



# Economic Update

SC Council of Governments  
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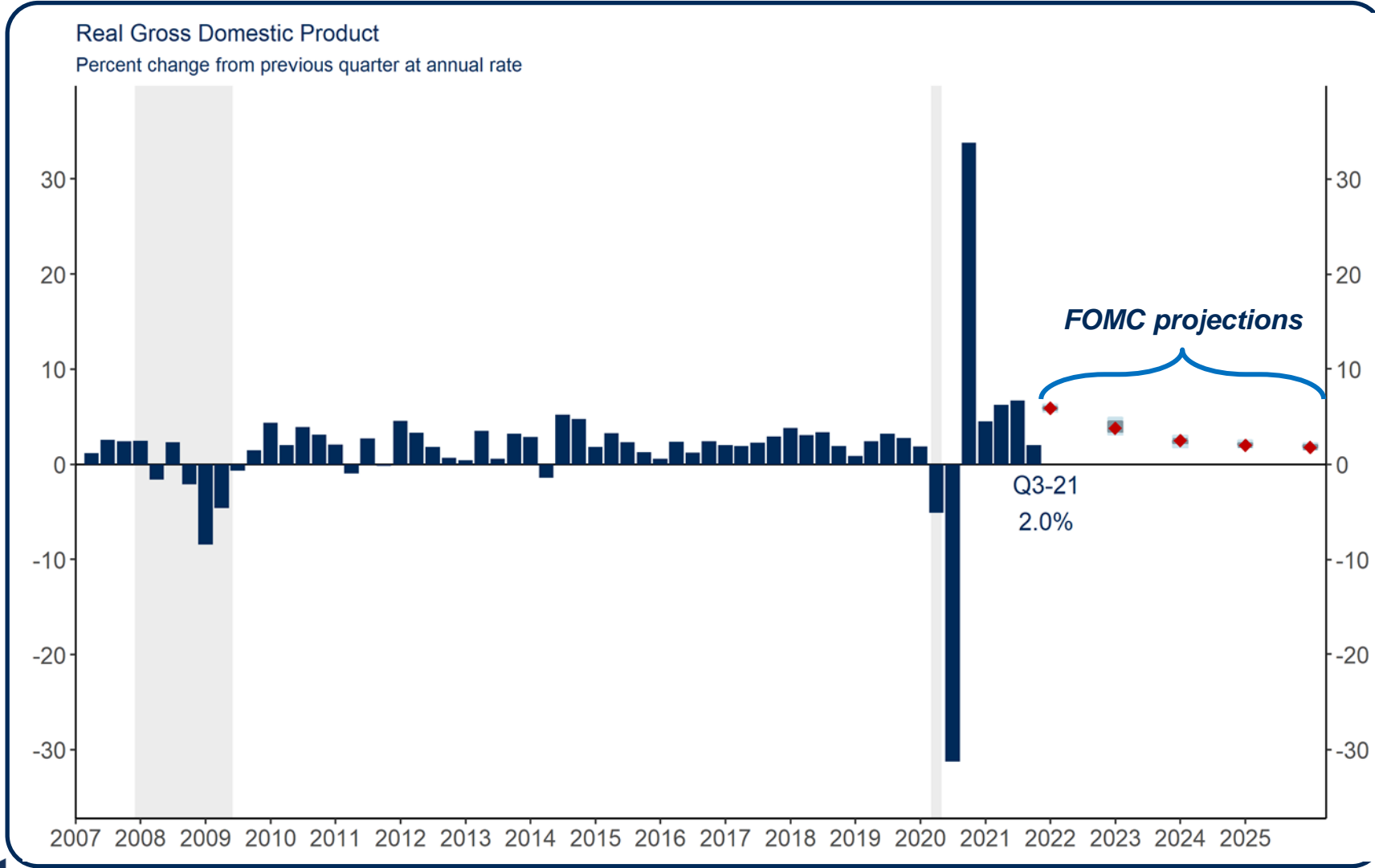
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# Where are we now?

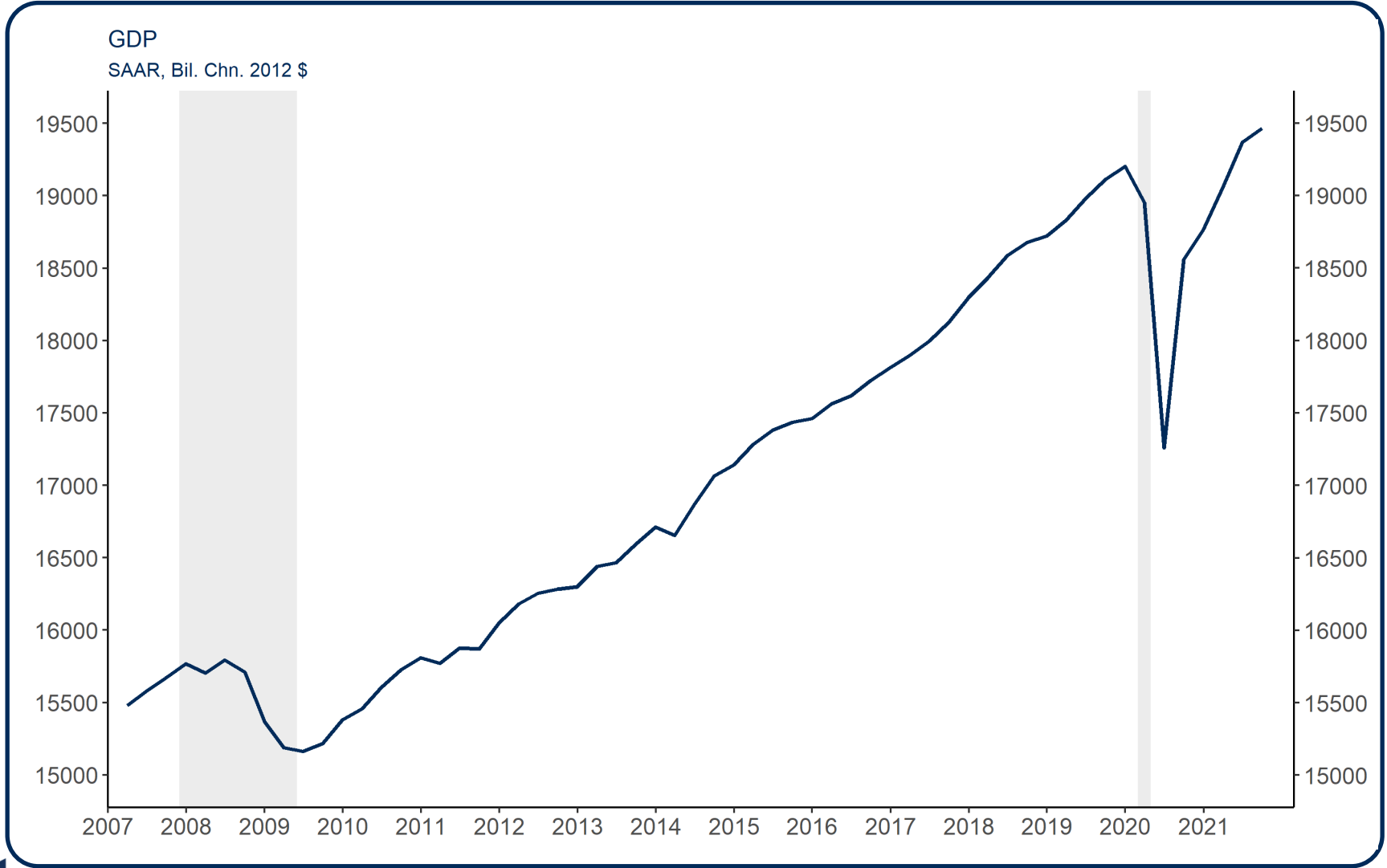
- After an extraordinarily volatile 2020, GDP growth looks strong thus far in 2021. Real GDP grew at an annualized rate of 6.3% in Q1 and 6.7% in Q2. The advanced Q3 estimate stands at 2.0%. GDP now exceeds pre-pandemic levels.
  - Fiscal support and recovery have led to strong increases in consumer spending and saving; a significant amount of funds have also provided relief to state and local governments.
- While GDP and employment are both on a path towards recovery, GDP growth is outpacing employment growth.
  - As of October, there were still 4.2 million fewer jobs than we had in February 2020, a 2.8% decline.
  - Many businesses are reporting difficulties in finding labor, even though the unemployment rate remains elevated.
- Inflation remains above the 2 percent average target.
  - While some price increases are transitory, continued labor shortages and supply chain issues may introduce continued upward pressure on prices.

# Strong growth in real GDP is expected in 2021 after a volatile 2020



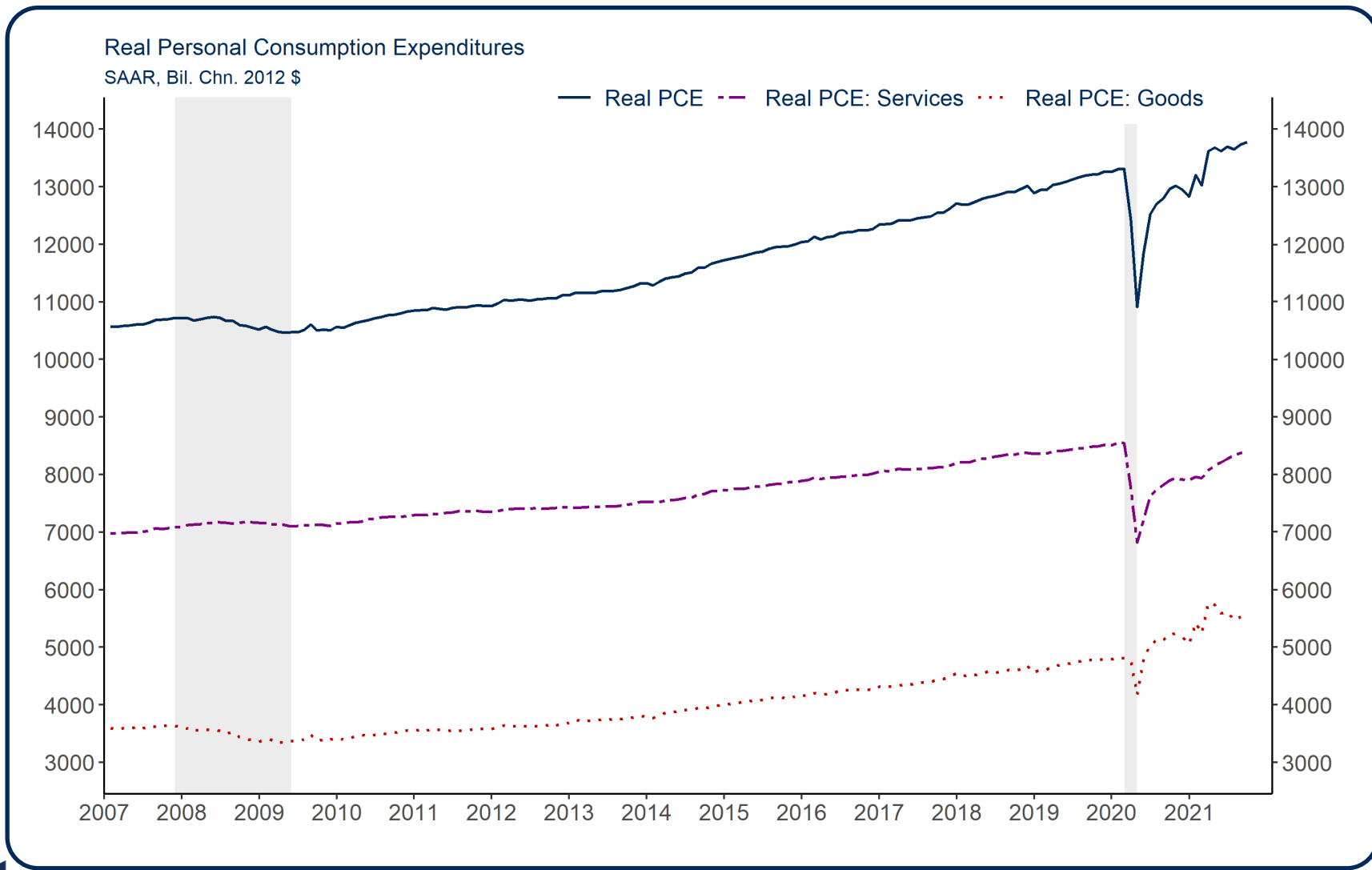
Source: Bureau of Economic Analysis/Haver Analytics, Federal Reserve Board

