INFLATION AND ECONOMIC CONDITIONS

October 5, 2022

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Regional Outreach Director

FEDERAL RESERVE BANK OF MINNEAPOLIS

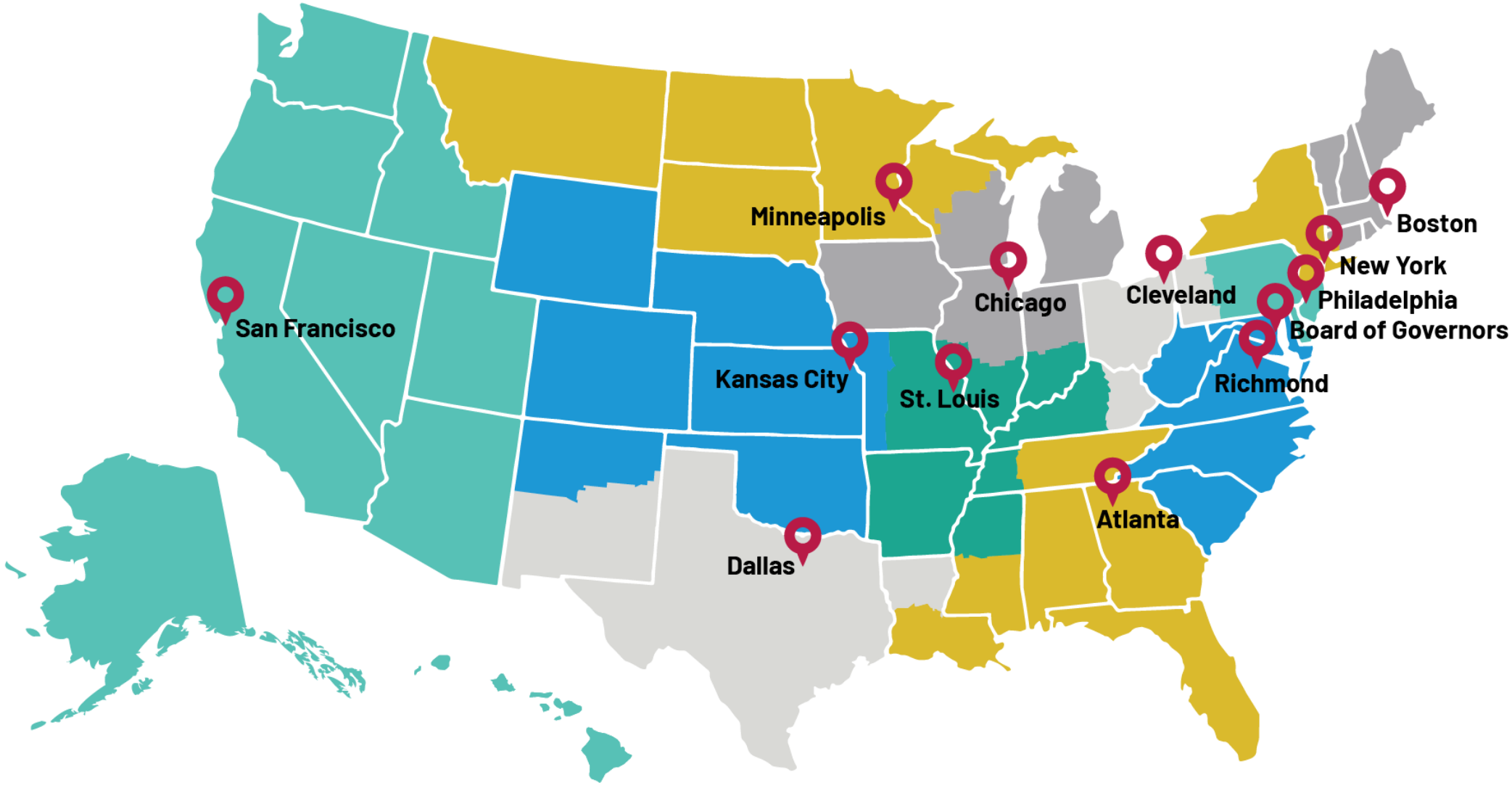
DISCLAIMER

The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.

AGENDA

- Federal Reserve background
- Economic update
  - Labor market progress
  - Inflation dynamics
  - The Fed’s response

ORGANIZATION OF THE FED



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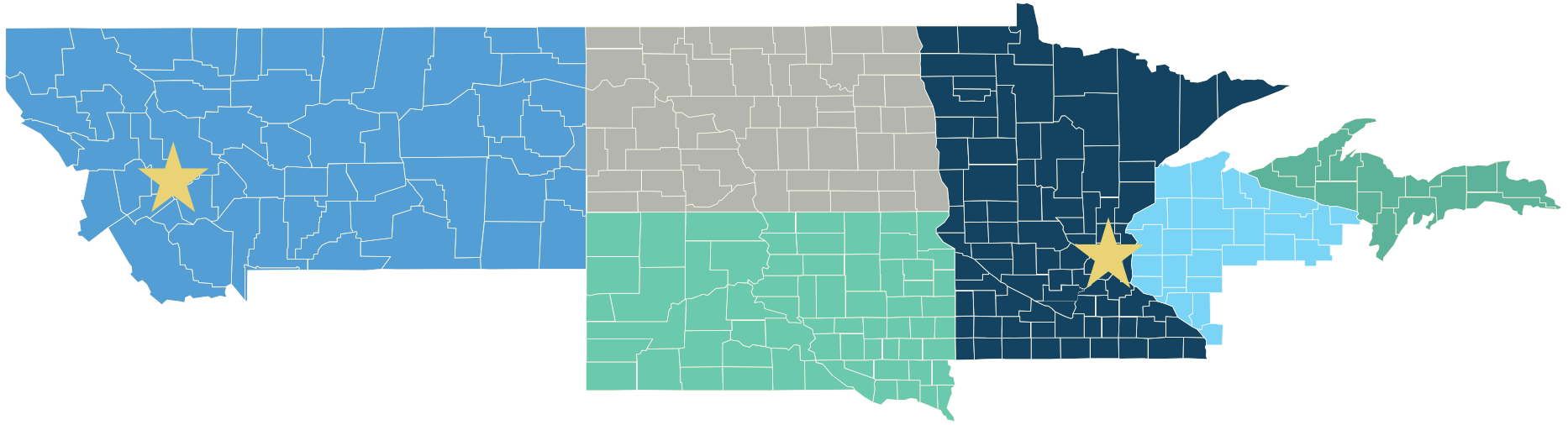
MISSION OF THE MINNEAPOLIS FED

We serve the public by pursuing a growing economy and stable financial system that work for all of us.



