Economic Developments and Monetary Policy Environment

Federal Reserve Bank of Chicago
Academic Advisory Council Meeting
November 17, 2022

Spencer Krane
Senior Vice President
Federal Reserve Bank of Chicago

The views expressed here do not necessarily reflect the views of the Federal Reserve Bank of Chicago or the Federal Reserve System.
Labor market robust

Nonfarm payroll employment (millions, SA)

Unemployment rate (percent, SA)

Source: Bureau of Labor Statistics via Haver Analytics
Labor force participation

Total (16 years and older) (percent, SA)

Prime age (25-54 years old) (percent, SA)

Job openings and quits still extremely high

**Job opening rate**
(vacancies as a percent of labor force, SA)

**Quits rate**
(percent of employment, SA)

Source: Bureau of Labor Statistics via Haver Analytics
Compensation, labor costs, and prices

ECI compensation
(private workers, percent change year-to-year, SA)

Unit labor costs and inflation
(business sector, four-quarter percent change, SA)

Source: Bureau of Labor Statistics via Haver Analytics

Note: Real ECI compensation is nominal ECI deflated by total PCE Price Index.
Household spending

Real personal consumption expenditures
(index, Feb-2020 = 100)

- Goods
- Total PCE
- Services

Source: U.S. Bureau of Economic Analysis via Haver Analytics

Light vehicle sales
(million units, SAAR)

- Start
- Adjusted permits

Source: Autodata via Haver Analytics

Single family housing starts and permits
(millions, SAAR)

Source: Census Bureau via Haver Analytics
Household balance sheets

**Stock of Excess Savings**

- Billions of Dollars

**Contributions to Excess Savings by Income Quartile as of 2022:Q2**

- Billions of Dollars

Source: Federal Reserve Board of Governors

Nonresidential investment

**Equipment and intellectual property**
(bil. $ 2012, SAAR)

**Structures**
(bil. $ 2012, SAAR)

*Source: Bureau of Economic Analysis via Haver Analytics*
Global growth outlook revised down

<table>
<thead>
<tr>
<th>IMF GDP Forecasts¹</th>
<th>2022</th>
<th>2023</th>
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<tbody>
<tr>
<td>Advanced Economies</td>
<td>2.4</td>
<td>1.1</td>
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<tr>
<td>April</td>
<td>3.3</td>
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<td>Emerging Economies</td>
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<tr>
<td>April</td>
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<td>4.4</td>
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<tr>
<td>United Kingdom</td>
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<tr>
<td>April</td>
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<tr>
<td>Euro Area</td>
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<tr>
<td>April</td>
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<td>China</td>
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<td>April</td>
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<td>5.1</td>
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</tbody>
</table>

¹ Percent change in average annual level of real GDP

Source: International Monetary Fund World Economic Outlook, October (current) and April 2022
Business activity and supply constraints

### Overall PMI
(above 50 is expansion)

- **Services**
- **Manufacturing**

### Global Supply Chain Pressure Index
(standard deviations from average)

Oct-2022

### Supplier deliveries index
(above 50 is slower deliveries)

### Prices paid index
(above 50 is increasing prices)

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Inflation very high

PCE Price Index
(12-month percent change)

Source: Bureau of Economic Analysis via Haver Analytics
CPI inflation: goods lower; services higher

Source: Bureau of Labor Statistics via Haver Analytics

Consumer Price Index
(seasonally adjusted percent change, year-over-year)

Consumer Price Index
(seasonally adjusted monthly percent change, 3-month moving average)

Source: Bureau of Labor Statistics via Haver Analytics
Higher fed funds rate

Median SEP Federal Funds Rate projection (percent)

Sources: FOMC Summary of Economic Projections via Haver Analytics
Note: Median SEP projections are plotted at the beginning of their respective year

Market pricing Federal Funds Rate path (percent)

Sources: Federal Reserve Board Division of Monetary Affairs
Smaller balance sheet

Key Federal Reserve assets
(tril. $)

Source: Federal Reserve Board via Haver Analytics; FRBNY Survey of Market Participants
Financial market developments, cont.

30-year fixed mortgage rate
(percent)

Chicago Fed National Financial Conditions Index
(>0 indicates tighter than average)

Source: Wall Street Journal via Haver Analytics

Source: Federal Reserve Bank of Chicago from Haver Analytics
Interest rate uncertainty

Uncertainty on near-term monetary policy
(width of the 90% confidence interval around expected Federal Funds Rate)

Uncertainty over future US treasury rates
(standard deviation around expected rates at indicated horizons, basis points)

Source: Federal Reserve Board of Governors, BDP
Source: Bloomberg

Nov 14, 2022
Nov 15, 2021
Nov 10, 2022
## Blue Chip consensus forecasts

<table>
<thead>
<tr>
<th>Variable</th>
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<th>2023</th>
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<tbody>
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<td>GDP</td>
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<td>May</td>
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<td>May</td>
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1Q4/Q4 percent changes
2Q4 level

Source: Blue Chip Consensus Forecast via Haver Analytics, November (current) and May 2022
Appendix