

Economic Outlook

November 2021

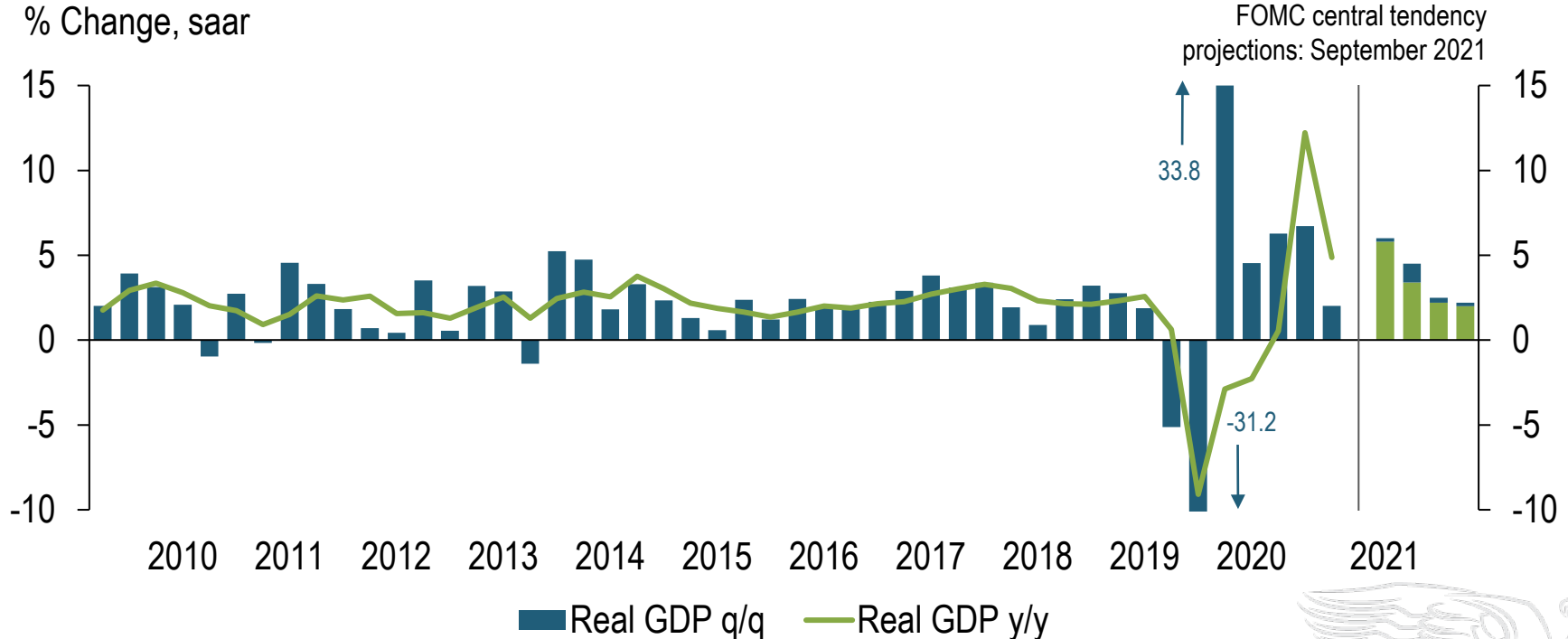


Outlook themes

- The pace of economic activity has moderated after a strong bounce back earlier in the recovery.
- Both manufacturing and services firms continue to report strong activity as consumer spending remains solid.
- However, supply chain disruptions and labor shortages are increasingly challenging firms, and employment remains below pre-pandemic levels as workers who left the labor force are slow to return.
- Monetary policy remains accommodative, but the Committee recently announced plans to begin tapering asset purchases.

