

# National Economic Conditions and A Local Outlook

*February 15, 2024 – Colorado Economic Forecast*

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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

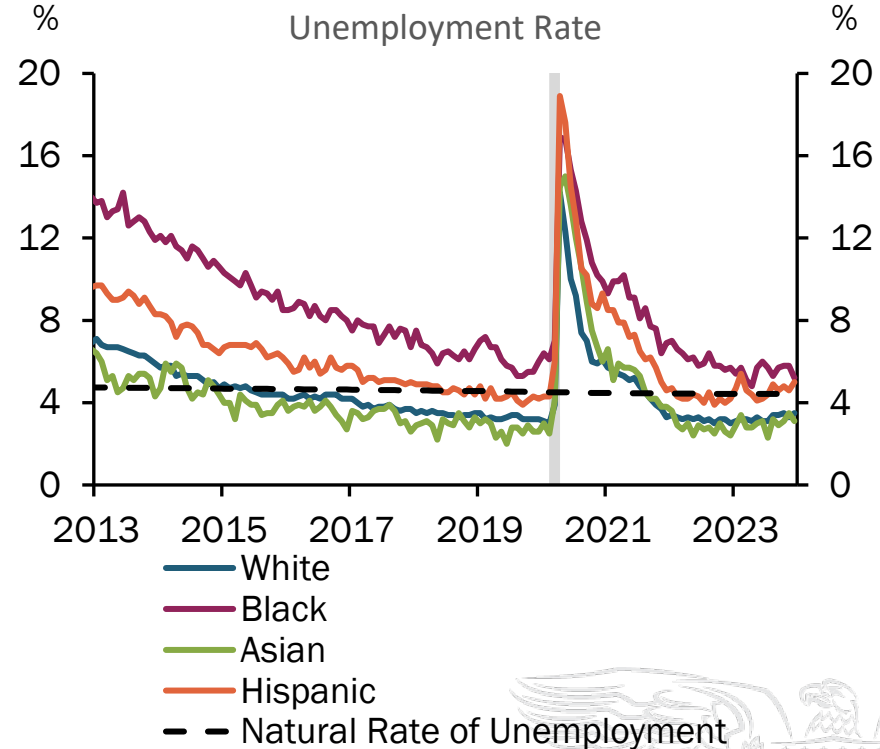
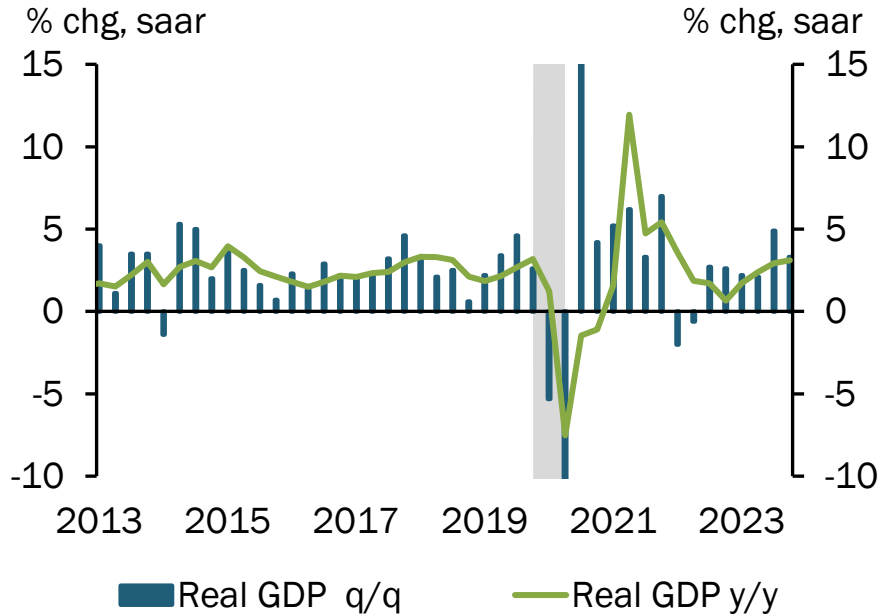


