

Economic Conditions and Outlook

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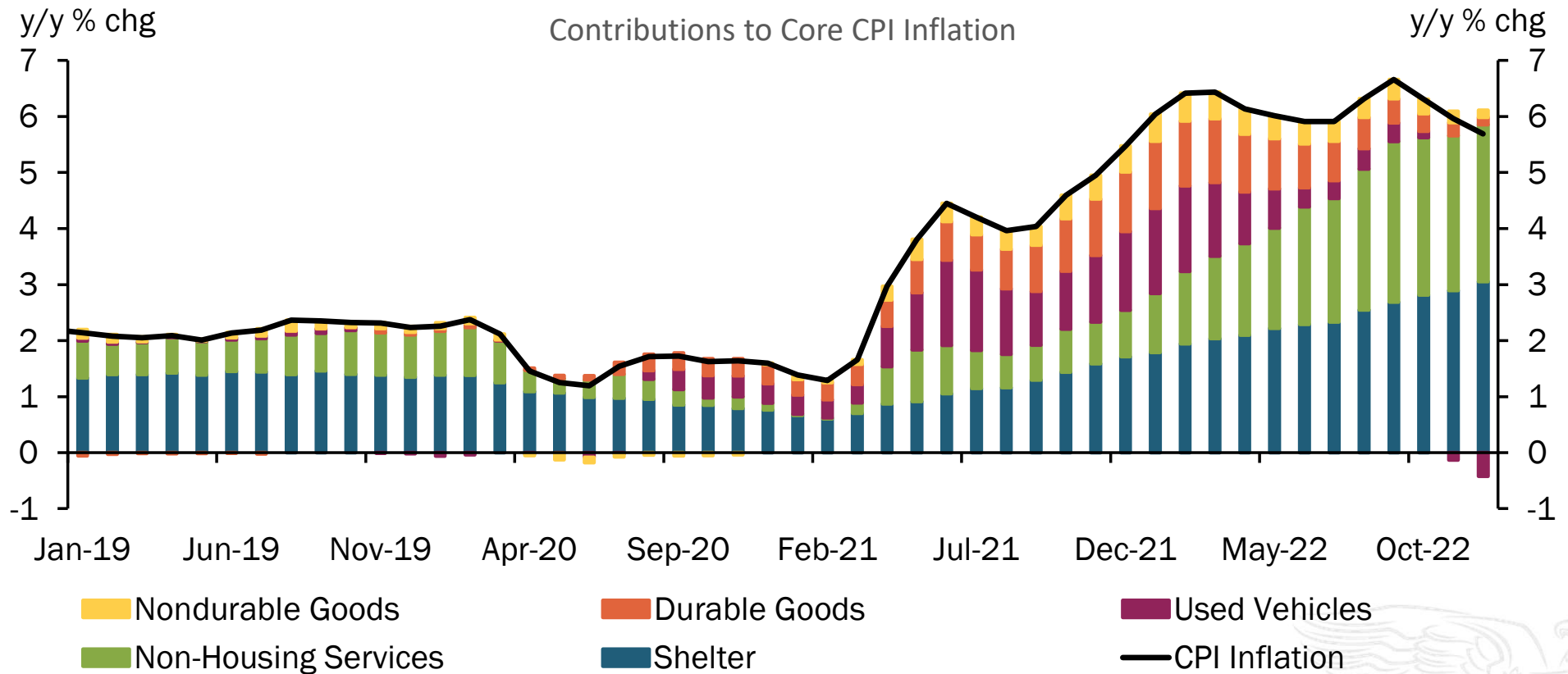


