



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,
1st Quarter 2024

Textos para Discussão

No. 17 – abril, 2024.

O GPEF é um grupo de pesquisa criado na Universidade Federal do Rio de Janeiro (UFRJ) com foco em gestão financeira, economia empresarial, administração pública, e planejamento econômico-financeiro.

Os **Textos para Discussão** têm como objetivo principal fazer circular resultados de pesquisas teóricas e aplicadas nas áreas de atuação do GPEF-UFRJ, tanto no meio acadêmico, como fora dele. As opiniões e conclusões expressas nos **Textos** são de responsabilidade dos autores e não representam, necessariamente, as opiniões do GPEF ou da UFRJ. Todas as solicitações e comentários referentes aos **Textos para Discussão** devem ser dirigidos ao coordenador do GPEF:

Manuel Alcino Ribeiro da Fonseca (mfonseca@facc.ufrj.br).

Web address: <http://modelosfinanceiros.com.br/publicacoes/>

Textos para Discussão

No. 17 – abril, 2024.

Título

The Quarterly Observatory of the U.S. Economy:
Macroeconomic Trends, 1st Quarter 2024

Autor

GPEF *

* Grupo de Pesquisa em Gestão e Planejamento Econômico-Financeiro

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.”

https://modelosfinanceiros.com.br/assets/documentos/gpef_-_texto_para_discusso_no_11_-_20222.pdf

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.”

https://modelosfinanceiros.com.br/assets/documentos/gpef_-_texto_para_discusso_no_11_-_20222.pdf

The Quarterly Observatory of the U.S. Economy: Macroeconomic Trends, 1st Quarter 2024

April 2024

GPEF

Grupo de Pesquisa em Gestão e Planejamento
Econômico-Financeiro

Introduction

In the first quarter of 2024, the stronger growth of previous periods slowed to some extent – GDP expansion reduced to just 0.4%. Some of the factors explaining this reduction are the more moderate growth of private consumption and the much larger trade deficit. In addition, total employment in the private sector continued to show decreasing, albeit relatively high, rates of change, a trend that has continued since the end of 2021.

Inflation rates, as measured by the GDP deflator, continued to show a downward trend – in the first quarter, the annual inflation rate based on this indicator was 2.44% (a decrease of 0.21 percentage point). However, according to the CPI index, inflation has been consistently higher – annual rates have remained well above 3%.

The available information also indicated somewhat more favorable fiscal data for the federal government, especially in the case of the government's net savings (deficit). Despite this, the federal debt continues to expand at a very high rate. The latest figure, referring to the last quarter of 2023, is above 8% (annual rate).

1. GDP growth and its main factors

In the first quarter of 2024, GDP growth decreased after the strong performance in the second half of last year. The factors most directly linked to this trend are the more moderate expansion of private consumption and the widening trade deficit.

On the other hand, compared to the last quarter of 2023, private investment showed an improved growth rate, despite the consistent rise in interest rates in real terms in the last four quarters.

1. GDP growth and its main factors

	Units	Last I-24	Previous IV-23	Change (%)											
				III-22	IV-22	I-23	II-23	III-23	IV-23	I-24					
Real net exports	Bil. 2017 USD	-973.2	-918.5	-12.09	-1.60	-3.16	-0.74	0.27	-1.31	5.95					
Real private consumption	Bil. 2017 USD	15,683.5	15,586.6	0.39	0.29	0.93	0.20	0.77	0.81	0.62					
Real private investment	Bil. 2017 USD	4,151.0	4,118.7	-1.97	0.84	-2.34	1.27	2.41	0.19	0.78					
Real interest rates		Real Rate (%)								Forecast (%)					
Moody's Aaa yield	% (GDP Deflator)	I-24	IV-23	III-22	IV-22	I-23	II-23	III-23	IV-23	I-24	2024	2025	2026	2027	2028
		2.51	2.04	-2.48	-1.87	-0.68	1.13	1.88	2.04	2.51	1.92	2.06	1.90	1.79	1.71
Real GDP	Bil. 2017 USD	Change (%)									2024	2025	2026	2027	2028
		I-24	IV-23	III-22	IV-22	I-23	II-23	III-23	IV-23	I-24	1.46	2.11	1.71	1.53	1.43
		22,768.9	22,679.3	0.66	0.64	0.56	0.51	1.19	0.84	0.40					

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 the average change in prices increased in the third quarter of 2023 and again in the first quarter of this year.

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

An even more important factor behind the rising inflationary pressures is the more moderate fall in wholesale prices. In the first quarter of 2024, the decline in the PPI index – all commodities – was relatively close to zero.

