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# View From the Fed: Economic Trends & Outlook

July 2021

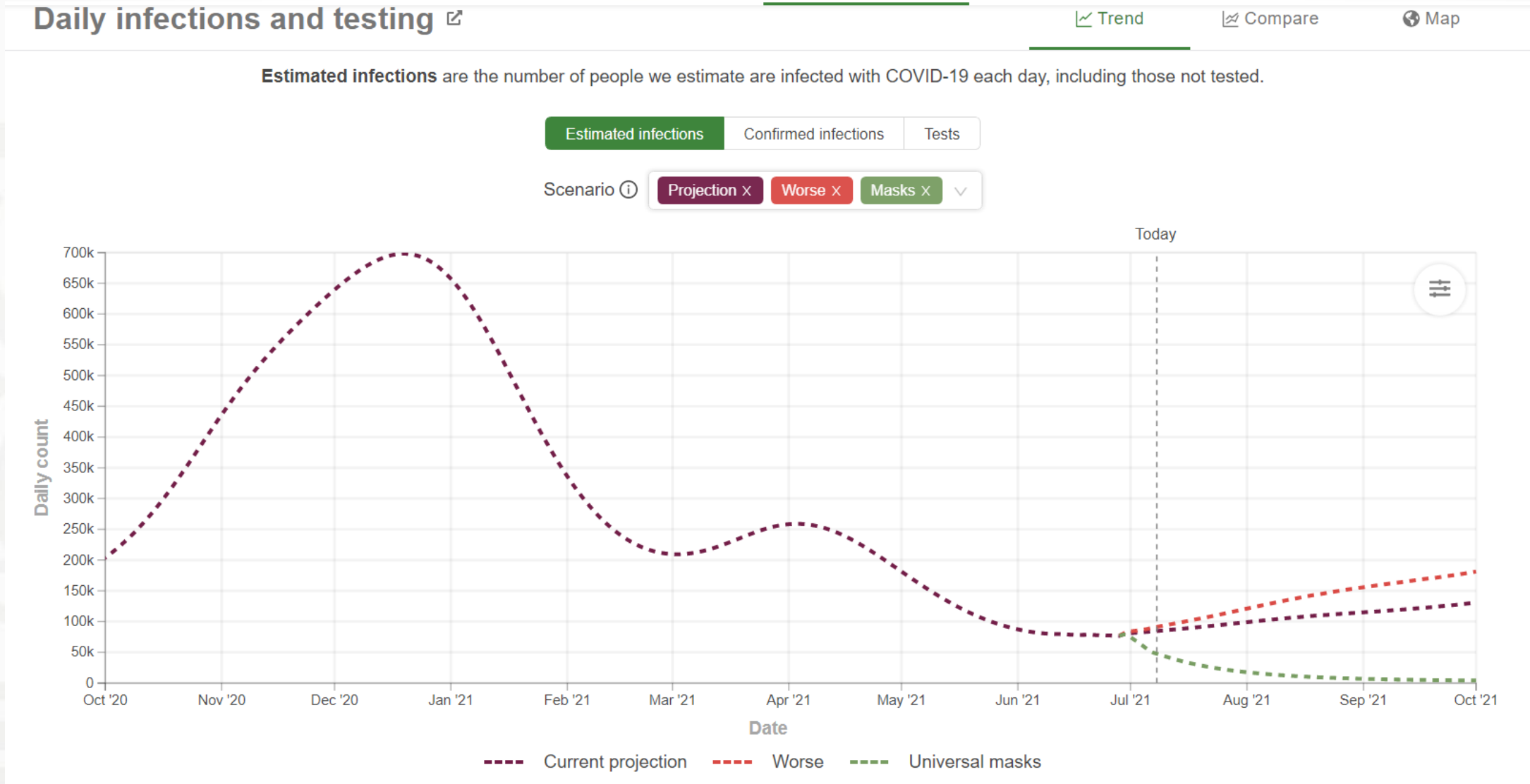
The views expressed here are those of presenter and do not necessarily reflect those of the Atlanta Fed or the Federal Reserve System.

# Snapshot

- Incoming data suggest that **output growth is recovering sharply** from the depths of the COVID-crisis, propelled by rising vaccination rates and a rebound in consumer spending.
- However, the **labor market is lagging** the rest of the economic recovery and remains uneven...

and firms continue to struggle with **intensifying supply chain disruption** and **rising cost pressures**.

# COVID-19 cases in the US have fallen to the lowest level since the onset of the pandemic

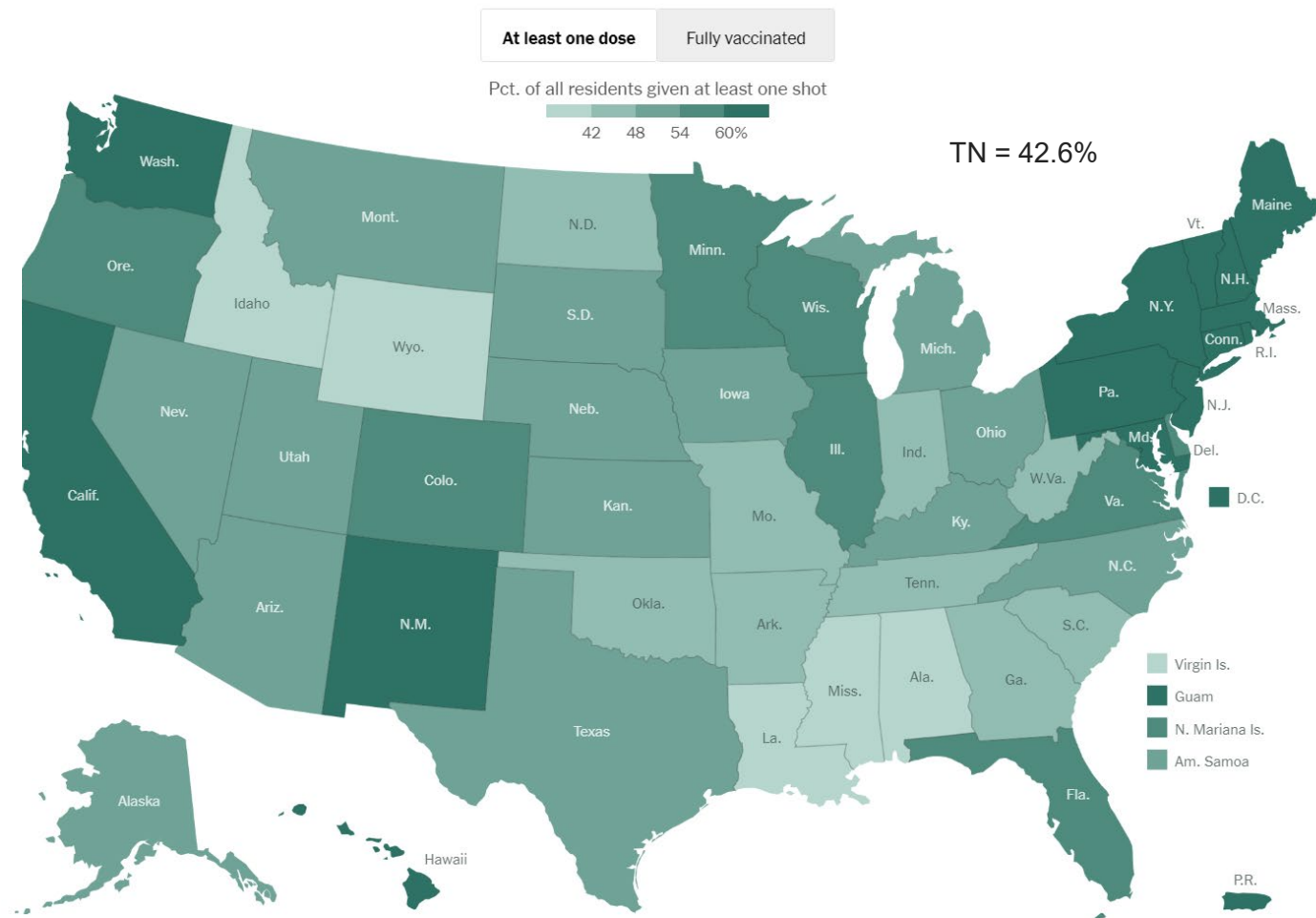


# However, the vaccine rollout has slowed, with much of the Southeast lagging the rest of the country, and concerns about the Delta variant have grown.

**New reported doses administered by day**



Source: Centers for Disease Control and Prevention | Note: Line shows a seven-day average. Data not updated on some weekends and holidays. Includes the Johnson & Johnson vaccine as of March 5.

