

Economic Outlook

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Overview

3 slides each on:

- Global economy
- U.S. & SD economies
- Economic forecasts
- U.S. agricultural sector

Global Economic Outlook

- Global economic growth projections keep being downgraded
- Concerns about a deep global recession have diminished
- But the global economy is still slowing
 - Vulnerable to outbreaks of financial distress
 - E.g., Silicon Valley Bank collapse in U.S.; Credit Suisse bailout in Switzerland
 - To slow inflation, central banks increase interest rates, slowing economies
 - But financial sector weakness can cause problems for the rest of the economy
 - For now, no sign of a wage-price spiral

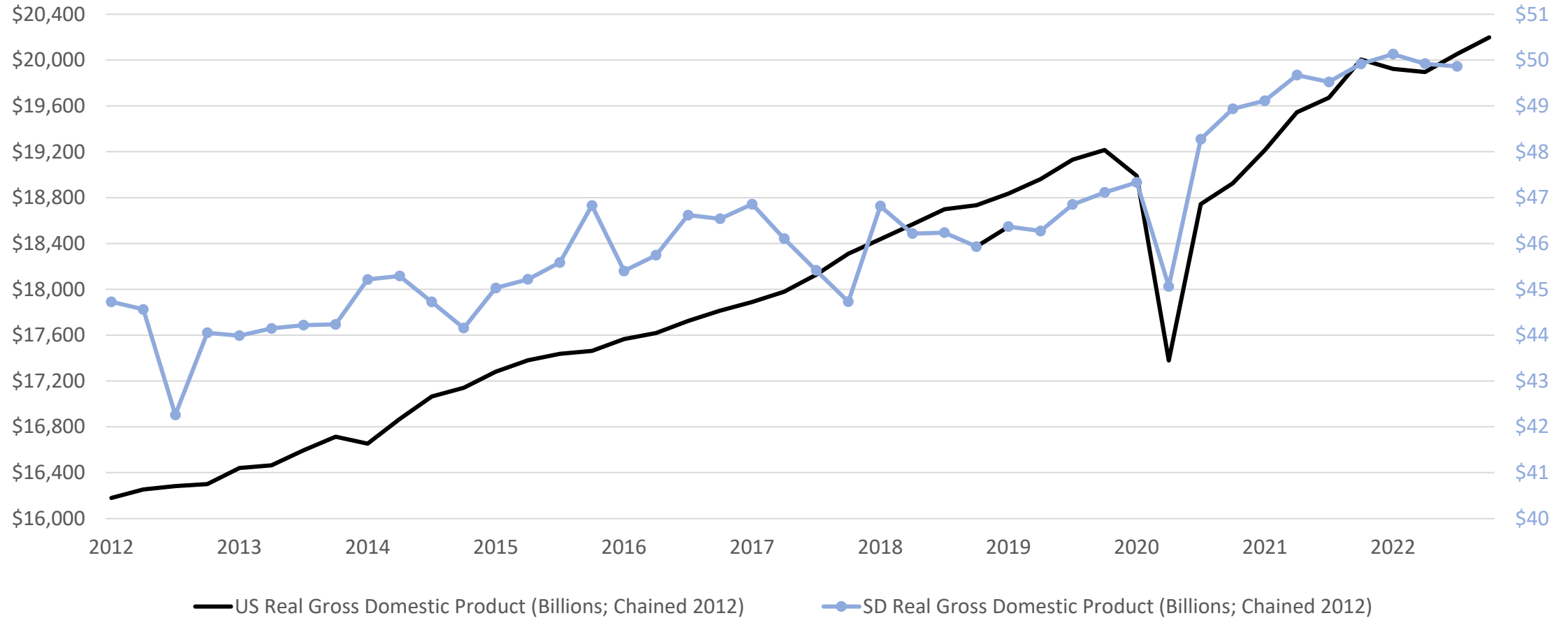
Global Economic Outlook – Some Numbers

- [IMF World Economic Outlook](#) (April 2023)
 - Lower than earlier projections; below historical (2000–19) average of 3.8 percent
 - 2022: 3.4 percent
 - 2023: 2.8 percent
 - 2024: 3.0 percent
 - Advanced countries' economic growth: < 1 percent
- [World Bank Global Economic Prospects](#) (January 2023)
 - 2022: 2.9 percent
 - 2023: 1.7 percent
 - 2024: 2.4 percent
- [OECD projections](#) (November 2022)
 - 2022: 3.1 percent
 - 2023: 2.2 percent
 - 2024: 2.7 percent

