



FEDERAL RESERVE BANK *of* NEW YORK

# U.S. Economic Conditions

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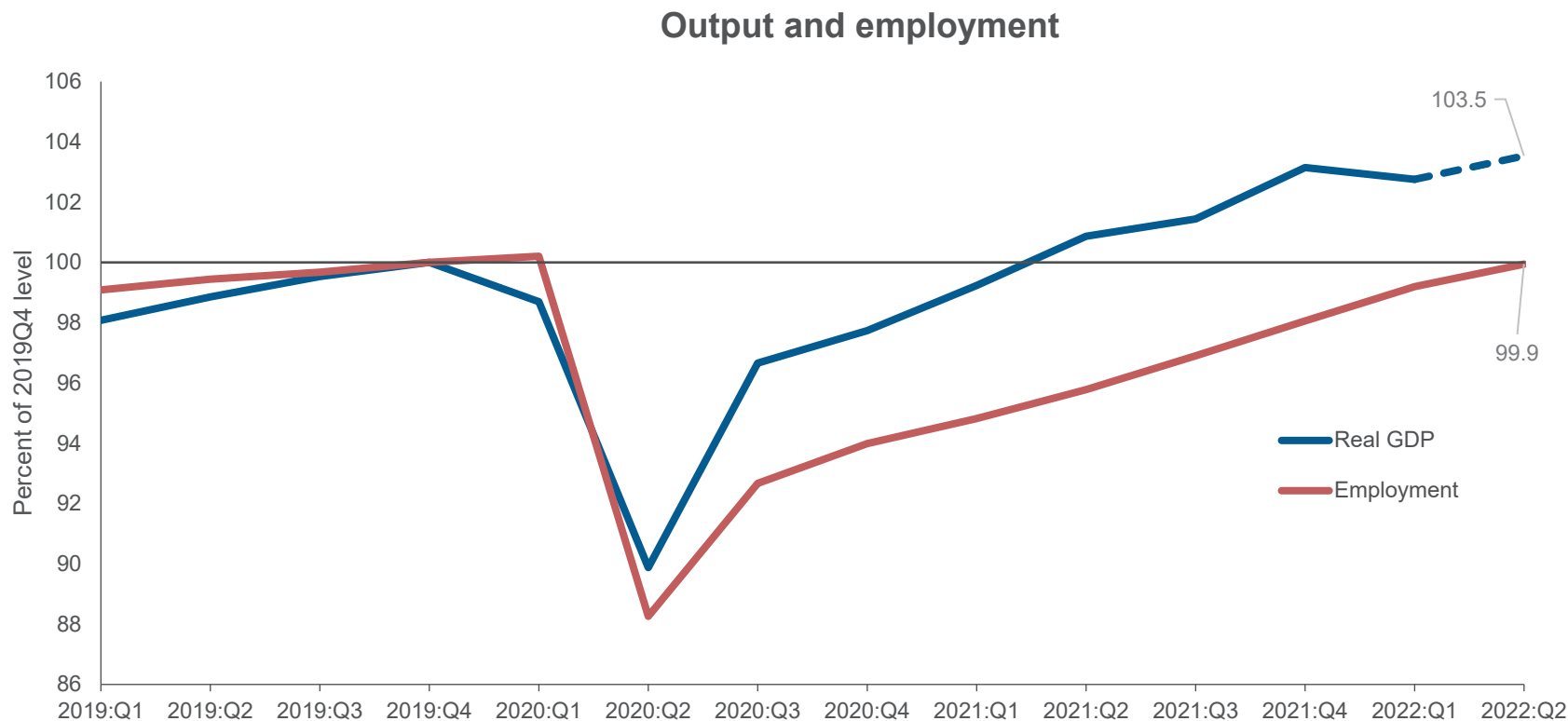
# Overview

