

Macro Roundup Article

Headline: [A Turning Point in Wage Growth?](#)

Article

Link: <https://libertystreeteconomics.newyorkfed.org/2023/02/a-turning-point-in-wage-growth/>

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Tweet: [@NewYorkFed presents evidence that services inflation leads wage growth. The model suggests that services inflation peaked in the early months of 2022 and then started to decline.](#)

Summary: We inspect how the trend in wage growth relates to the trend in price inflation in core services (excluding housing) recovered from PCE data. Both trends are estimated using the methodology described earlier, so their timing can be compared as they are both expressed in terms of annualized monthly growth. Our results not only suggest that the persistent component of core services inflation started to increase before trend wage growth did, but also show that it has come down faster, despite the fact that both trends peaked around the beginning of 2022. Persistent services inflation markedly slowed down between June and October, although it seems to have levelled off since. A further deceleration in trend wage growth may ease inflationary pressures, but considerable uncertainty about the speed of this decline remains.

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Primary Topic: Wages/Income

Topics: Business Cycle, GDP, Government/NGO, Inflation, Wages/Income, Workforce

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