

U.S. and Regional Economic Outlook

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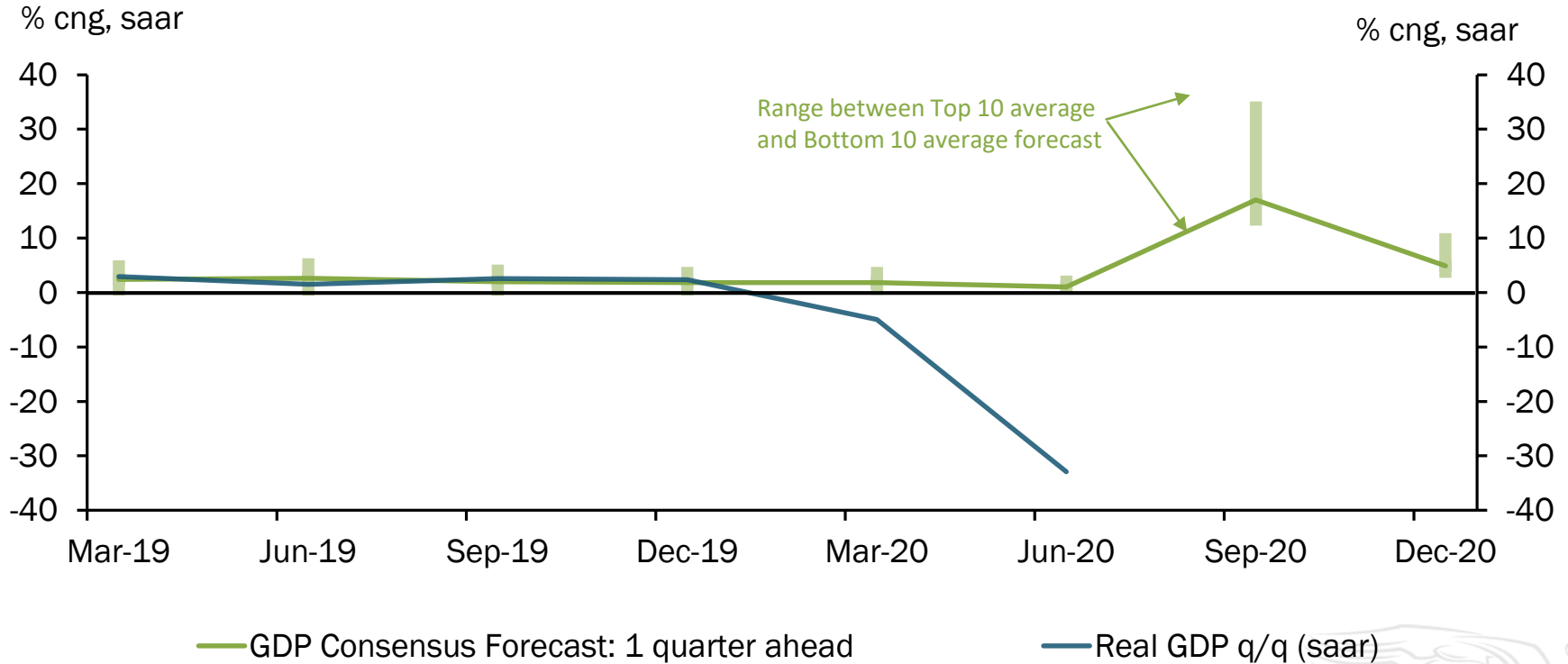


Outlook themes

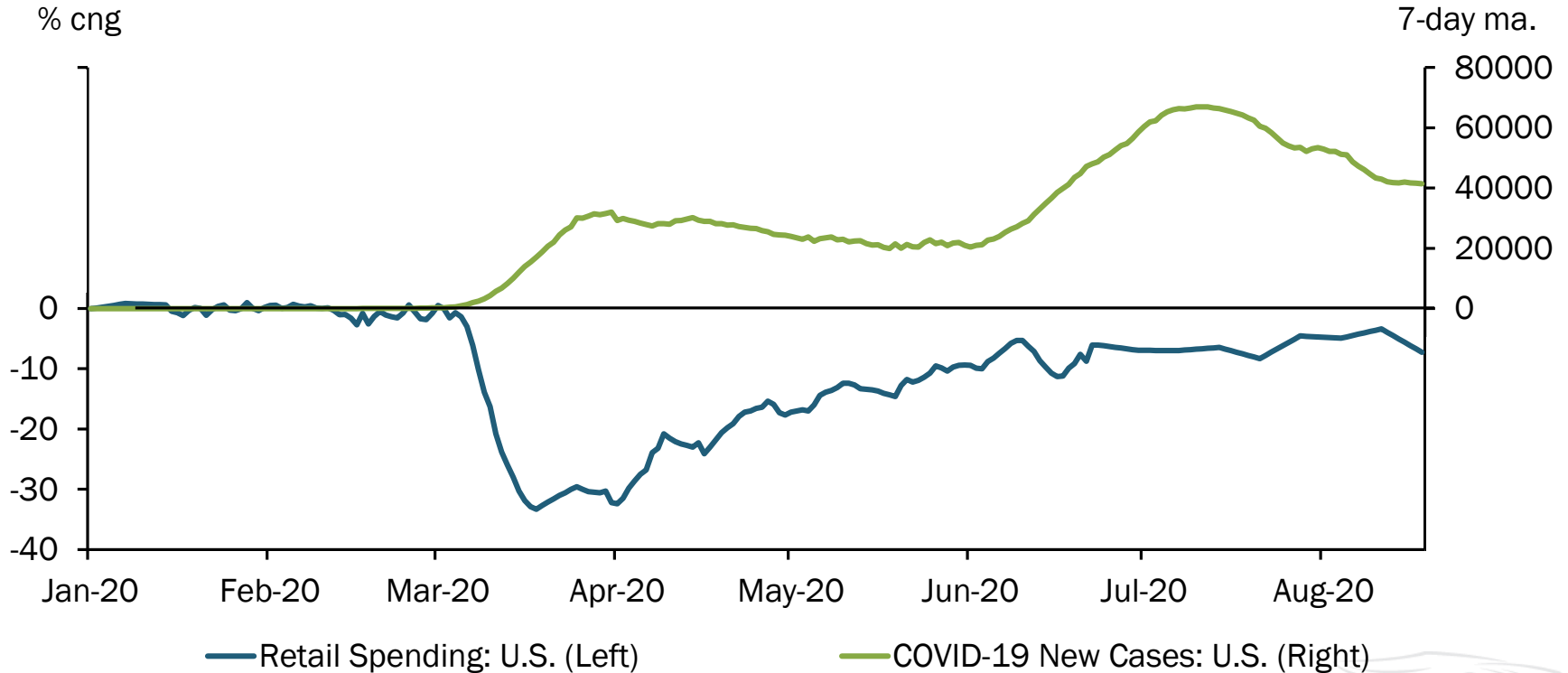
- The outlook for both the regional and U.S. economies remains highly uncertain and tied to the path of the pandemic
- Declines in consumption and job losses are most notable in service sectors of the economy, highlighting the unique nature of this public-health related downturn
- The unemployment rate remains well above its longer run natural level but the labor market showed some signs of stabilization through the summer months
- Price pressures remain subdued on net and inflation will likely remain somewhat below the FOMC's 2% target over the medium term