Overview

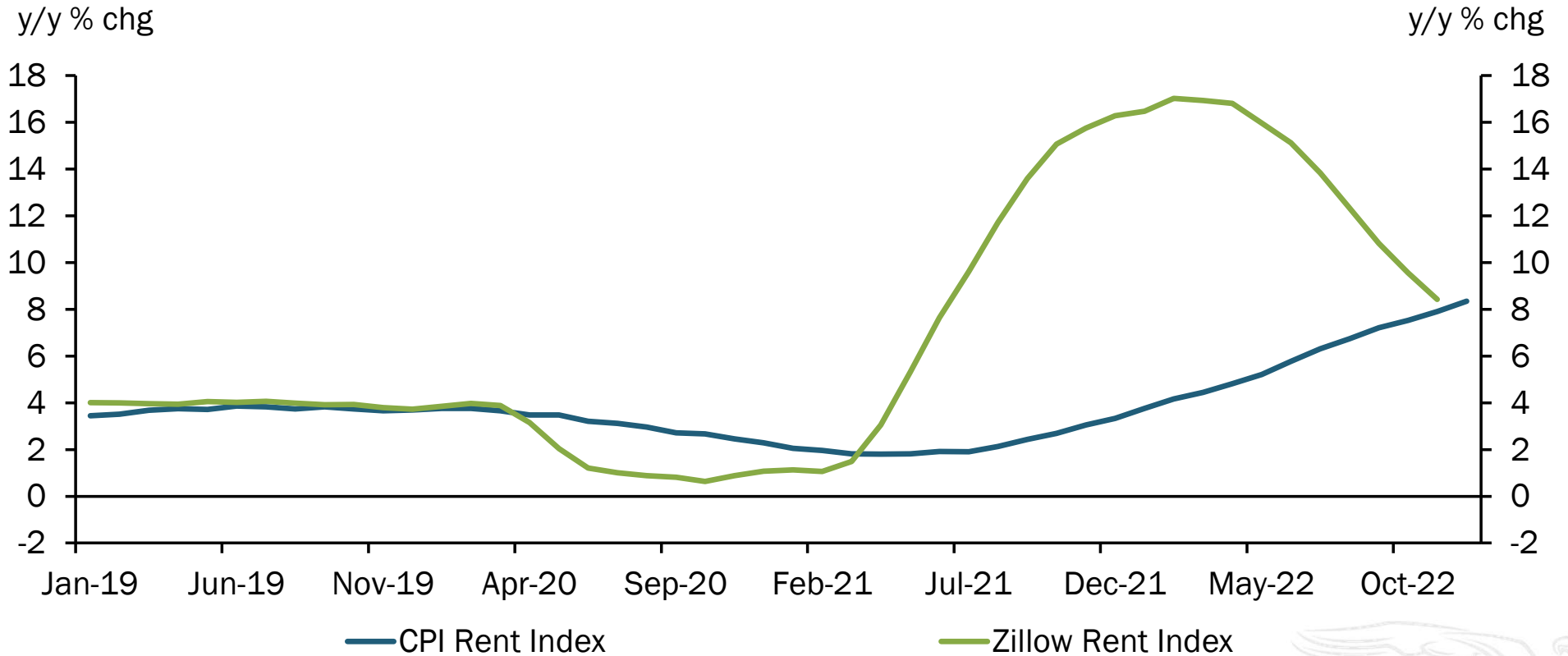
- Inflation pressures continue to rotate toward services that are labor intensive
- Wage pressures remain elevated and labor markets remain tight in several consumer service sectors
- Business investment activities are declining, while consumption growth slowed to trend levels
- The Fed slowed the rate of increases in interest rates recently, even as projections for the duration of time rates are projected to be elevated have lengthened



Housing prices and other labor-intensive services prices continue to exert outsized inflation pressures on core inflation



