Deutsche Bank
Research

North America
United States

Economics
US Economic Notes

Date
20 December 2024

What you need to know for the week ahead

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Figure 1: DB economic forecasts

	2024F Q4/Q4	2025F Q4/Q4	2026F Q4/Q4
Real GDP	2.4	2.5	2.1
Unemployment rate, %	4.3	3.9	4.1
Core CPI	3.3	2.9	3.1
Fed Funds	4.375	4.375	4.125

Source : Deutsche Bank

Commentary for Monday: This week's holiday-shortened economic calendar is relatively light and potentially even lighter if the federal government fails to reach a short-term spending agreement and shuts down over the weekend. At the time of publication, Congress remained deadlocked over a three-month continuing resolution to fund the government. For more information on the implications of a shutdown, please see our note from last year Everything you didn't want to know about a government shutdown.

As we noted last week (see "December FOMC recap: Inflation back on the naughty list"), the Fed delivered a 25bp rate cut at the December meeting in what Chair Powell described as a "closer call" but sent a more hawkish signal about the policy path ahead. The statement inserted language around the "extent and timing" of additional adjustments – in line with our expectations – and the median dot showed only 50bps of reductions in 2025. Punctuating the hawkish signal, fourteen out of nineteen officials expected two 25bps rate cuts or less next year.

A dramatic increase in officials' inflation forecasts motivated the hawkish guidance. The median inflation forecast for 2025 rose to 2.5% and does not anticipate inflation returning to 2% until 2027. In addition, officials saw a significant shift in the distribution of risks around their inflation forecasts towards the upside. Powell noted that "some" officials began to factor policy changes into their forecasts, which likely lifted these projections.

Last week's meeting reinforced our baseline view that a skip at the January meeting could turn into an extended pause in 2025. We continue to view the nominal neutral rate around 3.75% and a need for the Committee to stay restrictive relative to that level. As such, we reiterate our view that the fed funds rate is likely to remain above 4% next year, with a base case of no additional reductions. For a full discussion of our outlook for the economy and the Fed, see our latest publication: "Trump II: Growth too fast, inflation too furious for Fed cuts".

Assuming no government shutdown, market participants will have only a handful of data releases to digest that will largely serve to sharpen forecasters' estimates of current-quarter real GDP growth. Monday kicks off with December consumer confidence (112.3 forecast vs. 111.7 previously), which we expect to edge up to its highest level since July 2023. More important than the headline will be consumers' outlook on the labor market in the jobs plentiful / jobs hard-to-get series within the conference board survey. Though the percentage of respondents reporting that jobs were plentiful slipped slightly in November to 33.4%, those noting that jobs were "hard to get" fell by 2.4ppts to 15.2% – the lowest level since May (14.3%). Historically, the unemployment rate has been highly correlated with the spread between the two series and at 18.2% as of November, consumers' views on the labor market could signal some downward movement in the unemployment rate.

With respect to Q4 real GDP, last Friday's personal consumption data pointed to stronger consumer spending than we had initially anticipated. This was one reason we boosted our current-quarter growth estimate to 2.6% (annualized) from 2.1%, previously. If our forecast is close to the mark, real GDP will have grown 3.2% annualized over the 16 quarters of the Biden Administration – the best economic performance since the four years ending in Q2 2007. Though the swift recovery from the pandemic played a significant role in that performance, it is nonetheless remarkable that despite the historic tightening of monetary policy over the past two years, inflation-adjusted output will have increased at a 2.9% annualized pace – the same growth rate as the 8 quarters following the 2017 Tax Cut and Jobs Act.

Tuesday's durable goods orders (+0.6% headline / +0.4% ex-transportation / +0.4% core) will further inform our current-quarter assessment of inflation-adjusted output. We expect headline orders to get a mild boost from Boeing aircraft alongside a healthy rebound in orders for non-defense capital goods excluding aircraft. That being said, recall that core shipments is the component from the durables report that used to benchmark equipment spending in the GDP accounts and despite the decline in core orders in October, core shipments were up slightly. Though Tuesday's new home sales (700k vs. 610k) will also factor into Q4 growth estimates, we caution that this series is highly volatile and often revised, particularly during the low-volume winter months.

Thursday's initial jobless claims (225k vs. 220k) and Friday's advance goods trade balance (-$101.1bn vs. -$99.0bn) will round out this week's data docket. Regarding the former, last week's data showed a notable drop in initial claims which confirmed our prior view that seasonal factors around the Thanksgiving holiday were boosting the series. With respect to the trade balance release, import and export growth has been particularly volatile of late and thus any surprises could meaningfully move Q4 GDP tracking estimates.

In summary, if the government remains shut down for a protracted period, jobless claims, economic data and surveys from the Federal Reserve as well as private sector surveys (e.g. ISM and ADP) will take on increasing importance. The timing of a potential shutdown is problematic for a couple of reasons. One, delays to government-produced principal economic indicators – namely, the employment and inflation statistics from the BLS – will add further uncertainty for both market participants and Fed officials alike. Two, as the Pentagon has warned, military personnel will not receive their end-of-the-month paychecks if Congress fails to reach an agreement - a difficult prospect around the holidays for military families.

The US economics research team would like to wish all of our clients and colleagues Safe and Happy Holidays. Please see our 2025 Economic Data and Events Calendar for a detailed schedule of next year's US data releases and FOMC meeting dates.

