

Economic Outlook

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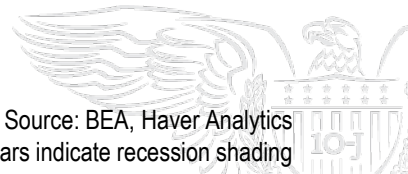
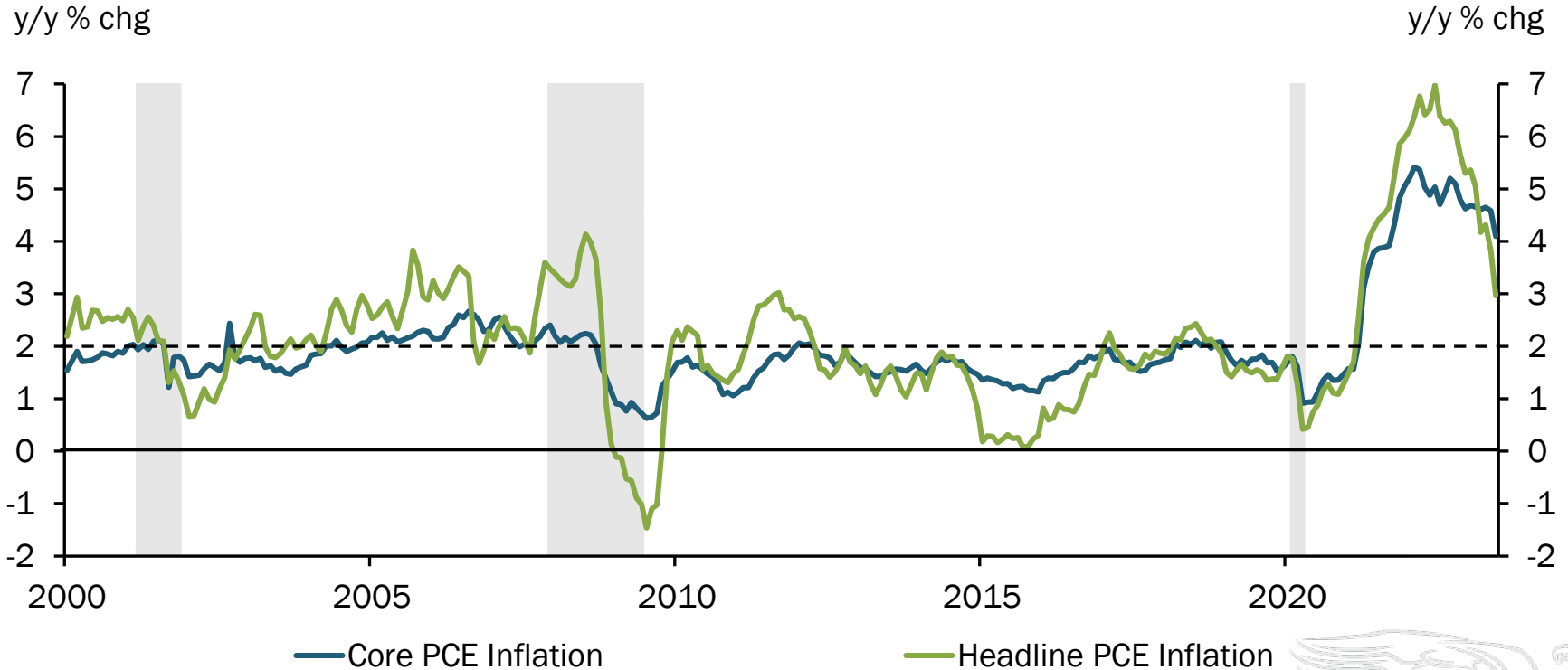


