Fed Unfiltered

FED REPORTS - Best of the Week

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St. Louis Fed – Other than TV's, Expect to Pay More

- "For those looking to surprise a loved one with a big-ticket item like a new car or furniture, prices are on track to be 7.8% and 6.7% higher than last year's, respectively, if inflation continues at its current pace. On the other hand, prices of jewelry and watches are on pace to increase by about 0.9%, which is slower price growth than the 7.3% in 2021. Good news for children, the price of toys has remained relatively stable for another year, increasing by about 2%. The one price that might surprise buyers is that for new TVs, which has fallen 16.8% since last year, and after increasing for the first time in over a decade in 2021. Regardless of what gifts you decide to buy this year, 2022 could be the year of homemade cards and newspaper wrap, because stationery and gift wrap prices have skyrocketed 12%."
- "Although we found that average holiday gift inflation is expected to be less than the overall CPI inflation, this holiday season could still be much more expensive when we look beyond the prices of gifts. Those traveling this year can expect to see higher prices: Gasoline prices are up 12.8% from what they were a year ago, and airline ticket prices have surged 45.6%, as post-pandemic leisure travel has rebounded."
- "If you decide to host family and friends at home this season, you can expect a significantly higher grocery bill than last year's, because food at home is 13.3% more expensive. Cookies and candy are about 18.6% and 14.7% more expensive, respectively, while beer and wine for your meal should cost only slightly more (5.5%) than they did last year."

	Average (2001-2019)	2020	2021	2022 (Annualized)
Overall CPI	2.1%	1.3%	7.1%	7.7%
Food	1.9%	3.9%	6.5%	13.3%
Holiday Travel (Average)	**3.1%**	**-17.5%**	**25.7%**	**29.2%**
Airline	0.6%	-19.4%	0.7%	45.6%
Gas	5.7%	-15.7%	50.6%	12.8%
Holiday Gifts (Average)	**-1.7%**	**-0.7%**	**6.9%**	**3.4%**
Footwear	0.5%	-2.2%	6.0%	1.1%
Furnishings	-3.4%	0.9%	5.2%	5.9%
Gift Wrap and Stationery	0.1%	-0.2%	8.9%	12.0%
Household Furniture	-0.9%	2.2%	13.8%	6.7%
Infant Apparel	-0.4%	-5.3%	4.6%	3.0%
Jewelry	1.3%	1.1%	7.3%	0.9%
Men's Apparel	-0.5%	-3.4%	7.6%	0.3%
New Cars	0.1%	2.1%	12.0%	7.8%
Postage	3.5%	3.9%	6.7%	4.9%
Sporting Goods	-0.2%	2.5%	6.3%	4.7%
Tools	-0.3%	3.7%	7.2%	9.1%
Toys	-6.3%	-3.9%	1.8%	2.0%
TVs	-16.6%	-4.8%	4.7%	-16.8%
Women's Apparel	-0.7%	-6.2%	4.3%	5.4%

SOURCES: Bureau of Labor Statistics and authors' calculations.

NOTES: Historical values are the percent change in prices through December of the given year. Values for 2022 are annualized year-to-date inflation rates through October; that is, we show how much prices will increase in 2022 if the current rate of growth continues through December. We rely on seasonally adjusted series, so our method is unlikely to be affected by typical seasonal price changes.

https://fedunfiltered.com/st-louis-fed-report-will-inflation-play-the-grinch-this-holiday-season/

St. Louis Fed – A Slowdown and Maybe a Recession

- "The outlook for the economy in 2023 has dimmed appreciably over the past year. In November 2021, the SPF (Survey of Professional Forecasters) consensus expected real GDP growth to average 2.6% in 2023 and the unemployment rate to average 3.6%. The current SPF forecast for 2023 is that real GDP will increase by 0.8% and the unemployment rate will average 4.2%. With average real GDP growth close to zero thus far in 2022, another economic shock could push the economy into a recession. Indeed, some economists expect a recession in 2023 because of the need for further interest rate hikes to bring inflation back to the FOMC's 2% target. In his Nov. 2, 2022, press conference, Fed Chair Jerome Powell acknowledged that the path to a soft landing has narrowed."
- "In conclusion, the balance of risks facing the economy over the near term are decidedly weighted to the downside. Still, forecasts and financial market indicators are not foolproof. The exceptional strength of the labor market testifies to a resilience that stands in stark contrast to weakness in other areas of the economy."

https://fedunfiltered.com/st-louis-fed-report-weaker-gdp-growth-inflation-uncertainty-dim-u-s-economic-outlook/

Dallas Fed –The Beveridge Curve Mystery

- "Over nearly 100 years, economists have discovered and become accustomed to the idea that the number of unemployed individuals moves in the opposite direction to the number of available jobs."
- "The simple observation that the number of jobs increases and unemployment declines in booms, while the opposite movement occurs in recessions, has been depicted by the Beveridge curve, named for the British economist William Beveridge (1879–1963), who first described the relationship in 1944."
- "The COVID-19 recession, the most recent episode, appears strikingly different … The curve's shift suggests that an alternative view of the Beveridge curve relationship may have merit."
- "This interpretation provides us with two lessons. First, the adjusted Beveridge curve focusing on the unemployed and vacancies remains intact. We can demonstrate this both at the aggregate and sectoral levels. Second, abnormalities in the classical Beveridge curve are due to a disproportionate expansion of poaching vacancies after 2015. However, we do not know the precise reason for this shift."
- "Dramatic improvement in vacancy posting technology could account for the expansion of poaching vacancies … Alternatively, the expansion of poaching vacancies could be due to a reduction in mismeasurement. As of 2011, 42 percent of hires occurred at establishments that ostensibly had no job openings."

https://fedunfiltered.com/dallas-fed-report-does-employers-worker-poaching-explain-the-beveridge-curves-odd-behavior/

Quote of the Week

"And those who were seen dancing were thought to be insane by those who could not hear the music."
--- Friedrich Nietzsche