



Economic Update – Employment and Inflation

Beaufort Chamber of Commerce
February 24, 2022



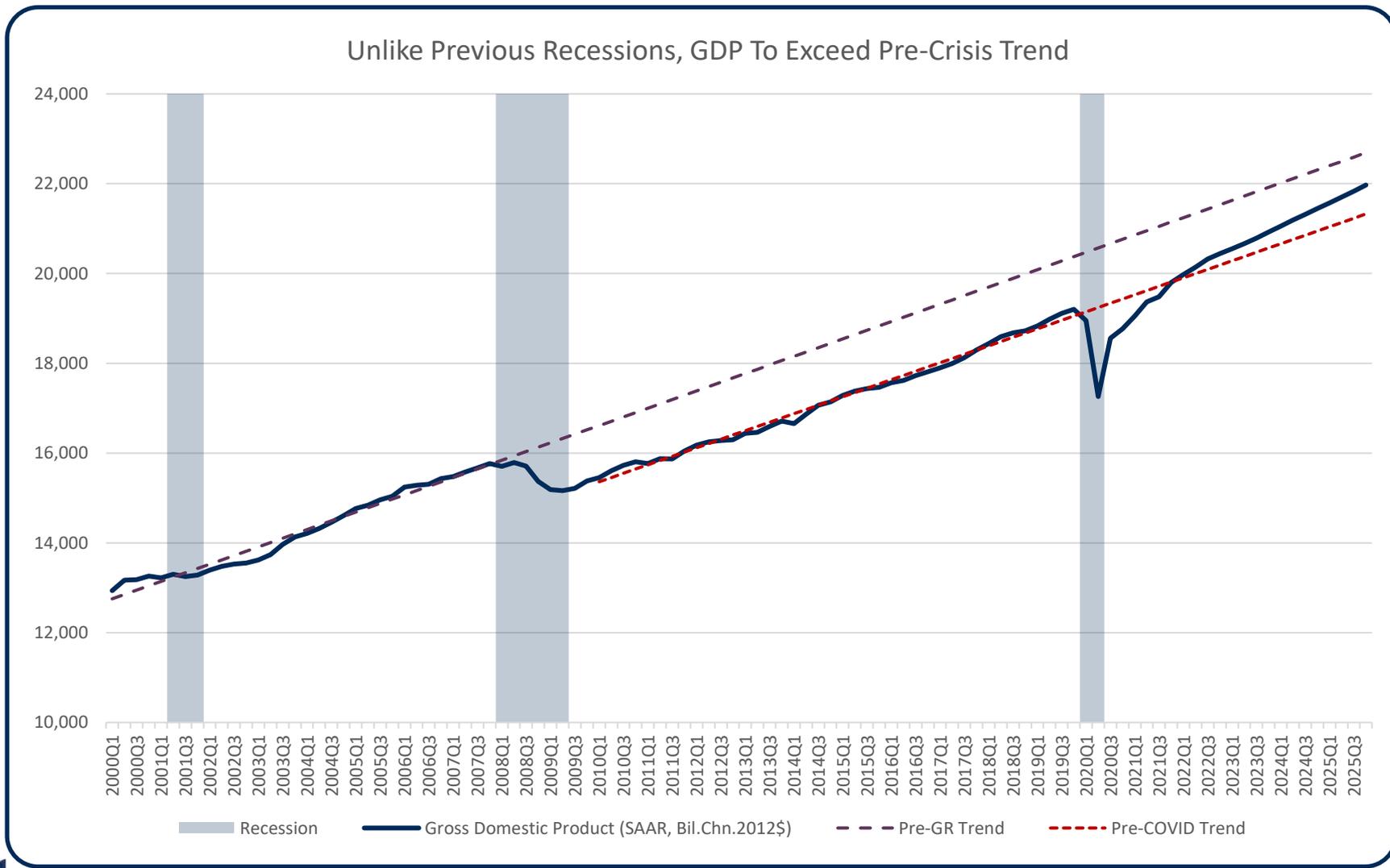
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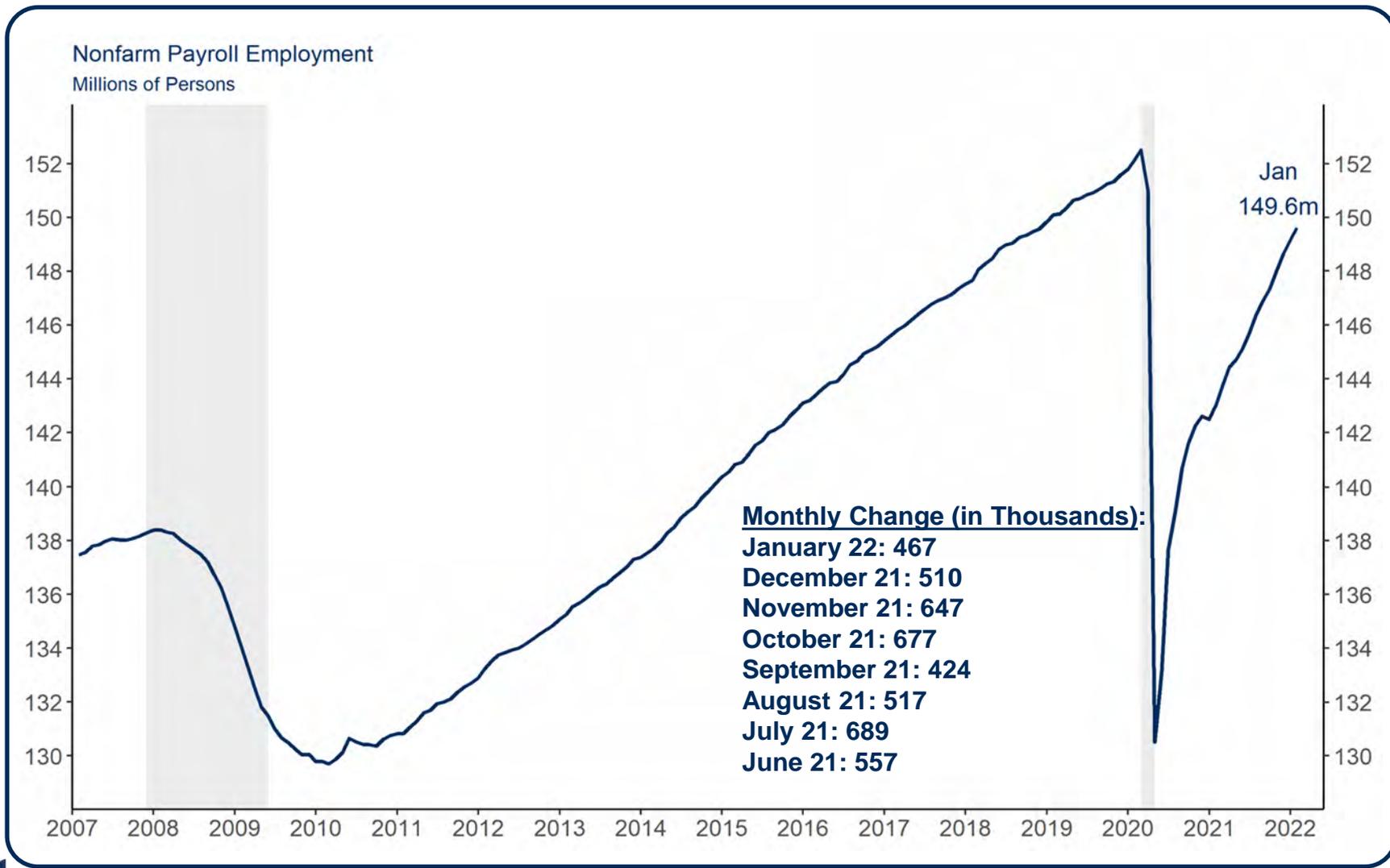
Employment and Labor Force Participation

