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## *Arkansas Economic Forecast Event*

# National and Regional Economic Conditions

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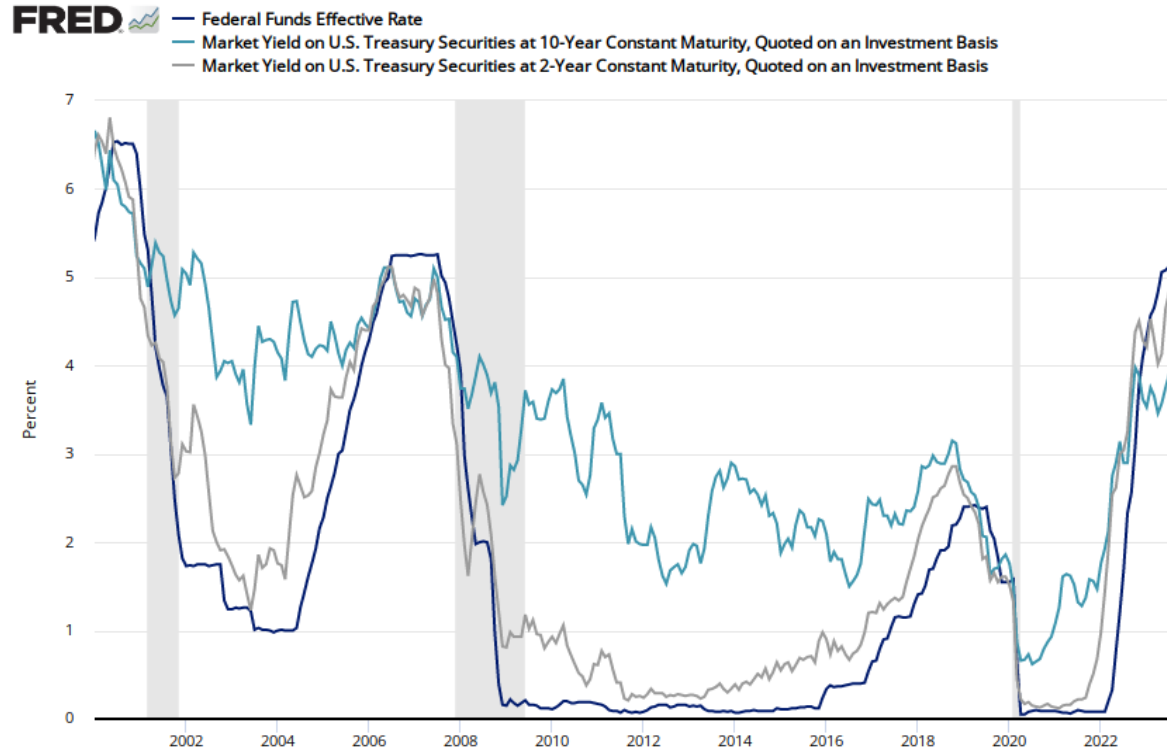
November 9, 2023

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# Key Takeaways

- Since March 2022, the Federal Open Market Committee has raised its target for the federal funds rate by 525 basis points to a range of 5¼% to 5½%.
- US economic growth has surprised to the upside in 2023, led by a surprisingly resilient consumer sector, supported by excess savings and a tight labor market.
- Business investment has also been solid in the face of higher borrowing costs, boosted by spending on structures related to semiconductors and EVs.
- However, other interest-sensitive sectors like housing have slowed sharply as mortgage rates reach levels not seen since 2000.
- Inflation moderating but remains elevated relative to Fed's target. Labor markets coming back into better balance will help support a return to 2% inflation.
- A tightening in financial conditions since July, if sustained, is likely to weigh on economic activity moving forward. But will the tightening in financial conditions persist?