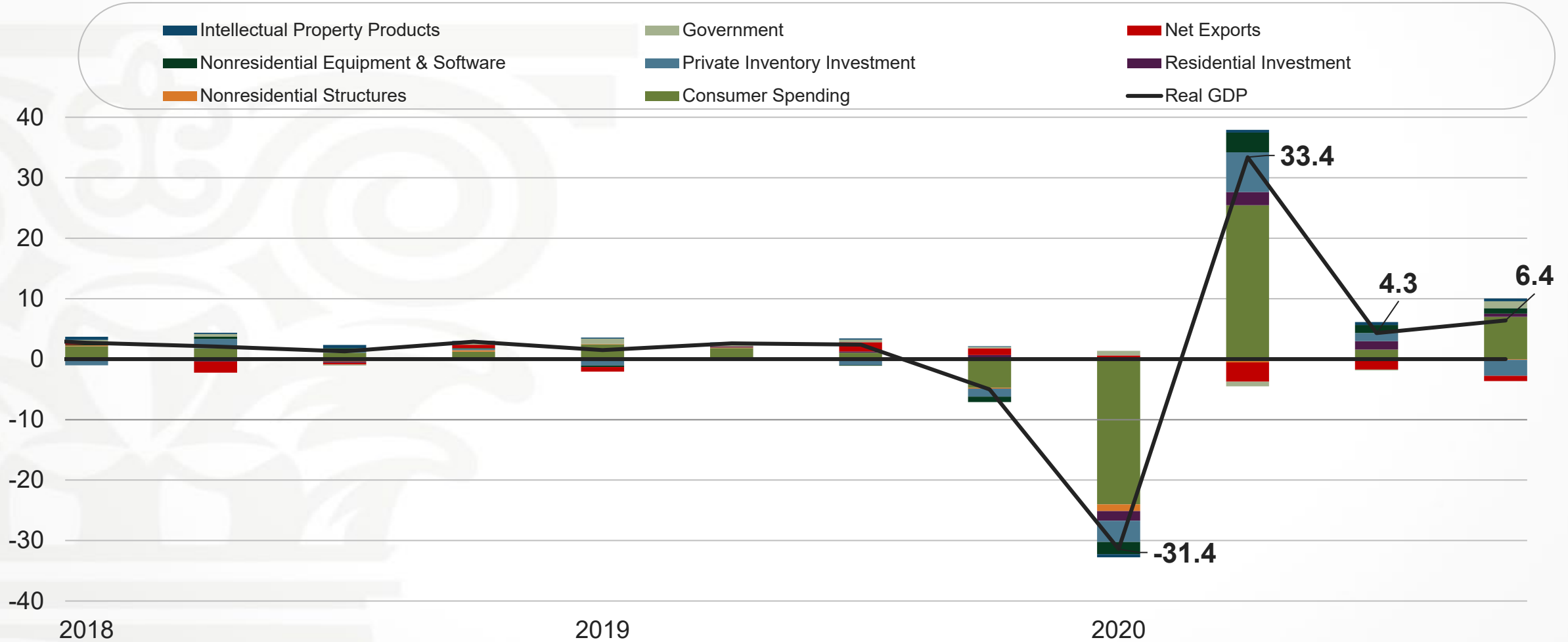


Source: Centers for Disease Control and Prevention

# Real GDP surged in Q1 and has now expanded by a cumulative 10.3 percent since the onset of the pandemic, leaving output levels now just 1 percent below their pre-pandemic levels

## Contributions to Real GDP Growth

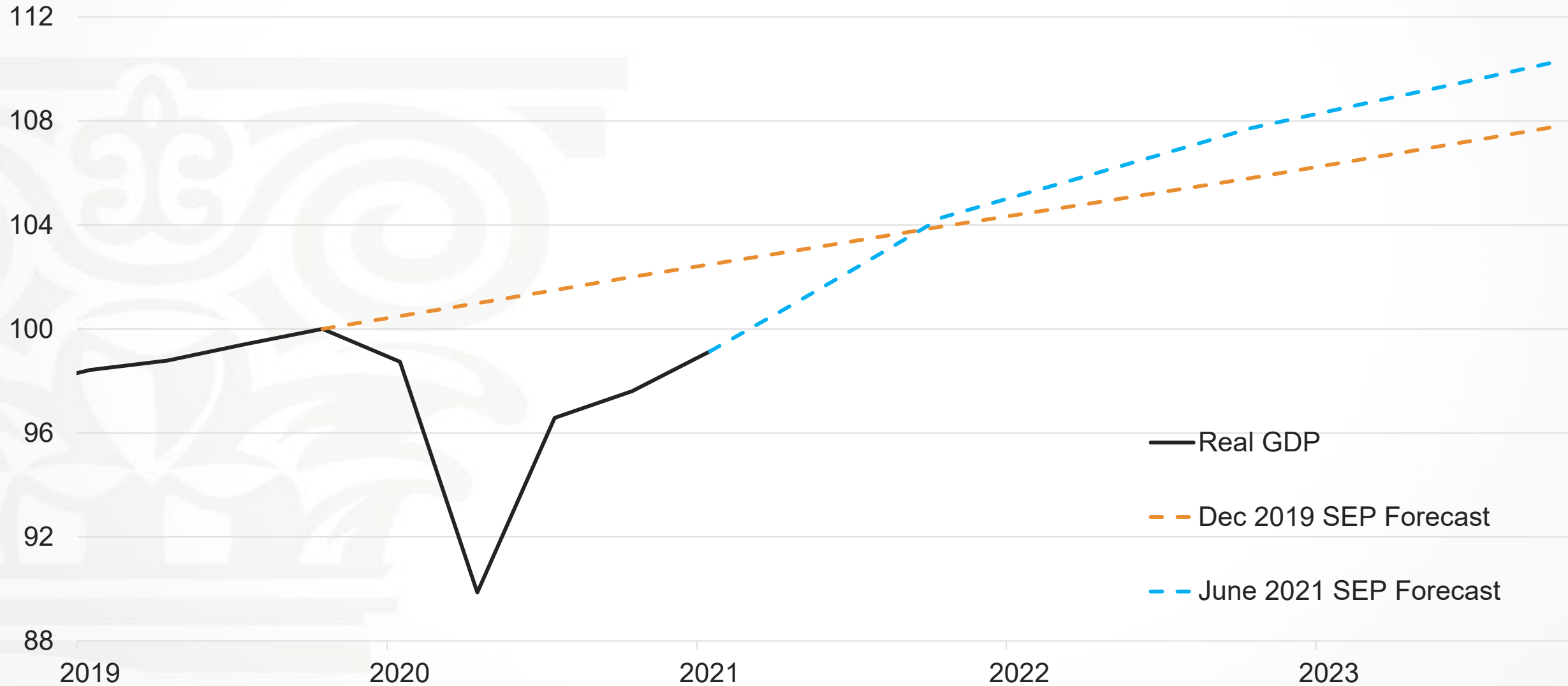
quarterly, percent, seasonally adjusted annualized rate