Not only has GDP recovered, it is headed to pre-COVID trend



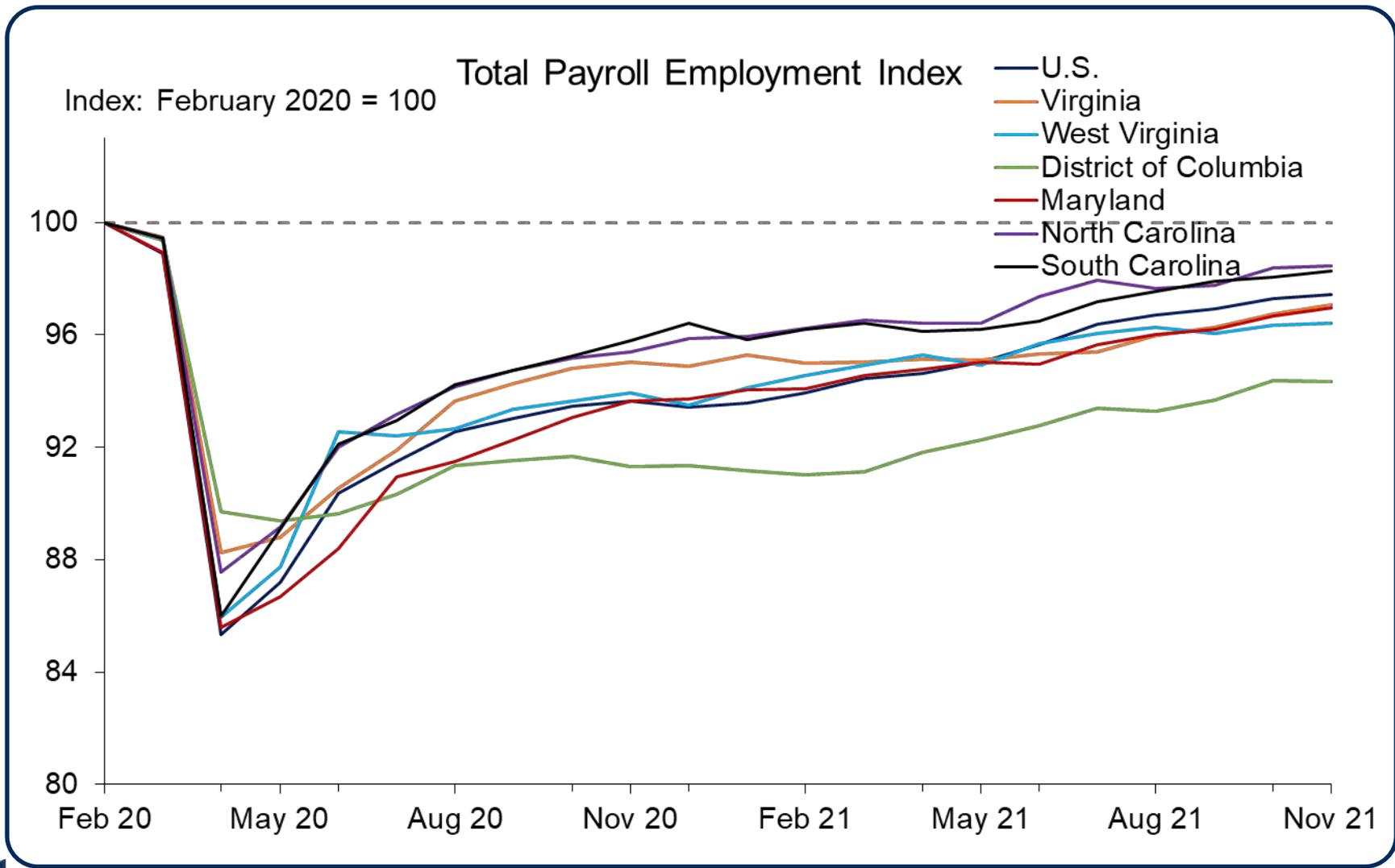
Source: Bureau of Economic Analysis & MacroAdvisers via Haver Analytics

While many jobs have been recovered, employment is still 2.9 million jobs below February 2020