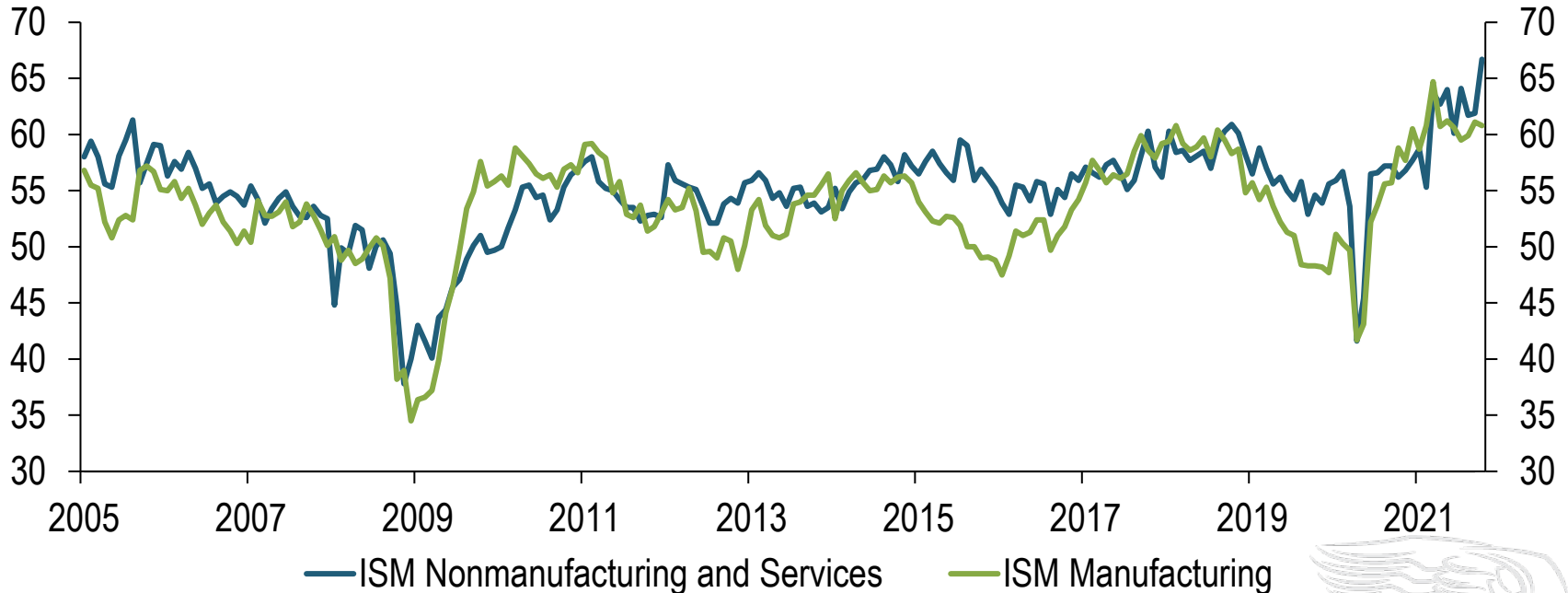


The U.S. economy continues to expand, but the pace of growth has moderated following a sharp rebound over the past year.



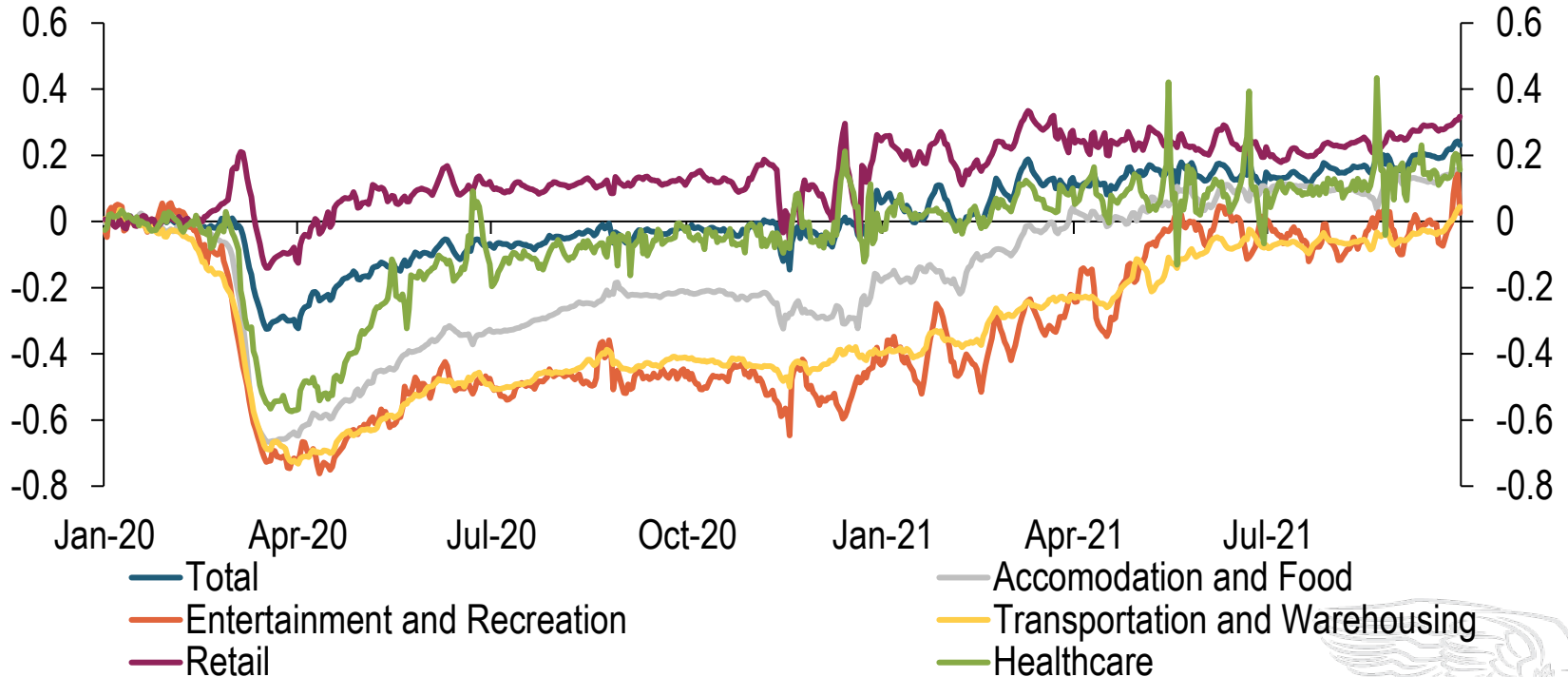
Both manufacturing and services firms continue to report strong levels of activity.

Index, 50+= increasing, sa



And, consumers continue to boost spending.