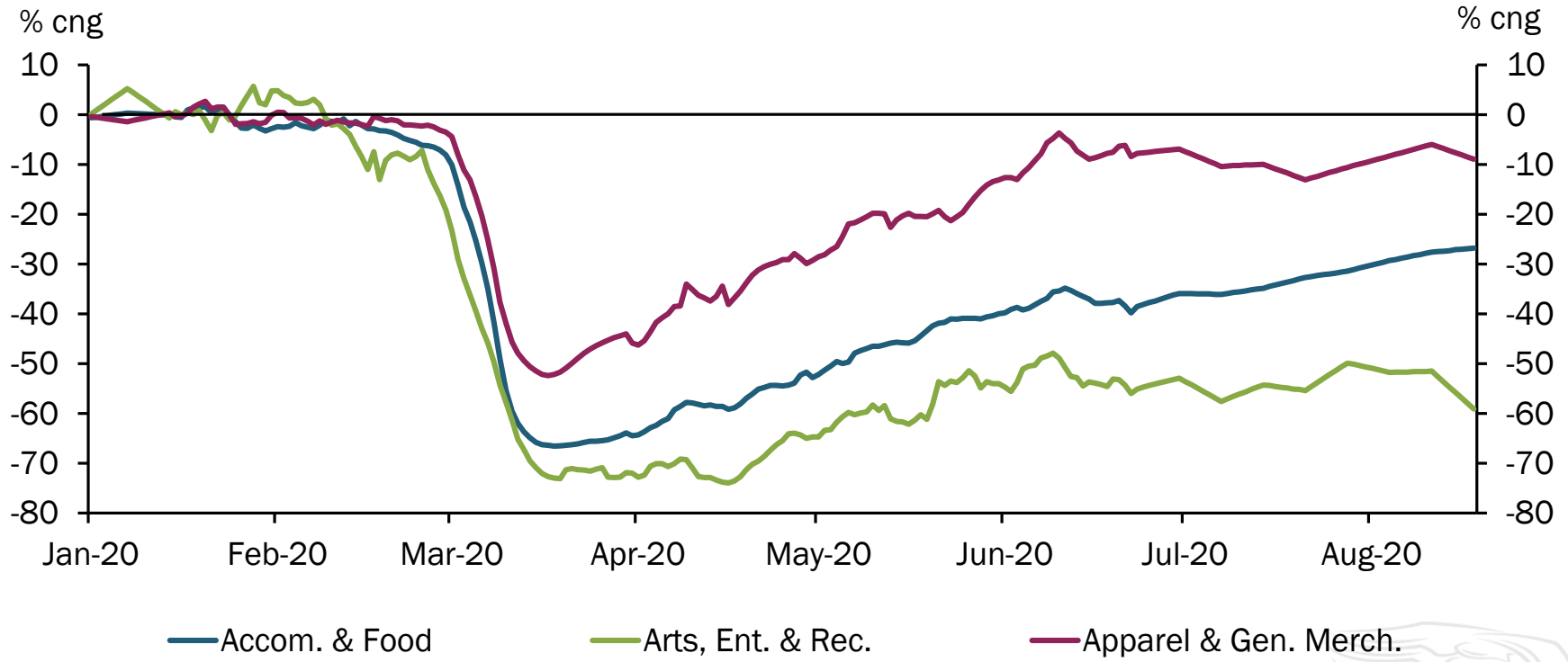
Uncertainty around the U.S. economic outlook remains elevated



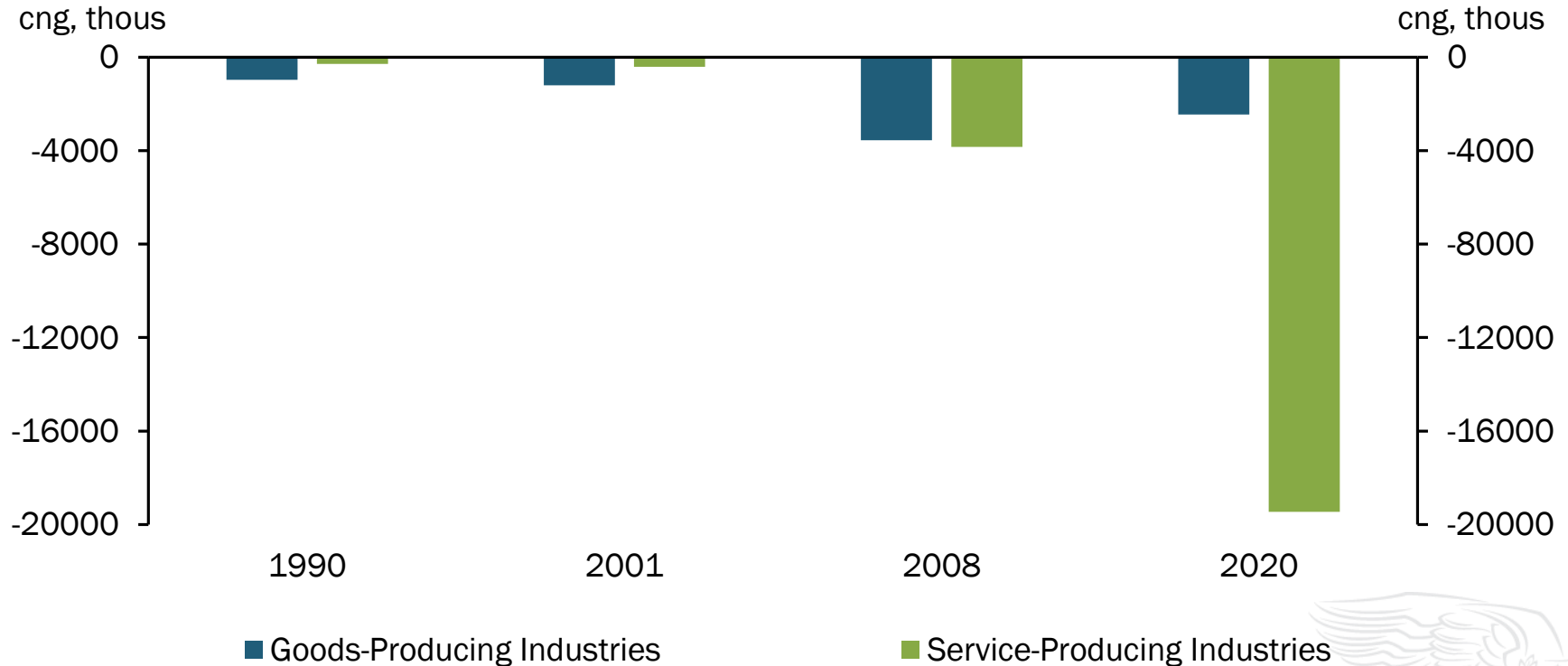
Consumption activity has ebbed and flowed with waves of COVID-19



