

Economic Conditions and Outlook

March 22, 2022 – Hispanic Chamber of Commerce of Colorado

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

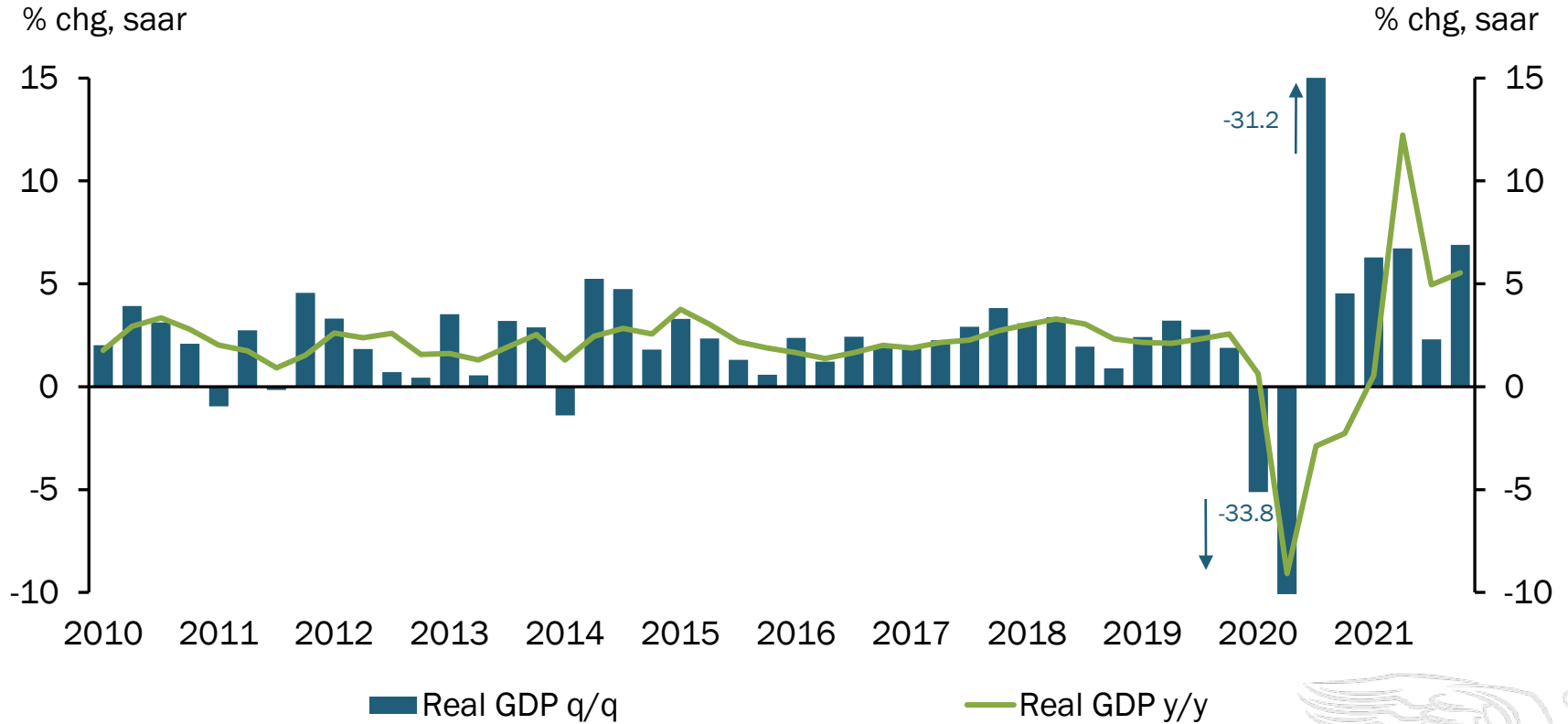


Outlook themes

- Economic growth and labor market conditions are strong, but high inflation remains key challenge for households and businesses
- Inflation pressures have persisted and are becoming more broad-based, with renewed pressures stemming from geopolitical developments
- Monetary policy has begun to remove accommodation, moving to restore price stability

