NABE
National Association for Business Economics

Economic Policy Survey

February 2024

NABE Economists More Bullish on Domestic Economy, See Rising Concerns Around Fiscal Policy, Global Economy, and Geopolitical Risk

Embargoed until: Monday, February 12, 2024, 12:01 AM ET

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The February 2024 NABE Economic Policy Survey summarizes the responses of 184 members of the National Association for Business Economics (NABE). Conducted semiannually, this survey was administered January 23-30, 2024. Survey findings may be reprinted in whole or in part with credit given to NABE. Survey results can be viewed online, including complete tabulations, 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. ***Sam Khater,*** *Freddie Mac, Survey Chair;* ***Elaine Buckberg,*** *Harvard University;* ***Jared Franz,*** *Capital Group;* ***Selma Hepp,*** *CoreLogic;* ***Lester Jones, CBE,*** *National Beer Wholesalers Association;* ***Ed Kean,*** *Observatory Group;* ***Chad Moutray,*** *National Association of Manufacturers; and* ***Pia Orrenius,*** *Federal Reserve Bank of Dallas, conducted the analysis for this report.*

Summary

"Only a quarter of NABE respondents believes a recession will occur in 2024," said **Ellen Zentner, NABE President,** chief U.S. economist and managing director, Morgan Stanley. "As for the most likely geopolitical risks, NABE respondents express the greatest concerns about the Middle East conflict driving up oil prices or disrupting supply chains, a stagnant Chinese economy, and instability around U.S. elections."

"Panelists are more optimistic about the outlook for the domestic economy," added **NABE Policy Survey Chair Sam Khater,** chief economist, Freddie Mac, "but they have increasing concerns on the balance of risks around monetary policy that is 'too restrictive' versus a fiscal policy that is 'too stimulative'".

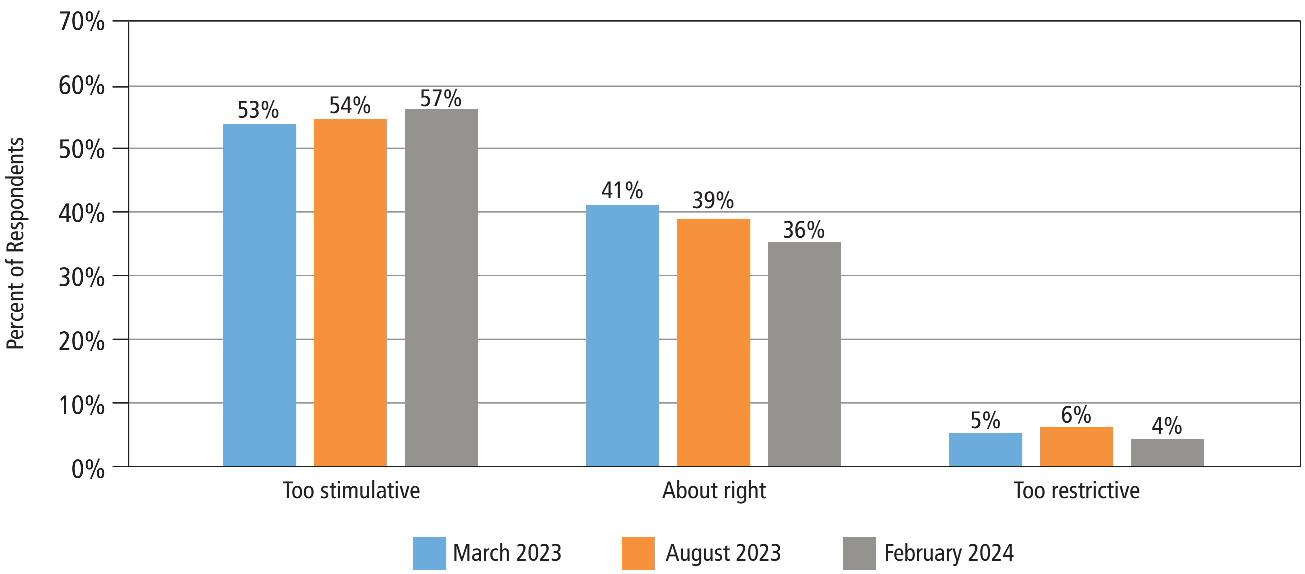
Fiscal Policy

Respondents' views on fiscal policy generally mirror those of the August 2023 and March 2023 Policy Surveys. A slightly larger share of respondents (57%) believes that current fiscal policy is "too stimulative," compared to the 54% in August 2023 and 53% in the March 2023 survey. The percentage of respondents that view fiscal policy as "too stimulative" has been rising consistently since August 2020.

