



# US Chartbook

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*Open source notes on the United States economy*

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# Overall Economic Activity

## Expenditure Approach

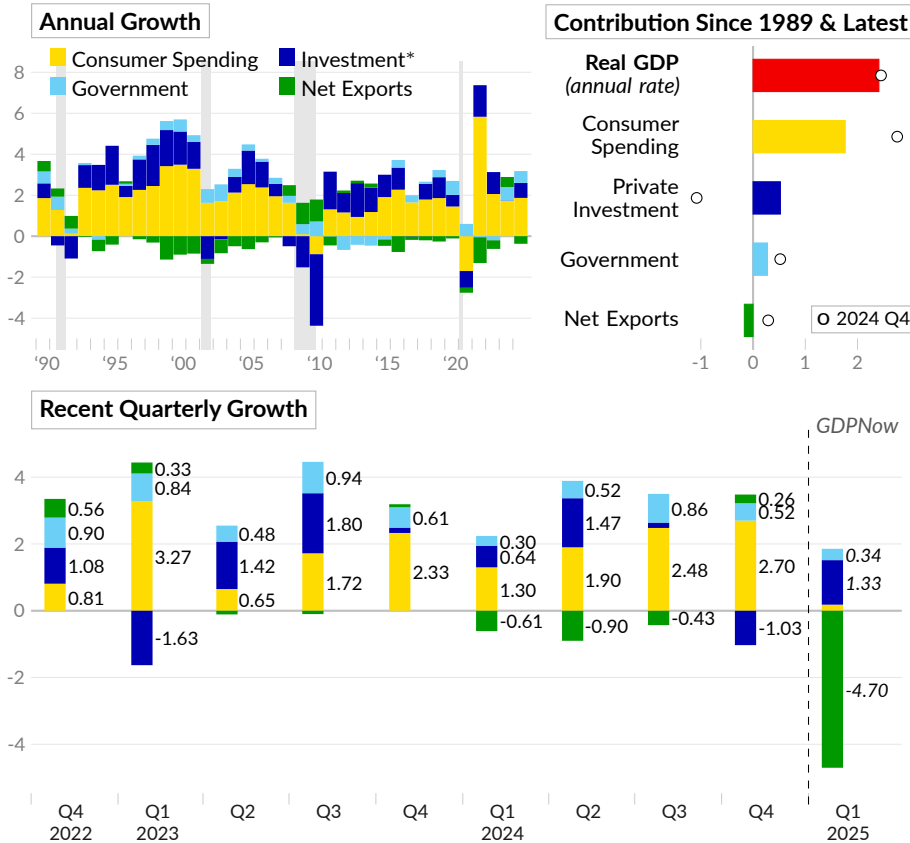
The **expenditures approach** to calculating overall economic activity gives insight into changes in activity. The Bureau of Economic Analysis publish the contribution to GDP growth for each major category of spending. Long-term patterns in these data can provide context for recent developments.

Since 1989, real GDP has grown 2.4 percent per year. Over this period, consumer spending contributed 1.8 percentage points to the annualized change, gross private domestic investment added 0.5 percentage point, government spending and investment added 0.3 point, and net exports subtracted 0.2 point.

In the latest full year of data, covering 2024, GDP growth of 2.8 percent is the result of contributions from consumer spending of 1.9 percentage points, private investment of 0.7 percentage point, government spending and investment of 0.6 percentage point, and net exports of negative 0.4 point.

## Real GDP Growth by Expenditure Type

percentage point contribution to GDP growth



Source: BEA, FRB Atlanta; \*includes change in private inventories

In 2024 Q4, consumer spending (see ■) contributed 2.70 percentage points to real GDP growth. Private domestic investment (see ■) subtracted 1.03 percentage point, government spending and investment (see ■) contributed 0.52 percentage point, and net exports (see ■) added 0.26 percentage point.

The Federal Reserve Bank of Atlanta GDPNow estimate for 2025 Q1 of negative 2.8 percent is based on a contribution of 0.18 percentage point from consumer spending, a contribution of 1.33 percentage points from private investment, a contribution of 0.34 point from government, and a subtraction of 4.70 points from net exports.

## Income Approach

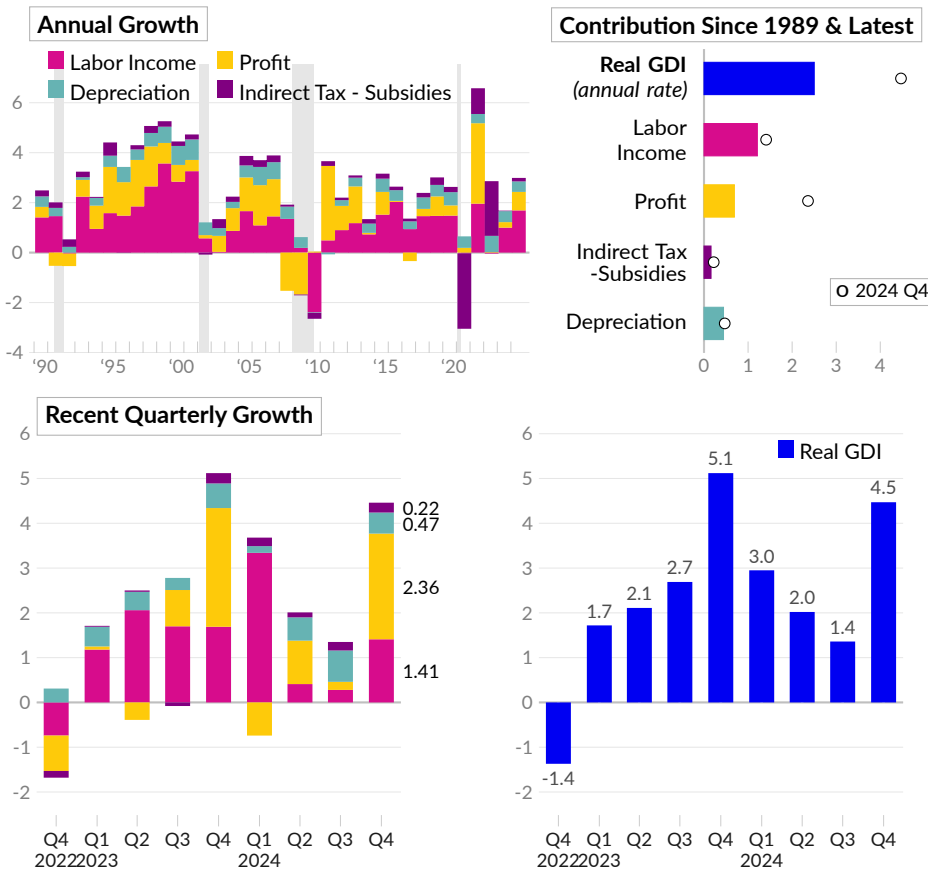
The **income approach** to calculating overall economic activity enables decomposing annualized growth into labor income (see ■), profit (see ■), indirect taxes less subsidies (see ■), and depreciation (see ■). This decomposition shows the destination of the gross domestic income (GDI) generated by increased production.

Since 1989, real GDI has grown at an annualized rate of 2.5 percent. Labor receives 1.2 percentage points of this growth, profit claims 0.7 percentage point, indirect taxes minus subsidies receive 0.2 point, and 0.4 point go to depreciation.

In the latest full year of data, 2024, real GDI increased three percent. Labor income contributed 1.7 percentage points, profit added 0.7 percentage point, indirect taxes less subsidies added 0.1 point, and 0.4 point went to depreciation.

## Real GDI Growth by Expenditure Type

percentage point contribution to real GDI growth



Source: Bureau of Economic Analysis

In the fourth quarter of 2024, real GDI increased at an annual rate of 4.5 percent, following increases of 1.4 percent in Q3 and two percent in Q2. In the latest quarter, labor income contributed 1.41 percentage points to annualized growth, profit added 2.36 percentage points, changes in indirect tax revenue and subsidies added 0.22 point, and 0.47 point went to depreciation growth.

## Household Inputs

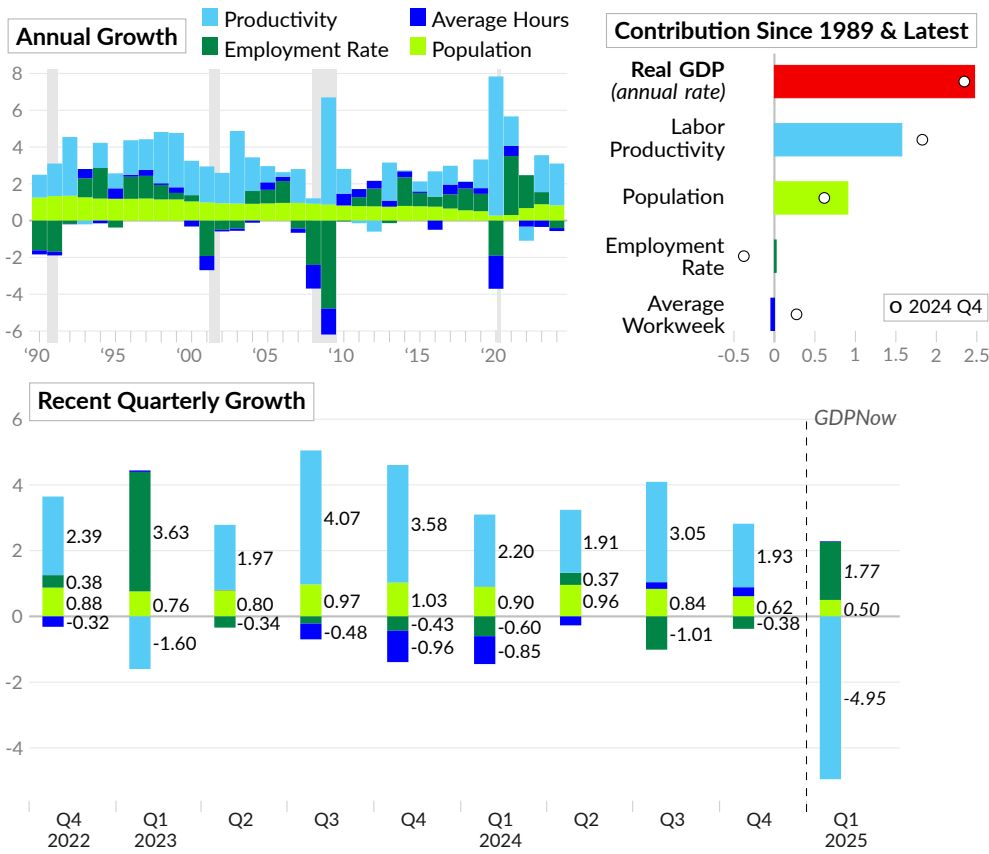
Changes to GDP can also be assigned to changes in **household inputs**: population (see ■), employment rates (see ■), average hours worked (see ■), and total economy productivity (see ■). A key distinction is whether economic growth is associated with more labor, or higher productivity.

Since 1989, and in the long-run, in general, real GDP growth is explained by population growth and labor productivity. The employment rate and average workweek have large swings during any given business cycle, but remain relatively constant since 1989. Real GDP growth of 2.5 percent per year since 1989 is explained by annualized productivity growth of 1.6 percent and population growth of 0.9 percent.

In the latest full year of data, covering 2024, growth is driven largely by an increase in labor productivity, and supported by an increase in population. Labor productivity added 2.3 percentage points, population growth added 0.8 point, and the lower employment rate subtracted 0.4 point from overall growth.

## Real GDP Growth by Household Inputs

percentage point contribution to real GDP growth



Source: BEA, FRB Atlanta, BLS, Author's Calculations

In 2024 Q4, labor productivity contributed 1.83 percentage points to GDP growth of 2.3 percent. Population growth added 0.62 point in the period. The employment rate and hours worked were little changed in the period.

Using the Atlanta Fed GDPNow and the latest available population and labor force data, we can estimate contributions to growth for 2025 Q1. Real GDP is estimated to decrease by 2.8 percent, with contributions of negative five percentage points from labor productivity and 1.8 percentage points from the higher employment rate.

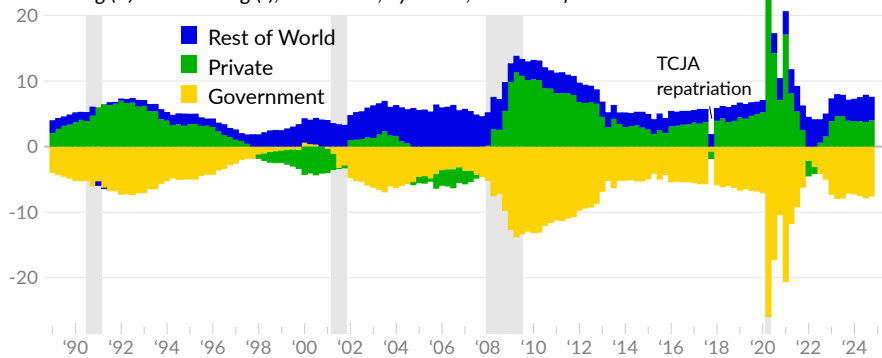
## Sectoral Balances

The **sectoral financial balances** provide a high-level summary of US financial activities, by dividing the world into three sectors: the US private sector (see ■), the US government (see ■), and the rest of the world (see ■). This framework analyzes the net lending and borrowing among these sectors. Since one sector's borrowing is another's lending, the sum of all sectors' balances is always zero.

A sector runs a surplus for a given accounting period when its income exceeds its expenditures, allowing it to lend out the resulting savings. Conversely, a sector that spends more than its income must borrow to cover the shortfall. For instance, when the public sector incurs a deficit, it becomes a net borrower, effectively generating a surplus for other sectors by spending beyond its tax revenues.

### Sectoral Financial Balance

net lending (+) or borrowing (-), NIPA basis, by sector, as share of GDP



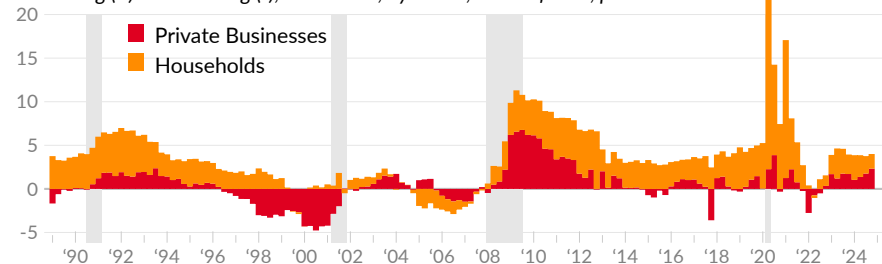
Source: Bureau of Economic Analysis

In 2024 Q4, the US private sector was a net lender (running a surplus) of the equivalent of 4.0 percent of GDP, slightly below the 4.6 percent surplus in 2019. The rest of the world was a net lender to the US to the equivalent of 3.6 percent of GDP in 2024 Q4, compared to 2.1 percent in 2019. Balancing these transactions, the government (federal, state, and local combined) was a net borrower (running a deficit) of the equivalent of 7.6 percent of GDP in 2024 Q4, compared to 6.7 percent in 2019.

Breaking out the two main categories in the private sector, households were net lenders (ran a surplus) of the equivalent of 1.7 percent of GDP in 2024 Q4 (see ■), while private businesses—corporate and noncorporate—were net lenders of the equivalent of 2.3 percent of GDP (see ■). In 2019, households were net lenders of 4.0 percent, and private businesses were net lenders of 0.6 percent.

### Domestic Private Sector Financial Balance

net lending (+) or borrowing (-), NIPA basis, by sector, share of GDP, percent



Source: Bureau of Economic Analysis

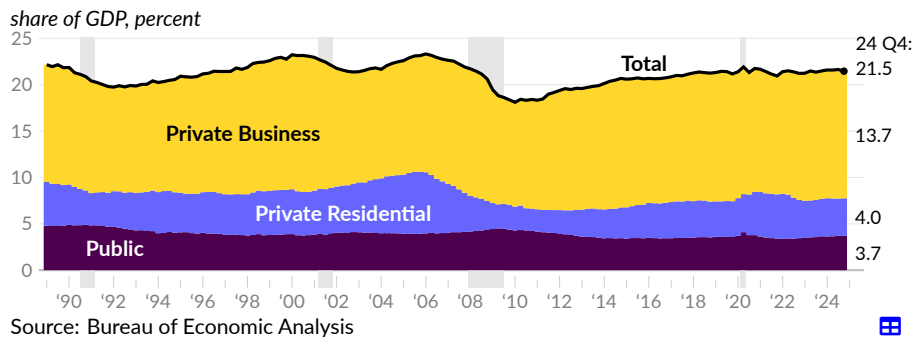
## Investment

**Investment** is the process through which tangible (nonfinancial) domestic fixed assets are created and improved. In the national accounts, investment assets have a useful life of more than one year and do not include consumer durable goods such as cars, furniture, or appliances. As such, investment is considered an exchange of assets, and distinguished from consumer spending.

