

FEDERAL RESERVE BANK OF KANSAS CITY

U.S. and Regional Economic Outlooks

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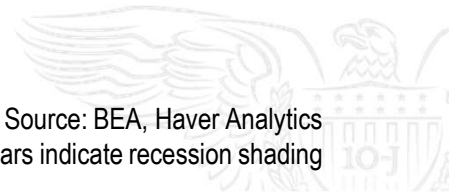
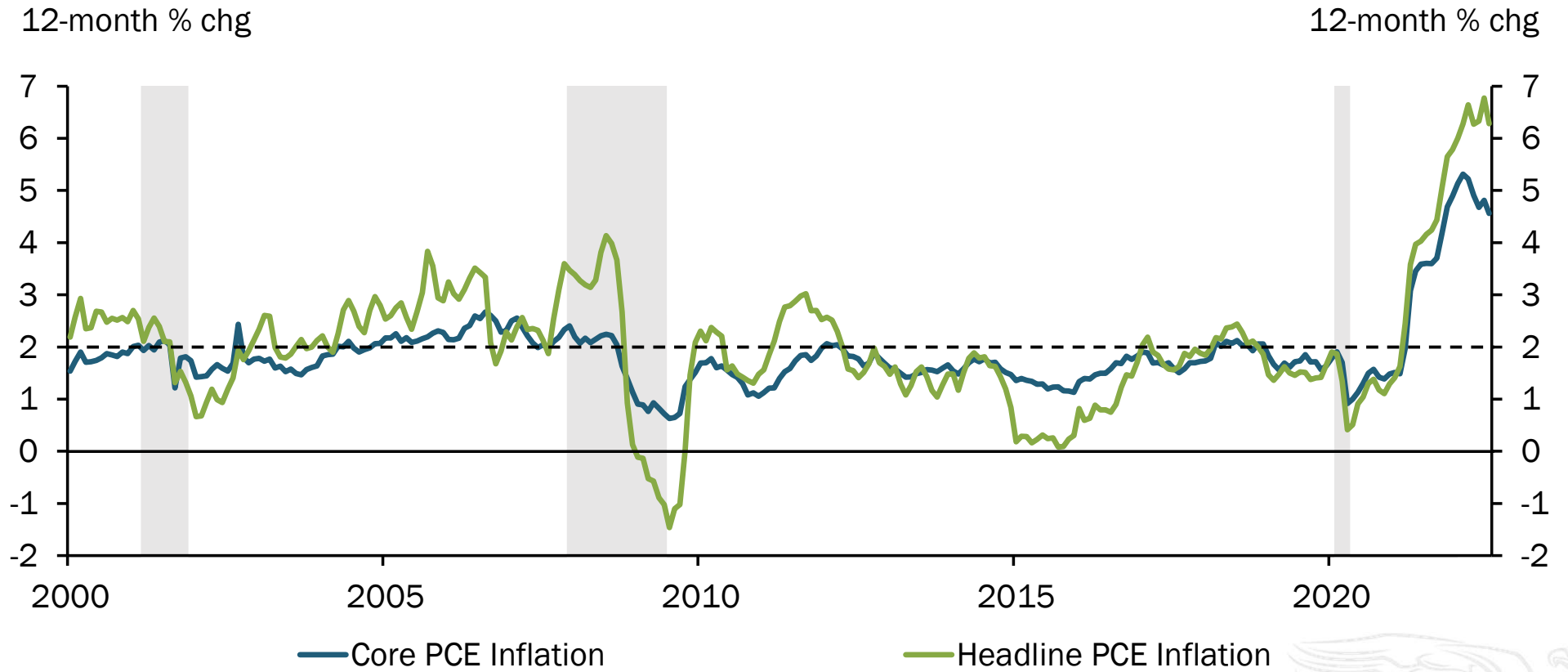


Overview

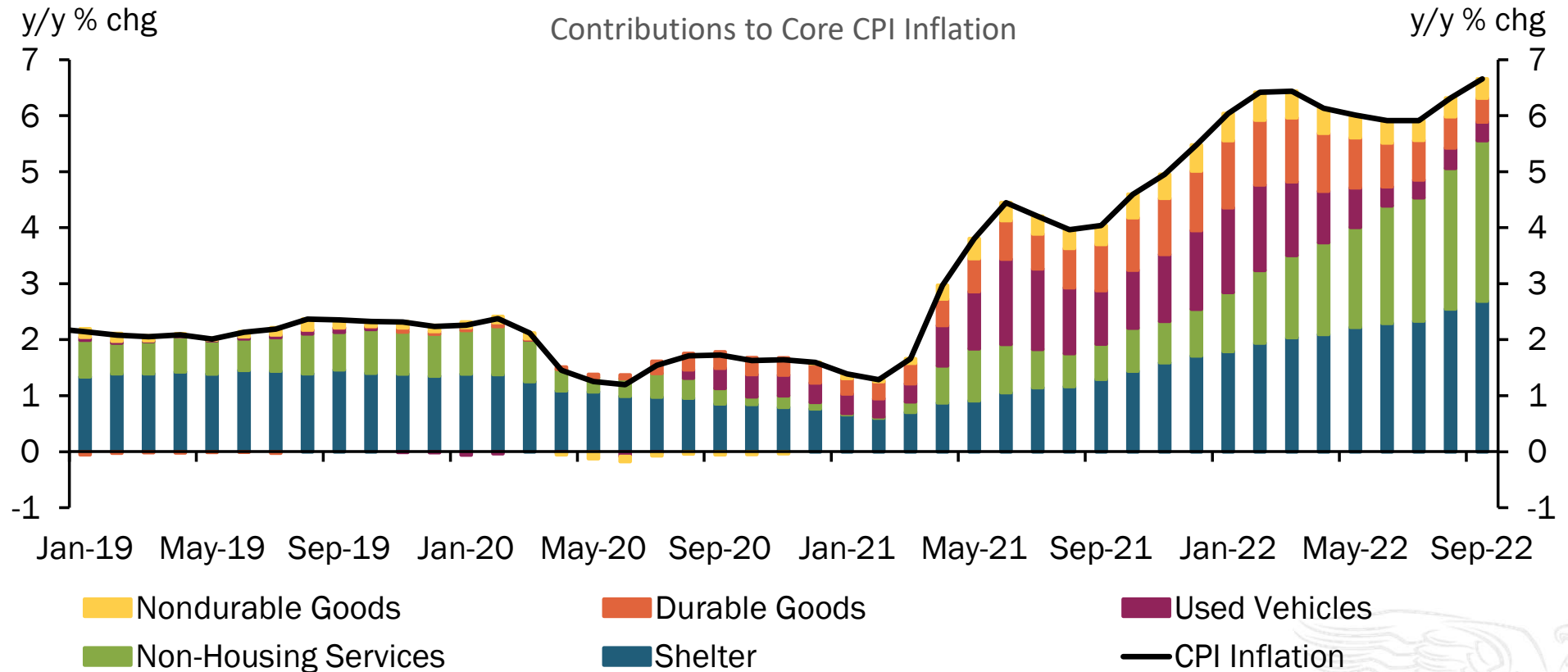
- Inflation is well above levels experienced over the last several decades, creating difficulties for many households in meeting regular expenses
- Labor markets are extremely tight, with resilient demand for workers exceeding the persistently constrained supply of workers
- Monetary policy has moved into a restrictive stance in order to restore price stability
- Indicators from several sectors point to the effects of tighter monetary policy slowing overall demand growth



