

State of the Economy

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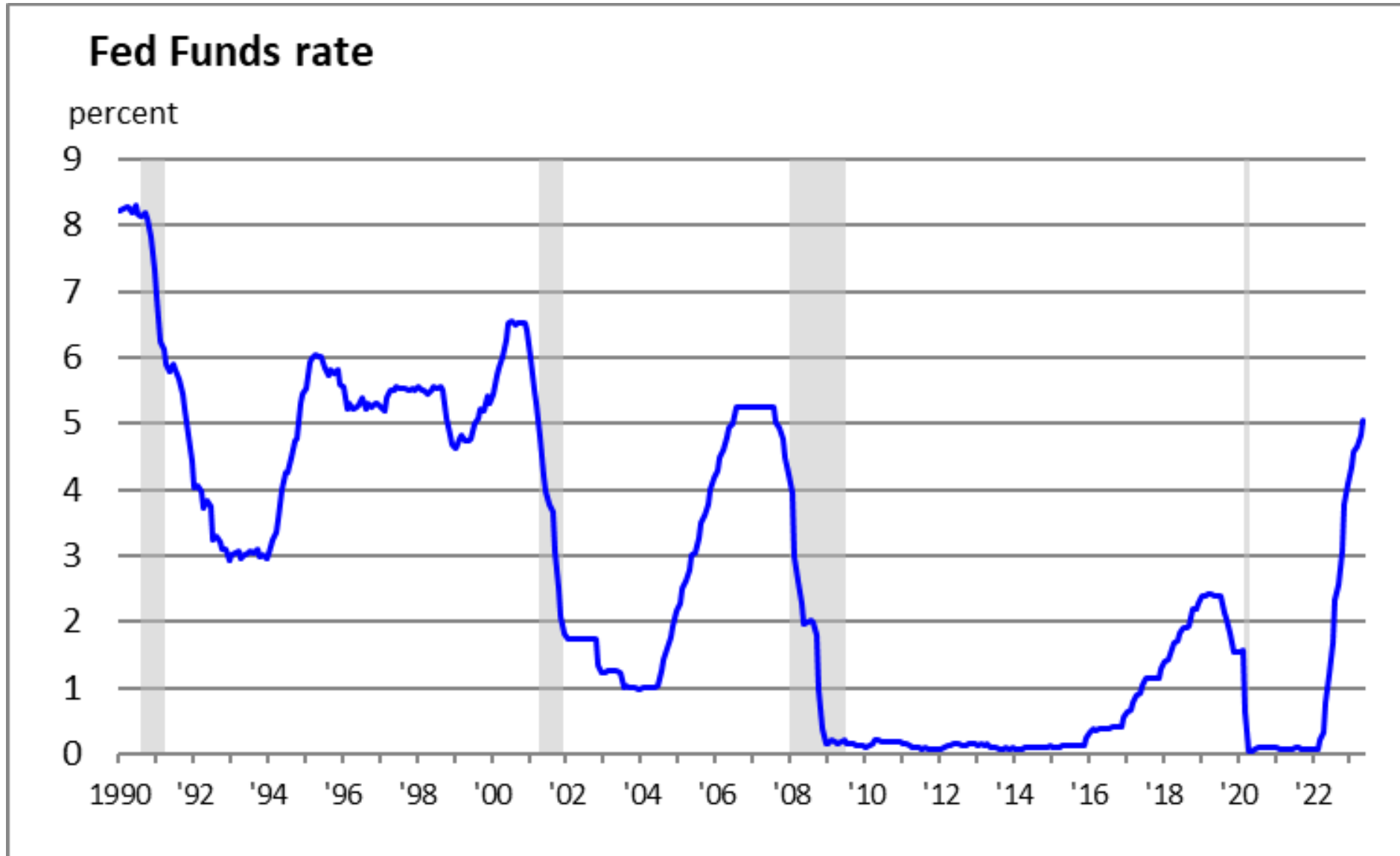


THE VIEWS EXPRESSED HERE DO NOT NECESSARILY REFLECT THOSE OF THE FEDERAL RESERVE BANK OF CHICAGO OR THE FEDERAL RESERVE SYSTEM.

Economy Roared Back from Covid-19, but Scars Linger

- After the Covid recession lasted just two months in 2020, surge of economic activity in 2021 led to bottlenecks and supply chain issues
- 2021's torrid pace sparked a wildfire of inflation given plenty of financial fuel, tight labor markets, and logistical heat
- Plus the war in Ukraine disrupted world dynamics, especially for energy and trade flows, and has no end in sight
- Slower economic growth in 2022, starting with 2 down quarters followed by healthy pickup in Q3
- Higher interest rates and lower wealth slowing the economy, resulting in signs of easing inflation and a possible soft landing

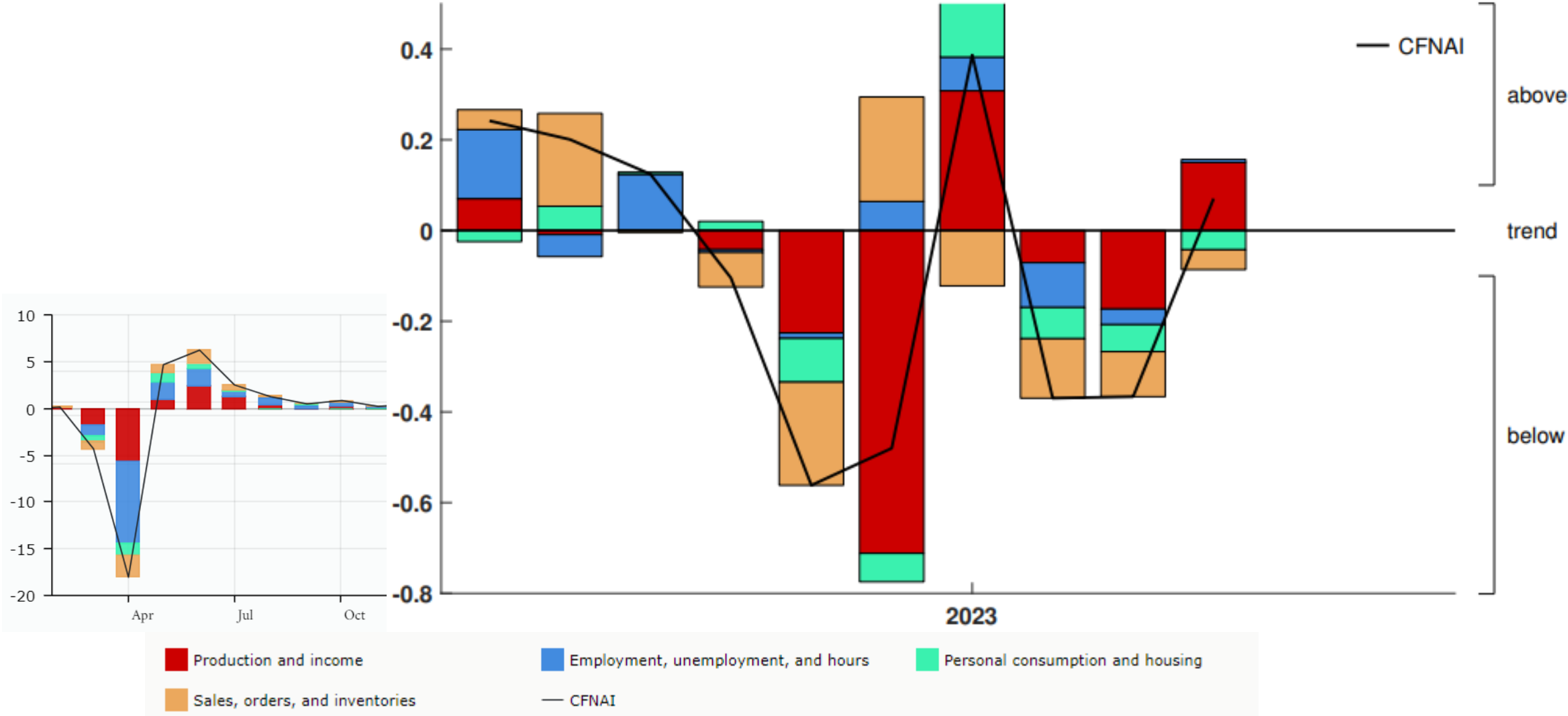
Fed Funds rate target rose sharply to range of 5 to 5.25%



Source: Board of Governors of the Federal Reserve System

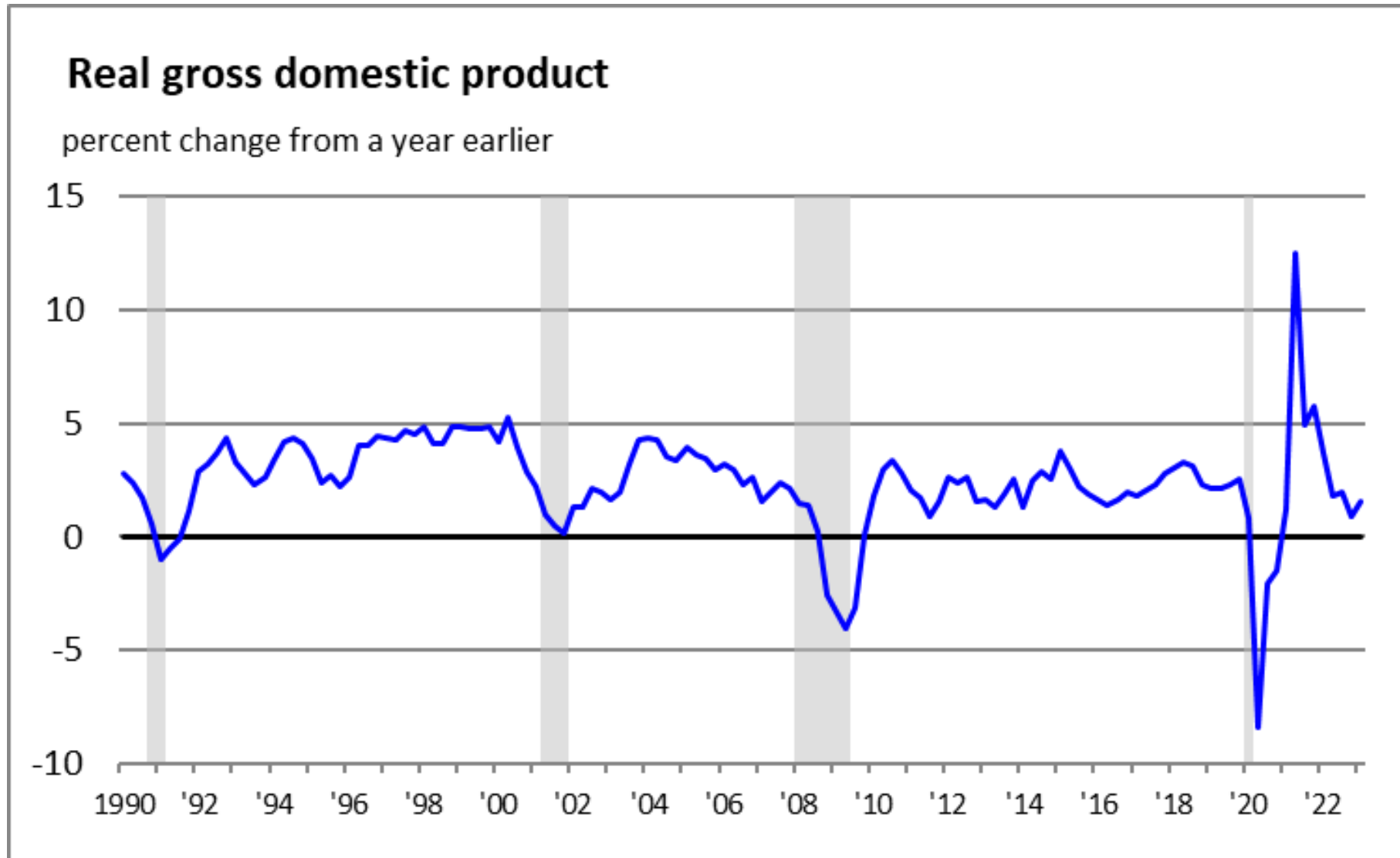
FEDERAL RESERVE BANK of CHICAGO

Chicago Fed National Activity Index (CFNAI)



