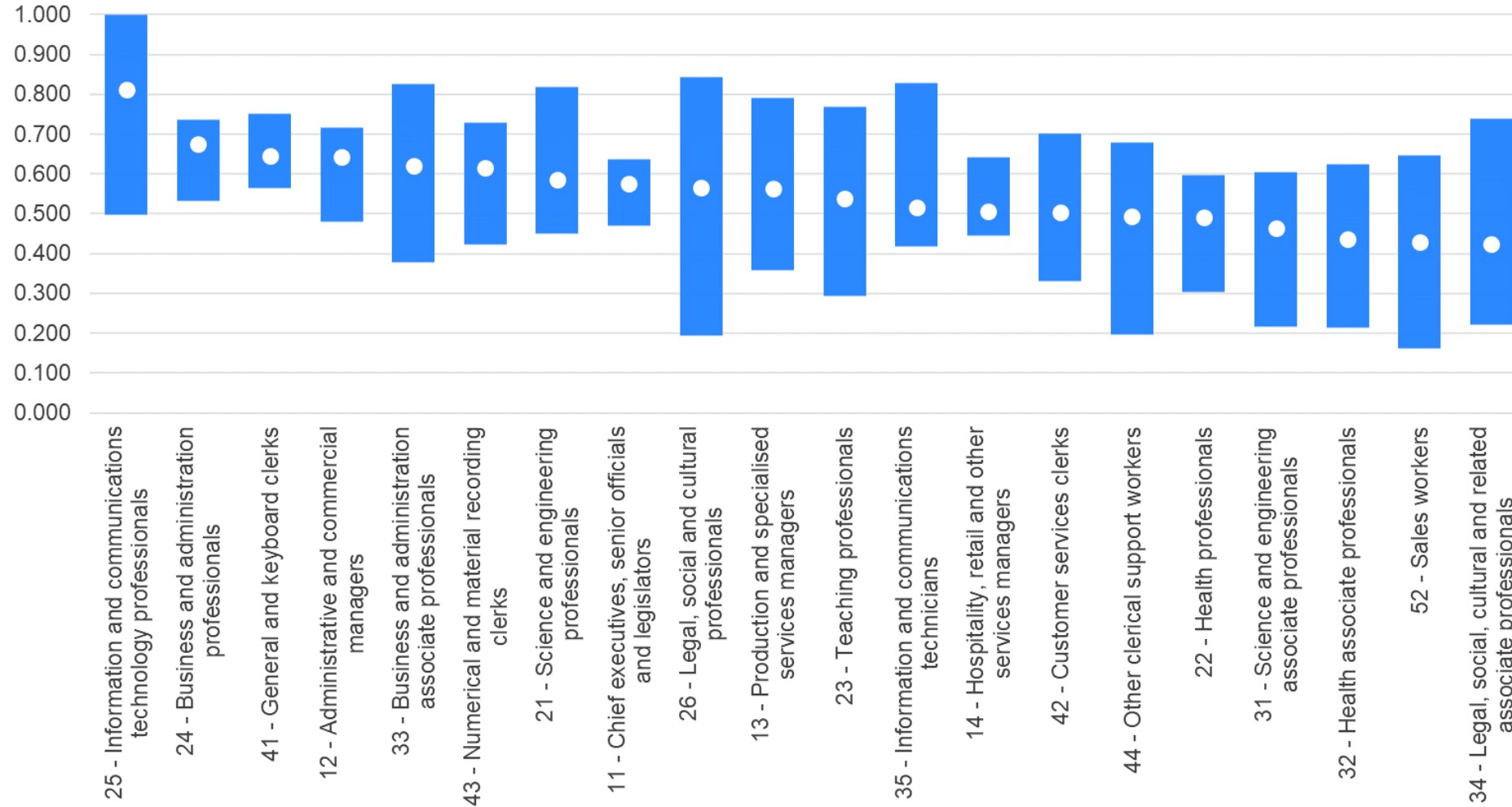


Sources: OpenAi, OpenResearch, University of Pennsylvania, and The Conference Board.



