

# Economic Policy Survey

August 2023

## **More Than Two-Thirds of NABE Panelists Confident That Fed Will Achieve “Soft Landing;” Nearly Three-Fourths Believe Monetary Policy Rate Is “About Right”**

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*The August 2023 NABE Economic Policy Survey summarizes the responses of 167 members of the National Association for Business Economics (NABE). Conducted semiannually, this survey was administered between July 28 and August 7, 2023. Survey findings may be reprinted in whole or in part with credit given to NABE. Survey results, including complete tabulations, can be viewed online at [www.NABE.com](http://www.NABE.com). This is one of three surveys conducted by NABE—the other two are the NABE Outlook Survey and the NABE Business Conditions Survey. **Mervin Jebaraj**, University of Arkansas, Survey Chair; **Kathy Bostjancic**, Nationwide; **Sam Khater**, Freddie Mac; **Kathleen Navin**, CBE, Federal Reserve Bank of St. Louis; **Michelle Robinson**, Bureau of Economic Analysis; and **Holly Wade**, National Federation of Independent Business, conducted the analysis for this report.*

### **Summary**

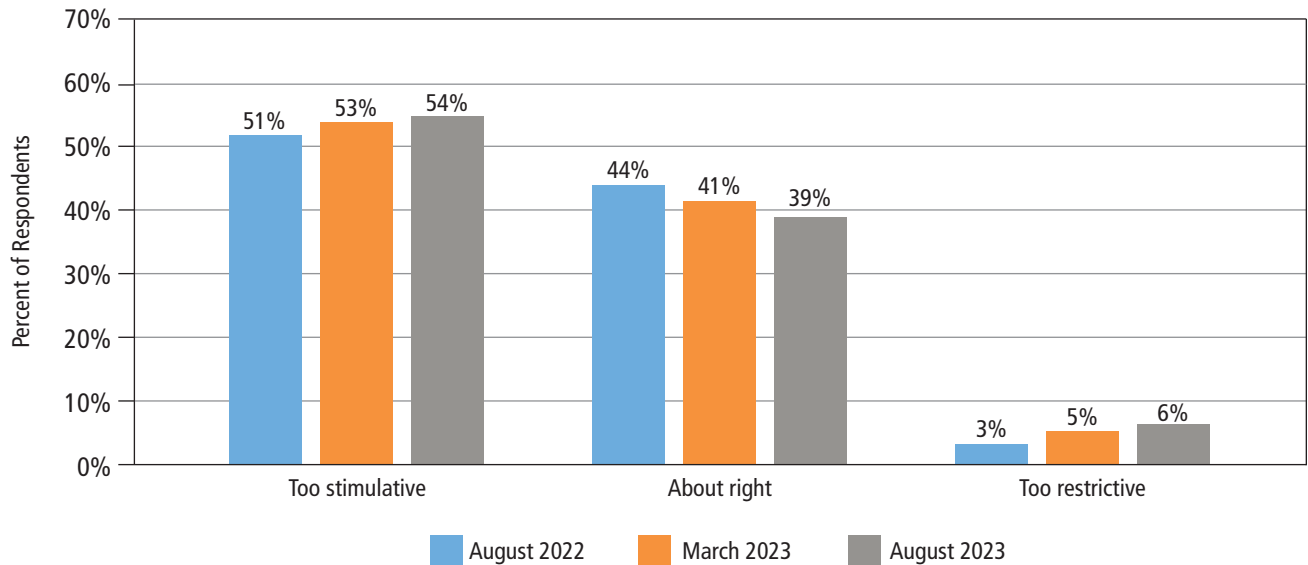
“More than two-thirds of NABE Policy Survey panelists are at least somewhat confident that the Federal Reserve will achieve a ‘soft landing’ for the economy, even with the increases in the federal funds target interest rates over the past year,” said **NABE President Julia Coronado**, president and founder, MacroPolicy Perspectives LLC. “However, 20% of panelists believe that the U.S. economy is currently in a recession or will enter a recession in 2023.”

