

A Rocky Path to Economic Recovery

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The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.



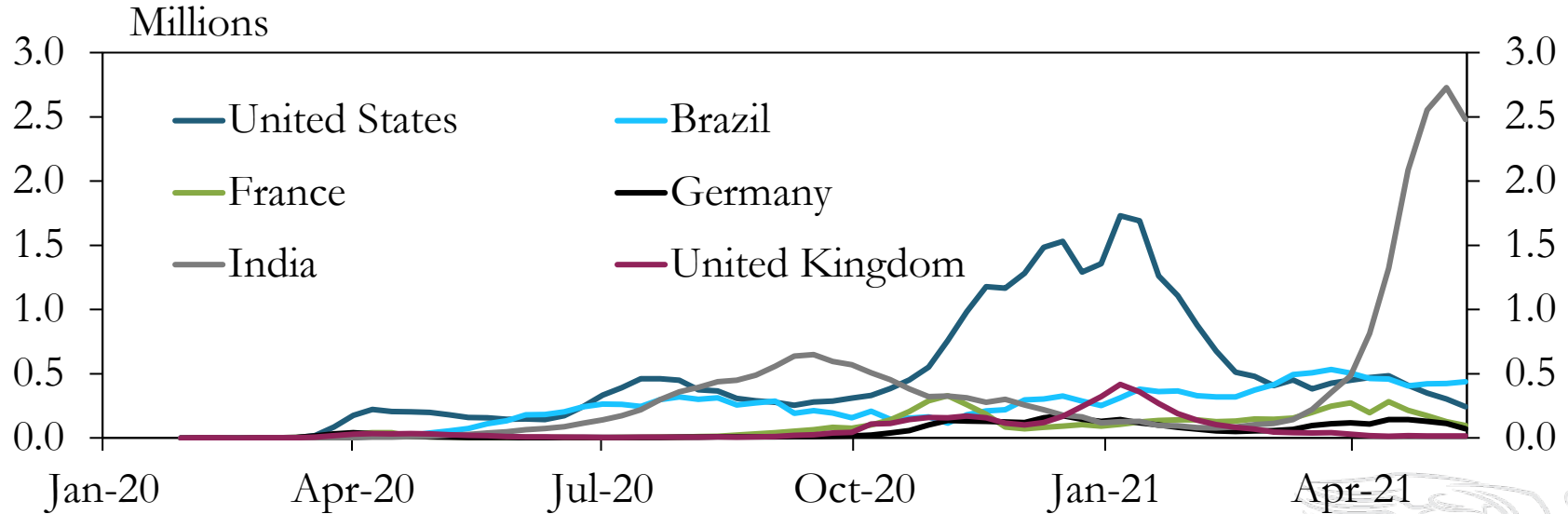
Outlook Themes

- Economic activity has gained momentum in recent months as vaccinations become more widespread.
- Job growth has also picked up, but notable disparities have persisted, and some industries have not yet returned to pre-pandemic strength.
- Inflationary pressures have increased since the beginning of the year, with wide variations across categories.



The path of the global economy has been tied to the course of the pandemic.

Confirmed COVID-19 Cases

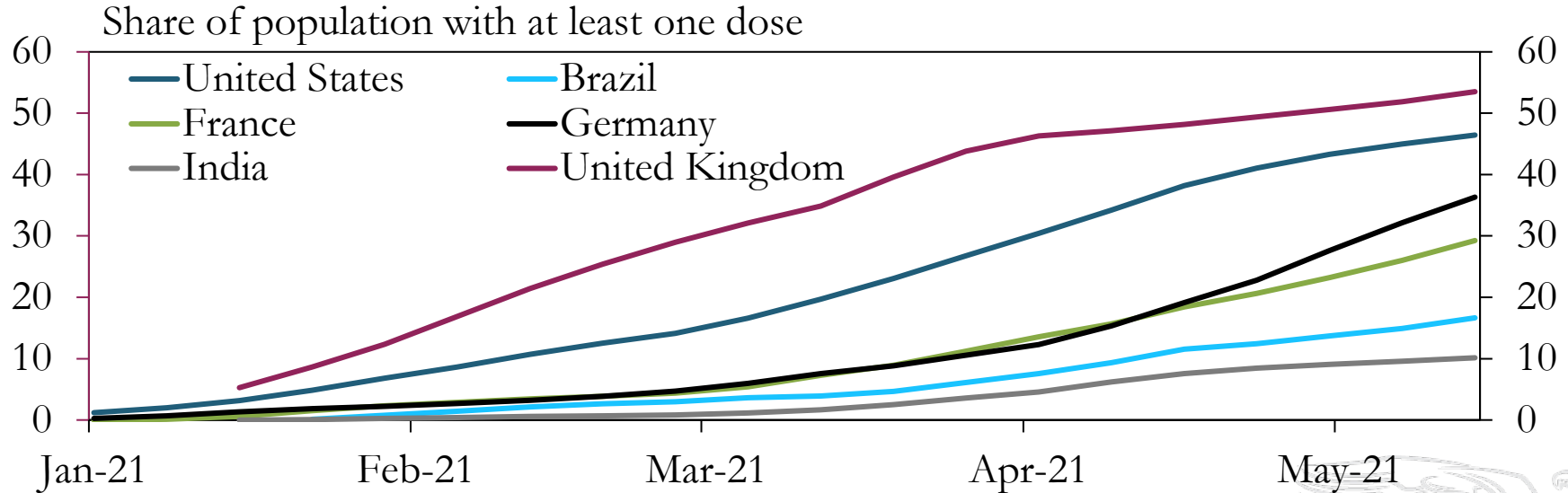


Sources: Johns Hopkins University, Haver Analytics.



