

Economic Outlook: Moving Into a Post Pandemic World

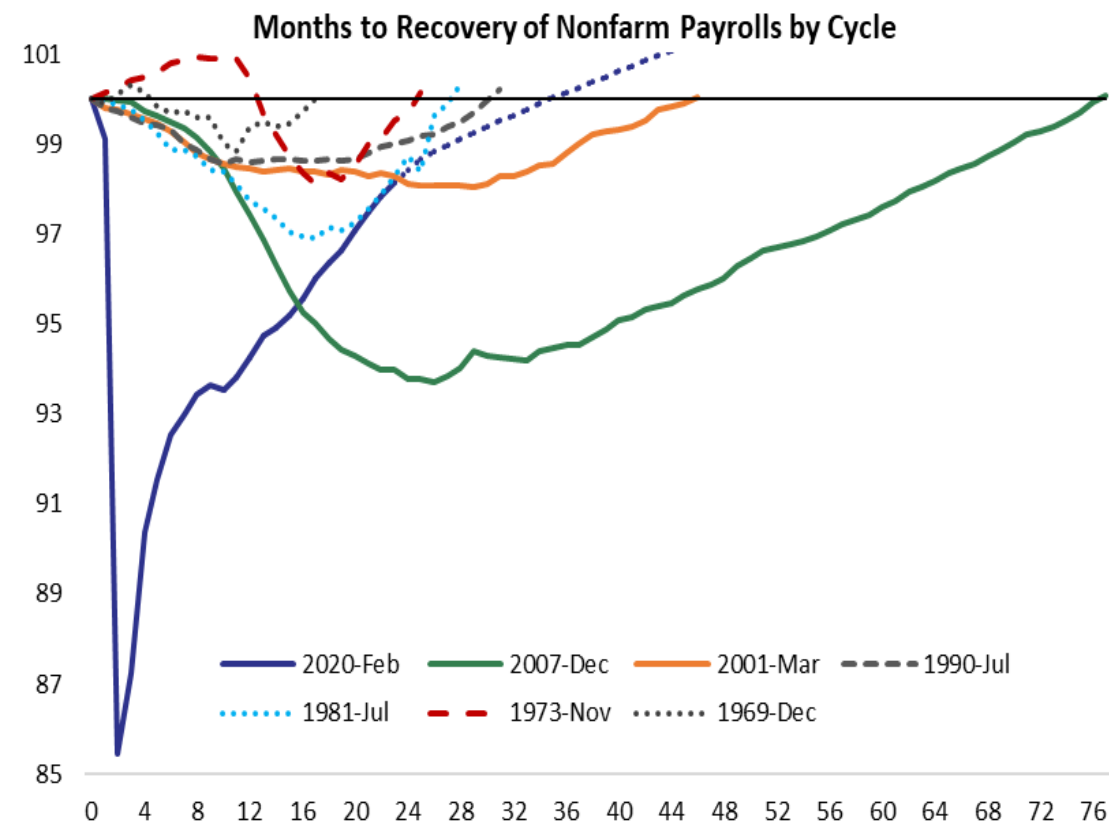
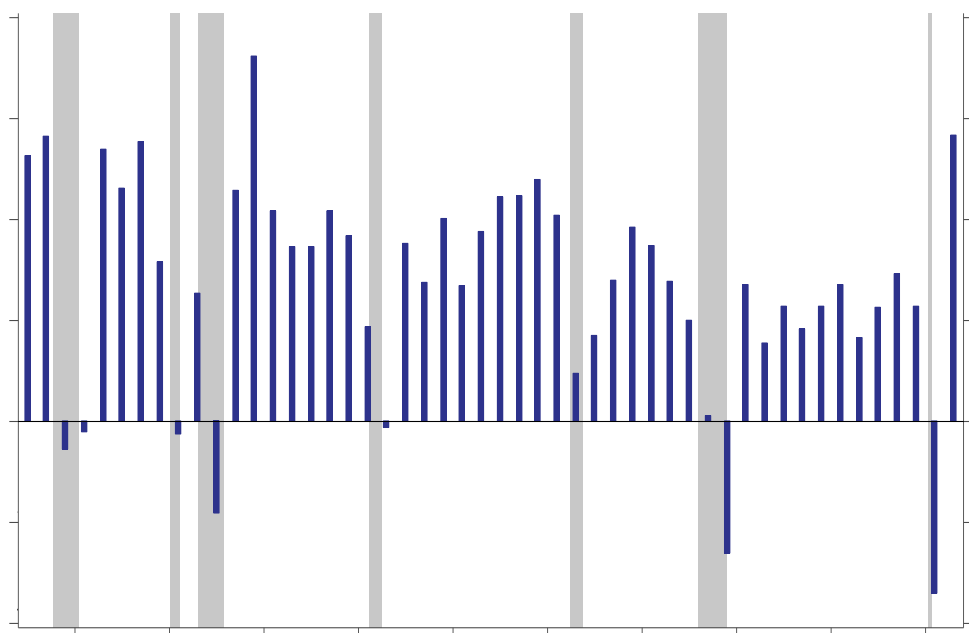
*LAEDC Economic Forum
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Julia Coronado



