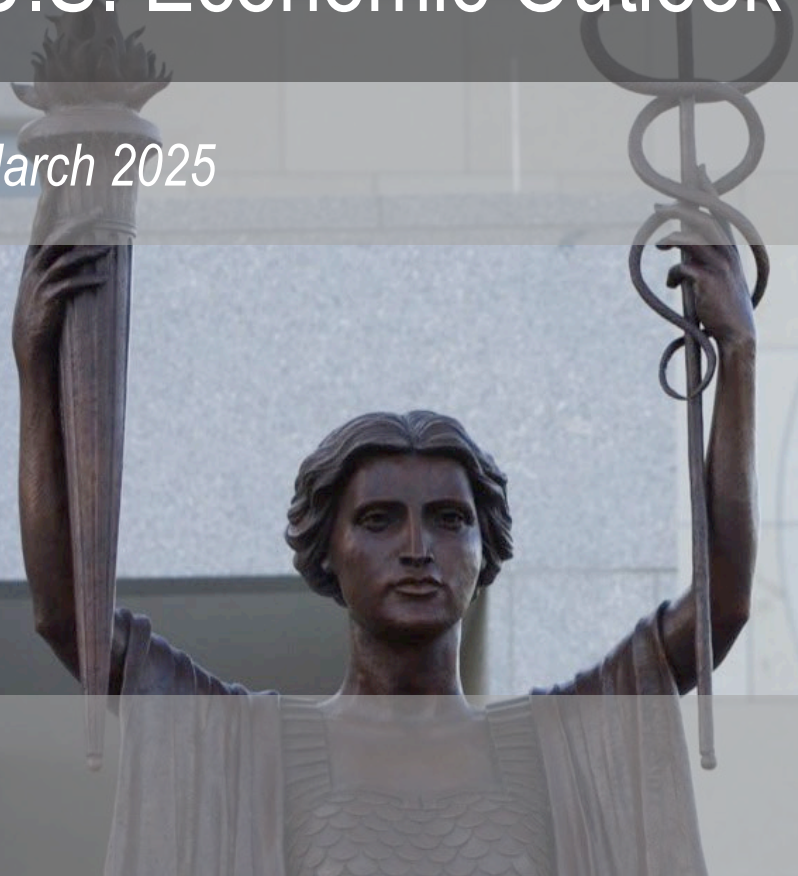


U.S. Economic Outlook

March 2025



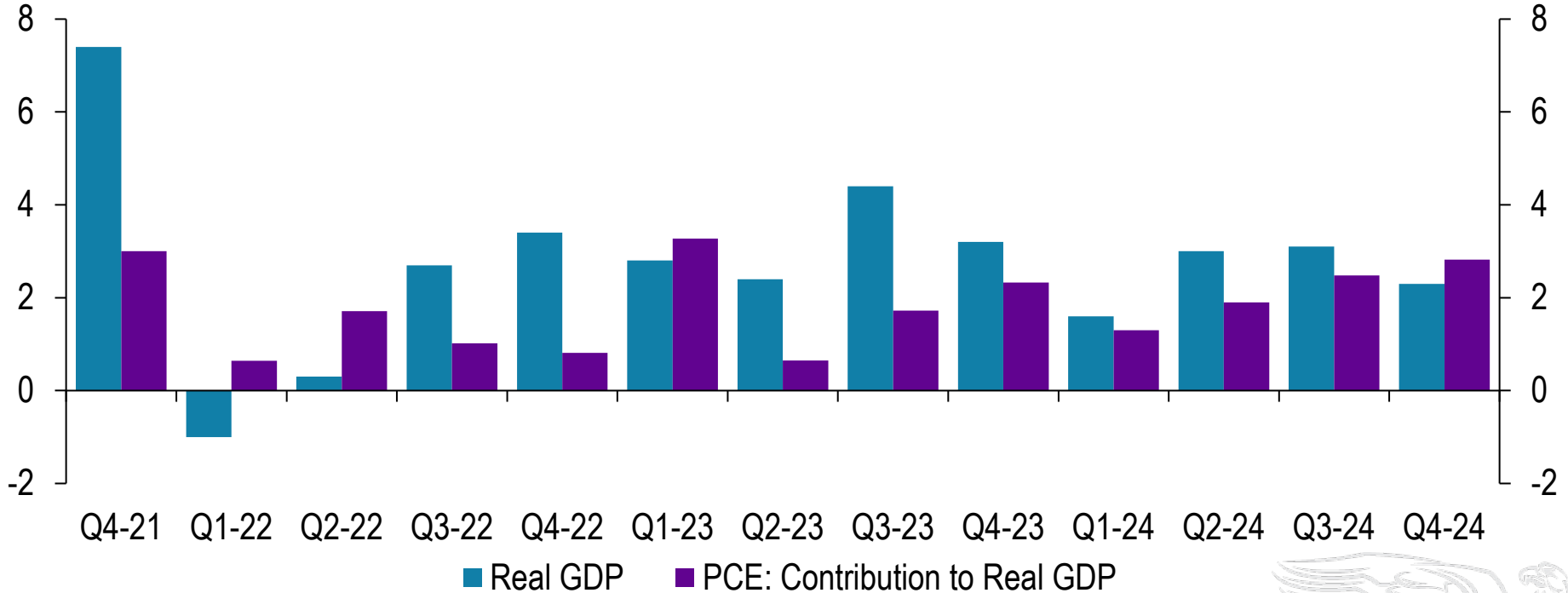
Outlook Themes

- U.S. economic growth has been strong and consumer demand resilient.
- Inflation has fallen from peak but remains above target and downward progress has slowed recently.
- Labor markets are currently healthy, labor supply and demand have moved into balance, and churn has fallen. Brisk productivity growth has allowed for real wage gains due to inflation moderating more than nominal wage growth.
- Markets and the FOMC expect a gradual decline in the federal funds rate, but interest rates appear increasingly likely to remain above pre-pandemic.
- While the baseline outlook is optimistic, emergent risks are negative for growth and positive for inflation.