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THE FEDERAL RESERVE'S CONGRESSIONAL MANDATE

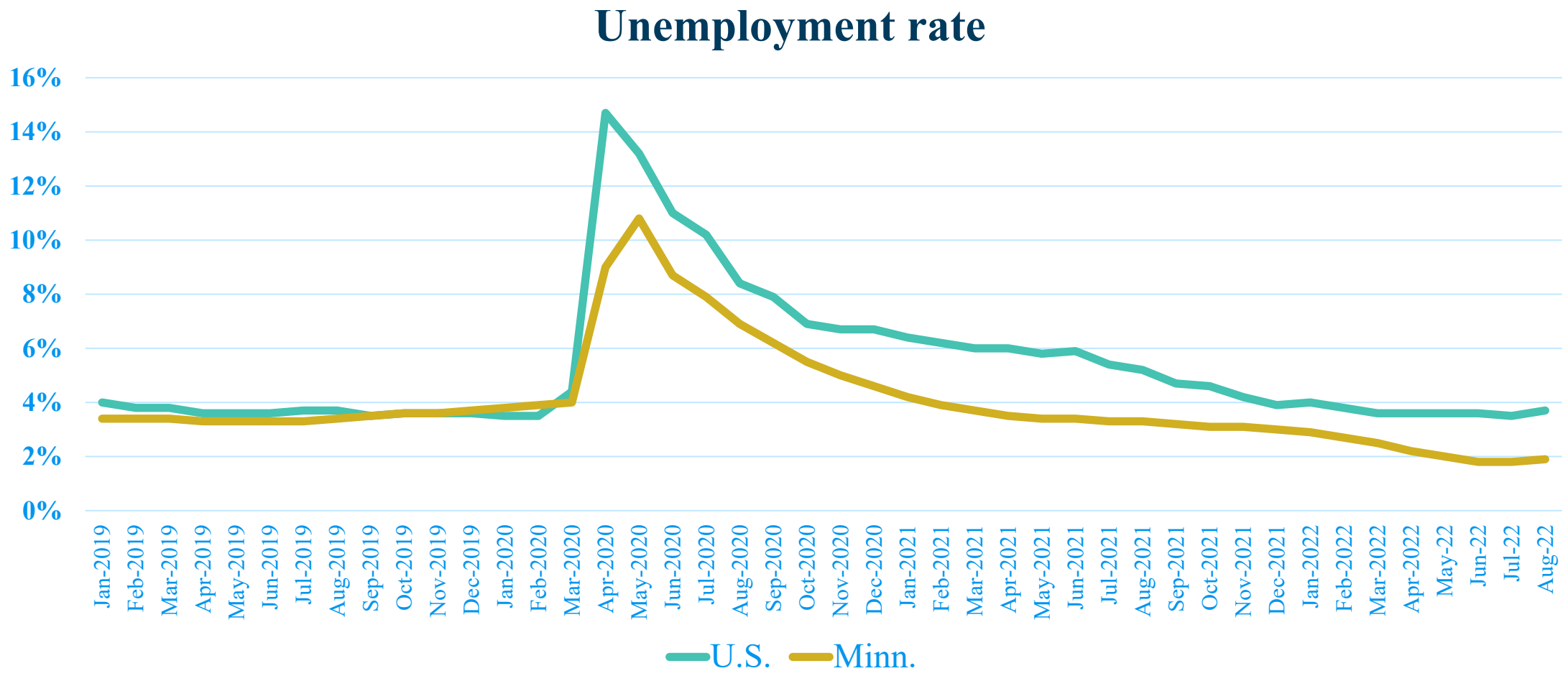
The Federal Reserve Act mandates that the Federal Reserve conduct monetary policy "*so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates*."

Dual Mandate: maximum employment and price stability

U.S. ECONOMIC UPDATE

EMPLOYMENT MANDATE PROGRESS

UNEMPLOYMENT BACK NEAR PRE-PANDEMIC LEVELS



Source: Bureau of Labor Statistics

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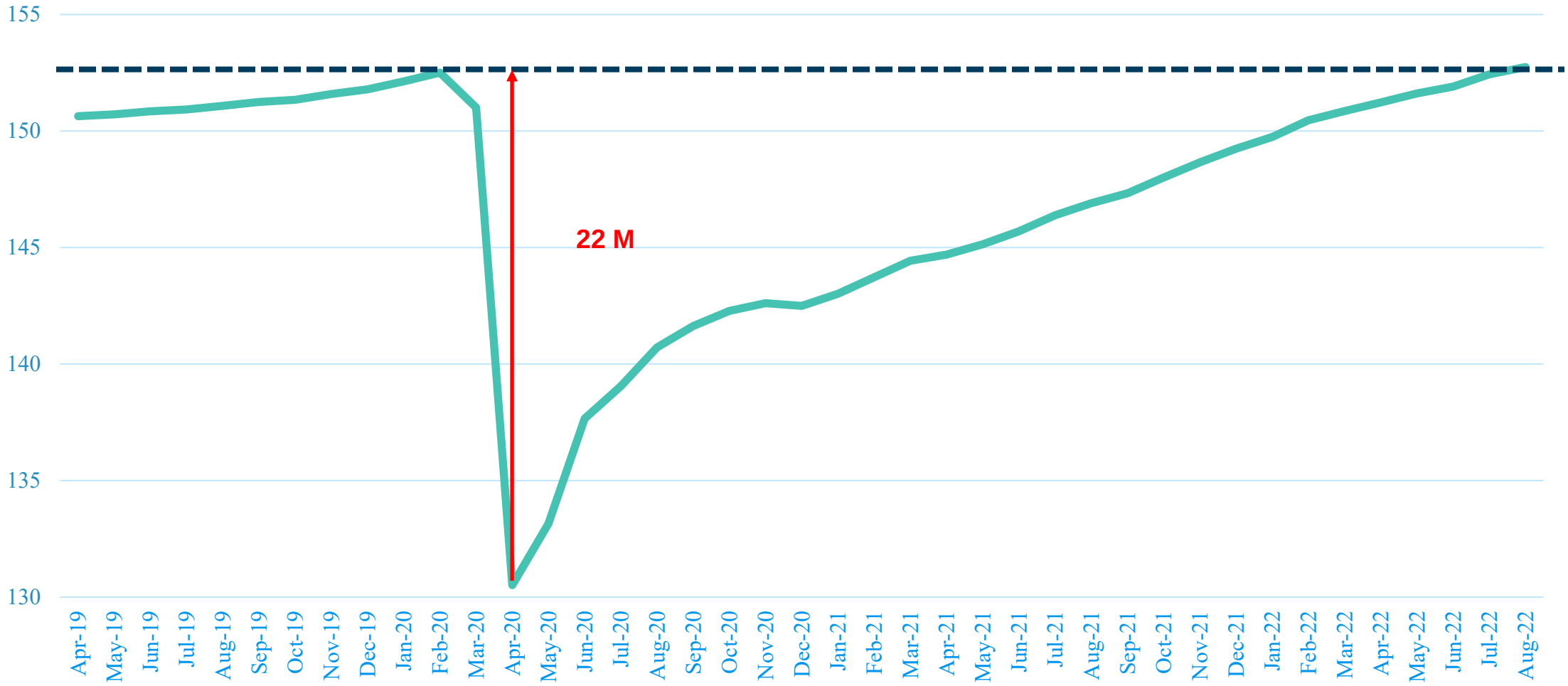
NONFARM EMPLOYMENT