Thirty-six percent of panelists view current fiscal policy as "about right," down from 39% in the August 2023 survey and 41% in the March 2023. The share of respondents viewing fiscal policy as "about right" has been on a decline since the August 2021 Policy Survey. Only 4% of respondents believe that current fiscal policy is "too restrictive," also down from the August 2023 survey results.

Panelists view promoting medium-to-long-term growth and reducing the deficit and debt as the two most important objectives of fiscal policy, cited by 45% and 42% of respondents, respectively. Addressing income inequality is the third most-common response, cited by 7% of panelists.

Figure 1
Do you consider CURRENT fiscal policy to be:



Notes: "Don't know/no opinion" percentages are omitted.

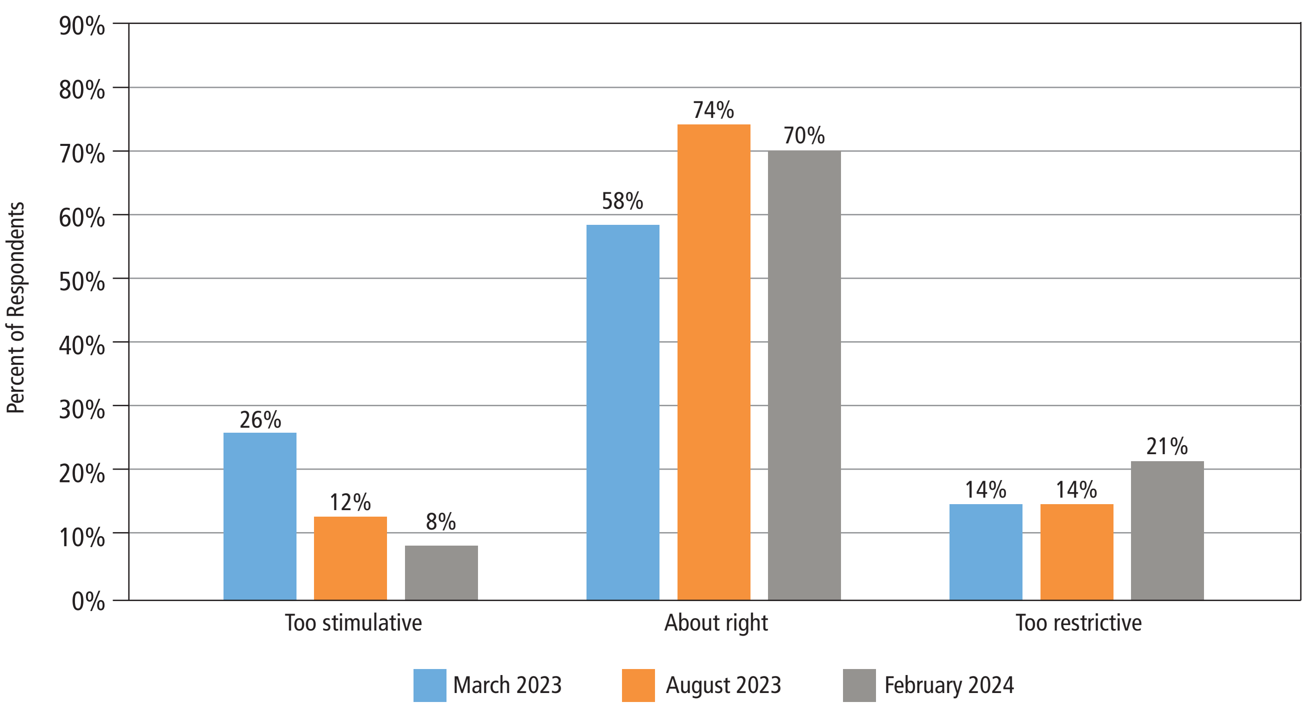
Monetary Policy

While the majority of respondents continues to indicate that monetary policy is "about right," there are shifts in the shares who believe it is "too stimulative" or "too restrictive." The percentage of panelists who feel monetary policy is "too stimulative" is 8%, down from 12% in August 2023 and 26% in March 