# Overview

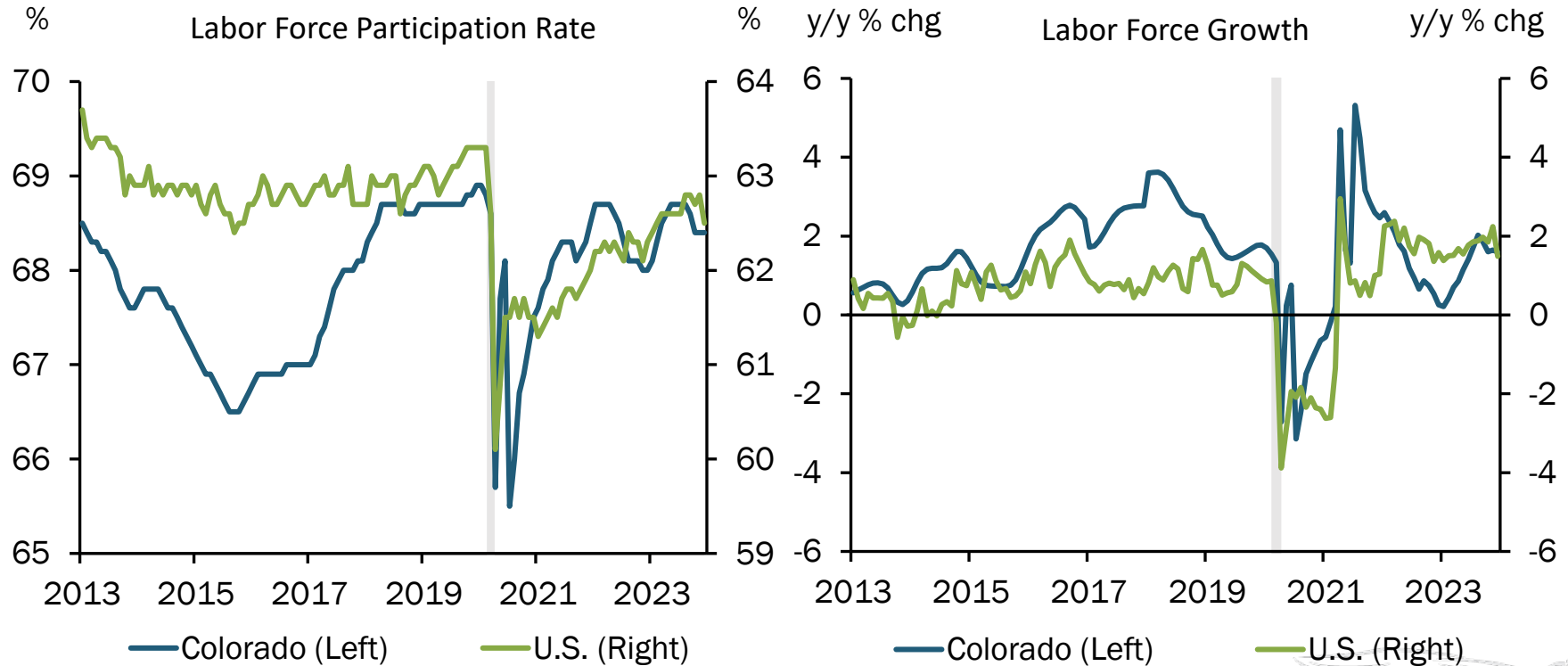
- Gains on the supply side supported economic growth despite tightening of financial conditions over the past year
- Inflation is slowing but rent growth and other consumer services' price growth remain elevated
- Many businesses are reporting lower expected growth in their upcoming hiring and compensation 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