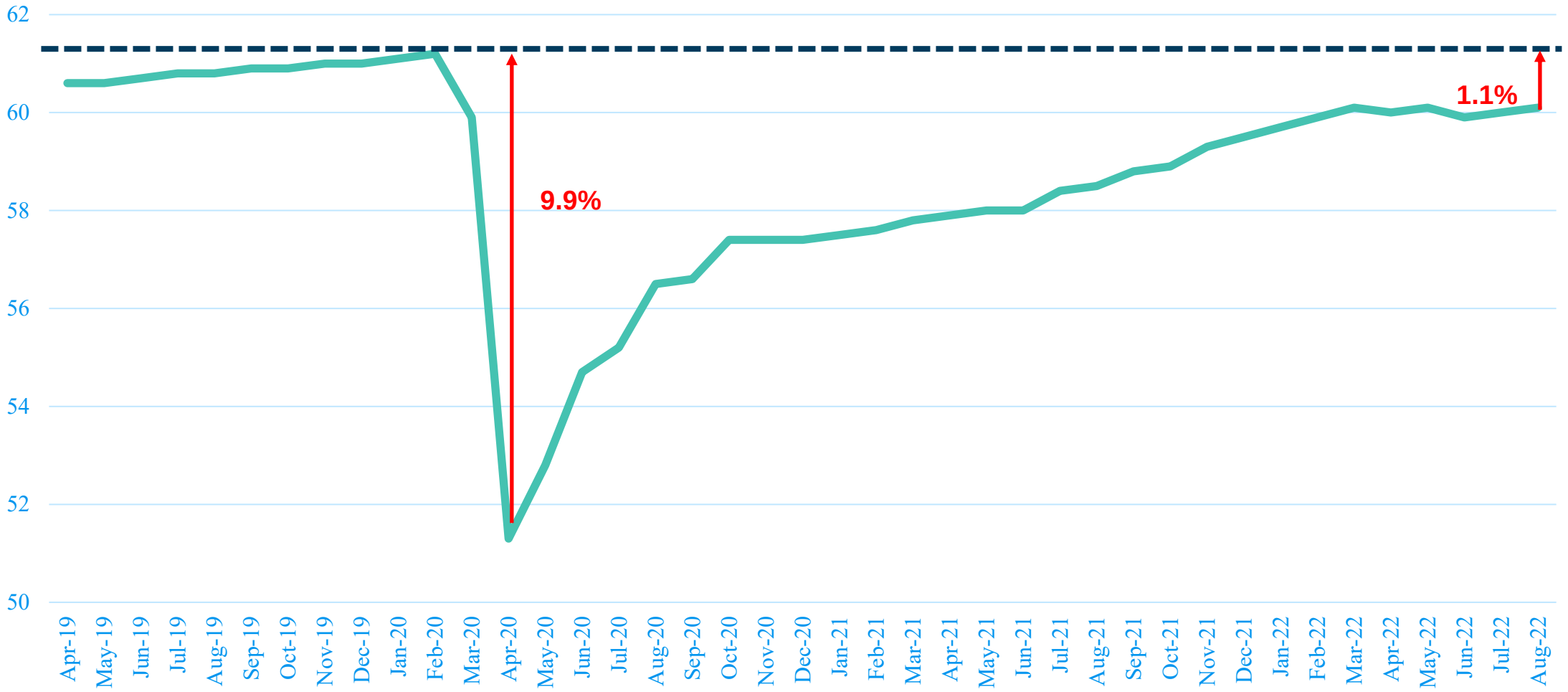
MILLIONS, LEVEL



Source: Bureau of Labor Statistics

EMPLOYMENT–POPULATION RATIO

16+, PERCENT



Source: Bureau of Labor Statistics

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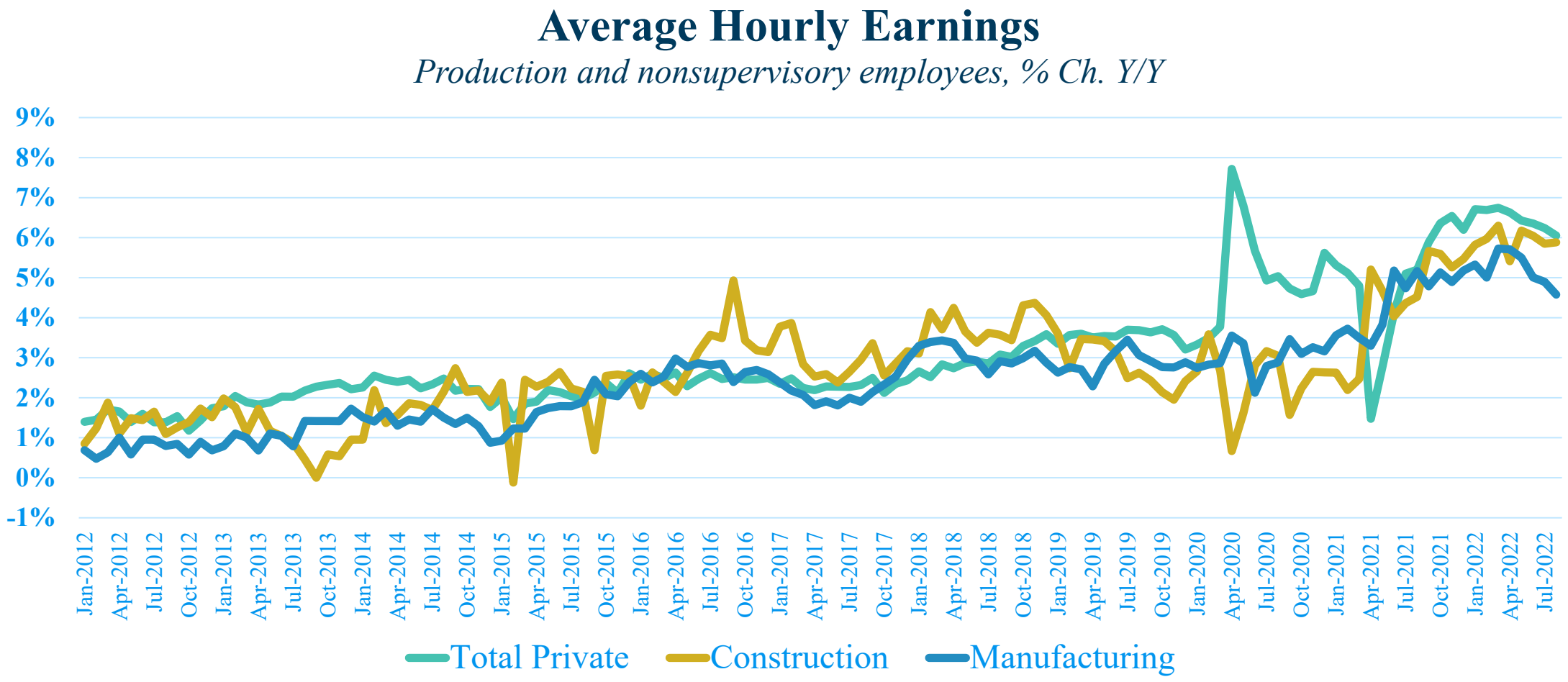
WAGES RISING (BEFORE INFLATION)



