

Economic Conditions and Outlook

April 13, 2022 – Economic Forum, Albuquerque, New Mexico

Nicholas Sly

Assistant Vice President, Economist and Denver Branch Executive

The views herein are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Kansas City or the Federal Reserve System

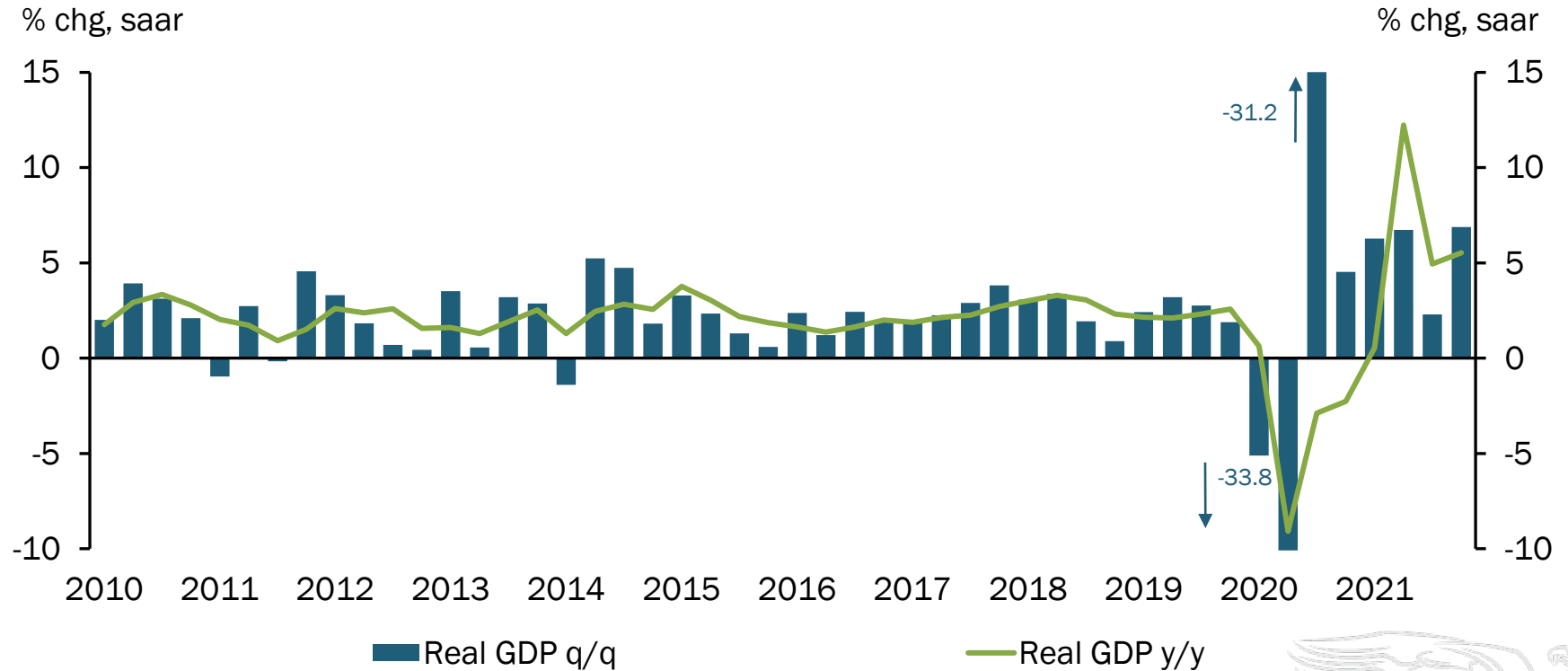


Outlook themes

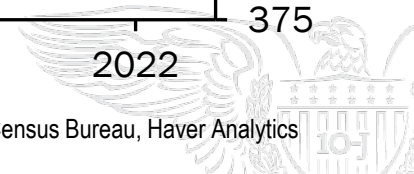
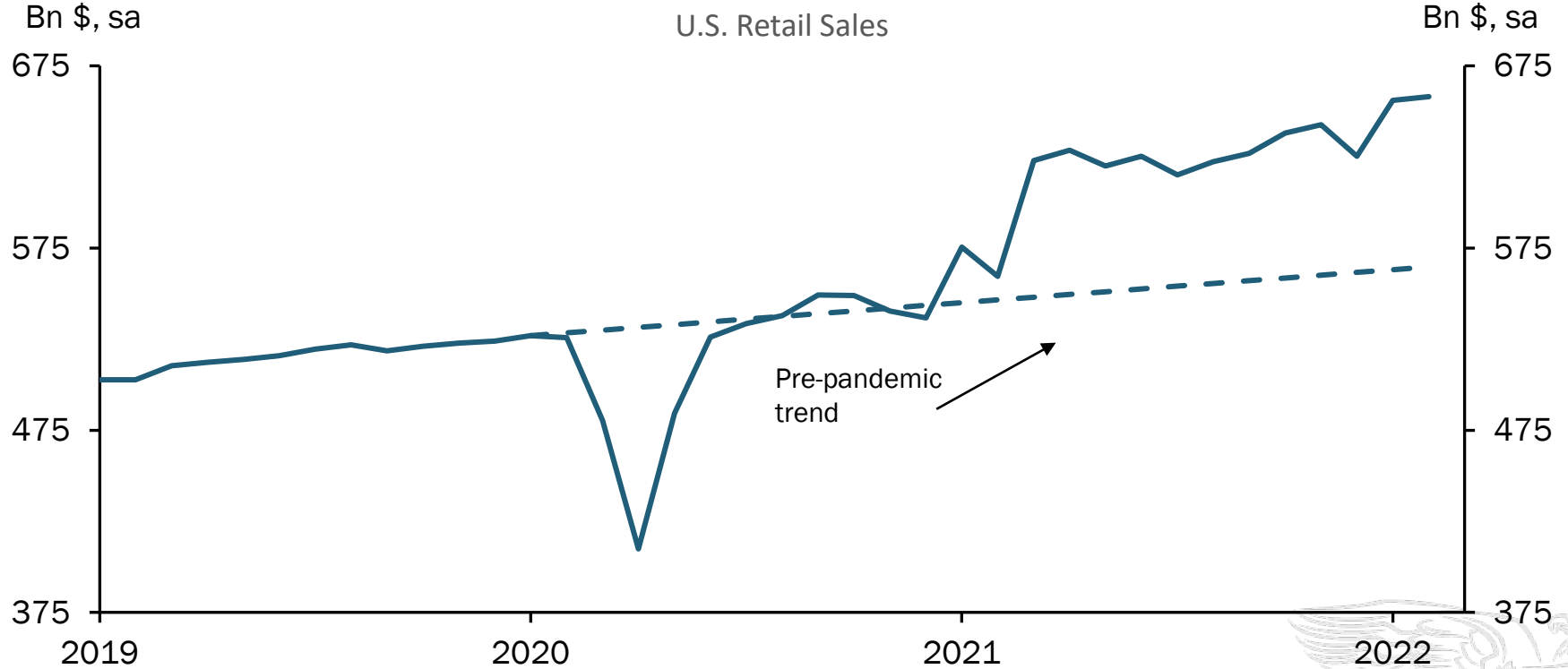
- Economic growth and labor market conditions are strong, but high inflation remains key challenge for households and businesses
- Inflation pressures have persisted and are becoming more broad-based, with renewed pressures stemming from geopolitical developments
- Monetary policy has begun to remove accommodation, moving to restore price stability



