NABE
National Association for Business Economics

Economic Policy Survey

March 2023

Majority of NABE Panelists Expects Recession Sometime This Year; More Than Two-Thirds Forecast 2023 Inflation to Remain Above 4%

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The March 2023 NABE Economic Policy Survey summarizes the responses of 217 members of the National Association for Business Economics (NABE). Conducted semiannually, this survey was administered between March 2 and March 10, 2023. Survey findings may be reprinted in whole or in part with credit given to NABE. Survey results, including complete tabulations, can be viewed online at www.NABE.com. This is one of three surveys conducted by NABE—the other two are the NABE Outlook Survey and the NABE Business Conditions Survey. ***Mervin Jebaraj,*** *University of Arkansas, Survey Chair;* ***Kathleen Navin, CBE,*** *Federal Reserve Bank of St. Louis;* ***Sam Khater,*** *Freddie Mac;* ***Michelle Robinson,*** *Bureau of Economic Analysis;* ***Holly Wade,*** *National Federation of Independent Business;* ***Jan Hogrefe,*** *Boeing Commercial Airplanes; and* ***Kathy Bostjancic,*** *Nationwide, conducted the analysis for this report.*

Summary

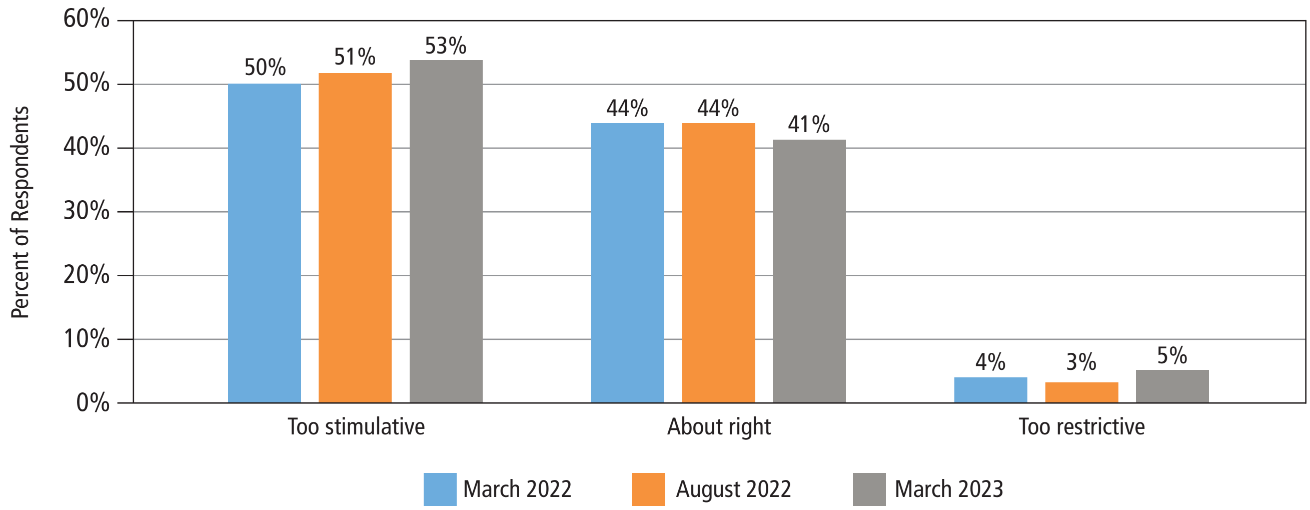
"More than half of NABE Policy Survey panelists expect a recession at some point in 2023," said **NABE President Julia Coronado,** president and founder, MacroPolicy Perspectives LLC. "However, only 5% believe the U.S. is currently in a recession, far fewer than the 19% who held this view in the August Policy Survey."

"Panelists generally agree on the outlook for inflation and the consequences of rate hikes from the Federal Reserve," added **NABE Policy Survey Chair Mervin Jebaraj,** University of Arkansas. "More than seven in ten panelists believe that growth in the consumer price index (CPI) will remain above 4% through the end of 2023, and more than two-thirds are not confident that the Fed will be able to bring inflation down to its 2% goal within the next two years without inducing a recession."

