

# **Economic Developments and Monetary Policy Environment**

Federal Reserve Bank of Chicago  
Academic Advisory Council Meeting  
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Federal Reserve Bank of Chicago

The views expressed are my own and not necessarily those of the Federal Reserve Bank of Chicago or the Federal Reserve System

# Employment Still Below Pre-Pandemic Level

## Nonfarm Payroll Employment

(Millions, SA)

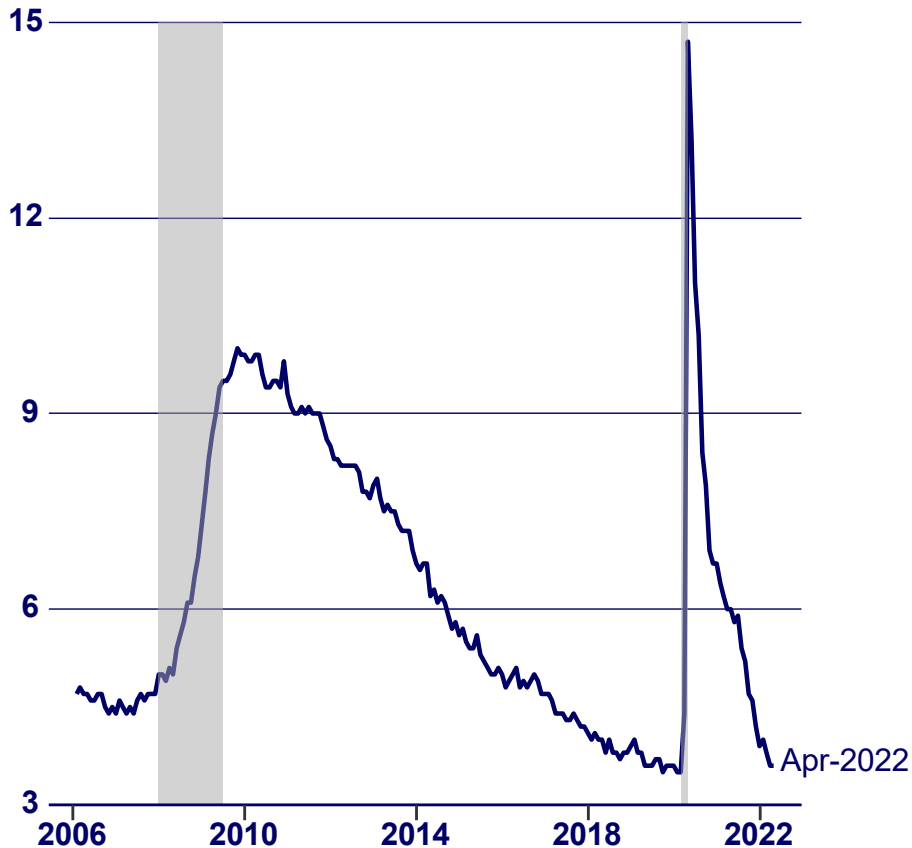


Source: Bureau of Labor Statistics via Haver Analytics

# Unemployment Close to Pre-Pandemic

## Unemployment Rate

(percent, SA)



Source: Bureau of Economic Analysis via Haver Analytics

	Feb'20	Apr'20	Apr'22
<b>Unemployment rate (percent)</b>			
<b>Total</b>	<b>3.5</b>	<b>14.7</b>	<b>3.6</b>
<i>Adjusted for misreports<sup>1</sup></i>		<b>19.5</b>	<b>3.8</b>
<b>African American</b>	<b>6.0</b>	<b>16.6</b>	<b>5.9</b>
<b>Hispanic</b>	<b>4.4</b>	<b>18.8</b>	<b>4.1</b>
<b>Out of labor force but want a job (%LF)</b>	<b>3.0</b>	<b>6.3</b>	<b>3.6</b>
1. BLS estimate accounting for misclassification of workers absent due to pandemic; estimates are upper bounds			

# Labor Force Participation

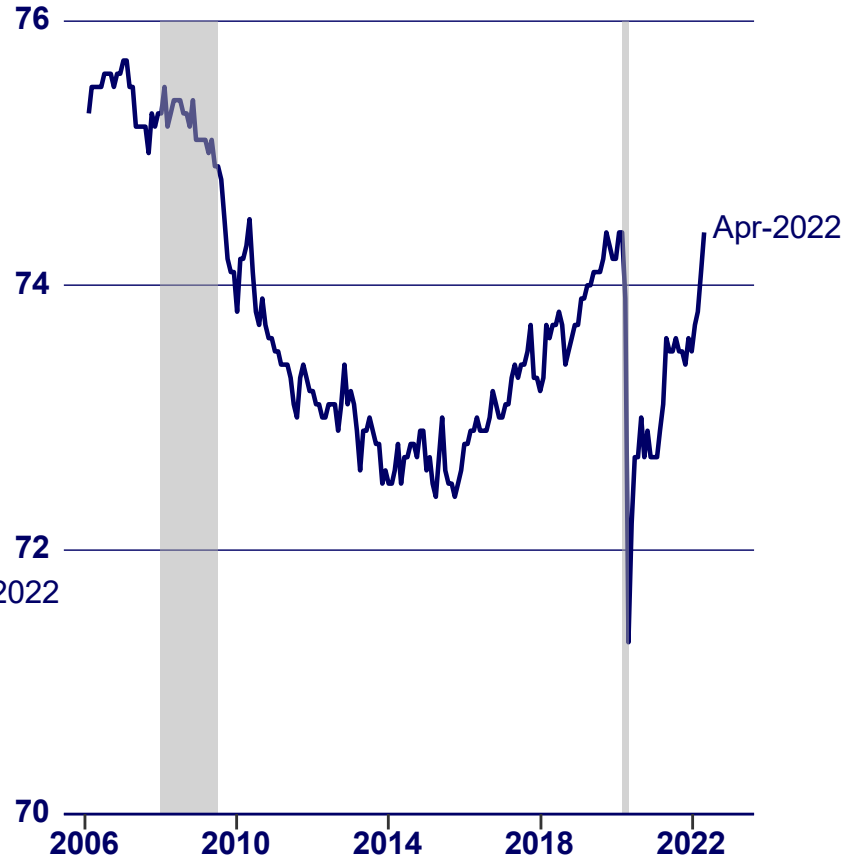
## Labor Force Participation Rate

(SA, percent)



## Labor Force Participation Rate: 16-64 Years

(percent, SA)

