



The U.S. Economy: Recent Developments and the Outlook

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These remarks represent the speaker's views and not necessarily those of the Federal Reserve System, the Federal Reserve Board of Governors, or the Federal Reserve Bank of San Francisco.



maximum employment, stable prices



Summary of Outlook

GDP growth to continue to exceed trend rate

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Will stay beyond maximum employment

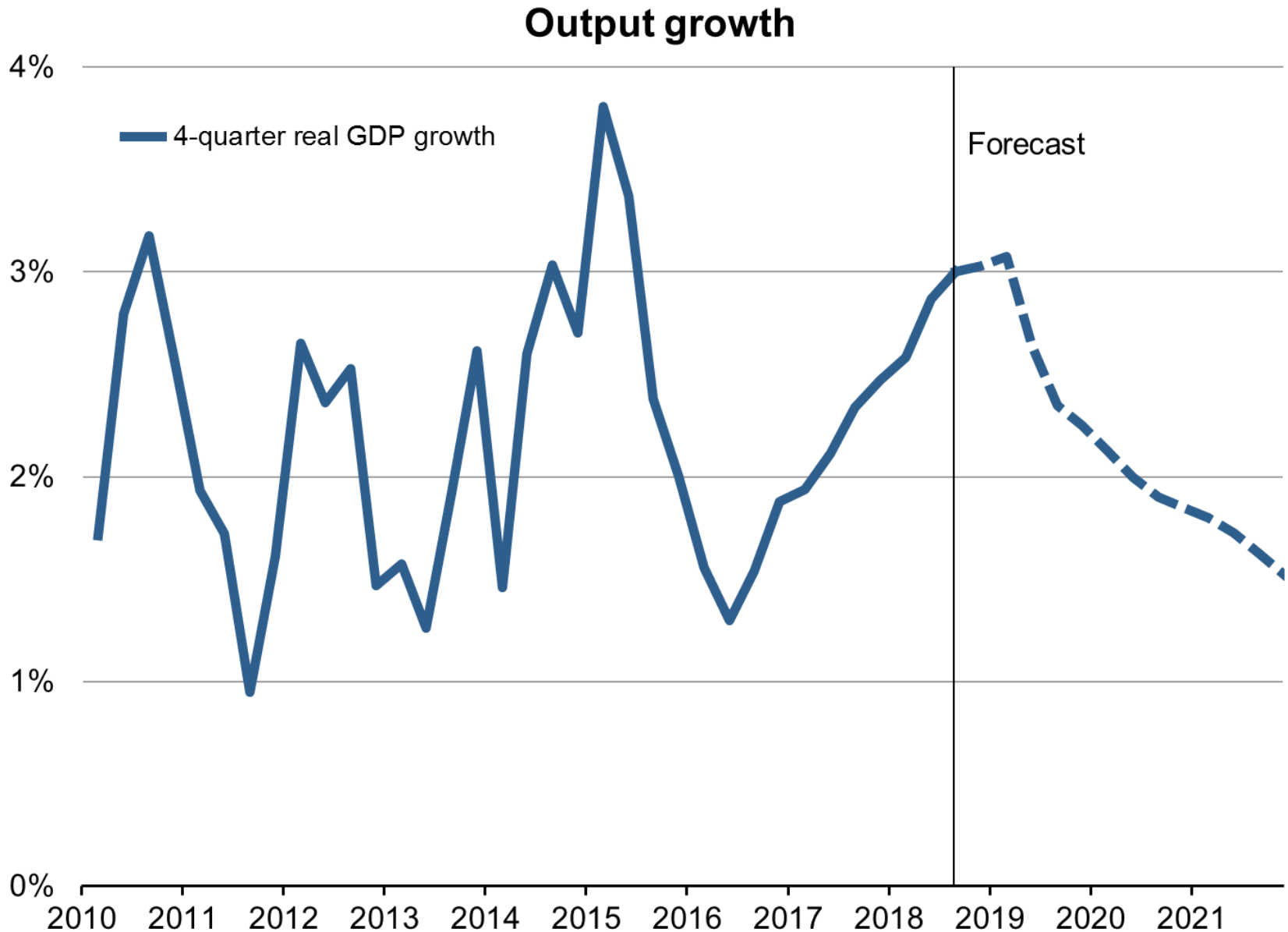
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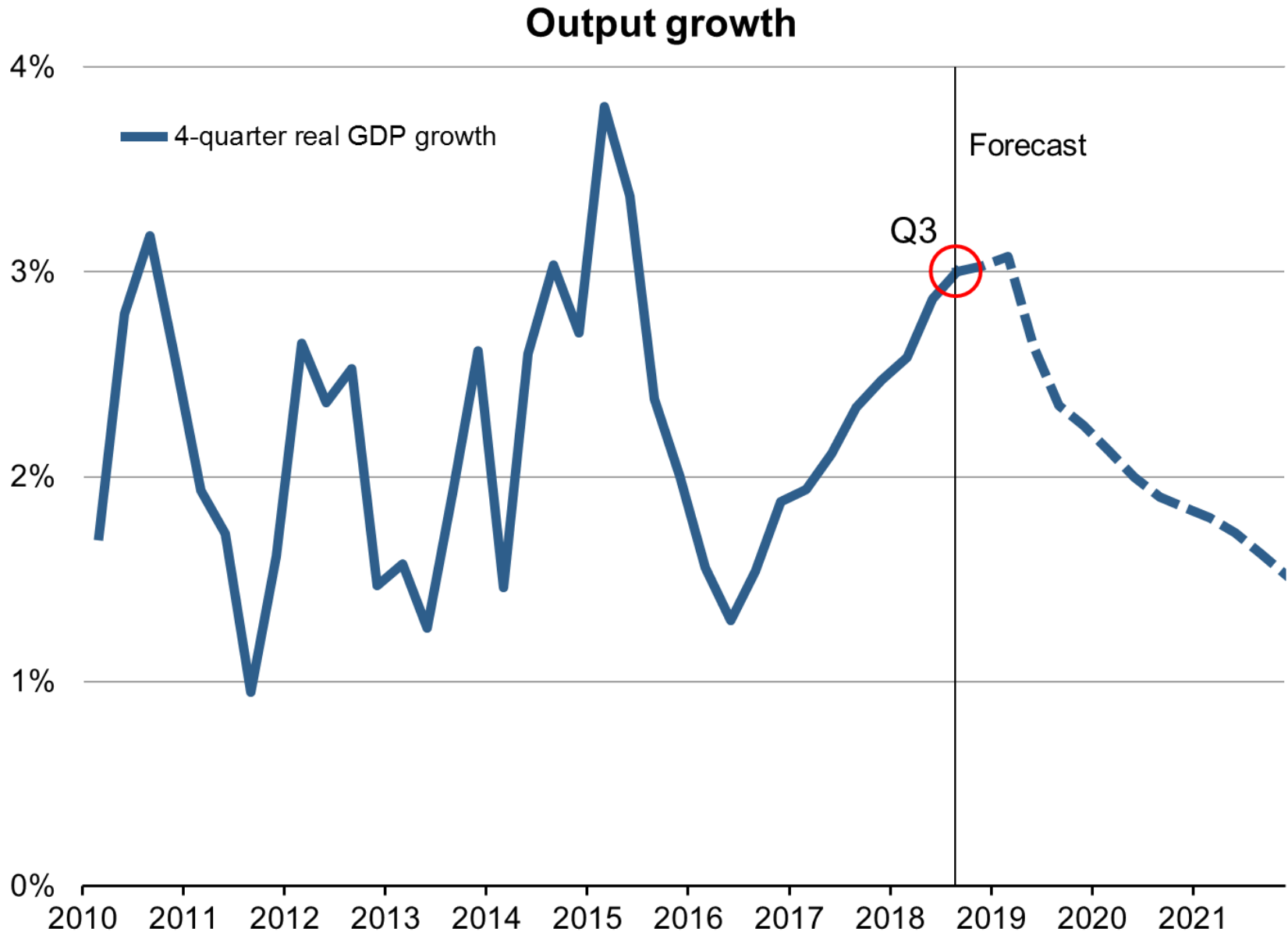
Will stay beyond maximum employment

