



# Economic Update

Minority Depository Institutions  
Advisory Committee



April 16, 2024

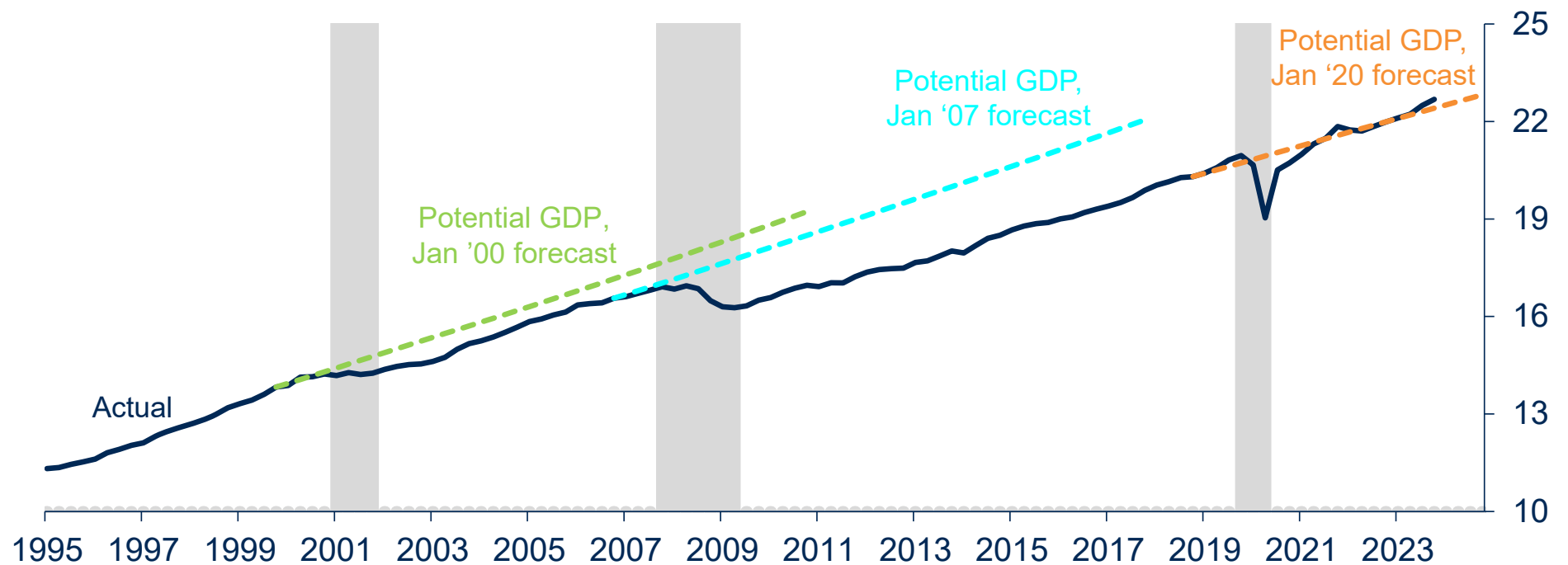


## Takeaways

- **Stellar recent GDP growth expected to moderate toward 2%**
- **Strong labor market shows some signs of cooling**
- **Stubbornly persistent inflation reduces odds of 2024 Fed rate cuts**

# Real GDP recovered faster this business cycle

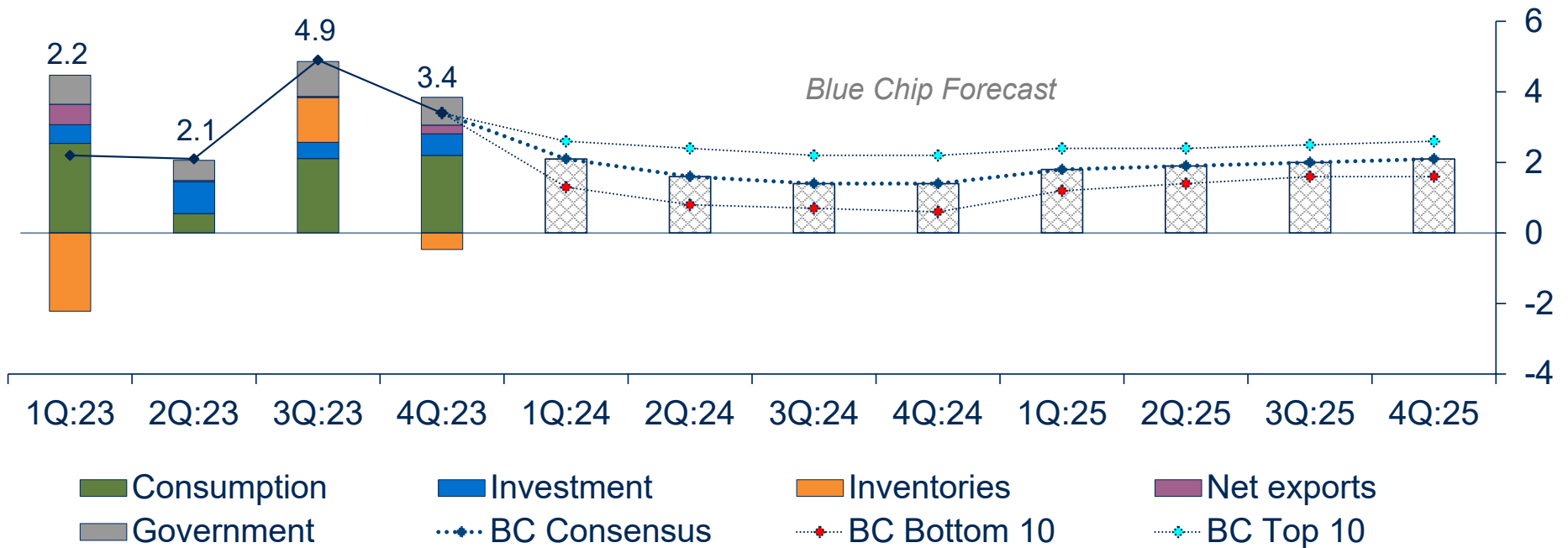
## Real Gross Domestic Product (GDP), in trillions