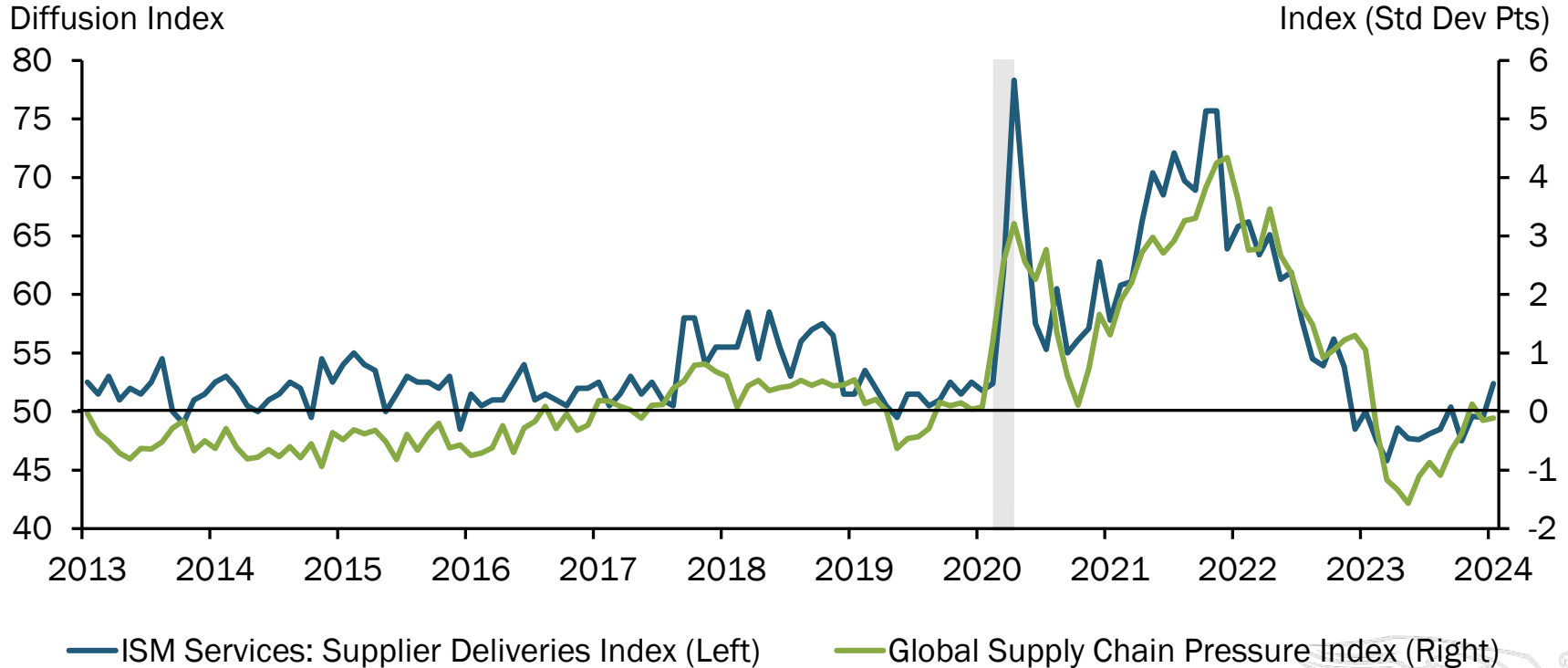


# Labor supply improved significantly over the past year across the U.S.



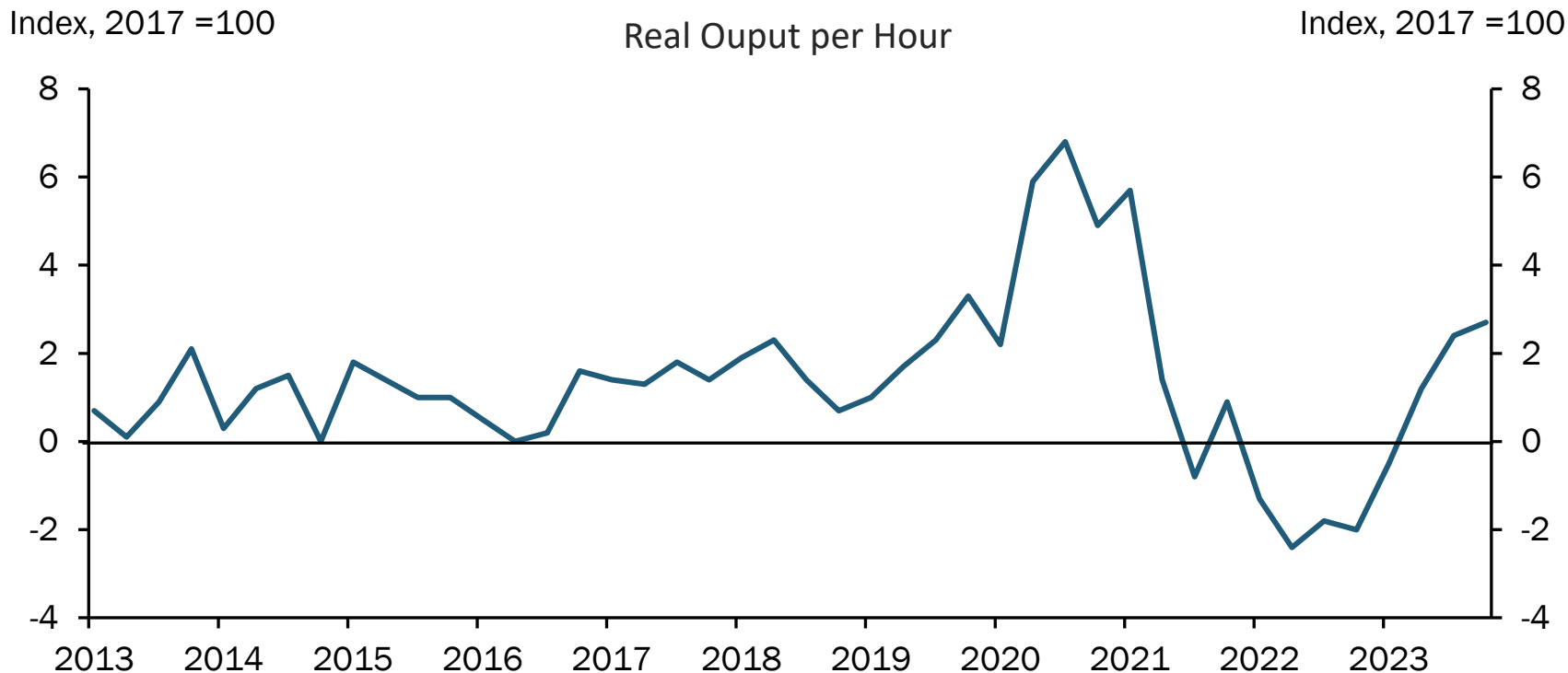
Source: BLS, NBER, Haver Analytics  
 Note: Grey bars indicate recession shading