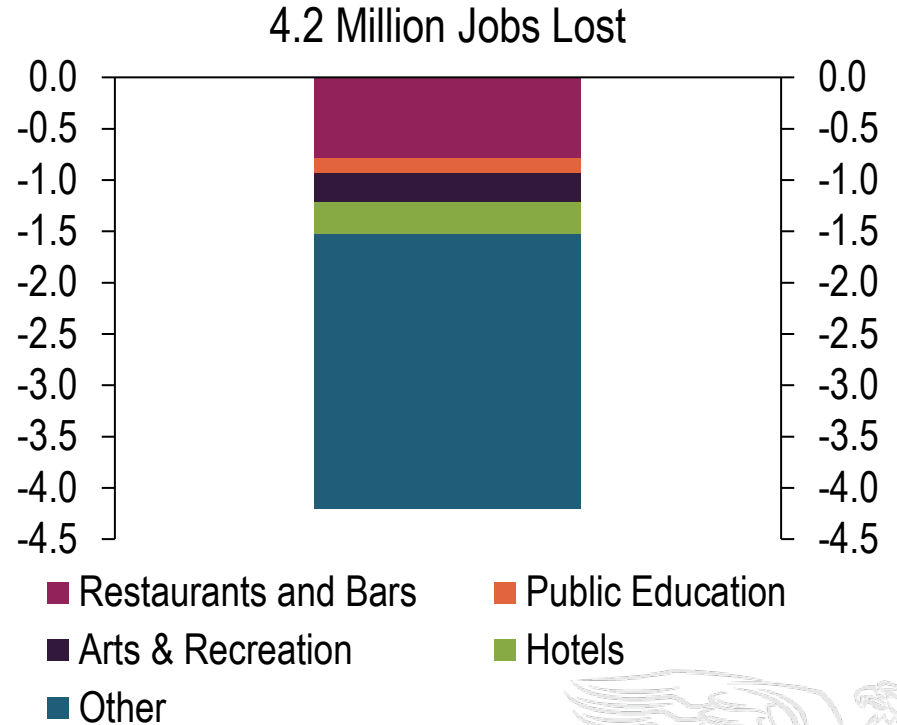
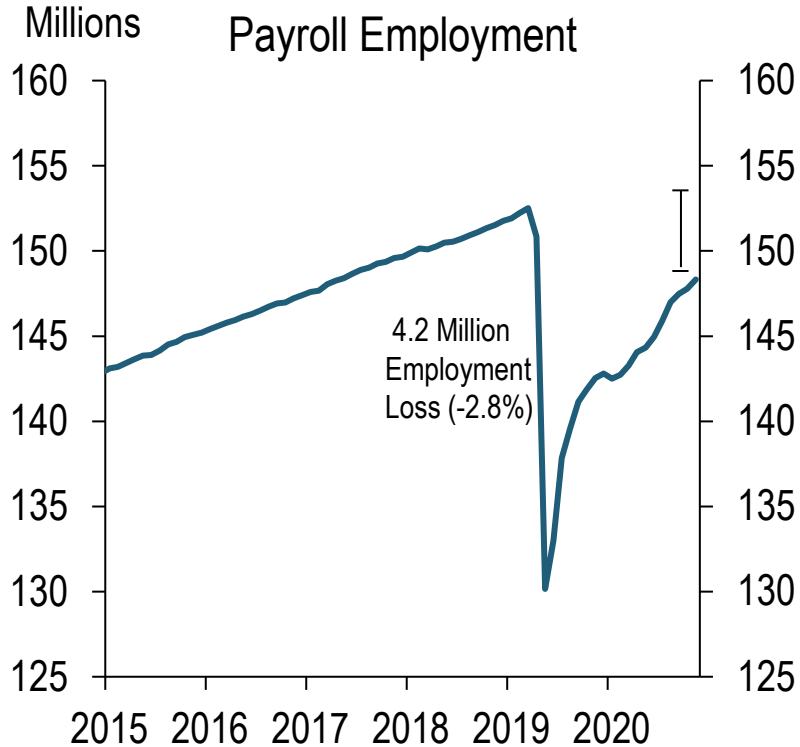
Index, Jan-2020=0



Sources: Affinity, Opportunity Insights

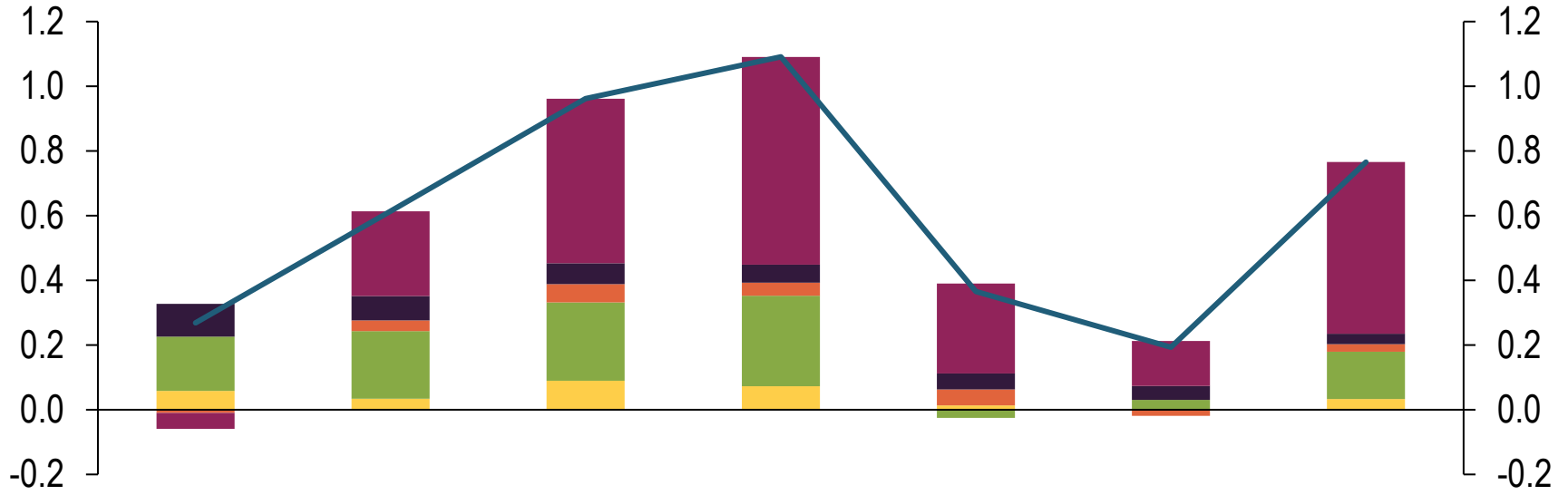


However, despite strong economic activity, employment remains well below pre-pandemic levels.



