



WOMEN IN PUBLIC FINANCE
VIRGINIA CHAPTER

**The Economic Outlook – And What About Women?
Sonya Ravindranath Waddell**

**Richmond, Virginia
and via Zoom
March 2, 2023**

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The Economic Outlook...and Women

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March 2, 2023



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The views and opinions expressed herein are those of the author. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.

The U.S. Economy (and Women)

How did we get here?

- Demand dropped off a cliff, and then very quickly surged—the combination of fiscal support, excess savings, and offsetting declines in demand for services resulted in very strong demand for goods.
- But supply wasn't there: supply chain disruptions, labor shortages
- Combining higher demand with constrained supply (and add in growth in energy prices) means that inflation will grow

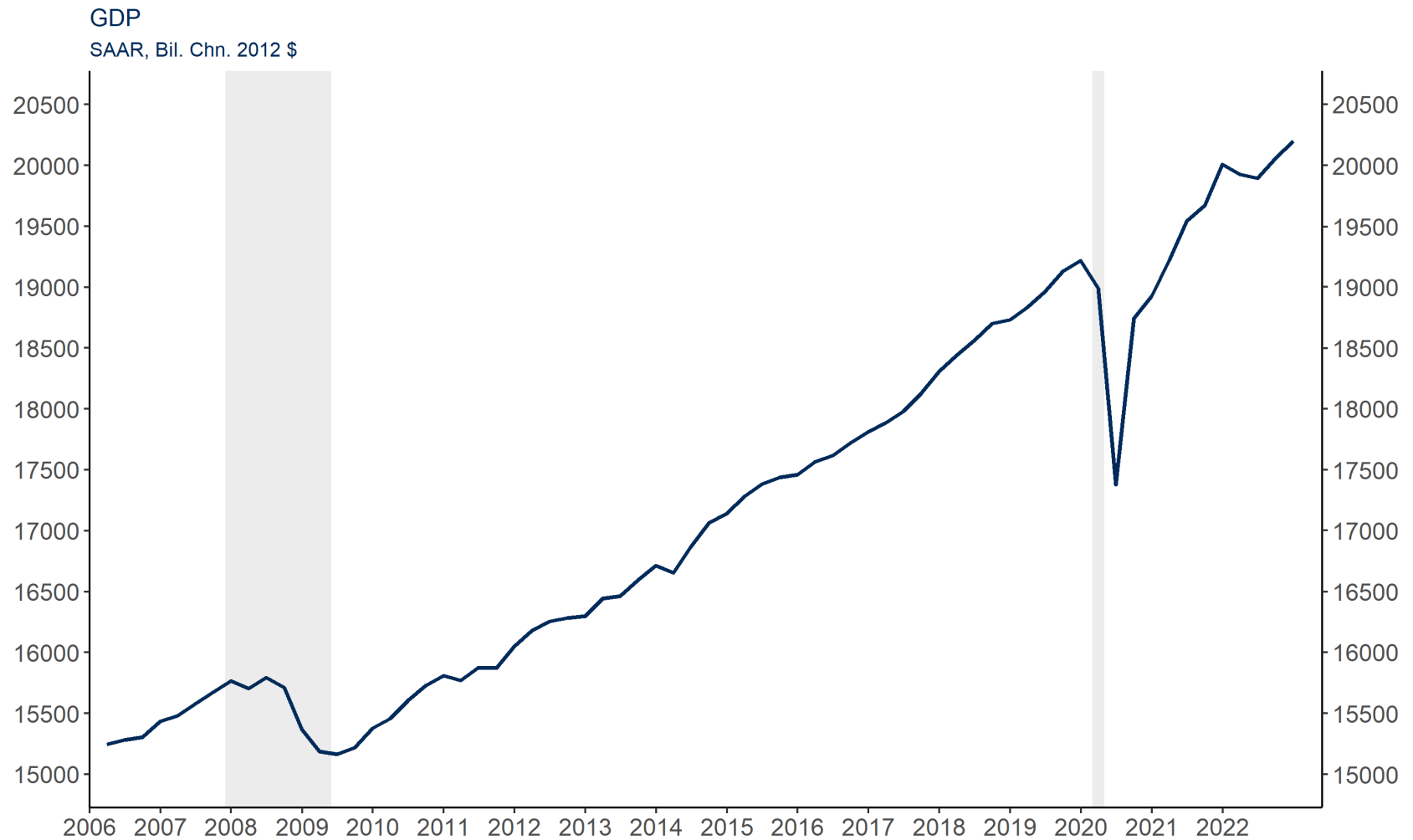
Where are we now?

- Inflation rates have declined, but inflation remains elevated.
- Labor markets remain surprisingly strong; supply chain constraints are easing (for now); and demand is growing, albeit more slowly

Women in the economy

- Women's labor force participation rose into the 1990s and then stopped well below men's participation.
- The challenges (and opportunities) are diverse not only by gender, but also by educational attainment and race

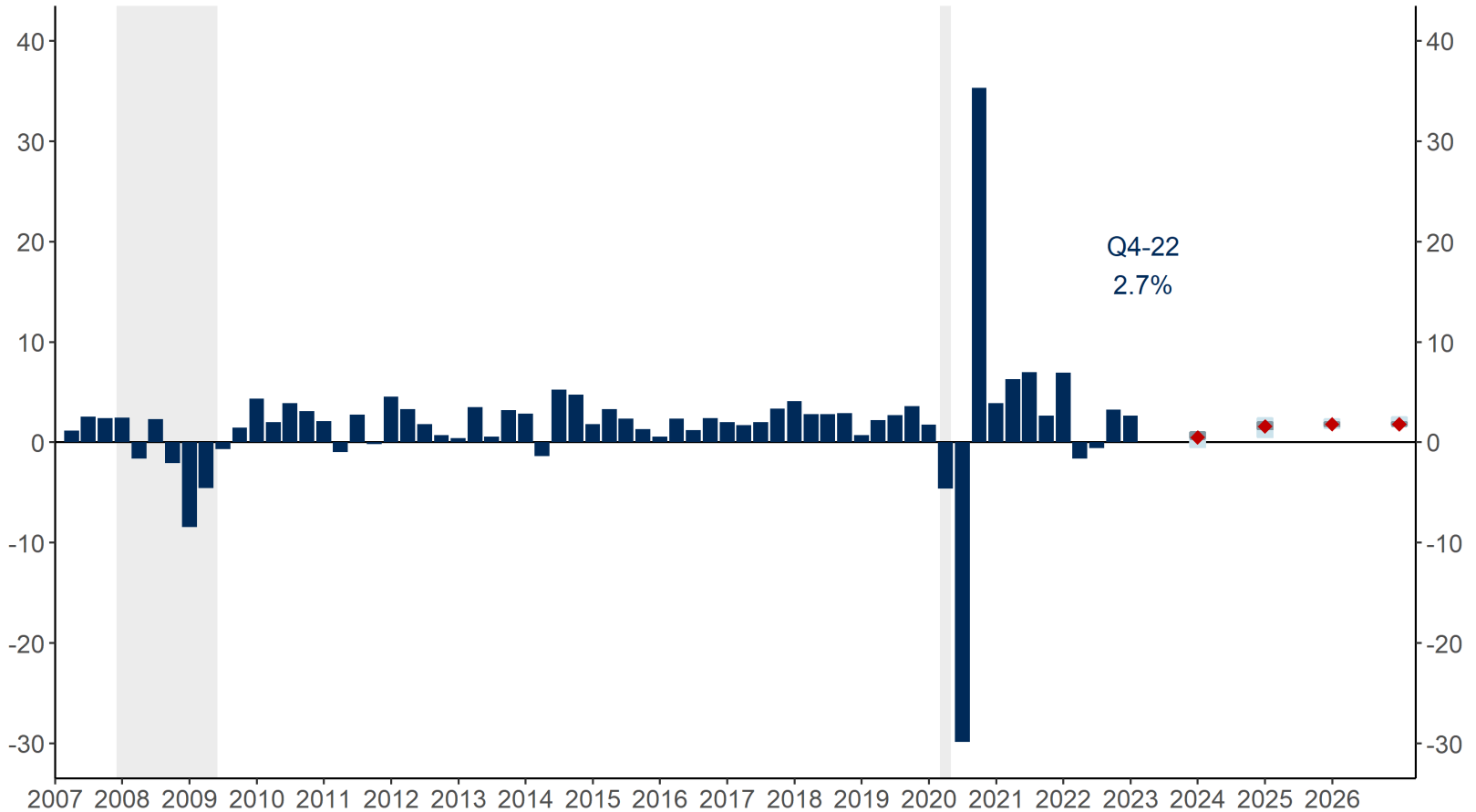
Demand dropped...and then surged



Growth remained strong through 2021. Many are projecting growth to be slower in 2023

