



FEDERAL RESERVE BANK *of* NEW YORK

# U.S. Economic Conditions

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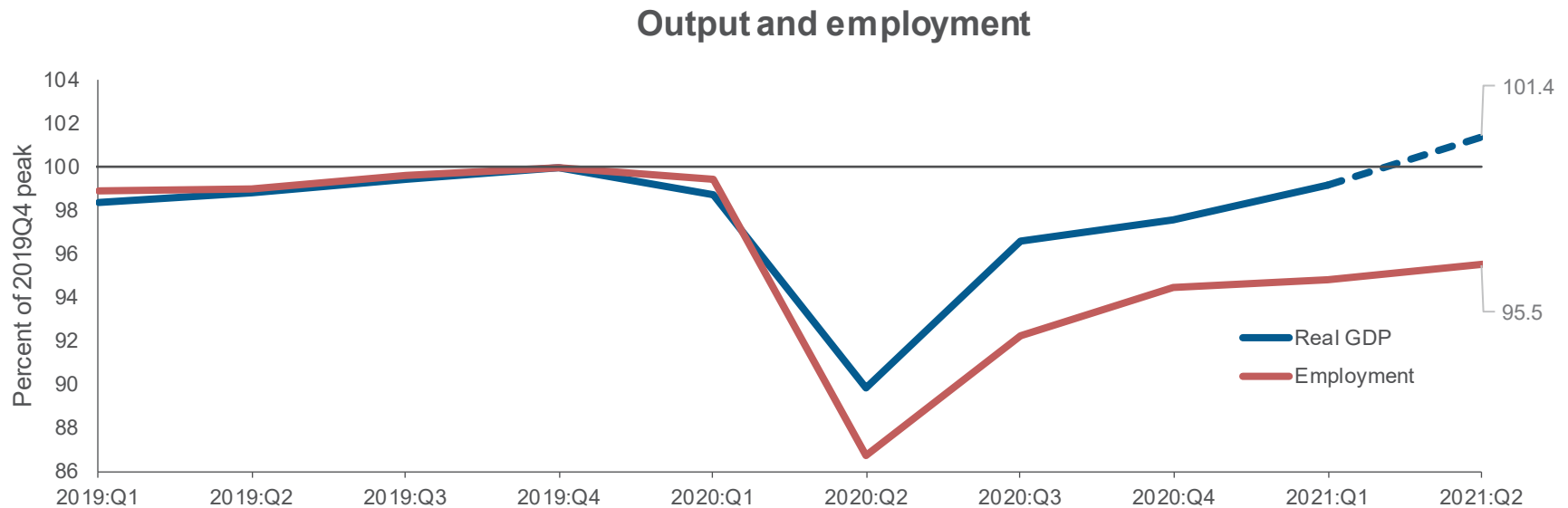
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# Overview

- Business reopenings, fiscal transfers, and accommodative monetary policy are supporting a robust economic recovery
- But activity in many service sectors is still depressed and jobs are still 7.5 million short of their pre-pandemic peak
- Strong goods demand, supply bottlenecks, and reopenings have boosted prices for some goods and services in April and May, but underlying inflation trends remain stable



# Economic activity rebounding but labor market lags



- Consensus real GDP forecast suggests economic activity will be above the pre-recession peak in '21:Q2
- Jobs are still 7.5 million (4.5%) short of the pre-pandemic peak level

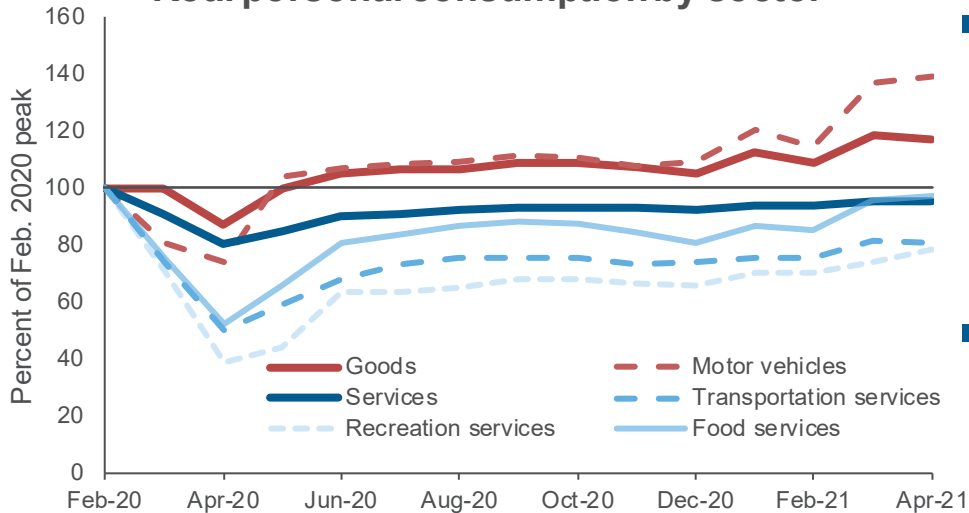
Note: Realized employment for 2021Q1 is the average of April and May 2021 employment. Real output in '21:Q2 is from the Blue Chip consensus.

