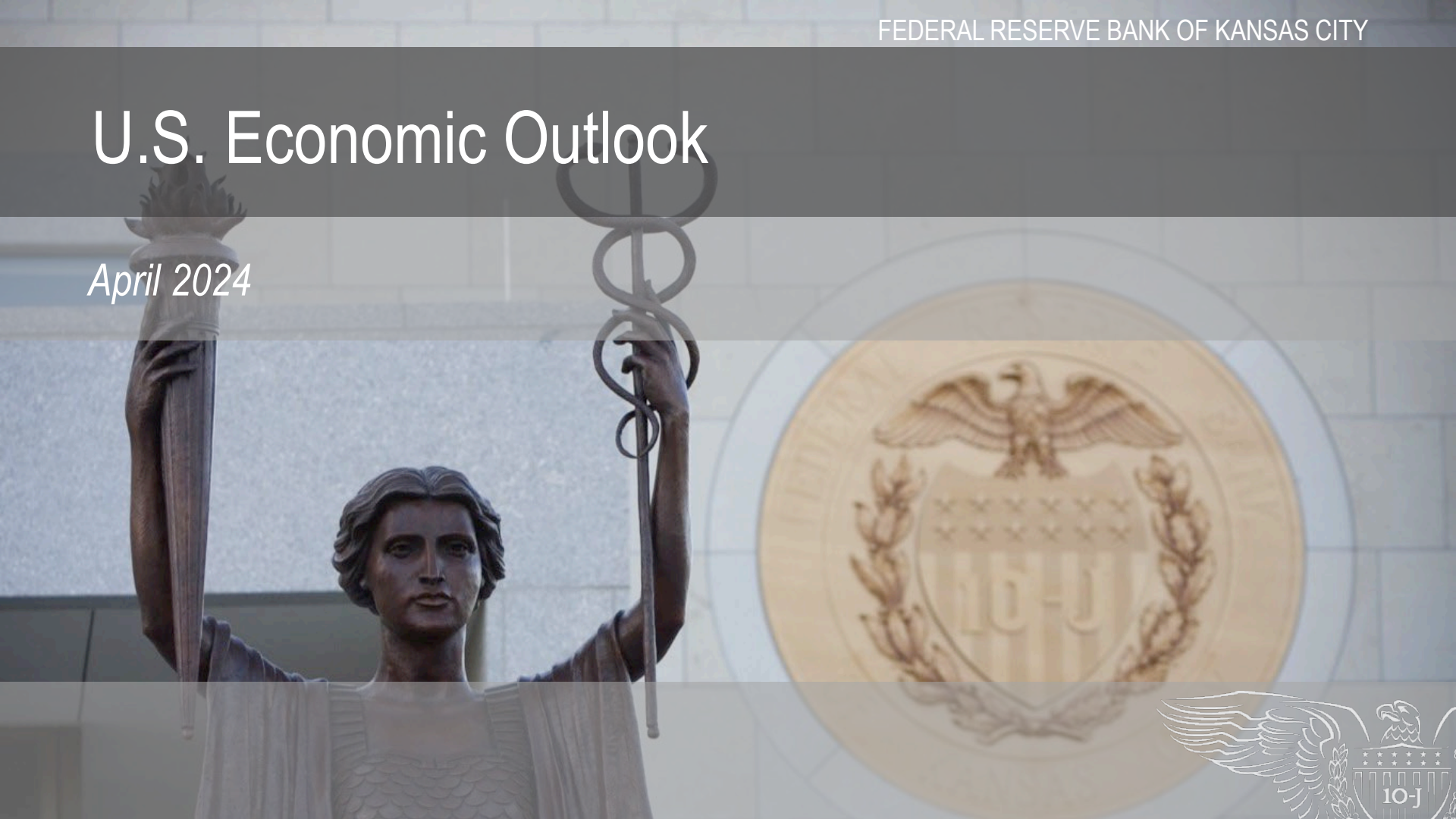


U.S. Economic Outlook

April 2024



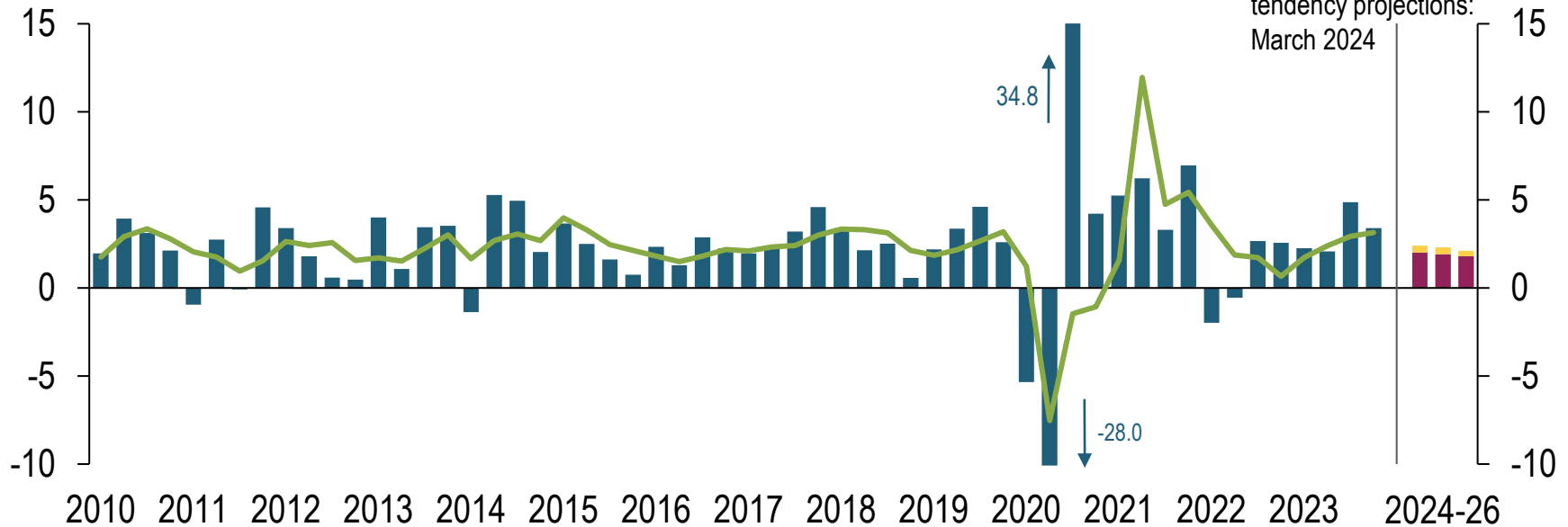
Outlook Themes

- The U.S. economy has been resilient despite tighter monetary policy and high inflation.
- Inflation has moderated substantially over the past two years, but recent data provide additional evidence that inflation remains too high.
- Increases in labor supply have helped ease labor constraints and have supported solid employment gains, but further easing in the labor market will likely require declines in labor demand.
