

2023 U.S. Economic Outlook

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Economic Outlook: How Will We Land This Thing?

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List of issues to watch



Debt ceiling talks

Fallout from banking turmoil

Inflation

Interest rates

China's reopening

War/Geopolitics

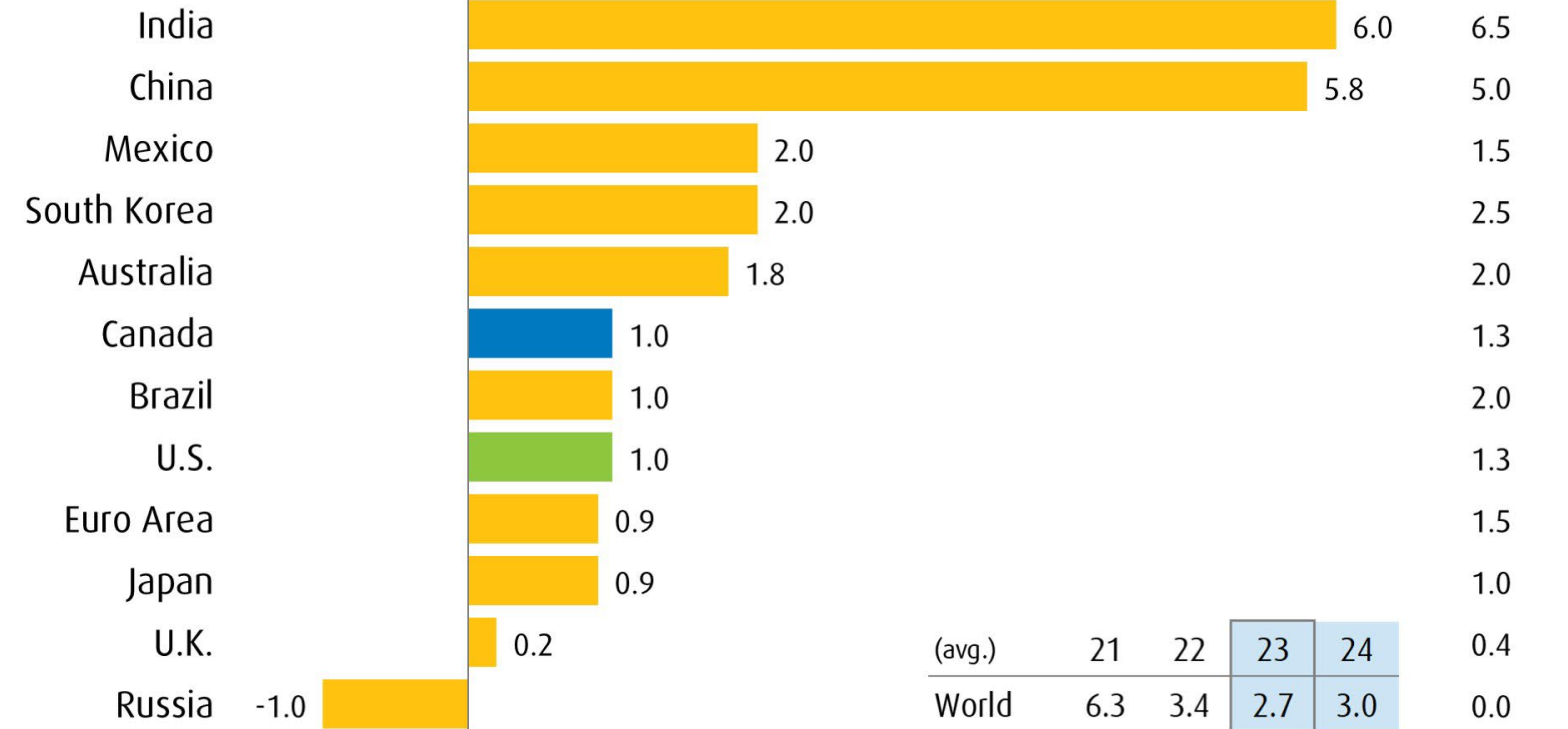
Climate change

Global recession odds... not all-clear

2023 forecast (% chng)