# The level of economic activity has recovered to pre-pandemic levels, and consumption has remained strong



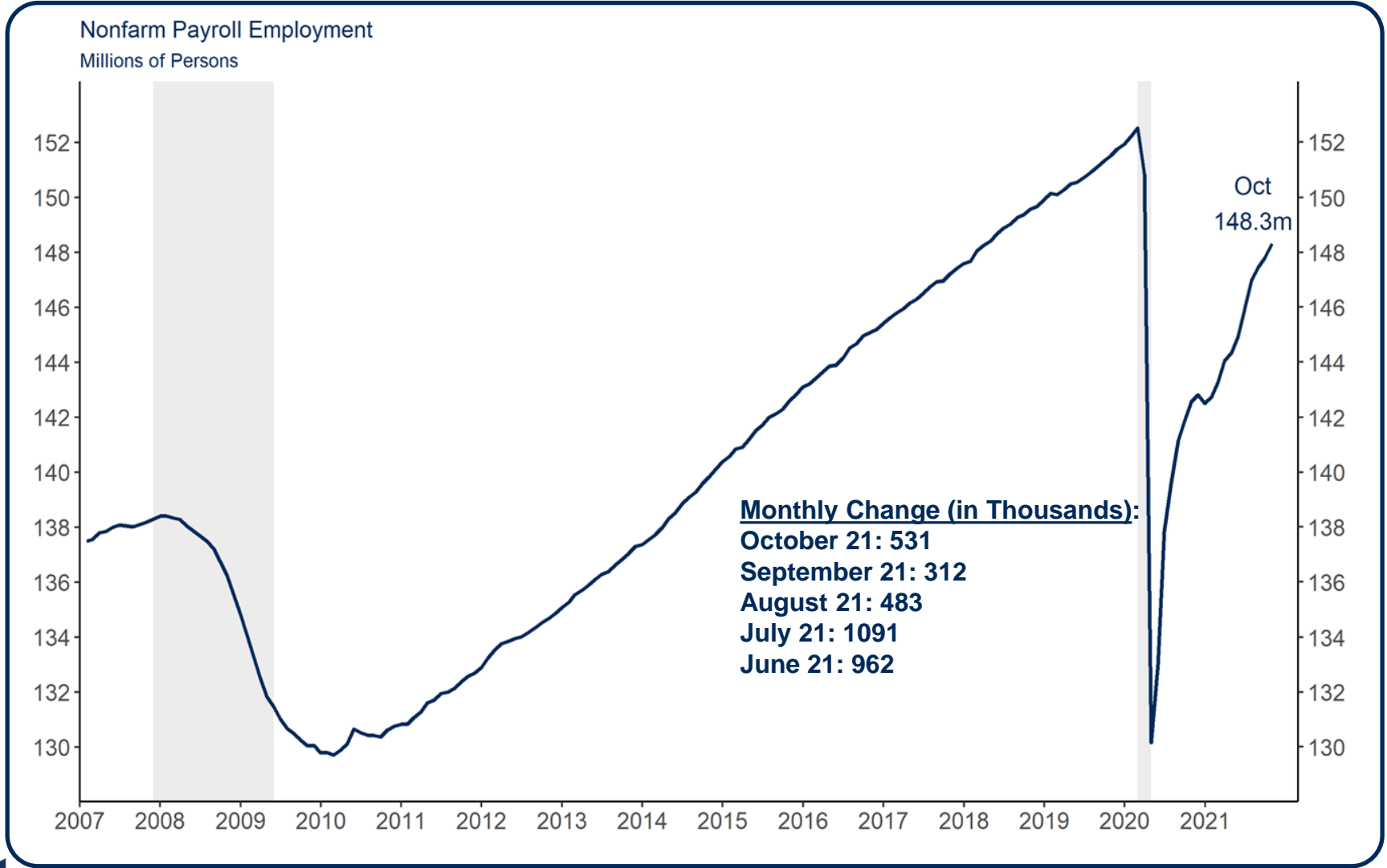
Source: Bureau of Economic Analysis, Haver Analytics