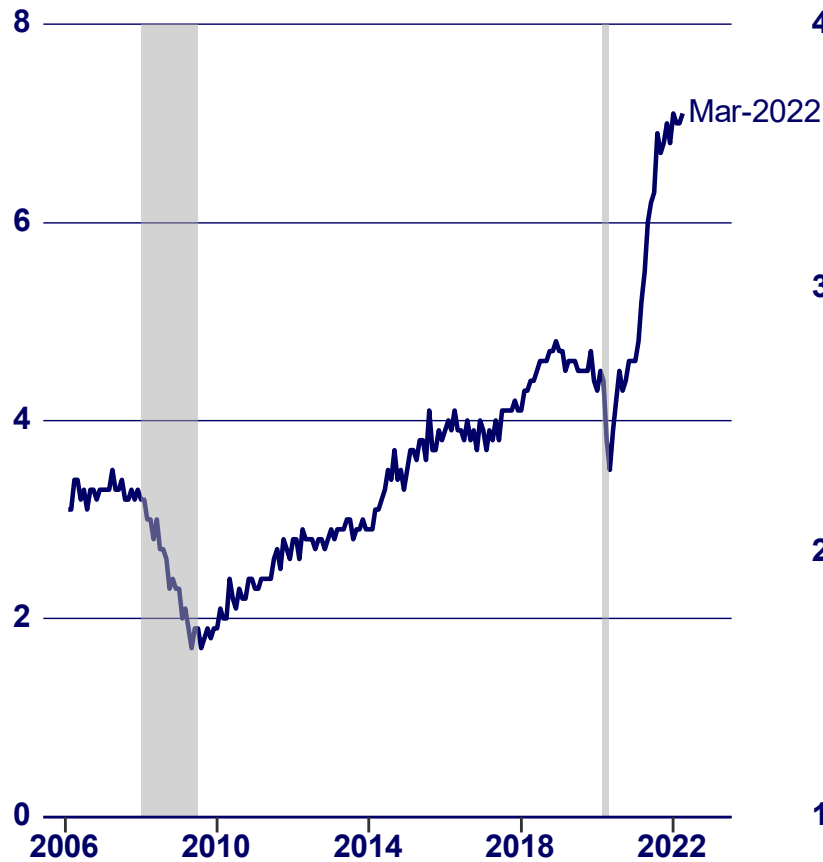


Source: Bureau of Labor Statistics via Haver Analytics

# Job Openings and Quits are Extremely High

## Job Openings Rate

(percent of employment plus vacancies, SA)



## Quit Rate

(percent of employment, SA)

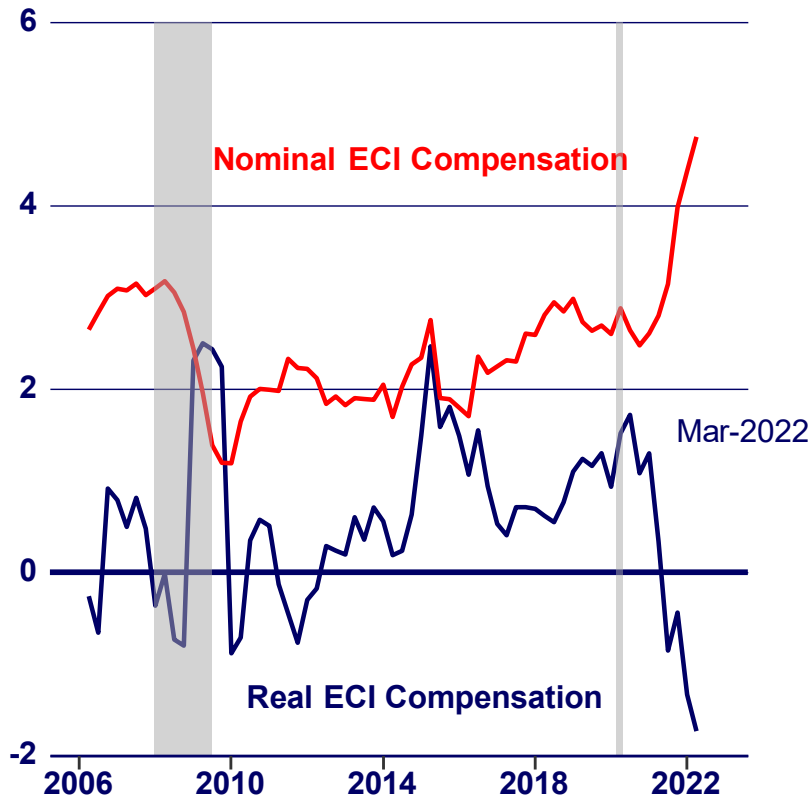


Source: Bureau of Labor Statistics via Haver Analytics

# Compensation and Unit Labor Cost Growth

## ECI Compensation Growth: Private Industry Workers

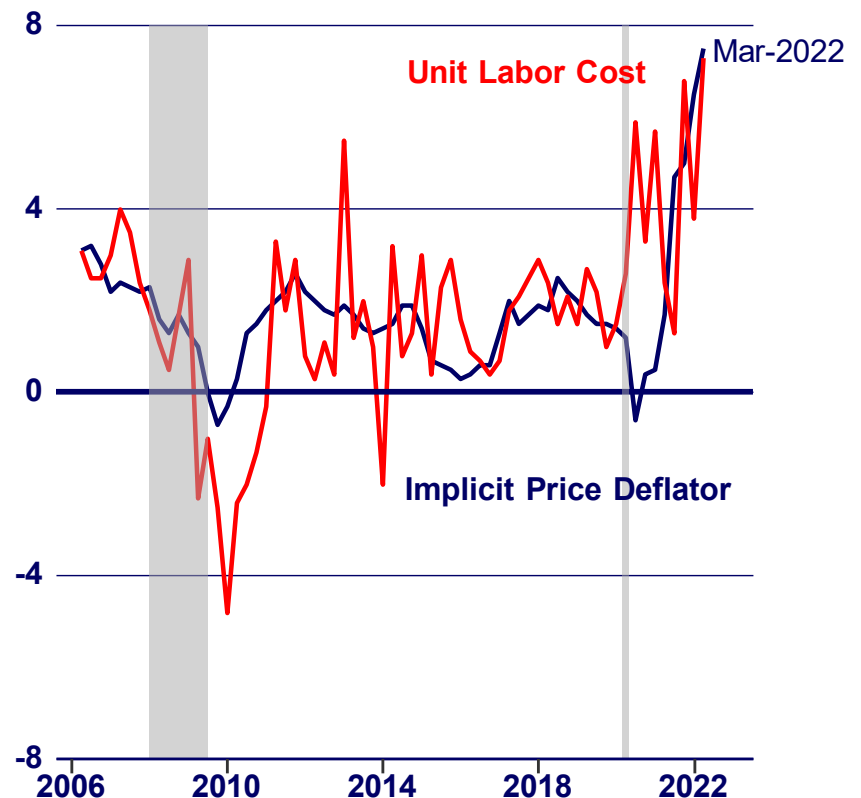
(Percent change year-to-year, SA)



Source: Bureau of Labor Statistics via Haver Analytics  
 ECI Compensation includes value of benefits and nonproduction bonuses and holds constant industry and occupation shares of employment.  
 Real is deflated by total PCE Price Index.

