FEDERAL RESERVE BANK *of* NEW YORK

U.S. Economic Conditions

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Overview

- **GDP**
  - Solid growth in 2023H1.
  - Spending data was resilient in the third quarter.
- **Inflation**
  - Moderating gradually but still well above the FOMC goal.
- **Labor market**
  - Some easing but conditions are still tight.
  - Job openings and wage growth above pre-pandemic levels.
  - Labor market flows now near pre-pandemic standards.

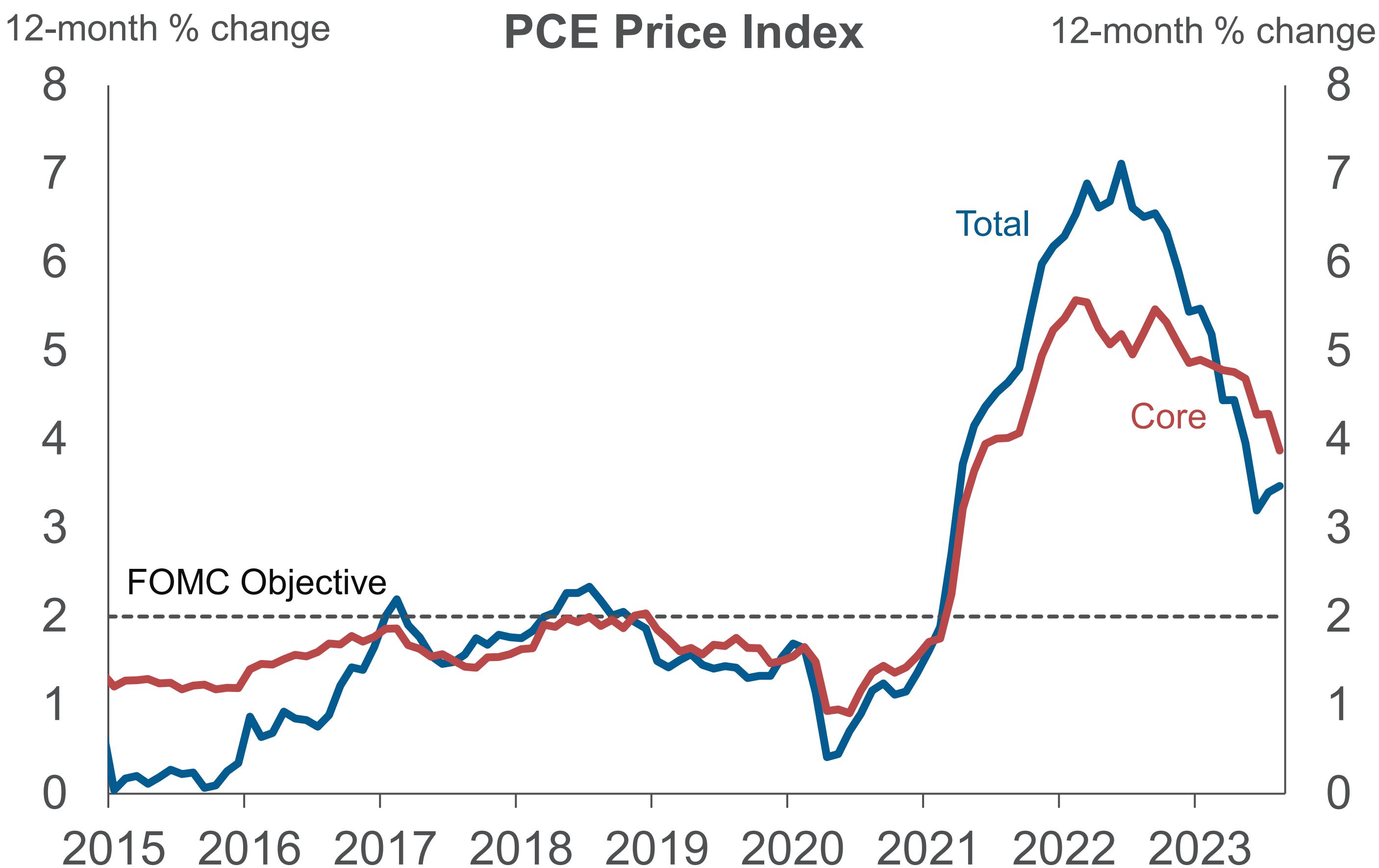
GDP grew solidly in 2023H1

- Real GDP increased at a 2.2% rate in 2023H1, above the 2022 rate.
- Recent data suggest that economic growth was strong in the third quarter.

