

Figures for “An Update on the Economy and Monetary Policy”

Loretta J. Mester*
President and Chief Executive Officer
Federal Reserve Bank of Cleveland

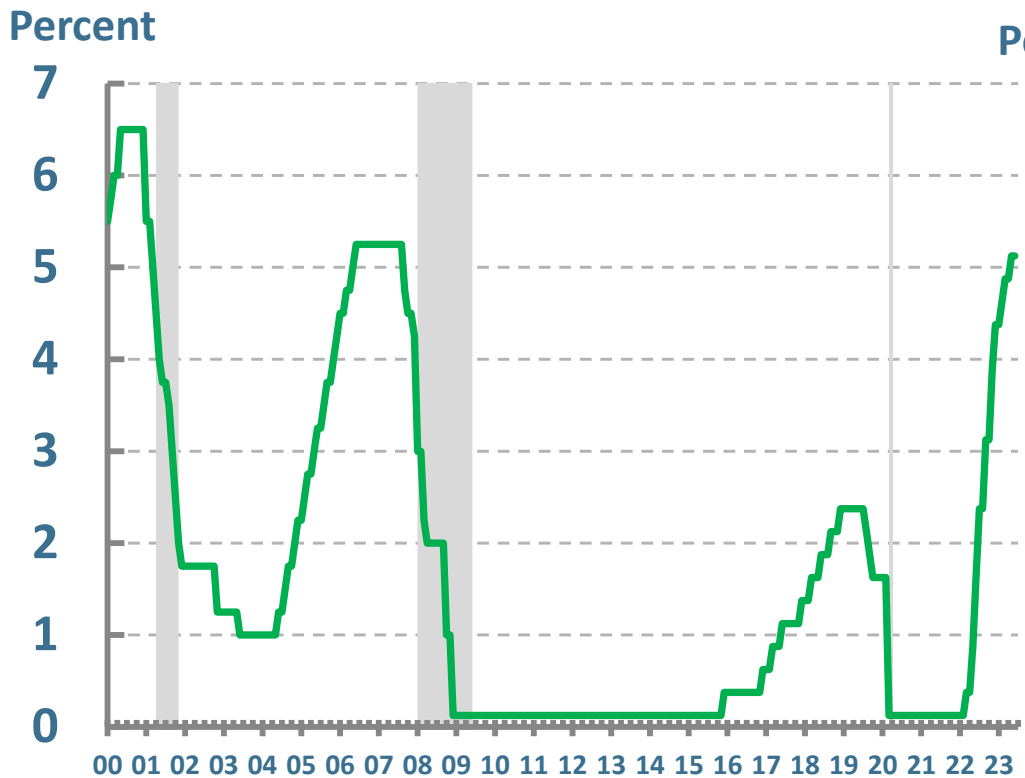
2023 UC San Diego Economics Roundtable
San Diego, CA
(via videoconference)

July 10, 2023

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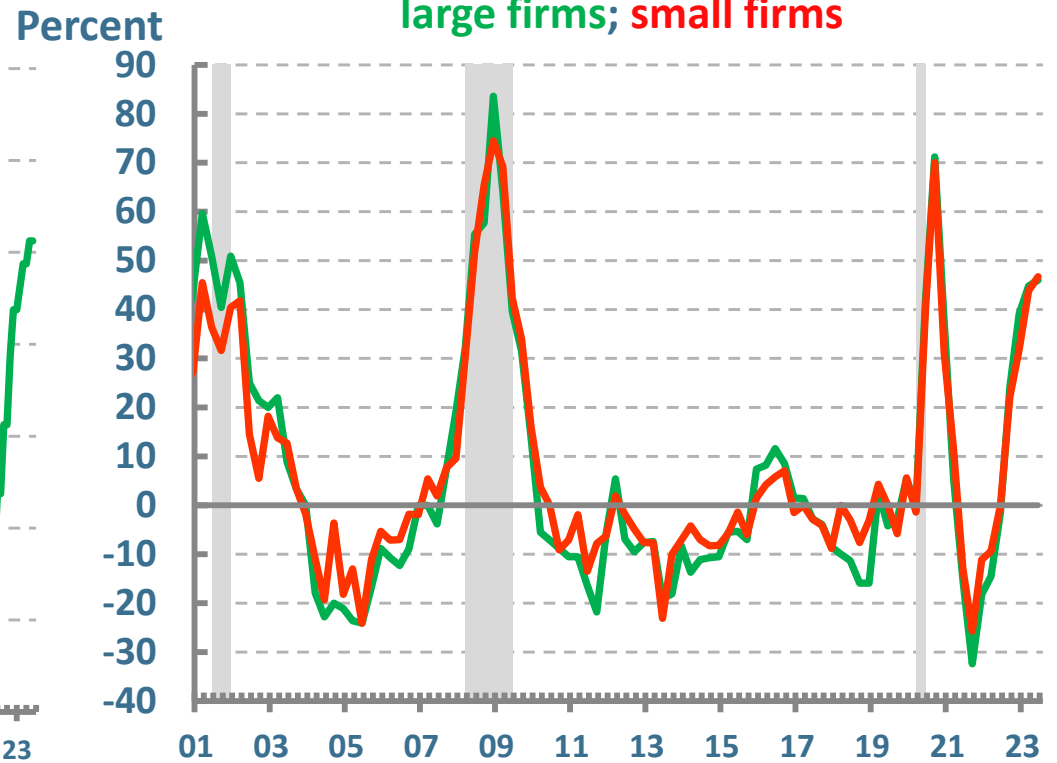
Figure 1. The FOMC has raised the fed funds rate target by 500 basis points since March 2022 and banks are tightening credit standards

