



FEDERAL RESERVE BANK *of* NEW YORK

U.S. Economic Conditions

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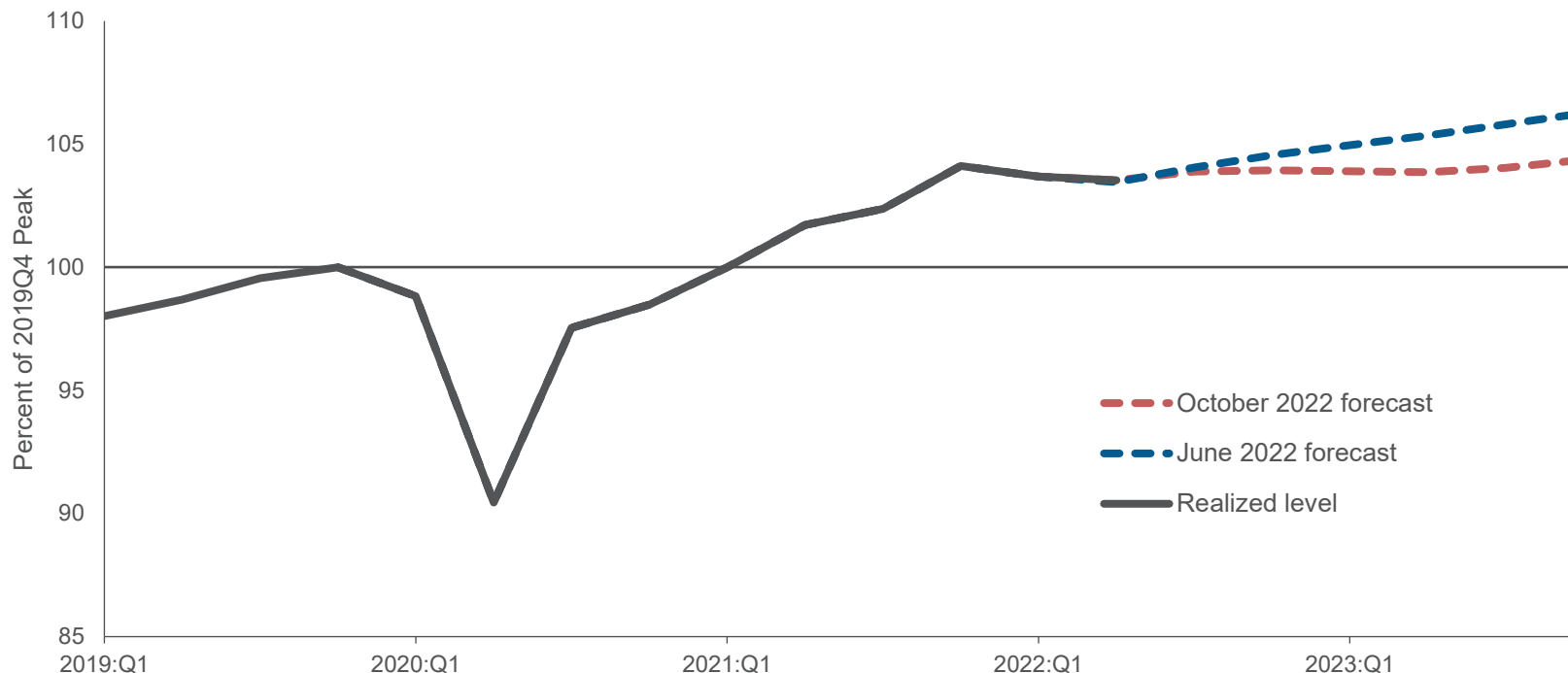
Overview

- Real GDP declined in the first half of the year and consensus forecasts point to future growth being sluggish at best
- Indicators signal that the labor market remains tight
- Inflation continues to be high



