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 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 May 11, 2022.
Hourly wage growth moderated, real disposable income continued to trend down, and the saving rate fell.

- Output declined in Q1.
  - The drop was due to drags from inventory investment and net exports.
  - Consumer purchases grew at a solid pace, with higher spending on services and no change in spending on goods.
  - Business spending on equipment picked up.

- Real disposable income dipped again in March.
  - The level was below its trend growth path.
  - Real consumer spending was near its trend path, but has been growing at a slower pace since October.
  - The saving rate fell to more than a percentage point below pre-pandemic levels.

- Payroll employment continued to grow at a solid pace in April, the unemployment rate was unchanged, and the employment-to-population ratio fell slightly.

- Monthly core PCE inflation slowed over the course of Q1, although CPI data suggest a pickup in April.

- The 10-year Treasury yield rose with a higher expected path of short-term interest rates. The S&P 500 stock index declined over the month, putting it significantly down since the start of the year. The market-implied federal funds rate path shifted up.

### Q1 output below its pre-pandemic trend level

- GDP has grown at a 1.2% annual rate since Q4 2019.
  - The median estimate for the longer-run GDP growth rate was 1.8% in the March Summary of Economic Projections (SEP).
  - The March Blue Chip survey had expected average annual growth over the 2024-28 period at 2.0%.
  - Q1 GDP was about 1.5% below what it would have been if, since Q4 2019, it grew at a rate close to longer-run forecasts.

- Unemployment was below its longer-run normal level.
  - The 3.6% unemployment rate in April was below both the consensus forecast in the Blue Chip survey of 3.8% for average unemployment over 2024-28 and the median SEP projection of 4.0% for the longer-run unemployment rate.
  - The labor force participation rate in April was more than one percentage point below pre-pandemic levels.
The unemployment rate remained unchanged

- The unemployment rate was unchanged at 3.6% in April.
  - The unemployment rate was down 2.4 percentage points over its year-ago level.

- The labor force participation rate fell by 0.2 percentage point to 62.2 percent.
  - The drop was driven primarily by males over 55.

- The Household Survey's estimate of employment declined after strong monthly increases in Q1, bringing the measure more in line with the Establishment Survey's payroll data.

PCE inflation moved higher in March

- PCE inflation increased from 6.3% over the year in February to 6.6% in March.
  - Food prices were up 9.2% and energy prices were up 33.9%.

- Core PCE inflation eased from 5.3% to 5.2%.
  - Durable goods inflation fell from 11.0% to 10.2%, with inflation for used motor vehicles dropping from 40.8% to 33.5%.

- The core PCE index was up over the month at a 3.6% annualized rate in March.
  - The average annualized monthly rate fell from 6.0% in Q4 to 4.3% in Q1.
**ECONOMIC ACTIVITY**

**GDP Growth**

Quarterly % change, annualized

Source: Bureau of Economic Analysis via Haver Analytics

**Output declined in Q1**

- GDP fell at a 1.4% annual rate in Q1, a large reversal from the 6.9% rate of increase in Q4.
  - Despite the fall, output was up 3.6% over the year.
  - The net exports component was the major contributor to the drop, as imports surged and exports fell.
  - Consumer spending grew at a solid pace and business equipment spending rose robustly.

- Real disposable personal income decreased at a 2.0% annual rate in Q1, its fourth consecutive decline.
  - The decline reflected another fall in transfer income and high inflation.
  - The personal saving rate was 6.6%, below pre-pandemic levels of around 7.5%.

**Manufacturing Index**

Index, 2017=100

Source: Federal Reserve Board via Haver Analytics

**Manufacturing jumped again in March**

- The manufacturing index rose 0.9% over the month in March after increasing 1.2% in February.
  - The durable goods sector outperformed the nondurable goods sector.
  - The index was 4.0% above its pre-pandemic level.
  - The Q1 level was up 1.3% over the quarter.

- The motor vehicles index rebounded by 7.8%, after falling 4.6% in February.
  - The index in Q1 was unchanged over the quarter.

