

# National Economic Update



FEDERAL RESERVE BANK *of* KANSAS CITY

September 28, 2017

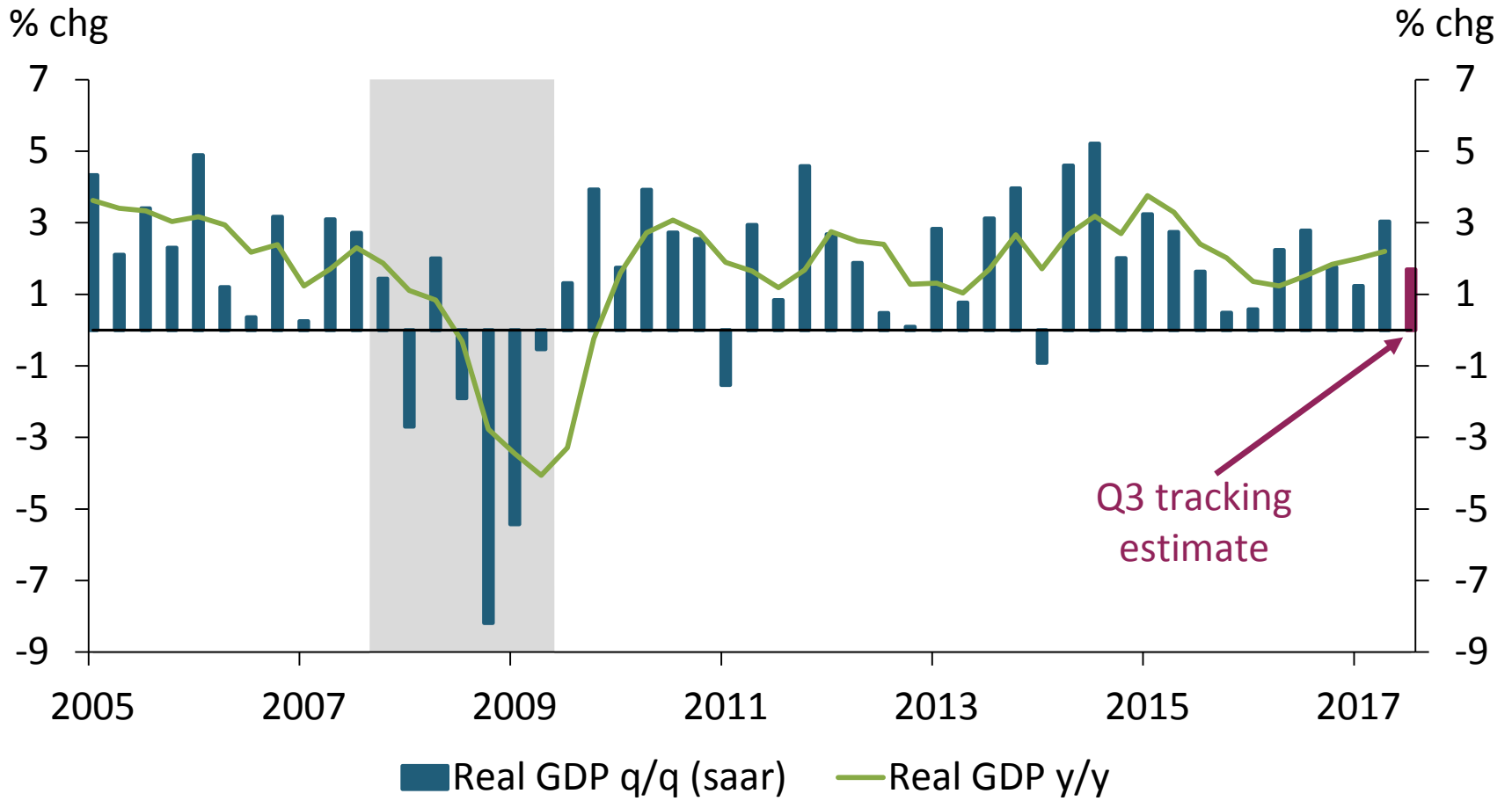
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Assistant Vice President and Economist  
Federal Reserve Bank of Kansas City

## Outlook themes

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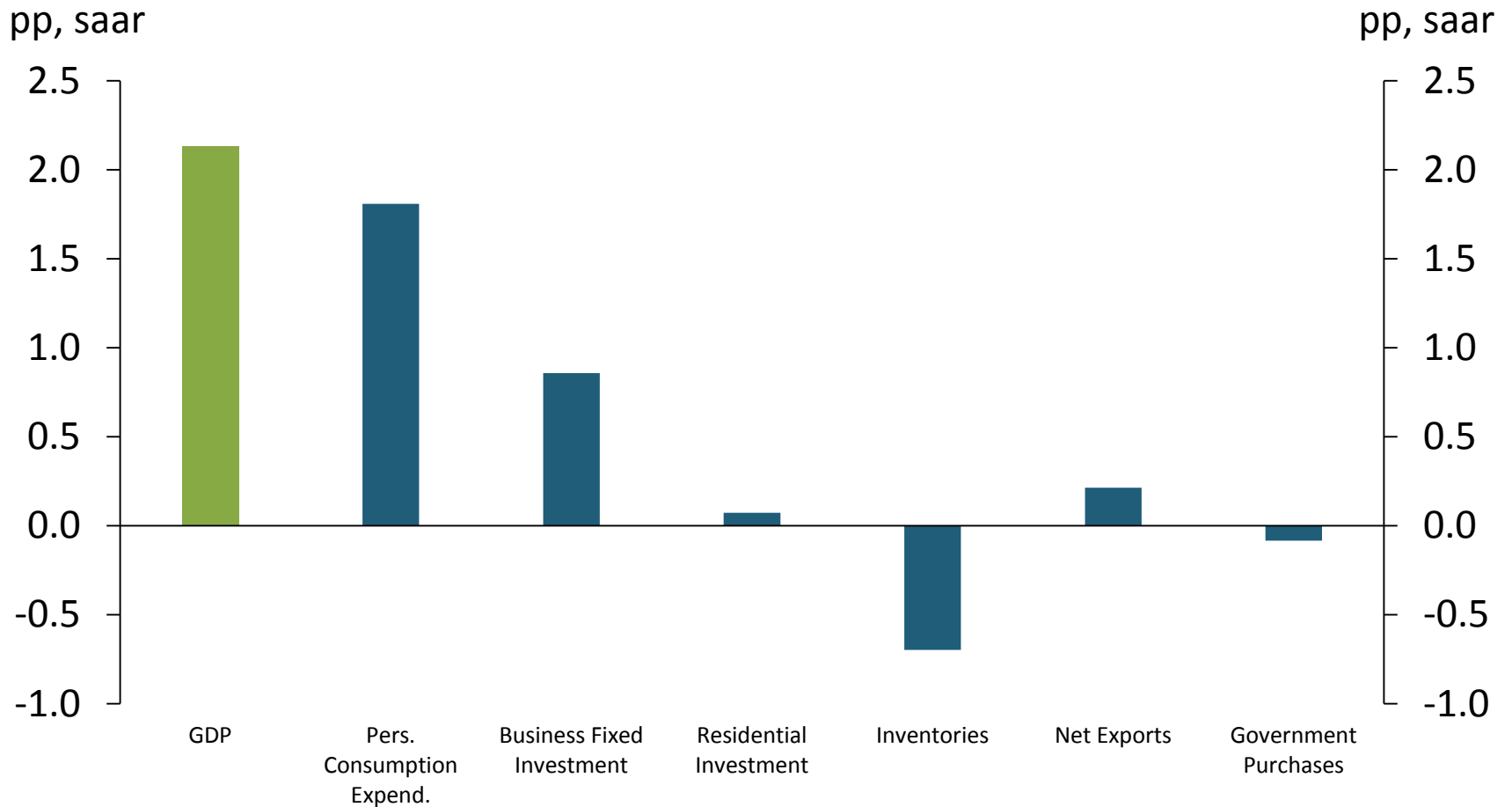
- The economy is growing at a moderate pace.
- Labor markets are tightening.
- Inflation remains below 2 percent.
- Financial market conditions remain accommodative.

