



Is the end near? Looking for certainty in uncertain times

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Maryland Government Finance Officers Association
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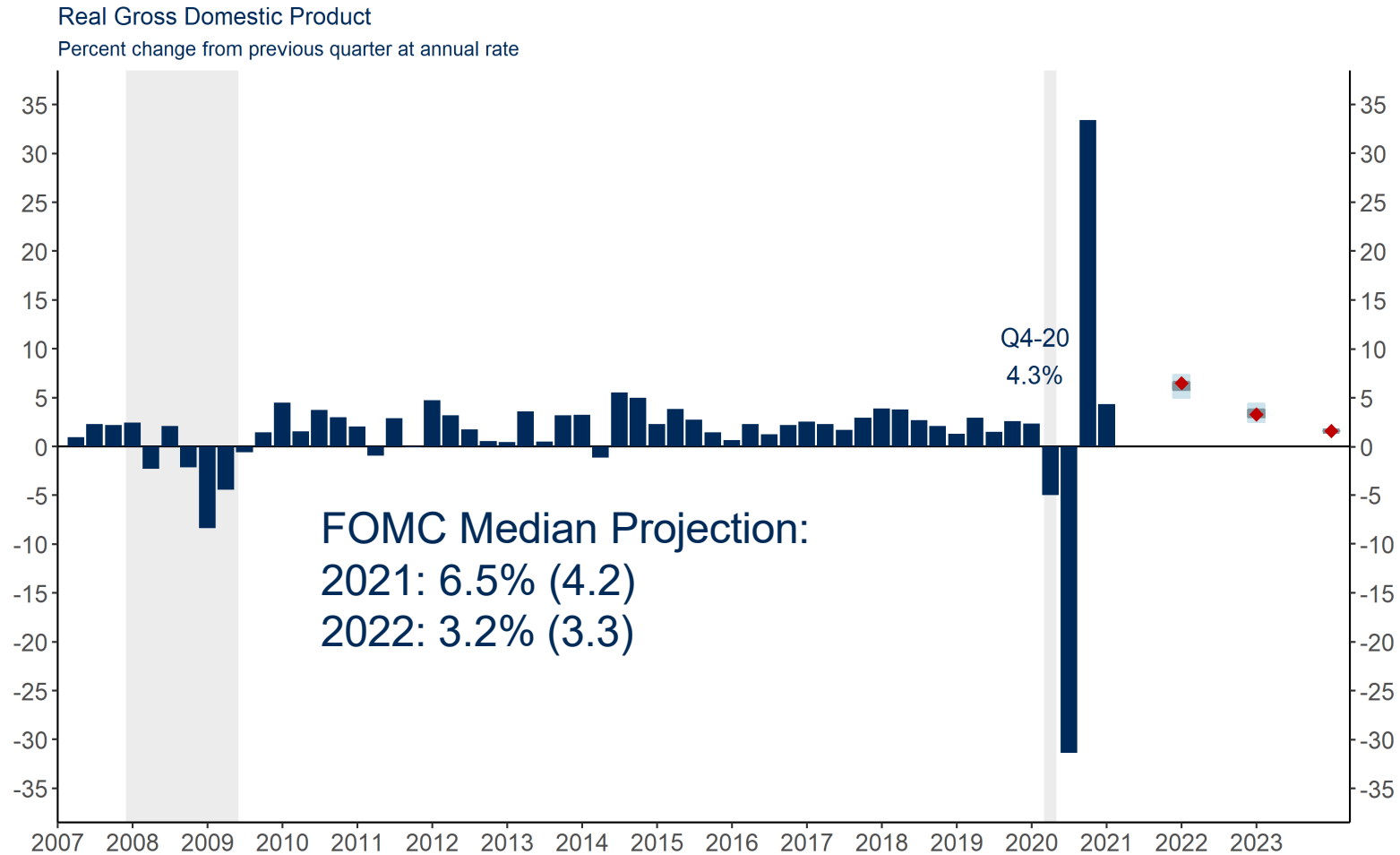
The views expressed here are those of the author, and do not necessarily represent those of the Federal Reserve Bank of Richmond or the Federal Reserve System.

