

Economic Conditions and Outlook

October 15, 2021 – Pueblo Economic Forum

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

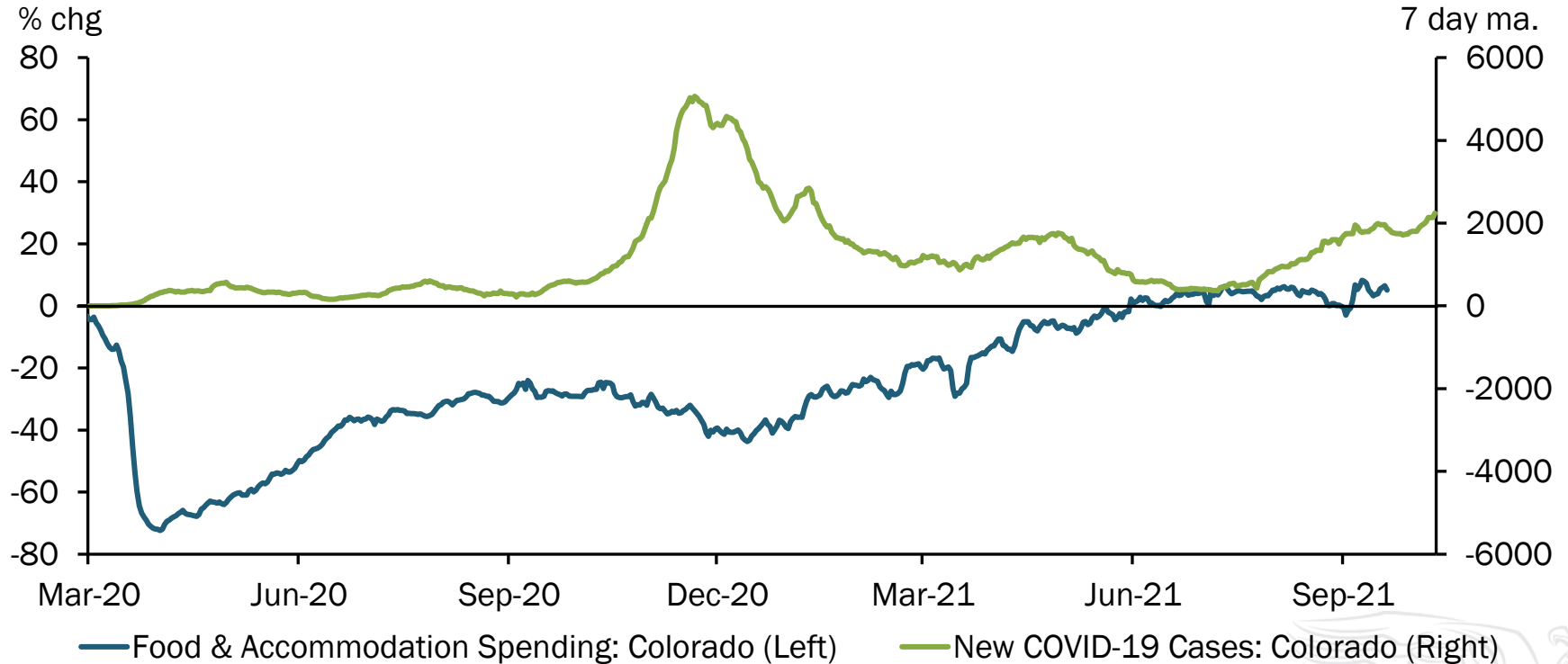


Outlook themes

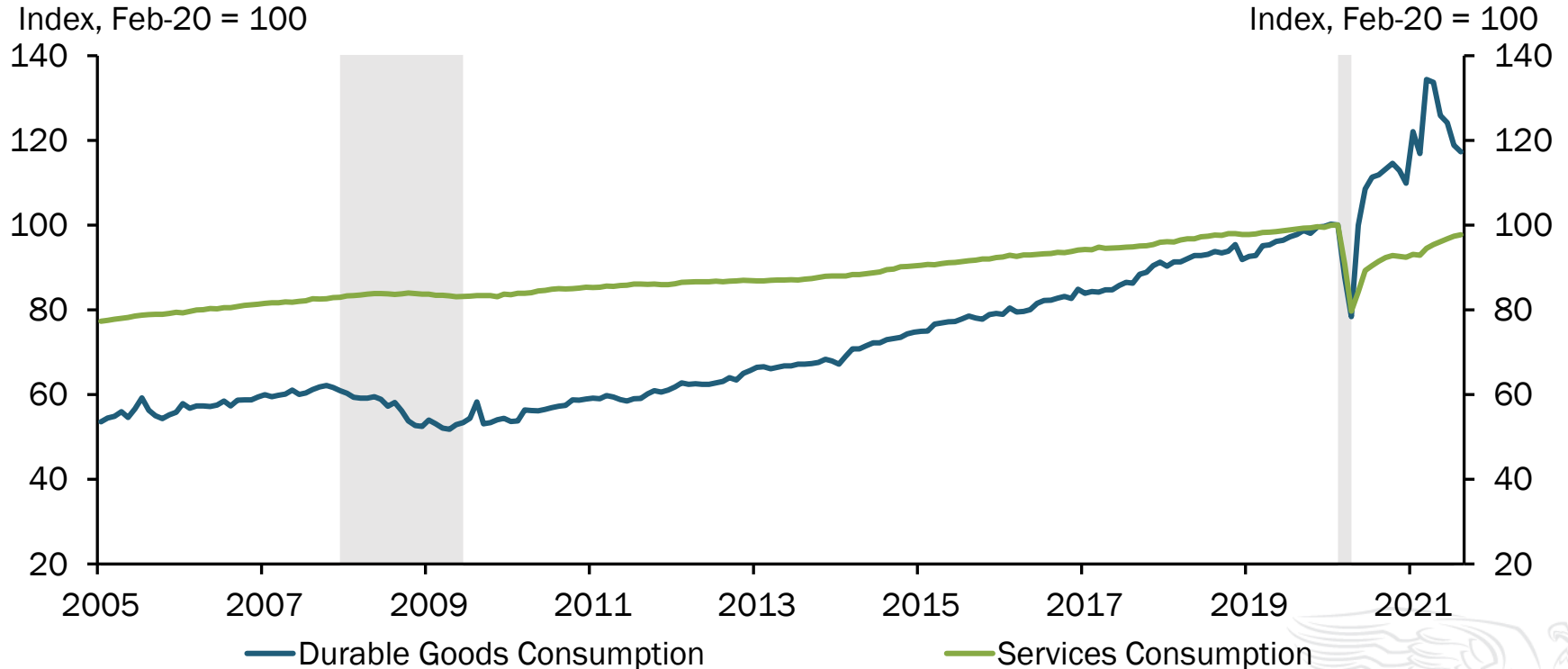
- Consumers have generally continued to spend as the Delta variant emerged but employment growth slowed nationally, particularly in some pandemic-sensitive sectors
- Recovery in employment has been uneven between small and large businesses, as well as across demographic groups
- Cost pressures are elevated and inflation is currently running above 2 percent



