NABE
National Association for Business Economics

Economic Policy Survey

March 2022

Record 77% of NABE Policy Survey Panelists View Current Monetary Policy as Too Stimulative, 78% Expect Inflation to Top 3% through 2023

Panel Sees Russia-Ukraine Crisis Worsening Supply Chain Woes, Nearly Half Say Conflict Will Slow Fed Tightening

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For further information contact:

Economists **Mervin Jebaraj** | NABE Policy Survey Analyst | 479-575-4927 | MJebaraj@walton.uark.edu

Julia Pollak | NABE Policy Survey Analyst | 847-494-5678 | julia.pollak@ziprecruiter.com

Ken Simonson | NABE Policy Survey Analyst | 202-329-9671 | ken.simonson@agc.org

Media **Melissa Golding** | NABE Press Officer | 571-236-2820 | melissagolding@cox.net

The March 2022 NABE Economic Policy Survey summarizes the responses of 234 members of the National Association for Business Economics (NABE). Conducted semiannually, this survey was administered between March 1 and March 8, 2022. Survey findings may be reprinted in whole or in part with credit given to NABE. Survey results can be viewed online, including complete tabulations, at 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. ***Juhi Dhawan,*** *Wellington Management, Survey Chair;* ***Elaine Buckberg,*** *General Motors;* ***Gregory Daco,*** *EY Parthenon, Ernst & Young;* ***Mervin Jebaraj,*** *University of Arkansas;* ***Ilan Kolet,*** *Fidelity; and* ***Julia Pollak,*** *ZipRecruiter, conducted the analysis for this report.*

Summary

"A record 77% of respondents believe monetary policy is too stimulative, while half believes that fiscal policy is too stimulative," said **NABE Policy Survey Chair Juhi Dhawan,** Wellington Management. "At the same time, only 9% of respondents expect the Federal Reserve's fed funds interest rate target to climb to 3% by year-end 2023, and 17% expect the target to reach 3% by year-end 2024.

"Inflation continues to be of prominent concern for a majority of the NABE Policy Survey panel," continued Dhawan. "More than three out of four (78%) panelists expect inflation to stay above 3% through the end of 2023. When asked about what can be done to mitigate high gasoline prices, 31% recommend releasing oil from the Strategic Petroleum Reserve and almost a quarter (24%) believe no response is necessary."

"The Russia-Ukraine crisis is viewed as a negative growth shock for the global economy," added **NABE President David Altig,** executive vice president and director of research, Federal Reserve Bank of Atlanta, "with 47% of respondents indicating global growth will be reduced by more than 0.5%. More than three-quarters (78%) of panelists expect supply-chain bottlenecks to worsen because of the Russia-Ukraine crisis.

"The panelists' views are split on the appropriateness of COVID-19 policies at this time," continued Altig. "Forty-six percent of respondents believe that the government should maintain current mandates and restrictions to deal with COVID, while 40% indicate it is time to end mask mandates and vaccine requirements. Nearly 80% of panelists believe that reduced immigration during the pandemic has both constrained economic activity and contributed to wage pressures."

