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The U.S. Economic Outlook for 2027–2028

74th Economic Outlook Conference

Nov 19, 2026

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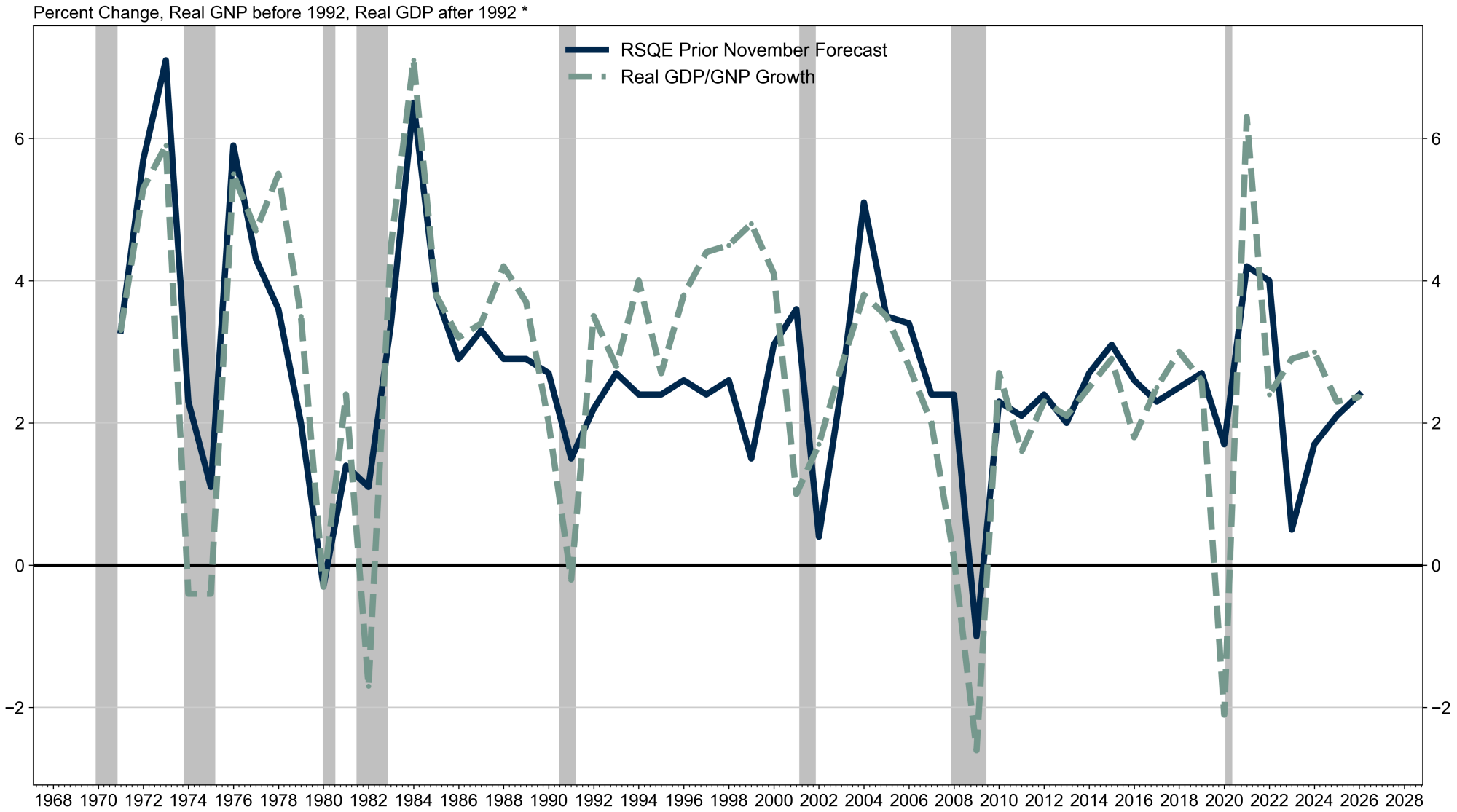
RSQE Forecasting Record



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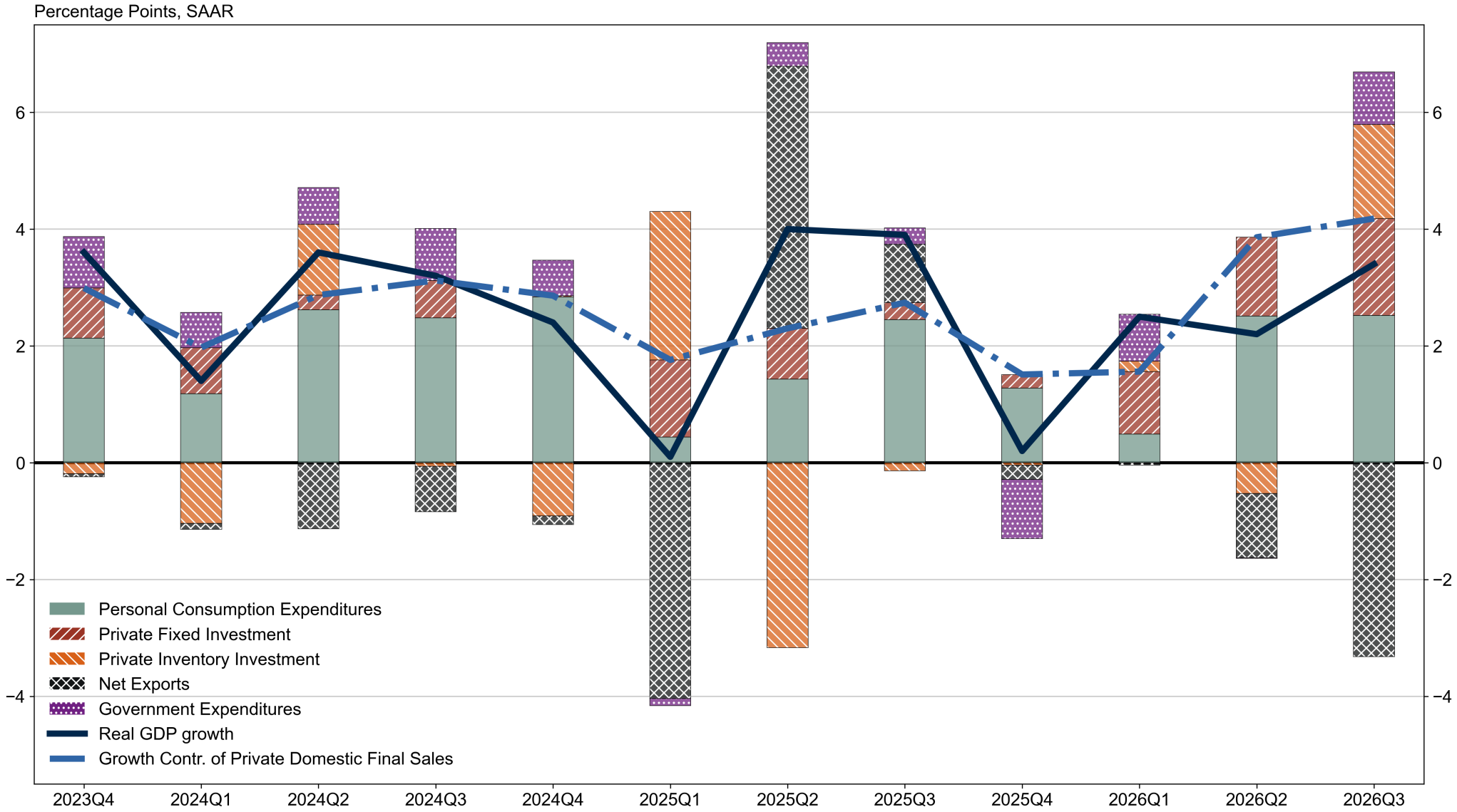
Current State of the Economy

Solid Growth in Real GDP in 2026Q3



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Inflation Revised Lower, but Stalled Progress



