

Special Economic Update



Message from Chairman Grove:

The US Department of Commerce's Bureau of Economic Analysis announced on Thursday, April 27, 2023, the real US Gross Domestic Product, commonly known as real GDP increased at a rate of 1.1% for the first quarter of 2023. This is a significant slow down from the 2.6% real GDP growth in the fourth quarter of 2022.

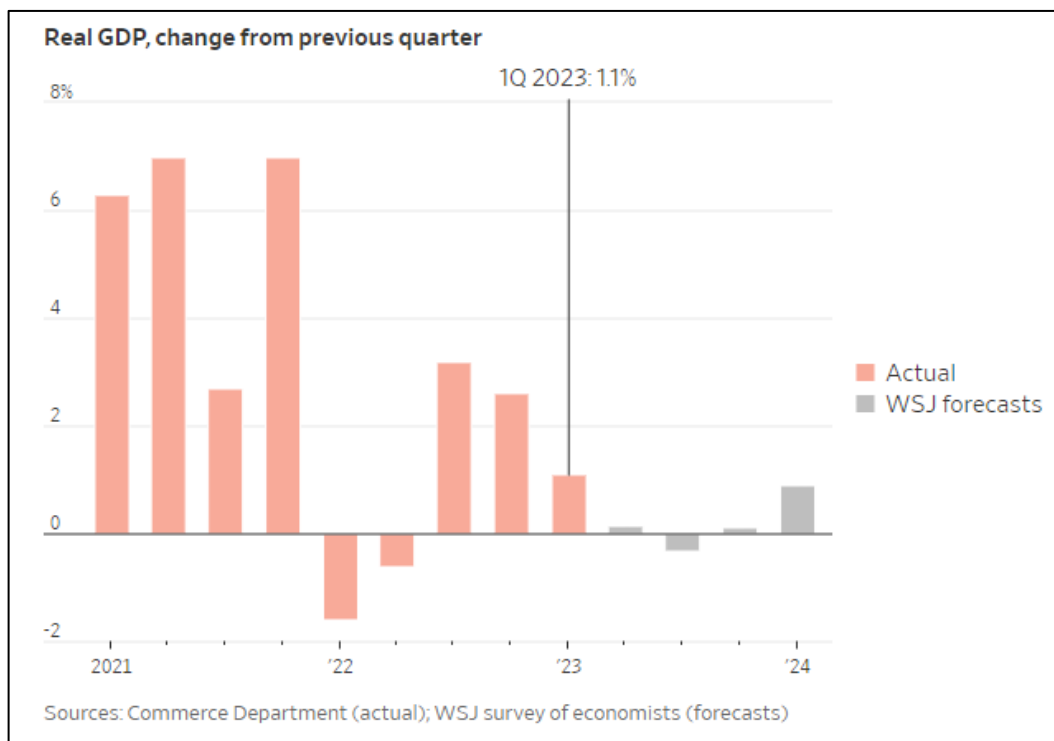
This news comes in advance of the May meeting of the Federal Reserve which seems poised to raise interest rates once again. The Federal Reserve aims to keep the inflation rate no higher than 2%; the March inflation rate of 5% was well above that threshold.

I also recently attended a meeting of the American Legislative Exchange Council (ALEC) which covered a variety of fiscal topics. Consumer spending has been flat for the last two months, which was a contributor to this slow GDP growth. Companies have begun to slash their advertising budgets and investments in equipment. Additionally, small businesses and individuals are having a more difficult time finding credit.

The main question facing us today is when, not if, we face a serious economic downturn. Many economists have been [sounding the alarm of a possible recession](#) for months and the real GDP report today makes their prediction appear more likely. A major impact of the economic deceleration was a downturn in private inventory investment and a slowdown in nonresidential fixed investment, both of which happen when businesses prepare for economic

downturns. **The Wall Street Journal's forecast shows negative real GDP hitting this summer, right as our State Budget is due.**

It is more important now than ever to control spending.



Source:
https://www.wsj.com/articles/us-gdp-economic-growth-first-quarter-2023-2ff4348c?mod=hp_lead_pos2