## Unit Labor Costs and Inflation

(four-quarter percent change)

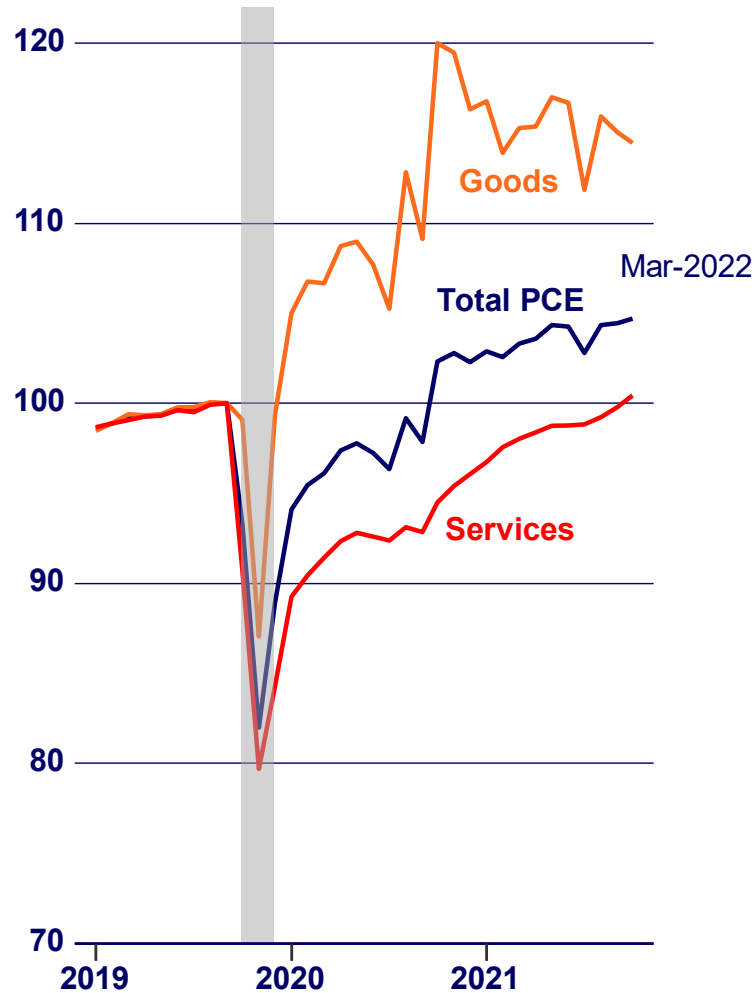


Source: Bureau of Labor Statistics via Haver Analytics

# Household Spending

## Personal Consumption Expenditures

(indexed, Feb-2020 = 100)



Source: Bureau of Economic Analysis via Haver Analytics

## Light Vehicle Sales

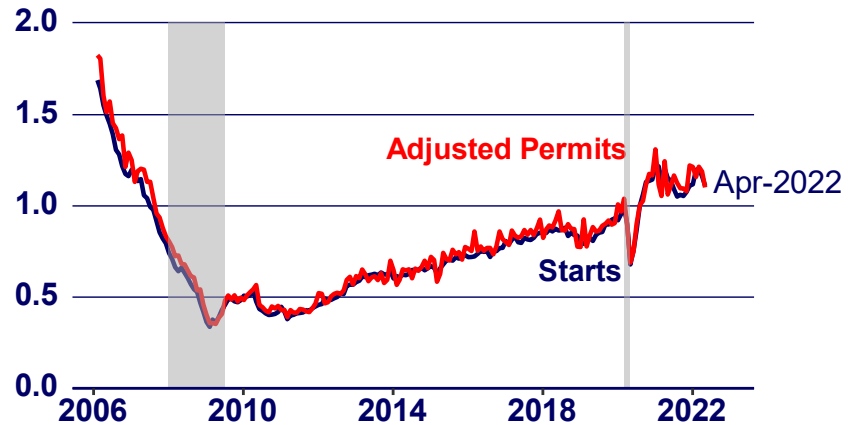
(SAAR, million units)



Source: Autodata via Haver Analytics

## Single Family Housing Starts and Permits

(SAAR, millions)

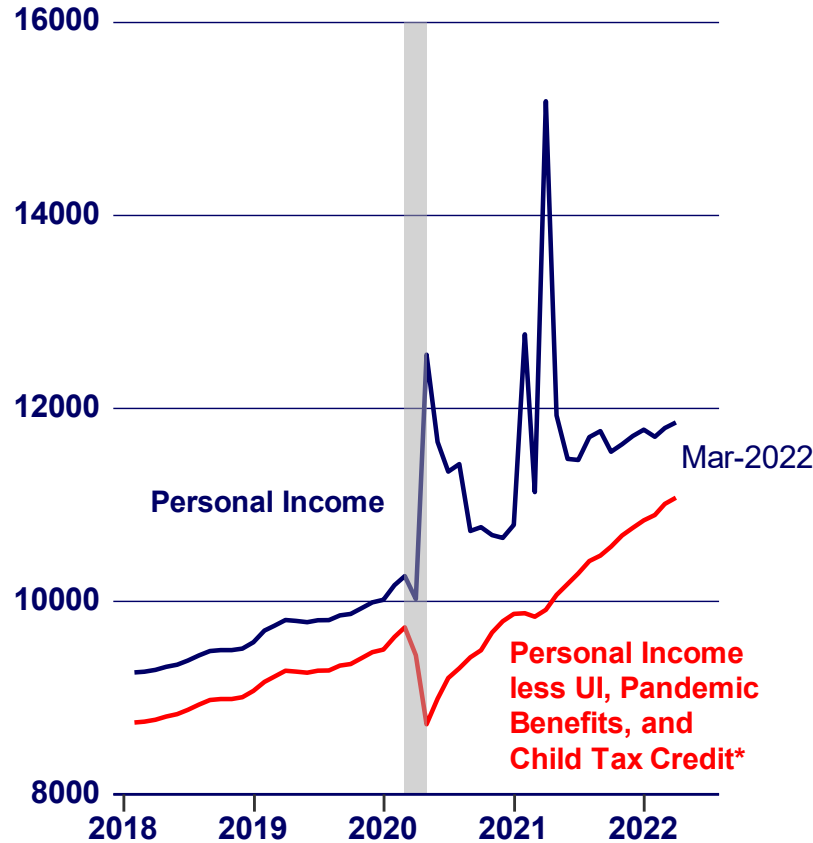


Source: Census Bureau via Haver Analytics

# Household Income and Balance Sheets

## Personal Income

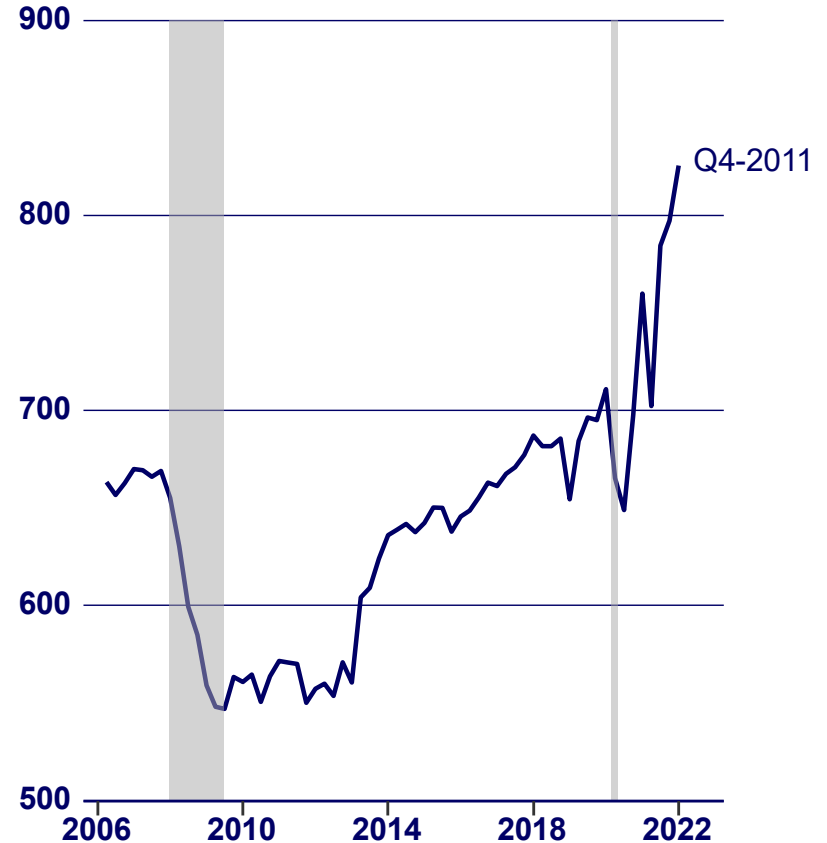
(Bil \$, SAAR)