# The economy is growing at a moderate pace.



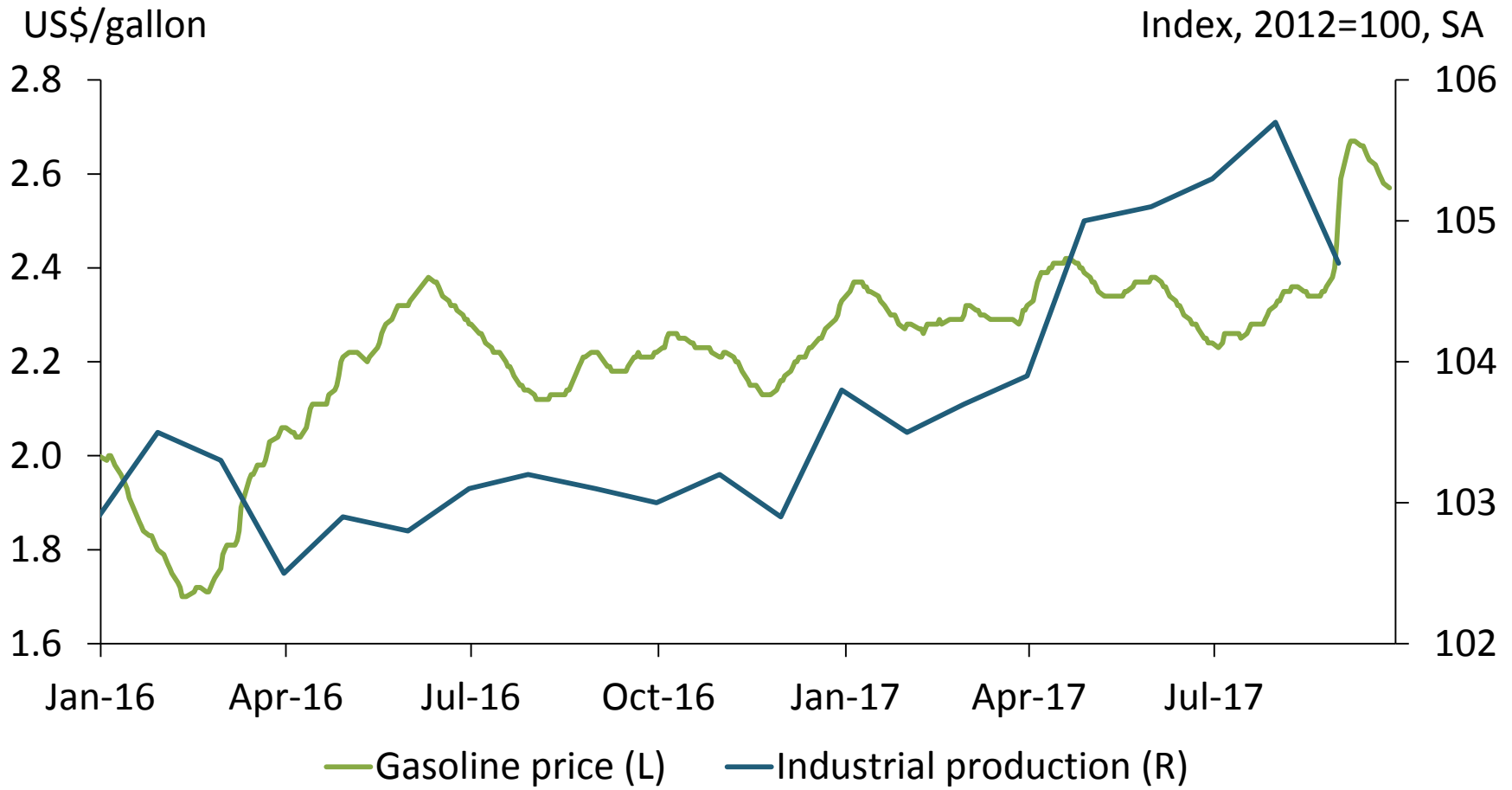
Sources: Bureau of Economic Analysis, NBER, Haver Analytics

# Real GDP growth in the first half of the year was supported largely by consumer spending.



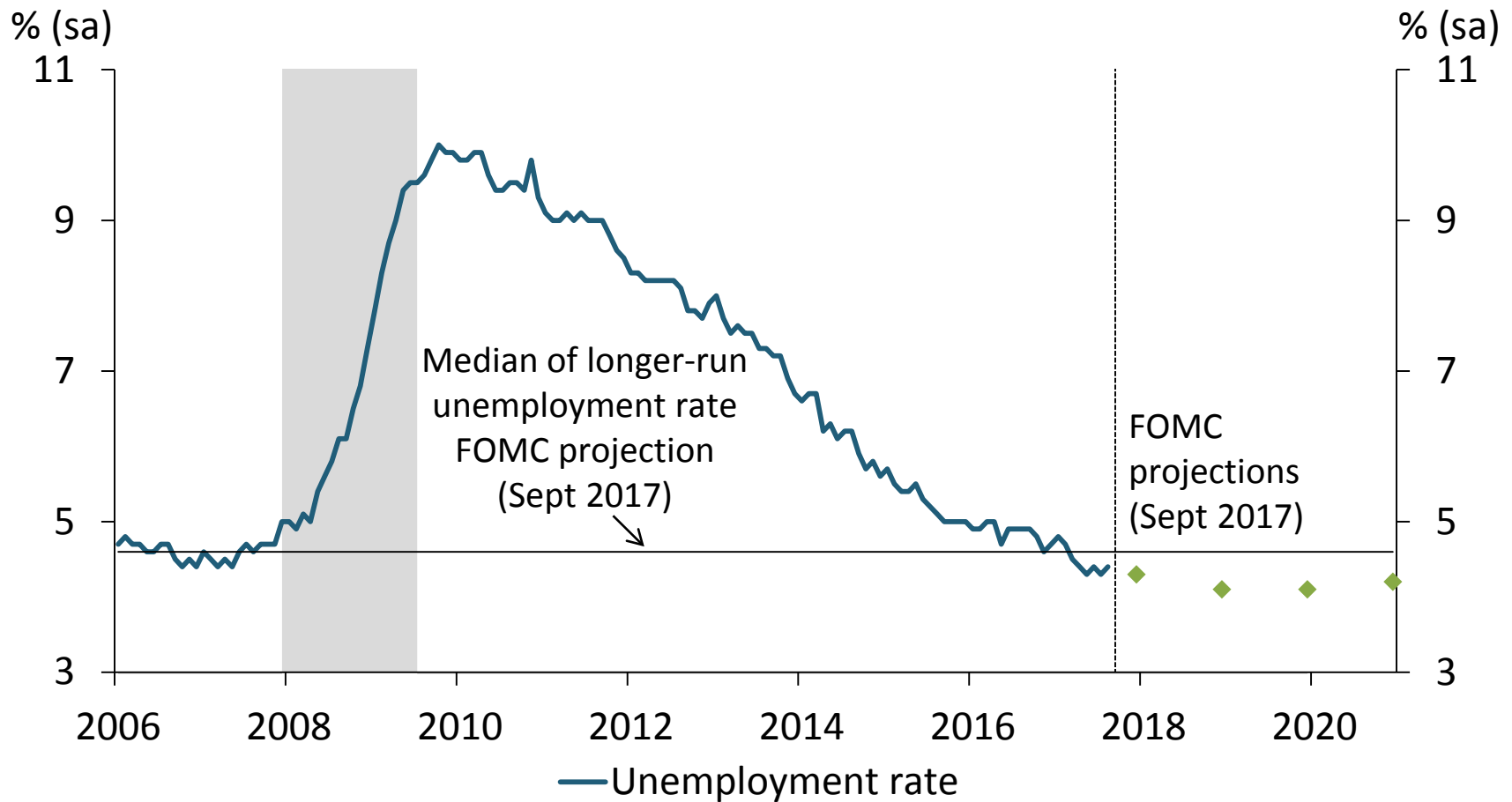
Sources: Bureau of Economic Analysis, Haver Analytics

# Gasoline prices rose and industrial production slowed due to Hurricane Harvey.



Sources: Energy Information Administration, Federal Reserve Board, Haver Analytics

# Labor market conditions are expected to tighten somewhat further.



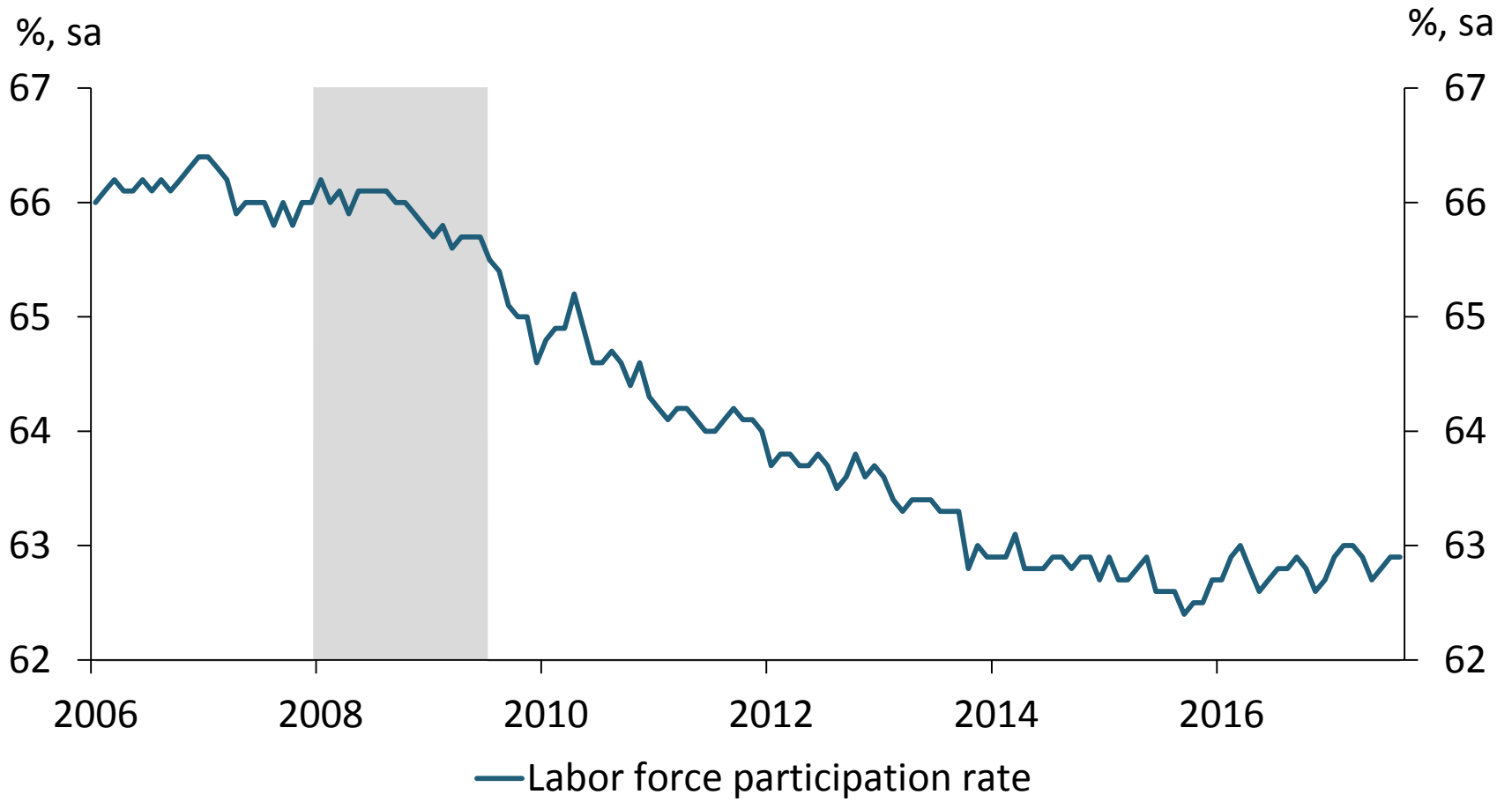
Sources: Bureau of Labor Statistics, Summary of Economic Projections, NBER, Haver Analytics

