Lingering Questions after a Year of Progress

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The views I express here are my own and do not necessarily reflect the views of the Federal Reserve Bank of Chicago or the Federal Reserve System.
Substantial economic progress in 2021

**Real Gross Domestic Product**
(SAAR, trillions of chained 2012 $)

- Pre-Pandemic Trend
- 2021:Q3

**Civilian Unemployment Rate**
(SA, %)

- 3.9%

Source: BEA via Haver Analytics

Source: BLS via Haver Analytics
Inflation is elevated

PCE Inflation
(12-month percent change)

Source: Bureau of Economic Analysis via Haver Analytics
Virus risks remain

New Covid-19 Cases (U.S.)
(thousands, 7-day moving average)

Source: Oxford University via Haver Analytics
Big questions for 2022

- Will workers who have stayed on the sidelines during the pandemic come back into the labor market?

- Will inflation abate? Or will elevated wage and price increases become built into regular plans for households and business?

- How will Covid-19 impact ongoing recovery?
Labor force is smaller by 3.5 million workers

**Total Nonfarm Payroll Employment**
(SA, millions)

Source: Bureau of Labor Statistics via Haver Analytics
Labor market recovery varies by industry

Employment Changes in Selected Industries
(thousands of employees, Feb 2020 to Dec 2021)

Source: Bureau of Labor Statistics via Haver
Older workers and women less likely to be working

**Labor Force Participation by Age**

(Feb 2020 = 100)

**Labor Force Participation by Gender**

(Feb 2020 = 100)

Source: Bureau of Labor Statistics via Haver Analytics
Will workers remain on the sidelines?

**Labor Force Participation Rate**
(SA, percent)

Higher wages may play important role

Average Hourly Earnings Relative to Pre-Pandemic
(Percent change, Feb 2020 to Dec 2021)

Source: Bureau of Labor Statistics via Haver

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Source: Bureau of Labor Statistics via Haver
Demand patterns have changed

Real Personal Consumption Expenditures
(index, Feb 2020 = 100)

Note: Dashed lines indicate 5-year trend from Feb. 2015 through Feb. 2020
Source: U.S. Bureau of Economic Analysis via FRED and internal calculations.
Supply chains have been disrupted

**Mfg. Supplier Deliveries Index**  
(above 50 is slower deliveries)

**Light Vehicle Production**  
(SAAR, million units)

**General Freight Trucking Prices**  
(Producer Price Index, Dec. 2015 = 100)

**Retail Inventories-to-Sales**  
(ratio, total ex. motor vehicles and parts, SA)

Source: Federal Reserve Board, Institute for Supply Management, and Census Bureau via Haver
Demand and supply shifts impact inflation patterns

Price levels, CPI, Feb 2018=100

Inflation rates, CPI, 12-month percent change

Source: Bureau of Labor Statistics via Haver, and staff calculations
Longer-run inflation expectations fairly stable

Michigan Survey of Inflation Expectations (percent)

TIPS Inflation Compensation (percent)

Source: Board of Governors of the Federal Reserve System; University of Michigan via Haver
Monetary policy adjustment important

Median SEP Fed Funds Rate, March 2021 - December 2021

(percent)

Source: Board of Governors of the Federal Reserve System
Continued recovery ahead

Real GDP, Actual and Projected
(SAAR, trillions of chained 2012 $)

Civilian Unemployment Rate, Actual and Projected
(SA, %)

Note: Projected rates are based on median forecasts from December SEPs
Source: BEA and BLS via Haver Analytics; December 2021 Summary of Economic Projections and staff calculations
Inflation is projected to moderate

PCE Inflation & FOMC Inflation Projections
(12-month percent change)

Source: Bureau of Economic Analysis via Haver Analytics, Federal Reserve Board of Governors Summary of Economic Projections
Virus remains a wildcard

Restaurant Reservations
(% change relative to 2019 baseline)

TSA Traveler Throughput
(millions)

Source: OpenTable via Haver Analytics

Source: TSA
Questions?