Real GDP

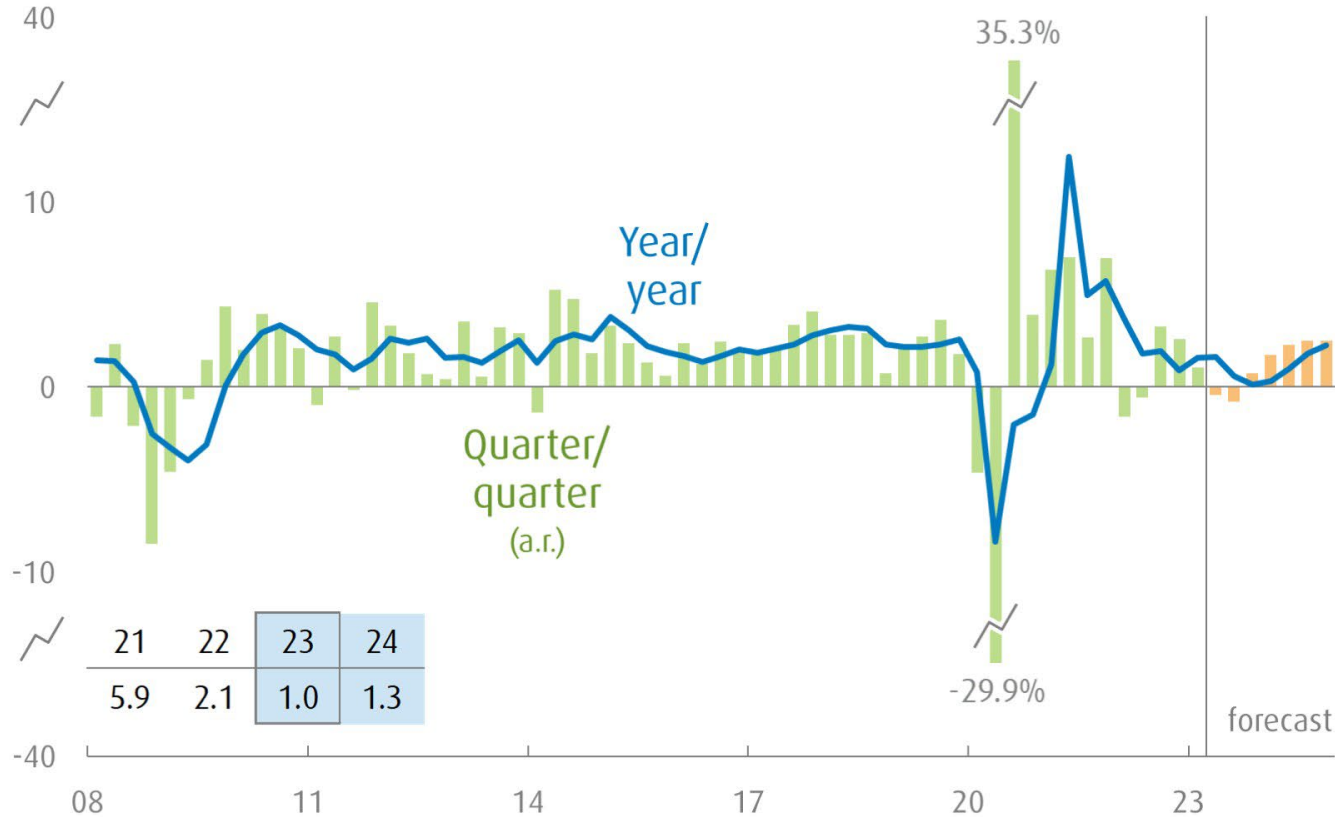


For 2023... IMF: 2.8%; OECD: 2.6%

U.S. recession... coming soon

United States (% chng)

Real GDP



Resilient...