Fed Funds Rate Target



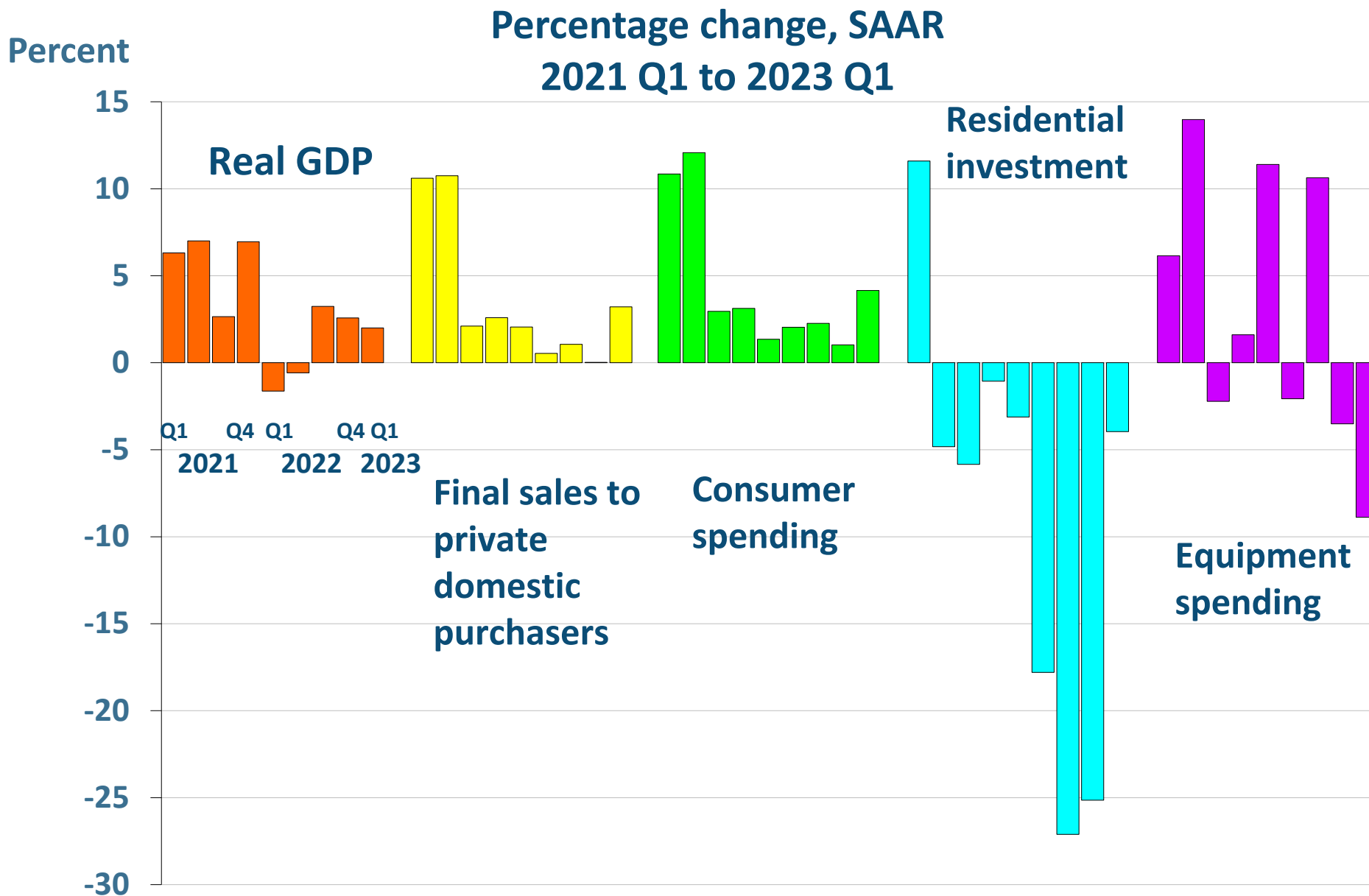
Source: Federal Open Market Committee via Haver Analytics
 Monthly data, end of period, midpoint of target range
 starting in Dec 2008: Last obs. June 2023

Senior Loan Officer Opinion Survey: Net % of banks tightening standards for C&I loans to: large firms; small firms



Source: Federal Reserve Board via Haver Analytics
 Quarterly data: Last obs. 2023 Q2

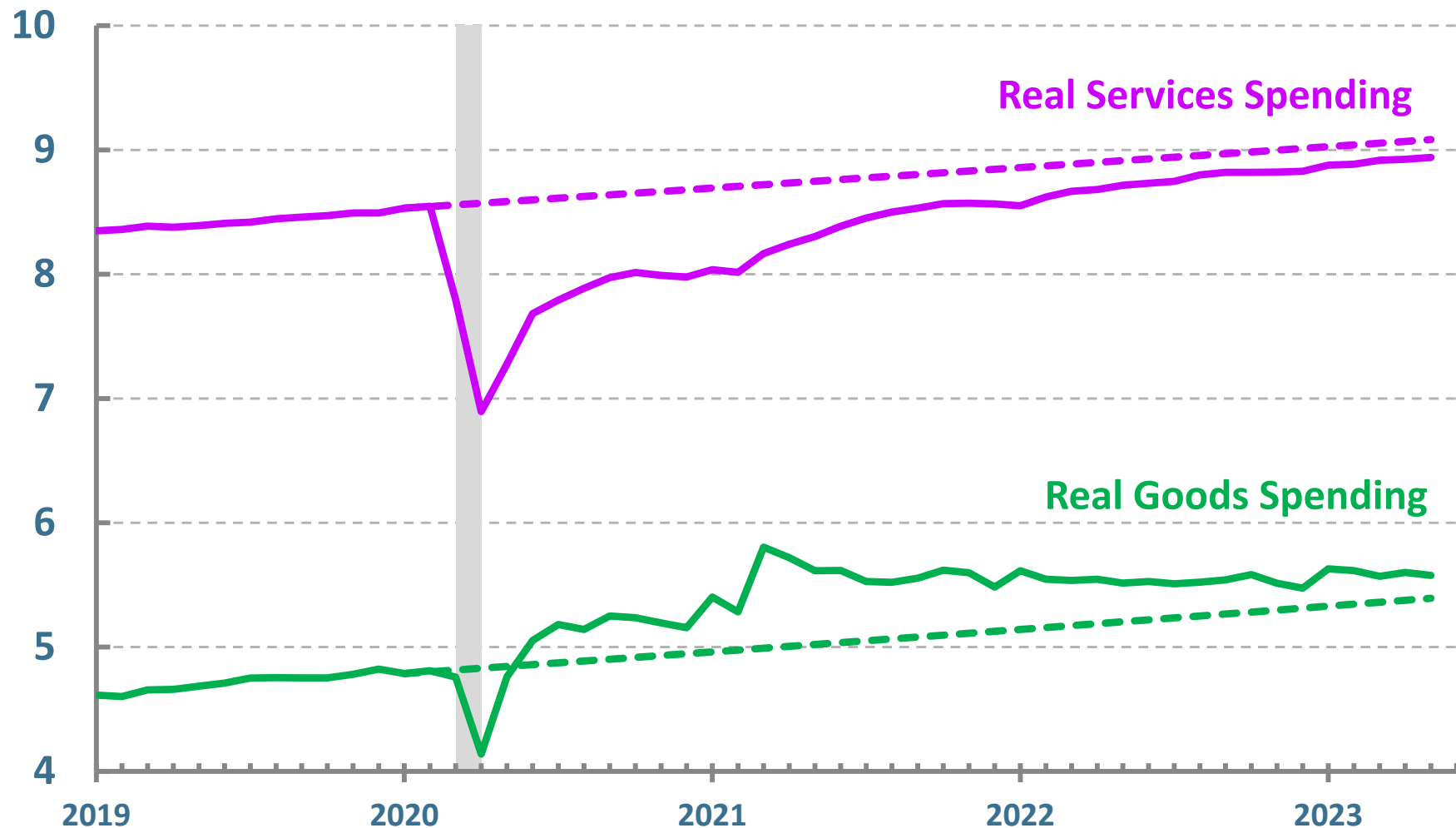
Figure 2. Output growth has slowed but less than anticipated



Source: Bureau of Economic Analysis via Haver Analytics
 Quarterly data: Last obs. 2023 Q1

Figure 3. Real goods spending is still above trend and real services spending is still below trend

