

Economic Trends and Risks

August 3, 2023 – Nicholas Sly – Vice President, Economist and Denver Branch Executive

The views herein are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Kansas City or the Federal Reserve System

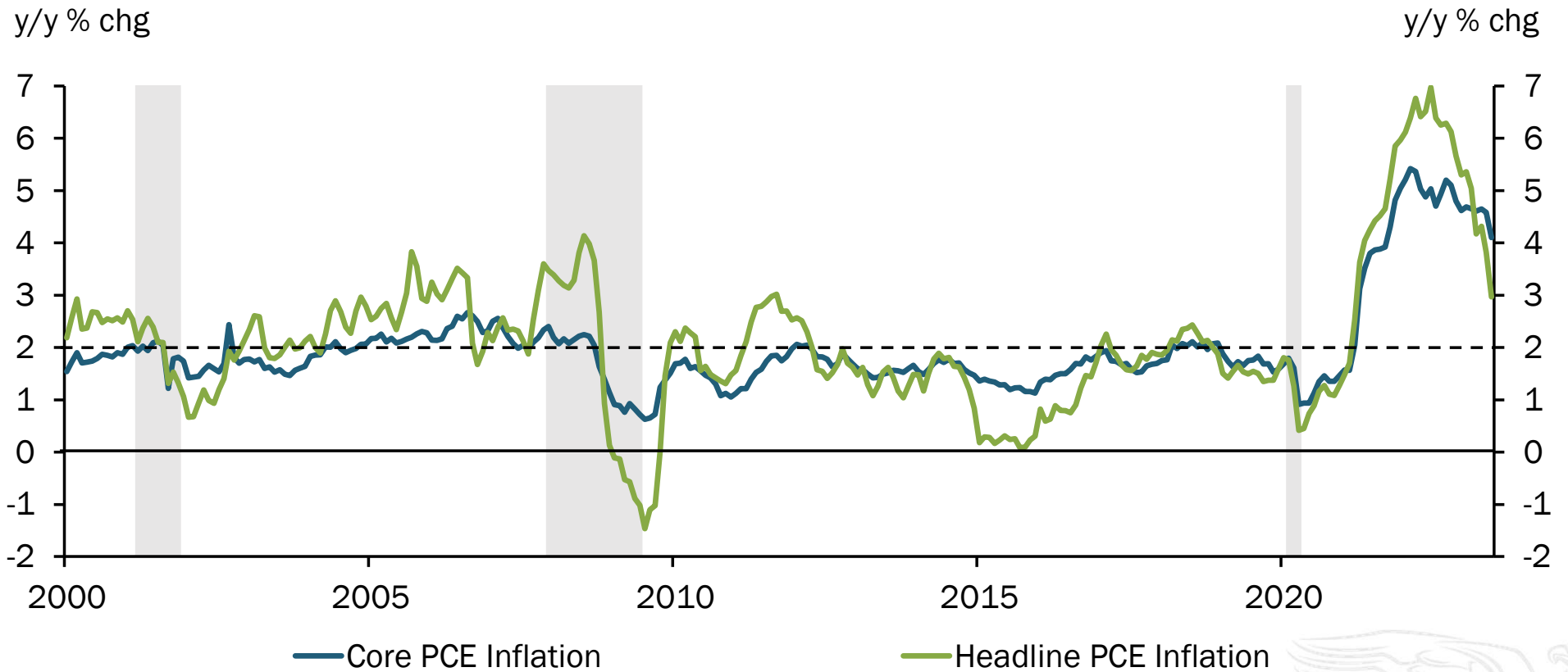


Two Trends and a Risk

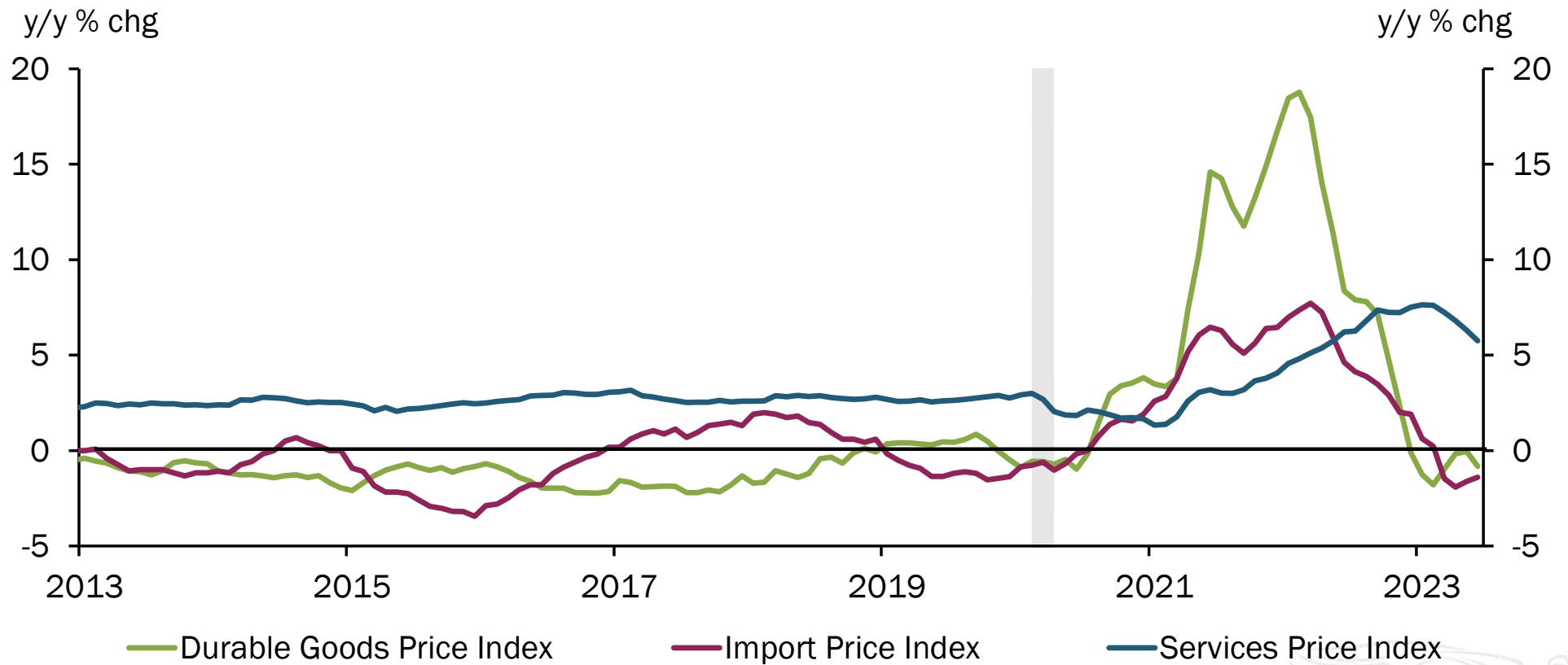
- Inflation is showing signs of moderating, but price growth for essential spending items has remained elevated even as inflation has cooled
- Consumer spending has been solid along its typical growth path
- The outlook for interest rates is uncertain, even among policy makers, and generally above 'norms' experienced over the last couple of decades



