

NORCBE Economic Discussion

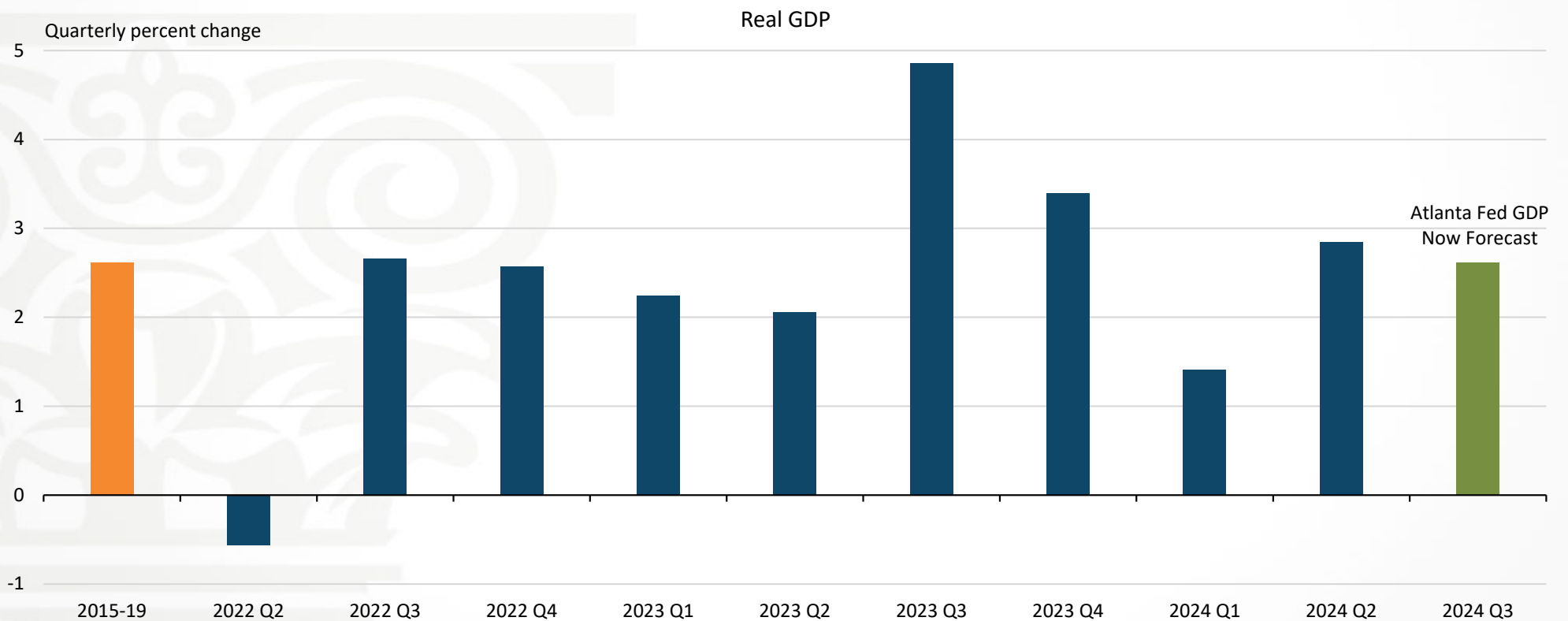


Federal Reserve
Bank of Atlanta

Summary of Current Economic Conditions

- Economic growth is slowing but is still solid.
- Labor market is weakening.
- Although inflation measures surprised on the upside in the first quarter of this year, the second quarter's CPI and PCE inflation measures now show signs of slowing.

Real GDP is forecast to grow at a steady pace in the third quarter



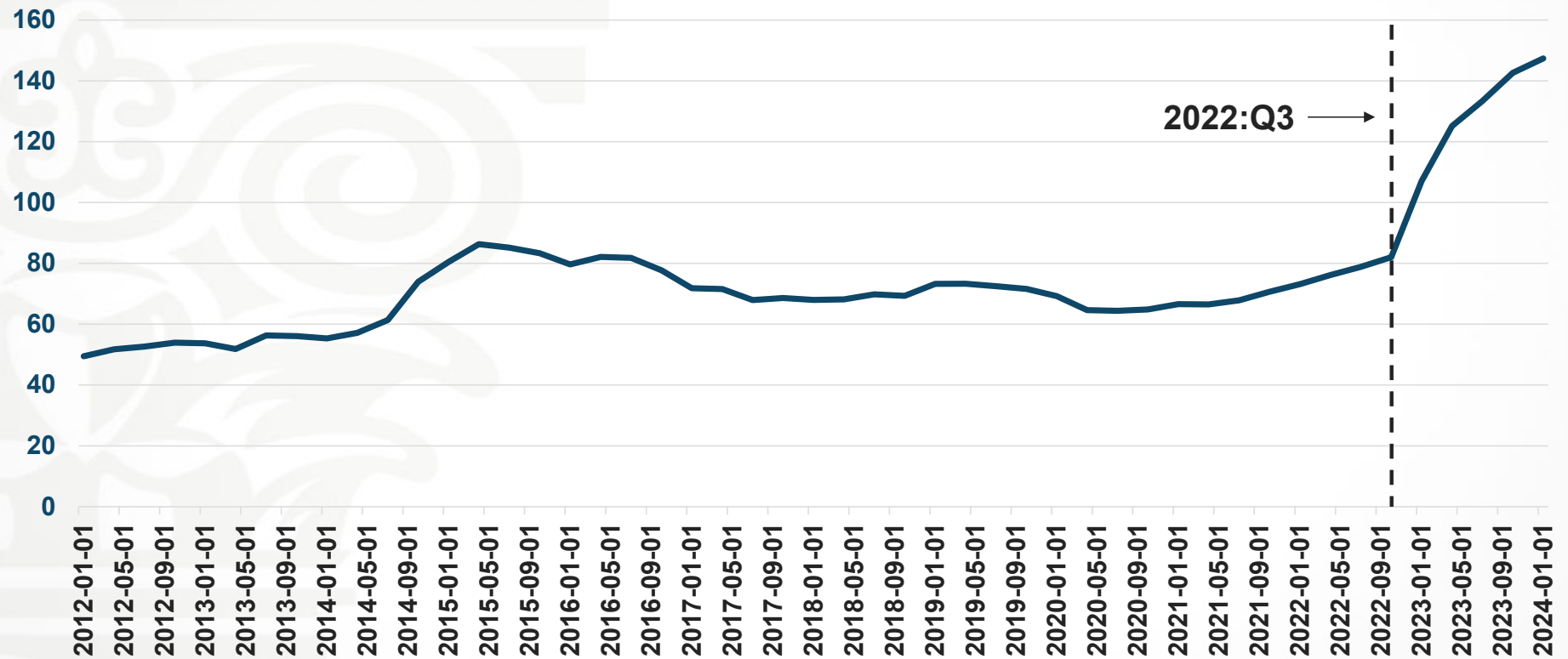
Source: Bureau of Economic Analysis, Federal Reserve Bank of Atlanta

