Outlook themes

• National economy saw robust rebound in the first half of this year.

• But the Delta coronavirus strain poses downside risks to growth and upside risks to inflation.

• Going forward, fiscal policy is likely to be a drag on economic growth.
Economy saw robust rebound in H1

Percent Change

Real GDP Growth

Sources: BEA, NBER, Wolters Kluwer, Haver Analytics
Possible rotation from goods to service consumption

Sources: BEA, NBER, Haver Analytics
Inflation remains elevated, but price pressure in pandemic-sensitive sector has pulled back

Monthly Percent Change, sa

Sources: BLS, Haver Analytics
Supply chain bottlenecks appeared to ease somewhat

Sources: ISM, NFIB, Haver Analytics

Percent of Small Businesses Planning to Raise Average Selling Prices, net

Manufacturing Supplier Deliveries Index, 50+ = Expansion, sa

Sources: ISM, NFIB, Haver Analytics
But Delta variant of COVID poses upside risks to inflation

Sources: National Health Commission of China, WIND, HIS Markit, Haver Analytics
Delta variant of COVID also poses downside risks to growth

Sources: University of Michigan, Opportunity Insights, Haver Analytics
Pandemic disruptions continue to weigh on labor market

Sources: BLS, CPS, Author's Calculations
Fiscal policy has provided extraordinary support so far

Debt Added Over 10 Years, Billions $

- CARES (2020): $1,721
- ARP (2021): $1,844
- Build Back Better: $2,147
- TCJA (2017): $1,890

Debt Signed Into Law
Bipartisan Infrastructure Bill
Reconciliation Package

Sources: Committee for a Responsible Federal Budget
But fiscal policy no longer contributing to growth

Source: Brookings’ Hutchins Center calculations from BEA data