

MONETARY POLICY AND THE CURRENT ECONOMY

BANKING AND THE ECONOMY: A FORUM FOR MINORITIES IN BANKING

October 19th, 2021

Terry Fitzgerald

Vice President, Economic Analysis



FEDERAL RESERVE BANK
OF MINNEAPOLIS

DISCLAIMER

The views expressed are my own and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.

MINNEAPOLISFED.ORG

TODAY'S TALK

- The Fed's dual mandate: stable prices & maximum employment
- Is the economy near maximum employment?
- Will inflation return to 2 percent target in 2022?
- Q&A



THE CONGRESSIONAL MANDATE

The Federal Reserve Act mandates that the Federal Reserve conduct monetary policy “*so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.*”

Dual Mandate: maximum employment and price stability



THE CONGRESSIONAL MANDATE

What is
maximum
employment?



THE CONGRESSIONAL MANDATE

“Maximum employment is the highest level of employment or lowest level of unemployment that the economy can sustain while maintaining a stable inflation rate.”

—Board of Governors



PROMOTING STABLE PRICES AND MAXIMUM EMPLOYMENT

THE FEDERAL OPEN MARKET COMMITTEE (FOMC)



PROMOTING STABLE PRICES AND MAXIMUM EMPLOYMENT

THE FOMC TODAY



TODAY'S TALK

- The Fed's dual mandate: stable prices & maximum employment
- **Is the economy near maximum employment?**
- Will inflation return to 2 percent target in 2022?
- Q&A



PLEASE BE
PATIENT
WE ARE VERY
UNDERSTAFFED

THANK YOU!

Now Hiring

Cooks

Wait Staff

Bartenders

Apply NOW!

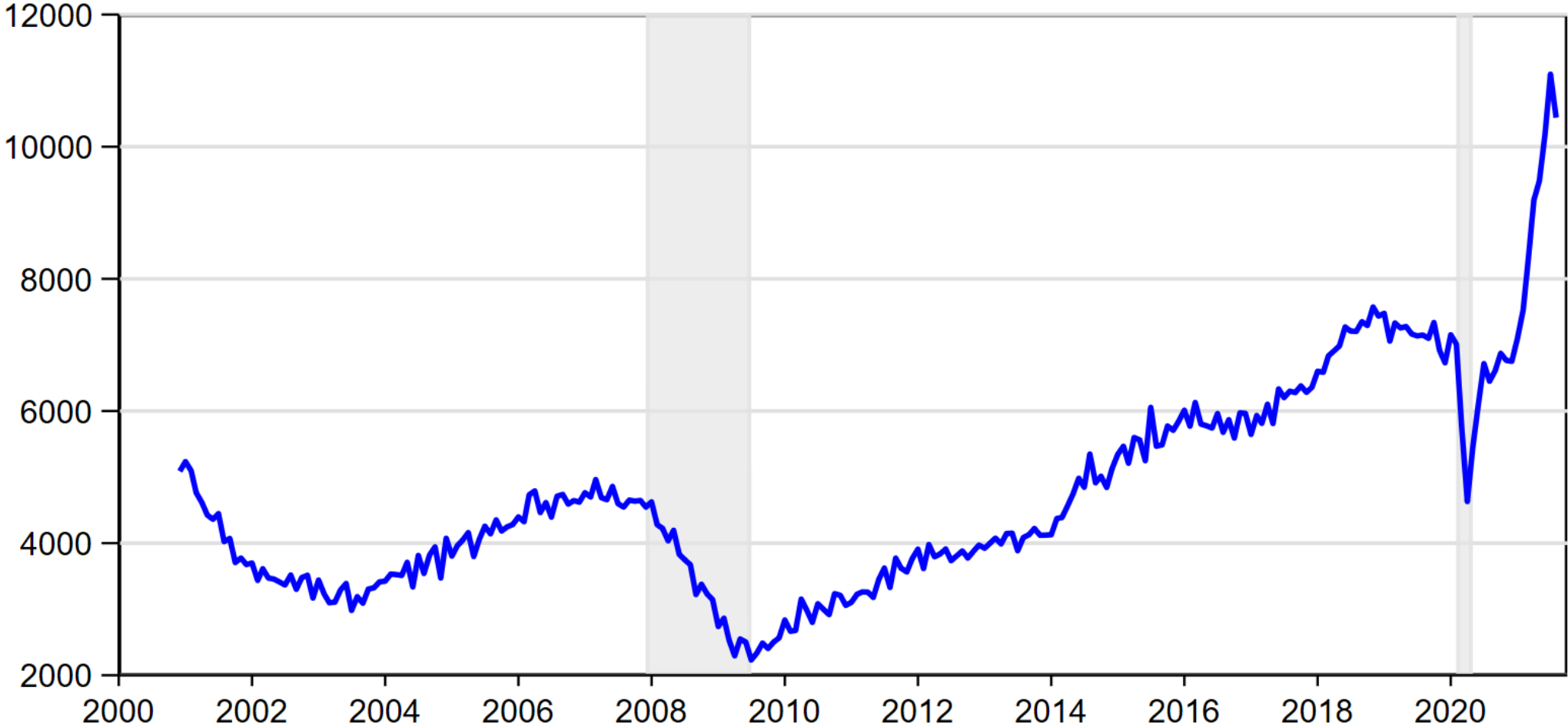
Ask Bartender for Application or call

CURRENT ECONOMY



JOB OPENINGS LEVEL

EOP, SA, THOUSANDS



Source: U.S. Bureau of Labor Statistics.

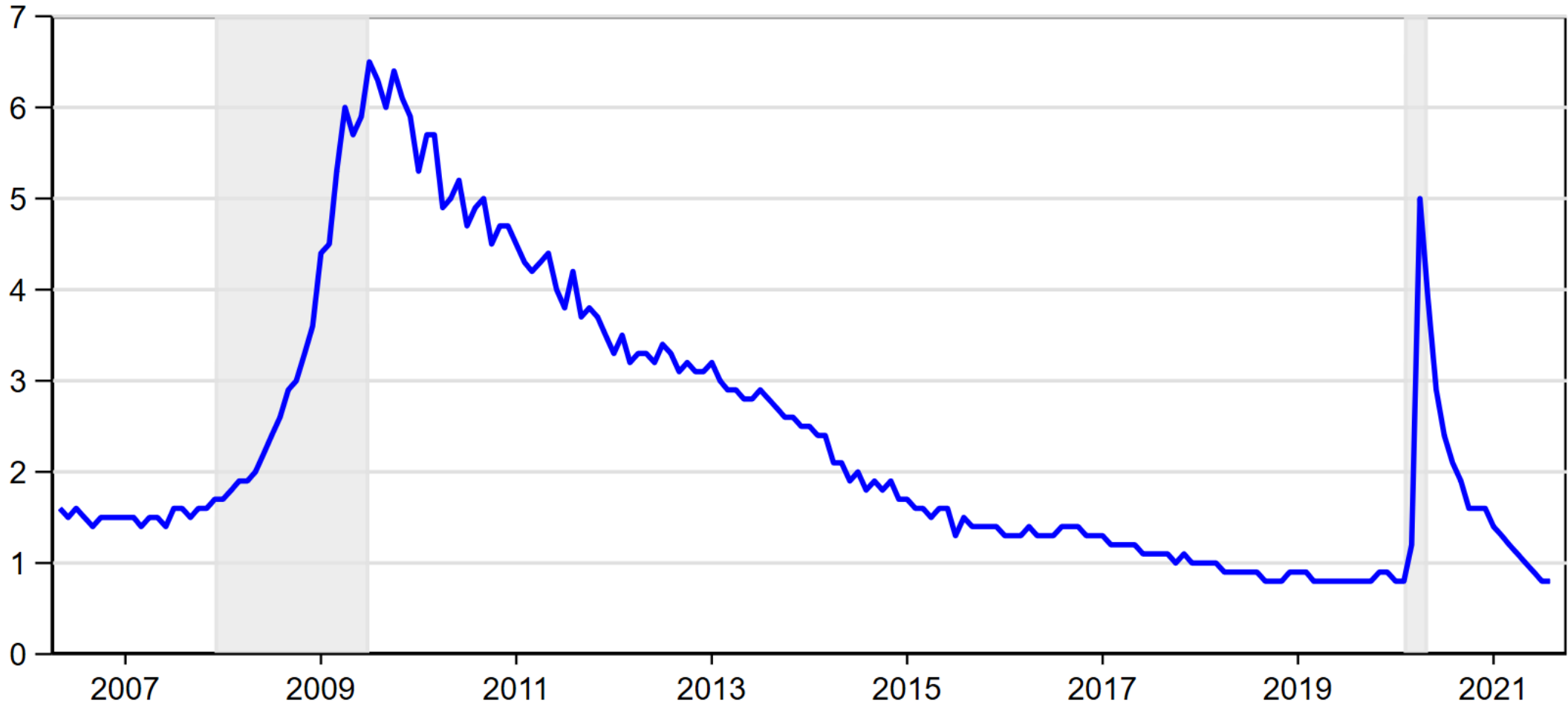


FEDERAL RESERVE BANK OF MINNEAPOLIS

CURRENT ECONOMY

UNEMPLOYED PERSONS PER JOB OPENING

SA, LEVELS



Source: U.S. Bureau of Labor Statistics.