Source: Bureau of Labor Statistics

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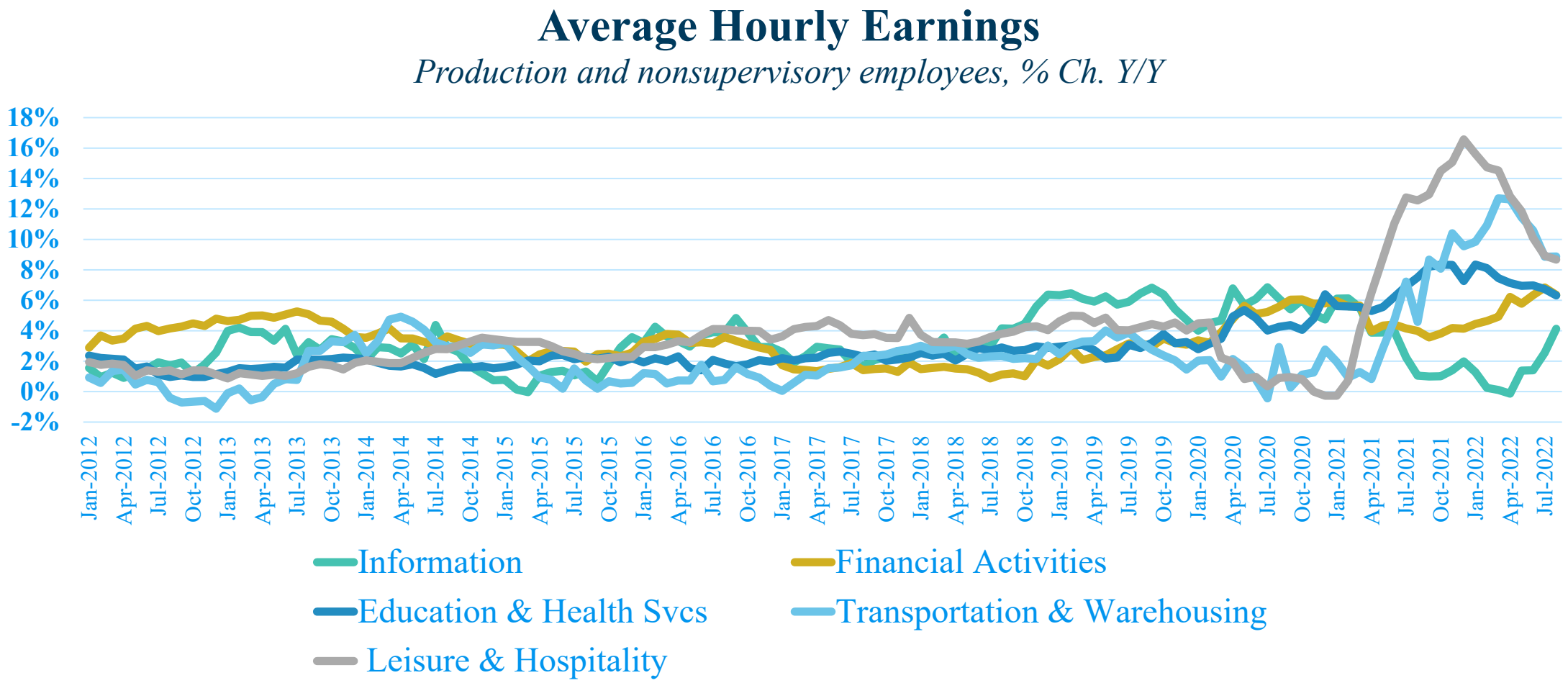

Source: Bureau of Labor Statistics

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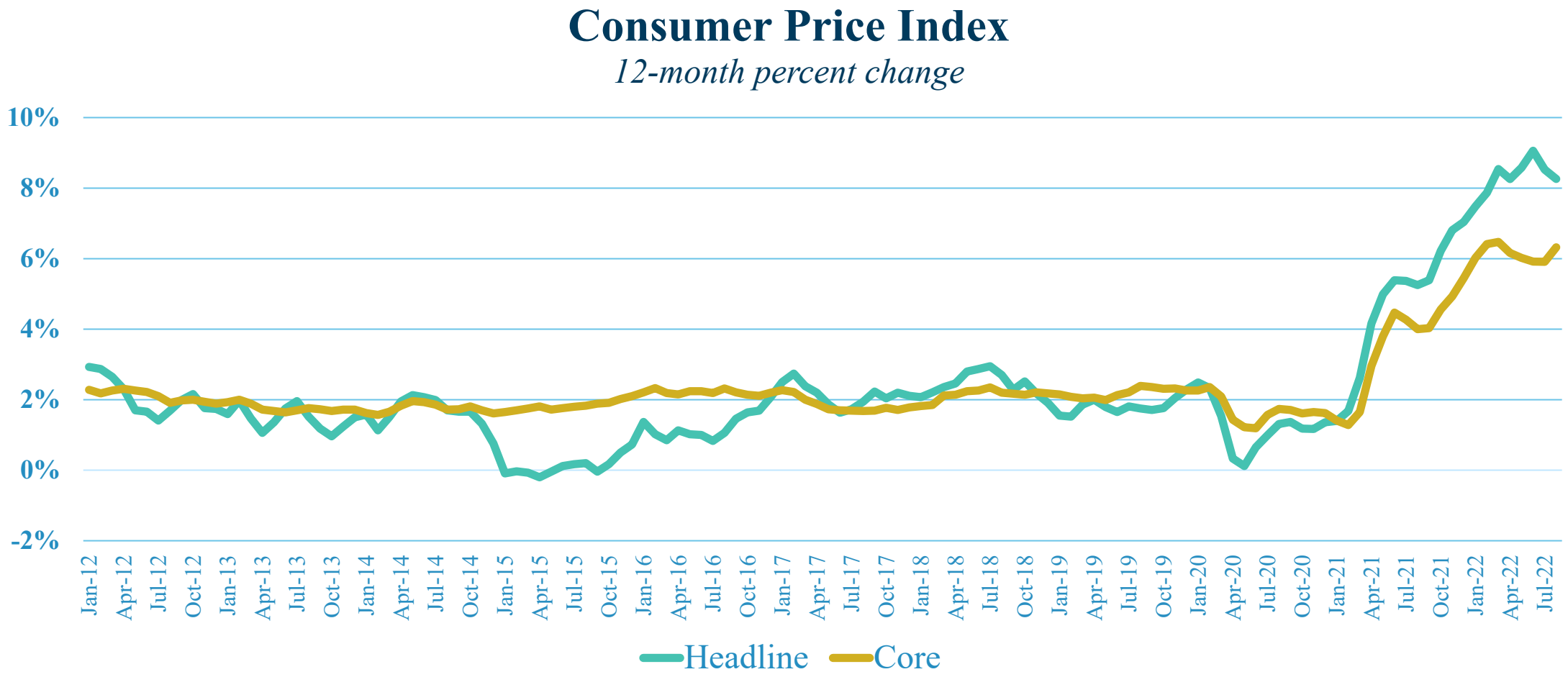
PANDEMIC AND INFLATION

