

Monetary Policy Challenges in the Pandemic Recovery

Seminar with Economics Faculty and Students, Harvard University

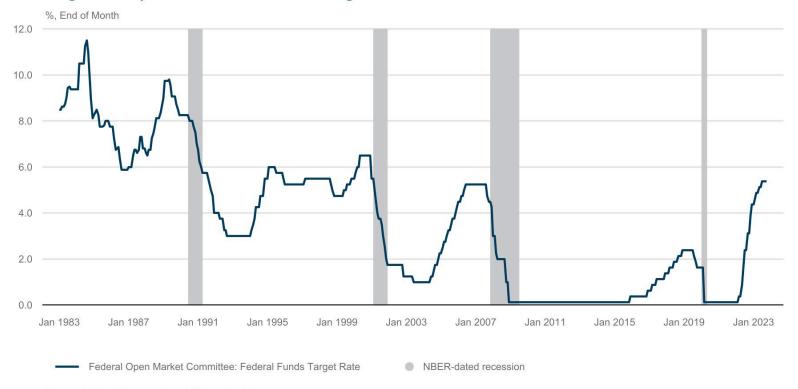
Susan M. Collins President & CEO Federal Reserve Bank of Boston

October 17, 2023



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Figure 1 | Federal Funds Target Rate



Source: Federal Reserve Board / Haver Analytics

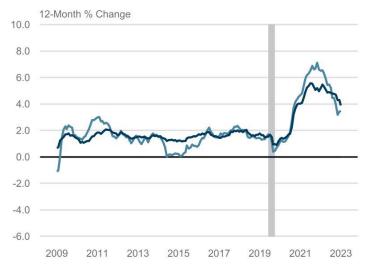
Figure 2 | September 2023 FOMC Summary of Economic Projections

Median Projection, September 2023

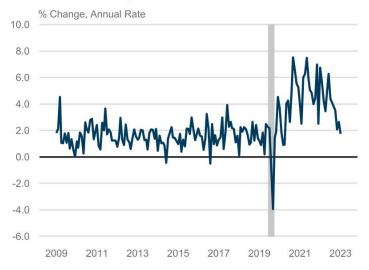
Variable	2023	2024	2025	2026	Longer Run
Change in Real GDP	2.1	1.5	1.8	1.8	1.8
Unemployment Rate	3.8	4.1	4.1	4	4
PCE Inflation	3.3	2.5	2.2	2	2
Core PCE Inflation	3.7	2.6	2.3	2	
Federal Funds Rate	5.6	5.1	3.9	2.9	2.5

Figure 3 | Personal Consumption Expenditures (PCE) Inflation

A: PCE Inflation



B: Monthly Core PCE Inflation



- Total PCE Price Index - PCE Ex. Food and Energy Price Index NBER-dated recession

Source: Bureau of Economic Analysis / Haver Analytics

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Aug 2020

Feb 2021

NBER-dated recession

Aug 2021

Feb 2022

Source: Bureau of Economic Analysis / Haver Analytics

Aug 2018 Feb 2019

Aug 2019

6-Month

Feb 2020

3-Month

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12-Month

4.0

3.0

2.0

1.0

0.0

-1.0

-2.0

Feb 2018

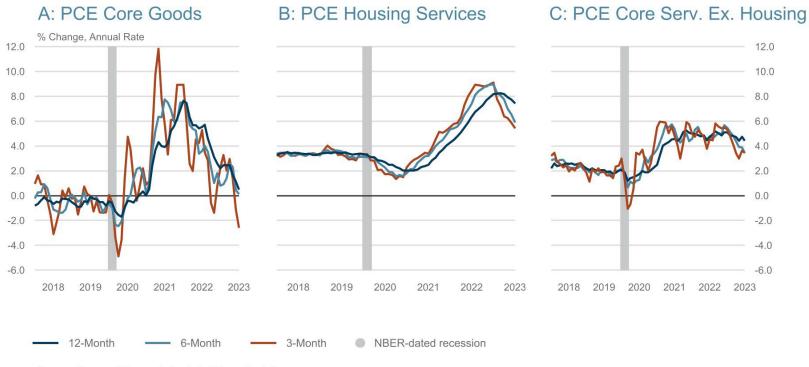
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Aug 2022

Feb 2023

Aug 2023

Figure 5 | Components of PCE Inflation

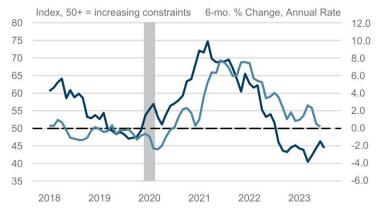


Source: Bureau of Economic Analysis / Haver Analytics

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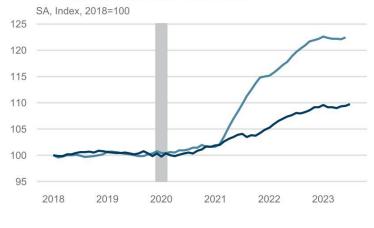
Figure 6 | Goods Price Inflation

