Monetary Policy Challenges in the Pandemic Recovery

Seminar with Economics Faculty and Students, Harvard University

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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

<table>
<thead>
<tr>
<th>Variable</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>Longer Run</th>
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</thead>
<tbody>
<tr>
<td>Change in Real GDP</td>
<td>2.1</td>
<td>1.5</td>
<td>1.8</td>
<td>1.8</td>
<td>1.8</td>
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<tr>
<td>Unemployment Rate</td>
<td>3.8</td>
<td>4.1</td>
<td>4.1</td>
<td>4</td>
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<tr>
<td>PCE Inflation</td>
<td>3.3</td>
<td>2.5</td>
<td>2.2</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Core PCE Inflation</td>
<td>3.7</td>
<td>2.6</td>
<td>2.3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Federal Funds Rate</td>
<td>5.6</td>
<td>5.1</td>
<td>3.9</td>
<td>2.9</td>
<td>2.5</td>
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Figure 3 | Personal Consumption Expenditures (PCE) Inflation

A: PCE Inflation

B: Monthly Core PCE Inflation

Source: Bureau of Economic Analysis / Haver Analytics
Figure 4 | Core PCE Inflation: 3-, 6-, and 12-month Horizons

% Change, Annual Rate

Source: Bureau of Economic Analysis / Haver Analytics
Figure 5 | Components of PCE Inflation

A: PCE Core Goods

B: PCE Housing Services

C: PCE Core Serv. Ex. Housing

% Change, Annual Rate

2018 2019 2020 2021 2022 2023

12-Month 6-Month 3-Month NBER-dated recession

Source: Bureau of Economic Analysis / Haver Analytics
Figure 6 | Goods Price Inflation

A: Core Goods Inflation and Manufacturing Supply Constraints

- Index, 50+ = increasing constraints
- 6-mo. % Change, Annual Rate

B: PPI and PCE Price Indices for New Motor Vehicles

- SA, Index, 2018=100

Figure 7 | Shelter Price Inflation

A: Shelter Inflation and New Rents

6-mo. % Change, Annual Rate

2018 2019 2020 2021 2022 2023

-2.0 0.0 2.0 4.0 6.0 8.0 10.0 12.0

PCE Housing Price Index
Zillow Rent Index
NBER-dated recession

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

B: House Price Growth

Annualized Log Differences

2018 2019 2020 2021 2022 2023

-15.0 -10.0 -5.0 0.0 5.0 10.0 15.0 20.0 25.0 30.0

Price Growth Rate: 1-4 Unit Buildings
Price Growth Rate: 5+ Unit Buildings
NBER-dated recession
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*
Figure 9 | Vacancies and Unemployment

Source: Bureau of Labor Statistics, Federal Reserve Board of Governors / Haver Analytics
Figure 10 | Labor Compensation and Vacancy/Unemployment Ratio

2-qtr. % Change, Annual Rate

- 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

B: By Race

Source: Bureau of Labor Statistics / Haver Analytics
Figure 13 | Employed: Foreign Born

Source: Bureau of Labor Statistics / Haver Analytics
Figure 14 | Real Investment and Durable Goods Consumption

Source: Bureau of Economic Analysis / Haver Analytics
Figure 15 | (Nonfinancial) Corporate Bond Liabilities and Profits

Source: Federal Reserve Board of Governors / Haver Analytics
Figure 16 | Household Saving

Source: Bureau of Economic Analysis / Haver Analytics, author’s calculations
Figure 17 | Credit Card and Auto Loans: New Delinquent Balances

Source: Federal Reserve Bank of New York / Haver Analytics
Figure 18 | 10-Year and 2-Year Treasury Yields

Source: Federal Reserve Board of Governors / Haver Analytics