



FEDERAL RESERVE BANK *of* NEW YORK

U.S. Economic Conditions

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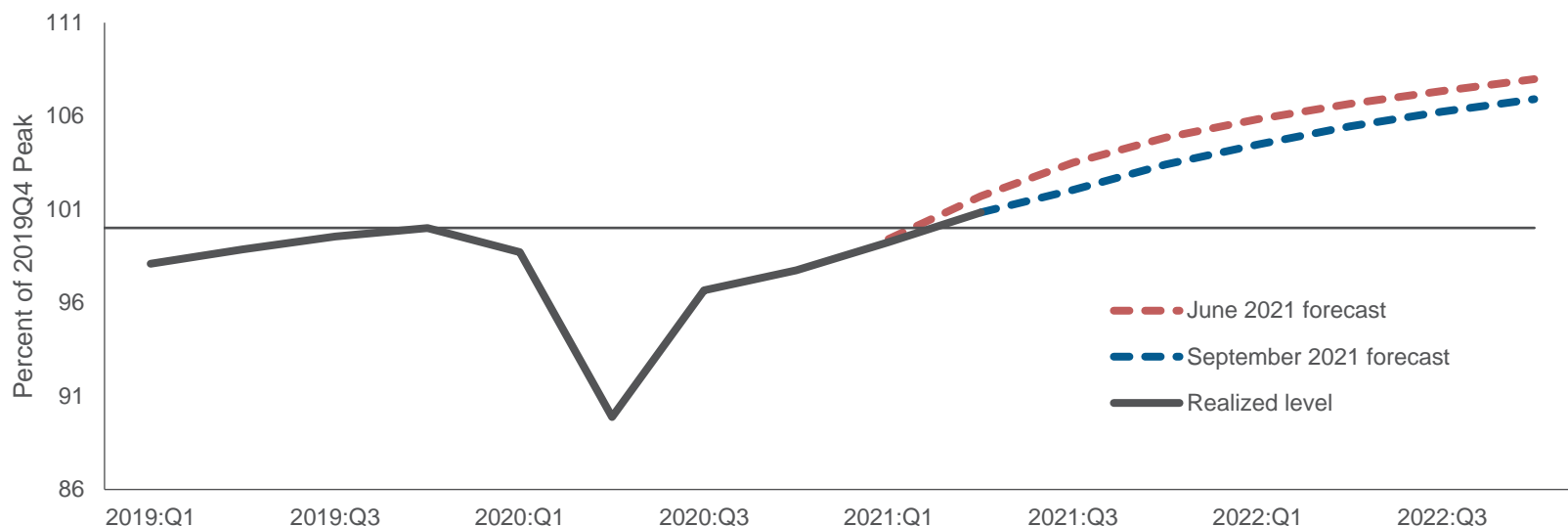
Overview

- Recent COVID-19 surge is weighing on economic activity, but above-trend growth expected as activity in COVID-19 sensitive sectors returns to normal and inventories are restocked
- Inflation readings have moderated as impact of idiosyncratic factors fades; but supply bottlenecks remain
- Labor market recovery is underway and labor demand is strong; however, as of August, there were still 5.3 million fewer jobs than pre-pandemic, with COVID-19 sensitive sectors displaying the largest gaps



Economic activity to re-accelerate

Blue Chip Consensus Real GDP Forecast

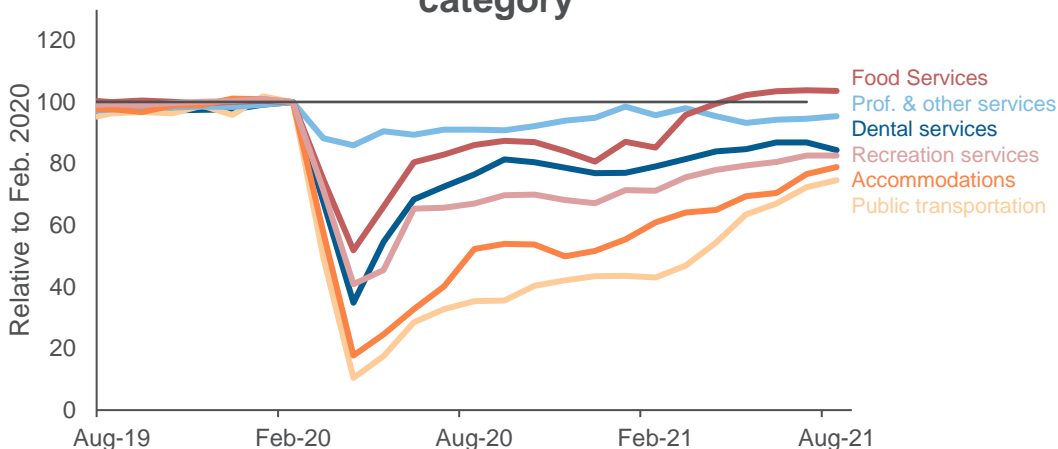


- Downward revision of consensus over the summer
 1. Recent COVID-19 surge and supply bottlenecks weighing on economic activity in the near term
 2. But activity to re-accelerate as COVID-19 sensitive sectors normalize and inventories are restocked



