

Economic Outlook

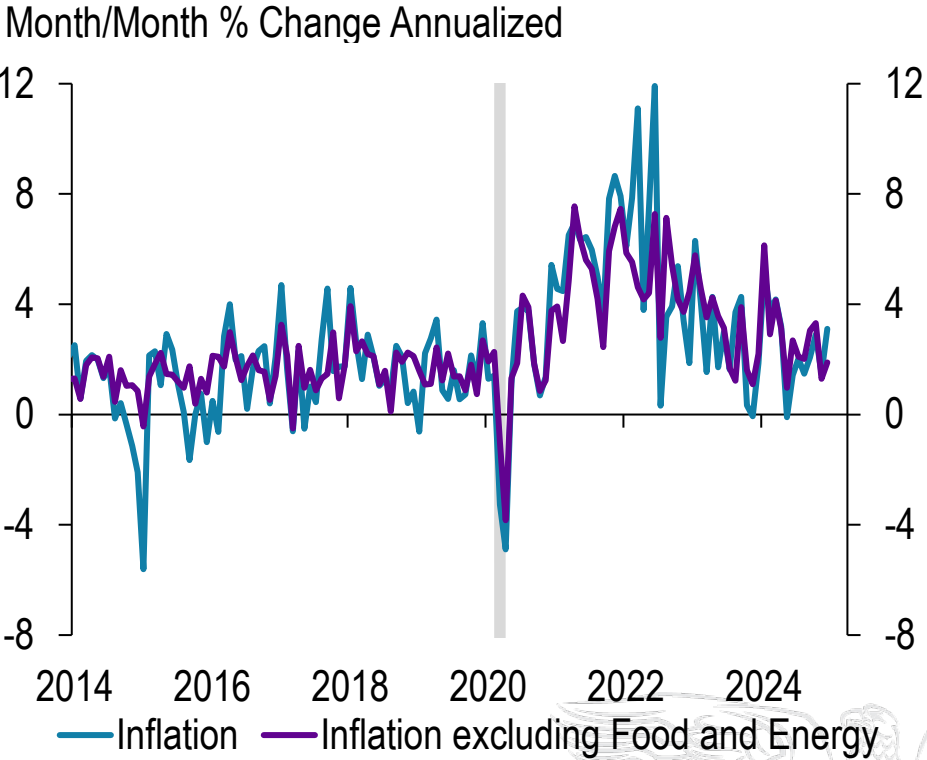
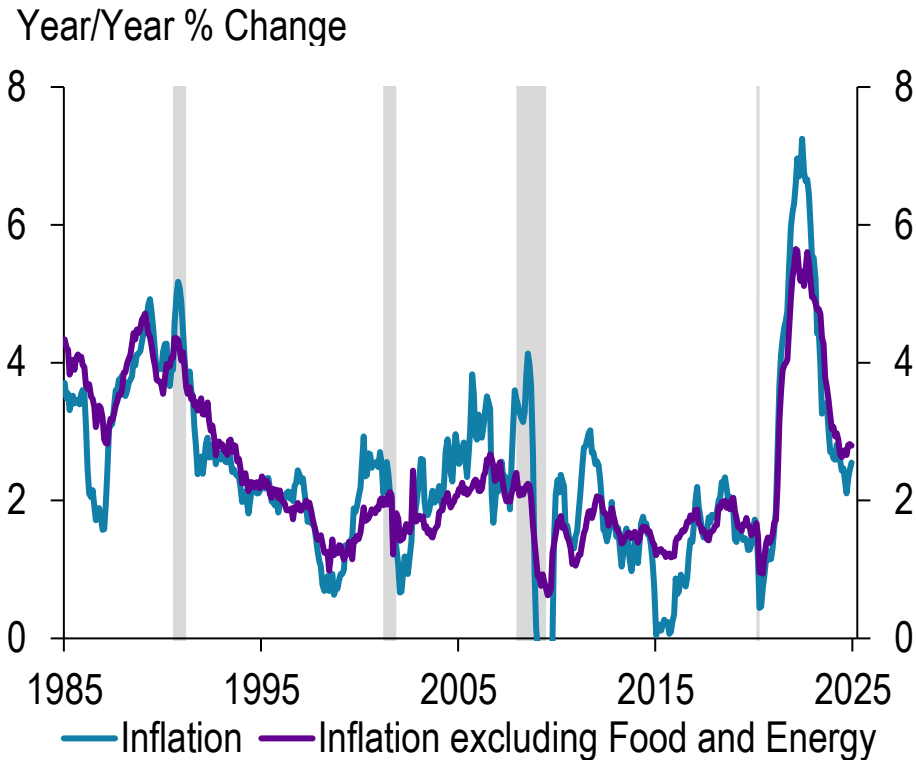
February 2025

Joseph Gruber

Executive Vice President and Director of Research



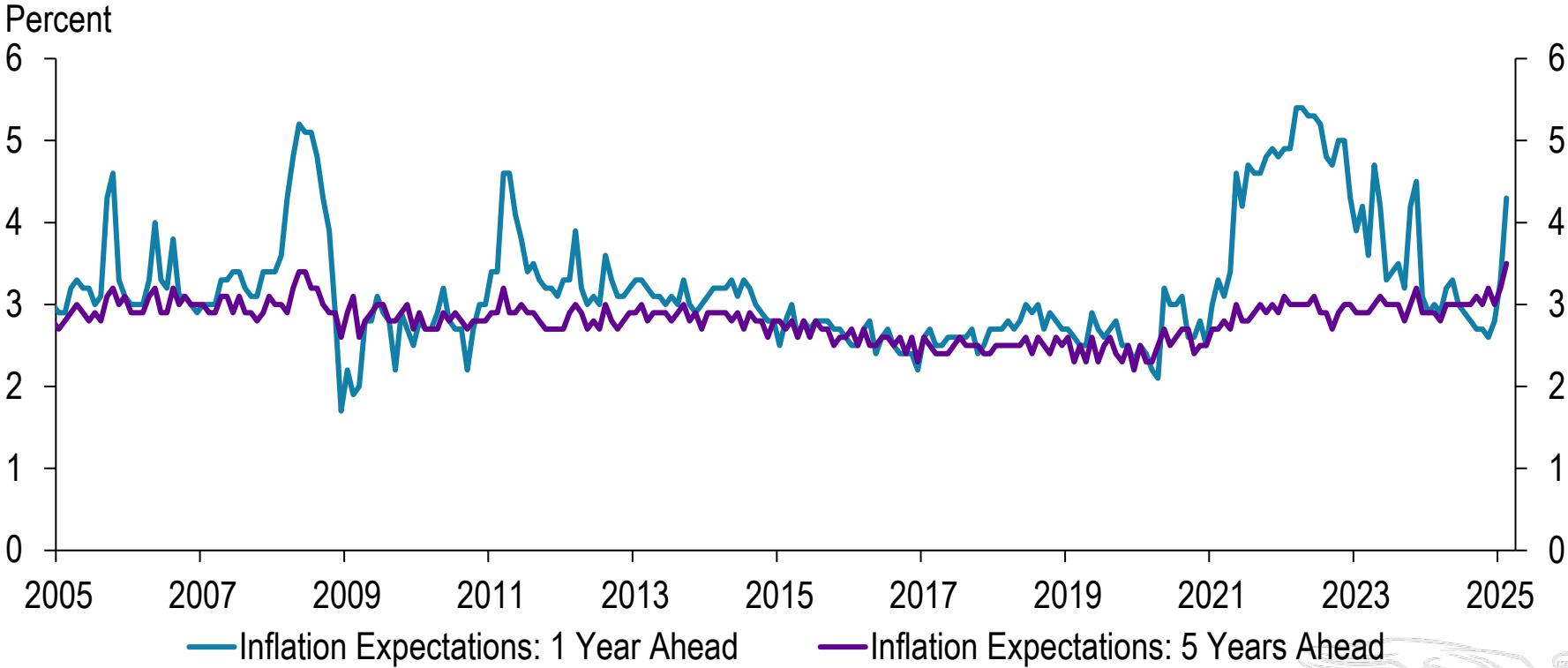
Inflation has come down but still running a bit hot



