
Lingering Questions after a Year of Progress

Chamber of Commerce

Ames, Iowa

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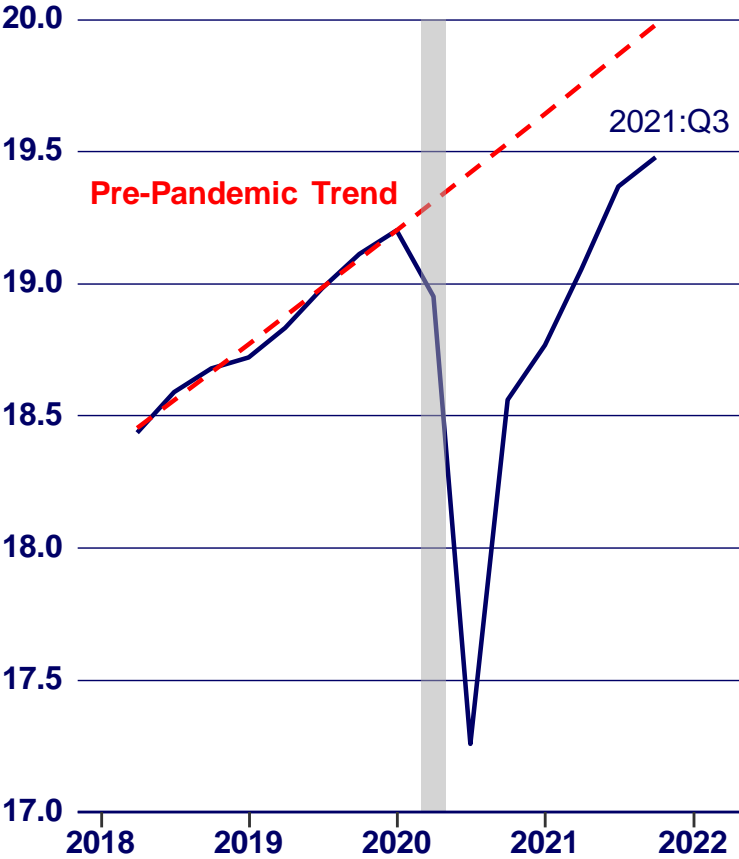
Federal Reserve Bank of Chicago

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

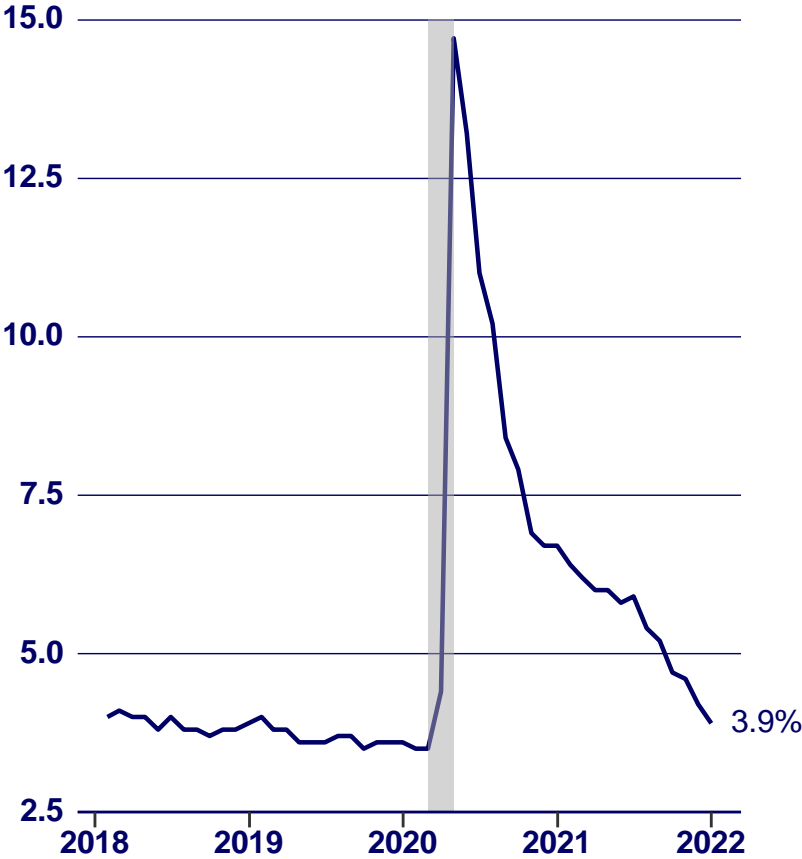
(SAAR, trillions of chained 2012 \$)



Source: BEA via Haver Analytics

Civilian Unemployment Rate

(SA, %)

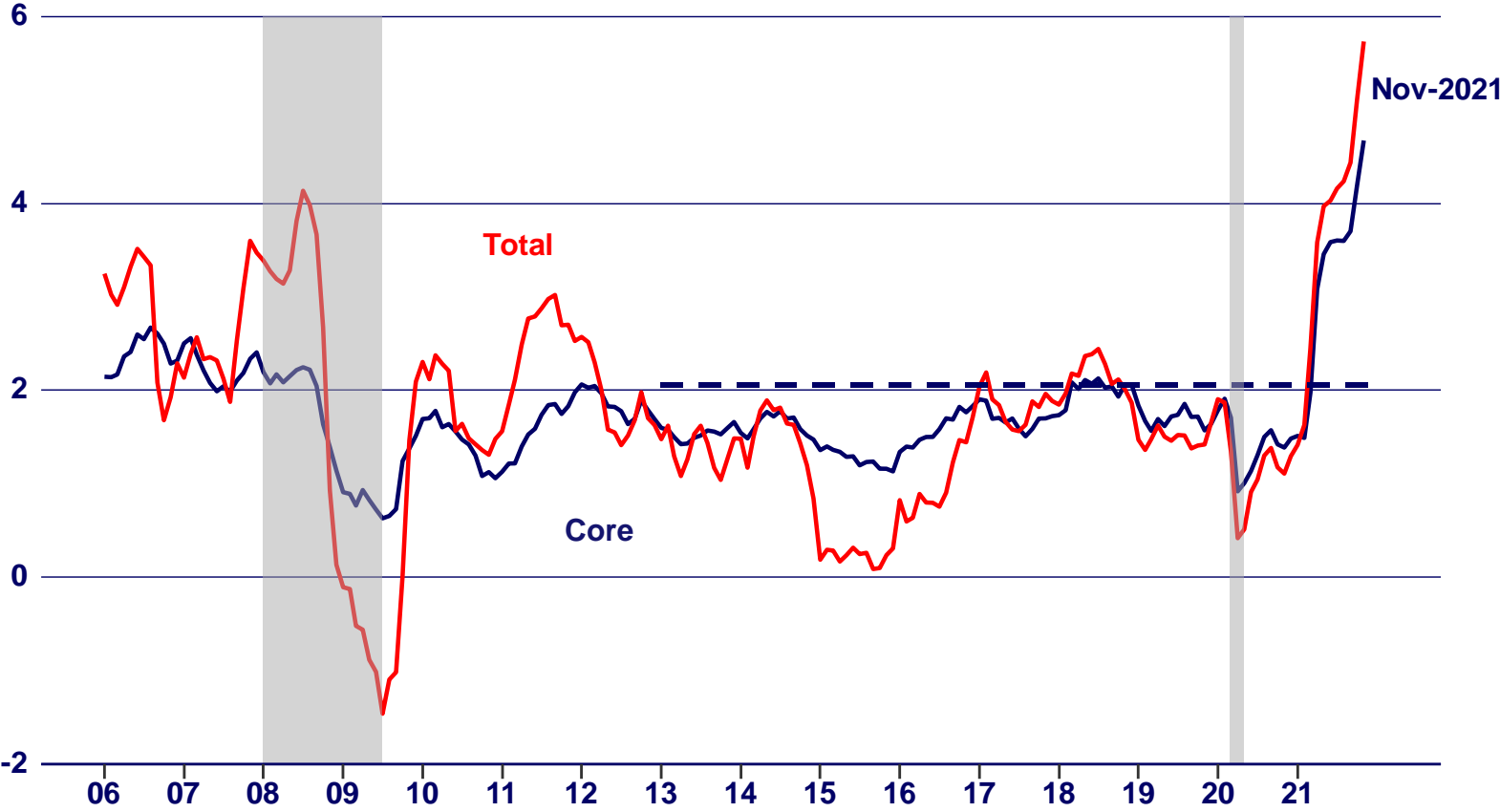


Source: BLS via Haver Analytics

Inflation is elevated

PCE Inflation

(12-month percent change)

