



FEDERAL RESERVE BANK *of* NEW YORK

U.S. Economic Conditions

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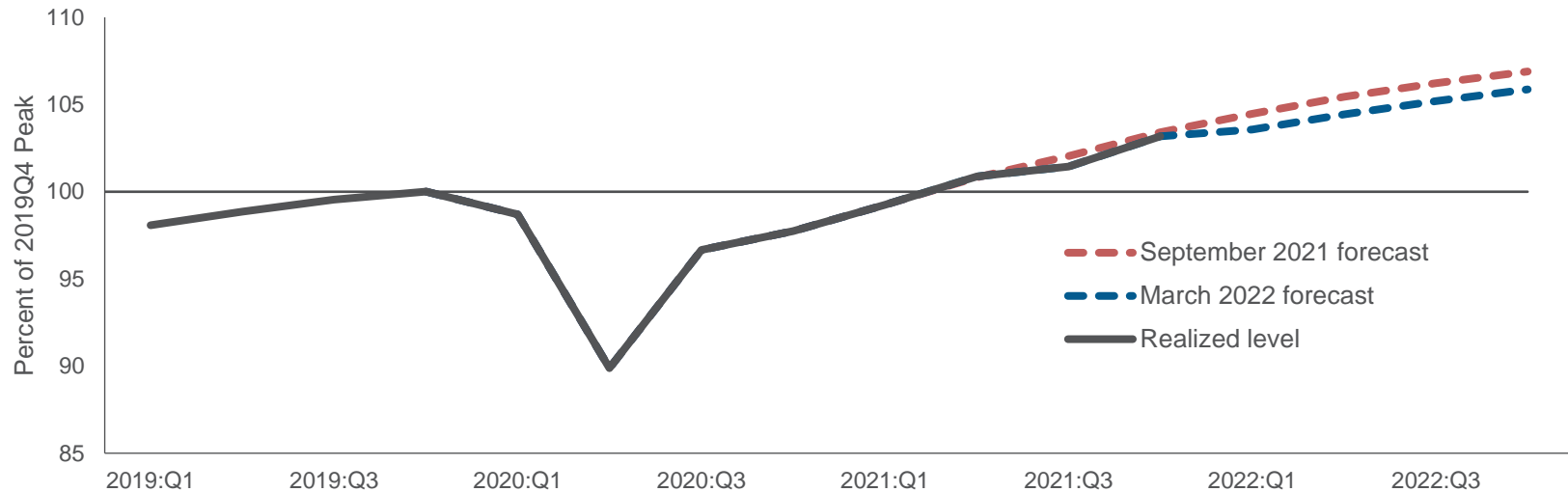
Overview

- Downward revision to the path of economic activity due to less fiscal spending, tighter financial conditions, and the war in Ukraine, but underlying activity remains strong.
- Labor market recovery has been strong and the number of job openings remains high.
- Inflation remains well above the Federal Reserve 2% target.



Economic activity to pick up after short-lived slowdown

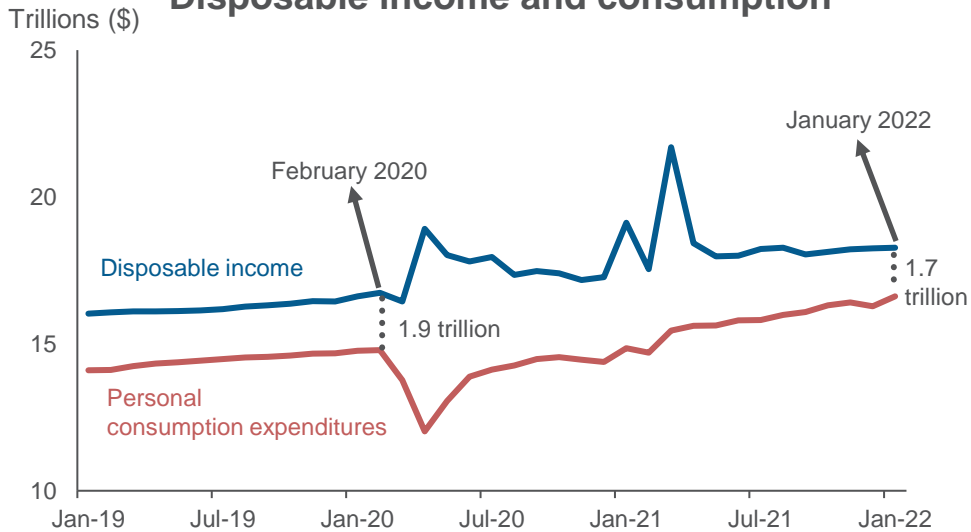
Blue Chip Consensus Real GDP Forecast



- Downward revision to the path of real GDP growth reflecting tighter financial conditions, less fiscal spending, and the war in Ukraine
- But underlying activity remains strong