Source: Bureau of Labor Statistics/Haver Analytics

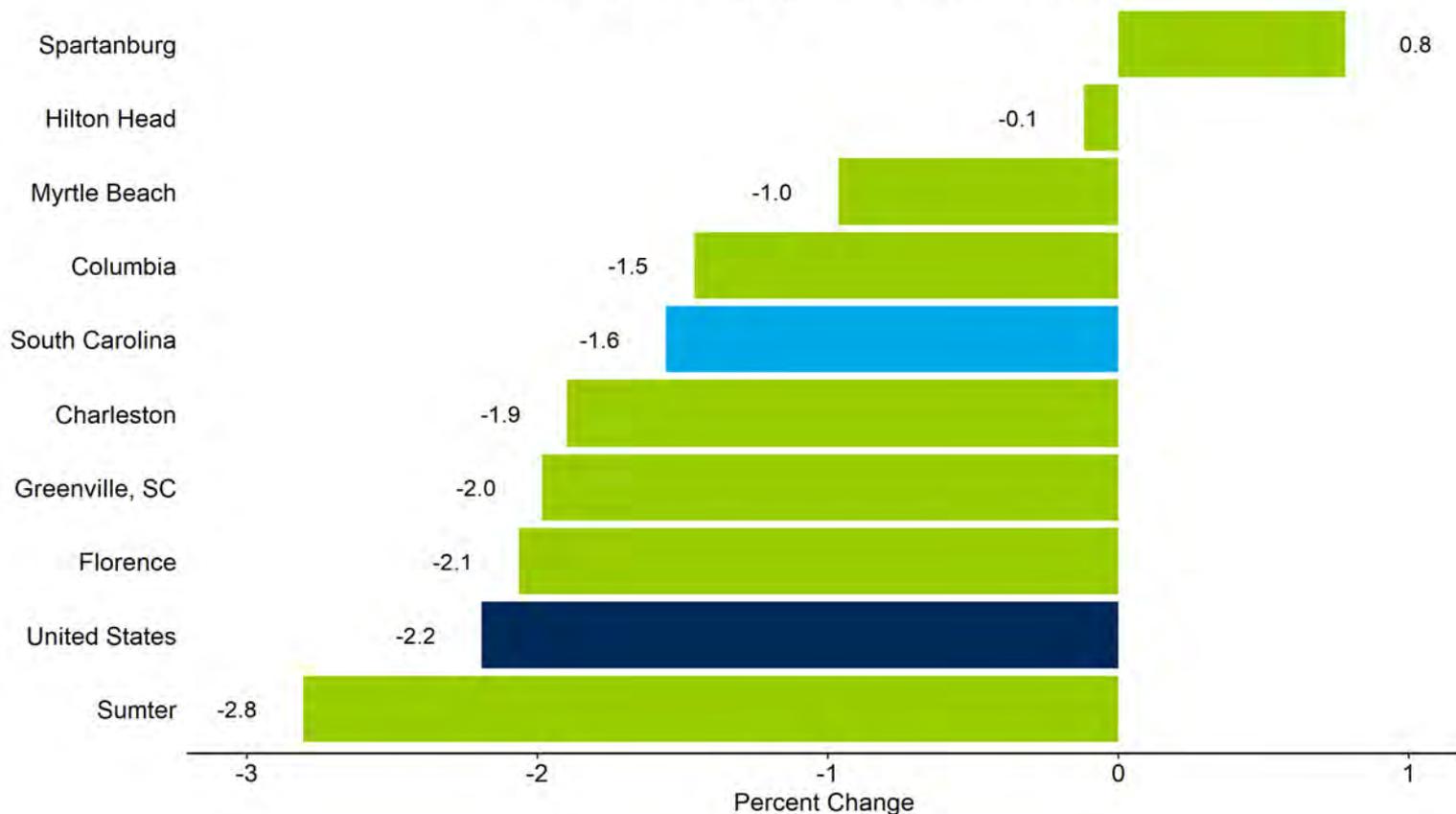
The story across Fifth District states is relatively consistent with the U.S., but the Carolinas continue to lead the pack