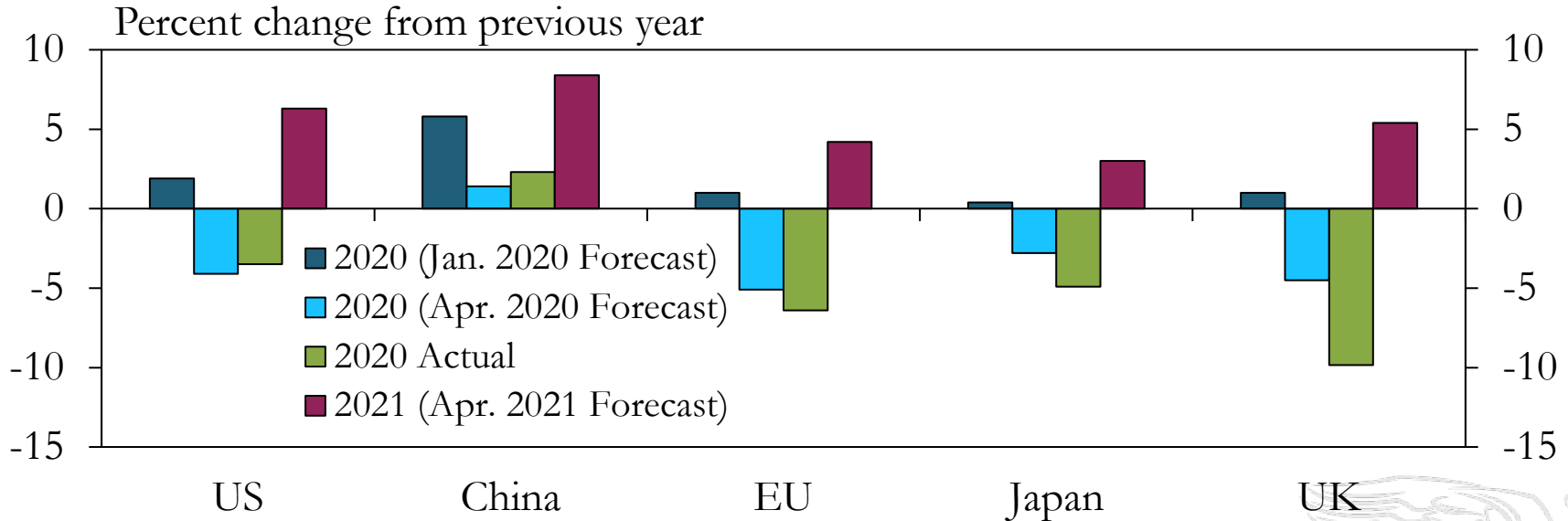
A steady increase in vaccinations has led to a gradual increase in optimism about future economic activity.

COVID-19 Vaccinations



Economic growth appears set to rebound in 2021 after a sharp contraction last year.

Real GDP

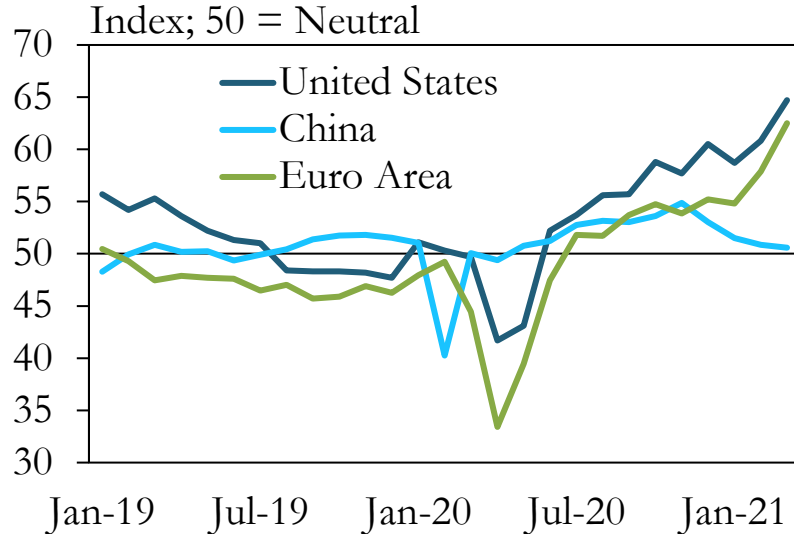


Sources: BEA, Wolters Kluwer, Statistical Office of the European Communities, Cabinet Office of Japan, Office of National Statistics, China National Bureau of Statistics, and Haver Analytics.

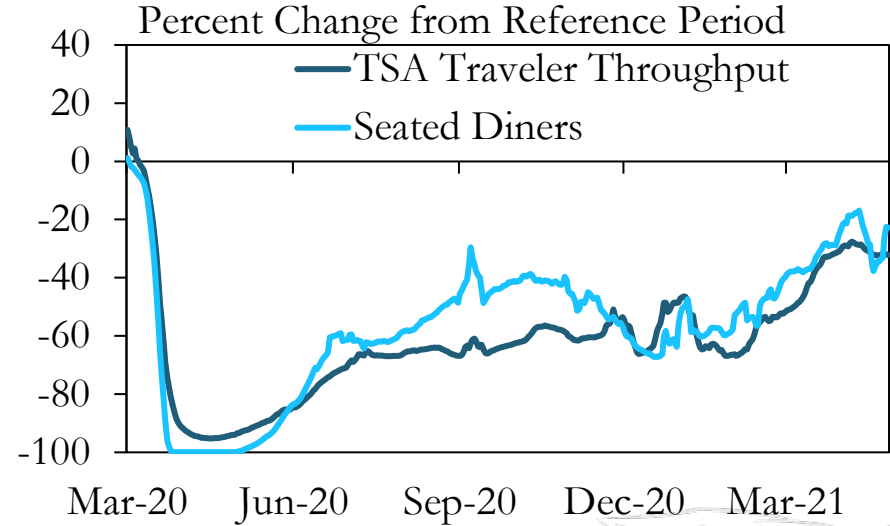


Manufacturing activity has surged in recent months and travel has been recovering.