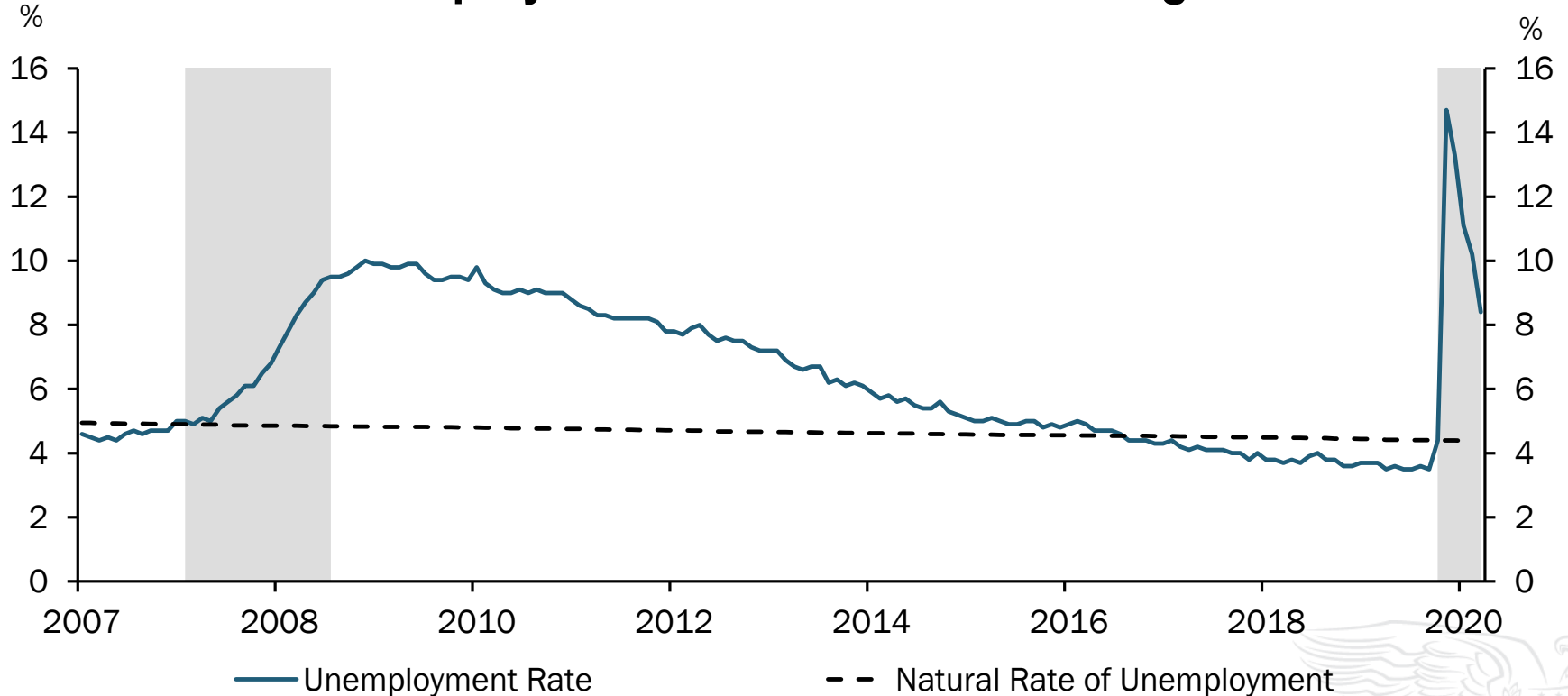
Service industries are facing the largest declines in consumer spending



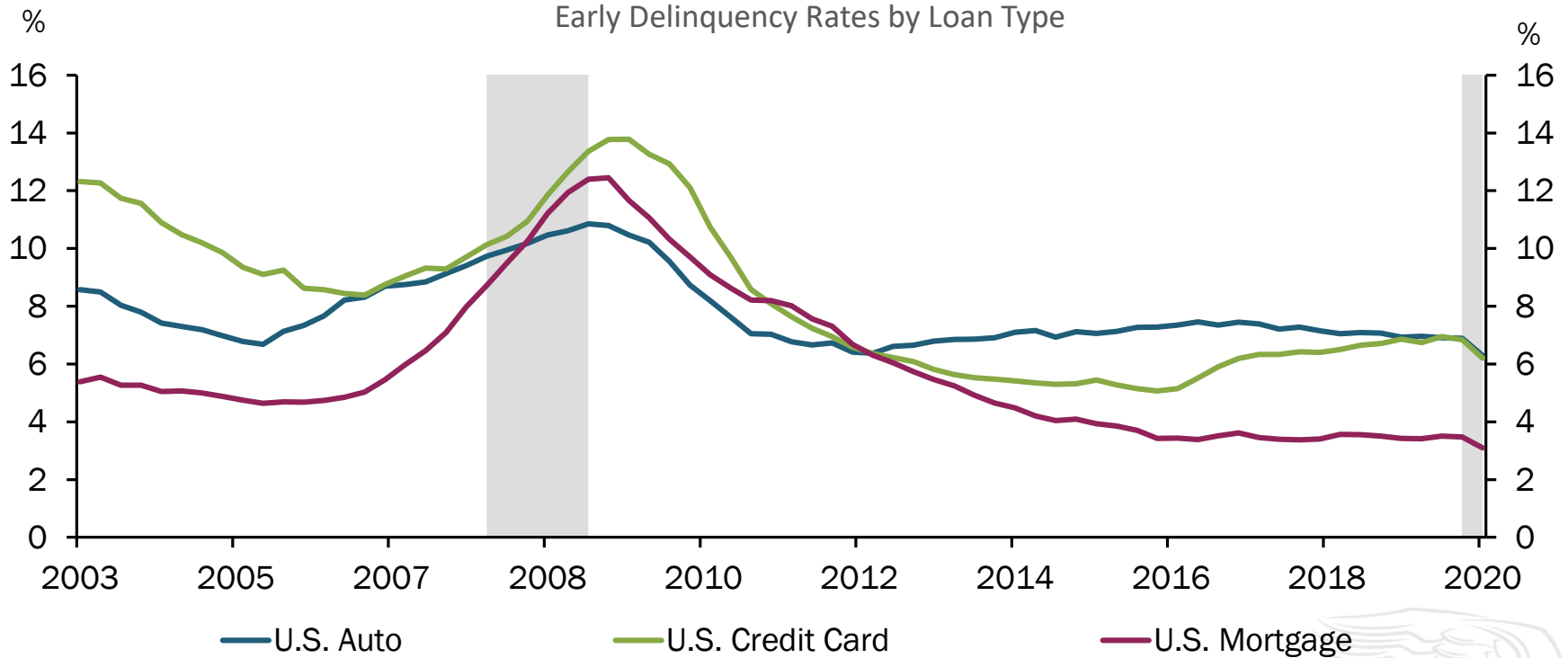
The service sector is experiencing unprecedented levels, and an outsized proportion, of job loss