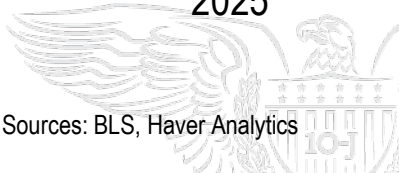
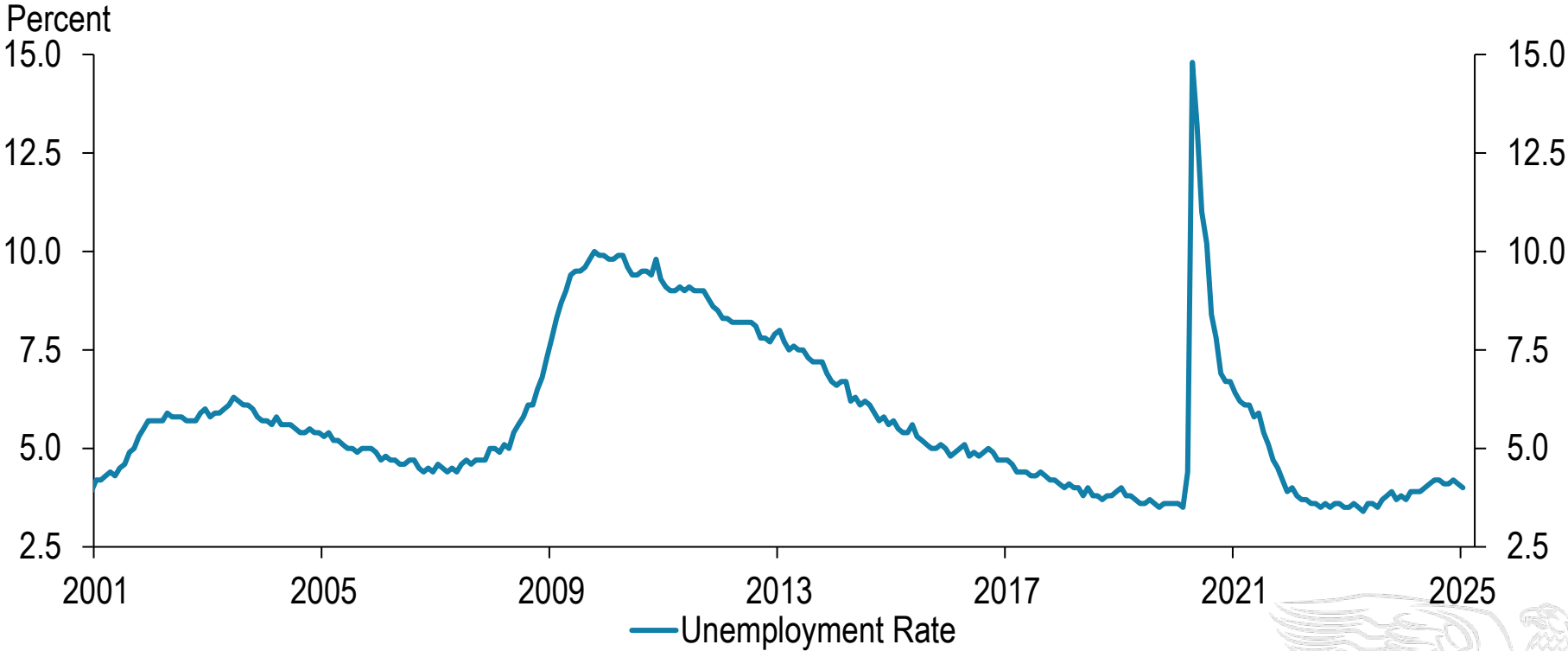
Sources: BEA, Haver Analytics