Manufacturing Indices



Air Travel and Restaurant Traffic



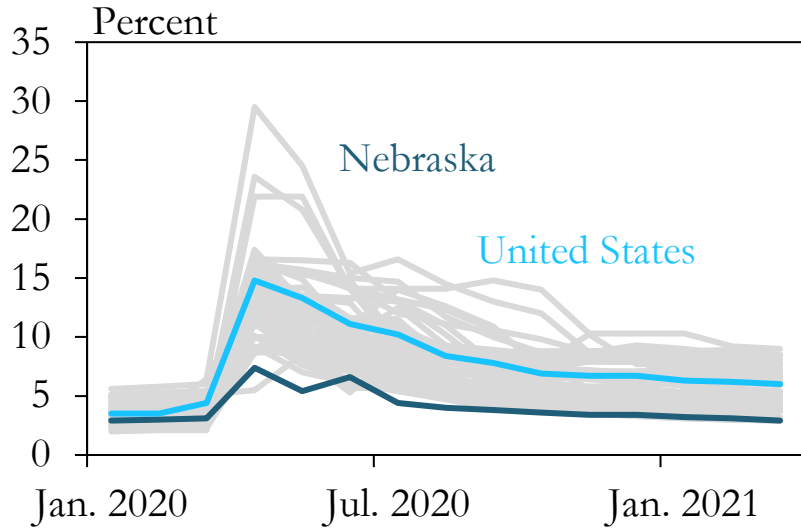
Note: TSA traveler reference period is January 2020 daily average. Open Table seated diners reference period is the same day in 2019.

Sources: ISM, Caixin, IHS Markit, Haver Analytics, TSA, Open Table.

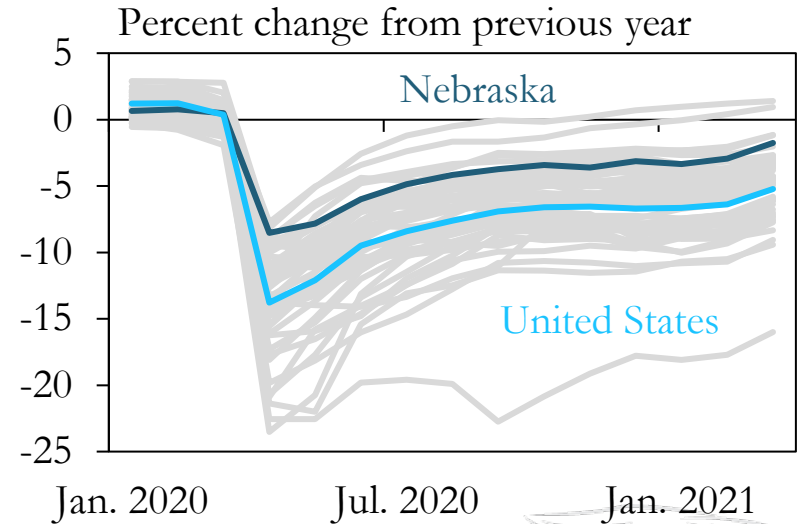


Unemployment remains elevated in some areas but has improved significantly from a year ago.

Unemployment Rates

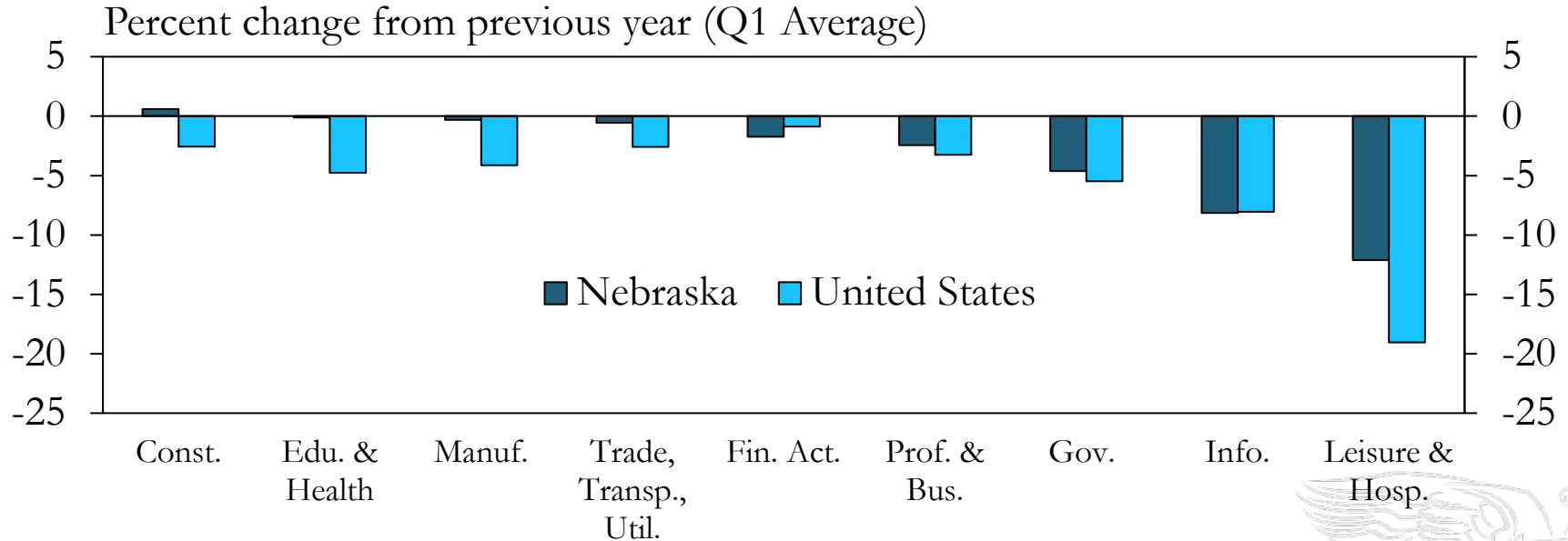


Job Growth



The pandemic has affected some industries much more significantly than others.