Source: Bureau of Economic Analysis (data through Dec 2023); Congressional Budget Office.

# Consensus forecast calls for return to 2% real GDP growth

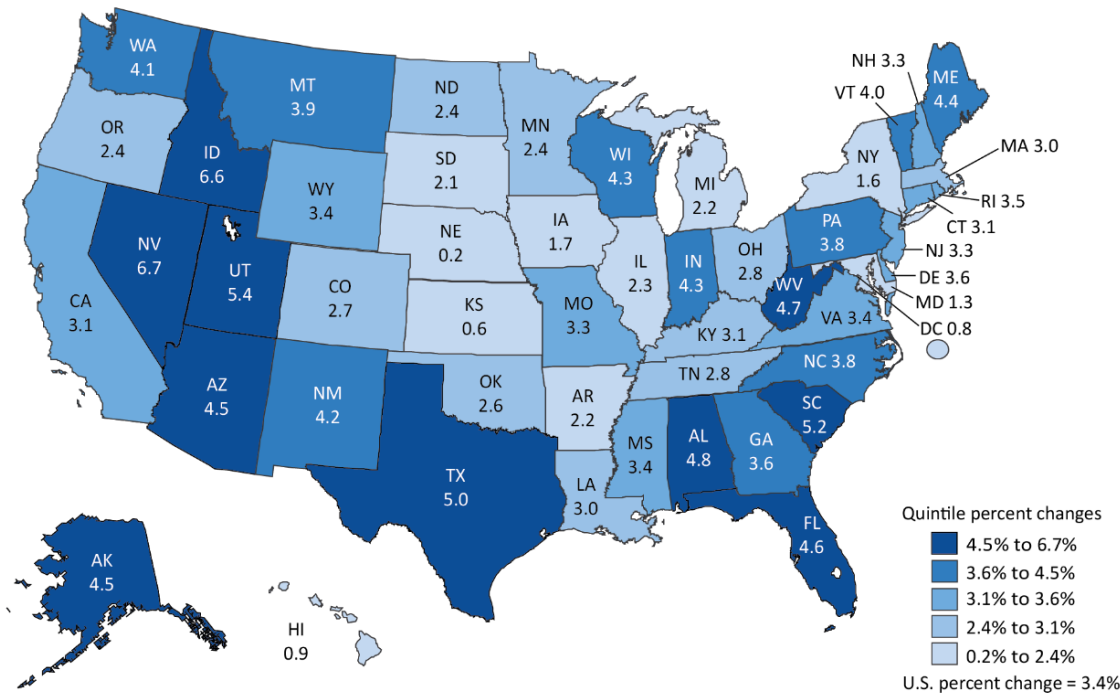
## Contributions to real GDP by component, %



Source: Bureau of Economic Analysis (data through Dec 2023); Blue Chip (Apr 2024).