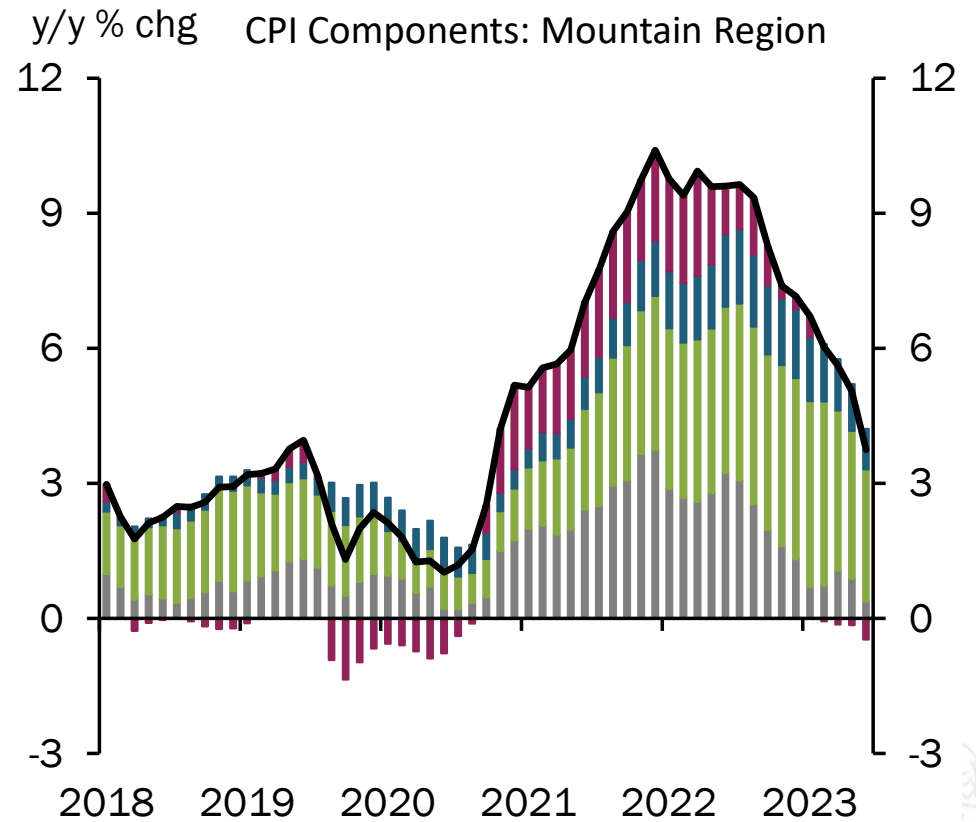
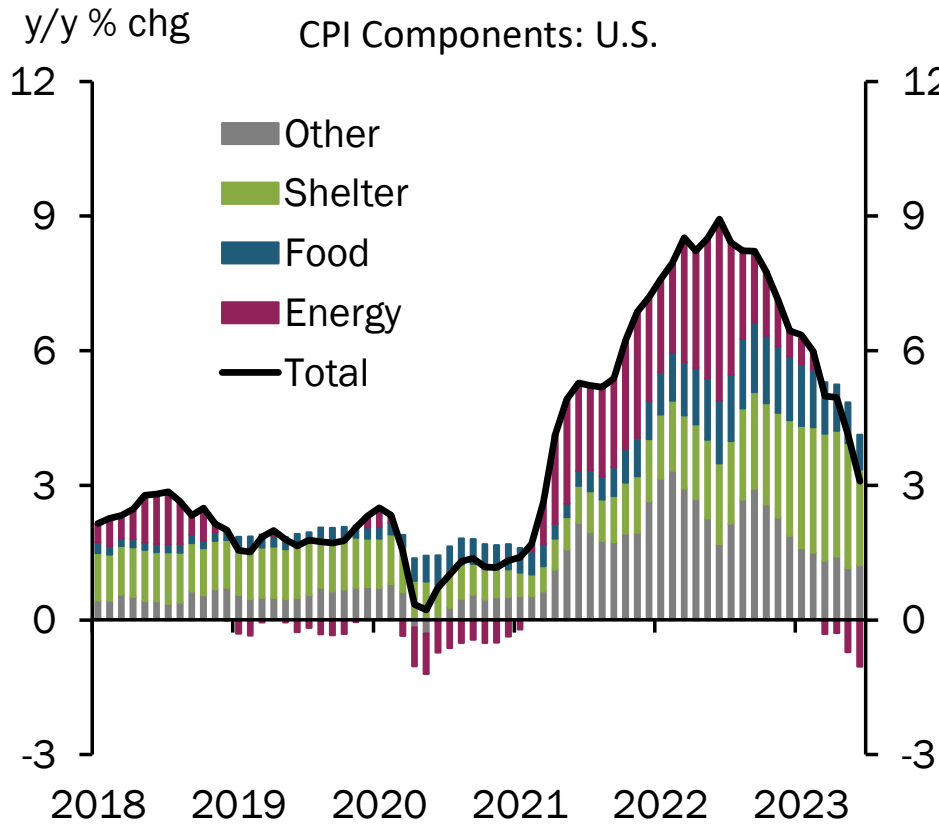
Inflation has moderated but core inflation is maintaining momentum