GDP fell in H1, downward revision for the rest of year

Blue Chip Consensus Real GDP Forecast

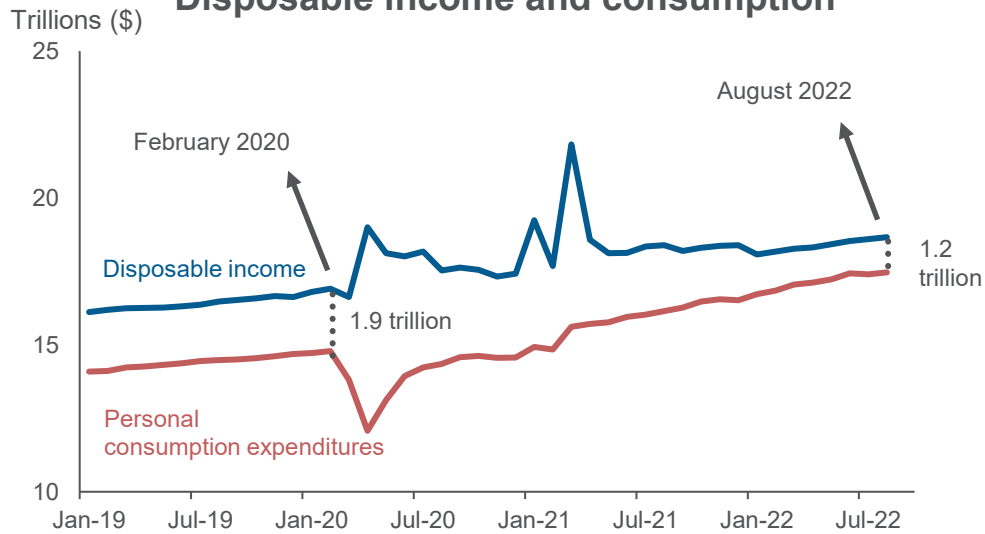


- H1 GDP fell, partly because of net exports and inventories
- Tighter monetary policy and financial conditions behind fall in housing and signs of slower consumer spending growth
- Downward revisions to private forecasts reflect this



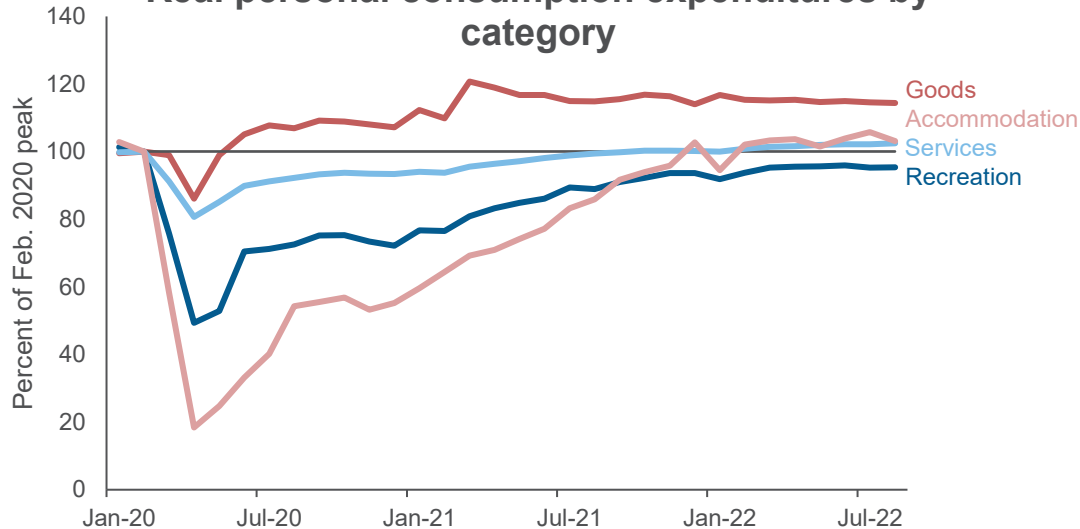
Softer consumption growth amid slow income growth