Source: Bureau of Economic Analysis via Haver Analytics

## Households & Nonprofit Organizations Net worth

(Percent of Disposable Personal Income, EOP)



Source: Federal Reserve Board via Haver Analytics

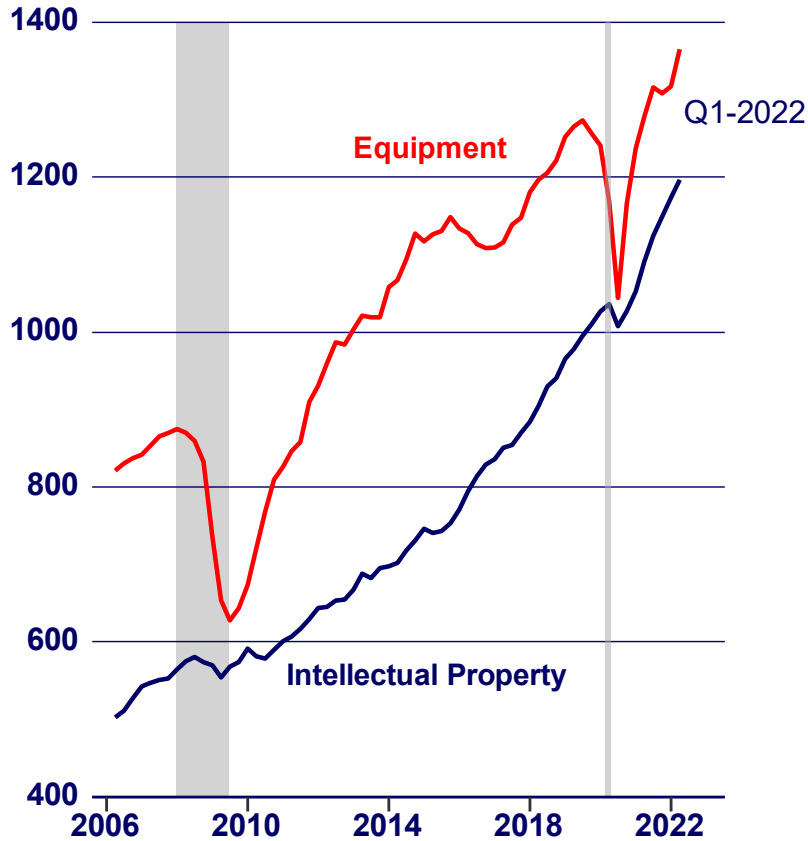
\*Personal income less unemployment insurance, Coronavirus Food Assistance Program, PPP loans to businesses, increase in Medicare reimburse rates, extended unemployment benefits, pandemic unemployment assistance and compensation payments, pandemic emergency unemployment compensation, economic impact payments, lost wages supplemental payments, PPP loans and Provider Relief Fund to NPISH, Child Tax Credit



# Nonresidential Investment

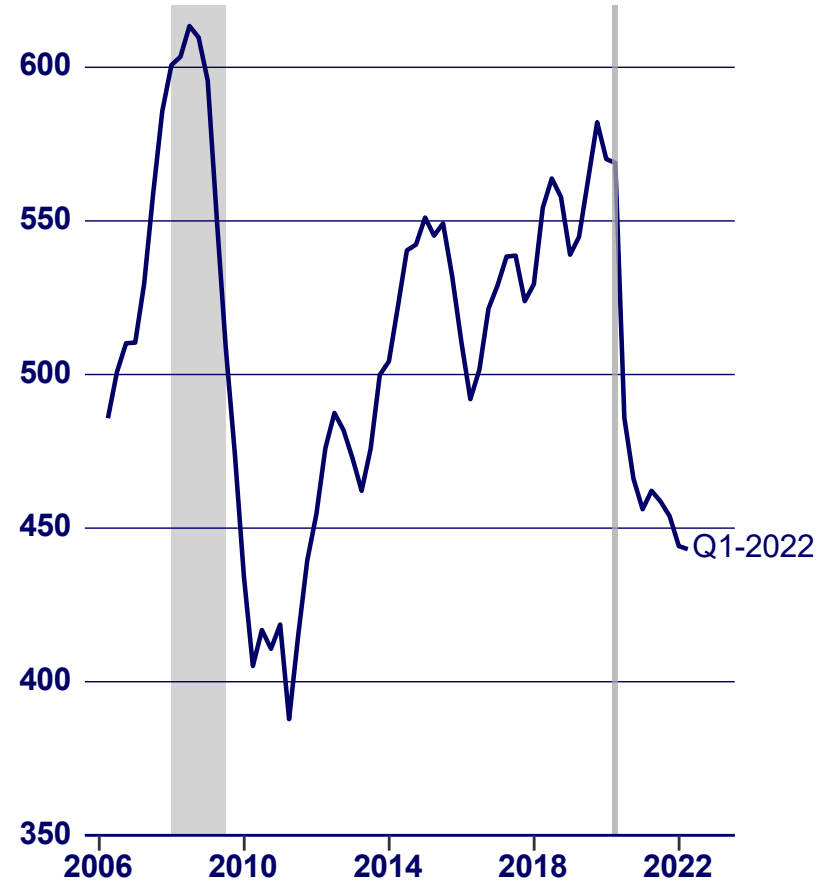
## Equipment and Intellectual Property

(Bil. \$ 2012, SAAR)



## Structures

(Bil. \$ 2012, SAAR)



Source: Bureau of Economic Analysis via Haver Analytics

# Global Growth Outlook Revised Down

IMF GDP Forecasts <sup>1</sup>	2021	2022	2023
<b>Advanced Economies</b>	<b>5.2</b>	<b>3.3</b>	<b>2.4</b>
<i>January</i>		3.9	2.6
<b>Emerging Economies</b>	<b>6.8</b>	<b>3.8</b>	<b>4.4</b>
<i>January</i>		4.8	4.7
<b>European Union</b>	<b>5.4</b>	<b>2.9</b>	<b>2.5</b>
<i>January</i>		4.0	2.8
<b>China</b>	<b>8.1</b>	<b>4.4</b>	<b>5.1</b>
<i>January</i>		4.8	5.3
<b>Russia</b>	<b>4.7</b>	<b>-8.5</b>	<b>-2.3</b>
<i>January</i>		2.8	2.1