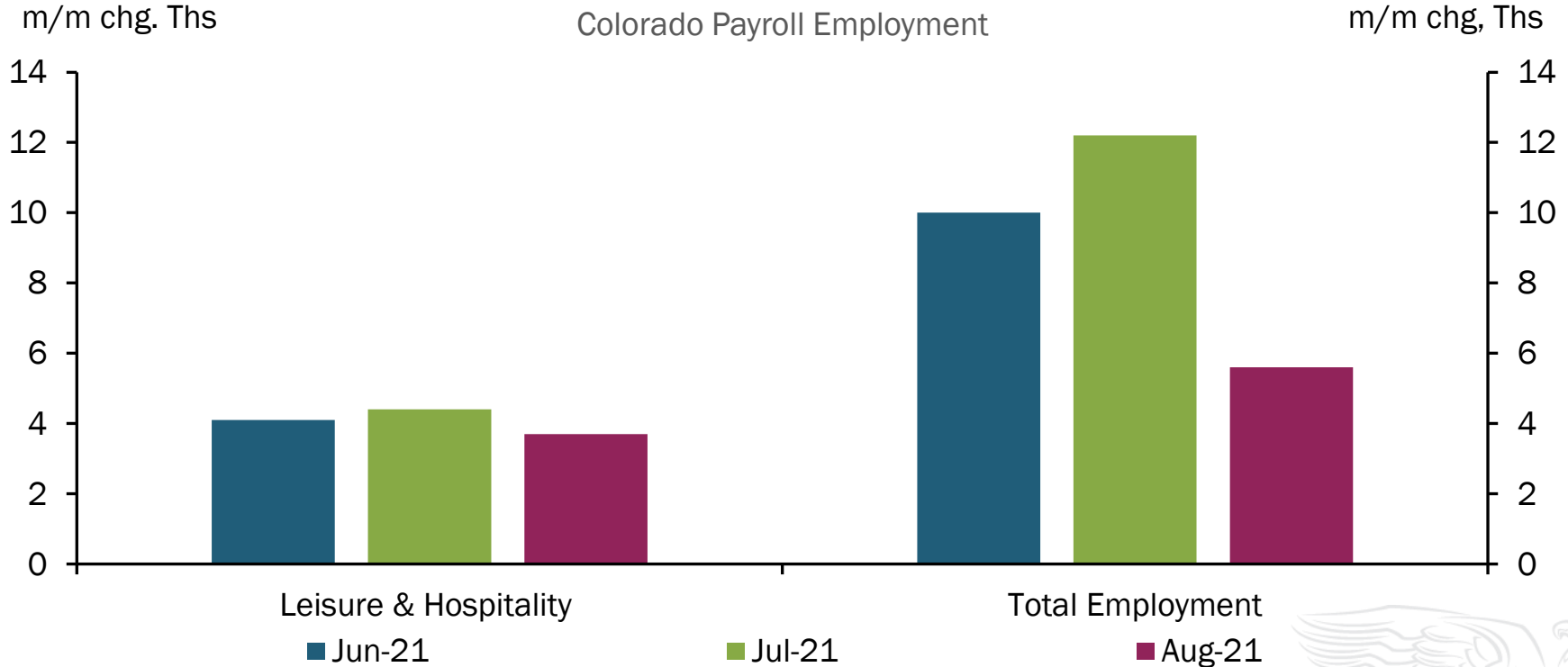
Consumer spending has been more resilient during the Delta wave compared to previous waves of the pandemic



Consumer spending on goods is moderating from its surge during the pandemic, while spending on services is still recovering