Overview

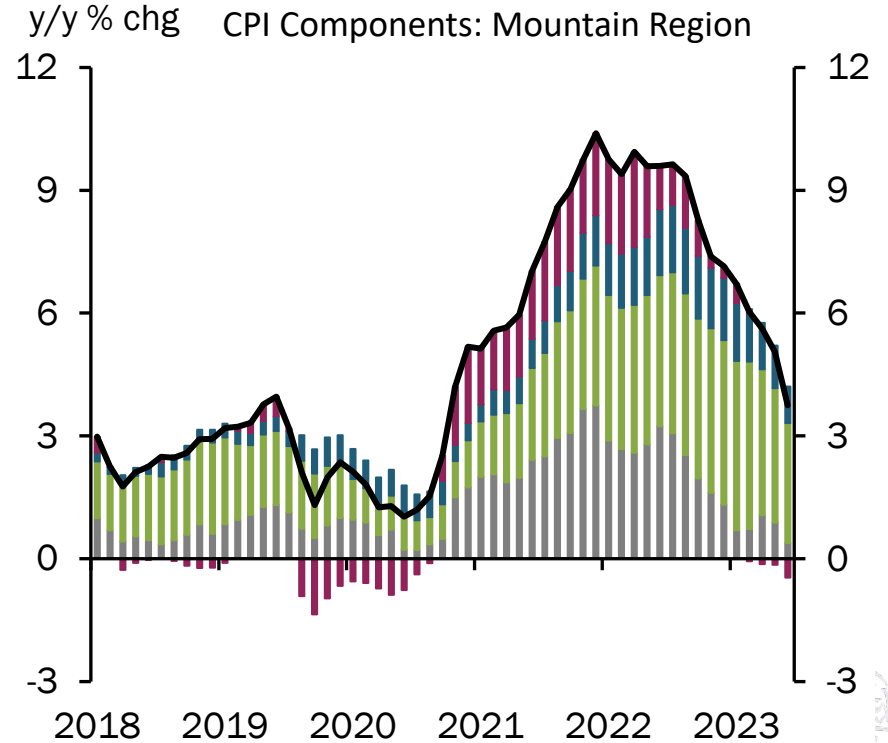
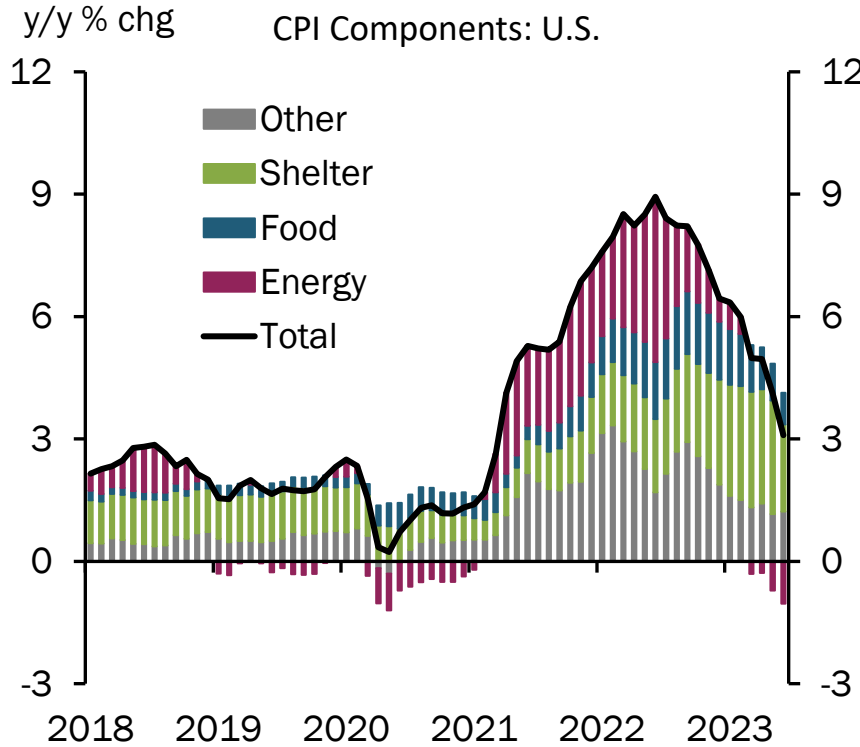
- Inflation is showing signs of moderating, but price growth for essential spending items has remained elevated as inflation has cooled overall
- Consumer spending has been solid along its typical growth path
- The labor market remains tight, but some indicators show signs of softening conditions