Three Pieces of Legislation

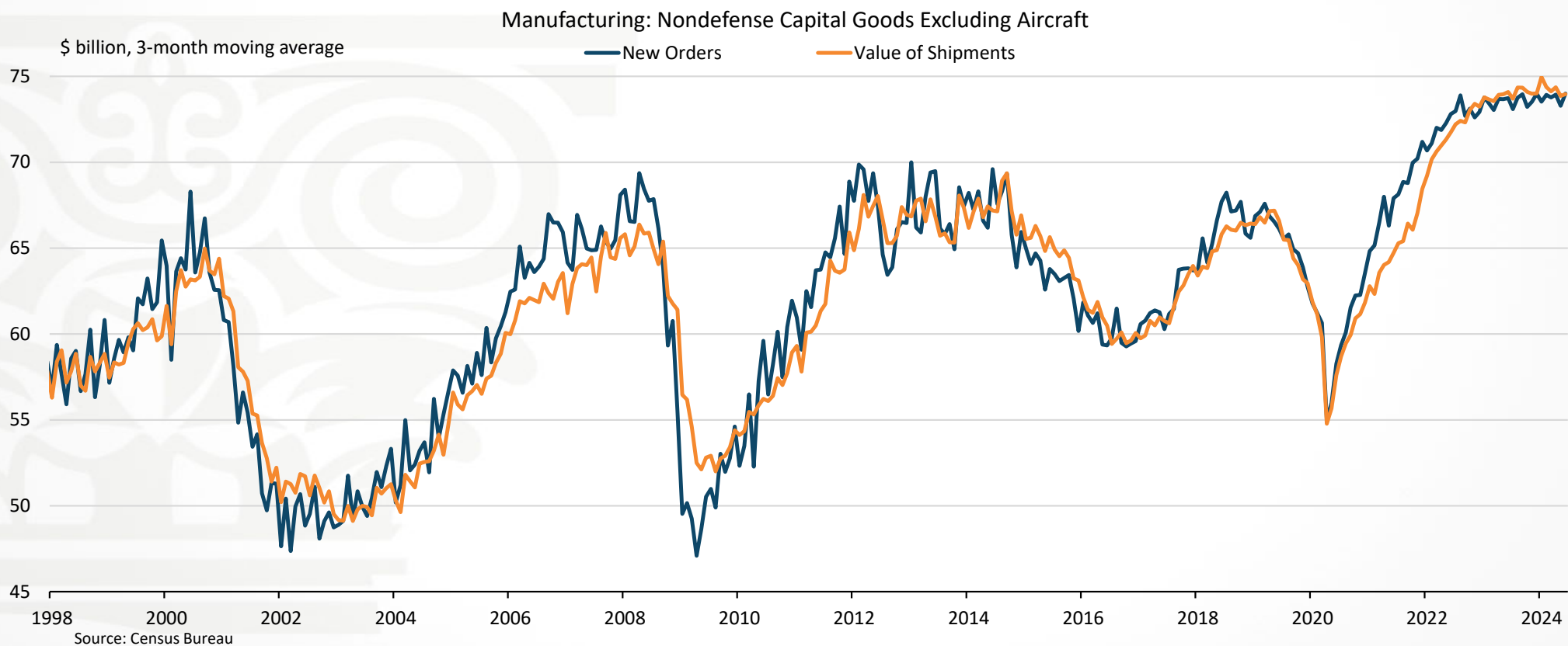
- **Infrastructure Investment and Jobs Act (IIJA – also known as the Bipartisan Infrastructure Law)** -- November 2021
 - \$1.2 trillion over 5 years (\$550 billion in new federal spending)
- **Creating Helpful Incentives to Produce Semiconductors Act of 2022 (CHIPS and Science Act)** -- August 2022
 - \$280 billion over 10 years
- **Inflation Reduction Act of 2022 (IRA)** -- August 2022
 - A mix of tax increases and Green subsidies (price tag: ?)

The timing of the acceleration in structures investment aligns with the CHIPS Act and the IRA.

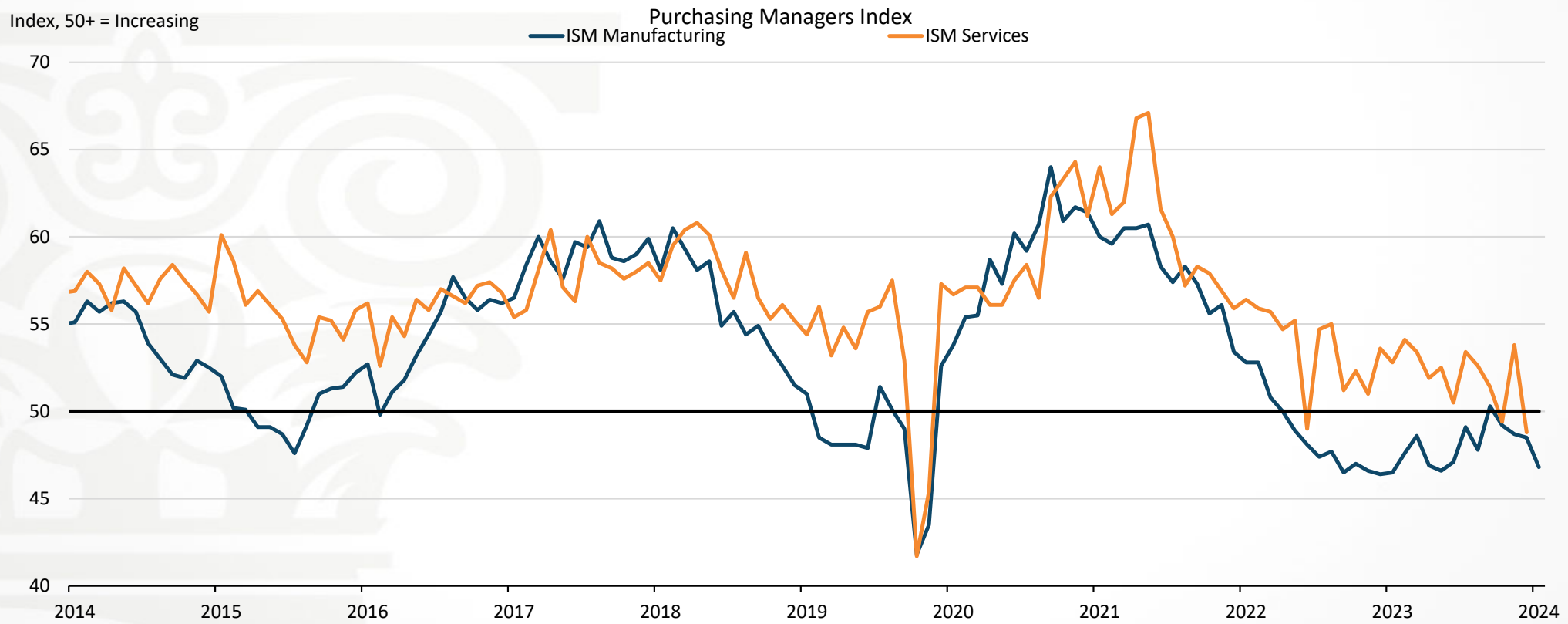
Manufacturing Structures Investment Billions of Chained 2017\$



New orders of core capital goods have fallen below shipments in 2024, suggesting a slower pace of business investment in equipment



