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# US Economic Outlook

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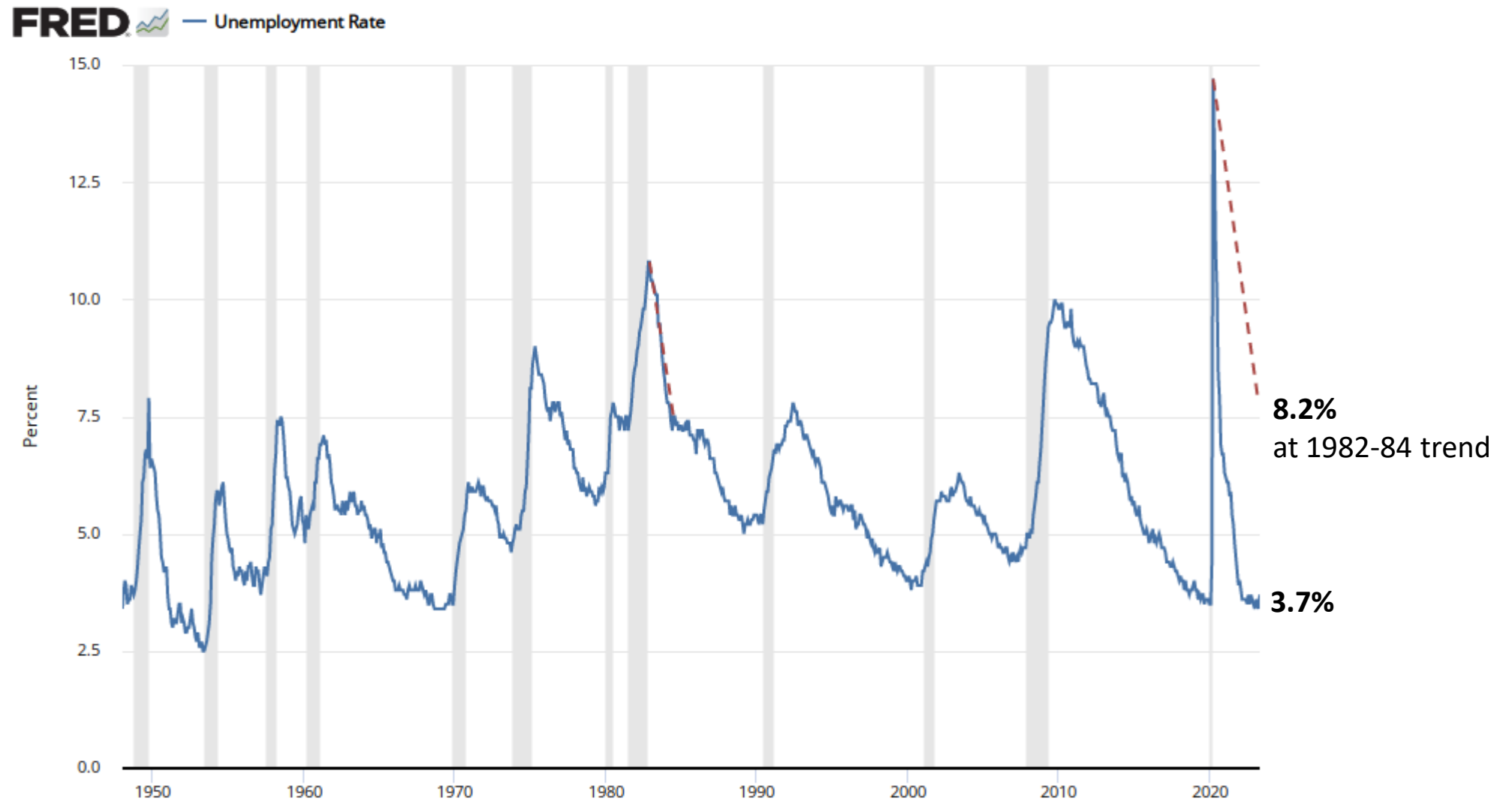
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June 2023

*Opinions expressed are those of the authors and do not necessarily reflect those of the Federal Reserve Bank of St. Louis or the Federal Reserve System.*

# Current Conditions

# Economy experiences an unprecedented recovery after pandemic shock

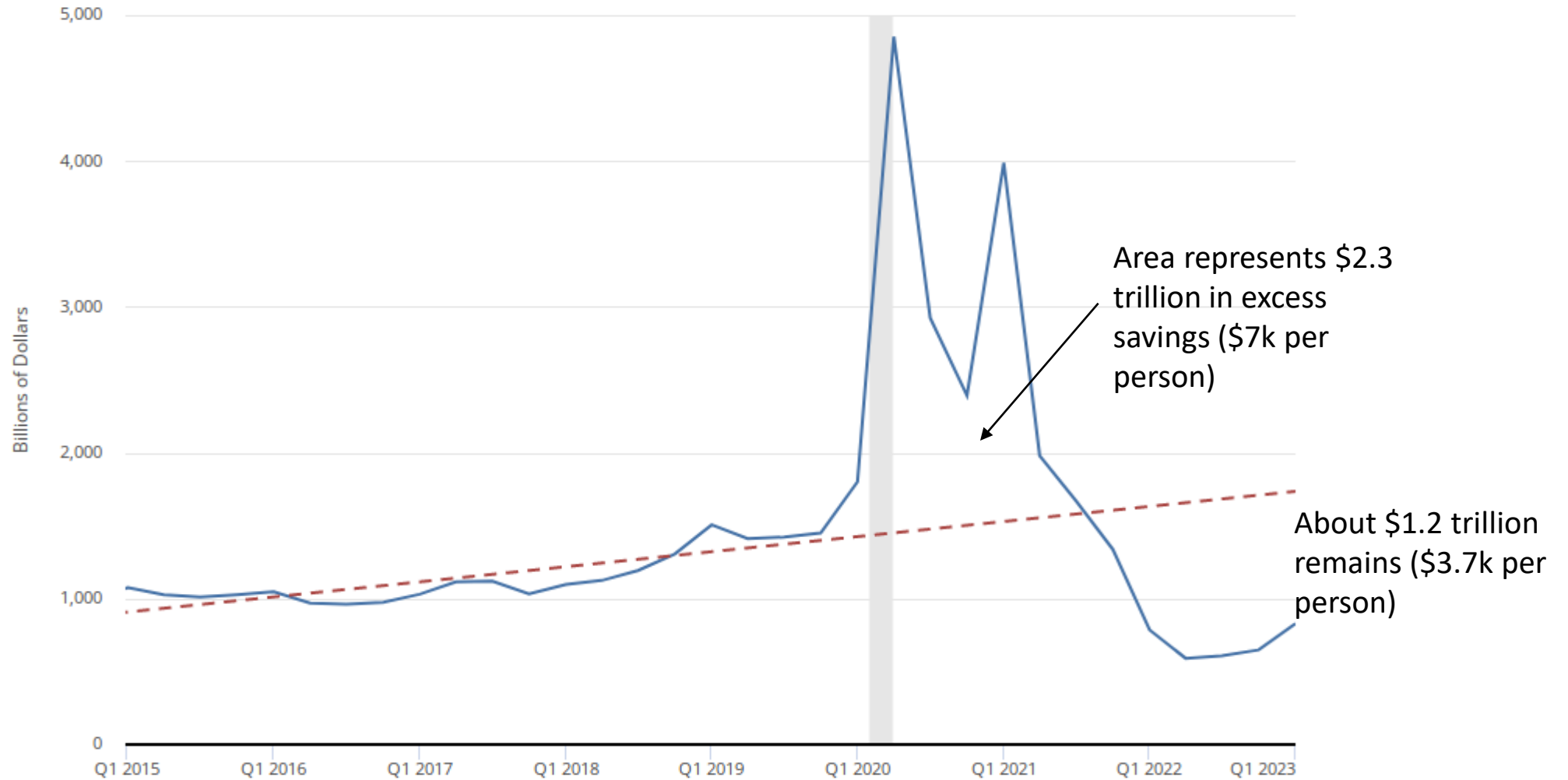


Source: U.S. Bureau of Labor Statistics

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# Households accumulated significant savings during pandemic