- Thus far, however, consumer spending and new orders at manufacturing and services firms have been fairly resilient, keeping labor demand elevated.
- This resiliency has led market participants to pull back on their expectations for rate cuts, resulting in market expectations that are similar to FOMC median projections.



The U.S. economy has been resilient despite tight monetary policy and high inflation.

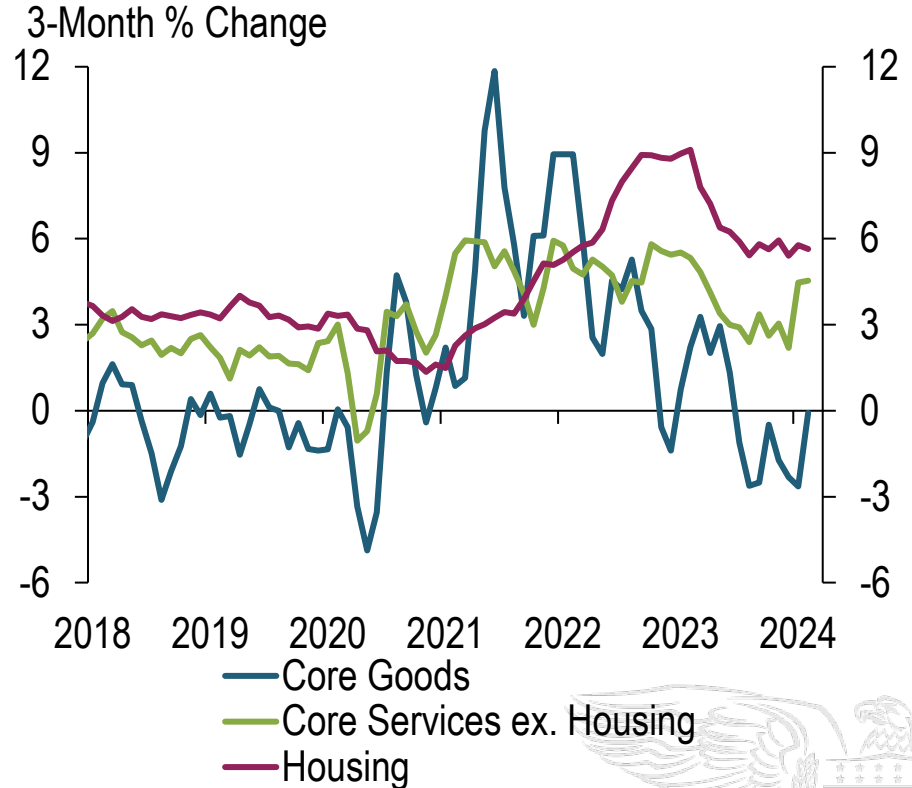
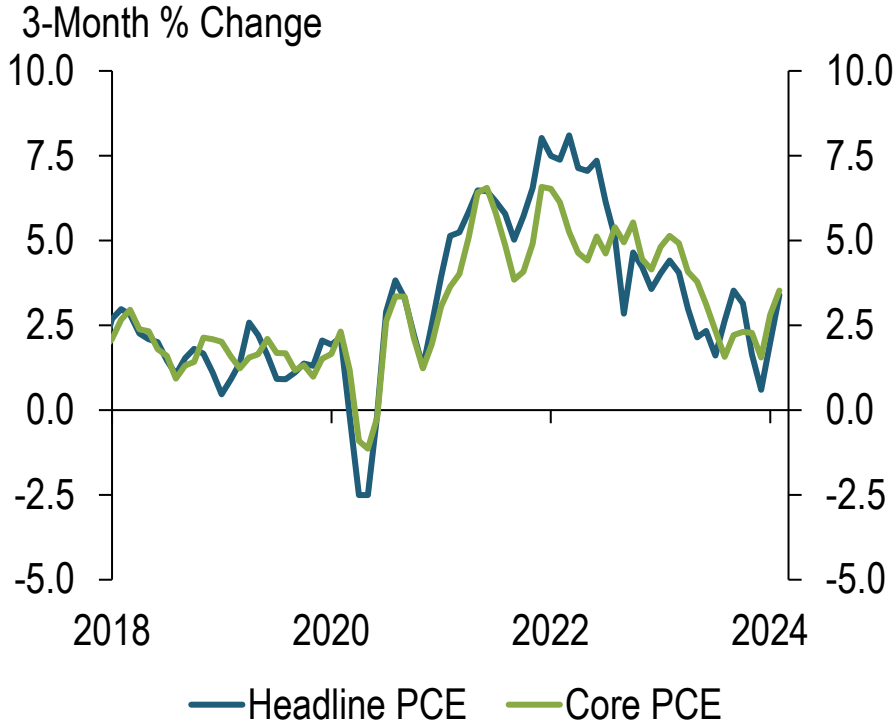
Percent Change