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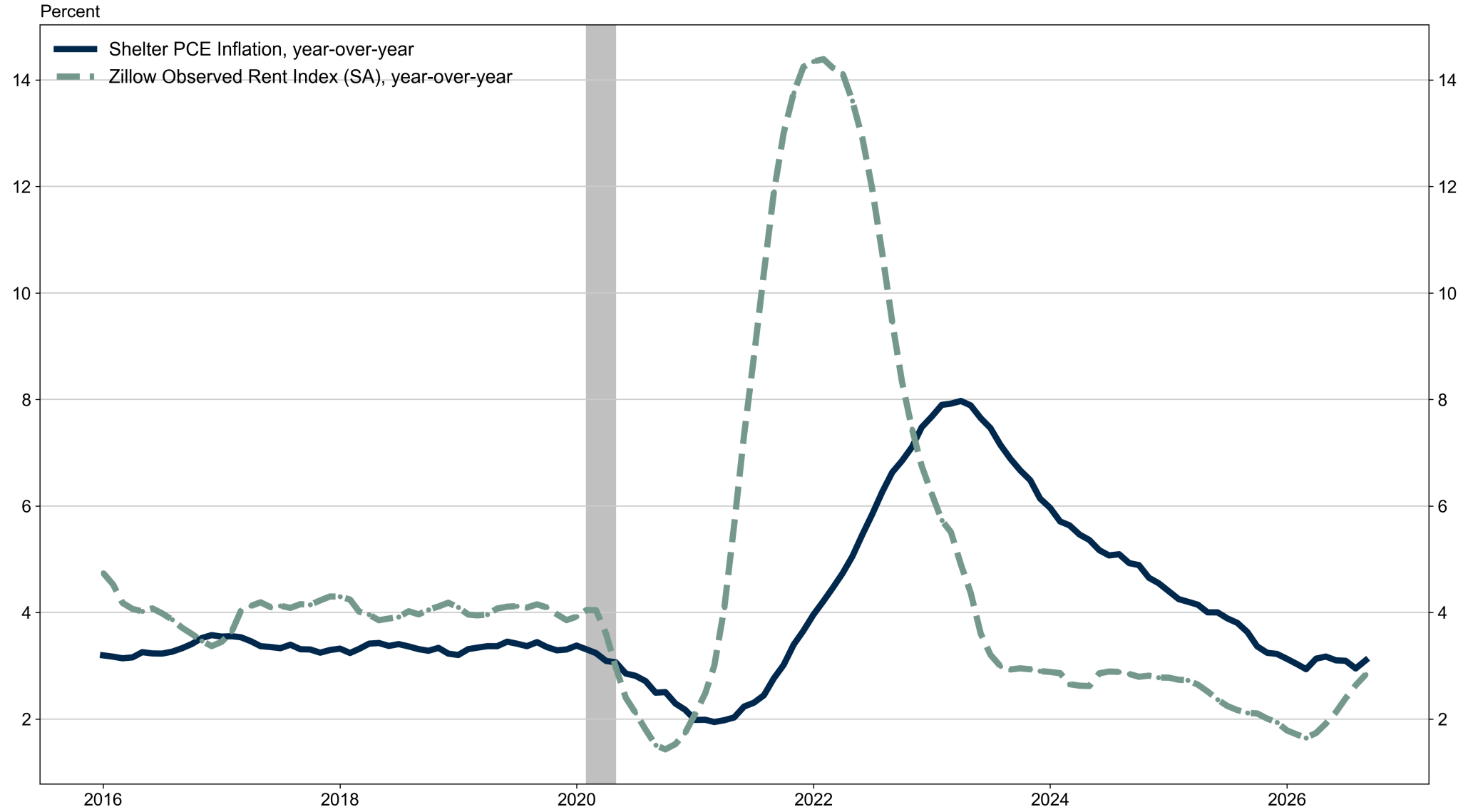
Shelter Inflation Gaining Steam



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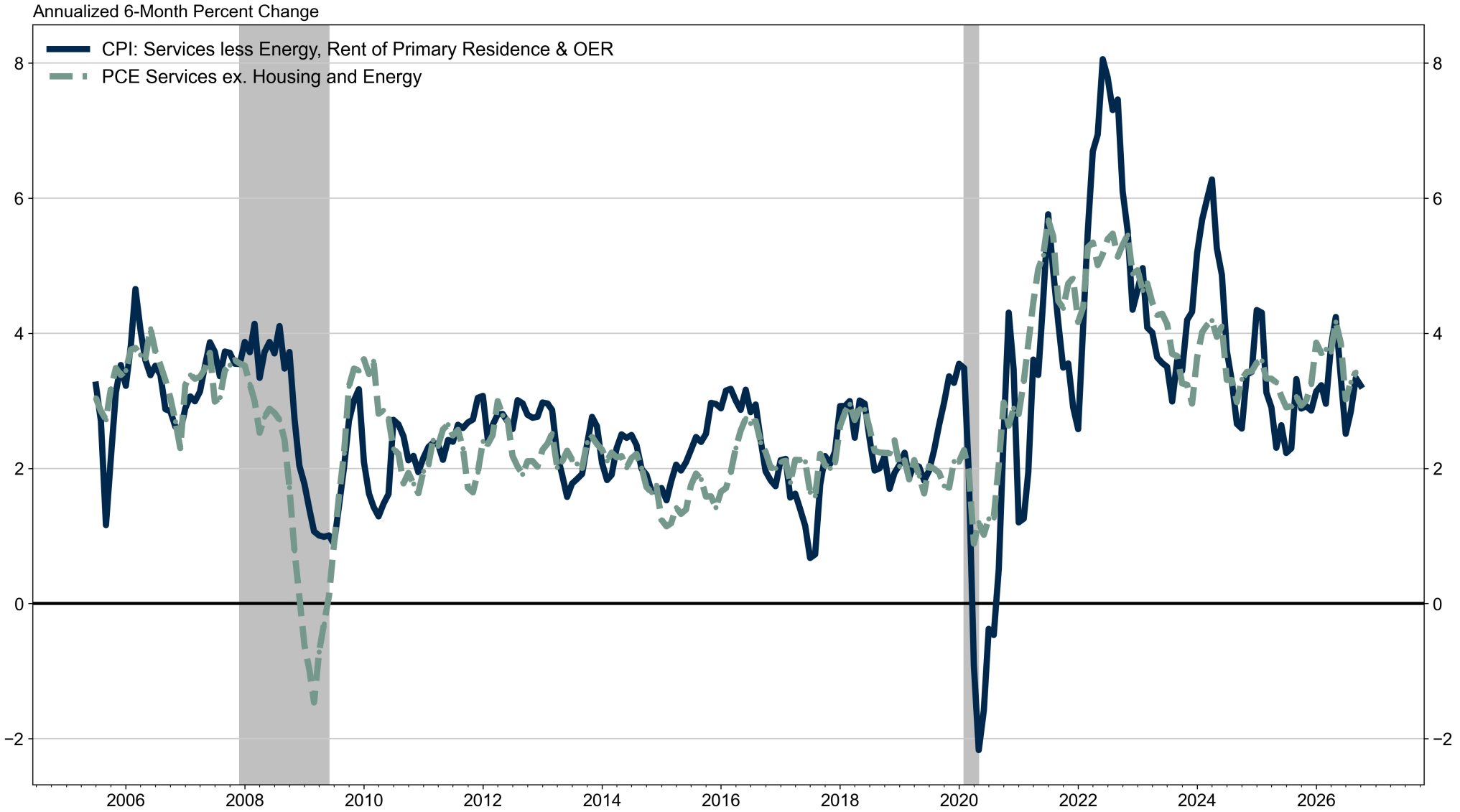
Supercore Inflation Shows Little Improvement



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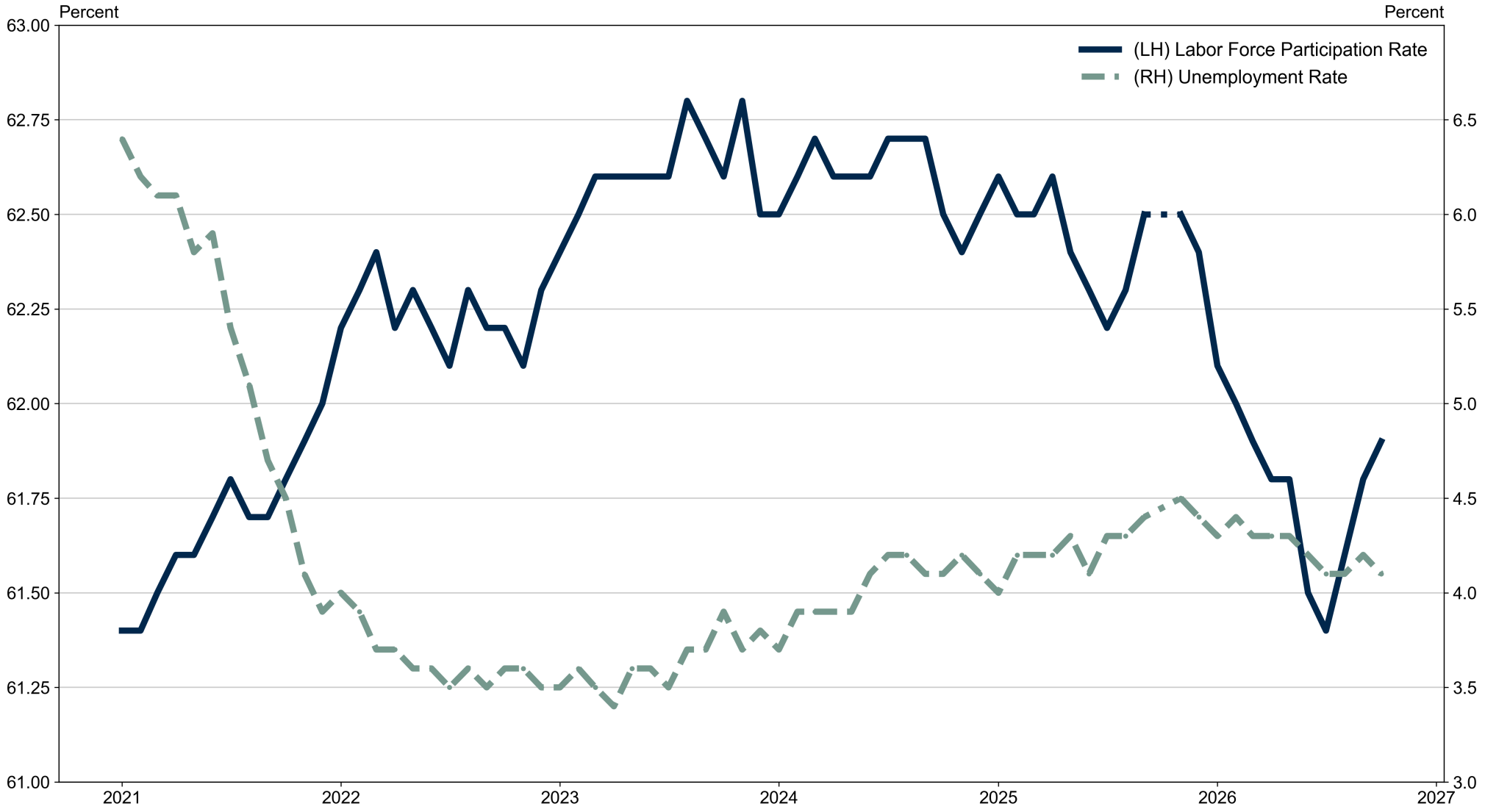
Unemployment Rate Steady for Changing Reasons