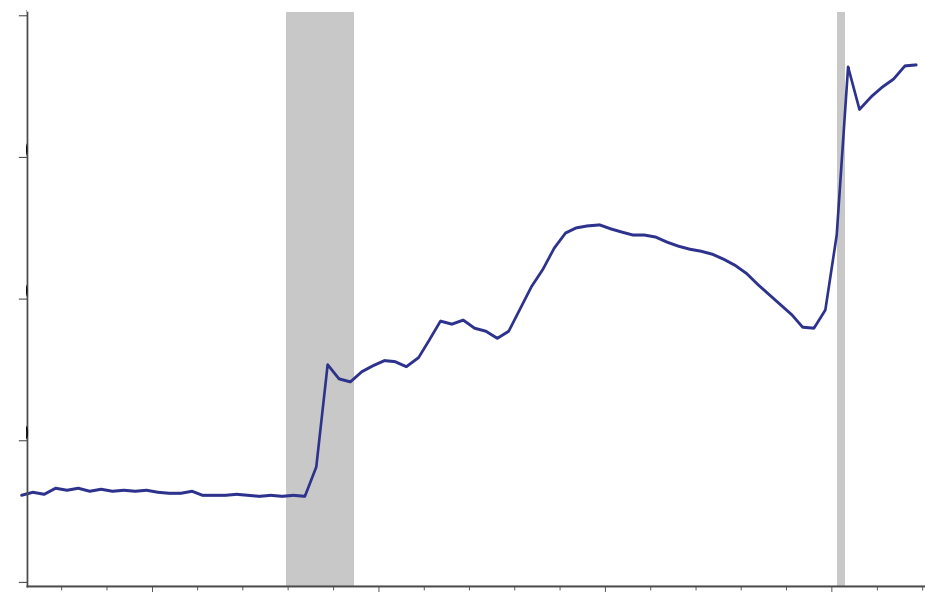
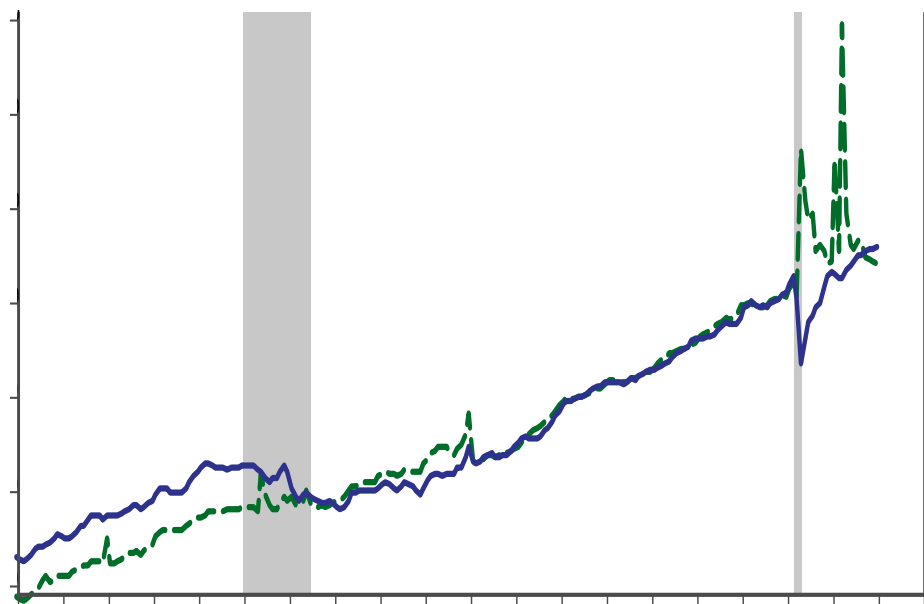
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The US has Experienced the Strongest Recovery in Decades