And, employment gains have moderated in recent months.

Monthly change, millions

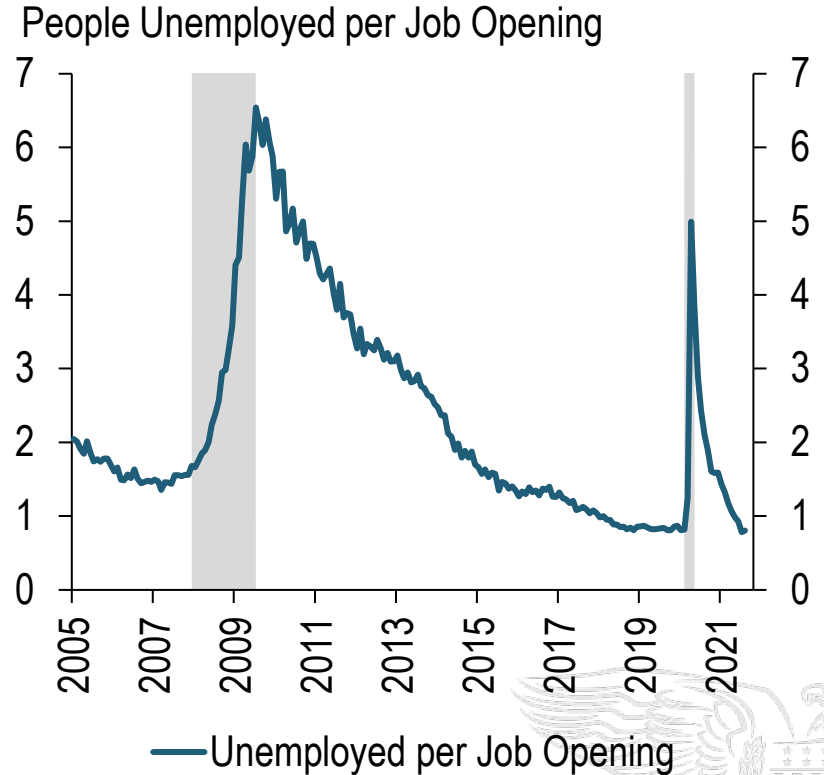


- Hotels
- Restaurants and Bars
- Public Education
- Arts & Recreation
- Other
- Total Nonfarm

Sources: BLS

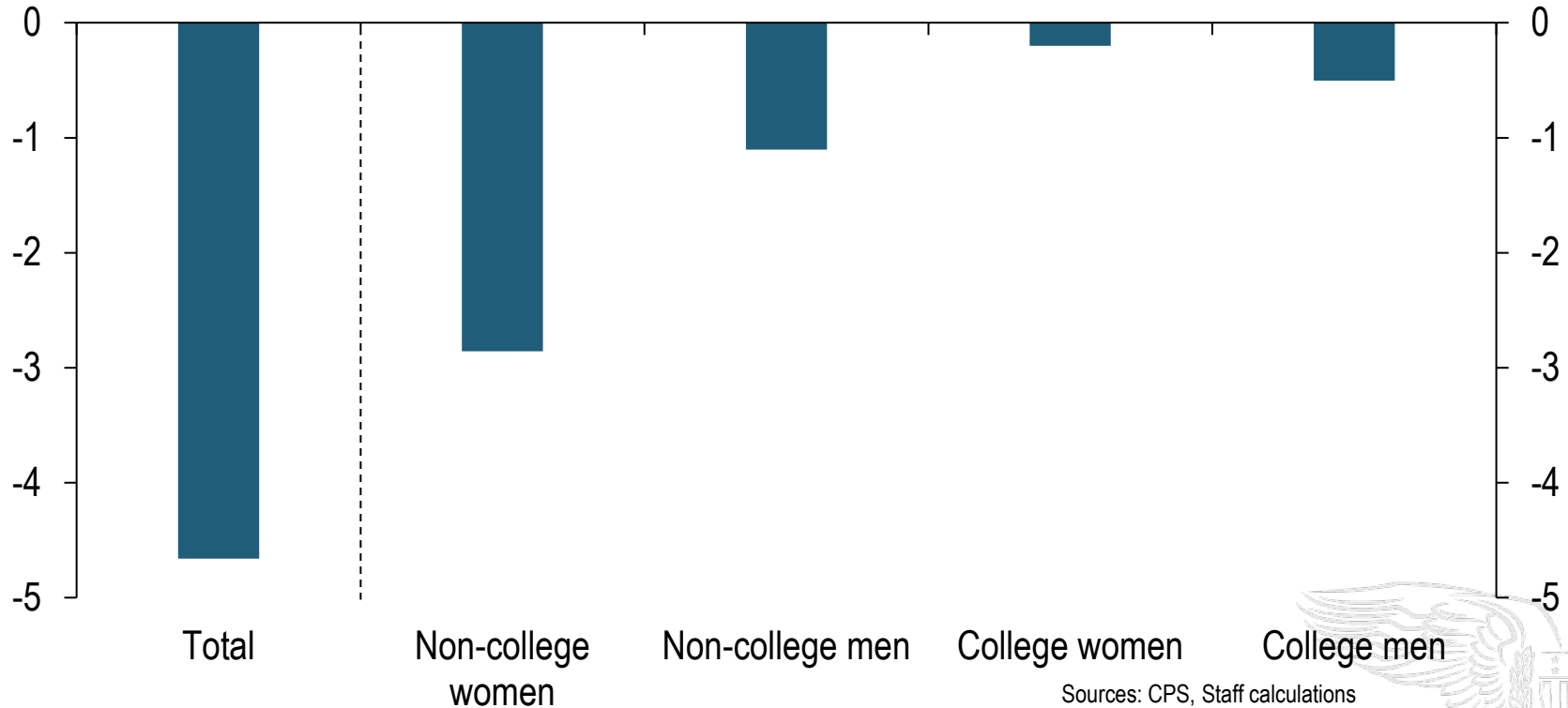


Labor demand appears to be plentiful.

