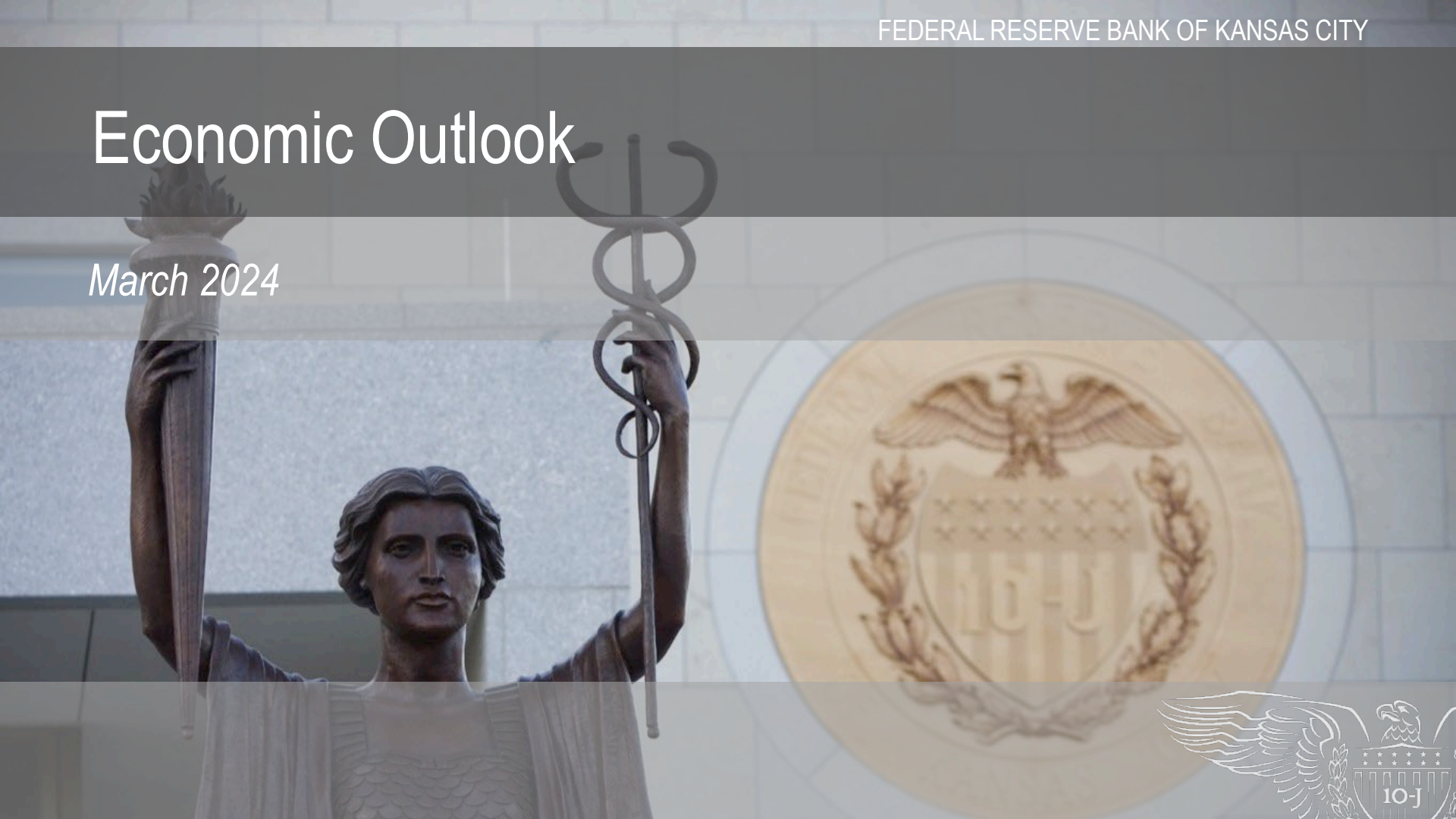


Economic Outlook

March 2024



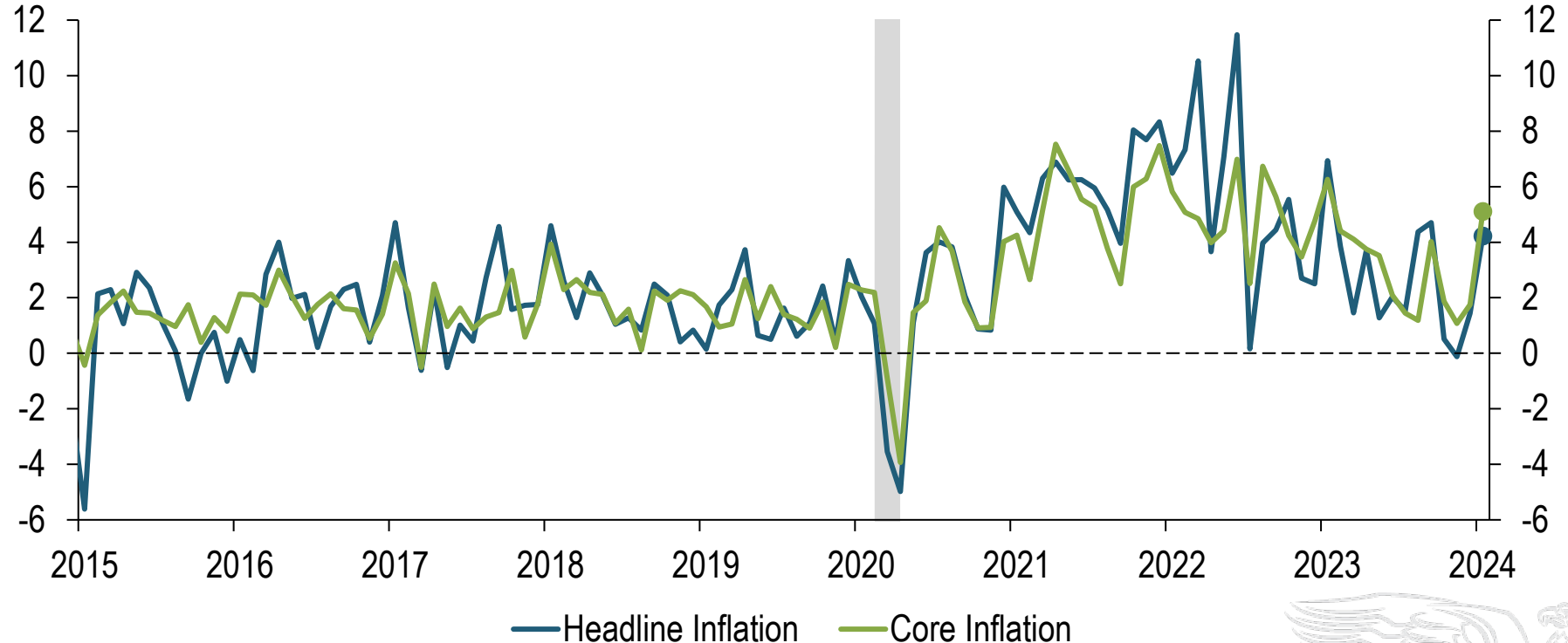
Economic Outlook Themes

- The economy has remained resilient even with the rapid and persistent increase in rates. Continued inflationary pressures suggest we are not out of the woods just yet.
- Faster-than-typical productivity growth and profit