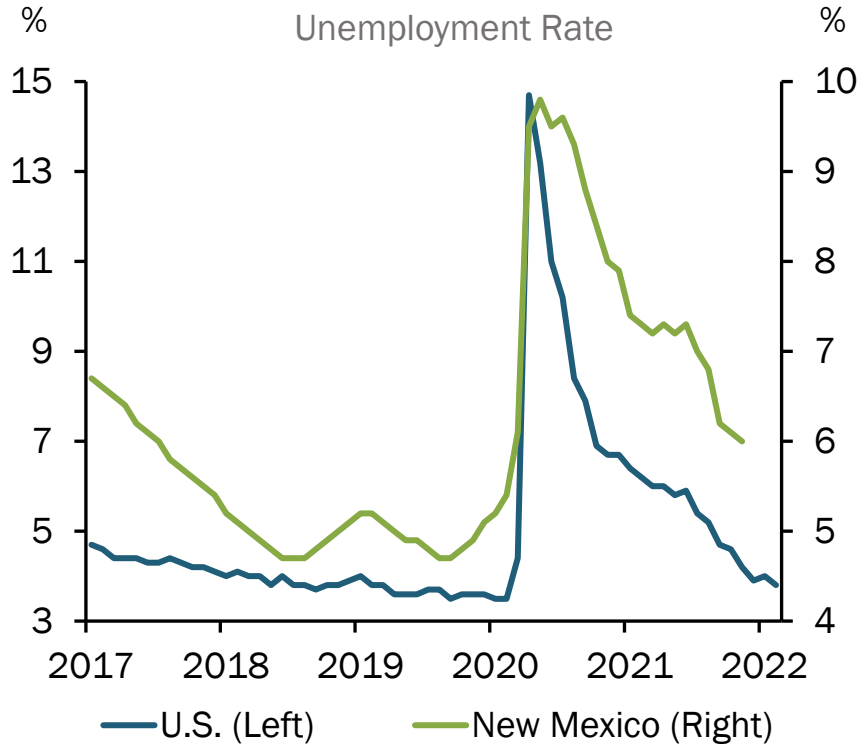
Economic growth continues to be strong with support from consumers



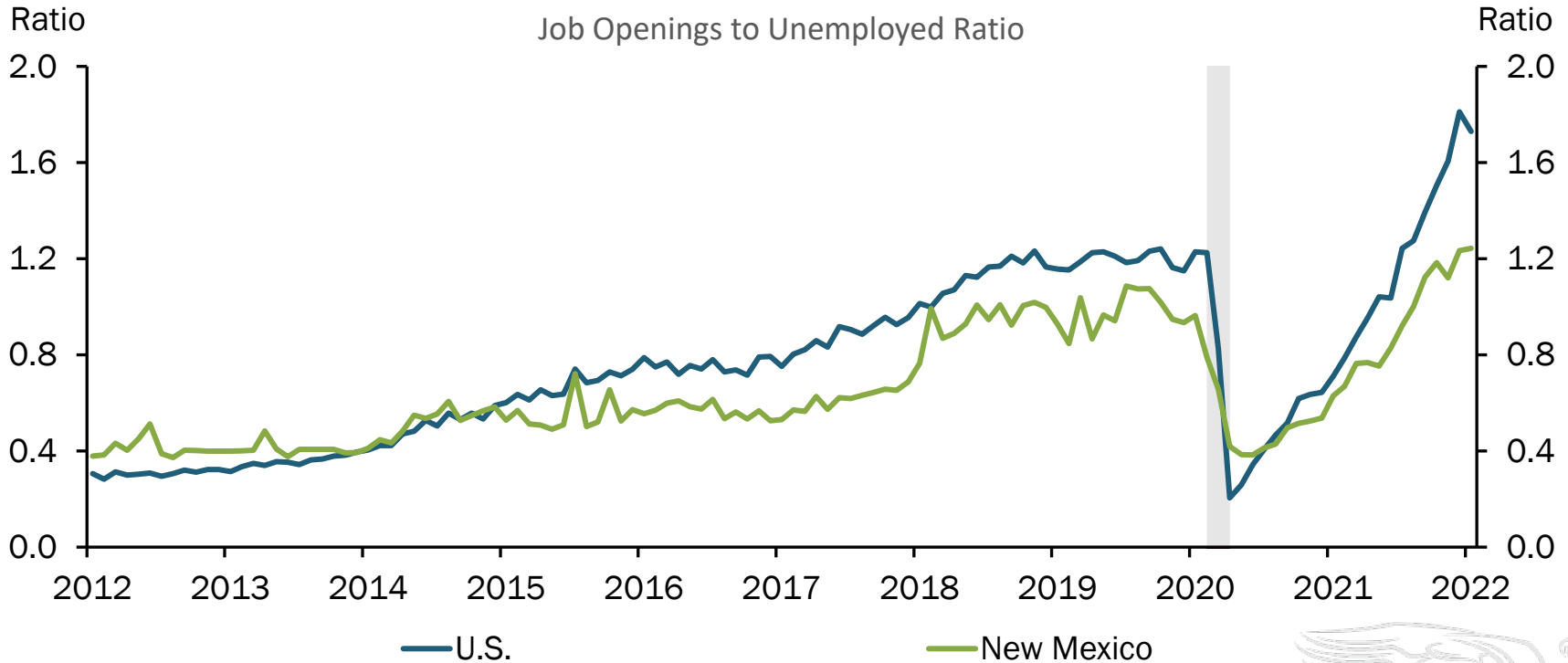
Consumer demand for services has recovered and spending on goods remains elevated



