

# Economic Outlook

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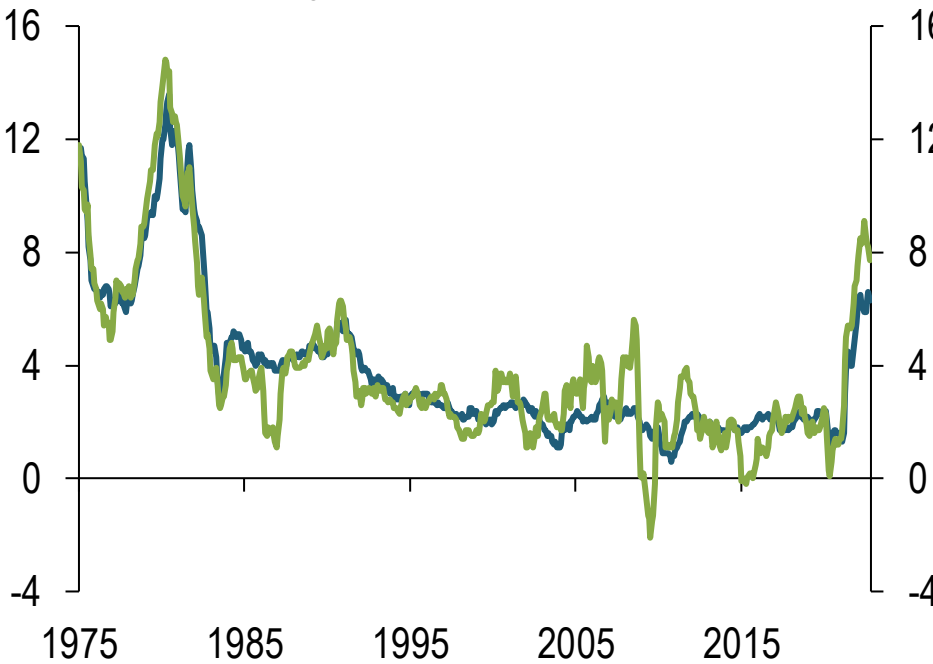
# Outlook themes

- 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.