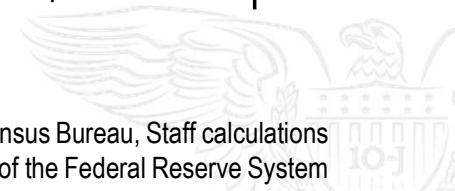
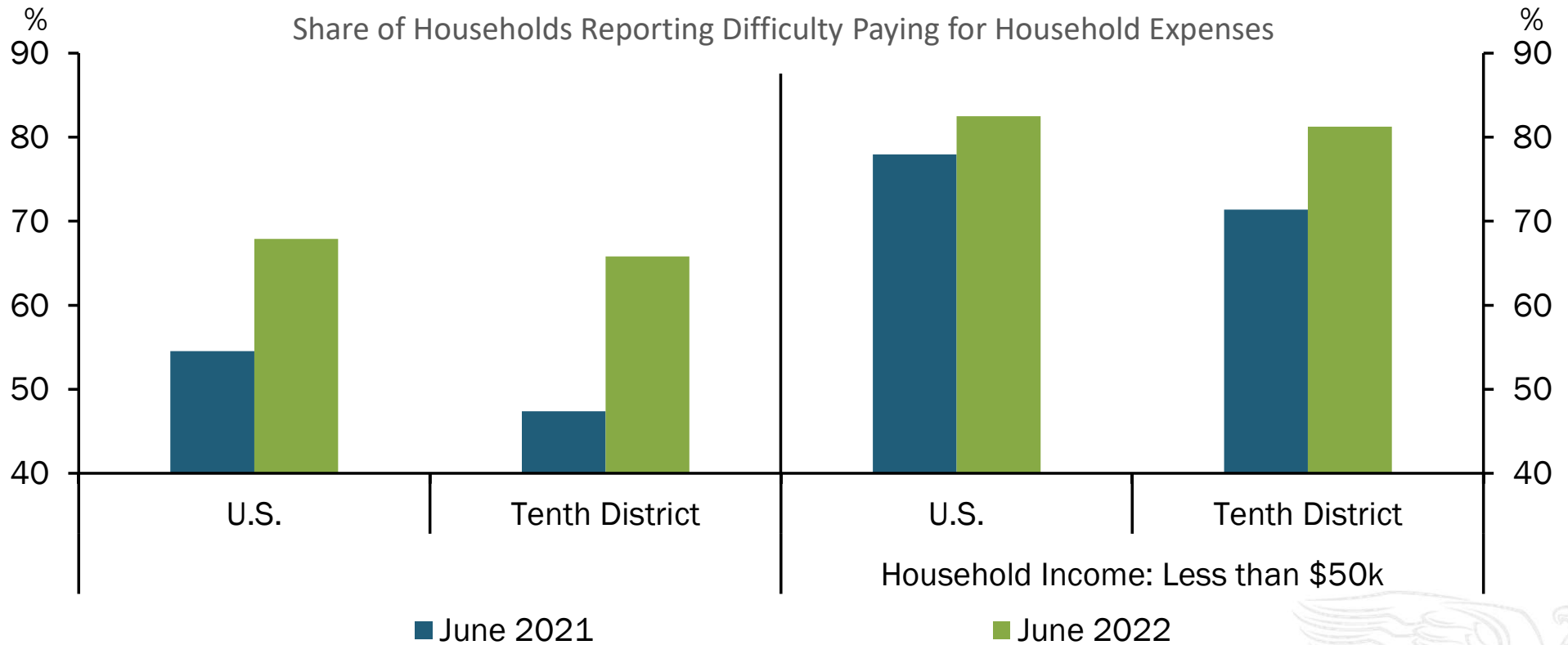
Inflation remains well-above historic norms and the Fed's 2 percent target



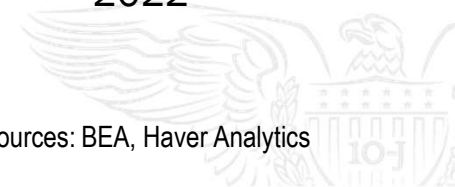
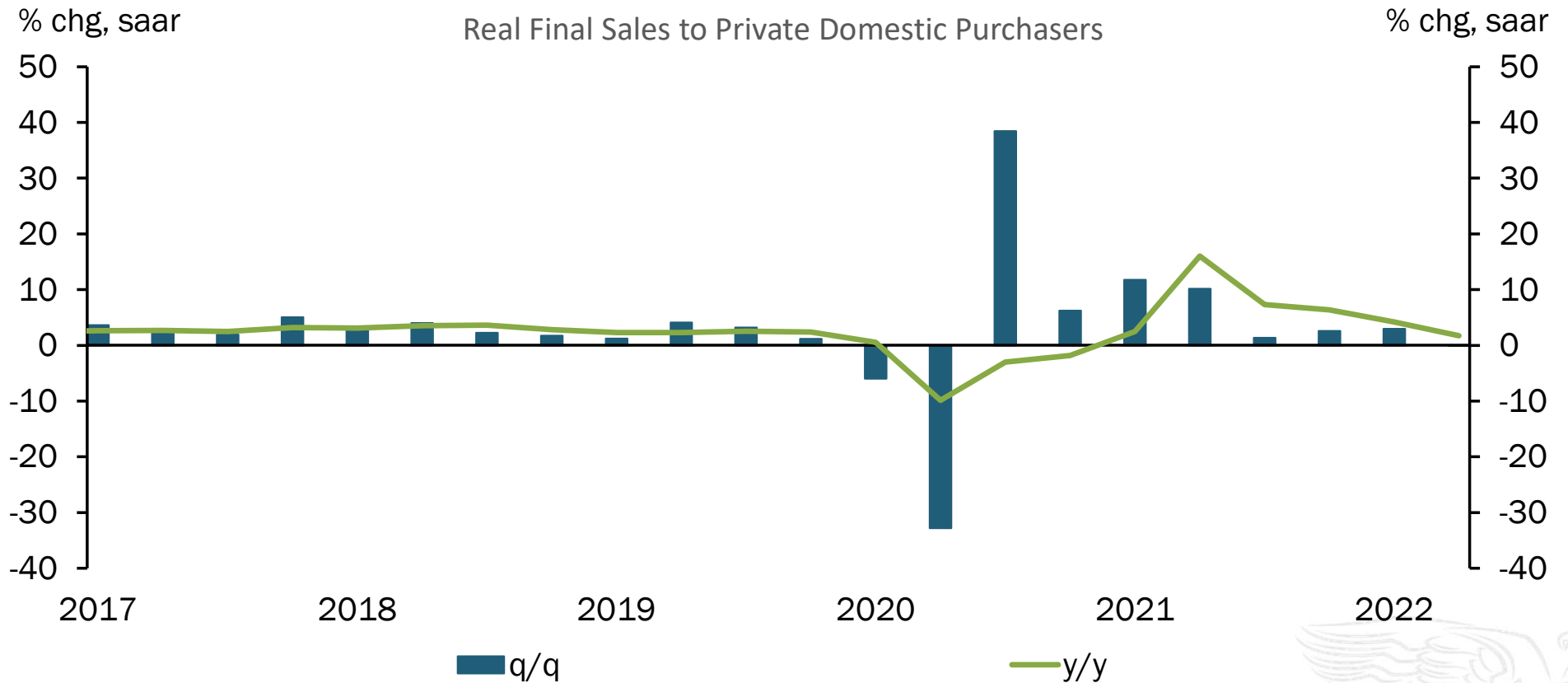
Over the past year, the drivers of inflation shifted back toward services, with shelter prices exerting an outsized influence on overall inflation



