



The Daily Dish

# Officials and the Economic Outlook

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## Eakinomics: Officials and the Economic Outlook

The Federal Reserve released its “[Beige Book](#).” The Beige Book is an anecdotal survey of economic conditions in each of the 12 Federal Reserve districts; this one was compiled by the Richmond Federal Reserve Bank. The bottom line is that growth is at a “modest to moderate rate.” For comparison, the Atlanta Fed’s [GDPNow](#) estimate of third quarter growth is 0.5 percent, while the New York Fed’s similar [NowCast](#) checked in at 3.8 percent.

Districts in particular noted supply constraints and concerns over the Delta variant. The former is cited as being central to the state of inflation. Inflation is more than double the Fed’s 2 percent target as the Fed’s preferred measure (the price index for personal consumption expenditures) is up 4.3 percent year-over-year – the largest annual gain in three decades. According to the Boston Fed, “Retailers and manufacturers posted moderate to steep price increases amid ongoing supply disruptions. The outlook was cautiously optimistic.” The latter showed up as a labor market hurdle. “Firms reported high turnover, as workers left for other jobs or retired,” according to the beige book. Also, “Child-care issues and vaccine mandates were widely cited as contributing to the problem.”

In short, growth has dropped off from the roughly 6.5 percent pace in the first half of the year. Nonetheless, the Fed still plans to begin reducing its \$120 billion monthly dose of monetary stimulus in the next two months. In the presence of diminished supply growth it makes no sense to stomp the demand accelerator. Looking forward, Secretary of the Treasury Janet Yellen remains optimistic. Appearing on MSNBC, Bloomberg [reports](#): “Treasury Secretary Janet Yellen said she still expects the U.S. economy to return to full employment ‘next year,’ even after a slowdown in the pace of hiring. ‘The labor market in many ways is very tight,’ Yellen said in an interview with MSNBC television that aired Wednesday morning, adding that the economy is still recovering from the pandemic, which she described as ‘a very, very unusual shock.’”