# Employment growth has slowed, but remains solid.



Sources: Bureau of Labor Statistics, Haver Analytics

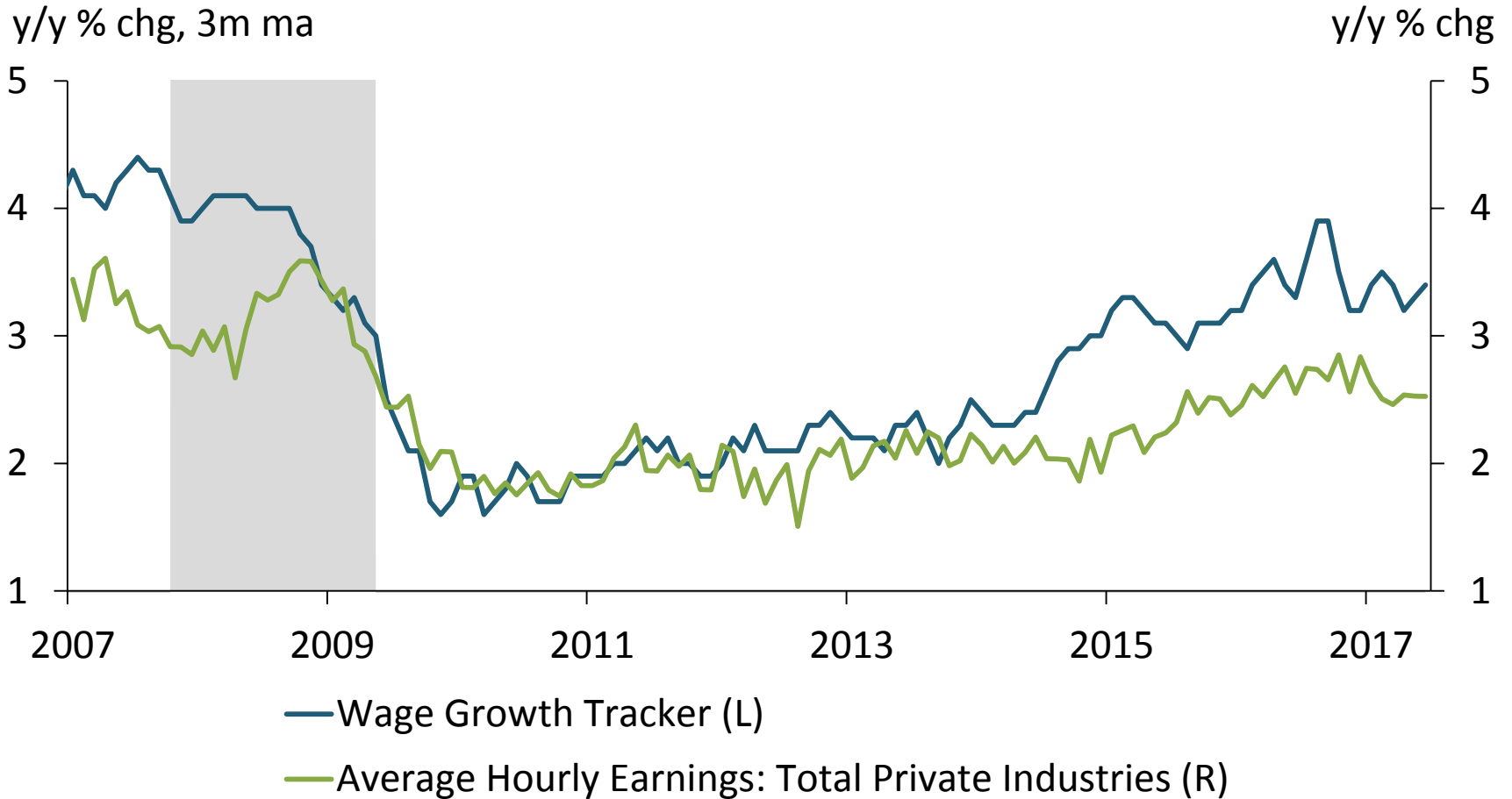
# The labor force participation rate has been stable.