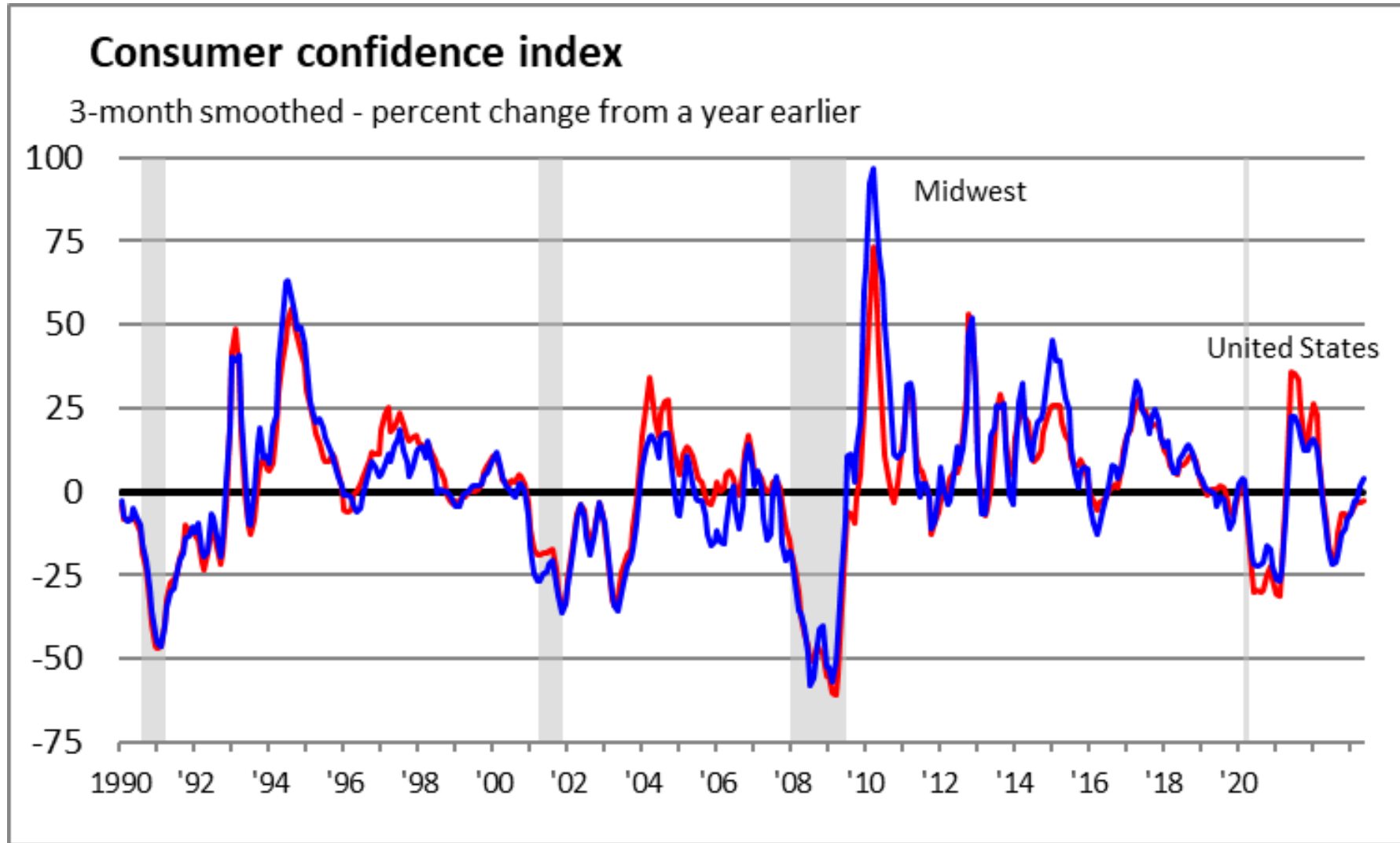
Source: Federal Reserve Bank of Chicago based on 85 monthly indicators

U.S. economy continues to grow, albeit slowly



Source: Bureau of Economic Analysis

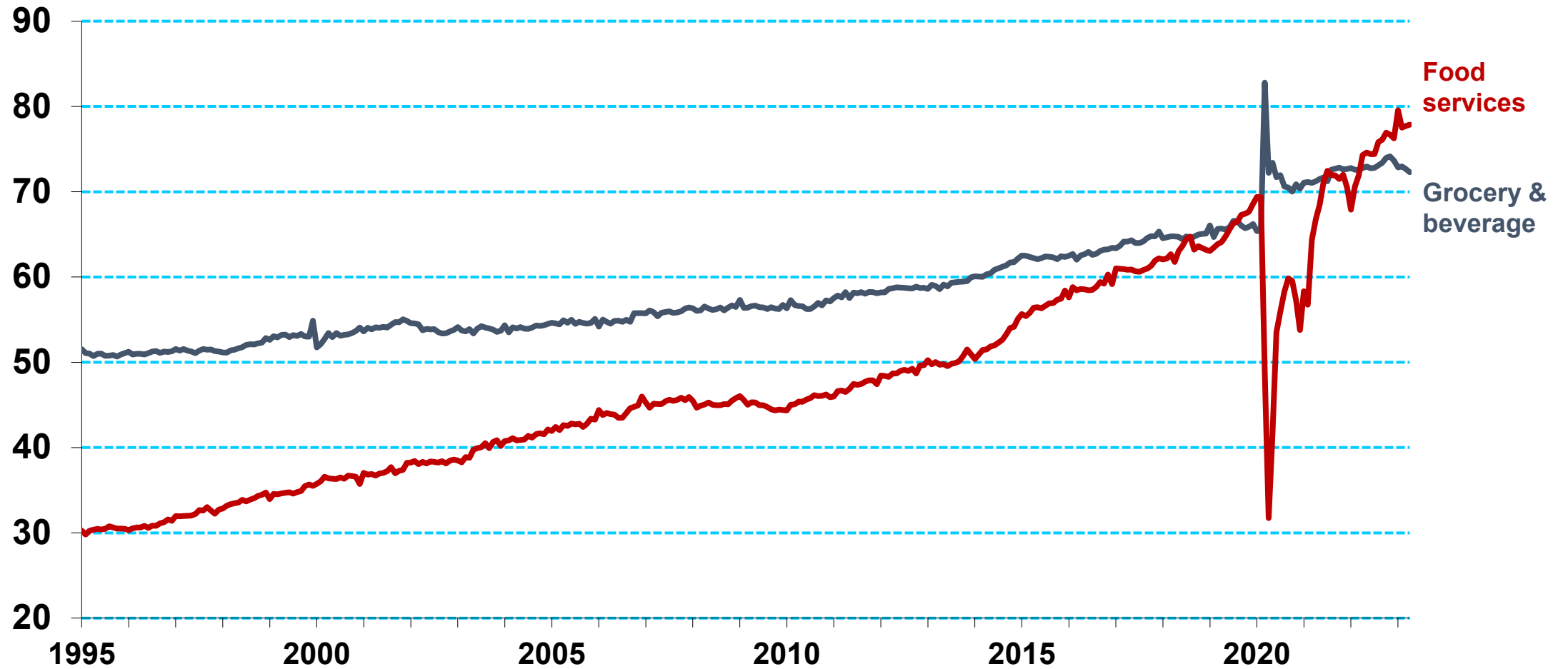
Consumers more upbeat and continuing to spend



Source: Conference Board

Food services overtook grocery sales again

(retail sales in billion \$ adjusted by PCE for Dec. 2020)

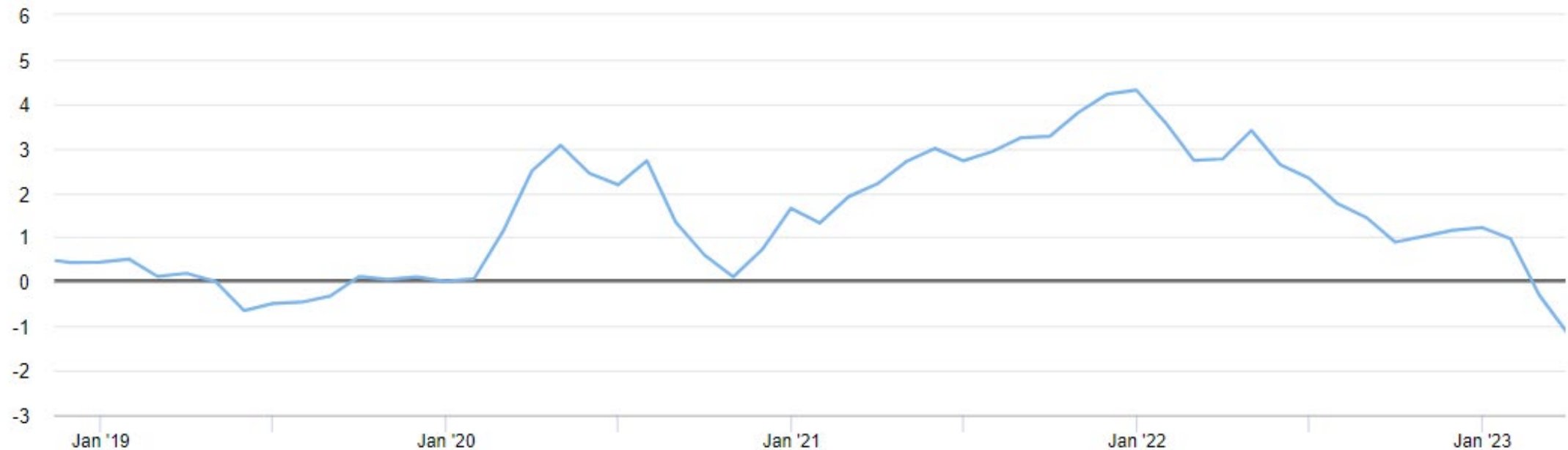


Data Sources: U.S. Census Bureau and Bureau of Economic Analysis

Supply chain pressures have eased quite a bit

Global Supply Chain Pressure Index (GSCPI)

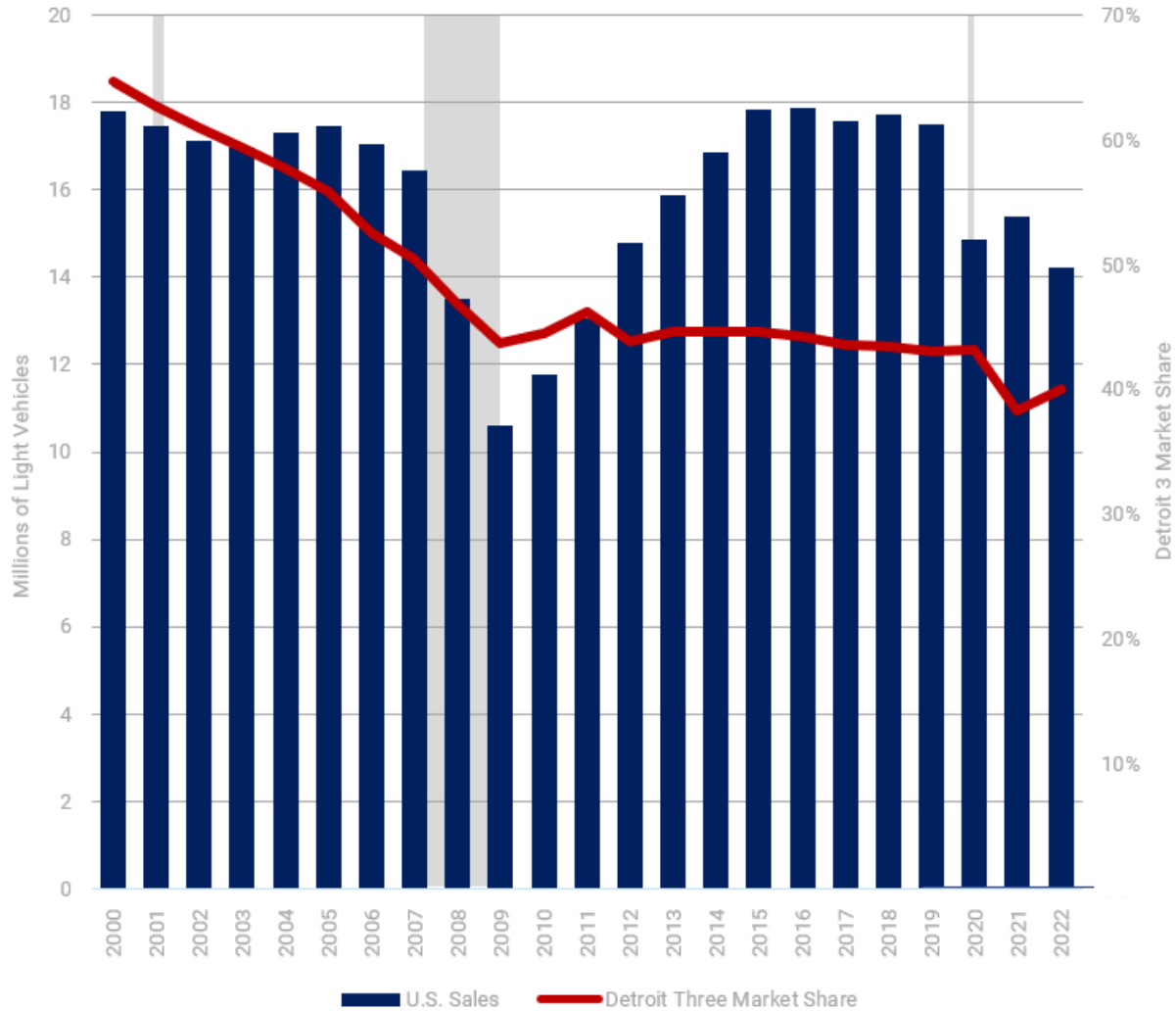
Standard deviations from average value



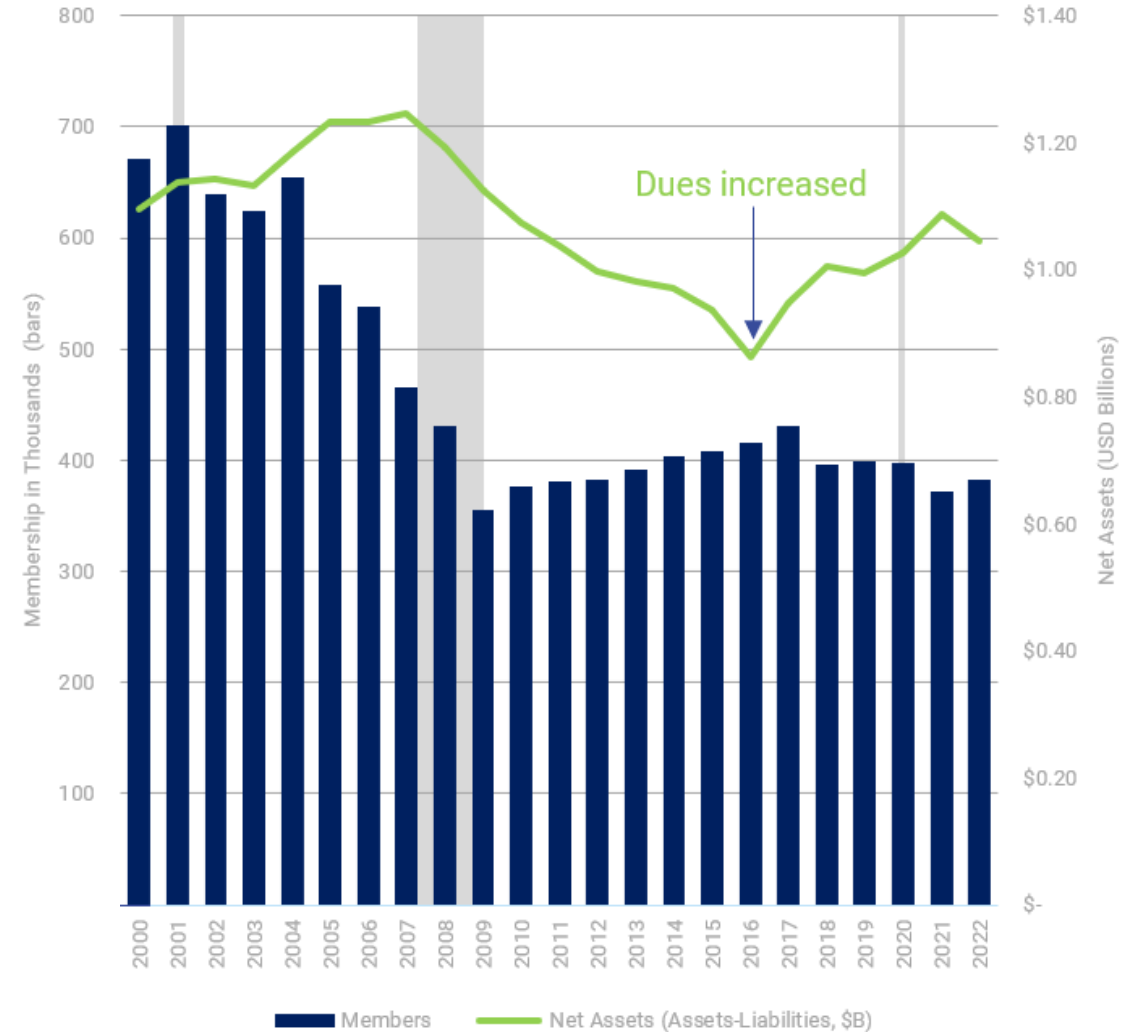
Sources: Bureau of Labor Statistics; Harper Petersen Holding GmbH; Baltic Exchange; IHS Markit; Institute for Supply Management; Haver Analytics; Refinitiv; New York Fed calculations