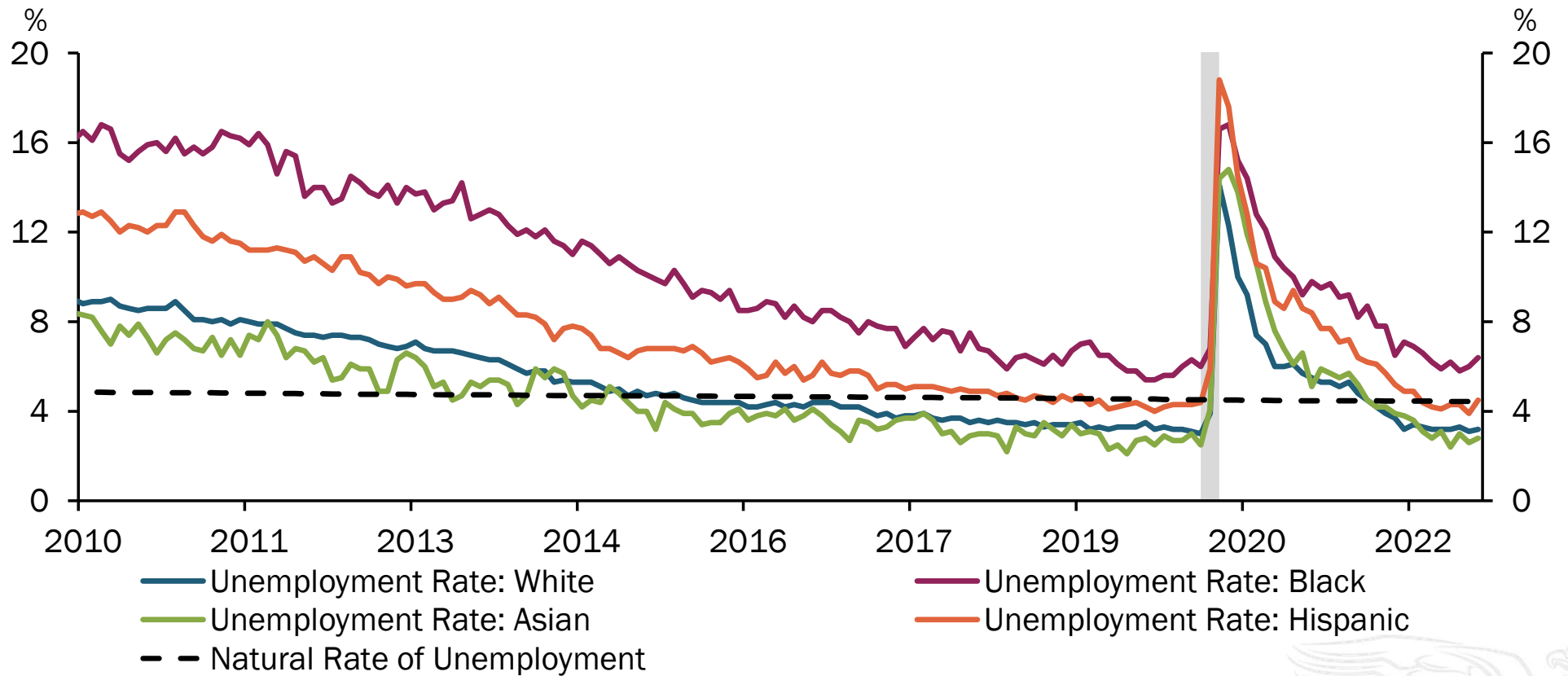
More households are experiencing difficulty paying typical expenses compared to a year ago



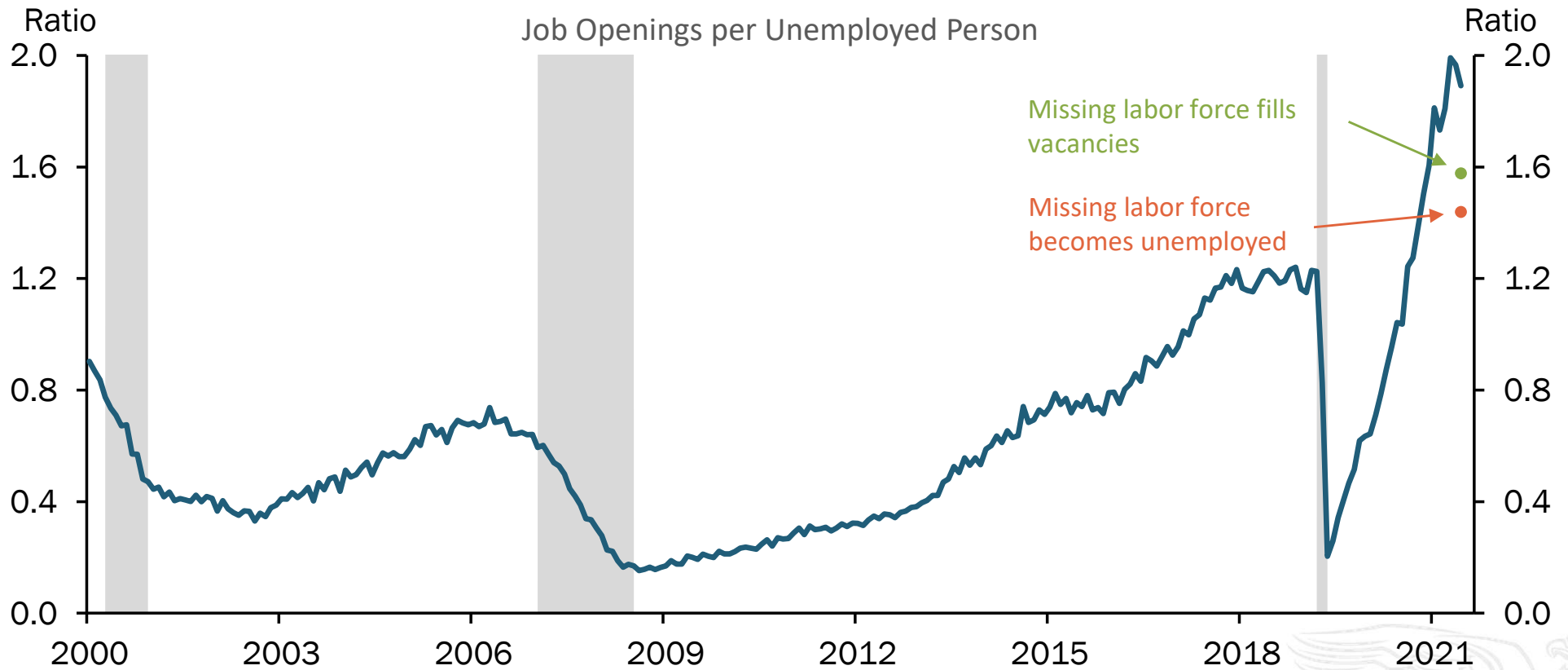
Consumption growth slowed over the past several quarters and business investment declined recently