Trillions of chain-weighted 2012 \$



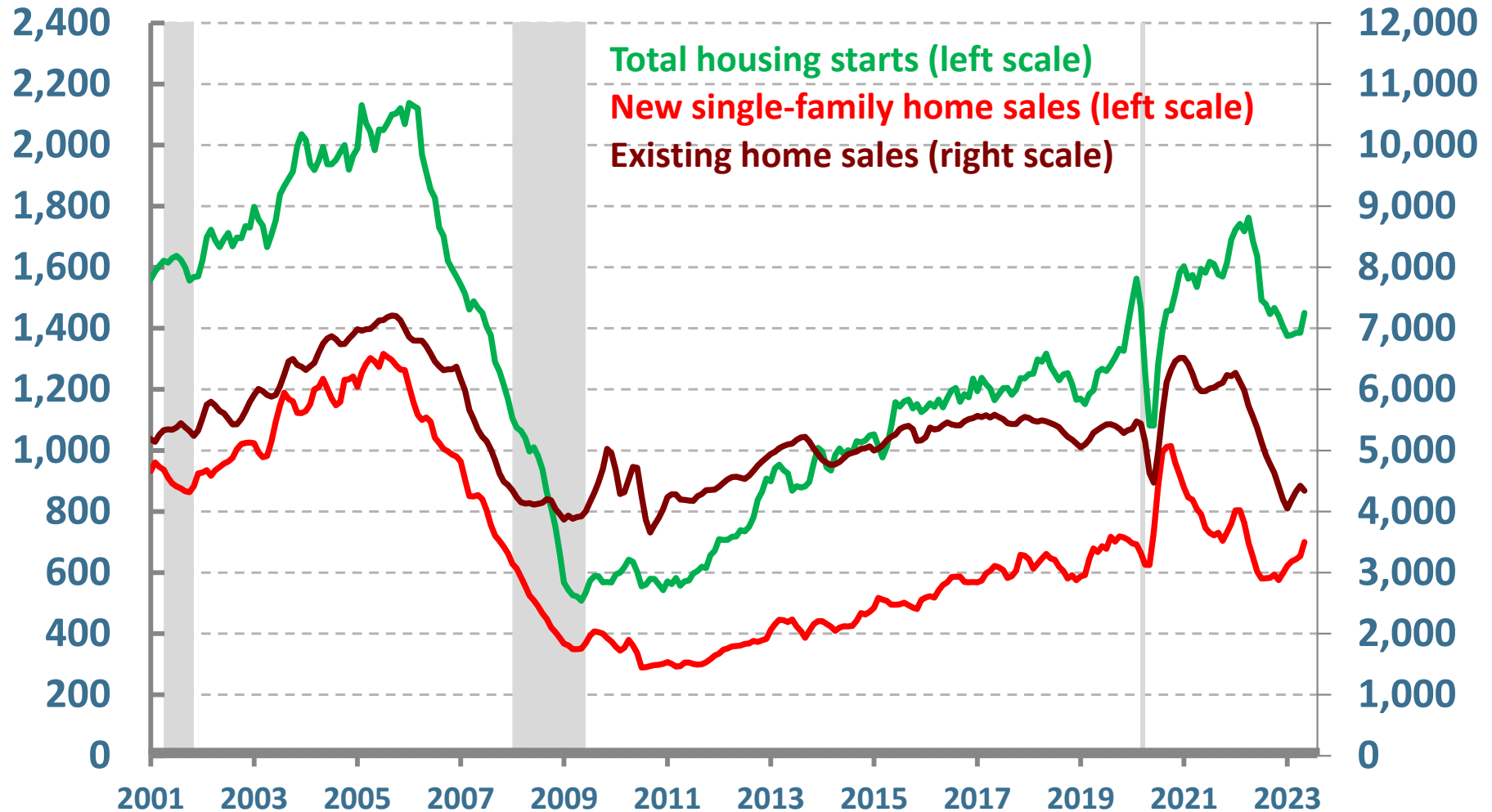
Source: Bureau of Economic Analysis via Haver Analytics
Monthly data: Last obs. May 2023

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Figure 4. Housing activity slowed as mortgage rates rose last year but it has picked up more recently

Thousands, 3-mo mov avg

Thousands, 3-mo mov avg

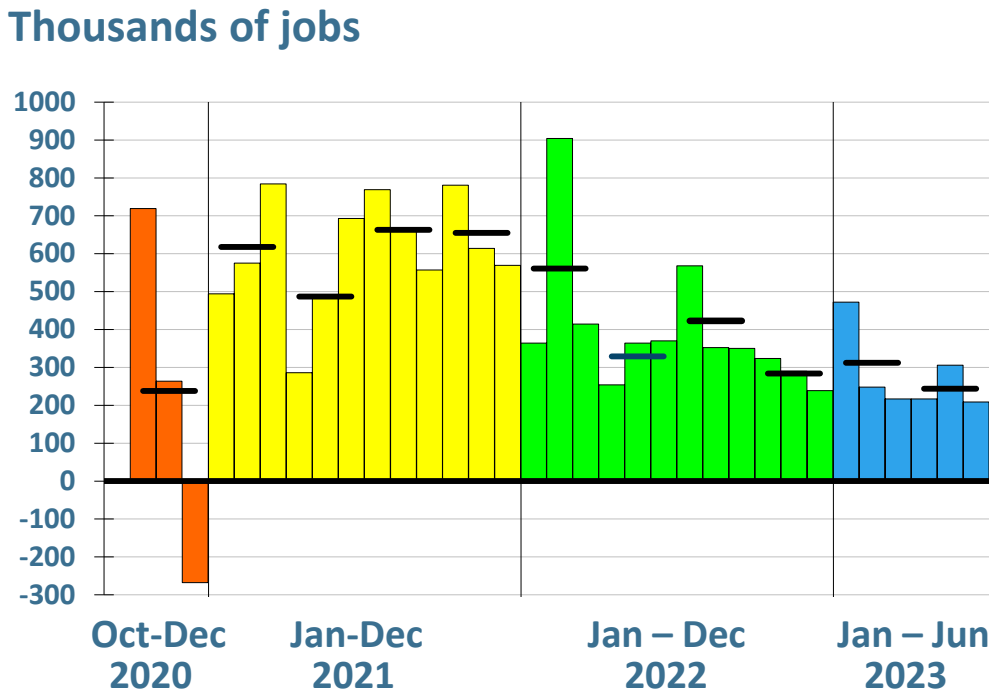


Source: Census Bureau for housing starts and new single-family home sales, and National Association of Realtors for existing home sales, via Haver Analytics