The ISM manufacturing index has been in contractionary territory for over a year

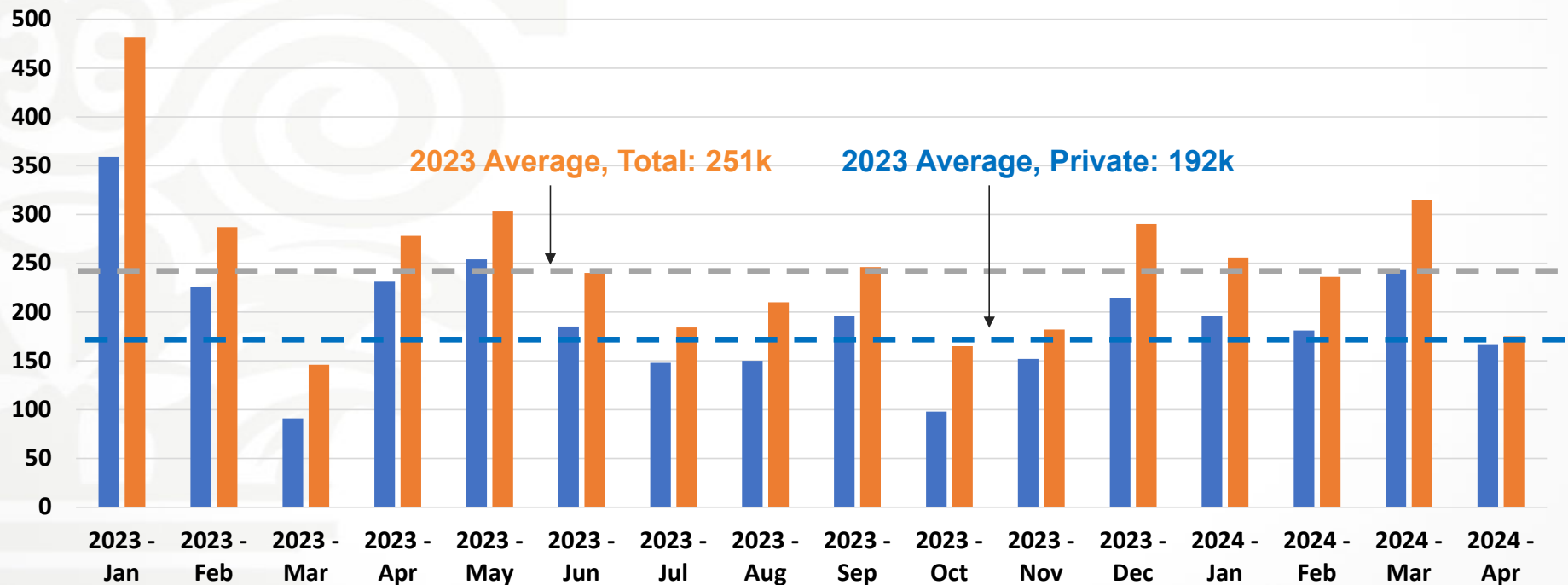


Source: Institute for Supply Management

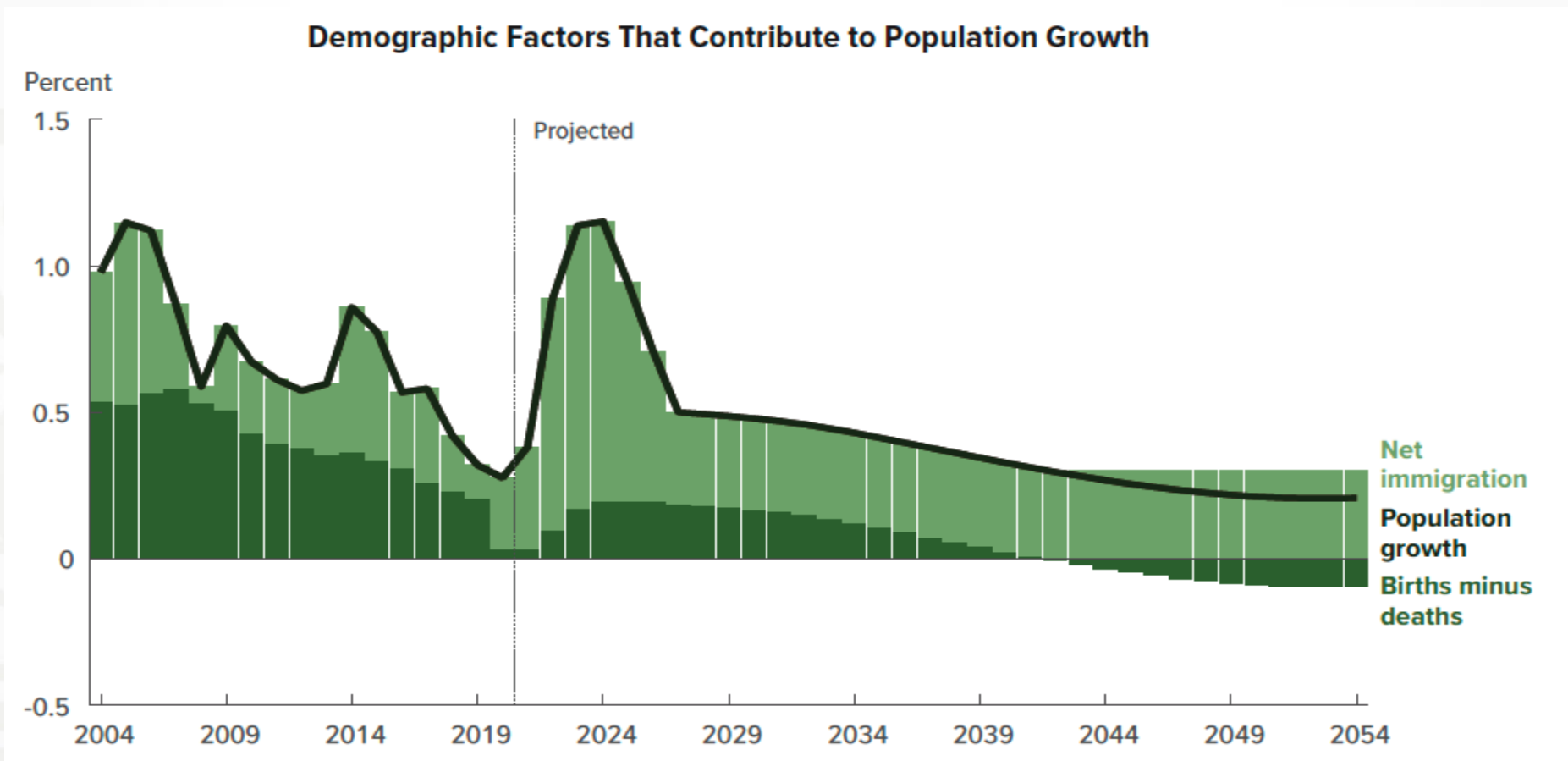
Until Recently a Strong Labor Market and Little Wage Pressure

Payroll Employment Growth
Monthly change, thousands

■ Private ■ Total



Population growth is now estimated to be much higher than estimated in 2019 (due mainly to immigration).