- Macroeconomic conditions
  - GDP: Indicators point to rebound in Q2
  - Labor market: Remains tight even with employment below pre-pandemic level
  - Inflation: Continues to be high
- Employment and inflation differentials across demographic groups
  - Based on work by Raji Chakrabarti and Maxim Pinkovskiy of the Equitable Growth Studies department of Research (to come out in Liberty St. Economics blog)
  - Employment gaps have returned to pre-pandemic levels
  - Inflation gaps have widened during the inflation surge



# GDP rebounding; employment nears previous peaks

- Consensus real GDP forecast expects economic activity to rebound in 2022Q2 after a decline in Q1
- Payroll employment is finally approaching its pre-pandemic level



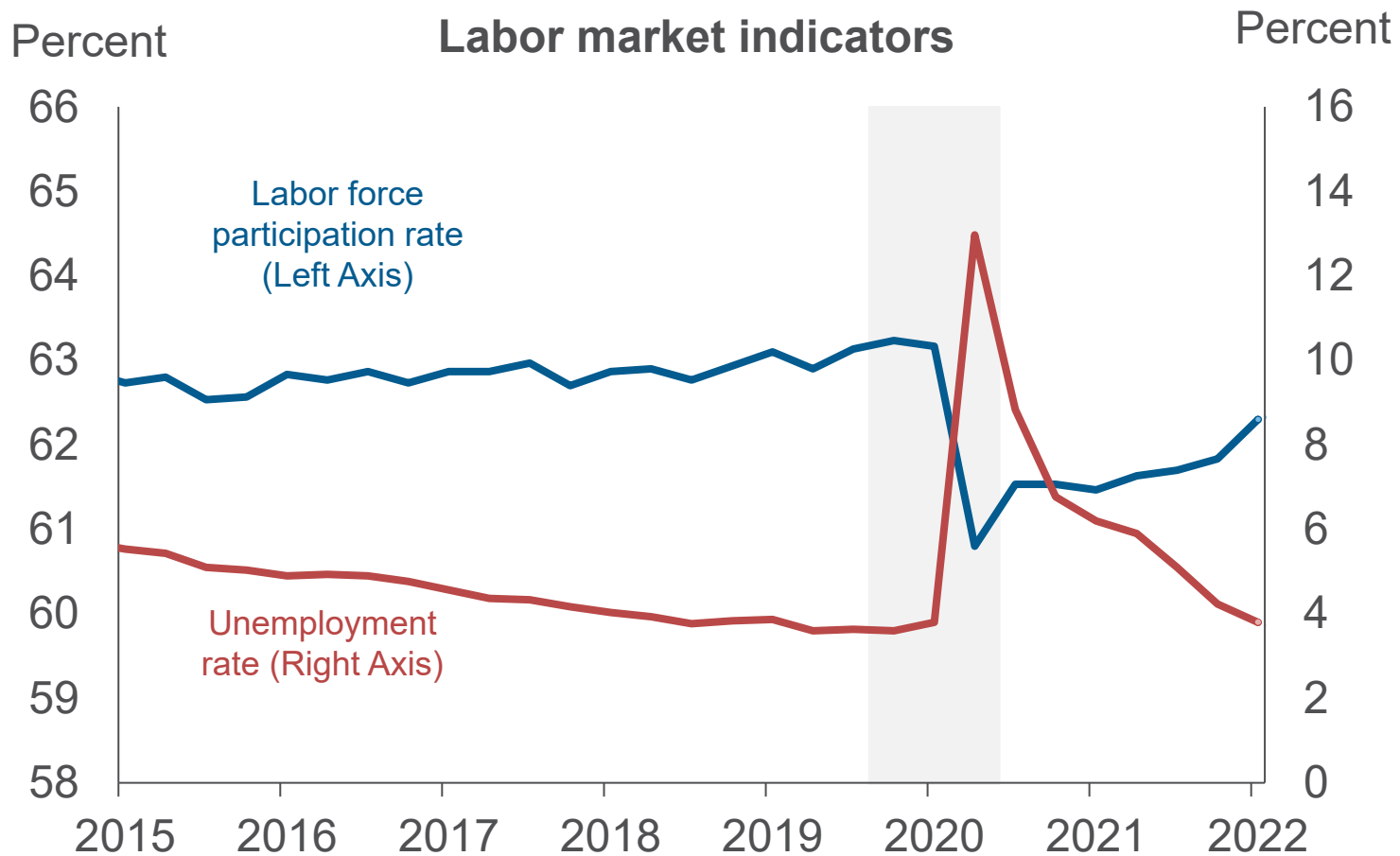
Note: Realized employment for 2022Q2 is the average of April and May 2022 employment. Real output in 2022:Q2 is from the Blue Chip consensus.