# Real GDP grew in all 50 states and DC during the fourth quarter

## Real GDP percent change at an annual rate

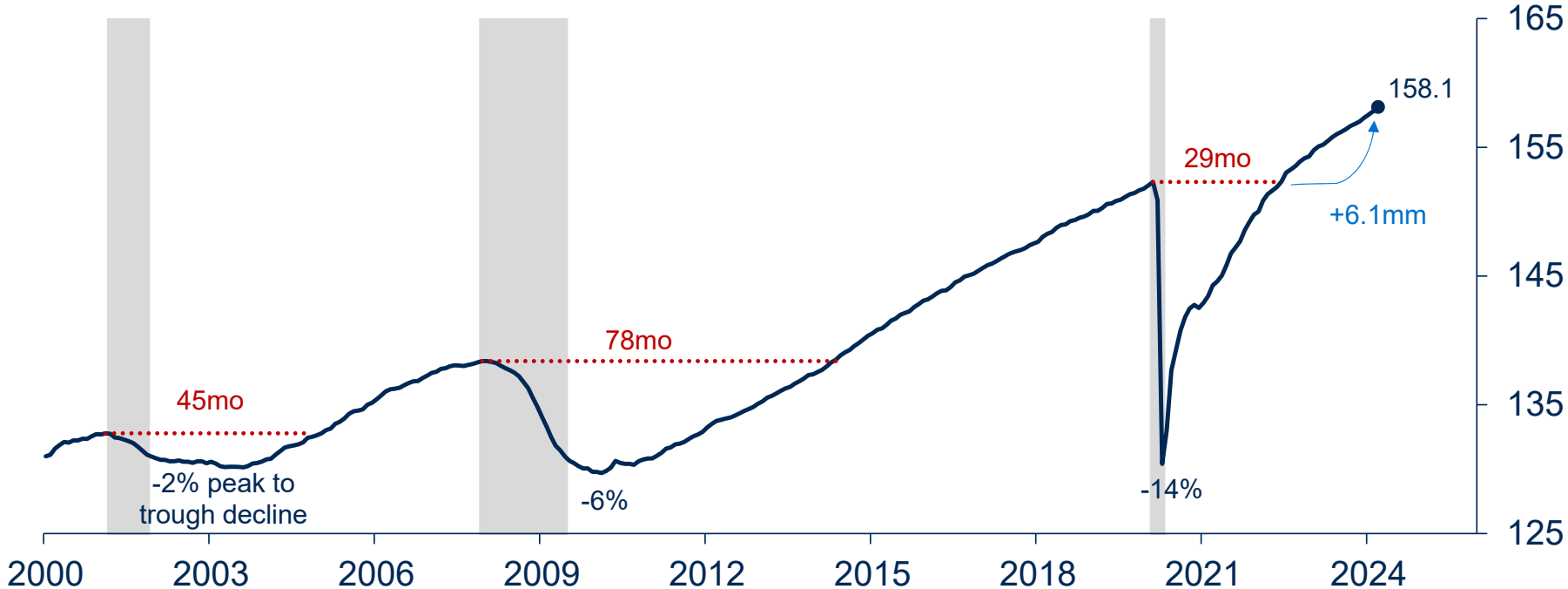


- Fourth quarter real GDP growth ranged from 0.2 percent in Nebraska to 6.7 percent in Nevada.
- For the year 2023, real GDP also increased in 49 states and the District of Columbia. Delaware's real GDP contracted by 1.2 percent in 2023, while North Dakota experienced the fastest growth at 5.9 percent.

Source: Bureau of Economic Analysis (data through 4Q 2023).

# Strong labor market recovery continues

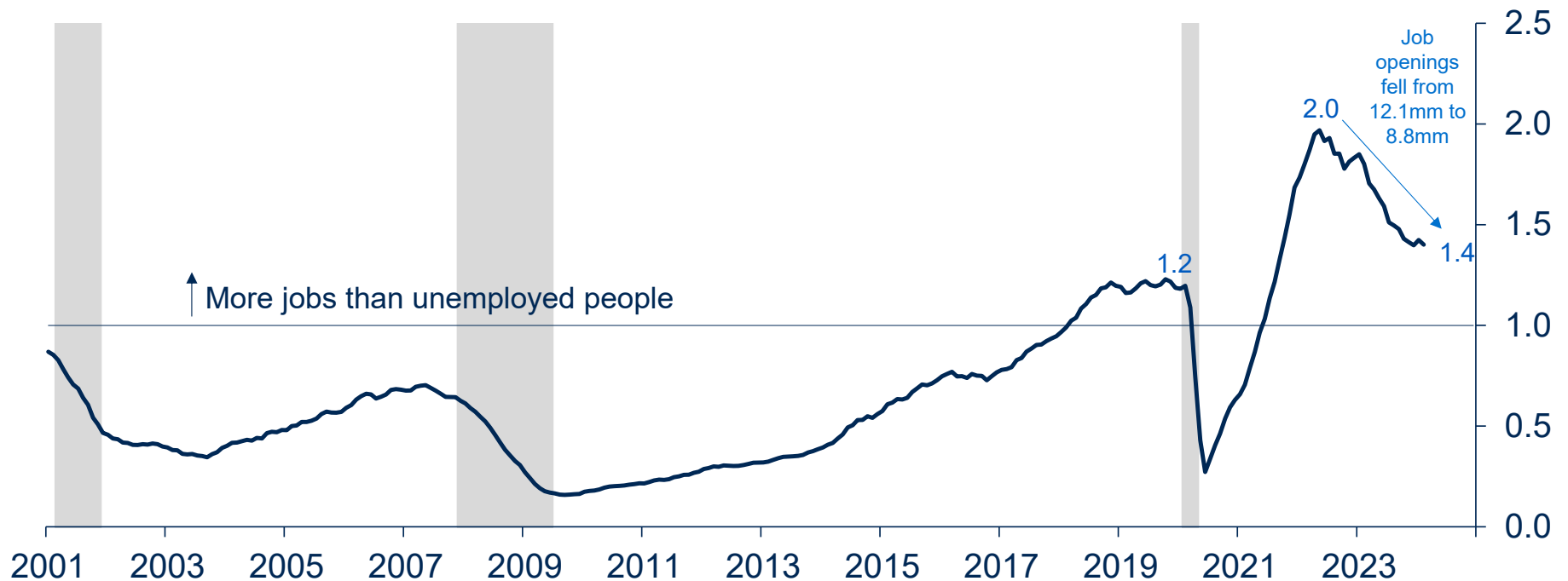
## Total nonfarm employees, in millions



Source: Bureau of Labor Statistics (data through March 2024).