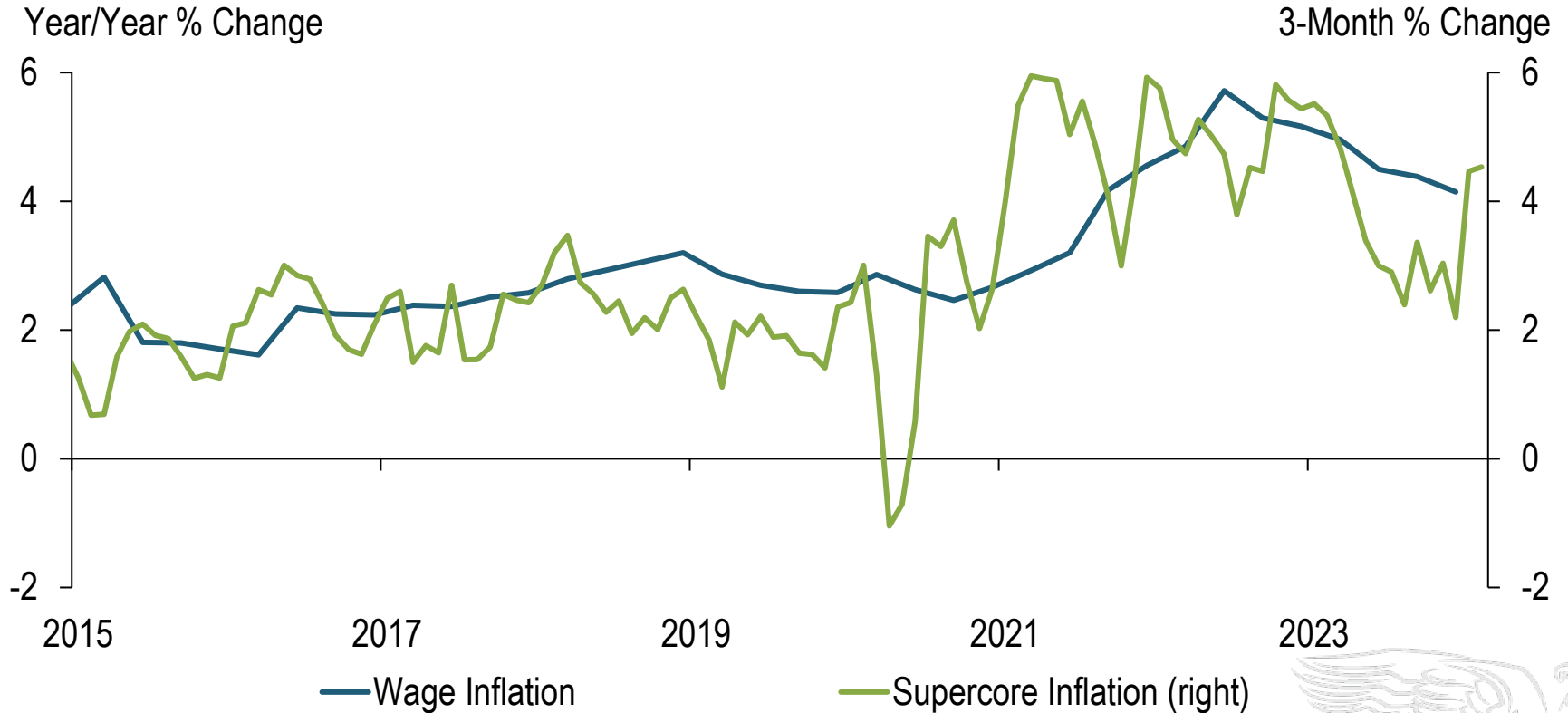
■ Real GDP q/q
 — Real GDP y/y
 ■ Low Forecast
 ■ High Forecast



Inflation has fallen considerably but remains stubbornly high for core services.



Elevated wage gains continue to pressure services inflation.



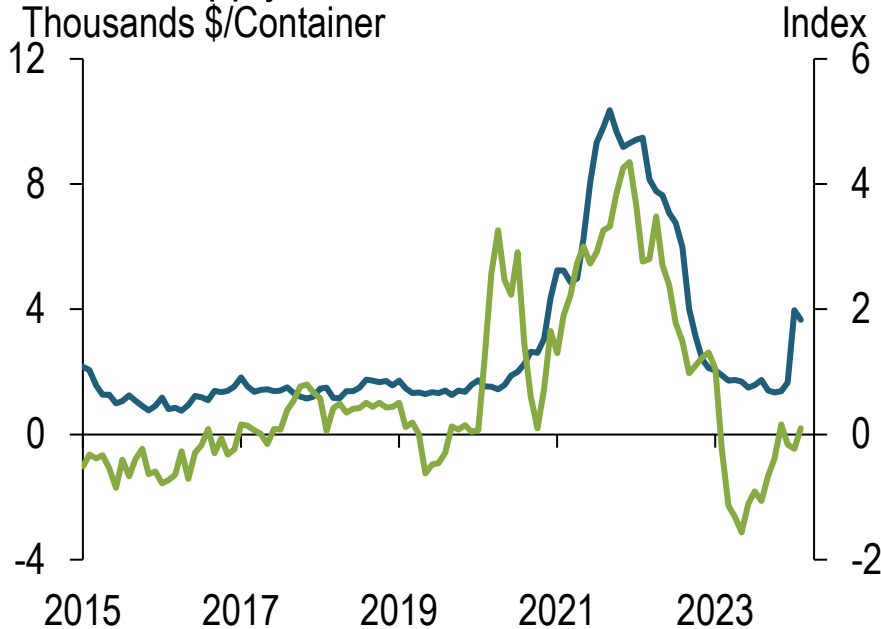
5 Note: Supercore inflation measures inflation for core services excluding housing

Sources: BEA, BLS, Haver Analytics



Increasing supply chain pressures and inflation expectations pose upside risks to inflation.

