Fed Unfiltered

FED REPORTS - Best of the Week

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Forecasts – A Consolidated View, CBO, SPF and the Fed

- GDP: "CBO now expects real GDP growth in 2023 to be less than the rate of 2.2 percent it projected in May 2022— specifically, such growth is more likely to be below the most recent baseline projection than above it."
- Jobs: "For the fourth quarter of 2023, CBO estimates that there is a two-thirds chance that the unemployment rate will be between 3.8 percent and 6.4 percent. For the fourth quarter of 2024, that estimate ranges from 3.2 percent to 6.4 percent."

Real GDP and Unemployment Rate Projections

Percent

Source	Date of Forecast	Change in Real GDP 2023	Change in Real GDP 2024	Unemployment Rate[a] 2023	Unemployment Rate[a] 2024
CBO's Likely Range[b]	Nov. 2022	-2.0 to 1.8	0.7 to 4.2	3.8 to 6.4	3.2 to 6.4
Survey of Professional Forecasters' Middle Two-Thirds[c]	Nov. 2022	-0.4 to 1.8	n.a.	4.0 to 5.0	n.a.
Federal Reserve's Central Tendency[d]	Sept. 2022	0.5 to 1.5	1.4 to 2.0	4.1 to 4.5	4.0 to 4.6
Memorandum:					
CBO's Most Recent Baseline	May 2022	2.2	1.5	3.6	3.8

- Inflation: "For 2023, CBO estimates that there is a two-thirds chance that the rate of inflation—specifically, that measured by the change in the personal consumption expenditures, or PCE, price index from the fourth quarter of 2022 to the fourth quarter of 2023—will be between 1.8 percent and 4.6 percent. For 2024, that estimate ranges from 1.1 percent to 3.6 percent."

Inflation Projections

Percent

Source	Date of Forecast	PCE Inflation 2023	PCE Inflation 2024	Core PCE Inflation 2023	Core PCE Inflation 2024
CBO's Likely Range	Nov. 2022	1.8 to 4.6	1.1 to 3.6	2.2 to 4.5	1.7 to 3.6
Survey of Professional Forecasters' Middle Two-Thirds	Nov. 2022	2.2 to 3.9	n.a.	2.2 to 3.2	n.a.
Federal Reserve's Central Tendency	Sept. 2022	2.6 to 3.5	2.1 to 2.6	3.0 to 3.4	2.2 to 2.5
Memorandum:					
CBO's Most Recent Baseline	May 2022	2.3	2.1	2.5	2.2

https://fedunfiltered.com/cbo-report-cbos-current-view-of-the-economy-in-2023-and-2024-and-the-budgetary-implications/

Inflation – Instead of Price Increase, Product Decrease

- "How can businesses cope with inflation and their desire to keep their customers? Businesses know that for some goods and services, consumers are more sensitive to changes in price than to changes in quantity, and this tendency often allows businesses to benefit from shrinkflation.
- "Instead of increasing prices, businesses might decide to do something called skimpflation. Skimpflation is defined as businesses "skimping" on the quality of a product or service. Businesses skimp by spending less on services or materials to remain profitable."
- "Inflation numbers are economic indicators collected and released monthly by the BLS to assess the health of the economy. But inflation is more than numbers. Consumers and businesses alike face decisions when dealing with the reality of inflation. Consumers may have to choose to spend more for necessities and less for non-essentials. Businesses may use shrinkflation or skimpflation to cover rising costs and remain profitable."
- "With shrinkflation, it's a consumer's responsibility to read product labels and think about the unit price of products they purchase. It's the law for businesses to have information on labels about the contents of their packages, but this won't matter unless consumers read what the labels says. Skimpflation is another way that businesses deal with the reality of inflation. Consumers must consider paying the same prices for reduced quality or service when deciding what to purchase. Shrinkflation and skimpflation are a reality of inflation. Inflation numbers provide the facts, and those numbers give consumers and businesses something worth thinking about.

Examples of Shrinkflation

Item	Older package	Newer package
Roll of paper towels	165 sheets	147 sheets
Bag of chips	9.75 oz.	9.25 oz.
"Party size" bag of chips	18 oz.	15.5 oz.
Box of crackers	16 oz.	14 oz.
Box of facial tissues	65 tissues	60 tissues
Roll of toilet tissue	340 sheets	312 sheets

NOTE: Shrinkflation varies by product and brand.
SOURCE: Associated Press, 2022 (see footnote 5); Diaz, Clarissa, 2022 (see footnote 8).

https://fedunfiltered.com/st-louis-fed-report-beyond-inflation-numbers-shrinkflation-and-skimpflation/

Yield Curve – Inversions (yes); Recession Looming (???)

- "Although we expect continued growth, we view the risks to economic activity as weighted to the downside. Recession signals from financial markets are now sounding the alarm, most notably the inverted spreads between yields on long-term and shorter-term Treasury bonds. Such yield curve inversions have proven historically to be reliable predictors of recessions over the subsequent 12-months. After some divergence earlier this year, two leading measures of the yield spread have now both become inverted. Their predictions come with substantial statistical uncertainty, however, and are not definitive indications that a recession is looming."
https://fedunfiltered.com/search-results/?_sf_s=fed%20views

Stagflation – Will History Repeat Itself?

- "Stagflation" is the combination of a stagnant economy—that is, slow or weak growth in gross domestic product (GDP)—and high inflation."
- "The last era of stagflation in the U.S. was from 1967-82 … during that time:
  - There were four recessions.
  - Average annual inflation was 6.5%.
  - The unemployment rate averaged 6.0%.
  - Inflation topped the previous 15-year average in every year."

  https://fedunfiltered.com/st-louis-fed-report-three-ways-high-inflation-could-end-easily-the-volcker-way-stagflation/

Quote of the Week

"Life's challenges are not supposed to paralyze you, they are supposed to help you discover who you are."
--- Bernice Johnson Reagan