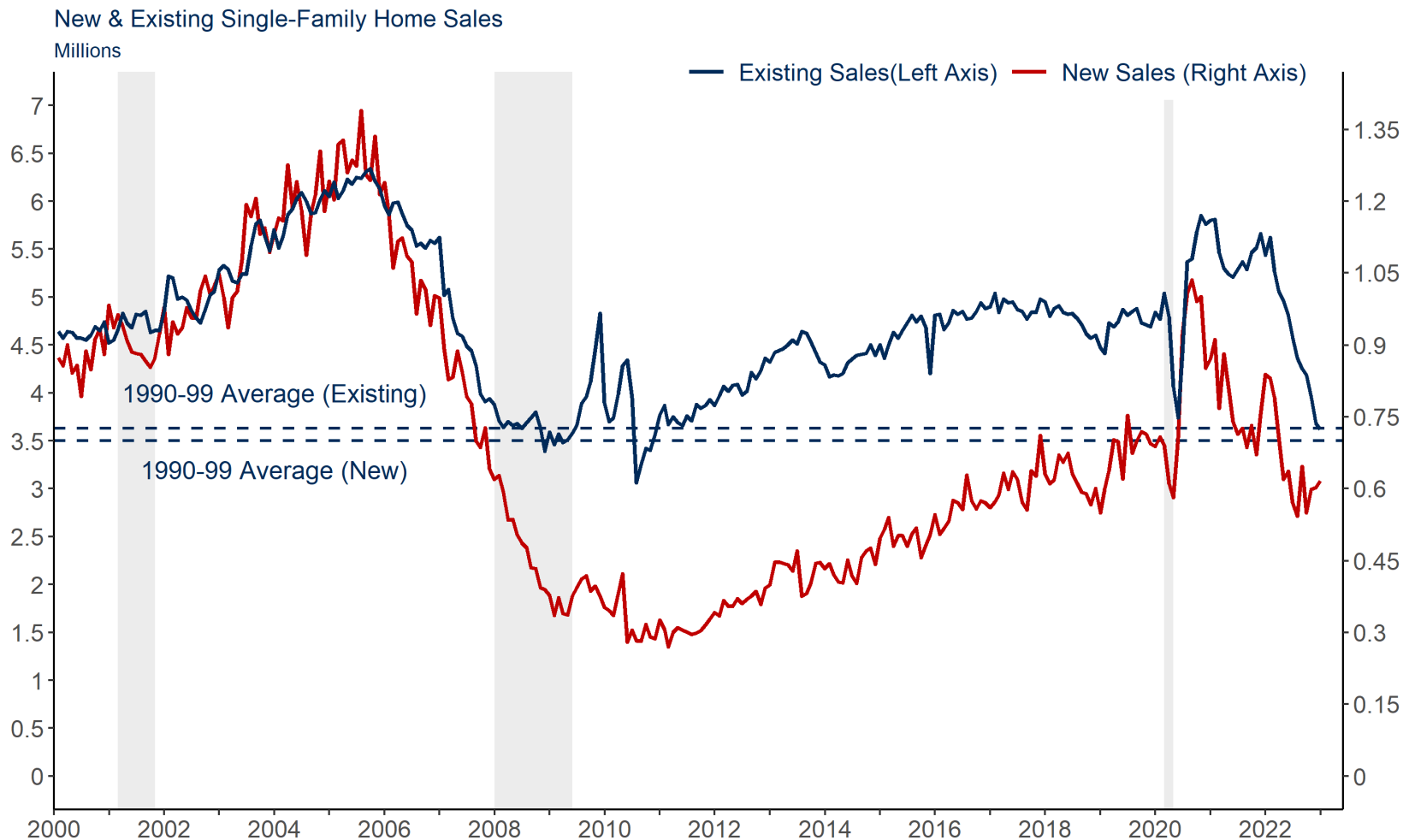


Real Gross Domestic Product
Percent change from previous quarter at annual rate

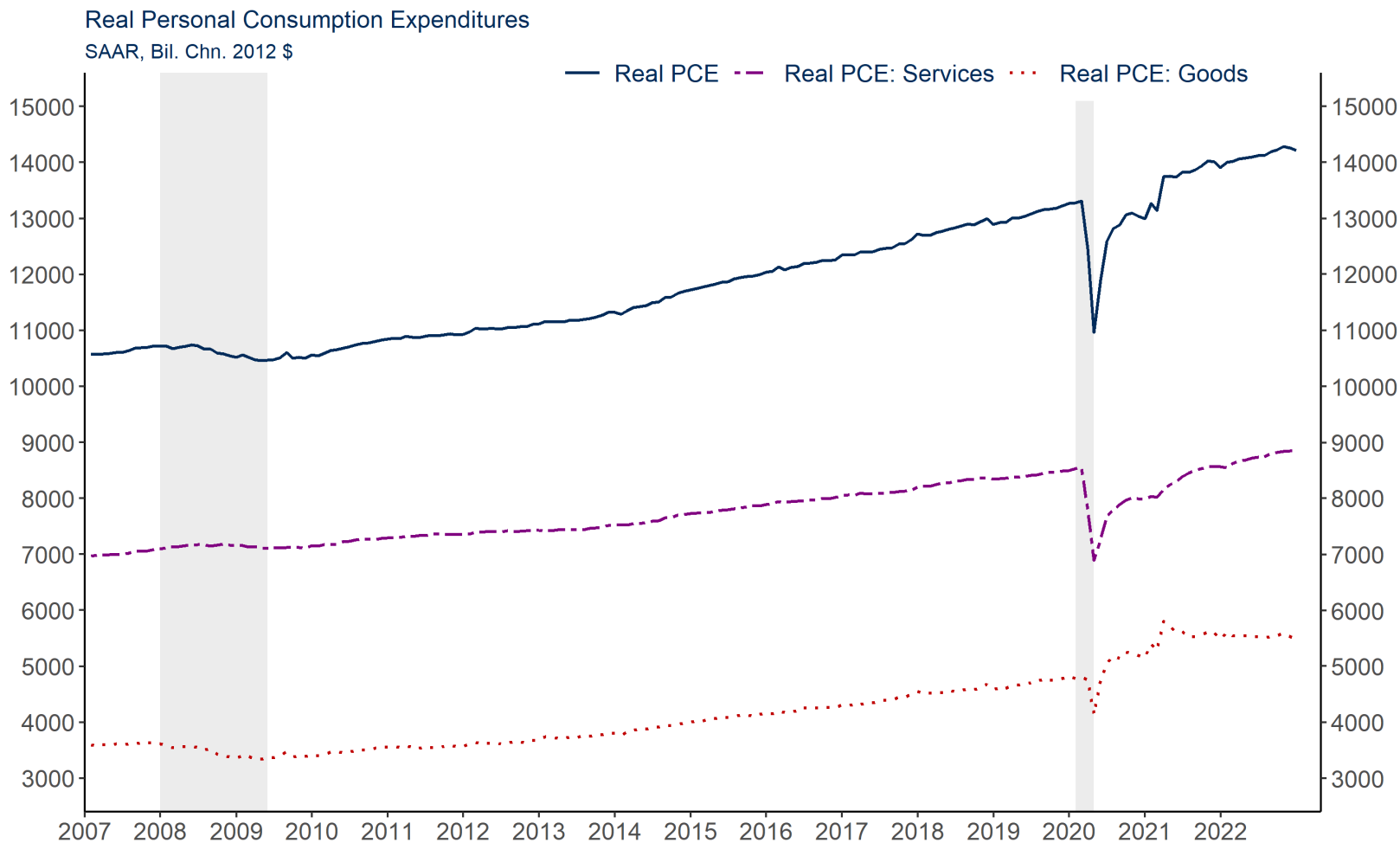


Q4-22
2.7%

Residential real estate has been struggling



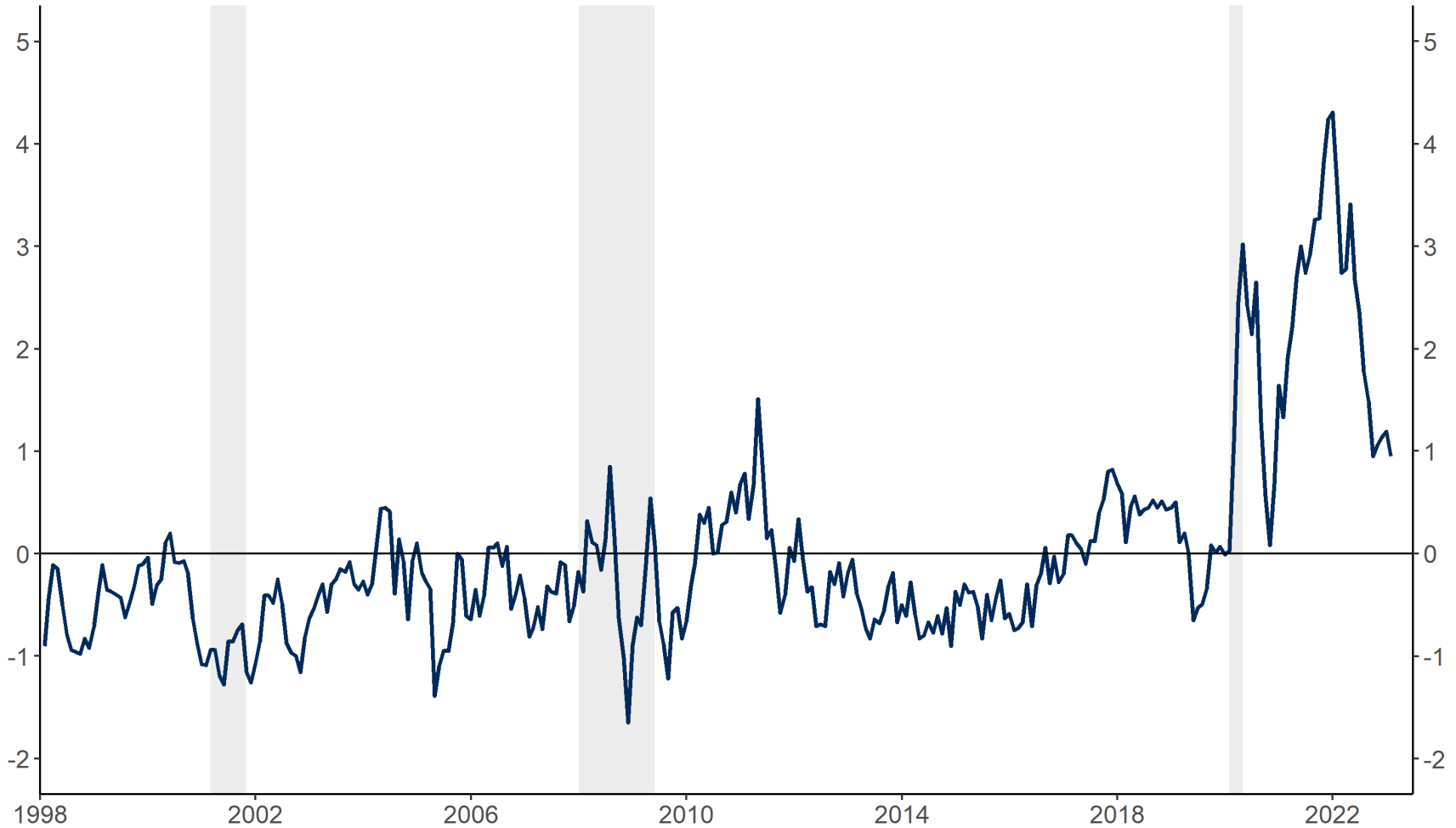
Goods consumption jumped up after COVID; services was slower to return