Economic growth remains robust, supported by the consumer.

Quarter/Quarter % Change

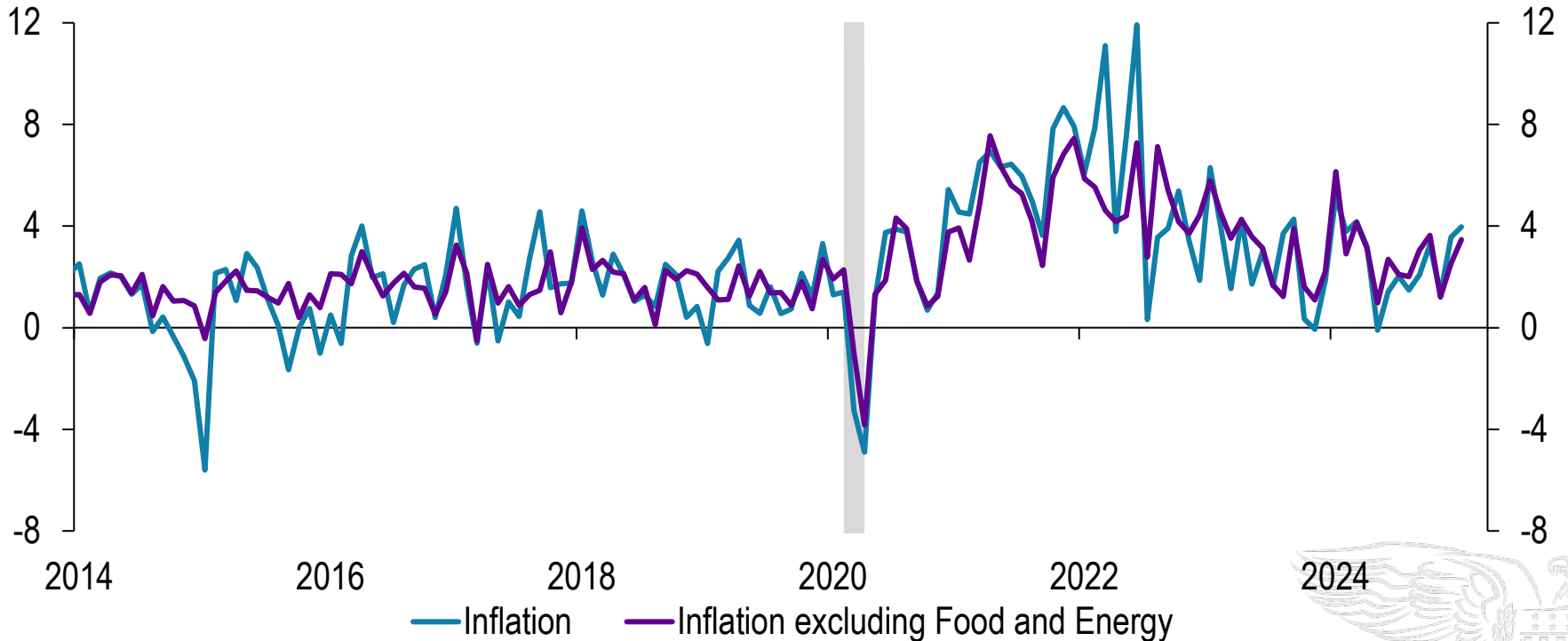


Note: Other GDP components include investments, government spending, and net exports.



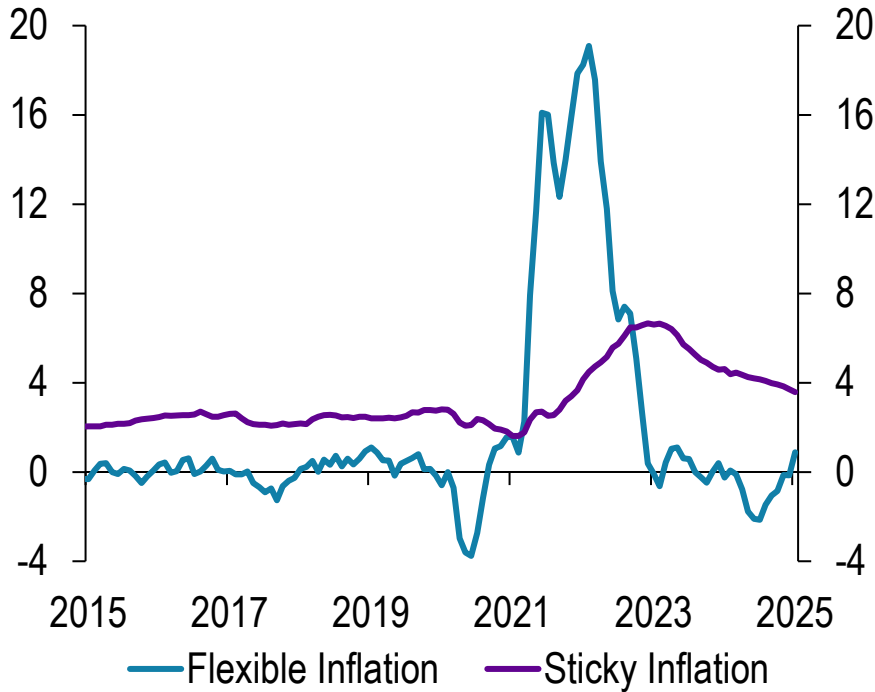
Inflation has fallen significantly from peak, even as progress toward target has slowed recently.