Inflation to stay close to 2%

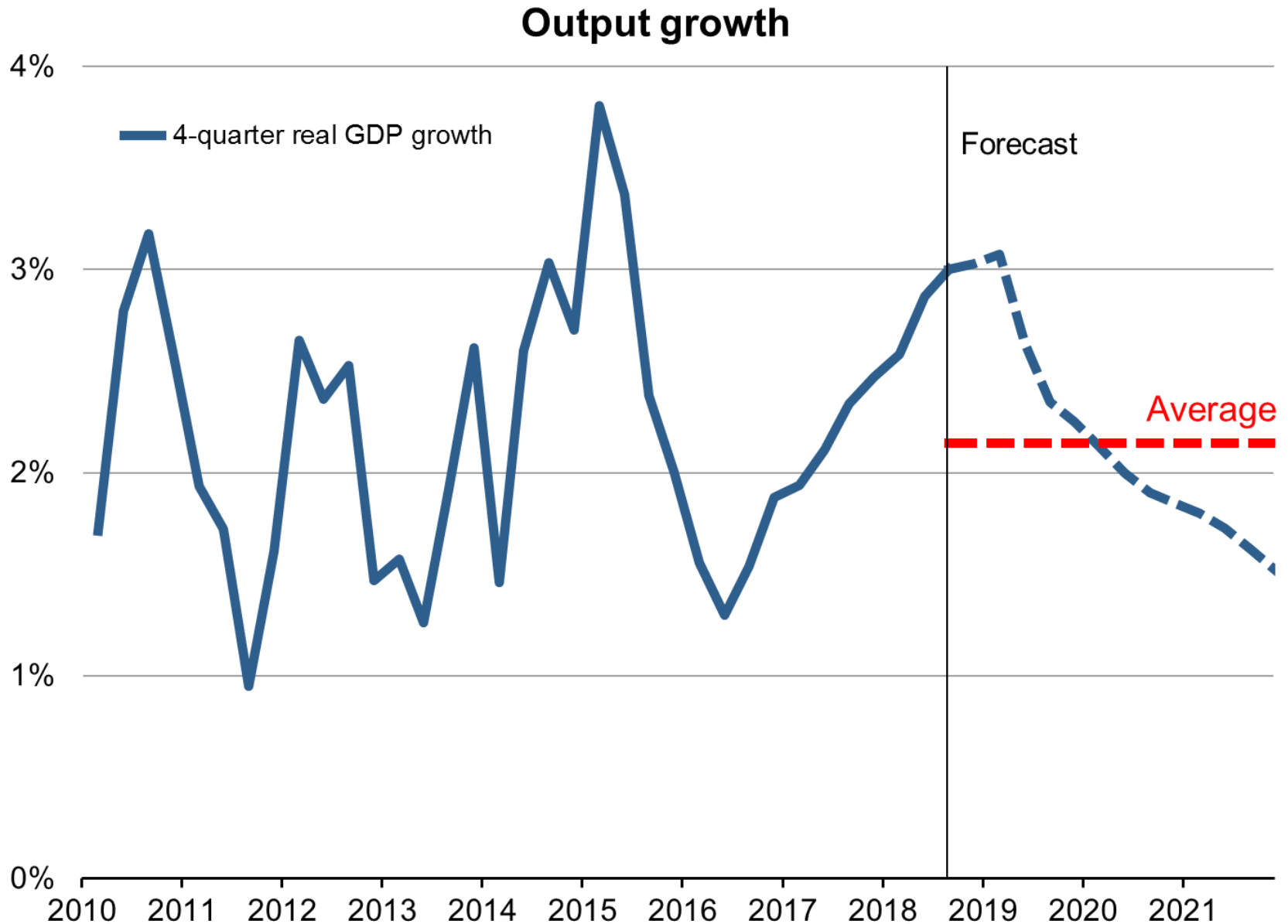
Above trend growth continues



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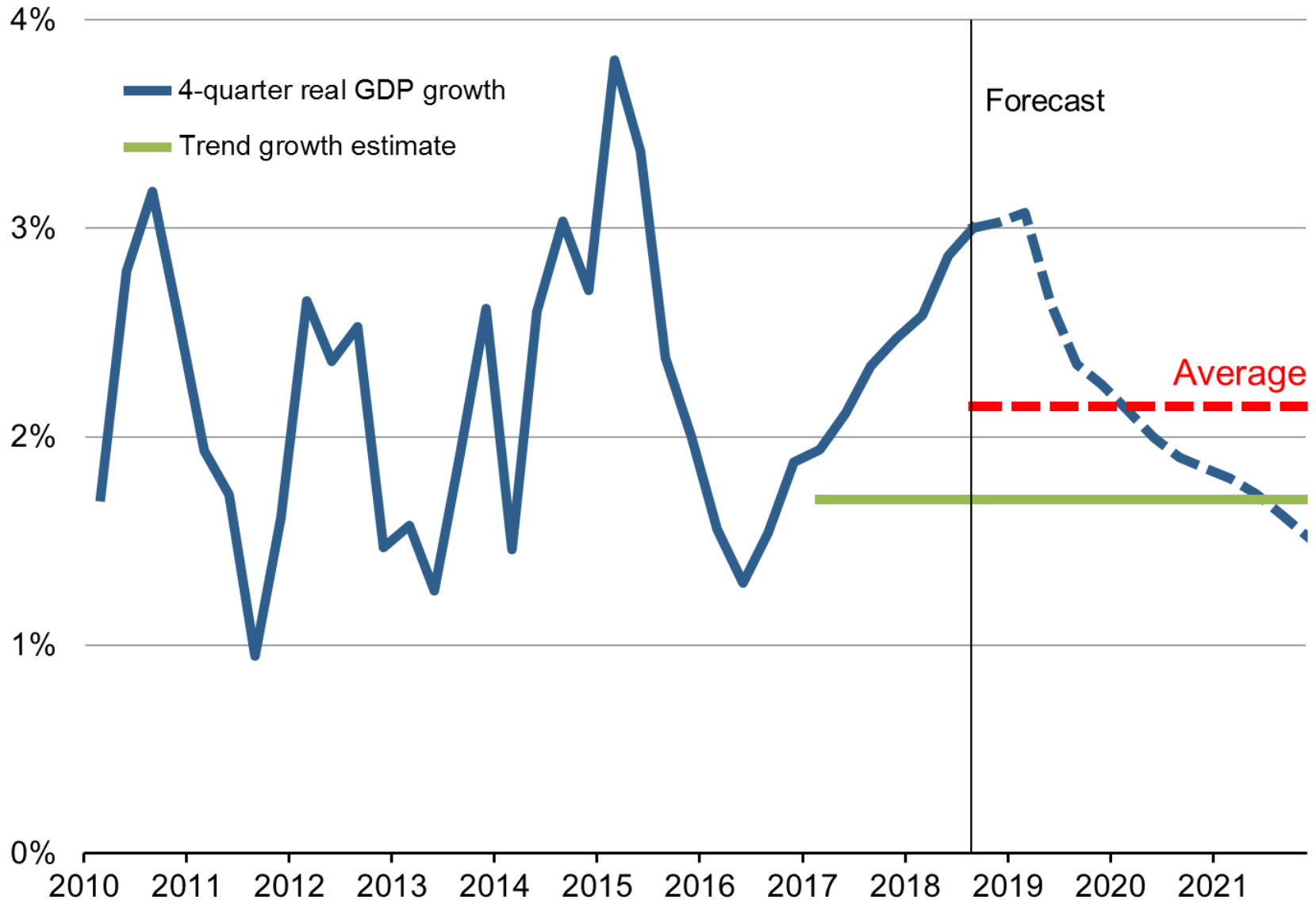


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Output growth

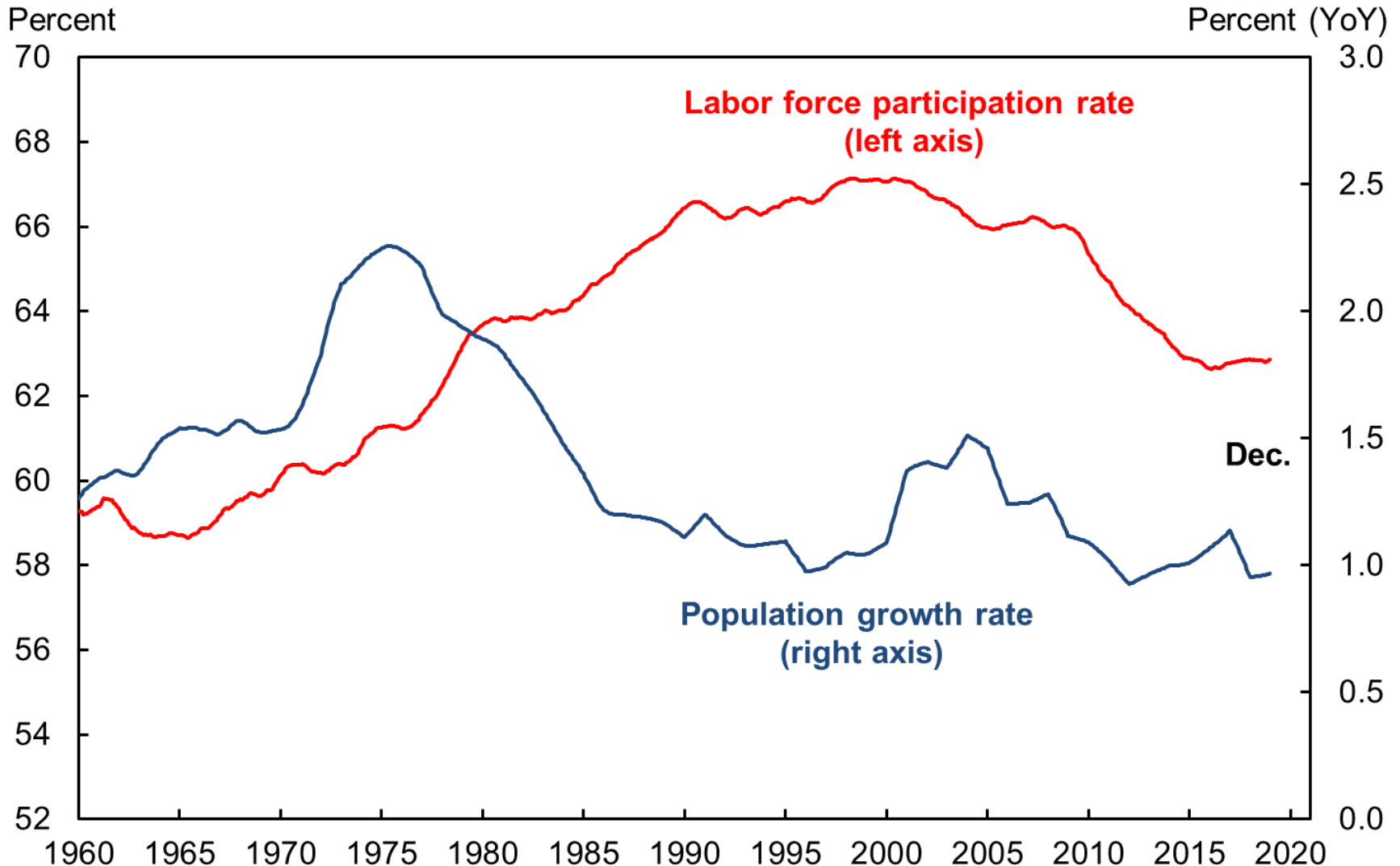


Source: Bureau of Economic Analysis and FRBSF staff

Decline in labor force participation

Population growth and labor force participation

Population growth: 60-month moving avg.; LFPR: 12-month moving avg.

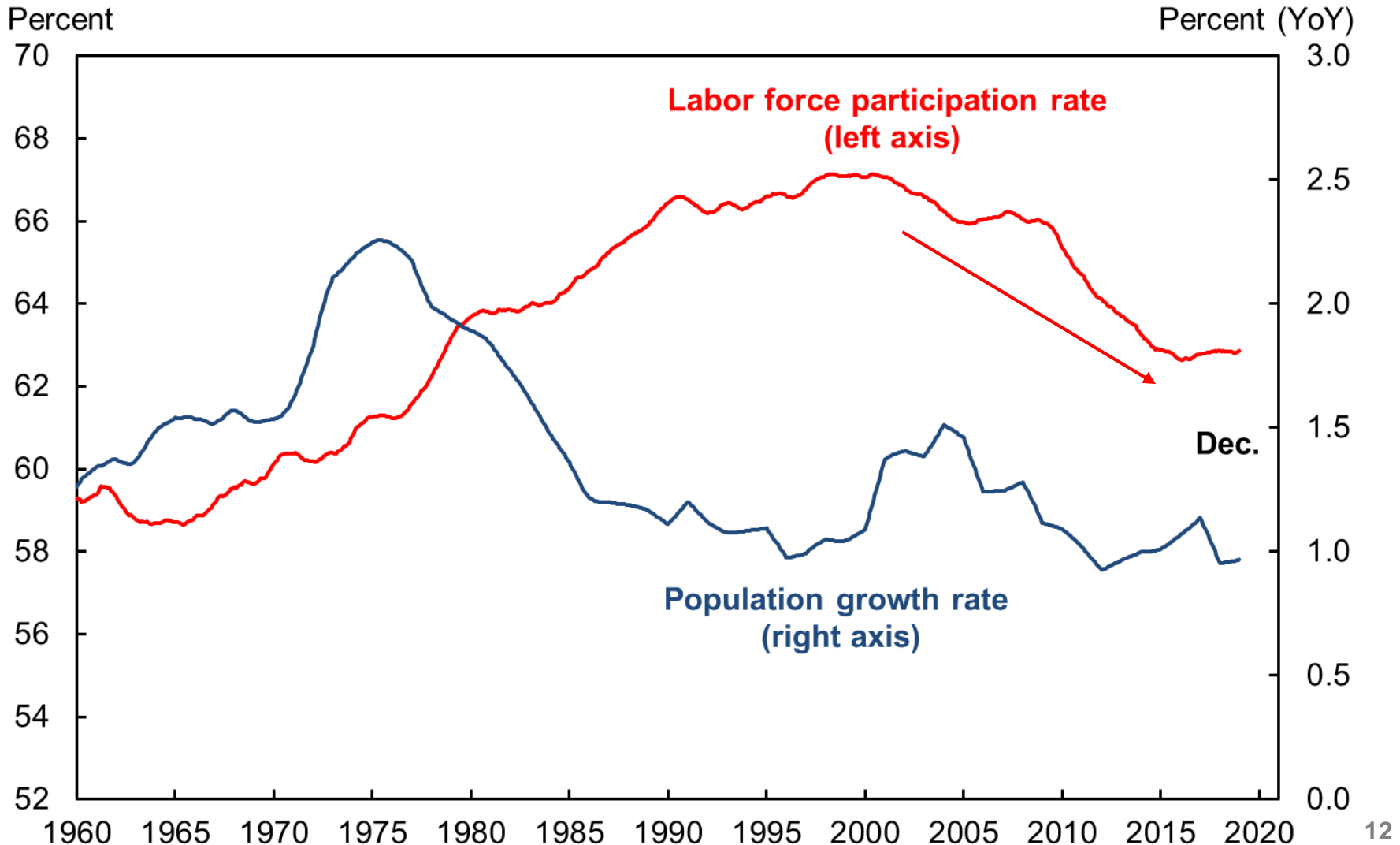


Source: Bureau of Labor Statistics and FRBSF staff calculations; Population is civilian, noninstitutional, aged 16+