Source: Bureau of Economic Analysis.

Inflation moderating but still high

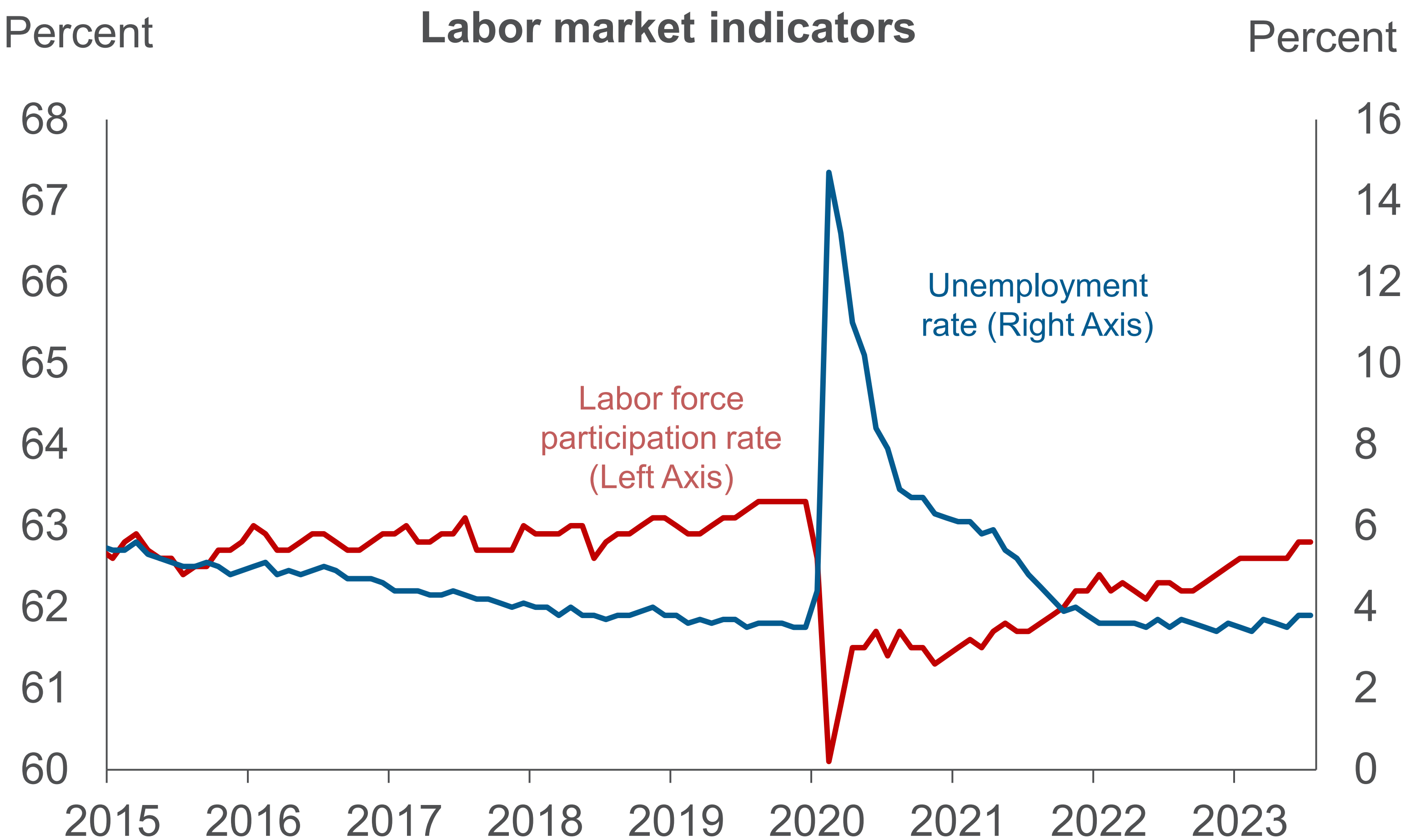
- Core (ex-food & energy) inflation notably below its mid-2022 peak, but still well above the FOMC's 2% goal.
- Recent rise in energy prices has led to an uptick in overall inflation.



Source: Bureau of Economic Analysis.

Despite signs of easing, labor market is still tight

- Unemployment is still low, while participation is near its pre-pandemic level.
- Various indicators show signs of conditions easing slowly.



Source: Bureau of Labor Statistics.