A: Core Goods Inflation and Manufacturing Supply Constraints



- Supplier Deliveries and Backlog of Orders Indices (simple avg., left scale)
- PCE Goods Ex. Food & Energy Price Index (right scale)
- NBER-dated recession

B: PPI and PCE Price Indices for New Motor Vehicles



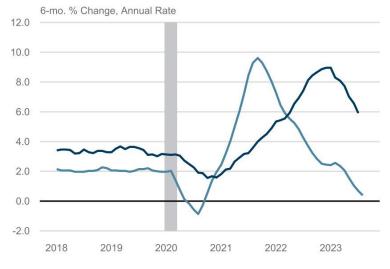
- ---- PPI New Motor Vehicles
- PCE New Motor Vehicles Price Index
- NBER-dated recession

Source: Institute for Supply Management, Bureau of Economic Analysis, Bureau of Labor Statistics / Haver Analytics

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Figure 7 | Shelter Price Inflation

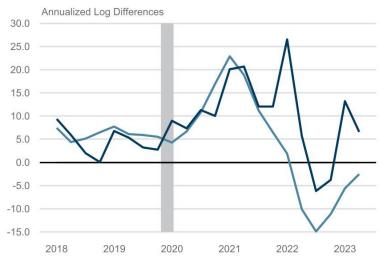




PCE Housing Price Index

- Zillow Rent Index
- NBER-dated recession

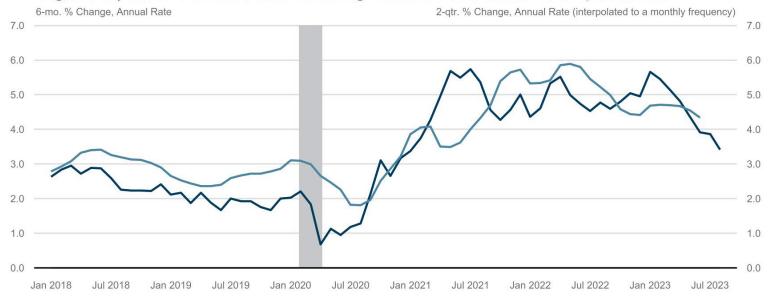
B: House Price Growth



- Price Growth Rate: 1-4 Unit Buildings
- Price Growth Rate: 5+ Unit Buildings
- NBER-dated recession

Source: Bureau of Economic Analysis, Zillow, CoStar, CoreLogic / Haver Analytics

Figure 8 | Core Services Ex. Housing Inflation and Labor Compensation

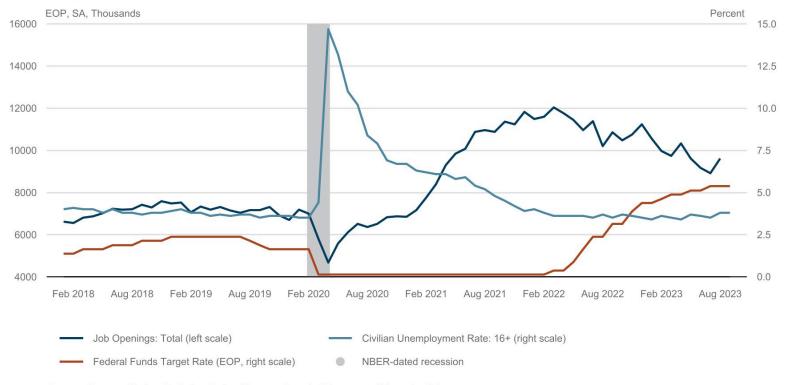


- PCE Services Ex. Energy and Housing Price Index (left scale)
- ECI Compensation of Private Industry Workers in Service Producing Industries (right scale)
- NBER-dated recession

Source: Bureau of Economic Analysis, Bureau of Labor Statistics / Haver Analytics

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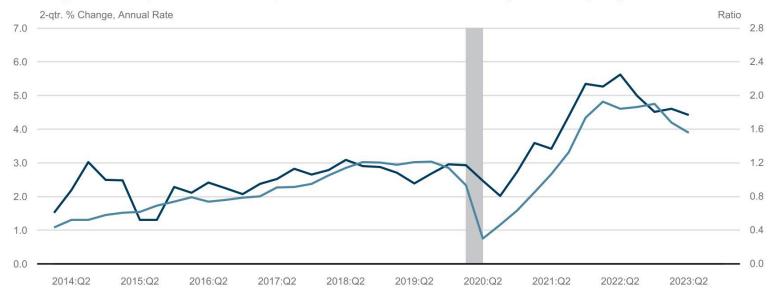
Figure 9 | Vacancies and Unemployment