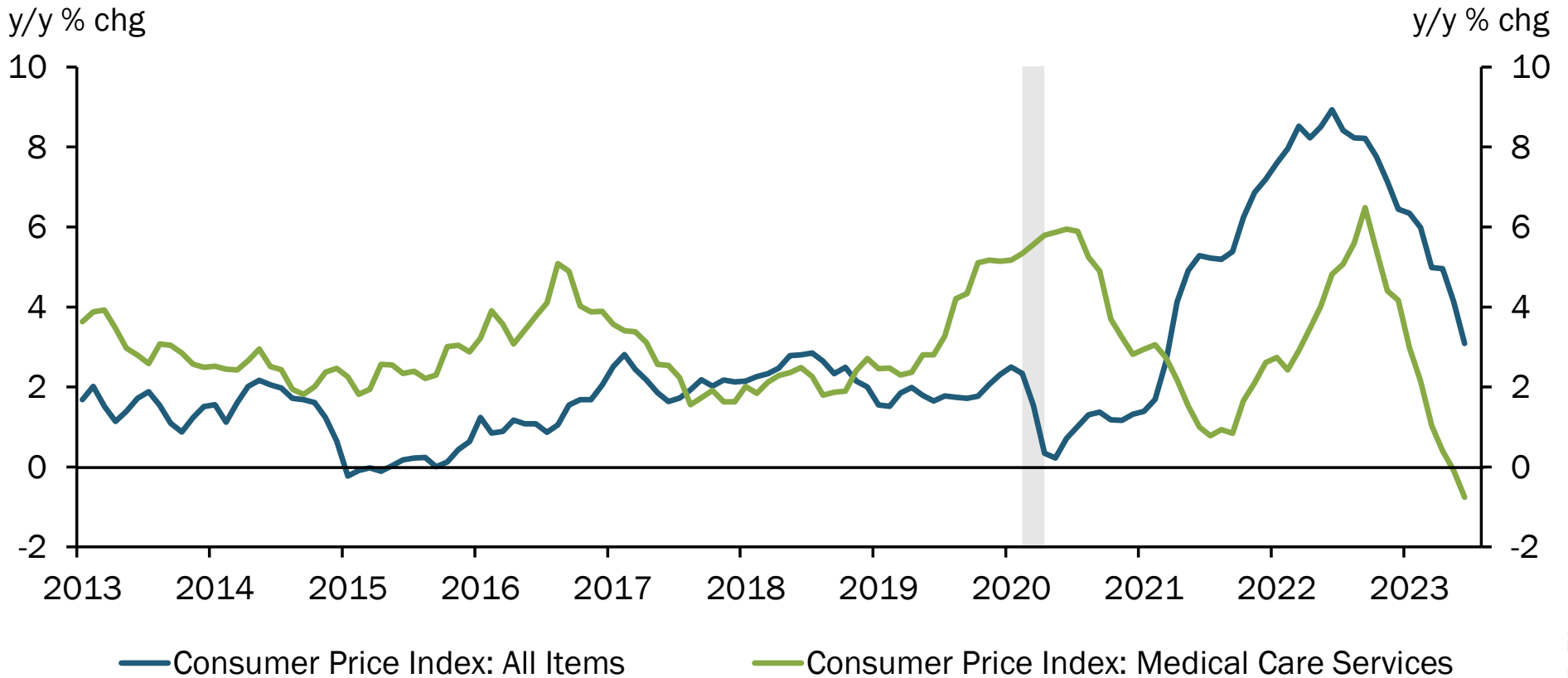
Growth in services prices has moderated only slightly



