Economic Developments and Monetary Policy Environment

Federal Reserve Bank of Chicago
Academic Advisory Council Meeting
October 20, 2023
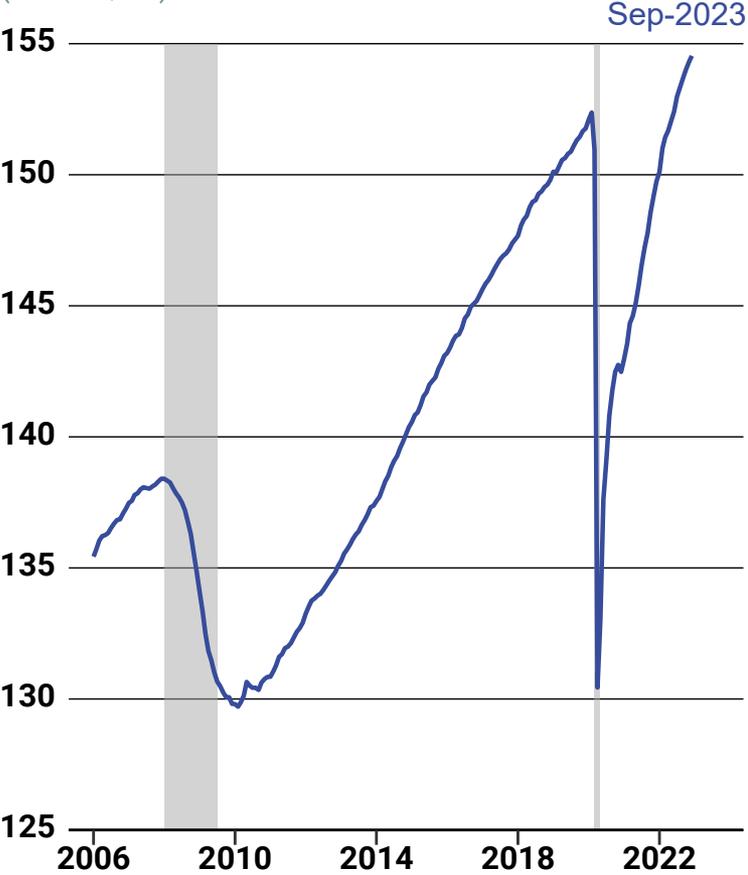
Spencer Krane
Senior Vice President
Federal Reserve Bank of Chicago

Labor market strong

Nonfarm payroll employment
(millions, SA)

Sep-2023

Source: BLS via Haver Analytics

Unemployment rate
(percent, SA)

Sep-2023

Source: BLS via Haver Analytics

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Labor force participation

Prime age (25-54 years old)
(percent, SA)

Sep-2023

Source: BLS via Haver Analytics

55 and older
(percent, SA)

Sep-2023

Source: BLS via Haver Analytics
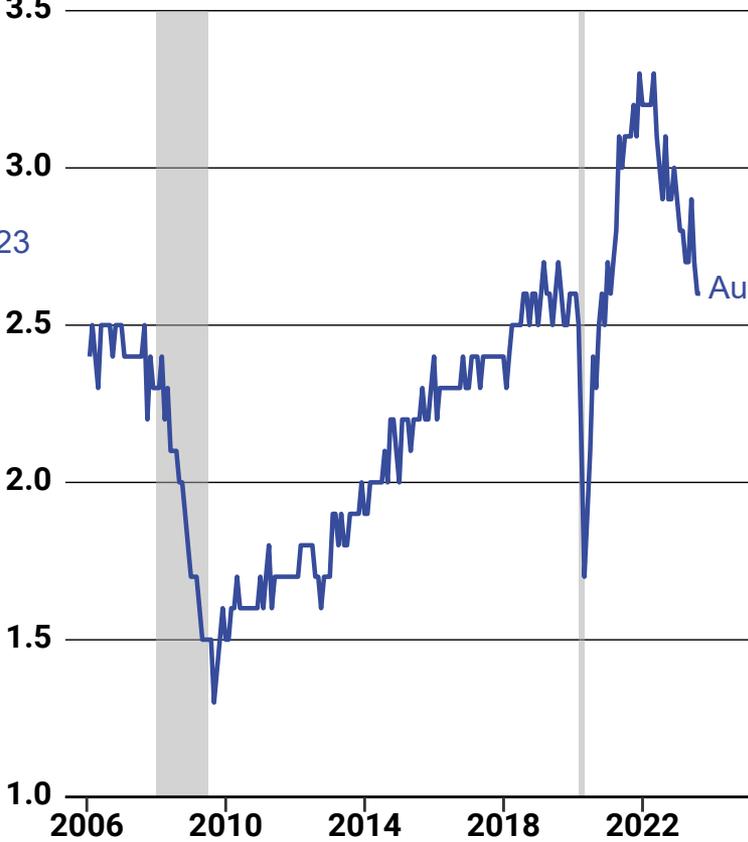
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Job openings and quits well off peaks

Job openings per unemployed worker
(Ratio)

Aug-2023
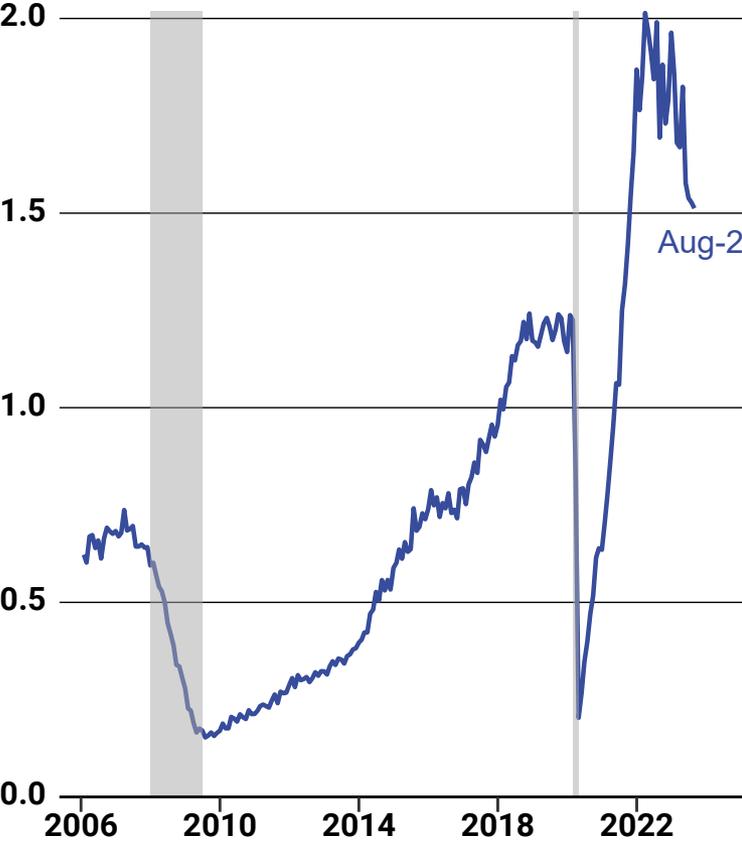
Source: BLS via Haver Analytics
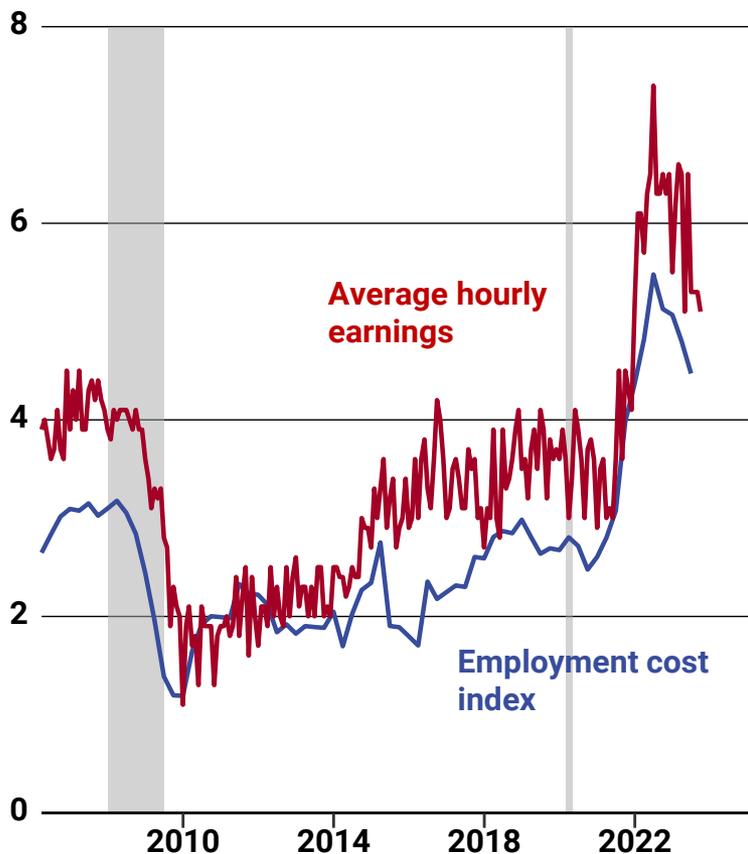
Quits rate
(Percent of employment, SA)