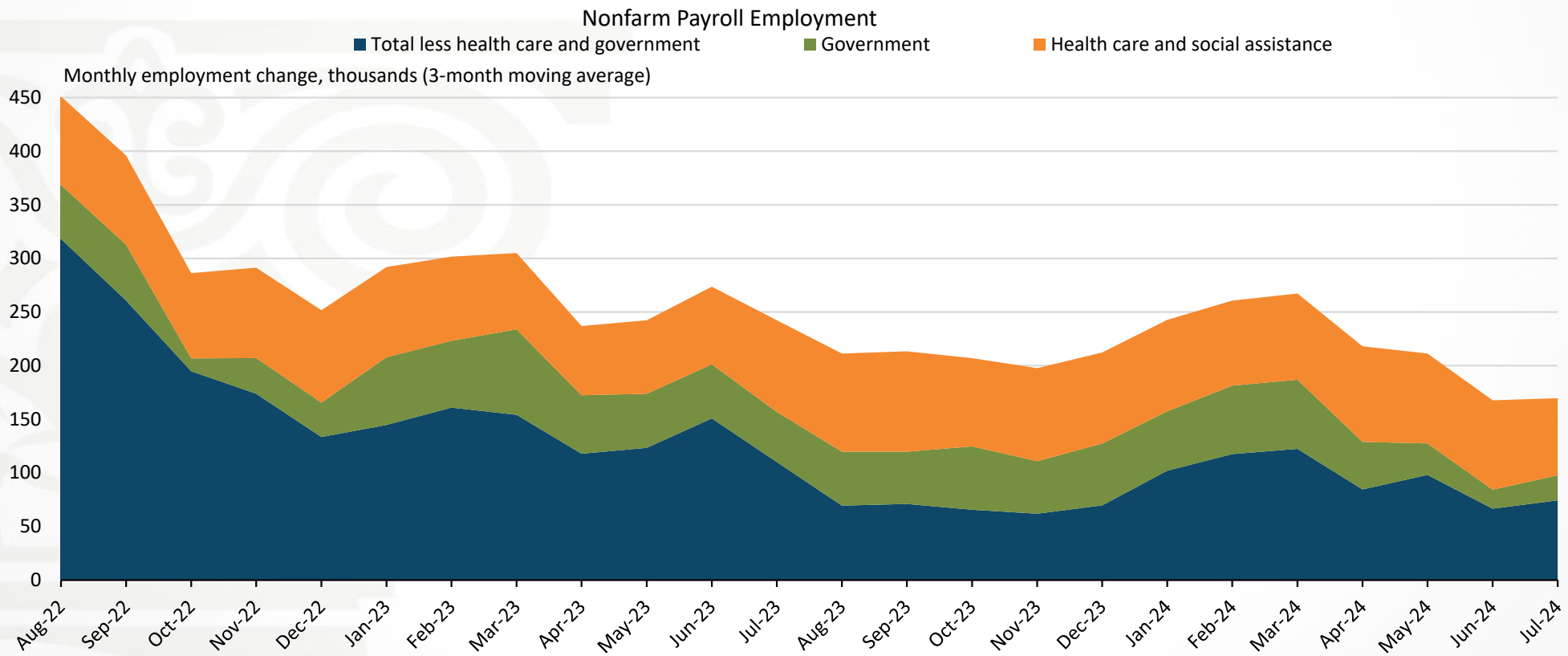
The strong job growth of recent years is less perplexing with the new population estimates in hand.

Estimates of monthly net job growth consistent with “potential employment”

	2023	2024
Range of pre-pandemic estimates	60,000 – 130,000	60,000 – 100,000
Range adjusted to account for higher immigration	160,000 -- 230,000	160,000 – 210,000

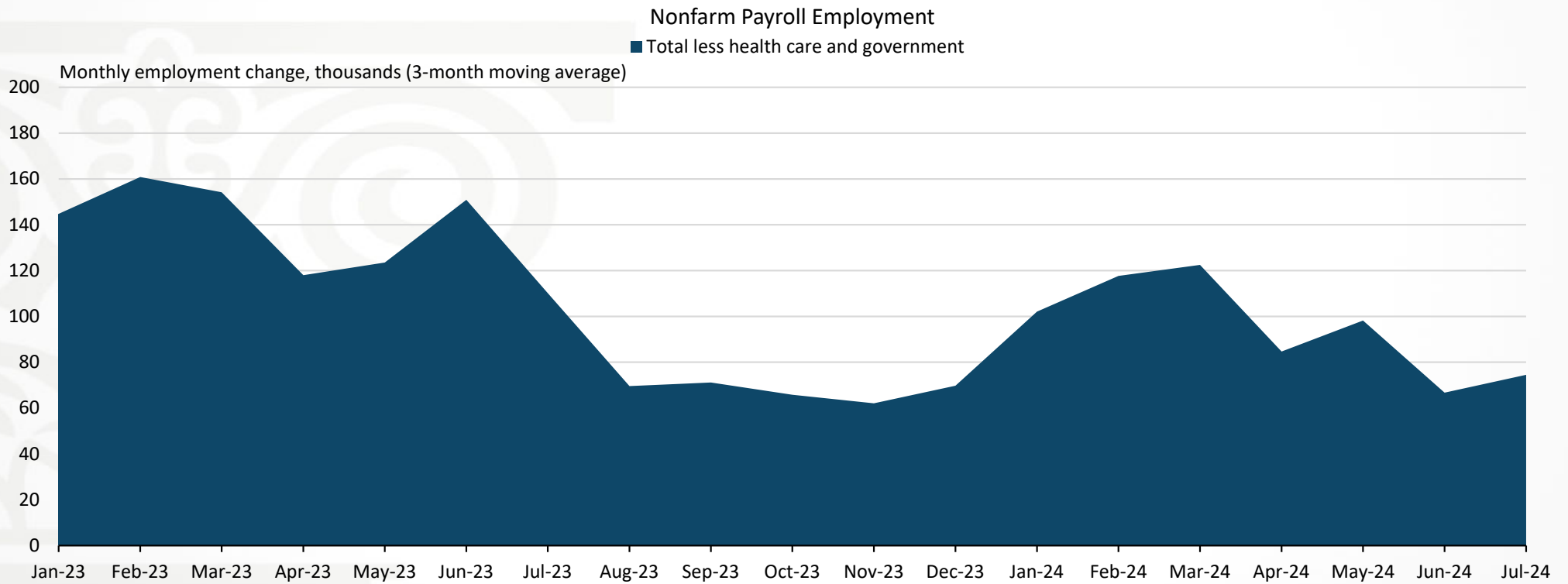
Source: “New immigration estimates help make sense of the pace of employment,” Wendy Edelberg and Tara Watson, Brookings, March 2024: <https://www.brookings.edu/articles/new-immigration-estimates-help-make-sense-of-the-pace-of-employment/>

Employment growth has been strongly supported by the healthcare sector over the past year