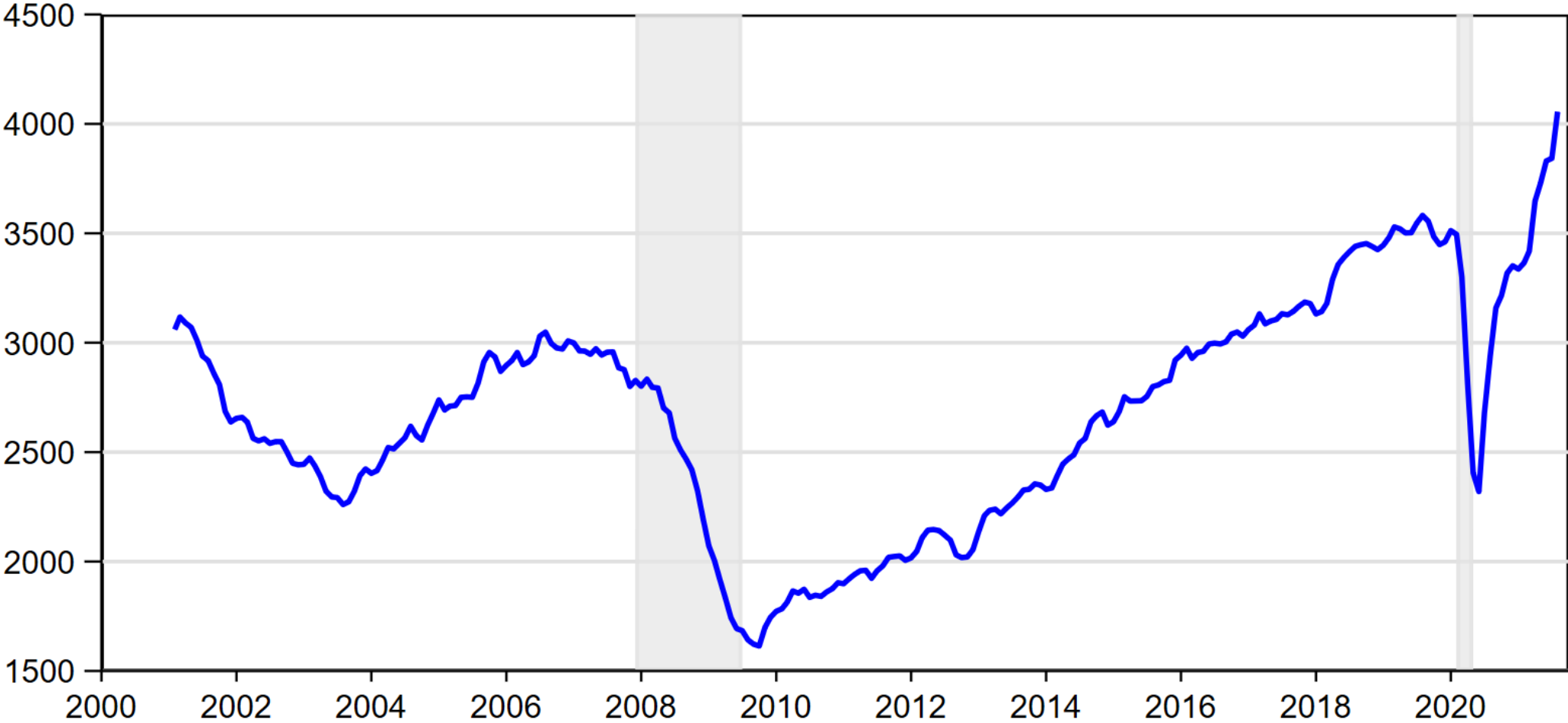


FEDERAL RESERVE BANK OF MINNEAPOLIS

CURRENT ECONOMY

TOTAL QUILTS

3-MONTH MOVING AVERAGE, SA, THOUSANDS

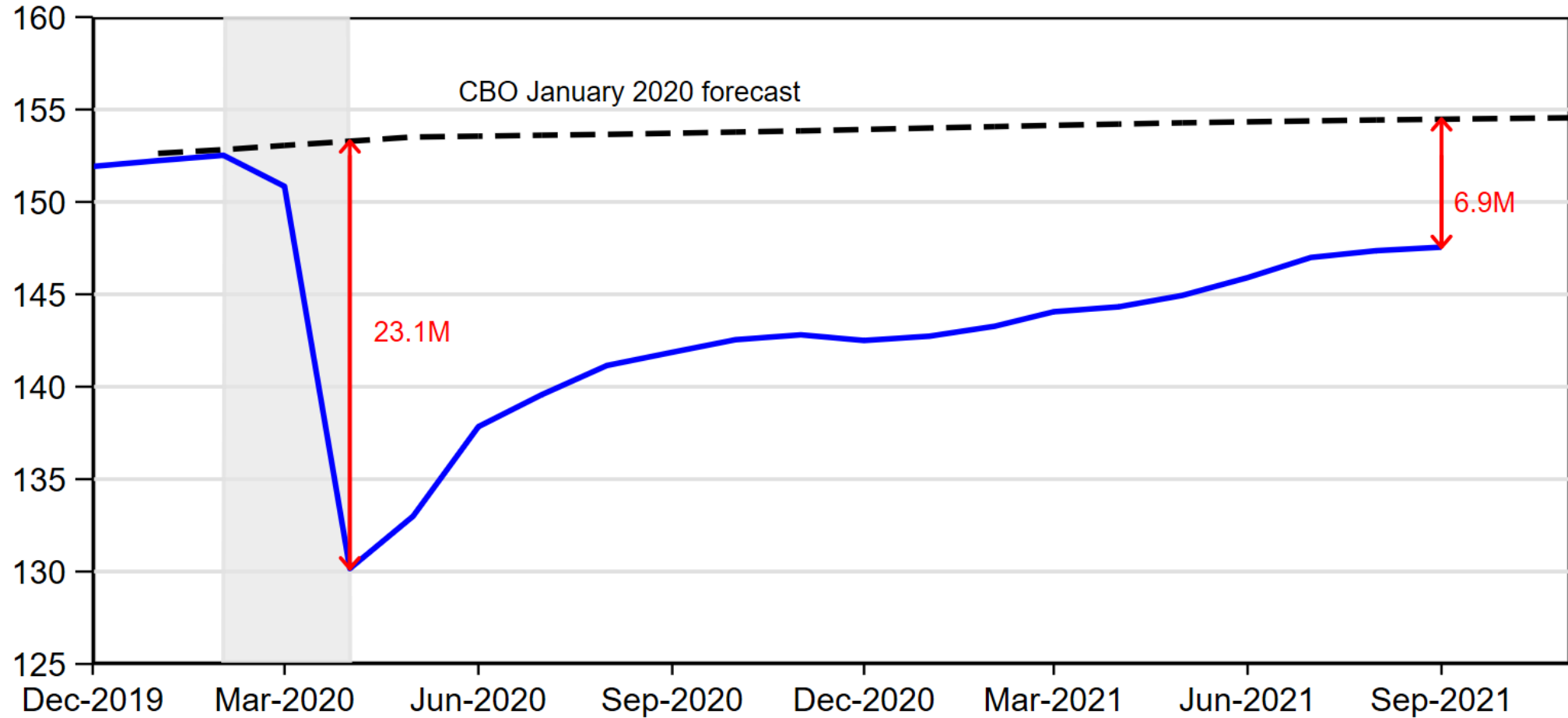


Source: U.S. Bureau of Labor Statistics.

CURRENT ECONOMY

NONFARM EMPLOYMENT

MILLIONS, LEVEL



Note: Dashed line represents CBO's projected nonfarm employment in January 2020.

