

Economic Trends and Outlook

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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

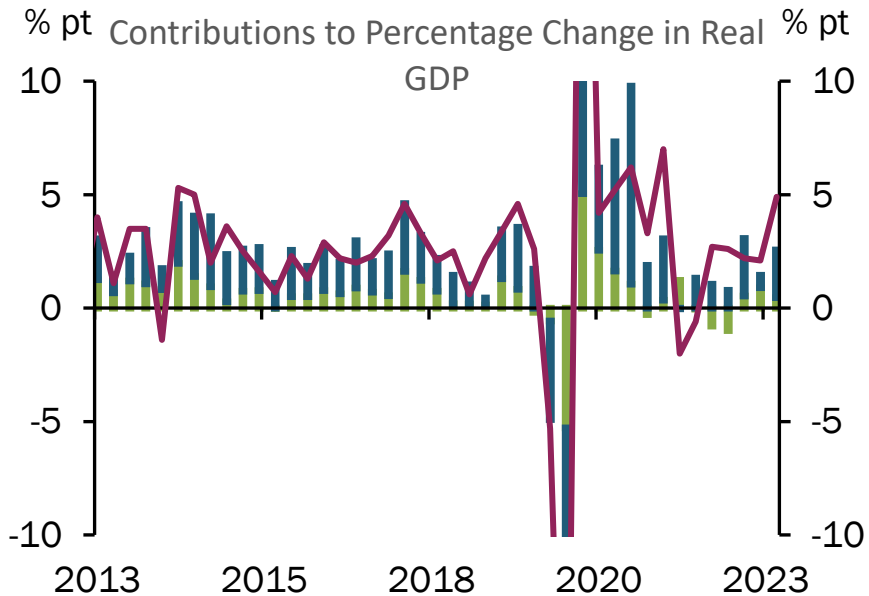


Overview

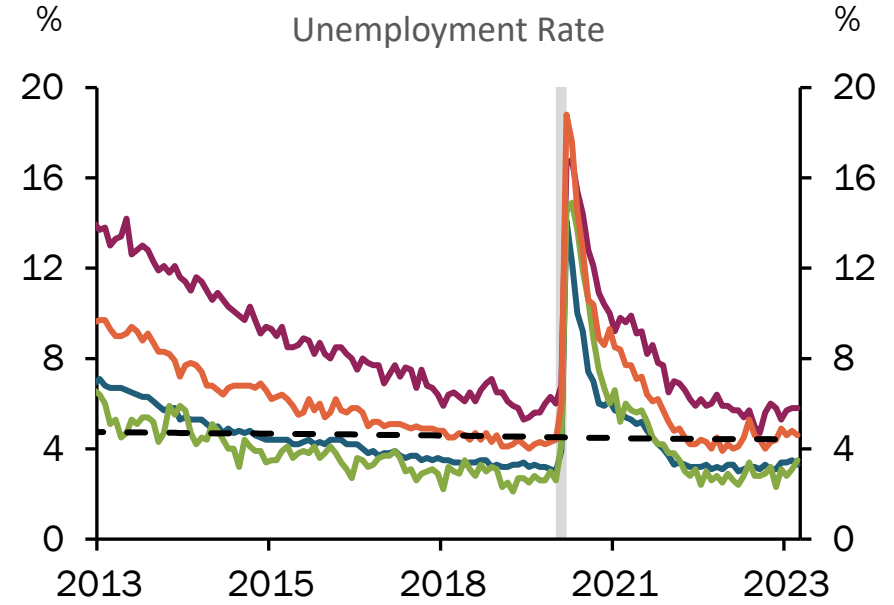
- Gains on the supply side supported economic growth despite tightening of financial conditions over the past year
- Inflation is slowing but rent growth and other consumer services' price growth remain elevated
- Many businesses are reporting lower expected growth in their upcoming hiring and compensation plans compared to last year, but relatively few are indicating they expect declines in employment



Overall growth and unemployment continued a positive trajectory despite policy tightening over the past year



