

Economic Recovery Amid Disruption and Uncertainty

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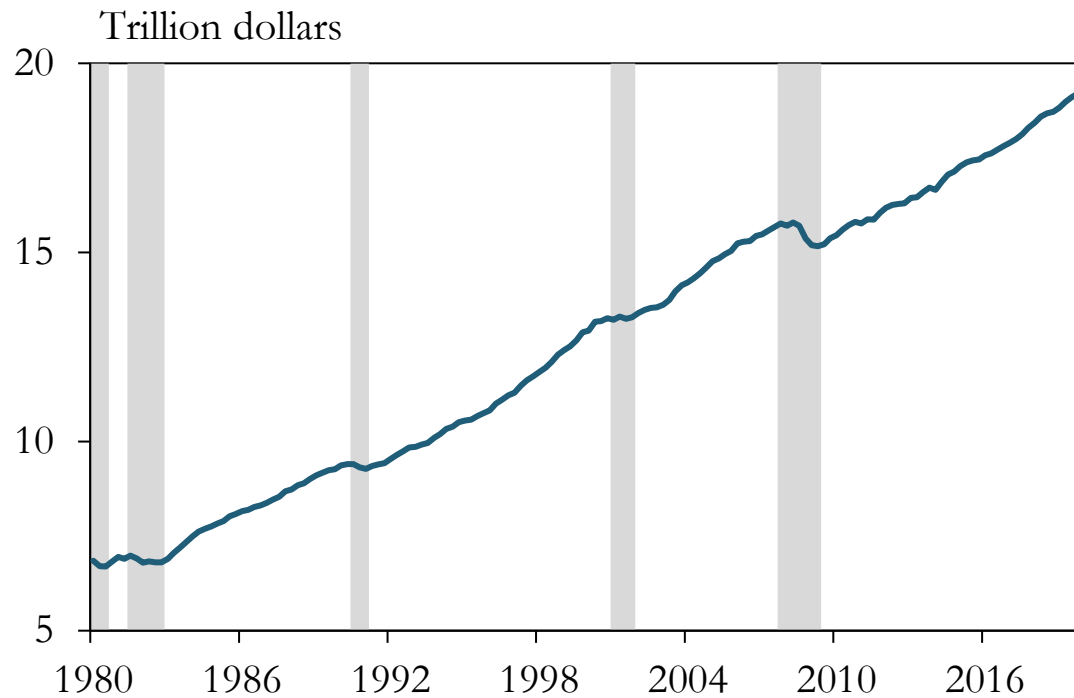
Outlook Themes

- U.S. and global economic activity has rebounded from the depths of a year ago.
- The recovery, though uneven, has occurred amid significant disruption and uncertainty.
- The pandemic, along with labor shortages, supply chain disruptions and inflationary pressures continue to shape the outlook.

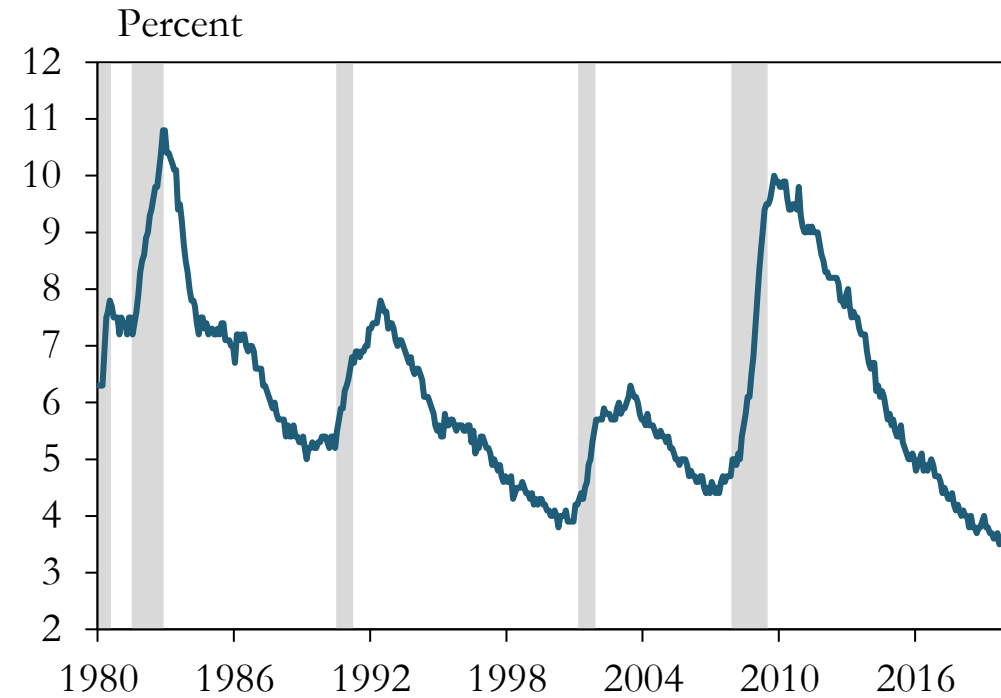


Prior to the pandemic, the U.S. was in the midst of its longest economic expansion on record.