- The April ISM manufacturing index was at a level consistent with moderate growth.
  - The responses point to continued cost pressures.
**Real disposable income continued to fall**

- Real disposable income fell 0.4% over the month in March, while nominal personal income rose 0.5%.
  - Nominal compensation was up 0.5%, proprietors’ income rose 0.8%, and personal transfer receipts were up 0.3%.
  - Over the year, income was down 11.6%, with compensation up 10.8%, proprietors’ income up 5.3%, and transfers down 51.5%.
  - Real disposable income has fallen every month but one since July, with the level below its trend growth path.

- Real personal consumption expenditures rose 0.2% in March, putting purchases up 2.3% over the year.
  - Consumer spending was up 2.7% (annualized) over the quarter in Q1, keeping it near its trend growth path.

**Consumer spending shifted to services in March**

- Real spending on goods fell 0.5% over the month in March.
  - Spending in Q1 was unchanged over the quarter, with more spending on durables and less on nondurables.
  - Purchases of motor vehicles and recreational goods rose, while spending on furnishings, apparel, food, and gasoline fell.
  - Overall spending in March was 10% above its trend growth path.

- Real spending on services rose 0.6% over the month.
  - Spending in Q1 was up 4.3% (annualized) over the quarter.
  - Spending in March was 5% below its trend growth path, with large shortfalls in recreation, health care, and public transportation.
**Business Sector**

**Business Investment Spending on Equipment**

- Bills of 2012 dollars, annualized

- Equipment spending rose robustly in Q1
  - After two soft quarters, real business equipment spending increased at a brisk 15.3% annual rate in Q1.
  - Equipment spending added 0.8 percentage point to annualized GDP growth in the quarter.
  - Robust increases in the information, industrial, and other equipment categories more than offset a fall in the transportation category.
  - Equipment spending was up 6.8% over the last four quarters.
  - Orders of capital goods rebounded solidly in March after a February dip and remained at a high level.
    - The March rise pointed to strength in equipment spending, although the increase partly reflects higher prices.

**Business Investment in Nonresidential Structures**

- Bills of 2012 dollars, annualized

- Spending on nonresidential structures fell in Q1
  - Real nonresidential structures investment spending decreased at a 0.9% annual rate in Q1.
    - The small decline was a negligible drag on annualized GDP growth.
    - Nonresidential structures spending fell 4.1% over the year and was down 22% since Q4 2019.
  - In contrast, spending in the energy sector increased for the sixth straight quarter.
    - Spending on mining exploration, shafts, and wells was still down 15% from its Q4 2019 level.
  - Monthly data on nonresidential construction through March point to a moderate pickup, at best.
HOUSING SECTOR

Residential investment remained elevated in Q1

- Residential investment spending was little changed in Q1.
  - Residential investment was 15% above its Q4 2019 level.

- Investment has been high in both single-family and multi-family structures since the end of 2020.
  - Single-family construction in Q1 was up 25% relative to Q4 2019 and multi-family construction was up 23%.
  - Relatively small increases in home improvements and equipment held down the growth in overall residential investment spending.

- Housing starts data for February and March showed some upward momentum in spending heading into Q2.

Home sales fell in March

- Existing single-family home sales in Q1 were down 2% over the quarter, with drops in February and March.
  - Sales in Q1 were 13% above the Q4 2019 level.

- New single-family home sales were up 7% in Q1, but weakened significantly in March.
  - Sales in Q1 were 12% above the Q4 2019 level.

- Home prices appear to have stabilized.
  - The median sales price of existing single-family homes was up 15% over the year in March and up 40% over Q4 2019.
  - The Q1 2022 level, though, was roughly equal to what it was in Q3 2021.
Federal spending declined significantly in Q1
- Federal government spending subtracted 0.4 percentage point from annualized GDP growth in Q1, following a drop of 0.3 percentage point in the previous quarter.
  - Spending was down 5.2% over the year, the largest four-quarter drop since 2013.
  - The end of spending tied to the Paycheck Protection Program and a 4.4% drop in defense spending were the key factors behind the four-quarter decline.
- The drag on Q1 growth came mostly from defense spending.
  - Defense spending subtracted 0.3 percentage point from annualized growth, while nondefense spending subtracted 0.1 percentage point.

