



FEDERAL
RESERVE
BANK
of ATLANTA

The Federal Reserve & The Economy:

Recovering from COVID-19

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The views expressed here are my own and do not reflect the views of the Federal Reserve System or the Federal Reserve Bank of Atlanta.

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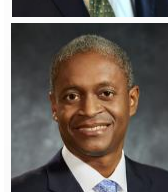
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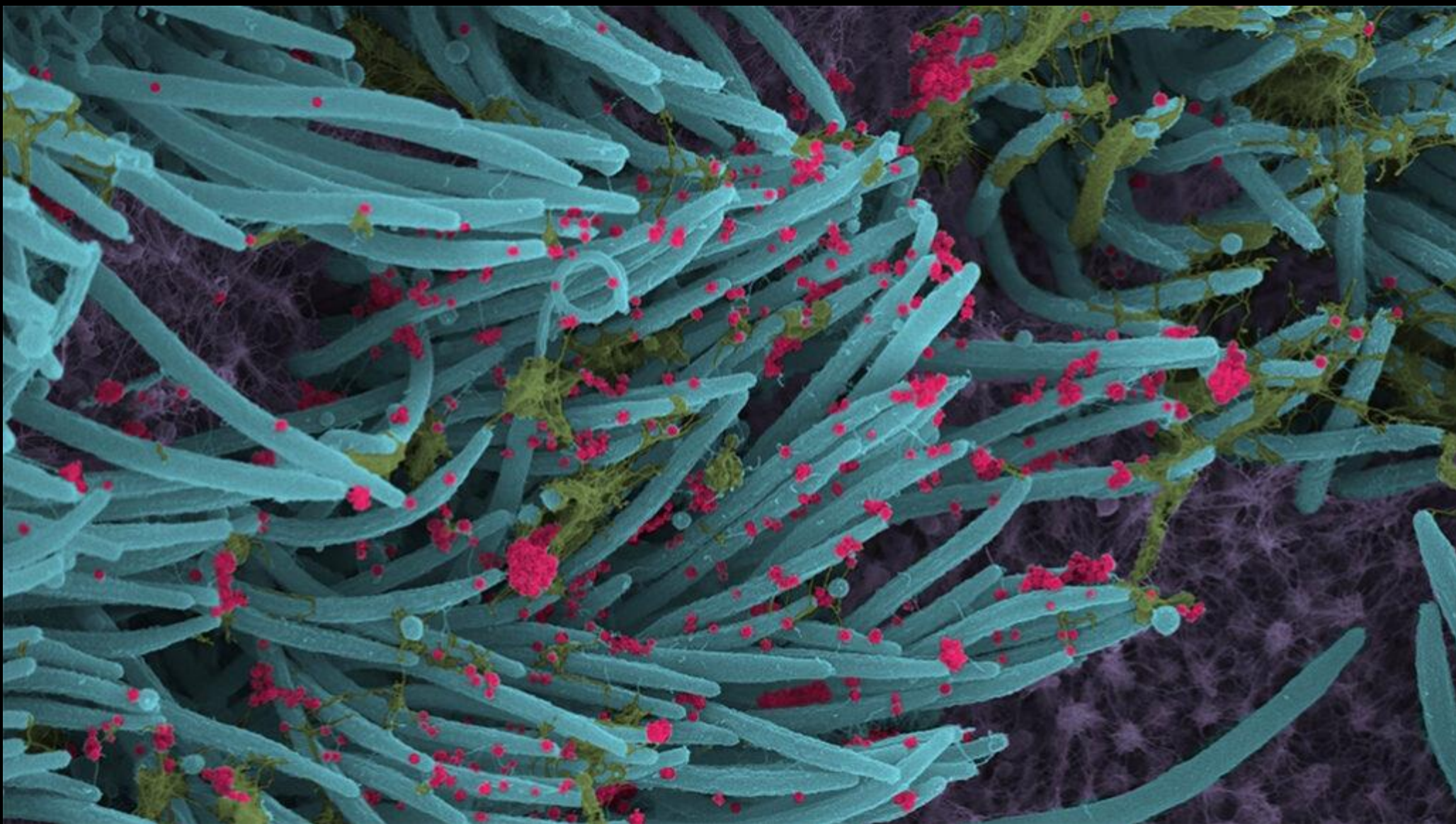


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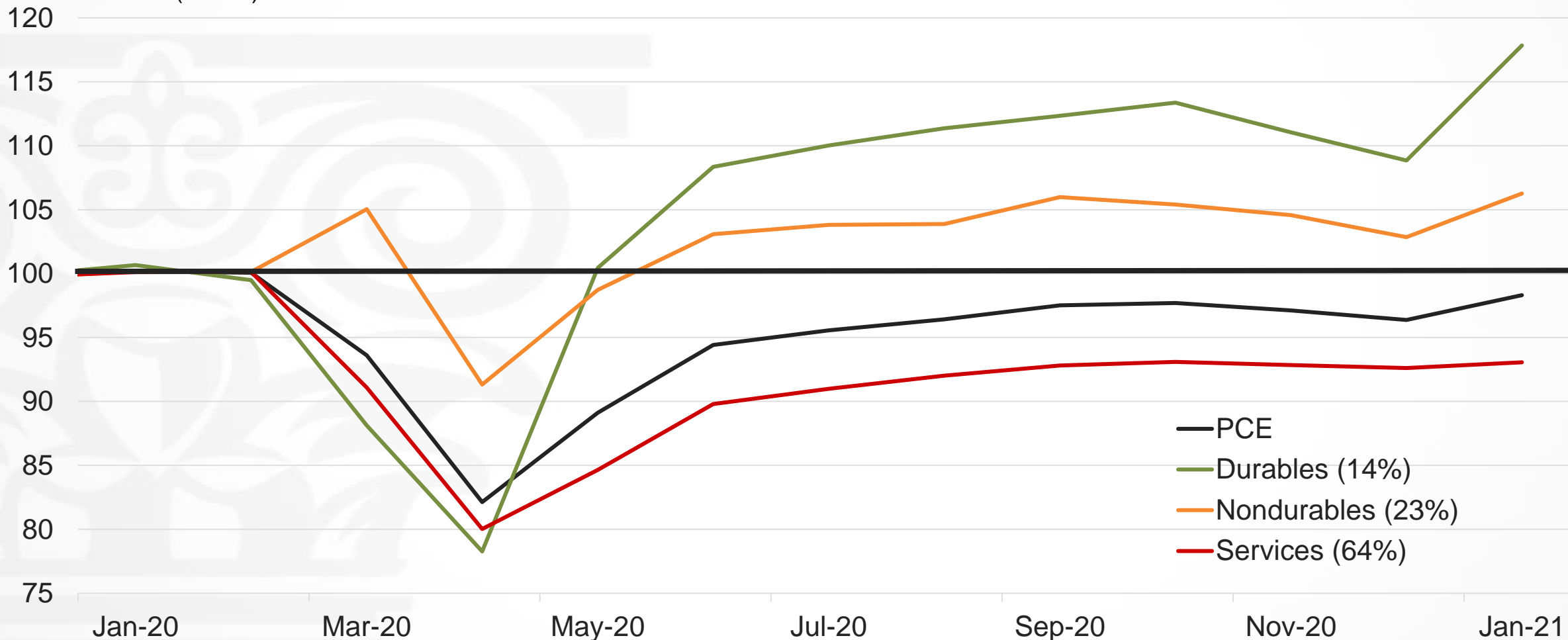