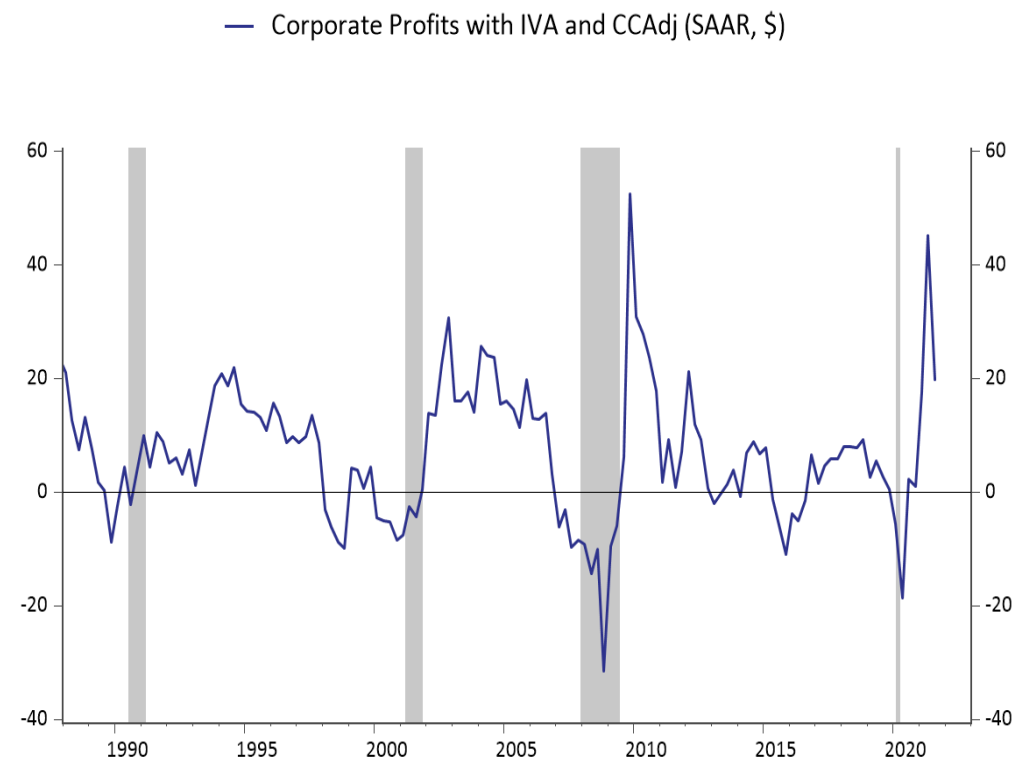
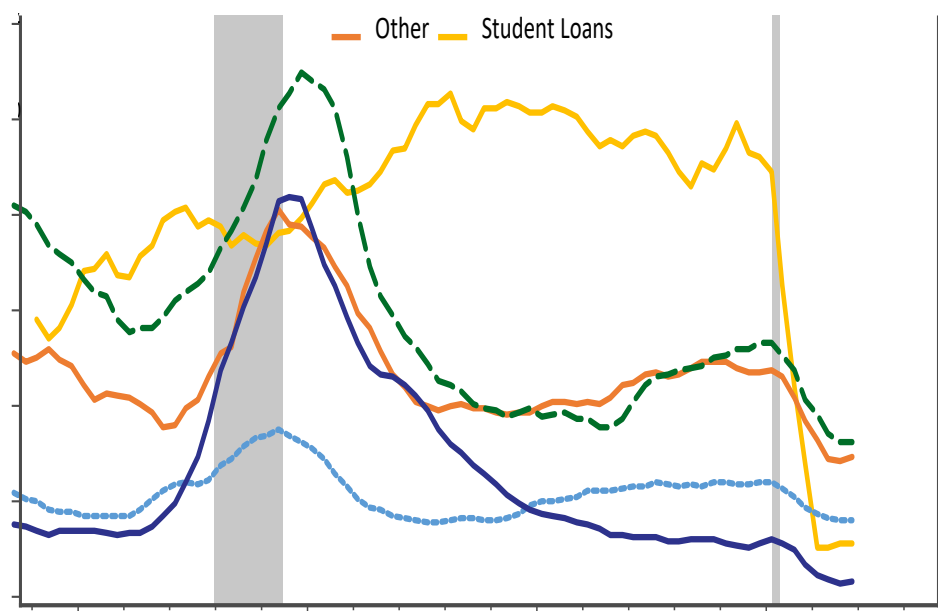
Real GDP growth in 2021 was the strongest since 1984, job gains have defied the recent streak of jobless recoveries

The Policy Response to the Pandemic was Go Big Go Early



The government provided a historical amount of cash support to consumers boosting their disposable income despite job losses while the Fed's QE policies lowered interest rates and boosted financial wealth