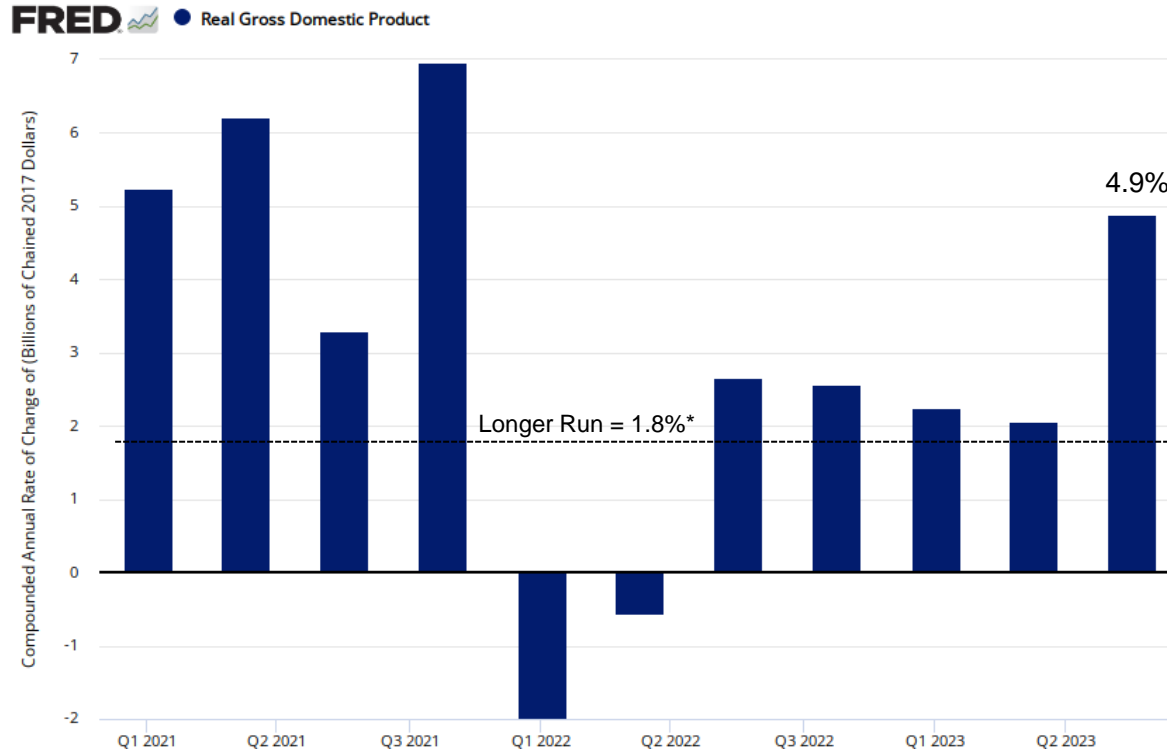
# Restrictive stance for monetary policy



Source: Board of Governors of the Federal Reserve System (US)

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# GDP growth stronger than expected in 2023