In the fourth quarter of 2024, annualized US **gross fixed investment**, both public and private, totals \$6.4 trillion, or 21.5 percent of GDP (see —). Gross fixed investment is equivalent to 21.5 percent of GDP one year prior, in 2023 Q4, and averages 21.3 percent of GDP in 2019.

In 2024 Q4, private nonresidential (business) fixed investment comprises 64 percent of the total and translates to 13.7 percent of GDP (see ■). Private residential makes up 19 percent of the total and four percent of GDP (see ■). Public investment is 17 percent of the total and 3.7 percent of GDP (see ■).

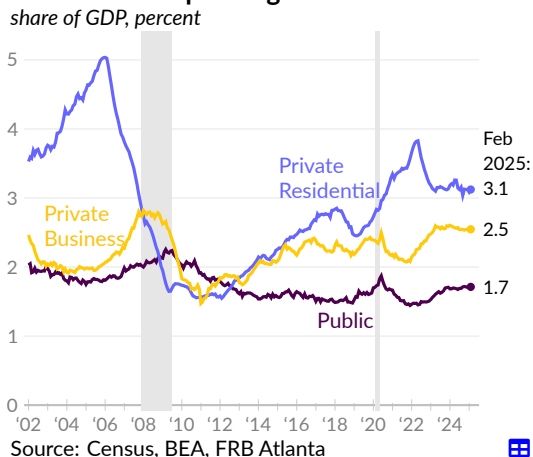
### Gross Domestic Fixed Investment



### Construction Spending

Traditionally, **construction spending** makes up a large portion of fixed investment, and a substantial portion of GDP. Each month, the Census Bureau [report](#) the dollar value of construction work done in the US. In February 2025, the annualized value of construction put-in-place is \$2.2 trillion, equivalent to 7.4 percent of GDP.

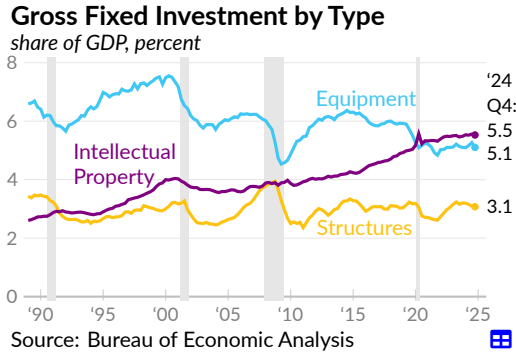
### Construction Spending



By sector, private residential construction is 3.1 percent of GDP (see —) in February 2025, private nonresidential construction is 2.5 percent (see —), and government construction is 1.7 percent (see —).

Over the past year, construction spending contributed 0.22 percentage point to nominal GDP growth. Private residential construction contributed 0.05 percentage point, private nonresidential contributed 0.06 point, and public construction added 0.10 point.

Business fixed investment encompasses structures, equipment, and intellectual property, such as software and R&D. Annualized investment in structures is \$914 billion in 2024 Q4, representing 3.1 percent of GDP (see —). Equipment investment is \$1,517 billion or 5.1 percent of GDP (see —), and intellectual property investment is \$1,643 billion, which is 5.5 percent of GDP (see —).



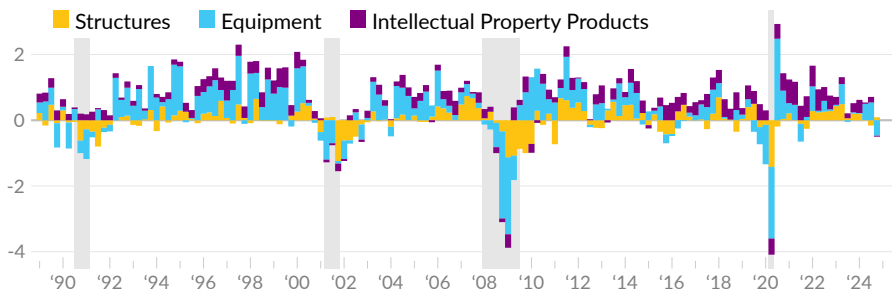
## Contribution to Growth

Business fixed investment plays an **outsized role in GDP growth**. From 1992 to 2000, business fixed investment contributed an average of 1.1 percentage points to GDP growth. Over the past three decades, the category contributed 0.6 percentage point, on average. Business investment added an average of 0.5 percentage point since 2019, and contributed 0.3 percentage point over the past year.

Private business gross fixed investment subtracted 0.41 percentage point from annualized GDP growth in 2024 Q4. Within the category, investment in structures contributed 0.09 percentage point to (see ■), investment in equipment subtracted 0.47 percentage point (see ■), and investment in intellectual property subtracted 0.03 percentage point (see ■).

## Business Gross Fixed Investment

contribution to real GDP growth, percentage points, annualized



## Business Gross Fixed Investment

contribution to real GDP growth, percentage points, annualized

|                                | 2024<br>Q4 | '24<br>Q3 | '24<br>Q2 | '23<br>Q4 | '22<br>Q4 | 1-<br>year | 10-<br>year | 30-<br>year |
|--------------------------------|------------|-----------|-----------|-----------|-----------|------------|-------------|-------------|
| Total                          | -0.41      | 0.55      | 0.53      | 0.52      | 0.76      | 0.32       | 0.50        | 0.58        |
| Structures                     | 0.09       | -0.16     | 0.01      | 0.20      | 0.28      | 0.04       | 0.03        | 0.04        |
| Equipment                      | -0.47      | 0.54      | 0.49      | 0.04      | 0.05      | 0.15       | 0.13        | 0.28        |
| Information Processing         | -0.13      | 0.29      | 0.13      | 0.16      | -0.33     | 0.09       | 0.10        | 0.19        |
| Computers & Peripherals        | -0.14      | 0.21      | 0.11      | 0.12      | -0.18     | 0.08       | 0.03        | 0.10        |
| Industrial Equipment           | -0.01      | 0.06      | -0.05     | 0.01      | 0.08      | 0.02       | 0.02        | 0.02        |
| Transportation Equipment       | -0.23      | 0.25      | 0.41      | -0.17     | 0.32      | 0.07       | 0.02        | 0.04        |
| Intellectual Property Products | -0.03      | 0.17      | 0.04      | 0.28      | 0.42      | 0.15       | 0.34        | 0.26        |
| Software                       | 0.06       | 0.06      | 0.05      | 0.21      | 0.27      | 0.10       | 0.20        | 0.15        |
| Research & Development         | -0.09      | 0.11      | -0.01     | 0.10      | 0.16      | 0.04       | 0.13        | 0.09        |

Source: Bureau of Economic Analysis

## Income, Spending, and Saving

The next subsections cover household and personal income, consumer spending, and personal saving. This subsection offers an overview, with mean and median per capita measures, adjusted for inflation to February 2025 dollars.

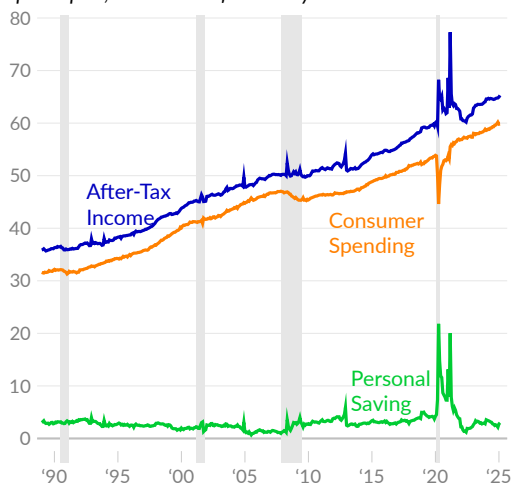
In the national accounts, disposable personal income, or **after-tax income**, totals \$22.3 trillion, on an annualized basis, in February 2025, equivalent to \$65,285 per person (see —). Personal consumption expenditures, or **consumer spending**, totals \$20.4 trillion in February 2025, or \$59,836 per person (see —). **Personal saving**, calculated as after-tax income minus consumer spending and other outlays such as interest payments, totals \$1.02 trillion, or \$2,985 per person (see —).

The Consumer Expenditure Surveys [report](#) spending by income level, including for the median household. The median is not affected by the activities of the highest income households, which skew the average (mean). Personal saving is calculated as after-tax income minus spending, excluding spending on pensions.

In 2023, inflation-adjusted after-tax income is \$27,470 per person for the middle fifth of households (see —). Spending for these households is \$24,723 per person (see —), and saving is \$2,747 per person (see —).

### Average Income, Spending, and Saving

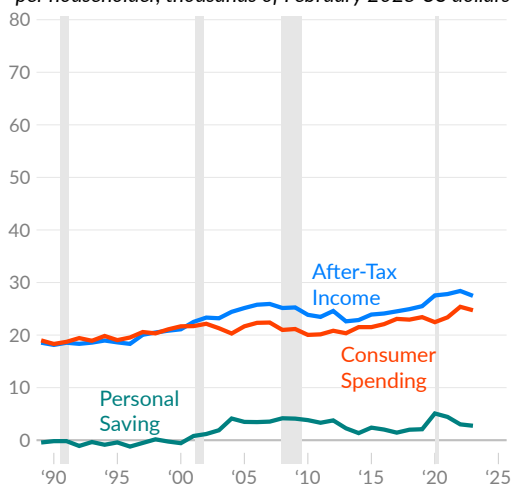
per capita, thousands of February 2025 US dollars



Source: Bureau of Economic Analysis

### Median (Middle Quintile Average)

per householder, thousands of February 2025 US dollars



Source: Census Bureau

### Average Income, Spending, and Saving

per capita, seasonally-adjusted annualized rate, February 2025 US dollars

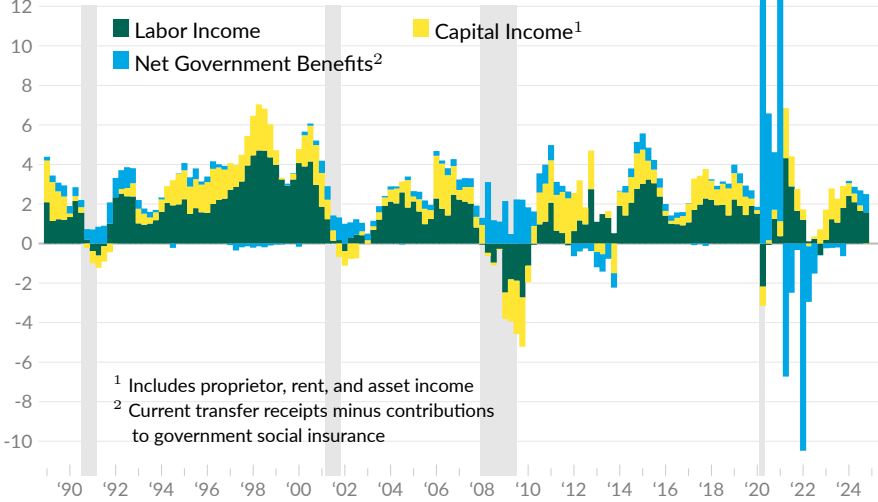
|                        | Feb '25  | Jan '25 | Dec '24 | Nov '24 | Feb '24 | Feb '20 |
|------------------------|----------|---------|---------|---------|---------|---------|
| Personal Income        | \$74,480 | 74,182  | 73,971  | 73,965  | 73,568  | 68,543  |
| Personal Current Taxes | 9,195    | 9,220   | 9,188   | 9,203   | 8,969   | 8,248   |
| — After-Tax Income     | 65,285   | 64,962  | 64,782  | 64,762  | 64,599  | 60,295  |
| Personal Outlays       | 62,299   | 62,181  | 62,647  | 62,354  | 61,133  | 55,751  |
| — Consumer Spending    | 59,836   | 59,798  | 60,190  | 59,884  | 58,697  | 53,758  |
| Interest Payments      | 1,649    | 1,644   | 1,640   | 1,652   | 1,616   | 1,266   |
| — Personal Saving      | 2,985    | 2,781   | 2,135   | 2,408   | 3,466   | 4,544   |

Source: Bureau of Economic Analysis



## Personal Income

percentage point contribution to one-year real pre-tax income growth



Aggregate real personal income increased 2.47 percent over the year ending 2024 Q4. Labor income contributed 1.58 percentage points to overall growth, capital income subtracted 0.03 percentage point, and net government benefits contributed 0.92 percentage point.

## Personal Income by Source

percentage point contribution to one-year real pre-tax income growth

moving averages

|                                      | 2024<br>Q4 | '24<br>Q3 | '24<br>Q2 | '24<br>Q1 | '23<br>Q4 | 1-year | 10-<br>year | 30-<br>year |
|--------------------------------------|------------|-----------|-----------|-----------|-----------|--------|-------------|-------------|
| Personal Income (Pre-Tax Income)     | 2.47       | 2.69      | 2.87      | 3.18      | 2.27      | 2.80   | 2.81        | 2.74        |
| ■ Labor                              | 1.58       | 1.65      | 2.09      | 2.41      | 1.80      | 1.93   | 1.52        | 1.54        |
| Wages & Salaries                     | 1.27       | 1.29      | 1.68      | 1.96      | 1.35      | 1.55   | 1.34        | 1.29        |
| Supplements to Wages & Salaries      | 0.31       | 0.36      | 0.40      | 0.45      | 0.45      | 0.38   | 0.17        | 0.24        |
| ■ Capital                            | -0.03      | 0.28      | 0.44      | 0.64      | 1.11      | 0.33   | 0.80        | 0.80        |
| Proprietors' Income                  | 0.07       | 0.06      | 0.07      | -0.06     | 0.00      | 0.03   | 0.12        | 0.25        |
| Rental Income                        | 0.14       | 0.16      | 0.18      | 0.24      | 0.30      | 0.18   | 0.13        | 0.16        |
| Personal Interest Income             | -0.16      | 0.06      | 0.20      | 0.33      | 0.70      | 0.11   | 0.17        | 0.10        |
| Personal Dividend Income             | -0.08      | 0.00      | -0.01     | 0.13      | 0.11      | 0.01   | 0.38        | 0.29        |
| ■ Net Government Benefits            | 0.92       | 0.76      | 0.34      | 0.12      | -0.64     | 0.54   | 0.48        | 0.41        |
| Government Social Benefits           | 0.95       | 0.81      | 0.47      | 0.35      | -0.34     | 0.64   | 0.65        | 0.57        |
| Social Security                      | 0.25       | 0.25      | 0.22      | 0.22      | 0.49      | 0.24   | 0.18        | 0.16        |
| Medicare                             | 0.24       | 0.20      | 0.17      | 0.18      | 0.21      | 0.20   | 0.15        | 0.15        |
| Medicaid                             | 0.28       | 0.19      | -0.04     | 0.02      | 0.02      | 0.11   | 0.14        | 0.13        |
| Unemployment Insurance               | -0.00      | 0.00      | 0.01      | 0.02      | 0.04      | 0.01   | 0.03        | 0.01        |
| Veterans' Benefits                   | 0.06       | 0.07      | 0.07      | 0.09      | 0.10      | 0.07   | 0.05        | 0.03        |
| Other                                | 0.13       | 0.11      | 0.05      | -0.16     | -1.21     | 0.03   | 0.11        | 0.10        |
| Less: Social Insurance Contributions | -0.08      | -0.09     | -0.16     | -0.25     | -0.25     | -0.14  | -0.20       | -0.19       |

Source: Bureau of Economic Analysis

## Sources of Consumer Spending Growth

Researchers typically decompose changes in spending based on categories of spending, but we can also view **spending as the result of income and saving**. Ultimately, spending comes from income. Income, however, is more volatile than spending, and households use saving to smooth their consumption across spikes in income and across their lifespan.