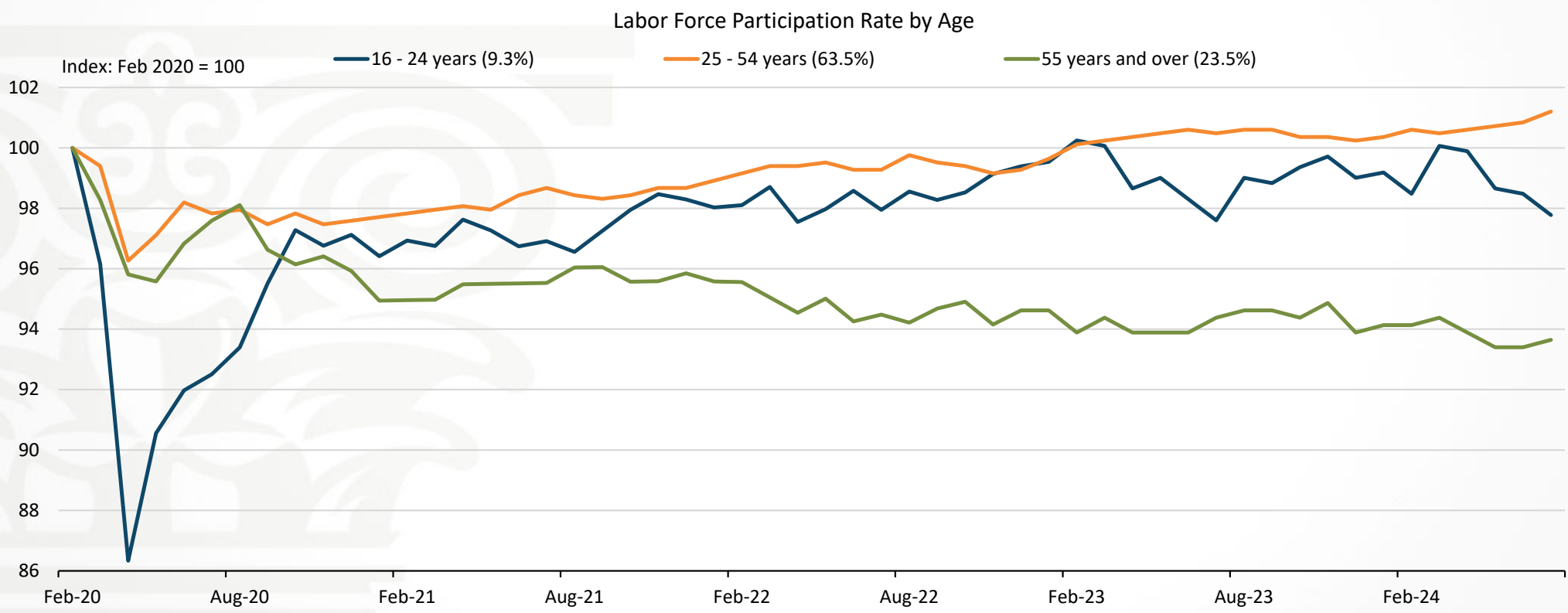
Source: Bureau of Labor Statistics

Excluding the healthcare and government sectors, the fundamentals of employment growth have held pretty steady



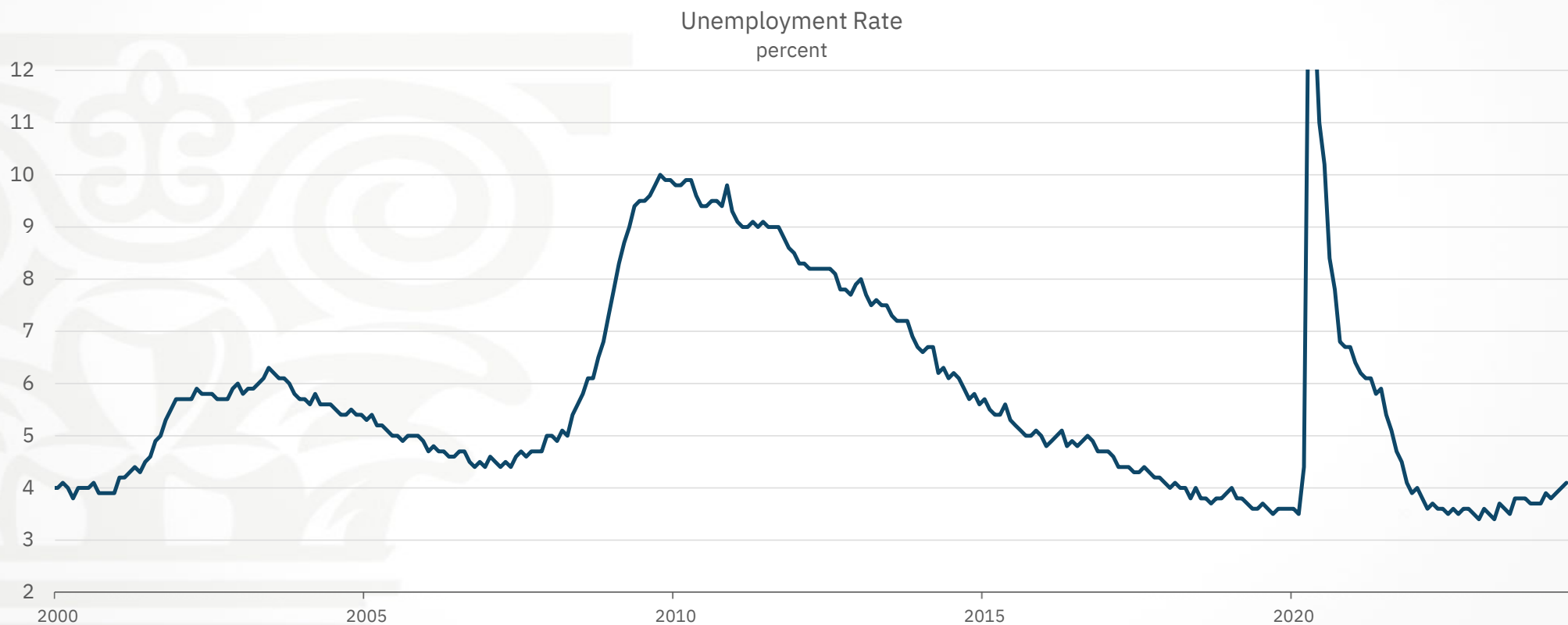
Source: Bureau of Labor Statistics

Labor force participation has recovered for prime age (25-54) workers while participation remains subdued for older workers



Source: Bureau of Labor Statistics and staff calculations to historically adjust for population controls.

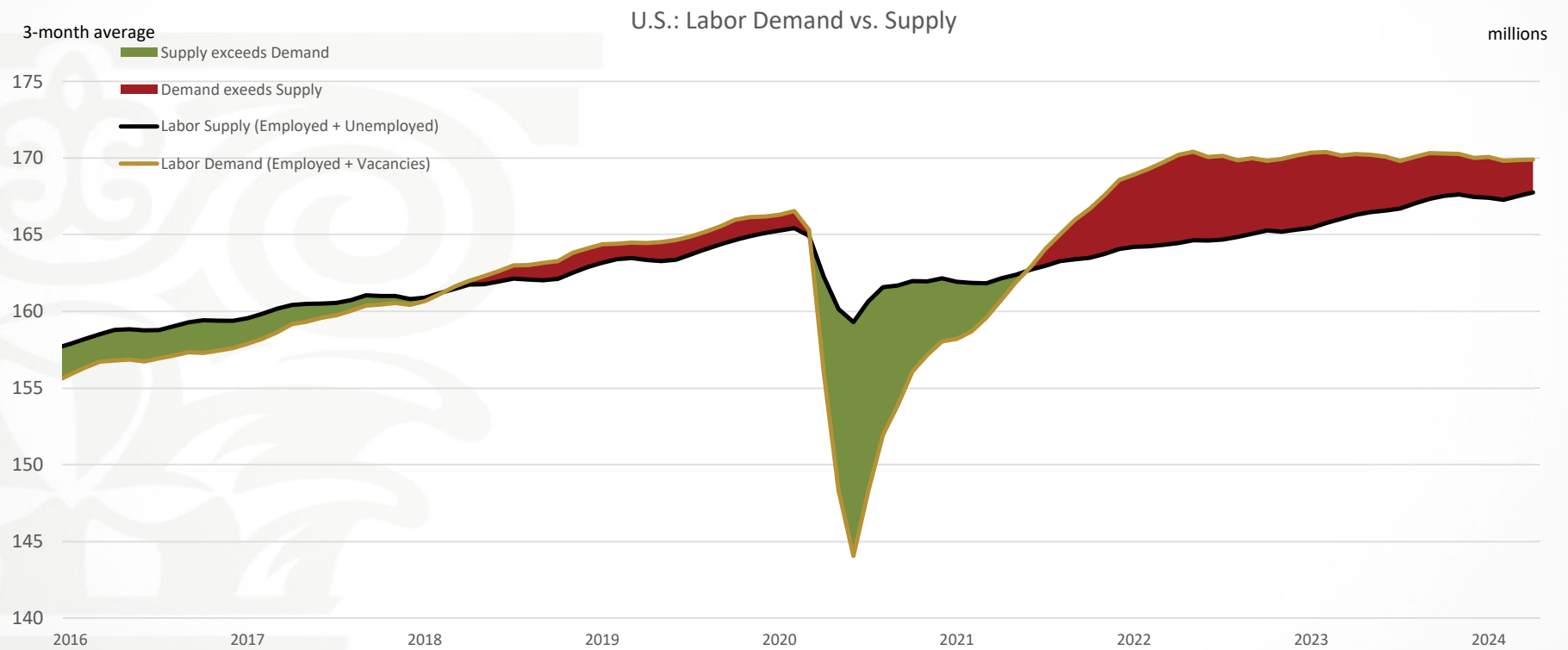
The unemployment rate rose above 4 percent for the first time in the past two years.