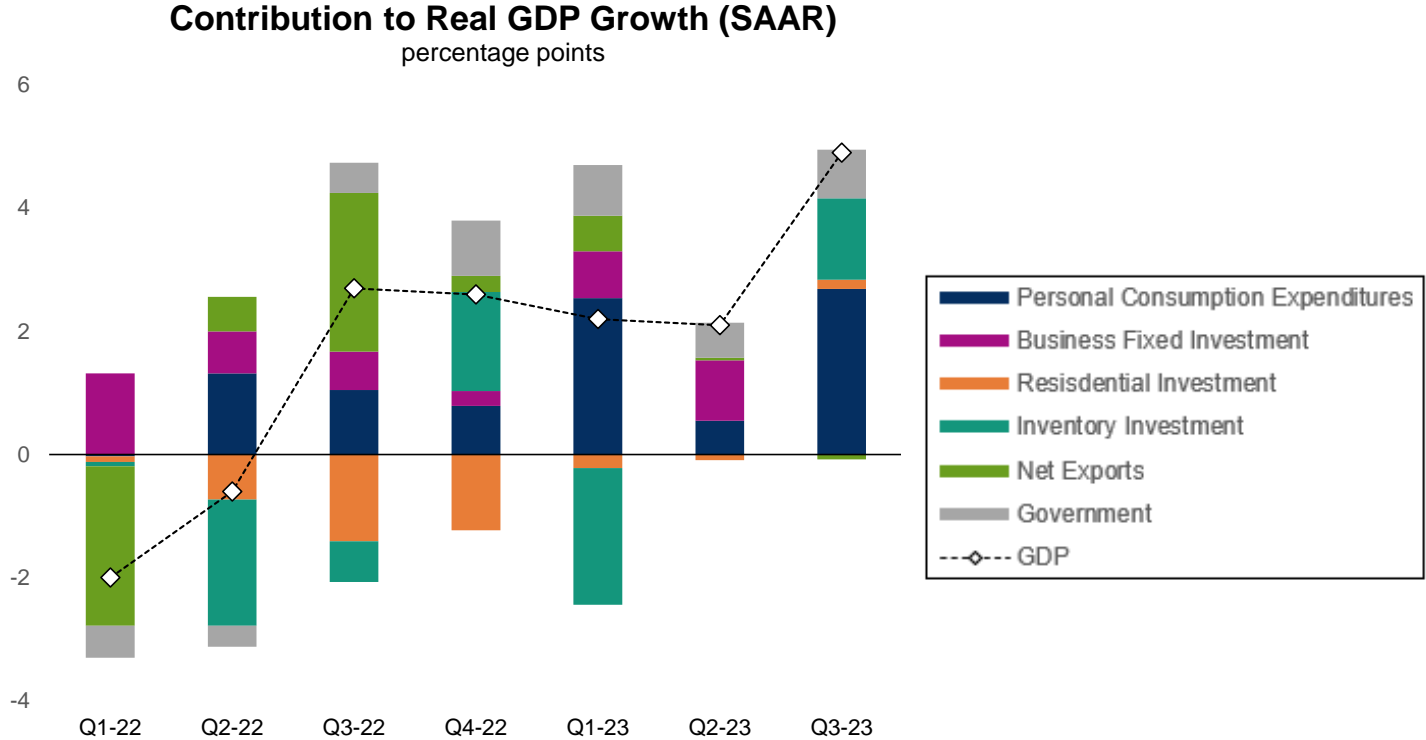


Source: U.S. Bureau of Economic Analysis

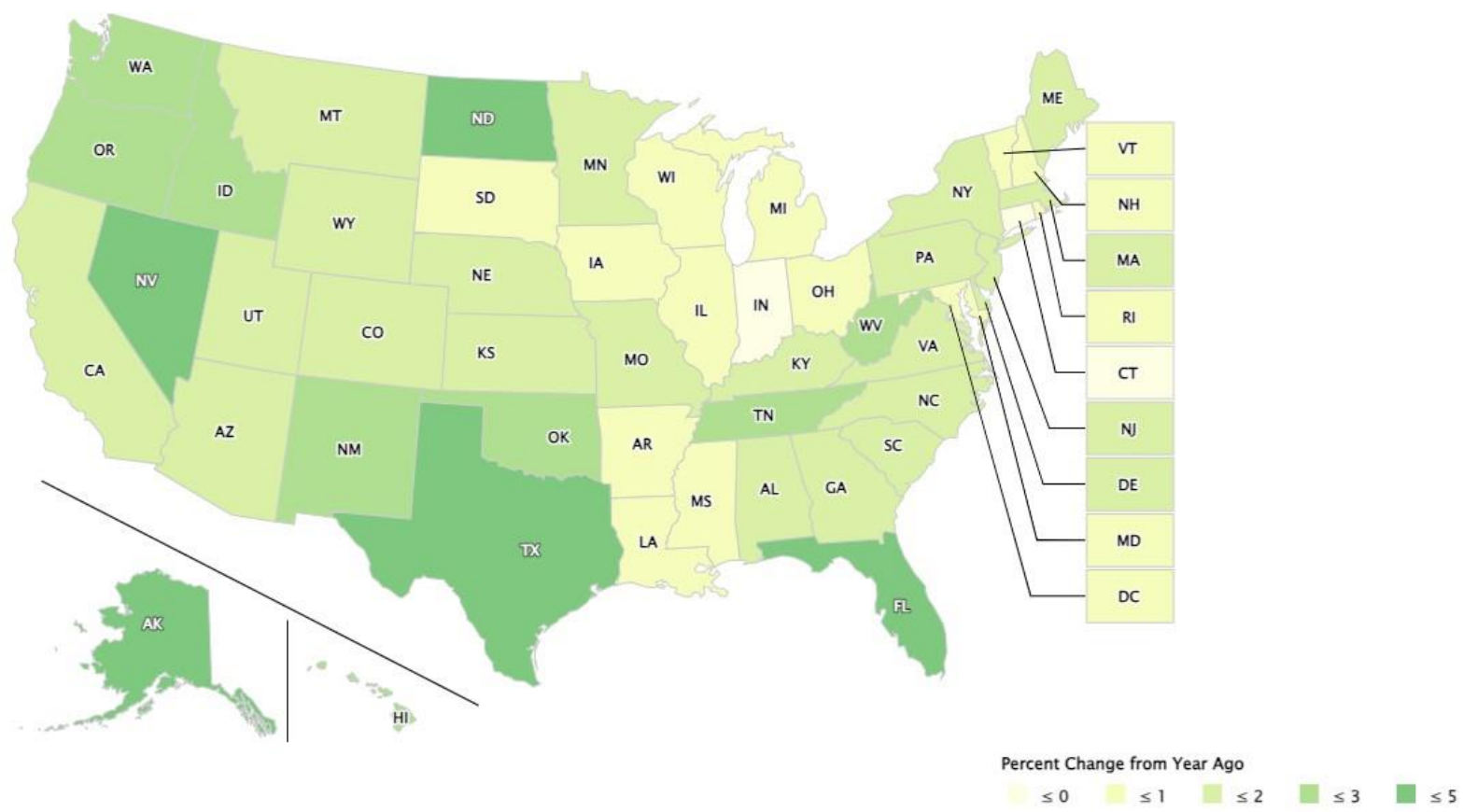
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\*September 2023 Summary of Economic Projections