Aug-2023

Source: BLS via Haver Analytics

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Compensation and labor share

Compensation and wages
(12-month percent change, private workers)

Average hourly earnings

Employment cost index

Source: BLS via Haver Analytics

Compensation share of output
(Share)

Corporate

Nonfinancial corporate

2023:Q2

Source: BEA via Haver Analytics

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Household spending

Real Personal Consumption Expenditures
(Index, Feb-2020 = 100)
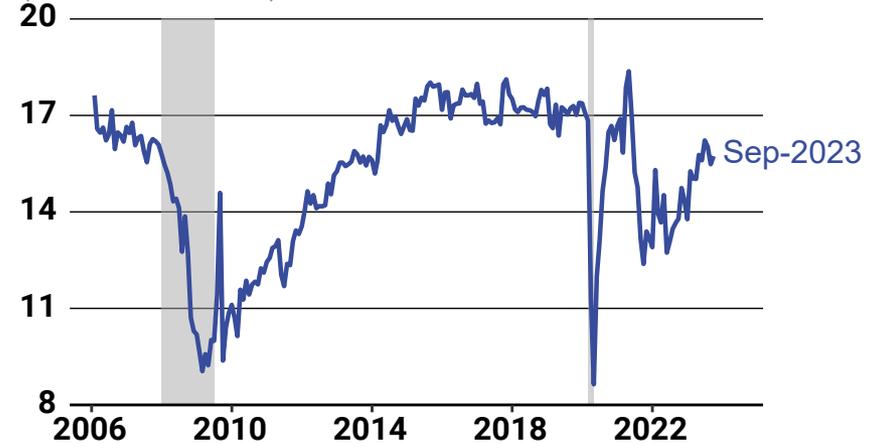

Goods

Total

Services

Aug-2023
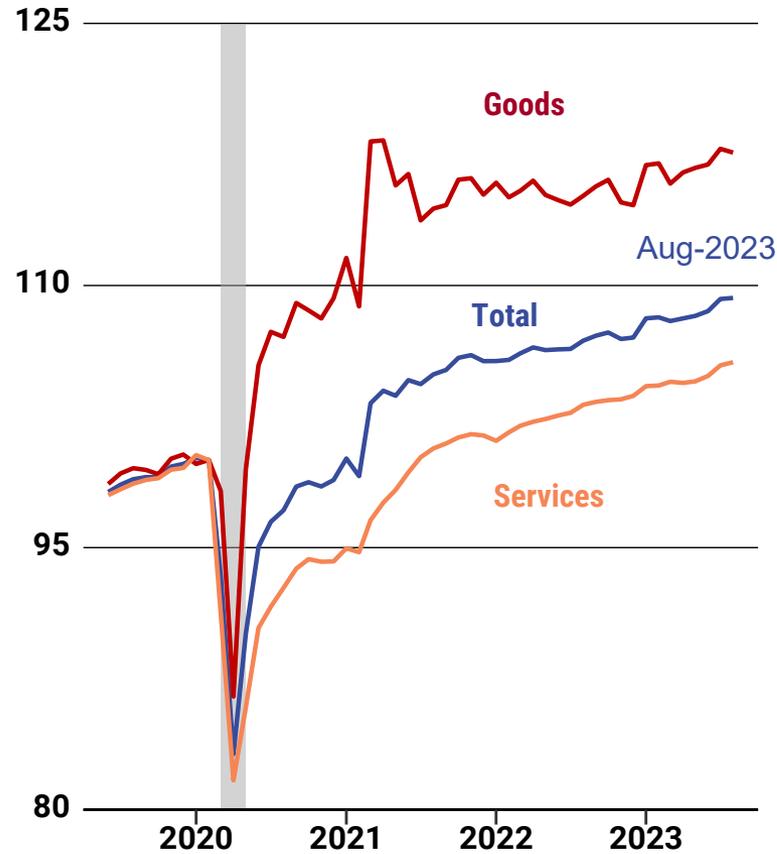
Source: BEA via Haver Analytics

Light vehicle sales
(million units, SAAR)

Sep-2023

Single family housing starts and permits
(millions, SAAR)

Aug-2023
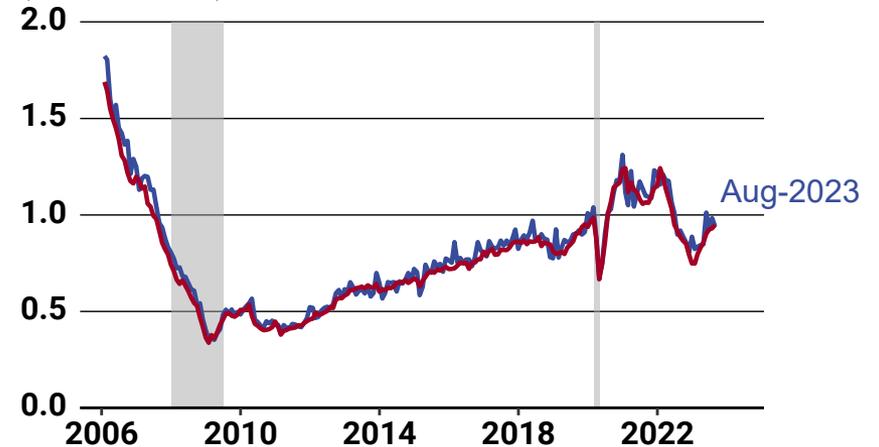
Source: Autodata and Census Bureau via Haver Analytics

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Household balance sheets

Personal saving rate
(percent of disposable income)

Pre-revision

Post-revision

Aug-2023
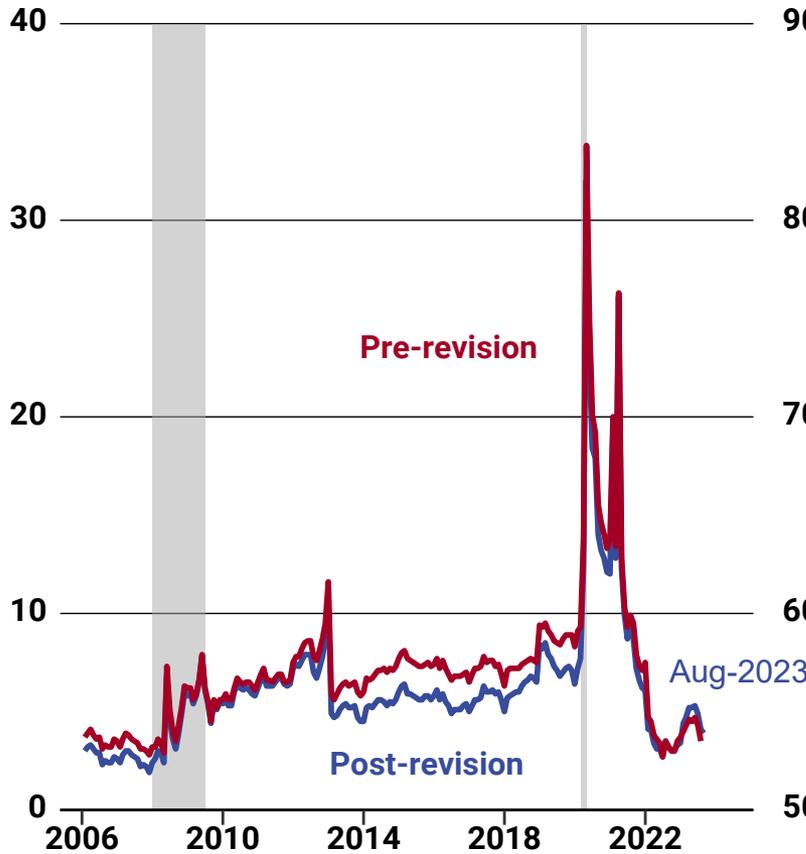
Source: Bureau of Economic Analysis via Haver Analytics

Households & nonprofit organizations net worth
(percent of disposable personal income, EOP)

