

U.S. and Regional Economic Conditions

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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



Outlook themes

- The outlooks for both the Colorado and U.S. economies are linked to the path of the pandemic, which continues to weigh on the consumption of many services
- Business expectations regarding recovery continue to shift toward longer time horizons
- Inflation pressures remain subdued on net and downward pressures are likely to persist over the medium term



The Federal Reserve deployed a suite of policy actions

Monetary Policy:

- Cut policy rate to near zero.
- Forward guidance

Actions to Improve Market Functioning:

- Open Market Purchases
- Eased access to discount window.
- Primary Dealer Credit Facility (PDCF)
- Money Market Mutual Fund Liquidity Facility (MMLF)
- Commercial Paper Funding Facility (CPFF)
- Expanded Foreign Central Bank Swap Lines

Actions to Encourage Bank Lending:

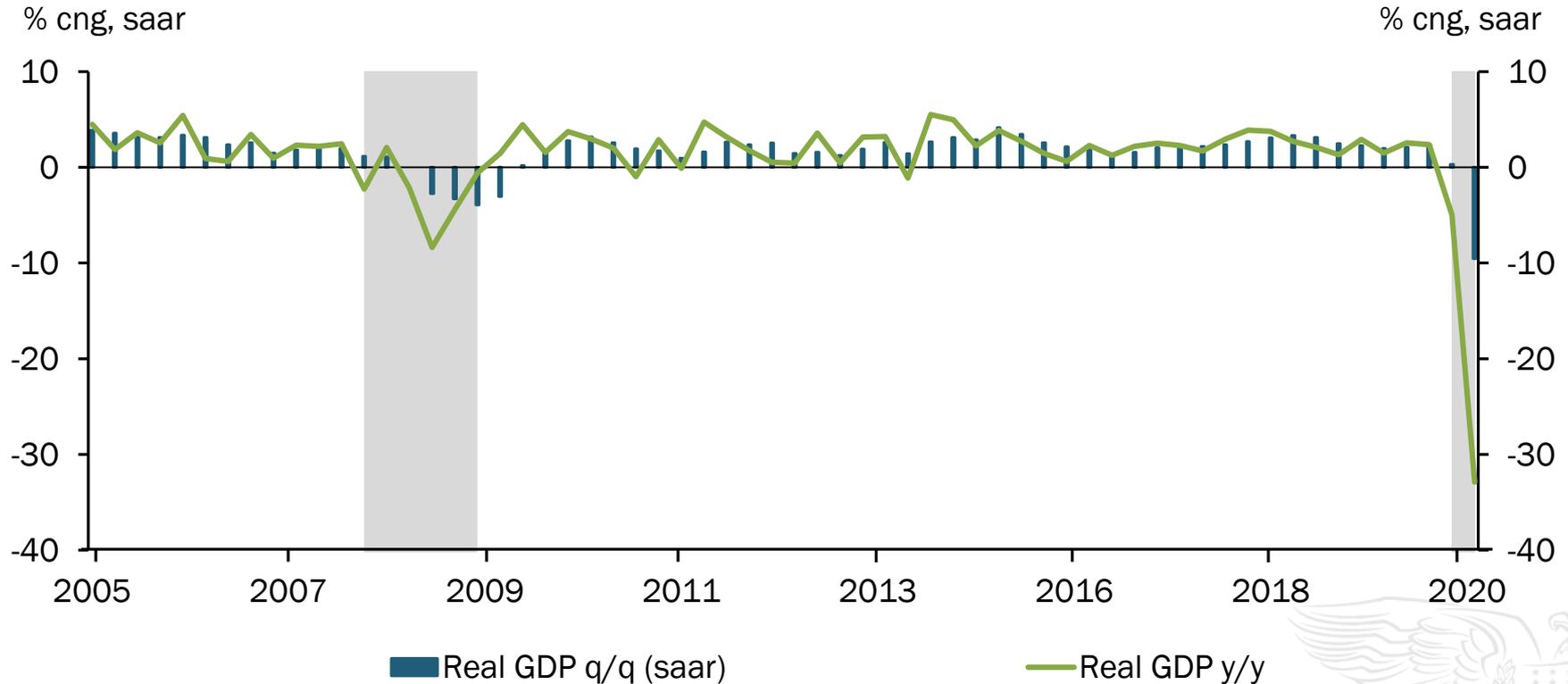
- Dropped reserve requirements to zero.
- Temporary adjustment to regulations.

Actions to Support the Flow of Credit:

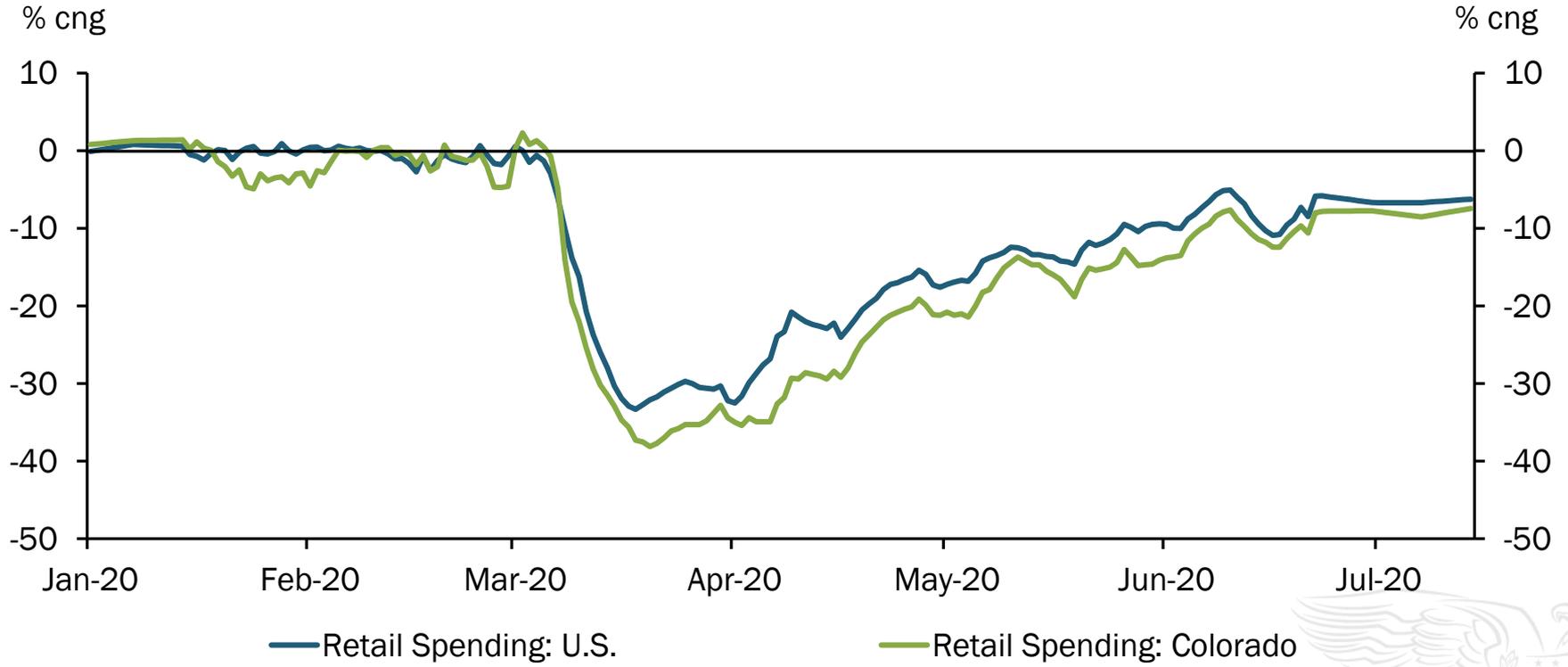
- PPP Liquidity Facility (PPPLF)
- Term Asset-Backed Securities Loan Facility (TALF)
- Corporate Credit Facilities (CCF)
- Municipal Liquidity Facility (MLF)
- Main Street Lending Facility



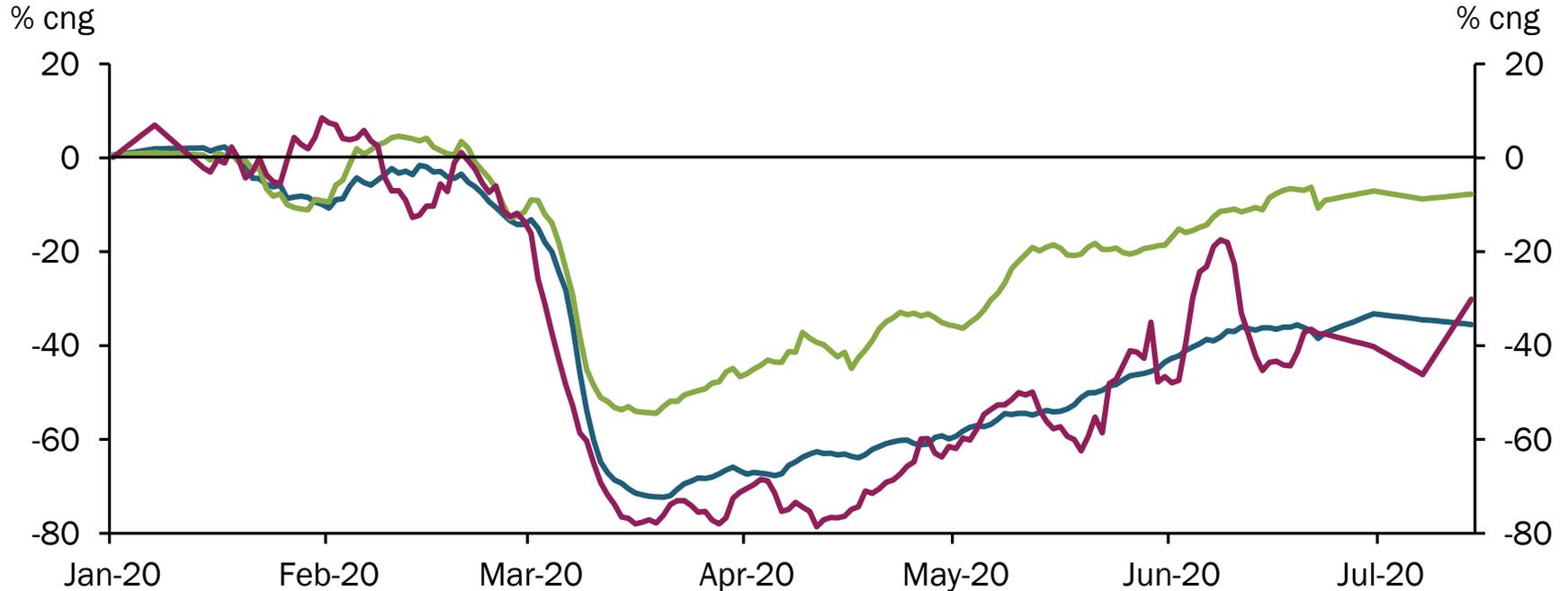
The recent decline in overall U.S. economic activity is unprecedented



The current economic downturn struck the U.S. and Colorado economies simultaneously