# What's driving GDP growth?

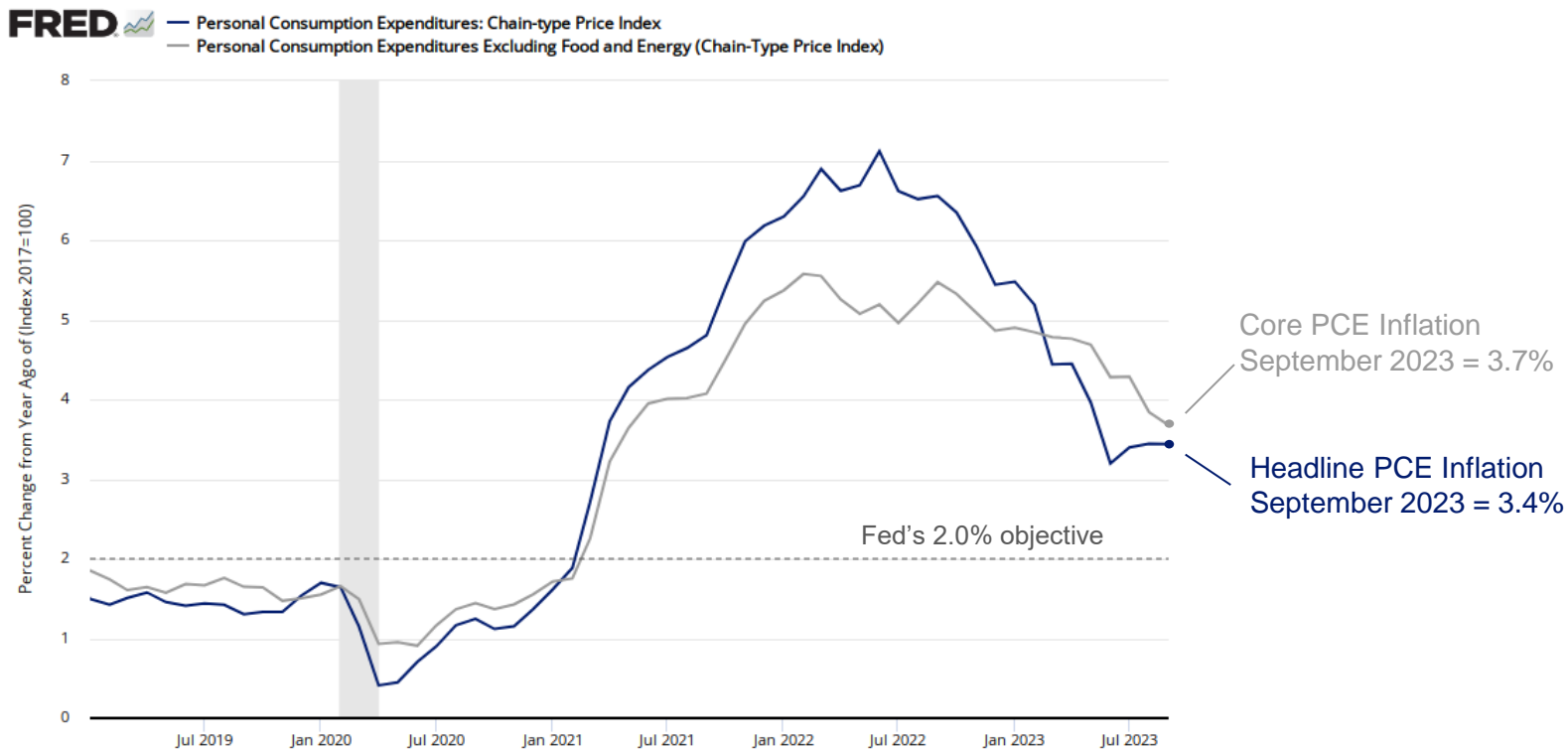


Source: Bureau of Economic Analysis



Source: U.S. Bureau of Economic Analysis

# Inflation continues to moderate but remains elevated



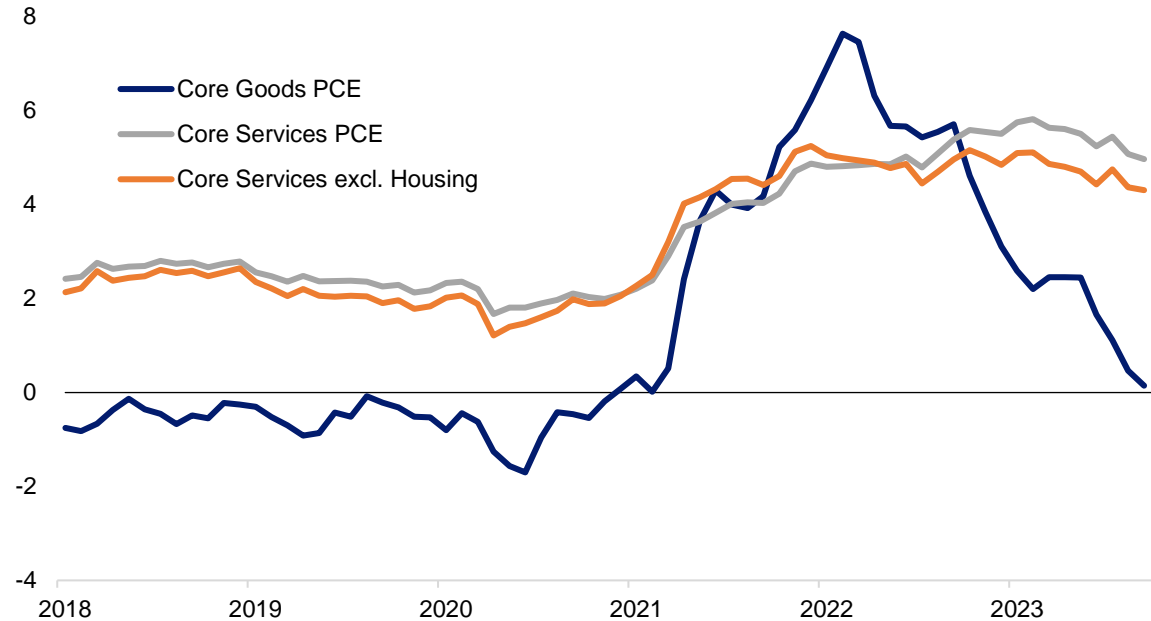
Source: U.S. Bureau of Economic Analysis

