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.

Sources: BEA, Haver Analytics

*Real PCE chained to 2017$
Accordingly, price growth among goods and services is more balanced around levels consistent with 2% inflation overall.

Sources: BEA, Haver Analytics
*Dashed lines denote 2003-2006 average
*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

Sources: BLS, Haver Analytics
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

Sources: FRBNY, Consumer Credit Panel, Equifax, Haver Analytics
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.

Sources: FRBKC, FRB, Haver Analytics.
The FOMC has kept policy in a restrictive stance for a year

Federal Funds Rate

Policy Interest Rate

June 2024 FOMC Forecast

Sources: FRB, Haver Analytics
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