Source: BEA, BLS, Blue Chip Economic Indicators.



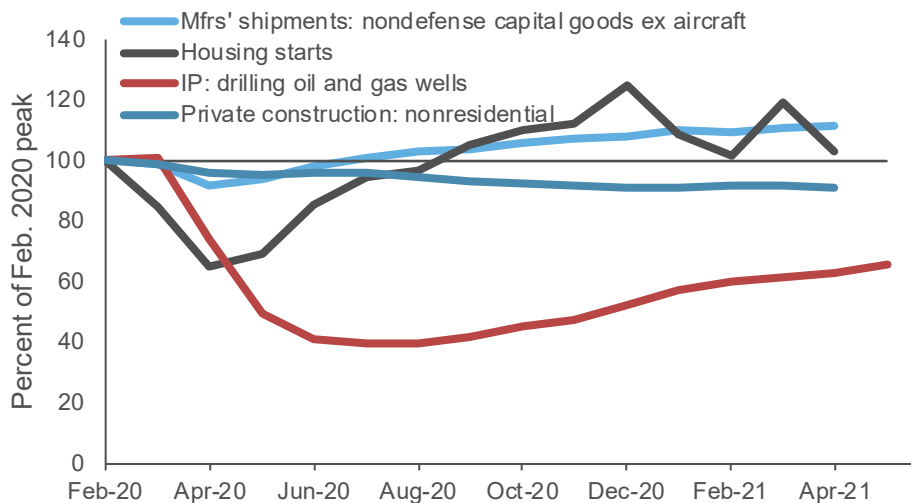
# Recovery is uneven across sectors

## Real personal consumption by sector



- Household expenditure remains heavily tilted towards the goods sector
- Recreat. and transport. services remain depressed; consumption of durables, e.g. motor vehicles, is very elevated

## Business and residential investment

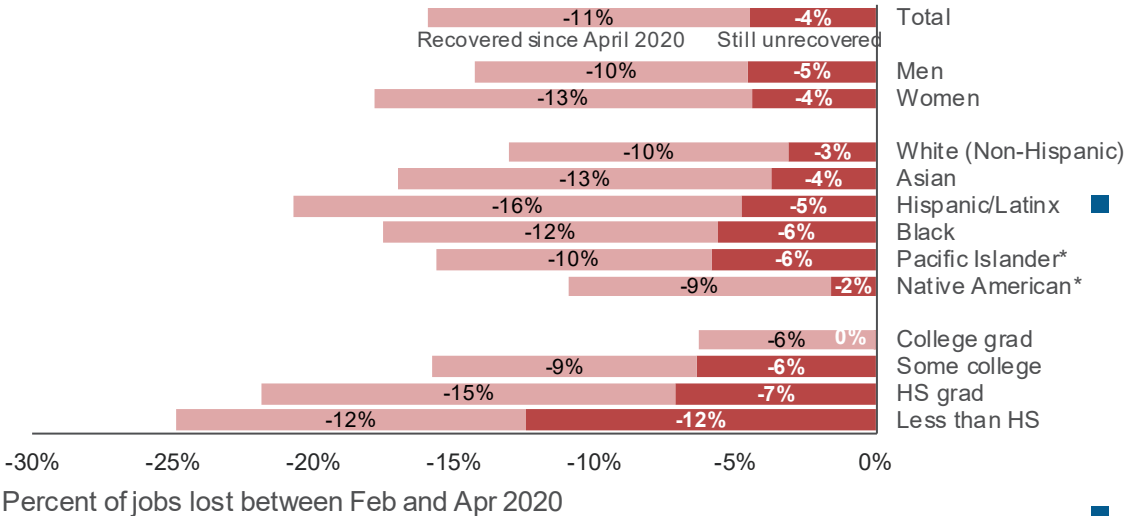


- Residential construction is plateauing
- Business investment in equipment rising; private structures lagging, especially for drilling activity

