



Economic Developments and Monetary Policy Environment

Federal Reserve Bank of Chicago
Academic Advisory Council Meeting
May 31, 2024

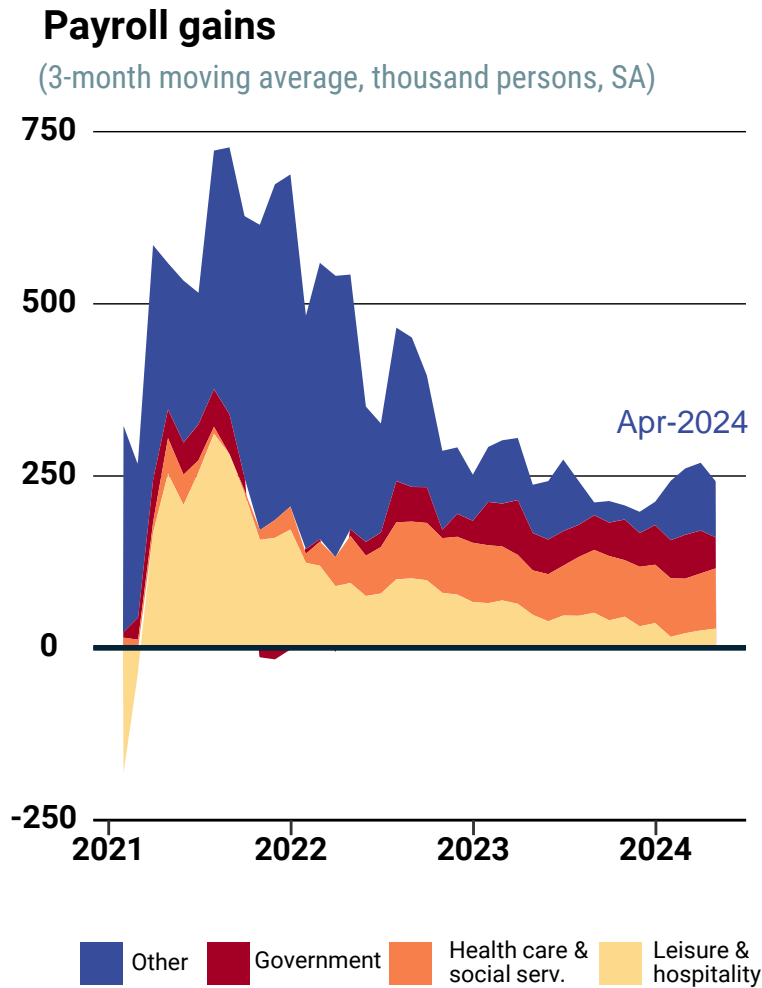
Spencer Krane

Senior Vice President

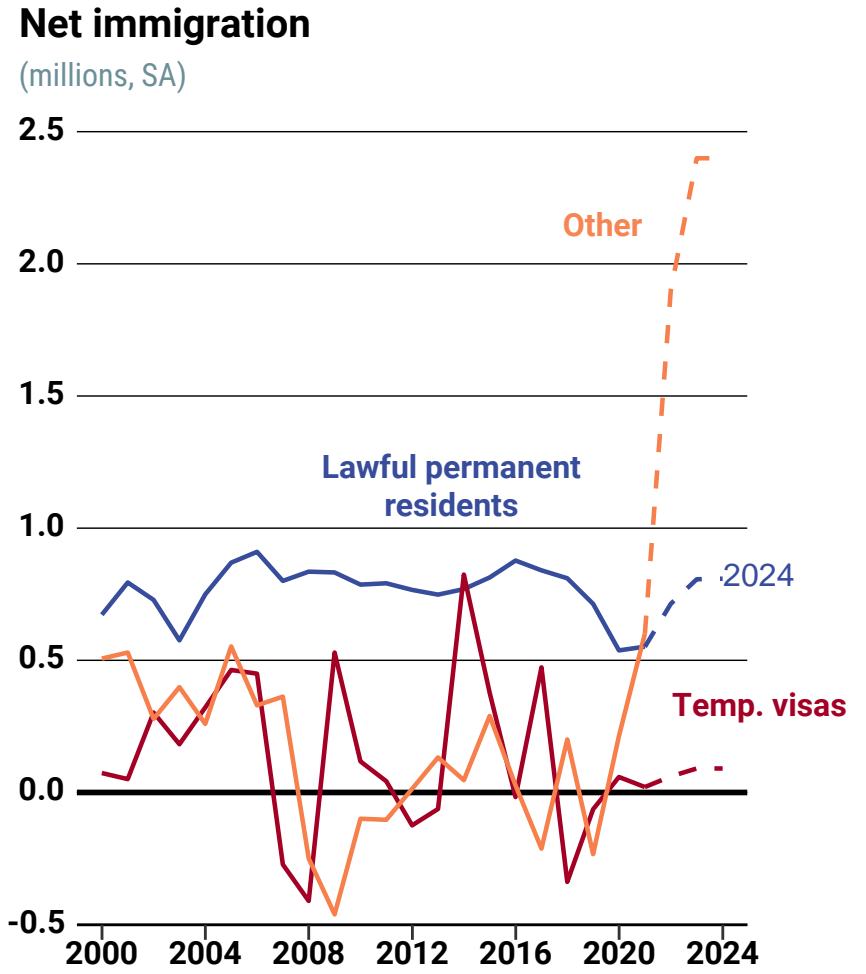
Federal Reserve Bank of Chicago

The views expressed here do not necessarily reflect the views of the Federal Reserve Bank of Chicago or the Federal Reserve System.

Labor market solid



Source: Bureau of Labor Statistics via Haver Analytics



Source: CBO

Unemployment low; participation high

Unemployment rate

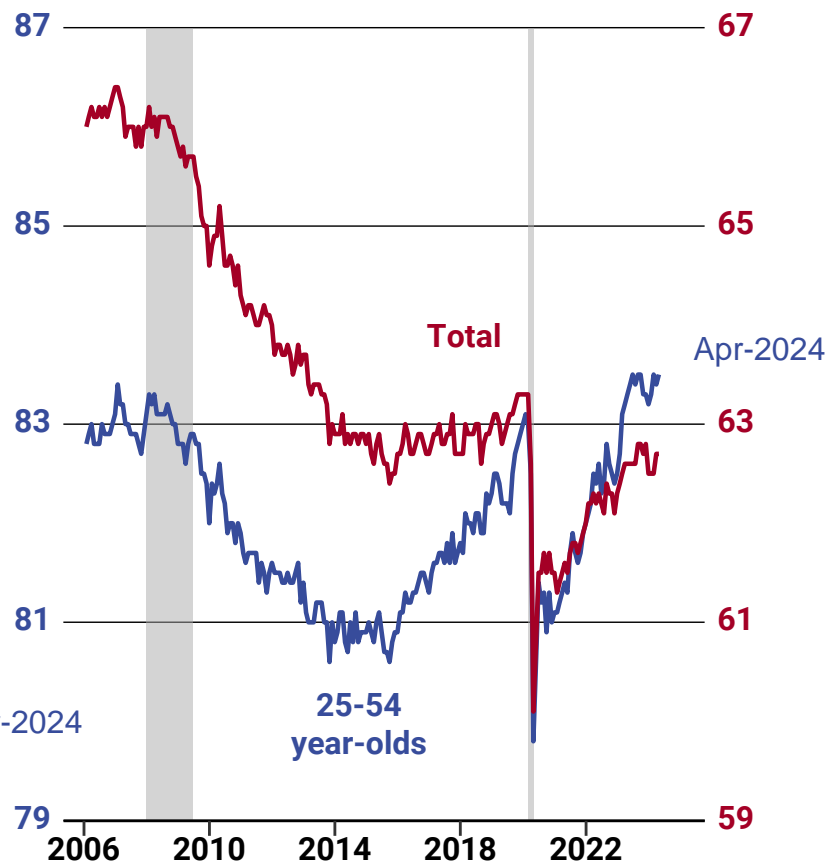
(percent, SA)



Source: BLS via Haver Analytics

Labor force participation rate

(percent, SA)



Source: BLS via Haver Analytics

Job openings, quits near pre-pandemic

Job openings

(vacancies per unemployed worker, SA)



