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**Ask the
SF Fed**

Inflation and the Economy

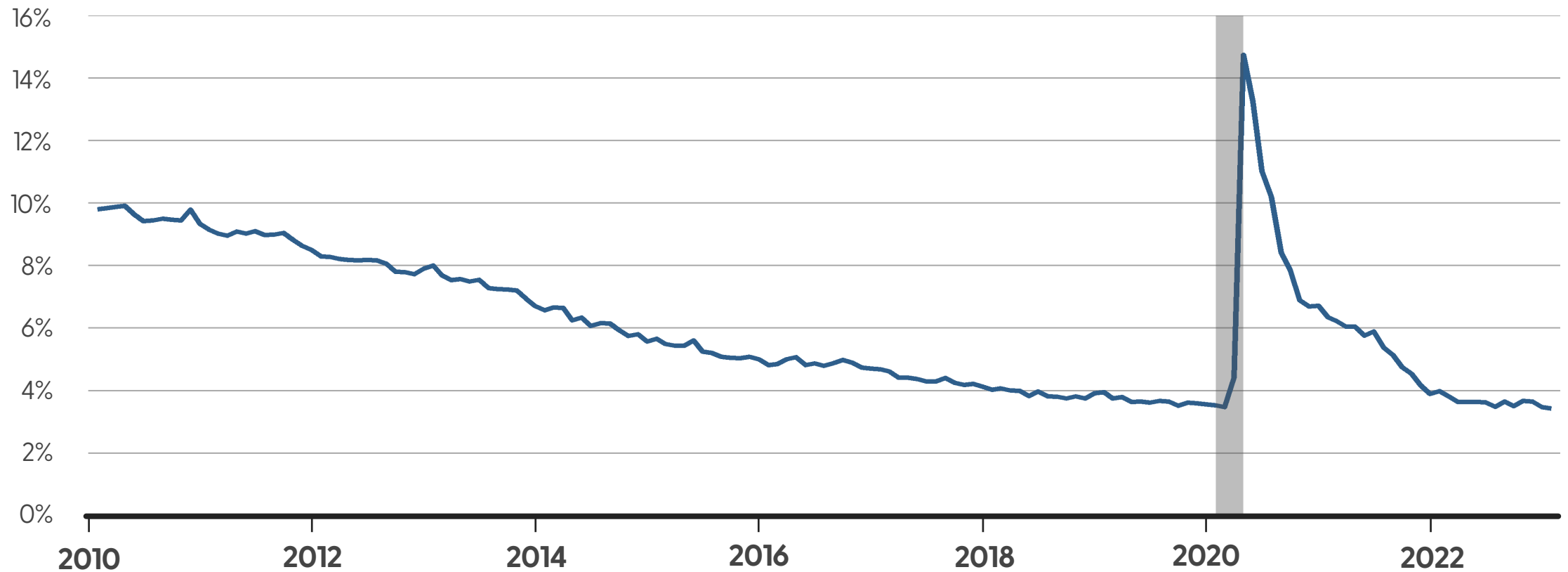
February 7, 2023 | San Francisco, CA

The Fed has two mandates



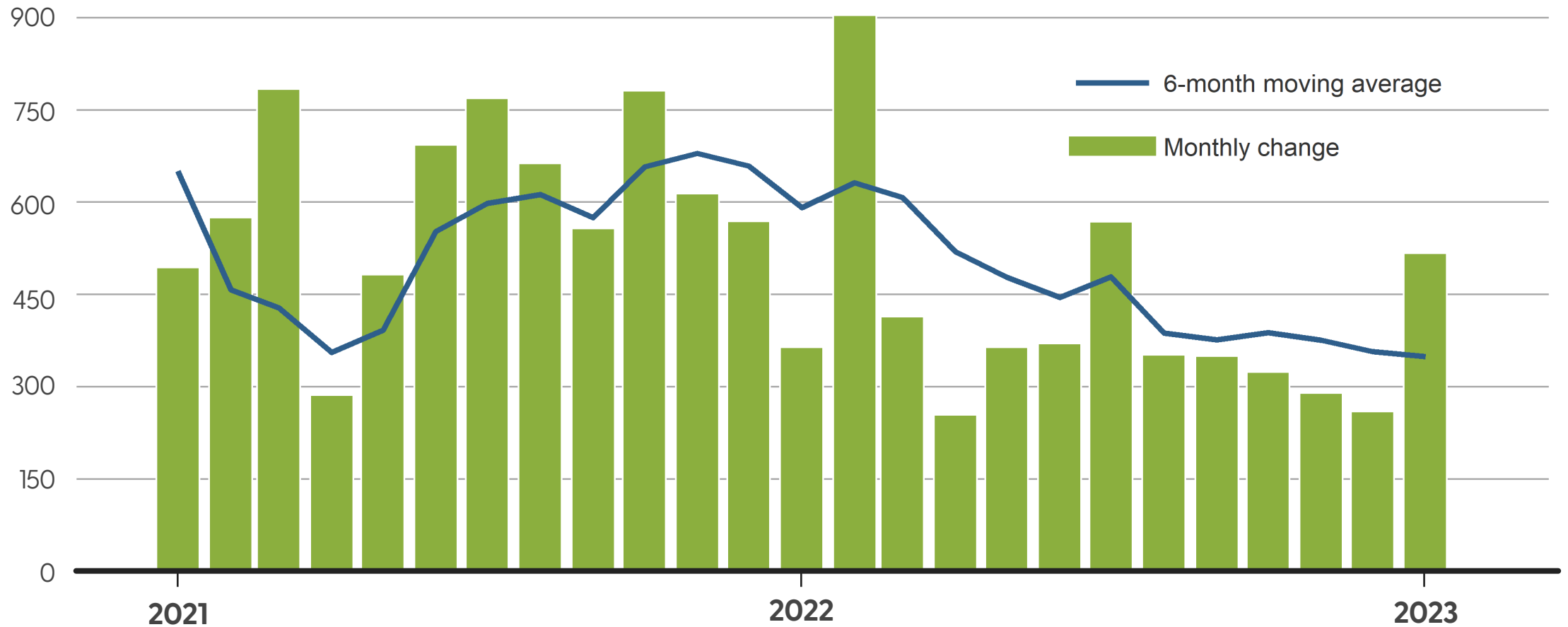
Unemployment is at its lowest since the 1960s