FRED  — Personal Saving

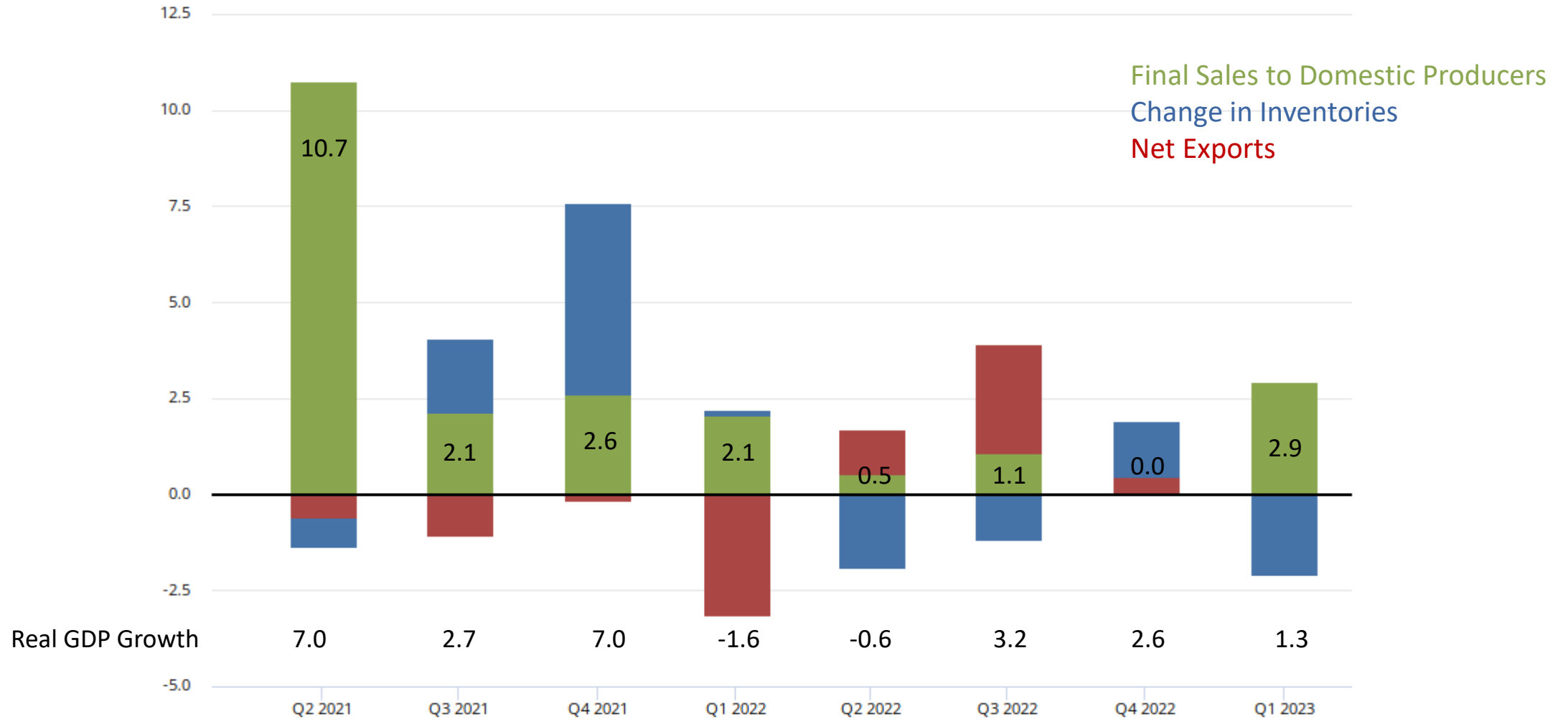


Source: U.S. Bureau of Economic Analysis

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# Swings in trade flows and inventories generate volatile GDP growth

FRED 

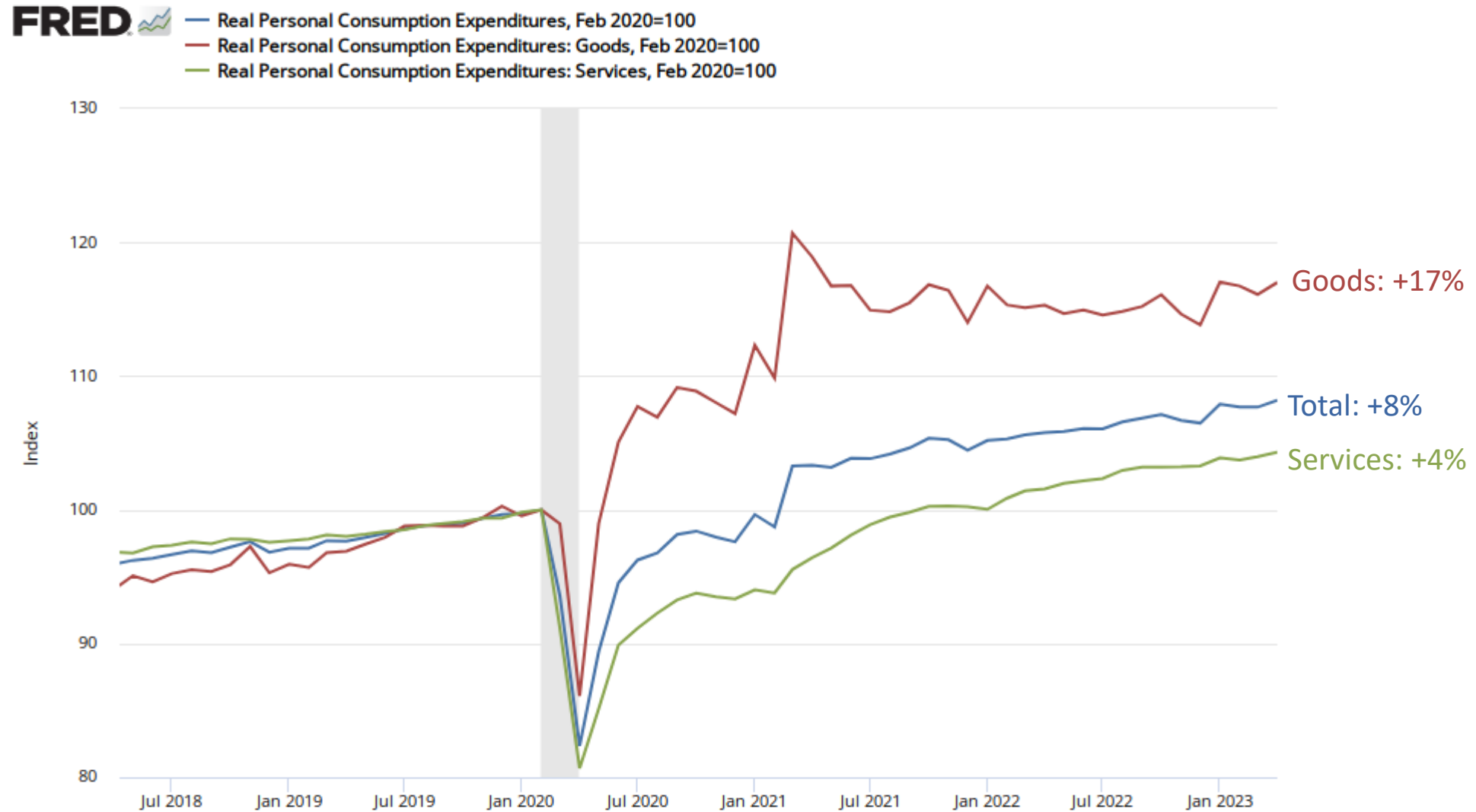


Source: U.S. Bureau of Economic Analysis

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Note: Real GDP Growth measured as Adjusted Annual Rate, Percent Change from Preceding Period  
 Source: St. Louis Fed, FRED Database ([link to data](#))