Household consumption is supported by strong labor market conditions

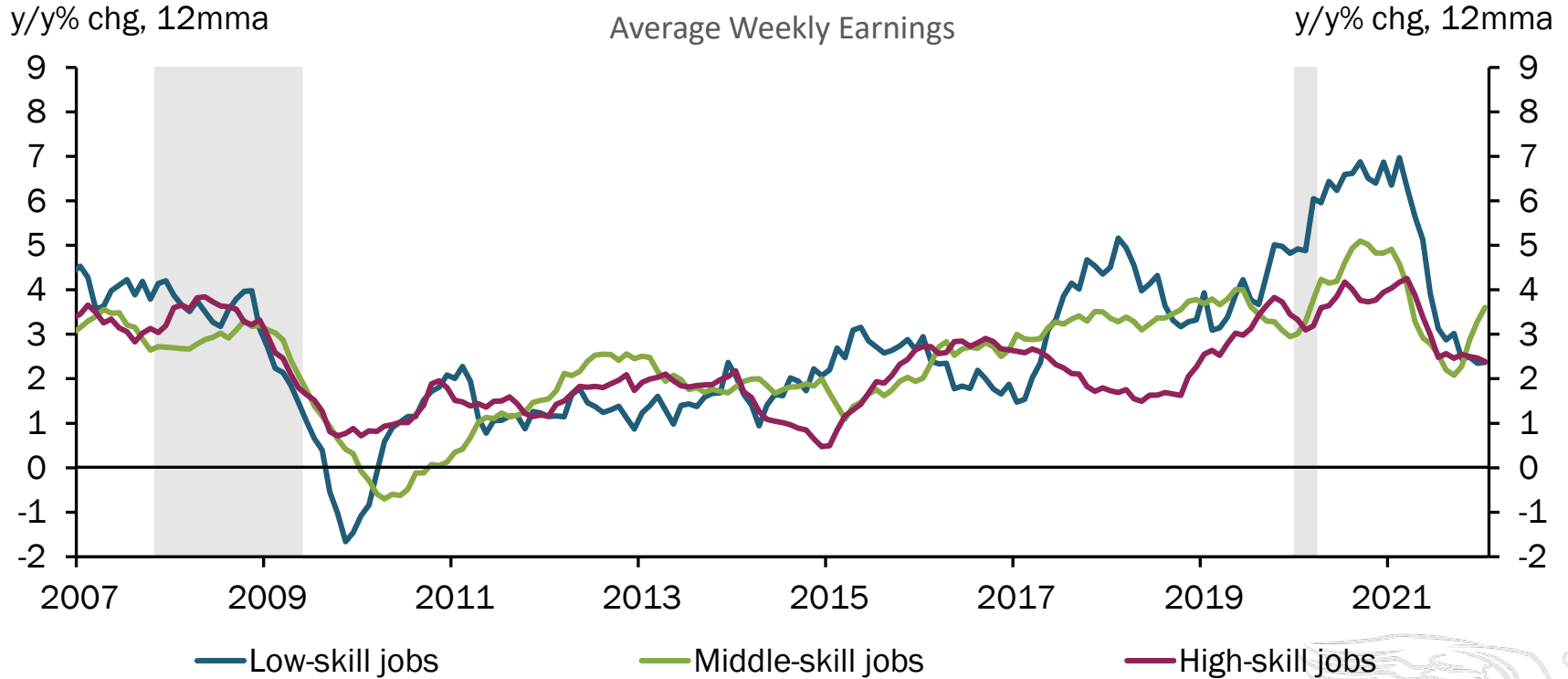


Job openings are above the number of workers seeking employment

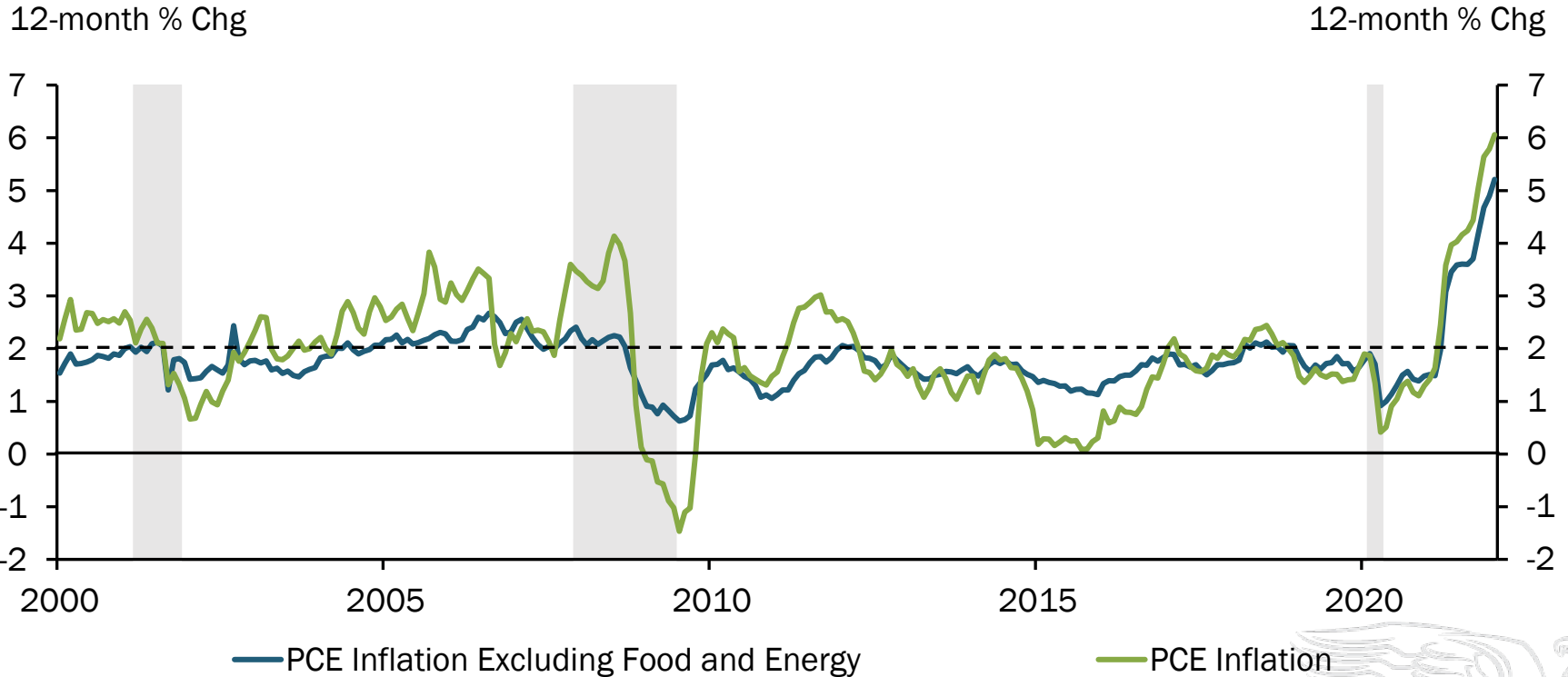


Sources: BLS, Haver Analytics

Tight labor market conditions are supporting wage gains for workers

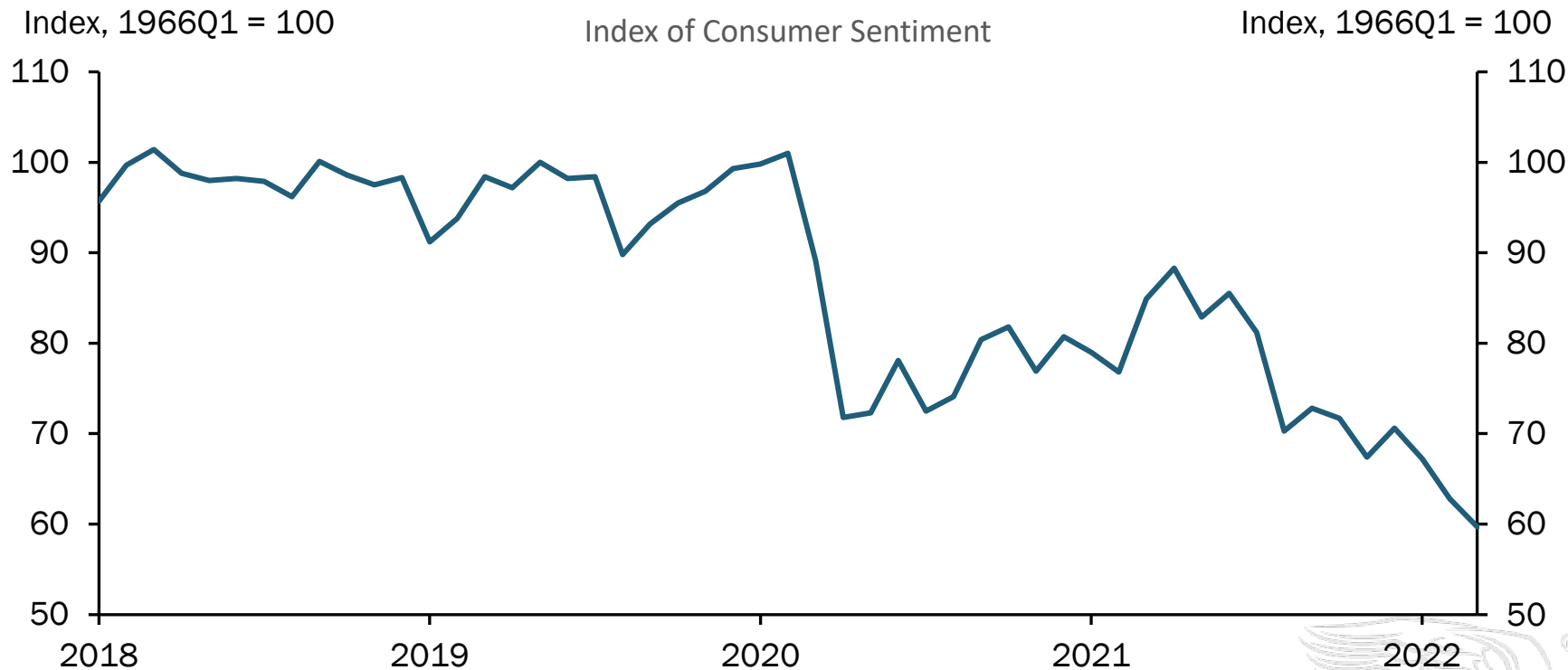


Despite economic strength, inflation poses many challenges for households and for businesses

