

U.S. Economic Outlook: Toward Balance

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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.



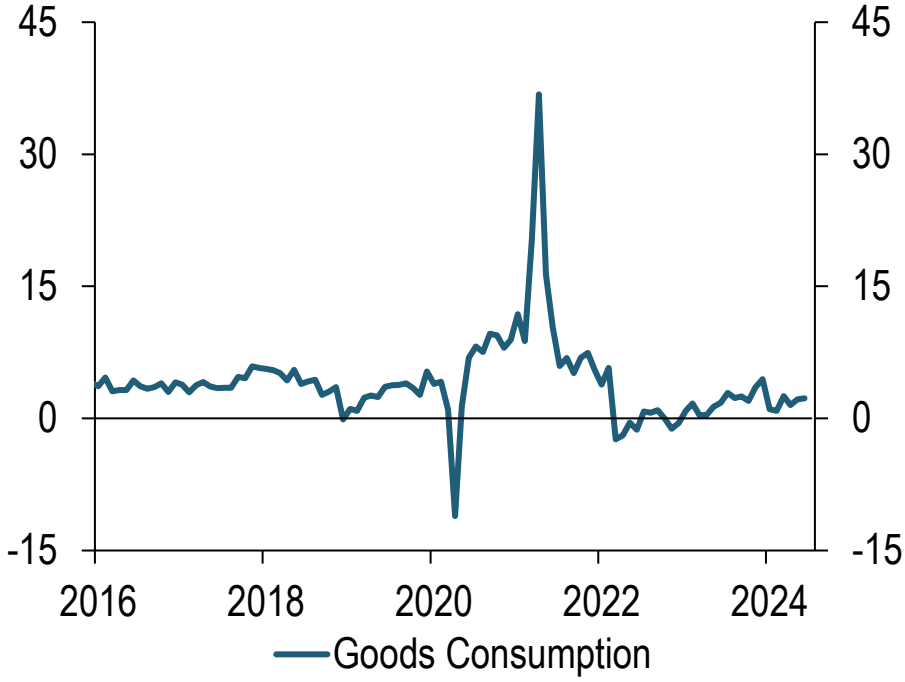
Key Themes

- After years of imbalances when excess demand over constrained supply led to inflationary pressures, many aspects of the national outlook are coming into better balance
- In addition to those fundamental aspects of the U.S. economy, the risks around the outlook are becoming more balanced relative to the Federal Reserve's mandates
- The stance of monetary policy remains restrictive, and the FOMC has stated that it is attentive to risks on both sides of its dual mandate