margins contributed to disinflation in 2023, but further progress on inflation likely requires looser labor markets.
- Labor market tightness can be further reduced by policy but need not increase unemployment substantially unless new supply or financial shocks arise



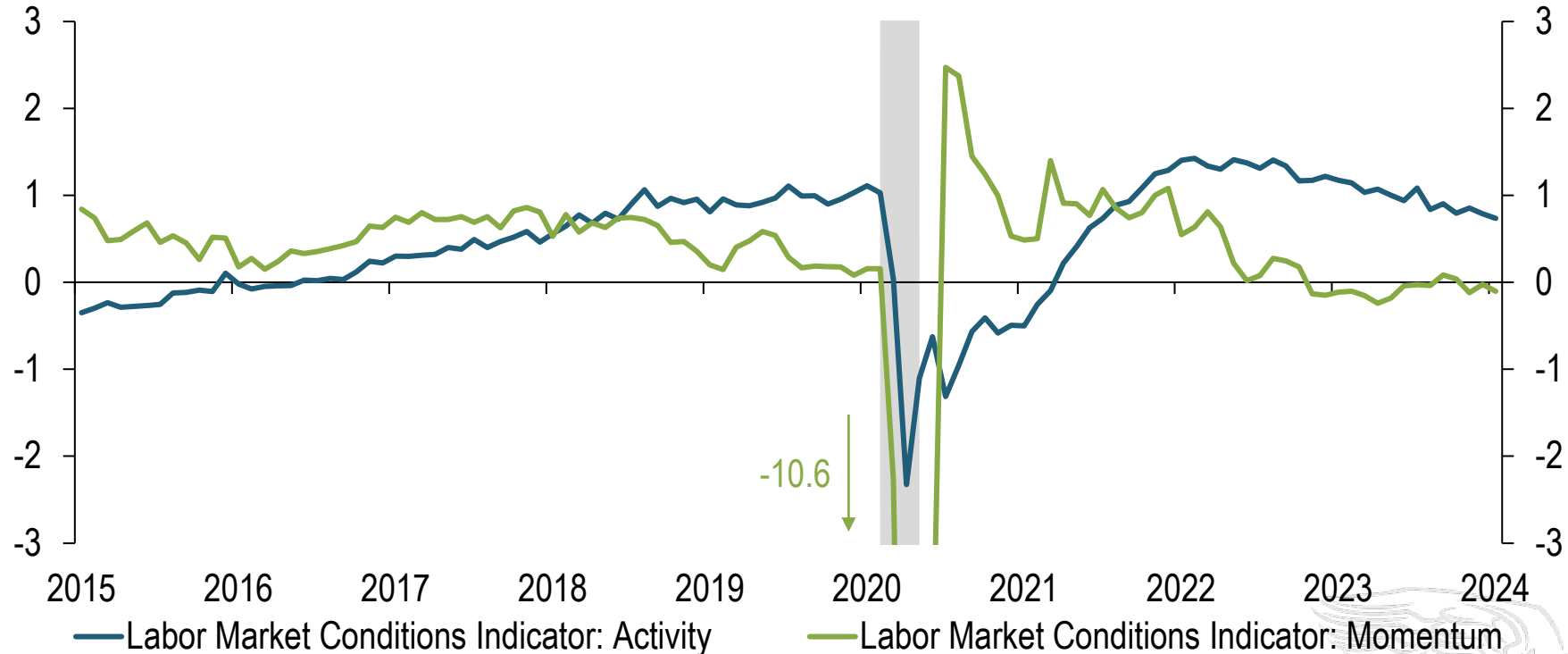
After trending down in 2023, inflation jumped in January.