Real GDP

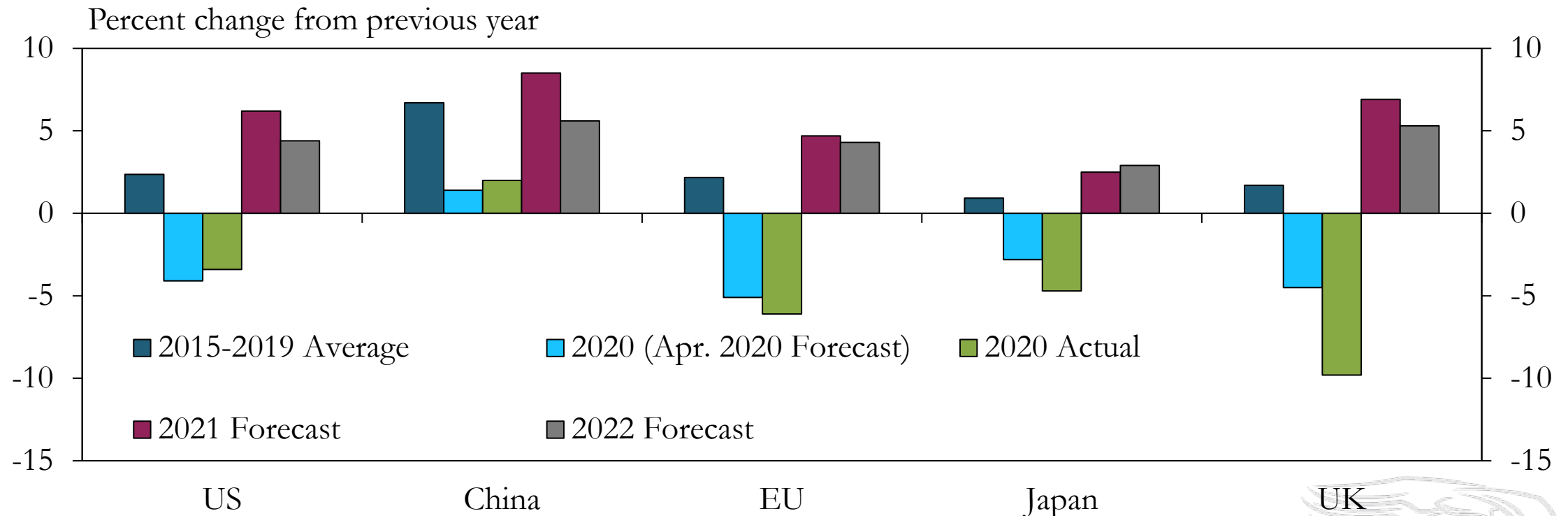


U.S. Unemployment Rate



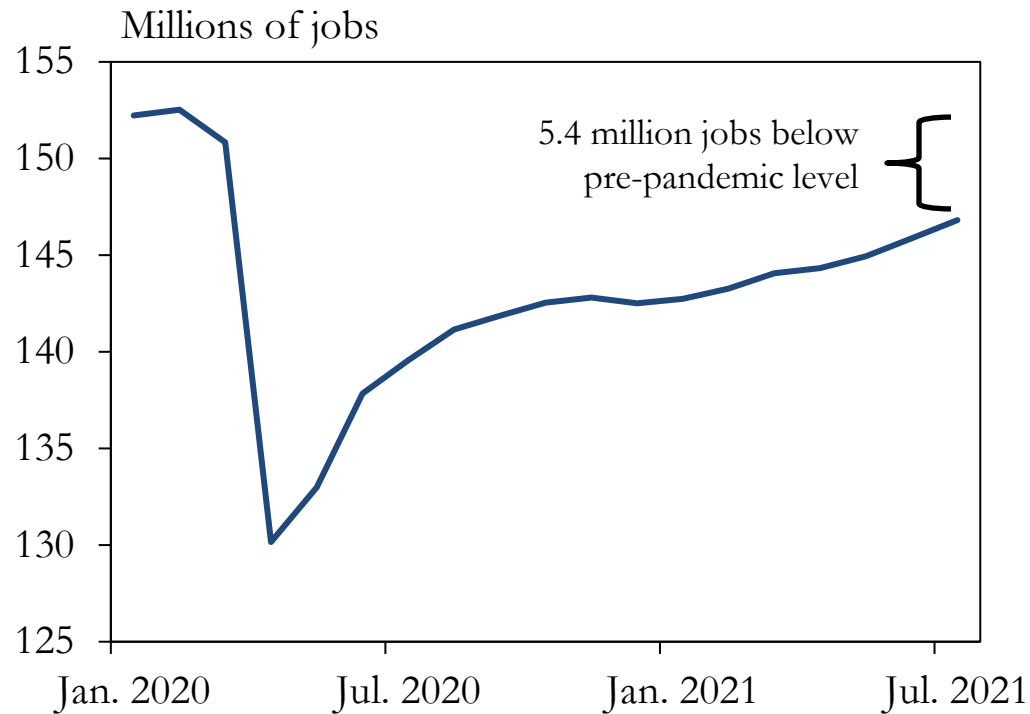
After dropping sharply in the early months of the pandemic, economic activity has recovered substantially.

Real GDP Growth

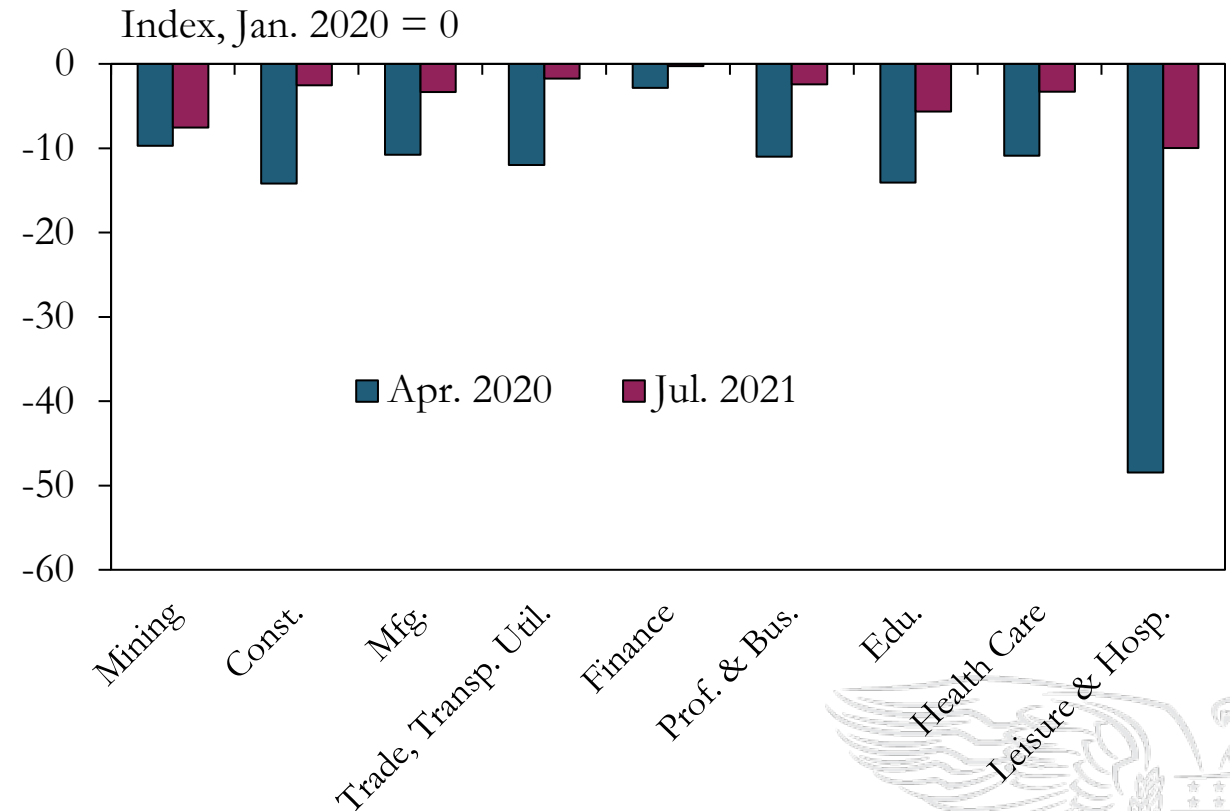


Labor markets have also recovered steadily, though employment remains below its pre-pandemic level.