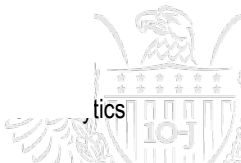
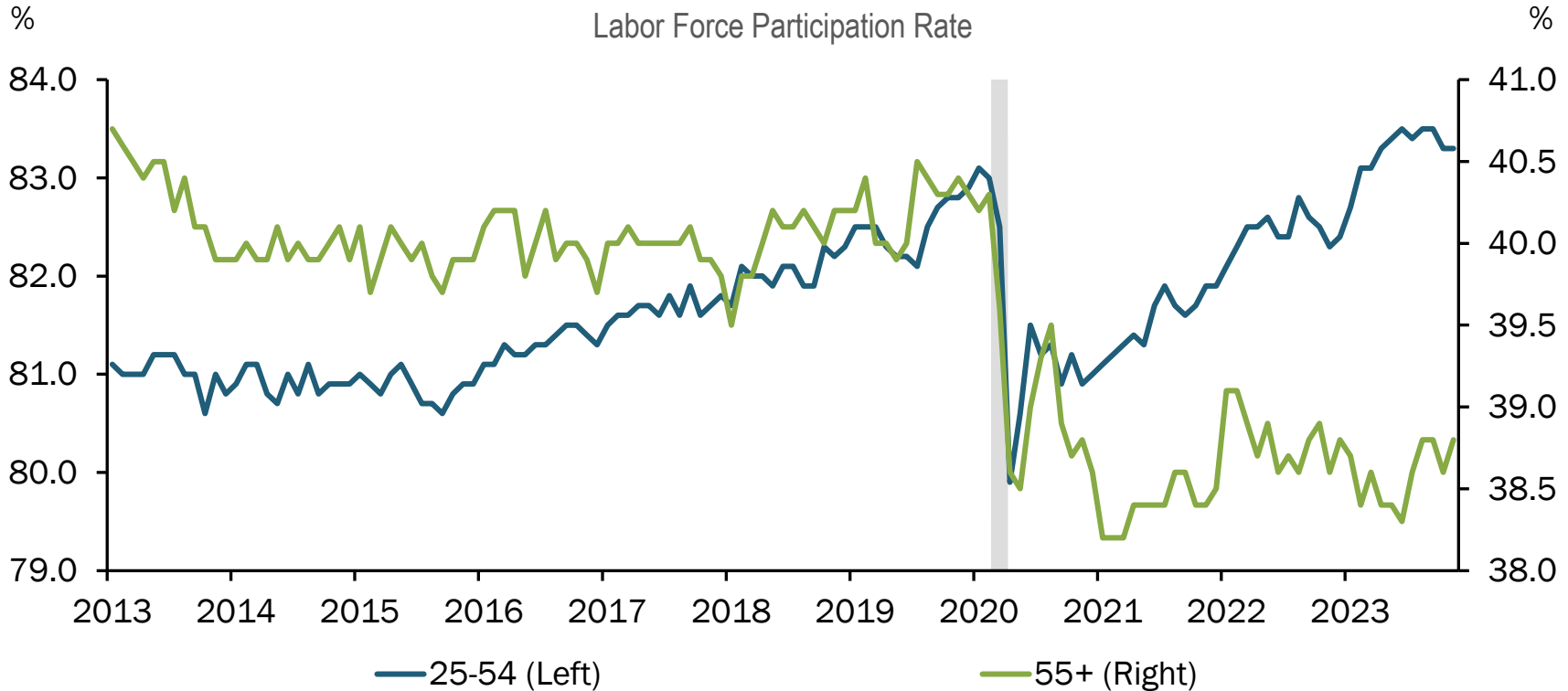
- Personal Consumption Expenditures
- Private Fixed Investment
- Real GDP



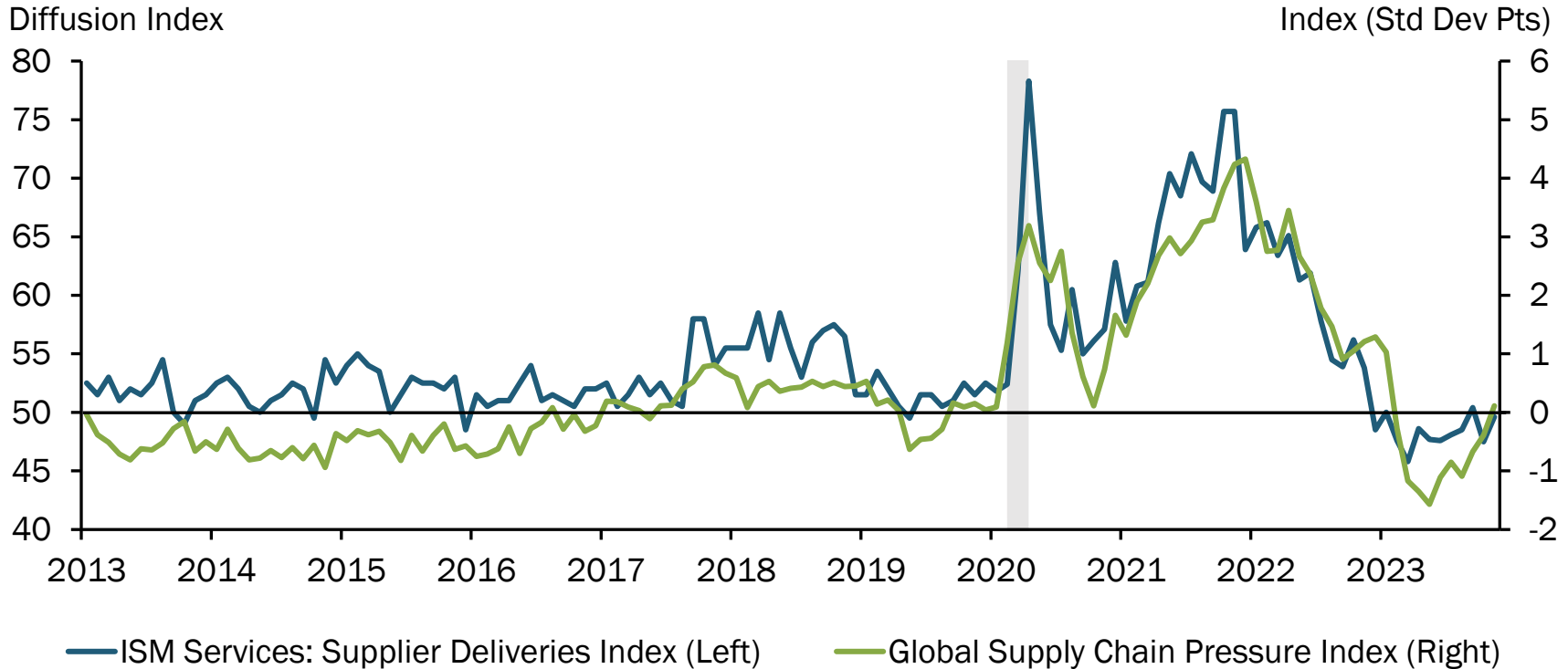
- White
- Black
- Asian
- Hispanic
- - - Natural Rate of Unemployment



Labor force participation among prime age workers picked up substantially last year, but remains subdued among older workers