Disposable income and consumption



- Disposable income rose slowly in recent months
- Consumption growth has moderated in the past few months
- Personal saving rate was 3.5% in August, near its recent low

Real personal consumption expenditures by category

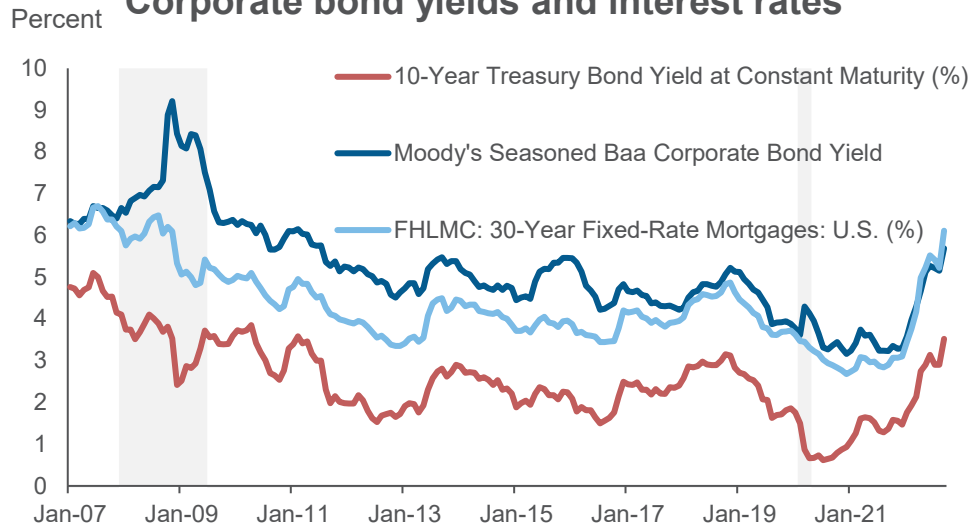


- Goods expenditures modestly fell recently
- Services expenditures are now slightly above pre-pandemic levels
- But a few service sectors still lag



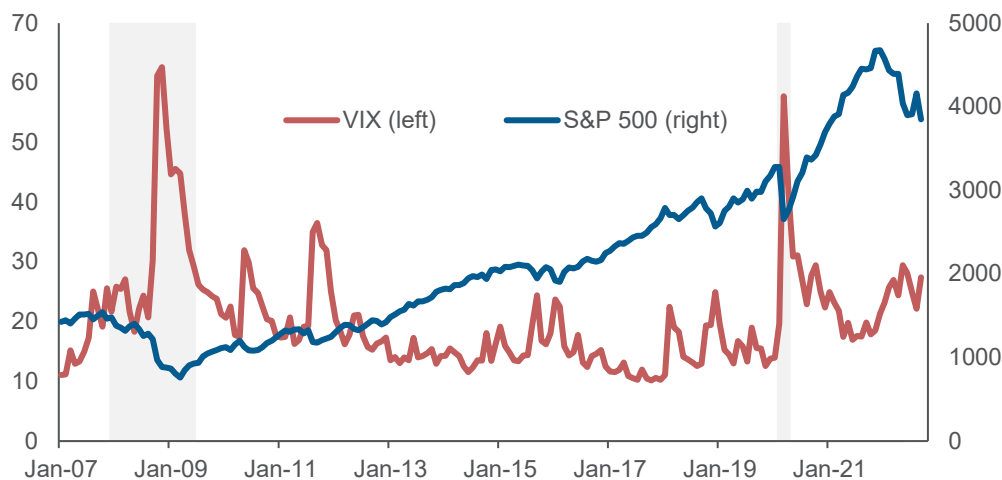
Financial conditions continue to tighten

Corporate bond yields and interest rates



- Long-term Treasury yields, mortgage rates, and corporate bond yields have continued to rise in the last few months