Source: Bureau of Economic Analysis/Haver Analytics

Supply could not keep up with demand for goods

Global Supply Chain Pressure Index

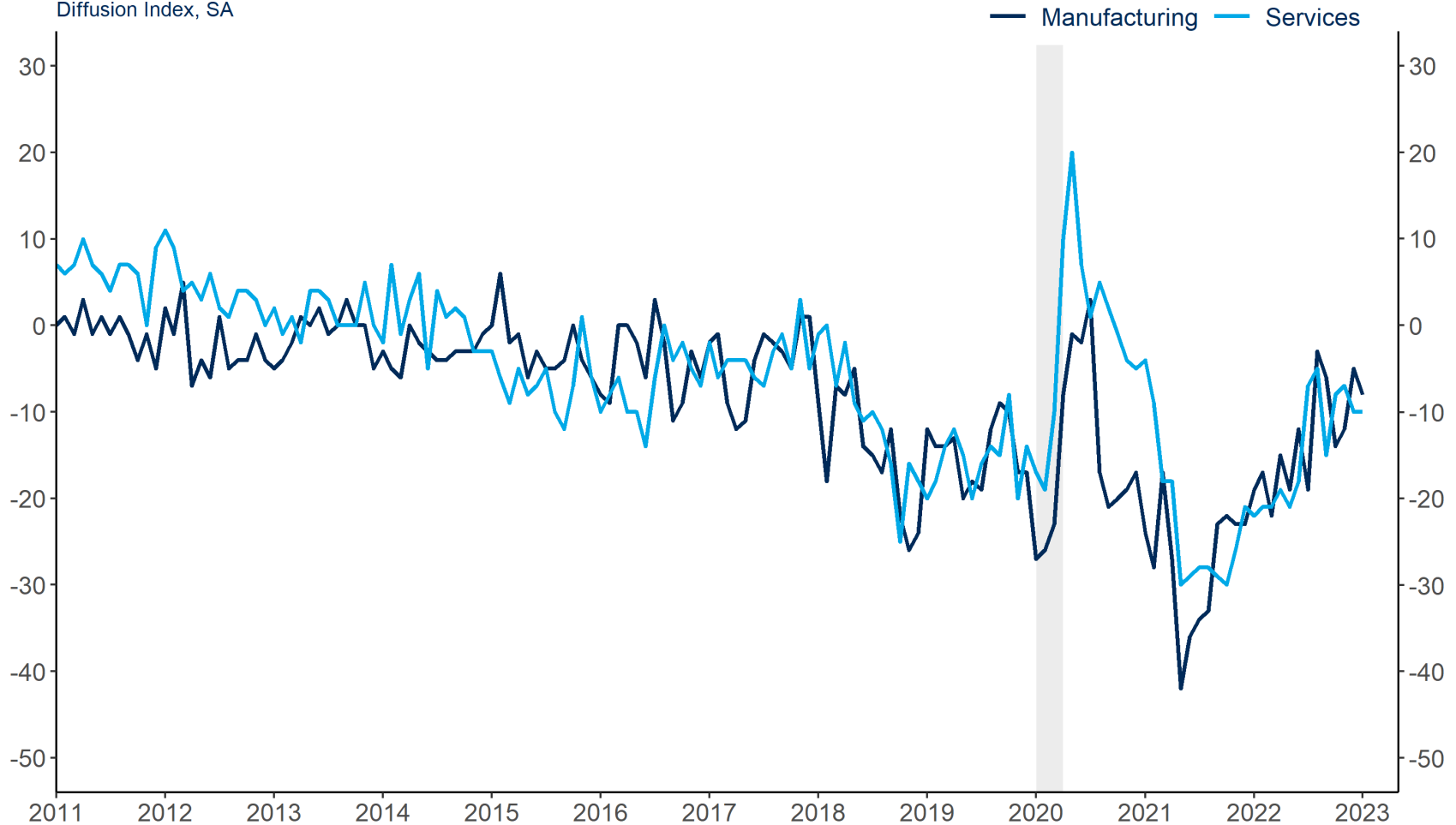


Source: Federal Reserve Bank of New York

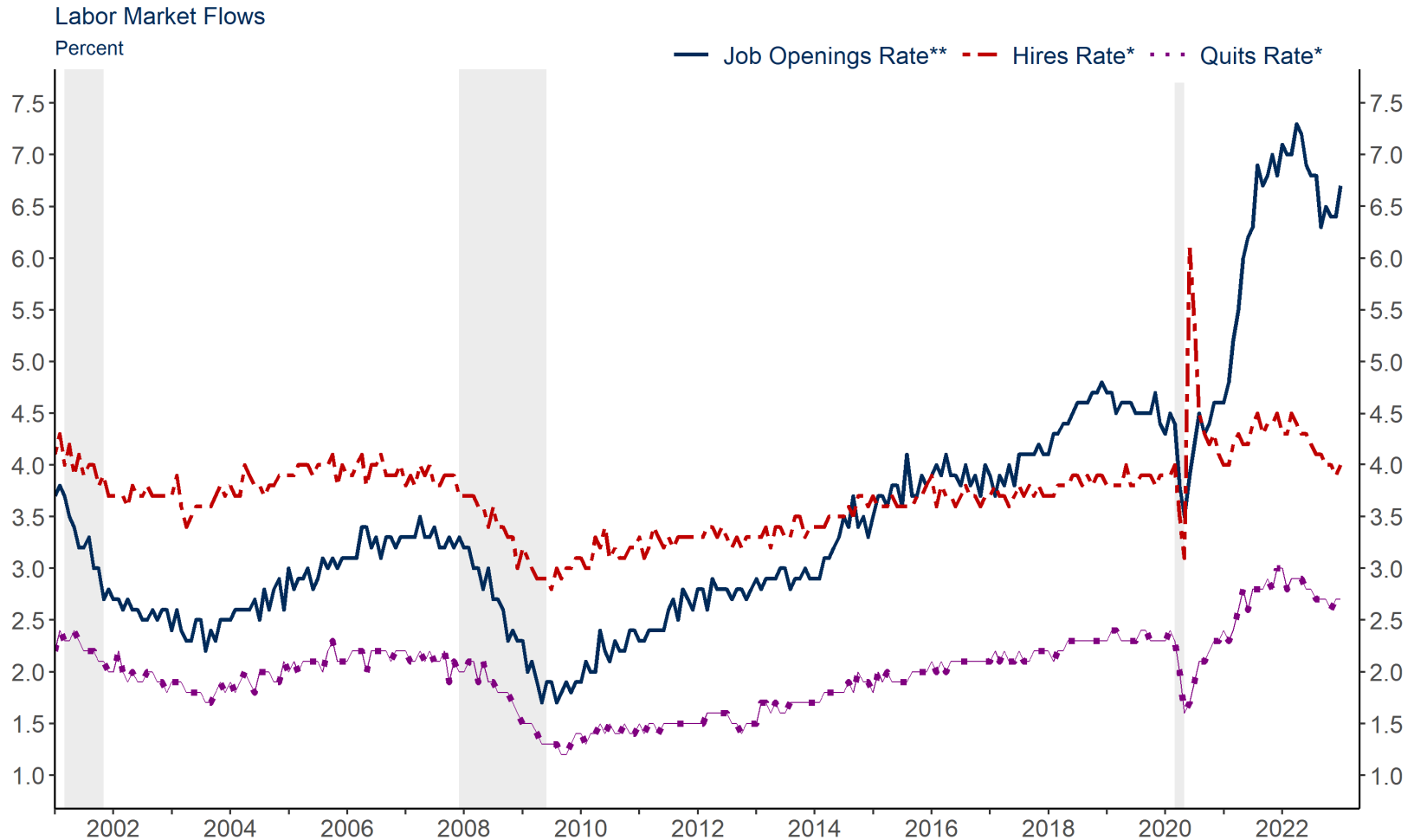
At least in part because labor could not keep up

Availability of Skills

Diffusion Index, SA



The demand for labor is clear in the job postings data

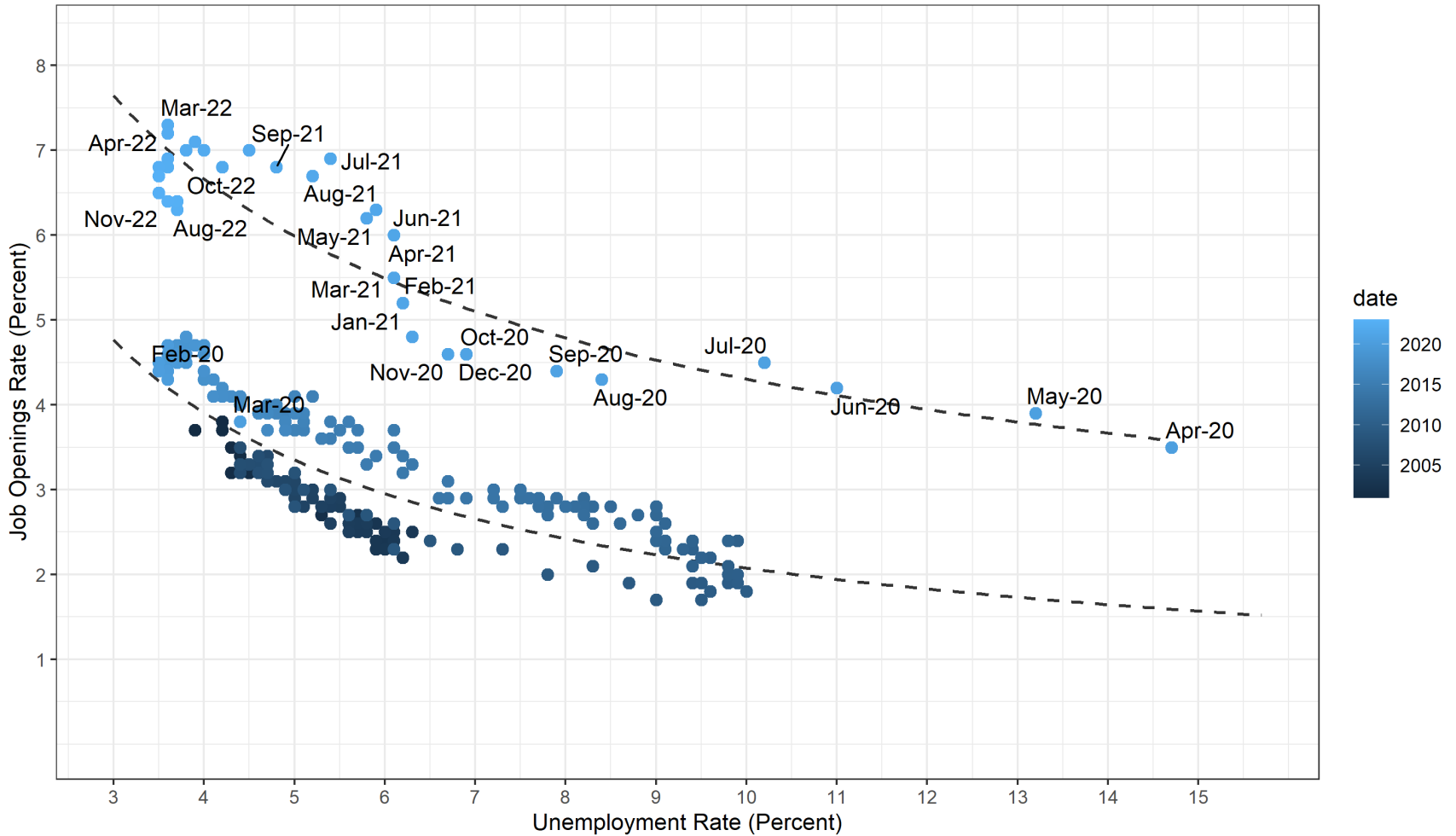


Note: *Percent of total employment. **Percent of total employment plus job openings.

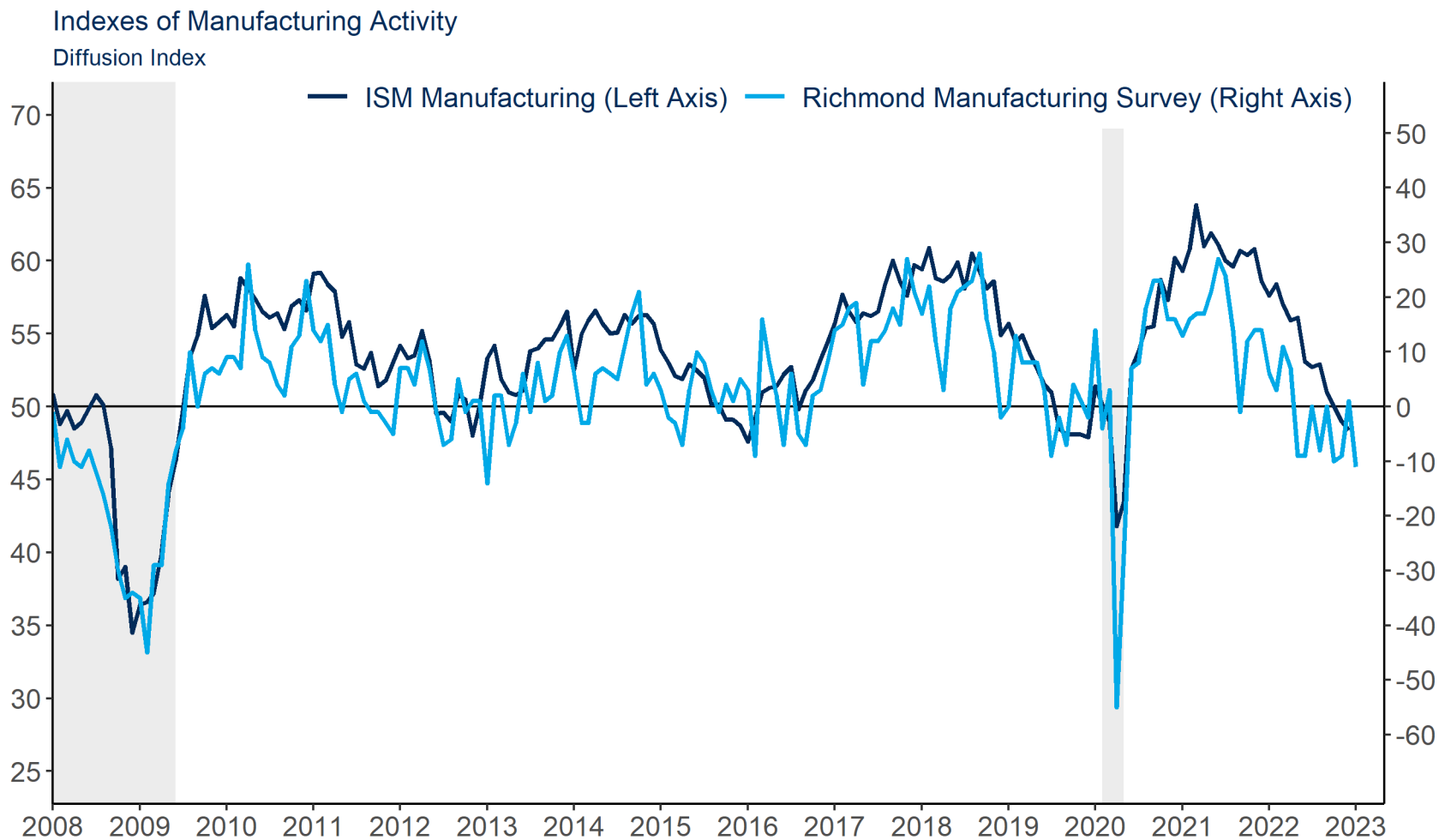
Source: Bureau of Labor Statistics/Haver Analytics