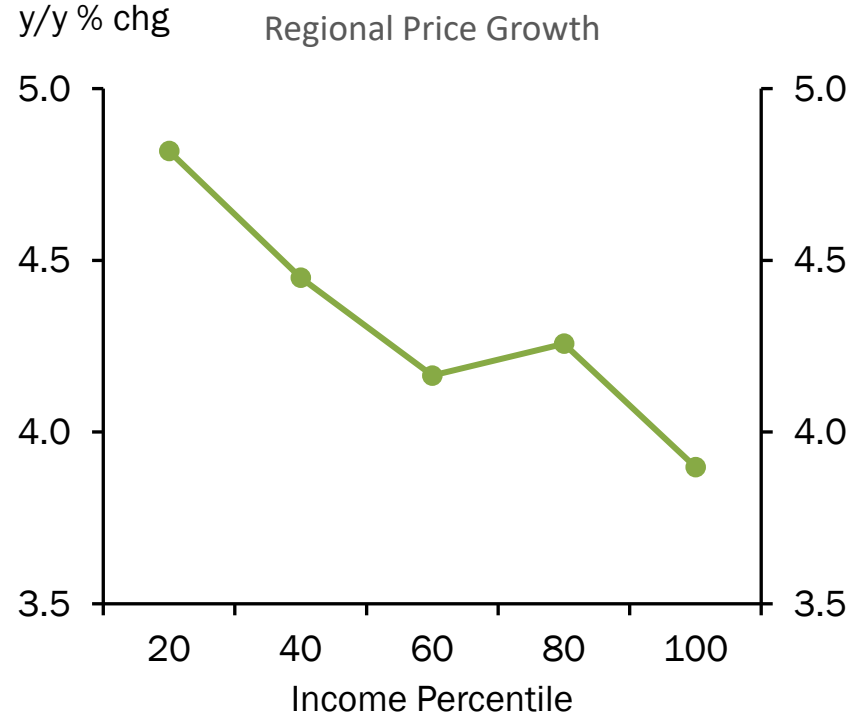
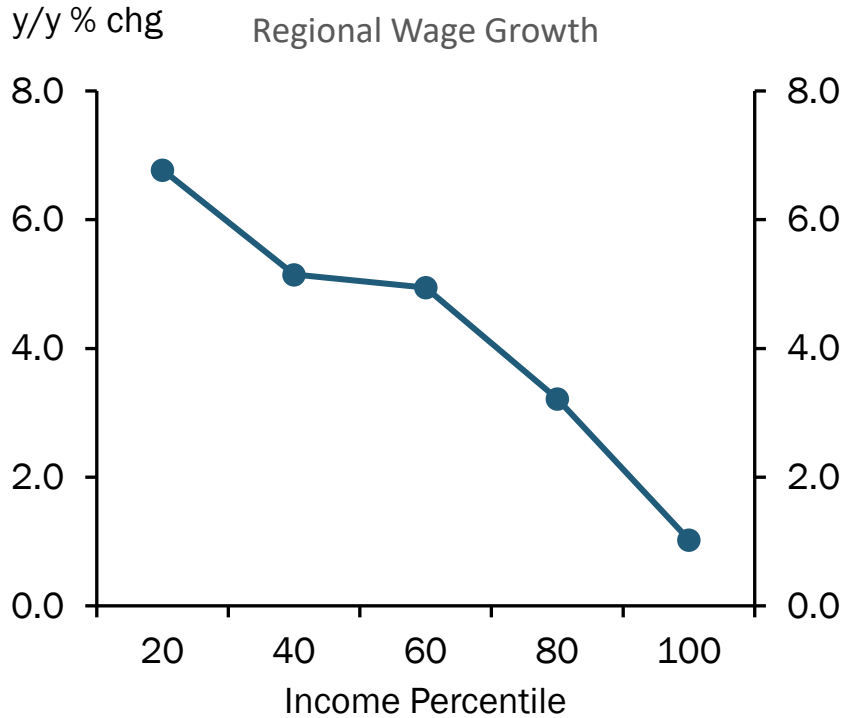
Inflation has moderated but core inflation is maintaining momentum