U.S. Employment

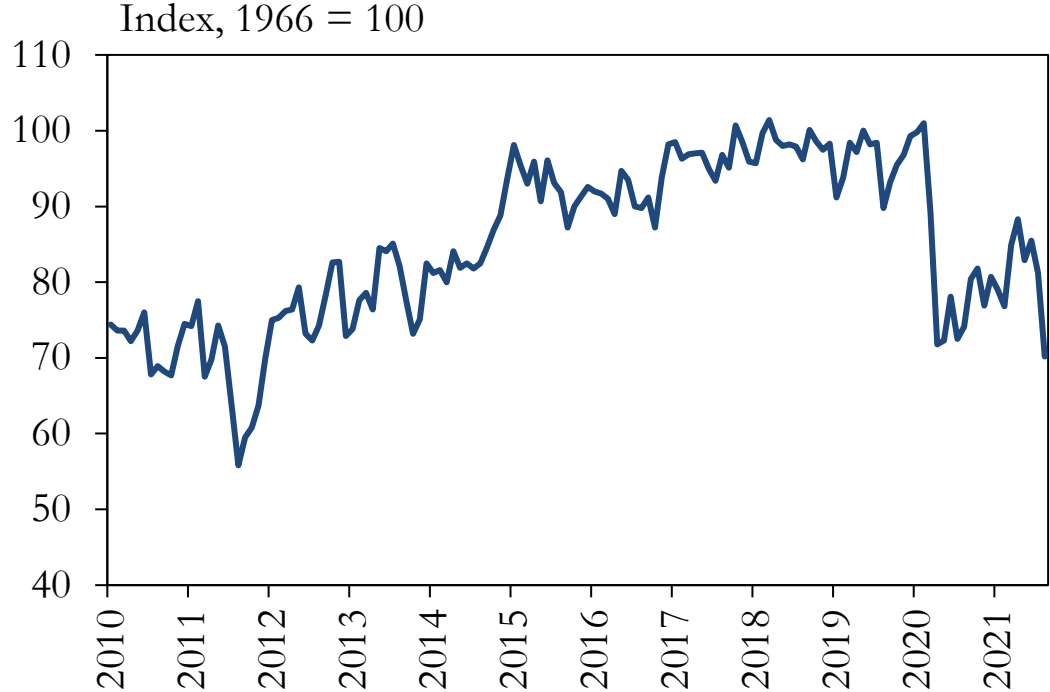


U.S. Employment by Industry

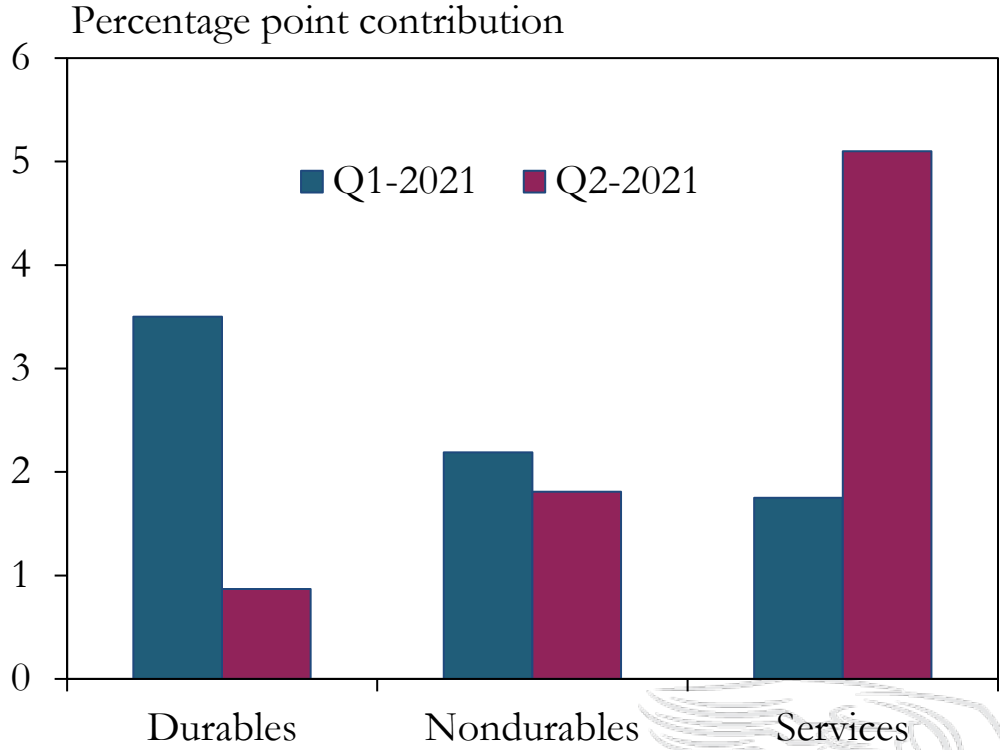


Consumer confidence improved in the first half of the year and household demand remained strong.