Source: Bureau of Labor Statistics/Haver Analytics

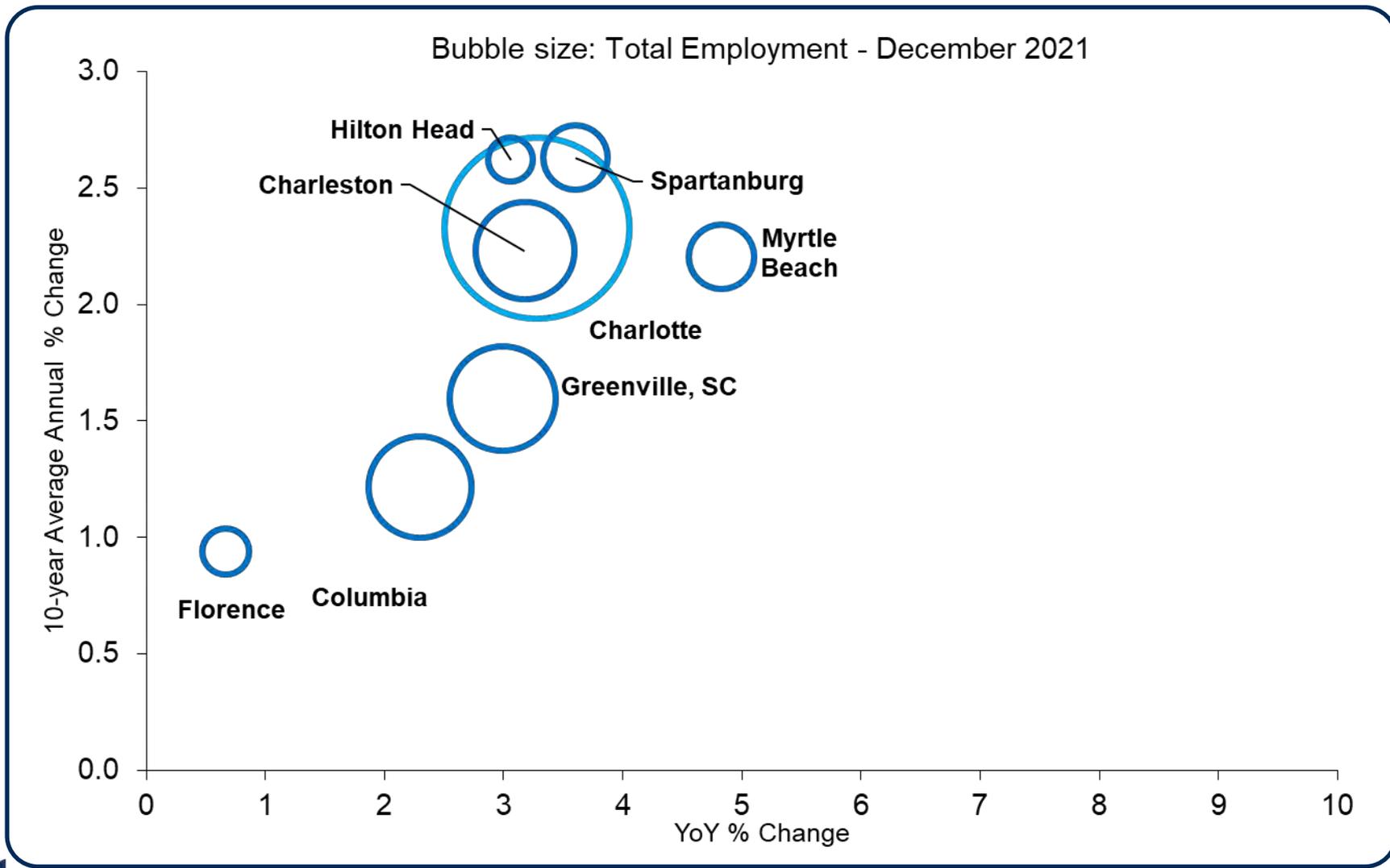
Spartanburg is the only SC MSA that has fully recovered all of the jobs lost during COVID...

Change in Employment Since Feb 2020



Source: Bureau of Labor Statistics/Haver Analytics

...but long-term growth amongst SC MSAs remains entirely positive, even considering COVID declines



Source: Bureau of Labor Statistics/Haver Analytics

Labor force participation has increased some, but remains well below pre-pandemic levels

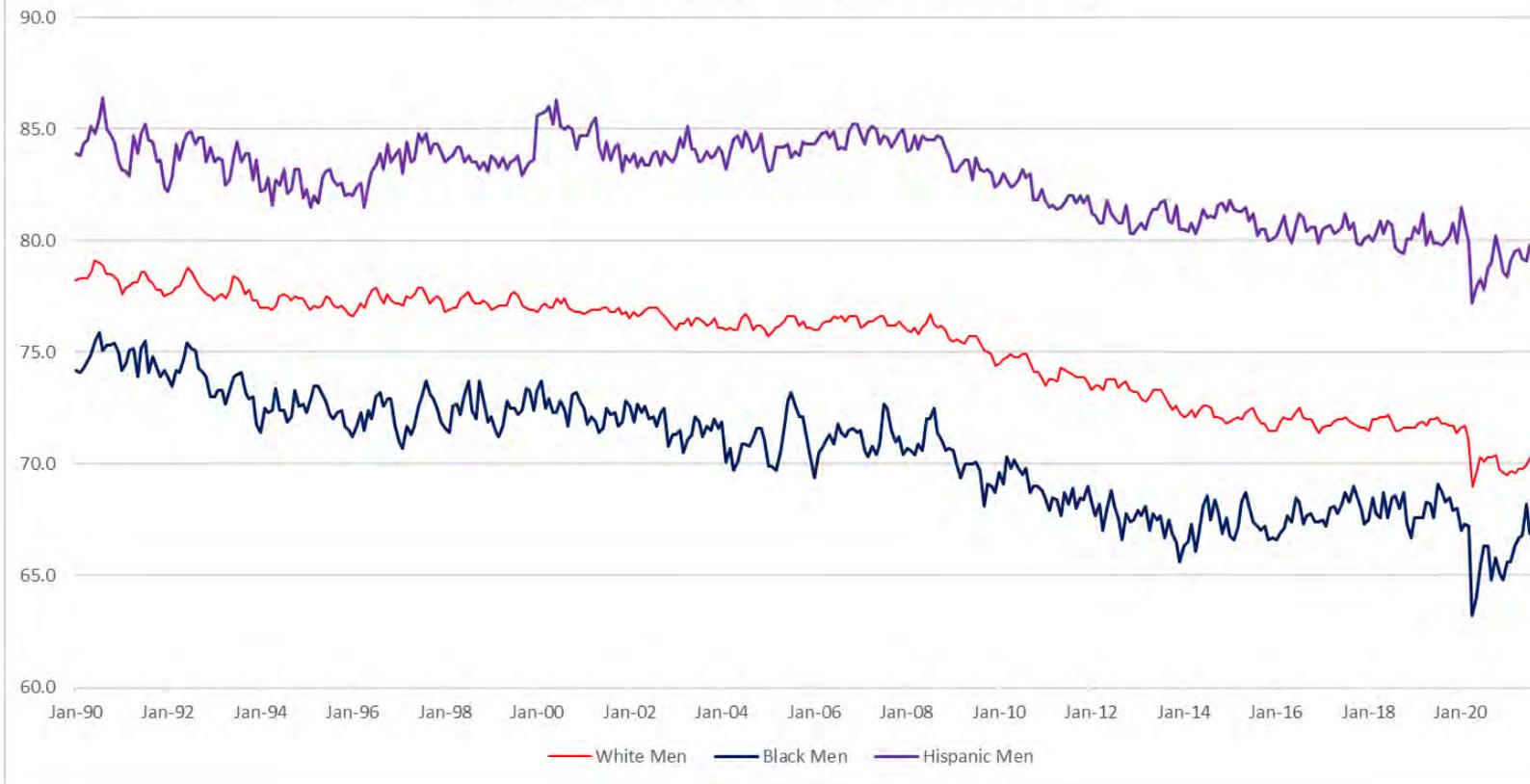


Source: Bureau of Labor Statistics/Haver Analytics

The recovery of male labor force participation varies by race, with white male recovery lagging minority males