Sources: Bureau of Labor Statistics, NBER, Haver Analytics

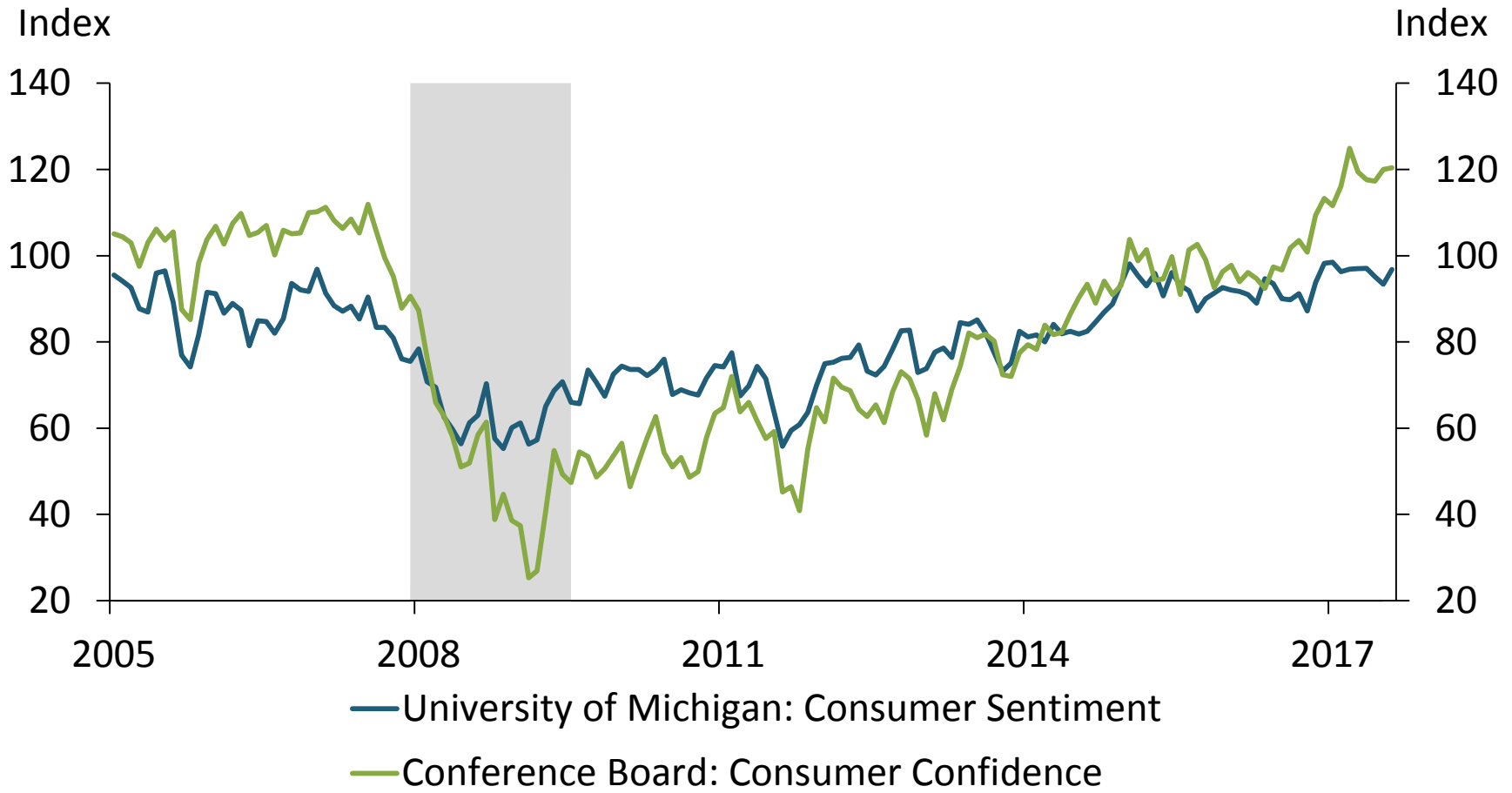


# Wage growth has gradually picked up.



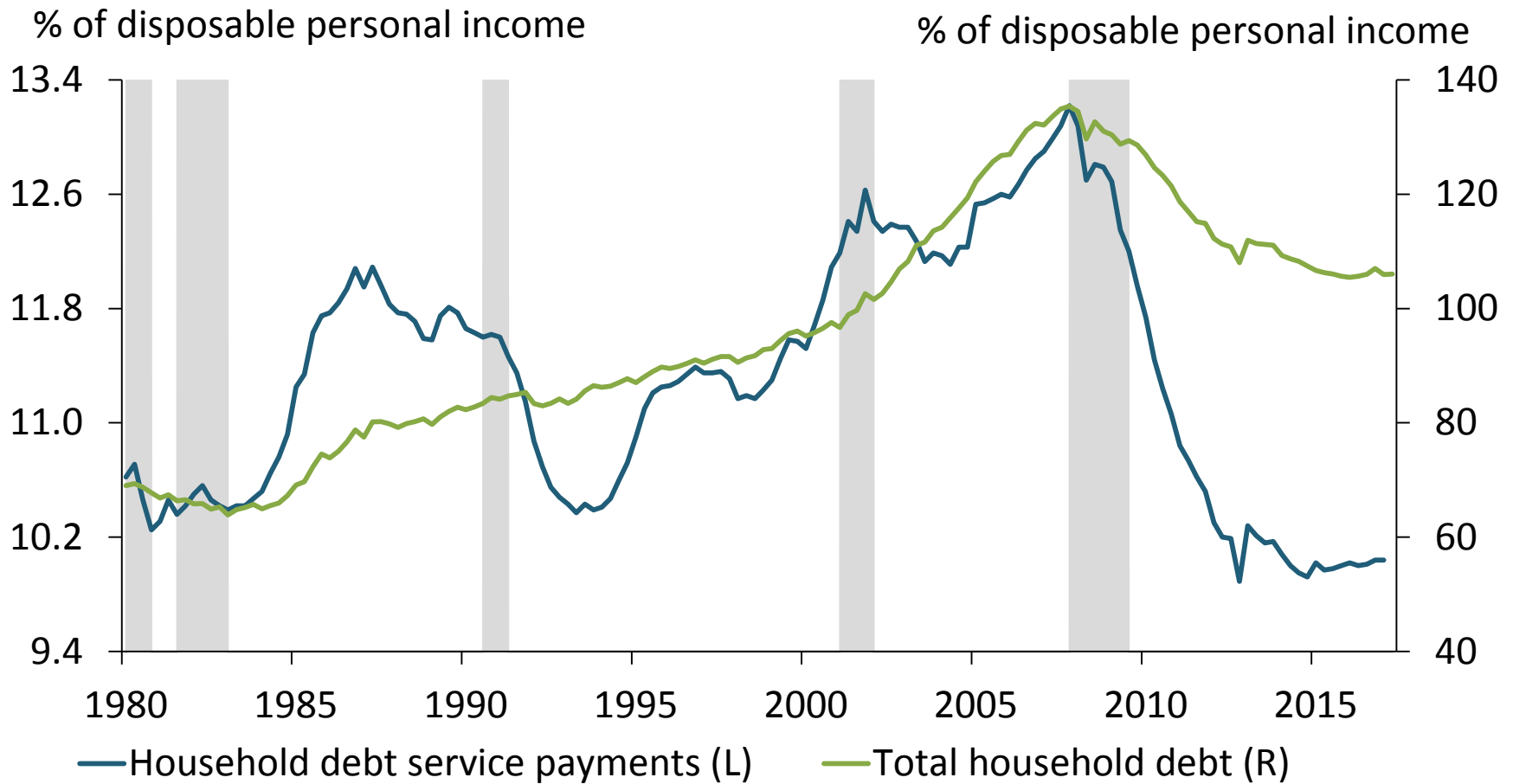
Sources: Bureau of Labor Statistics, Federal Reserve Bank of Atlanta, Haver Analytics

# Consumer confidence remains supportive of growth.



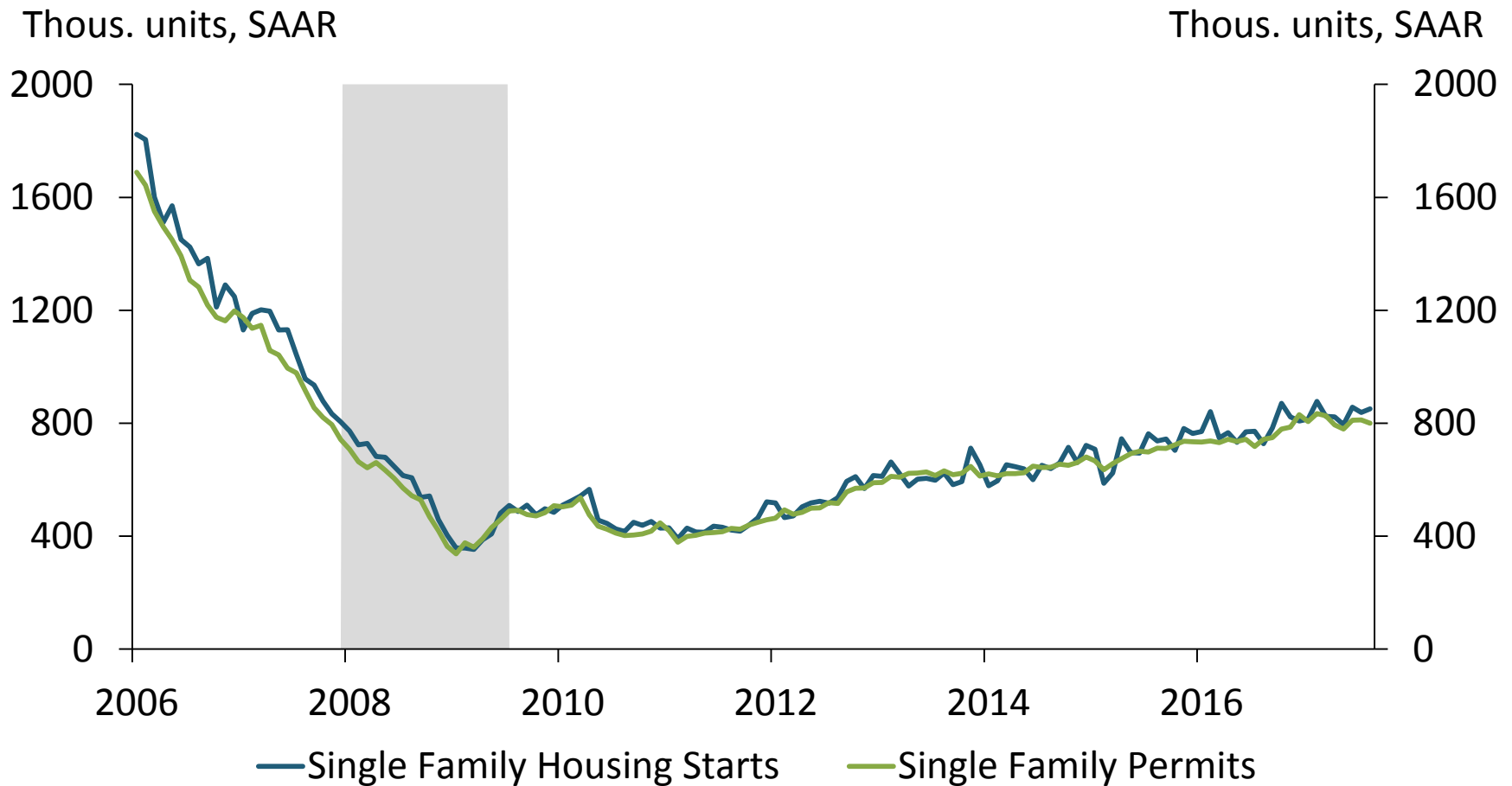
Sources: University of Michigan, Conference Board, NBER, Haver Analytics

# Healthy household balance sheets support the outlook for consumption.



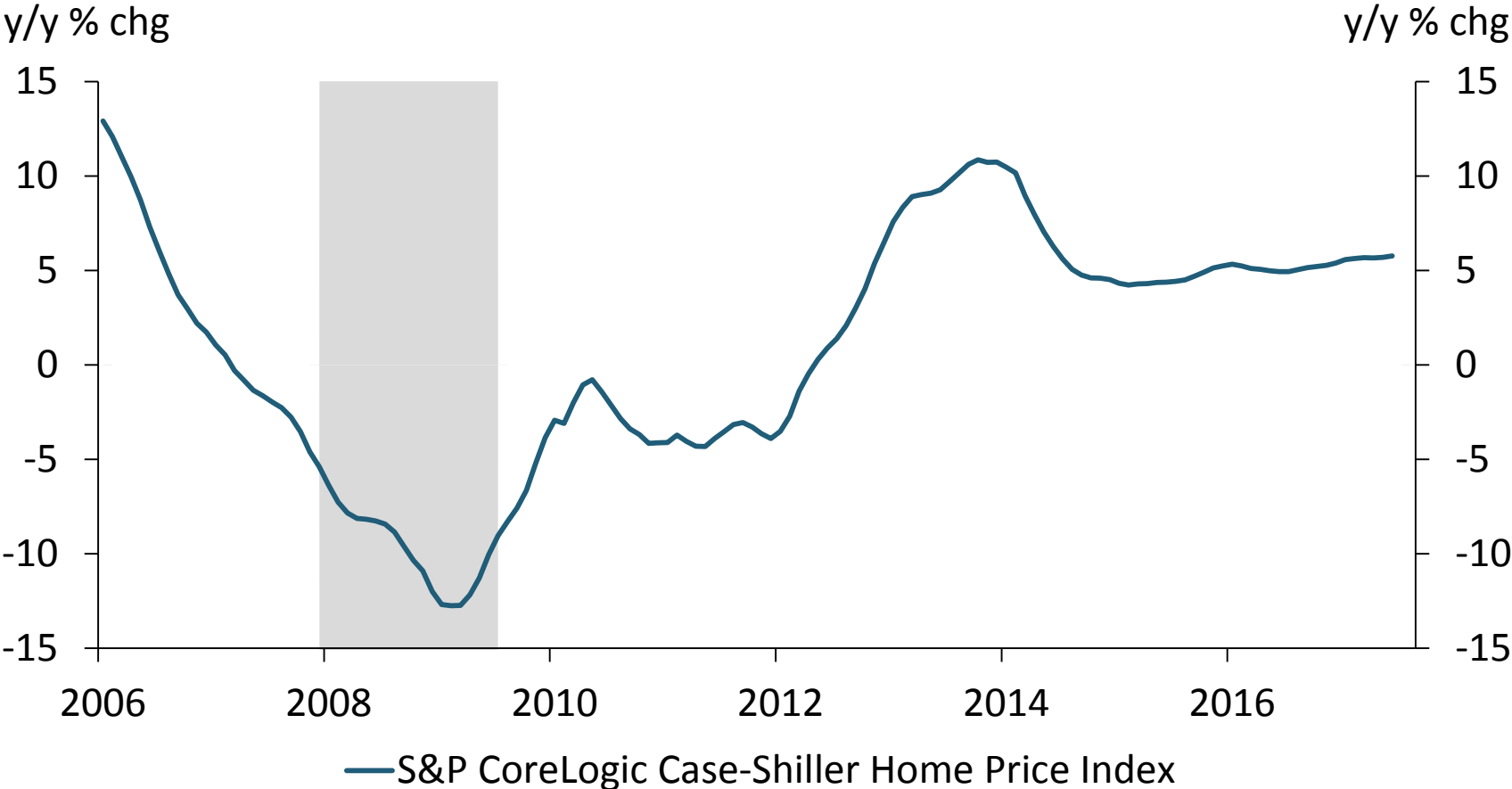
Sources: Federal Reserve Board, BEA, Haver Analytics