Unemployment rate



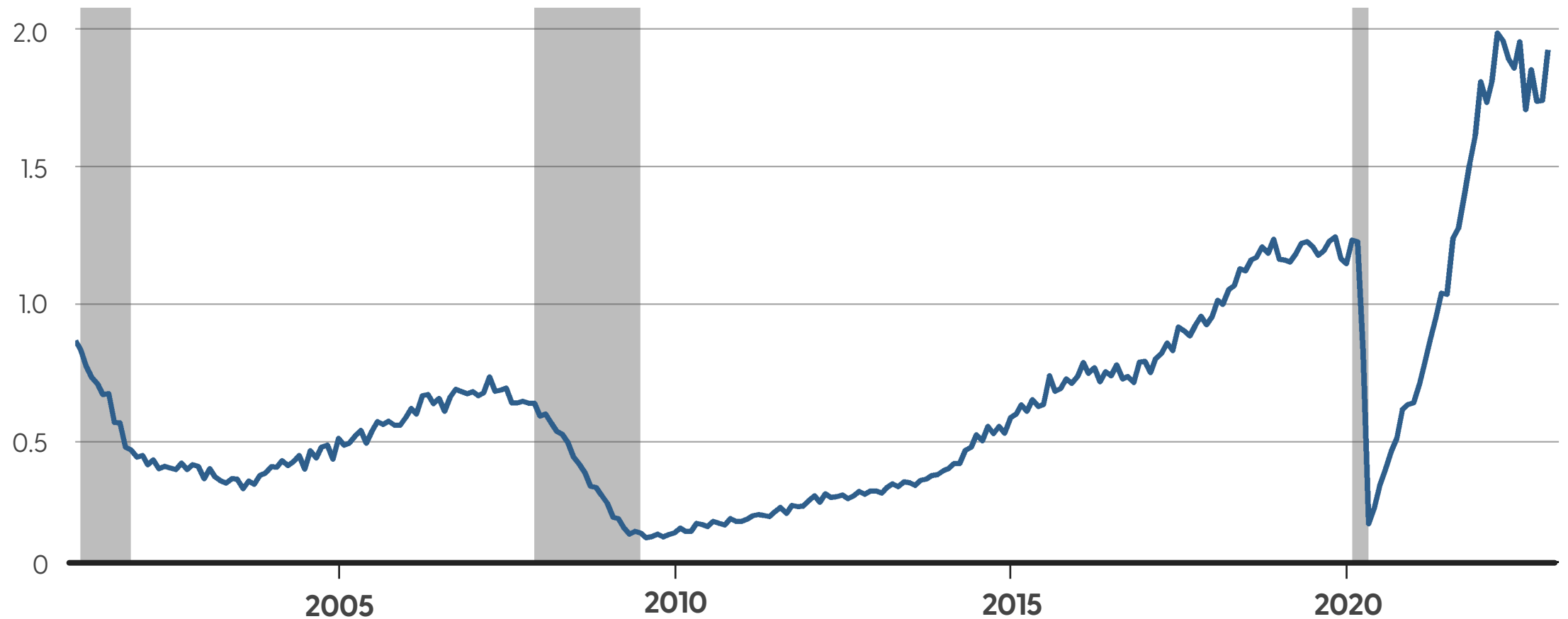
Job gains remain strong

Nonfarm payroll employment (in thousands)