Quits rate

(percent of employment, SA)

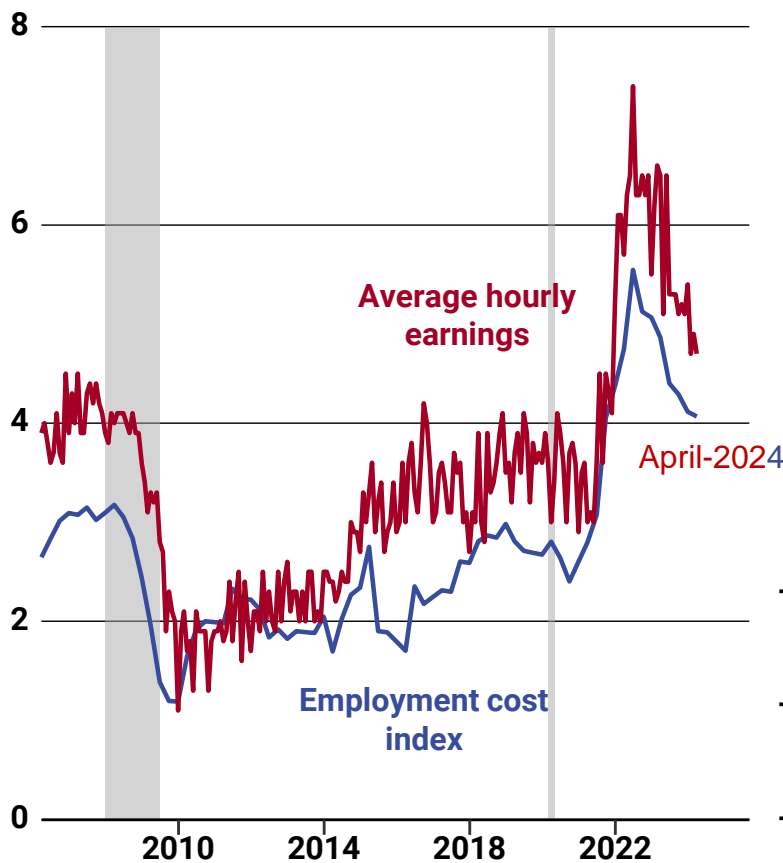


Source: BLS via Haver Analytics

Compensation, productivity, and labor costs

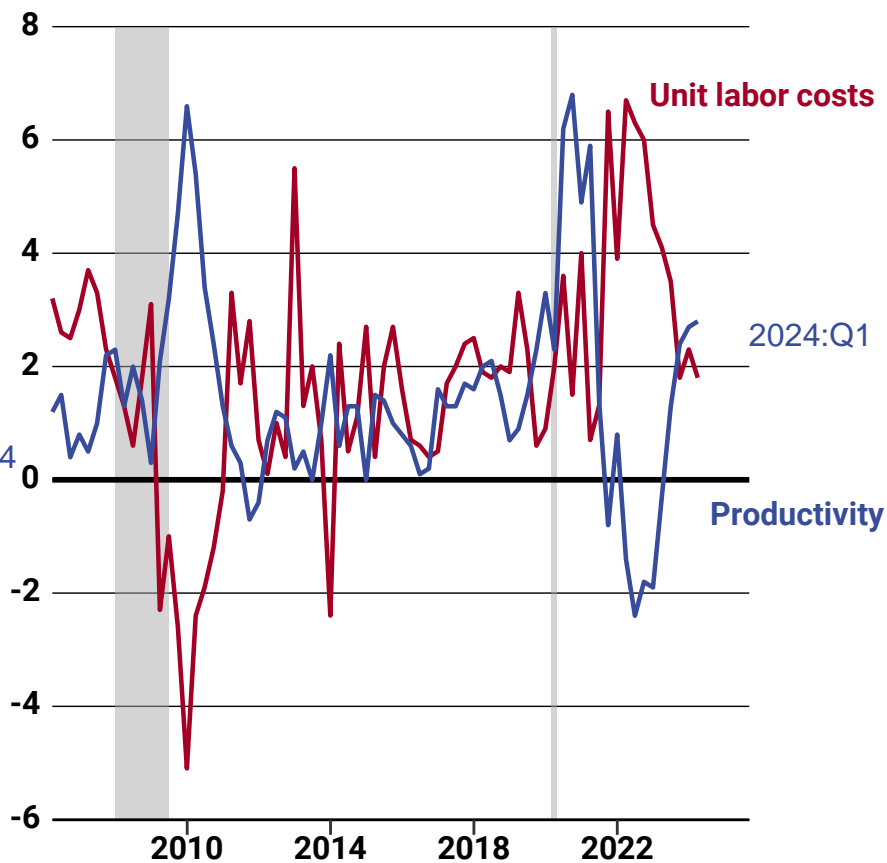
Compensation and wages

(12-month percent change, private workers)



Productivity and labor costs

(4-quarter percent change, SA)

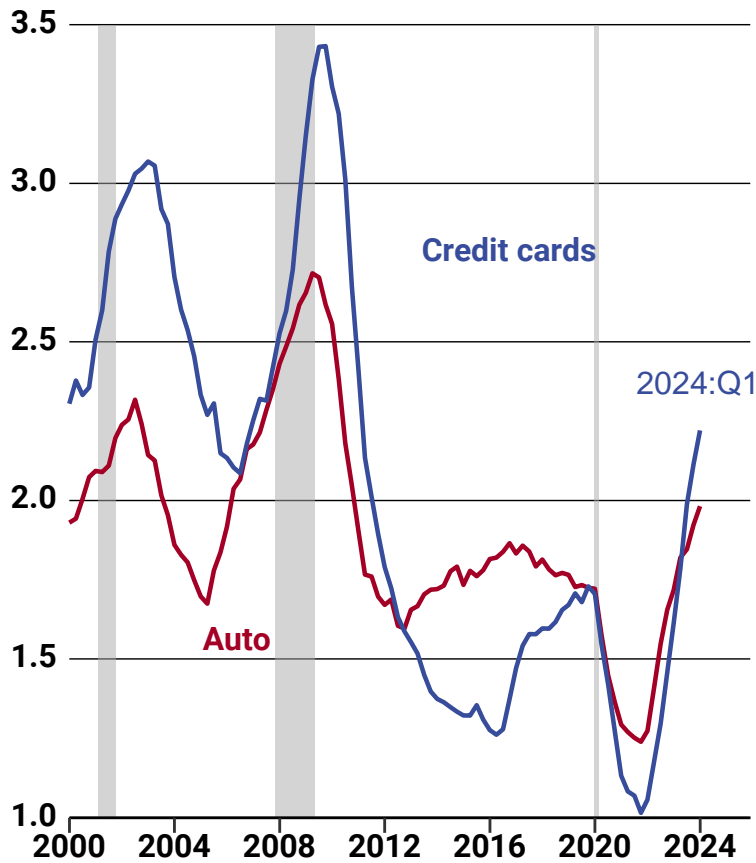


Source: BLS via Haver Analytics

Household balance sheets

Transitions to delinquency

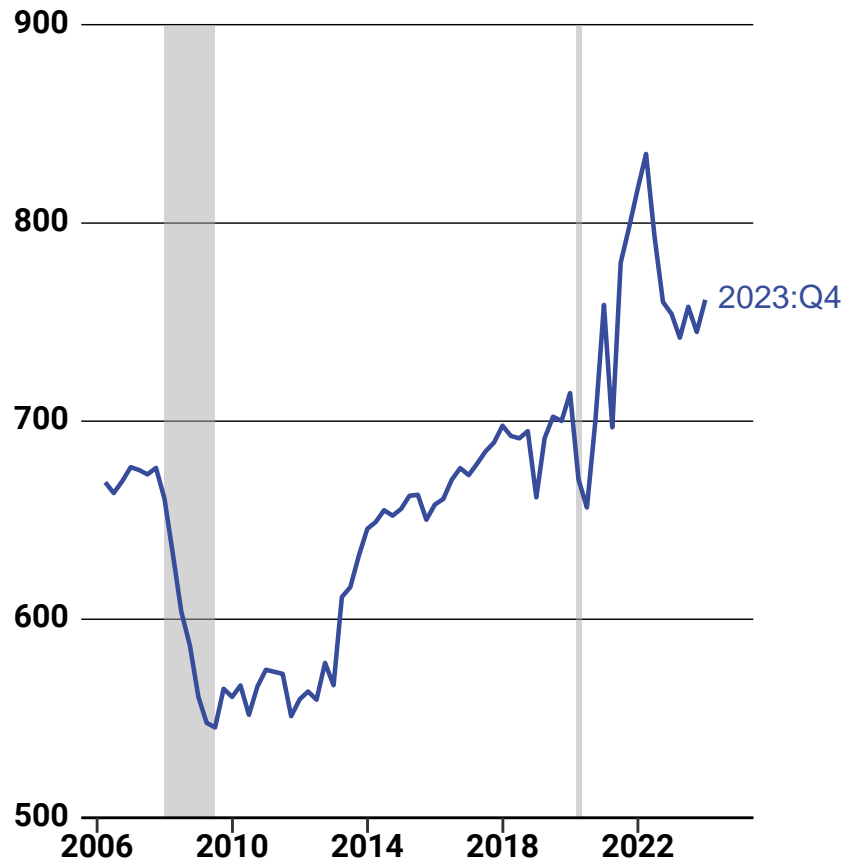
(4-quarter moving sums, % of total debt, SA)