Month/Month % Change Annualized

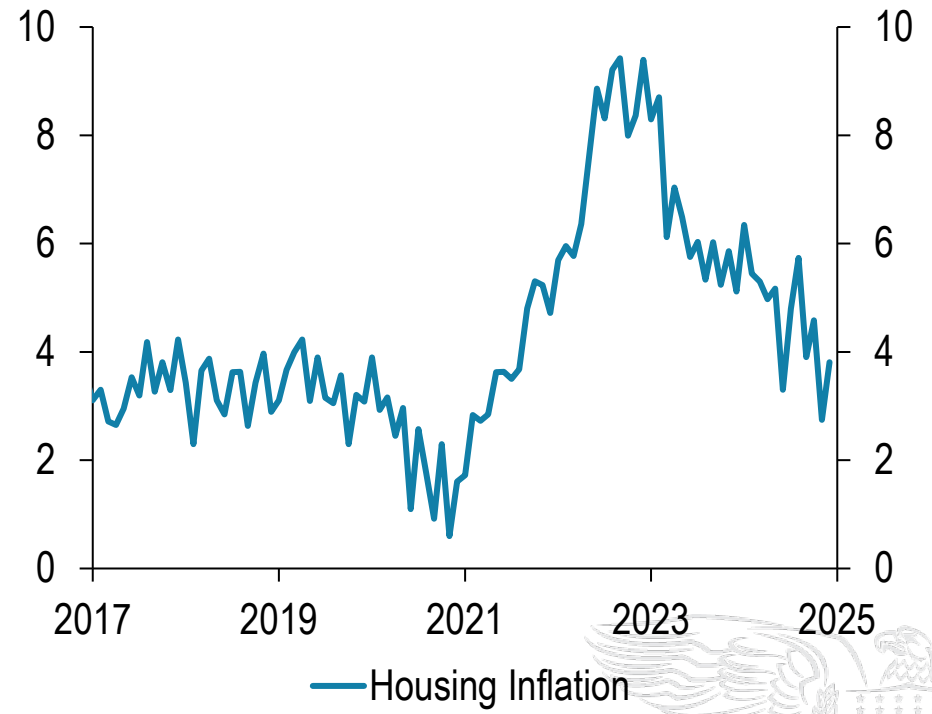


Slow-to-adjust prices (like housing services) are making inflation more persistent.

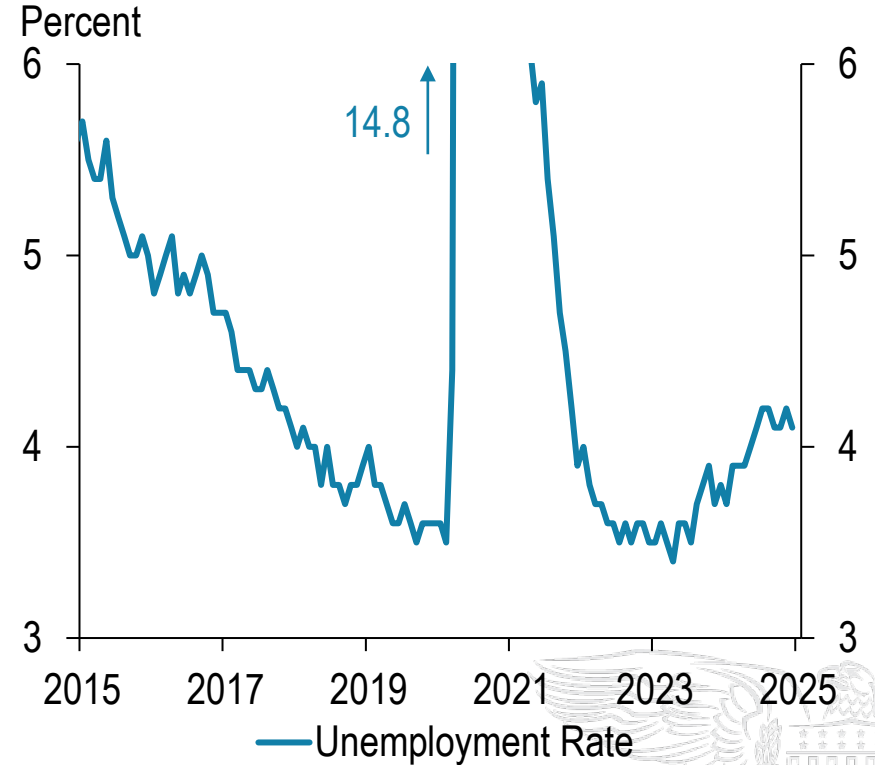
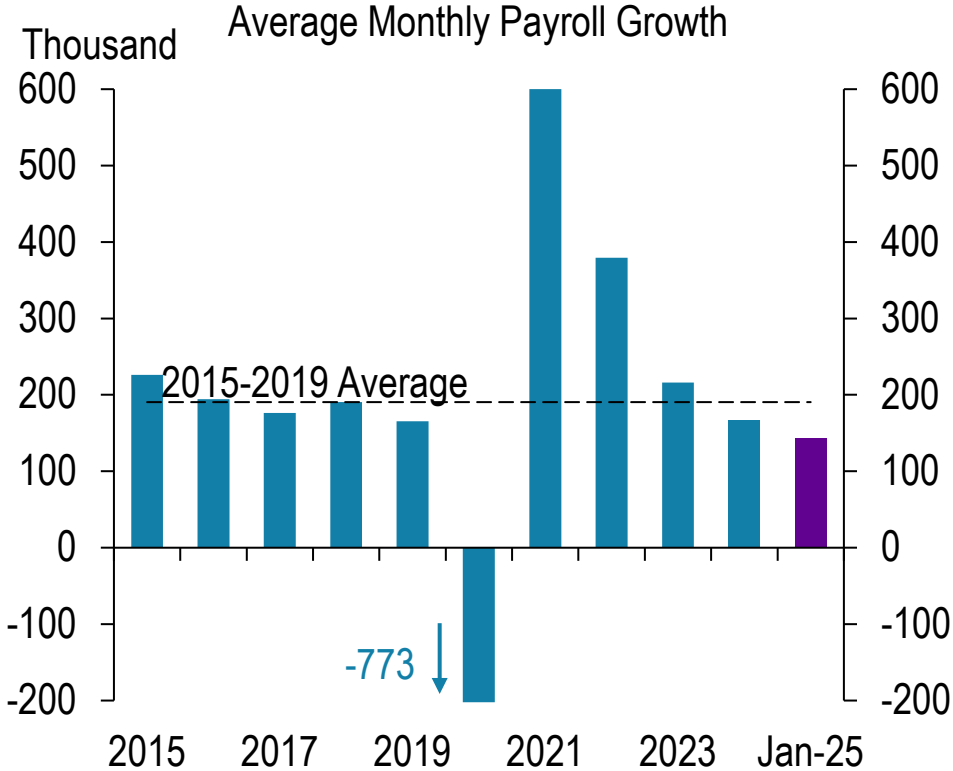
Year/Year % Change