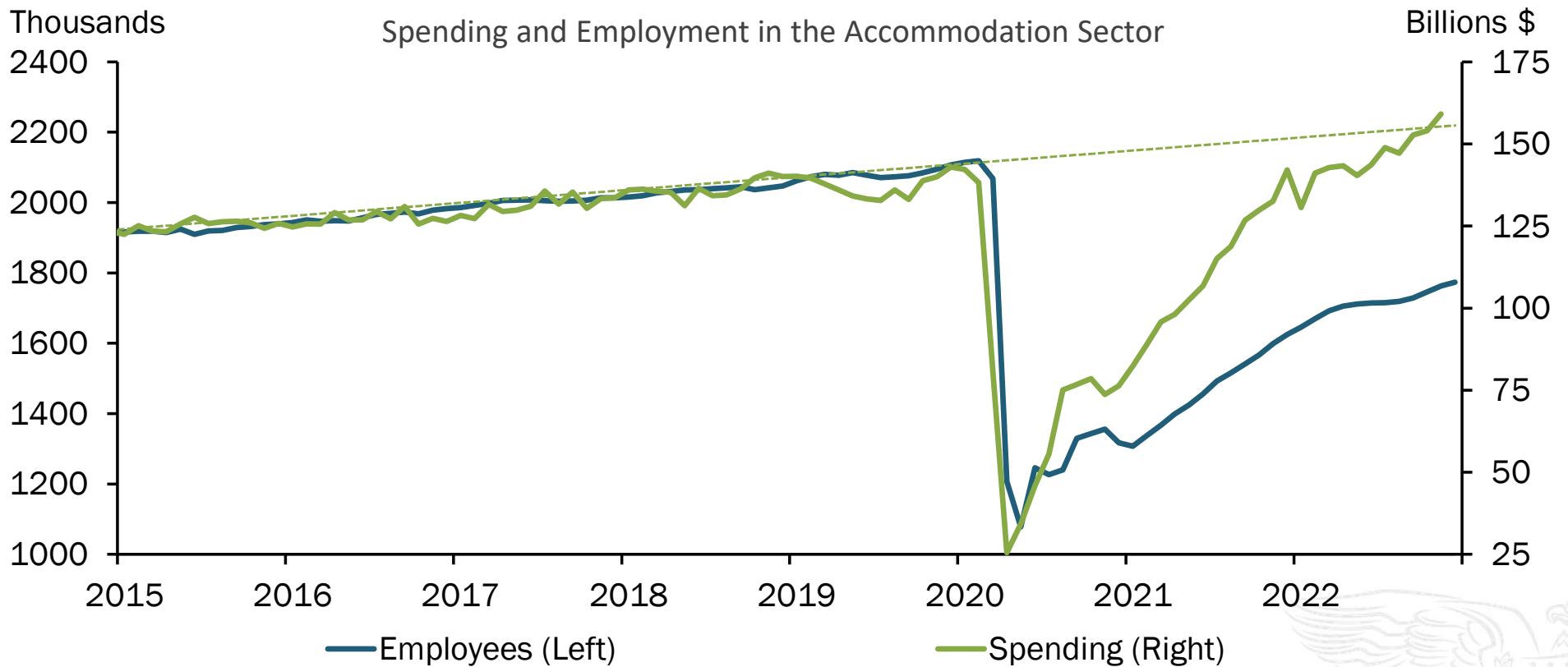
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply momentum in housing price pressures



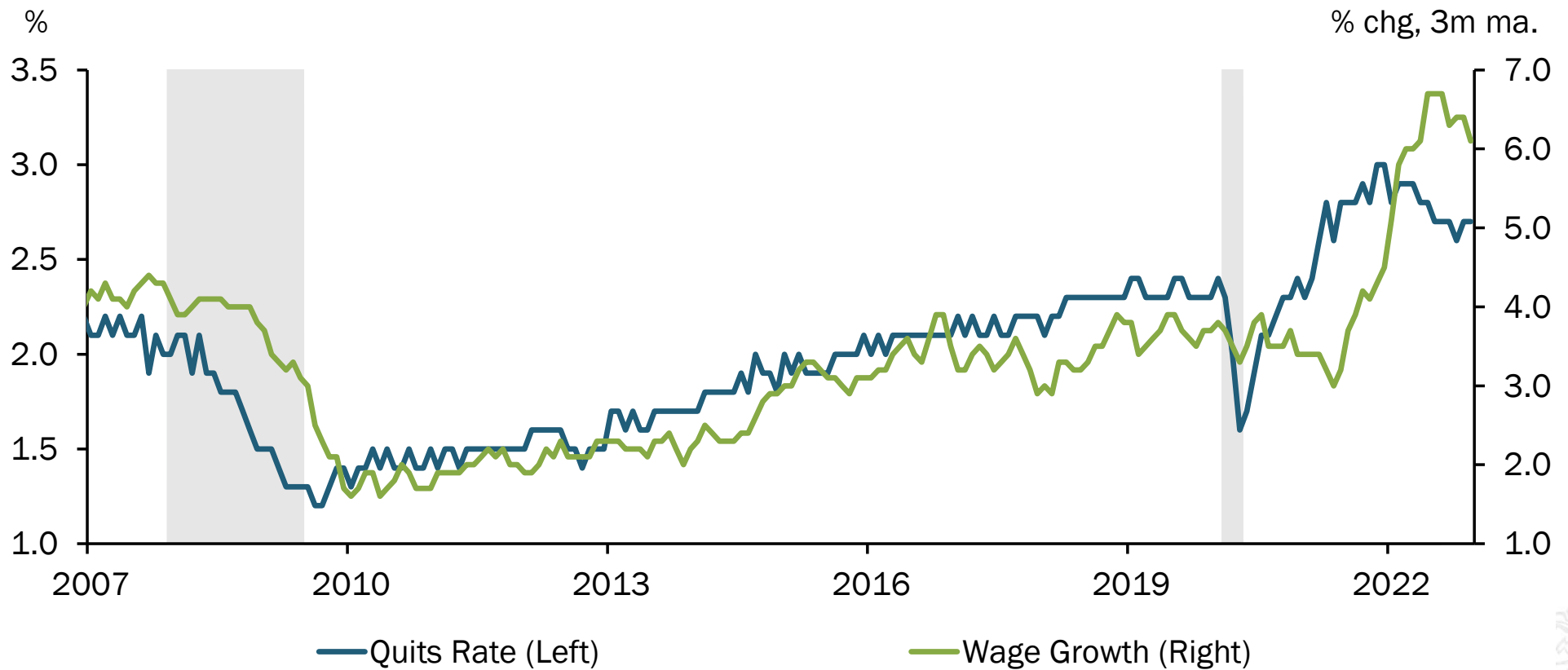
Source: BEA, Zillow, BLS, Staff, Haver Analytics