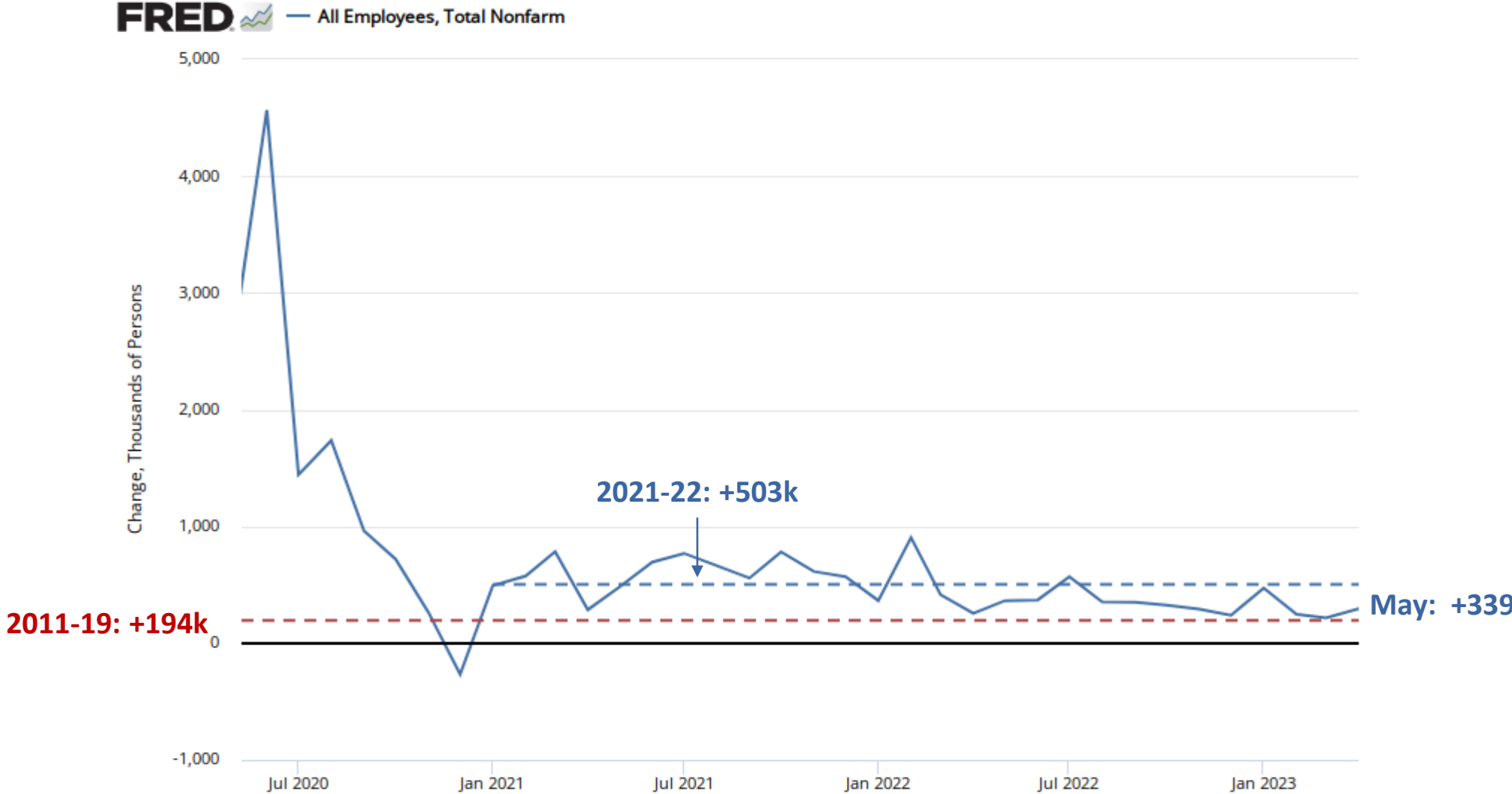
# Spending growth healthy, with pivot back to services



Source: U.S. Bureau of Economic Analysis

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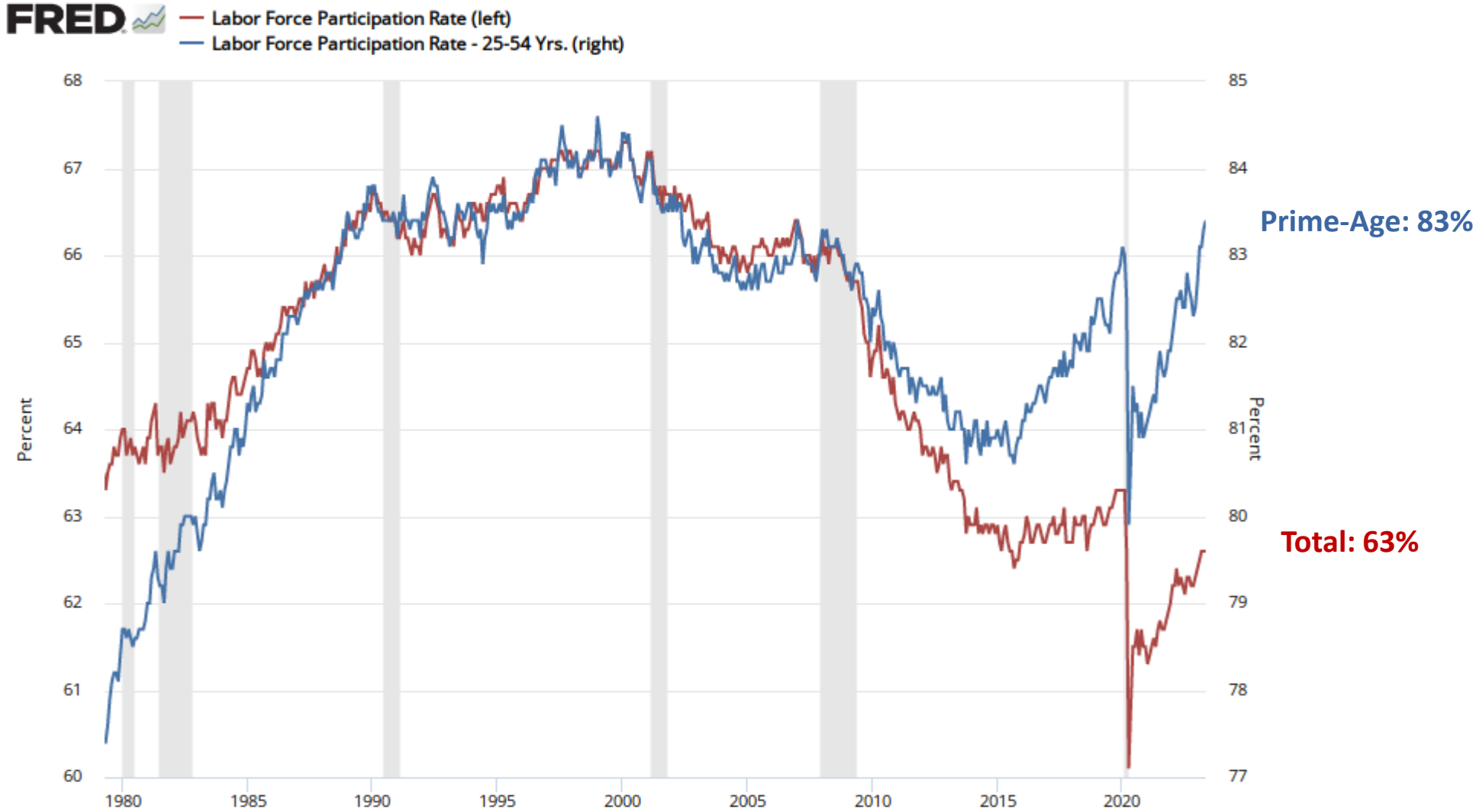
# Job growth consistent with a healthy economy



Source: U.S. Bureau of Labor Statistics

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# Labor constrained by aging population, and lingering pandemic factors

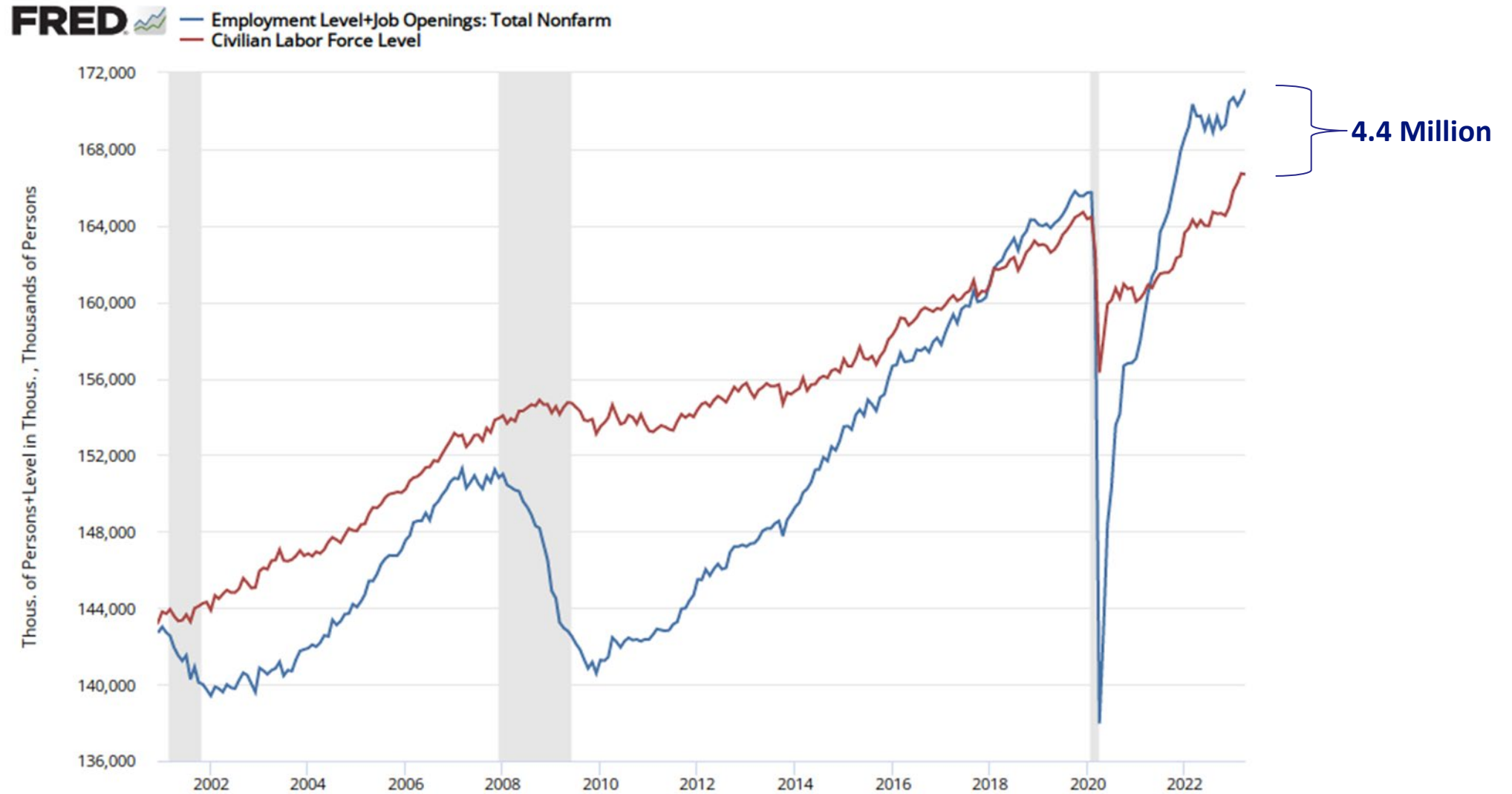


Source: U.S. Bureau of Labor Statistics

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# Labor demand exceeds labor supply by 4.4 million people