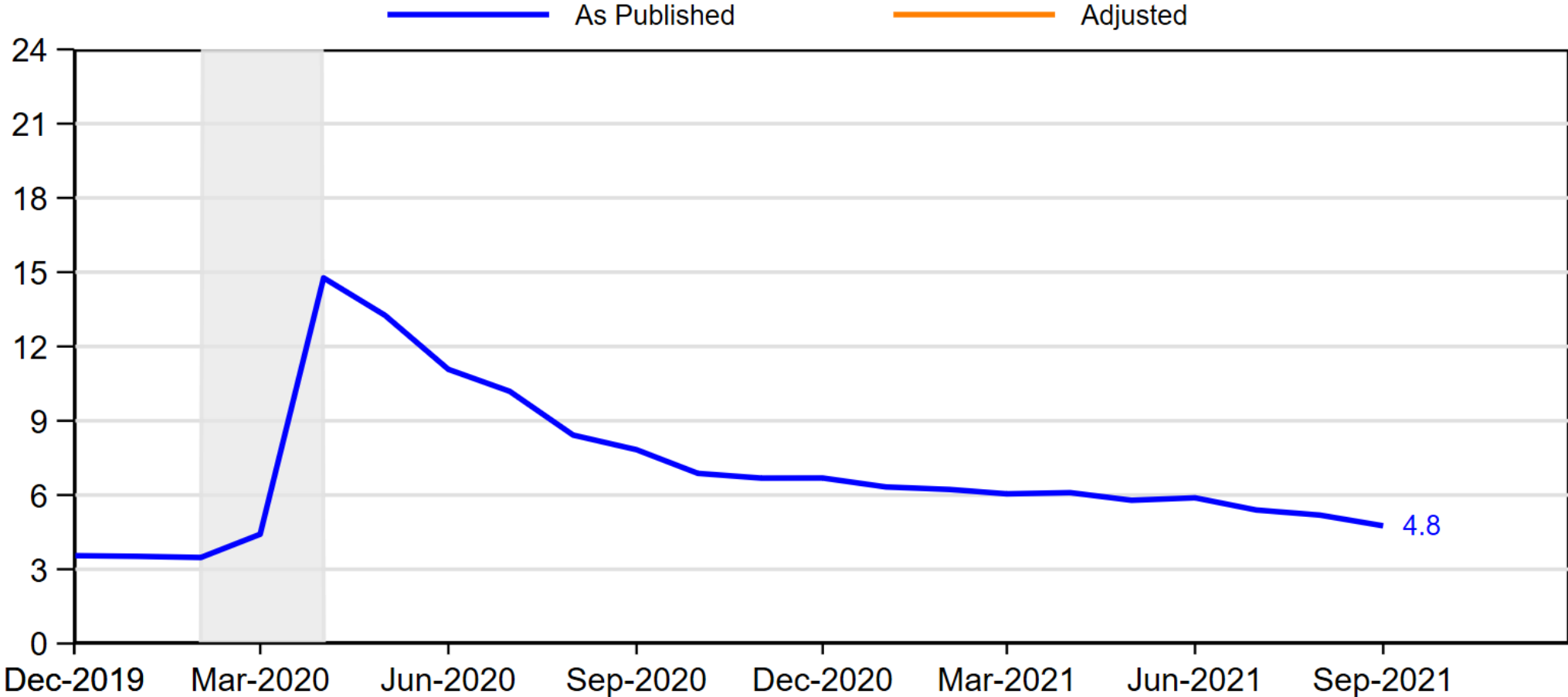
Source: U.S. Bureau of Labor Statistics, Congressional Budget Office.



FEDERAL RESERVE BANK OF MINNEAPOLIS

CURRENT ECONOMY

UNEMPLOYMENT RATE PERCENT



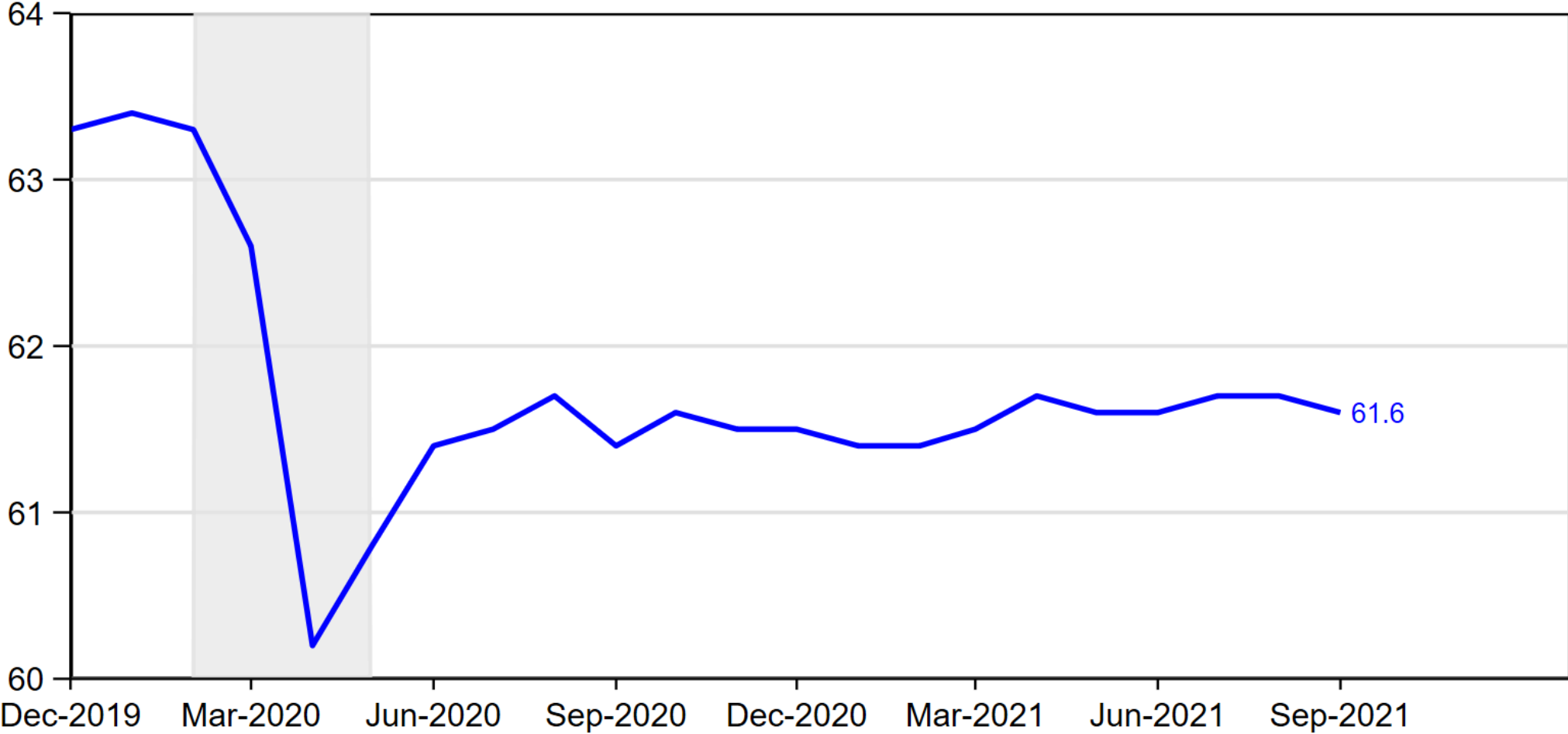
Source: U.S. Bureau of Labor Statistics.



CURRENT ECONOMY

PARTICIPATION RATE (16+)

PERCENT

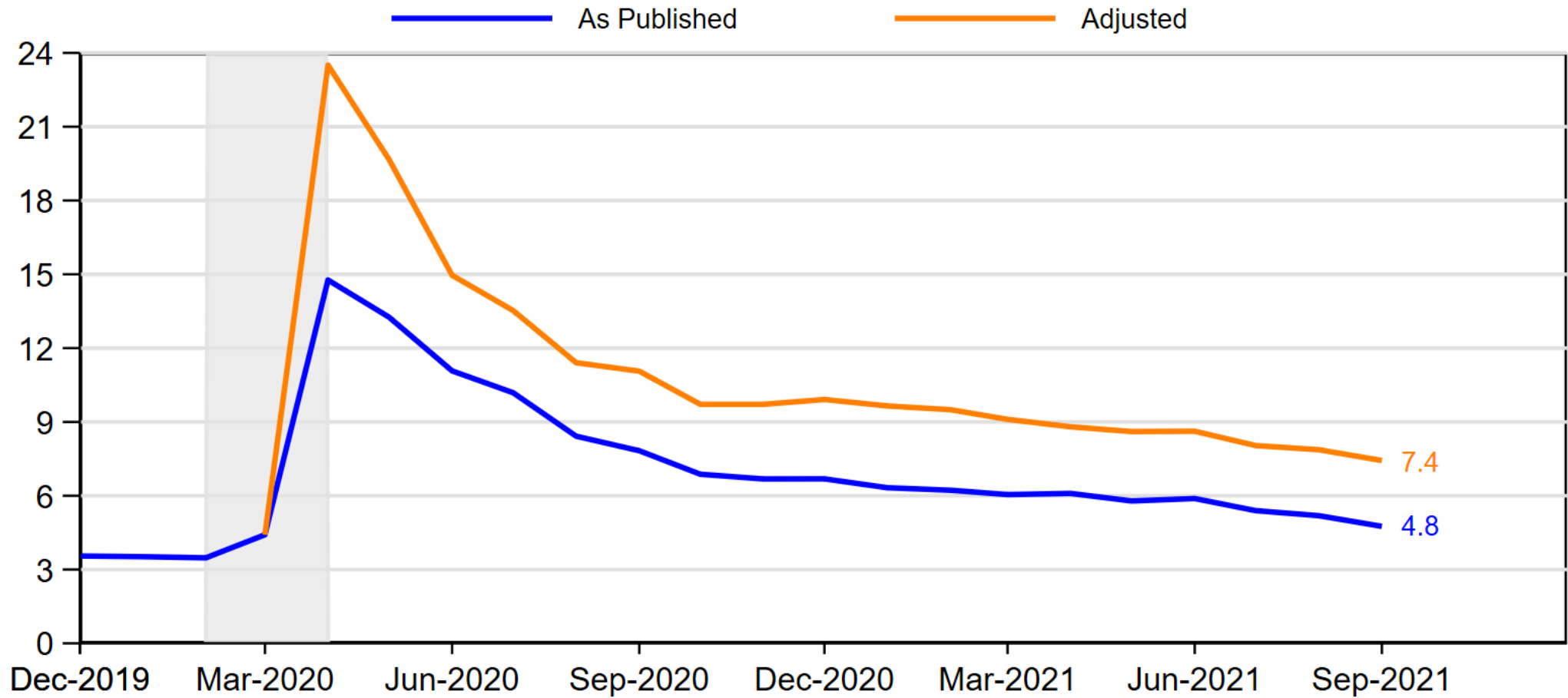


Source: U.S. Bureau of Labor Statistics.