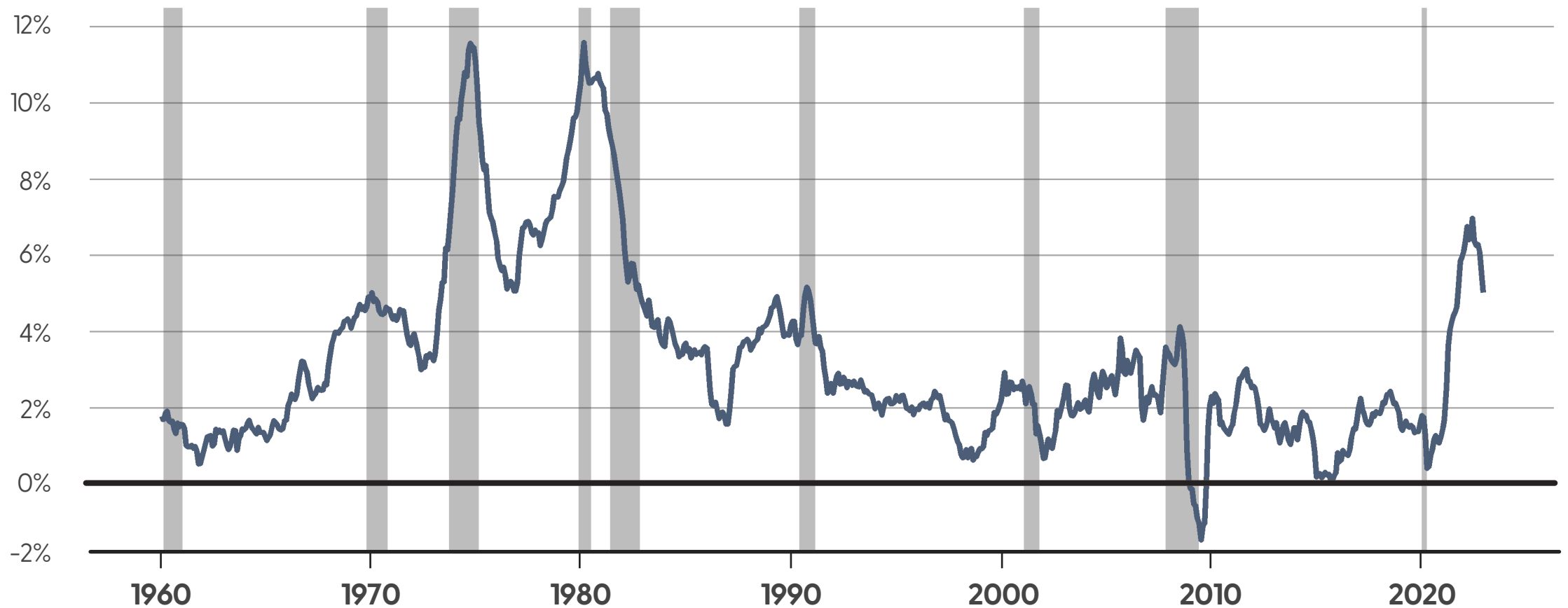
Job openings are plentiful

Number of vacancies per unemployed worker



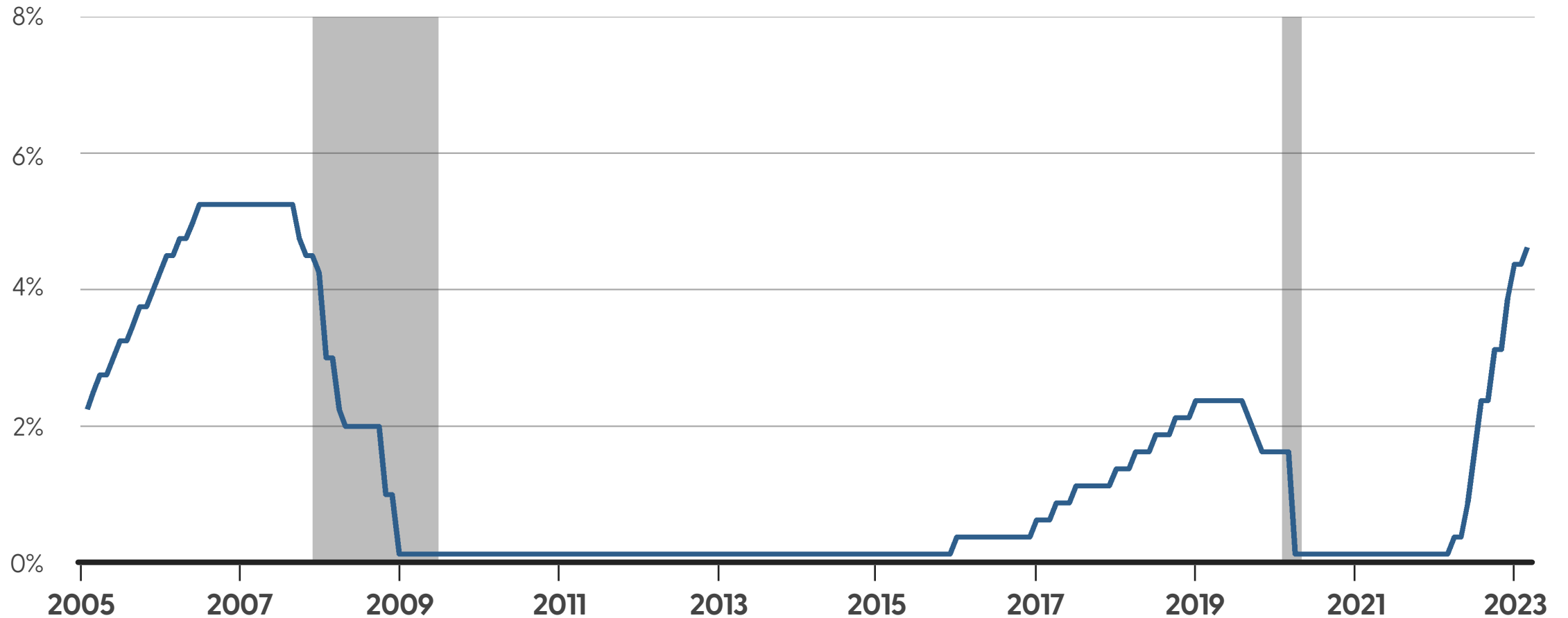
Despite cooling signs, inflation remains high