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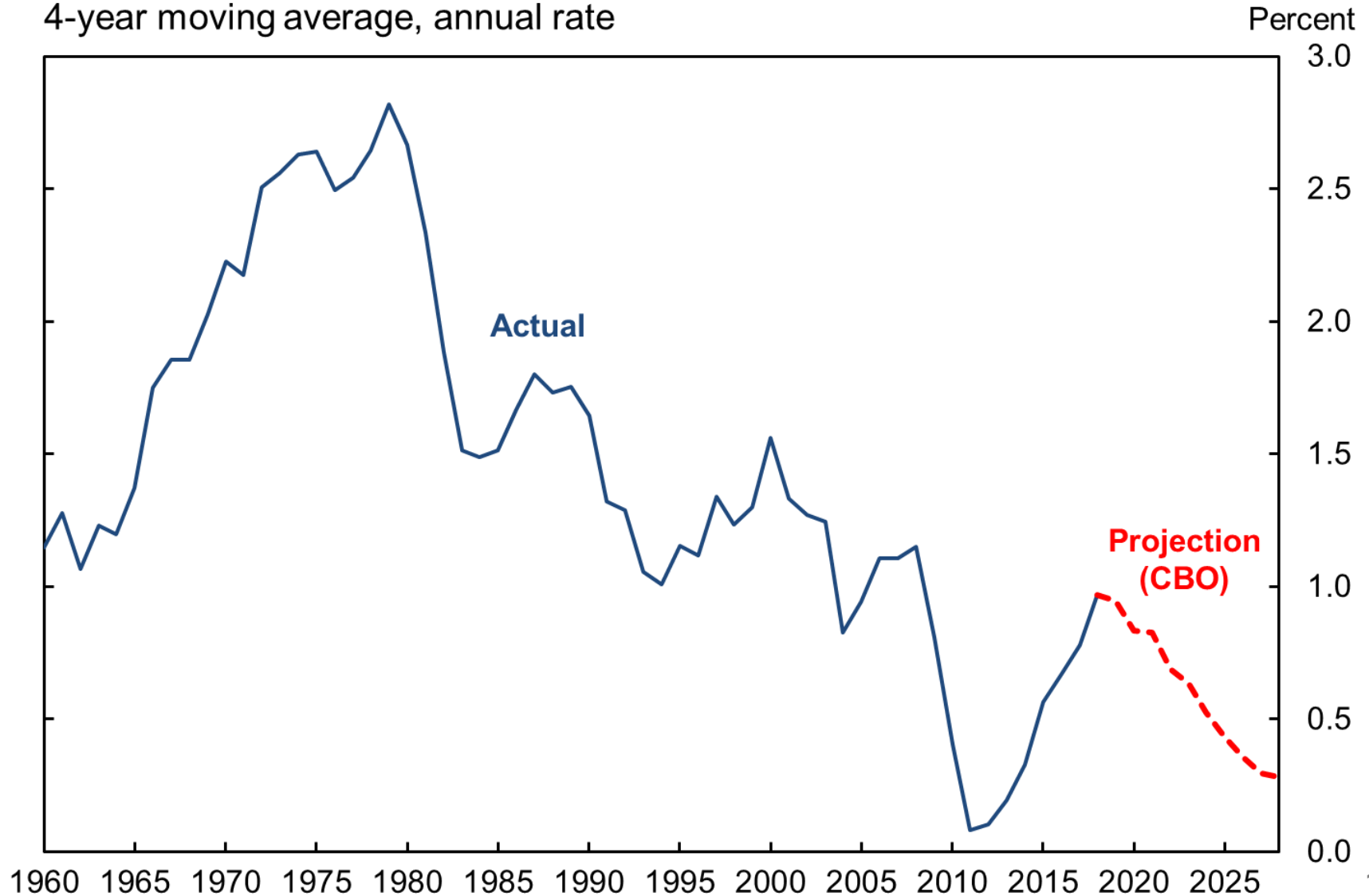