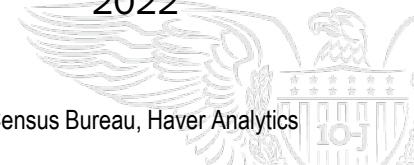
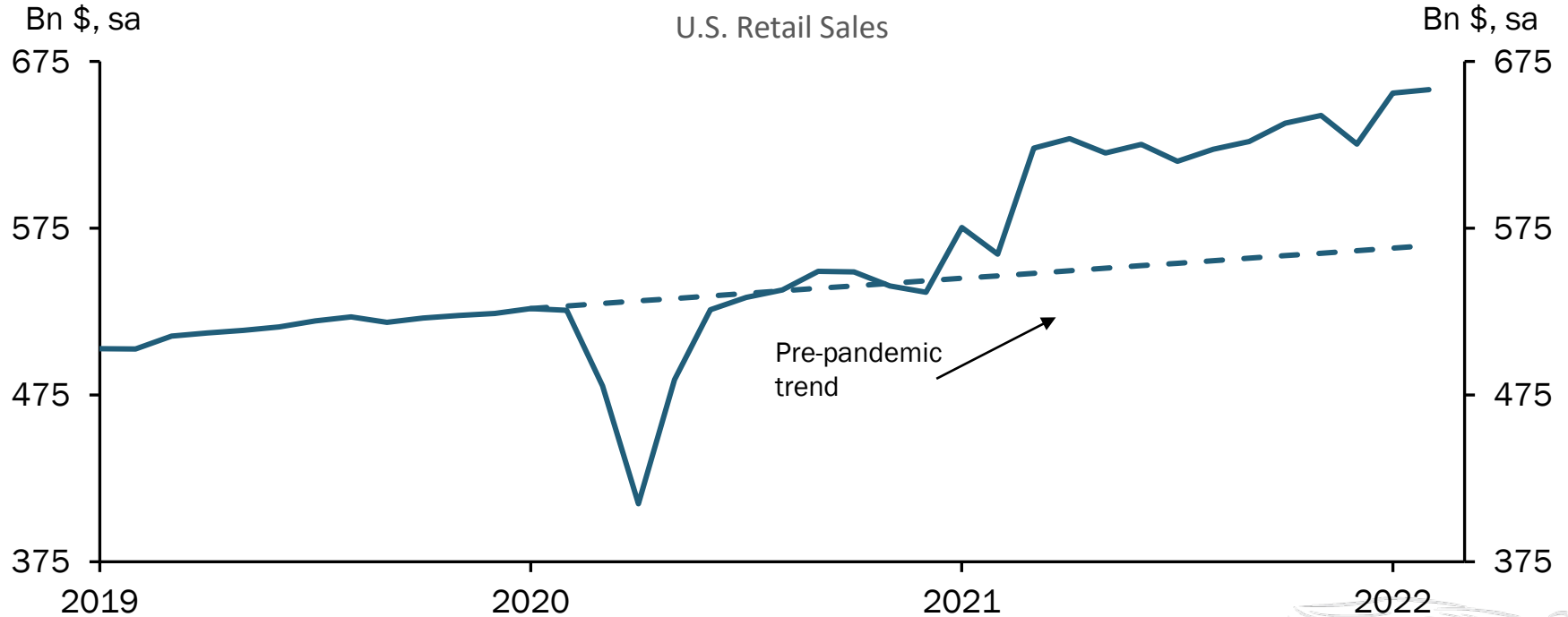