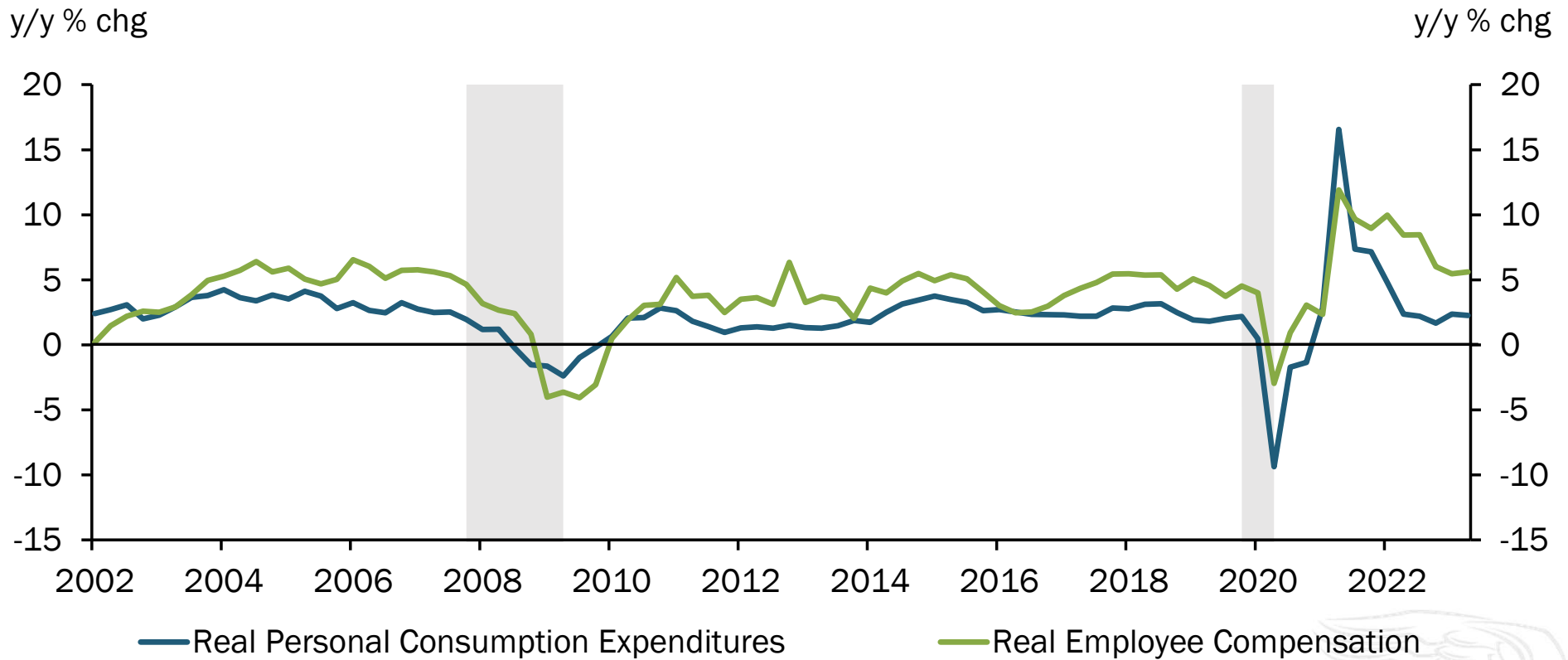
Household essentials are contributing an outsized amount to inflation



