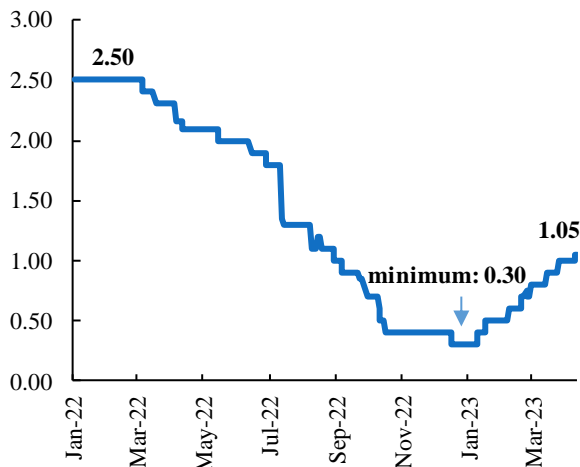


## US Economy is Proving More Resilient than Expected

During the second half of last year a recession in 2023 for the US seemed inevitable. The economic headwinds were strong and coming from numerous flanks: high inflation eroding wages and the purchasing power of households, disrupted commodity markets with high oil prices, the beginning of a monetary policy tightening cycle by the Federal Reserve, and the removal of fiscal support for the economy. The discussions on the outlook then centered on the prospects of a “hard” or a “soft” economic landing, as the consensus growth forecast reached a minimum of 0.30% in December 2022.

**US Growth Consensus Forecast for 2023**  
 (annual growth, %)



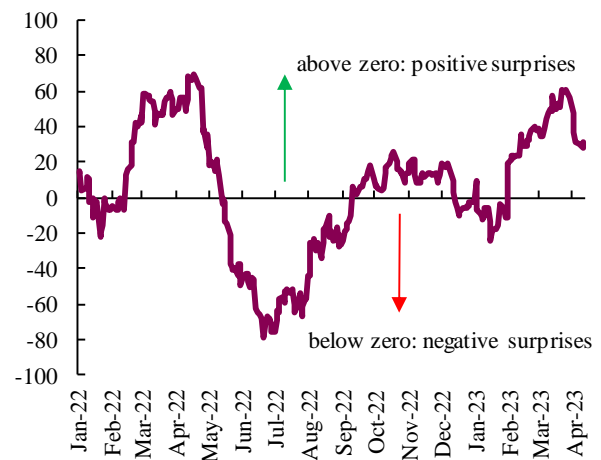
Source: Bloomberg, QNB analysis

But since late last year the growth outlook has improved. After the minimum of 0.30%, growth expectations gradually climbed up to 1.05% in April 2023. The improvement was not driven by any specific event that changed future expectations but by the release of stronger than anticipated activity data, evidence that the underlying economy is still robust.

This process has been well captured by the Citigroup Economic Surprise Index (CESI), which is an appealing and useful tool to understand and summarize how economic data releases have beaten or missed expectations over a period of time. The index for the US incorporates 38 statistical indicators from a variety of key economic areas, including the

labour market, real estate, industrial output, the consumer sector, and business surveys. The index is a weighted index, where each weight depends on how much the respective indicator can affect financial markets. Indicators with a higher weight impact financial market more than indicators with lower weights. The index also considers the timeliness of the information. Indicators from the last 90 days have a lower weight than more recent news and information. Values above zero indicate positive accumulated surprises, while negative values imply that data releases have been worse than expected.

**US Citigroup Economic Surprise Index**  
 (0: threshold separating positive from negative surprises)



Source: Citigroup, QNB analysis

The index shows that positive surprises have not been isolated events. It began an upward trajectory in January this year, entered positive territory at the beginning of February, and climbed to a new peak in March. The service sector, which accounts for 77% of the economy, has been a key source of positive surprises. Business surveys have beaten expectations in the last few months, pointing towards an economy that remains resilient.

In our view, there are three factors that explain the relative US economic resilience shown by stronger than expected data.

