Economic Resilience Despite Risks

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May 10, 2024

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Outlook Themes

• Economic growth in the U.S. and Nebraska has been resilient despite various challenges, including inflation and the level of interest rates.

• Inflation has moderated substantially over the past two years, and labor market tightness has eased somewhat, but recent data show that inflation remains elevated and labor supply potentially limited.

• Supported by strong consumer spending, the resiliency of economic growth and persistent inflation have led market participants to revise their expectations about potential interest rate cuts.
The U.S. economy has been resilient despite tight monetary policy and high inflation.

Sources: BEA, NBER, Haver Analytics
Recently, economic growth in Nebraska has been slightly stronger than the nation.

Real Gross Domestic Product

Sources: BEA, Haver Analytics.
Inflation has fallen considerably but remains stubbornly high for core services.

Sources: BEA, Haver Analytics
Elevated wage gains continue to pressure services inflation.

Inflation Measures

Note: Supercore inflation measures inflation for core services excluding housing.
Sources: BEA, BLS, Haver Analytics
Increasing supply chain pressures and inflation expectations pose some upside risks to inflation.

Supply Chain Pressure Indexes

- Container Freight Rate (left)
- NY Fed Global Supply Chain Pressure (right)

Market-Based Inflation Expectations

- 1-Year Breakeven Inflation Rate
- 2-Year Breakeven Inflation Rate

Sources: Bloomberg, Drewry, FRB NY
Significant increases in labor supply appear unlikely in the near-term.

Sources: BLS, staff calculations, Haver Analytics.
Instead, labor demand may need to ease to bring down wage pressures.

**Labor Demand**

- **y/y % change**
- **Ratio**

**Nebraska Unemployment Rates**

- **Percent**

Note: The headline unemployment rate is the share of the labor force that reports as unemployed. The underemployment rate also includes marginally attached workers (those not searching for a job, including discouraged workers) and part-time workers who would like to be full-time, but economic conditions are preventing them from finding full-time work.

Sources: BLS, Haver Analytics.
In Nebraska, labor market trends generally have mirrored the nation.

Sources: BLS, Haver Analytics.
Consumer spending remains elevated, supported by strong household net worth.

Sources: BEA, Haver Analytics, CME Group, Staff Calculations.
However, credit card delinquencies have moved up, indicating stress for some consumers.

Sources: BEA, Haver Analytics.
Market participants still expect interest rates to decline, but the timing has changed somewhat.

Federal Funds Rate

Sources: BEA, Haver Analytics, CME Group.
Concluding Thoughts

- Economic growth has remained firm, but some cooling may be needed to bring inflation down further.
- Labor markets appear to be better balanced, but unemployment is still very low and wage pressures remain elevated.
- More progress on inflation is still needed to achieve the Fed’s target of 2%.