Source: BEA, BLS, Blue Chip Economic Indicators.



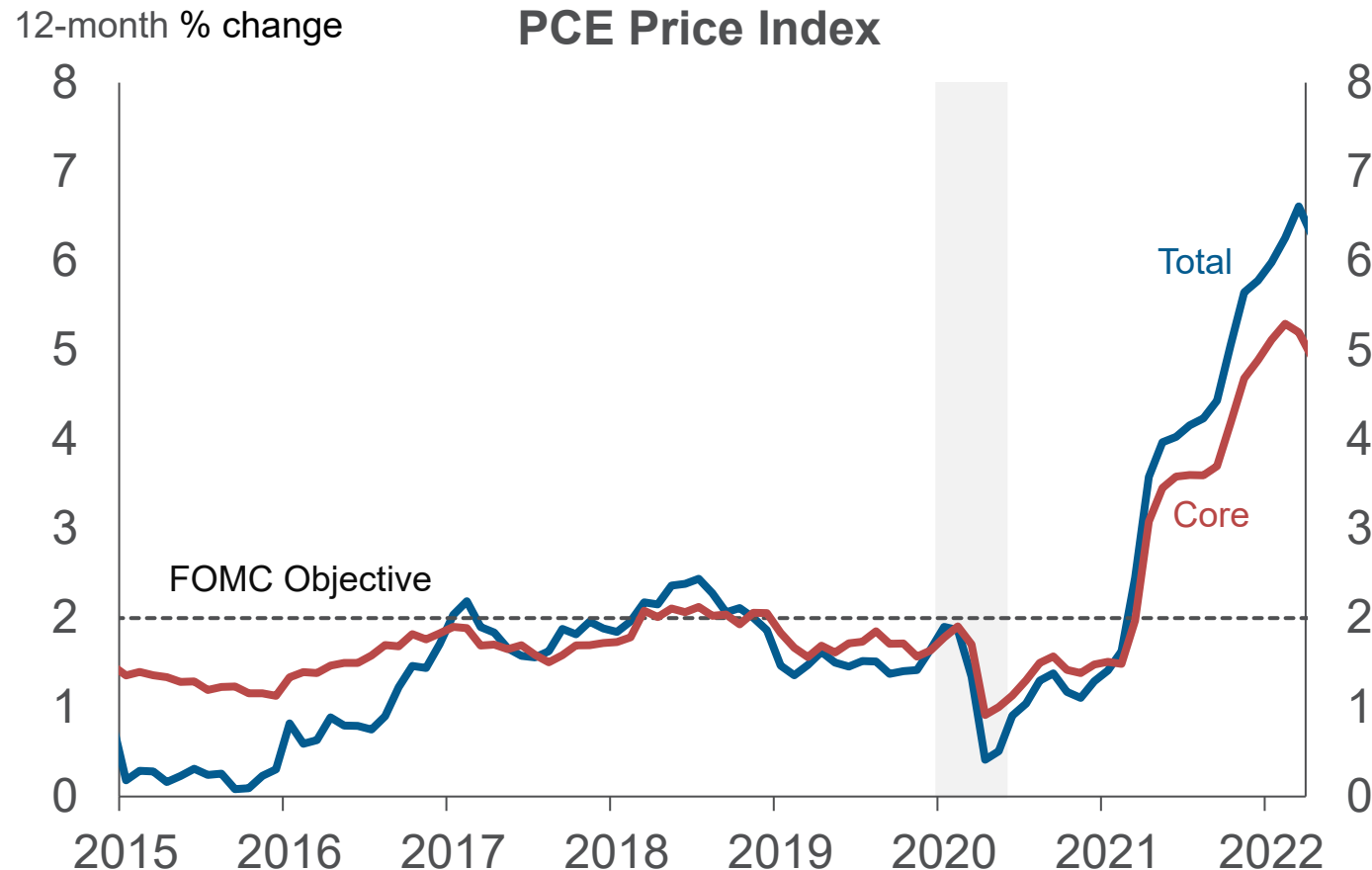
# Labor market remains tight

- Unemployment is low, but participation is still below pre-pandemic level
- High rates of job openings and quits, and still-strong wage growth also indicate a tight labor market.