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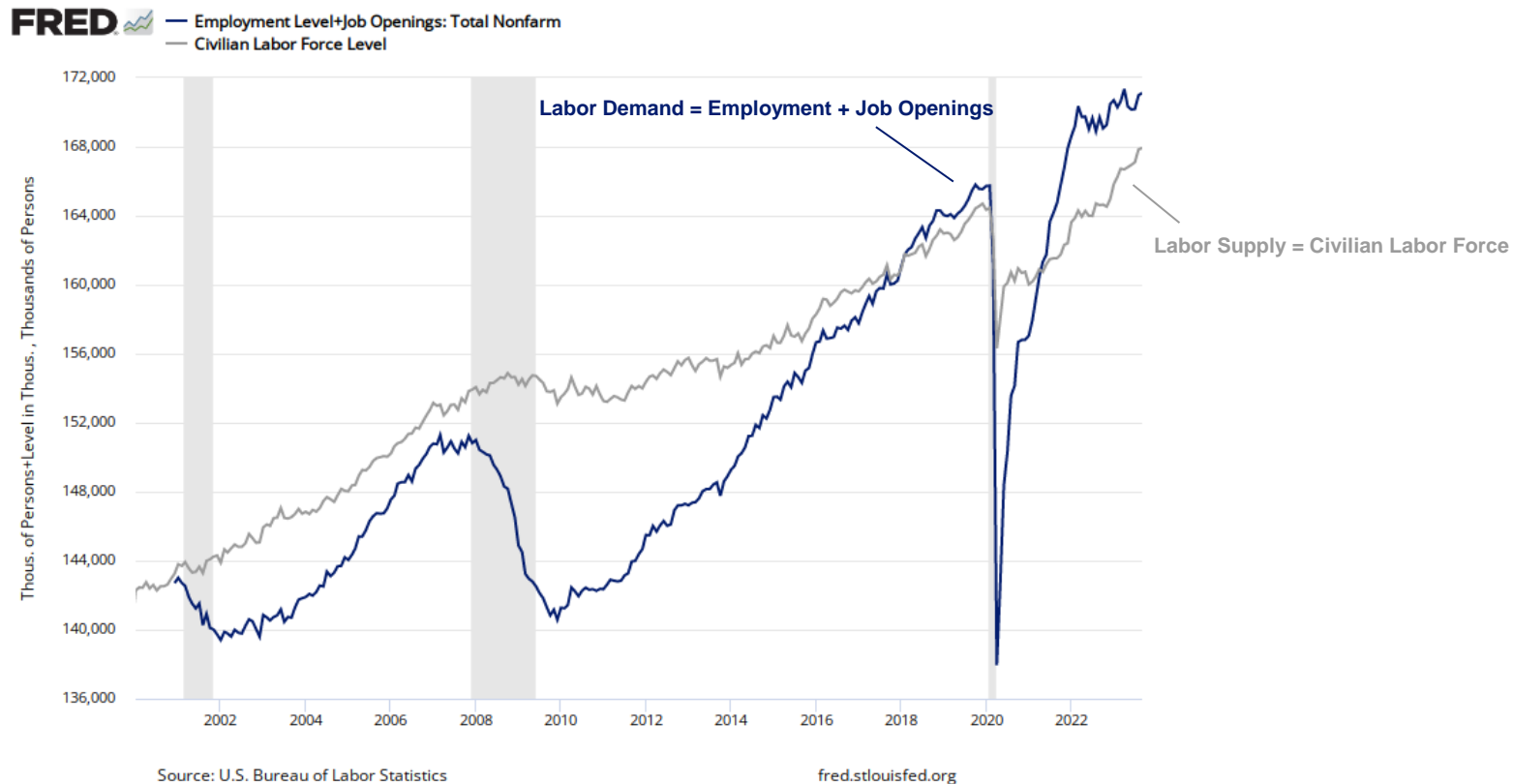
# Core services PCE inflation remains high