Employment Growth by Industry

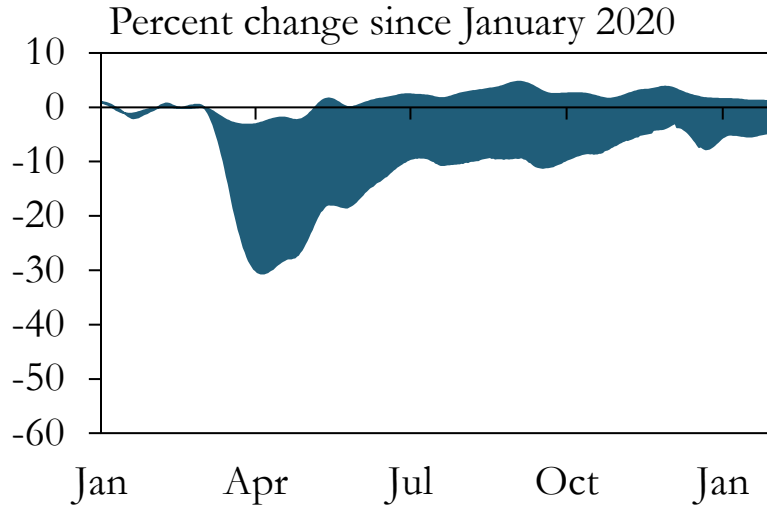


Source: BLS and Haver Analytics.

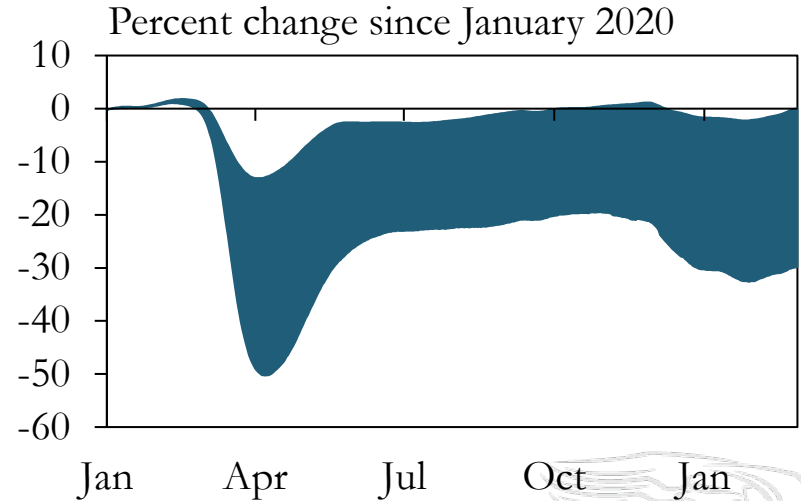


Economic disparities have also persisted between low-income and high-income households.