State and local government spending dipped in Q1
- Real state and local government spending subtracted a slight 0.1 percentage point from annualized GDP growth.
  - Spending was 0.5% above the Q4 2019 level.
- S&L government consumption rose 0.3% over the quarter.
  - Spending was up 2% over Q4 2019.
- Investment spending fell 2% over the quarter, with a 4% drop in construction more than offsetting a 4% increase in equipment purchases and a 1% increase in intellectual property products.
  - Total investment spending was down 7% relative to Q4 2019, with construction spending down 12%.
Monthly core CPI inflation increased in April

- The core CPI was up 0.6% over the month in April (7.0%, annualized), after rising 0.3% in March.
  - Monthly changes averaged 0.6% in Q4 2021 and 0.5% in Q1 2022.
  - The monthly inflation rate for core goods was 0.2%, down from the Q4 average of 1.0% and the Q1 average of 0.3%.
  - The monthly inflation rate for core services prices reached 0.7%, up from the Q4 average of 0.4% and the Q1 average of 0.5%.

- Core inflation over the year eased from 6.4% to 6.1%.
  - Core goods inflation fell from 11.7% to 9.7%.
  - Core services inflation rose from 4.7% to 4.9%.

Durable consumer goods prices were flat in April

- The durable goods sub-index of the CPI was unchanged over the month in April after falling 0.9% in March.
  - The index was still up 14.0% over the year.
  - Prices tended to fall at a 1-2% pace before the pandemic.

- The major outlier has been the index for used motor vehicles which, even after falling 4% in recent months, was up 23% over the year.
  - The index for new motor vehicles was up 13%.
- Prices for household furnishings were up 11% over the year, prices for recreational goods were up 4%, and prices for IT goods were down 5%.
**Labor Market**

**Payroll Employment**

Index, 2019=100

Employment growth was solid in April

- Nonfarm payroll employment rose by 428,000 in April.
  - Employment growth averaged 518,000 in the first four months of 2022.
  - Payrolls were up 6.6 million (5%) over the year, but were still 1.2 million (1%) below the pre-pandemic level.
  - Job vacancies continued to move higher, with the March level up 4.3 million over the February 2020 reading.

- The Household Survey’s employment-to-population ratio fell by 0.1 percentage point to 60.0%.
  - The ratio was up 2.1 percentage points over the year, but 1.2 percentage points below its pre-pandemic level.

**Average Hourly Earnings and the ECI**

Year-over-year % change

Hourly wage growth moderated in April

- Average hourly earnings increased 0.3% over the month in April.
  - This was below the average monthly rate of 0.5% in Q4 2021 and 0.4% in Q1.
  - Hourly earnings were up 5.6% over the year.

- The employment cost index in March rose 5.6% (annualized) over three months, a pickup from the 4.0% pace set in December.
  - The index in March was up 4.6% over the year.
**REGIONAL DEVELOPMENTS**

### District surveys point to solid growth in April
- Activity grew strongly in both the manufacturing and service sectors, based on April regional business surveys.
  - After three months of sluggish readings, the Empire Survey's headline index (manufacturing firms) surged 36 points to 24.6. Employment growth, however, slowed.
  - The Business Leaders Survey's headline index (service firms) increased 6 points to 24.2. Employment growth was solid.
  - Supply shortages remained widespread in both sectors.

### Strong employment growth in parts of the region
- Job growth in downstate New York and Northern New Jersey outpaced the nation in March, but underperformed in upstate New York.
  - Over the prior 12 months, employment increased by 5.5% in downstate New York, 4.8% in Northern New Jersey, 3.6% in Fairfield CT, and 3.0% in upstate New York, compared with 4.5% nationally.
  - Employment remained 5.6% below pre-pandemic levels in downstate New York, 4.4% below in upstate New York, 2.3% below in Northern New Jersey, and 2.9% in Fairfield, compared to a 1.0% job shortfall nationally.
  - Employment in Puerto Rico grew 5.0% on a year-over-year basis in March and was 2.7% above pre-pandemic levels.
**INTERNATIONAL DEVELOPMENTS**