Source: Equifax

Households & nonprofit org. net worth

(percent of disposable personal income, EOP)

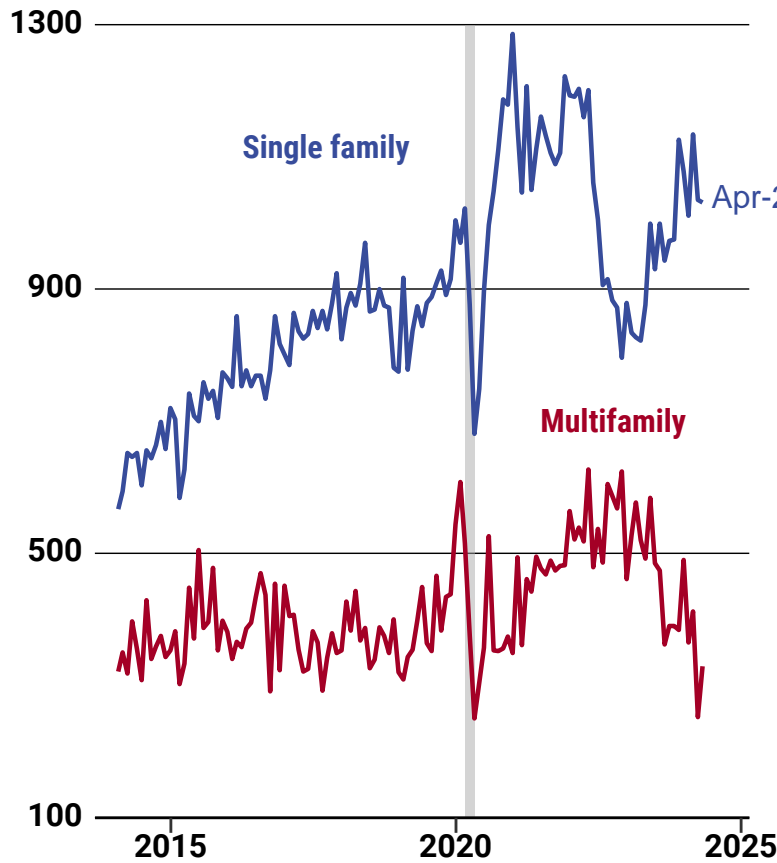


Source: Federal Reserve Board via Haver Analytics

Residential investment

Housing starts

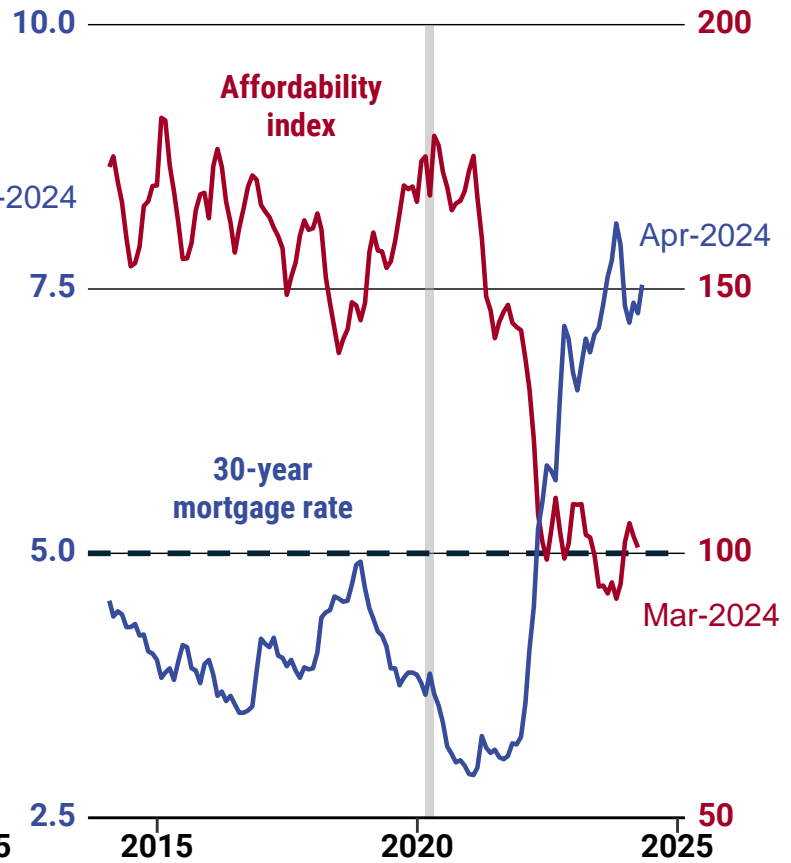
(thous. units, SAAR)



Source: Census Bureau via Haver Analytics

Mortgage rates and housing affordability

(percent; index 100+ = more affordable)

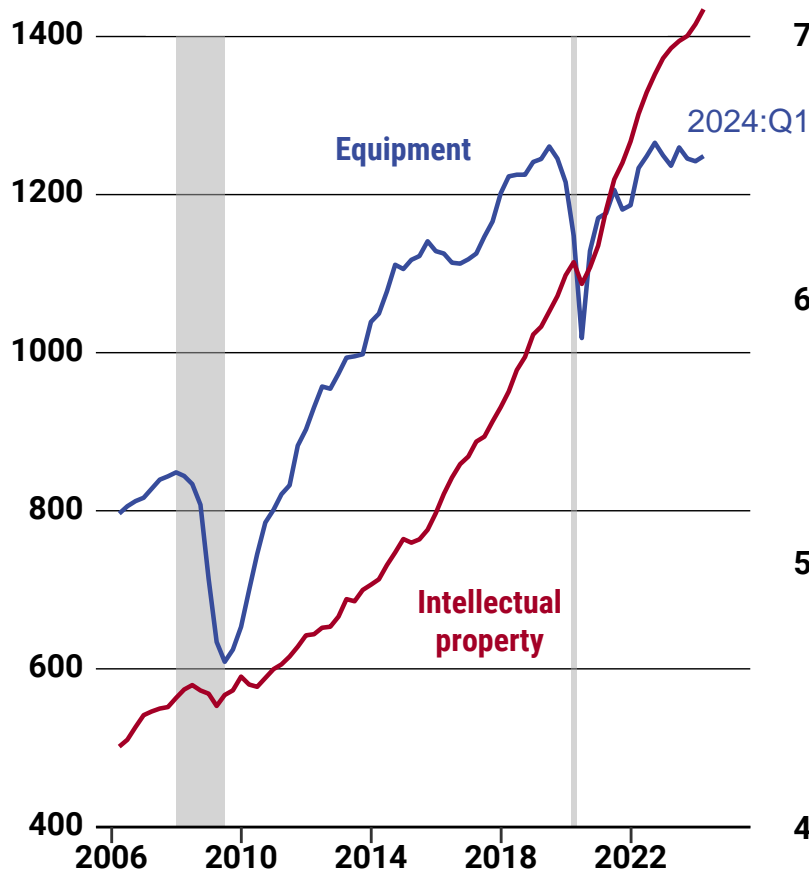


Source: National Association of Realtors & Wall Street Journal via Haver Analytics