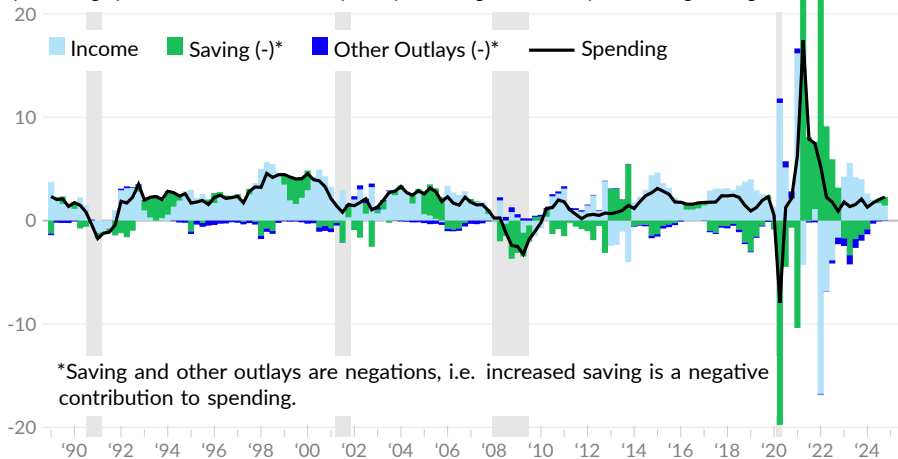
To see this pattern, the following charts show the contribution to changes in real per capita consumer spending (see —) from changes in income (see ■), changes in personal saving (see ■), and changes in other outlays (see ■) such as interest payments, fines, fees, and charitable giving. Changes in spending and other outlays are negations in this approach, as increased saving means reduced spending. In the charts below, a *reduction* in saving or other outlays positively contributes to spending.

Since 1989, annualized real per capita consumer spending growth of 1.8 percent is explained by a 1.9 percent increase in disposable income. Saving was virtually unchanged, while increases in other outlays subtracted 0.1 percentage point per year.

Spending increased at an average rate of 2.3 percent over the four quarters ending 2024 Q4. Higher income added 1.4 percentage points, decreased saving added 0.9 percentage point, and decreases in other outlays didn't affect the total.

### Contributions to Consumer Spending Growth

percentage point contribution to real per capita PCE growth, one-year moving average



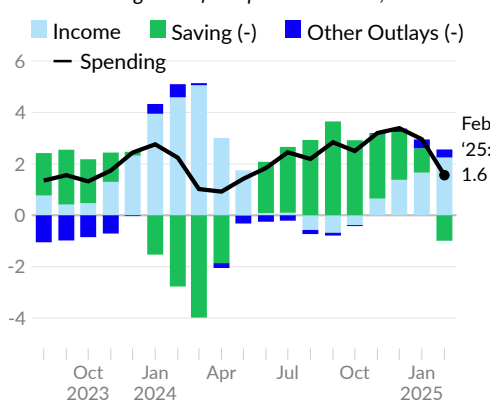
Source: Bureau of Economic Analysis

Real per capita consumer spending over the past three months compared with the previous three months shows annualized growth of 1.6 percent in February 2025. Higher income contributed 2.2 percentage points, increased saving subtracted one percentage point, and decreases in other outlays contributed 0.3 percentage point.

Higher interest rates, which count as other outlays, can eat into consumer spending. Since the start of 2022, increases in other outlays have reduced consumer spending by 0.4 percentage point per year.

### Recent Contributions

last 3 months growth from prev. 3 months, annualized



Source: Bureau of Economic Analysis

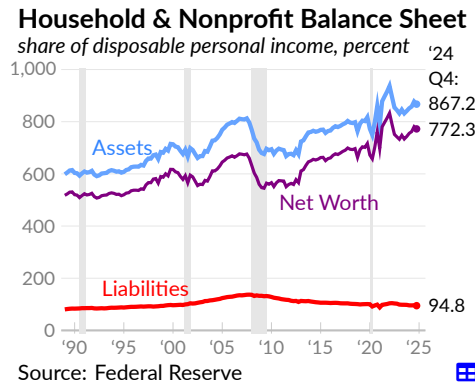
## Household Balance Sheets

The vast majority of US wealth is found on private **household balance sheets**. Households own residential real estate and consumer durable goods, but also own equity in businesses, directly and indirectly, and hold financial claims on businesses and on the public sector. This subsection discusses household debt, assets, and net worth.

According to the US financial accounts, the combined household and nonprofit sectors have \$190.2 trillion in assets and \$20.8 trillion in liabilities, resulting in a net worth of \$169.4 trillion, as of 2024 Q4.

Household balance sheets have grown relative to income. In 2024 Q4, assets are equivalent to 867.2 percent of disposable personal income (DPI), compared to 607.7 percent in 1989 (see —). Household liabilities are currently 94.8 percent of DPI, compared to 82.3 percent in 1989 (see —).

Household net worth is equivalent to 772.3 percent of DPI in 2024 Q4, 703.6 percent in 2019, and 525.4 percent in 1989 (see —).



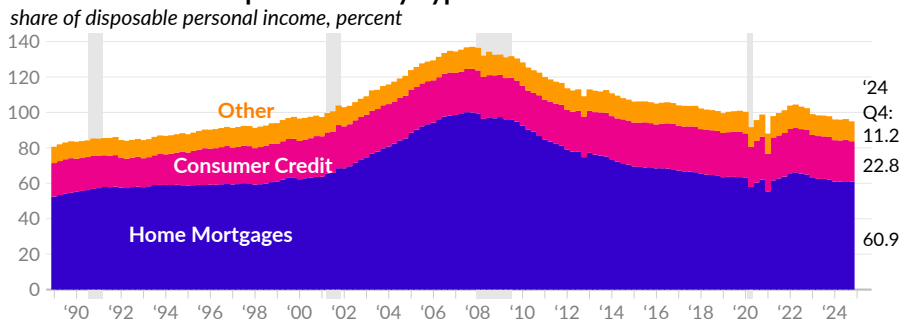
## Liabilities

**Household liabilities** affect consumer behavior and can signal potential economic risks. The primary form of household debt is home mortgages, but there has been a substantial increase in consumer debt as well. This subsection examines household debt using two data sources: the financial accounts, and the Federal Reserve Bank of New York's Consumer Credit Panel.

The liabilities of households and nonprofit institutions total \$20.8 trillion in 2024 Q4, as [reported](#) by the Federal Reserve. Home mortgages are the main household liability, and total \$13.3 trillion (see ■). Consumer credit liabilities include auto loans, credit card debt, student loans, and other personal loans, and total \$5.0 trillion (see ■). The remaining liabilities are primarily attributable to nonprofits (see ■).

The ratio of household and nonprofit debt to disposable personal income has fallen to 95.0 percent in 2024 Q4 from the housing bubble peak of 137.0 percent in 2007. Over the past five years, household and nonprofit debt has increased 25.8 percent while disposable personal income increased 33.8 percent. As a result, the debt-to-income ratio has fallen by six percentage points.

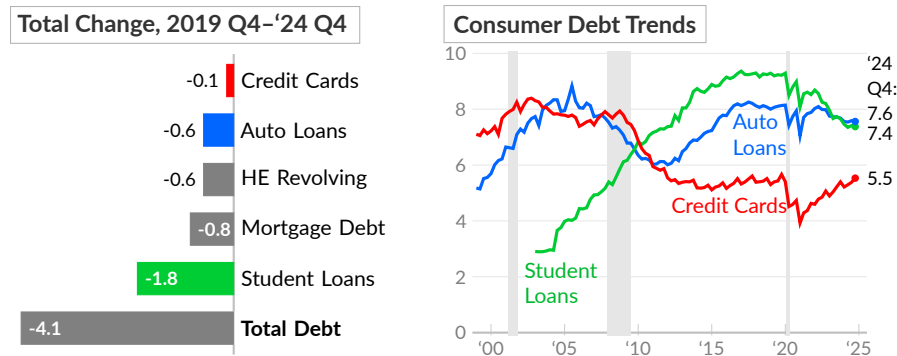
## Household and Nonprofit Debt by Type



Federal Reserve Bank of New York (FRBNY) [data](#) show \$18.0 trillion in **household debt** in the fourth quarter of 2024, which translates to 82.4 percent of disposable personal income. Over the past five years, household debt increased by \$3.89 trillion, compared to a \$5.53 trillion increase in disposable personal income. As a result, the ratio of debt to income dropped by 4.1 percentage points over this period.

## Household Debt

share of disposable personal income, percent



Source: Federal Reserve Bank of New York and Bureau of Economic Analysis

The FRBNY data show mortgage debt, including home equity lines of credit, totals \$13.00 trillion in the fourth quarter of 2024, equivalent to 59.4 percent of disposable personal income. Student loans total \$1,615 billion, or 7.4 percent of income; auto loans total \$1,655 billion (7.6 percent of income); and credit card debt is \$1,211 billion (5.5 percent of income).

Over the past five years, the ratio of total mortgage debt to disposable personal income fell by 1.4 percentage points, compared to a decrease of 1.8 percentage points for student loans, a decrease of 0.6 percentage point for auto loans, and a decrease of 0.1 percentage point for credit card debt.

## Household Debt Outstanding

trillions of US dollars

share of disposable personal income

|                             | 2024 Q4  | 2024 Q3  | '24 Q4 | '24 Q3 | '19 Q4 | '13 Q1 | '03 Q1 |
|-----------------------------|----------|----------|--------|--------|--------|--------|--------|
| Financial Accounts Total    | \$20.79T | \$20.85T | 95.0   | 96.3   | 101.0  | 113.0  | 109.1  |
| ■ Mortgage Debt Total       | \$13.34T | \$13.24T | 60.9   | 61.1   | 63.5   | 77.2   | 74.7   |
| ■ Consumer Credit           | \$4.99T  | \$5.06T  | 22.8   | 23.4   | 25.6   | 23.8   | 24.0   |
| ■ Other                     | \$2.46T  | \$2.55T  | 11.2   | 11.8   | 11.9   | 12.0   | 10.4   |
| Consumer Credit Panel Total | \$18.04T | \$17.94T | 82.4   | 82.8   | 86.4   | 91.7   | 87.3   |
| Mortgage Debt Total         | \$13.00T | \$12.98T | 59.4   | 59.9   | 60.8   | 69.2   | 62.6   |
| Mortgage                    | \$12.61T | \$12.59T | 57.6   | 58.1   | 58.4   | 64.7   | 59.6   |
| Home Equity Revolving       | \$0.40T  | \$0.39T  | 1.8    | 1.8    | 2.4    | 4.5    | 2.9    |
| Consumer Credit             | \$5.04T  | \$4.96T  | 23.0   | 22.9   | 25.7   | 22.4   | 24.7   |
| ■ Auto Loan                 | \$1.66T  | \$1.64T  | 7.6    | 7.6    | 8.1    | 6.5    | 7.7    |
| ■ Credit Card               | \$1.21T  | \$1.17T  | 5.5    | 5.4    | 5.7    | 5.4    | 8.3    |
| ■ Student Loan              | \$1.61T  | \$1.61T  | 7.4    | 7.4    | 9.2    | 8.0    | 2.9    |
| Other                       | \$0.55T  | \$0.55T  | 2.5    | 2.5    | 2.6    | 2.5    | 5.8    |

Source: Federal Reserve, Federal Reserve Bank of New York, Bureau of Economic Analysis  
Financial Accounts include debt of nonprofit institutions and the Consumer Credit Panel does not include people without a social security number.

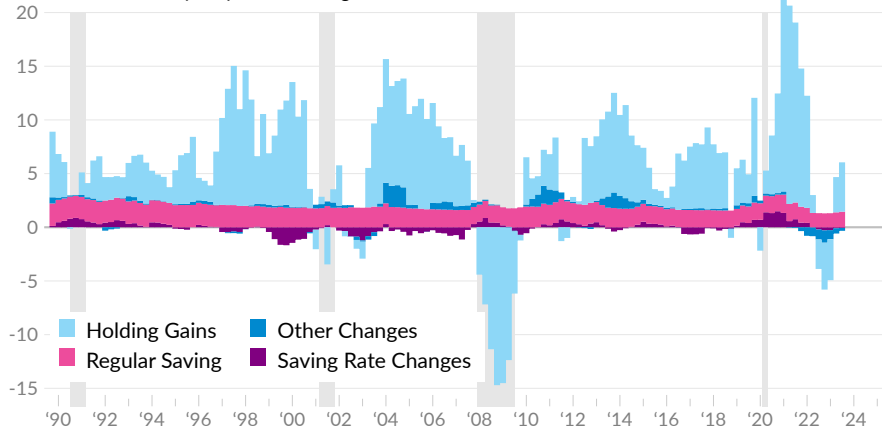
## Changes in Wealth

**Household wealth growth** is largely determined by capital gains (see ■), but is also the result of new saving. The portion of aggregate household income that isn't consumed by the household sector becomes net investment in the economy and adds to household wealth. Since 1989, household net investment averages 10 percent of after-tax income.

In the following chart, income invested at the historical-average rate (see ■) is shown separately from investment that is above or below trend (see ■). The separation distinguishes changes in disposable personal income from changes in decisions about how to use that income. Separately, changes in data sources or from natural disasters are identified as other volume changes (see ■).

### Net Worth Growth

*contribution to one-year percent change in net worth, nominal*



Source: Federal Reserve, Bureau of Economic Analysis

In the third quarter of 2023, holding gains contributed 4.6 percentage points to the 5.7 percent change in household net worth. Income invested at the 1989-onward average rate of 10.4 percent would have contributed 1.5 percentage points, and cyclical activity in investment did not seem to play a role as household net investment was 9.9 percent of disposable person income in 2023 Q3. Other volume changes subtracted 0.3 percentage point.

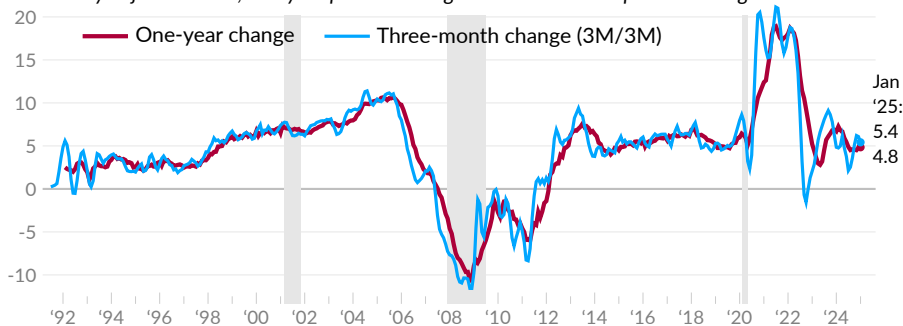
Over the past four years, net worth grew at an average rate of 7.9 percent. Holding gains contributed 6.1 percentage points to this total, on average; net investment of income contributed two percentage points; and other volume changes contributed 0.3 percentage point.

## Housing Prices

The Federal Housing Finance Agency (FHFA) **house price index** [measures](#) changes in the price of the same home. The seasonally-adjusted index increased 4.8 percent over the year ending January 2025 (see [—](#)). The average of the latest three months of data compared to the previous three months shows an annualized growth rate of 5.4 percent (see [—](#)). In December 2024, the one-year growth rate was 4.8 percent and the three-month growth rate was 6.1 percent. Home prices in the Middle Atlantic region, which includes New Jersey, New York, and Pennsylvania, increased 8.2 percent in January 2025, the highest one-year growth rate.

### House Price Index

*seasonally adjusted index, one-year percent change and three-month percent change*



Source: Federal Housing Finance Agency

### House Price Growth

*seasonally adjusted, one-year percent change*

|                      | Jan '25 | Dec '24 | Nov '24 | Oct '24 | Jan '24 | Jan '23 | Jan '22 | '03-'05 Average | '09-'12 Average |
|----------------------|---------|---------|---------|---------|---------|---------|---------|-----------------|-----------------|
| Middle Atlantic      | 8.2     | 7.2     | 6.8     | 7.0     | 9.1     | 5.7     | 13.9    | 11.3            | -2.3            |
| New England          | 7.3     | 7.9     | 7.6     | 6.3     | 9.0     | 6.4     | 16.3    | 10.3            | -2.3            |
| East North Central   | 6.9     | 6.4     | 6.1     | 6.8     | 8.5     | 6.1     | 14.3    | 4.3             | -2.4            |
| West North Central   | 5.0     | 5.2     | 5.1     | 4.9     | 7.3     | 5.8     | 13.3    | 5.4             | -1.2            |
| <b>United States</b> | 4.8     | 4.8     | 4.5     | 4.6     | 6.7     | 5.2     | 18.0    | 9.2             | -2.5            |
| East South Central   | 4.8     | 4.0     | 3.9     | 5.5     | 5.2     | 8.3     | 18.8    | 5.1             | -1.7            |
| South Atlantic       | 3.9     | 4.4     | 4.5     | 3.9     | 6.3     | 8.8     | 21.6    | 11.3            | -3.7            |
| Mountain             | 3.7     | 5.1     | 3.4     | 3.5     | 5.8     | 1.7     | 23.4    | 11.0            | -4.2            |
| Pacific              | 3.6     | 2.9     | 2.9     | 2.7     | 5.4     | -1.4    | 20.1    | 18.3            | -3.9            |
| West South Central   | 2.4     | 2.4     | 2.2     | 2.4     | 4.8     | 5.2     | 18.2    | 4.3             | 0.3             |

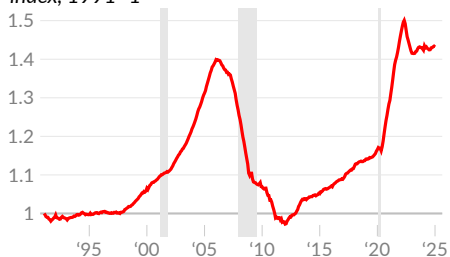
Source: Federal Housing Finance Agency

The purchase price of housing should move with the rental price. When housing prices exceed the rental equivalent, it may suggest that housing is overvalued.