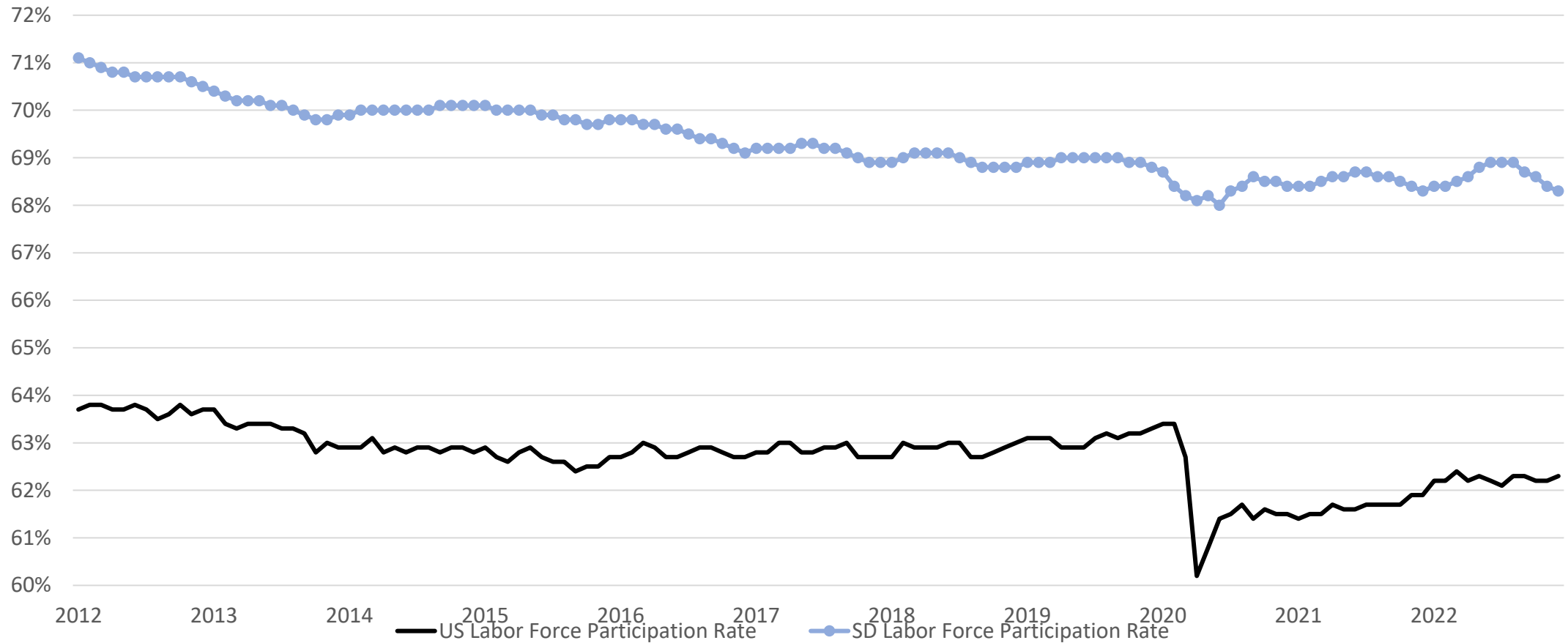
More on the Global Economy

- Positive prospects:
 - China's economy may pick up, following its zero-Covid policy
 - EU nations may avoid a recession
- Contingencies:
 - War in Ukraine – destabilizes the global economy
 - Deglobalization/fragmentation/balkanization
 - Less global economic output
 - Less technology diffusion
 - Higher prices – sustained levels of elevated (but not runaway) inflation
 - Fewer capital investments
 - Decoupling the world economy will be costly and potentially dangerous
 - A major global debt crisis remains possible
 - Pandemic spending
 - High U.S. interest rates increased the value of the U.S. dollar
 - Increased costs of servicing the debt
 - High dollar-denominated debt service payments