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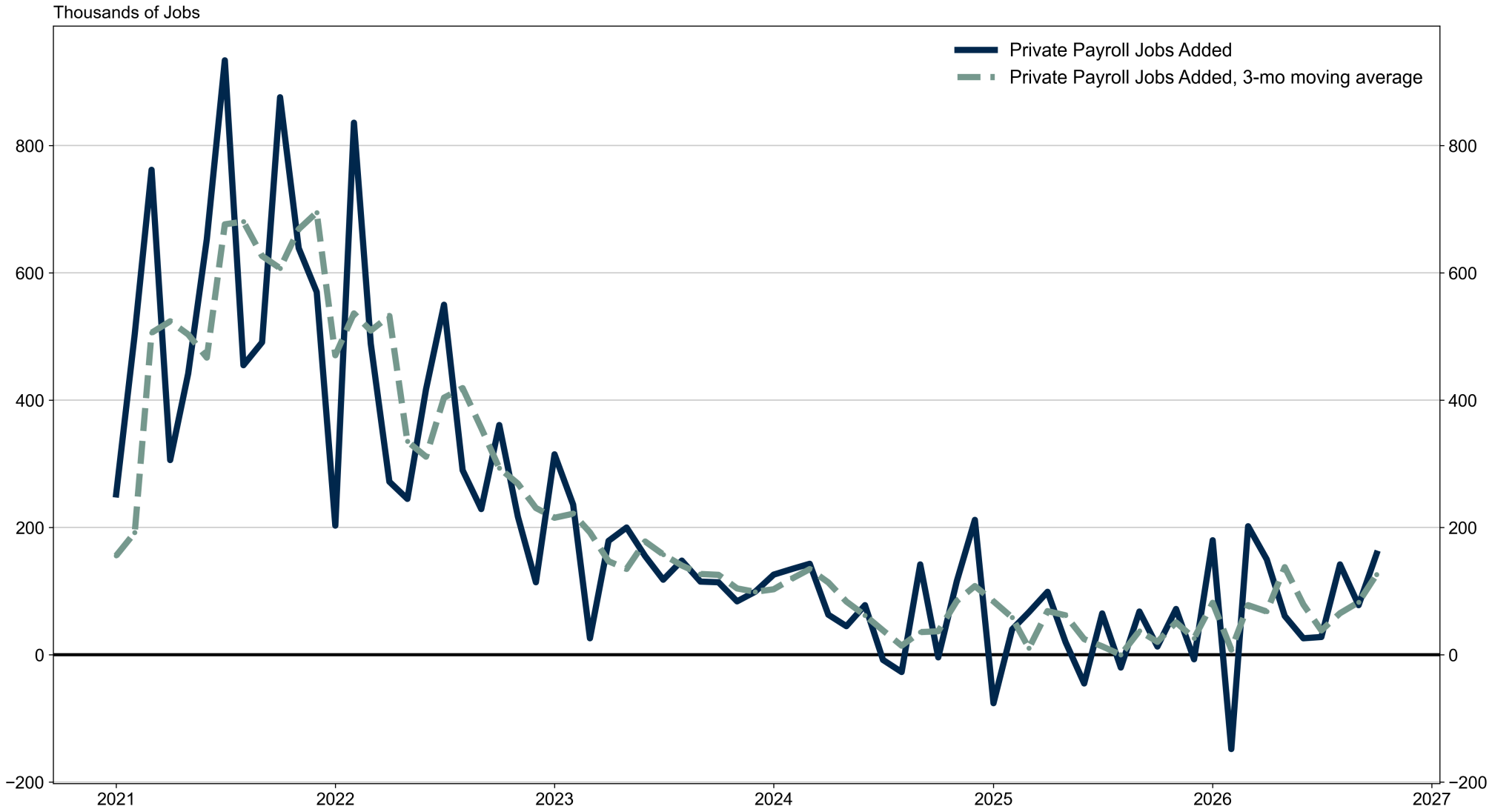
Recovery in Private Payroll



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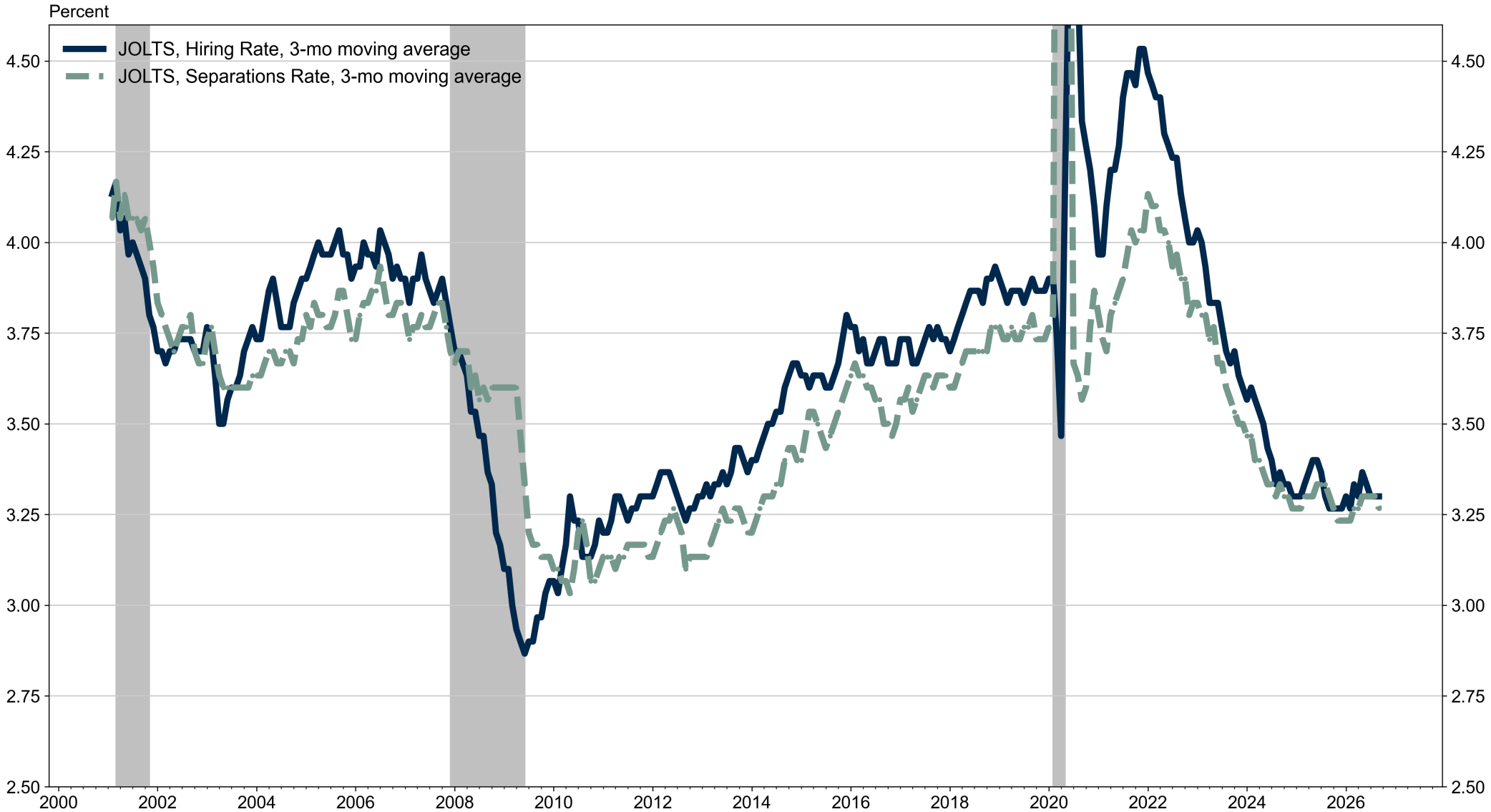
Low Dynamism in the Labor Market