Job postings remain higher than “normal” for the current unemployment rate

United States Beveridge Curve with Best Fit Line

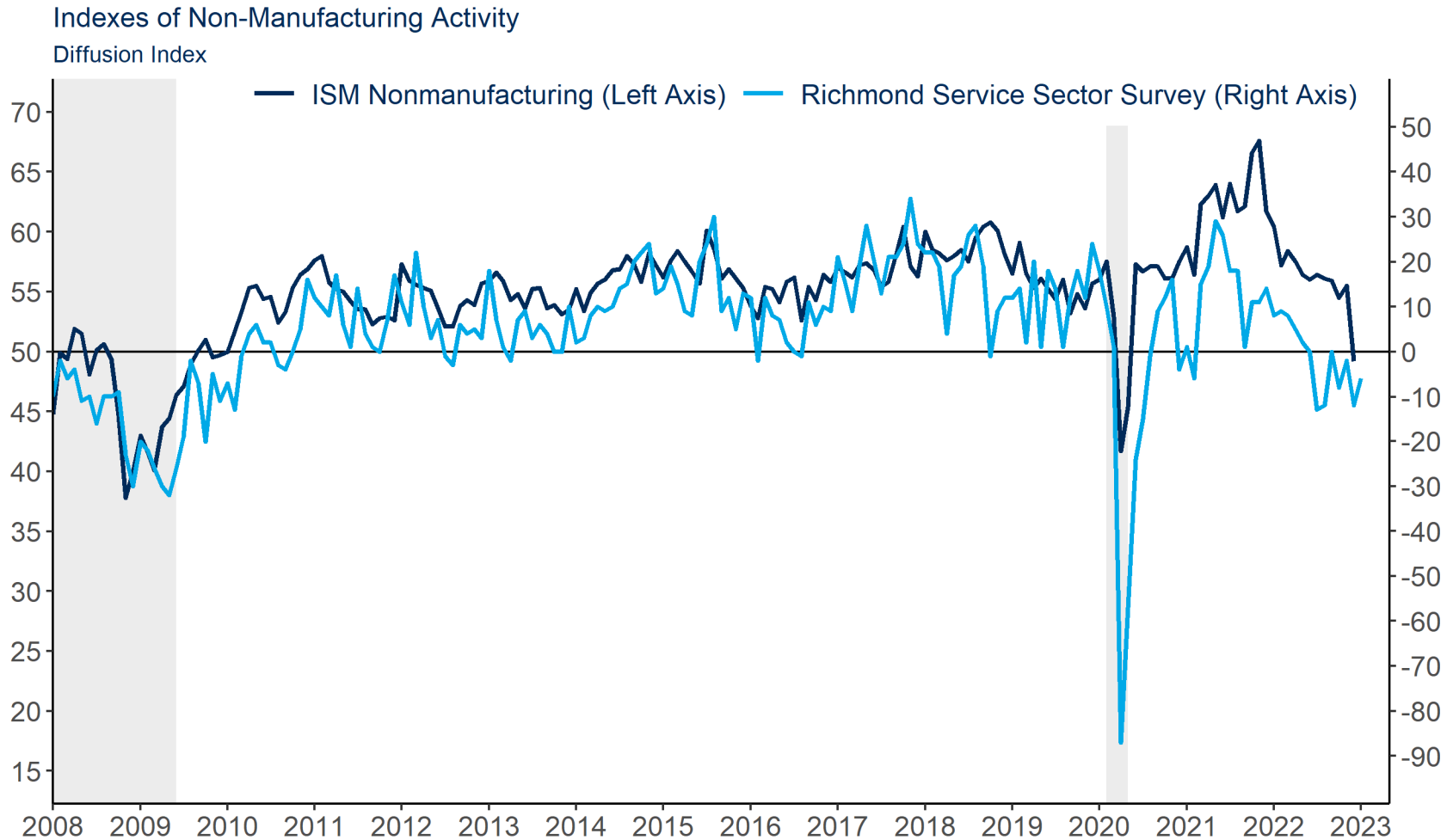


Richmond Fed indexes indicate some slowing of demand in manufacturing...



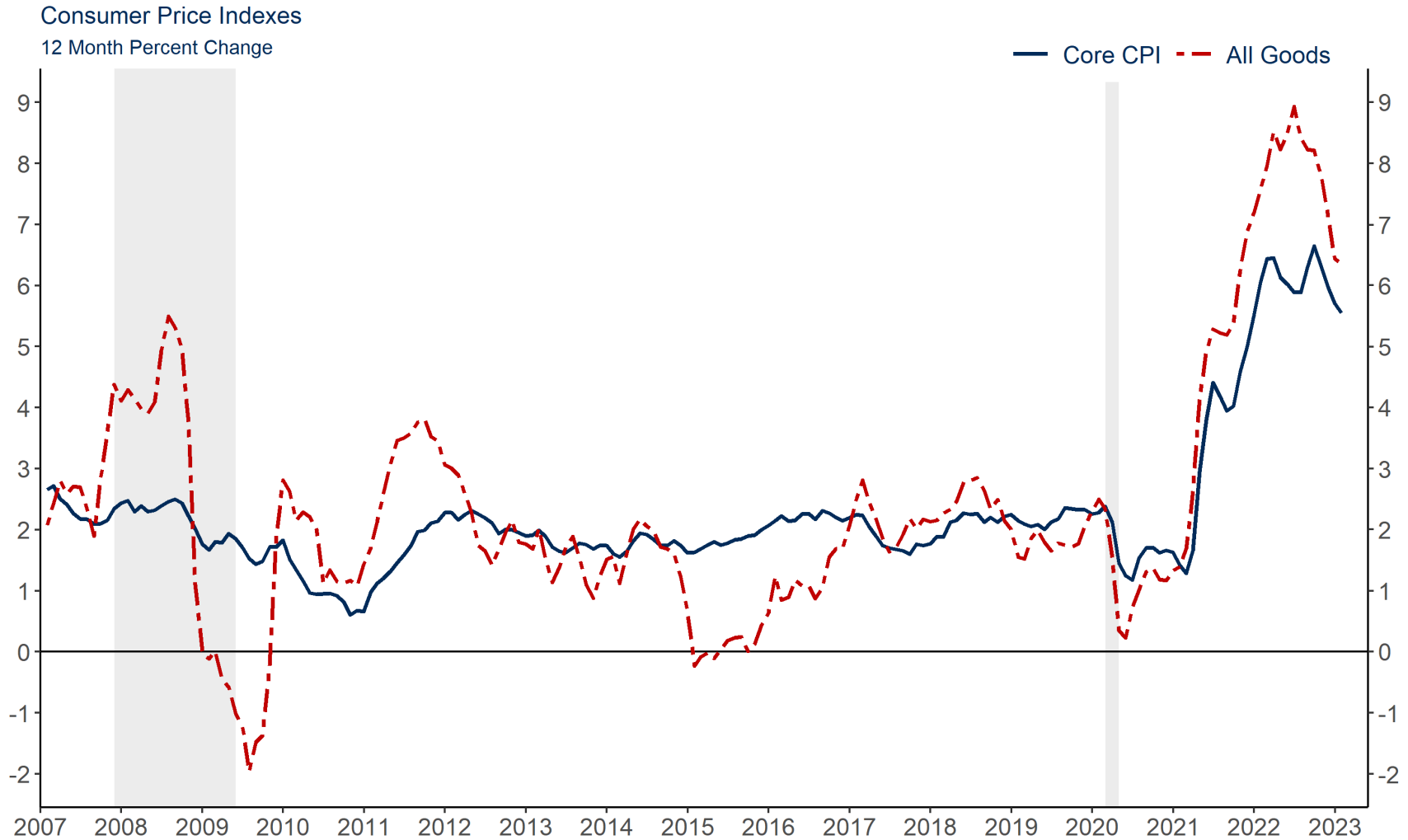
Source: Federal Reserve Bank of Richmond

...and in services (including construction)



Source: Federal Reserve Bank of Richmond

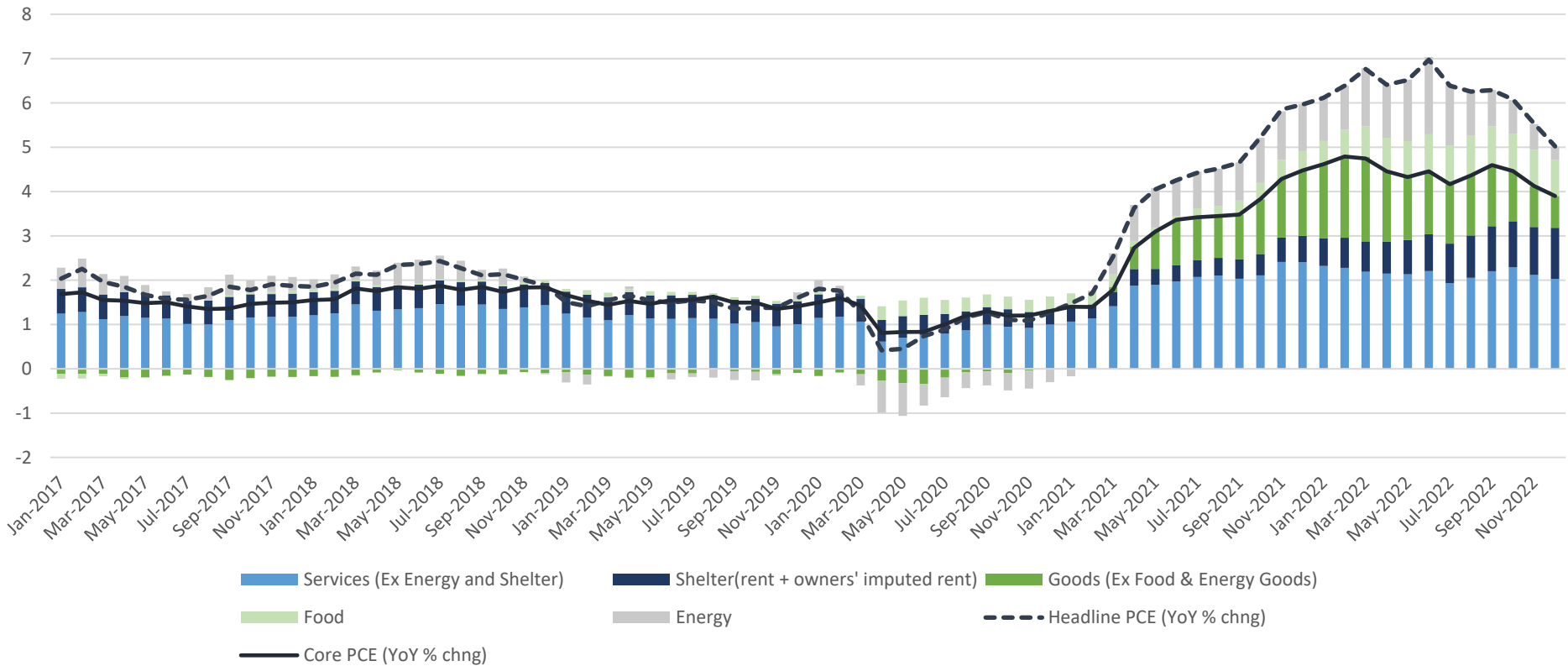
Inflation is falling, but it is still at 40-year highs



Source: Bureau of Labor Statistics/ Haver Analytics

Inflation became increasingly broad-based

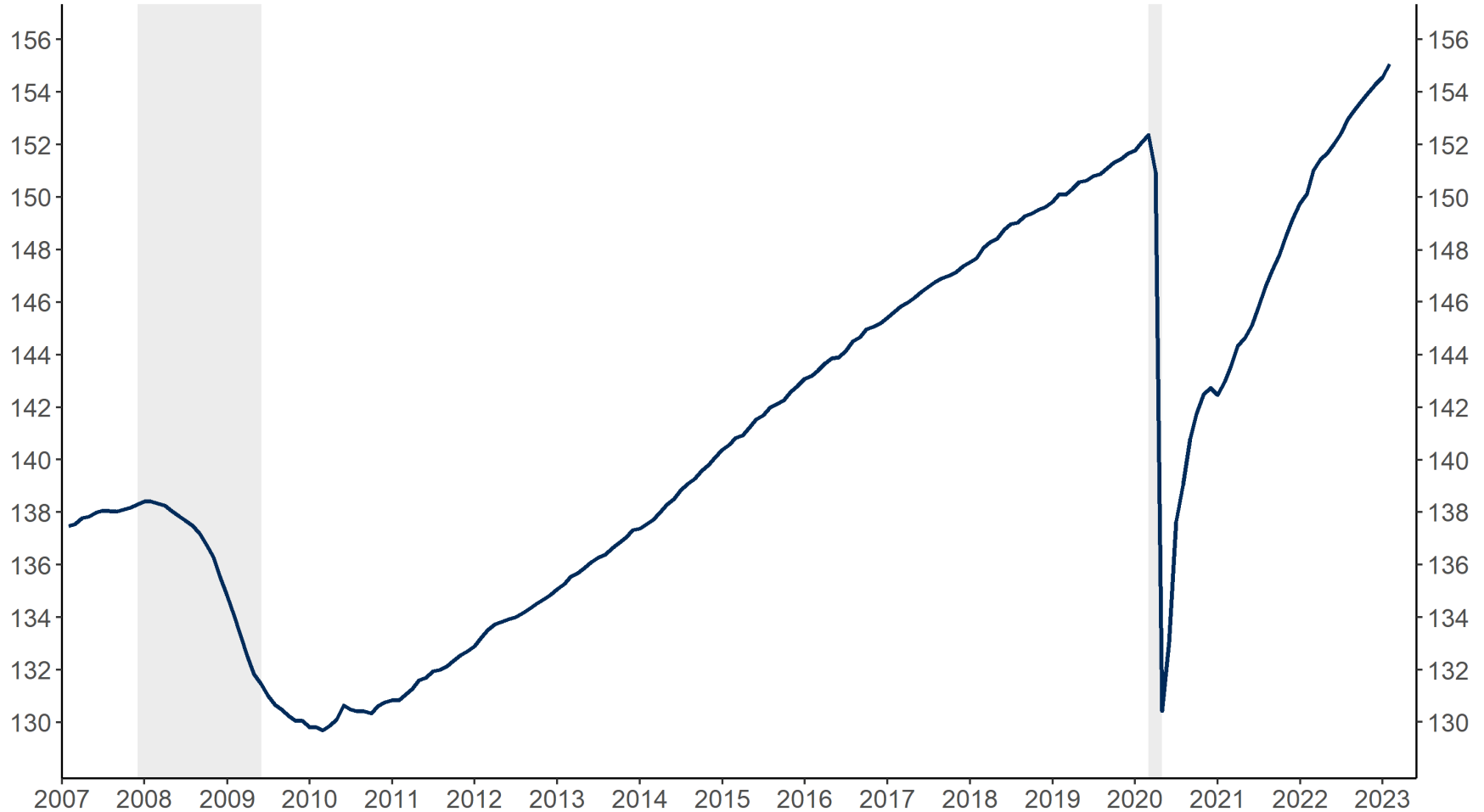
Contribution to Headline YoY PCE Inflation



The labor market is strong. We keep adding jobs....

