Economic Outlook

July 2021
Outlook themes

- Economy is rebounding as pandemic disruptions fade.

- Constraints on the recovery, though still present, appear to be loosening.

- Inflation remains elevated, prompting increased talk of eventual pull back in monetary accommodation.
Growth is as robust as it has been for decades

Sources: BEA, NBER, Wolters Kluwer, Haver Analytics
Strong growth and reopening boosting labor market

Monthly Change in Employment

- April
- May
- June

Leisure & Hospitality
Local Government
Temporary Help
Other
Total

Sources: BLS
But recovery remains incomplete

Sources: BLS, Haver Analytics

-6.8 Million Jobs Lost

-4.4% Employment Loss (6.8 Million Jobs)

Payroll Employment in Millions


Other
Local Government
Leisure & Hospitality
Health Care & Social Services
Many workers still out of the labor force (or leaving)

Sources: BLS, Haver Analytics
Tight labor market pushes up wages in some (but not all) sectors

Sources: FRB Atlanta, Haver Analytics

Leisure and Hospitality Wage Growth

Median Wage Growth

12-month percent change
Inflation elevated by prices of particular goods

12-month percent change

Sources: FRB Dallas, BEA, Haver Analytics
Inflation expectations have flattened out

Expected Inflation over the Next 5 Years

Percent

Sources: FRB, Haver Analytics
Policy expected to remain accommodative (but a bit less so)

Sources: FRB, Haver Analytics
No taper tantrum (yet) as long-term interest rates move down

Sources: FRB, Haver Analytics
Fed makes technical adjustment to some policy rates in June

Sources: FRB, Haver Analytics

- FOMC Target Range
- Interest on Reserves
- Rate on Overnight Reverse Repurchase Agreements
- Federal Funds Rate
Record take up of Fed’s Reverse Repo Facility

Sources: FRB, Haver Analytics