# Supplier delivery times improved, easing supply side inflationary pressures

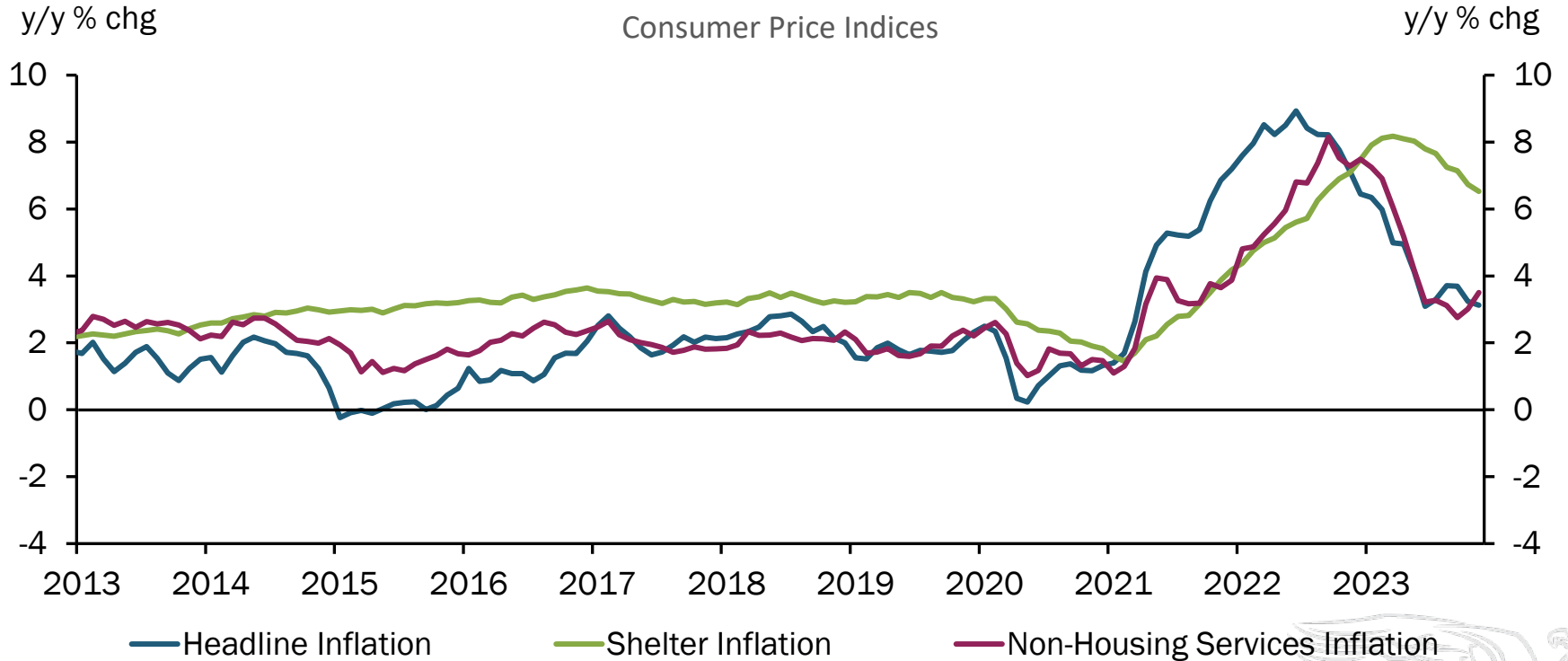


Source: Institute for Supply Management, Federal Reserve Bank of New York, Haver Analytics  
 Note: A supplier deliveries index above 50 indicates slower deliveries. A GSCPI index above zero indicates the number of standard deviations above the historical average value of the index.