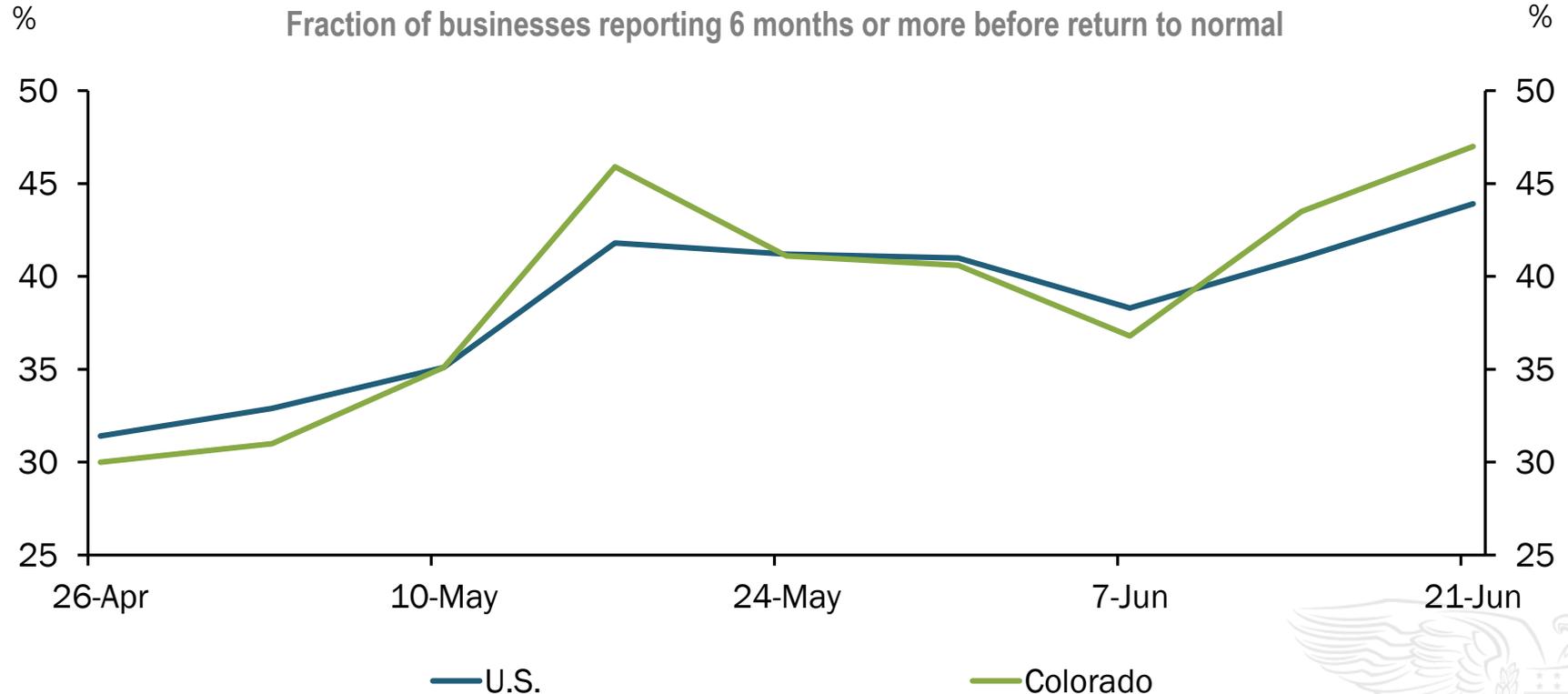
The reduction in consumer spending in both Colorado and the U.S. is most pronounced in service sectors



— Accommodation and Food — Apparel and Gen. Merchandise — Arts, Entertain. and Recreation



As the pandemic progressed more businesses began expecting a longer period of time before returning to normal conditions