Fiscal Policy

Respondents' views on fiscal policy are similar to those expressed in the August 2022 NABE Policy Survey. Slightly more than half of respondents (53%) believe that current fiscal policy is too stimulative—a small increase from the 51% in the August 2022 survey. Forty-one percent of survey respondents find current fiscal policy is "about right," down from 44% in August 2022. Five percent of respondents believe that current fiscal policy is too restrictive.

Figure 1
Do you consider CURRENT fiscal policy to be:



Note: "Don't know/no opinion" percentages are omitted.
Note: Percentages may not add to 100 across columns due to rounding.

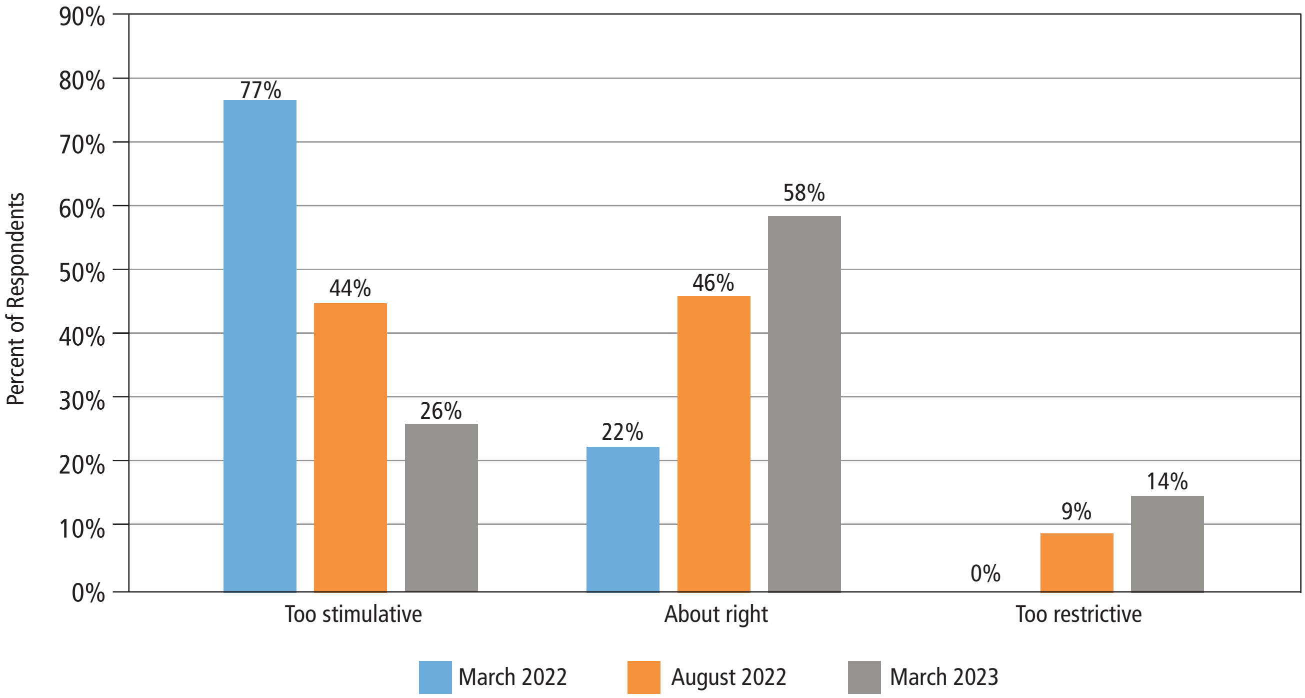
Forty-seven percent of panelists believe that the primary objective of current fiscal policy should be to promote more robust economic growth in the medium-to-long term, down from 59% in the August 2022 survey. The second-largest share of respondents (35%) indicates that the primary goal of current fiscal policy should be to reduce deficit and debt levels. A smaller share of respondents (8%) feels that addressing income inequality should be the primary objective of current fiscal policy.

Nearly two-thirds (61%) of panelists view onshoring of manufacturing in electric vehicles and semiconductor and chip industries as a likely outcome of the "Buy America" provisions in the Bipartisan Infrastructure Law, the CHIPS and Science Act, and the Inflation Reduction Act. A majority of panelists (59%) also expects these policies will result in higher consumer prices for products in these sectors, while 53% of panelists believe the policies will likely create new trade disputes due to escalating national industrial subsidies. Forty-seven percent of respondents suggest another likely outcome is a re-alignment of global trade in these sectors into competing blocs. Ten percent of panelists foresee no significant impact from these policies in the long term.