COVID & the Consumer

Real Personal Consumption Expenditures

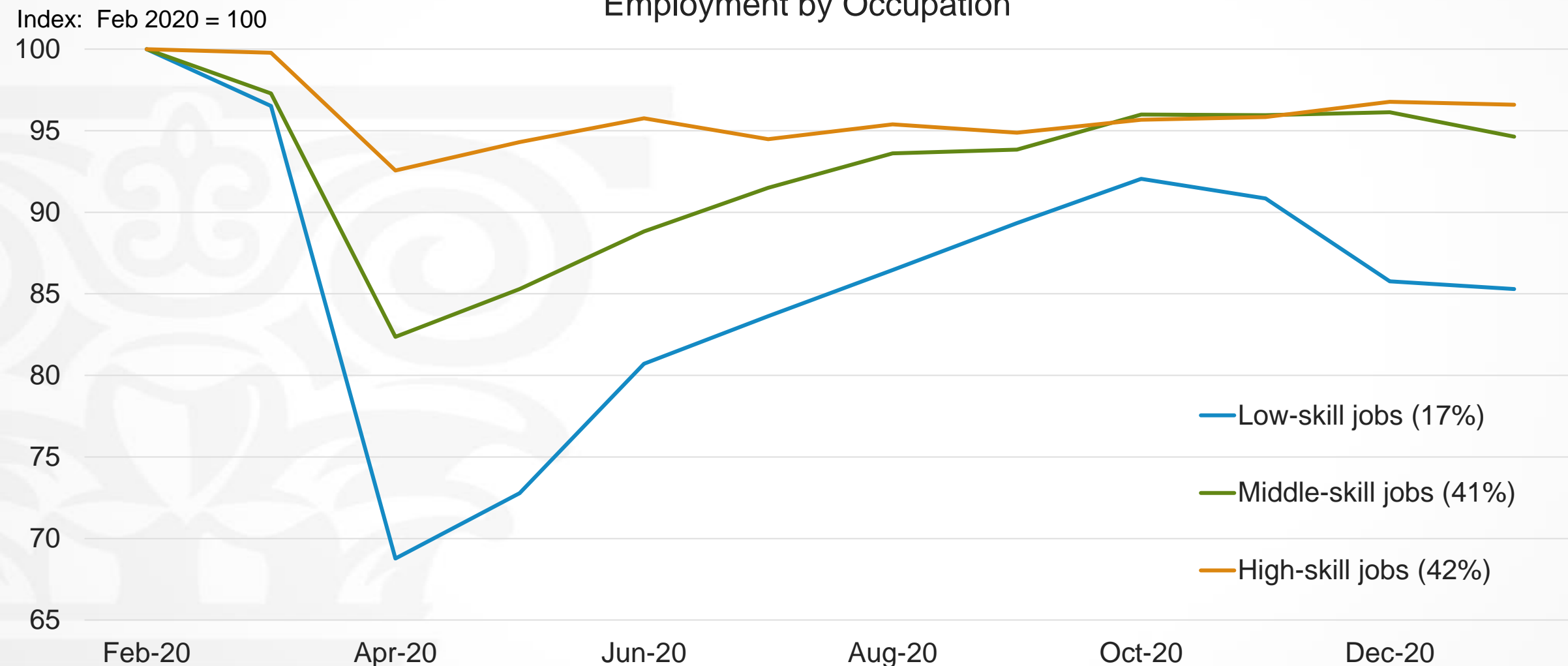
Index: Feb 2020 (3mma) = 100



Source: Bureau of Economic Analysis
Note: Share of total consumption shown in parentheses.

