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.

*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 still strong

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

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**Labor Force Participation**
- Percent
- 16+ (left) and 55+ (right)

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**Immigration to the US**
- Thousands
- Additional immigration under 2011-2015 trend
- Net international migration

Sources: BLS, FRB, Haver Analytics
Services prices moving up despite apparent slack.

Sources: BEA, Haver Analytics
Quick destruction of capacity for services.

Sources: BLS, Haver Analytics
Constraints on the Economy: Productivity

Sources: BEA, BLS, 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

- 30-Year Fixed Mortgage Rate (left)
- 10-Year Treasury Note Yield (right)
- Trade-Weighted Dollar Index

Sources: WSJ, FRB, Haver Analytics
High liquidity could require higher rates.

Sources: BLS, FRB, Haver Analytics
Markets volatile and liquidity thin

Sources: Bank of America Merrill Lynch, FRB, Haver Analytics