Job openings still above pre-pandemic levels

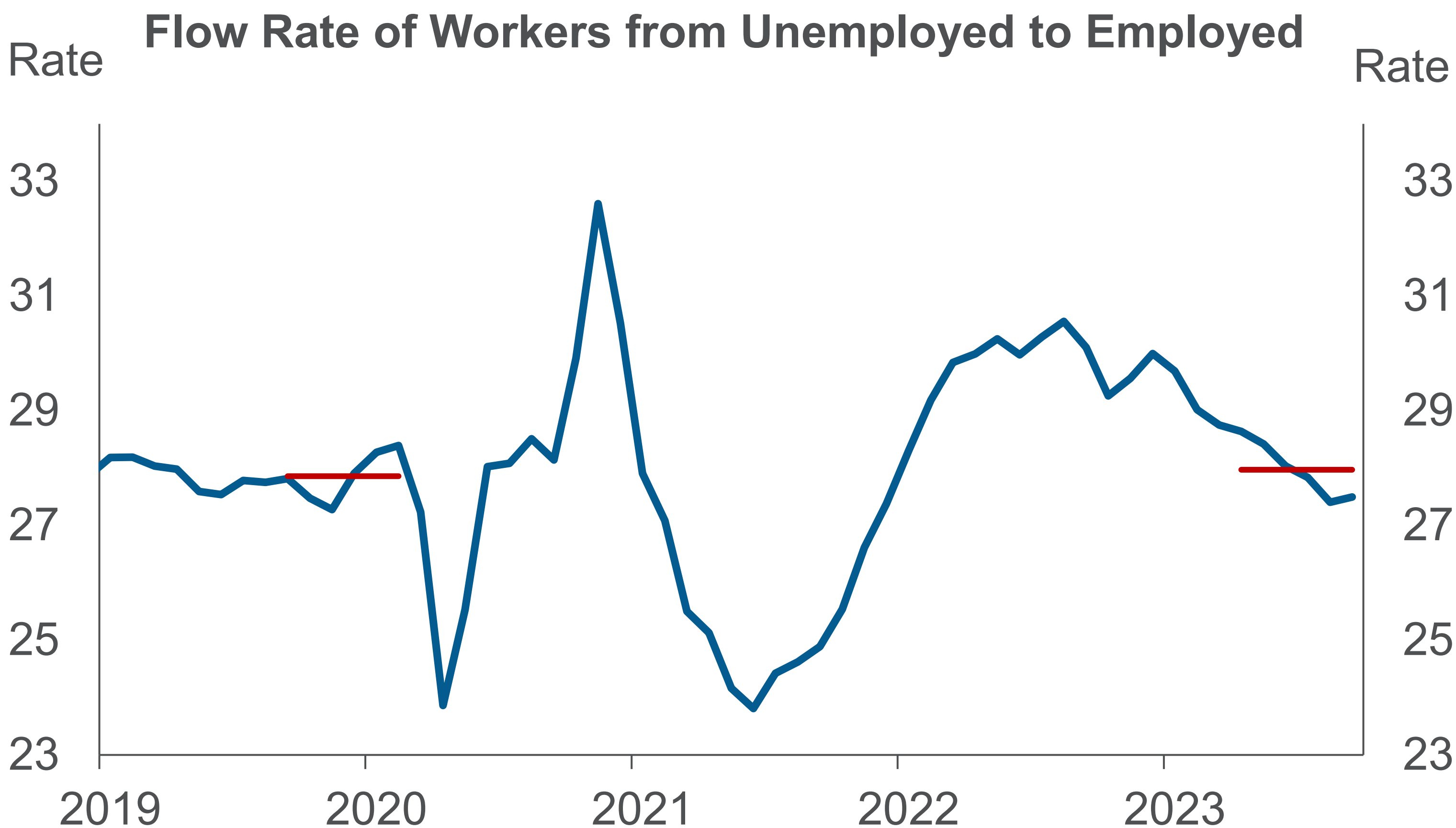
- Despite some decline, there are more job openings than people looking for work.
- Wage growth has moderated, but still above its rate during last expansion.

Source: Bureau of Labor Statistics.

Note: Shading shows NBER recessions.

Labor market flows closer to “normal”

- After large swings during pandemic, flows between labor market states are now near pre-pandemic conditions.
- Flows still indicate tight conditions in labor market.



Source: CPS. Note: Each panel shows the 6-month moving average of the monthly flow rate of workers between the two states indicated. The red solid lines show the average flow rates in the six months prior to COVID and in the last six months, respectively. Period covers 2019m1-2023m9.

Summary

- The U.S. economy continued to display resilience.
- Inflation remains a significant issue for monetary policy.
- Even with various signs of easing, the labor market is still tight.