



EVP and Director of Research

Ask the **SF Fed**

Inflation and the **Economy**

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The Fed has two mandates

Everyone who wants a job has a job Maximum Employment Price Stability

Dollar holds its value

Unemployment is at its lowest since the 1960s

Unemployment rate



Job gains remain strong

Nonfarm payroll employment (in thousands)





Job openings are plentiful

Number of vacancies per unemployed worker



Note: Seasonally adjusted Source: Bureau of Labor Statistics/Haver Analytics

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Despite cooling signs, inflation remains high

Headline personal consumption expenditures (PCE) inflation





The Fed quickly raised interest rates last year

Federal funds rate



Energy playing smaller role in inflation

Retail gas prices (dollars/gallon)



Contributions to PCE inflation (percentage points)



Note: Percentage point contributions to change in headline PCE inflation Source: Bureau of Economic Analysis and FRBSF staff calculations



Note: Seasonally adjusted Source: Energy Information Administration/Haver Analytics

Housing market is rapidly cooling

12-month percent change in house prices and rents





Inflation still high in the services sector

PCE services price inflation





Goods price inflation is rapidly falling

PCE goods price inflation





Spending patterns are normalizing

Inflation-adjusted PCE for goods and services (Trillions of Chained 2012 U.S. Dollars)



•ISFFed Note: Seasonally adjusted Source: Bureau of Economic Analysis and Haver Analytics Note: Seasonally adjusted Source: Bureau of Economic Analysis and Haver Analytics

Mix of inflation contributors changing

Contribution to 12-month headline PCE inflation (percentage points)





Note: Percentage point contribution to 12-month change in headline PCE price index, seasonally adjusted Source: Bureau of Economic Analysis and FRBSF staff calculations

Despite tech layoffs, jobless claims are low

Average tech sector layoffs as a share of net 2020-21 hires



Note: Average is weighted by net 2020-21 hires. Includes 16 major publicly-traded tech sector firms. Source: Macrotrends, Layoffs.fyi, and TrueUp.io. Data as of 1/31/2023

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Initial unemployment insurance claims, millions



Note: Seasonally adjusted Source: U.S. Department of Labor and Haver Analytics

Inflation has eroded nominal wage gains

Cumulative percent change in real and nominal earnings since January 2020