Nonresidential investment

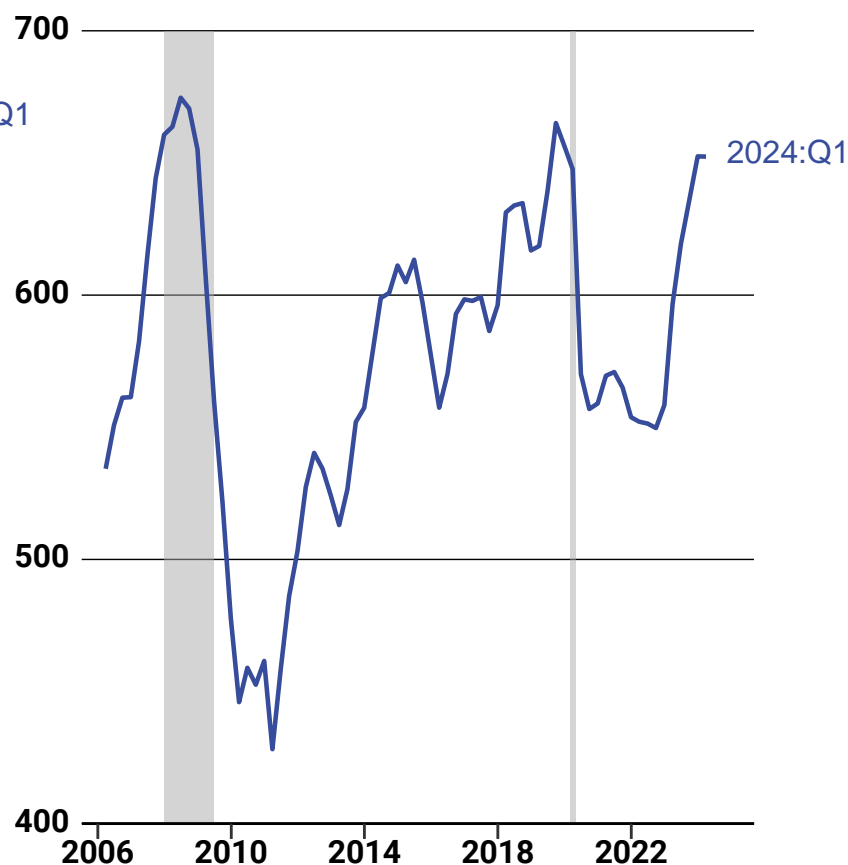
Equipment and intellectual property

(bil. \$ 2012, SAAR)



Structures

(bil. \$ 2012, SAAR)

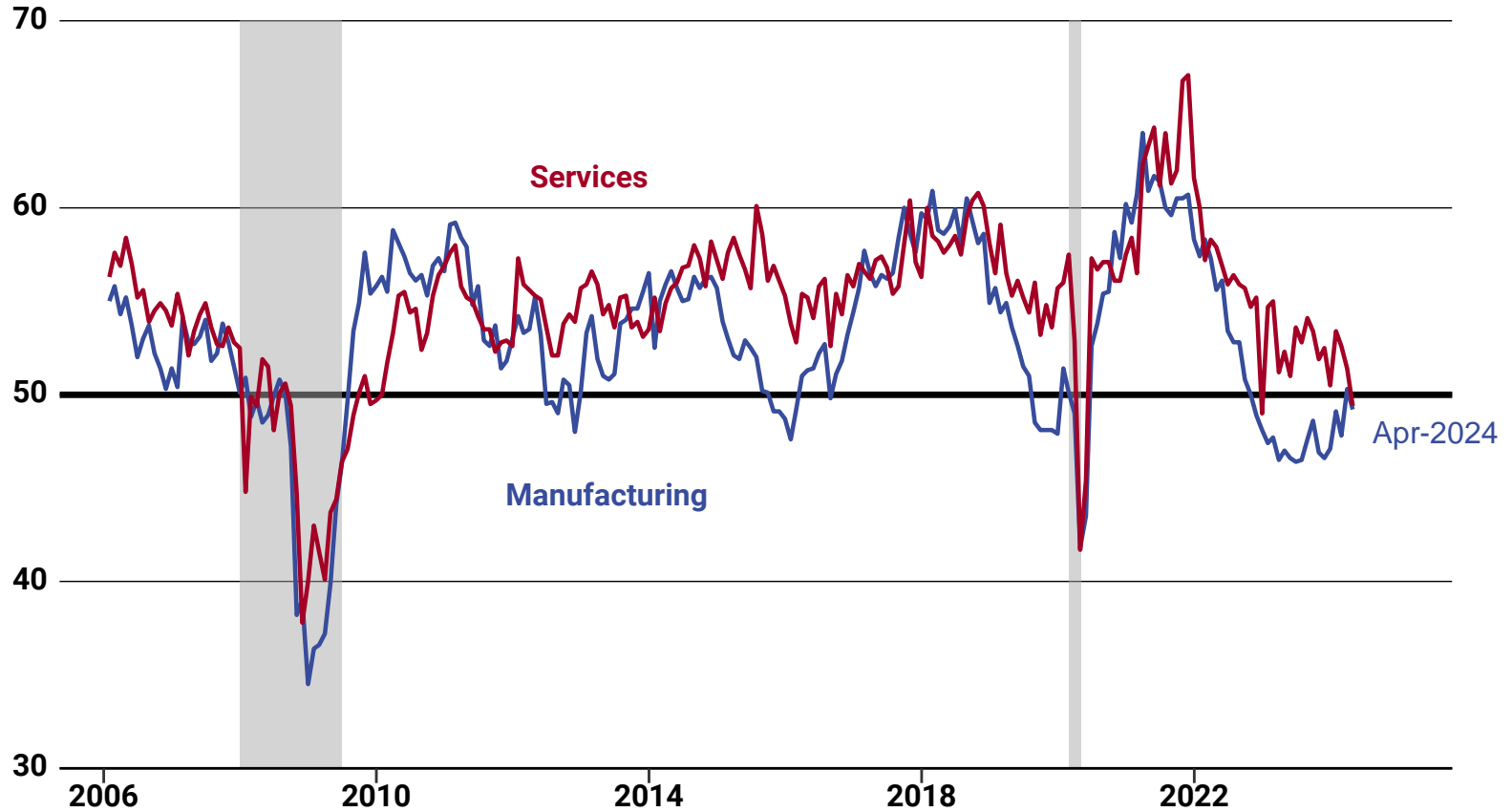


Source: Bureau of Economic Analysis via Haver Analytics

Business activity

Purchasing Managers' Indexes

(above 50 is expansion)



Source: Institute for Supply Management via Haver Analytics

Global growth outlook

IMF GDP Forecasts¹	2023	2024	2025
Advanced Economies	1.6	1.7	1.8
<i>October 2023</i>	1.5	1.4	--
Emerging Economies	4.3	4.2	4.2
<i>October 2023</i>	4.0	4.0	--
United Kingdom	0.1	0.5	1.5
<i>October 2023</i>	0.5	0.6	--
Euro Area	0.4	0.8	1.5
<i>October 2023</i>	0.7	1.2	--
China	5.2	4.6	4.1
<i>October 2023</i>	5.0	4.2	--