During the housing bubble that caused the great recession, housing prices reached more than 40 percent above the rental equivalent. As of January 2025, housing prices are 43.2 percent above the rental equivalent (see [—](#)).

### Housing Price to Rent Ratio

*index, 1991=1*



Source: FHFA, BLS

# Government

## Effect of Government Programs

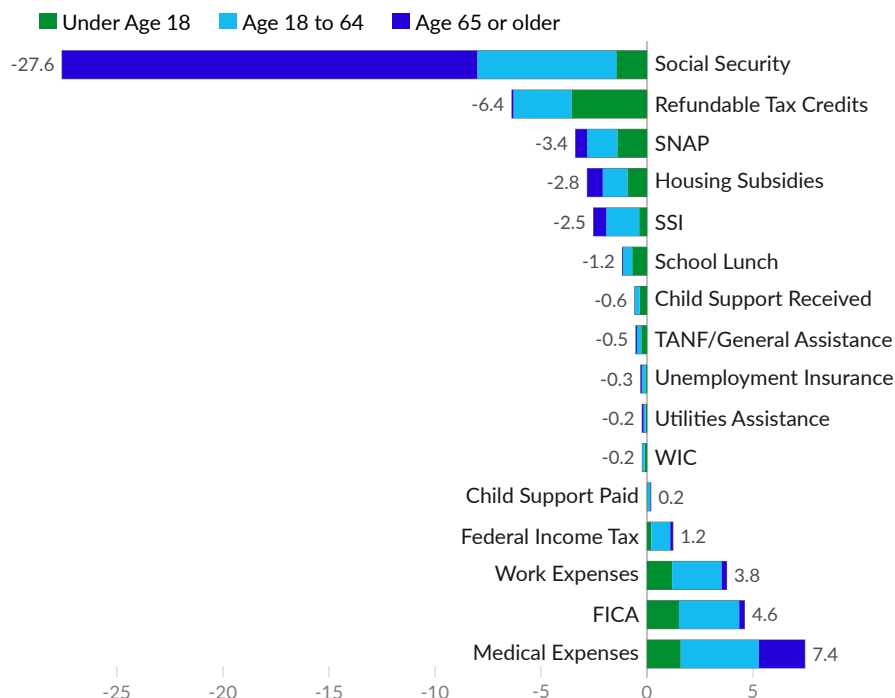
The Census Bureau [report the number of people taken out of poverty by various programs](#), along with how many people are put in poverty by various expenses. In 2023, Social Security payments lift income above the poverty line for 27.6 million people, by far the most effective program for reducing poverty.

Refundable tax credits, which include the refundable portion of the child tax credit and the earned income tax credit, remove 6.4 million people from poverty, including 3.6 million children. Supplemental nutrition assistance (SNAP) removes 3.4 million people from poverty, while school lunch programs remove 1.2 million. Public assistance and welfare programs take 522,000 people out of poverty.

Several elements add to the number of people in poverty. Medical expenses are the most significant, and push 7.4 million people into poverty. Federal payroll taxes for Social Security and Medicare put 4.6 million people in poverty. Work expenses additionally put 3.8 million people in poverty.

## Effect of Individual Elements on Poverty Headcount

individual element effect on number of people in poverty, in millions of people, 2023



Refundable tax credits include the refundable portion of the child tax credit and the earned income tax credit. SNAP is the Supplemental Nutrition Assistance Program, SSI is Supplemental Security Income, TANF is Temporary Assistance for Needy Families, WIC is special supplemental nutrition assistance for women, infants, and children, and FICA is Federal Insurance Contributions Act payroll taxes.

Source: Author's Replication of Census Bureau Report



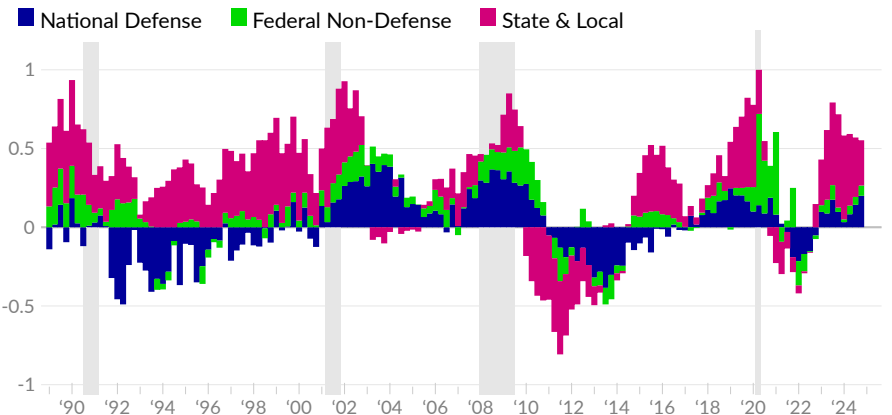
## Contribution to Growth

Government consumption and investment directly affect economic growth in the short-term. In the fourth quarter of 2024, government consumption spending and investment contributed 0.52 percentage point to the real GDP growth rate of 2.4 percent. Over the last four quarters, government consumption and investment contributed 0.55 percentage point to economic growth, on average. Since 1989, the average contribution has been 0.26 percentage points.

Over the four quarters ending 2024 Q4, by level of government, national defense contributed 0.20 percentage point (see ■), federal non-defense contributed 0.07 percentage point (see ■), and state and local government contributed 0.29 percentage point (see ■).

### Government Consumption and Investment

percentage point contribution to real GDP growth, one-year moving average



Source: Bureau of Economic Analysis

### Government Consumption and Investment

percentage point contribution to real GDP growth

moving averages

|                               | 2024<br>Q4 | '24<br>Q3 | '24<br>Q2 | '23<br>Q4 | '22<br>Q4 | 1-<br>year | 10-<br>year | 30-<br>year |
|-------------------------------|------------|-----------|-----------|-----------|-----------|------------|-------------|-------------|
| Consolidated Government Total | 0.52       | 0.86      | 0.52      | 0.61      | 0.90      | 0.55       | 0.37        | 0.27        |
| Federal Total                 | 0.25       | 0.55      | 0.27      | -0.02     | 0.54      | 0.26       | 0.14        | 0.12        |
| ■ National Defense            | 0.18       | 0.48      | 0.23      | -0.05     | 0.26      | 0.20       | 0.06        | 0.05        |
| Consumption Expenditures      | 0.15       | 0.32      | 0.10      | -0.05     | 0.03      | 0.14       | 0.04        | 0.03        |
| Gross Investment              | 0.03       | 0.16      | 0.13      | 0.00      | 0.24      | 0.06       | 0.03        | 0.02        |
| ■ Federal Non-Defense         | 0.08       | 0.07      | 0.04      | 0.02      | 0.28      | 0.06       | 0.08        | 0.06        |
| Consumption Expenditures      | 0.06       | 0.06      | 0.03      | -0.01     | 0.20      | 0.06       | 0.04        | 0.04        |
| Gross Investment              | 0.02       | 0.01      | 0.01      | 0.03      | 0.07      | 0.01       | 0.04        | 0.02        |
| ■ State & Local Total         | 0.27       | 0.31      | 0.25      | 0.63      | 0.36      | 0.29       | 0.22        | 0.16        |
| Consumption Expenditures      | 0.18       | 0.22      | 0.16      | 0.21      | 0.29      | 0.18       | 0.17        | 0.12        |
| Gross Investment              | 0.09       | 0.09      | 0.09      | 0.42      | 0.07      | 0.10       | 0.05        | 0.03        |

Source: Bureau of Economic Analysis



## Government Receipts and Expenditures

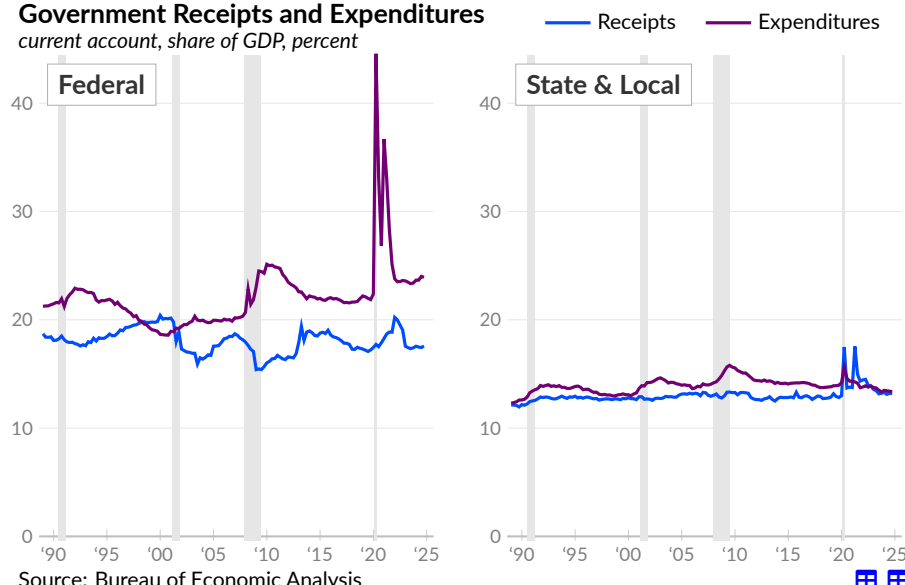
Government current expenditures include consumption and investment as well as transfers such as government social benefits to persons. Government spending provides services and income to people. Government current receipts come primarily from taxes. When government expenditures exceed receipts, it is referred to as a *government deficit*, and corresponds to a private sector surplus. A large government deficit, relative to GDP, means the government is increasing current household income and corporate profits.

Federal government expenditures total \$7.1 trillion, or 23.9 percent of GDP, in 2024 Q4. Receipts for the same period total \$5.2 trillion or 17.6 percent of GDP. In 2024 Q4, the federal government deficit was \$1,886 billion or 6.3 percent of GDP.

Combined state and local government expenditures total \$4.0 trillion, or 13.4 percent of GDP, in 2024 Q4. Receipts for the same period total \$3.9 trillion or 13.2 percent of GDP. In 2024 Q4, the combined state and local government deficit was \$46 billion or 0.2 percent of GDP.

### Government Receipts and Expenditures

current account, share of GDP, percent



Source: Bureau of Economic Analysis

### Government Receipts and Expenditures

percent of GDP

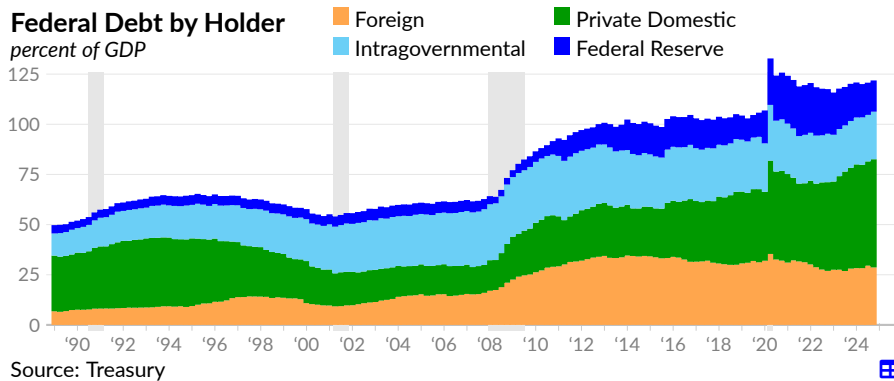
|                                     | moving average |        |        |        |        |        |        |         |         |
|-------------------------------------|----------------|--------|--------|--------|--------|--------|--------|---------|---------|
|                                     | '24 Q4         | '24 Q3 | '24 Q2 | '23 Q4 | '22 Q4 | '19 Q4 | 4-year | 10-year | 30-year |
| <b>Federal Government</b>           |                |        |        |        |        |        |        |         |         |
| Receipts                            | 17.6           | 17.4   | 17.5   | 17.4   | 19.1   | 17.2   | 18.3   | 18.1    | 18.0    |
| Expenditures                        | 23.9           | 24.0   | 23.7   | 23.4   | 23.6   | 21.9   | 25.4   | 24.3    | 22.2    |
| Surplus (+) / Deficit (-)           | -6.3           | -6.6   | -6.2   | -6.0   | -4.6   | -4.6   | -7.1   | -6.2    | -4.1    |
| <b>State &amp; Local Government</b> |                |        |        |        |        |        |        |         |         |
| Receipts                            | 13.2           | 13.2   | 13.1   | 13.2   | 13.9   | 12.8   | 14.0   | 13.5    | 13.1    |
| Expenditures                        | 13.4           | 13.4   | 13.4   | 13.4   | 13.9   | 14.0   | 13.7   | 14.0    | 14.0    |
| Surplus (+) / Deficit (-)           | -0.2           | -0.2   | -0.3   | -0.1   | -0.0   | -1.1   | 0.2    | -0.5    | -0.9    |

Source: Bureau of Economic Analysis

## Liabilities

Federal government public debt **totals** \$36.2 trillion in 2024 Q4, equivalent to 121.9 percent of GDP. This debt is **held by a mixture of investors**, including private domestic investors, overseas investors, the Federal Reserve, and government agencies and trusts (referred to as intragovernmental holdings).

Breaking down federal debt by holder, \$16.0 trillion, or 44.3 percent of the total, is held by private domestic investors (see ■). An additional \$8.5 trillion, or 23.5 percent of the total, is held by foreign investors (see ■). The remainder is held by the Federal Reserve (see ■) and various government agencies and trusts (see ■), such as the Social Security Trust Fund.

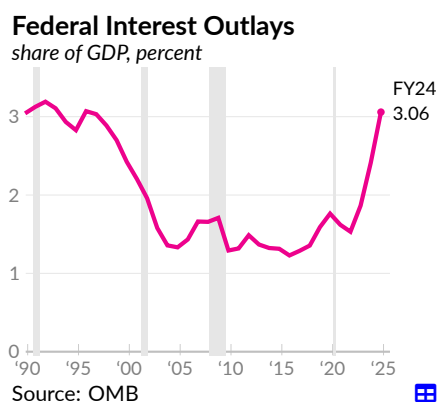


## Interest Expense

The ratio of public debt to GDP increased during the COVID-19 response, while the typical interest income from holding public debt initially fell because of lower interest rates. Treasuries and other government debt securities provide a safe asset for the balance sheets domestic households and businesses, and for foreign investors. The Federal Reserve also initially absorbed some of the newly issued treasuries. More recently, the Federal Reserve has raised interest rates and reduced the size of its balance sheet, which has increased interest income in the economy.

The Office of Management and Budget **report federal interest outlays** of \$882 billion in fiscal year 2024 (the year beginning October 1, 2023), compared to \$659 billion in fiscal year 2023.

Put into the context of the size of the economy, federal interest outlays in fiscal year 2024 were equivalent to 3.06 percent of GDP (see —), following 2.41 percent of GDP in FY2023 and 1.86 percent in FY2022, and compared to an average of 2.9 percent in the 1990s, when interest rates were substantially higher.



# International Transactions

Transactions between US residents and the rest of the world are recorded in two main categories: the current account, which tracks nonfinancial transactions with economic value, and the financial account, which records financial transactions like lending and borrowing. This section delves into both accounts, with a focus on the balance of payments, the difference between payments from residents and payments to residents. The section also covers international trade and discusses trends in exchanges rates.