Source: Bureau of Labor Statistics

Data through June 2024

Labor Supply and Demand



Source: BLS Current Population Survey, Job Openings and Labor Turnover Survey (JOLTS)

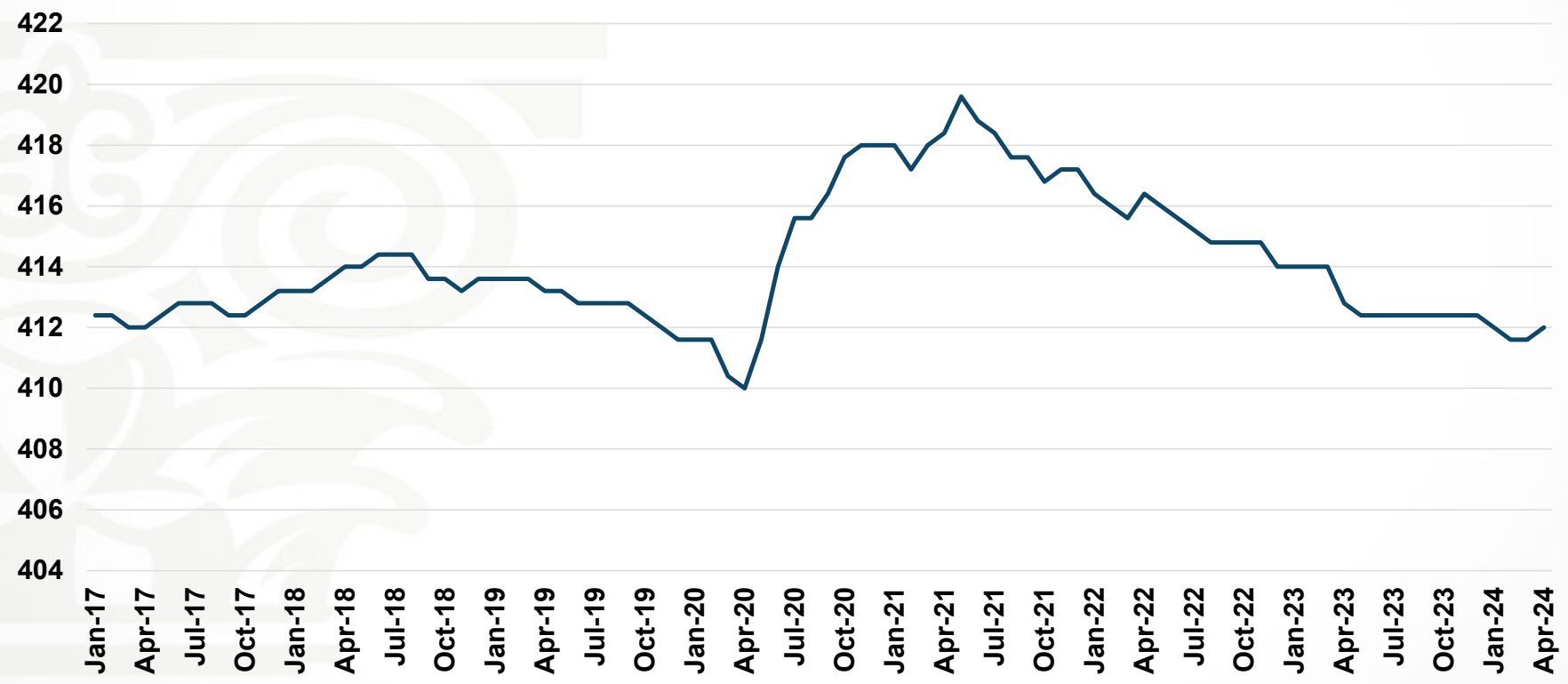
Note: Because JOLTS data are not available for the latest month the vacancy level is assumed to be equal to the level for the prior month.

Through April 2024

available through

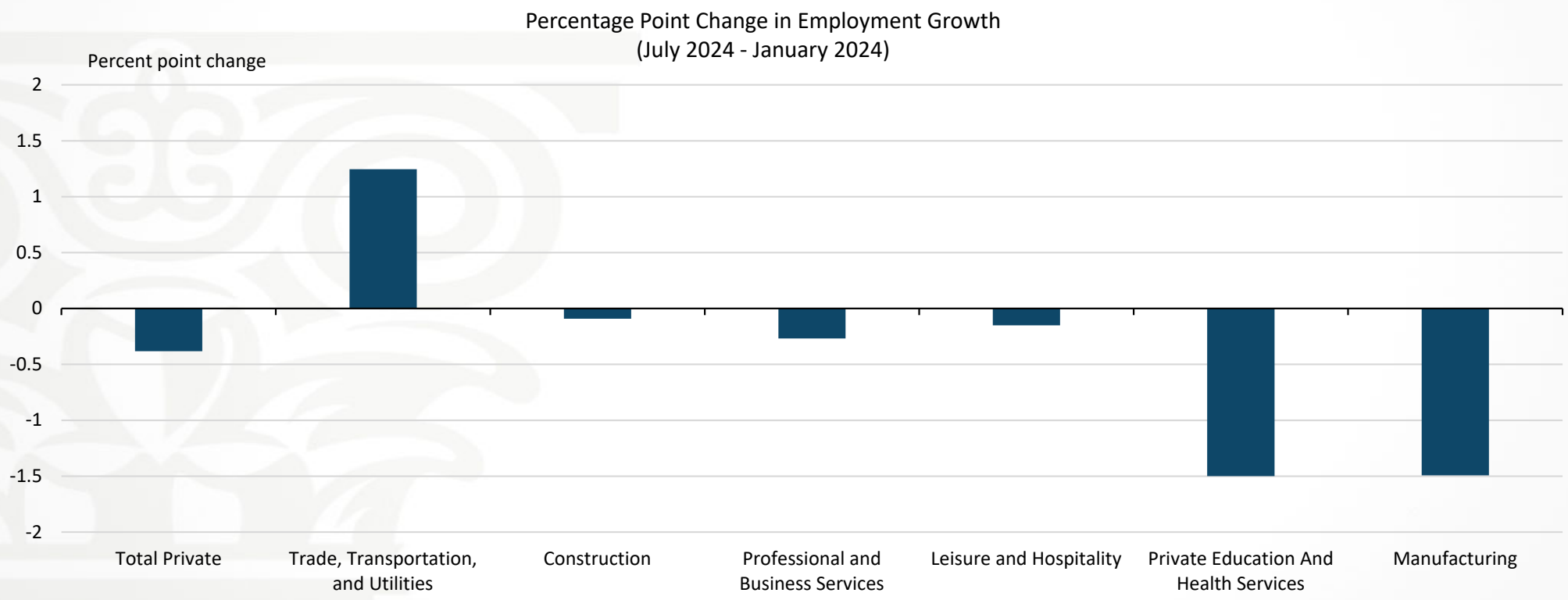
As employment has expanded, average weekly hours have actually fallen and are now at effectively at pre-pandemic levels.