The U.S. economy regained a large fraction of temporarily lost jobs over the summer but unemployment remains above its longer-run natural rate

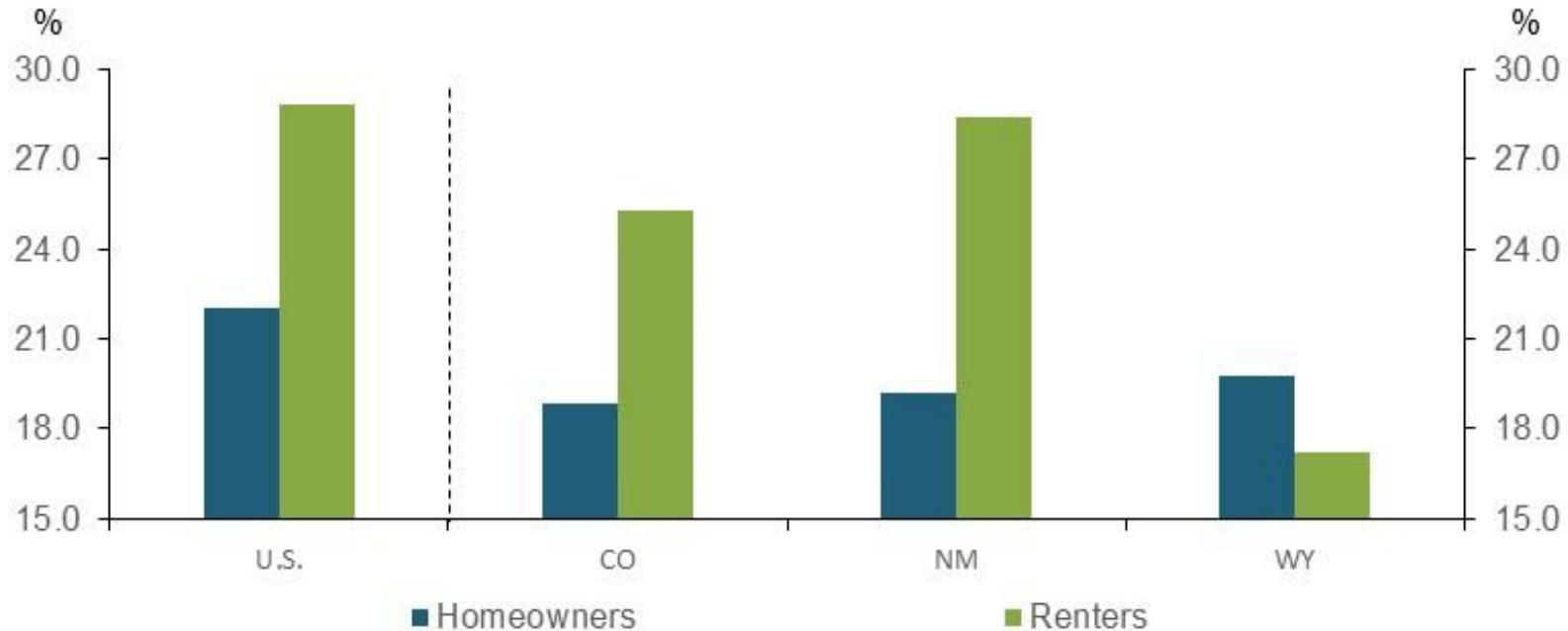


A range of policy actions has supported household financial conditions

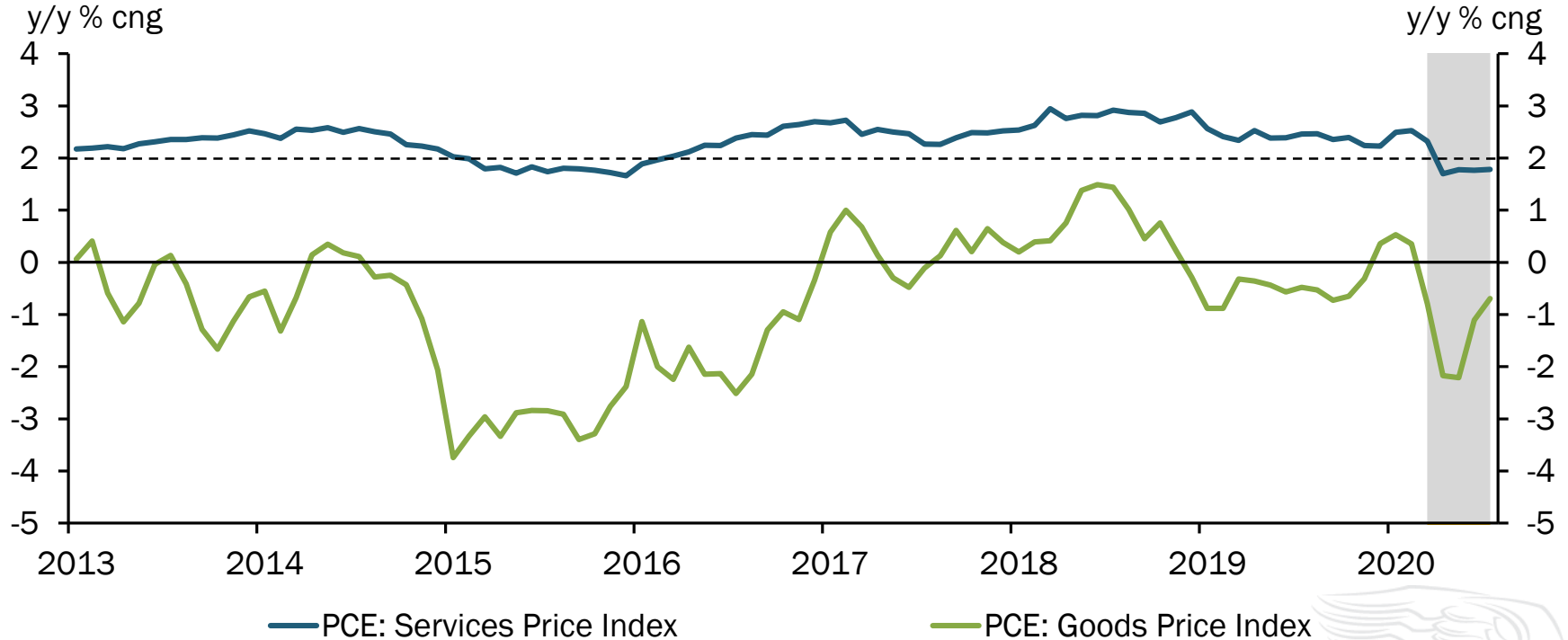


A substantial share of households used economic stimulus payments to meet housing expenses, but somewhat less so in Colorado

