U.S. Economic Conditions

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Overview

- Macroeconomic conditions
  - GDP: negative readings in H1
  - Labor market: remains tight, employment now above pre-pandemic level
  - Inflation: continues to be high

- Employment and inflation differentials across demographic groups
  - Based on work by Raji Chakrabarti and Maxim Pinkovskiy of the Equitable Growth Studies department of Research
  - Employment gaps have narrowed
  - Inflation gaps have widened during the inflation surge
GDP slowdown; employment above previous peak

- Consensus forecast points to modest real GDP growth in 2022Q3 after a decline in H1
- Payroll employment surpassed its pre-pandemic level

Output and Payroll Employment

Note: Realized employment for 2022Q3 is the average of July, August, and September 2022 total nonfarm payroll employees. Real output in 2022:Q3 is from the Blue Chip consensus.

Source: BEA, BLS, Blue Chip Economic Indicators.
Labor market remains tight

- Unemployment is low, but participation is still below pre-pandemic level
- Despite recent signs of cooling, there are still many more job openings than people looking for work and wage growth is still strong, indicating a tight labor market

Source: BLS.
Inflation remains high and broader based

- Food and energy price inflation continue to be high
- Ex-food & energy (core) inflation has remained high as inflation for services has picked up

Source: BEA
Employment gaps have narrowed but still present

- Unemployment rates across racial/ethnic groups tend to move together, but persistently higher for Blacks and Hispanics

- Unemployment rates fell in September for all groups

- Shares of Black and Hispanic populations employed below national average, but gaps have narrowed

- A higher share of Asians is now employed than the national average

Source: BLS  Note: Shading denotes NBER-designated recessions.
Labor force participation rates

- Labor force participation of Blacks and Hispanics runs persistently below aggregate participation.
- Participation gaps have narrowed in past two years.
- Female (age 25-54) labor force participation now close to pre-pandemic rates.

Source: BLS.  Note: Shading denotes NBER-designated recessions.
Transportation prices have risen faster than in other sectors.

12-Month CPI Inflation (%), by Sector

Source: BLS; FRBNY Equitable Growth Studies Dept.
Note: Shading denotes NBER-designated recession.
Blacks and Hispanics spend more on housing and transportation

Share of Expenses on Food, Housing, and Transportation
Among CEX Respondents by Race & Ethnicity

Sources: BLS; Consumer Expenditure Survey, 2020; FRBNY Equitable Growth Studies Dept.
Resulting in Blacks and Hispanics experiencing higher inflation over the past year than other Americans.
Some inflation rates have been converging recently

### Share of Expenses on Food, Housing, and Transportation
Among CEX Respondents by Age

- **Food**
  - Under 25
  - 25-54
  - 55 +

- **Housing**
  - Under 25
  - 25-54
  - 55 +

- **Transportation**
  - Under 25
  - 25-54
  - 55 +

### Demographic Inflation Rates Relative to Average, for Age Groups

- **Under 25**
- **25-54**
- **54 +**

Sources: BLS, Consumer Expenditure Survey, 2020; FRBNY Equitable Growth Studies Dept.

Note: Shading denotes NBER-designated recession
Summary

- Macroeconomic conditions
  - Inflation continues to be the serious issue for monetary policy
  - Economic activity has slowed down, but the labor market remains tight

- Employment and inflation differentials across demographic groups
  - Employment gaps have narrowed, but show labor market performance still weaker for Blacks and Hispanics
  - Inflation gaps suggest inflation surge has been hurting Hispanics and Blacks somewhat more