*Inflation measured using PCE

Rising concern about inflation expectations



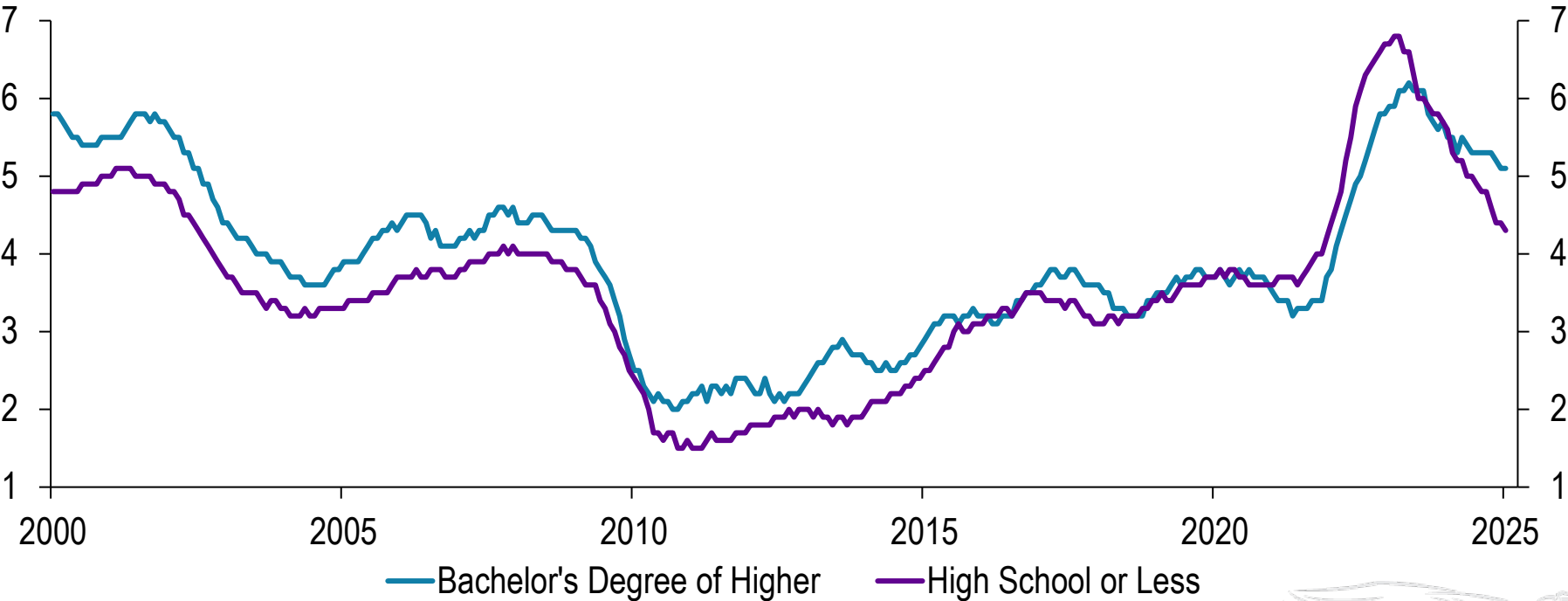
Labor market remains healthy



Sources: BLS, Haver Analytics

Wage growth slowing with post-pandemic skills gap reversing

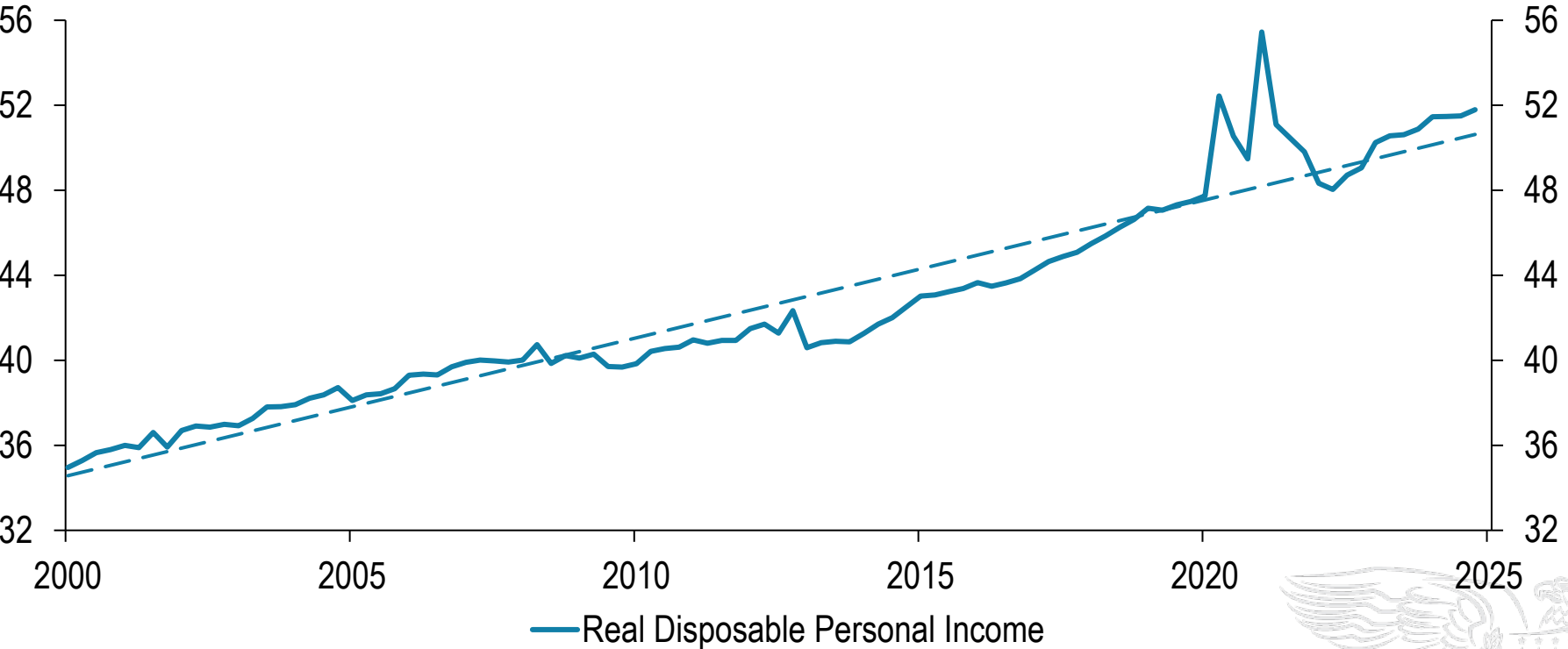