Gap in Employment between High- and Low-Income Workers, Nebraska

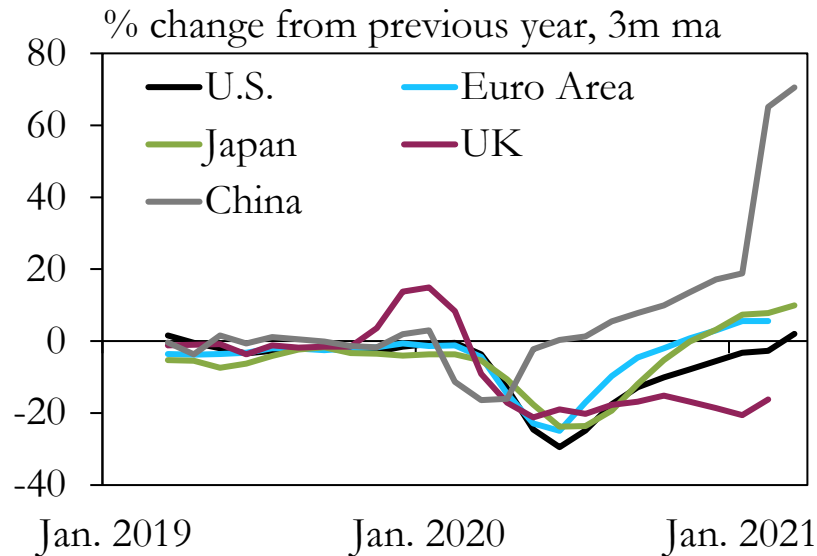


Gap in Employment between High- and Low-Income Workers, United States

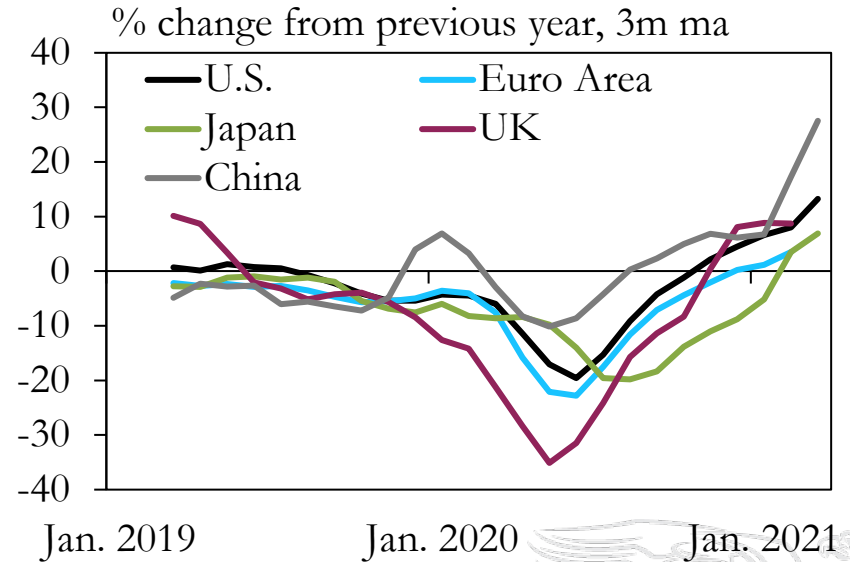


Despite variation across countries, global trade has picked up after a sharp decline a year ago.

Exports



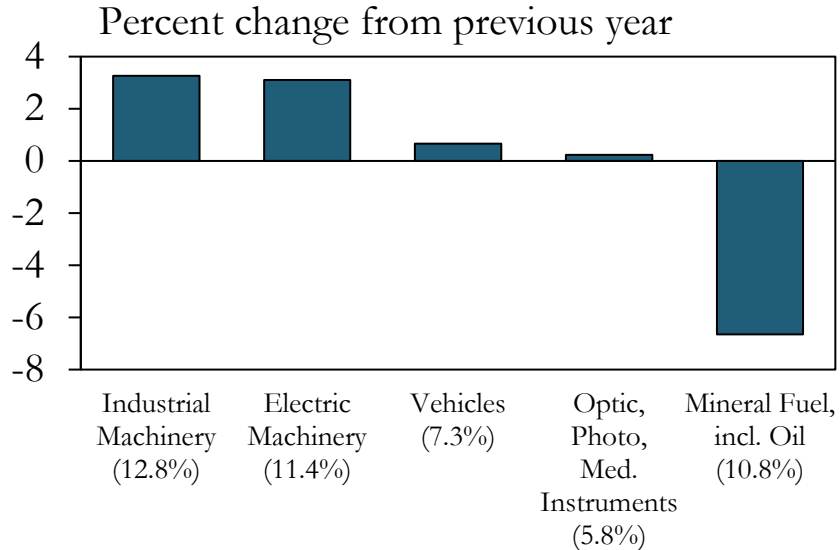
Imports



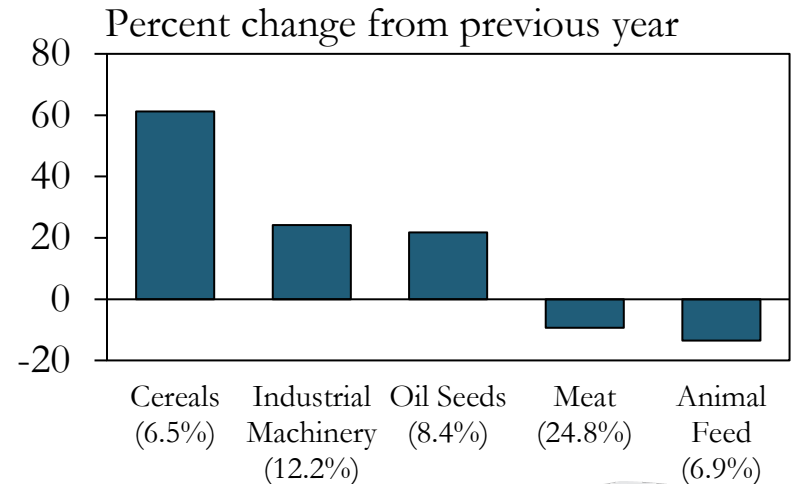
Sources: Census Bureau, Statistical Office of the European Communities, Ministry of Finance/Japan Tariff Association, Office of National Statistics, General Administration of Customs-China, and Haver Analytics.

Exports of several major product categories are higher than a year ago.

U.S. Exports – 2021 YTD (through March)



NE Exports – 2021 YTD (through March)



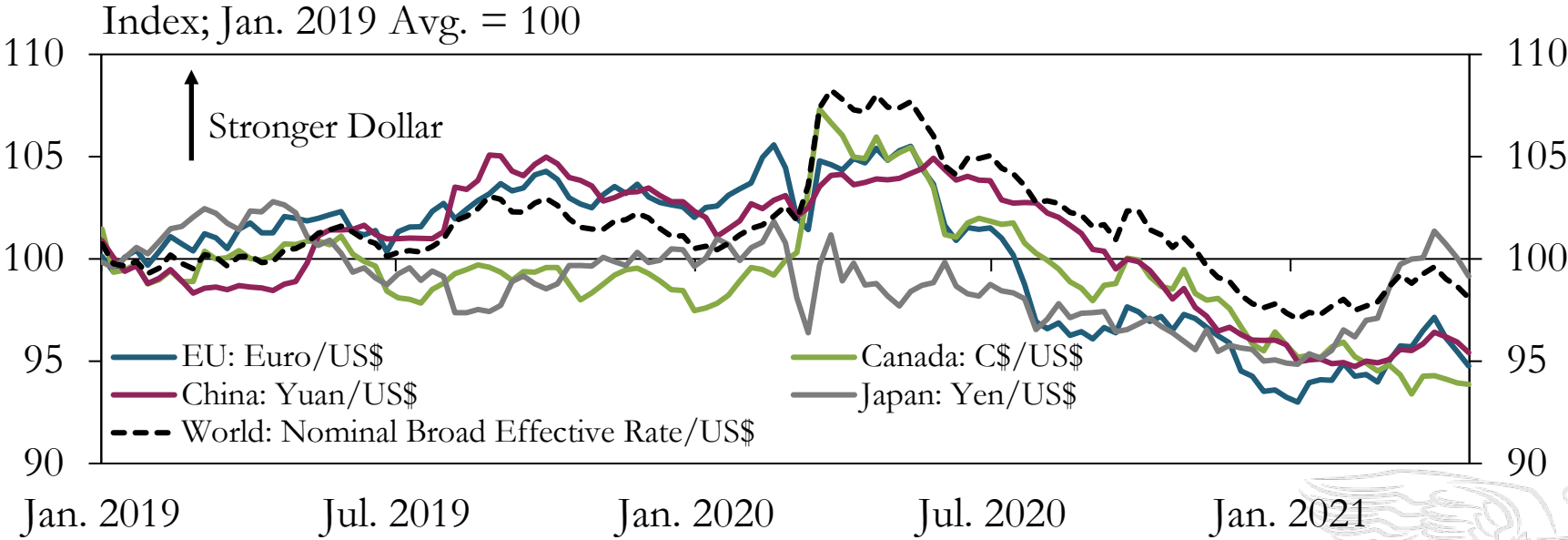
Note: Numbers in percentages represent share of total exports.

