

January 23, 2023 – Economic Commentary

Later this week, the Bureau of Economic Analysis will release its first (of three) estimate of fourth quarter US GDP. The data leading up to this announcement has been relatively clear in signaling that the top-line growth rate is in the range of 2.5-3%. Therefore, it is the detail in the GDP growth number that will be of most interest, in particular for establishing some reasonable expectations for what will come next. Consumer spending, business fixed investment, and inventories will receive great scrutiny given that concerns are growing about the magnitude of an economic slowdown and the impact on earnings. The debate over economic performance will almost certainly be interjected into the FOMC meeting scheduled for next week, despite the Federal Reserve's stated – and somewhat obstinate—refusal to forecast, which should perhaps be interpreted as the Fed's refusal to use an economic forecast to shape monetary policy. At present, it seems unlikely that any of the data being released this week will move the Fed away from another increase in the Fed Funds rate, however, the data may serve to confirm what has already been signaled by a number of Fed Presidents: a 25bps increase on Feb. 1 instead of the 50bps taken in December.

Data to Watch:

1. US Durable Goods Orders for December, released Thursday, January 26
2. Fourth Quarter US GDP growth (first estimate), released Thursday, January 26
3. US Personal Income, Spending and Core Personal Consumption Expenditures Deflator for December, released Friday, January 27

Suggested Reading:

[Market Recovery Hinges on Quick Inflation Drop](#)

[Inflation is Cooling. Leaving America Asking: What Comes Next?](#)

[How the US far right and the progressives ended up agreeing on military spending cuts](#)

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