Year/Year % Change



Sources: FRB Atlanta, Haver Analytics

Growth supported by solid income growth

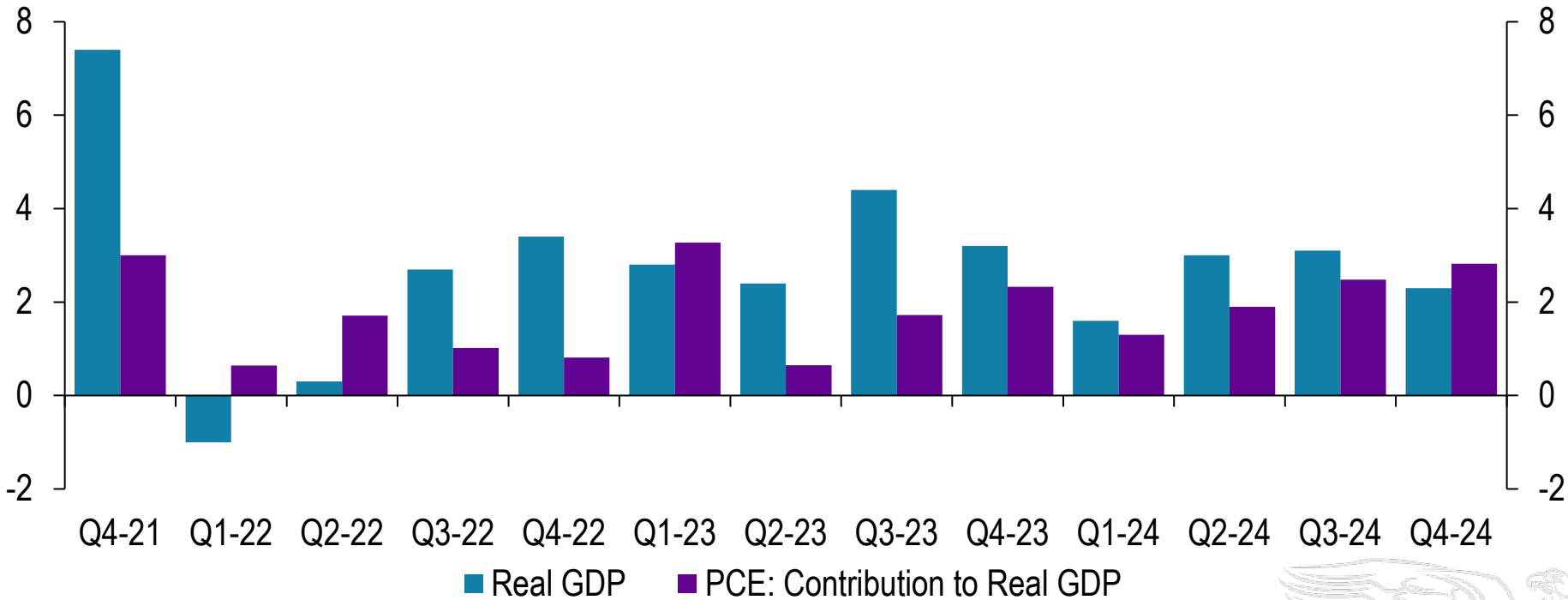
Thousands per Capita, \$



Sources: BEA, Haver Analytics

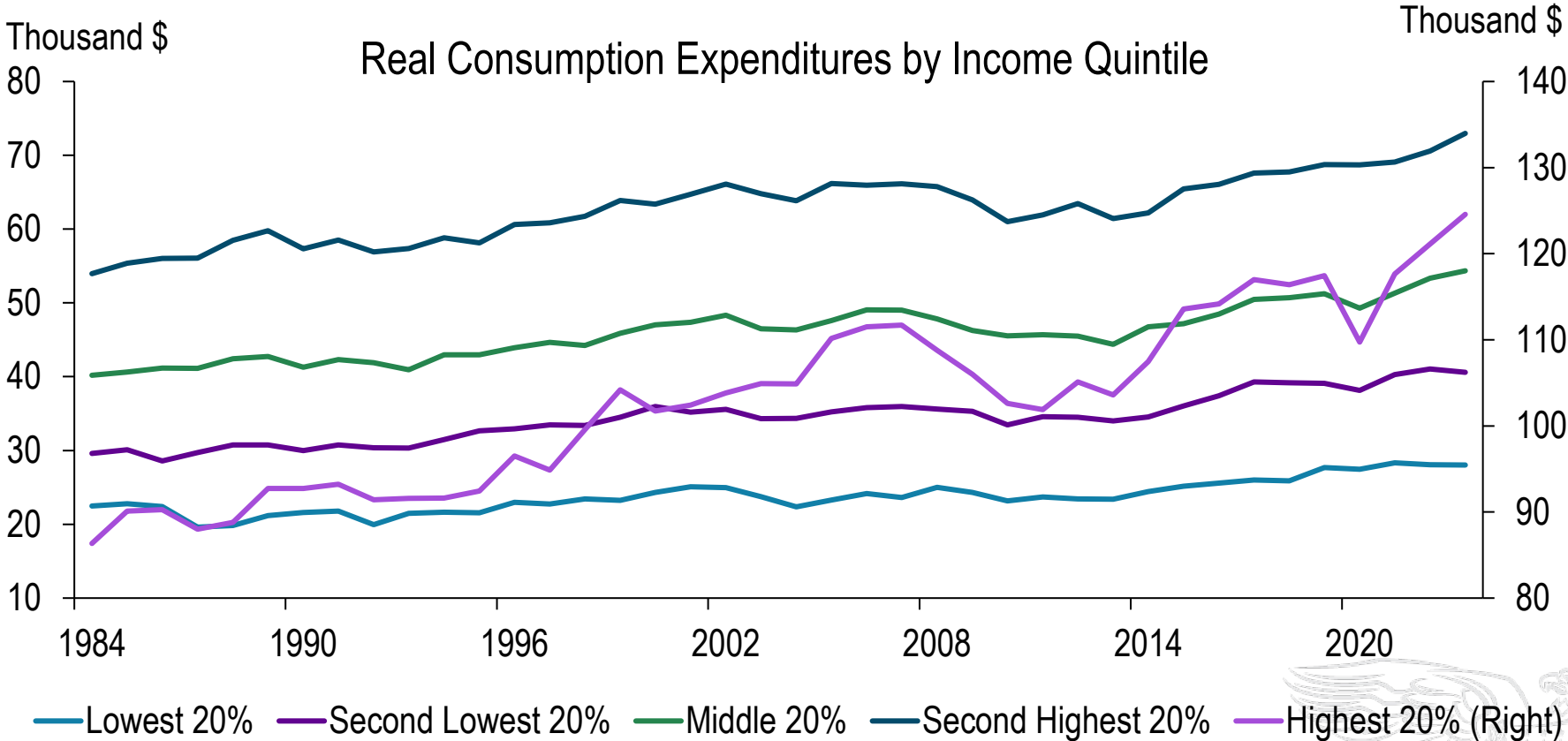
Strong consumption is powering GDP growth

