

Economic Outlook

July 2022



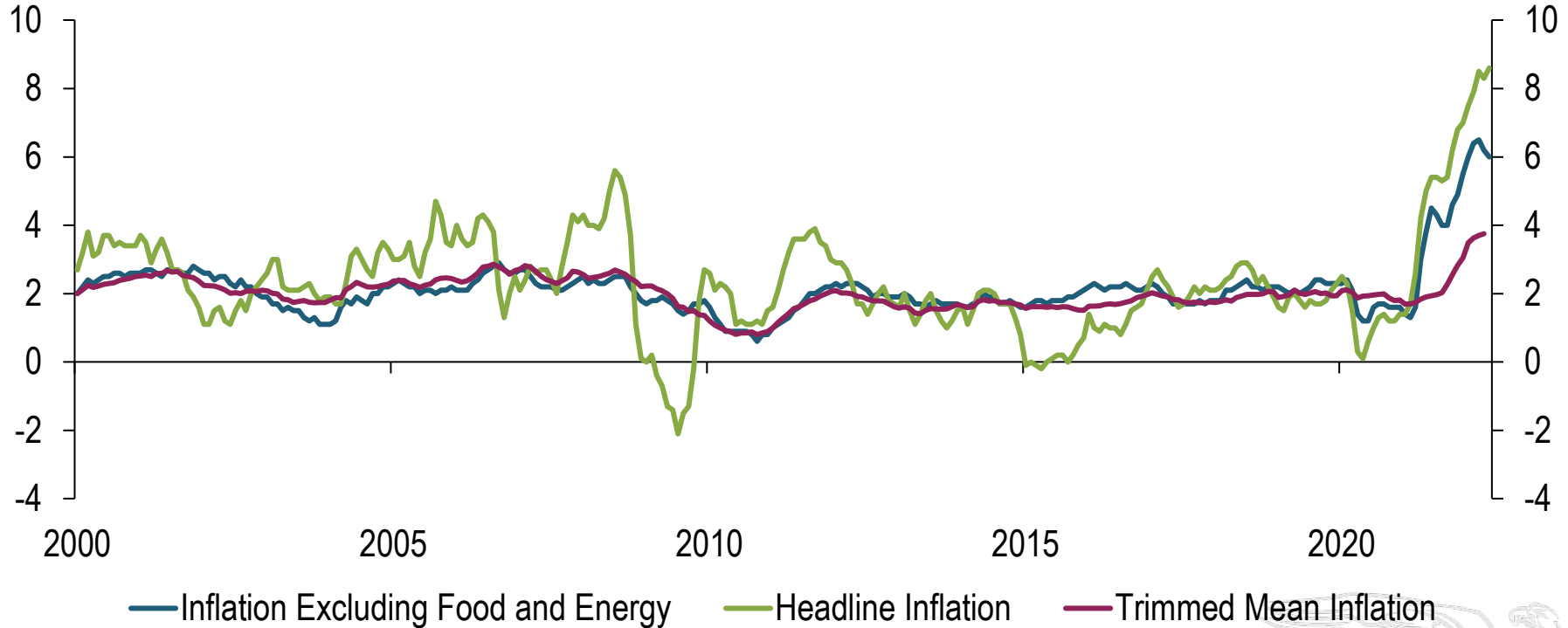
Outlook themes

- With little sign of easing inflation pressure, monetary policy tightening has accelerated.
- Financial conditions have tightened appreciably.
- But demand remains strong as does the labor market.