2023. Conversely, the share of respondents who indicate that current monetary policy is "too restrictive" is 21%, up from 14% in both March and August 2023, and the third-largest share holding this view for the last two decades.

Nearly half (47%) of survey respondents believes that the lags between changes in monetary policy and the full impact of these changes on the economy remain mostly in the same 12–18-month range, as in the August 2023 survey. Thirty percent of respondents indicate that the lag time is shorter than 12 to 18 months due to a quick reaction by markets to the Fed's forward guidance; 16% feel that such lags are longer now due to the prevalence of fixed-rate financing, such as 30-year mortgages, that slow the impact of changes in rate policy.

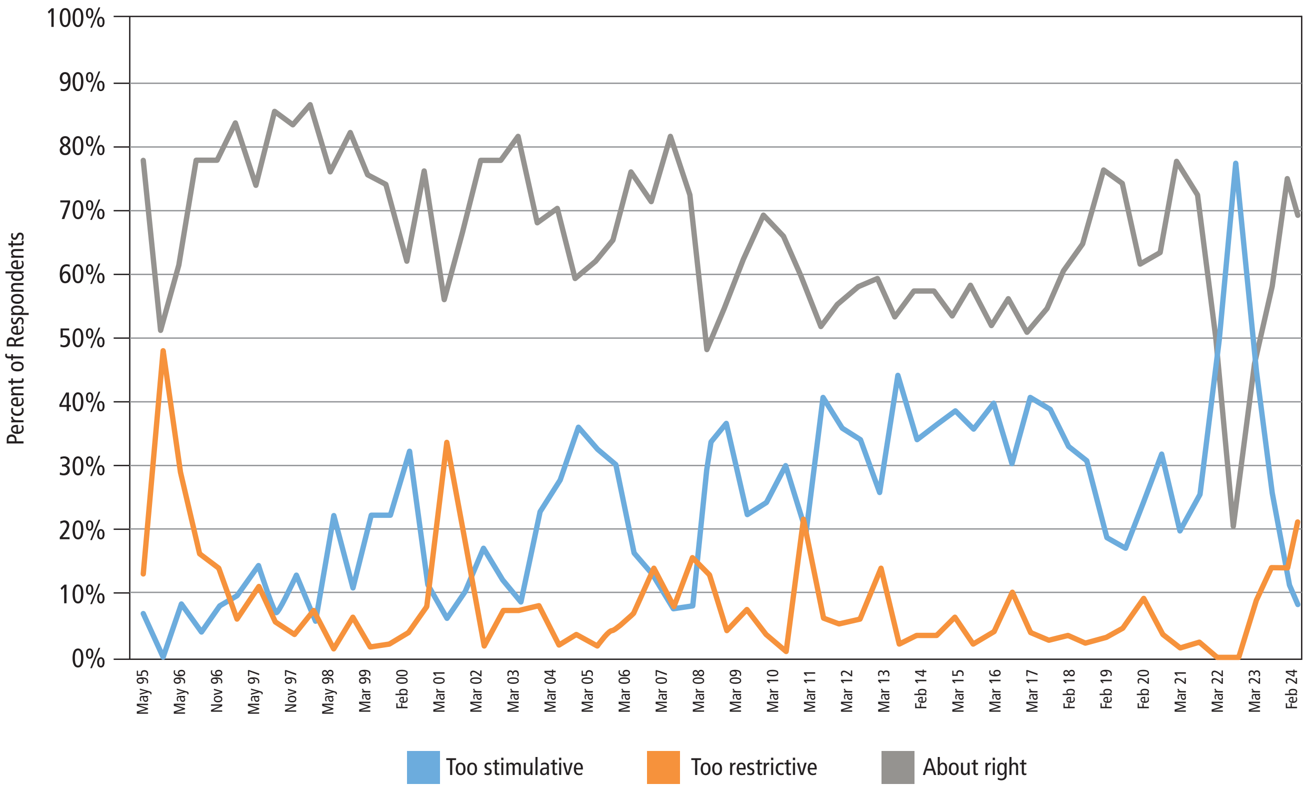
Just over half (51%) of panelists expect that the Federal Reserve will continue to reduce the size of its balance sheet at the pace currently communicated by officials. Thirty-nine percent anticipate that the Federal Open Market Committee (FOMC) will slow the reduction of its balance sheet to the rate currently communicated, or stop reducing it entirely.

