

Minutes of the Economic Advisory Panel Meeting

April 1, 2022

Present: **Chair:** John Williams. **External Panelists:** Nicholas Bloom, Julia Coronado, Kathryn Dominguez, Janice Eberly, Kristin Forbes, Simon Gilchrist, Sebnem Kalemli-Ozcan, Karin Kimbrough, Lisa Lynch, Alex Mas, Laura Veldkamp, Ellen Zentner. **New York Fed staff:** Jaison Abel, Ozge Akinci, Mary Amity, Pablo Azar, Gianluca Benigno, Nina Boyarchenko, Jason Bram, Rajashri Chakrabarti, Hunter Clark, John Clark, Matteo Crosignani, Richard Crump, Marco Del Negro, Richard Deitz, Julian DiGiovanni, Keshav Dogra, Thomas Eisenbach, Michael Fleming, Linda Goldberg, Jan Groen, Andrew Haughwout, Sebastian Heise, Michael Held, Beverly Hirtle, Fatih Karahan, Tom Klitgaard, Michael Lee, Lorie Logan, David Lucca, Antoine Martin, Jonathan McCarthy, Meg McConnell, Davide Melcangi, Paolo Pesenti, Maxim Pinkovskiy, Matthew Raskin, Julie Remache, Josh Rosenberg, Joao Santos, Asani Sarkar, Argia Sbordone, Or Shachar, Kevin Stiroh, Angela Sun, Andrea Tambalotti, Wilbert Van Der Klaauw, Desi Volker and Patricia Zobel.

Angela Sun, counsel for the New York Fed, provided a reminder to the panelists that their discussions are subject to the Antitrust Guidelines for Members of the Federal Reserve Bank of New York's Advisory and Sponsored Groups.

Following introductory remarks by John Williams, there were two presentations, one by Karin Kimbrough and the other by Ellen Zentner, both on "Risks and Medium-Term Outlook in the Post-Pandemic Economy". The presentations focused on two themes: (a) impacts of recent geopolitical developments on the U.S. economy and (b) prospects for the US labor and goods markets.

In her presentation, Karin Kimbrough observed that while job-seeking and engagement behavior have softened in Europe since the Ukraine war, no such effect is seen in the U.S. On the labor market, she first observed that women's labor force participation is highly responsive to openings and shutdowns in the economy, with declines in job seeking during shutdowns and increases during openings. Further, women are 24% more likely to search for jobs offering remote work and the rate of women founding companies outpaced that of men in 2021. She also noted that older workers have become much less active in terms of job-seeking and switching behaviors. Talking about the incidence of remote work, she expressed that while only 1 in 67 paid jobs in March 2020 offered remote work, 1 in 5 currently do.

Remote jobs attract over 2.5 times the share of job applications compared to on-site jobs while 87% of employees expressed that they prefer to work remotely at least half the time. Technology, information, media, professional services and education had the largest percentage of remote job postings while retail, accommodation and construction had the least. She observed that applications per job have declined over the last year, with a slight pickup in early 2022, while job seeker intensity, measured by applications to jobs per applicant, increased in 2021 and had a modest decline in 2022.

Discussing the effect of oil prices and the Ukraine war, Ellen Zentner observed that a much larger effect from these events is expected on inflation than on real GDP. On the labor market situation, she observed that the labor force participation rate (LFPR) has been rising, although it is still below pre-COVID levels. She posited that the “Great Resignation” has been most pronounced in small and mid-sized establishments and only low-income workers have seen real wage growth recently. She added though that food and rent inflation are hitting low-income workers disproportionately. Turning to durable goods inflation, she opined that as consumption shifts from durable goods back to services, price pressures should normalize. She pointed out that inventories are still low for autos but are beginning to reverse for other goods.

In the discussion that followed, panelists further discussed the outlook for goods and labor market and the impact of geopolitical developments. Talking of the “Great Resignation”, they expressed views that women would return to work, while only some of the retirees would return to work. Panelists opined that work from home will increase participation for disabled workers close to retirement. Continuing to talk about LFPRs, one panelist observed that the LFPR is well above 2020 levels, and leisure and hospitality and health care sustained major losses. The panelist further pointed out that that the Job Openings and Labor Turnover Survey (JOLTS) shows that hiring rate has outpaced the quits rate and the hiring rate is higher in the leisure and hospitality sector. Panelists also posited that the LFPR has largely followed COVID dynamics and hence it would be expected to increase absent COVID dynamics. Turning to older workers, a panelist pointed out that since retirement portfolios had begun to shrink and inflation is an added concern, labor force participation of these workers may go up. Overall, panelists expected LFPR to normalize. One panelist opined that some sectors could gain from the Ukraine war because of the increase in oil and commodity prices, and that releasing one million barrels per day from the strategic oil reserves merely shifts the timing of the inflation impact. Panelists expected goods spending to normalize and pointed out that real durables spending is no higher than a year ago. Another panelist observed that the financial sector poses more cause for concerns with a fair amount of

credit risk, new lending and increased incidence of fintechs. One panelist observed that while the U.S. monetary policy tightening will relieve some stress, Europe and other countries will not do so now and the differential timing matters.