

U.S. Economy

U.S. economic activity continues to show improving economic indicators as we enter the Fall of 2023. This positive development occurs in spite of strong headwinds from higher interest rates since our last Economic Brief of February 2023. Thus, WEG has upgraded our outlook for the remainder of this year. This improved outlook is presented in Table 1 below.

Table 1. U.S. Economic Indicators

| Indicators | 2021 | 2022 | 2023 ^F |
|-----------------------------------|-----------------|-----------------|-------------------|
| Real GDP Growth (Δ %) | 5.9 | 2.1 | 2.8 |
| GDP Price Deflator (Δ %) | 4.5 | 7.0 | 4.0 |
| Core CPI (Δ %) | 3.5 | 5.8 | 3.0 |
| Merchandise Exports (\$ Billions) | \$1,766 | \$2,090 | \$2,800 |
| Merchandise Imports (\$ Billions) | \$2,849 | \$3,273 | \$3,500 |
| Trade Balance (\$ Billions) | -\$1,083 | -\$1,183 | -\$700 |
| Unemployment Rate (%) | 5.4 | 3.6 | 3.0 |
| Payroll Employment (Δ %) | 3.0 | 4.3 | 4.0 |

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S Census, International Trade and Forecasts (F) by The Washington Economics Group (WEG).

Economic activity is likely to expand at close to a 3 percent rate this year, with a modest decline in inflationary pressures. Both, the GDP Price Deflator and the Core CPI are forecasted to be lower from 2022 levels. Nevertheless, both rates are still above the FED target of a 2 percent annual inflation rate. This, in turn, suggests a tight monetary posture until the end of the year.

As we enter 2024, consumer spending growth is projected to slow noticeably. The consumer is over stretched with a growing debt burden to maintain current spending levels. This fact suggests a shallow recession in the first half of 2024 as consumer spending growth slows, impacted by a high debt burden and high interest rates. Furthermore, the jobs market will likely soften from current strong levels, impacting consumer sentiment.

Florida Economy

Florida economic activity is growing at a faster rate than the U.S. average. This is due to a positive business climate and strong rates of population growth. While the State economy will slow moderately next year, WEG foresees positive levels of income and employment expansion in the State. The evolution of Florida's economy is presented in Table 2 below.

Table 2. Florida Economic Indicators

| Indicators | 2021 | 2022 | 2023 ^F |
|--|-------|-------|-------------------|
| Population Growth (Δ %) | 1.4 | 1.0 | 1.4 |
| Total Taxable Sales (Δ %) ¹ | 44.0 | 19.7 | 3.1 |
| Payroll Employment (Δ %) | 4.5 | 5.6 | 6.0 |
| Unemployment Rate (%) | 4.7 | 2.9 | 2.0 |
| Merchandise Exports (\$ Billions) | \$75 | \$87 | \$95 |
| Merchandise Imports (\$ Billions) | \$89 | \$103 | \$110 |
| Total Merchandise Trade (\$ Billions) | \$164 | \$190 | \$205 |

Sources: U.S. Census, ¹ Δ % Mar over Mar of each year, Florida Economic and Demographic Research (EDR), Florida Commerce/Enterprise Florida and Forecasts (F) by The Washington Economics Group (WEG).

In conclusion, U.S. economic indicators point to continued economic expansion through the end of this year. The combination of elevated interest rates and growing consumer debt burden could lead to a shallow and short-lived recession in early 2024. Under this scenario, the Florida economy will grow at a slower pace during the first half of next year, but resume strong expansion as U.S. economy recovers in the final six months of 2024.

About the Washington Economics Group® (WEG®)

Founded in 1993 in the City of Coral Gables, WEG® is a boutique economic consulting firm specializing in comprehensive economic solutions for businesses. WEG® engages a limited number of clients each year in order to ensure the best client experience within premier areas of specialization, and possesses expertise in the economies of Florida, the U.S., Latin America as well as the global economy and emerging markets.