Outlook themes

• Consumers’ pent-up demand is poised to drive faster-than-trend consumption growth and faster-than-typical employment growth in the leisure and hospitality sector in the near term.

• Over the medium term, the pace of recovery will likely moderate, with consumption growth and business investment providing ongoing support for recovery.

• Supply chain restrictions and uncertainty about the pace of consumer spending remain risks to the outlook in the near term.

• Readings of inflation are likely to pick up in the near term due to a variety of temporary factors.
Fiscal support provided aid to household balance sheets in addition to supporting consumer spending throughout the District.
Fiscal transfers have also enabled households to amass savings, much of it liquid
Though employment remains depressed, nominal GDP has largely reversed its pandemic decline.
The unevenness of the pandemic partly accounts for the contrasting recoveries of employment and output.

Sources: BEA, BLS, Haver Analytics, Staff Calculations
Recovery in leisure and hospitality employment is likely to exceed historical rates in coming months

Sources: BLS, NBER, Haver Analytics

Note: Grey bars indicate recession shading
Leisure and hospitality employment declined more, and has recovered less, in metro areas throughout the region.
Unemployment remains elevated, particularly for minority workers

Sources: BLS, CBO, NBER, Haver Analytics
Note: Grey bar indicates recession shading
Worker shortages are more severe in manufacturing than prior to the pandemic, while demand is yet to fully recover in service sectors.
Supply is currently having trouble keeping pace with demand in many industries.

Sources: Institute for Supply Management, Haver Analytics

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ISM Manufacturing: Supplier Deliveries Index
ISM Manufacturing: Prices Paid Index

Slower Deliveries/Higher Prices
Low inventory to sales ratios will likely drive investment and hiring activity, though easing of supply constraints may restore inventories somewhat.
Demand for capital goods and other investment equipment now exceeds pre-pandemic levels.
Info processing equipment contributions decreased during previous downturns, but added substantially to growth over the last year.
Although inflation is currently below the 2 percent target, price growth for several goods and services accelerated over the last year.
Inflation is poised to move higher in the near term
Looking forward

• Consumers are going to be drivers of the near-term outlook, with questions remaining as to how quickly demand for services will return

• Recovery in employment of low-to moderate income workers and persons of color will be key to achieving inclusive growth

• Supply chain disruptions and materials costs pressures have emerged as near-term headwinds for businesses throughout the region

• Labor supply constraints risk more persistent challenges for businesses going forward