Quarter/Quarter % Change

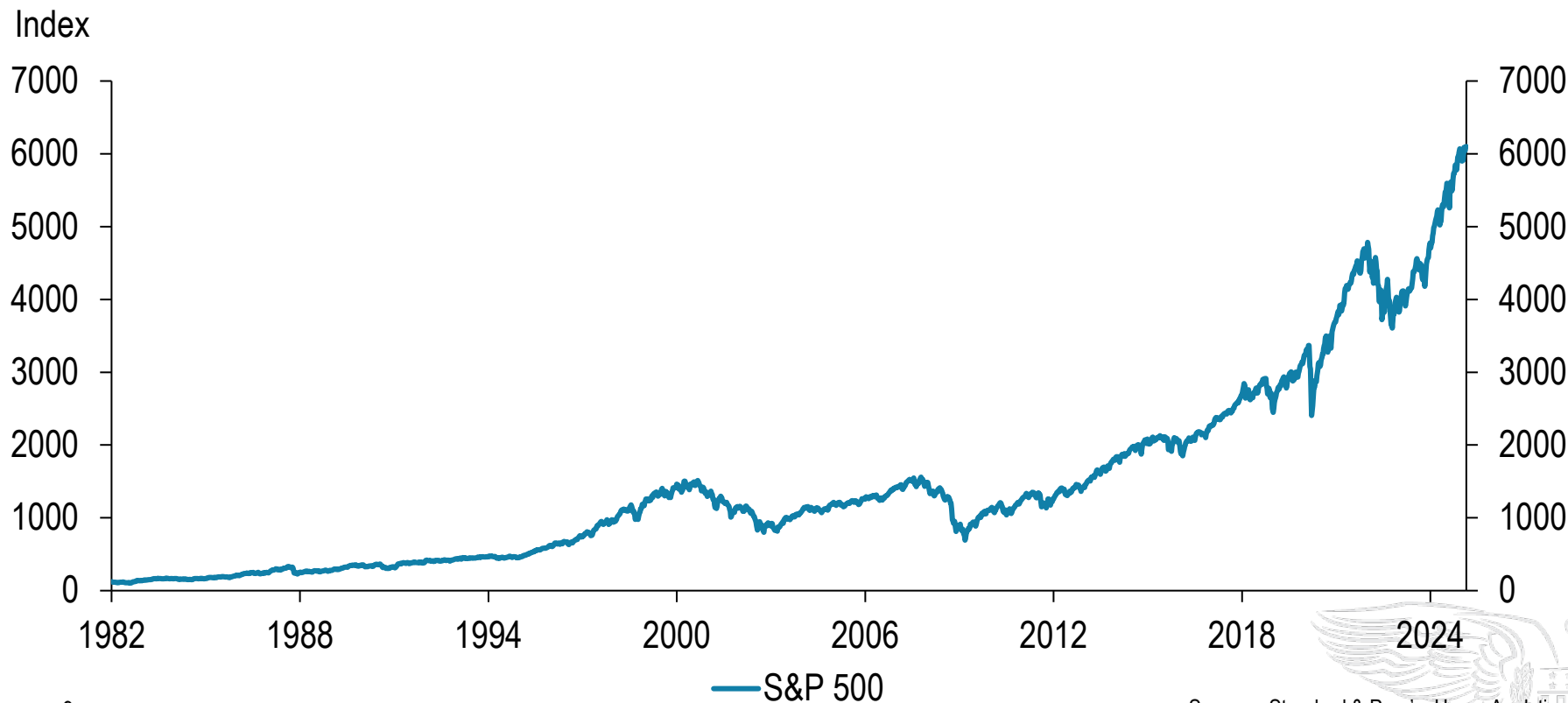


Sources: BEA, Haver Analytics

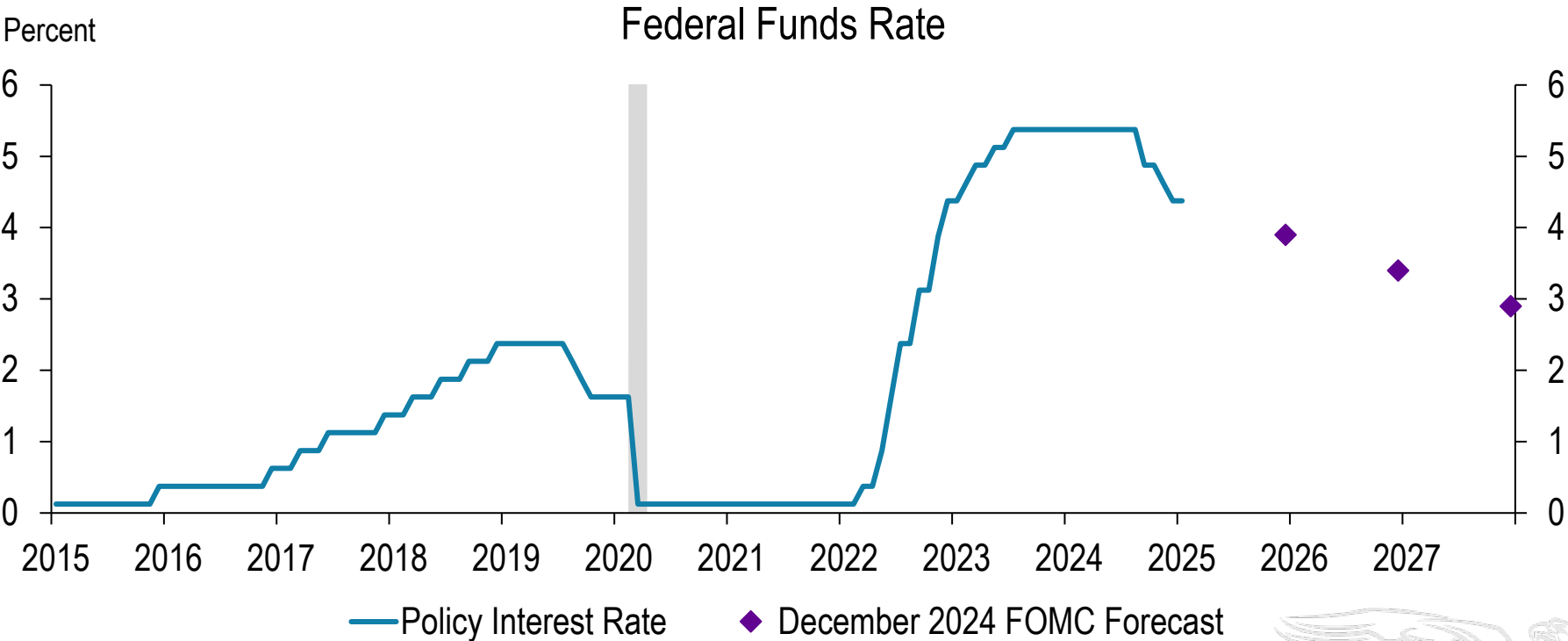
Distribution of gains is uneven



