



FEDERAL RESERVE BANK *of* NEW YORK

# U.S. Economic Conditions

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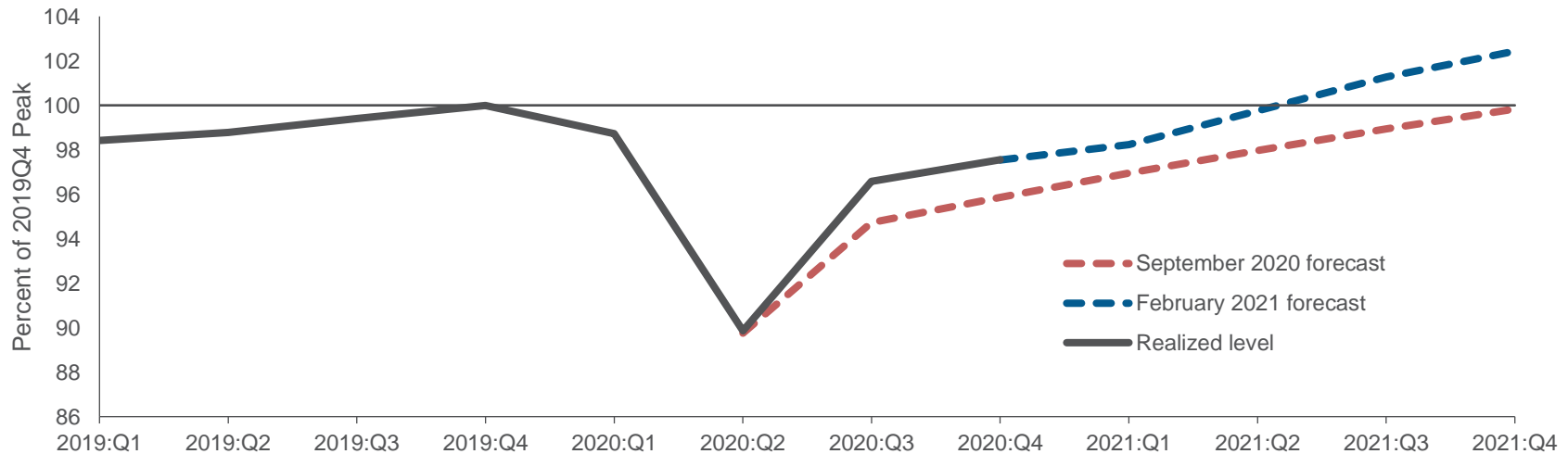
# Overview

- The economic recovery is progressing more quickly than anticipated
- Business re-openings in the service sector, fiscal transfers to household and business, and accommodative financial conditions will support economic activity in 2021
- As of January, jobs are about 10 million below their peak level and the labor market recovery is very uneven
- On a 12-month basis, inflation also remains below the FOMC longer-run target of 2%



# A more rapid economic recovery

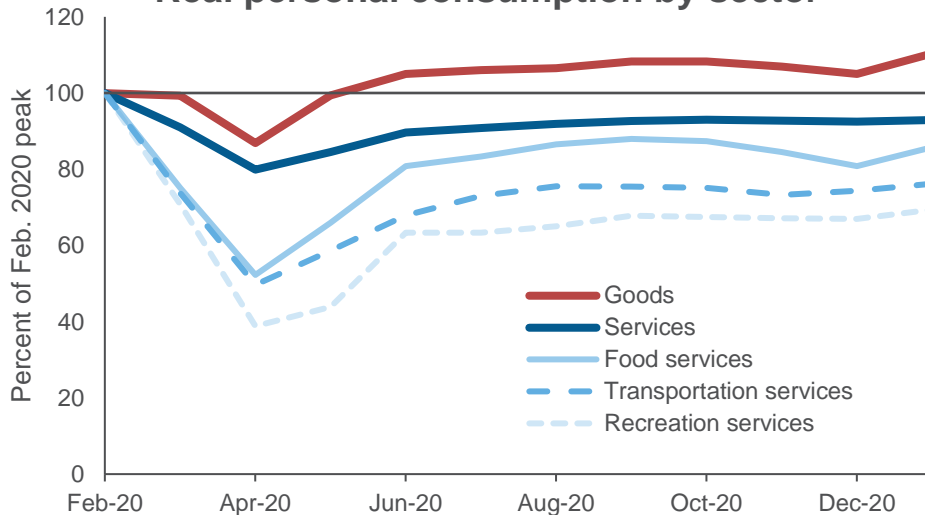
Blue Chip Consensus Real GDP Forecast



- Upward revision of consensus real GDP forecast:
  1. Anticipated business re-openings in services sector
  2. Fiscal transfers from the federal government
  3. Accommodative financial conditions