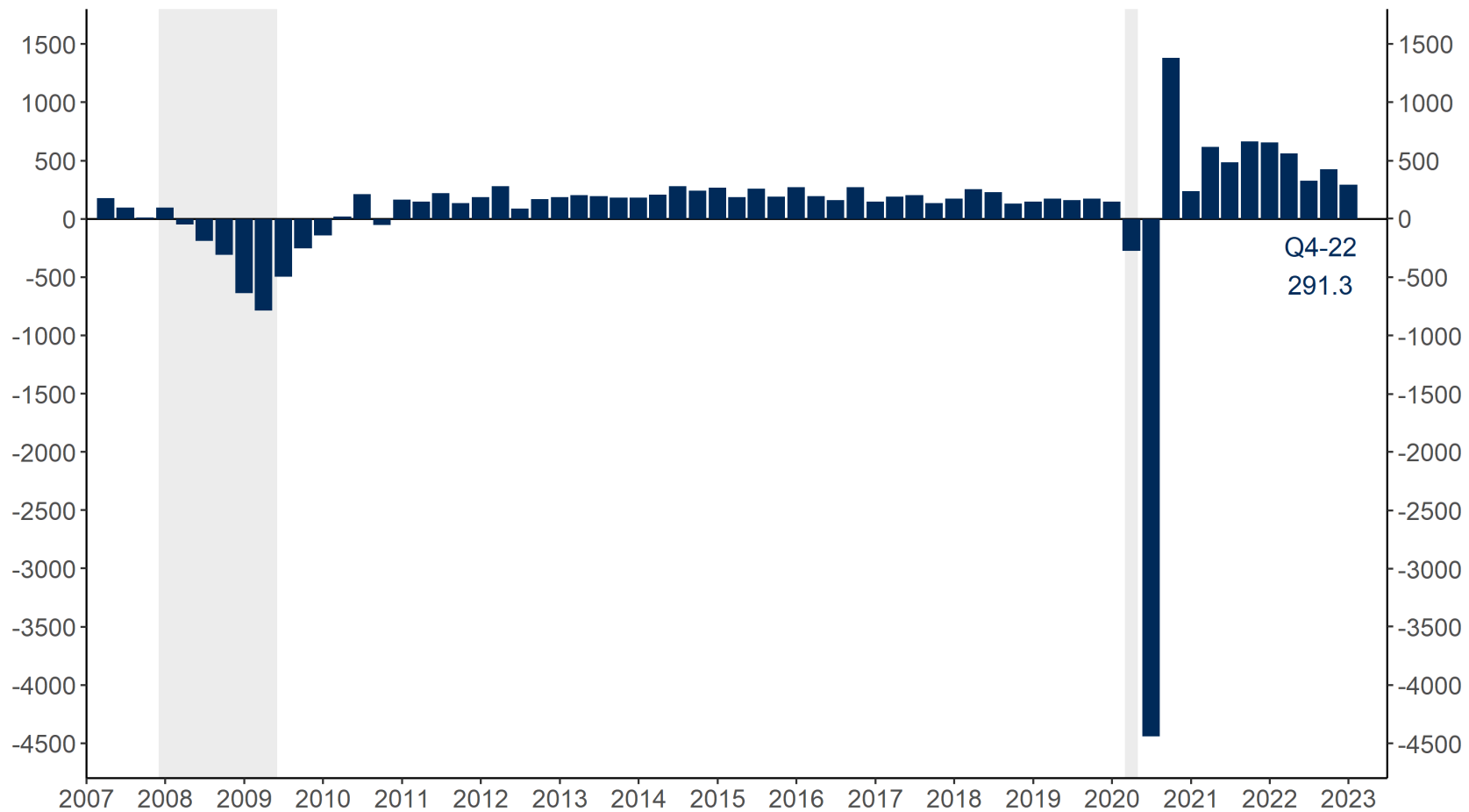


Nonfarm Payroll Employment
Millions of Persons



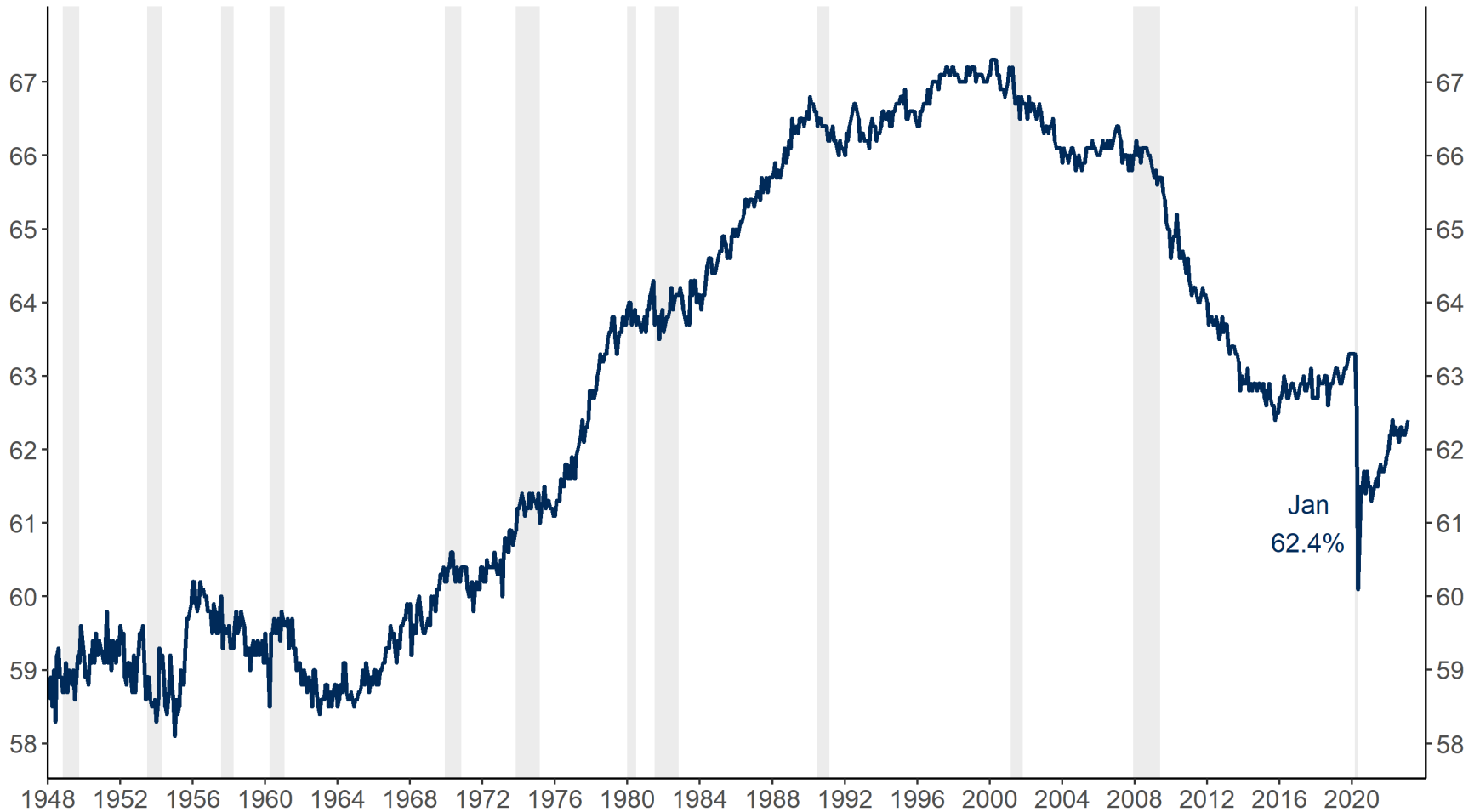
...at a fast pace

Nonfarm payroll employment
Quarterly average of monthly changes, thousands of persons



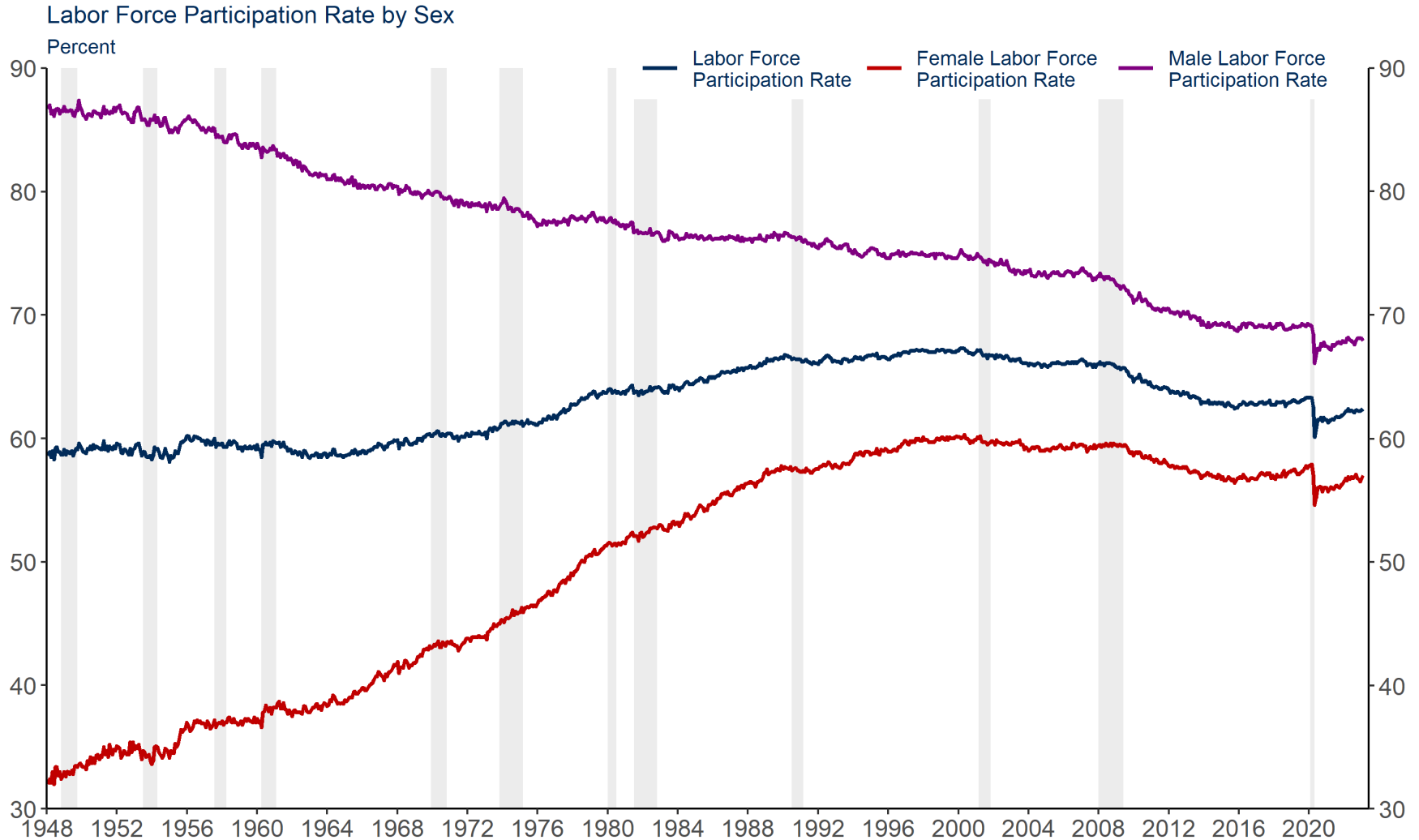
Labor Force Participation: A Long-Run Perspective