“Nearly three-fourths of panelists agree that monetary policy is ‘about right,’” added **NABE Policy Survey Chair Mervin Jebaraj**, University of Arkansas. “However, most panelists do not expect inflation to subside until at least next year, and nearly three-fourths of respondents believe it is likely or very likely that inflation will be above 3% through the end of 2023.”

## Fiscal Policy

Respondents' views on fiscal policy are consistent with those expressed in the previous two NABE Policy Surveys. The majority of respondents (54%) believes that current fiscal policy is "too stimulative," similar to the 53% in the March 2023 survey and the 51% in the August 2022 survey who held this view. The share of survey respondents that views current fiscal policy as "about right" is 39%, down from 41% in March 2023 and 44% in August 2022. Only 6% of respondents believe that current fiscal policy is "too restrictive."

**Figure 1**  
**Do you consider CURRENT fiscal policy to be:**



Notes: "Don't know/no opinion" percentages are omitted.  
Percentages may not add to 100 across columns due to rounding.

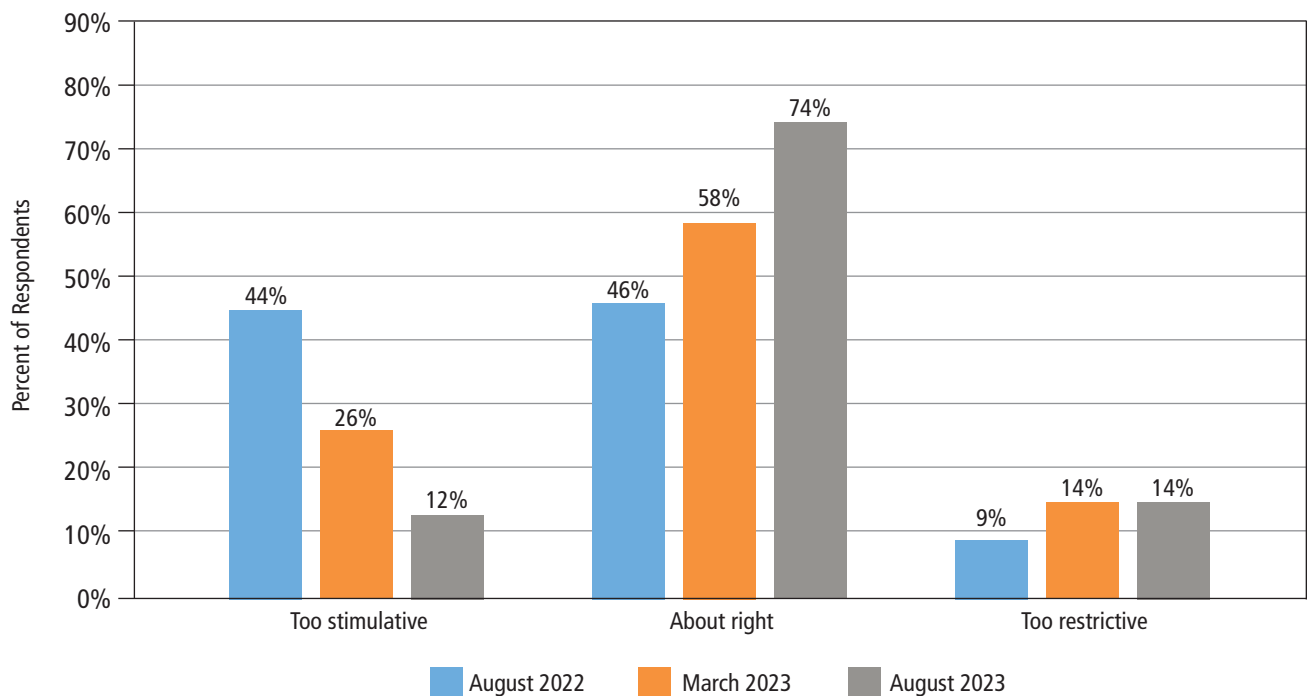
Views on fiscal policy objectives are also similar to those expressed in recent NABE Policy Surveys. Forty-four percent of panelists believe that the primary objective of current fiscal policy should be to promote more robust economic growth in the medium-to-long term. The second-largest share of respondents (38%) indicates that reducing the deficit and debt should be the primary goal of current fiscal policy. Addressing income inequality is the third most-common response, cited by 9% of panelists.