Source: Bureau of Labor Statistics, Federal Reserve Board of Governors / Haver Analytics

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Figure 10 | Labor Compensation and Vacancy/Unemployment Ratio

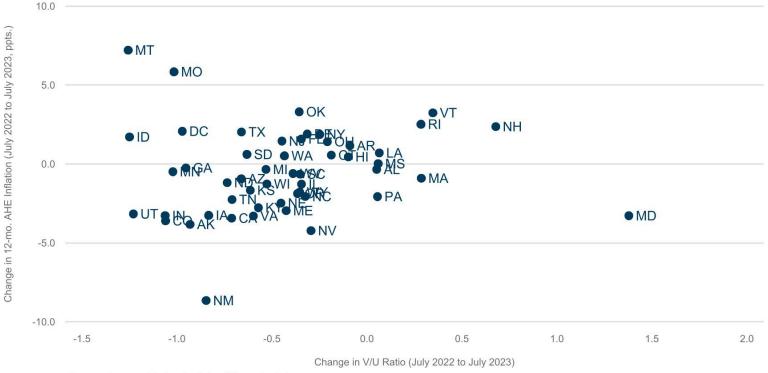


ECI Compensation of Private Industry Workers in Service Producing Industries (left scale)

- Vacancy/Unemployment Ratio (right scale)
- NBER-dated recession

Source: Bureau of Labor Statistics / Haver Analytics

Figure 11 | State-Level Wage Inflation and Vacancy/Unemployment Ratio



Source: Bureau of Labor Statistics / Haver Analytics

Figure 12 | Labor Supply: Prime Age Labor Force Participation



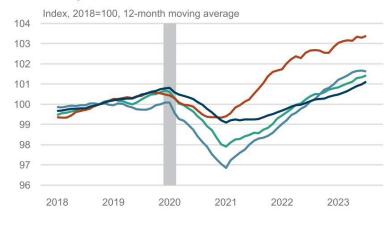
A: By Gender

Labor Force Participation Rate: 25-54 Years, Men (left scale)

- Labor Force Participation Rate: 25-54 Years, Women (right scale)
- NBER-dated recession

Source: Bureau of Labor Statistics / Haver Analytics

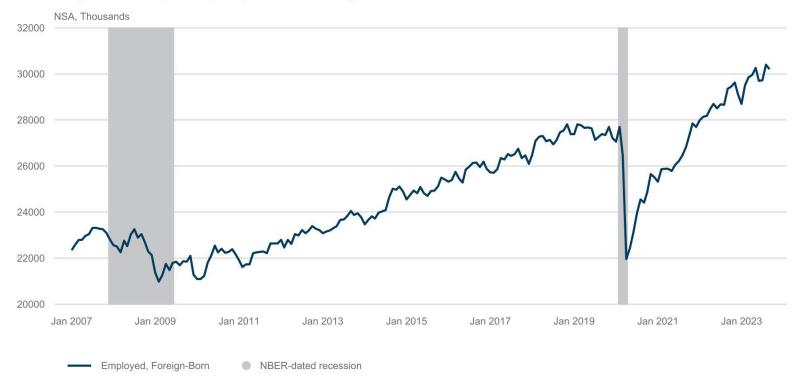
B: By Race



- ----- Labor Force Participation Rate: 25-54 Years, White
- Labor Force Participation Rate: 25-54 Years, Black
- Labor Force Participation Rate: 25-54 Years, Asian
- Labor Force Participation Rate: 25-54 Years, Hispanic
- NBER-dated recession

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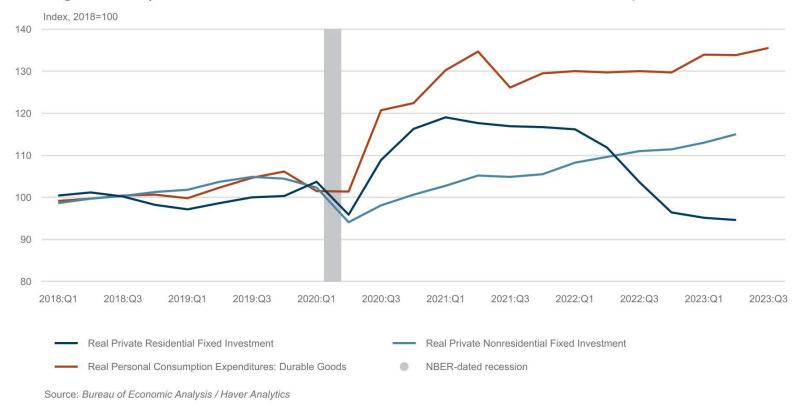
Figure 13 | Employed: Foreign Born