# The economy is projected to exceed pre-COVID economic projections by the end of 2021

## Real GDP

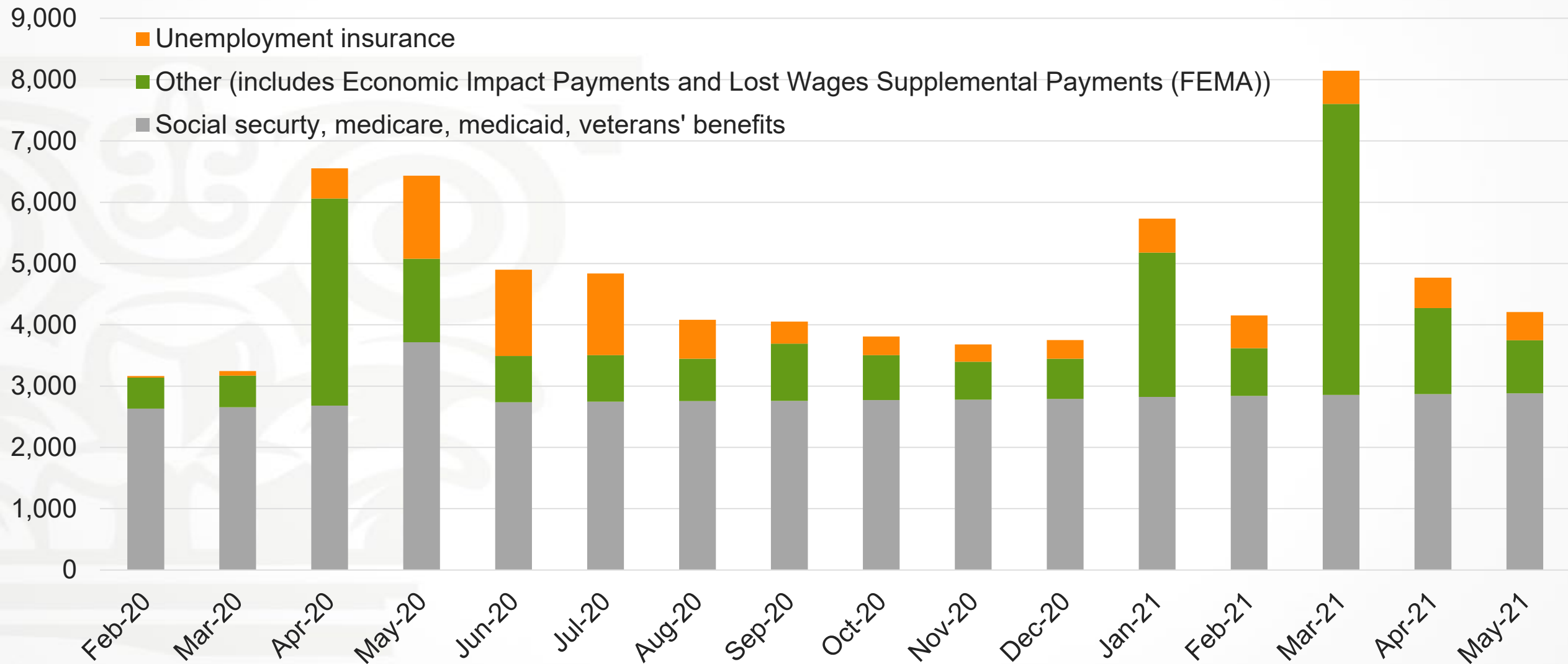
Index: 2019Q4 = 100



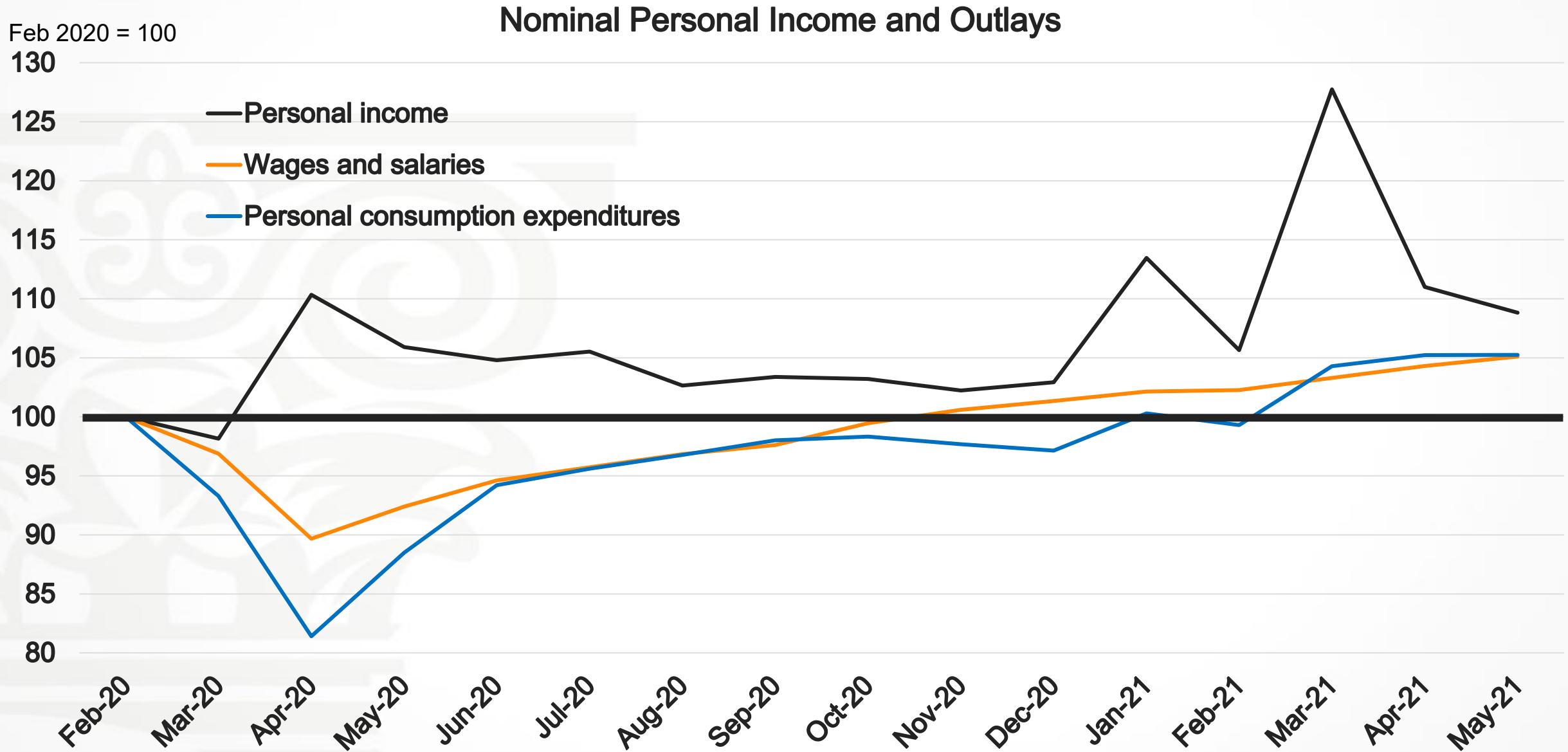
# Fiscal policy has provided significant support to household incomes

Billions, annual rate

## Government social benefits to persons



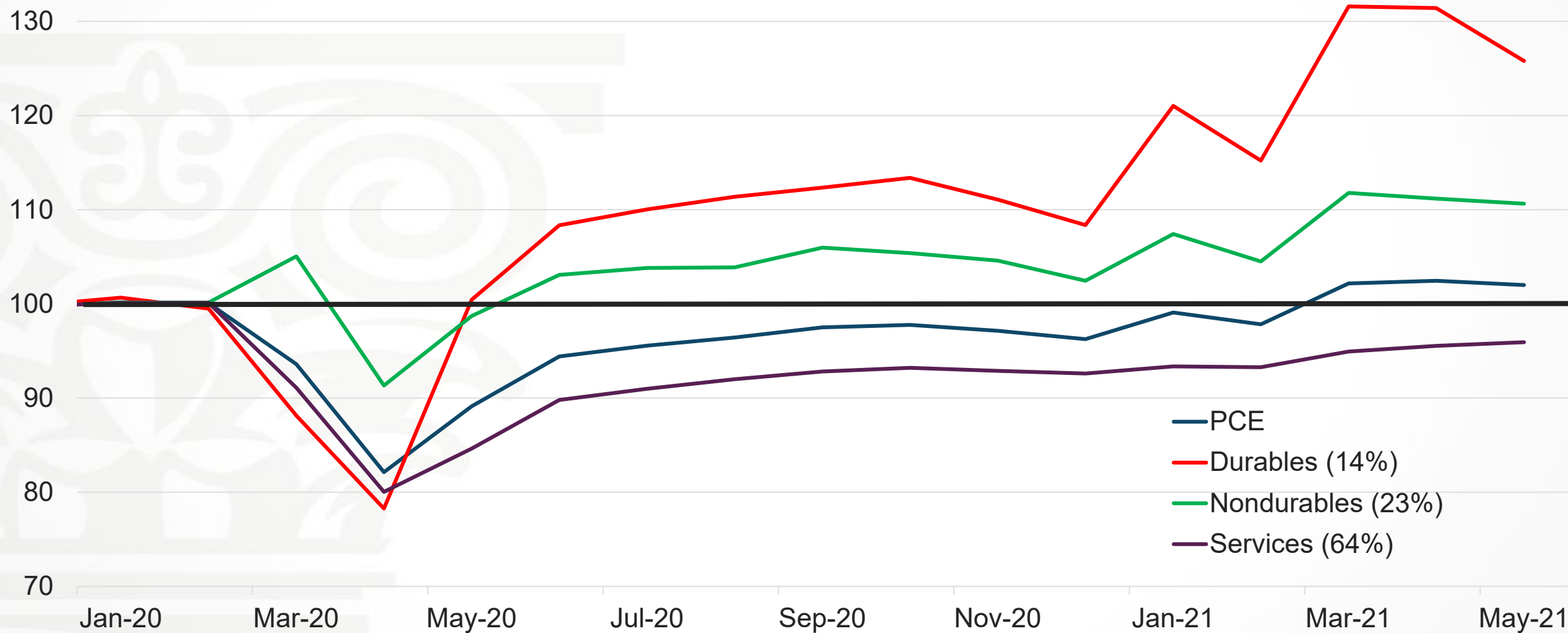
# Fiscal policy has provided significant support to household incomes