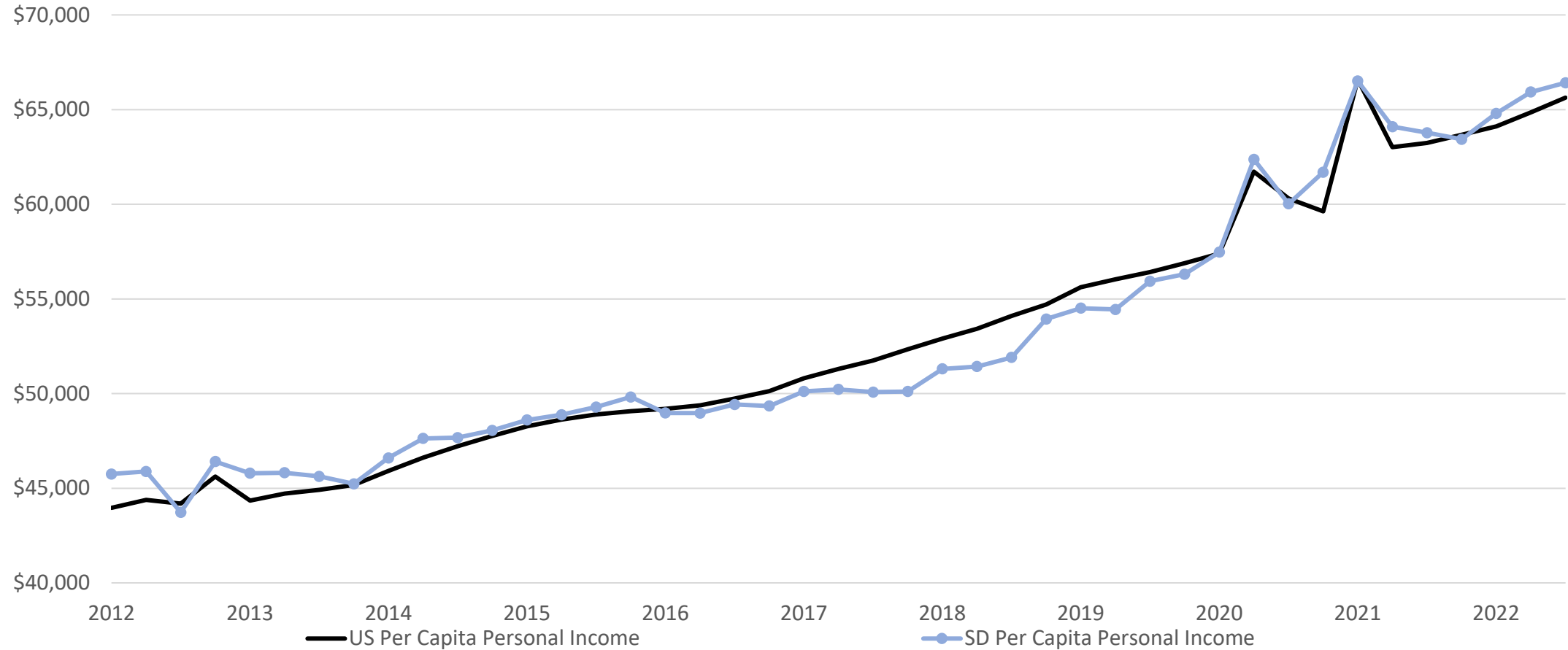
U.S. & SD Economic Trends – GDP



Labor Force Participation Rate



Per Capita Personal Income



IHS Markit Forecast – US (February)

	2017	2018	2019	2020	2021	2022 f	2023 f	2024 f	'11-'21 avg.
Real GDP Growth	2.2%	2.9%	2.3%	-2.8%	5.9%	2.0%	0.5%	1.8%	2.1%
Nonfarm Employment	1.6%	1.6%	1.3%	-5.8%	2.8%	4.1%	0.7%	-0.2%	1.1%
Personal Income	4.6%	5.0%	5.1%	6.7%	7.4%	2.1%	4.3%	4.7%	4.9%
Unemployment Rate	4.4%	3.9%	3.7%	8.1%	5.4%	3.7%	4.6%	4.8%	6.0%
CPI-U	2.1%	2.4%	1.8%	1.2%	4.7%	8.0%	3.9%	2.2%	2.0%