Consumer Sentiment Index



Contributions to GDP Growth

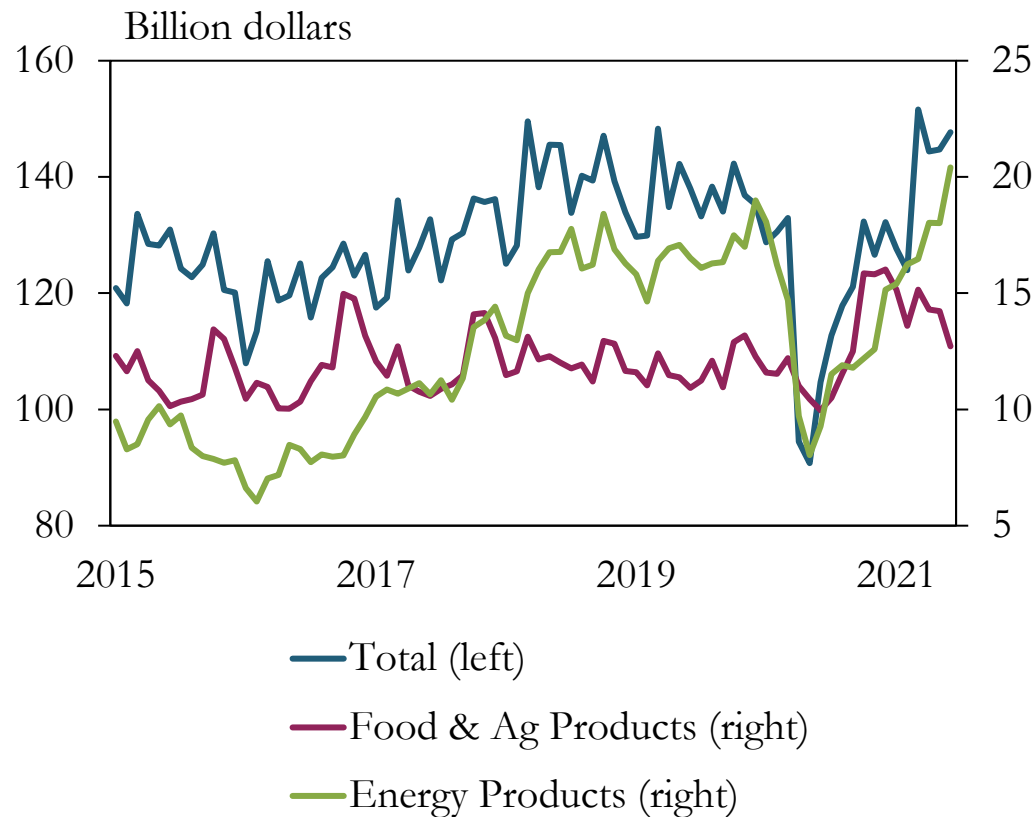


Sources: University of Michigan, BEA, Haver Analytics.

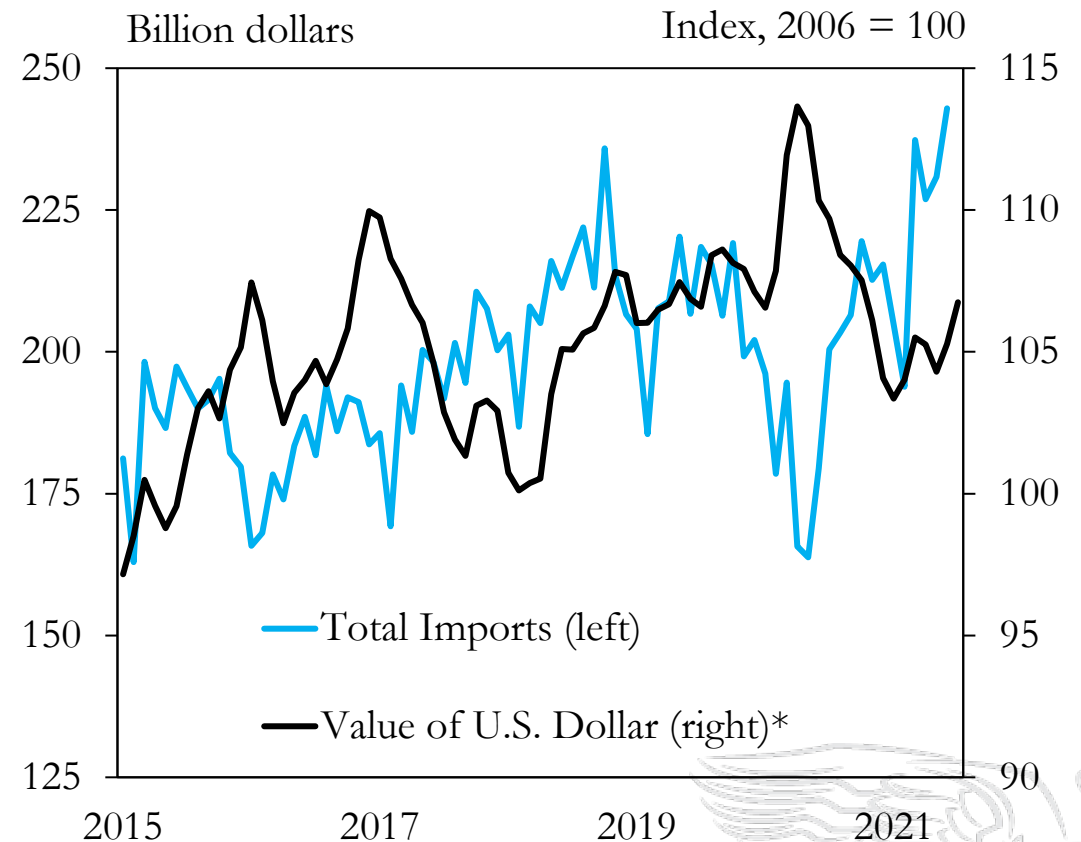


Trade to and from the U.S. has also strengthened notably despite changes in the value of the dollar.

