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# Outlook for the U.S. Economy

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The views expressed do not necessarily reflect  
those of the Federal Reserve Bank of Atlanta or the  
Federal Reserve System

June 1, 2022

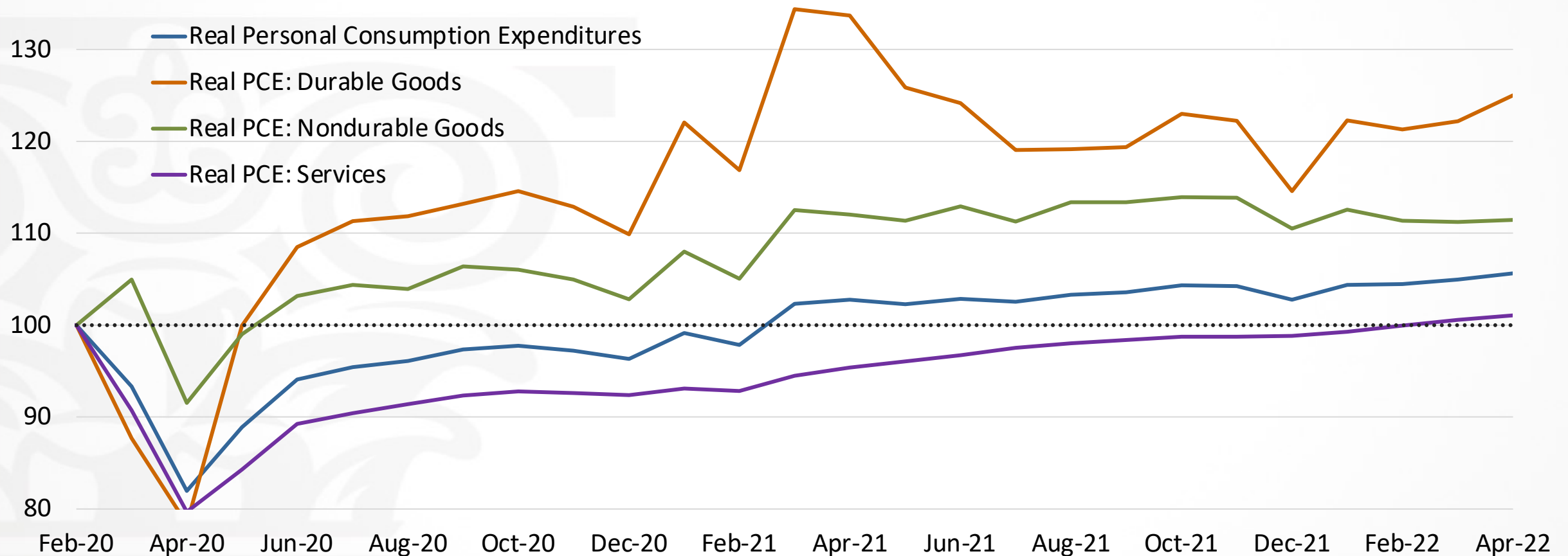
## Economic narrative

- Employment has increased at a very solid pace over the past 12 months, and the unemployment rate has declined to 3.6 percent.
- Inflation is very elevated.
- The Federal Reserve increased the federal funds rate in March and May and has indicated that rates will likely move higher in coming months.
- The war in the Ukraine along with Covid-related production impacts in China have introduced additional uncertainty for the economic outlook.