# Spending on goods has outpaced spending on services



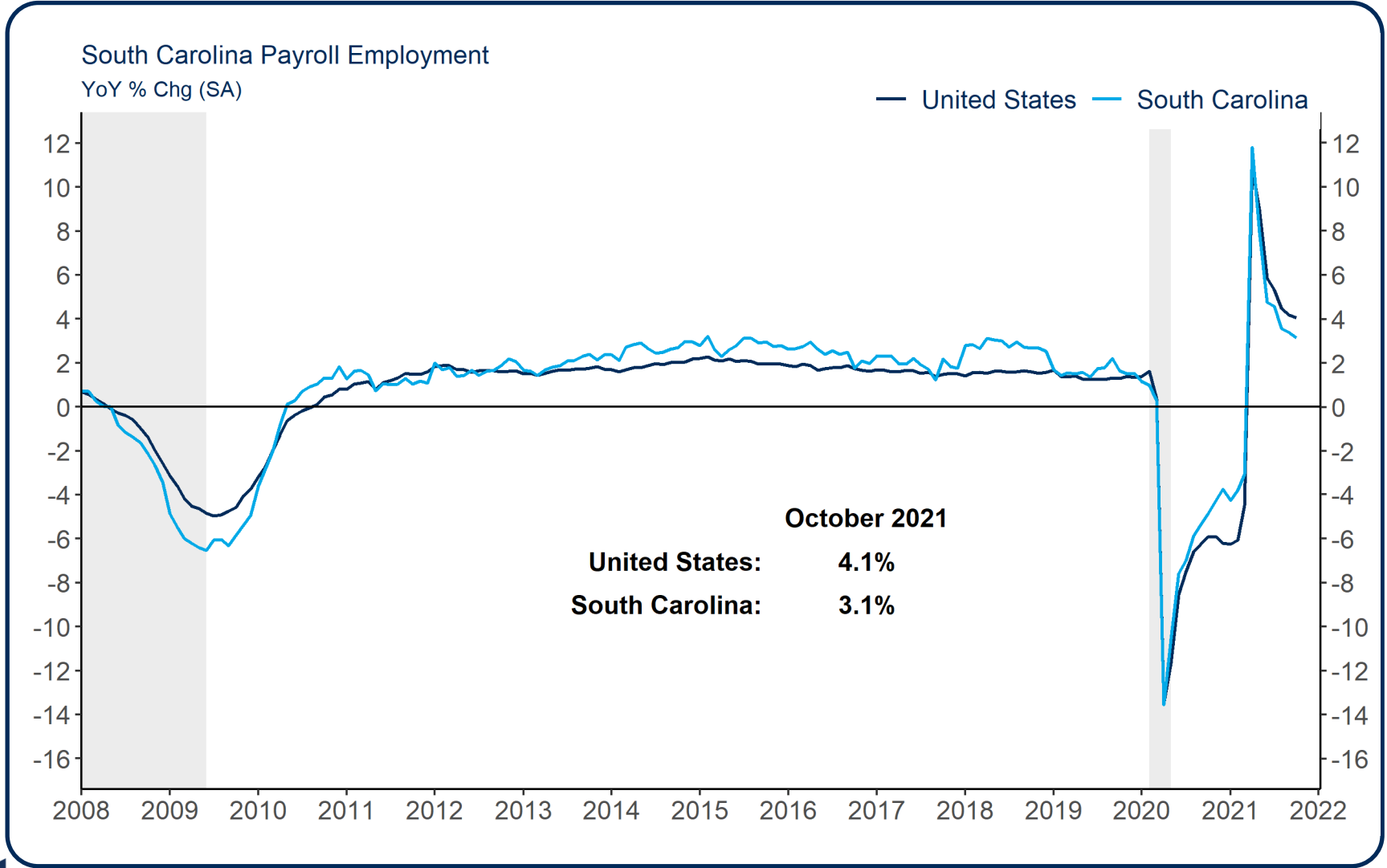
Source: Bureau of Economic Analysis

# Employment remains 4.2 million jobs below pre-pandemic levels even with the positive October report



Source: Bureau of Labor Statistics/Haver Analytics

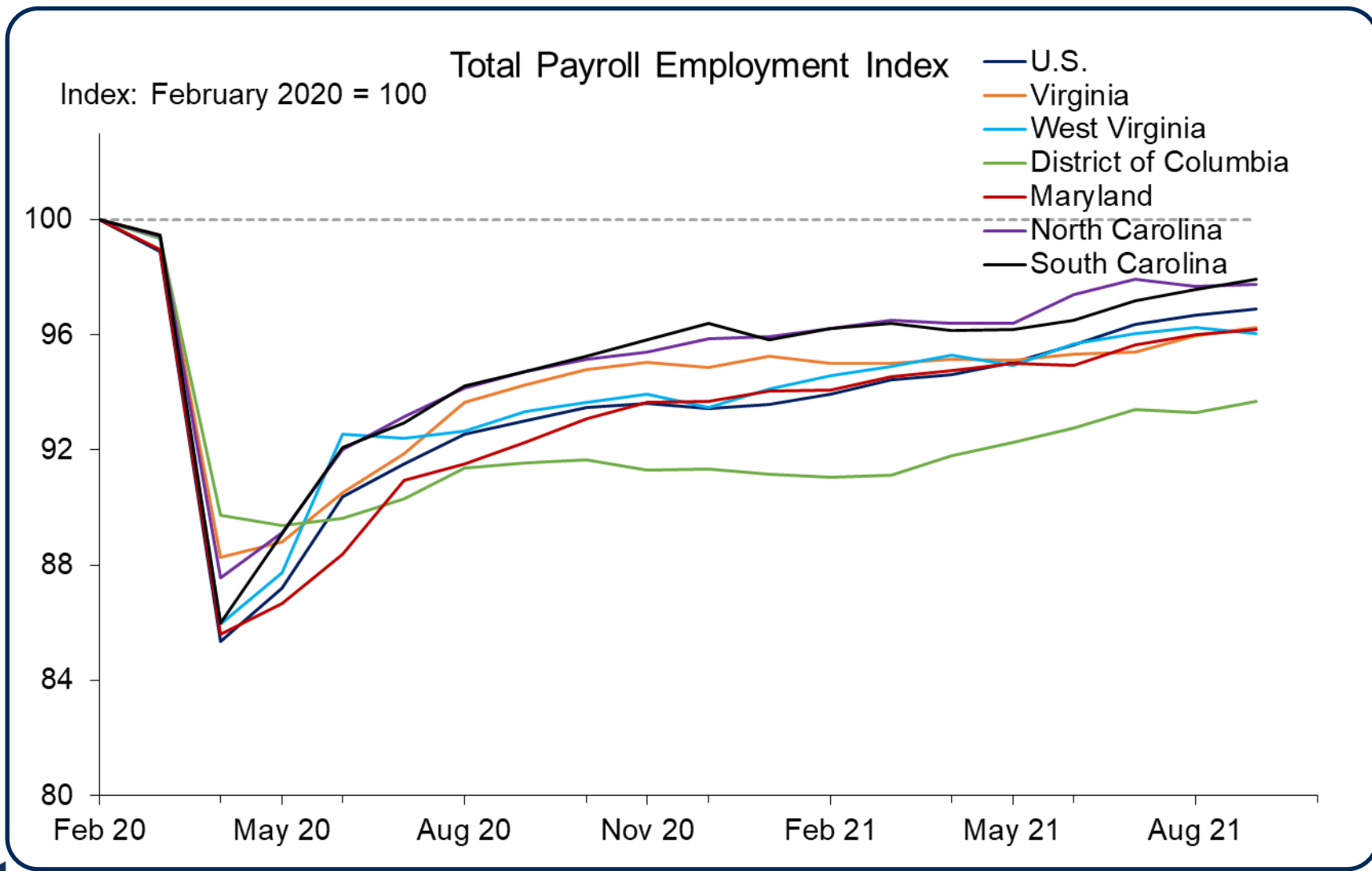
# South Carolina outpaced the US as a whole for most of the pandemic, but has lagged recently



Source: Bureau of Labor Statistics/Haver Analytics

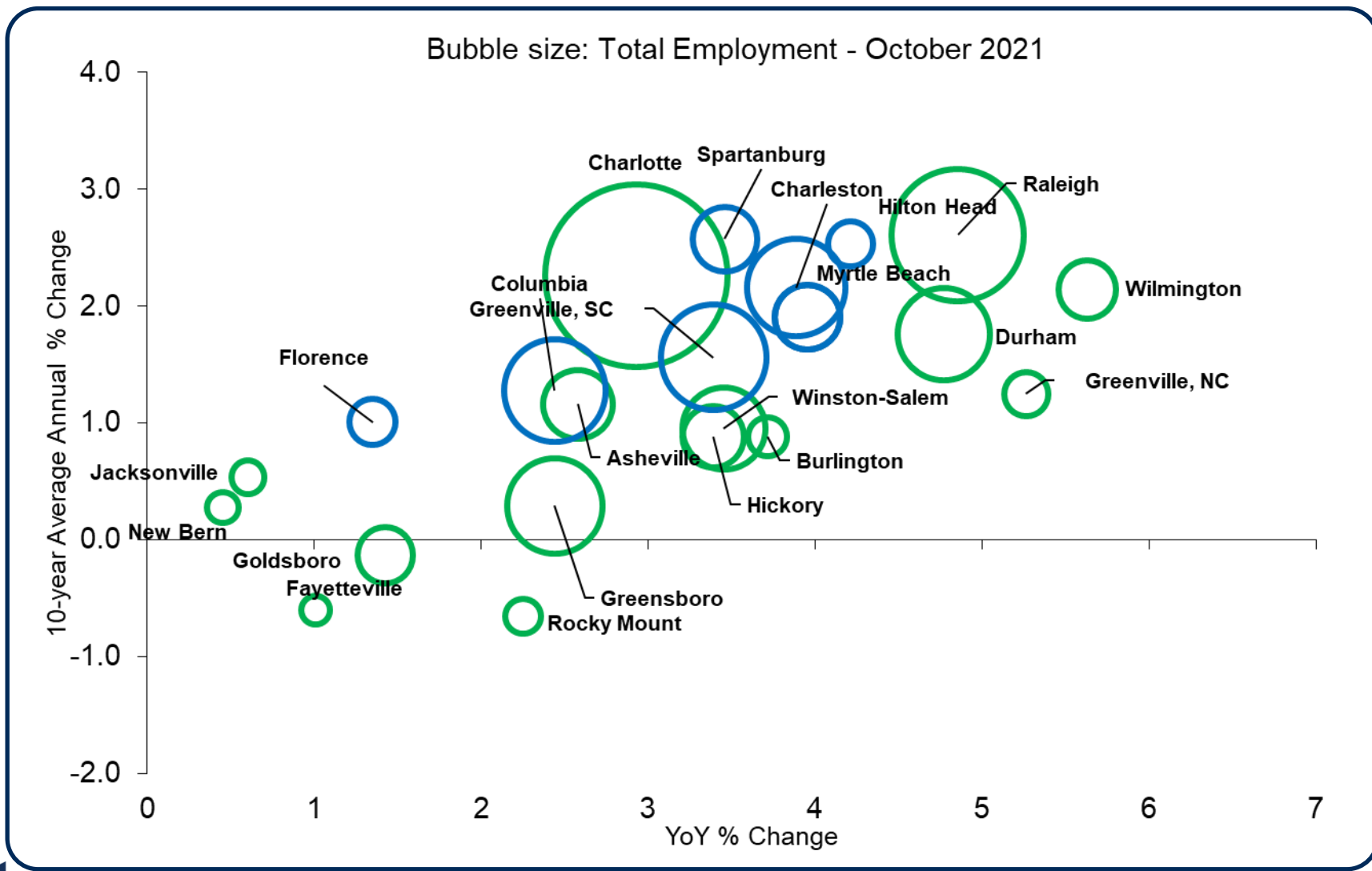


# The story across our states is relatively consistent with the U.S.



Source: Bureau of Labor Statistics/Haver Analytics

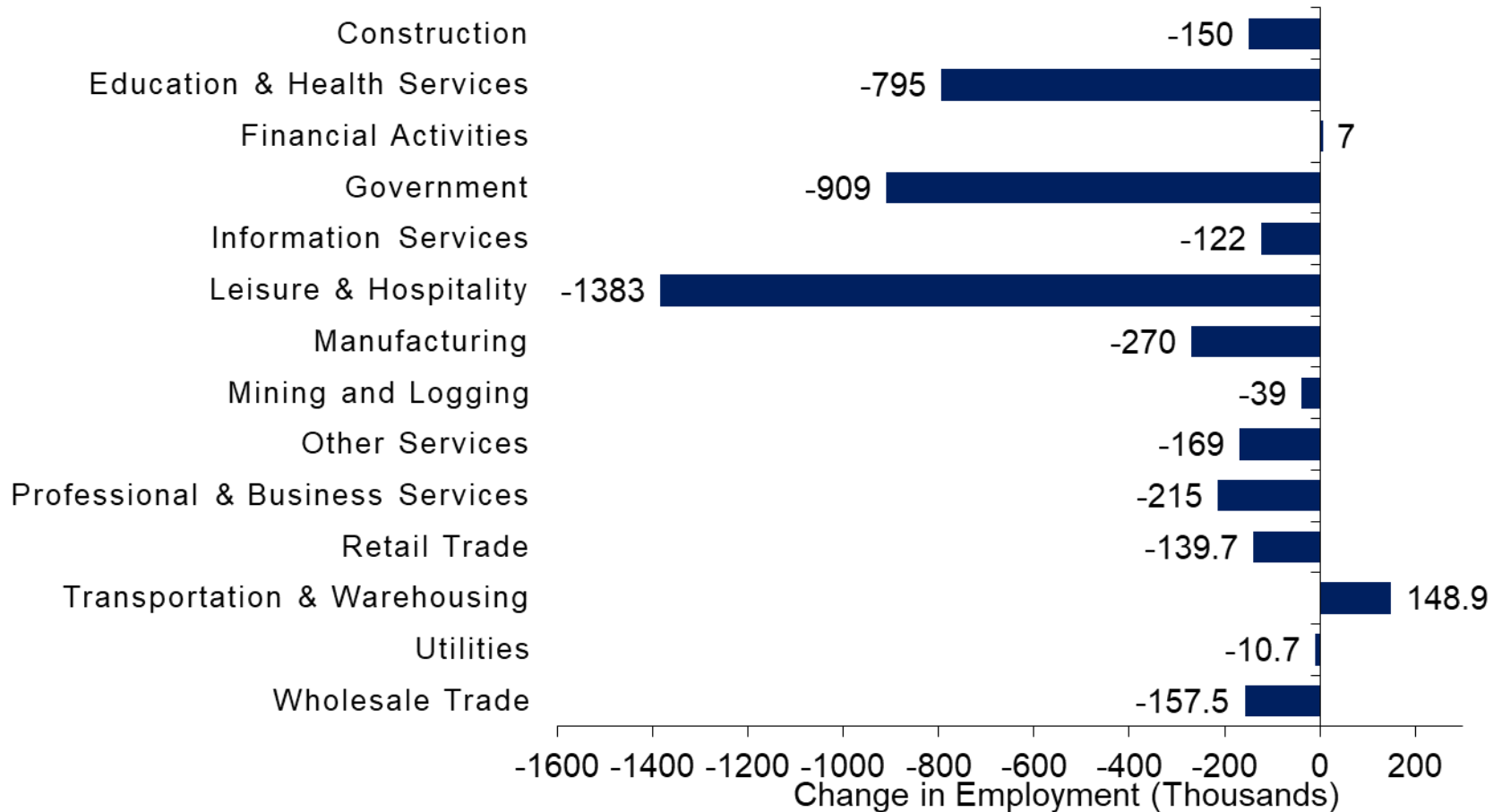
# Long-term growth amongst SC MSAs remains universally positive