Vehicles sales down after pandemic; UAW building assets

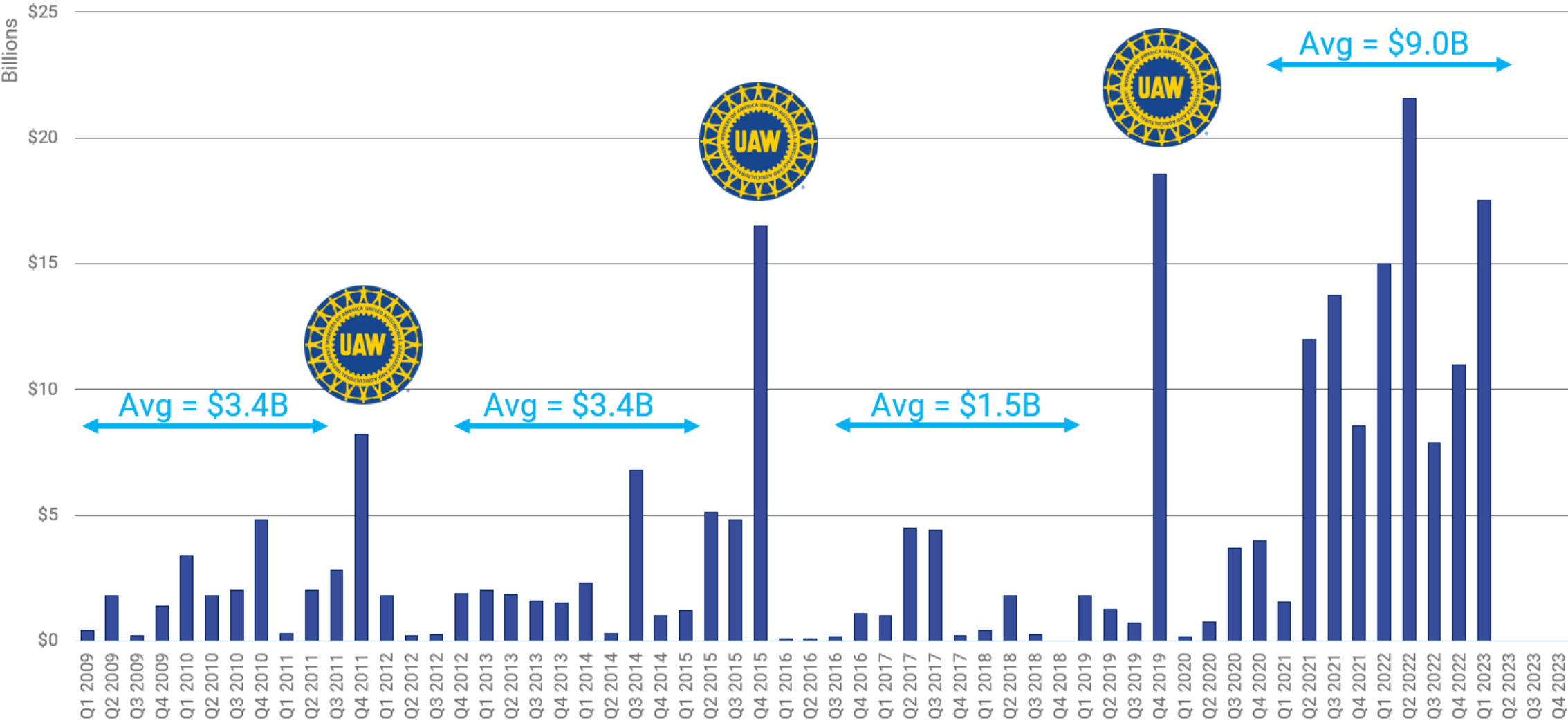
U.S. Light Vehicle Sales & Detroit Three Market Share



