A Progress Report

- Headline inflation has fallen aided by energy prices.
- However, energy prices have stabilized and are 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.

Sources: BEA, Haver Analytics
However, the drag from energy inflation may be over as oil prices have moved back up.

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

Year/Year % Change

- Core Inflation
- Core Goods Inflation
- Core Services ex. Housing Inflation

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

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

Job Openings Rate: openings as a percent of total employment plus openings

Source: BLS, Haver Analytics
As a result, employed workers are quitting less and unemployed workers are taking longer finding jobs.
Additionally, wage growth has started to decline, albeit from historically elevated levels.

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

<table>
<thead>
<tr>
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<th>Lifetime earnings gap</th>
<th>Difference in years worked</th>
<th>Difference in earnings per year</th>
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<tbody>
<tr>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td></td>
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<tr>
<td>Overall Black-white gap</td>
<td>$550,000</td>
<td>2.3</td>
<td>$16,000</td>
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<td>[34 percent]</td>
<td>[8 percent]</td>
<td>[28 percent]</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.