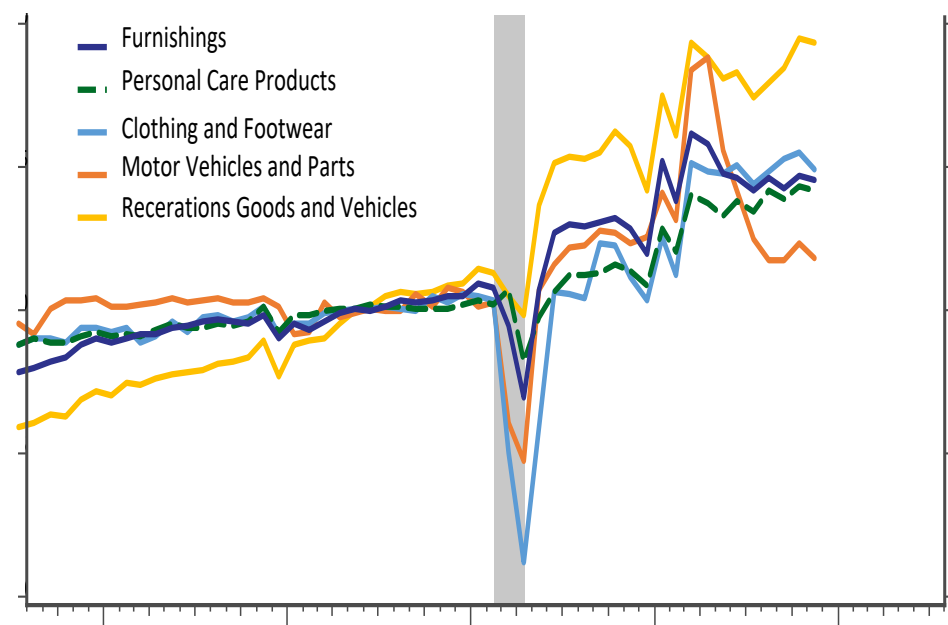
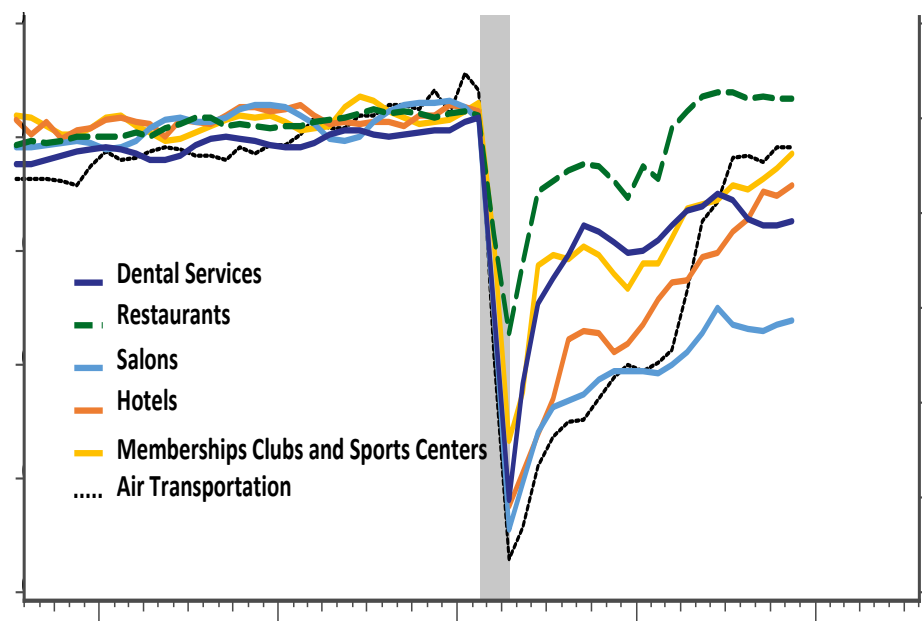
Consumer spending, profits, investment, housing boomed out of the recession