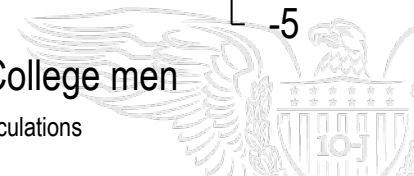


However, labor supply is constrained as women without a college degree have been slow to return to the labor force.

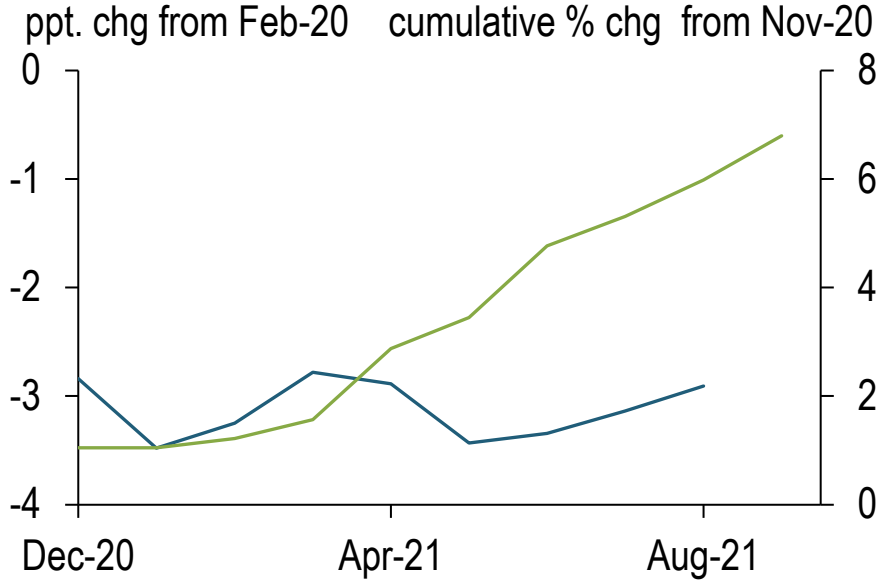
change Feb-20 to Sep-21, Mn



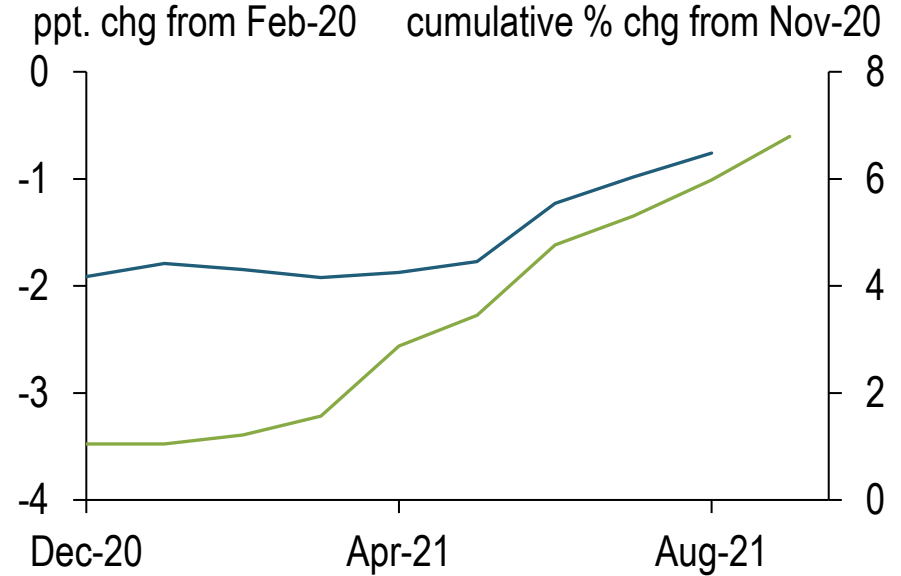
Sources: CPS, Staff calculations



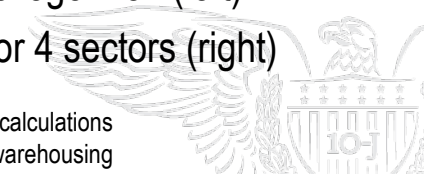
And, stronger wage growth has not led to higher participation rates among non-college women.