# Consumption of durable and nondurable goods remains elevated, while the recovery in services spending continues

## Personal Consumption Expenditures

Index: Feb 2020 (3mma) = 100



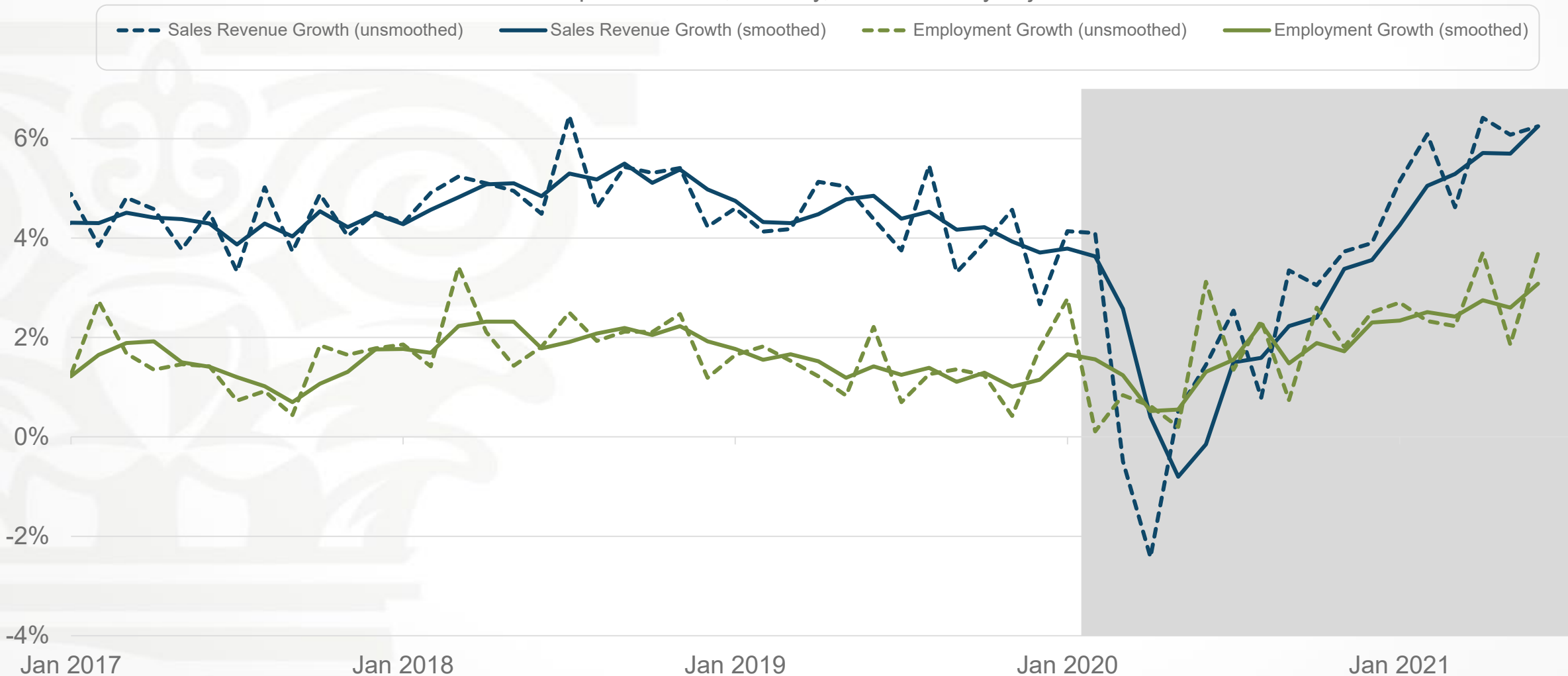
Source: Bureau of Economic Analysis

Note: Share of total consumption shown in parentheses.

# Business leaders expect sales growth to continue to outpace growth in headcount over the coming year

## Business Expectations

4-quarter ahead, monthly, not seasonally adjusted

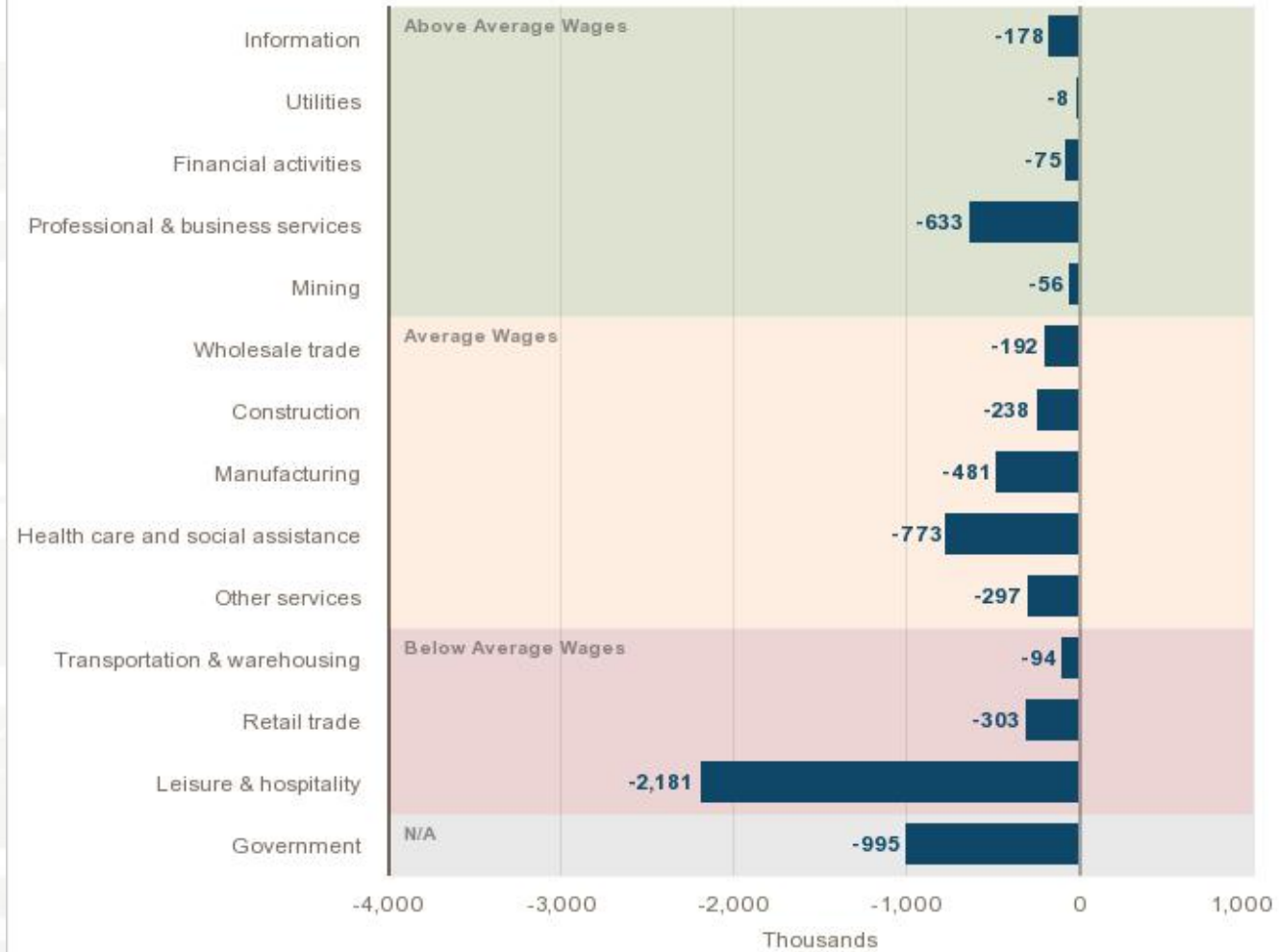


Sources: Atlanta Fed/Chicago Booth/Stanford; National Bureau of Economic Research; Haver Analytics

through June 2021

Though job growth in recent months has been strong, overall employment remains 6.8 million jobs below pre-pandemic levels.