# Labor market cooling evidenced by decline in job openings

## Ratio of job openings to unemployed people, 3mo moving avg



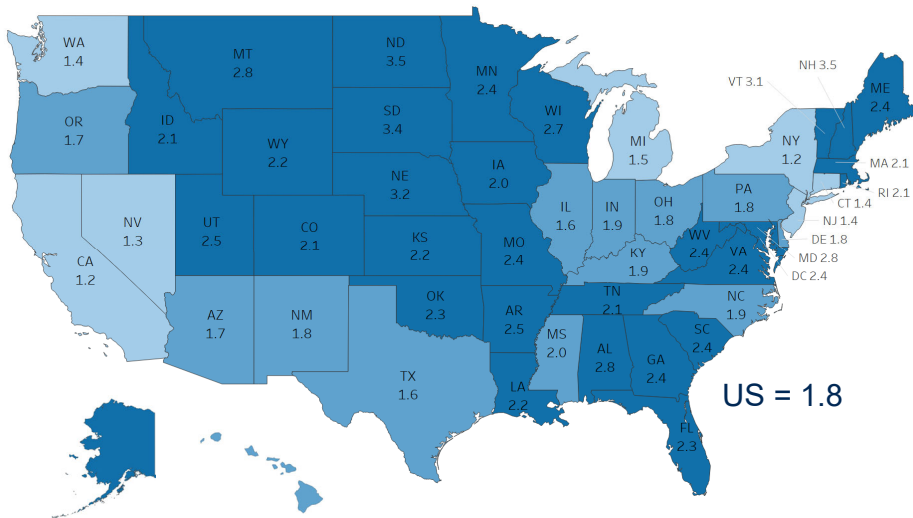
Source: Bureau of Labor Statistics (data through Feb 2024).

# Five states now have more unemployed people than openings

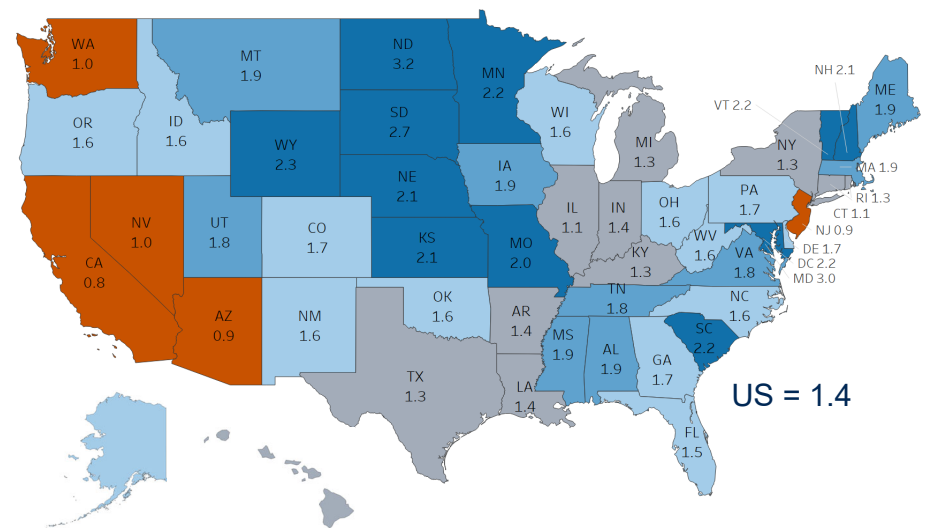
## Ratio of job openings to unemployed people

■ Less than 1    
 ■ 1 to 1.5    
 ■ 1.5 to 1.75    
 ■ 1.75 to 2.0    
 ■ More than 2