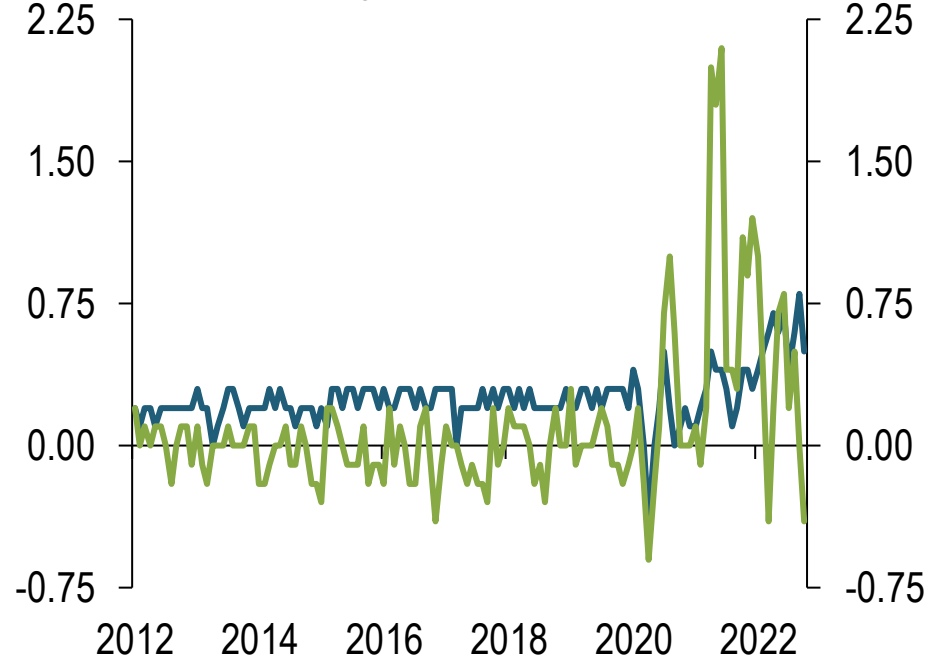


# Inflation remains elevated. Goods prices easing. Services picking up.

Year/Year % Change



Month/Month % Change



— All Items Less Food & Energy — All Items

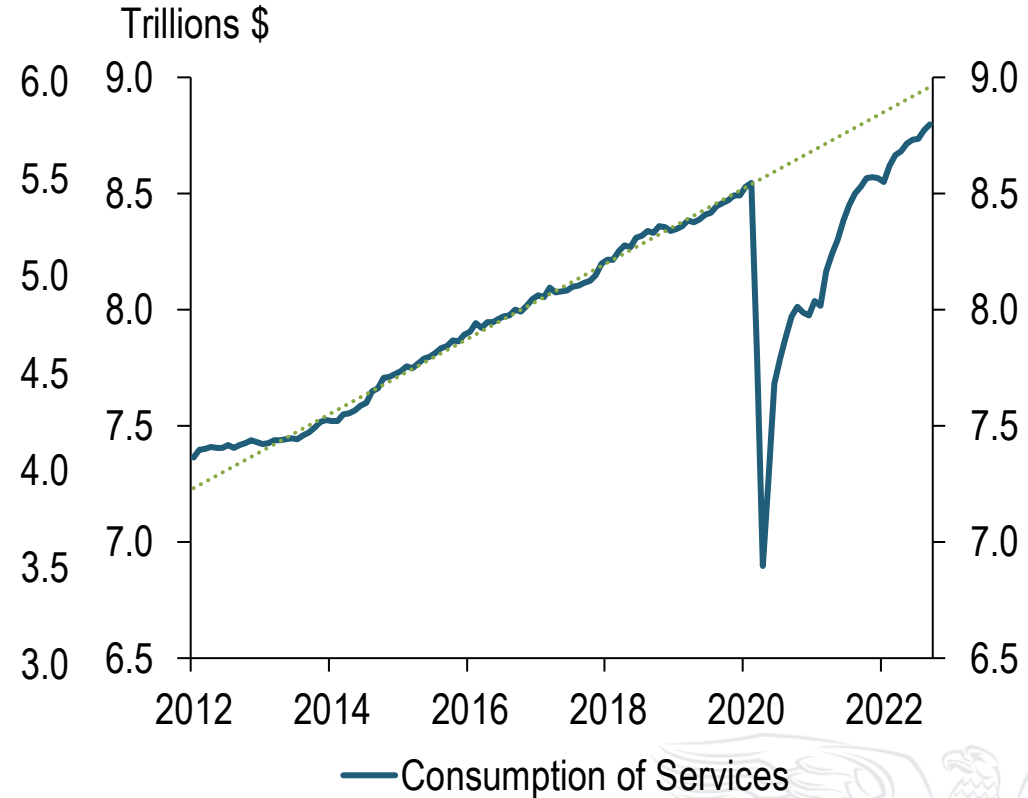
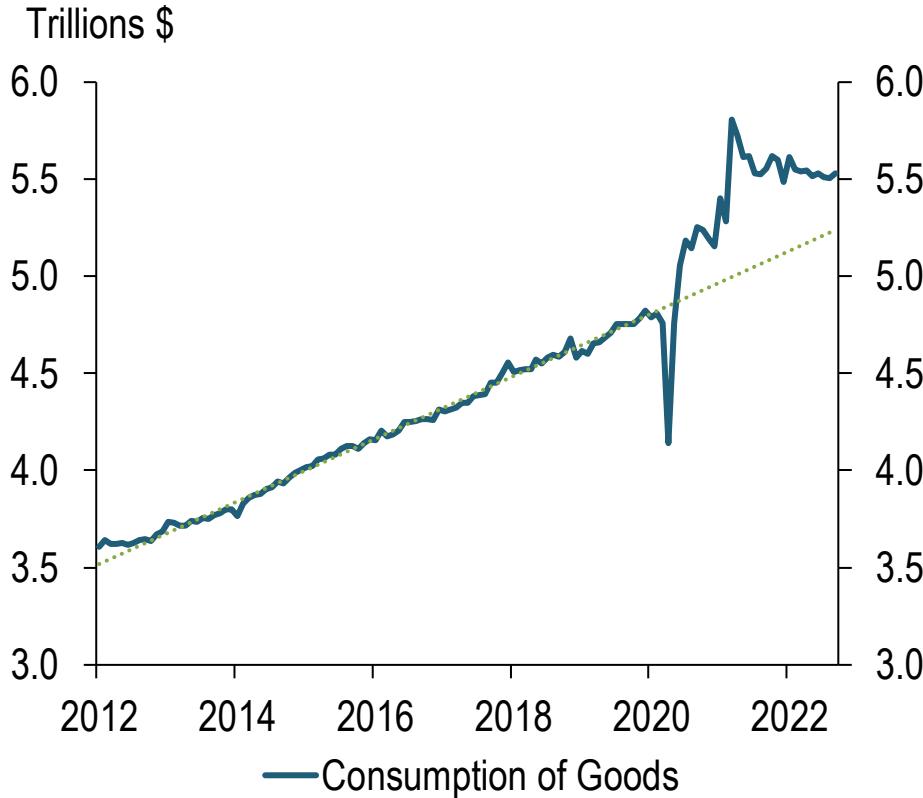
— Services Less Food & Energy — Goods Less Food & Energy

3 \*Note: Inflation calculated with CPI

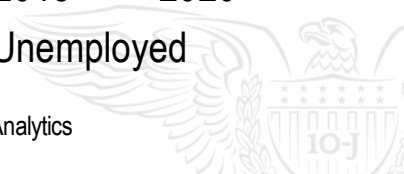
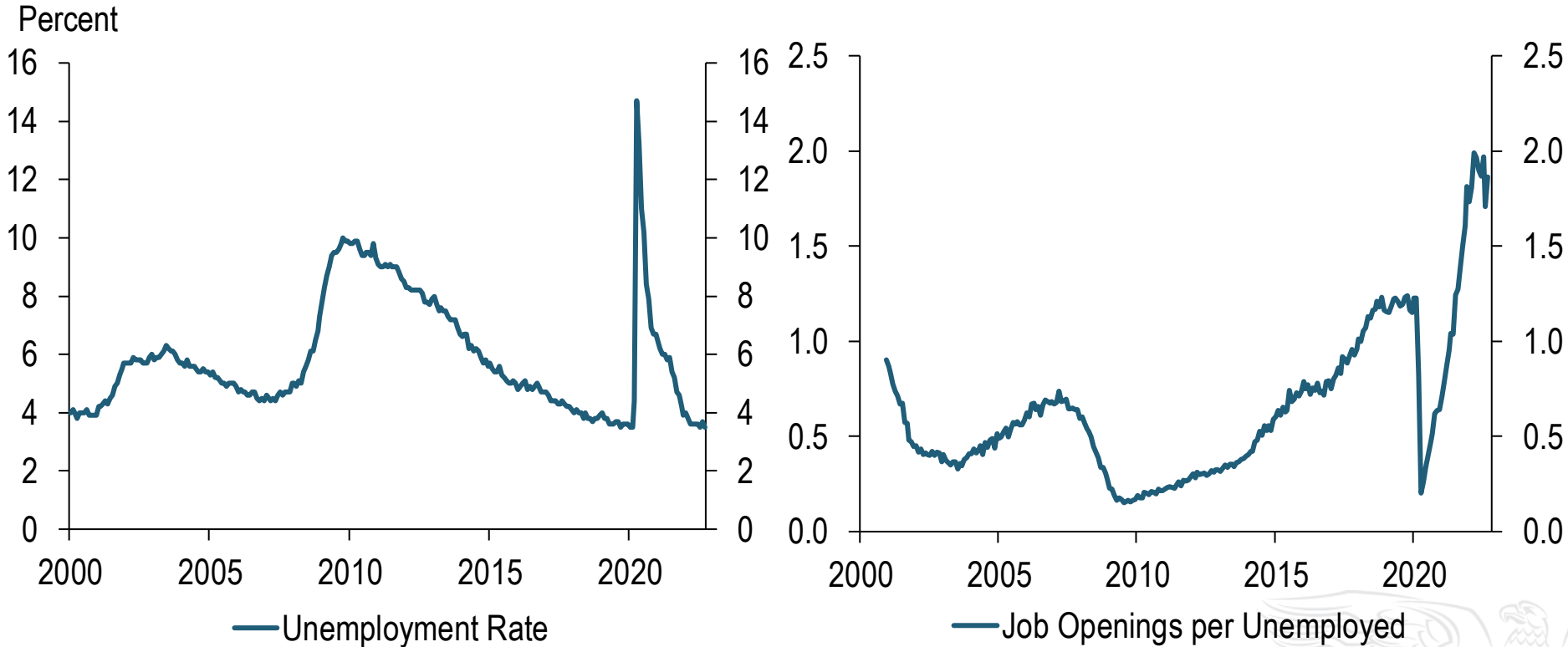
Sources: BLS, Haver Analytics



