

Economic highlights from the week ending on February 12, 2021

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During a virtual presentation for the Economic Club of New York this week, Fed Chair Powell cautioned that the labor market remains a long way from a full recovery. He noted that the reported unemployment rate is dramatically understating the weakness, due in part to a significant decline in labor force participation. He said the real unemployment rate would be closer to 10% (rather than 6.3%) if it were adjusted to include individuals who classified themselves as employed but absent from work and included those who have left the labor force since the onset of the pandemic. Chair Powell reiterated that a patiently accommodative monetary policy stance remains appropriate to facilitate a sustained recovery in the labor market. He again noted that inflation is likely to pick up in the coming months, as we begin to cycle the deflationary impact of the pandemic last year, but the increase in pricing pressure is unlikely to be large or persistent. When asked about fiscal relief, he was reluctant to comment but said he believes fiscal policy is an essential tool for the current situation.



The Consumer Price Index (CPI) was up 1.4% year-over-year in January, unchanged from December. Core CPI (CPI less food and energy) was also up 1.4% year-over-year in January, versus up 1.6% in December. While market-based measures of inflation compensation (which tend to be forward-looking) have been steadily creeping higher, including the US 10-year TIPS breakeven inflation rate, reported inflation remains below the Fed's longer-run 2.0% target.



Next Week

President's Day Holiday, Empire State Manufacturing, PPI, Retail Sales, Industrial Production, Housing Market Index, FOMC Minutes, Housing Starts, Philly Fed, Existing Home Sales

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