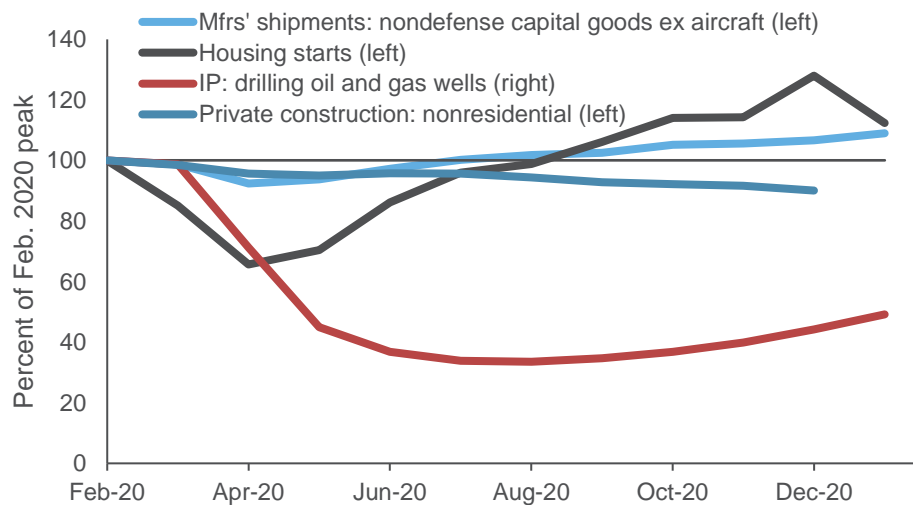
# Uneven economic recovery and re-openings

Real personal consumption by sector



- Activity in the consumer services remains depressed
- Business reopening to support rebound in hard-hit service sectors

Business and residential investment

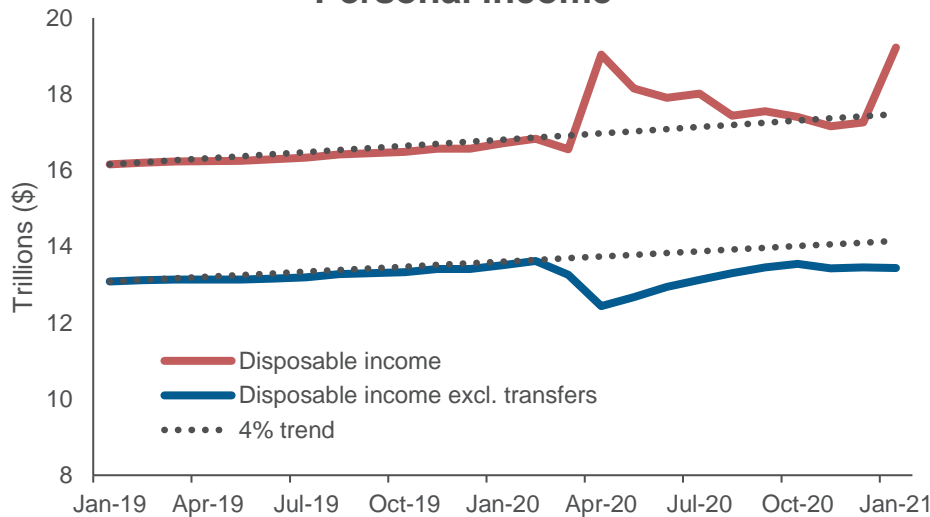


- Buoyant residential construction and strong equipment investment
- Investment in private structures lags, and depressed drilling activity



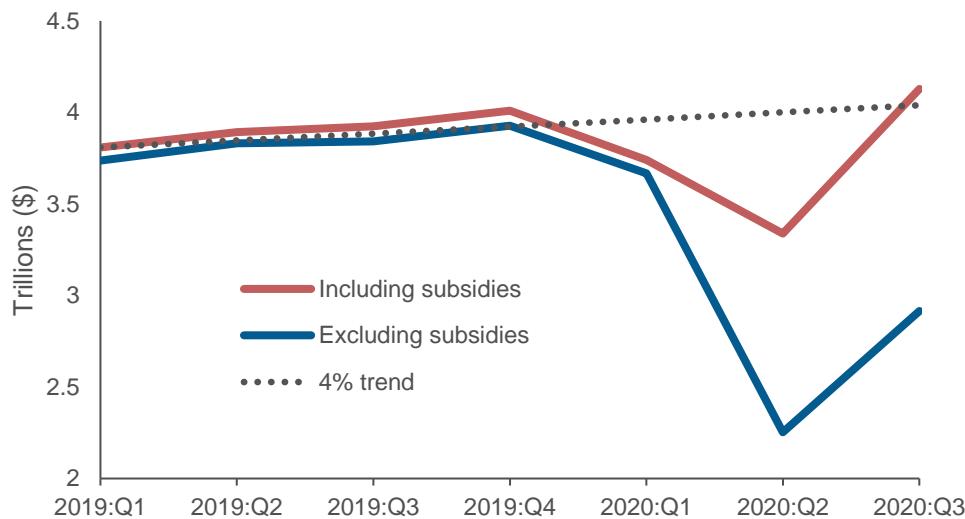
# Fiscal support to households and businesses