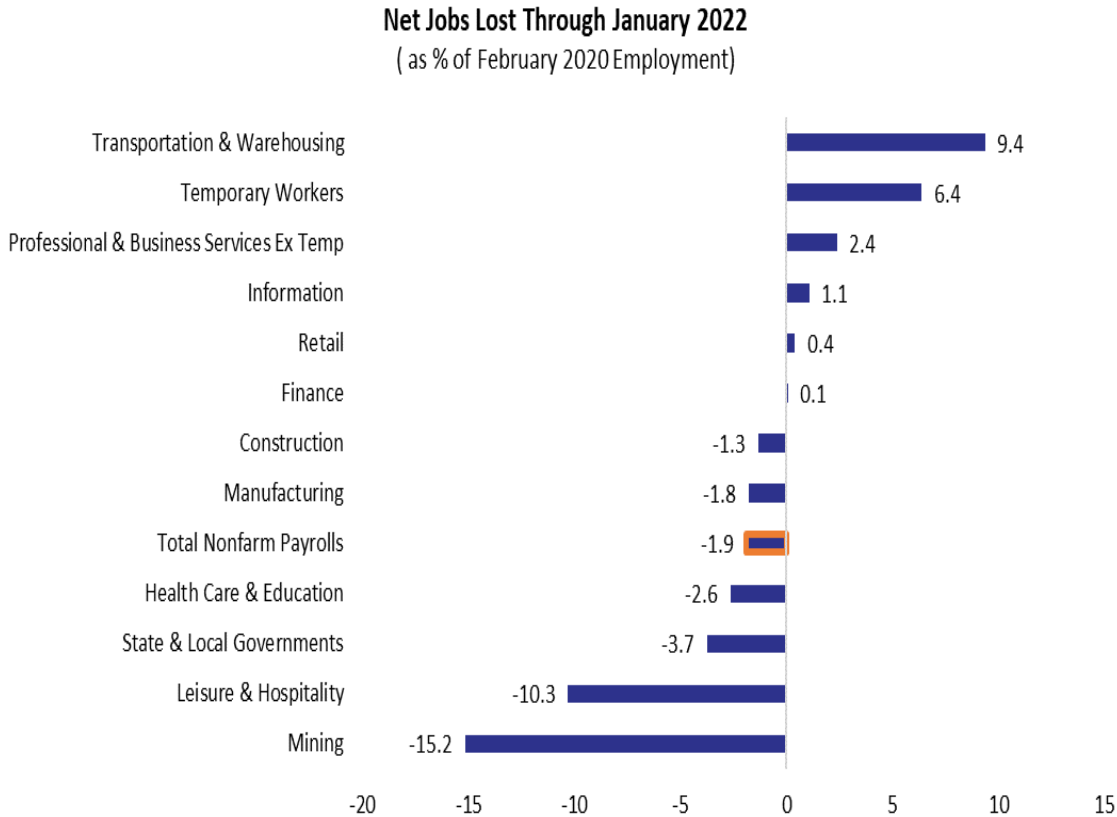
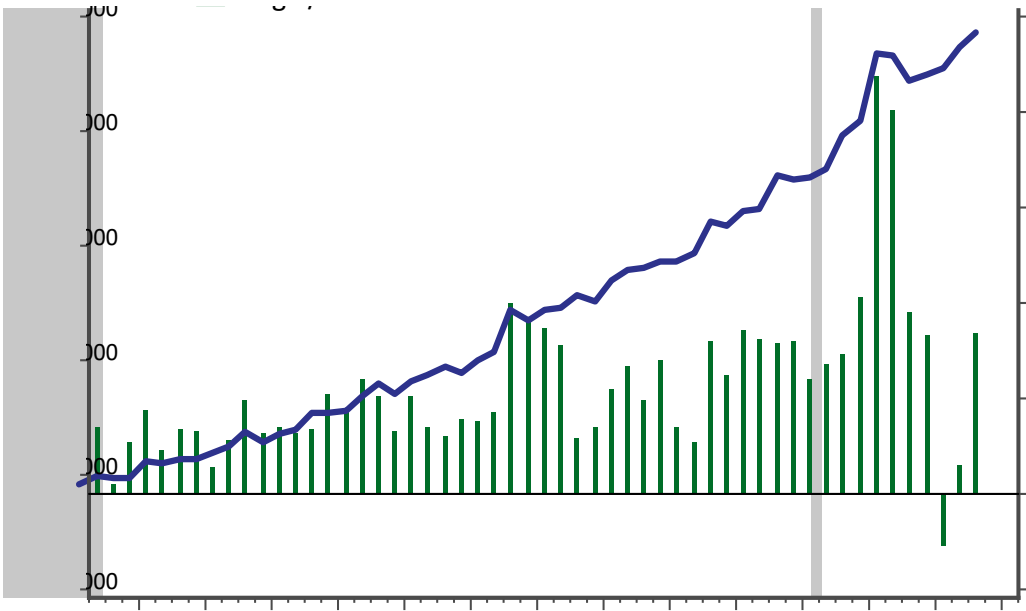
Source: MacroPolicy Perspectives/BEA/Haver

This is the first recession where household credit quality improved through the recession and businesses enjoyed record profits