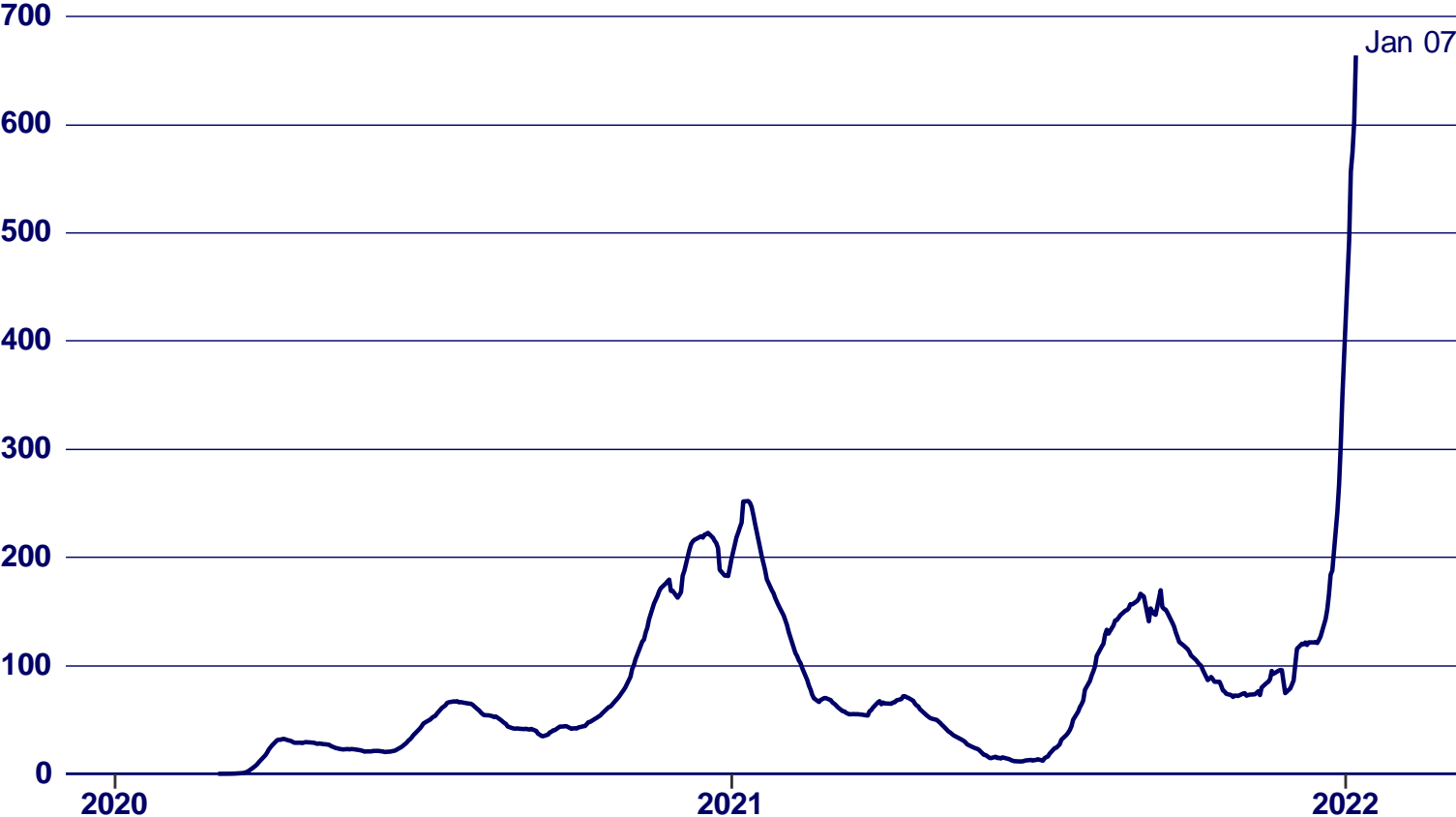


Source: Bureau of Economic Analysis via Haver Analytics

Virus risks remain

New Covid-19 Cases (U.S.)

(thousands, 7-day moving average)



Source: Oxford University via Haver Analytics

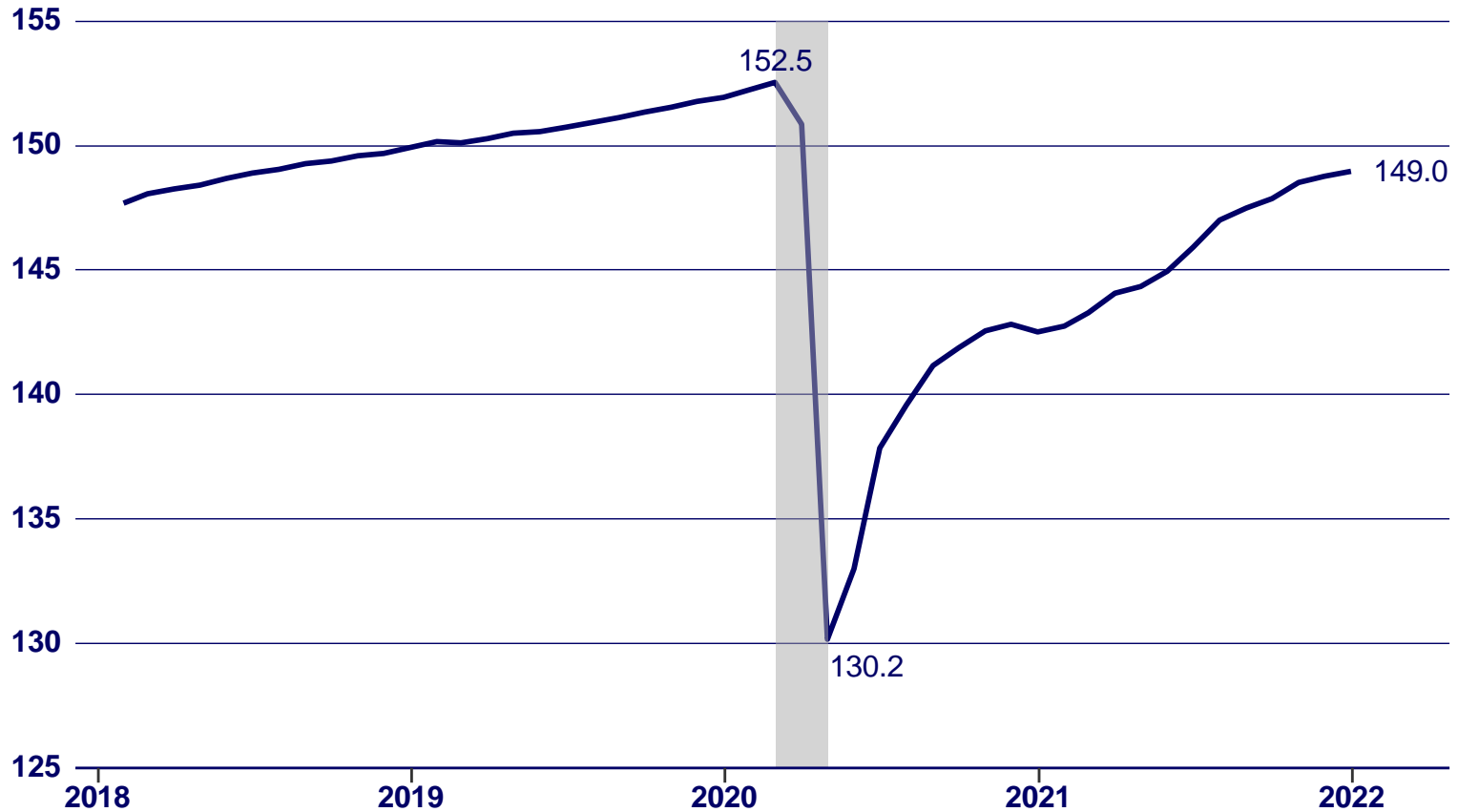
Big questions for 2022

- **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 on-going recovery?**

Labor force is smaller by 3.5 million workers

Total Nonfarm Payroll Employment

(SA, millions)