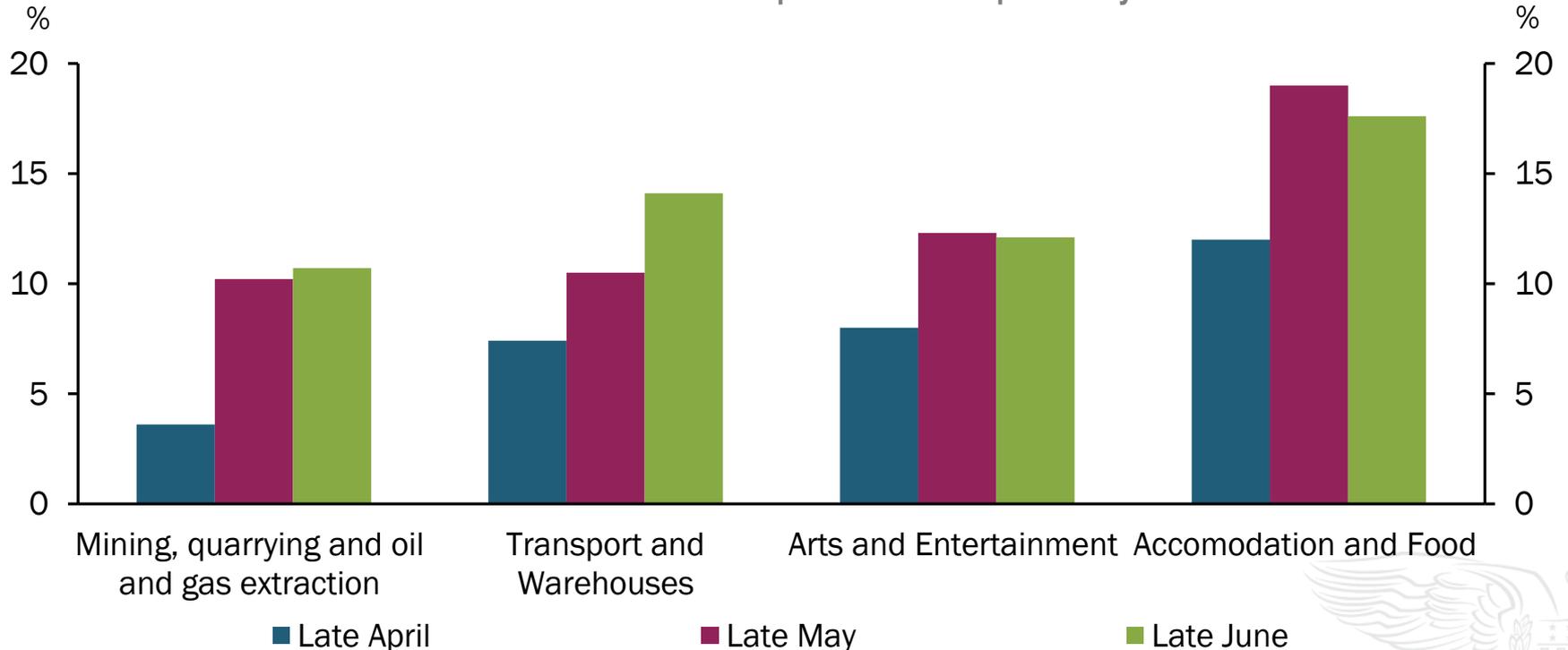


Sources: U.S. Census Bureau Small Business Pulse Survey



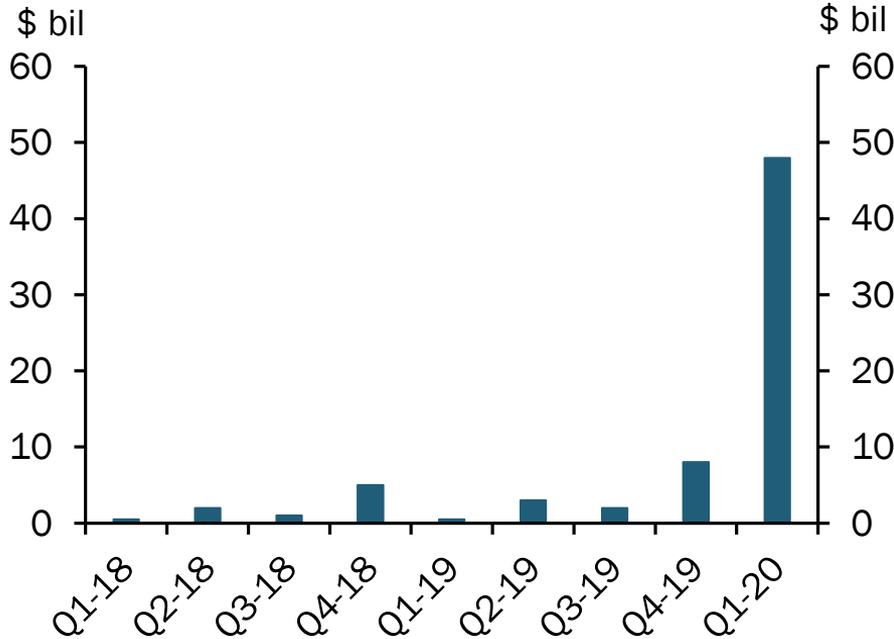
An increasing number of businesses across the U.S. report less confidence in ever recovering to normal conditions

Fraction of businesses that do not expect to return to previous year norms

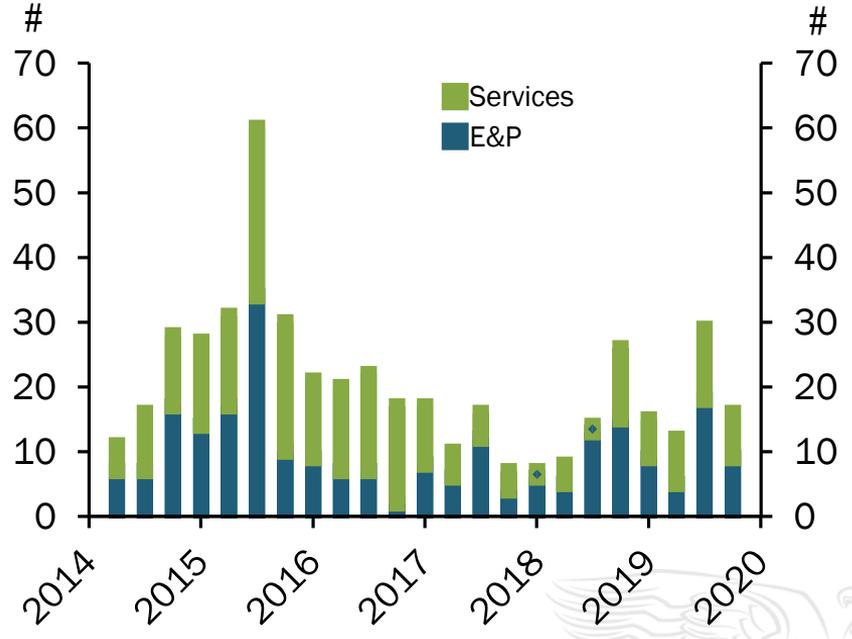


The shock to the oil & gas sector is already leading to financial disruptions or bankruptcies for many companies