2023:Q2

Source: Federal Reserve Board via Haver Analytics

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Nonresidential investment

Equipment and intellectual property
(bil. $ 2012, SAAR)
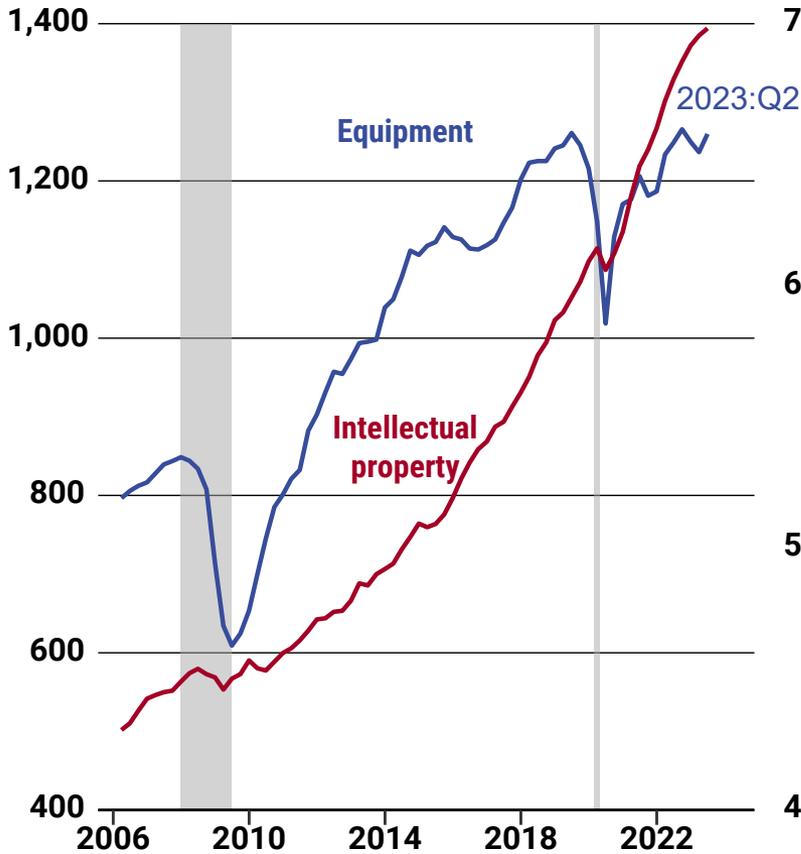
Structures
(bil. $ 2012, SAAR)

Source: Bureau of Economic Analysis via Haver Analytics

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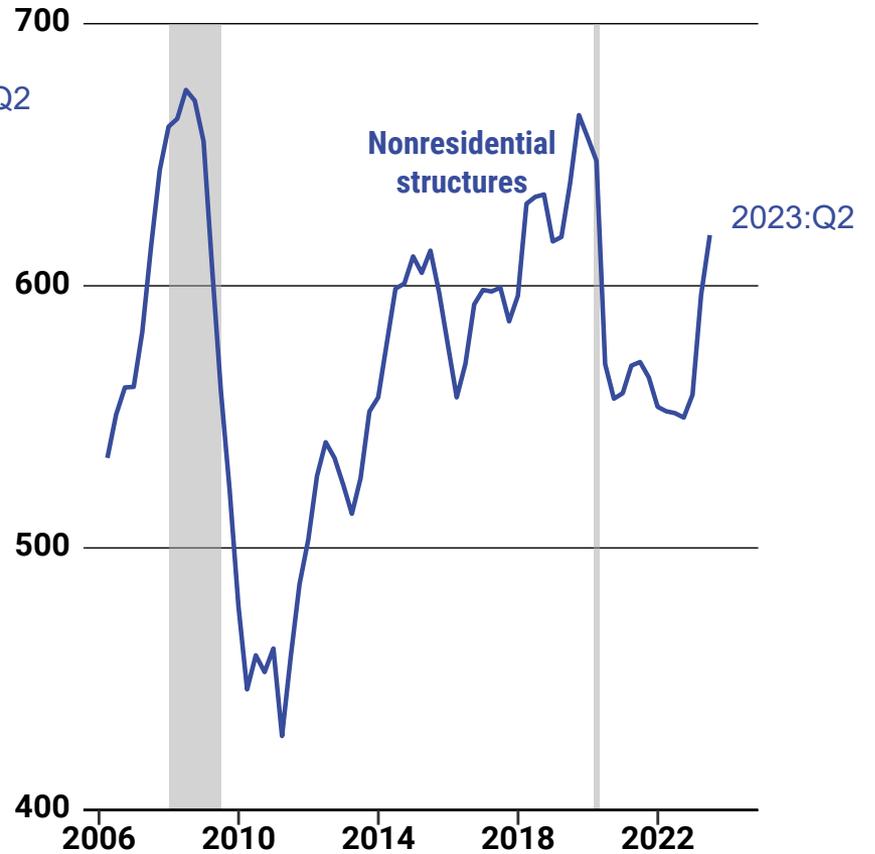
Business activity

Purchasing Managers Index

(above 50 is expansion)

Services

Manufacturing

Sep-2023
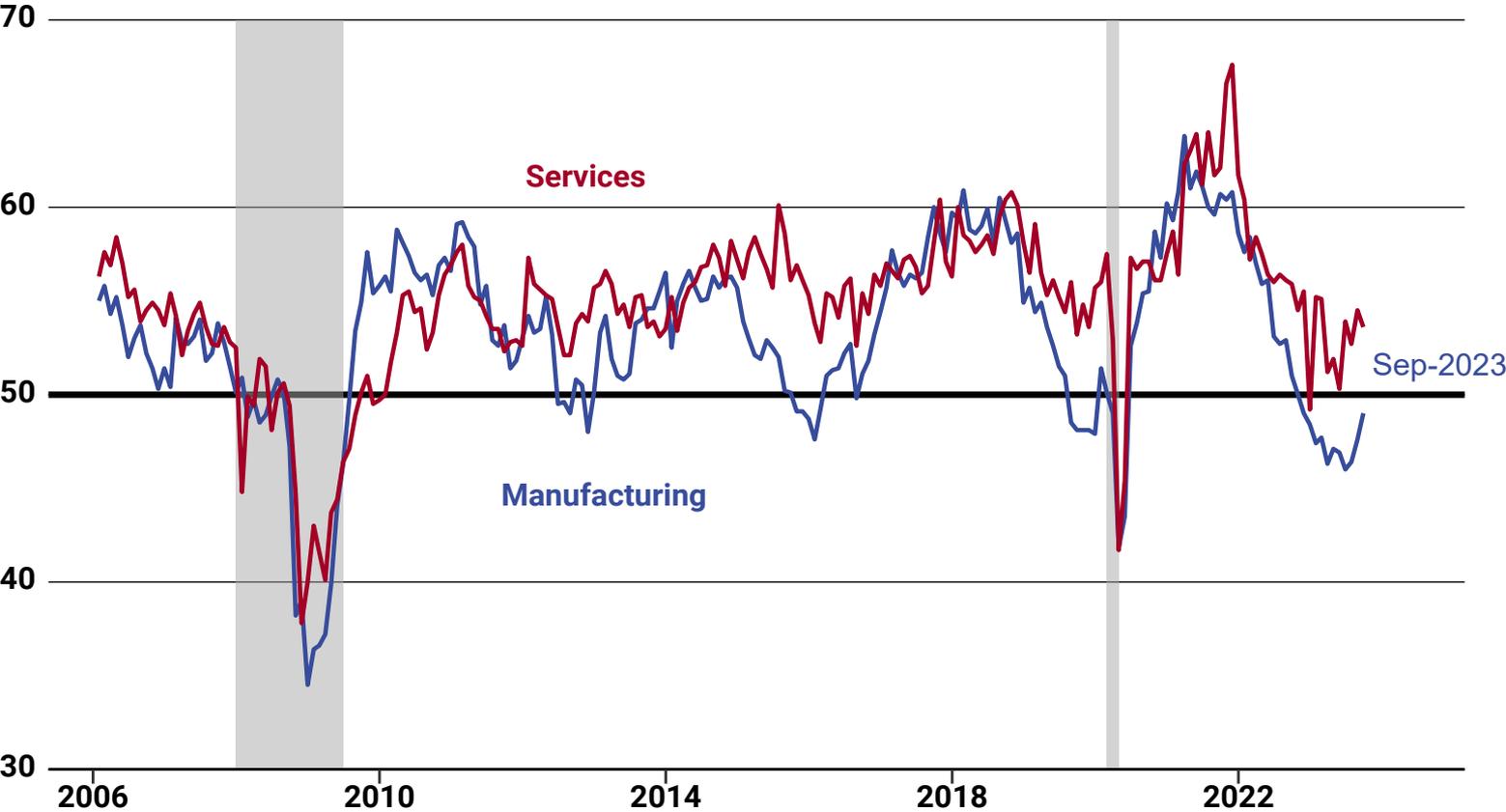
Source: Institute for Supply Management via Haver Analytics

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Global growth outlook little changed