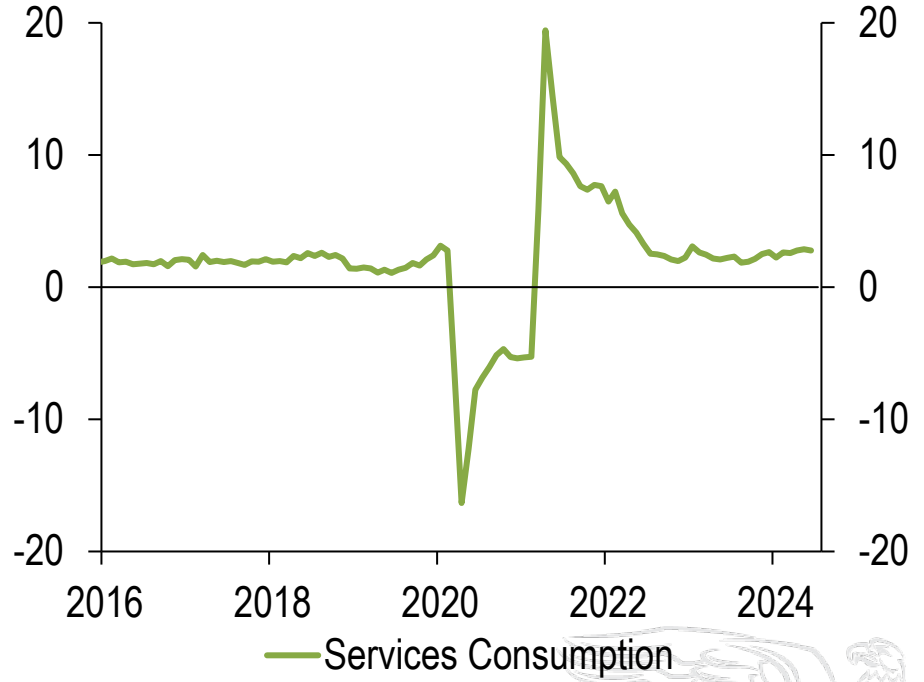


Consumer spending is coming back into balance between goods and services, with discretionary