Month/Month % Change, SAAR

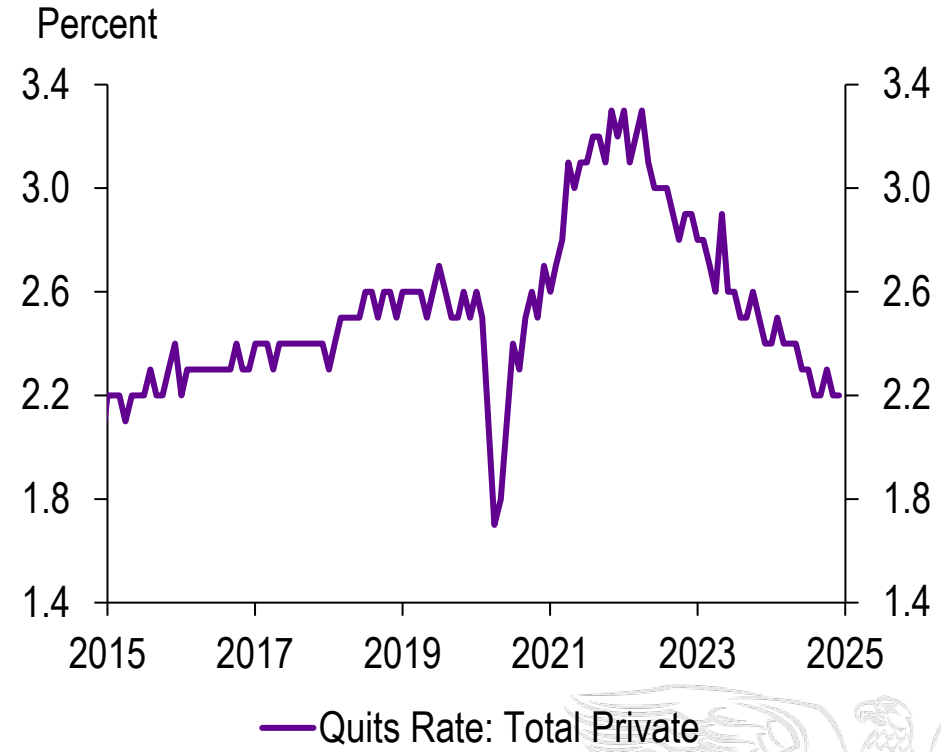


Payroll growth has been robust and unemployment remains low.

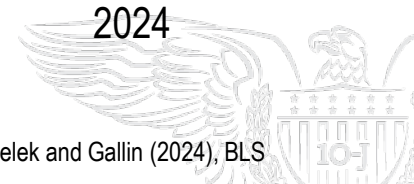
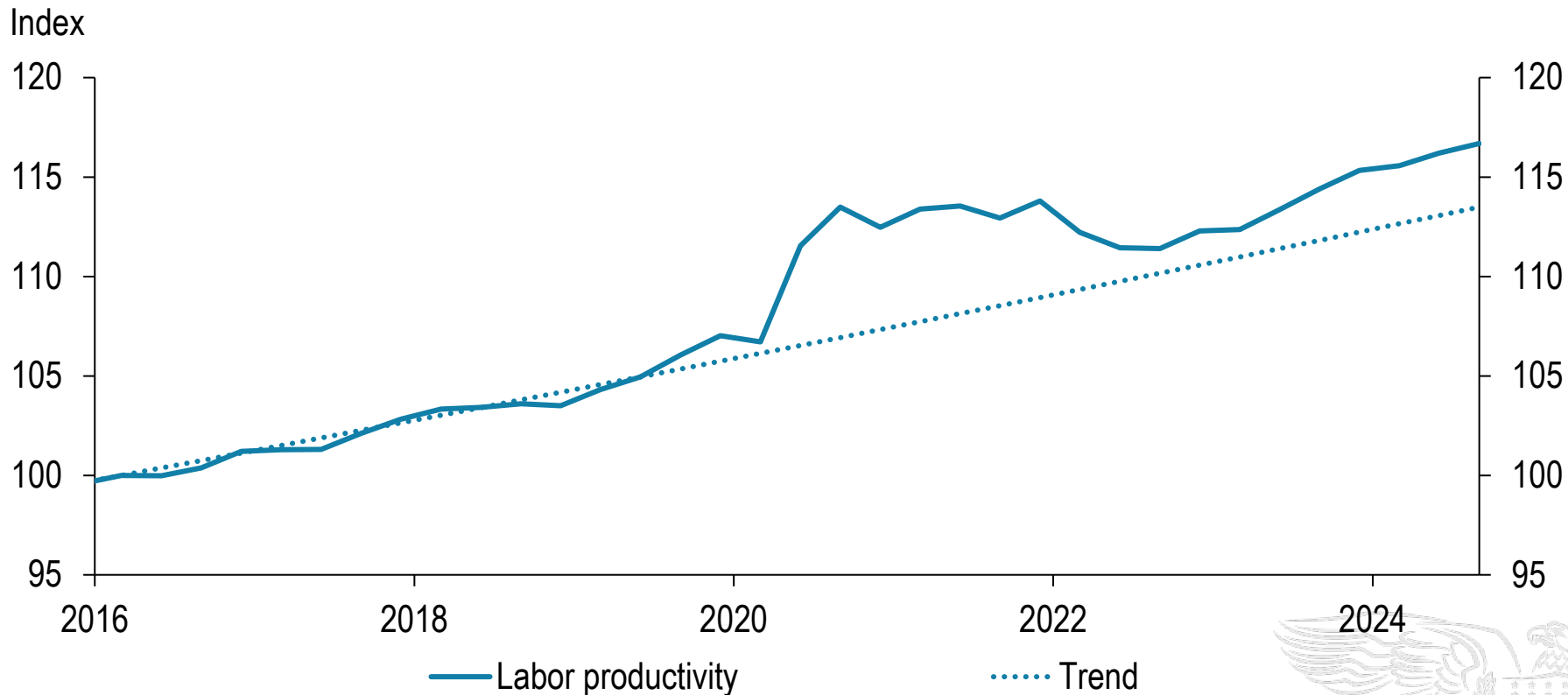


Sources: BLS, Haver Analytics

While healthy, labor markets are more balanced and churn has eased.

