U.S. Economic Conditions

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Overview

- Downward revision to the path of economic activity due to less fiscal spending, tighter financial conditions, and the war in Ukraine, but underlying activity remains strong.

- Labor market recovery has been strong and the number of job openings remains high.

- Inflation remains well above the Federal Reserve 2% target.
Economic activity to pick up after short-lived slowdown

- Downward revision to the path of real GDP growth reflecting tighter financial conditions, less fiscal spending, and the war in Ukraine
- But underlying activity remains strong

Source: BEA, Blue Chip Economic Indicators, BLS
Less fiscal spending, but demand remains strong

- Less support from fiscal transfers
- Personal saving rate fell to 6.4%, below pre-pandemic levels
- Goods consumption expenditures above pre-pandemic peak; some service sectors are yet to normalize

Source: BEA.
Financial conditions are tightening

- Long-term and mortgage rates, as well as corporate bond yields, have started to rise

- Heightened geopolitical risk is weighing on financial risk premia

Source: Federal Home Loan Mortgage Corporation, U.S. Treasury, Moody's, Dario Caldara and Matteo Iacoviello. Note: Shading shows NBER recessions.
Labor market indicators have continued to strengthen

- Unemployment rate fell to 3.8% in February; 2.4 million jobs added since last October

- Many more job openings than people looking for work

- Sustained wage growth

Source: BLS, JOLTS. Note: Shading shows NBER recessions.
Several factors affect elevated inflation readings

- Goods inflation is slowing down but remains elevated; Shelter inflation begets services inflation
- Energy inflation remains high contributing to elevated headline inflation
- Russia’s invasion of Ukraine adds considerable uncertainty

Source: BLS.