First, household balance sheet data show that consumers still have a significant buffer of savings, and are able to tap into these resources to support consumption. In aggregate, households have US\$

18.2 trillion available in deposits. Interestingly, even households at the bottom 60% of the income distribution benefit from high cash levels, as they hold between US\$ 3,000 and 12,000 in excess savings.

Second, energy prices have come down significantly from the average levels registered last year, providing additional room in terms of disposable income. Consumer energy expenditures are roughly 5% of disposable income for the average household, and reach 7% for lower income households. WTI oil peaked at a monthly average of US\$ 114.6 per barrel (p/b) in June of last year, before stabilizing around US\$ 80 p/b during the winter months, the time of the year when energy consumption is the highest. The fall in oil prices has brought down gasoline costs by 25% over the same period, leaving more resources for additional consumption.

Third, labor markets remain strong, despite anecdotal cases of high profile layoffs in large US technological companies. Job creation continues to

outpace population growth. Importantly, nonfarm payrolls, a key measure of total employment, added 504 and 311 thousand jobs in January and February, compared to the pre-pandemic monthly average of 177 thousand during 2018-2019. The unemployment rate stands at historically low levels of 3.5%. Stable labor markets and abundance of job opportunities decrease uncertainty for households, and provide another pillar to sustain higher levels of consumption.

All in all, economic data releases have on average been consistent in giving positive surprises this year, which have resulted in an improvement of the US growth outlook. We expect the US economy to grow by 1.1% this year. While this is not a strong showing, it is still far from indicating a recession. This substantiates the resilience of the US economy, leaving it on a better standing to withstand any new potential shocks. This is particularly important in a context where stress in the banking sector could influence the outlook over the next few quarters.

**QNB Economics Team:**

**Luiz Pinto**

Assistant Vice President -  
Economics  
+974-4453-4642

\* Corresponding author

**Bernabe Lopez-Martin\***

Senior Manager - Economics  
+974-4453-4643

---

**DISCLAIMER:** *The information in this publication (“**Information**”) has been prepared by Qatar National Bank (Q.P.S.C.) (“**QNB**”) which term includes its branches and affiliated companies. The Information is believed to be, and has been obtained from, sources deemed to be reliable; however, QNB makes no guarantee, representation or warranty of any kind, express or implied, as to the Information’s accuracy, completeness or reliability and shall not be held responsible in any way (including in respect of negligence) for any errors in, or omissions from, the Information. QNB expressly disclaims all warranties or merchantability or fitness for a particular purpose with respect to the Information. Any hyperlinks to third party websites are provided for reader convenience only and QNB does not endorse the content of, is not responsible for, nor does it offer the reader any reliance with respect to the accuracy or security controls of these websites. QNB is not acting as a financial adviser, consultant or fiduciary with respect to the Information and is not providing investment, legal, tax or accounting advice. The Information presented is general in nature: it is not advice, an offer, promotion, solicitation or recommendation in respect of any information or products presented in this publication. This publication is provided solely on the basis that the recipient will make an independent evaluation of the Information at the recipient’s sole risk and responsibility. It may not be relied upon to make any investment decision. QNB recommends that the recipient obtains investment, legal, tax or accounting advice from independent professional advisors before making any investment decision. Any opinions expressed in this publication are the opinions of the author as at the date of publication. They do not necessarily reflect the opinions of QNB who reserves the right to amend any Information at any time without notice. QNB, its directors, officers, employees, representatives or agents do not assume any liability for any loss, injury, damages or expenses that may result from or be related in any way to the reliance by any person upon the Information. The publication is distributed on a complementary basis and may not be distributed, modified, published, re-posted, reused, sold, transmitted or reproduced in whole or in part without the permission of QNB. The Information has not, to the best of QNB’s knowledge, been reviewed by Qatar Central Bank, the Qatar Financial Markets Authority, nor any governmental, quasi-governmental, regulatory or advisory authority either in or outside Qatar and no approval has been either solicited or received by QNB in respect of the Information.*