Jan 2023



Jan 2024

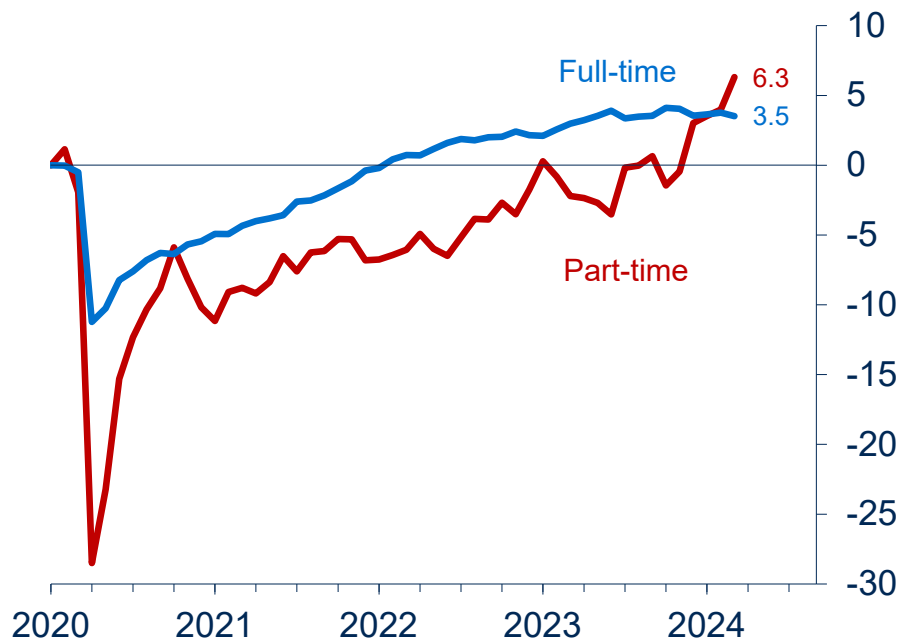


Source: Bureau of Labor Statistics (data through Jan 2024).

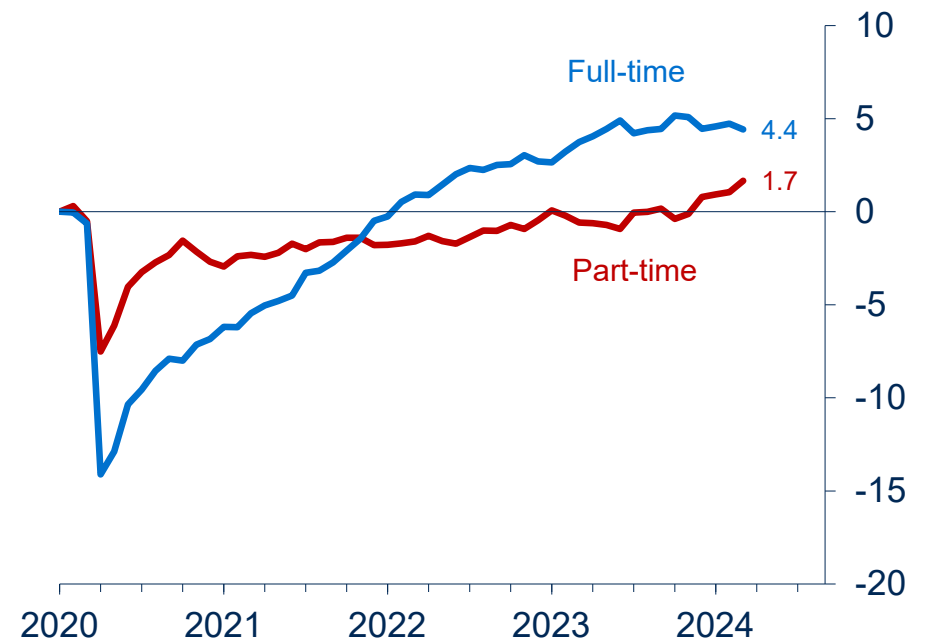


# Rising part-time workers are often cited as sign of weakening

Percent change in employment, by status, since Jan 2020, %



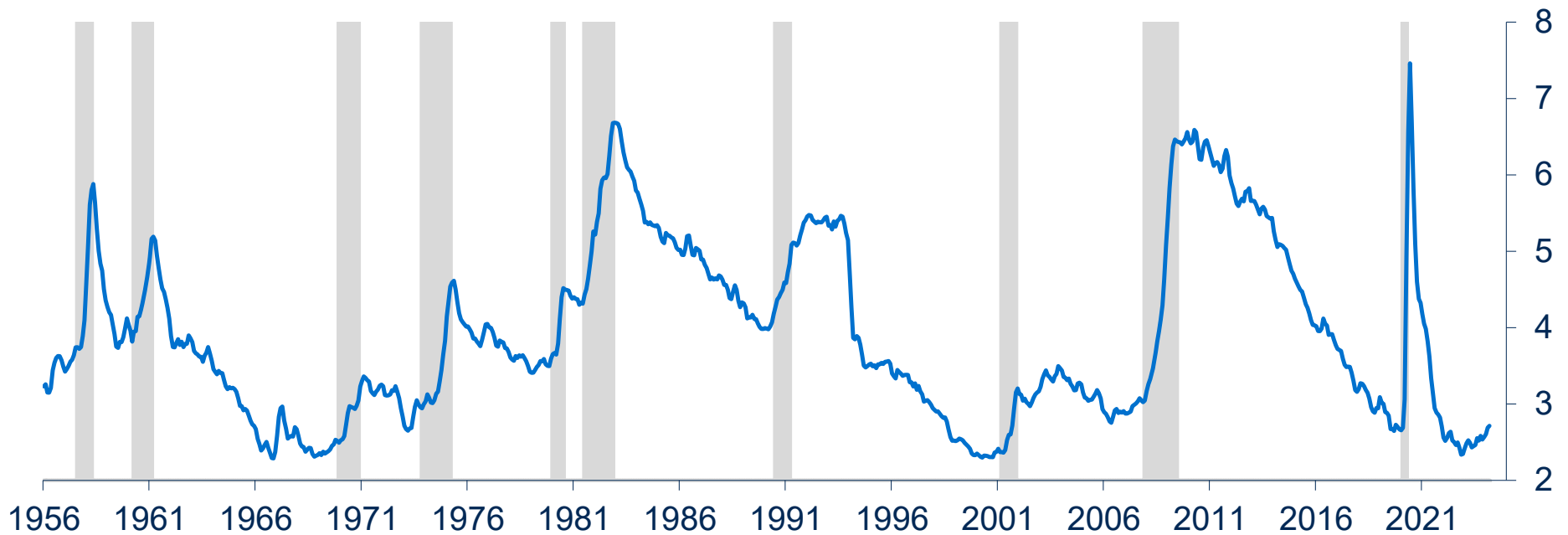
Change in employment, by status, since Jan 2020, in millions



