

# 2024 U.S. Economic Outlook

Trend Economic Growth, Fed Cuts Ahead

Michael D'Arcy

August 2024

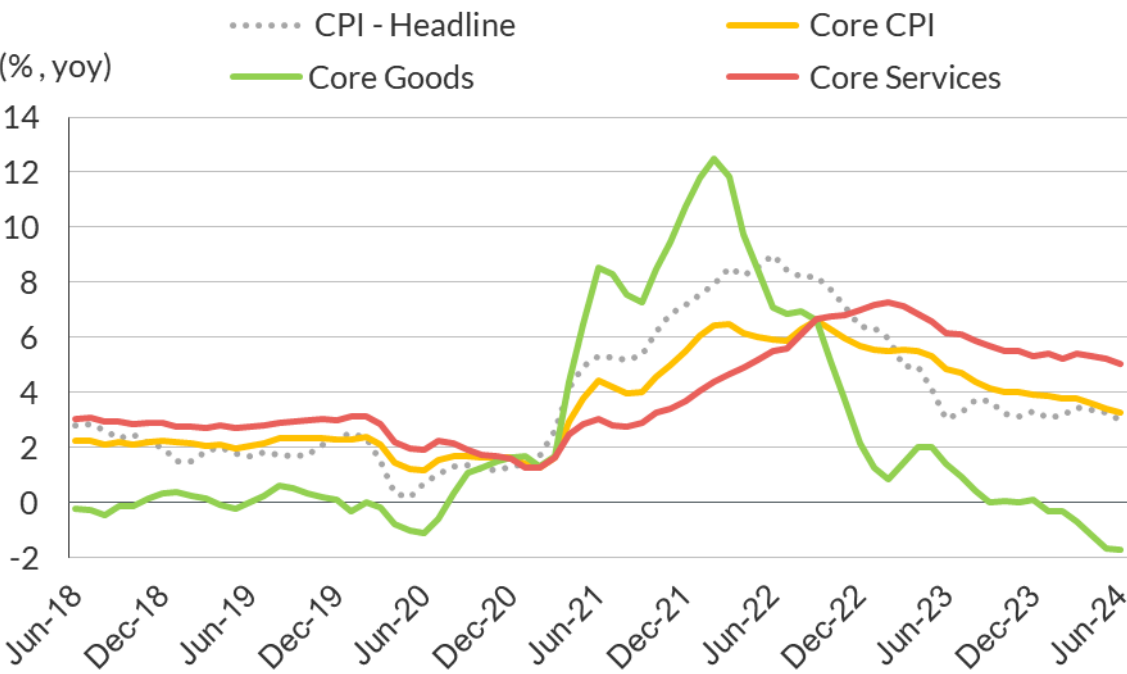
# U.S. Economic Growth Expected to Moderate to Trend in 2024

- Solid, albeit decelerating, economic growth expected in 2024
  - Labor market and wage growth expected to cool during 2H2024
  - Modest slowdown in consumer spending mostly from higher debt service
  - Household balance sheet remains strong
  - Consumer sentiment and confidence remains weak
- Fed interest rate cut likely in September

United States – Forecast Summary					
(%)	Annual Avg. 2019-2023	2023	2024F	2025F	2026F
GDP	2.1	2.5	2.1	1.5	1.6
Consumer spending	2.5	2.2	1.9	1.3	1.6
CPI inflation (end-year)	4.0	3.4	2.9	2.4	2.4
Unemployment rate	4.9	3.6	4.1	4.8	4.9
Policy interest rate (end-year)	2.05	5.50	5.00	3.75	3.00
Source: Fitch Ratings					

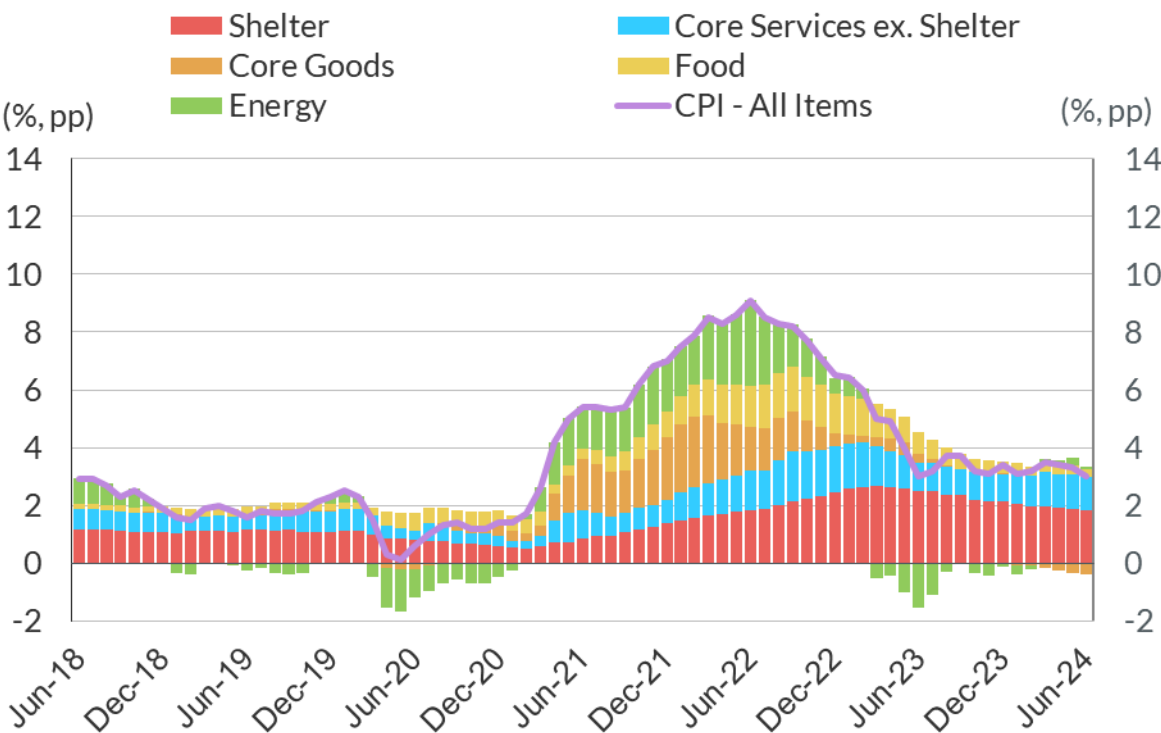
# The 'Last Mile' is Still All About Core Services Inflation

U.S. Inflation: CPI



Source: Fitch Ratings, BLS

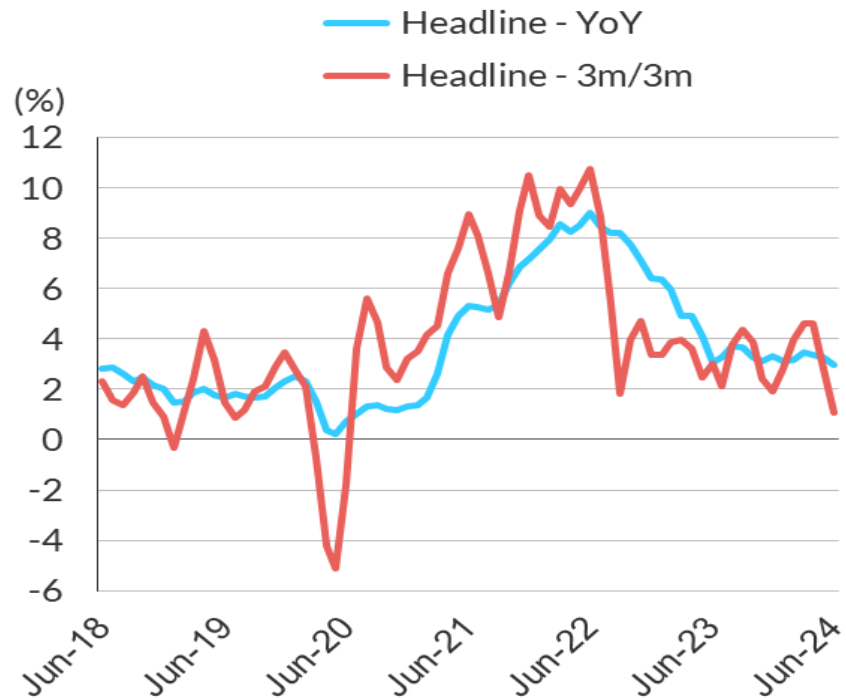
U.S. Inflation: Components of CPI



Source: Fitch Ratings, BLS

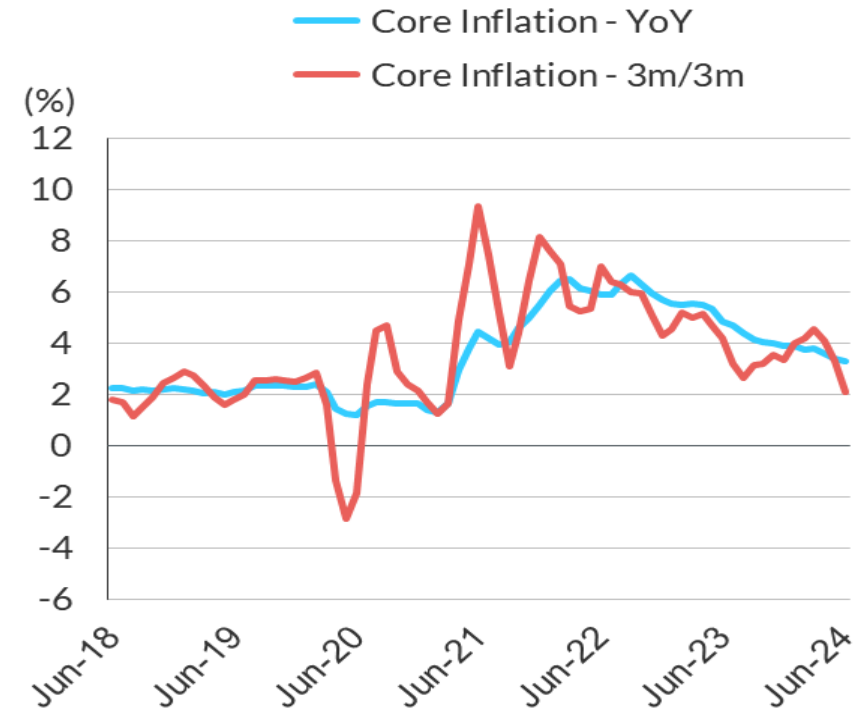
# Three Month Momentum of Headline and Core Inflation Now at 2%