Economic growth continues to be strong with support from consumers

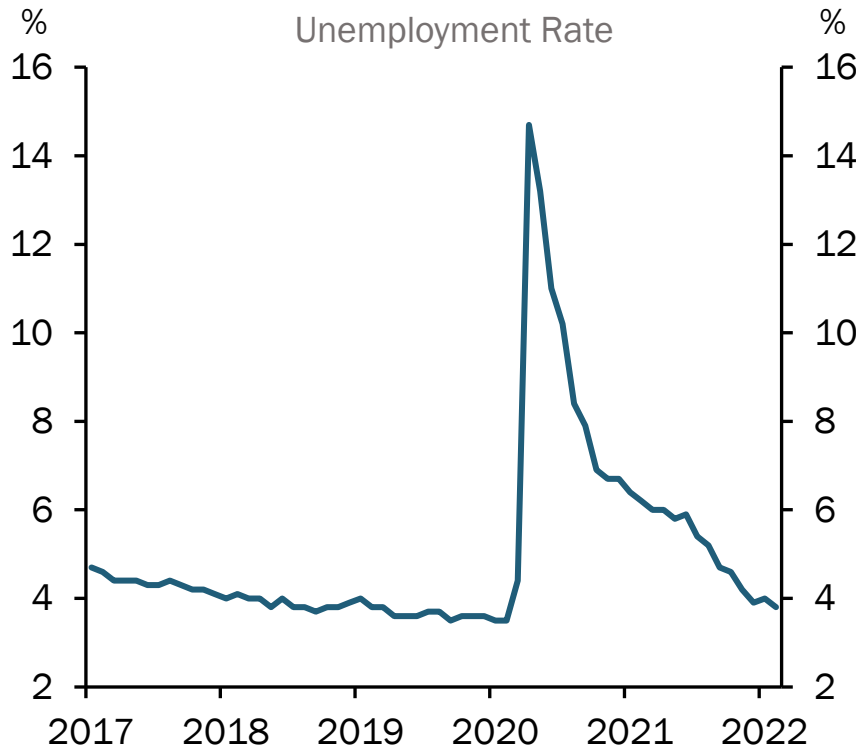


Sources: BEA, Haver Analytics

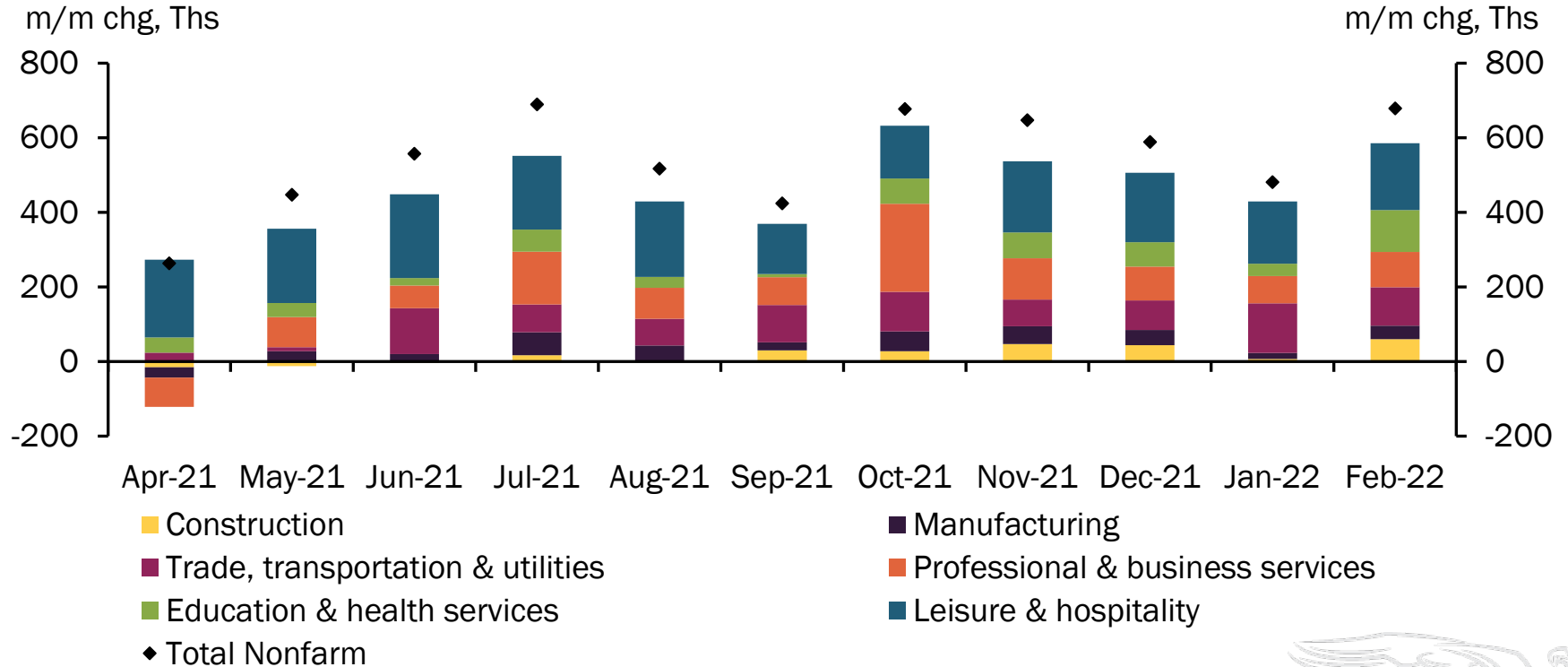
Consumer demand for services has recovered and spending on goods remains elevated