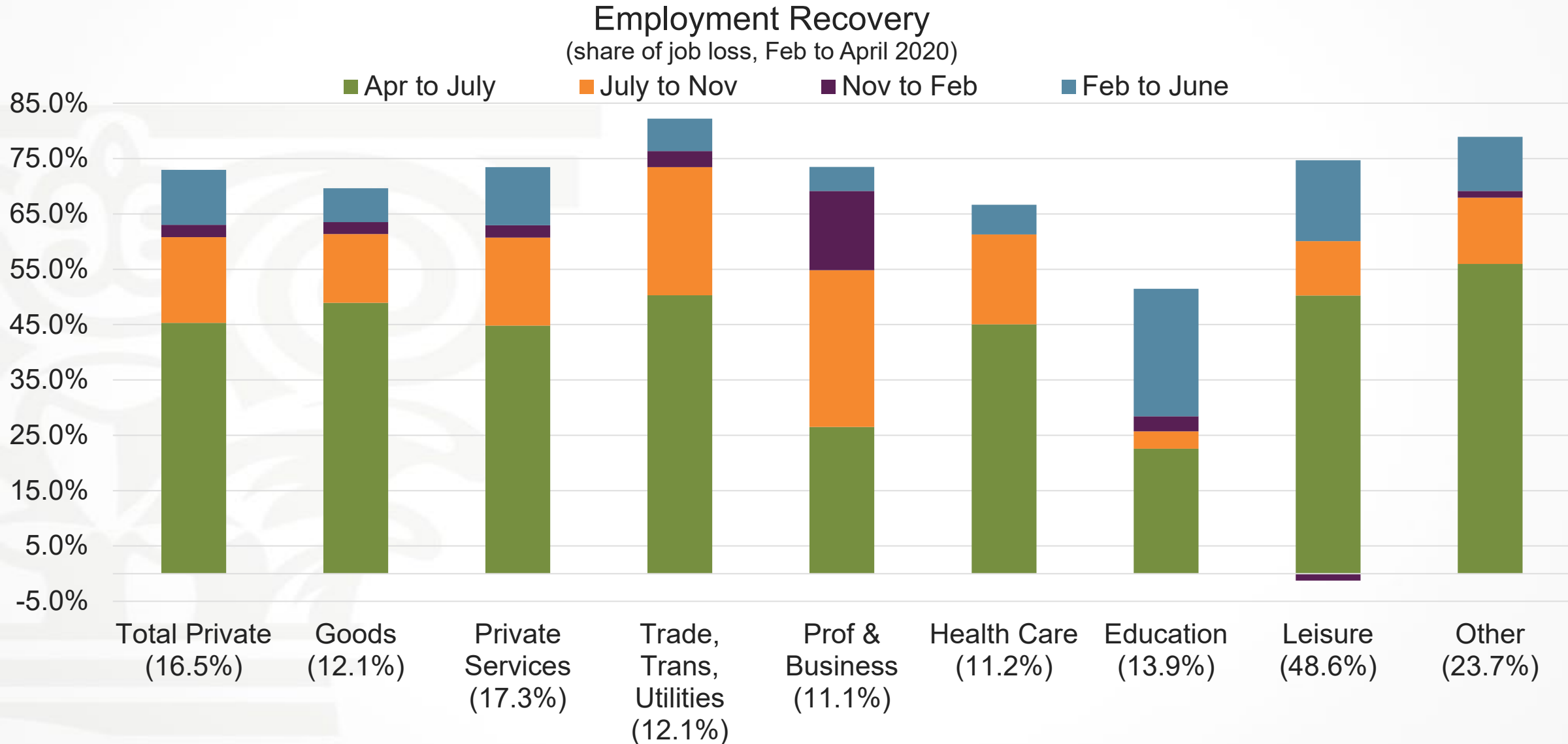
**Employment Change Since February 2020 as of June 2021 Ranked by Industry Hourly Earnings**



Note: Private-sector industries are ordered from highest to lowest based on 2020 average hourly earnings seasonally adjusted data.

Sources: U.S. Bureau of Labor Statistics Summary Table B and Table B-3, Establishment data; Haver Analytics; Atlanta Fed

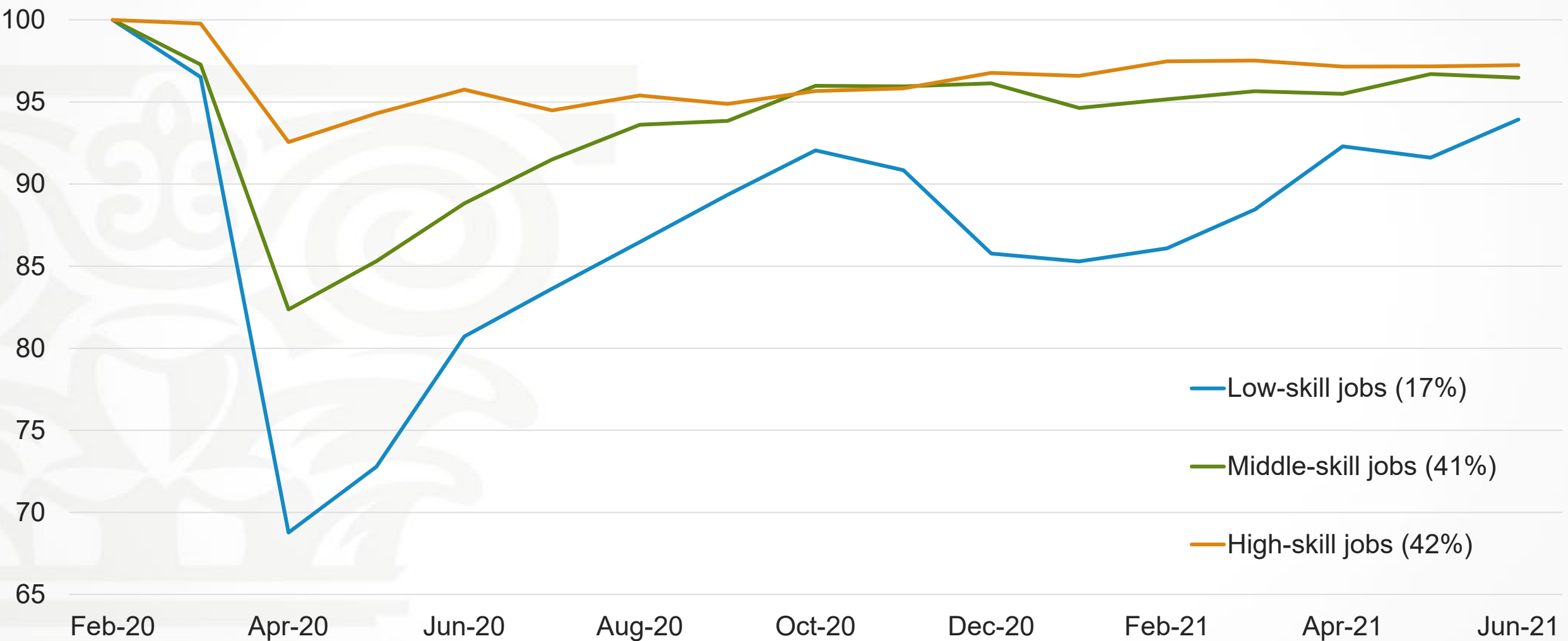
# Most industries have recovered about 70 percent of the employment loss from early 2020.



# As the service economy reopens lower-skill jobs continue to recover, though there is significant ground to cover to return to pre-pandemic levels

## Employment by Occupation

Index: Feb 2020 = 100



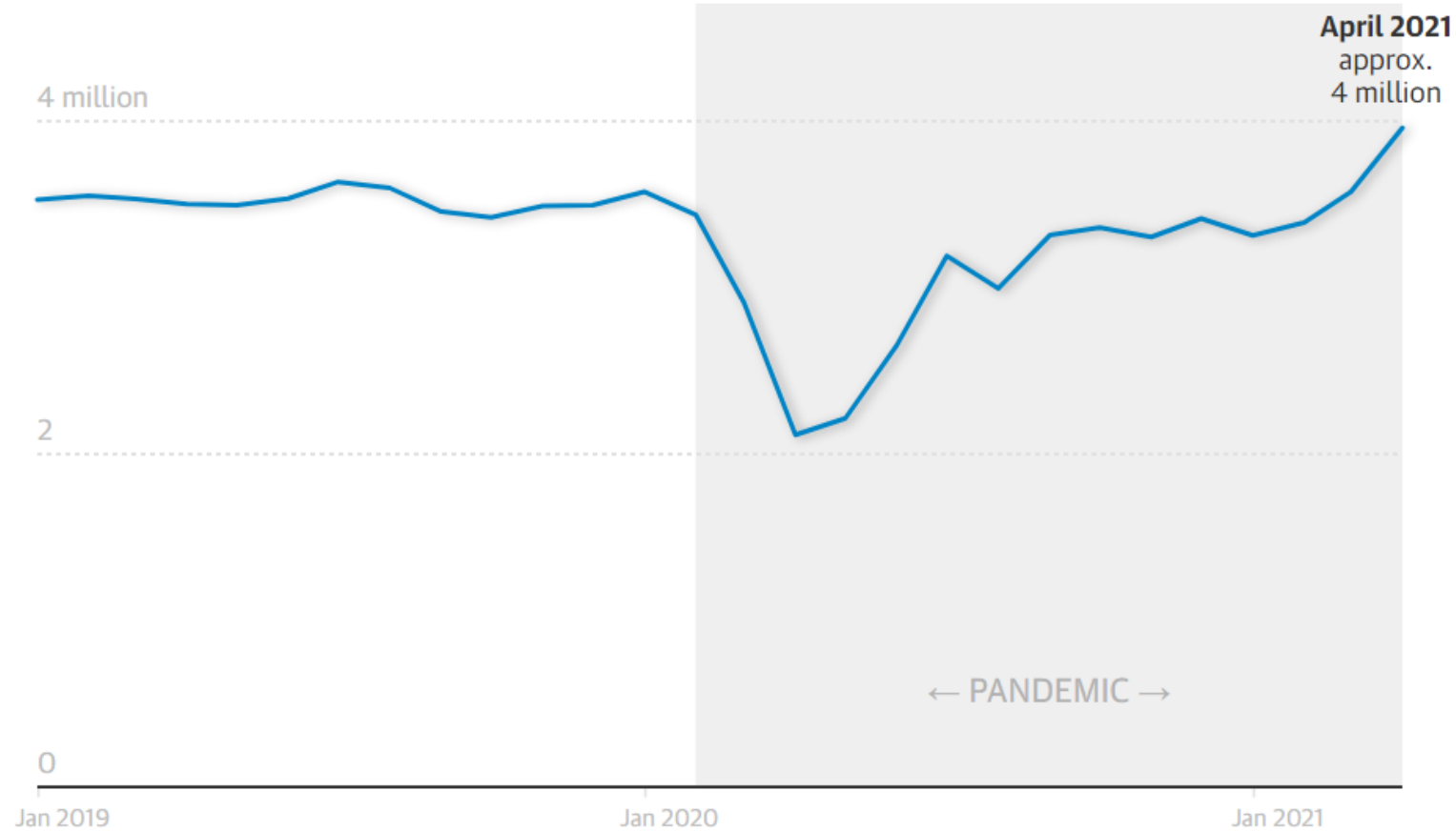
Source: Current Population Survey, staff calculations. All series are not seasonally adjusted. Low-skill jobs are primarily service jobs; Middle-skill jobs include sales and office, construction, production, and transportation jobs; high-skill jobs are management, professional and technical jobs. Share of total jobs in February 2020 shown in parentheses. The classification of occupations follows Autor (2010).