Panel A: Economic Stimulus Payments used for Housing

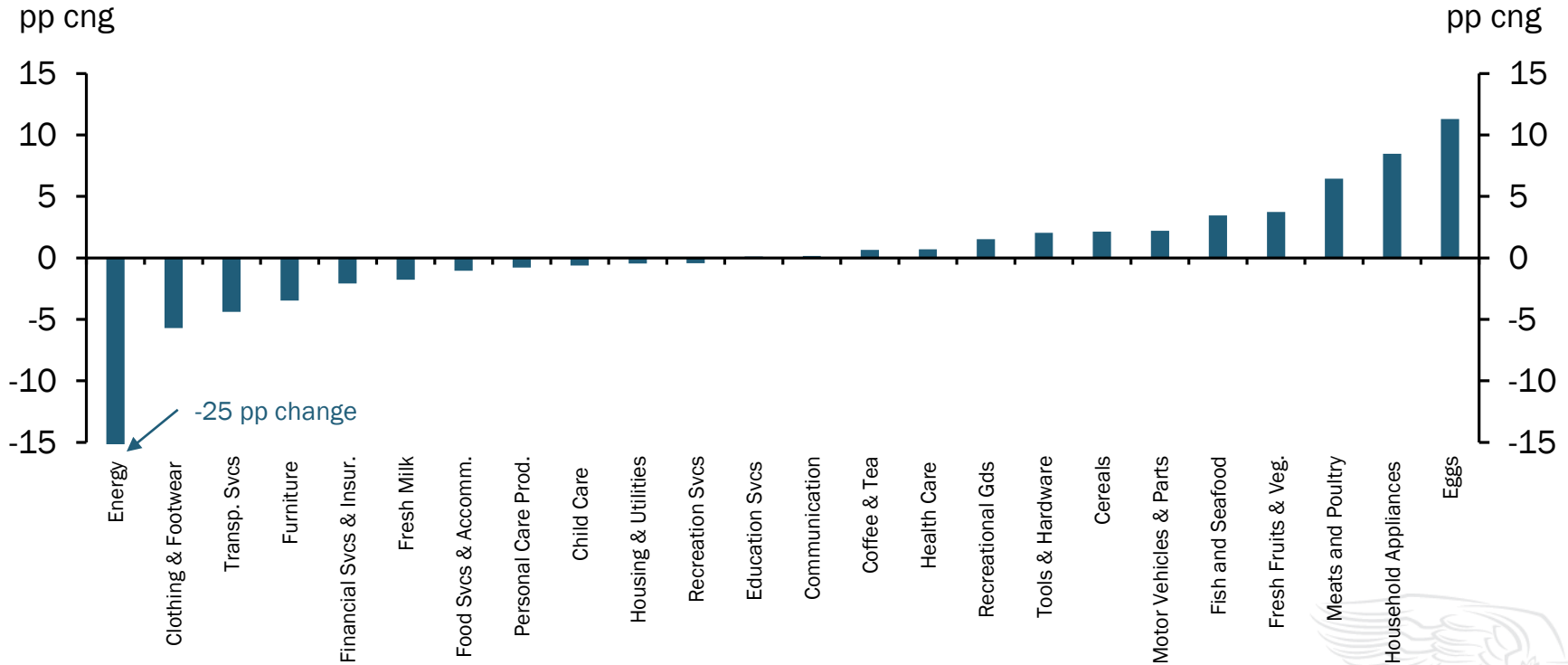


Consumer services have been the main driver of inflation, and so the low demand for services will likely hold down inflation pressures