IMF GDP Forecasts[1]	2022	2023	2024
Advanced Economies	**2.7**	**1.5**	**1.4**
April	*2.7*	*1.3*	*1.4*
Emerging Economies	**4.1**	**4.0**	**4.0**
July	*4.0*	*3.9*	*4.2*
United Kingdom	**4.0**	**0.5**	**0.6**
July	*4.0*	*-0.3*	*1.0*
Euro Area	**3.3**	**0.7**	**1.2**
July	*3.5*	*0.8*	*1.4*
China	**3.0**	**5.0**	**4.2**
July	*3.0*	*5.2*	*4.5*

[1] Percent change in average annual level of real GDP

Source: International Monetary Fund World Economic Outlook, (current) and April 2023

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Inflation cooling but still high (PCE prices)

PCE Price Index

(12-month percent change)
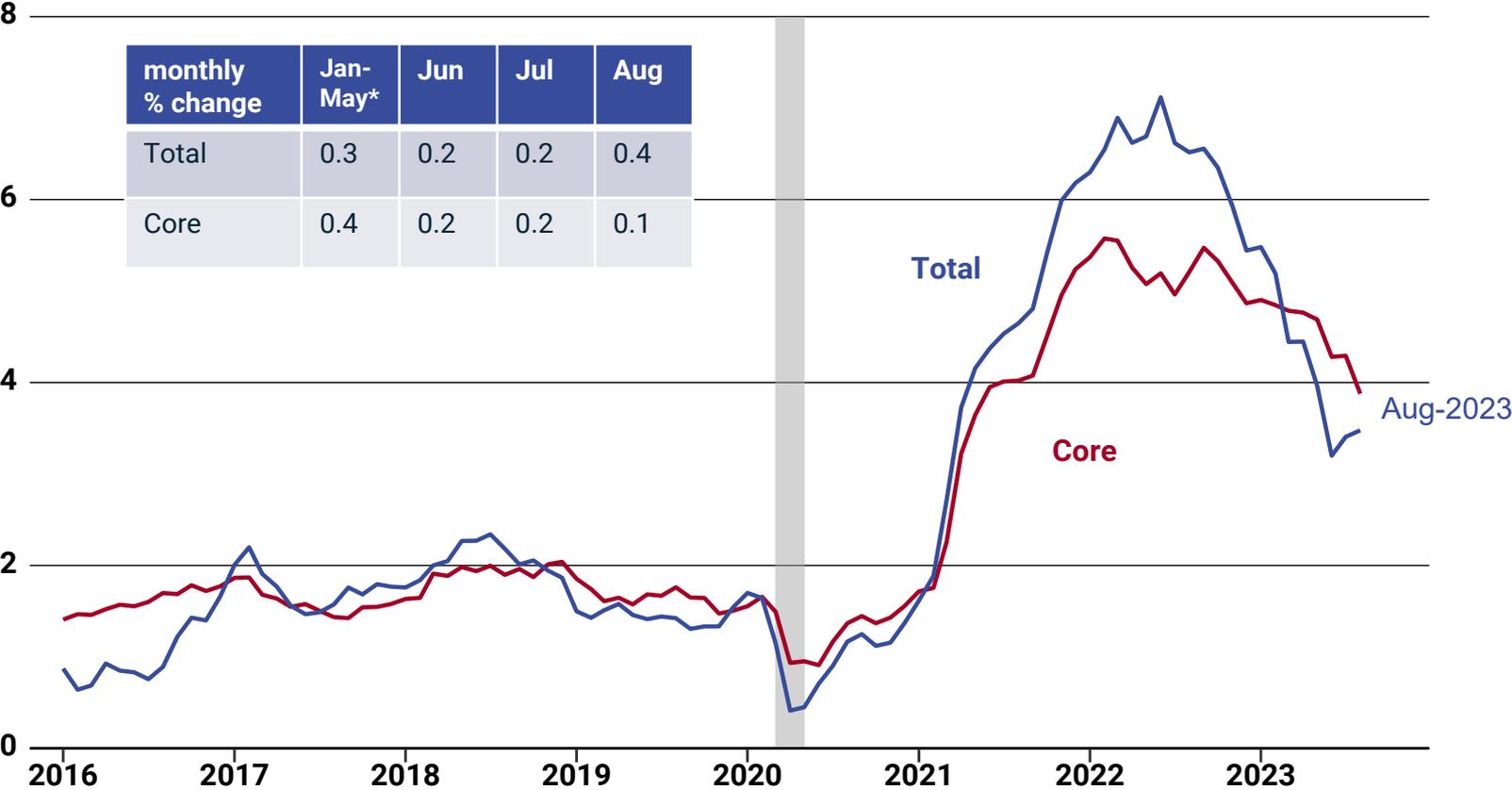
monthly % change	Jan-May*	Jun	Jul	Aug
Total	0.3	0.2	0.2	0.4
Core	0.4	0.2	0.2	0.1

Total

Core

Aug-2023

*Average monthly rate of inflation over the period
Source: BEA via Haver Analytics

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Inflation cooling but still high (CPI)

Consumer Price Index

(12-month percent change)
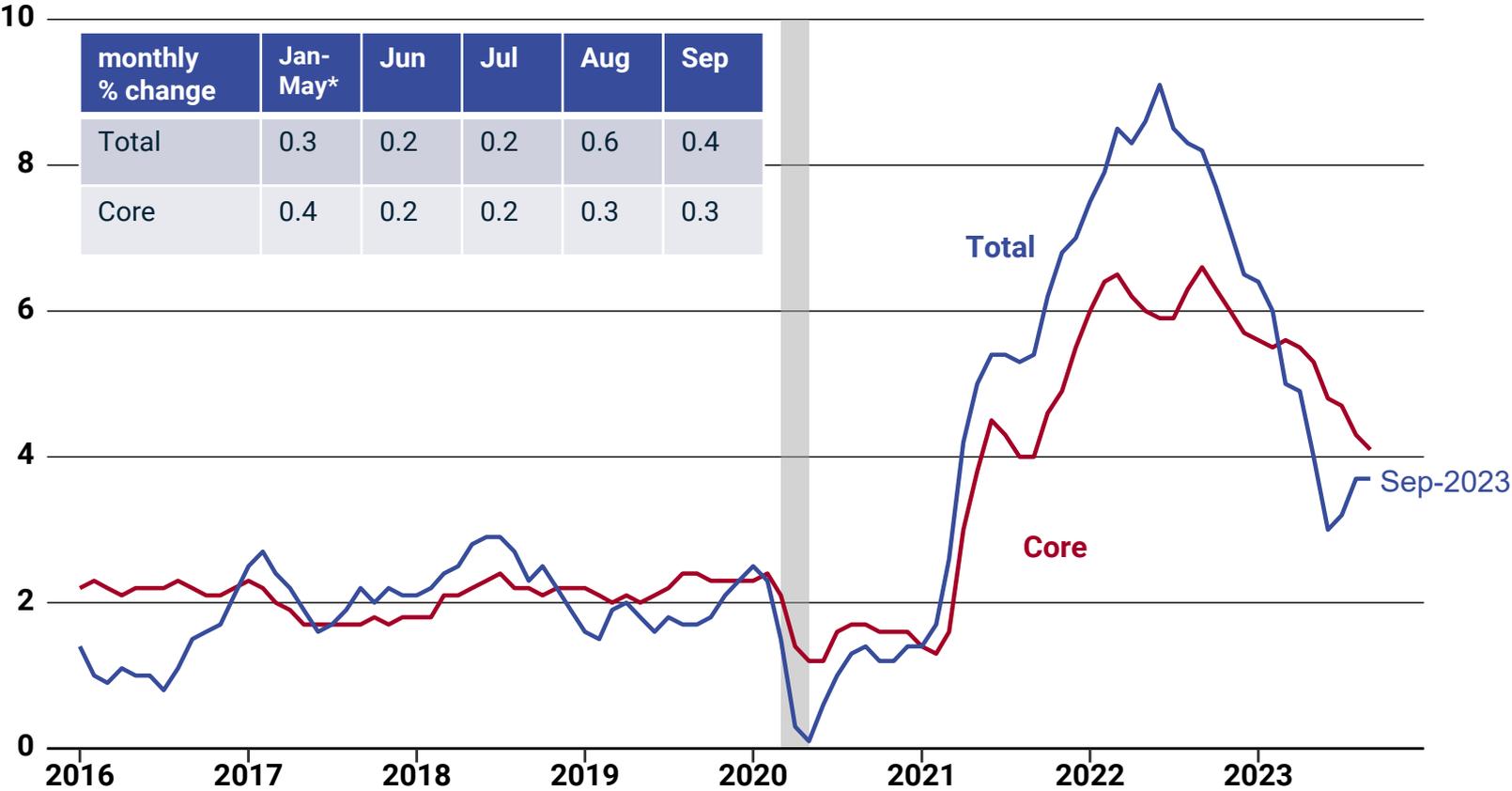
monthly % change	Jan-May*	Jun	Jul	Aug	Sep
Total	0.3	0.2	0.2	0.6	0.4
Core	0.4	0.2	0.2	0.3	0.3