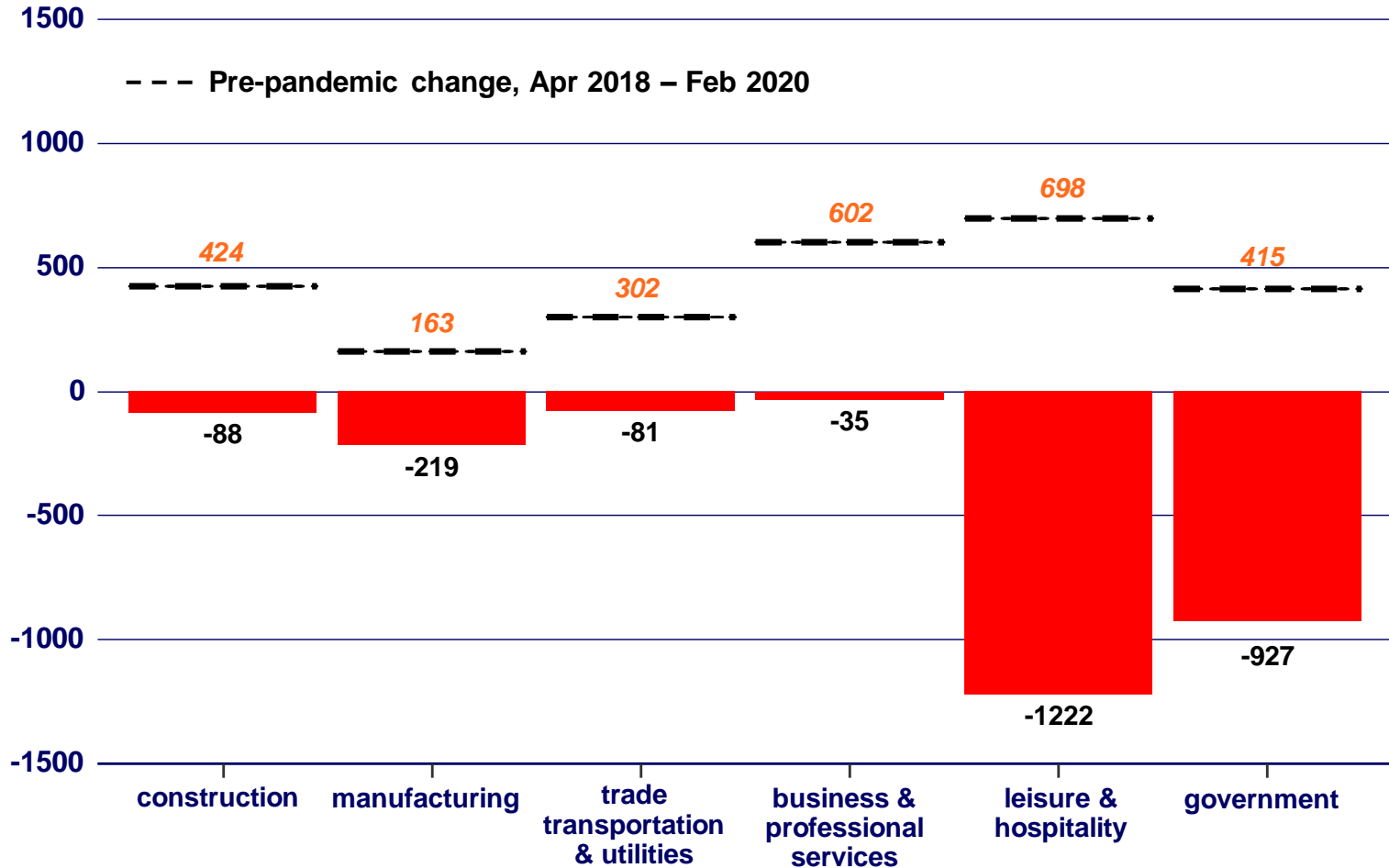


Source: Bureau of Labor Statistics via Haver Analytics

Labor market recovery varies by industry

Employment Changes in Selected Industries

(thousands of employees, Feb 2020 to Dec 2021)

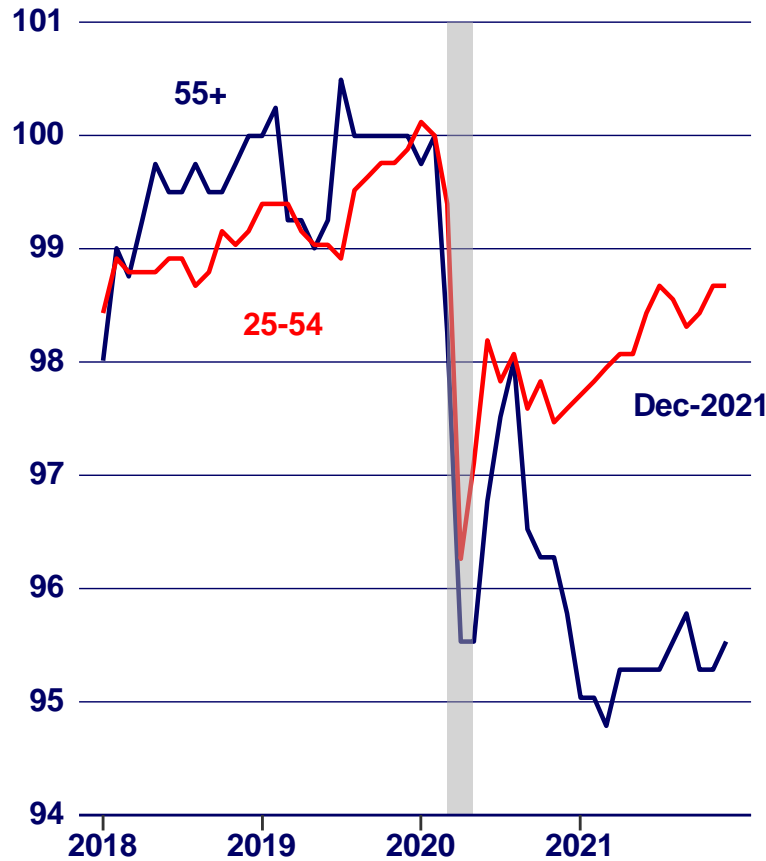


Source: Bureau of Labor Statistics via Haver

Older workers and women less likely to be working

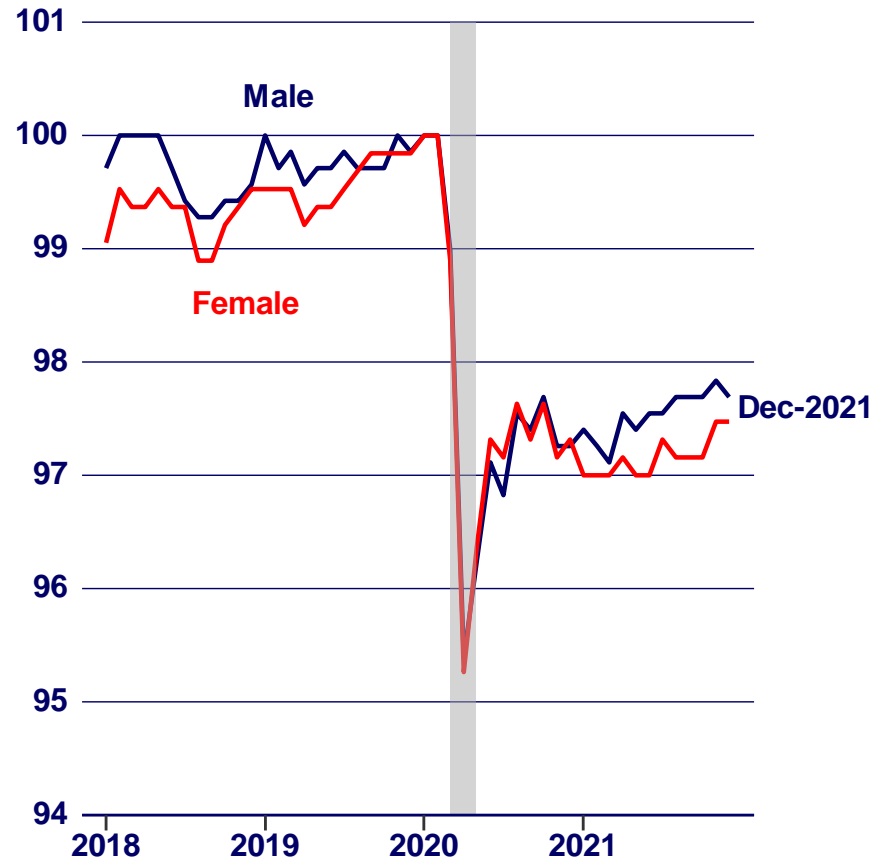
Labor Force Participation by Age

(Feb 2020 = 100)



Labor Force Participation by Gender

(Feb 2020 = 100)