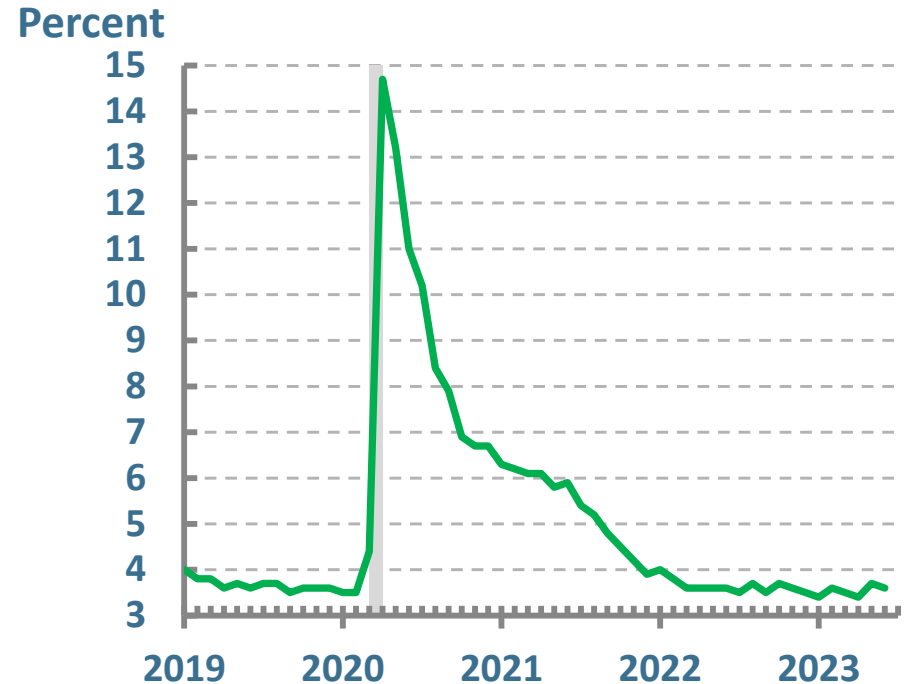
Monthly data: Last obs. May 2023

Figure 5. Employment growth has moderated but labor markets remain tight

Monthly change in payroll employment and 3-month average change

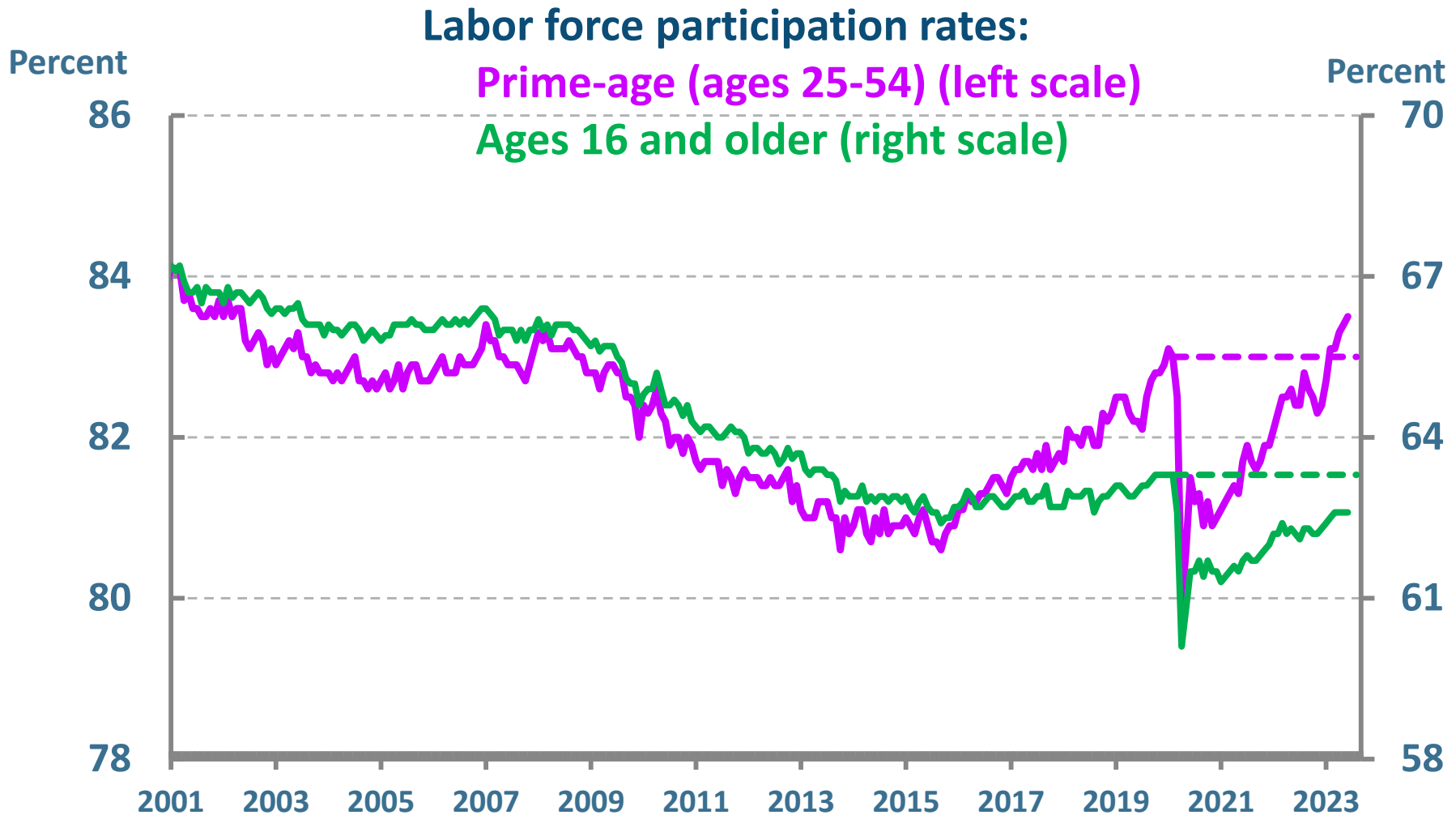


Unemployment rate



Source: Bureau of Labor Statistics via Haver Analytics
 Monthly data: Last obs. June 2023

Figure 6. Labor force participation rates have been rising and the rate of prime-age participation is now above its pre-pandemic level

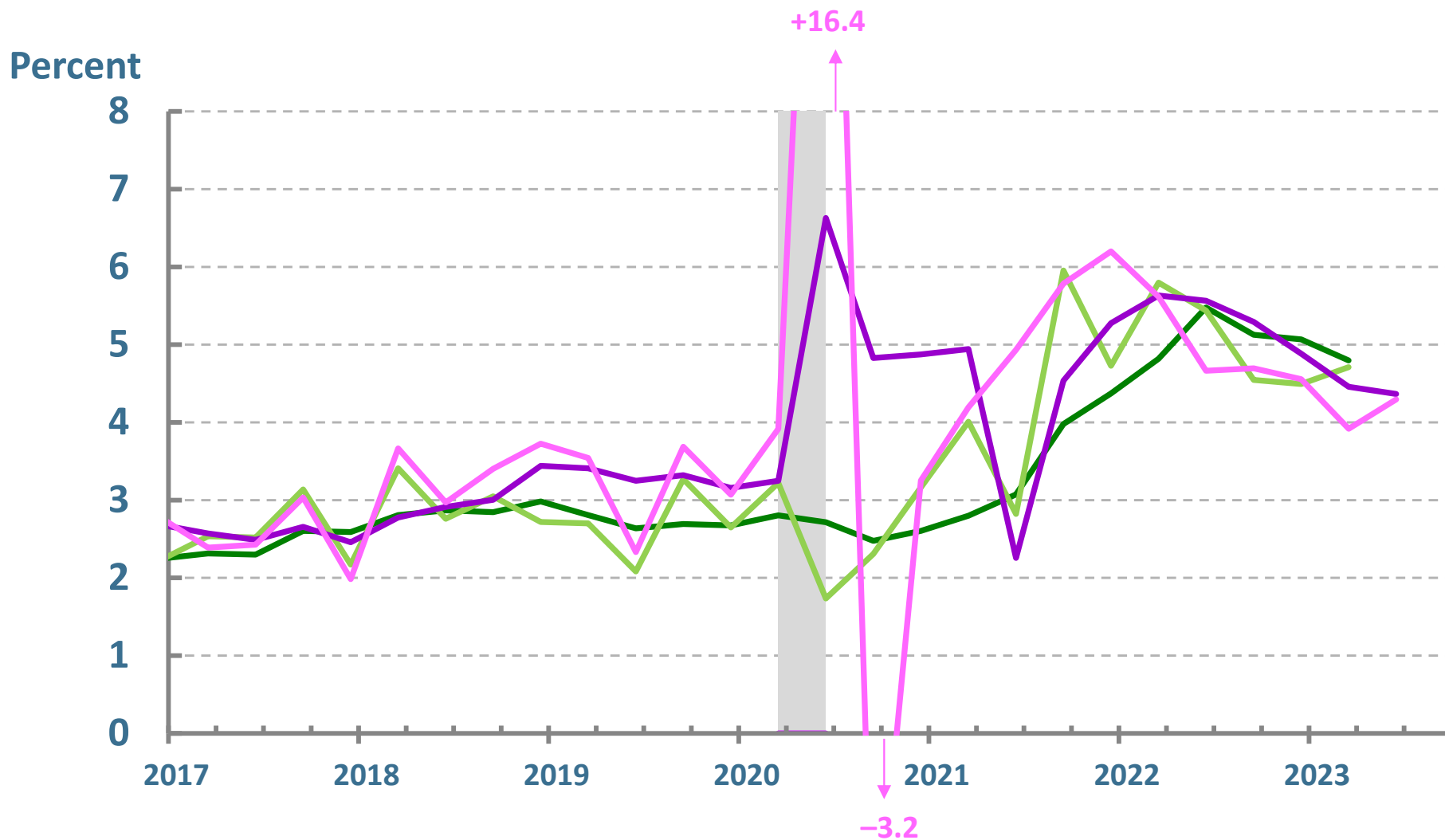


Source: Bureau of Labor Statistics via Haver Analytics
Monthly data: Last obs. June 2023