Labor Force Participation
Percent

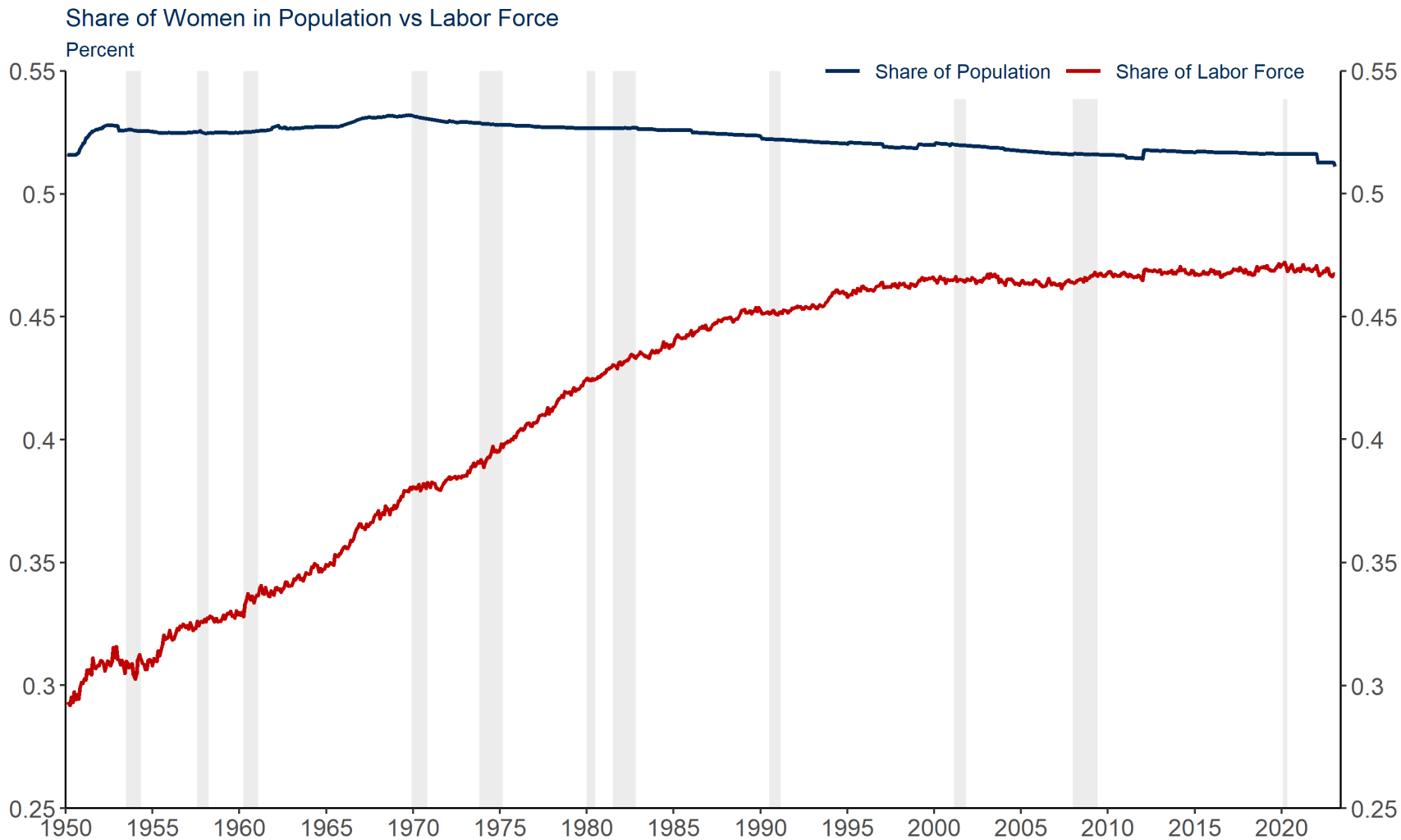


Jan
62.4%

Female labor force drove the growth through the 1990s, but then stagnated

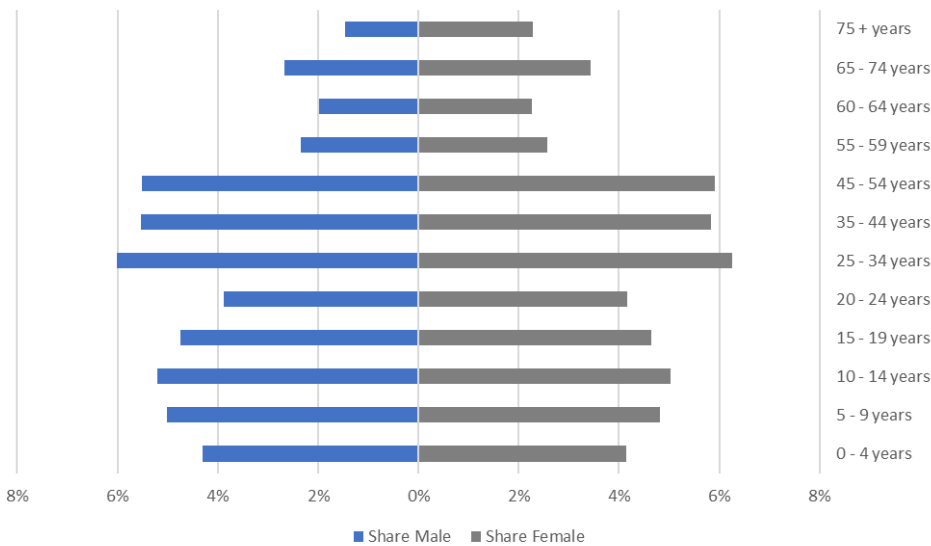


Women make up half the population...and less than half of the workforce

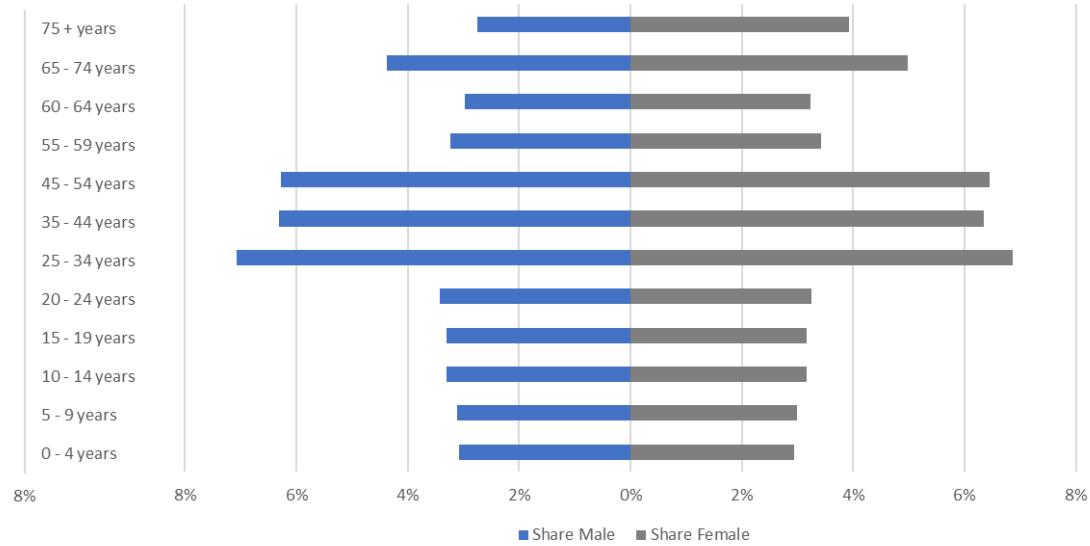


The biggest issue in labor force participation? The aging of America

US Population 1970

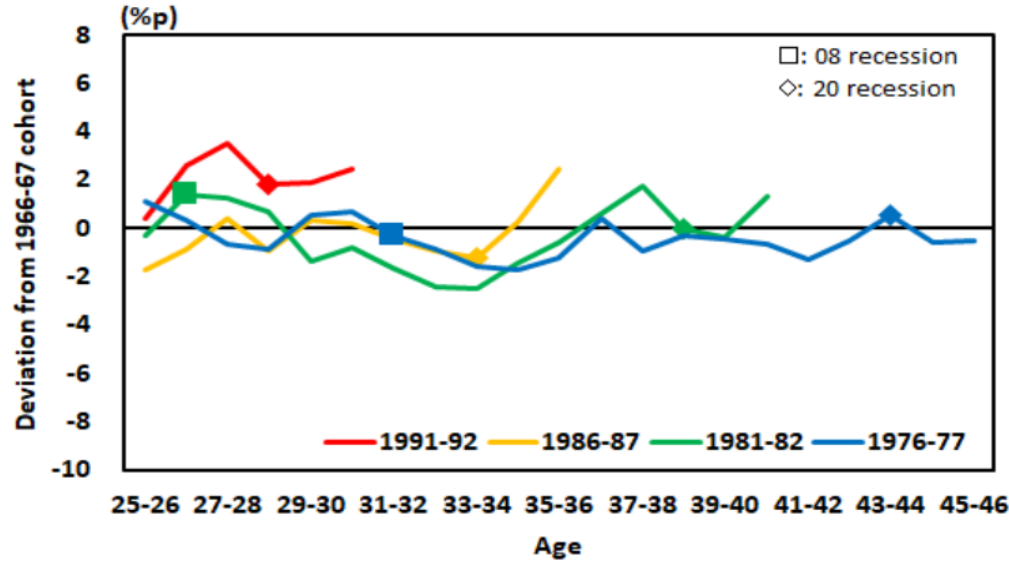


US Population 2020



Source: 1970 Decennial Census, 2020 ACS 5-Year Estimates

Labor force participation rate by cohorts (Female)



Labor force participation rate by cohorts (Male)

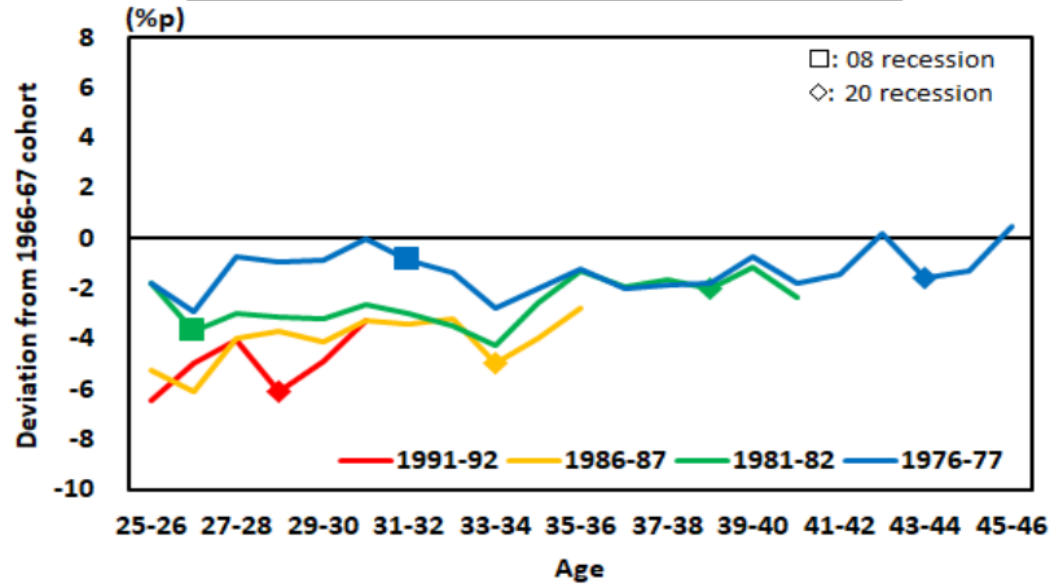


Figure 3: Participation Rates over Life Cycle, Deviation from the 1966-67 Cohort's