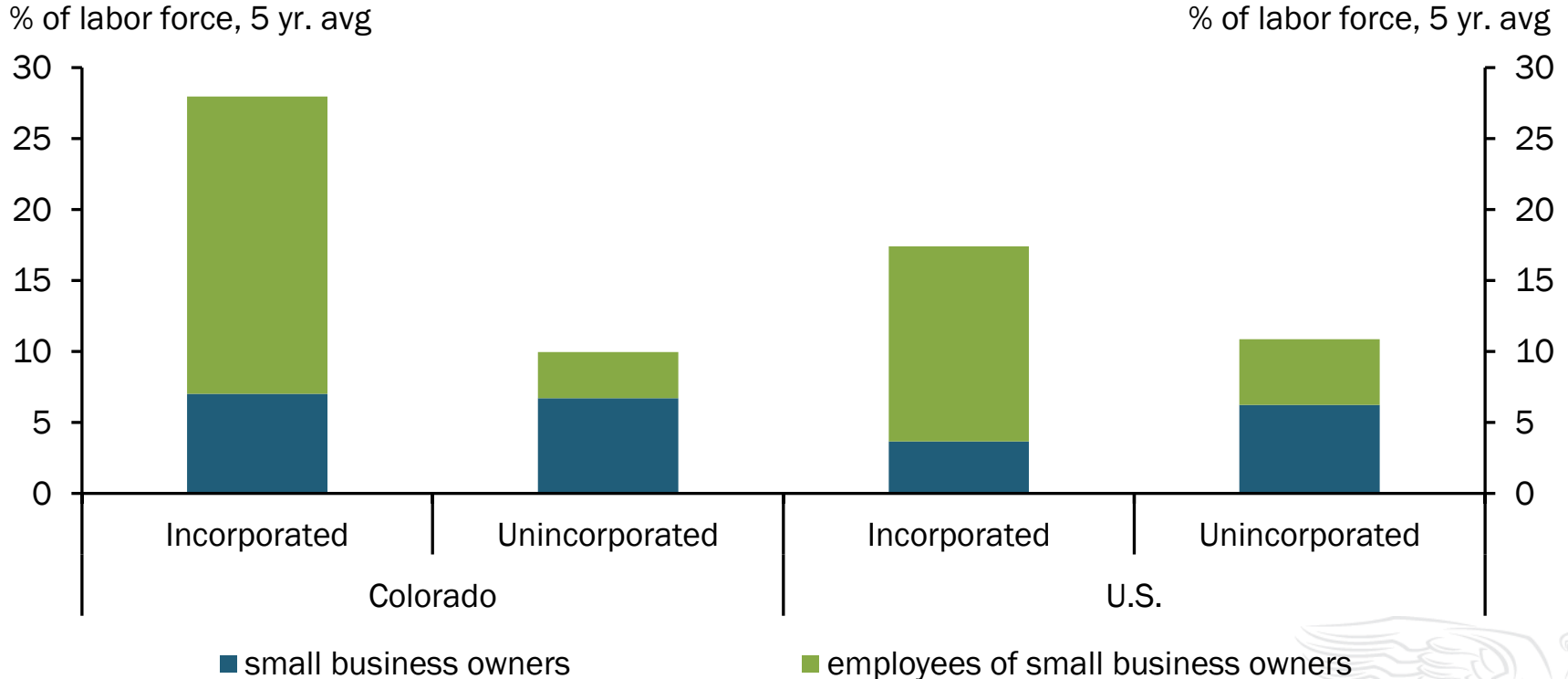


Job gains slowed in August, though Colorado's leisure and hospitality sector is outpacing national averages in its recovery