# Why is inflation high? Demand has been strong, and supply has been disrupted.



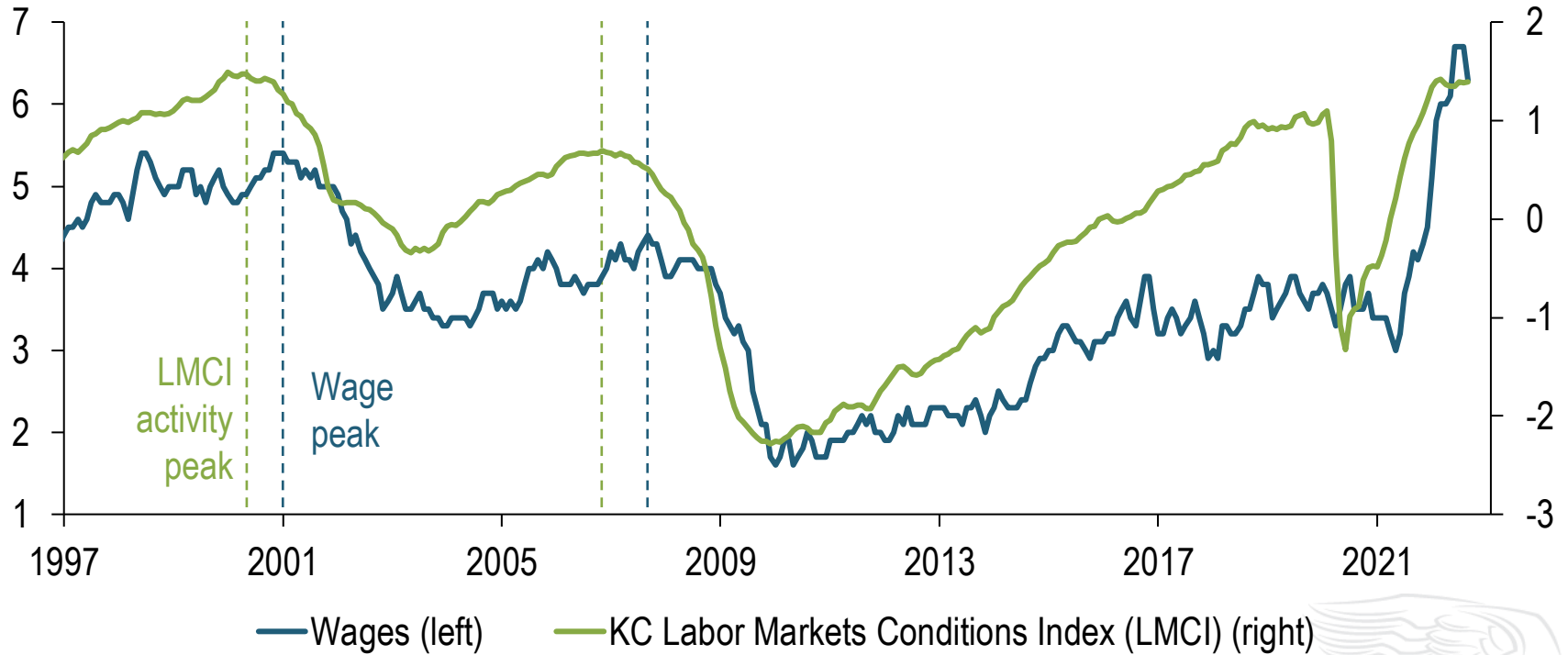
# Why is inflation high? Labor market remains tight.



# Wage growth still strong

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

Index, 3-month moving average

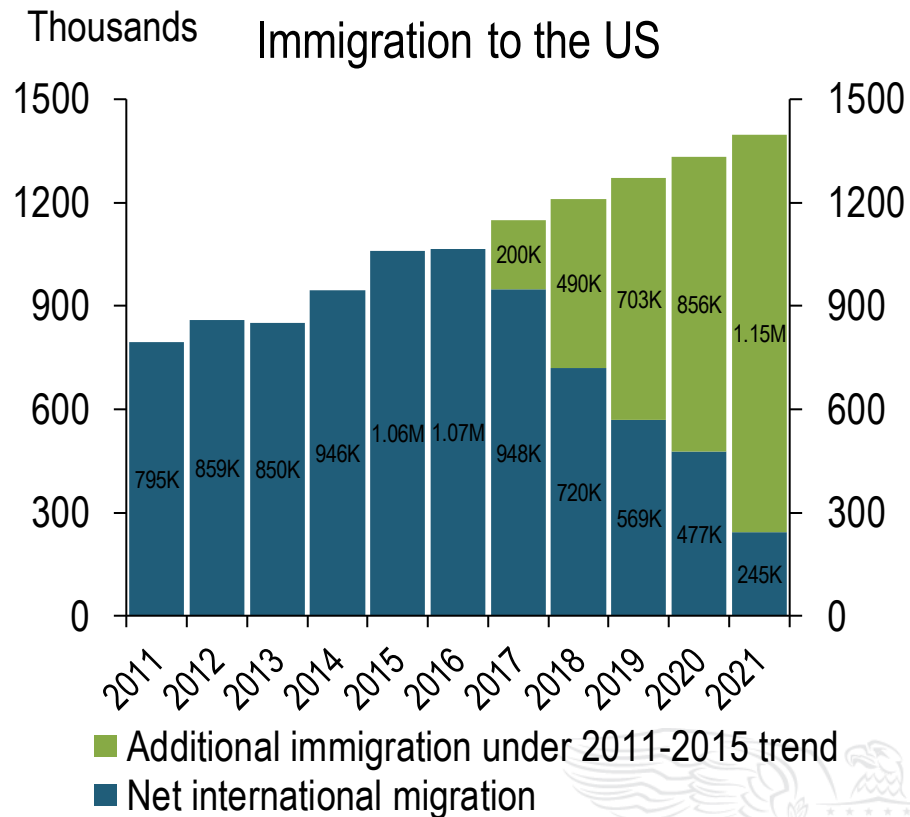
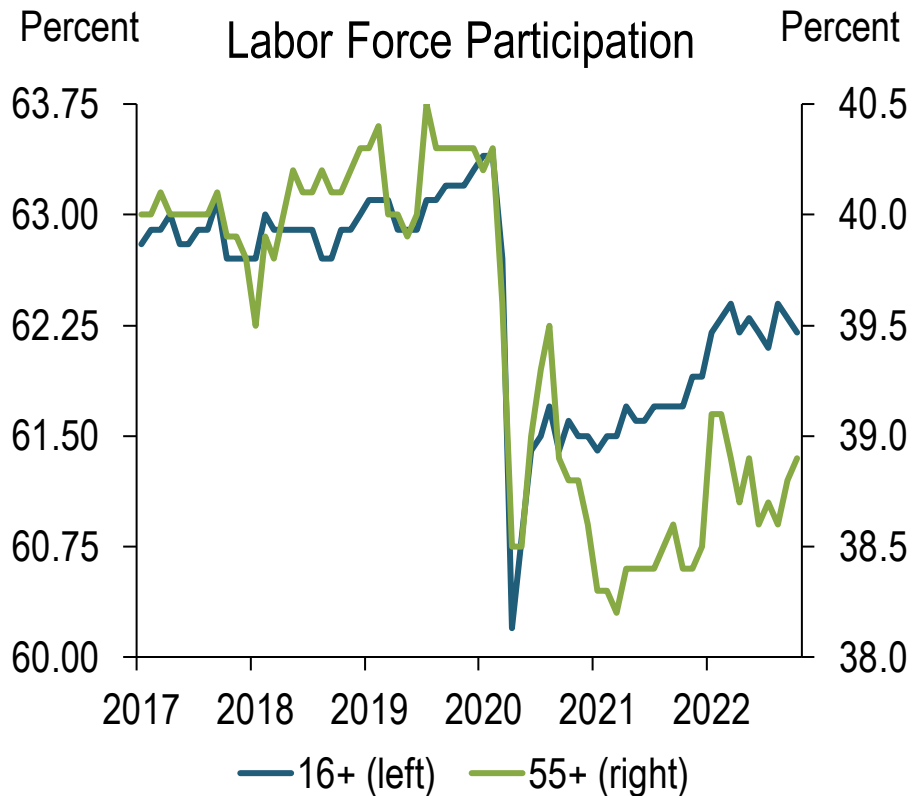