Overview

- Expectations for robust growth in 2021
 - Expansive fiscal policy along w/ rebound in the service sector
- Huge dislocation in labor market
 - Improvement better than expected but losses considerable
 - Further improvement could be slow
- Consumer & residential very strong
 - Consumer goods-related industries benefitting; spending on services much slower
- Business investment in equipment has been robust
- Inflation currently below FOMC 2% target
 - Expected to increase to over 2% in 2021
- FOMC has indicated policy to remain accommodative
- Uncertainty will dominate the outlook in the near term

Expectations for robust growth in 2021

Real Gross Domestic Product



Source: Bureau of Economic Analysis via Haver Analytics & Federal Reserve Board

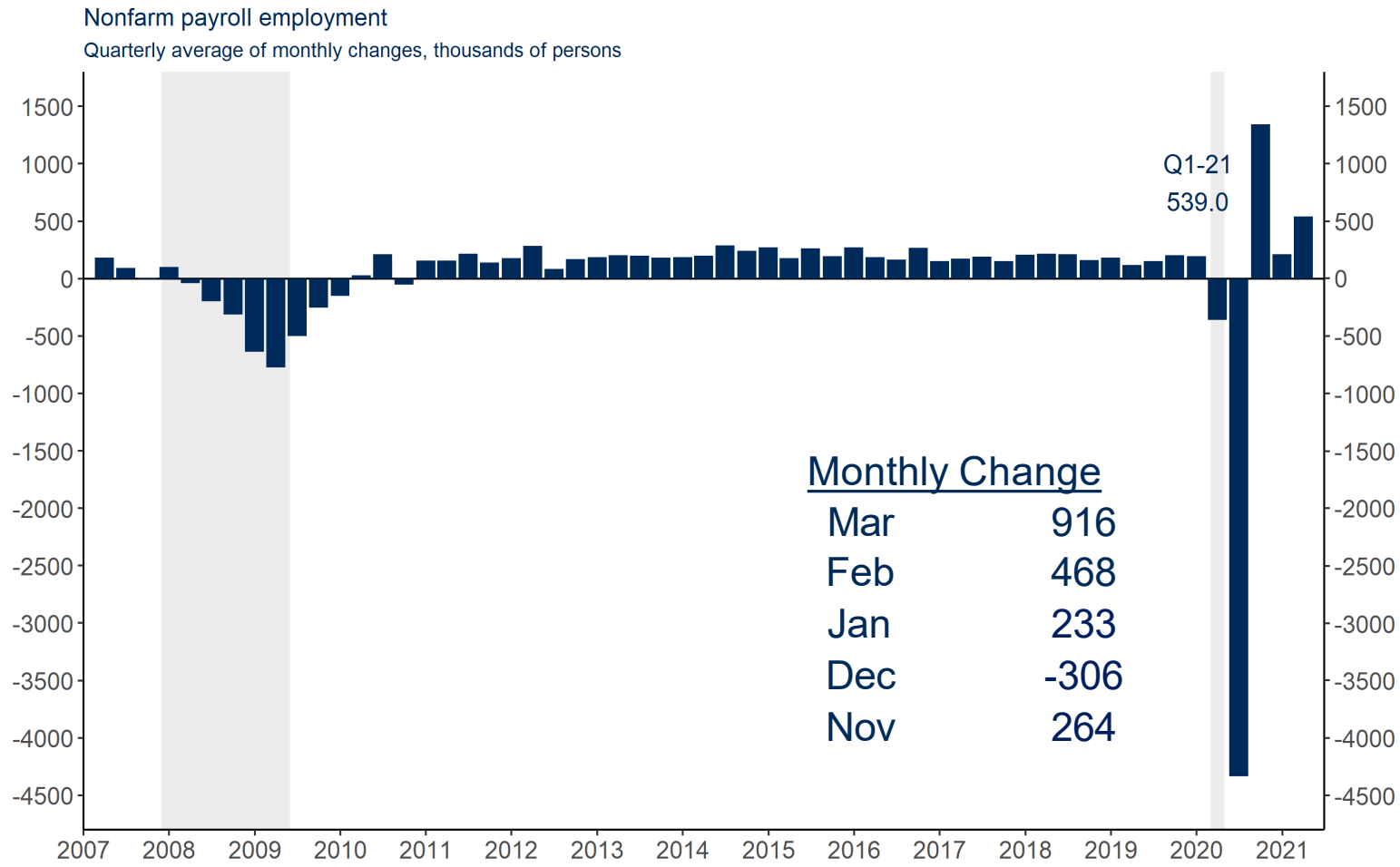
Note: Projection is the median, central tendency, and range from the March 2021 Summary of Economic Projections. Red dots indicate median projections. Projections of change in real gross domestic product (GDP) are from the fourth quarter of the previous year to the fourth quarter of the year indicated.