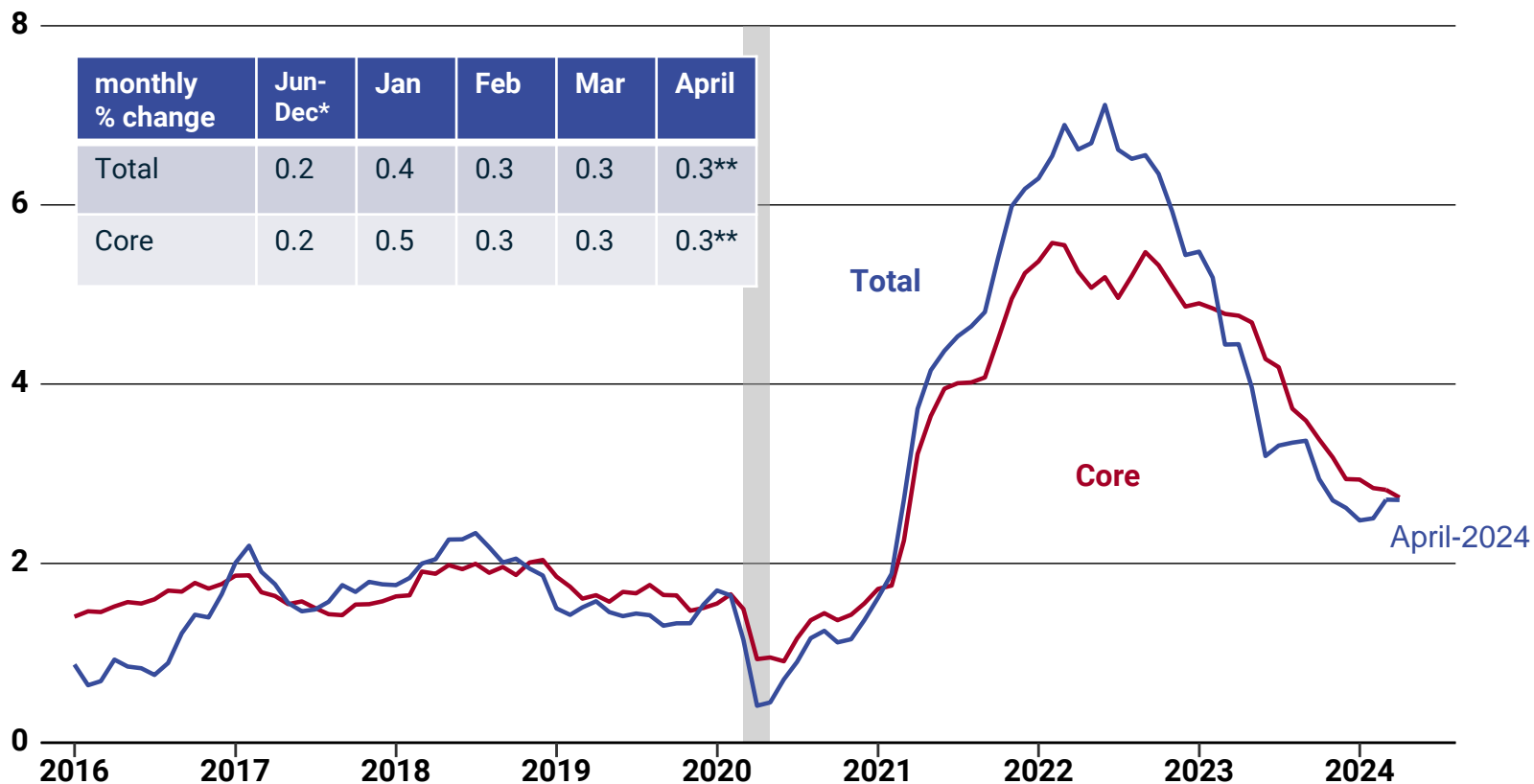
¹ Percent change in average annual level of real GDP

Source: International Monetary Fund World Economic Outlook, April 2024 (current) and October 2023

Inflation cooling but still high

PCE price index

(12-month percent change)



*Average monthly rate of inflation over the period

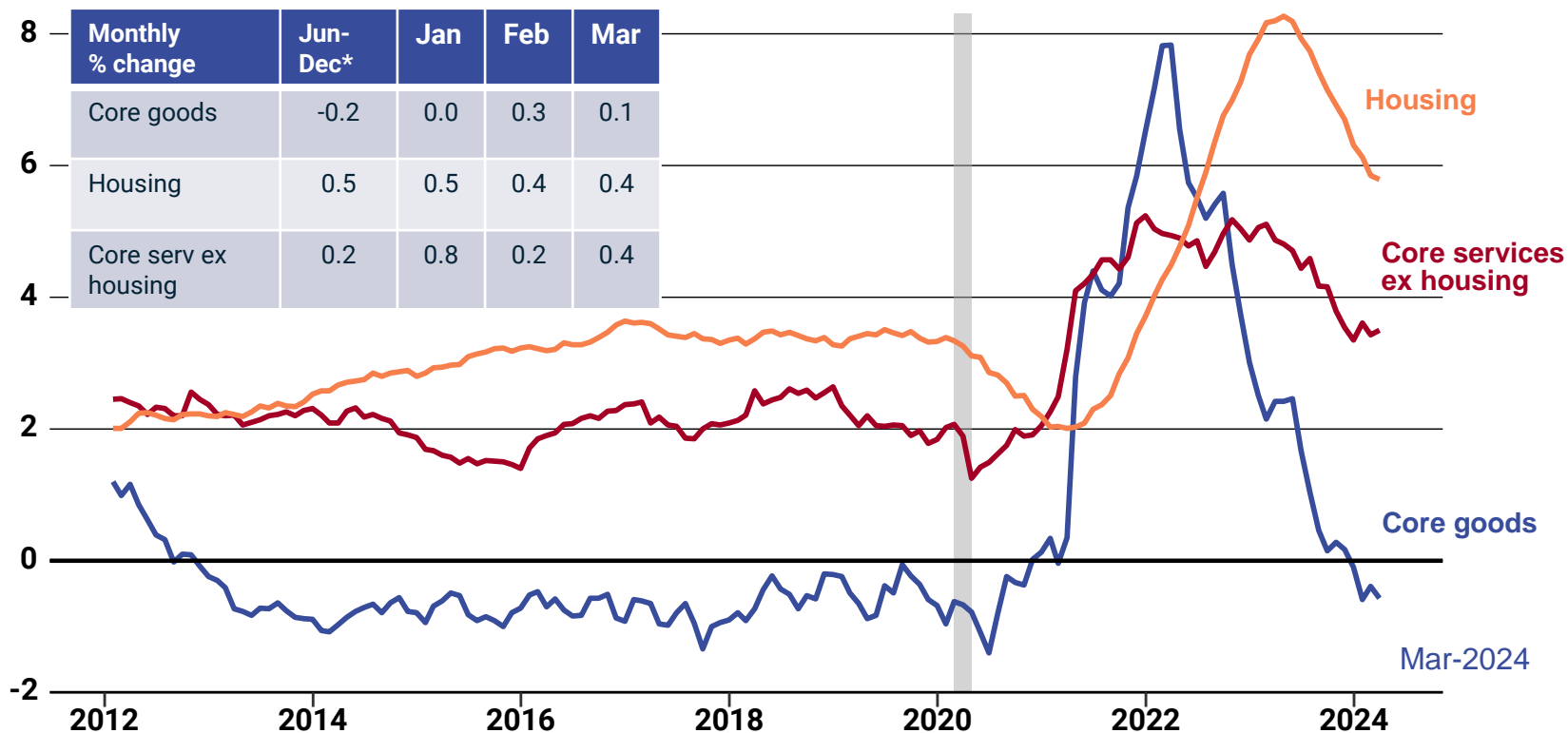
** April data are Bloomberg consensus forecasts

Source: Bureau of Labor Statistics via Haver Analytics, Bloomberg

Components of core PCE inflation

Core PCE inflation components

(12 month percent change)