Figure 2: Fedspeak calendar

Region	Name	Date	Dove/Hawk	Voter	Events
No events scheduled for this week					

Source : Bloomberg Finance LP, Deutsche Bank

Please see the following pages for a summary of our preliminary estimates of the upcoming US high-frequency data over the next several weeks.

Figure 3: Data and events calendar

Dec-16	Dec-17	Dec-18	Dec-19	Dec-20
NY Fed Empire State Survey 8:30AM Oct: -11.9 Nov: +31.2 Dec: +0.2	Retail Sales 8:30AM Sep: Oct: Nov: Total +0.9% +0.5 +0.7 Ex Autos +1.0% +0.2 +0.2 Control +1.3% -0.1 +0.4 Industrial Production Cap. Util 9:15AM Sep: -0.5% 77.4% Oct: -0.4 77.0 Nov: +0.1 76.8 Business Inventories 10:00 AM Aug: +0.3% Sep: Unch. Oct: +0.1 NAHB Housing Market Index 10:00 AM Oct: 43 Nov: 46 Dec: 46 20-Yr Bond Auction $13bn	Housing Starts Permits 8:30AM Sep: 1.355M 1.425M Oct: 1.312 1.419 Nov: 1.289 1.505 FOMC Meeting	Initial Claims 8:30AM Nov-30 225k +10k Dec-07 242 +17 Dec-14 220 -22 Real GDP Deflator 8:30 AM 1Q24: +1.6% +3.0% 2Q24: +3.0 +2.5 Final: 3Q24: +3.1 +1.9 Philadelphia Fed 08:30AM Oct: +10.3 Nov: -5.5 Dec: -16.4 Leading Economic Indicators 10:00AM Sep: -0.4% Oct: -0.4 Nov: +0.3 Existing Home Sales 10:00 AM Sep: 3.83M Oct: 3.96 Nov: 4.15 2 Yr Note Announcement $69bn 5 Yr Note Announcement $70bn 7 Yr Note Announcement $44bn 2 Yr FRN Announcement $28bn 5 Yr TIPS Auction $22bn	Personal Income 08:30 AM Sep: Oct: Nov: Income +0.4% +0.7 +0.3 Consump. +0.7% +0.3 +0.4 Core PCE +0.3% +0.3 +0.1 Consumer Sentiment 10:00 AM Oct: 70.5 Nov: 71.8 Final: Dec: 74.0
FORECAST				
Dec-23	Dec-24	Dec-25	Dec-26	Dec-27
Consumer Confidence 10:00 AM Oct: 109.6 Nov: 111.7 *Dec: 112.3* 2 Yr Note Auction *$69bn*	Durable Goods Orders 8:30 AM Sep: Oct: *Nov:* Headline -0.4% +0.3 *+0.6* Ex-Trans. +0.4% +0.2 *+0.4* Core +0.3% -0.2 *+0.4* New Home Sales 10:00 AM Sep: 738k Oct: 610 *Nov: 700* 5 Yr Note Auction *$70bn* 2 Yr FRN Auction *$28bn*	Christmas Day All Markets Closed	Initial Claims 8:30AM Dec-07 242k +17k Dec-14 220 -22 *Dec-21 225 +5* 7 Yr Note Auction *$44bn*	Advance Goods Trade Balance 8:30 AM Sep: -$108.2B Oct: -99.0 *Nov: -101.1*
Dec-30	Dec-31	Jan-01	Jan-02	Jan-03
Chicago PMI 9:45 AM Oct: 41.6 Nov: 40.2 *Dec: 42.5* Pending Home Sales Index 10:00 AM Sep: +7.5% Oct: +2.0 *Nov: +1.0*		New Year's Day All Markets Closed	Construction Spending 10:00 AM Sep: +0.1% Oct: +0.4 *Nov: +0.3* 3 Yr Note Announcement *$58bn* 10 Yr Note Announcement *$39bn* 30 Yr Bond Announcement *$22bn*	ISM Index 10:00 AM Oct: 46.5 Nov: 48.4 *Dec: 48.6* Unit motor vehicle sales Oct: 16.3 Nov: 16.5 *Dec: 16.5*
Jan-06	Jan-07	Jan-08	Jan-09	Jan-10
Factory Orders 10:00 AM Sep: -0.2% Oct: -0.2 *Nov: +0.6*	International Trade Balance 8:30 AM Sep: -$83.8B Oct: -73.8 *Nov: -75.9* November JOLTS data released ISM Services 10:00 AM Oct: 56.0 Nov: 52.1 *Dec: 54.3* 3 Yr Note Auction *$58bn*	ADP Employment Report 8:15 AM Oct: +184k Nov: +146 *Dec: +125* FOMC Minutes Consumer Credit 3:00 PM Sep: +$3.2B Oct: +19.2 *Nov: +9.1* 10 Yr Note Auction *$39bn*	30 Yr Bond Auction *$22bn*	Employment 8:30 AM Oct: Nov: *Dec:* Payrolls +36k +227 *+150* Private -2k +194 *+125* UnRate 4.1% 4.2 *4.3* Hrly Erngs +0.4% +0.4 *+0.3* Workwk 34.2 34.3 *34.3* Consumer Sentiment 10:00 AM Nov: 71.8 Dec: 74.0 *Final: Jan: 73.1*

Source : Deutsche Bank

Appendix 1

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