# Construction indicators have flattened out recently.



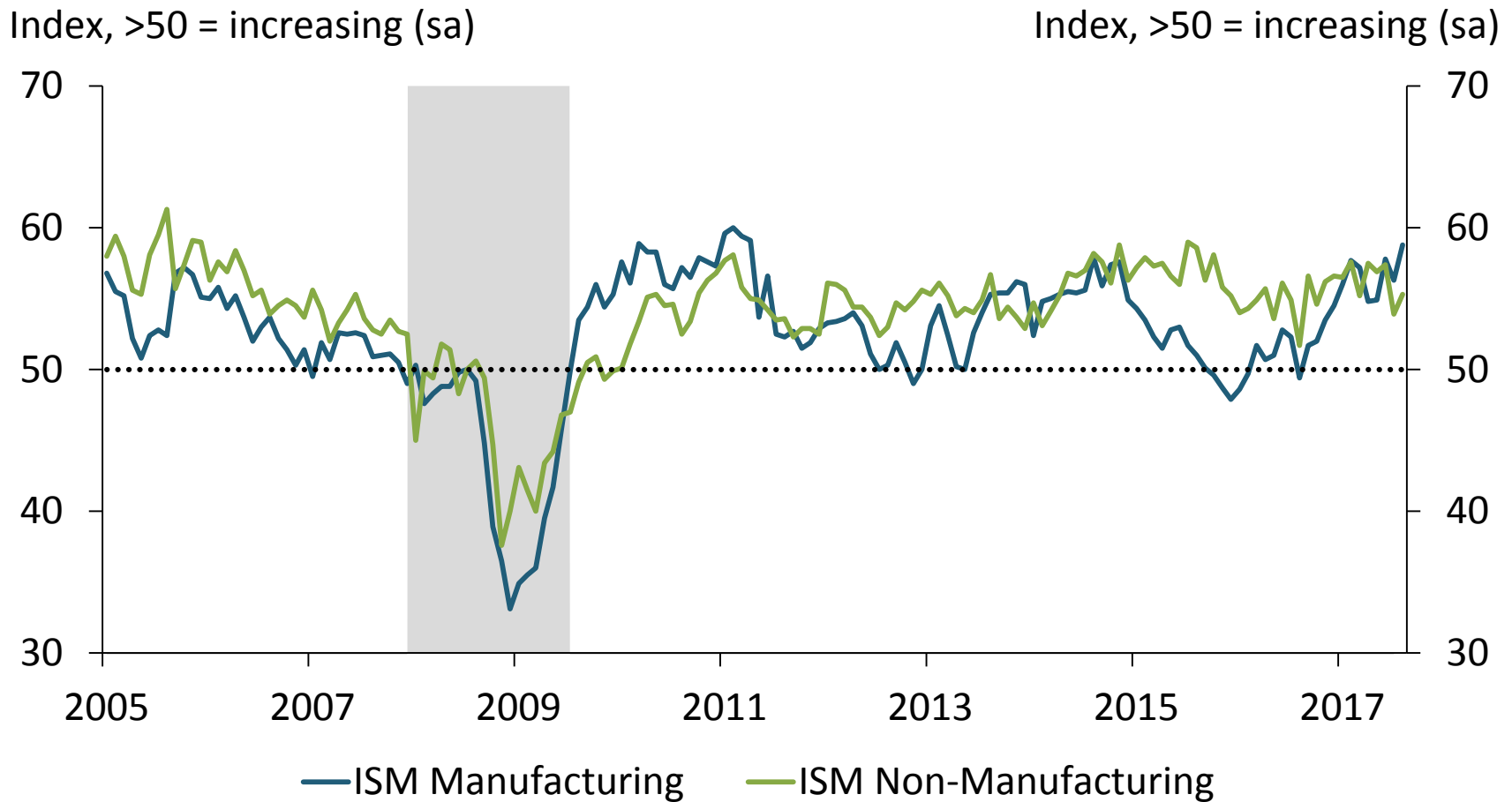
Sources: Census Bureau, NBER, Haver Analytics

# Home price growth has been firm.



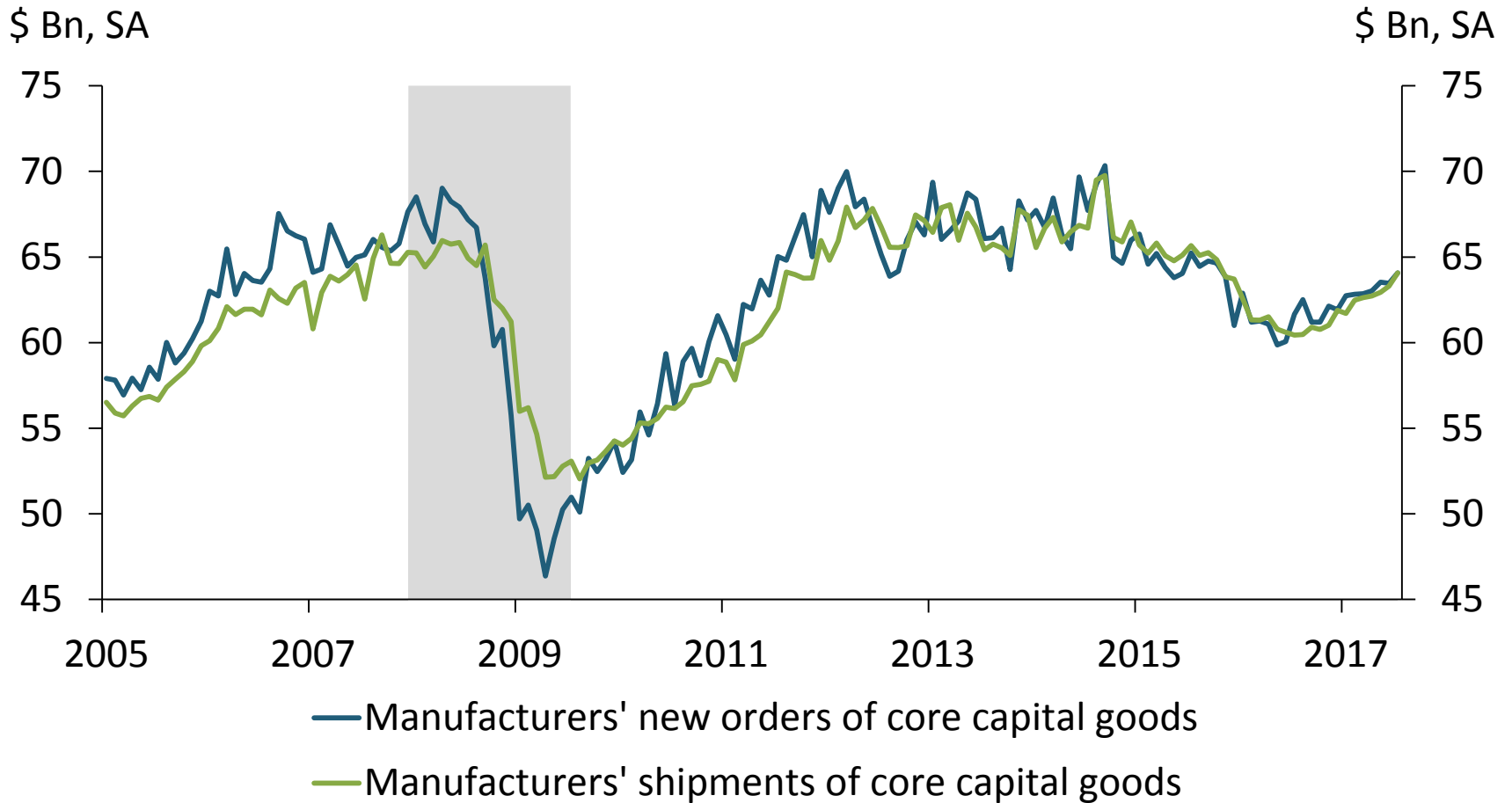
Sources: Standard and Poor's, NBER, Haver Analytics

# Indicators of production suggest moderate growth.



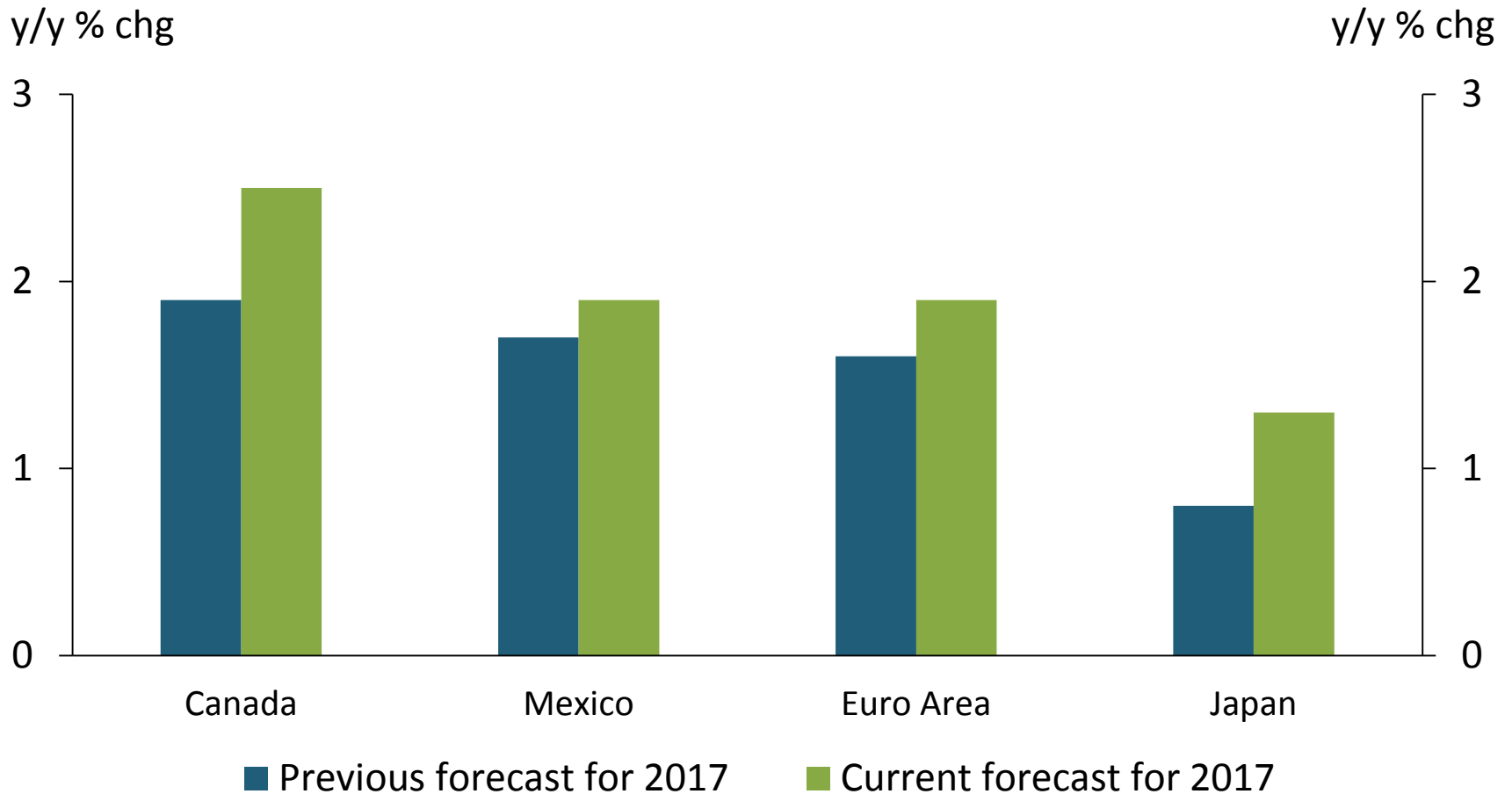
Sources: Institute for Supply Management, NBER, Haver Analytics