Indicators of robust growth for current/near-term

- Auto sales at 16.7m pace in Q1
- Retail sales up 14.6% in Q1; up 9.7% in March
- Weekly card data showing robust sales in April
- Personal saving rate at 13.6%
- ISM Manufacturing Survey for March at 64.7; new orders at 68—highest readings since 1983
- ISM Services Survey for March at 63.7—highest reading in 23-year history of survey
- Q1 Real GDP 5%+ led by extraordinary PCE

Despite gains, still down 8.4 million jobs

Nonfarm Payroll Employment

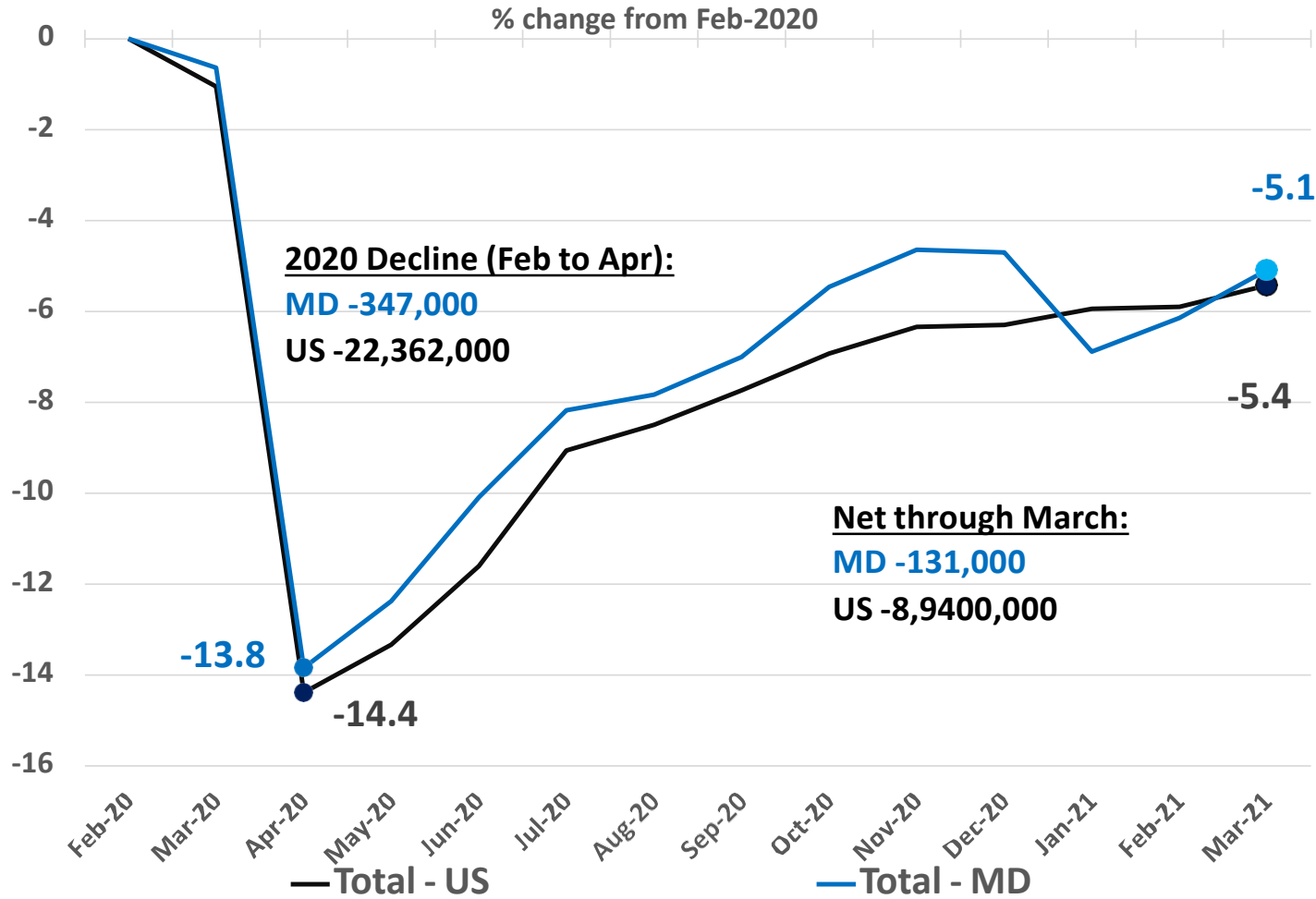


Source: Bureau of Labor Statistics via Haver Analytics

Notes: FOMC projection is the median, range, and central tendency for the Q4 levels, from the March 2021 & December 2020 meetings. Red dots indicate median projections

Employment remains well below pre-pandemic level

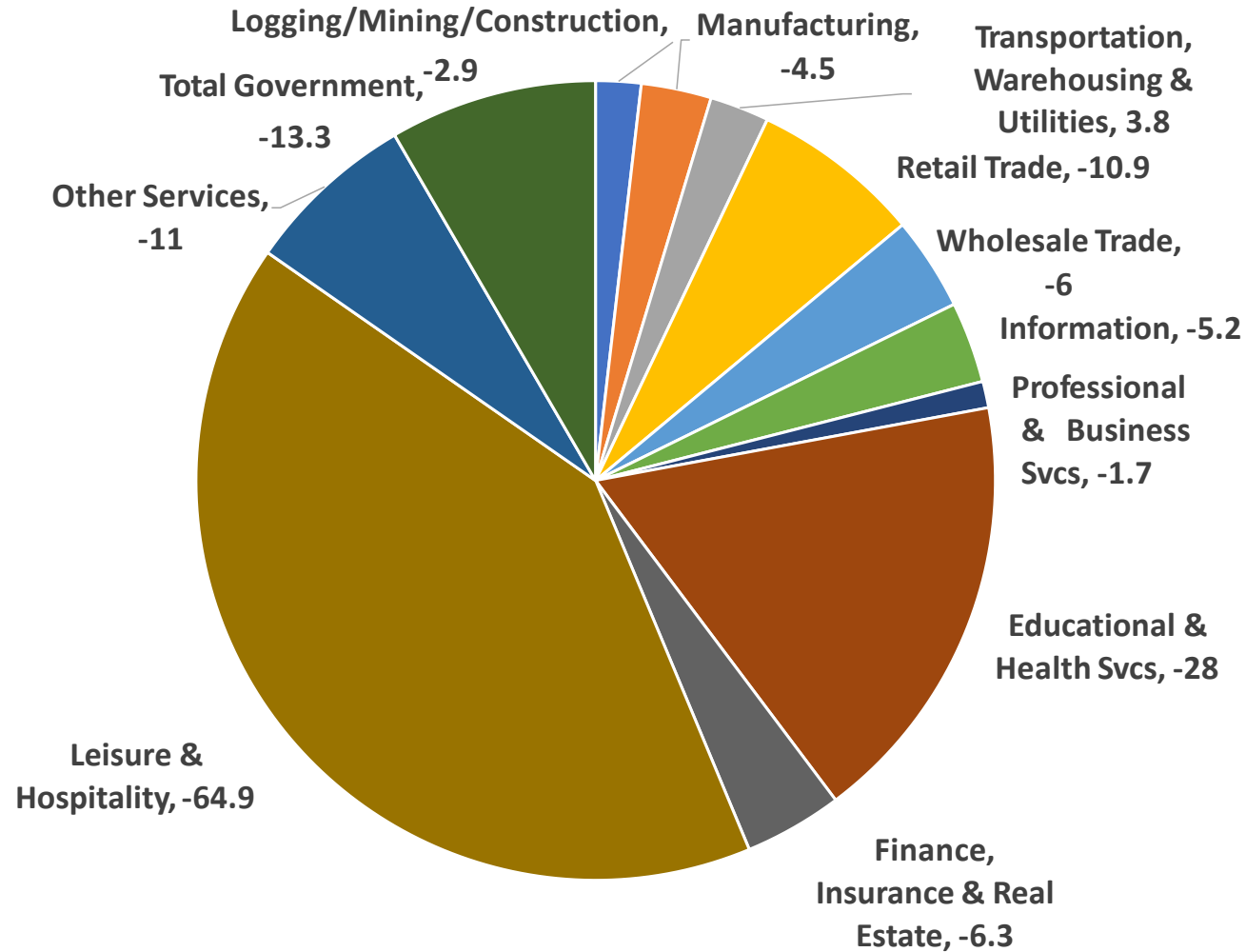
Cumulative Employment Change Since Feb-2020



