

Economic Outlook: A View from the Fed

Shari Bower, Regional Executive

August 29, 2024



Federal Reserve
Bank of Atlanta

The views expressed are my own, and not necessarily those of the Atlanta Fed or the Federal Reserve System

A View From the Fed



About the Fed



Economic Conditions



Monetary Policy Response

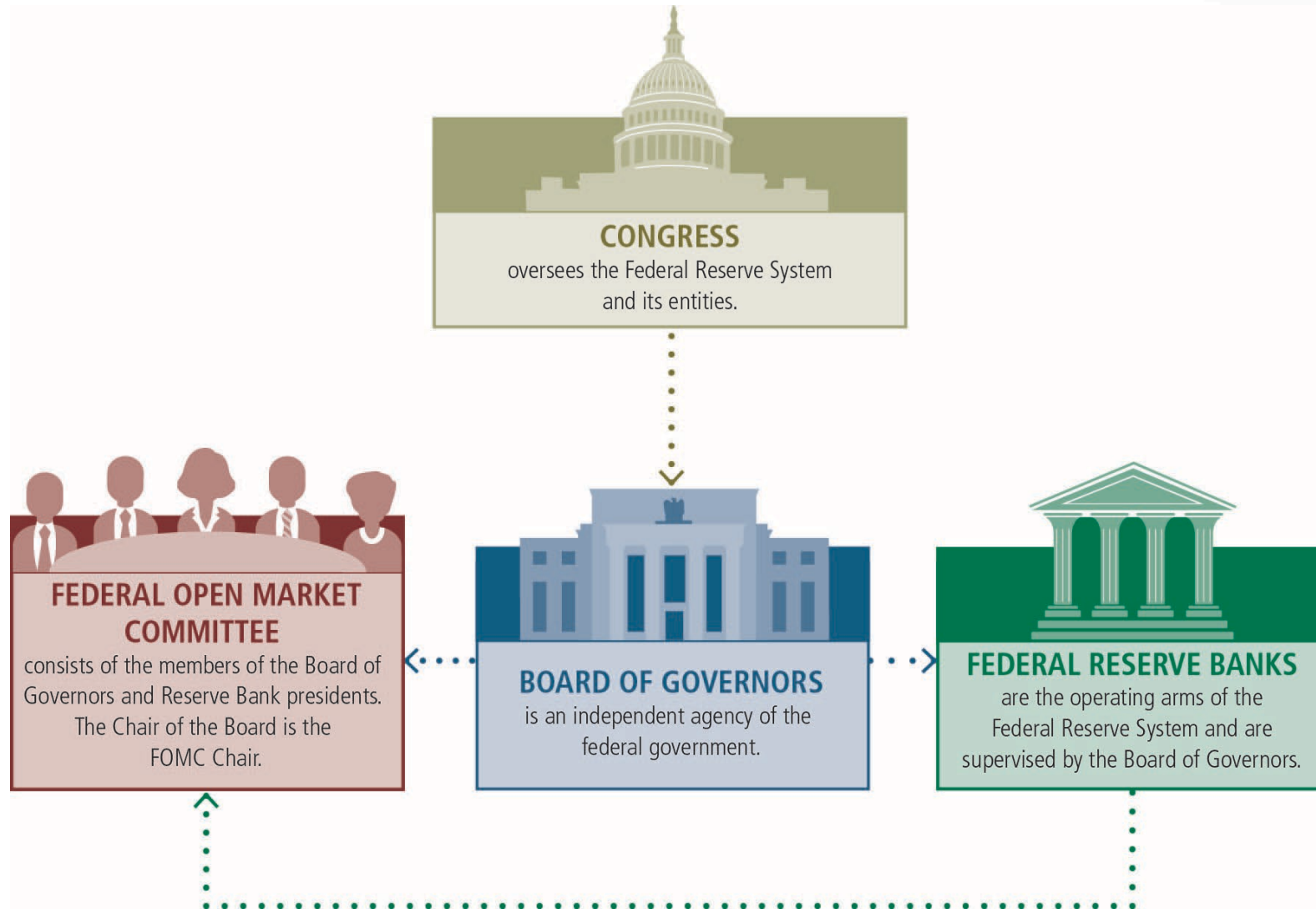


Stay Connected

About the Fed



Structure



Functions of the Federal Reserve

Monetary Policy



- Discount rate
- Interest on reserve balances
- Open market operations
- Overnight reverse repurchase agreements
- Term deposit facility

Payment Services



- Electronic payments
- Check collection & cash services
- Fiscal agent for the US Treasury
- Banker's bank
- Funds transfers

Supervision & Regulation



- Regulations
- Bank exams
- Stress tests
- Safety & soundness

Financial System Stability



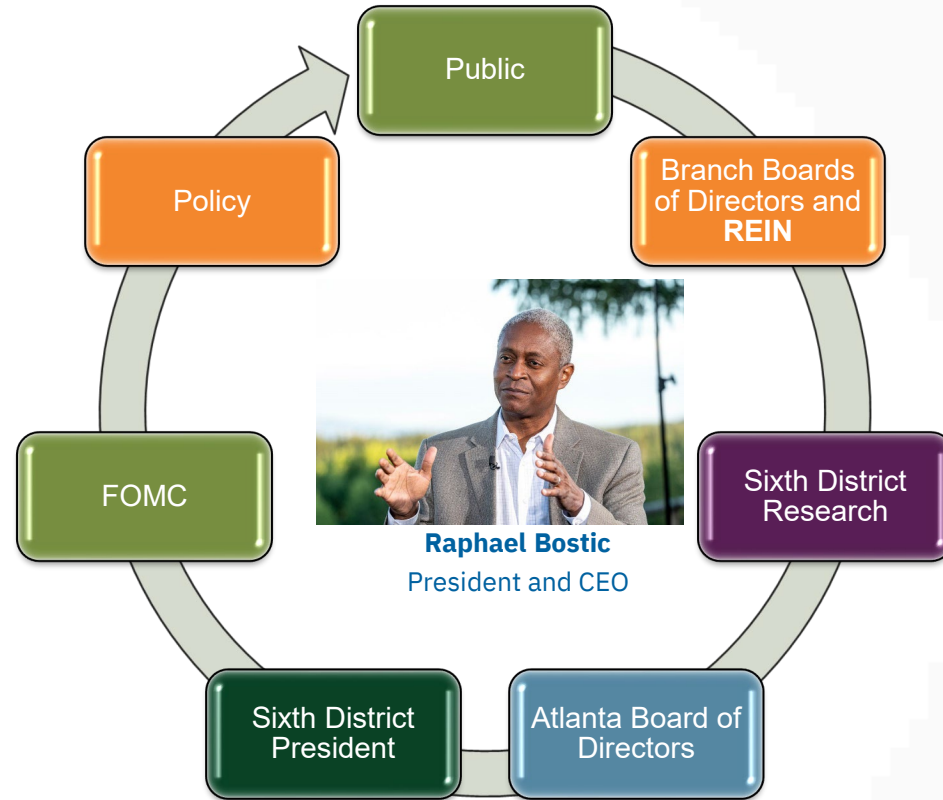
- Minimizes and contains systemic risks
- Monitors financial system

Consumer Protection & Community Development



- Administers consumer laws
- Promotes economic mobility for low-income communities

The Atlanta Fed's Monetary Policymaking Process



Economic Conditions

Last Week in Jackson Hole

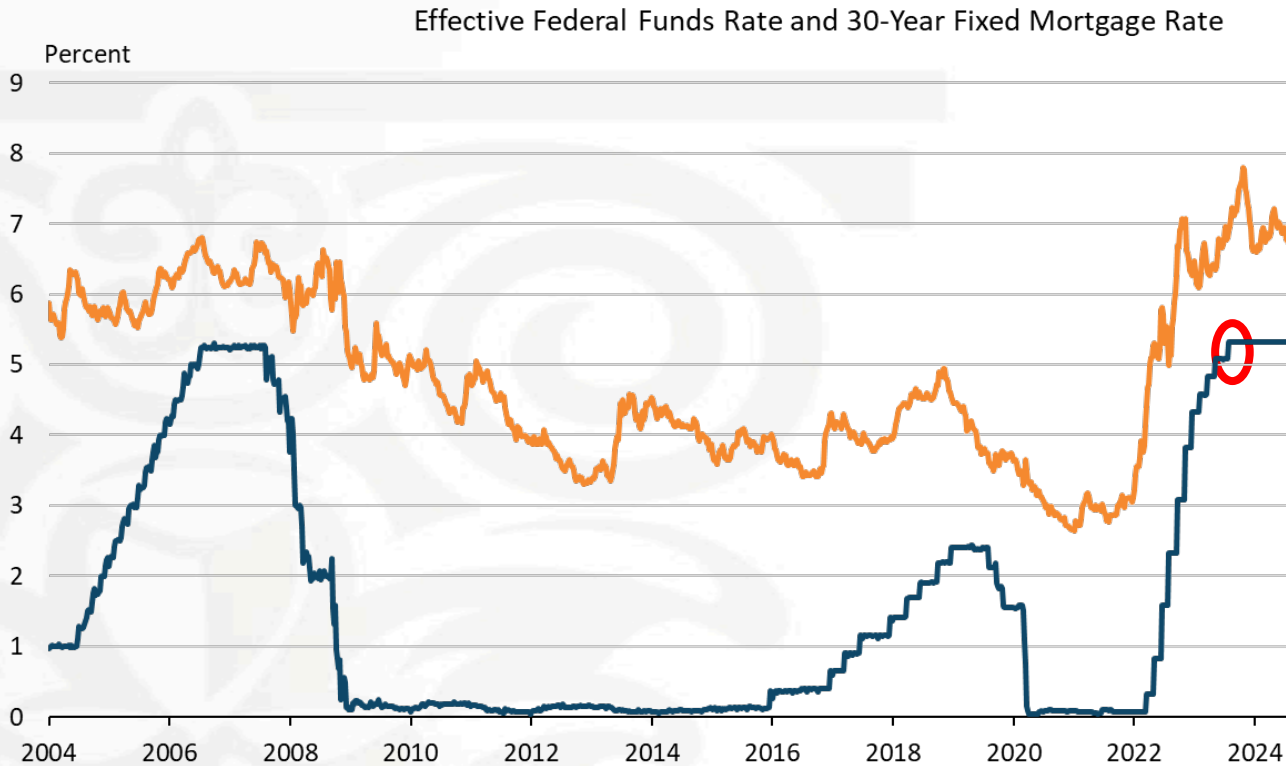


Jackson Hole Economic Policy Symposium

The 2024 Economic Policy Symposium. "Reassessing the Effectiveness and Transmission of Monetary Policy," will be held Aug. 22-24.