Source: Bureau of Labor Statistics/Haver Analytics

# While some industries have more than fully recovered, others still lag pre-COVID levels considerably

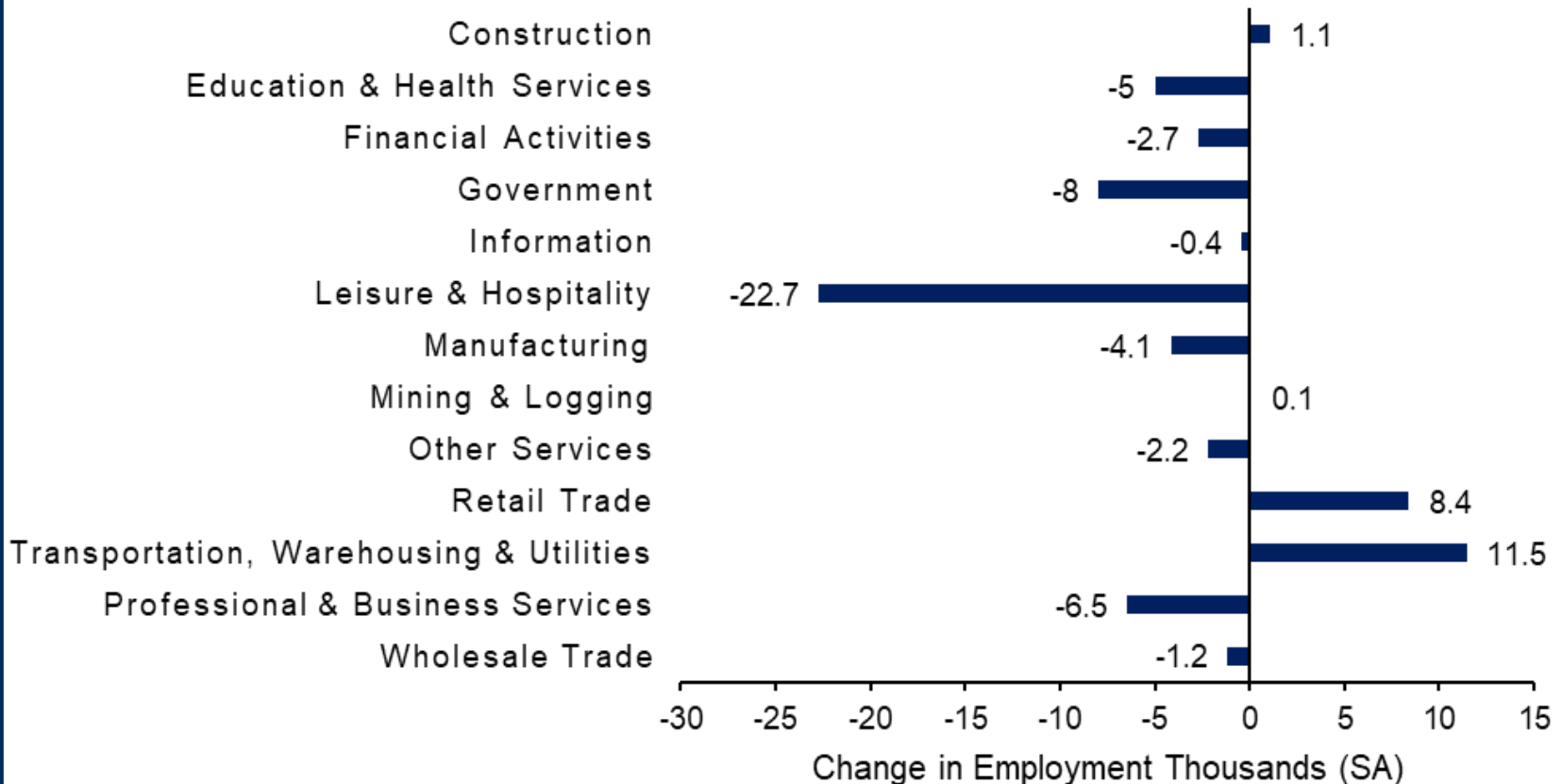
## United States Employment Change February 20 to October 21



Source: Bureau of Labor Statistics/Haver Analytics

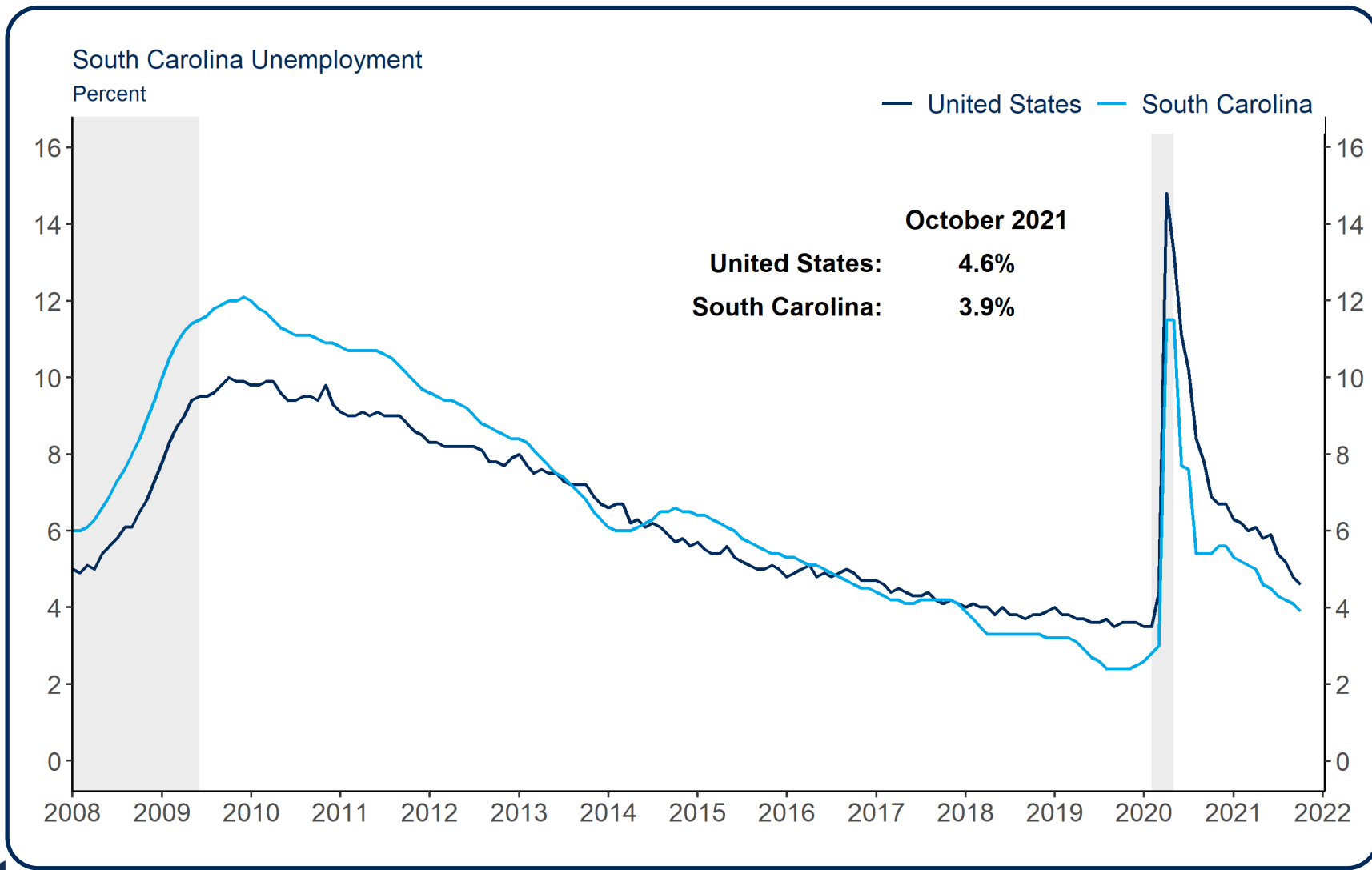
# While some industries have more than fully recovered, others still lag pre-COVID levels considerably

## South Carolina Employment Change February 20 to October 21



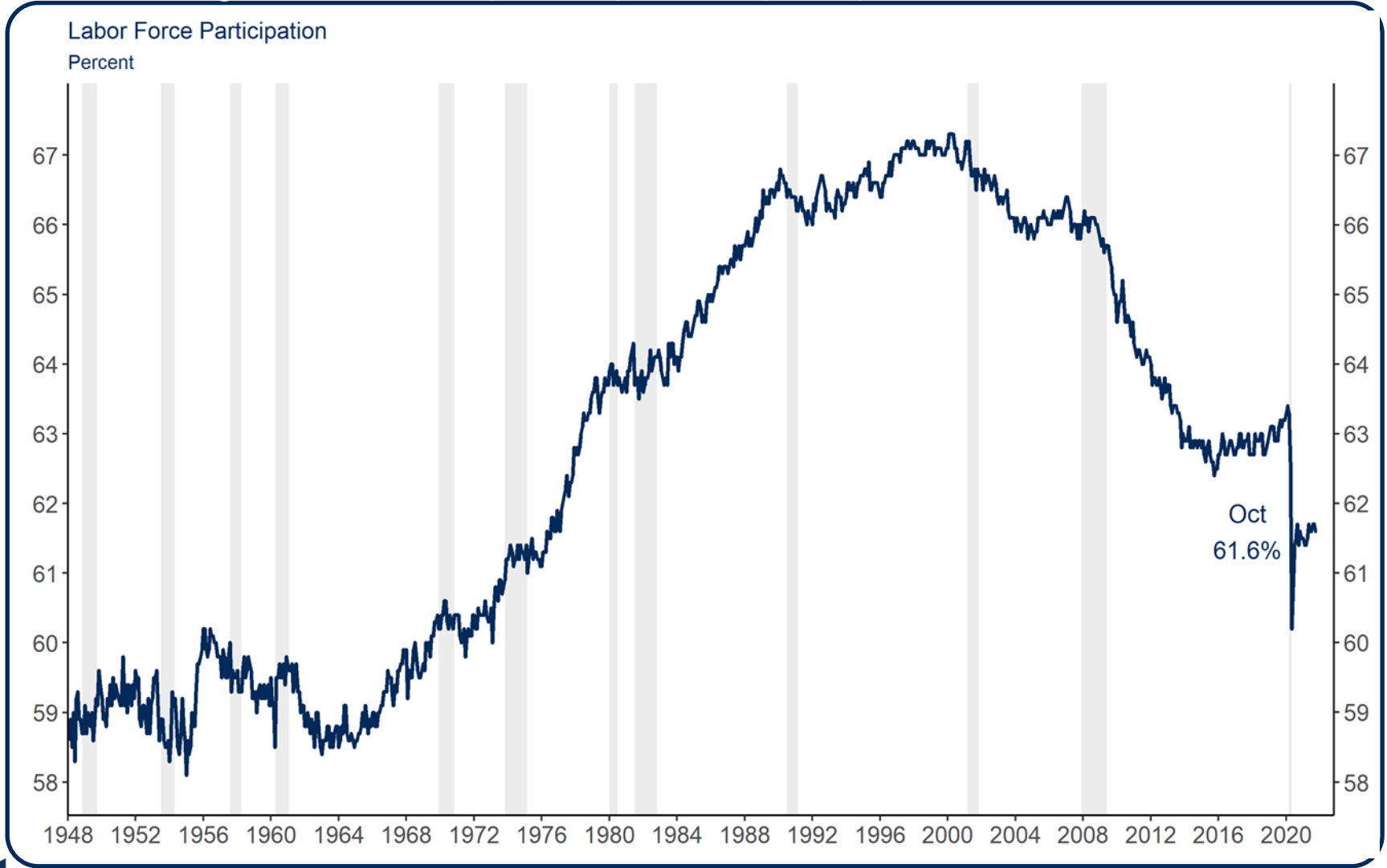
Source: Bureau of Labor Statistics/Haver Analytics