COVID & Workers

Employment by Occupation

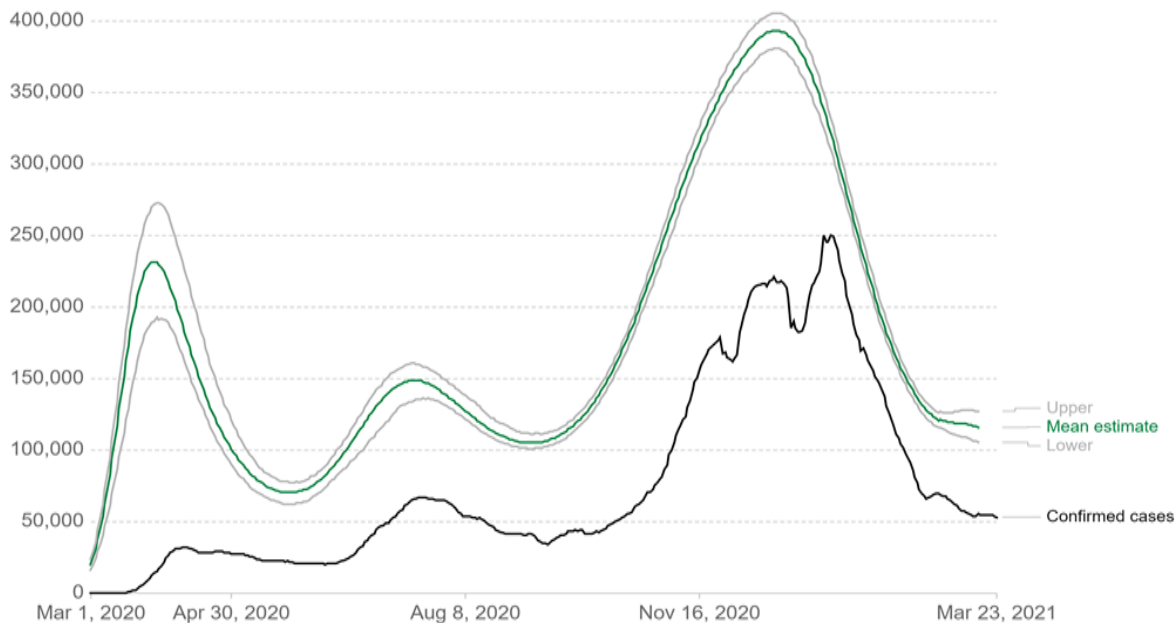


Source: Current Population Survey, staff calculations. All series are seasonally adjusted. Low-skill jobs are primarily service jobs; Middle-skill jobs include sales and office, construction, production, and transportation jobs; high-skill jobs are management, professional and technical jobs. Share of total jobs in February 2020 shown in parentheses. The classification of occupations follows Autor (2010).

Cause for Optimism!

Daily new estimated COVID-19 infections from the IHME model, United States

Estimates of the true number of infections. The "upper" and "lower" lines show the bounds of a 95% uncertainty interval. For comparison, confirmed cases are infections that have been confirmed with a test.



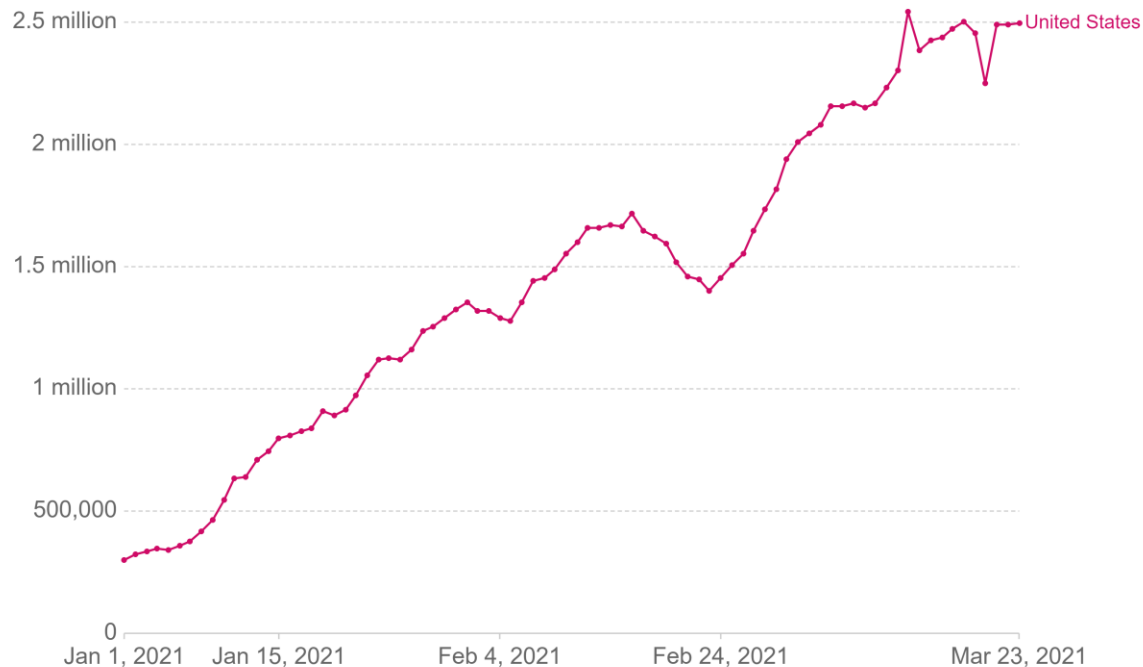
Source: IHME (2021), JHU (2020)

Note: This chart shows the model estimates dated 17 March 2021.

OurWorldInData.org/covid-models • CC BY

Daily COVID-19 vaccine doses administered

Shown is the rolling 7-day average. This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).



Source: Official data collated by Our World in Data

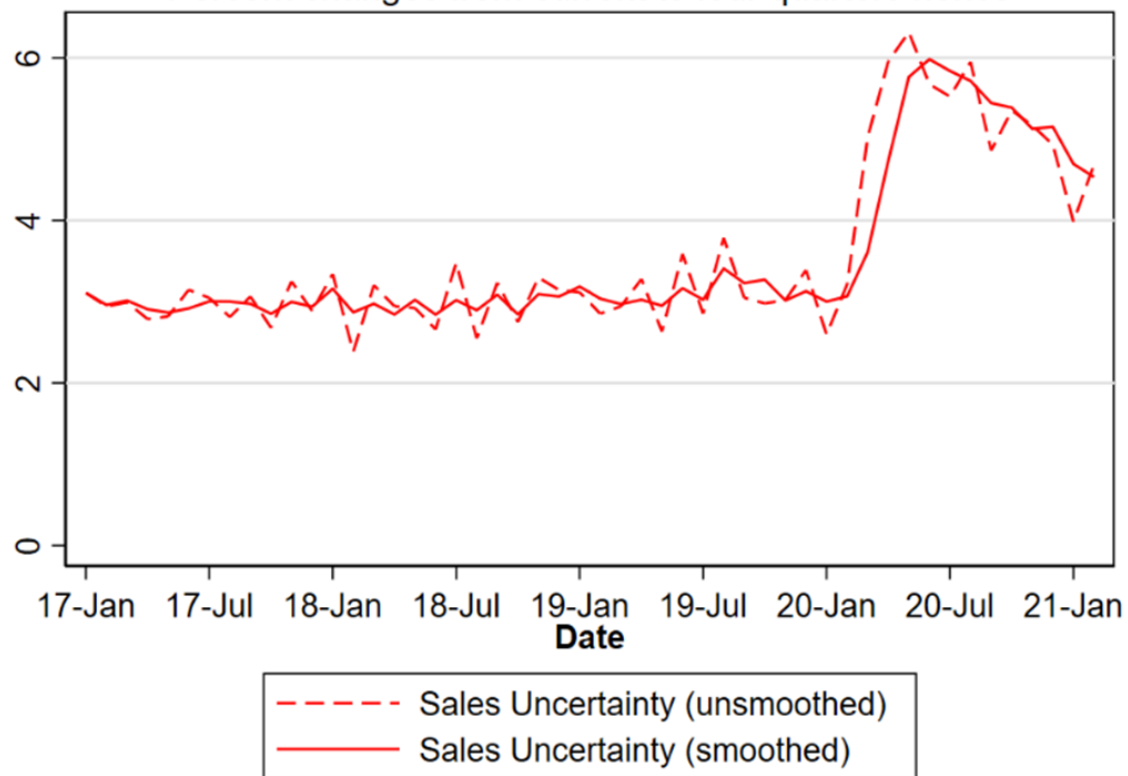
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+ Additional \$1.9T in Fiscal Stimulus