Inflation is both high and broad-based

12-month % Change

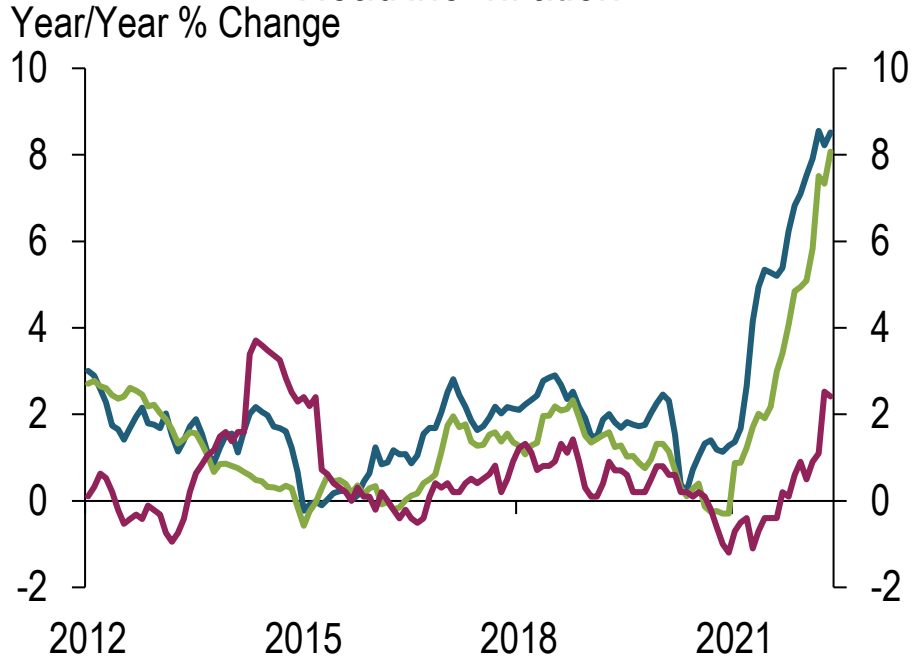


Note: Inflation measured in terms of CPI

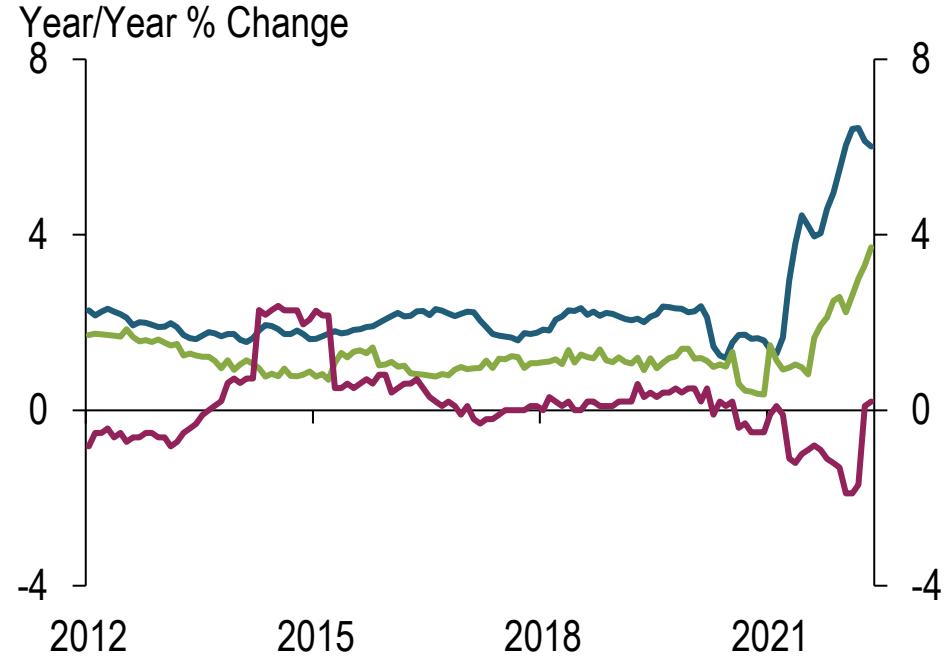


Inflation is a global phenomena