# Unemployment rate continues to fall in the U.S....



Source: Bureau of Labor Statistics/Haver Analytics

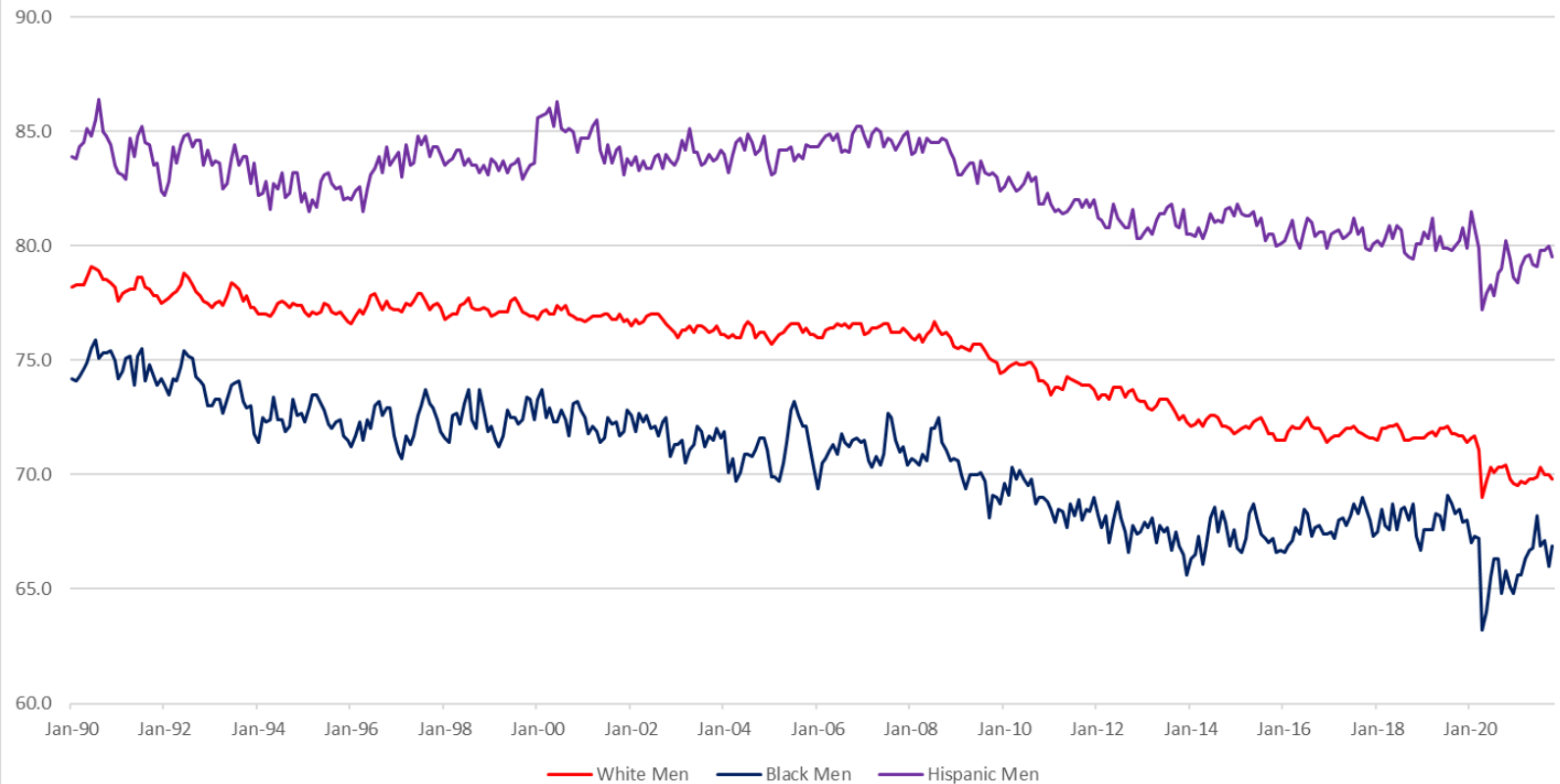
# ...but the recovery looks less impressive when considering labor force participation (LFP)



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+

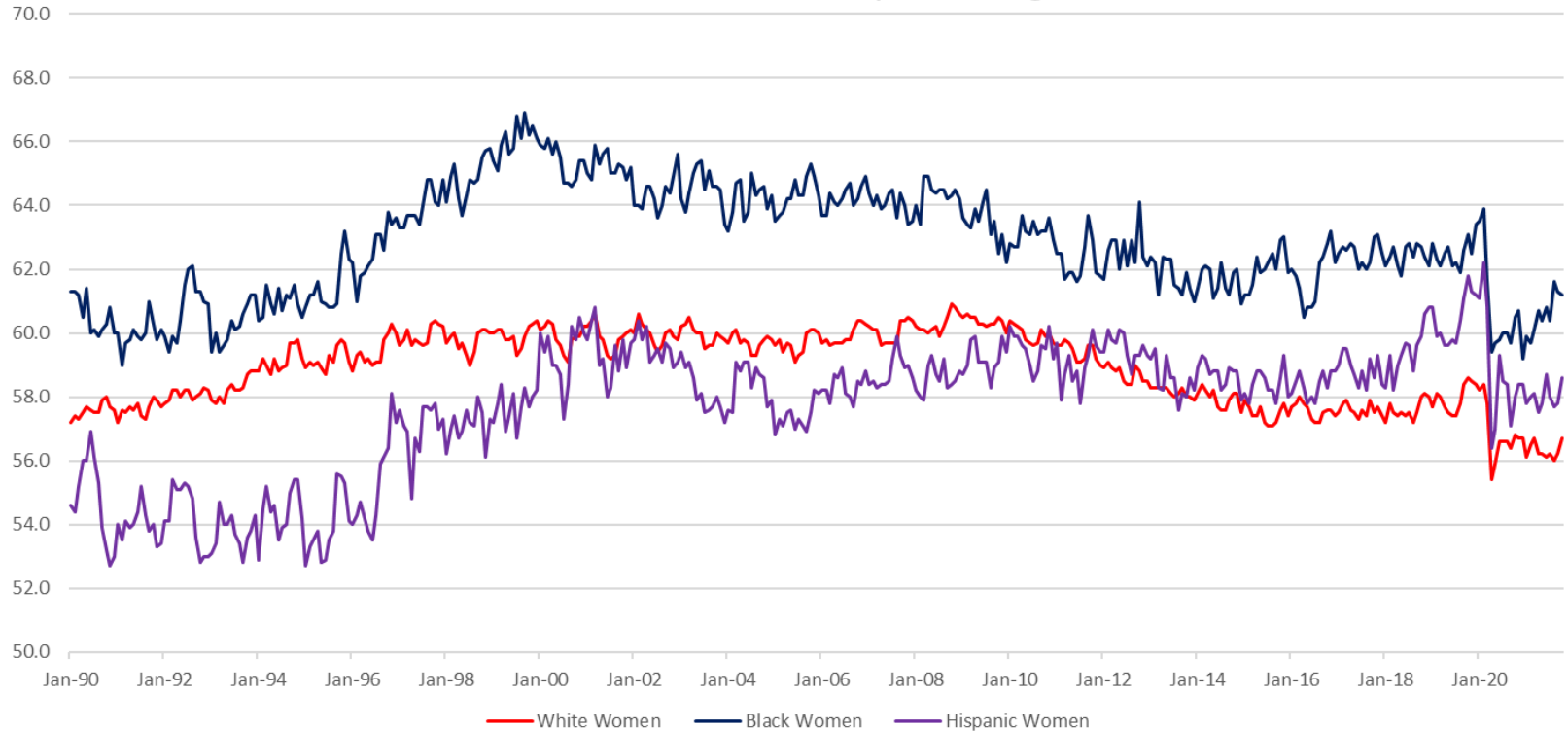


	White	Black	Hispanic
Percent of Feb-Apr Decline Recovered as of October 2021	29.63%	90.24%	63.89%
Percent Decline Since February 2020	-2.65%	-0.59%	-1.61%

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+*

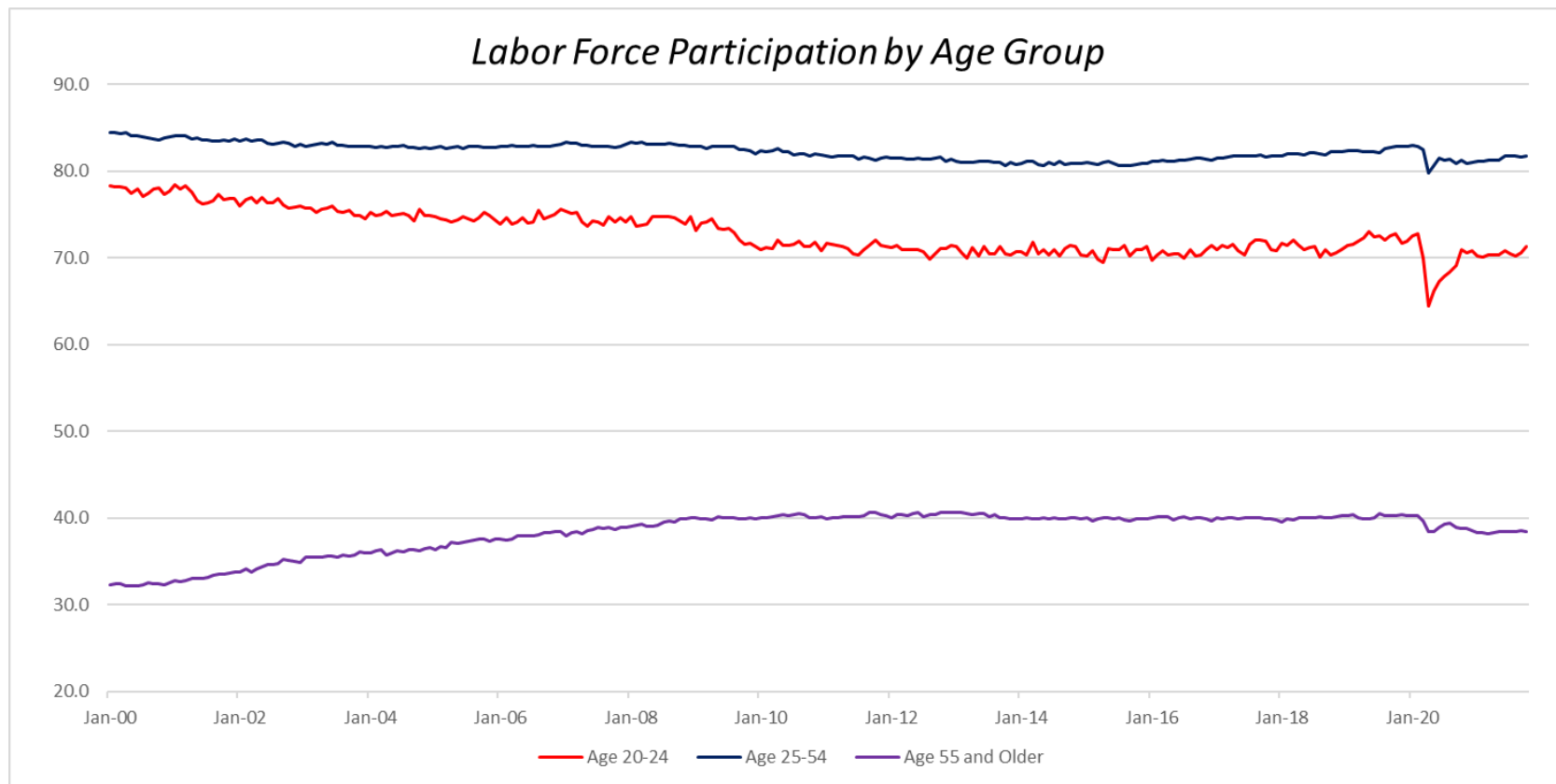


	White	Black	Hispanic
Percent of Feb-Apr Decline Recovered as of October 2021	43.33%	40.00%	37.93%
Percent Decline Since February 2020	-2.91%	-4.23%	-5.79%