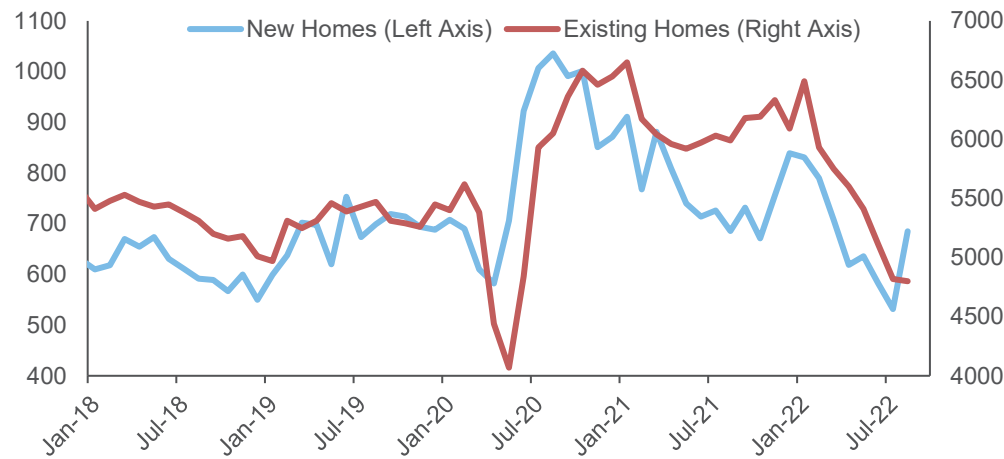
US Equity Market and Volatility



- Equity prices have declined recently amid concerns about inflation and economic prospects
- Expectations of tighter monetary policy have contributed to these movements

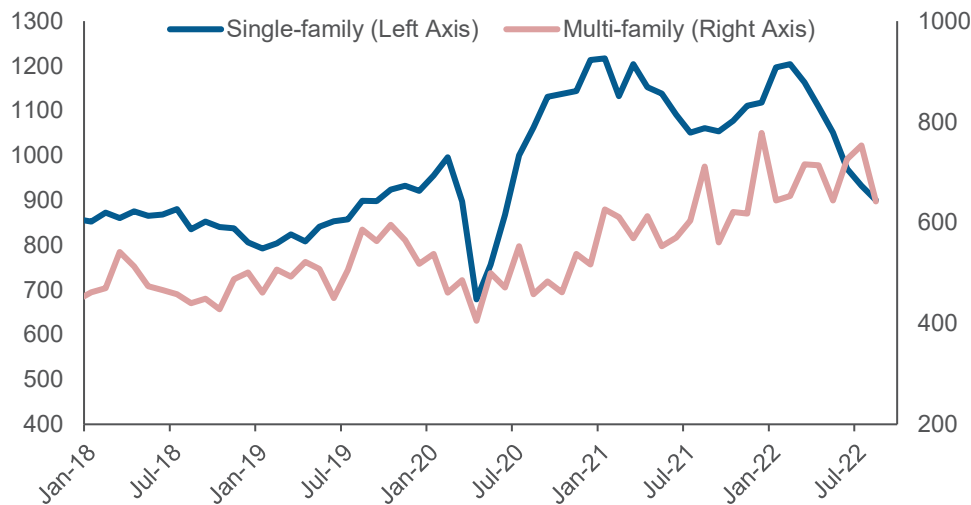
Rising mortgage rates start to hit housing activity

Home Sales (thousands)



- Higher mortgage rates are leading to large increases in mortgage payments, hurting affordability
- Home sales have declined considerably this year

Residential building permits (thousands)

