Economic Outlook

November 2022
Outlook themes

• Inflation remains high.
  • Continued strong demand and constrained supply.
  • Less production disruptions, but more labor market tightness.

• Supply conditions likely to remain strained.

• Monetary policy and financial conditions tightening rapidly amid heightened volatility.
Inflation remains elevated. Goods prices easing. Services picking up.

Sources: BLS, Haver Analytics

*Note: Inflation calculated with CPI
Why is inflation high? Demand has been strong, and supply has been disrupted.

Sources: BEA, Haver Analytics
Why is inflation high? Labor market remains tight.

Sources: BLS, Haver Analytics
Wage growth hasn’t peaked yet

3-month moving average, median year/year % change

Wages (left)  KC Labor Markets Conditions Index (LMCI) (right)

*Note: Dashed vertical lines mark where series peaked in previous business cycles

Sources: Staff, FRB Atlanta
Labor market remains impaired

Sources: BLS, FRB, Haver Analytics

Immigration to the US

Additional immigration under 2011-2015 trend
Net international migration

Sources: BLS, FRB, Haver Analytics
Long-run inflation expectations remain anchored.

Sources: FRBNY, University of Michigan, Haver Analytics
Monetary policy tightening rapidly

Federal Reserve Balance Sheet

Sources: BEA, Haver Analytics
Financial Conditions Tightening Rapidly

Sources: WSJ, FRB, Haver Analytics
Progress Report on QT: Assets

Treasury Holdings relative to Total Assets

- Federal Gov. Retirement
- MMF
- Banks
- Mutual Funds
- Pension Funds
- Insurance
- Brokers and Dealers
- Foreign sector
- Hedge funds

2017: Q2 vs 2022: Q2

*Note: Orange dots show the high since 2000

Sources: Flow of Funds, Enhanced Financial Accounts
Progress Report on QT: Liabilities

Federal Reserve Liabilities

- Trillions $
- ONRRP
- Reserves
- Projected reserves

Est. Ample Reserves

Current Equivalent of Sep 2019 Levels

Sources: FRBNY