Source: Bureau of Labor Statistics/Haver Analytics



While the youngest age group saw the most extreme decline in the early days of the pandemic, they have also recovered relatively well



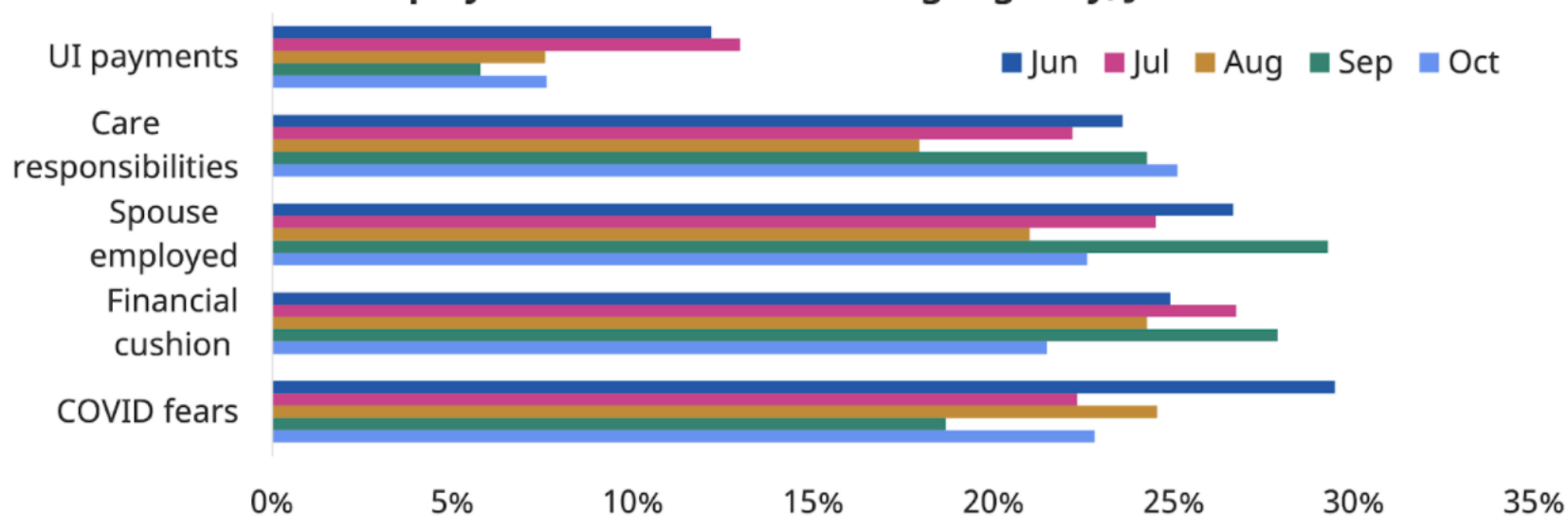
	Age 20 - 24	Age 25 - 54	Age 55 and Older
Percent of Feb-Apr Decline Recovered as of October 2021	81.93%	61.29%	-5.56%
Percent Decline Since February 2020	-2.06%	-1.45%	-4.71%

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

# So, why aren't unemployed people searching for work?

## Reasons for not searching urgently have fluctuated since the summer

% of unemployed workers not searching urgently, Jun - Oct 2021



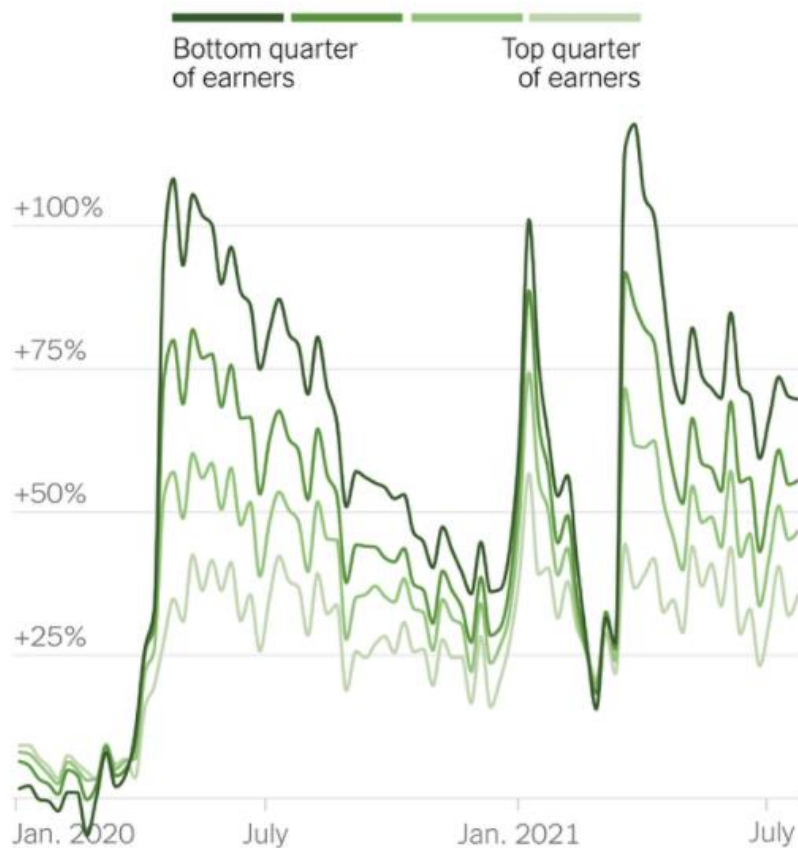
Source: Indeed Hiring Lab Job Search Survey.



Source: Indeed Hiring Lab

# Financial cushions are elevated but declining

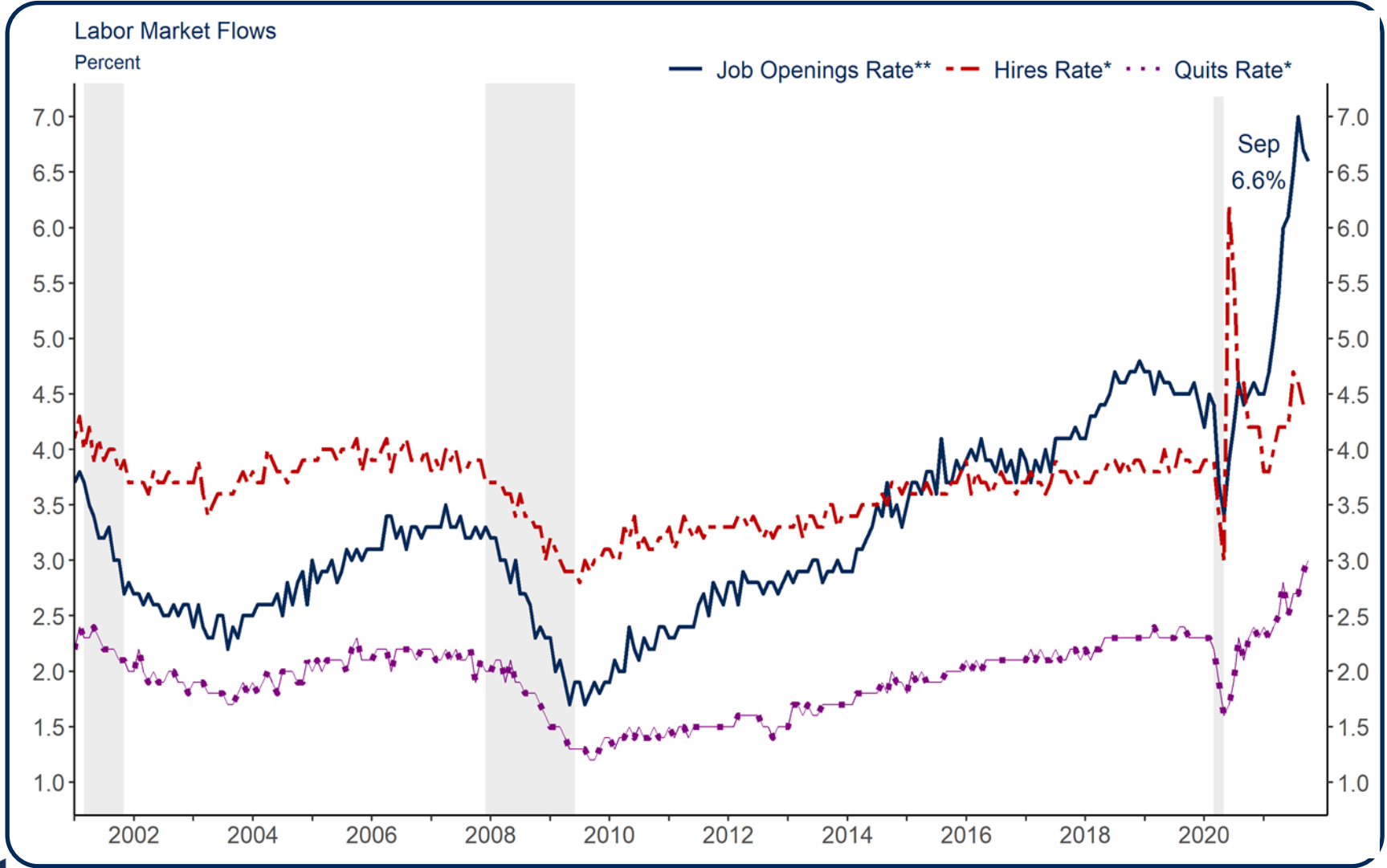
**Change in median checking account balances since 2019, by household income**