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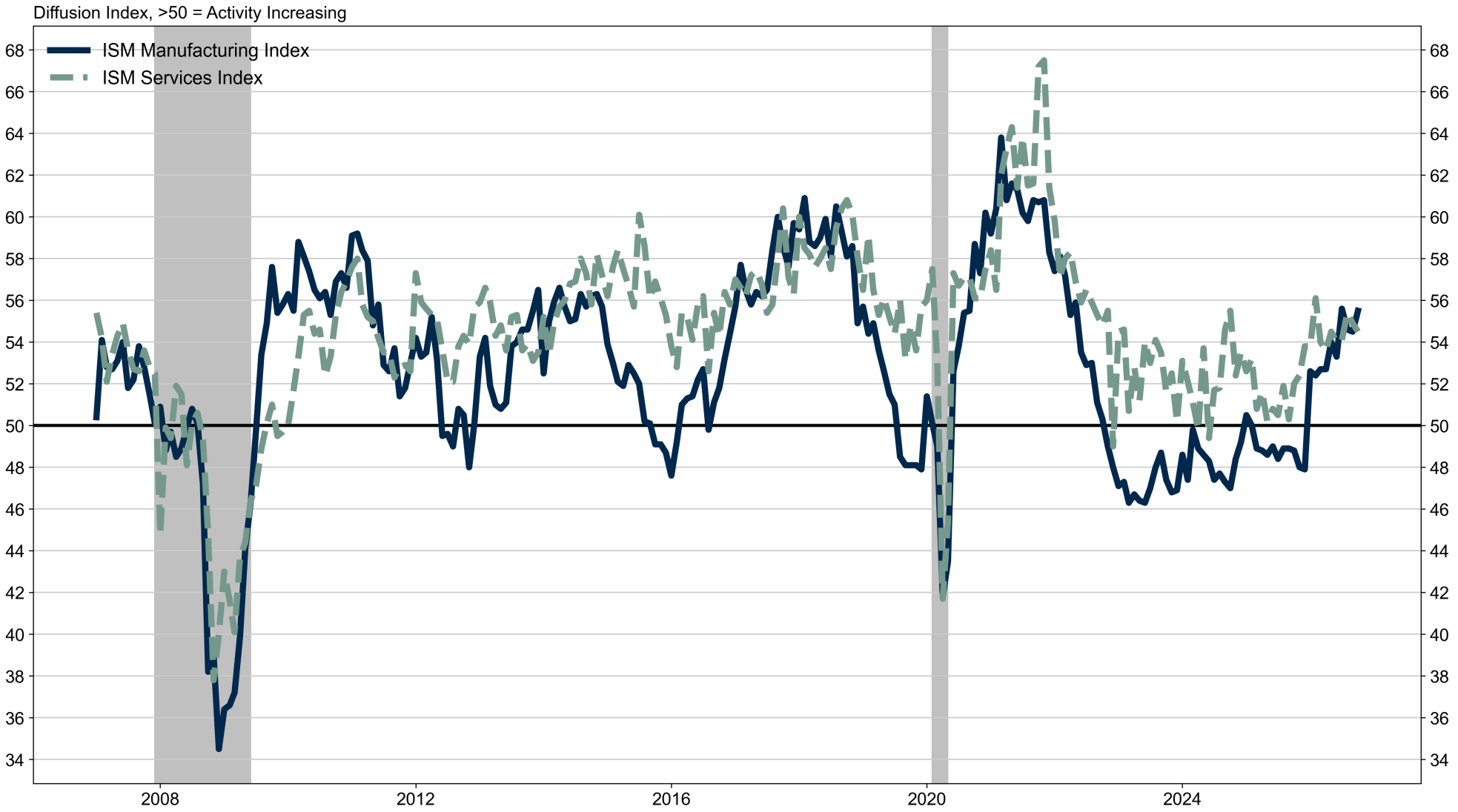
Upbeat PMI Readings in 2026



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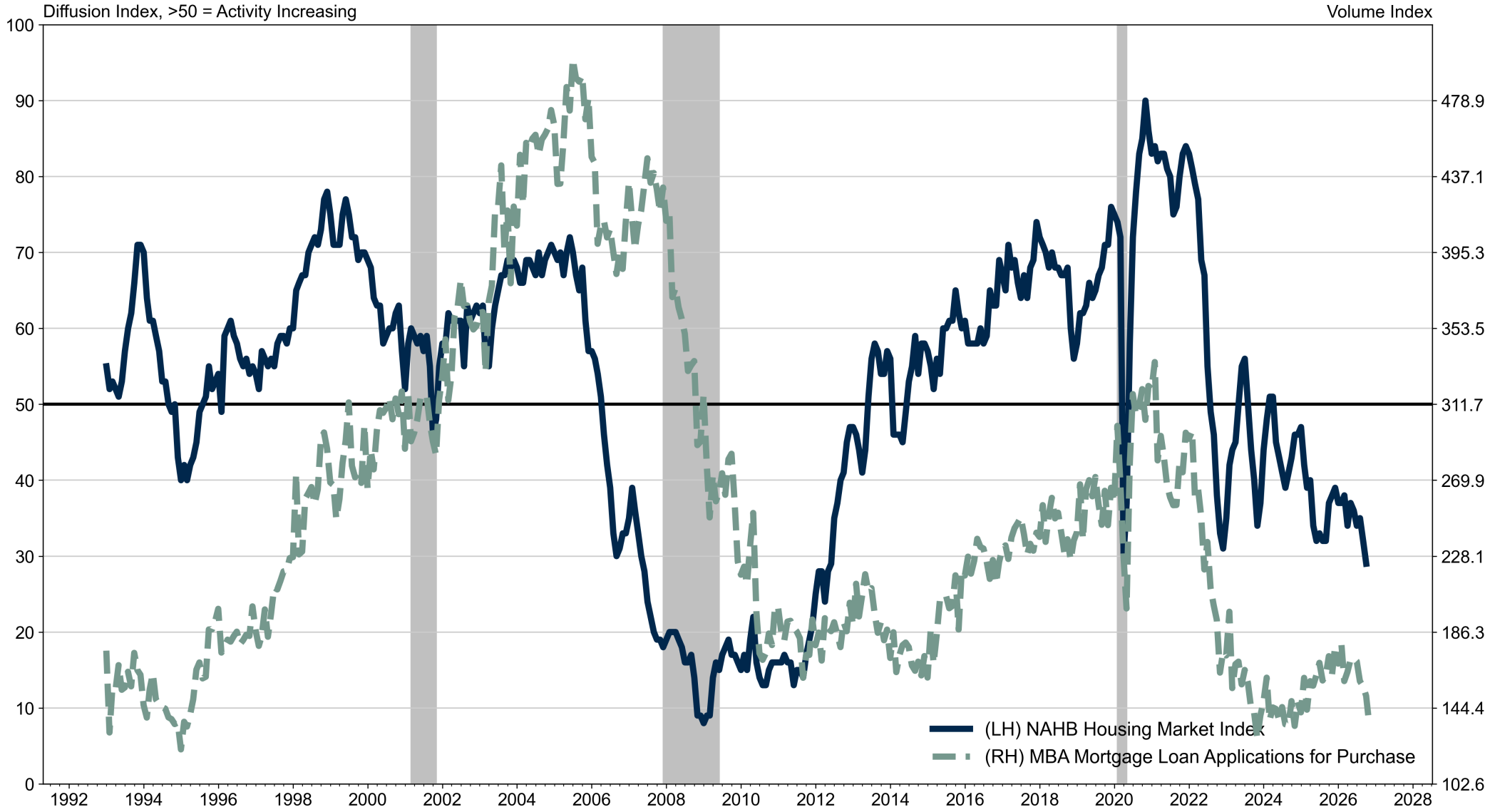
Residential Market Remains Tepid



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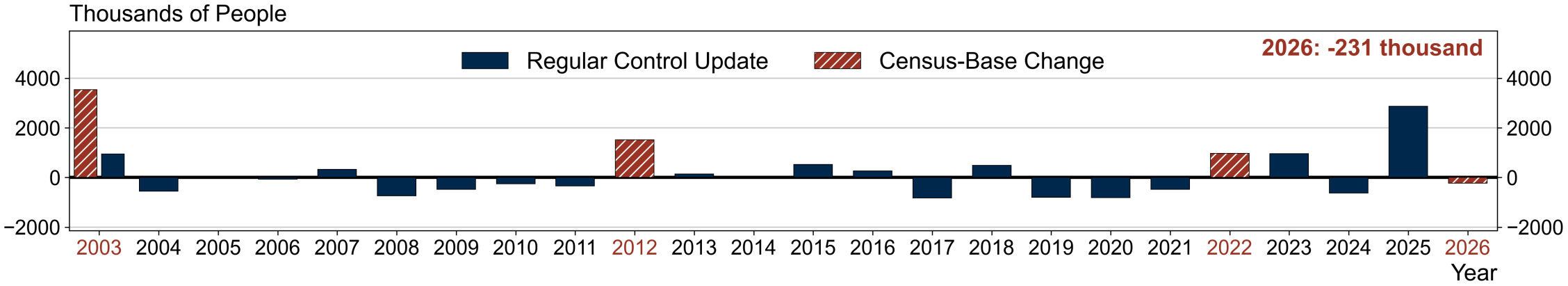
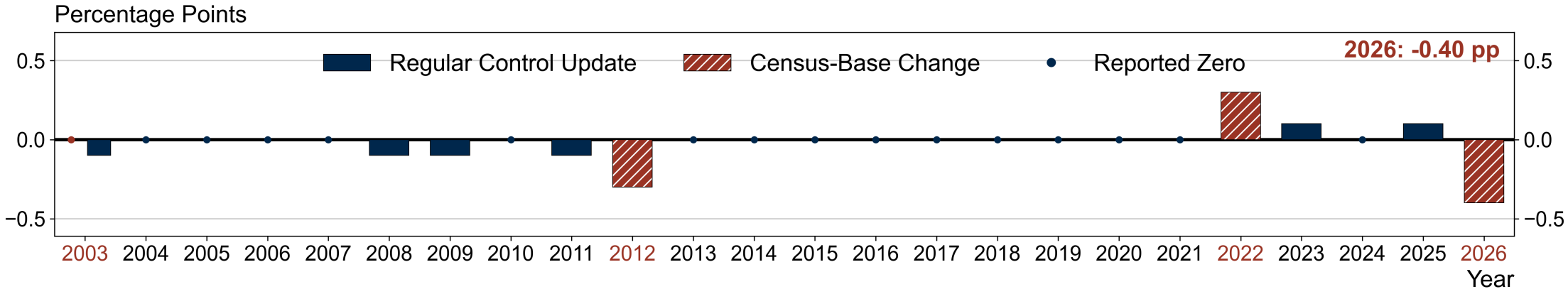
Getting a Better Read on the Labor Market—the Role of Population Controls