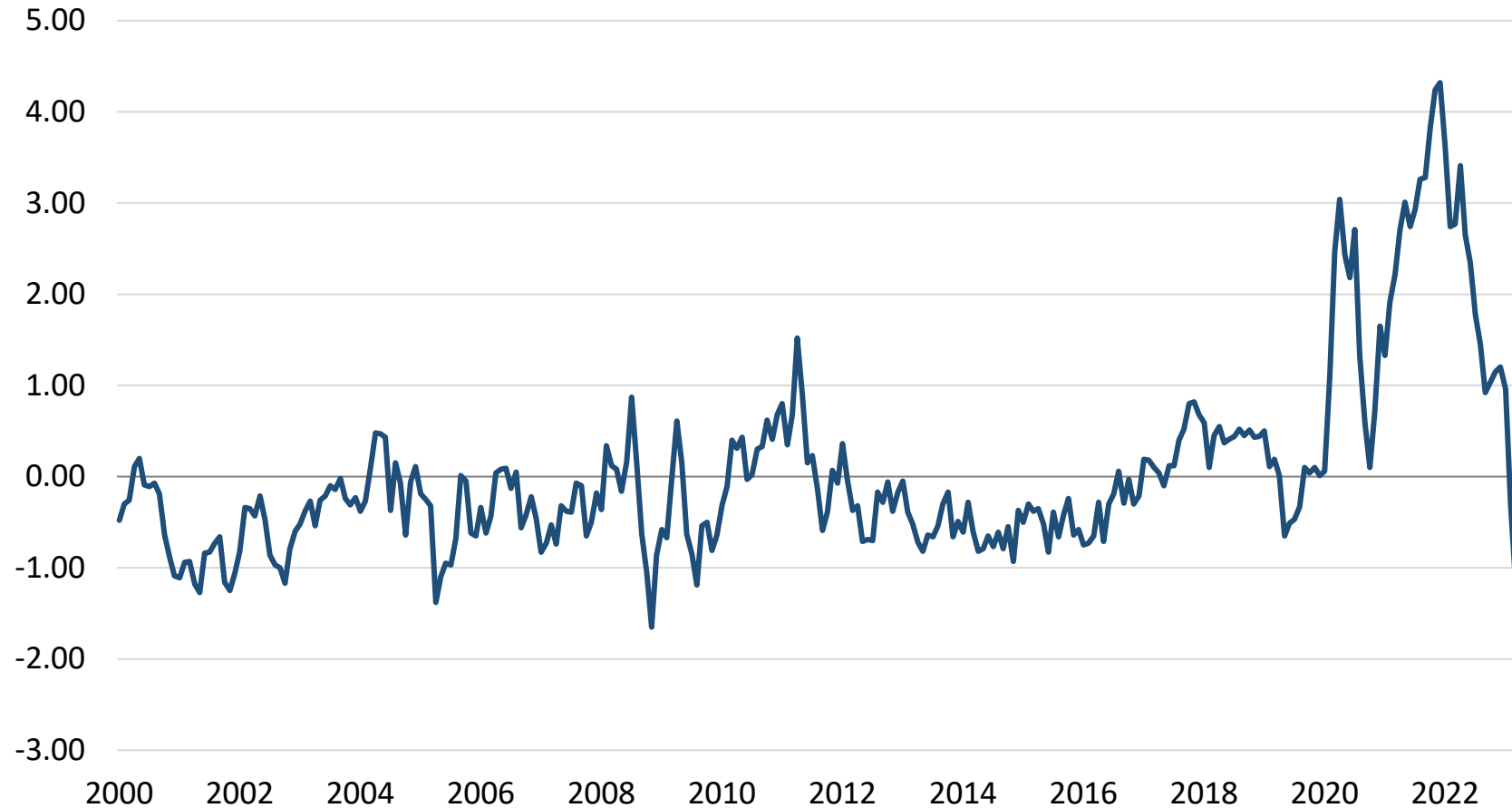
Source: U.S. Bureau of Labor Statistics

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# Supply chains are returning to “normal” operations

FRBNY Global Supply Chain Pressure Index

Std. Dev. Pts

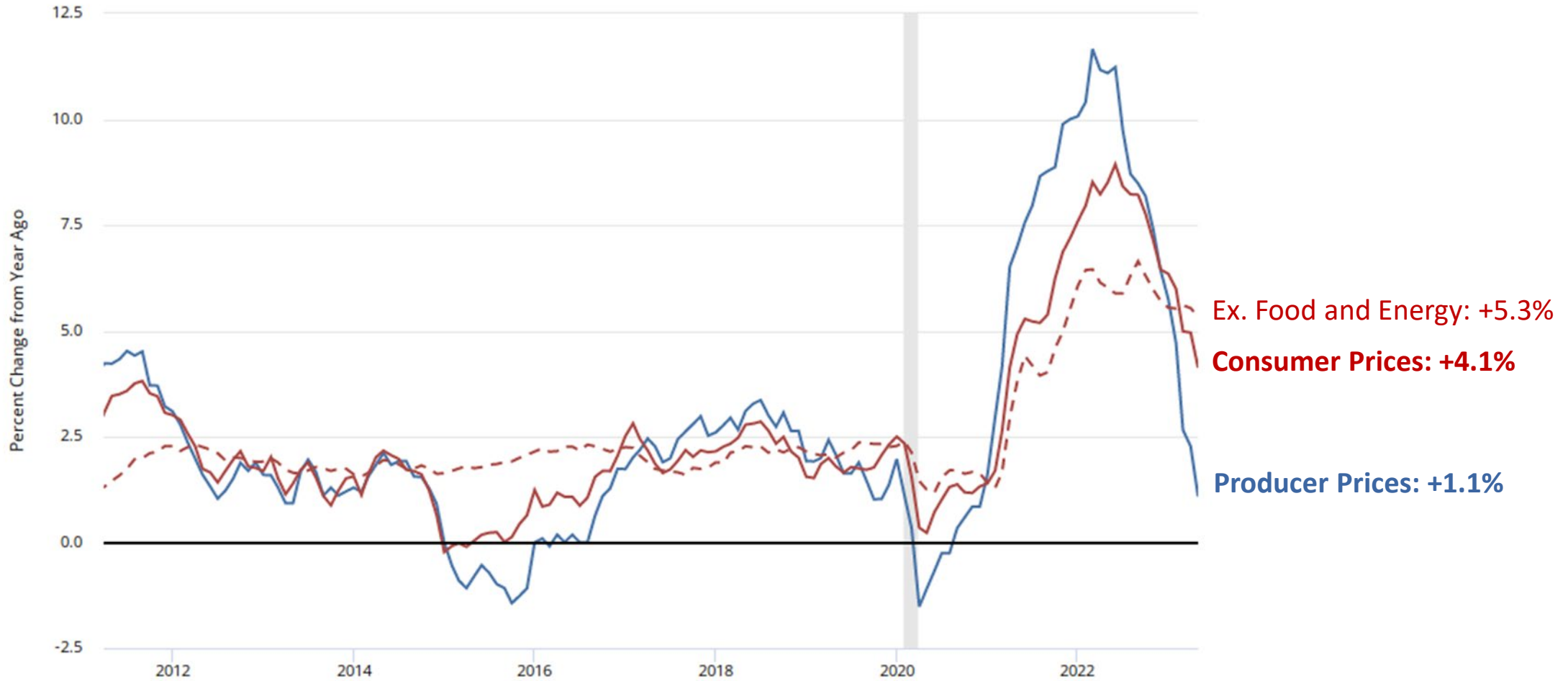


Source: Federal Reserve Bank of New York ([link to data](#))