**Exports and Imports of Goods and Services**

Billions of 2012 dollars, annualized

- **Imports**
- **Exports**

- **Net exports were a large drag on Q1 growth**
  - Imports rose and exports fell in Q1.
    - Lower exports subtracted 0.7 percentage point from annualized GDP growth and higher imports subtracted 2.5 percentage points.
  - Exports remained below pre-pandemic levels.
    - Lower sales were led by food, fuels, and nondurable consumer goods.
    - Services exports moved only modestly higher, with tourism from abroad still depressed.
  - Imports were well above pre-pandemic levels.
    - Durable consumer goods accounted for 70% of the increase in imports, with capital goods and autos also up strongly.

**Crude Oil Prices**

Dollars per barrel (WTI)

- **Oil prices fell in April**
  - Oil prices (WTI) fell from $108/barrel in March to $102/barrel in April.
    - Prices have been elevated since Russia's invasion.
    - The market has stabilized, with prices in early May near the April average.
  - The Department of Energy's April forecast projects that oil production and demand will be balanced from Q2 2020 through the end of 2023.
    - Global inventories are expected to remain tight, limiting downward pressure on prices and encouraging market volatility.
    - The forecast assumes a decline in Russian production is offset by a rise in U.S. and OPEC production.

Source: Bureau of Economic Analysis via Haver Analytics

Source: Energy Information Administration via Haver Analytics
China: Retail Sales and Services PMI

China’s data point to a slowdown
- China’s strict COVID lockdown has depressed consumer spending and service sector activity.
  - Real retail sales fell at a 15% annual rate in March, while the services purchasing managers index tumbled to the lowest level since February 2020.
- Other indicators have also shown weakness, including industrial production, exports, and the property sector.
  - In addition to pandemic restrictions, home builders are facing tight financial conditions.
  - Infrastructure investment is being supported by government stimulus.

China: Credit and the Credit Impulse

Credit growth increased
- Policies to support the economy have fostered a pickup in credit growth.
  - Aggregate credit growth increased to 11.4% over the year in March.
- Measures include more local government bond issuance for infrastructure projects, targeted lending programs for small and medium-sized enterprises, and a modest easing of restrictions on property-related lending.
- The credit impulse, defined as the change in the flow of new credit as a percentage of GDP, has increased from -3.0% of GDP in Q3 2021 to 1.5% in Q1.
  - The credit impulse measure is correlated with growth.
**Implied path for the federal funds rate shifted up**

- The expected path of the federal funds rate implied by overnight indexed swaps increased across all maturities between April 4 and May 9.

- The market-implied federal funds rate at the end of 2023 was around 3.4%, which is above the median value of 2.8% in the FOMC’s Summary of Economic Projections (SEP) from March 2022.

- At the five-year horizon, the market-implied federal funds rate was around 2.7%, which was above the median SEP longer-run federal funds rate of 2.4%.

**Ten-year Treasury yields moved higher**

- The 10-year Treasury yield was at 2.99% on May 9, 57 basis points higher than the yield on April 4.
  - The yield averaged 1.81% in January 2020.
  - The yield averaged 0.92% in 2020, 1.51% in 2021, and 2.17% in the first four months of 2022.
  - Estimates from the Adrian-Crump-Moench term structure model have the increase in the 10-year Treasury yield from April 4 to May 9 as due to a higher expected future interest rate path and an increase in the term premium.
**Equity prices declined and market volatility increased**

- U.S. equity prices, as measured by the S&P 500 index, were down 8.4% on May 9 relative to the April average.
  - The S&P 500 index was down 16% year-to-date on May 9 after being up 29% over the course of 2021.

- Option-implied stock market volatility, as measured by the CBOE Volatility Index (VIX Index), increased from 24.4 in April to 33.8 on May 9.
  - The median VIX Index value was 17.9 over the period from the beginning of 2000 through May 9.

**The dollar appreciated**

- The Federal Reserve’s trade-weighted broad dollar index was 2.3% higher on May 6 relative to the April average.
  - The index was up 6% relative to the 2021 average.

- The dollar on May 9 was 2.3% stronger against the euro relative to the April average and 3.1% stronger against the yen.