UAW Membership & Net Assets

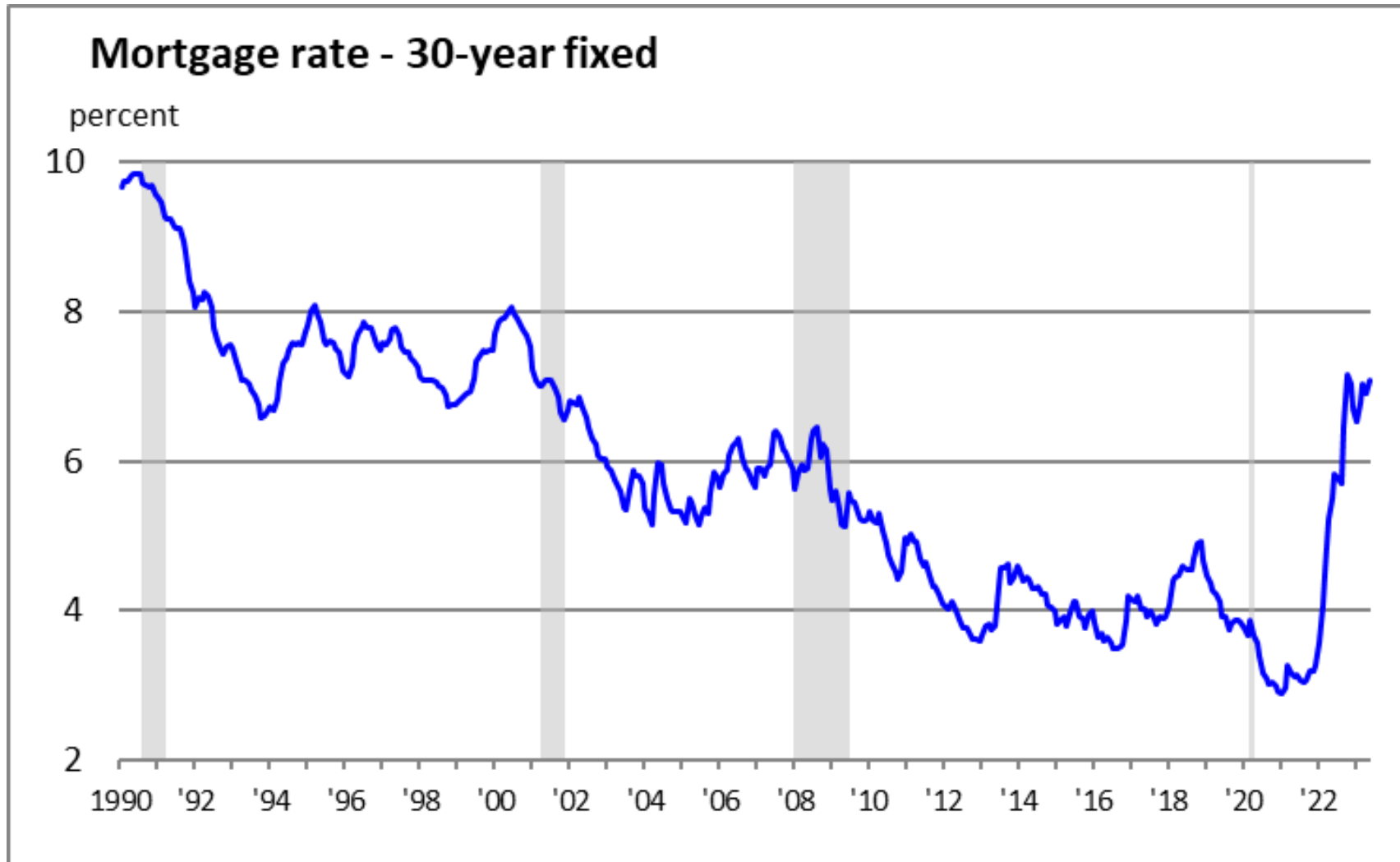


2009-2023 Total Automaker Investments in the United States



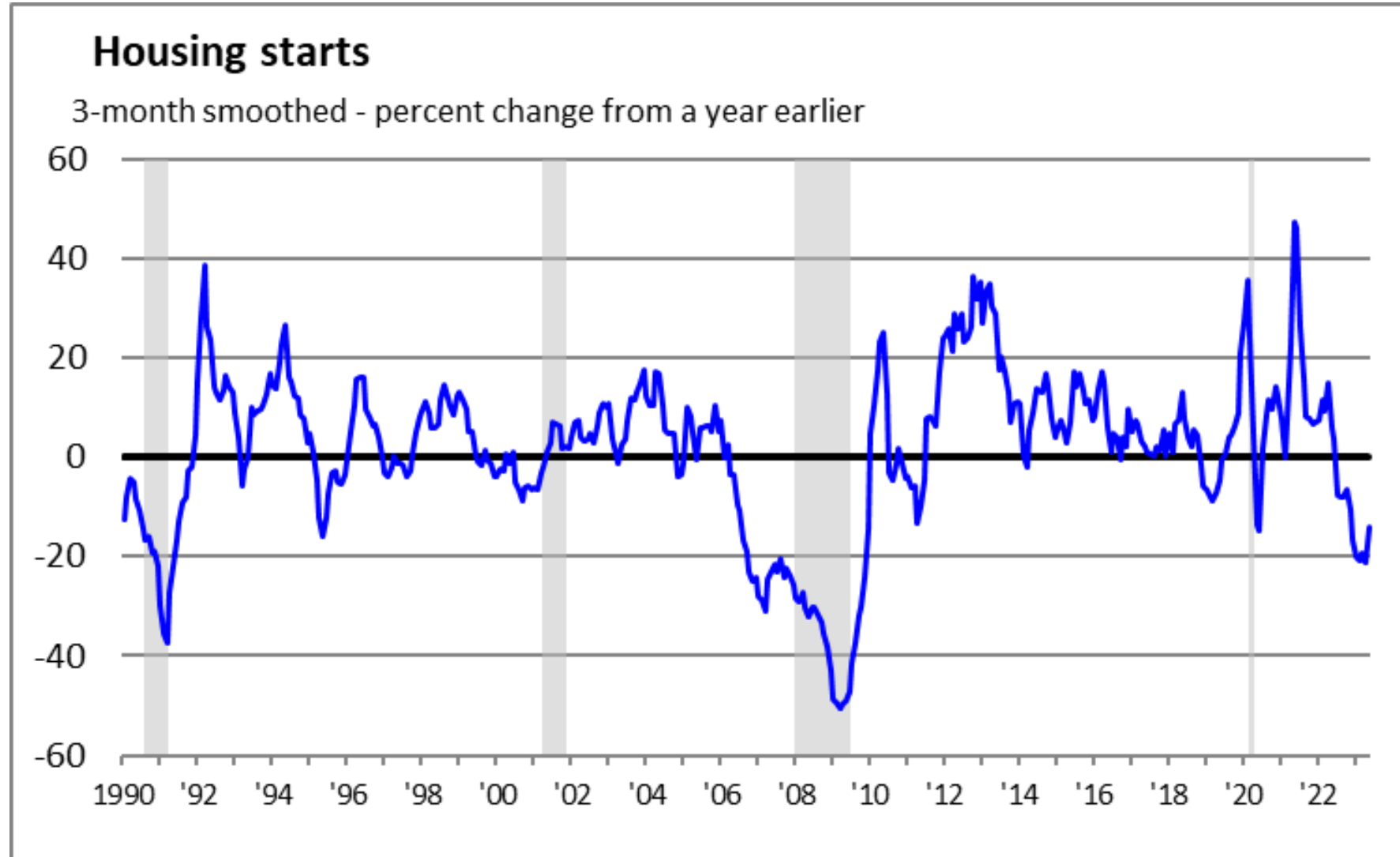
Source: Center for Automotive Research

Housing markets fell as interest rates quickly rose



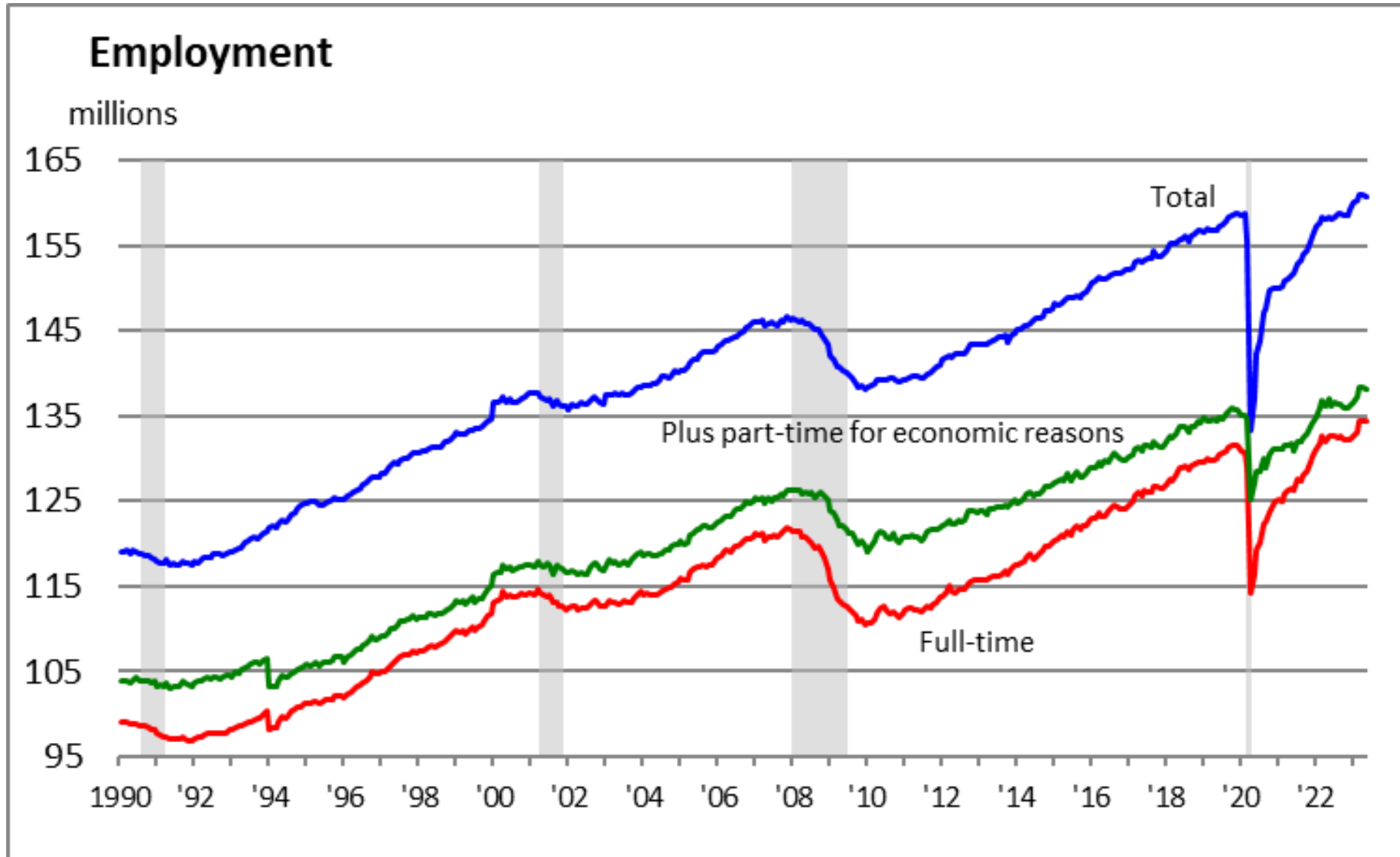
Source: Wall Street Journal

Signs of life in construction of homes



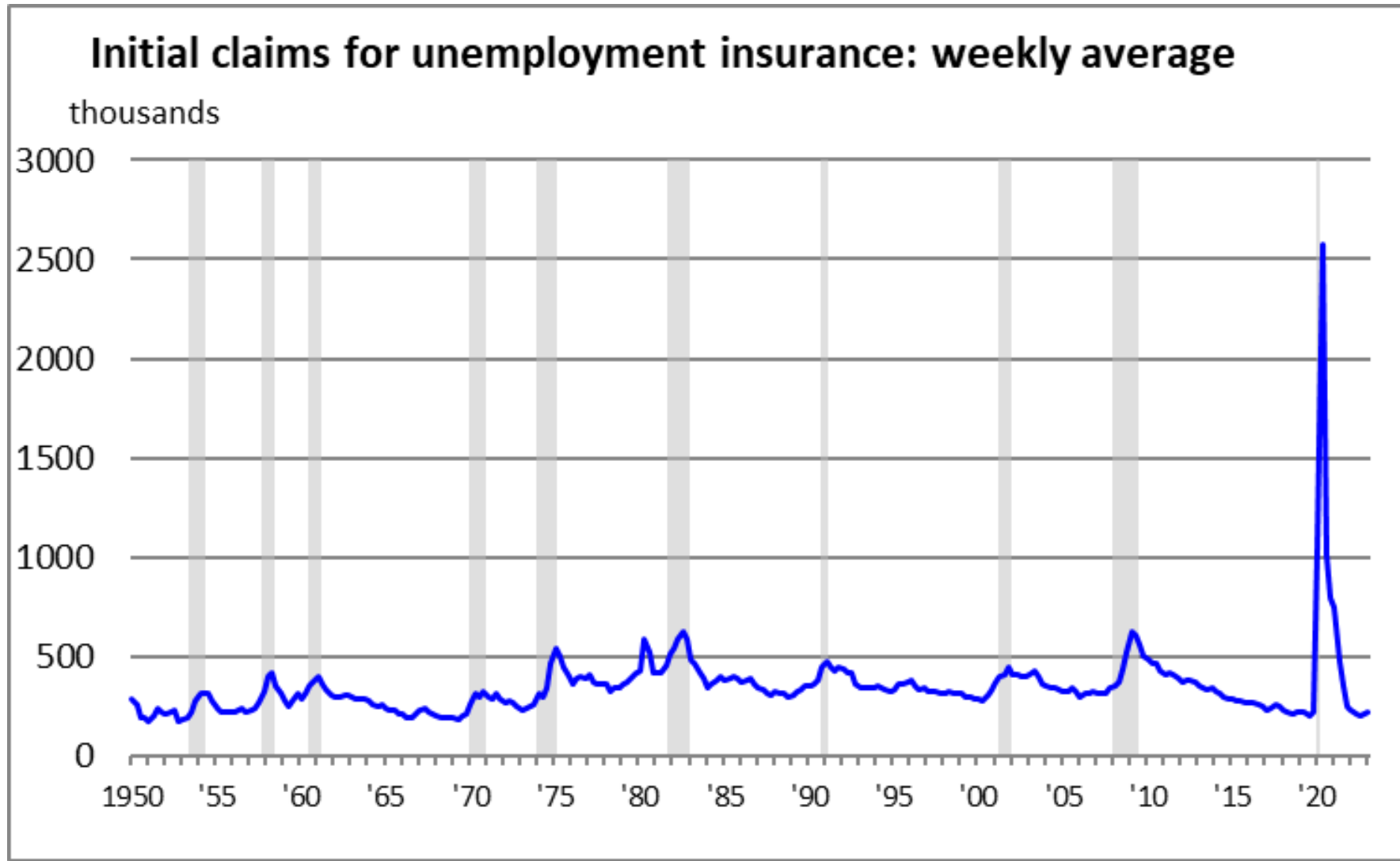
Source: U.S. Census Bureau

Number of jobs exceeds level prior to the pandemic



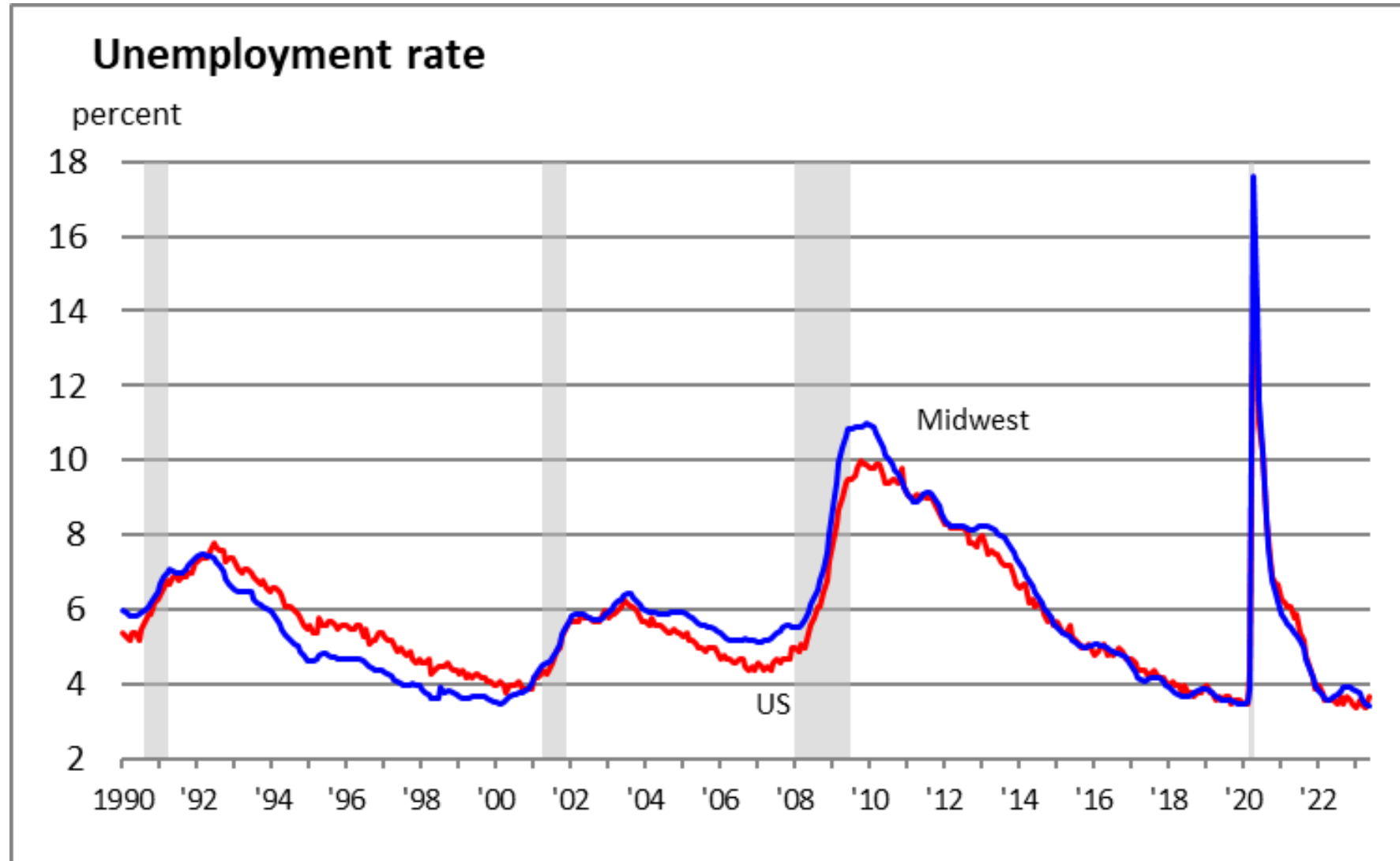
Source: U.S. Bureau of Labor Statistics

Small number of unemployment claims



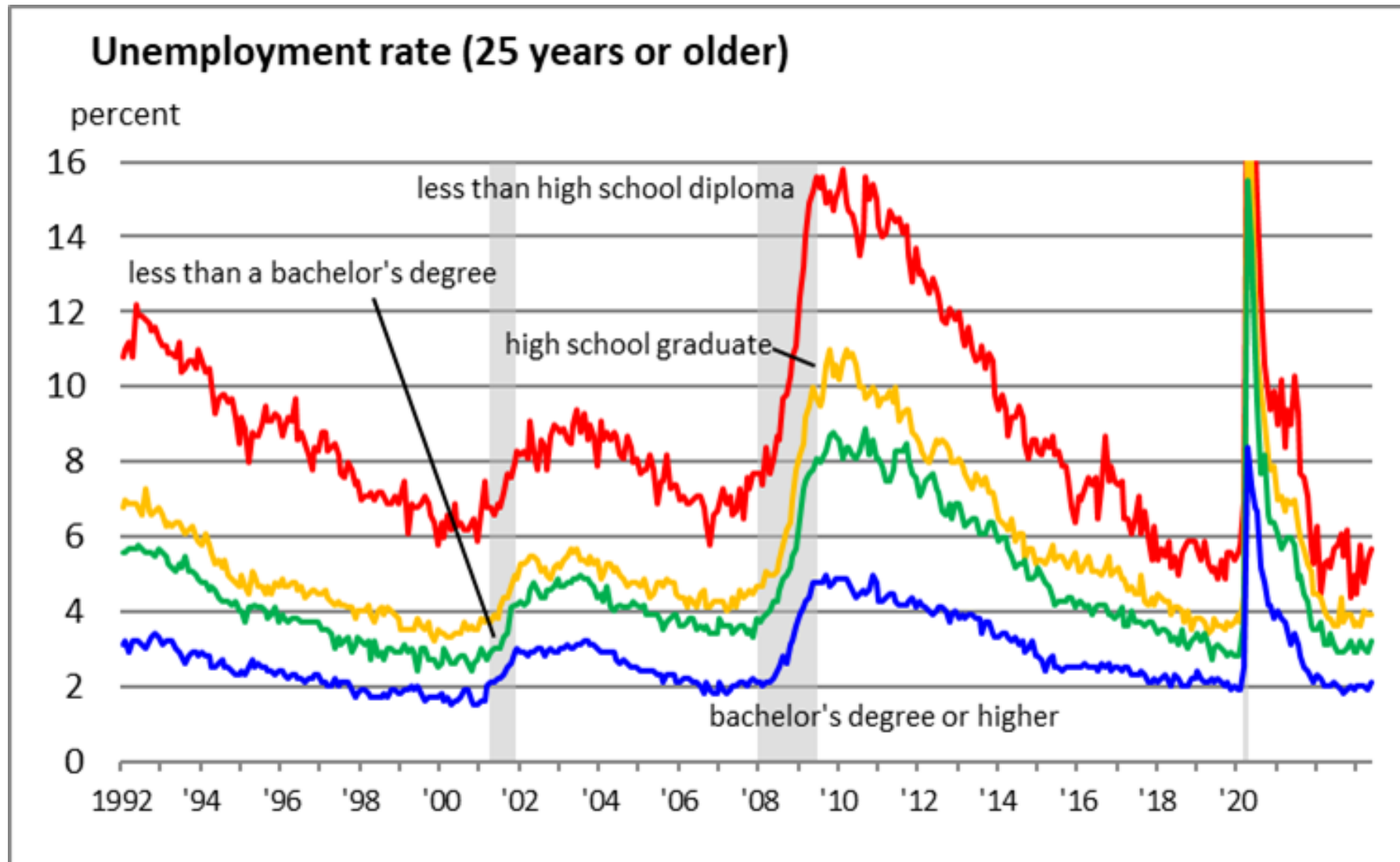
Source: U.S. Bureau of Labor Statistics