spending maintaining momentum

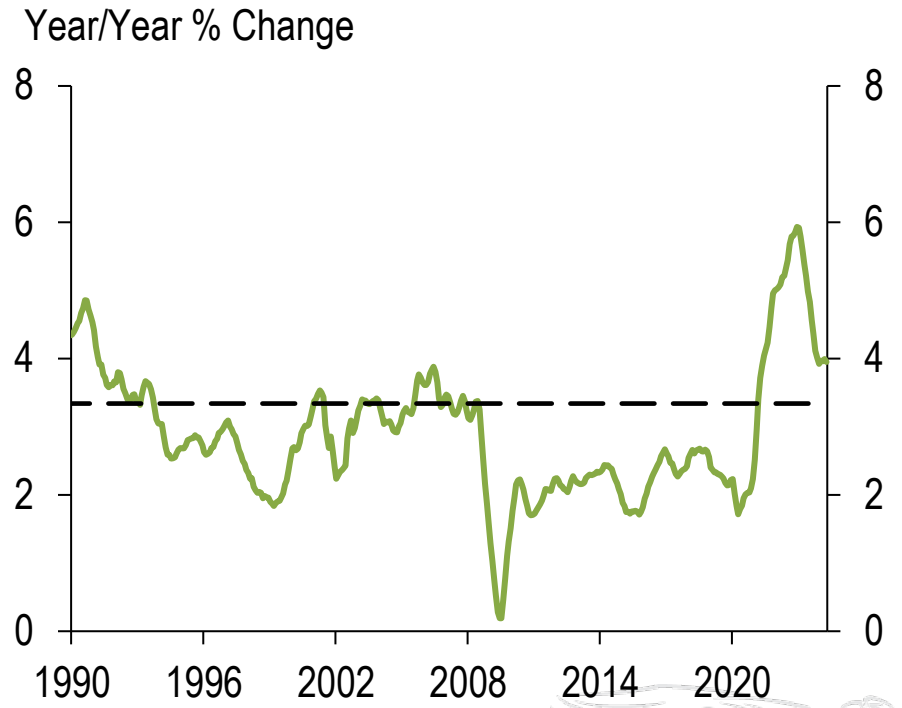
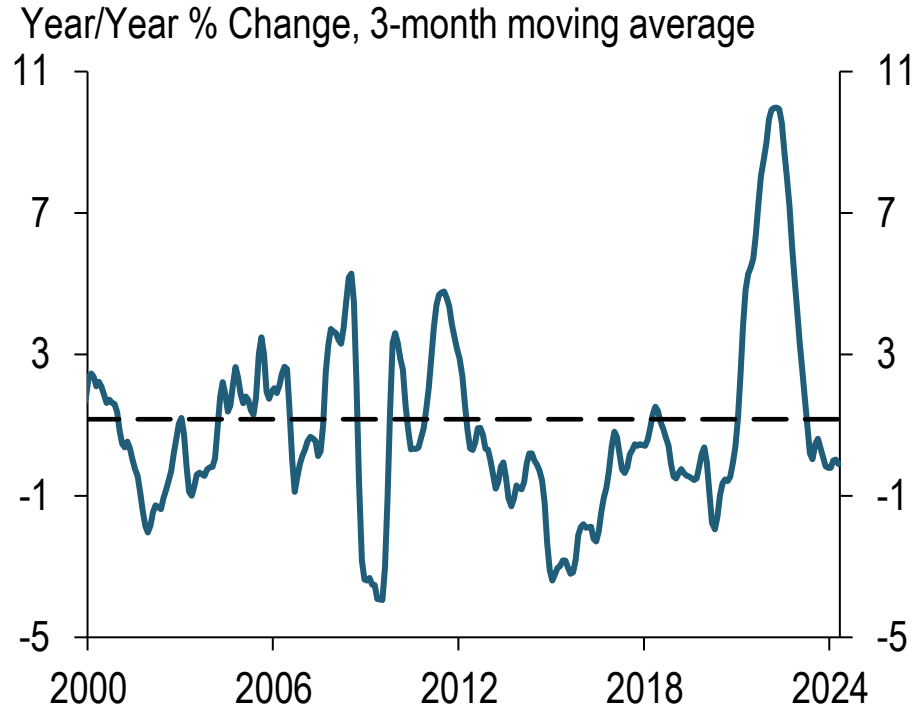
Year/Year % Change



