

Economic Outlook

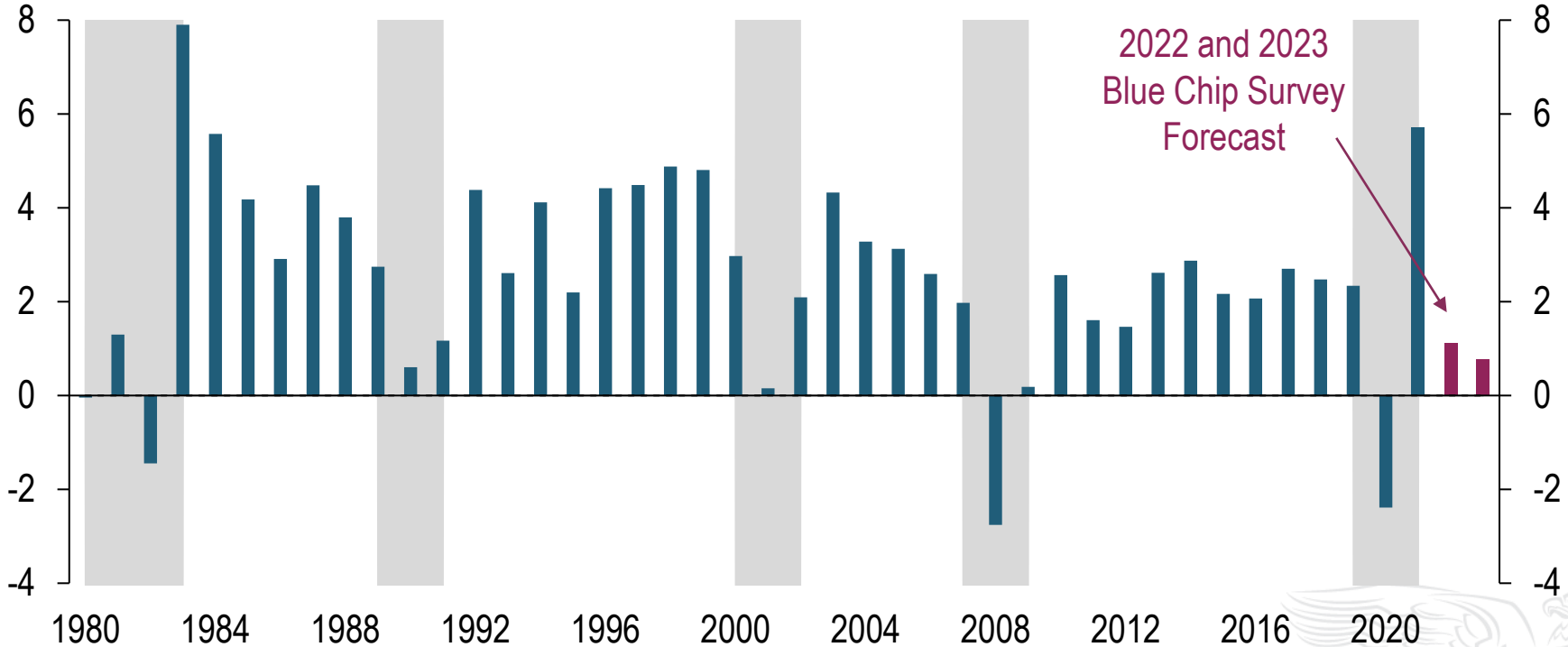
January 2023



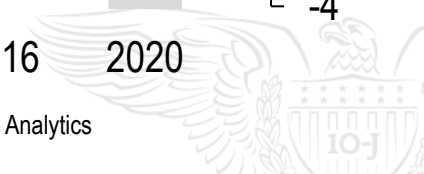