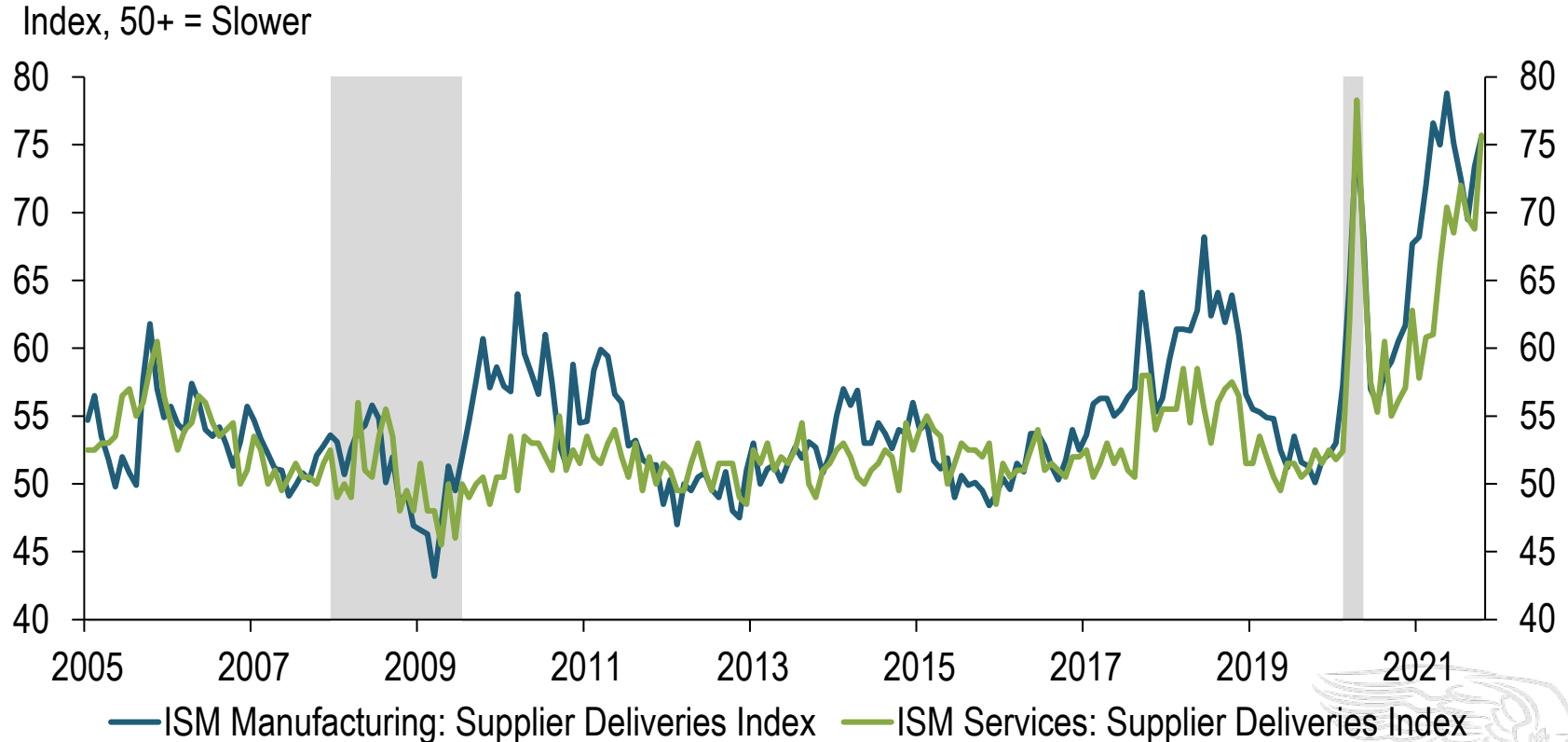
— Change in LFPR for non-college women (left)
 — Accumulated increases in wage for 4 sectors (right)



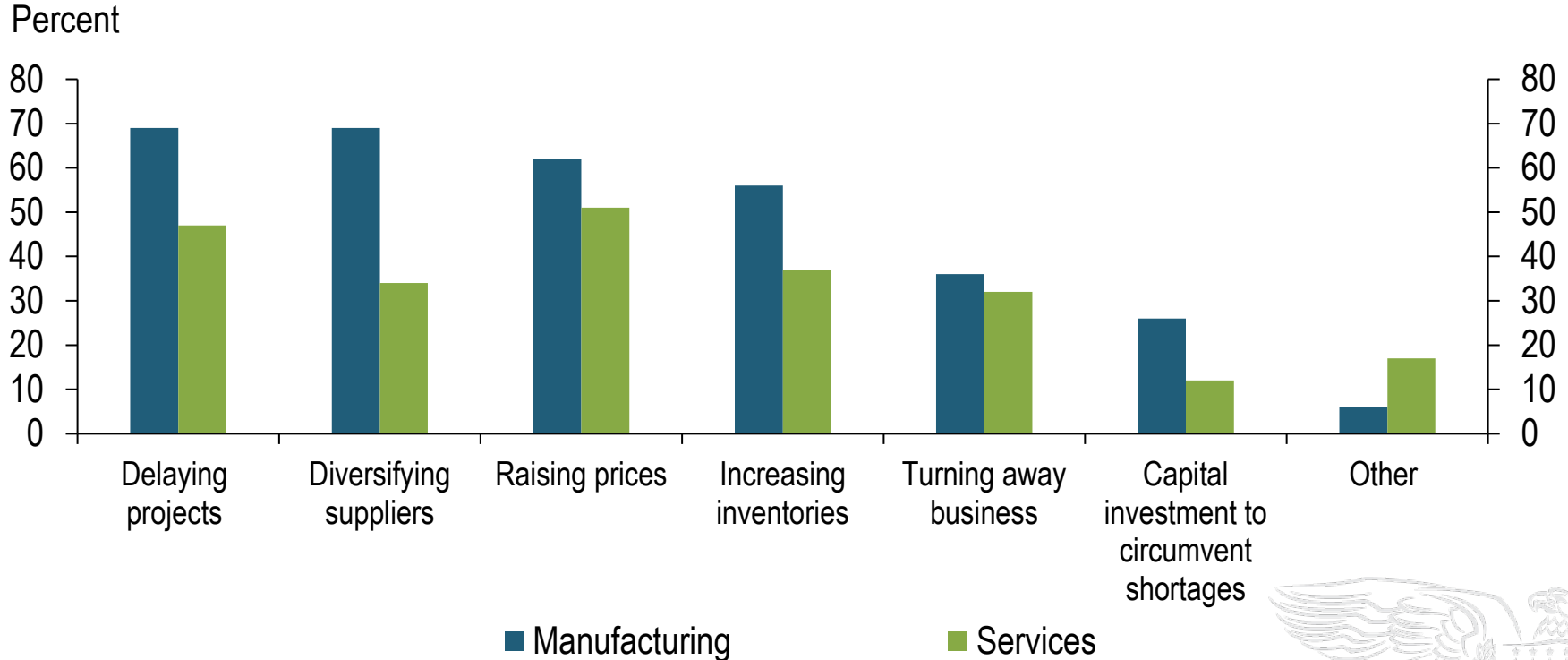
— Change in LFPR non-college men (left)
 — Average wage growth for 4 sectors (right)



Supply chain disruptions are intensifying.