U.S. Inflation: Headline CPI



Source: Fitch Ratings, BLS

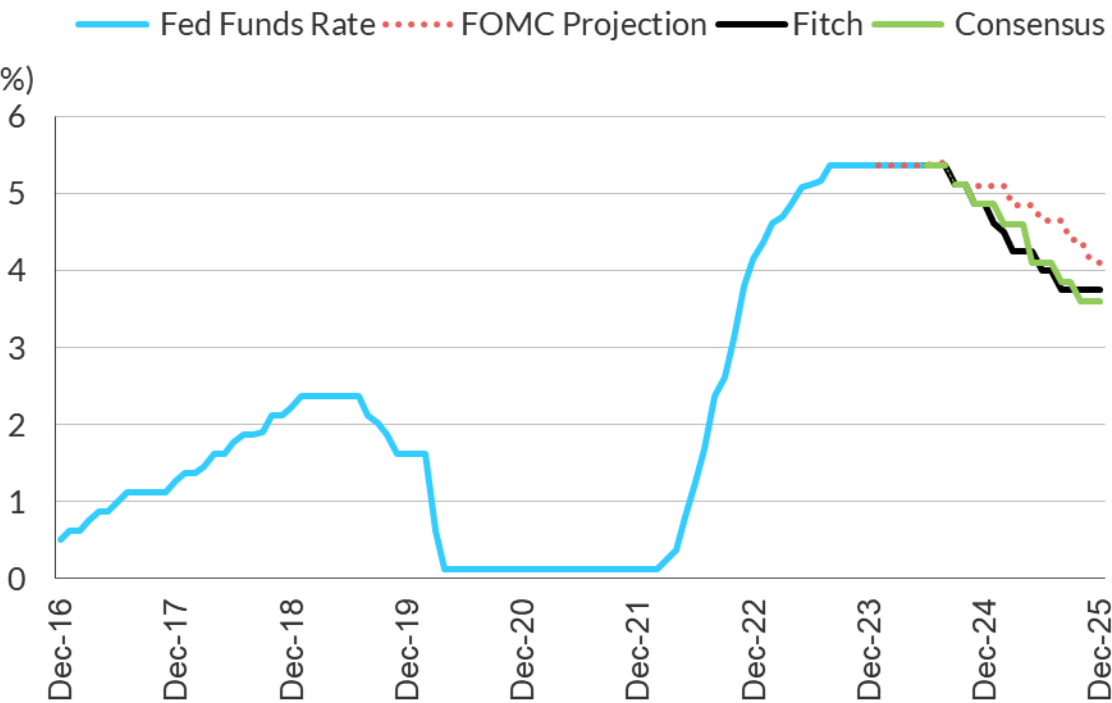
U.S. Inflation: Core CPI



Source: Fitch Ratings, BLS

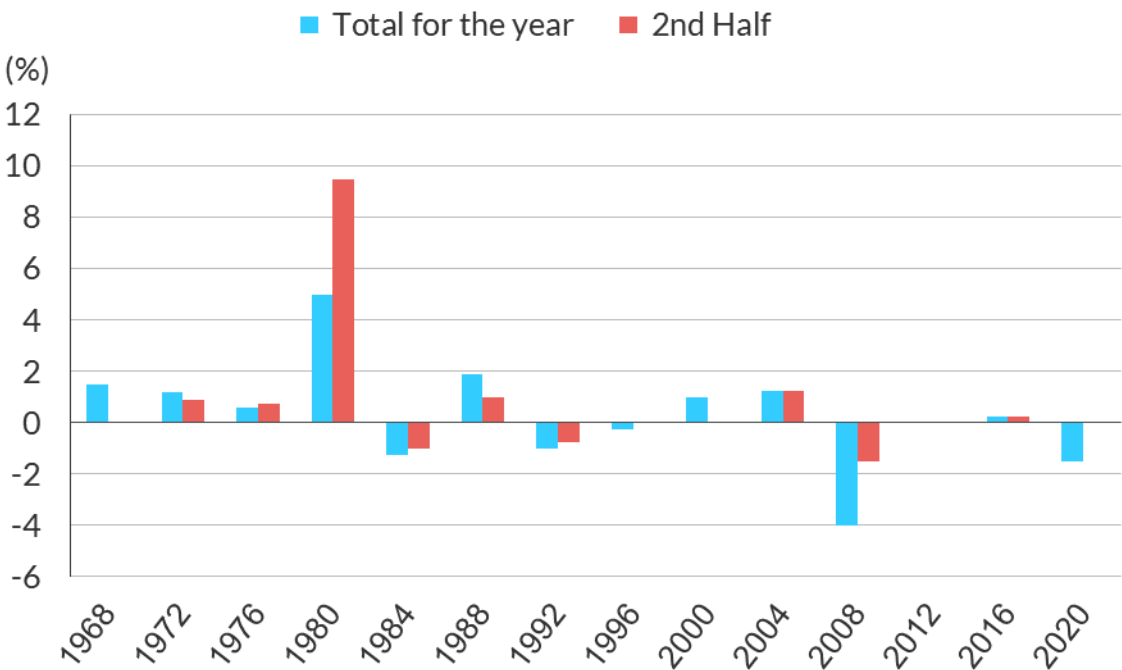
# What Will the Fed Do?

