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.
Series of Shocks Driving Global Inflation From 2020 to 2023

- **Pandemic**
  - Global shutdown
  - Energy volatility
  - Supply chain disruptions

- **War in Ukraine**
  - Humanitarian crisis
  - Embargos
  - Supply chain disruptions
    - Energy
    - Food
    - Metals, rare earths
    - Chemicals, fertilizers

- **Inflation**
  - Commodities
  - Transportation
  - Goods
  - Housing
  - Natural Disasters
  - Disease
  - Services
  - Wages

- **Recessions**
  - Monetary policy tightening
  - Short
  - Shallow

Source: The Conference Board.
Inflation Slowing Towards Fed’s 2-Percent Target

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

What is Driving Inflation

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

- Motor Vehicles & Parts
- Furnishings & Durable Household Equip
- Recreational Gds & Vehicles
- Other Durable Goods
- Food/Beverage
- Clothing & Footwear
- Gasoline & Other Energy Gds
- Other Nondurables

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

- Housing
- Utilities
- Transportation Services
- Recreation Services
- Health Care
- Restaurants
- Hotels
- Financial Svcs & Insurance
- Other Services
- NPI/SH Consumption

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)

Fed Likely On Pause Until Mid-2024

US: Federal Funds Rate Target (Midpoint of Range, %)

Sources: Federal Reserve Board and The Conference Board® Forecasts, January 2024
What Have Been the Effects of Fed Tightening?

US: Contributions to Real GDP Growth (Q/Q SAAR)

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

Note: Shaded areas represent recessions as determined by the NBER Business Cycle Dating Committee.
CEOs of Fortune 500 Firms Expect Recession But Hold Less Conviction

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

- A brief and shallow US recession, with limited global spillover: 86% (Q1), 87% (Q2), 80% (Q3), 69% (Q4)
- A deep US recession, with material global spillover: 7% (Q1), 6% (Q2), 4% (Q3), 3% (Q4)
- We do not anticipate a US recession: 6% (Q1), 7% (Q2), 17% (Q3), 28% (Q4)

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)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>-2.0</td>
<td>4.9</td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>-0.6</td>
<td>2.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Q3</td>
<td>2.7</td>
<td>2.6</td>
<td>-0.7</td>
</tr>
<tr>
<td>Q4</td>
<td>2.2</td>
<td>2.1</td>
<td>-0.4</td>
</tr>
</tbody>
</table>

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

- **Information services**: Very High (10)
- **Transportation and warehousing**: High (9)
- **Construction**: High (9)
- **Repair, personal and other services**: Medium (8)
- **Manufacturing**: Medium (7)
- **Wholesale trade**: Medium (7)
- **Real estate, rental and leasing**: Medium (7)
- **Finance and insurance services**: Low (6)
- **Utilities**: Low (6)
- **Mining and logging**: Very Low (5)
- **Professional and business services**: Very Low (5)
- **Arts, entertainment and recreation services**: Low (4)
- **Retail trade**: Low (4)
- **State and local government**: Low (4)
- **Accommodation and food services**: Medium (3)
- **Health care and social assistance**: Medium (2)
- **Federal government**: Very Low (1)
- **Private educational services**: Very Low (1)

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)


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Few CEOs are Shedding Workers, Most Hoarding or Hiring

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

- Over 3 percent: 12% (Q3), 11% (Q4)
- 2-3 percent: 9% (Q3), 11% (Q4)
- 1-2 percent: 19% (Q3), 16% (Q4)
- Little change: 40% (Q3), 49% (Q4)
- Net reduction in workforce: 20% (Q3), 13% (Q4)

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.
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CEOs Still Anticipate Significant Wage Raises

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

- 70% of CEOs expect a 3-5% increase in wages in Q3 2023.
- 67% expect a similar increase in Q4 2023.

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

US - Unemployment Rate (%)

Sources: Bureau of Labor Statistics and The Conference Board® forecasts, November 2023
Aging Demographic Capping Labor Force Participation

US: Labor Force Participation Rates (Percents)

Contributions to Long-term US GDP Growth

United States - GDP growth decomposition

<table>
<thead>
<tr>
<th>Period</th>
<th>GDP Growth</th>
<th>Labor Quantity</th>
<th>Labor Quality</th>
<th>Capital</th>
<th>TFP Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000-2008</td>
<td>2.4%</td>
<td>1.5%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2011-2019</td>
<td>2.2%</td>
<td>1.0%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>2020-2024</td>
<td>1.6%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2025-2030</td>
<td>1.7%</td>
<td>0.1%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.0%</td>
</tr>
<tr>
<td>2031-2036</td>
<td>1.6%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.2%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

Sources: The Conference Board.
Risks to the Outlook

• Downsides
  ✓ 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)

• Upsides
  ✓ 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?

• 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

- 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.
What Skillsets Are Most Exposed to AI

Regression Coefficients Contributing to the Probability of AI Exposure

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?

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)

<table>
<thead>
<tr>
<th>Industry</th>
<th>Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer and mathematical</td>
<td>2.2</td>
</tr>
<tr>
<td>Legal</td>
<td>0.8</td>
</tr>
<tr>
<td>Business and financial operations</td>
<td>4.8</td>
</tr>
<tr>
<td>Architecture and engineering support</td>
<td>1.3</td>
</tr>
<tr>
<td>Office and administrative support</td>
<td>1.2</td>
</tr>
<tr>
<td>Community and social service</td>
<td>0.6</td>
</tr>
<tr>
<td>Life, physical, and social science</td>
<td>0.6</td>
</tr>
<tr>
<td>Management</td>
<td>6.0</td>
</tr>
<tr>
<td>Arts, design, entertainment, sports, and media</td>
<td>1.1</td>
</tr>
<tr>
<td>Education, training, and library</td>
<td>3.0</td>
</tr>
<tr>
<td>Healthcare practitioners and technical</td>
<td>5.5</td>
</tr>
<tr>
<td>Sales and related</td>
<td>5.5</td>
</tr>
<tr>
<td>Protective service</td>
<td>1.2</td>
</tr>
<tr>
<td>Installation, maintenance, and repair</td>
<td>1.9</td>
</tr>
<tr>
<td>Healthcare support</td>
<td>2.1</td>
</tr>
<tr>
<td>Farming, fishing, and forestry</td>
<td>0.1</td>
</tr>
<tr>
<td>Transportation and material moving</td>
<td>3.8</td>
</tr>
<tr>
<td>Personal care and service</td>
<td>0.8</td>
</tr>
<tr>
<td>Production</td>
<td>2.0</td>
</tr>
<tr>
<td>Construction and extraction and related</td>
<td>1.5</td>
</tr>
<tr>
<td>Food preparation and serving and cleaning</td>
<td>3.0</td>
</tr>
<tr>
<td>Building and grounds cleaning and maintenance</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Sources: BLS and The Conference Board.
The Conference Board

CED / Public Policy

Economy, Strategy & Finance

Environment, Social & Governance

Human Capital

Marketing & Communications

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