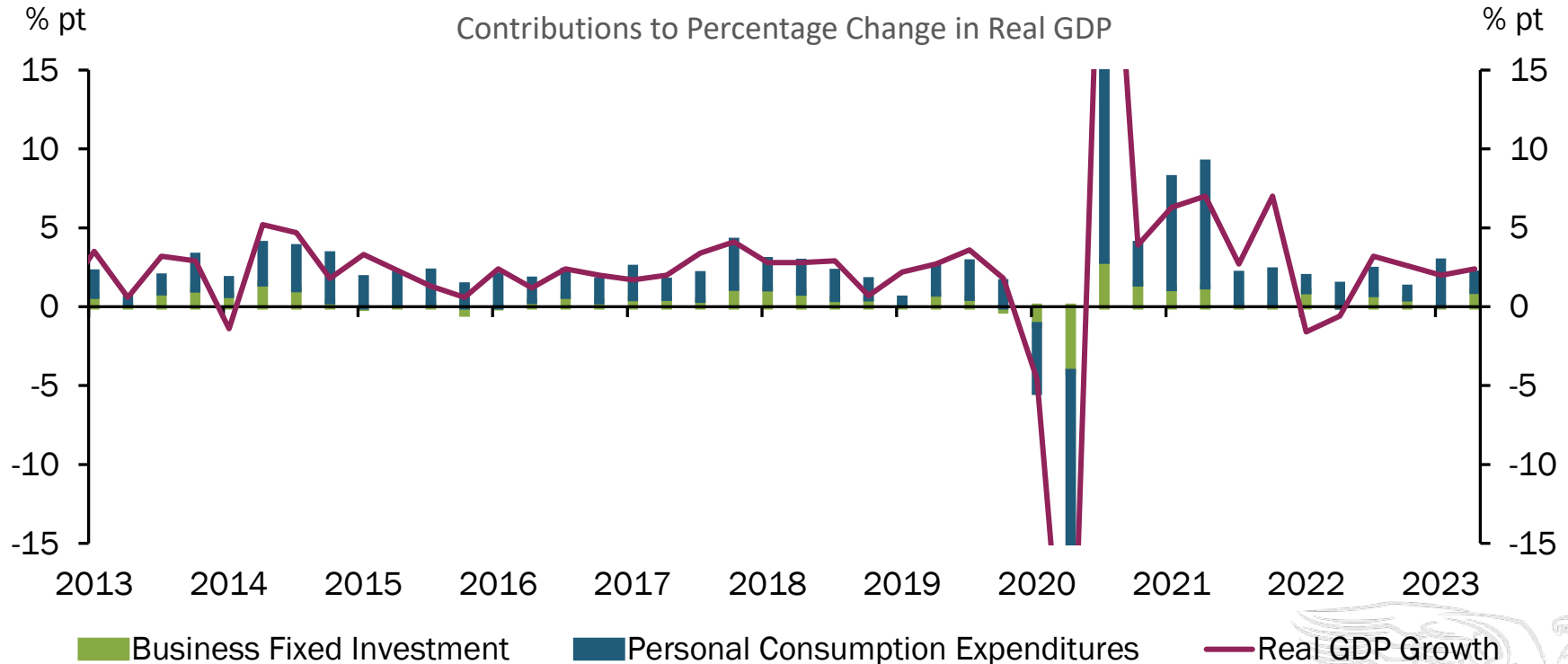
Household essentials are contributing an outsized amount to inflation