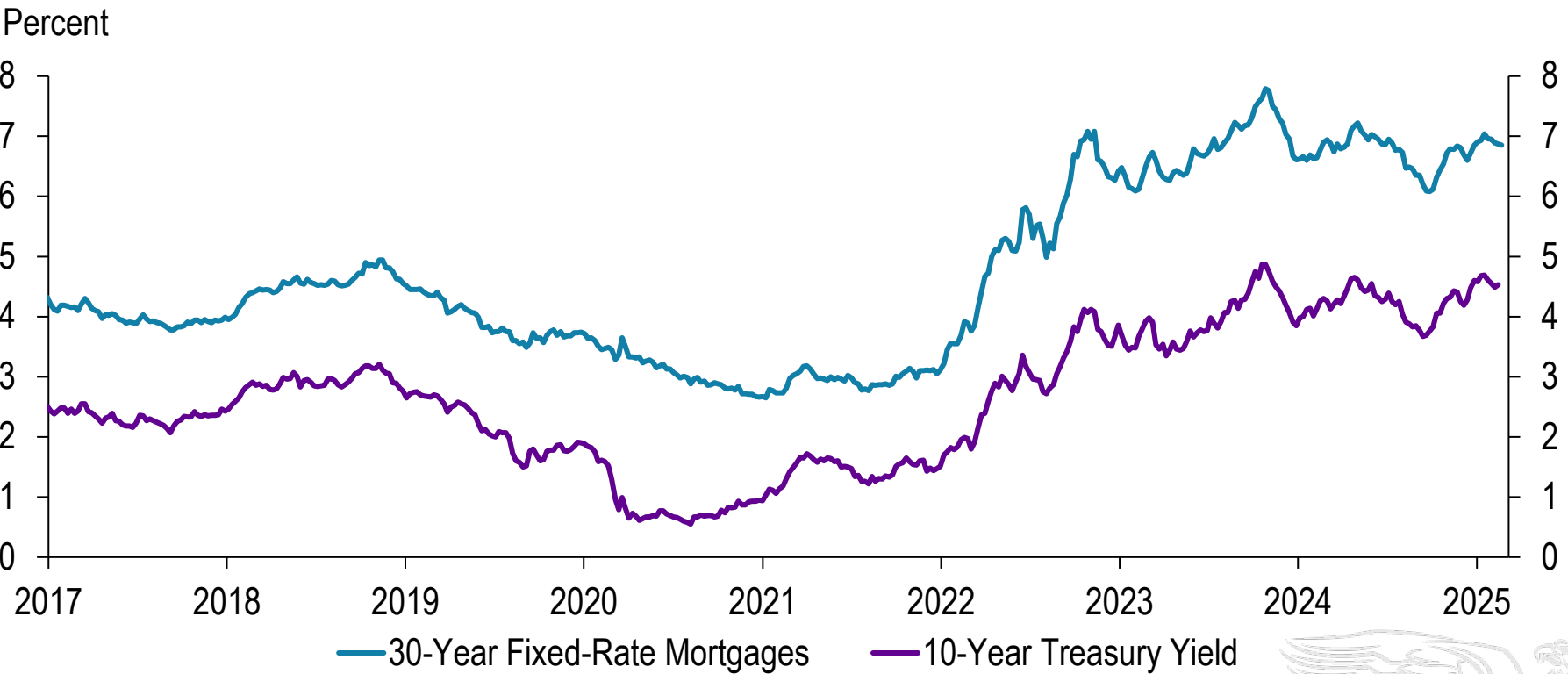
Wealth effects are supporting consumption



How Restrictive is Policy?

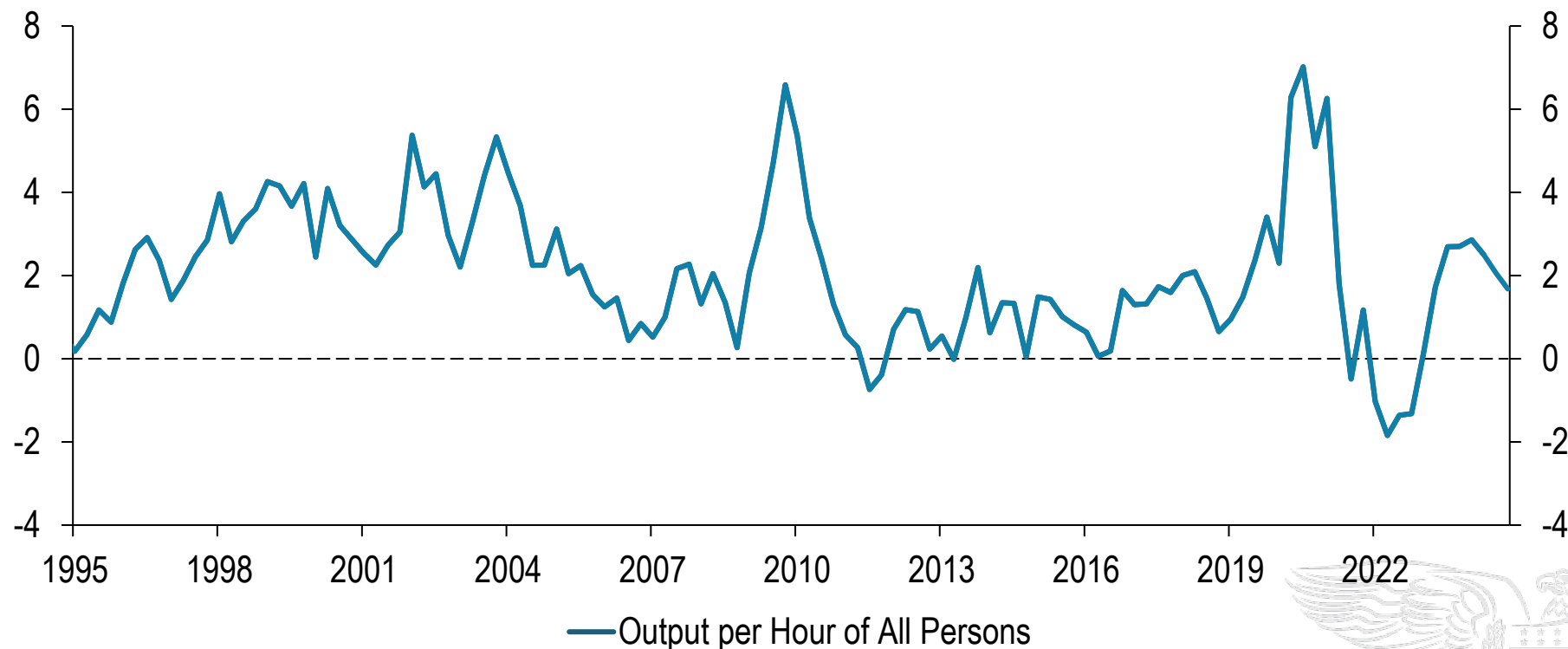


A higher equilibrium rate?