CURRENT ECONOMY

UNEMPLOYMENT RATE PERCENT



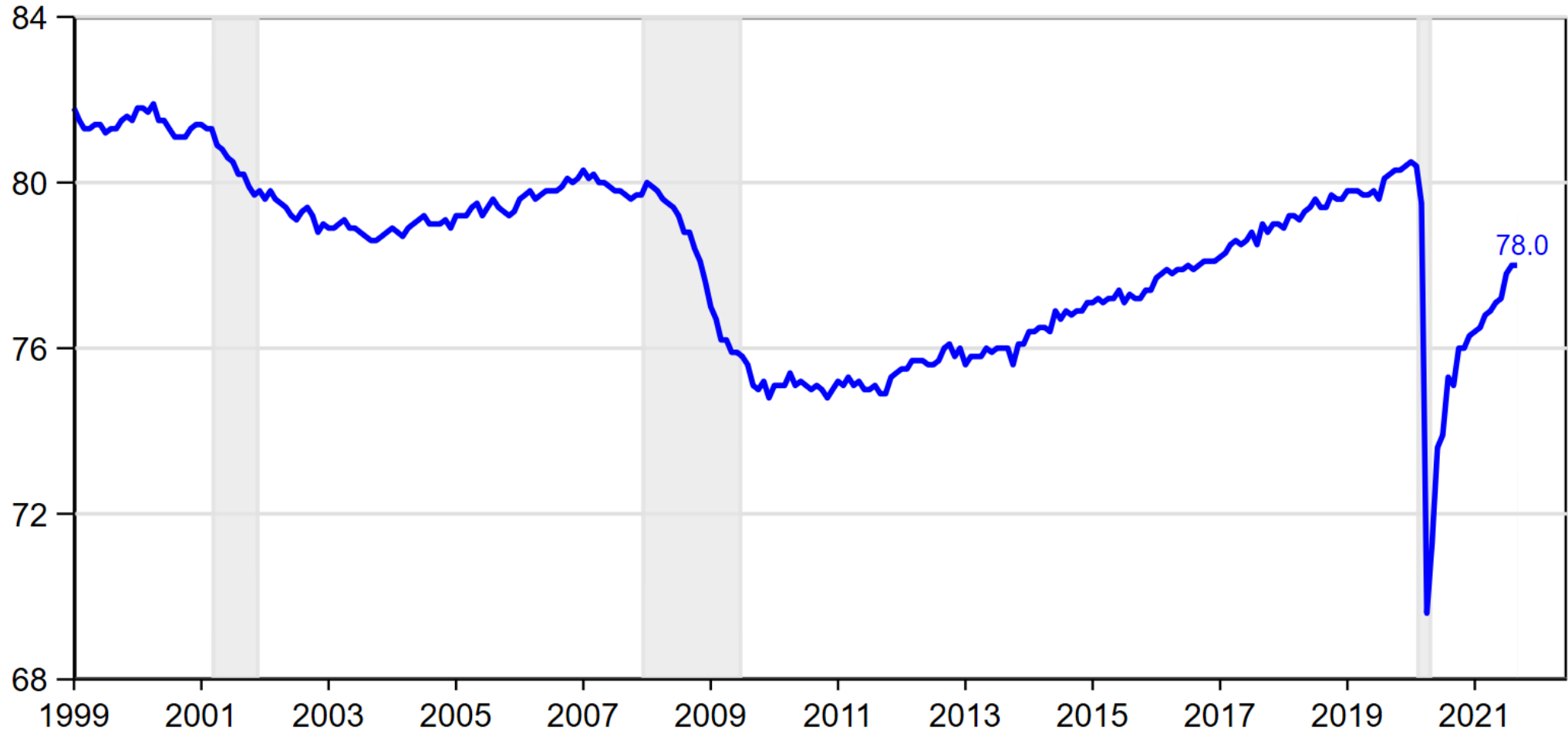
Source: U.S. Bureau of Labor Statistics.



CURRENT ECONOMY

EMPLOYMENT-POPULATION RATIO

PERCENT, 25-54



Source: U.S. Bureau of Labor Statistics.

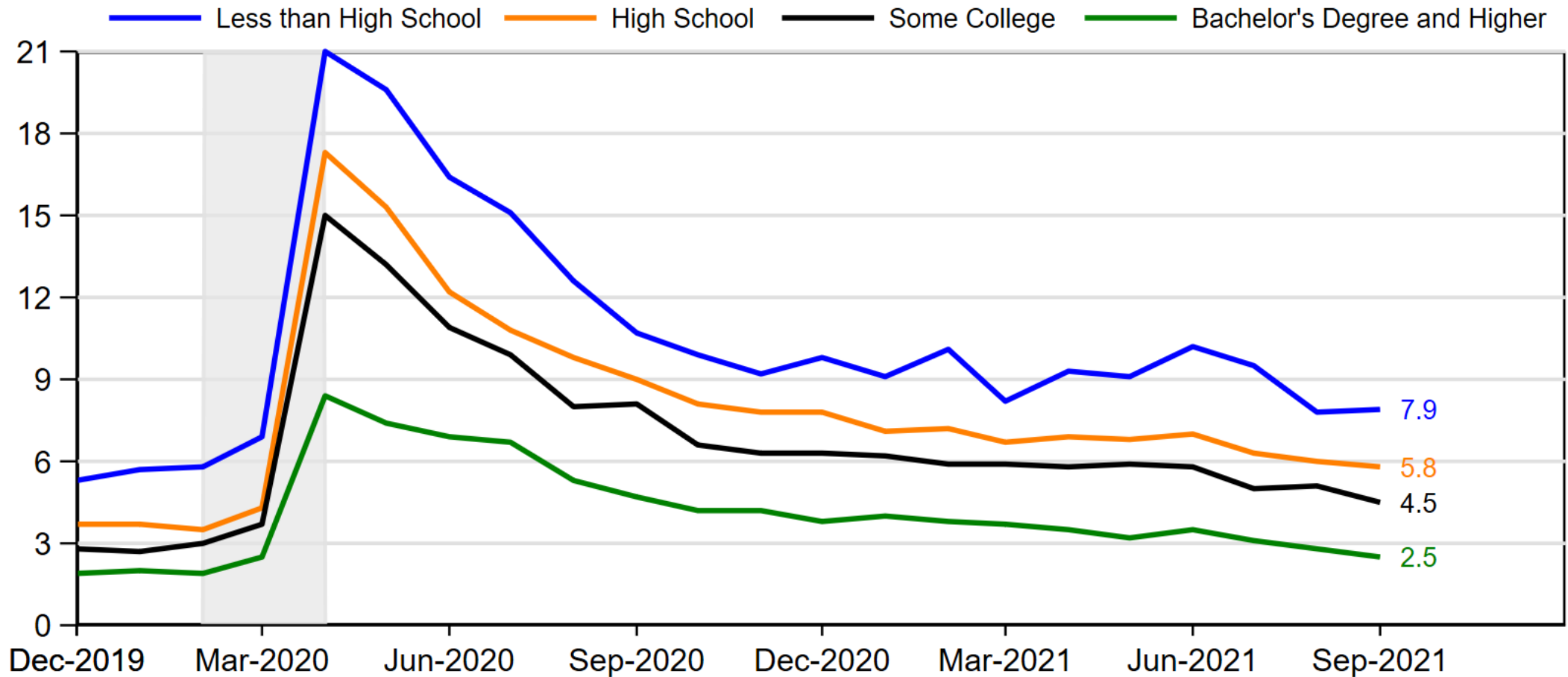


FEDERAL RESERVE BANK OF MINNEAPOLIS

CURRENT ECONOMY

UNEMPLOYMENT RATE BY EDUCATION

PERCENT, 25+



Source: U.S. Bureau of Labor Statistics.