# Real PCE consumption remains skewed toward goods while consumption of services continues to recover gradually

Index: Feb 2020 = 100

## Real Personal Consumption Expenditures

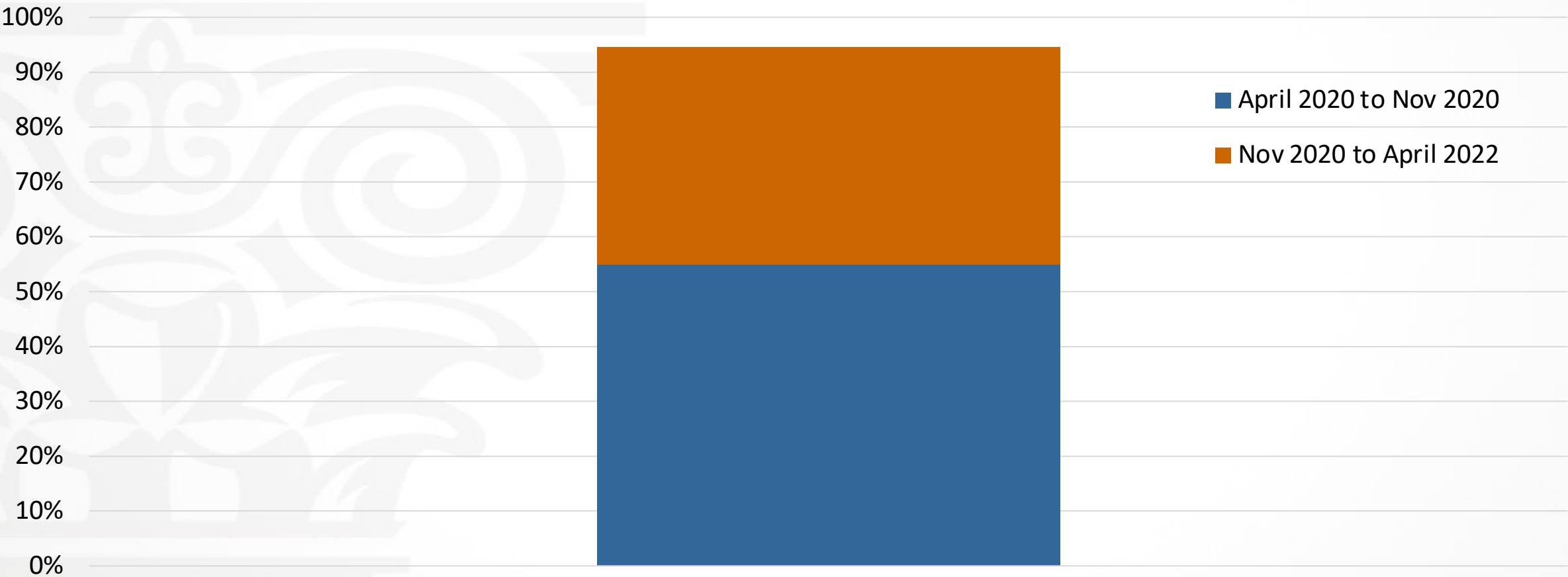


Source: Bureau of Economic Analysis

# Over 90 percent of jobs lost in the pandemic recession have been recovered

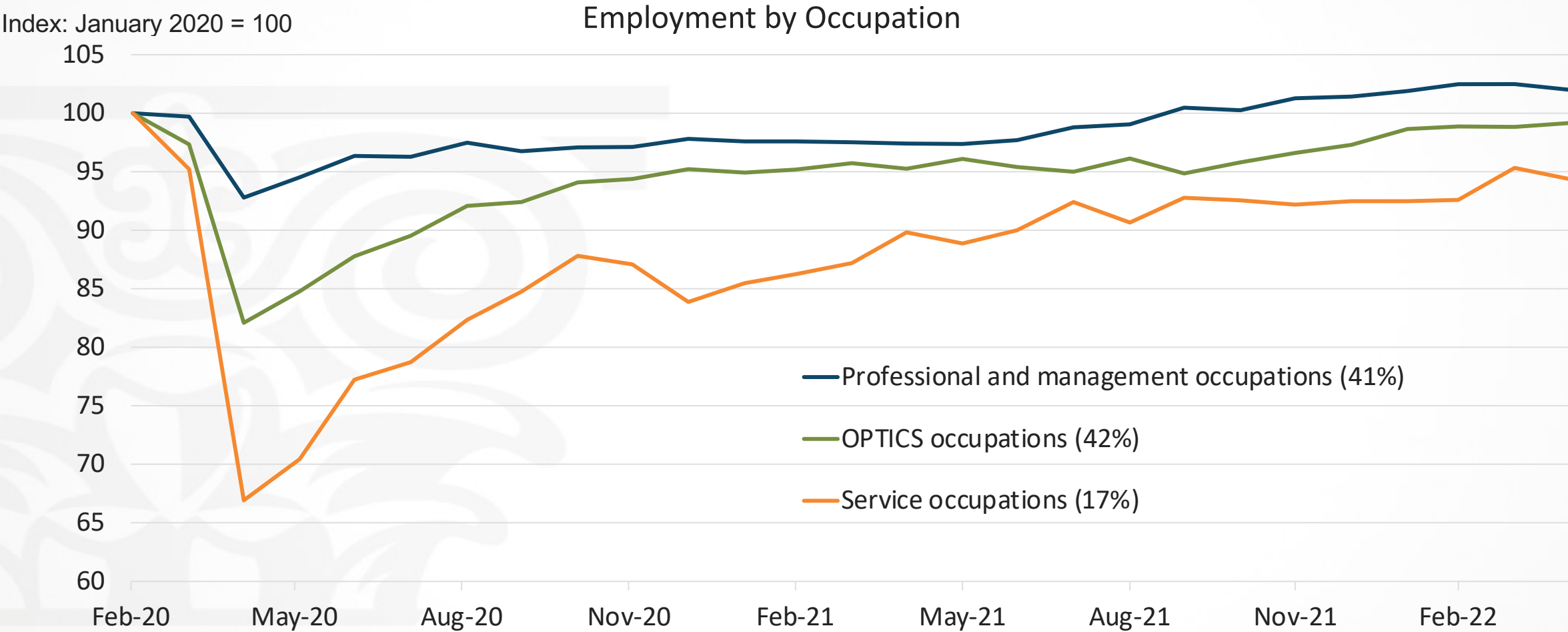
Payroll Employment Recovery

Share of job loss (Feb 2020 to Apr 2020) that has been recovered



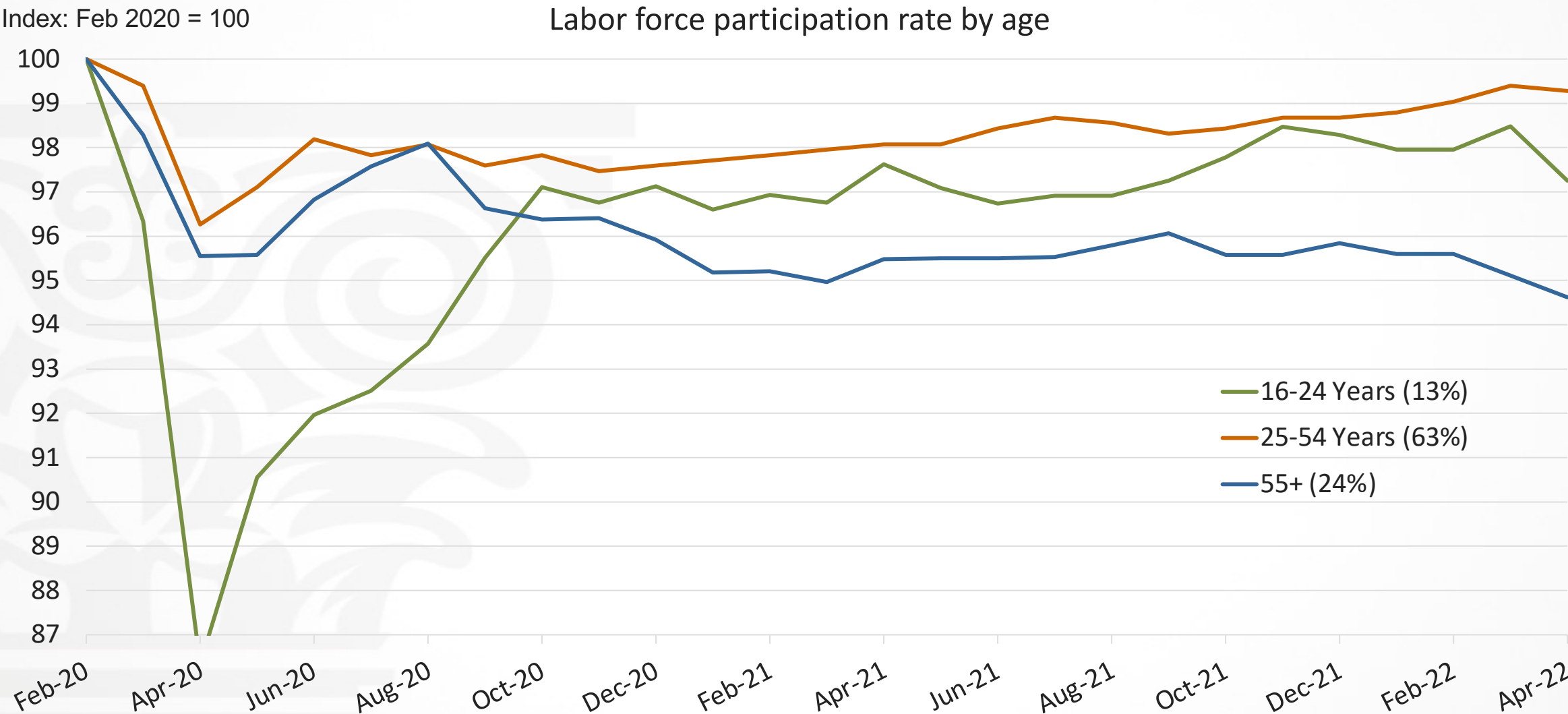
Source: Bureau of Labor Statistics

# Professional and management jobs have surpassed pre-Covid levels, and OPTICS and service occupation employment continue to recover toward pre-Covid levels



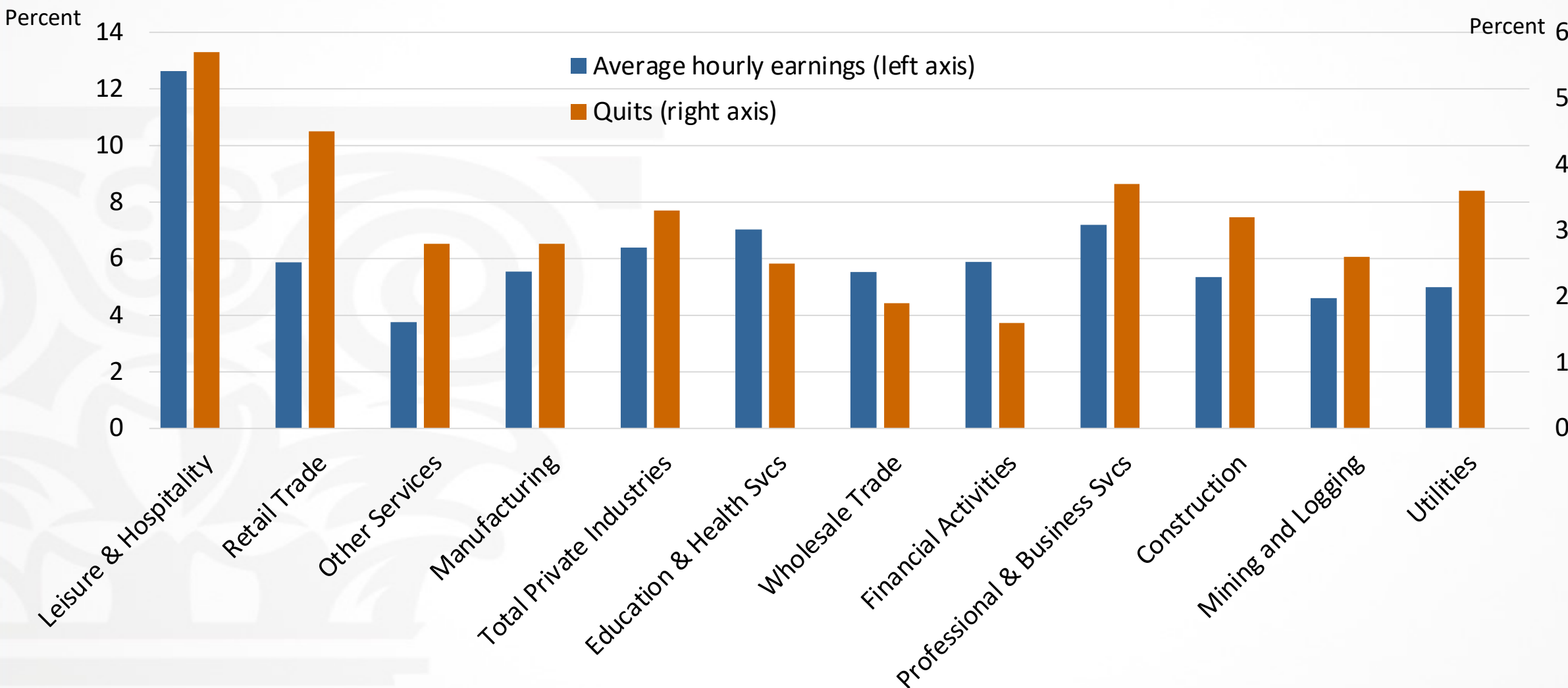
Source: Current Population Survey, staff calculations. All series are seasonally adjusted. OPTICS occupations include Office and admin support; Production; Transportation and material moving; Installation, maintenance and repair; Construction and extraction; and Sales and related. Share of total jobs in February 2020 shown in parentheses. Data through April 2022.

# The labor force participation rate recovery continues to bifurcate between workers ages 55 and older versus those under age 55



Source: Bureau of Labor Statistics and staff calculations to historically adjust for population controls; Note: Share of total labor force in Feb 2020 shown in parentheses.