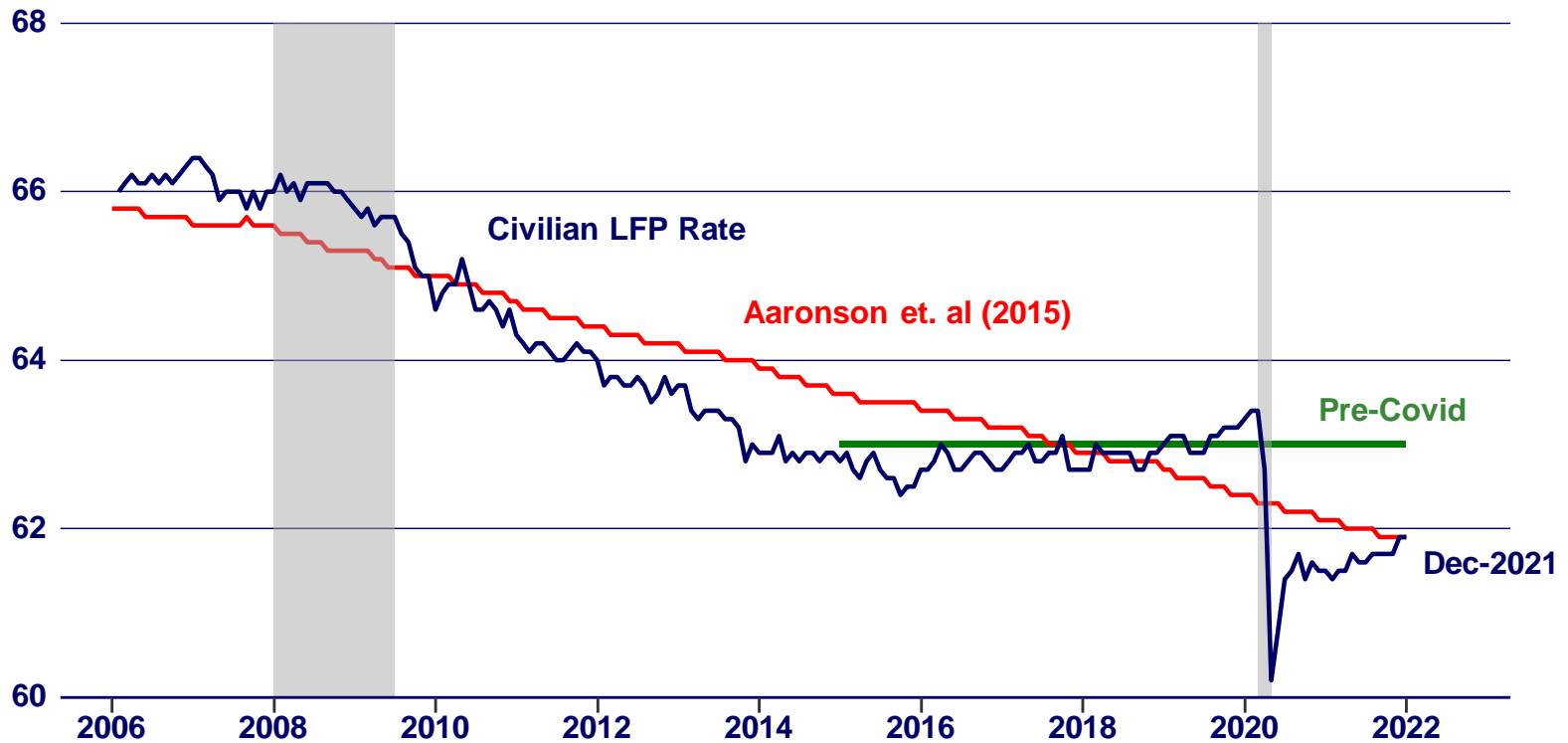


Source: Bureau of Labor Statistics via Haver Analytics

Will workers remain on the sidelines?

Labor Force Participation Rate

(SA, percent)

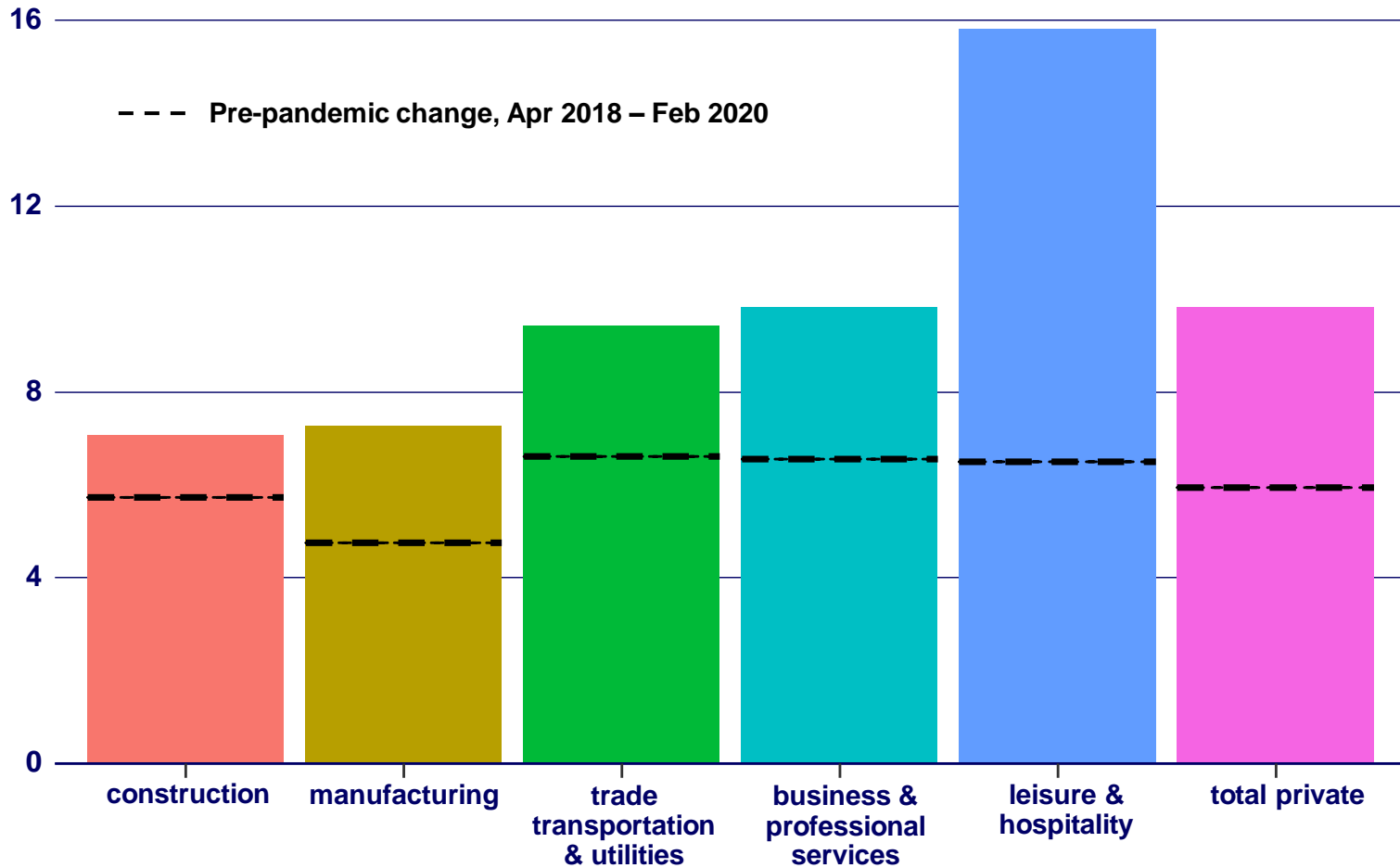


Source: Bureau of Labor Statistics via Haver and internally generated series from the Chicago Fed using methodology in Aaronson, Hu, Seifoddini, and Sullivan

Higher wages may play important role

Average Hourly Earnings Relative to Pre-Pandemic

(Percent change, Feb 2020 to Dec 2021)