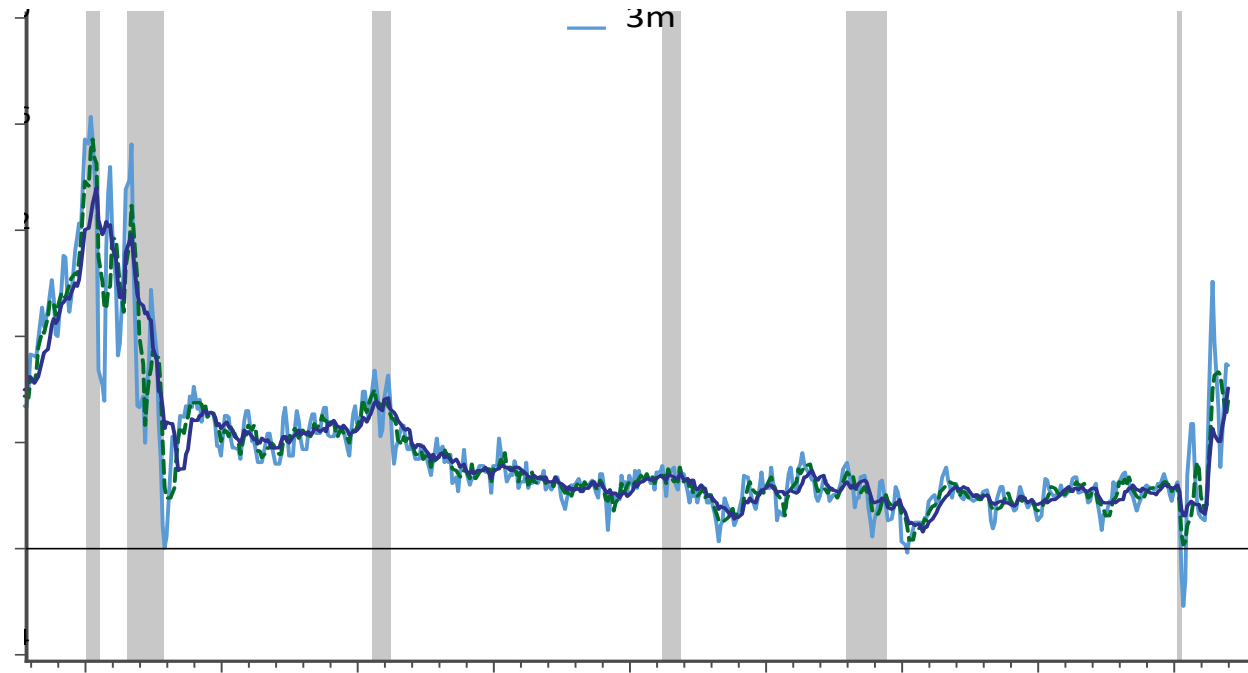
But the pandemic disrupted a lot of things, like what we spend money on



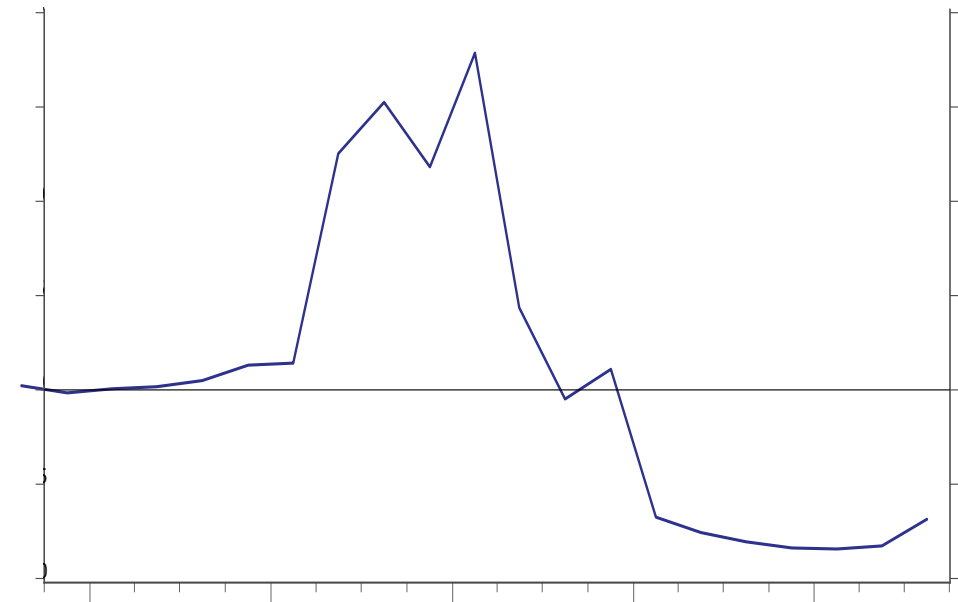
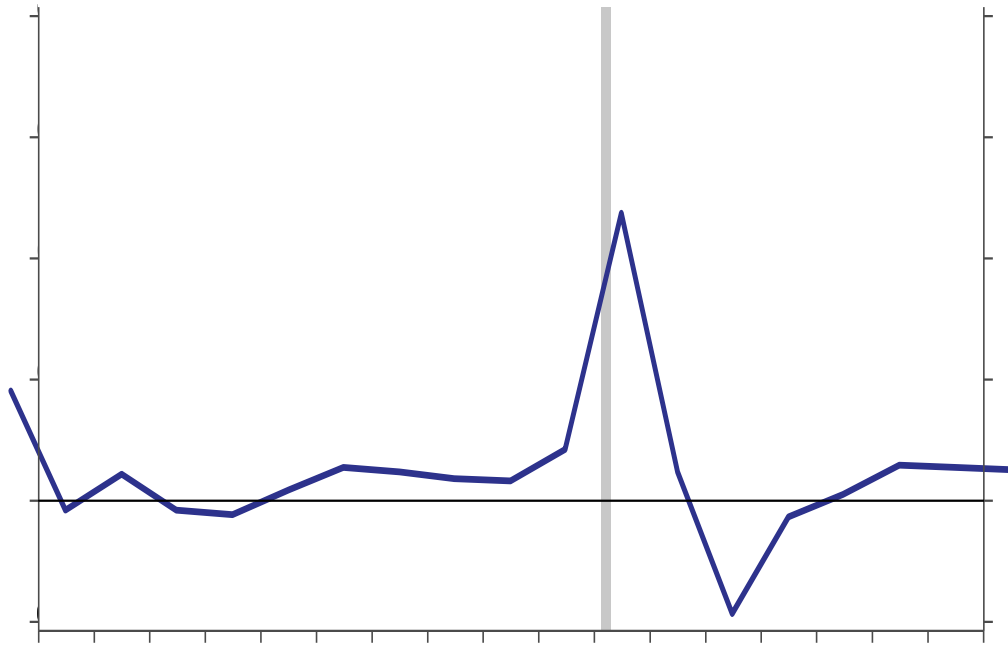
The pandemic led people to change where and how they live and left some industries smaller and others larger