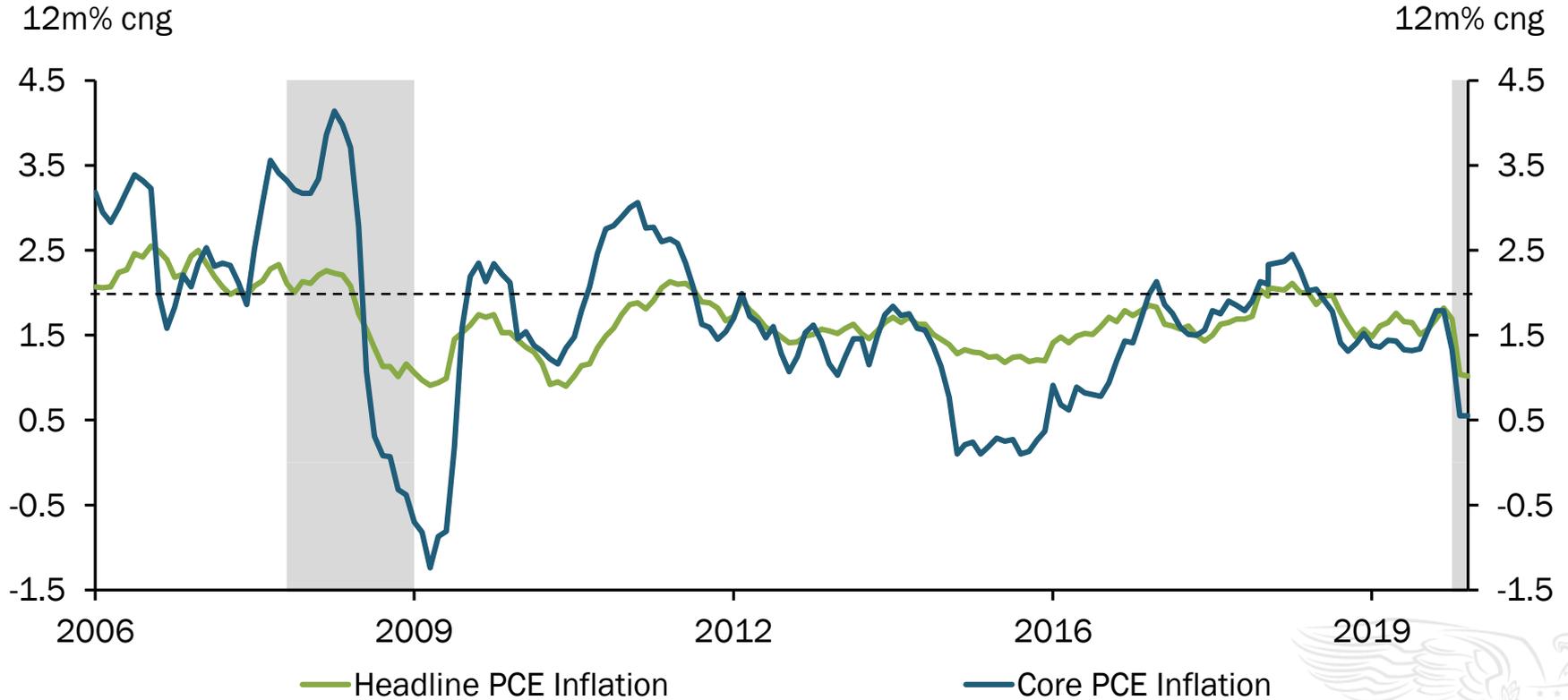
Asset write-downs among 40 U.S. oil companies