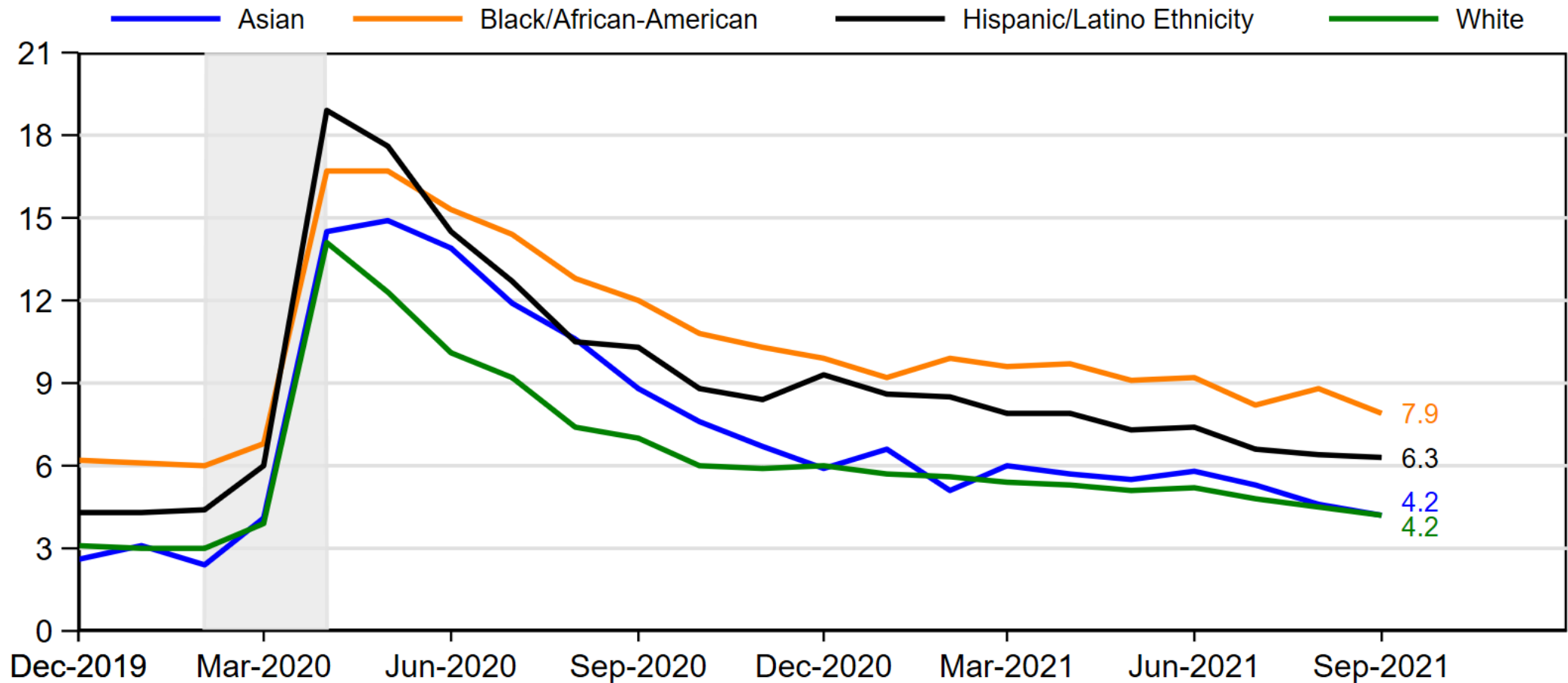


FEDERAL RESERVE BANK OF MINNEAPOLIS

CURRENT ECONOMY

UNEMPLOYMENT RATE BY RACE/ETHNICITY

PERCENT, 16+



Source: U.S. Bureau of Labor Statistics.

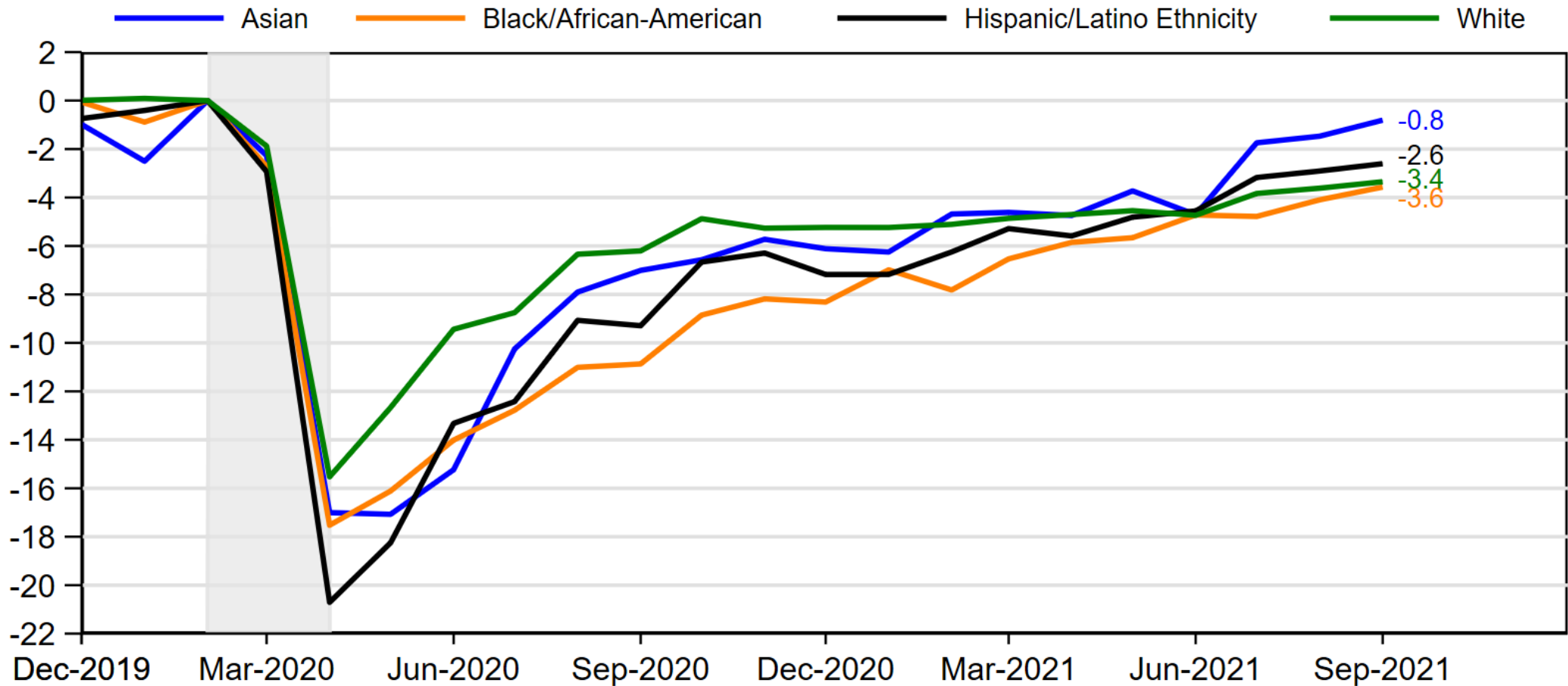


FEDERAL RESERVE BANK OF MINNEAPOLIS

CURRENT ECONOMY

EMPLOYMENT BY RACE/ETHNICITY

PERCENT CHANGE SINCE FEB 2020, 16+



Source: U.S. Bureau of Labor Statistics.

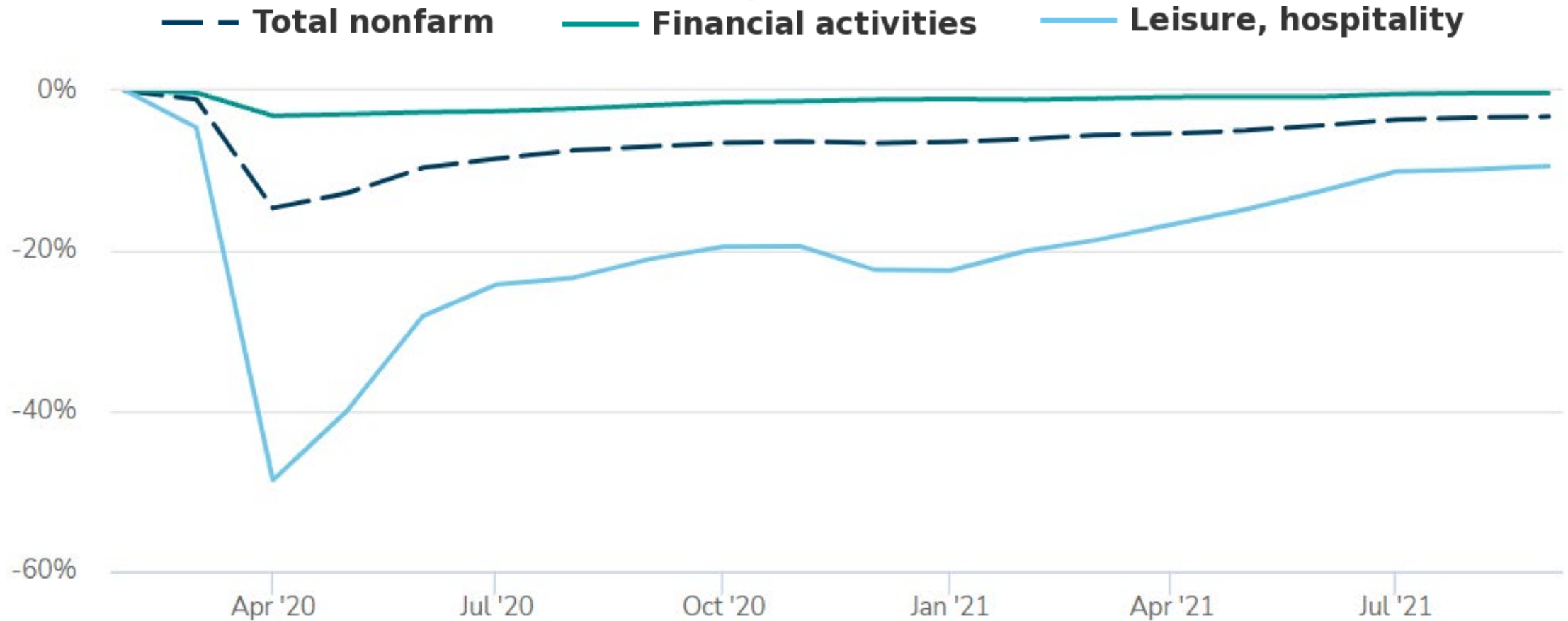


FEDERAL RESERVE BANK OF MINNEAPOLIS

CURRENT ECONOMY

CHANGE IN US EMPLOYMENT BY INDUSTRY: 2020 RECESSION

SA, PERCENT CHANGE



Source: U.S. Bureau of Labor Statistics.