Figure 7. Compensation growth is down from its peak but is well above the level consistent with price stability

Avg hourly earnings, private industry: **yr-over-yr % chg** and **qrt chg, ann**

Employment cost index: comp, private wkers: **yr-over-yr % chg** and **qrt chg, ann**



Source: Bureau of Labor Statistics via Haver Analytics

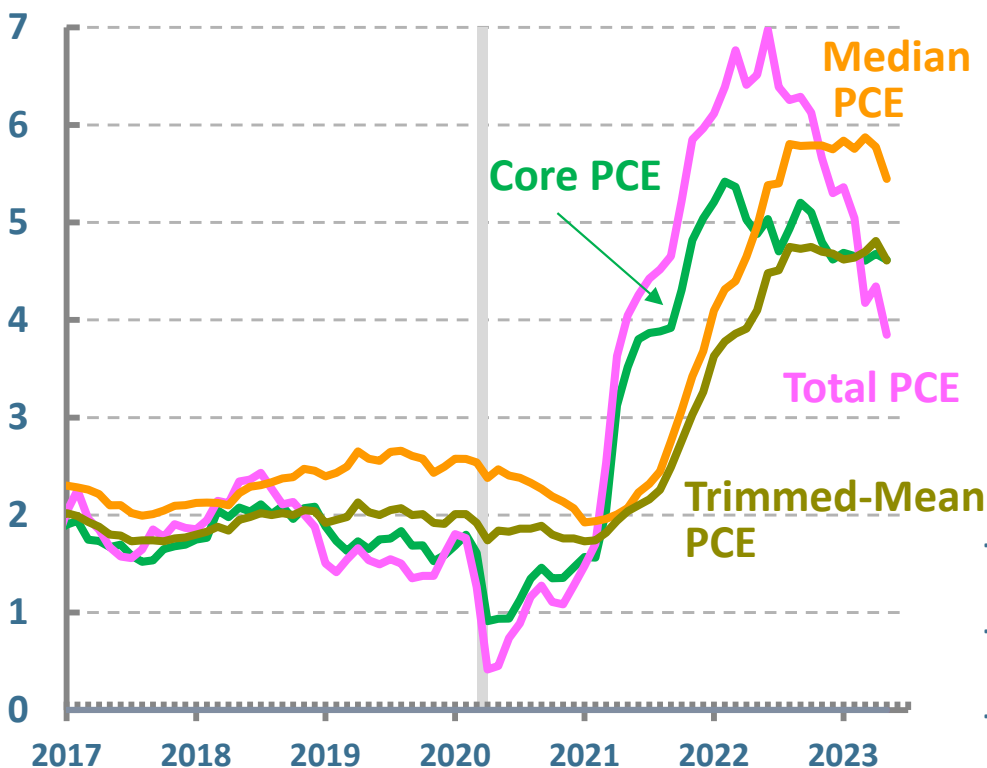
8 Quarterly data: Last obs. 2023 Q1 for ECI and 2023 Q2 for AHE

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Figure 8. PCE inflation is down from its peak, reflecting sharp drops in energy prices and deceleration in food prices