But Uncertainty Remains High

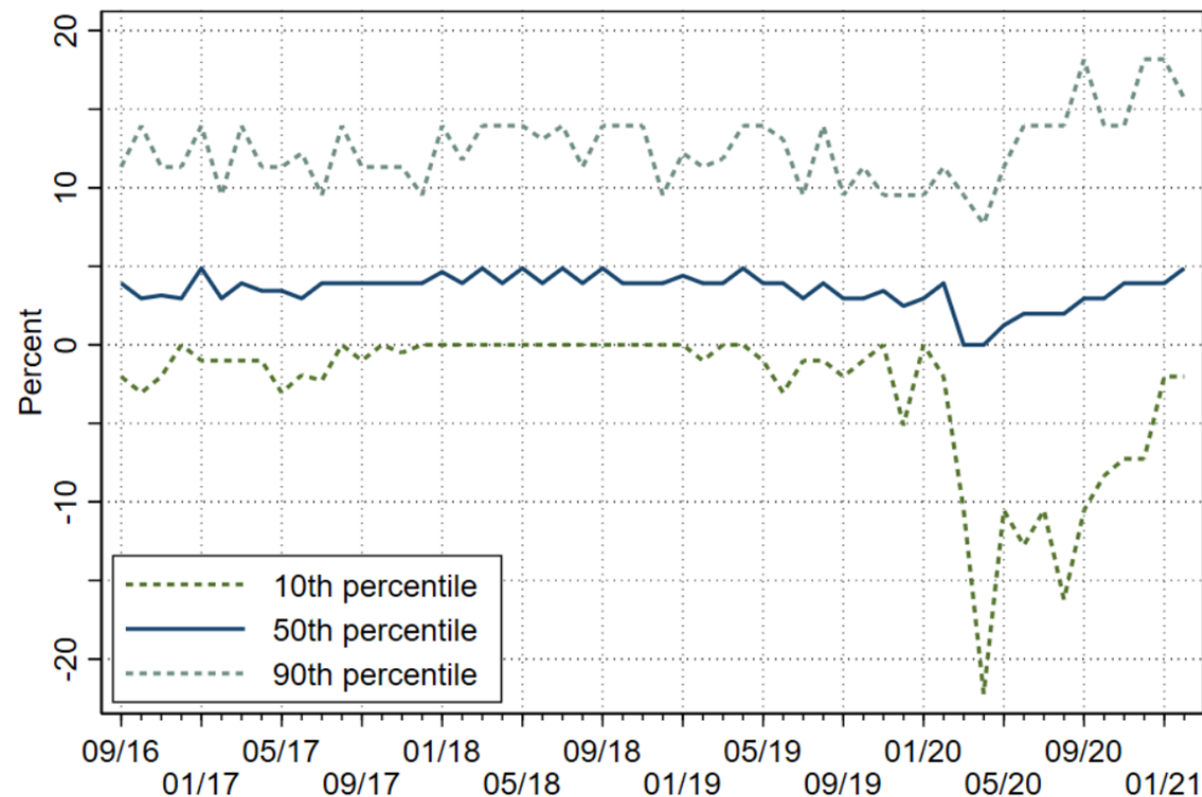
Year-Ahead Uncertainty about Sales Growth Rates

Percent changes from current to four quarters hence



Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business. For more information, see “Surveying Business Uncertainty” by David Altig, Jose Maria Barrero, Nick Bloom, Steven J. Davis, Brent Meyer and Nick Parker, NBER Working Paper No. 25956, February 2020.

US Future Sales Growth Distribution



Source: Survey of Business Uncertainty conducted by the Federal Reserve Bank of Atlanta, Stanford University, and the University of Chicago Booth School of Business

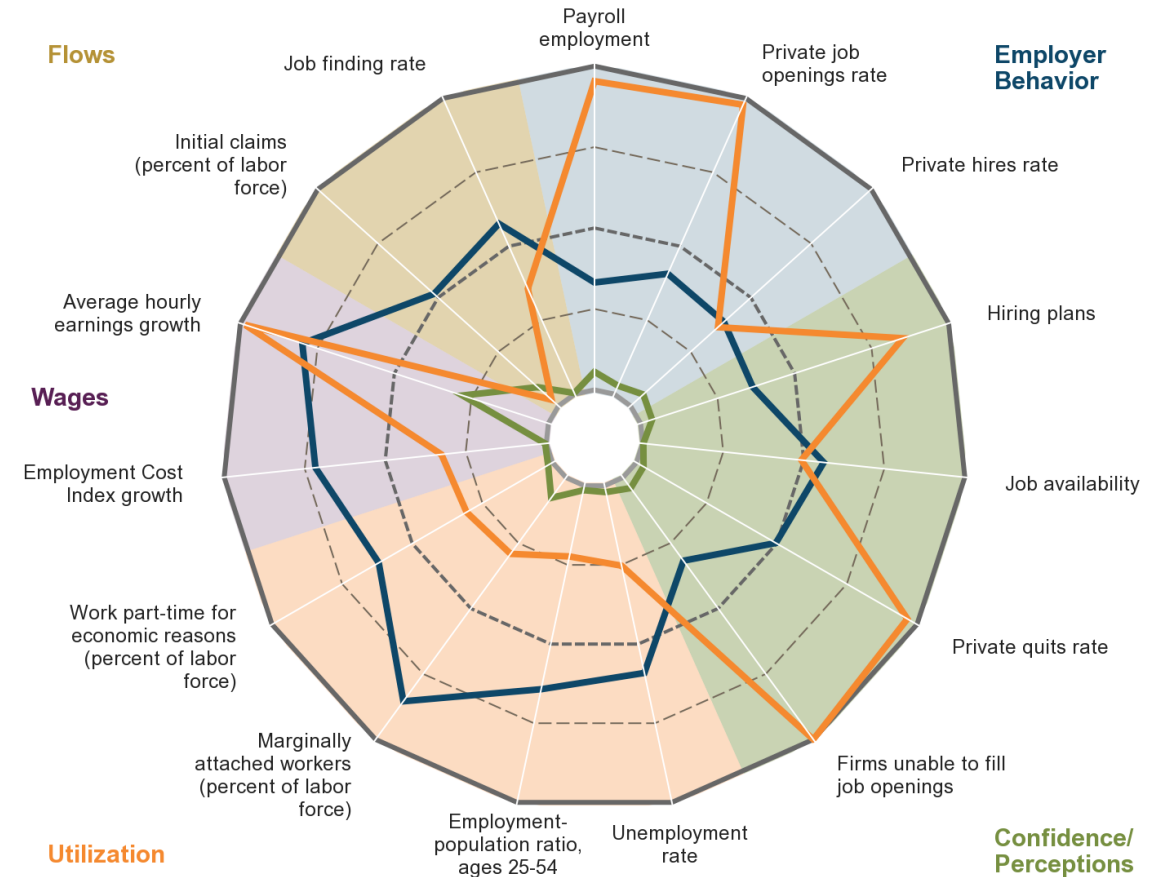
Notes: Data through February 2021. This is a plot of the subjective distribution for the representative firm's future sales growth. To calculate this distribution we gather up all the weighted individual mass points (estimates) in a given month. Every mass point is weighted by the corresponding firm's employment weight (truncated at 500 employees) and the probability they attach to that mass point.