# Inflation remains high, with only a little moderation

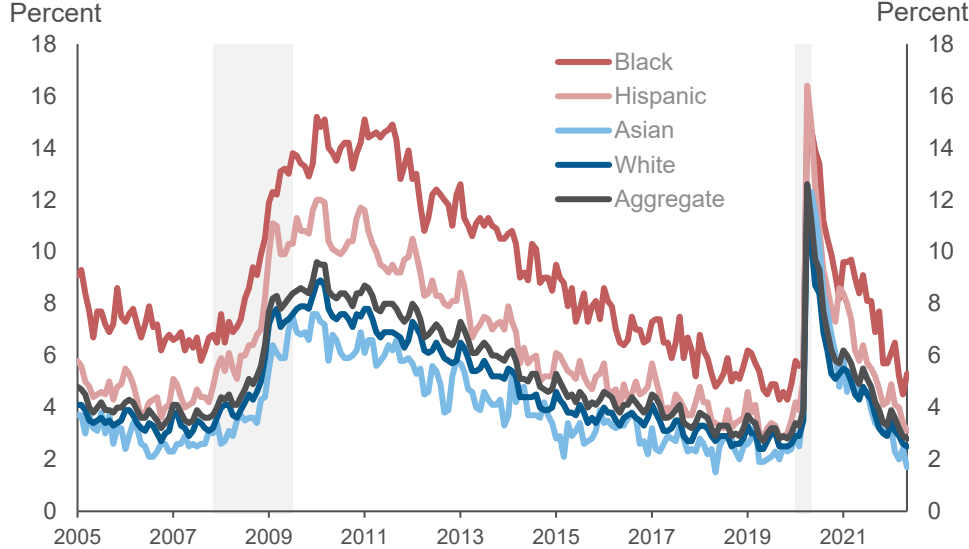
- Surging food and energy prices have pushed up overall inflation
- But ex-food & energy (core) inflation has remained high as inflation for services has picked up





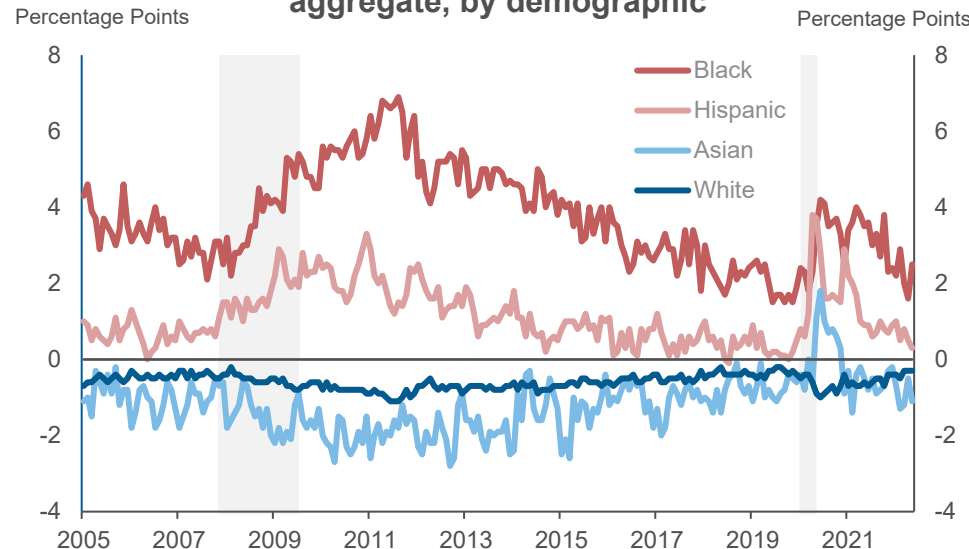
# Unemployment higher for Blacks, Hispanics