Male Labor Force Participation, Age 20+

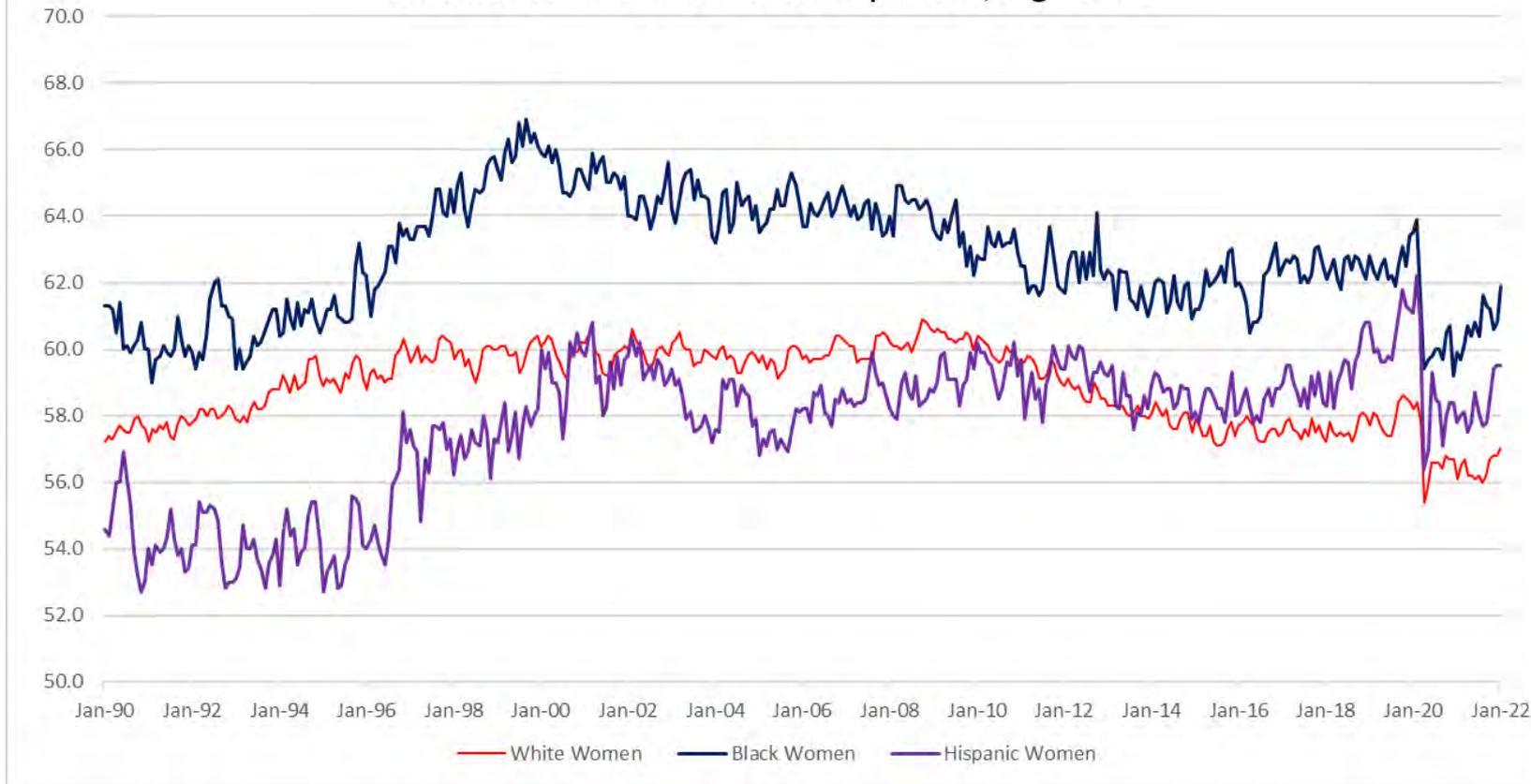


	White	Black	Hispanic
Percent of Feb-Apr Decline Recovered as of January 2022	37.04%	92.68%	72.22%
Percent Decline Since February 2020	-2.37%	-0.45%	-1.24%

Source: Bureau of Labor Statistics, Current Population Survey

Female LFP recovery lags that of males, with minority females seeing larger declines compared to pre-COVID