Average Weekly Hours and Overtime of all Employees
Private payrolls, 3-month average annualized



Source: U.S. Bureau of Labor Statistics; Haver Analytics. Data through April 2024

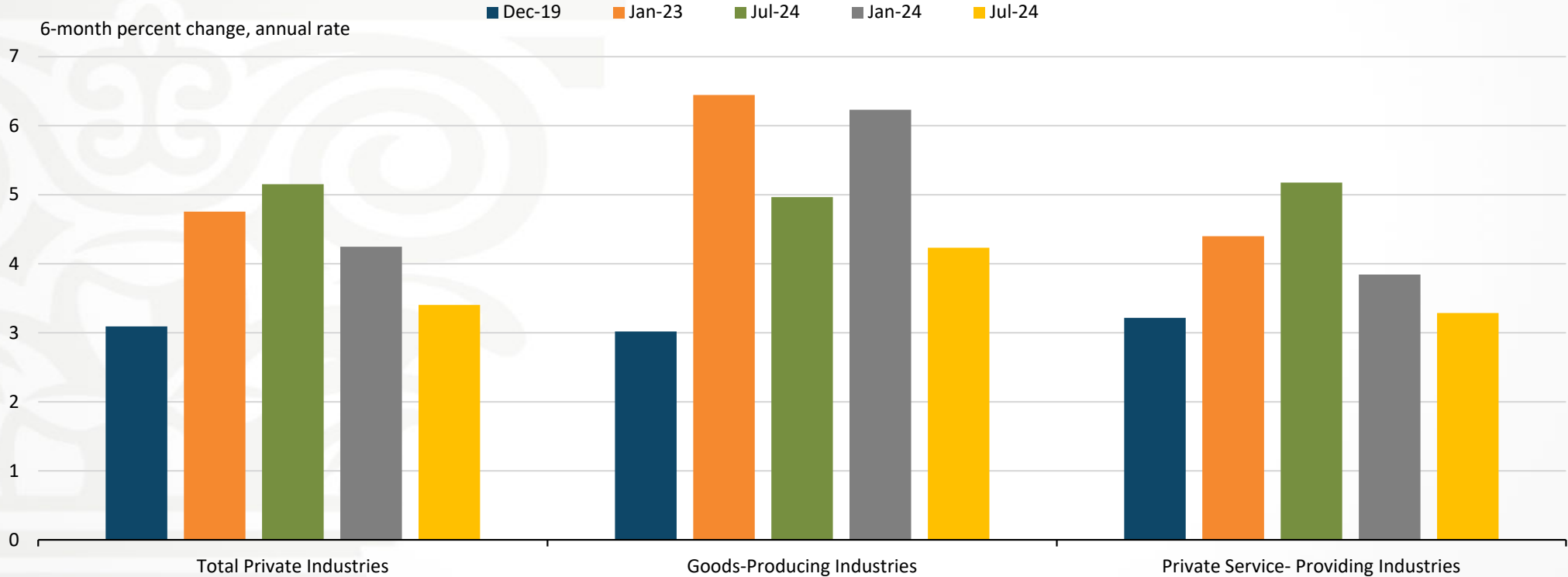
The pace of employment growth has slowed across most, but not all, industries



Source: Bureau of Labor Statistics
Note: Calculated as the difference between the 3-month percent change in July 2024 and January 2024.

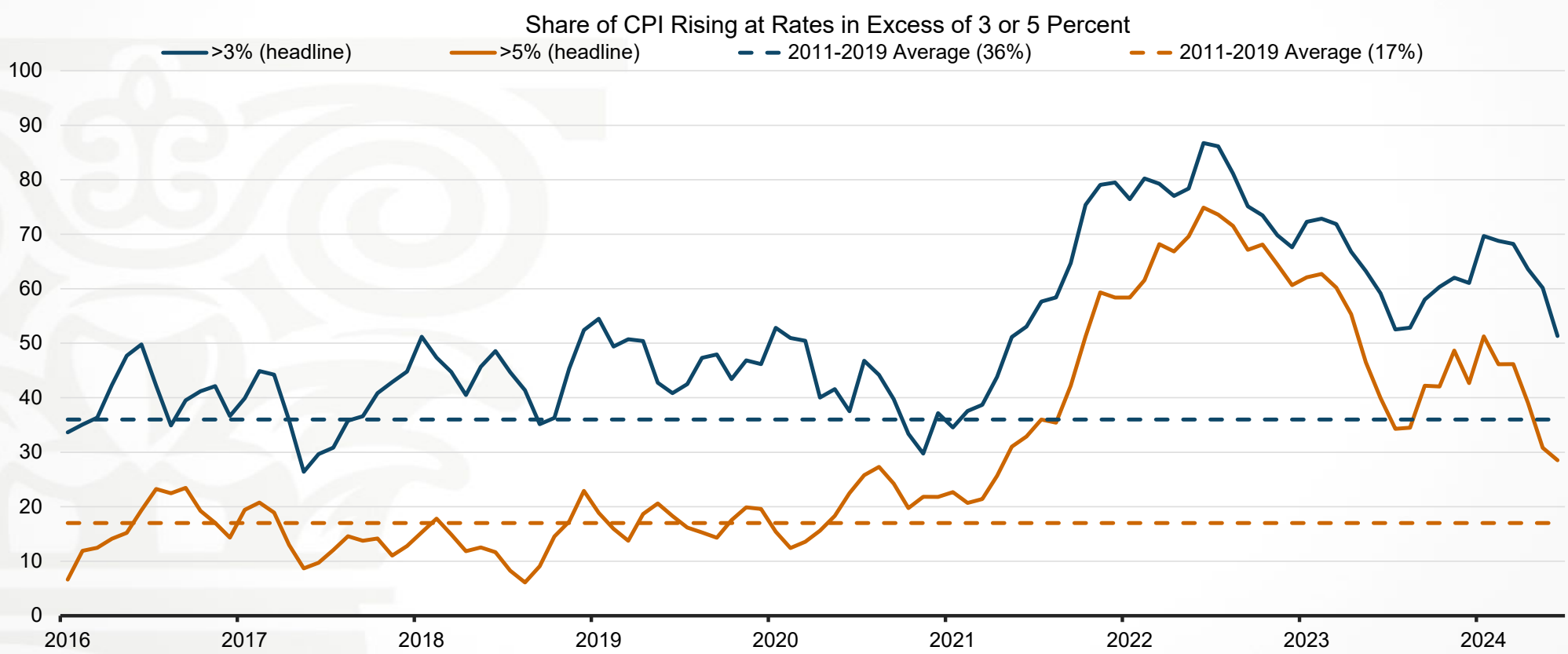
Wage growth has decelerated across all industries