Rate of unemployment remains historically low



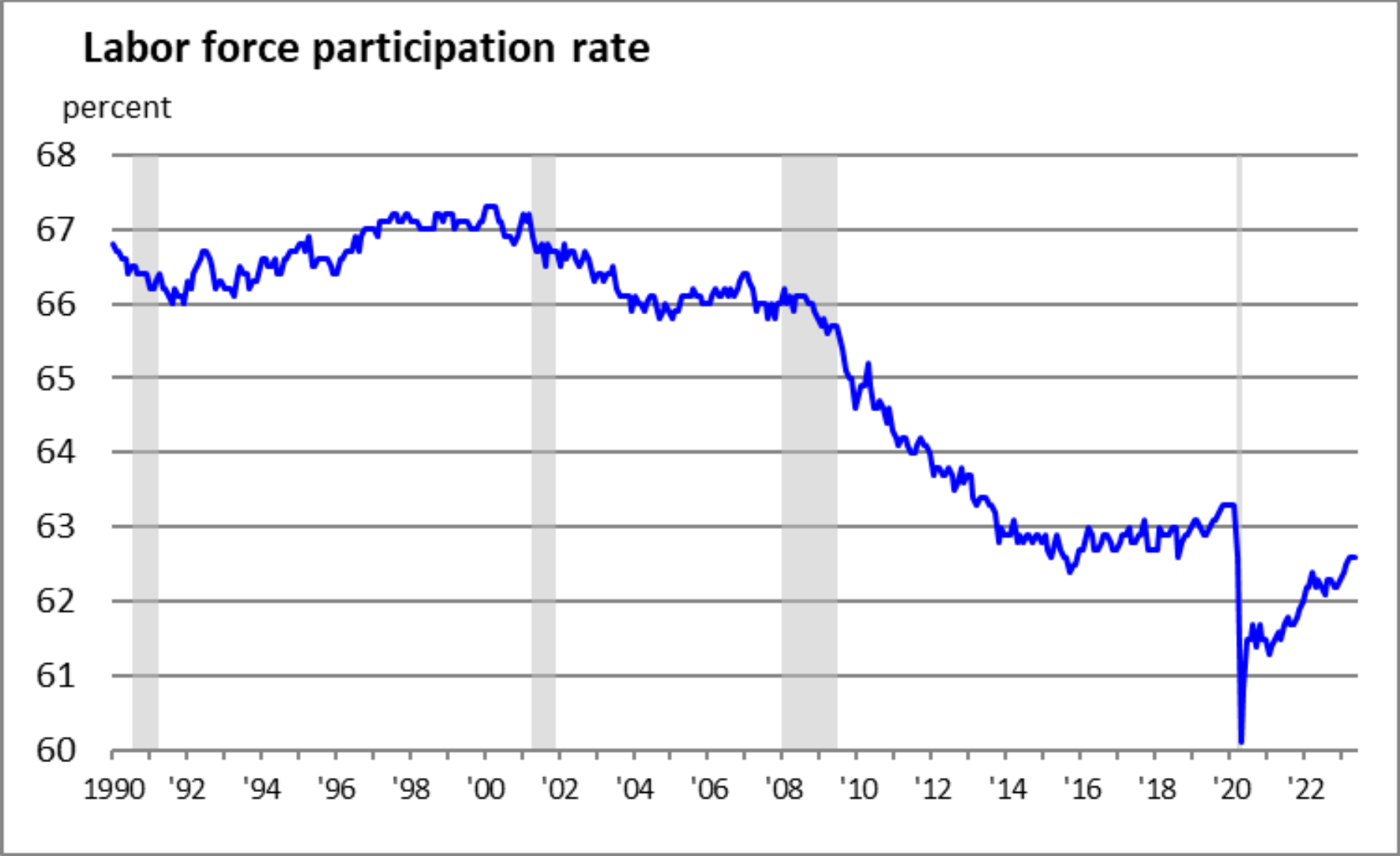
Source: U.S. Bureau of Labor Statistics

Not all educational levels have benefited equally



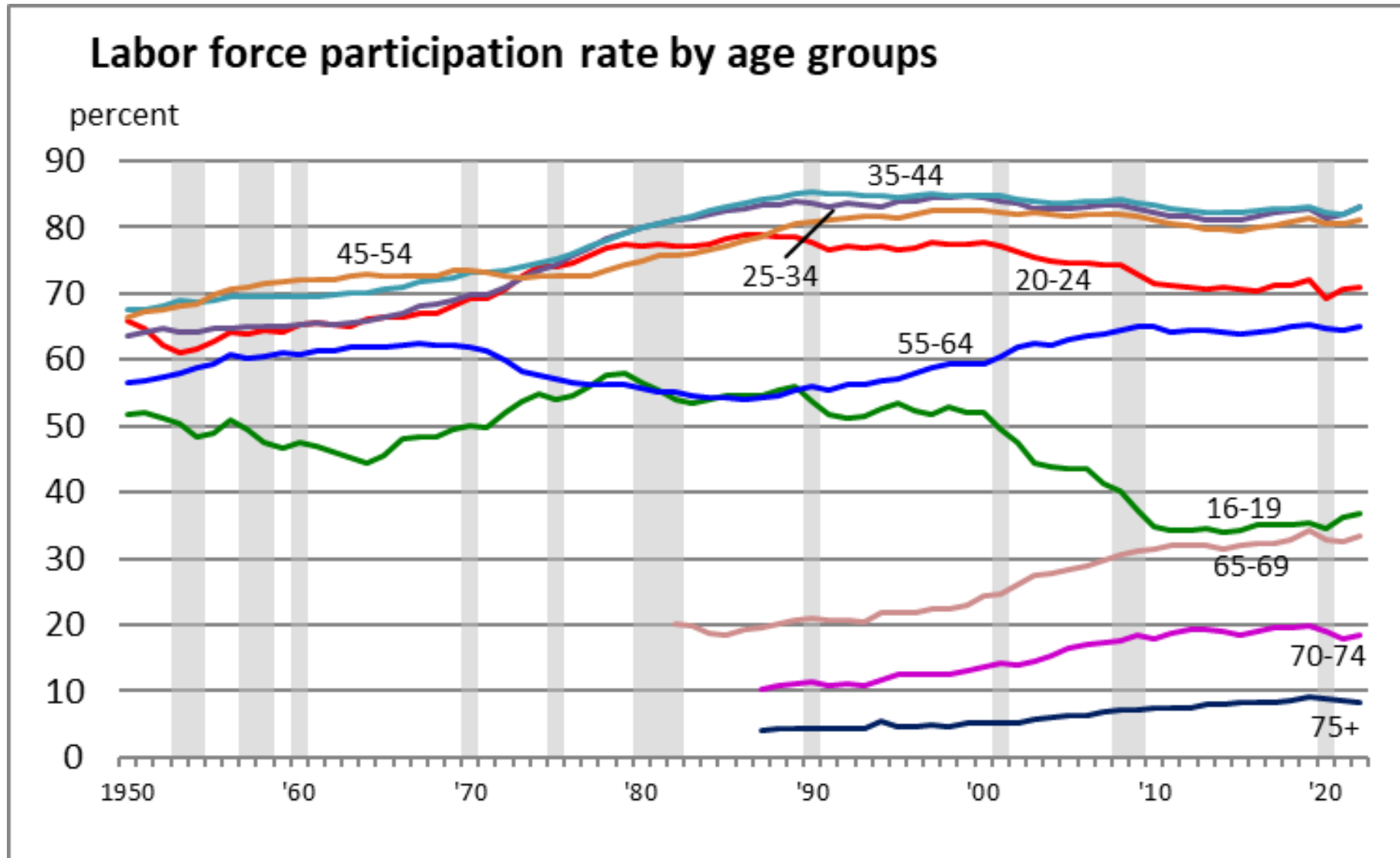
Source: U.S. Bureau of Labor Statistics

Workers returning after pandemic plunge



Source: U.S. Bureau of Labor Statistics

Longer term trends important for labor attachment



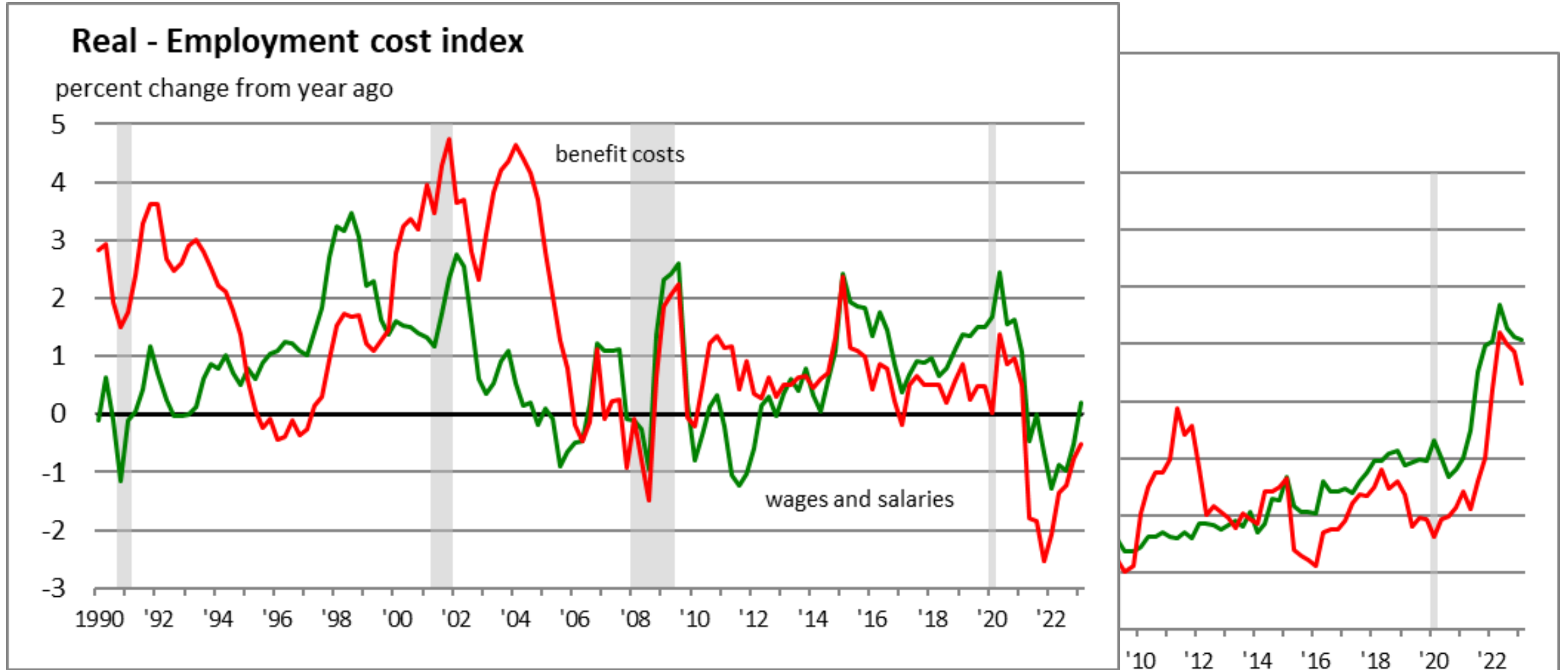
Source: U.S. Bureau of Labor Statistics

Demand for workers still outstripping supply of labor



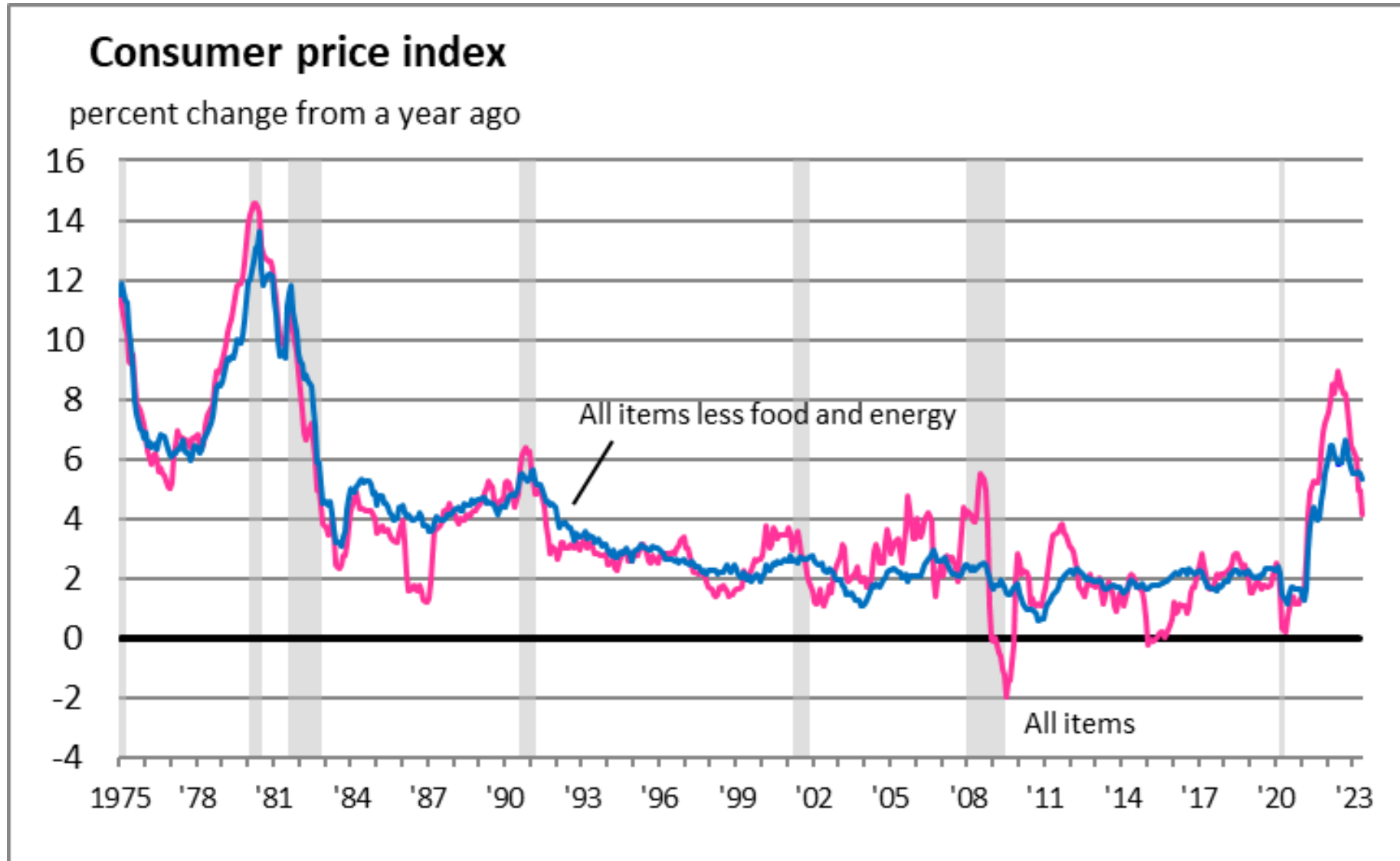
Source: U.S. Bureau of Labor Statistics

Wages and salaries, as well as benefits, rising but....