6 \*Note: Dashed vertical lines mark where series peaked in previous business cycles

Sources: Staff, FRB Atlanta



# Labor market remains impaired



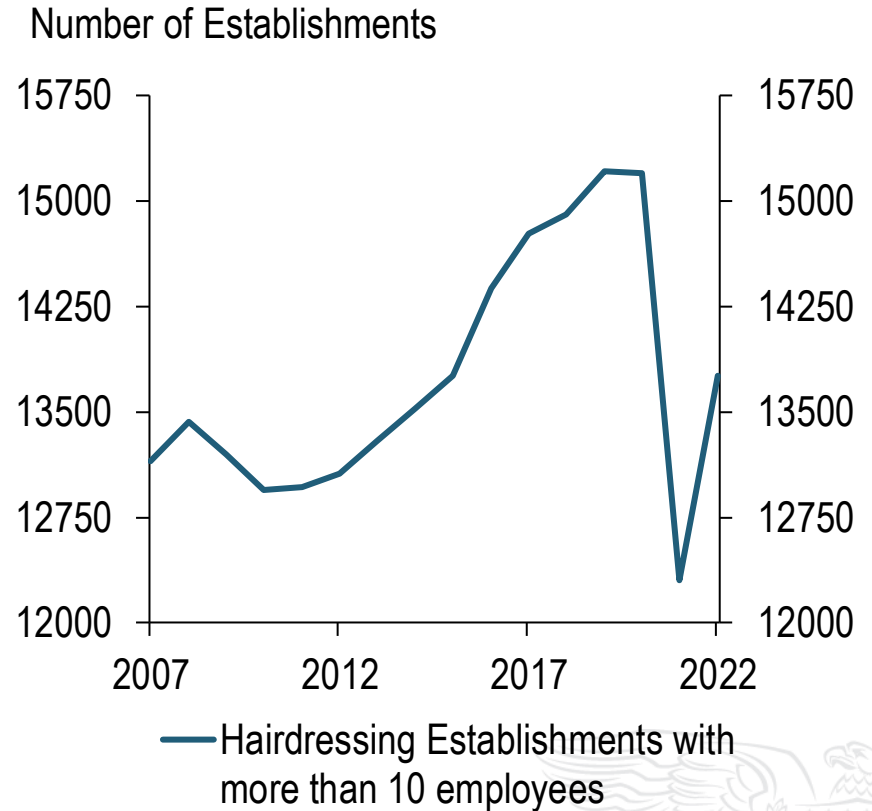
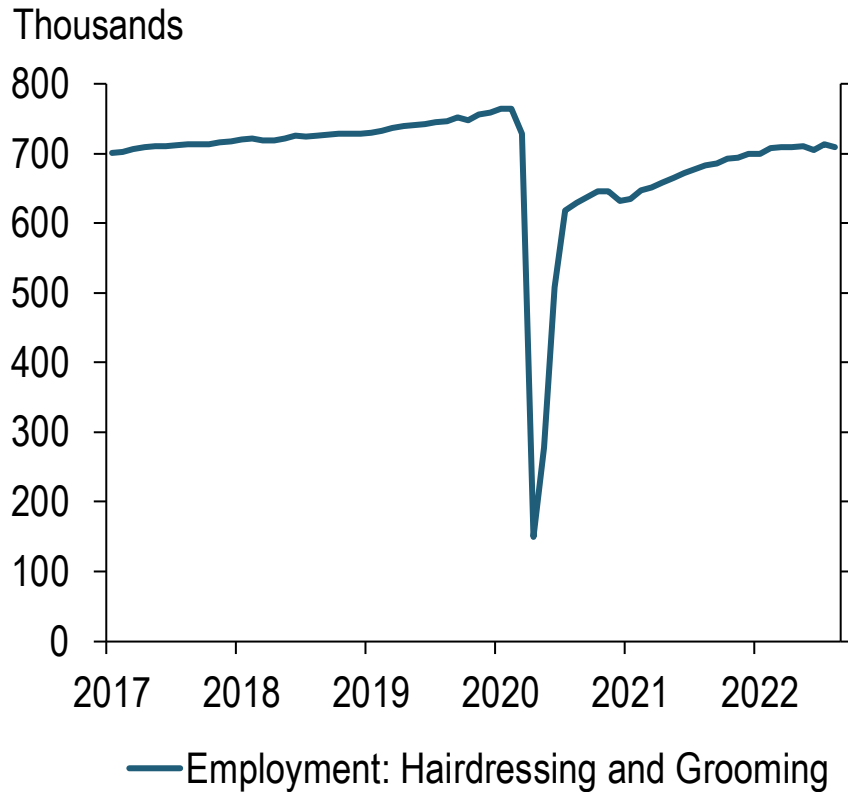
Sources: BLS, FRB, Haver Analytics