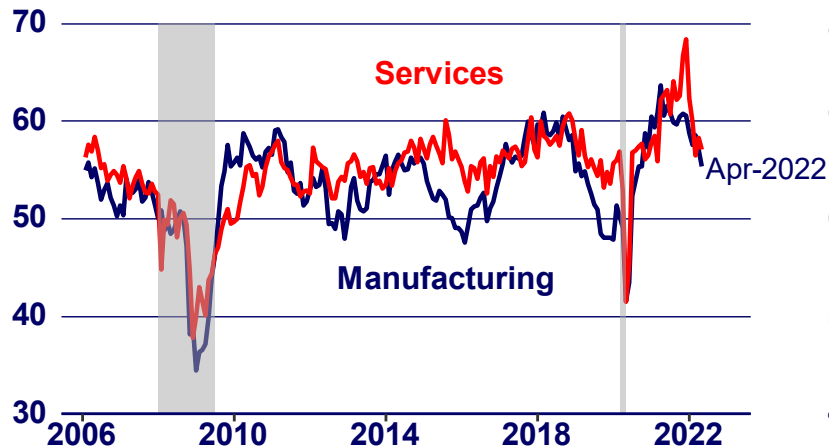
1. Percent change in average annual level of real GDP

Source: International Monetary Fund World Economic Outlook, April (current) and January 2022

# Business Activity and Supply Constraints

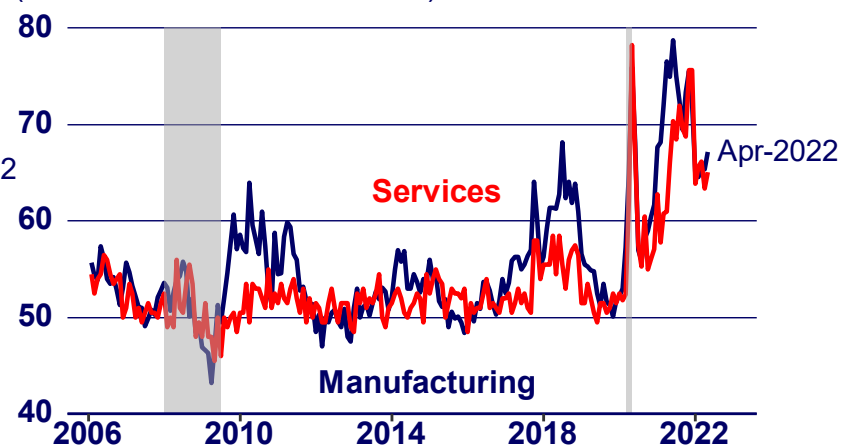
## Overall PMI

(above 50 is expansion)



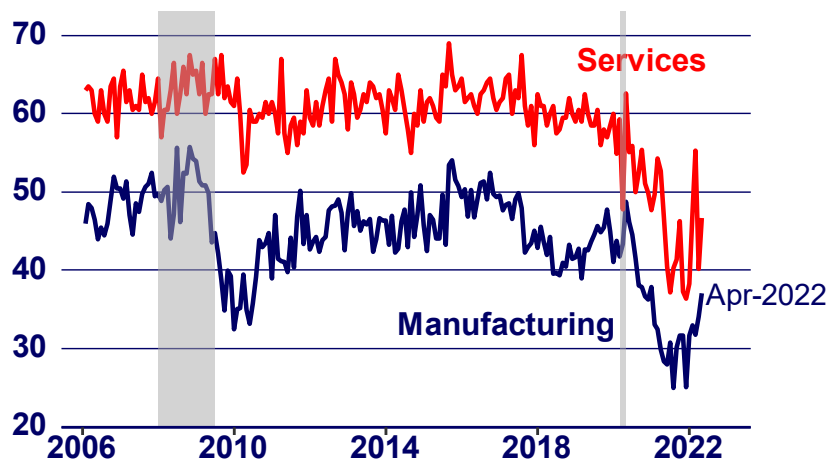
## Supplier Deliveries Index

(above 50 is slower deliveries)



## Inventories Index

(below 50 is too low)



## Prices Paid Index

(above 50 is increasing prices)

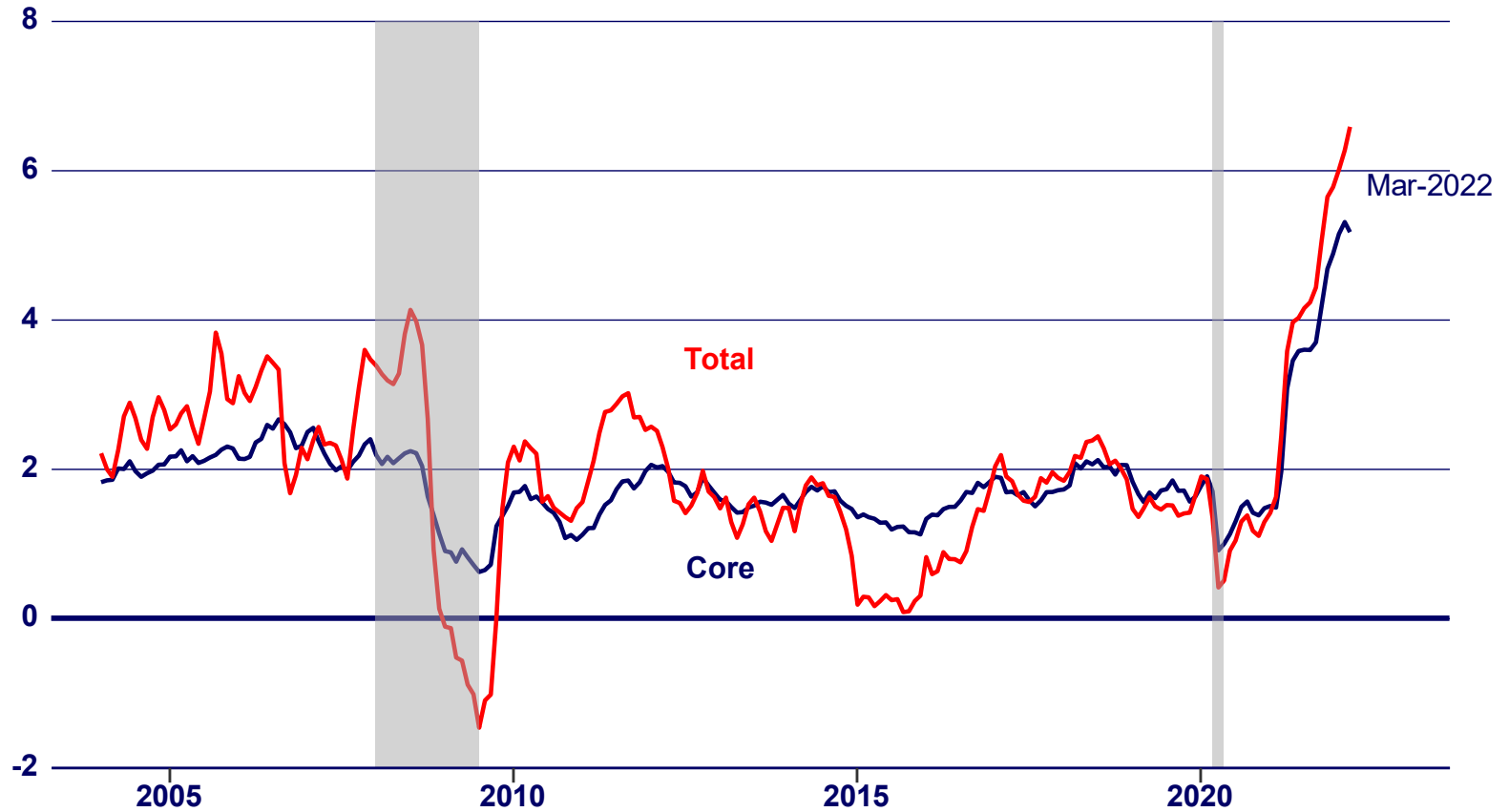


Source: Institute for Supply Management via Haver Analytics.  
 Manufacturing inventories, customer index; services, sentiment index.