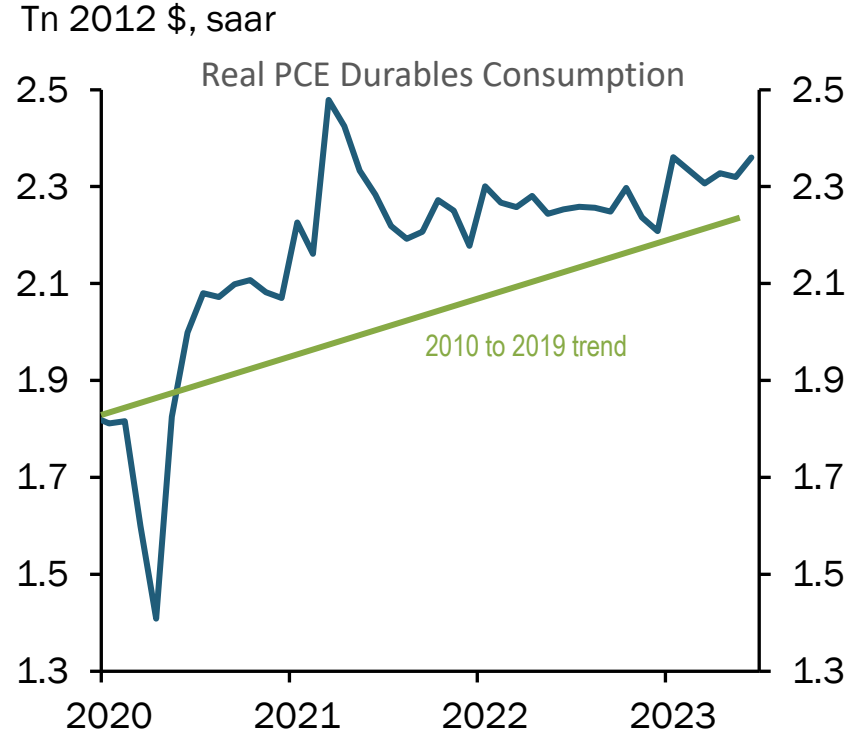
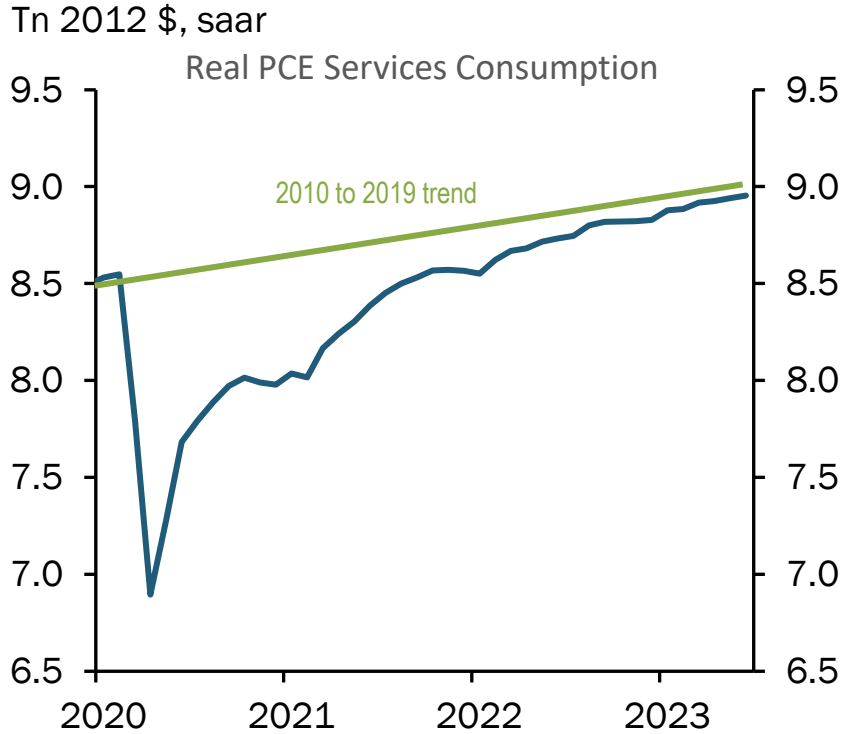
Lower income households experienced higher wage growth alongside faster price growth, primarily due to the composition of their spending



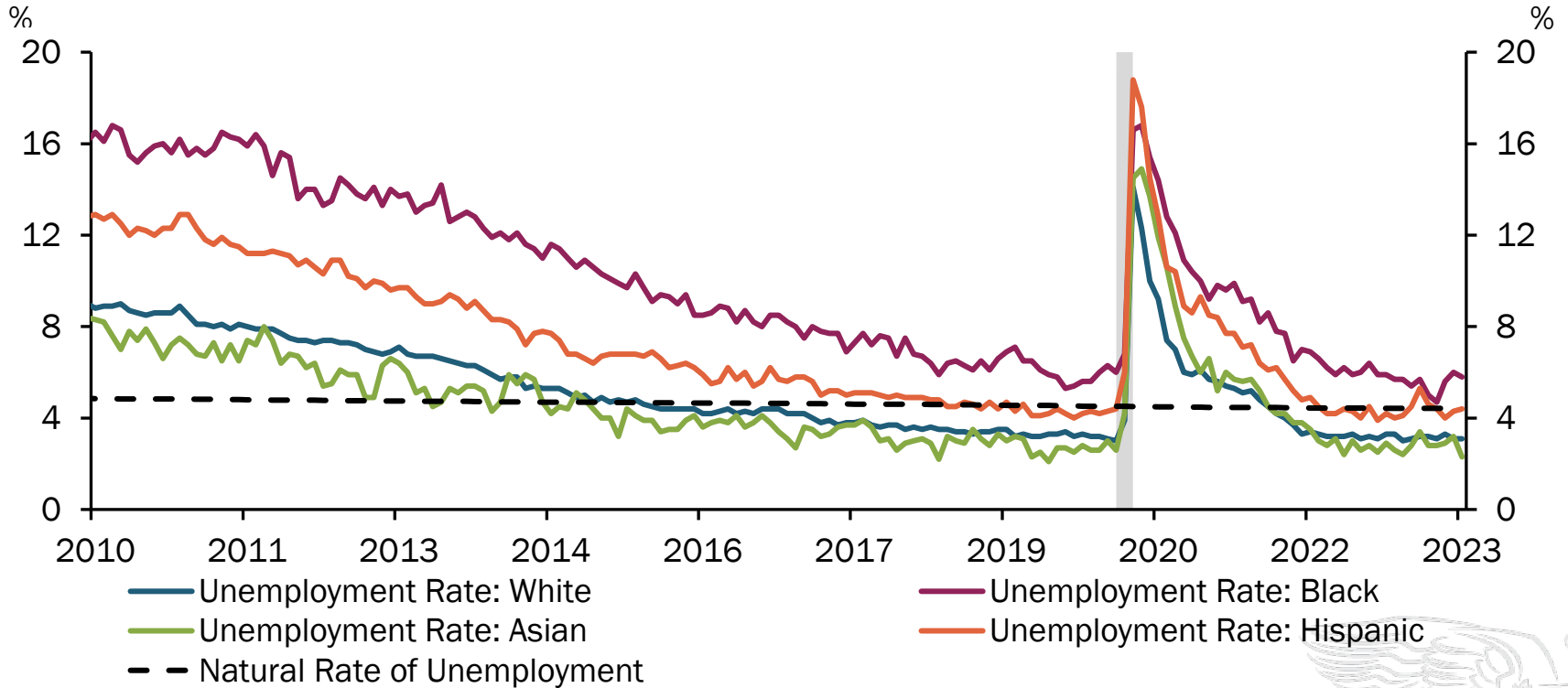
Household spending continues to drive steady economic growth overall