## Personal income



- Fiscal transfers to households pushed disposable income above trend

## Corporate Profits and Proprietors' Income



- Subsidies to corporate and non-corporate businesses supported profits

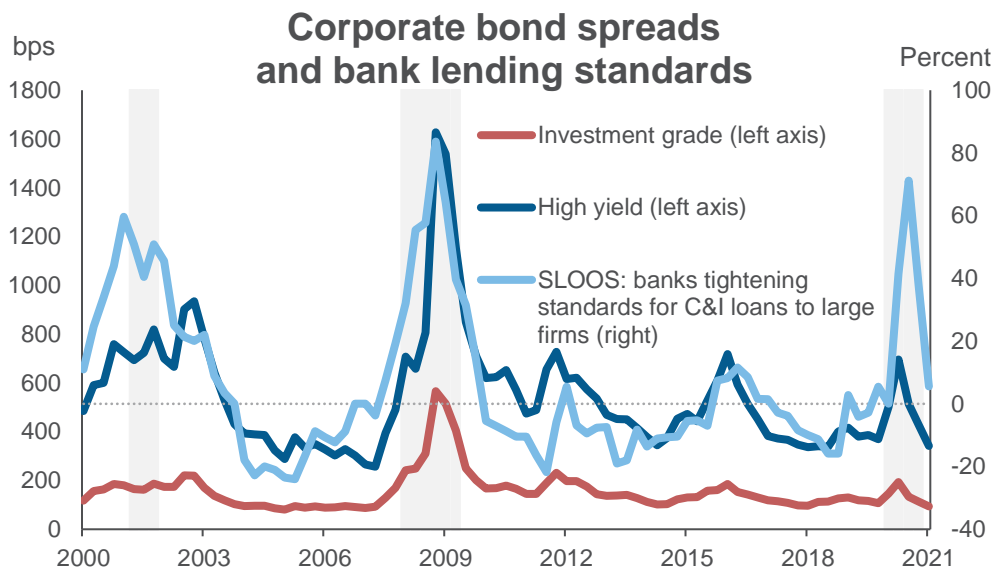
- Higher income and profits will support consumption and investment



# Accommodative financial conditions



- Stock market valuations are at multi-year highs and long-term rates around historical lows



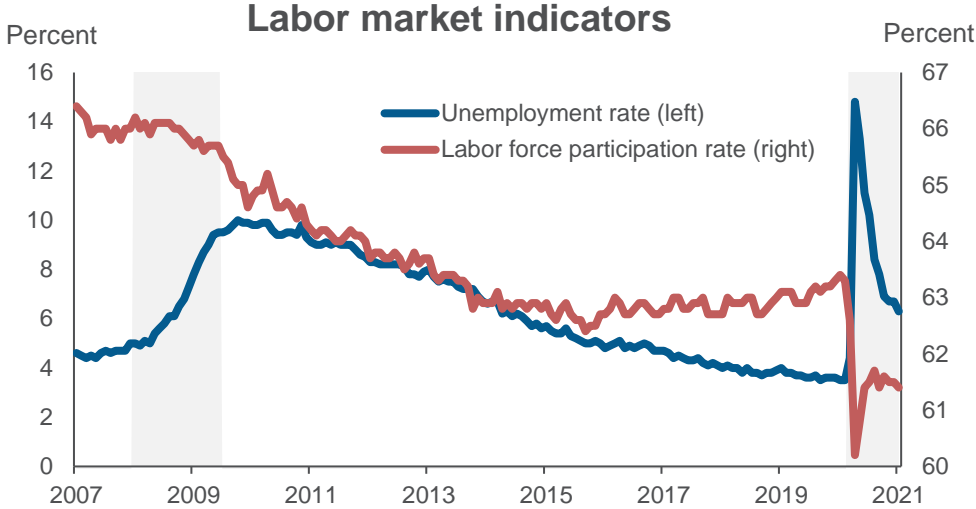
- Corporate credit spreads narrowed and no further tightening in bank lending standards
- Accommodative financial conditions support growth

Source: Robert Shiller, U.S. Treasury, Federal Home Loan Mortgage Corporation, the Federal Reserve Board, and Bloomberg.