Headline Inflation



Core Inflation

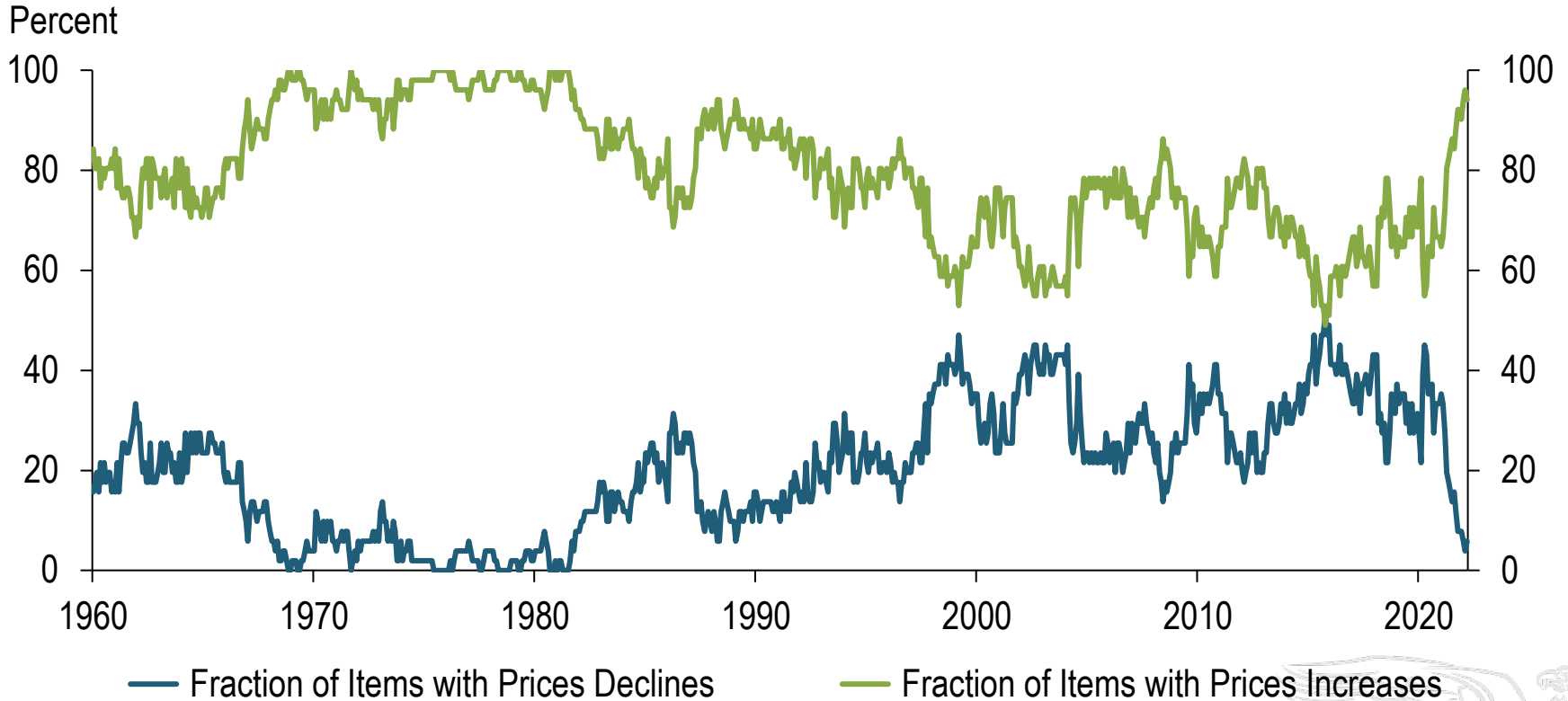


— United States — Euro Area — Japan

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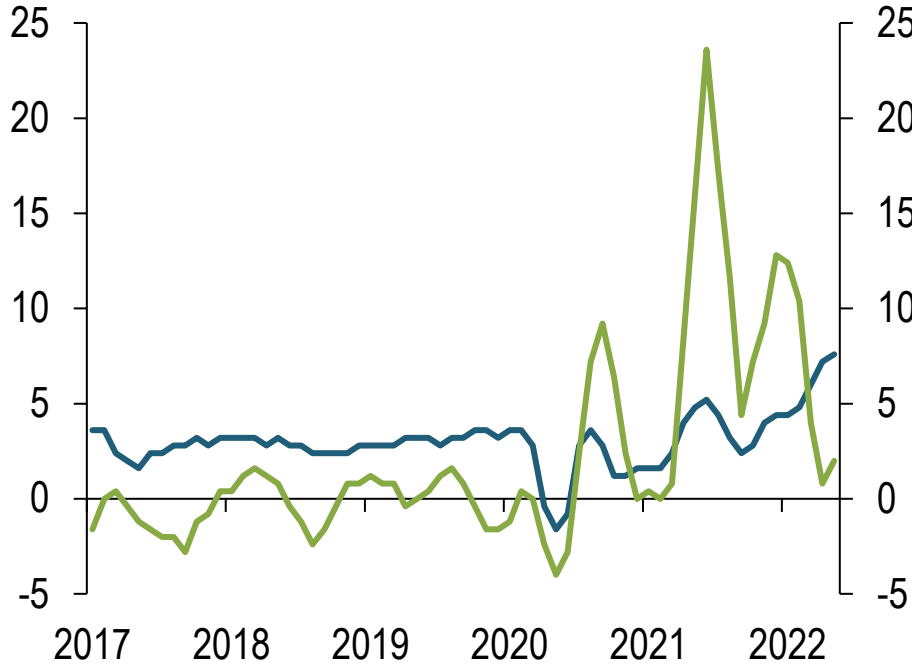