IHS Markit Alternate Scenarios – US (February)

Optimistic Scenario (20% probability)				Pessimistic Scenario (25% probability)			
	2022 f	2023 f	2024 f	2022 f	2023 f	2024 f	'11-'21 avg.
Real GDP Growth	2.1%	1.4%	1.9%	2.0%	-0.2%	1.2%	2.1%
Nonfarm Employment	4.1%	0.9%	-0.2%	4.1%	-0.8%	-1.4%	1.1%
Personal Income	2.1%	5.1%	5.1%	2.1%	3.5%	3.6%	4.9%
Unemployment Rate	3.7%	4.3%	4.6%	3.7%	5.8%	6.8%	6.0%
CPI-U	8.0%	3.7%	2.6%	8.0%	4.9%	2.4%	2.0%

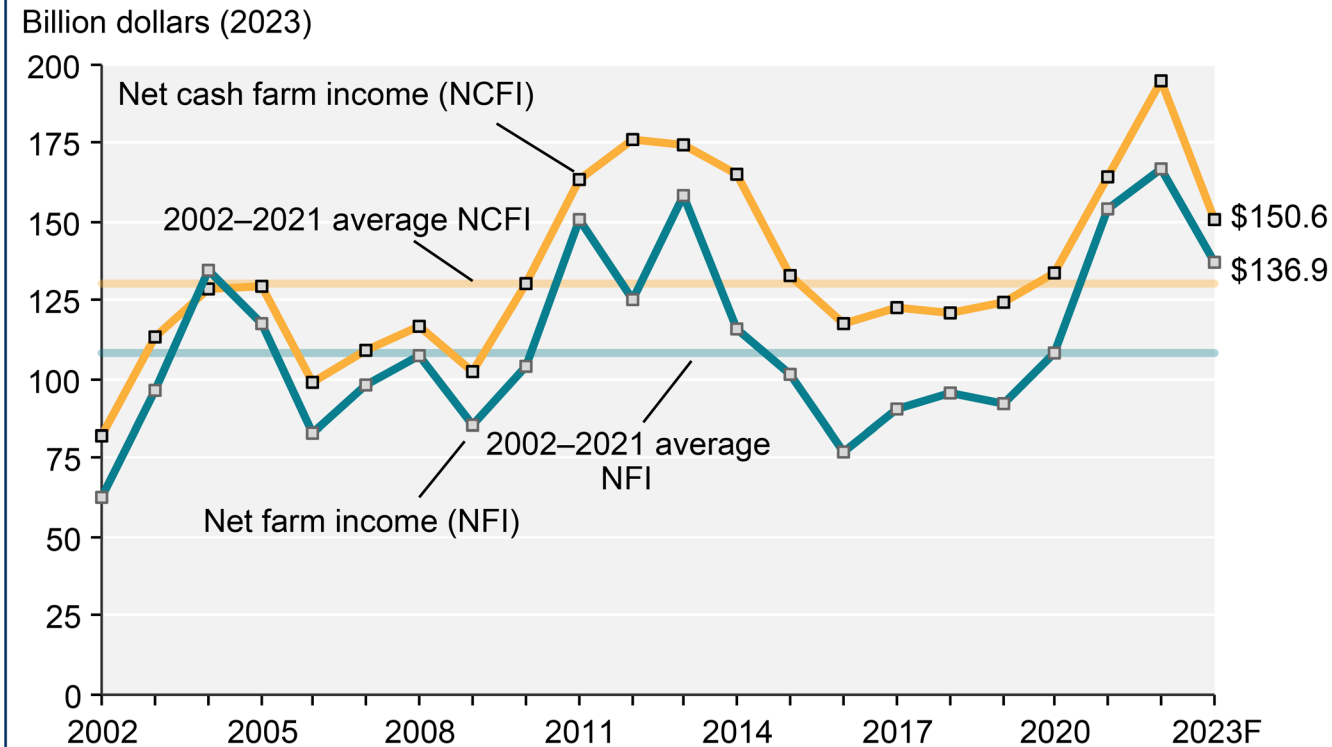
IHS Markit Forecast – SD (February)

