Overcoming Obstacles
How the US Economy Continues to Grow

Danny Bachman, US Economic Forecaster
March 24, 2023
Current State of the Economy: Just How Much Damage Did Covid do?
GDP by Industry: Percent Change From 2019 Q4 to 2022 Q2

Source: BLS/Haver Analytics
Polling Question

01

I rejoined the gym I quit during COVID.

A. Yes, and the gym equipment I bought is sitting unused in my closet.

B. Yes, but sometimes I still work out at home.

C. No, I prefer working out at home.

D. No, I prefer working out at home and I’m buying more gym equipment.
Consumer Spending Trends

Consumer spending
February 2020=100

Durable goods
Nondurable goods
Services

Source: BEA/Haver Analytics
Nonresidential Investment Trends

Nonresidential investment
2019Q4 = 100

Source: BEA/Haver Analytics
Key Considerations:
1. Labor Market
Polling Question

02

Which song best describes today’s job market?

A. Take this job and shove it (Johnny Paycheck)
B. Fifteen tons (Merle Travis)
C. Heigh ho, heigh ho, it’s off to work we go (Disney)
D. It’s been a hard day’s night (The Beatles)
Quit Rates in December 2021 by January 2021 Wages

Source: BLS/Haver Analytics
Wages & Labor Force Participation

Atlanta Fed wage tracker
Percent change, previous year

- Lowest wage quartile
- Highest wage quartile

Labor force participation rate
100 in February 2020

- All
- Age 16-64
- Age 65+

Source: Atlanta Fed/Haver Analytics
Source: BLS/Haver Analytics
Resident Working Age Population Trends

Resident working age population (18-64 years)
Percent change

Source: Census/Haver Analytics
Key Considerations:

2. Inflation
Polling Question

03

Which of the following 1970s phenomena do you think is most likely to return next year?

A. Bell bottoms and platform shoes
B. Disco
C. Lines at gasoline stations
Consumer Price Index (CPI) Trends 2016 - 2022

CPI by type
Percent change, year ago

Goods
Services

Source: BLS/Haver Analytics
US Treasury Breakeven Inflation Rate Trends

Source: US Treasury/Haver Analytics
Changes in Consumer Expectations for Inflation

Consumer expectations for inflation
Percent

Source: New York Fed/Haver Analytics
CPI and Inflation Expectations from Experts

10 year ahead inflation expectations, survey of professional forecasters

Percent

Source: Philadelphia Fed/Haver Analytics

One year ahead CPI inflation projections

Livingston Survey

Percent

Source: Philadelphia Federal Reserve Bank/Haver Analytics
Key Considerations:
3. Recession
Federal Funds Rate Trends

Source: Federal Reserve/Haver Analytics
## Business Cycle Peaks & Causes

<table>
<thead>
<tr>
<th>Business cycle peak</th>
<th>Cause</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>Covid-19 Pandemic</td>
</tr>
<tr>
<td>2007</td>
<td>Housing bubble bursting</td>
</tr>
<tr>
<td>2001</td>
<td>Tech bubble bursting and 9/11 terrorist attacks</td>
</tr>
<tr>
<td>1990</td>
<td>Iraq war oil shock and S&amp;L collapse</td>
</tr>
<tr>
<td>1982</td>
<td>Monetary tightening</td>
</tr>
<tr>
<td>1980</td>
<td>Monetary tightening</td>
</tr>
<tr>
<td>1973</td>
<td>OPEC oil shock</td>
</tr>
</tbody>
</table>
The Forecast
US Economic Forecast Scenarios

- Baseline (60%)
- Back to the 70’s inflation (10%)
- The next recession (30%)
GDP & Unemployment Trends

Source: BEA/Oxford Economics and Deloitte

Source: BLS/Oxford Economics and Deloitte
Federal Fund Rates & 10-Year Note Yields

Source: Federal Reserve/Oxford Economics and Deloitte

Fed Funds rate
Percent

Recession
Inflation
Baseline

10-year note yield
Percent

Recession
Inflation
Baseline
This presentation contains general information only and Deloitte is not, by means of this presentation, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This presentation is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor.

Deloitte shall not be responsible for any loss sustained by any person who relies on this presentation.

As used in this document, “Deloitte” means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting.