



Economic Developments and Monetary Policy Environment

Academic Advisory Council Meeting
Federal Reserve Bank of Chicago
May 15, 2026

Spencer Krane

Senior Vice President

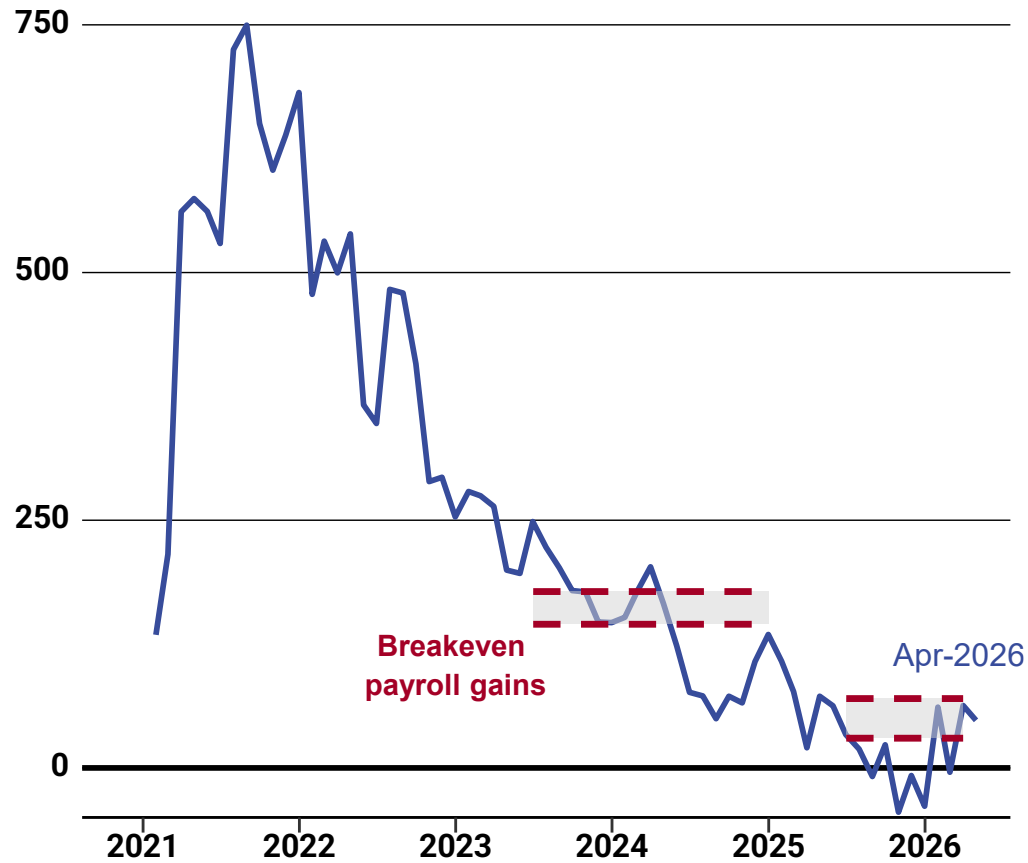
Federal Reserve Bank of Chicago

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

Job growth low, but enough to keep unemployment rate stable

Payroll gains

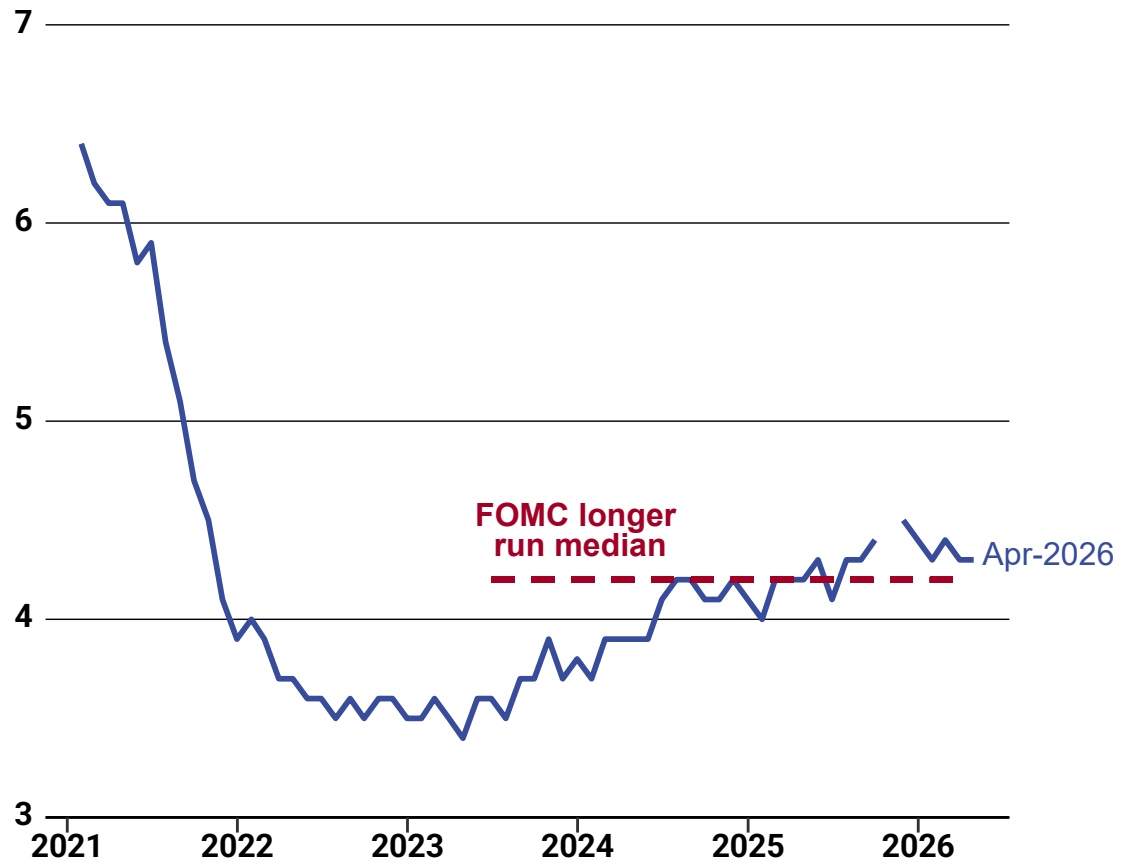
(3-month moving average, thousands, SA)



Source: BLS via Haver Analytics; BlueChip (breakevens)

Unemployment rate

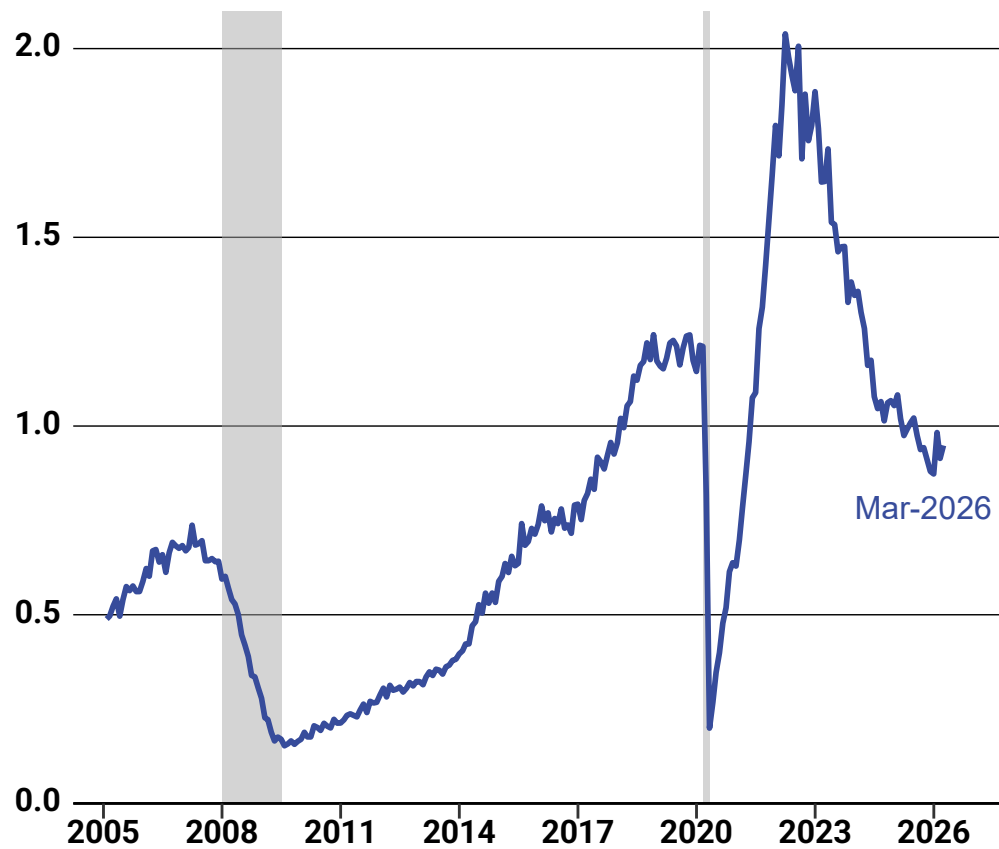
(Percent, SA)



Source: BLS and CBO via Haver Analytics

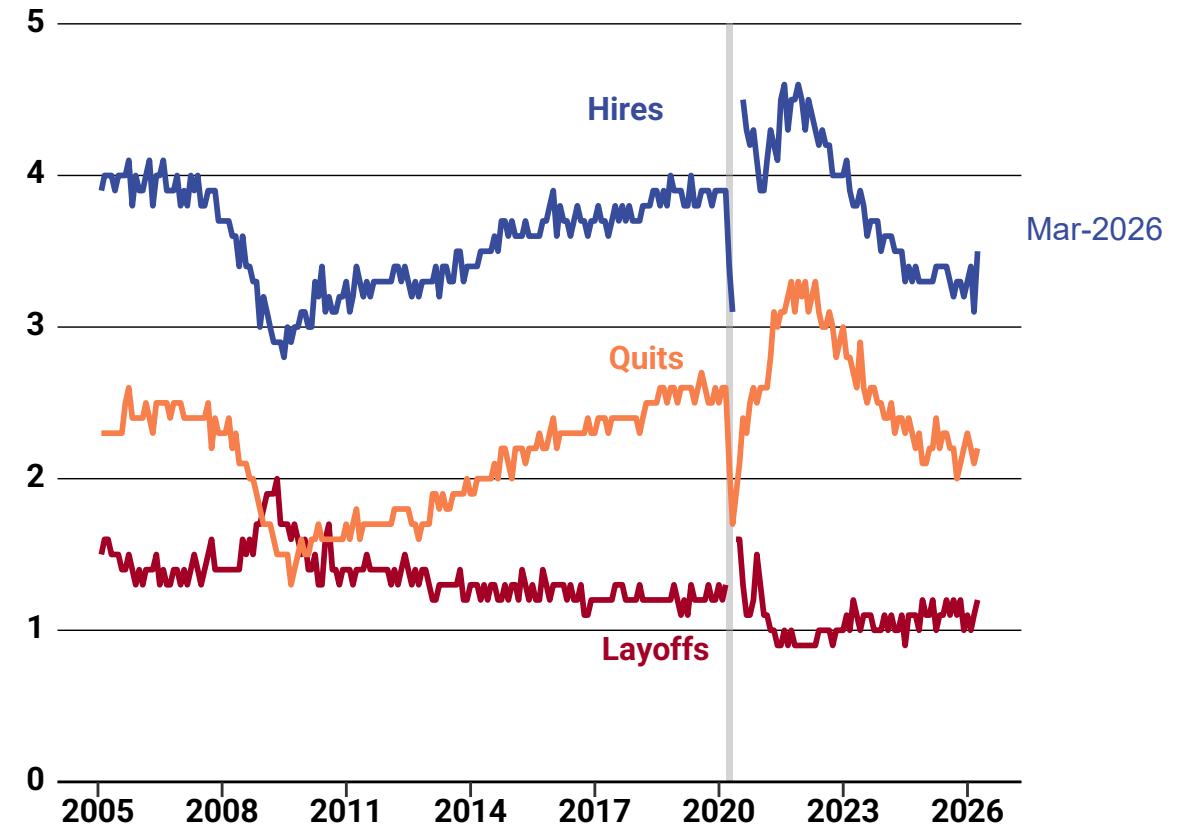
Labor market stable at low churn

Job openings per unemployed worker (Rate, SA)



Source: BLS via Haver Analytics

JOLTS layoffs, quits, and hires rate (Percent)

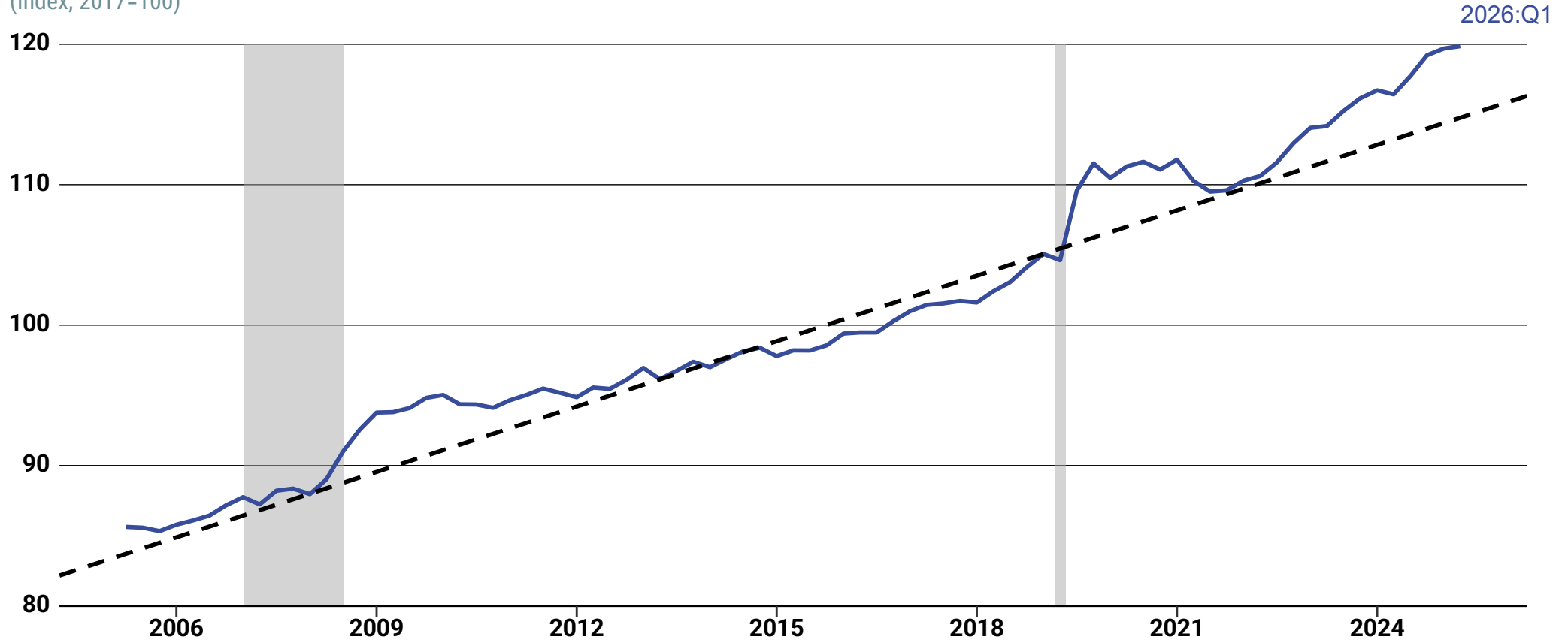


Note: Layoffs and hires peaked at 8.6 in Mar 2020 and 6.1 in May 2020 respectively.
Source: BLS via Haver Analytics

Productivity continues to look good

Business sector output per hour

(Index, 2017=100)



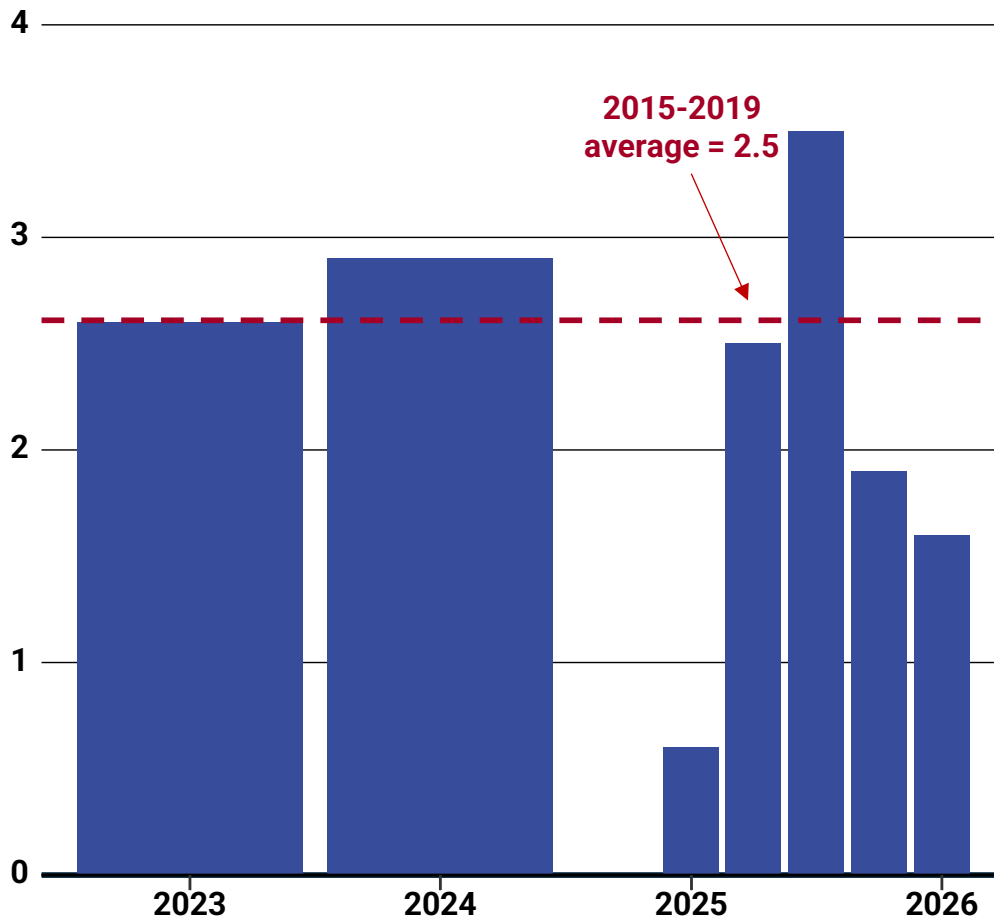
Note: Trend line calculated from 2007:Q4 to 2019:Q4.

Source: BLS and BEA via Haver Analytics

Consumer spending growing moderately, but confidence low

Real personal consumption expenditures

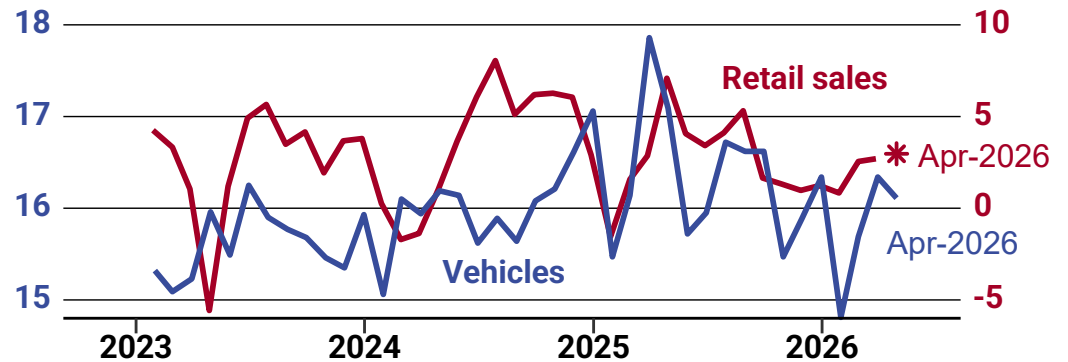
(Percent change, SAAR)



Source: BEA via Haver Analytics

Light vehicle sales and real retail & food services sales ex. autos

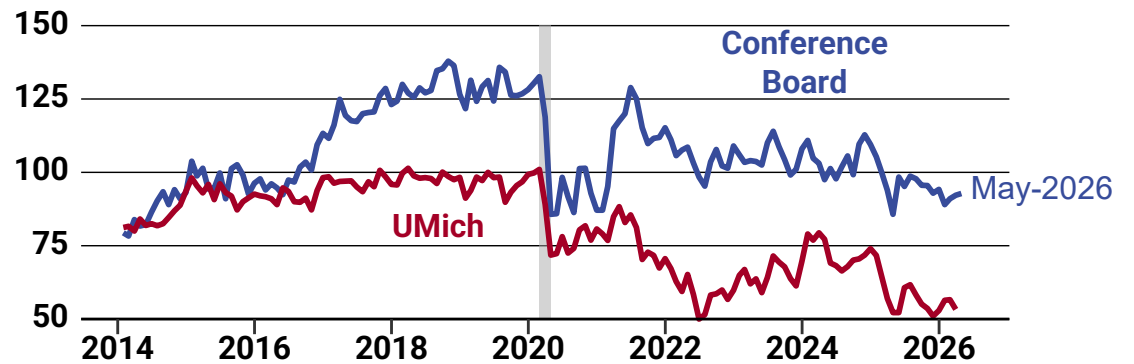
(Million units; 3-month annualized % chg, SA)



Source: Autodata via Haver Analytics; Federal Reserve Bank of Chicago

Consumer confidence

(Index = 100)

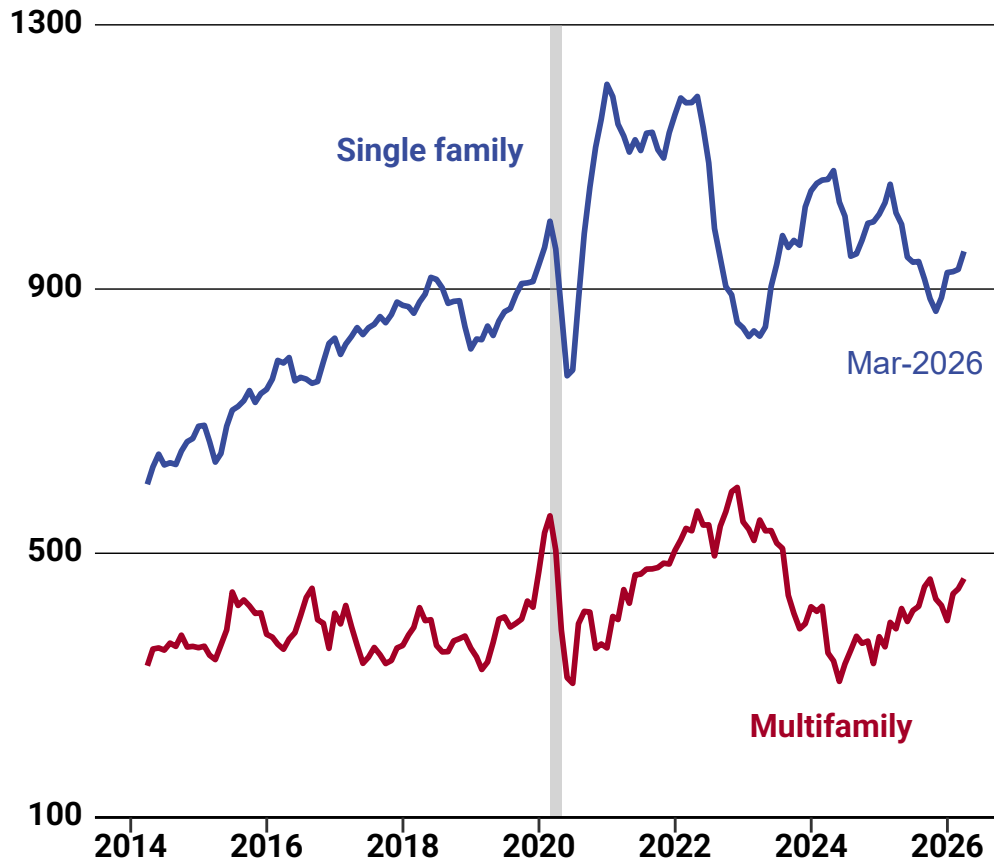


Source: University of Michigan and Conference Board via Haver Analytics

Residential investment soft

Housing starts

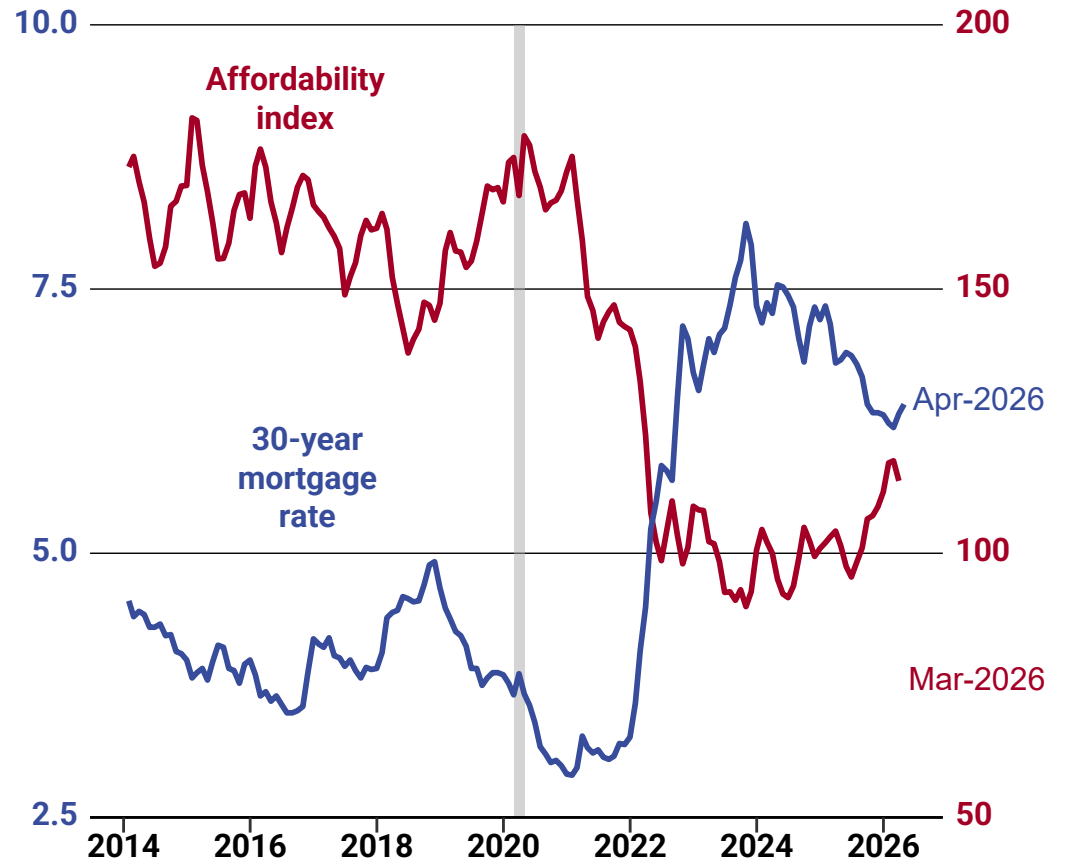
(Thousands of units, 3-month moving average)



Source: Census Bureau via Haver Analytics

Housing affordability

(percent; 100+ = more affordable)

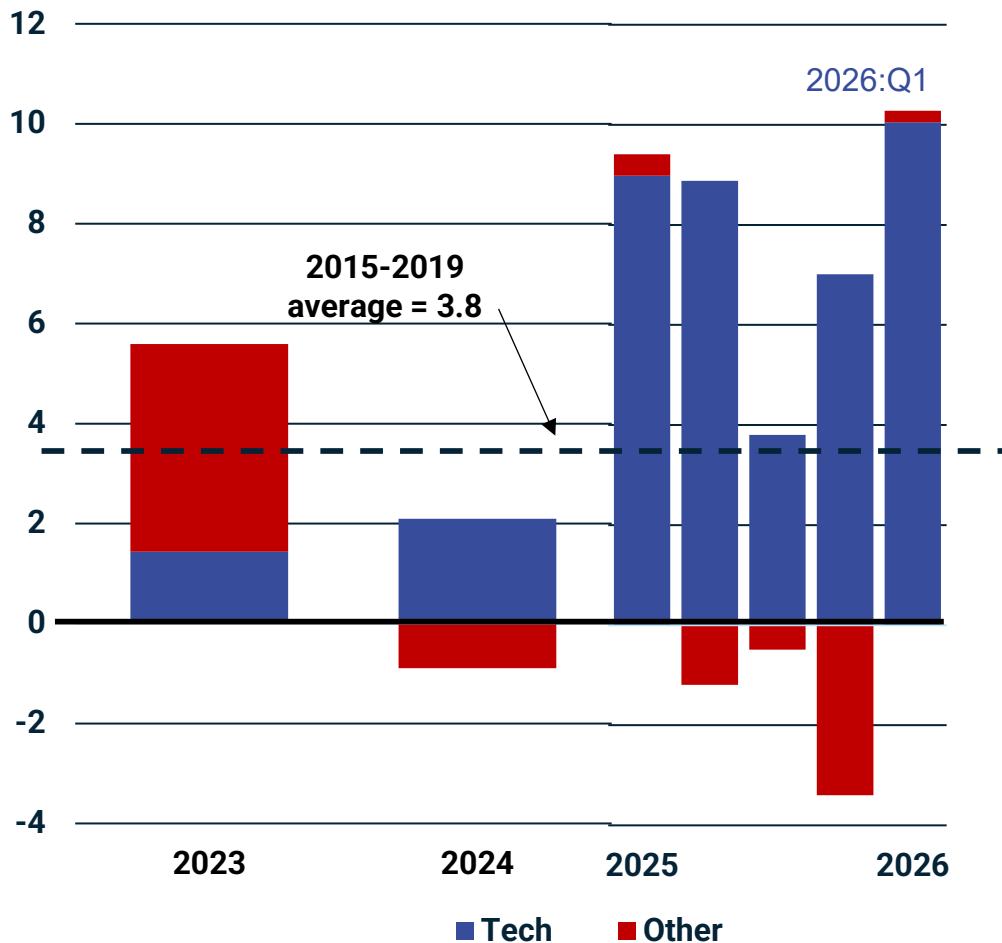


Source: National Association of Realtors & Wall Street Journal via Haver Analytics

Business fixed investment driven by tech

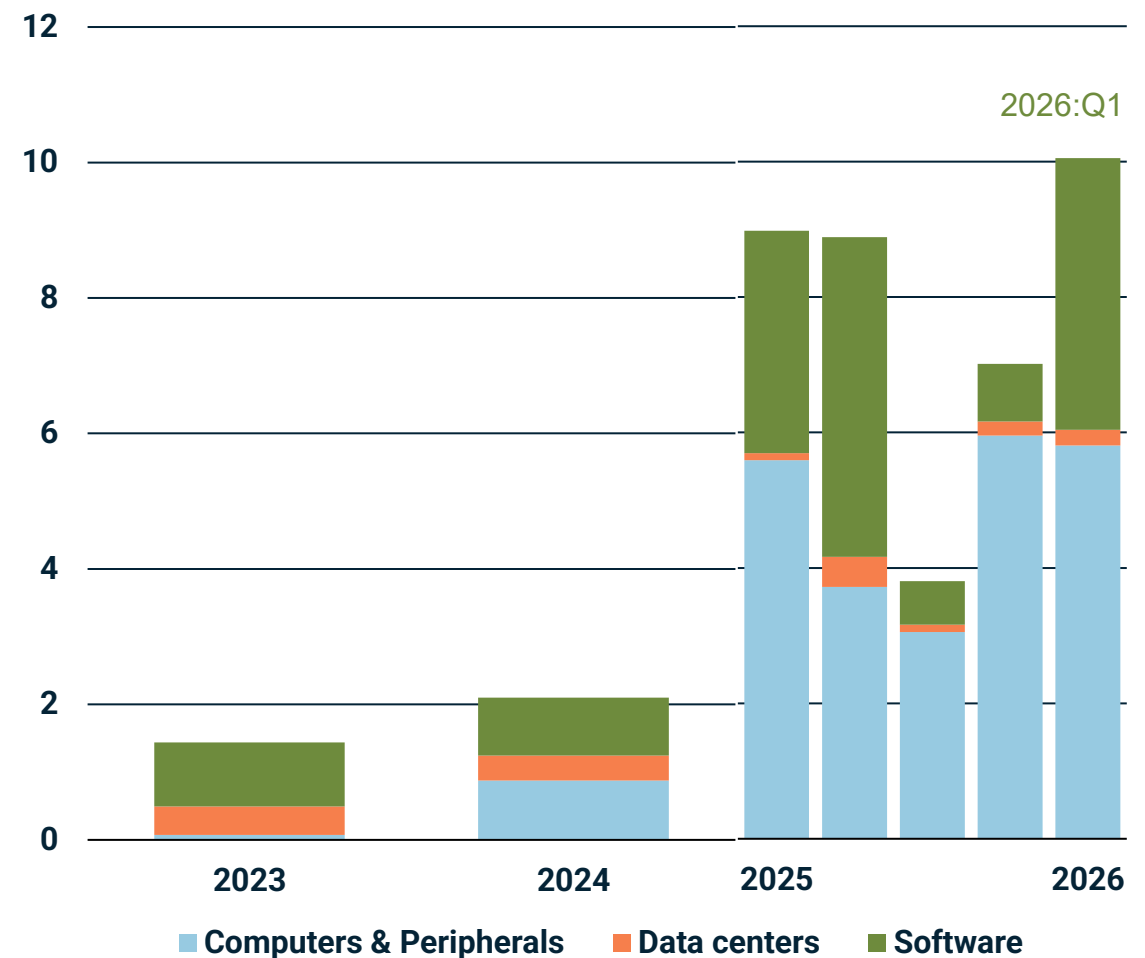
Business fixed investment growth

(Percent change, SAAR)



Contributions to growth from components of tech

(Percent change, SAAR)

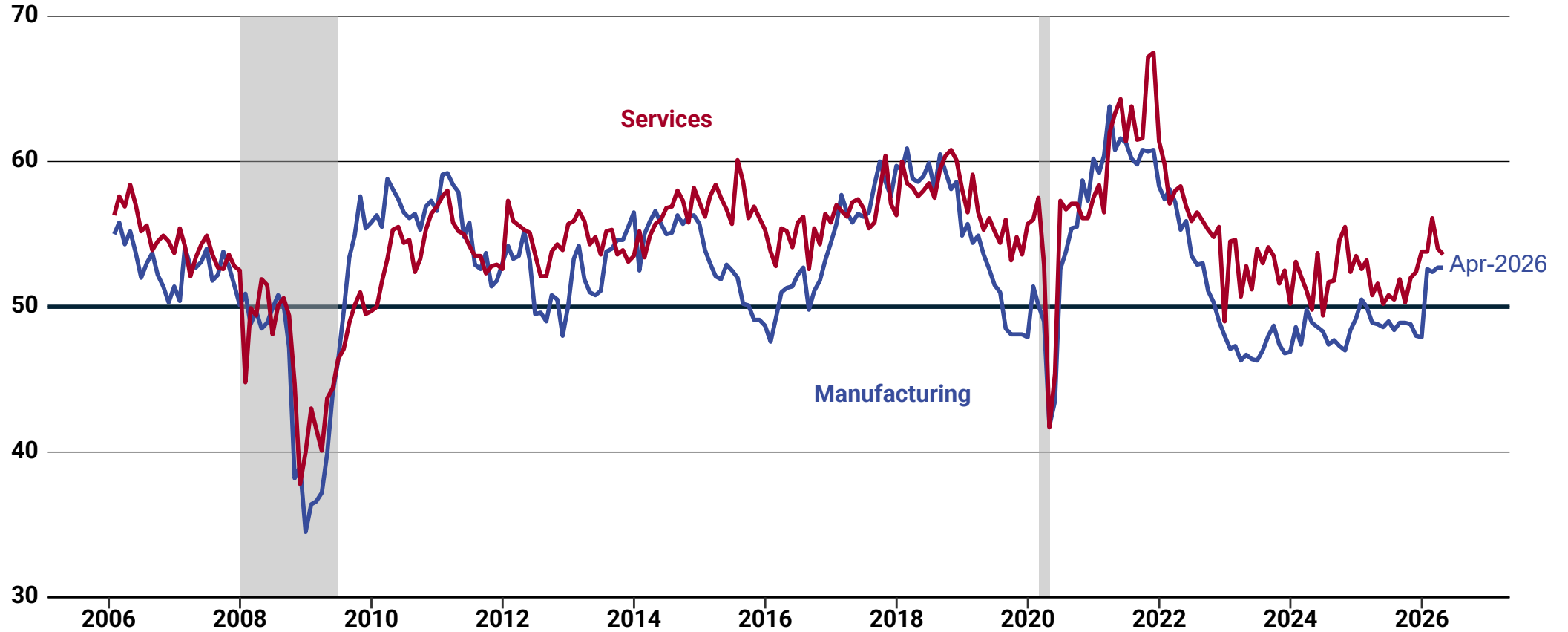


Source: BEA via Haver Analytics; author's calculations

Business activity picking up

Purchasing Managers' Indexes

(above 50 is expansion)

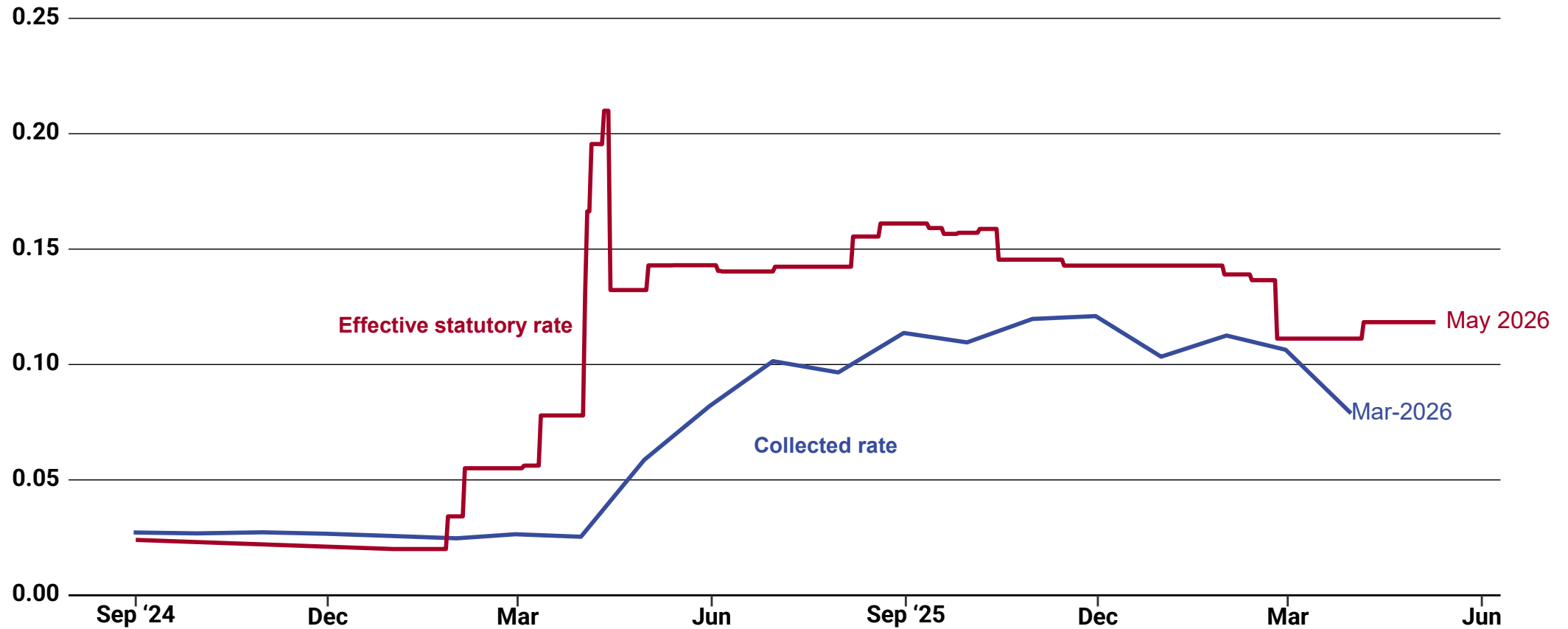


Source: Institute for Supply Management from Haver Analytics

Tariff rates edging down

Collected and effective statutory tariff rates

(Custom duties as a share of goods imports and estimated statutory effective rates)

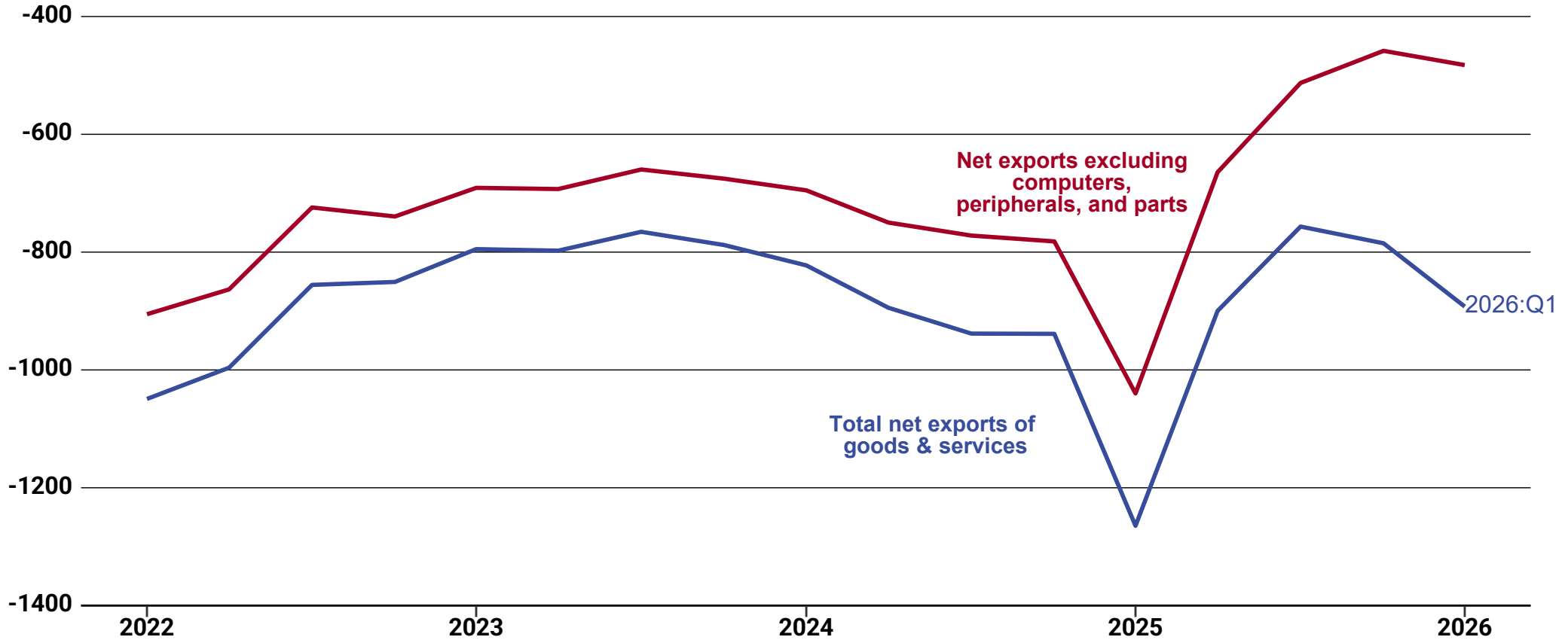


Source: Yale Budget Lab; U.S. Treasury, Census Bureau via Haver Analytics

Trade deficit not narrowing due to high tech equipment imports

Net exports of goods and services

(\$, billions)



Source: BEA via Haver Analytics

Global growth outlook modest

IMF GDP Forecasts¹	2025	2026	2027
Advanced Economies	1.9	1.8	1.7
<i>Jan 2026</i>	<i>1.7</i>	<i>1.8</i>	<i>1.7</i>
Emerging Economies	4.4	3.9	4.2
<i>Jan 2026</i>	<i>4.4</i>	<i>4.2</i>	<i>4.1</i>

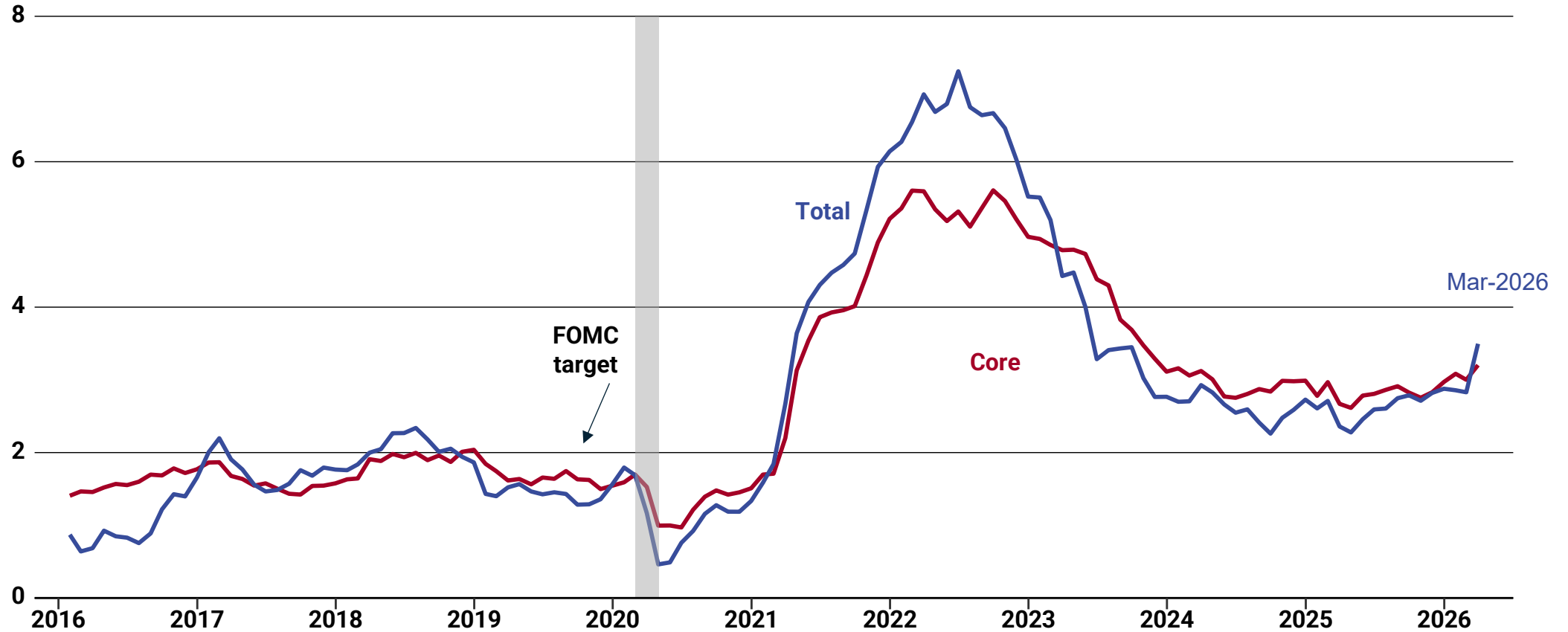
¹ Percent change in average annual level of real GDP

Source: International Monetary Fund World Economic Outlook, January and April 2026

Inflation improvements stalled; recent data firm

PCE price index

(12-month percent change)

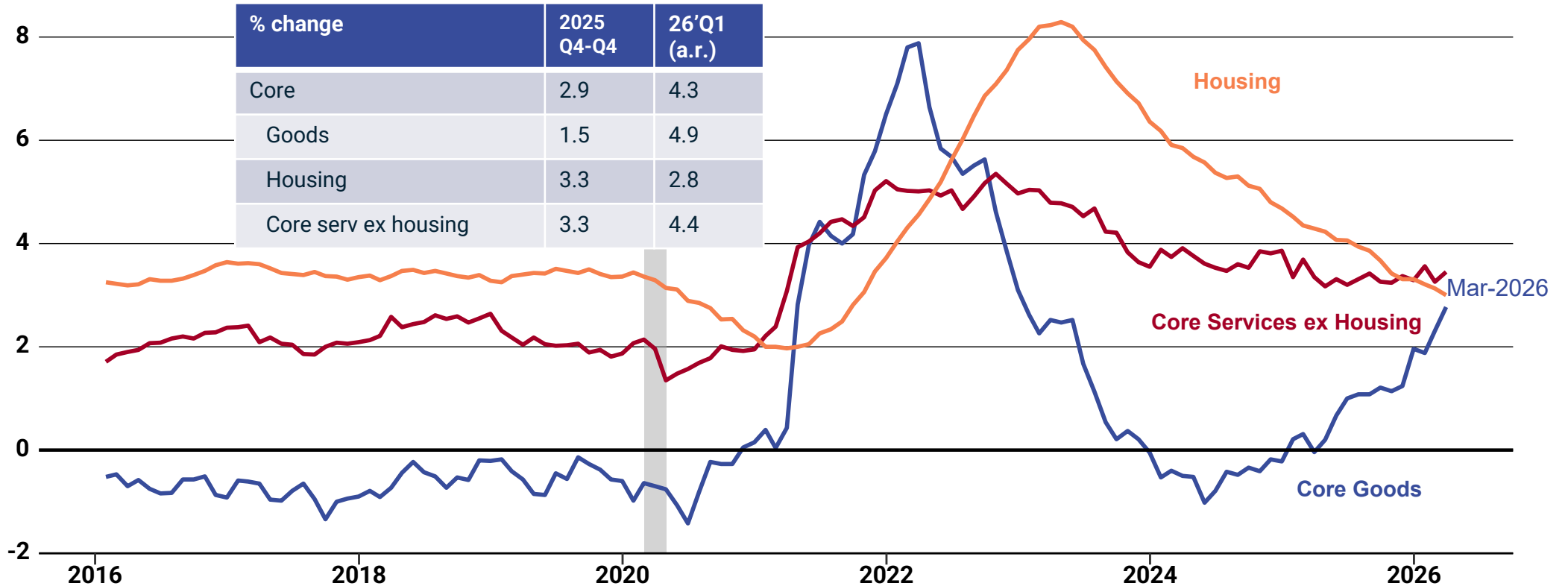


Source: BEA via Haver Analytics

Components of core PCE inflation

PCE components

(12-month percent change)

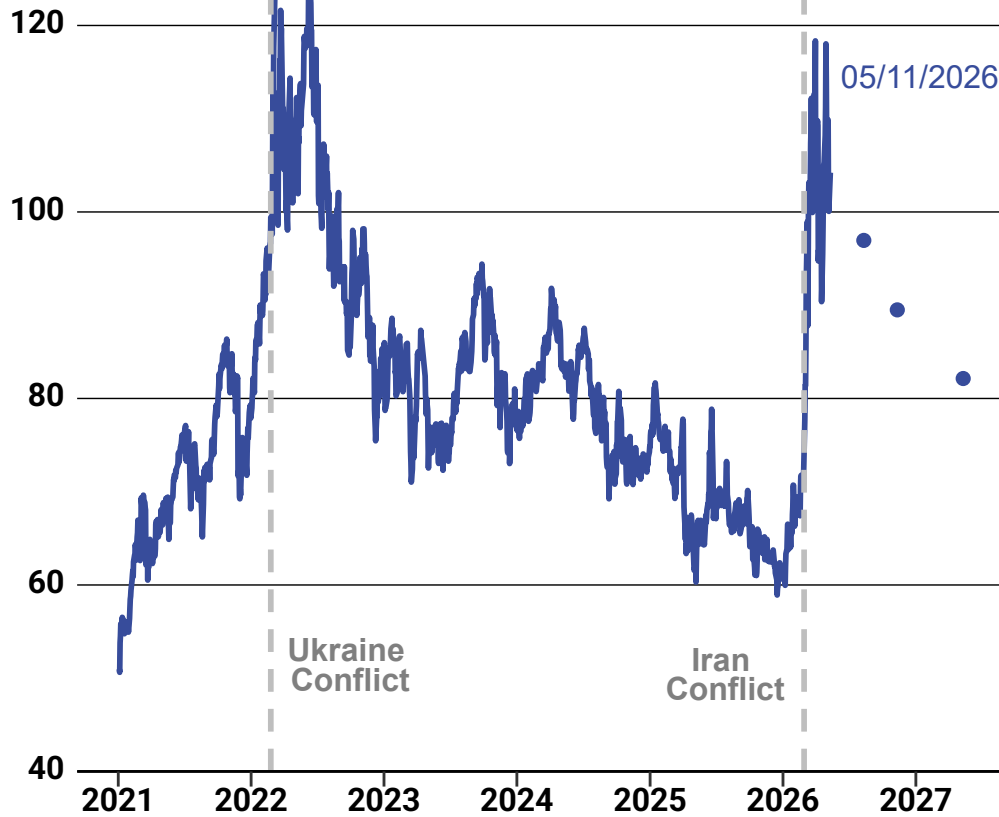


Note: Core goods are goods less food and beverages purchased for off-premise consumption and gasoline and other energy goods. Core services ex housing are services less electricity, gas, and housing. Food services are included, as is the case in BEA core PCE prices.
 Source: BEA via Haver Analytics

Cost risks from Middle East conflict

Brent oil prices

(\$/barrel)



Source: Intercontinental Exchange via Haver Analytics

Global Supply Chain Pressure Index

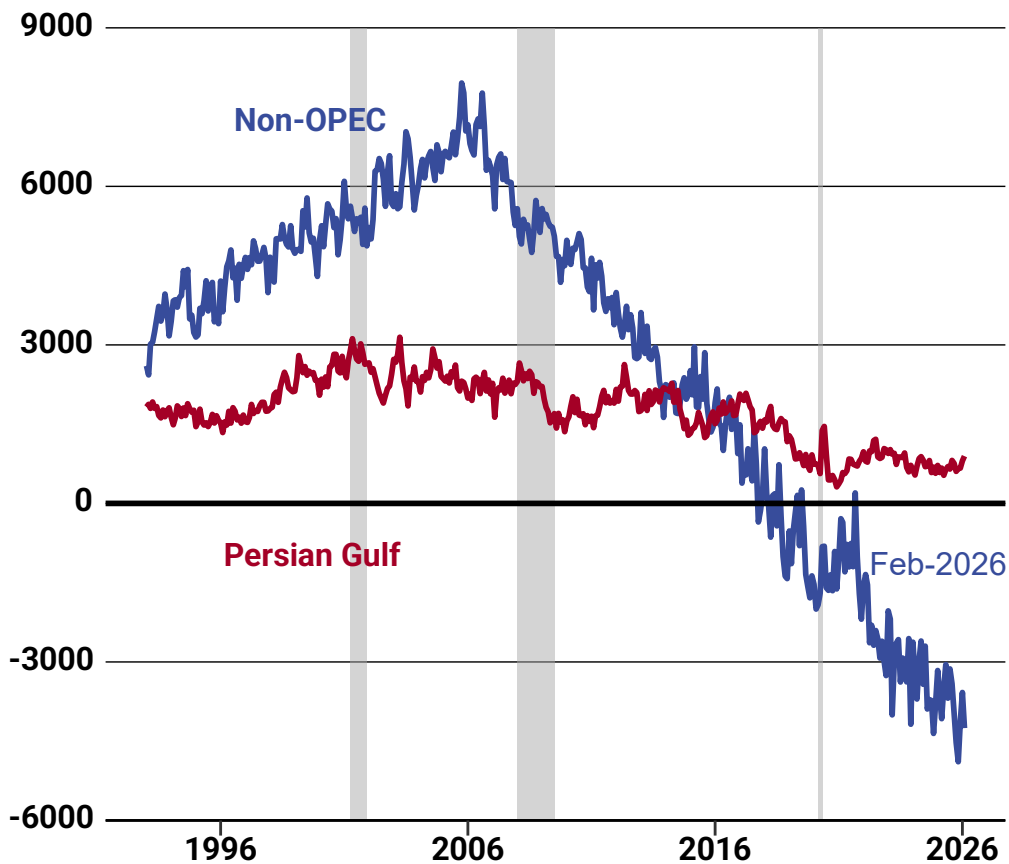
(Std dev points)



Source: FRBNY via Haver Analytics

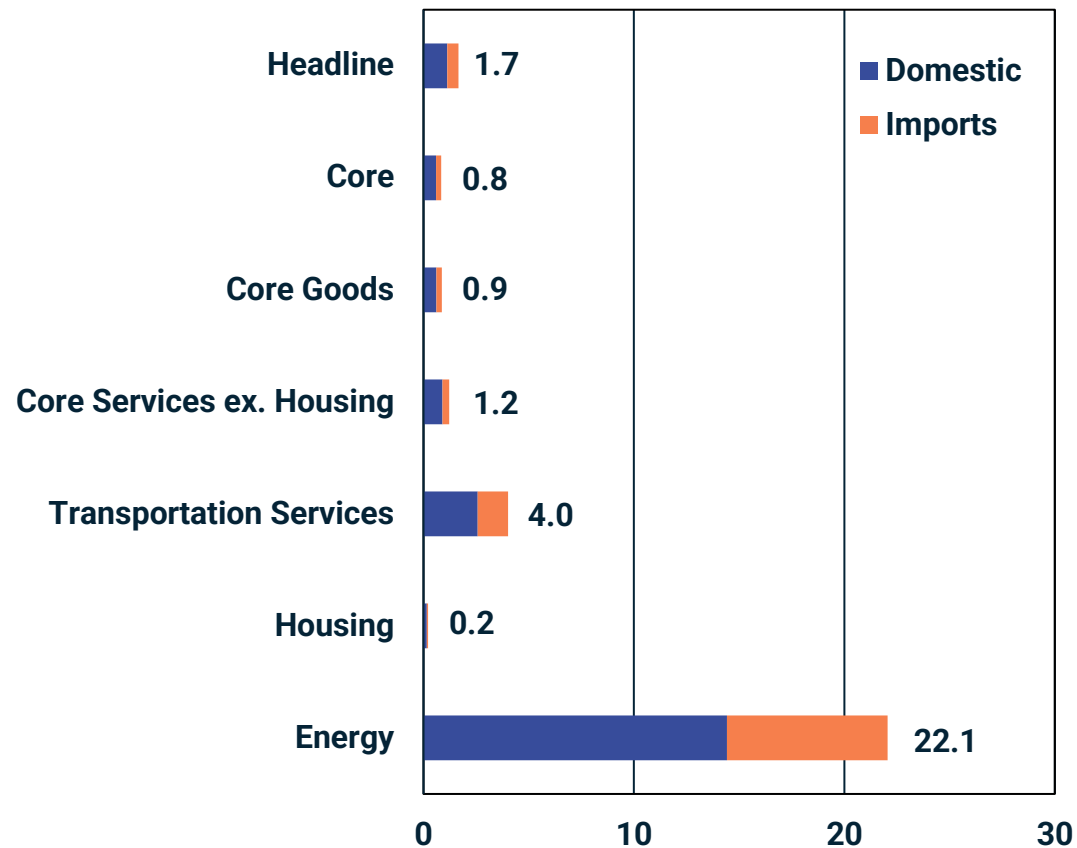
How important are crude oil imports?

U.S. net imports of crude oil and petroleum products
(1000s barrels per day)



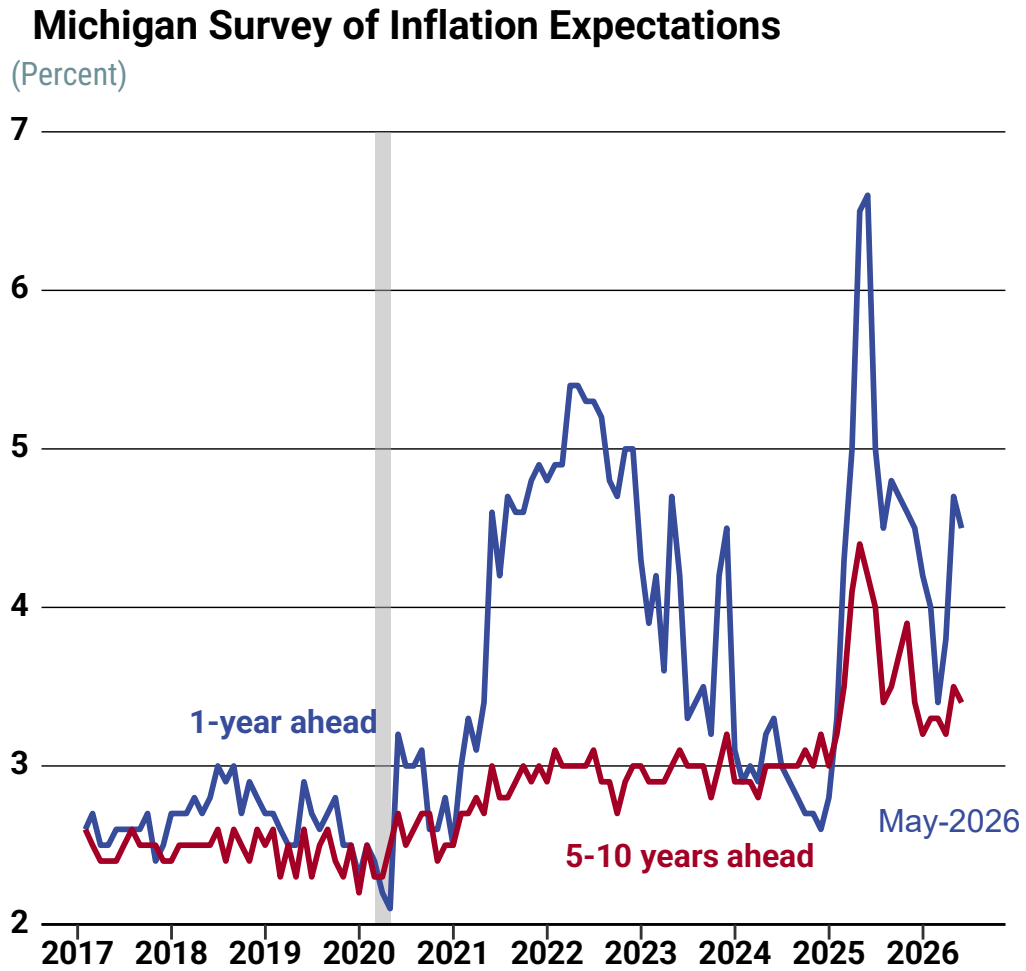
Source: U.S. Energy Information Administration

Crude oil & gas content of PCE price index, 2024
(Percent contribution)



Source: Bureau of Economic Analysis, Input-Output Tables; staff calculations
Note: Domestic is the domestically produced value of oil & gas extraction

Inflation expectations



Source: University of Michigan via Haver Analytics

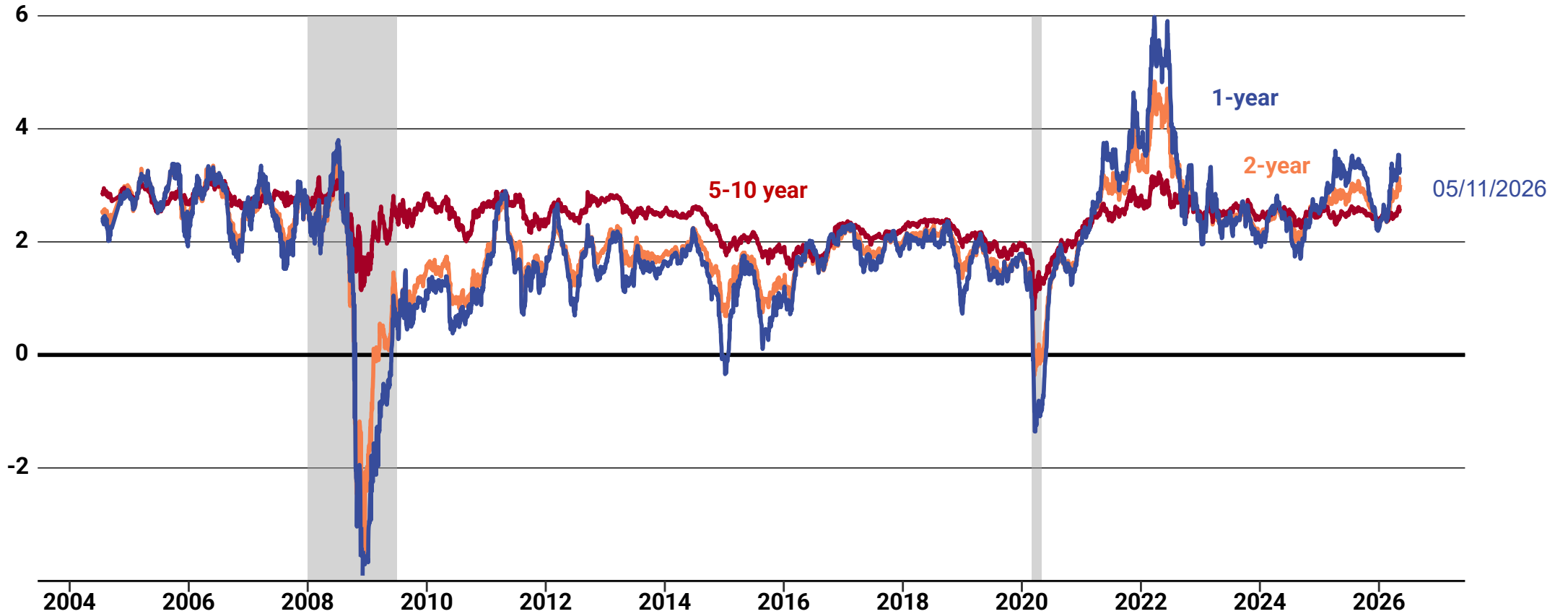


Source: Bloomberg

Inflation expectations; longer perspective

Inflation swaps

(Percent)

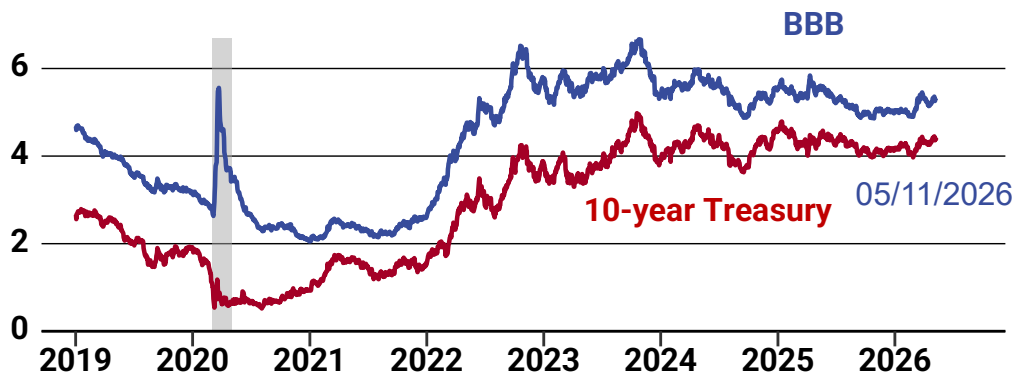


Source: Bloomberg

Financial market developments

Bond yields

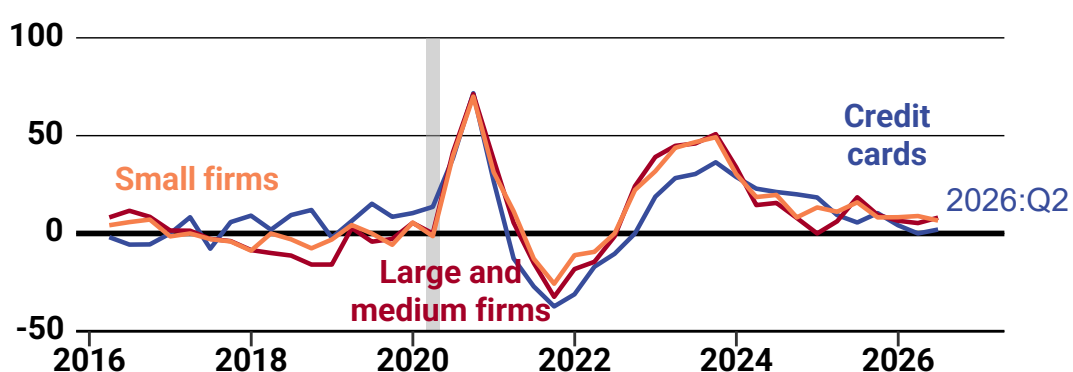
(Percent)



Source: Board of Governors of the Federal Reserve System via Haver Analytics

Bank lending standards

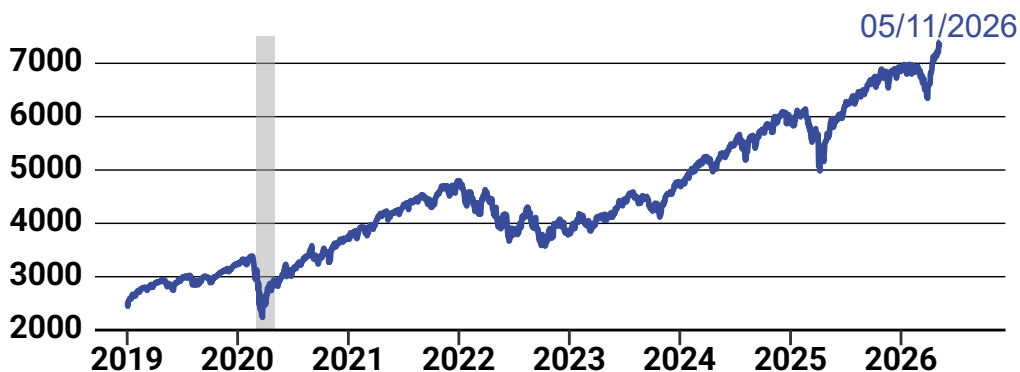
(Percent)



Source: Federal Reserve Board of Governors via Haver Analytics

S&P 500

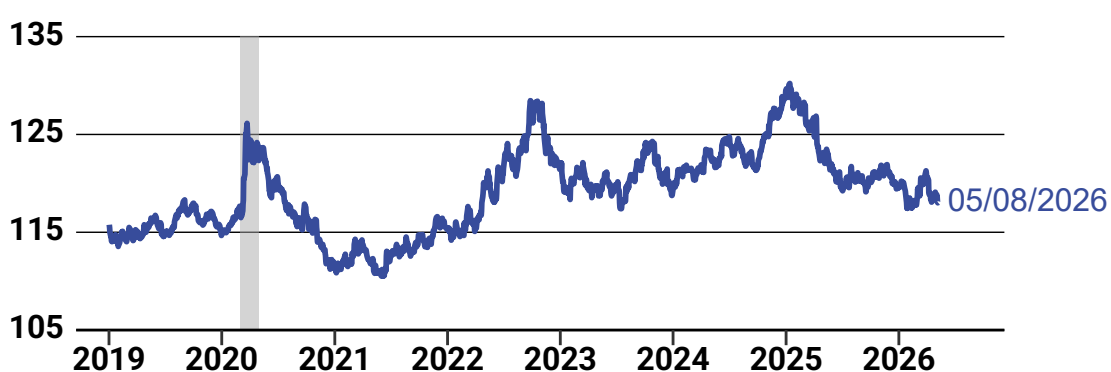
(Index)



Source: Standard & Poor's via Haver Analytics

Trade-weighted dollar

(Index)

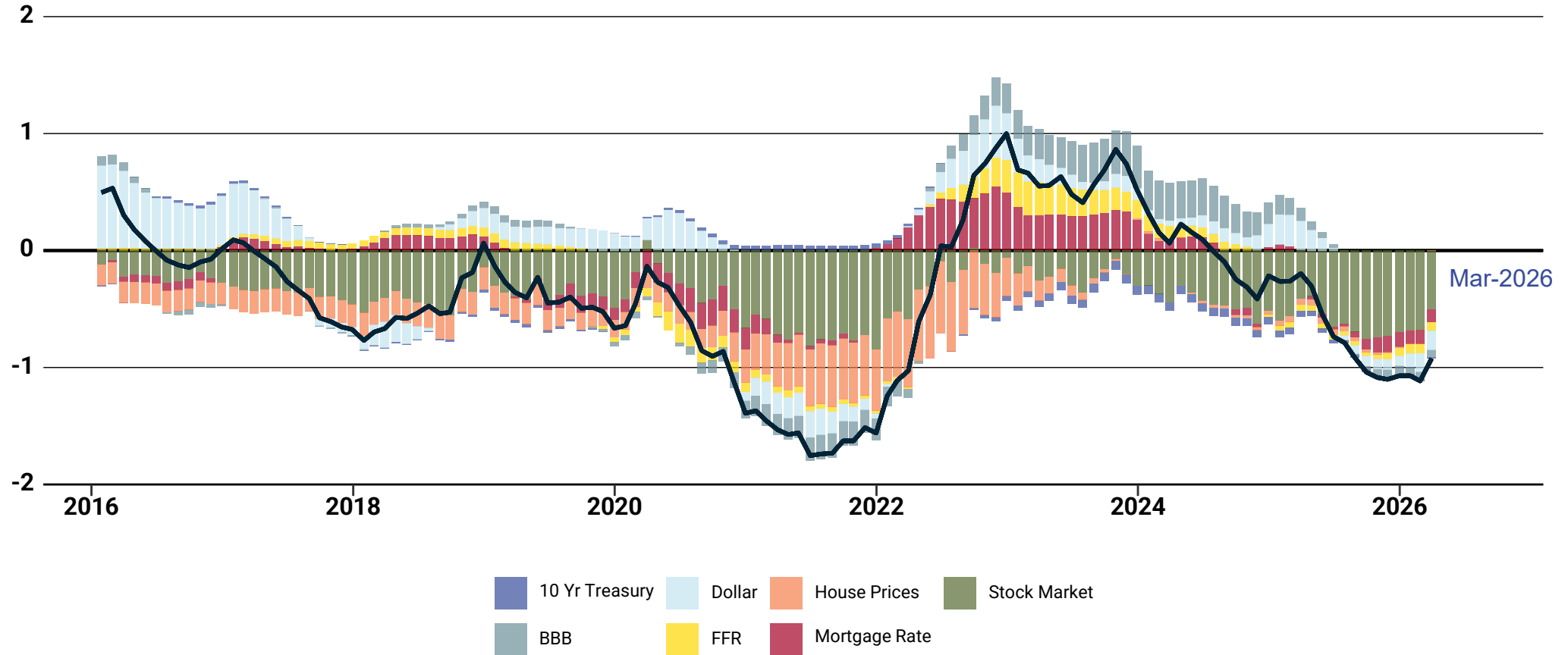


Source: Federal Reserve Board via Haver Analytics

Financial market developments, cont.