Month/Month % Change, annualized

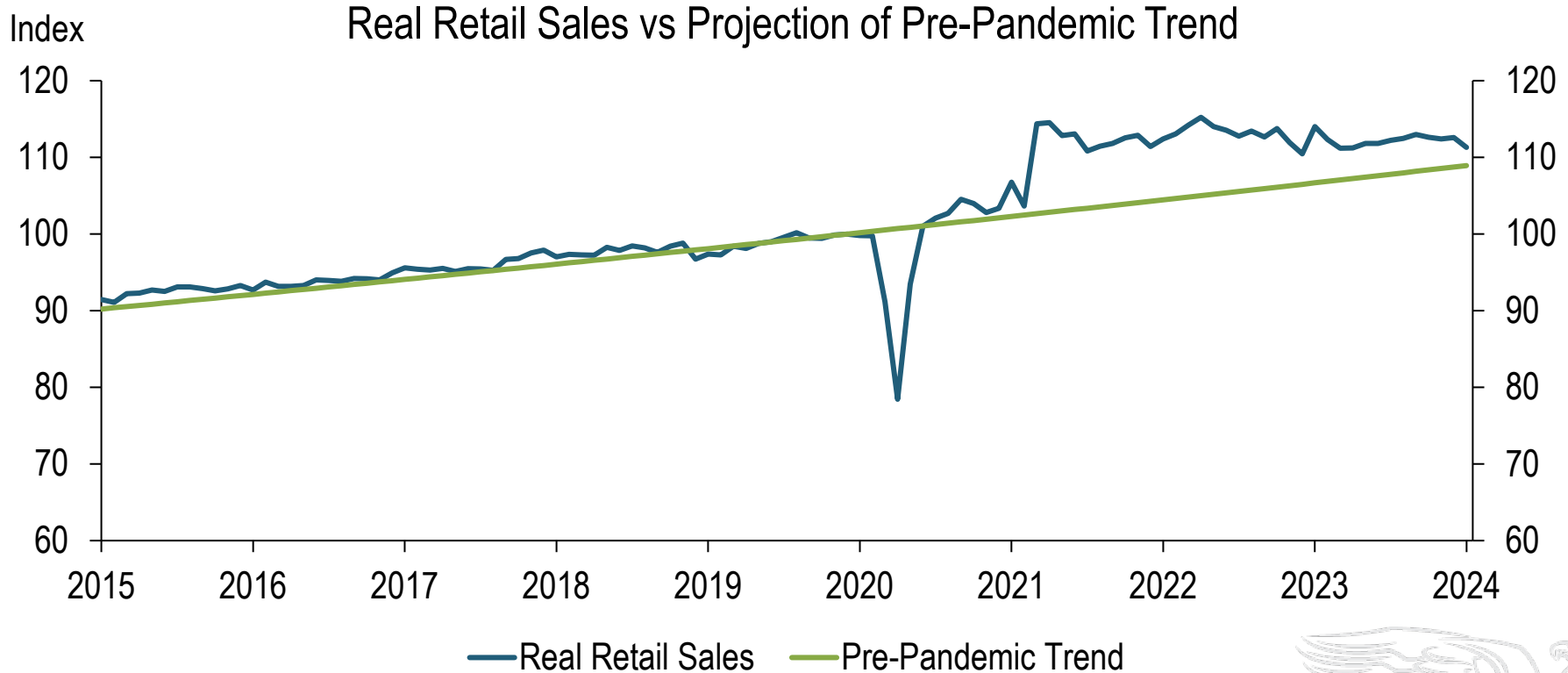


KC Fed's Labor Index consistent with strong and stable labor markets

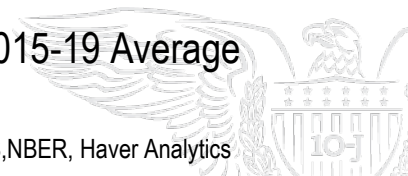