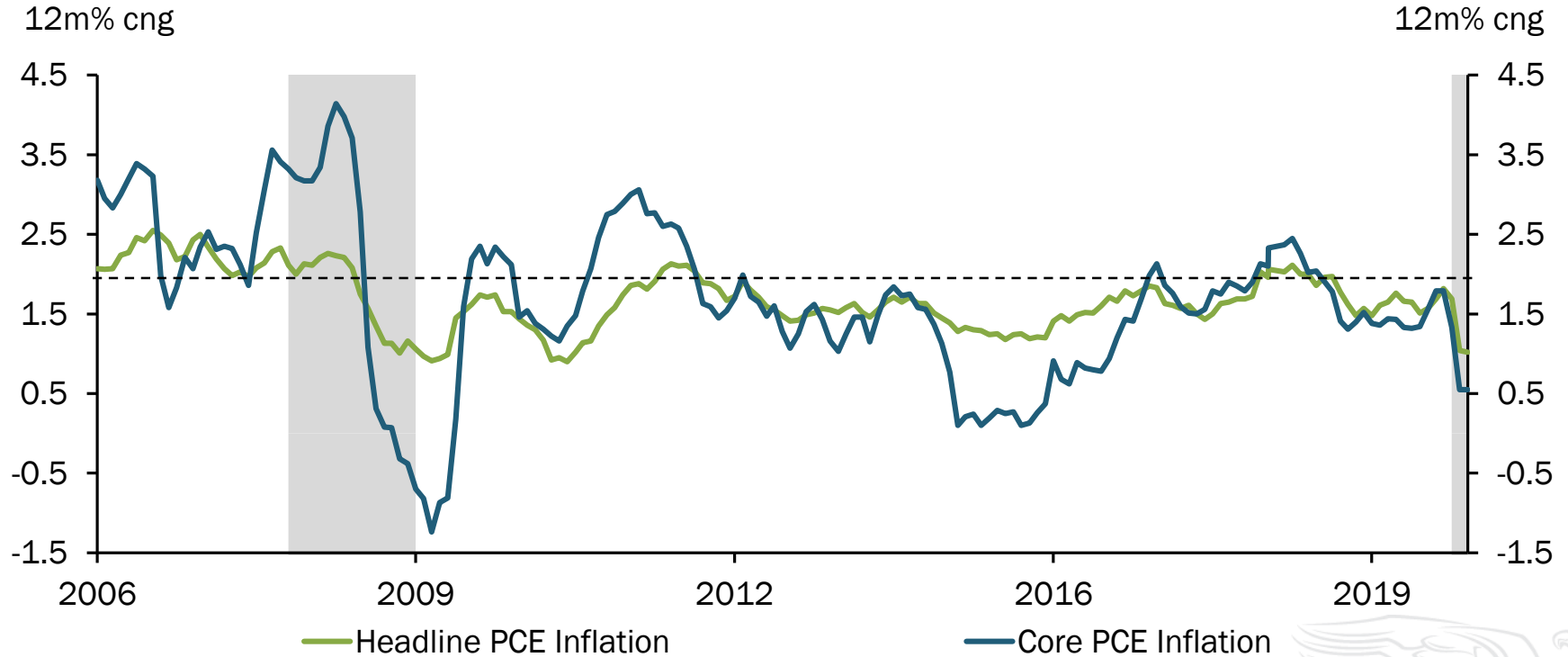


Sources: BEA, Haver Analytics, NBER
 Note: Grey bars represent recession shading

Although inflation pressures remain muted on net several goods are exhibiting faster price growth, notably in some food categories



Inflation is likely to remain subdued over the medium term

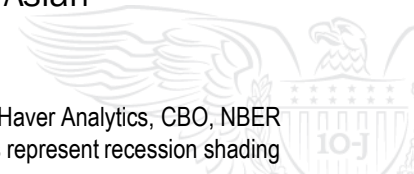
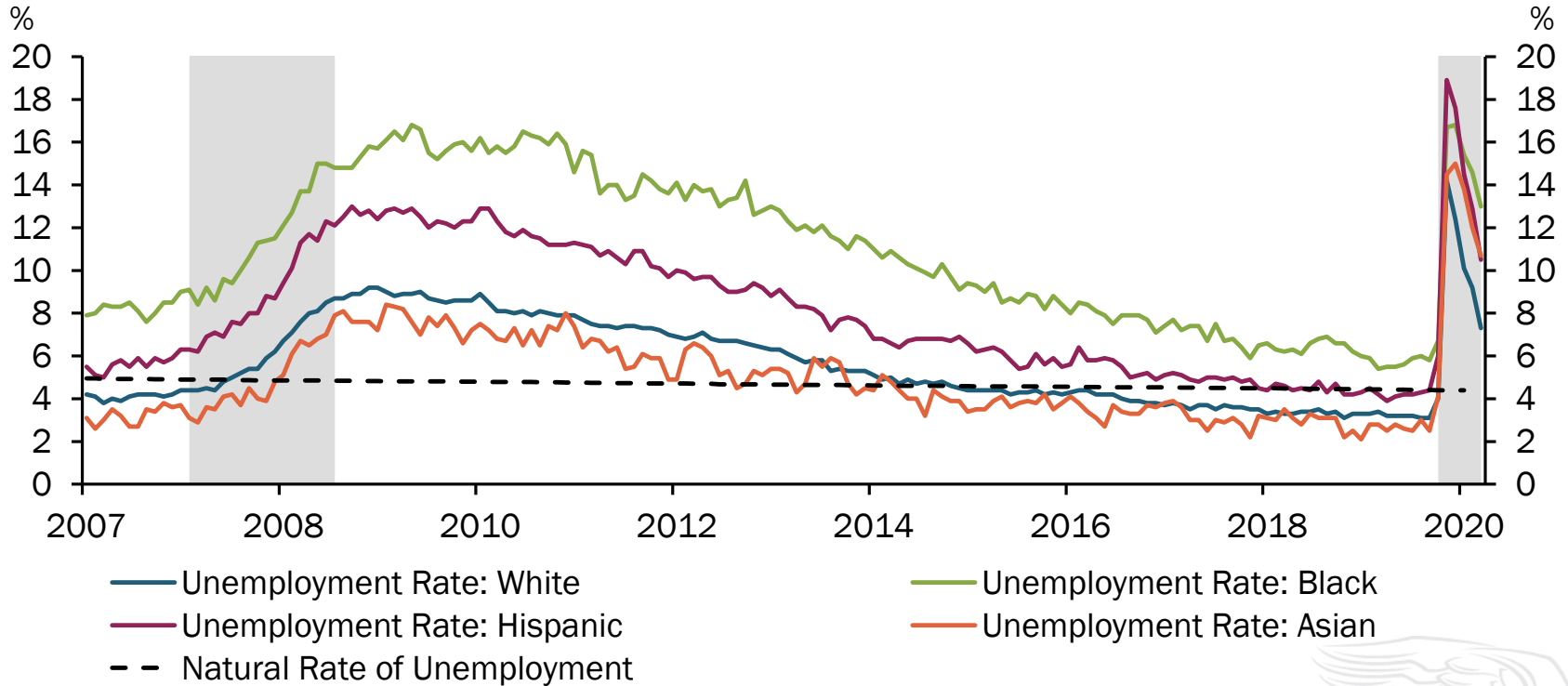