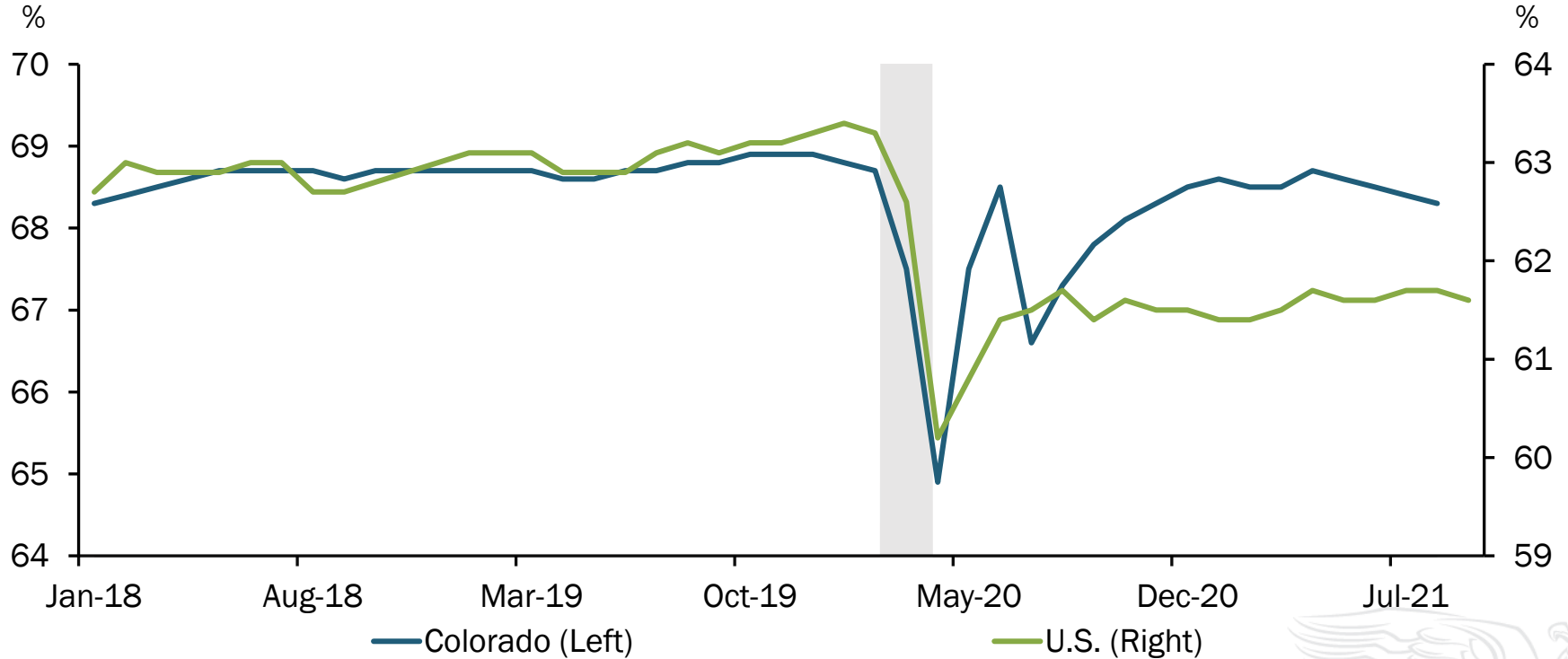


Sources: BLS, Haver Analytics

Recovery among small businesses, which account for a substantial share of employment in Colorado, has only recently begun to pick up

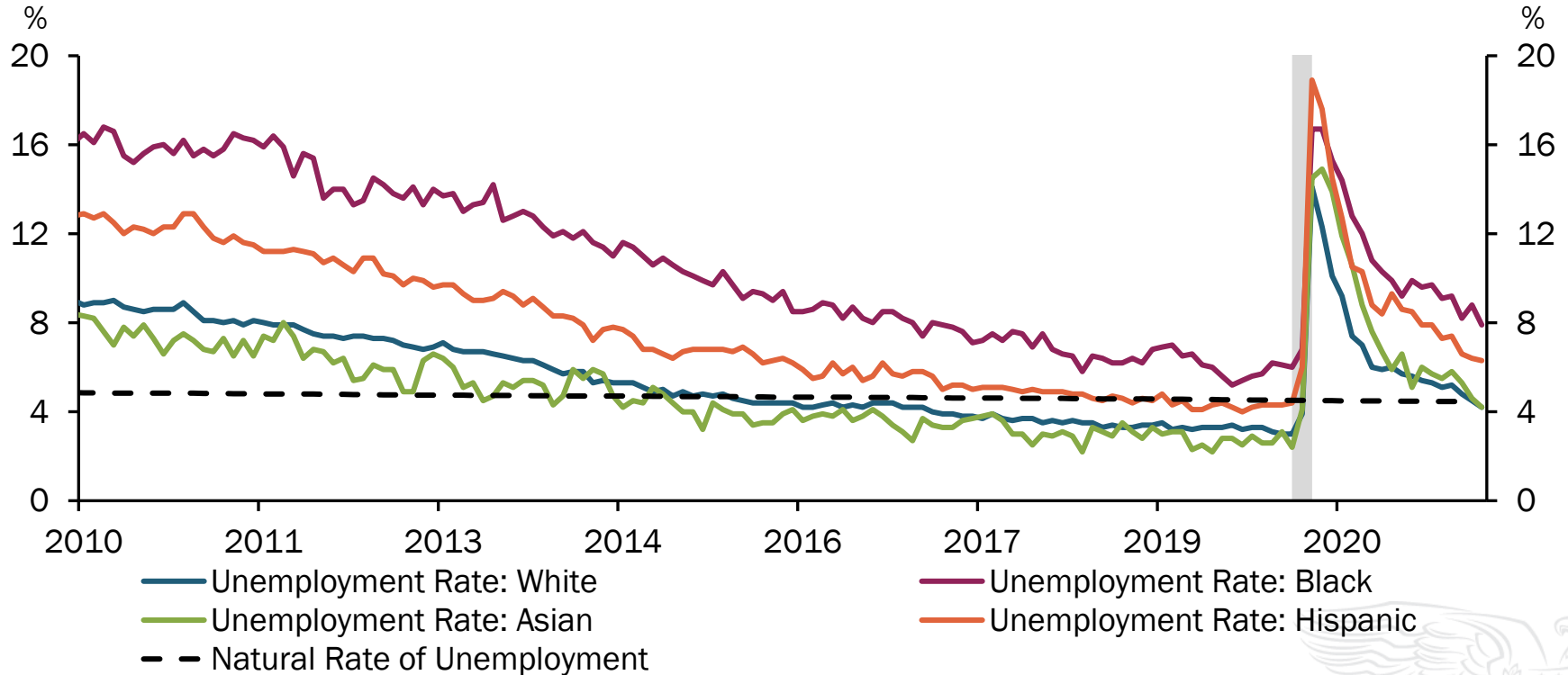


Labor force participation is generally higher in Colorado and has recovered more fully than the rest of the nation



