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 April 5, 2022.
The unemployment rate fell, real disposable income continued to trend down, and inflation remained elevated.

- GDP growth picked up in Q4.
  - Most of the growth was due to inventory accumulation.
  - Consumer purchases grew modestly, with almost all of the increase due to spending on services.
  - A rise in fixed investment spending was offset by a fall in government spending.

- Real disposable income dipped again in February.
  - The level was below its trend growth path.
  - Real consumer spending fell modestly, as a drop in spending on goods more than offset a rise in spending on services.
  - The saving rate was below pre-pandemic levels.

- Payroll employment continued to grow at a solid pace in March and the unemployment rate fell.

- Core PCE inflation over the year increased in February.

- The market-implied federal funds rate path shifted up and the 10-year Treasury yield rose sharply despite estimates that the term premium fell. The S&P 500 stock index moved higher over the month, but was still down since the beginning of the year.

### Q4 output was just below its pre-pandemic trend level

- GDP has grown at a 1.6% 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%.
  - Q4 GDP was less than 1% 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 March 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 March was about one percentage point below pre-pandemic levels.
**OVERVIEW**

**Labor Market Indicators**

- The unemployment rate fell
  - The unemployment rate dropped from 3.8% in February to 3.6% in March.
  - The unemployment rate was down 2.4 percentage points over its year-ago level.
  - The labor force participation rate rose from 62.3% to 62.4%.
  - The rate was up 0.9 percentage point over the year.
  - The Household Survey’s measure of employment increased by 736,000.
  - Employment was up 5.0% over the year.

**PCE Deflator**

- 12-month % change

**PCE inflation over the year moved higher**

- PCE inflation increased from 6.1% over the year in January to 6.4% in February.
  - Food prices were up 8.0% and energy prices were up 25.7%.
- Core PCE inflation increased from 5.2% to 5.4%.
  - Durable goods inflation fell from 11.7% to 11.4%, with inflation for used motor vehicles easing from 51.2% to 45.6%.
- The core PCE index was up over the month at a 4.3% annualized rate.
  - The average annualized monthly rate was 6.0% in Q4.
GDP Growth
Quarterly % change, annualized

GDP growth was robust in Q4, capping a strong year
- GDP rose at a 6.9% annual rate in Q4, a pickup from the 2.3% rate in Q3.
  - Over 2021, GDP grew 5.5% (Q4/Q4), the highest annual growth rate since 1984.
  - Inventory investment was the major contributor to Q4 GDP growth, as businesses restocked depleted inventories.
  - Consumer spending grew at a modestly faster pace.
- Real gross domestic income increased at a 5.1% annual rate in Q4, a slower pace than in Q3.
  - Both personal income and corporate profits contributed to the slowdown of GDI growth in Q4.
  - Over 2021, GDI grew 5.5% (Q4/Q4), equal to GDP growth.

Manufacturing Index
Index, 2017=100

Manufacturing jumped in February
- The manufacturing index rose 1.2% over the month in February, after rising 0.1% in January.
  - Most major categories posted gains, with the notable exception of the motor vehicle sector.
  - The overall index was 3.4% above its pre-pandemic level.
- The motor vehicles index fell 3.5%.
  - The index was 10.6% below its pre-pandemic level.
  - Manufacturing excluding the motor vehicles sector was 4.0% above its pre-pandemic level.
- The ISM manufacturing index was at a high level in March.
  - The Suppliers Delivery reading was consistent with continuing supply chain difficulties.
HOUSEHOLDS

Disposable Income and Consumption
Trillions of 2012 dollars, annualized

Source: Bureau of Economic Analysis via Haver Analytics

Real disposable income continued its downward trend

- Real personal consumption expenditures fell 0.4% in February, after rising 2.1% in January.
  - Consumer spending was up 4% (annualized) in the first two months of Q1 relative to the Q4 average, keeping it near its trend growth path.

- Real disposable income dipped 0.2% over the month in February, while nominal personal income rose 0.5%.
  - Nominal compensation was up 0.7%, proprietors’ income rose 0.8%, and personal transfer receipts were down 0.3%.
  - Compensation was up 10% over the year, proprietors’ income was up 10%, and transfers were down 5%.
  - Real disposable income has fallen every month since July, with the level below its trend growth path.

Consumer Spending
Trillions of 2012 dollars, annualized

Source: Bureau of Economic Analysis via Haver Analytics

Consumer spending shifted to services in February

- Real spending on goods fell 2.1% over the month in February, a retreat following a 5.6% jump in January.
  - Spending on goods in the first two months of Q1 grew at a 6% annualized rate over the Q4 2021 level.
  - Spending was 10% above its trend growth path.

- Real spending on services rose 0.6% over the month.
  - Spending in the first two months of Q1 grew at a 3% annualized rate over the Q4 level.
  - There were notable increases in spending on food services, air transportation, and accommodations.
  - Spending was 5% below its trend growth path.
Equipment spending rose modestly in Q4

- After falling in the previous quarter, real business equipment spending moved modestly higher in Q4.
  - Equipment spending added 0.2 percentage point to annualized GDP growth in the quarter.
  - Robust increases in the information and industrial equipment categories were largely offset by falls in the transportation and other equipment categories.
  - Despite a flat performance in the second half of the year, equipment spending was up 6.5% over the course of 2021.