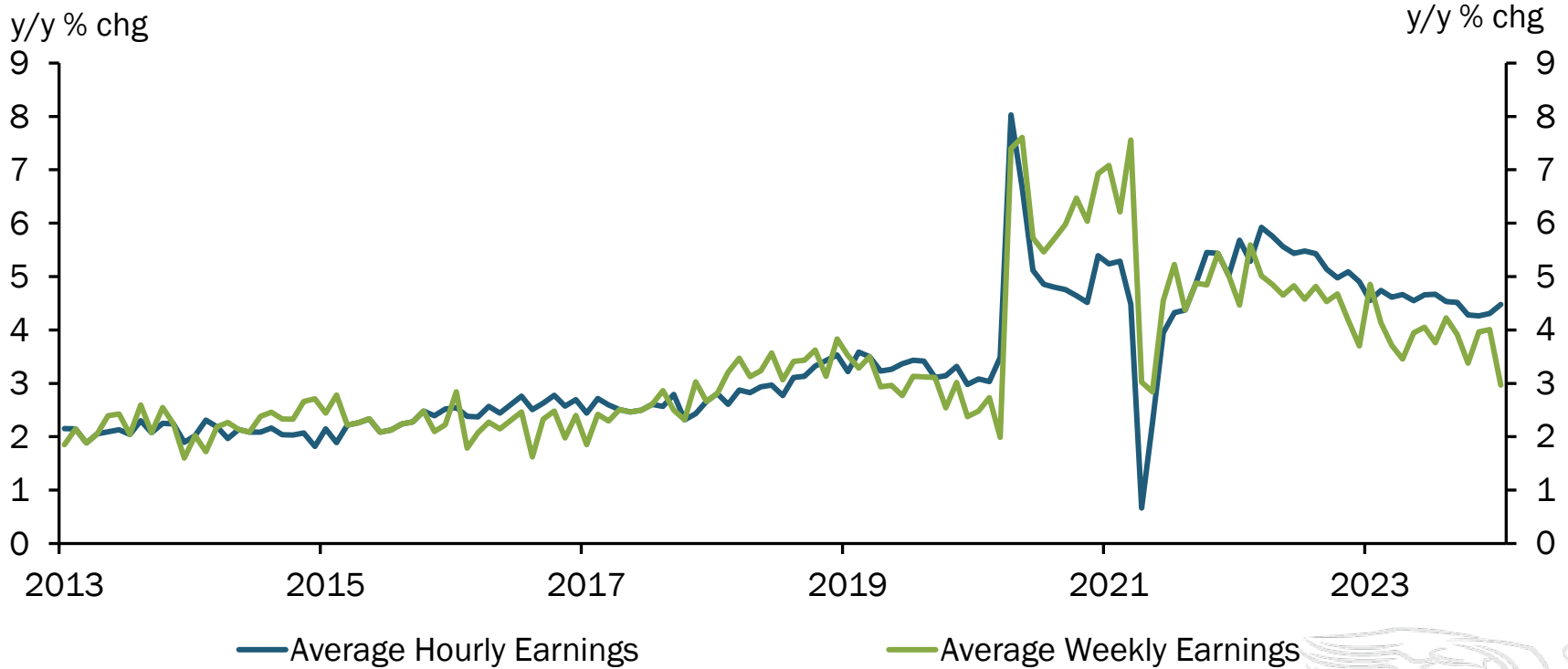
# Productivity growth firmed throughout 2023