Supplier delivery times improved, easing supply side inflationary pressures



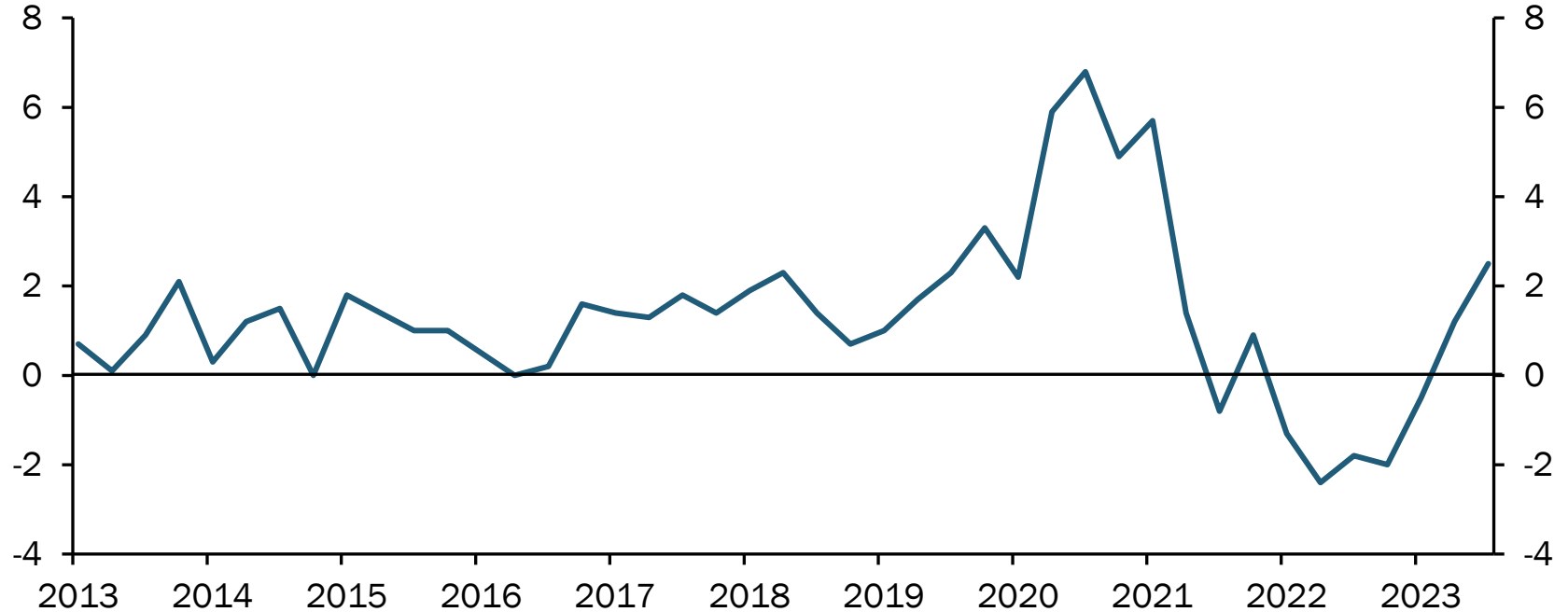
Source: Institute for Supply Management, NY Fed, Haver Analytics
 Note: A supplier deliveries index above 50 indicates slower deliveries. A GSCPI index above zero indicates the number of standard deviations above the historical average value of the index.