Last Year: “We are Navigating by the Stars Under Cloudy Skies”



Sources: Federal Reserve Board, Wall Street Journal

- *We have tightened policy significantly over the past year.*
- *Although inflation has moved down from its peak...it remains too high.*
- *We are prepared to raise rates further if appropriate and intend to hold policy at a restrictive level until we are confident that inflation is moving sustainably down toward our objective.*
- *Two percent is and will remain our inflation target.*

- Jerome Powell, Jackson Hole, August 2023



Summary of Economic Conditions



The economy is slowing, not slow (not imploding)



Year-over-year measures of inflation are declining



The labor market is easing and coming back into balance (not collapsing)



Consumer spending has been resilient, but under more stress

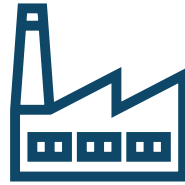


Risks: softening demand / employment, insurance costs, credit and CRE



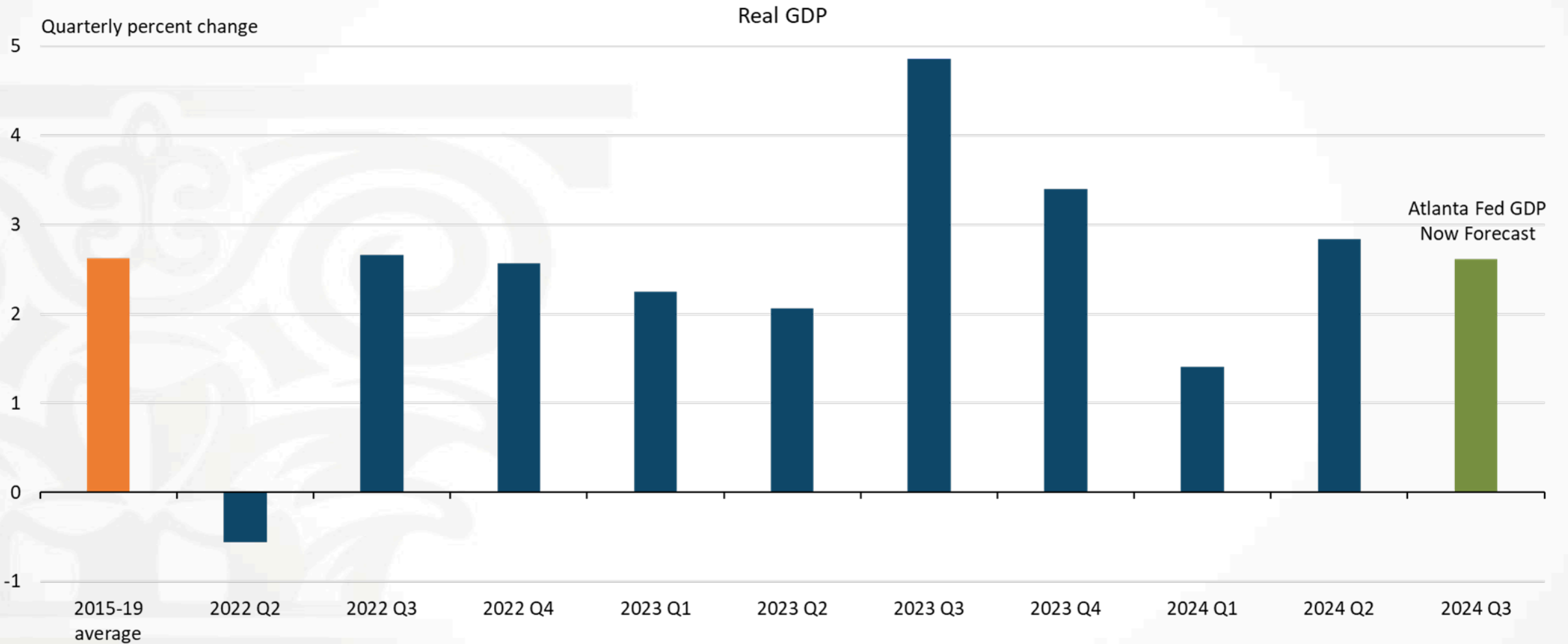
The Fed Funds Rate is elevated with rate cut(s) for 2024 still prevailing view

Summary of Economic Conditions



The economy is slowing, not slow
(not imploding)

Real GDP is forecast to grow at a steady pace in the third quarter



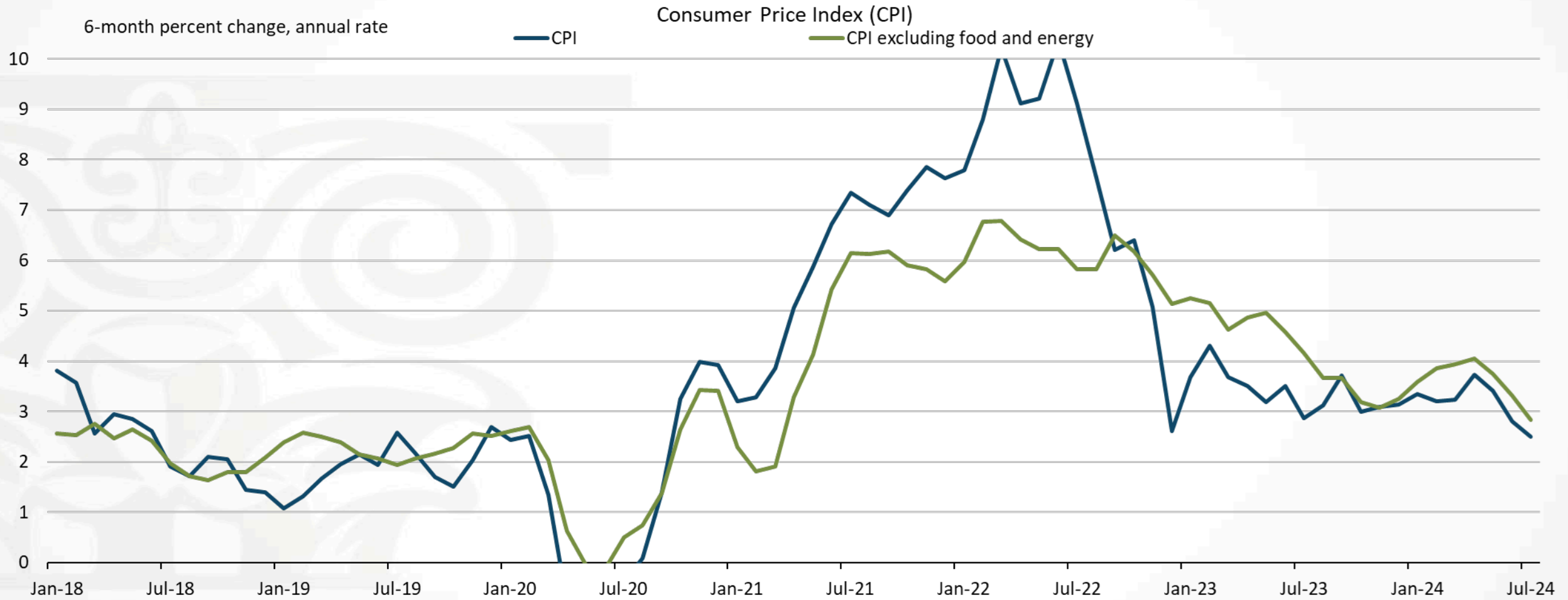
Source: Bureau of Economic Analysis, Federal Reserve Bank of Atlanta

Summary of Economic Conditions



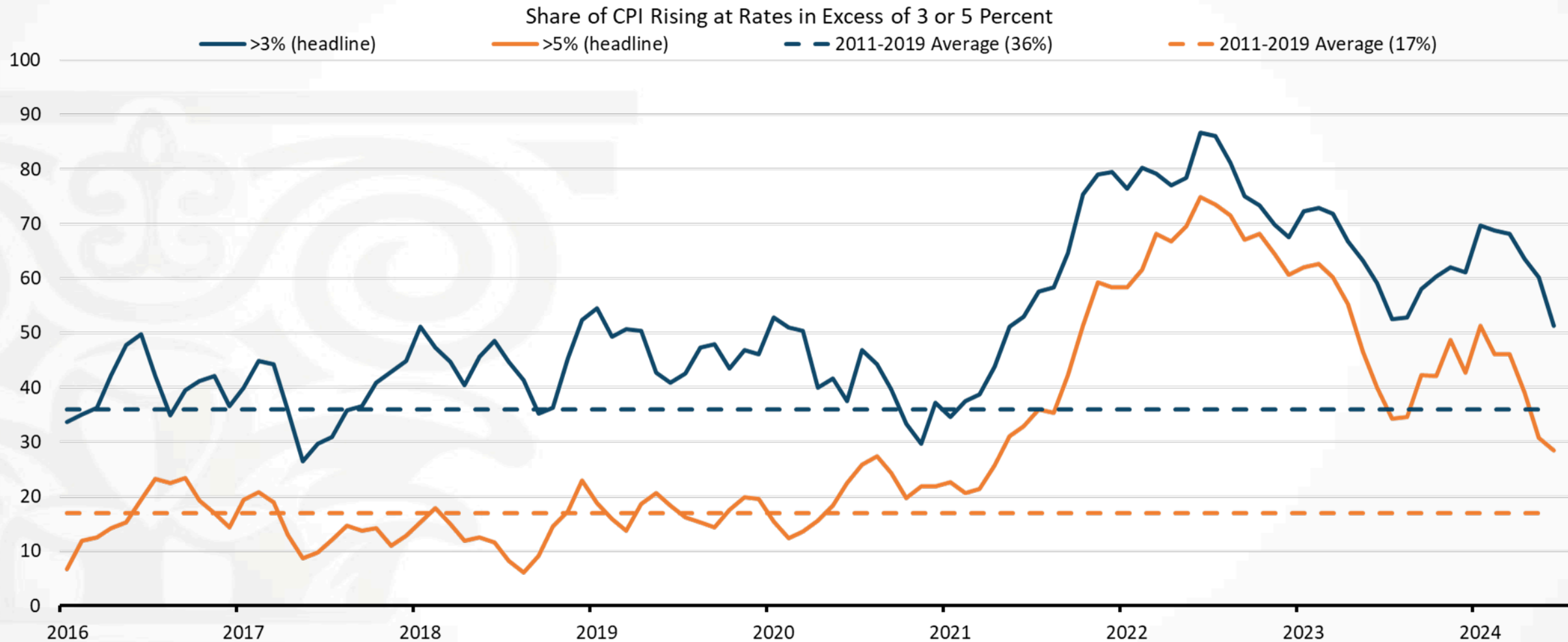
Year-over-year measures of
inflation are declining