The composition of spending is also near its typical growth path



Unemployment rates across racial groups have reached decade lows



Employed workers are more likely to find full-time jobs if they prefer

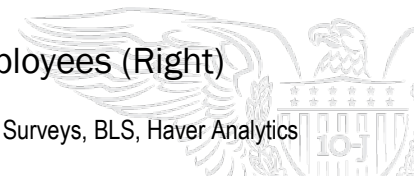
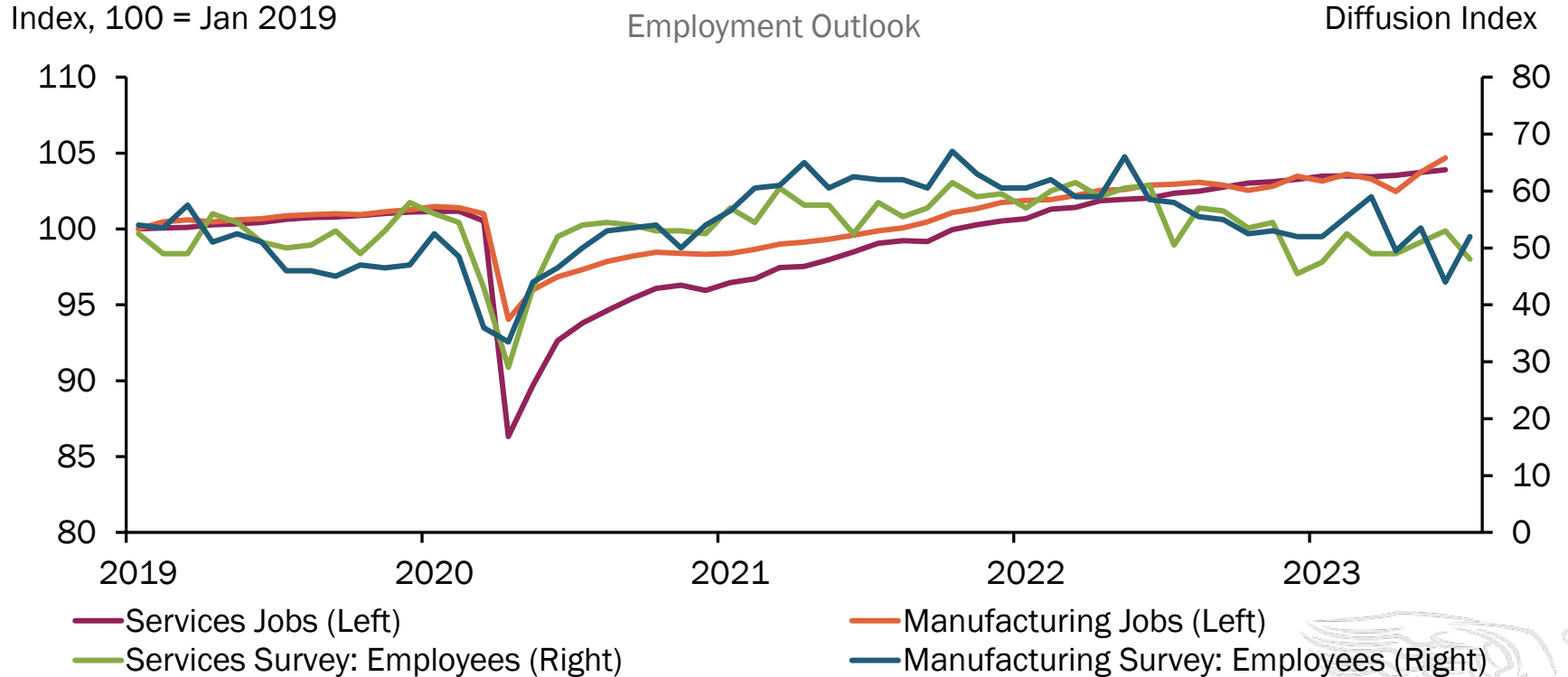
% employed

