Economic Outlook

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The views herein are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
Overview

• Inflation is showing signs of moderating, but price growth for essential spending items has remained elevated as inflation has cooled overall

• Consumer spending has been solid along its typical growth path, but signs of financial stress have been increasing to their typical levels

• The labor market remains tight, but some indicators show early signs of softening conditions
Inflation has moderated but core inflation is maintaining momentum

Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading
Household essentials are contributing an outsized amount to inflation
Lower income households experienced higher wage growth alongside faster price growth, primarily due to the composition of their spending.
Household spending continues to drive steady economic growth overall

Contributions to Percentage Change in Real GDP

Source: BEA, Haver Analytics
The composition of spending is also near its typical growth path.
Household net worth and personal savings have normalized recently.
Unemployment rates across racial groups have reached decade lows.

Source: BLS, Haver Analytics

Note: Grey bars indicate recession shading.
Employed workers are more likely to find full-time jobs if they prefer part-time work for economic reasons. 

Sources: Current Population Survey, FRED
However, labor demand is exhibiting some early signs of softening.
Workers who recently lost their jobs are facing more difficulties finding new employment opportunities compared to last year.

Sources: BLS, Haver Analytics
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term.
The most recent projections from the FOMC indicated a path with higher rates for longer, albeit with high levels of uncertainty.

Sources: Federal Reserve Board, Summary of Economic Projections
Looking ahead

• The tight labor market is showing some early signs that the pressure is easing

• With restrictive monetary policy, it remains to be seen how much pull back in lending activity or tightening of standards is ahead

• With an uncertain, if not higher, outlook for rates, it remains to be seen how extensive the pullback is in borrowing activity
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