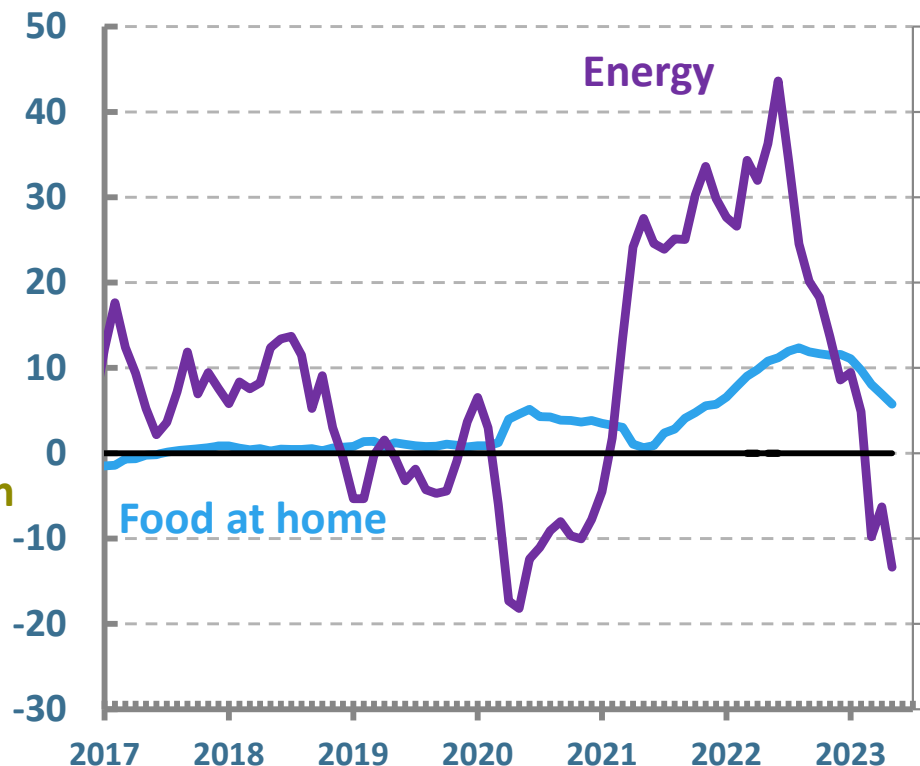
PCE inflation

Year-over-year percentage change



Food and energy components

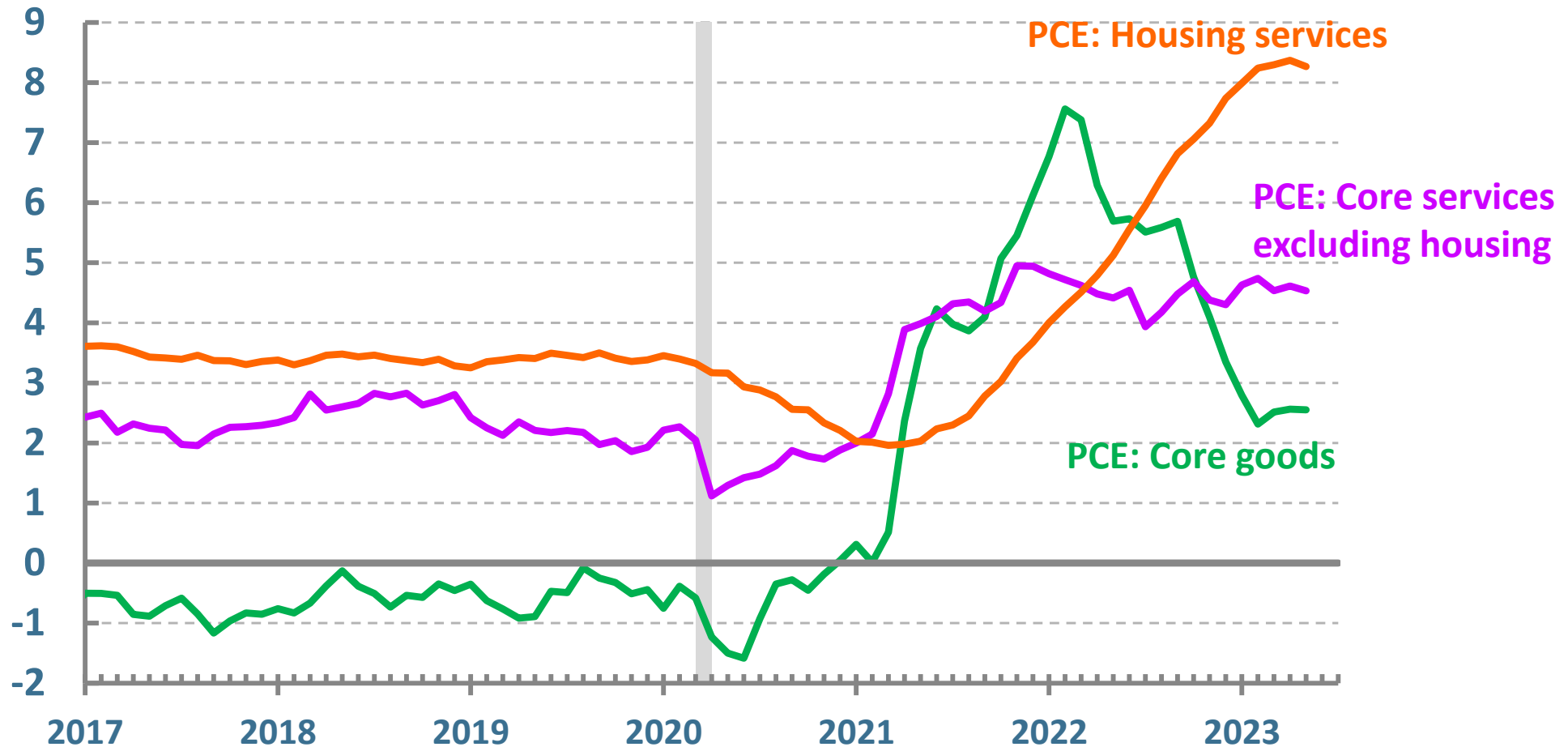
Year-over-year percentage change



Source: Cleveland Fed for median PCE, Dallas Fed for trimmed-mean PCE, Bureau of Economic Analysis for others, via Haver Analytics
 Monthly data: Last obs. May 2023

Figure 9. Core goods inflation has fallen and housing services inflation is expected to decline this year. Inflation in core services excluding housing has shown little improvement over time.

Year-over-year percentage change

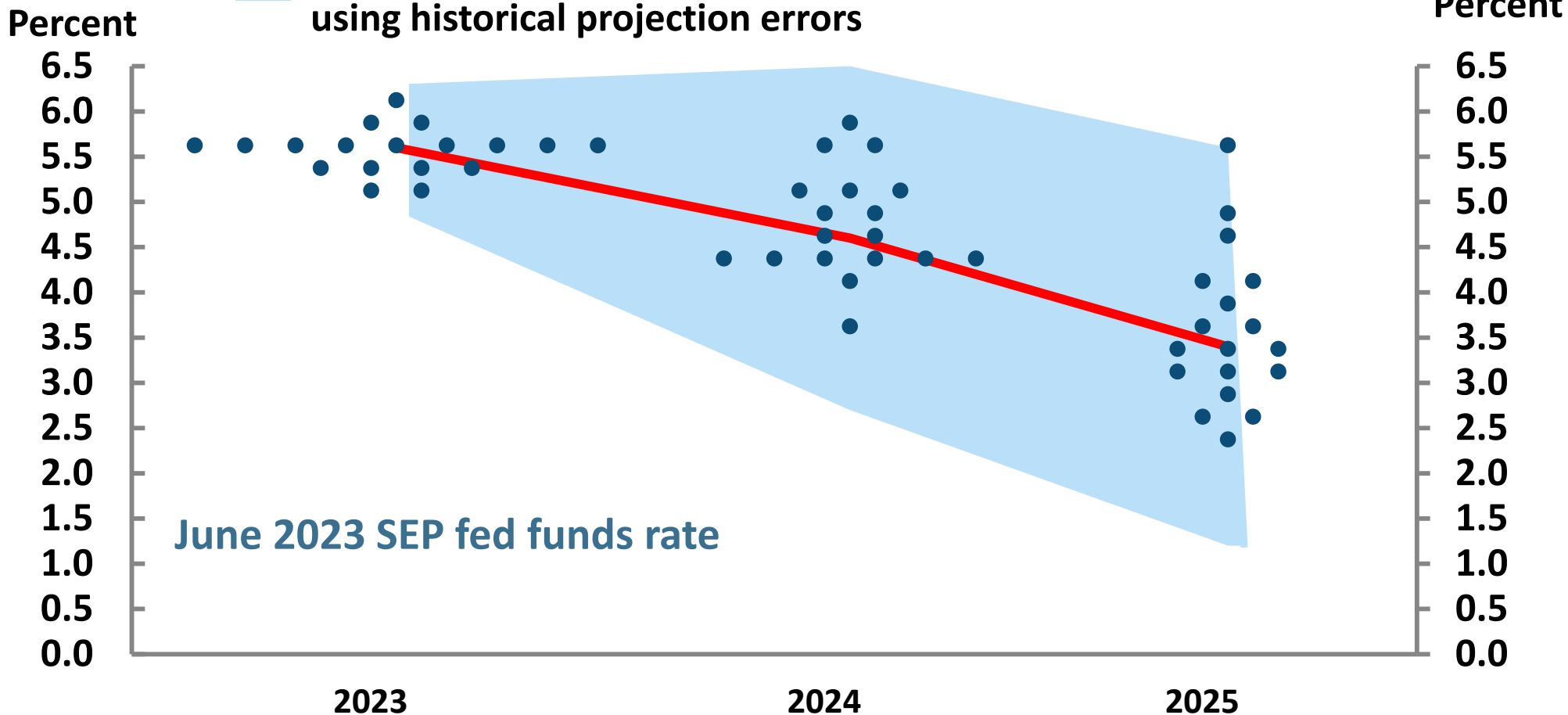


Source: Bureau of Economic Analysis via Haver Analytics
Monthly data: Last obs. May 2023

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Figure 10. The median fed funds rate path in the June SEP shows rates rising somewhat further this year

