Economic Outlook

December 2021
Outlook themes

• Continued strength of demand is keeping the economy tight and pushing up prices.

• Central question for policy: Why is supply lagging demand growth? Temporary or persistent?

• Policy still very accommodative but expectations increasing for policy tightening.
Demand remains strong …

Index, Jan 2017 = 100

Ratio, sa

Sources: BEA, Census Bureau, Haver Analytics
... supported by income growth and healthy balance sheets.
Demand met by combination of higher output and higher prices

Contribution to Nominal GDP growth

Real Output  Prices
Inflation is at a 30-year high

12-month % Change

Sources: BEA, Haver Analytics
Will supply catch up? Will workers return to the labor force?

Sources: BLS, Haver Analytics
Will supply catch up? Or are we near capacity?

Capacity Utilization: Manufacturing

Industrial Production: Manufacturing

Sources: FRB, Haver Analytics
Wildcard: Will we see an increase in productivity?

Year/Year % Change

Sources: BLS, Haver Analytics
**Wildcard: Will demand by met by increased imports?**

- **Sources:** BEA, Haver Analytics

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**Graphs:**

1. **Non-Oil Imports/GDP:**
   - X-axis: Years 1980 to 2020
   - Y-axis: Ratio
   - Data points show trends over time.

2. **Non-Oil Import Prices:**
   - X-axis: Years 1995 to 2020
   - Y-axis: Year/Year % Change
   - Data points show percentage changes over time.

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Sources: BEA, Haver Analytics
Wildcard: The pandemic remains a threat

Sources: Oxford (Our World in Data)
Monetary policy: Currently providing historic accommodation

Sources: FRB, Haver Analytics
Monetary Policy: Tightening on the horizon

Federal Funds Rate

Percent


Policy Interest Rate

FOMC Projection

Sources: FRB, NBER, Haver Analytics
Risk Mitigation: Keeping inflation expectations anchored

Sources: University of Michigan, FRB, Haver Analytics