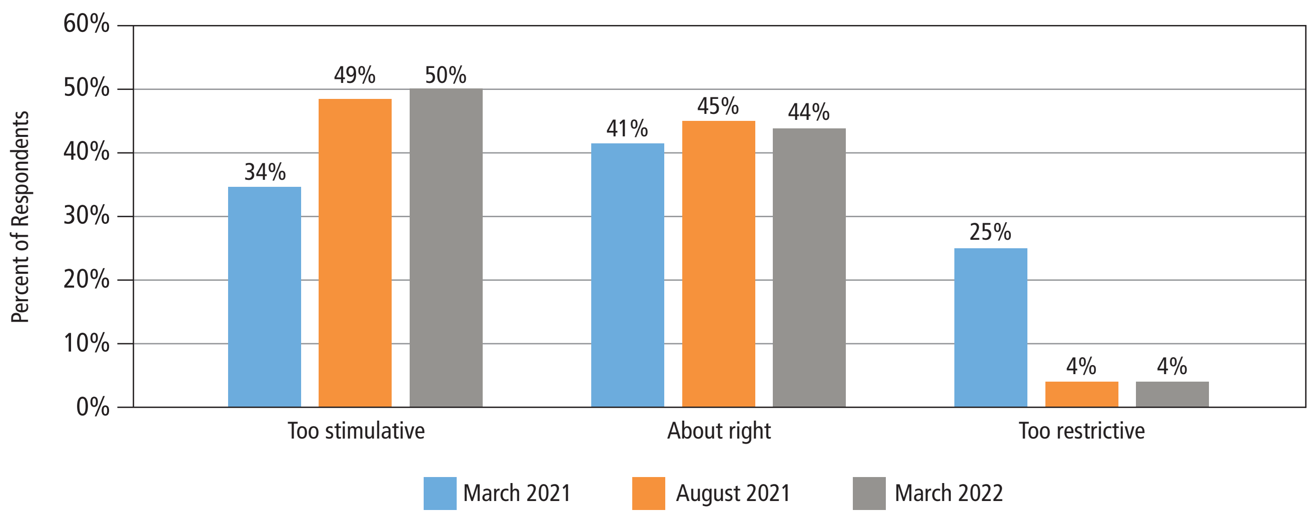
Fiscal Policy

Respondents' views on fiscal policy are little changed from August 2021. One-half (50%) of respondents believes that current fiscal policy is too stimulative, while 44% of survey respondents find current fiscal policy is "about right." Only 4% of respondents believe that current fiscal policy is too restrictive.

Nearly half (48%) of panelists believes that the primary objective of current fiscal policy should be to stimulate more robust economic growth in the medium-to-long term, while a quarter of respondents (25%) believes the primary goal should be to reduce deficit and debt levels. A smaller share of respondents—15%—suggest that current fiscal policy should focus primarily on addressing income inequality.

When asked which components of the Build Back Better bill (passed by the House of Representatives) should be retained, a small majority of panelists (52%) favors the $555 billion provision to mitigate climate change, and 44% favors the $400 billion to finance universal pre-K education. Forty percent of panelists favor the $150 billion to support affordable housing, and just over a third (37%) supports the $315 billion provision to reduce ACA healthcare premiums and expand Medicare home health care. One in five respondents (20%) indicate they do not support any provisions of the BBB bill.

Figure 1
Do you consider CURRENT fiscal policy to be:

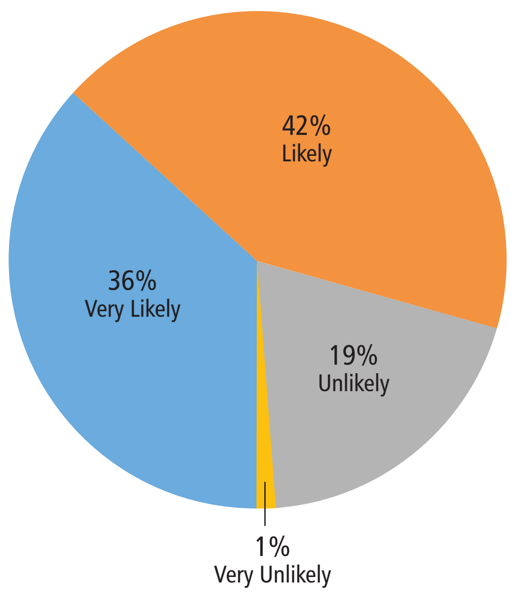


Note: "Don't know/no opinion" percentages are omitted.

Inflation and the Fed

Nearly eight in ten panelists believe that Consumer Price Index (CPI) growth will remain above 3% through the end of 2023. Thirty-six percent indicate CPI inflation is “very likely” to stay above 3% through 2023, while 42% suggest it is “likely.” Only 20% see CPI inflation falling below 3% by the end of 2023.