Source: Bureau of Labor Statistics / Haver Analytics

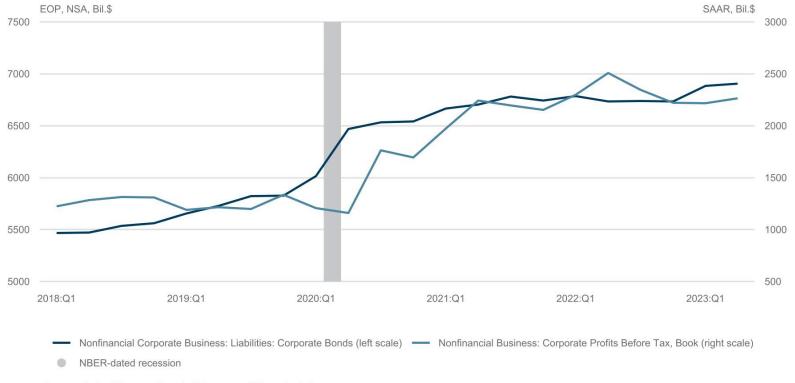
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Figure 14 | Real Investment and Durable Goods Consumption



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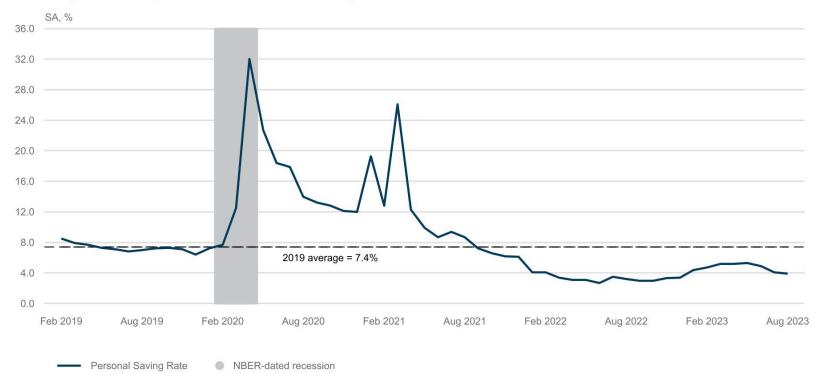
Figure 15 | (Nonfinancial) Corporate Bond Liabilities and Profits



Source: Federal Reserve Board of Governors / Haver Analytics

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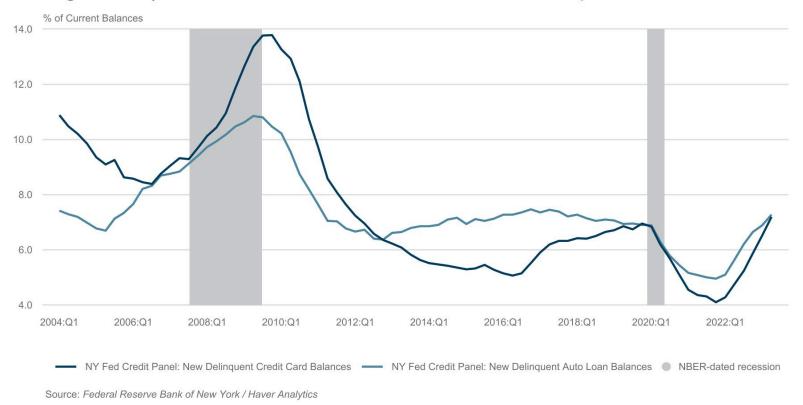
Figure 16 | Household Saving



Source: Bureau of Economic Analysis / Haver Analytics, author's calculations

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Figure 17 | Credit Card and Auto Loans: New Delinquent Balances

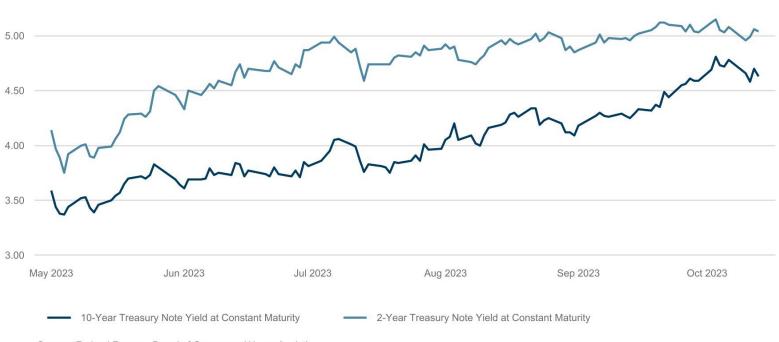


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Figure 18 | 10-Year and 2-Year Treasury Yields

Percent, Annual Rate





Source: Federal Reserve Board of Governors / Haver Analytics

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