U.S. Exports

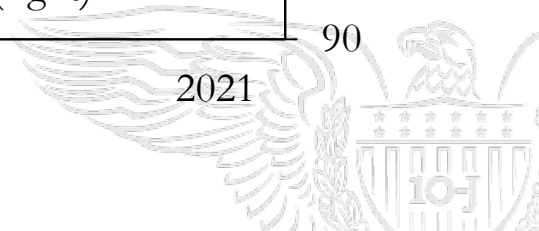


U.S. Imports & Value of Dollar



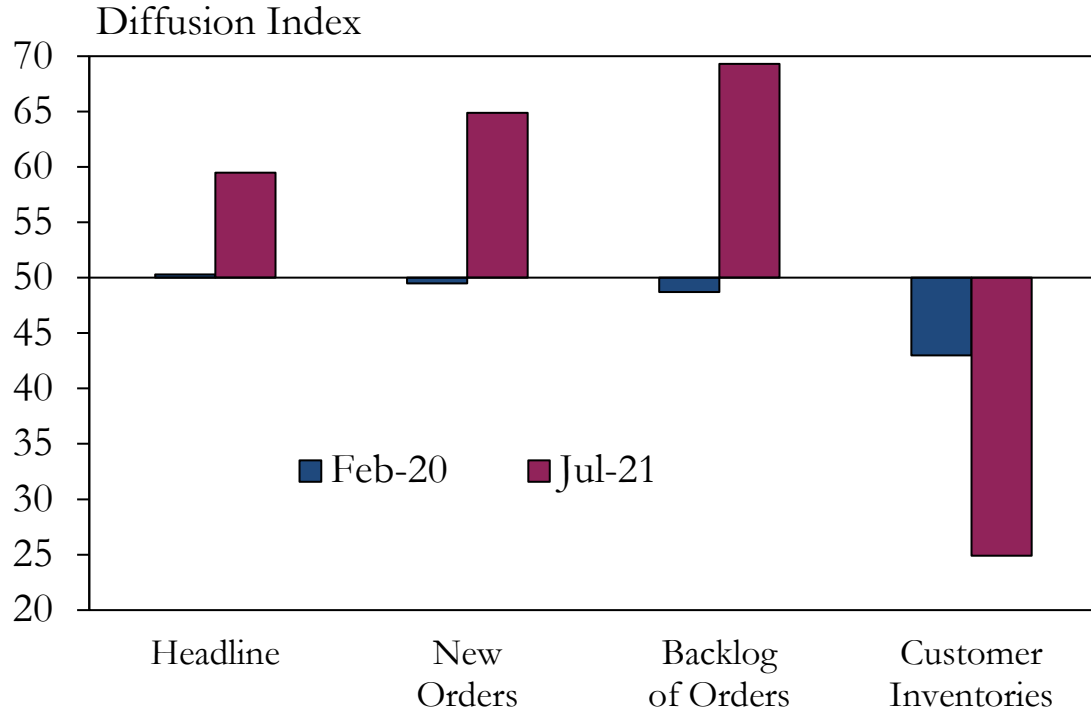
* Real Broad Trade-Weighted U.S. Dollar Index

Sources: Wisser Trade, Haver Analytics, Federal Reserve Board of Governors.

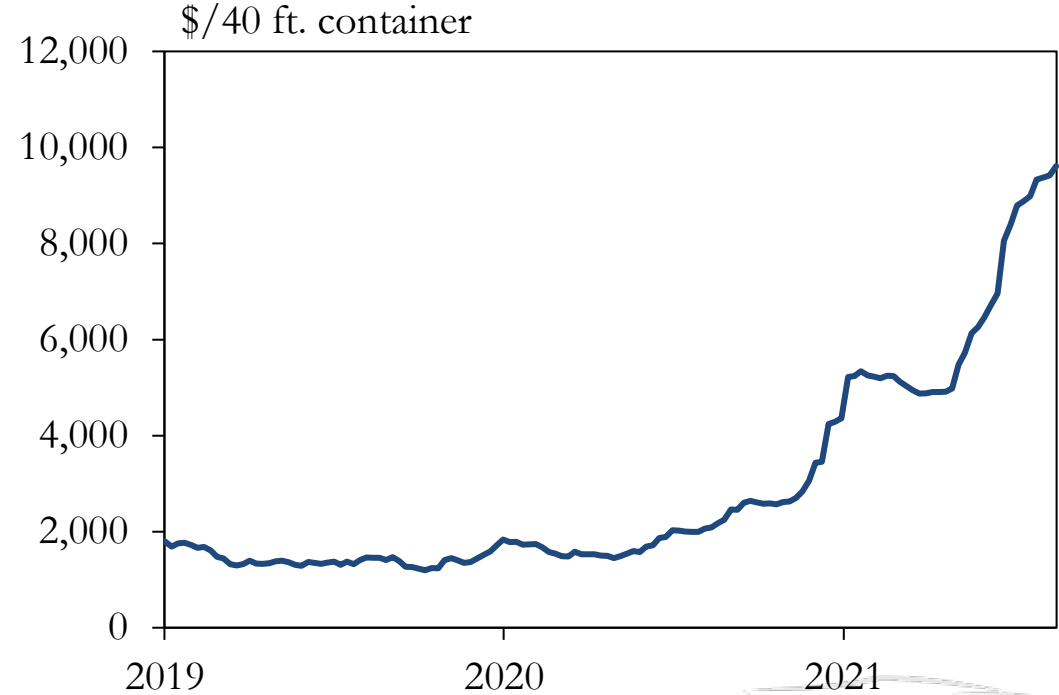


Business investment has continued to expand despite concerns about supply chain disruptions and freight costs.

ISM Manufacturing Indices

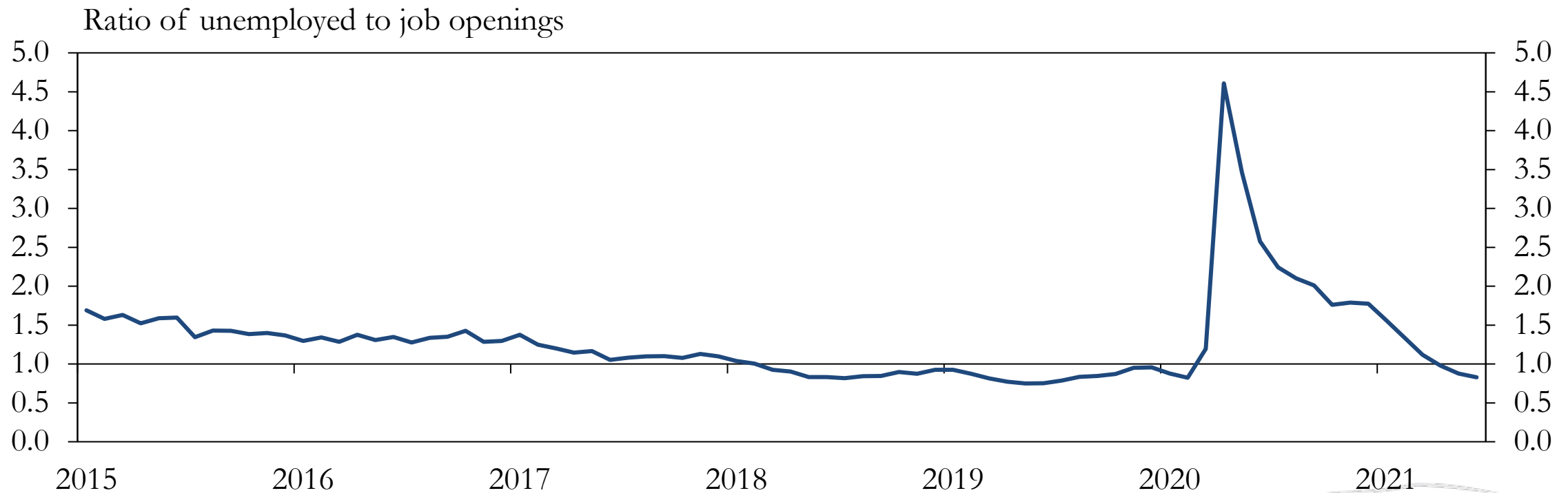


World Container Index



Business contacts have also pointed to challenges associated with labor shortages.