Source: Bureau of Labor Statistics via Haver Analytics

Despite gains employment down in most sectors

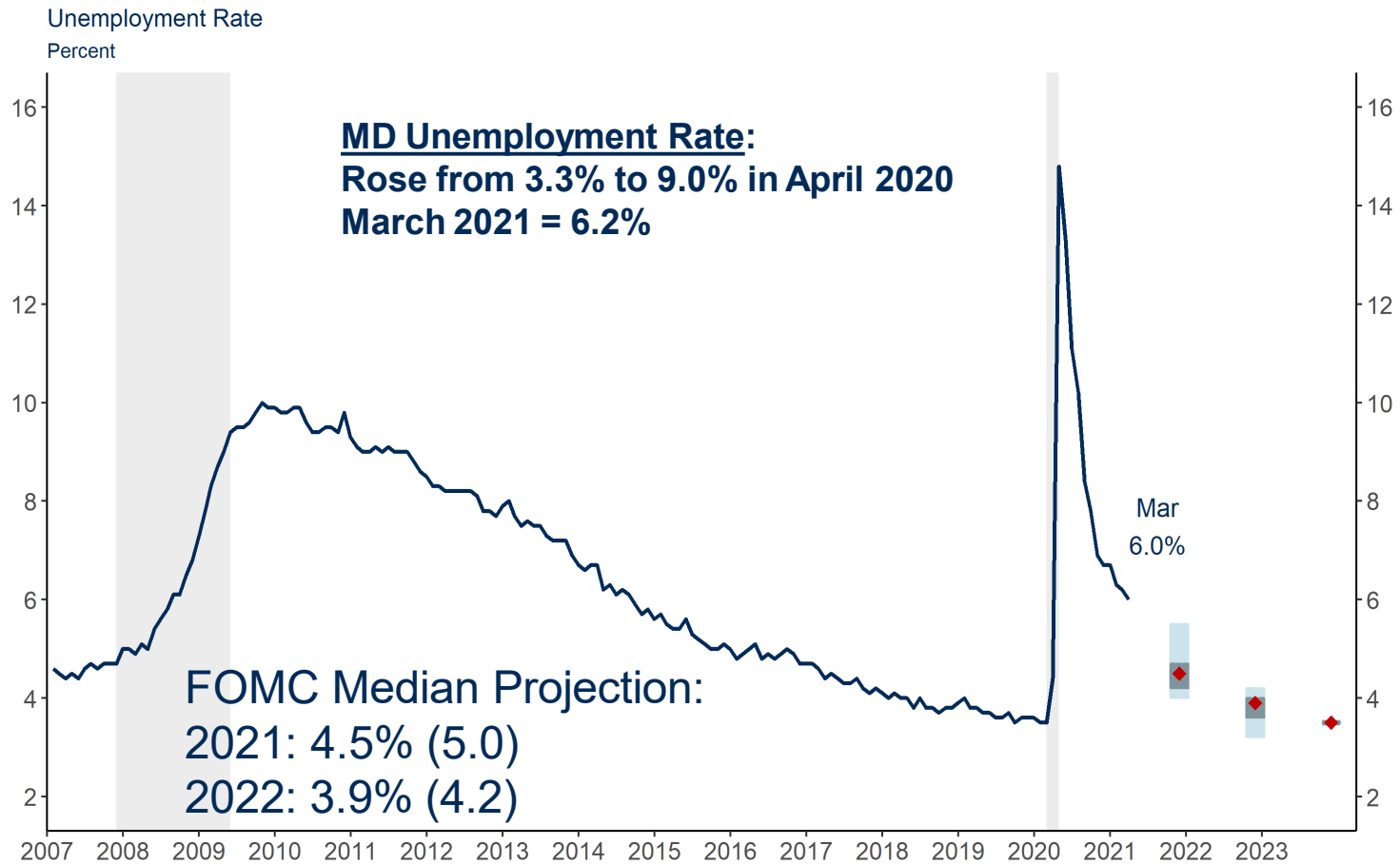
Net Employment Change Since Feb-2020



Source: Bureau of Labor Statistics via Haver Analytics

Unemployment dropped faster than expected due to lower participation however remains elevated