Survey respondents overwhelmingly support the notion that the U.S. economy would have already fallen into a recession if not for the strong job market. Fifty-four percent agree with this view, while an additional 23% are in strong agreement. Meanwhile, 18% of respondents oppose the notion, with 16% in disagreement and only 2% in strong disagreement.

## Monetary Policy

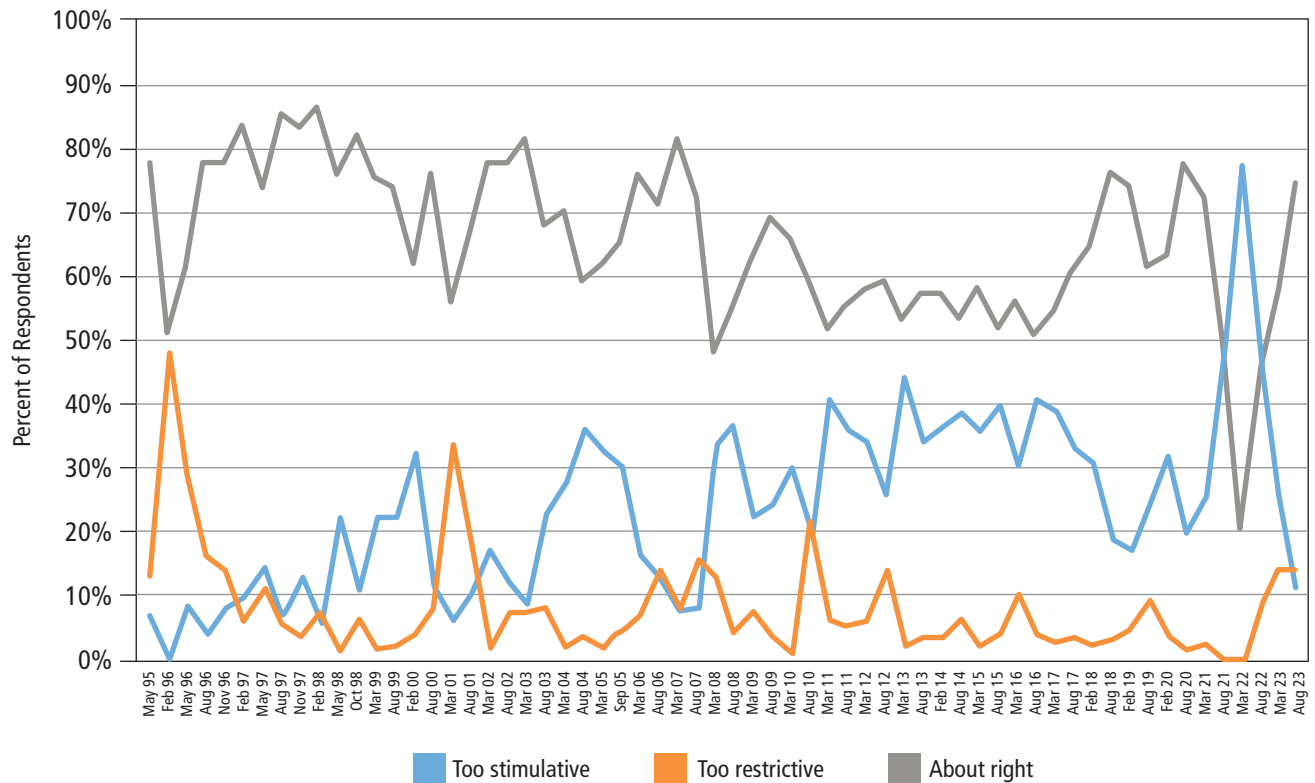
Nearly three-fourths of panelists (74%) view the Federal Open Market Committee’s (FOMC) approval of interest-rate hikes as “about right,” a significantly larger share than the 58% who held a similar view in the March 2023 survey. Fourteen percent of panelists view the FOMC policy as too restrictive, unchanged from the March survey. Twelve percent view the policy as too stimulative.