Income quarters based on 2019 household earnings. Source: JPMorgan Chase Institute

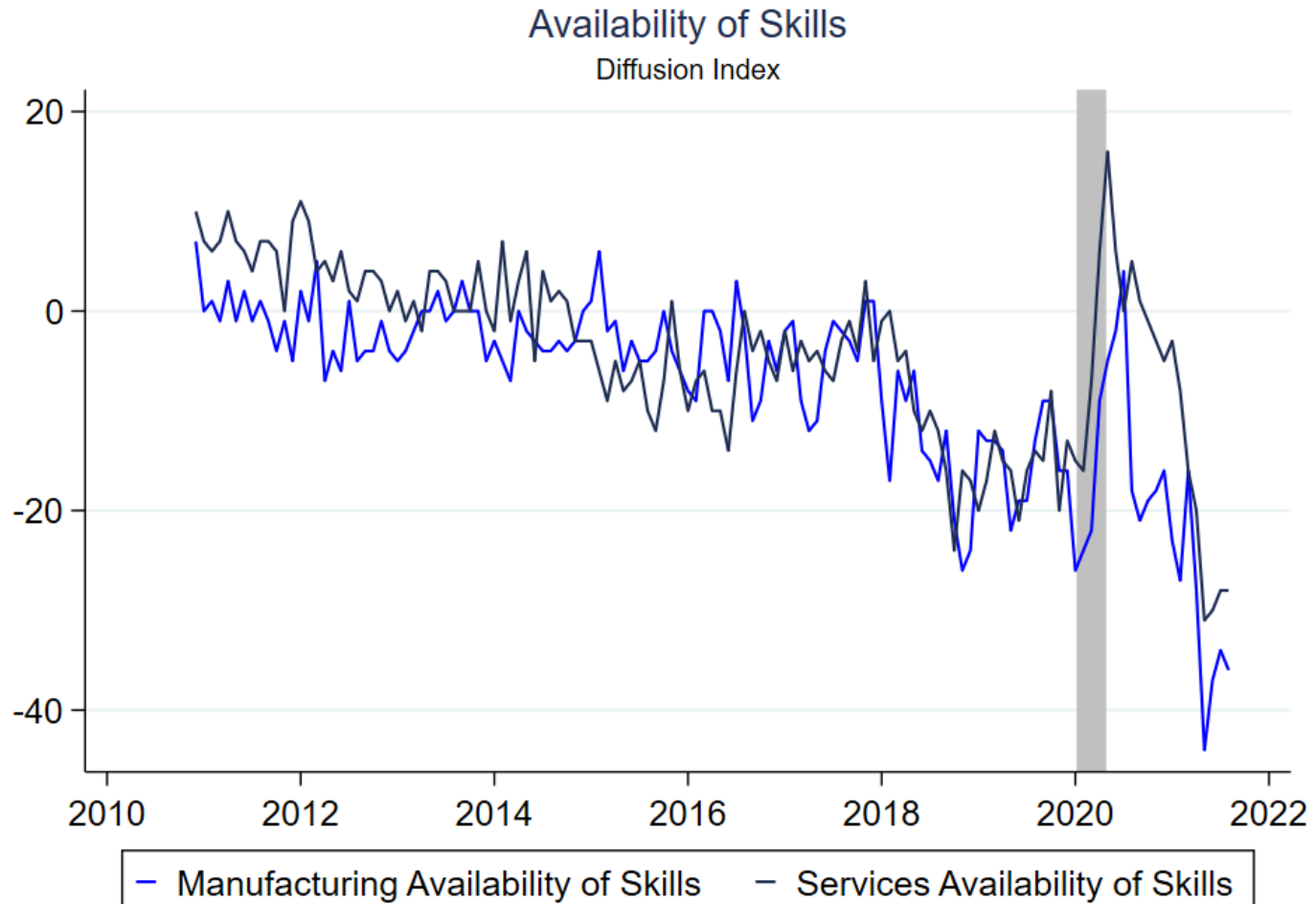
Source: JPMorgan Chase Institute

# Job openings are at a record high



Source: Bureau of Labor Statistics/Haver Analytics

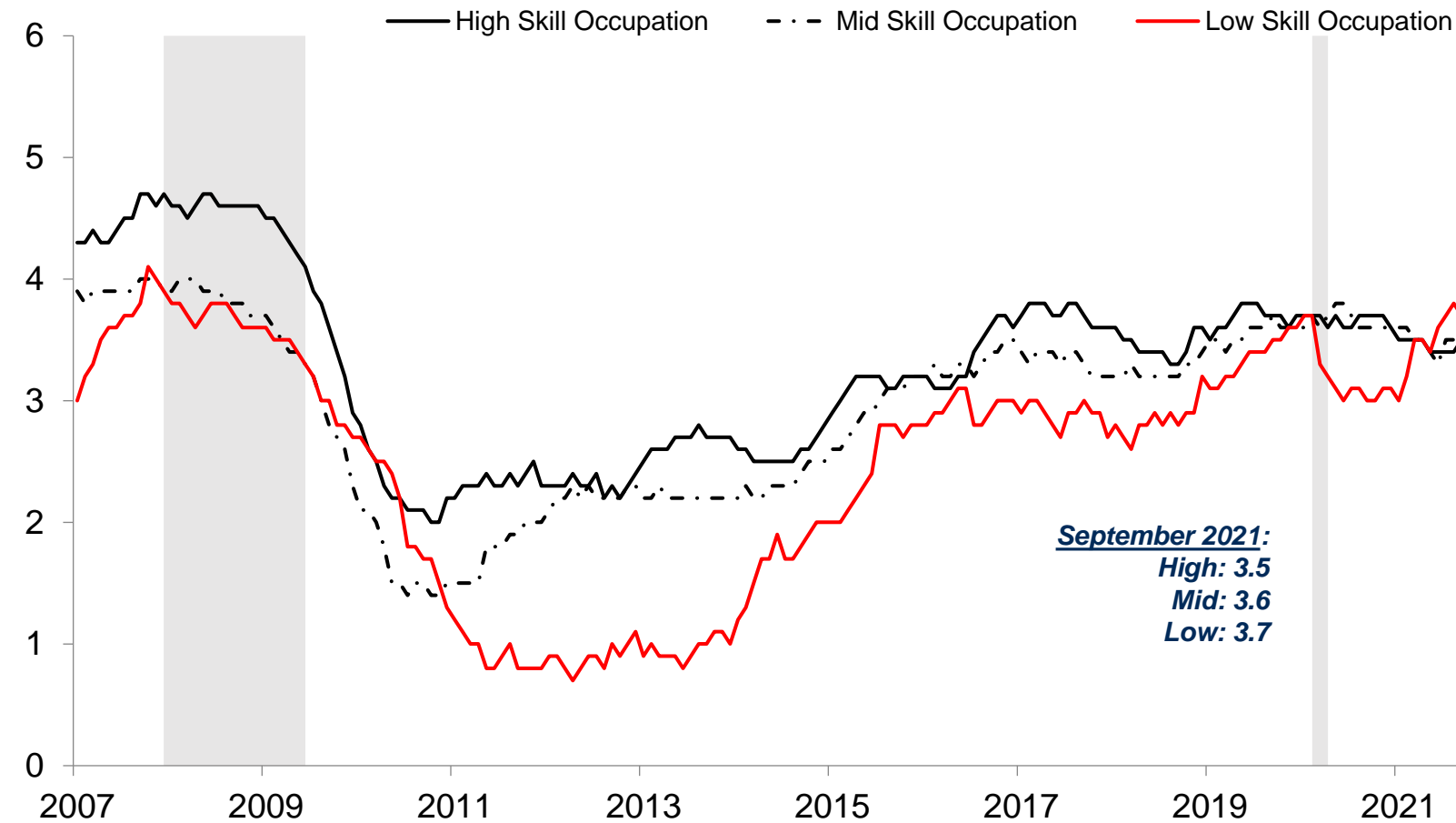
# Fifth District firms are struggling to find workers with the necessary skills...



Source: Federal Reserve Bank of Richmond

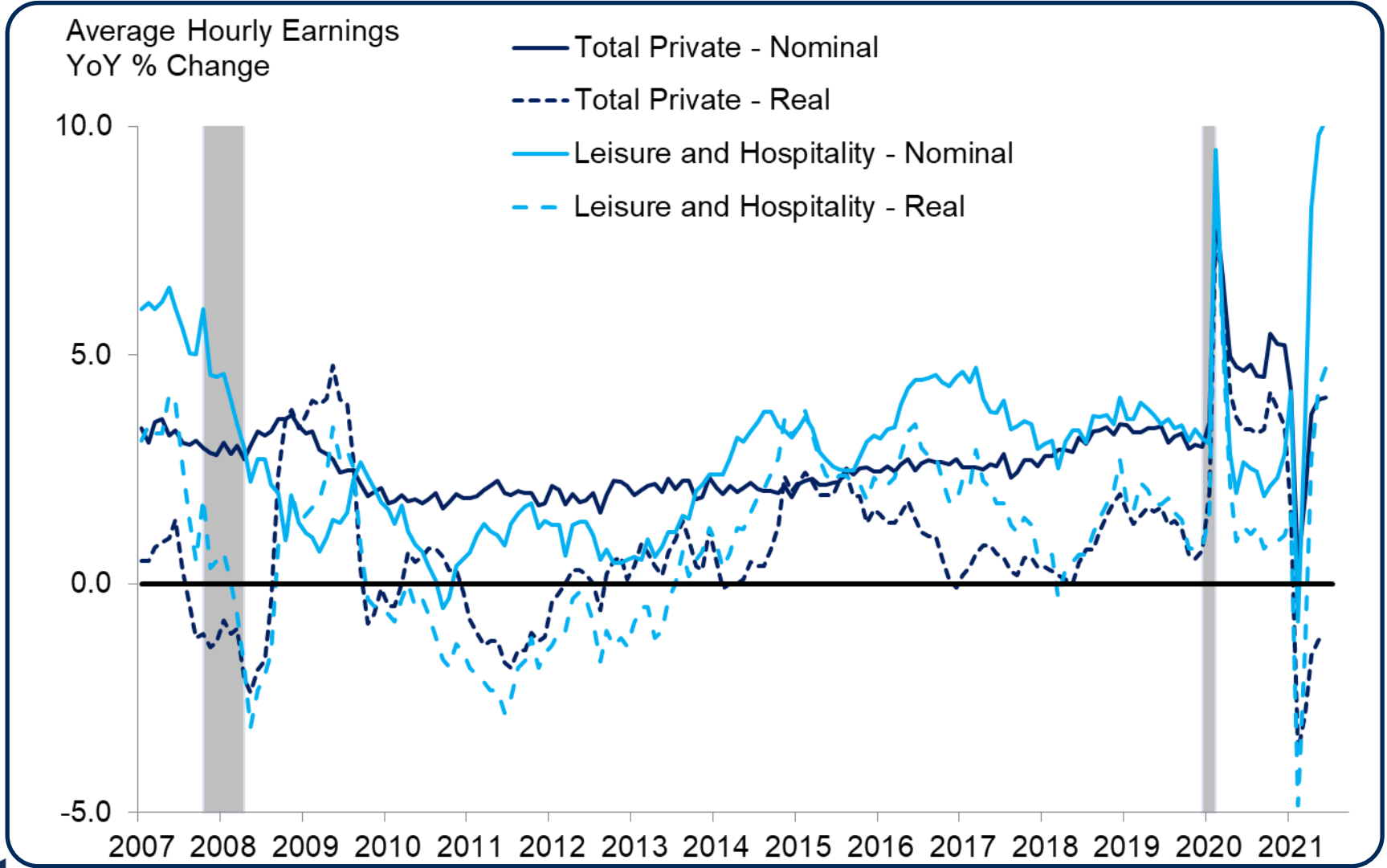
# Result: Low-skill wages rising, though not above pre-pandemic rates (so far)