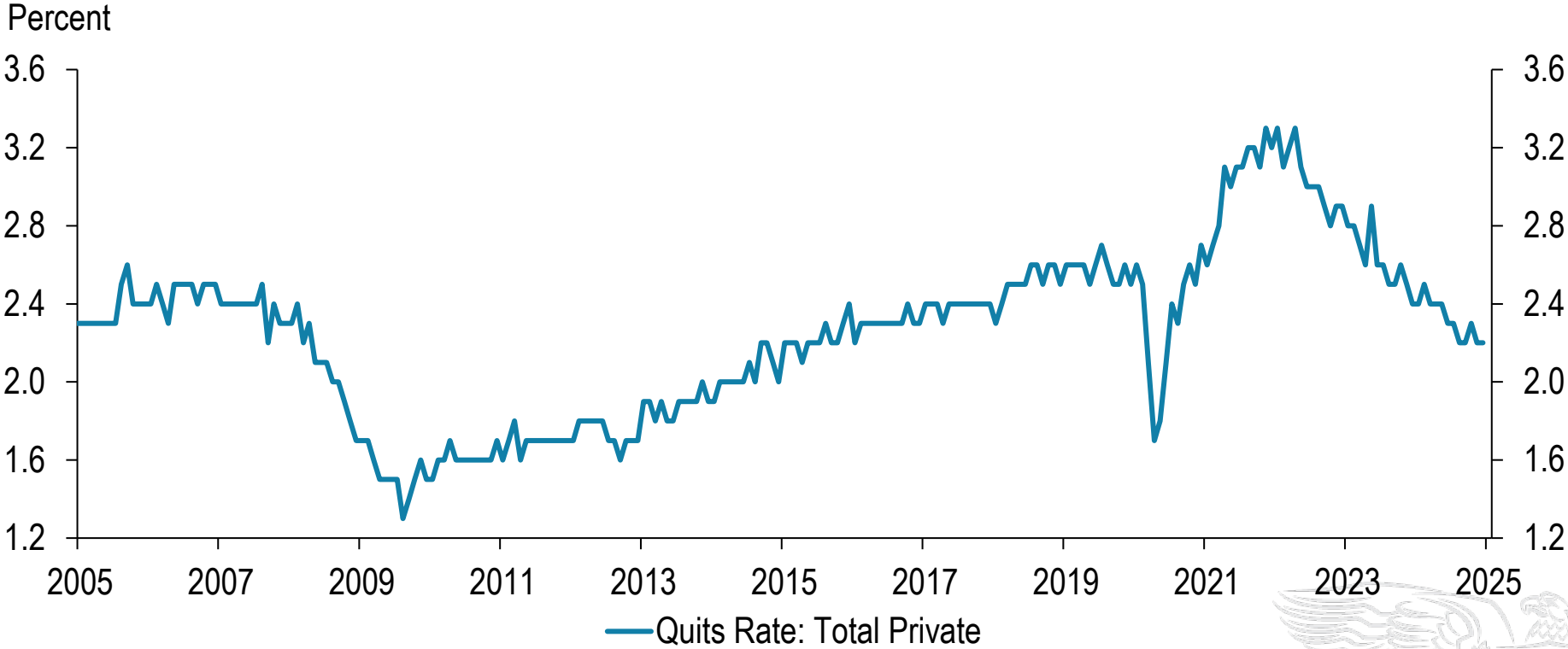


Productivity Boom? Higher growth and Higher Interest Rates

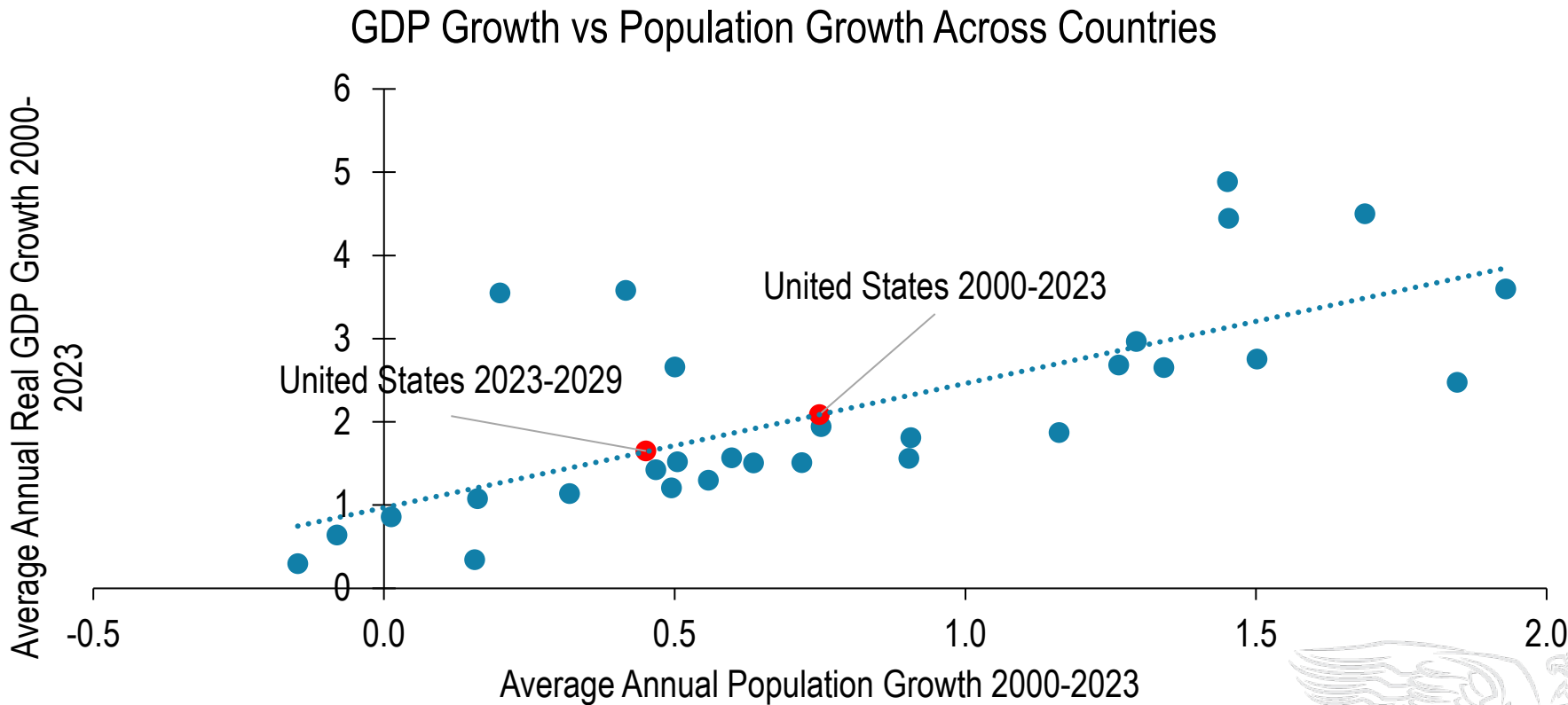
Year/Year % Change



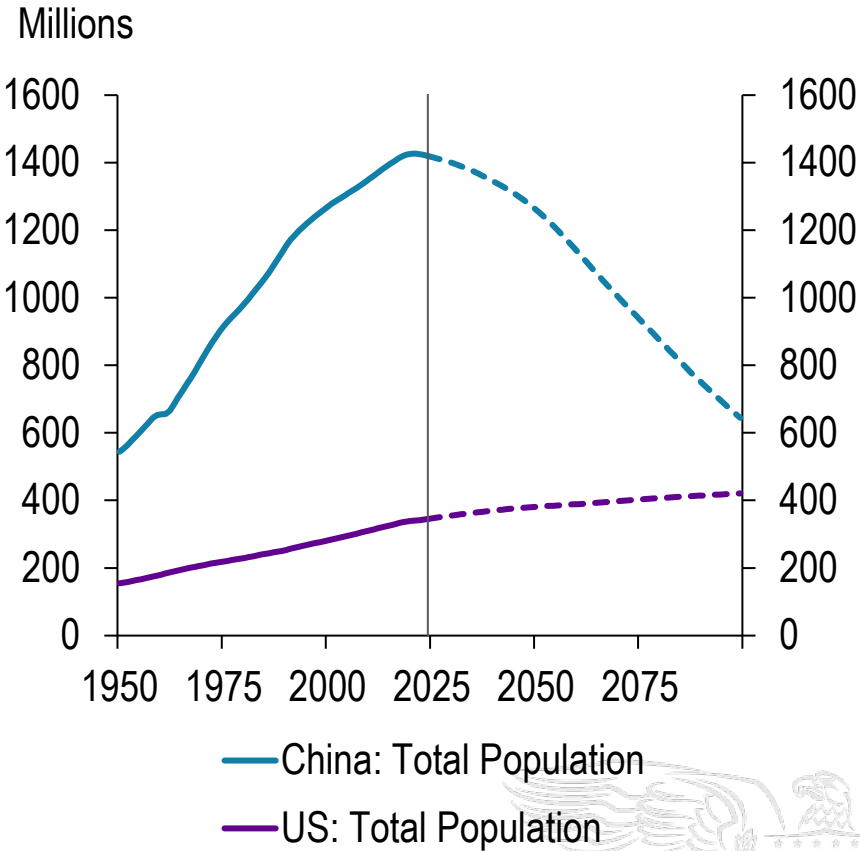
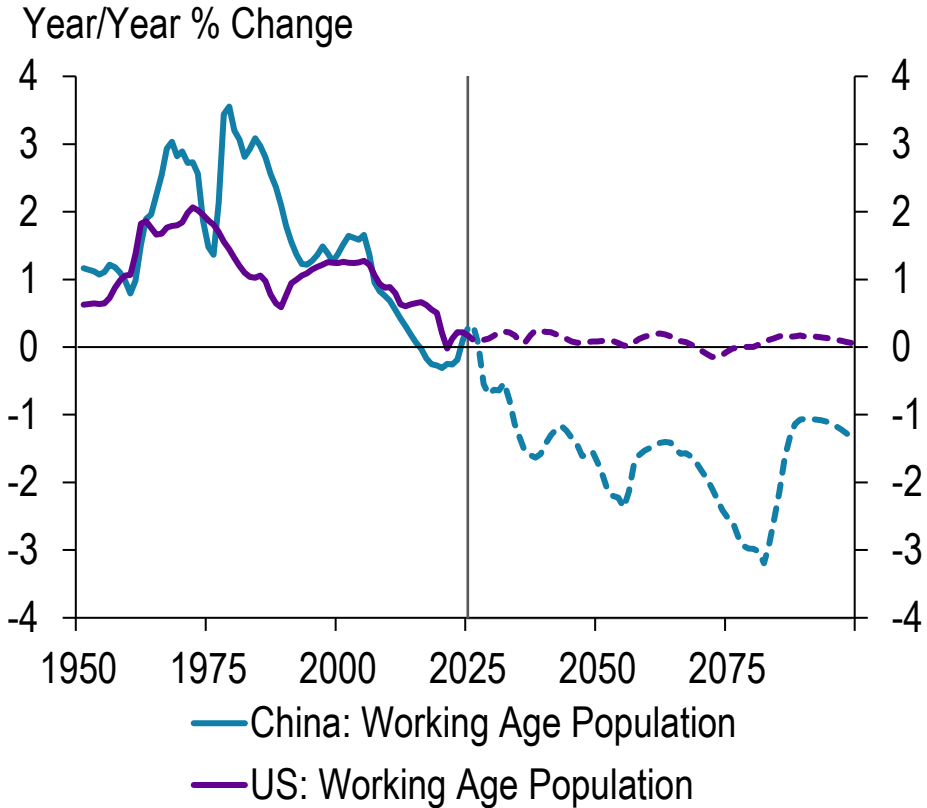
Less labor market churn boosts productivity