Longer-Run Goals and Monetary Policy Strategy

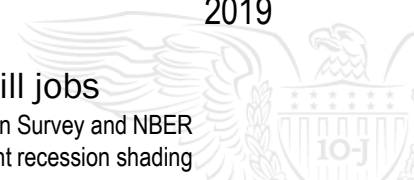
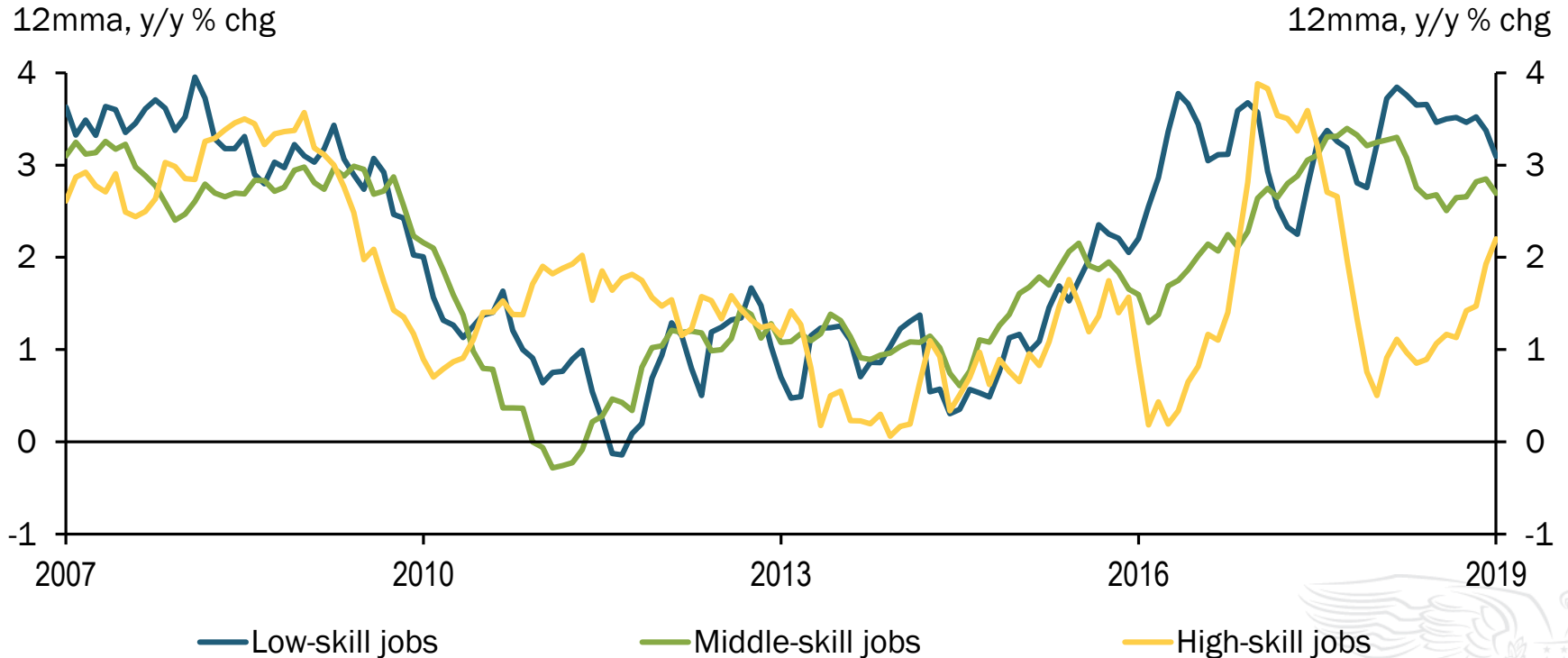
- The Committee's primary means of adjusting the stance of monetary policy is through changes in the target range for the federal funds rate, and is prepared to use its full range of tools to reach its maximum employment and price stability goals
- The FOMC affirms that an inflation target of 2 percent is consistent with its statutory mandate to maintain price stability
- In order to anchor longer-term inflation expectations at this level, the Committee seeks to achieve inflation that averages 2 percent over time
 - Following periods when inflation has been running persistently below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time
- The Committee's policy decisions will be informed by assessments of the shortfalls of employment from its maximum level



Employment gains extended broadly in the later years of the expansion



Low and middle skill wage growth generally out paced high skill wage growth in the later years of the expansion

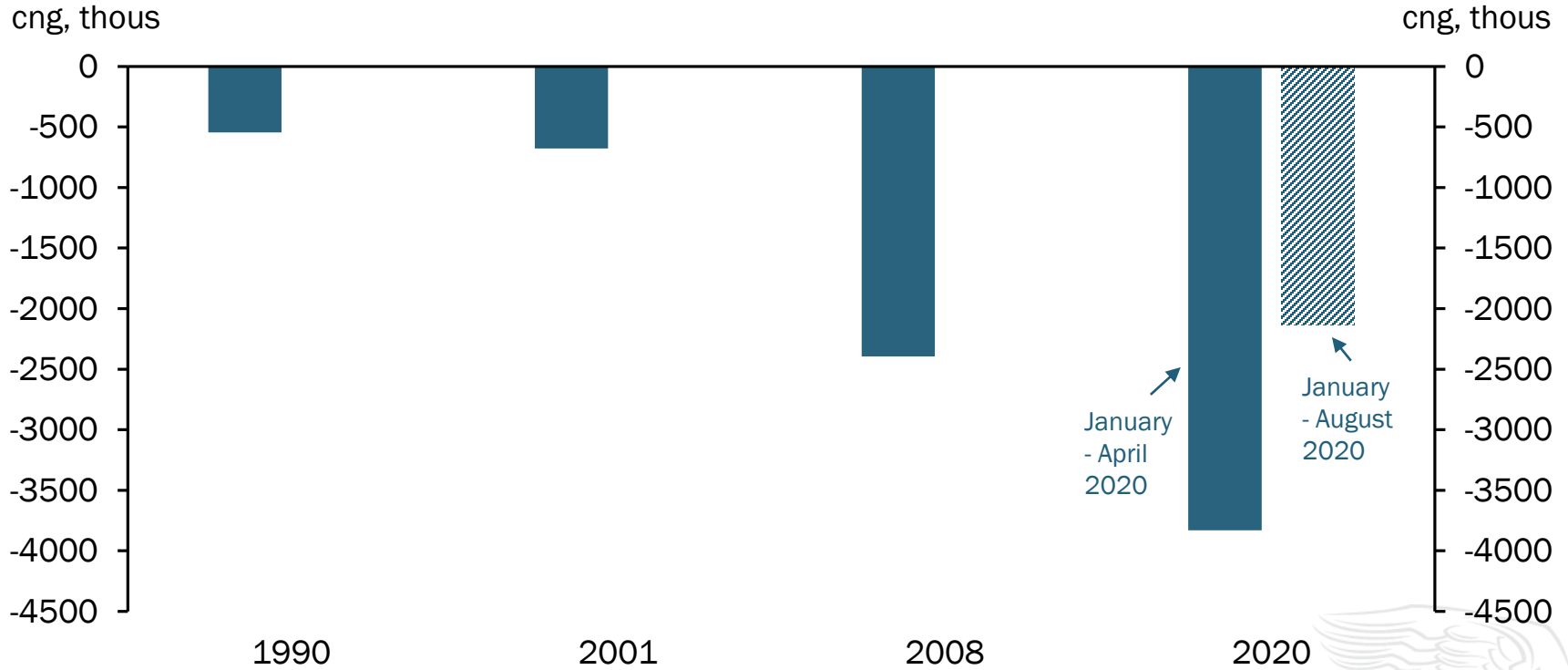


Risks to the outlook

- Persistent high unemployment can lead to lasting damage to the economy if workers lose key workplace skills or reduce their willingness to participate in the labor force
- Declines in state and local tax revenues pose challenges for local governments to provide fiscal support