Policy support + pandemic frictions left us with the highest inflation since the early 1980s
Where do we go from here?



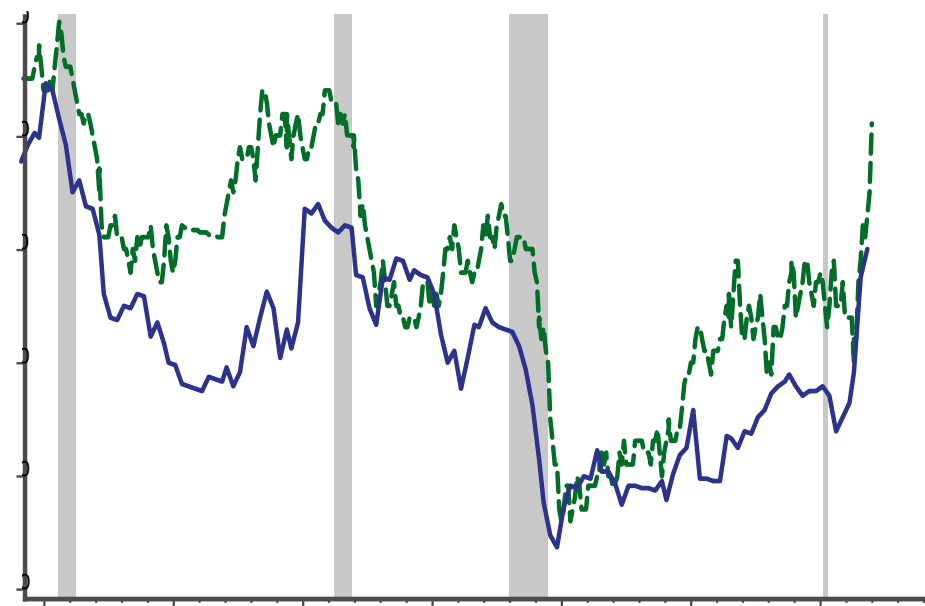
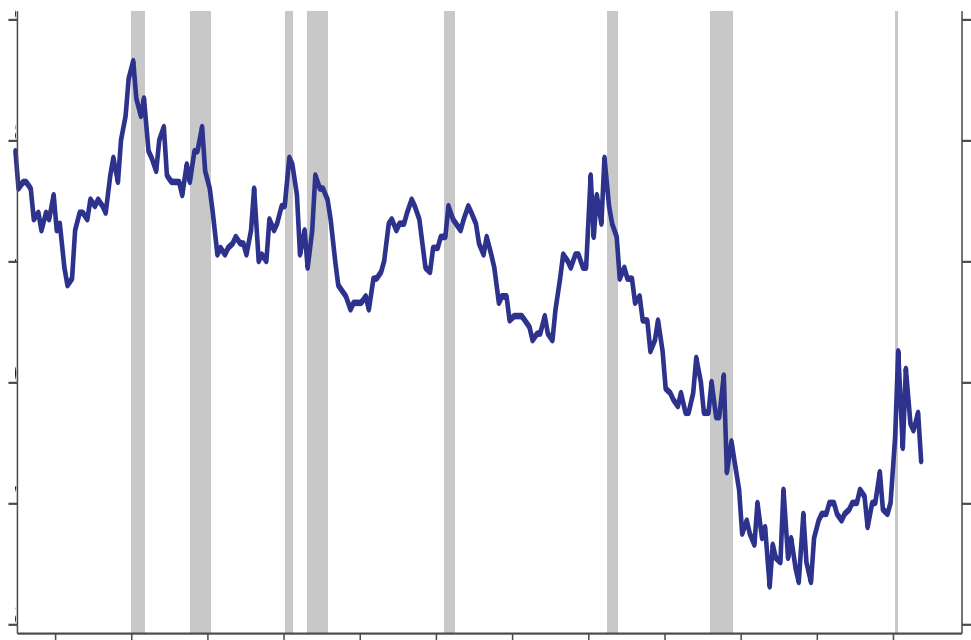
Federal spending is slated to decline nearly 20% and fiscal policy will become a headwind to disposable income