## Balance of Payments

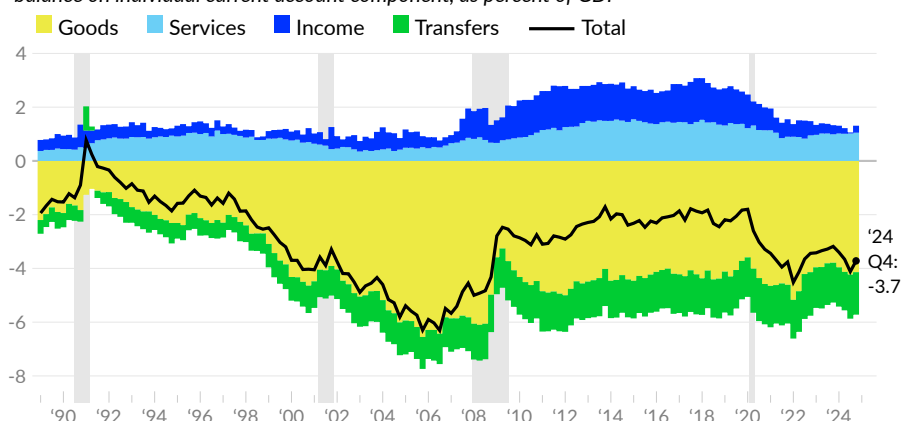
The **current account balance** reflects international transactions for goods and services, transfers such as remittances, and ownership income from foreign assets. It comprises current receipts—payments to US residents primarily for exports of goods and returns on foreign assets—and current payments—payments from US residents to the rest of the world for imports, returns on foreign investment in the US, and transfers such as remittances.

This balance is further broken down into four components: the trade balance for goods (see ■), the trade balance for services (see ■), the primary income balance (covering wages and asset income, see ■), and the secondary income balance (including remittances and taxes, see ■).

As of 2024 Q4, the US runs a current account deficit of 3.7 percent of GDP, primarily as the result of a trade deficit on goods of 4.1 percent of GDP. In 2024 Q3, the current account deficit was equivalent to 4.1 percent of GDP, and the trade deficit was equivalent to 4.2 percent.

### Current Account Balance

balance on individual current account component, as percent of GDP



Source: Bureau of Economic Analysis

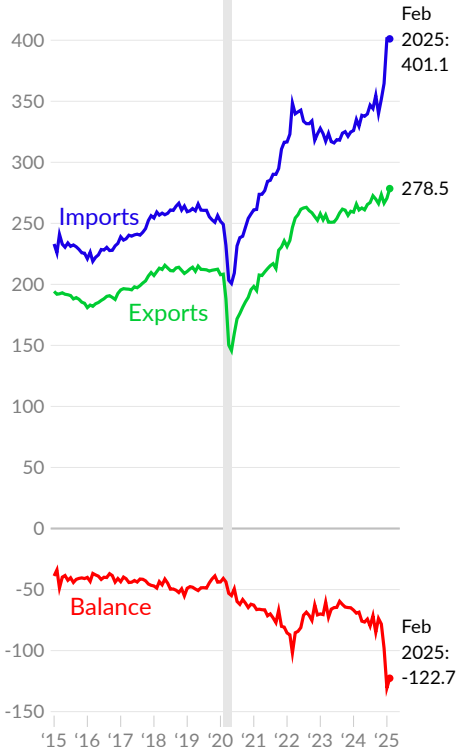
US current payments exceed current receipts and the US runs a persistent current account deficit. Economic theory suggests that capital flows towards countries with lower labor costs and less capital per worker, as they have higher marginal productivity from additional capital. However, in the case of the US, the opposite is happening. Capital is flowing from less-developed countries with lower wages into the US, largely to finance additional US consumer spending on imported goods.

International Trade

Each month, the Census Bureau [report goods and services trade](#) between the US and the rest of the world. US purchases of foreign goods and services are classified as imports and foreign purchases of US goods and services are exports. The trade of goods includes consumer goods, industrial equipment, and agricultural products. Services trade includes travel and tourism, business services, and charges for the use of intellectual property, among other services.

US Imports and Exports

billions of US dollars, seasonally adjusted



Source: Census Bureau



US goods and services imports total \$401.1 billion in February 2025, following \$401.2 billion in January (see —). Imports average \$389.0 billion over the latest three months of data, and \$328.6 billion during the same months, one year prior. In 2019, monthly US imports average \$258.8 billion. For additional context, imports are equivalent to \$1,174 per capita, in the latest month.

The US exported \$278.5 billion of goods and services in February 2025, following \$270.5 billion in January (see —). The three-month average was \$271.8 billion in February, and \$261.6 billion one year prior. Exports were \$212.2 billion per month, on average, in 2019. In the latest month, exports are equivalent to \$815 per capita or \$1,705 per worker.

Spending on imports exceeds payments received for exports, resulting in a trade deficit. In February, the trade deficit was \$122.7 billion, following \$130.7 billion in January (see —). Over the past three months, the average trade deficit is \$117.1 billion, compared to \$67.0 billion one year prior. In 2019, the average monthly trade deficit is \$46.6 billion.

International Trade

billions of US dollars, seasonally adjusted

|                   |          |          |          | quarterly average |          |         |         |         |
|-------------------|----------|----------|----------|-------------------|----------|---------|---------|---------|
|                   | Feb 2025 | Jan 2025 | Dec 2024 | Feb 2024          | Feb 2023 | 2024 Q4 | 2024 Q3 | 2024 Q2 |
| Total Balance (—) | -122.7   | -130.7   | -98.1    | -69.3             | -70.5    | -83.3   | -78.8   | -75.6   |
| Goods Balance     | -147.0   | -155.8   | -123.3   | -93.5             | -92.4    | -108.7  | -103.2  | -99.6   |
| Services Balance  | 24.3     | 25.2     | 25.2     | 24.2              | 21.9     | 25.4    | 24.4    | 24.0    |
| Total Exports (—) | 278.5    | 270.5    | 266.5    | 265.8             | 252.9    | 268.7   | 269.8   | 263.0   |
| Goods Exports     | 181.9    | 173.6    | 170.1    | 175.8             | 169.9    | 173.1   | 176.7   | 172.3   |
| Services Exports  | 96.5     | 96.9     | 96.4     | 89.9              | 83.0     | 95.7    | 93.1    | 90.8    |
| Total Imports (—) | 401.1    | 401.2    | 364.6    | 335.1             | 323.4    | 352.1   | 348.6   | 338.6   |
| Goods Imports     | 328.9    | 329.4    | 293.4    | 269.3             | 262.4    | 281.8   | 279.9   | 271.9   |
| Services Imports  | 72.2     | 71.7     | 71.2     | 65.8              | 61.0     | 70.3    | 68.7    | 66.7    |

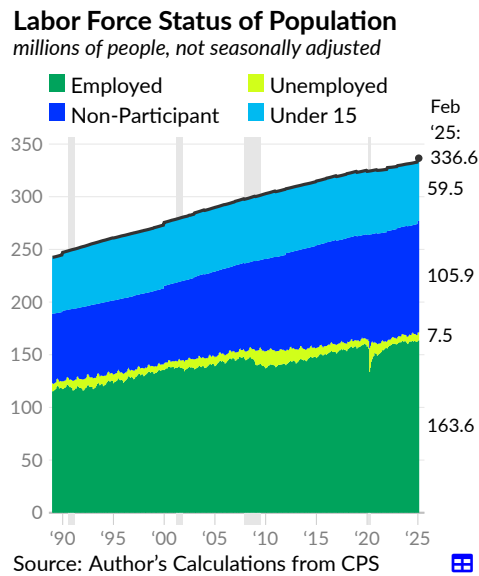
Source: Census Bureau



## Labor Markets

Labor is the primary source of income for US households and is essential to the production of goods and services. The portion of labor that is provided by a household member to others outside of the household or to other households is considered *employment*. As of February 2025, 163.6 million people are employed (including self-employment).

The number of people who are employed divided by the total population is the employment rate or employment-to-population ratio, which is 48.6 percent as of February 2025. Note that these values are not seasonally adjusted and include children, while BLS published values refer to those 16 or older.

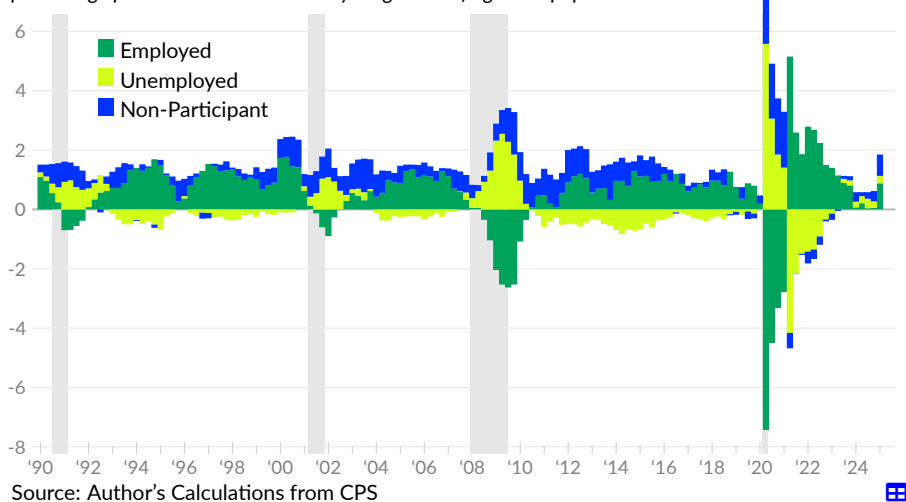


When a member of a household is not employed but looked for a job during the past four weeks or is on temporary layoff, they are considered **unemployed**. As of February 2025, there are 7.7 million unemployed people. The combined group of employed and unemployed people is the labor force. The unemployment rate, unemployed people as a share of the labor force, is currently 4.5 percent. The labor force as a share of the population is the labor force participation rate, currently 50.9 percent.

People who are neither employed nor unemployed are considered *outside of the labor force*. Nonparticipants usually comprise about half of the population, and total 165.3 million in February 2025. The category includes children (59.4 million), students (19 million), unpaid caregivers (11.6 million), those unable to work due to disability or illness (13.5 million), those who want a job but have given up looking (6 million), and retirees and the elderly (53.8 million).

### Labor Force Status Changes

percentage point contribution to one-year growth of age 15+ population



The next table provides the net one-year change in labor force status, in number of people. The table summarizes more-recent changes in labor force status.

### Labor Force Changes

*Change from February 2024 to February 2025, thousands of people*

|                    | Total,<br>16+ | Men,<br>16-29 | Men,<br>30-59 | Men,<br>60+ | Women,<br>16-29 | Women,<br>30-59 | Women,<br>60+ |
|--------------------|---------------|---------------|---------------|-------------|-----------------|-----------------|---------------|
| Population         | 5,136         | 768           | 838           | 963         | 692             | 811             | 1,064         |
| Employed           | 2,229         | 282           | 915           | -70         | 211             | 681             | 209           |
| Multiple Jobs      | 636           | 85            | 261           | -42         | 54              | 345             | -68           |
| Full-Time          | 2,003         | 156           | 834           | 21          | 254             | 571             | 168           |
| Part-Time          | 827           | 377           | 142           | -37         | 37              | 223             | 84            |
| Economic Reasons   | 574           | -190          | 249           | 47          | 254             | 176             | 37            |
| Unemployed         | 601           | 251           | 61            | 54          | 80              | 114             | 42            |
| Not in Labor Force | 2,306         | 235           | -138          | 979         | 401             | 16              | 813           |
| Discouraged        | 245           | 74            | -48           | 28          | 99              | 28              | 63            |
| Disabled/III       | 61            | 71            | -133          | 132         | 53              | -37             | -25           |
| Family/Care        | 151           | -144          | -15           | -9          | 227             | 65              | 27            |
| School             | 281           | 231           | 40            | 5           | 32              | 11              | -37           |
| Retirement         | 1,640         | 1             | -39           | 803         | 38              | 4               | 834           |

Source: Author's Calculations from CPS

Finally, long-term changes in labor force status can be summarized by comparing the tight labor market of 2000 with the most recent data. The following table presents the net change in labor force status, in number of people, from February 2000 to February 2025.

### Labor Force Changes

*Change from February 2000 to February 2025, thousands of people*

|                    | Total,<br>16+ | Men,<br>16-29 | Men,<br>30-59 | Men,<br>60+ | Women,<br>16-29 | Women,<br>30-59 | Women,<br>60+ |
|--------------------|---------------|---------------|---------------|-------------|-----------------|-----------------|---------------|
| Population         | 61,271        | 4,556         | 7,885         | 19,223      | 4,237           | 6,220           | 19,149        |
| Employed           | 27,053        | 444           | 5,581         | 7,317       | 1,599           | 5,178           | 6,935         |
| Multiple Jobs      | 1,257         | -67           | 29            | 259         | 178             | 559             | 300           |
| Full-Time          | 22,944        | 237           | 4,199         | 6,316       | 1,346           | 5,613           | 5,233         |
| Part-Time          | 5,397         | 339           | 1,721         | 1,264       | 315             | -212            | 1,971         |
| Economic Reasons   | 1,824         | 269           | 679           | 158         | 278             | 304             | 137           |
| Unemployed         | 1,287         | 132           | 339           | 262         | 63              | 223             | 269           |
| Not in Labor Force | 32,930        | 3,981         | 1,965         | 11,644      | 2,576           | 819             | 11,946        |
| Discouraged        | 1,319         | 236           | 294           | 391         | -1              | 64              | 336           |
| Disabled/III       | 4,198         | 451           | 359           | 1,432       | 256             | 596             | 1,103         |
| Family/Care        | -66           | 234           | 530           | 67          | -470            | -351            | -76           |
| School             | 5,719         | 2,822         | 242           | 24          | 2,583           | 33              | 16            |
| Retirement         | 21,106        | 103           | 291           | 9,628       | 118             | 376             | 10,590        |

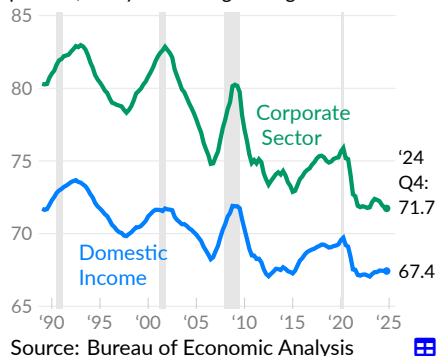
Source: Author's Calculations from CPS

## Labor Share of Income

The **labor share** measures the portion of available income that is paid to workers. Labor income is measured in the national accounts as employee compensation, and net income is measured as employee compensation plus the net operating surplus. Net income, or income after depreciation, is used instead of gross income because depreciation expenses are not available to labor or capital.

### Labor Share of Net Income

percent, one-year moving average



Over the year ending 2024 Q4, labor receives 67.4 percent of net domestic income (see —). Labor's share increased 0.1 percentage point over the past year. For context, one percent of net domestic income translates to \$227 billion per year, which is \$1,430 per worker.

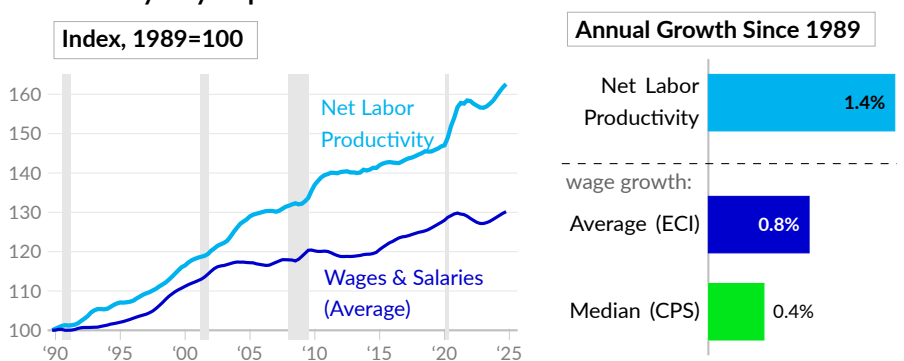
Labor's share in the corporate sector is 71.7 percent percent in 2024 Q4 (see —). The corporate sector has well-defined accounting, which is useful for this analysis. The corporate labor share is currently 11.2 percentage points below its 30-year high of 83.0 percent in 1993 Q1.

## Productivity-Pay Gap

When analyzing the fall in labor share of income, it's useful to consider the **gap between labor productivity and pay**. Behind long-term output growth is productivity growth and population growth. Since 1989, annualized net output growth is 2.3 percent, net productivity growth is 1.4 percent, and population growth is 0.9 percent.

While the US has modest labor productivity growth over the past few decades, wages have not kept pace. The average wage has grown by 0.8 percent per year since 1989, and the median wage has increased by 0.4 percent per year.