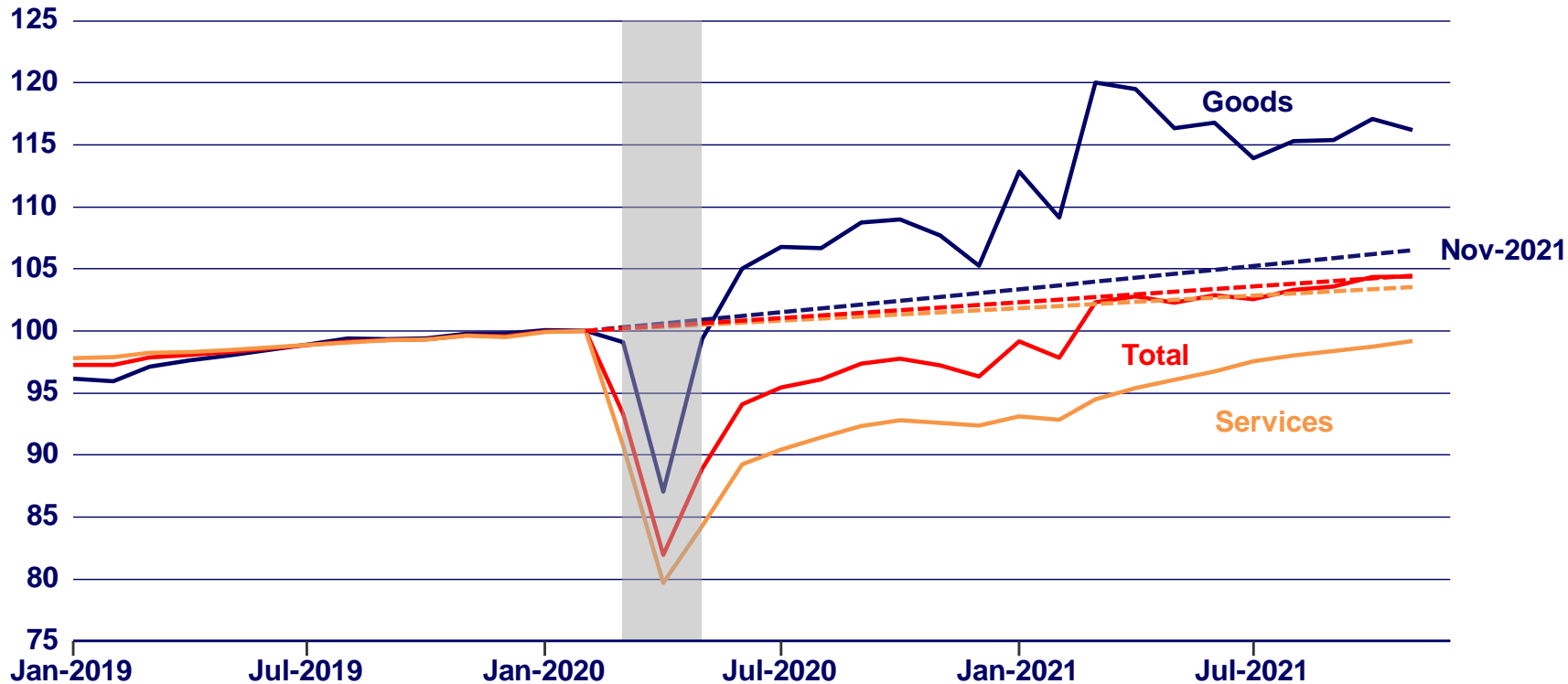


Source: Bureau of Labor Statistics via Haver

Demand patterns have changed

Real Personal Consumption Expenditures

(index, Feb 2020 = 100)



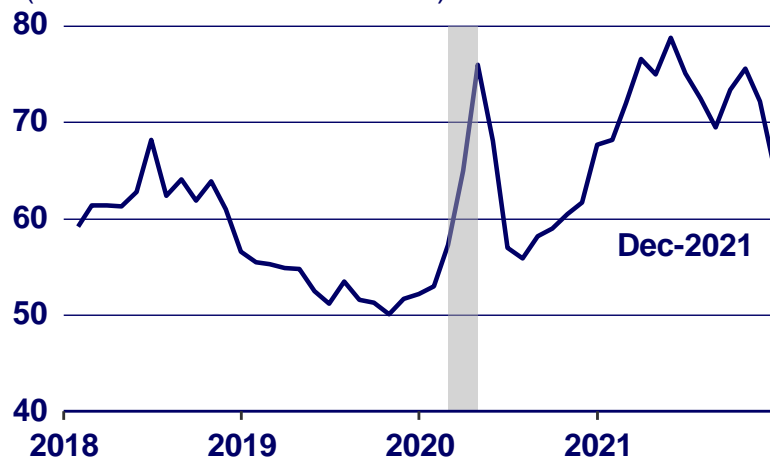
Note: Dashed lines indicate 5-year trend from Feb. 2015 through Feb. 2020

Source: U.S. Bureau of Economic Analysis via FRED and internal calculations.

Supply chains have been disrupted

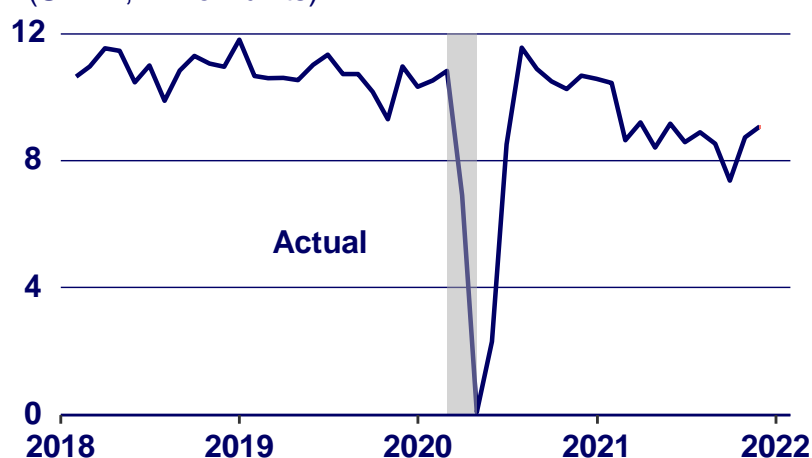
Mfg. Supplier Deliveries Index

(above 50 is slower deliveries)



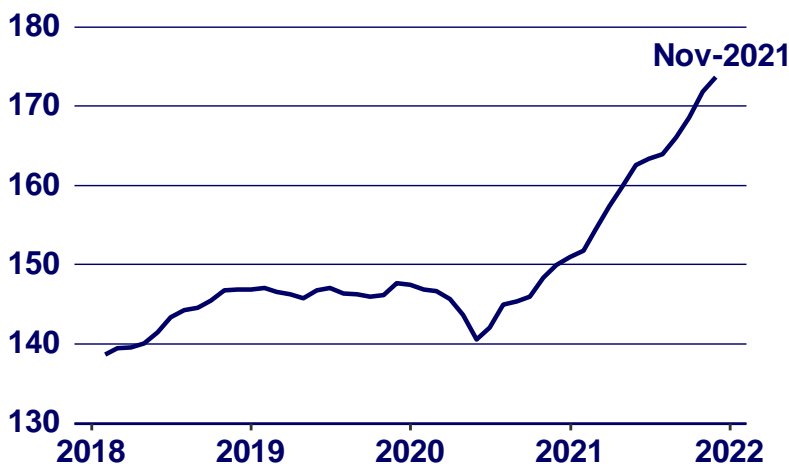
Light Vehicle Production

(SAAR, million units)



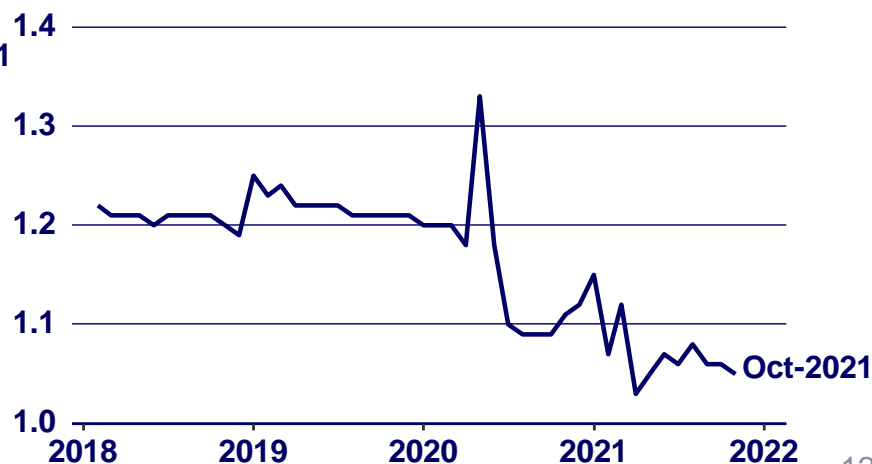
General Freight Trucking Prices

(Producer Price Index, Dec. 2015 = 100)