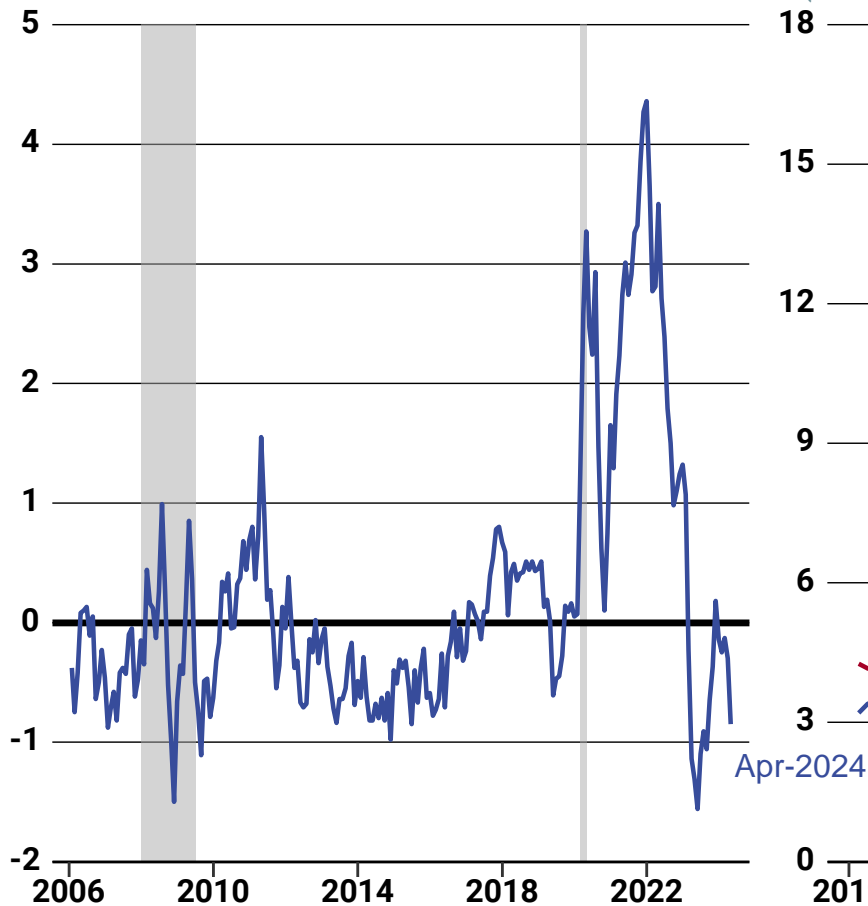
*Average monthly rate of inflation over the period

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

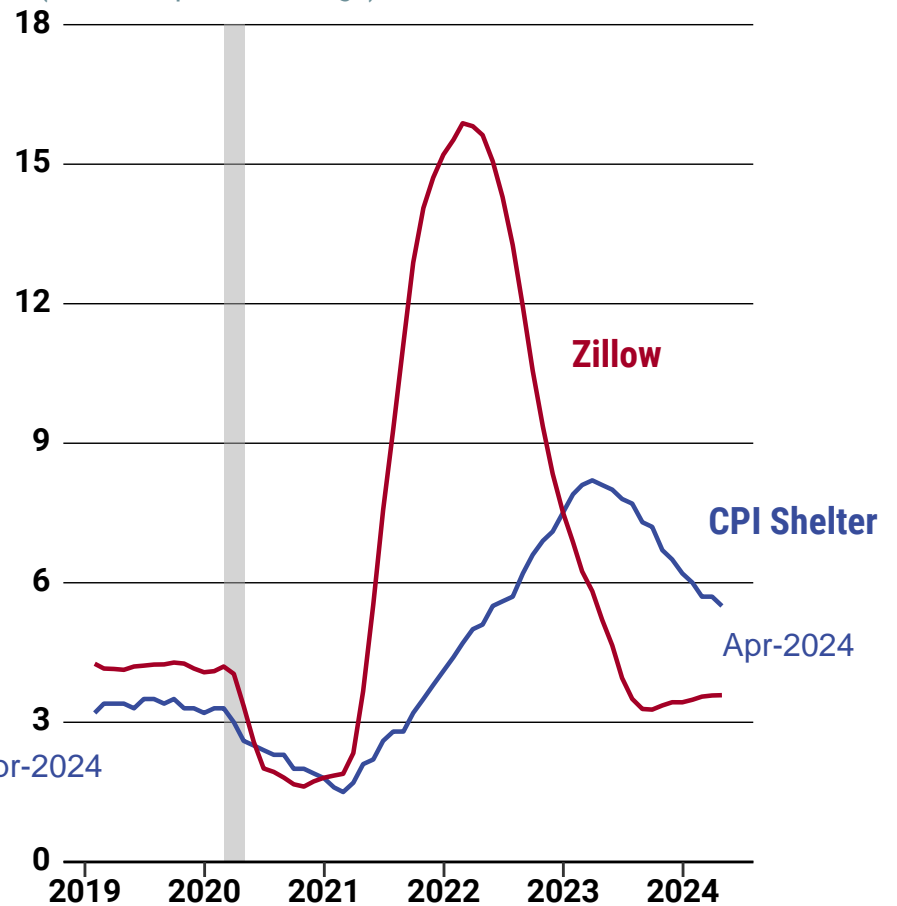
Supply side repair and lower rents

Global Supply Chain Pressure Index
(standard deviations from average)



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

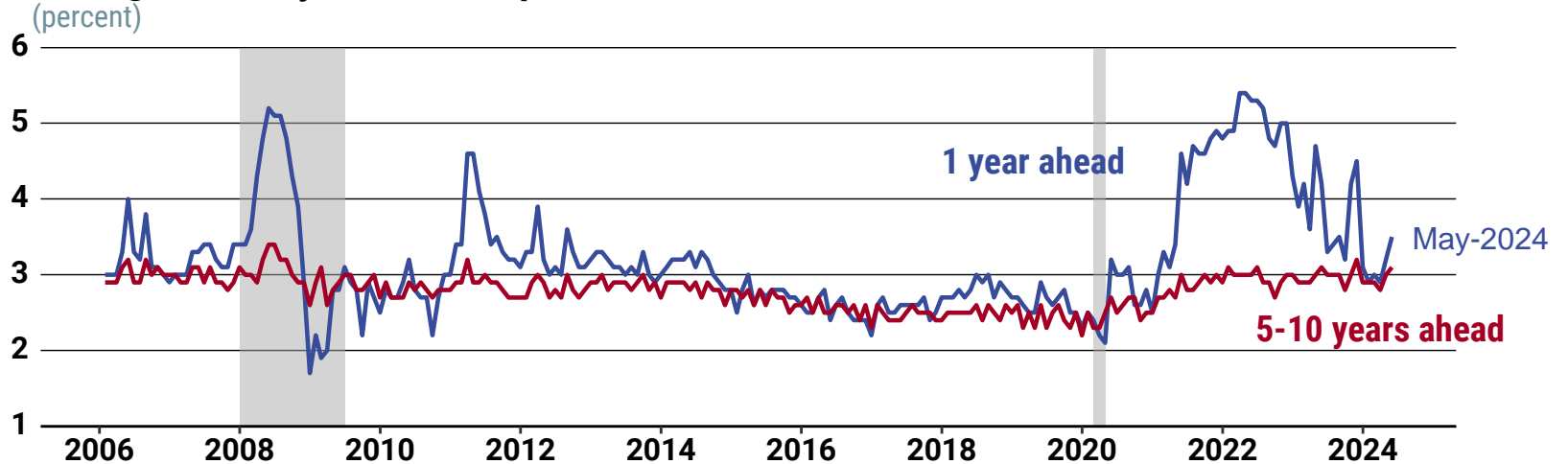
CPI shelter spending & Zillow Observed Rent Index
(12-month percent change)



