Macro Roundup Artcile

Headline: Is the Fed Peaking Too Soon?

Article Link: https://theovershoot.co/p/is-the-fed-peaking-too-soon

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Publication	The Overshoot
Publication Date	November 03, 2023

Tweet: Noting strong nominal wage growth, @M_C_Klein argues that short-term interest rates may need to stay at current levels or rise to prevent borrowing and spending from accelerating.

Summary: While there has been a significant deceleration in the rate of price increases from around 6% a year to 3% a year, the growth rate of the dollar value of spending and incomes has slowed by much less (from 7% a year to 6% a year). So far, this has translated into a massive acceleration in the growth rate of Americans' living standards. I can think of two basic reasons why the (simple-minded) benign forecast that we will stay in a world with 6% nominal and 3% real growth might not turn out to be correct: Financial constraints force nominal spending to slow. Real constraints worsen the tradeoff between total spending and inflation. The short version is that while real growth may slow, it is much less clear why nominal growth would slow. Related: An Update from Our CIOs: Entering the Second Stage of Tightening and What Have We Learned About the Neutral Rate? and Why No Recession (Yet)?

Primary Topic: Growth

Topics: GDP, Growth, Inflation, Monetary Policy, Op-Ed/Blog Post, Weekly

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