**Figure 2a**  
**Do you consider CURRENT monetary policy to be:**



Notes: “Don’t know/no opinion” percentages are omitted.  
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**Figure 2b**  
Time Series: Do you consider CURRENT monetary policy to be:

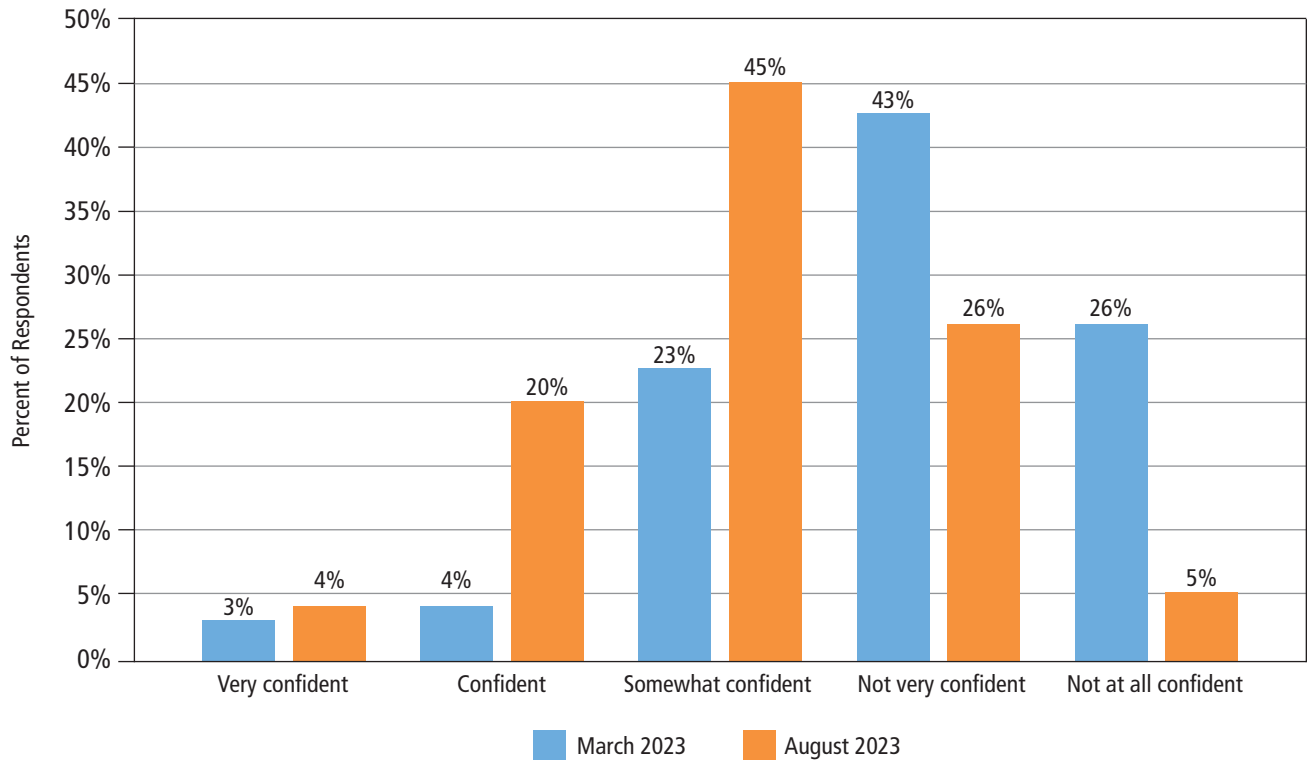


Notes: "Don't know/no opinion" percentages are omitted.  
 Percentages may not add to 100 across columns due to rounding.  
 Surveys prior to February 2000 phrased the question, "Over the past six months, monetary policy was..."

Seventy-eight percent of panelists in the current survey expect the Fed to continue to reduce its balance sheet at the pace the central bank is currently communicating, up from 74% in the March 2023 survey. Fourteen percent of survey respondents expect the Fed to stop or slow the pace, and 4% expect it to accelerate the pace.

