



Grupo de Pesquisa em  
**Gestão e Planejamento Econômico-Financeiro**  
Universidade Federal do Rio de Janeiro – UFRJ

The Quarterly Observatory of the  
U.S. Economy:  
Macroeconomic Trends,  
4<sup>th</sup> Quarter 2023

## **Textos para Discussão**

**No. 16 – janeiro, 2024.**

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## Textos para Discussão

No. 16 – janeiro, 2024.

### Título

The Quarterly Observatory of the U.S. Economy:  
Macroeconomic Trends, 4th Quarter 2023

### Autor

GPEF \*

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#### Resumo:

O principal objetivo do Observatório Trimestral é avaliar a evolução da economia norte-americana em uma perspectiva de mais longo prazo, e levando em conta um referencial macroeconômico bem definido. Este referencial, assim como as previsões elaboradas no texto, segue material disponível em outro Texto para Discussão:

“A macro-econometric model containing income distribution, price changes and Government financing: Solutions and dynamic analysis for the US.”

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#### Abstract:

The main objective of the Quarterly Observatory is to evaluate the path of the U.S. economy in a longer-term perspective and considering a well-defined macroeconomic framework. This framework, as well as the predictions elaborated in the text, follow material available in another Text for Discussion:

“A macro-econometric model containing income distribution, price changes and Government financing: Solutions and dynamic analysis for the US.”

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# The Quarterly Observatory of the U.S. Economy: Macroeconomic Trends, 4<sup>th</sup> Quarter 2023

January 2024

GPEF

Grupo de Pesquisa em Gestão e Planejamento  
Econômico-Financeiro

## Introduction

In the fourth quarter of 2023, the strong growth of the previous period subsided to a certain extent – GDP growth diminished from 1.2% (4.8% in annual basis) to 0.8%, which still is a significant result. One of the factors that explain this reduction is that the growth of private investment in the last quarter was almost one fifth of the rate in the third quarter. In the case of aggregate consumption, there was a more stable trend at a relatively high rate of change in the fourth quarter (0,7%). On the other hand, total employment in the private sector continued to show declining, albeit still relatively high, rates of change – a trend that has been present since the end of 2021.

Inflation rates, as measured by the GDP deflator, continued to trend downward – in the last quarter, the annual rate of inflation based on this indicator was 2.6% (reduction of 0.6 percentage point). According to the CPI index, however, inflation has been higher, and annual rates have remained above 3%. The fourth quarter of last year also showed a little more favorable fiscal data for the federal government, especially in the case of government consumption and net saving – in the latter, a slightly lower deficit.

## **1. GDP growth and its main factors**

After the strong performance in the third quarter, GDP growth subsequently lost momentum. One factor that contributed to this less impressive result was the more moderate expansion of private investment in the last quarter of 2023, which is related to the rise in interest rates in real terms.

Aggregate consumption growth, however, remained relatively strong in the second half of last year. In addition, the trade deficit improved slightly in the fourth quarter of 2023.

## 1. GDP growth and its main factors

	Units	Last	Previous	Change (%)							Forecast (%)					
		IV-23	III-23	II-22	III-22	IV-22	I-23	II-23	III-23	IV-23	2024	2025	2026	2027	2028	
Real net exports	Bil. 2017 USD	-908.1	-930.6	-2.17	-12.09	-1.59	-3.15	-0.73	0.26	-2.42						
Real private consumption	Bil. 2017 USD	15,569.8	15,461.3	0.49	0.38	0.29	0.93	0.20	0.76	0.70						
Real private investment	Bil. 2017 USD	4,132.0	4,111.0	-2.76	-1.96	0.83	-2.33	1.27	2.41	0.51						
Real interest rates		Real Rate (%)										Forecast (%)				
Moody's Aaa yield	% (GDP Deflator)	2.07	1.87	-3.17	-2.48	-1.87	-0.68	1.13	1.87	2.08	0.97	0.87	0.77	0.68	0.60	
Real GDP	Bil. 2017 USD	22,672.8	22,490.6	Change (%)							2024	2025	2026	2027	2028	
				-0.14	0.66	0.64	0.56	0.51	1.19	0.81	1.69	1.57	1.47	1.39	1.33	

## 2. Inflation and monetary aggregates

According to the GDP deflator, inflation remains on a consistently lower path after peaking in early 2022. However, CPI data shows that price changes rose in the third quarter of last year and lost momentum afterward.

