

Evolution of COVID-19 and the Economic Outlook

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Economic Advisory Panel Meeting

Federal Reserve Bank of New York

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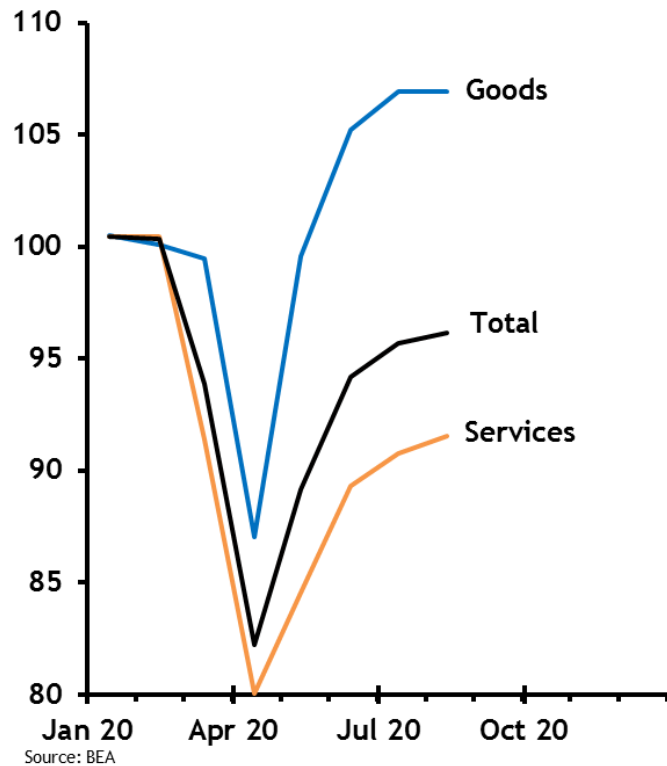
Some general topics for the outlook

- The shape of the consumer spending recovery
- Prospects for productivity growth
- Risks to the inflation outlook

Consumer spending growth appears to be normalized; prospects for full recovery depend on driving saving rate much lower

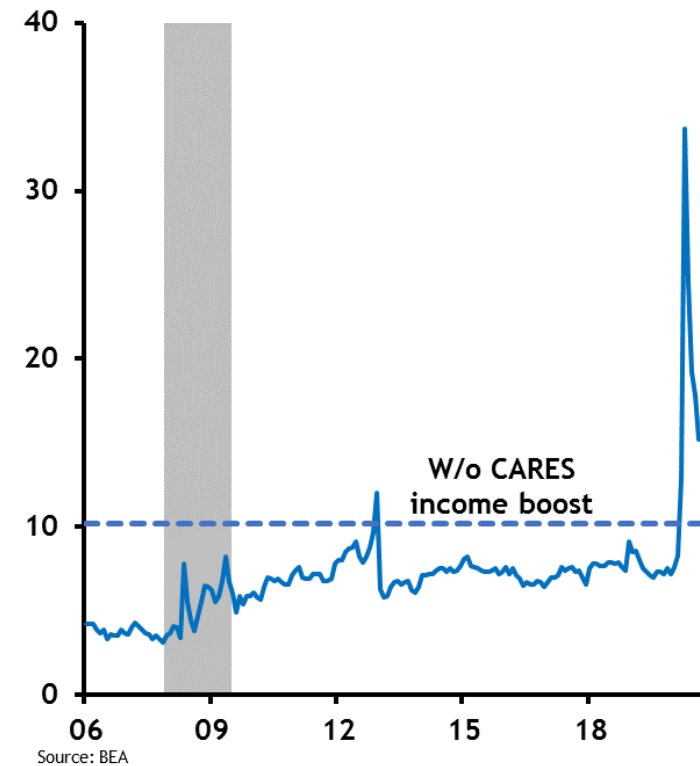
Real consumer spending

levels, 19Q4=100, August est.