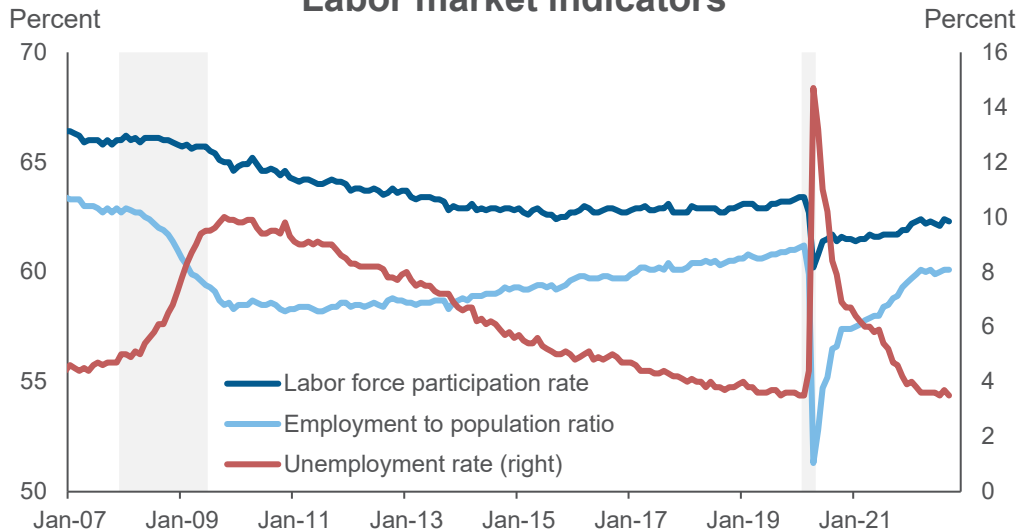


- Building activity has also declined



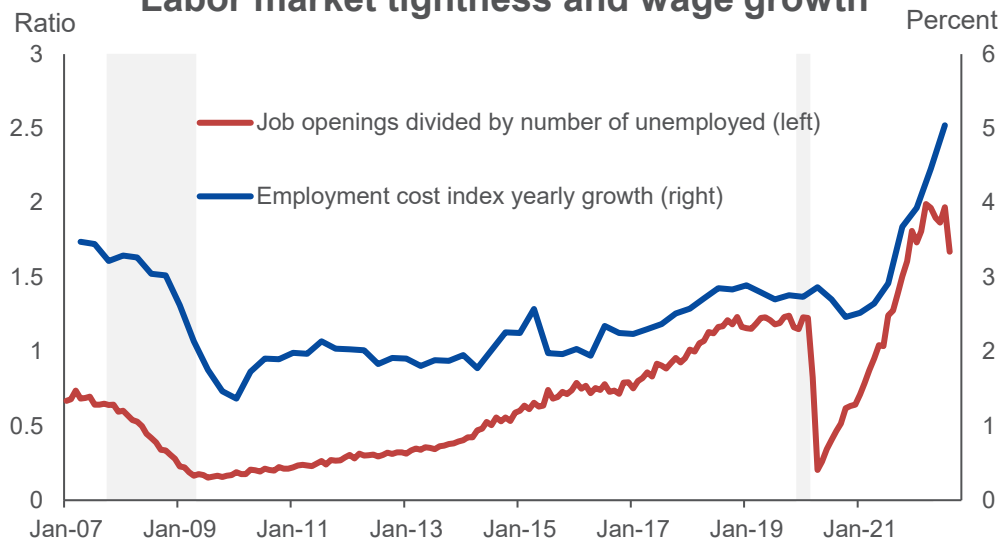
The labor market remains tight

Labor market indicators



- Unemployment rate ticked down to 3.5% in September
- Jobs gains have averaged over 350K during past 4 months, as total jobs surpassed pre-pandemic levels