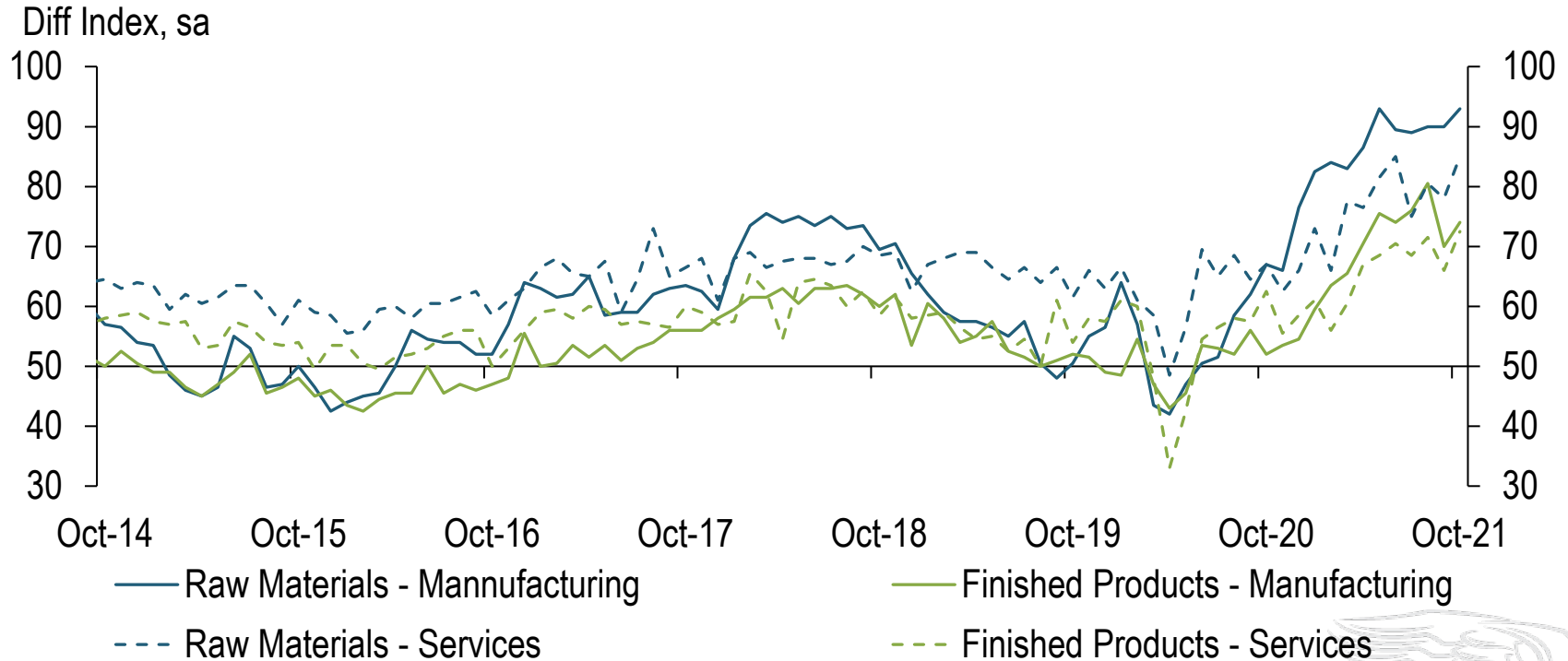


Firms are using a variety of measures to manage supply chain disruptions and shortages.