FEDERAL RESERVE BANK OF MINNEAPOLIS

INCREASING LABOR DEMAND OUTPACING RETURN OF LABOR SUPPLY

Unprecedented reopening is rapidly increasing labor demand

Labor supply is still constrained by fears, caregiving, benefits, restructuring, retirements. . . .

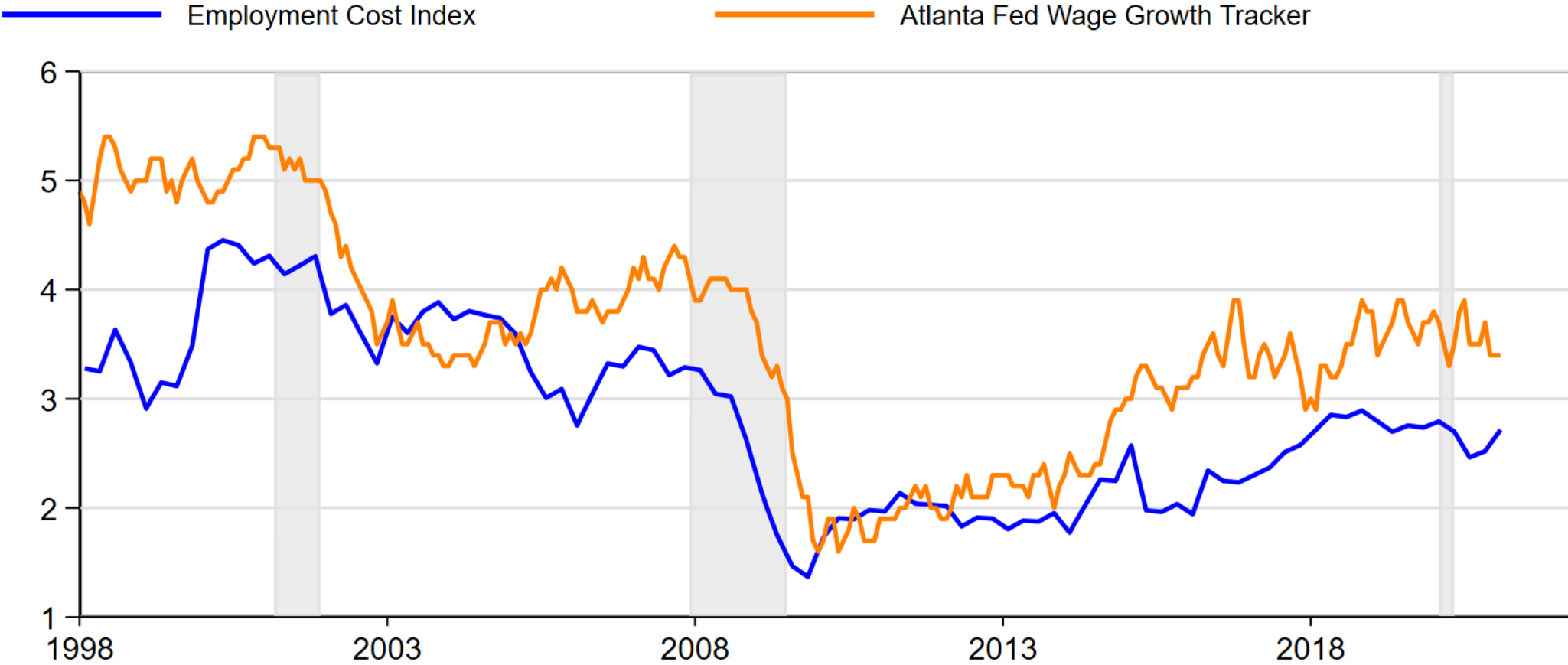
Supply constraints expected to gradually ease over the next year

Delta variant delaying return of workers



LABOR COSTS

12-MONTH OR FOUR-QUARTER PERCENT CHANGE

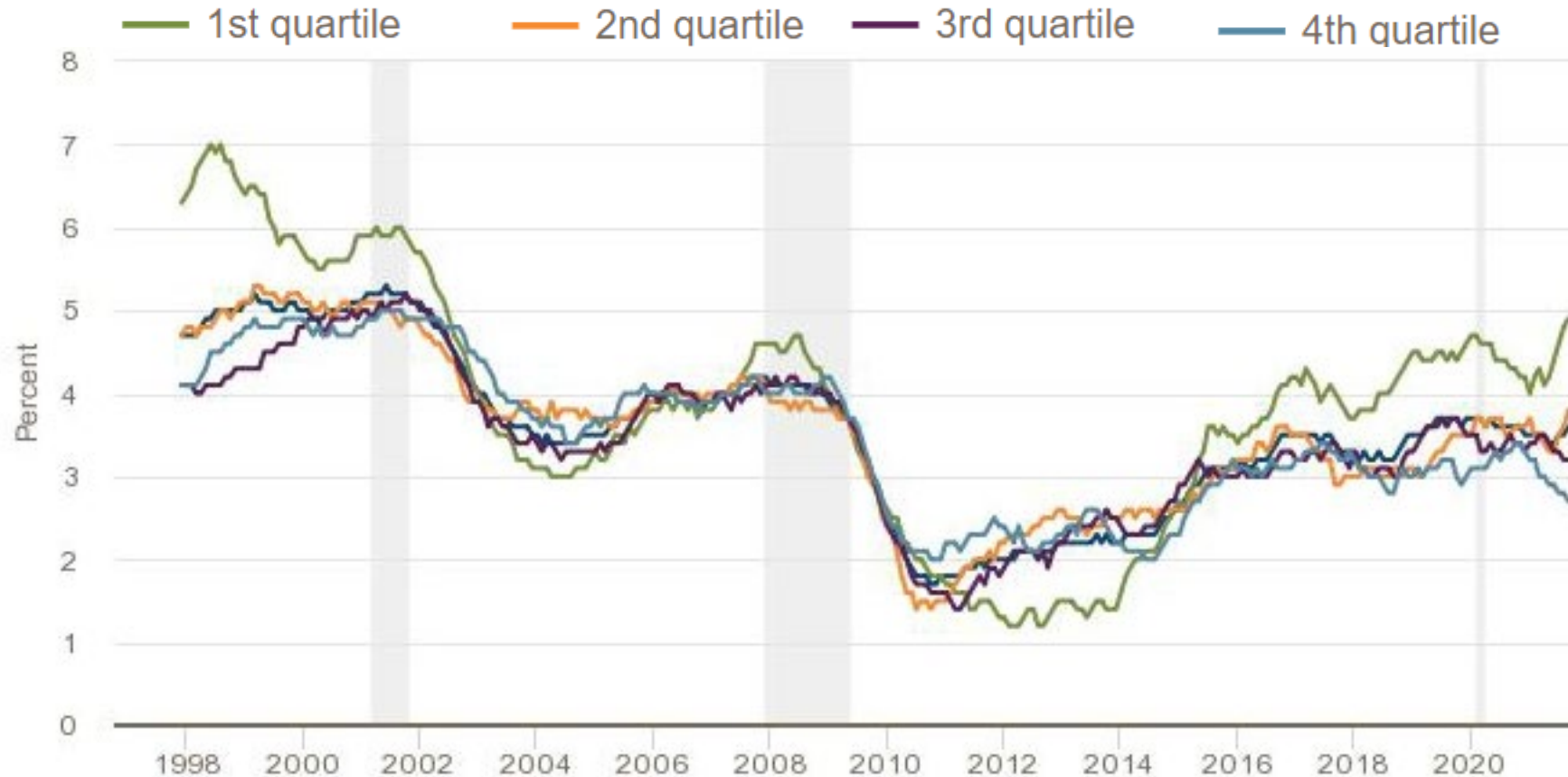


Source: U.S. Bureau of Labor Statistics, Federal Reserve Bank of Atlanta.