## Capital spending is again trending upward.



Sources: Census Bureau, NBER, Haver Analytics

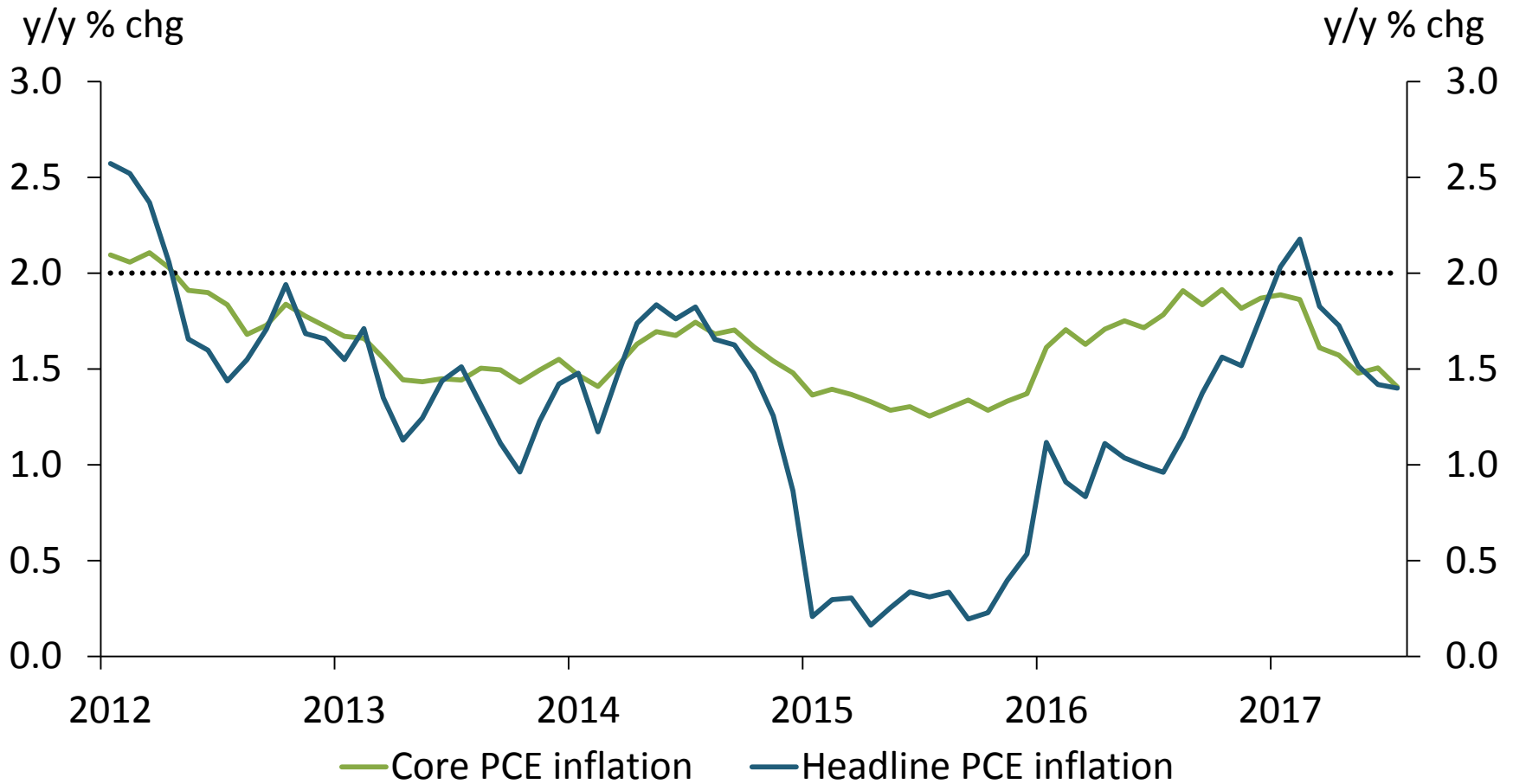
# Global economic activity is gaining momentum.