Supply Chain Pressure Indexes



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

Market-Based Inflation Expectations

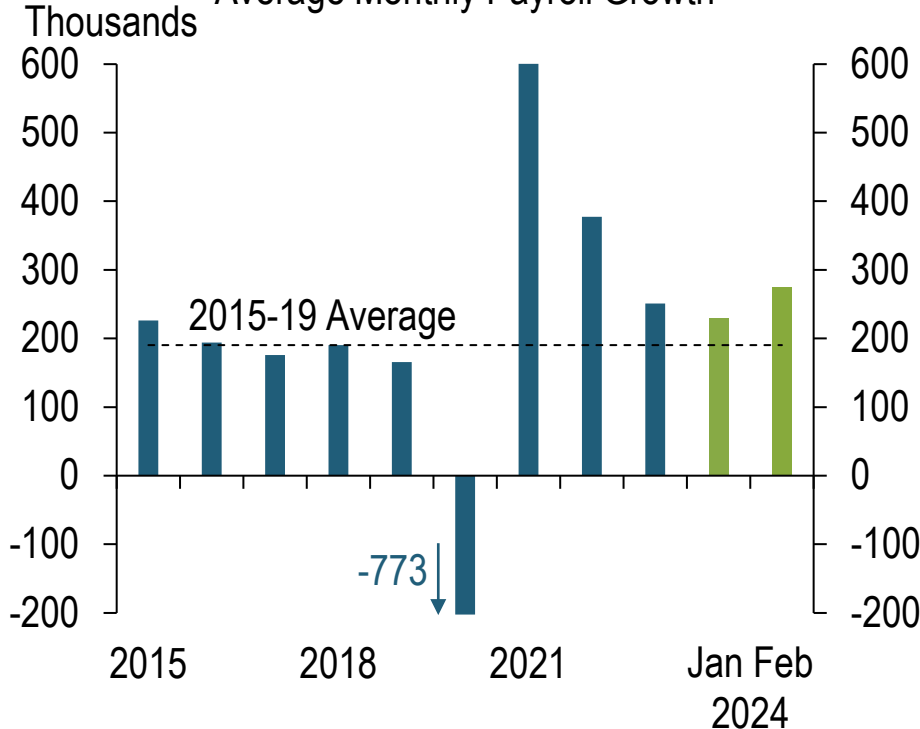


- 1-Year Breakeven Inflation Rate
- 2-Year Breakeven Inflation Rate

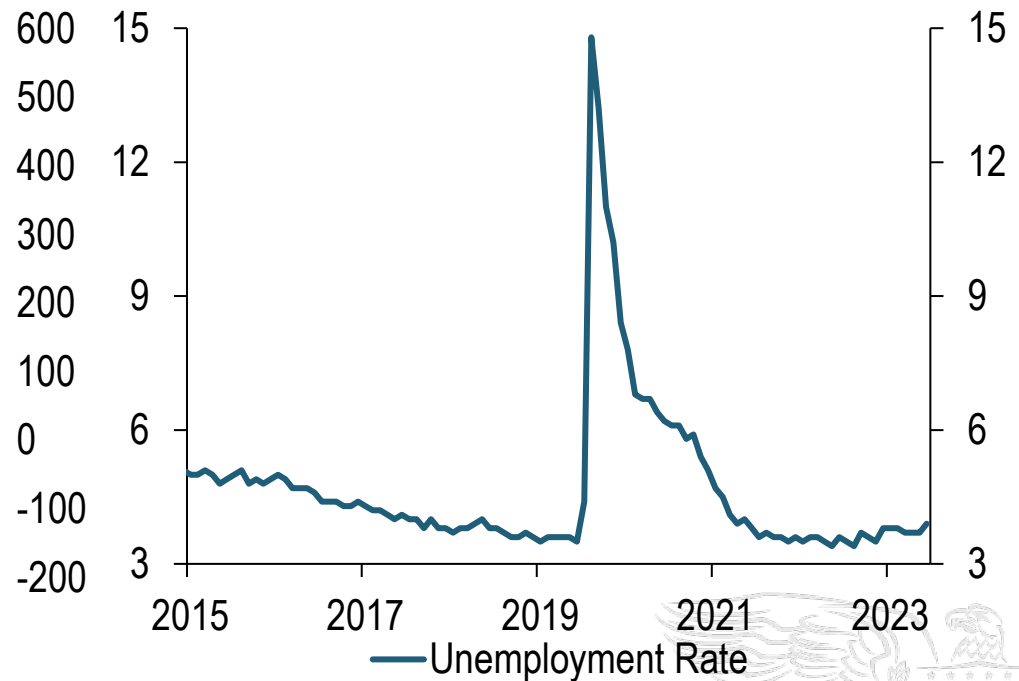


Labor markets remain tight, with an unemployment rate under 4% and payroll gains exceeding 250,000 on average in 2024.