Household consumption is supported by strong labor market conditions



Job gains remain strong and broad-based across sectors



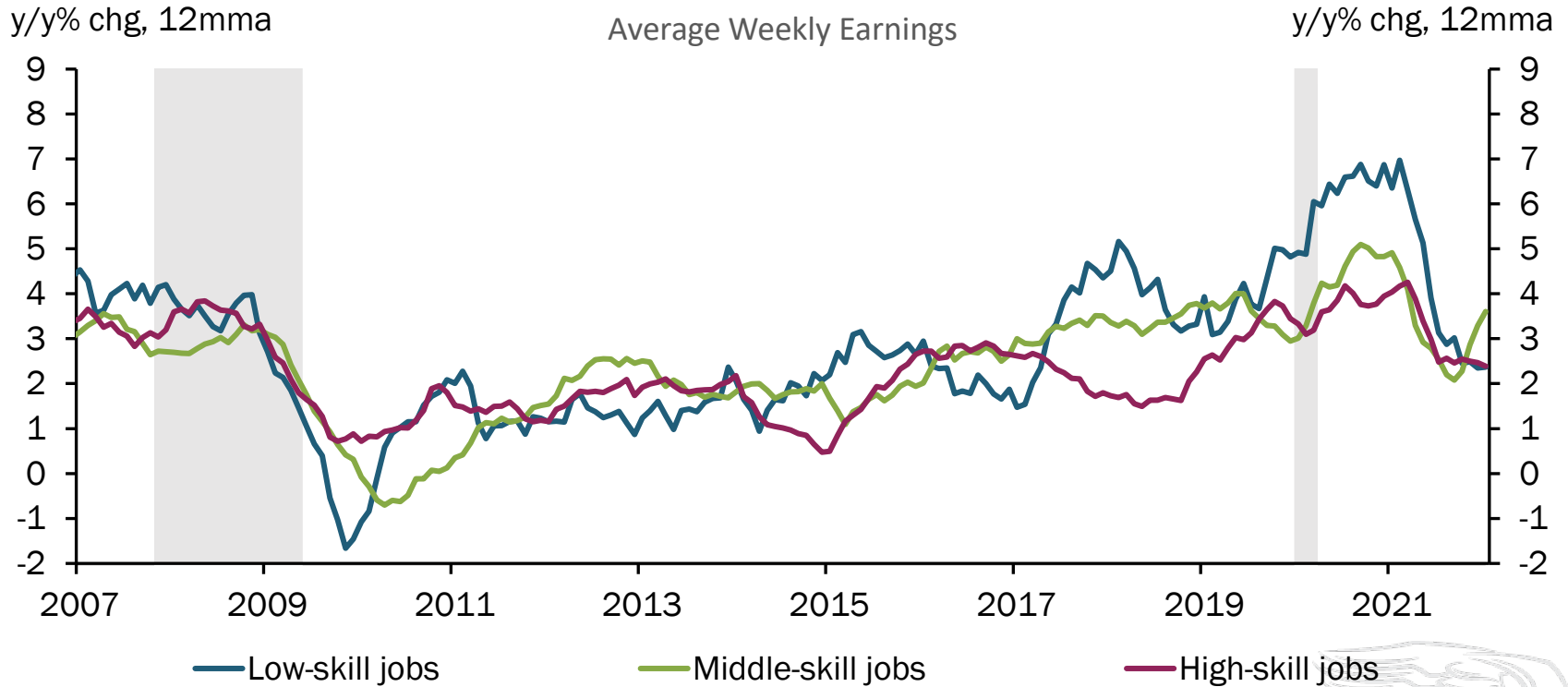
Sources: BLS, Haver Analytics

Job openings are well above the number of workers seeking employment

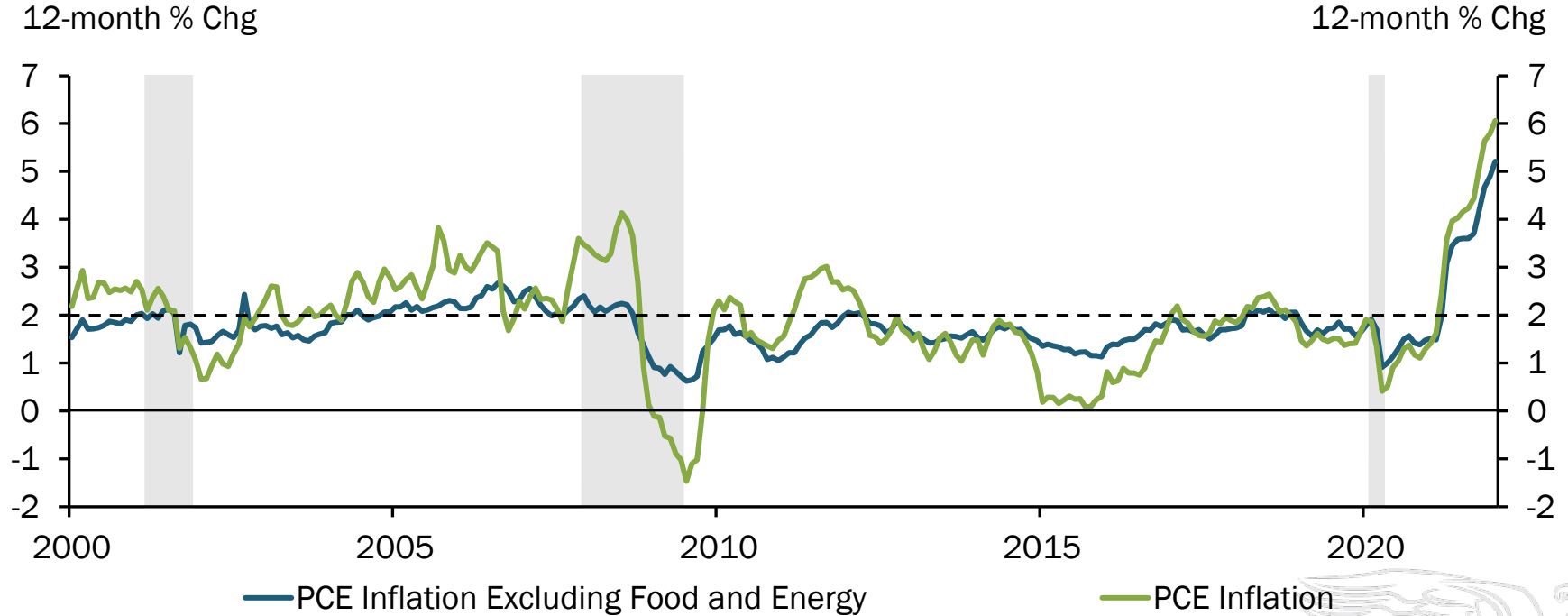