Economy set to underperform

Percent Change

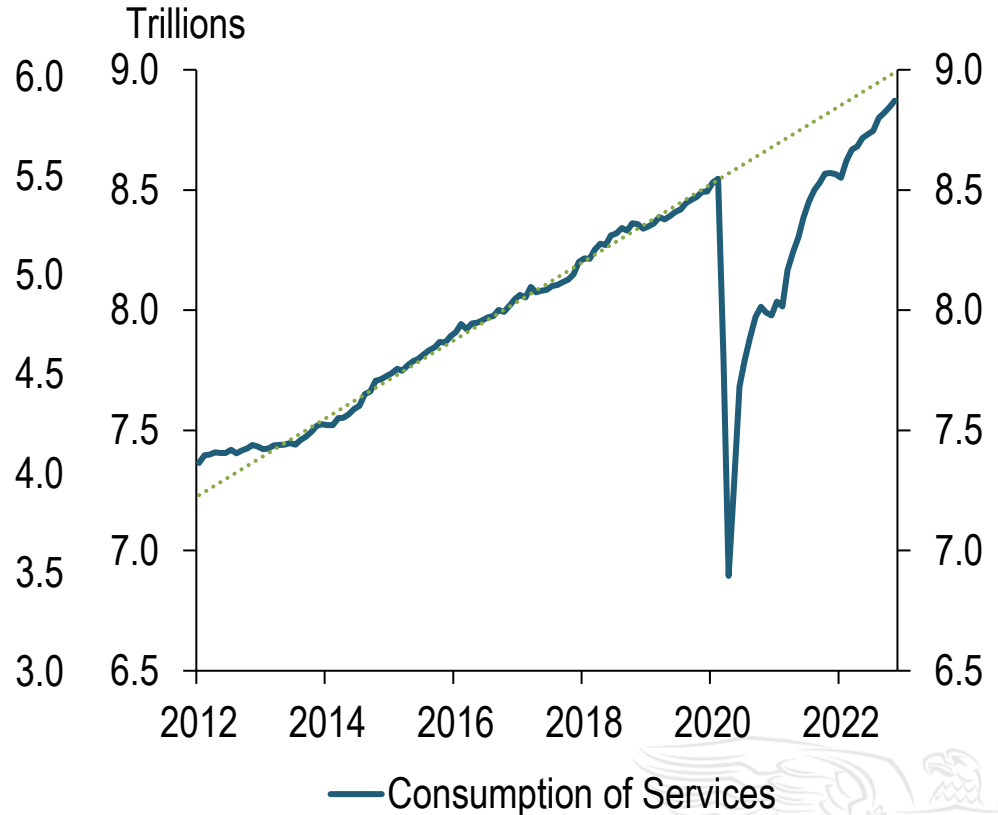
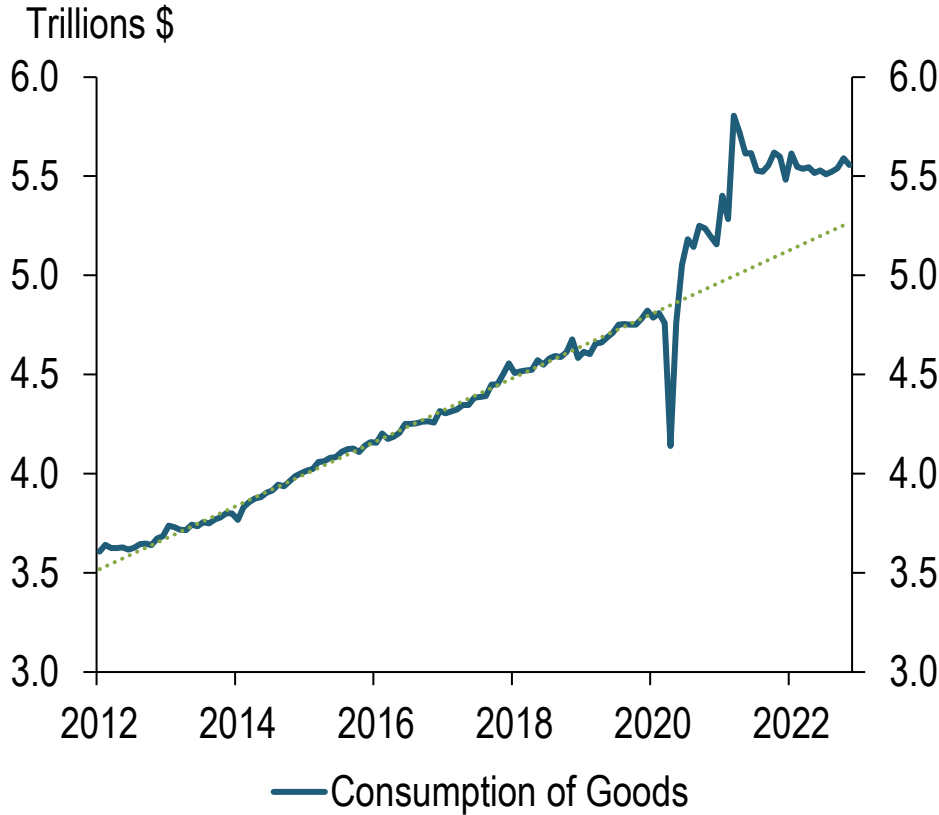
Real GDP Growth