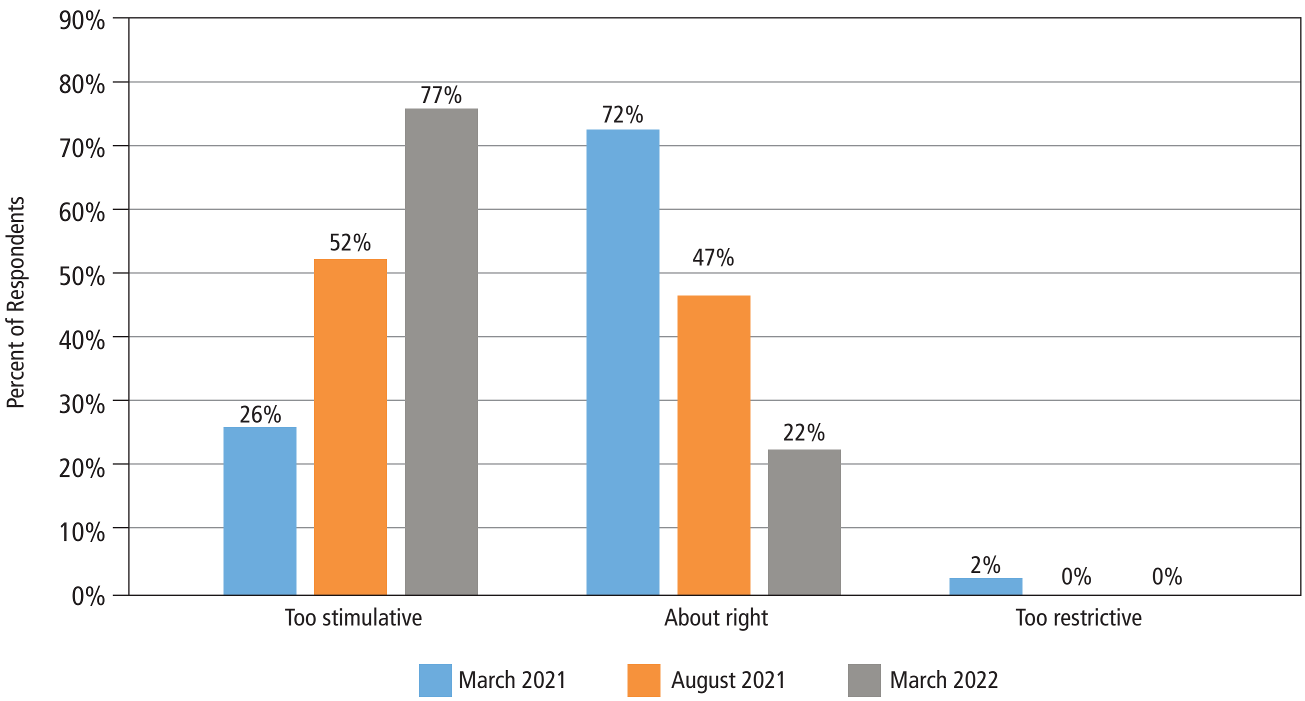
Figure 2
What is the likelihood the CPI will remain above 3% through the end of 2023?



Note: “Don’t know/no opinion” percentages are omitted.