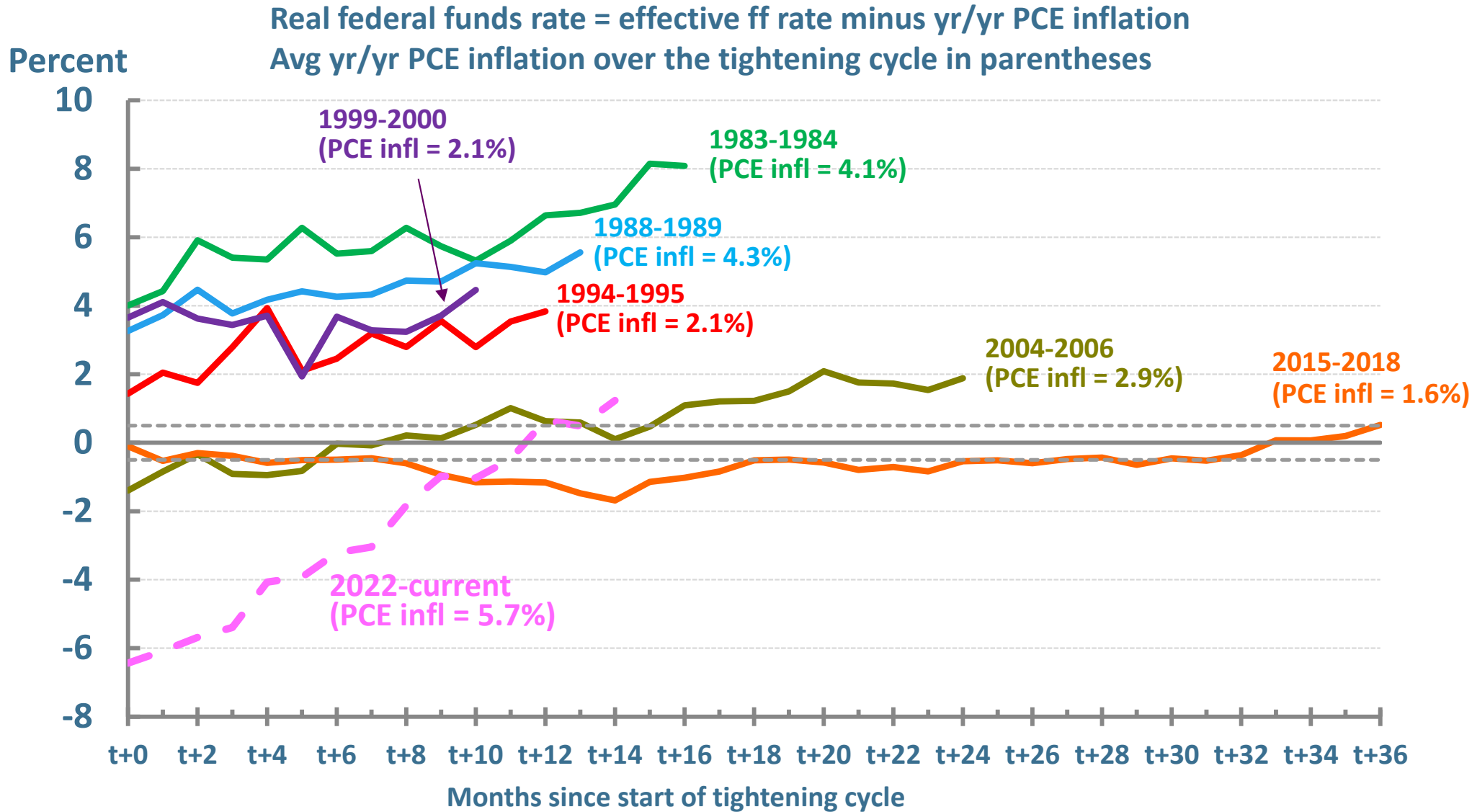
- Median of projections
- Individual projections
- 70% confidence interval around median of projections using historical projection errors



Source: FOMC's Summary of Economic Projections (SEP), June 2023.

Fan chart based on historical forecast errors from Table 2 of SEP, based on D. Reifschneider and P. Tulip, Board of Governors FEDS Working Paper 2017-020 (Feb. 24, 2017).

Figure 11. The real fed funds rate is relatively low compared to several other tightening cycles

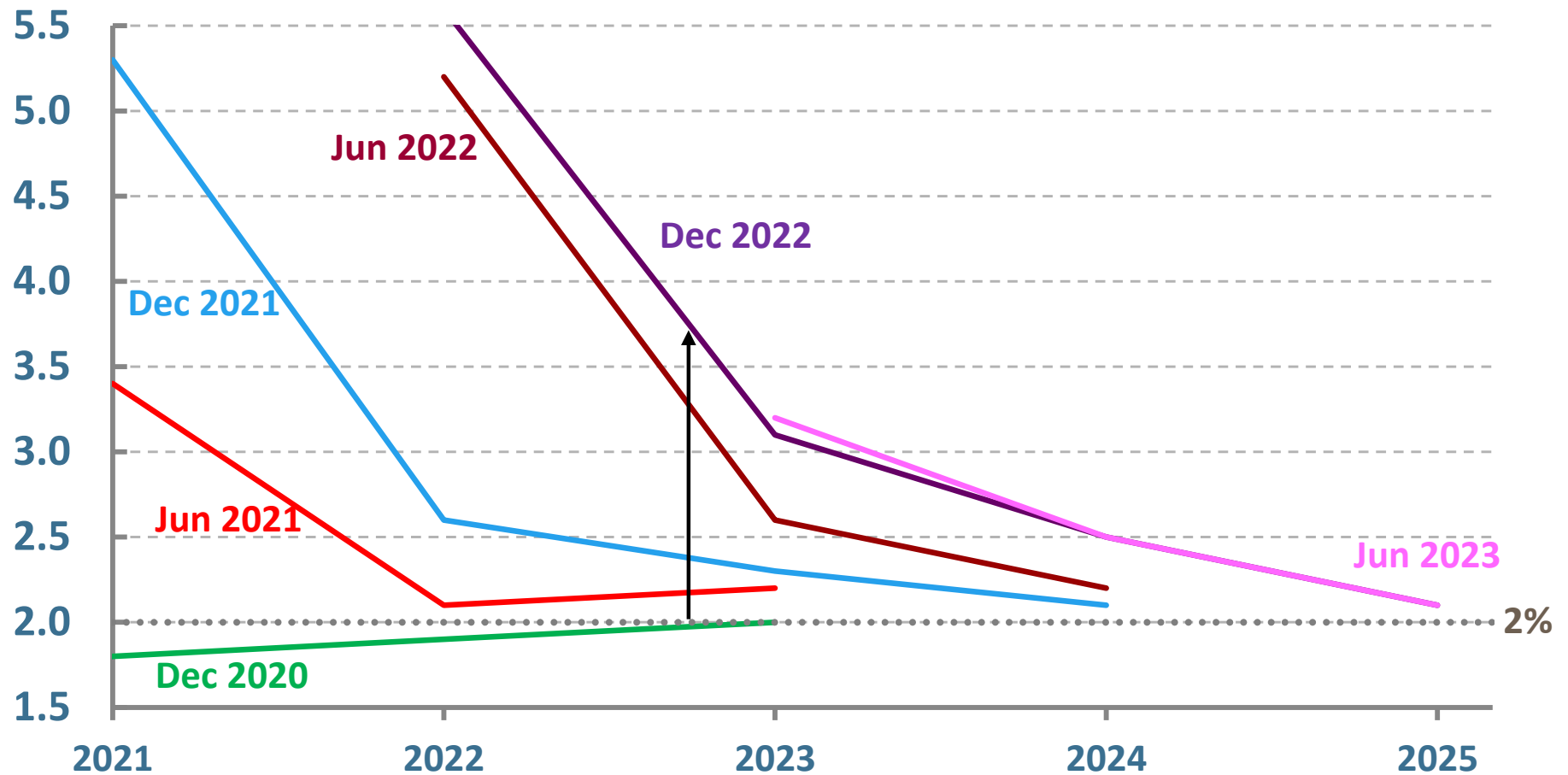


Source: Federal Reserve Board for federal funds rate and Bureau of Economic Analysis for PCE inflation via Haver Analytics, tightening cycles from Fed Res Bk of St. Louis
 Monthly data