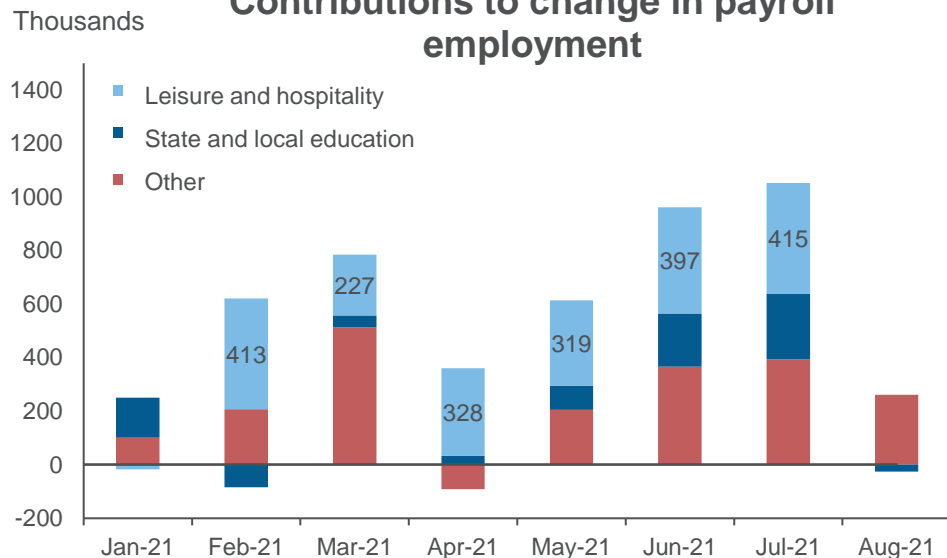
COVID-19 surge but more growth ahead

Real consumption expenditures by service category



- Many consumer service sectors still to fully reopen
- Service expenditures continue to rise, but slowed down in some COVID-19 sensitive sectors

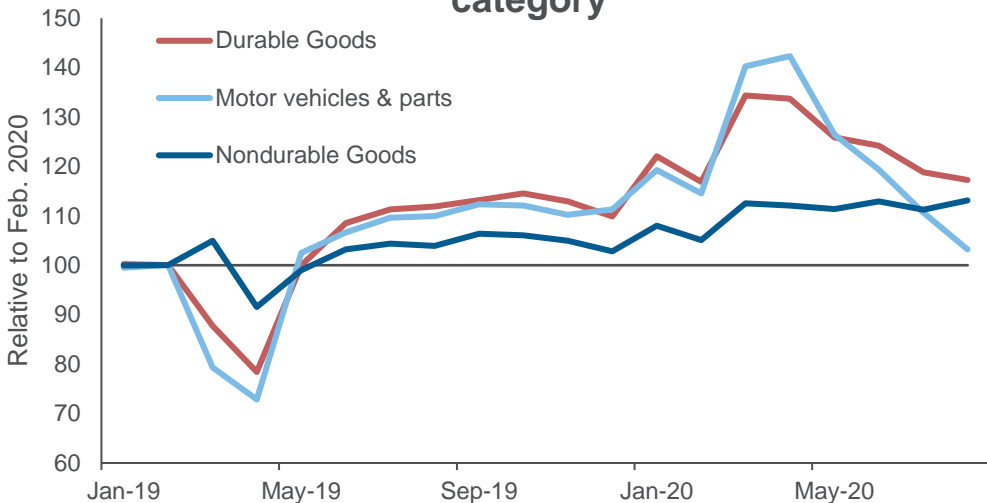
Contributions to change in payroll employment



- Job gains in leisure and hospitality flatlined in August
- But labor demand and school reopening to boost payrolls and PCE this fall