Updates to Population Controls: 2003–2026

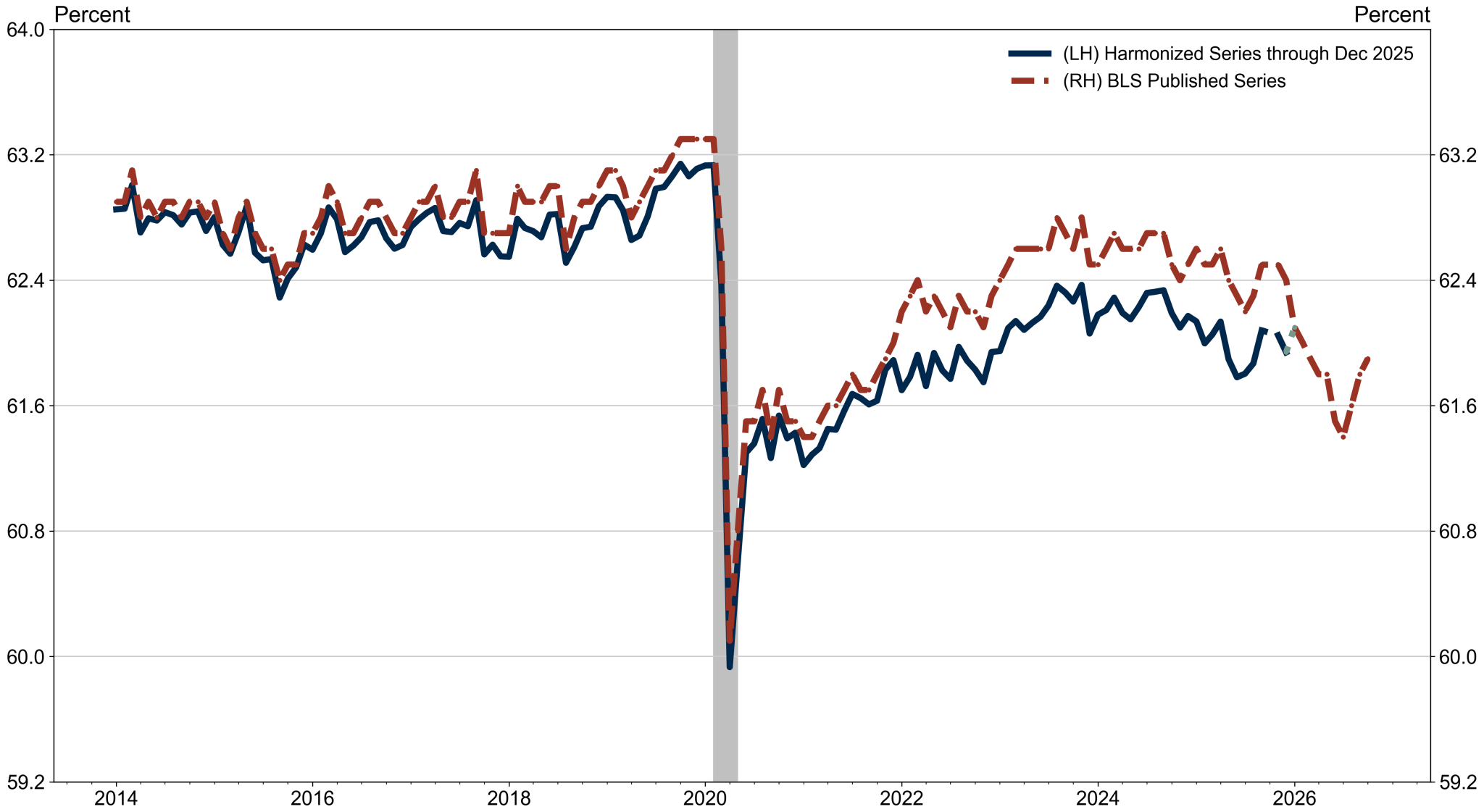
Population Revision



Labor Force Participation Effect



Harmonized Labor Force Participation Rate



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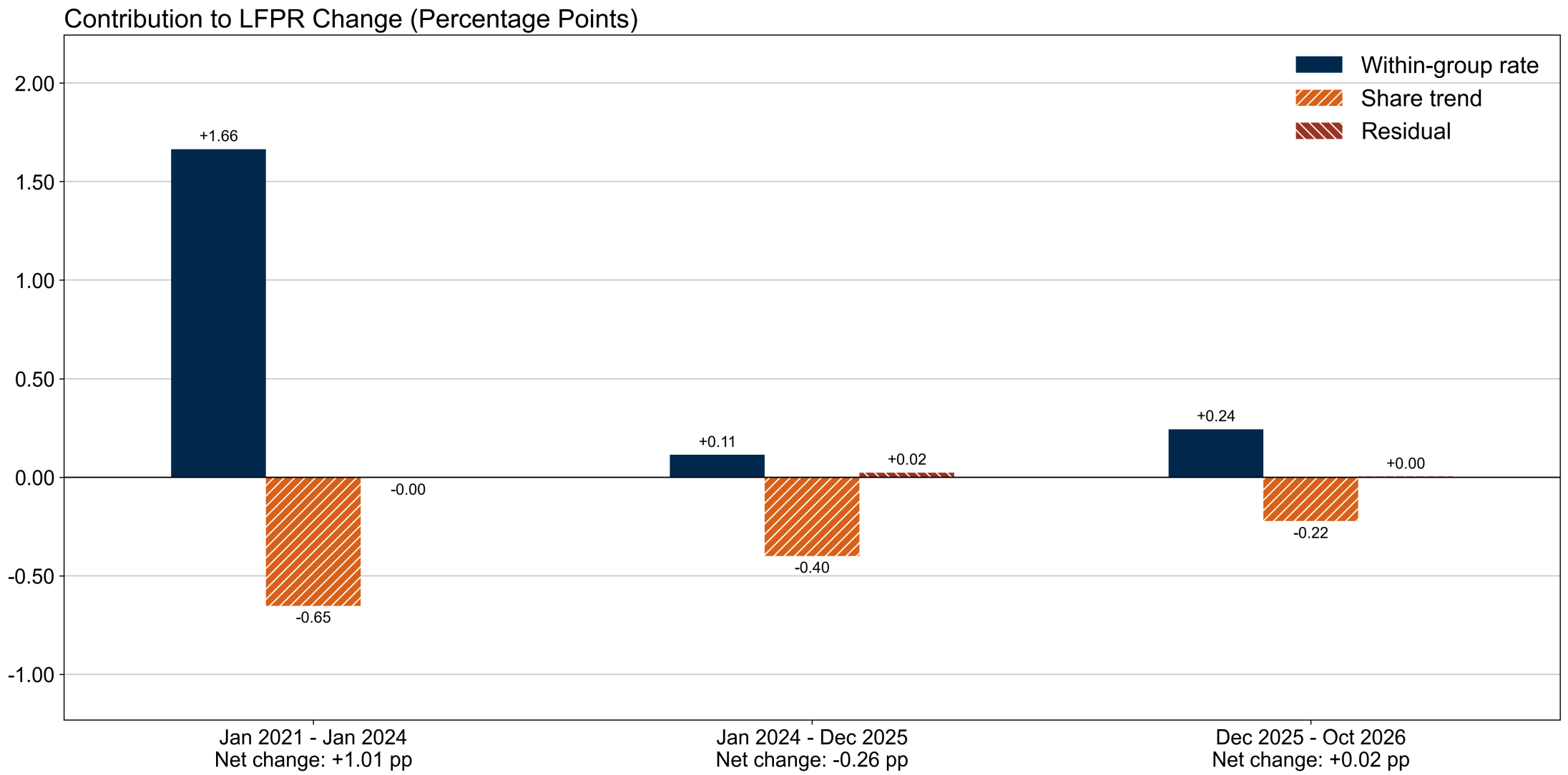
Decomposition of the Harmonized Labor Force Participation Rate



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Policy Assumptions

Monetary Policy

- The Fed fund rate is currently in the range 3.75–4.00%
  - Two dissenters favored another 25 bps hike in October
- Several Fed officials have recently signaled greater support for further rate hikes, while leaving more room for debate over their pace
- We project two additional quarter point hikes at a gradual pace, which brings the target range to 4.25–4.50% in March 2027
  - Incoming inflation readings are likely to remain on the firmer side
  - Labor market appears to be stable
- We expect a gradual return to 3.75–4.00% by the end of 2028
  - We expect the neutral fed fund rate around 3.60%