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



Notes: "Don't know/no opinion" percentages are omitted.

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



Notes: "Don't know/no opinion" percentages are omitted.
Surveys prior to February 2000 phrased the question, "Over the past six months, monetary policy was…"

Domestic and International Policy

The survey asked panelists when they expect the next recession—as determined by the National Bureau of Economic Research (NBER)—to occur. Twenty-four percent of respondents believe that the U.S. is already in a recession (2%), or will be in the second quarter of 2024 (8%), in the third quarter of 2024 (7%), or in the fourth quarter of 2024 (8%). Nearly one-quarter (22%) of respondents expects a recession in 2025, and 36% expect it in 2026 or later. Comments from survey respondents to this question suggest any recession would result from an external shock (tariffs, geopolitical risks, other unknown shock).

A majority of the panel indicates that inflation, as measured by the Consumer Price Index (CPI), will remain elevated and take longer to decline below 2.5%. Roughly two-thirds of respondents (67%) believe it is likely (52%) or very likely (15%) that the CPI inflation rate will be above 2.5% through the end of 2024.

When asked to assess the likelihood of a variety of geopolitical and economic risks in the next 12 months, respondents express the greatest concerns about the Middle East conflict driving up oil prices or disrupting supply chains, a stagnant Chinese economy, and instability around U.S. elections. Approximately 50% of respondents rate all three events as a substantial probability (36% probability or higher).

In terms of the severity of geopolitical risks, should they occur, respondents predict that only an escalated conflict between China and Taiwan would have a large, adverse impact on the U.S. economy—that is, would reduce real GDP by 0.5 percentage points (ppts), raise inflation by 0.5 ppts, or both. Approximately 60% of respondents see both escalated China-Taiwan and Middle East conflicts that drive up oil prices or disrupt supply chains as having a substantial economic impact—reducing GDP by at least 0.3 ppts, raising inflation by 0.3 ppts, or both.

Figure 3a
How do you rate the probability that the following geopolitical risks will have an adverse impact on the U.S. economy in [timeframe, e.g., next 12 months]:

	Zero concern / Low probability (15% or less)	Moderate probability (16-35%)	Substantial probability (36-50%)	More likely than not (51%+)
Conflict between China and Taiwan (even if short of a hot war)	36%	47%	11%	5%
A stagnant Chinese economy	10%	41%	34%	15%
Middle East conflict drives up oil prices [above $90/barrel (Brent) for at least a quarter] and/or materially disrupts global supply chains	3%	45%	36%	16%
Instability around U.S. elections, either before or after the general election	15%	37%	28%	20%
Russia-Ukraine conflict expands into other European states	38%	45%	13%	3%
Climate perils/weather catastrophes	39%	34%	15%	11%

Notes: "Don't know/no opinion" percentages are omitted.