Supply bottlenecks but inventory restocking ahead

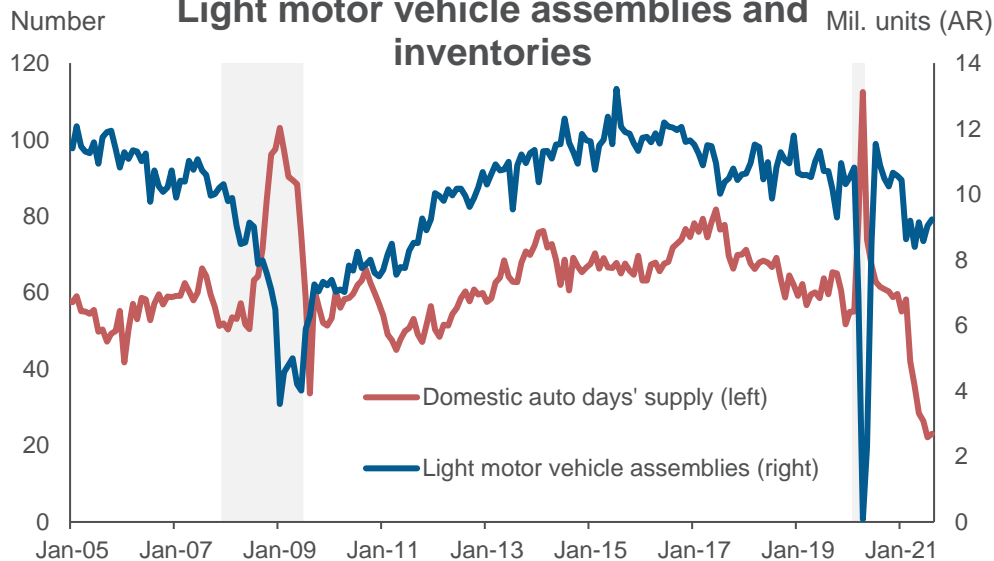
Real consumption expenditures by goods category



- Supply bottlenecks in the auto industry contributed to a sharp decline in motor vehicle sales

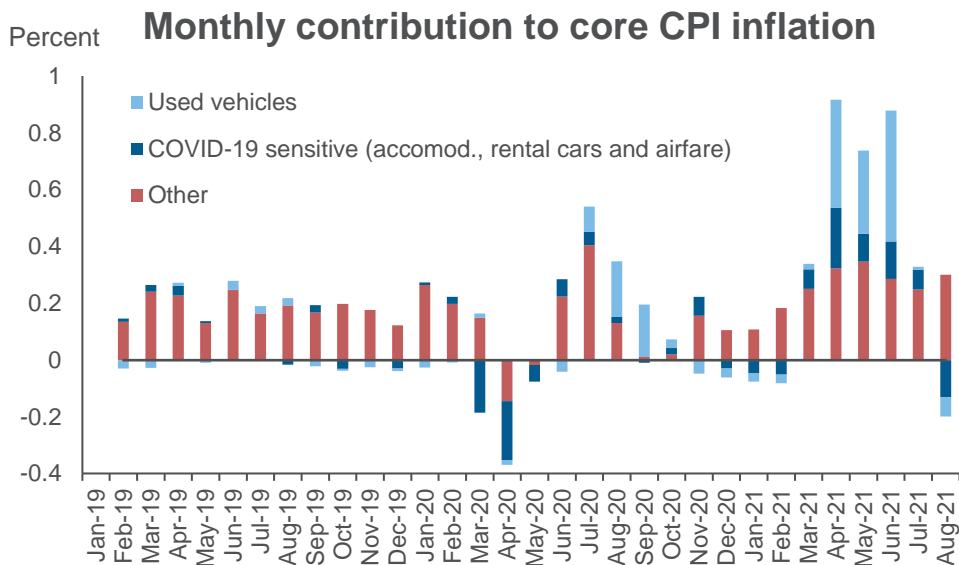
- Slowdown in goods consumption likely in the future

Light motor vehicle assemblies and inventories



- But inventory restocking to offset lower goods demand, e.g. in the automotive industry