Year/Year % Change



Accordingly, price growth among goods and services is more balanced around levels consistent with 2% inflation overall



— Goods Inflation

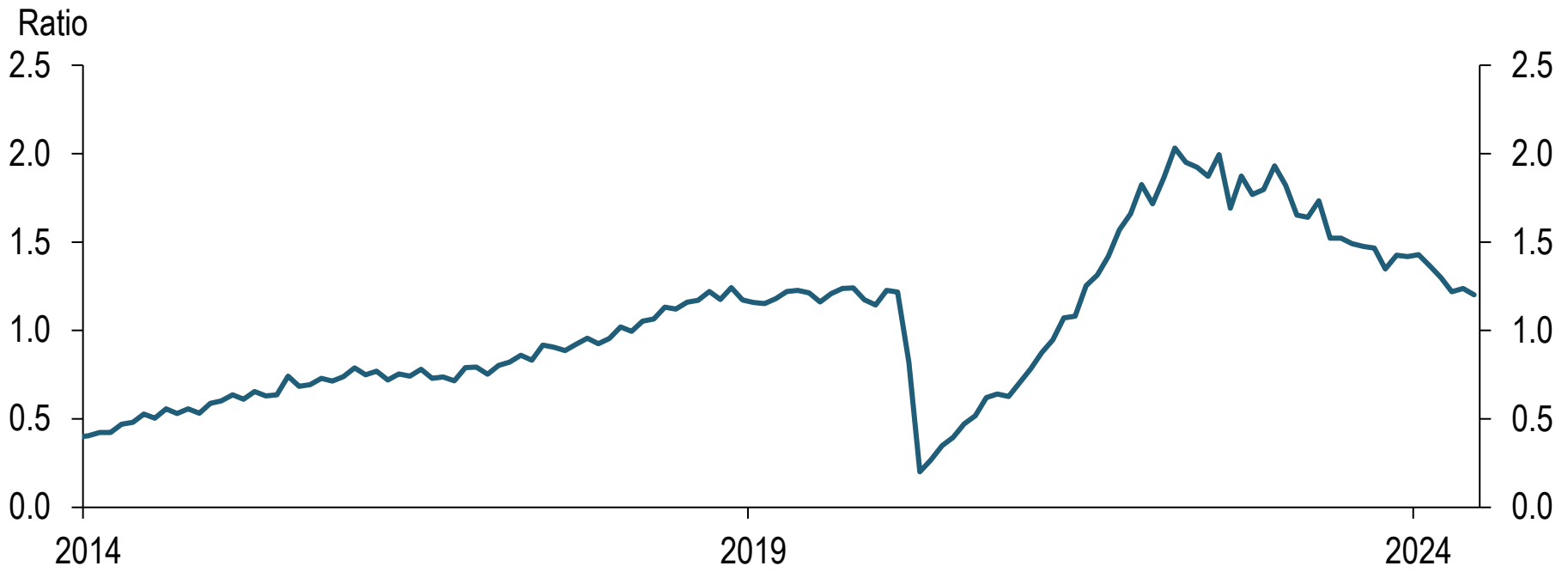
— Services Inflation

*Dashed lines denote 2003-2006 average

Sources: BEA, Haver Analytics

*Inflation measured in PCE

Job openings are more balanced relative to the number of job seekers



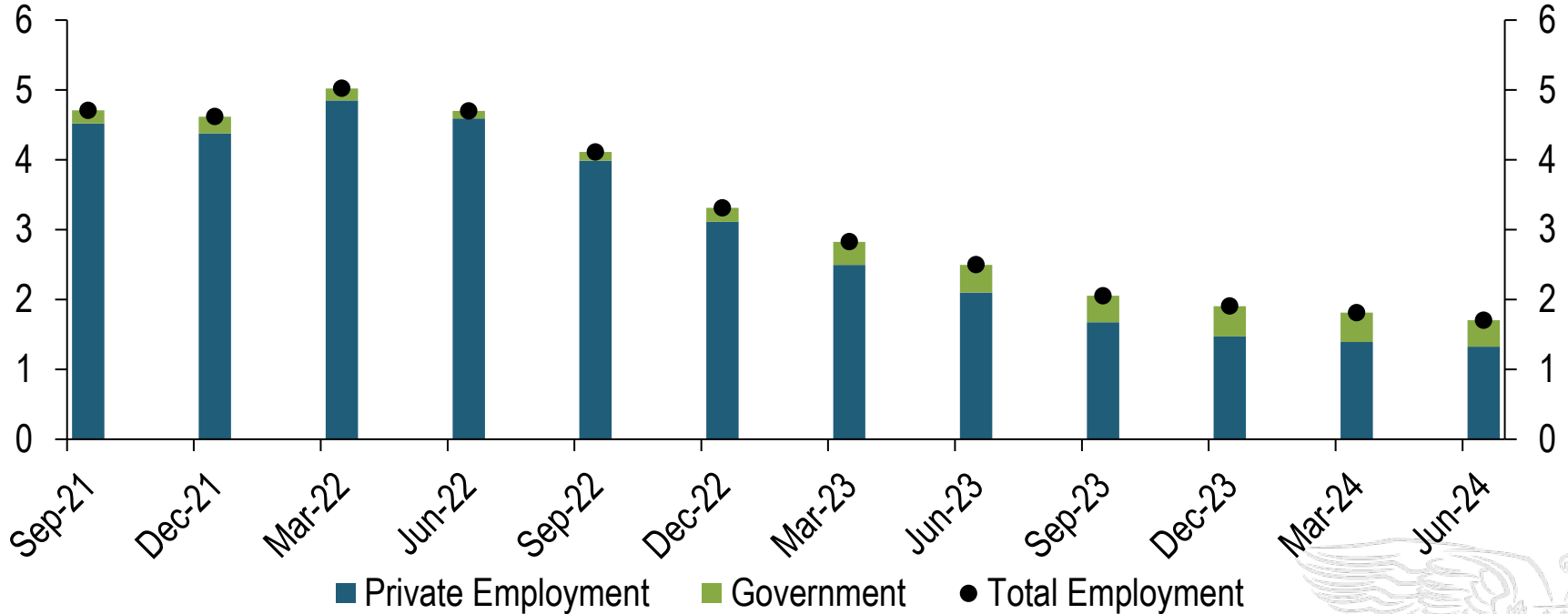
— Job Openings Per Each Unemployed Individual