2022 and 2023
Blue Chip Survey
Forecast



Weak growth as consumption normalizes



Sources: BEA, Haver Analytics

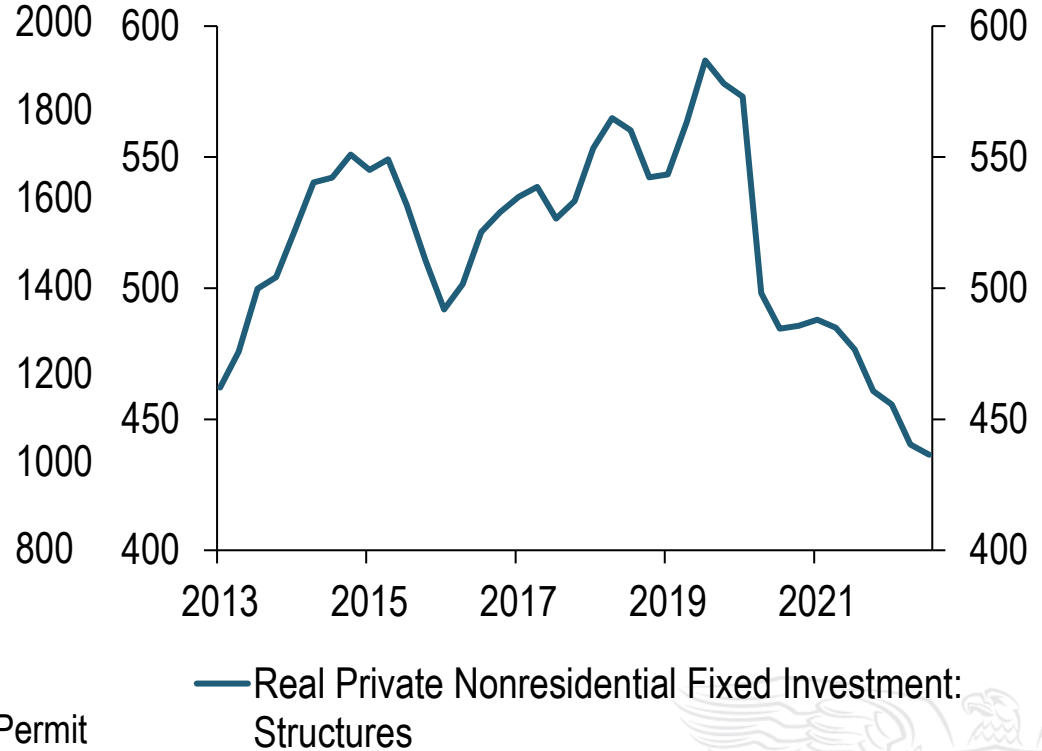


Higher interest rates pulling down some sectors

Thousands

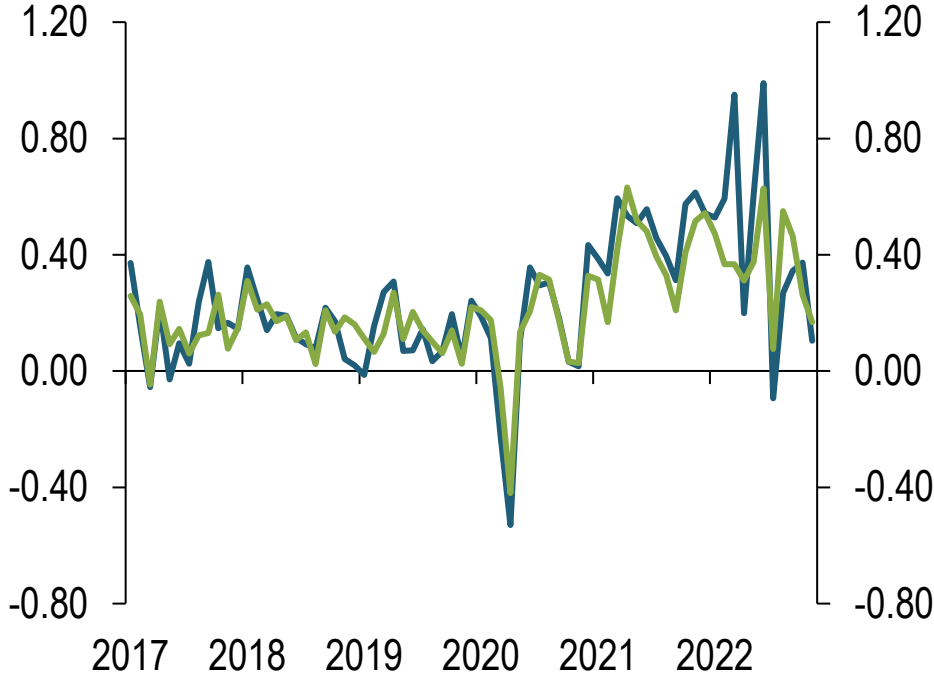


Billions \$



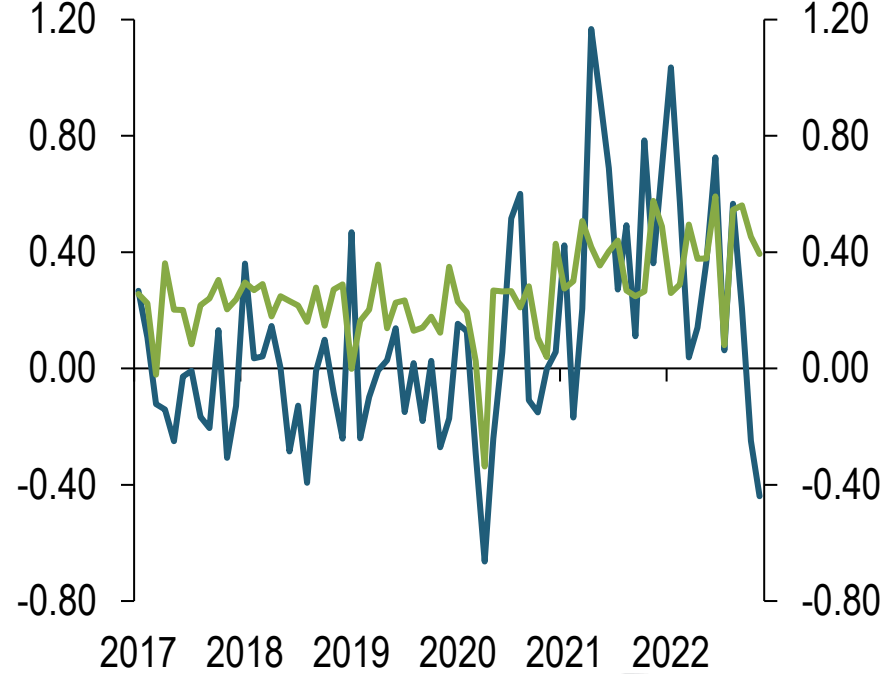
inflation has eased, but will it persist?