	2017	2018	2019	2020	2021	2022 f	2023 f	2024 f	'11-'21 avg.
Real GDP Growth	-0.7%	1.1%	0.8%	1.6%	4.5%	1.0%	0.5%	1.8%	1.9%
Nonfarm Employment	0.4%	0.9%	0.6%	-3.3%	3.2%	2.4%	1.3%	-0.3%	0.8%
Nonfarm Income	3.2%	3.6%	7.3%	7.5%	6.5%	2.7%	5.1%	5.3%	4.9%
Housing Starts	5,020	4,756	4,089	6,028	7,541	8,432	4,516	4,416	4,873
Unemployment Rate	3.1%	2.8%	2.8%	4.4%	3.1%	2.4%	3.2%	3.5%	3.4%

U.S. Ag – 2023 Farm Sector Income Forecast – Feb 7, 2023

- Nominal:
 - Net farm income projected to:
 - Drop by \$25.9 billion (15.9%) from 2022
 - To \$136.9 billion
 - Net cash farm income is expected to:
 - Drop by \$39.4 billion (20.7%)
 - To \$150.6 billion
- Inflation-adjusted:
 - Drop in net farm income by \$30.5 billion (18.2%)
 - Drop in net cash farm income by \$44.7 billion (22.9%)
- If accomplished, then:
 - Net farm income above 2020 level
 - Net cash farm above 2020 level

U.S. net farm income and net cash farm income, inflation adjusted, 2002–2023F



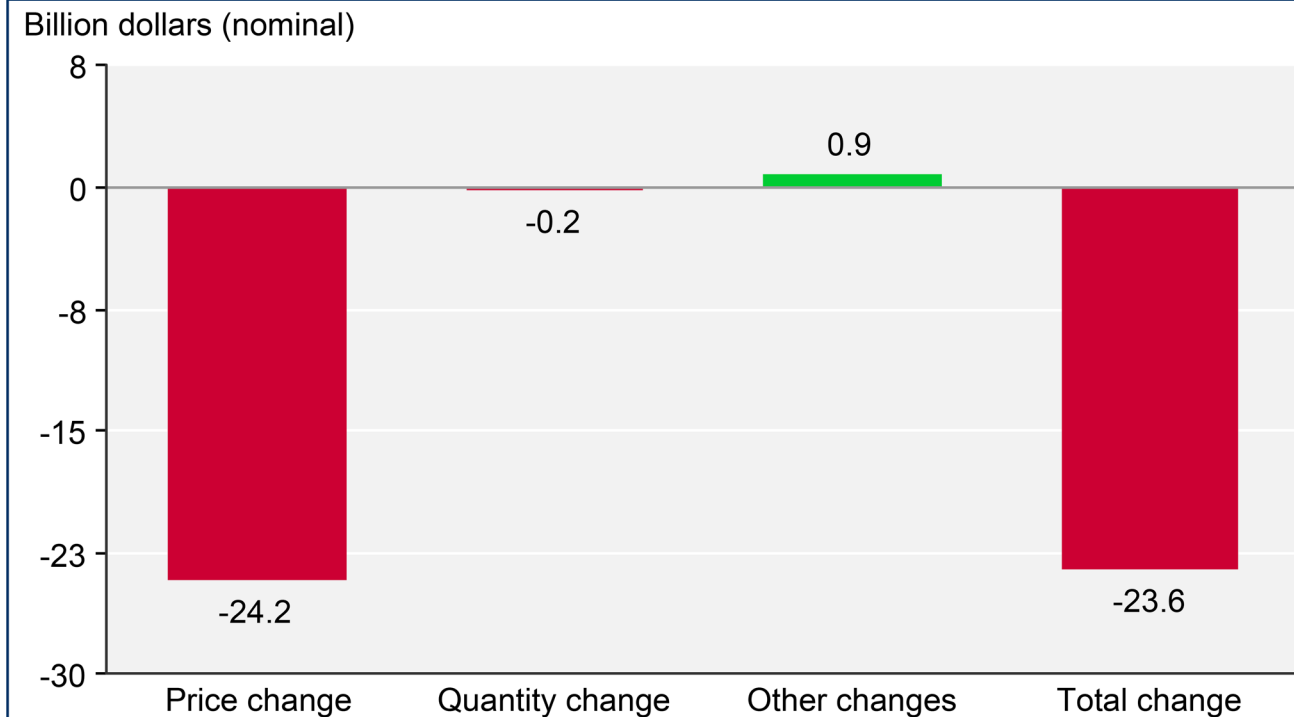
Note: F = forecast. Data for 2022 and 2023 are forecasts. Values are adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2023 by USDA, Economic Research Service. Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of February 7, 2023.