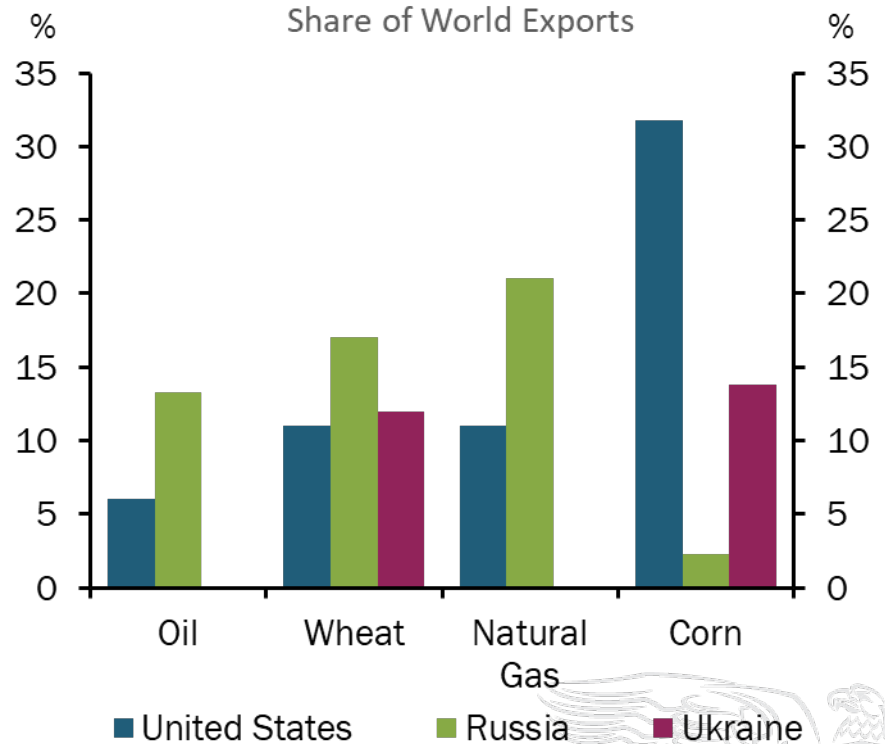
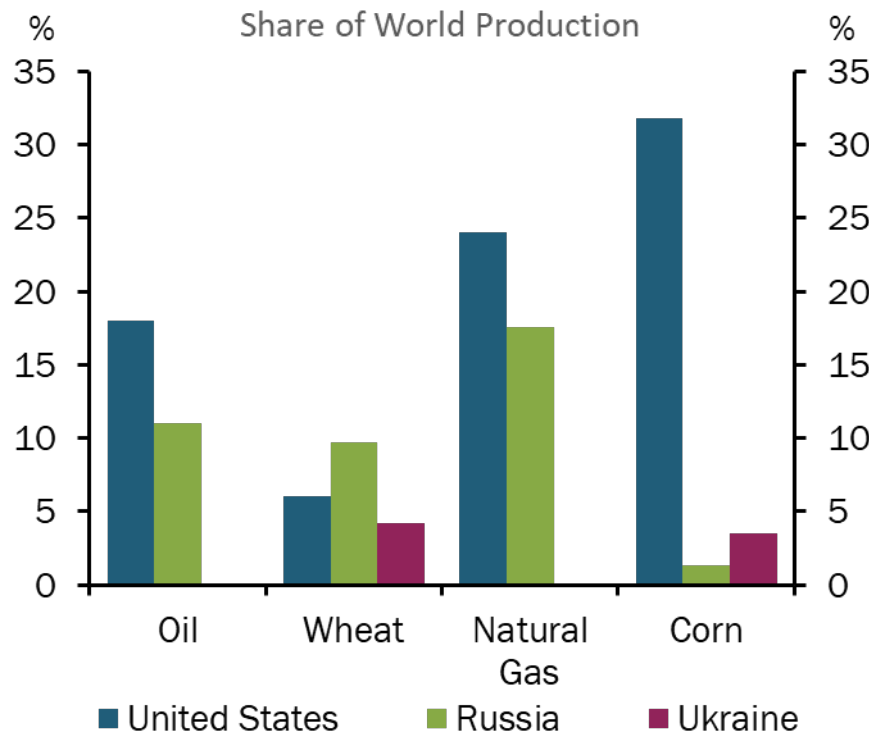


Source: BEA, Haver Analytics
 Note: Grey bars indicate recession shading

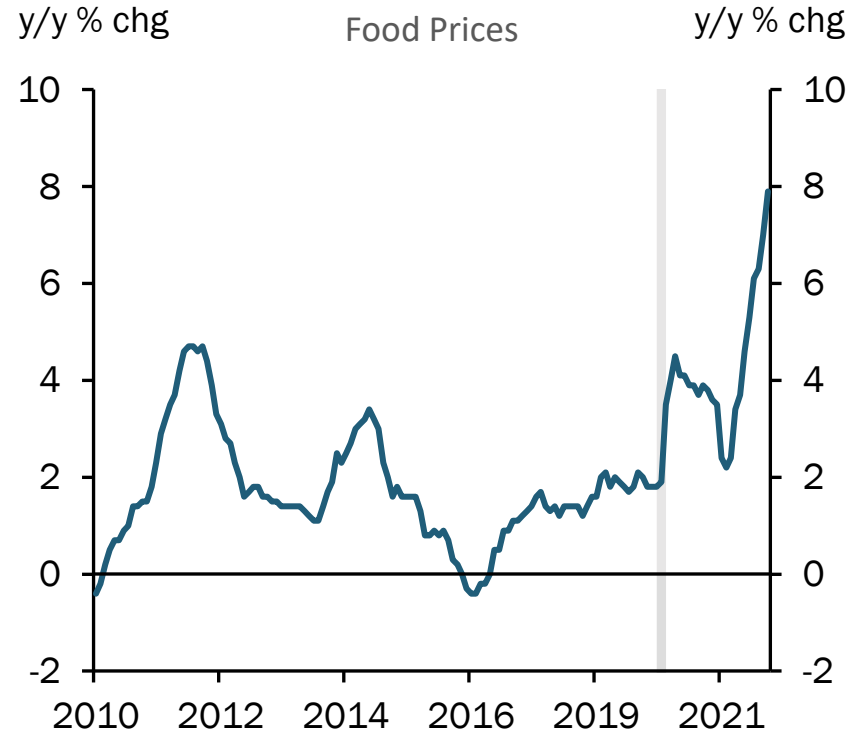
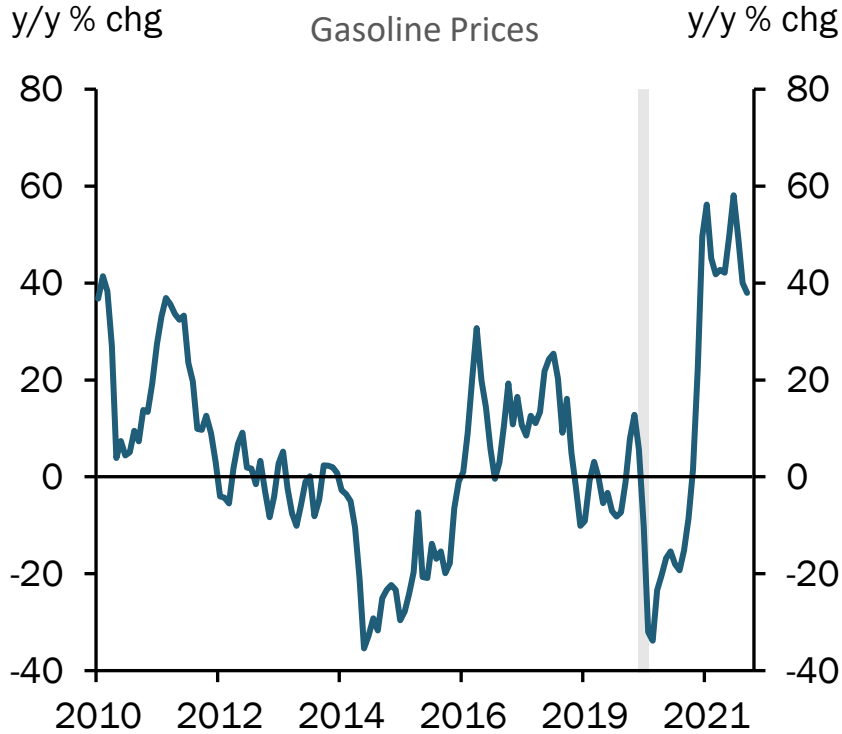
High inflation is weighing on consumer sentiment