Age 25 – 54 unemployment rate, by demographic



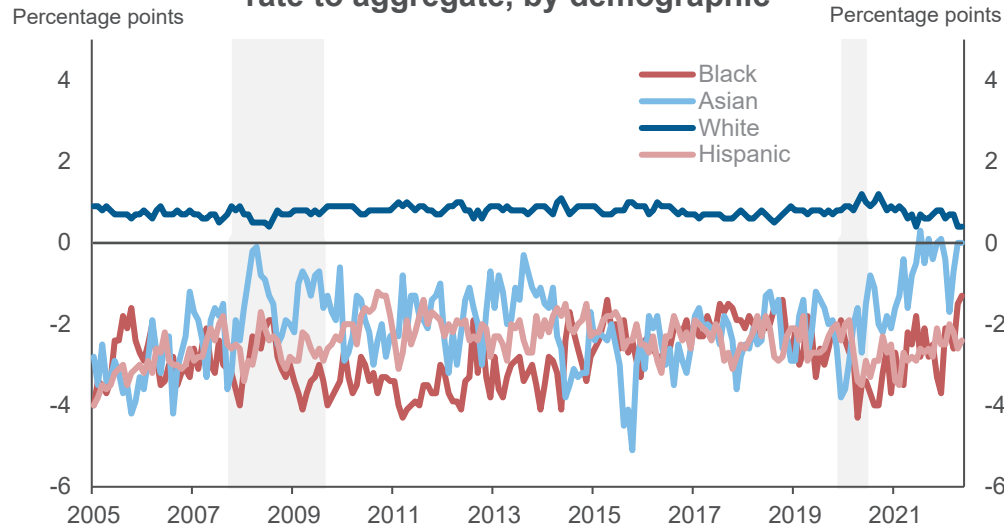
- Concentrating on age 25 – 54 groups, unemployment rates across racial/ethnic groups tend to move together.
- Even so, unemployment persistently higher for Blacks and Hispanics.
- Gaps for Blacks and Hispanics rise during recessions and fall during expansions.
- Sharp rise in gap for Asians in COVID recession.
- Gaps for Blacks and Hispanics have narrowed in past two years to near pre-pandemic levels

Difference in age 25 – 54 unemployment rate to aggregate, by demographic



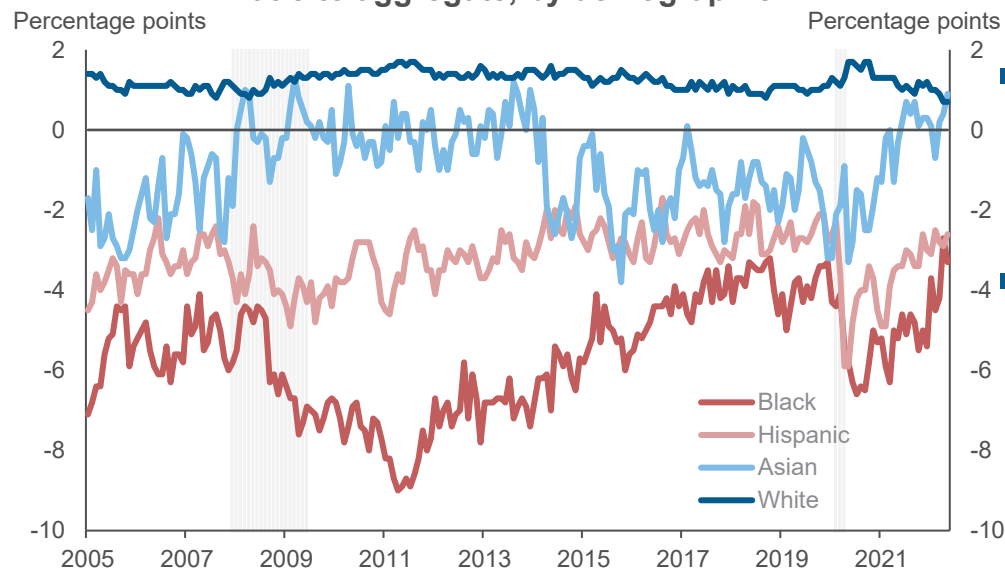
# Employment gaps for Blacks and Hispanics evident