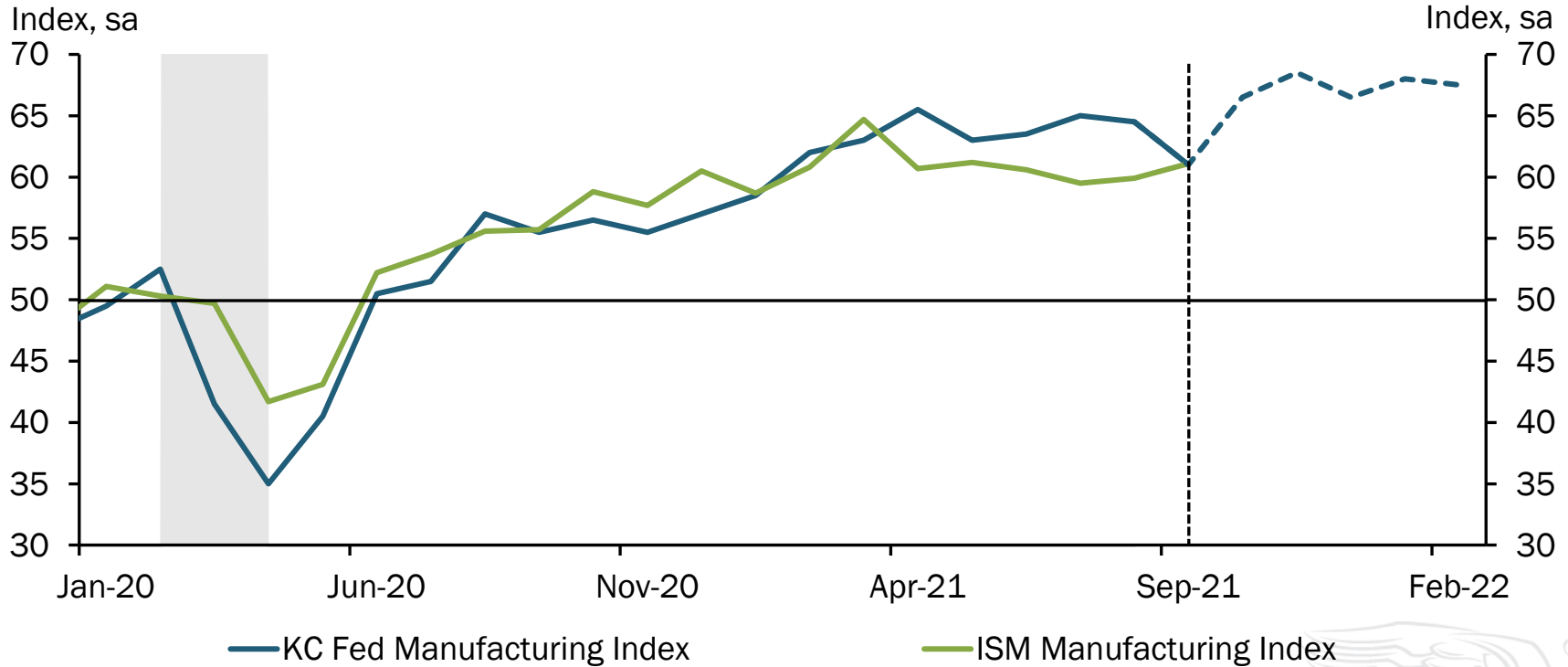
Sources: BLS, NBER, Haver Analytics
 Notes: Grey bars indicate recession shading.

Overall unemployment continues to decline but remains elevated, particularly for some minority workers



Sources: BLS, Haver Analytics
 Notes: Grey bars indicate recession shading

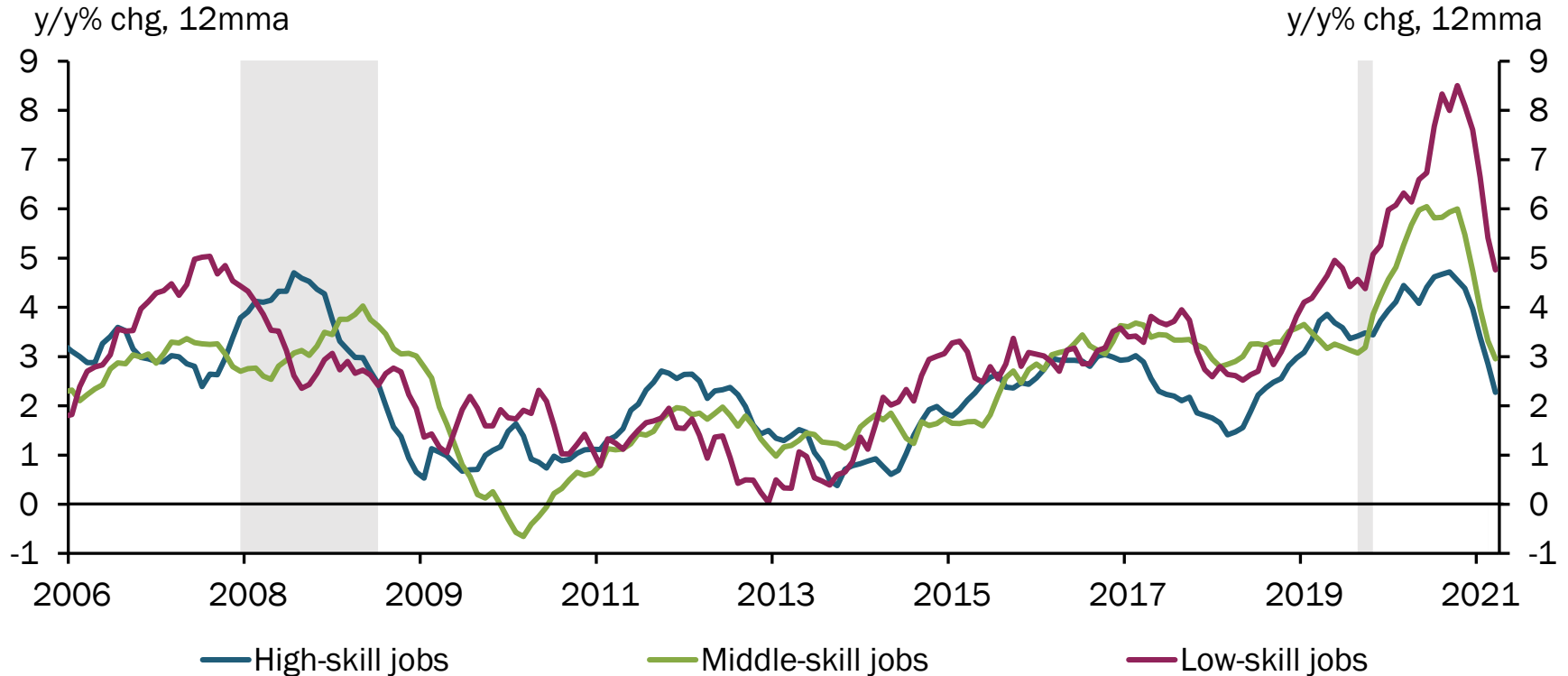
Manufacturing activity continues to expand, but at a slower rate than during the first half of the year