# Labor demand has been very strong, especially in service industries that are reopening



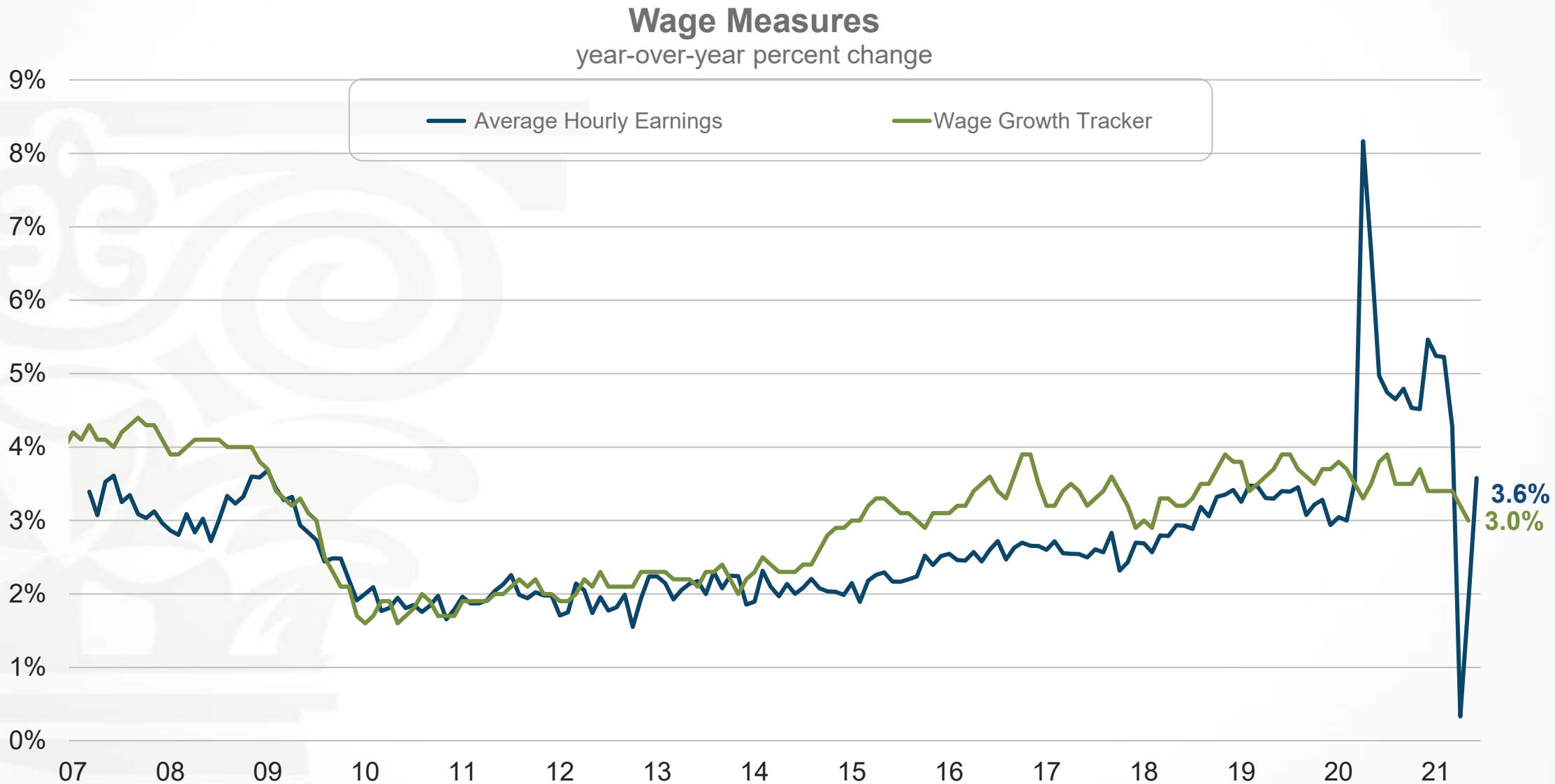
# A trend that has been exacerbated by a record number of people quitting their jobs in recent months

## Number of people quitting their jobs



Source: US Bureau of Labor Statistics - Job Openings and Labor Turnover Survey. Data is seasonally adjusted.

Though compositional effects have biased traditional measures wage growth, it appears that underlying wage trends for continuously employed workers are more subdued.



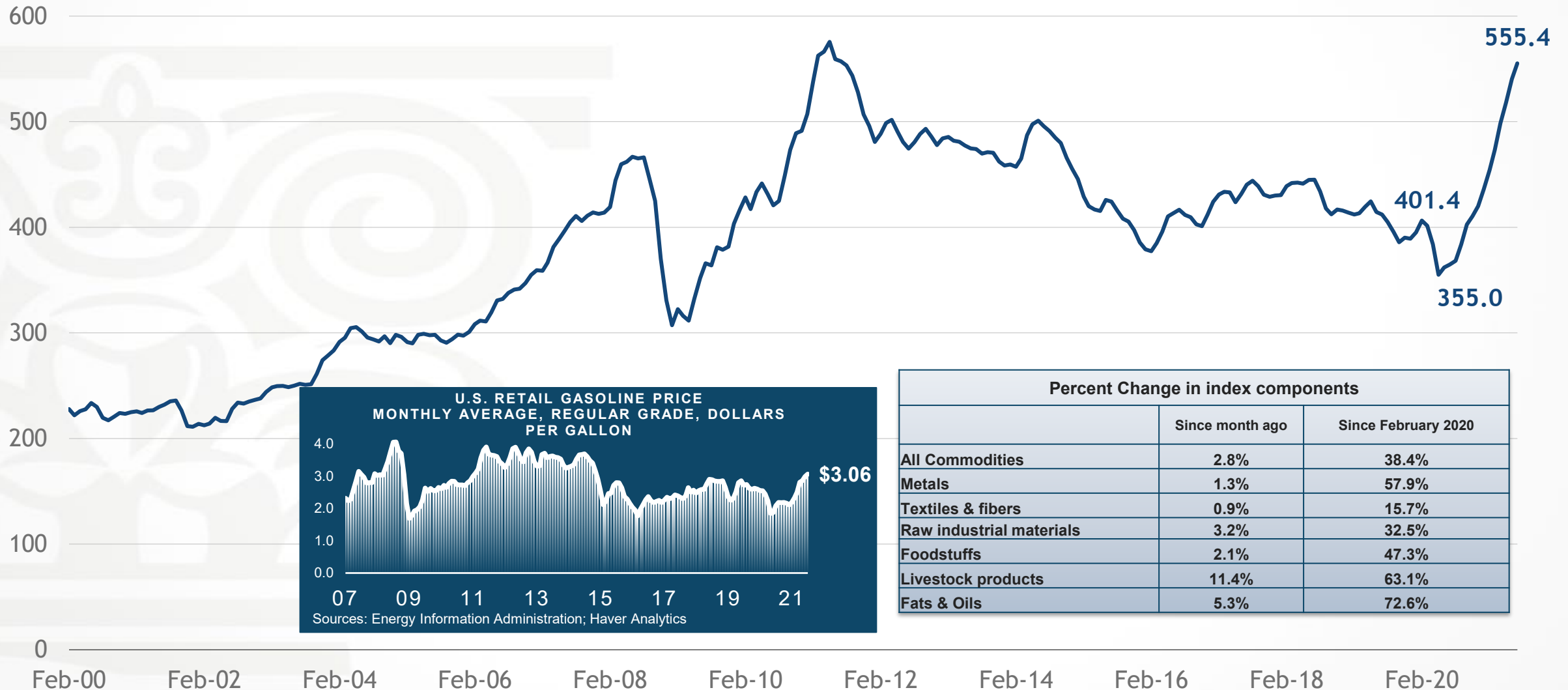
# Atlanta Fed analysis suggests that the epicenter of wage pressure since the start of the pandemic has been in new hires in low-wage service jobs.