# Which Occupations Will Be Most Affected by AI?

Probability of Enhancement or Replacement of Occupation Group by AI:  
Median (Dot) and Range (Bar) (Probability 0 to 1)

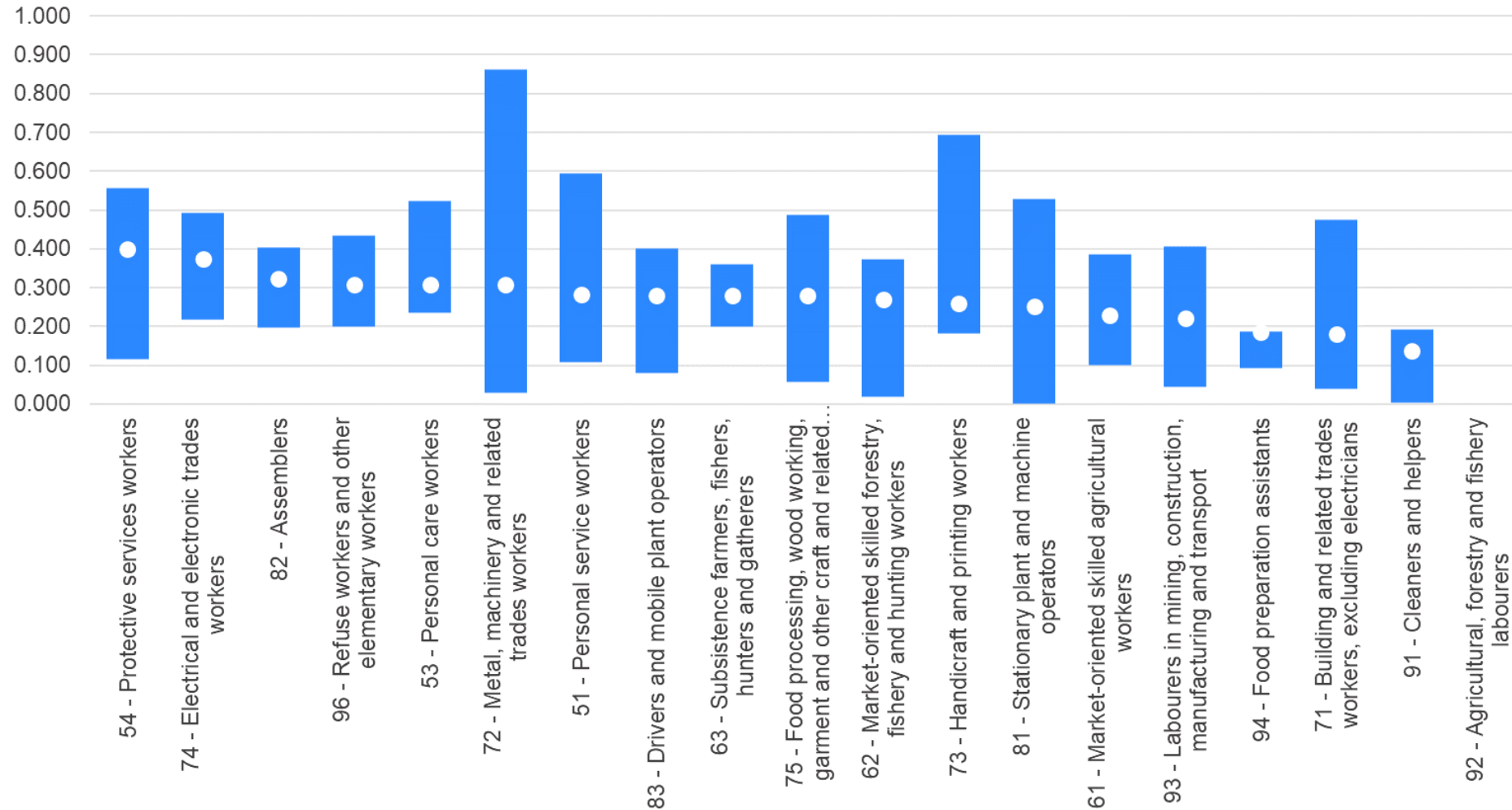


Source: The Conference Board.