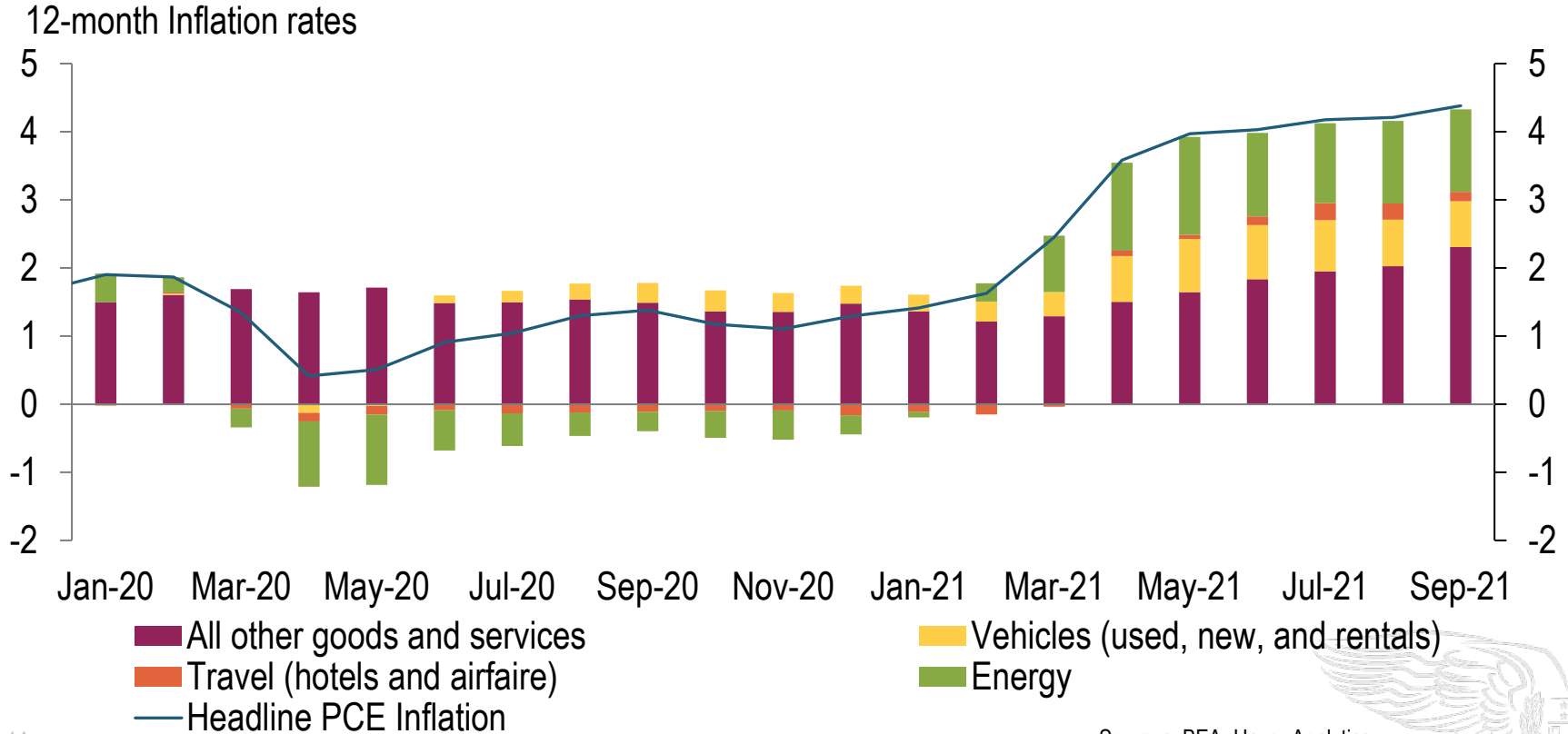


Sources: FRBKC surveys

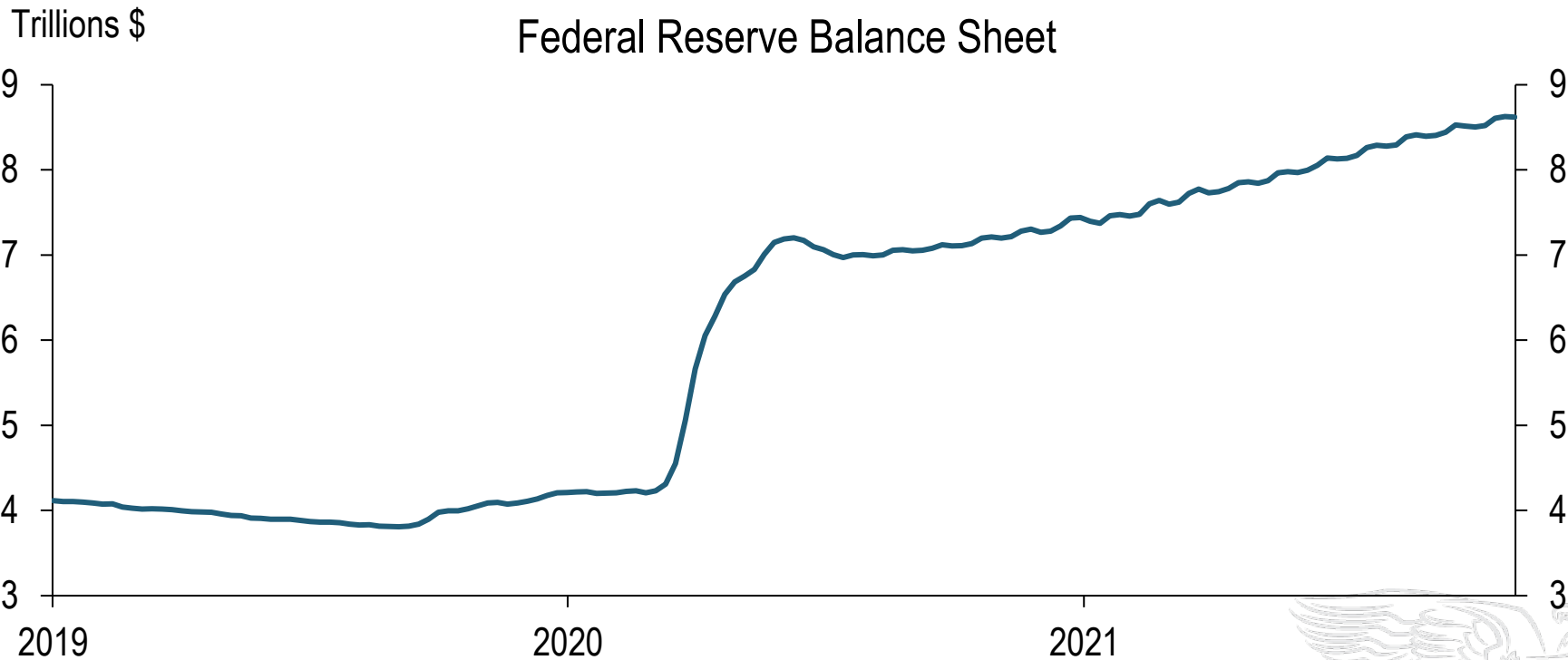
As labor shortages and supply disruptions weigh on firms, most District contacts are reporting higher costs.



Higher inflation may be more persistent than previously expected.



The Committee will begin tapering asset purchases this month.



Still, policy is expected to remain accommodative for some time.