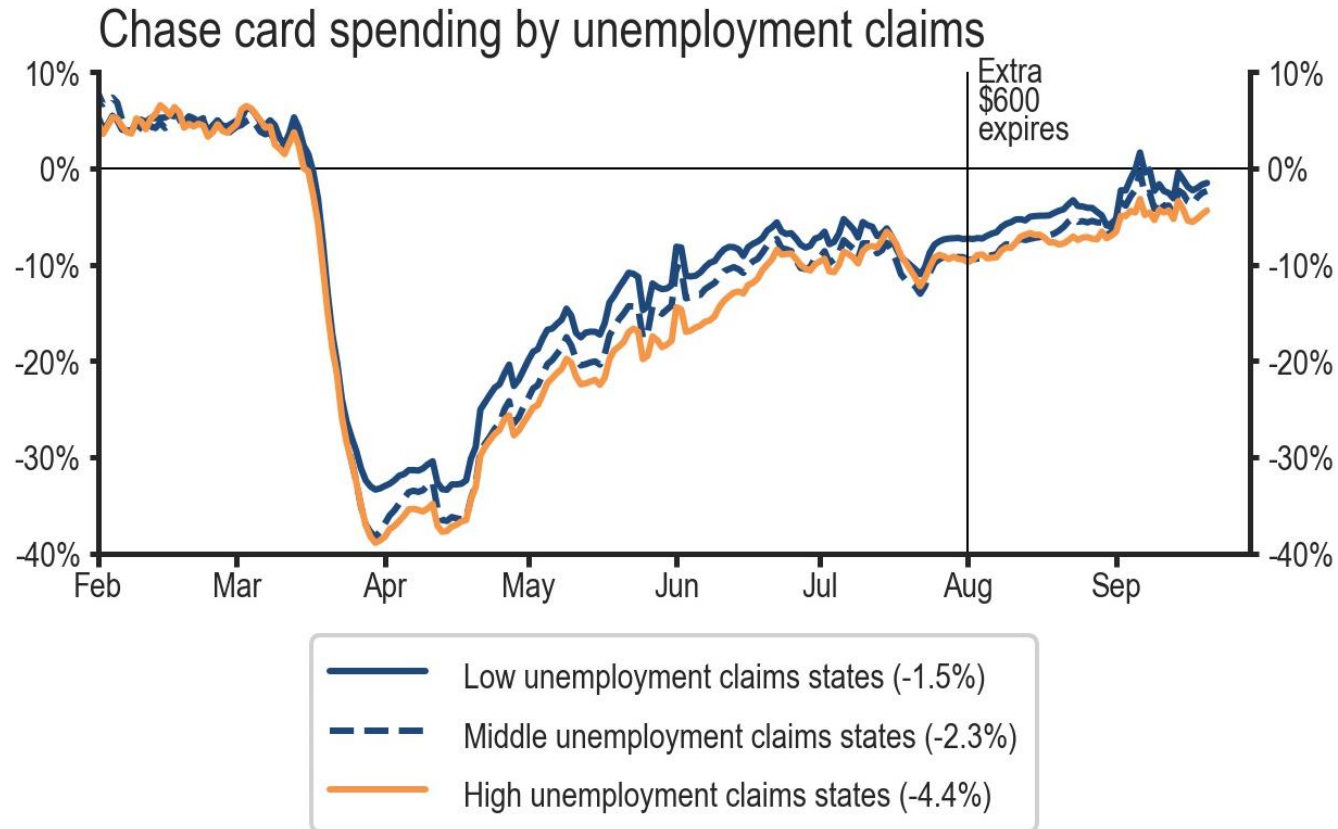


Personal saving rate

%, August est.



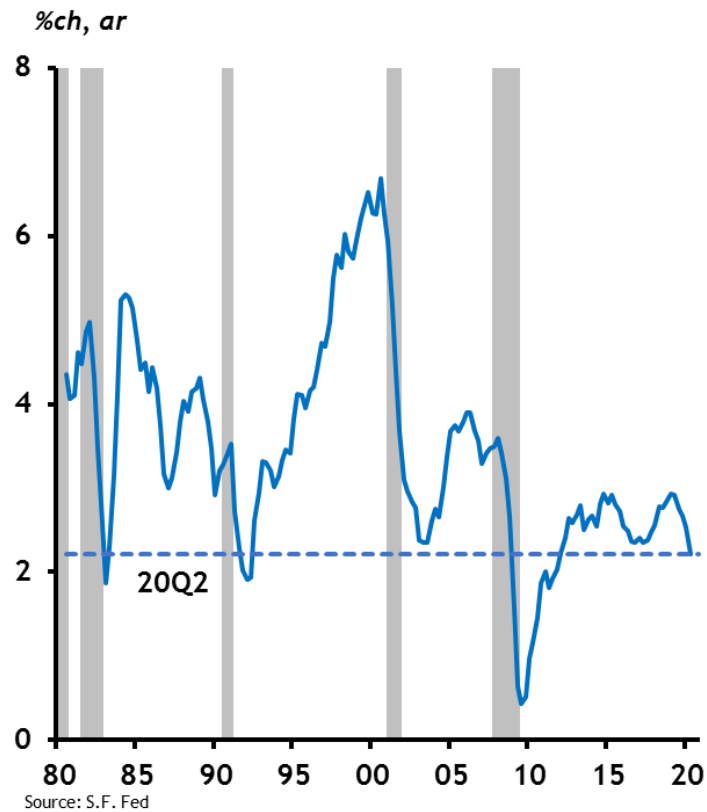
Expiration of Pandemic Unemployment Compensation, ~5% of DPI, has had little noticeable impact on consumer spending