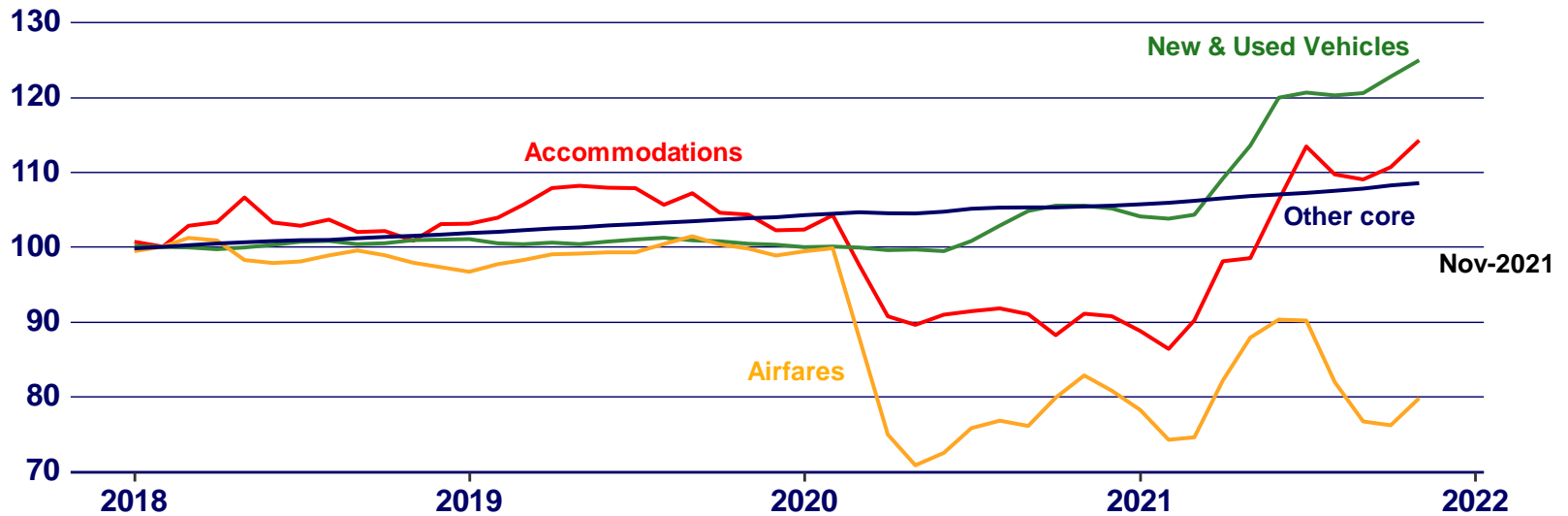
Retail Inventories-to-Sales

(ratio, total ex. motor vehicles and parts, SA)

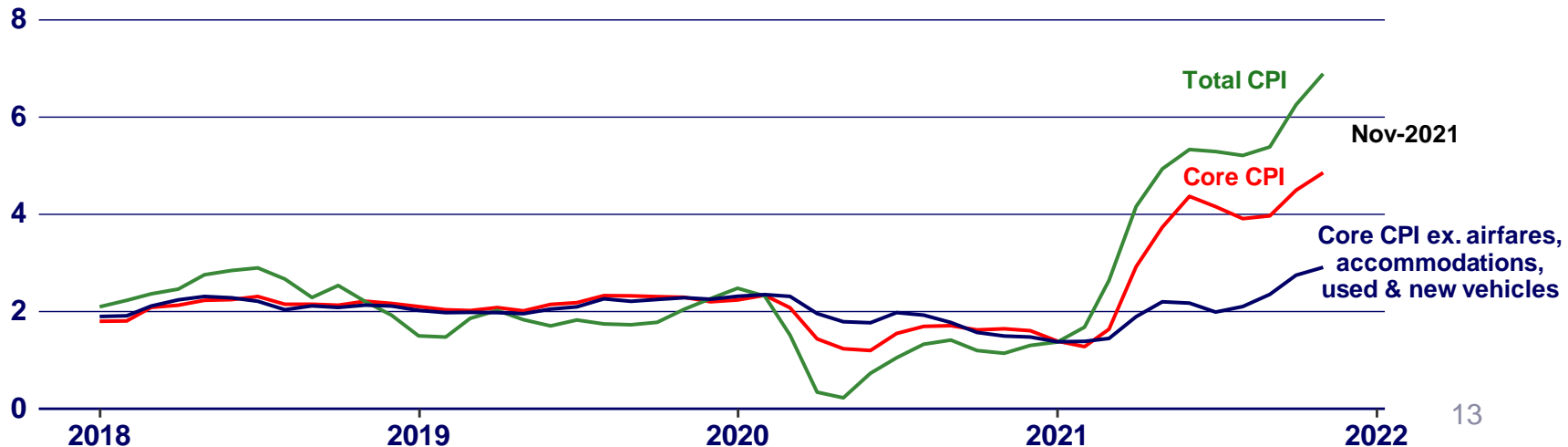


Demand and supply shifts impact inflation patterns

Price levels, CPI, Feb 2018=100



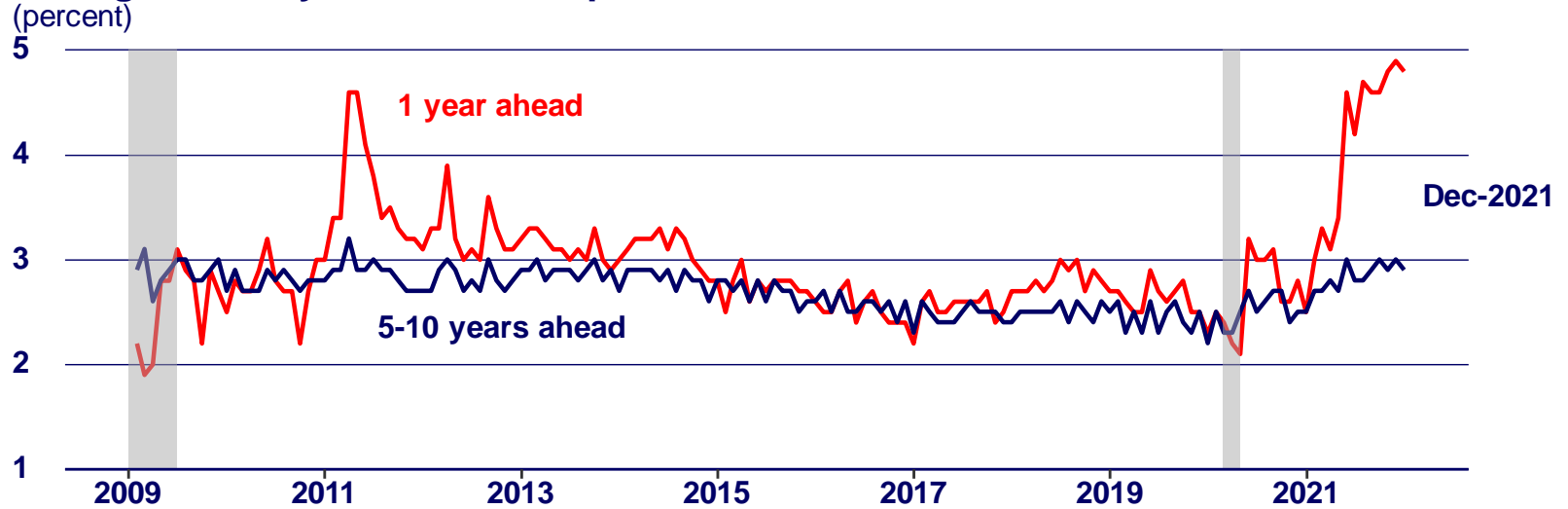
Inflation rates, CPI, 12-month percent change



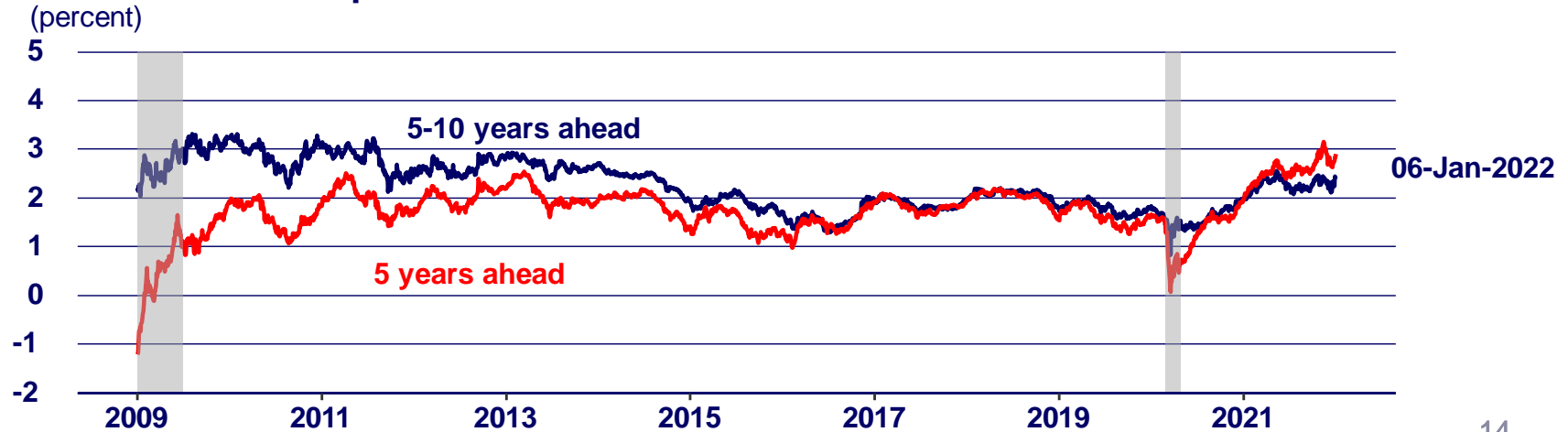
Source: Bureau of Labor Statistics via Haver, and staff calculations

