The *U.S. Economy in a Snapshot* compiles observations of staff members of the Federal Reserve Bank of New York’s Research and Statistics Group. The views, model results, and analysis presented are solely those of the individual contributors and do not necessarily reflect the position of the Federal Reserve Bank of New York or the Federal Reserve System. The analysis presented herein is based on data released through April 9, 2021.
February data were broadly weak, dragged down by unusually adverse weather. Payroll data suggest a strong rebound in March.

- Consumer spending fell in February, after rising substantially in January.
  - The weakness was from lower spending on goods.
- Spending on business equipment dropped in February.
  - Shipments of nondefense capital goods ex-aircraft fell 1%.
  - They were still up 8% over the year.
- Housing activity faltered in February.
  - House starts fell 10%, with multi-family starts down more than single-family starts.
- Labor market conditions improved in March, with payroll employment rising substantially and the unemployment rate falling.
- Core PCE inflation over the year retreated in February back to near where it was running in the second half of 2020.
- The yield on ten-year Treasury securities moved higher and is now back to near where it was at the beginning of 2020. Equity prices reached an all-time high. The market-implied path of the federal funds rate increased for maturities greater than one year. The dollar appreciated against the euro and the yen.

Output in Q4 was down over the year

- Q4 GDP was down 2.4% over 2020 despite a substantial rebound in the second half of the year.
  - In comparison, the average GDP growth rate during the 2009-19 expansion was 2.3%.
  - In the March Summary of Economic Projections (SEP), the median for the longer-run GDP growth rate was 1.8%.
  - The March Blue Chip survey had expected average annual growth over the 2023-27 period at 2.1%.
- Various measures indicated that there is considerable slack.
  - The 6.0% unemployment rate in March was above the long-run forecasts of near 4.0% in the Blue Chip survey and the median SEP projection of 4.0% for the longer-run unemployment rate.
**Labor market recovery picked up in March**

- Nonfarm payroll employment rose by 916,000 in March.
  - Payroll employment in private service-providing industries increased by 597,000, with widespread gains across industries, including leisure and hospitality (280,000).
  - Private payroll employment in goods-producing industries expanded by 183,000, with increases in manufacturing (53,000) and construction (110,000).
- The unemployment rate edged down to 6.0%.
- Labor force participation and the employment-to-population ratio ticked up to 61.5% and 57.8%, respectively, driven by increases among women.

**Core inflation slowed slightly in February**

- The PCE price index was up 1.5% over the year in February, an increase from 1.4% in January.
  - Inflation for services was unchanged at 1.9%.
  - Durable goods inflation fell from 1.2% in January to 1.0%.
  - Energy inflation shifted from -4.2% to 1.2%.
  - Food inflation was stable at 3.3%.
- Core PCE inflation fell from 1.5% to 1.4%.
  - Core inflation was pulled down by durable goods.
  - Inflation remains below the FOMC’s 2% longer-run goal.
Q4 growth was solid after the Q3 surge

- In the third estimate, GDP rose at a 4.3% annual rate in Q4, after surging at a 33.4% rate in Q3. The 4-quarter change was -2.4%.
  - Personal consumption expenditures rose at a 2.3% rate.

- Nonresidential, residential, and inventory investment contributed to GDP growth, while government spending and net exports were drags on growth.

- In its first reading for Q4, real gross domestic income (GDI) rose 15.7% (annual rate) in Q4.
  - The four-quarter change in GDI was -1.4%.

Manufacturing looks to have recovered in March

- Manufacturing production fell 3.1% in February, pulled down by severe winter weather.
  - Manufacturing hours increased in March, pointing to a rebound in production.

- The ISM manufacturing index rose to 64.7 in March,
  - The reading was the highest since December 1983.
  - The Supplier Deliveries component continues to partly reflect pandemic-induced supply disruptions.
  - The Prices component indicates considerable cost pressures in the manufacturing sector.
### Income and consumption retreated in February

- Real disposable income fell 8% in February.
  - The fall was due to a severe drop in government transfer payments that had surged in January.
  - Even after the retreat, real disposable income was 3.4% above its year-ago level.

- Real personal consumption expenditures fell 1% in February after rising 3% in January.

- The personal saving rate fell back to 13.6%, after jumping to 19.8% in January.

