View From the Fed: Economic Trends & Outlook

The views expressed here are those of presenter and do not necessarily reflect those of the Atlanta Fed or the Federal Reserve System.
Incoming data suggest that output growth is recovering sharply from the depths of the COVID-crisis, propelled by rising vaccination rates and a rebound in consumer spending.

However, the labor market is lagging the rest of the economic recovery and remains uneven…

and firms continue to struggle with intensifying supply chain disruption and rising cost pressures.
COVID-19 cases in the US have fallen to the lowest level since the onset of the pandemic

Source: IHME. Note: Cases counts shown in graph are for the United States.
However, the vaccine rollout has slowed, with much of the Southeast lagging the rest of the country, and concerns about the Delta variant have grown.

Source: CDC as of July 7, 2021
Real GDP surged in Q1 and has now expanded by a cumulative 10.3 percent since the onset of the pandemic, leaving output levels now just 1 percent below their pre-pandemic levels.

Contributions to Real GDP Growth

quarterly, percent, seasonally adjusted annualized rate

- Intellectual Property Products
- Nonresidential Equipment & Software
- Nonresidential Structures
- Government
- Private Inventory Investment
- Consumer Spending
- Net Exports
- Residential Investment
- Real GDP

Sources: Bureau of Economic Analysis; Haver Analytics through Q1-21
The economy is projected to exceed pre-COVID economic projections by the end of 2021.
Fiscal policy has provided significant support to household incomes.
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Nominal Personal Income and Outlays

- Personal income
- Wages and salaries
- Personal consumption expenditures

Feb 2020 = 100

Source: Bureau of Economic Analysis
Consumption of durable and nondurable goods remains elevated, while the recovery in services spending continues.

Index: Feb 2020 (3mma) = 100

Personal Consumption Expenditures

Source: Bureau of Economic Analysis
Note: Share of total consumption shown in parentheses.
Business leaders expect sales growth to continue to outpace growth in headcount over the coming year.
Though job growth in recent months has been strong, overall employment remains 6.8 million jobs below pre-pandemic levels.
Most industries have recovered about 70 percent of the employment loss from early 2020.

As the service economy reopens lower-skill jobs continue to recover, though there is significant ground to cover to return to pre-pandemic levels.
Labor demand has been very strong, especially in service industries that are reopening.

Source: BLS Job Opening, Layoff and Turnover Survey. Labor demand is measured here by the stock of job vacancies as a percent of employment plus vacancies.

<table>
<thead>
<tr>
<th>Industry</th>
<th>February 2020</th>
<th>March 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total private</td>
<td>4.9</td>
<td>5.6</td>
</tr>
<tr>
<td>Leisure and hospitality</td>
<td>4.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Arts, entertainment, and</td>
<td>3.9</td>
<td>6.1</td>
</tr>
<tr>
<td>recreation and recreation</td>
<td></td>
<td>10.7</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td></td>
<td>7.7</td>
</tr>
</tbody>
</table>
A trend that has been exacerbated by a record number of people quitting their jobs in recent months.

Number of people quitting their jobs

Though compositional effects have biased traditional measures wage growth, it appears that underlying wage trends for continuously employed workers are more subdued.

Wage Measures
year-over-year percent change

Source: Bureau of Labor Statistics, Atlanta Fed, Haver Analytics  
June 2021(AHE); May 2021 (WGT)
Atlanta Fed analysis suggests that the epicenter of wage pressure since the start of the pandemic has been in new hires in low-wage service jobs.

Source: Julie Hotchkiss “Wage Pressures in the Labor Market: What Do They Say?”, FRB Atlanta Policy Hub No.5 2021. Data are from the Current Population Survey, January-March 2020 and 2021. Wages are in 2020 dollars. Newly employed workers are workers who were not employed in of the two previous months. The chart on the left is the unconditional real (inflation adjusted) wage distribution, and the chart on the right compares the actual with the predicted average real wage (on a log scale).
Commodity prices are up more than 35% since the start of the pandemic

Spot Commodity Price Index - All Commodities
monthly average, indexed 1967=100

Sources: Commodity Research Bureau; Haver Analytics; Atlanta Fed calculations

Percent Change in index components

<table>
<thead>
<tr>
<th>Component</th>
<th>Since month ago</th>
<th>Since February 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Commodities</td>
<td>2.8%</td>
<td>38.4%</td>
</tr>
<tr>
<td>Metals</td>
<td>1.3%</td>
<td>57.9%</td>
</tr>
<tr>
<td>Textiles &amp; fibers</td>
<td>0.9%</td>
<td>15.7%</td>
</tr>
<tr>
<td>Raw industrial materials</td>
<td>3.2%</td>
<td>32.5%</td>
</tr>
<tr>
<td>Foodstuffs</td>
<td>2.1%</td>
<td>47.3%</td>
</tr>
<tr>
<td>Livestock products</td>
<td>11.4%</td>
<td>63.1%</td>
</tr>
<tr>
<td>Fats &amp; Oils</td>
<td>5.3%</td>
<td>72.6%</td>
</tr>
</tbody>
</table>

Sources: Energy Information Administration; Haver Analytics

U.S. Retail Gasoline Price
Monthly Average, Regular Grade, Dollars per Gallon

Feb-00 Feb-02 Feb-04 Feb-06 Feb-08 Feb-10 Feb-12 Feb-14 Feb-16 Feb-18 Feb-20

Sources: Commodity Research Bureau; Haver Analytics; Atlanta Fed calculations through June 2021
Headline inflation readings are up considerably, boosted by base effects, supply chain constraints, and reopening activity.

**Personal Consumption Expenditure (PCE) Price Index**

<table>
<thead>
<tr>
<th>Year</th>
<th>PCE</th>
<th>Core PCE</th>
<th>Trimmed Mean PCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>3.9</td>
<td>3.4</td>
<td>1.9</td>
</tr>
</tbody>
</table>

*Sources: Bureau of Economic Analysis; Federal Reserve Bank of Dallas; Haver Analytics through May 2021*
On the producer input price side, strong cost pressures appear to be concentrated in intermediate goods.

Source: Bureau of Labor Statistics
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Federal Reserve Assets (Uses of Funds)

Note: “Other” = Other assets, Float, Gold Stock, SDRs, Currency outstanding, Holdings of Maiden Lane I, II, III and Foreign Currency Assets.

Source: Federal Reserve Board of Governors; Table 1: Factors Affecting Balances of Depository Institutions of the H.4.1 through June 30, 2021
Federal Reserve Liabilities (Sources of Funds)

Note: “Other” = Other liabilities & capital, Treas. cash holdings, and Deposits with FRB.

Source: Federal Reserve Board of Governors; Table 1: Factors Affecting Balances of Depository Institutions of the H.4.1 through June 30, 2021