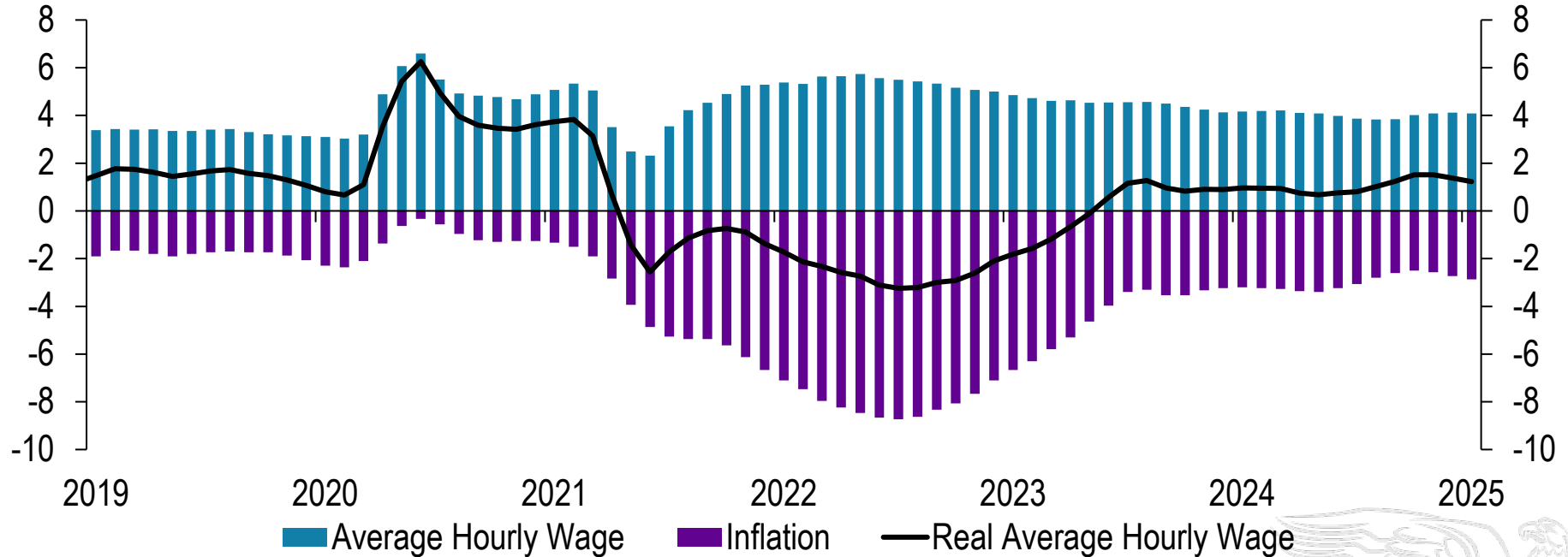


Labor productivity is above pre-pandemic trend.