# Which Occupations Will Be Most Affected by AI?

Probability of Enhancement or Replacement of Occupation Group by AI:  
Median (Dot) and Range (Bar) (Probability 0 to 1)

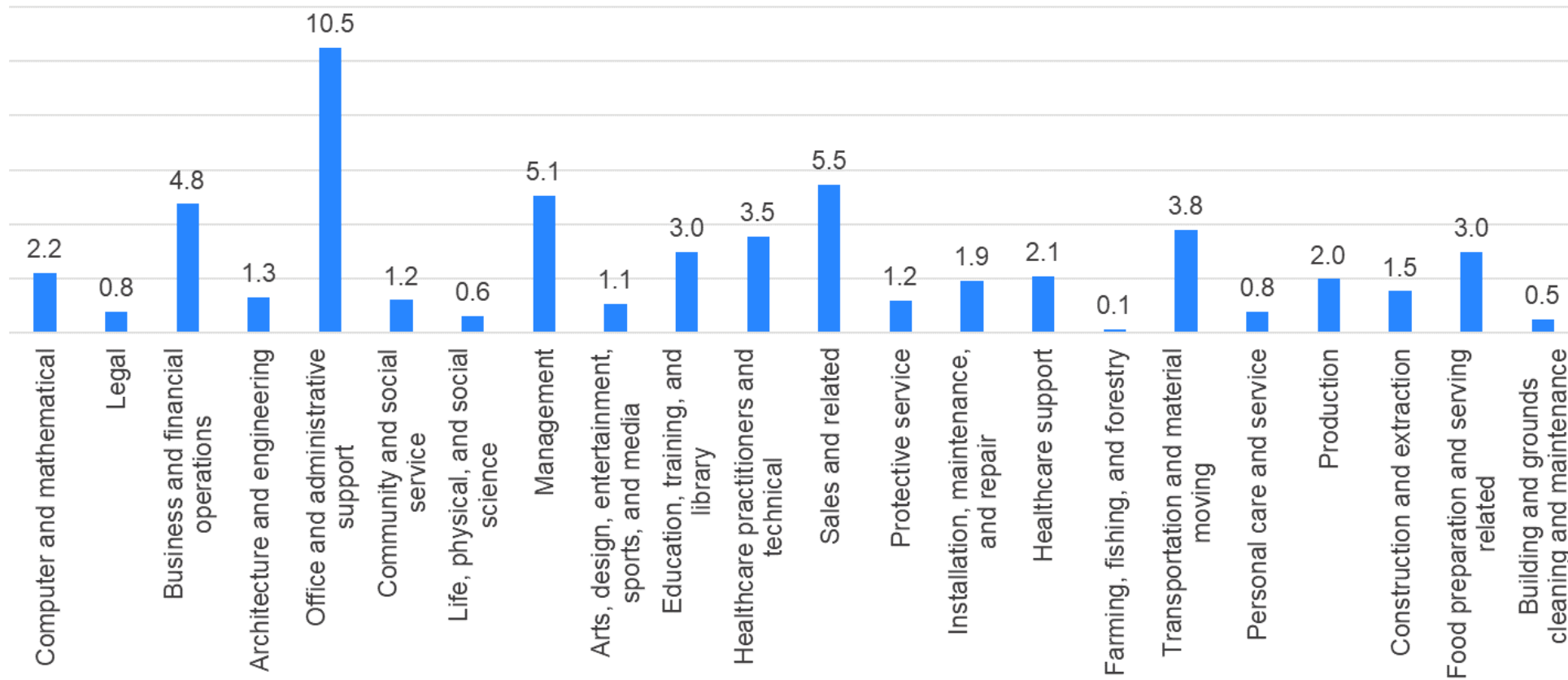


Source: The Conference Board.



# How Many US Workers May be Affected by AI?

US - Number of Employed Persons at Risk of Job Enhancement or Displacement by AI: Industries (Millions)



Sources: BLS and The Conference Board.





# The Conference Board



CED / Public Policy



Economy, Strategy & Finance



Environment, Social & Governance



Human Capital



Marketing & Communications



## Economy, Strategy & Finance (ESF) Center



**Dana Peterson**  
Center Leader, EVP & Global Chief Economist  
[dana.peterson@conference-board.org](mailto:dana.peterson@conference-board.org)  
+1 212 339 0352



**Regine Medor**  
Member Engagement Director  
[Regine.Medor@conference-board.org](mailto:Regine.Medor@conference-board.org)  
+1 737 249 0688



**Vincent Vacanti**  
Member Engagement Associate  
[Vincent.Vacanti@conference-board.org](mailto:Vincent.Vacanti@conference-board.org)  
+1 212 339 0493