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Slower labor force growth

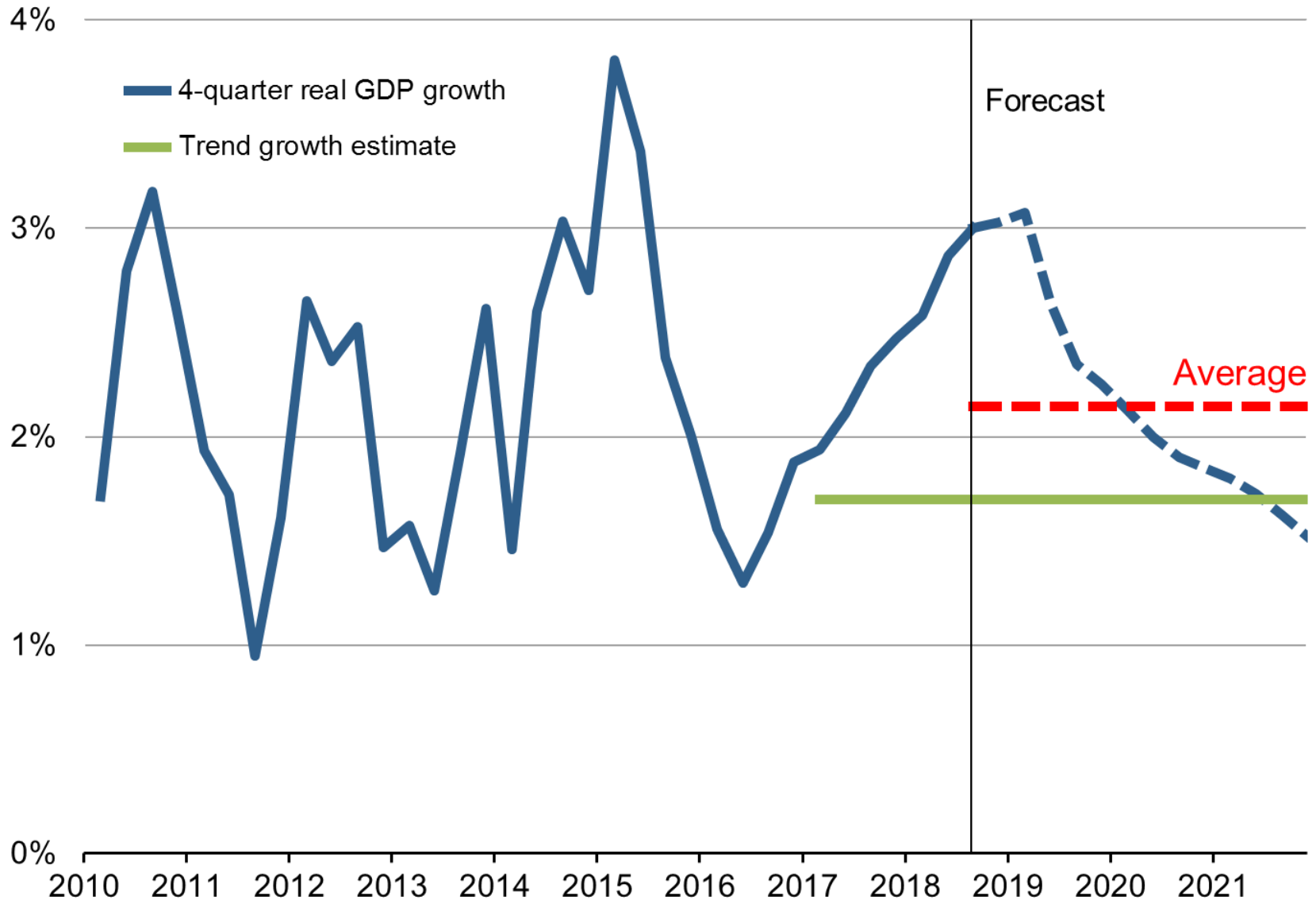
Actual and projected labor-force growth

4-year moving average, annual rate



Above trend growth continues

Output growth



Source: Bureau of Economic Analysis and FRBSF staff

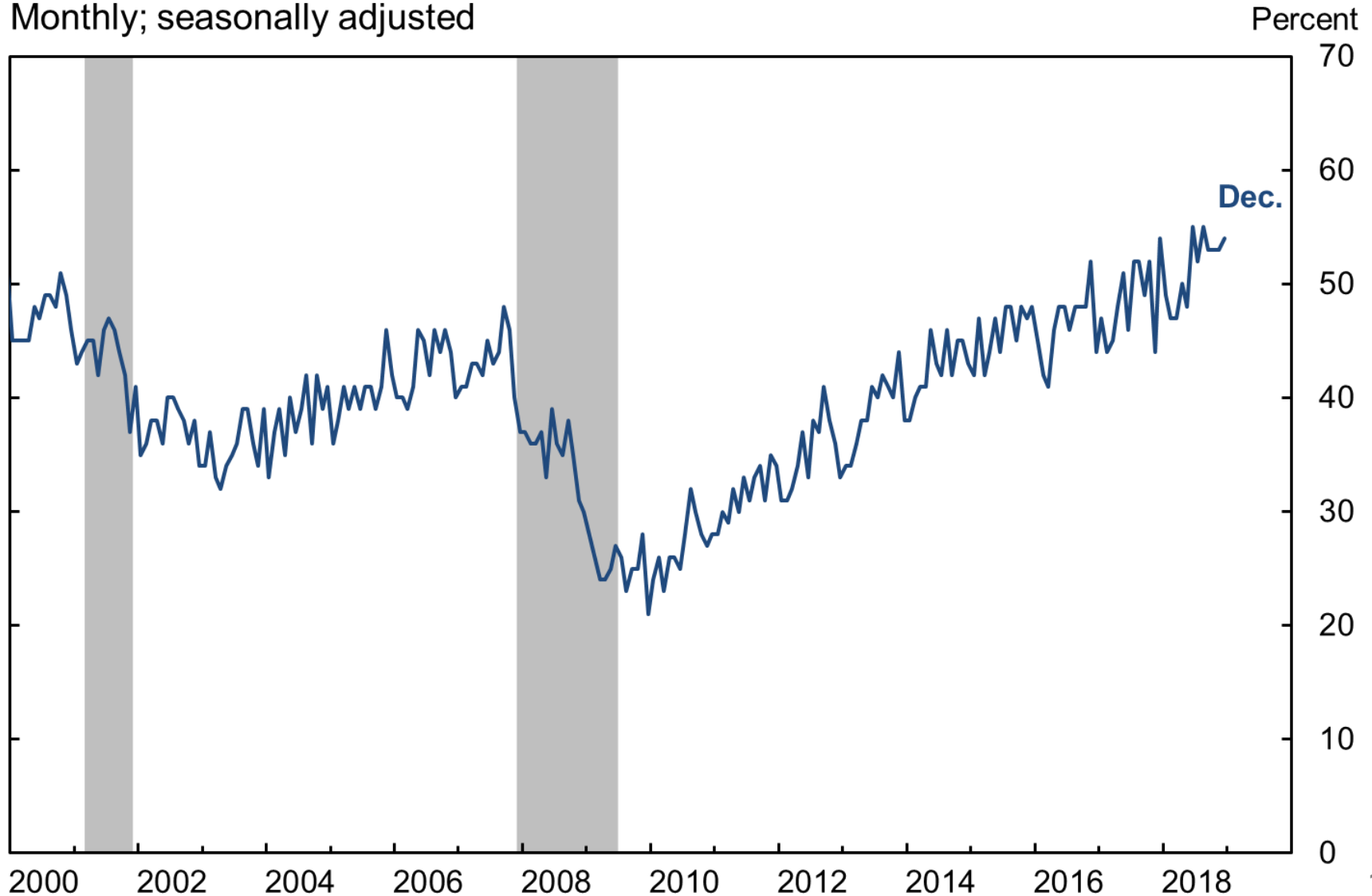
incomes



Businesses facing shortages

Businesses with few or no qualified job applicants

Monthly; seasonally adjusted

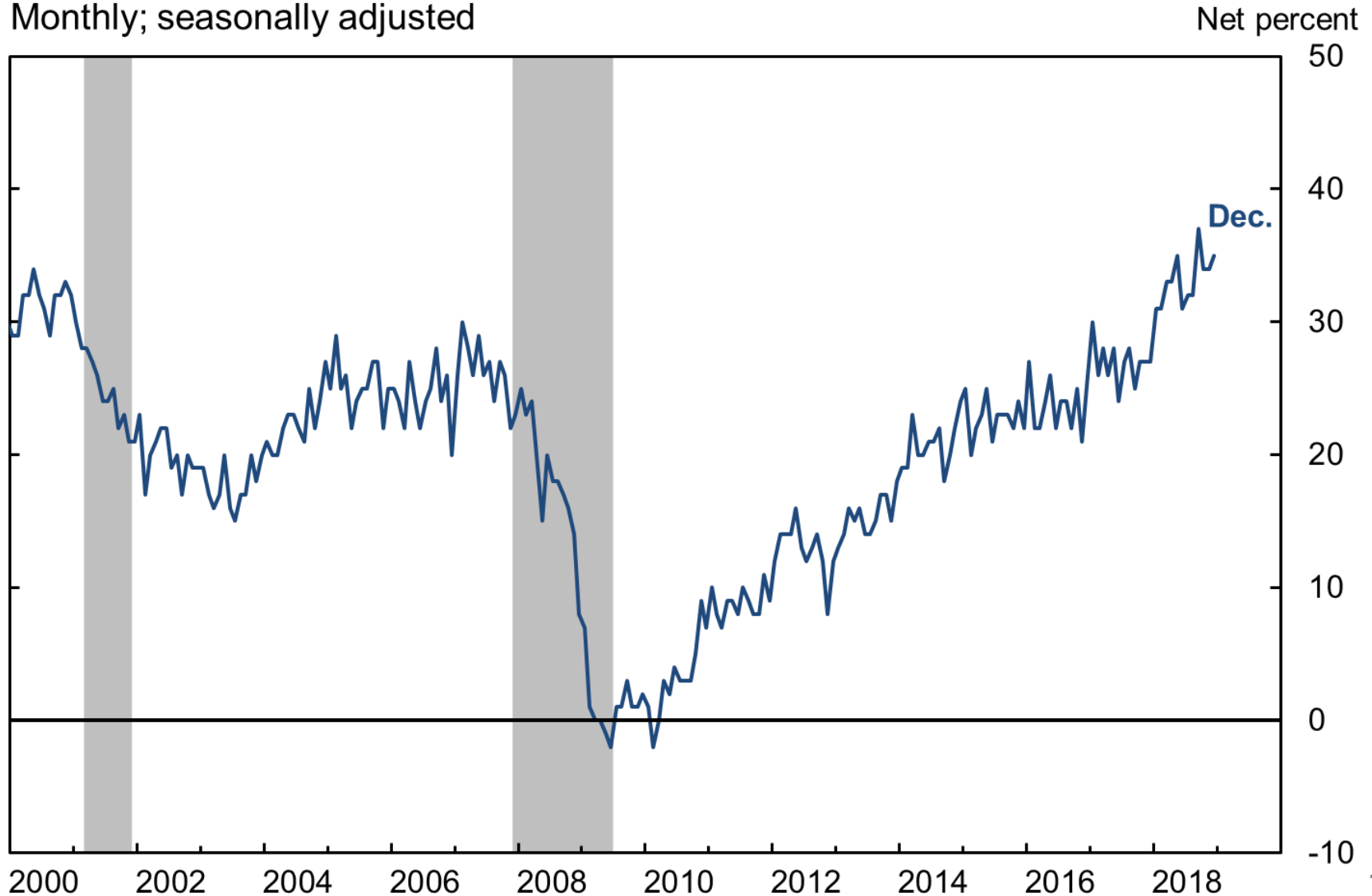


Source: National Federation of Independent Business (NFIB)

More businesses increasing compensation . . .

Firms raising worker compensation over past 3 months

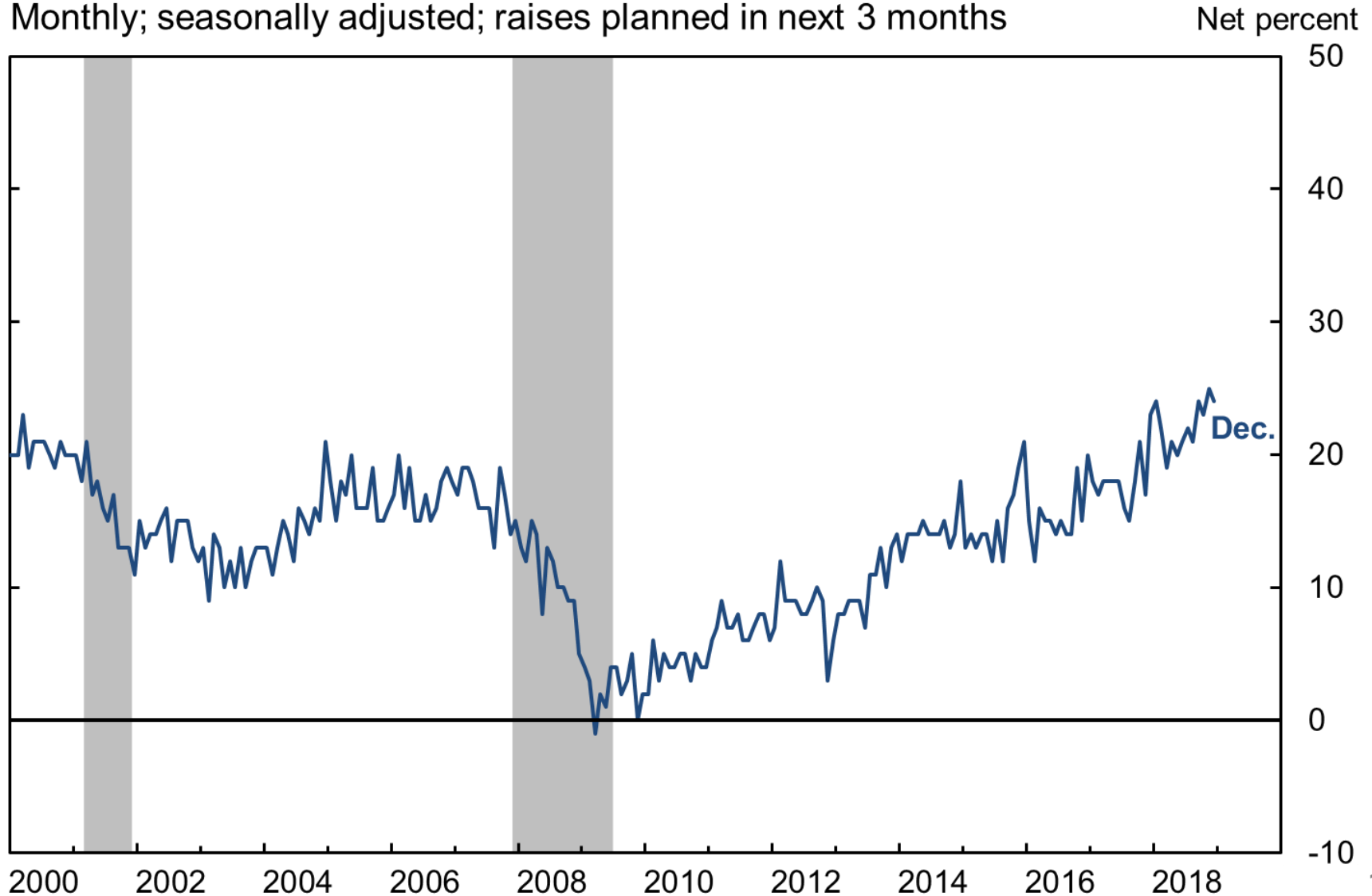
Monthly; seasonally adjusted



... and more plan to

Firms planning to raise worker compensation

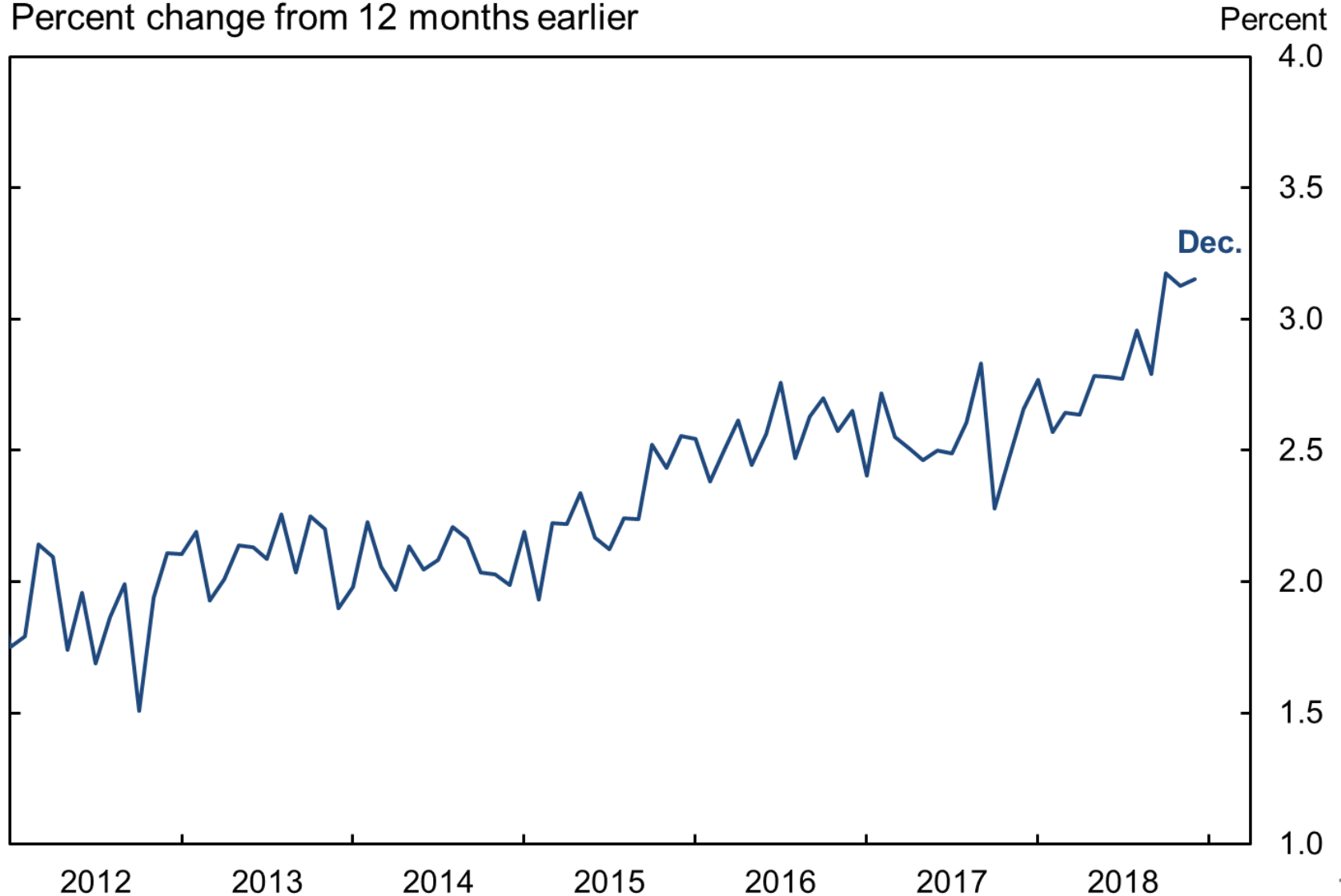
Monthly; seasonally adjusted; raises planned in next 3 months