# Inflation is Very High

## PCE Price Index

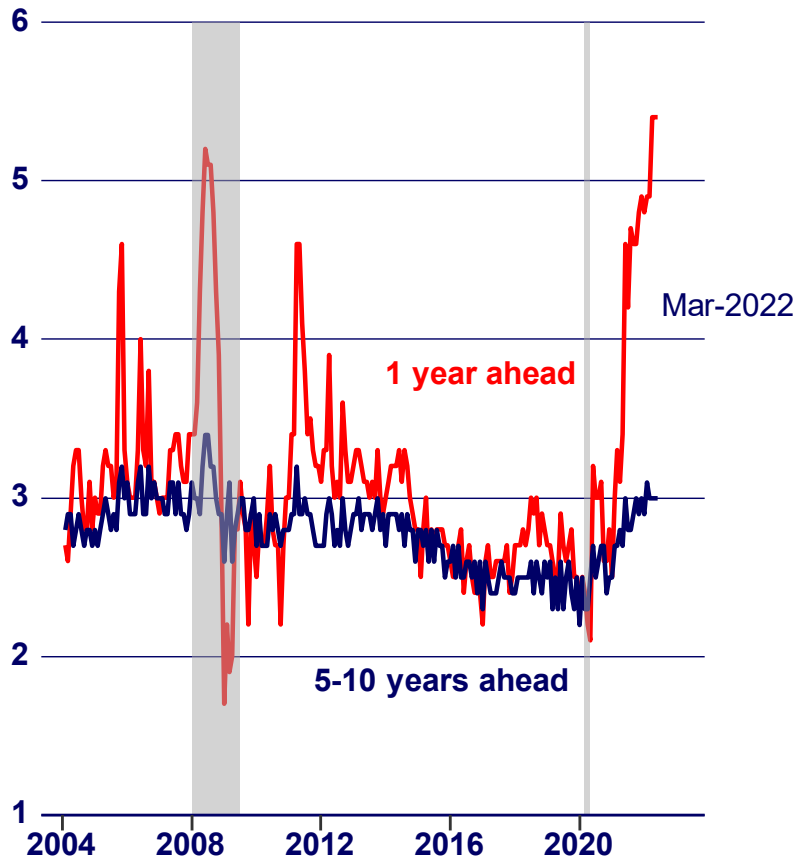
(12-month percent change)