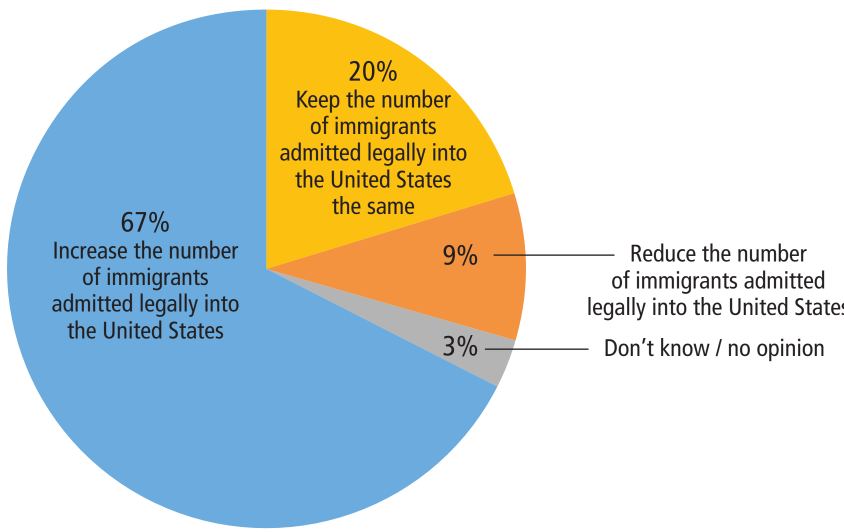
Figure 3b
If there were an impact on the U.S. economy, what do you estimate the severity will be for each of the following geopolitical events:

	Negligible (less than 0.1 ppts GDP)	Small (subtracting 0.1-0.2 ppts from GDP or adding 0.1-0.2 ppts to inflation)	Substantial (subtracting 0.3-0.4 ppts from GDP or adding 0.3-0.4 ppts to inflation)	Large (subtracting >/ 0.5 ppts from GDP or adding >/ 0.5 ppts to inflation)
Conflict between China and Taiwan (even if short of a hot war)	10%	29%	28%	30%
A stagnant Chinese economy	13%	59%	25%	1%
Middle East conflict drives up oil prices [above $90/barrel (Brent) for at least a quarter] and/or materially disrupts global supply chains	4%	33%	48%	13%
Instability around U.S. elections, either before or after the general election	23%	48%	20%	8%
Russia-Ukraine conflict expands into other European states	11%	30%	41%	15%
Climate perils/weather catastrophes	32%	40%	21%	4%

Notes: "Don't know/no opinion" percentages are omitted.
ppts = percentage points

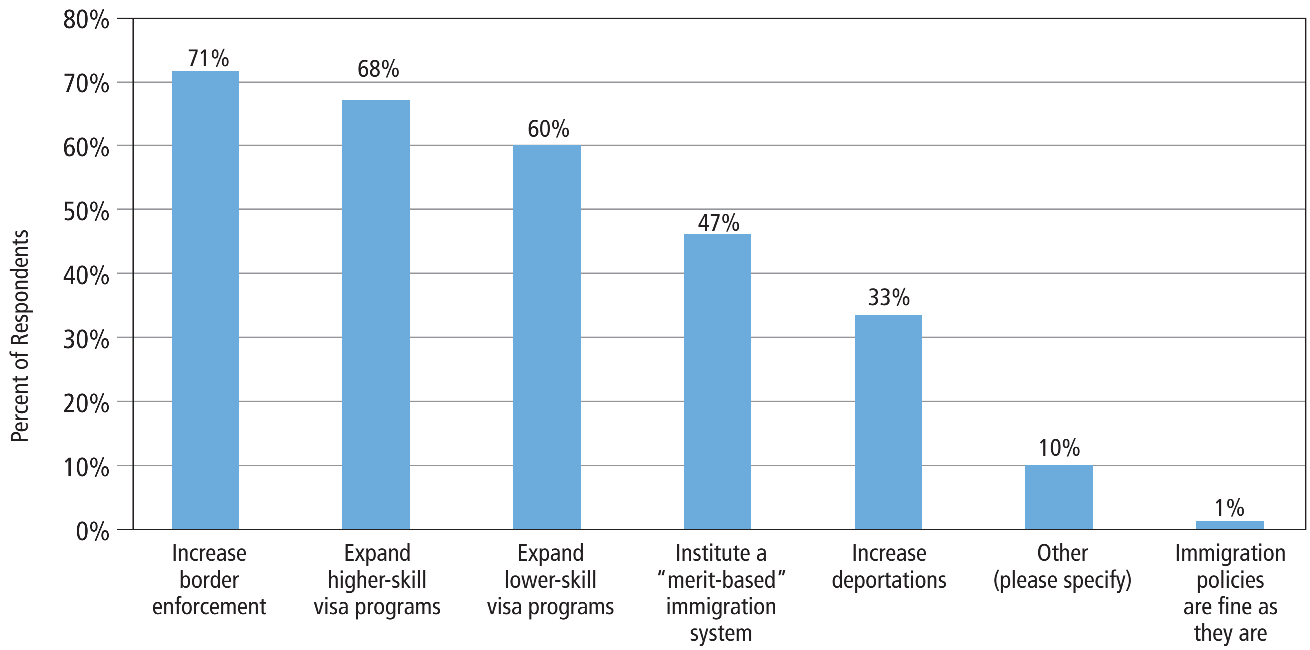
Survey panelists responded to several special questions on immigration. With respect to the *volume* of immigration, two-thirds of respondents suggest that the U.S. should increase the number of immigrants legally admitted into the country. Twenty percent indicate that the volume should stay the same, and nine percent feel it should be reduced. The three highest-ranked immigration policy priorities are increasing border enforcement (cited by 71% of respondents), expanding high-skill visa programs (68%), and expanding low-skill visa programs (60%).

