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

Sources: BLS, Haver Analytics
And, employment gains have moderated in recent months.
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
And, stronger wage growth has not led to higher participation rates among non-college women.

Sources: BLS, CPS, Staff calculations

Note: The four sectors are leisure & hospitality, education & health services, retail trade, and transportation & warehousing
Supply chain disruptions are intensifying.

Index, 50+ = Slower

Sources: ISM, NBER, Haver Analytics
Firms are using a variety of measures to manage supply chain disruptions and shortages.

- Delaying projects
- Diversifying suppliers
- Raising prices
- Increasing inventories
- Turning away business
- Capital investment to circumvent shortages
- Other

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.

Federal Reserve Balance Sheet

Sources: FRB, Haver Analytics
Still, policy is expected to remain accommodative for some time.

Sources: FRB, NBER, Haver Analytics