# Services prices moving up despite apparent slack.



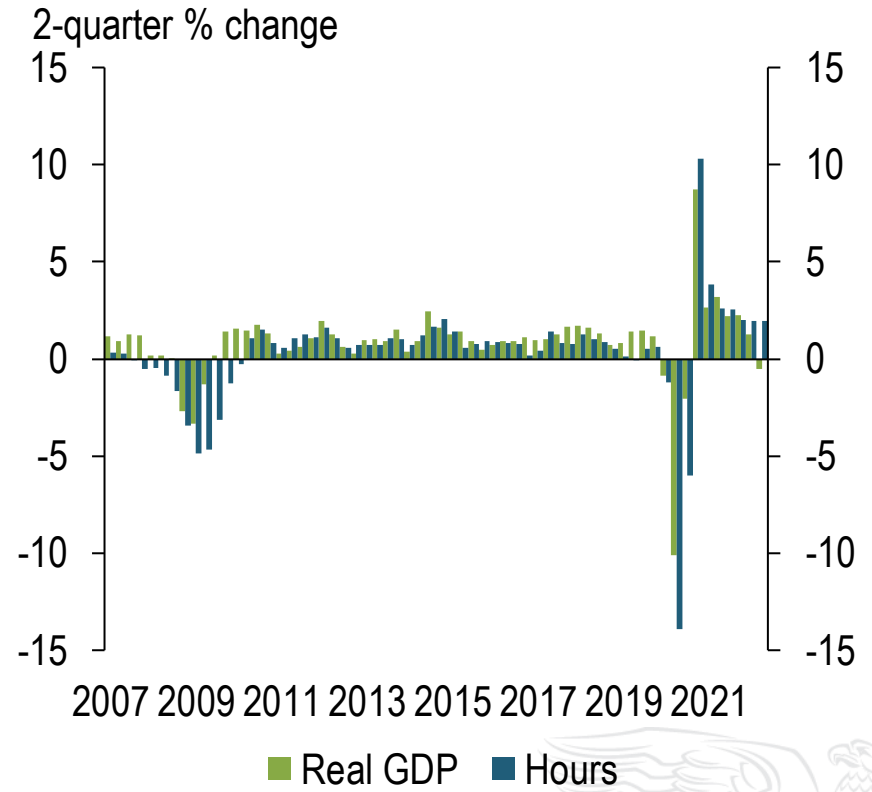
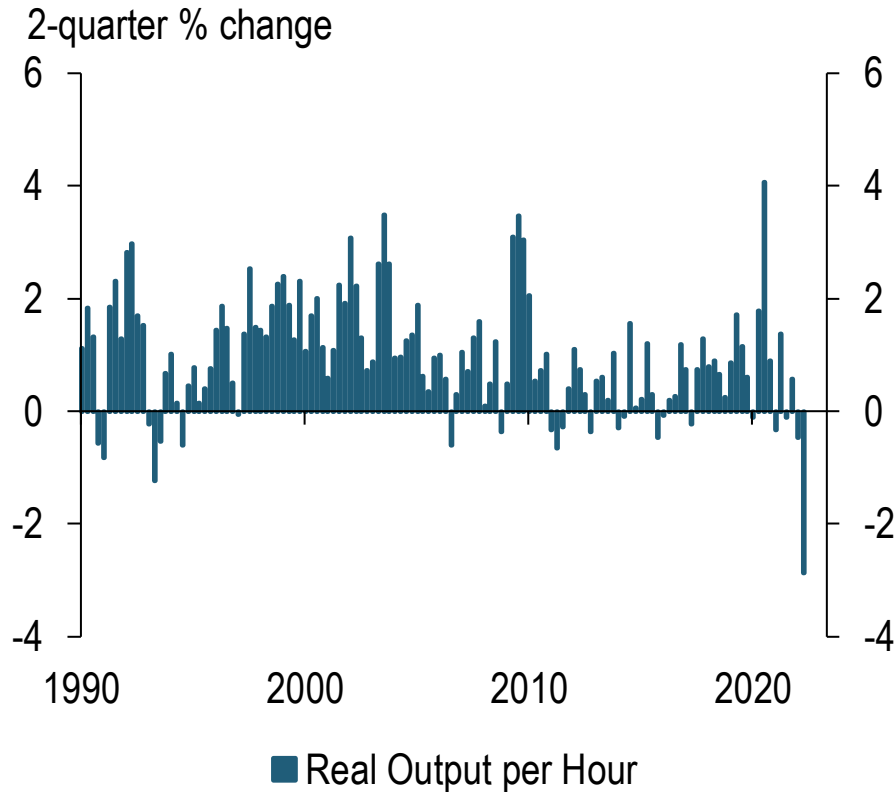