Headline personal consumption expenditures (PCE) inflation



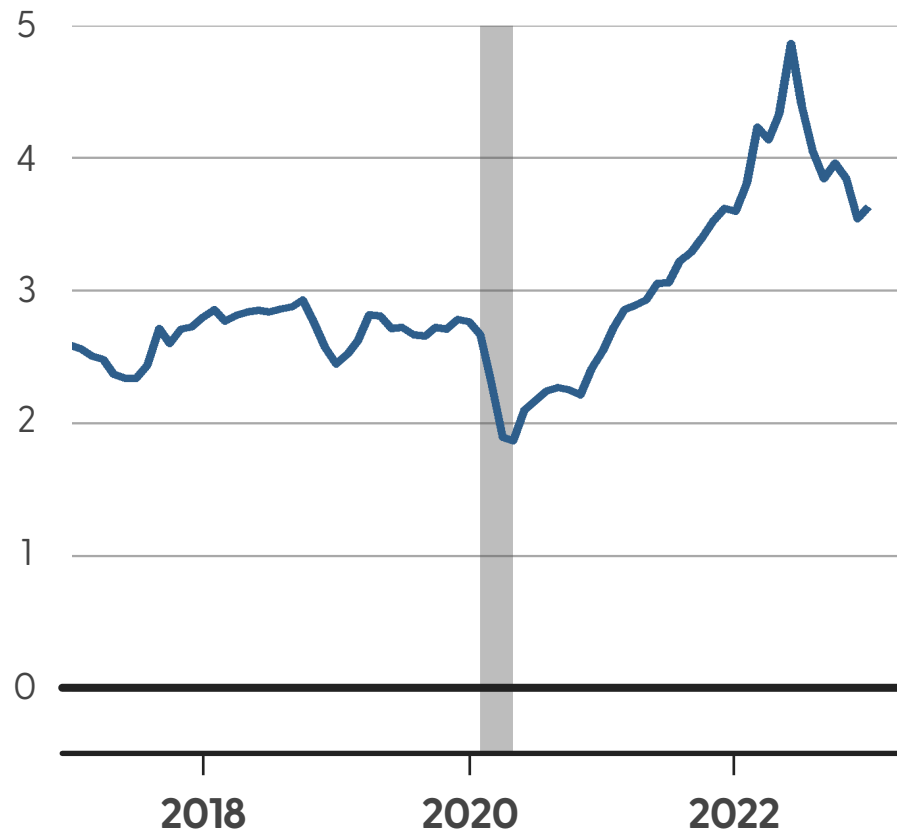
The Fed quickly raised interest rates last year

Federal funds rate

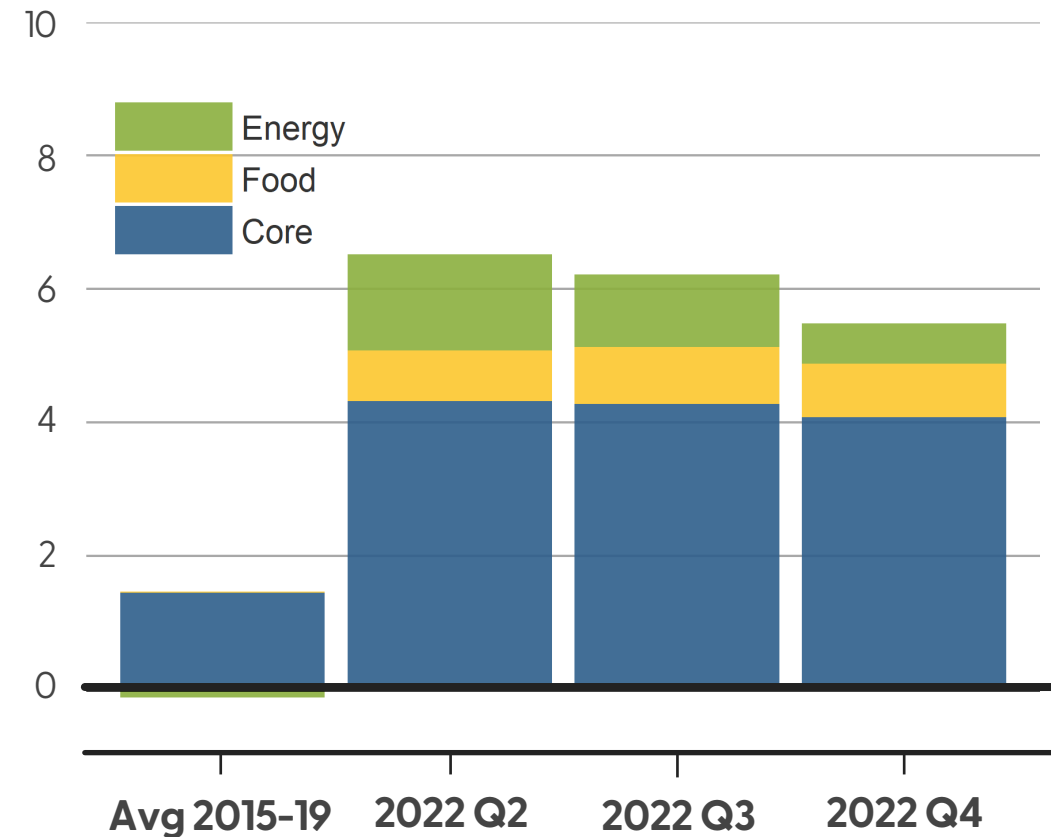


Energy playing smaller role in inflation

Retail gas prices
(dollars/gallon)