CPI inflation measures have once again begun to decrease in 2024 after leveling off earlier in the year



Sources: Bureau of Labor Statistics, Federal Reserve Bank of Cleveland

The share of consumer price basket with prices rising more than 3 and 5 percent remains elevated but trending down



Sources: BLS; author's calculations

But our underlying inflation dashboard is still flashing red

Measure of underlying inflation	12-month growth rate		Average difference Measure - Core PCE 2009–2019	Target based on 2% Core PCE	Stats for 1-mo growth rates (2009–2019)			
	Jul-23	Jul-24			Mean	Median	P25	P75
Core CPI	4.7	3.2	0.3	2.3	1.9	2.0	1.3	2.5
FRB Cleveland Median CPI	6.0	4.3	0.6	2.6	2.2	2.3	1.9	2.6
FRB Cleveland 16% Trimmed-Mean CPI	4.8	3.3	0.3	2.3	1.9	1.9	1.3	2.4
Atlanta Fed Sticky CPI	5.5	4.1	0.5	2.5	2.1	2.2	1.7	2.6
Core PCE	4.2	2.6	0.0	2.0	1.6	1.5	1.0	2.1
Market-Based Core PCE	4.0	2.4	-0.2	1.8	1.4	1.4	0.8	1.8
FRB Dallas Trimmed-Mean PCE	4.2	2.8	0.1	2.1	1.7	1.7	1.3	2.0
FRB San Francisco Cyclical Core PCE Inflation	7.2	4.6	0.7	2.7	2.2	2.4	2.0	2.8
Cyclically Sensitive Inflation (Stock and Watson (2019))	5.4	3.5	-0.1	1.9	1.5	1.5	0.9	2.1

*CPI-based measures last updated on August 14, 2024 with data through July 2024. PCE-based measures last updated on July 26, 2024 with data through June 2024. Median, P25 and P75 statistics of FRB San Francisco Cyclical Core PCE Inflation are based on 12-month growth rates.

Sources: Bureau of Labor Statistics; Bureau of Economic Analysis; Federal Reserve Banks of Atlanta, Cleveland, Dallas, and San Francisco; Stock and Watson (2019); staff calculations

- Measure is within target range (-/+0.25 from target)
- Measure is between 0.25 and 0.50 ppt below target
- Measure is more than 0.50 ppt below target
- Measure is between 0.25 and 0.50 ppt above target
- Measure is more than 0.50 ppt above target

[Underlying Inflation Dashboard - Federal Reserve Bank of Atlanta \(atlantafed.org\)](https://atlantafed.org)

Summary of Economic Conditions

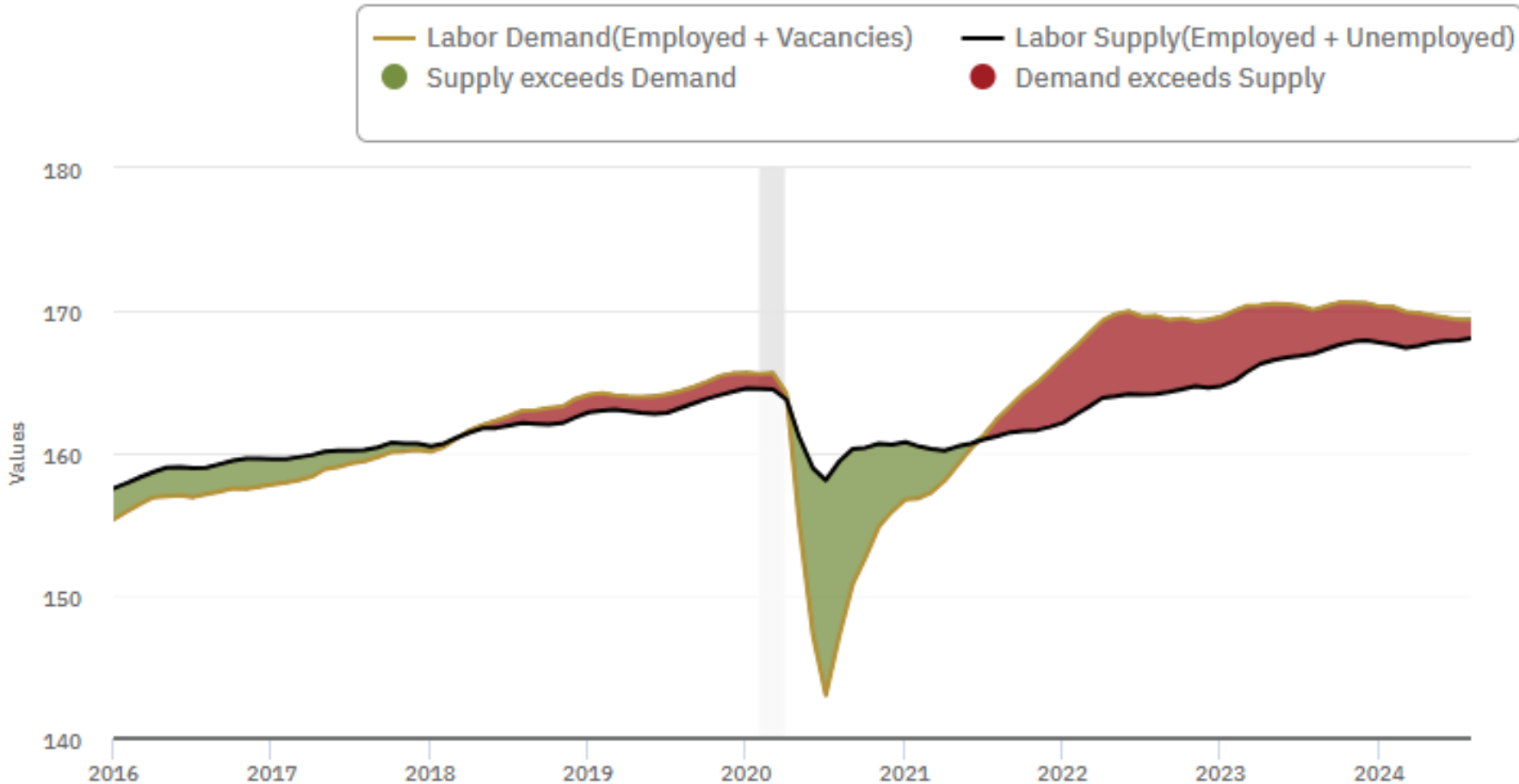


The labor market is easing and
coming back into balance
(not collapsing)

The gap between labor demand and labor supply has been shrinking since mid-2023

US Labor Demand vs. Supply

Export

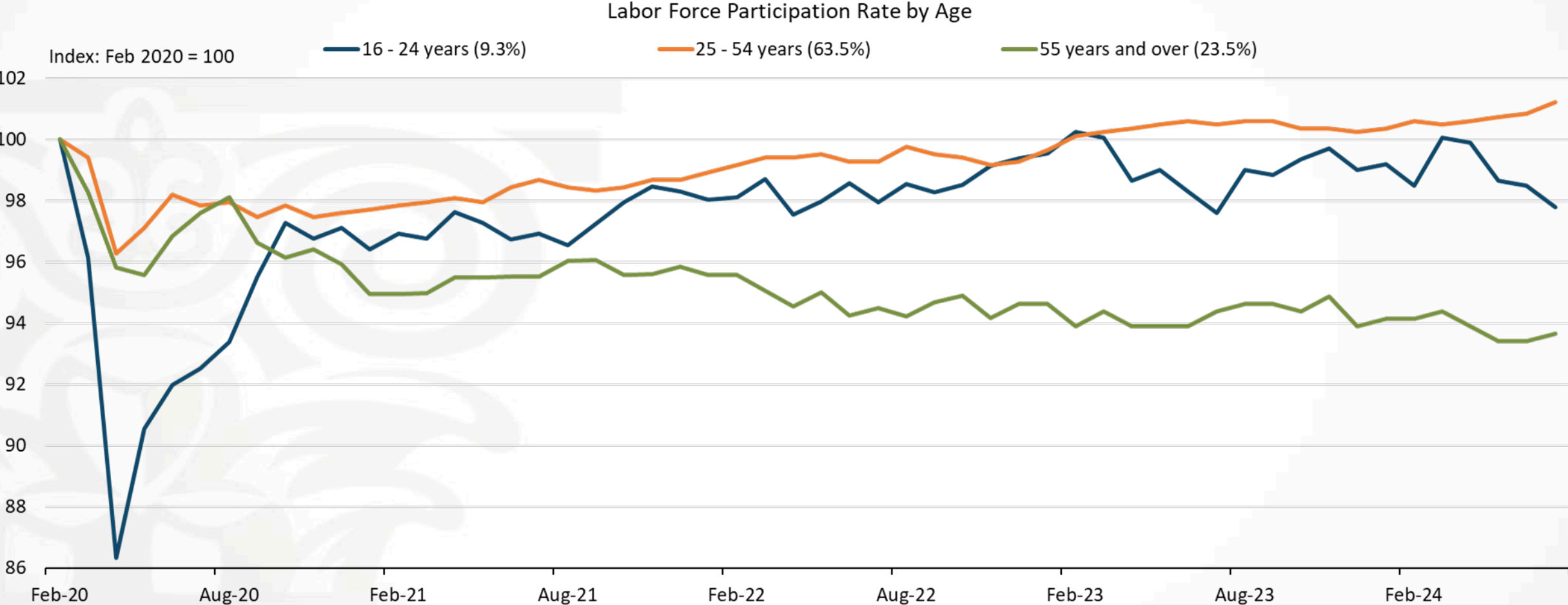


July 2024

- Labor Demand (Employed + Vacancies): 169.37
- Labor Supply (Employed + Unemployed): 167.91
- Demand > Supply: 1.46

Note: Because JOLTs data are not for the latest month the vacancy level is assumed to be equal to the level for the prior month.
Source: BLS Current Population Survey, Job Openings and Labor Turnover Survey (JOLTs), Haver Analytics; FRBA calculations.

