Economic Conditions and 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.
Outlook themes

• After several months of sustained economic recovery, the outlook is tied to the uncertain path of the pandemic

• The influence of the pandemic on both consumer demand and supply disruptions remains substantial into this summer

• Recovery in employment has been uneven between small and large businesses, as well as across demographic groups

• Cost pressures are elevated and inflation is currently running above 2 percent
Overall economic activity has returned to pre-pandemic levels, but uncertainty about the outlook is growing amid rising COVID cases.
Consumer spending on goods is moderating from its surge during the pandemic, while spending on services is still recovering.
Household savings and improving labor market conditions will support moderate recovery in consumer spending.
Consumer demand for services will depend on the path of the pandemic; responses to the recent surge in cases remains uncertain.
Job gains have been steady in the most affected sectors, though the recovery employment is not yet complete.
Overall unemployment continues to decline quickly but remains elevated, particularly for minority workers.
Labor force participation is generally higher in Colorado and has recovered more fully than the rest of the nation.

Sources: BLS, Haver Analytics
Small businesses employ an outsized share of workers in Colorado, and the recovery among small business has only recently begun to pick up.
Although applications for new small businesses surged in Colorado last year, relatively few of these businesses are likely to hire employees.

Sources: U.S. Census Bureau
Workers feel confident about seeking new employment opportunities and are quitting their current jobs at historic rates
Wage growth is showing some signs of moderating generally, but remains elevated for low-skill jobs by historical standards.

Sources: Current Population Survey, Staff, NBER, Haver Analytics

Notes: Grey bars indicate recession shading
In addition to wage pressures, cost pressures for materials at various stages of production are elevated due to supply constraints.
House prices continue to rise while overall housing cost indices are growing at subdued rates

Sources: BEA, Zillow, NBER, Haver Analytics
Inflation currently exceeds the Federal Reserve’s 2 percent target

Sources: BEA, NBER, Haver Analytics
Notes: Grey bars indicate recession shading
Recent projections from the FOMC for the median participant indicate expectations for stability in the rate environment through 2022.
Looking forward

• Uncertainty about the outlook is rising, potential leading to some precautionary behavior that will moderate the speed of the recovery

• Although household savings and business cash holdings are somewhat elevated, risks remain tilted to the downside

• The stance of monetary policy remains accommodative