U.S. Economic Conditions

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Overview

- Macroeconomic conditions
  - GDP: Indicators point to rebound in Q2
  - Labor market: Remains tight even with employment below 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 (to come out in Liberty St. Economics blog)
  - Employment gaps have returned to pre-pandemic levels
  - Inflation gaps have widened during the inflation surge
GDP rebounding; employment nears previous peaks

- Consensus real GDP forecast expects economic activity to rebound in 2022Q2 after a decline in Q1
- Payroll employment is finally approaching its pre-pandemic level

Note: Realized employment for 2022Q2 is the average of April and May 2022 employment. Real output in 2022:Q2 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
- High rates of job openings and quits, and still-strong wage growth also indicate a tight labor market.
Inflation remains high, with only a little moderation

- Surging food and energy prices have pushed up overall inflation
- But ex-food & energy (core) inflation has remained high as inflation for services has picked up

Source: Bureau of Economic Analysis (BEA) via Haver Analytics. Note: Shading denotes NBER-designated recession.
Concentrating on age 25 – 54 groups, unemployment rates across racial/ethnic groups tend to move together.

Even so, unemployment persistently higher for Blacks and Hispanics.

Gaps for Blacks and Hispanics rise during recessions and fall during expansions.

Sharp rise in gap for Asians in COVID recession.

Gaps for Blacks and Hispanics have narrowed in past two years to near pre-pandemic levels.

Source: BLS

Note: Shading denotes NBER-designated recessions.
Labor force participation of Blacks and Hispanics run persistently below aggregate participation.

Patterns of gaps over the business cycle less evident.

Participation of Asians now near aggregate participation.

While it has narrowed, shares of Black and Hispanic populations employed below national average.

A higher share of Asians are now employed than the national average.
Blacks and Hispanics spend more on housing and transportation

Sources: BLS; FRBNY Equitable Growth Studies Dept.
Transportation prices have risen faster than in other sectors
Resulting in Blacks and Hispanics experiencing higher inflation over the past year than other Americans.
Summary

- Macroeconomic conditions
  - Inflation continues to be the serious issue for monetary policy
  - Indicators of economic activity still generally solid and the labor 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 current inflation rise hurting Hispanics and Blacks somewhat more