- Orders of capital goods dipped in February but remained at a high level.
  - However, the high levels partly reflect higher prices.

Spending on nonresidential structures fell in Q4

- Real nonresidential structures investment spending decreased at a 8.3% annual rate in Q4.
  - The decline subtracted 0.2 percentage point from annualized GDP growth.
  - Nonresidential structures spending fell 2.6% over the course of 2021 and was down 22% since Q4 2019.

- The level of spending in the energy sector was an outlier as it increased for the fifth straight quarter.
  - Spending on mining exploration, shafts, and wells was still down 19% from its Q4 2019 level.

- Monthly data on nonresidential construction through February point to only a moderate turnaround at best.
HOUSING SECTOR

Residential Investment
Billions of 2012 dollars, annualized

- Residential investment spending was flat in Q4
  - Residential investment was unchanged relative to Q3.
    - Residential investment was 14% 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 Q4 was up 21% 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 January and February showed some upward momentum in spending in Q1 2022.

Existing Home Sales
Thousands, annualized

- Existing home sales remained high
  - Existing single-family home sales in January and February were near the Q4 2021 level.
    - The average of sales in the two months was 17% above the Q4 2019 level.
  - New single-family home sales in January and February were up 2% over the Q4 2021 level.
    - The average of sales in the two months was 10% above the Q4 2019 level.
  - Home prices continued to move higher.
    - The median sales price of existing single-family homes was up 15% over the year in February and up 32% over Q4 2019.

Source: Bureau of Economic Analysis via Haver Analytics
Source: National Association of Realtors via Haver Analytics
Federal Government Spending

Billions of 2012 dollars, annualized

- Federal government spending subtracted 0.3 percentage point from annualized GDP growth in Q4, following a drag of 0.4 percentage point in Q3.
  - Spending was down 1.1% over the year, but up 2.0% since Q4 2019.
- The drag on growth came largely from defense spending.
  - Defense spending subtracted 0.2 percentage point from growth, while nondefense spending subtracted 0.1 percentage point.
- The Paycheck Protection Program, which added volatility to quarterly data during the pandemic, is no longer a factor.

Source: Bureau of Economic Analysis via Haver Analytics

Federal spending slumped in Q4

State and Local Government Spending

Billions of 2012 dollars, annualized

- Real state and local government spending in Q4 fell 0.4% over the quarter, subtracting 0.2 percentage point from annualized GDP growth.
  - Spending was 1% above the Q4 2019 level.
- S&L government consumption was flat over the quarter.
  - Spending was up 2% over Q4 2019.
- Investment spending fell 2%, with a 3% drop in construction and a 2% increase in equipment purchases.
  - Total investment spending was down 5% relative to Q4 2019, with construction spending down 9%.
  - Purchases of intellectual property products were up 1% over the quarter and were 14% above the Q4 2019 level.

Source: Bureau of Economic Analysis via Haver Analytics
INTERNATIONAL DEVELOPMENTS

**Exports and Imports of Goods and Services**

Billions of 2012 dollars, annualized

- Imports rose more than exports in Q4.
  - Higher exports contributed 2.2 percentage points to annualized GDP growth and higher imports subtracted 2.5 percentage points.
- Exports remained below pre-pandemic levels.
  - Higher sales were led by food, fuels, motor vehicles, and nondurable consumer goods.
  - Services exports moved higher, with more tourism from abroad, but the level remained depressed.
- Imports were well above pre-pandemic levels.
  - Half the increase in Q4 was in consumer goods, with autos and computers also up strongly.
  - The increase in services slowed as travel abroad rose at a reduced pace.

**Crude Oil Prices**

Dollars per barrel (WTI)

- Oil prices (WTI) increased from $83/barrel in January to $93/barrel in February and to $108/barrel in March.
  - Prices have been elevated since Russia's invasion.
  - The market has settled somewhat, with prices in early April near the March average.
  - The U.S. government announced at the end of March that it will release 1 million barrels per day from its oil reserves over the next six months.
- The Department of Energy’s March forecast projects the decline in global inventories, that started in Q2 2020, will end in Q1 2022, with levels then moving higher through the rest of the year.
  - Its forecast assumes steady Russian production and a rise in OPEC production.

Source: Bureau of Economic Analysis via Haver Analytics

Source: Energy Information Administration via Haver Analytics
**LABOR MARKET**

**Payroll Employment and Hours Worked**
- Employment growth was solid in March
  - Nonfarm payroll employment rose by 431,000 in March, with notable gains in leisure and hospitality (112,000) and professional and business services (102,000).
    - Employment in March was up 4.5% over the year.
  - The reading for aggregate hours worked in the private sector was unchanged over the month.
    - Hours were up 4.1% over the year.
  - The Household Survey’s employment-to-population ratio increased by 0.2 percentage point to 60.1%.
    - The ratio was up 2.3 percentage points over the year.