Lagged effects of rate hikes

PCE supported by savings

...but not immune ... other stresses raise risks for the broader economy

Credit

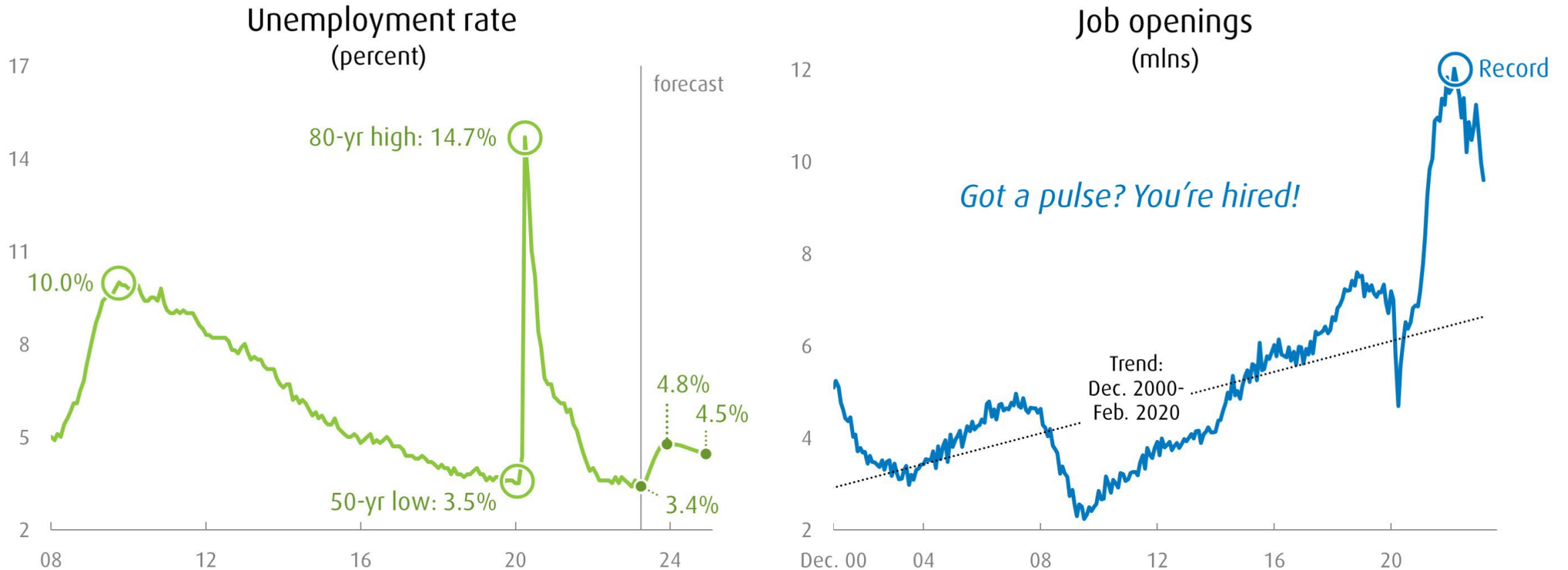
Confidence

Conditions

So, what's different this time?