Fiscal & Trade Policy

Fiscal

- Likely contentious negotiations ahead, raising the risk of shutdown
  - Shutdown is not our baseline, yet
- Lame-duck session: nominee confirmations
  - Another short-term continuing resolution before punting the funding deal to the next Congress
  - Attempt to raise debt limit
- Till 2028: limited legislative activity that could have meaningful fiscal impact
  - Certain cuts to Medicaid are likely to be canceled
  - Continued strength in defense spending
- The deficit-to-GDP ratio stays around 6 percent

Trade Policy

- The effective tariff rate has stabilized around 6.7 percent since March
- No meaningful change to the existing USMCA framework



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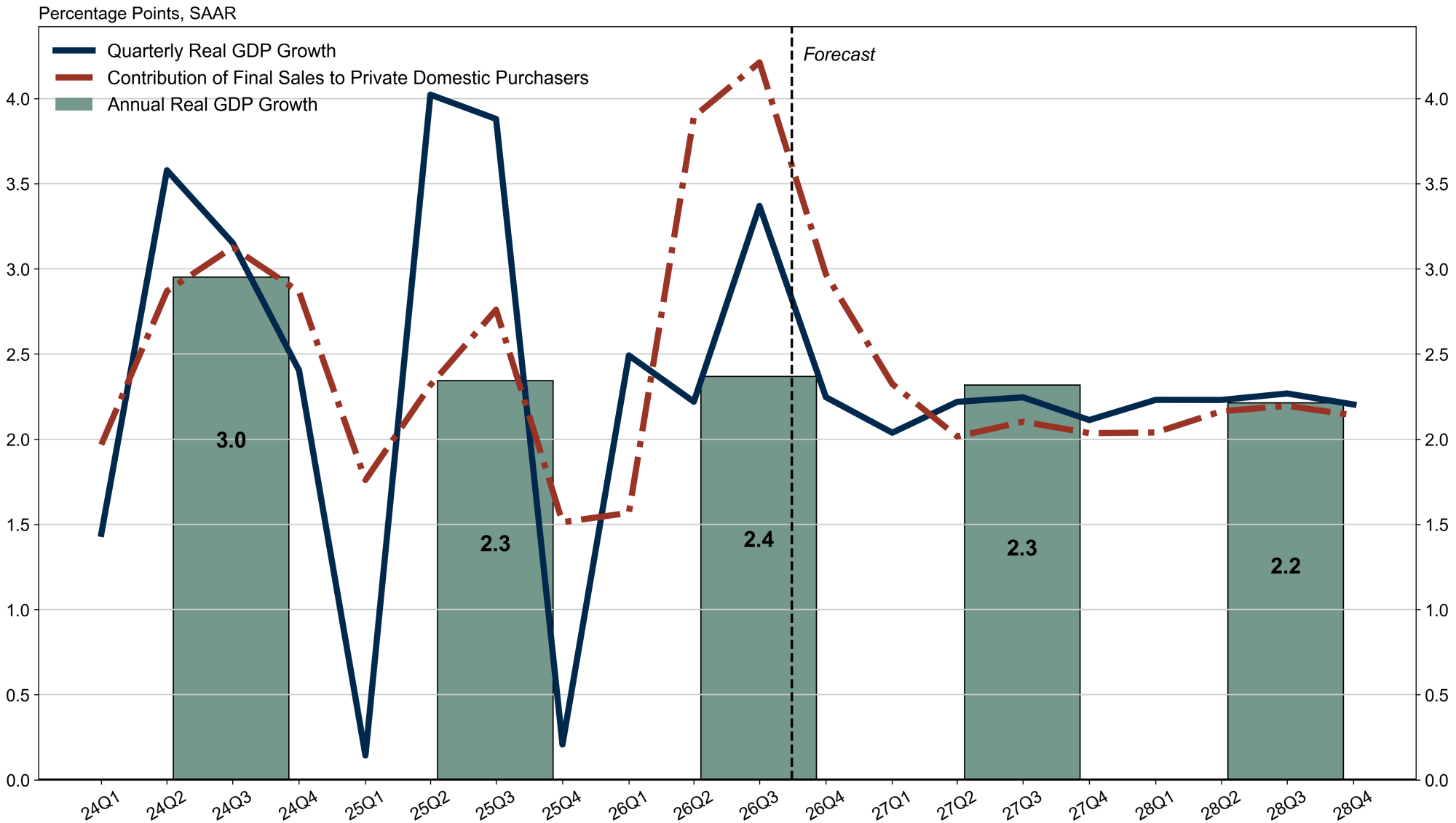
U.S. Economic Outlook

Economic Growth Forecast



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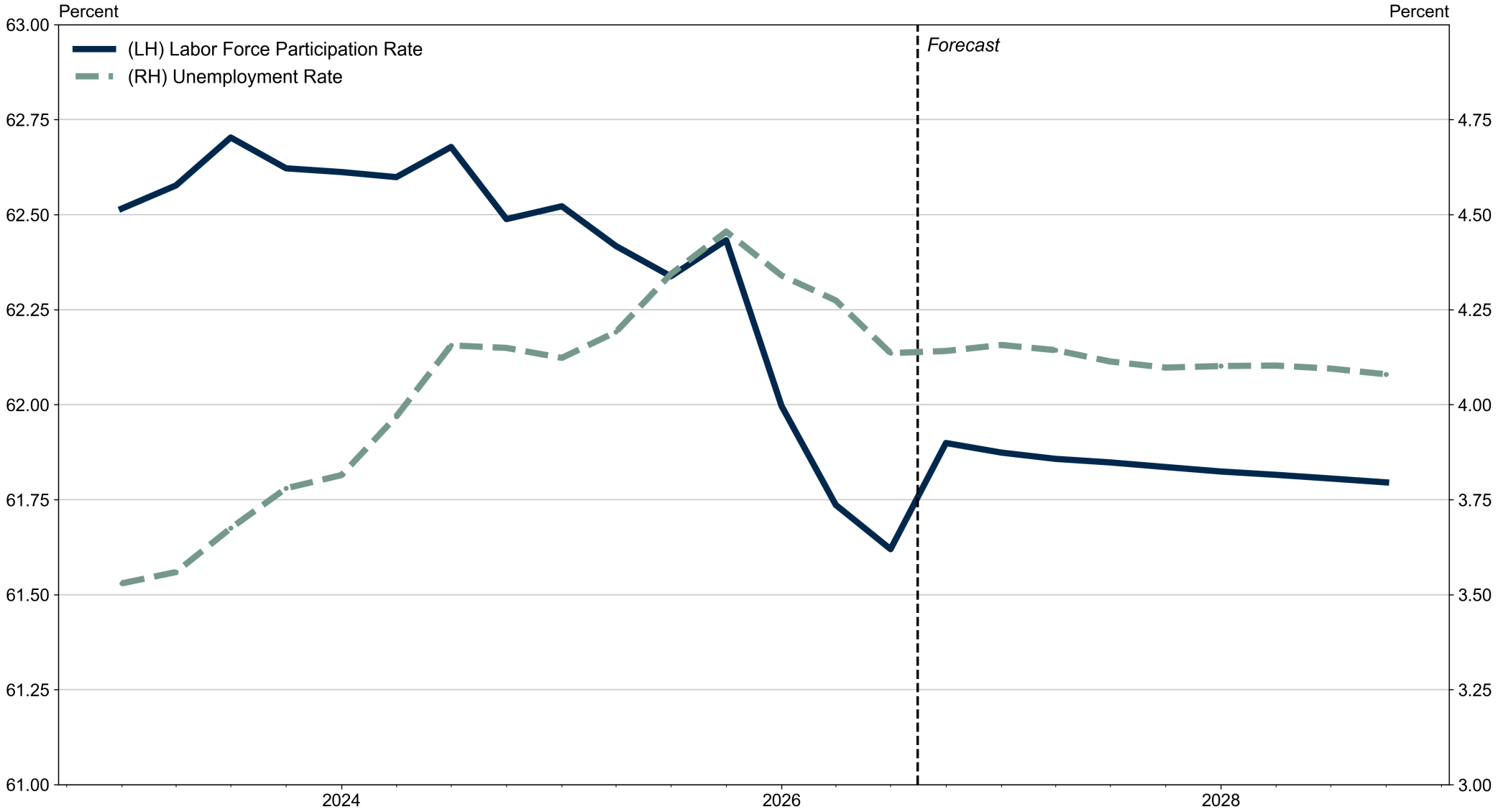
Unemployment and Labor Force