### Productivity-Pay Gap



Data notes: Net labor productivity is real net domestic product divided by total hours worked from the CPS. Average wages and salaries is from the ECI, and covers all civilian workers. Median usual weekly earnings from the CPS cover full-time civilian wage and salary workers. Average wages are deflated using the PCE price index and median wages are deflated with the CPI.

More-complete [analysis](#) finds that the productivity-pay gap emerged around 1979; between World War II and 1979, employee compensation kept pace with productivity growth. Researchers argue that the post-1979 gap is tied to policies that weaken unions and reduce bargaining power for the typical worker.

## Employment

Employment is critical to production and as a source of income. This subsection covers payrolls and employment rates for different groups and places. Related topics, such as work arrangements, hours worked, and wages, are covered in later subsections.

### Overview

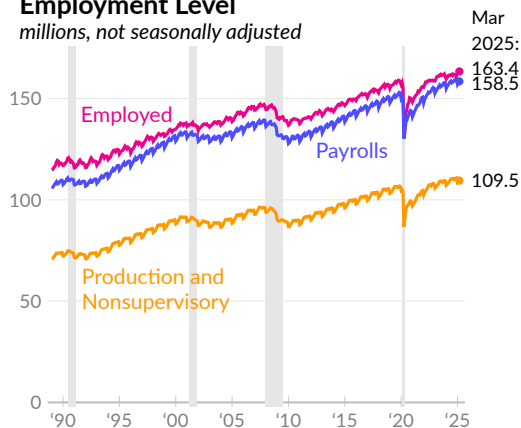
Two primary sources of employment data are households and employers. Households report activities, including employment and self-employment, while employers report payrolls.

In March 2025, establishments report 158.5 million **nonfarm payroll employees** (see —). The pre-COVID peak was 153.1 million in November 2019. Households report 163.4 million employed people, including the self-employed but not including armed forces, in the latest month, compared to a pre-COVID peak of 159.1 million (see —).

Private production and nonsupervisory workers are engaged in production, including working supervisors, or in other activities but not above the working supervisor level. In March 2025, this group totals 109.5 million, compared to a pre-COVID peak of 106.9 million (see —). Production and nonsupervisory workers comprise 81.4 percent of private nonfarm payrolls in March 2025.

### Employment Level

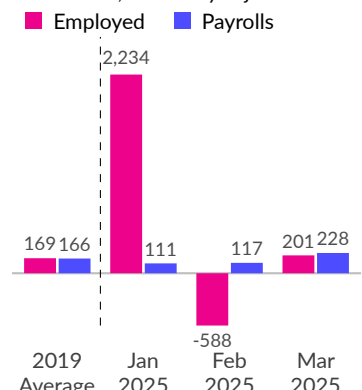
millions, not seasonally adjusted



Source: Bureau of Labor Statistics

### Monthly Change

thousands, seasonally adjusted



In March 2025, seasonally-adjusted civilian employment increased by 201,000 (see ■), slightly above the 2019 average increase of 169,000 jobs per month. The US added a net total of 228,000 nonfarm payroll jobs in March 2025 (see ■), compared to a monthly average of 165,500 in 2019. The average of both surveys over the past three months shows an increase of 383,800 employees per month.

### Employment Level

millions

|                          | seasonally adjusted |          | not seasonally adjusted |          |           |           |           |
|--------------------------|---------------------|----------|-------------------------|----------|-----------|-----------|-----------|
|                          | Mar 2025            | Feb 2025 | Mar 2025                | Feb 2025 | 2019 Avg. | 2017 Avg. | 2000 Avg. |
| Employed                 | 163.5               | 163.3    | 163.4                   | 162.5    | 157.5     | 153.3     | 136.9     |
| Nonfarm Payrolls         | 159.4               | 159.2    | 158.5                   | 157.9    | 150.9     | 146.6     | 132.0     |
| Private Nonfarm Payrolls | 135.8               | 135.6    | 134.6                   | 134.1    | 128.3     | 124.3     | 111.2     |
| Production & Nonsuperv.  | 110.6               | 110.5    | 109.5                   | 109.1    | 105.6     | 102.4     | 90.5      |

Source: Bureau of Labor Statistics



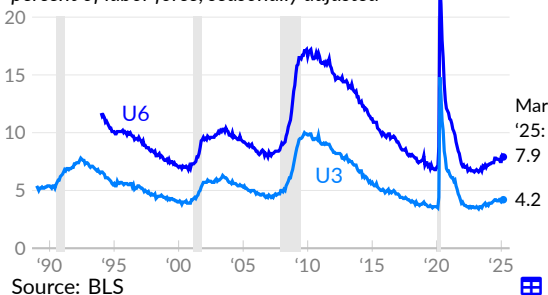
## Unemployment

The headline unemployment rate, also known as the U3 unemployment rate, measures people who do not have a job but are looking for one or are on temporary layoff, as a share of the labor force (the employed and unemployed). BLS reports 7.1 million unemployed people in March 2025, and an unemployment rate of 4.2 percent (see —), in line with the February 2025 rate of 4.1 percent, but slightly above the March 2024 rate of 3.9 percent.

BLS also report a broader measure of unemployment, known as U6 or labor under-utilization. Labor under-utilization includes U3 unemployment, as well as people who have given up looking for work and people who work part-time but want to work full-time. In March 2025, the labor under-utilization rate is 7.9 percent (see —).

### Unemployment Measures

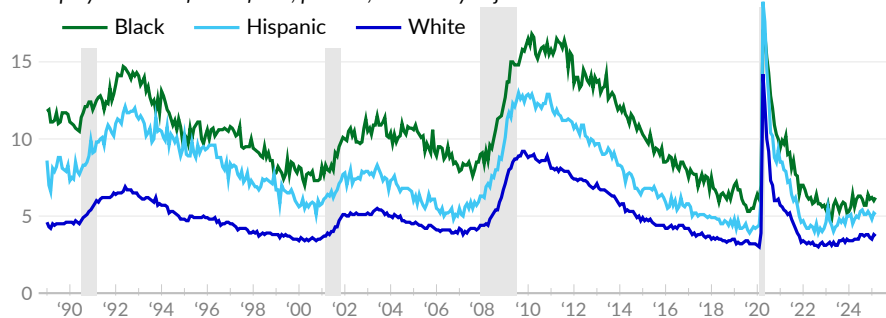
percent of labor force, seasonally adjusted



Periods of unemployment are more common for disadvantaged groups. The black or African American unemployment rate is typically double the white unemployment rate. Employment opportunities for disadvantaged groups are more-dependent on current labor market conditions. A very tight labor market reduces racial discrimination in hiring, while disadvantaged groups are more likely to lose jobs in a downturn. The black unemployment rate is currently 6.2 percent, 0.1 percentage point above the February 2020 rate (see —).

### Unemployment Rate

unemployed share of labor force, percent, seasonally adjusted



### Unemployment Measures

seasonally adjusted, percent

|                             | Mar '25 | Feb '25 | Jan '25 | Dec '24 | Mar '24 | Mar '23 | GFC peak | Date of peak |
|-----------------------------|---------|---------|---------|---------|---------|---------|----------|--------------|
| Under-utilization Rate (U6) | 7.9     | 8.0     | 7.5     | 7.5     | 7.3     | 6.7     | 17.2     | Dec '09      |
| Unemployment Rate (U3)      | 4.2     | 4.1     | 4.0     | 4.1     | 3.9     | 3.5     | 10.0     | Oct '09      |
| by race/ethnicity:          |         |         |         |         |         |         |          |              |
| White                       | 3.7     | 3.8     | 3.5     | 3.6     | 3.4     | 3.3     | 9.2      | Oct '09      |
| Black                       | 6.2     | 6.0     | 6.2     | 6.1     | 6.4     | 5.0     | 16.8     | Mar '10      |
| Hispanic                    | 5.1     | 5.2     | 4.8     | 5.1     | 4.5     | 4.7     | 13.0     | Aug '09      |
| Asian                       | 3.5     | 3.2     | 3.7     | 3.5     | 2.6     | 2.9     | 8.4      | Dec '09      |

Source: Bureau of Labor Statistics

## Reasons for Unemployment

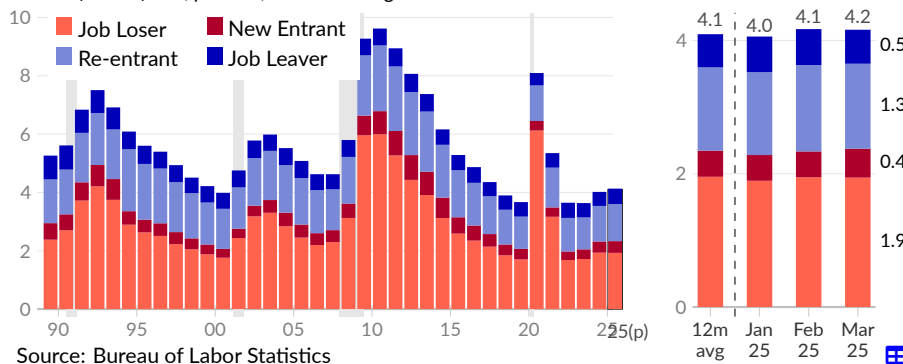
There are several **reasons for unemployment**. In March 2025, 3.3 million people, or 1.9 percent of the labor force, were unemployed from losing their job (see ■). An additional 0.5 percent voluntarily left a job (see ■). Re-entrants, people who left the labor force but are looking for a new job, comprised 1.3 percent (see ■). Lastly, 0.4 percent of the labor force were new entrants to the labor market, looking for their first job (see ■).

The mixture of reasons for unemployment may reflect the existing economic conditions. In a downturn, workers who lose jobs are a larger share of the unemployed. A downturn also makes it harder for young people to find their first job, increasing their share of the total. In contrast, an economic boom reduces job losses and improves job-finding.

Other reasons for unemployment claim a larger share of the total during a boom. An economic boom can entice people to re-enter the job market, and encourage workers to quit and look for a new job. The overall prevalence of these categories, however, is also *reduced* during a boom, by an improved job-finding rate.

### Unemployment by Reason

share of labor force, percent, annual average



Many job losses are temporary, particularly during the COVID-19 recession. Other job separations are permanent. In March 2025, temporary layoffs were 0.5 percent of the labor force. Permanent job losses were 1.1 percent of labor force.

### Unemployment by Reason

share of labor force, percent

|                        | Mar 2025 | Feb 2025 | Jan 2025 | 12m Avg. | Apr 2020 | 2020 | 2019 | 2009 -'11 |
|------------------------|----------|----------|----------|----------|----------|------|------|-----------|
| Unemployed, Any Reason | 4.2      | 4.1      | 4.0      | 4.1      | 14.8     | 8.1  | 3.7  | 9.3       |
| ■ Job Loser            | 1.9      | 1.9      | 1.9      | 2.0      | 13.2     | 6.1  | 1.7  | 5.7       |
| Temporary Layoff       | 0.5      | 0.5      | 0.5      | 0.5      | 11.6     | 4.0  | 0.5  | 0.9       |
| Permanent Separation   | 1.1      | 1.0      | 1.0      | 1.0      | 1.3      | 1.7  | 0.8  | 3.9       |
| ■ Re-entrant           | 1.3      | 1.3      | 1.2      | 1.2      | 0.9      | 1.2  | 1.1  | 2.2       |
| ■ New entrant          | 0.4      | 0.4      | 0.4      | 0.4      | 0.2      | 0.3  | 0.4  | 0.8       |
| ■ Job Leaver           | 0.5      | 0.5      | 0.5      | 0.5      | 0.4      | 0.4  | 0.5  | 0.6       |

See also:

|                        |     |     |     |     |     |     |
|------------------------|-----|-----|-----|-----|-----|-----|
| Employed, Not at Work* | 2.9 | 3.2 | 7.4 | 4.2 | 3.2 | 3.3 |
|------------------------|-----|-----|-----|-----|-----|-----|

Source: Bureau of Labor Statistics, Author

\* During the COVID-19 shutdowns some unemployed were incorrectly counted as employed but not at work.

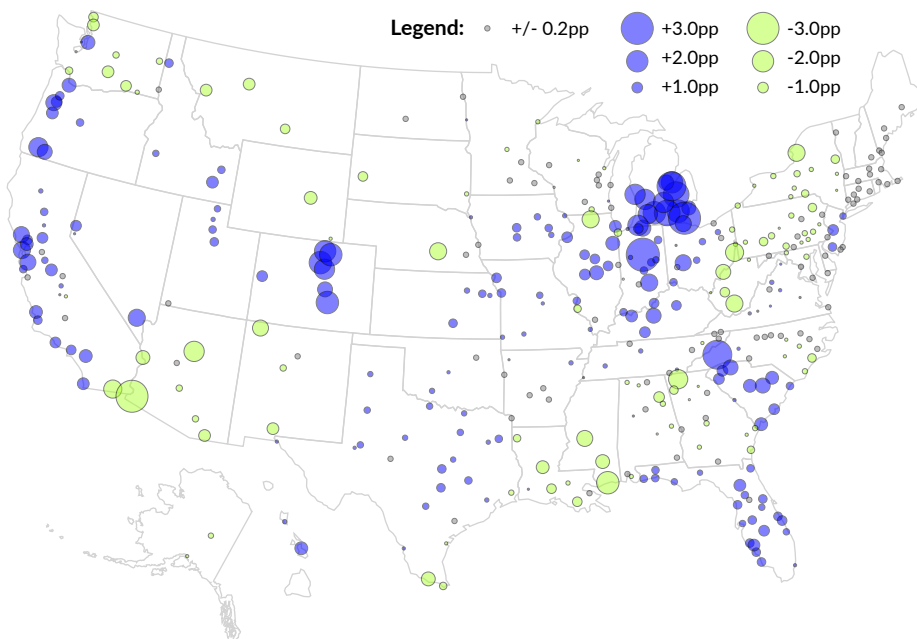
## Unemployment by Metro Area

The Bureau of Labor Statistics [produce](#) local area estimates of unemployment, including the **unemployment rate for metro areas**. The following map shows changes since 2019 in metro area unemployment rates. An increase in the unemployment rate is shown by a blue circle and a decrease is shown by a light green circle; circle size is the magnitude of the change.

From January 2020 to January 2025, unemployment rates fell by 0.3 percentage point or more in 108 metro areas, and increased by 0.3 percentage point or more in 185 metro areas. Recent local unemployment rates were within 0.2 percentage points of their pre-pandemic level in 58 metro areas.

## Change in Unemployment Rate by Metro Area

from January 2020 to January 2025, percentage points



## Largest MSAs:

|       | Core City           | Jan 25 | Jan 20 | Labor Force | Pct Ch* |
|-------|---------------------|--------|--------|-------------|---------|
| +0.6  | • New York, NY      | 4.7    | 4.1    | 10,154,200  | 1.0     |
| +0.9  | • Los Angeles, CA   | 5.4    | 4.5    | 6,723,900   | -1.7    |
| +1.1  | • Chicago, IL       | 5.1    | 4.0    | 5,005,300   | 3.6     |
| +0.6  | • Dallas, TX        | 3.9    | 3.3    | 4,521,300   | 13.9    |
| +0.4  | • Houston, TX       | 4.4    | 4.0    | 3,871,300   | 12.6    |
| unch. | • Washington, DC    | 3.1    | 3.1    | 3,548,400   | 3.2     |
| +0.3  | • Miami, FL         | 3.0    | 2.7    | 3,312,500   | 4.6     |
| unch. | • Atlanta, GA       | 3.4    | 3.6    | 3,288,500   | 4.6     |
| unch. | • Philadelphia, PA  | 4.2    | 4.3    | 3,262,200   | 2.0     |
| -0.6  | • Phoenix, AZ       | 3.5    | 4.1    | 2,750,800   | 12.4    |
| +1.6  | • San Francisco, CA | 4.4    | 2.8    | 2,502,300   | -3.5    |

Source: Bureau of Labor Statistics; Full Table: [BLS](#)

\*Pct Ch is percent change in labor force from January 2020 to January 2025

## Labor Force Participation

Individuals who are employed, actively seeking employment, or on temporary layoff constitute participants in the labor force. The share of the US population that participates in the labor force at a given point in time, or the **labor force participation rate**, is affected by many factors, including demographic shifts and economic conditions.