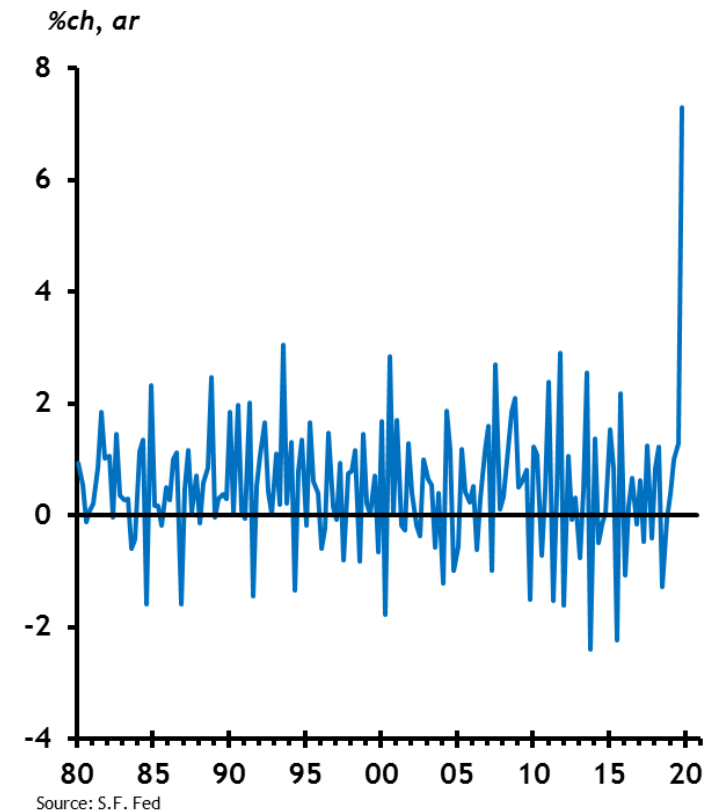
Source: DOL, J.P. Morgan. States grouped by July 25 continuing claims per capita.

Rapid recovery in cap-ex may limit hysteresis; labor quality got short-term boost from composition, perhaps long-term drag from distance learning