+ = Above Long Run Average



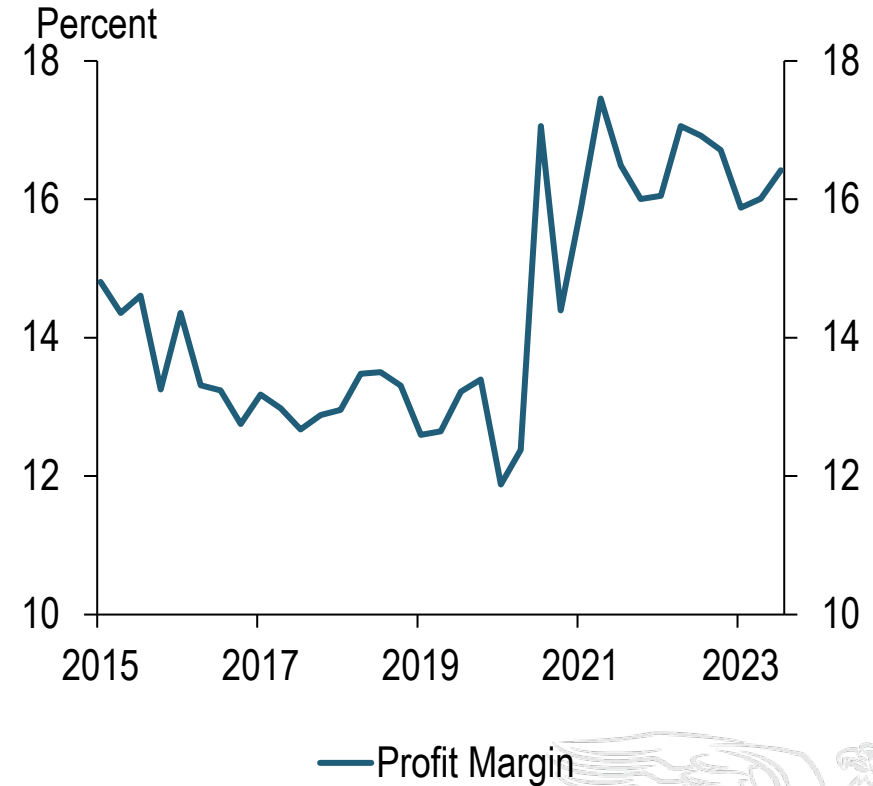
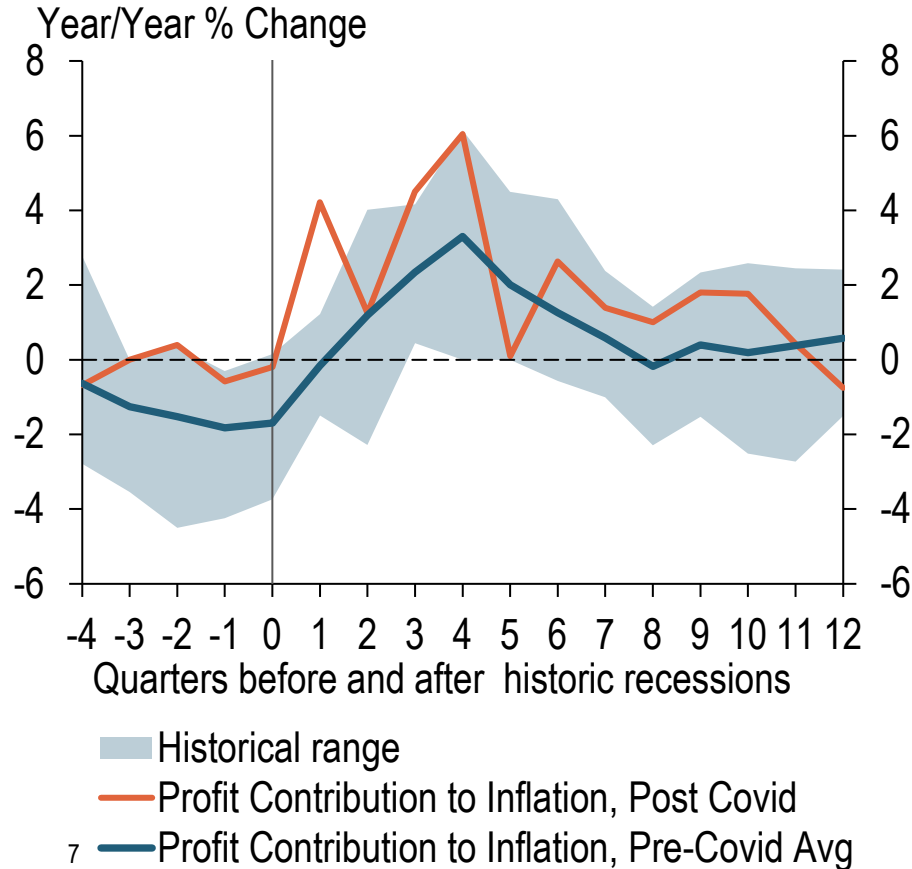
Retail sales remain 2.4 percent above pre-pandemic trend.