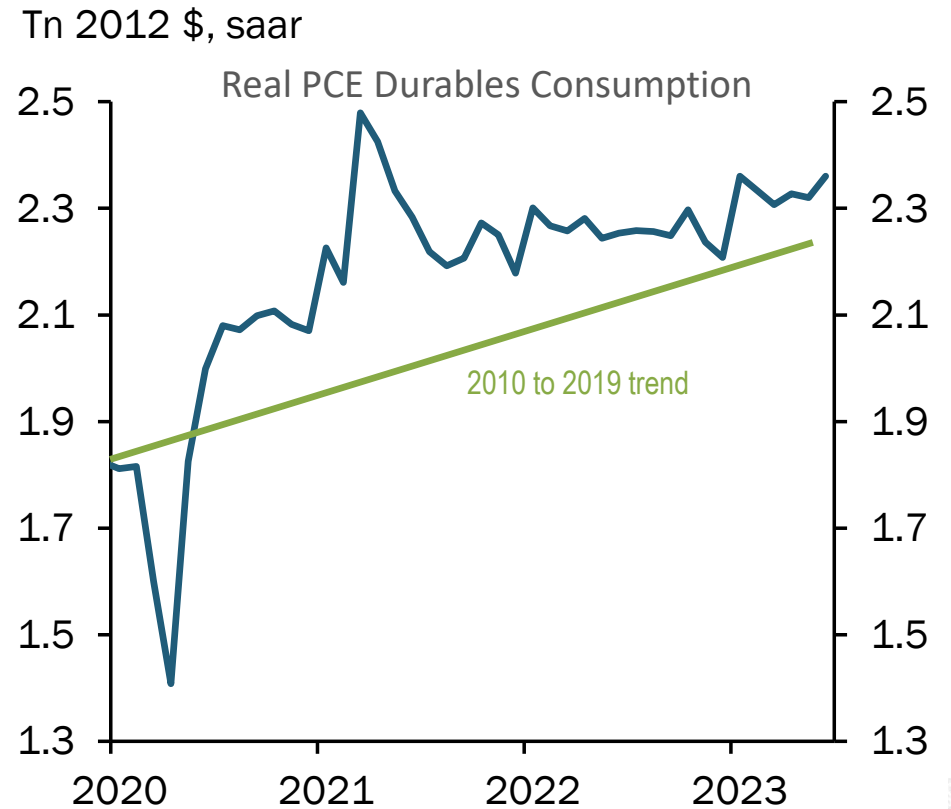
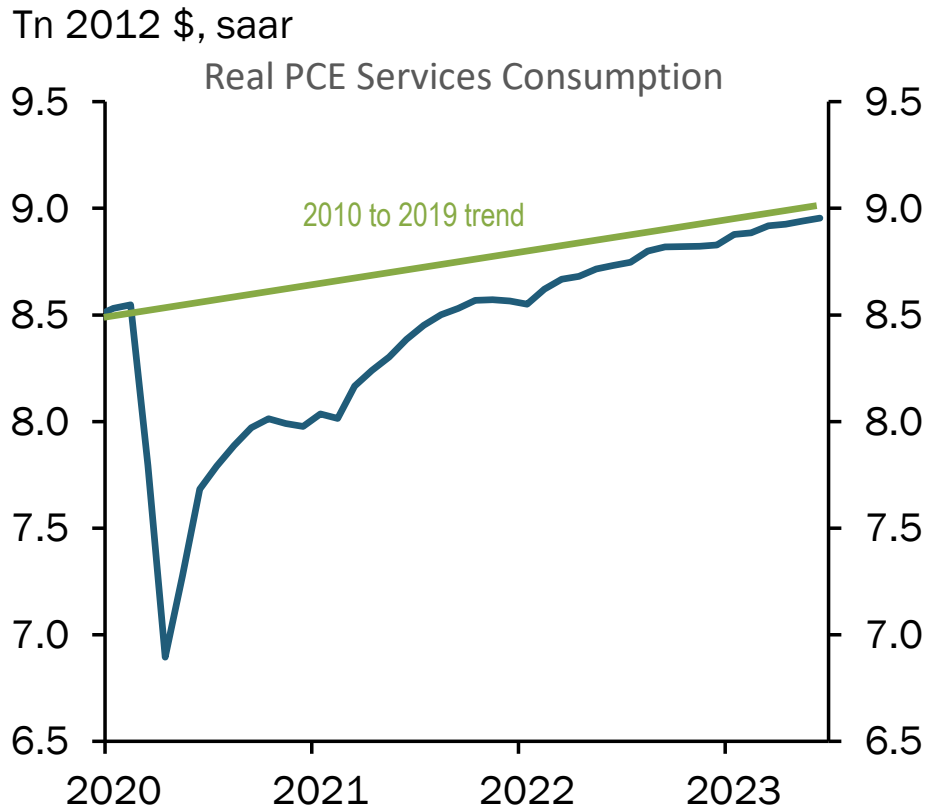
The contribution of medical services prices to inflation has eroded from official statistics, and is running below typical levels