# Strong demand + constrained supply = high inflation



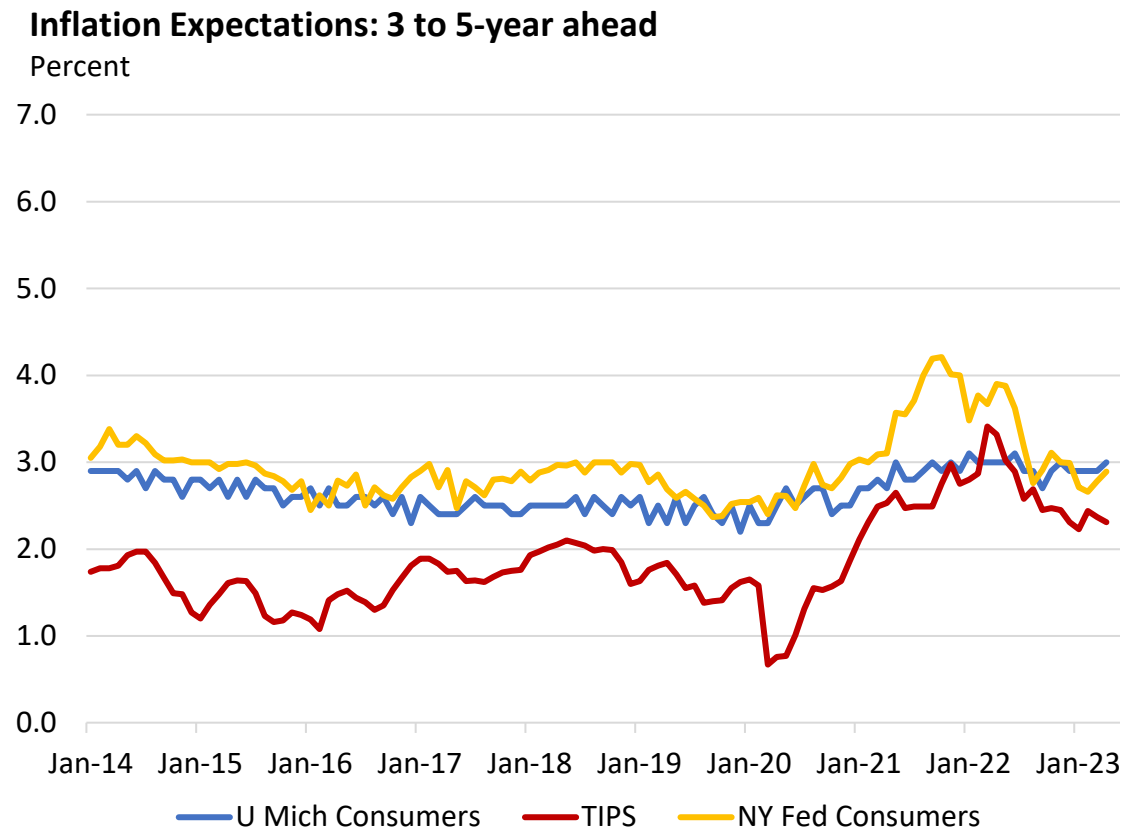
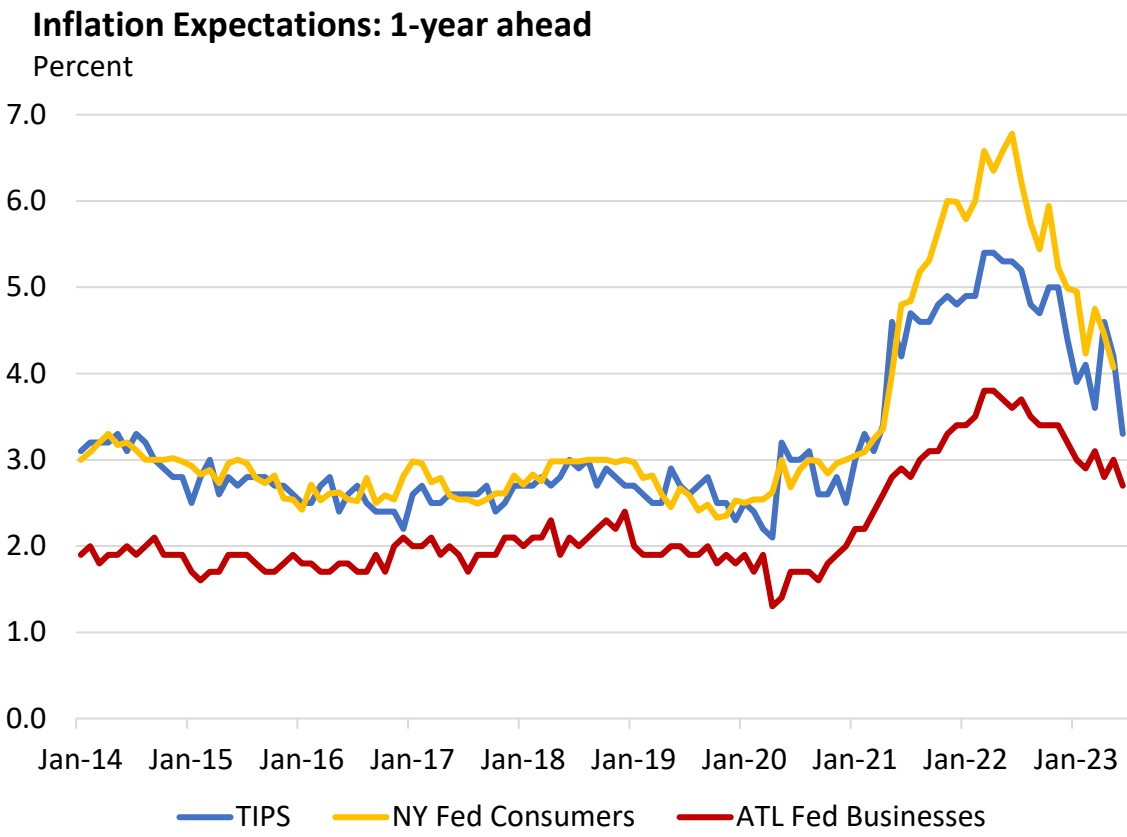
- Producer Price Index by Commodity: Final Demand
- Consumer Price Index for All Urban Consumers: All Items in U.S. City Average
- - Consumer Price Index for All Urban Consumers: All Items Less Food and Energy in U.S. City Average



Source: U.S. Bureau of Labor Statistics

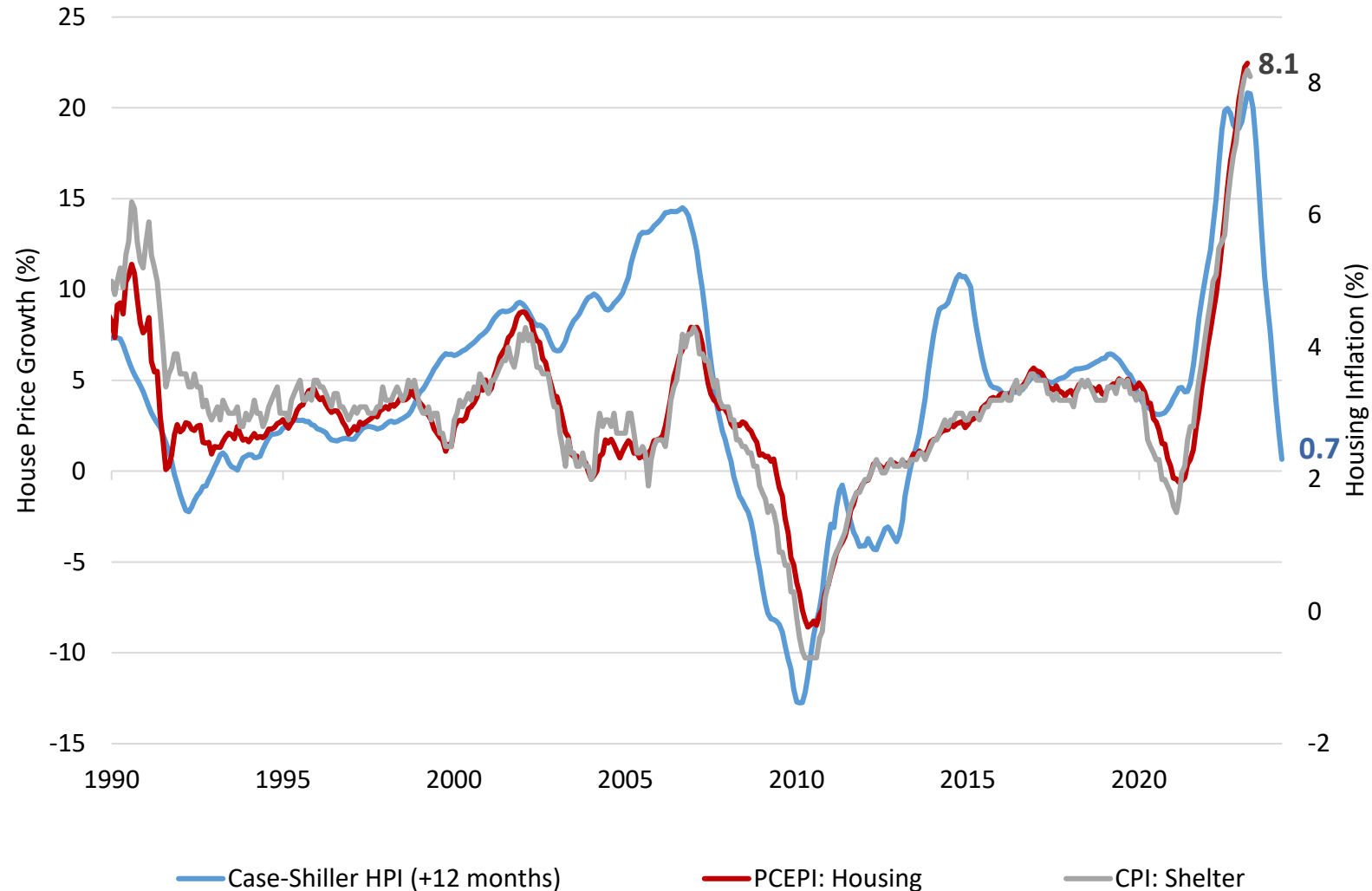
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# Inflation expectations trending downward but remain elevated