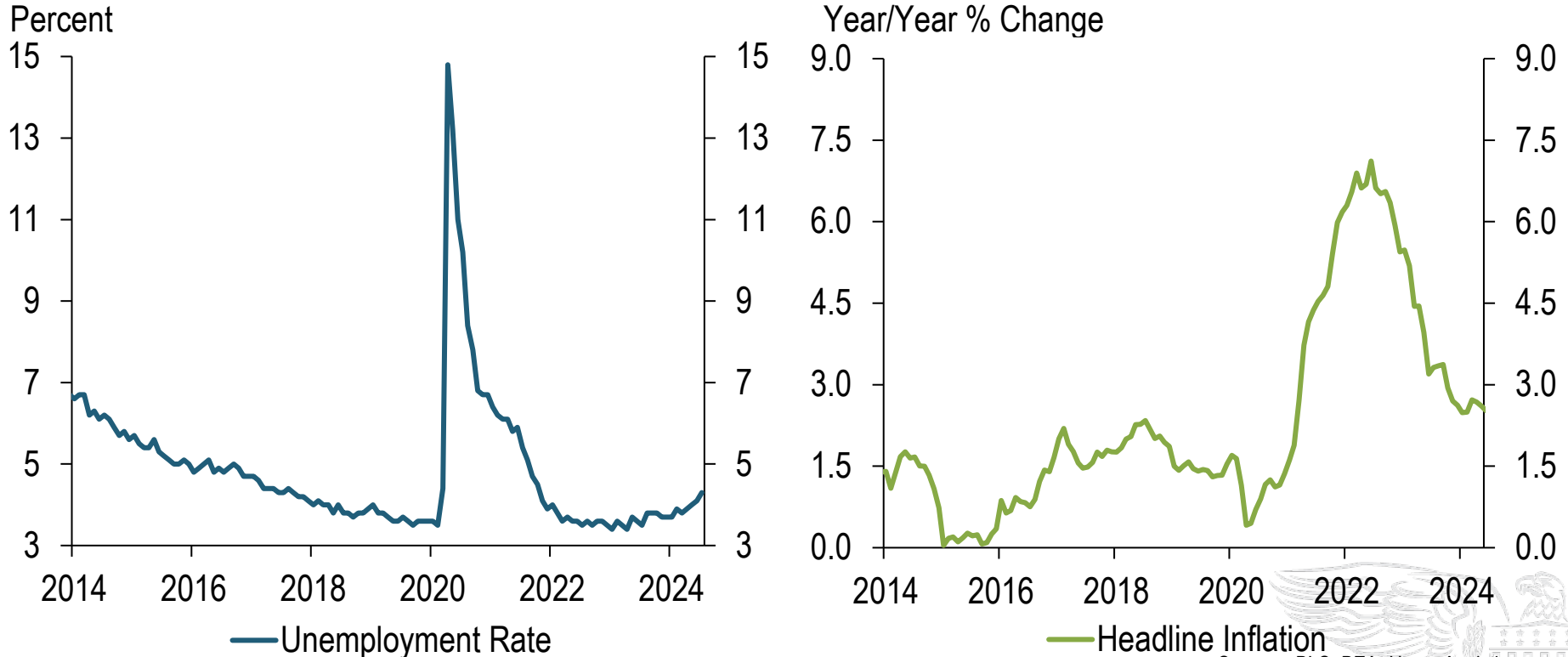
Sources: BLS, Haver Analytics

Job growth has slowed to a pace near what is needed to absorb new entrants into the labor market