Worker Availability



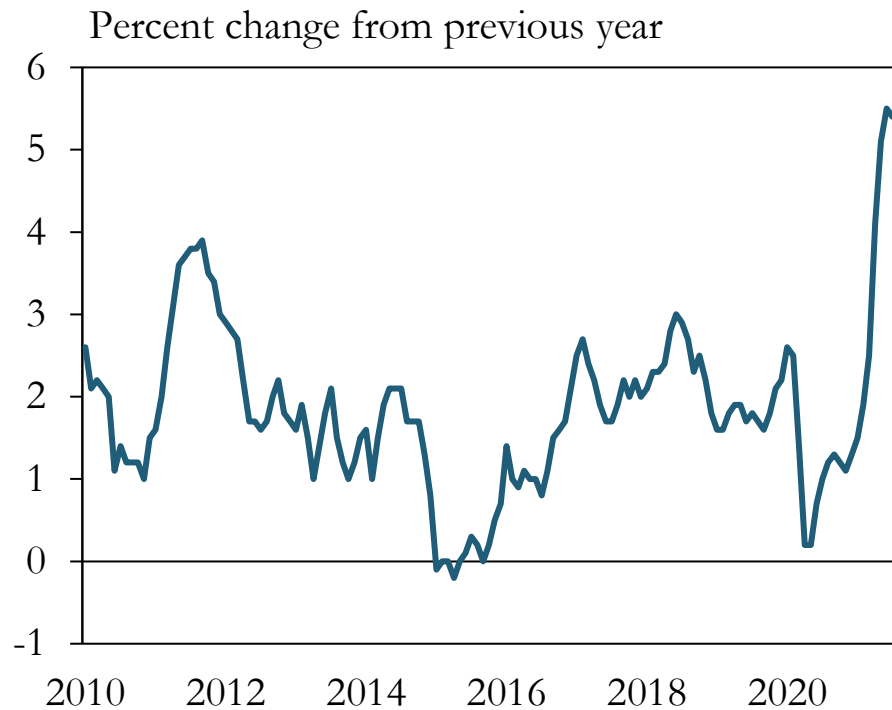
Note: Worker availability is calculated by dividing the number of unemployed by the number job openings.

Sources: BLS, Haver Analytics, staff calculations.

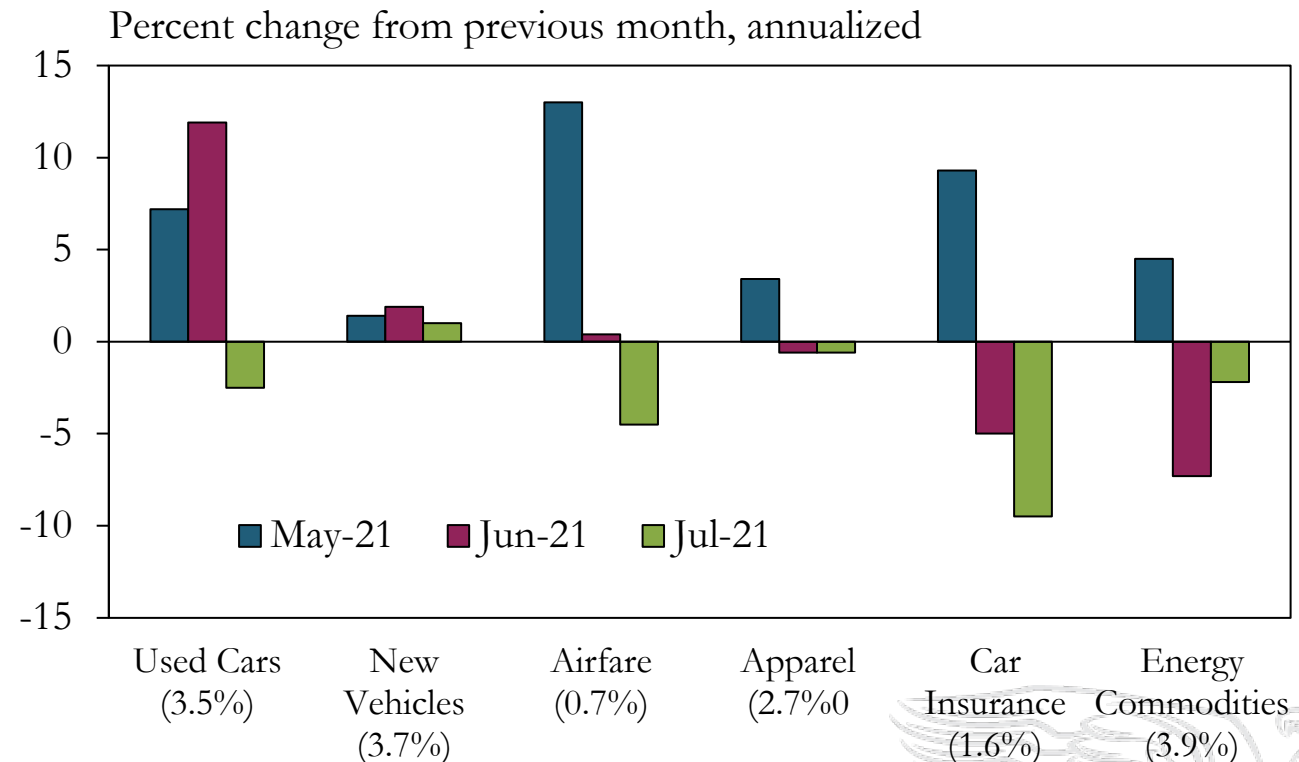


Pandemic related disruptions, and re-openings, have affected inflationary pressures but those pressures may be easing.