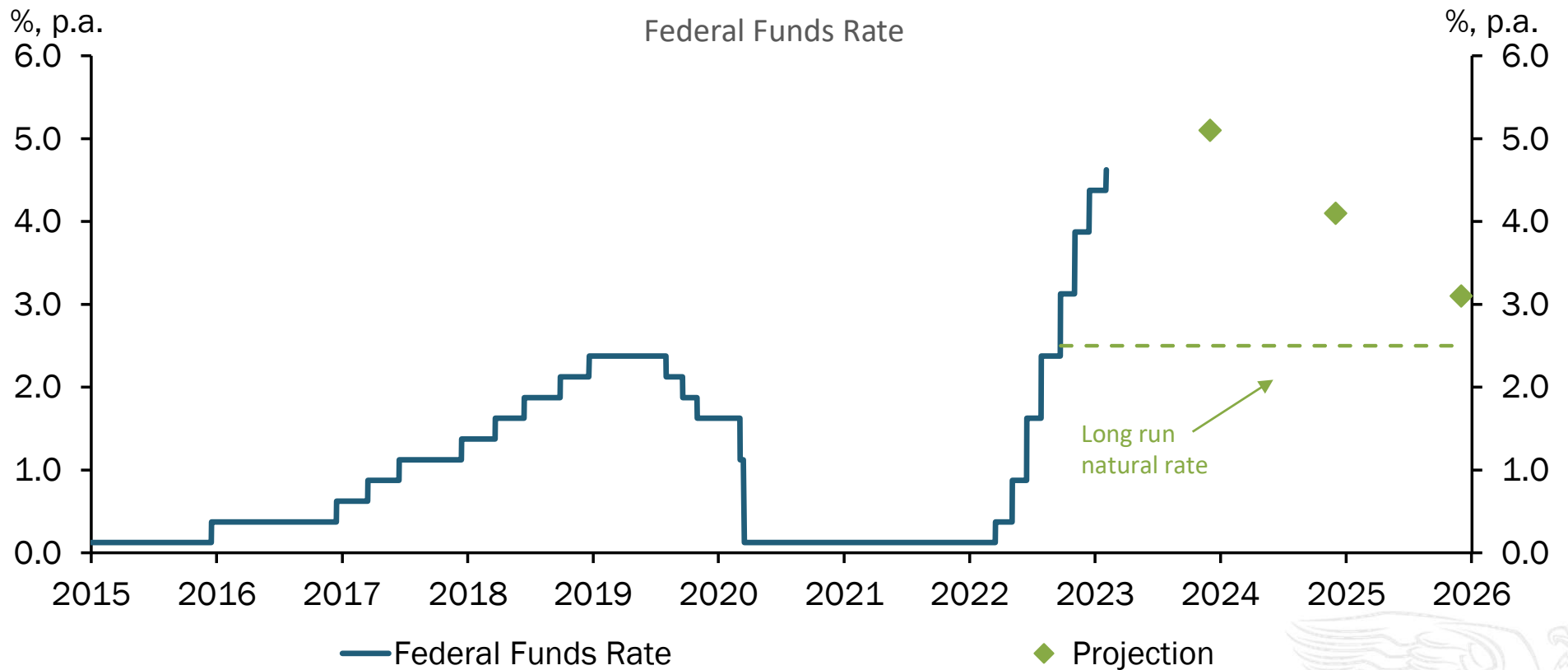
Labor shortages and robust demand in the accommodation sector are placing persistent pressure on prices for these non-housing services