Source: BLS and Zillow via Haver Analytics

Inflation expectations

Michigan Survey inflation expectations



Source: University of Michigan via Haver Analytics

TIPS Inflation Compensation



Source: Board of Governors of the Federal Reserve System

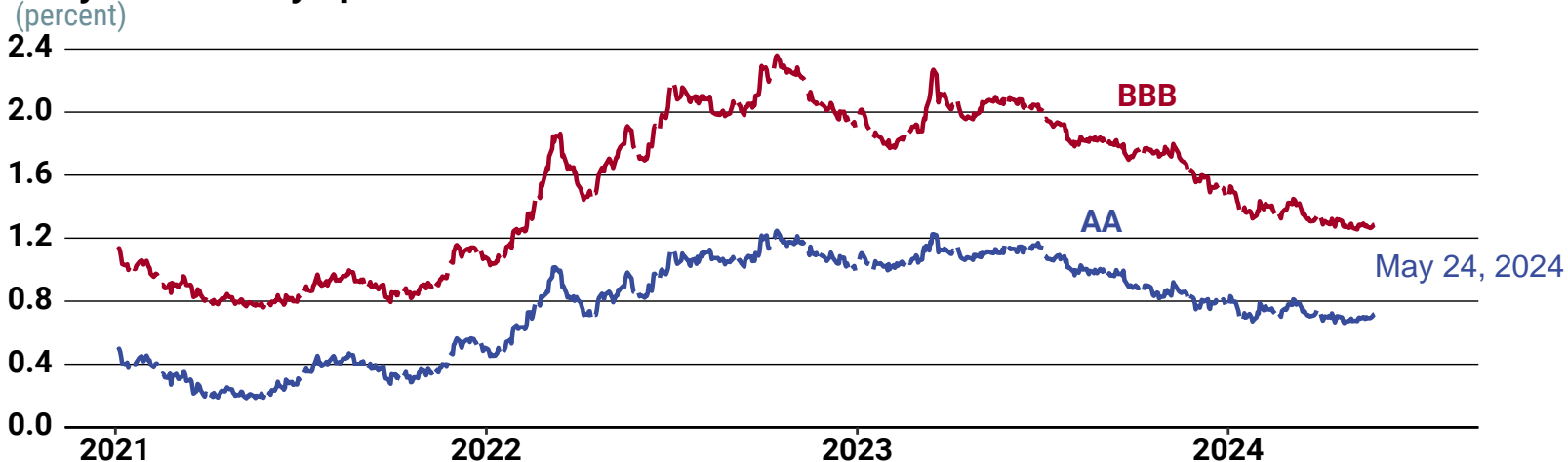
Financial market developments

Treasury Yields



Source: Board of Governors of the Federal Reserve System via Haver Analytics

10-year treasury spreads

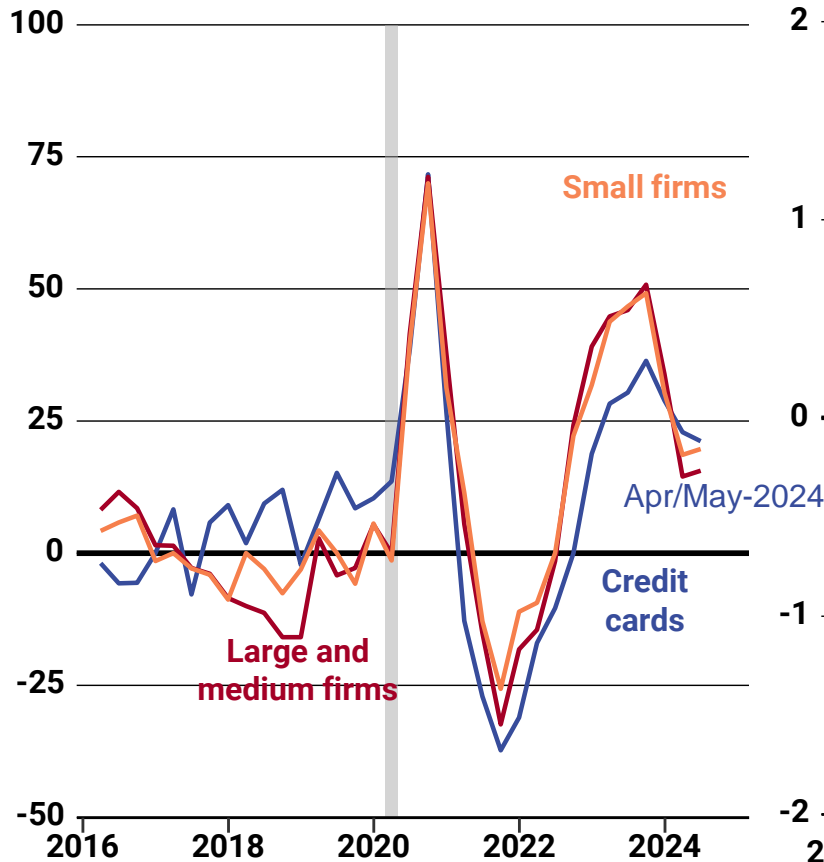


Source: ICE/Bank of America Merrill Lynch, & Federal Reserve Board of Governors via Haver Analytics

Financial market developments, cont.

Bank lending standards

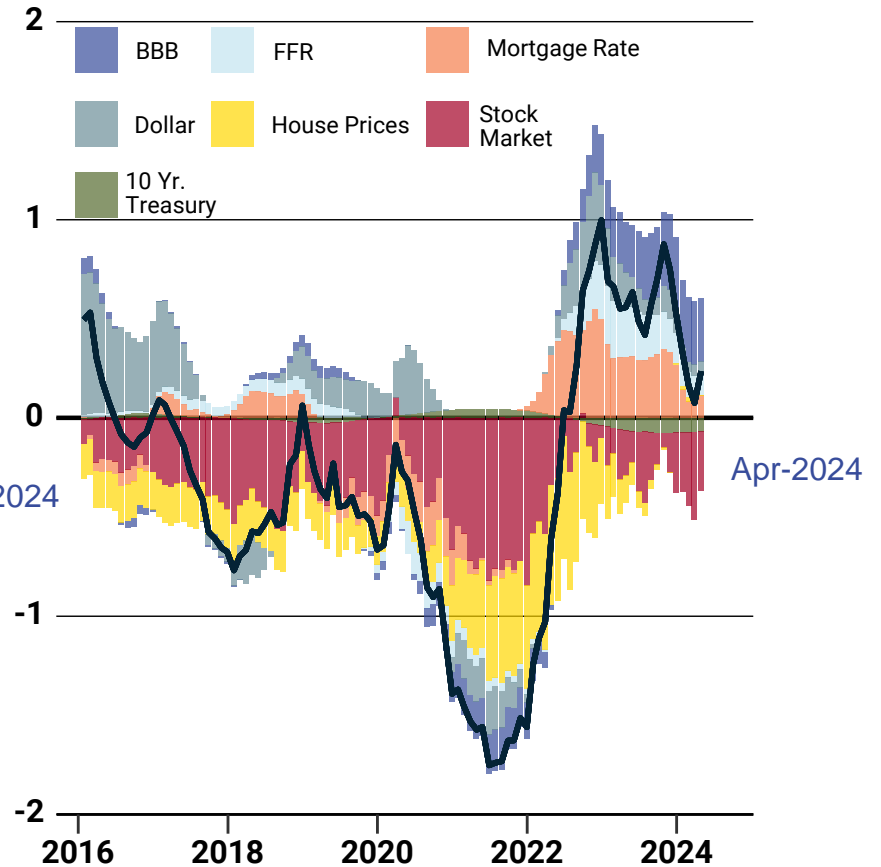
(net percentage of banks tightening standards to)



Source: Federal Reserve Board of Governors via Haver Analytics

Financial Conditions Impulse on Growth

(contributions to reducing GDP growth over the next year, percent)