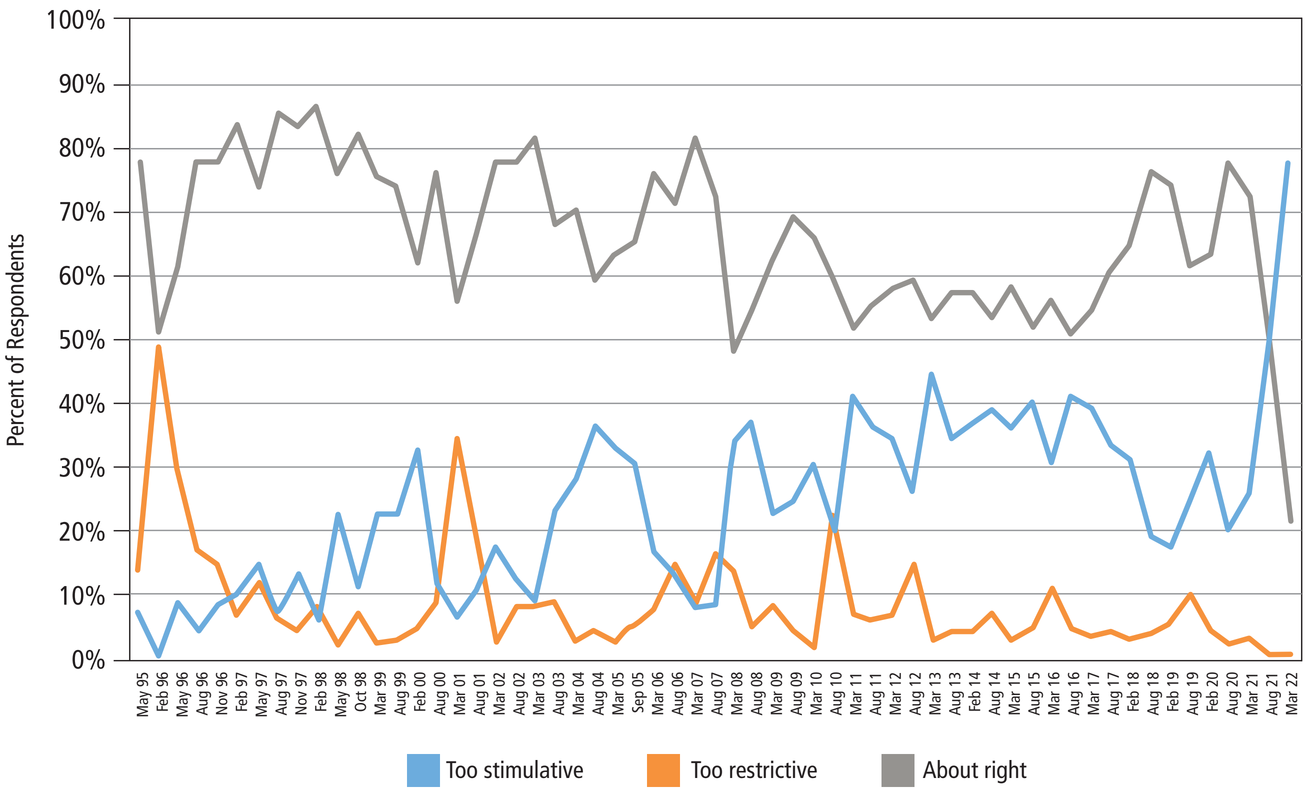
Fully 77% of panelists think current monetary policy is too stimulative, a record since NABE began asking this question in 1995. Twenty-two percent think it is about right. At the same time, panelists do not expect the Federal Reserve to raise interest rates especially rapidly. Ten percent of panelists expect the upper end of the fed funds target range to exceed 2% at year-end 2022. Overall, NABE panelists do anticipate that the Federal Reserve will continue to raise rates gradually through 2023 and 2024, with 42% expecting the upper end of the target to exceed 2% by year-end 2023, and 53% by year-end 2024. Few believe it will exceed 3%, however—with 9% expecting it to breach that level by the end of 2023, and 17% by the end of 2024.

Figure 3a
Do you consider CURRENT monetary policy to be:



Note: "Don't know/no opinion" percentages are omitted.

Figure 3b
Historical Series: Do you consider CURRENT monetary policy to be:



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

Panelists expect the Federal Reserve to begin reducing its balance sheet soon; 46% indicate this will occur during the second quarter of 2022, and another 27% are expecting this to initiate in the third quarter of this year. Nineteen percent believe that the Federal Reserve will hold off on balance-sheet reduction until the fourth quarter of this year or later.

As for the magnitude of balance sheet reduction, 32% predict that the Federal Reserve's balance sheet will be reduced by $1 trillion to $1.9 trillion by the end of 2024. Another 23% of panelists expect the Federal Reserve to reduce its balance sheet by less than $1 trillion, and 21% anticipate that the balance sheet will shrink by $2 trillion or more.