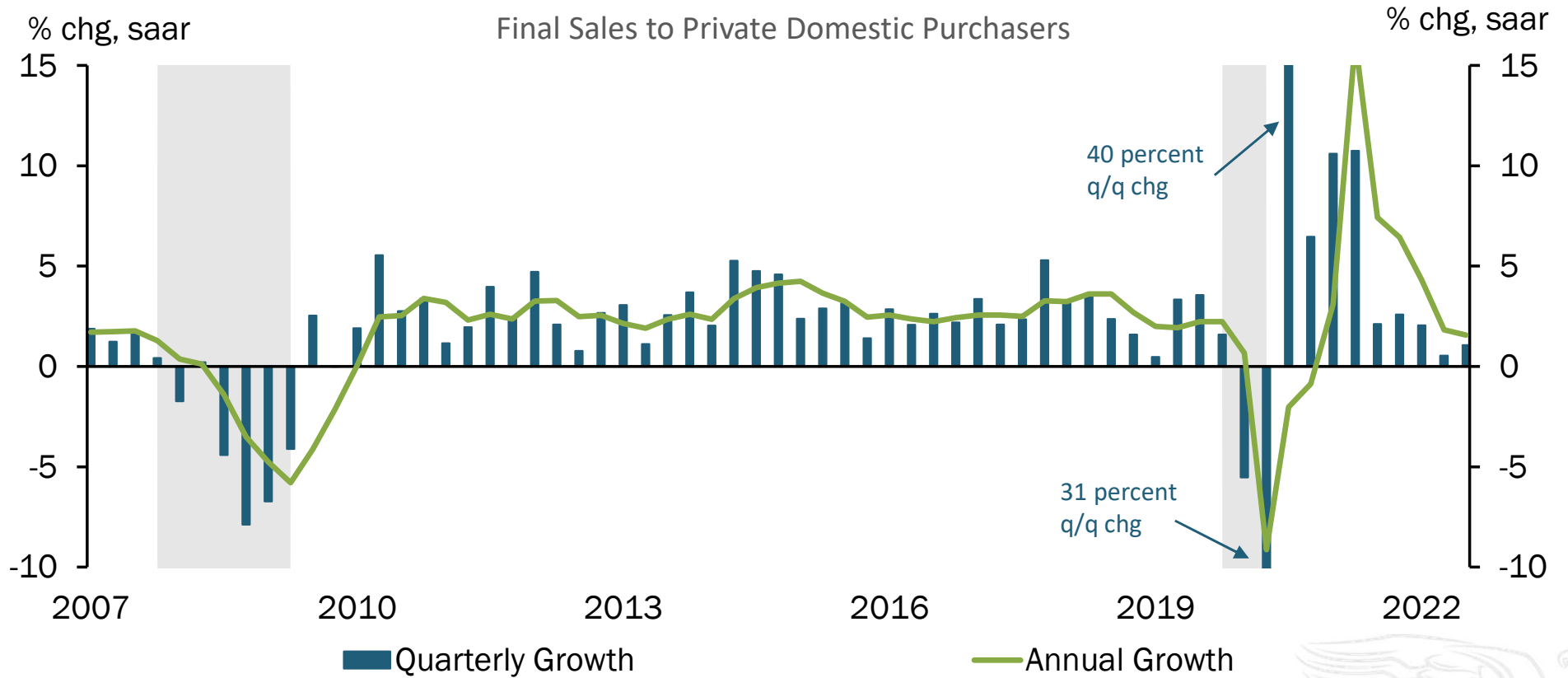
Quits rates are declining but remain elevated, sustaining upward pressure on wage growth for the near-to-medium term