*Average monthly rate of inflation over the period
Source: BEA via Haver Analytics

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Supply side repair and lower rents

Global Supply Chain Pressure Index
(Standard deviations from average)

Sep-2023

Source: FRBNY using data from BLS; Harper Petersen Holding GmbH; Baltic Exchange; IHS Markit; Institute for Supply Management; Haver Analytics; Refinitiv

CPI shelter and Zillow Observed Rent Index
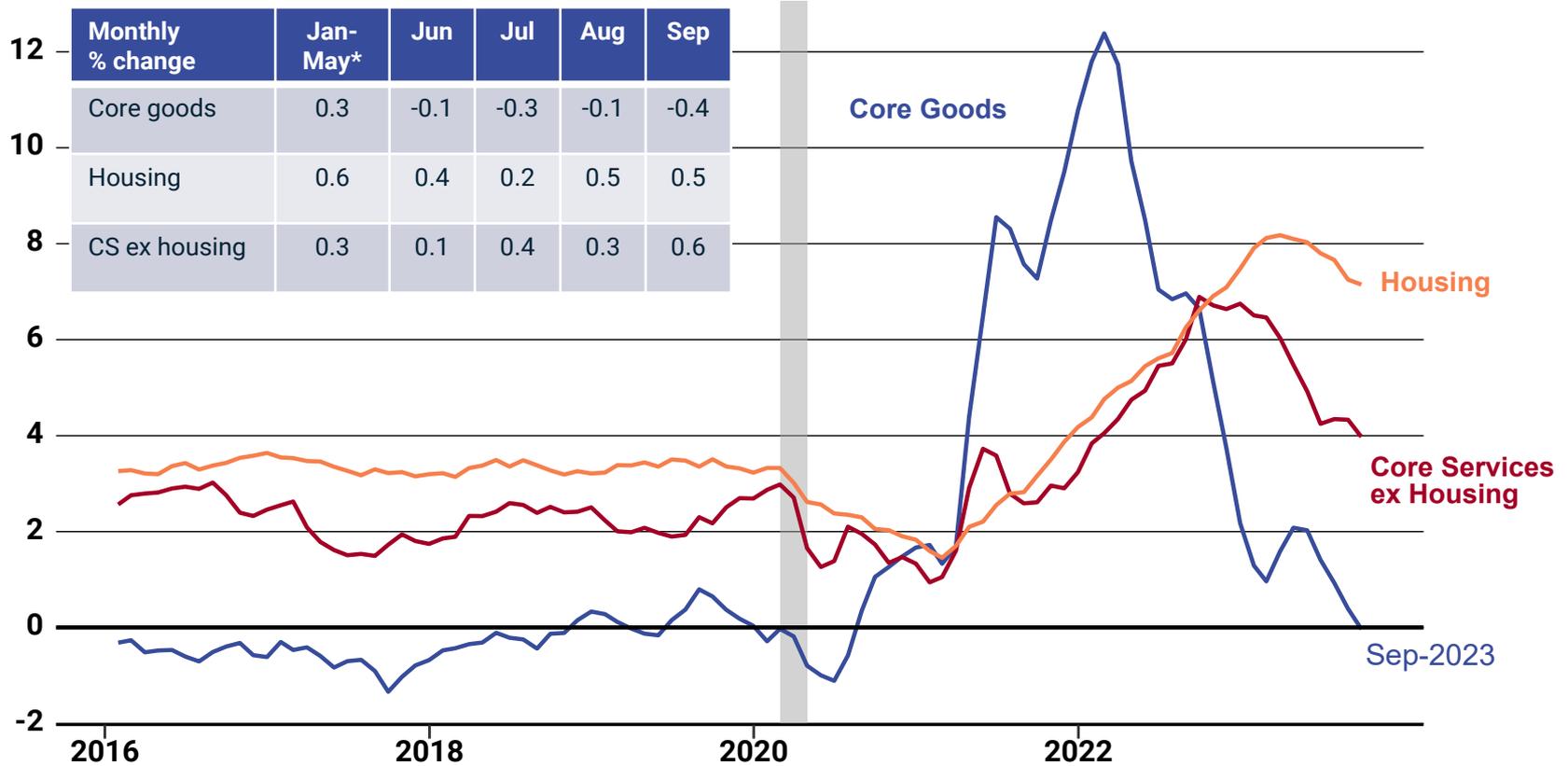(12-month percent change)

Zillow

Sep-2023

CPI Shelter

Source: BLS and Zillow via Haver Analytics

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Components of core CPI inflation

Core CPI inflation components

(12-month percent change)

Monthly % change	Jan-May*	Jun	Jul	Aug	Sep
Core goods	0.3	-0.1	-0.3	-0.1	-0.4
Housing	0.6	0.4	0.2	0.5	0.5
CS ex housing	0.3	0.1	0.4	0.3	0.6

*Average monthly rate of inflation over the period
Source: BEA via Haver Analytics

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Components of core PCE inflation

Core PCE inflation components

(12-month percent change)

| Monthly % change	Jan-May*	Jun	Jul	Aug
Core goods	0.3	-0.2	-0.5	0.0
Housing	0.6	0.5	0.5	0.4
CS ex housing	0.3	0.2	0.5	0.1
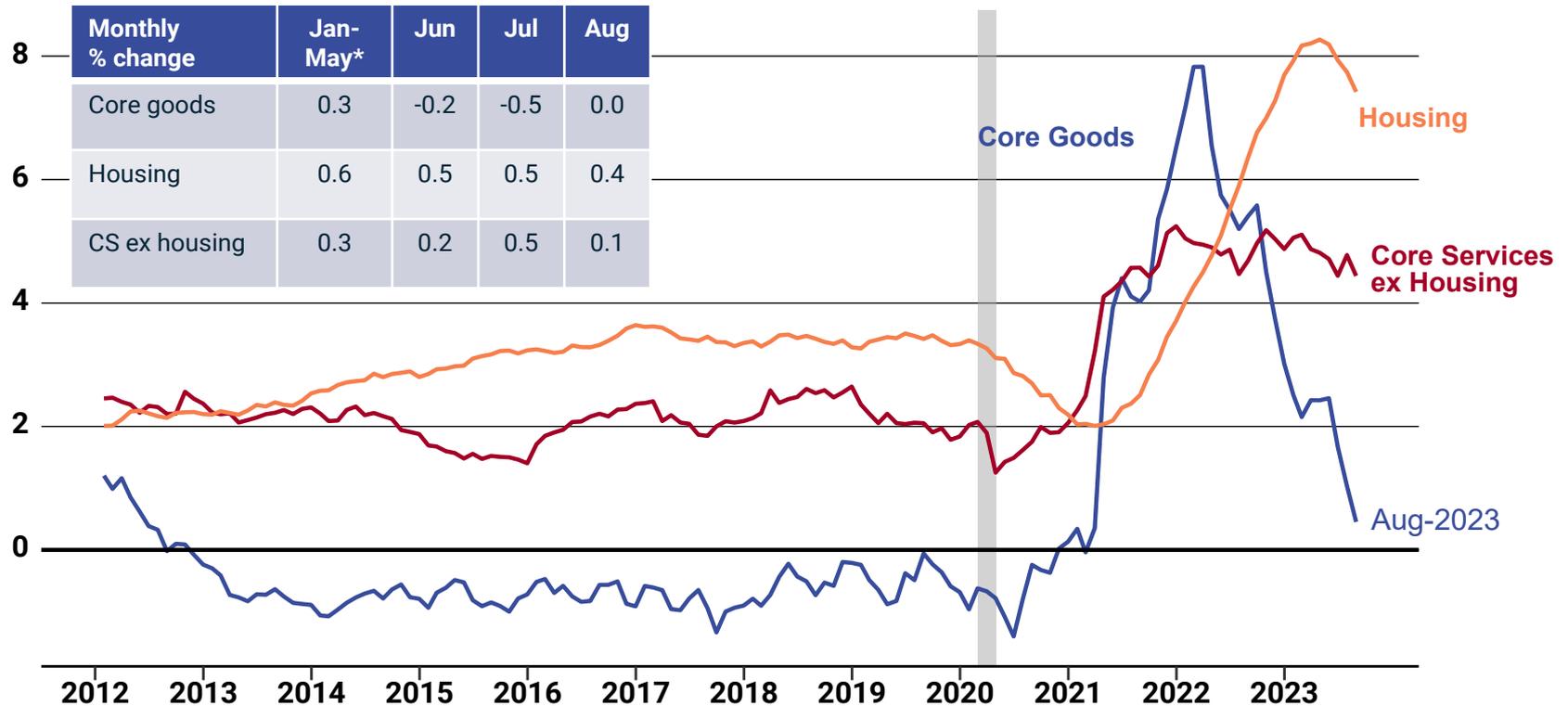
*Average monthly rate of inflation over the period
Note: Core goods are goods less food and beverages purchased for off-premise consumption and gasoline and other energy goods. Core services are services less electricity and gas. Food services are included, as is the case in BEA core PCE prices.
Source: BEA via Haver Analytics; staff calculations