Source: Julie Hotchkiss "Wage Pressures in the Labor Market: What Do They Say?", FRB Atlanta Policy Hub No.5 2021. Data are from the Current Population Survey, January-March 2020 and 2021. Wages are in 2020 dollars. Newly employed workers are workers who were not employed in of the two previous months. The chart on the left is the unconditional real (inflation adjusted) wage distribution, and the chart on the right compares the actual with the predicted average real wage (on a log scale).

# Commodity prices are up more than 35% since the start of the pandemic

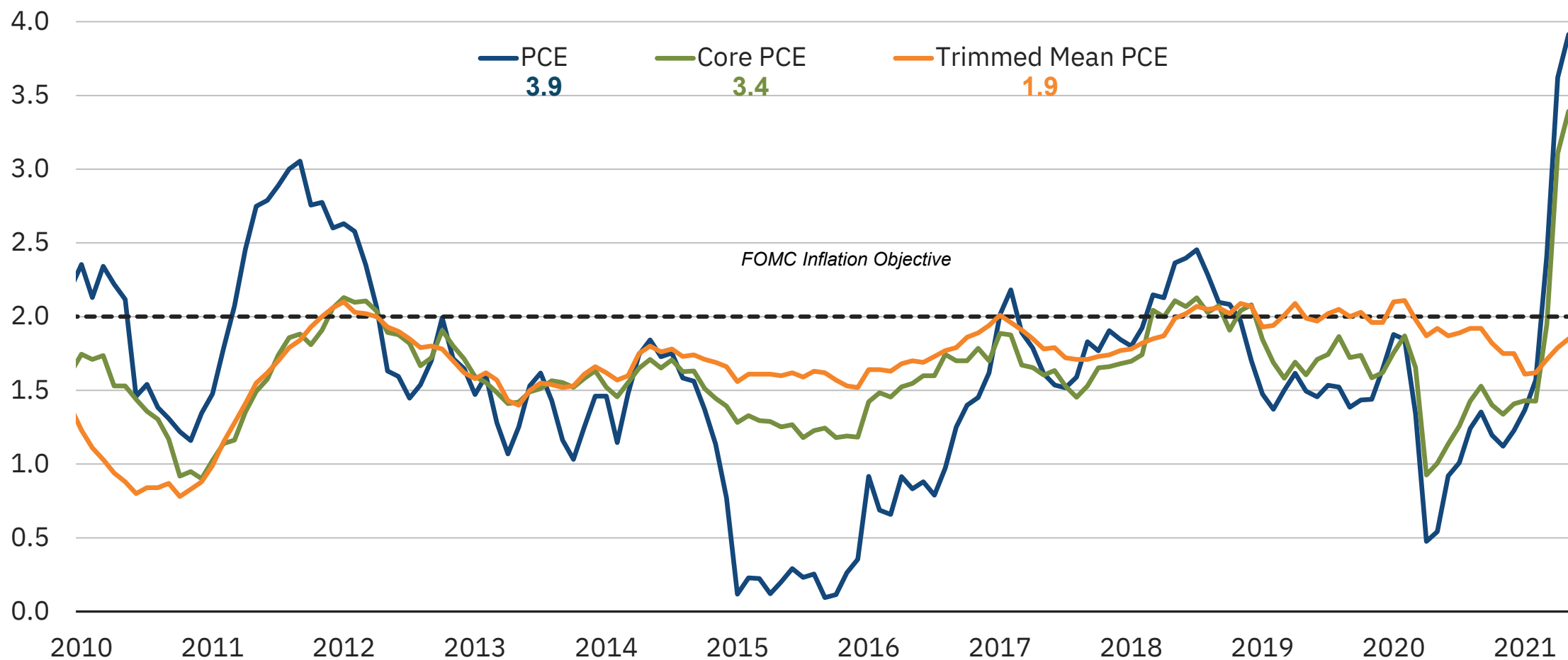
Spot Commodity Price Index - All Commodities  
monthly average, indexed 1967=100



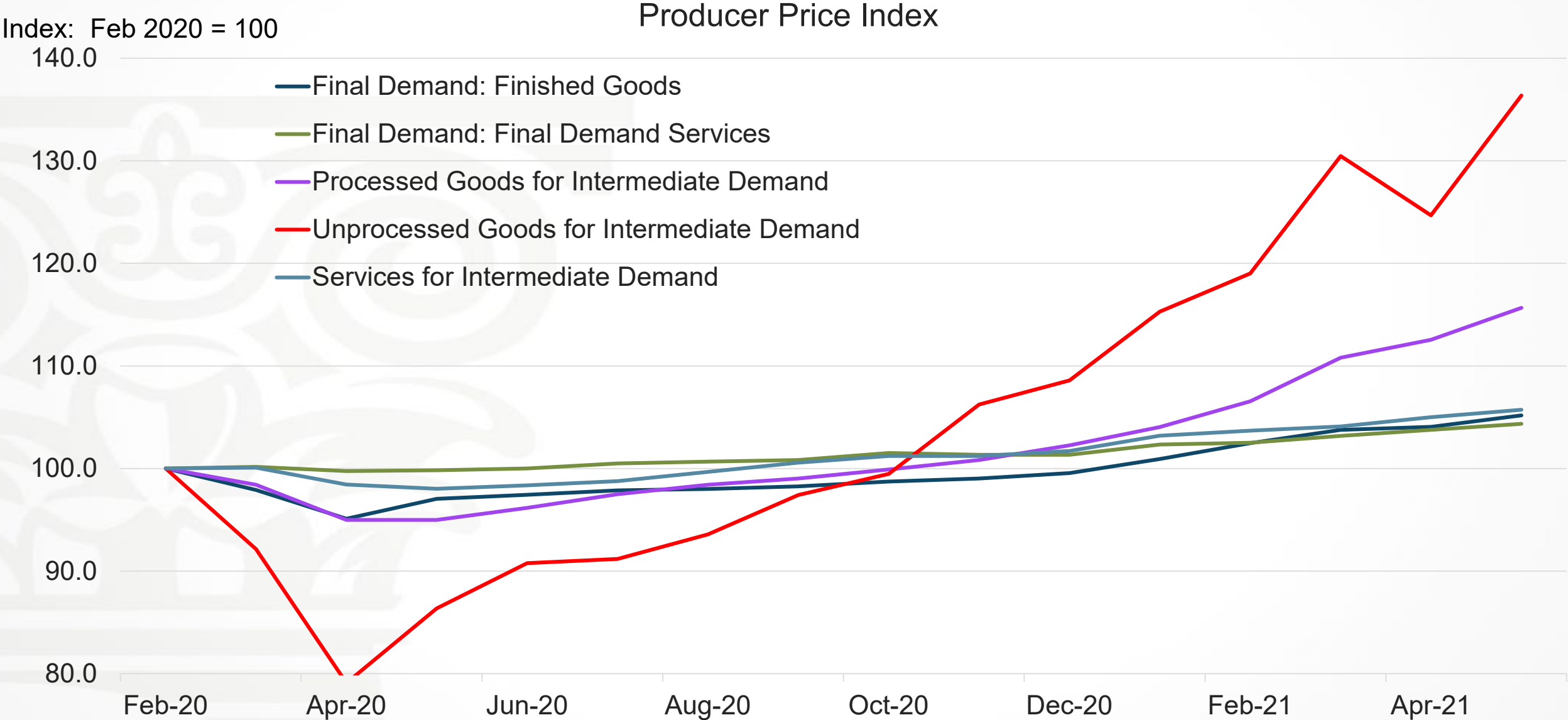
# Headline inflation readings are up considerably, boosted by base effects, supply chain constraints, and reopening activity