Source: Bureau of Labor Statistics (data through Mar 2024). The relative monthly share of employment status from the BLS Household Survey was applied to the total nonfarm job figures from the BLS Establishment Survey.

# Share of involuntary part-time employment near all-time lows

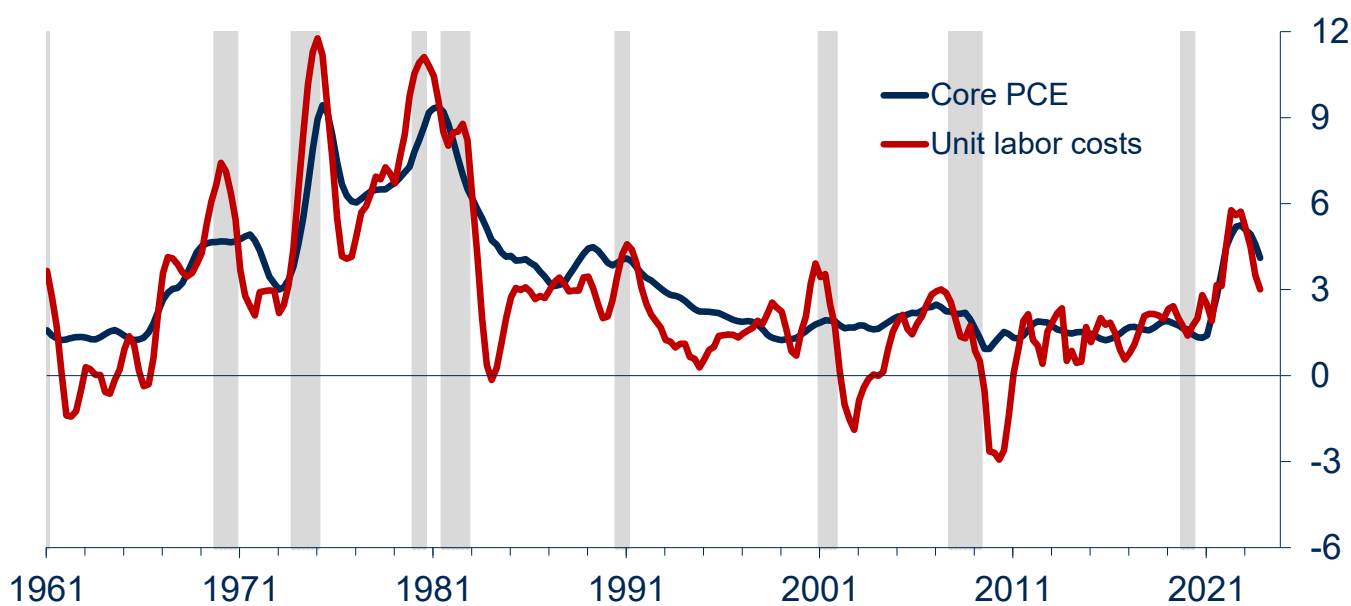
Share of nonfarm employees working part-time for economic reasons, %



Source: Bureau of Labor Statistics (data through Mar 2024).