Prices increasing for almost all goods and services



Services inflation moving up despite apparent slack

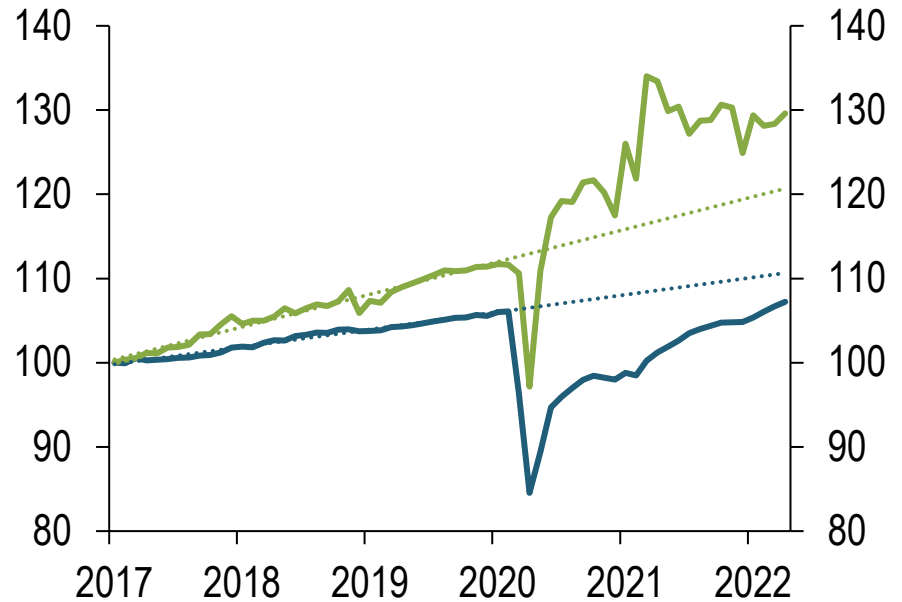
3-month moving average, % change



— Services — Goods Excluding Food & Energy

Note: measured in terms of CPI

Index, Jan 2017 = 100



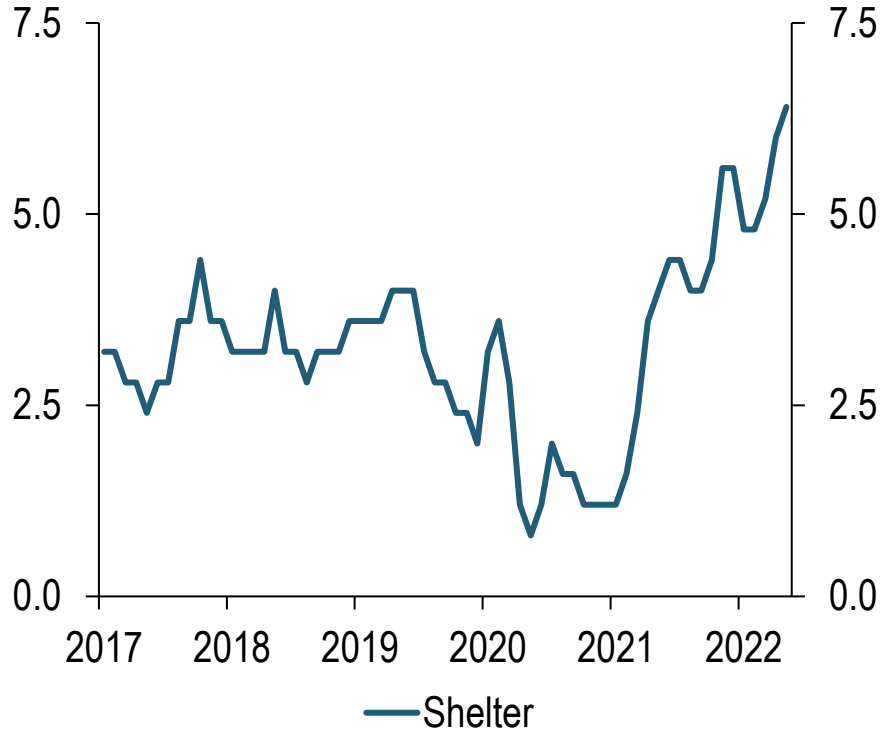
— Services — Goods
 Trendline (Services) Trendline (Goods)