Sources: Wisser Trade.



The value of the U.S. dollar strengthened notably in the early weeks of the pandemic but has since retreated.

Exchange Rates

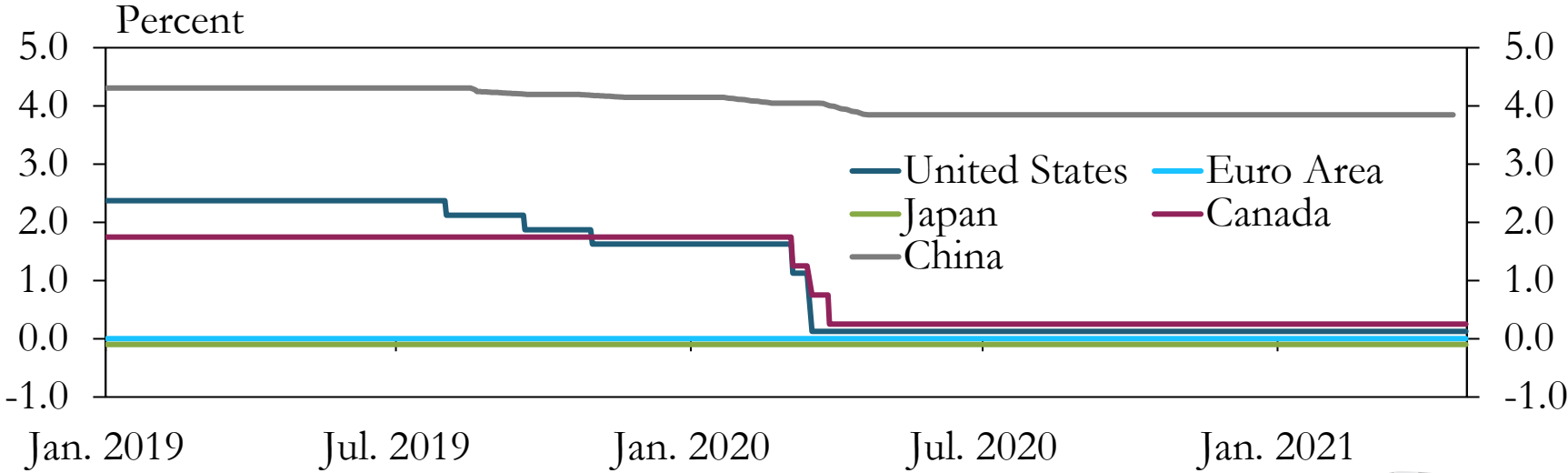


Sources: *Wall Street Journal*, JP Morgan, Haver Analytics.



Globally, central banks have sought to provide stimulus in a variety of ways.

Primary Interest Rates



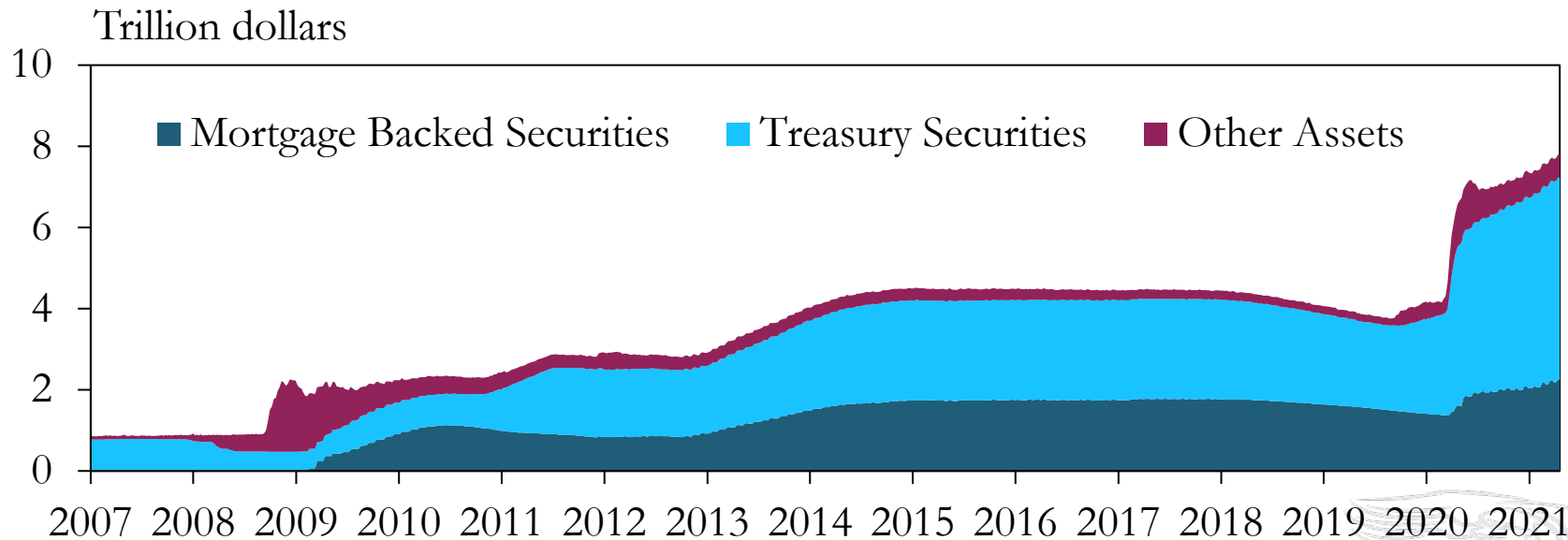
Note: Rates shown – US: Effective Federal Funds Rate; Euro Area: Main Refinancing Operation on Effective Date; Japan: Policy-Rate Balance Rate; Canada: Target Rate; China: 1-year loan prime rate.