Imbalanced job market... lasting effects from the pandemic

United States

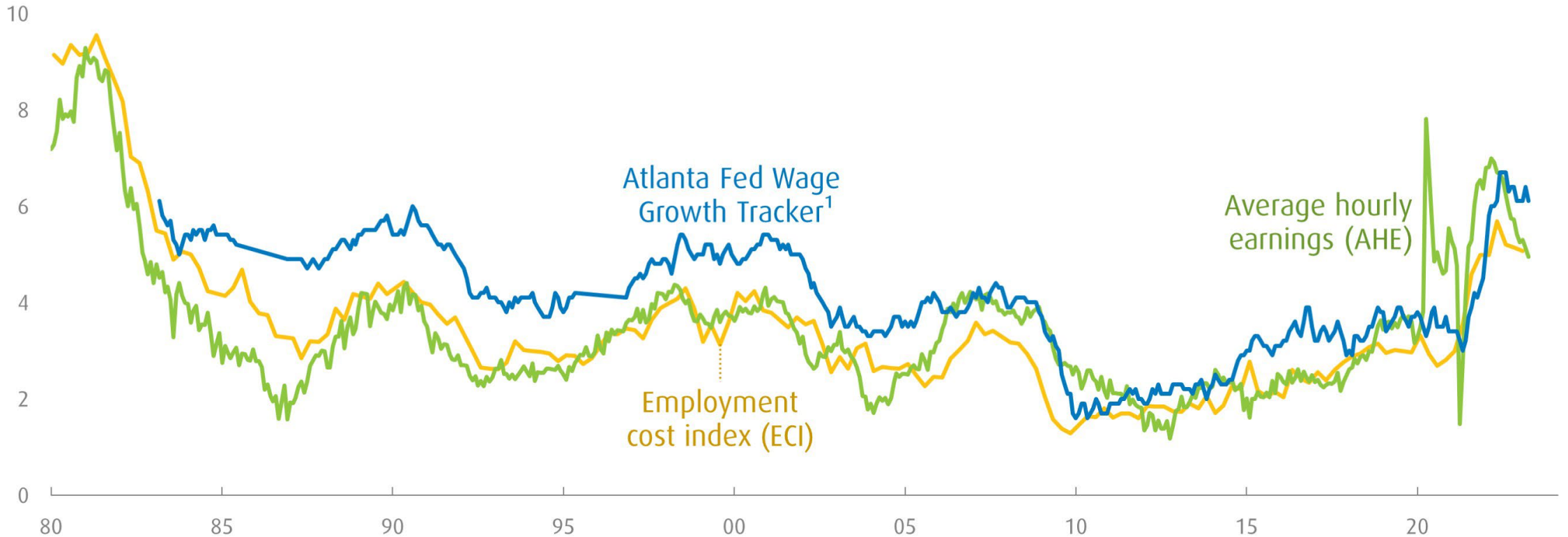


Global shortage, skills shortage... hoarding?

Money talks

United States (y/y % chng)