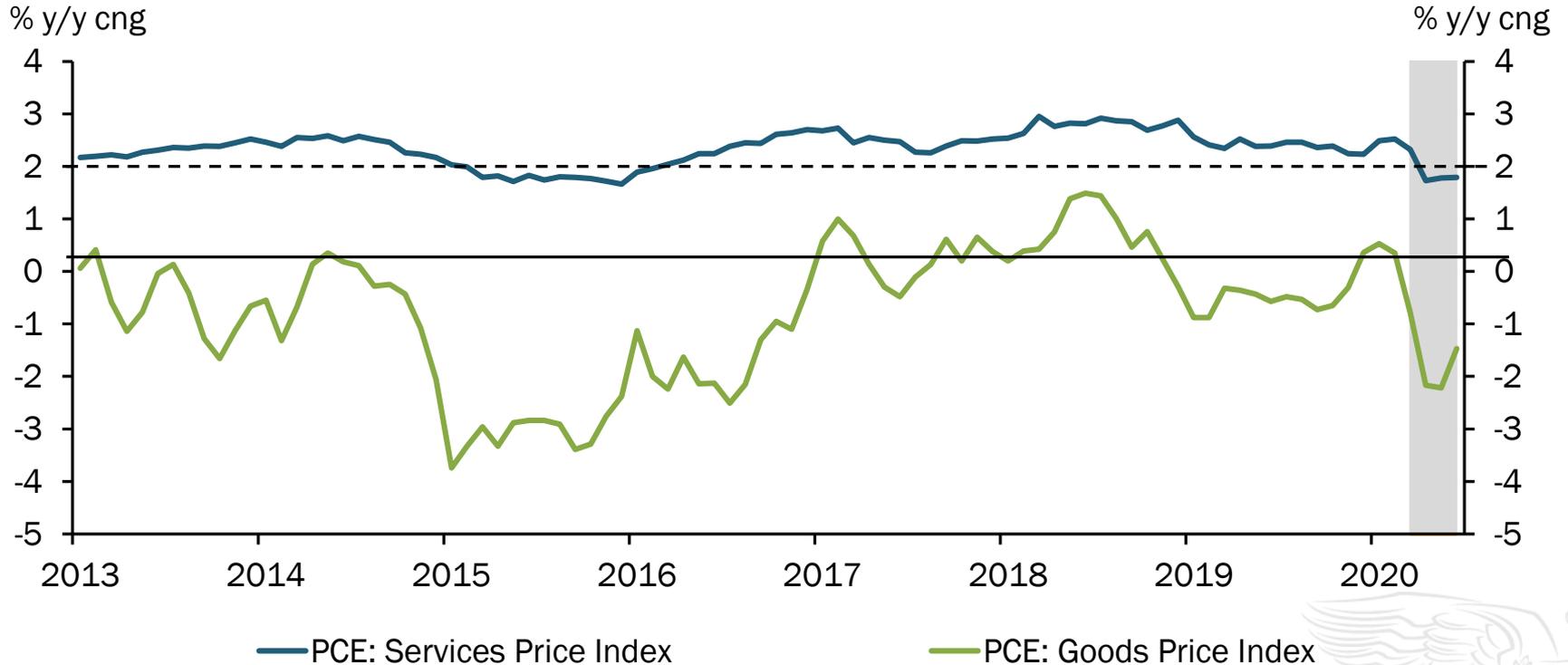
Oil & gas bankruptcies



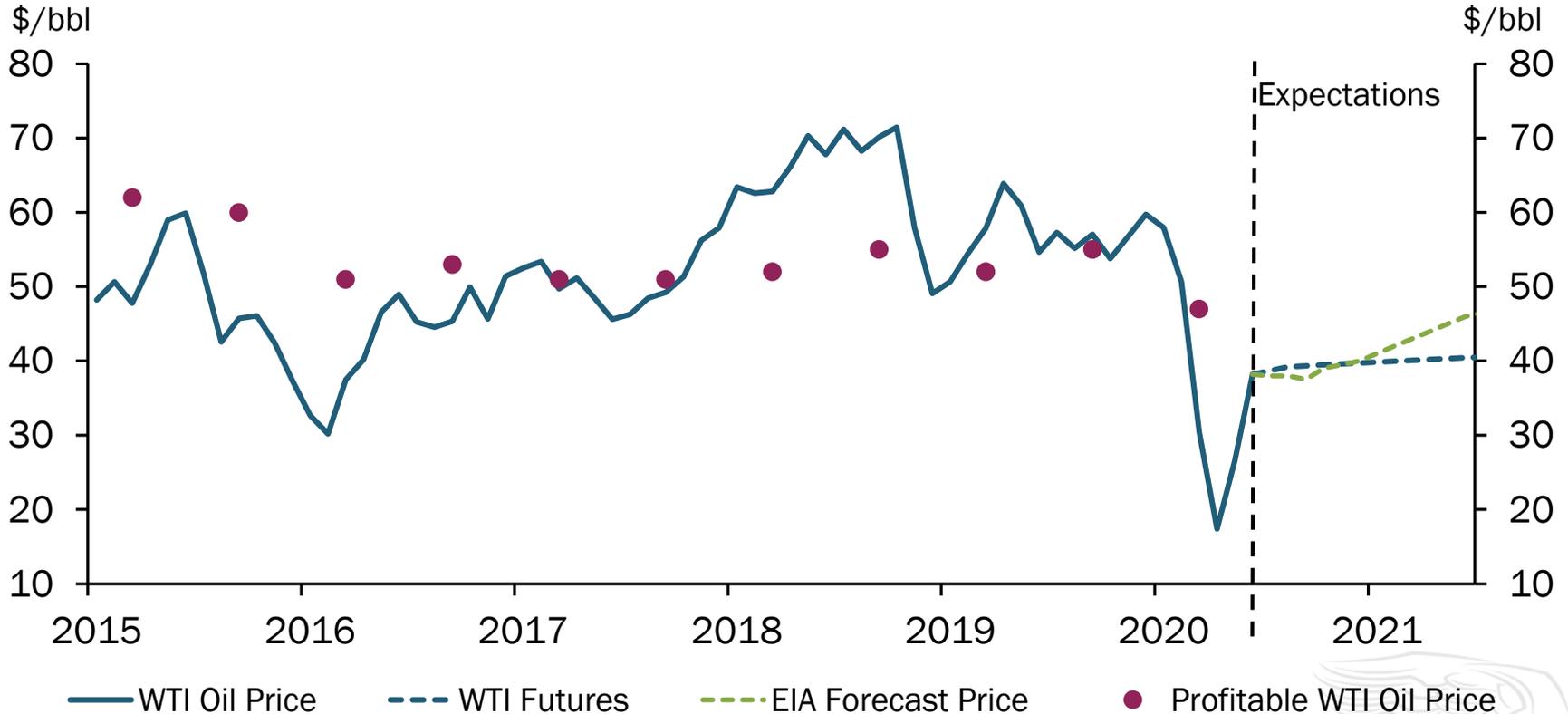
Inflation is likely to remain subdued over the medium term



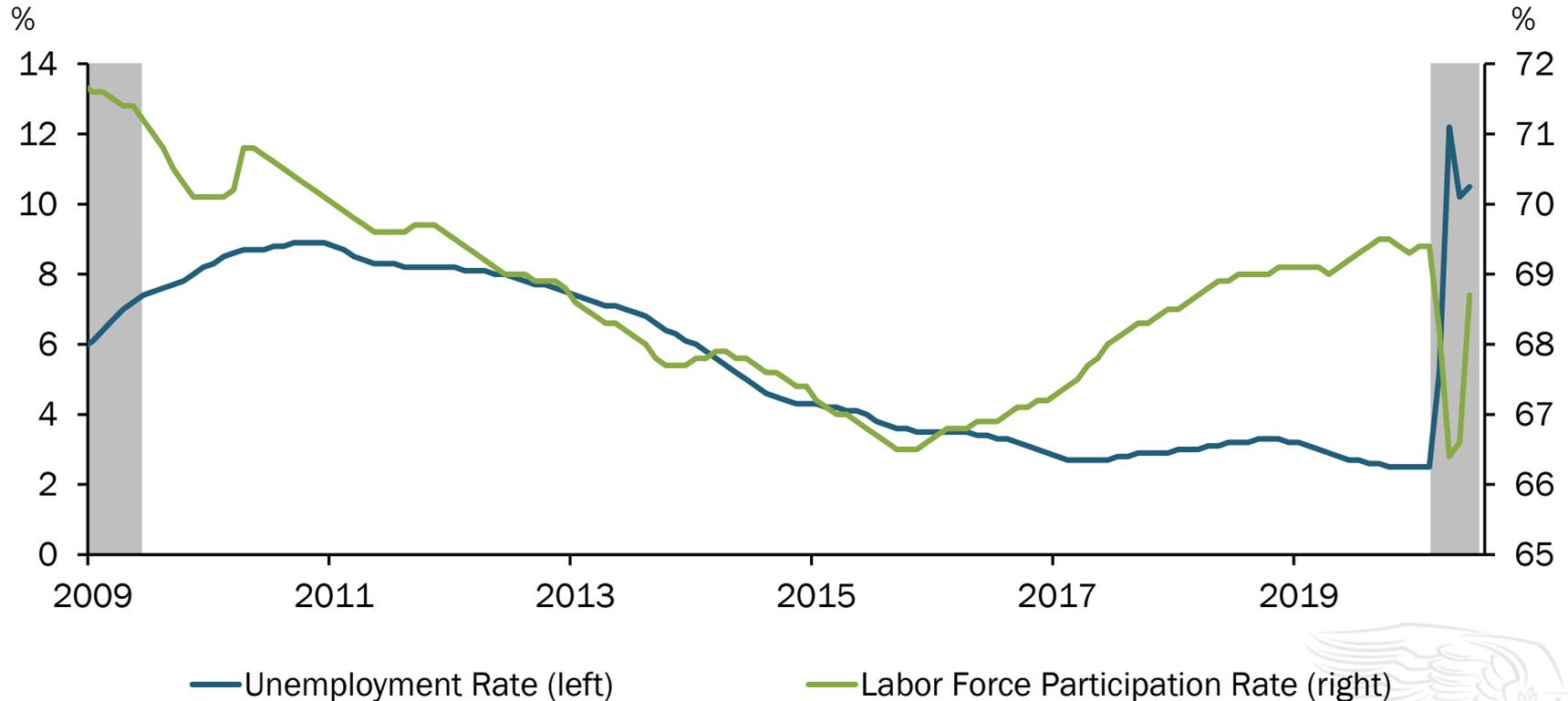
Consumer services have been the main driver of inflation, and so the low demand for services will likely ease inflation pressures



