FEDERAL RESERVE BANK of NEW YORK

U.S. Economic Conditions

Hunter Clark, Research and Statistics Group
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Overview

- **GDP**
  - Growth surprised on the upside in Q4 2023.
  - Initial data for Q1 appears broadly resilient
- **Inflation**
  - Elevated inflation in January expected to moderate.
  - Further progress is needed on achieving FOMC target.
- **Labor market**
  - Labor indicators remain solid amid rebalancing

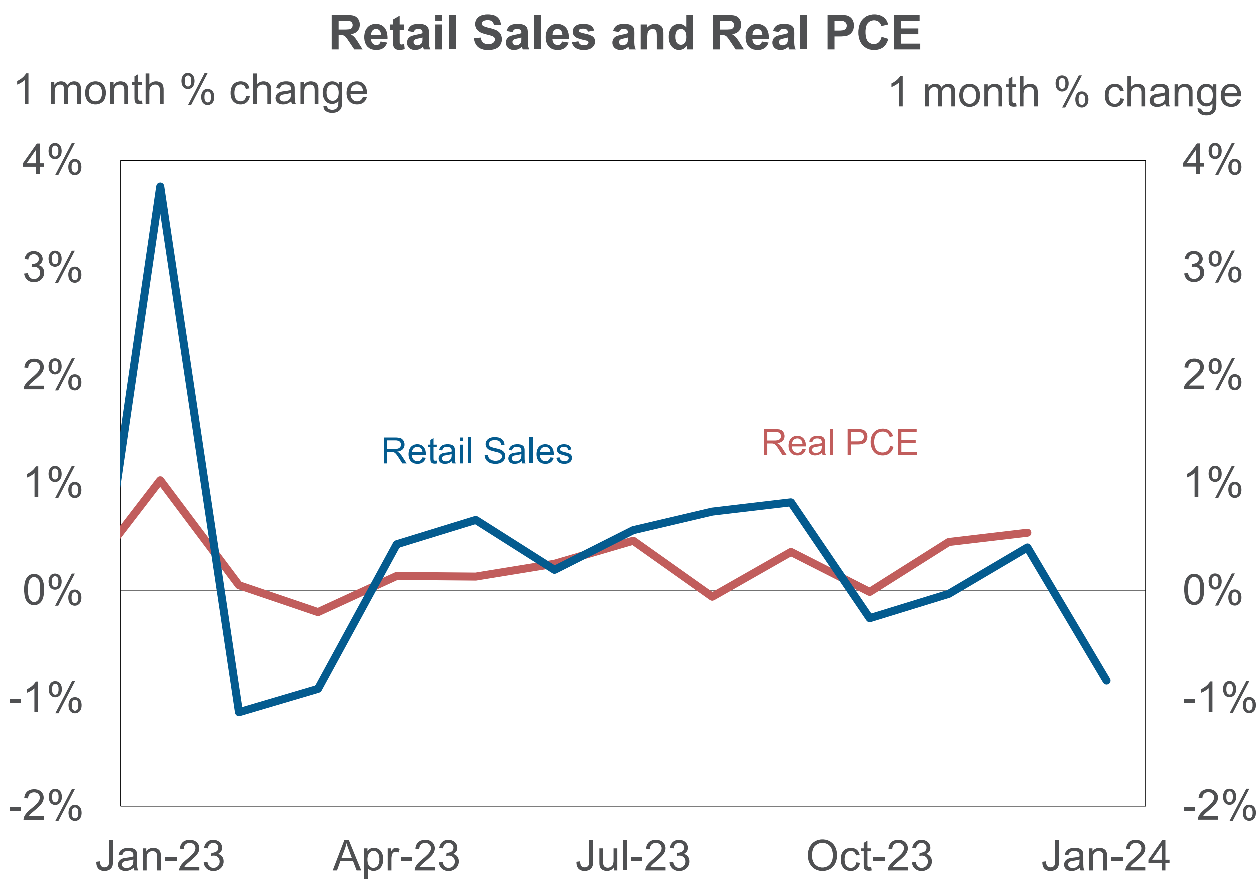
GDP grew solidly in 2023H2

- Real GDP increased at a 3.2% rate in 2023Q4, bringing four-quarter growth to 3.1%.
- Real consumer spending consistently strong, with saving rate well below pre-pandemic average.