Labor force participation has recovered for prime age (25-54) workers while participation remains subdued for older workers

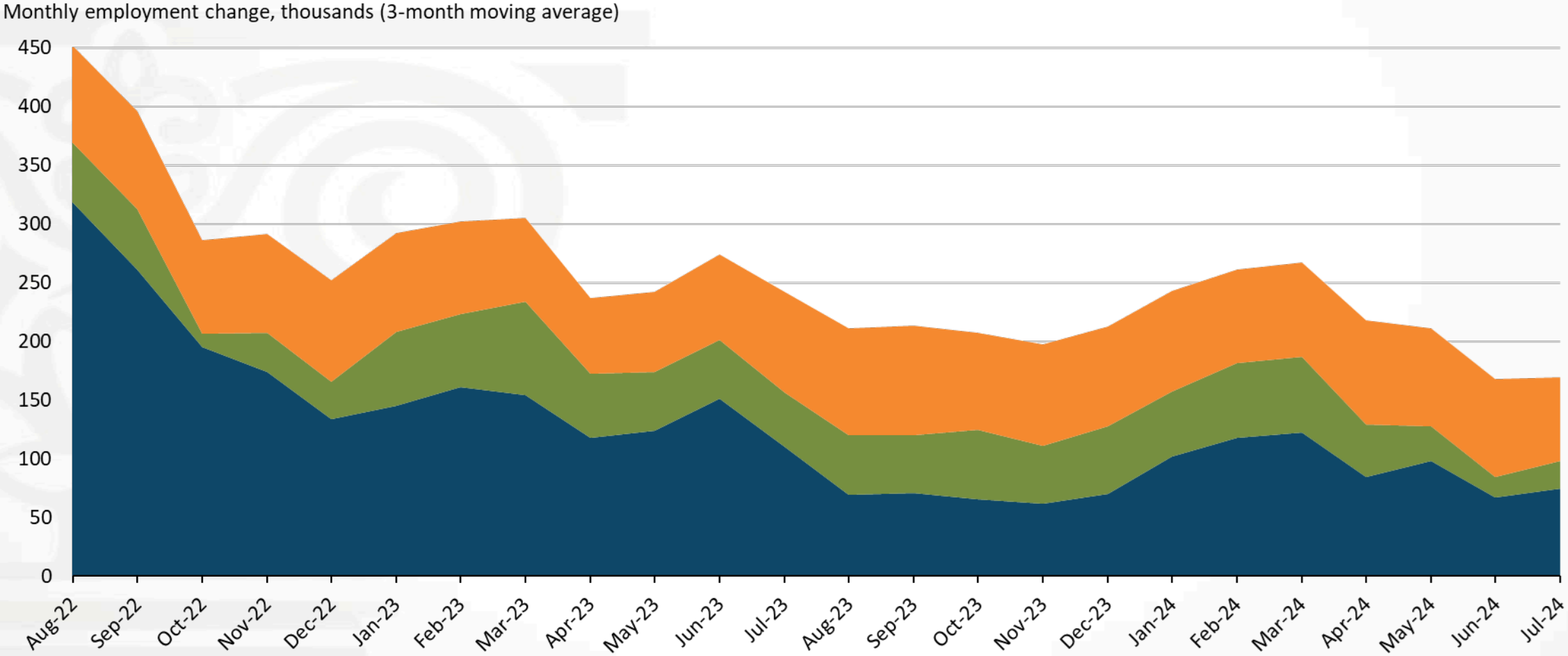


Source: Bureau of Labor Statistics and staff calculations to historically adjust for population controls.

Employment growth has been strongly supported by the healthcare sector

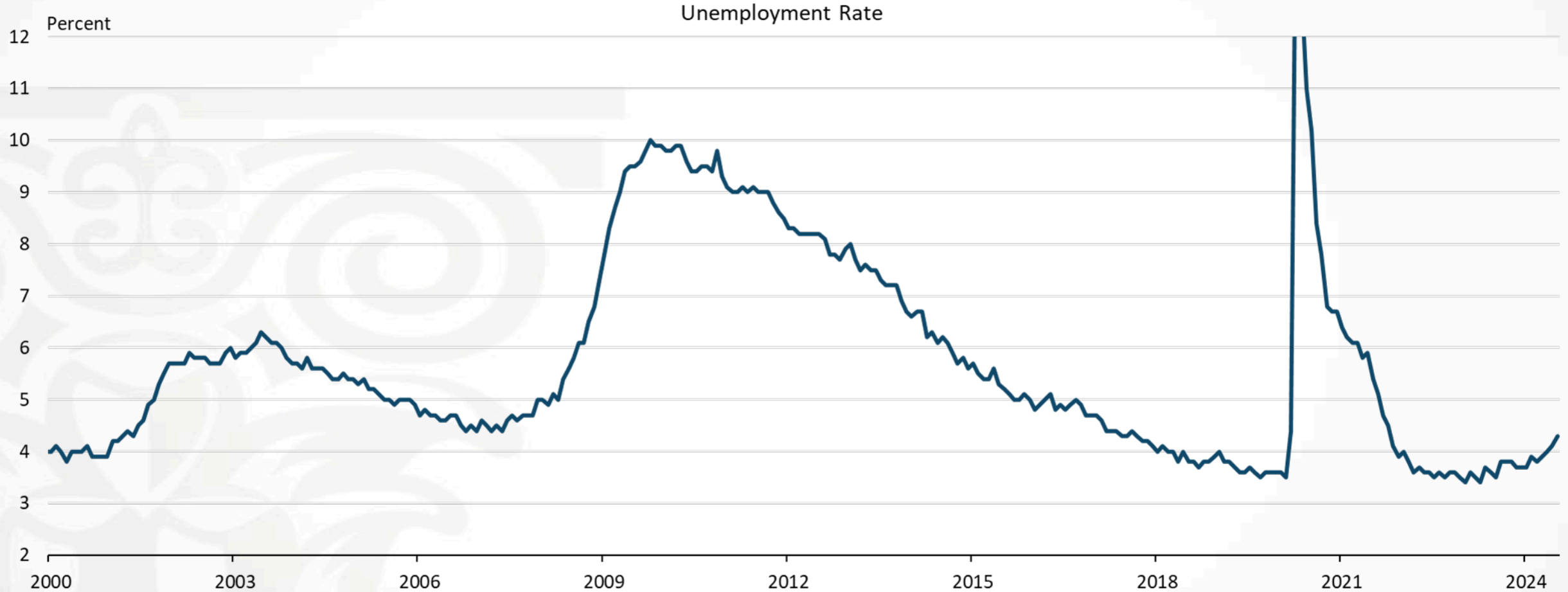
Nonfarm Payroll Employment

■ Total less health care and government ■ Government ■ Health care and social assistance



