Macro Roundup Artcile

Headline: Monetary Policy Transmission Takes 14 Months

Article Link: https://apolloacademy.com/monetary-policy-transmission-takes-14-months/

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Tweet: Torsten Sløk @apolloglobal notes the median time from the start of the Fed's hiking cycle until unemployment bottoms is 14 months. We are 13 months into the current hiking cycle.

Summary: The unemployment rate falls when the Fed hikes rates, see chart below. In fact, the declining unemployment rate is precisely the reason why the Fed is raising interest rates. And the chart below suggests that when the unemployment rate starts moving higher is when the Fed stops hiking. Looking back in history, the median time it takes from when the Fed starts hiking until the unemployment rate bottoms and moves higher is 14 months, and using this historical pattern as a guide, with the first Fed hike in March 2022, we should begin to see the unemployment rate increase within the next couple of months. The bottom line is that it usually takes 12 to 18 months for the Fed to soften the labor market, and today is no different.

Primary Topic: Business Cycle

Topics: Business Cycle, GDP, Inflation, Monetary Policy, Weekly

Permalink: https://www.edwardconard.com/macro-roundup/torsten-slok-apolloglobal-notes-the-median-time-from-the-start-of-the-feds-hiking-cycle-until-unemployment-bottoms-is-14-months-we-are-13-months-into-the-current-hiking-cycle?view=detail

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