Part-time for Economic Reasons

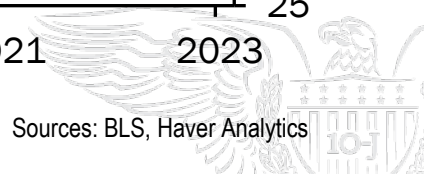


Sources: Current Population Survey, FRED

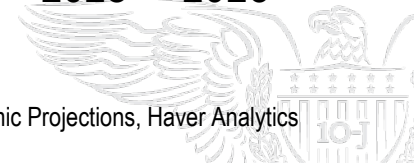
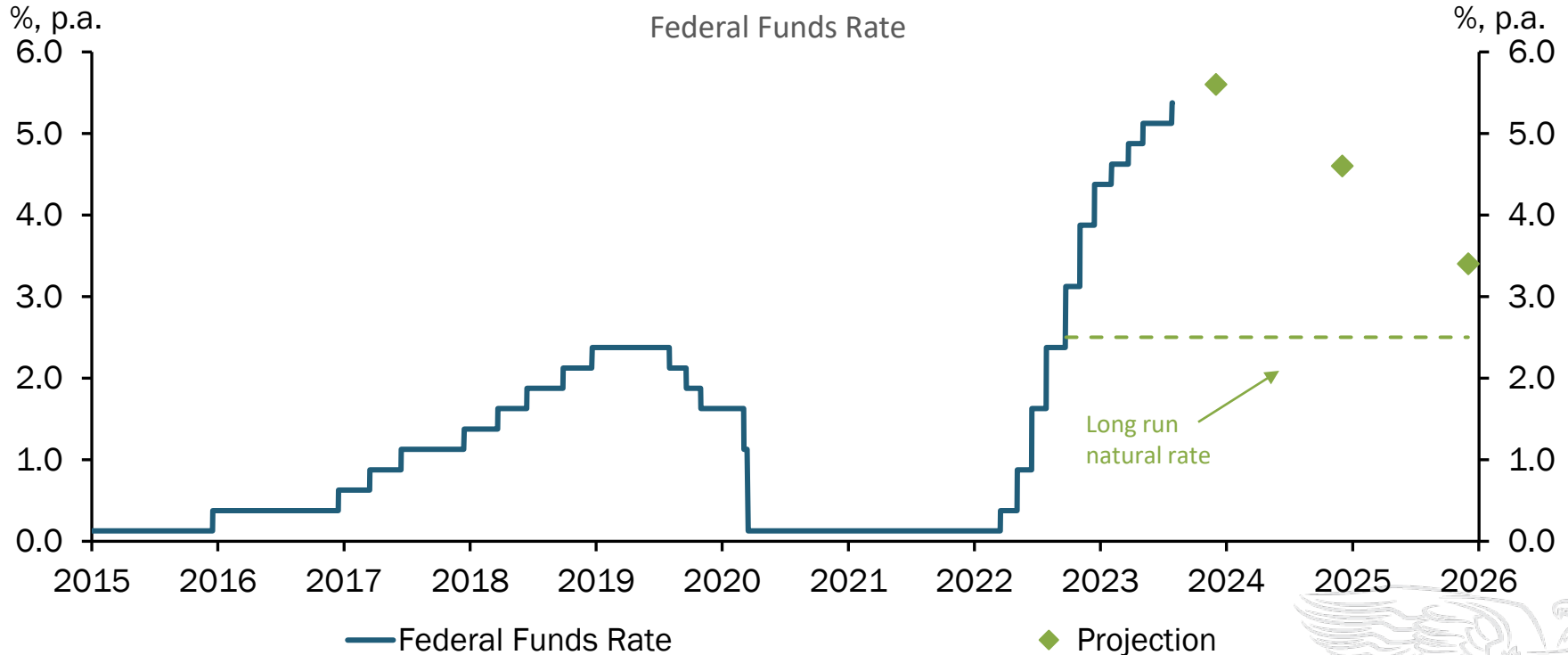
However, labor demand is exhibiting some early signs of softening