Source: Bureau of Labor Statistics

The unemployment rate has gradually moved higher



Source: Bureau of Labor Statistics

Summary of Economic Conditions

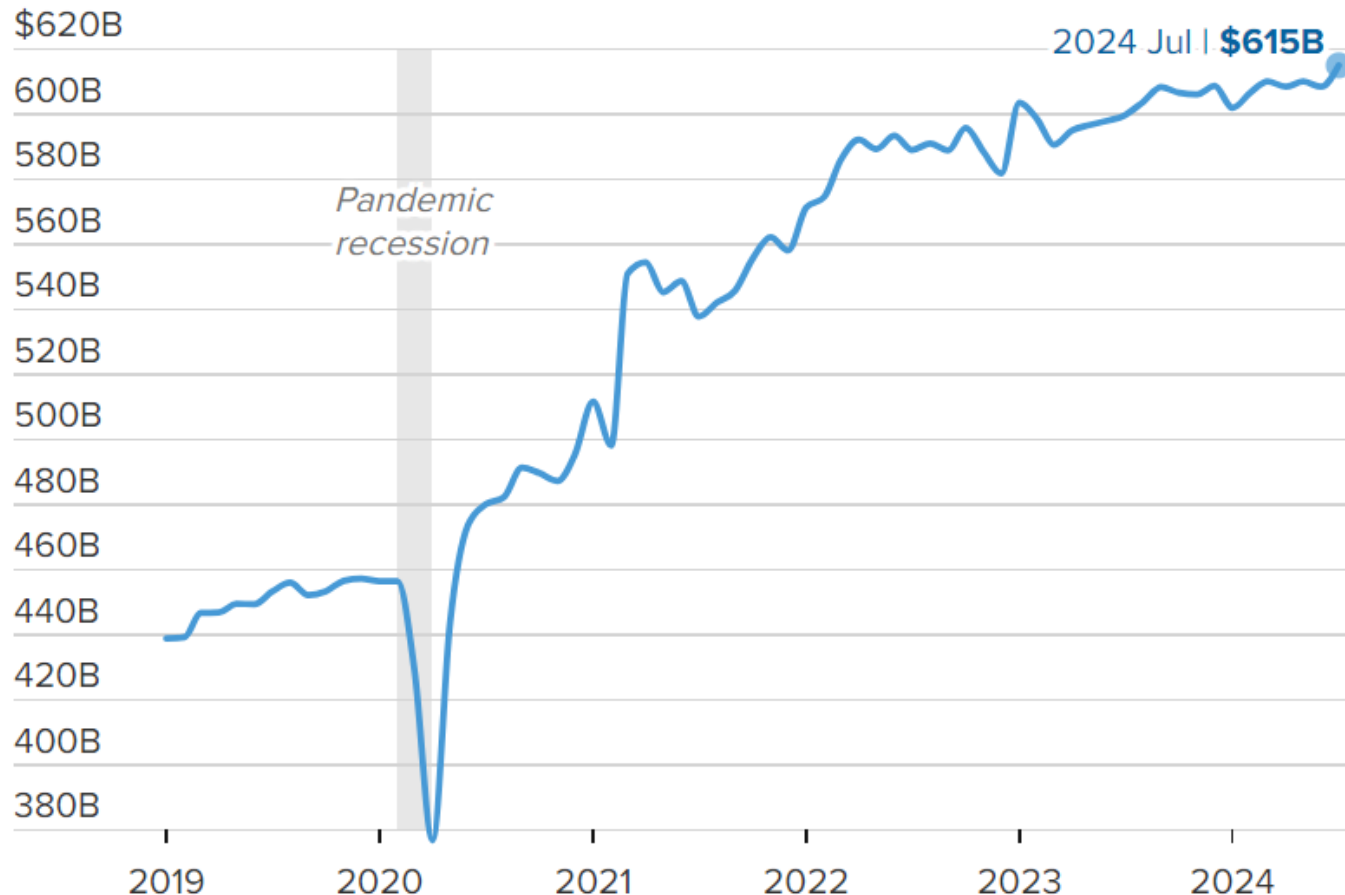


Consumer spending has been resilient, but under more stress

Consumers are still spending

Advance retail sales in the U.S.

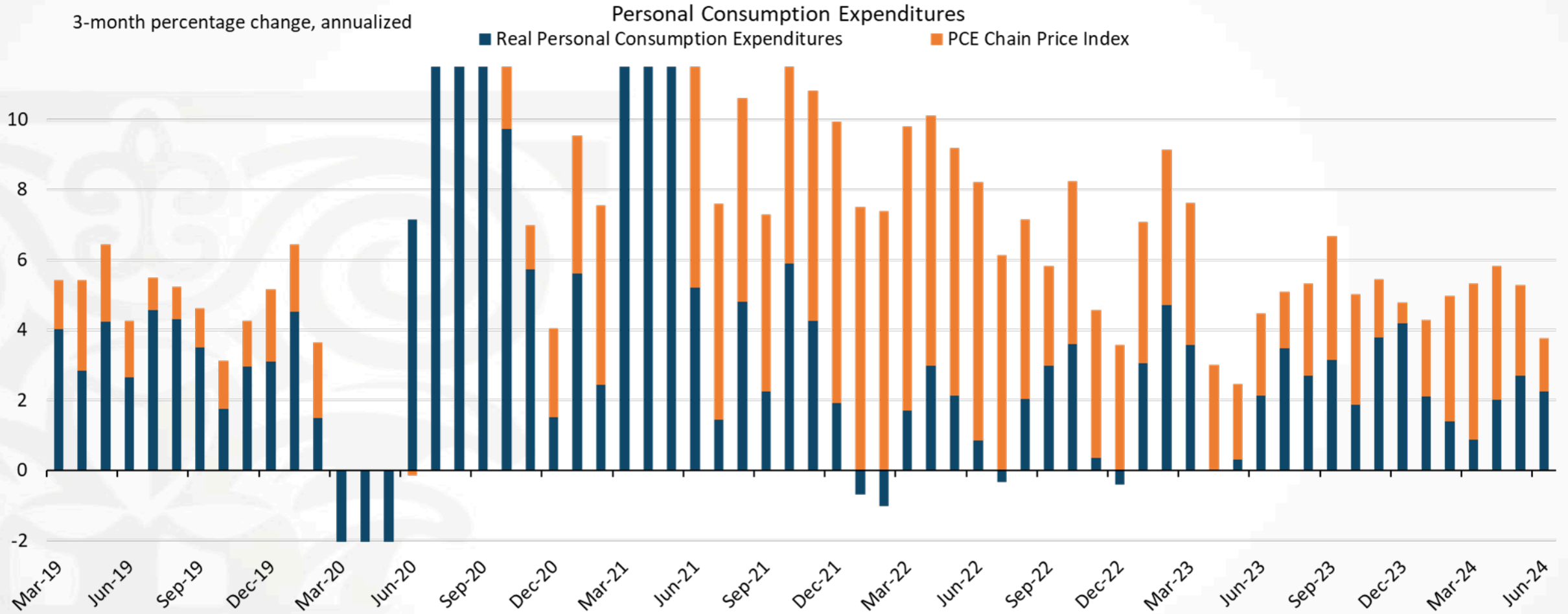
Retail trade



Source: U.S. Census Bureau via [FRED](#)
Data as of Aug. 15, 2024

- Consumer spending was better than expected in July after a decline in June.
- Advance retail sales were up 1% from the previous month, above economists' expectations for a 0.3% increase.

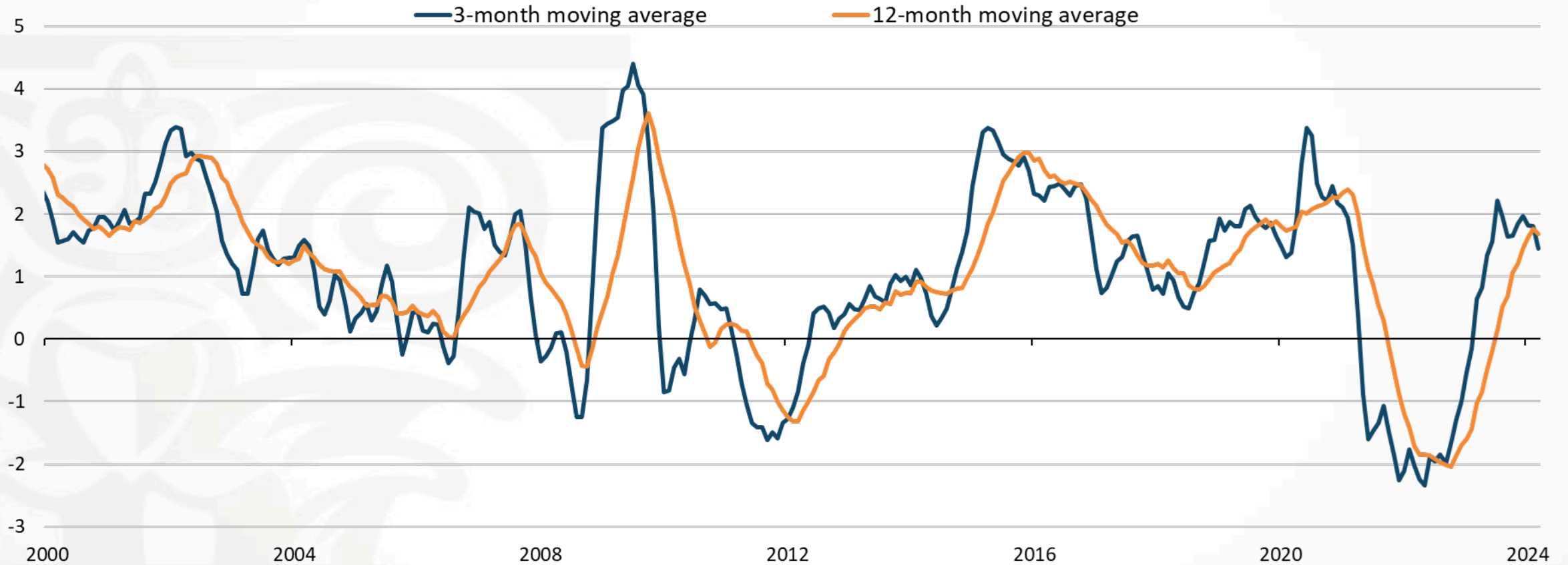
Real growth in consumption has been solid in recent months as the growth in consumer prices has moderated



Source: Bureau of Economic Analysis

While real wage growth is positive...