**Core PCE Inflation by Goods and Services**  
year-over-year % change

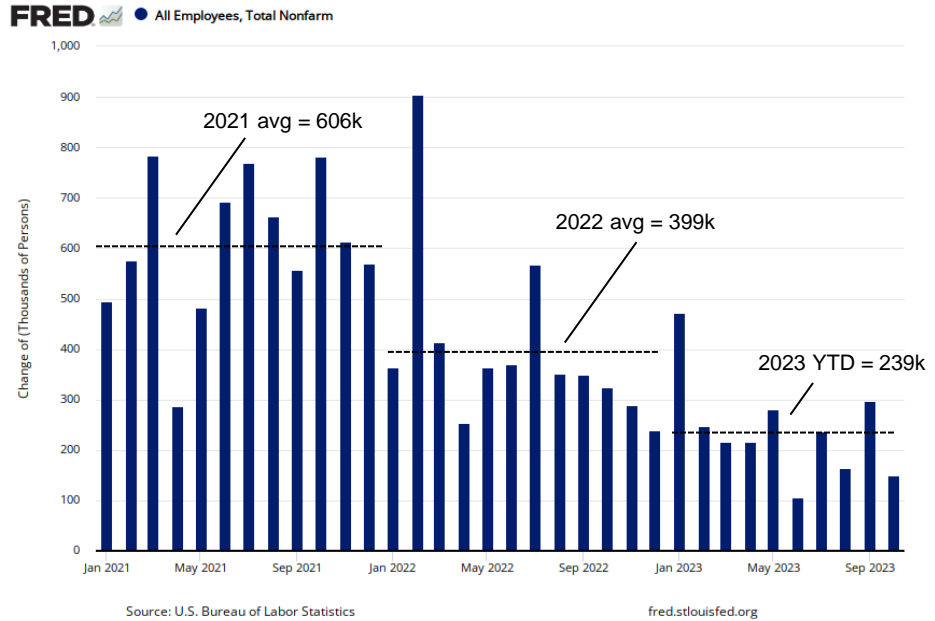
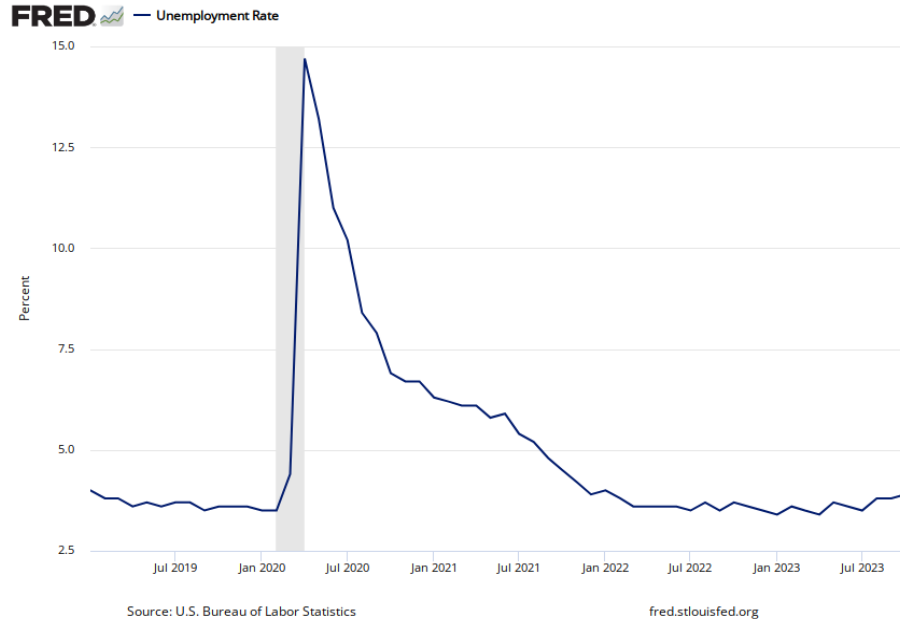