# Various measures of price growth show that inflation pressures have lessened but still show signs of being elevated

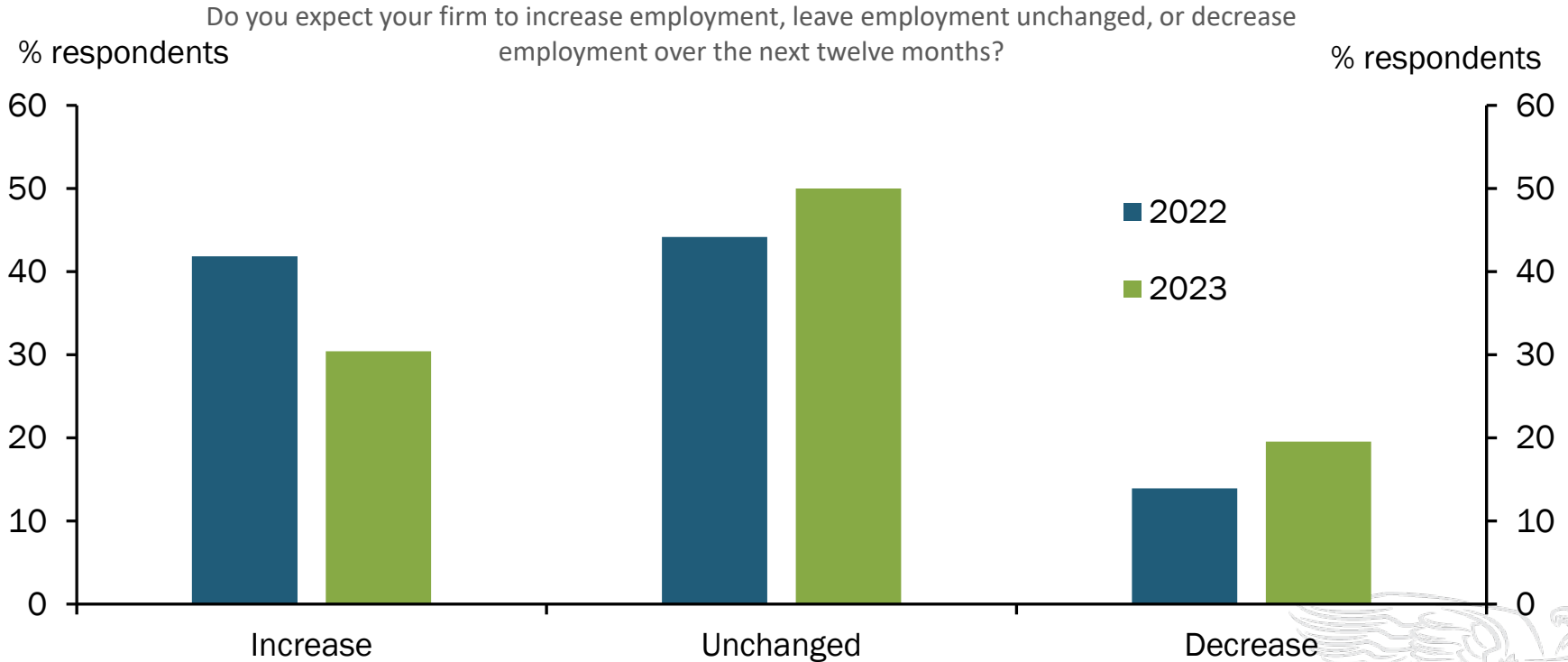


# Wage growth slowed significantly over the past year but remains elevated



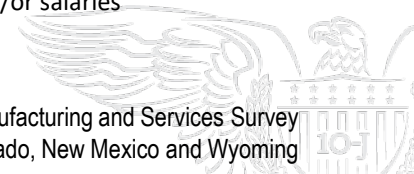
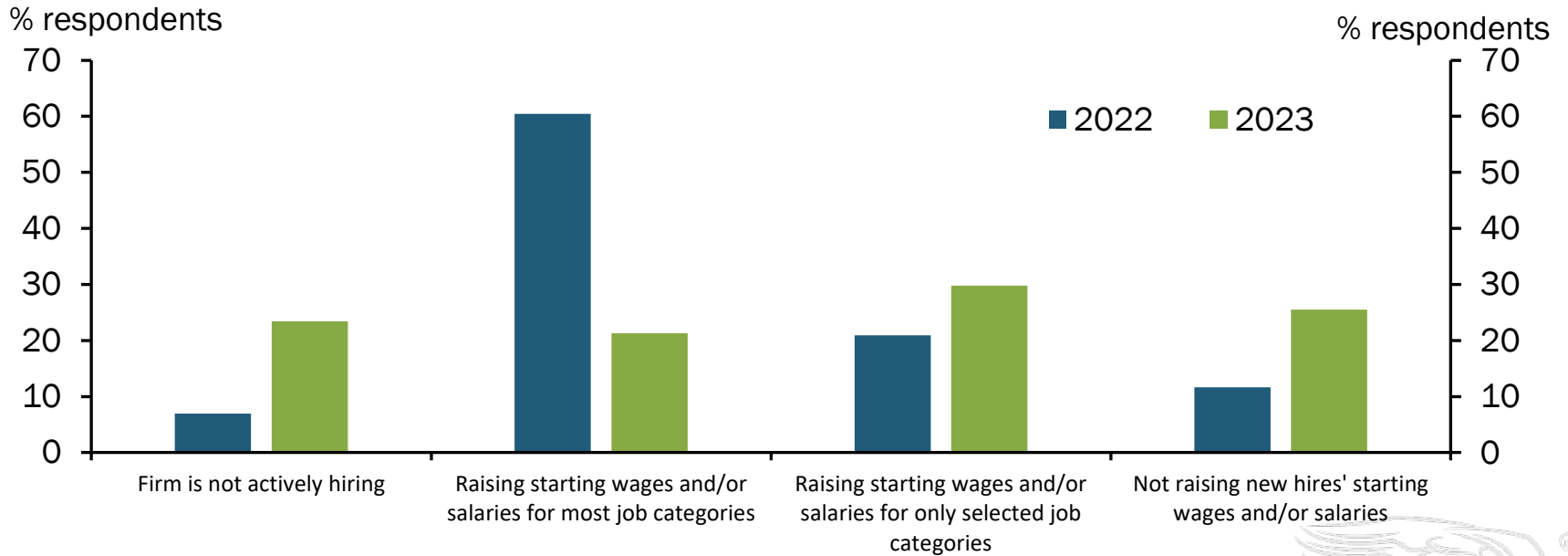


# Looking ahead, fewer business contacts report they expect to grow the size of their workforce next year, indicative of softening labor demand

