

HOW TODAY'S ECONOMY COMPARES TO LAST FIVE RISING RATE ENVIRONMENTS

As the Federal Reserve struggles with monetary policy and it associated benchmark overnight interest rate to regulate the economy's pace of growth and the associated rate of inflation, it does so in an environment that could be vastly different than in times past. In some cases, those differences are so great that it brings more clarity to the challenges the FOMC faces.

In the most recent rate environment, the FOMC has increased their benchmark overnight funds rate target to a range of 0.08 to 5.25 percent - a 517 basis point increase since the beginning of the prevailing rising interest rate cycle that began in March 2020.

In their statement, Federal Reserve policymakers are wrestling with conflicting economic signals that have made risks to the economy "more two-sided," with rekindled inflation still a concern, but worries as well about clamping down on credit too far and damaging the economy's prospects."

"All participants agreed that the Committee was in a position to proceed carefully," - a notion tht did not appear in the minutes of the Fed's prior meeting in September

Many of these financial and economic variables are shown to the right. There are few past environments that resemble today's challenges - Low growth, high inflation, low unemployment but low participation rate - in a relatively short cycle.

Despite a clear indication of its vibrancy, Meridian's US Recession Index indicates the economy continues to teeter around a contracted economy as it nears the end of the current cycle.

The level of consumer spending - two-thirds of the nation's gross domestic product - remains very volatile, and - with elevated inflation - although lower - continues to be trending below levels needed to sustain the type of recovery needed. High inflation is diluting any wage growth, and as a result, consumers' purchasing power is being diluted.

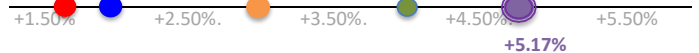
ECONOMIC RECOVERY

The current recovery is the 2nd longest in duration - of rising rate environments.



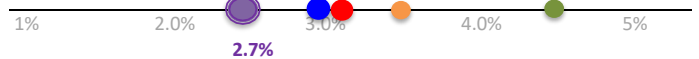
INCREASE IN FOMC FUNDS RATE TARGET

The current increase in the target rate is its largest.



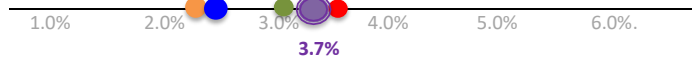
GDP GROWTH

The pace of the recovery, while improving, is growing more slowly.



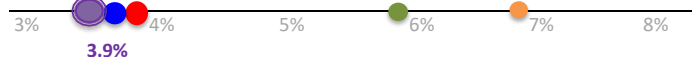
INFLATION

The Fed's gauge of overall inflation remains well above its 2.0% target.



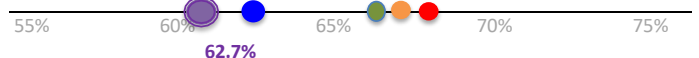
UNEMPLOYMENT

Joblessness is lower than all 5 past rising rate environments.



LABOR PARTICIPATION RATE

The percentage of the US population making up the labor force has fallen.



EARNINGS

All despite average wages rising the most than all past 5 rising rate environments.