Sources: ISM, KC Fed, NBER, Haver Analytics

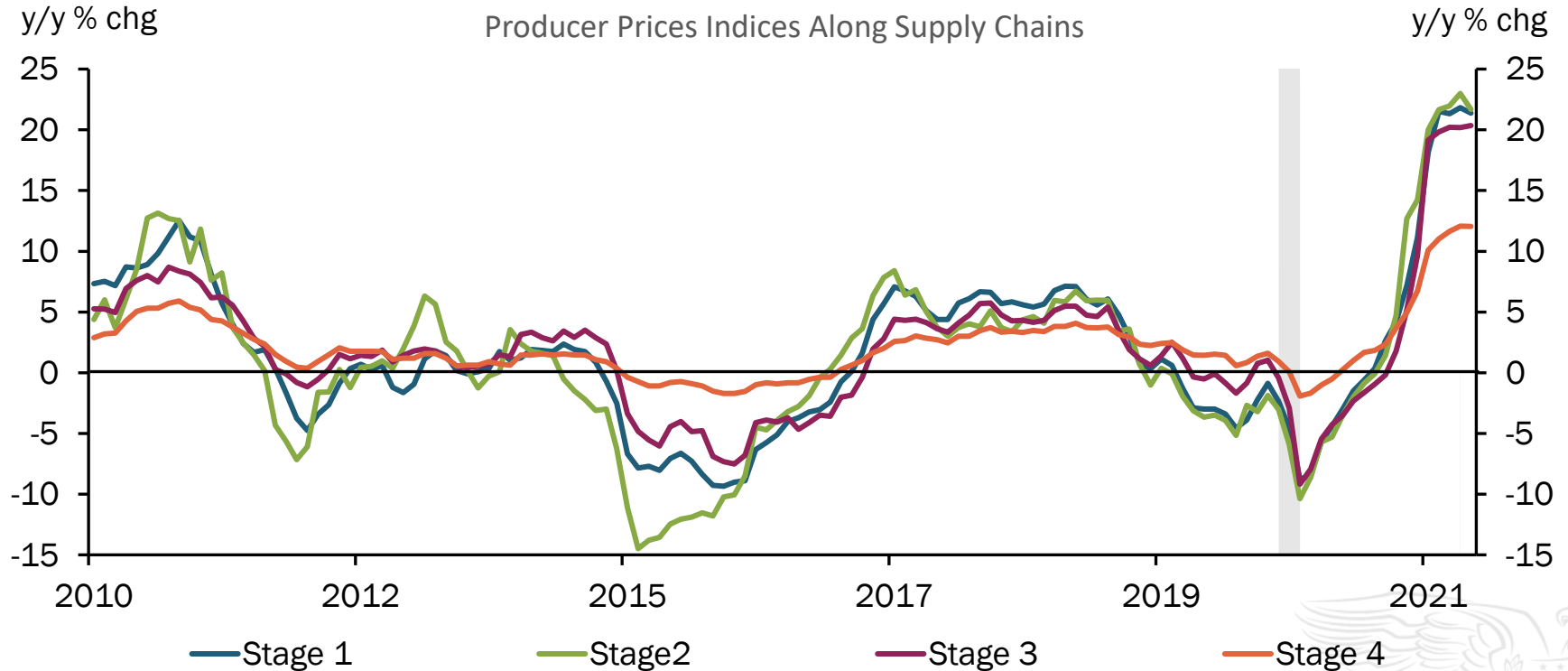
Notes: An index level above 50 indicates the level of activity is increasing. Grey bars indicate recession shading.