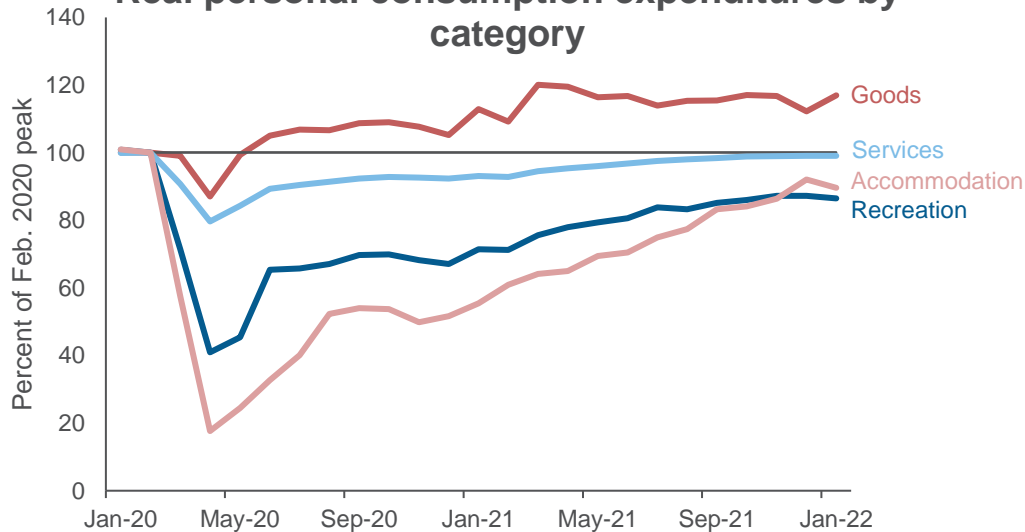
Less fiscal spending, but demand remains strong

Disposable income and consumption



- Less support from fiscal transfers
- Personal saving rate fell to 6.4%, below pre-pandemic levels

Real personal consumption expenditures by category

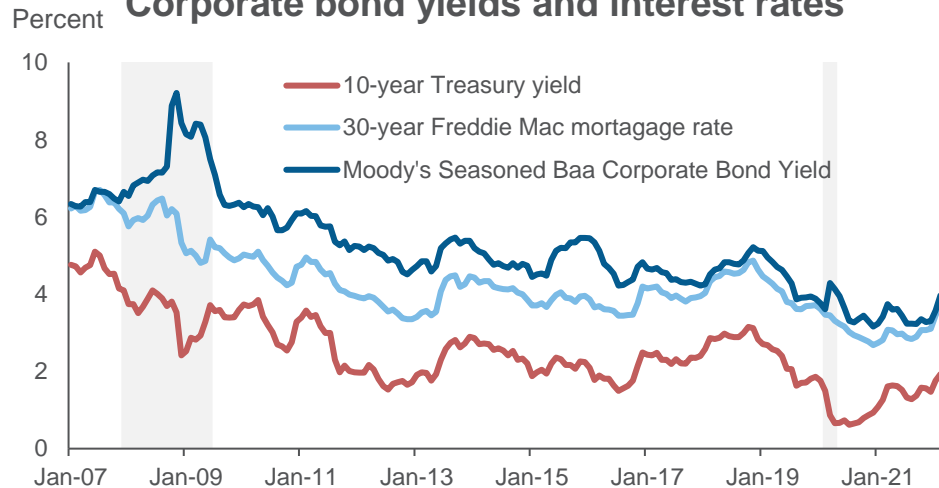


- Goods consumption expenditures above pre-pandemic peak; some service sectors are yet to normalize



