1. CBO Warns of Far Higher Debt

According to Wednesday’s Congressional Budget Office (CBO) Budget and Economic Outlook, the federal government’s debt burden (the debt owed to the public, expressed as a percentage of the nation’s gross domestic product, or GDP) will rise to its 118 percent, its highest level in history, within 10 years from its current outsized level of 98 percent and then continue to rise to 195 percent by 2053.

CBO’s projections for debt as a percentage of GDP have worsened substantially, as projections for the economy have become less optimistic. In response to sharp increases in interest rates, the CBO expects economic growth to slow to just 0.3 percent year-over-year in 2023 (identical to The Conference Board’s forecast). Slower growth boosts spending on mandatory programs; high inflation and interest rates have driven a high Social Security cost of living adjustment and higher interest payments. Adverse revisions to the near-term forecast also drive long-term projections. The 2022 forecast projected a debt to GDP ratio of 185 percent in 2052; CBO now projects a ratio of 190 percent in 2052 and 195 percent in 2053.

Costs of servicing the debt increase as well, rising from 2.4 percent of GDP this year to 3.6 percent in 2033, in dollar terms rising from $739 billion in 2024 to $1.4 trillion in 2033, higher as a percentage of GDP than in any year since at least 1940. On the debt ceiling and the potential for sovereign default, CBO estimates that the US may no longer be able service its debt sometime between July and September this year. However, it stressed uncertainty and noted that the Treasury’s extraordinary measures to address payments could also run out before July if deficits run higher than expected.

CED’s latest Solutions Brief, Debt Matters: A Road Map for Reducing the Outsized US Debt Burden to 70% of GDP, includes a series of recommendations for returning to a path of fiscal health and stability, including a mix of spending cuts, tax reform, saving Social Security and Medicare, and returning to a responsible and enforceable budget process.
2. DEMOCRATIC SENATORS’ PROPOSAL ON DEBT CEILING

Senators Jeff Merkley (D-OR) and Tim Kaine (D-VA) introduced the Protect Our Credit Act, which would permit the President to increase the debt ceiling subject to a potential override by Congress through a joint resolution of disapproval requiring two-thirds support. The plan follows a similar proposal from Senator Mitch McConnell (R-KY) in 2011 that was included in the Budget Control Act of 2011. In an accompanying opinion piece in the Washington Post, the Senators argue that the “McConnell plan” “was a good solution then, and it remains a good solution today.” The proposal would make this change permanent and “put the power to prevent default in the hands of the president, with Congress acting as a check,” offering an opportunity to “end this episodic crisis by putting a stop to using the debt ceiling as a tool for political blackmail.”

3. CPI REBOUNDS TO 0.5 PERCENT MONTH-OVER-MONTH

The January Consumer Price Index (CPI) showed that headline inflation increased by 0.5 percent month-over-month, the largest increase since October. Core inflation, which excludes food and energy, rose by 0.4 percent month-over-month. Year-over-year, headline CPI has risen by 6.4 percent, while Core CPI over the last twelve months was 5.6 percent. Nearly half of the increase in CPI in January was driven by shelter inflation, which rose 0.7 percent. Food (0.5 percent) and energy (2.0 percent) also drove inflation higher. While used car prices declined in the month and goods inflation has slowed, prices for new cars, apparel, and appliances were higher. Among services, prices for restaurants and auto insurance continued to climb. Medical costs were also higher. The Conference Board’s Economy, Strategy and Finance Center notes in its analysis that shelter inflation, which lags spot prices because it includes all rental agreements, not just newly-signed ones, is likely to cool but predicts that this relatively high reading will not dissuade the Fed from its stated goal of hiking interest rates at least two more times.

4. RETAIL SALES SPIKE IN JANUARY ON SEASONAL ADJUSTMENT AND WARM WEATHER

The U.S. Census Bureau announced advance estimates of U.S. retail and food services sales for January 2023. The Bureau adjusts the data for seasonal effects but does not adjust the headline figure for inflation. On that basis, sales rose 3.0 percent month-over-month, an extremely large increase for the series; year-over-year, sales are up 6.7 percent. Even after adjusting for inflation, the rise in sales was 2.4 percent month-over-month, the largest increase since March 2021. This figure is likely a product of seasonal adjustment and unusually warm weather, notes The Conference Board’s Center for Economy, Strategy, and Finance. Seasonally-adjusted retail sales had fallen 1.1 percent in December, reflecting disappointing Christmas shopping. (On a non-seasonally-adjusted basis, December sales increased.) Winter weather usually depresses sales, but January was warm in much of the US after a very cold December. Consumer demand for goods jumped in January, rising by 2.3 percent in both nominal and seasonally-adjusted terms. Spending on motor vehicles and parts surged by 5.9 percent in January, while retail sales excluding motor vehicles and parts rose by 2.3 percent. Spending at gasoline stations was flat. Sales at department stores spiked by a very large 17.5 percent for the month while sales at non-store retailers rose 1.3 percent—effectively, Census seasonal adjustments expects shopping in stores to decline extremely sharply from December to January due to the end of Christmas season, but in this year the decline was quite small, driving measured seasonally-adjusted increases.
5. THE CONFERENCE BOARD LEADING ECONOMIC INDEX DECLINES IN JANUARY