Productivity grew briskly in 2023, moderating labor costs.



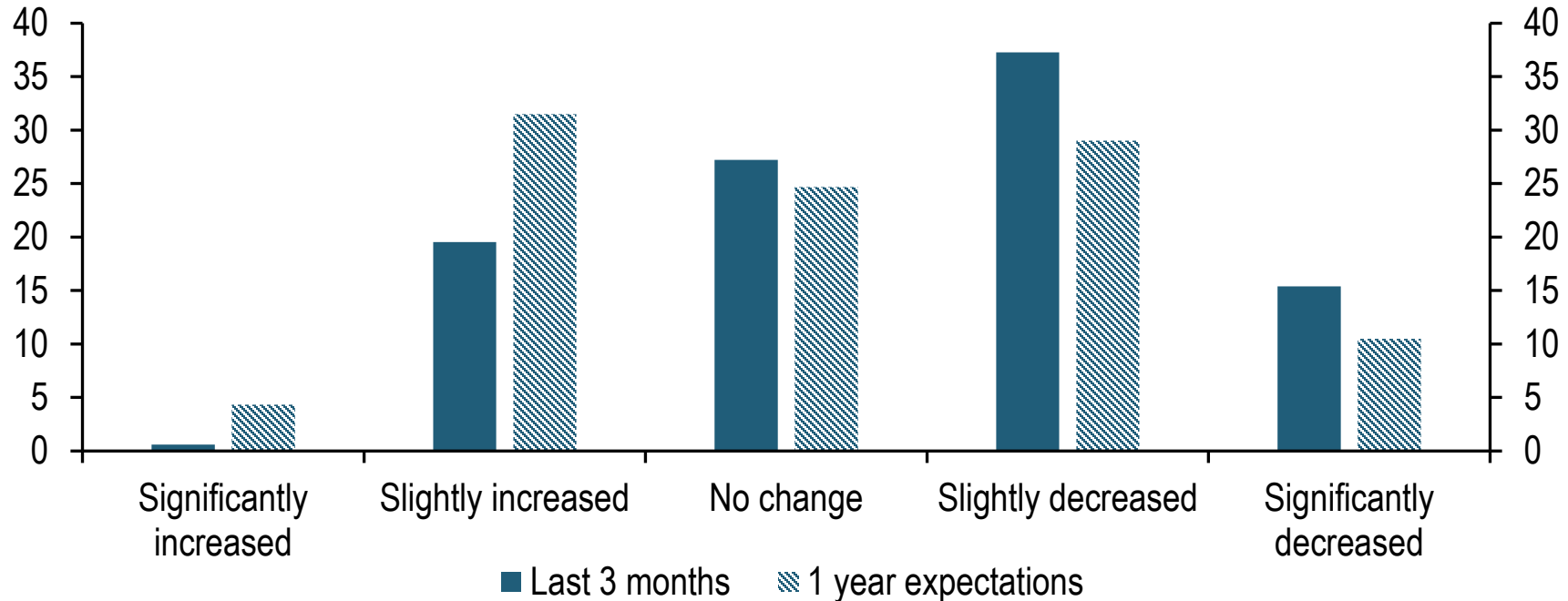
Profit margins reduced inflation in 2023 after raising prices in 2021-22.



10th District firms expect further but slower margin normalization.