Real Wage Growth Tracker

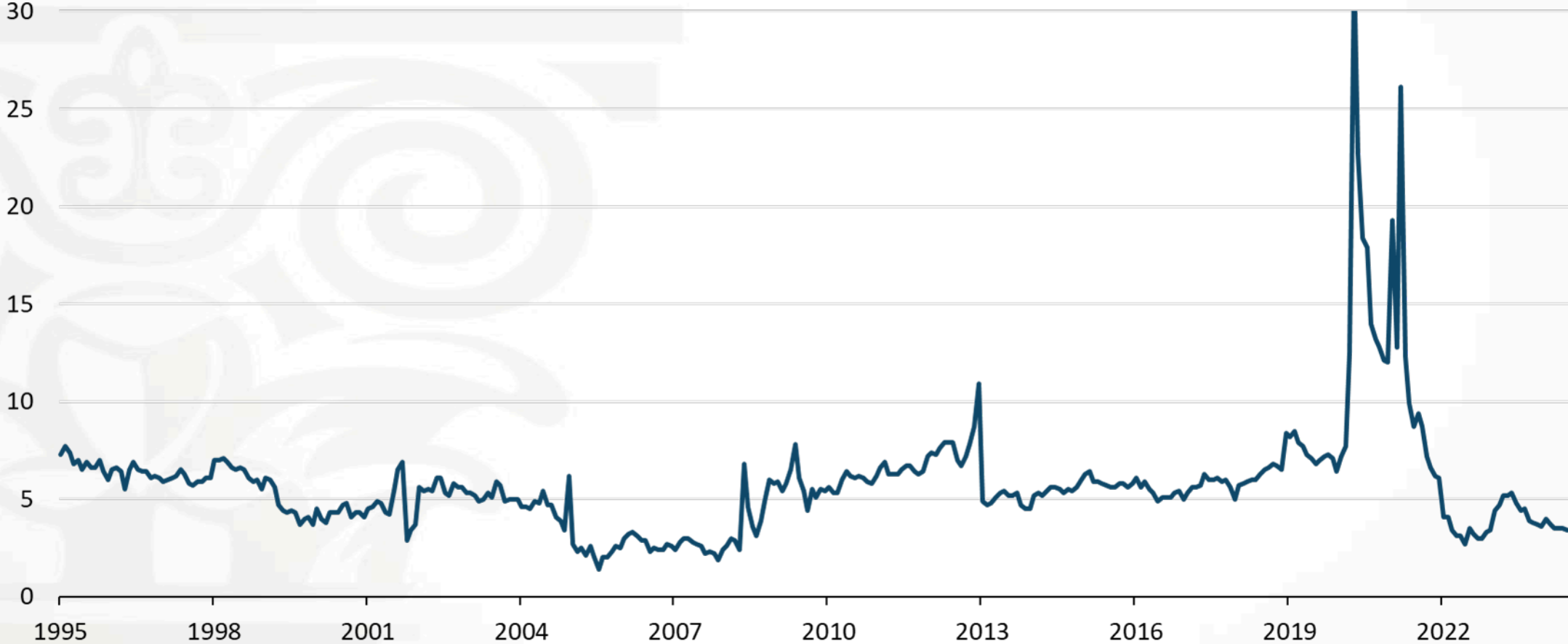


Sources: Current Population Survey, Bureau of Labor Statistics, and Federal Reserve Bank of Atlanta Calculations
Data updates can be found at <https://www.frbatlanta/chcs/wage-growth-tracker>.
See the 'definitions' tab in this spreadsheet for explanations of series. Wage computed on an hourly basis unless otherwise noted.

The savings rate has declined to below pre-pandemic levels

Personal Savings Rate

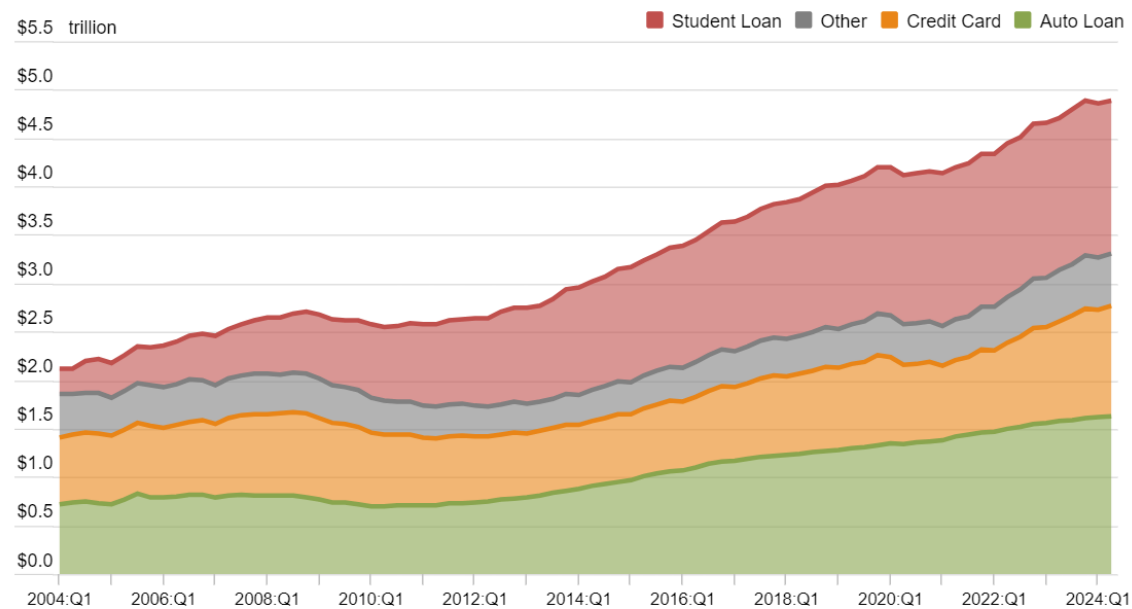
Percent, Seasonally Adjusted Annual Rate



Source: Bureau of Economic Analysis

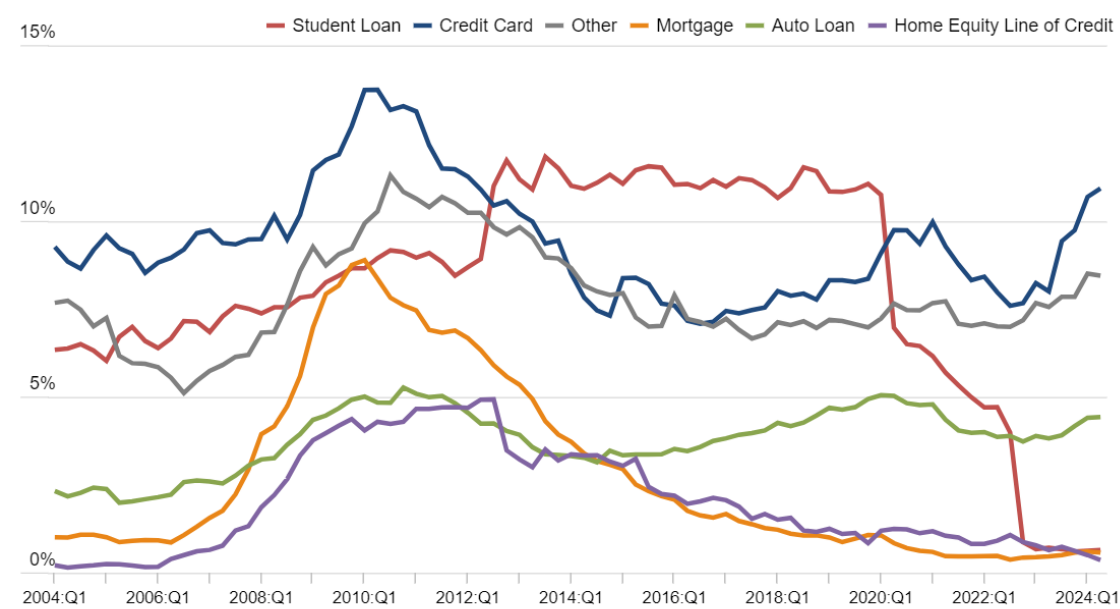
Consumer debt is growing, and credit card delinquencies are increasing

Non-Housing Debt Balance



- Credit card balances, which are now at \$1.14 trillion outstanding, increased by \$27 billion during the second quarter and are 5.8% above the level a year ago.
- Auto loan balances saw a \$10 billion increase, and now stand at \$1.63 trillion.

Percent of Balance 90+ Days Delinquent

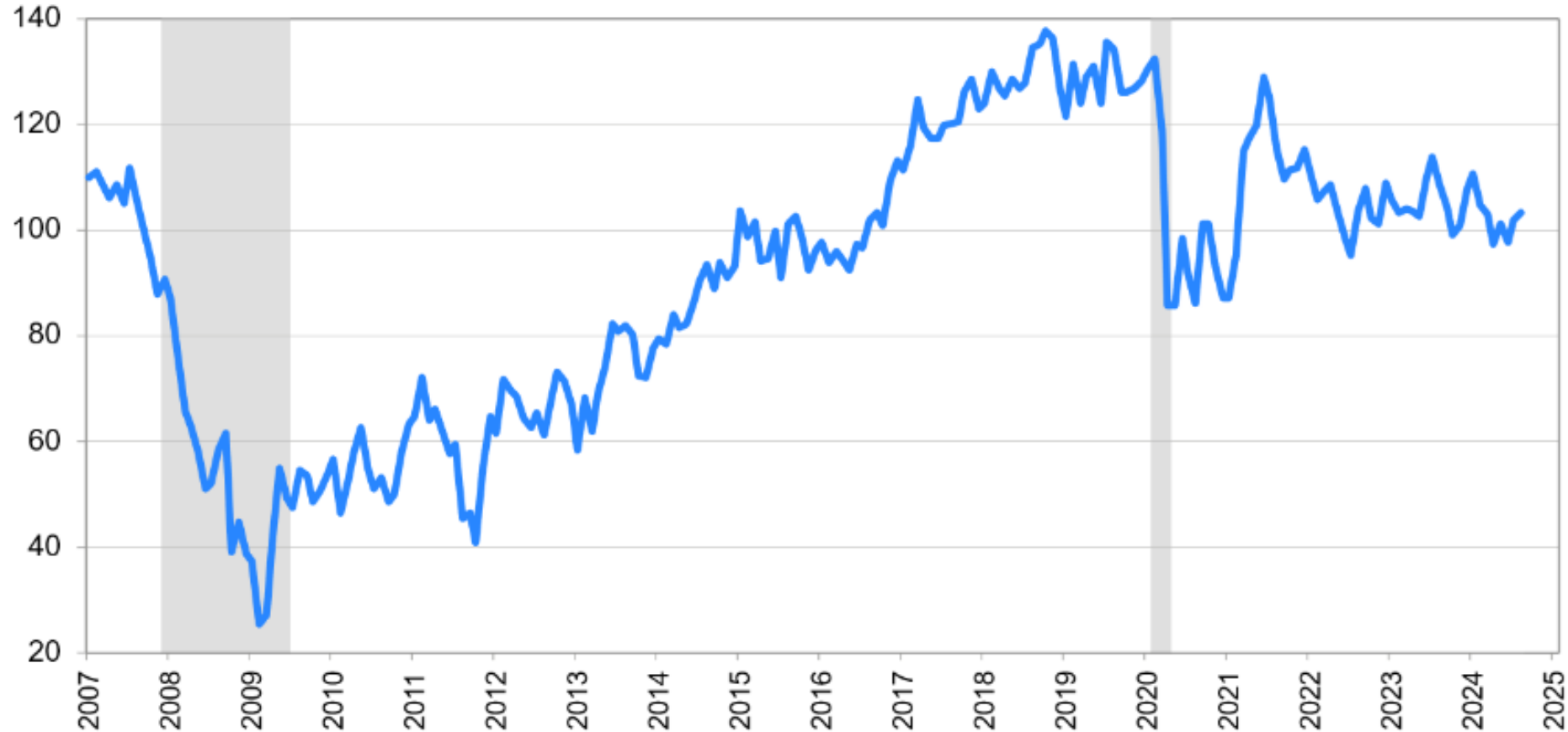


- The waterfall of credit card delinquencies has begun.
- Over the last year, approximately 9.1% of credit card balances and 8.0% of auto loan balances transitioned into delinquency.
- Delinquency rates have not been this high since 2011.