COVID-19 sensitive and underlying inflation

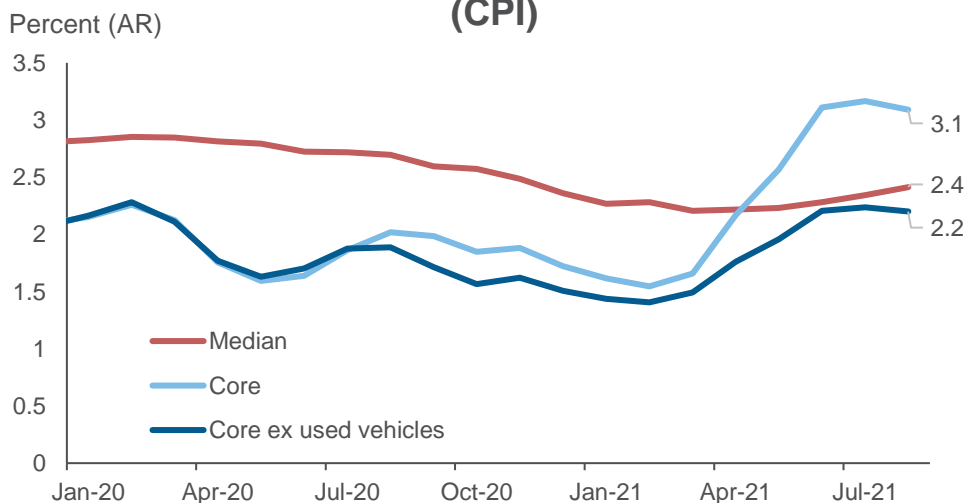


- Idiosyncratic factors related to the reopening and bottlenecks continue to have a disproportionate impact on inflation

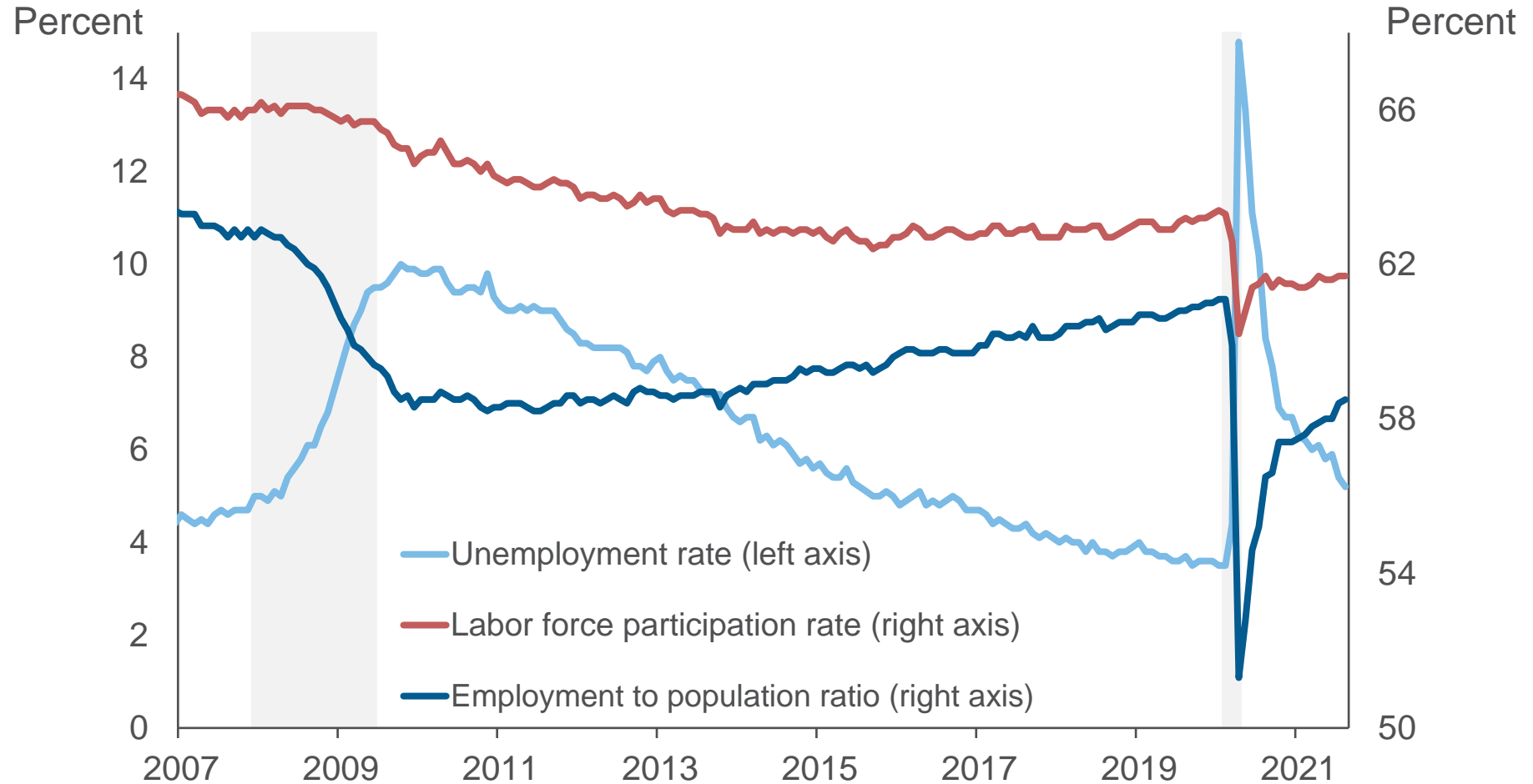
- But some pandemic-related spikes have started to retrace