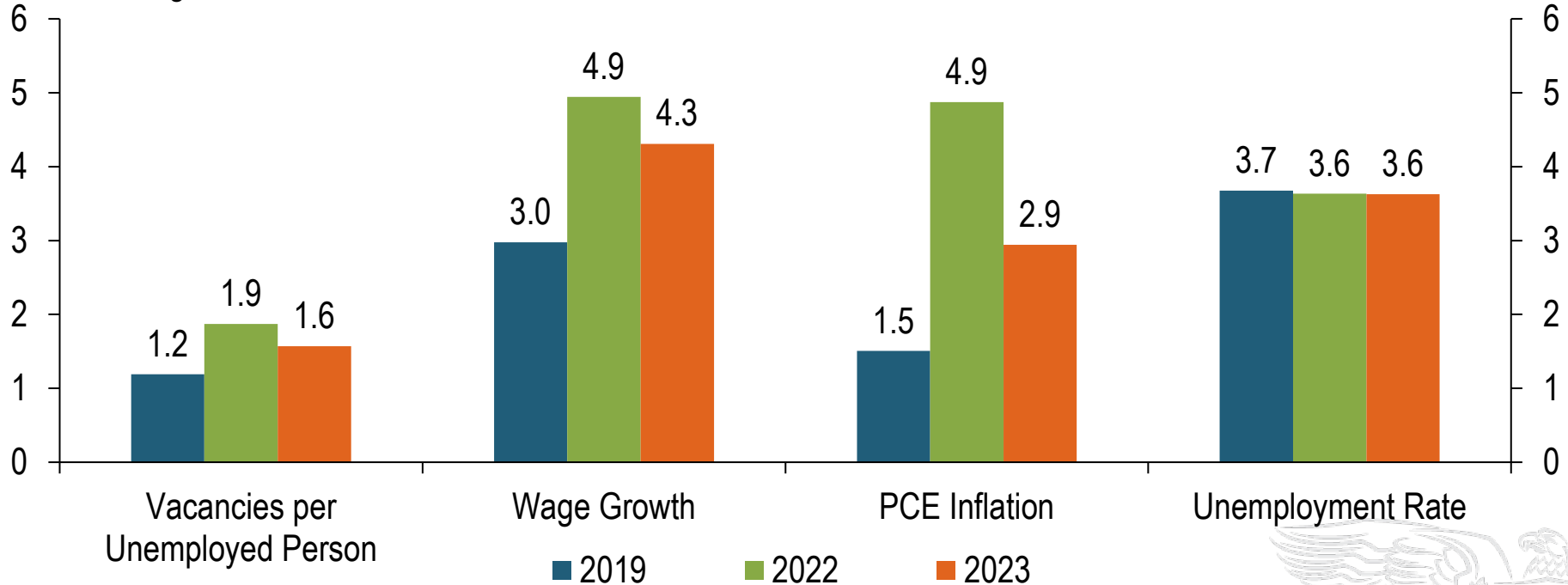
How have your profit margins changed over the last three months and how do you expect them to change over the next year?