In a significant shift from results in the March 2023 survey, more than two-thirds of panelists (69%) indicate that they feel confident, somewhat confident, or very confident, that the Fed will be able to achieve a soft landing. In the March 2023 survey, a similar share of panelists reported that they were "not very confident" or "not at all confident" that a soft landing could be achieved. Thirty-one percent of panelists in the current survey indicate that they are "not very confident" or "not at all confident" that a soft landing could be achieved.

**Figure 2c**  
How confident are you that the Fed will be able to achieve the “soft landing” for the economy given the cumulative effect of rate increases?

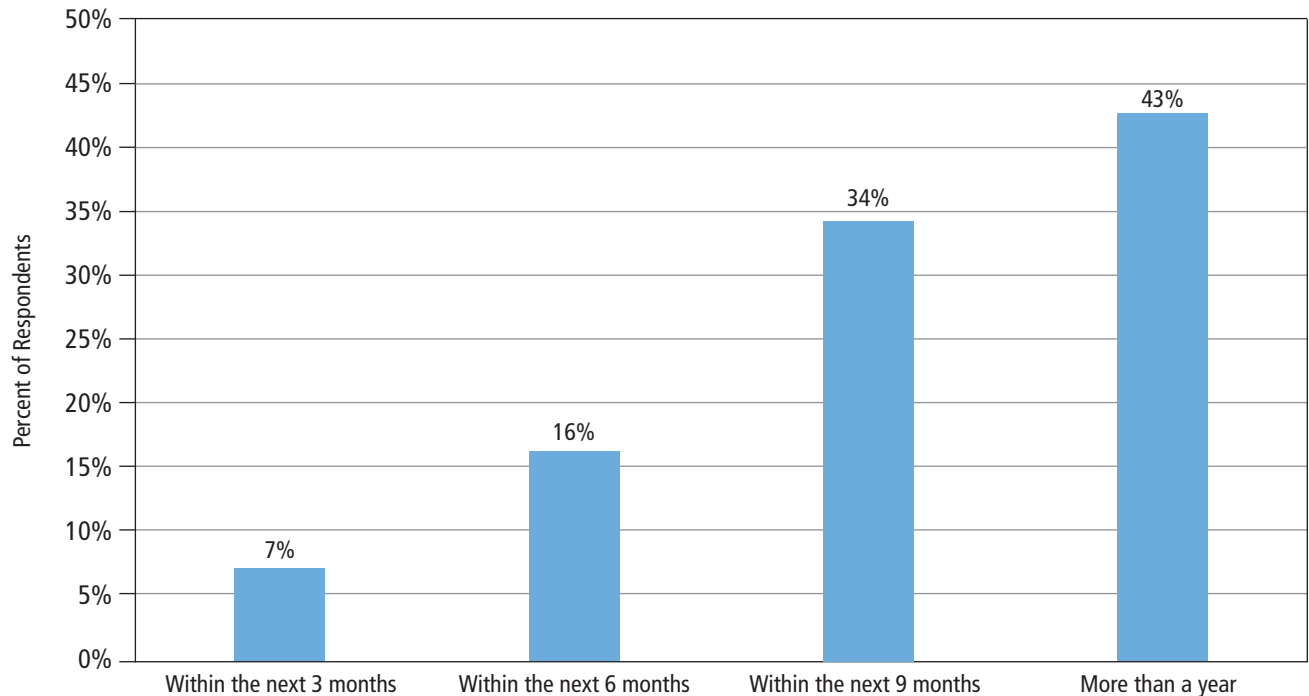


Notes: “Don’t know/no opinion” percentages are omitted.  
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 In the March 2023 survey, the question was phrased “How confident are you that the Fed will be able to bring inflation down to its 2% goal without inducing a recession within the next 2 years?”

Seventy-two percent of panelists think it is unlikely that the “summer of strikes” will impact the Fed’s decision on rates; a further 16% consider it is “very unlikely.” Nine percent of panelists think that the “summer of strikes” will have an impact on the Fed’s rate decisions.