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Inflation expectations

Michigan Survey of inflation expectations
(Percent)

1 year ahead

Oct-2023

5-10 years ahead
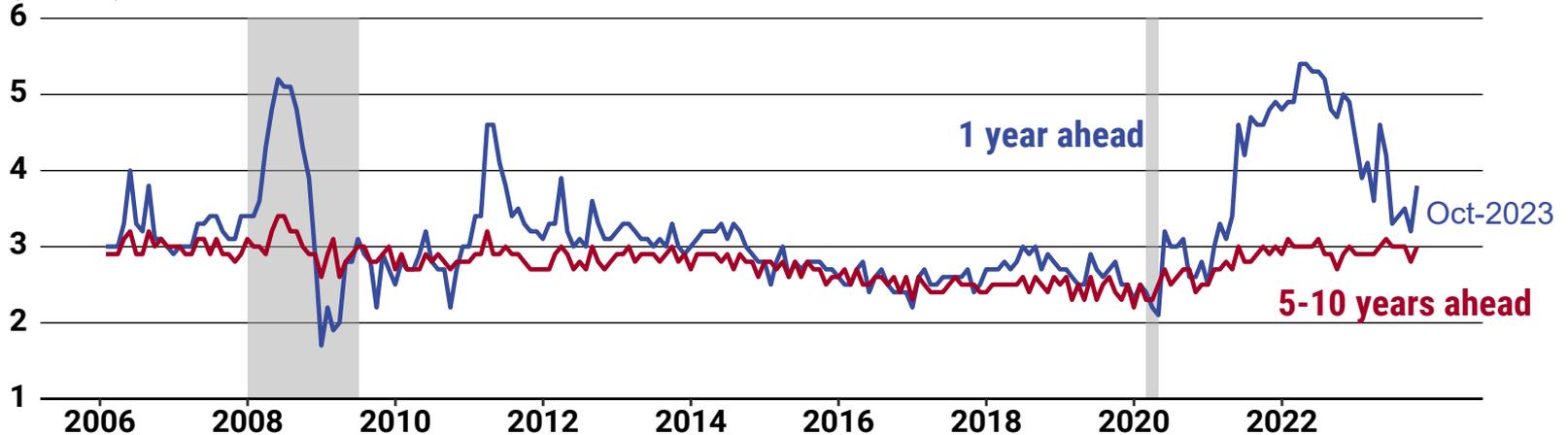
Source: University of Michigan via Haver Analytics

TIPS inflation compensation
(Percent)

5 years ahead

2023-10-16

5-10 years ahead

Source: Board of Governors of the Federal Reserve System

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Banking concerns: selected stock prices

Bank Stock Prices
(Index, March 2022 = 100)

SPDR Regional Banks ETF

KBW Bank Index
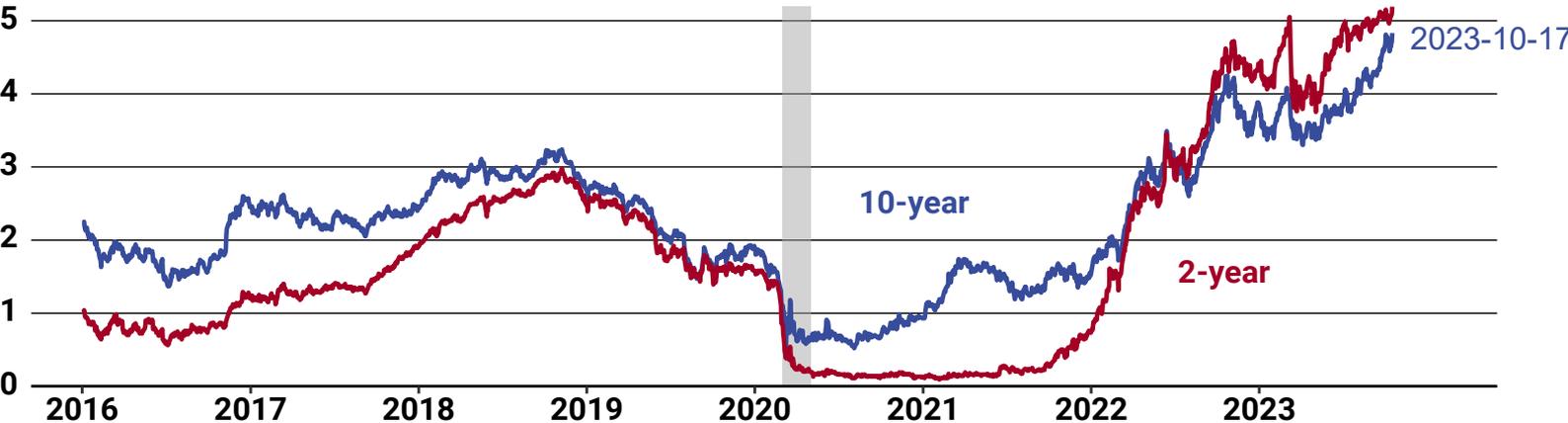
Source: Yahoo! Finance

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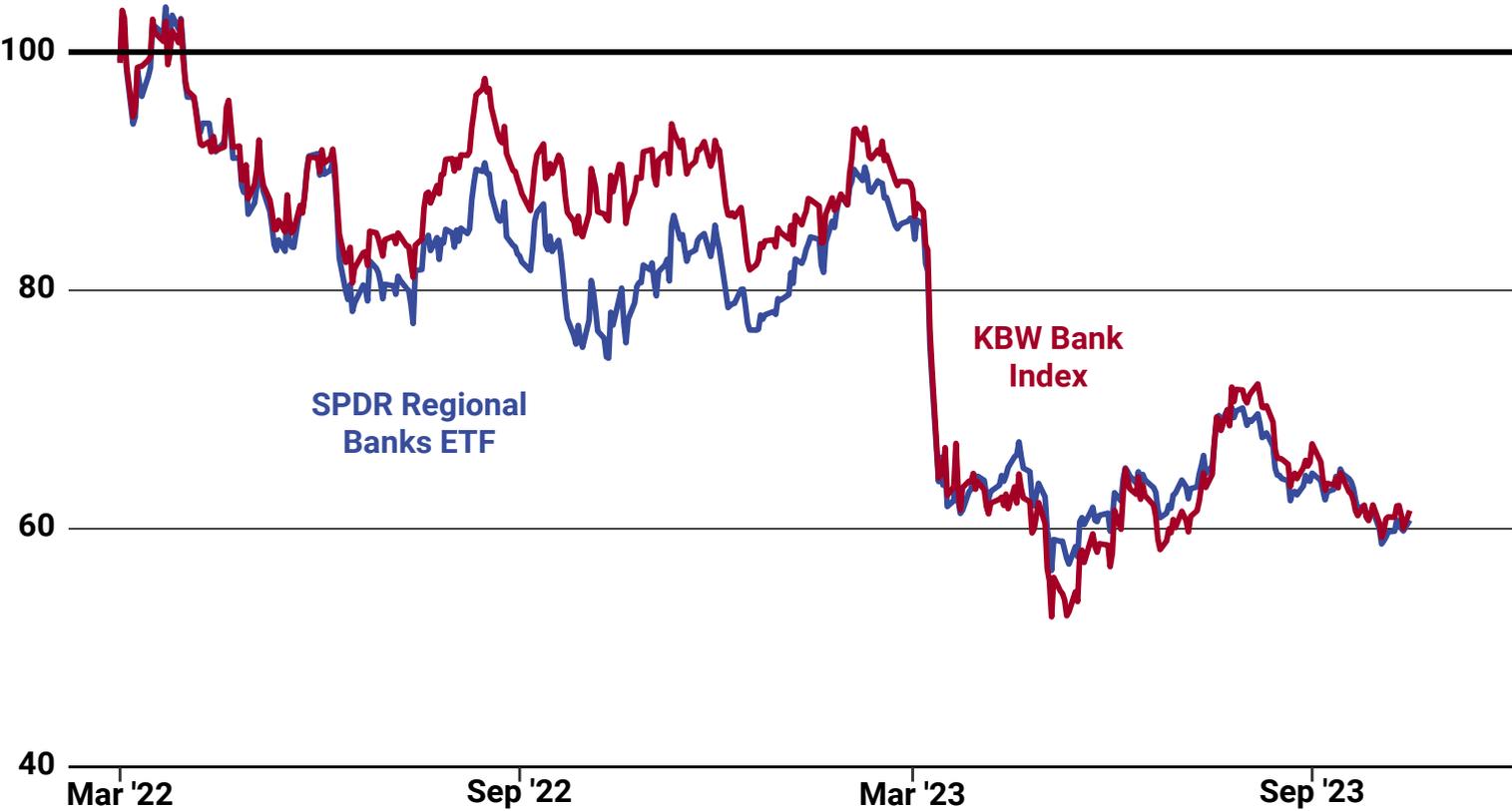
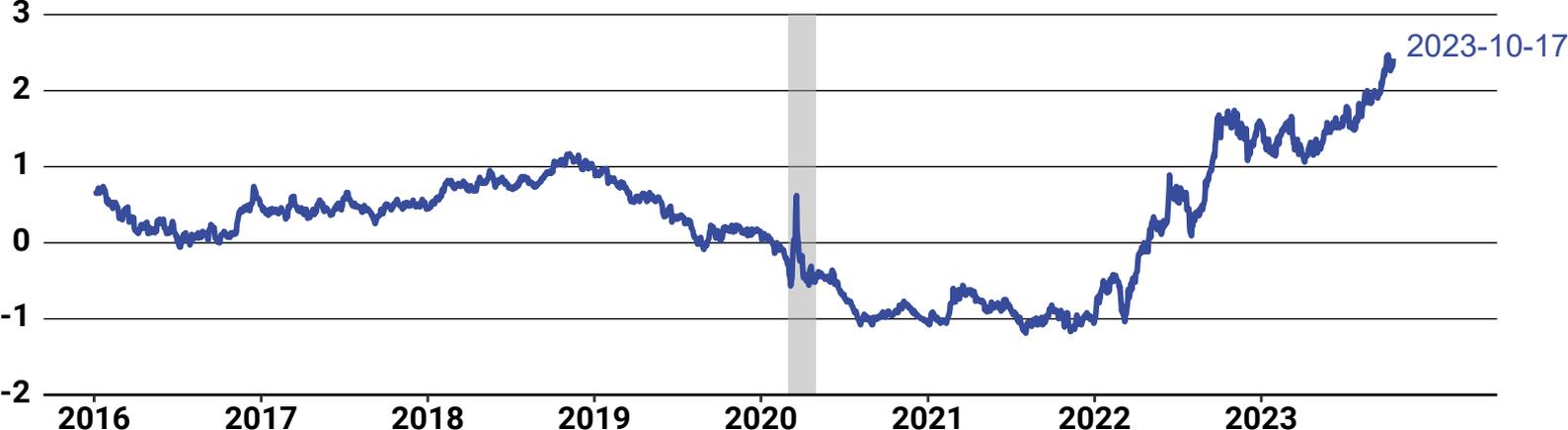# Treasury yields up