Sources: BLS, Haver Analytics
Note: Grey bars indicate recession shading

Strong labor market conditions are supporting wage gains for workers

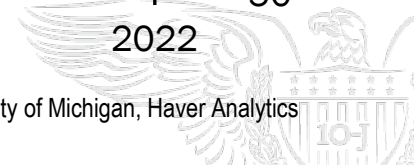
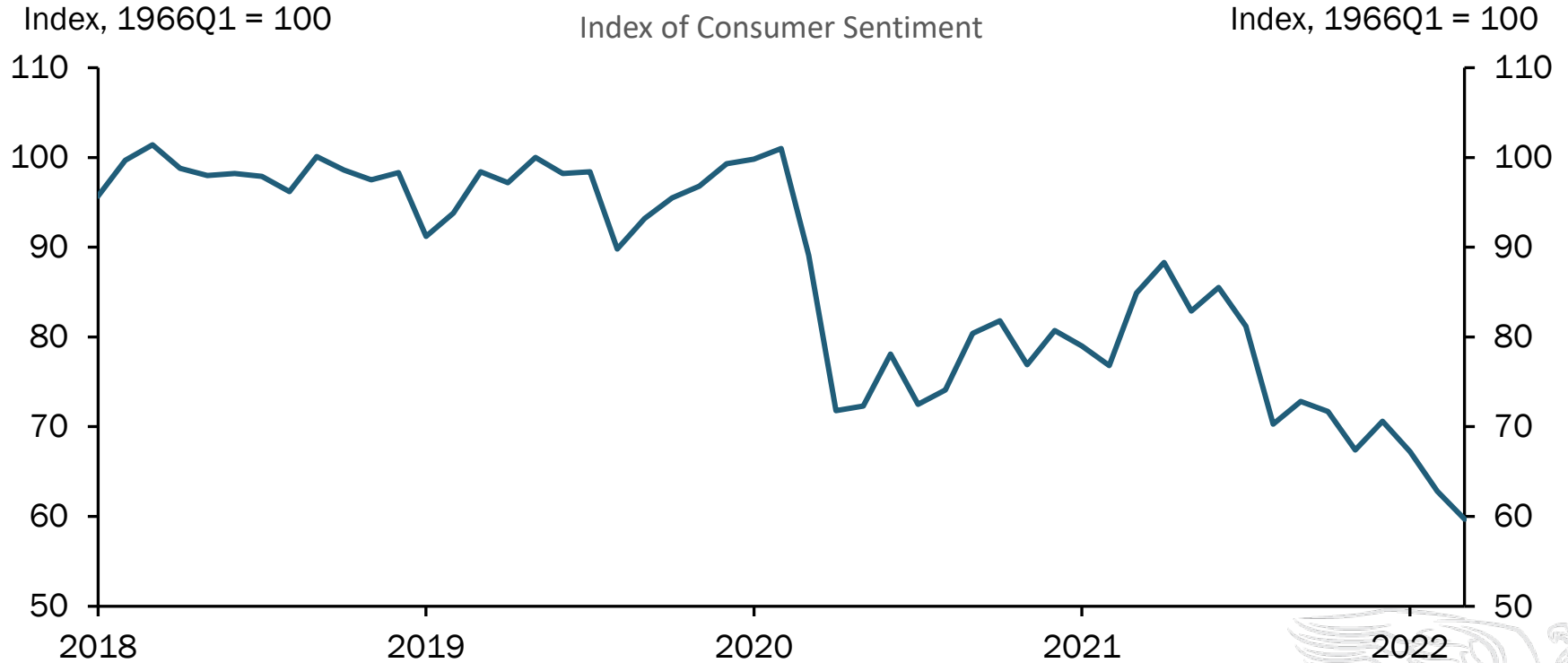


Despite economic strength, inflation poses many challenges for households and for businesses