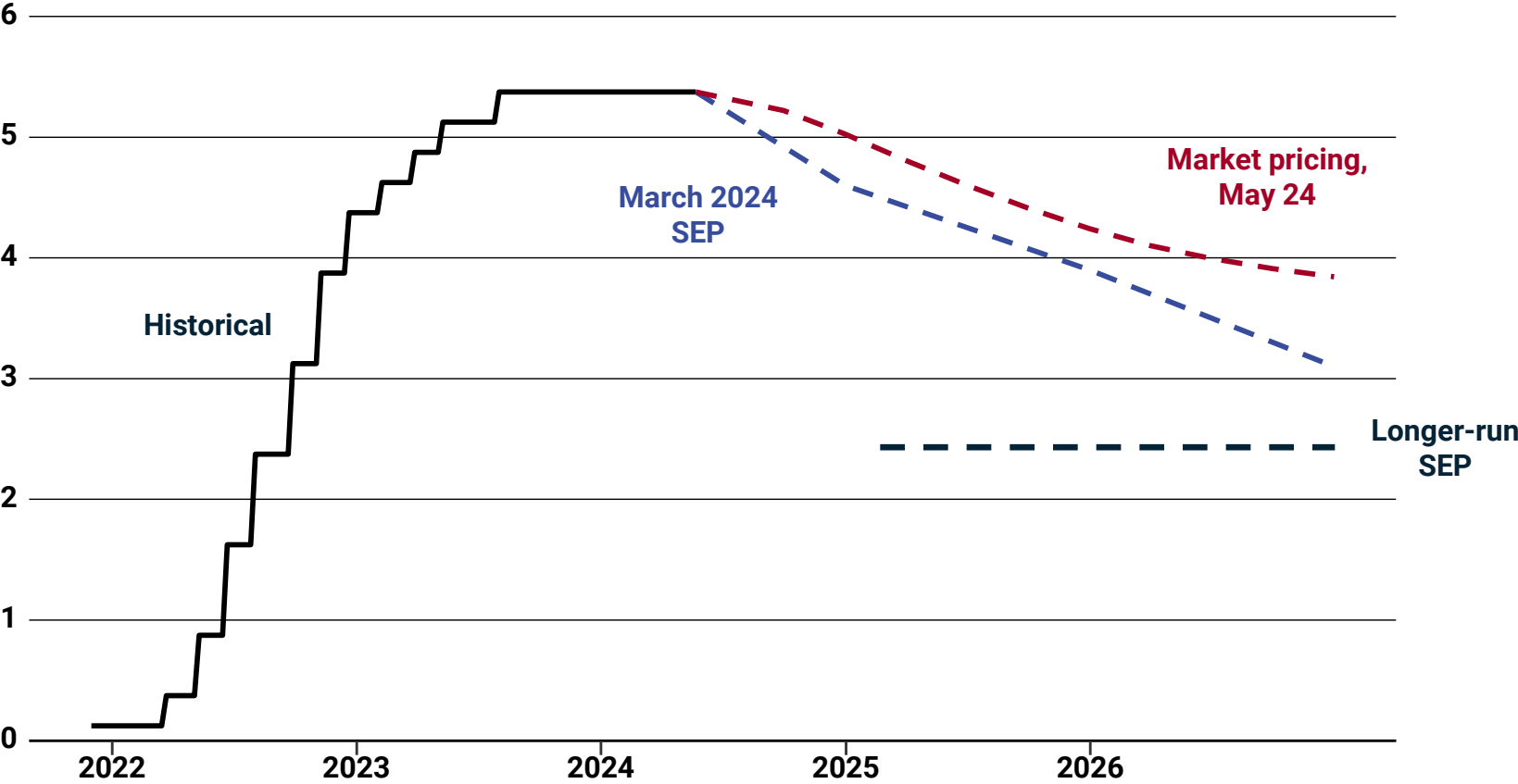


Source: Federal Reserve Board of Governors

Fed funds rate path

Median SEP Federal Funds Rate projection

(percent)

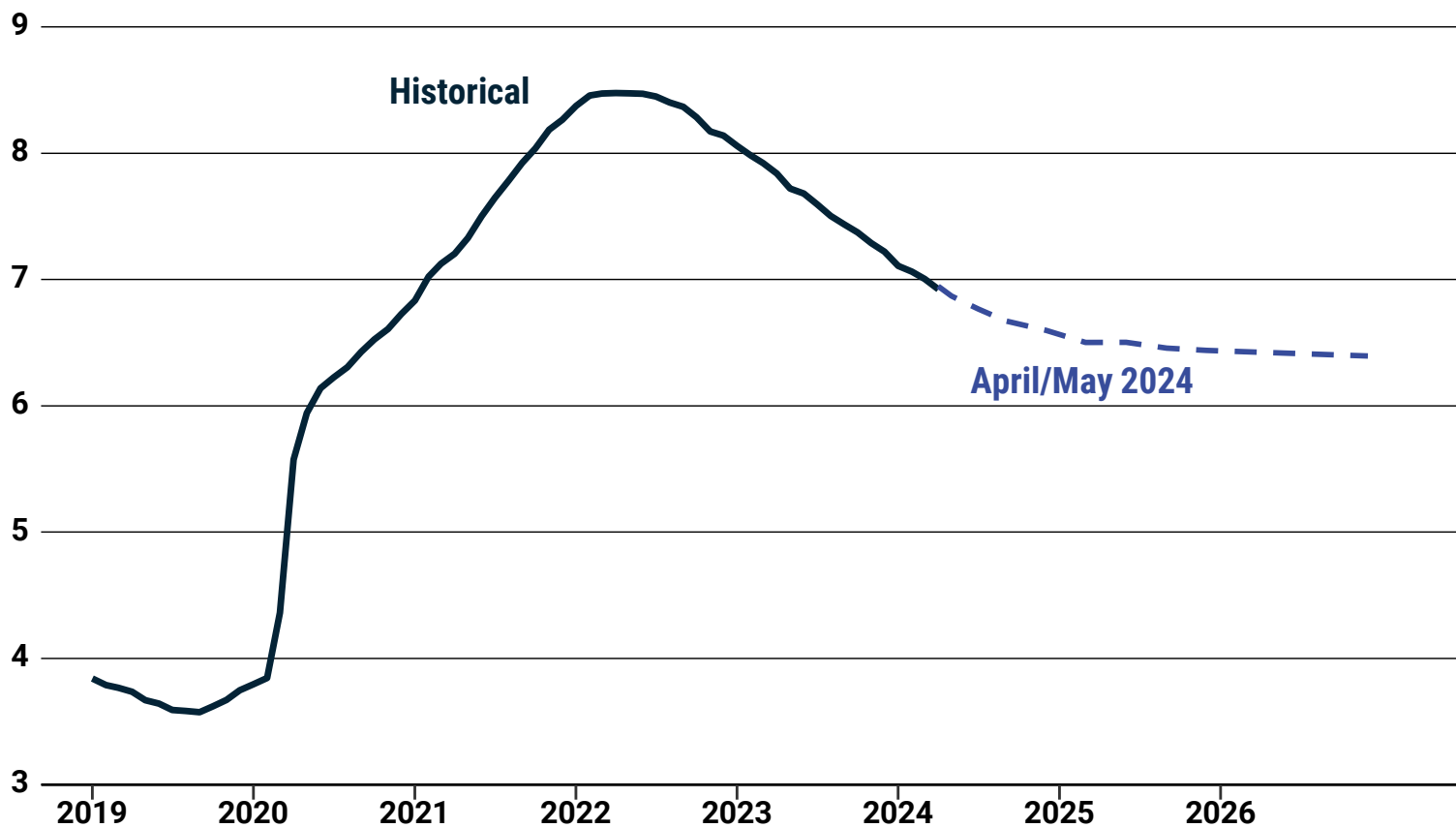


Sources: FOMC Summary of Economic Projections via Haver Analytics

Balance sheet reduction

Key Federal Reserve Assets

(tril. \$)



Source: Federal Reserve Board via Haver Analytics; FRBNY Survey of Market Participants

March FOMC SEP median outlook

Projection	2023*	2024	2025	2026	Long run
GDP	3.1	2.1	2.0	2.0	1.8
<i>September</i>	<i>2.1</i>	<i>1.5</i>	<i>1.8</i>		<i>1.8</i>
Unempl. rate	3.7	4.0	4.1	4.0	4.1
<i>September</i>	<i>3.8</i>	<i>4.1</i>	<i>4.1</i>		<i>4.0</i>
Total PCE	2.8	2.4	2.2	2.0	2.0
<i>September</i>	<i>3.3</i>	<i>2.5</i>	<i>2.2</i>		<i>2.0</i>
Core PCE	3.2	2.6	2.2	2.0	
<i>September</i>	<i>3.7</i>	<i>2.6</i>	<i>2.3</i>		

*Q4-to-Q4 percent change except for unemployment rate, which is Q4 average. 2023 upper row values are BEA advance estimates, not March SEP

Source: FOMC Summary of Economic Projections, March 2024 & September 2023

Survey of Professional Forecasters consensus forecasts

Variable	'24:Q2	'24:Q3	2024	2025
GDP¹	2.1	2.0	1.8	1.9³
<i>November</i>	<i>1.3</i>	<i>1.5</i>	<i>1.3</i>	<i>1.8</i>
Unemployment rate²	3.9	4.0	4.0	4.1³
<i>November</i>	<i>4.0</i>	<i>4.2</i>	<i>4.2</i>	<i>4.2</i>
PCE inflation¹	3.1	2.4	2.8	2.2
<i>November</i>	<i>2.5</i>	<i>2.3</i>	<i>2.4</i>	<i>2.1</i>
Core PCE inflation¹	3.0	2.5	2.9	2.2
<i>November</i>	<i>2.4</i>	<i>2.3</i>	<i>2.4</i>	<i>2.1</i>

¹Quarterly data are quarterly change at an annual rate; annual data are Q4/Q4 percent changes

²Quarterly data are quarterly average; annual data are Q4 level

³Annual average GDP growth and unemployment rate

Source: Survey of Professional Forecasters, May 2024 (current) and November 2023



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