# Quick destruction of capacity for services.

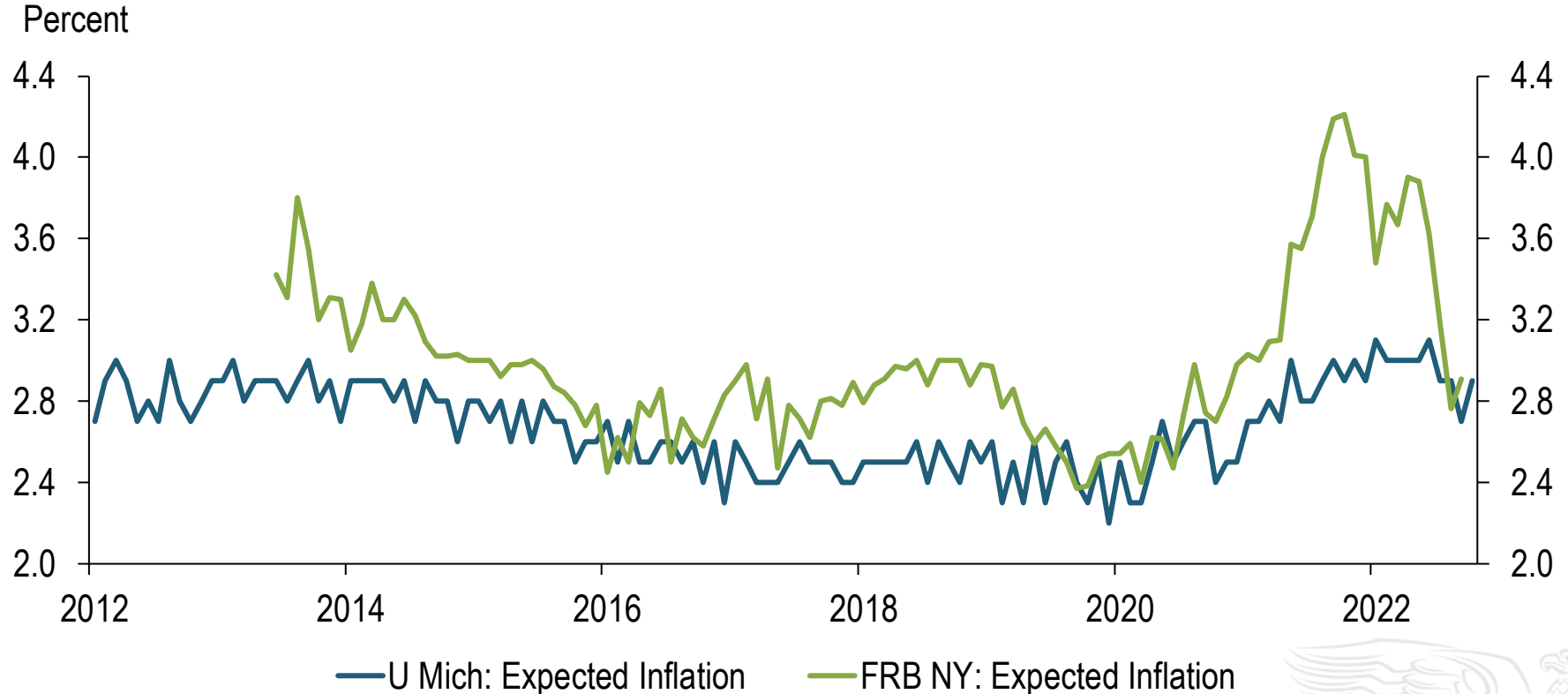


Sources: BLS, Haver Analytics

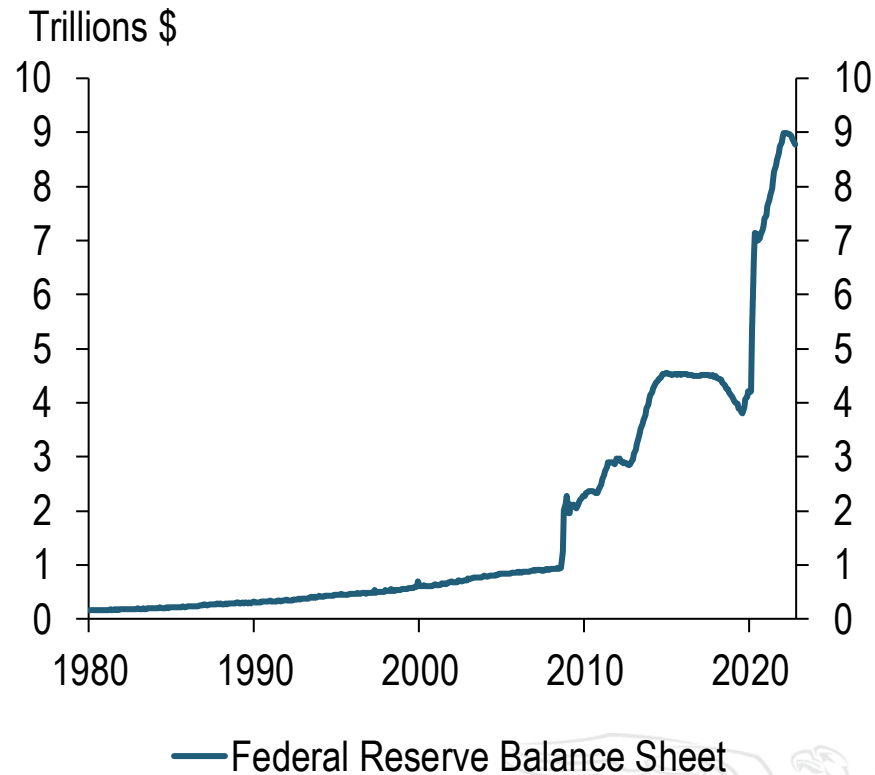
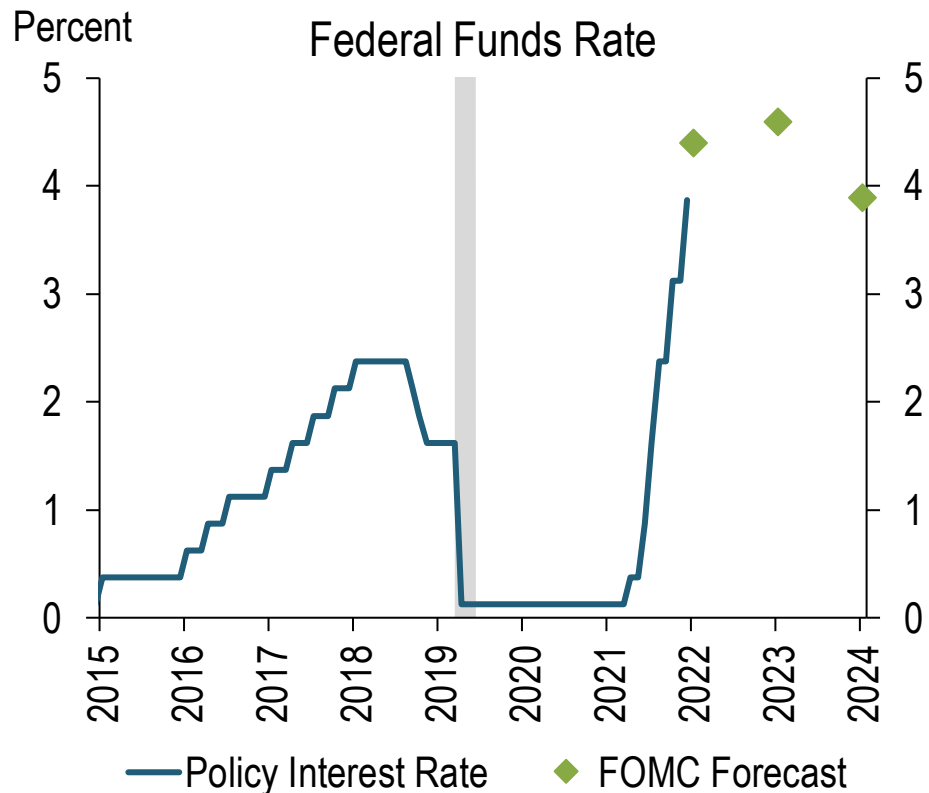
# Constraints on the Economy: Productivity