Financial conditions impulse on growth, total and components

(Percentage point contributions to GDP growth over the next year, percent; >0 means restrictive, <0 expansionary)

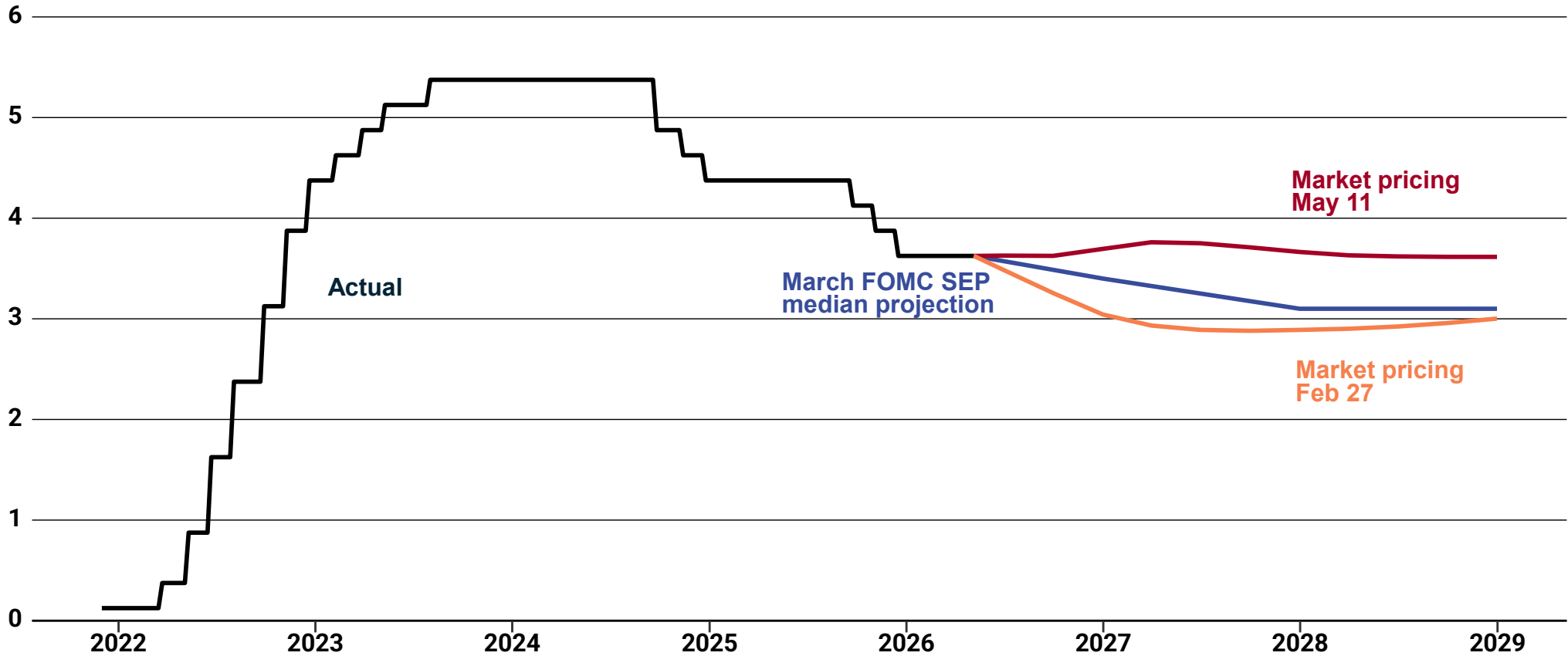


Source: Federal Reserve Board of Governors

Federal funds rate path, FOMC median SEP vs. market

Federal funds rate expectations

(Percent)

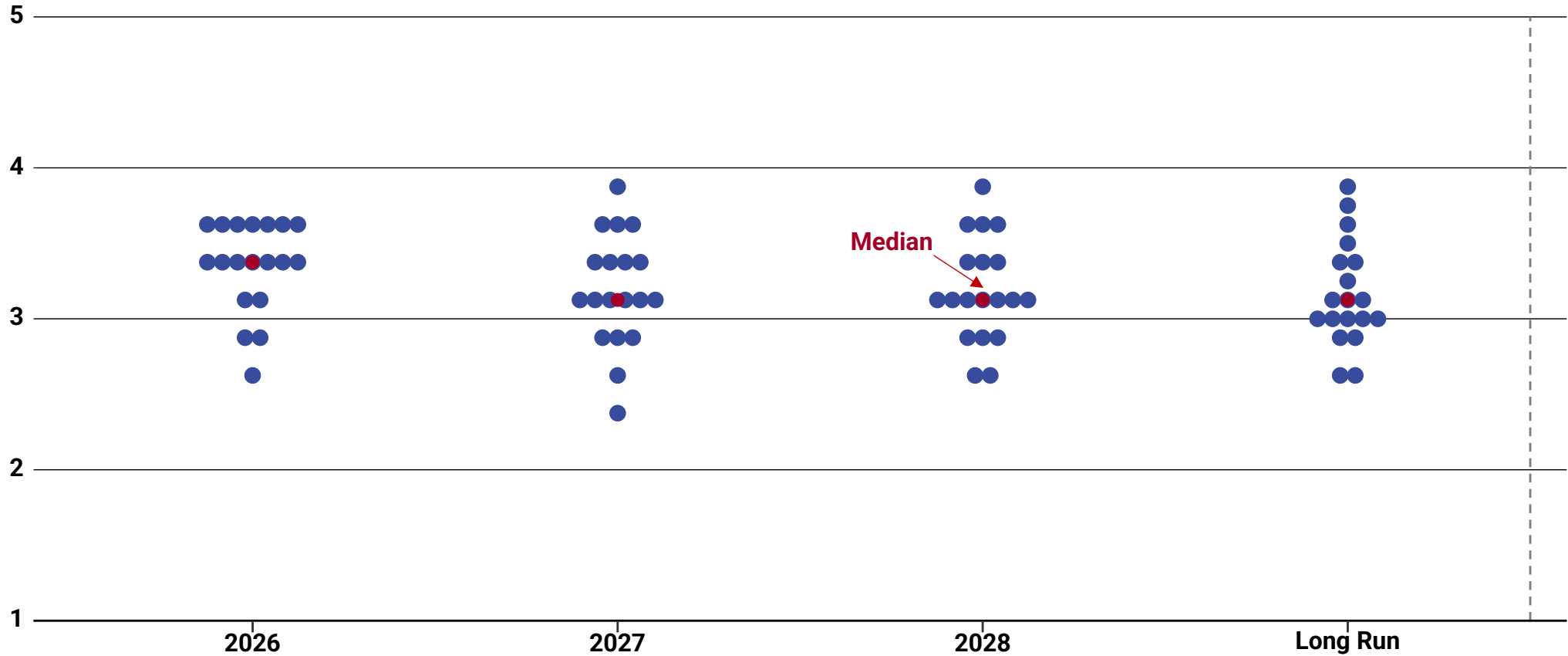


Source: FOMC Summary of Economic Projections via Haver Analytics

FOMC participants' funds rate projections

March 2026 FOMC Summary of Economic Projections

(percent)



Source: Federal Reserve Board via Haver Analytics

External forecasts of key economic indicators

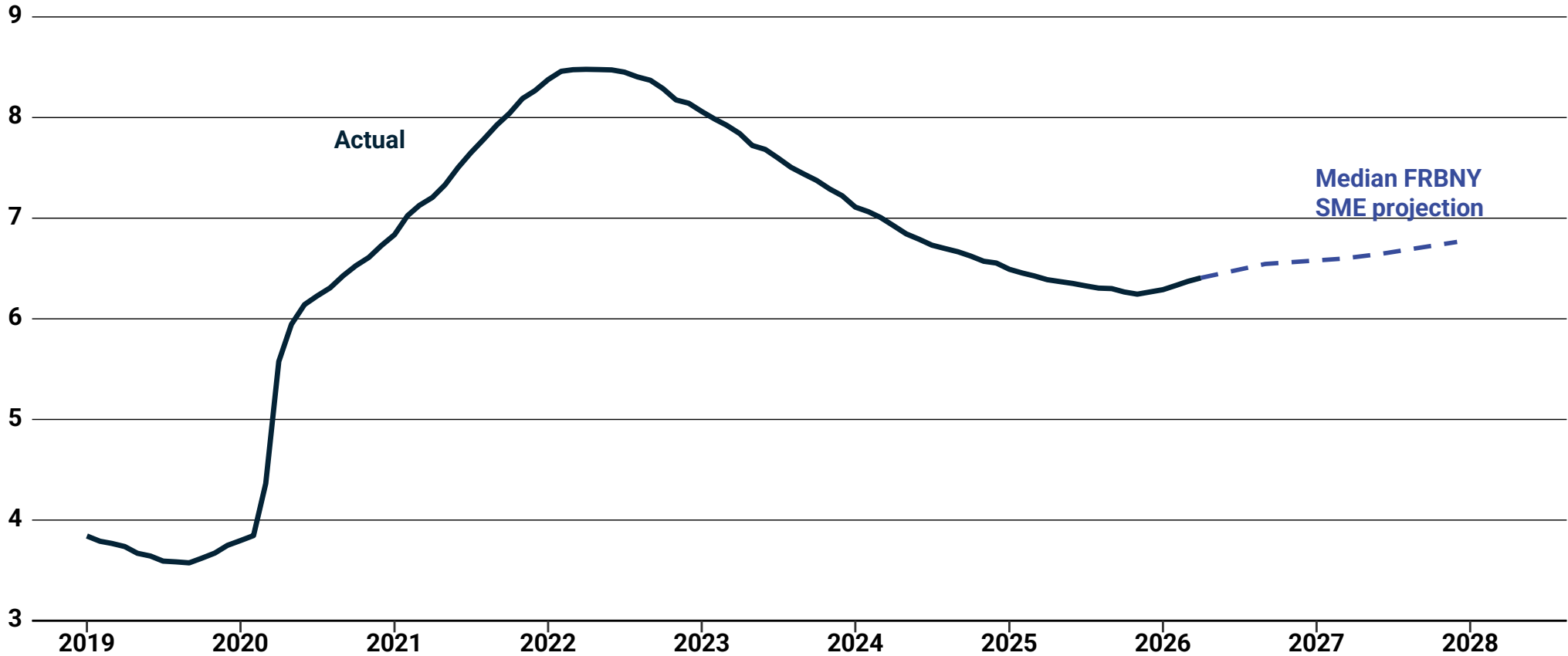
Variable	2026	2027
GDP	1.9	2.1
<i>January</i>	2.2	1.7
Unemployment rate	4.5	4.4
<i>January</i>	4.5	4.3
PCE inflation	3.7	2.1
<i>January</i>	2.6	2.2
Core PCE inflation	3.1	2.4
<i>January</i>	2.8	2.2

Source: Median of 7 external forecasters, 5/8/26

Federal Reserve asset holdings

Key Federal Reserve assets

(Trillions, \$)



Source: Federal Reserve Board via Haver Analytics; FRBNY Survey of Market Expectations