Unemployment rates are at or below pre-pandemic lows



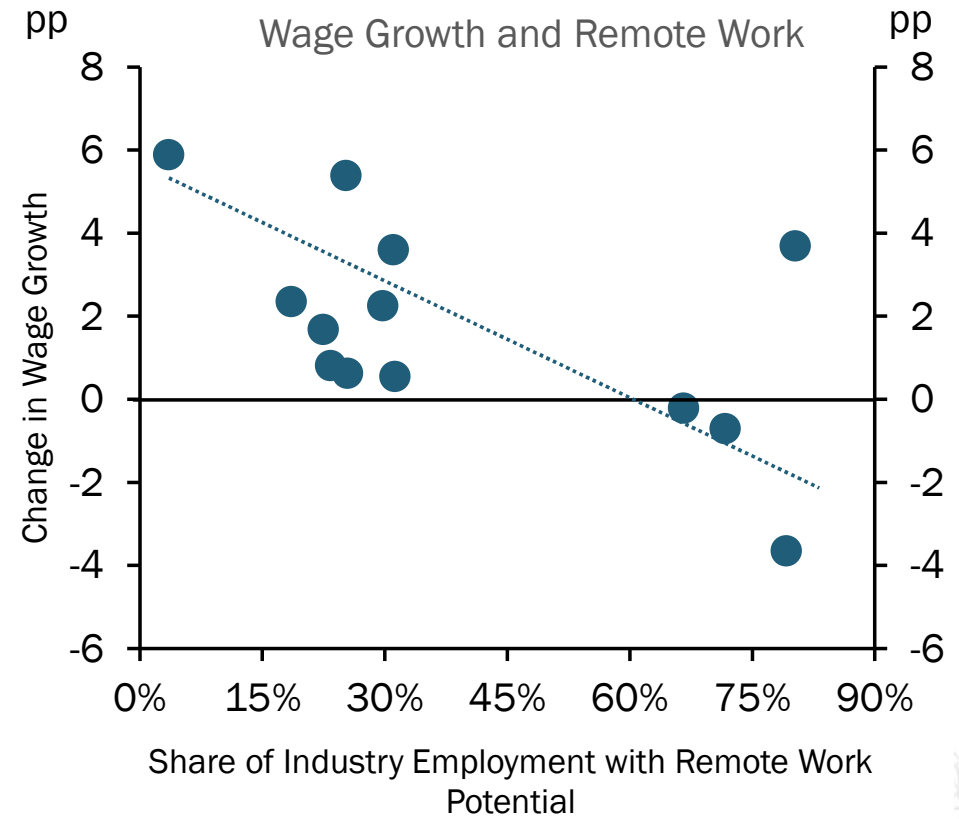
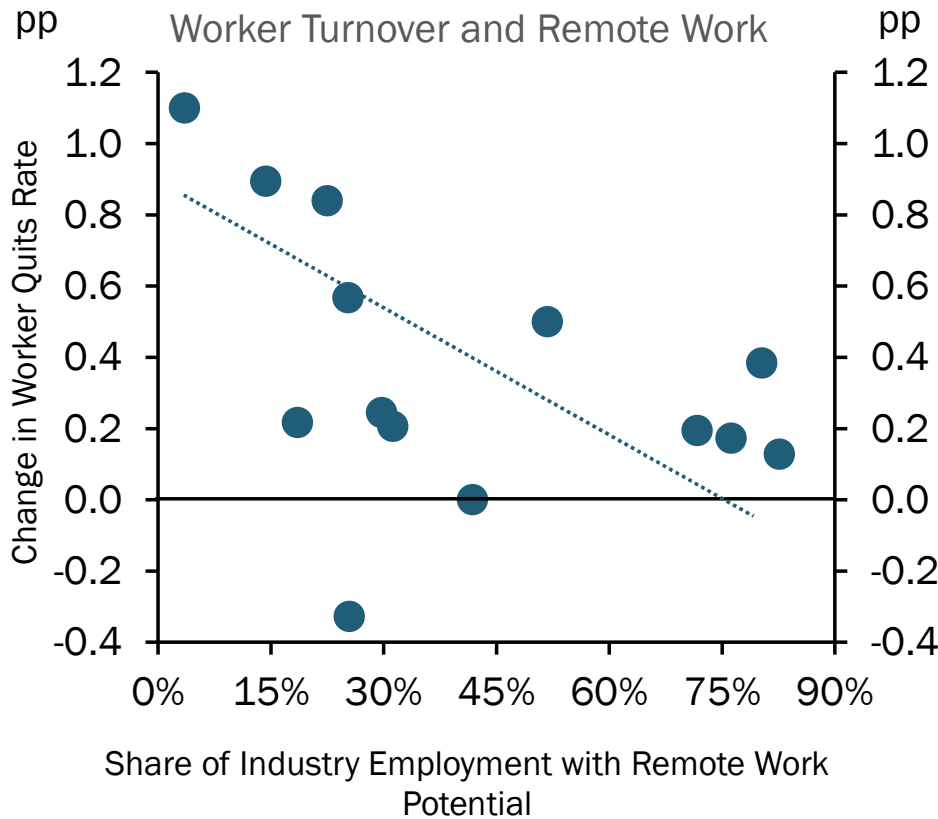
Labor demand remains elevated



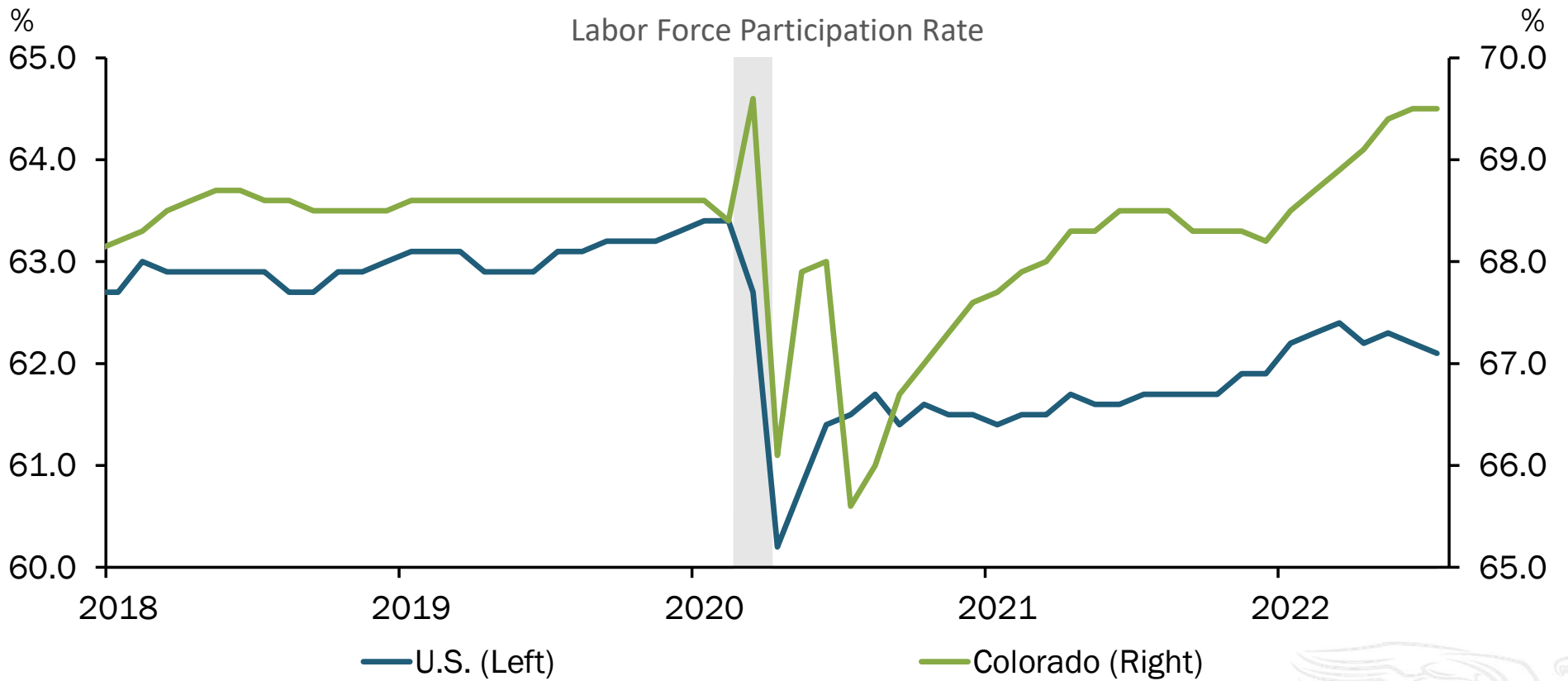
Elevated rates of workers leaving their jobs further tightened the labor market, and drove broad-based wage growth over the past 18 months