CURRENT ECONOMY

WAGE GROWTH TRACKER BY WAGE LEVEL

PERCENT, 12-MONTH MOVING AVERAGE OF MEDIAN WAGE GROWTH (HOURLY DATA)



Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations

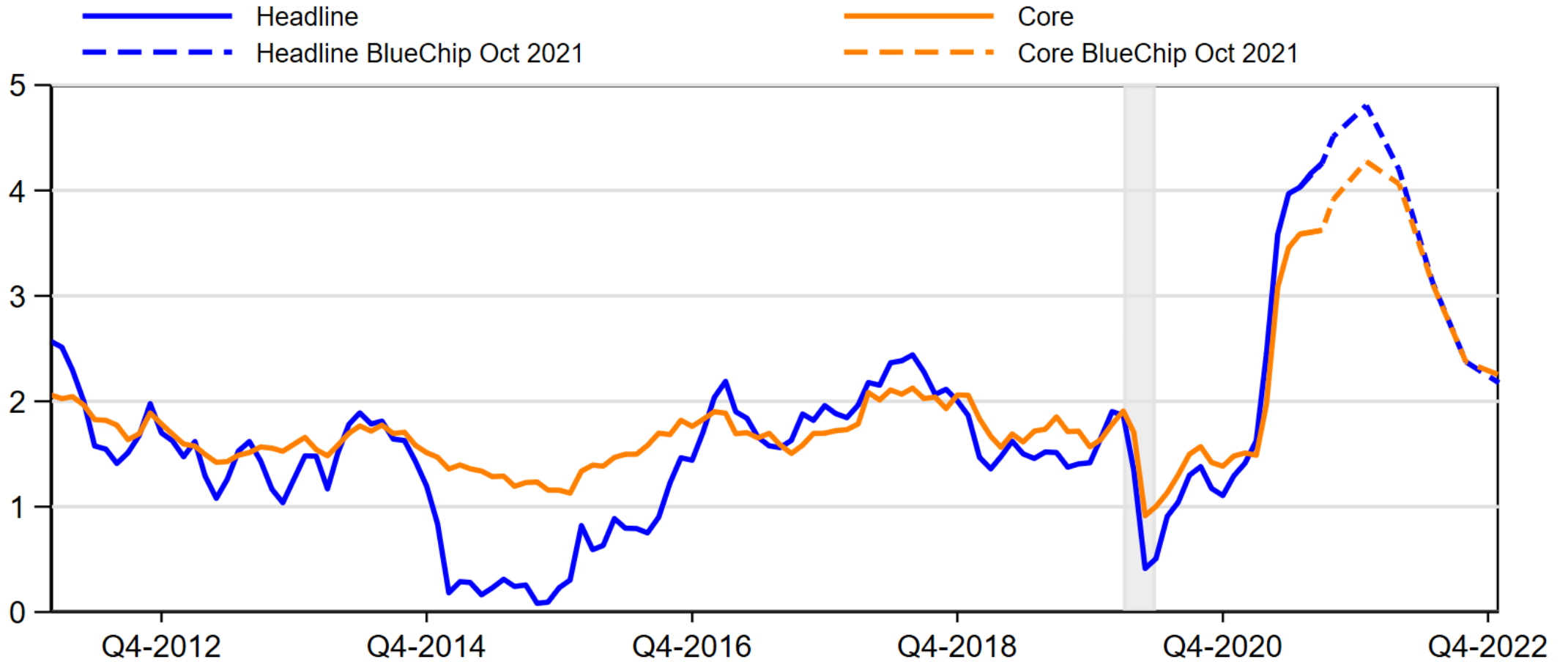
TODAY'S TALK

- The Fed's dual mandate: stable prices & maximum employment
- Is the economy near maximum employment?
- **Will inflation return to 2 percent target in 2022?**
- Q&A



PCE INFLATION

12-MONTH PERCENT CHANGE OR Q4/Q4 PERCENT CHANGE



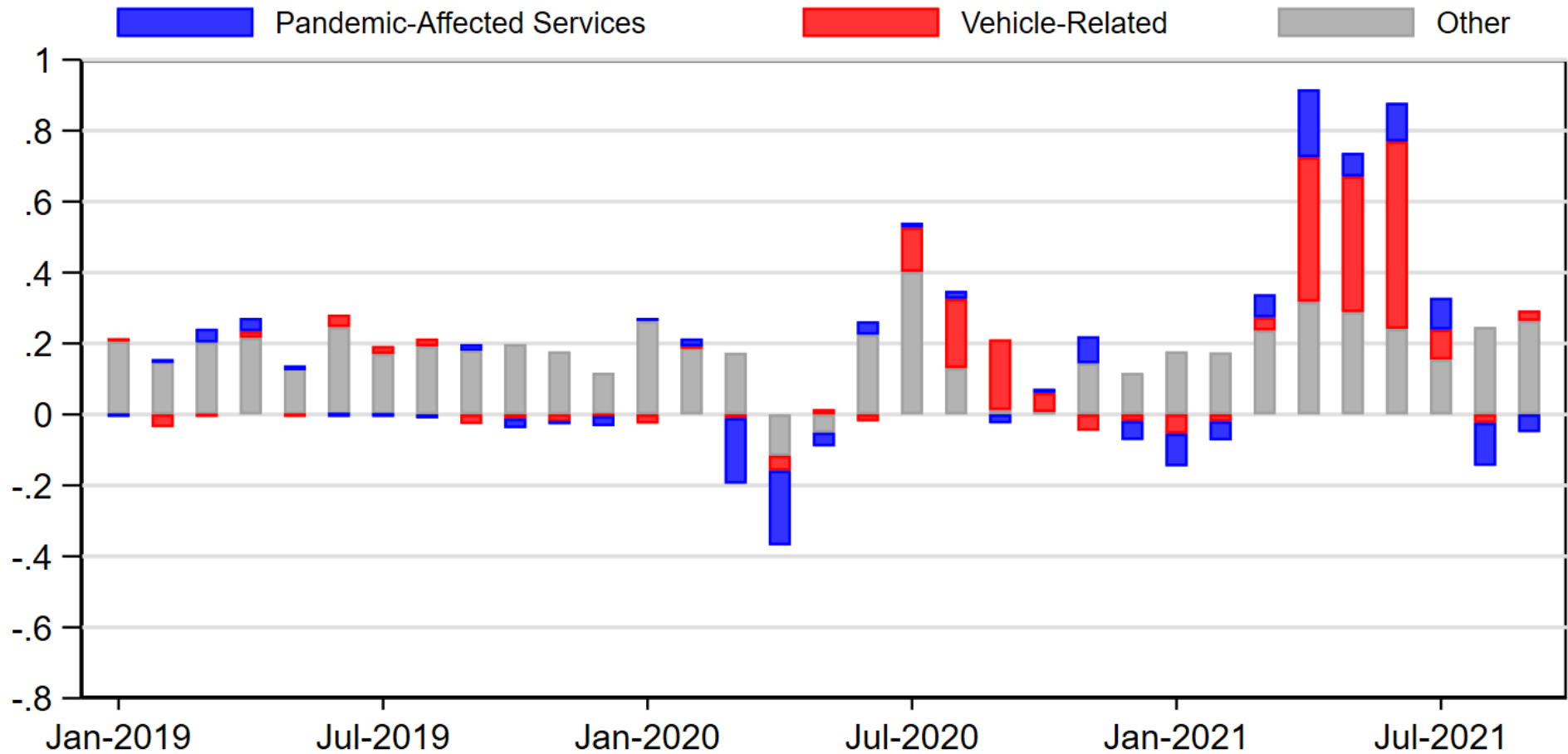
Source: U.S. Bureau of Economic Analysis, BlueChip.



