

Michelle W Bowman: Brief remarks - Fed Listens event on transitioning to the post-pandemic economy

Brief remarks by Ms Michelle W Bowman, Member of the Board of Governors of the Federal Reserve System, at the Fed Listens event on transitioning to the post-pandemic economy, Boston, Massachusetts, 31 May 2023.

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It is very good to be here, and to be part of this *Fed Listens* event and discussion about the effects of the pandemic experience on the U.S. economy, highlighting challenges in the labor and housing markets.

While there are many ways to think about the impact of these effects, I find it helpful to consider both the cyclical or temporary factors and those that are structural and longer term. As monetary policymakers, we are primarily focused on the cyclical matters—meaning how the pandemic and the measures taken to address it complicated accomplishing our dual-mandate objectives of maximum employment and stable prices. Making the best monetary policy decisions over the business cycle requires distinguishing between temporary effects and lasting, structural changes.

Today's agenda includes the employment recovery following the high unemployment during the spring of 2020 leading to the current tight labor market. Today's labor market strength reflects policy decisions taken in light of the pandemic experience, including the widespread lockdowns, reliance upon remote work, and other factors that may have structurally altered the labor market. I am very much looking forward to the discussion.

I also look forward to learning from the perspectives of today's participants from around New England about the issues that will be discussed today. I find it especially helpful to participate in regional discussions to broaden my understanding of economic conditions throughout the country. This local perspective is one of the great advantages of the Federal Reserve System's regional structure, and of the *Fed Listens* initiative, which complements the Board's efforts to understand national economic conditions.

In 2019, the Board launched *Fed Listens* with a year of listening sessions with the public focused on monetary policy and, specifically, on how the Federal Open Market Committee uses interest rates and other tools to promote a healthy economy. While data can tell us a lot, learning about the experiences behind those data helps bring economic data to life for me and for my colleagues. Through *Fed Listens* and other engagements with the public, we hear about how Americans are faring in the economy and about how our policy decisions affect individuals, businesses, and communities. So our efforts to enhance our ability to listen have continued and have become what I expect will be, and certainly should be, a permanent feature of the Federal Reserve's decisionmaking.

Since the pandemic, and with the onset of high inflation, we have seen shifts in the availability of affordable housing and in the housing market more generally. I'm interested to hear how these impacts are being felt in New England. The availability and affordability of housing are critical for families and for communities seeking to attract

new jobs and the workers to fill those new employment opportunities. Distinguishing between the short-term effects of the pandemic and longer-term structural shifts in the economy is crucial in making the near-term policy decisions to achieve our dual-mandate goals.

In the near term, higher interest rates intended to lower inflation work most directly in the housing market. While we expect lower rents will eventually be reflected in inflation data as new leases make their way into the calculations, the residential real estate market appears to be rebounding, with home prices leveling out recently, which has implications for our fight to lower inflation.

The pandemic abruptly changed the lives of most Americans and their families, and it fed a surge of demand for those who sought larger homes. It ushered in a wave of homebuilding and renovation that was a significant contributing factor for inflation and supply chain challenges. Much of that initial inflation has moderated, but it will be important to understand the long-term effect of the pandemic environment on household formation and housing demand going forward.

Thank you again, President Collins, for hosting this *Fed Listens* event and for the opportunity to be part of this discussion.