Percent Change



— PCE — Core PCE

Percent Change

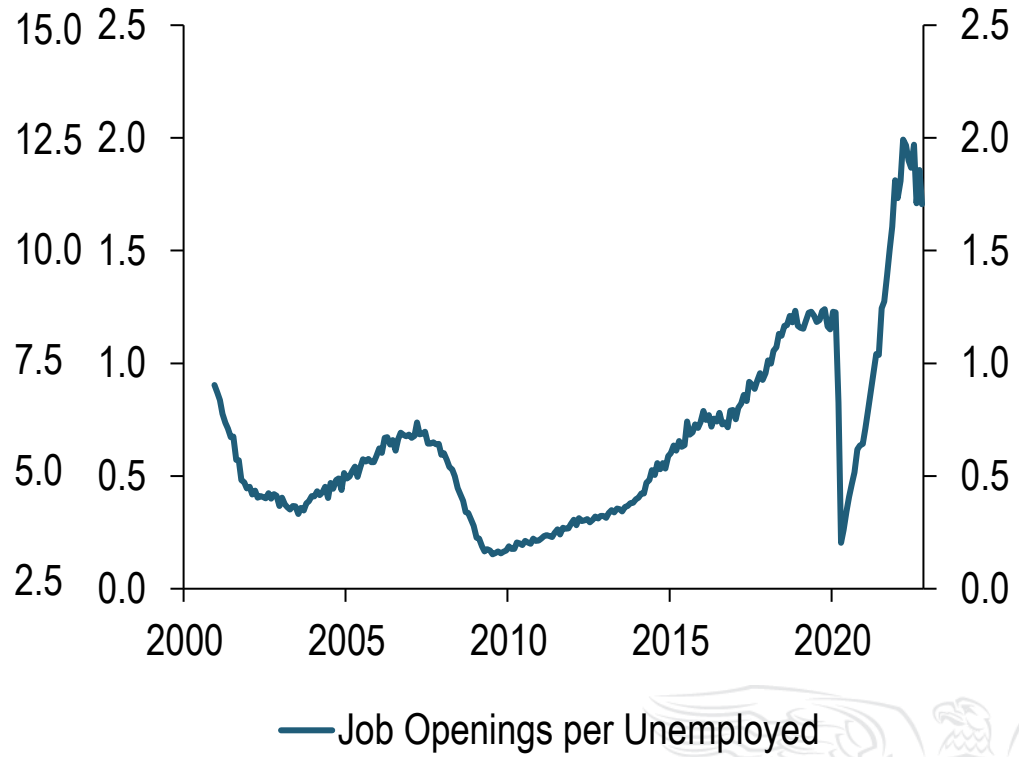
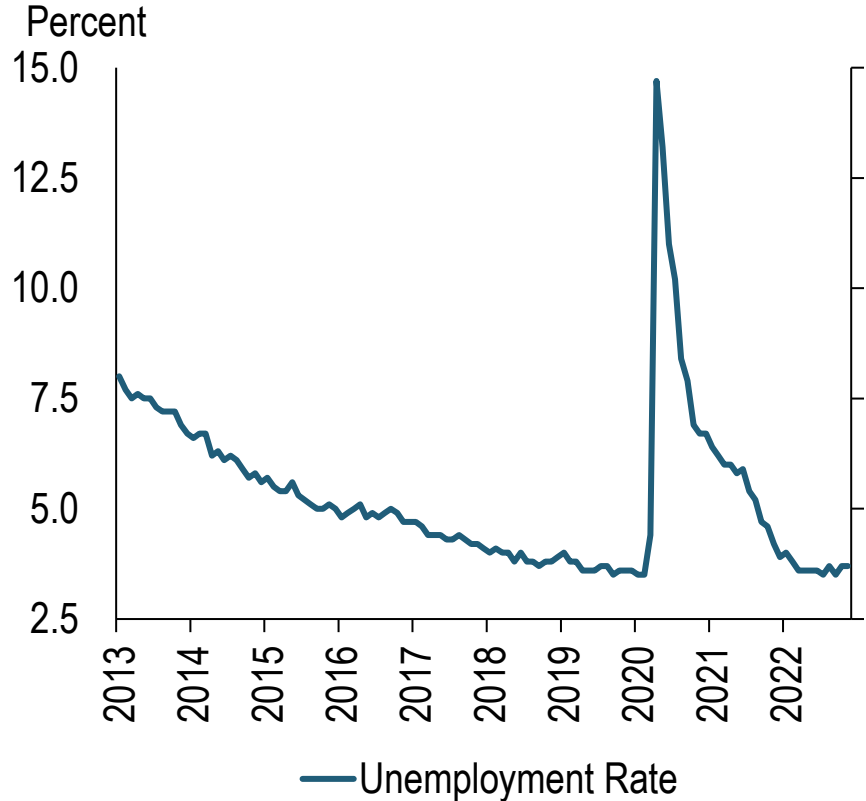