Source: Bureau of Economic Analysis.

Consumer spending slowed in January

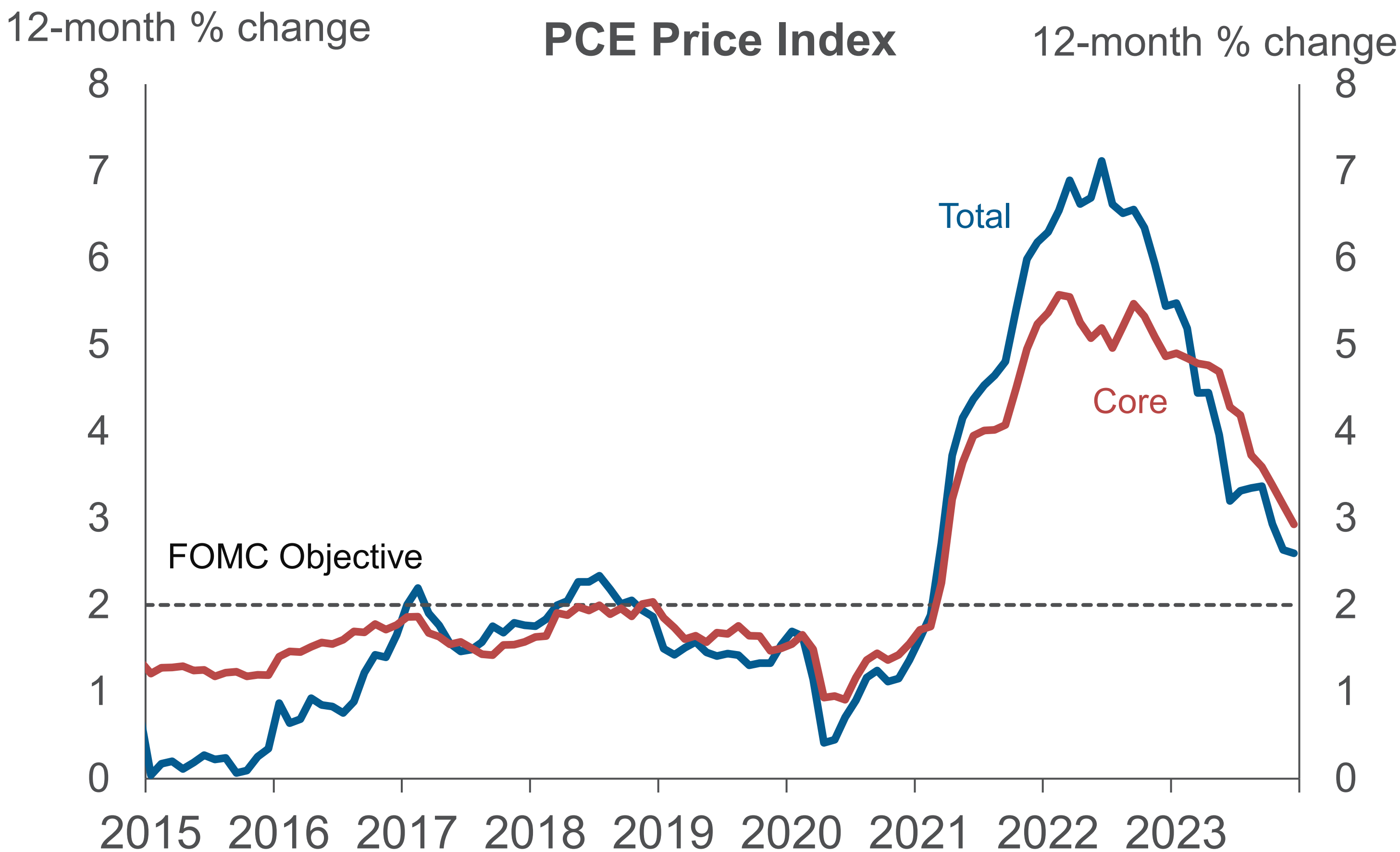
- Retail sales contracted by 0.8% in January, suggesting some slowing in consumer spending in Q1.
- Other data for Q1 generally have shown resilience, especially including payrolls.