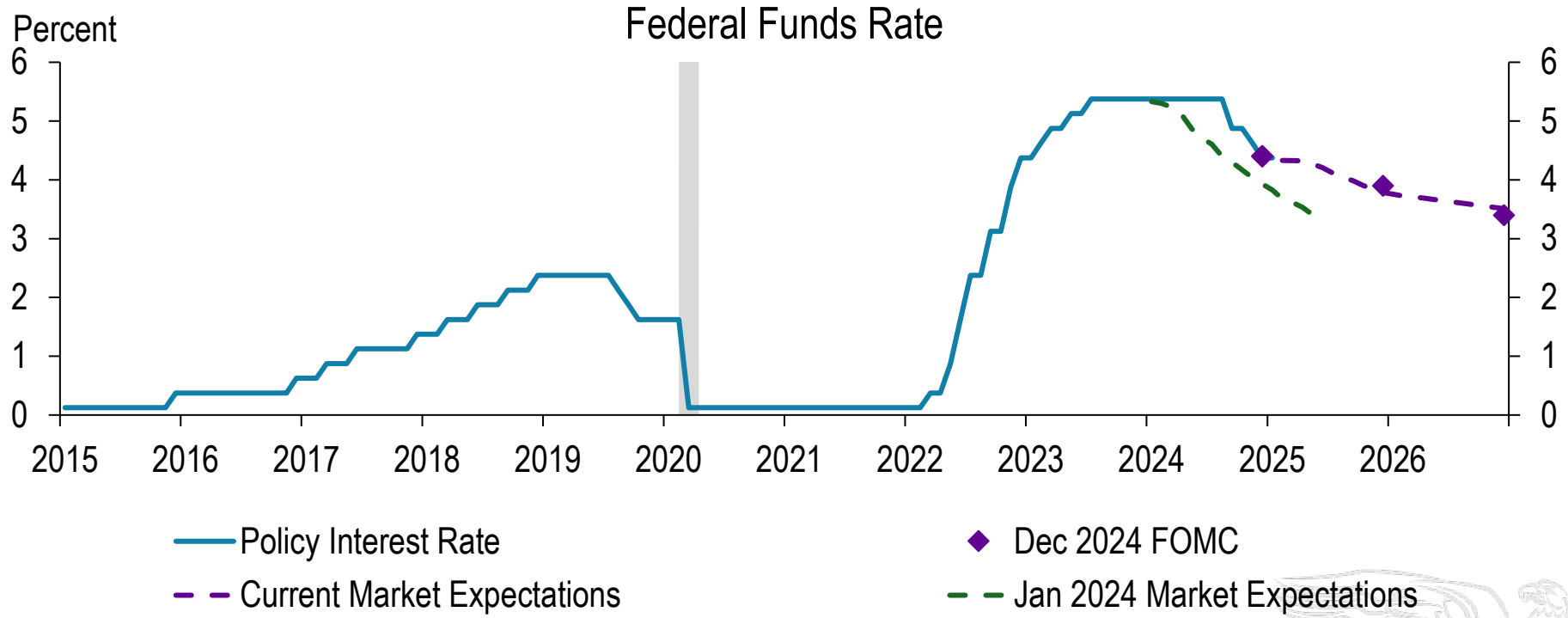


A balanced labor market supported by productivity growth has generated real wage gains.

