Evolution of COVID-19 and the Economic Outlook

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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.
Expiration of Pandemic Unemployment Compensation, ~5% of DPI, has had little noticeable impact on consumer spending.
Rapid recovery in cap-ex may limit hysteresis; labor quality got short-term boost from composition, perhaps long-term drag from distance learning.
What is going on with manufacturing productivity?

[Graph showing manufacturing output per hour with a log scale.]
Measurement issues have plagued both price and wage gauges throughout the pandemic.
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