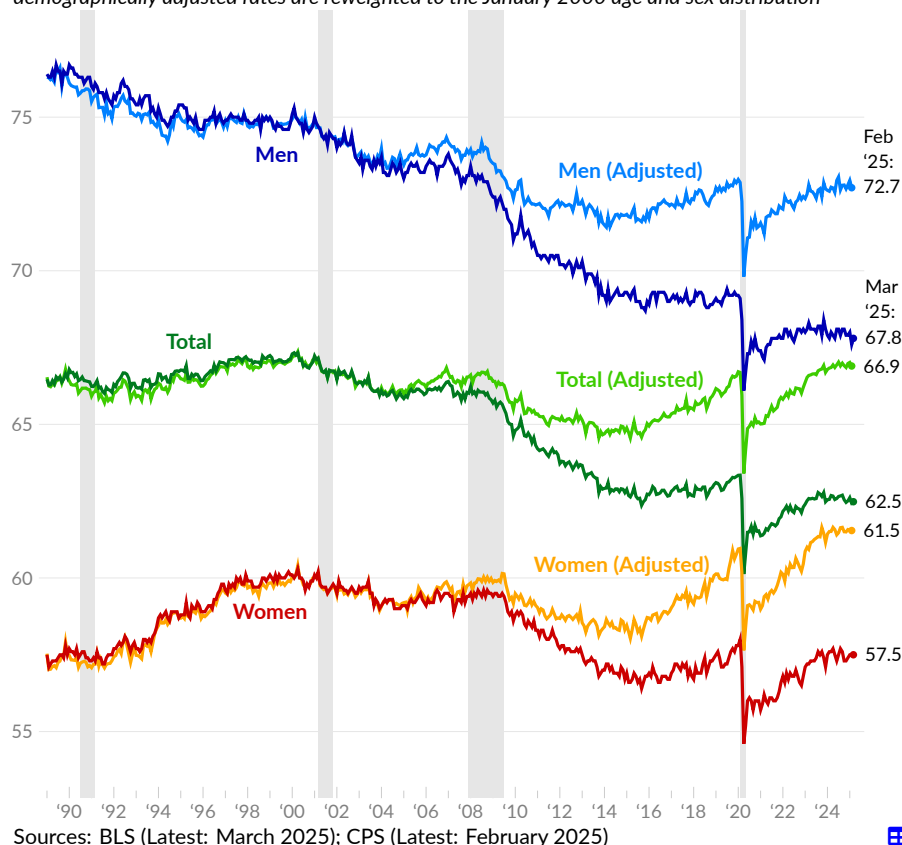
Over the past two decades, the age composition of the population has lowered labor force participation rates, all else equal. Reweighting the population to match the age composition in 2000 suggests the aging of the US population since 2000 has reduced total labor force participation by 4.4 percentage points.

As of March 2025, 62.5 percent of those aged 16 and over are part of the labor force (see —), following 62.4 percent in February and 62.6 percent in January. Pre-pandemic, in February 2020, the rate stood at 63.3 percent.

In March 2025, 67.8 percent of men age 16 and older are in the labor force (see —), compared to 57.5 percent of women (see —). Since February 2020, labor force participation has decreased 1.4 percentage points among men, and decreased 0.3 percentage point among women.

## Labor Force Participation Rate

*labor force as share of age 16 and older population, percent, seasonally adjusted  
demographically adjusted rates are reweighted to the January 2000 age and sex distribution*



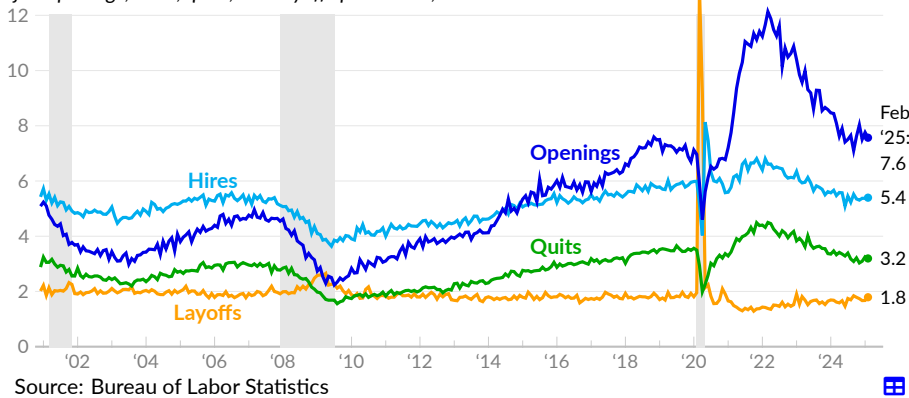
## Job Openings and Labor Turnover Survey

Healthy labor market **turnover** indicates that workers can readily find new employment if they are dissatisfied with their current jobs. Moreover, the availability of job opportunities outside a company can enhance the negotiating power of its employees. The Bureau of Labor Statistics [releases](#) monthly data on job openings, hires, and separations across various industry groups. *Separations* include layoffs, voluntarily leaving a job (*quits*), and other separations such as retirements, transfers to other locations, or separations due to death or disability.

In February 2025, there were 7.6 million total nonfarm job openings (see —) and 5.4 million hires completed (see —). In the same month, there were 5.3 million nonfarm separations, including 1.8 million layoffs (see —), 3.2 million quits (see —), and 275,000 other separations. In 2019, there were an average of 5.8 million hires completed and 5.7 million total separations, per month.

### Job Turnover

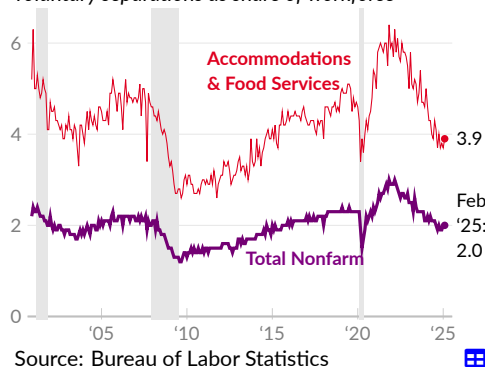
*job openings, hires, quits, and layoffs per month, in millions*



The number of people who voluntarily separate from a job in a given month, divided by the total number employed, is the **quits rate**. The rate typically increases when workers are confident enough to leave one job for another one, and a high quits rate, particularly in low-paying industries, can be a sign of a tight labor market.

### Quits Rate

*voluntary separations as share of workforce*



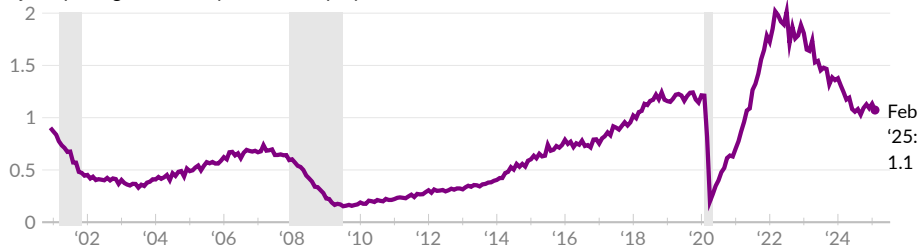
The quits rate is cyclical within the accommodations and food services industries (which includes restaurants), and tends to rise when a tight labor market pulls people out of restaurant jobs and into higher paying jobs in other industries.

In February 2025, the total quits rate in all industries was 2.0 percent (see —). The accommodations and food services quits rate was 3.9 percent (see —); the series high for the industry group was 6.4 percent in November 2021.

A high ratio of job openings to unemployed indicates a tight labor market, for example from low levels of unemployment, or if completing a new hire is taking more time. In February 2025, there were 7.1 million unemployed people and 7.6 million job openings, therefore the ratio of job openings per unemployed person was 1.1 (see —). In January 2025 the ratio was 1.1, and during 2019 the average ratio was 1.2.

### Job Openings Per Unemployed Person

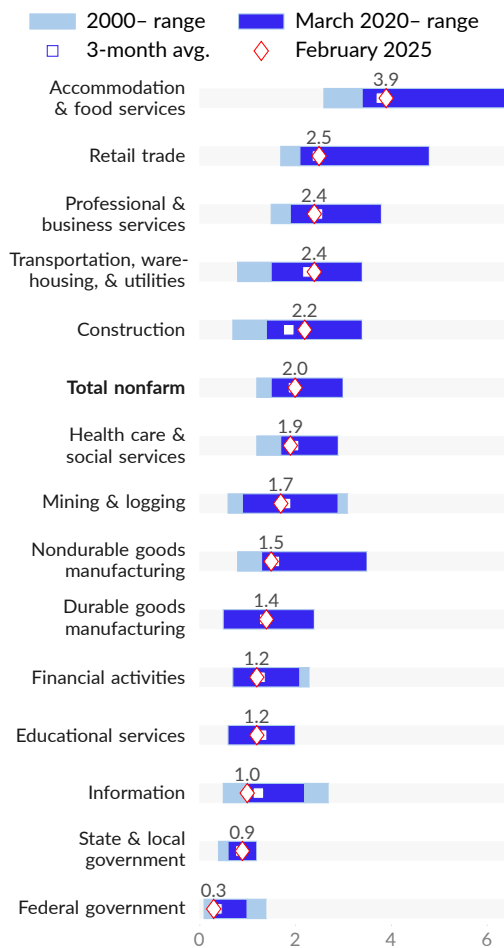
*job openings divided by total unemployment*



Source: Bureau of Labor Statistics

### Monthly Quits Rate by Industry

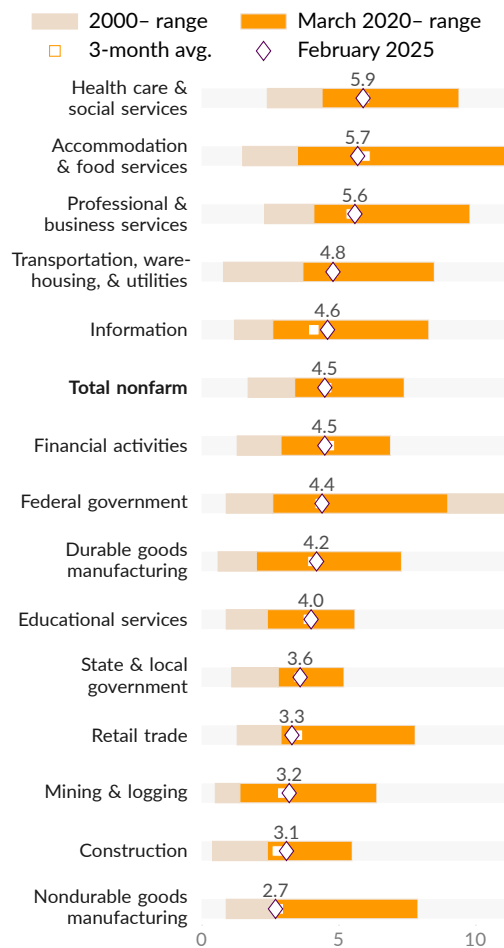
*share of employment, percent*



Source: Bureau of Labor Statistics

### Monthly Job Openings Rate by Industry

*share of employment, percent*

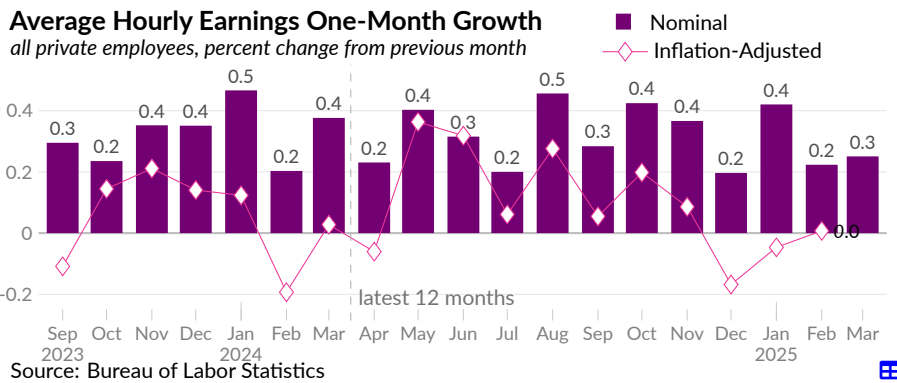


Source: Bureau of Labor Statistics

## Wages

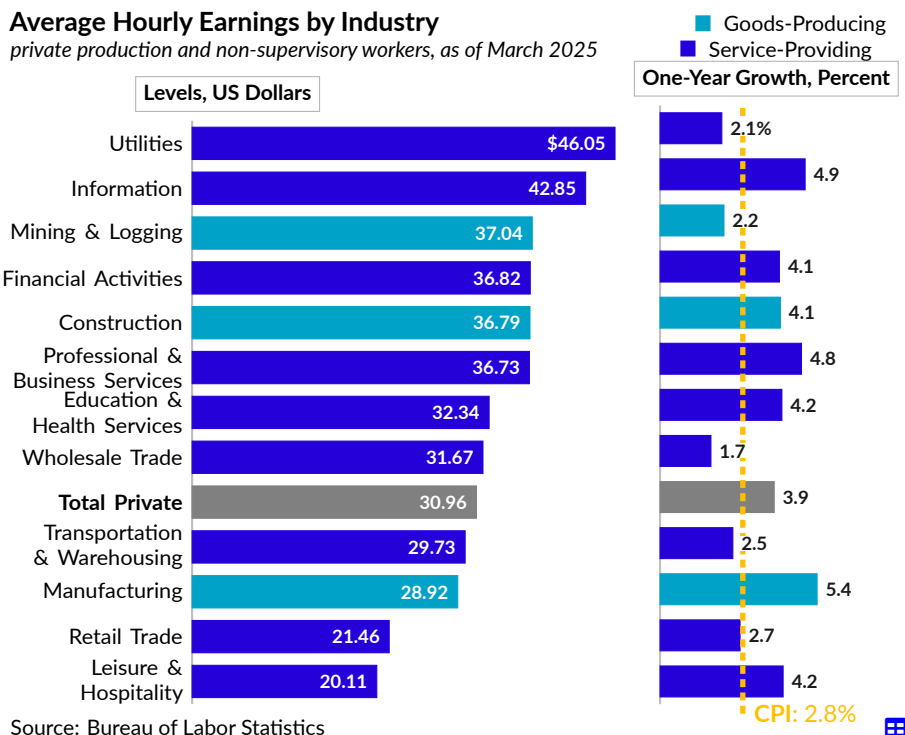
Turning to **one-month wage growth**, in March 2025, nominal average hourly earnings for all private sector employees increased by 0.3 percent, following increases of 0.2 percent in February and 0.4 percent in January (see ■).

Adjusting for inflation shows one-month growth of 0.0 percent in February, following virtually no change in January, and a decrease of 0.2 percent in December 2024 (see ◇).



The average wage varies between **industry groups**. For production and nonsupervisory workers, the highest average hourly earnings in March 2025 are in the utilities industry (\$46.05), followed by the information industry (\$42.85), and the mining and logging industry (\$37.04). The lowest wage industries in the latest data, by average hourly earnings, are leisure and hospitality (\$20.11) and retail trade (\$21.46).

Over the past year, seven of the 12 industry groups have wage growth above the increase in prices indicated by the consumer price index (see —). The manufacturing industry had the fastest nominal growth rate, at 5.4 percent, followed by 4.9 percent in information and 4.8 percent in professional and business services.



# Financial Markets

## Interest Rates

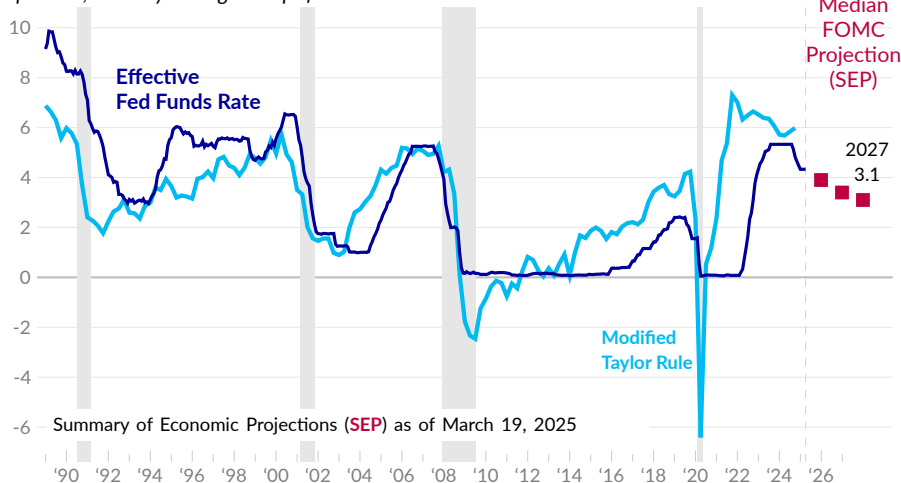
The US Federal Reserve System (Fed) has a congressional [mandate](#) to promote price stability and maximum employment. In practice, a Fed committee (the FOMC) determines the **federal funds rate**, which aims to influence interest rates in the broader economy. There are several channels through which interest rates affect broader economic activity, for example, lower interest rates stimulate investment in capital goods and the production of these capital goods employs people, who in turn spend their wages on other goods and services. Through its influence on interest rates, the Fed's monetary policy can aim to be neutral or to stimulate or slow the economy.