CURRENT ECONOMY

CONTRIBUTIONS TO CORE CPI INFLATION

PERCENTAGE POINTS, MONTHLY RATE

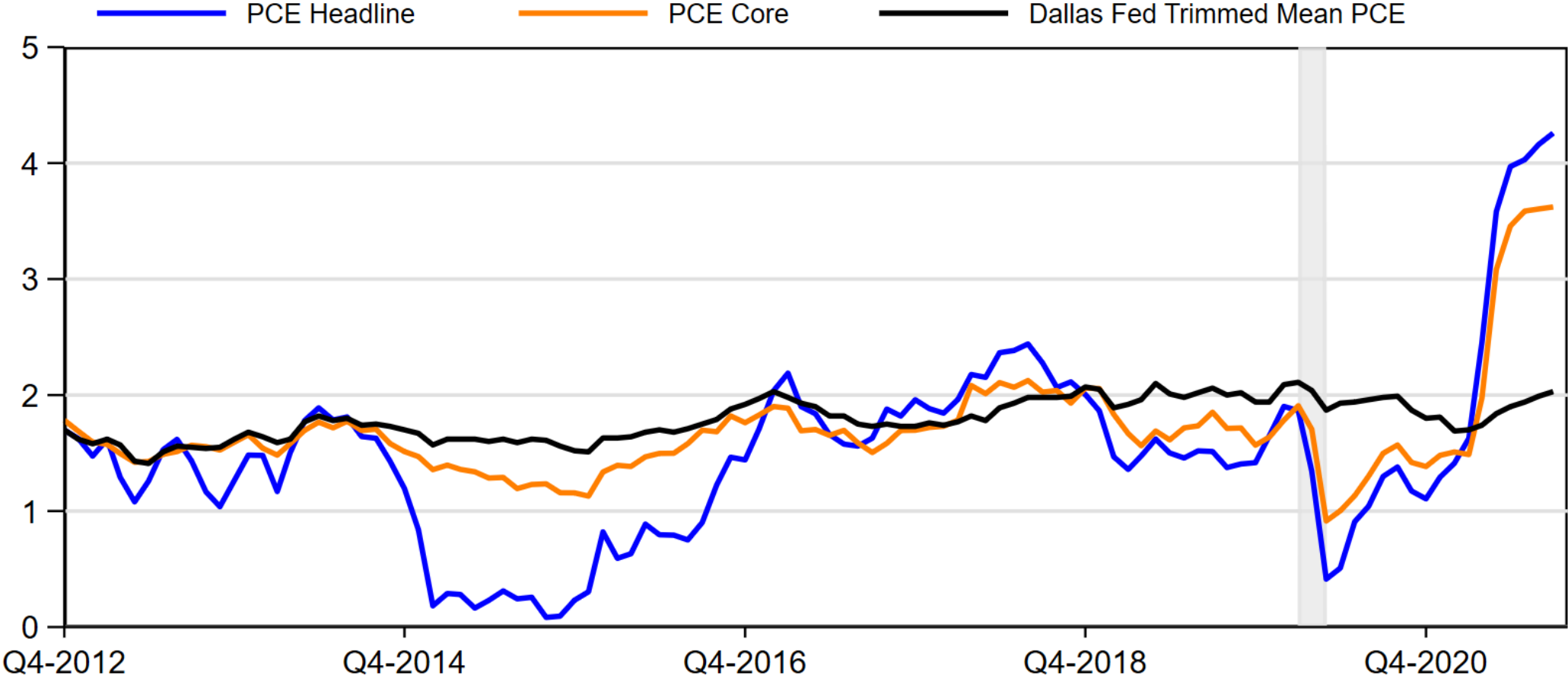


Source: U.S. Bureau of Labor Statistics.



INFLATION

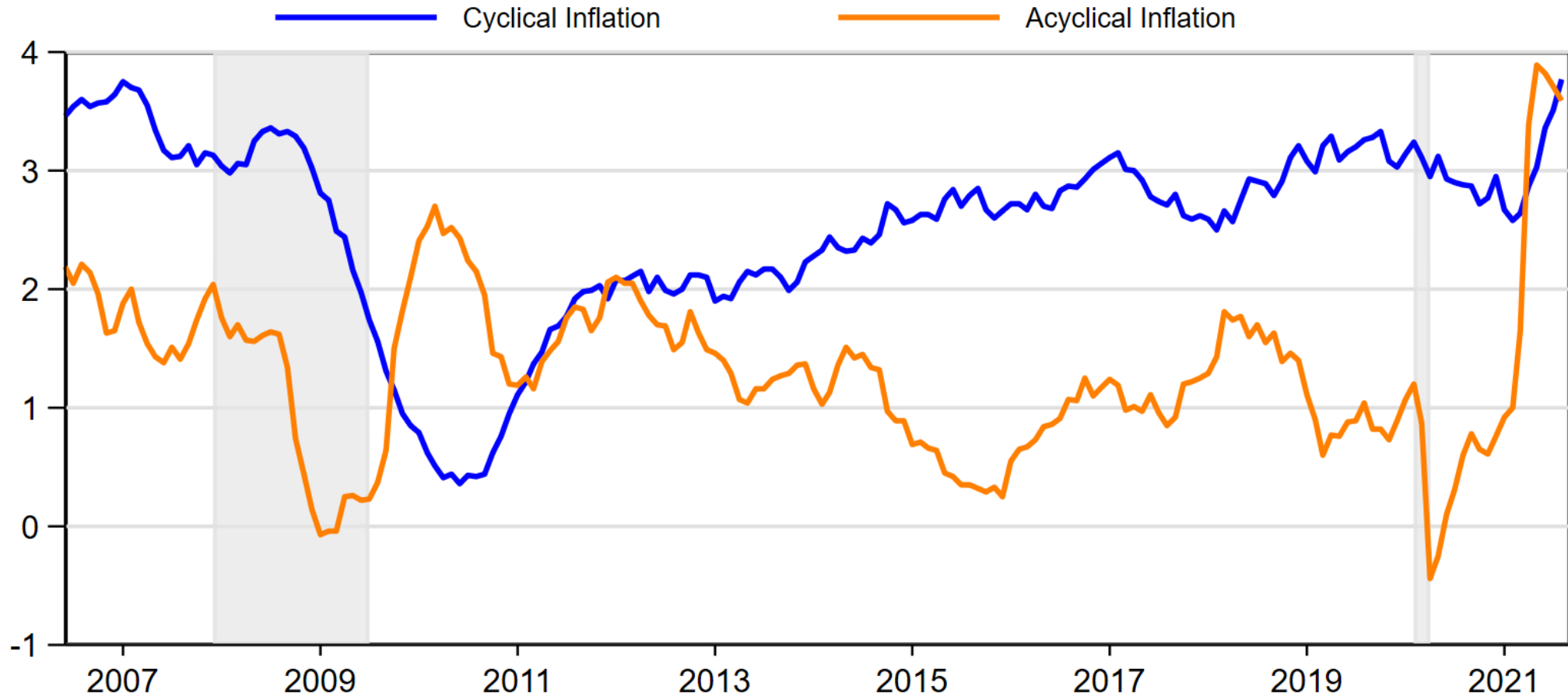
12-MONTH PERCENT CHANGE



Source: U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Federal Reserve Bank of Dallas.

CURRENT ECONOMY

CONTRIBUTIONS TO CORE PCE INFLATION PERCENT



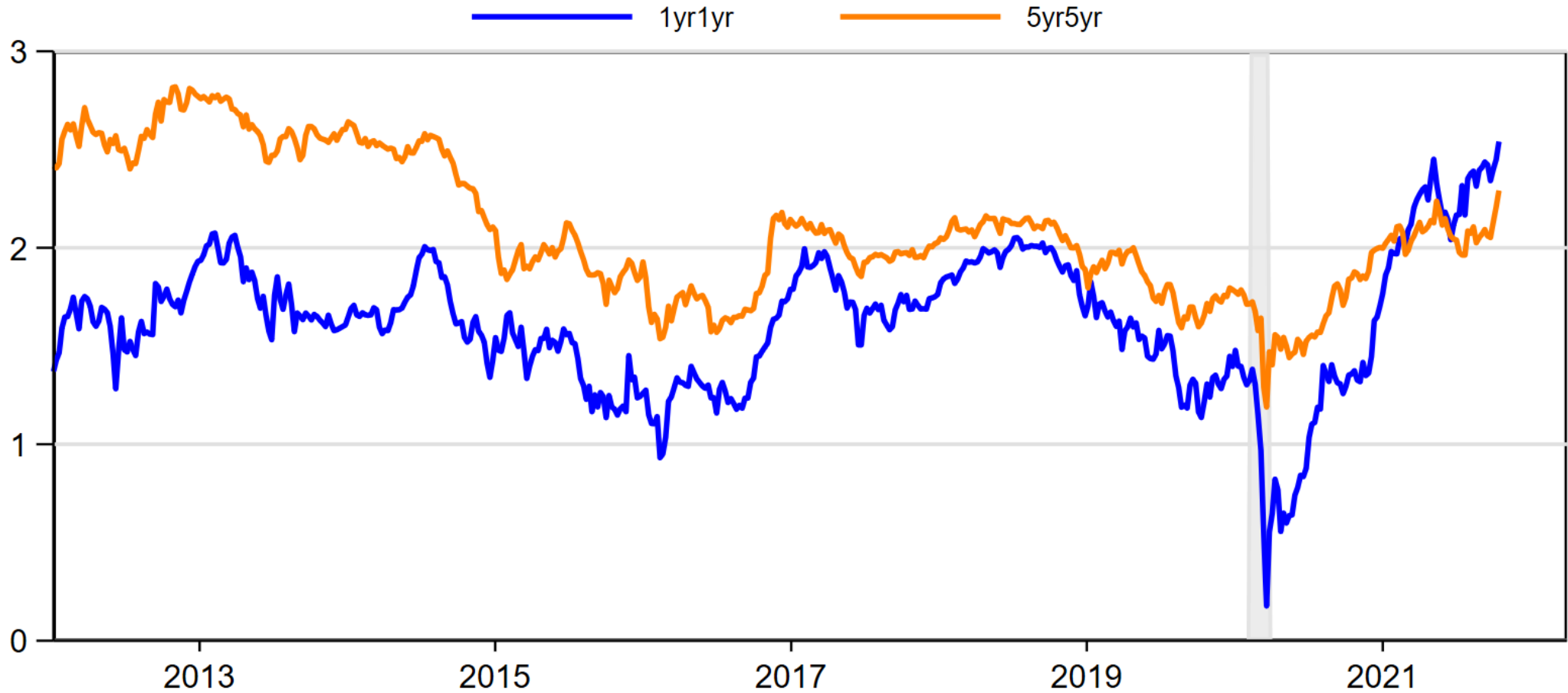
Source: Federal Reserve Bank of San Francisco.



CURRENT ECONOMY

MARKET-BASED INFLATION EXPECTATIONS

PERCENT



Source: Bloomberg.



FEDERAL RESERVE BANK OF MINNEAPOLIS

TODAY'S TALK

- The Fed's dual mandate: stable prices & maximum employment
- Is the economy near maximum employment?
- Will inflation return to 2 percent target in 2022?
- **Q&A**



**THANK YOU!
QUESTIONS?**



**FEDERAL RESERVE BANK
OF MINNEAPOLIS**