Consumer confidence is up but still well below 2019 levels

Consumer Confidence Index®

Index, 1985 = 100



*Shaded areas represent periods of recession.

Sources: The Conference Board; NBER

© 2024 The Conference Board. All rights reserved.

Summary of Economic Conditions



Risks: softening demand / employment,
insurance costs, credit and CRE

What are *you* hearing??

Quick Poll: from your business perspective

Relative to 6 months ago,

Growth is unchanged or strengthening, no slowdown in sight

Growth has slowed, expect this slower pace to continue

Growth has slowed, expect further slowing in 2024/5

Growth has slowed, expect significant contraction of activity

Monetary Policy Response

Summary of Economic Conditions



The Fed Funds Rate is elevated with rate cut(s) for 2024 still prevailing view

This Year: “ The upside risks to inflation have diminished. And the downside risks to employment have increased. ”

- ...the *balance of the risks* to our two mandates *has changed*. Our objective has been to restore price stability while maintaining a strong labor market, avoiding the sharp increases in unemployment... While the task is not complete, *we have made a good deal of progress* toward that outcome.
- My confidence has grown that inflation is on a sustainable path back to 2 percent.
- We do not seek or welcome further cooling in labor market conditions.
- *The time has come for policy to adjust*. The direction of travel is clear, and the timing and pace of rate cuts will *depend on incoming data*, the evolving outlook, and the balance of risks.
- With an appropriate dialing back of policy restraint, *there is good reason to think that the economy will get back to 2 percent inflation while maintaining a strong labor market*.

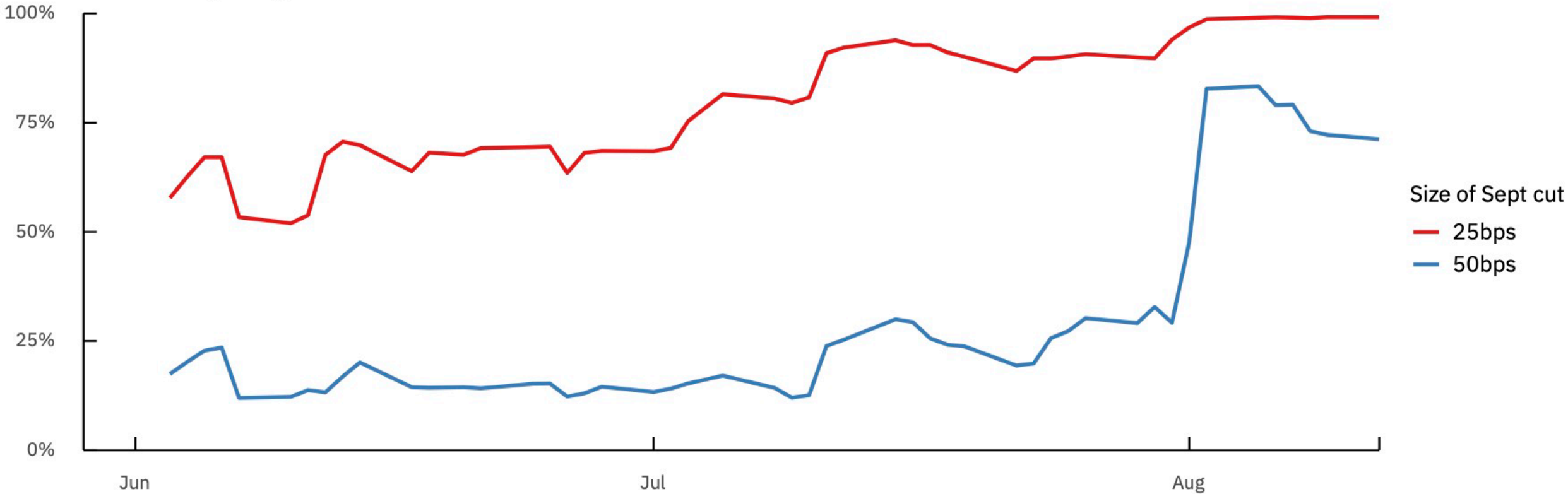


- Jerome Powell, Jackson Hole, August 2024

While market expectations of the first rate cut by the Sept FOMC meeting are over 90%, the Fed remains “data-dependent”

Market Probability Tracker estimates of a 25 vs 50 basis point cut in September

Data through August 12, 2024



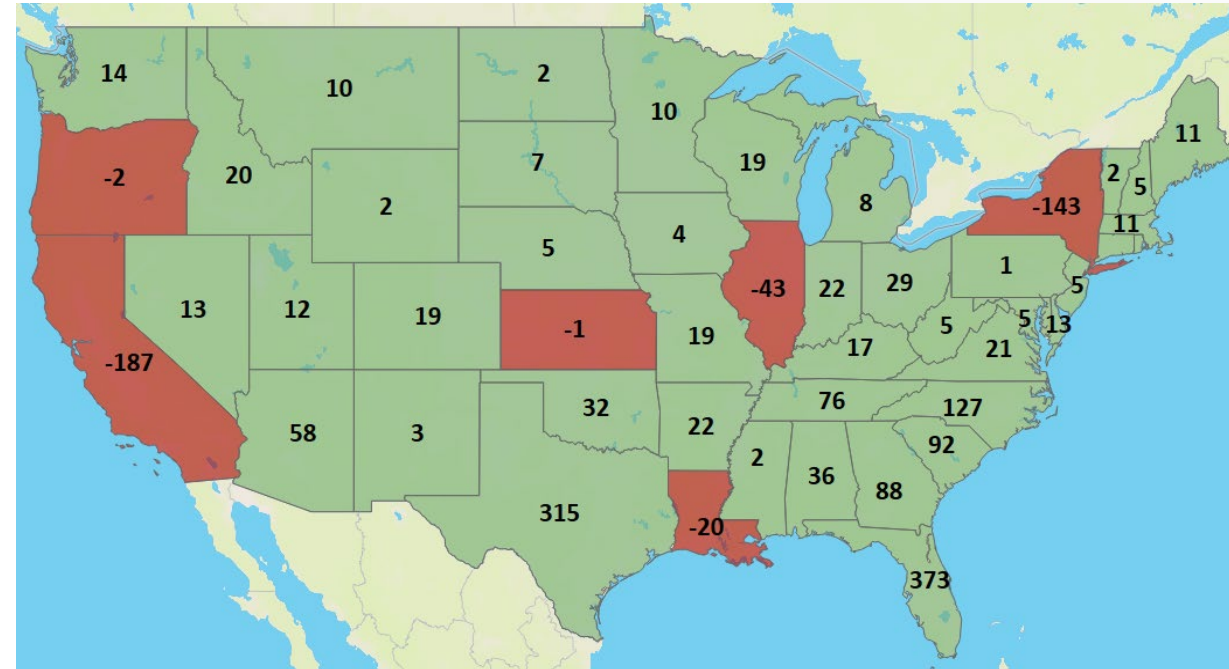
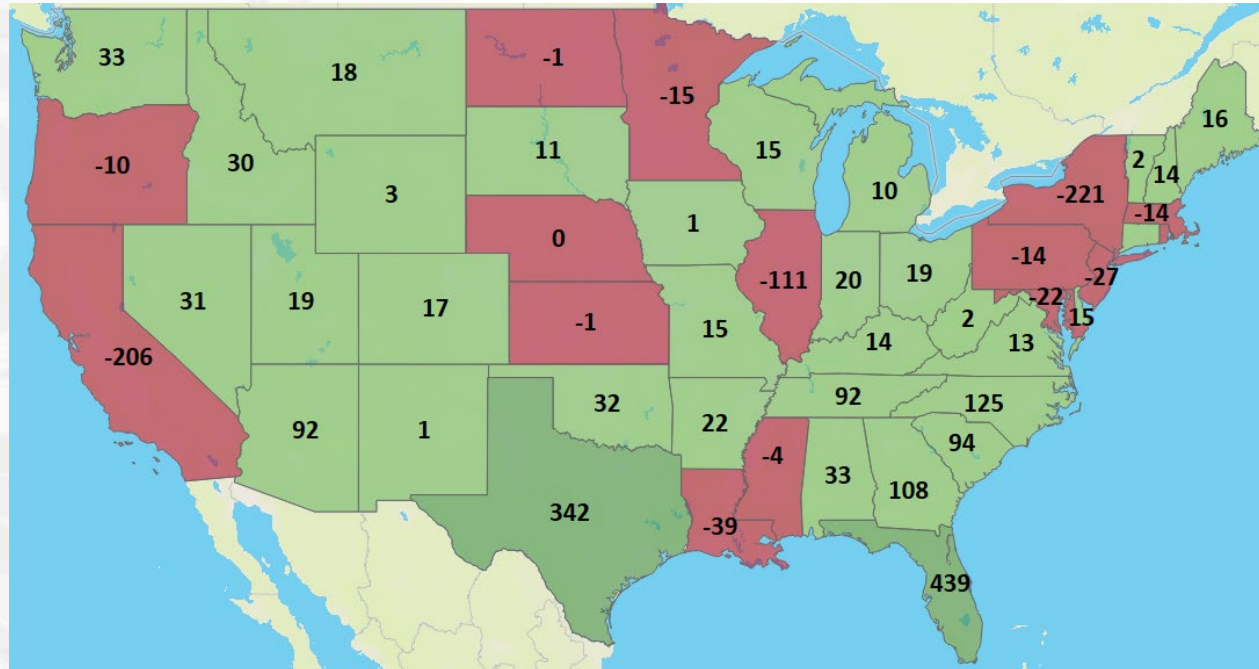
Note: Not an official forecast of the Atlanta Fed
Source: Market Probability Tracker frbatlanta.org/mpt

Meanwhile in Florida...