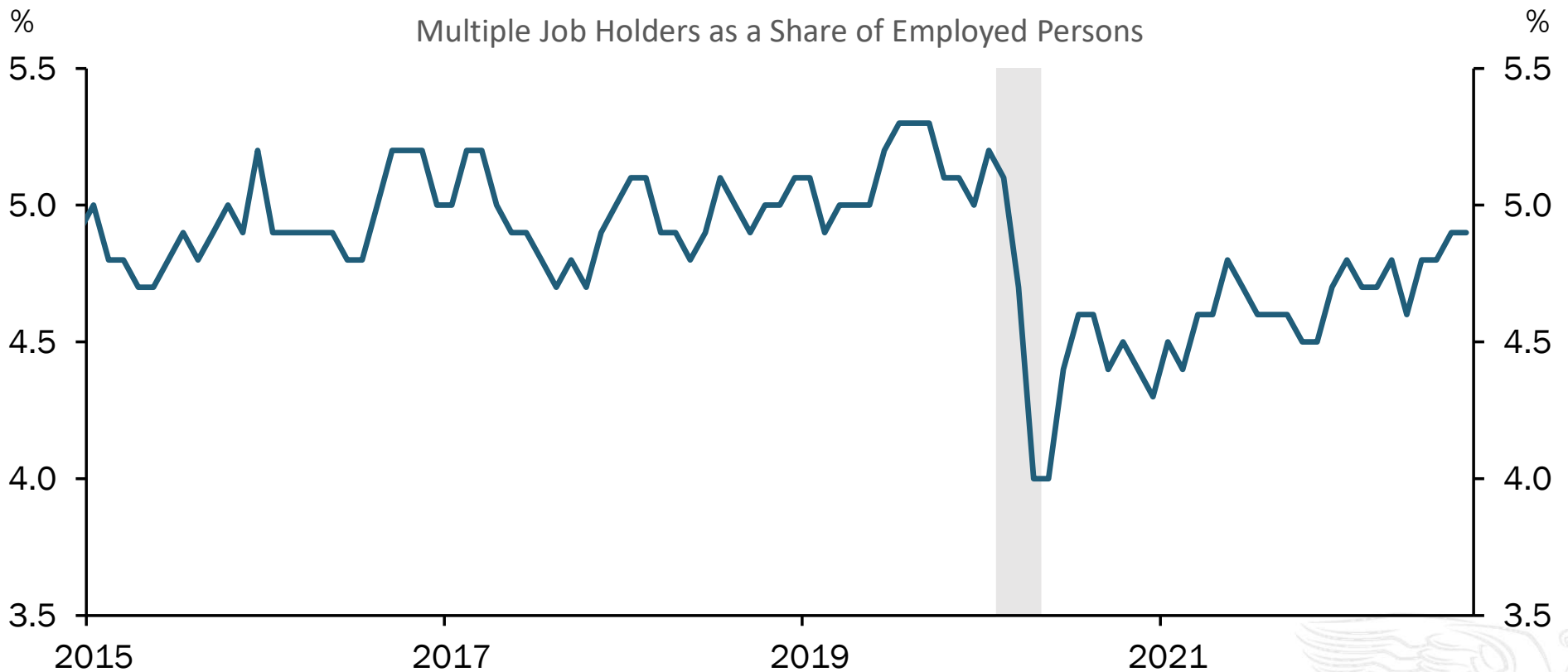
The rate at which workers quit their jobs grew faster in sectors with fewer work remote options, prompting employers to raise wages more quickly



While labor supply remains constrained nationally



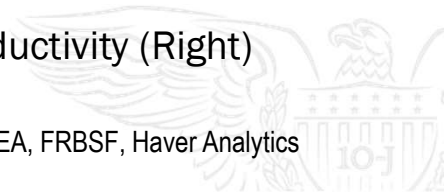
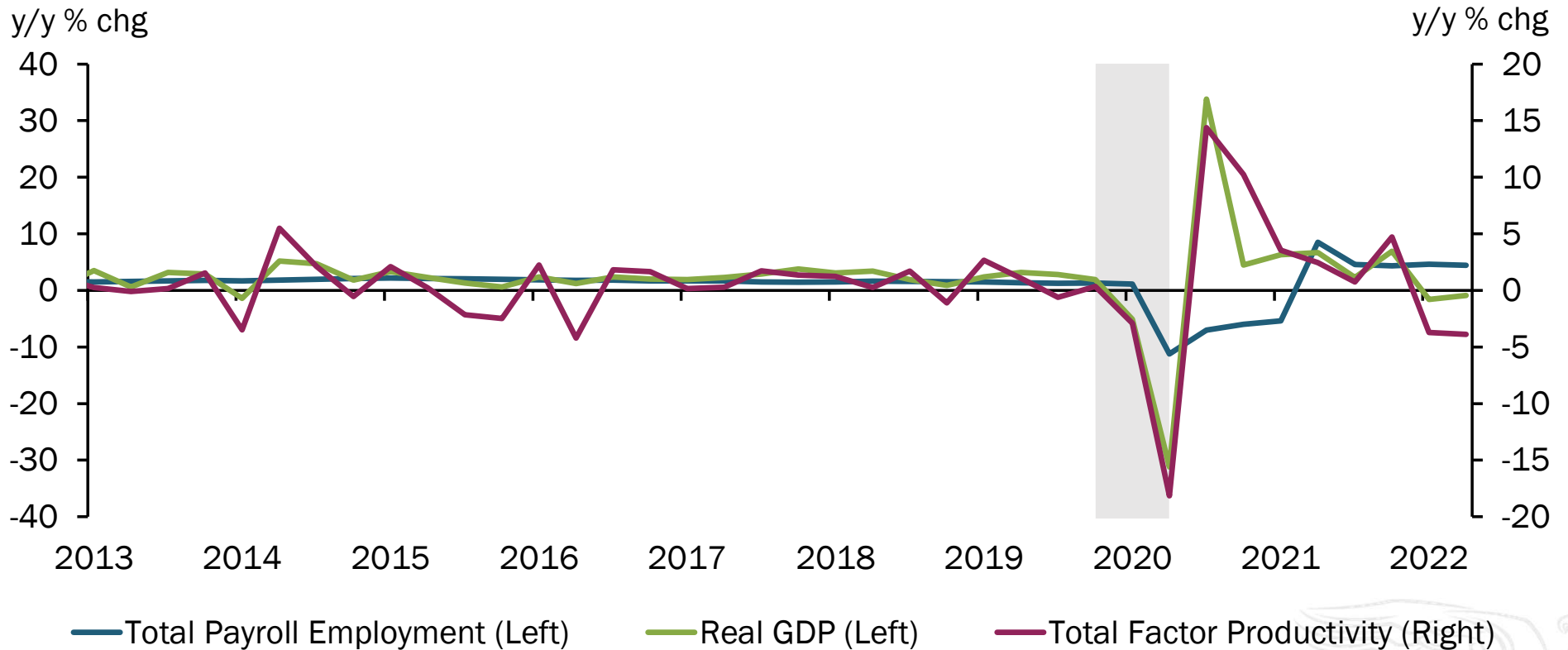
The share of employed individuals with more than one job has increased over the past few months