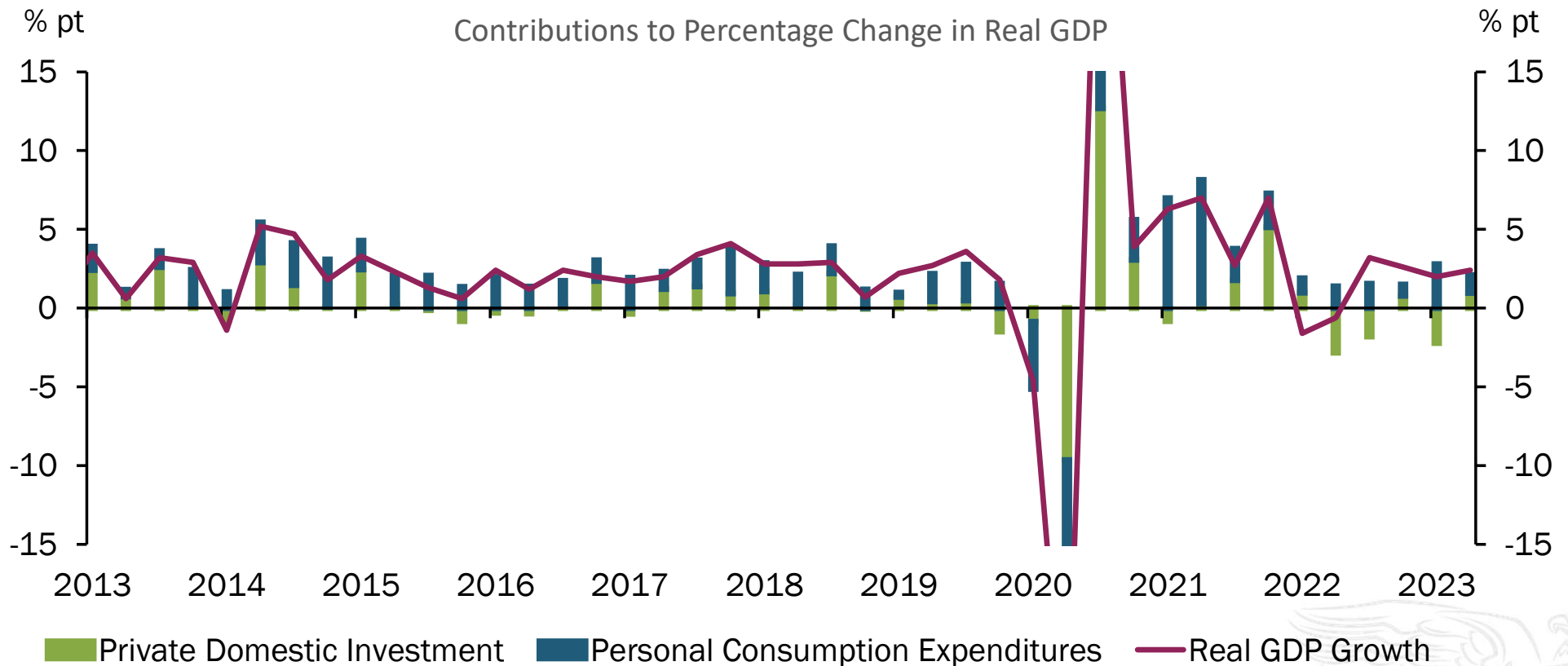
Consumer spending growth over the past year is consistent with previous expansion periods