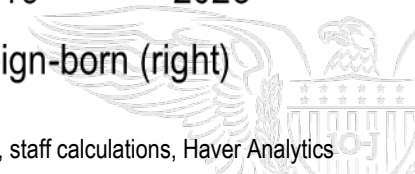
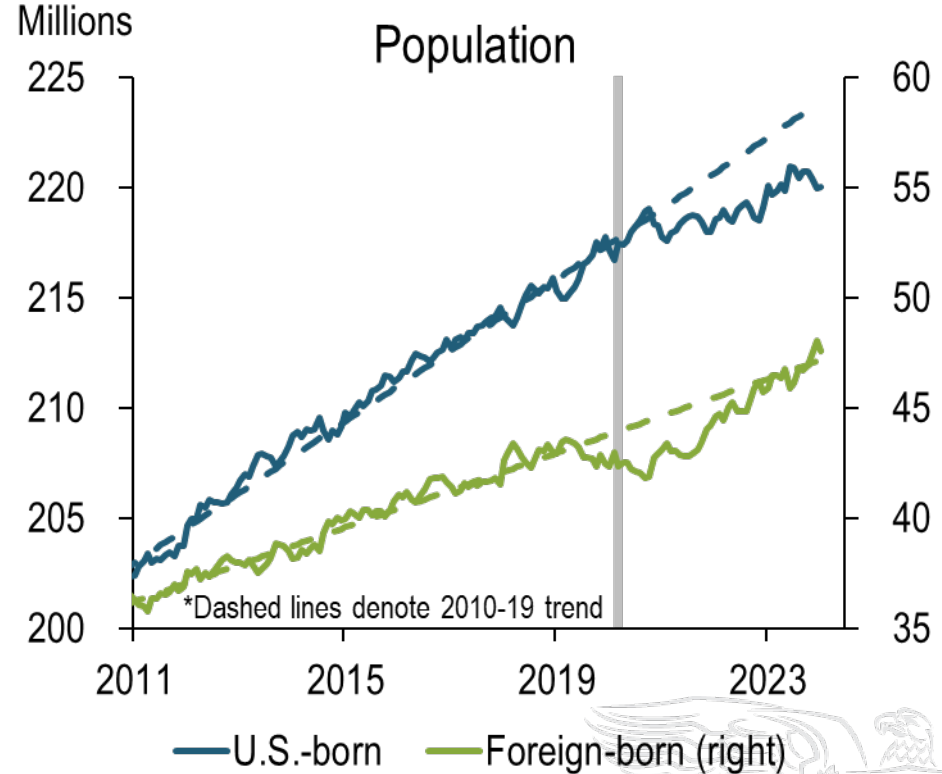
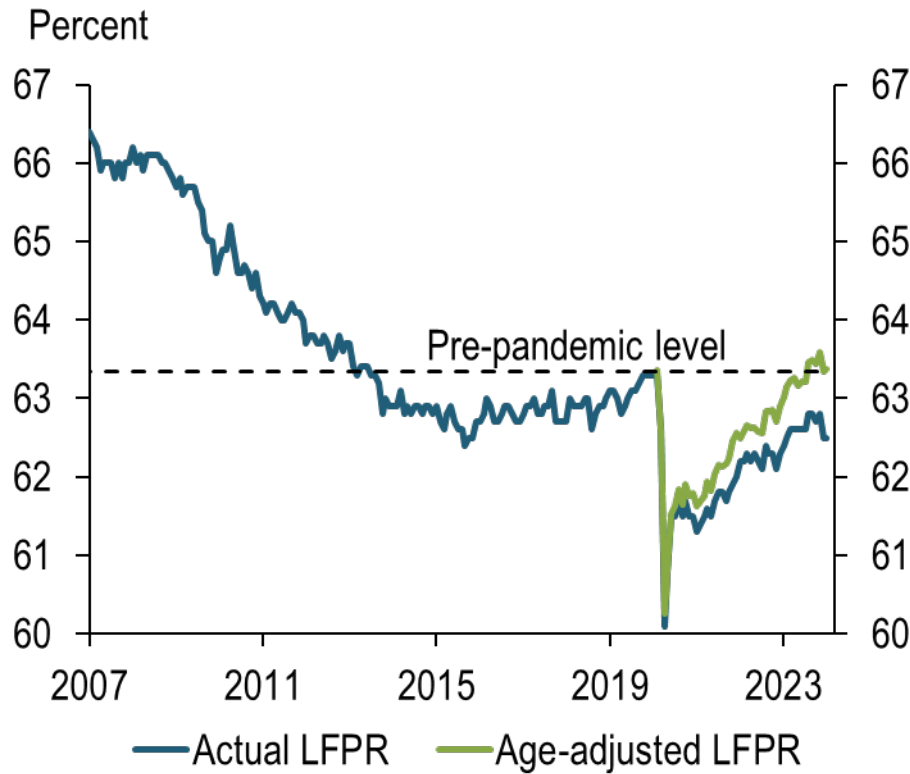
Average Monthly Payroll Growth