Treasury yields
(Percent)

Source: Board of Governors of the Federal Reserve System via Haver Analytics
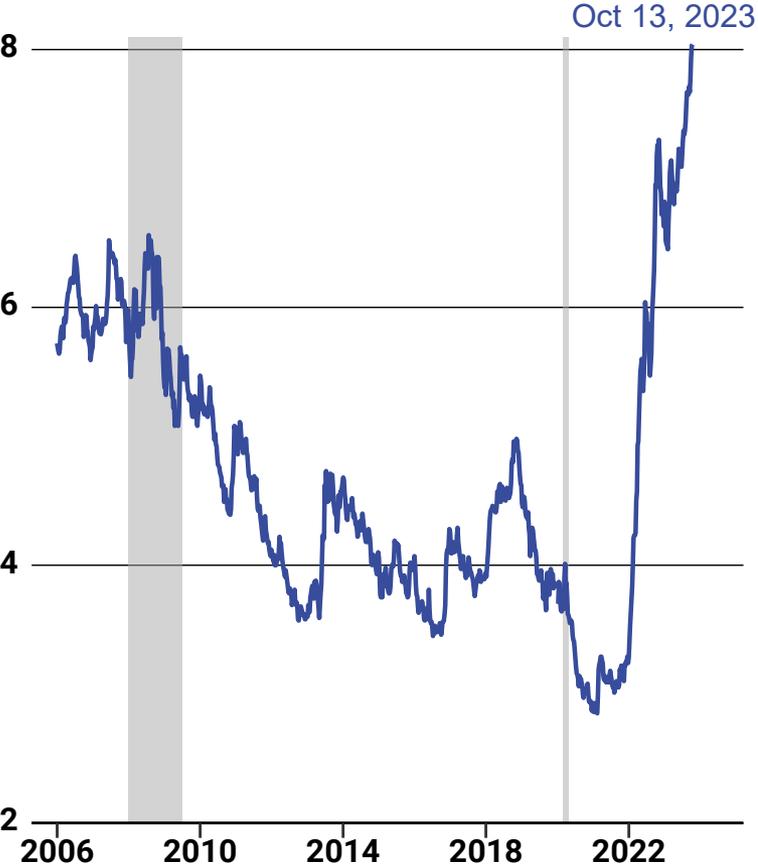
10-Year TIPS yield
(Percent)

Source: Board of Governors of the Federal Reserve System via Haver Analytics
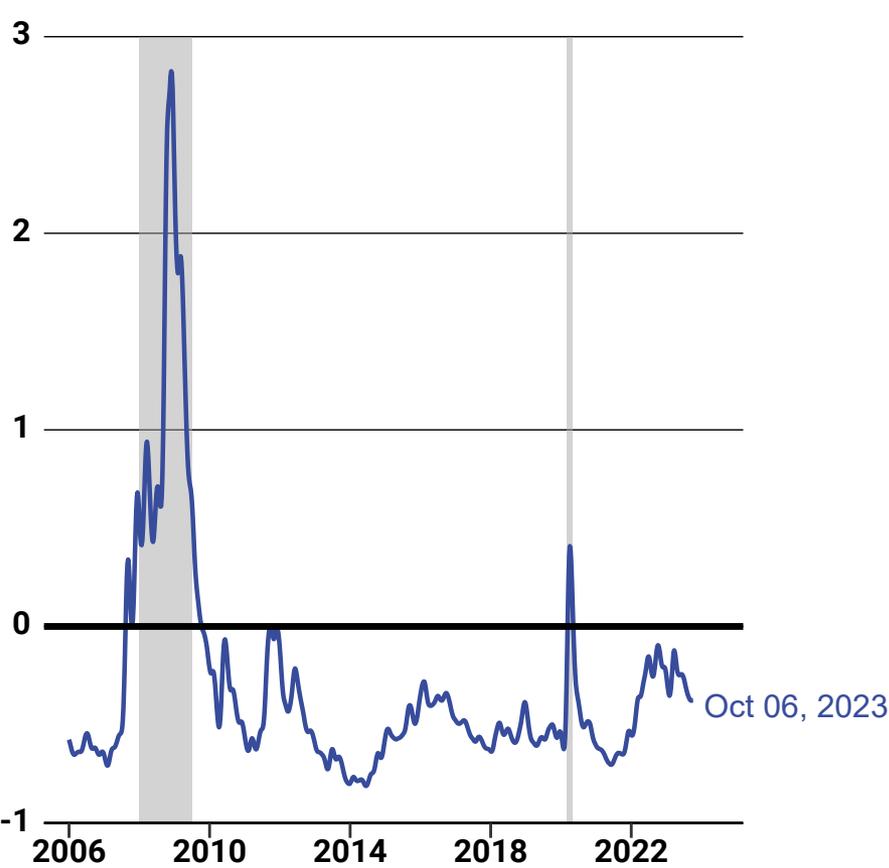
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Other financial market developments, cont.

30-year fixed mortgage rate
(percent)

Oct 13, 2023

Source: Wall Street Journal via Haver Analytics

Chicago Fed National Financial Conditions Index
(>0 indicates tighter than average)

Oct 06, 2023

Source: Federal Reserve Bank of Chicago from Haver Analytics

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Fed funds rate path

Median SEP federal funds rate projection

(Percent)

