Economic 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.
Overview

- Inflation is above levels experienced over the last several decades, creating difficulties for many households in meeting regular expenses
- Unemployment is below historical levels, with demand for workers exceeding the still-constrained supply of workers
- Monetary policy continues to tighten, raising interest rates in order to restore price stability
- Indicators from several sectors point to the effects of tighter monetary policy slowing overall demand growth
Inflation remains well-above historic norms and the Fed’s 2 percent target.

Source: BEA, Haver Analytics

Note: Grey bars indicate recession shading.
Over the past year the prices of services began to exert an outsized influence on overall inflation.
And now prices are increasing for almost all goods and services.
More households are experiencing increased difficulty in paying their typical expenses

Share of Households Reporting Difficulty Paying for Household Expenses

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Household Income: Less than $50k</th>
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<tbody>
<tr>
<td>June 2021</td>
<td><img src="chart1" alt="Bar chart for June 2021" /></td>
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<tr>
<td>June 2022</td>
<td><img src="chart2" alt="Bar chart for June 2022" /></td>
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Source: U.S. Census Bureau, Staff calculations
Note: Data was taken during the survey periods June 9 – 21, 2021 and June 1 – 13, 2022
Consumption growth slowed over the past several quarters and business investment declined recently.
Debt burdens are low historically and household balance sheets remained strong early this year, supporting overall consumption.

Sources: Federal Reserve Board, S&P, Haver Analytics

Note: Debt service ratios measure the ratio of debt-service payments relative to household disposable income.
Unemployment rates are at or below pre-pandemic lows

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
Labor demand remains elevated

Job Openings per Unemployed Person

Missing labor force fills vacancies
Missing labor force becomes unemployed

Source: BLS, Haver Analytics, Staff calculations
Note: Grey bars indicate recession shading
While labor supply remains constrained

Labor Force Participation Rate

Source: BLS, Haver Analytics
Note: Grey bars indicate recession shading
The Federal Reserve is moving interest rates to restore price stability

Sources: Federal Reserve Board, Summary of Economic Projections
Measures of production across the region point to declining production, while job growth remains healthy.
Declines in production have been less severe across the country, highlighting regional differences.

ISM Manufacturing Survey Components

- **Production**
  - Q1 2022
  - Apr-22
  - May-22
  - Jun-22

- **New Orders**
  - Q1 2022
  - Apr-22
  - May-22
  - Jun-22

- **Backlog of Orders**
  - Q1 2022
  - Apr-22
  - May-22
  - Jun-22

- **Employment**
  - Q1 2022
  - Apr-22
  - May-22
  - Jun-22

Sources: Institute for Supply Management, Haver Analytics

Note: An index level above 50 indicates the level of activity is increasing.
Expectations for future business activity in the District are softening

Source: KC Fed Surveys

Note: An index level above 50 indicates the expected level of activity is increasing.
The housing market is cooling as the number of existing homes being sold and the number of new homes being constructed are falling.

Source: Zillow, U.S. Census Bureau, Haver Analytics
Business activity is also slowing globally

Purchasing Managers' Index

Sources: S&P Global, Bloomberg

Note: An index level above 50 indicates the level of activity is increasing.
As economic conditions begin to change, financial markets are repricing credit risks.