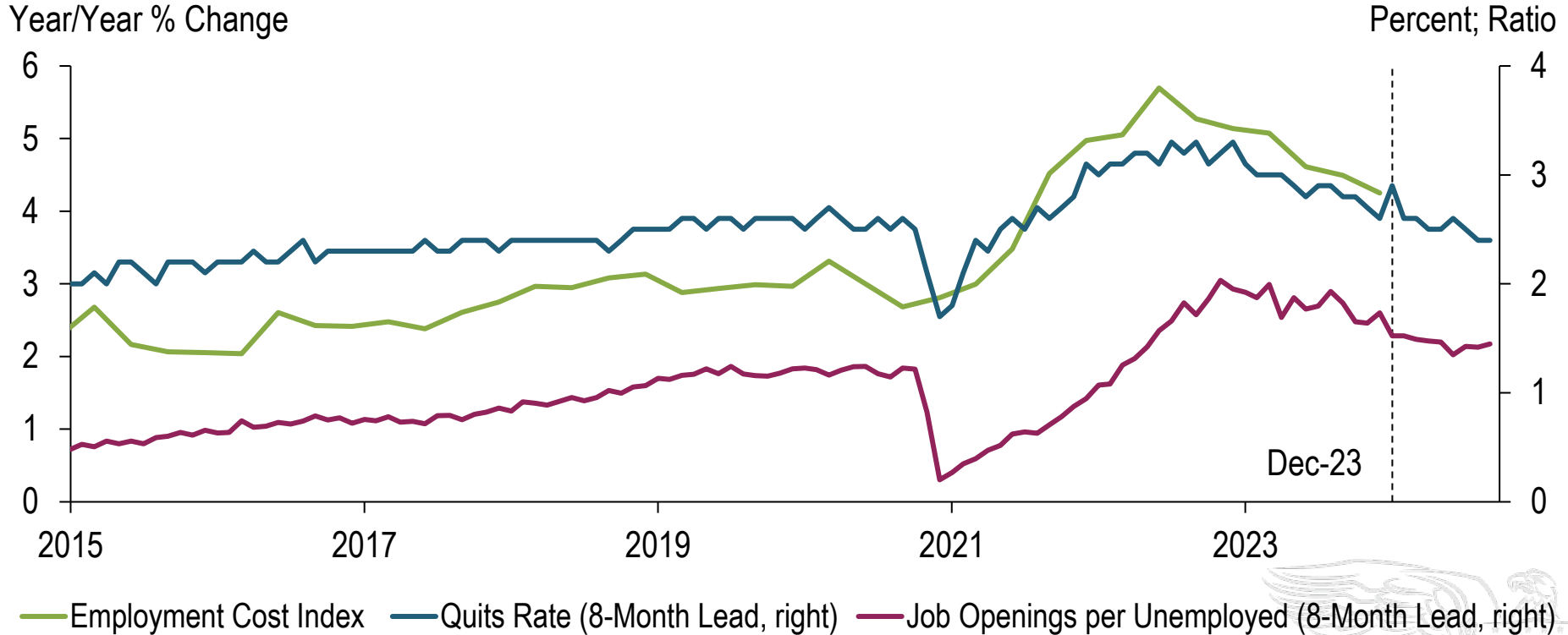
Percent



Improvements in labor supply helped to ease some pressure in labor markets, but further supply increases are unlikely.

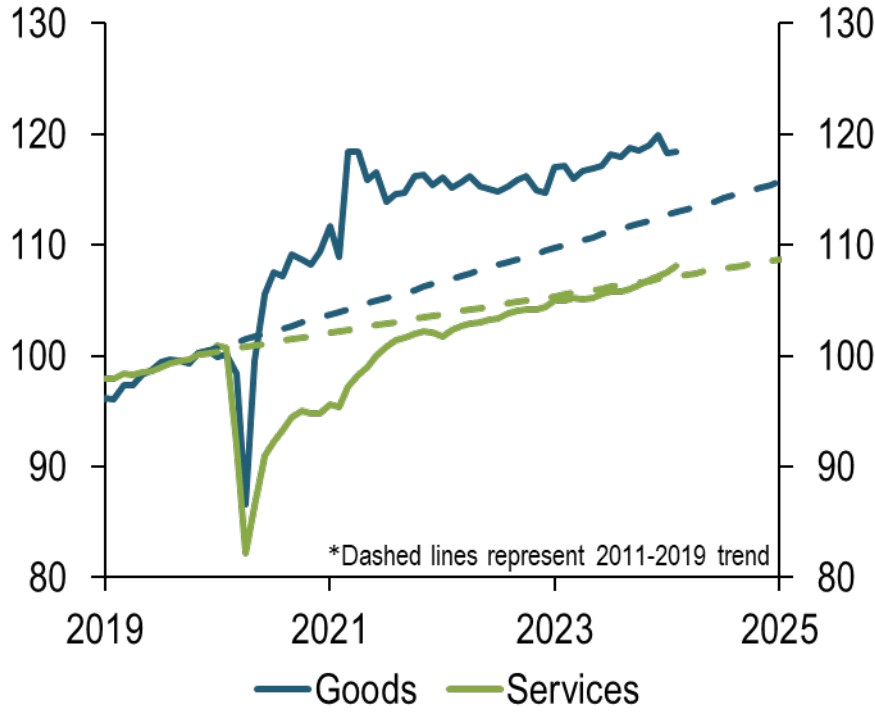


Instead, labor demand will need to ease further to bring down wage pressures.