Difference of age 25 – 54 labor force participation rate to aggregate, by demographic



- Labor force participation of Blacks and Hispanics run persistently below aggregate participation.
- Patterns of gaps over the business cycle less evident.
- Participation of Asians now near aggregate participation.

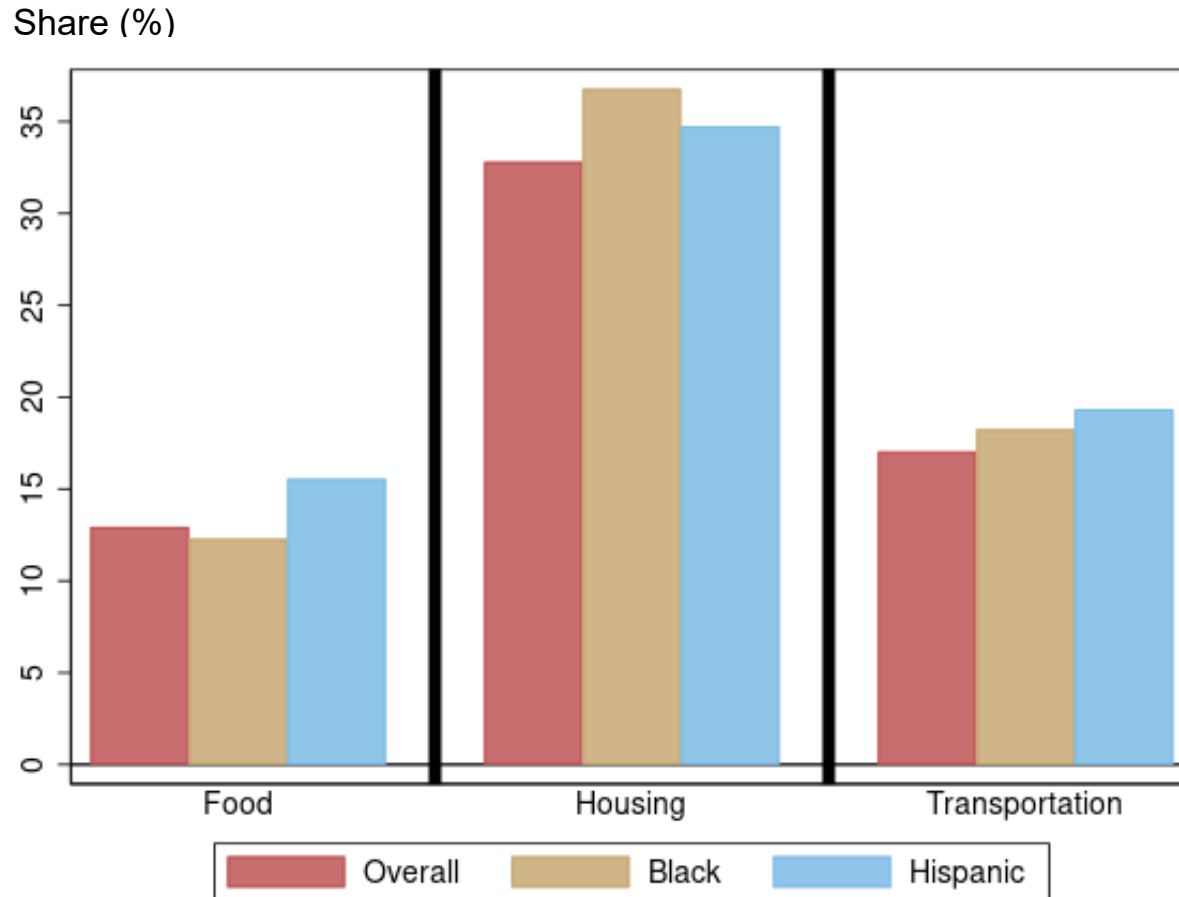
Difference of age 25 – 54 employment-population ratio to aggregate, by demographic