Among the factors that have contributed to the reduction in inflationary pressures is the fall in the money supply (M1 stock) observed since the end of last year.\* This trend is certainly related to rising interest rates that apply to the productive sector (corporate rates). On the other hand, the reduction in the money supply has been offset in part by the increase in M1 velocity since the beginning of 2022.

An even more important factor behind the reduction in inflation rates is the fall in wholesale prices. However, in the fourth quarter of 2023, the decline in the PPI index – all commodities – was less pronounced.

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\* One major issue with data for monetary variables was the change in the definition of M1 adopted by the Fed in May 2020, which caused a fourfold increase in the figure for that month. To deal with this change, an adjustment has been made to bring recent data in line with the original series.

## 2. Inflation and monetary aggregates

	Units	Last	Previous	Annual Change (%)											
		IV-23	III-23	II-22	III-22	IV-22	I-23	II-23	III-23	IV-23					
Consumer Price Index (CPI)	1982-84 = 100	308.85	307.48	8.93	8.21	6.44	4.98	3.09	3.68	3.30					
				Annual Change (%)						Forecast (%)					
		IV-23	III-23	II-22	III-22	IV-22	I-23	II-23	III-23	IV-23	2024	2025	2026	2027	2028
GDP Deflator	2017 = 100	123.22	122.76	7.65	7.25	6.42	5.32	3.48	3.19	2.61	2.39	2.34	2.27	2.22	2.17
Monetary base	Mil. USD	5,827,200	5,567,300	-8.63	-15.30	-15.70	-9.17	1.85	2.89	7.79	4.44	4.15	3.89	3.65	3.43
M1*	Mil. USD	4,370,048	4,371,386	6.42	2.06	-3.39	-8.29	-10.26	-10.40	-8.76	-1.05	2.65	2.39	2.15	1.93
		M1 Velocity													
M1 income velocity	N.A.	IV-23	III-23	II-22	III-22	IV-22	I-23	II-23	III-23	IV-23					
		4.692	4.662	3.757	3.891	4.018	4.350	4.550	4.662	4.692					
		Annual Change (%)													
Producer Price Index (PPI) All commodities	1982 = 100	IV-23	III-23	II-22	III-22	IV-22	I-23	II-23	III-23	IV-23					
		249.58	258.85	22.43	13.67	6.86	-1.13	-9.41	-3.37	-3.22					

\* See previous page.

### **3. Broad sectors in the economy**

The trajectory of nominal income in the sector most closely linked to the general cyclical pattern of the economy – Utilities, Construction, and Manufacturing – has been showing a downward pattern for several quarters. However, there was a strong performance in the third quarter of 2023 (last data available). In the case of other sectors, though, there has not been such a distinct trend – instead, upward and downward movements in the nominal rate of change have been observed.

For financial services, there were mostly negative nominal rates of change since the third quarter of 2022. This worsening scenario is undoubtedly affected by the problems in the real estate segment. The personal and business services sector, as expected, has shown a more regular behavior (in nominal values).



### 3. Broad sectors in the economy: National income

	Units	Last Previous		Change (%)		Forecast (real rate, %)									
		III-23	II-23	I-22	II-22	III-22	IV-22	I-23	II-23	III-23	2024	2025	2026	2027	2028
Utilities, Construc. and Manufactur.	Bil. USD	3,744	3,674	5.94	2.71	1.78	1.29	0.31	-0.05	1.92	0.18	1.10	1.08	1.00	0.95
Trade and Transportation	Bil. USD	3,797	3,766	1.13	3.16	3.75	-0.25	1.43	1.26	0.81	-0.34	1.75	1.57	1.49	1.42
Financial services	Bil. USD	3,468	3,471	0.86	0.57	-0.23	-2.45	0.95	-1.60	-0.07					
Professional and business services	Bil. USD	3,637	3,594	2.97	1.31	2.96	1.09	2.82	1.07	1.22					

## 4. Labor market

The growth (annual rate) of total employment in the private sector has been on a downward trend since the beginning of 2022, and a similar pattern is present for specific segments of the economy.