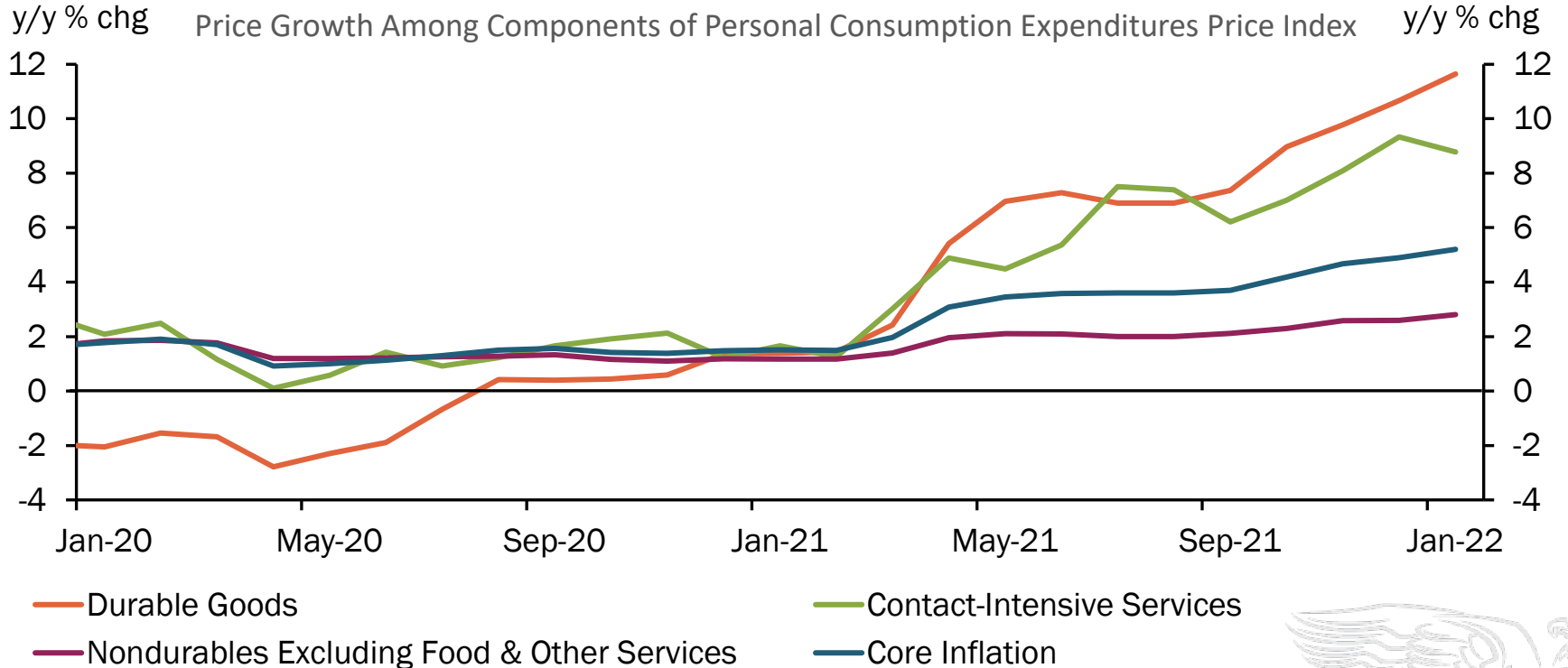
Russia and Ukraine account for a large share of global production and exports in several major commodities



For consumers, higher commodity prices have led to large increases in energy and food prices