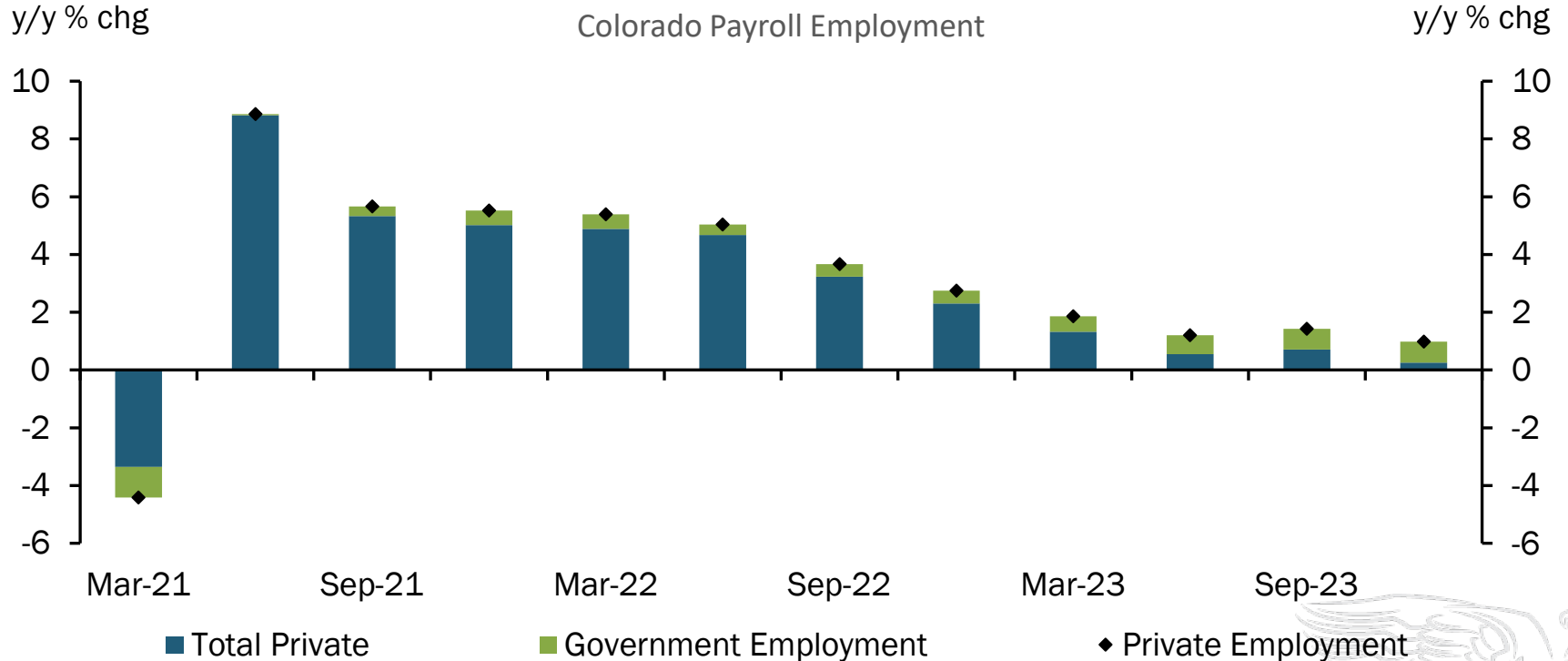


# Business contacts report they are being more selective about offering wage increases to attract new hires

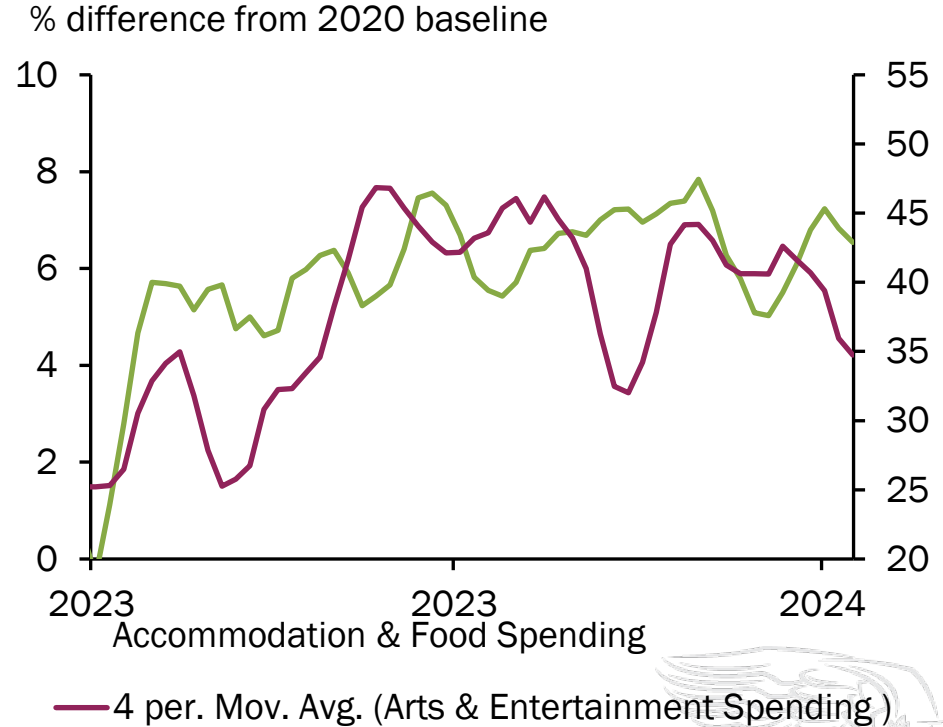
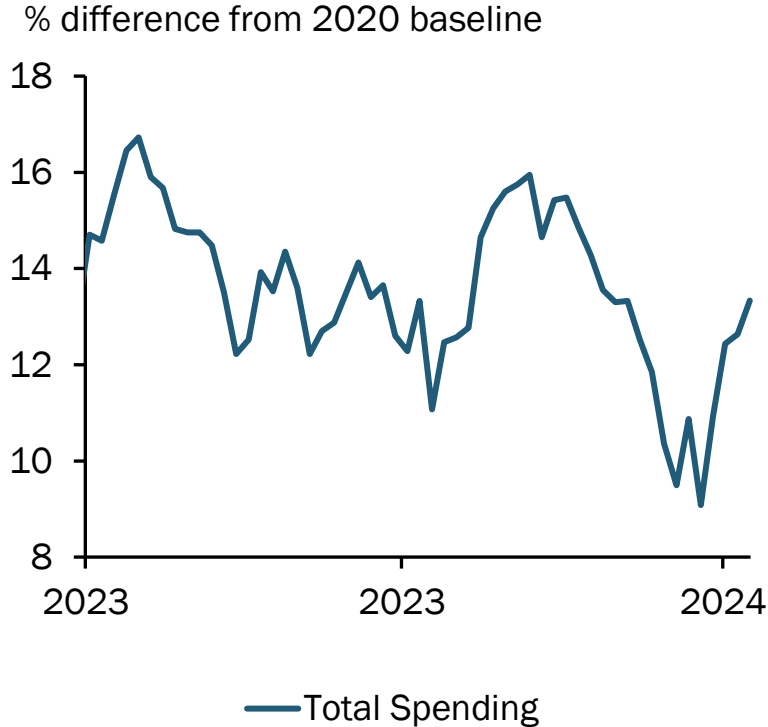
Which of the following best describes your use of changes in starting wages and/or salaries to attract new hires?