Sources: BLS, BEA, Haver Analytics

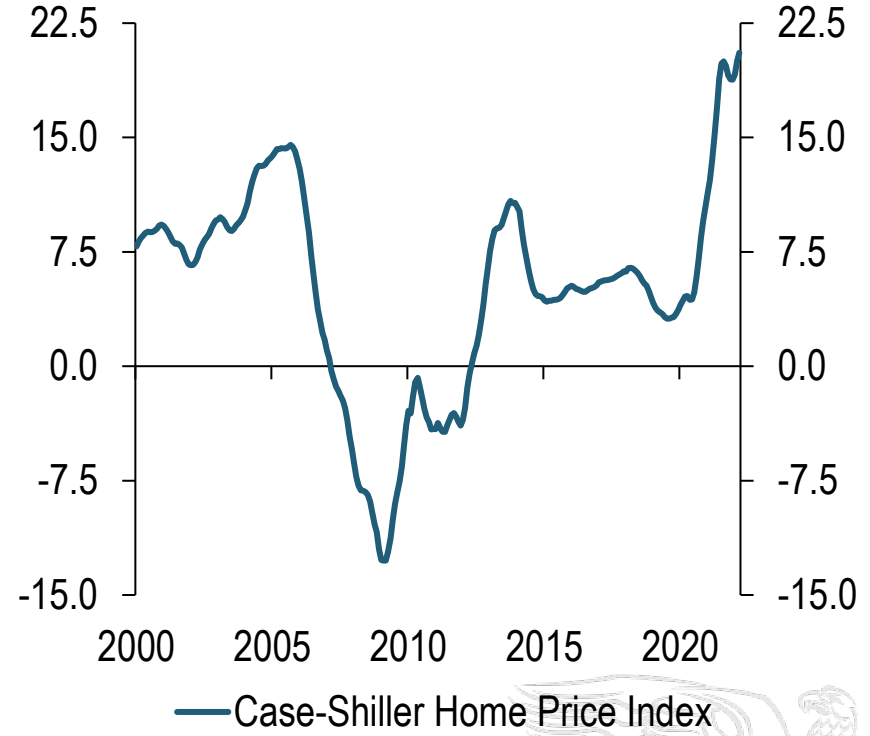


Higher shelter prices adding to services inflation

3-month moving average, % change



Year/Year % Change

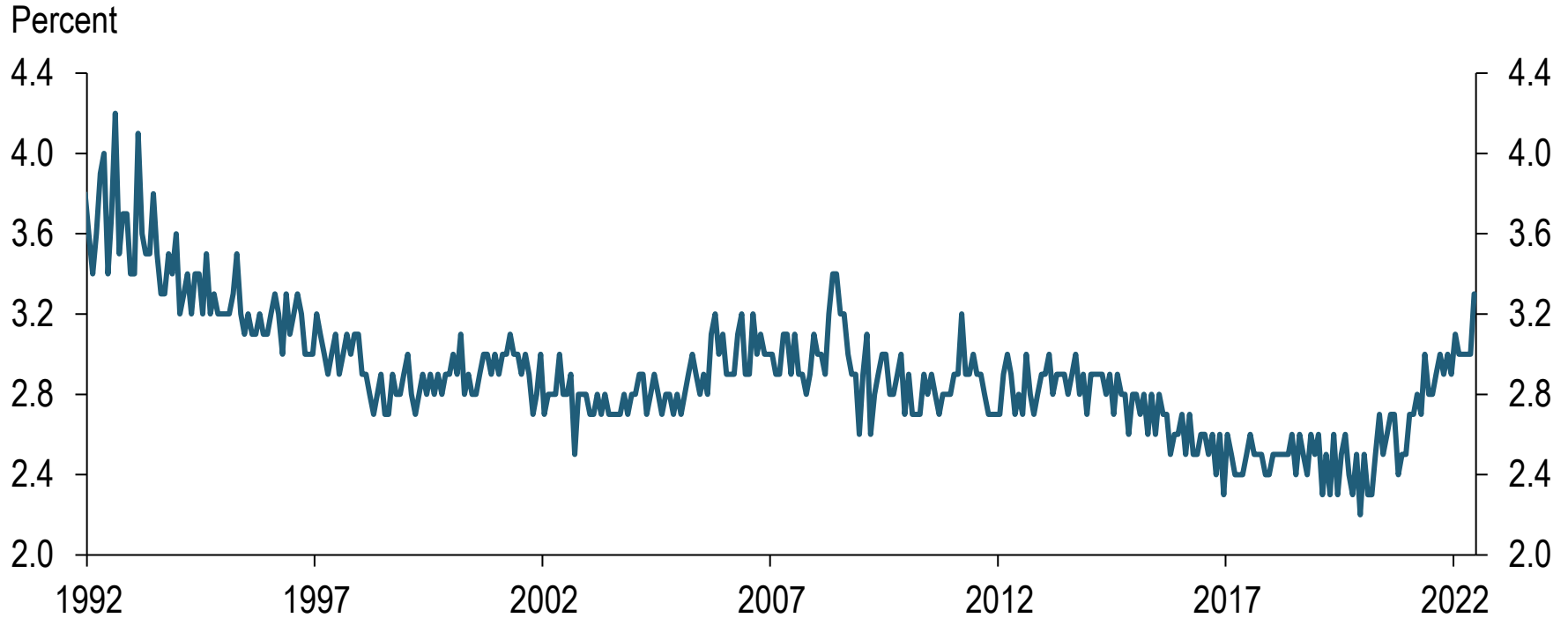


Note: measured in terms of CPI

Sources: BLS, S&P, Haver Analytics



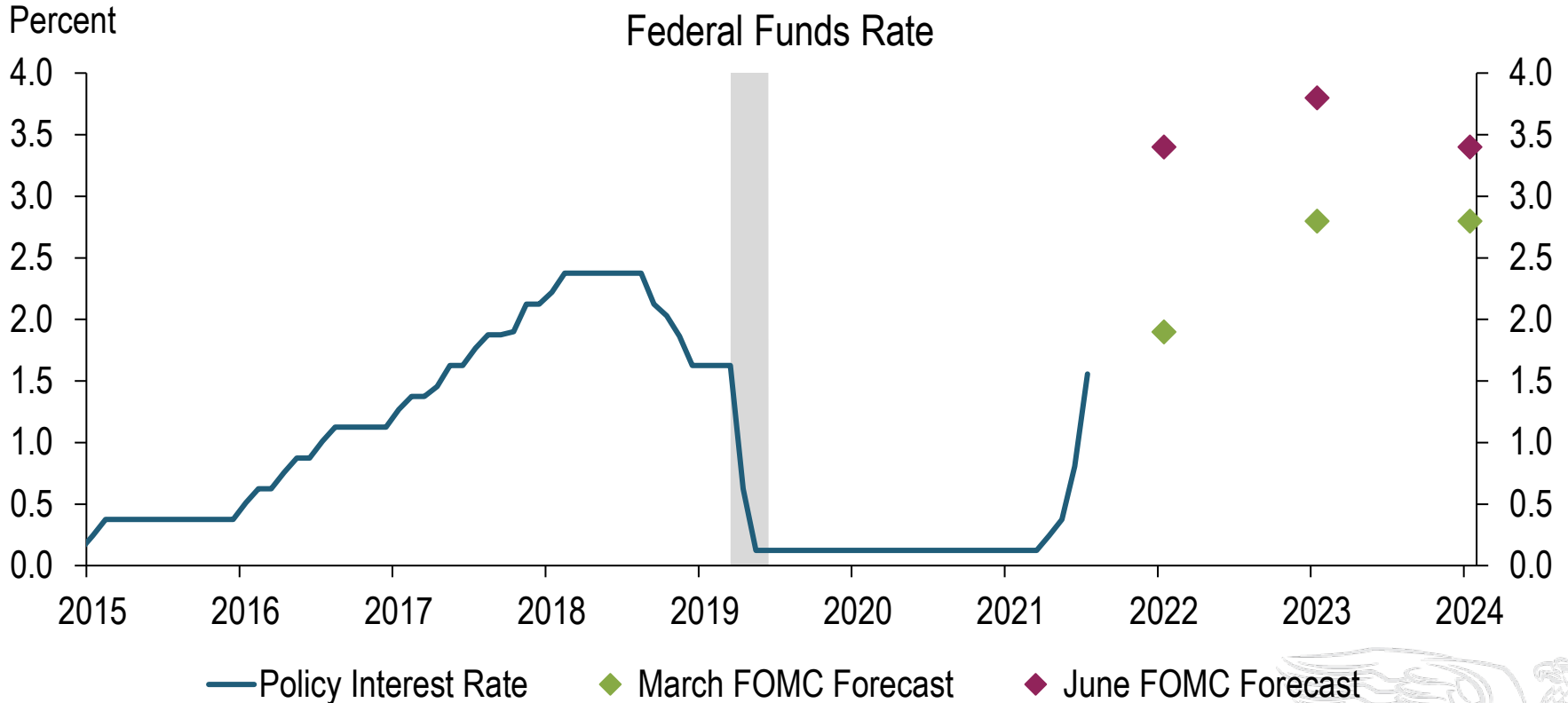
Inflation expectations have been moving up