Consumer Price Index

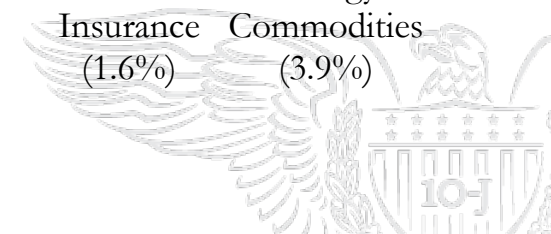


Contributions to Inflation



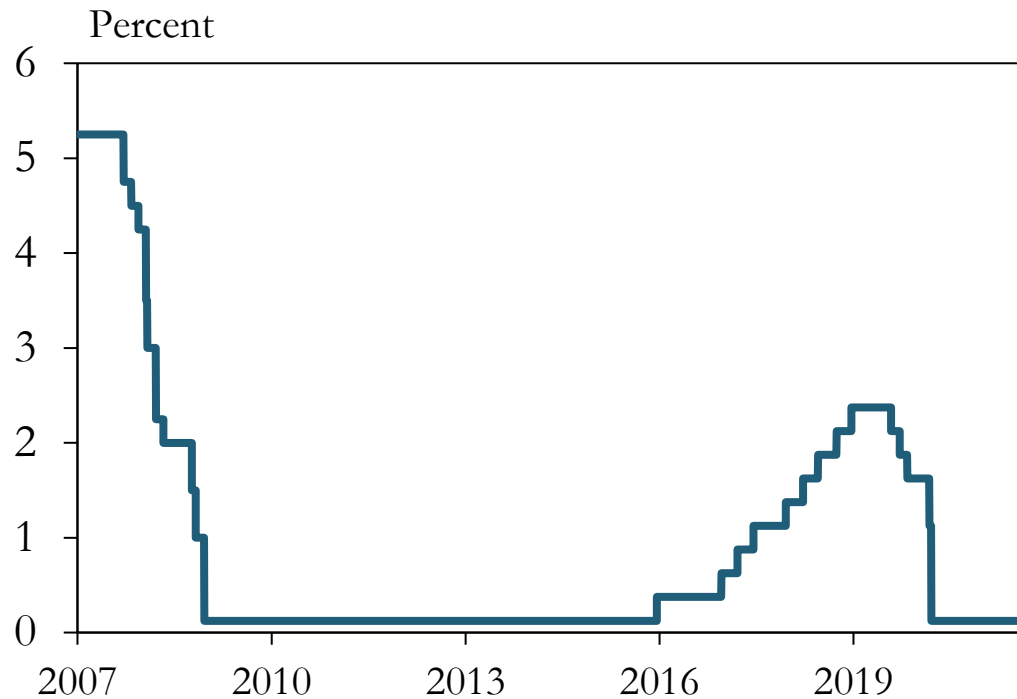
Note: Numbers in parentheses represent the share of the headline inflation index comprised by each category.

Sources: BLS, Haver Analytics.

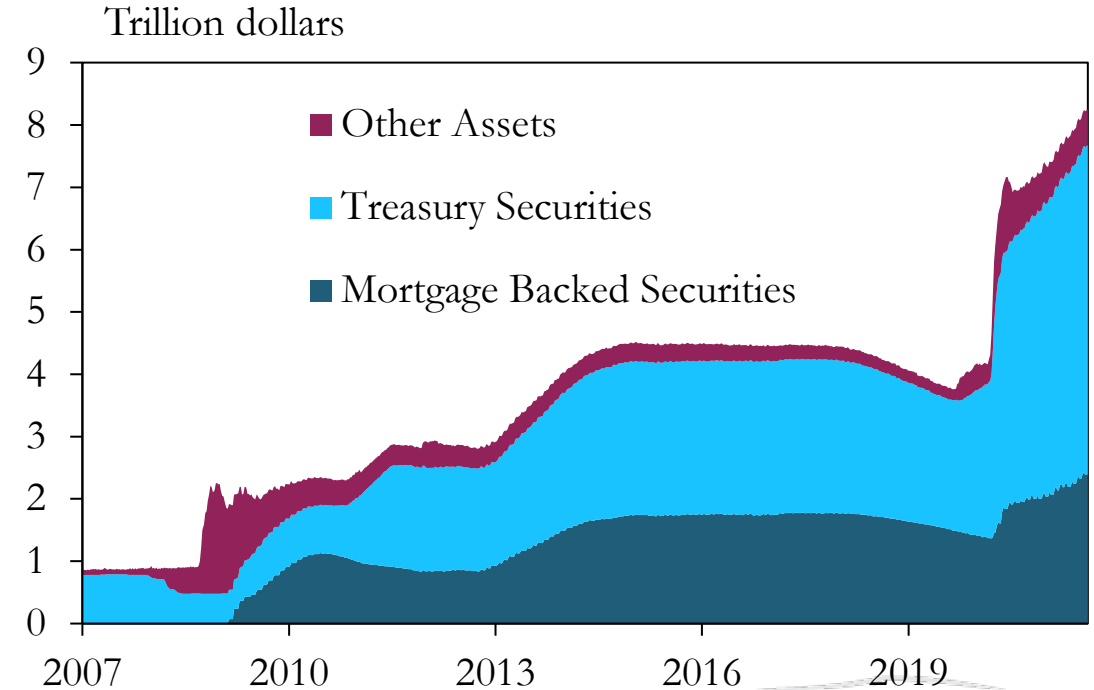


The Federal Reserve has provided extraordinary monetary policy accommodation to stimulate economic activity.

Federal Funds Rate



Federal Reserve Balance Sheet - Assets

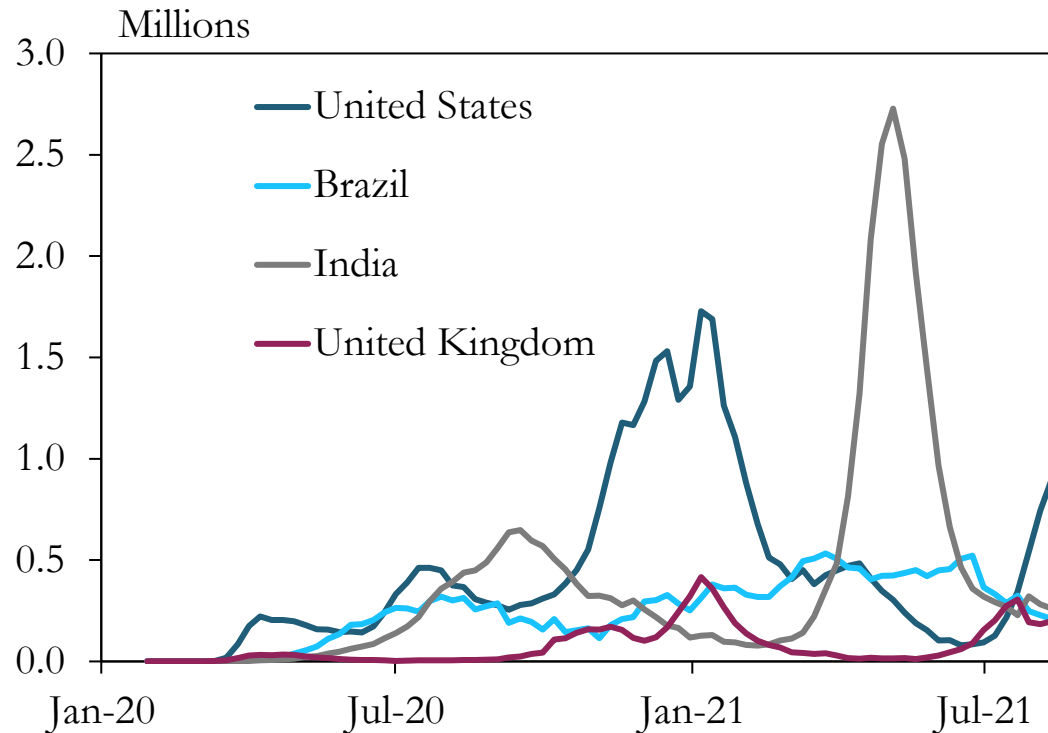


Source: Federal Reserve Bank of New York, Board of Governors, Federal Reserve Bank of St. Louis, and Haver Analytics.