INFLATION HAS INCREASED DRAMATICALLY



Source: Bureau of Labor Statistics

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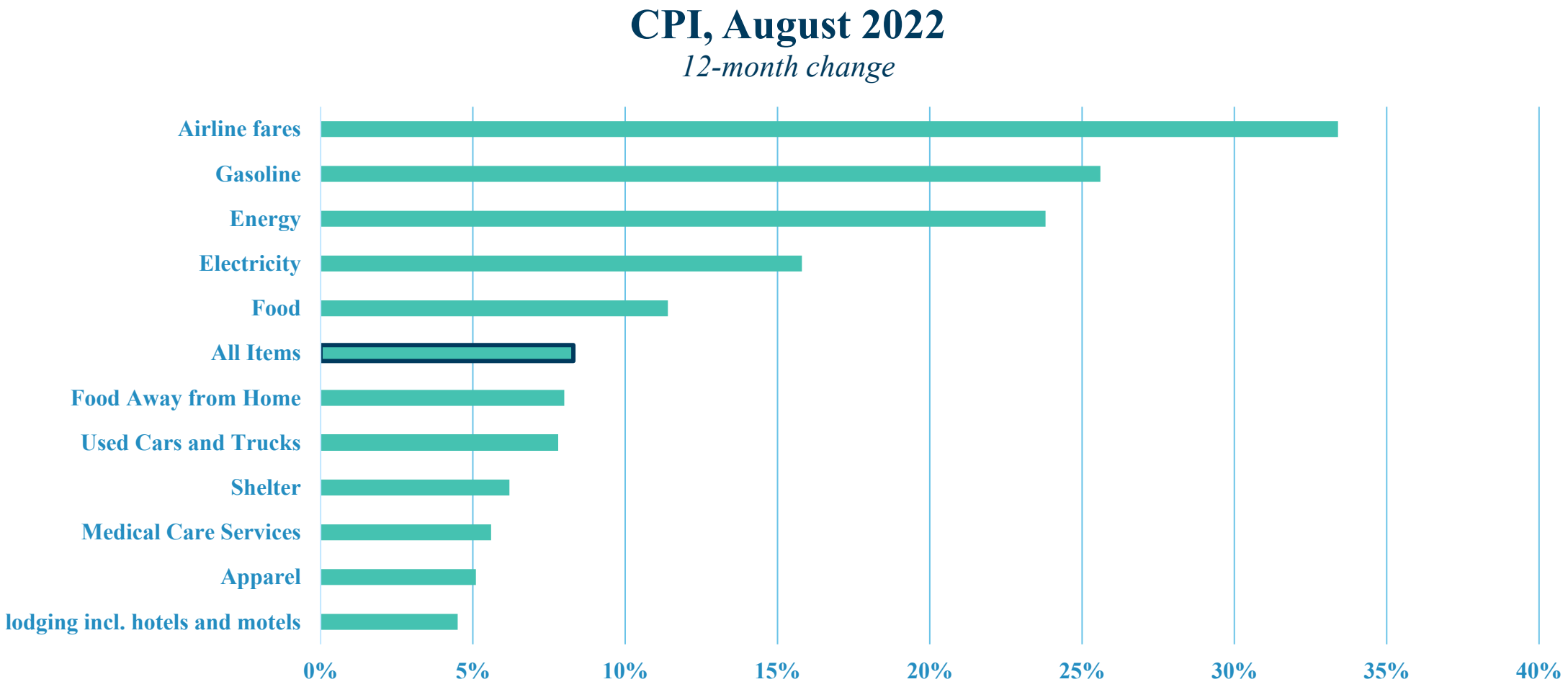
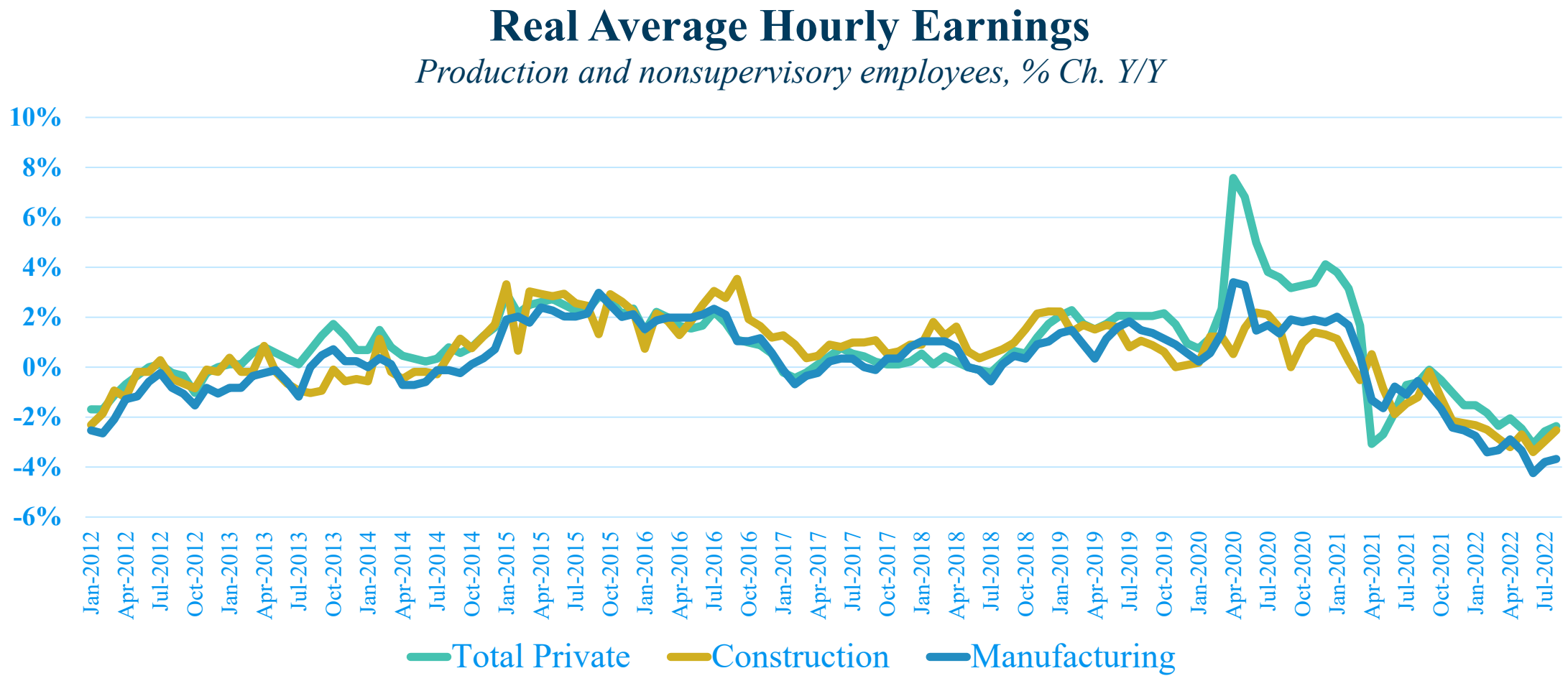
WHAT'S GOING UP THE MOST?