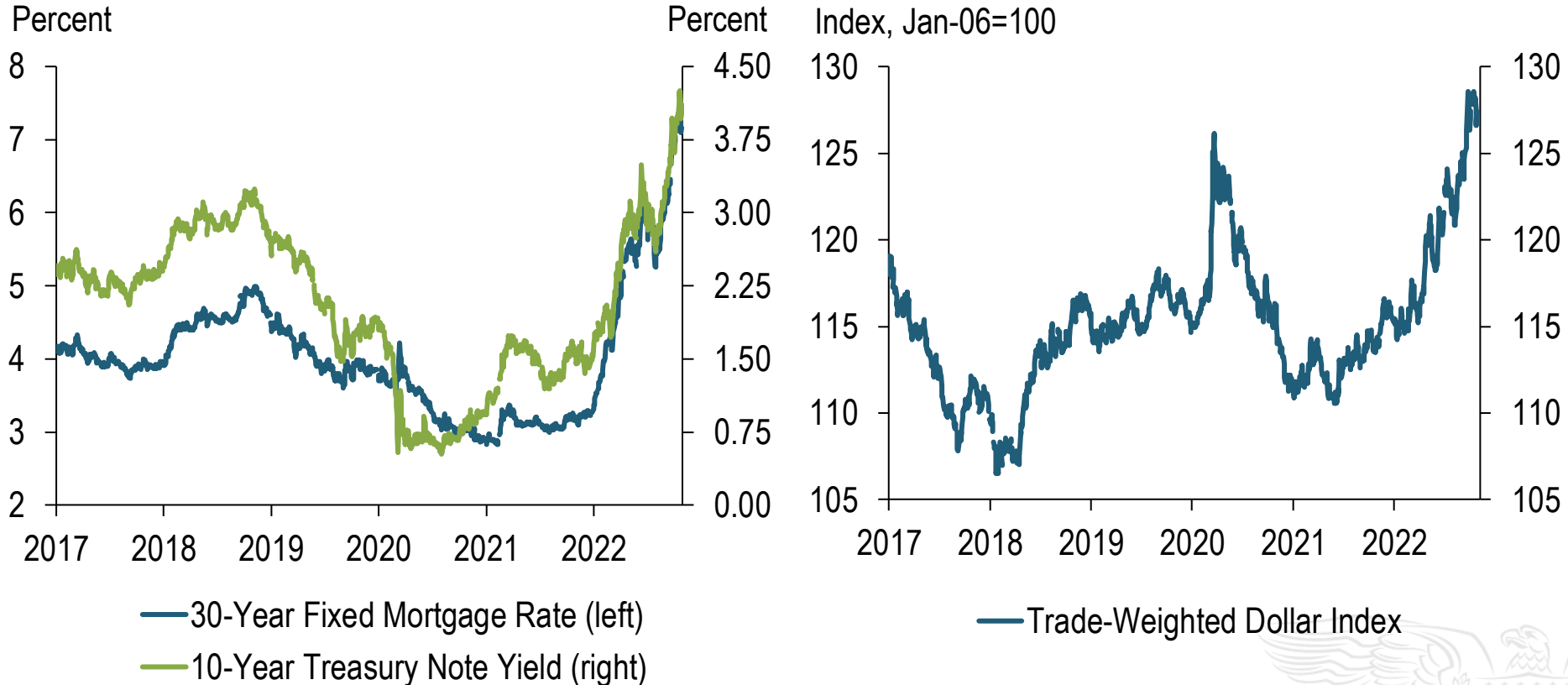
# Long-run inflation expectations remain anchored.



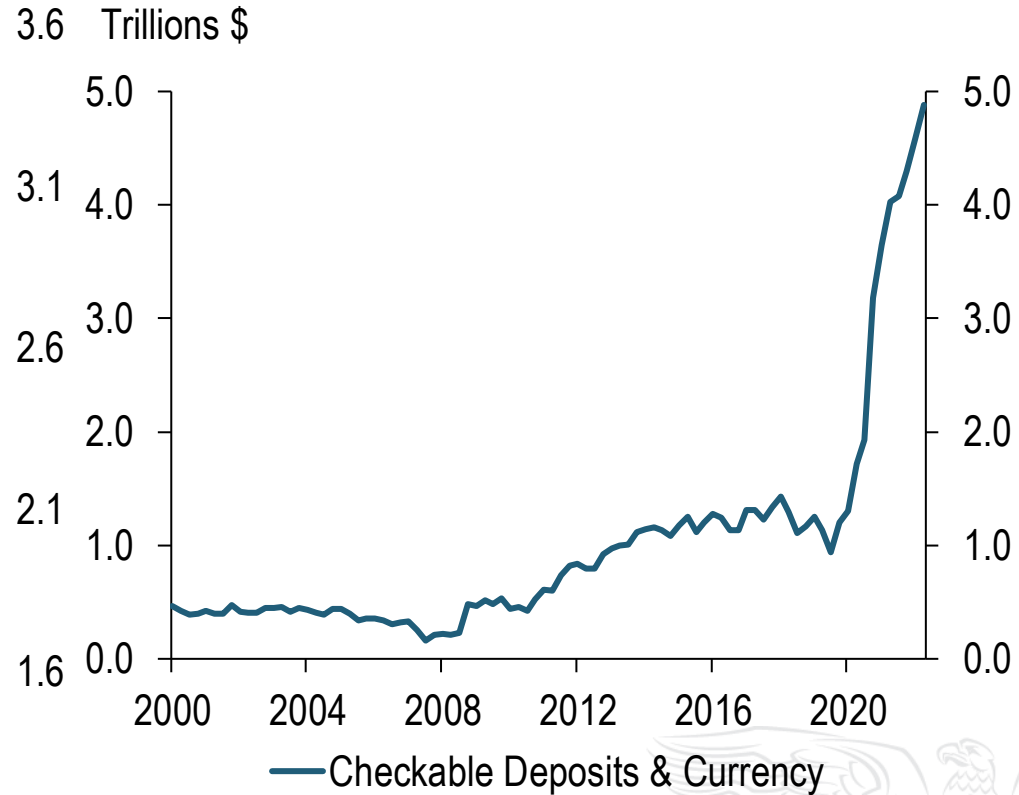
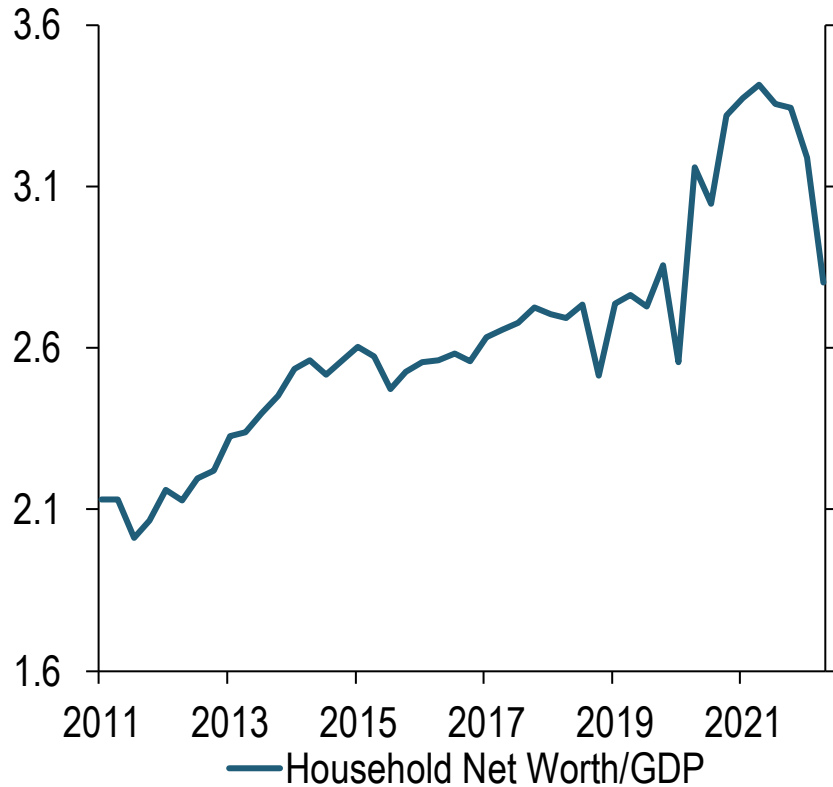
# Monetary policy tightening rapidly