Monetary Policy

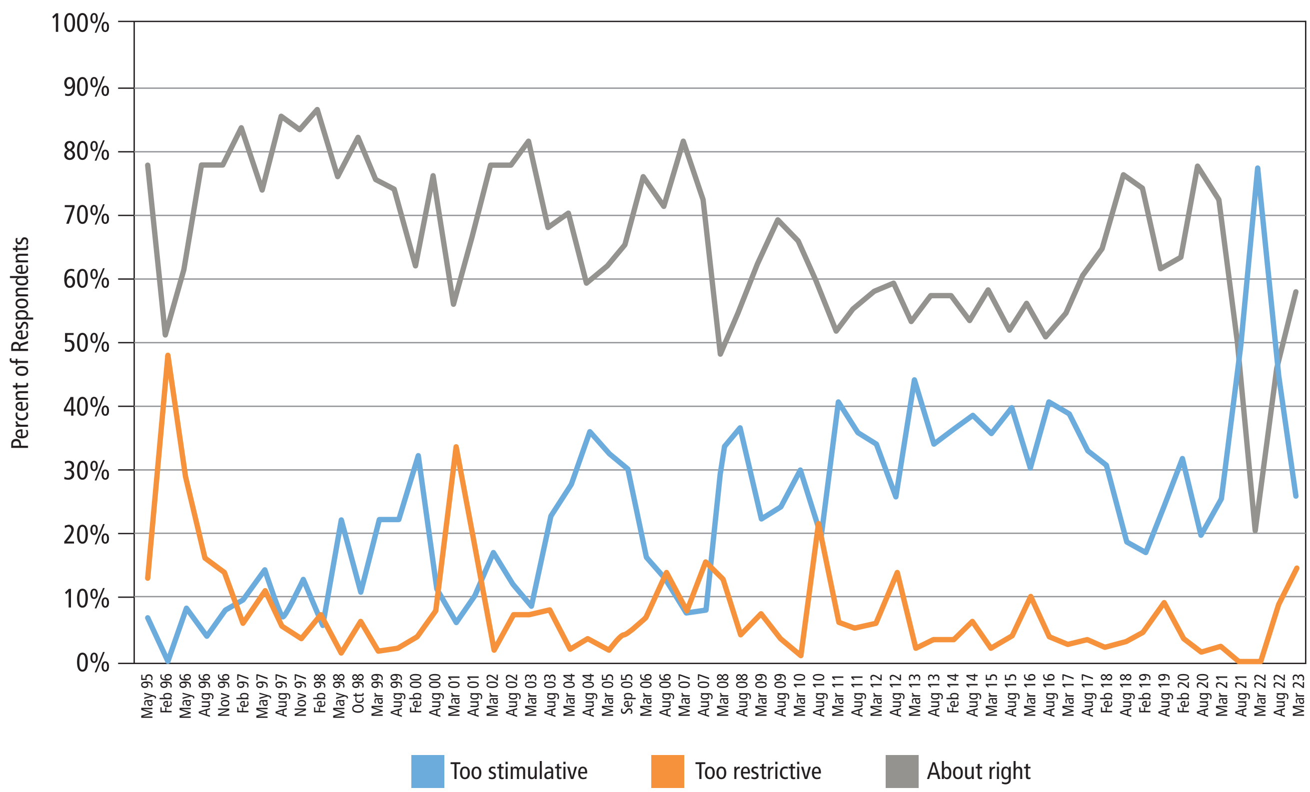
Twenty-six percent of panelists view the Federal Open Market Committee's (FOMC) policy stance as too stimulative, a decline from the record high of 77% in the March 2022 survey. Nearly six of ten panelists (58%) view monetary policy as "just right," up from 46% in the August 2022 survey and 22% in the March 2022 survey. Fourteen percent of panelists view the FOMC policy as too restrictive—the largest share holding this opinion in a decade.

Figure 2a
Do you consider CURRENT monetary policy to be:



Note: "Don't know/no opinion" percentages are omitted.
Note: Percentages may not add to 100 across columns due to rounding.