Longer-run inflation expectations fairly stable

Michigan Survey of Inflation Expectations



TIPS Inflation Compensation

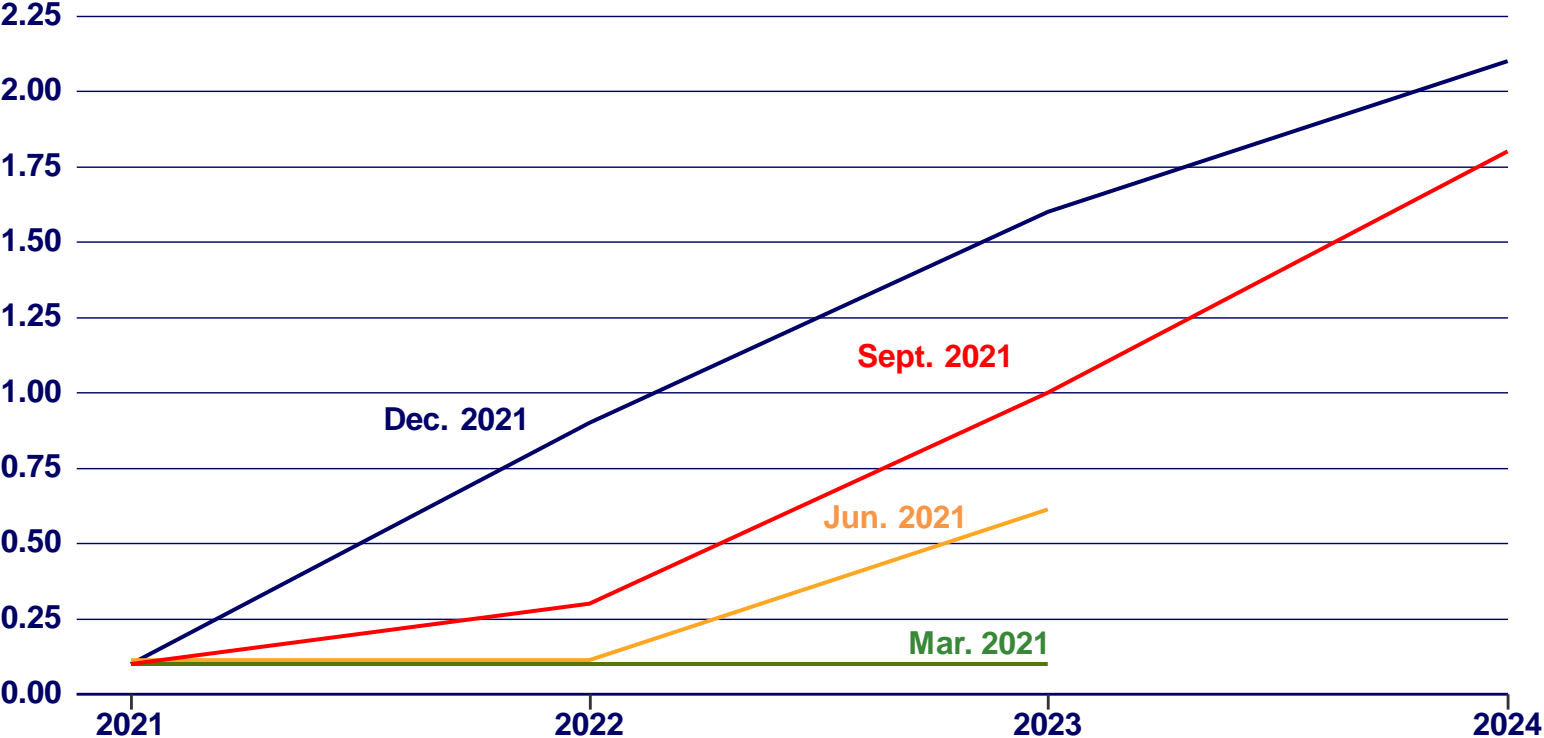


Source: Board of Governors of the Federal Reserve System; University of Michigan via Haver

Monetary policy adjustment important

Median SEP Fed Funds Rate, March 2021 - December 2021

(percent)

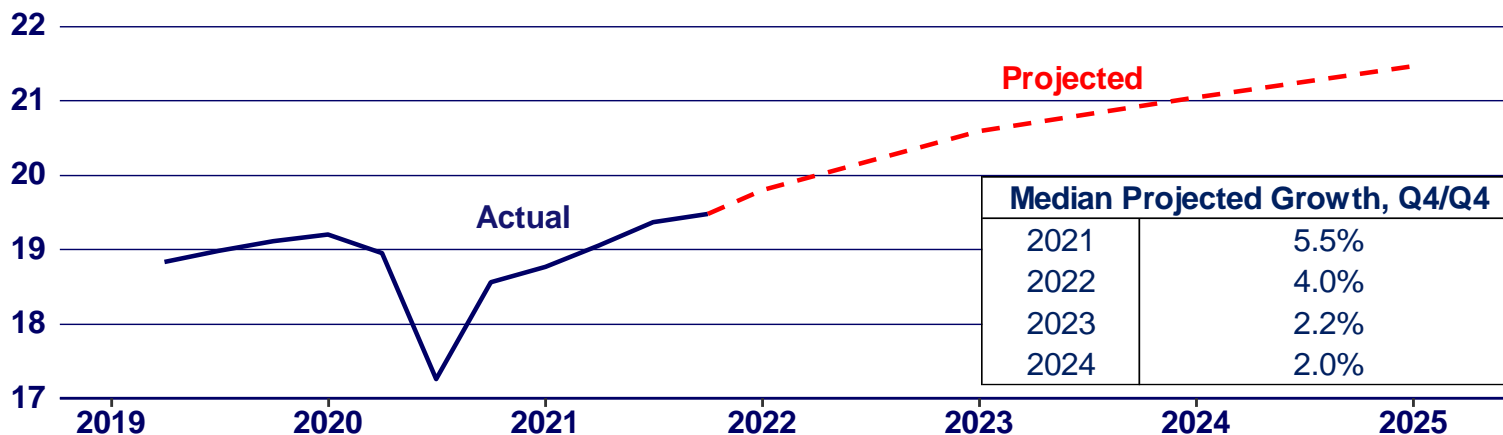


Source: Board of Governors of the Federal Reserve System

Continued recovery ahead

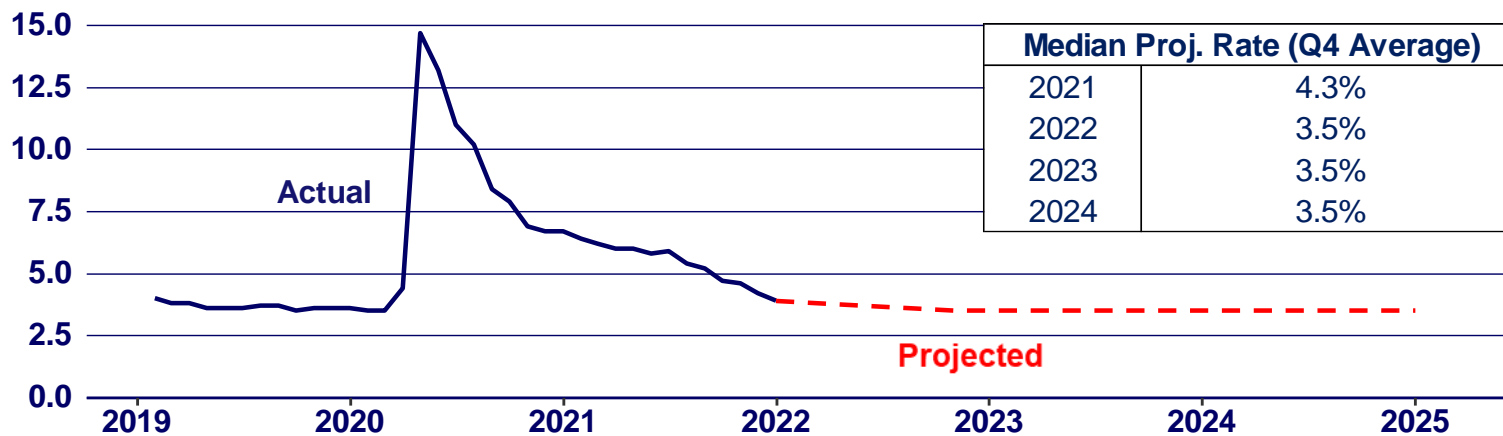
Real GDP, Actual and Projected

(SAAR, trillions of chained 2012 \$)