The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term

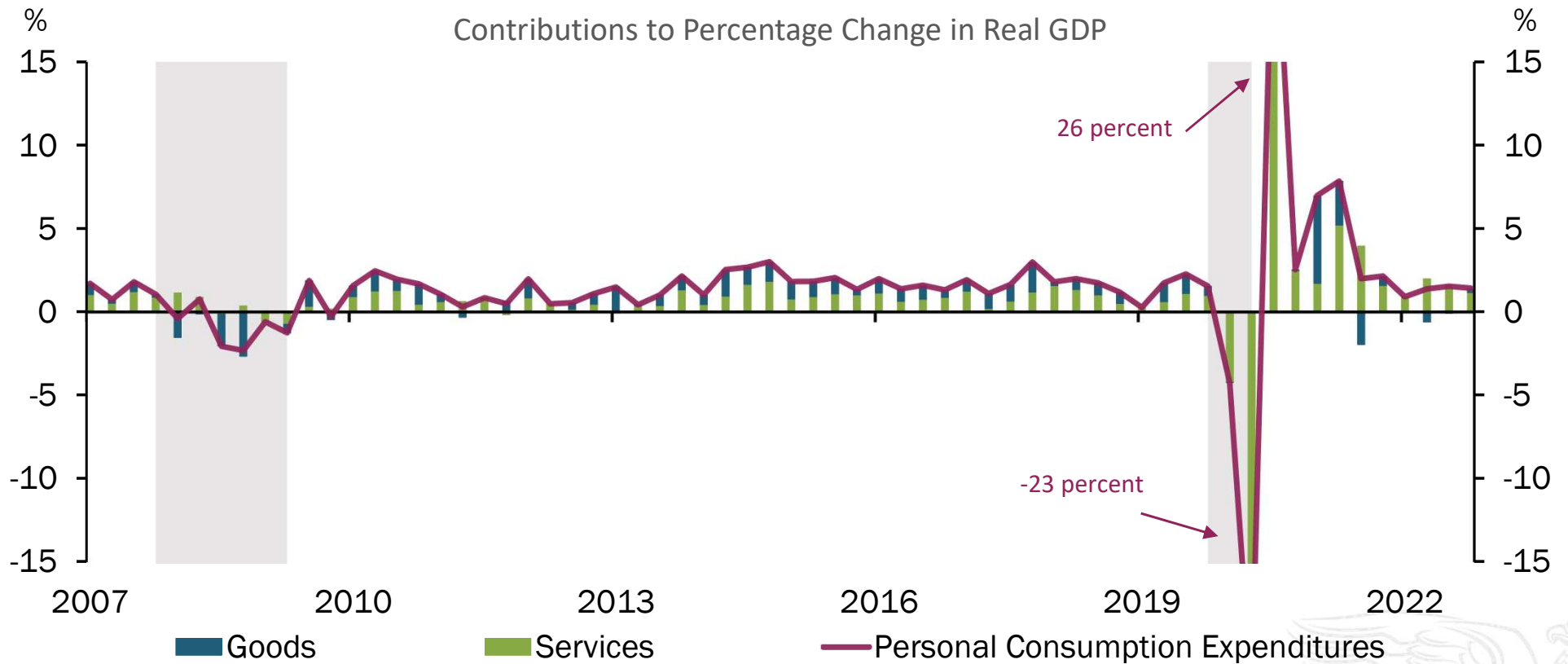


Overall economic activity is likely to slow this year



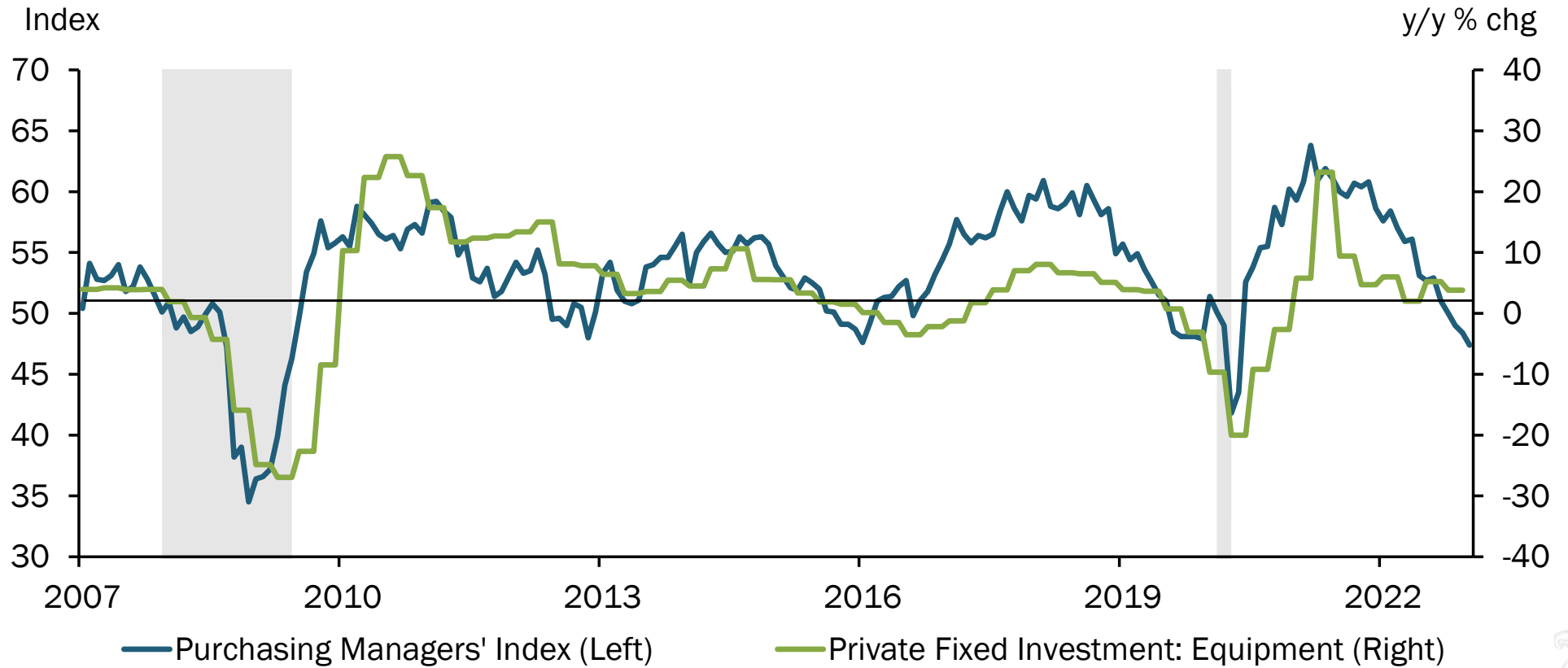
Source: BEA, Haver Analytics
Note: Grey bars indicate recession shading