Figure 2b
Time Series: Do you consider CURRENT monetary policy to be:



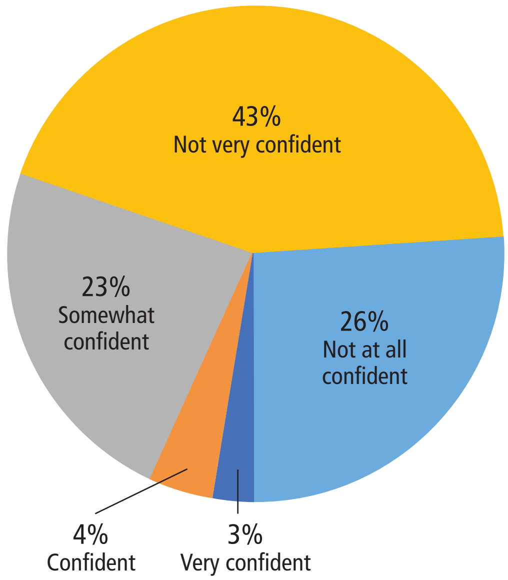
Note: "Don't know/no opinion" percentages are omitted.
Note: Percentages may not add to 100 across columns due to rounding.
Note: Surveys prior to February 2000 phrased the question, "Over the past six months, monetary policy was. . ."

Nearly two-thirds (65%) of panelists expect the upper end of the FOMC's federal funds rate target at year-end will be between 4.75% and 5.5%, while one-quarter (25%) of panelists expects the upper end will be 5.75% or higher. Opinion is split regarding 2024: 39% of panelists anticipate the target rate will be between 3.75% and 4.5% by year-end 2024, while 41% expect it to remain in the 4.75%-to-5.5% range or be higher. About one-sixth (16%) of respondents expects the target rate at year-end 2024 to be in the range of 2.75%-to-3.5%, and 2% of respondents expect it will be 2.5% or lower. The vast majority (80%) of panelists expects the target range to be between 3.75% and 4.5% or lower by year-end 2025.

Seventy-one percent of panelists in the current survey expect the Fed to continue to reduce its balance sheet at the pace the central bank is currently communicating, up from 54% in the August 2022 survey. Eighteen percent of survey respondents expect the Fed to stop or slow the pace, and 7% expect it to accelerate the pace.

More than two-thirds (69%) of panelists in the current survey indicate they are "not very confident" or "not at all confident" that the Fed will be able to bring inflation down to its 2% goal within the next two years without inducing a recession. Thirty percent feel confident, somewhat confident, or very confident that the Fed will achieve this outcome—popularly described as a "soft landing."

Figure 3
How confident are you that the Fed will be able to bring inflation down to its 2% goal without inducing a recession within the next 2 years?



Note: "Don't know/no opinion" percentages are omitted.
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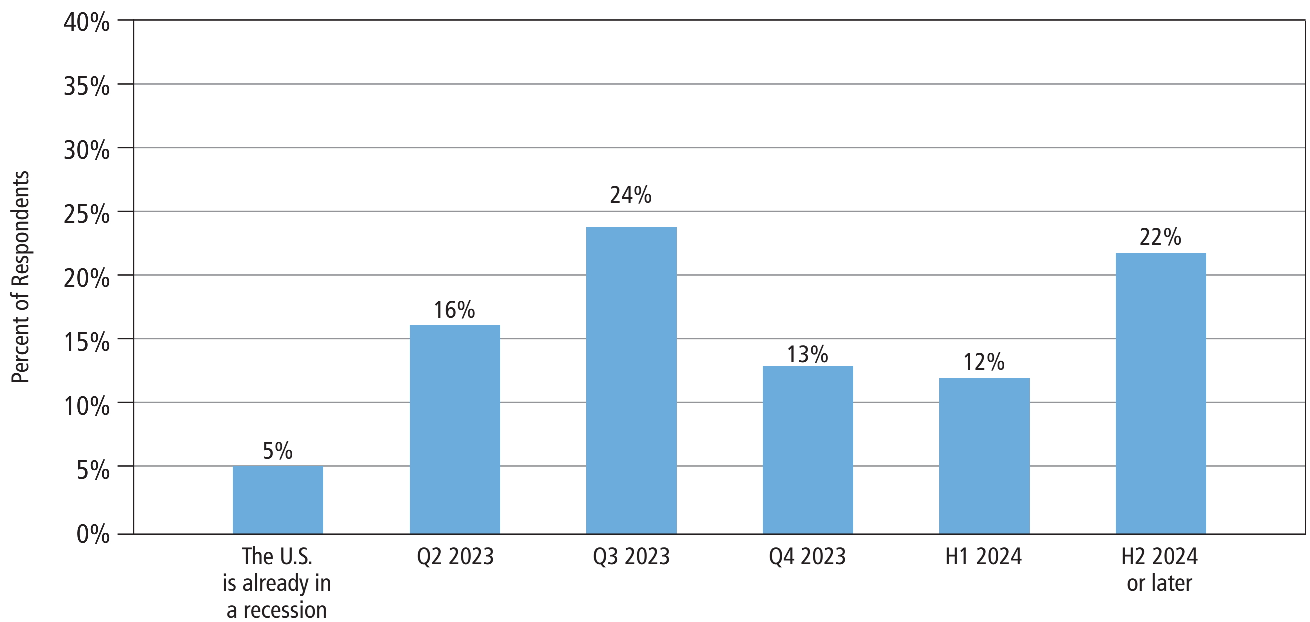
Panelists were asked which factors they believe will be most instrumental in bringing down inflation. Tighter monetary policy is cited by 71% of respondents, lower commodity prices by 44%, supply-chain realignments by 42%, and weaker output growth by 40% of respondents. Higher productivity growth (cited by 24% of respondents) and a stronger U.S. dollar (cited by 12% of respondents) are less widely seen as instrumental.