Most panelists do not expect inflation to subside until at least next year. Forty-three percent of panelists indicate that it will be more than 12 months before inflation subsides, while only 7% of panelists believe it will subside by the fall of 2023.

**Figure 2d**  
**If the U.S. can avoid a recession, how long do you think it will take for current inflationary conditions to subside?**



Note: Percentages may not add to 100 across columns due to rounding.

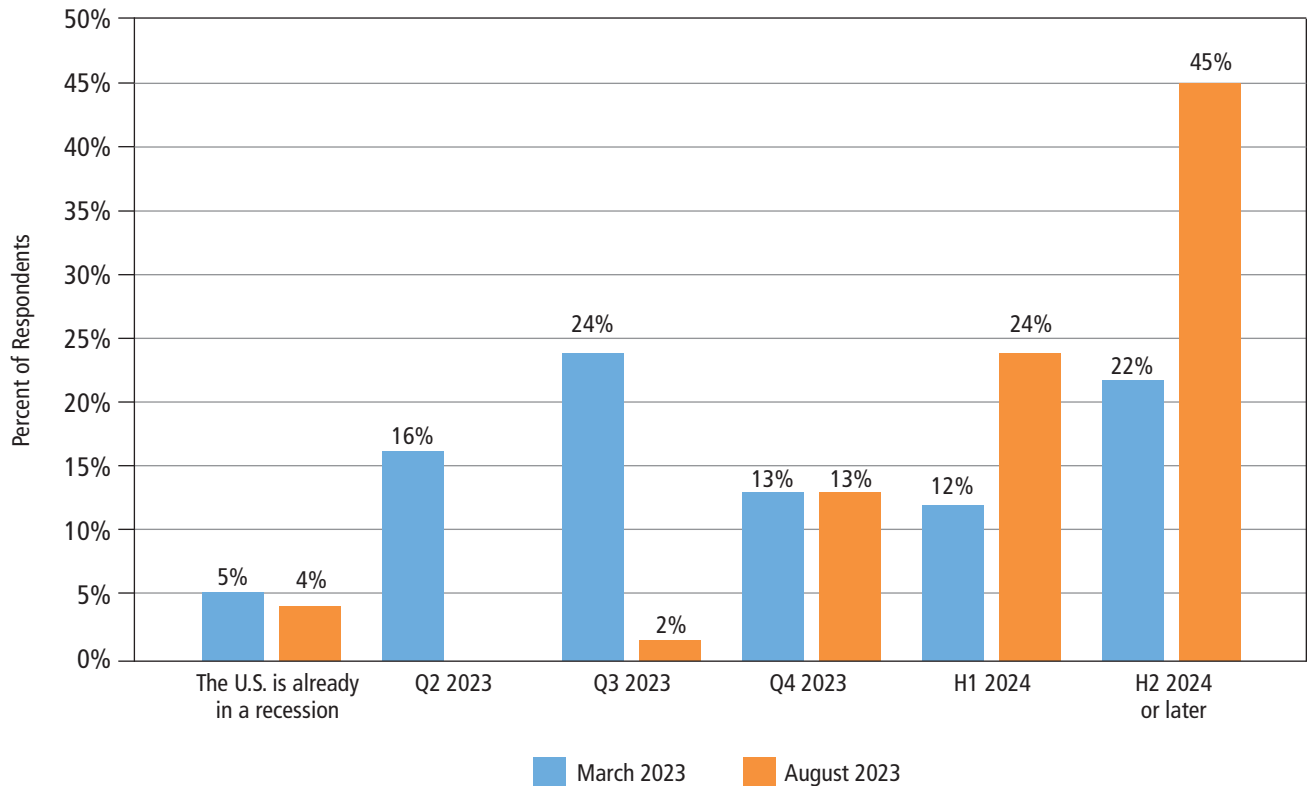
Moreover, a majority of the panel indicates that inflation will remain elevated and take longer to decline below 3%. Nearly three-fourths (72%) of respondents believe it is likely or very likely that inflation will be above 3% by the end of 2023.