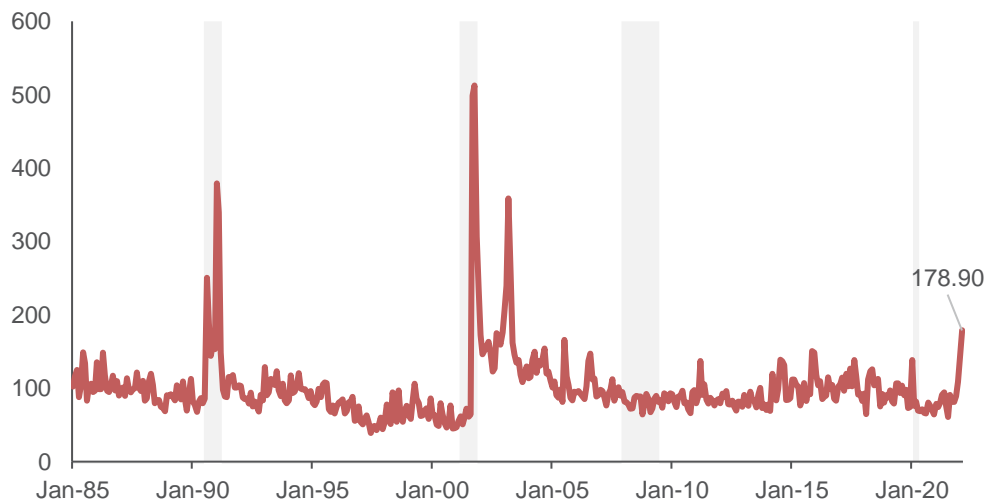
Financial conditions are tightening

Corporate bond yields and interest rates



- Long-term and mortgage rates, as well as corporate bond yields, have started to rise

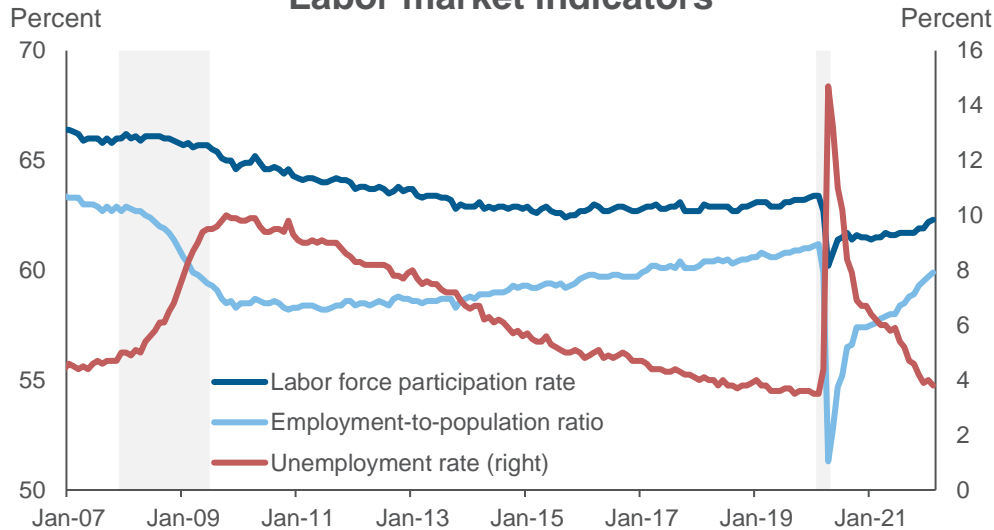
Geopolitical risk index (2019=100)