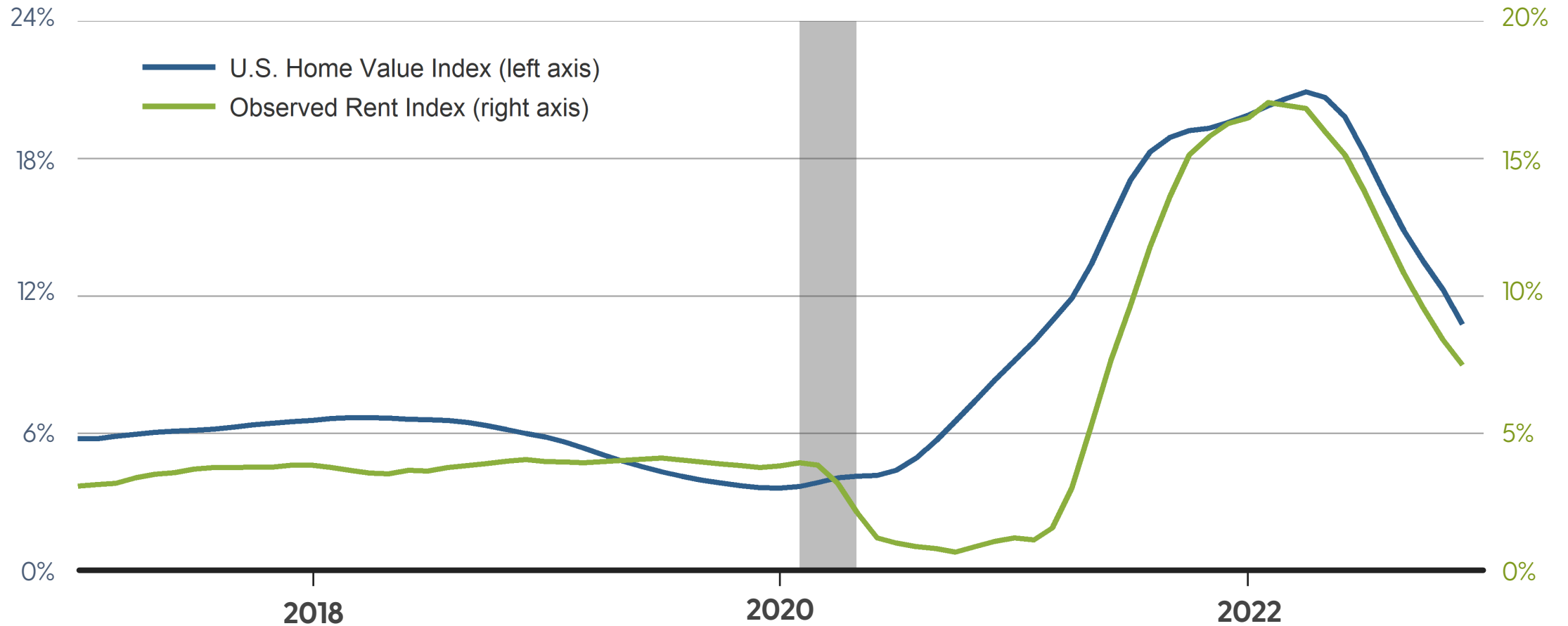


Contributions to PCE inflation
(percentage points)