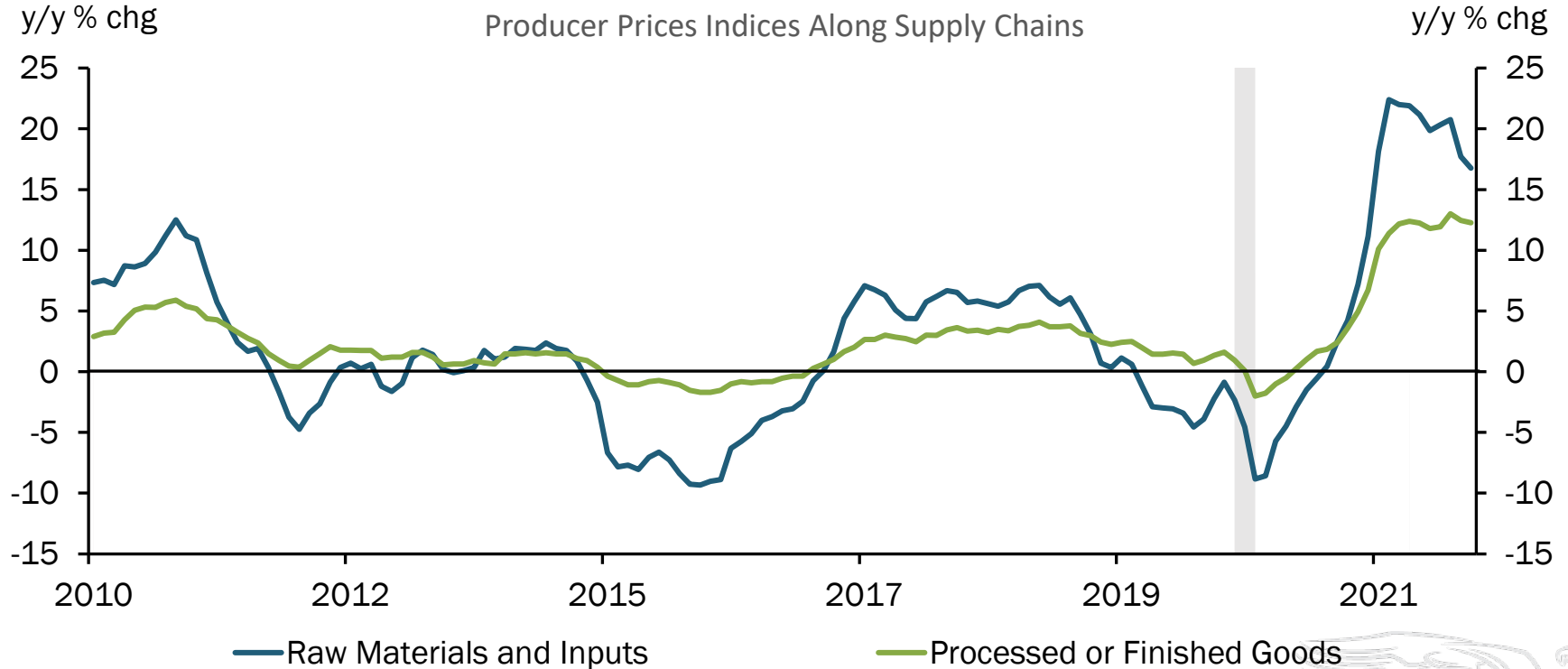


Source: BEA, Haver Analytics
 Note: Grey bars indicate recession shading

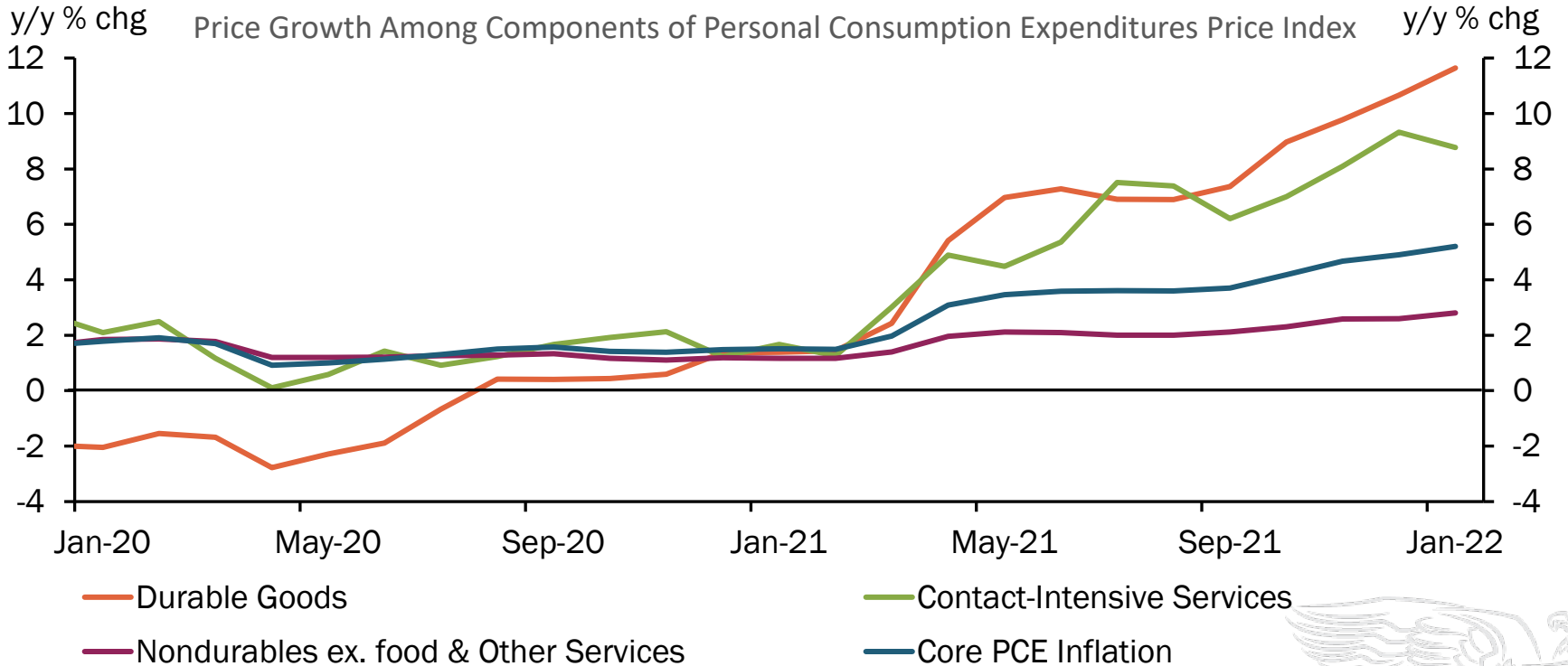
High inflation is weighing on consumer sentiment