# Industries with the highest rate of wage growth are also experiencing the highest rate of quits

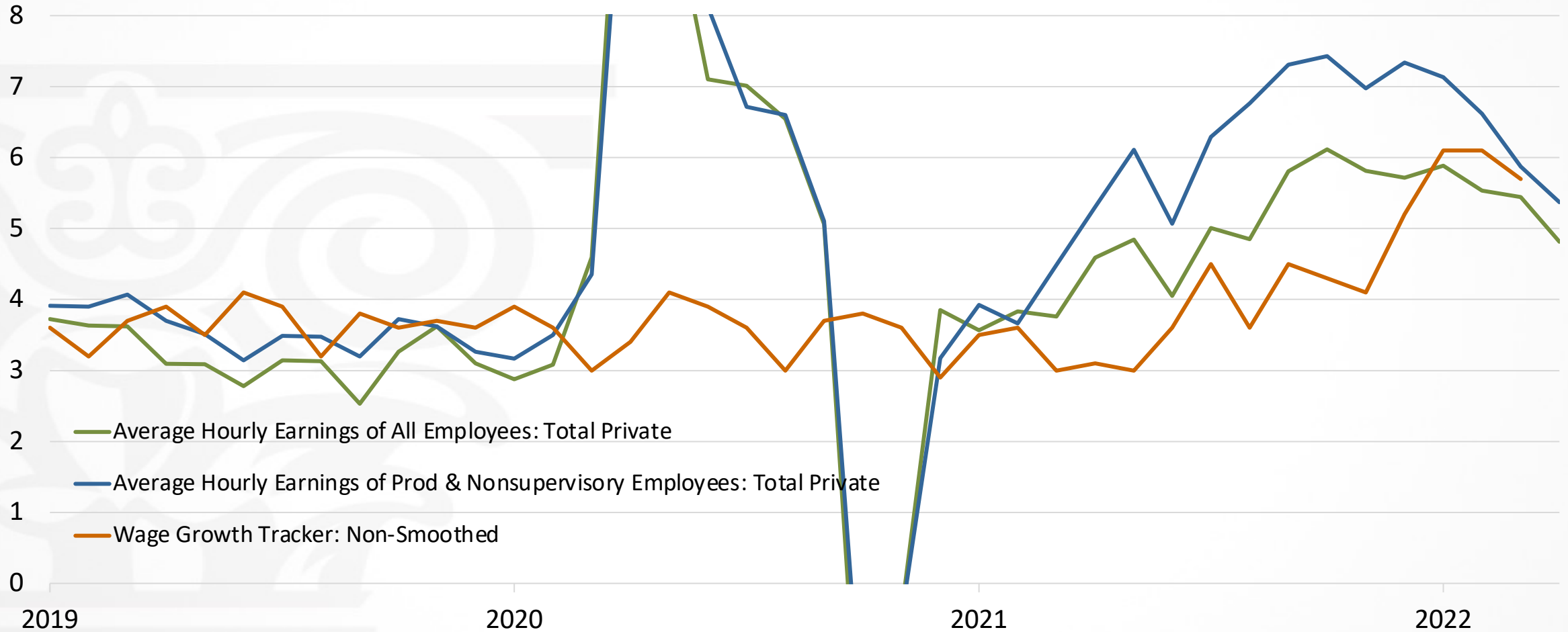


Source: Bureau of Labor Statistics. Quits is the quits rate for March 2022. Average hourly earnings is the annualized percent change for production and nonsupervisory workers between April 2022 and April 2021.

# Wage growth measures have decelerated in early 2022 but remain elevated

6-month percent change, annual rate

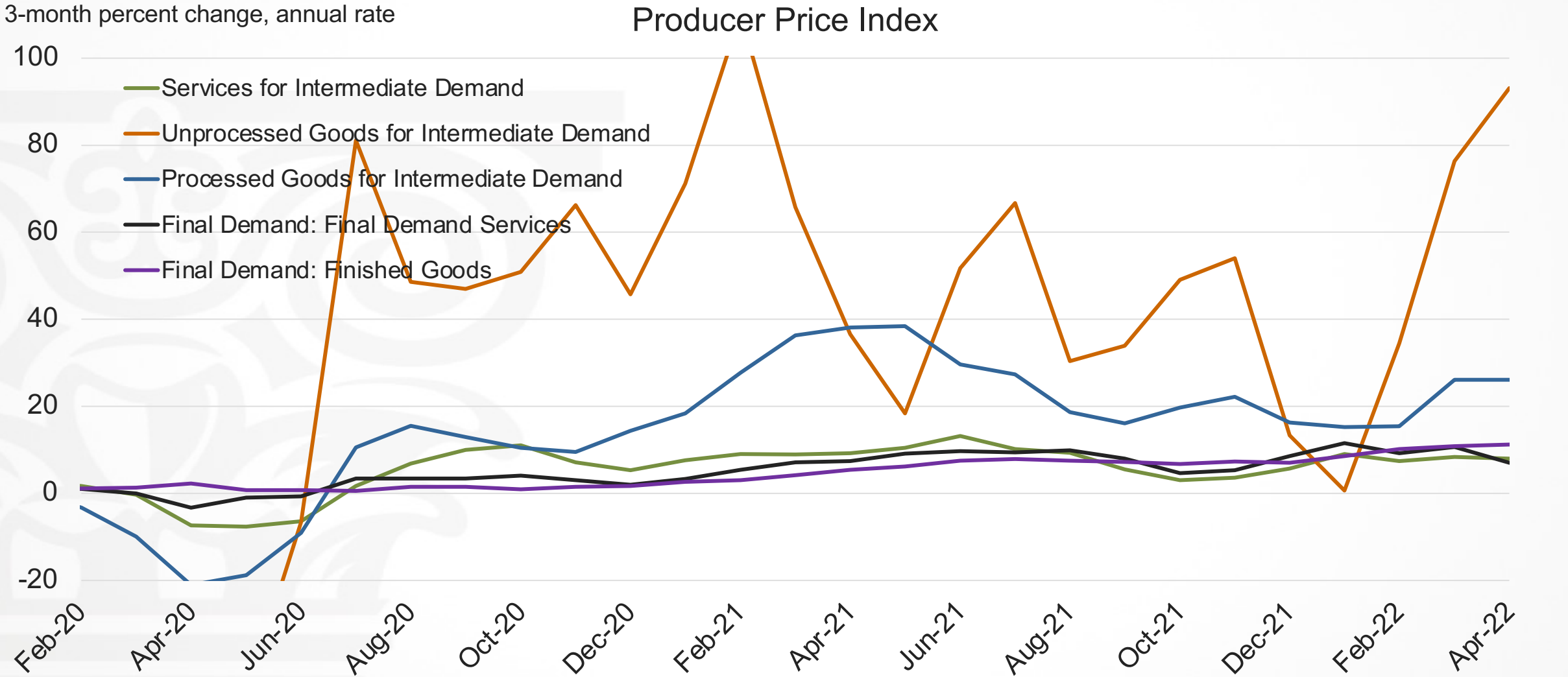
Wage Growth



Sources: Bureau of Labor Statistics & Federal Reserve Bank of Atlanta; Note: Average hourly earnings are reported as a six-month percent change, annualized. The Atlanta Fed Wage Growth Tracker shows non-smoothed median wage growth (Y/Y %Chg).