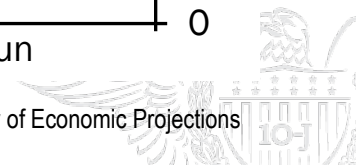
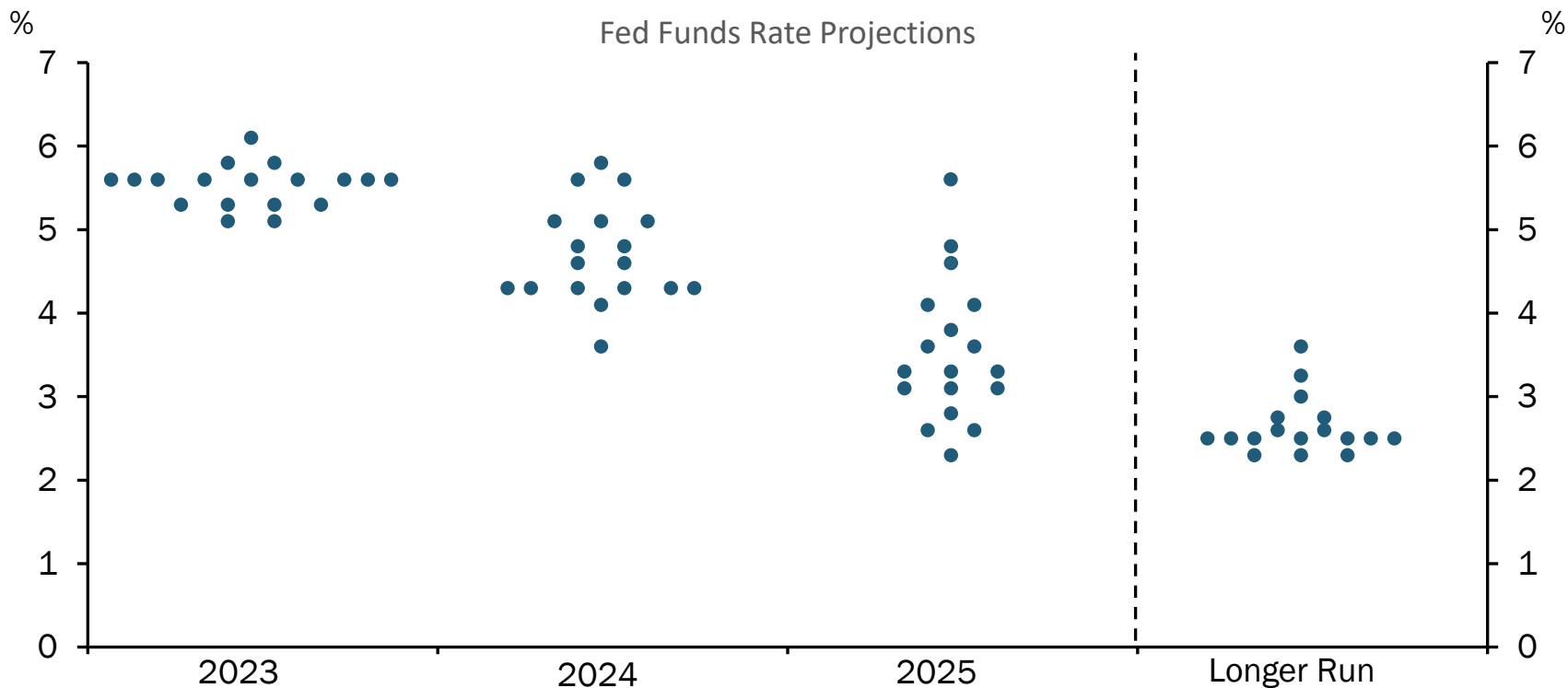
Workers who recently lost their jobs are facing more difficulties finding new employment opportunities compared to last year



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



Uncertainty is high among policymakers about the appropriate path of interest rates for coming years



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





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