Sources: Federal Reserve Bank of New York, European Central Bank, Bank of Japan, Bank of Canada, Bank for International Settlements, Haver Analytics.



In the U.S., the Federal Reserve has resumed asset purchases to provide additional accommodation.

Federal Reserve Balance Sheet



Source: Board of Governors and Federal Reserve Bank of St. Louis.



Governments across the world have provided far-reaching support to households over the past year.

United States:

- CARES Act: 2.3 trillion dollars
- CRRSA: 868 billion dollars
- American Rescue Plan: 1.8 trillion dollars

United Kingdom:

- Initial Stimulus: 330 billion pounds
- Additional Job Protection, Eat Out to Help Out, etc.: 30 Billion pounds
- Winter Economic Plan: 15 billion pounds
- Additional Stimulus: 59 billion pounds

European Commission:

- State Aid Temporary Framework: 1.9 trillion euro
- SURE Program: 75.5 billion euro (disbursed to date)

Japan:

- Emergency Economic Package Against COVID-19: 117.1 trillion yen
- May 27 Stimulus: 117 trillion yen
- Comprehensive Economic Measures to Secure People's Lives and Livelihoods Toward Relief and Hope: 73.6 trillion yen

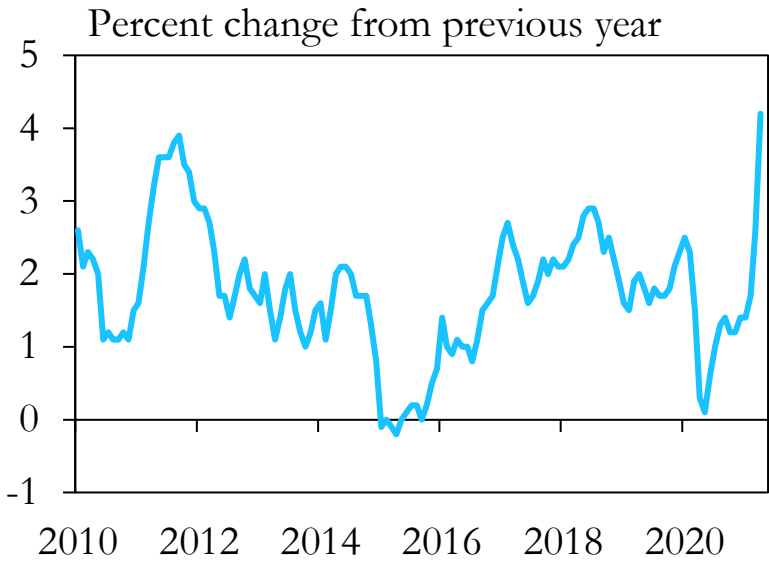
China:

- 4.2 trillion yuan disbursed throughout 2020

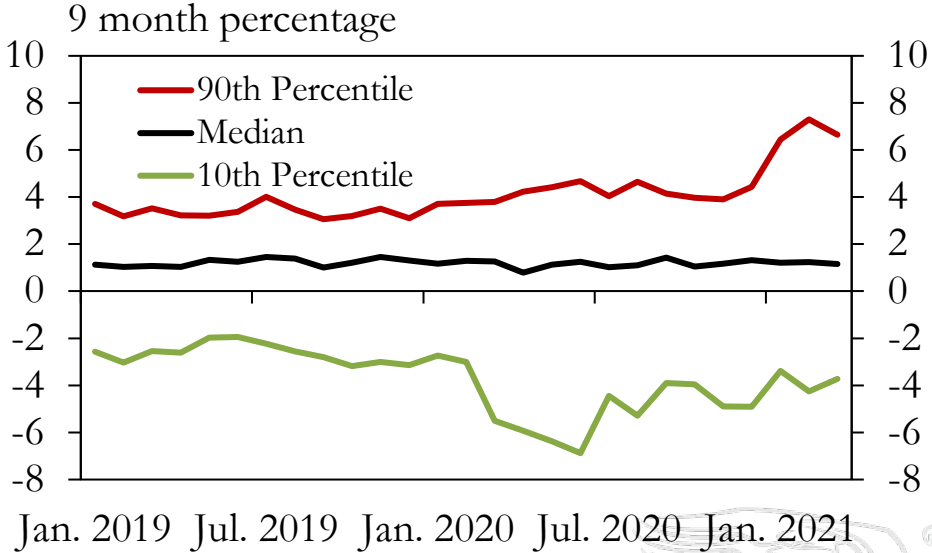


Inflation has picked up recently, and the prices of some materials have increased sharply.