U.S. Fed Funds: Actual and Projections



Source: Fitch Ratings, Federal Reserve, Bureau of Economic Analysis

FOMC Actions in Election Years

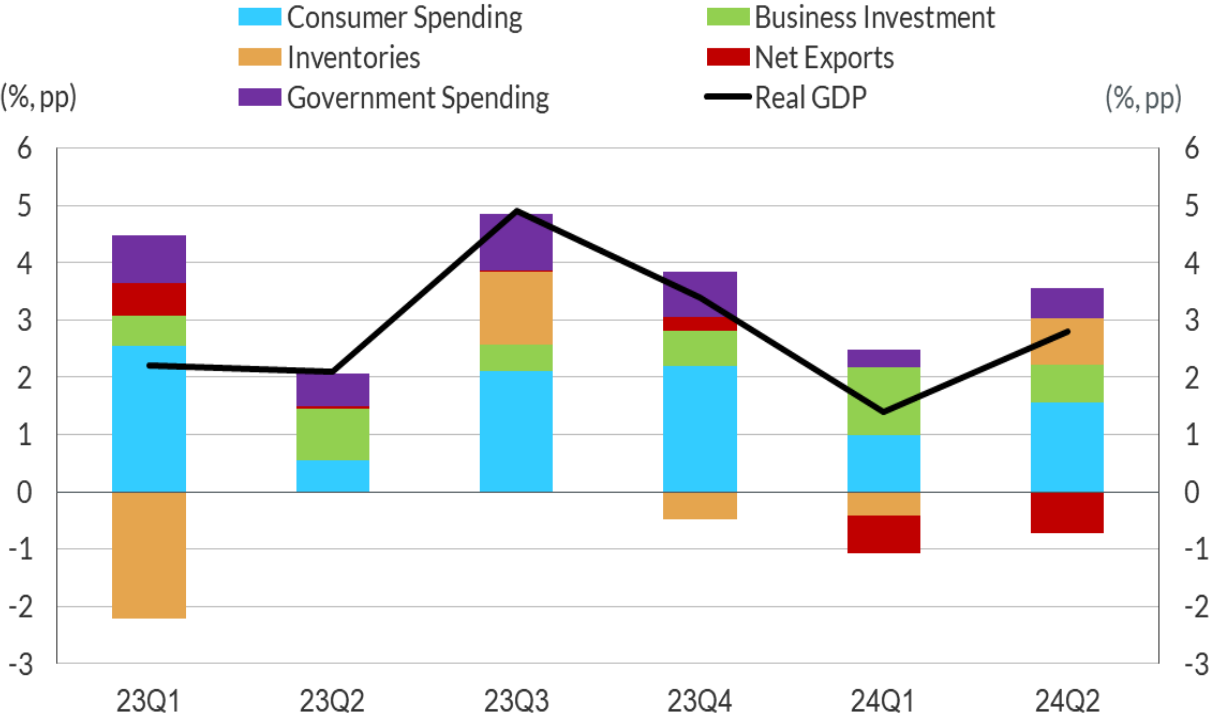


Source: Fitch Ratings, Federal Reserve



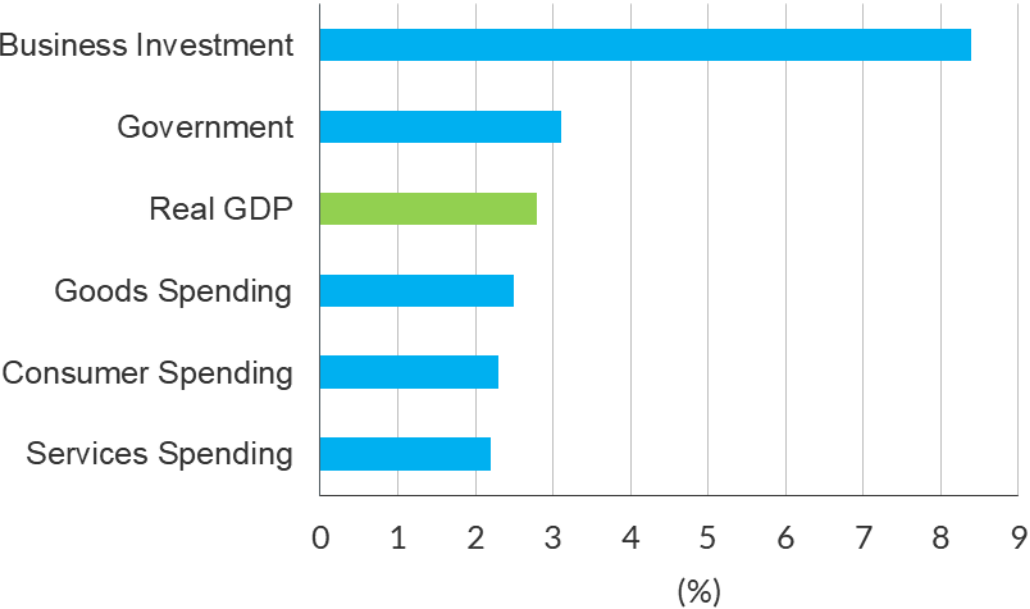
# Economic Growth is Still Solid

U.S. Real GDP: Contributions  
Annualized QoQ



Source: Fitch Ratings, BEA

U.S. Real GDP: Components  
QoQ Annualized % Change 2Q24

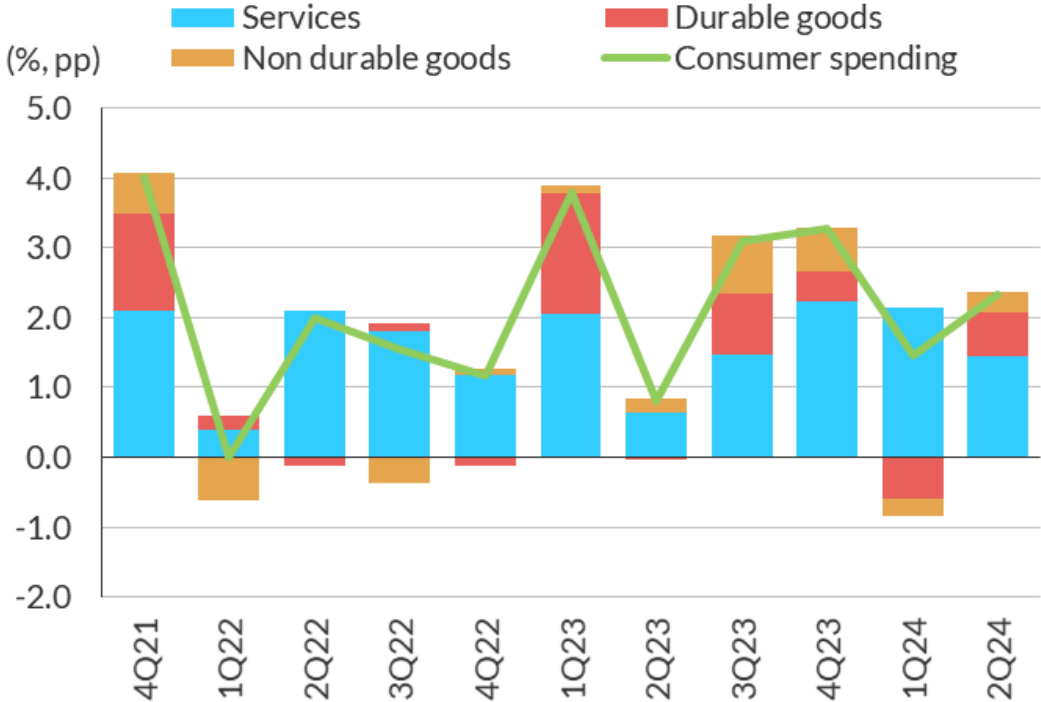


Source: Fitch Ratings, BEA

# U.S. Consumer Spending Continues to be Strong

## U.S. Consumer Spending (Real)

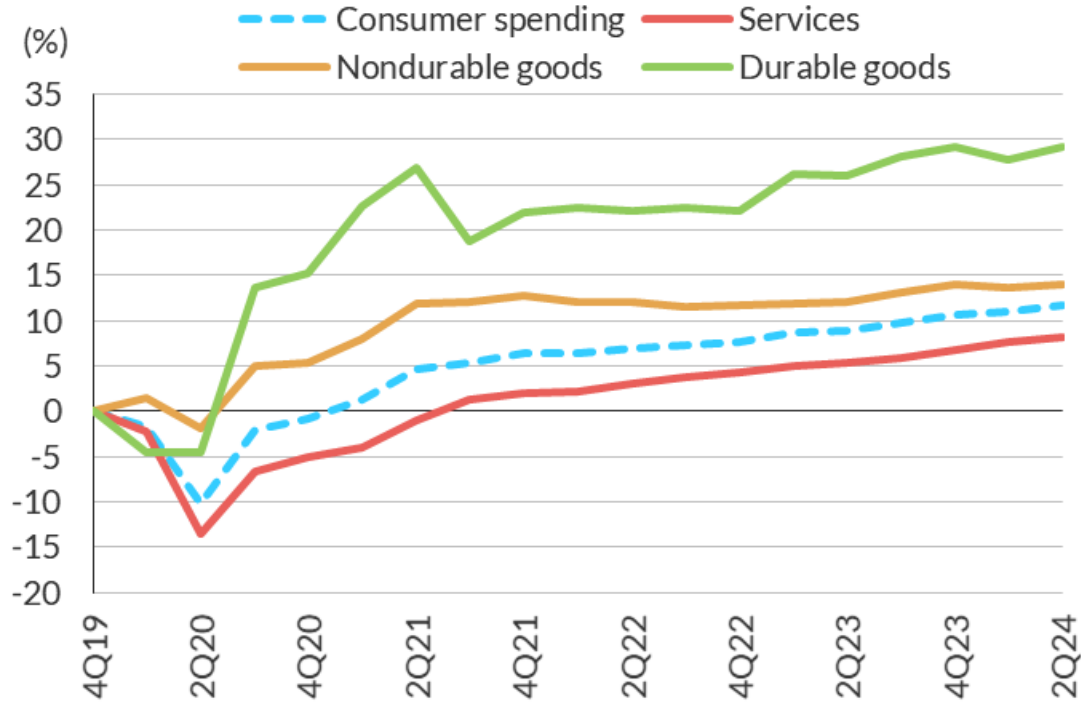
Components of Growth



Source: Fitch Ratings, Bureau of Economic Analysis

## U.S. Consumer Spending (Real)

Change since February 2020



Source Fitch Ratings, Bureau of Economic Analysis

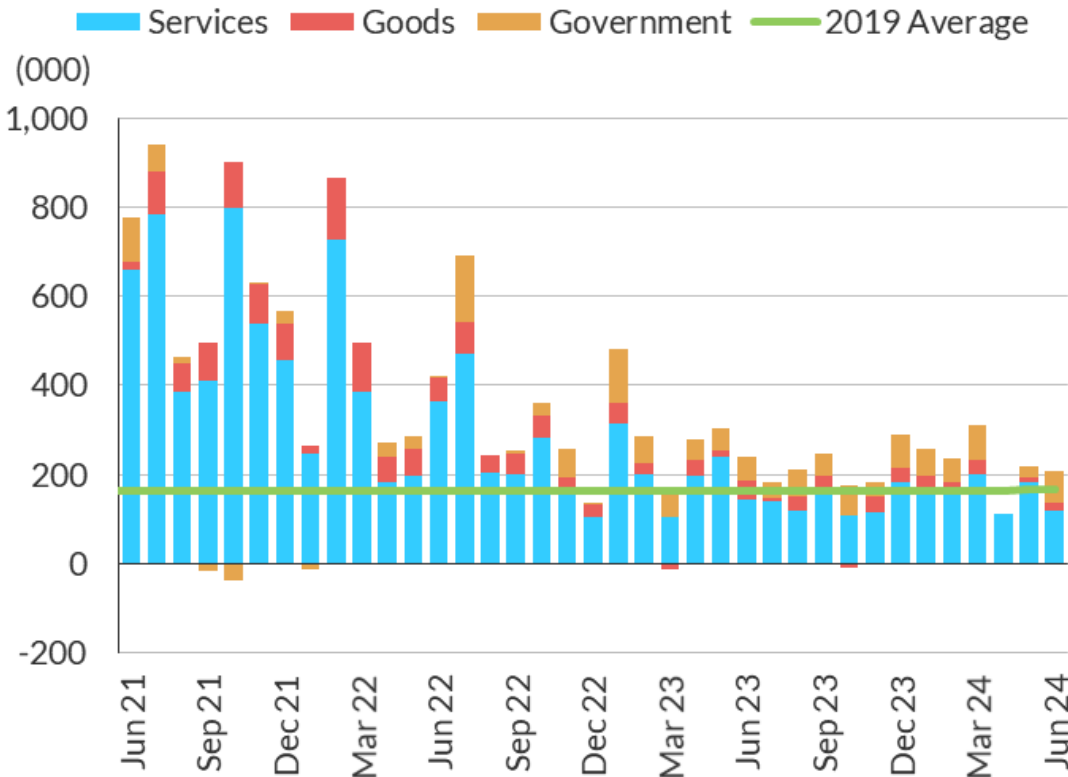
# U.S. Labor Market Conditions Remain Strong, Expected to Moderate Slowly