Productivity growth firmed throughout 2023

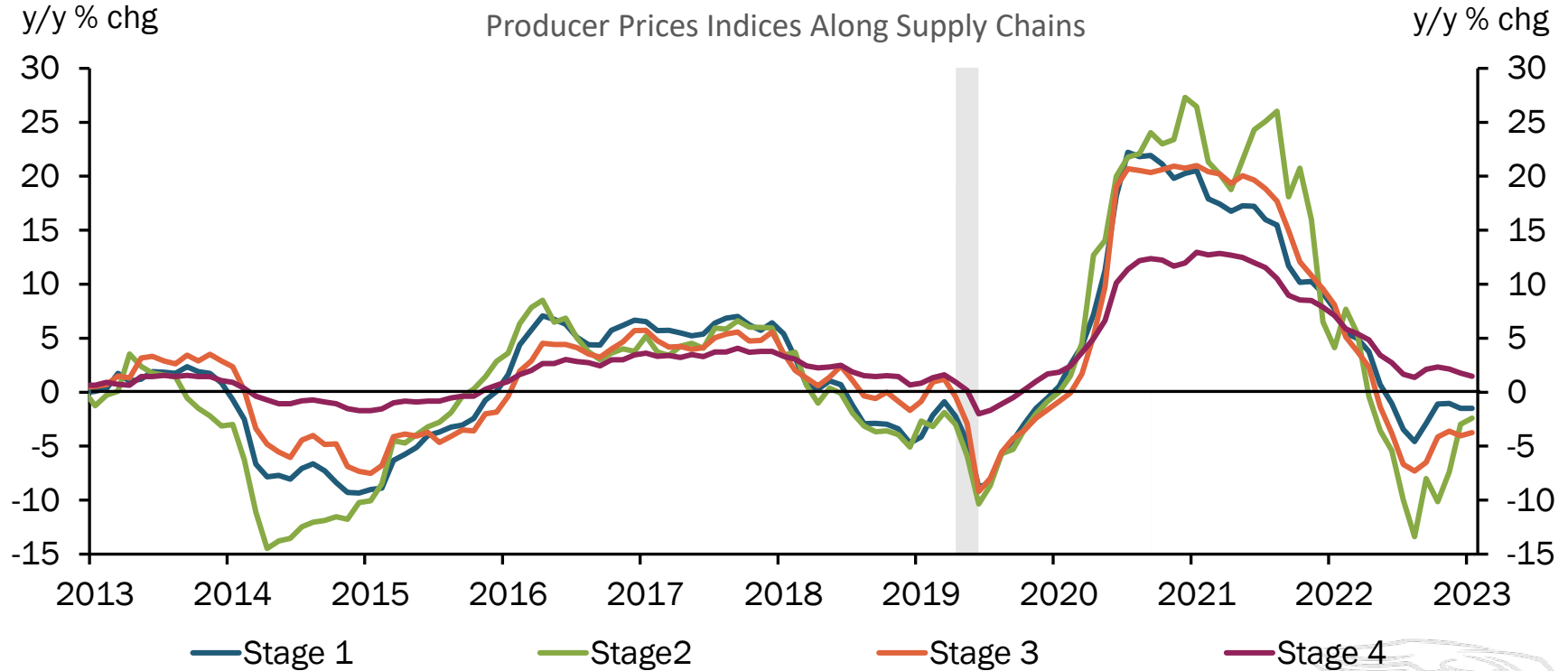
Index, 2017 =100

Real Output per Hour: Business Sector

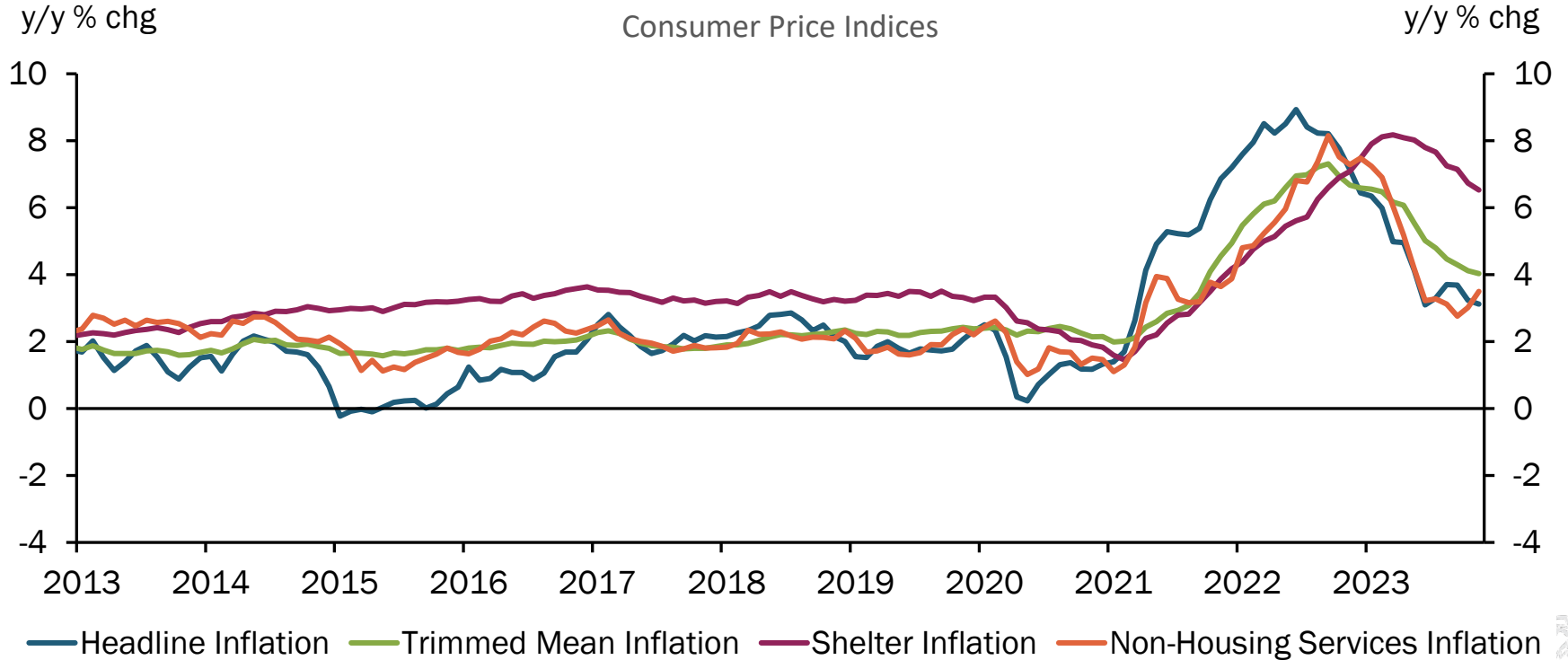
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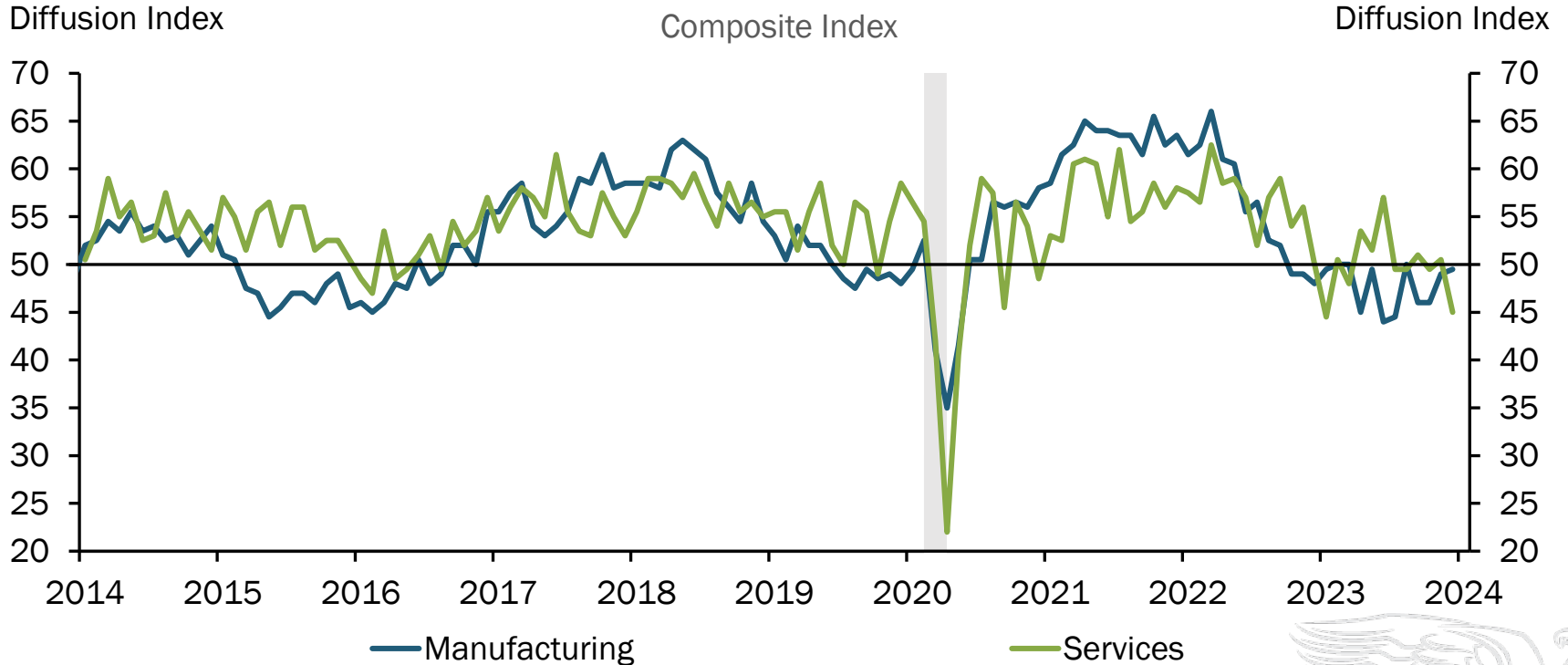
Producer price pressures eased as well