Wage growth is showing some signs of moderating generally, but remains elevated for low-skill jobs by historical standards

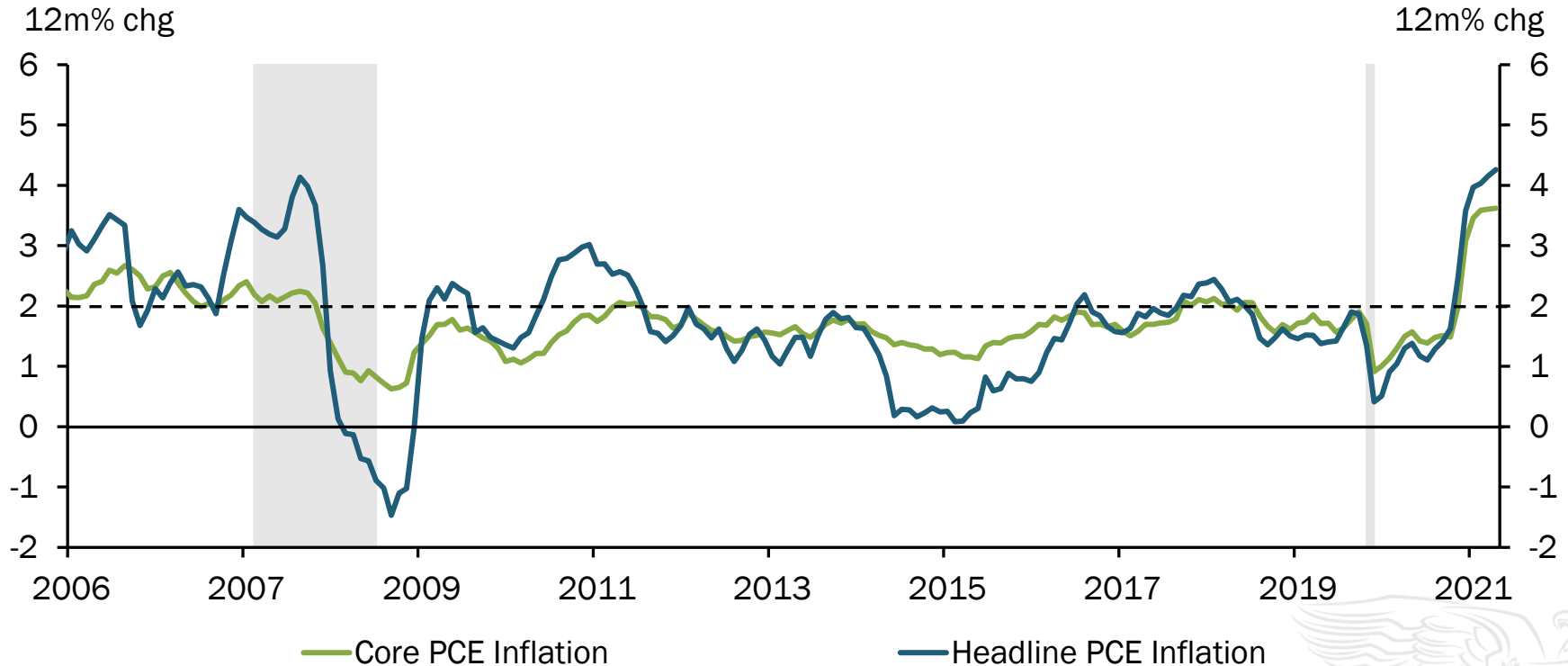


Sources: Current Population Survey, Staff, NBER, Haver Analytics
 Notes: Grey bars indicate recession shading

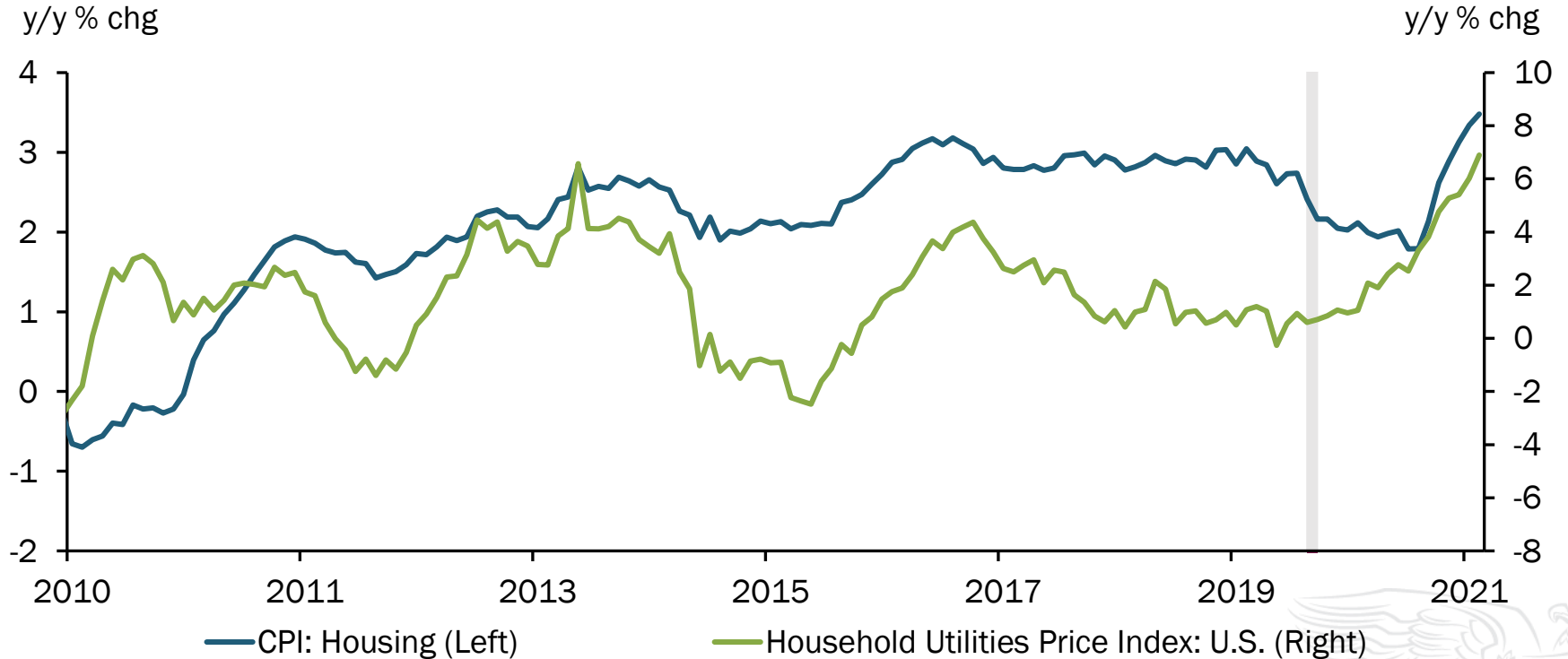
In addition to wage pressures, cost pressures for materials at various stages of production are elevated due to supply constraints