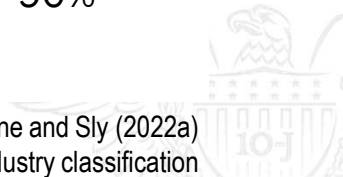
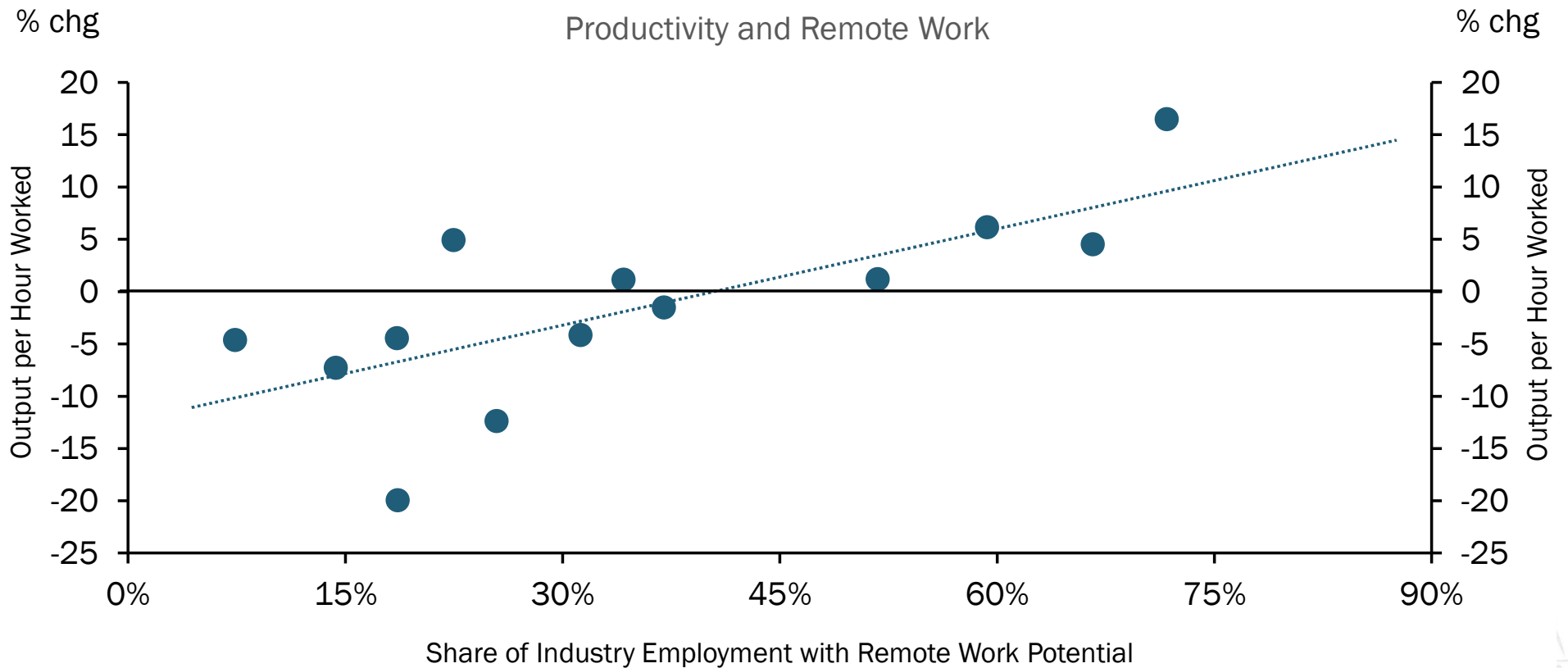
Source: BLS, FRED

Note: Grey bars indicate recession shading

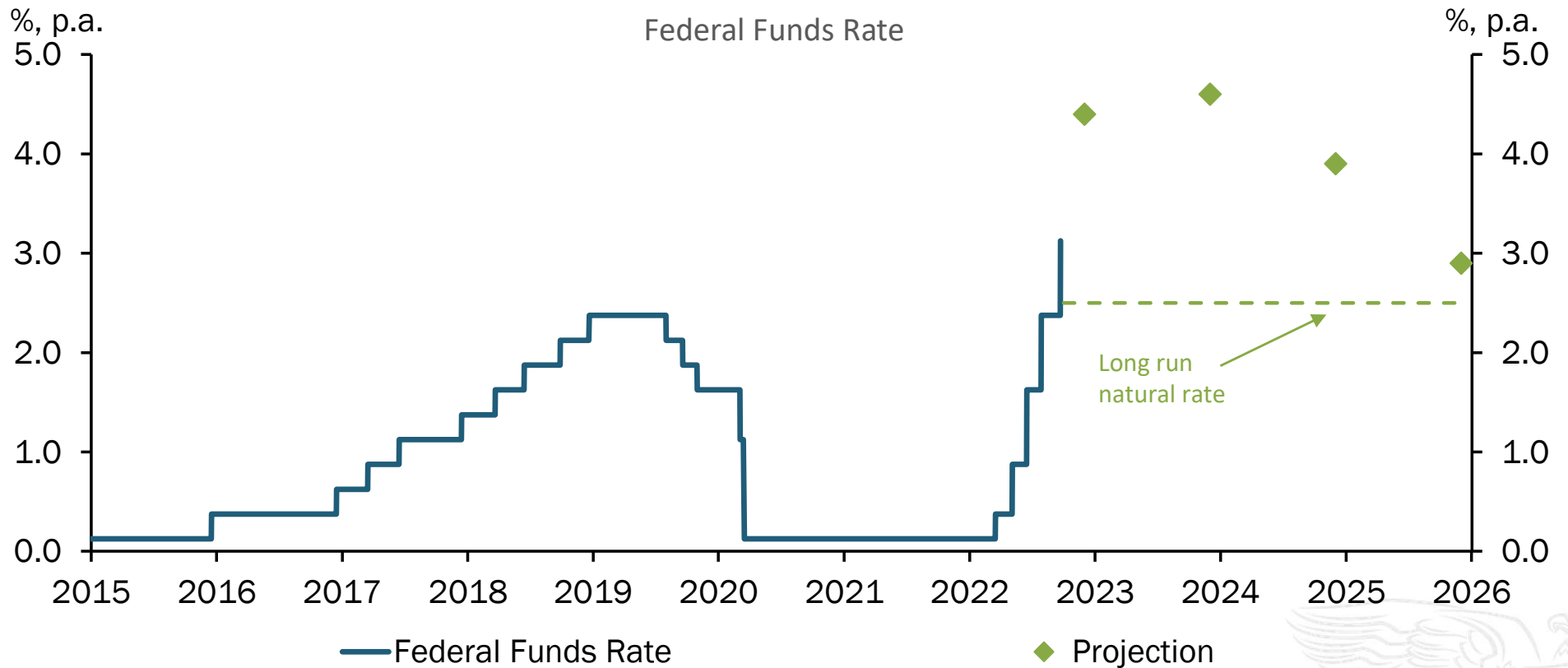
Productivity declined since the beginning of the year, adding to supply constraints of the U.S. economy



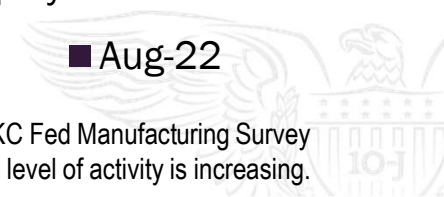
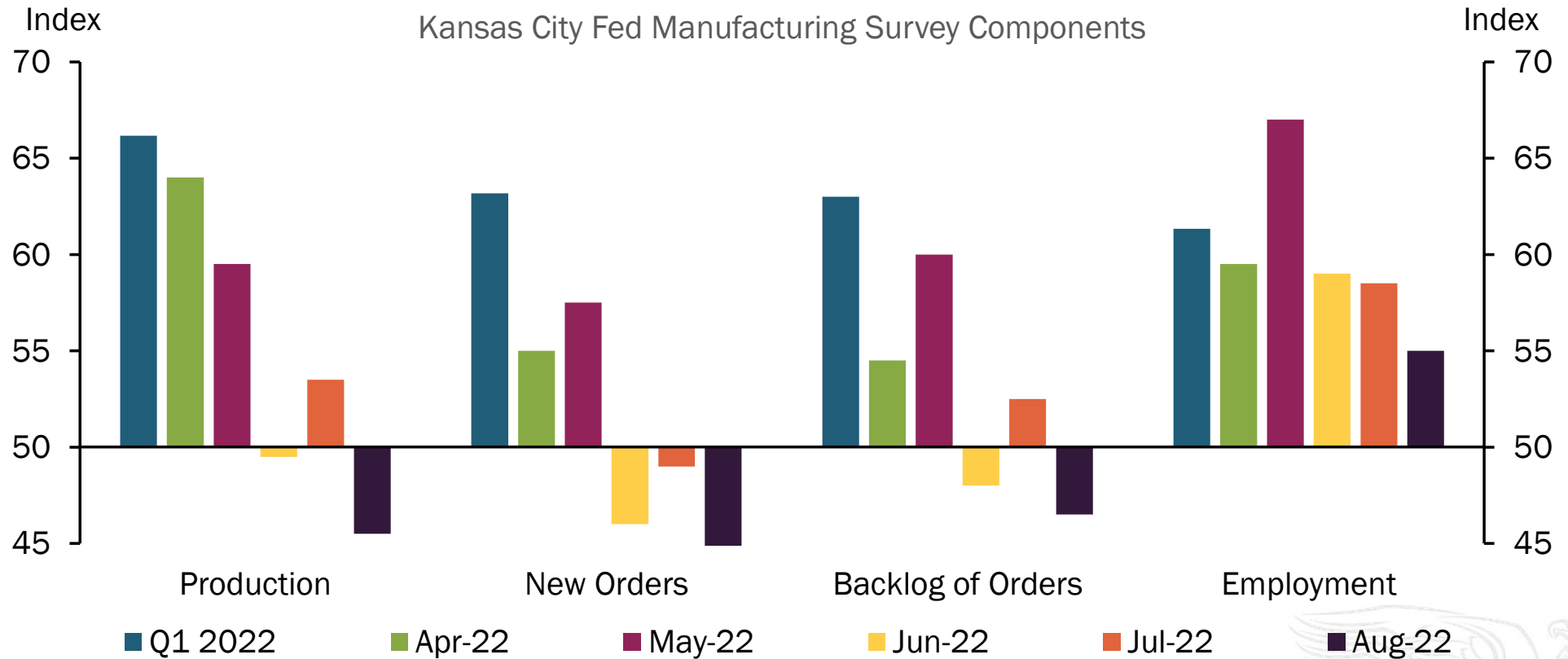
Labor productivity declined in sectors where remote work is scant, and worker quit rates are most elevated