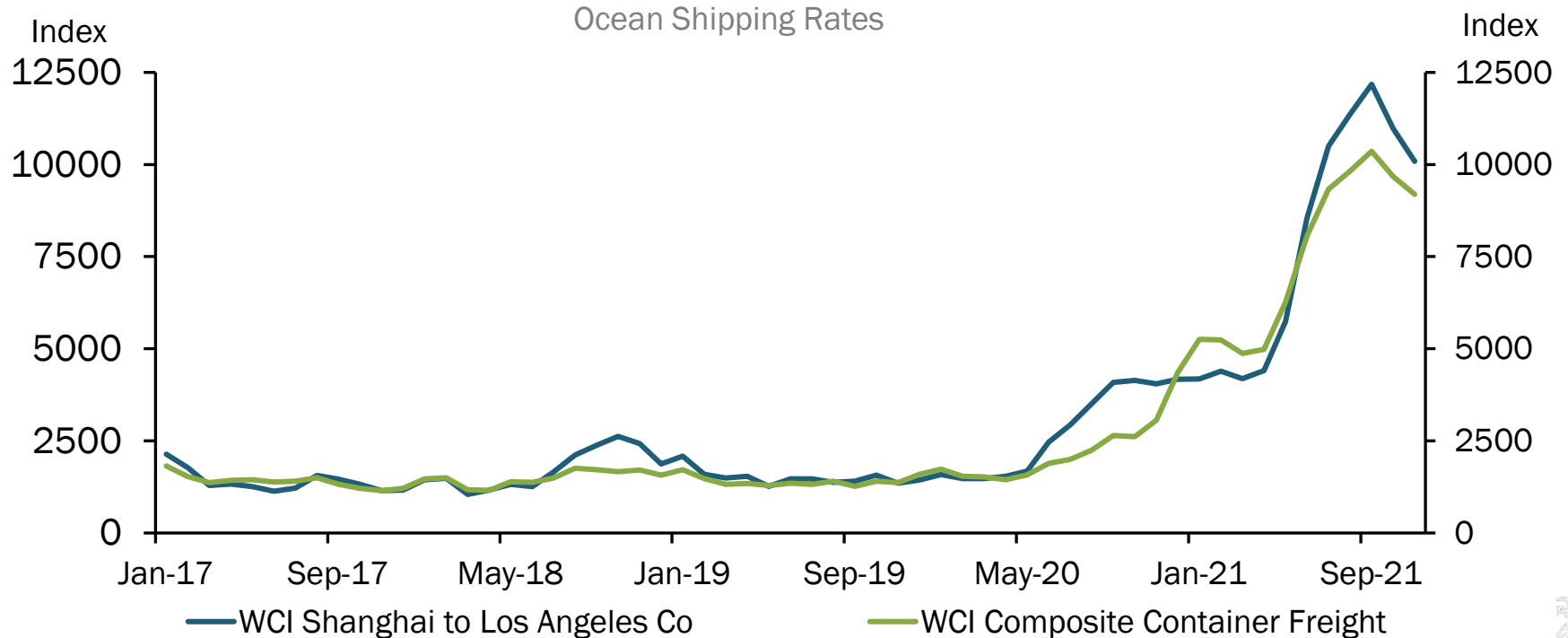
Higher materials costs are headwinds to profitability for businesses



Some inflation pressures are likely to moderate in coming months, in particular for durable goods and some pandemic-sensitive services