Demographics: Slower Population Growth = Slower Growth

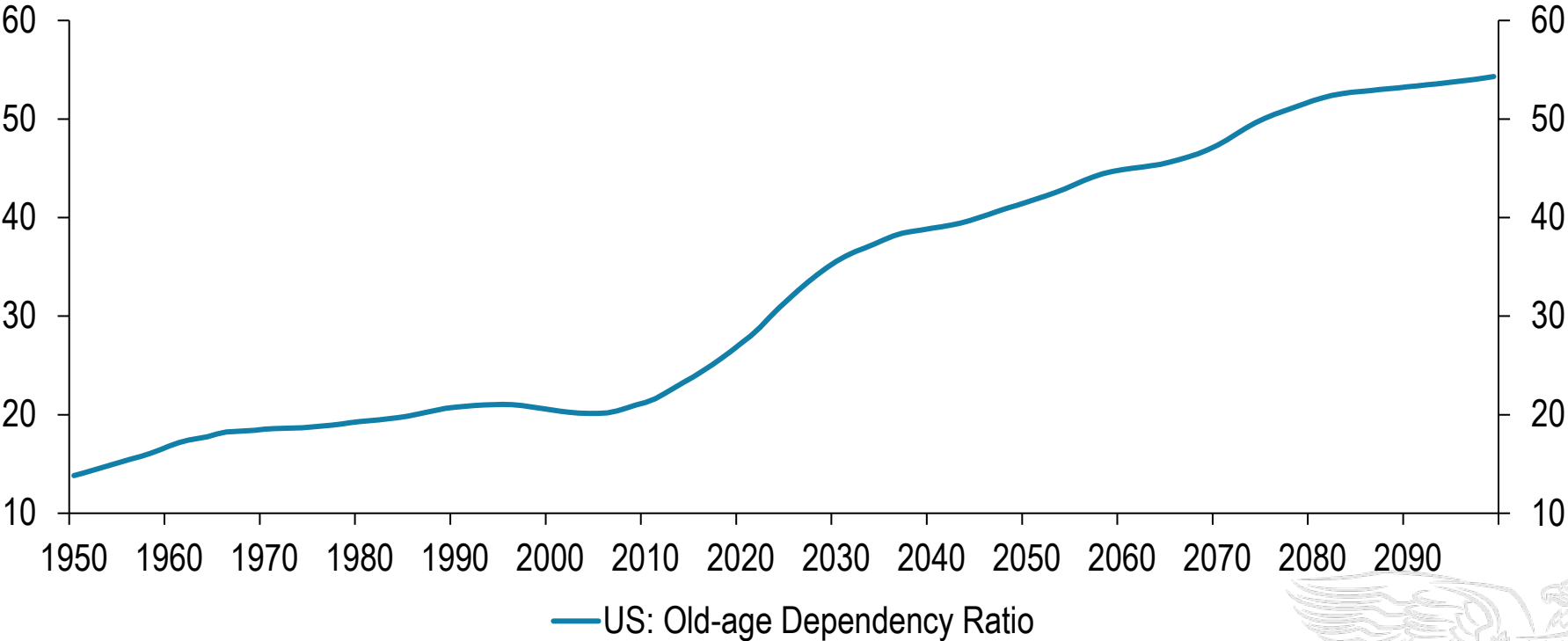


Demographic Challenges



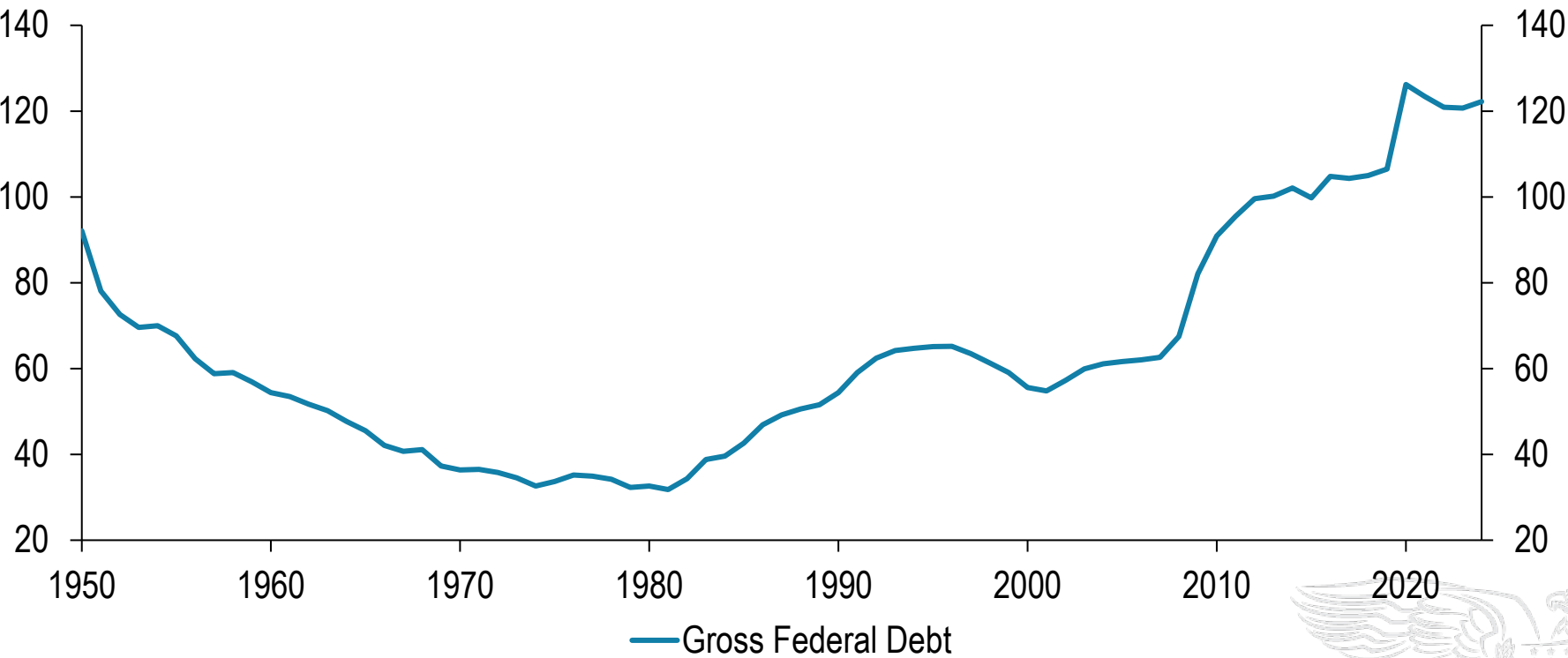
Ageing population holds down interest rates

Seniors per 100 Prime-aged [65+/20-64]



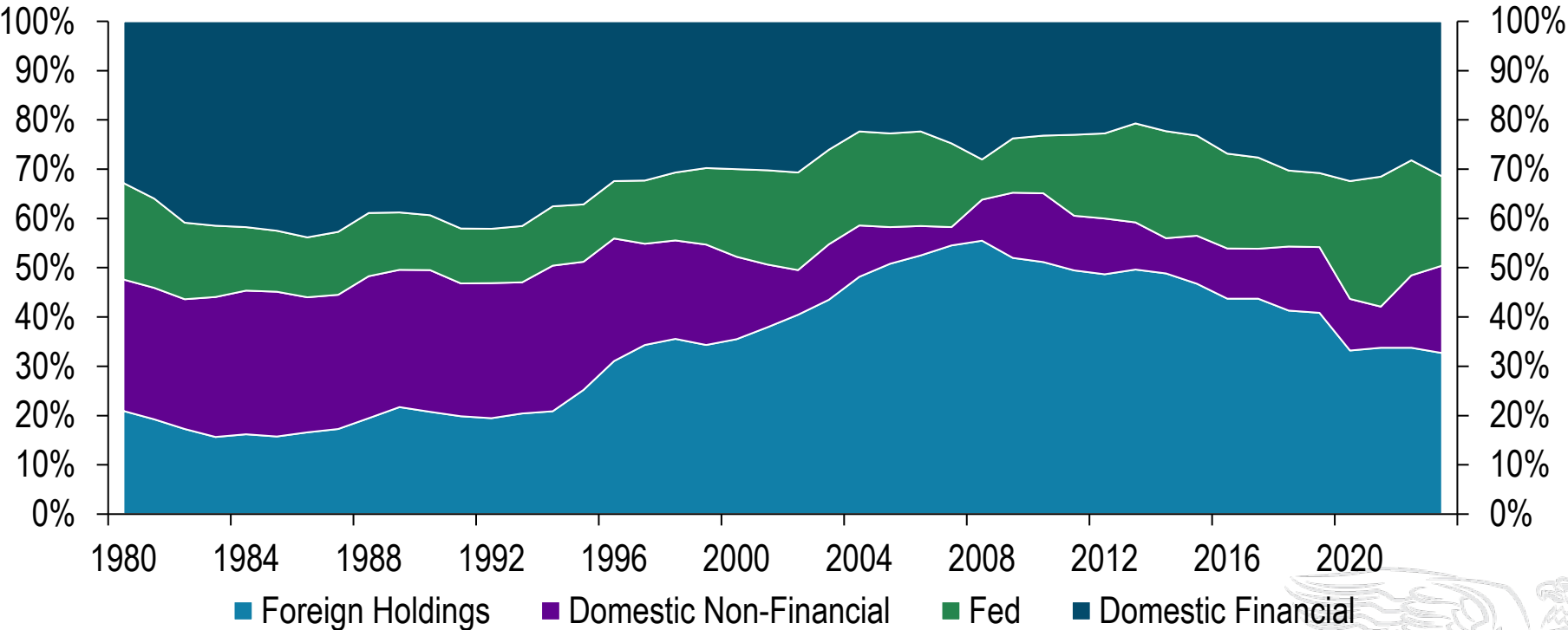
Growing supply of government debt

Percent of GDP



Shifting Pattern of Demand for U.S. Debt

Share of US Treasury Holdings



Summary of Scenarios

	Growth	Interest Rates
Productivity Boom	↑	↑
Demographic Decline	↓	↓
Debt Overhang	↓	↑



KC Fed Research



Email Alerts



Resources from the Kansas City Fed's Economic Research Department

- [Charting the Economy](#)

Timely economic data curated by research staff at the Federal Reserve Bank of Kansas City.

- [Economic Bulletin](#)

Timely, accessible snapshots of the Kansas City Fed's latest economic findings and perspectives on national and international economic conditions and issues related to monetary policy, industries and markets.

- [Economic Review](#)

A quarterly research publication with articles on macroeconomics and monetary policy, regional and international economics, and banking and financial markets.