### Consumer spending on goods fell in February

- Real expenditures on goods declined 3% in February.
  - Durable goods consumption fell 5%, while nondurables spending fell 2%.

- Expenditures on services were roughly unchanged.
  - There was some higher spending in categories benefiting from easing pandemic precautions.

- Over the year, spending on goods was up 9% and spending on services was 7% lower.
  - Durable goods expenditures were up 16%.
Equipment spending rose strongly again in Q4

- Real business equipment spending increased at a 25% annual rate in Q4, after surging at a 68% rate in Q3.
  - The rise in equipment spending was broad based.
  - Spending was up 3.5% over the year.
- Data through February on orders of capital goods suggest continued momentum in equipment spending.
- The rebound in equipment spending pushed up the capacity utilization rate for manufacturing to 74.6% in January, near its pre-pandemic level of 75.2%.
  - Severe winter weather pulled the rate down to 72.3% in February, which is 5.8 percentage points below its long-run (1972–2020) average.

Nonresidential structures spending fell in Q4

- Real nonresidential structures investment decreased 6% (annual rate) in Q4, the fifth consecutive decline. Spending was down 16% over the year.
  - Nevertheless, there was a rise in the mining exploration, shafts, and wells category from a very low level.
- Spending in the petroleum and natural gas sector increased, but remained at a very low level.
  - Spending outside of energy has been sluggish or falling in recent quarters.
- Data on nonresidential construction through February point to a weak Q1 reading.
**HOUSING SECTOR**

**Housing Starts**

Thousands of units, annual rate, 3-month average

- **Total Multi-family (Left Axis)**
- **Single Family (Right Axis)**

Source: Census Bureau via Haver Analytics

**Housing starts fell sharply in February**

- Total housing starts decreased 10% in February, putting starts significantly below the December 2020 peak.
  - Severe winter weather was likely a contributing factor.

- Single-family starts fell 9% to 1.0 million units (annual rate).
  - The three-month average of single-family starts remained above its pre-pandemic level.

- Multi-family starts dropped 15% to 0.4 million units.
  - The three-month average of multi-family starts stayed near 2015-19 levels.

**New and Existing Home Sales**

Thousands of units, annual rate, 3-month average

- **Existing Single-Family Sales (Right Axis)**
- **New Single-Family Sales (Left Axis)**

Source: Census and National Association of Realtors via Haver Analytics

**Home sales remained robust despite February fall**

- Existing home sales decreased in February by 6.6% after two consecutive months of increases to 5.52 million units (annual rate).
  - Sales were up 8.0% over the year.

- New single-family home sales decreased 18.2% to 775,000 units.
  - Sales were up 8.2% over the year.

- Home sales are well above pre-pandemic levels.
**GOVERNMENT SECTOR**

### US Federal Budget Receipts and Outlays

- **% of GDP, 12-month average**
- **Graph showing trends in receipts and outlays from 2007 to 2021.**

### The federal deficit widened during the pandemic

- The Federal deficit soared amidst the pandemic, reaching 17% of GDP for the 12 months through February.
  - The increase was due to higher outlays, which rose from 21% of GDP in 2019 to 34% for the latest 12 months.
    - Revenues held steady at just under 17% of GDP.
    - Income support payments to households and Paycheck Protection Program payments to businesses accounted for much of the increase in outlays.
  - The deficit will remain high in coming months.
    - The CBO estimates that the American Rescue Plan Act passed in March will add $1.1 trillion (5% of annual GDP) to outlays through September.

### State and Local Construction Spending

- **Billions of dollars, annual rate, 3-month average**
- **Graph showing trends in state and local construction spending from 2007 to 2021.**
- Source: Census Bureau via Haver Analytics

### S&L government construction has remained stable

- The average of January and February S&L construction spending was only slightly below the Q4 2020 level.
  - Spending in early 2021 was near year-ago levels and modestly above the 2019 level.
- Most construction spending categories were unchanged relative to Q4.
  - Spending on housing and roadways was higher, while spending on health care and education construction fell.
- S&L construction spending rose 5% in 2020.
  - The largest increases were in housing, primary/secondary education, and water.
**INTERNATIONAL DEVELOPMENTS**

**Goods trade faltered at the start the year**
- Nominal export and import data were weak in the first two months of 2021.
  - This reflected a combination of low foreign demand and bottleneck issues that placed a drag on imports.
- Exports fell by 2.3% in Jan-Feb relative to Q4 2020.
  - Exports fell across all categories, except for industrial supplies.
- Imports rose by just 0.2% over the first two months relative to Q4.
  - Growth was positive across all major categories, except for a large decline in automobiles.