Inflation - CPI



Dispersion of Inflation Rate

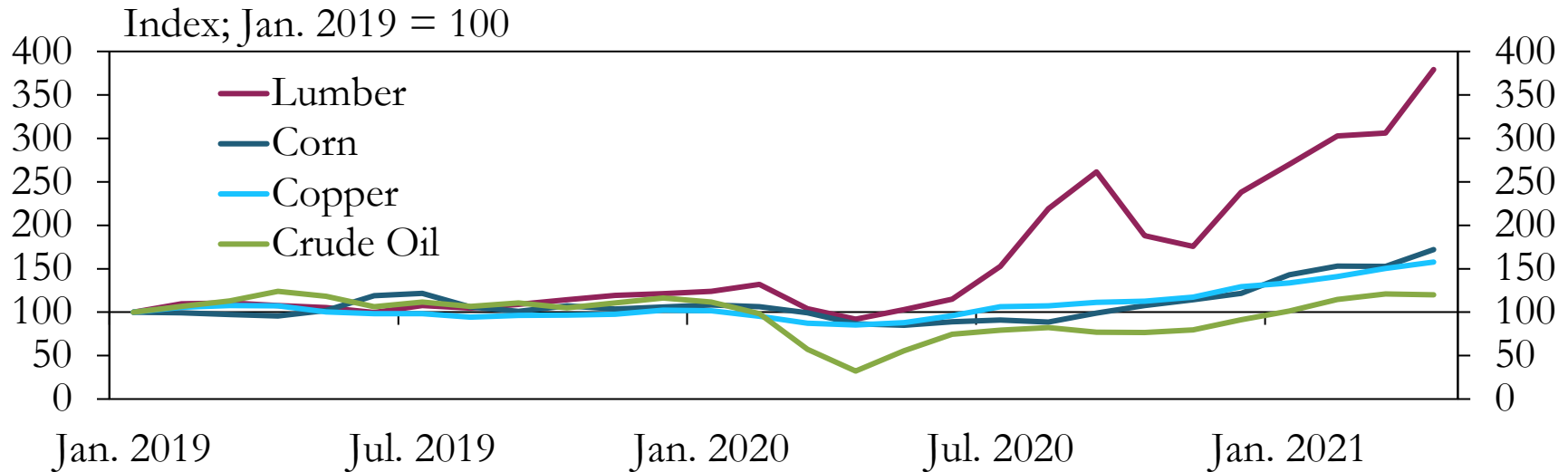


Source: BEA, Haver Analytics, and staff calculations.



The prices of several major commodities have also surged in recent months.

Commodity Prices

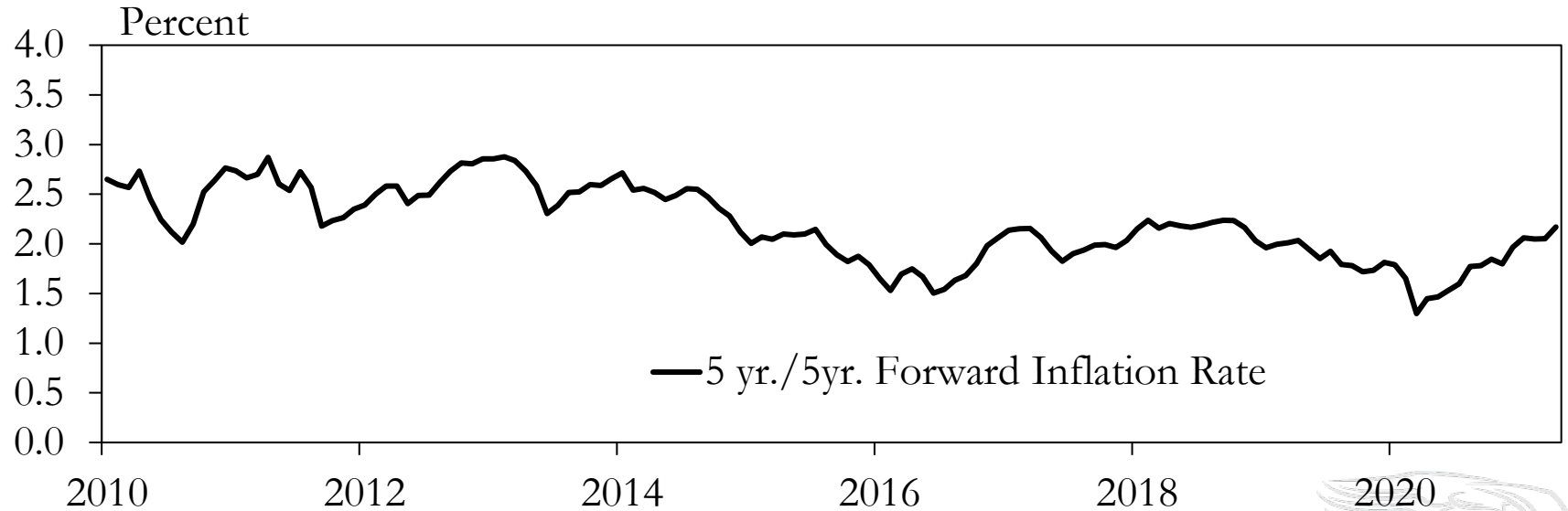


Source: *Wall Street Journal*, EIA, CME, Foundation for International Business & Economic Research, Haver Analytics.



Expectations of future inflation have increased modestly.

Inflation Expectations



Source: Federal Reserve Bank of St. Louis.



Concluding Thoughts

- Economic activity is positioned to increase further as economies worldwide continue to reopen.
- Some uncertainty remains, however, about the persistence of recent strength and sustainability if stimulus is scaled back.
- Recent inflationary pressures will be monitored closely.