Wage growth increasing

Average hourly earnings, total private industries

Percent change from 12 months earlier



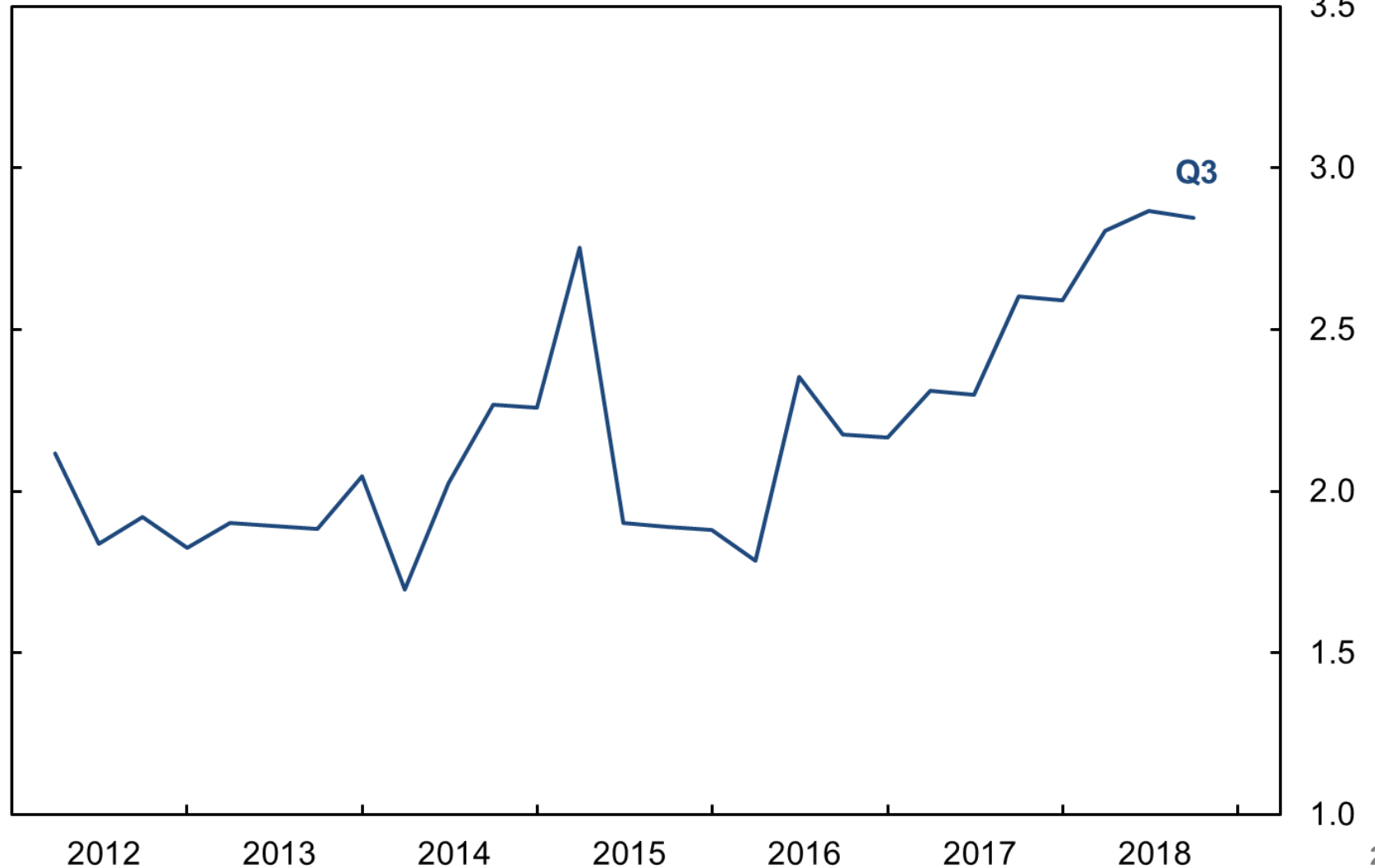
Source: Bureau of Labor Statistics

Wage and benefit growth increasing

Employment Cost Index: private industry compensation

Percent change from 4 quarters earlier

Percent



Source: Bureau of Labor Statistics

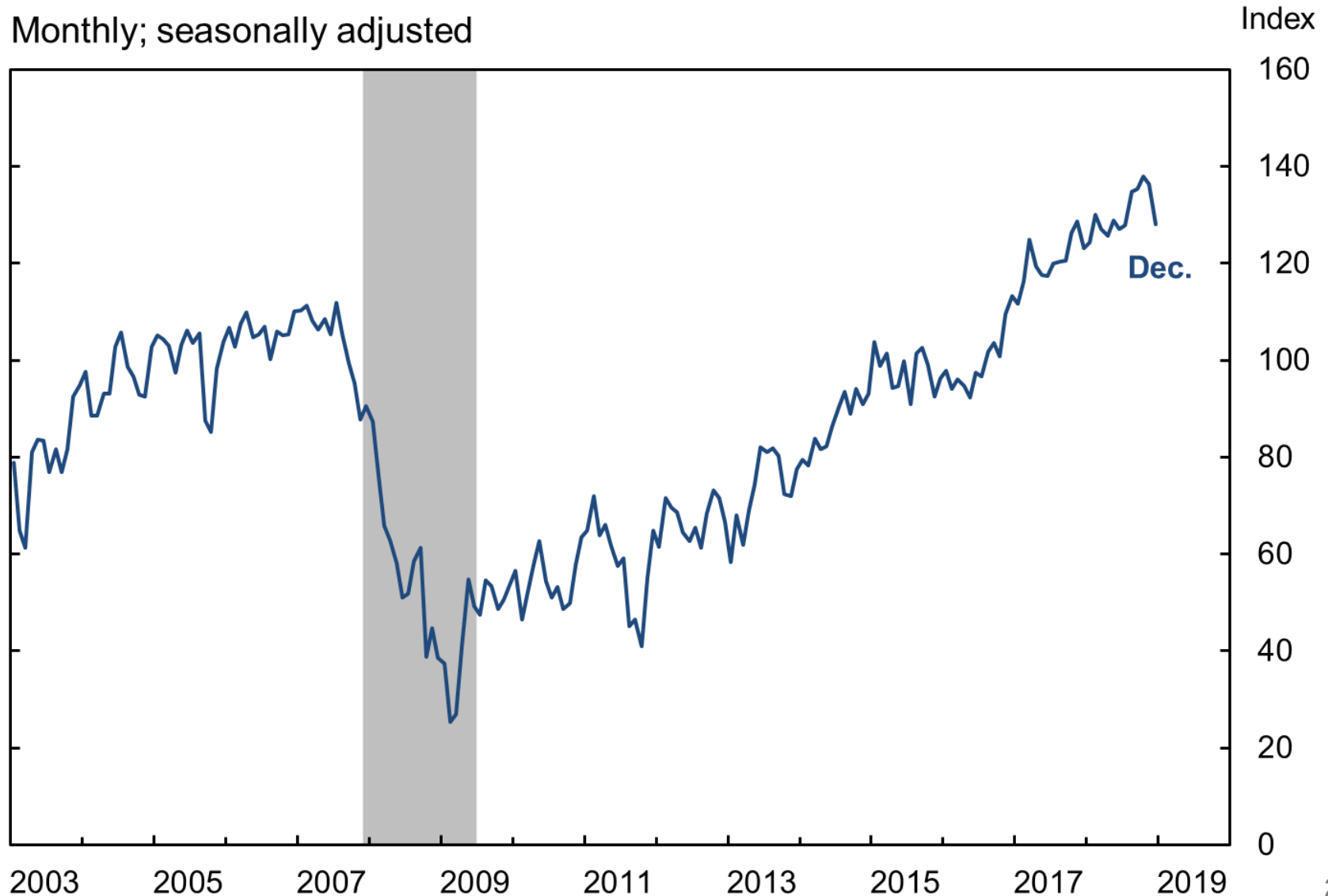
confidence



Consumers remain confident

Consumer confidence index

Monthly; seasonally adjusted