The Challenge of Assessing Employment

Labor Market Distributions Spider Chart

Data since March 1994

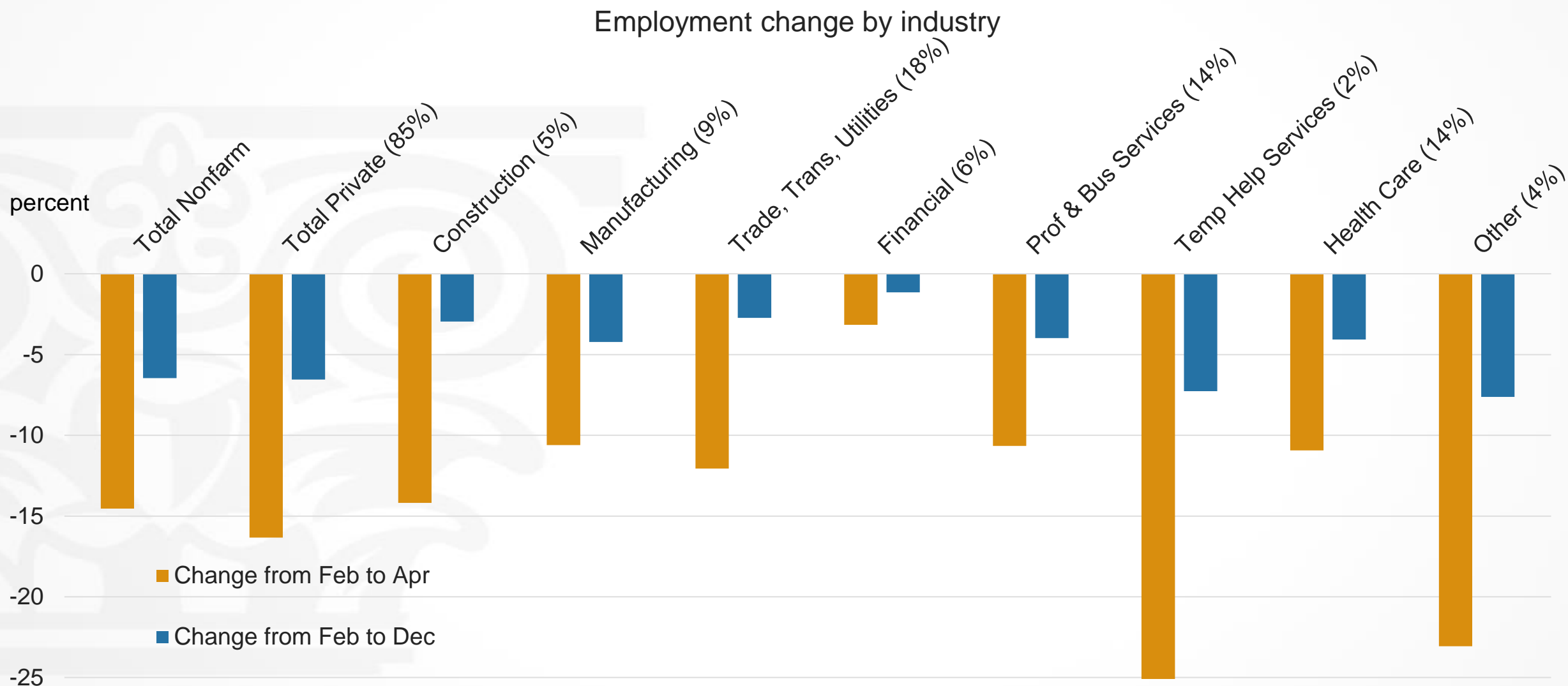
December 2007 December 2009 February 2021
 maximum (outer ring) minimum (inner ring) median (middle ring)



Sources: U.S. Bureau of Labor Statistics, U.S. Department of Labor, National Federation of Independent Business, The Conference Board, and Haver Analytics