Female Labor Force Participation, Age 20+

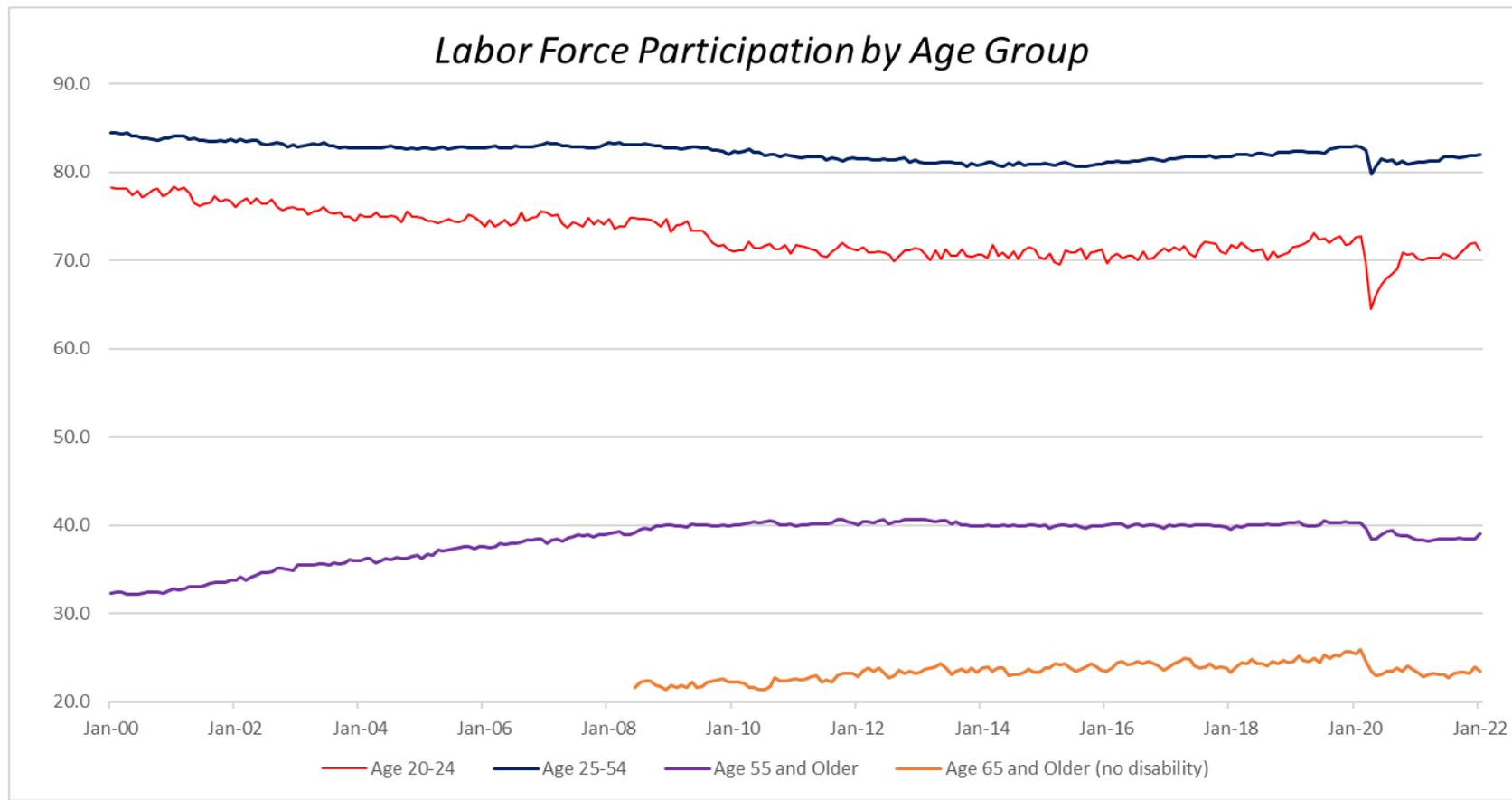


	White	Black	Hispanic
Percent of Feb-Apr Decline Recovered as of January 2022	53.33%	55.56%	53.45%
Percent Decline Since February 2020	-2.40%	-3.13%	-4.34%

Source: Bureau of Labor Statistics, Current Population Survey

While the youngest age group saw the most extreme decline in the early days of the pandemic, they have nearly fully recovered

Labor Force Participation by Age Group



	Age 20 - 24	Age 25 - 54	Age 55 and Older	Age 65 and Older (no disability)
Percent of Feb-Apr Decline Recovered as of January 2022	79.52%	70.97%	33.33%	0.00%
Percent Decline Since February 2020	-2.34%	-1.09%	-2.98%	-9.62%

Source: Bureau of Labor Statistics/Haver Analytics
Data are Seasonally Adjusted

Will Labor Force Participation Recover?

- For some demographic groups, maybe.
- A recent EMSI report highlights three trends that existed pre-COVID that indicate that the overall answer is likely 'no'. These issues may have been accelerated by COVID and are unlikely to reverse in the near term.
 - 1) **Baby Boomer retirements**
 - 2) **Change in attitudes/norms around work**
 - 3) **The 50-year baby bust**
- The bad news is that this is truly a global issue. The good news for us is that the Carolinas will fare better than the majority of the U.S.
- In addition, there are things that can be done to change the landscape in the longer run.

What can we do to reverse trends?

- What might make a difference in the availability of workers? What could get people back into the labor force?
 - Flexibility:
 - According to LinkedIn, workers are 2.5 times more likely to apply for jobs that are remote.
 - Flexibility in terms of location, hours worked, etc. can help workers with young children or those with other care responsibilities.
 - Immigration:
 - While these issues are global, the desire to relocate to the U.S. remains strong. The bonus here is that immigrants typically have higher labor force participation and fertility rates.
 - Fertility Incentives:
 - Other countries, such as Germany, Sweden and Japan, have tried incentives to increase their fertility rate.
 - This could include anything from enhanced child tax credits, to subsidized childcare, to direct cash payments.
 - Changes in Recruiting Philosophies:
 - As the working population shrinks (as a percent of total population), employers will have to evaluate how and who they recruit.
 - Is a college degree really necessary for the job? Could the position be more flexible in the future? Is there a way to directly recruit older workers?