September 2023 SEP

October 16

Historical

Longer-run projection
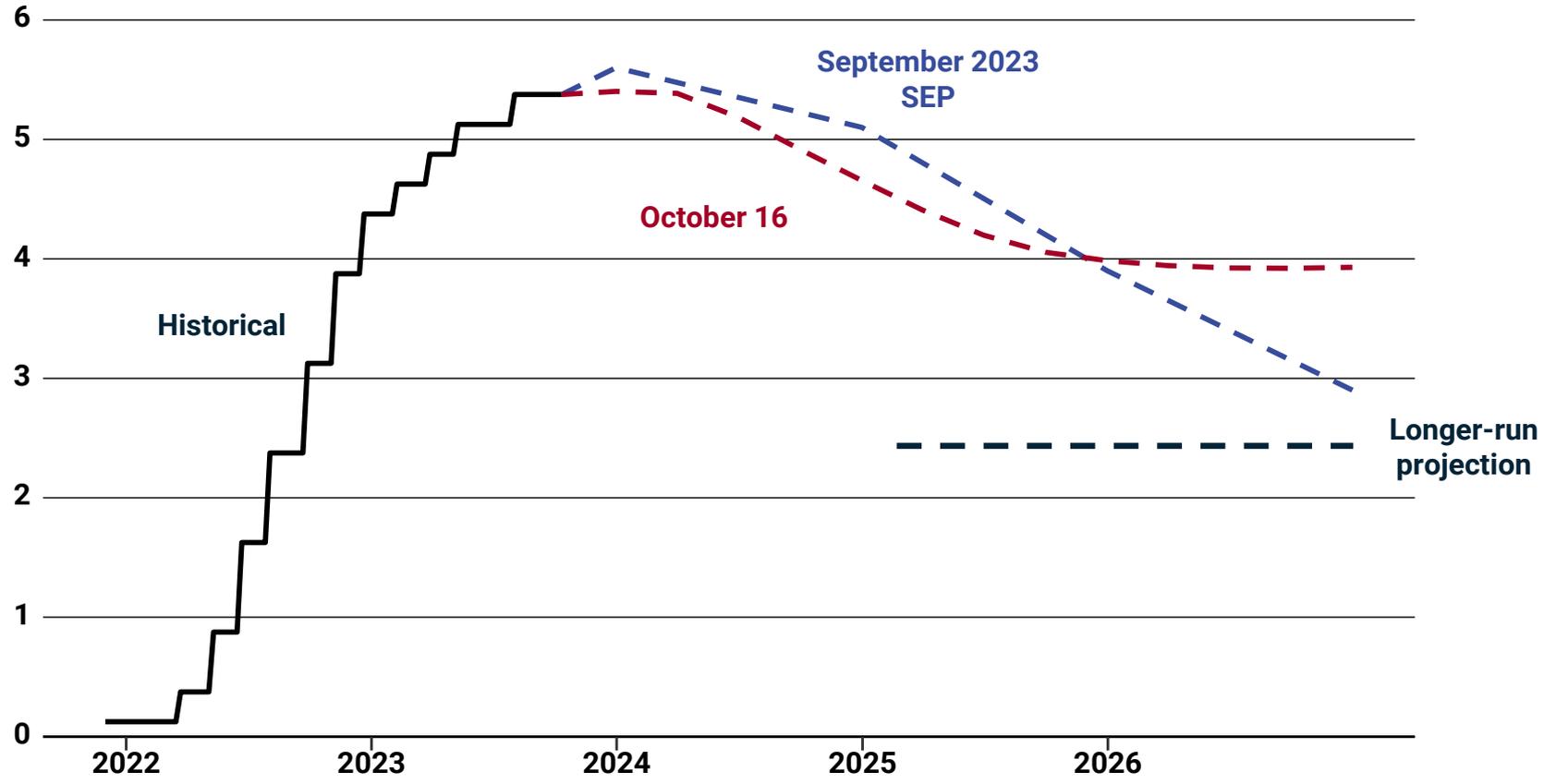
Sources: September 2023 FOMC Summary of Economic Projections via Haver Analytics

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Balance sheet reduction

Key Federal Reserve assets
(tril. $)
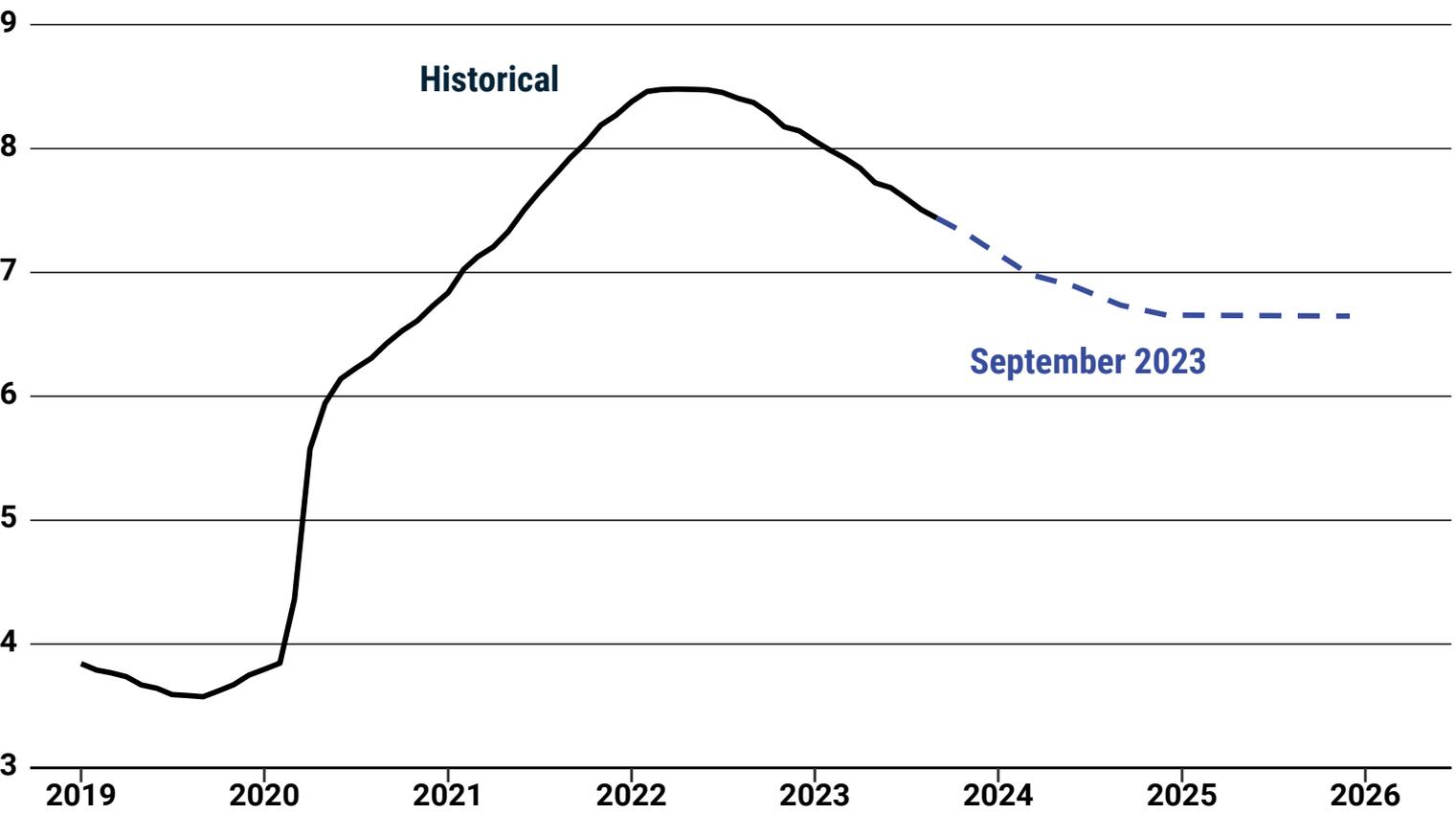
Source: Federal Reserve Board via Haver Analytics; FRBNY Survey of Market Participants

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September FOMC SEP median outlook

Projection	2023	2024	2025	2026	Long run
GDP	**2.1**	**1.5**	**1.8**	**1.8**	**1.8**
June	*1.0*	*1.1*	*1.8*		*1.8*
Unempl. rate	**3.8**	**4.1**	**4.1**	**4.0**	**4.0**
June	*4.1*	*4.5*	*4.5*		*4.0*
Total PCE	**3.3**	**2.5**	**2.2**	**2.0**	**2.0**
June	*3.2*	*2.5*	*2.1*		*2.0*
Core PCE	**3.7**	**2.6**	**2.3**	**2.0**	
June	*3.9*	*2.6*	*2.2*		

Source: FOMC Summary of Economic Projections, September 2023

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Blue Chip Consensus forecasts

Variable	'23:Q3	'23:Q4	2023	2024
GDP[1]	**3.5**	**0.7**	**2.1**	**0.9**
April	*-0.3*	*0.2*	*0.3*	*1.6*
Unemployment rate[2]	**3.7**	**3.8**	**3.8**	**4.3**
April	*4.0*	*4.3*	*4.3*	*4.6*
PCE inflation[1]	**2.9**	**2.7**	**3.1**	**2.2**
April	*2.7*	*2.4*	*3.0*	*2.2*
Core PCE inflation[1]	**2.9**	**2.8**	**3.6**	**2.4**
April	*3.0*	*2.6*	*3.4*	*2.3*

[1]*Quarterly data are quarterly change at an annual rate; annual data are /Q4 percent changes*
[2]*Quarterly data are quarterly average; annual data are Q4 level*

Source: Blue Chip Consensus Forecast via Haver Analytics, October 2023 (current) and April 2023

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