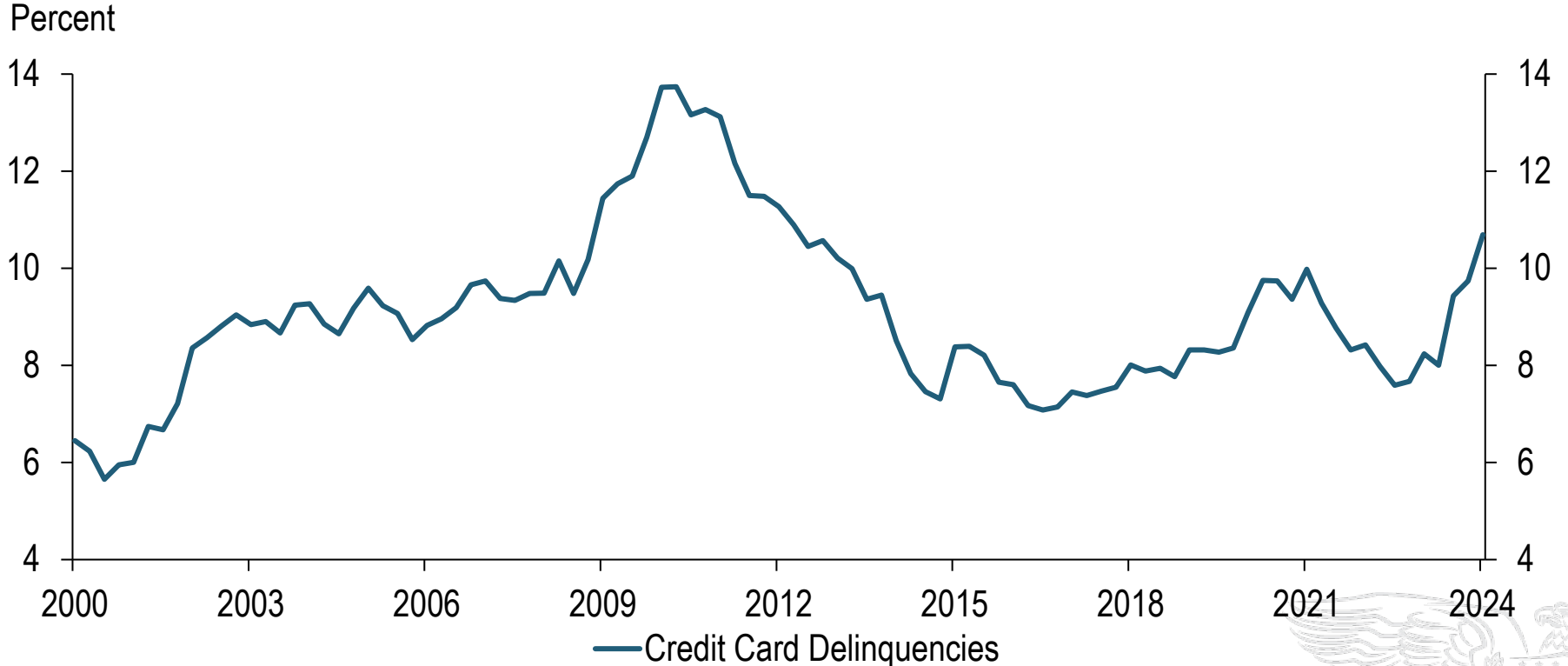
Year/Year % Change



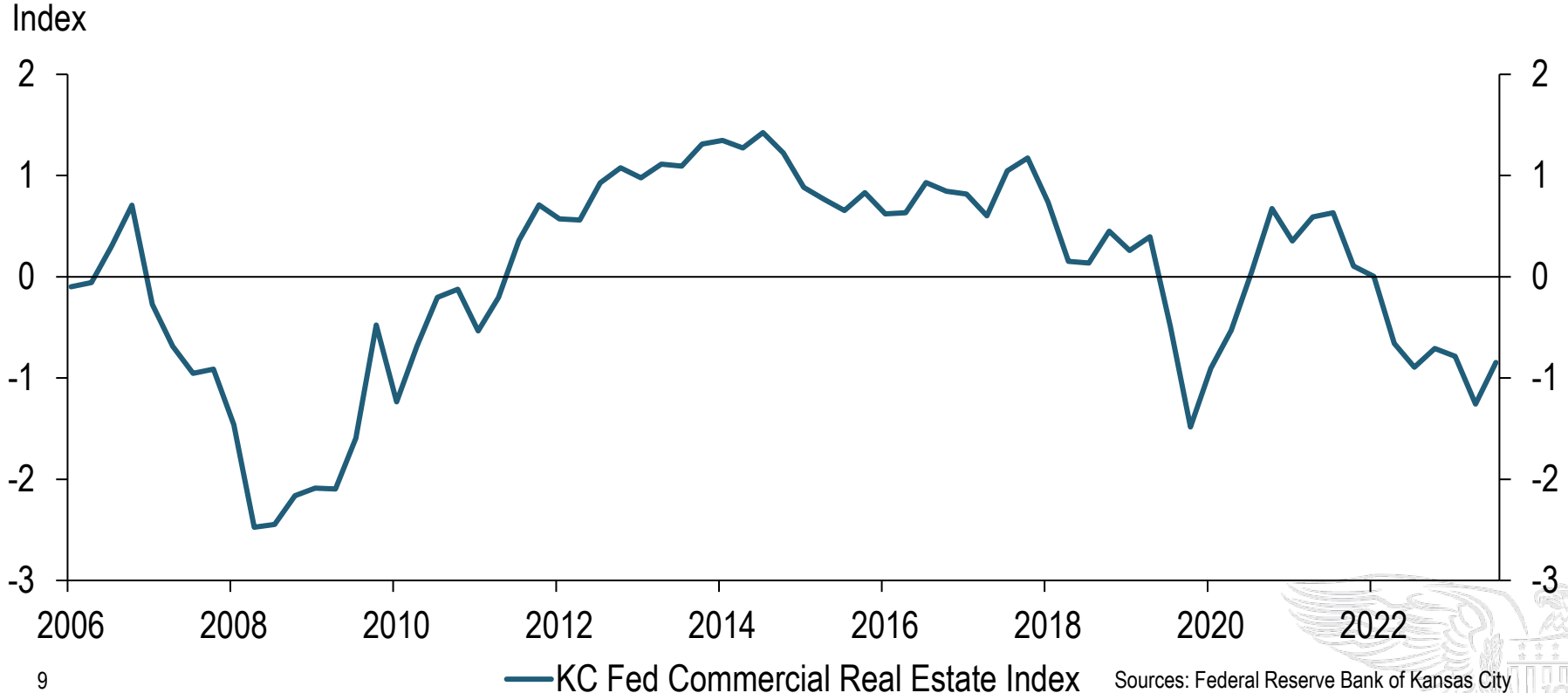
The risks to the outlook are also more balanced relative to the Fed's dual mandate: maximum sustainable employment and price stability