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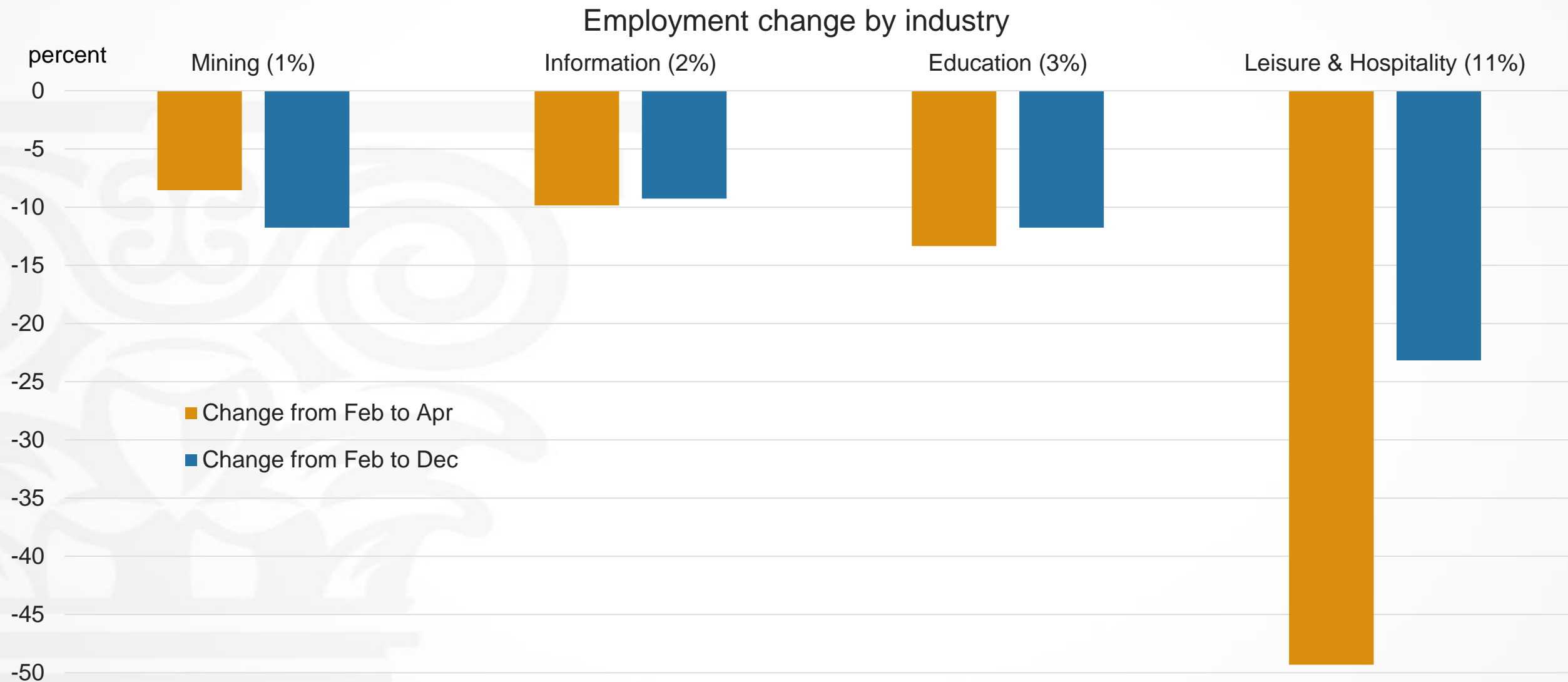
Where has employment recovered?



Source: BLS

Note: Employment share listed in parentheses

And where has it stalled OR still has a long way to go?



Source: BLS

Note: Employment share listed in parentheses

The Challenge of Assessing Inflation

The Atlanta Inflation Dashboard

Inflation Measure (12-month) Growth Rate	January 2020	January 2021
Core PCE Index		
Market-based PCE Index		
FRB Dallas Trimmed Mean Index		
FRB San Francisco Cyclical Core PCE Index		
Stock and Watson Cyclically Sensitive Inflation		
Core CPI		
FRB Cleveland Median CPI		
FRB Cleveland 16-Percent Trimmed-Mean CPI		
FRB Atlanta Sticky-Price CPI		

Color code:

On target:

-- Within 0.25 ppt of FOMC target

Below target:

-- Between 0.25 and 0.50 ppt below target

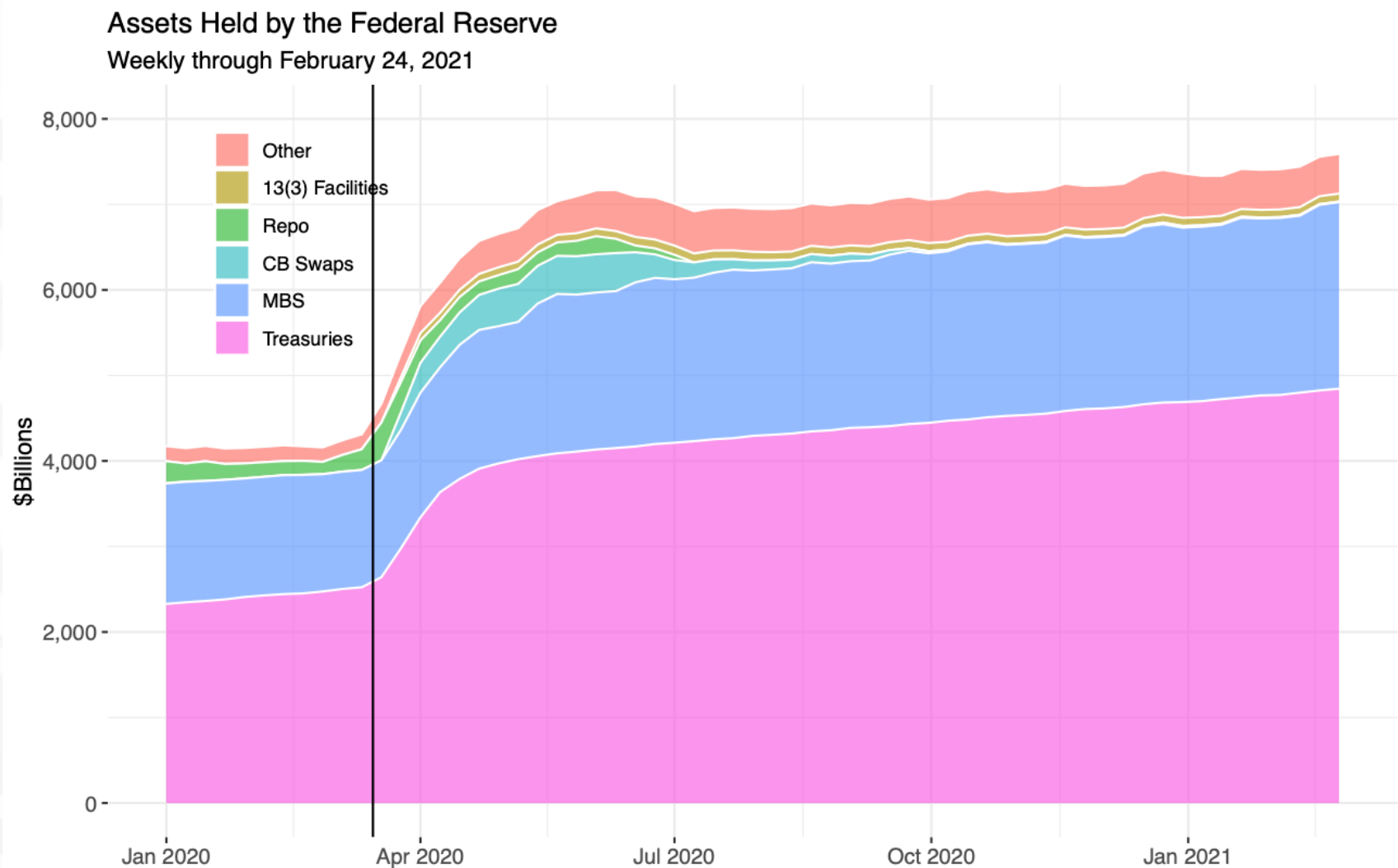
--- More than 0.50 ppt below target

Above target:

-- Between 0.25 and 0.50 ppt above target

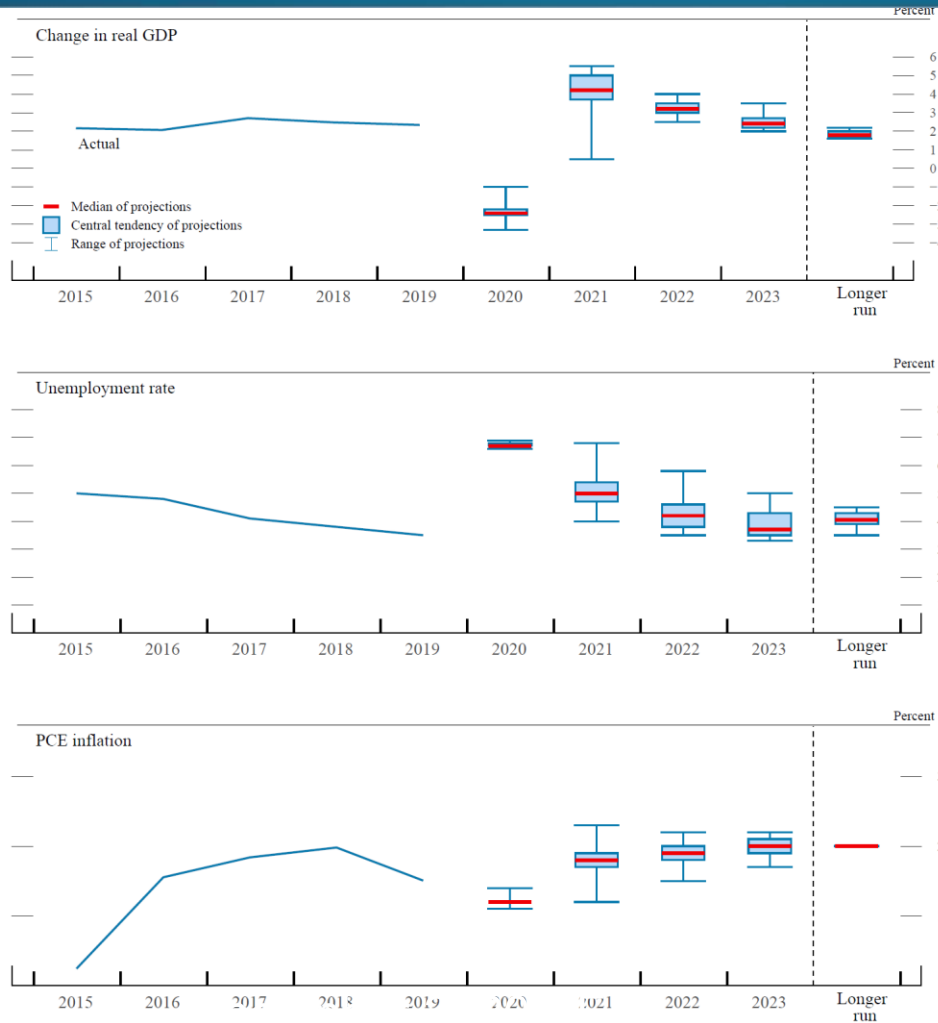
--- More than 0.50 ppt above target

The Fed's Balance Sheet

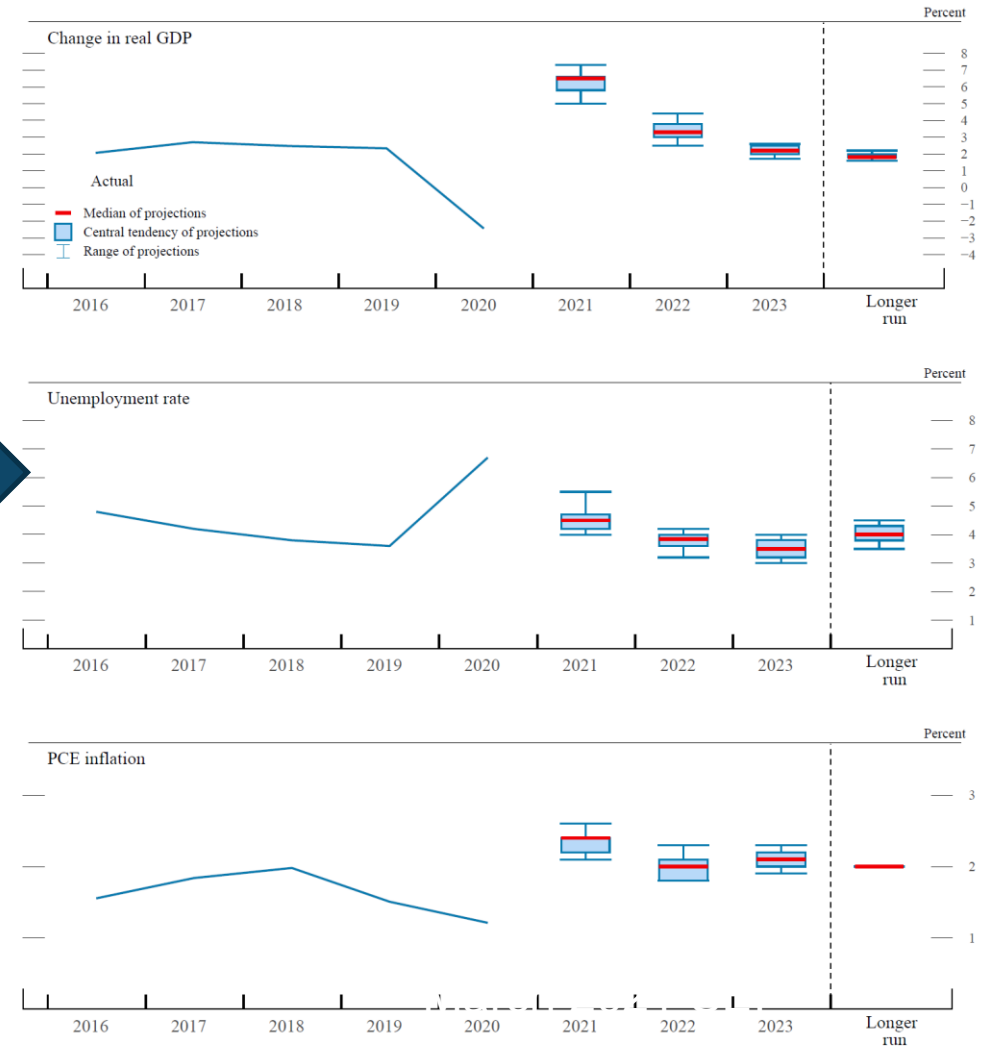


Source: Federal Reserve Board of Governors, Staff Calculations

The View from the FOMC



December 2020: FOMC Statement of Economic Projections



March 2021: FOMC Statement of Economic Projections

THE UPDATED MONETARY POLICY FRAMEWORK (MPF)

Longer-Run Goals and Monetary Policy Strategy

Framework for our decisions about appropriate monetary policy

- will continue to reflect a broad array of considerations
- will not be dictated by any formula
- if excessive inflationary pressures were to build or inflation expectations were to ratchet above levels consistent with our goal, we would not hesitate to act.



1

EMPLOYMENT SIDE OF OUR MANDATE
Maximum employment is a broad-based and inclusive goal

2

EMPLOYMENT AND INFLATION

Employment can run at or above real-time estimates of its maximum level without causing concern

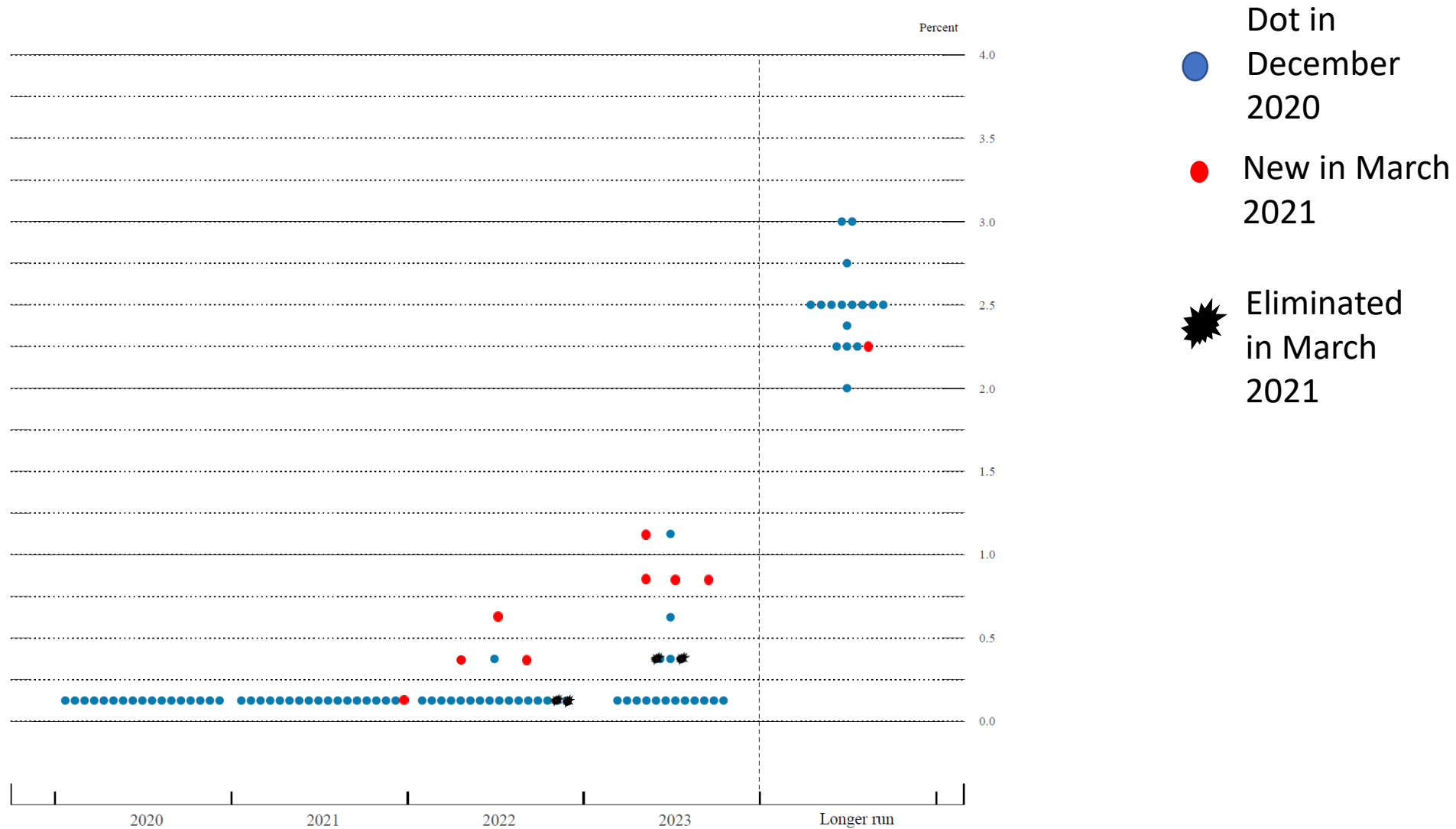
3

PRICE-STABILITY SIDE OF OUR MANDATE

Following periods when inflation has been running below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time using a flexible form of average inflation targeting

The 'DOT PLOT'

FOMC, Statement
of Economic
Projections.
December 2020 &
March 2021





-  Dot in December 2020
-  New in March 2021
-  Eliminated in March 2021