Wages

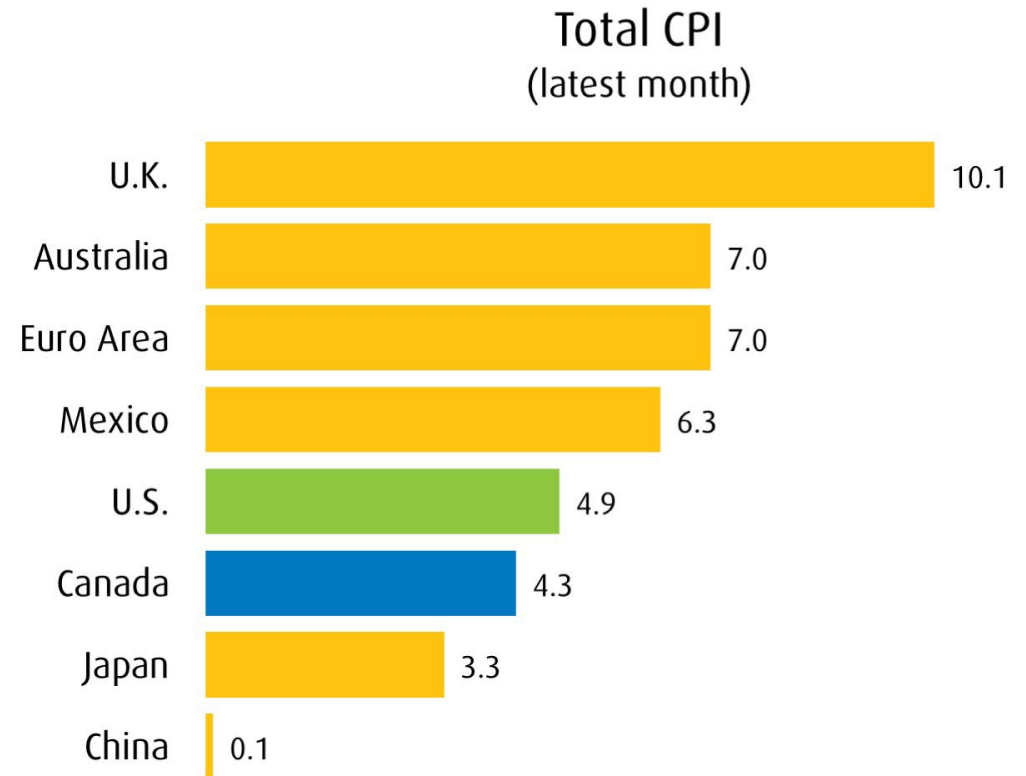


Watch inflation expectations!

AHE = Production & nonsupervisory employees • ECI = Private-sector wages & salaries • ¹ (3-mth m.a.)

Inflation finally coming down

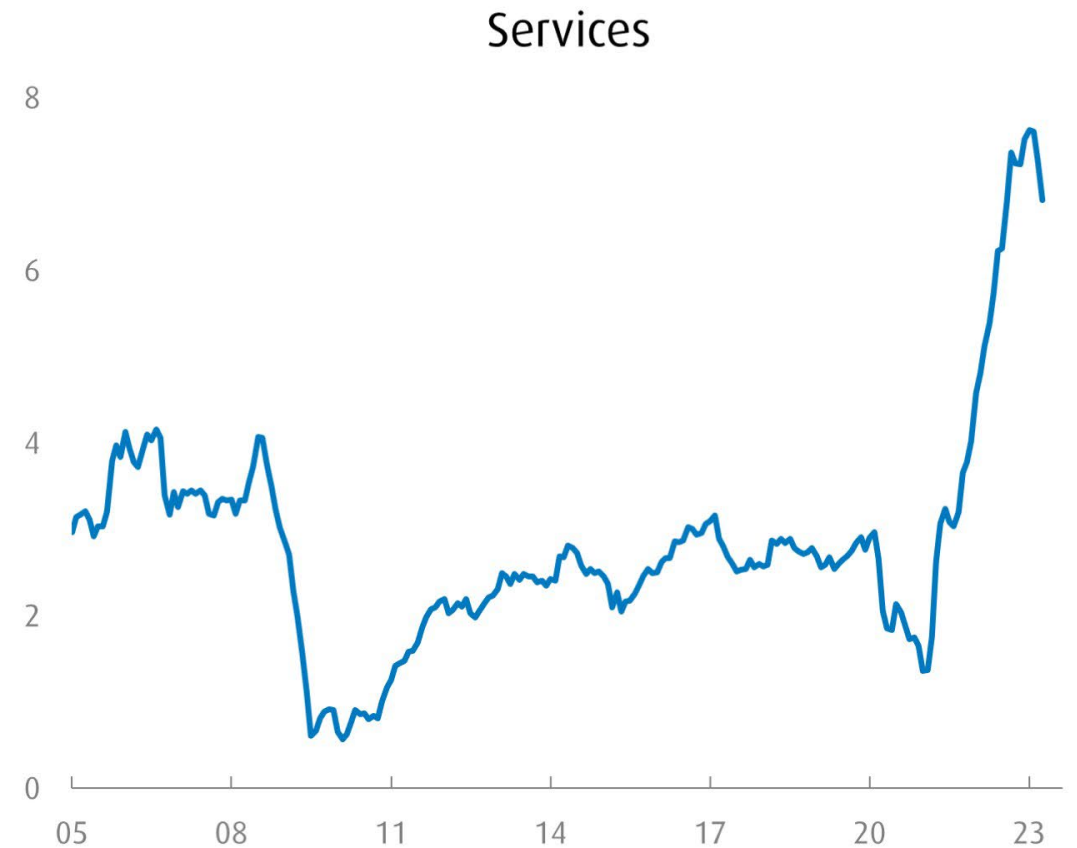
Consumer price index (y/y % chng)