Source: NBER: Lee, Park and Shin

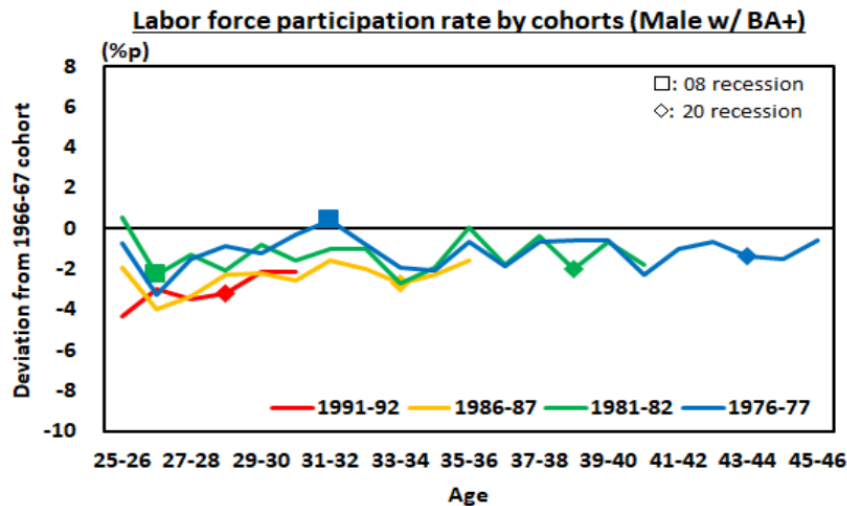
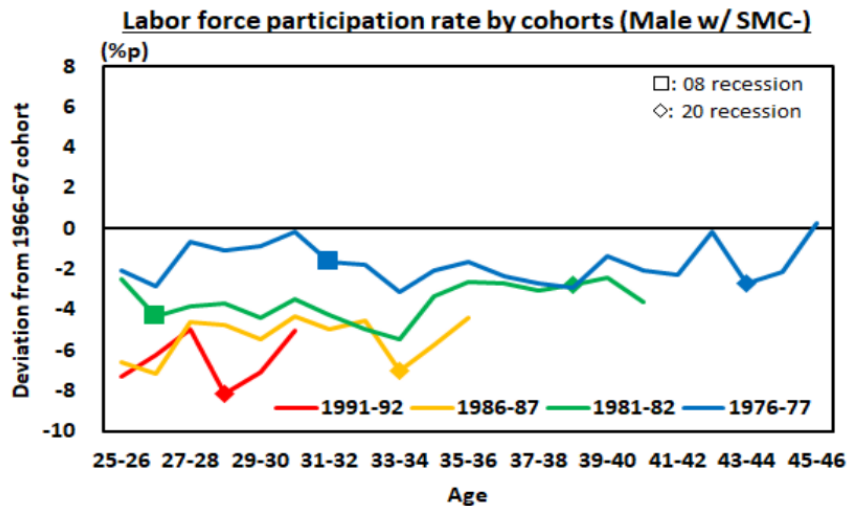


Figure 4: Participation Rates over Life Cycle, Deviation from the 1966-67 Cohort's

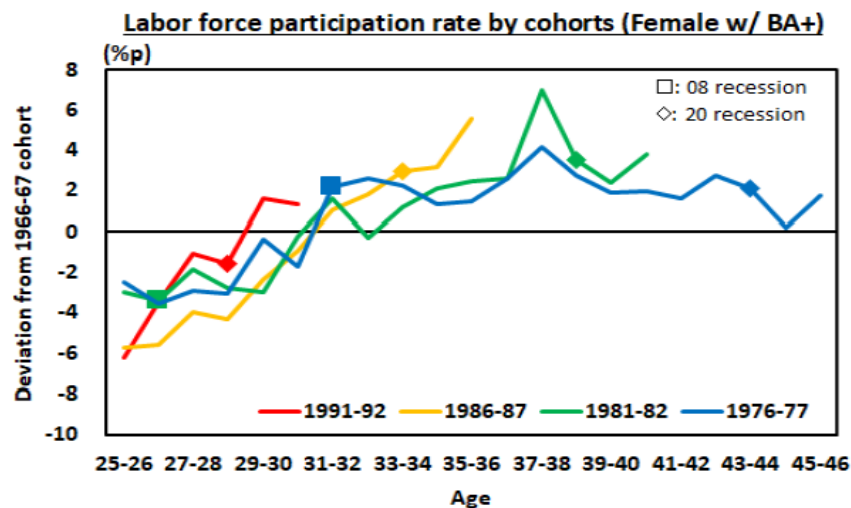
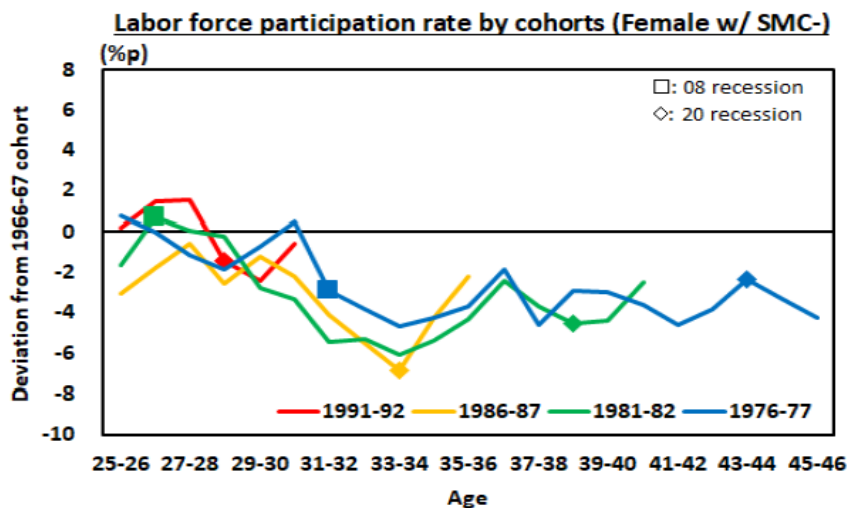
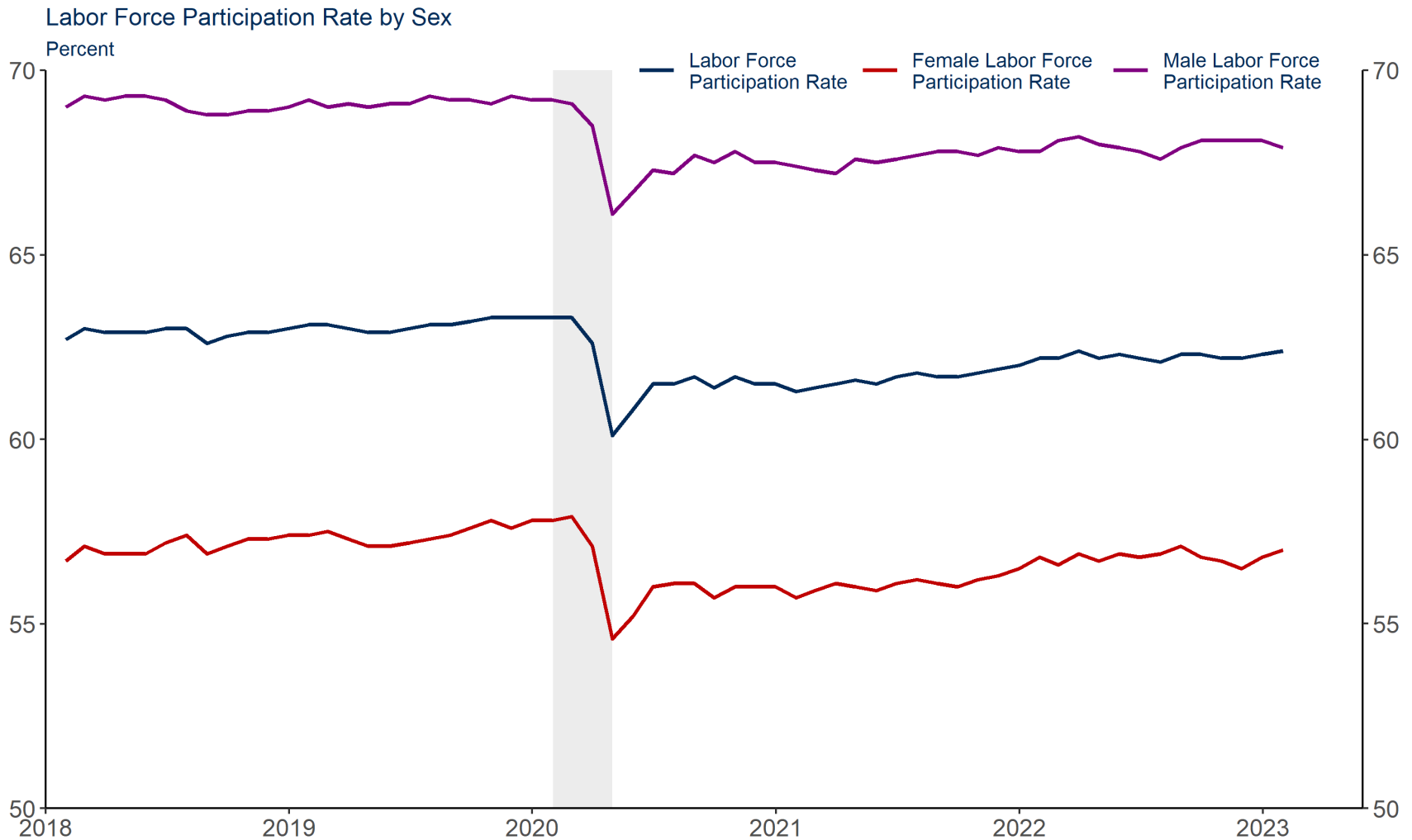
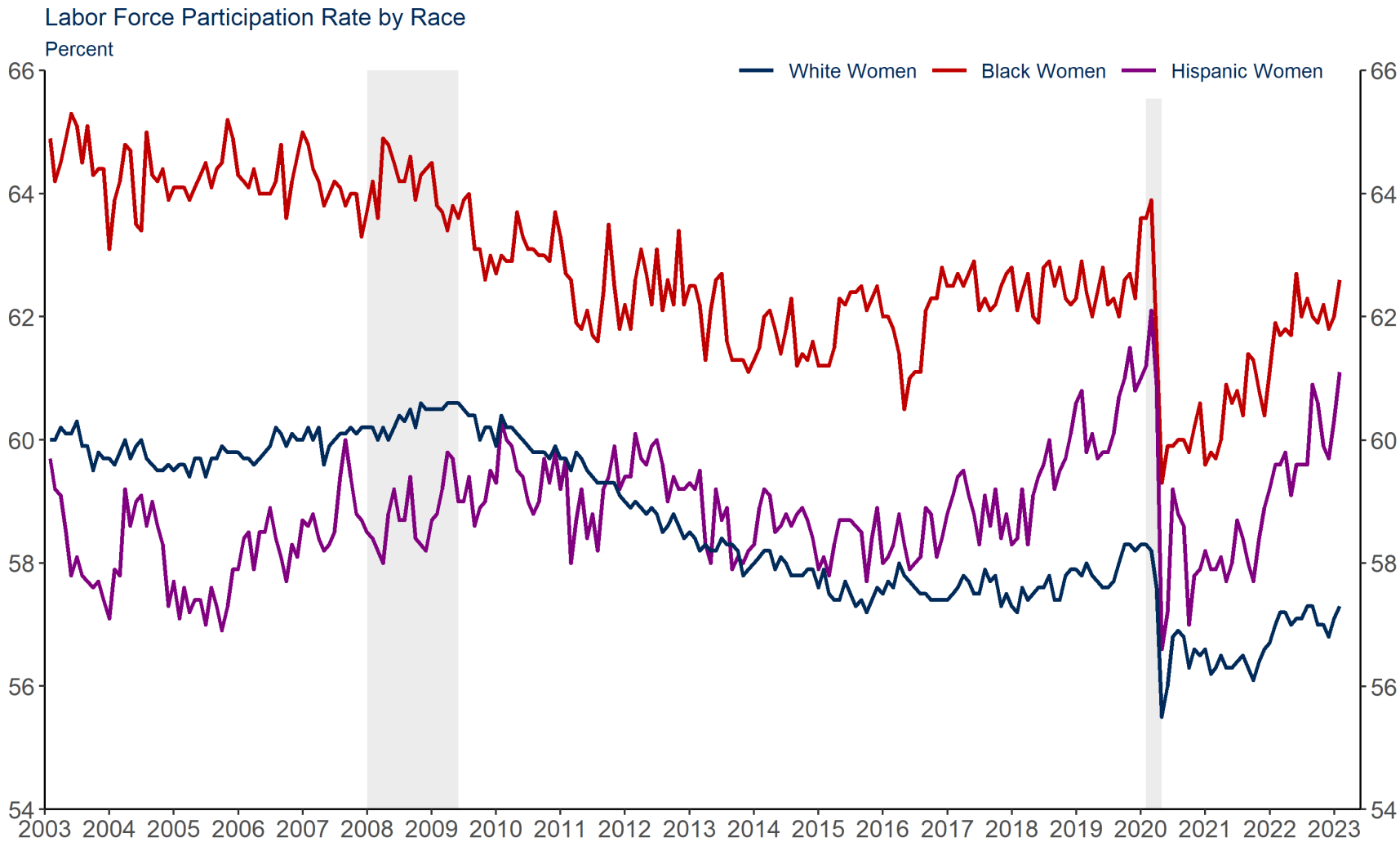


Figure 5: Participation Rates over Life Cycle, Deviation from the 1966-67 Cohort's

What was the impact of COVID?