Sources: IMF World Economic Outlook, Haver Analytics

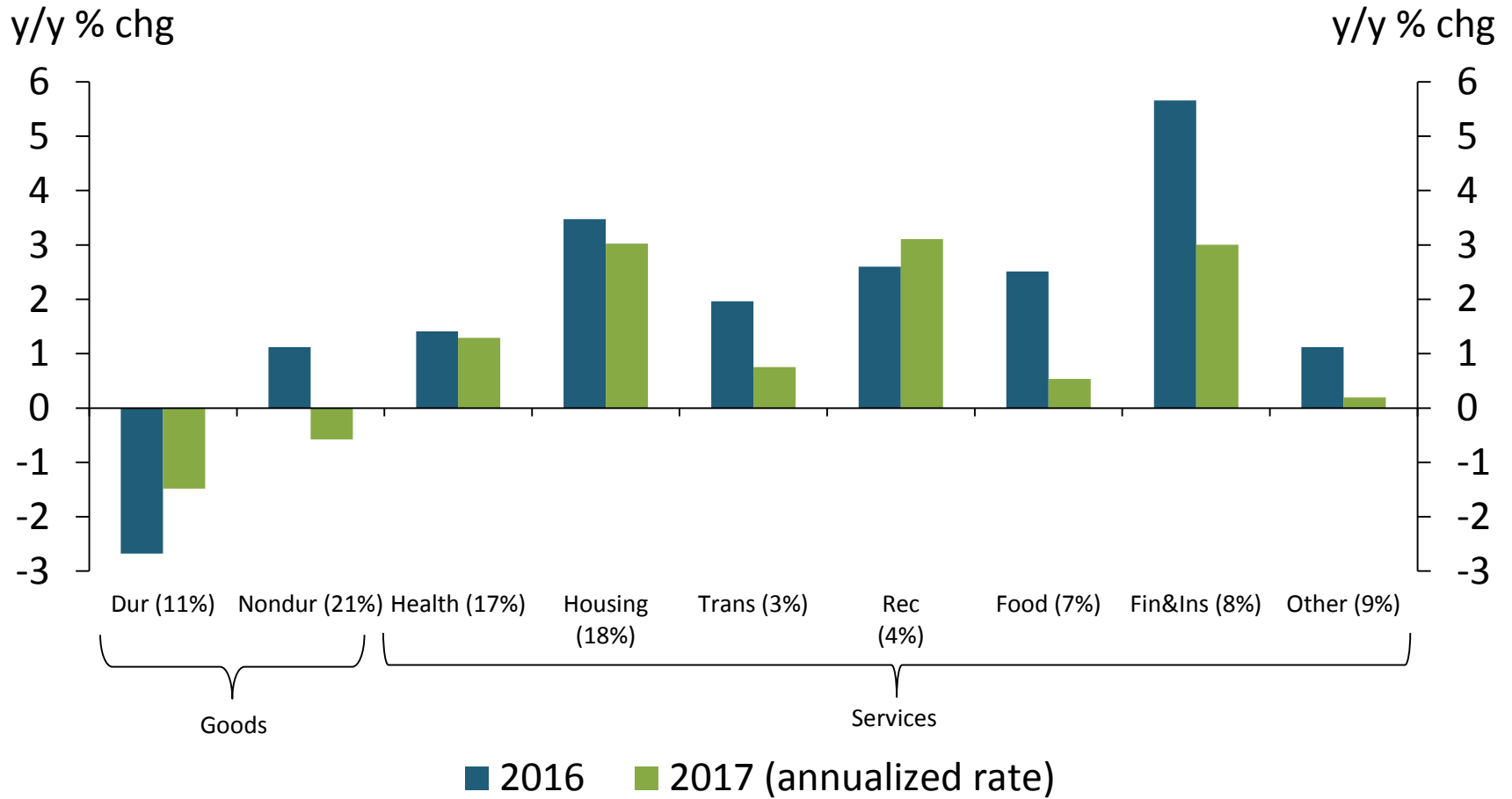


# Inflation remains a puzzle.



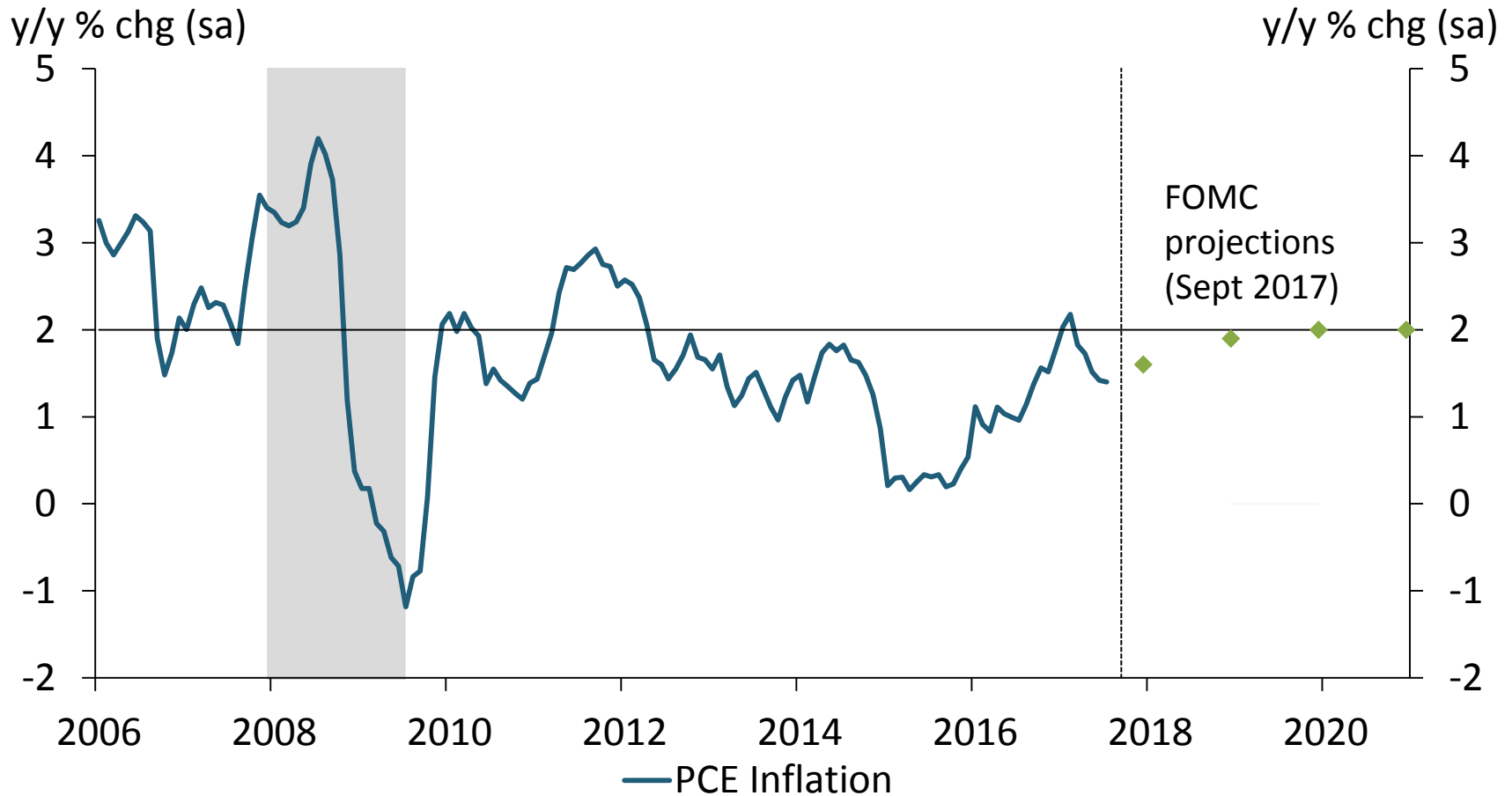
Sources: BEA, NBER, Haver Analytics

# The slowdown in inflation is broad-based.



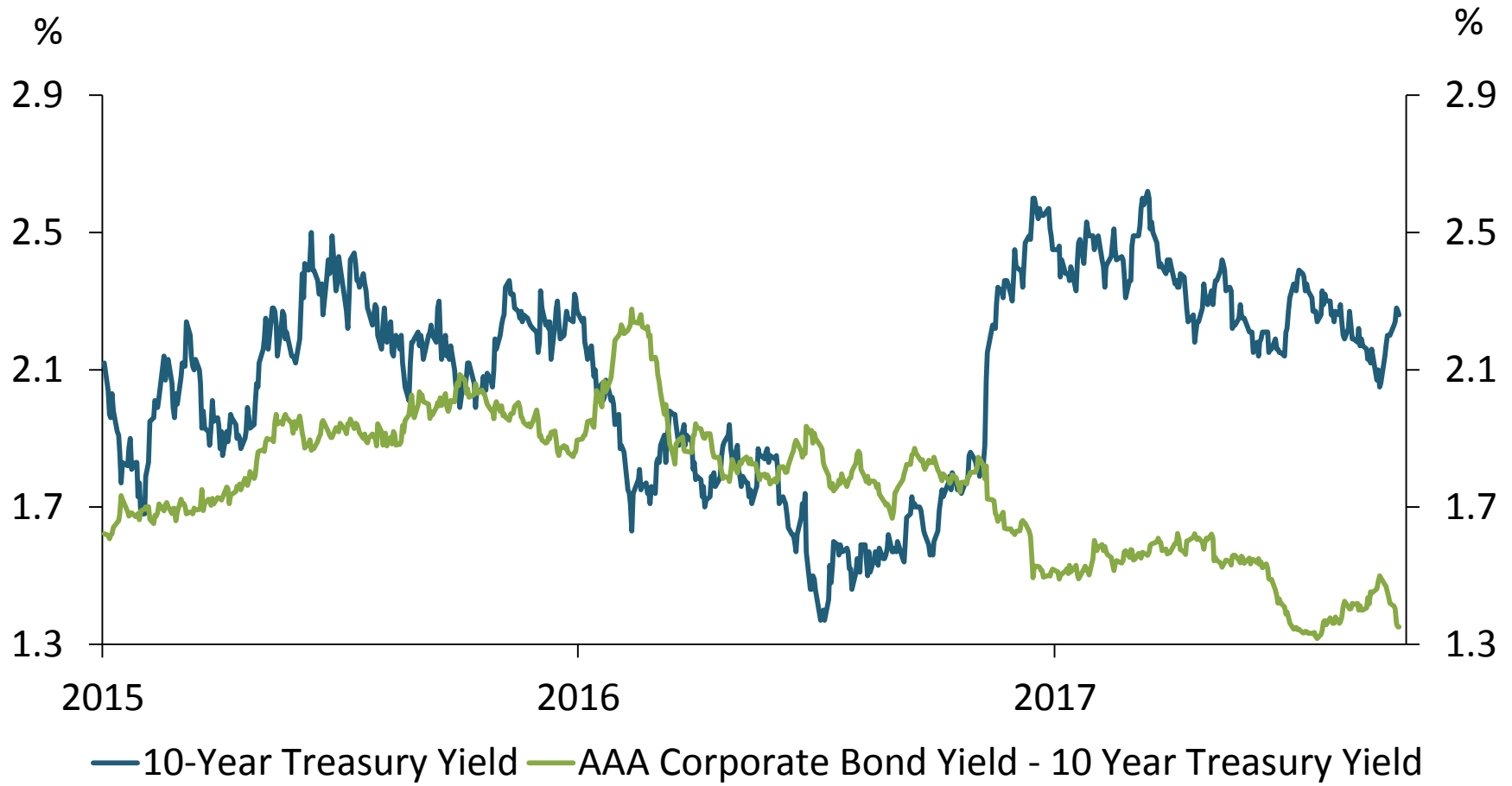
Sources: BEA, Haver Analytics

# FOMC participants expect inflation to rise to 2 percent.



Sources: BEA, NBER, Haver Analytics

# The 10-year Treasury yield and corporate bond spreads remain low.



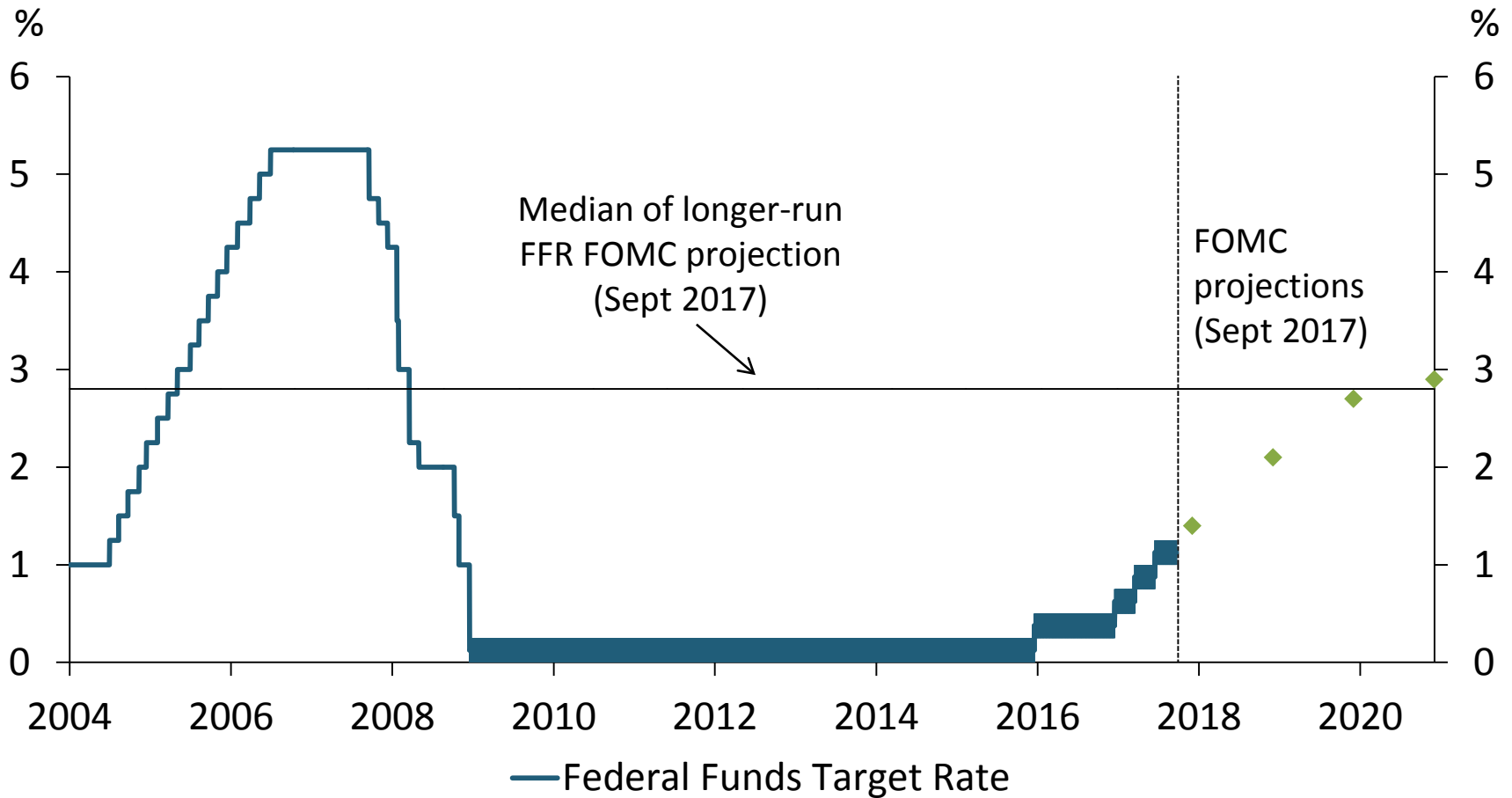
Sources: Federal Reserve Board, Bank of America Merrill Lynch, Haver Analytics