But not just headline, or core

There is disinflation... somewhere

United States – Consumer price index (y/y % chng)

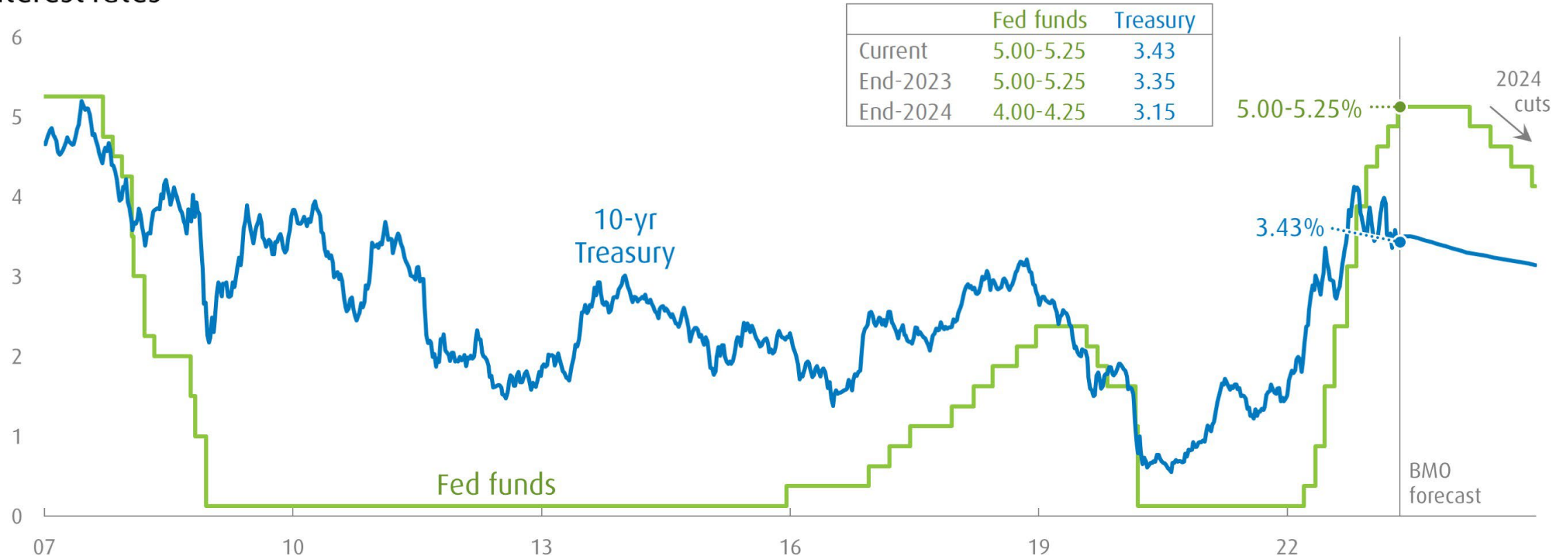


Drilling down further... 'supercore'?

Rate relief soon?