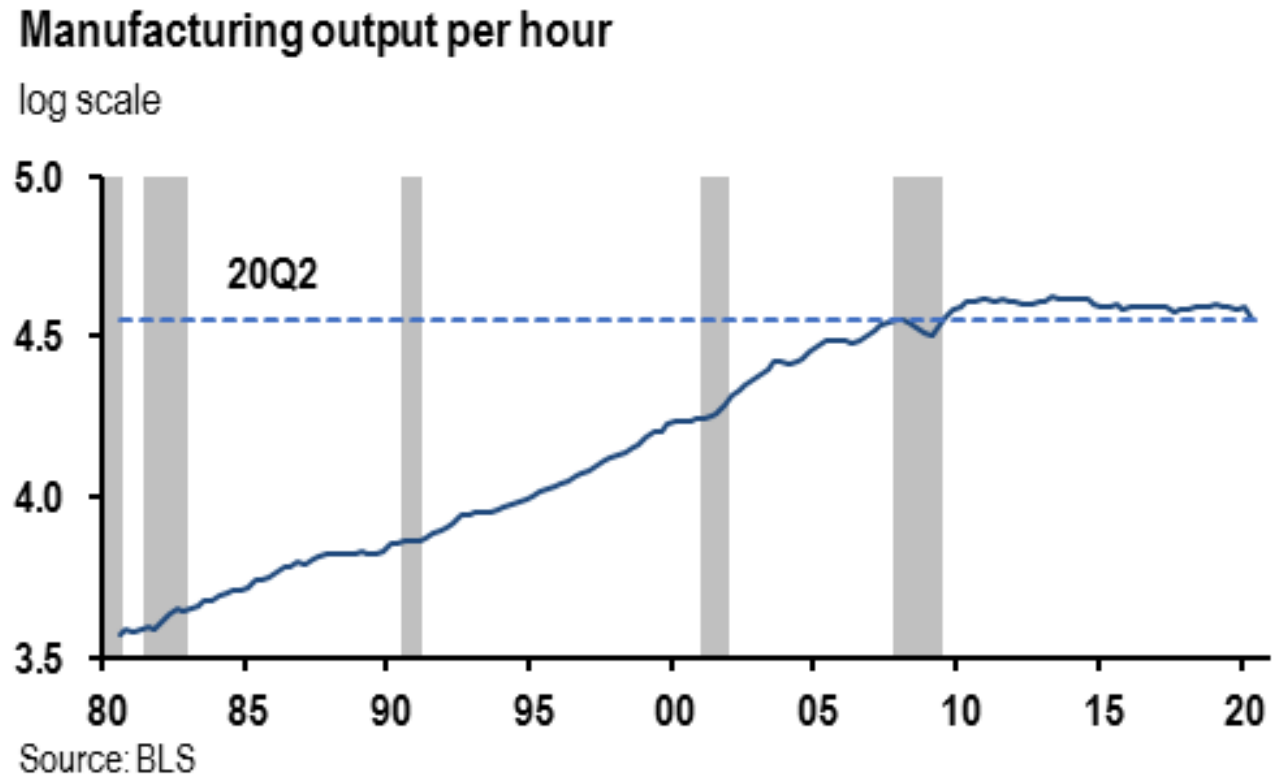
Capital input



Labor quality



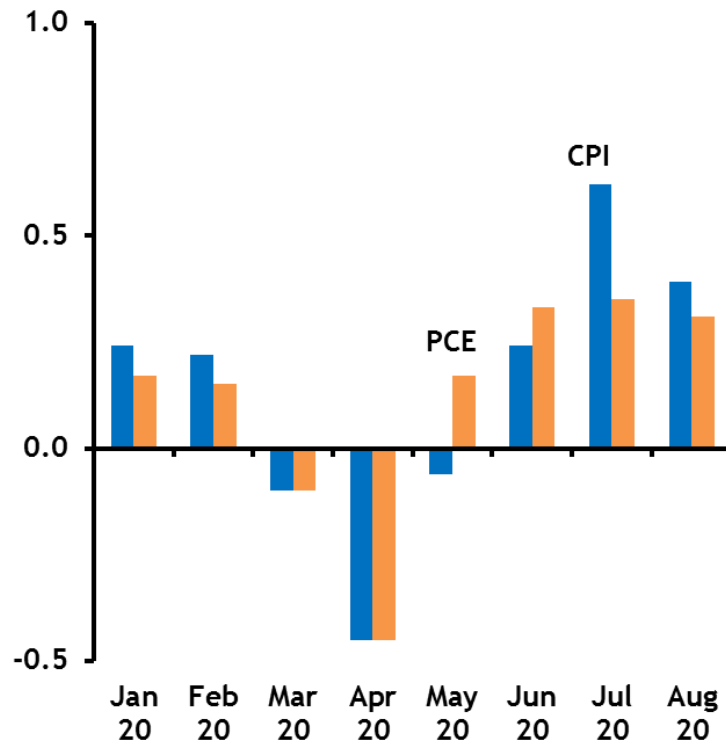
What is going on with manufacturing productivity?



Measurement issues have plagued both price and wage gauges throughout the pandemic

Core prices

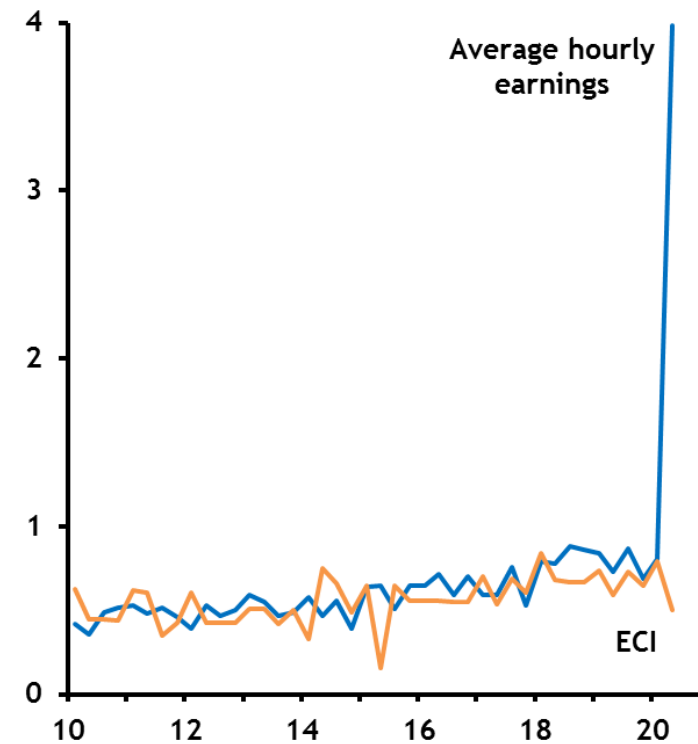
%ch, m/m, August PCE est.



Source: BEA, BLS

Earnings growth

%ch, q/q



Source: BLS

Consensus and markets see inflation risks tilted to the downside

- Downside risks
 - High unemployment
 - Constrained labor costs
 - Weak aggregate demand
- Upside risks
 - De-globalization
 - Demographics
 - The M's?
 - Household liquid asset stockpiles represent formidable spending power
 - Policies that reduce uncertainty could unlock that power

Household cash holdings