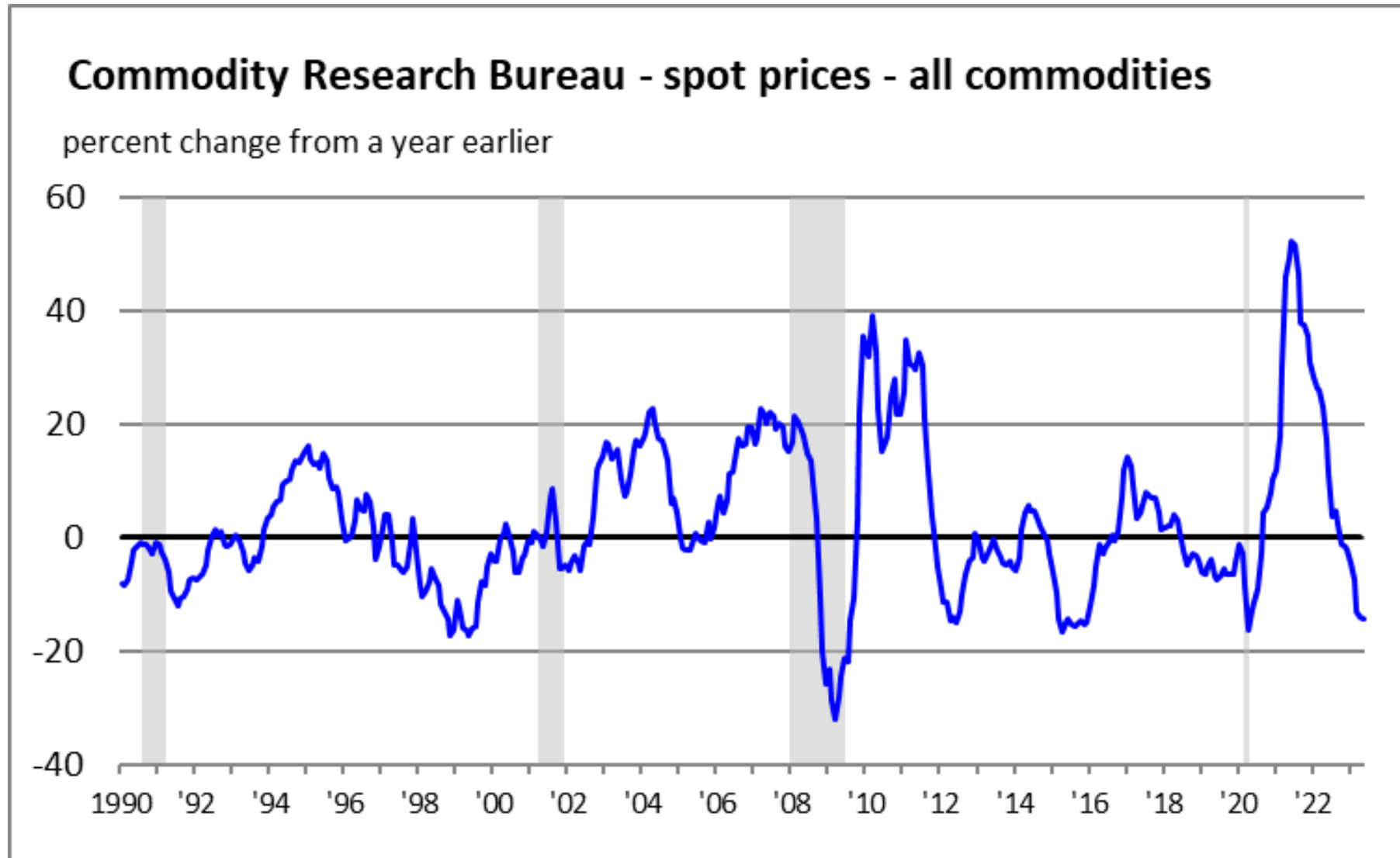
Source: U.S. Department of Labor

Inflation highest since the early 1980s, though coming down

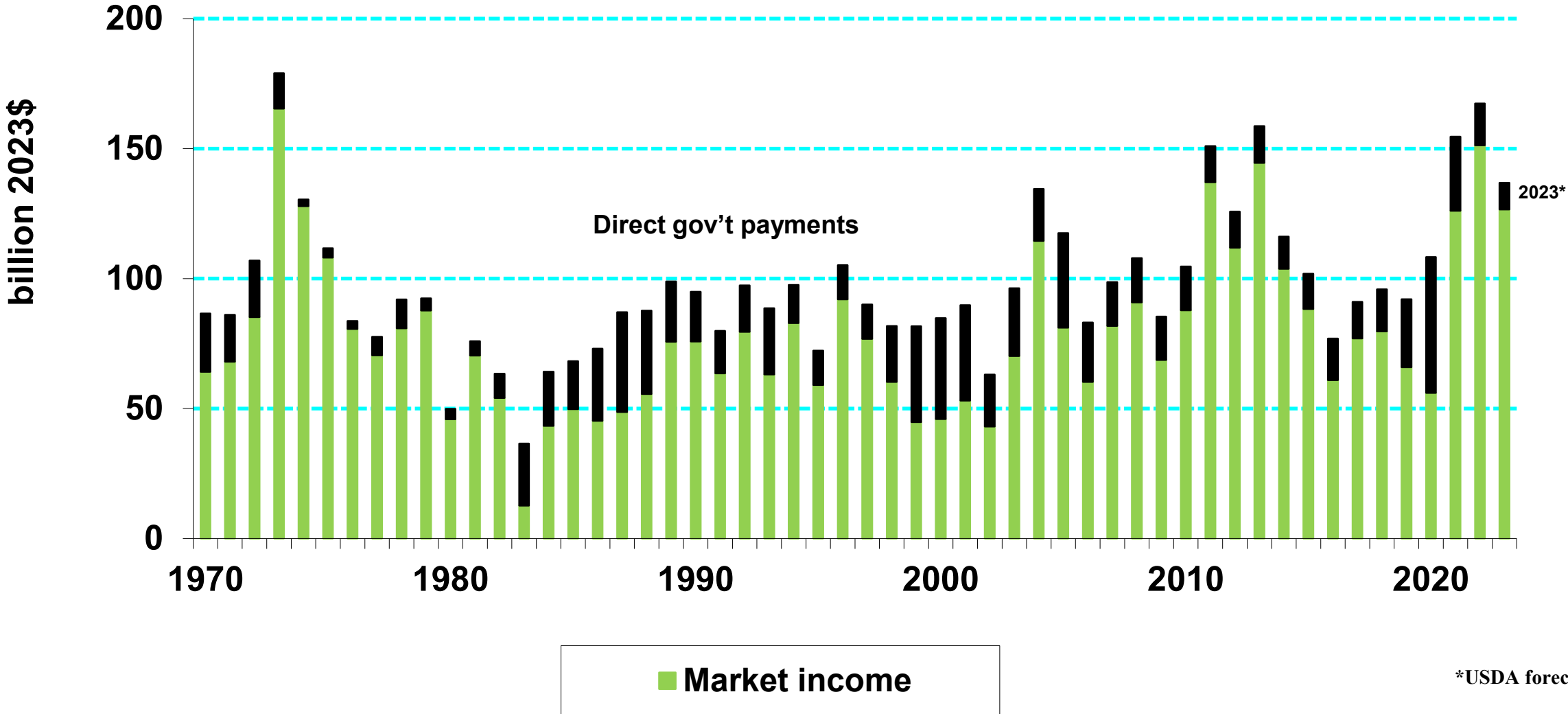


Source: U.S. Bureau of Labor Statistics

Lower prices for commodities in 2023

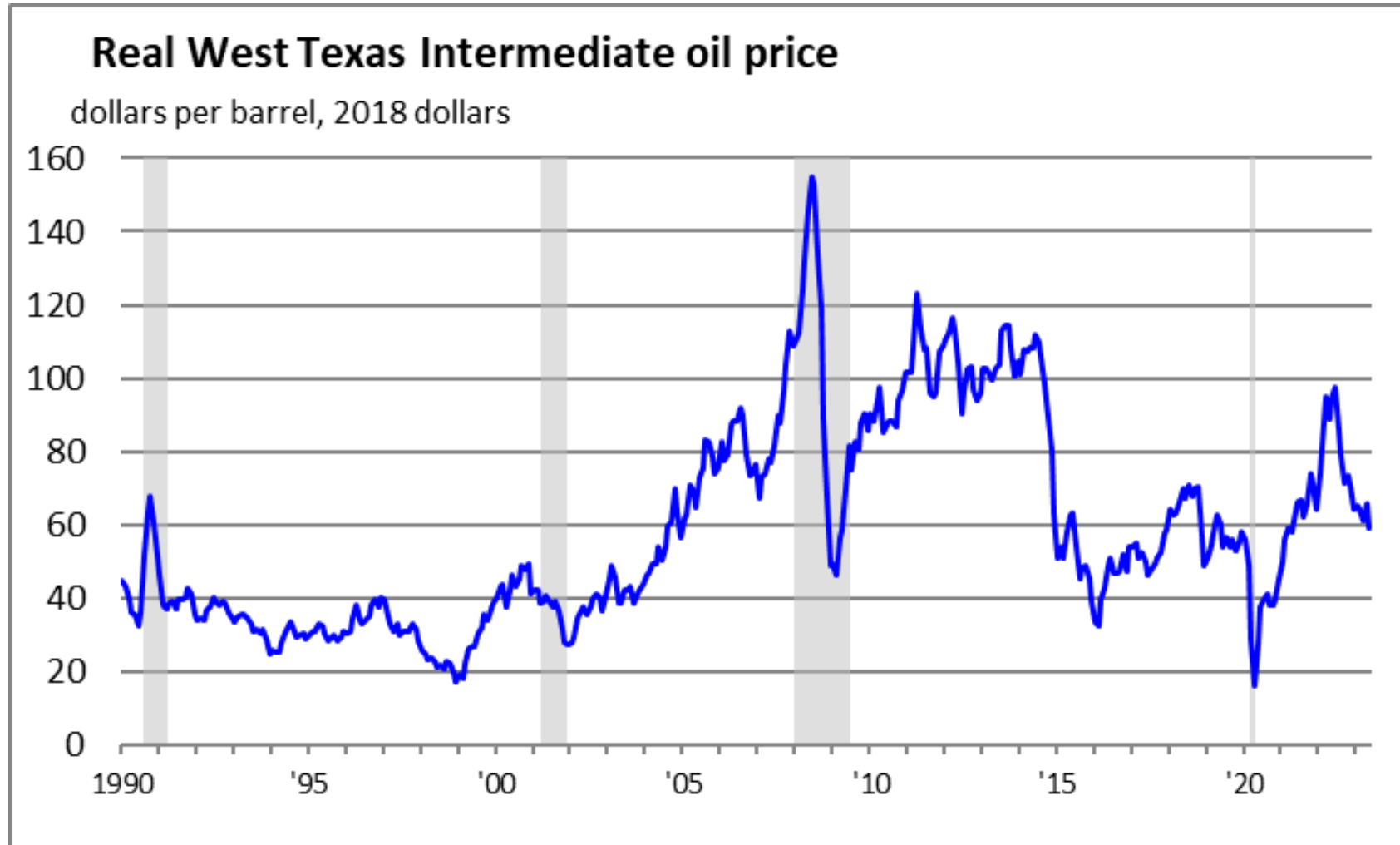


Real net farm income is expected decline in 2023



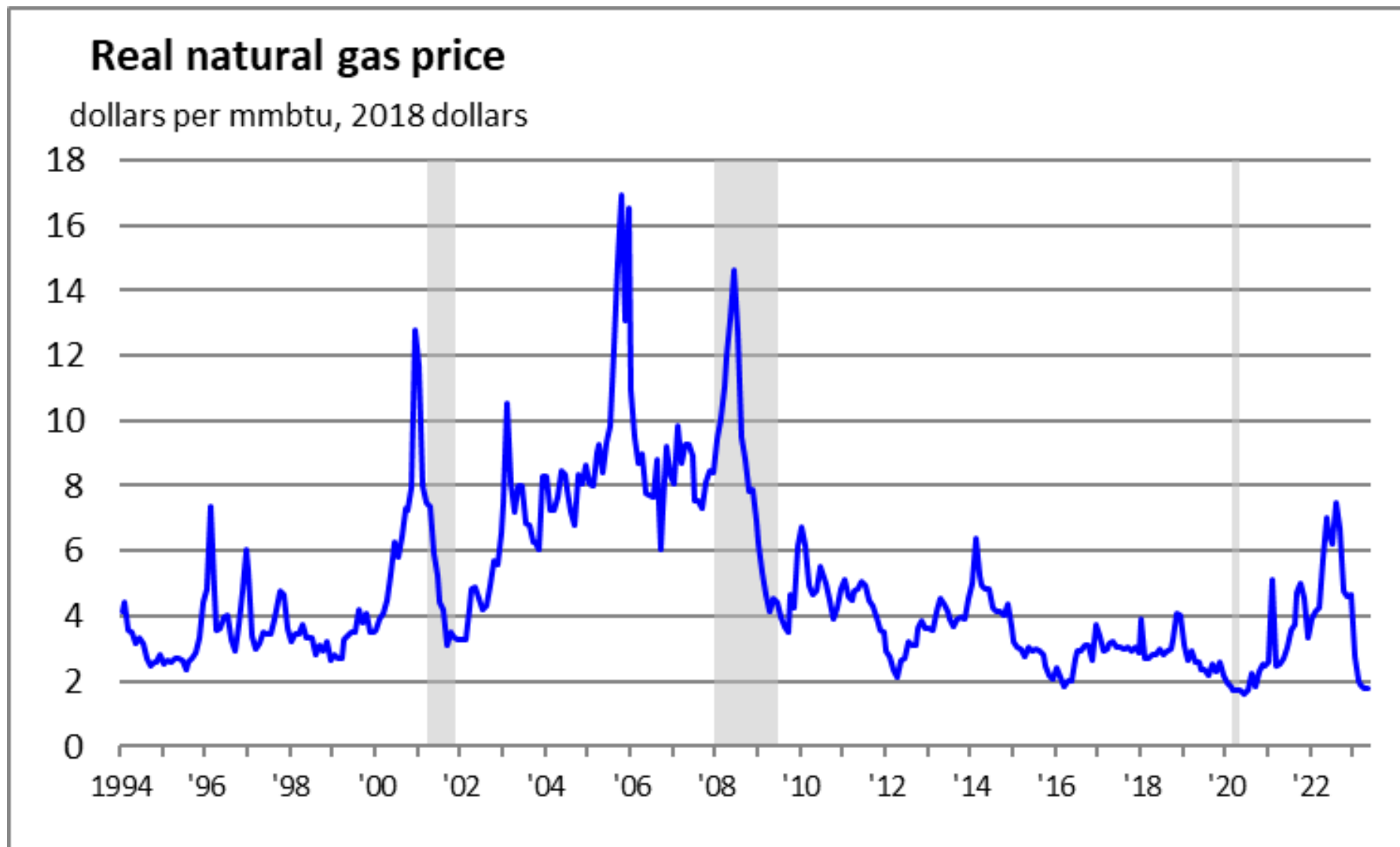
Source: USDA, Economic Research Service