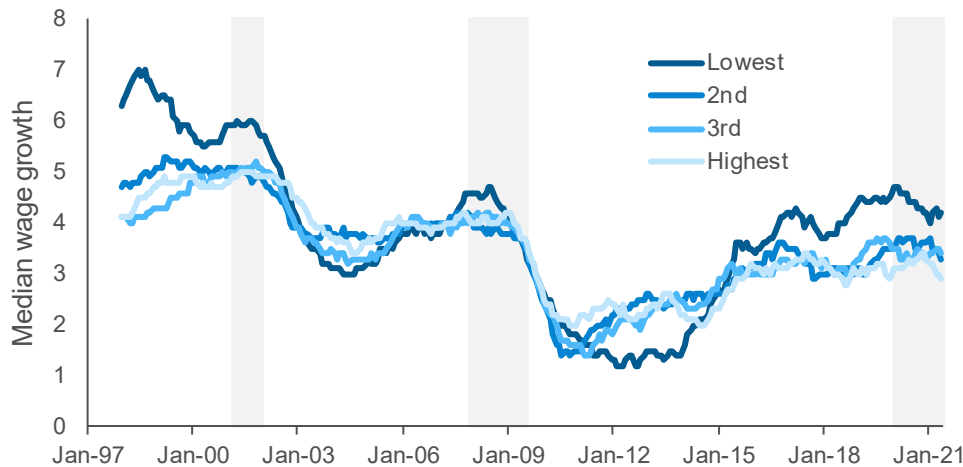


# Labor market far from full employment

Percent changes in jobs by demographic characteristics



Wage growth by wage level quartiles



- Total employment is ~4% below the Feb 2020 level

- Earlier in the pandemic gender, racial and education gaps widened

- Many of these gaps are now more compressed

- Thus far, wage growth for lowest earners remains robust

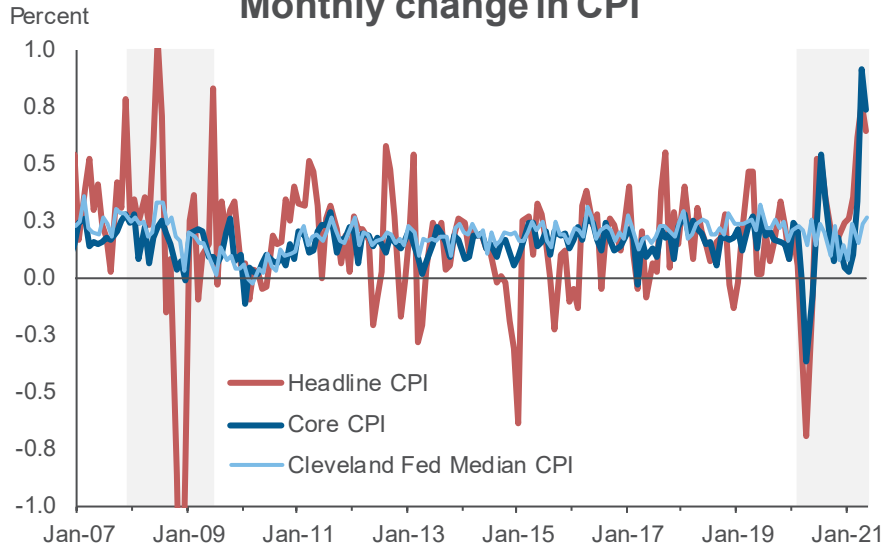
\* Pacific Islander and Native American unemployment rates are calculated as 3-month moving averages due to reduced sample size.

Source: BLS, Atlanta Fed.



# Bottlenecks, demand, reopenings, and inflation trends

## Monthly change in CPI



- Core inflation (ex. food & energy) typically captures underlying inflation trend but not in the current environment
- Demand, bottlenecks (used vehicles) and reopenings (hotels and airfares) are having outsized effects on near-term inflation
- Stability of “robust” measures of inflation, such as median CPI, suggests underlying inflation trends little changed

## Index level for core CPI and subcomponents

