Outlook Themes

- Supply and demand are moving into better balance.
- However, the labor market remains strong, supporting aggregate demand.
- Inflation remains elevated.
- Housing services has been a key contributor to overall inflation.
- While inflation has eased over the past year, some uncertainty remains regarding the path of policy rates needed to bring inflation sustainably back to 2%.
The labor market is coming into better balance.

Sources: BLS, Haver Analytics
Gains in the supply of labor have helped ease labor market tightness.

Sources: BLS, Haver Analytics
However, the labor market remains strong by historical standards.

Sources: National Federation of Independent Business, Haver Analytics
Wage growth remains elevated.

Sources: BLS, Federal Reserve Bank of Atlanta, Haver Analytics
Continued strength in the labor market supports aggregate demand.

Index, Feb-2020 = 100

*Discretionary spending is total household spending less spending on housing, food, energy, and clothing.
Inflation has eased from its post-pandemic high but remains elevated.

Sources: BEA, Haver Analytics
Progress in core inflation has been slower driven by elevated services inflation.

Sources: BEA, Haver Analytics
Housing services has been a key contributor to overall inflation.

Sources: Zillow, BEA, Haver Analytics.
Recent projections suggest policy rates will likely remain elevated to restore price stability.
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.

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