U.S. Unemployment Rate



Source: Fitch Ratings, Bureau of Labor Statistics

U.S. Change in Nonfarm Payroll

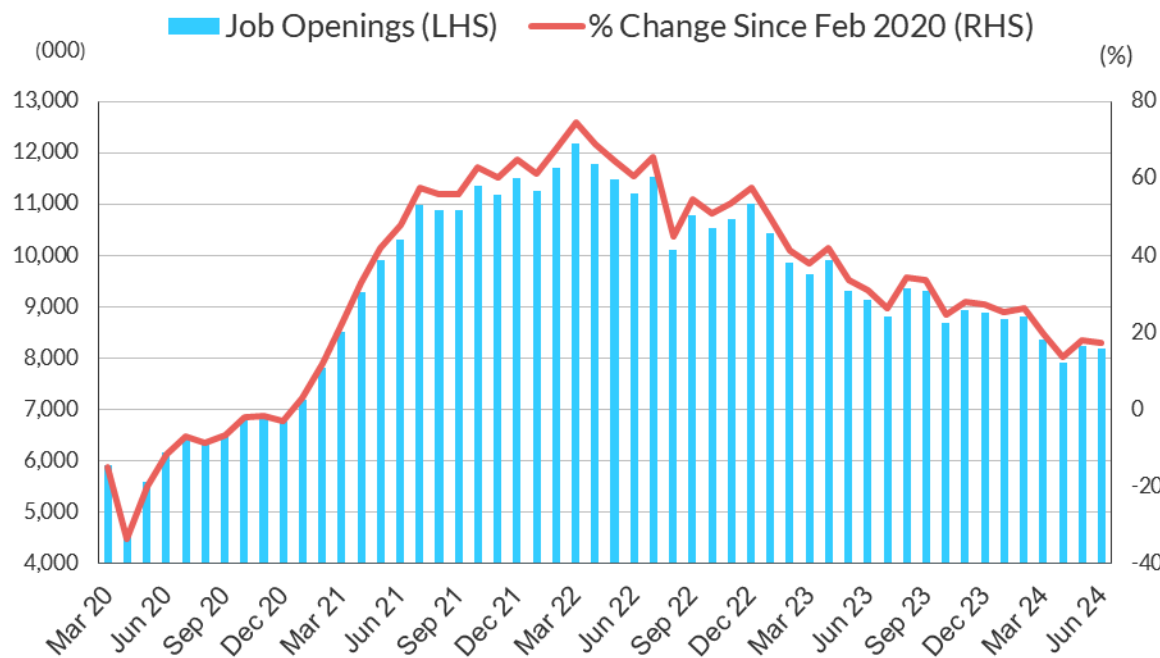


Source: Fitch Ratings, Bureau of Labor Statistics



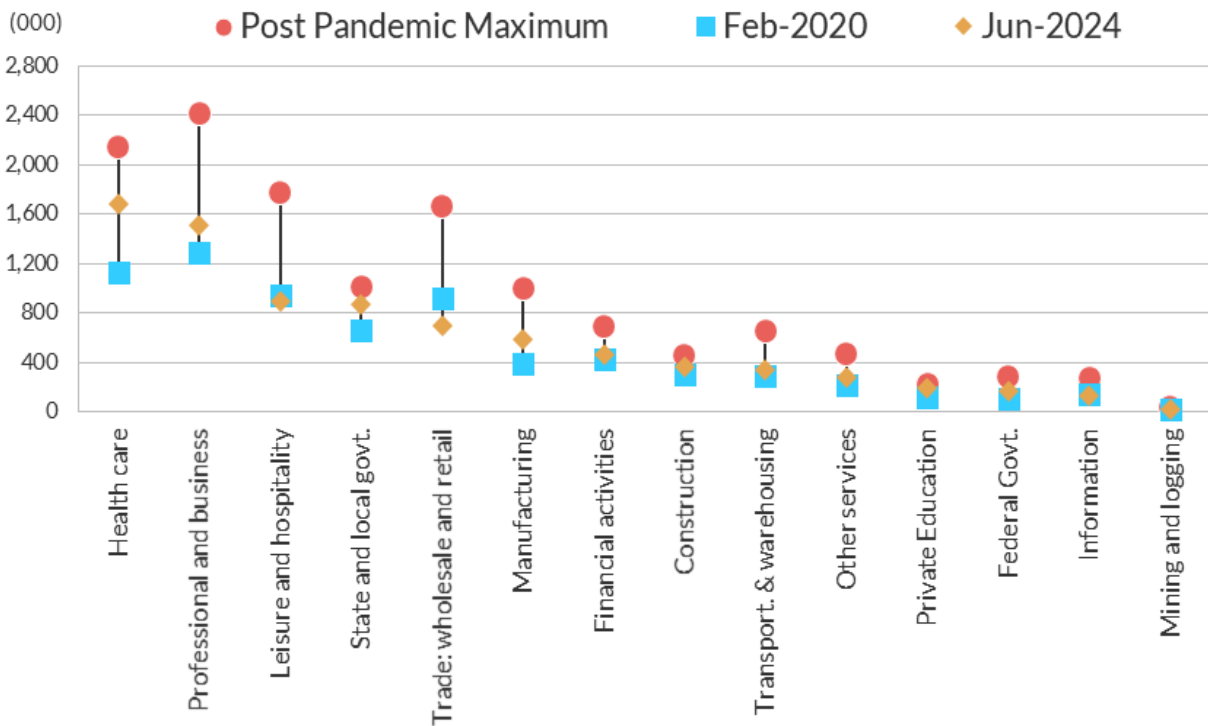
# Job Openings Have Declined, Still Elevated in the Healthcare Industry

U.S. Job Openings



Source: FitchRatings, Bureau of Labor Statistics

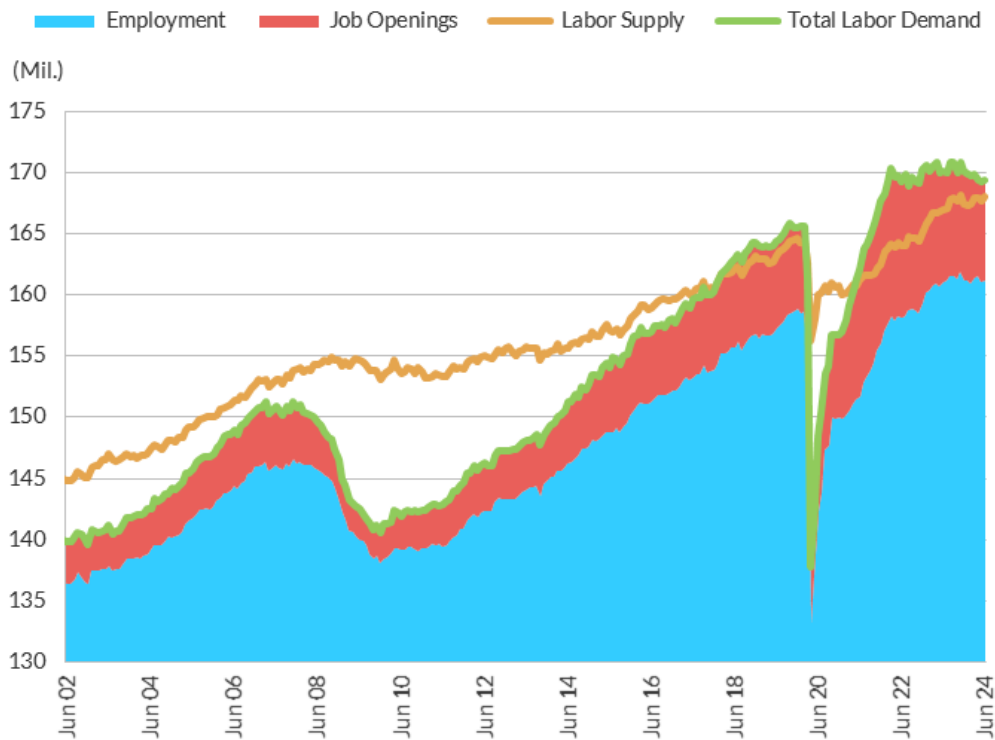
U.S. Job Openings by Industry



Source: FitchRatings, BLS

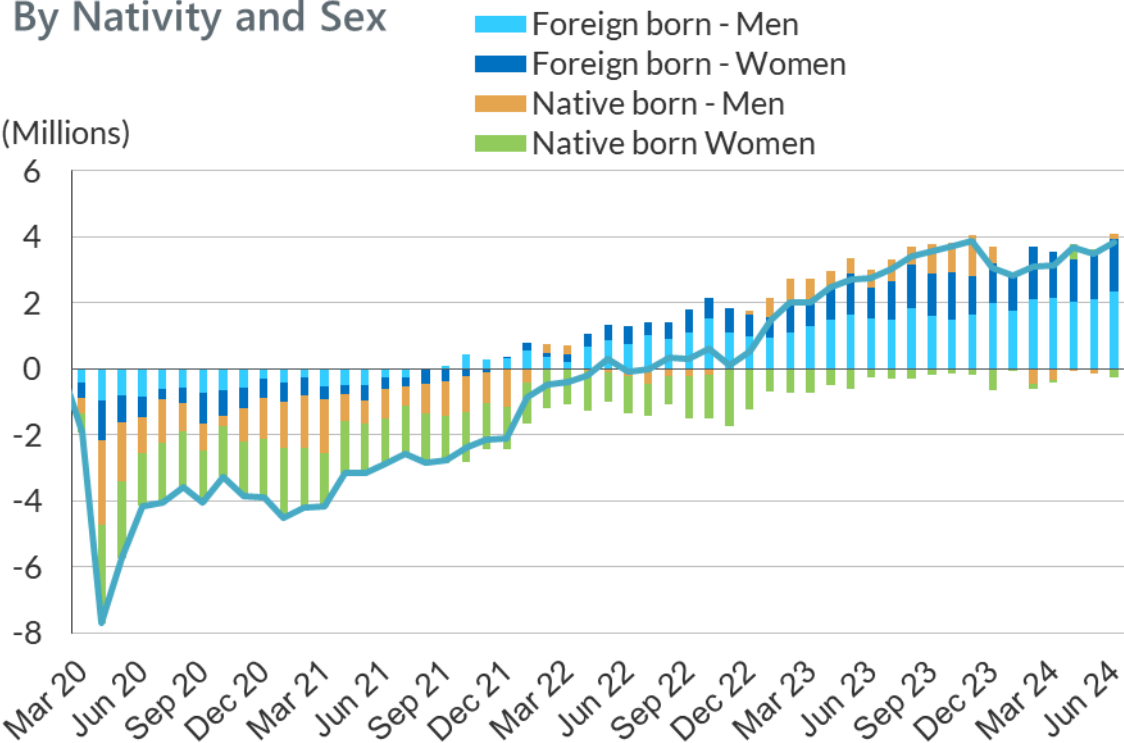
# Immigration Has Fueled Labor Supply, Implications for Spending and Inflation