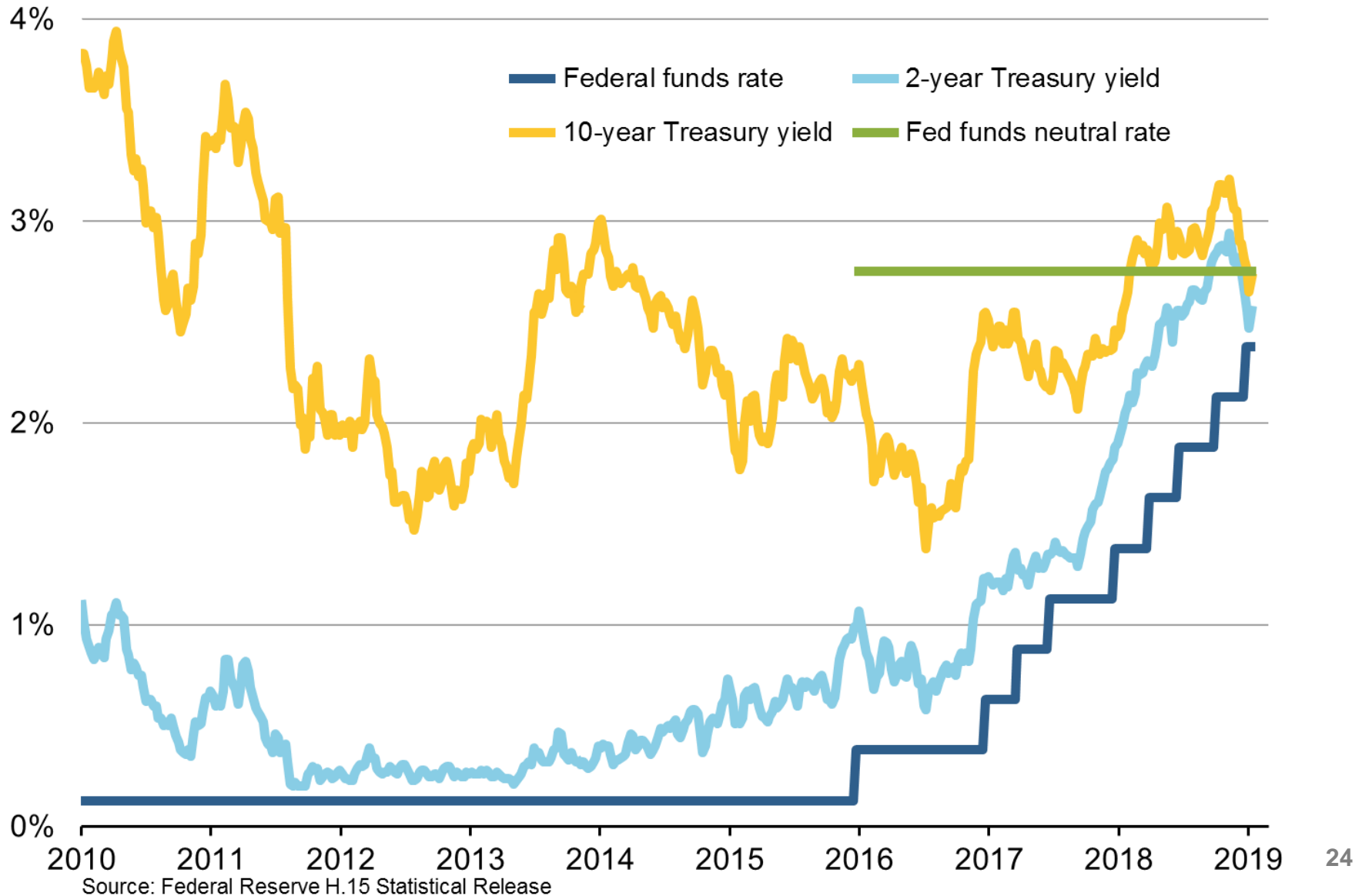
Source: Conference Board

financial conditions



Financial conditions remain accommodative

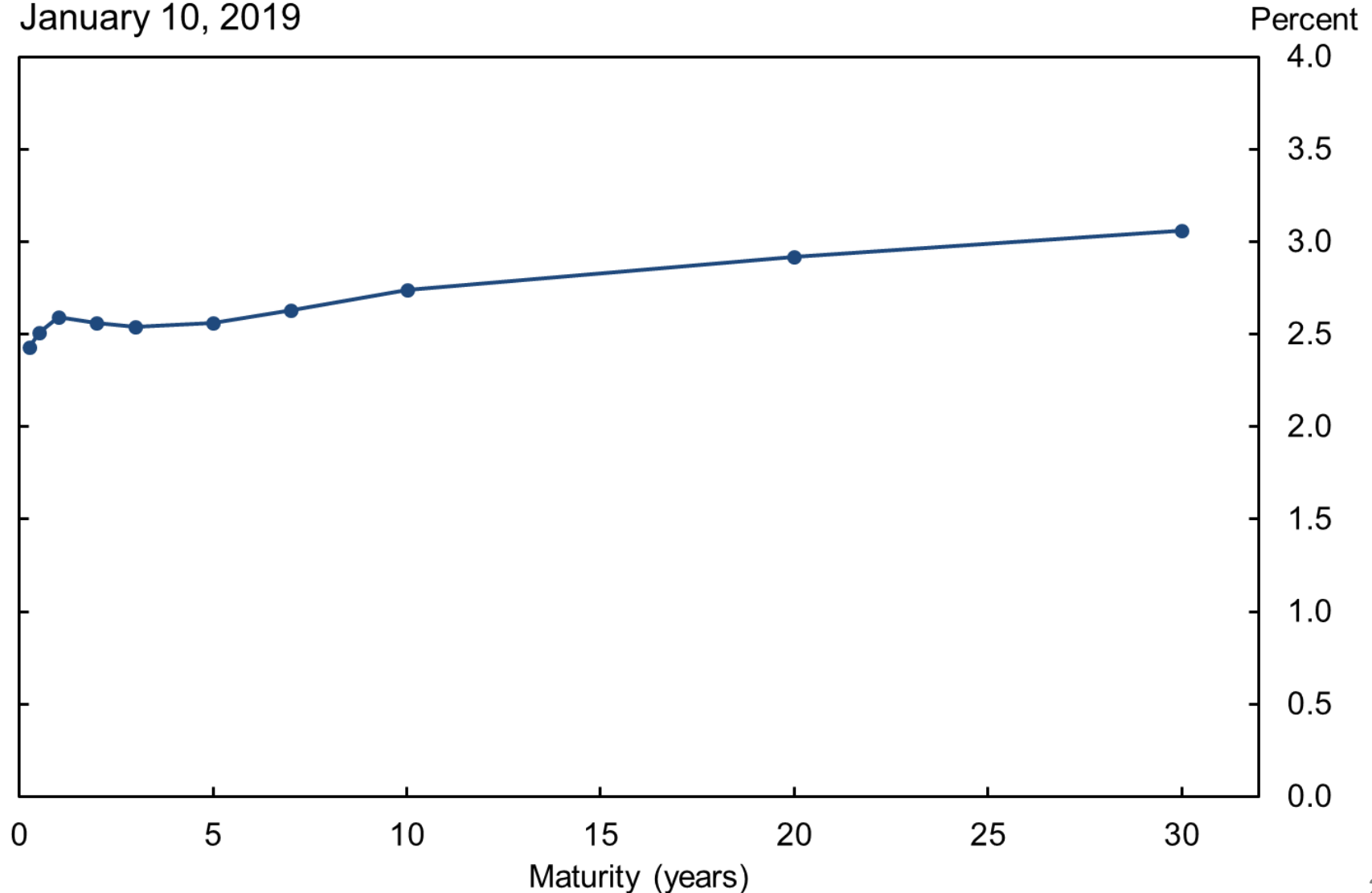
Interest rates



Yield curve still upward sloping

Treasury Yield Curve

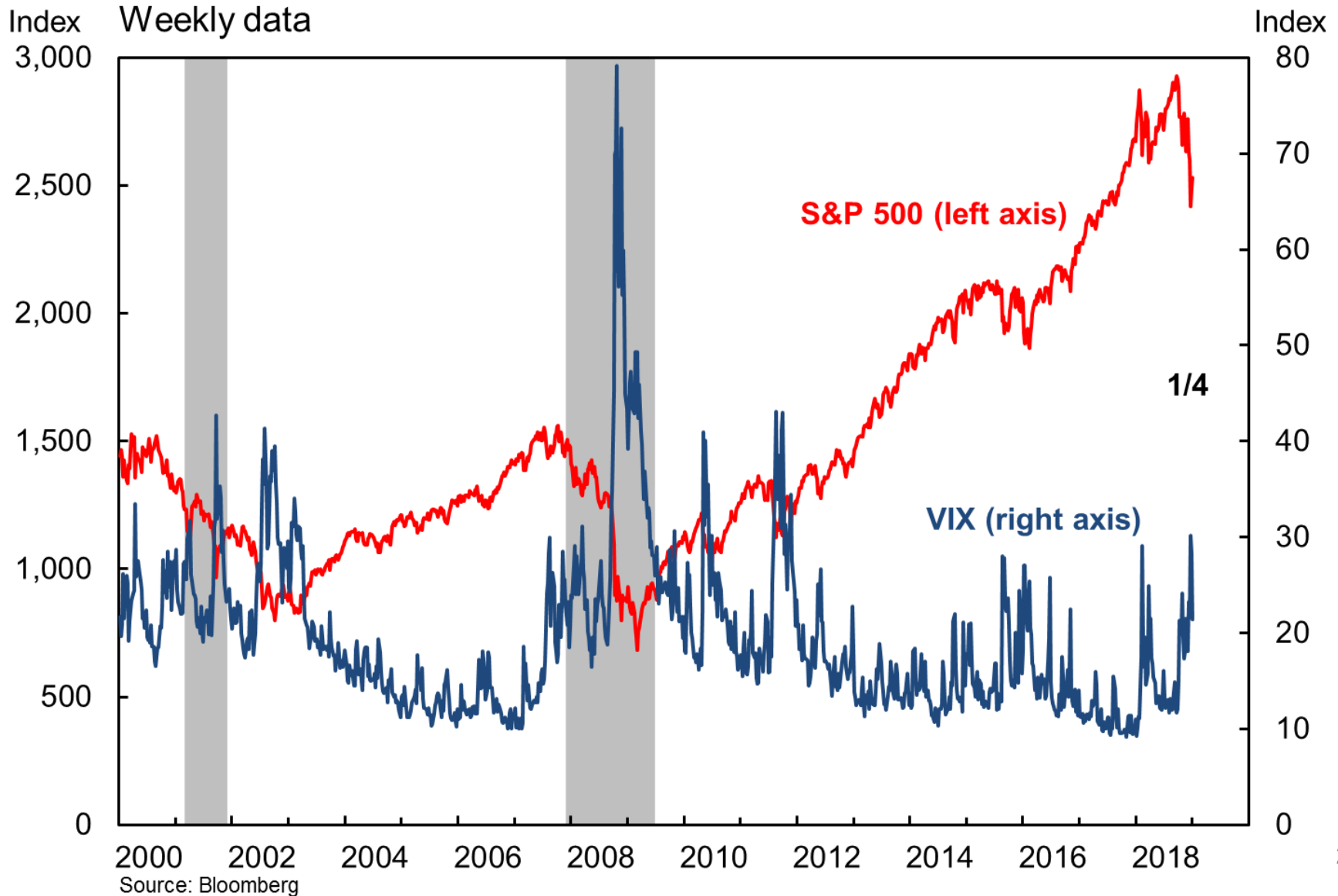
January 10, 2019



Source: Federal Reserve H.15 Statistical Release, constant maturity rates

Stock prices remain high; volatility average

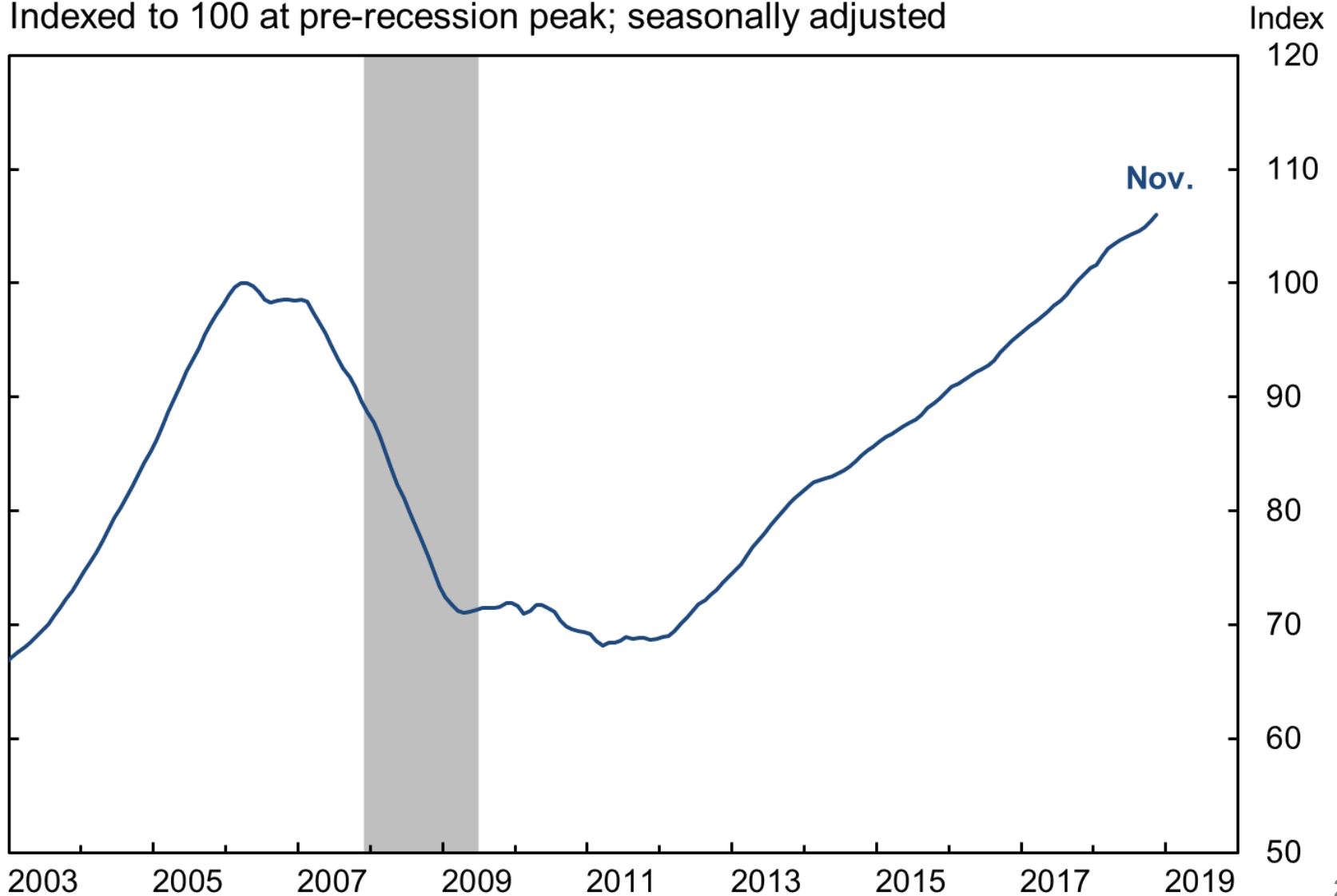
S&P 500 and VIX