Unemployment Rate



Source: Bureau of Labor Statistics & Board of Governors via Haver Analytics

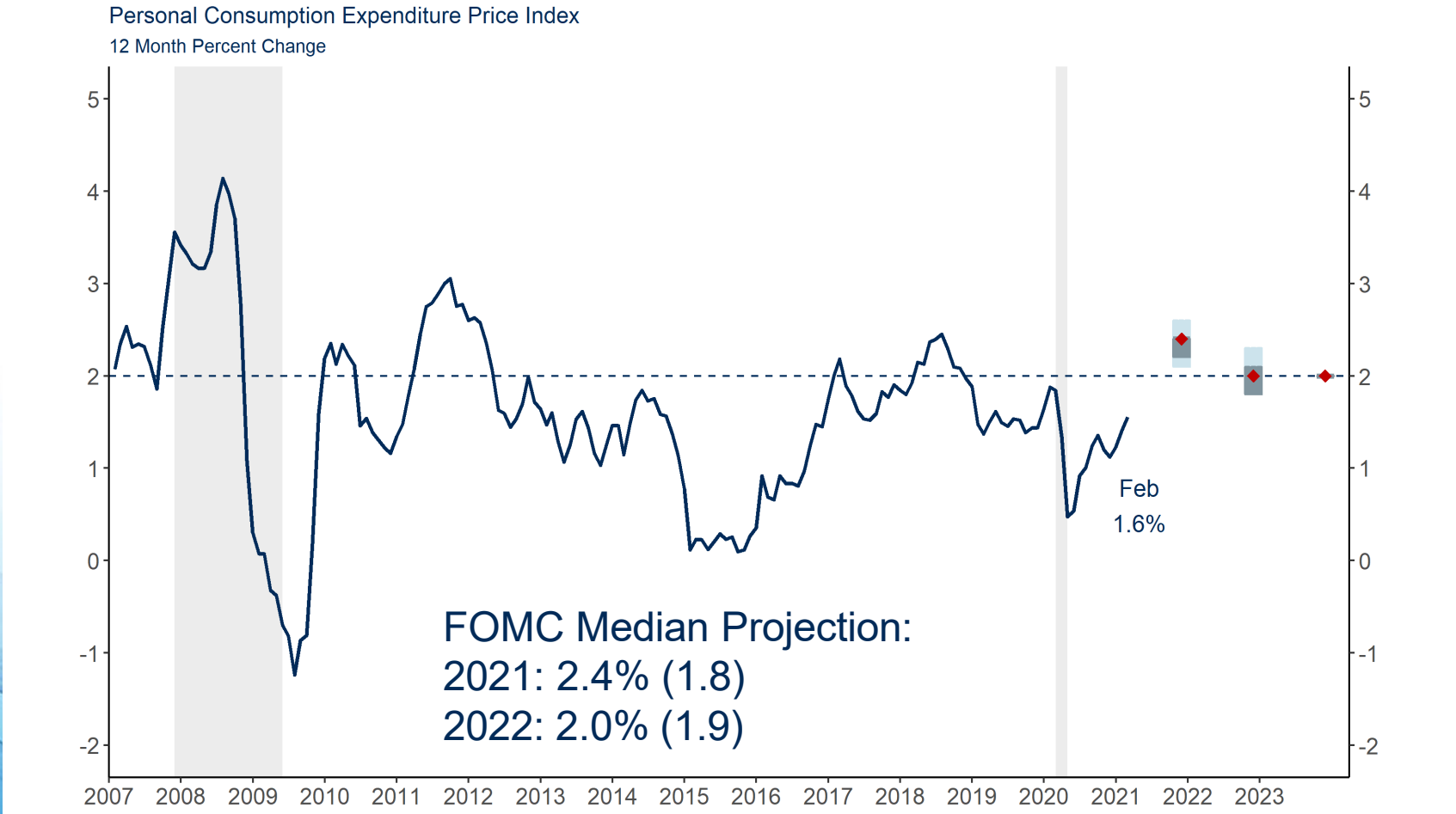
Notes: FOMC projection is the median, range, and central tendency for the Q4 levels, from the March 2021 & December 2020 meetings. Red dots indicate median projections