U.S. Labor Demand and Supply



Source: Fitch Ratings, U.S. BLS

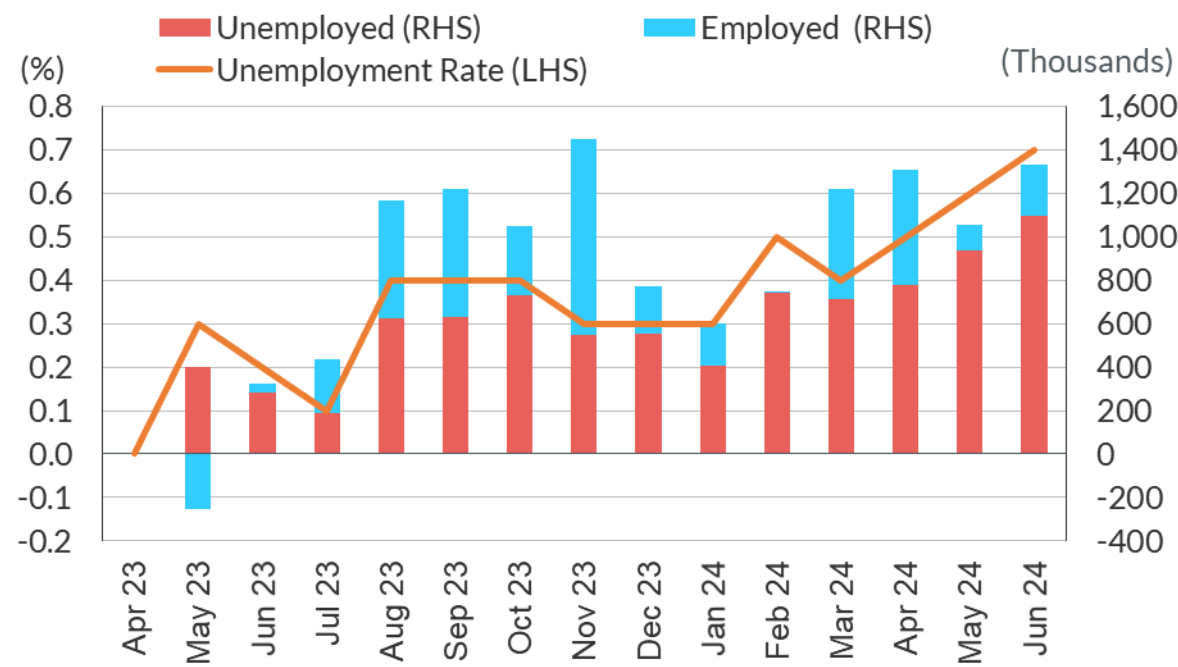
U.S. Labor Force: Change Since February 2020  
By Nativity and Sex



Source: Fitch Ratings, Bureau of Labor Statistics

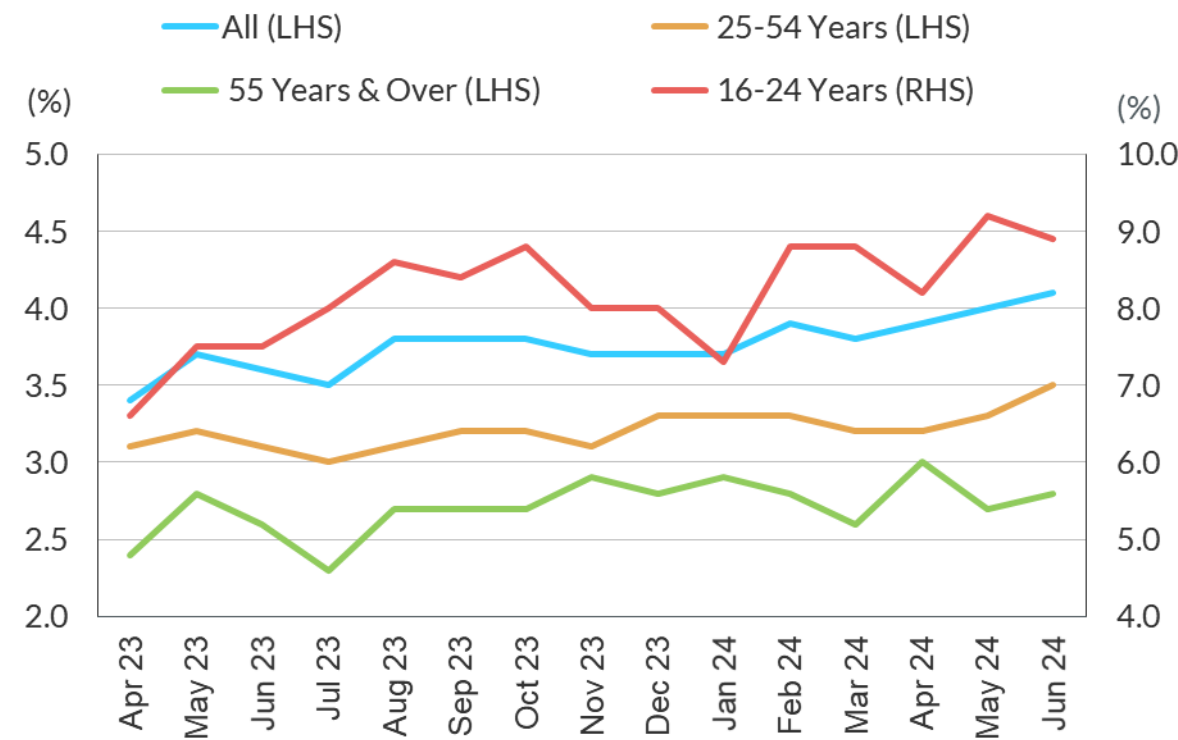
# Recent Increase in the Unemployment Rate Primarily From New Entrants to the Labor Force

U.S. Labor Force & Unemployment Rate  
Change Since April 2023



Source: Fitch Ratings, Bureau of Labor Statistics

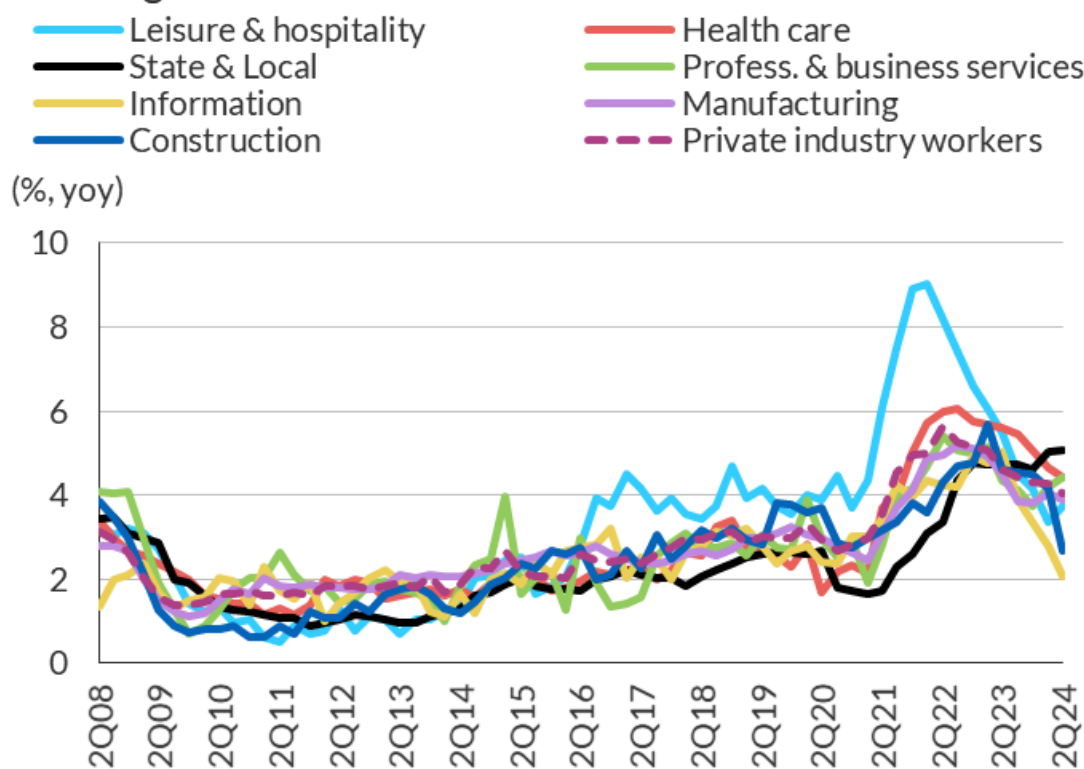
U.S. Unemployment Rate by Age



Source: Fitch Ratings, BLS

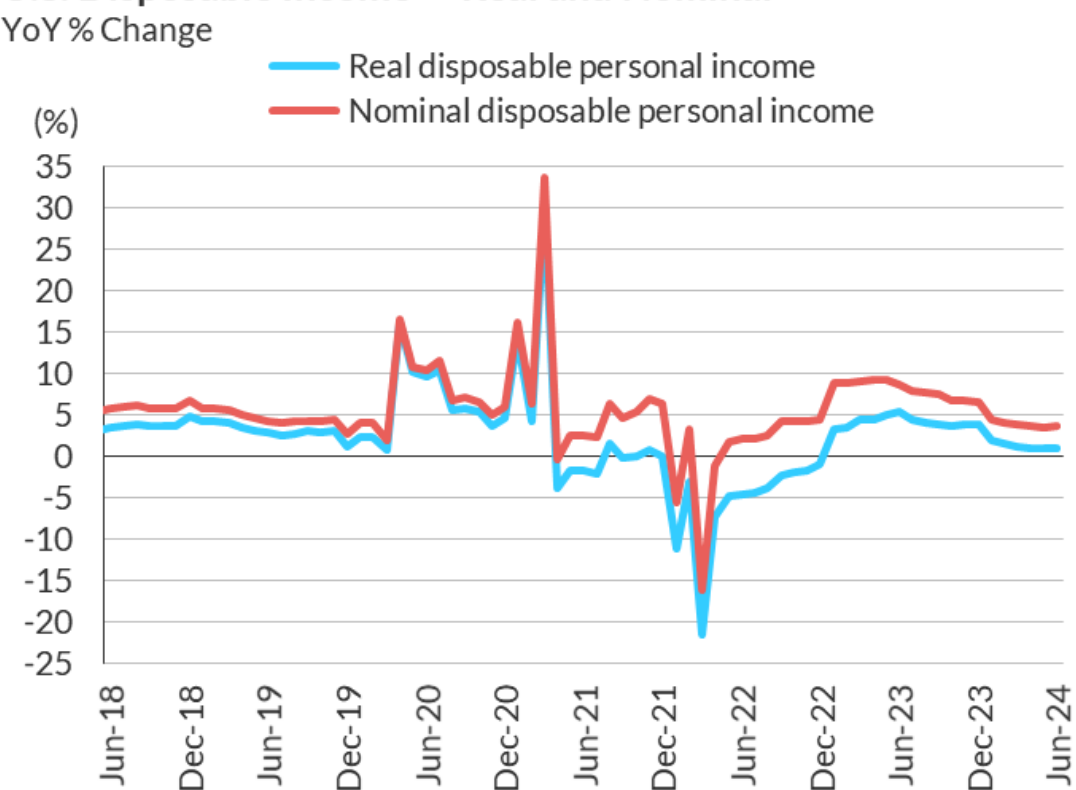
# Pace of Wage Growth Expected to Decelerate Further