Downward price pressures in oil markets are likely to persist



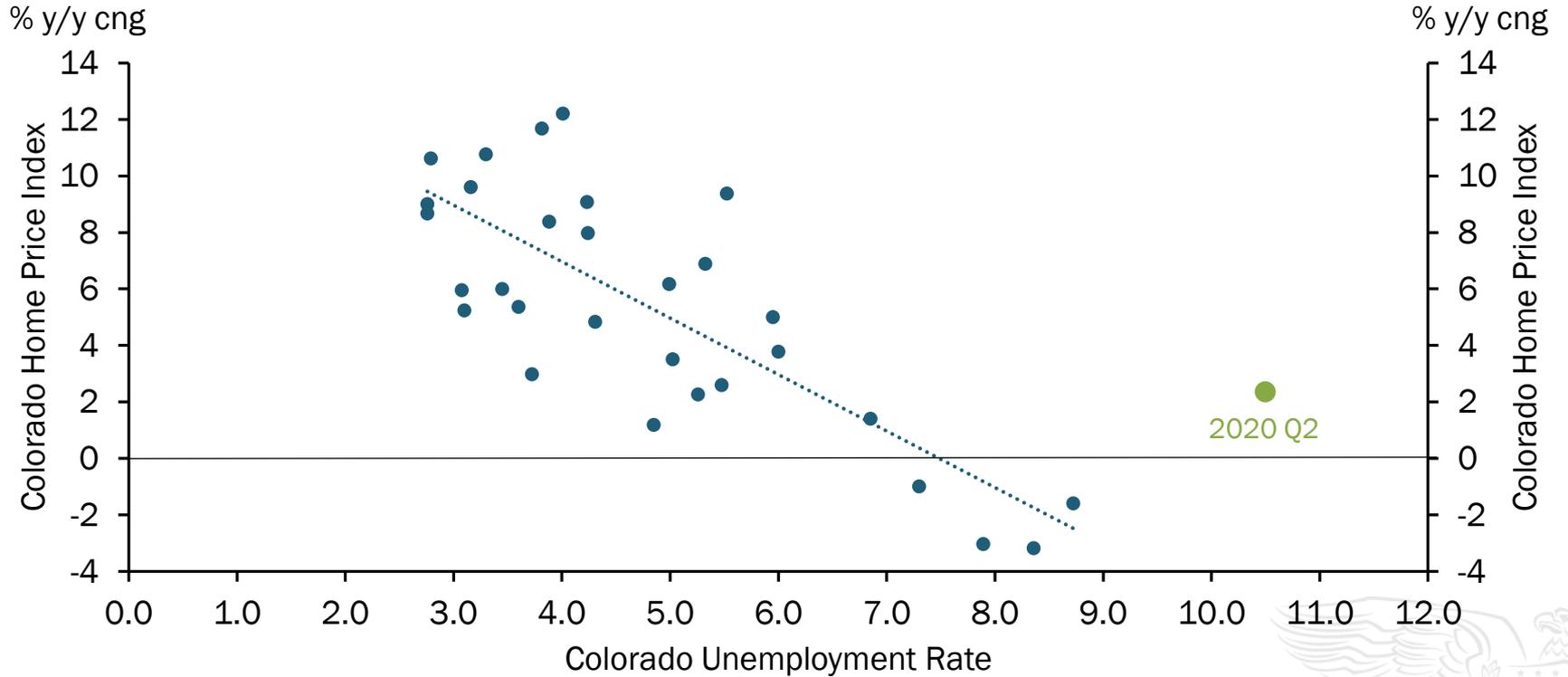
Amid the rise in joblessness, the size of the Colorado labor force declined during the initial months of the pandemic



Sources: Bureau of Labor Statistics, Bureau of Economic Analysis/Haver Analytics
 Note: Grey bars represent recession shading