Source: Bureau of Economic Analysis via Haver Analytics

# Inflation Expectations

**Michigan Survey of Inflation Expectations**  
(percent)



Source: University of Michigan via Haver Analytics

**TIPS Inflation Compensation**  
(percent)

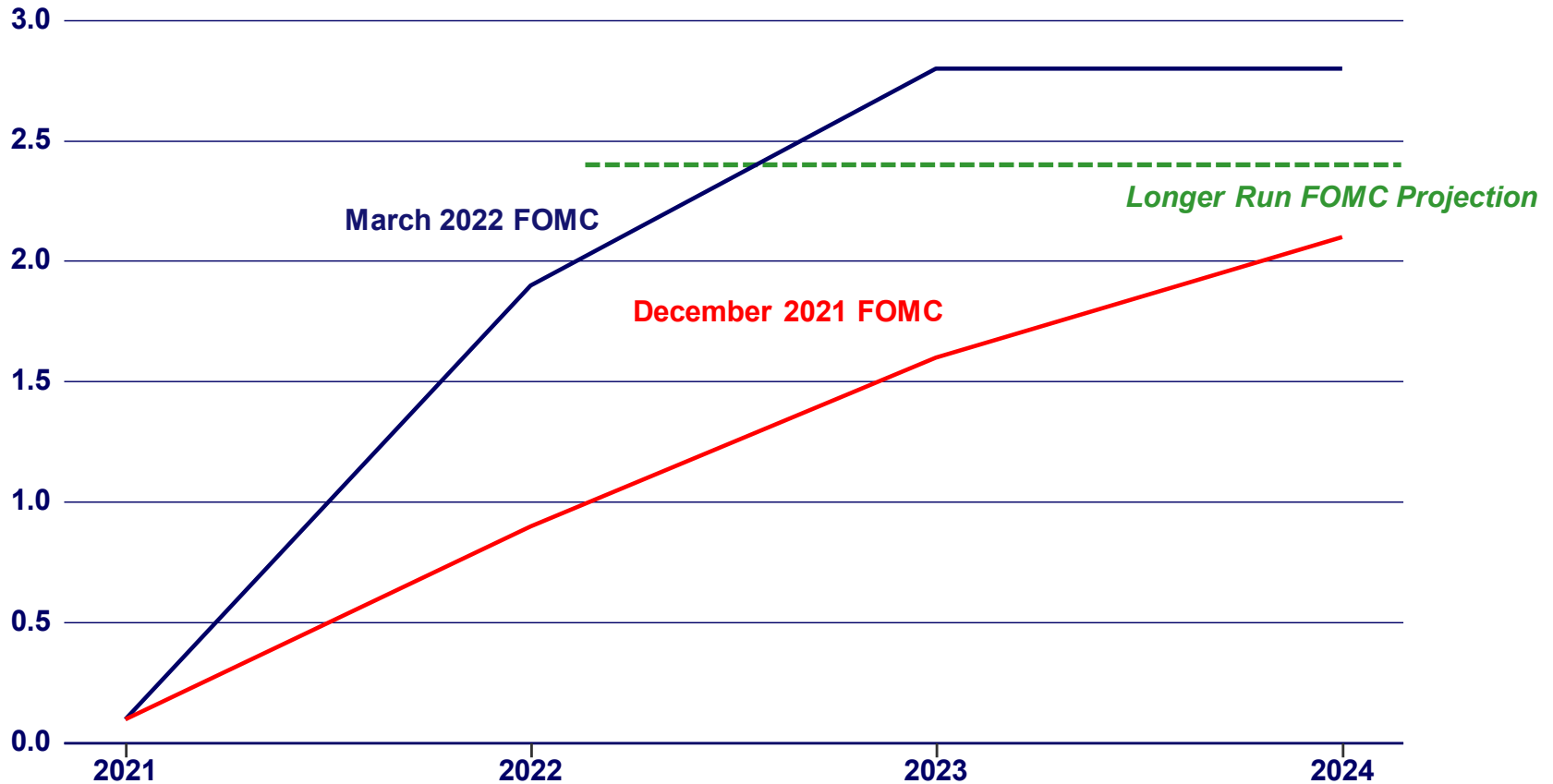


Source: Board of Governors of the Federal Reserve System

# Higher Fed Funds Rate

## Median SEP Federal Funds Rate Projection

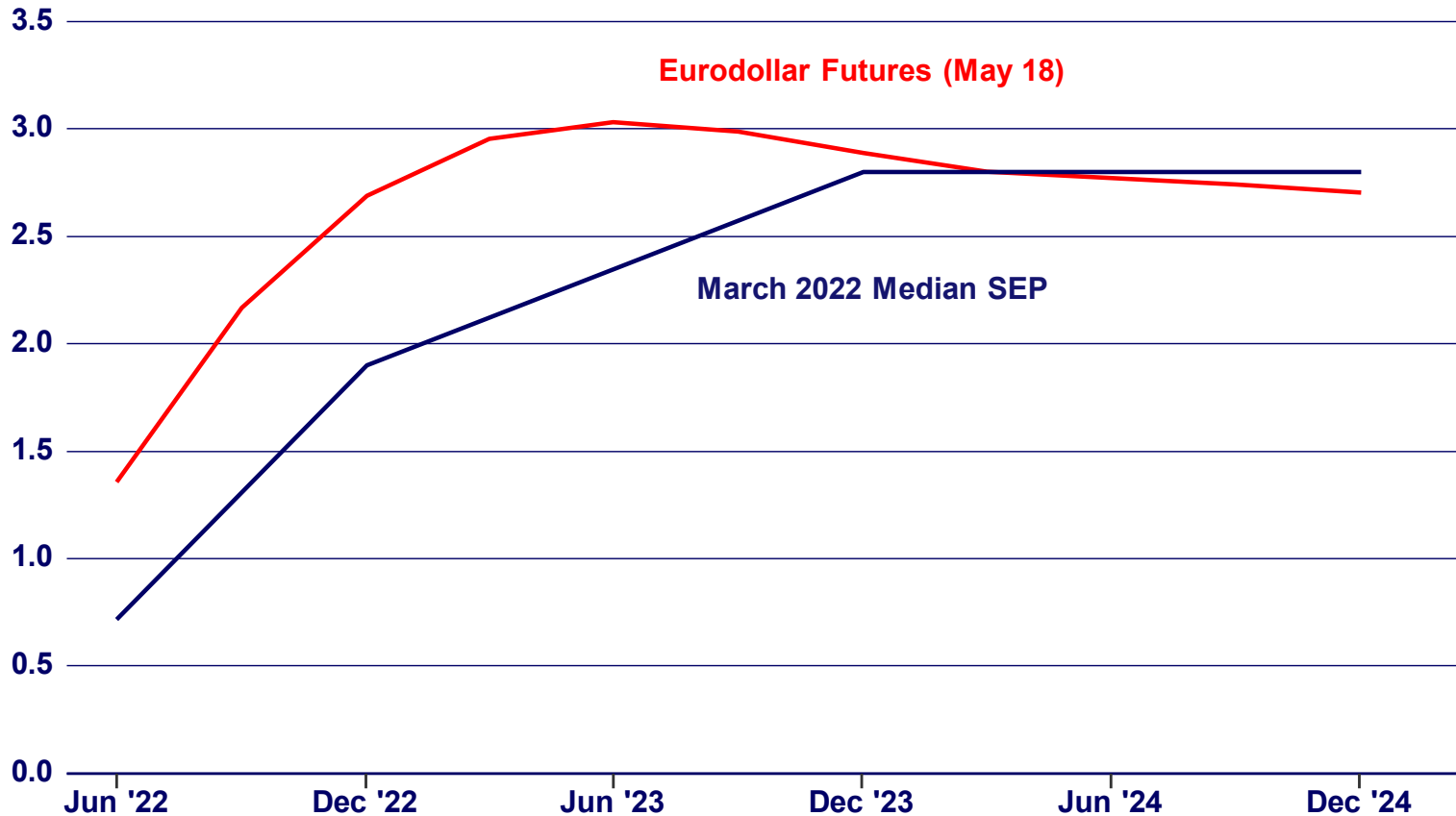
(Percent, end of year)



Source: FOMC Summary of Economic Projections via Haver Analytics

# Market Funds Rate Expectations

## Market Pricing and Median SEP Projection of Federal Funds Rate Path (Percent)

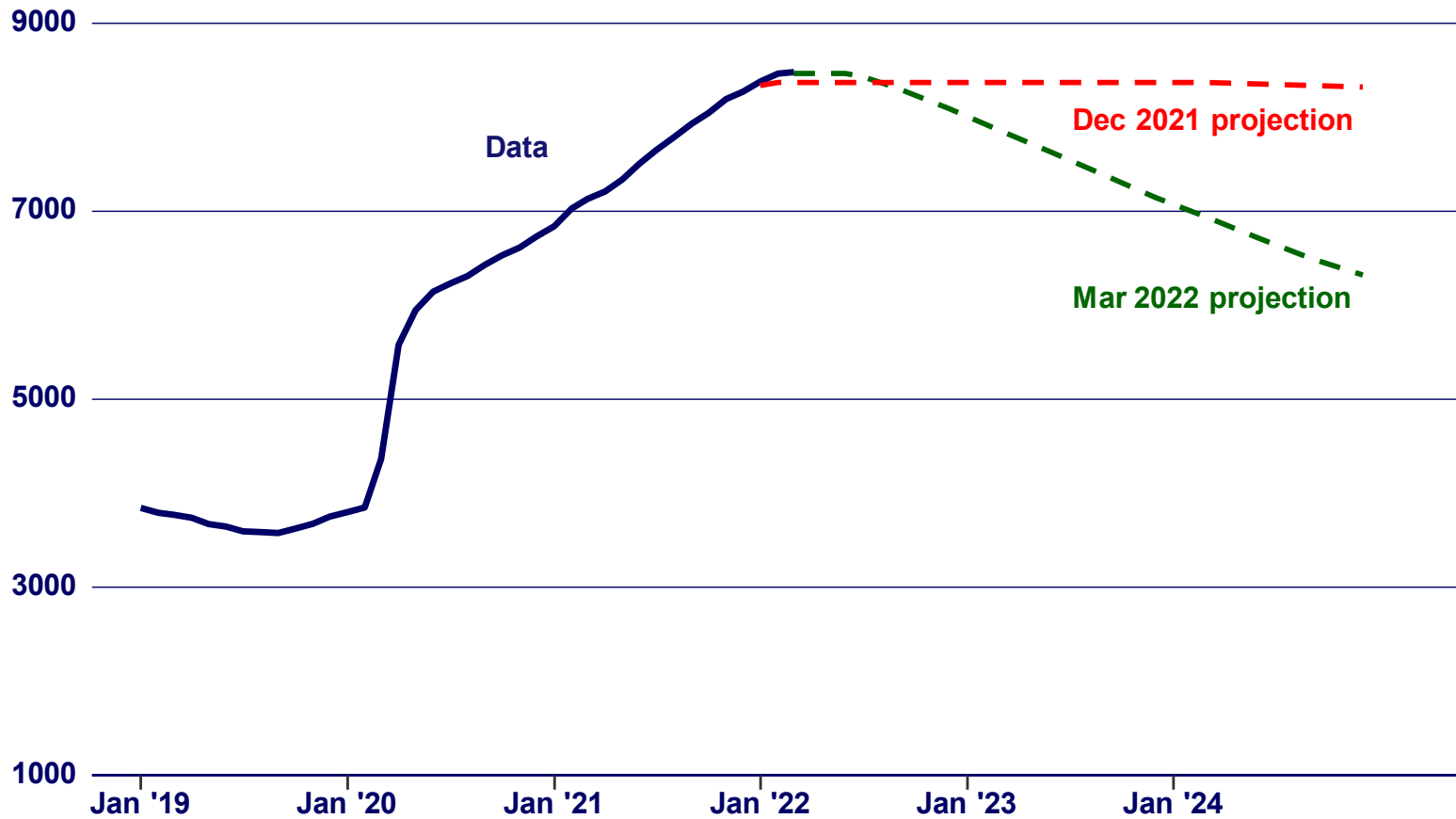


Source: Eurodollar Futures via CME Group; FOMC Summary of Economic Projections via Haver Analytics