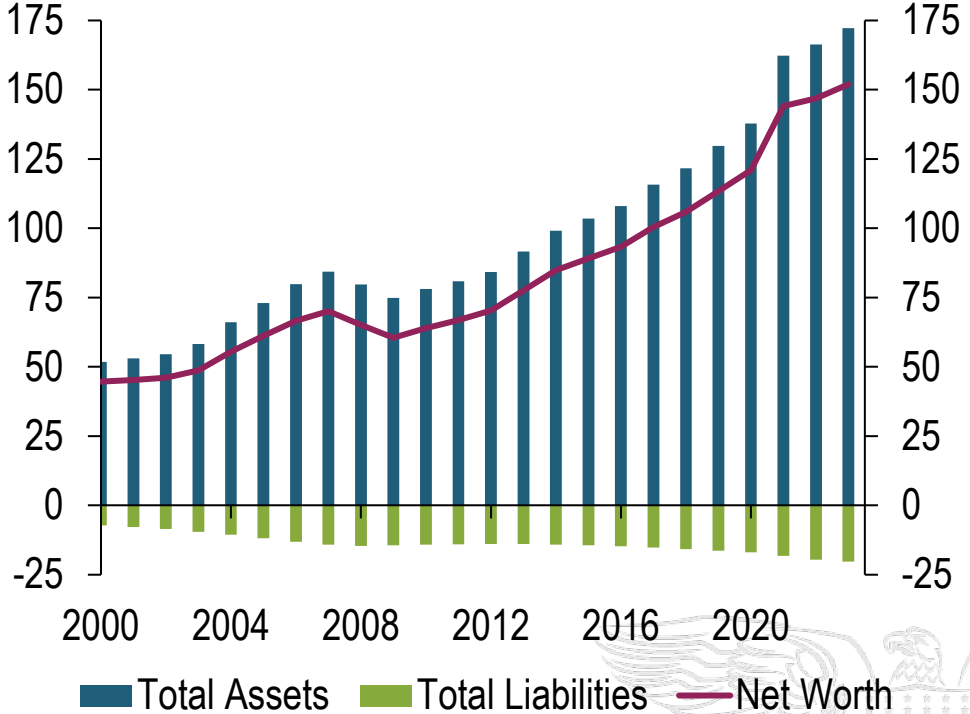


Consumer spending remains elevated, supported by strong household net worth.