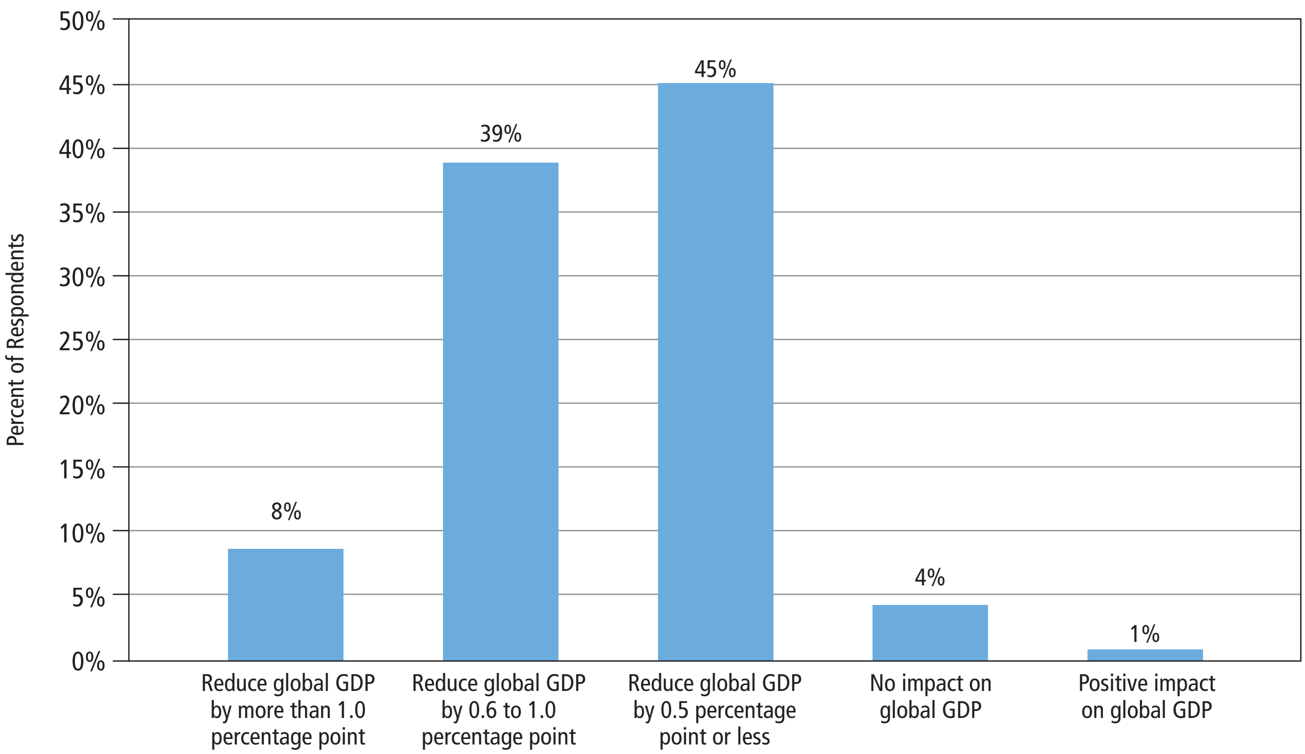
Invasion of Ukraine

When asked whether the invasion of Ukraine by Russia changed their view of U.S. monetary policy, 47% of respondents indicate that the Fed would tighten monetary policy less. Thirty-five percent do not think that the invasion will affect U.S. monetary policy, while 13% expect the Fed to tighten monetary policy more.

Nearly all respondents believe that the war in Ukraine and the sanctions on Russia will have a negative impact on global GDP. Forty-five percent of panelists suggest that global GDP will decline by 0.5% or less, while 47% believe that global GDP will decline by more than 0.5%.

More than three-fourths of the panelists (78%) expect the escalating conflict in Ukraine will worsen supply-chain bottlenecks, and a majority of panelists also anticipates renewable sources of energy (66%) and fossil fuels (60%) will get a boost as the Russia-Ukraine conflict escalates.

Figure 4
How do you think the war in Ukraine and sanctions on Russia will affect global GDP in 2022?