The downward trend in employment expansion has been especially strong in the manufacturing sector, with a growth rate close to zero in the last quarter of 2023. In the case of construction, however, the growth rate in the last quarter was relatively high (2.5%).

As the labor market loses momentum, the level of productivity in the private sector tends to rise. In the third quarter of 2023, labor productivity increased by 2.5% (annual rate).

#### 4. Labor market

	Units	Last	Previous	Annual Change (%)											
		IV-23	III-23	II-22	III-22	IV-22	I-23	II-23	III-23	IV-23					
Employment															
Total non-farm	Thousands	157,232	156,738	4.54	3.99	3.20	2.67	2.40	1.98	1.75					
				Annual Change (%)							Forecast (%)				
		IV-23	III-23	II-22	III-22	IV-22	I-23	II-23	III-23	IV-23	2024	2025	2026	2027	2028
Employment															
Total private	Thousands	134,229	133,885	5.26	4.56	3.53	2.74	2.39	1.85	1.53	1.49	1.50	1.40	1.33	1.27
Employment		IV-23	III-23	II-22	III-22	IV-22	I-23	II-23	III-23	IV-23					
Construction	Thousands	8,056	8,006	4.71	4.34	3.48	2.57	2.65	2.68	2.51					
Employment		IV-23	III-23	II-22	III-22	IV-22	I-23	II-23	III-23	IV-23					
Manufacturing	Thousands	12,986	12,992	4.42	3.85	3.09	2.04	1.29	0.58	0.09					
Employment		IV-23	III-23	II-22	III-22	IV-22	I-23	II-23	III-23	IV-23					
Private services	Thousands	112,546	112,242	5.38	4.64	3.56	2.81	2.49	1.92	1.63					
Labor productivity		III-23	II-23	I-22	II-22	III-22	IV-22	I-23	II-23	III-23					
in private sector	2012=100	111.11	109.70	-1.27	-2.37	-1.82	-2.03	-0.45	1.24	2.49					

## **5. Government budget**

After a large drop in the first quarter of last year, the tax receipts of the Federal Government have shown positive and increasing rates – until the third quarter of last year.

Following a relatively strong expansion in the third quarter of 2023, Federal Government consumption had a more moderate rate of growth in the last three months of the year.

The Federal Government's net transfers have shown a downward trajectory since the second quarter of 2023.

The major growth in the Federal Government's deficit that occurred in the first quarter of last year (34.8%) contributed to a strong expansion of the debt in the second and, mainly, in the third quarter (up 7.2%). Since then, the deficit has been expanding at near-zero rates.

## 5. Government budget

	Units	Last	Previous	Change (%)											
		III-23	II-23	I-22	II-22	III-22	IV-22	I-23	II-23	III-23					
Federal Govmt. tax revenue	Mil. USD	2,803,825	2,788,722	9.99	1.85	0.08	-1.69	-9.64	0.27	0.54					
Federal Govmt. consumption	Mil. USD	1,362,210	1,346,278	0.26	1.89	2.88	2.76	0.32	2.99	1.18					
Federal Govmt. net transfer payments	Mil. USD	2,128,293	2,172,040	0.24	-1.91	0.08	1.58	-1.62	-3.53	-2.01					
Federal Govmt. net saving	Mil. USD	-1,676,025	-1,665,694	-32.87	-1.42	11.68	15.70	34.84	-0.47	0.62					
				Annual Change (%)							Forecast (%)				
		III-23	II-23	I-22	II-22	III-22	IV-22	I-23	II-23	III-23	2024	2025	2026	2027	2028
Total federal debt	Mil. USD	33,167,334	32,332,274	8.06	7.14	8.79	6.08	3.47	5.76	7.24	6.44	5.65	4.89	4.15	3.93