House prices increasing

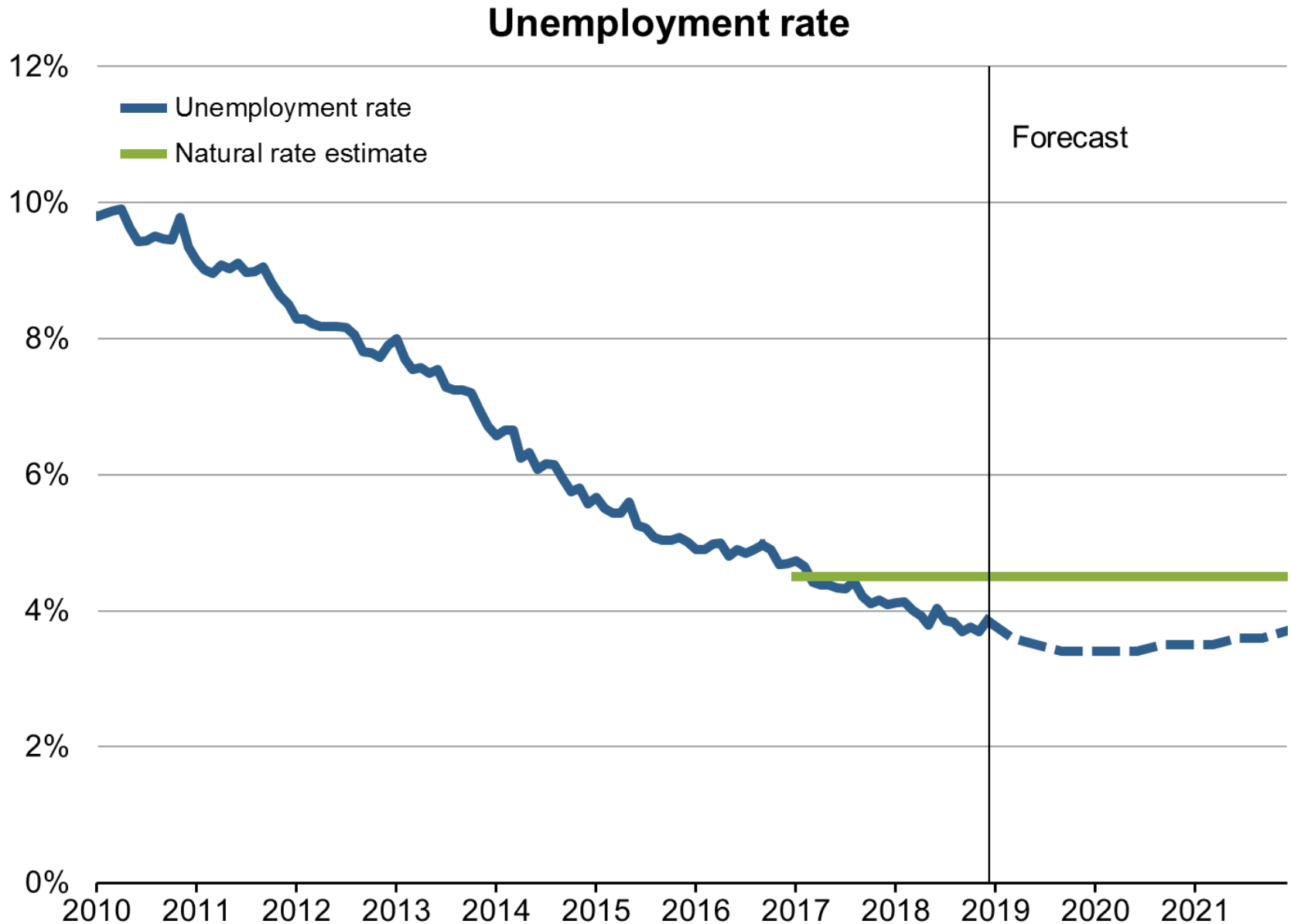
U.S. house prices

Indexed to 100 at pre-recession peak; seasonally adjusted

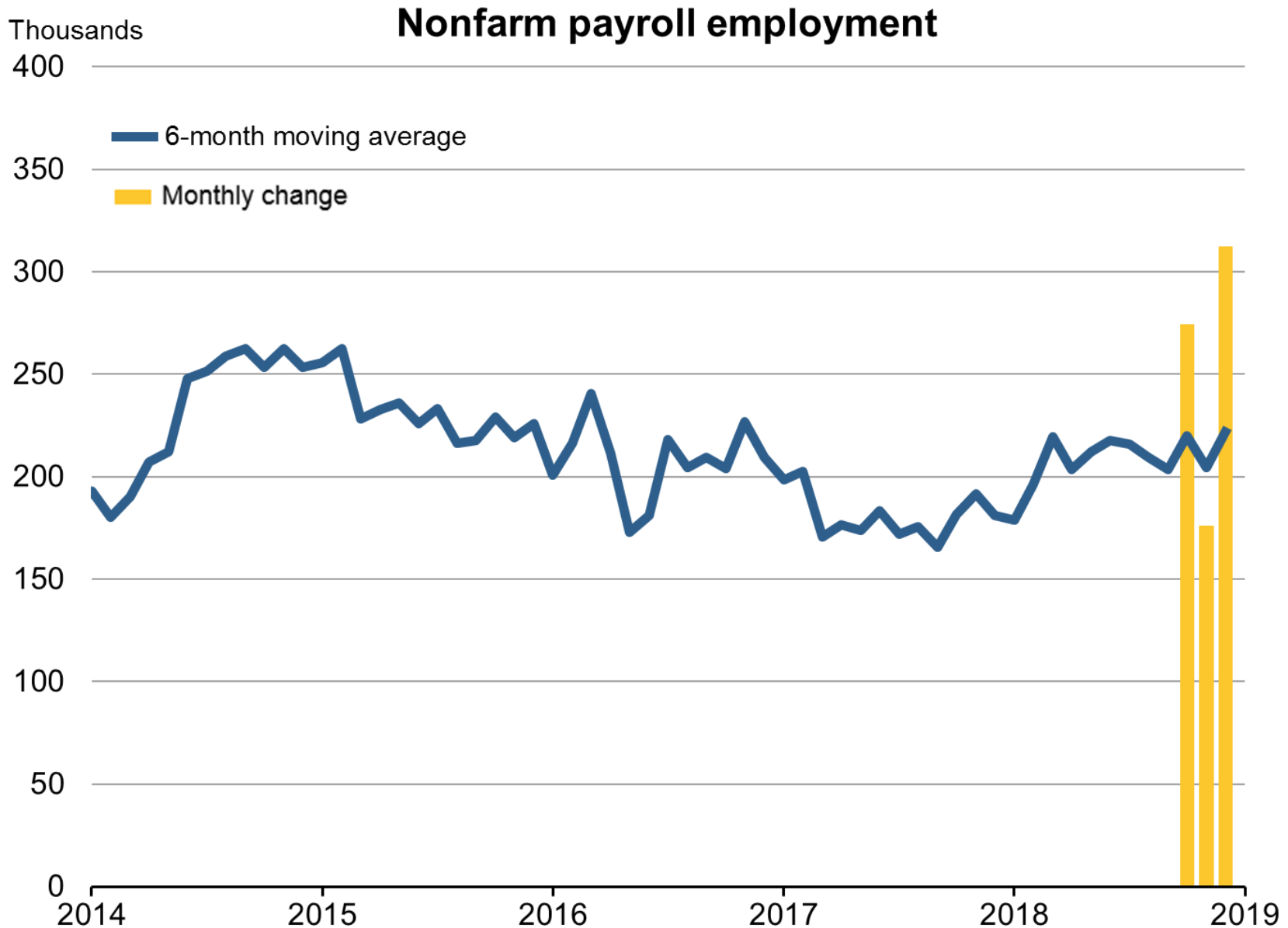


Source: CoreLogic

Unemployment to stay below natural rate

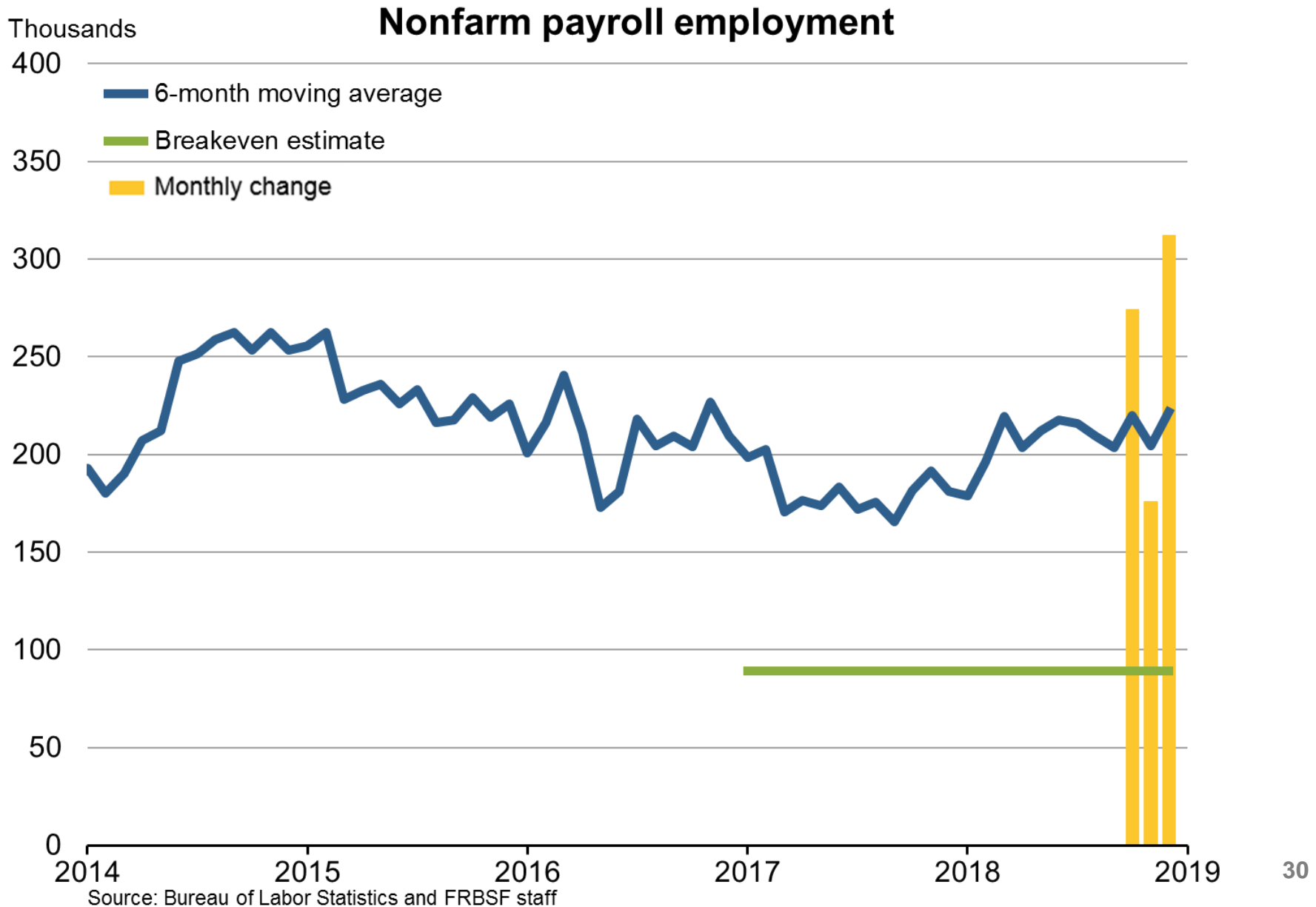


Job growth remains strong



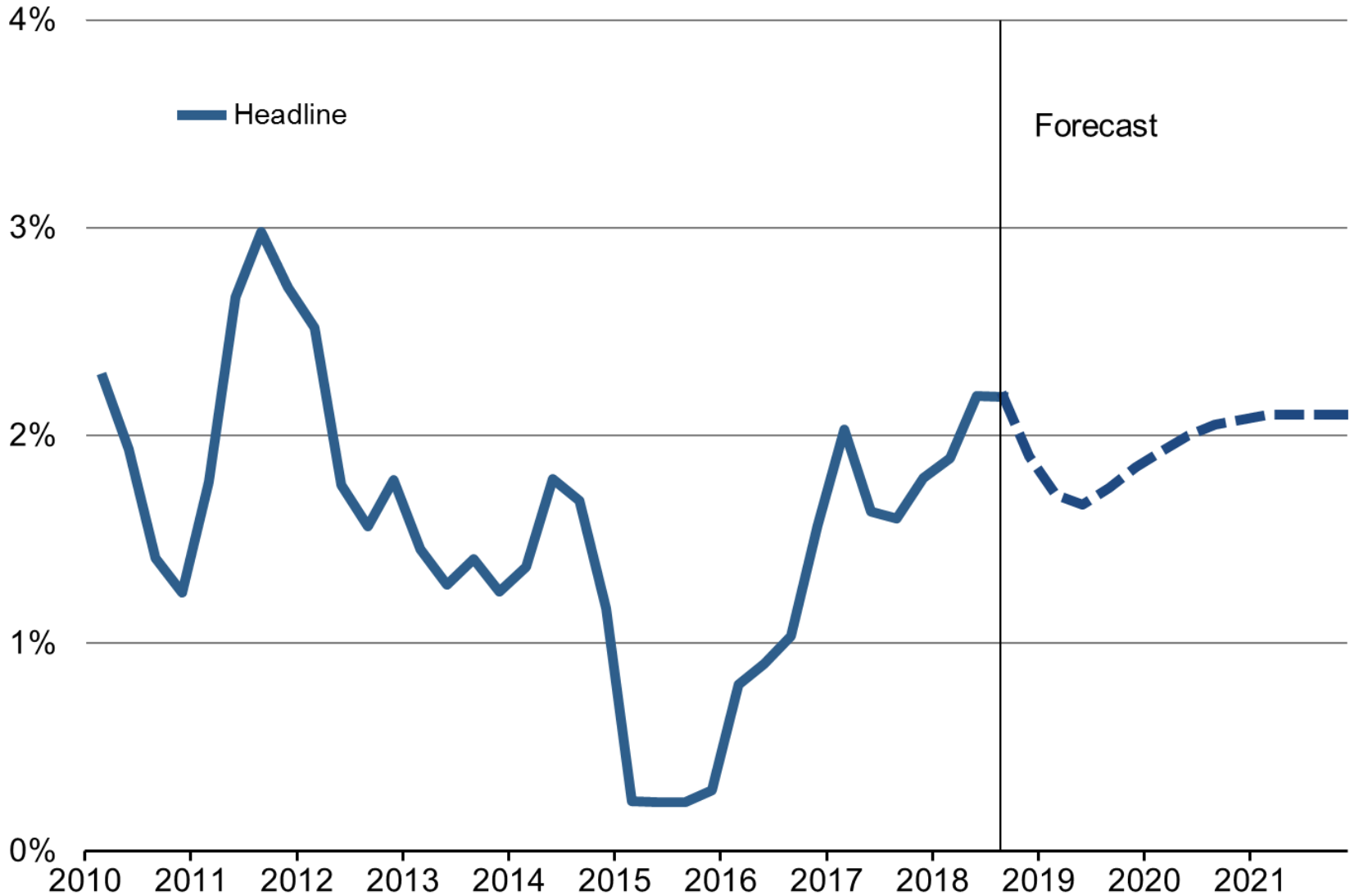
Source: Bureau of Labor Statistics and FRBSF staff

Job growth remains strong



Inflation to stay close to 2%