Source: Bureau of Economic Analysis via Haver and author's calculations

Inflation increased in January

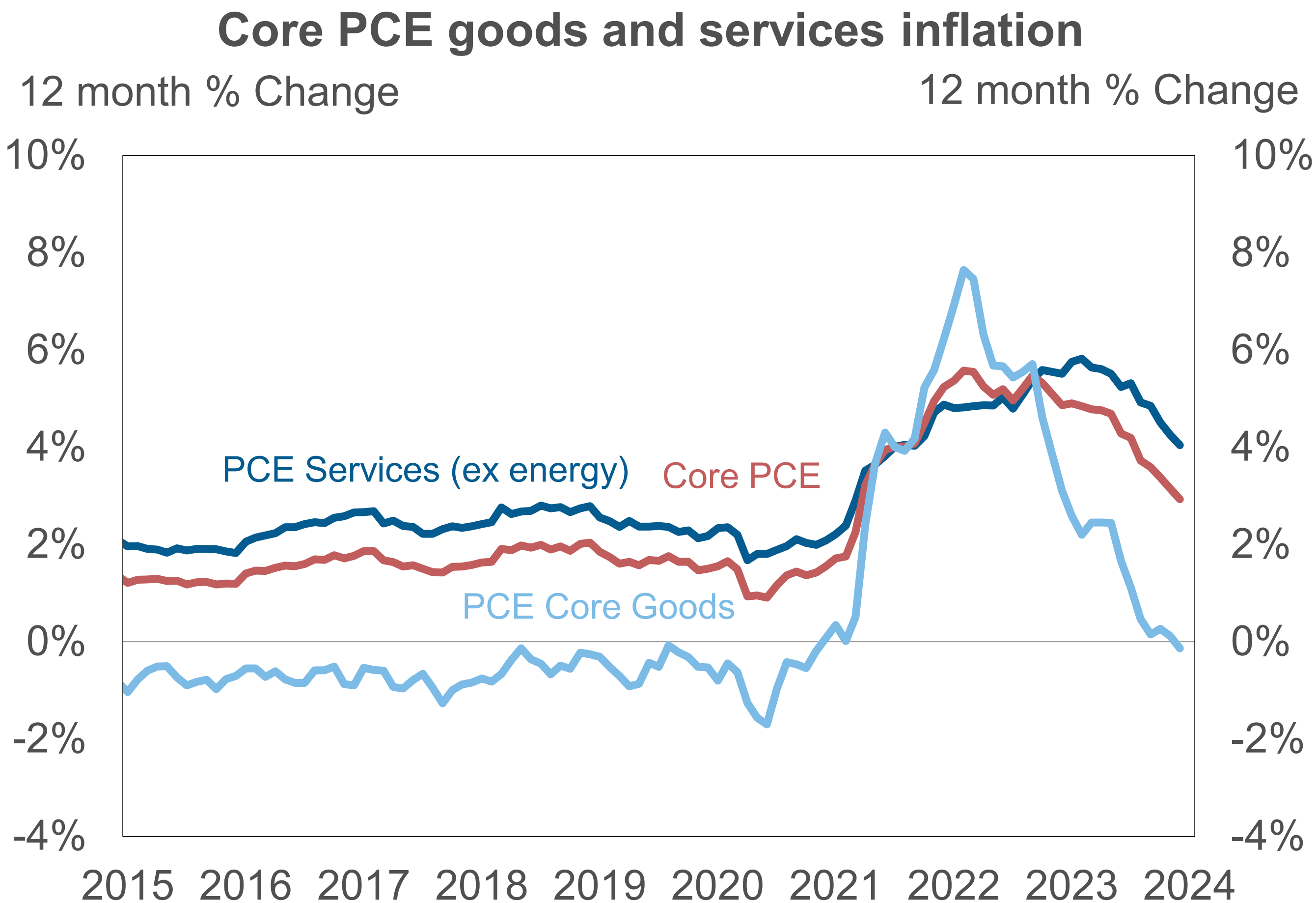
- Inflation was surprisingly high in January, driven by housing and non-housing core services.
- Nonetheless, 12-month core inflation continues to make progress toward the FOMC's longer-run goal.



Source: Bureau of Economic Analysis.