Source: Bureau of Economic Analysis

# Labor demand continues to exceed labor supply



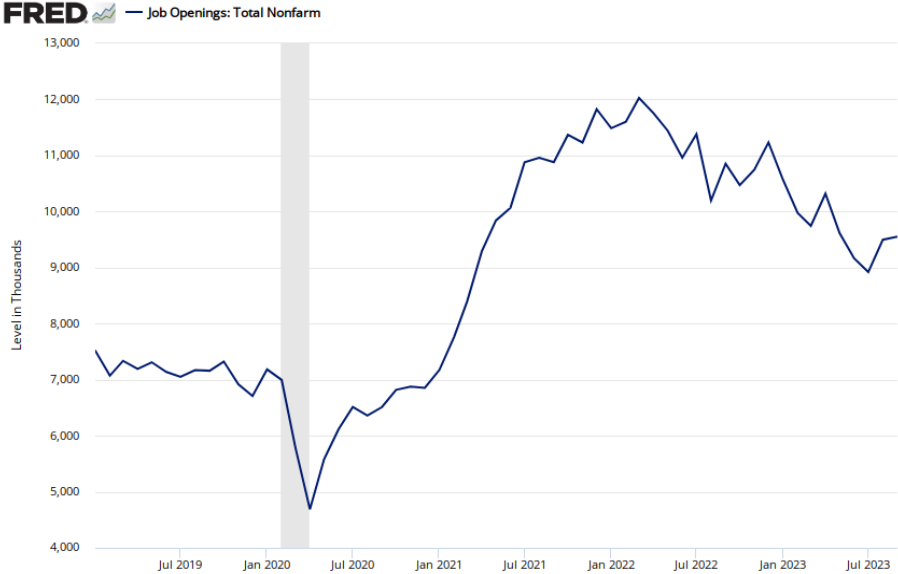
# Labor market conditions remain solid, but signs of cooling are emerging





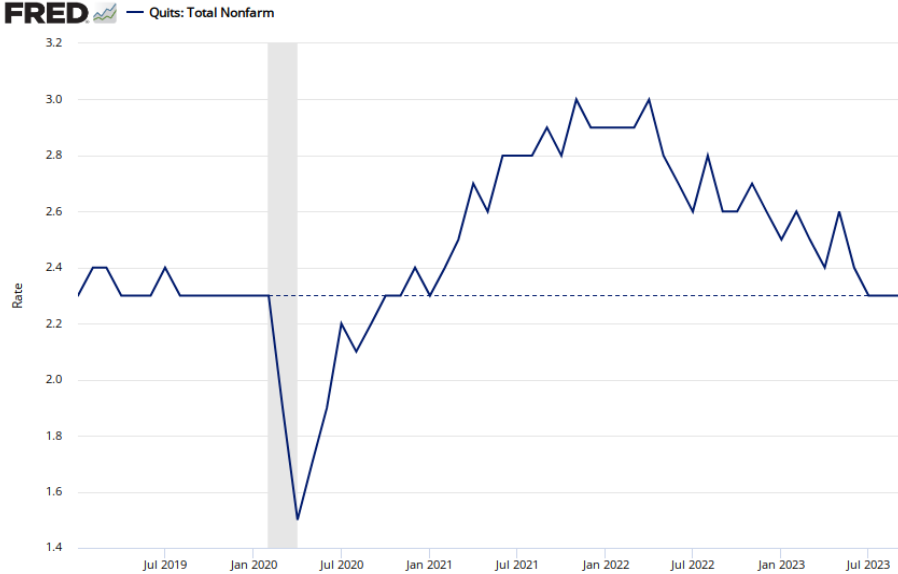


# Data on job openings and quit rates point to some cooling in labor market conditions



Source: U.S. Bureau of Labor Statistics

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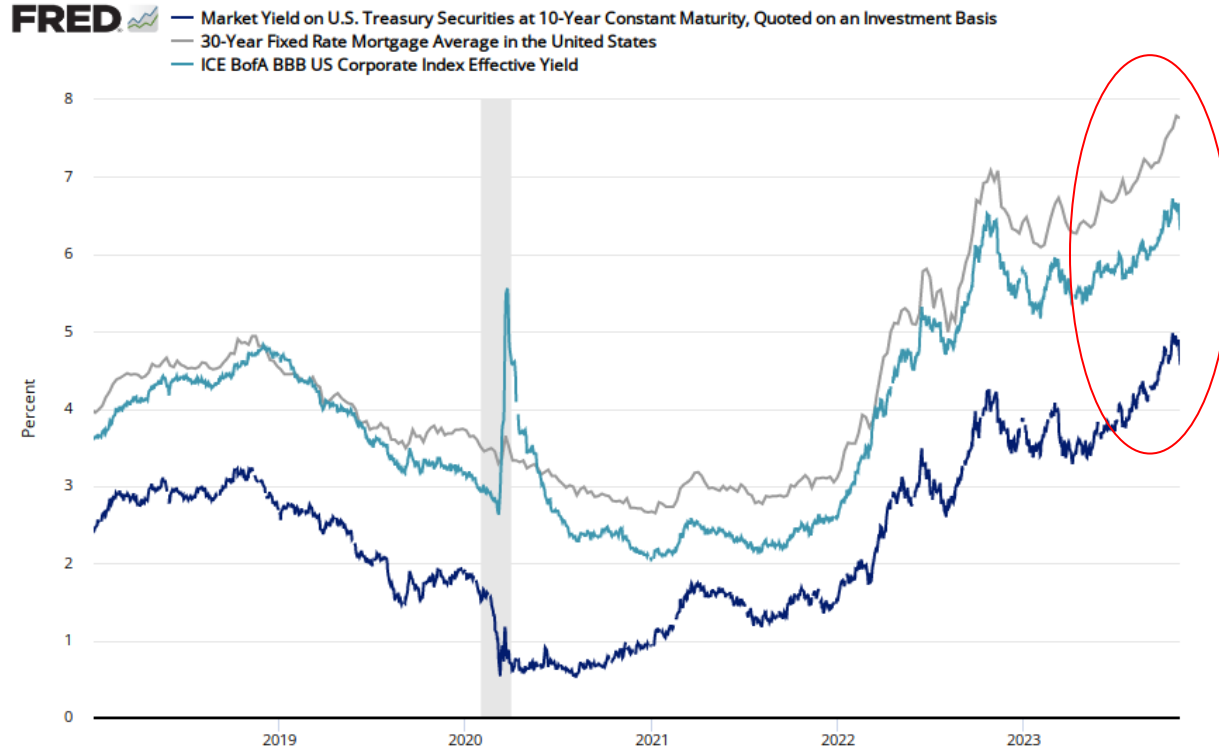
Source: U.S. Bureau of Labor Statistics