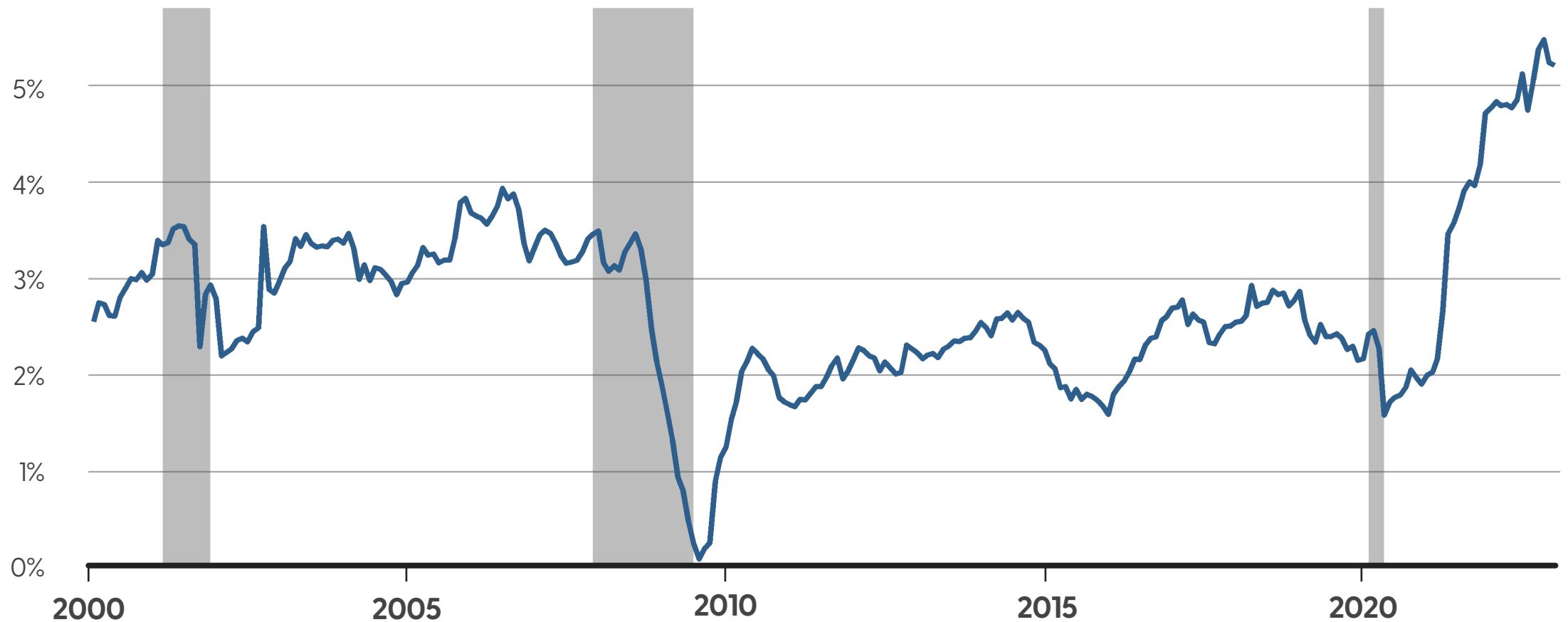
Housing market is rapidly cooling

12-month percent change in house prices and rents



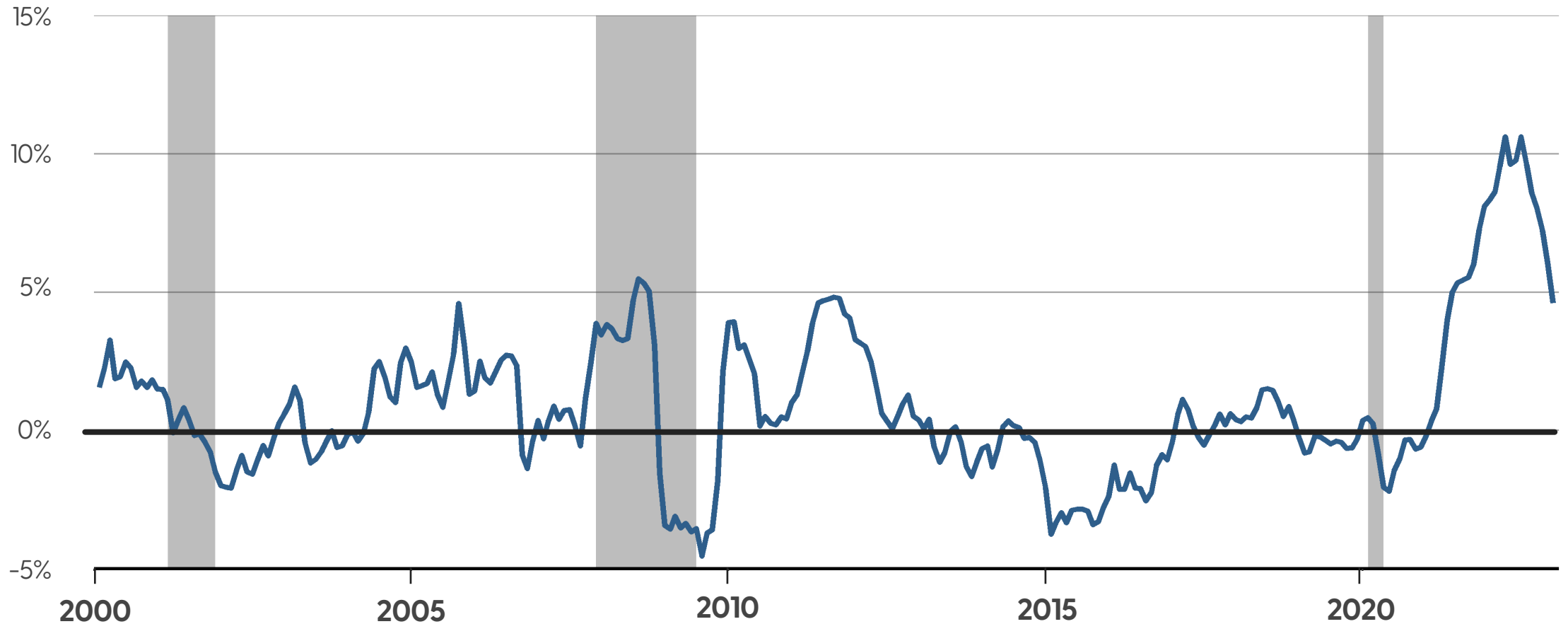
Inflation still high in the services sector