Credit card delinquencies have increased, particularly among lower credit score borrowers

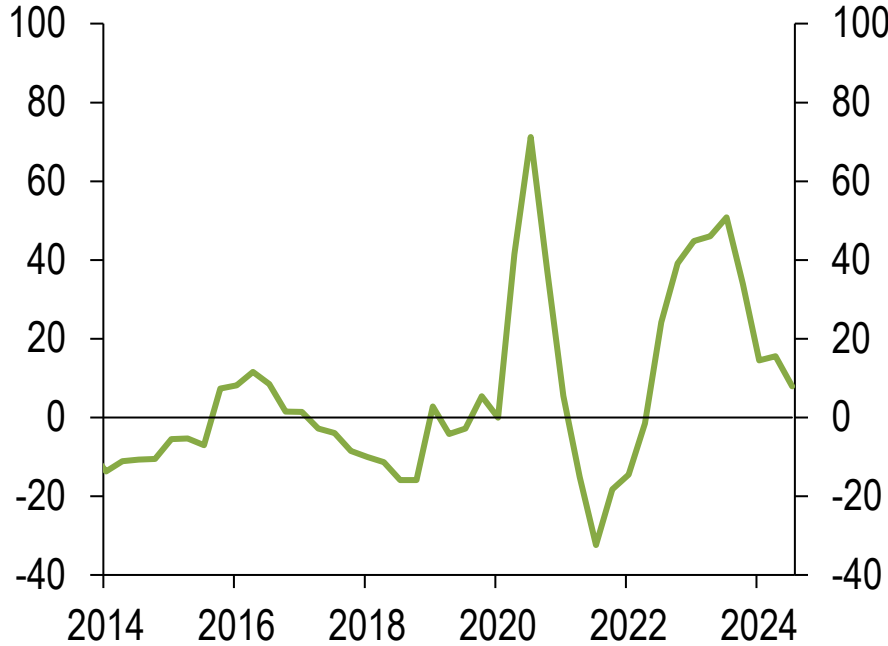


Commercial real estate activity remains subdued, with past due loans up slightly among multifamily and less desirable office properties