Average Hourly Earnings of Production and Nonsupervisory Employees



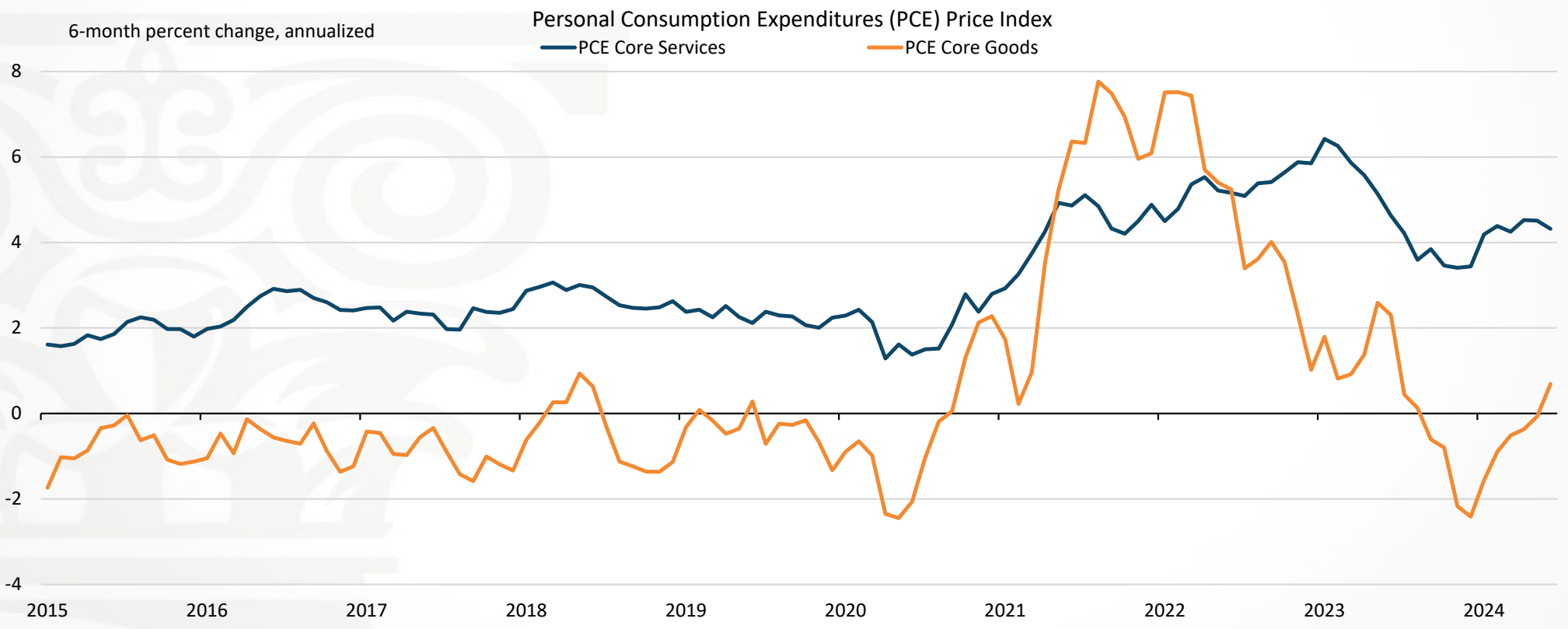
Source: Bureau of Labor Statistics

The share of consumer price basket with prices rising in excess of 3 and 5 percent remains elevated relative to pre-Covid levels



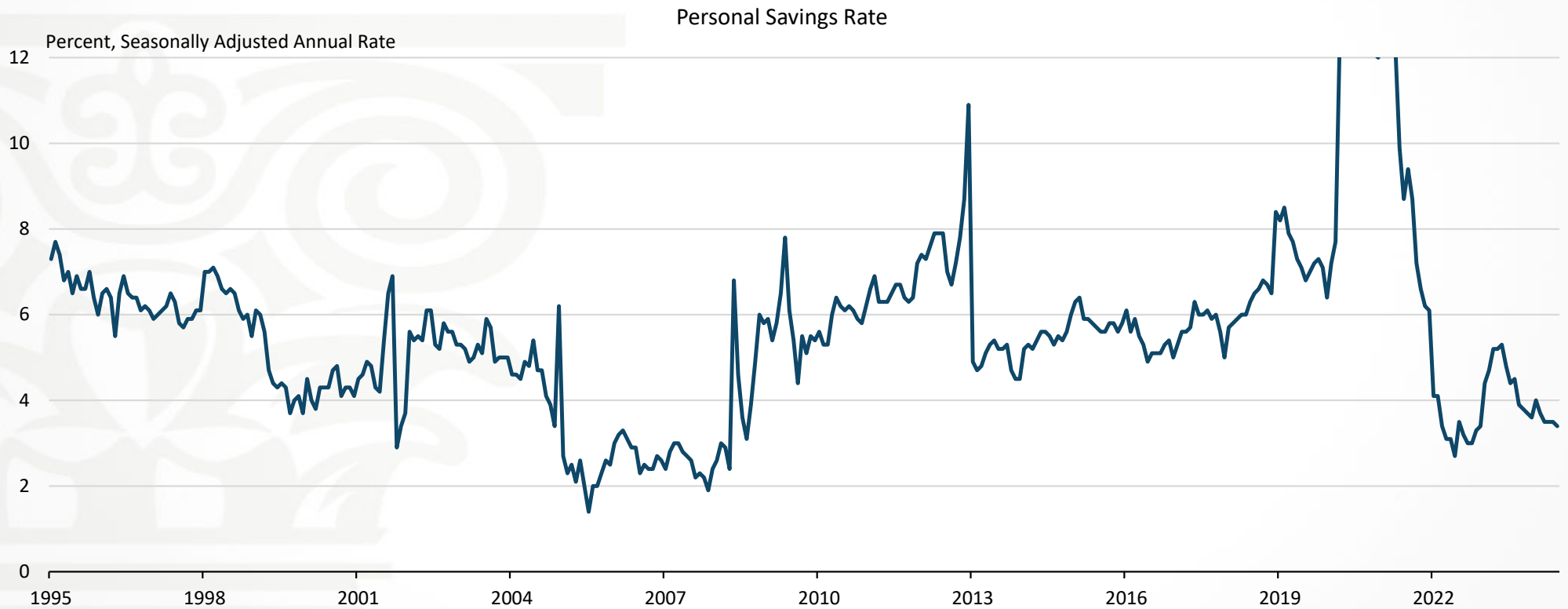
Sources: BLS; author's calculations

The rate of price growth for core goods has returned to pre-Covid levels, but the rate of price growth for core services remains elevated



Source: Bureau of Economic Analysis

The personal savings rate is below pre-Covid levels



Source: Bureau of Economic Analysis

Thank You!