# The rate of price increase for unprocessed goods in the PPI report spiked again in the past three months

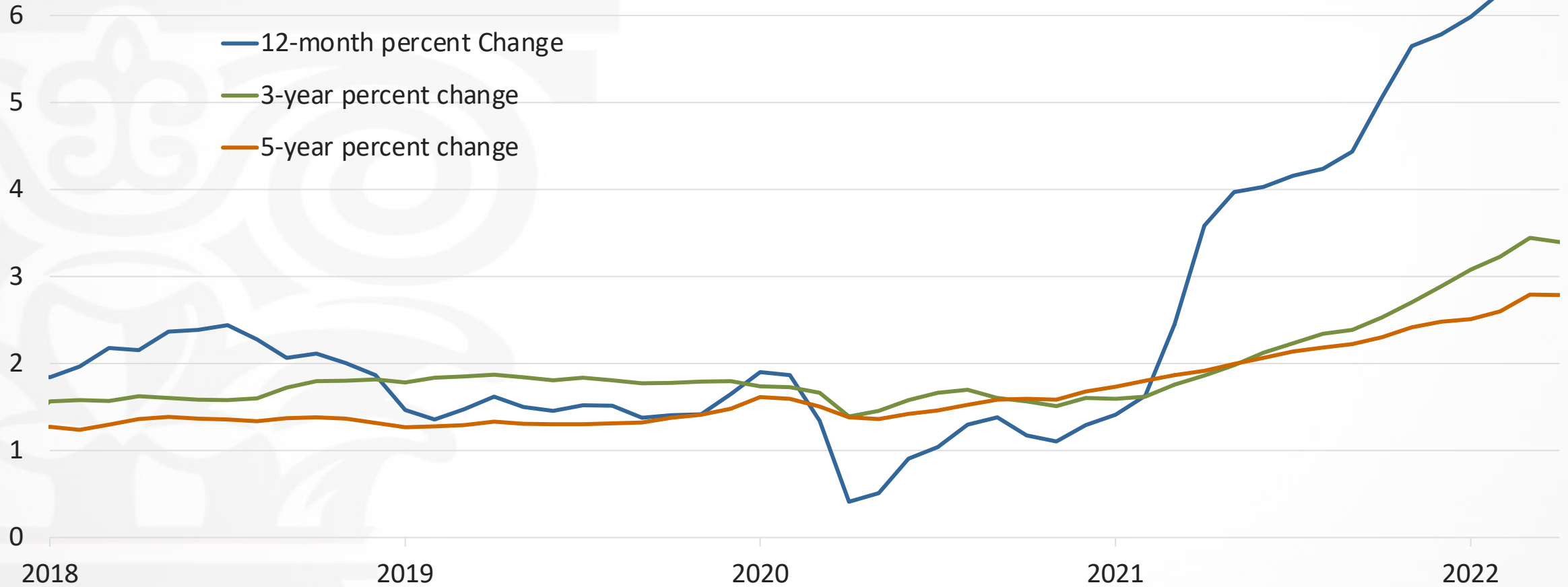


Source: Bureau of Labor Statistics

# Consumer price inflation (PCE) exceeds 6 percent

Percent change, annualized

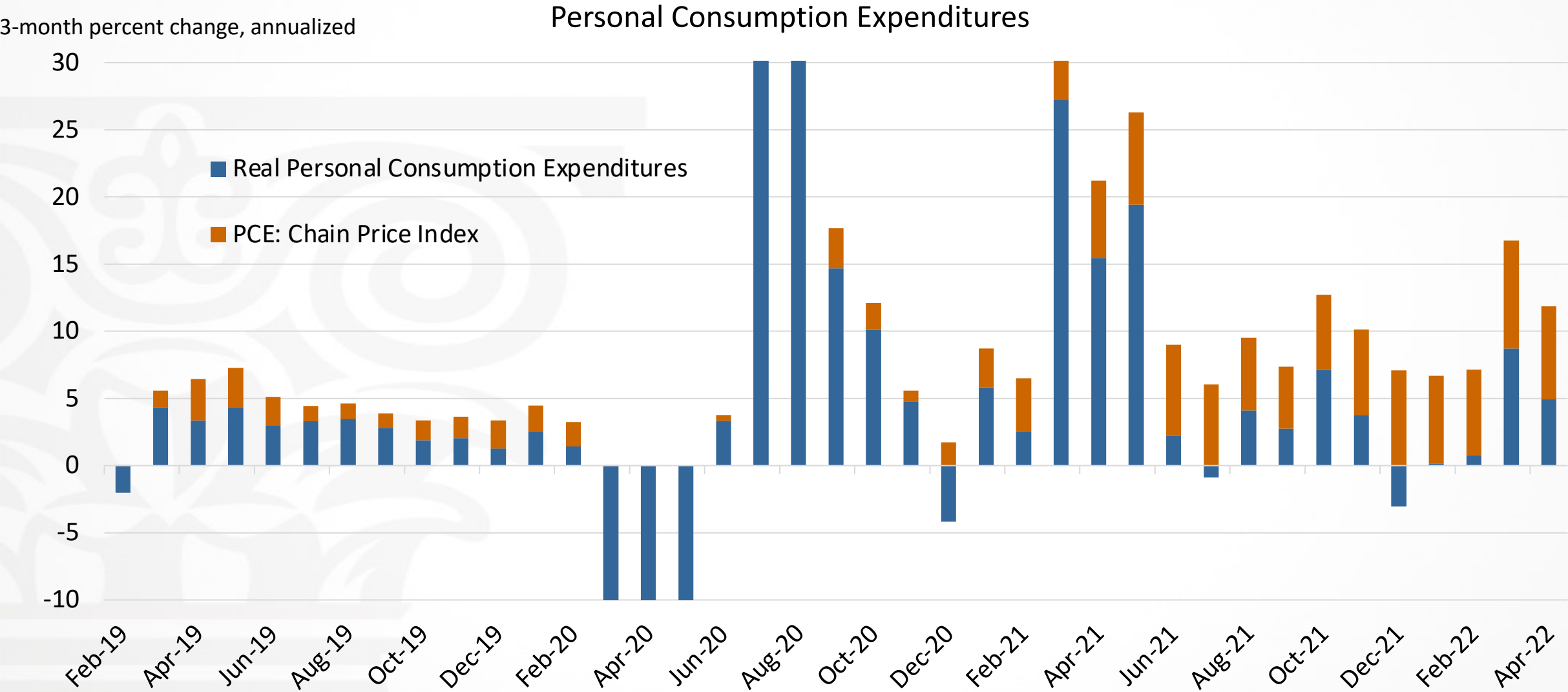
PCE Inflation



Source: Bureau of Economic Analysis

Data through April 2022

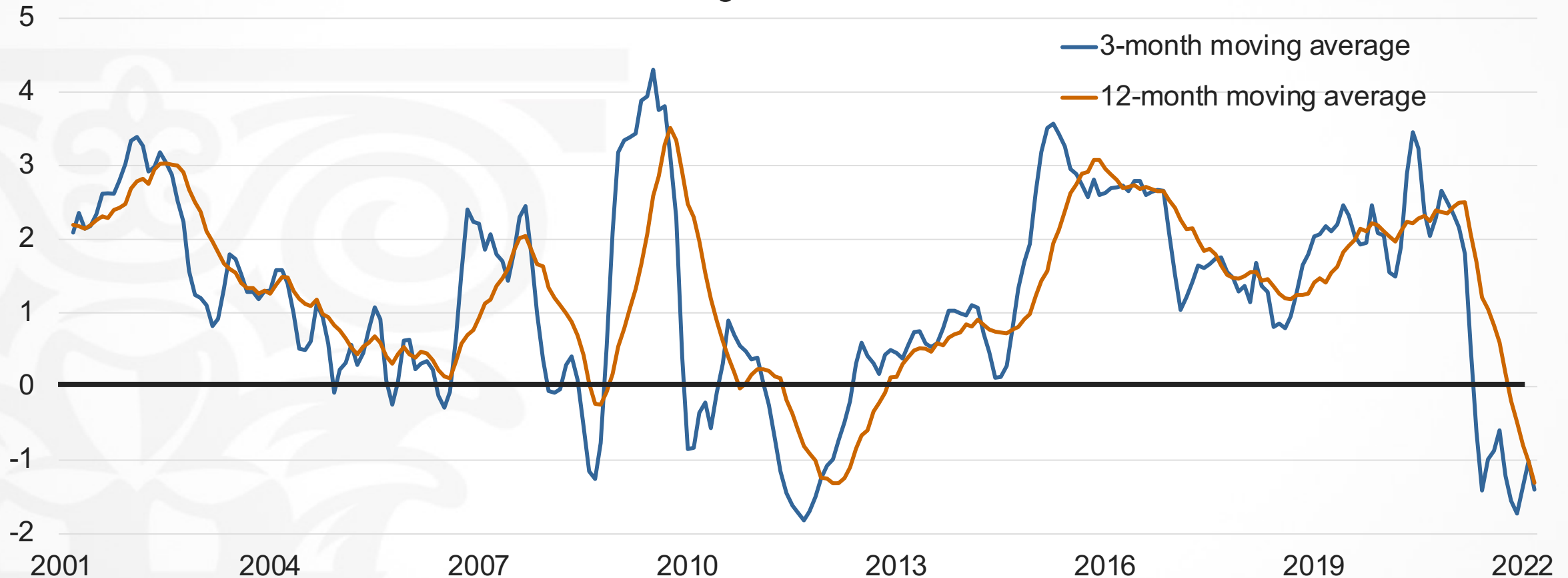
Nominal growth of consumer spending (PCE) has been strong over the past 11 months, but much of that growth has been absorbed by increasing prices (P) and not increasing quantities (Q)



Source: Bureau of Economic Analysis

# Real wage growth is negative as inflation has been accelerating at a faster pace than nominal wage growth

Real Wage Growth Tracker

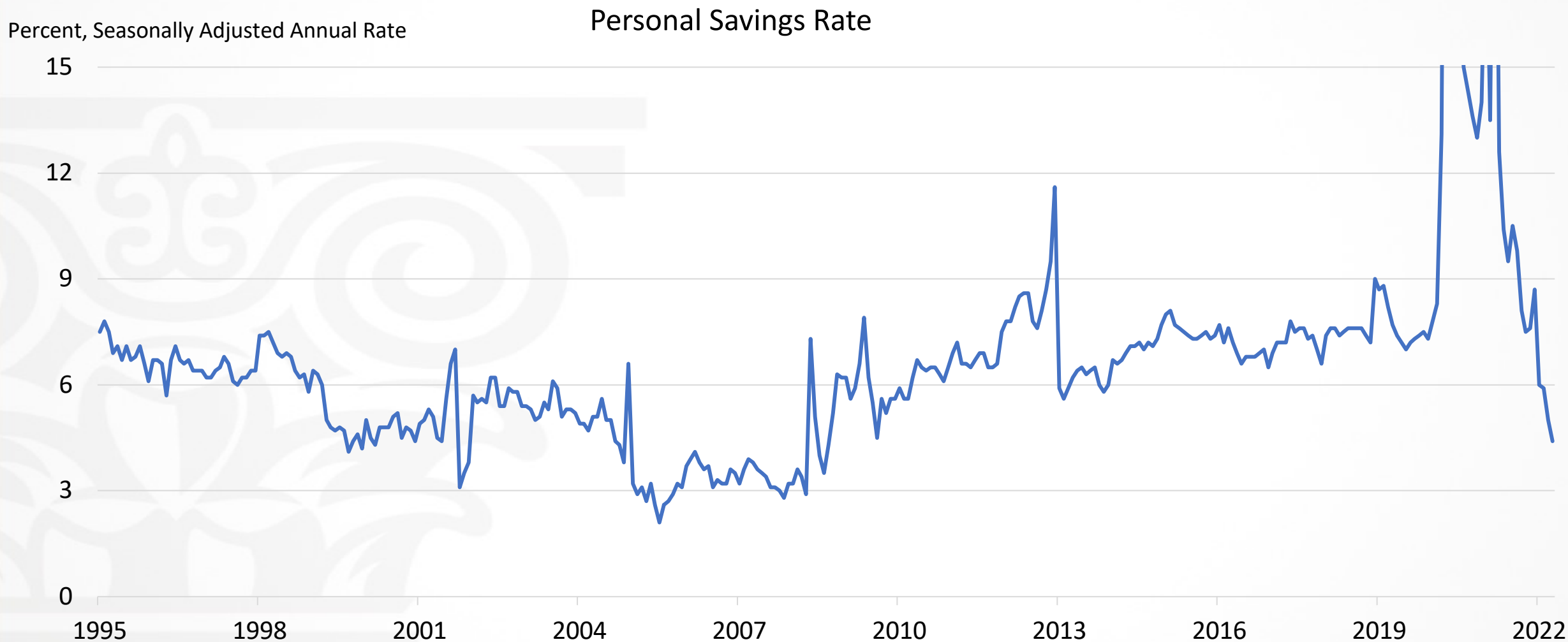


Sources: Current Population Survey, Bureau of Labor Statistics, and Federal Reserve Bank of Atlanta Calculations.

