

Macro Roundup Article

Headline: [2024 Mid-Year Outlook: An Unstable Economic Equilibrium](#)

Article

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Tweet: Torsten Sløk forecasts 2.5% growth in 2024, and notes that loosening financial conditions and “the dramatic increase in the wealth of middle and high-income households is more than compensating for the negative effects of rising rates.”

Summary: We believe that easier financial conditions will continue to offset the effects of the Fed rate hikes, at least for the next three quarters, driven by strong consumer spending, still-high government spending, still-strong aggregate corporate earnings, and the “wealth effect” triggered by rising asset prices. As a result, we expect US economic growth to come in above consensus in 2024, at 2.5%, on the back of a still-strong employment picture. From a holistic perspective, we believe that the consensus outlook for consumer spending is too low (Exhibit 25). Why? Because even though consumers with a lot of debt are being negatively impacted by higher interest rates, the dramatic increase in the wealth of middle and high income households is more than compensating for the negative effects of rising rates. This significant increase in household wealth, combined with still-strong home prices, will be a solid tailwind to consumer spending over the coming quarters, in our view.

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Primary Topic: Business Cycle

Topics: Business Cycle, Financial Markets, GDP, Op-Ed/Blog Post, Weekly

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