Credit standards remain tight and uncertainty about the path of interest rates has added to the restrictiveness of monetary policy

Net Percentage of Firms

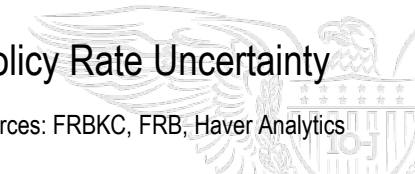


— Firms Tightening Standards for C&I Loans

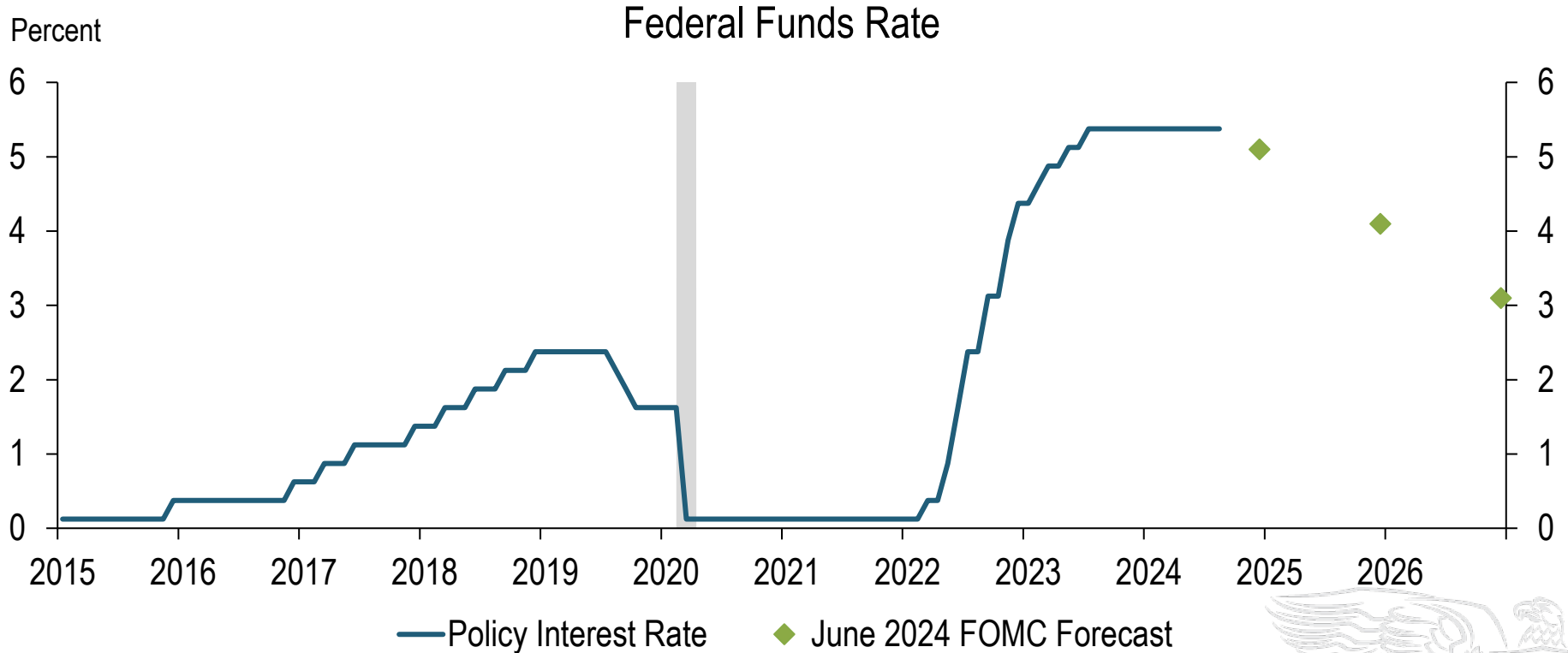
Annual Percentage



— Kansas City's measure of Policy Rate Uncertainty



The FOMC has kept policy in a restrictive stance for a year





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