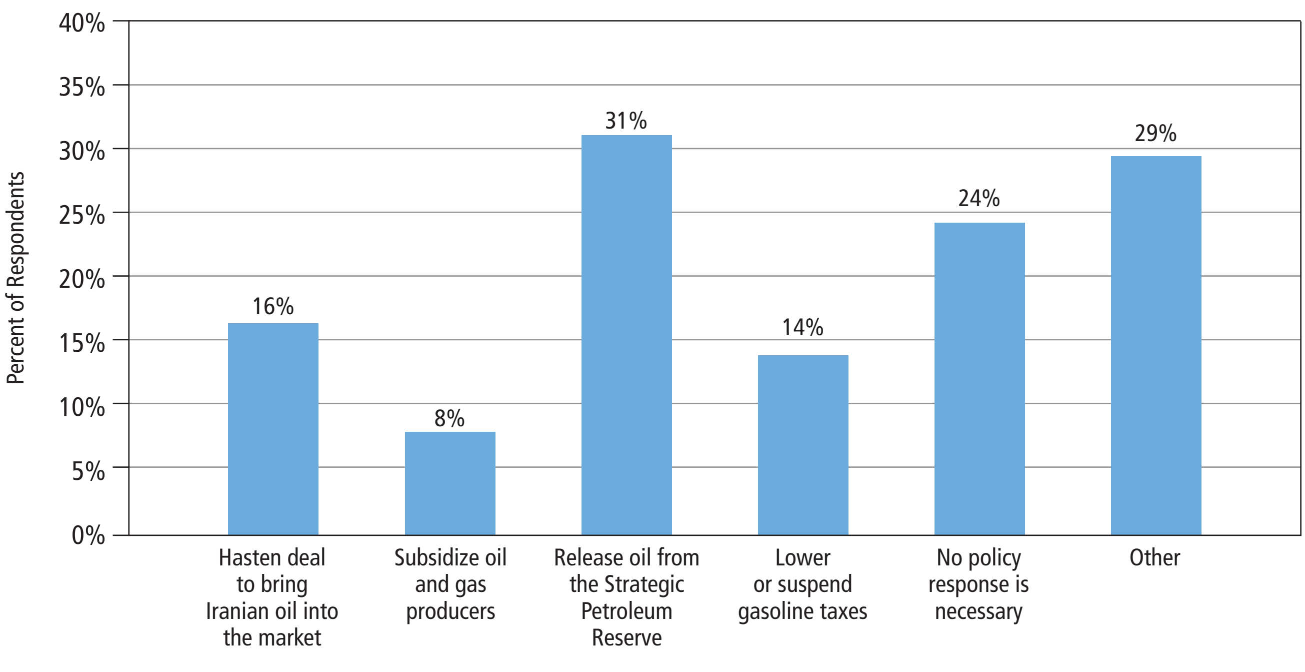
Note: 3% indicating "don't know/no opinion" are not shown in the figure.

Domestic Policy

The panelists' views are split on the appropriateness of COVID-19 policies at this time. 46% of respondents suggest that current restrictions should mostly be kept in place, while 40% think that all mask or vaccine mandates should end. Roughly 1% of respondents believe mask and vaccine mandates should be increased. There is broad agreement that reduced immigration during the pandemic has both constrained economic activity and contributed to wage pressures, with 80% of the panel indicating they believed this to be true.

About one-third (31%) of panelists agrees that the government should release oil from the Strategic Petroleum Reserve in order to mitigate rising gas prices. Other suggestions include hastening a deal to bring Iranian oil into the market (cited by 16% of respondents), lowering or suspending gasoline taxes (14%), or subsidizing oil and gas producers (8%). Nearly one-quarter—24%—indicates that no policy response is necessary. Twenty-nine percent of panelists list other ideas to help lower gas prices, primarily centered around increasing U.S. oil production.

Figure 5
What should be done to mitigate rising gas prices? *(Check all that apply)*



Note: "Don't know/no opinion" percentages are omitted.

Policy Survey Committee

Juhi Dhawan, Wellington Management *(Survey Chair)*

Elaine Buckberg, General Motors

Gregory Daco, EY-Parthenon

Mervin Jebaraj, University of Arkansas

Ilan Kolet, Fidelity Investments

Julia Pollak, ZipRecruiter

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202-463-6223 | nabe@nabe.com | www.NABE.com | @business_econ