More than seven in ten panelists believe that growth in the consumer price index (CPI) will remain above 4% through the end of 2023. Twenty-six percent of respondents indicate CPI inflation is "very likely" to stay above 4% through 2023, while 45% suggest it is "likely." At the other end of the spectrum, 27% of panelists suggest that CPI inflation is "unlikely" or "very unlikely" to remain above 4% through the end of 2023.

Domestic Policy

Asked about the timing of the next U.S. recession as determined by the National Bureau of Economic Research (NBER), 5% of survey respondents believe the U.S. is currently in a recession. This share is significantly smaller than the 19% who expressed this view in the August 2022 NABE Policy Survey. Another 16% of survey respondents in the current survey anticipate a recession starting in the second quarter of 2023. Nearly one-quarter (24%) anticipates that the U.S. will enter a recession in the third quarter of 2023, and another 13% expect this to occur in the fourth quarter of this year. Twelve percent anticipate a U.S. recession starting in the first half of 2024, while 22% do not expect the U.S. to enter a recession before the second half of 2024.

Figure 4
When will the next recession (as determined by the NBER) commence in the U.S.?



Note: “Don’t know/no opinion” percentages are omitted.
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Congress and the Biden Administration will soon ramp up negotiations on how to raise the U.S. debt ceiling. NABE members were asked what they thought the likelihood is of the U.S. defaulting on debt payments later this year. Half of the panelists (the median response) put the probability of default at 10% or higher, while half list the probability at 10% or less. The median of the lowest five responses is 0%, and the median of the five highest responses is 65%.

Nearly half (47%) of survey respondents anticipates that a combination of spending cuts and new revenue will be the likely path to raise the debt ceiling later this year. About one in five panelists (21%) believes that negotiations will end with a clean debt ceiling increase. Ten percent of panelists foresee significant spending cuts in line with proposals from House Republicans as the most likely path to raise the debt ceiling. Fifteen percent of panelists cite “other” solutions, and 1% believe the likely path is the U.S. defaulting on its sovereign debt.

About three-quarters (74%) of survey respondents state that tightening controls on U.S. exports to China of sensitive high-technology goods is a step worth taking in the trade relationship with China. In addition, 35% believe the U.S. should maintain existing tariffs on imports of Chinese goods, and 27% are in favor of restrictions on outbound U.S. investments in China. In contrast, 29% of respondents support reducing or eliminating existing tariffs on imports from China.

Among the most important policy issues for the current Congress, survey participants rank immigration (62%), fiscal policy (42%), and climate (35%) at the top. Energy (28%), infrastructure (24%), and tax (23%) are named as top issues by over 20% of respondents. The shares of respondents citing trade, industrial, monetary, public health, and social policy as top issues are all in single digits.

Policy Survey Committee

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