Data updates can be found at <https://www.frbatlanta/chcs/wage-growth-tracker>.

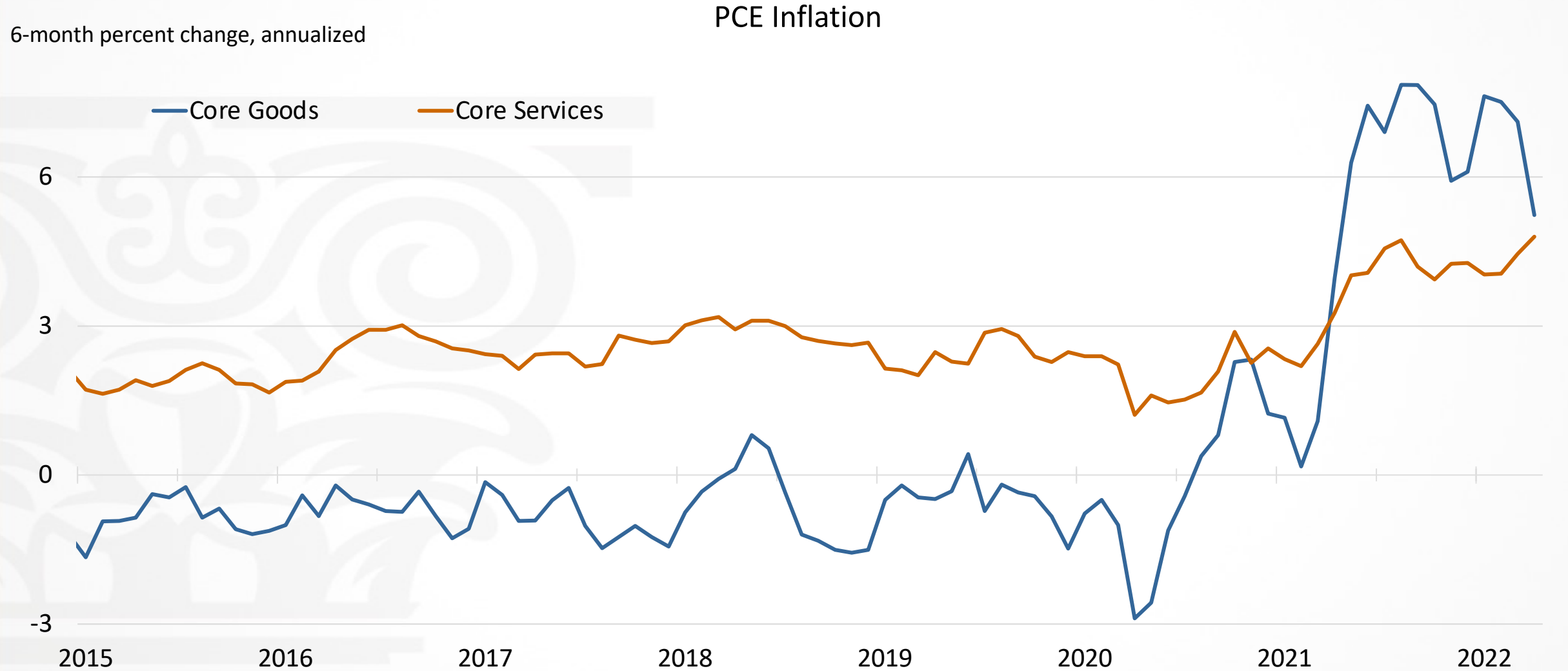
See the 'definitions' tab in this spreadsheet for explanations of series. Wage computed on an hourly basis unless otherwise noted.

# The personal savings rate has fallen to its lowest level since 2008



Sources: Bureau of Economic Analysis, Federal Reserve Economic Data (FRED)

# As price changes for core goods are decelerating, the elevated and increasing rate of price increases for core services carries greater risk for persistently high inflation



Source: Bureau of Economic Analysis

Data through April 2022

# A key contributor to accelerating rates of price changes for consumer services is owners' equivalent rent (OER)

**FRED**

— Consumer Price Index for All Urban Consumers: Owners' Equivalent Rent of Residences in U.S. City Average



Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

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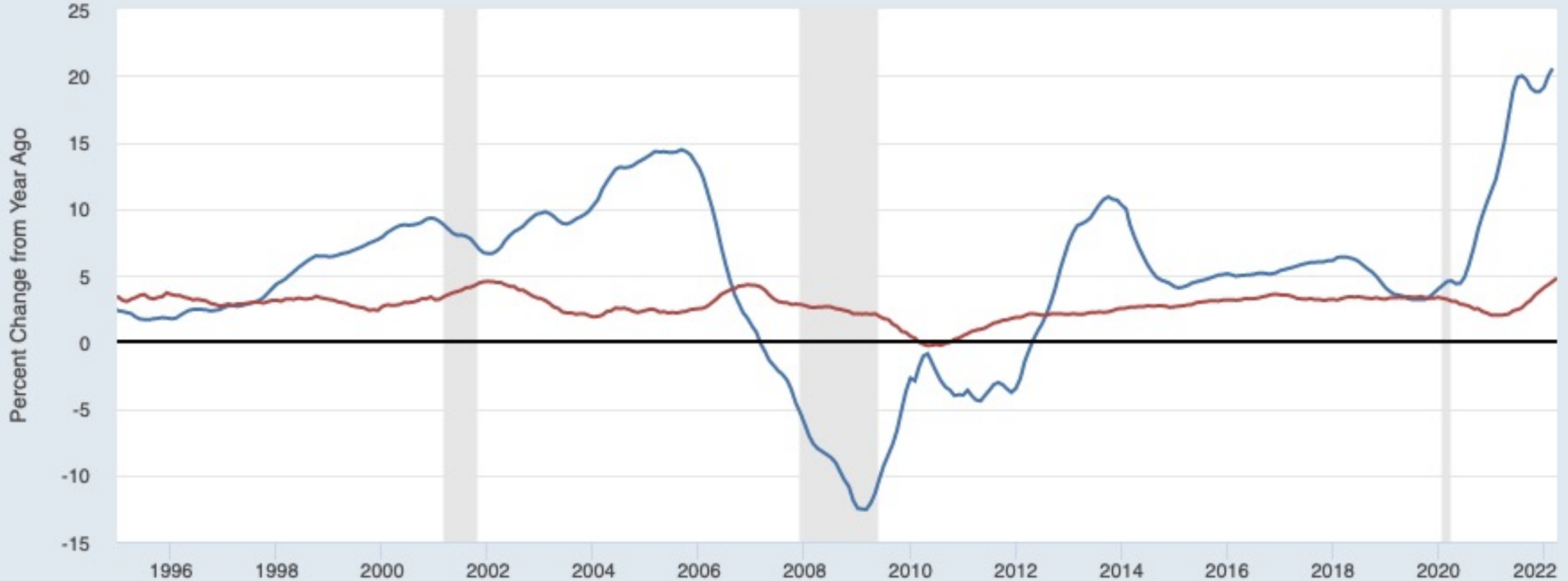


# But OER increases pale in comparison to housing price increases

**FRED**

— S&P/Case-Shiller U.S. National Home Price Index

— Consumer Price Index for All Urban Consumers: Owners' Equivalent Rent of Residences in U.S. City Average



Shaded areas indicate U.S. recessions. Sources: S&P Dow Jones Indices LLC; U.S. Bureau of Labor Statistics

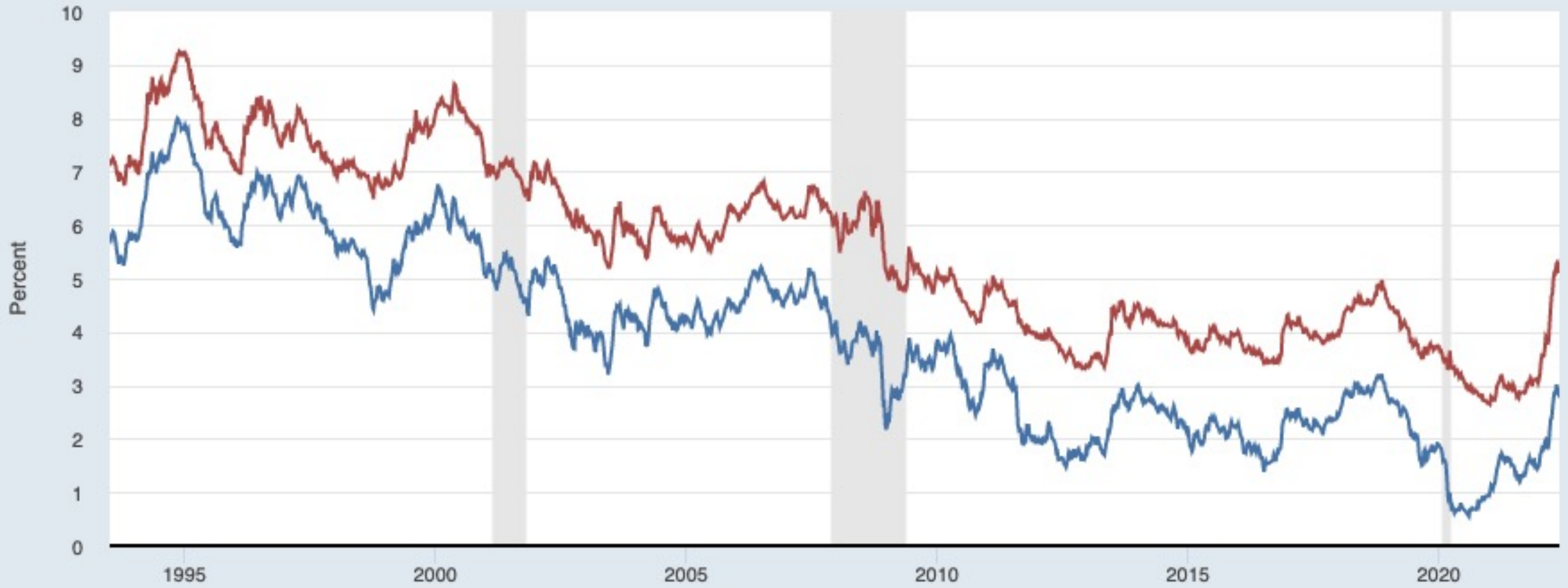
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# Mortgage rates have risen rapidly over the past six months

**FRED**

— Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity  
— 30-Year Fixed Rate Mortgage Average in the United States



Shaded areas indicate U.S. recessions.