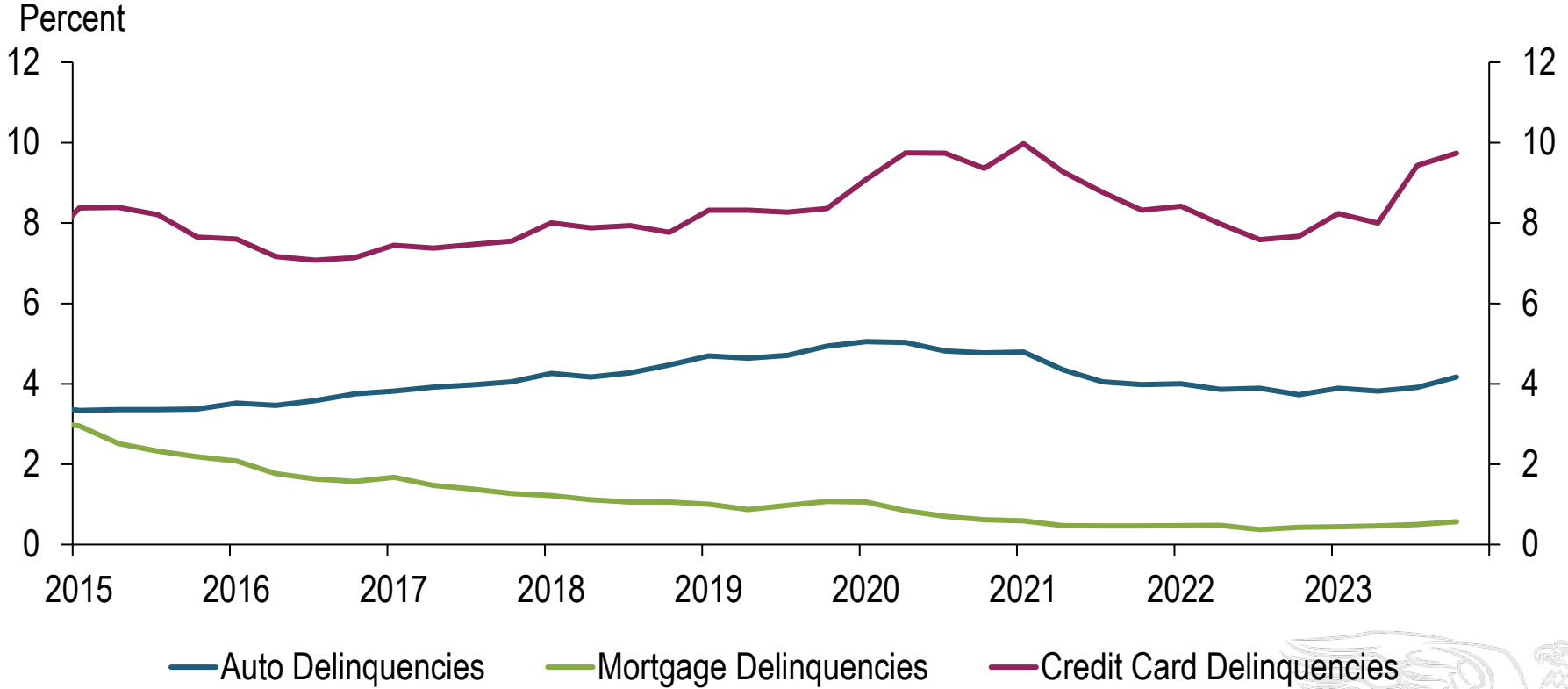
Index, 2019Q4 = 100



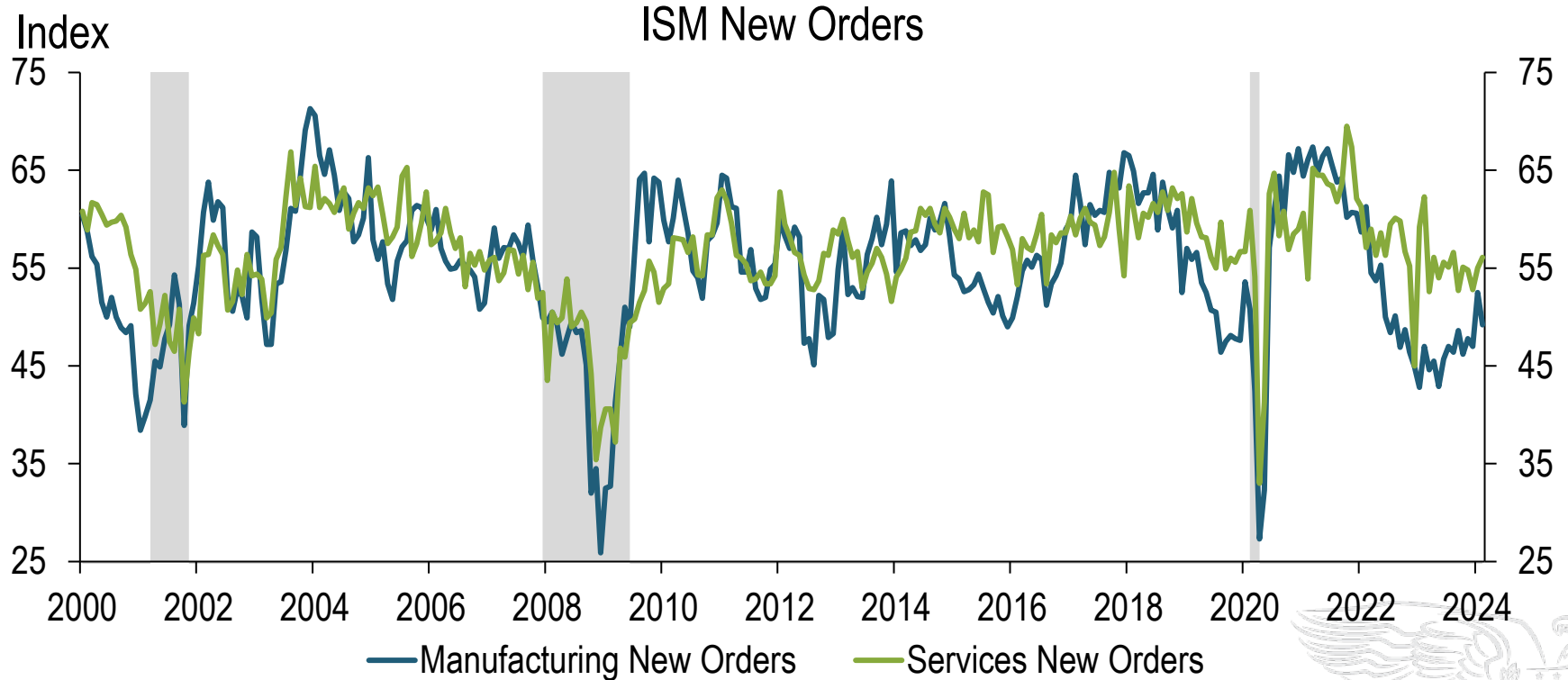
Trillions \$ Household Balance Sheet



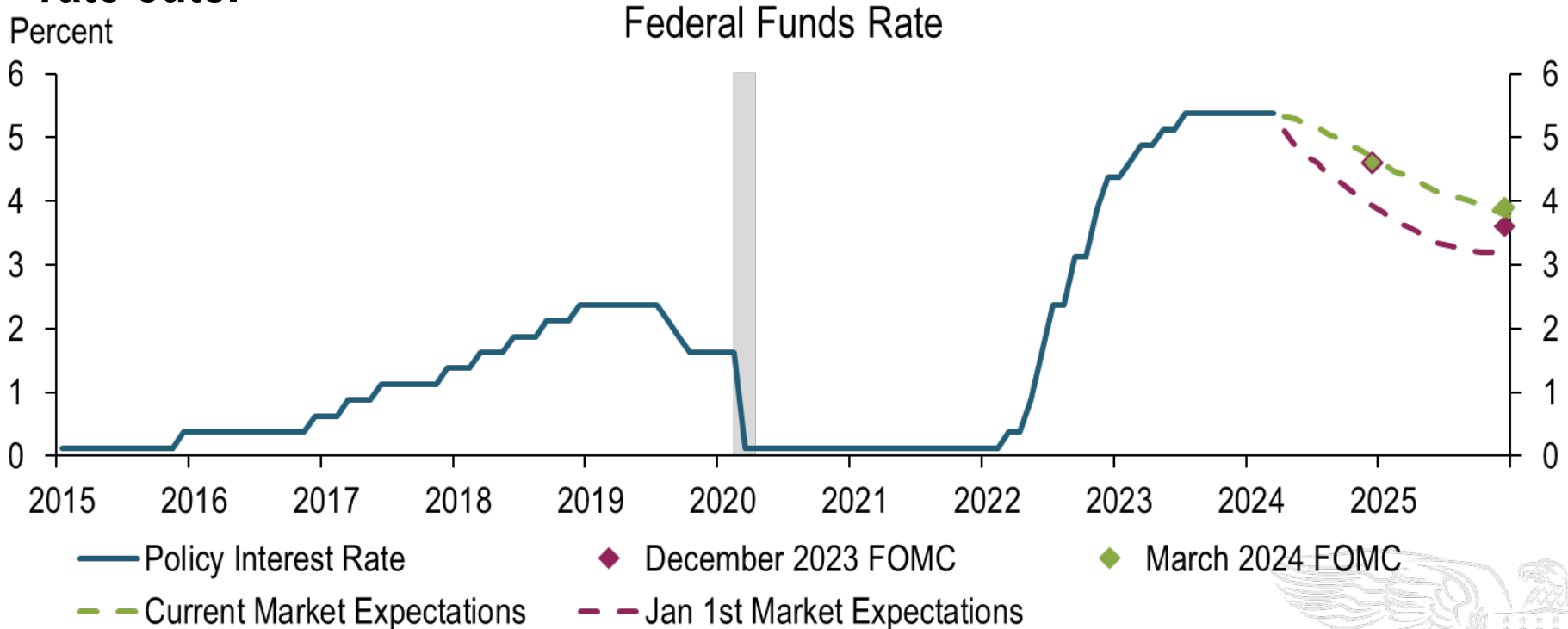
However, credit card delinquencies have moved up, indicating stress for some consumers.



Both manufacturing and services firms report that new orders have been fairly steady.



As data continues to point to a resilient economy with above-target inflation, market participants have pulled back their expectations for rate cuts.



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