# Labor costs influence the rate of inflation

## Annual change in core PCE and unit labor cost, 4qtr moving avg, %



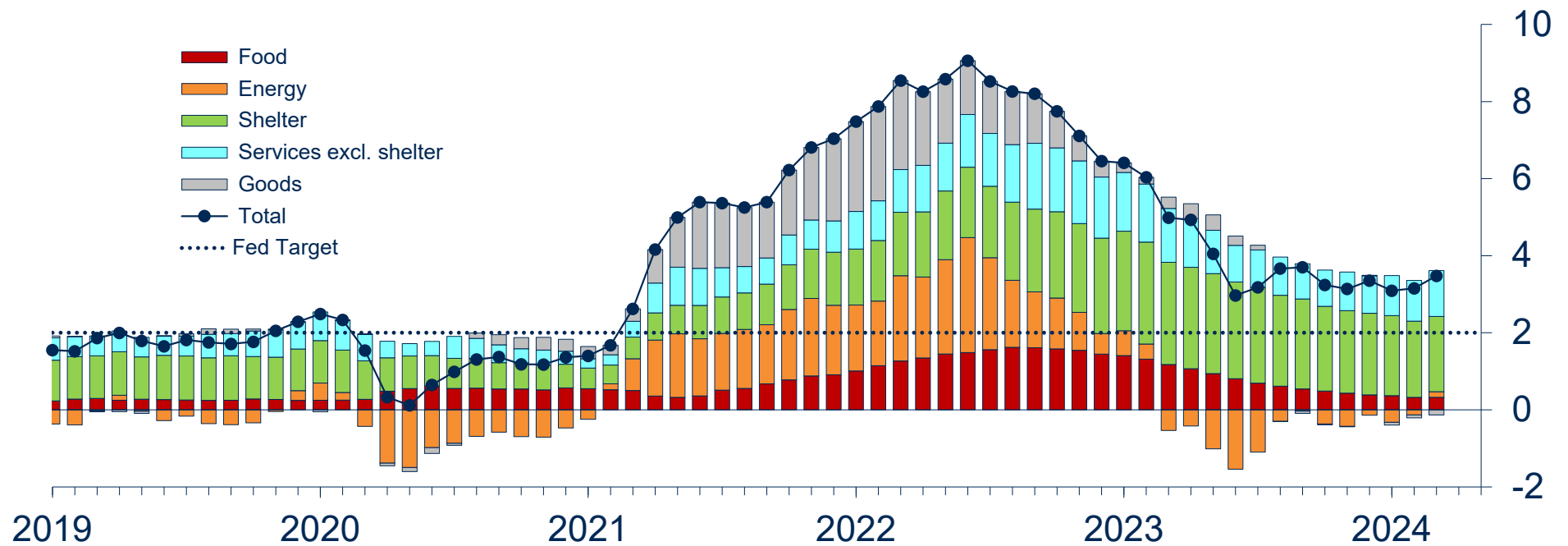
Unit Labor Cost = Avg labor cost to produce one unit of output

- ❑ Rising unit labor costs, which is the average cost of labor to produce one unit of output, influences the inflation rate because labor is the largest business cost.
- ❑ Despite recent cooling, labor unit costs of 4% remain inconsistent with the Fed's 2% inflation target.

Source: Bureau of Labor Statistics (data through 4Q 2023); Bureau of Economic Analysis (4Q 2023).

# Inflation remains stubbornly above Fed target

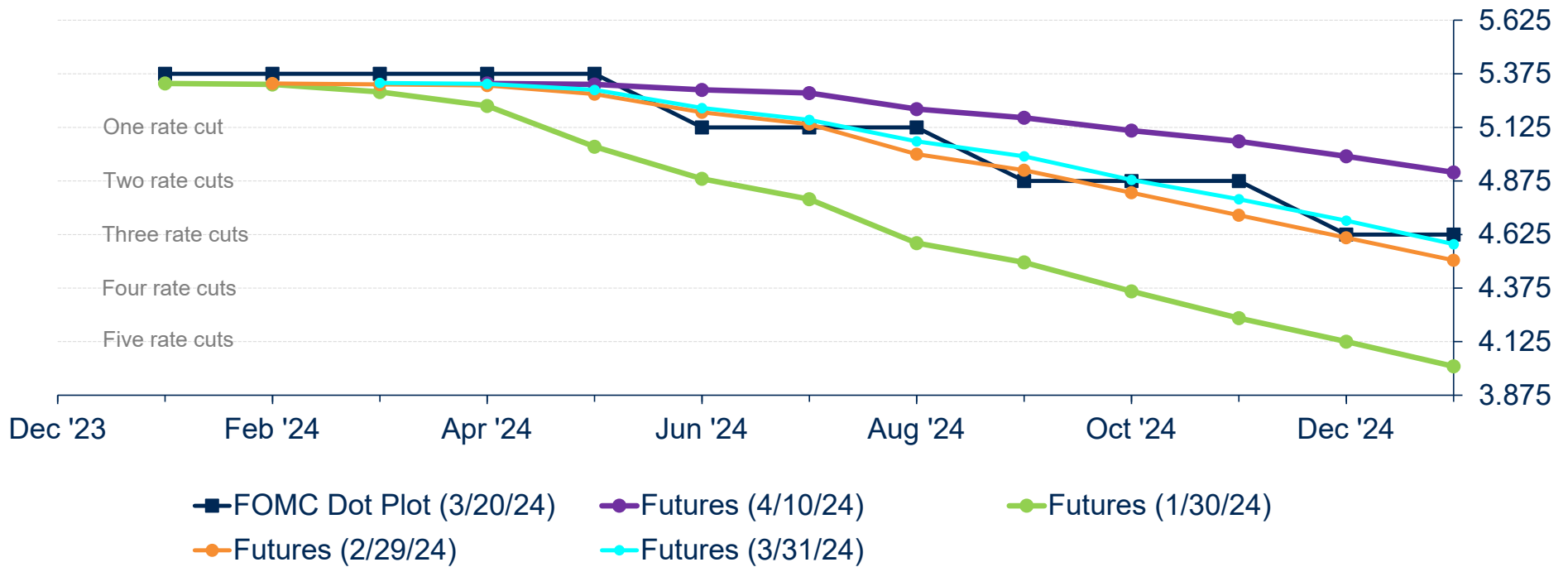
## Contribution to annual headline CPI, %



Source: Bureau of Labor Statistics (data through Mar 2024).