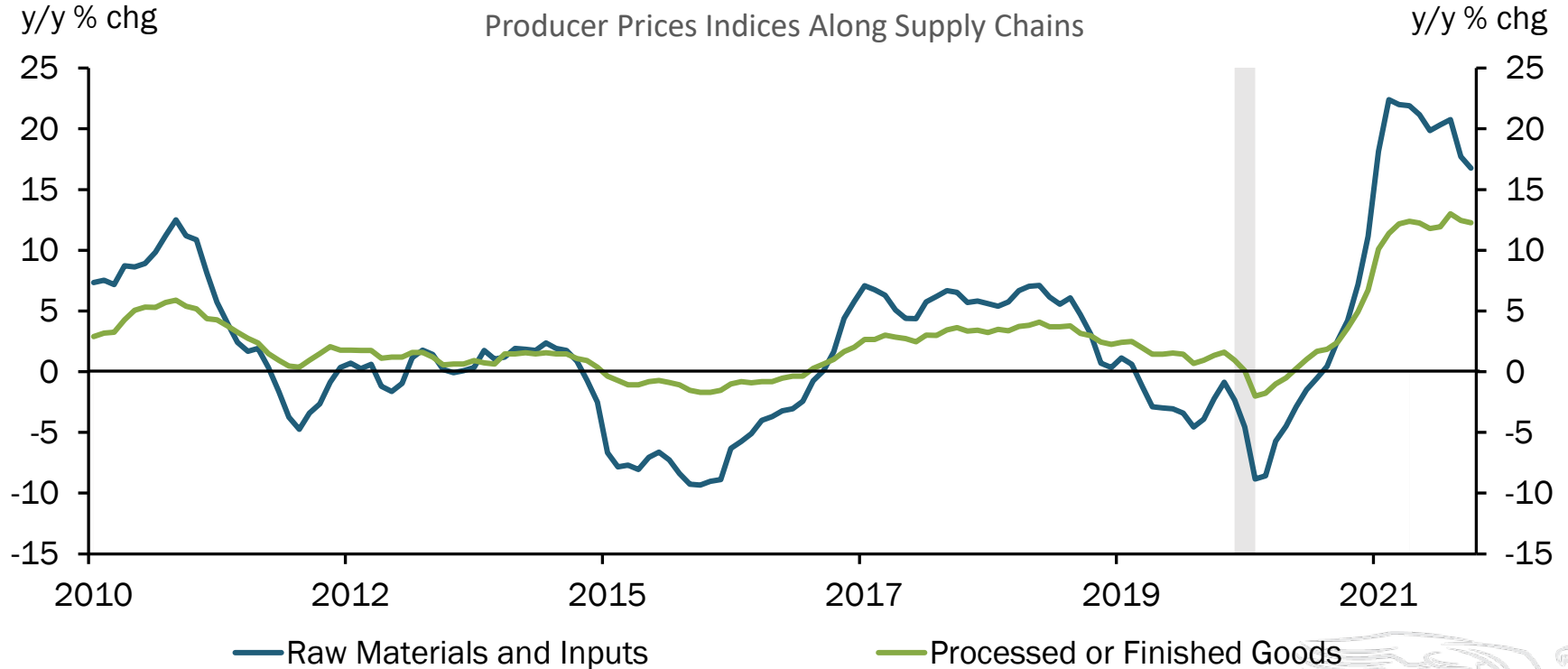


Some inflation pressures are likely to moderate in coming months, in particular for durable goods and some pandemic-sensitive services