— Goods — Services

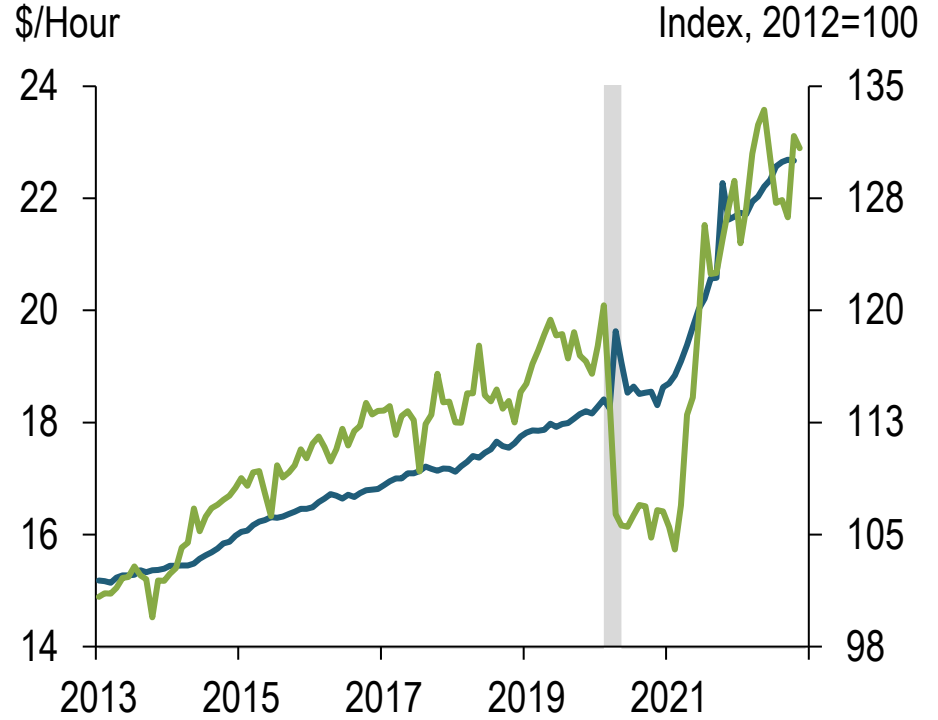
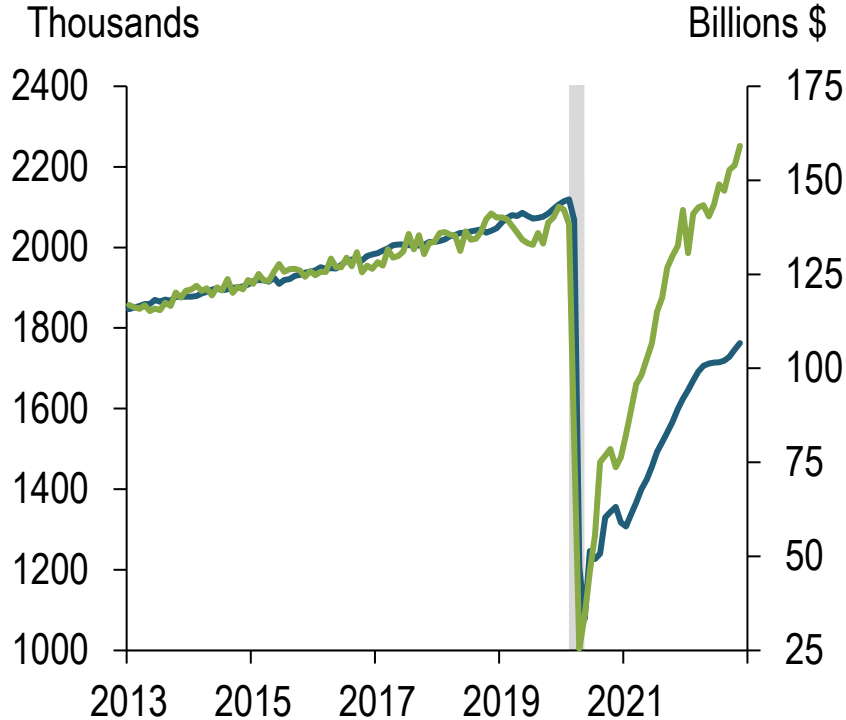
Sources: BEA, Haver Analytics



Labor market still tight.