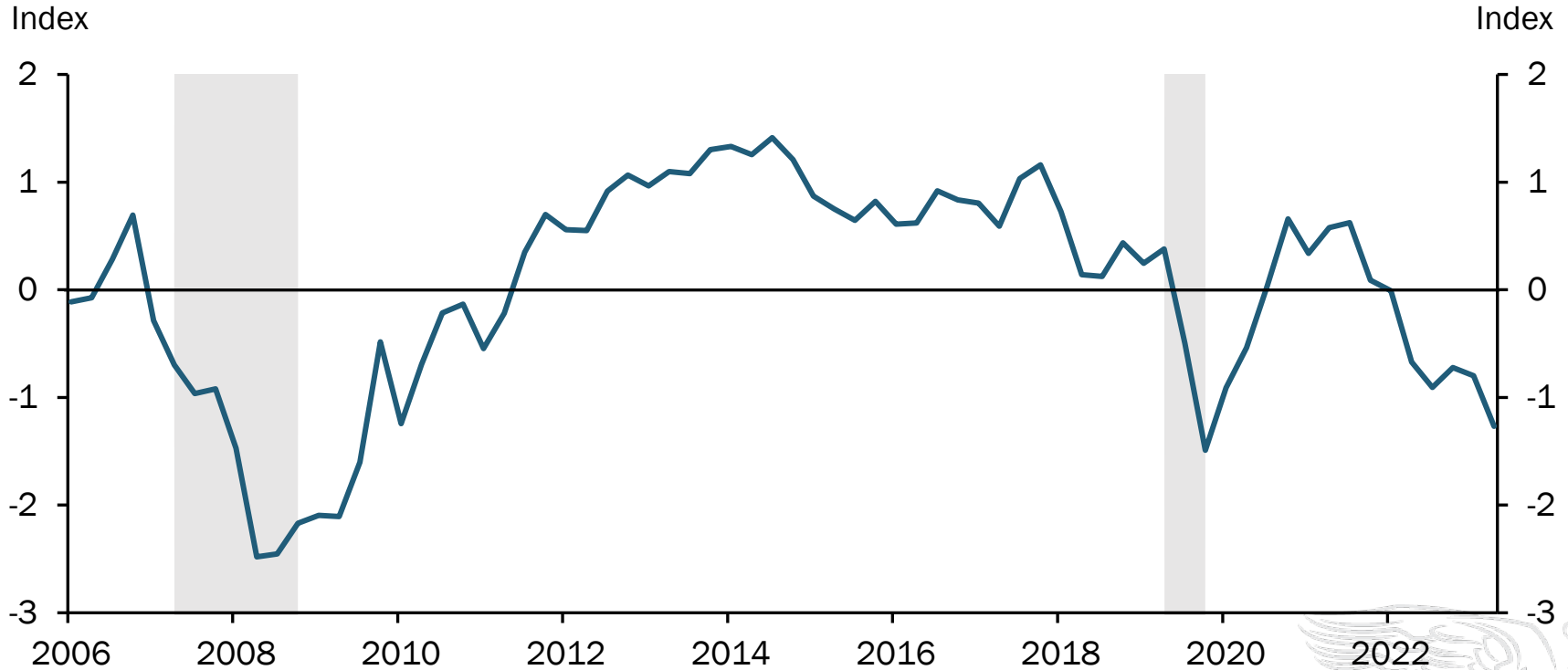
# Government employment played an outsized role in overall employment growth in Colorado and across the U.S. recently



# Further slowing in spending growth needed to relieve pressure on prices for non-housing services, such as leisure and travel



# Commercial real estate activity is subdued across the region, but contacts report very different conditions across markets and property types



Source: KC Fed Beige Book Surveys, Reports of Condition and Income, Staff calculations  
 Notes: Index values indicate differences from historical norms measured in standard deviations.

## 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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