% respondents

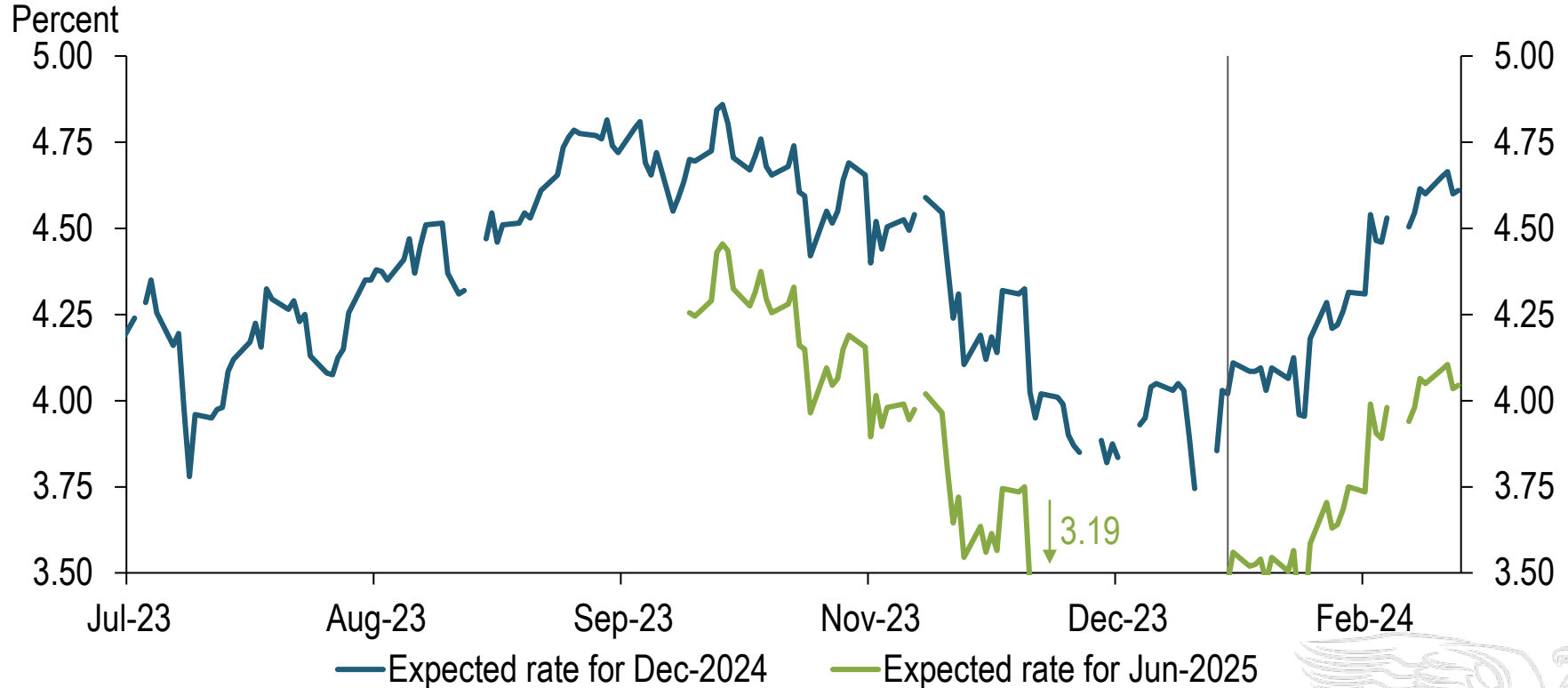


Further disinflation likely requires looser labor markets, although not necessarily higher unemployment.

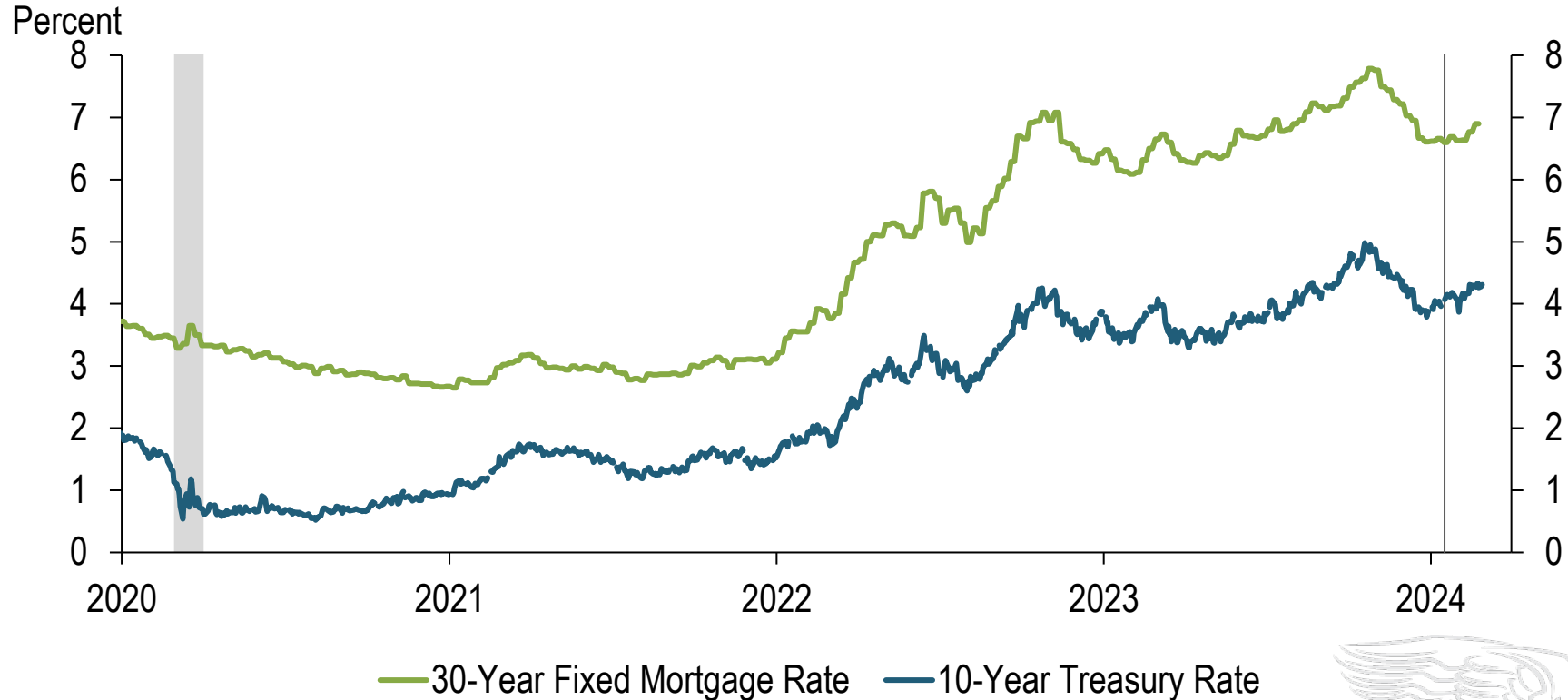
Annual Average Percent



Market expectations of the policy rate path have shifted upward.