* 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 (%)											
		I-24	IV-23	III-22	IV-22	I-23	II-23	III-23	IV-23	I-24					
Consumer Price Index (CPI)	1982-84 = 100	312.23	308.74	8.20	6.41	4.94	3.05	3.69	3.32	3.48					
		Annual Change (%)									Forecast (%)				
		I-24	IV-23	III-22	IV-22	I-23	II-23	III-23	IV-23	I-24	2024	2025	2026	2027	2028
GDP Deflator	2017 = 100	124.22	123.27	7.25	6.42	5.32	3.48	3.19	2.65	2.44	4.39	3.64	2.89	2.56	2.53
Monetary base	Mil. USD	I-24	IV-23	III-22	IV-22	I-23	II-23	III-23	IV-23	I-24	2024	2025	2026	2027	2028
		5,883,000	5,827,400	-15.30	-15.70	-9.17	1.86	2.89	7.80	5.59	9.50	4.64	3.54	3.21	3.03
M1*	Mil. USD	I-24	IV-23	III-22	IV-22	I-23	II-23	III-23	IV-23	I-24	2024	2025	2026	2027	2028
		4,363,126	4,365,657	2.22	-3.36	-8.30	-10.29	-10.59	-8.92	-5.13	2.00	3.14	3.04	2.71	2.53
		M1 Velocity													
M1 income velocity	N.A.	I-24	IV-23	III-22	IV-22	I-23	II-23	III-23	IV-23	I-24					
		4.772	4.714	3.884	4.015	4.348	4.548	4.665	4.714	4.772					
		Annual Change (%)													
Producer Price Index (PPI) All commodities	1982 = 100	I-24	IV-23	III-22	IV-22	I-23	II-23	III-23	IV-23	I-24					
		255.14	249.85	13.67	6.86	-1.14	-9.42	-3.35	-3.12	-0.75					

* See previous page.

3. Broad sectors in the economy

The growth trajectory of nominal income in the sector most closely linked to the economy's overall cyclical pattern – Utilities, Construction, and Manufacturing – had been on a downward pattern for several quarters. However, the strong performance in the third quarter of 2023 was followed by an even more favorable figure in the following period (latest data available). In other sectors, however, there was no clear and distinct trend – instead, upward and downward movements in the nominal rate of change were observed.

For financial services, there have been mainly 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, showed a more regular behavior last year (in nominal values), but with decreasing growth rates.

3. Broad sectors in the economy: National income

	Units	Last	Previous	Change (%)		Forecast (real rate, %)									
		IV-23	III-23	II-22	III-22	IV-22	I-23	II-23	III-23	IV-23	2024	2025	2026	2027	2028
Utilities, Construc. and Manufactur.	Bil. USD	3,822	3,744	2.72	1.79	1.30	0.31	-0.05	1.92	2.07	1.79	-1.88	2.16	1.35	1.12
Trade and Transportation	Bil. USD	3,880	3,810	3.17	3.76	-0.25	1.44	1.26	1.15	1.83	-1.63	2.85	2.16	1.35	1.12
Financial services	Bil. USD	3,545	3,468	0.57	-0.24	-2.46	0.95	-1.61	-0.08	2.21					
Professional and business services	Bil. USD	3,665	3,631	1.31	2.97	1.09	2.82	1.07	1.04	0.92					

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 growth trend in employment has been especially strong in the Manufacturing sector, with a rate of change close to zero in the first quarter of 2024. In the case of Construction, however, the growth rate in the first quarter was relatively high (3.4%).

As the labor market loses momentum, the level of productivity in the private sector tends to rise. In the first quarter of 2024, labor productivity increased by 2.8% (annual rate).

4. Labor market

	Units	Last	Previous	Annual Change (%)							Forecast (%)				
		I-24	IV-23	III-22	IV-22	I-23	II-23	III-23	IV-23	I-24	2024	2025	2026	2027	2028
Employment															
Total non-farm	Thousands	158,111	157,304	3.94	3.02	2.53	2.41	2.03	1.95	1.87					
Employment				Annual Change (%)							Forecast (%)				
Total private	Thousands	134,848	134,228	4.48	3.31	2.53	2.33	1.90	1.74	1.69	0.98	1.42	1.57	1.44	1.35
Employment															
Construction	Thousands	8,210	8,120	4.69	3.81	3.07	3.26	3.05	2.99	3.38					
Employment															
Manufacturing	Thousands	12,953	12,960	3.69	2.85	1.69	0.99	0.42	0.20	0.16					
Employment															
Private services	Thousands	113,041	112,505	4.54	3.30	2.57	2.40	1.97	1.83	1.75					
Labor productivity															
in private sector	2012=100	111.93	110.94	-1.83	-1.89	-0.33	1.34	2.44	2.72	2.84					

5. Government budget

The tax receipts of the Federal Government, after a major drop in the first quarter of last year, have shown positive and increasing rates since then. In the first quarter of 2024, it reached a growth rate of 1.2%.

Following a relatively strong expansion in the third quarter of 2023, Federal Government consumption had a more moderate rate of growth since then.

On the other hand, the Federal Government's net transfers showed a positive rate of growth (1.8%) in the first quarter after three periods with negative rates of change.

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 Federal debt since the second quarter of 2023. Afterwards, however, the deficit has shown negative rates of change.

5. Government budget

	Units	Last	Previous	Change (%)								Forecast (%)							
		IV-23	III-23	II-22	III-22	IV-22	I-23	II-23	III-23	IV-23	I-24	II-24	III-24	IV-24	2024	2025	2026	2027	2028
Federal Govmt. tax revenue	Mil. USD	2,846,686	2,812,685	1.85	0.08	-1.69	-9.64	0.27	0.85	1.20									
Federal Govmt. consumption	Mil. USD	1,375,822	1,360,076	1.89	2.88	2.76	0.32	2.99	1.02	1.15									
Federal Govmt. net transfer payments	Mil. USD	2,200,111	2,161,965	-1.91	0.08	1.58	-1.62	-3.67	-0.32	1.76									
Federal Govmt. net saving	Mil. USD	-1,631,056	-1,664,129	-1.42	11.68	15.70	34.84	-0.47	-0.09	-1.98									
Total Federal debt	Mil. USD	34,001,494	33,167,334	7.14	8.79	6.08	3.47	5.76	7.23	8.21	6.75	5.94	5.13	4.60	4.39				