Case Study: Accommodation – Tight labor and higher prices

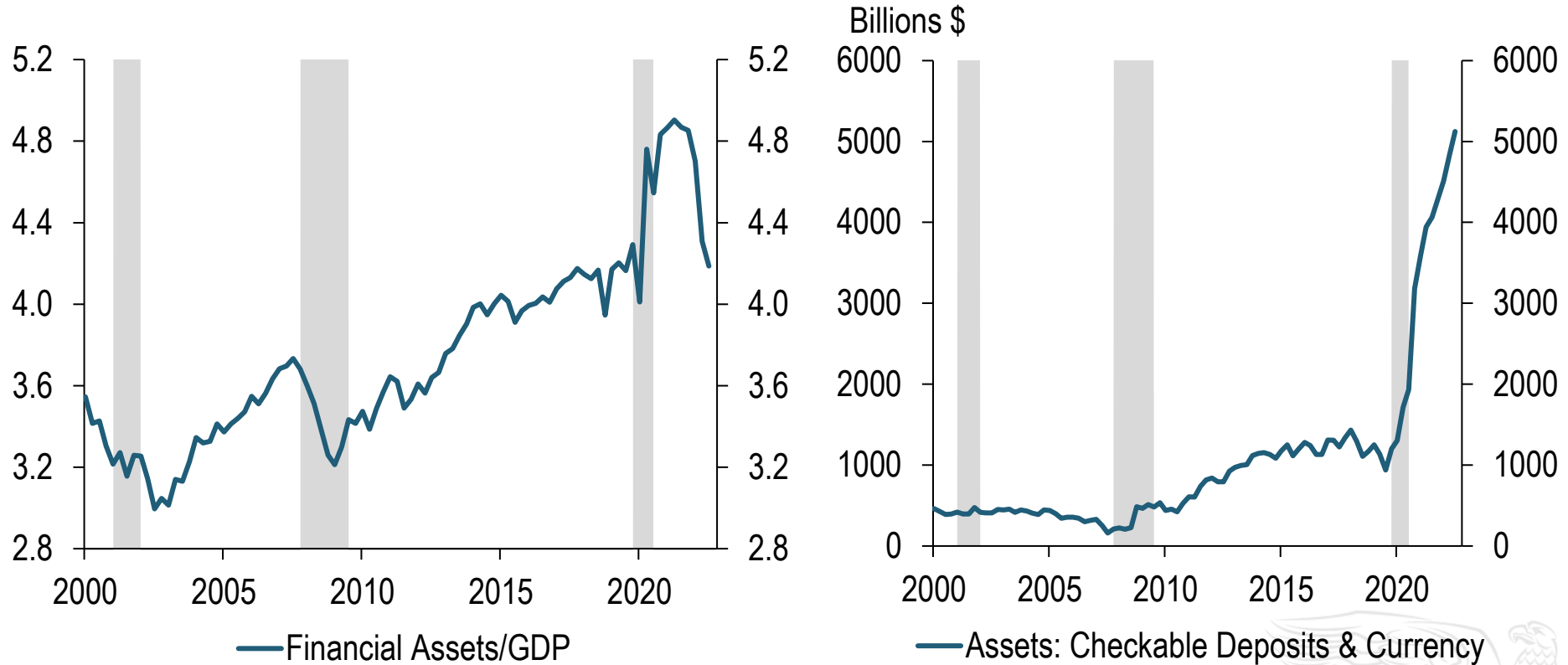


— All Employees: Accommodation (left)
 — Household Consumption Expenditure: Accommodation (right)