U.S. Wage Growth: Select Industries



Source: Fitch Ratings, Bureau of Labor Statistics

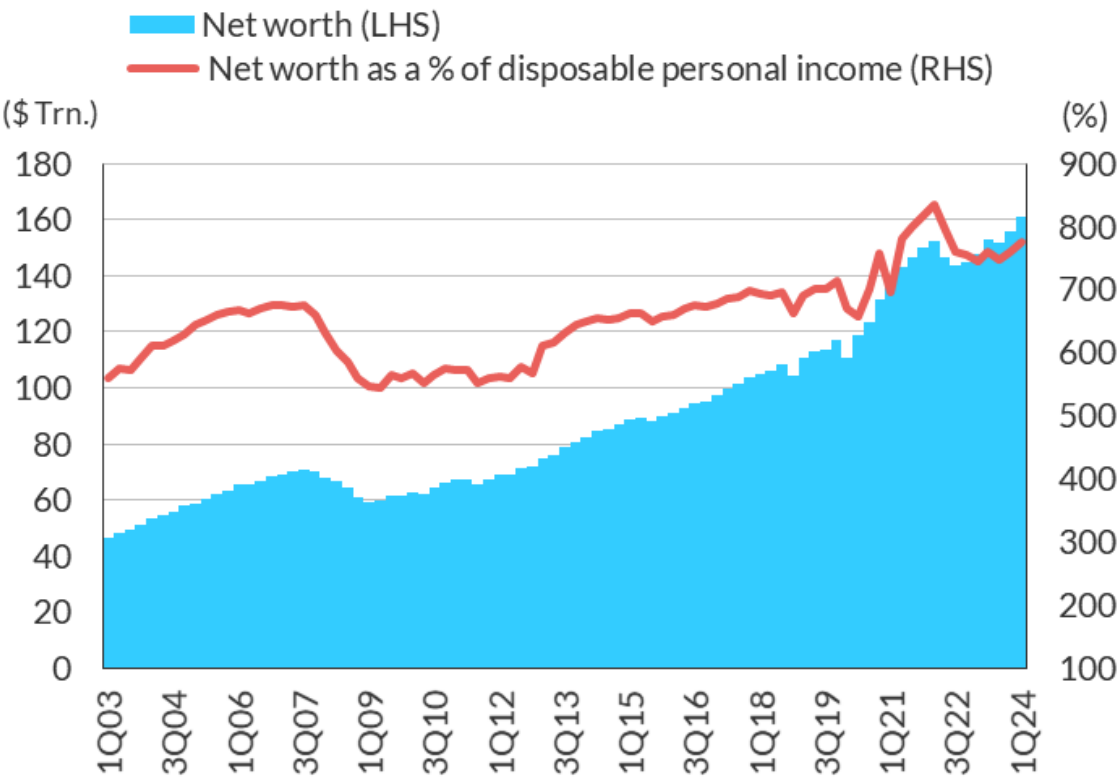
U.S. Disposable Income — Real and Nominal



Source: Fitch Ratings, Bureau of Economic Analysis

# Household Net Worth Still Notably Higher Versus Pre-Pandemic Period

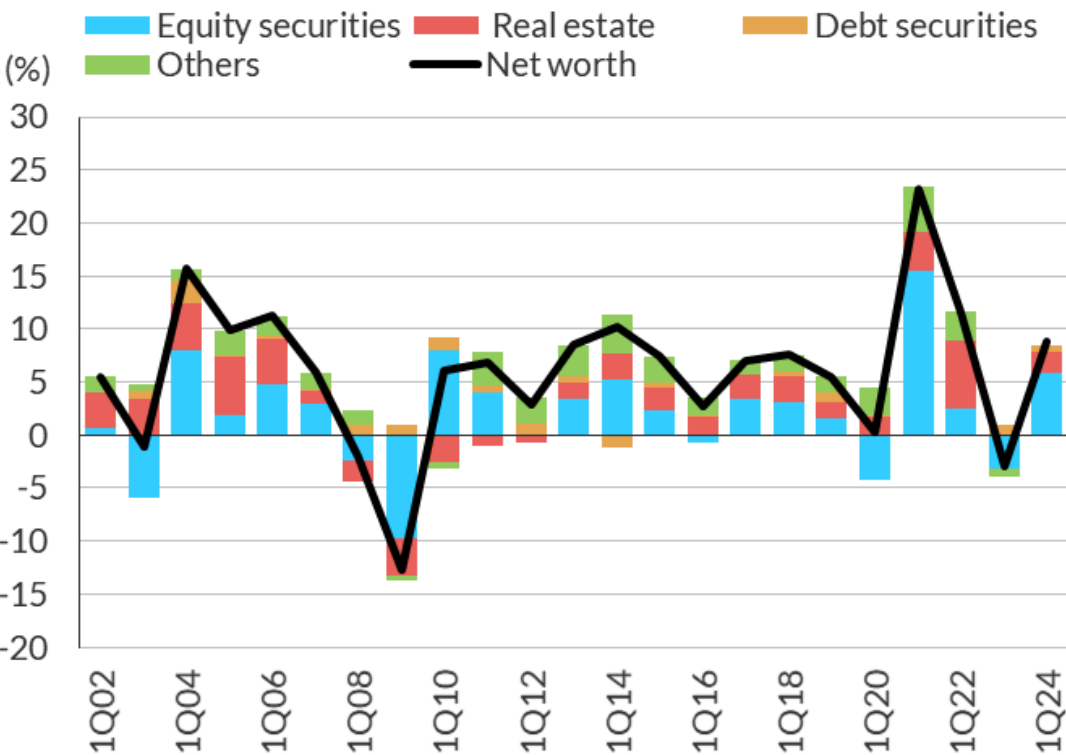
U.S. Household Net Worth



Source: Fitch Ratings, Federal Reserve

U.S. Households — % Changes in Net Worth

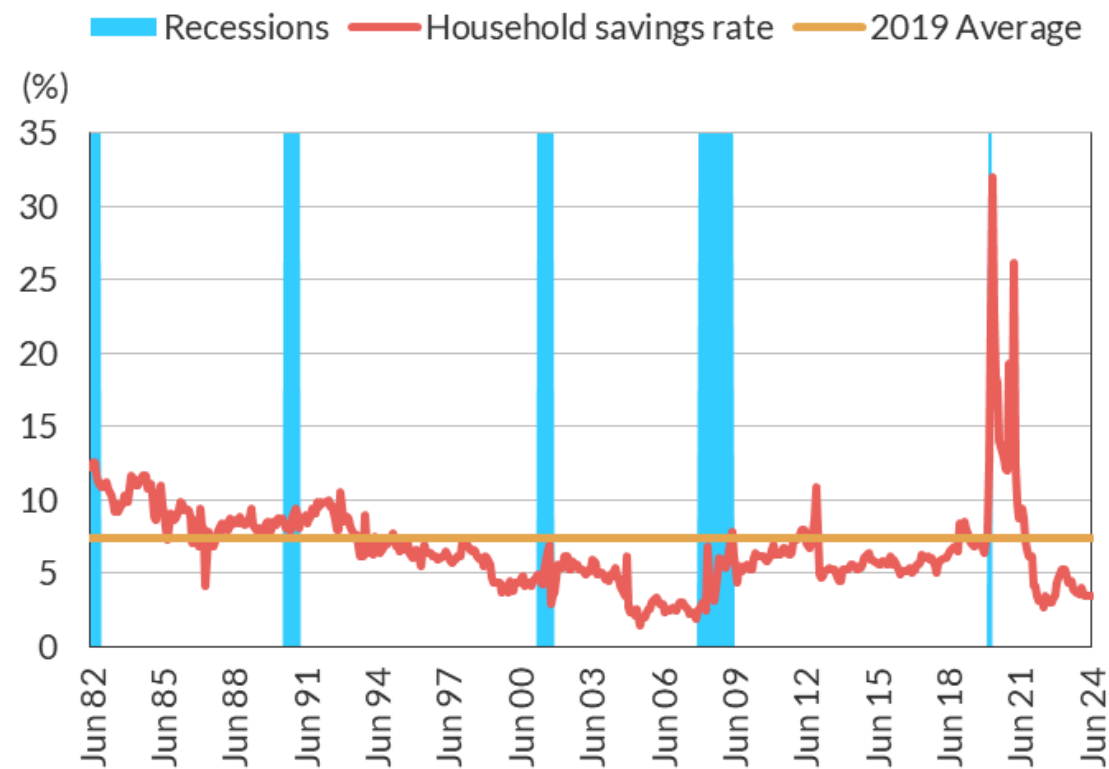
Each period indicated is four quarters, ended March 31