PCE services price inflation



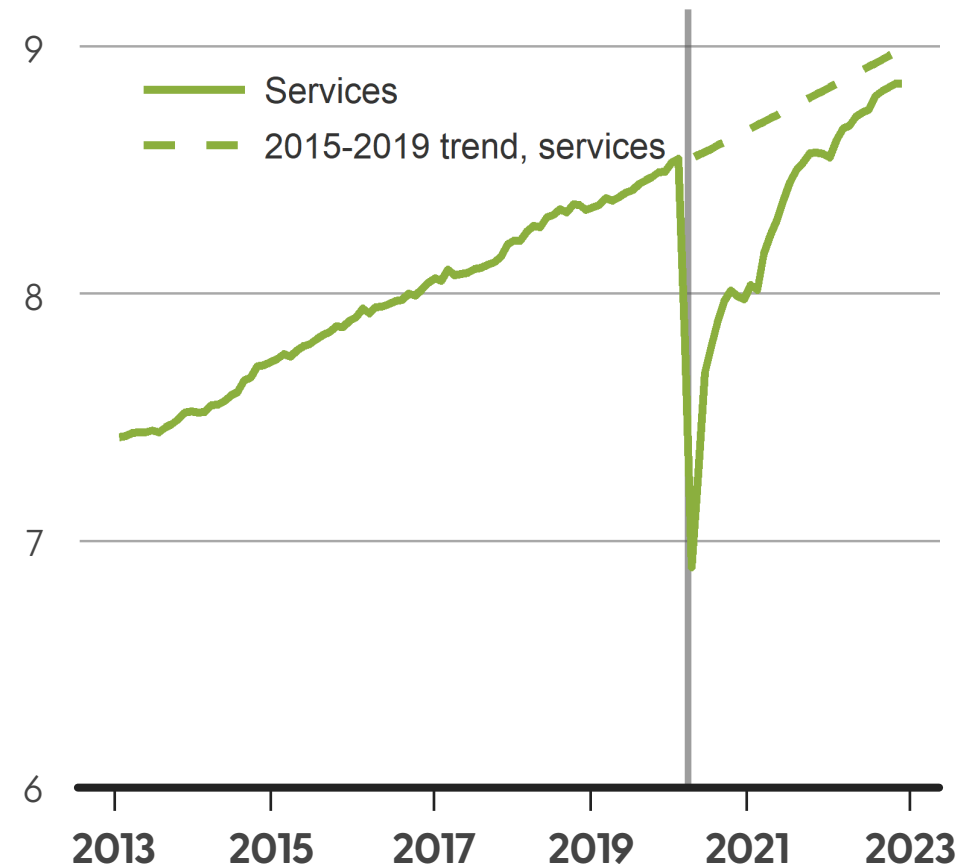
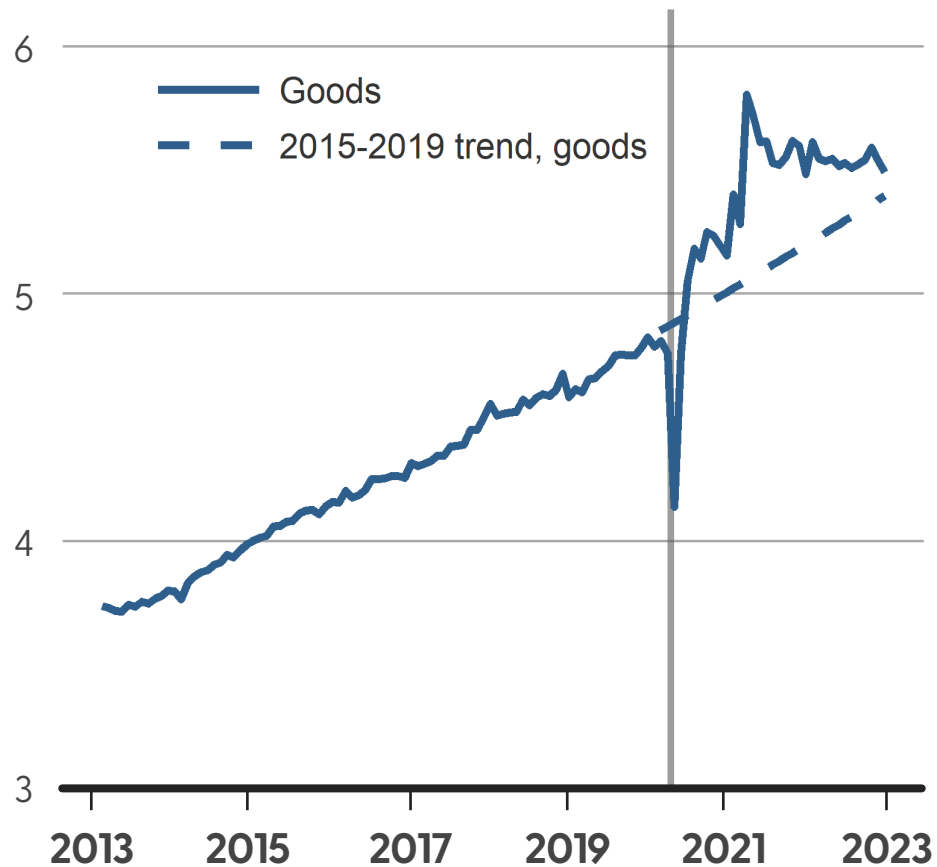
Goods price inflation is rapidly falling