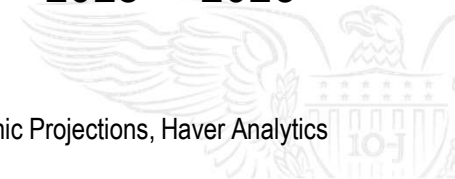
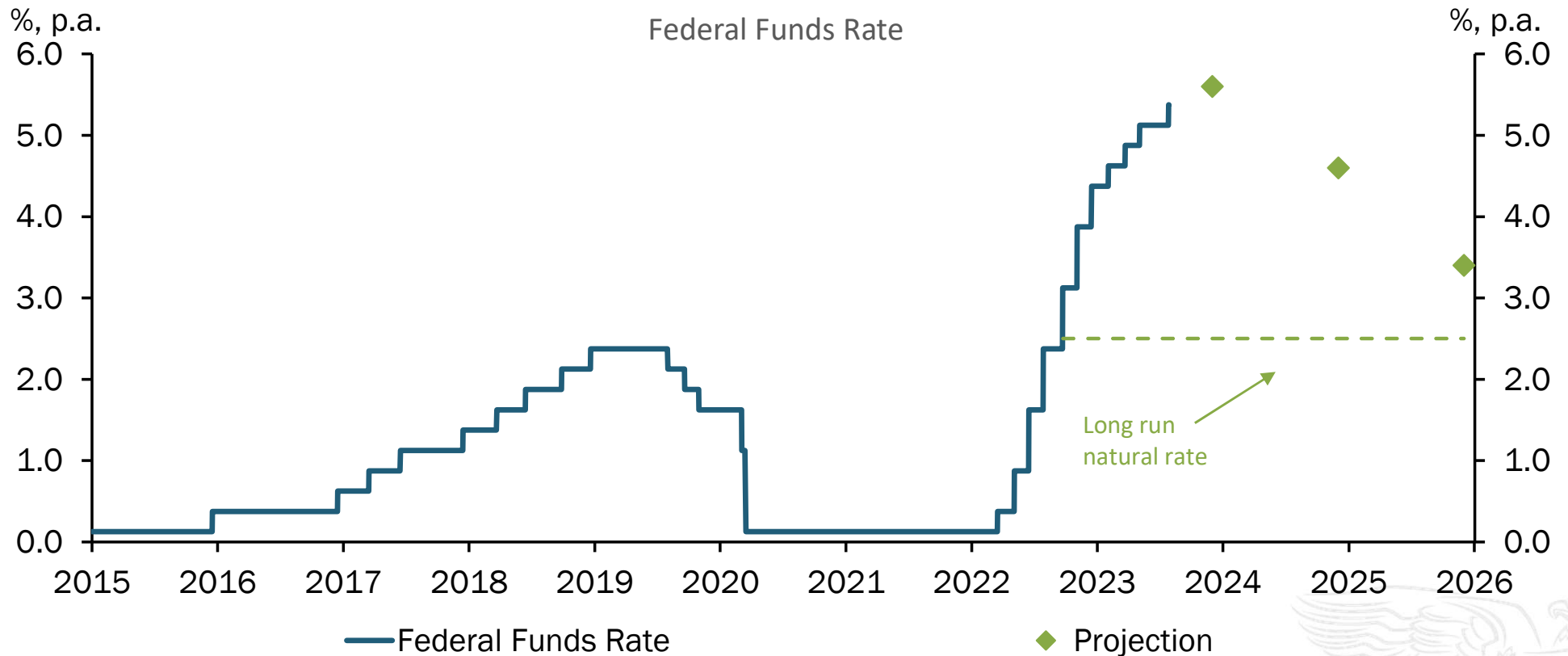
The composition of spending is also near its typical growth path



Household spending continues to drive steady economic growth overall



The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term



Looking ahead

- The tight labor market is showing some early signs that the pressure is easing
- Several structural features of the economy have shifted through the pandemic, which raises questions about how much signal to take from historic norms in the labor market & inflation dynamics
- With restrictive monetary policy, it remains to be seen how much pull back in lending activity or tightening of standards is ahead
- With an uncertain, if not higher, outlook for rates, it remains to be seen how extensive the pullback is in borrowing activity





Get the latest speeches:
www.KansasCityFed.org/Speeches

Get emailed the latest resource on economic topics
for CO, WY and NM