Declining goods amid more gradual service disinflation

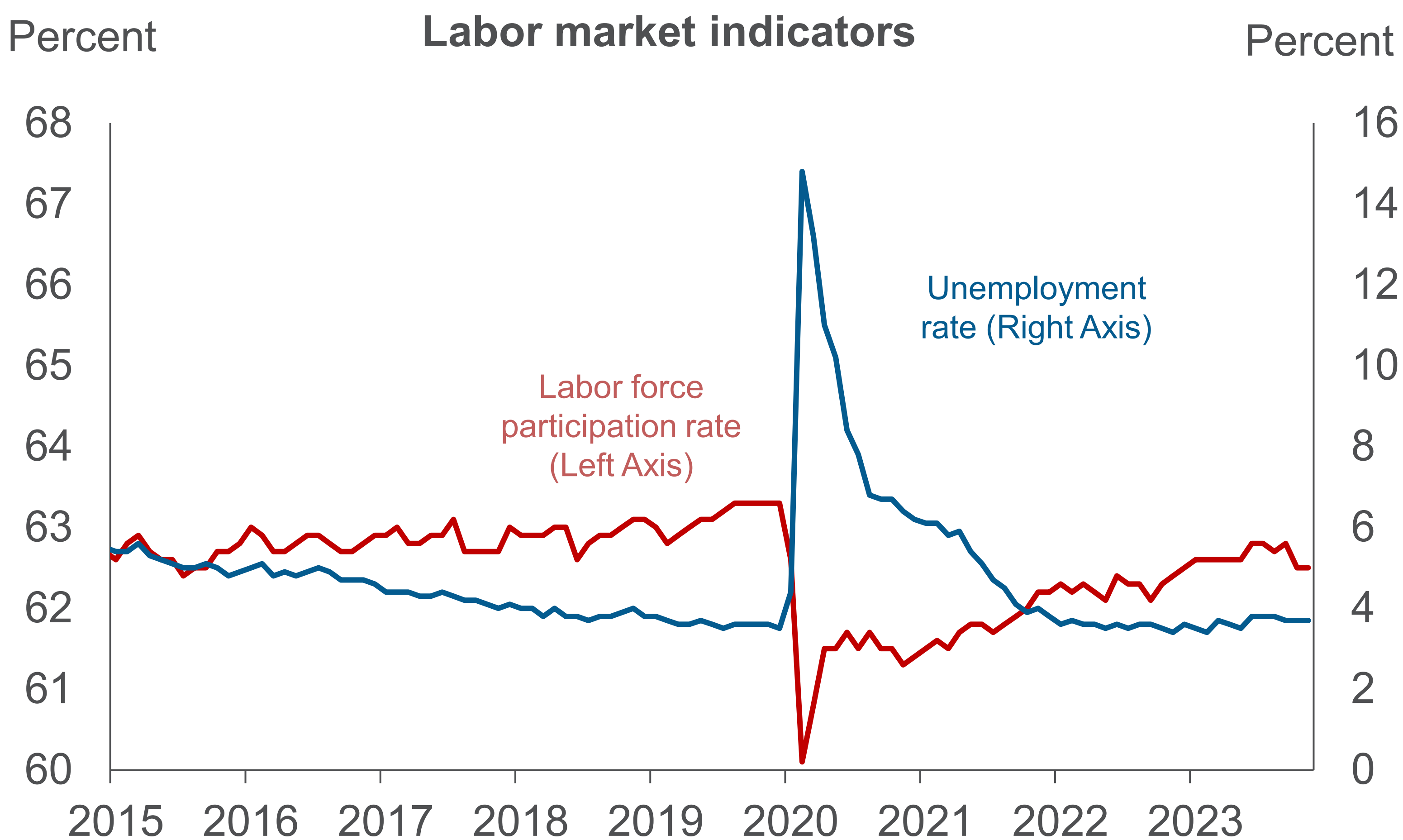
- Goods prices excluding food and energy are declining.
- Services price inflation is slowing more gradually, with housing cost lags set to deliver more disinflation in coming months.



Source: Bureau of Economic Analysis via Haver

Labor market is still strong

- Unemployment is still low, while participation is near its pre-pandemic level.
- Various indicators show signs that labor conditions are easing gradually.



Source: Bureau of Labor Statistics.

Summary

- The U.S. economy continues to display resilience.
- Inflation remains a significant issue for monetary policy.
- Even amid various signs of easing, the labor market remains strong.