Source: Bureau of Labor Statistics

INFLATION TAKING A BITE OUT OF WAGE GAINS



Source: Bureau of Labor Statistics

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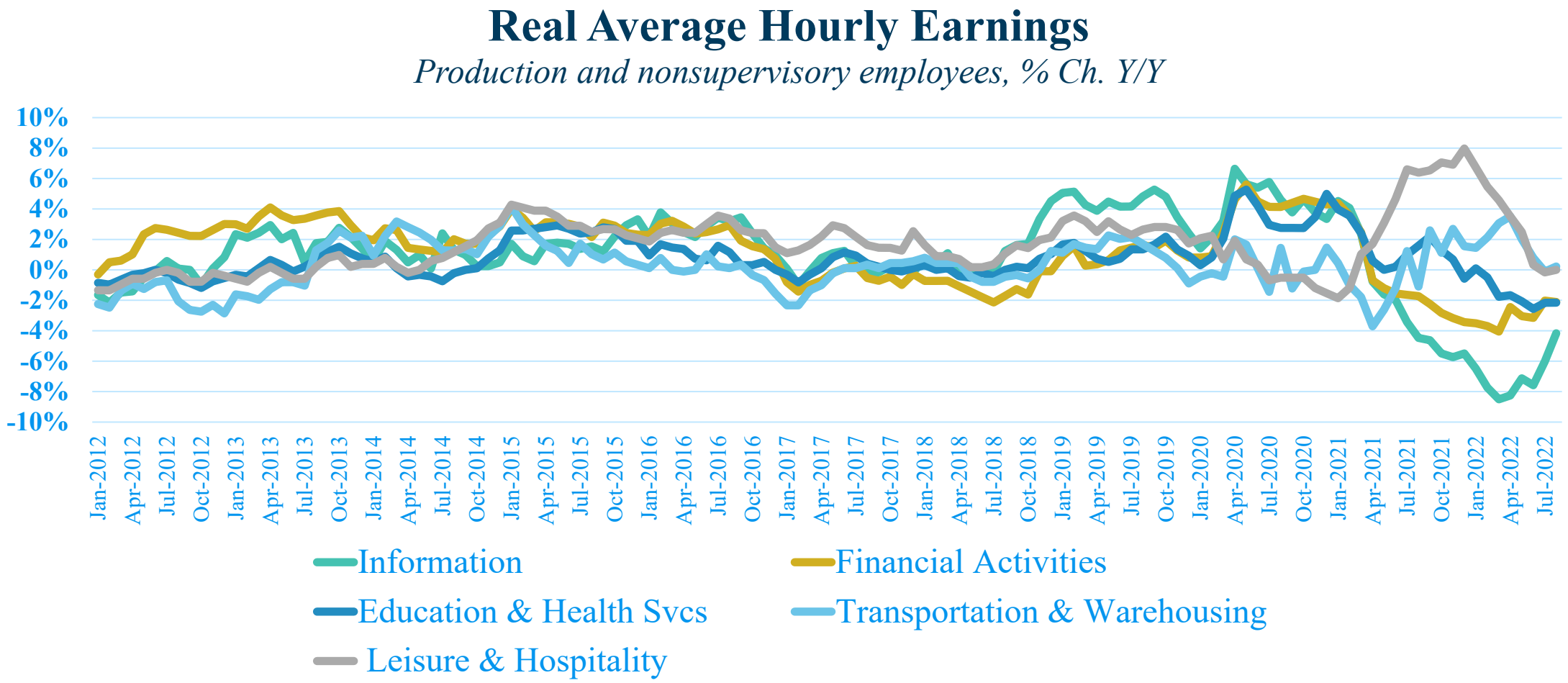
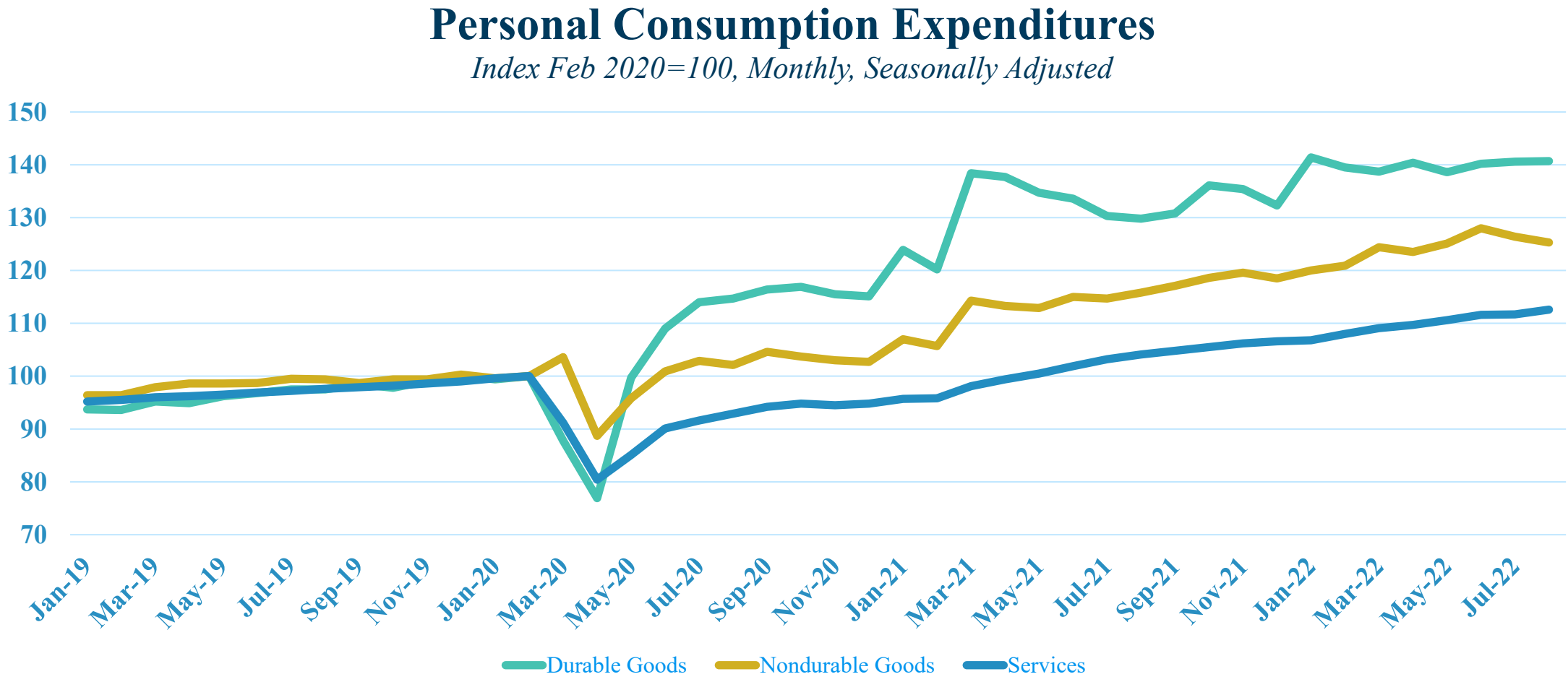


