U.S. and Regional 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.
Structure of the Federal Reserve System

Regional Structure of the “Fed”

• **Board of Governors**: 7 members appointed by U.S. President and confirmed by the Senate

• **Federal Reserve Banks**: 12 Districts that represent the unique economic footprint of their region in national discussions about monetary policy

• **Federal Open Market Committee**: comprised of Regional Fed Presidents and the Board of Governors
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 persistently 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
Over the past year the prices of services began to exert an outsized influence on overall inflation.

![Contributions to Core CPI Inflation](image)

Source: BLS, Haver Analytics
And now prices are increasing for almost all goods and services

Sources: FRB San Francisco, Haver Analytics
More households are experiencing difficulty in paying their typical expenses compared to a year ago.

Share of Households Reporting Difficulty Paying for Household Expenses

- Total
- Household Income: Less than $50k

June 2021 vs. June 2022

Source: U.S. Census Bureau, Staff calculations
Note: Data was taken during the survey periods June 9 – 21, 2021 and June 1 – 13, 2022
Labor demand remains elevated

Job Openings per Unemployed Person

Ratio

2.0
1.6
1.2
0.8
0.4
0.0


Source: BLS, Haver Analytics, Staff calculations
Note: Grey bars indicate recession shading
While labor supply remains constrained
Productivity declined since the beginning of the year, adding to supply constraints of the U.S. economy.
The Federal Reserve is moving interest rates to restore price stability

Federal Funds Rate

% p.a.


Sources: Federal Reserve Board, Summary of Economic Projections
Consumption growth slowed over the past several quarters to its recent trend, as has overall business investment.
Measures of production across the region point to declining activity, while job growth remains healthy.
Declines in production have been less severe across the country, highlighting regional differences.

Sources: Institute for Supply Management, Haver Analytics

Note: An index level above 50 indicates the 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.
Business activity is also slowing globally

Sources: S&P Global, Bloomberg
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