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Macro Roundup Article

Headline: Jason Furman On PCE Release

Article Link: https://twitter.com/jasonfurman/status/1629122537857613825

Author(s)	Jason Furman
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Tweet: .@jasonfurman thinks that the tight labor market means that “6% inflation is much more likely than 2% inflation,” and concludes, “If I were the FOMC I would be raising rates by 50bp at the next meeting and signaling a terminal rate around 6%.”

Summary: The economy is very overheated. We have made little if any progress on inflation. There is little if any reason to expect a large slowdown going forward. Core PCE at an annual rate: 1 month: 7.1% 3 months: 4.7% 6 months: 5.1% 12 months: 4.7%. In some ways it is cleaner just to exclude housing and used cars. Which gives [approximately] the same story as core inflation. We still have lagged rent but that is probably only worth about 0.5 to 1pp off the rate. Possibly lagged monetary policy effects coming too. So yes, more likely than not that inflation falls from its 4.7% pace. Maybe even into the 3's. But there are still forces going in the direction of high inflation. In recent months goods prices have fallen, but that likely won't continue. And the extremely tight labor market has lagged effects on inflation. 6% inflation is much more likely than 2% inflation. If I were the FOMC I would be raising rates by 50bp at the next meeting and signaling a terminal rate around 6%.

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