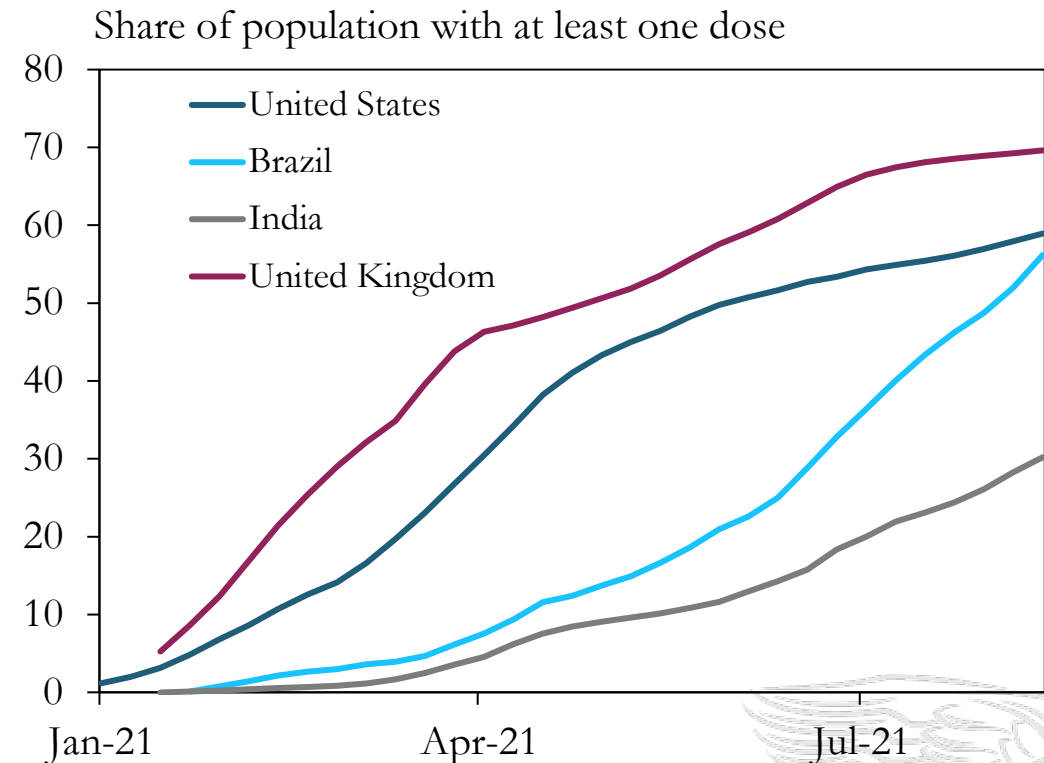


Still, the economic outlook continues to depend on the path of the virus, associated variants, and vaccinations.

Confirmed COVID-19 Cases

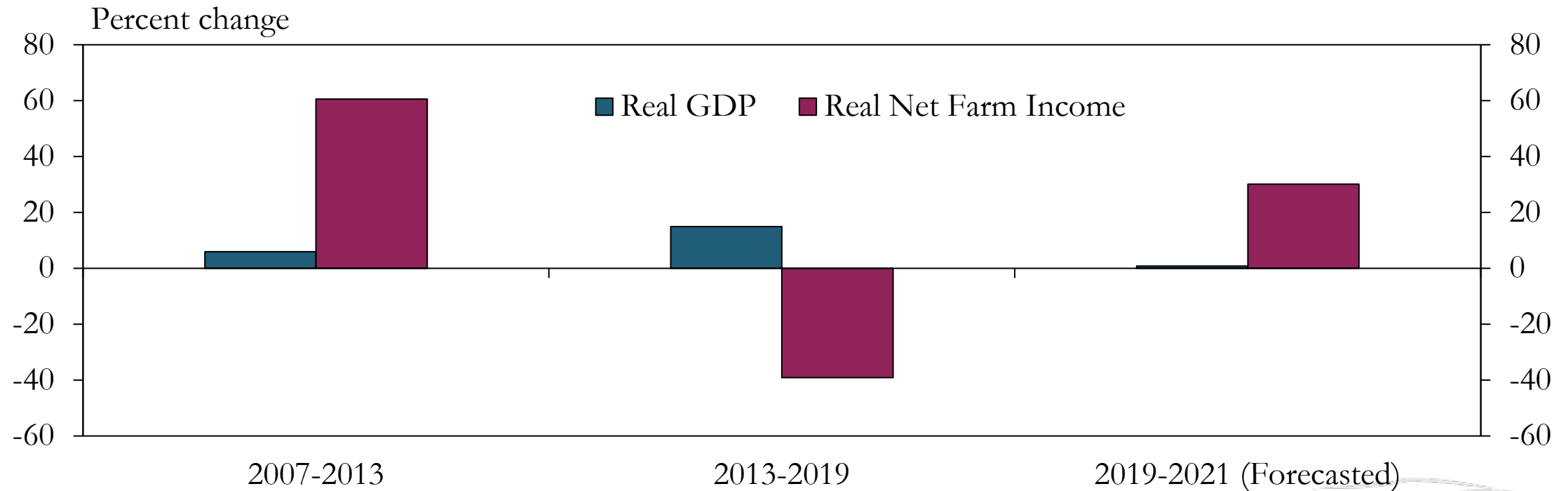


COVID-19 Vaccinations



The pandemic has had broad and severe economic effects, but agriculture has been a surprising bright spot.

U.S. GDP and Farm Income



Concluding Thoughts

- Business and policy decisions largely depend on the timing of stabilization.
- Many questions will remain about the persistence of structural changes.
- Commodity markets will depend crucially on the outlook for global economic growth, but regional production disruptions will also have an impact.