When queried about monetary policy transmission to the economy, 56% of panelists believe it still takes 12 to 18 months for monetary policy to be felt by the economy. Outside of this majority view, opinion is split on whether monetary policy's impact on the economy is faster (20%) or slower (17%) than in the past.

## Domestic Policy

The survey asked the panel to anticipate the timing of the next recession as determined by the National Bureau of Economic Research (NBER). Nineteen percent of respondents believe either that the U.S. is already in a recession (4%), or will be in the third quarter of 2023 (2%) or the fourth quarter of 2023 (13%). In contrast, 58% of respondents in the March 2023 survey expected a recession in 2023. Nearly one-quarter (24%) of respondents expects a recession in the first half of 2024, and 45% expect it in the second half of next year—a substantial increase from the 22% holding this view in the March survey.

**Figure 3a**  
**When will the next recession (as determined by the NBER) commence in the U.S.?**



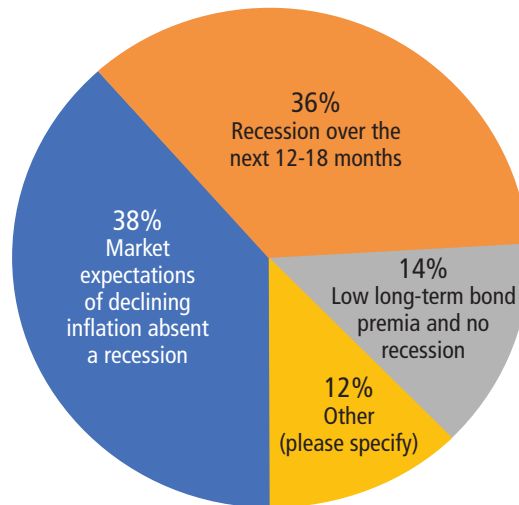
Notes: “Don’t know/no opinion” percentages are omitted.  
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Nearly three in four respondents express varying degrees of concern that the rebound in home prices could pre-empt the cooling in rental or housing inflation that the Fed is anticipating. Four percent of respondents are very concerned, while another 19% are concerned. About half (49%) are somewhat concerned. One-quarter of respondents is not at all concerned about this potential impact.

Survey respondents offer no clear consensus on whether they think that the Fed rate hikes were less effective due to the diminished supply in the housing and auto sectors. Just over half (55%) of respondents agree with the above assessment—7% strongly agree, 48% agree. More than one-third (37%) disagree with the assessment—2% strongly disagree, 35% disagree.

Panelists' views are split regarding what the Treasury yield curve inversion indicates for the current state of the economy. Thirty-eight percent (38%) of respondents believe that the inversion indicates market expectations of declining inflation without a recession; nearly the same share of respondents (36%) believes that the U.S. will experience a recession over the next year to year-and-a-half. Fourteen percent of respondents indicate that this inversion means low long-term bond premia with no recession.

**Figure 3b**  
**What does the inversion of the Treasury yield curve indicate to you?**



Notes: "Don't know/no opinion" percentages are omitted.  
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Survey respondents were asked if the U.S. has adopted an official, coherent, industrial policy given the current size and scope of subsidies and investments in high-tech manufacturing or climate-related investments. A majority either disagreed (42%) or strongly disagreed (19%) with this statement. Conversely, 29% agreed and only two percent (2%) strongly agreed with this view.

According to survey respondents the top three downside risks to the U.S. economic outlook are ongoing credit tightening in the U.S. resulting from higher rates, an inverted yield curve, and recent bank failures (cited by 21% of respondents), a monetary policy mistake whereby the Fed and other global central banks tighten monetary policy more than is necessary to cool inflation (20%), and entrenched inflation that forces the Fed to raise rates further (18%).

The panelists also rank the top three upside risks to the U.S. economic outlook. Thirty percent of respondents cite a resilient labor market that keeps consumer demand strong despite higher rates as the number-one risk. Ranking second (cited by 25% of respondents) is a more rapid and persistent cooling in inflation than the Fed expects that boosts consumer purchasing power and allows it to cut rates. The third-ranked upside risk is a boost to productivity from improved supply-side functioning that makes the economy more resilient to higher rates (23%).



## Policy Survey Committee

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