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“Financial conditions have tightened significantly in recent months, driven by higher longer-term bond yields, among other factors. Because persistent changes in financial conditions can have implications for the path of monetary policy, we monitor financial developments closely.”

- Chair Powell, November 2023 Press Briefing

# Longer-term Treasuries drive private borrowing costs



Sources: Board of Governors; FHLMC; Ice Data Indices, LLC

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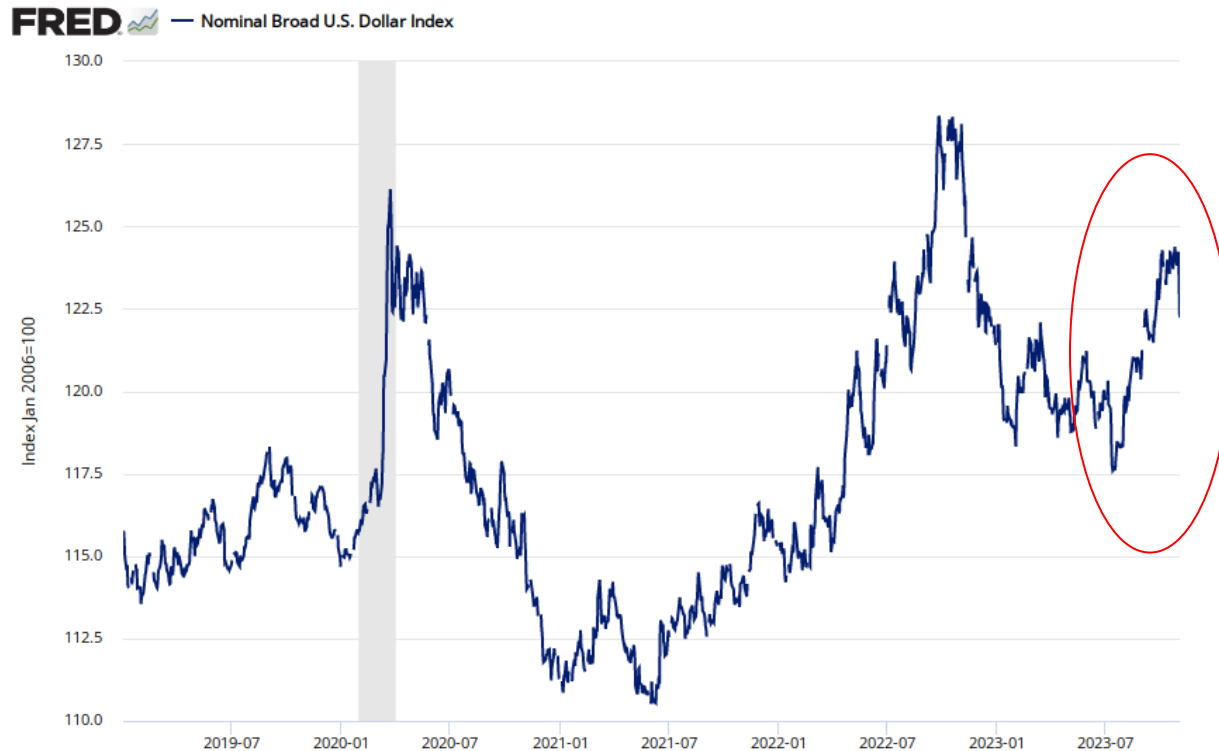
# Equity price decline poses potential drag for consumer



Source: S&P Dow Jones Indices LLC

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# Dollar appreciation could weigh on net exports



Source: Board of Governors of the Federal Reserve System (US)

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