Labor market tightness and wage growth

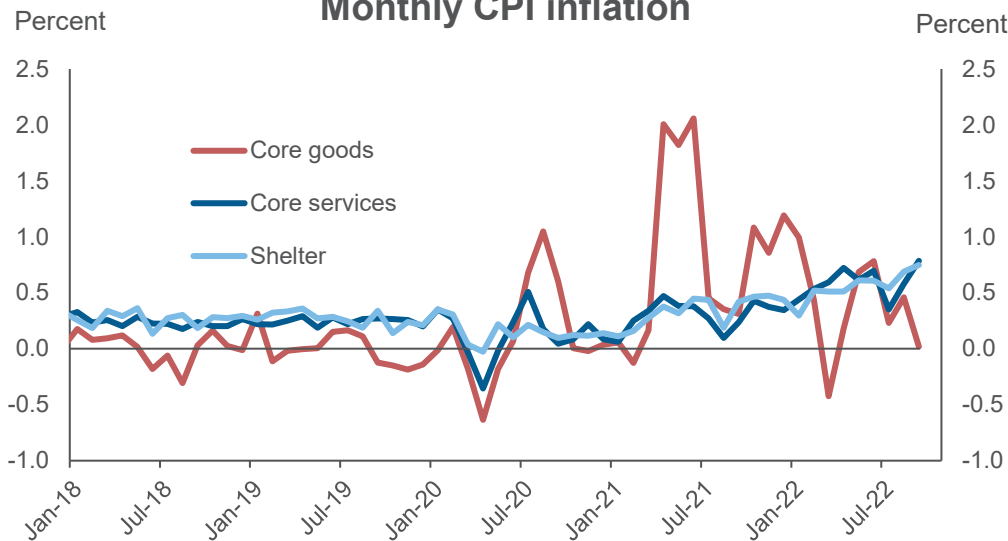


- Despite recent signs of cooling, there are still many more job openings than people looking for work
- Wage growth is well above rates of recent years



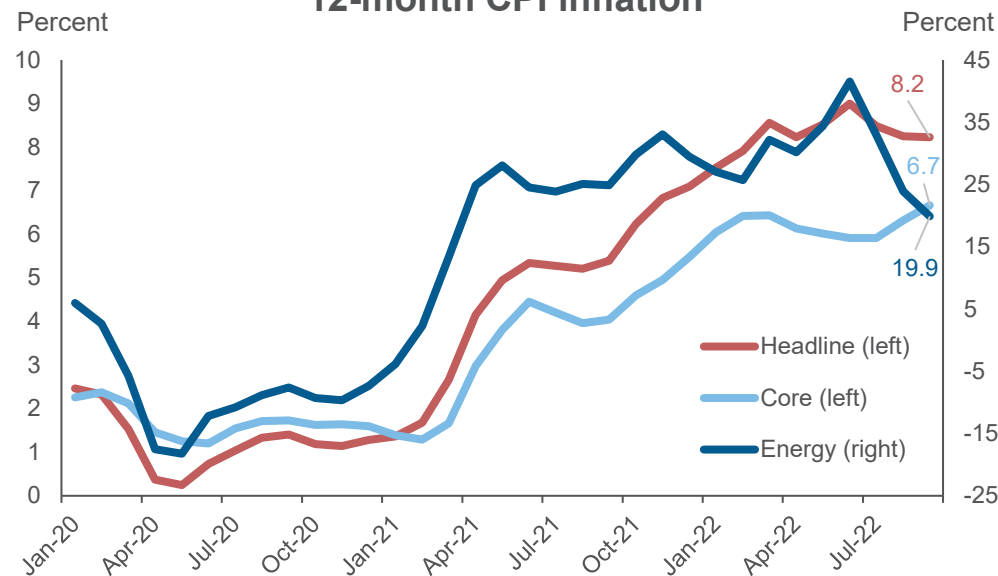
Inflation remains high

Monthly CPI inflation



- Goods inflation has been volatile since the pandemic
- Services inflation has trended upward, supported by higher shelter inflation

12-month CPI inflation



- As a result, ex-food & energy (core) inflation remains elevated
- Food and energy price inflation also contribute to high headline inflation



Concluding observations

- Indications that elevated inflation is possibly becoming more persistent
 - One factor behind tightening of monetary policy in U.S. and globally
- Tighter policy has contributed to tighter financial conditions
 - Effect most evident on interest rate-sensitive housing sector
 - Some reduction in aggregate demand would influence supply-demand imbalances still apparent in economy
- Continue to monitor effects of these and other factors on inflation and employment