Source: Fitch Ratings, Federal Reserve

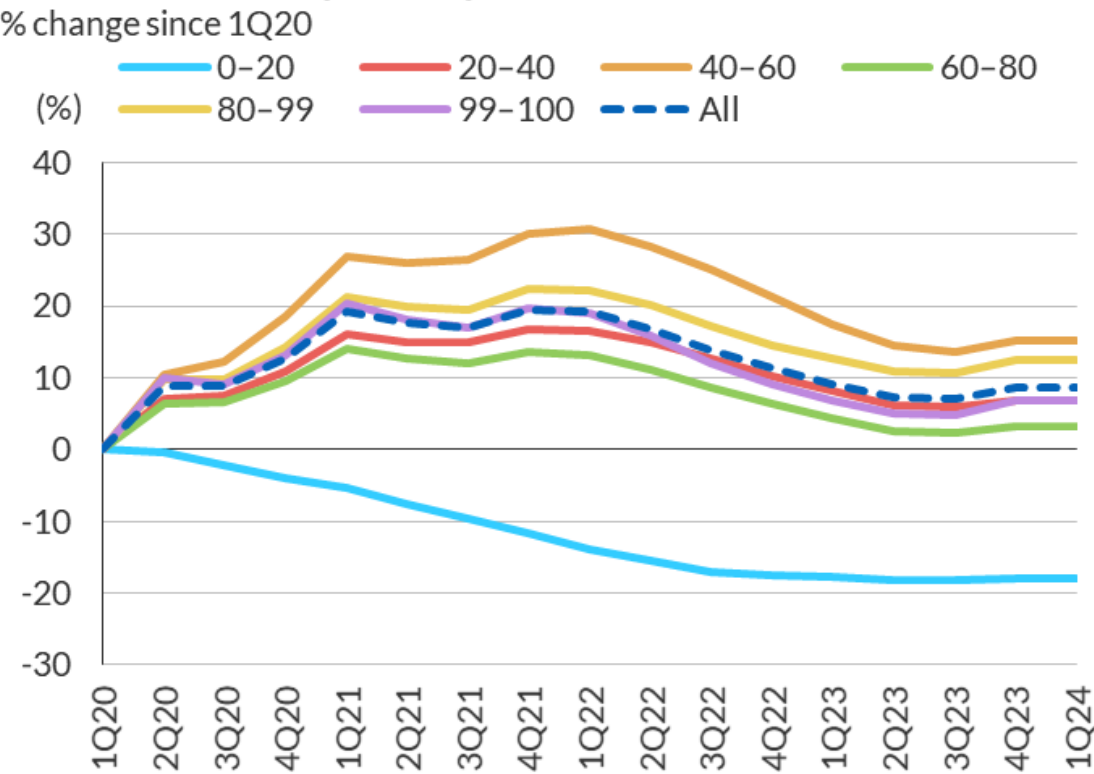
# Households Continue to Use Savings to Support Spending

U.S. Household Savings Rate



Source: Fitch Ratings, Bureau of Economic Analysis

U.S. Consumer Deposits by Income Percentile

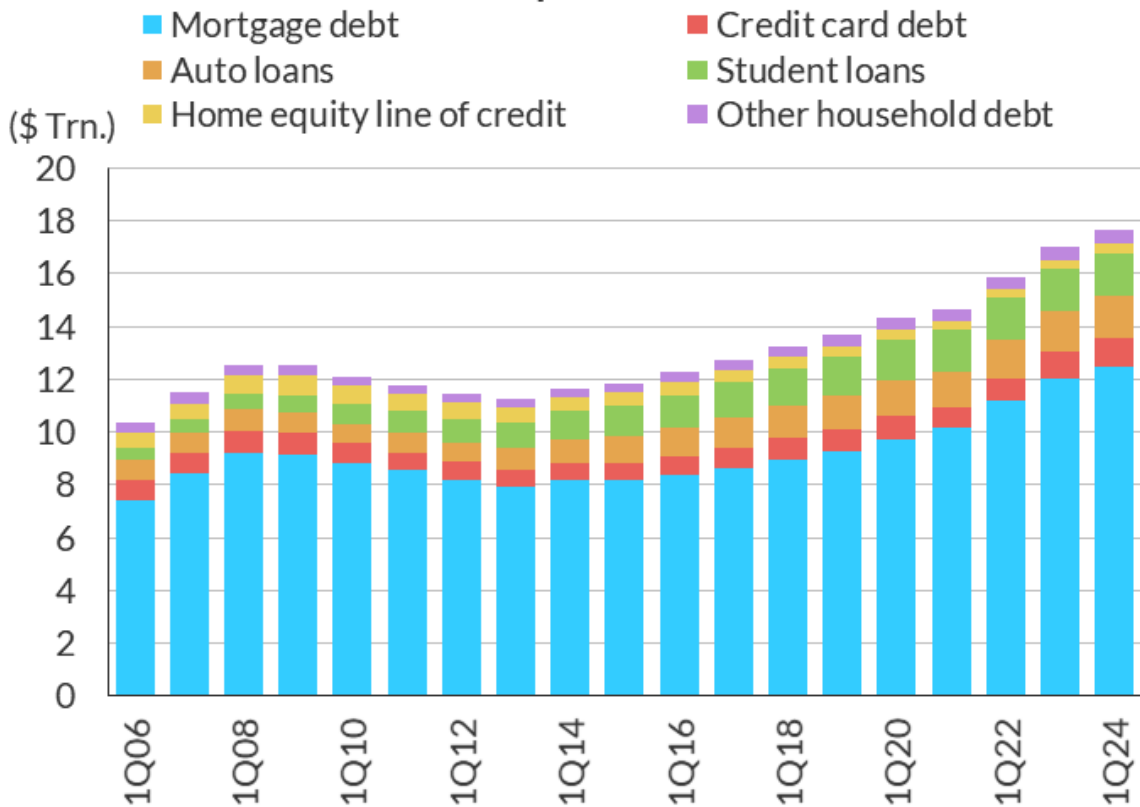


Source: Fitch Ratings, Federal Reserve



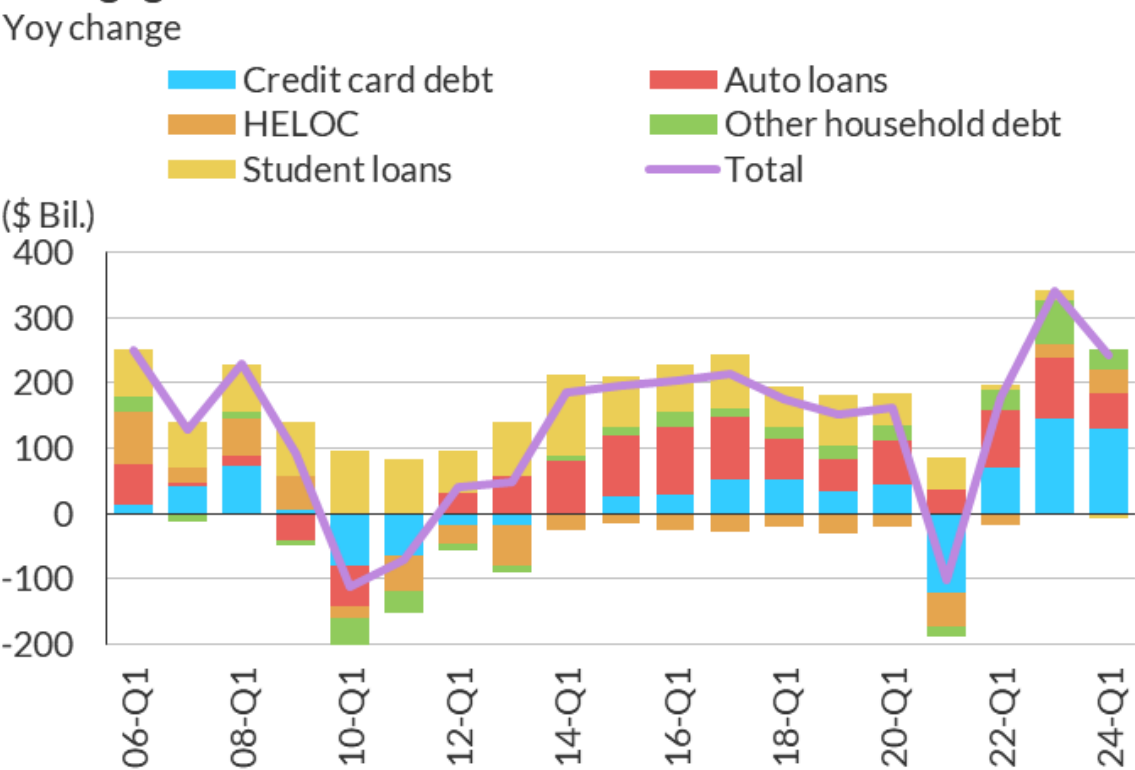
# Mortgages, Credit Card Debt Have Fueled Liabilities Growth

Total Debt Balance and Composition



Source: Fitch Ratings, Federal Reserve

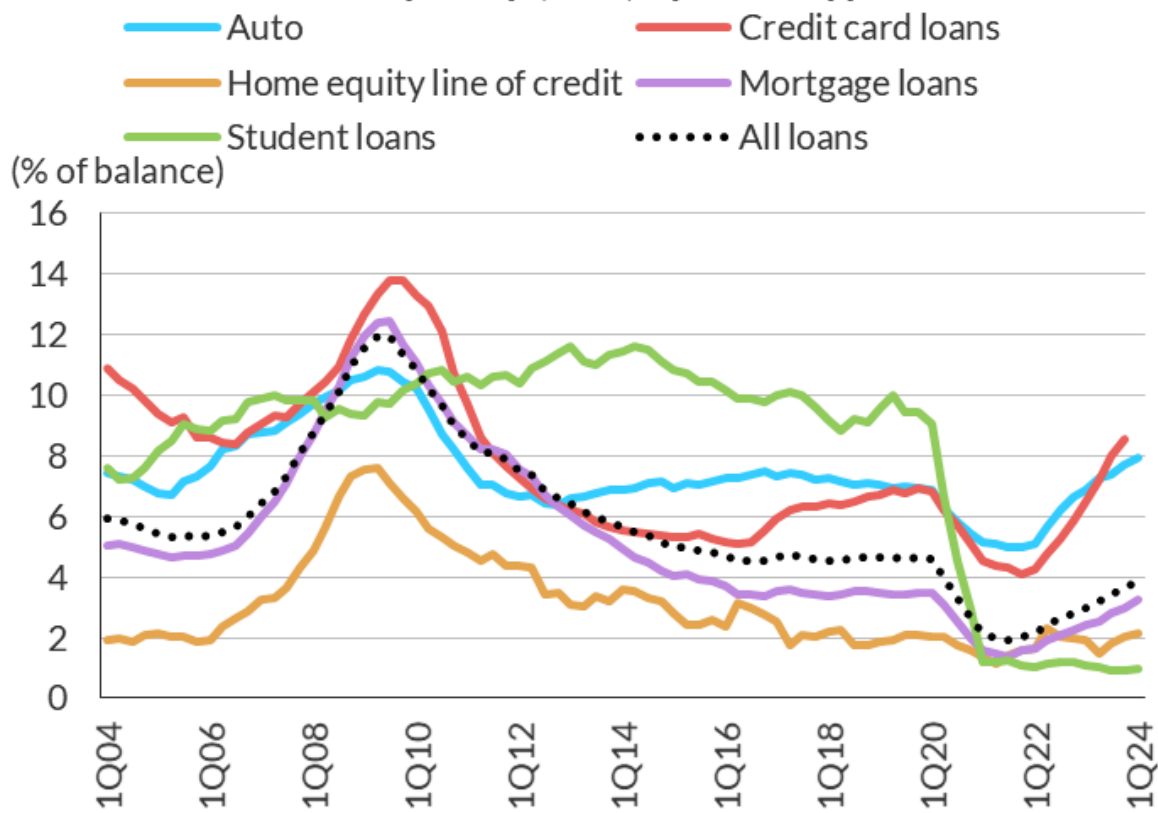
U.S.: Components of Changes in Household Debt Excluding Mortgage Debt