# Futures market expects fewer Fed rate cuts this year

## Futures Implied Federal Funds Rate and FOMC Forecast, %

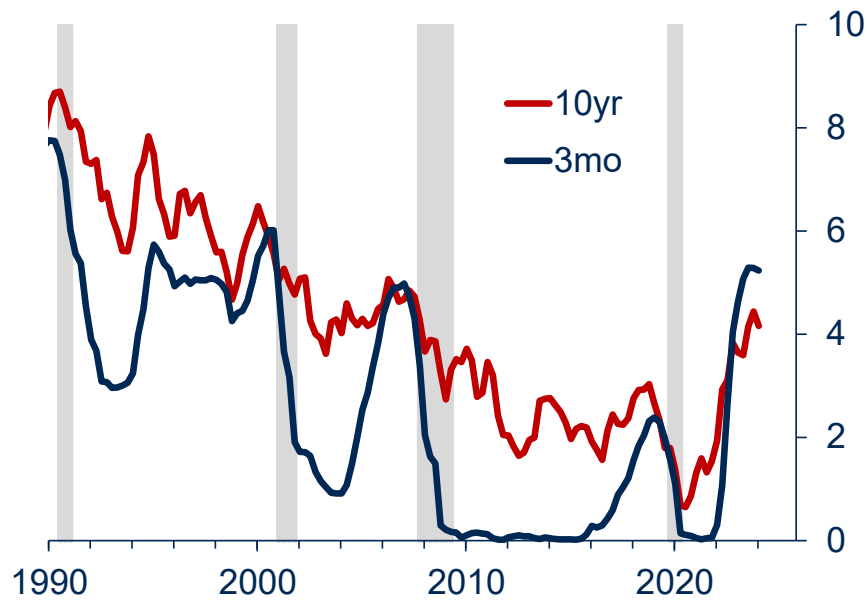


Source: Federal Reserve Board (March 2024); Bloomberg (April 11, 2024)

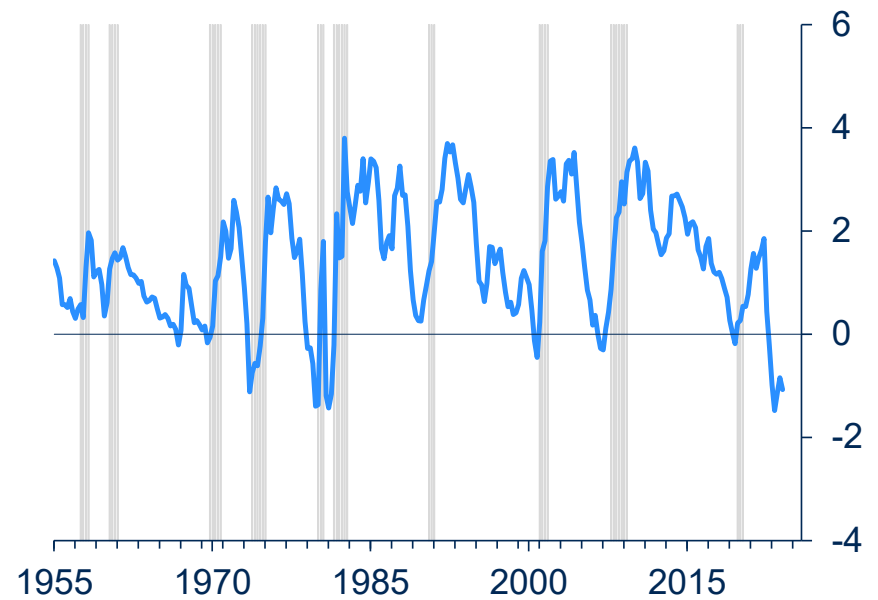
Note: Overnight index swap rate as of April 10, 2024. FOMC Dot Plot projection as of March 20, 2024.

# Yield curve inversion reaches sixth straight quarter

US Treasury interest rates, qtrly avg, %



UST yield curve, 10Y-3m, qtrly avg, %



Source: Federal Reserve Board (data through 1Q 2024); Bureau of Economic Analysis (1Q 2024).

## Conclusion

- **Strong GDP growth expected to return to more modest 2%**
- **Despite some cooling, labor market remains tight**
- **Persistent inflation raises prospect of higher interest rates for longer**