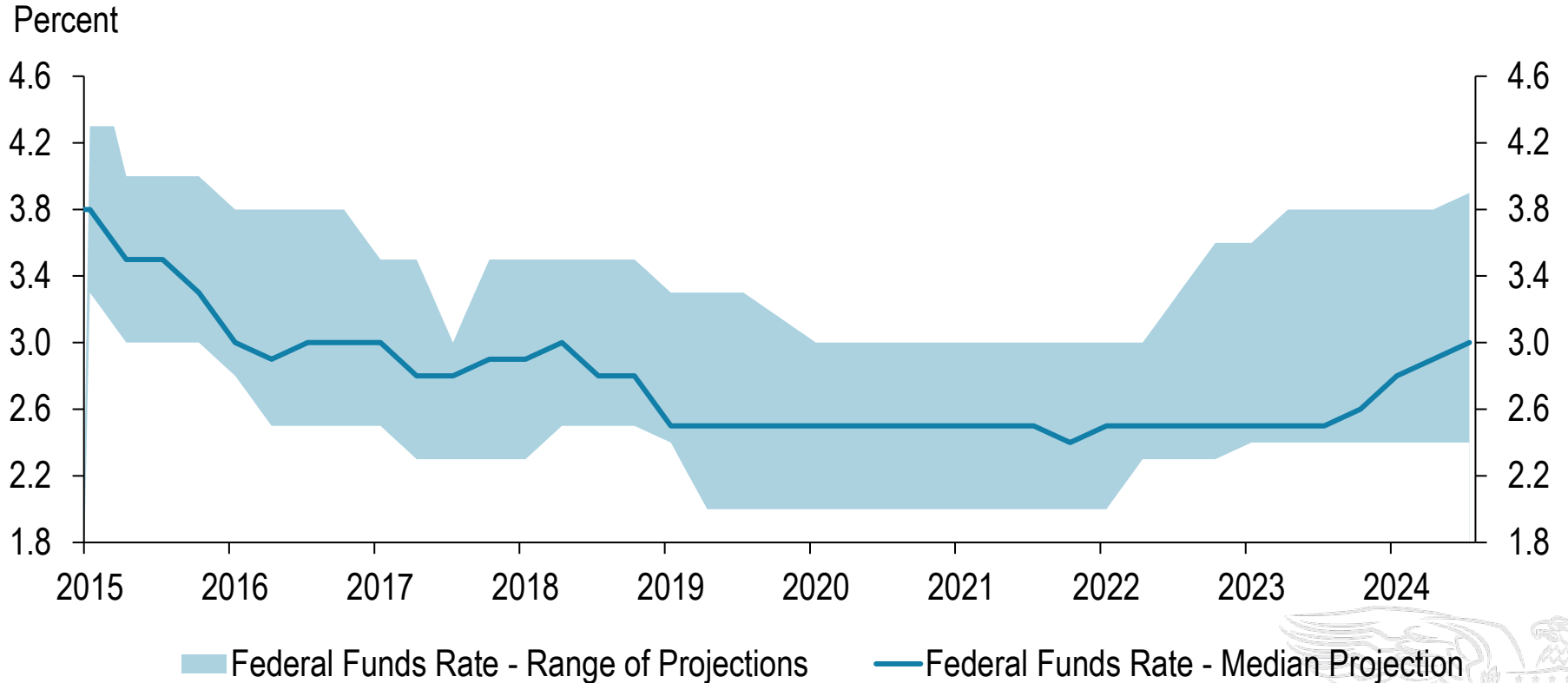
Year/Year % Change, 3-Month Moving



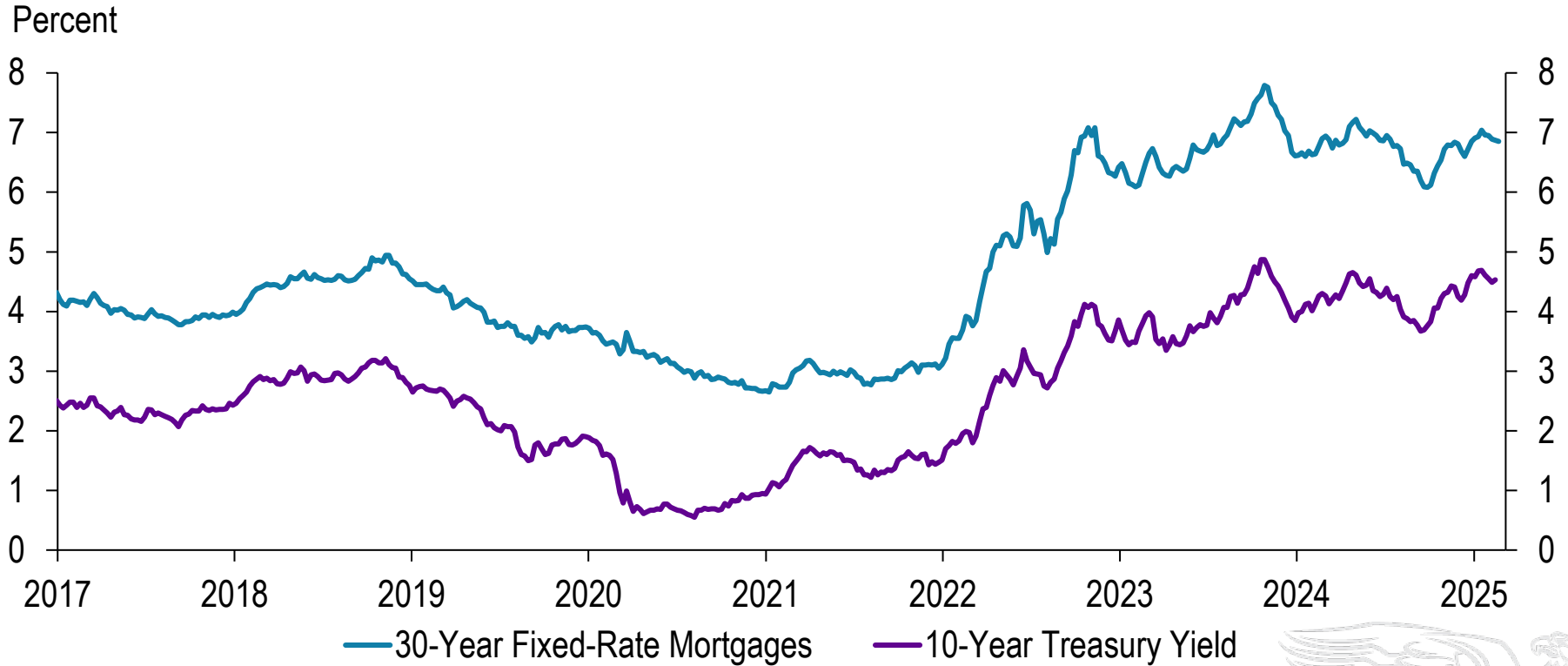
Markets and the FOMC expect a gradual decline in the funds rate.



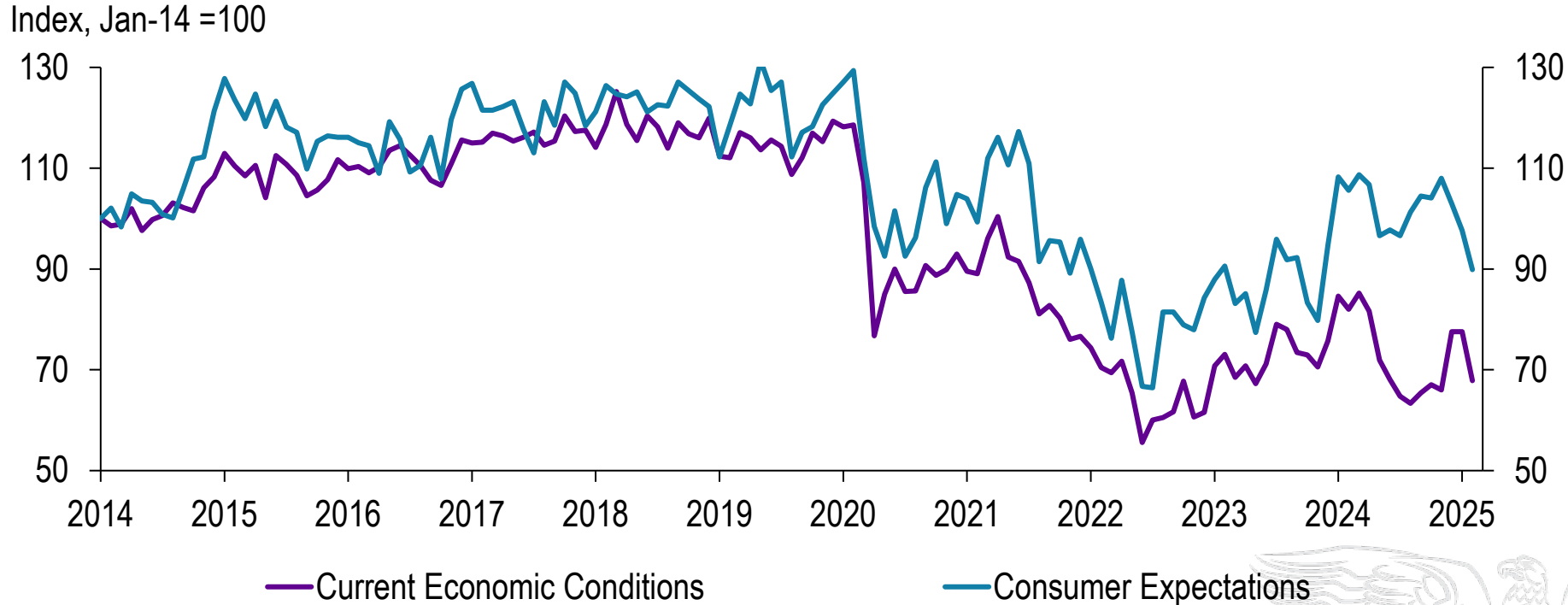
FOMC projections for the longer-term rate have also increased.