# The dollar has depreciated, and the stock market is near record highs.



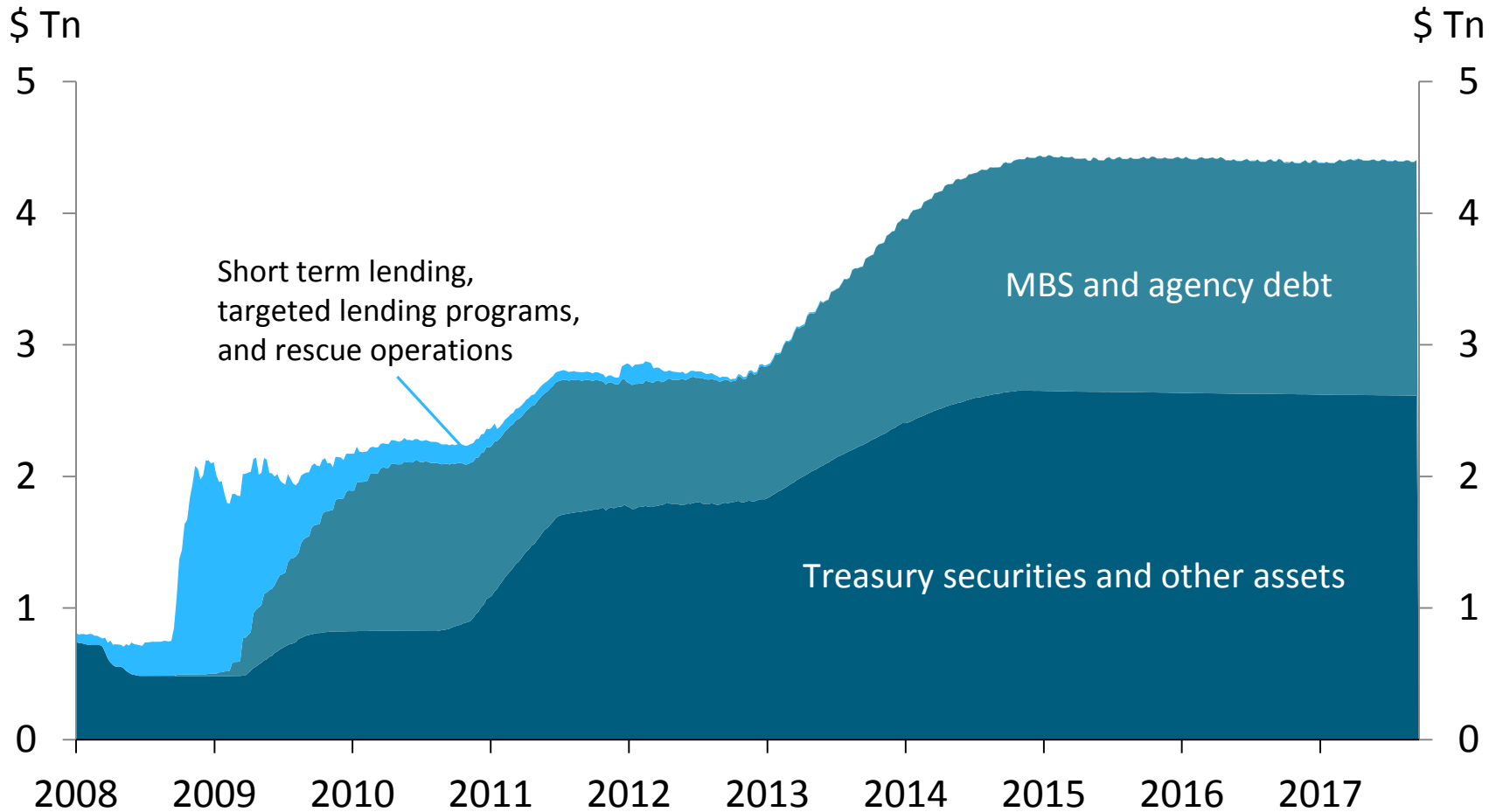
Sources: Federal Reserve Board, Wall Street Journal, Haver Analytics

# The federal funds rate target remained unchanged in September.



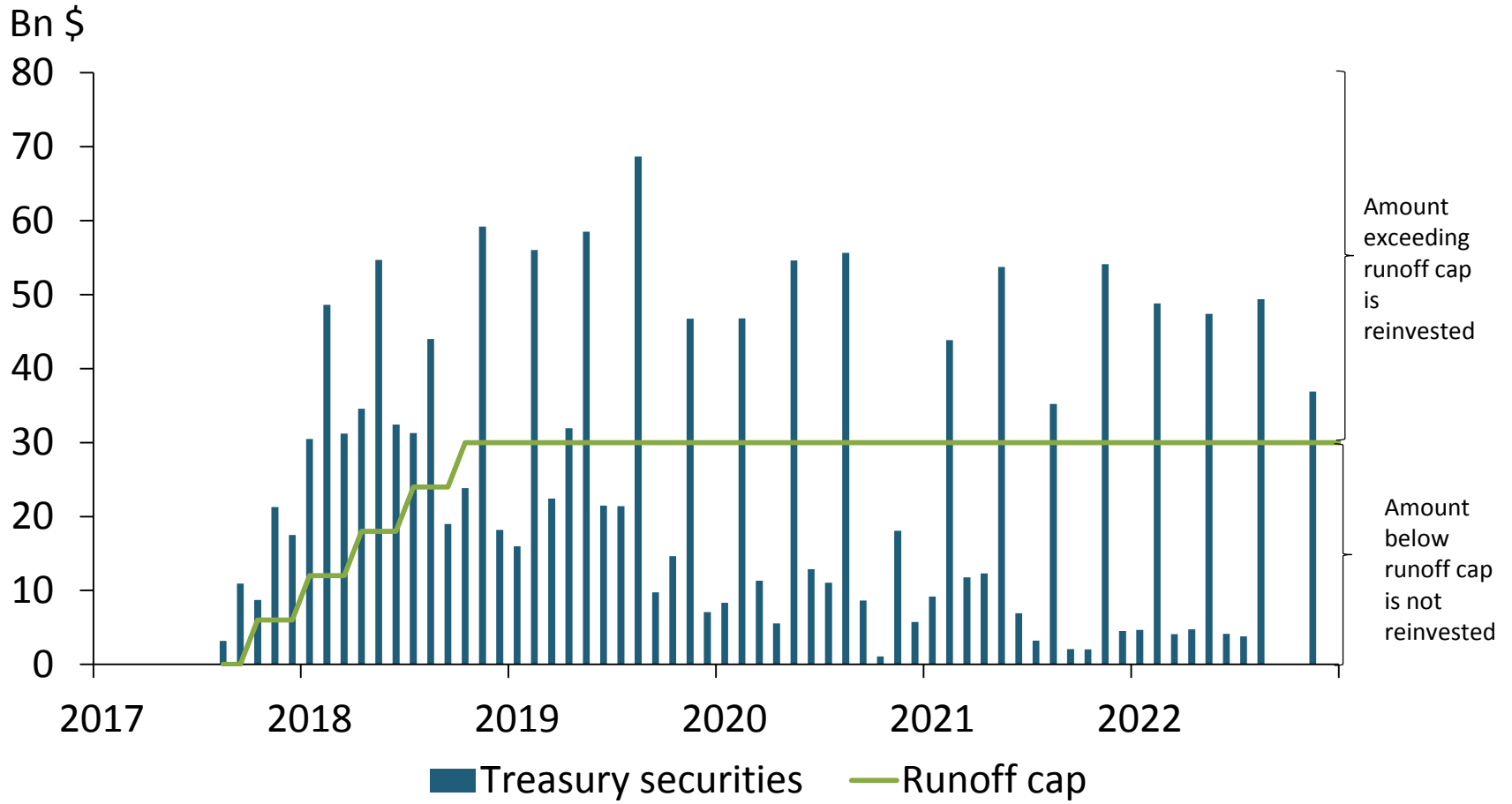
Sources: Federal Reserve Board, Summary of Economic Projections, Haver Analytics

# The Federal Reserve will begin normalizing its balance sheet next month.



Sources: Federal Reserve Board, Haver Analytics

# The Federal Reserve will gradually reduce reinvestment of maturing assets.



Sources: Federal Reserve Board, Haver Analytics





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