Source: Bureau of Labor Statistics

CONSUMER SPENDING WAY UP, ESPECIALLY FOR GOODS



Source: Bureau of Economic Analysis

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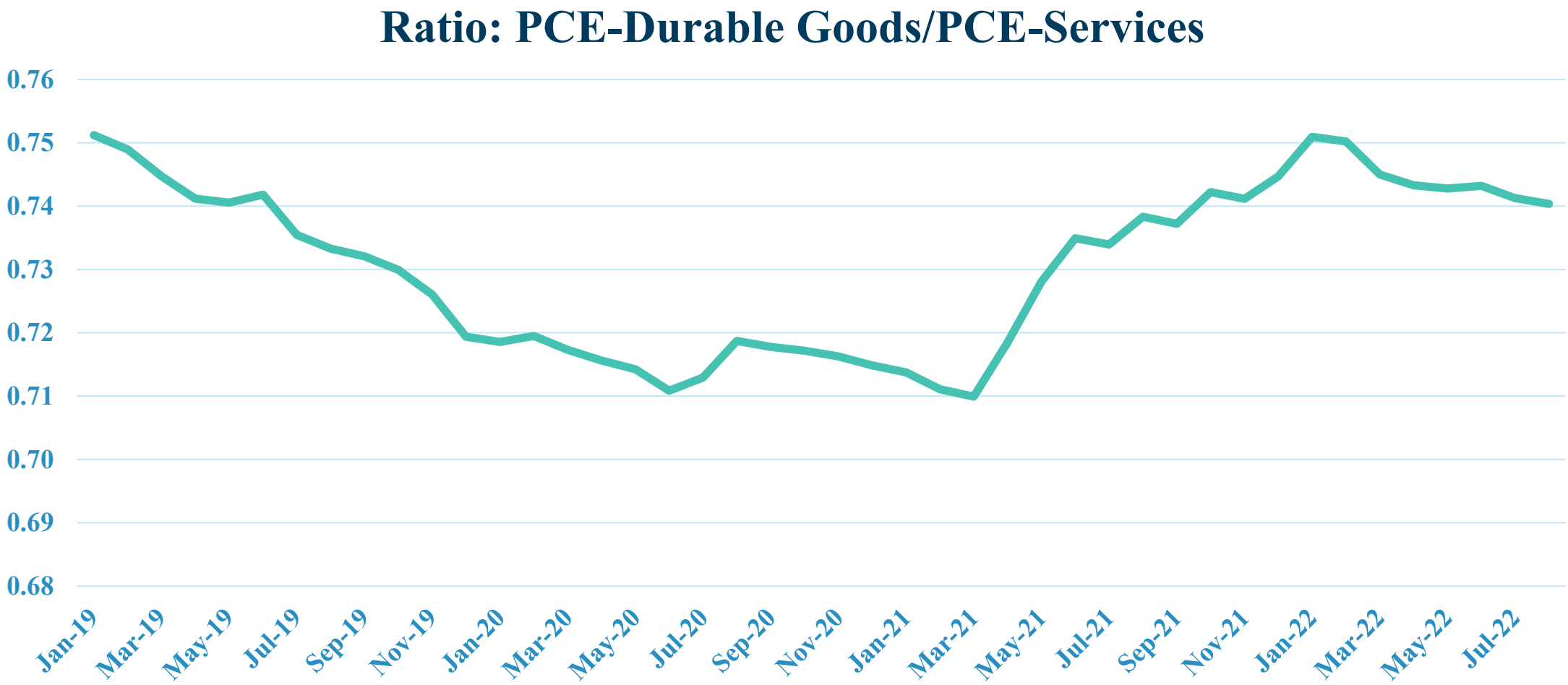
GOODS GOT MORE EXPENSIVE RELATIVE TO SERVICES



Source: Bureau of Economic Analysis

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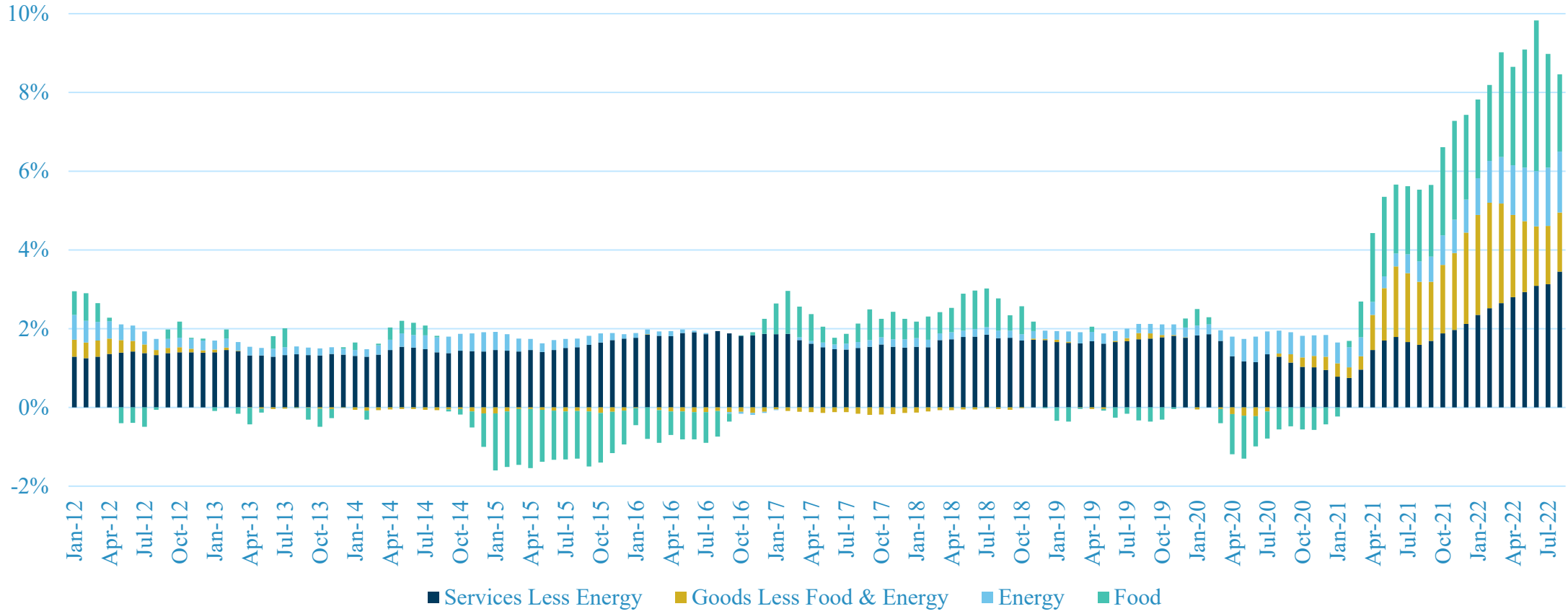
A LOT OF RECENT INFLATION STILL IN GOODS AND ENERGY

Components of CPI inflation

Percentage point contribution, NSA



Source: Bureau of Labor Statistics

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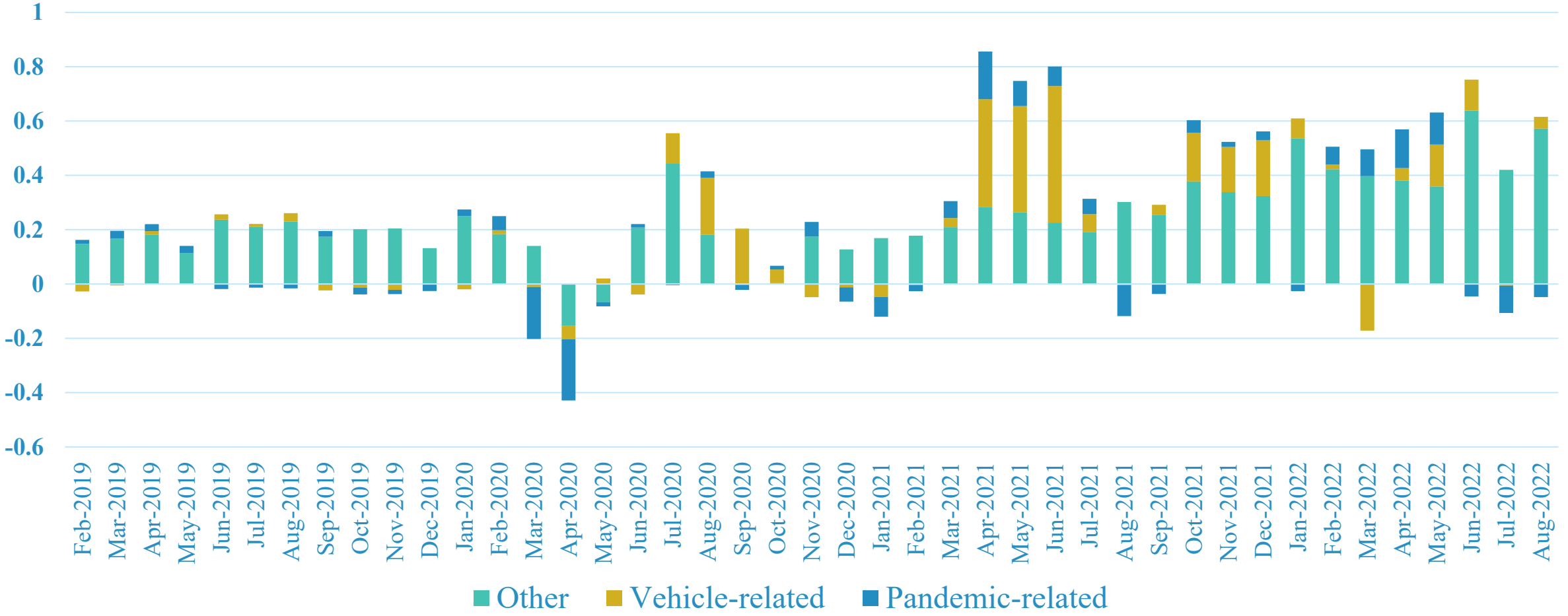
PRICE INCREASES HAVE BECOME MORE WIDESPREAD