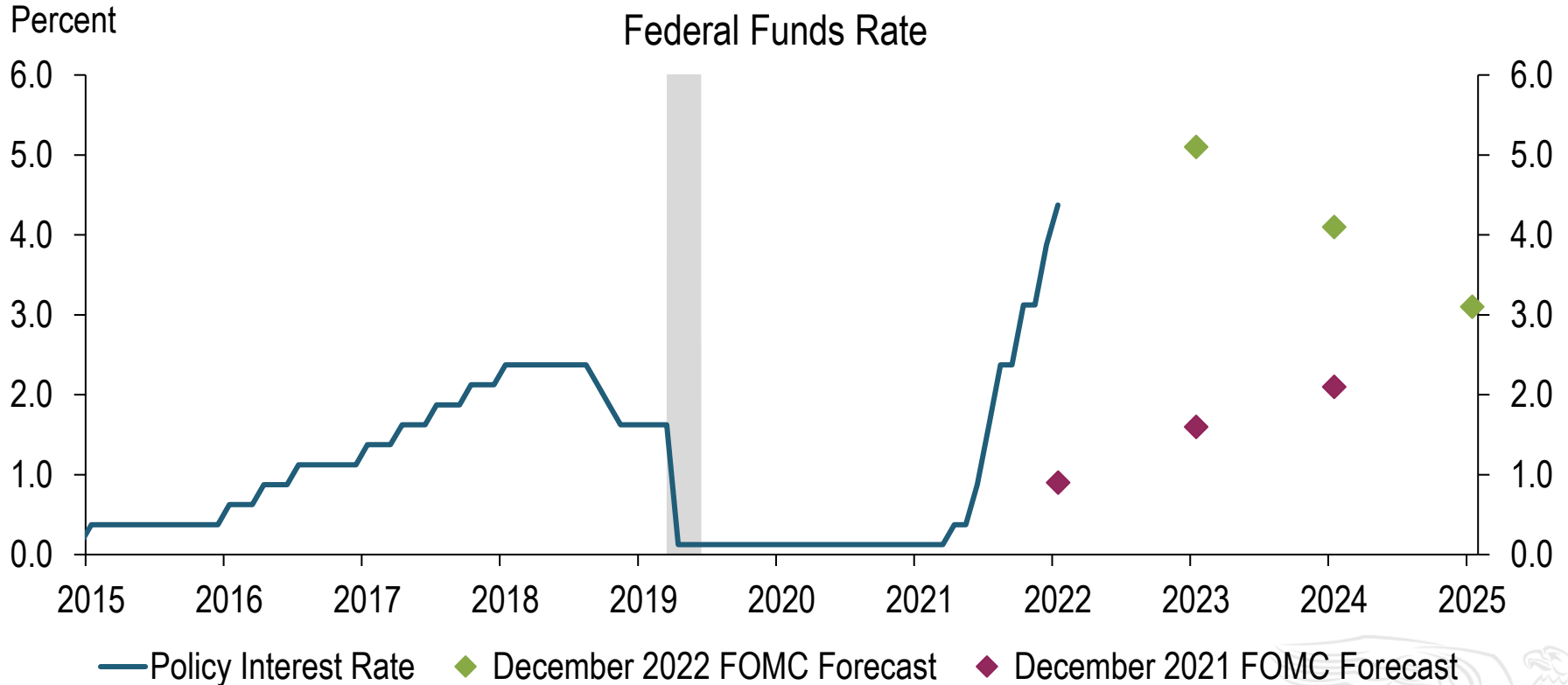
— Average Hourly Earnings: Accommodation (left)
 — Household Consumption Expenditure: Accommodation Price Index (right)