Oil prices have receded since the middle of 2022



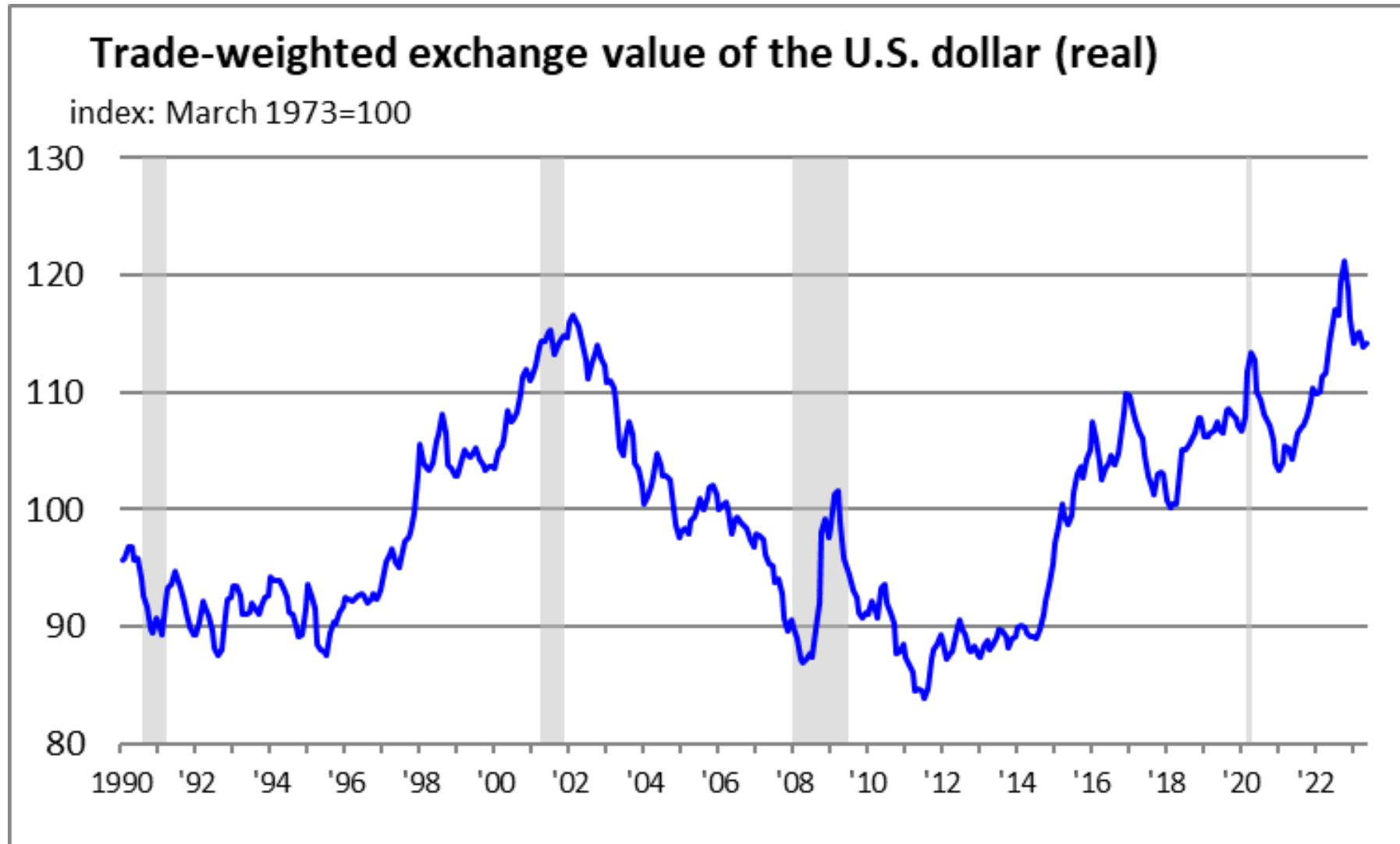
Source: Wall Street Journal and Bureau of Labor Statistics

Natural gas prices plunged after dramatic climb



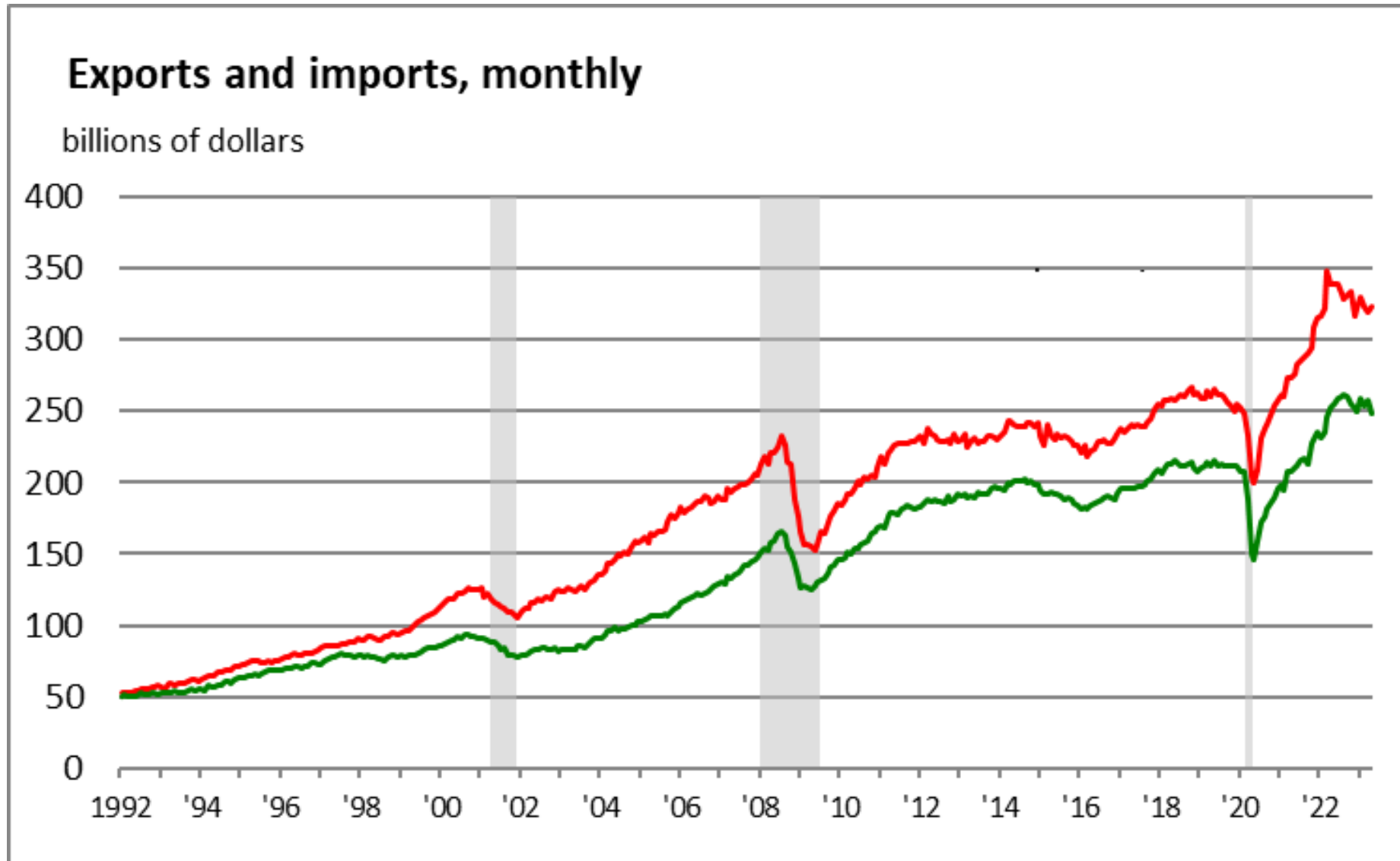
Source: Wall Street Journal and Bureau of Labor Statistics

Dollar has fallen though still elevated



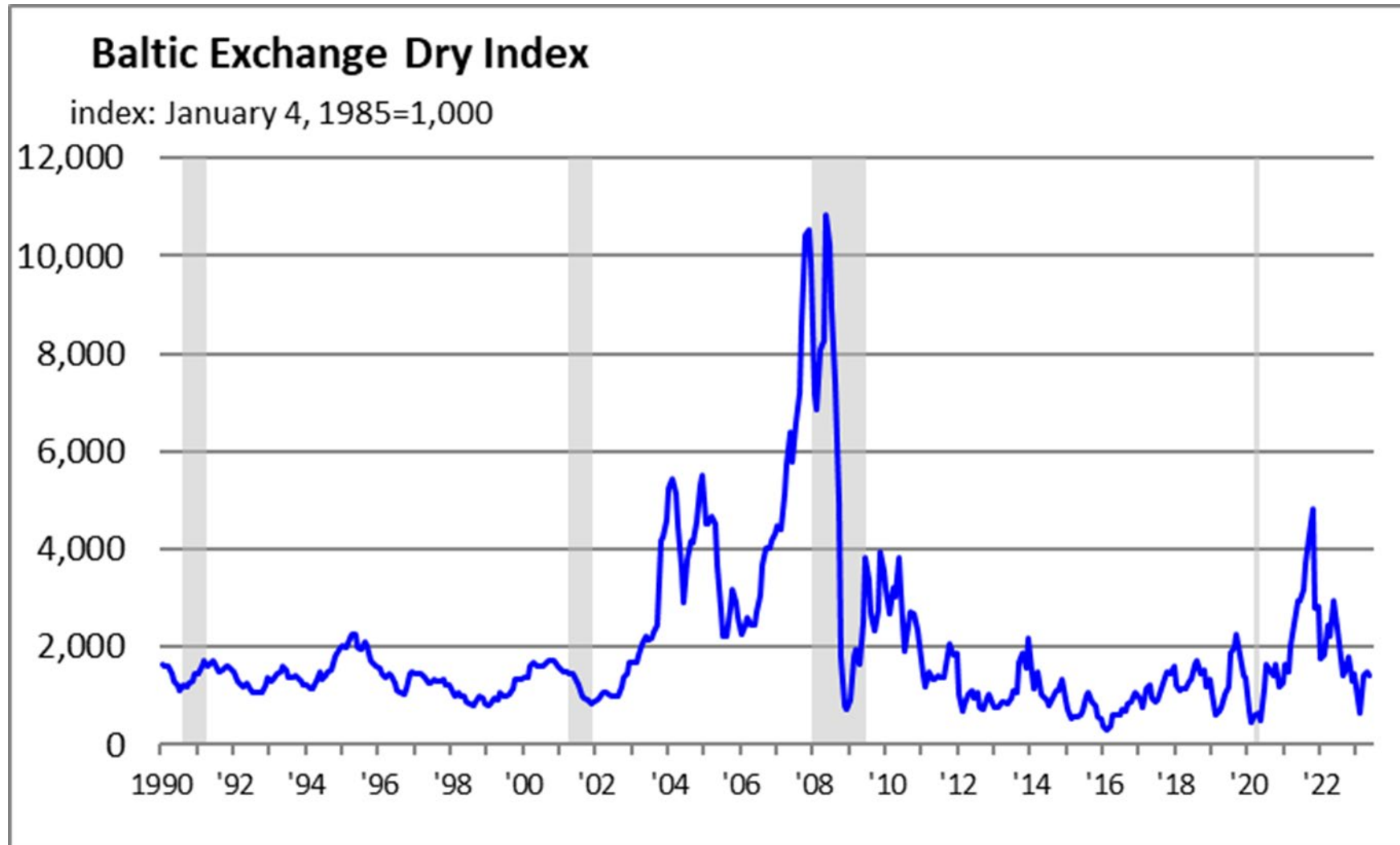
Source: Board of Governors of the Federal Reserve System