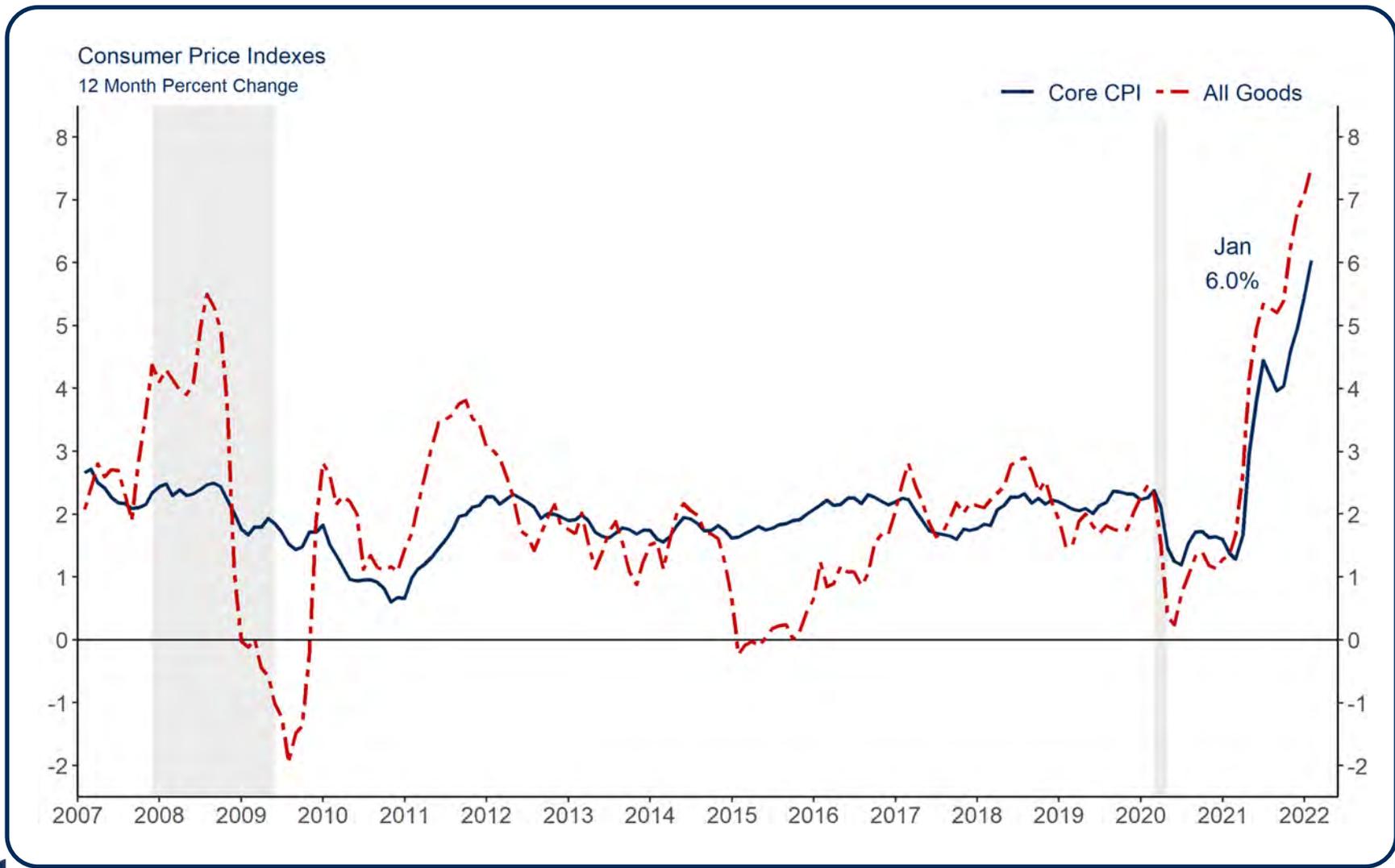
Inflation and FOMC Comments

Producer prices are way up



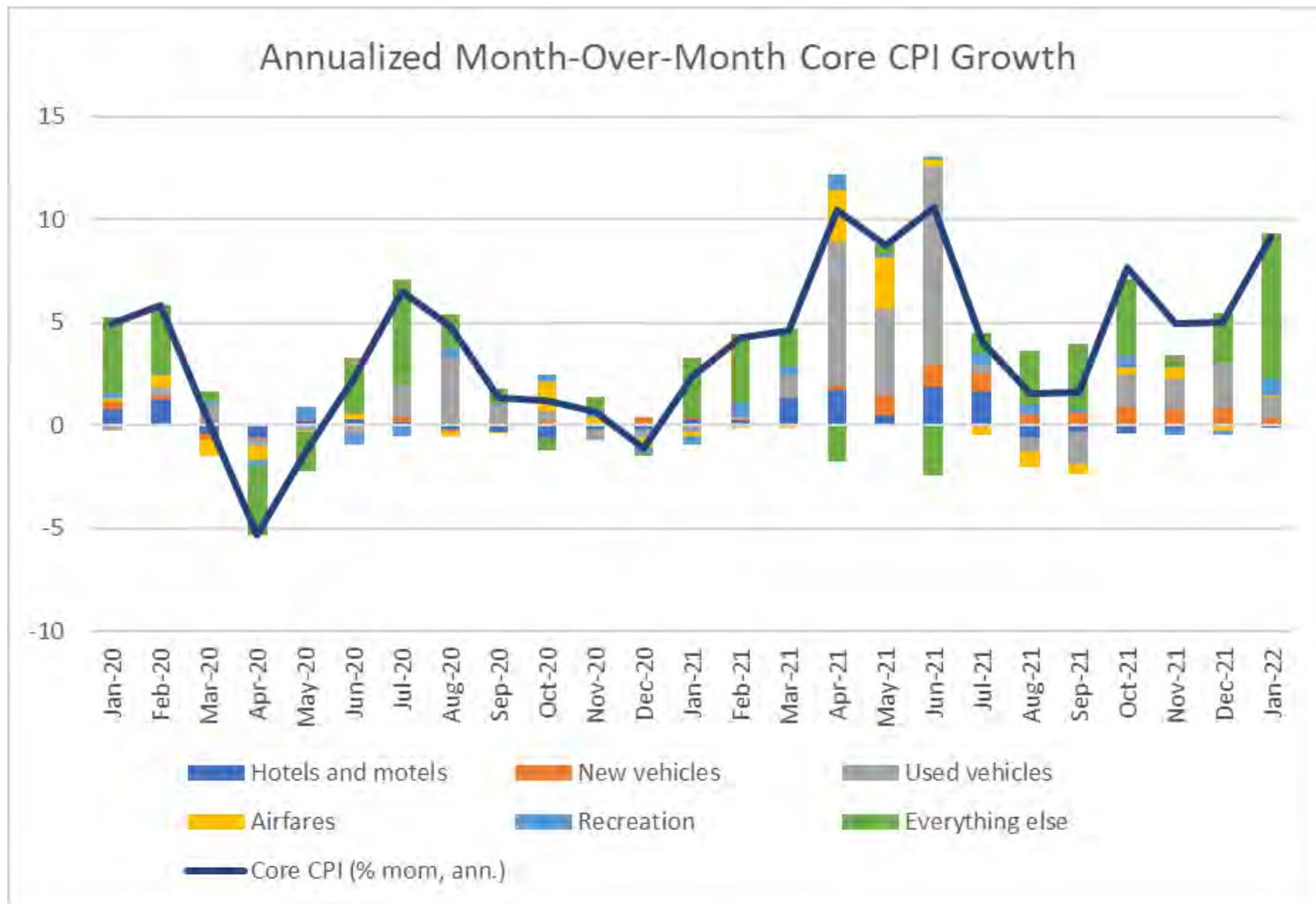
Source: Bureau of Labor Statistics via Haver Analytics