Note: S&P P/E is the Shiller cyclically adjusted S&P price-to-earnings ratio.

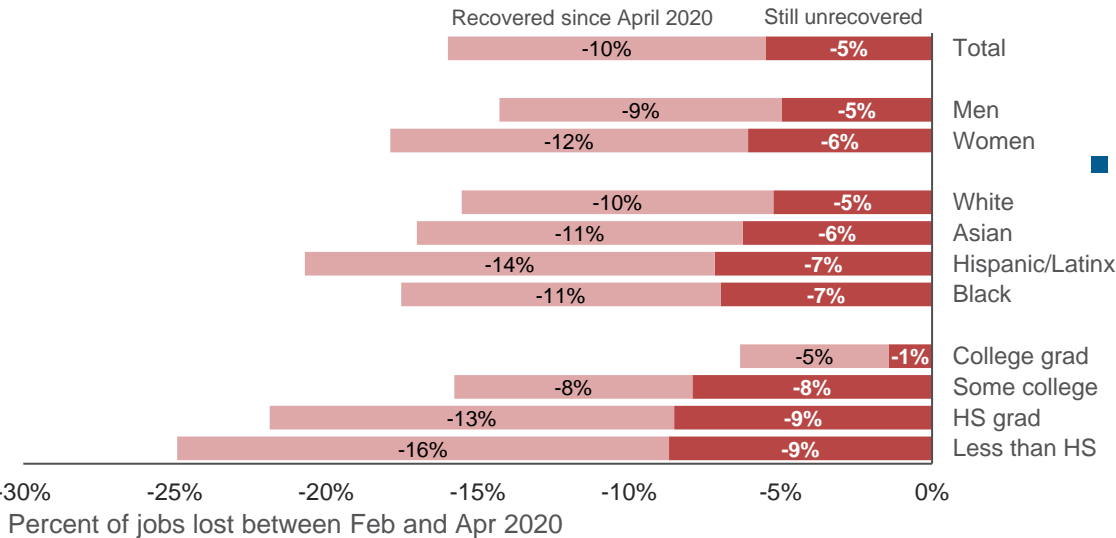


# Labor market far from full employment



- Unemployment rate fell to 6.3% in January
- The unemployment rate understates labor market distress: labor force participation at 61.4%

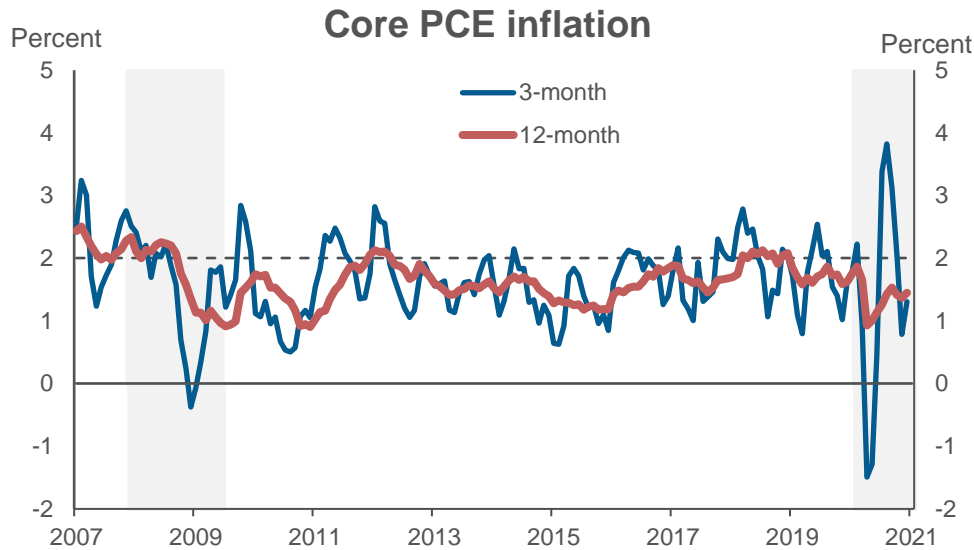
## Percent changes in jobs by demographic characteristics



- Minorities and less educated workers hit most



# Inflation remains below long-run 2% target



- Inflation at 1.5% on a 12-month basis
- Large variation last year and across subcomponents

## 12-month inflation by subcomponent of Core PCE