The Conference Board Leading Economic Index® (LEI) for the US fell by 0.3 percent in January 2023 to 110.3 (2016=100), following a decline of 0.8 percent in December. The LEI is now down 3.6 percent over the six-month period between July 2022 and January 2023—a steeper rate of decline than its 2.4 percent contraction over the previous six-month period (January–July 2022). “The US LEI remained on a downward trajectory, but its rate of decline moderated slightly in January,” said Ataman Ozyildirim, Senior Director, Economics, at The Conference Board. “Among the leading indicators, deteriorating manufacturing new orders, consumers’ expectations of business conditions, and credit conditions more than offset strengths in labor markets and stock prices to drive the index lower in the month. The contribution of the yield spread component of the LEI also turned negative in the last two months, which is often a signal of recession to come. While the LEI continues to signal recession in the near term, indicators related to the labor market—including employment and personal income—remain robust so far. Nonetheless, The Conference Board still expects high inflation, rising interest rates, and contracting consumer spending to tip the US economy into recession in 2023.”

6. INITIAL UNEMPLOYMENT CLAIMS DECLINE MINIMALLY

The Department of Labor reported Thursday that initial claims for unemployment insurance, a weekly indicator of labor market health, were 194,000 for the week ending February 11, a decrease of 1,000 from the previous week’s revised level of 195,000. The 4-week moving average was 189,500, just off its lowest mark since May 2022. This level of claims is low by historical standards and well below the highs of 261,000 in July, reflecting continued labor market strength even as some leading economic indicators tip into negative territory. The latest economic forecast from The Conference Board shows the unemployment rate rising to 4.4 percent, well above its current level of 3.4 percent, by the fourth quarter of 2023.

7. WHITE HOUSE ANNOUNCES FURTHER ELECTRIC VEHICLE EFFORTS

The White House on Wednesday announced its latest actions aimed at US vehicle electrification. The plan envisions building 500,000 electric vehicle (EV) chargers by 2030 and EVs comprising at least 50 percent of new car sales by then. The Infrastructure Investment and Jobs Act (IIJA) includes $7.5 billion in funding for EV charging; $10 billion for electric transportation more generally; and over $7 billion for EV battery components, critical minerals, and materials. In addition, the Inflation Reduction Act (IRA) contains support for manufacturing advanced batteries and a tax credit for EV purchases. This week’s actions include final minimum standards for federally funded EV charging infrastructure projects and a temporary waiver of Buy America requirements through July 1, 2024, with a 55 percent US cost content requirement thereafter. These decisions were required for states to implement the National Electric Vehicle Infrastructure (NEVI) Formula Program, which makes $5 billion available for EV charging.

Additional progress towards the EV charging network comes from public-private collaborations with Tesla, Hertz, BP, General Motors, and other companies. Tesla’s Supercharger and Destination Charger network, previously private, will make at least 7,500 chargers, including 3,500 superchargers, open to the public by the end of 2024. The White House also announced that the Charging and Fueling Infrastructure Discretionary Grant Program, the other $2.5 billion for EV charging in the IIJA, will open soon. Overall, the White House counted over $100 billion in announced manufacturing investments for EVs, batteries, or chargers, including investments combined with the IIJA and IRA.
8. REDUCING REGULATORY BURDENS

The Administrative Conference of the United States (ACUS) is requesting public comments on how agencies can “reduce unnecessary procedural burdens that members of the public face” in participating in administrative processes or receiving government benefits. The effort is designed to improve the “customer experience” that those interacting with government receive, such as updates to the Regulations.gov website; it also includes broader potential changes to administrative practices such as virtual hearings and identifying systematic barriers to participation in proceedings. Specific areas on which ACUS is requesting comment includes “unintended consequences from agencies’ burden-reduction efforts,” “specific, temporary burden reductions instituted during the COVID-19 pandemic” that could “be made permanent,” and the role of the private sector. ACUS may use these responses to help inform best practices for agencies. Comments are due no later than 10:00 AM on April 17.

9. USMCA FINALIZES PROCEDURES FOR DISPUTE RESOLUTION

The US, Mexico, and Canada finalized the rules of procedure for its dispute resolution mechanisms, including binational panel proceedings, extraordinary challenge committee proceedings, and special committee proceedings. Article 10.12 of the USMCA agreement replaced national judicial review of final antidumping and countervailing duty determinations involving the three countries with review by independent binational panels that can determine whether the determinations are consistent with national law. Extraordinary challenge committees (Annex 10-B.3 of the USMCA) review the appeal of binational panel decisions, and special committees under Article 10.13 of USMCA will address procedural challenges raised by any of the three countries. The rules “are derived in large part” from similar rules under the former North American Free Trade Agreement and will permit formal dispute resolution procedures under USMCA to begin.