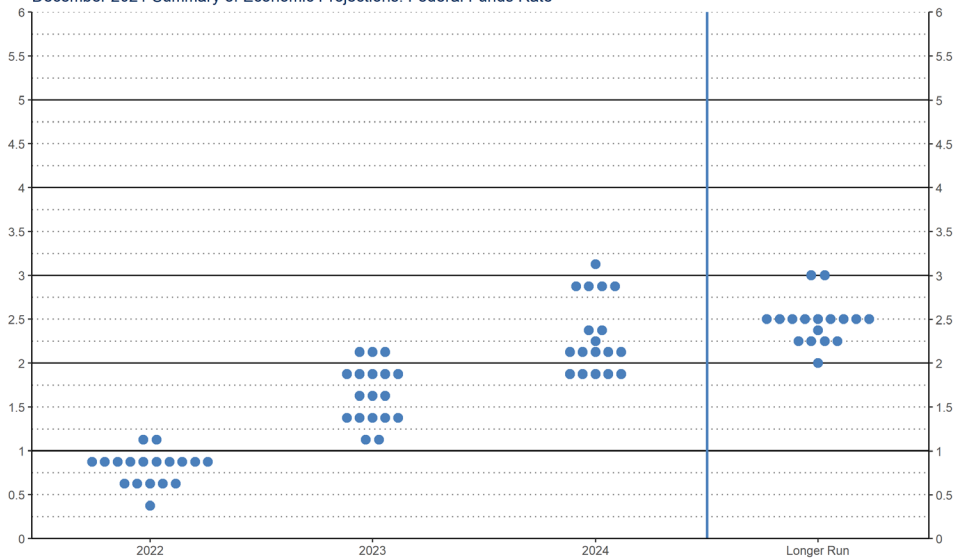
Labor force participation, like everything else, varies by race (and educational attainment, marital status, etc.)



What does this all mean for monetary policy? December 2021 vs...

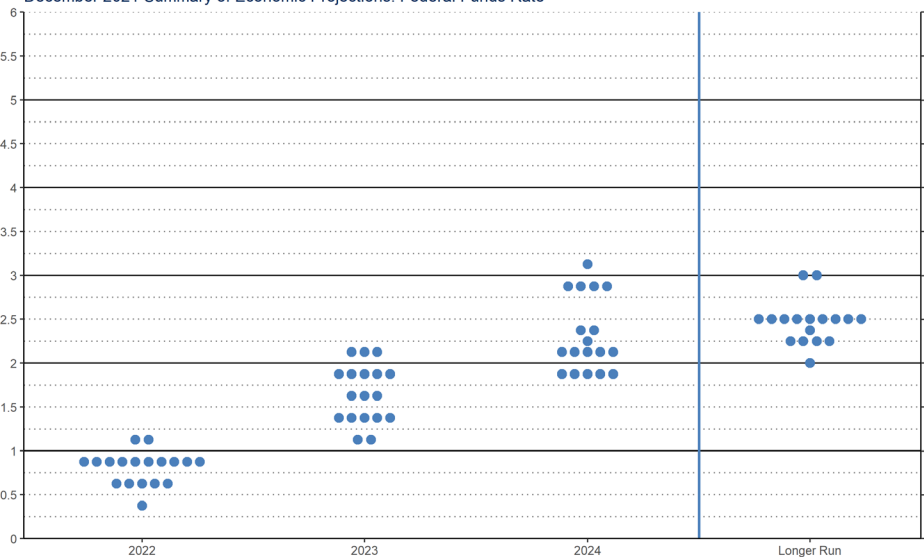


December 2021 Summary of Economic Projections: Federal Funds Rate

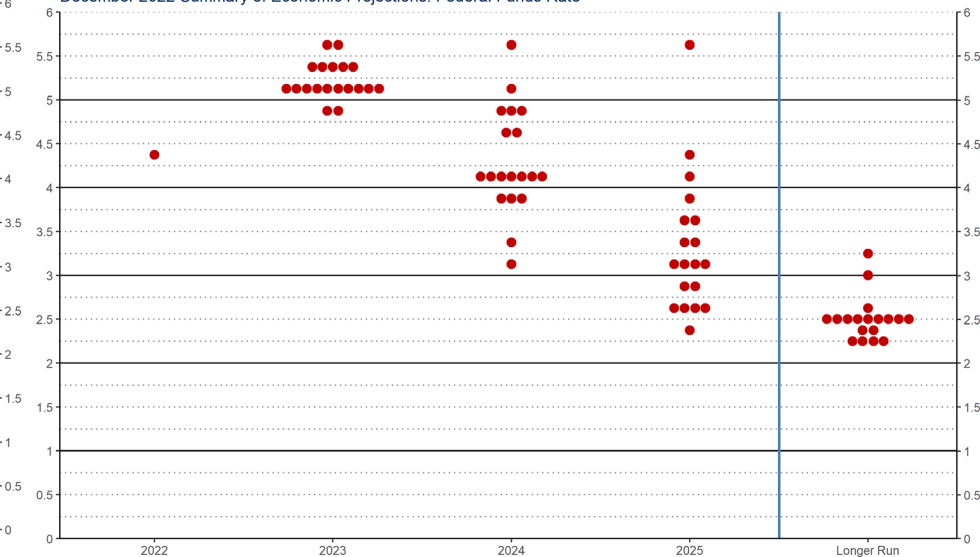


What does this all mean for monetary policy? December 2021 vs December 2022

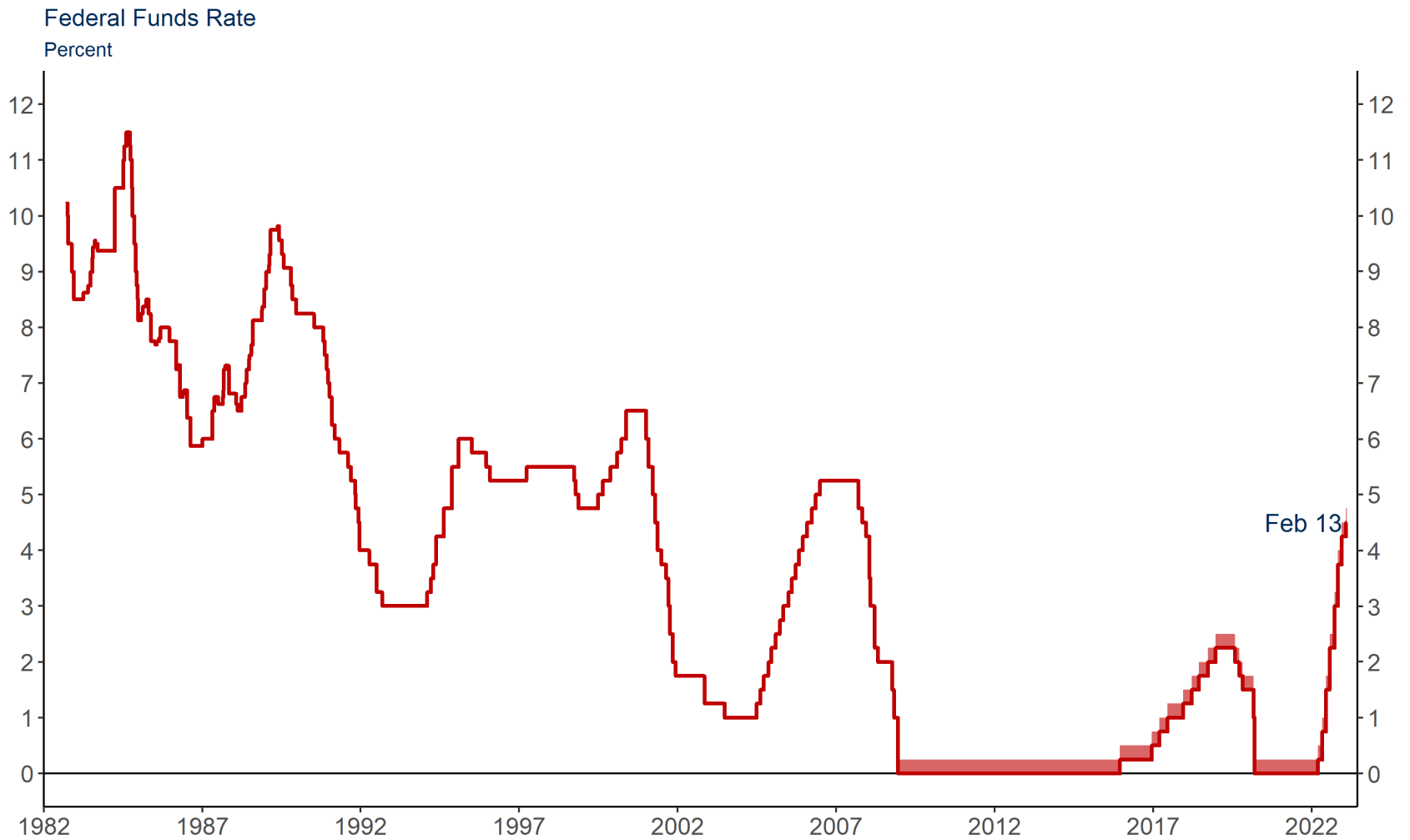
December 2021 Summary of Economic Projections: Federal Funds Rate



December 2022 Summary of Economic Projections: Federal Funds Rate



Historical context is important



Source: Federal Reserve Board

Inflation has fallen, but it is well above the FOMC's target and monetary policymakers will continue to act to get it back to 2%.

The economy continues to chug along

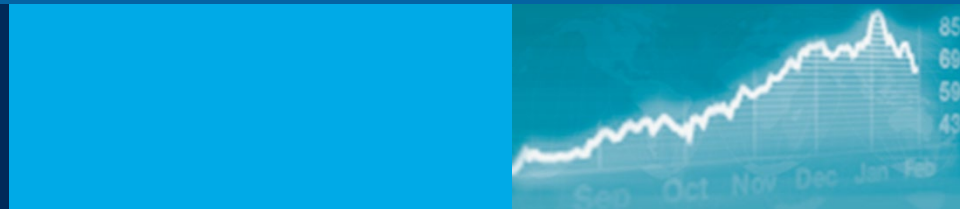
- Employment continues to grow. Labor is tight and may stay that way even if the economy cools – businesses have been short labor forever, will they be as quick to lay off as in the past?
- Consumption and spending are steady—is the January data a blip or does it mean demand is resilient?

Women are critical to economic growth

- The female labor force participation has recovered from the COVID recession as much as the male participation, but it remains lower
- The participation rate varies by age cohort, by education, and by race. There has been much work to understand the female LFP trend—how much we are able to change the trend (for women and men) will affect our future economic growth



Questions?
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VWPF Announcements

- **Friday, April 28th** – The Towanda Effect – virtual event co-hosted by Virginia and other state chapters of WPF
- **Wednesday, May 3rd**: Reception, Waterman’s Surfside Grille, Virginia Beach
- **May 3rd – 5th** – Look for the VWPF exhibit at the VGFOA Spring Conference
- **September 2023**: WPF National Conference, Washington, DC –
 - VWPF is one of the host chapters





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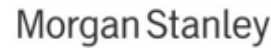


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