Various measures of price growth show that inflation pressures have lessened but still show signs of being elevated

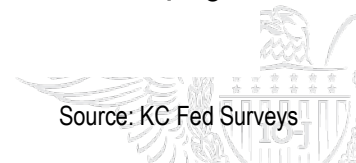
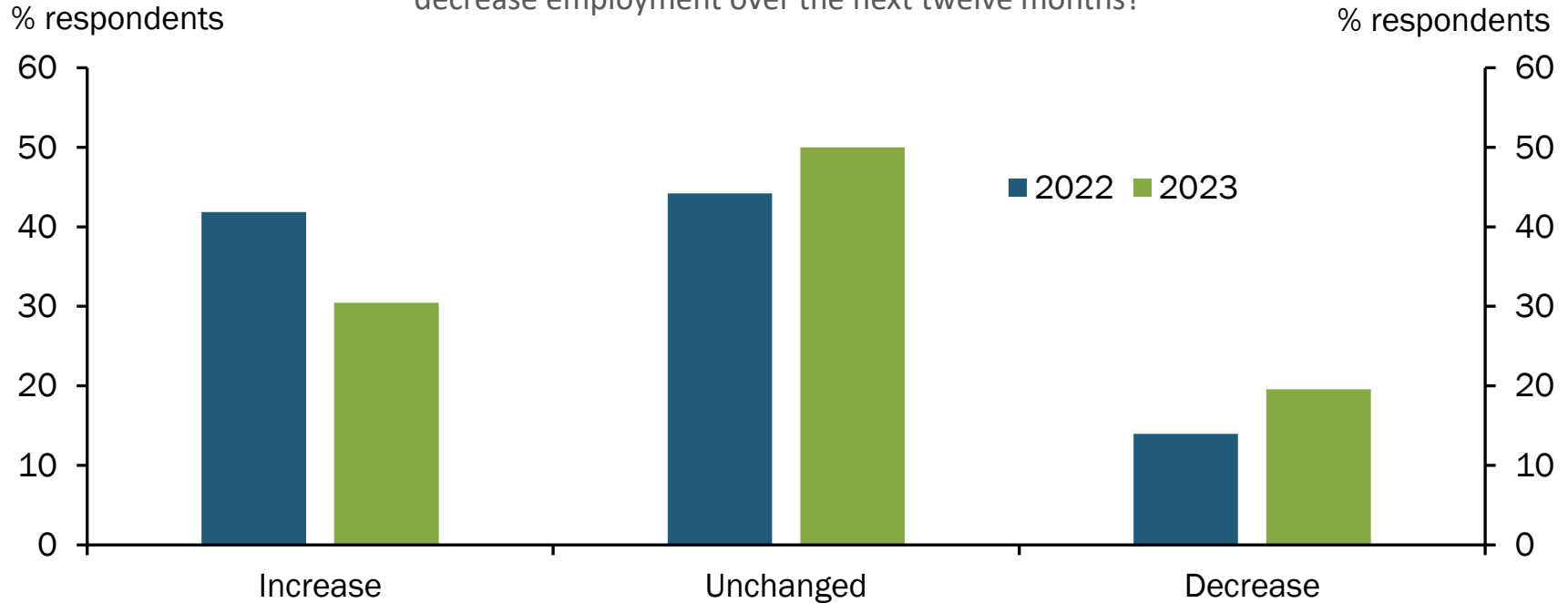


Business contacts are reporting declines in business activity and softening demand