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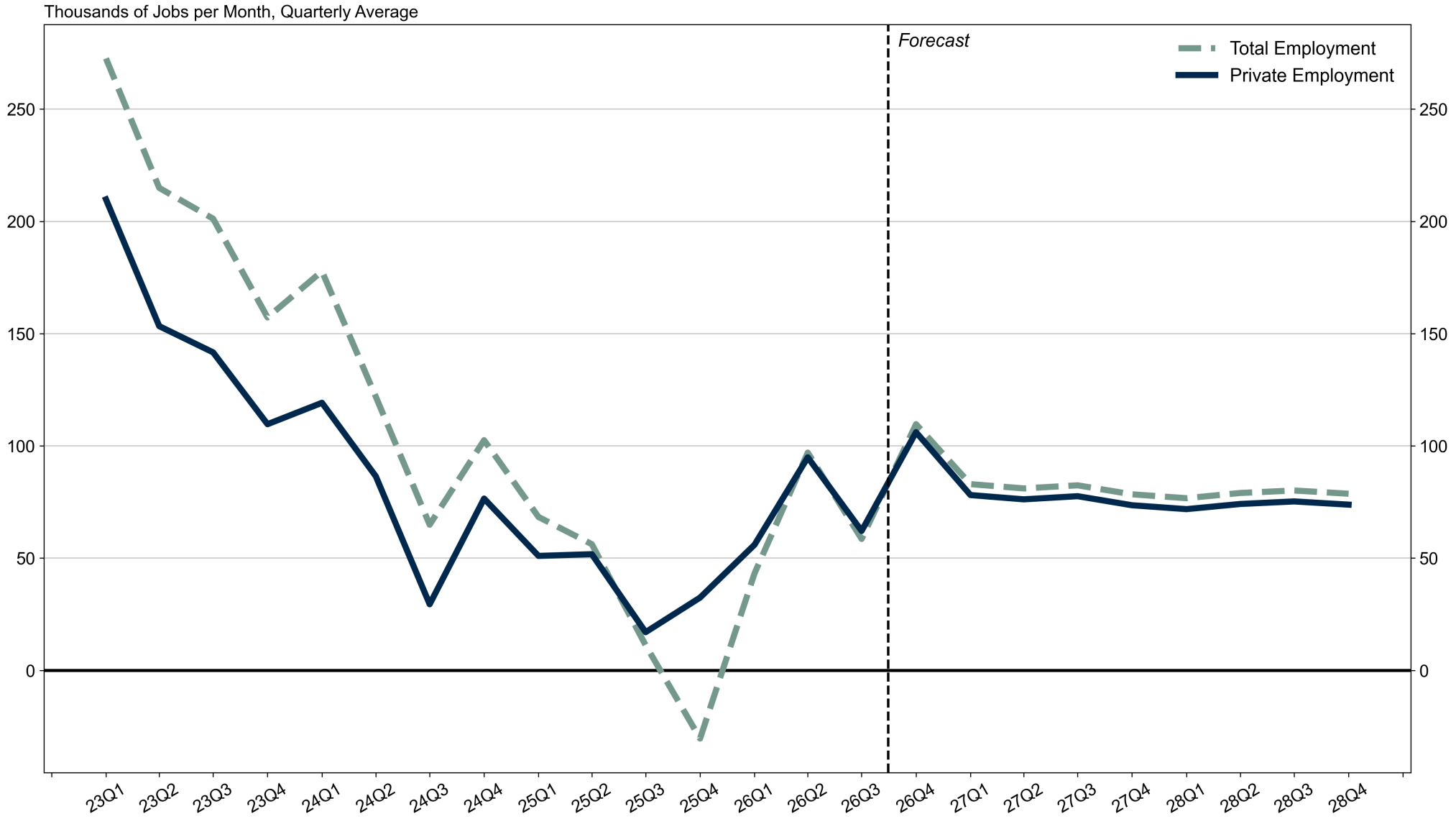
Total and Private Employment Change



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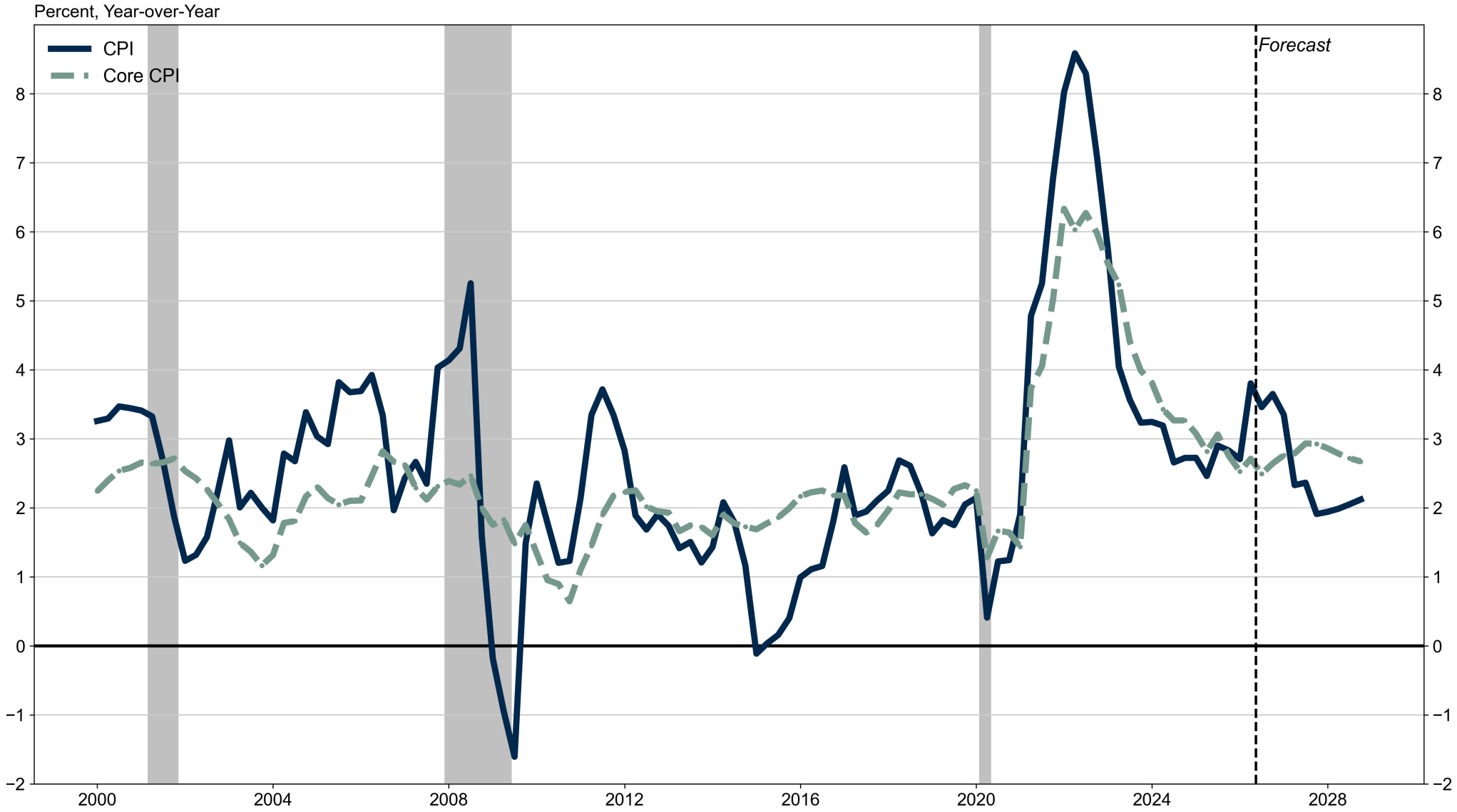
Consumer Price Inflation (CPI-U)



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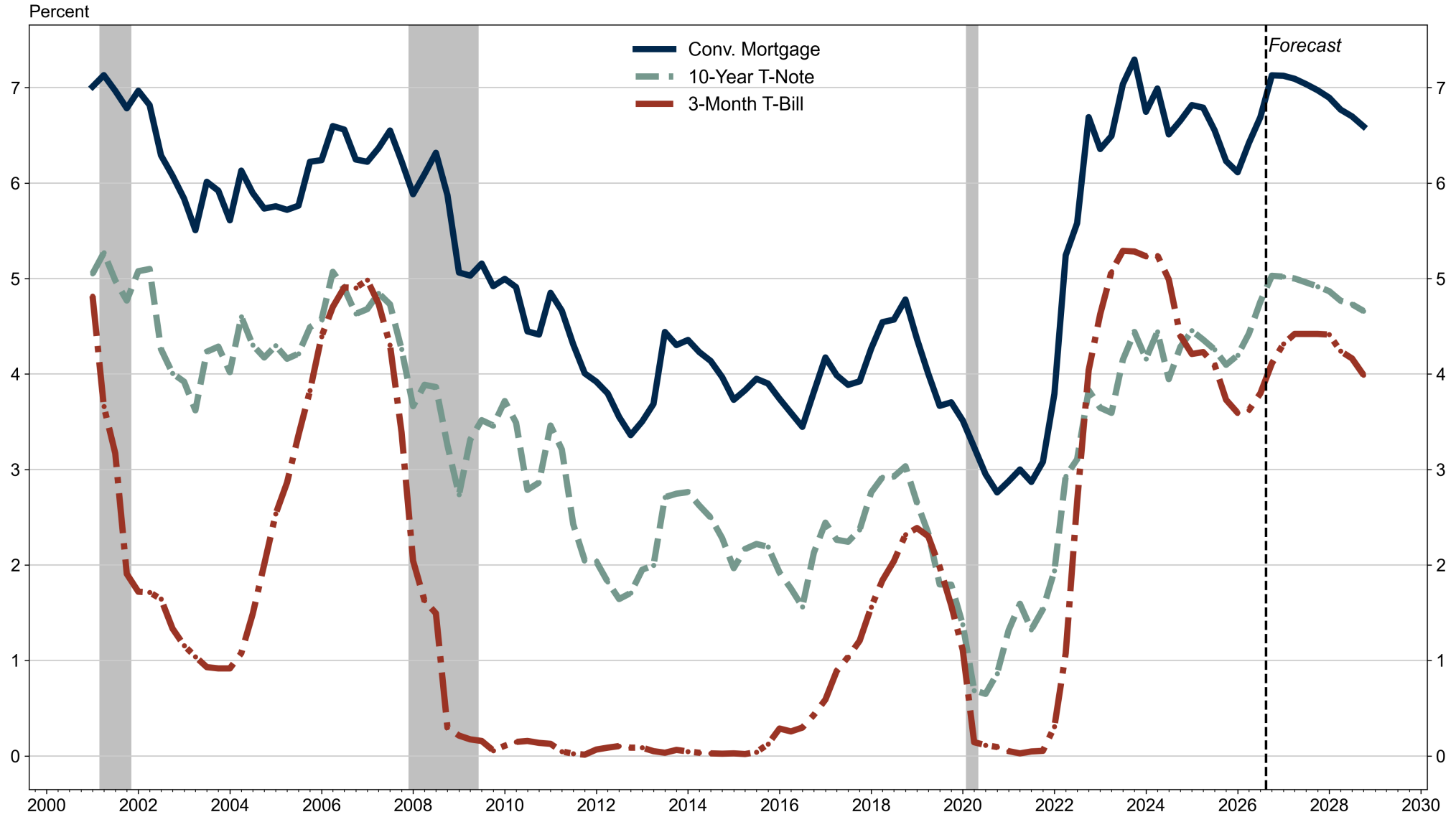
Interest Rates