**Oil prices have moved back to pre-pandemic levels**
- Both supply and demand developments have pushed oil prices up to around $60/barrel.
  - The WTI benchmark was down to $17/barrel in April 2020.
- Global demand in early 2021 was 5% below the 2019 level.
  - China’s demand for liquid fuels was above pre-pandemic levels, while demand in the U.S. and Europe were both down 10%.
- Global supply has been less than demand since Q2 2020.
  - Q1 2021 liquid fuel production is estimated to have been down 12% over the year in the United States and down 10% in OPEC.
LABOR MARKET

**Payroll Employment and Aggregate Hours**

- Total nonfarm payroll employment rose by 916,000.
  - Employment increases were widespread, with the largest gains in leisure and hospitality (280,000), public and private education (190,000), and construction (110,000).
  - Nearly two-thirds of the job growth in the leisure and hospitality sector was due to employment gains at food services and drinking places (176,000).
- Government payrolls expanded by 136,000, reflecting increases in federal (7,000), state (46,000) and local (83,000) government employment.
- Aggregate weekly hours worked by all private employees increased by 1.5%.

**Payroll growth picked up in March**

**Labor Force Participation Rate by Sex**

- Prime-age LFP (labor force participation) growth in March was driven by an increase in women’s participation.
  - Men’s prime-age LFP rate remained constant at 87.6%.
  - Women’s prime-age LFP ticked up by 0.3 percentage point to 75.2%.
- Men’s and women’s prime-age LFP rates were 1.5 and 1.6 percentage points below February 2020 levels, respectively.
- However, men’s and women’s prime-age LFP rates were significantly higher than in April 2020.
  - Men’s prime age LFP troughed at 86.4%.
  - Women’s prime age LFP troughed at 73.5%.
**LABOR MARKET**

### Unemployment Rate by Education

- **Less than high school**
- **High school graduate**
- **Some College**
- **Bachelor’s degree or higher**

Source: Bureau of Labor Statistics

### Unemployment by education has started to converge

- The unemployment rate spread between those with less than high school education and those with a bachelor’s degree was 4.5% in March.
  - At the peak of unemployment during the recession, the unemployment rate spread for workers with less than high school education and a bachelor’s degree was 12.6%.

- Unemployment rates by education were 8.2%, 6.7%, 5.9%, and 3.7% for less than high school, high school graduates, some college or associates, and bachelor’s degree or higher, respectively.
  - The ordering of unemployment rate by education has remained unchanged during the pandemic.

### Average hourly earnings were essentially unchanged

- Average hourly earnings fell by 0.1% over the month.
  - Average hourly earnings were up 4.2% over the year.
  - The large employment swings have been concentrated in industries with lower-paid workers, complicating the interpretation of average hourly earnings data.
  - The employment cost index, which keeps the composition of jobs fixed in its calculations, shows wage growth to have been relatively stable in 2020.

- Average weekly earnings increased by 0.7% from $1,038.00 in February to $1,045.60 in March.
  - Average weekly earnings increased by 6.7% over a 12-month period.
Core CPI inflation was again subdued in February

- The core CPI was up 1.3% over the year in February, another slowdown from the 1.7% pace set last September.
  - Overall inflation rose to 1.7% due to higher energy prices.
- Core goods prices fell over the month for the first time since last May.
  - The index was up 1.3% over the year, compared with 1.7% in January and -1.1% last June.
- Core services prices rose modestly after being flat for two months.
  - The 12-month change in this index was 1.3%, the same increase as in January and almost 2% below the increase recorded a year ago.