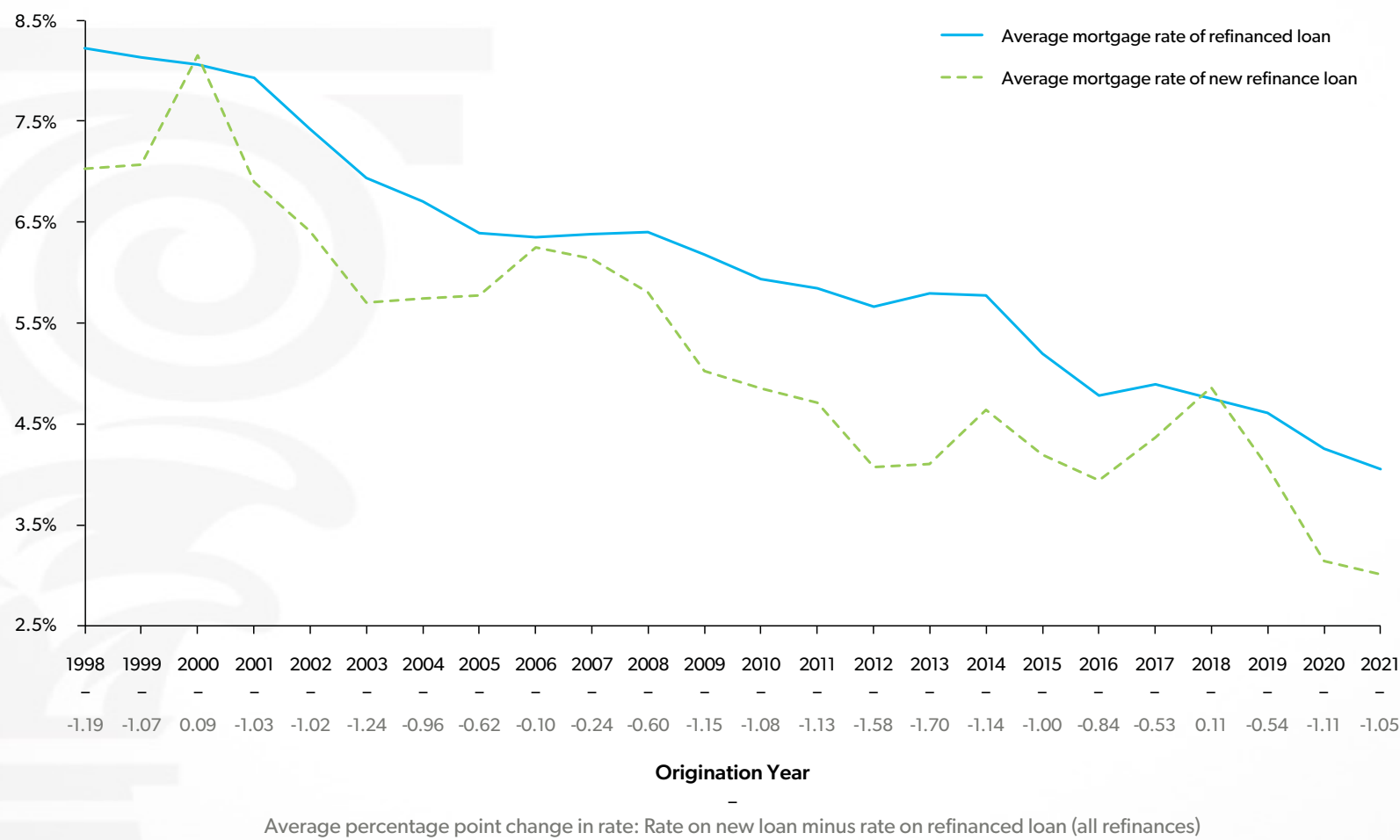
Sources: Board of Governors; FHLMC

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# Rising mortgage rates have limited the ability of existing homeowners to lower housing costs through refinancing

As mortgage rates fell in 2021, borrowers paid less to refinance

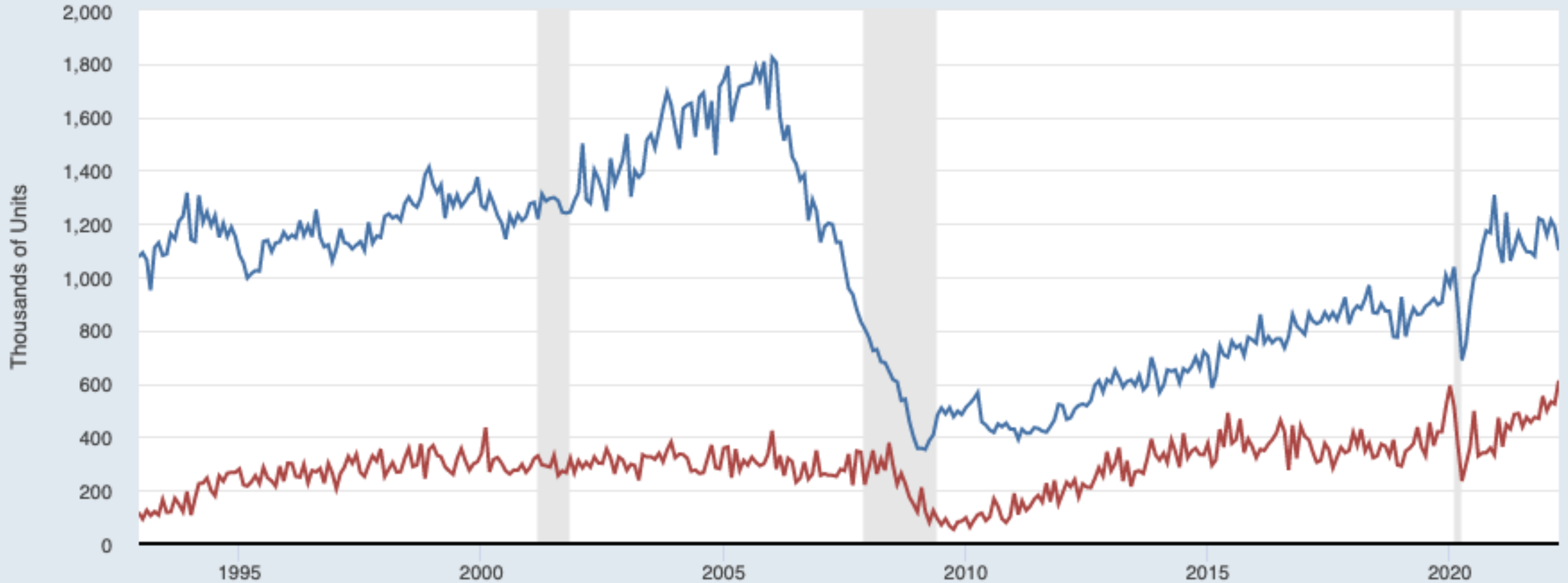
Mortgage rates on new and old loan for conventional refinances of 30-year fixed-rate mortgages



# Housing starts are at their highest levels in the past 15 years

**FRED**

— New Privately-Owned Housing Units Started: Single-Family Units  
— New Privately-Owned Housing Units Started: Units in Buildings with 5 Units or More

