National Economic Conditions and A Local Outlook

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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.
Overview

• Gains on the supply side supported economic growth despite tightening of financial conditions over the past year

• Inflation is slowing but rent growth and other consumer services’ price growth remain elevated

• Many businesses are reporting lower expected growth in their upcoming hiring and compensation plans compared to last year, but relatively few are indicating they expect declines in employment
Overall growth and unemployment continues a positive trajectory despite policy tightening

Source: BEA, BLS, Haver Analytics
Labor supply improved significantly over the past year across the U.S.
Supplier delivery times improved, easing supply side inflationary pressures

Source: Institute for Supply Management, Federal Reserve Bank of New York, Haver Analytics

Note: A supplier deliveries index above 50 indicates slower deliveries. A GSCPI index above zero indicates the number of standard deviations above the historical average value of the index.
Productivity growth firmed throughout 2023

Source: BLS, Haver Analytics
Various measures of price growth show that inflation pressures have lessened but still show signs of being elevated.

Source: BLS, Haver Analytics
Wage growth slowed significantly over the past year but remains elevated.

Source: Bureau of Labor Statistics, Haver Analytics
Looking ahead, fewer business contacts report they expect to grow the size of their workforce next year, indicative of softening labor demand.

Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next twelve months?

Source: KC Fed Manufacturing and Services Survey
Note: Results include respondents for Colorado, New Mexico and Wyoming
Business contacts report they are being more selective about offering wage increases to attract new hires

Which of the following best describes your use of changes in starting wages and/or salaries to attract new hires?

- Firm is not actively hiring
- Raising starting wages and/or salaries for most job categories
- Raising starting wages and/or salaries for only selected job categories
- Not raising new hires' starting wages and/or salaries

Source: KC Fed Manufacturing and Services Survey
Note: Results include respondents for Colorado, New Mexico and Wyoming
Government employment played an outsized role in overall employment growth in Colorado and across the U.S. recently.
Further slowing in spending growth needed to relieve pressure on prices for non-housing services, such as leisure and travel.

% difference from 2020 baseline

Source: Opportunity Insights
Commercial real estate activity is subdued across the region, but contacts report very different conditions across markets and property types.
Looking ahead

• Many of the supply shocks over the past year may not be repeated again this year, suggesting that demand factors may be more important in returning inflation to target going forward

• Consumer spending growth remains steady, but anecdotal information indicates that strength is waning

• Though interest rates and financial conditions stabilized near the end of last year, CRE conditions in the region deteriorated further due to large declines in the use and absorption of commercial space

• Commercial real estate transaction volumes are very low, as potential buyers are waiting for, or pricing to, a bottom, creating large spreads between bids and asks that made price discovery difficult
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