# Smaller Balance Sheet

## Federal Reserve Holdings of Treasury and Agency Mortgage-Backed Securities

(Bil. \$)



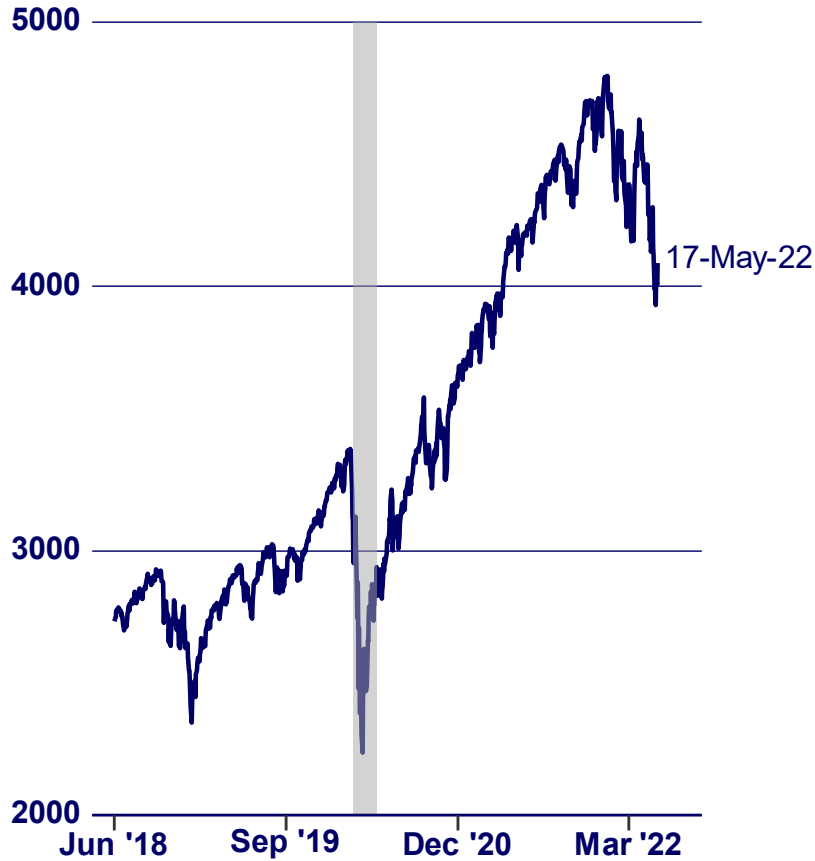
Source: Federal Reserve Board via Haver Analytics; FRBNY Survey of Market Participants



# Financial Market Developments

## S&P 500 Index

(index)



Source: S&P Index via FRED

## Treasury Yields

(percent)



Source: Board of Governors of the Federal Reserve System via FRED

# Financial Market Conditions

## 30-Year Fixed Mortgage Rate

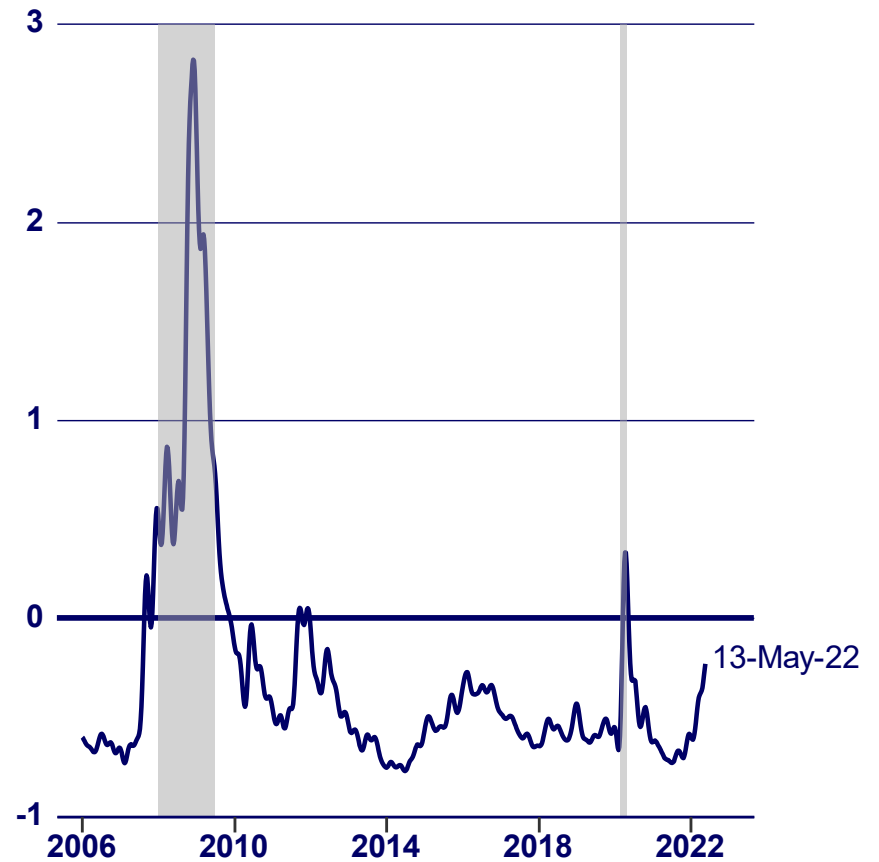
(percent)



Source: Wall Street Journal via Haver Analytics

## Chicago Fed National Financial Conditions Index

(+ indicates tighter than average)



Source: Federal Reserve Bank of Chicago via Haver Analytics

# Survey of Professional Forecasters

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Variable	2022	2023	2024	2025
<b>GDP<sup>1</sup></b>	<b>2.5</b>	<b>2.3</b>	<b>2.0</b>	<b>2.3</b>
<i>February</i>	<i>3.7</i>	<i>2.7</i>	<i>2.3</i>	<i>2.3</i>
<b>Unemployment rate<sup>1</sup></b>	<b>3.6</b>	<b>3.6</b>	<b>3.8</b>	<b>3.8</b>
<i>February</i>	<i>3.7</i>	<i>3.4</i>	<i>3.6</i>	<i>3.7</i>
<b>PCE inflation<sup>2</sup></b>	<b>5.0</b>	<b>2.5</b>	<b>2.2</b>	
<i>February</i>	<i>3.1</i>	<i>2.2</i>	<i>2.2</i>	
<b>Core PCE inflation<sup>2</sup></b>	<b>4.1</b>	<b>2.5</b>	<b>2.2</b>	
<i>February</i>	<i>3.1</i>	<i>2.2</i>	<i>2.2</i>	

*Source: Survey of Professional Forecasters via Federal Reserve Bank of Philadelphia, May (current) and February 2022*

<sup>1</sup> *Percent change in annual-average levels; Q4 values only available for 2022; GDP Q4-to-Q4 growth is 1.4 percent and 2022-Q4 unemployment rates is 3.5 percent.*

<sup>2</sup> *Q4/Q4 percent changes*