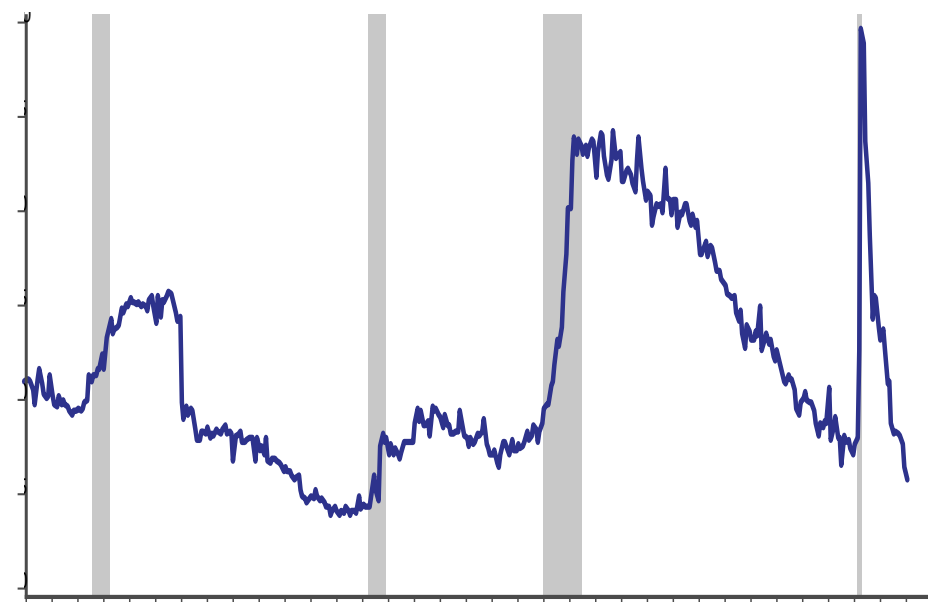
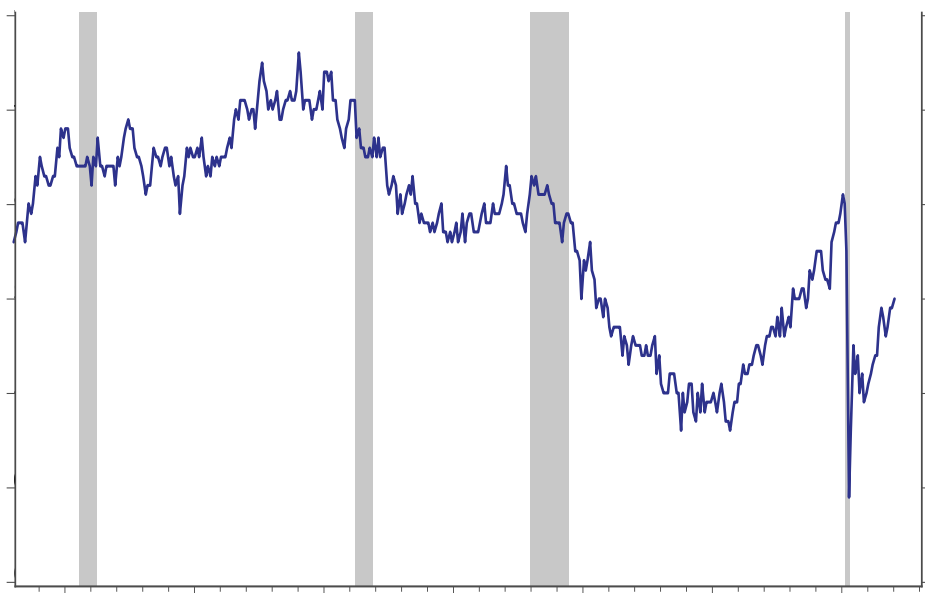
The Fed is starting to raise rates and plans to shrink its balance sheet, mortgage rates are already higher than pre pandemic



Strong wage gains have kept pace with strong growth but there are no signs yet that we have seen a fundamental shift in worker bargaining power



The labor market is strong and consumers are well positioned for further gains



Conclusions

- US GDP growth should moderate substantially in 2022 from a torrid pace as policy support is withdrawn, but pent up demand for cars, weddings, restocking of inventories, home building, are all tailwinds that should support still robust growth
- People can reengage with the workforce and find the jobs they want
- Firms are still grappling with disrupted supply chains and difficulties managing price pressures—increased price sensitivity from consumers may be a new challenge
- The Fed will likely raise rates steadily so as to calibrate to shifting economic dynamics
- The economy is still highly disrupted and the outlook uncertain!