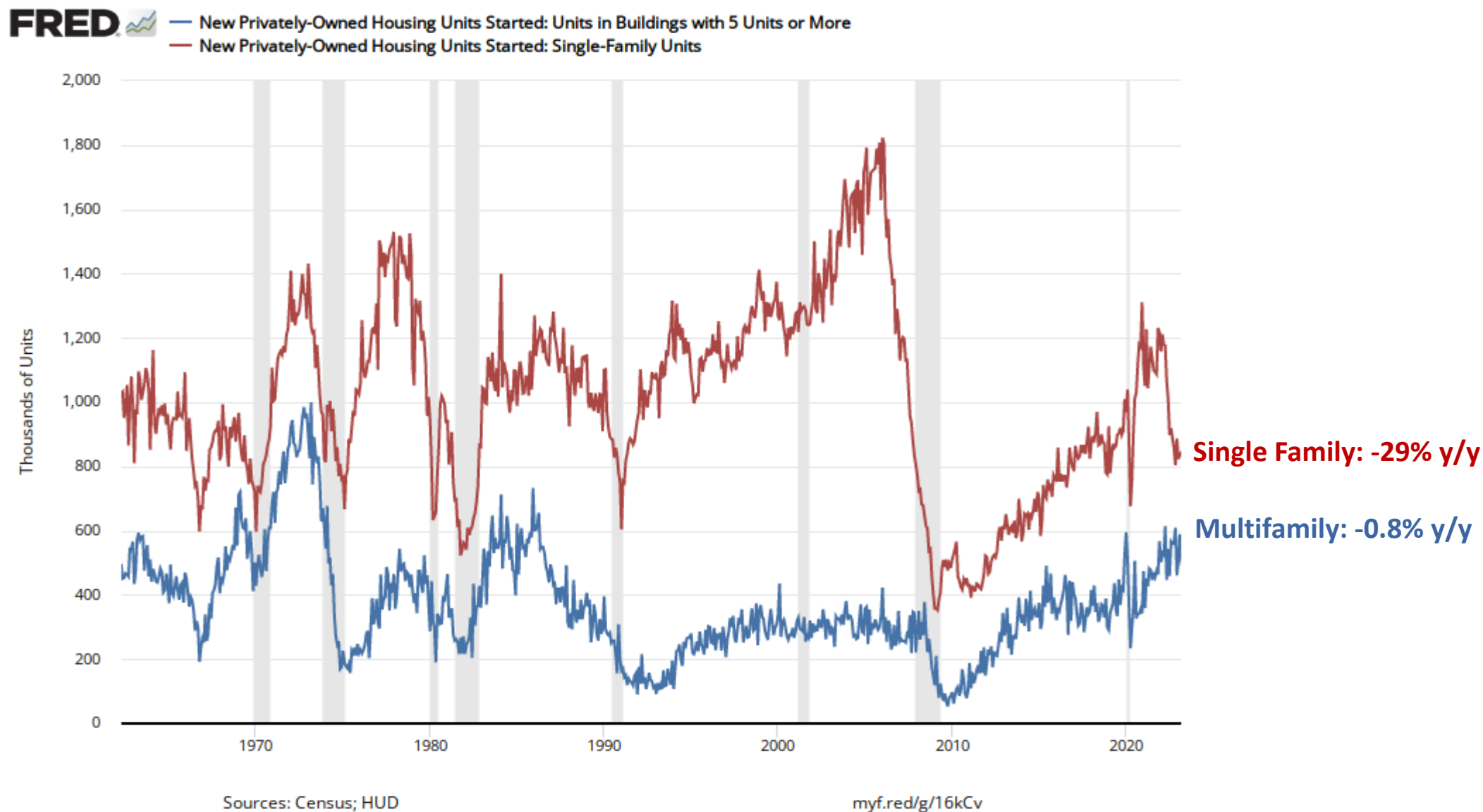


# Housing price growth slowing, but housing inflation persists

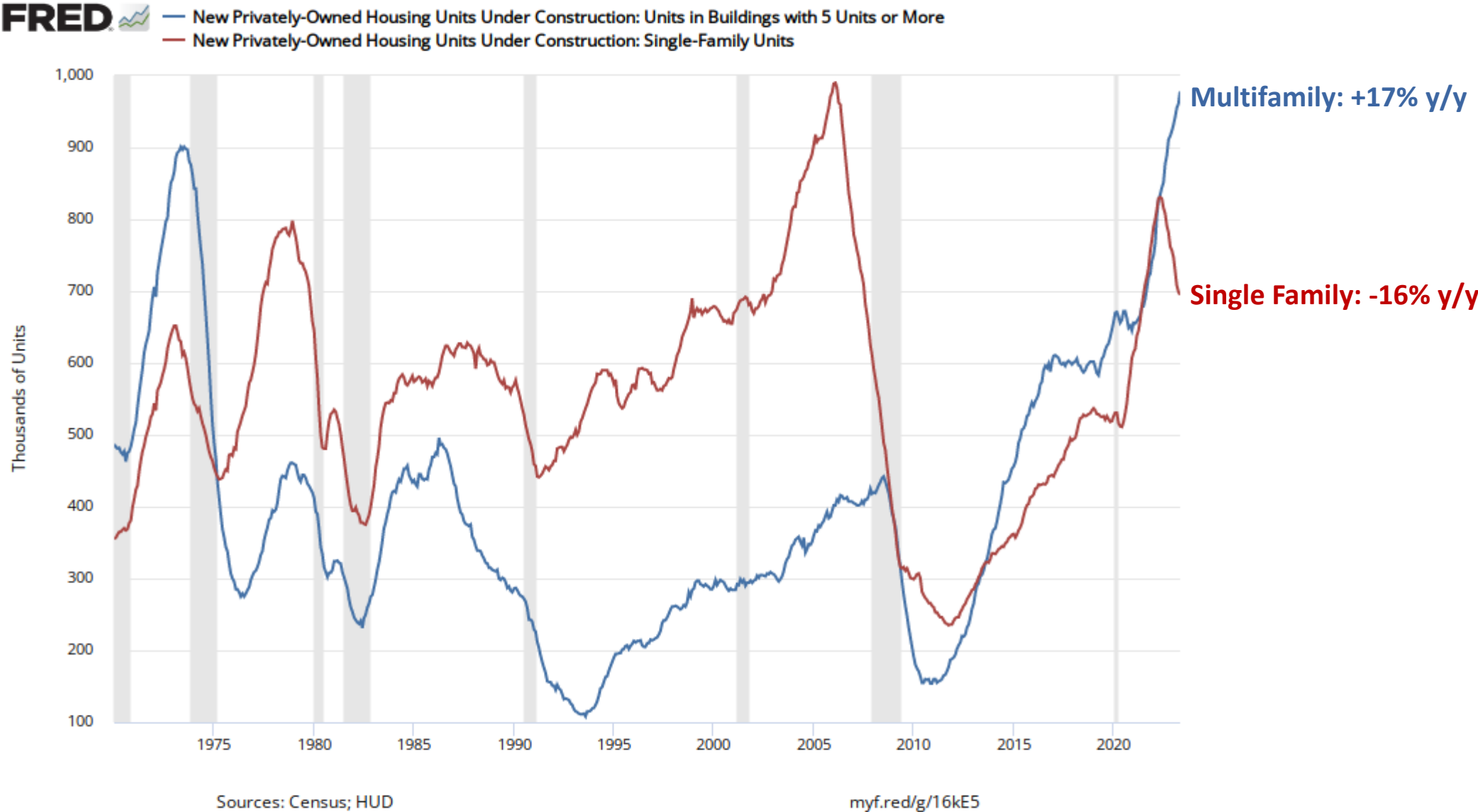
House price growth and housing service inflation



# Facing high costs and higher rates, hot real estate market cools off



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# Summary of key economic indicators