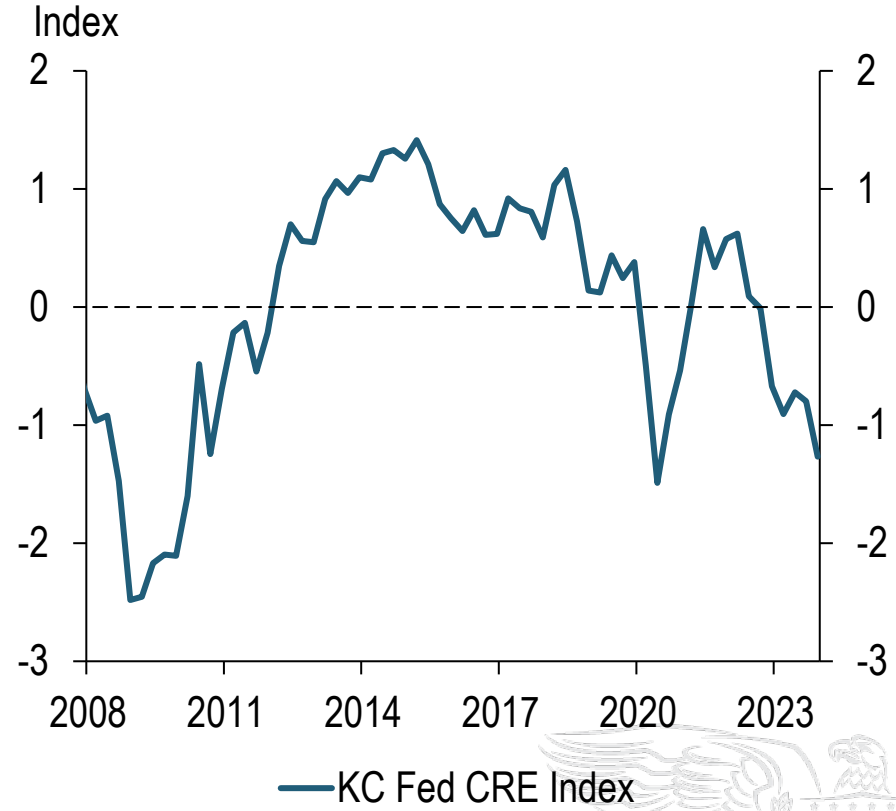
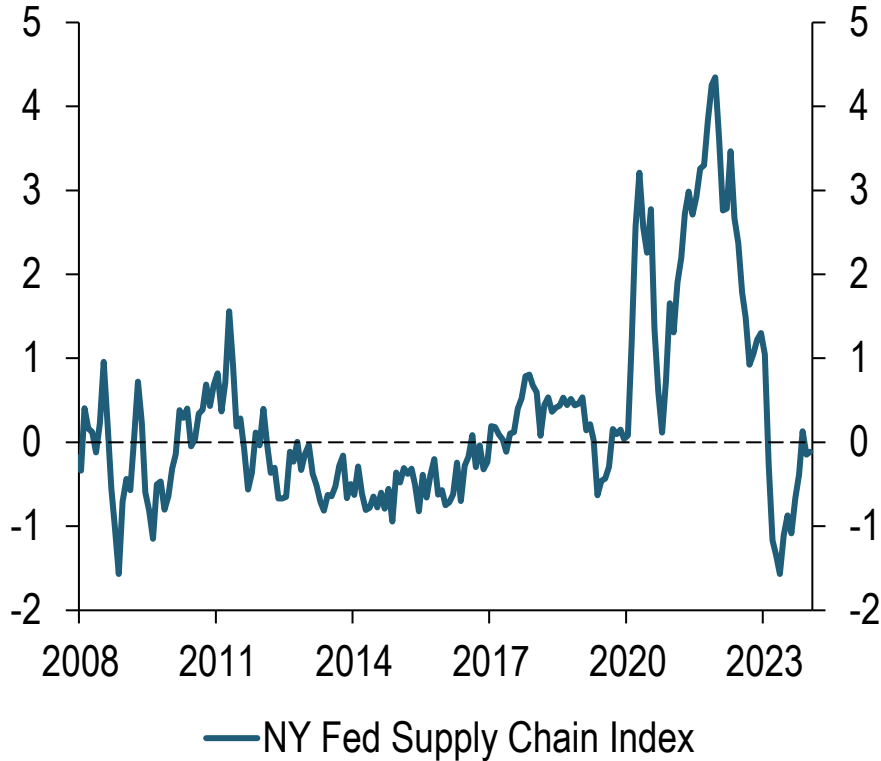


Longer-run rates have ticked up over the last month.



Risks include supply chain disruptions and commercial real estate.

Standard deviations from average value



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