United States (% : as of May 12, 2023)

Interest rates



All boils down to inflation

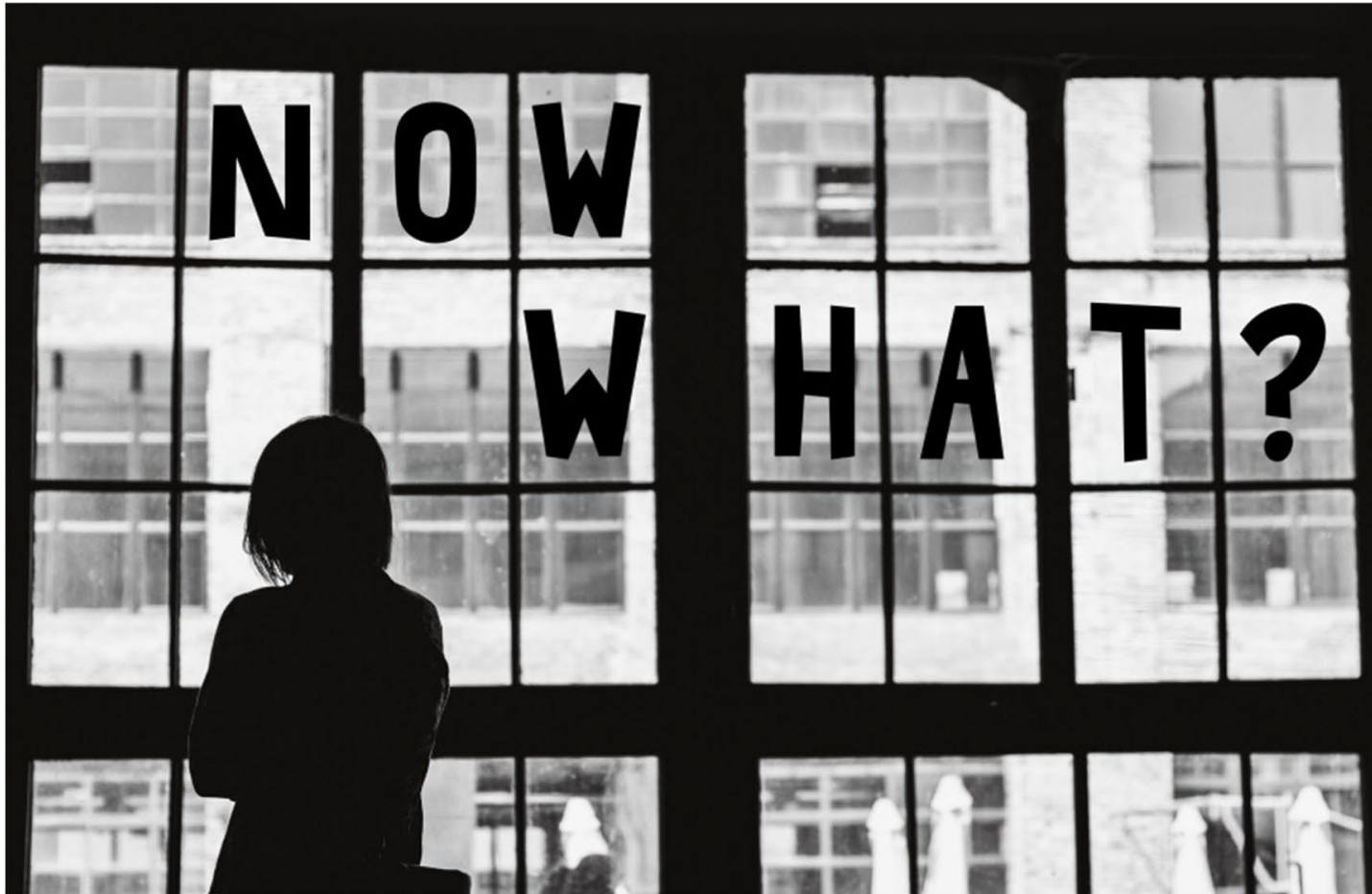
[history] weekly averages • [forecast] monthly averages



Sources: BMO Economics • Haver Analytics

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Now what?



Economy:

Downturn/recession

Inflation:

Sticky

Monetary policy will be restrictive for some time

Markets:

Currencies, rates, equities... remain volatile

Questions?

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