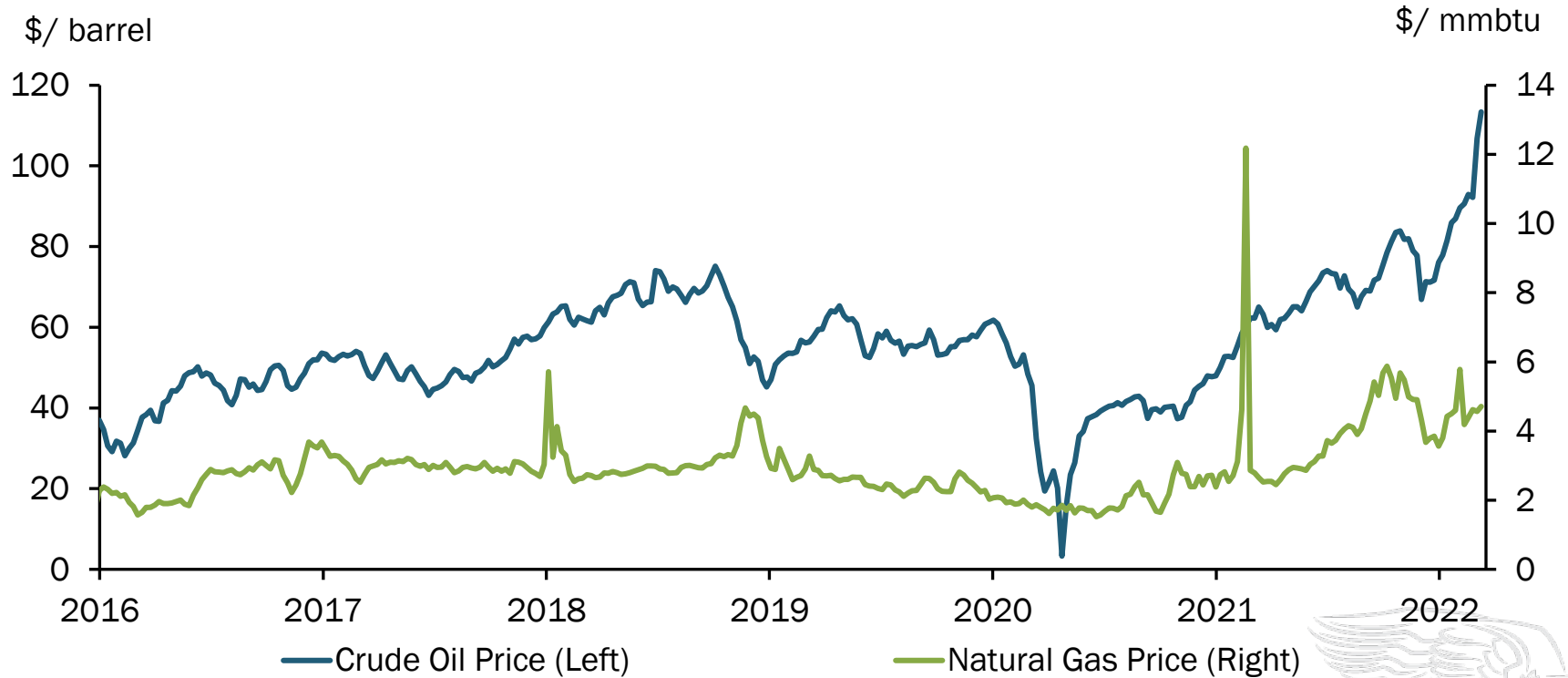


Other inflation pressures are likely to persist further, such as shipping and transportation costs

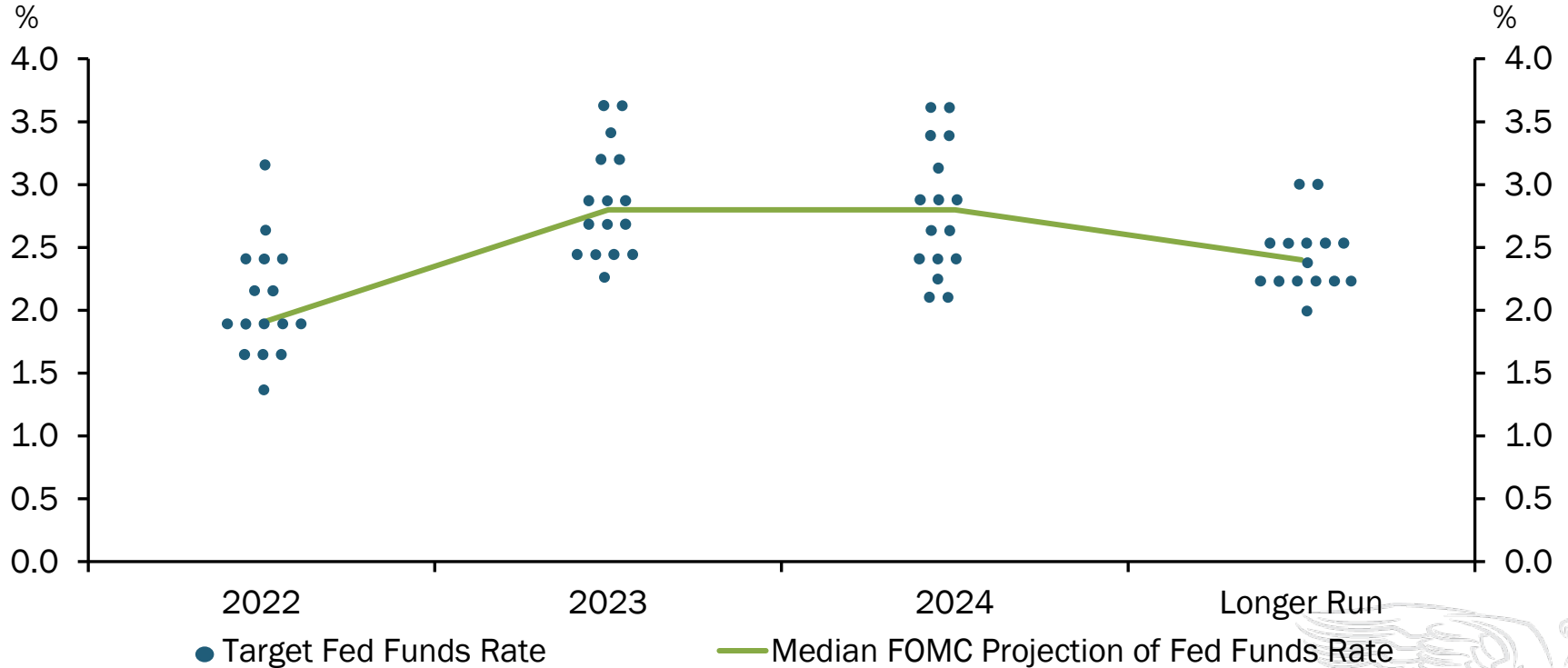


Sources: Bloomberg

Energy prices that affect household utilities costs and gasoline prices rose amid geopolitical developments in Europe



Interest rates are projected to normalize and rise in order to ease inflation pressures over the coming years



Looking forward

- Strong labor market conditions are likely to continue providing support for consumer activity and overall economic growth
- Although some inflation pressures are likely to moderate in coming months, healthy demand and new developments affecting food and energy prices are motivating policy responses
- Interest rates have begun to rise and focus remains on the pace of removing policy accommodation to restore price stability