Imports have dropped relatively more than exports



Source: U.S. Census Bureau

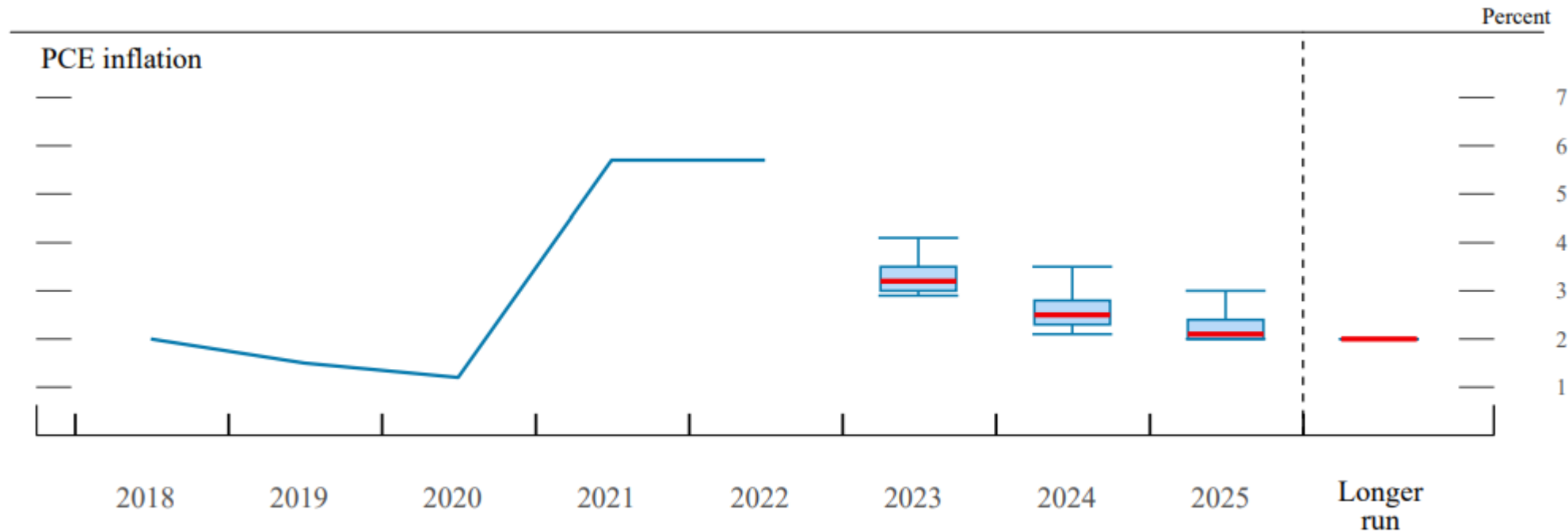
Transportation costs normalizing?



Source: Baltic Exchange

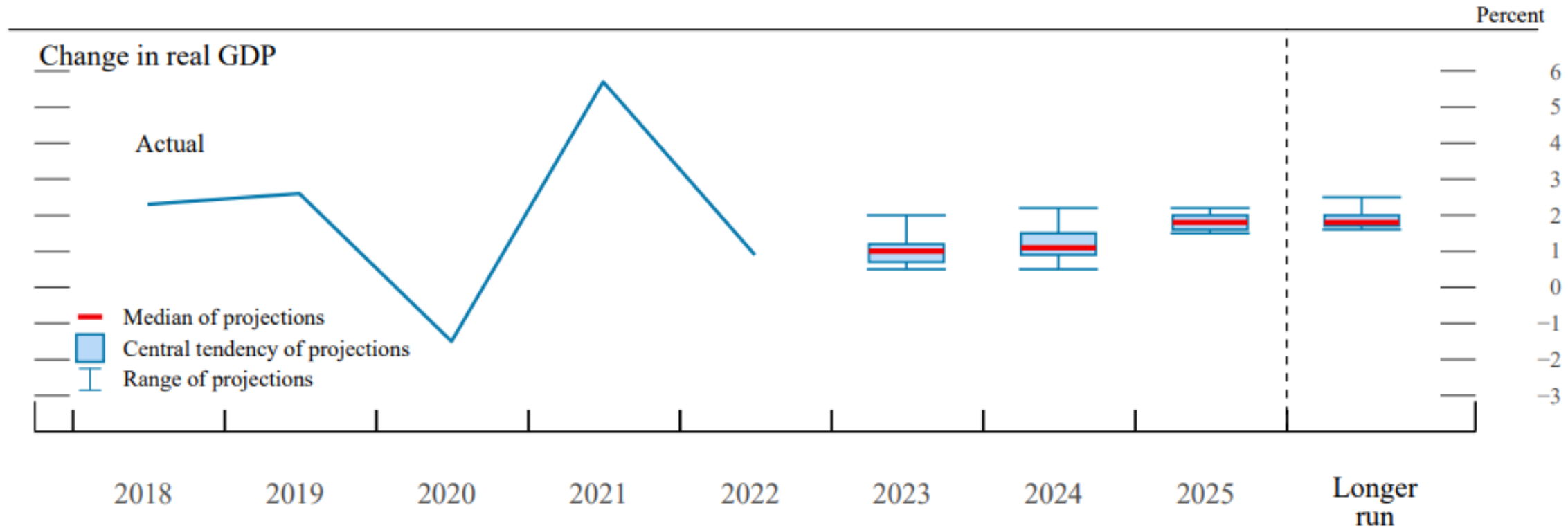
FOMC projections for the economy

- Inflation peaked and approaches 2% target by 2025
- Real GDP growth moving up toward trend
- Unemployment rate rising from very low levels



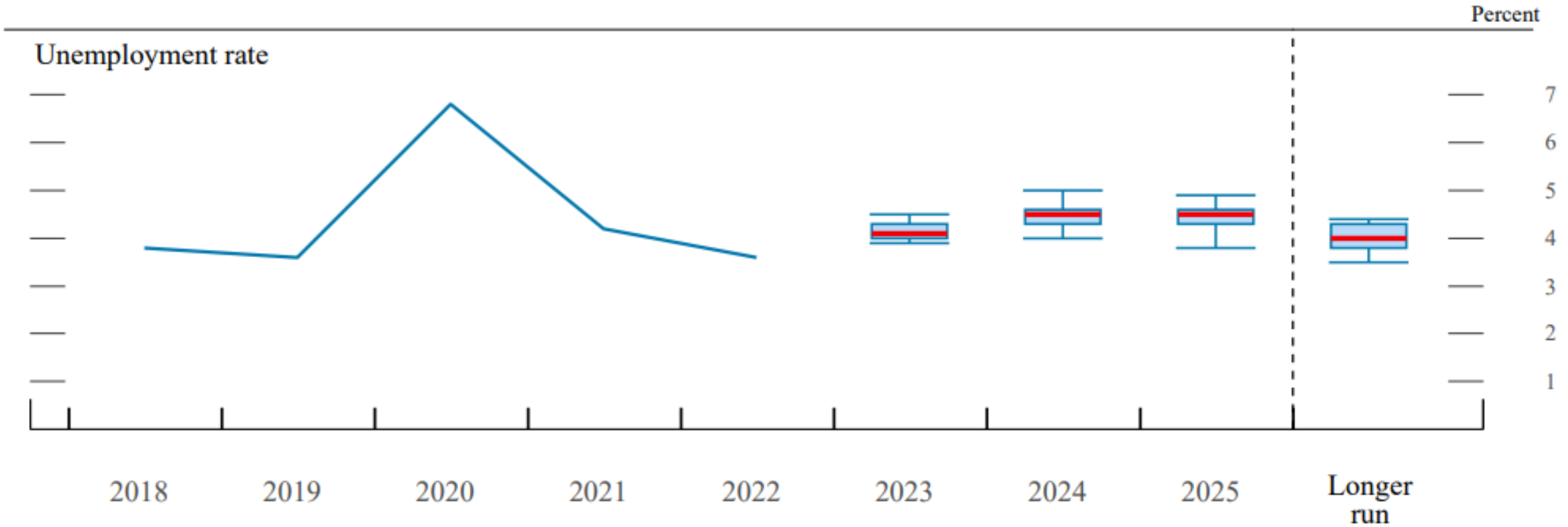
Source: Federal Open Market Committee of the Federal Reserve System

Economic output slowed in 2022 and then expected to rise toward its trend



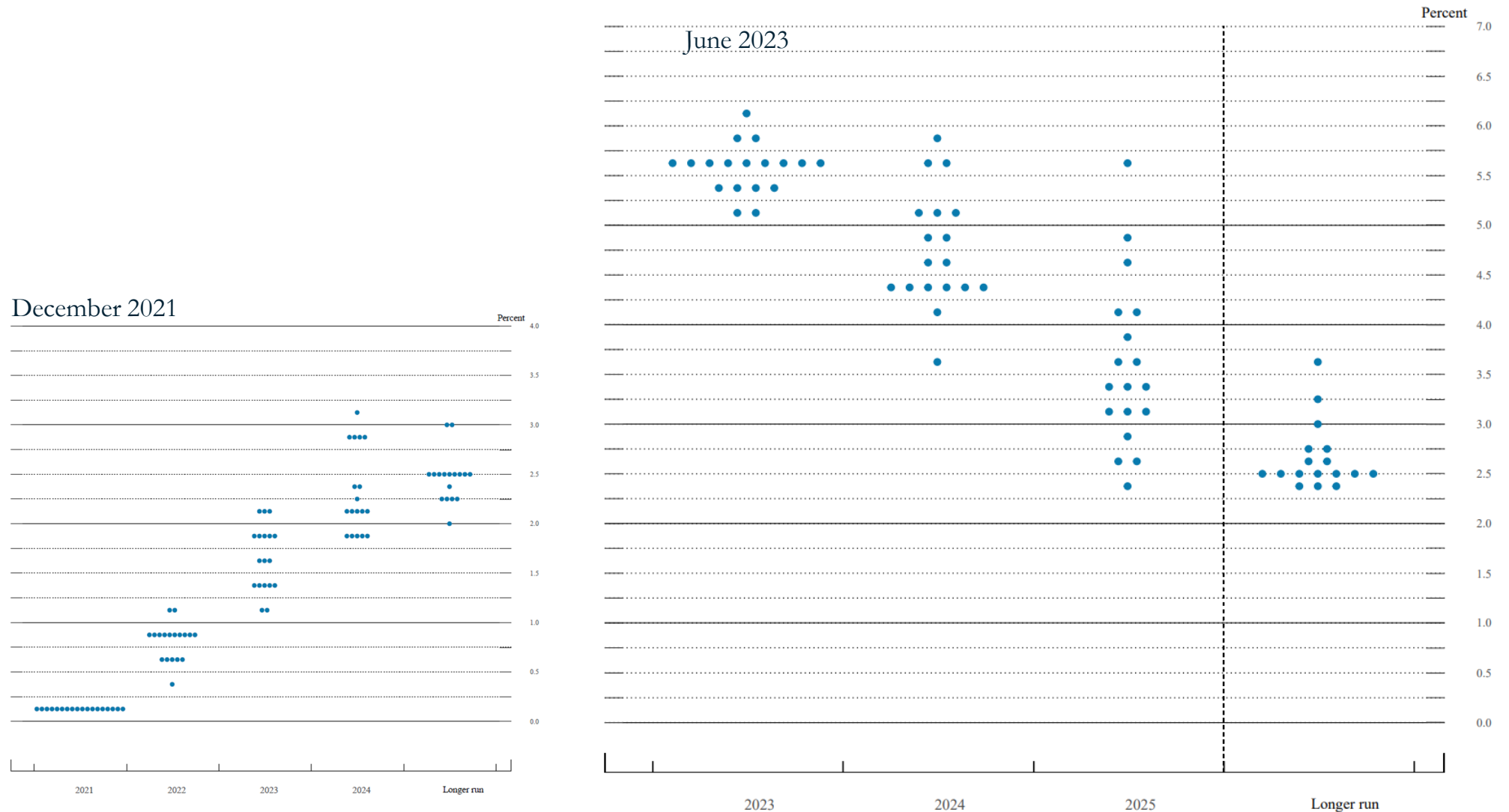
Source: Federal Open Market Committee

Unemployment likely to edge up noticeably over the next several years



Source: Federal Open Market Committee

Latest path for the Federal Funds Rate from the FOMC



Source: Federal Open Market Committee of the Federal Reserve System

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- Fill out our monthly survey to help keep the Fed updated on what you're seeing.
- Results are shared with the Chicago Fed's president and help inform monetary policy.
- Responses are kept confidential, but aggregate results are made public.