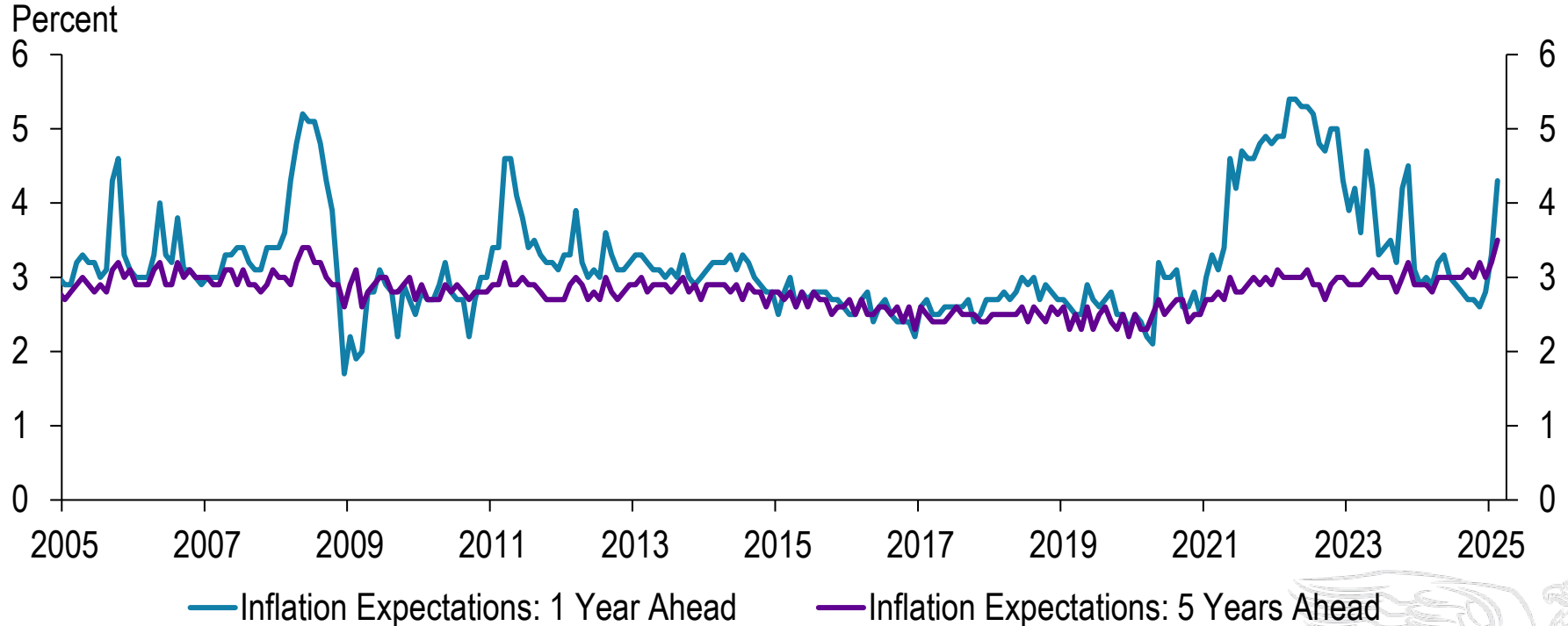
Longer-run rates remain well above pre-pandemic.



Consumers' sentiment has fallen to start the year.



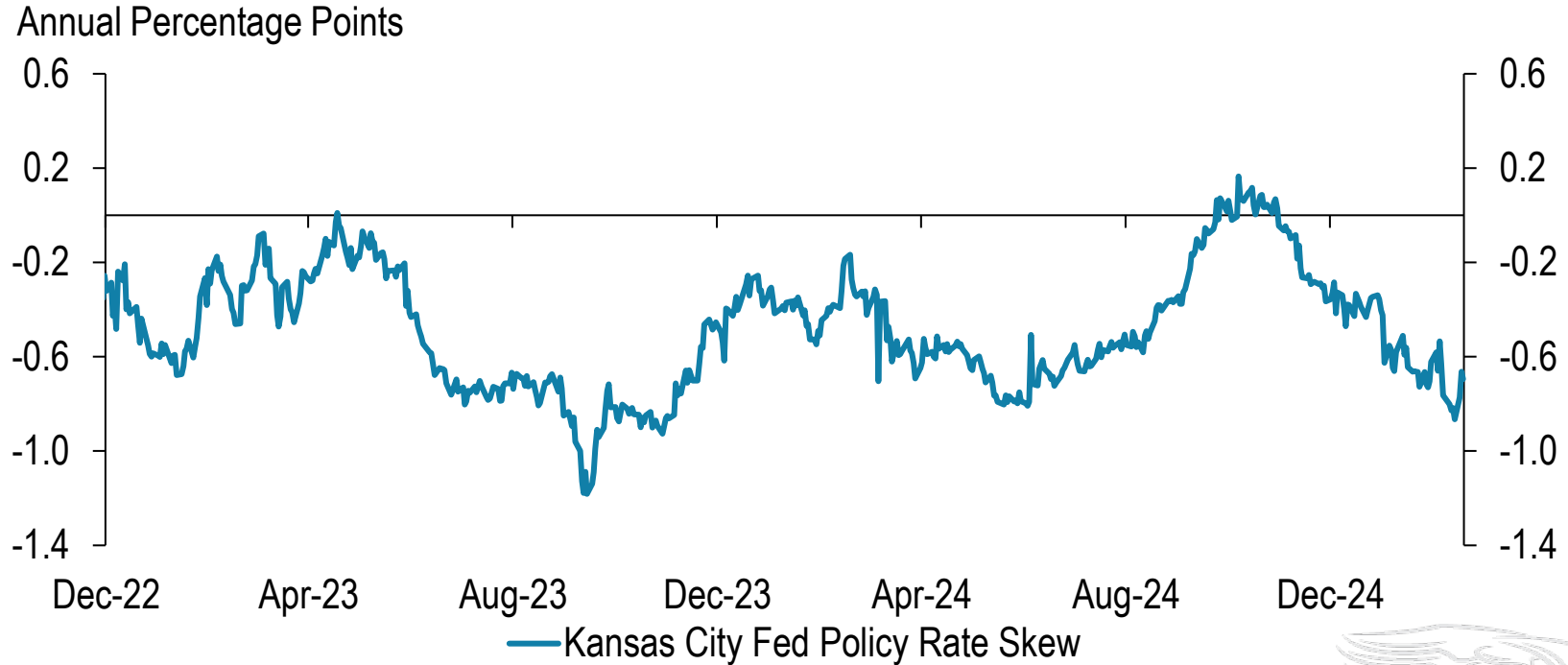
While their near- and medium-term inflation expectations are up.



Markets are also signaling higher inflation expectations.



Despite expecting higher inflation, markets see increasing chance of rate cuts, suggesting growth concerns.



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