Energy prices are back to pre-pandemic levels

- The energy component of the CPI has fully recovered from the collapse early in the pandemic.
  - The index was up 2% over the year in February.
  - The index looks like it will be up over 10% in March and 25% in April given how low year-ago levels were.
- The energy index's volatility is driven by gasoline prices.
  - Gasoline’s low point during the pandemic was in May 2020 when gas prices were down 35% over the year.
- Prices for electricity had been stable since mid-2017, but have been on a modest upward trend since last August.
  - These prices were up 2% over the year in February.
Long-term Treasury yields continued to rise

- On a five-day moving average basis, ten-year Treasury yields have increased from 1.67% on March 12 to 1.83% on April 2.
  - On a five-day moving average basis, the yield reached levels last seen in the beginning of 2020.
  - The yield has increased about 90 basis points since the beginning of the year.

- Estimates from the Adrian-Crump-Moench term structure model attribute the yield increase to a higher term premium.
  - On a five-day moving average basis, the ten-year term premium increased by about 18 basis points between March 12 and April 2.

U.S. equity markets moved higher

- U.S. equity markets recently reached all-time highs.
  - The S&P 500 index increased 1.9% between March 12 and April 1.
  - It is up 8.6% year-to-date.

- Option-implied stock market volatility, as measured by the CBOE Volatility Index (VIX Index), remained within the 17-21 range.
  - The VIX Index closed at 17.33 on April 1, below its March 12 value of 20.69.
  - The VIX index is near its historical median of 17.7.
FINANCIAL MARKETS

Expected Federal Funds Rate

Implied path for federal funds rate shifted up

- The expected path of the federal funds rate implied by rates on overnight indexed swaps (OIS) increased for maturities greater than one-year between March 12 and April 2.

- The market-implied federal funds rate at the end of 2023 is above the median value of the FOMC’s Summary of Economic Projections from March 2021 and the NY Fed’s Survey of Primary Dealers from January 2021.

USD Exchange Rates

U.S. dollar appreciated in March

- The exchange value of the dollar against a basket of global currencies increased 0.8% between March 12 and April 1.
  - Over this same period the dollar appreciated by 1.5% against the euro, and 1.5% against the Japanese yen.

- Since the start of 2021, the dollar has appreciated 2.5% against a basket of global currencies.
**China’s growth appears poised to slow in 2021**

- Growth calculations in the first two months of 2021 are distorted by a very low comparison base in early 2020.
  - Industrial production increased by 35% over the year, while retail sales increased by 34%.
  - Investment spending increased by 35%, somewhat lower than forecasters had been expecting.
  - Exports soared by 61%.

- Despite the large 12-month increases, monthly growth rates were broadly similar to Q4 2020, and retail sales slowed due to pandemic-related travel restrictions.

- China’s government has begun implementing a tightening of economic policy, including reductions in central and local government fiscal deficits.

**Credit growth in China has remained quite strong**

- The credit impulse (the change in the flow of new credit as a percentage of GDP) appears at or close to peak.
  - The credit impulse correlates well with China’s growth indicators.

- Recent credit stimulus has been led by mortgage lending.
  - While corporate bank lending still accounts for the bulk of new lending, new household credit has picked up to support the booming property sector.

- Credit growth is expected to moderate over the course of this year, but authorities have indicated that the withdrawal of credit stimulus will be gradual.
U.S. Electricity Generation

Billions of kilowatt hours, 12-month sum

Electricity generation has not grown with output

- Electricity generation in 2019, before the pandemic, was near that produced in 2007.
  - For comparison, electricity output grew at a 1.75% annual rate in the decade leading up to the Great Recession.

- Real GDP in 2019 was around 20% higher than it was in 2007.

- Flat demand has been fairly broad based.
  - Electricity generation rose just 1% from 2007 to 2019, with residential usage up 3%, commercial usage up 2%, and industrial usage down 2%.

- Electricity generation and GDP both fell around 3% in 2020.

Electricity Generation by Source

Billions of kilowatt hours, 12-month sum

The composition of energy for electricity has changed

- Coal accounted for roughly half of the energy used to produce electricity in 2007.
  - Coal’s share fell from 48% in 2007 to 19% in 2020.

- Natural gas gained market share at coal’s expense.
  - Its share has doubled since 2007 to 40%.
  - Nuclear and hydroelectric have maintained their shares.

- Wind and solar have increased their market share.
  - Wind’s share rose from 4.7% in 2015 to 8.4% in 2020.
  - Solar’s share rose from 0.6% to 2.3%.
  - Together, these two energy sources have steadily increased their share of generation at a rate of 1 percentage point a year since 2015.