- Underlying inflation remains stable

18-month change in Consumer Price Index (CPI)



Labor market recovery is still underway

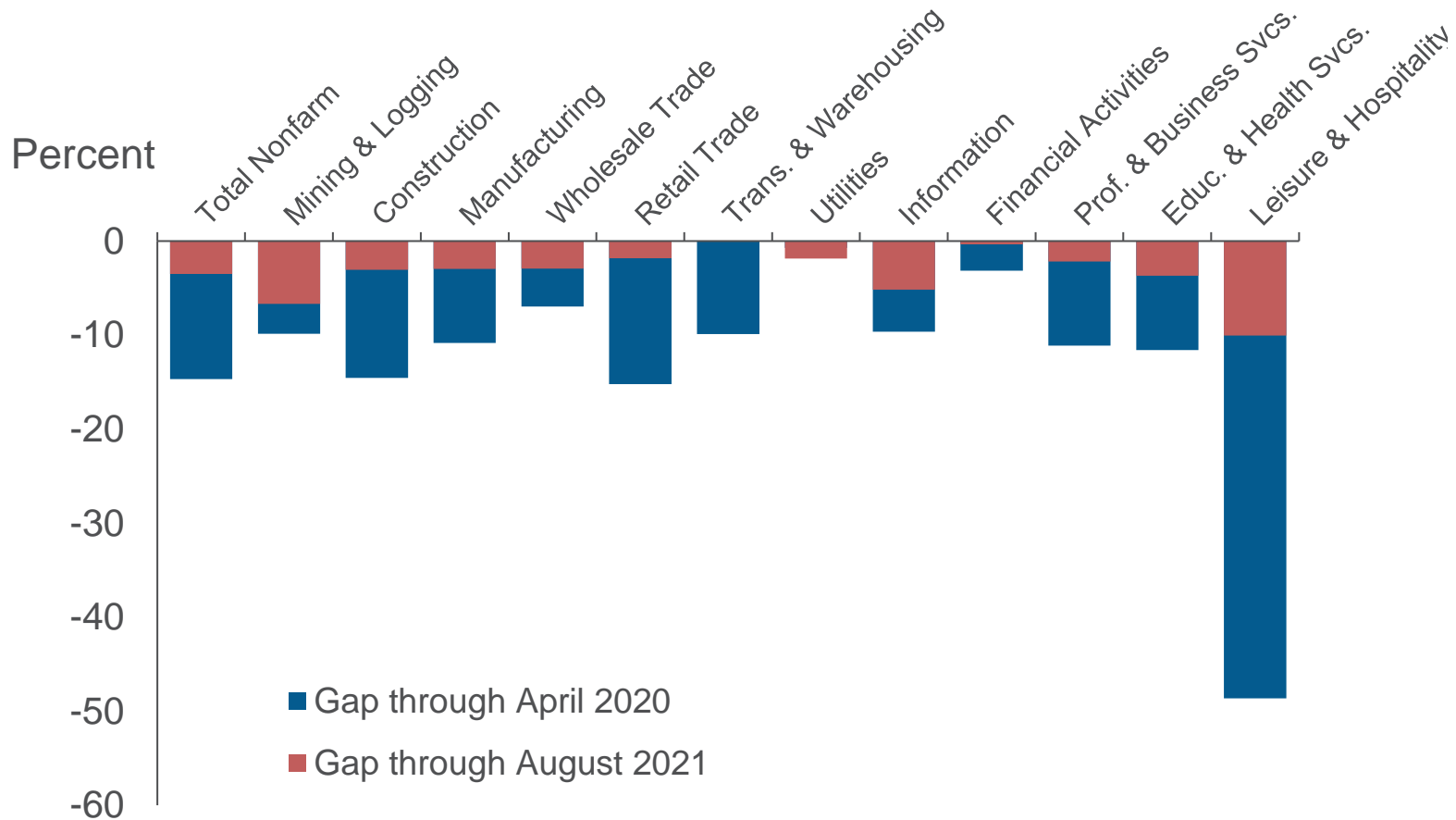


- Labor demand remains strong
- But still 5.3 million fewer employees than pre-pandemic



Most sectors have not yet closed the employment gap

Percent difference in payroll employment levels (since Feb 2020)



- COVID-19 sensitive sectors have driven the labor market recovery
- But most sectors' employment is still below pre-pandemic levels

Source: BLS.