U.S. Ag – 2023 Farm Sector Income Forecast – Feb 7, 2023

Overall changes in annual receipts due to:

- Price effect: large, negative
 - Especially for crops
- Quantity effect: small, negative
- Livestock sector largely stable

Change in U.S. farm cash receipts, 2022F–2023F, by component of change



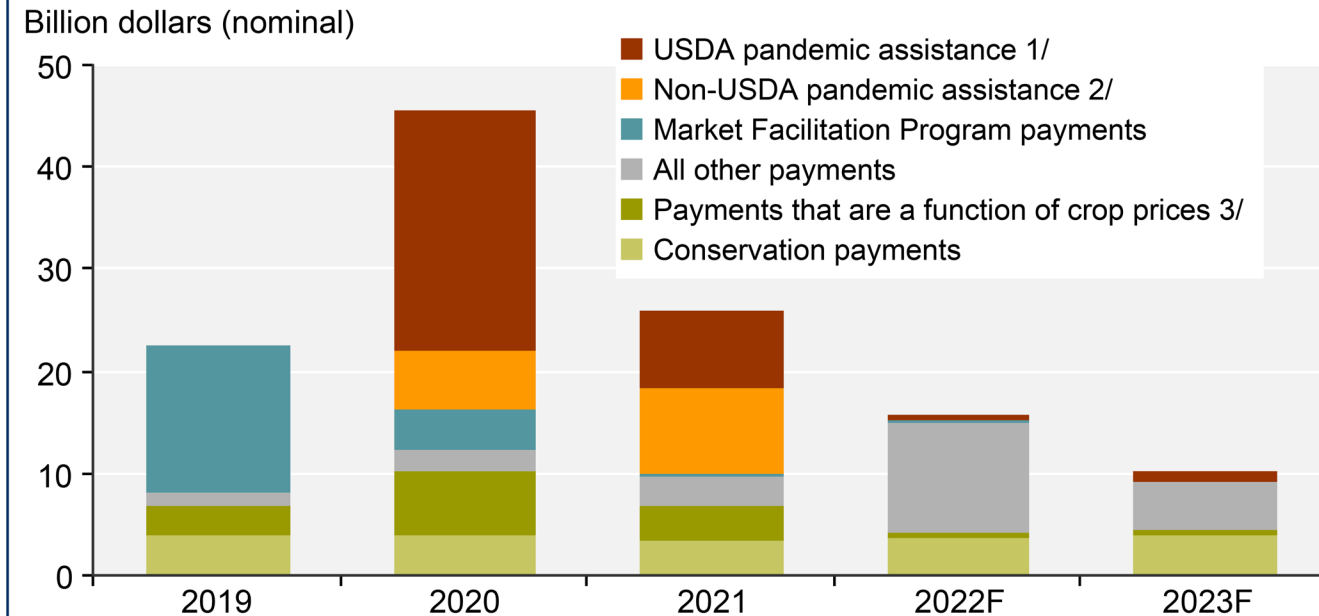
Note: F = forecast. Other changes include price/quantity changes in "all other crops" (excluding sugarcane and sugarbeets), proso millet, and miscellaneous animals/products for which data are not available. Price, quantity, and other changes may not sum to total because of rounding.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of February 7, 2023.

U.S. Ag – 2023 Farm Sector Income Forecast – Feb 7, 2023

- Direct government farm program payments expected to decline

Direct Government payments to U.S. farm producers, 2019–23F



F = forecast.

1/ Includes payments from the Coronavirus Food Assistance Program and other USDA pandemic assistance for producers.

2/ Includes forgiven loans from the Paycheck Protection Program.

3/ Includes Price Loss Coverage, Agriculture Risk Coverage, loan deficiency payments (excluding grazeout payments), marketing loan gains, certificate exchange gains, and dairy payments.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of February 7, 2023.

Thank You

Questions?

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