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**SARA EISEN, CNBC:**

Joining us now is PIMCO Economist Tiffany Wilding. Are you seeing the evidence of weakening in the economy and to what extent?

**TIFFANY WILDING, PIMCO:**

I think the bottom line is that the U.S. economy as well as developed market economies have been much more resilient than anyone expected in the first half of this year. But nevertheless, we do think under the surface that monetary policy drags are starting to build. That just plus the fact that some of these fiscal policy positive overhangs that we've had since the pandemic, excess consumer savings and the like, are starting to diminish. So in our view, this does start to decelerate in the back half of this year and in the United States. And by the way, we're already starting to see that in other developed markets. So, yes, we do see signs that things are weakening.

**EISEN:**

Does that turn the bond story around? Does that lead to a bid for treasuries? Because that has been the big headwind for stocks and now added concerns about a rate shock for the consumer.

**WILDING:**

I think the bond market right now or just markets more broadly are searching for a level of financial conditions that's tight enough to start to slow the economy. And I think the markets were basically repricing to this outlook that maybe you need more financial conditions tightening in order to really slow things down. But I think nevertheless, what we look at and we see under the surface is that things are slowing. Maybe it's happening with a little bit more of a lag at this point. But yes, eventually that should help create some value or perceptions of value in the bond market as the economy slows.

**CARL QUINTANILLA, CNBC:**

Tiffany, one of the more difficult things to get our arms around has been the level of excess saving and there's been all kinds of revisions and no one really has a clean model on what is left in consumers bank accounts versus pre-pandemic. I wonder if you think, hey, that's important enough to really concentrate on. And if it is, where are we?

**WILDING:**

Yeah, and I agree with you. There are uncertainty bands around these types of estimates. But I would really just highlight that when people look at this, they tend to look at it on a nominal basis. And that's not really the way that we should be looking at it when thinking about real consumption moving forward. We really have to deflate it. The price levels have adjusted quite a bit over the last several years. And the bottom line is, consumers can buy less with the savings they have. And that goes for wealth as well. After you deflate it, the excess wealth that we've seen since the pandemic also looks like it's come down as inflation has risen. Again, this is not only in the US, but we do think those excess savings are getting depleted across the developed markets. And at some point, you're going to have to have consumption that just comes into that new reality.

**EISEN:**

Tiffany, do you think then this all means that the Fed is done? Or will they go in November?

**WILDING:**

So the Fed has said that they are very data dependent, and when we look at our near-term inflation forecast, I think there's a pretty good case to be made that they're going to look good going into the November meeting. The next CPI report that we're going to get, you're still going to have some nice tailwinds for the Fed in terms of the decline in used car prices. Obviously, you have rents that are still decelerating as well. So I think the Fed can look at that and they can say, hey, maybe we can wait a little bit longer. They continue to be data dependent. Their newest SEP forecast, which had inflation still running, I think at 3.5 at the midpoint at the end of this year, still looks a little bit high to us. So maybe that's the catalyst for them to say, hey, we might take a rate hike out for the end of this year. But nevertheless, even if they do do that, they're going to continue to say that they're data dependent. We really think the Fed was watching the unemployment rate here. Until you get some increase in the unemployment rate, they're probably going to still have this more hawkish rhetoric.

**QUINTANILLA:**

Speaking of which, what's your expectation for Friday now that we know we're actually going to get a print? And do you see job growth going negative next year?

**WILDING:**

I think that's the key question. Obviously any report can be noisy. But when we look at the trend in payrolls over the last year, one of the best predictors of it, it’s really just been a linear trend down. So it's been decelerating. There's noise, but when you smooth through that noise, it continues to decelerate. We're looking for 150-ish. And that continues to slow. And the bottom line is that as demand in the economy slows, as corporate margins start to compress, you're going to see hiring trends that also decelerate. And we see that happening. It's happening slowly, but again, it is happening. And I think in terms of whether we are going to get some increase in the unemployment rate next year, we do think you will. We think the economy will be soft enough in order to get that. And I do think there's reason to believe that in order to really get wage inflation more quickly back to the Fed's target, you probably do need to see that increase in the unemployment rate.

**EISEN:**

All right, Tiffany, thank you. We'll leave it there. Thanks for hitting all the hot topics

around macro. Tiffany Wilding from PIMCO.