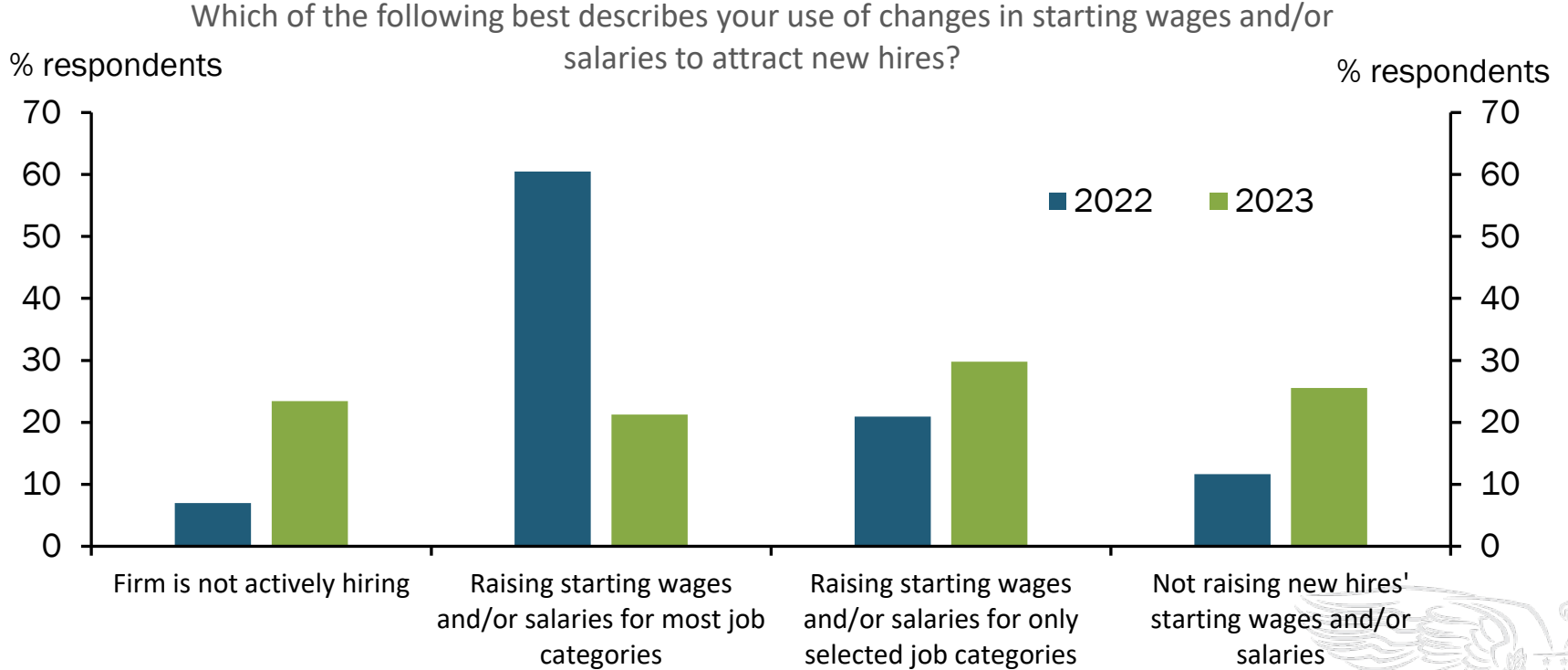


Looking ahead, fewer business contacts report they expect to grow the size of their workforce next year, indicative of softening labor demand

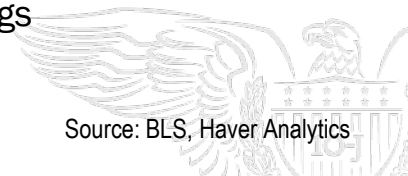
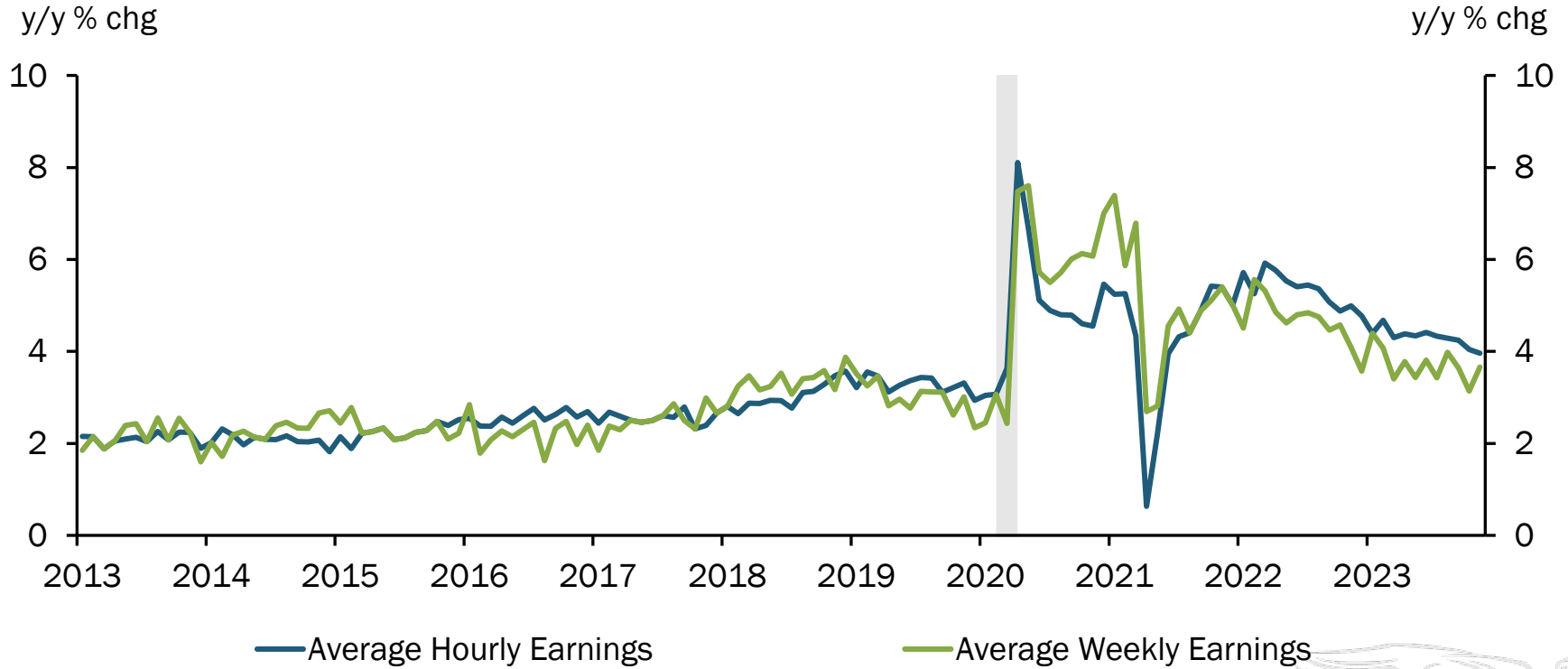
Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next twelve months?



