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.
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
Consumer demand for services has recovered and spending on goods remains elevated.
Household consumption is supported by strong labor market conditions

Unemployment Rate

LFPR

Sources: BLS, Haver Analytics
Job openings are well above the number of workers seeking employment

Job Openings to Unemployed Ratio

Colorado

U.S.

Sources: BLS, Haver Analytics
Note: Grey bars indicate recession shading
Tight labor market conditions are supporting wage gains for workers.
Some of recent wage gains are aligned with rising productivity

Sources: Federal Reserve Bank of San Francisco, Haver Analytics
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

Index of Consumer Sentiment

Index, 1966Q1 = 100

Sources: University of Michigan, Haver Analytics
Russia and Ukraine account for a large share of global production and exports in several major commodities

Sources: USDA, EIA, Haver Analytics
For consumers, higher commodity prices have led to large increases in energy and food prices.
Some inflation pressures are likely to moderate in coming months, in particular for durable goods and some pandemic-sensitive services.
Higher materials costs are headwinds to profitability for businesses.
Interest rates are projected to normalize and rise in order to ease inflation pressures over the coming years.
The yield curve flattened in recent weeks, inverting briefly.
The FOMC expects to begin reducing the size of its balance sheet at an upcoming meeting.
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