Stock of financial assets normalizes but shifts towards liquidity

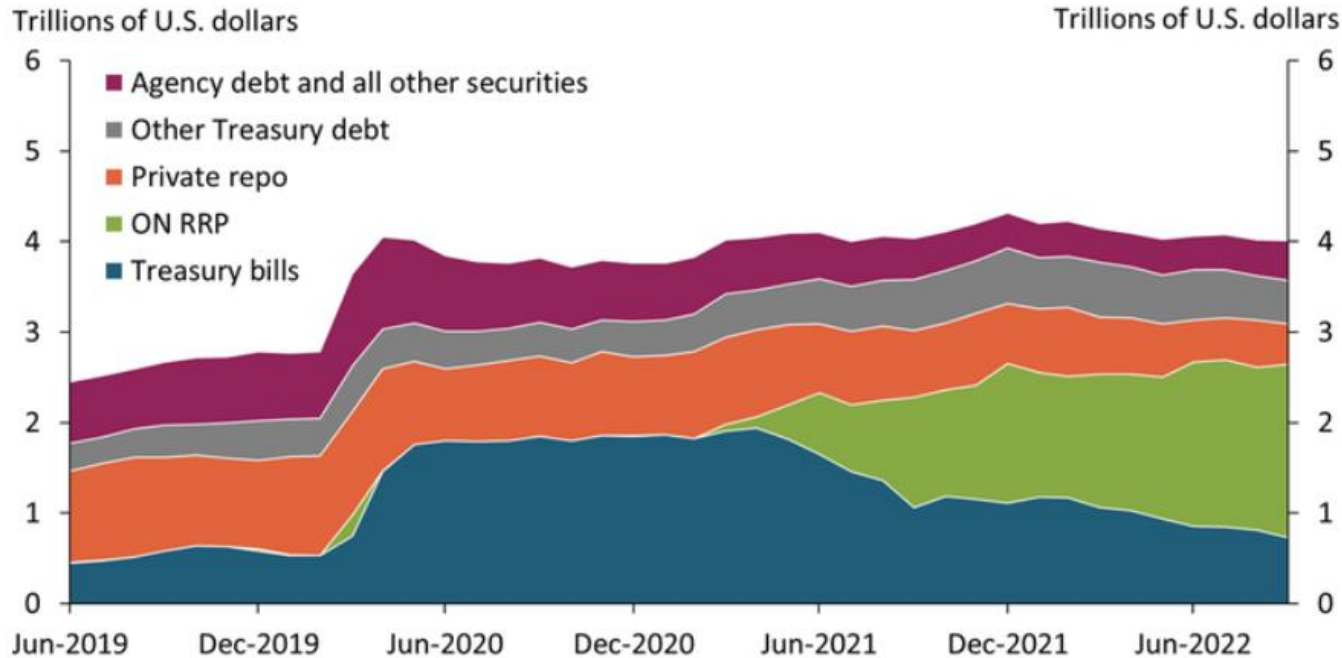


More tightening expected (and much more than anticipated)



Money Market Funds moving into ON-RRP

Holdings of Government Money Market Funds



Sources: SEC, U.S. Treasury Office of Financial Research, and authors' calculations.