Median Wage Growth by Skill Level  
12-month Percent Change



Source: FRB Atlanta via Haver Analytics

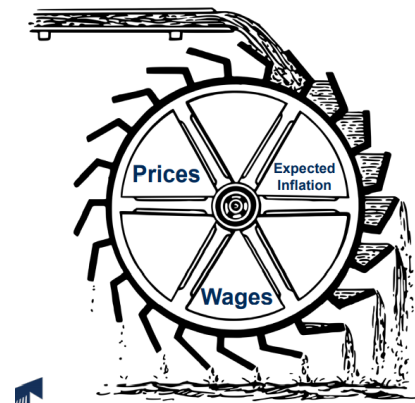
# When considering the real change in wages we see a decline for Total Private, but an increase in Leisure and Hospitality



Source: Bureau of Labor Statistics/Haver Analytics

# The outlook for inflation

- So we have surging demand and limited supply – a textbook recipe for higher prices, as the data are showing
- What is “transitory”?
  - Transitory means “not permanent” – it doesn’t mean “quick”
  - Inflation is a sustained increase in overall prices
- The Fed looks for inflation starting to get baked in. Some reinforcing combo of:
  - Prices
  - Inflation expectations
  - Wages





# Producer prices are way up



Source: Bureau of Labor Statistics via Haver Analytics

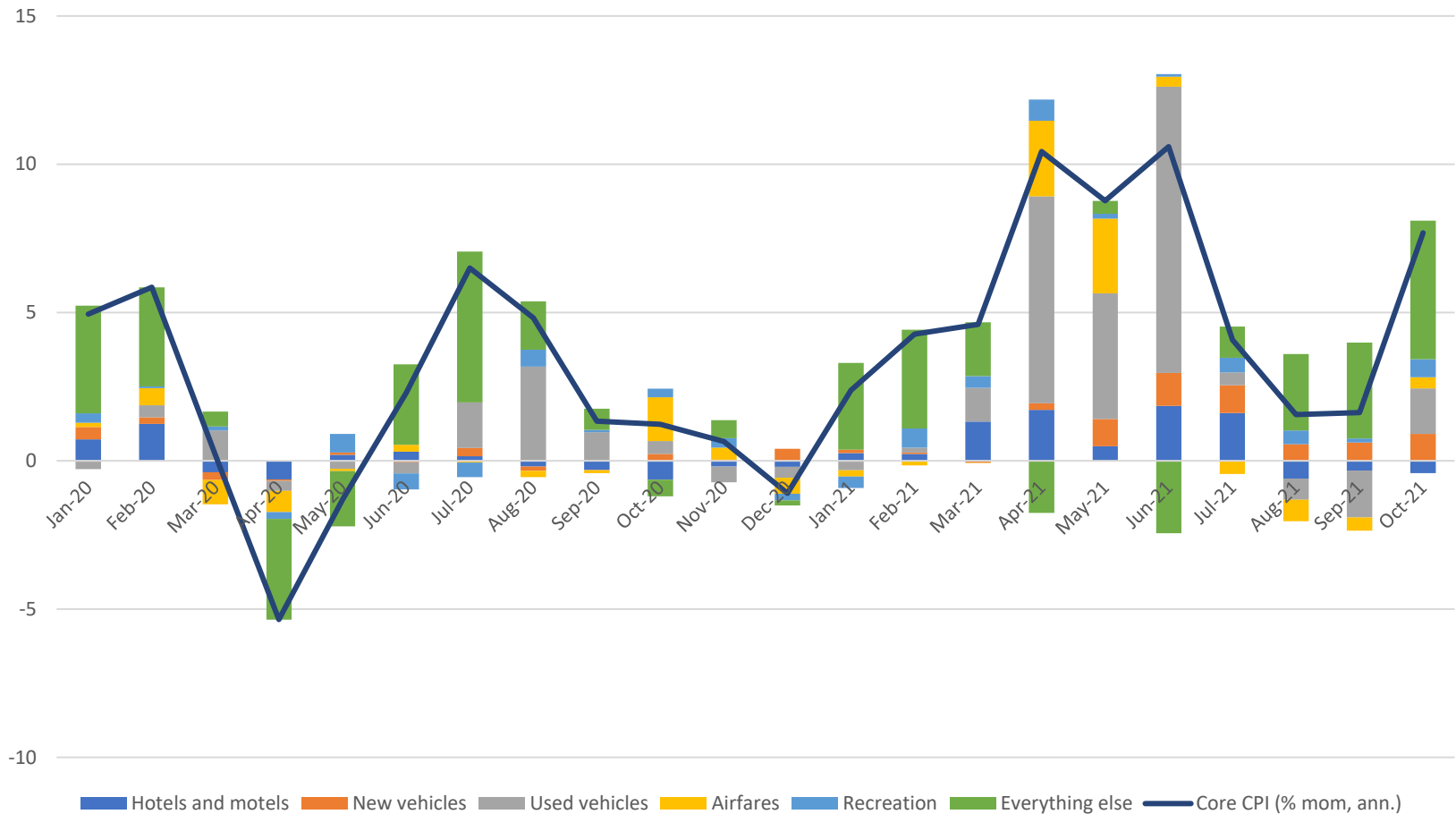
# Consumer inflation finally surging too



Source: Bureau of Labor Statistics via Haver Analytics

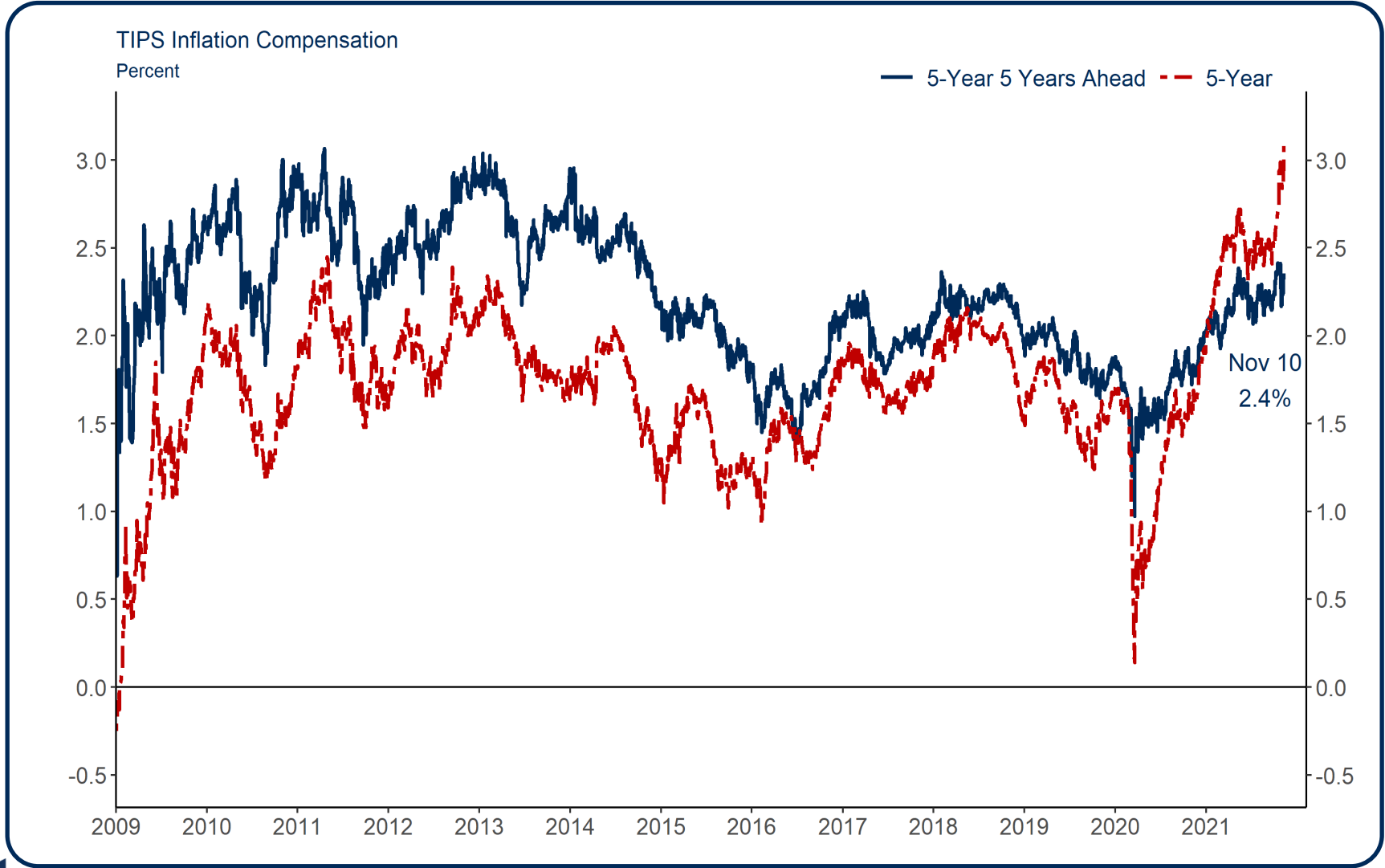
# Inflation is becoming more broad-based

Annualized Month-Over-Month Core CPI Growth



Source: Bureau of Labor Statistics via Haver Analytics

# Inflation expectations are elevated, though not runaway



Source: Federal Reserve Board via Haver Analytics

# Where do we go from here?

- The biggest concern right now remains related COVID.
  - Is there another variant right around the corner?
  - How will companies handle vaccine mandates and other COVID-related policy? Will a significant number of people quit their jobs?
  - When will life return to ‘normal’ enough for people to reenter the workforce?
- Jobs will continue to be added to the economy, but the demand for labor appears to be outpacing the supply of labor in some markets.
- The path to a full employment recovery remains uncertain. Do leisure and hospitality jobs all return? Will a significant number of workers need to be upskilled or reskilled? Is it even possible to recover all those who left the labor force?
  - It’s important to recognize the complicated nature of these decisions for individuals and families.
  - The wild card: remote work
- Fifth District growth will remain strong and South Carolina will likely continue to perform better than the US as a whole in the near future.

*Questions/Comments?*

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