## Personal Consumption Expenditure (PCE) Price Index

year-over-year percent change, monthly



# On the producer input price side, strong cost pressures appear to be concentrated in intermediate goods



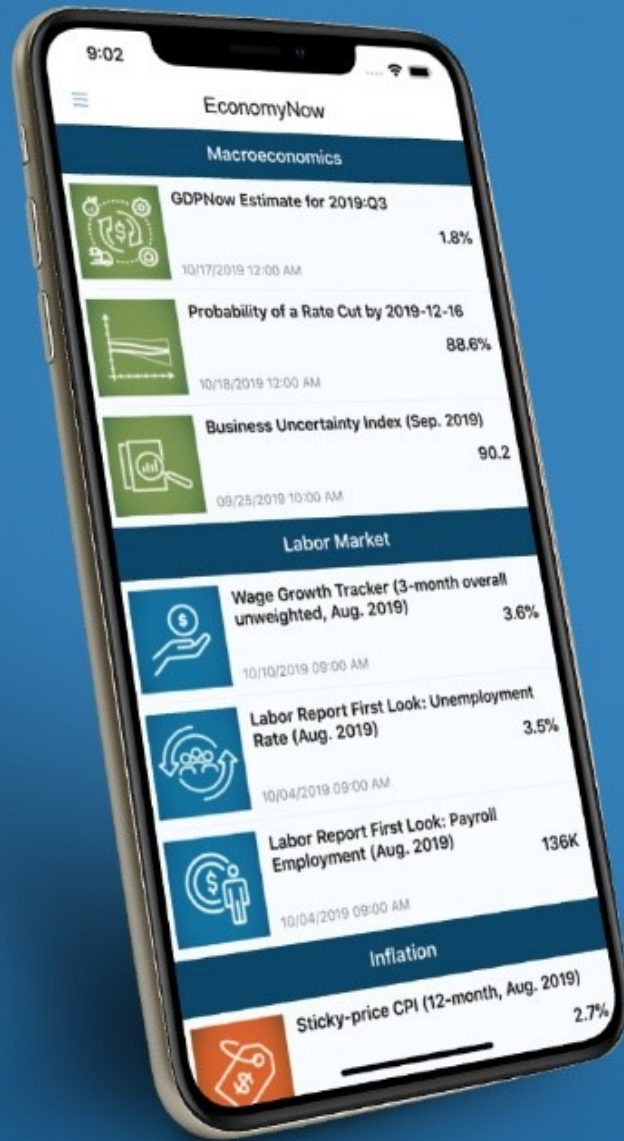
Source: Bureau of Labor Statistics



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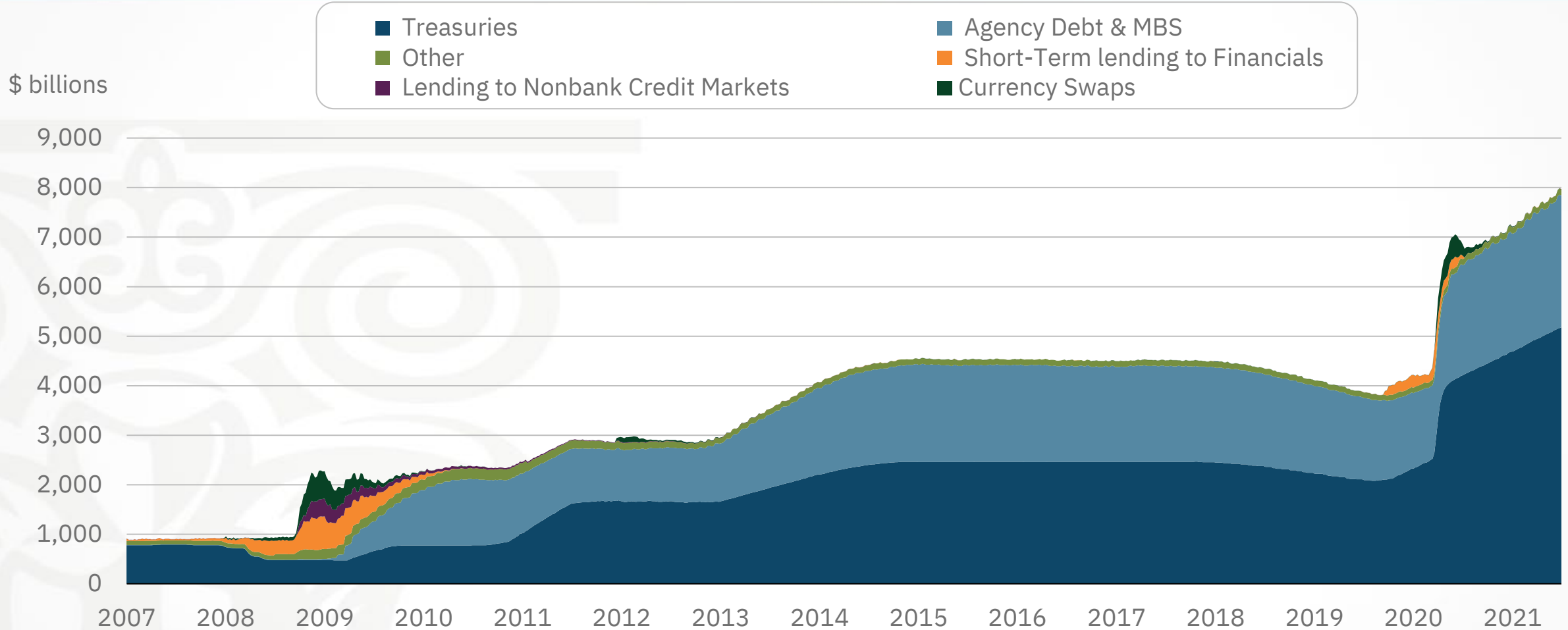


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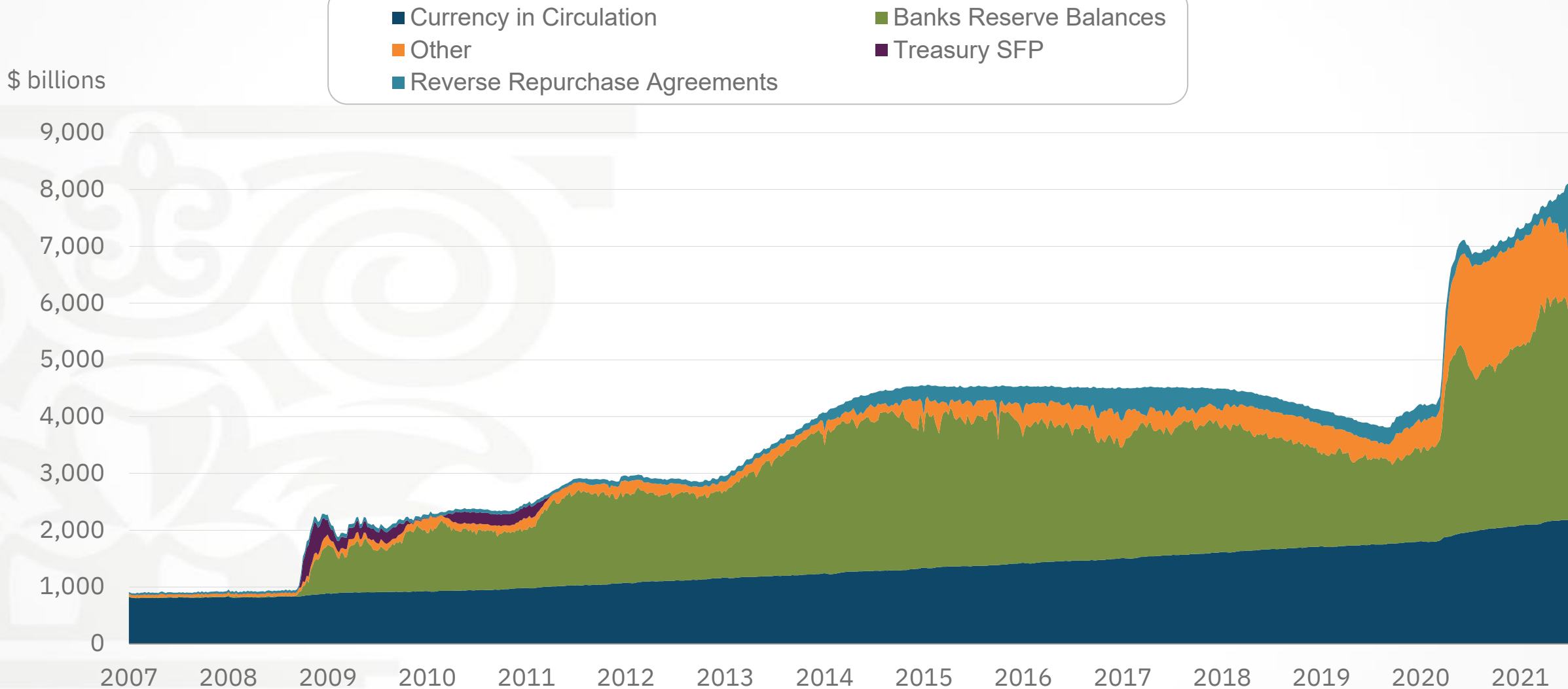


# Federal Reserve Assets (Uses of Funds)



Note: "Other" = Other assets, Float, Gold Stock, SDRs, Currency outstanding, Holdings of Maiden Lane I, II, III and Foreign Currency Assets.

# Federal Reserve Liabilities (Sources of Funds)



Note: "Other" = Other liabilities & capital, Treas. cash holdings, and Deposits with FRB.