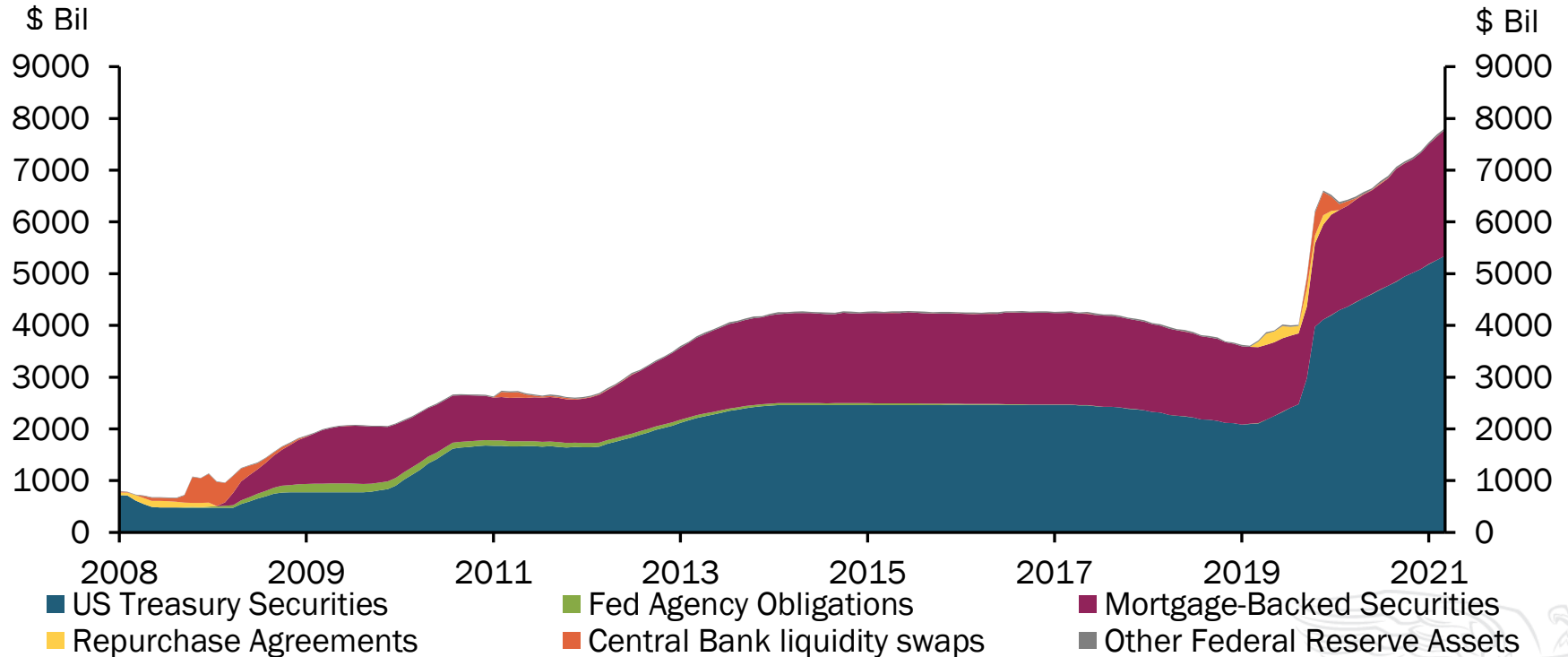
After running below 2 percent for some time, inflation currently exceeds the Federal Reserve's target



Housing price growth slowed somewhat during the pandemic, but began to pick up earlier this year



The Fed could begin to taper asset purchases that supported smooth market functioning if the outlook continues to meet expectations



Looking forward

- Uncertainty about the outlook is rising, potentially leading to some precautionary behavior that will moderate the speed of the recovery
- So far, consumer spending has remained resilient into the Delta wave of the pandemic
- Some cost pressures that were tied to disruptions during the pandemic are showing signs of moderating, but overall inflation remains above its 2 percent target