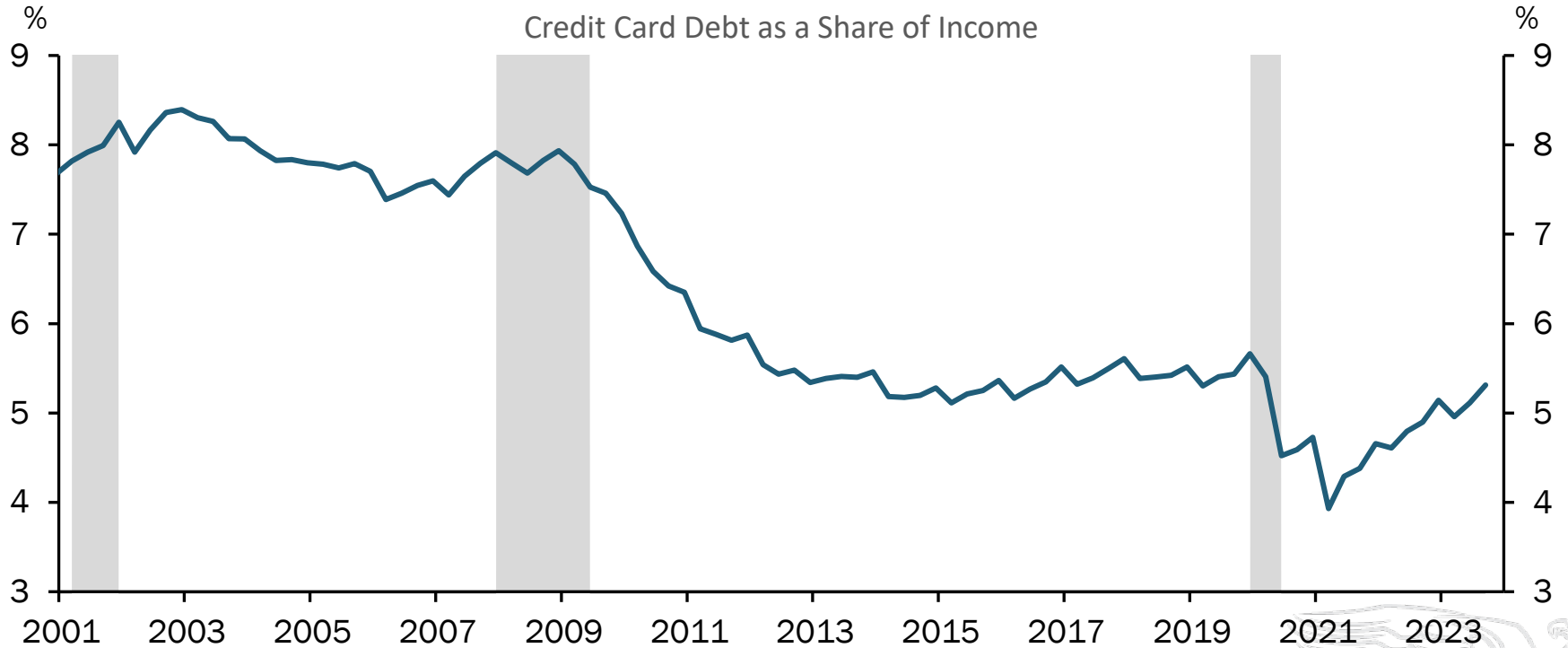
Business contacts report they are being more selective about offering wage increases to attract new hires



