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## 2024 Economic Forecasts Bring Optimism and Uncertainty

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### TRANSCRIPT

Economic forecasts for the coming year are pretty optimistic. They paint a picture of fairly low unemployment, gradually slowing inflation and continued economic growth.

But there are risks to this mostly sunny outlook; some are global, and some come from Washington, D.C.

Nobody says things will be perfect this year, including Vanguard senior international economist Andrew Patterson.

“Rather than cautiously optimistic, I’d say we’re optimistically cautious,” he said.

Patterson sees inflation working its way down toward the Federal Reserve’s 2% target, the Fed cutting interest rates, unemployment rising a bit, and the economy still growing, albeit slowly. He’s not expecting the Fed to get its much hoped-for soft landing, the ideal scenario where the economy slows just enough to tame inflation without causing a recession. He’s predicting more of a delayed landing with a slight recession.

“If we were to have a delayed landing, maybe you end up with zero growth, slightly negative but certainly nothing — at least as far as we see it now — nothing akin to 2008 or 2020,” he said.

Over at Wells Fargo, senior economist Sarah House expects any contraction in GDP will be one of the mildest since World War II. The wildcard? Us consumers, who House said power about 70% of U.S. economic growth.

“Can consumers continue to spend?” she said. “Or do we see a pullback as the job market softens a bit and perhaps consumers grow more cautious?”

There are other threats to House’s forecast. Consumers could be spooked by a government shutdown (or multiple shutdowns). Then, there are the various global hotspots and ongoing wars.

“We can never overestimate the threat that exists on the geopolitical front,” said **Bernard Baumohl, chief global economist at The Economic Outlook Group.**

**Baumohl** expects the war in Ukraine to drag on well into 2024. And if the Israel-Hamas war widens, he said that more ships will avoid the Red Sea, adding to delays and shipping costs.

“Then, clearly it could have an impact on supply chain disruptions, which could cause prices to remain higher than expected, which would delay any easing on the part of the Federal Reserve,” said Baumohl.

All that uncertainty — combined with elections in more than 40 countries this year, including the U.S. — are tempering **Baumohl’s** optimism.

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