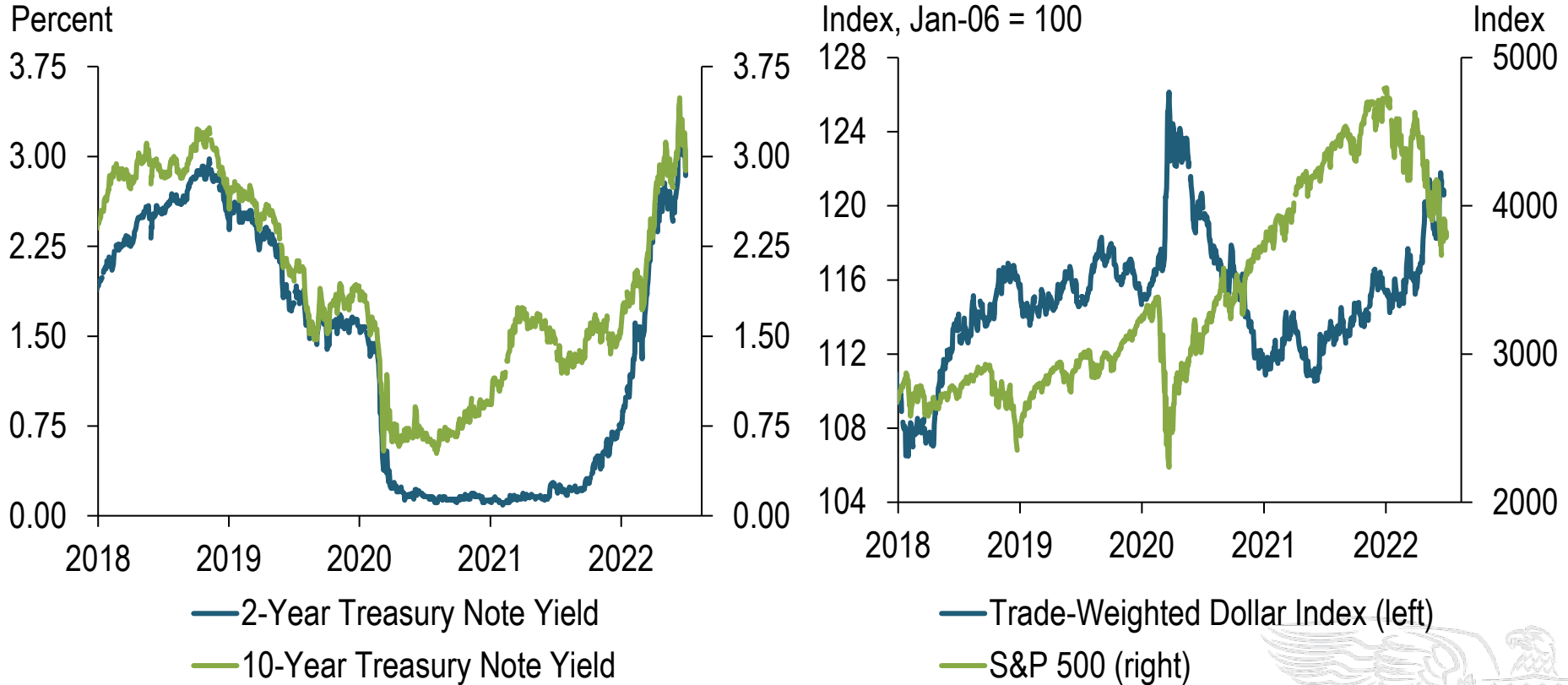
— 5-10 Year Expectations: Annual Change in Prices



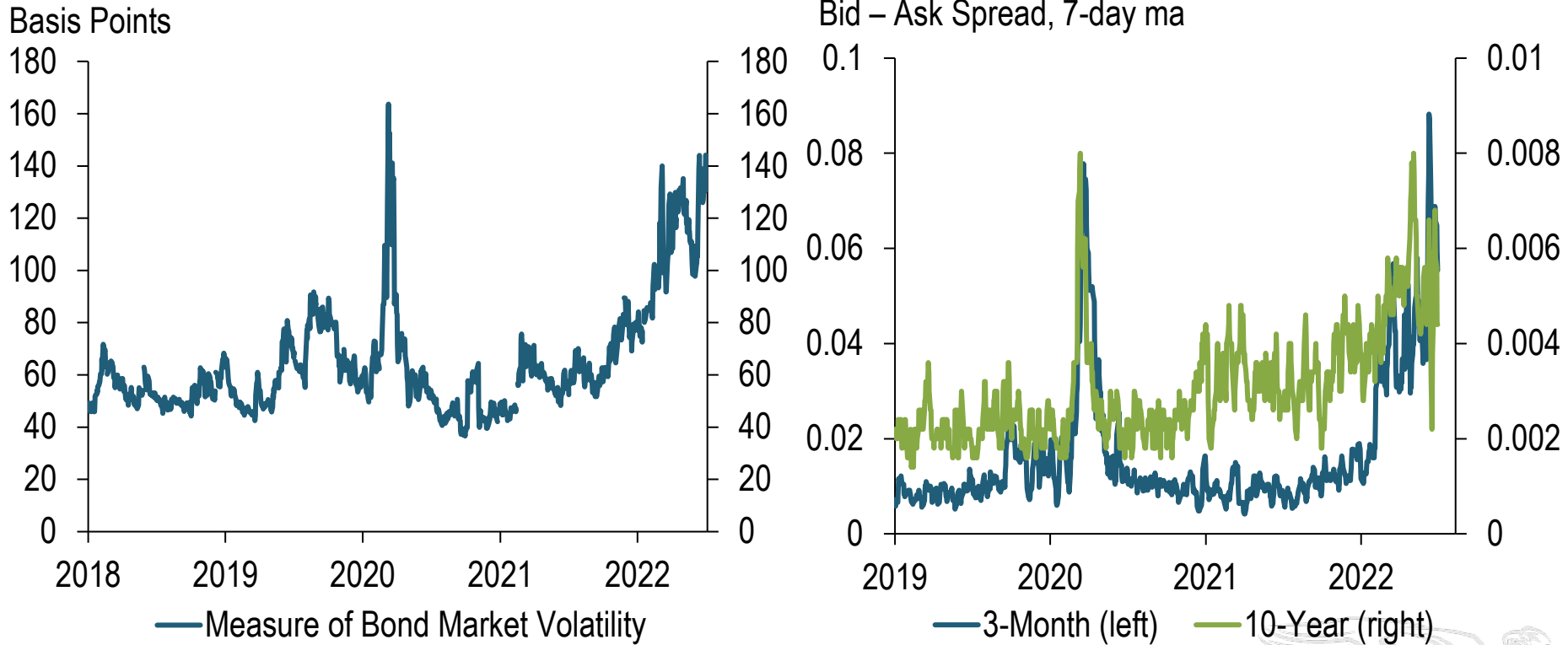
High inflation provokes faster pace of Fed tightening