Contributions to Core CPI Inflation

Percentage point contribution, monthly rate, SA



Source: Bureau of Labor Statistics

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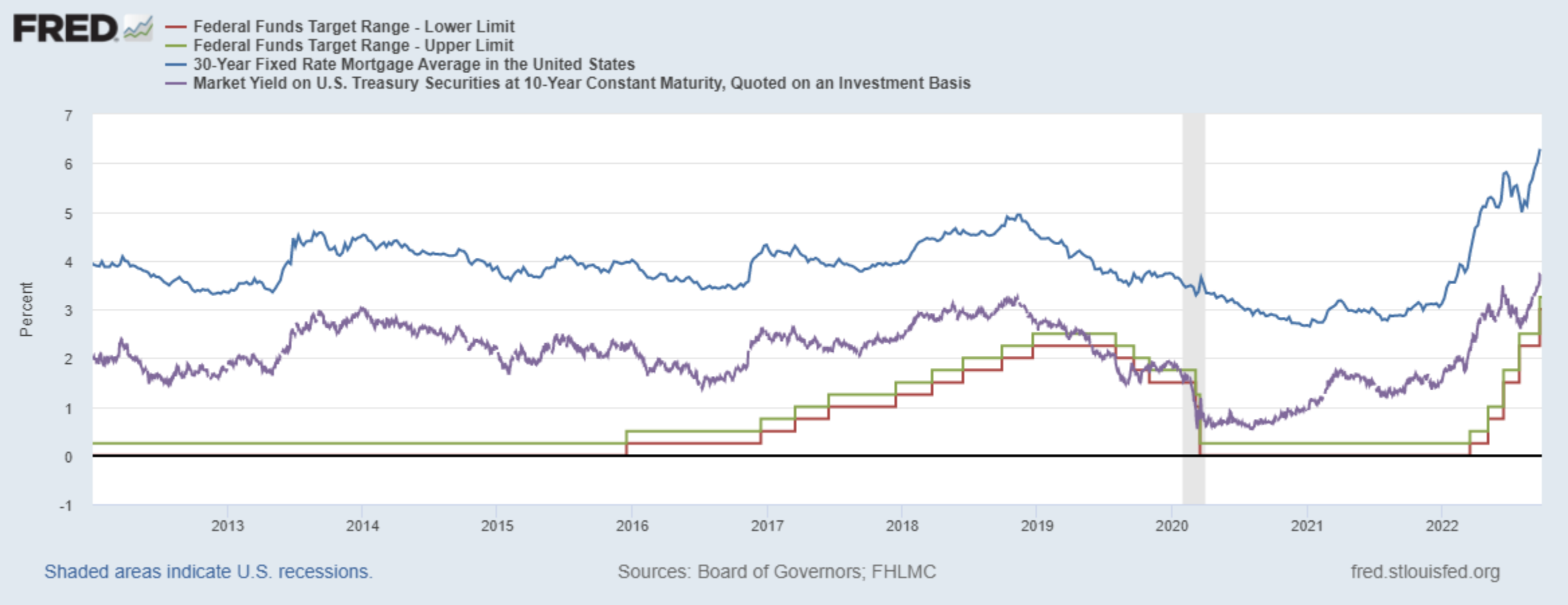
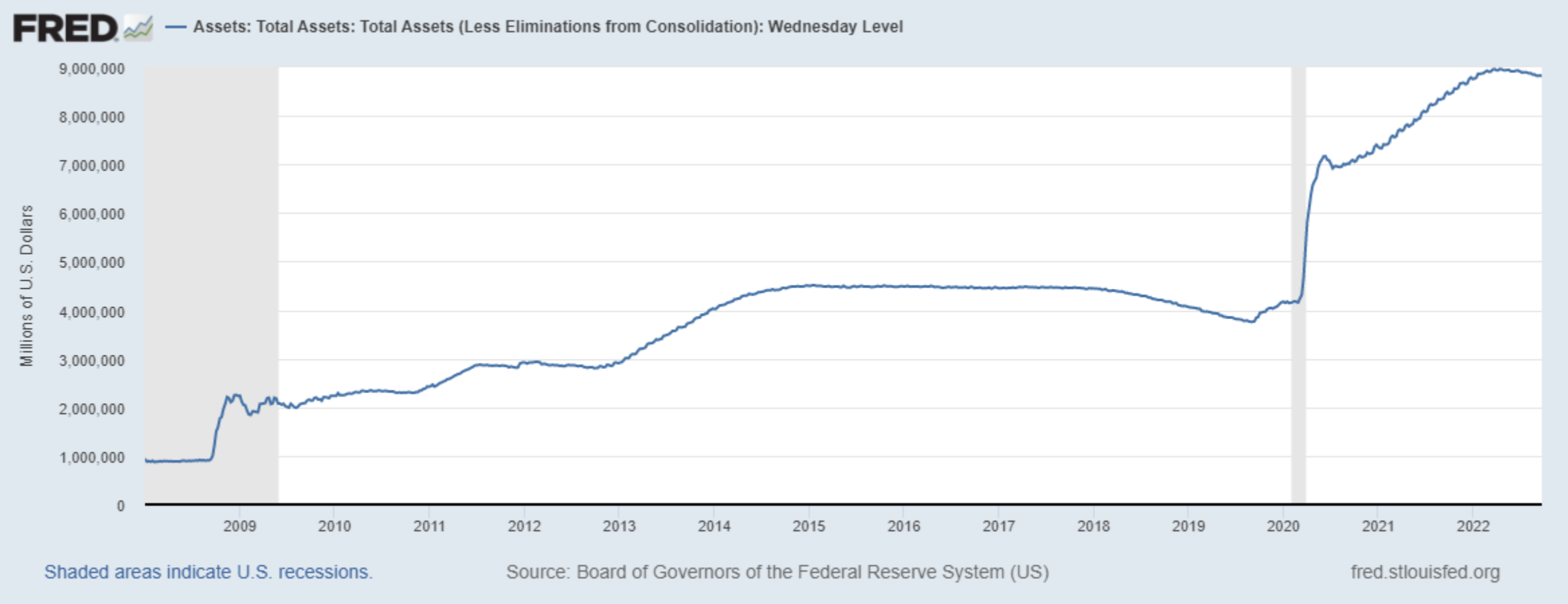
THE FED'S RESPONSE

RATES INCREASING



BALANCE SHEET NORMALIZATION



LONG TERM INFLATION EXPECTATIONS DOWN

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THANK YOU!

QUESTIONS?

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OR CONNECT ON LINKEDIN