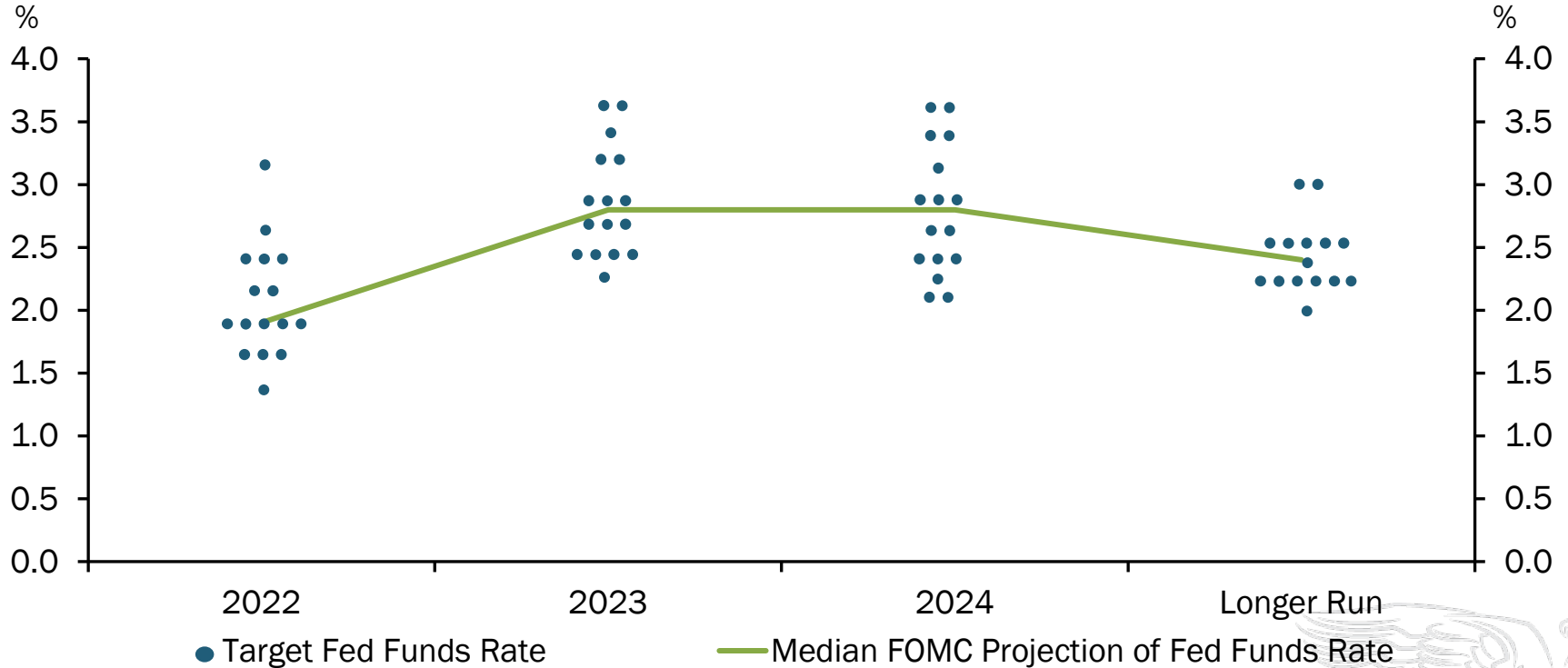


Source: BEA, Haver Analytics

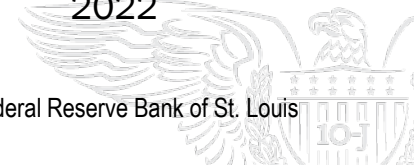
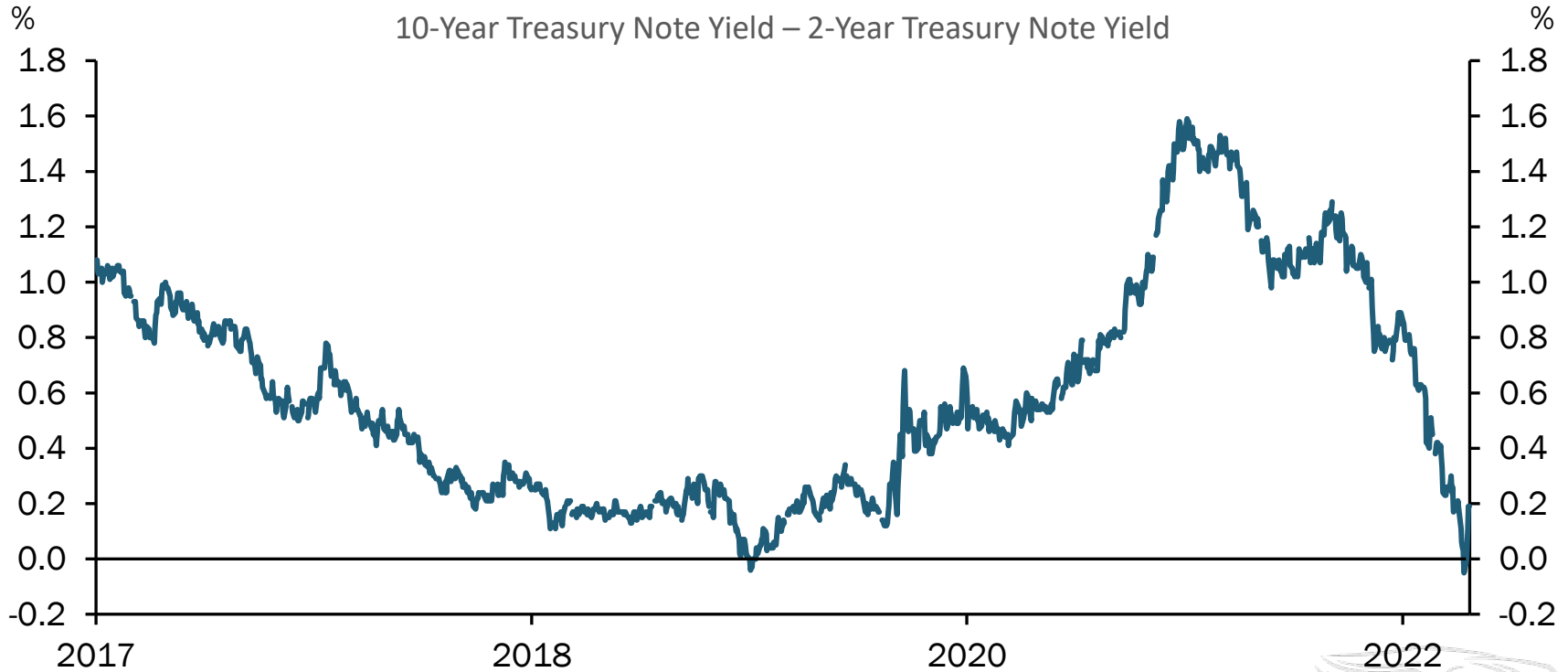
Higher materials costs are headwinds to profitability for businesses



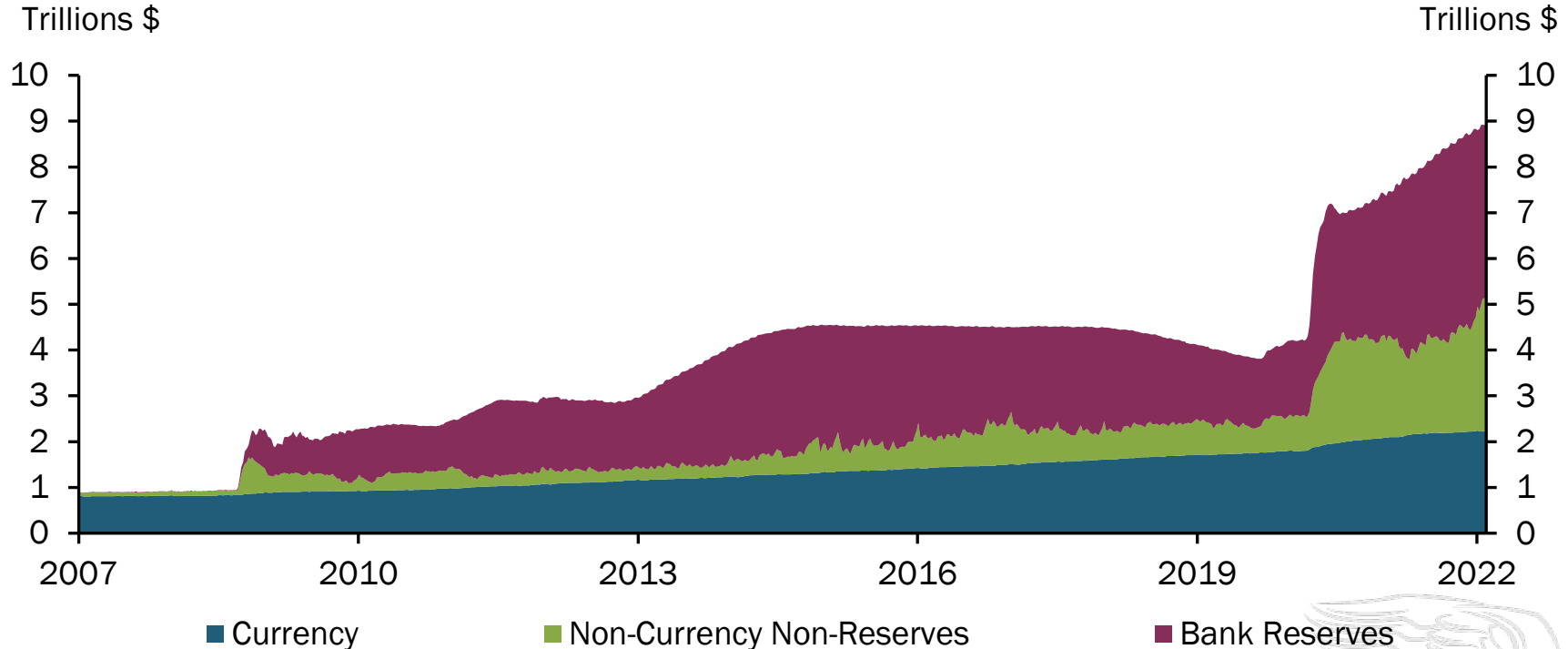
Interest rates are projected to normalize and rise in order to ease inflation pressures over the coming years



The yield curve flattened in recent weeks, inverting briefly



The FOMC expects to begin reducing the size of its balance sheet at an upcoming meeting



Looking forward

- Strong labor market conditions are likely to continue providing support for consumer activity and overall economic growth
- Although some inflation pressures are likely to moderate in coming months, healthy demand and new developments affecting food and energy prices are motivating policy responses
- Interest rates have begun to rise and focus remains on the pace of removing policy accommodation to restore price stability