Fed hikes tightening financial conditions



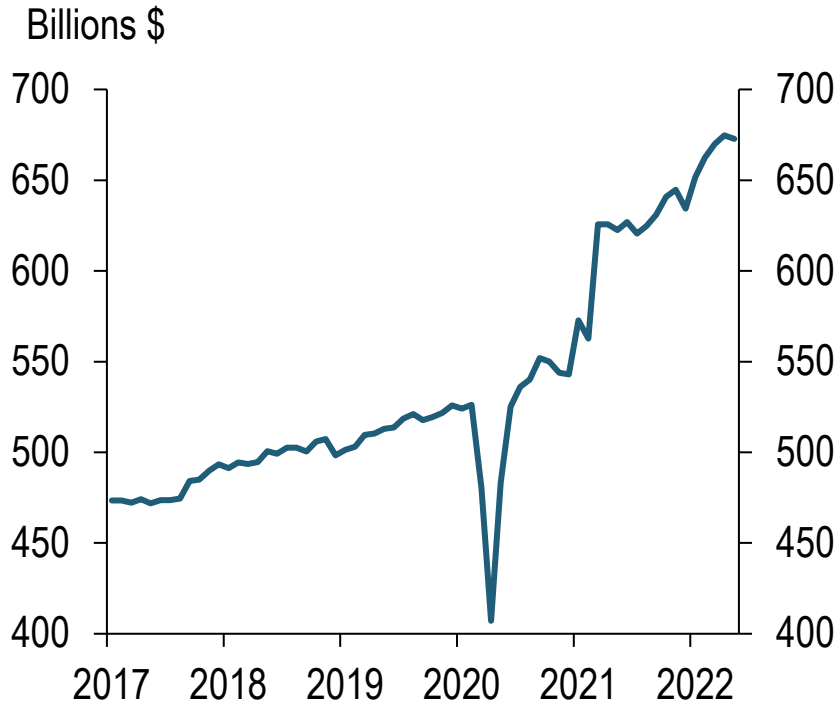
Market volatility is high and liquidity is low



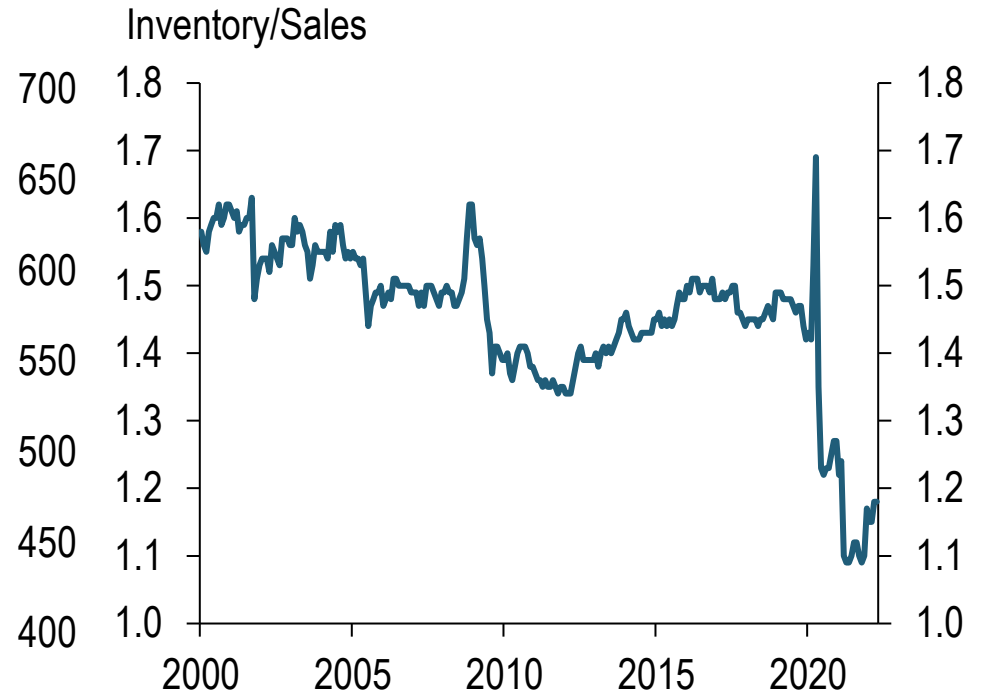
Note: measured in terms of Bank of America Merrill Lynch Option Volatility Estimate Index