Figure 12. Inflation forecasts have been revised up over time

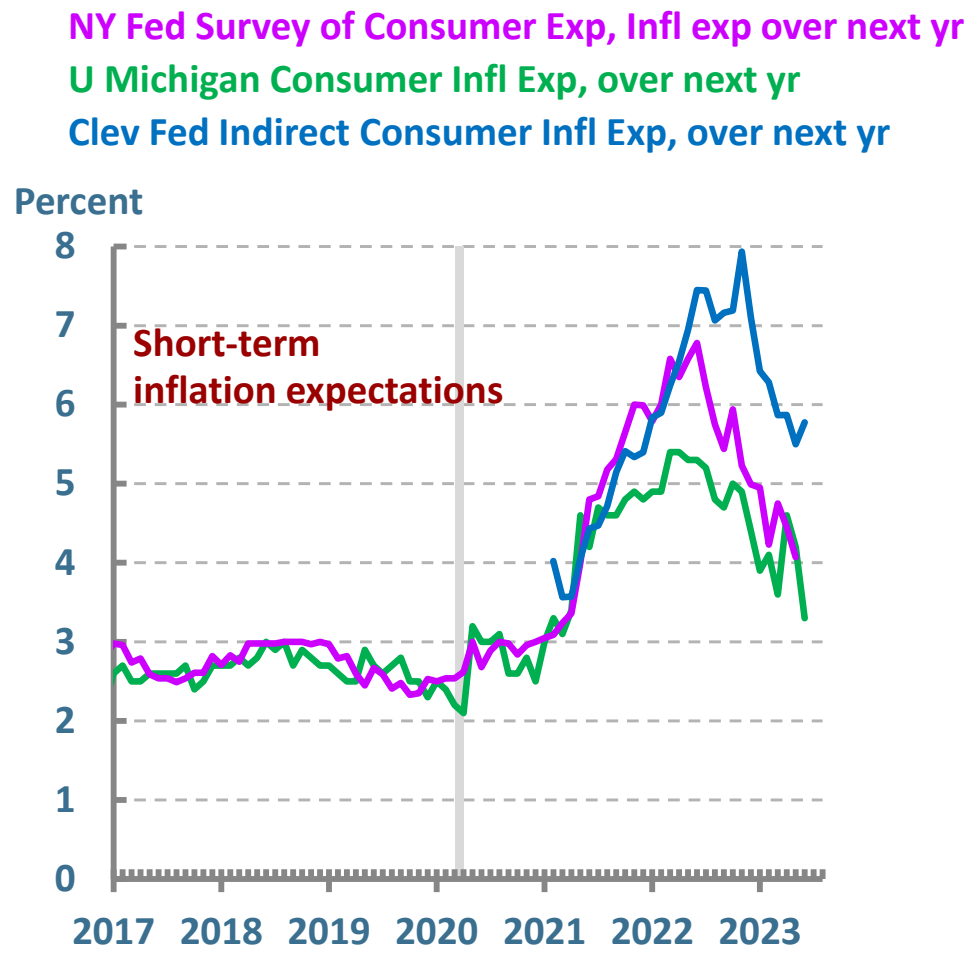
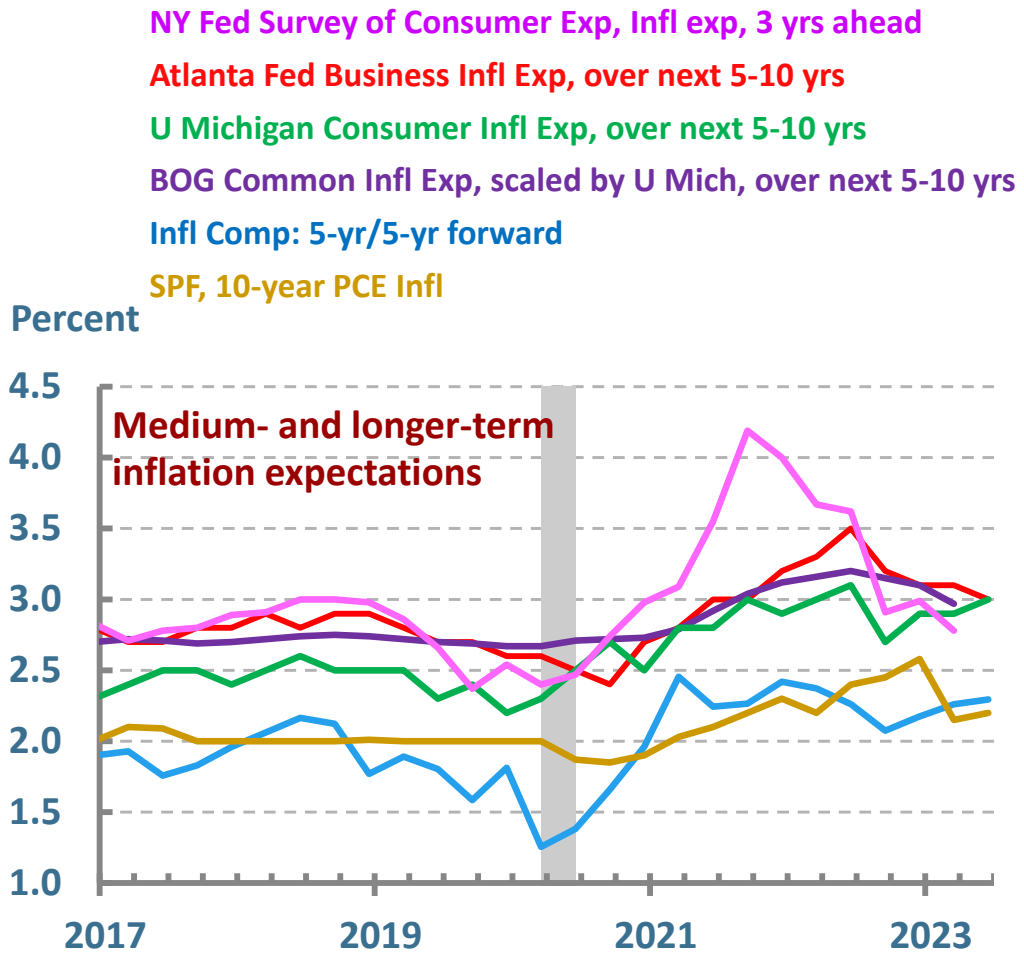
FOMC SEP Median PCE Inflation Projections

Q4-over-Q4 percentage change



Source: FOMC Summary of Economic Projections (SEP)

Figure 13. Medium- and longer-term inflation expectations are reasonably well anchored. Near-term inflation expectations have moved with inflation.



Source: Federal Reserve Board, Federal Reserve Banks of Atlanta, Cleveland, Philadelphia, and New York, University of Michigan via Haver Analytics
 Monthly data for near-term measures (weekly avg for Clev Fed): last obs. June 2023 for U Mich and Clev Fed and May 2023 for NY Fed
 Quarterly data for medium- and longer-term measures (last month of qtr for NY Fed, U Mich, and Infl Comp): last obs. 2023Q1 for BOG, 2023Q2 for others

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