Source: Fitch Ratings, Federal Reserve

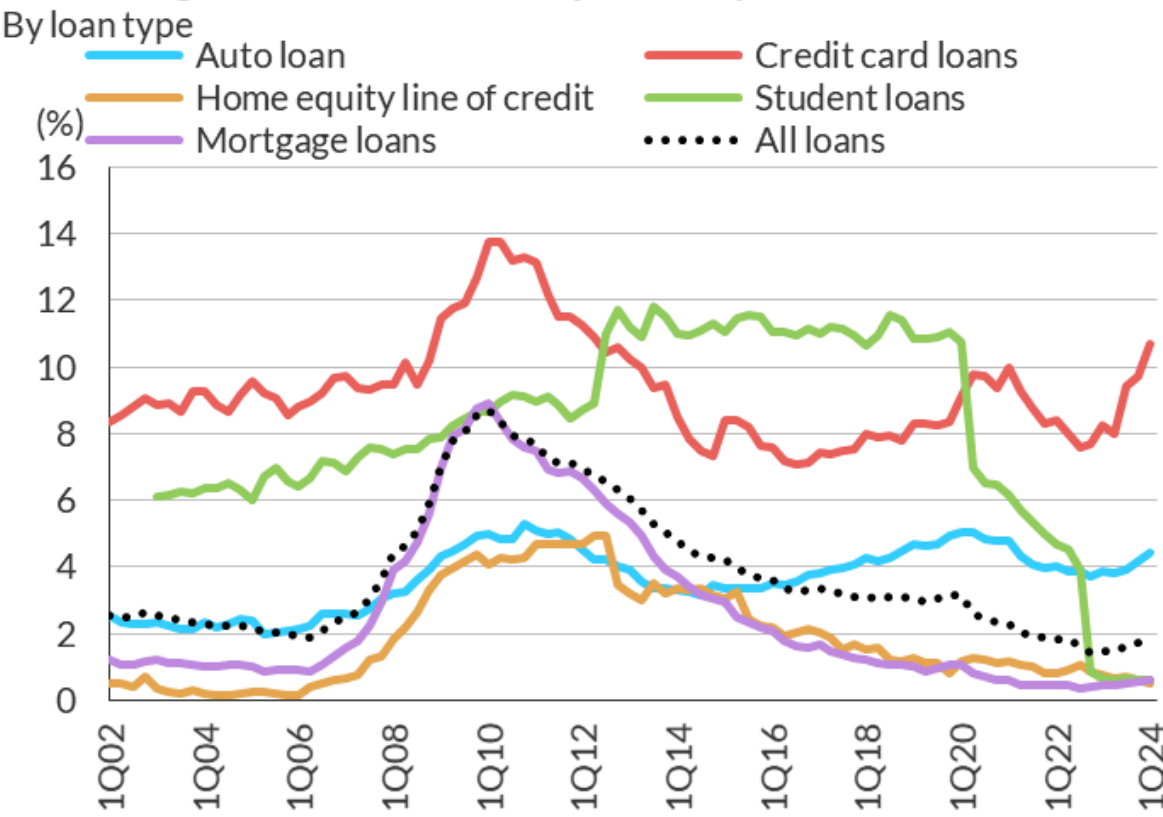
# Delinquencies Continue to Slowly Move Higher

Transition into Delinquency (30+) by Loan Type



Source: Fitch Ratings, Federal Reserve Bank of New York

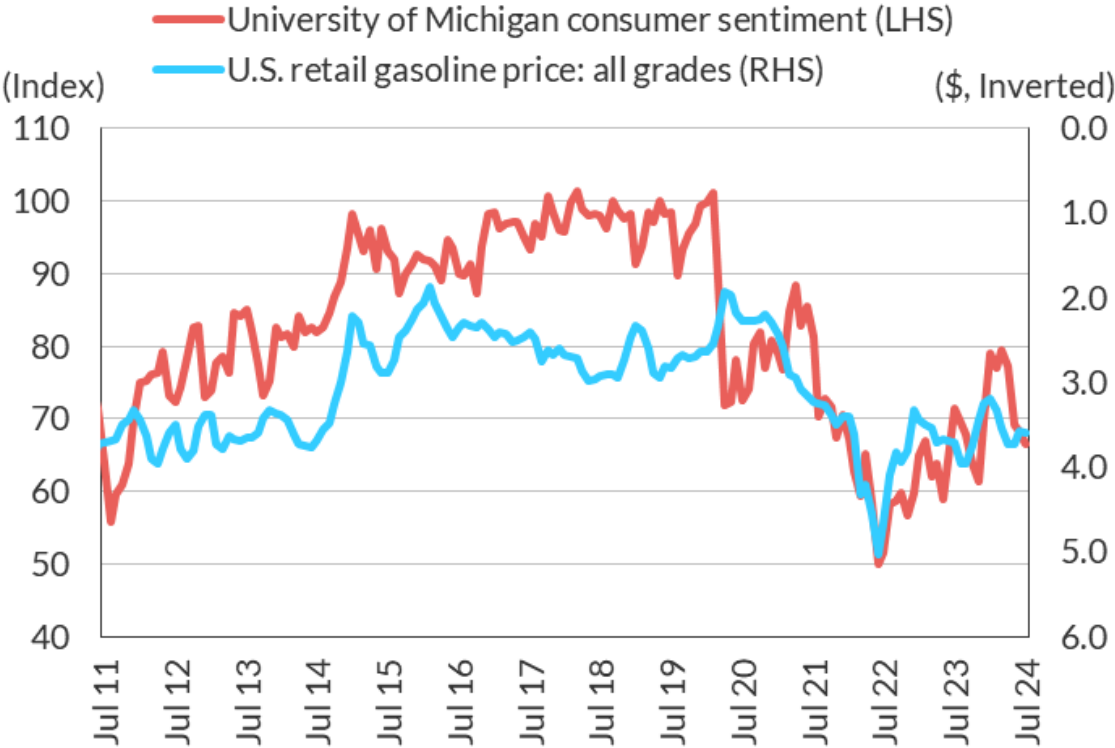
Percentage of Balance 90+ Days Delinquent



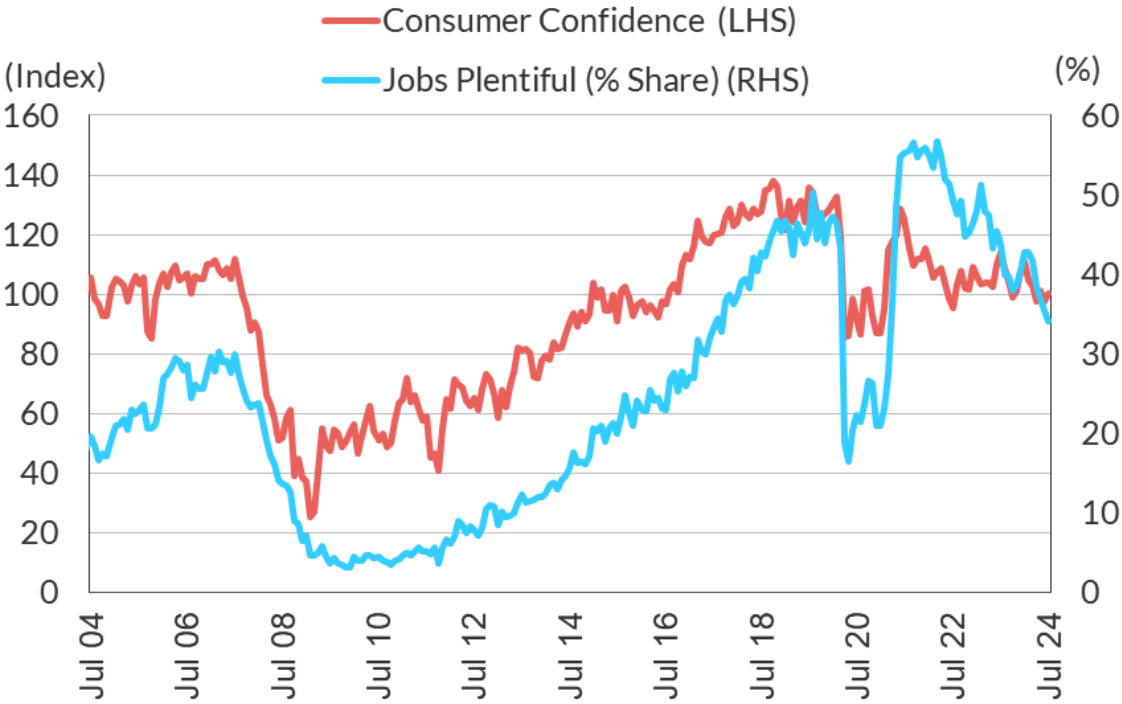
Source: Fitch Ratings, Federal Reserve Bank of New York

# Inflation Continues to Take its Toll on How Consumers Feel

U.S. Consumer Sentiment and Gas Prices



U.S. Consumer Confidence



# Key Takeaways

- Solid U.S. economy underpinned by strong consumer spending.
- Income growth and higher wealth levels and savings contributed to strength.
  - Deceleration in income growth will weigh on growth .
- Immigration has played a big role in the labor market.

## Key Risks

- Fed action/inaction
- Geo-politics
- Election uncertainty
  - Tariffs, immigration, fiscal policy
- Commercial real estate

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