The Federal Reserve is moving interest rates into a restrictive stance of monetary policy to restore price stability

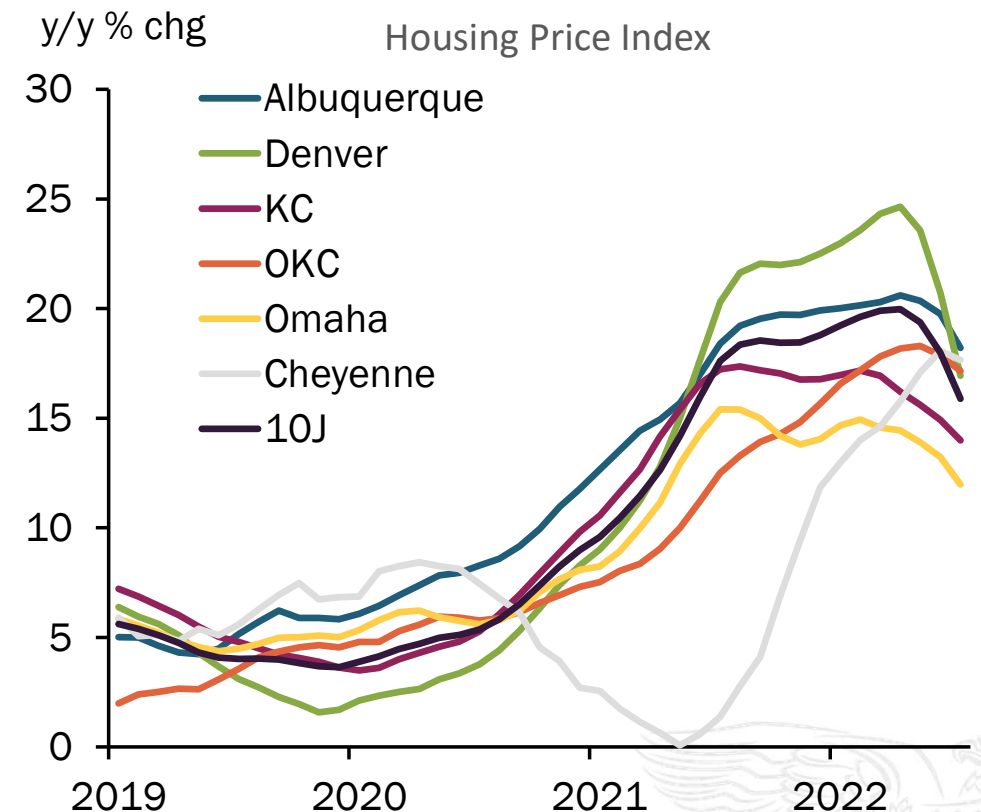
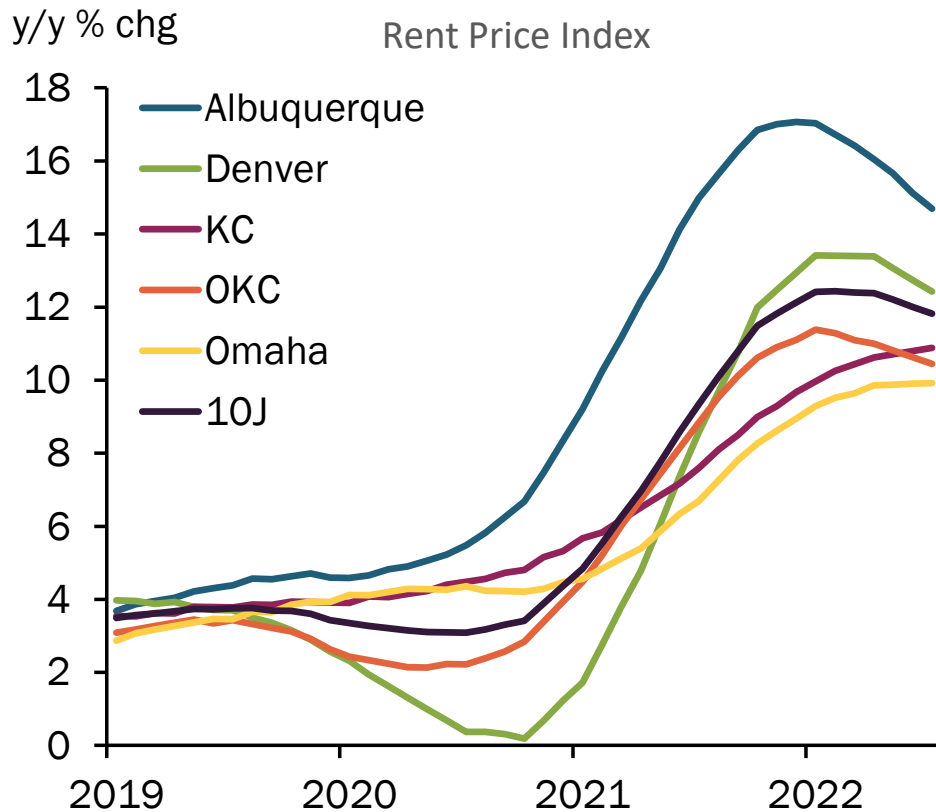


Measures of production across the region point to declining activity, while job growth and labor demand remain healthy