Net Migration by State (in Thousands)

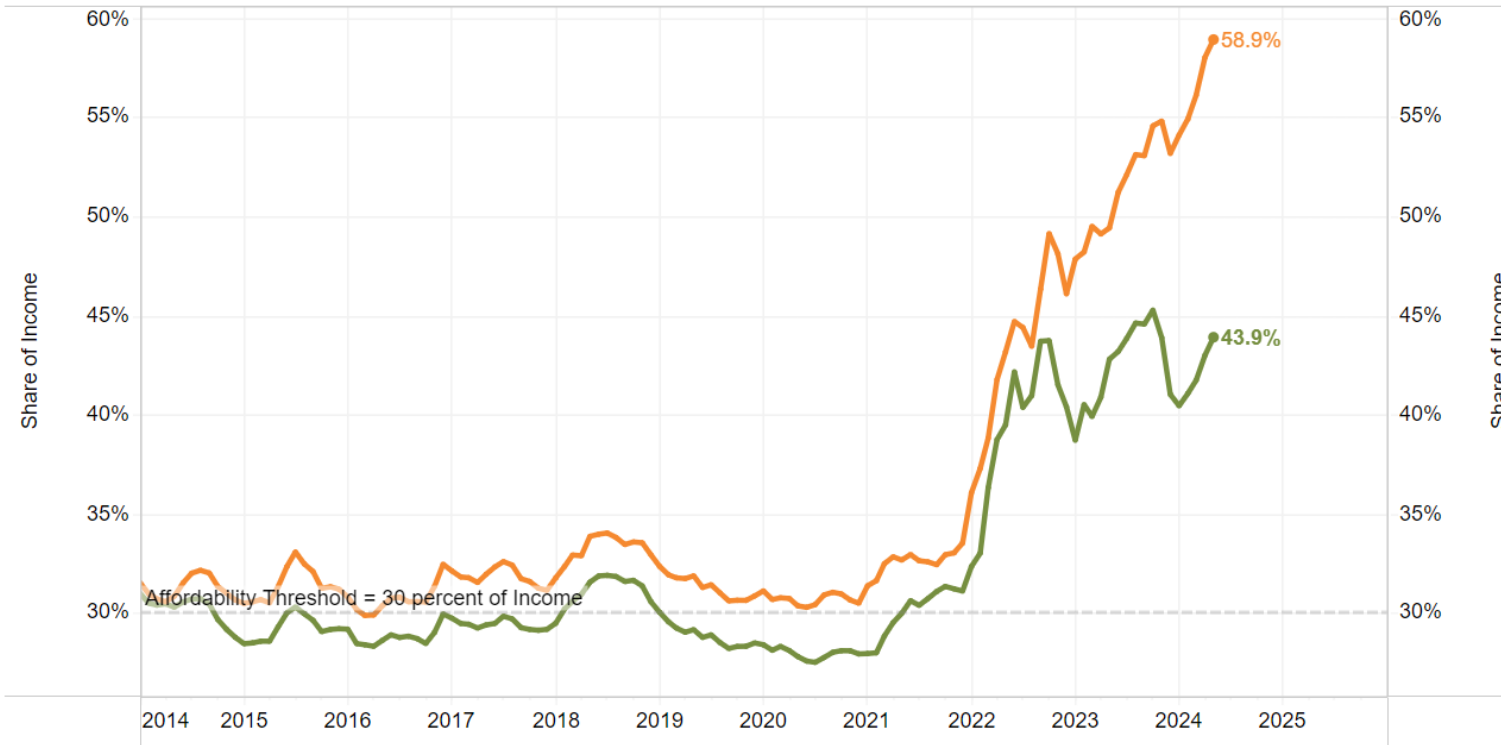
2022

2023



Housing affordability continues to present challenges

Nation vs Miami-Fort Lauderdale-West Palm Beach, FL
Share of Income Needed to Own the Median Priced Home
Federal Reserve Bank of Atlanta Home Ownership Affordability Monitor
Data through May 2024



■ Metro Area Share of Income
■ U.S. Share of Income

[Home Ownership Affordability Monitor - Federal Reserve Bank of Atlanta \(atlantafed.org\)](https://atlantafed.org)

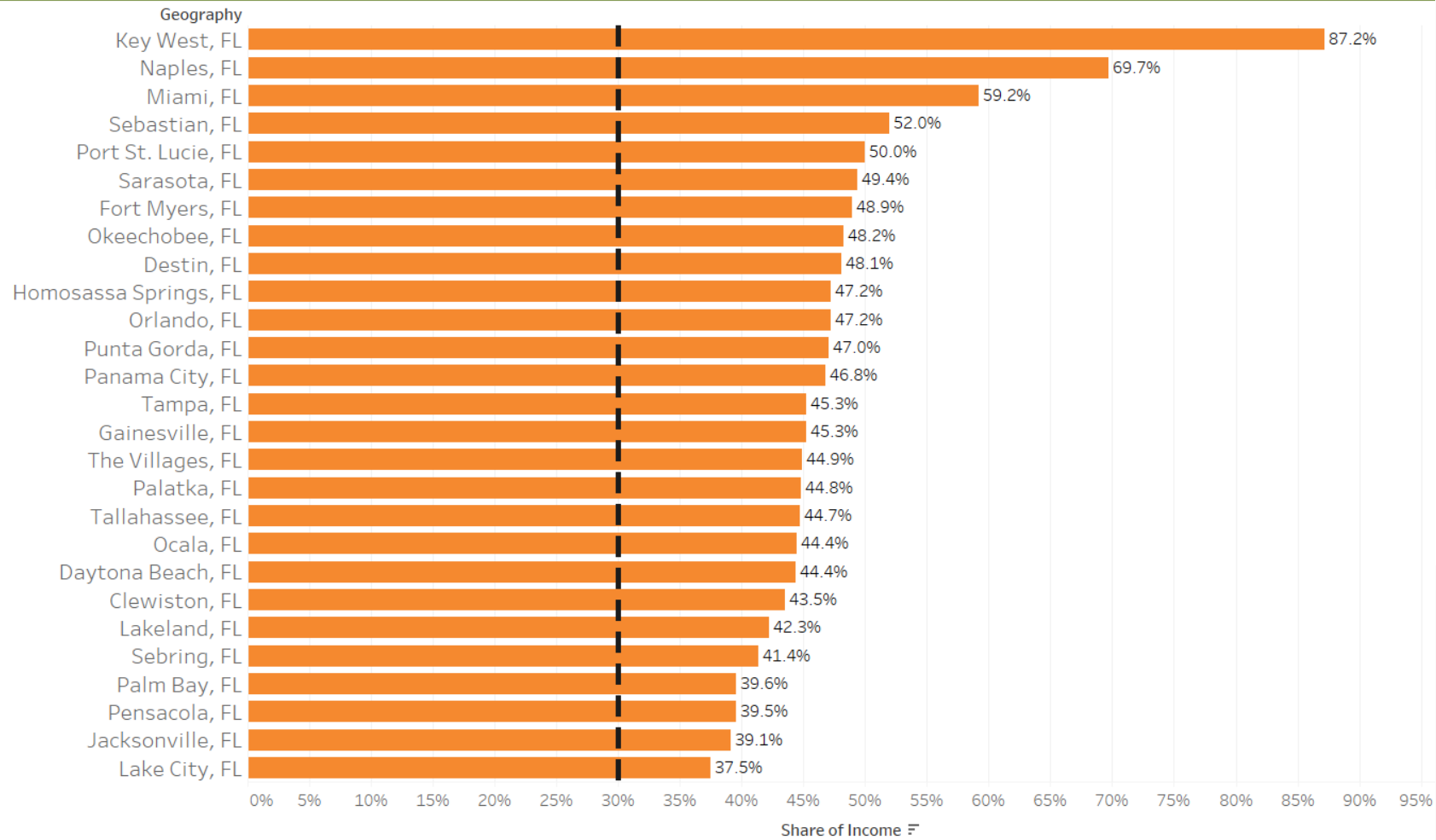
A HOAM index value lower than 100 indicates that the median household income is insufficient to cover the annual costs of owning a median-priced home (the housing cost is greater than 30 percent of income).

Miami-Dade County

- Per Capita Income: \$64,849
- Median Listing Price: \$650,000
- Median Rent is 49% higher than the national average

Florida Metros Home Ownership Affordability by Market

Share of Income to Afford Median-Priced Home



Source: Home Ownership Affordability Monitor – Risk Analysis Unit/Federal Reserve Bank of Atlanta

Stay Connected

Federal Reserve Bank of Atlanta

RESEARCH & DATA ECONOMY MATTERS BANKING & PAYMENTS NEWS & EVENTS EDUCATION COMMUNITY DEVELOPMENT ABOUT THE FED

ABOUT US DATA & TOOLS ECONOMIC MOBILITY & RESILIENCE INFLATION PROJECT EVENTS PUBLICATIONS RESEARCH CENTERS REGIONAL ECONOMY SURVEYS

RESEARCH & DATA



EconomyNow

Data at your fingertips

EconomyNow

Stay up to date with the economy with our new mobile app.

Download on the App Store

FEDERAL RESERVE BANK of ATLANTA

The advertisement features a smartphone displaying the EconomyNow app interface. The app screen shows various economic indicators such as GDPNow Estimate for 2019 Q3 (1.8%), Probability of a Rate Cut by 2019-12-16 (88.8%), Business Uncertainty Index (Sep. 2019) (90.2), Wage Growth Tracker (3-month overall Unweighted, Aug. 2019) (3.8%), Labor Report First Look: Unemployment Rate (Aug. 2019) (3.9%), Labor Report First Look: Payroll Employment (Aug. 2019) (178k), and Sticky-price CPI (12-month, Aug. 2019) (2.7%). The background is a dark blue gradient with the EconomyNow logo and text.