Outlook themes

- Economy is poised for strong recovery, supported by fiscal policy and accommodative monetary policy.
- Strength of recovery depends on the willingness of consumers to spend accumulated savings.
- Inflation firming, but Fed’s monetary policy framework to keep interest rates low for some time.
Forecasts call for a strong recovery

Q4/Q4 Percent Change

Real GDP Growth

Sources: BEA, NBER, Wolters Kluwer, Haver Analytics
Virus cases falling as vaccination ramps up

Total People Vaccinated

% of 2019 population

Through March 30

People with 1 or more doses
People fully vaccinated

New Cases

Thousands

Sources: CDC, Census, Oxford University
Fading pandemic will boost employment and activity

Payroll Employment

- 8.4 Million Employment Loss (-5.5%)

Change in Employment

- Other
- Arts & Recreation
- Public Education
- Restaurants and Bars

Note: Change from January 2020
Sources: BLS, Haver Analytics
Extraordinary fiscal policy has boosted household saving

Percent of GDP

Saving and Borrowing Across Sectors

Sources: BEA, Haver Analytics
Big Question: Will consumers spend down saving?

Checking Deposits

Personal Consumption Expenditures

Sources: FRB, BEA, Haver Analytics

Note: Market-based components
Inflation picture muddled. Dispersion of inflation near record high

Percent of Expenditures

Inflation Dispersion

Note: Share of extraordinary increases multiplied by share of extraordinary decreases

Sources: FRBSF, Haver Analytics

Note: Two standard deviation change in inflation rate
Inflation expectations have been firming

Expected Inflation over the Next 5 Years

Percent

Sources: FRB, Haver Analytics
Policy expected to remain accommodative

Policy rate to stay at zero

Balance sheet continues to expand

Sources: FRB, Haver Analytics