Economic Conditions and Outlook

January 6, 2022 – Rocky Mountain Association for Financial Planners and Colorado Chartered Financial Analysts

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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

• Consumer activity, leisure travel and consumer confidence remain strong, albeit with persistent shifts away from spending at entertainment venues and in city centers.

• Contacts expect wage growth to be robust through next year, with additional pressures coming from labor costs associated with benefits aimed at retention and recruitment.

• Businesses in the KC Fed region appear to be more exposed to price pressures from supply chain disruptions than other parts of the country.

• Unemployment rates continue to decline and inflation is currently running above 2 percent.
Consumer spending was generally resilient during the Delta wave, and has been stable through the rise in Omicron cases thus far.
The recovery in leisure and hospitality employment has moderated, while job growth in transportation and professional services is accelerating.
Overall unemployment continues to decline

Unemployment Rate: White

Unemployment Rate: Black

Unemployment Rate: Asian

Unemployment Rate: Hispanic

Natural Rate of Unemployment

Sources: BLS, Haver Analytics
Notes: Grey bars indicate recession shading
Businesses expect larger wage increases than in previous months

What percentage wage gains does your firm expect for the coming year?

Manufacturing

Services
Non-wage labor costs are also expected to grow through 2022

What percentage change in labor costs does your firm expect for the coming year?

Manufacturing

Services

Sources: KC Fed Surveys
Business activity continues to expand and confidence remains elevated

Diffusion Index

Sources: KC Fed Surveys, Haver Analytics
Notes: An index level above 50 indicates the level of activity is increasing.
Demand for imported materials and inputs is growing rapidly, especially among Colorado businesses

![Total Goods Imports Graph]

Index, 100 = Jan 2019

Source: U.S. Census Bureau
Tenth District businesses appear relatively more exposed to price pressures from global supply chain disruptions.

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Change in Share of Import Charges (2019 – 2021)
Housing prices grew quickly and broadly throughout 2021

Sources: BEA, NBER, Haver Analytics
Notes: Grey bars indicate recession shading
Some drivers of residential real estate valuations in the Tenth District are likely to persist, such as shifts in mobility patterns.

Sources: Zillow, Google COVID-19 Mobility Data, Staff calculations.

Note: Each dot corresponds to an individual county in the KC Fed district with the size of the dot corresponding to its population.
Inflation is running well above the Federal Reserve’s 2 percent target

Sources: BEA, NBER, Haver Analytics
Notes: Grey bars indicate recession shading
Looking forward

- Consumer and business demand remain high, but supply constraints continue to affect economic growth and overall confidence
- Planned capital expenditures and overall expected growth cooled recently, albeit from high levels
- Financial conditions remain accommodative even as monetary policy expectations have adjusted