Demand flattening out, but at a high level



— Retail Sales & Food Services

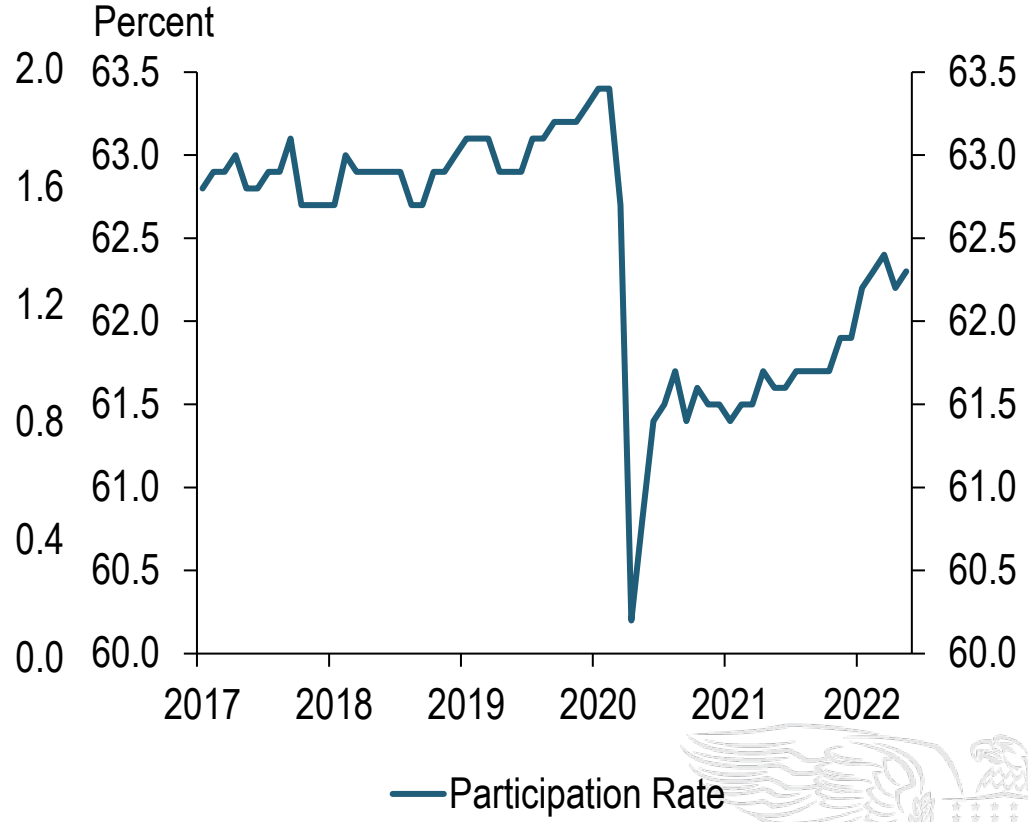
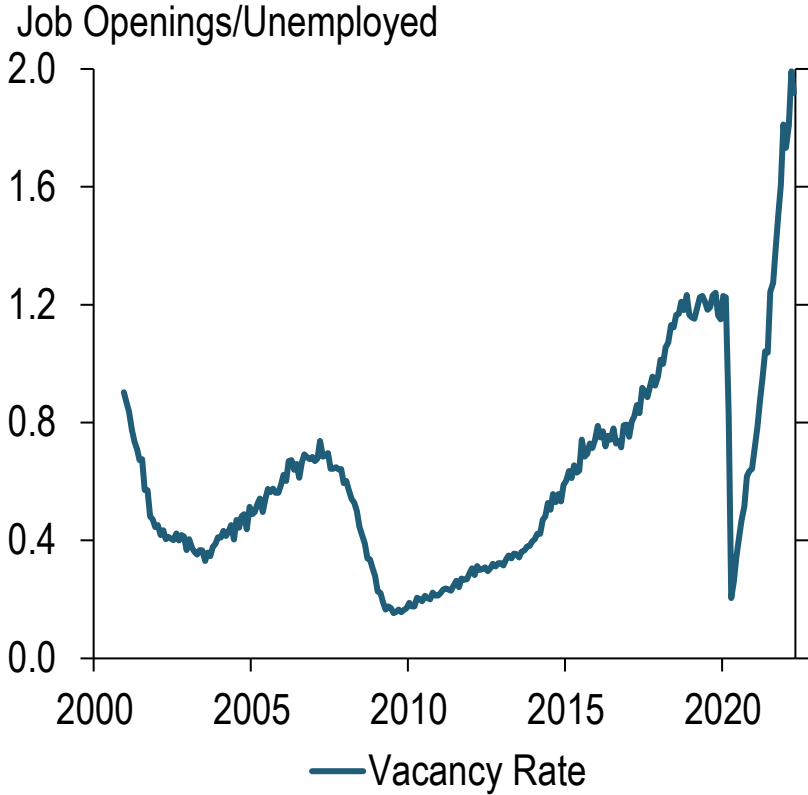


— Inventory/Sales Ratio

Sources: Census Bureau, Haver Analytics



Labor market remains strong even as participation lags



Housing showing signs of slowing