Figure 4a
With respect to U.S. immigration policy, should the U.S.:



Notes: Percentages may not add to 100 due to rounding.

Figure 4b
What should be the priorities for U.S. immigration policy? *(select all that apply)*

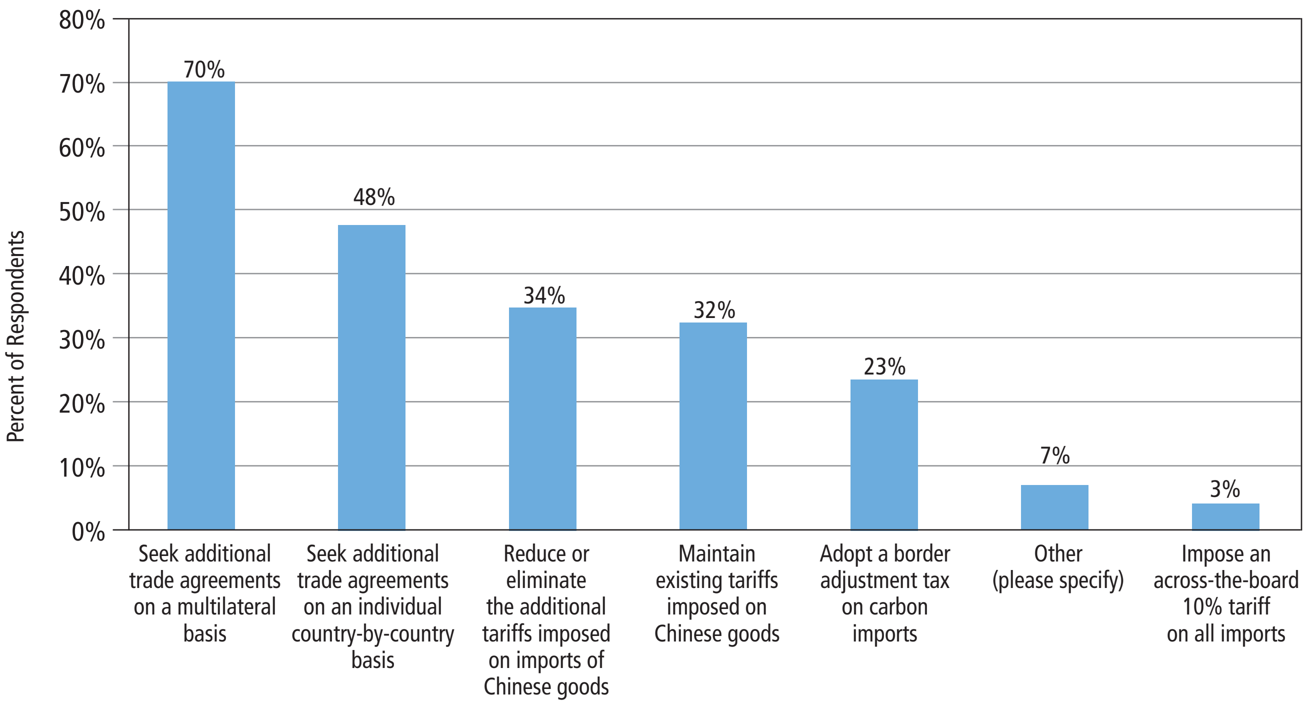


Notes: "Don't know/no opinion" percentages are omitted.

The survey also asked what changes should be made to U.S. trade policy. The most-favored choice, cited by 70% of panelists, is to seek additional trade agreements on a multilateral basis. In addition, 48% of respondents support seeking additional trade agreements with individual countries. In contrast, the least-popular choice is to impose a 10% across-the-board tariff on all imports; that option is supported by only 3% of respondents. In addition, adopting a border adjustment tax on carbon imports is cited by 23% of the panel.

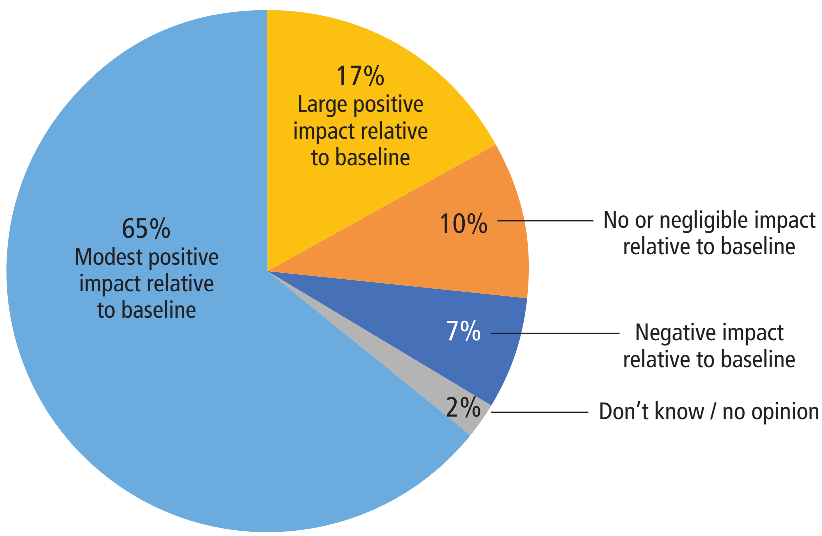
With regard to trade with China, 34% of respondents favor reducing or eliminating the additional tariffs imposed on imports of Chinese goods. Thirty-two percent support maintaining the existing tariffs on imports of goods from China.

Figure 5
What changes should be made to U.S. trade policy? *(select all that apply)*



Respondents were asked to evaluate the impact of the Infrastructure Investment and Jobs Act, Inflation Reduction Act, and the CHIPS Act on sustained capital expenditures by U.S. firms over the next 3-5 years. Eighty-two percent of respondents expect a positive impact over the next 3-5 years, with 65% anticipating a modest-to-positive-impact. Only one out of ten expects to see "none or negligible" impacts from these laws.

Figure 6
What impact will recent legislation (Infrastructure Investment and Jobs Act, Inflation Reduction Act, CHIPS) have on a sustained increase in capital expenditures by U.S. firms over the next 3-5 years?



Notes: "Don't know/no opinion" percentages are omitted.

Survey respondents were asked if the U.S. has adopted an official, coherent, industrial policy given the current size and scope of subsidies and investments in high-tech manufacturing or climate-related investments. Forty percent of panelists disagree with this statement, and 14% *strongly* disagree. Conversely, 40% agree—an increase from the 29% who expressed this view in the August 2023 survey. Only two percent strongly agree with this statement, unchanged from the previous survey results.

Policy Survey Committee

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