The FOMC cut [interest rates](#) three times in 2019, for a total reduction of 75 basis points. Responding to the economic shock of the coronavirus, the FOMC cut rates twice in March 2020, by 150 basis points, bringing the lower bound of the federal funds rate range to zero. With at near zero, the Fed adopted several additional measures to increase liquidity in the global financial system.

In March 2022, the FOMC raised the base interest rate by 25 basis points. In May 2022, the FOMC raised the base interest rate by another 25 basis points. In June, July, September and November 2022, the FOMC raised rates by 75 basis points, in each meeting, followed by a 50 basis point increase in December, and 25 basis point increases in February, March, May, and July 2023. The effective Fed funds rate is 4.33 percent, as of April 2, 2025 (see [—](#)).

### Federal Funds Rate

percent, monthly average except for latest value



Economist John Taylor described a rule for setting the federal funds rate based on inflation and output. Versions of this **Taylor rule** track the actual federal funds rate fairly closely during the 1990s and 2000s. Former Fed Chair Ben Bernanke [described](#) a modified Taylor rule based on core PCE inflation and a stronger response to the output gap (see [—](#)). As of the fourth quarter of 2024, the modified Taylor rule suggests a federal funds rate of 6.0 percent, 1.66 percentage points above the current rate.

FOMC meeting participants provide [projections](#) which can be used to summarize policymaker views on the future path of the federal funds rate, as seen by the people who set it. As of March 19, 2025, the median projected federal funds rate rate is 3.9 percent for 2025, 3.4 percent for 2026, and 3.1 percent for 2027 (see [■](#) ).



## Treasuries

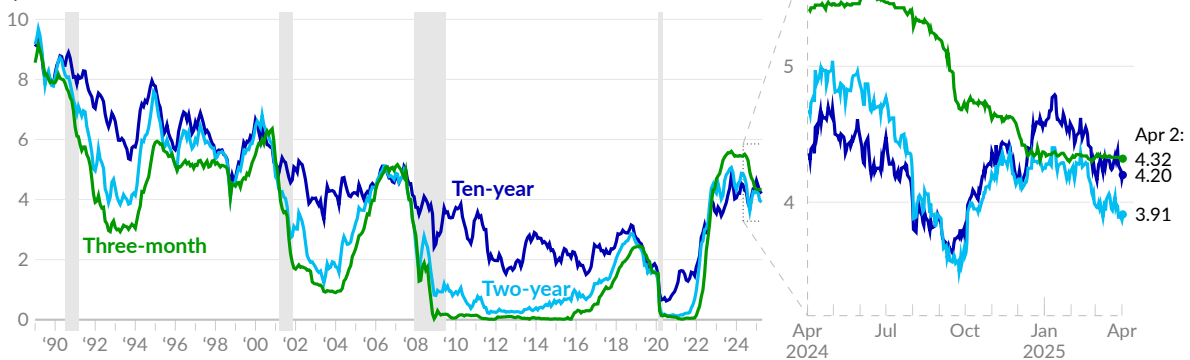
United States Treasury securities, or **treasuries**, are the asset created by federal government borrowing. The treasuries market is traditionally considered both very low-risk and highly liquid. As of February 2025, the public holds \$28.6 trillion in marketable treasuries.

From the 1980s to 2021, treasury yields fell considerably. The annual yield on ten-year treasuries (see —) fell from 8.49 percent in 1989 to 0.62 percent in July 2020. As of April 2, 2025, ten-year treasury bonds yield 4.20 percent, an increase of 0.00 percentage point from the year prior.

Short-term treasury yields more-closely track the base interest rate set by the Federal Reserve. Three-month treasury bills (see —) return an annual rate of 8.39 percent in 1989 but pay virtually no interest from 2009 to 2016. As of April 2, 2025, three-month treasuries yield 4.32 percent, a decrease of 1.14 percentage points from the year prior.

### Treasury Constant Maturity Yields

percent, annual rate



Source: Federal Reserve

### Selected US Treasury Rates

constant maturity yield, percent

period averages

|             | Apr 2, 2025 | Apr 1, 2025 | Mar 27, 2025 | Mar 2025 | Apr 2024 | 2019 | 2010 '13 | 1998 '00 | 1989 |
|-------------|-------------|-------------|--------------|----------|----------|------|----------|----------|------|
| One-month   | 4.38        | 4.38        | 4.37         | 4.37     | 5.48     | 2.12 | 0.07     | –        | –    |
| Three-month | 4.32        | 4.32        | 4.33         | 4.34     | 5.44     | 2.11 | 0.08     | 5.23     | 8.39 |
| Six-month   | 4.24        | 4.23        | 4.27         | 4.27     | 5.38     | 2.11 | 0.13     | 5.38     | 8.48 |
| One-year    | 4.04        | 4.01        | 4.10         | 4.06     | 5.13     | 2.05 | 0.20     | 5.42     | 8.53 |
| Two-year    | 3.91        | 3.87        | 3.97         | 3.97     | 4.87     | 1.97 | 0.43     | 5.61     | 8.57 |
| Three-year  | 3.89        | 3.85        | 4.00         | 3.96     | 4.71     | 1.94 | 0.70     | 5.62     | 8.55 |
| Five-year   | 3.95        | 3.91        | 4.09         | 4.04     | 4.56     | 1.95 | 1.35     | 5.62     | 8.50 |
| Seven-year  | 4.07        | 4.03        | 4.23         | 4.16     | 4.56     | 2.05 | 1.93     | 5.76     | 8.52 |
| Ten-year    | 4.20        | 4.17        | 4.38         | 4.28     | 4.54     | 2.14 | 2.54     | 5.65     | 8.49 |
| Twenty-year | 4.58        | 4.56        | 4.75         | 4.63     | 4.77     | 2.40 | 3.33     | 6.05     | –    |
| Thirty-year | 4.54        | 4.52        | 4.73         | 4.60     | 4.66     | 2.58 | 3.63     | 5.80     | 8.45 |

Source: Federal Reserve

## Corporate Bonds

The US Treasury [publish](#) a yield curve for **corporate bonds** based on the market-weighted average of bonds rated AAA, AA, and A. The yield on high-quality corporate bonds with a maturity of 10 years is 5.28 percent in February 2025, following 5.44 percent in January 2025 (see [—](#)). One year prior, in February 2024, this spot rate was 5.14 percent, and five years prior, in February 2020, it was 2.57 percent.

### High Quality Corporate Bonds, 10-Year

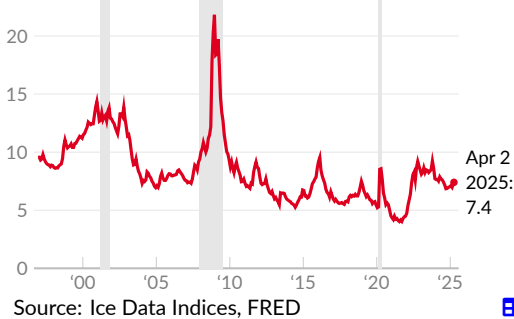
spot rate, percent, monthly average



Corporate bonds rated below investment grade (a rating below BBB) are [tracked](#) by the ICE BofA high yield index. As of April 2, 2025, the effective yield for **high-yield corporate bonds** in the index is 7.4 percent (see [—](#)). In February 2025, the average effective yield was 7.0 percent. Prior to the COVID-19 pandemic, in 2019, the average effective yield was 6.1 percent.

### ICE BofA High Yield Index Effective Yield

percent



## Mortgage Rates

The **mortgage rate** [available](#) to homebuyers can affect housing markets, which in turn can affect demand for construction materials and for consumer goods. As of April 3, 2025, the average 30-year mortgage rate is 6.64 percent, compared to 6.71 percent in December 2024, and 6.82 percent in March 2024 (see [—](#)). In 2019, the average rate was 3.93 percent.

### Mortgage Rate

average for 30-year fixed rate mortgages, percent



## Prices

The price of goods and services determine how much can be purchased by a fixed income. Researchers are interested in the prices of specific goods, as well as changes in purchasing power, more generally.

To summarize changes in purchasing power, researchers create a representative “basket” of relevant goods and services, and then track changes in the basket, and changes in the price of the basket, over time. The end result is a price index, which can be used to calculate the rate of inflation.

Inflation is typically calculated as the 12-month percent change in the price index. This annual inflation rate measures how prices in a given month compare to prices during the same month, one year prior. The 12-month inflation rate, based on various price indices, is presented in the following table.

### Price Growth, Various Measures

one-year growth, percent

|                        | Feb '25 | Jan '25 | Dec '24 | Nov '24 | Feb '24 | Feb '23 | '17-19 Avg. | '00-Avg. |
|------------------------|---------|---------|---------|---------|---------|---------|-------------|----------|
| CPI, All Items         | 2.8     | 3.0     | 2.9     | 2.7     | 3.2     | 6.0     | 2.1         | 2.6      |
| CPI, ex. Food & Energy | 3.1     | 3.3     | 3.2     | 3.3     | 3.8     | 5.5     | 2.1         | 2.4      |
| PPI, Final Demand      | 3.2     | 3.7     | 3.4     | 2.9     | 1.6     | 4.7     | 2.3         | 2.6      |
| Imports Price Index    | 2.0     | 1.8     | 2.2     | 1.4     | -0.9    | -1.1    | 1.6         | 1.9      |
| Exports Price Index    | 2.1     | 2.7     | 2.0     | 0.9     | -2.0    | -0.8    | 1.6         | 1.8      |
| PCE, All Items         | 2.5     | 2.5     | 2.6     | 2.5     | 2.6     | 5.2     | 1.7         | 2.2      |
| PCE, ex. Food & Energy | 2.8     | 2.7     | 2.9     | 2.8     | 2.9     | 4.9     | 1.7         | 2.1      |
| PCE, Trimmed Mean      | 2.6     | 2.6     | 2.8     | 2.8     | 3.1     | 4.8     | 1.9         | 2.2      |

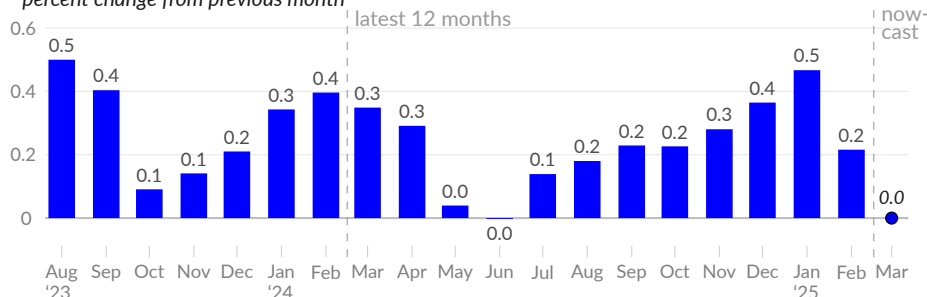
Source: BLS, BEA, Federal Reserve Bank of Dallas

In effect, the 12-month percent change in prices is smoothed, relative to the one-month change, by including information on price changes that happened over the past year. While the chartbook uses less-volatile 12-month inflation rates in most cases, the **one-month rate** can be more useful for examining short-term trends, for example by eliminating the base effects from changes in prices a year ago.

In February 2025, the one-month change in the consumer price index (CPI) was 0.2 percent (see ■), following 0.5 percent in January 2025. The Cleveland Fed [nowcasts](#) current inflation by combining recent inflation data with current oil and gasoline prices. As of April 3, the March 2025 nowcast is 0.0 percent (see ●).

### CPI One-Month Change

percent change from previous month



Source: Bureau of Labor Statistics, Federal Reserve Bank of Cleveland

## Consumer Price Index

Consumer prices increased 2.8 percent over the year ending February 2025 (see —), according to the Consumer Price Index for all urban consumers (CPI-U). The core CPI, which does not include the more-volatile food and energy prices, increased 3.1 percent over the same one-year period (see —).

### Consumer Price Index

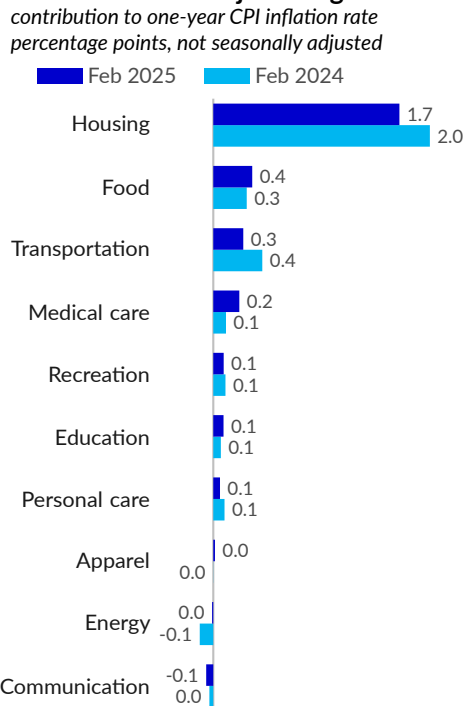


Recent changes in prices can be broad-based, that is derived from many prices changing at roughly the same rate, or narrow-based and driven by large changes in a subset of prices. Identifying each major spending category's **contribution to overall inflation** gives insight into whether inflation is broad-based and also into which groups of people face higher or lower rates of inflation.

In February 2025, housing prices contributed 1.7 percentage points to the CPI one-year inflation rate of 2.8 percent, slightly below the category's February 2024 contribution of two percentage points. Food prices added 0.4 percentage point to February 2025 inflation, slightly above the year-prior contribution of 0.3 percentage point. Transportation prices increased the inflation rate by 0.3 percentage point in the latest data, compared to 0.4 percentage point in February 2024.

Medical care prices increased the inflation rate by 0.2 percentage point in February 2025, slightly above the year-prior contribution of 0.1 percentage point. Energy prices make up 6.2 percent of the CPI basket and did not contribute to overall inflation in the latest data, slightly above a subtraction of 0.1 percentage point one year prior.

### Contribution of Major Categories



The prices of some items are more volatile than others. Food and energy prices, for example, are sometimes separated from the rest of the CPI basket, which is referred to as the *core*, because swings in food and energy prices are larger and more frequent.

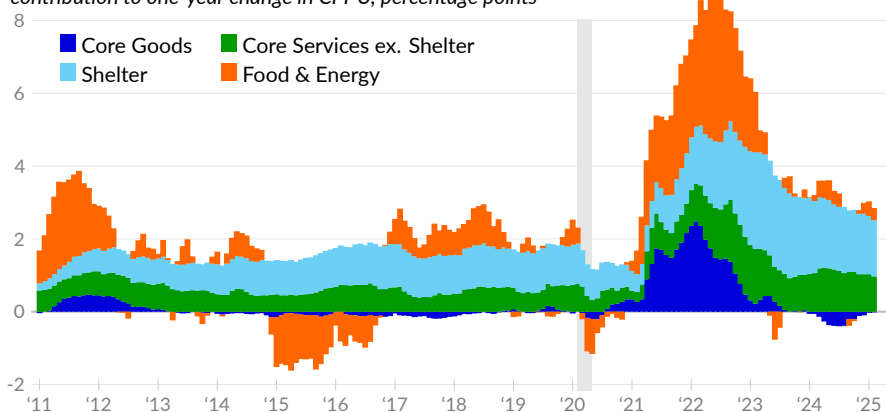
Core inflation includes core goods, core services other than shelter, and shelter. Core goods inflation was barely existent from 2013 through the start of the pandemic. Core goods prices are disproportionately affected by import prices and by changes in the quality of goods, for example from technological improvement. In contrast, domestic wage growth affects the prices for core services more than the other categories. Shelter prices are affected by housing supply and construction.

In February 2025, core goods did not contribute to the one-year non-seasonally-adjusted CPI inflation rate of 2.8 percent (see ■), while core services excluding shelter contributed one percentage point (see ■). Shelter added 1.5 percentage points (see ■), and food & energy added 0.3 percentage point (see ■).

One year prior, in February 2024, the corresponding CPI inflation rate was 3.1 percent; core goods did not contribute, core services excluding shelter contributed 1.1 percentage points, shelter contributed two percentage points, and food and energy added 0.2 percentage point.

### CPI Decomposition

contribution to one-year change in CPI-U, percentage points



Source: Bureau of Labor Statistics, Federal Reserve Bank of San Francisco



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