Consumer inflation is surging too



Source: Bureau of Labor Statistics via Haver Analytics

Inflation is becoming more broad-based



Source: Bureau of Labor Statistics via Haver Analytics

Headlines from the FOMC meeting in January

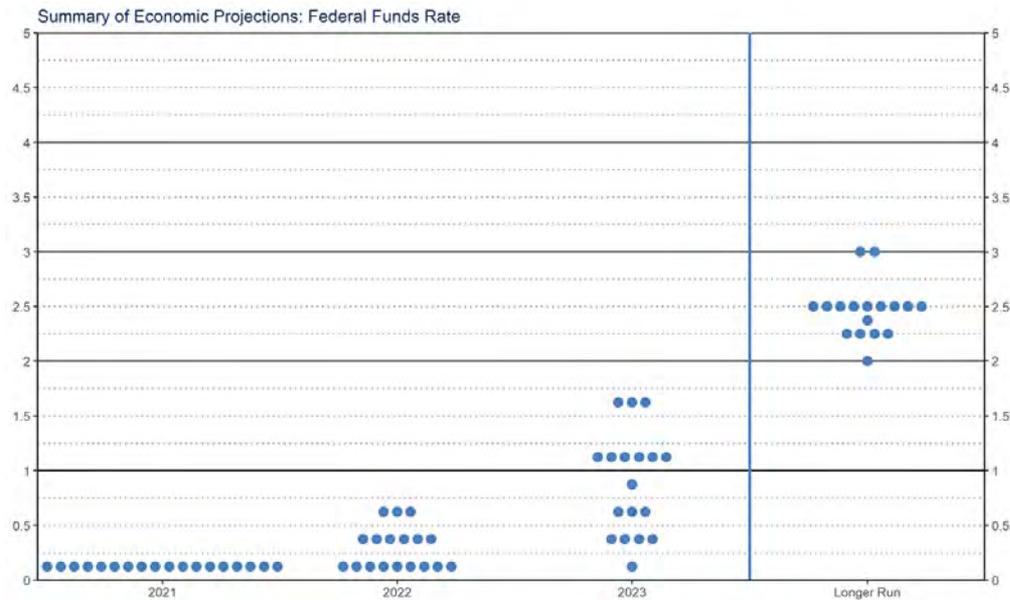
Indicators of economic activity and employment have continued to strengthen. The sectors most adversely affected by the pandemic have improved in recent months but are being affected by the recent sharp rise in COVID-19 cases. **Job gains have been solid in recent months, and the unemployment rate has declined substantially. Supply and demand imbalances related to the pandemic and the reopening of the economy have continued to contribute to elevated levels of inflation.** Overall financial conditions remain accommodative, in part reflecting policy measures to support the economy and the flow of credit to U.S. households and businesses.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, **the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent.** With inflation well above 2 percent and a strong labor market, **the Committee expects it will soon be appropriate to raise the target range for the federal funds rate. The Committee decided to continue to reduce the monthly pace of its net asset purchases, bringing them to an end in early March.** Beginning in February, the Committee will increase its holdings of Treasury securities by at least \$20 billion per month and of agency mortgage-backed securities by at least \$10 billion per month...the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals....

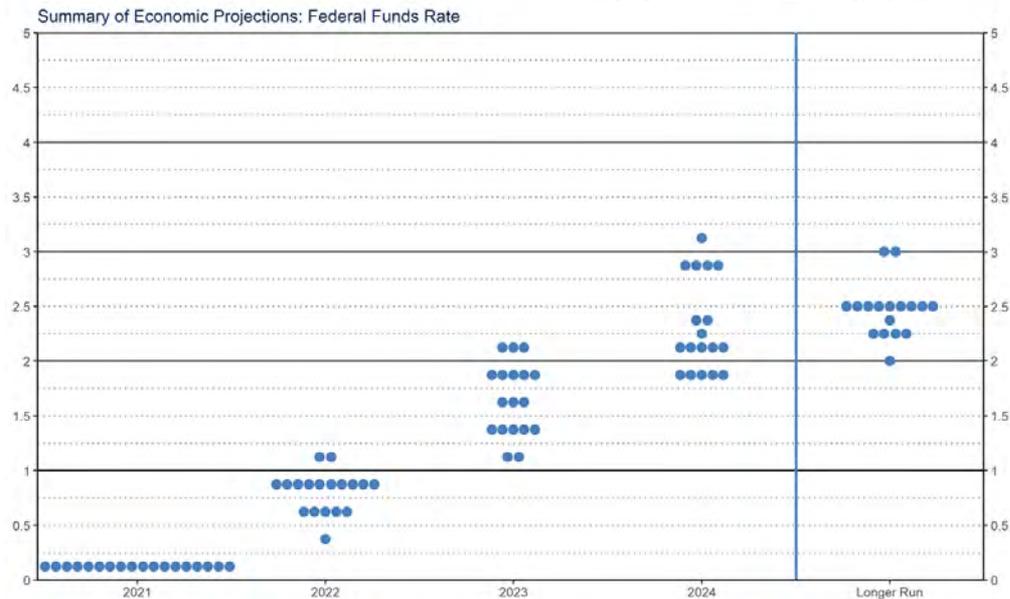
Source: Board of Governors

Changes in FOMC near term interest rate projections: September 2021 vs December 2021

September 2021



December 2021



Questions/Comments?

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