The Fed Heads Toward the Exit Ramp

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Solid GDP Growth in the US and Accelerating Job Gains

Real GDP Growth
Percent Change, QoQ SAAR

Source: Bureau of Economic Analysis

Change in Private Payroll Employment (3-Mo Avg)
Thousands

Source: Bureau of Labor Statistics
Population and Productivity Trends Point to Slower Growth in Real Potential GDP

**Working Age Population Growth**
YoY % Change

**Productivity, Output Per Person**
YoY % Change

Source: Census Bureau

Source: Bureau of Labor Statistics
A Lower Neutral Policy Rate?

FOMC’s “Longer Run” Fed Funds Rate Forecast
Percent

FOMC’s “Longer Run” NAIRU Estimate
Percent

Source: FOMC Summary of Economic Projections
“Wages are the Tiebreaker”

Mixed Signals on Labor Market Slack

- **Unemployment Rate (Left)**
- **Employment/Population Ratio (Right)**

Wage Inflation

- **Core ECI**
- **Headline ECI**

Source: Bureau of Labor Statistics
Note: Shaded Areas indicate NBER recession

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Latest ECI Readings Created a Bit of a Stir

Wage Inflation
YoY Percent Change

Source: Bureau of Labor Statistics
Note: Shaded area indicates NBER recession
Sorting Through the Inflation Noise

Core CPI & PCE Inflation
YoY % Change

Inflation Expectations (5-Yr Forward BEI)
Percent

Source: Bureau of Labor Statistics

Source: Federal Reserve Board (see “The TIPS Yield Curve and Inflation Compensation” by Gurkaynack, Sack, and Wright, November 2007).
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