- While it has narrowed, shares of Black and Hispanic populations employed below national average.
- A higher share of Asians are now employed than the national average.

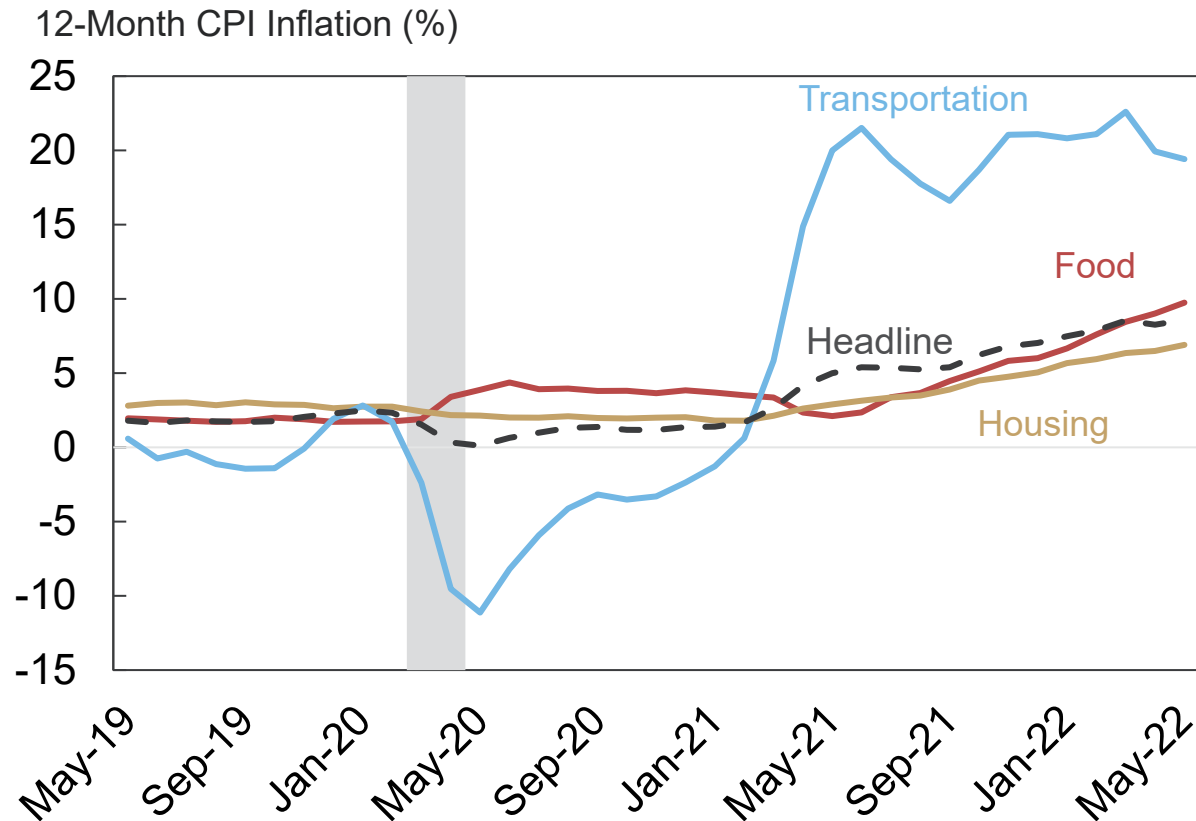


# Blacks and Hispanics spend more on housing and transportation

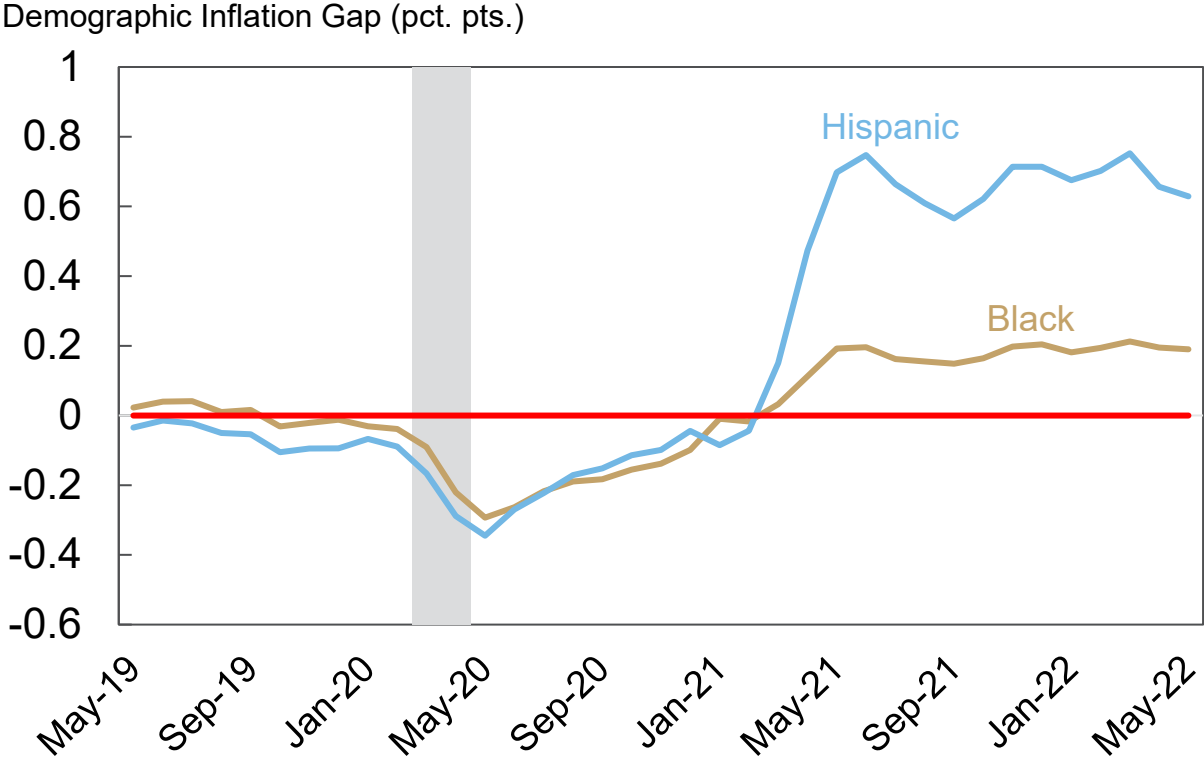




# Transportation prices have risen faster than in other sectors



# Resulting in Blacks and Hispanics experiencing higher inflation over the past year than other Americans



Sources: BLS; FRBNY Equitable Growth Studies Dept.

Note: Shading denotes NBER-designated recession.

# Summary

- Macroeconomic conditions
  - Inflation continues to be the serious issue for monetary policy
  - Indicators of economic activity still generally solid and the labor remains tight
- Employment and inflation differentials across demographic groups
  - Employment gaps have narrowed, but show labor market performance still weaker for Blacks and Hispanics
  - Inflation gaps suggest current inflation rise hurting Hispanics and Blacks somewhat more