	Real GDP Growth	CPI Inflation Rate	Unemployment Rate	10-yr Treasury yield
2022	2.1	8.0	3.6	3.0
2021	5.9	4.7	5.4	1.4
2011-2019 (Avg.)	2.2	1.8	5.8	2.3

Note: Values are annual averages

Source: St. Louis Fed, FRED Database ([link to data](#))



# Outlook

# FOMC Summary of Economic Projections for 2023

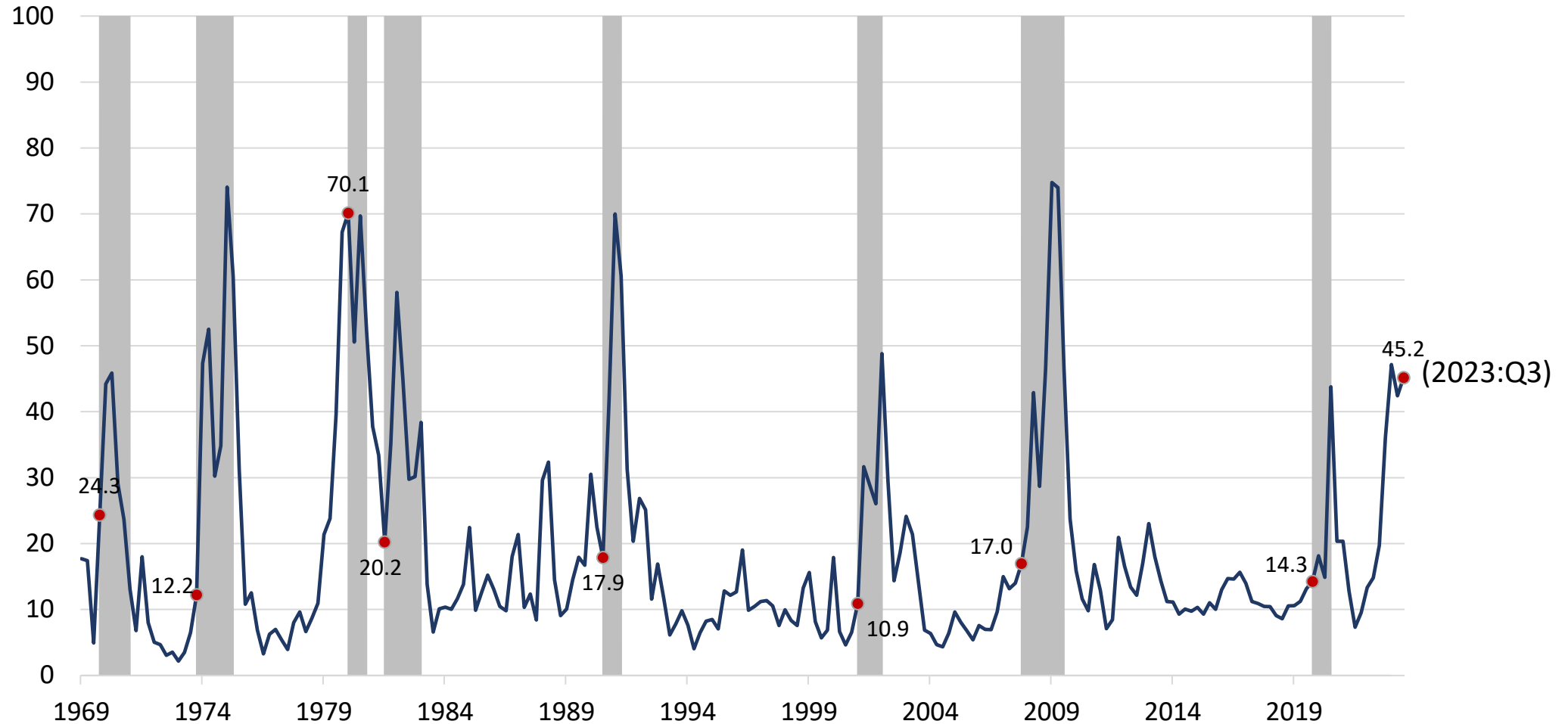
	Real GDP Growth	PCE Inflation Rate	Unemployment Rate	Fed Funds Rate
Median	1.0	3.2	4.1	5.6
Top	2.0	4.1	4.5	6.1
Bottom	0.5	2.9	3.9	5.1

Note: Projections are under the assumption of appropriate monetary policy. Real GDP, PCE Inflation are Q4/Q4 Growth, Unemployment and Fed Funds are Q4 Averages  
Parentheses Indicate change from May Projections

Source: Federal Open Market Committee (FOMC) Summary of Economic Projections June 2023. [See Macro Snapshot for Data](#)

# If recession occurs, it will be the one of the most anticipated in history

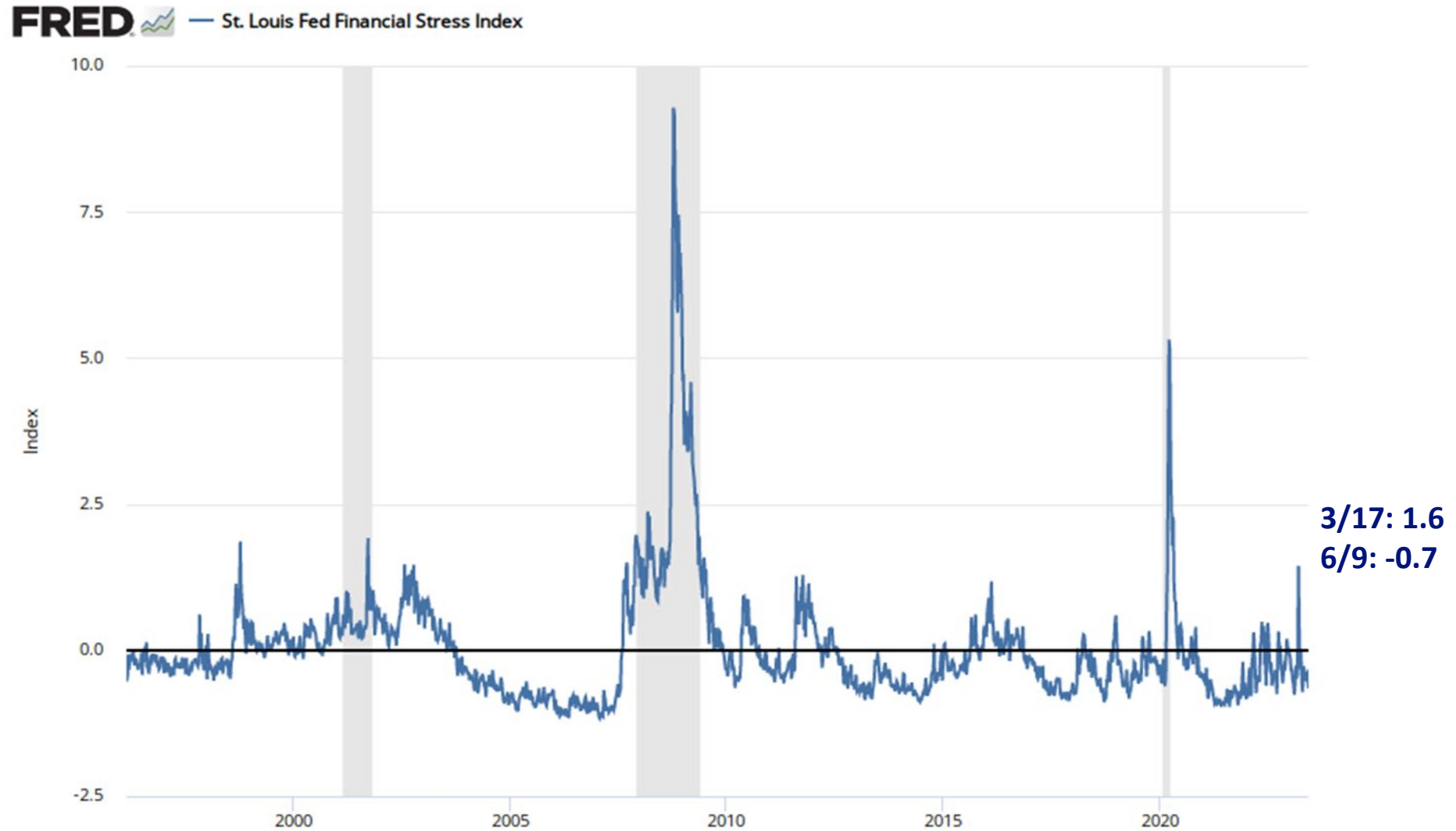
**The Anxious Index**  
Probability of Decline in real GDP



Note: Shaded areas indicate NBER recessions

Source: Federal Reserve Bank of Philadelphia, Survey of Professional Forecasters ([link to data](#))