Consumer spending growth slowed in recently months, reverting to its trend level of contribution to overall growth

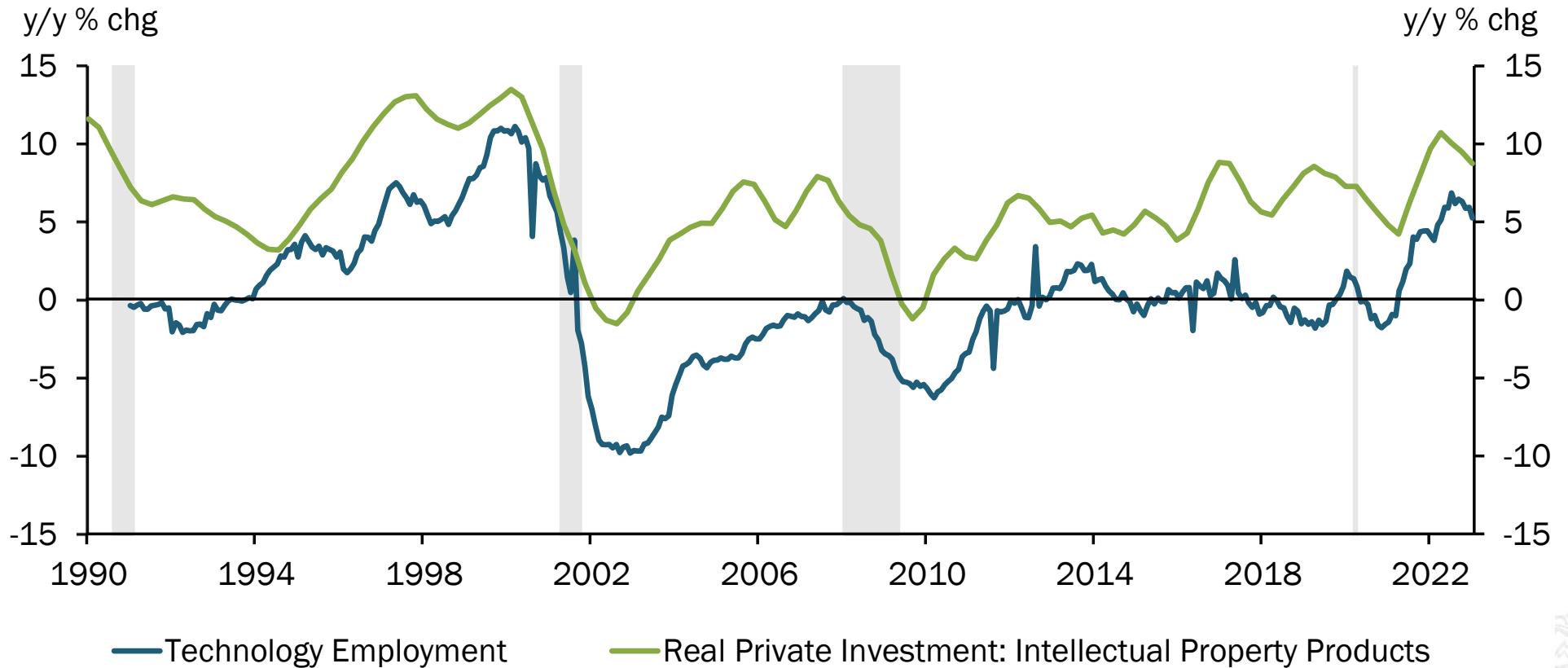


Source: BEA, Haver Analytics
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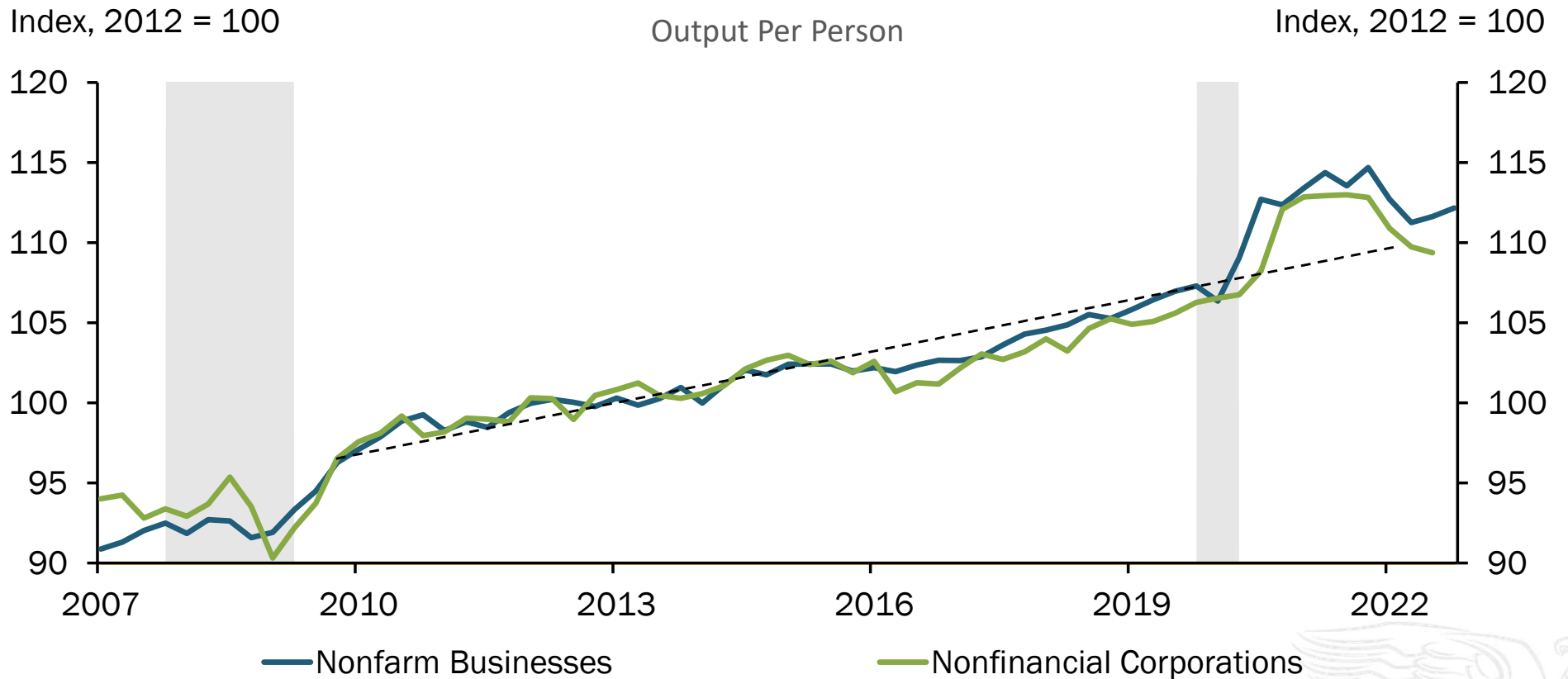
Businesses' purchases of materials, equipment and other capex spending are slowing



Slowing employment growth in technology occupations likely indicates that investment in intellectual property is also poised to slow



Declining worker productivity has been a headwind to growth recently, but may be normalizing to trend levels



Looking ahead

- Curtailing inflation pressures will require slowing growth in the prices of services, which are historically less volatile and larger contributors to overall inflation
- Tighter financial conditions are resulting in slower demand growth and, as a result, declining business investment activity
- Thus far, job losses have been isolated to a few sectors, which have a higher concentration here in the Rocky Mountain region
- The Federal Reserve has stated that a sustained stance of restrictive policy is likely to be appropriate to restore price stability



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