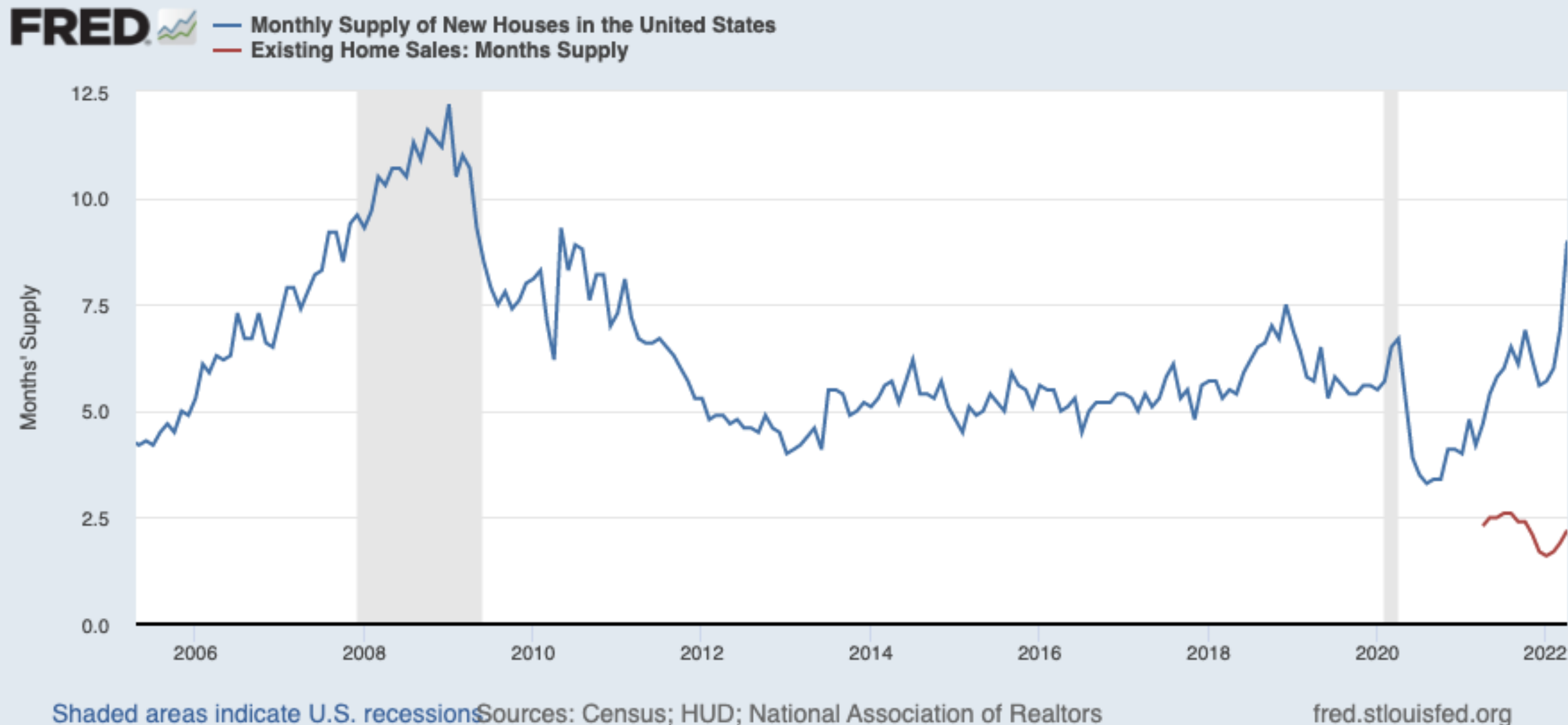


Shaded areas indicate U.S. recessions.

Sources: Census; HUD

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# The monthly supply of new homes has increased the the past two months as the housing market has slowed



# For Atlanta, the rate of increase in owners' equivalent rent (OER) is double that of the nation

**FRED**

— Consumer Price Index for All Urban Consumers: Owners' Equivalent Rent of Residences in U.S. City Average  
— Consumer Price Index for All Urban Consumers: Owners' Equivalent Rent of Primary Residence in Atlanta-Sandy Springs-Roswell, GA (CBSA)



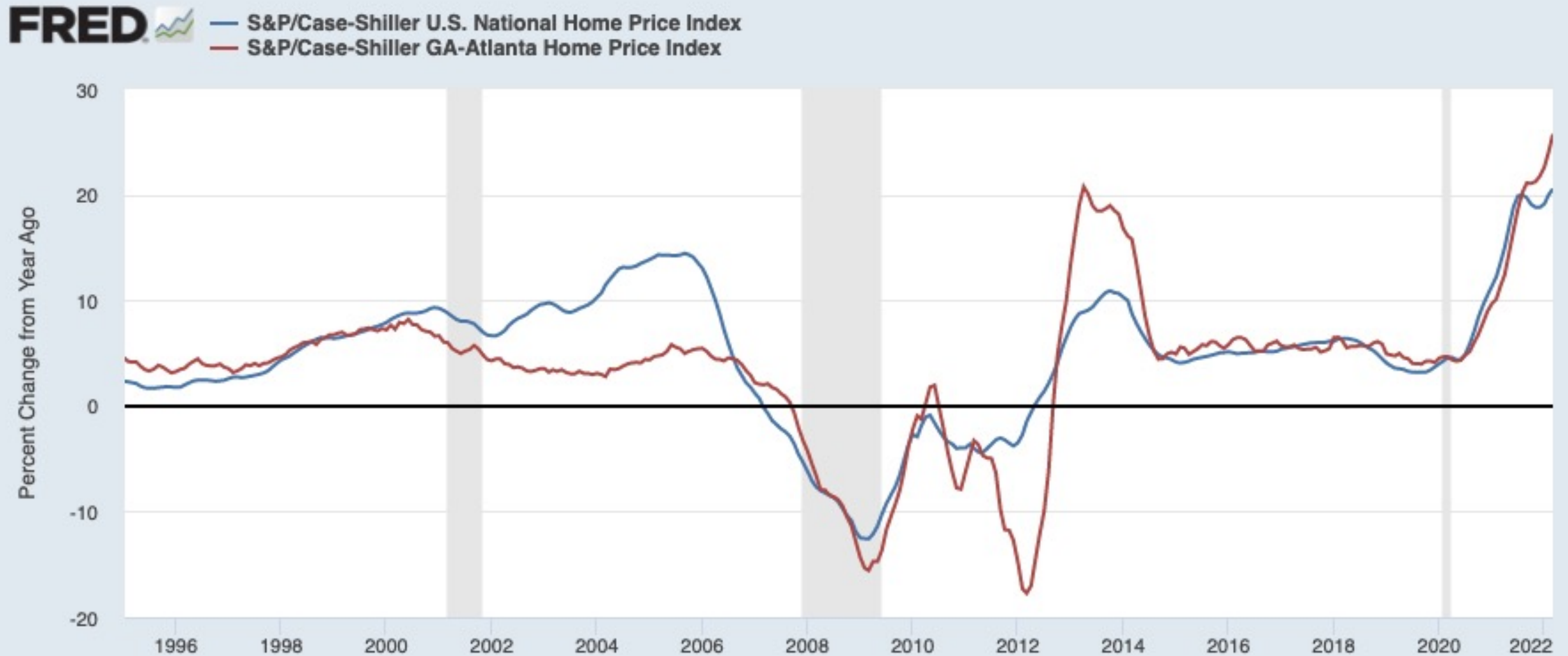
Shaded areas indicate U.S. recessions.

Source: U.S. Bureau of Labor Statistics

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# And home prices are rising at an even faster pace in Atlanta compared to the nation



Shaded areas indicate U.S. recessions.

Source: S&P Dow Jones Indices LLC

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# How is excess demand and constrained supply (for goods, services, workers, etc) going to be brought back into balance?

## Increases in supply

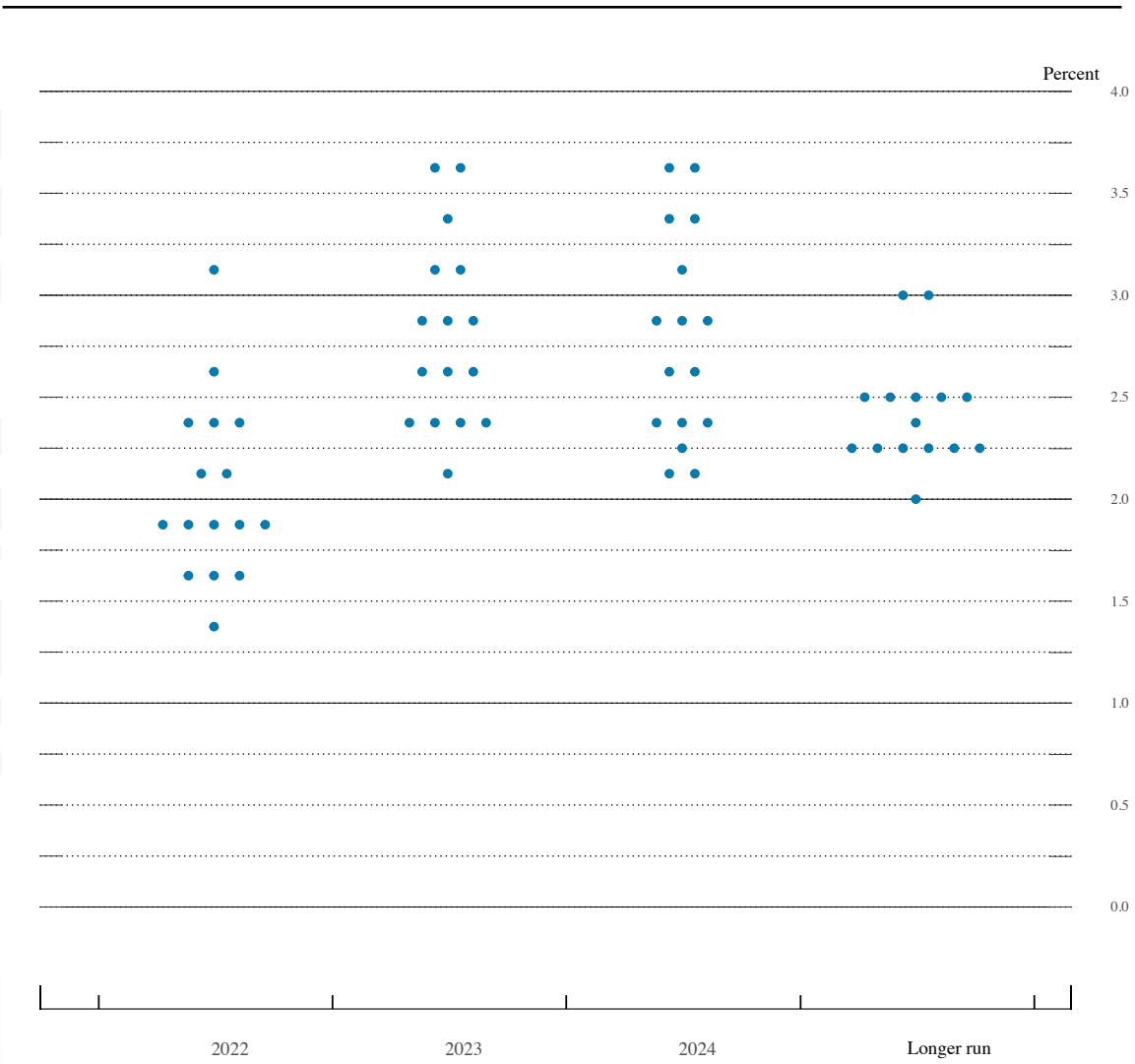
- Easing supply chain constraints
- Return of people (who left in during the pandemic) to the labor force
- Capital investment