PCE goods price inflation



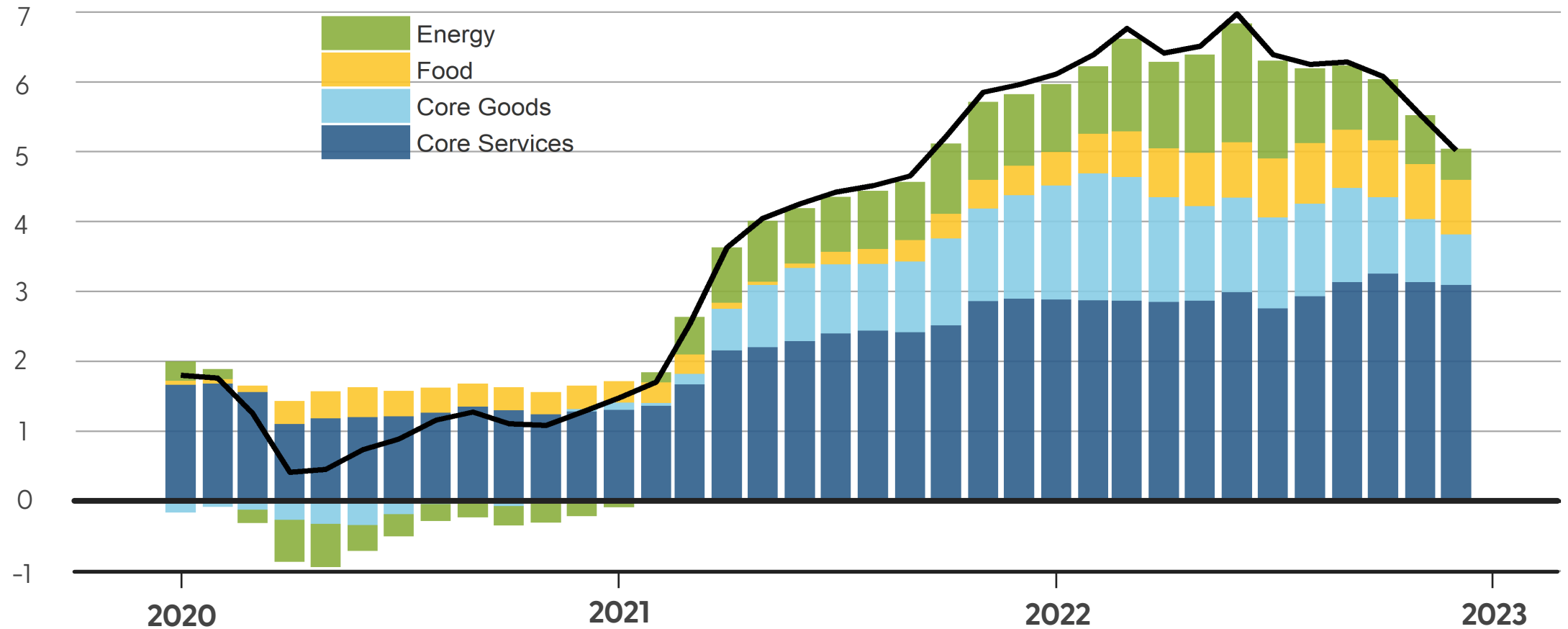
Spending patterns are normalizing

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



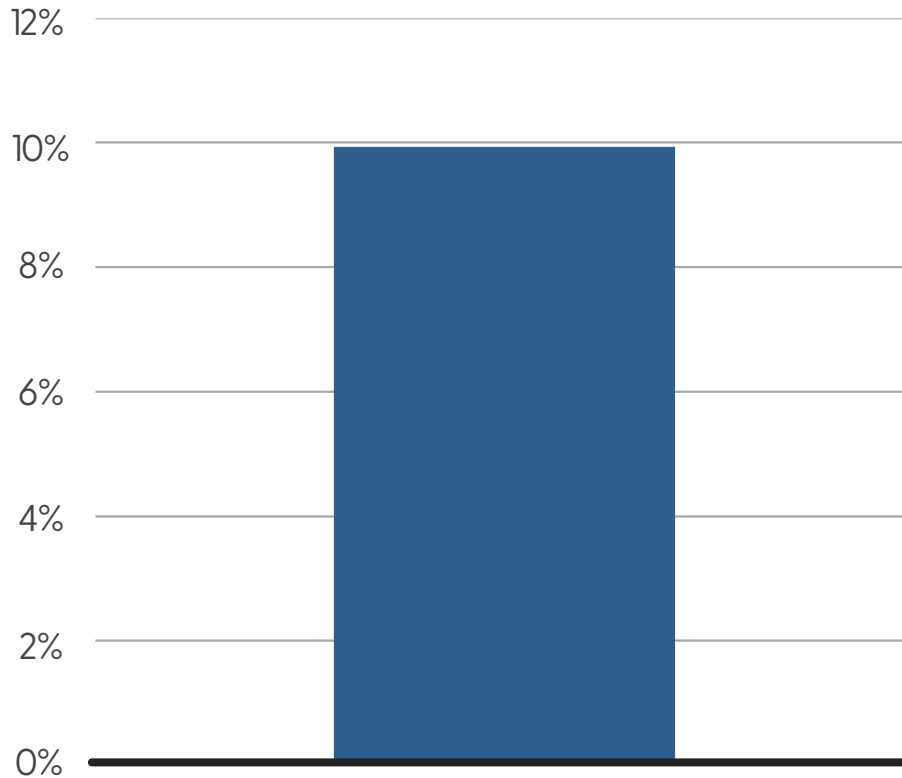
Mix of inflation contributors changing

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



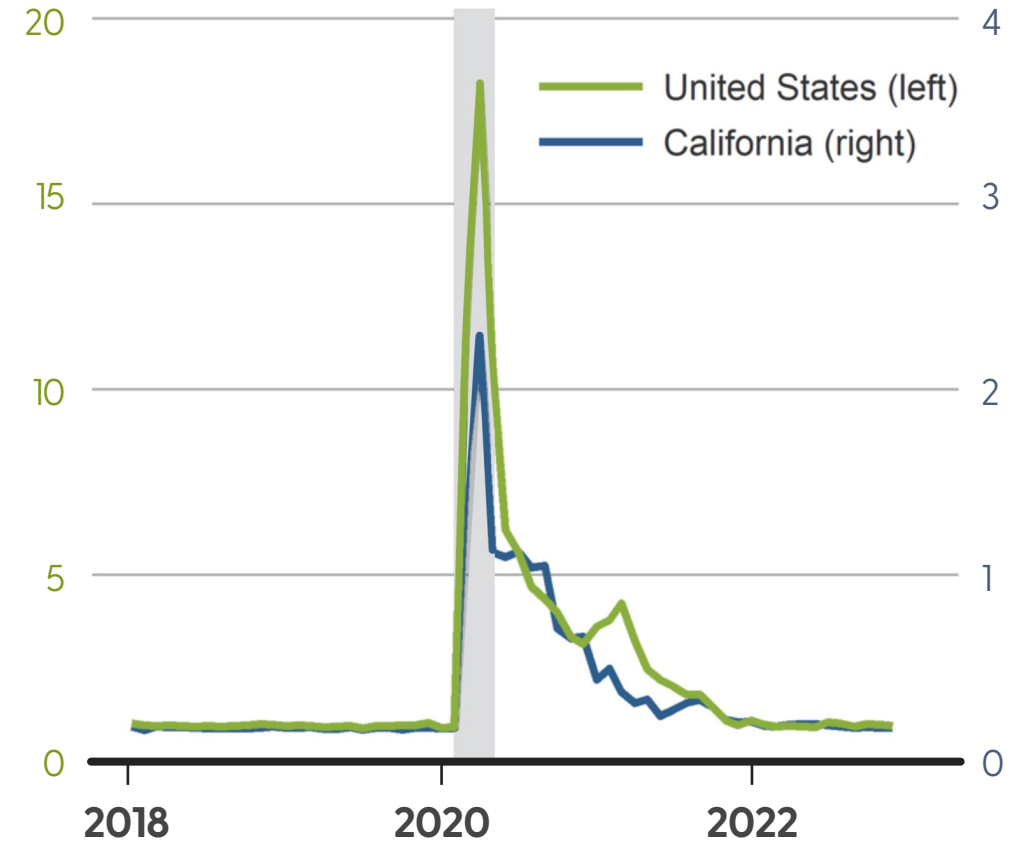
Despite tech layoffs, jobless claims are low

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

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