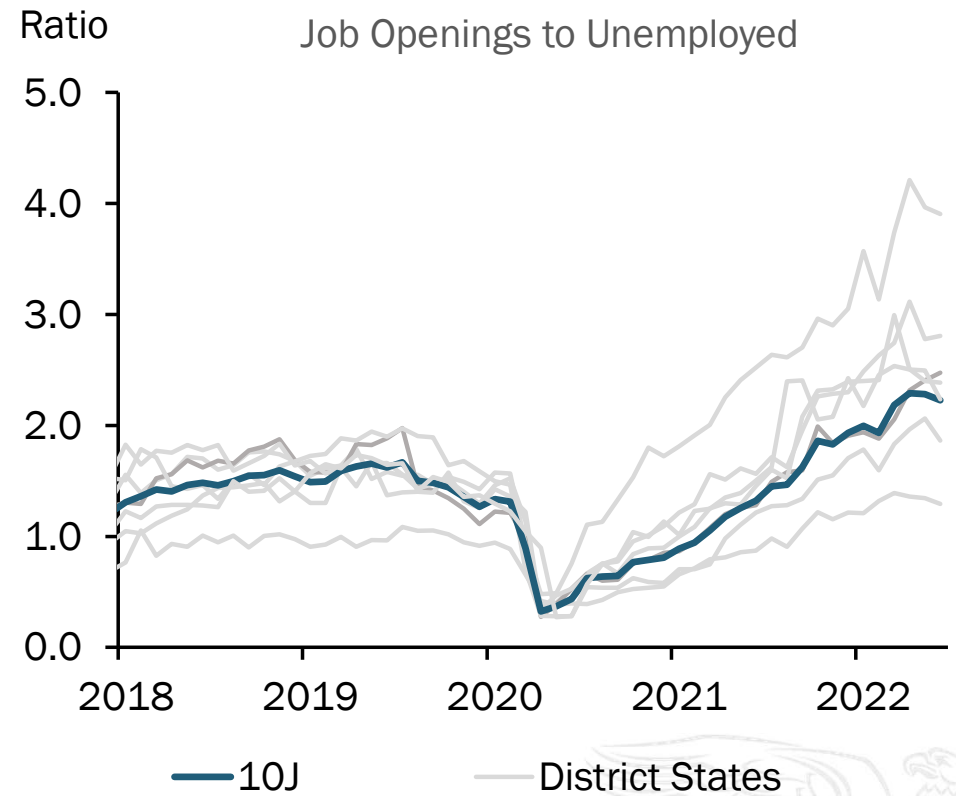
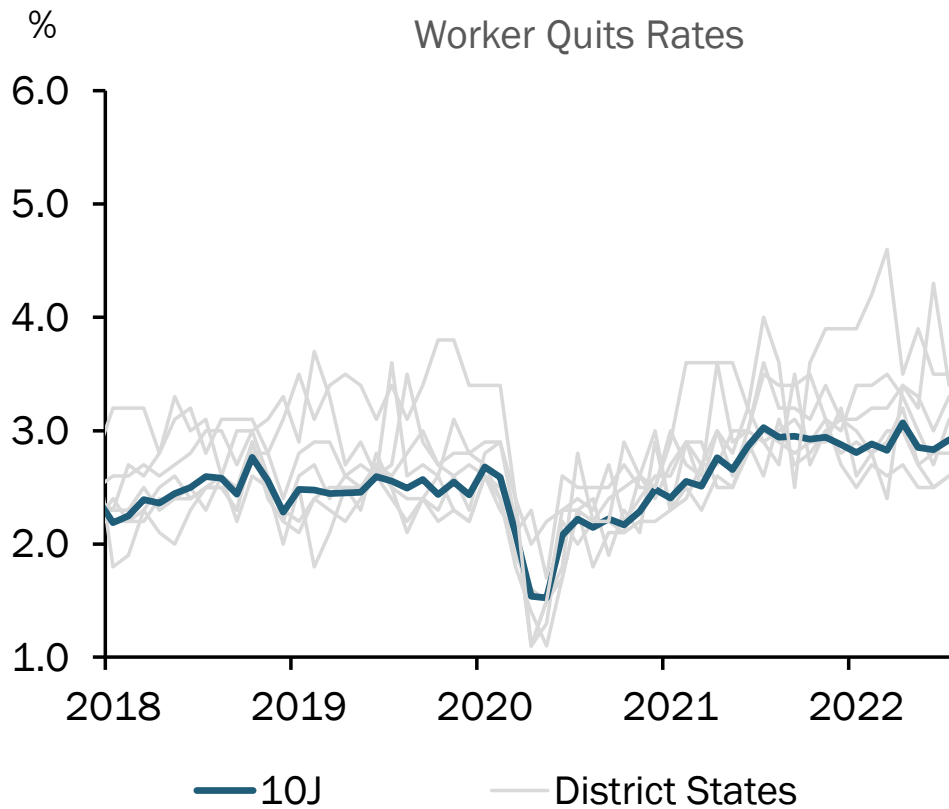


Sources: KC Fed Manufacturing Survey
 Note: An index level above 50 indicates the level of activity is increasing.

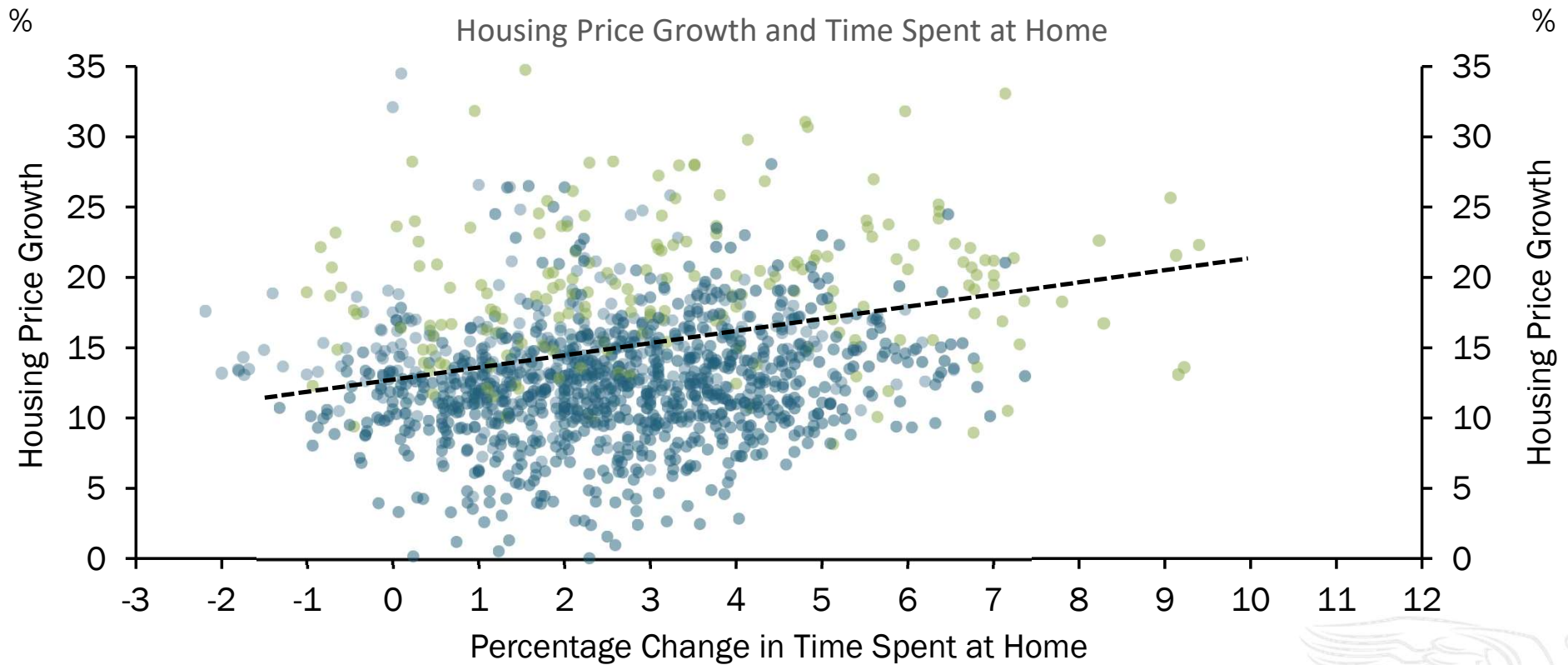
The housing market is cooling as the numbers of existing homes sold and the number of new homes constructed are falling



Regional labor markets are extremely tight, but workers are quitting their jobs somewhat less frequently and job posting rates are slowing



Parts of the region where residents continue to spend more time working at home have experienced faster growth in home prices



Looking ahead

- Uncertainty about the near- and medium-term outlooks remains elevated
- Contacts across the region are reporting varied actions to ‘right-size’ their business, which often means considering how many open job vacancies to fill rather than jobs to cut
- Lags in the pass-through of cost increases to customers are pinching profit margins, which is beginning to inhibit future capex plans for some businesses
- The Federal Reserve has stated that a sustained stance of restrictive policy is likely to be appropriate to restore price stability



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