# Financial Conditions Tightening Rapidly

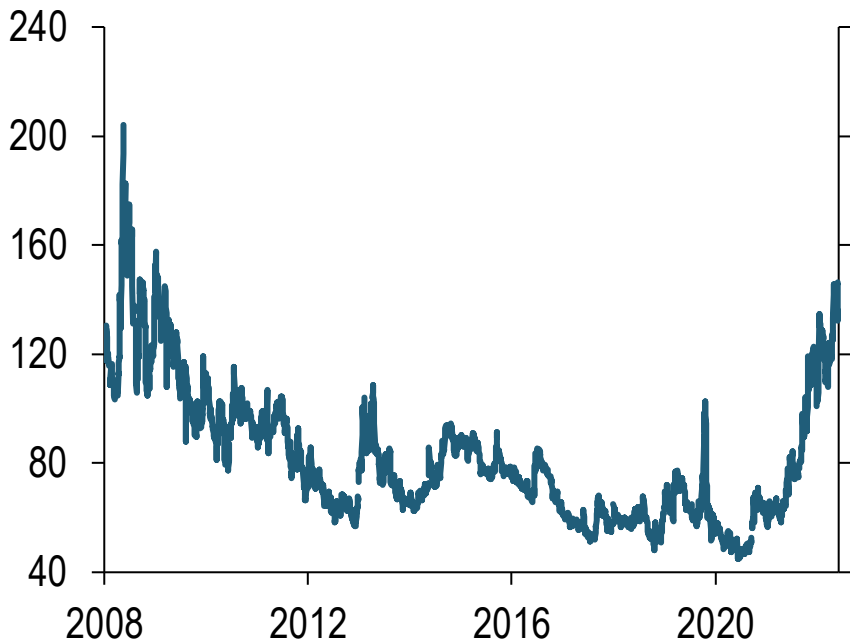


# High liquidity could require higher rates.



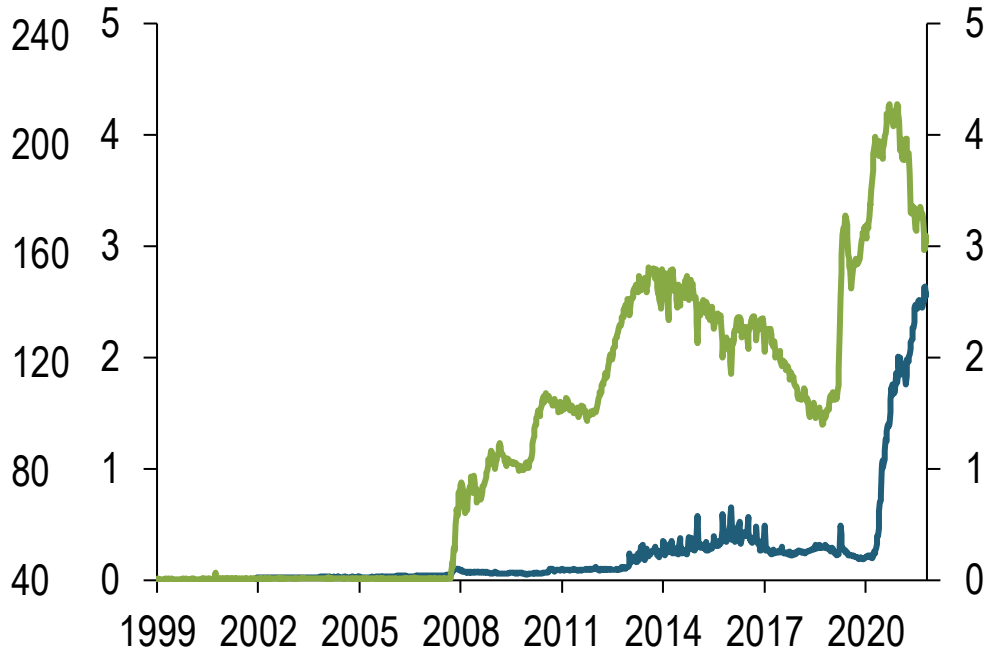
# Markets volatile and liquidity thin

Basis Points



— Bank Of America Merrill Lynch Volatility Index

Trillions \$



— Reverse Repurchase Agreements  
— Reserve Balances