**Average Hourly Earnings and the ECI**
- Wage growth remained strong
  - The 1-month percent change in average hourly earnings picked up from 0.1% in February to 0.4% in March.
    - The increase in average hourly earnings over the year accelerated from 5.2% to 5.6%.
  - The employment cost index was up 1.0% in Q4 2021 over the quarter.
    - The index was up 4.0% over the year.
Core CPI Inflation

12-month % change

Source: Bureau of Labor Statistics via Haver Analytics

Core CPI inflation was elevated in February

- The core CPI was up 0.5% over the month in February (6.2%, annualized), after rising 0.6% in January.
  - Monthly changes averaged 0.6% in Q4 2021 and 0.5% in the first two months of 2022.
  - The monthly inflation rate for core goods fell from 1.0% to 0.5%, with a notable decline in the index for used motor vehicles.
  - The monthly inflation rate for core services prices increased from 0.4% to 0.5%, with a pickup in shelter and transportation offsetting a decline in medical services.

- Core inflation over the year rose from 6.0% to 6.4%.
  - Core goods inflation increased from 11.7% to 12.3%.
  - Core services inflation rose from 4.1% to 4.4%.

CPI Inflation: Medical Care

12-month % change

Source: Bureau of Labor Statistics via Haver Analytics

Medical care prices moved higher

- The medical care sub-index of the CPI was up 2.4% over the year in February.
  - Prices for medical care services were up 2.4% over the year, while drug prices were up 2.5% and health insurance costs were up 4.1%.

- The index for medical care services jumped in the first half of 2020, then stabilized before moving higher in recent months.
  - The index for drugs recovered after falling in 2020.

- The cost of insurance declined from mid-2020 through mid-2021, but this drop has since been reversed.
REGIONAL DEVELOPMENTS

New York Fed Surveys: Current Conditions

- Diffusion Index
- Empire State (Manufacturing)
- Business Leaders (Services)

Source: Federal Reserve Bank of New York

District surveys sent mixed signals in March

- Activity declined in the manufacturing sector and increased in the service sector, based on March regional business surveys.
  - The Empire Survey's headline index (manufacturing firms) fell 15 points to -11.8, the first negative reading since early in the pandemic. The indices for new orders and shipments declined and delivery times lengthened considerably.
  - The Business Leaders Survey's headline index (services firms) jumped 18 points to 18.3, with a dramatic turnaround in the leisure and hospitality sector. Firms expect conditions to continue to improve over the next six months, though optimism about the future deteriorated.

Regional Employment Trends

- Index, February 2020=100
- Upstate NY
- Northern NJ
- United States
- Downstate NY

Source: U.S. Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by New York Fed staff.

Strong employment growth in parts of the region

- Job growth in downstate New York and Northern New Jersey outpaced the nation in February.
  - Over the prior 12 months, employment increased by 5.7% in downstate New York, 5.3% in Northern New Jersey, 4.6% in Fairfield CT, and 3.2% in upstate New York, compared with 4.7% nationally.
  - Employment remained 5.9% below pre-pandemic levels in downstate New York, 4.8% below in upstate New York, 2.3% below in Northern New Jersey, and 2.9% in Fairfield, compared to a 1.3% job shortfall nationally.
  - Employment in Puerto Rico grew 5% on a year-over-year basis in February and was 2.3% above pre-pandemic levels.
### Implied Fed Funds Rate

The expected path of the federal funds rate implied by overnight indexed swaps increased for short-dated maturities between March 14 and April 4.

- The market-implied federal funds rate at the end of 2023 was around 2.9%, 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 1.9%, which was below the median SEP longer-run federal funds rate of 2.4%.

### Ten-year Treasury yields moved higher

- The 10-year Treasury yield was at 2.42% on April 4, 27 basis points higher than the yield on March 14.
  - The yield averaged 1.81% in January 2020.
  - The yield averaged 0.92% in 2020, 1.51% in 2021, and 2.00% in the first three months of 2022.
  - Estimates from the Adrian-Crump-Moench term structure model have the increase in the 10-year Treasury yield from March 14 to April 4 as due to an increase in the expected future interest rate path more than offsetting a decrease in the term premium.

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**Source:** NY Fed calculations, Bloomberg Finance L.P.

**Note:** Estimated using OIS quotes.

**Source:** Federal Reserve Bank of New York and Federal Reserve Board via Haver Analytics

**Note:** Five-day rolling averages.
**Equity prices increased**

- U.S. equity prices, as measured by the S&P 500 index, were up 4.3% on April 4 relative to the March average.
  - The S&P 500 index was down 4.5% year-to-date on April 4 after being up 28.8% over the course of 2021.

- Option-implied stock market volatility, as measured by the CBOE Volatility Index (VIX Index), decreased from 27.0 in March to 21.0 on April 4.
  - The median VIX Index value was 17.9 over the period starting in 2000 through April 4.

**The dollar weakened slightly**

- The Federal Reserve's trade-weighted broad dollar index was 0.7% lower on April 1 relative to the March average.
  - The index was up 2.2% relative to the 2021 average.

- The dollar on April 4 was unchanged against the euro relative to the March average and 3.4% stronger against the yen.