

United States

Outlook

	Average 11-15	2016	2017	2018	2019	2020	2021	2022	Forecast 2023
GDP growth (%)	2.1	1.7	2.2	2.9	2.3	-2.8	5.9	2.1	0.9
CPI inflation (%)*	1.7	1.3	2.1	2.4	1.8	1.2	4.7	8.0	4.1
Fiscal balance (% of GDP)	-7.2	-5.4	-4.4	-6.1	-6.7	-14.9	-12.1	-4.03(e)	-5.7
Public debt (% of GDP)	102	107	105	107	109	132	127	122(e)	123
Reference rate (%)*	0.25	0.52	1.13	1.96	2.25	0.50	0.25	2.02	4.95
Exchange rate (USD/EUR)*	1.29	1.11	1.13	1.18	1.12	1.14	1.18	1.05	1.07
Current balance (% of GDP)	-2.4	-2.2	-1.9	-2.1	-2.1	-2.8	-3.7	-3.9(e)	-3.1
External debt (% of GDP)	97	95	96	94	95	98	96	99(e)	100

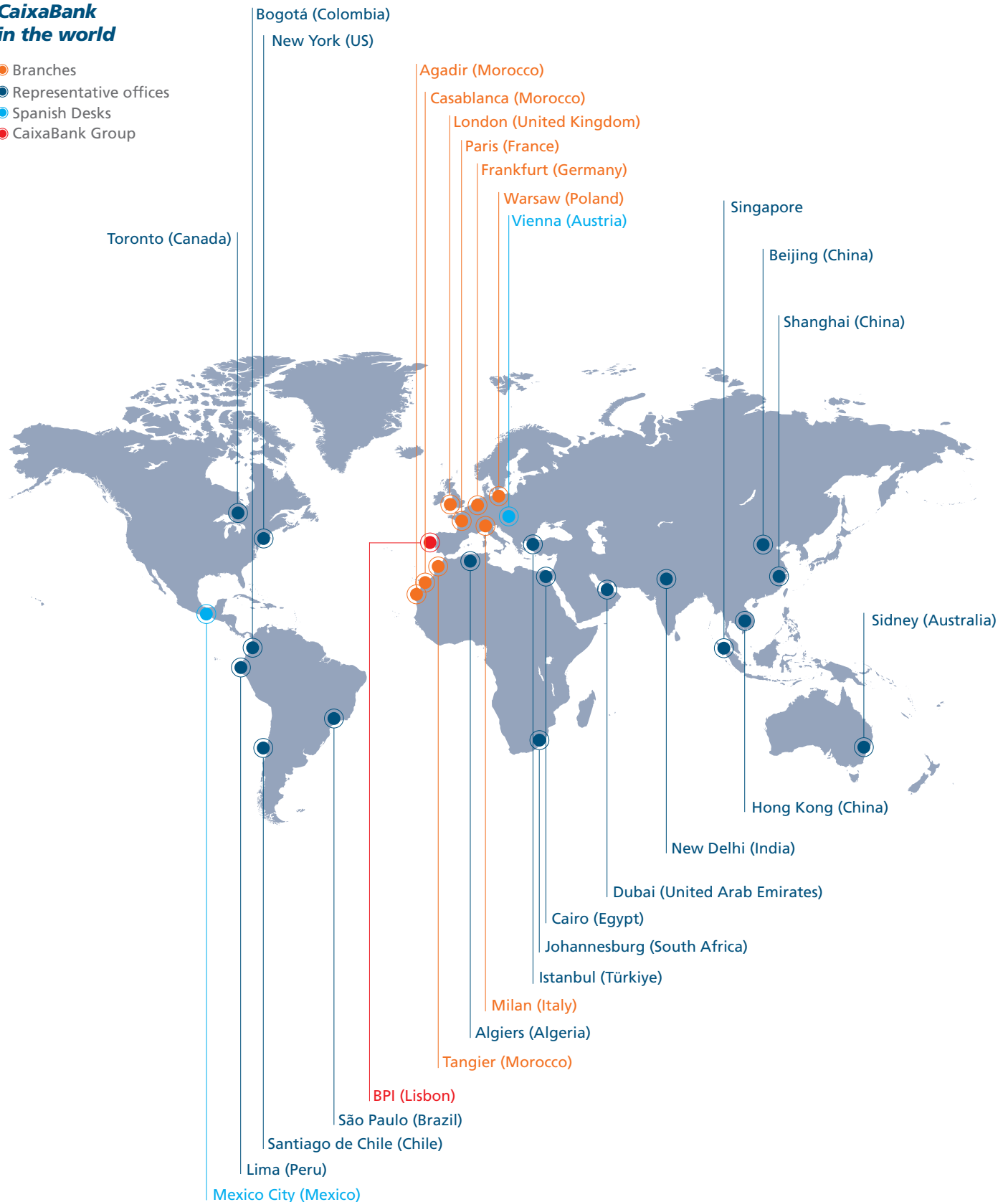
Notes: * Annual average. (e): estimate.

Source: CaixaBank Research, based on data from the BEA, BLS, IMF and Oxford Economics (via Refinitiv).

- **There have been looming doubts about a recession in the US since the second half of 2022 and they remain in 2023.** The sharp hike in interest rates by the Fed, leading to the cooling of the economy, a decline in the purchasing power of households due to runaway inflation and the current climate of uncertainty are slowing down the economy, which grew by a solid 2.1% in 2022. In fact, residential investment, which is especially vulnerable to interest rate hikes, recorded a sharp fall in 2022 which may continue this year. Nevertheless, we believe that the US may avoid a recession thanks to private consumption, which will continue to be the economy's main driver. Specifically, we believe that the strength of the labour market (with extremely low unemployment rates since the 1960s) and excess savings during the pandemic will help to lessen the impact of these headwinds on the economy.
- **Inflation has started to ease, but it will take time to return to 2%.** In the second half of 2022, prices entered a deflationary period both in terms of general and core inflation, which was especially visible in the prices of energy and goods, but less so in services. Wage momentum is likely to keep inflation above the Fed's target level for some time yet and we do not expect it to fall to 2% until the end of 2024. Therefore, we believe that the Federal Reserve will maintain a restrictive monetary policy for a period. We will see further rises in official interest rates in the middle of 2023, with no cuts expected until 2024.
- The **risks to the economy remain significant** and revolve around various factors. **Inflationary pressures and the notable monetary shift by the Fed in response to those pressures** pose a risk to economic growth in the US. If the trend of easing inflation does not hold, the Fed may have to hike interest rates more than is currently anticipated. The energy crisis caused by the war in Ukraine; a drastic worsening of the conflict would hit the US through increased inflationary pressures and also through the effects of the sharp slowdown in the EU and the UK (the main trading and investment partners of the US). The expenditure ceiling. Since January, the US Treasury has been implementing extraordinary measures to avoid exceeding the public expenditure limit. When this limit is exceeded, which it is believed may occur if an agreement is not reached in Congress to either suspend the limit or raise it, the Treasury will not be able to meet its payments. If it fails to service its debts, the US could be deemed to be in default and the financial repercussions could have very adverse consequences for both the US economy and the global economy.

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