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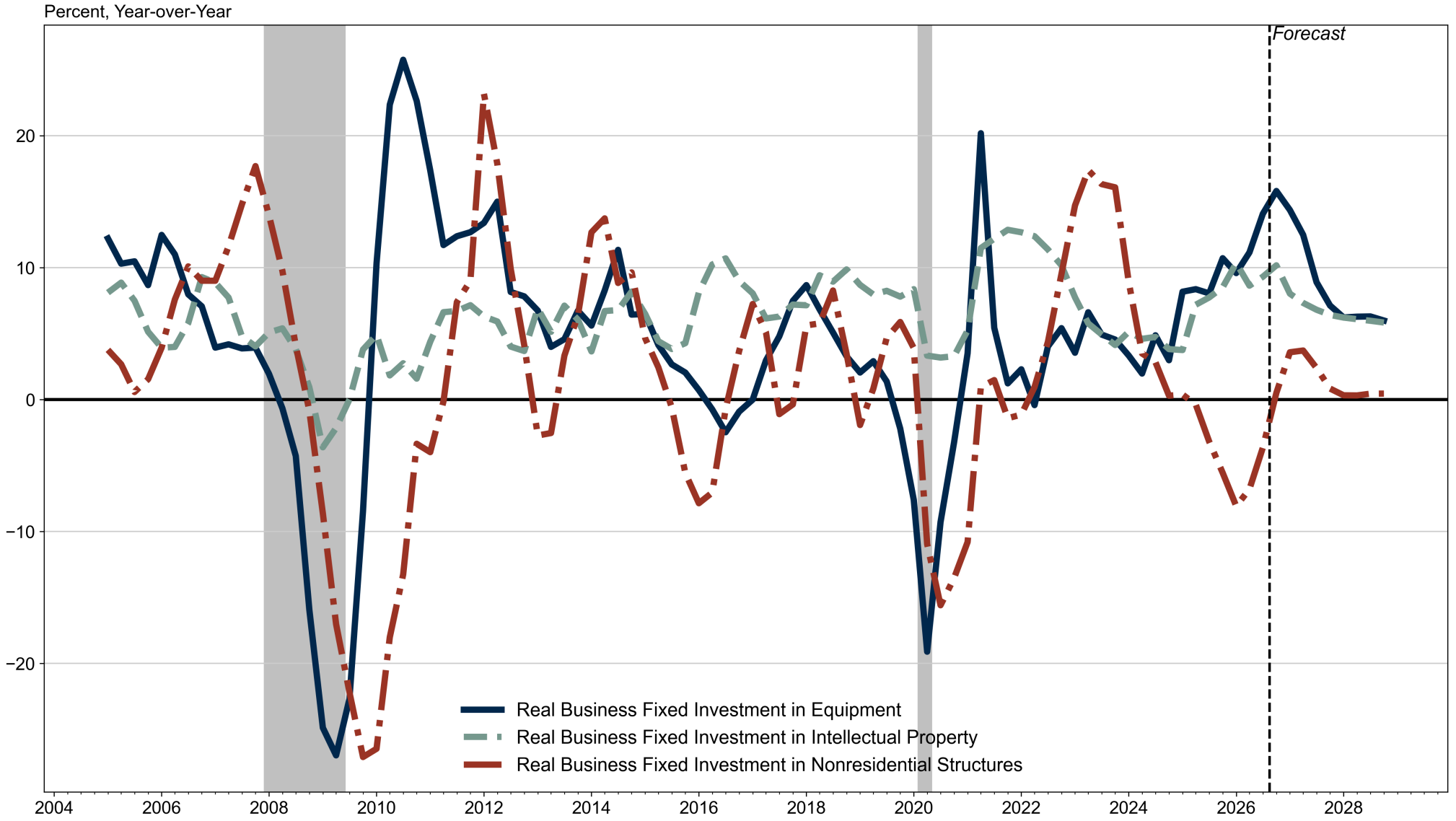
Real Private Fixed Investment



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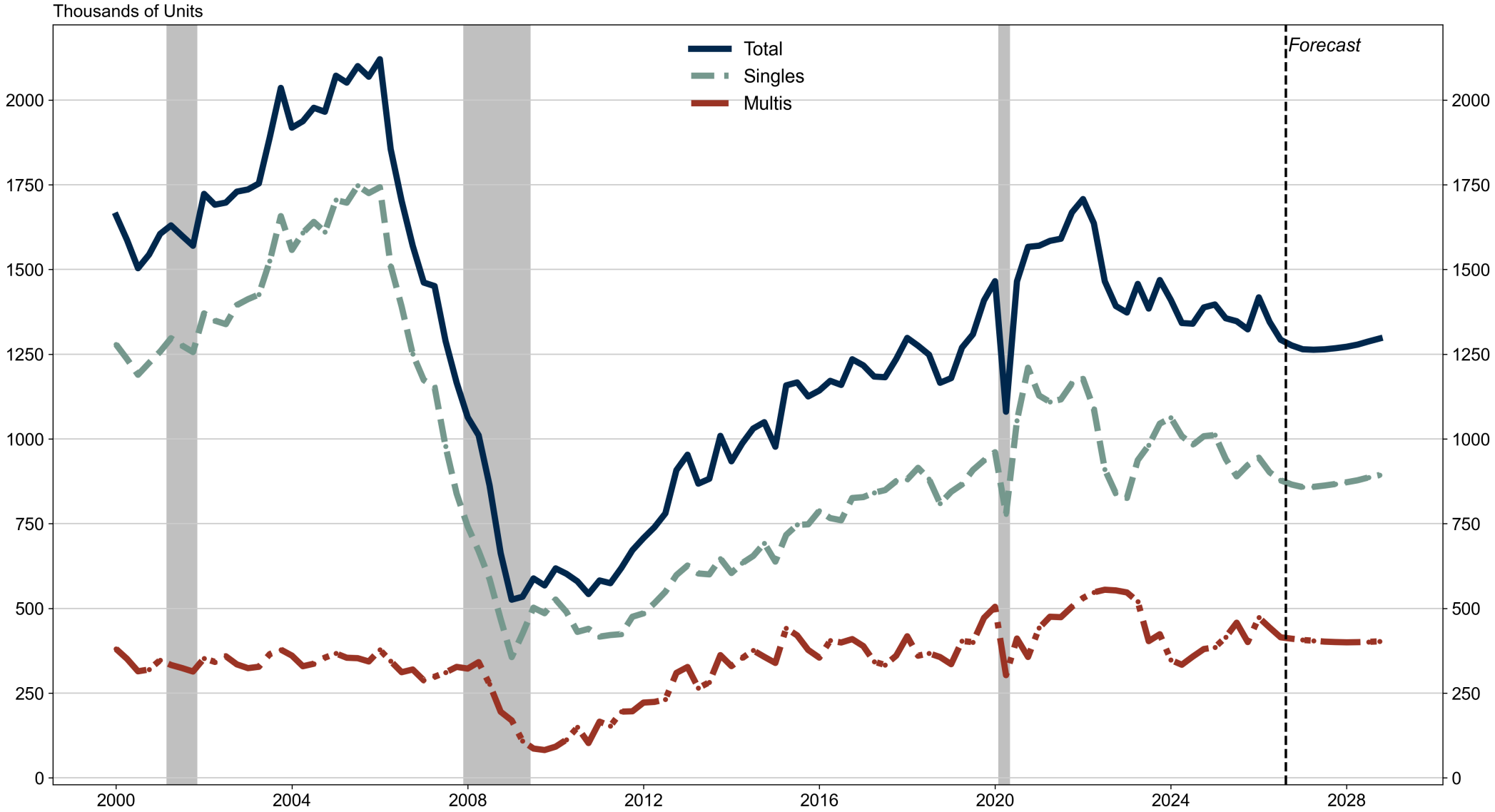
Housing Starts



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Risk to Outlook

- Fiscal Policy
- Geopolitical Tensions
- AI
- Monetary Policy
- Misreading Economic Momentum
- Trade Policy

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