## Decreases in demand

- Waning support (and waning savings) from federal pandemic support programs
- Increase in prices (elevated inflation) at a faster pace than wage growth
- Rising interest rates

# In the Summary of Economic Projections (SEP) in March, FOMC participants indicated that they expect the federal funds rate to move significantly higher by the end of 2022

Figure 2. FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate





**Regarding wealth, Black households have a disproportionate share of wealth in pension entitlements. Hispanic households have a disproportionate share of wealth in real estate. And White households have a disproportionate share of wealth in equities.**

1989Q3

Wealth component	White (%)	Black (%)	Hispanic (%)	Other (%)
Real estate	28.4	35.1	41.9	34.1
Consumer durables	7.8	11.3	11.3	8.0
Corporate equities and mutual fund shares	9.3	2.1	1.6	5.7
Pension entitlements	18.6	34.0	17.7	12.5
Private businesses	12.6	4.1	9.7	26.1
Other assets	23.2	13.4	17.7	13.6

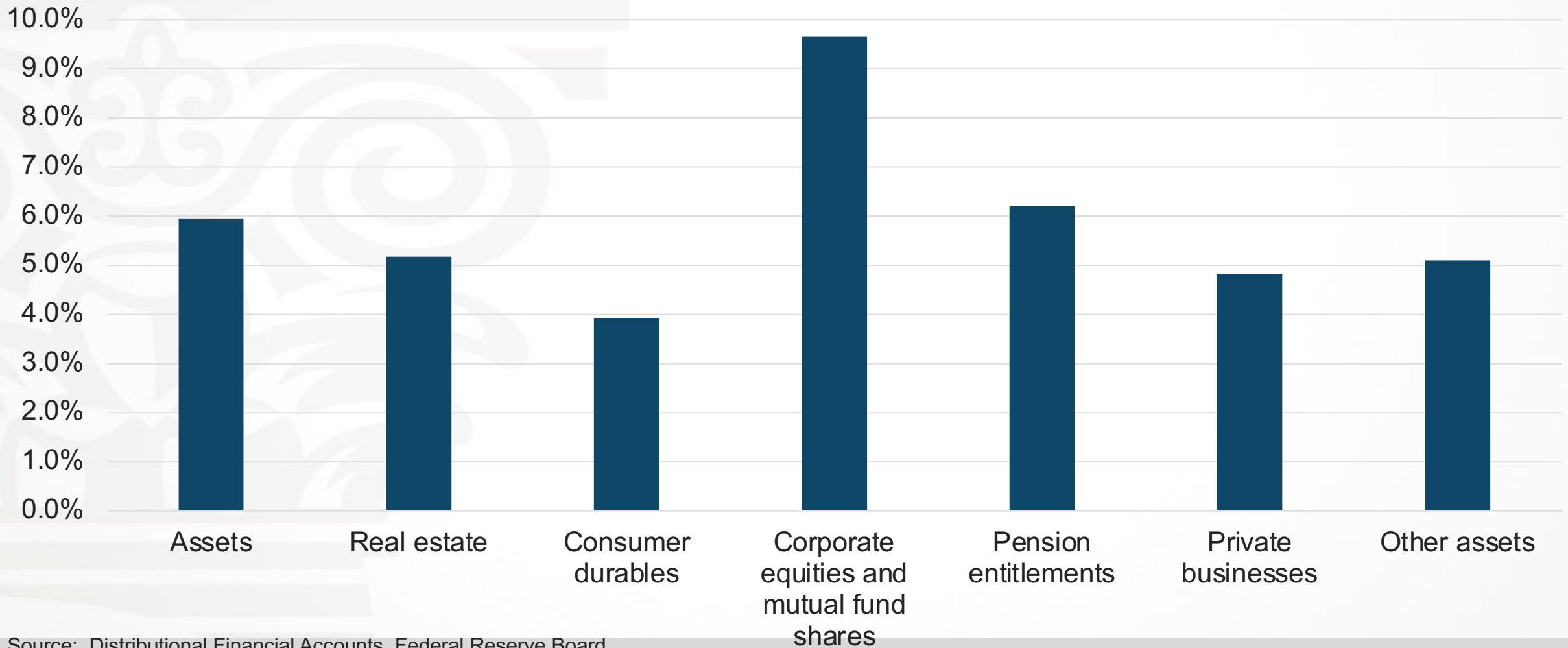
2021Q1

Wealth component	White (%)	Black (%)	Hispanic (%)	Other (%)
Real estate	21.5	28.0	44.1	29.7
Consumer durables	4.2	6.4	10.1	3.6
Corporate equities and mutual fund shares	27.7	6.3	4.2	23.4
Pension entitlements	19.5	40.9	25.7	17.6
Private businesses	9.5	3.7	5.7	7.9
Other assets	17.6	14.7	10.1	17.8

# The rate of asset growth for corporate equities was nearly double that of real estate from 1989 to 2021

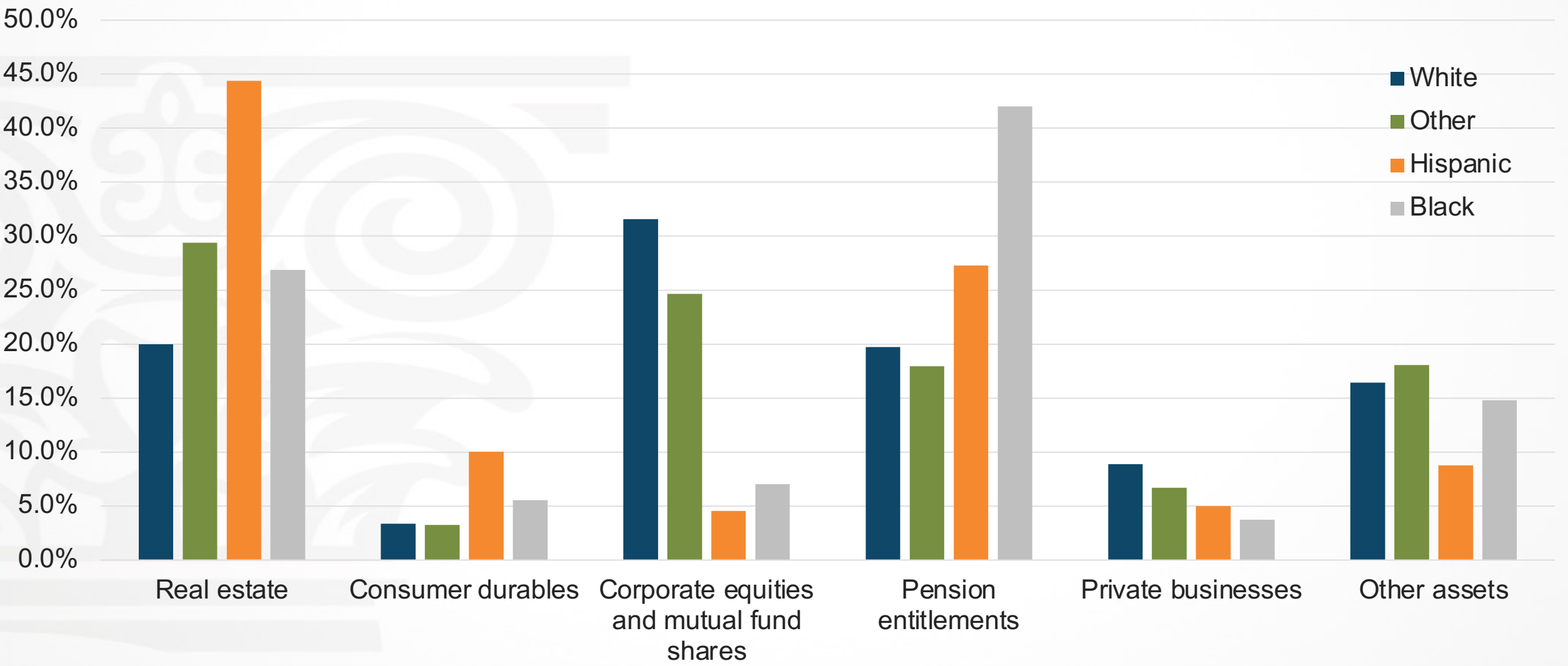
Growth rate of assets and asset subgroups from 1989 to 2021 for US (aggregate assets)

percent, annual rate



# For Blacks, growth in pension entitlements was the largest contributor to asset growth; for Whites, corporate equities was the largest contributor

Share contribution of category to wealth growth of subgroup from 1989 to 2021



Source: Distributional Financial Accounts, Federal Reserve Board



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