MD Counties: Higher UR & Lower Participation

	Unemployment Rate (% , NSA)		Labor Force ('000, NSA)	
	Feb-21	YoY Level Ch.	Feb-21	YoY % Ch.
Frederick	5.2	2.0	128.4	-5.7
Montgomery	5.7	2.8	529.7	-6.4
Prince George's	7.5	3.9	487.7	-6.1
Anne Arundel	5.1	2.1	302.6	-5.1
Baltimore City	8.0	3.3	274.0	-5.7
Baltimore County	6.1	2.5	434.4	-5.3
Carroll	4.4	1.4	90.9	-6.6
Harford	5.1	1.7	135.0	-5.5
Howard	4.6	1.9	180.1	-5.1
Caroline	5.3	1.5	17.0	-6.8
Cecil	5.5	1.4	51.3	-5.2
Dorchester	6.6	1.7	14.8	-3.3
Kent	6.2	1.3	9.6	-6.6
Queen Anne's	4.8	1.5	26.6	-6.6
Somerset	7.9	1.9	8.6	-7.3
Talbot	6.0	2.1	17.9	-5.5
Wicomico	6.9	1.9	48.1	-5.8
Worcester	11.0	1.7	24.5	-5.7
Calvert	4.7	1.7	47.1	-7.7
Charles	5.9	2.4	83.2	-6.6
Saint Mary's	4.4	1.2	56.7	-2.3
Allegany	7.2	1.8	30.0	-7.6
Garrett	6.5	1.1	14.7	-5.8
Washington	5.9	1.7	69.4	-7.6