Personal consumption expenditures (PCE) price inflation

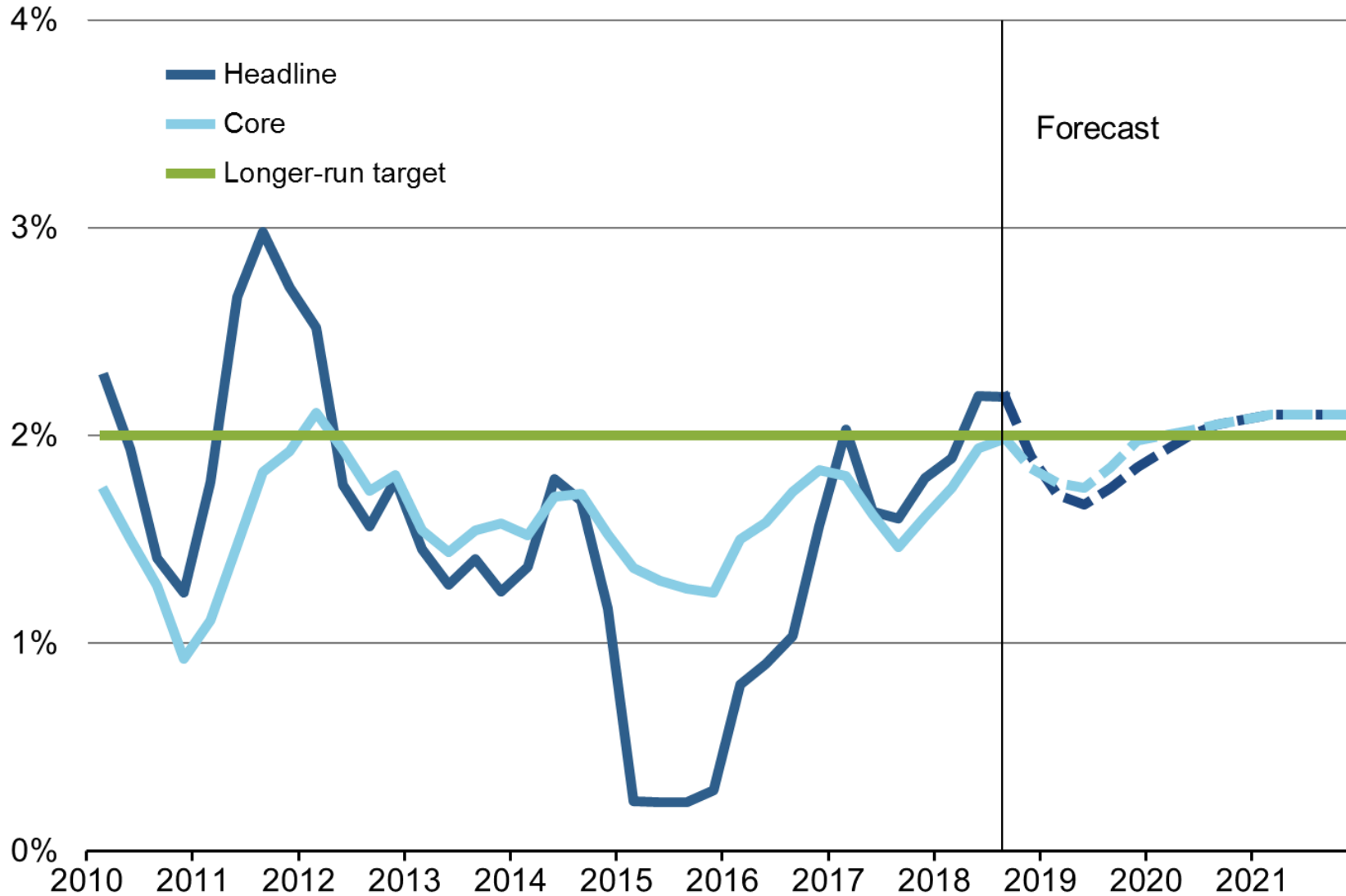


Note: 4-quarter change in personal consumption expenditures price index.

Source: Bureau of Economic Analysis and FRBSF staff

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Conclusion

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Inflation to stay close to 2%

To learn more . . .

FRBSF Outlook:

FedViews

Monetary policy:

FOMC Minutes

FOMC Press Conferences

Chair's Congressional testimony

Chair the Fed