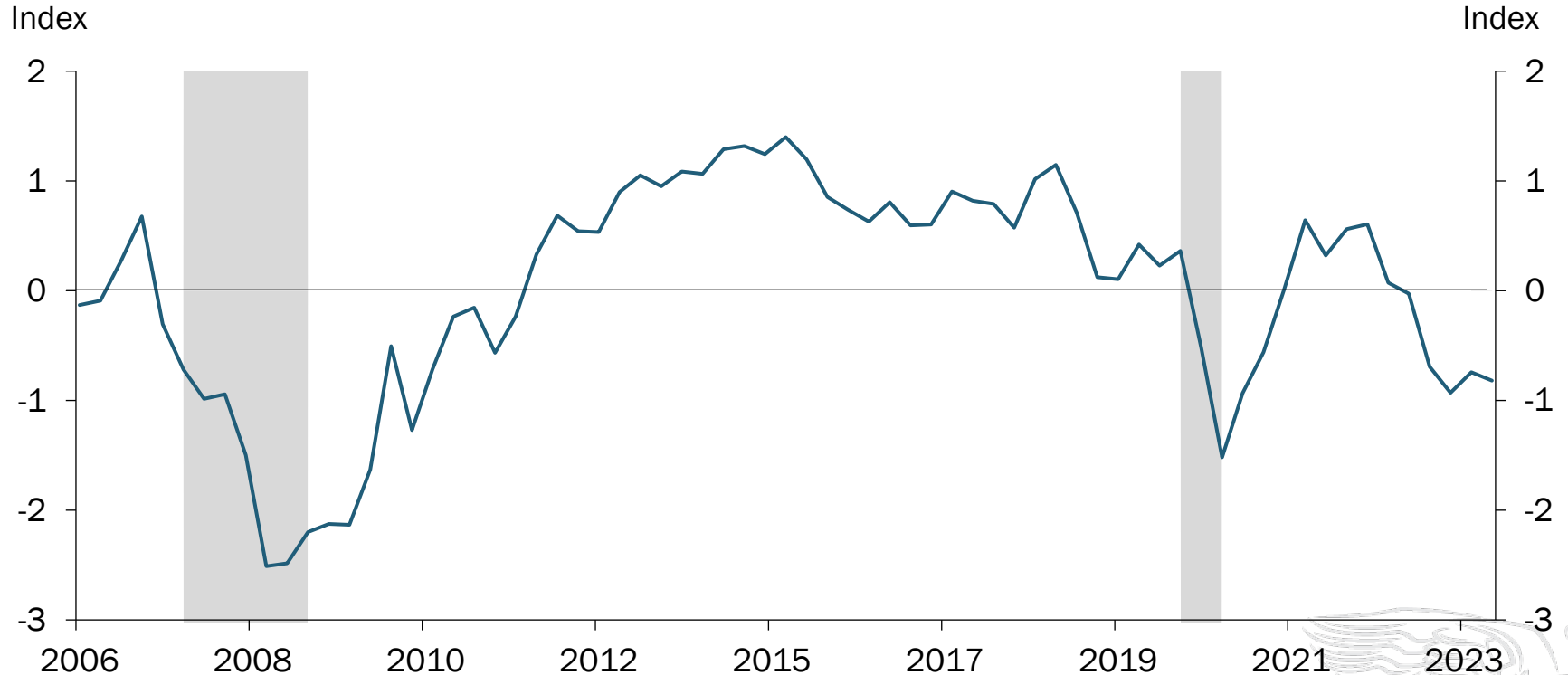
Workers' earnings growth is softening but still elevated above trend



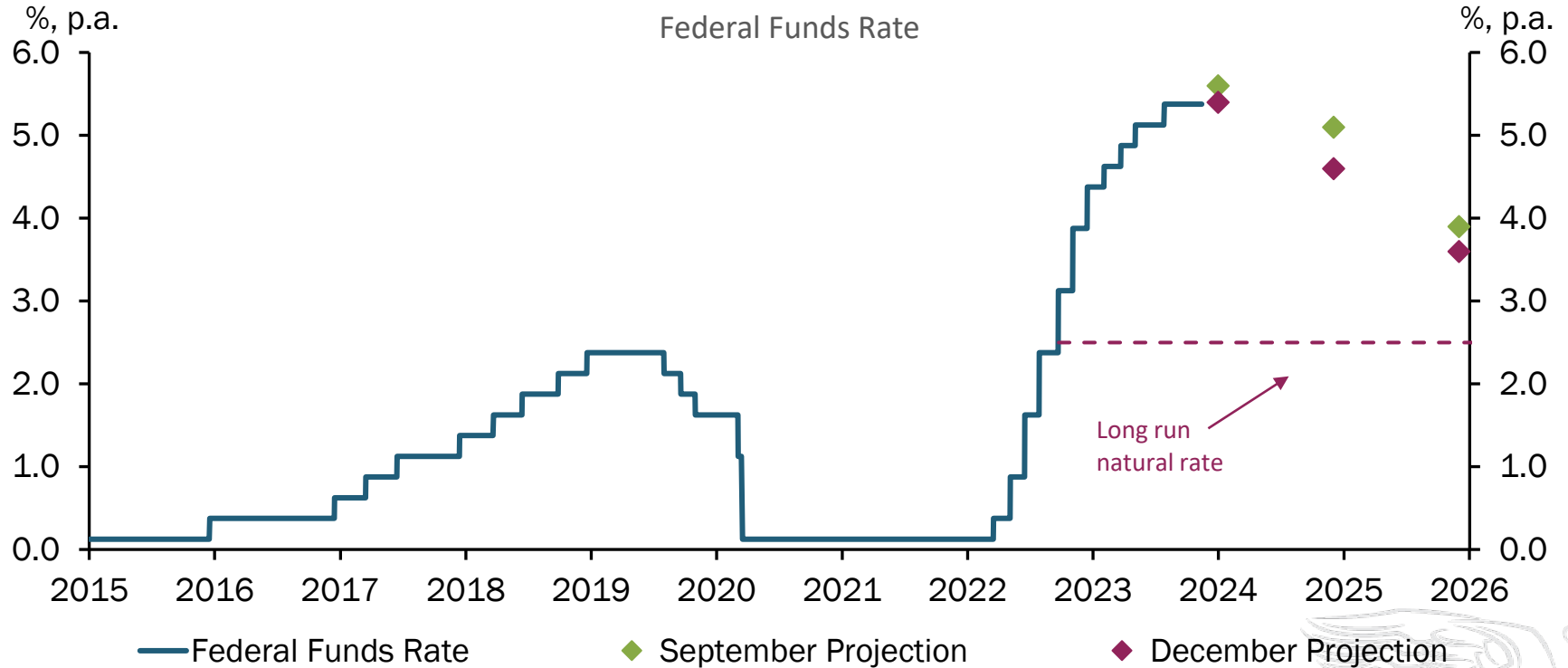
Credit card debt levels rose last year, but remain low relative to incomes



Commercial real estate activity is subdued across the region, but contacts report very different conditions across markets and property types



FOMC participants revised their projections for the appropriate stance of policy at the last meeting



Looking ahead

- Many of the supply shocks over the past year may not be repeated again this year, suggesting that demand factors may be more important in returning inflation to target going forward
- Consumer spending growth remains steady, but anecdotal information indicates that strength is waning
- Declines in new orders and backlogs suggest modest declines in business activity ahead