Inflation remains below target but soon to exceed

Personal Consumption Expenditure Price Index

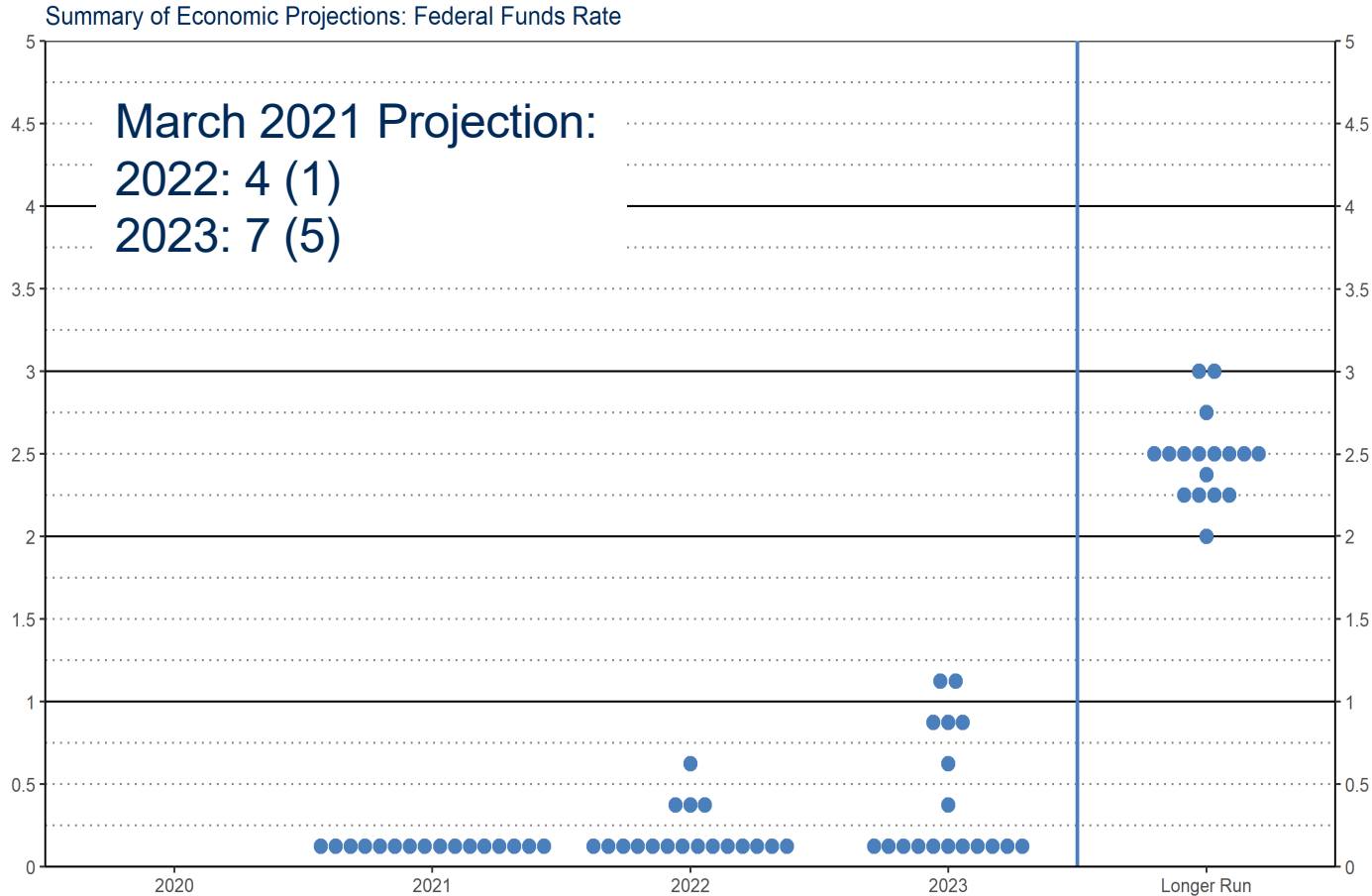


Source: Bureau of Labor Statistics & Board of Governors via Haver Analytics

Notes: FOMC projection is the median, range, and central tendency for Q4/Q4 percent changes, from the December 2020 meeting. Red dots indicate median projections.

FOMC anticipates policy remaining accommodative

Summary of Economic Projections: Federal Funds Rate



Source: Board of Governors

Note: Each dot in the chart represents the value of an FOMC participant's judgment of the midpoint of the appropriate target range (or the appropriate target level) for the federal funds rate at the end of the calendar year. Projections made during the December 2020 meeting.

Robust 2021 with considerable upside

- Real GDP growth: 5.8-6.6%
 - Q1 real GDP in the neighborhood of 5%
 - Service sector rebound this summer & into H2
- Unemployment rate in Q4: 4.2-4.7%
- Inflation: 2.2-2.4%
- Outlook for H2 in sharper focus by end of spring
 - Vaccinations are the solution
 - Hospitalizations/cases/fatalities should continue to drop (depending on vaccination uptake)
- Is the end sometime this summer?



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