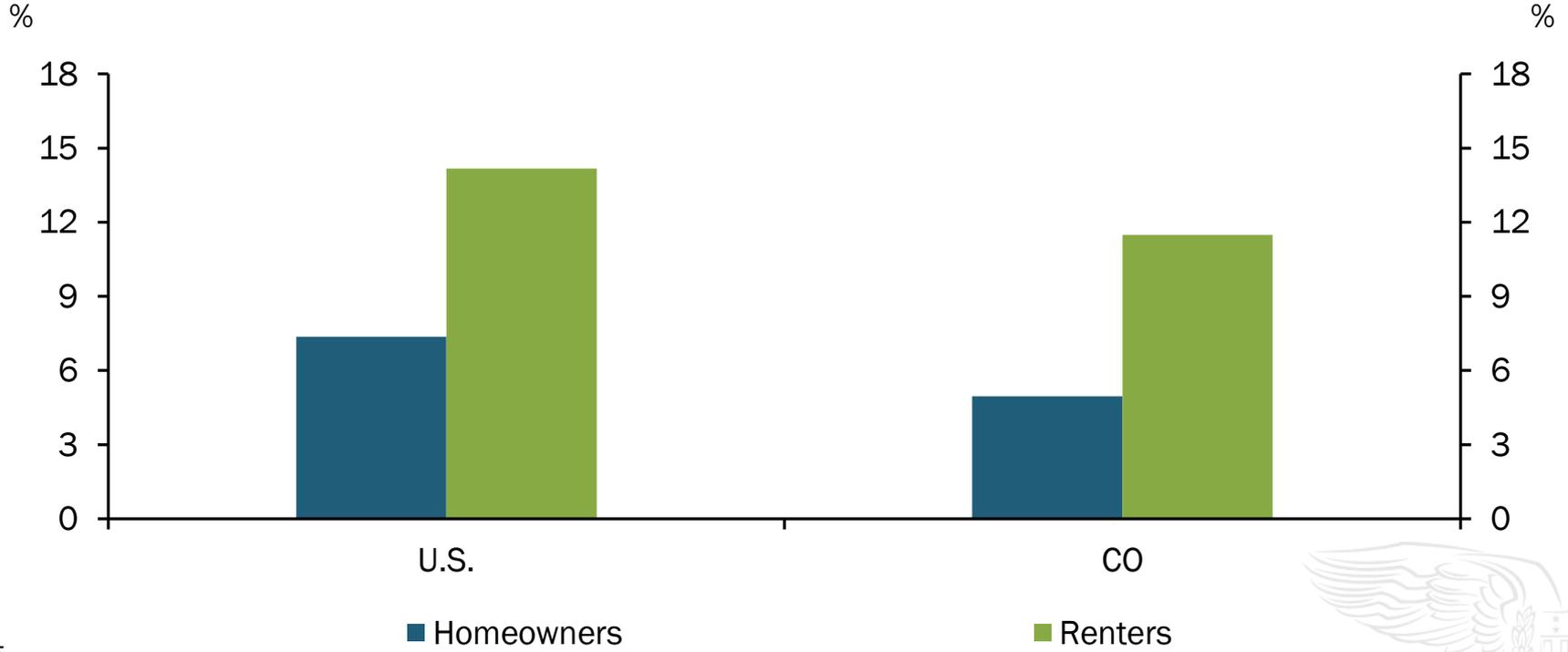


Historically, higher unemployment rates coincide with lower housing price growth rates



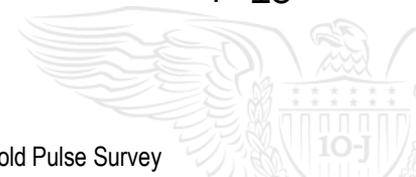
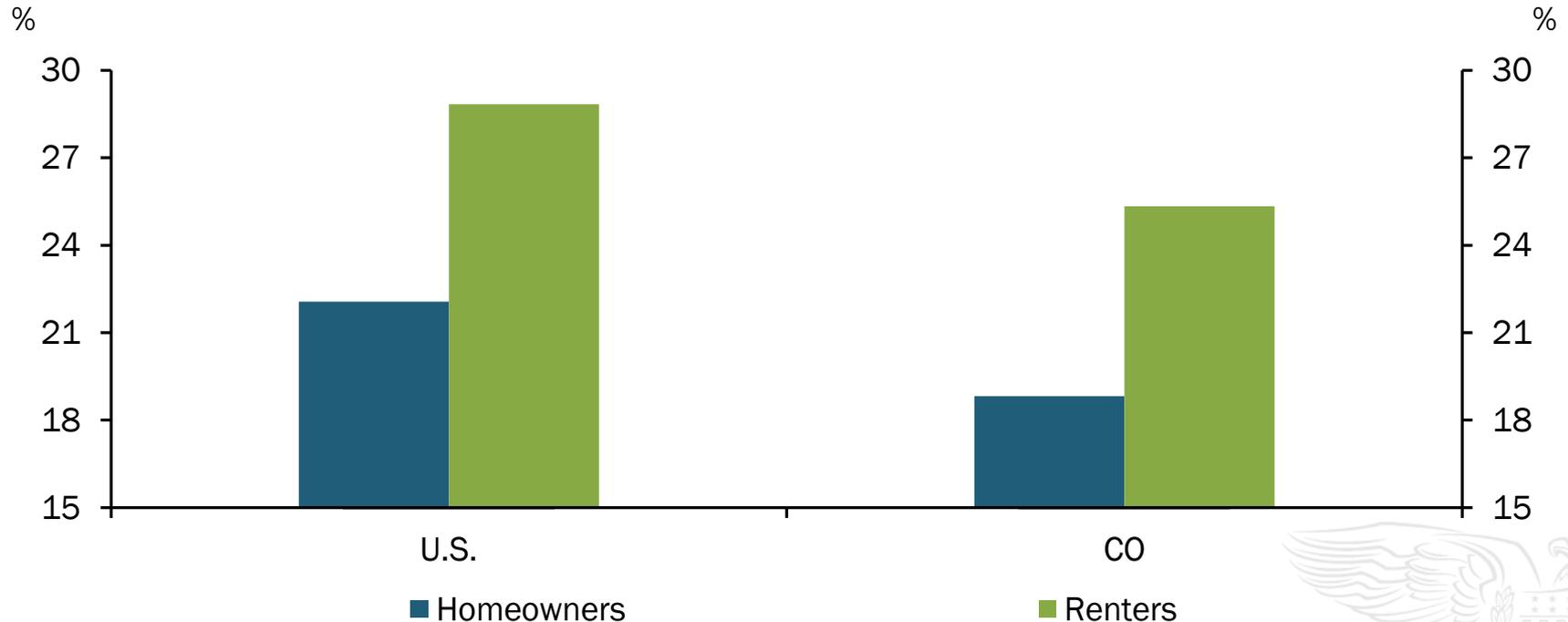
Colorado households fare slightly better than average in missed housing payments

Fraction of households with missed housing payments



A substantial share of households used economic stimulus payments to meet their housing expenses

Fraction of households relying on economic stimulus payments



Looking forward

- Both the regional and national outlooks remain highly uncertain and tied to the path of the pandemic
- The FOMC stated that it expects to maintain the current stance of policy until it is confident that economic recovery is on track
- Contractions in the size of the labor force and constraints on state and local government spending will likely pose risks to recovery for several years