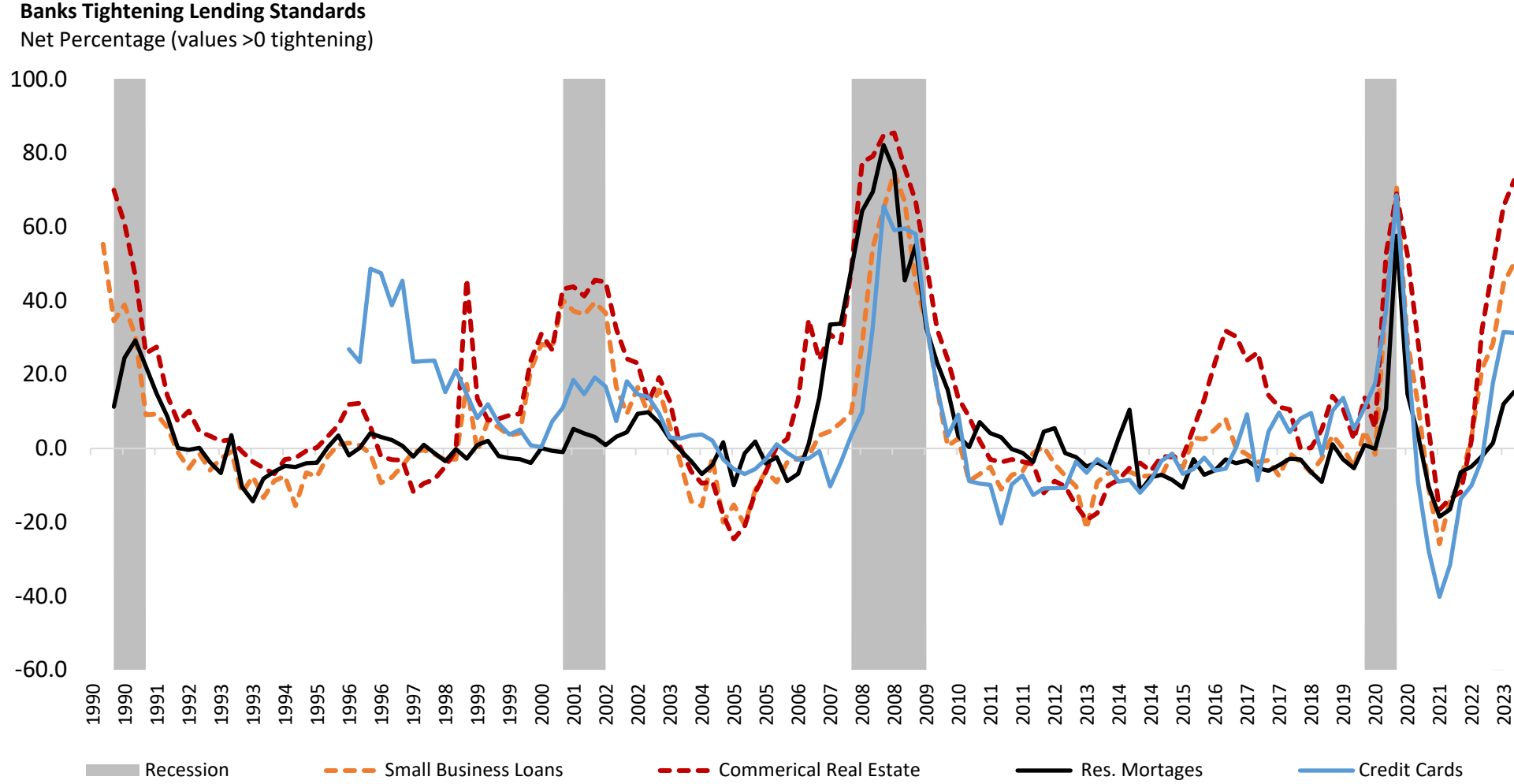
# Financial Stress spiked after bank runs, then returned to normal



Source: Federal Reserve Bank of St. Louis

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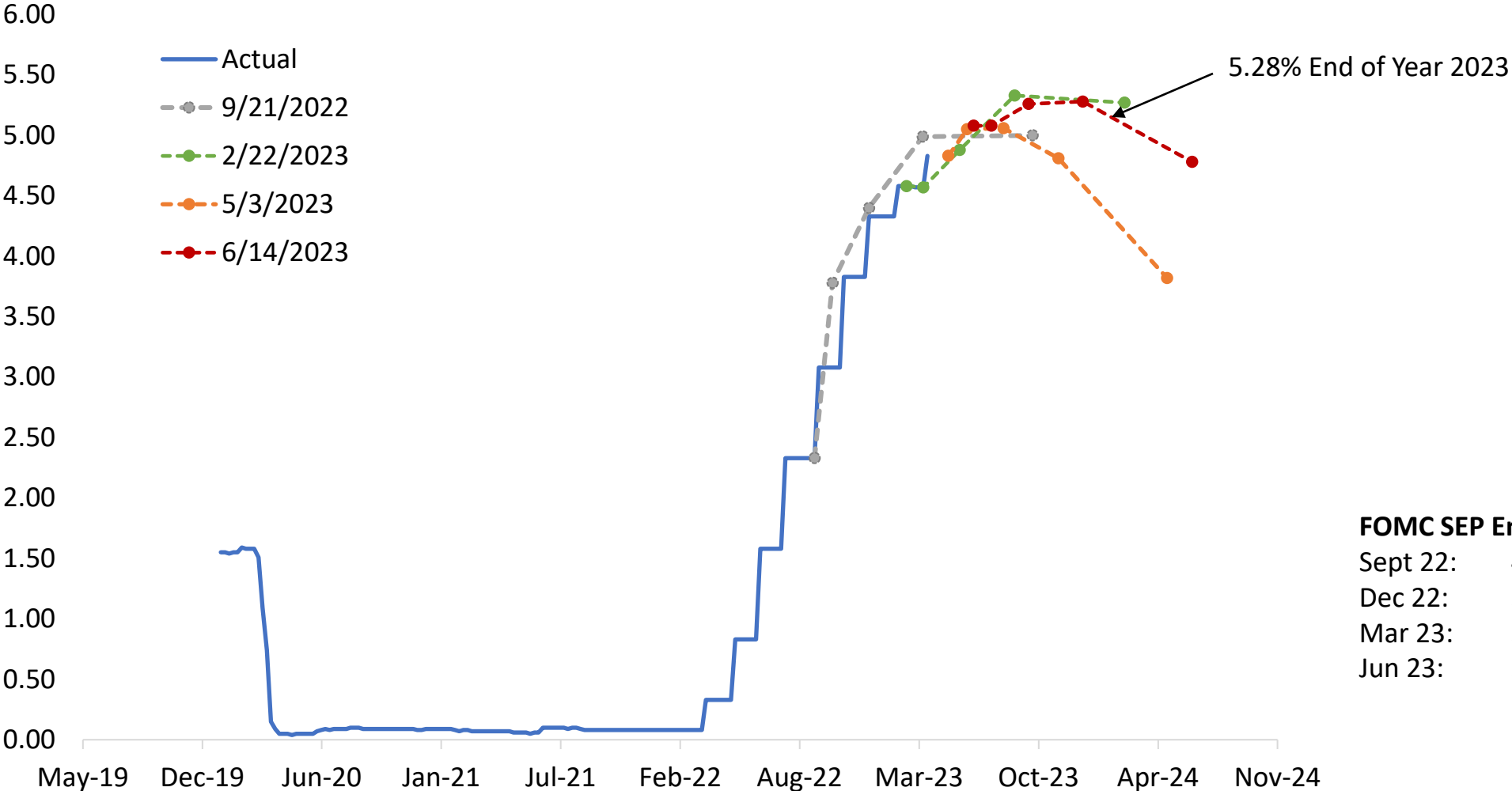
# Banks continue to tighten lending standards



Note: Shaded areas indicate NBER recessions  
 Source: Federal Reserve Senior Loan Officer Opinion Survey ([link to data](#))

# Expectations on future interest rates continue wild ride

Federal Funds Rate and Implied Fed Funds Rate from Futures



Source: Federal Reserve Board, CME Group ([link to data](#))

# Key Takeaways

- Economic data indicates the economy continued to expand in 2022. Outlook for 2023 is for below-trend growth, which should lead to lower inflation and slower job growth
- Downside risks to outlook
  - Inflation remains elevated and more persistent than many forecast
  - Tightening credit conditions could slow household and business investment
- Upside risks to the outlook have emerged in recent quarters
  - Warm winter weather helped Europe avoid recession
  - China economy reopening from COVID
  - Housing market showing signs of improvement
  - Strong labor market outlook should sustain consumer spending
- The magnitude and duration of the inflation surge creates a risk that inflation expectations remain elevated, and the central bank loses inflation-fighting credibility
  - Low and stable inflation is necessary for long-term maximum employment
  - High inflation makes the world prone to economic and political instability

Price stability is the responsibility of the Federal Reserve and serves as the bedrock of our economy. Without price stability, the economy does not work for anyone...without price stability we will not achieve a sustained period of strong labor market conditions that benefit all.

-Federal Reserve Chair Powell, Sept 21,2022