Civilian Unemployment Rate, Actual and Projected

(SA, %)



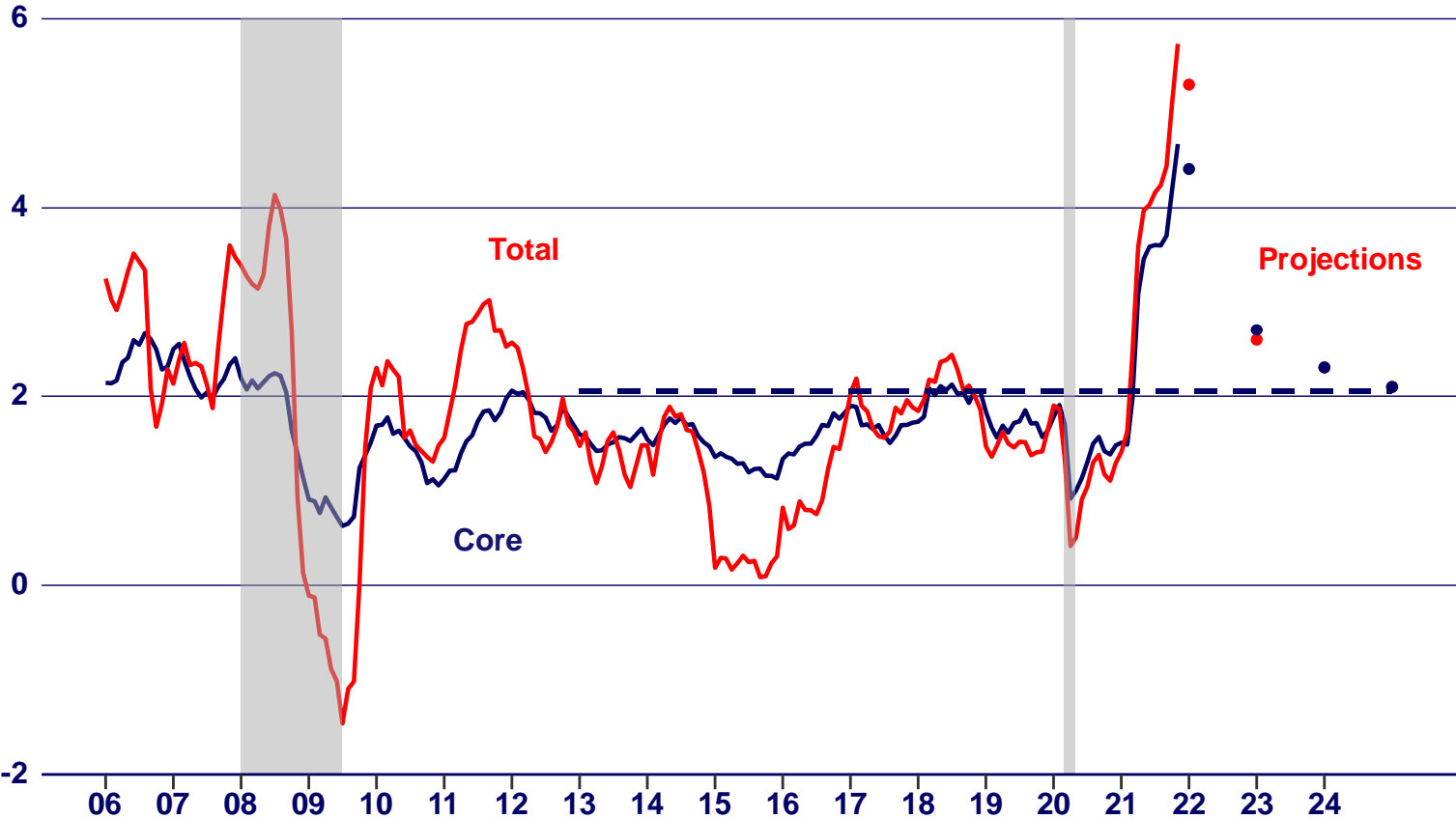
Note: Projected rates are based on median forecasts from December SEPs

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)

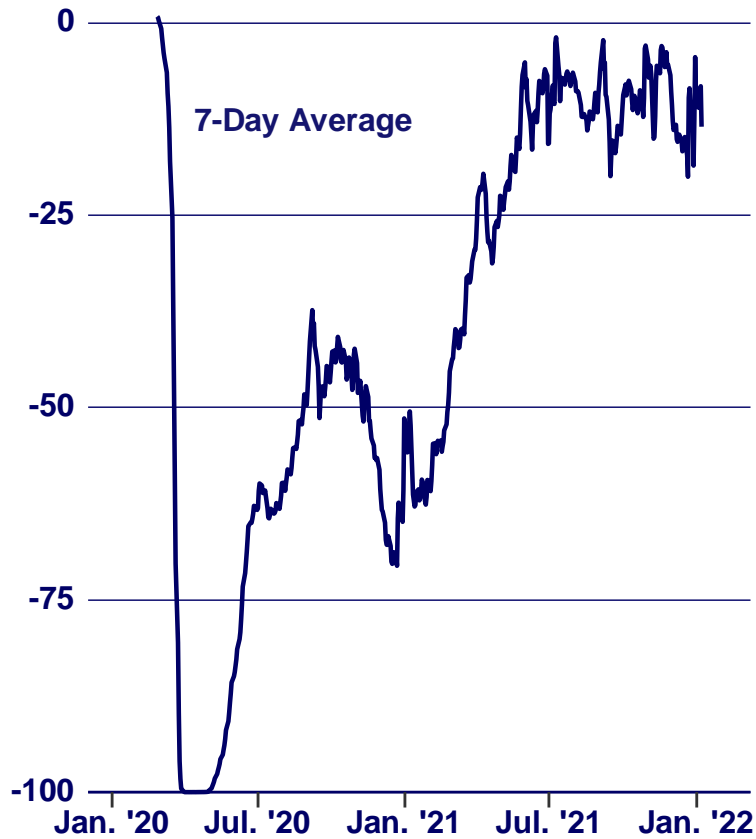


Source: Bureau of Economic Analysis via Haver Analytics, Federal Reserve Board of Governors Summary of Economic Projections

Virus remains a wildcard

Restaurant Reservations

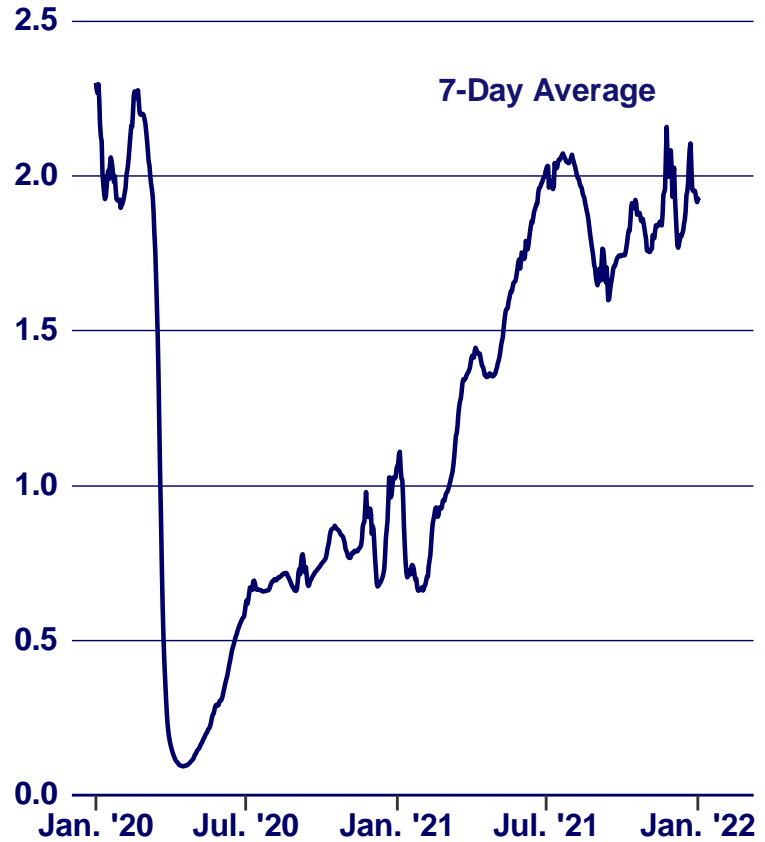
(% change relative to 2019 baseline)



Source: OpenTable via Haver Analytics

TSA Traveler Throughput

(millions)



Source: TSA

Questions?