- Heightened geopolitical risk is weighing on financial risk premia

Labor market indicators have continued to strengthen

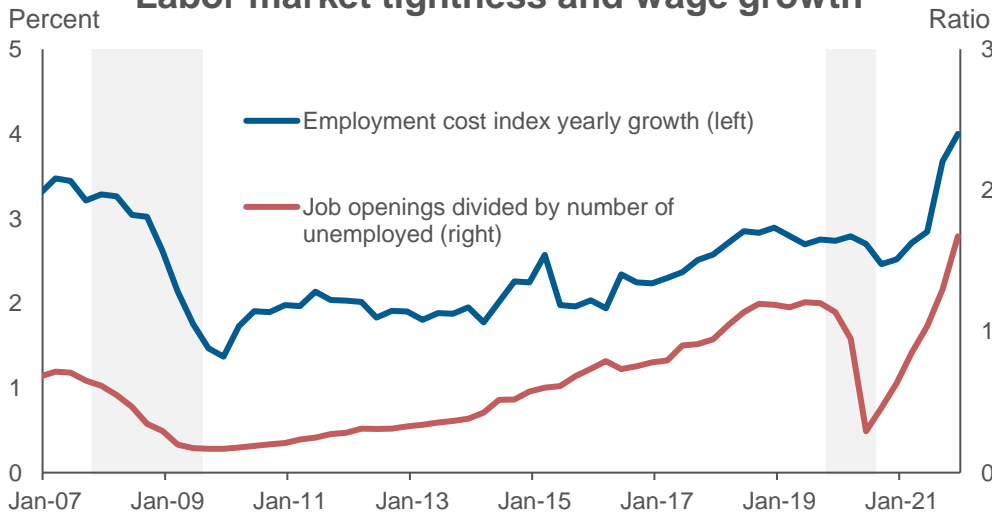
Labor market indicators



- Unemployment rate fell to 3.8% in February; 2.4 million jobs added since last October

- Many more job openings than people looking for work

Labor market tightness and wage growth

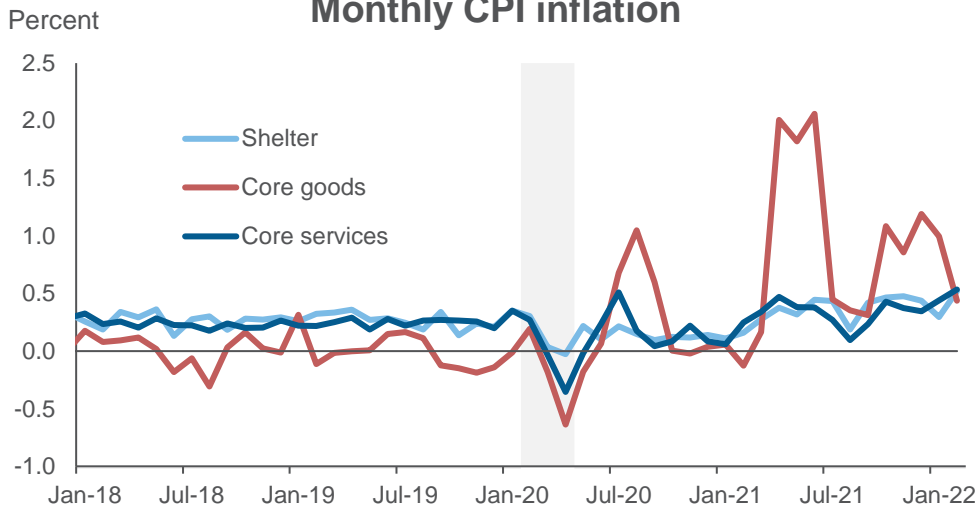


- Sustained wage growth



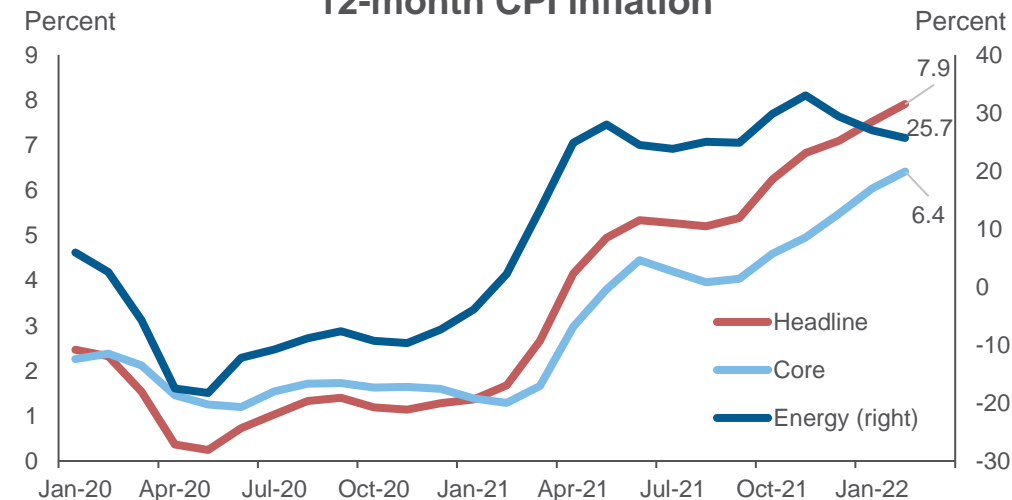
Several factors affect elevated inflation readings

Monthly CPI inflation



- Goods inflation is slowing down but remains elevated; Shelter inflation begets services inflation

12-month CPI inflation



- Energy inflation remains high contributing to elevated headline inflation
- Russia's invasion of Ukraine adds considerable uncertainty

