A Progress Report

- Headline inflation has fallen aided by energy prices.
- However, energy prices have stabilized and unlikely to reduce inflation further.
- Additionally, services inflation remains stubbornly high.
- A still tight labor market is keeping upward pressure on services inflation.
- Overall, while some progress has been made in lowering inflation, it is still unclear if policy is restrictive enough to sustainably bring inflation down to 2 percent.
Headline inflation has fallen thanks to lower energy prices.
However, the drag from energy inflation may be over as oil prices have moved back up.

Sources: Energy Information Administration, CME, Haver Analytics
Elevated core inflation is supported by non-housing services inflation.

Sources: BEA, Haver Analytics
Housing inflation is edging down as rental inflation is easing.

Source: BEA, Haver Analytics
Labor demand remains elevated but has started to weaken.

Source: BLS, Haver Analytics
As a result, employed workers are quitting less and unemployed workers are taking longer finding jobs.
Despite these developments, the Kansas City Fed Labor Market Conditions Indicators (LMCI) suggest the labor market remains tight in the nation…

Index, + = above long run average

Sources: FRB Kansas City, Haver Analytics
….and the district.

Index, + = above long run average, 3-month moving average

Sources: FRB Kansas City, Haver Analytics
The historically tight labor market has benefited all groups in terms of unemployment...

Source: BLS, Haver Analytics
...and wage growth.

12-month moving average, Year/Year % Change

Source: FRB Atlanta, Haver Analytics
More progress is required as the lifetime earnings gap between Black and white workers is large.

<table>
<thead>
<tr>
<th>Lifetime earnings gap</th>
<th>Difference in years worked</th>
<th>Difference in earnings per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Black-white gap</td>
<td>$550,000</td>
<td>2.3</td>
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Note: Numbers in brackets represent the corresponding gap in percent relative to white individuals.

Source: Glover, Mustre-del-Rio, Pollard (2022)
Summary

- Headline inflation has declined thanks to lower energy prices.

- However, with energy prices drifting back up, progress on headline inflation could stall.

- Additionally, services inflation remains elevated bolstered by the resilient labor market.

- Overall, while policy actions are impacting the economy, inflation remains far from sustainably achieving 2 percent.