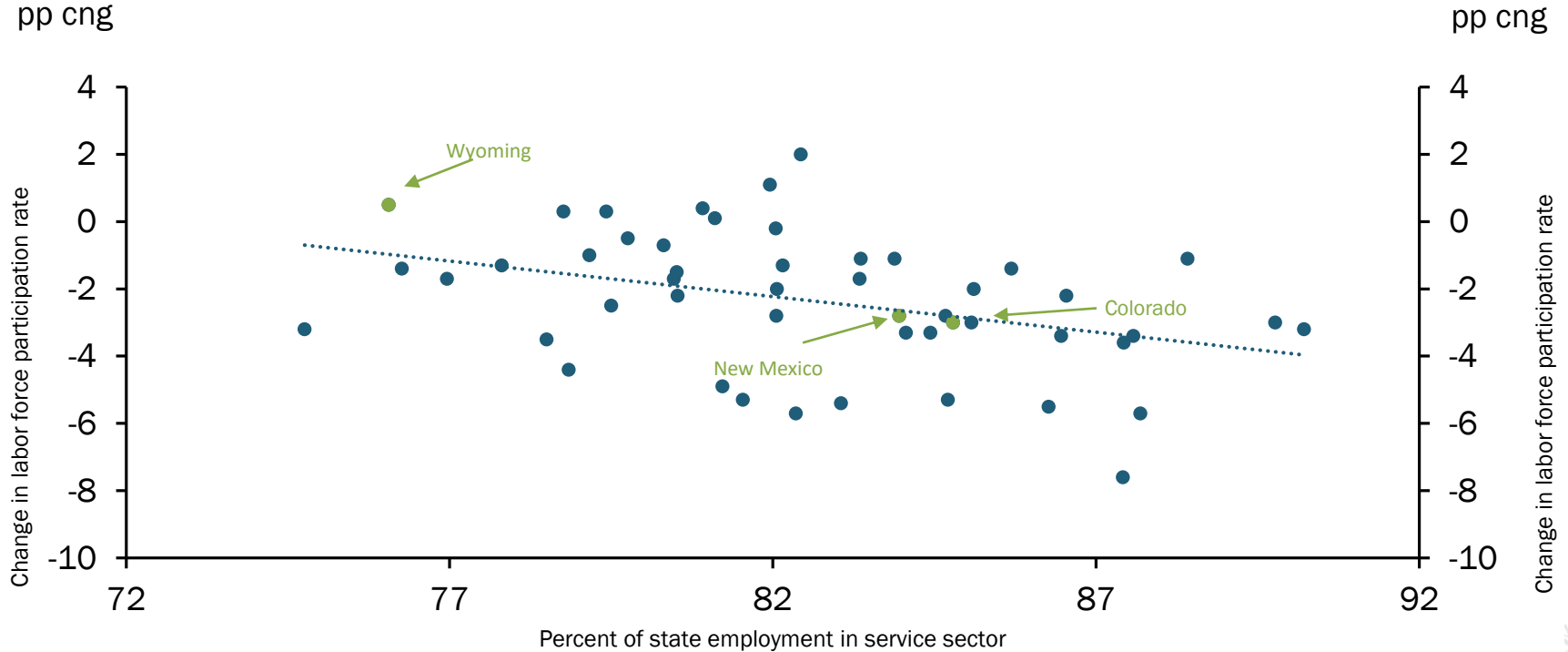
A large number of jobs were lost in occupations that require substantial amounts of on-the-job training



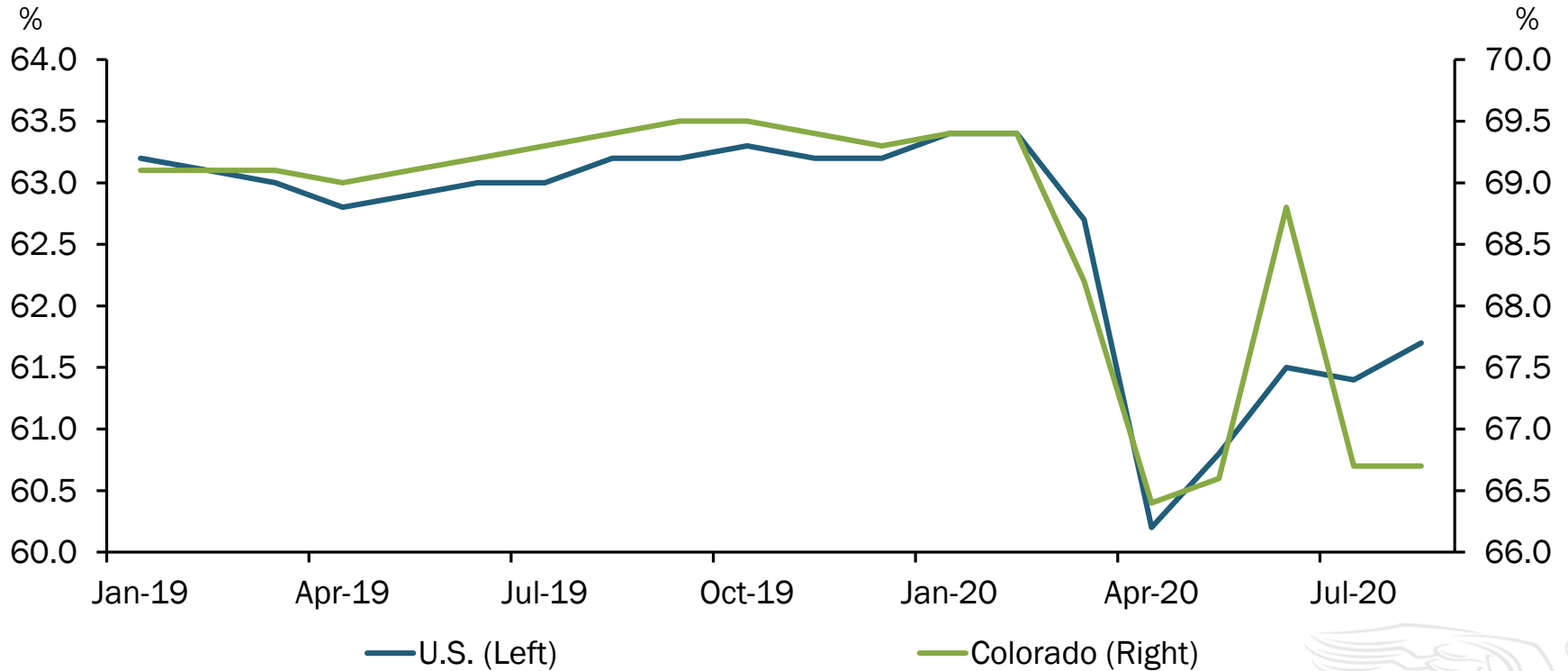
Sources: Bureau of Labor Statistics, Haver Analytics, Staff

Note: Height of bars indicate number of jobs lost during each respective recession in occupations that require a month or more of on-the-job training

Labor force participation declined nationwide during the first half of the year, and declined more in states with greater service sector employment



Labor force participation declined in Colorado



Looking forward

- Several parts of the economy stabilized in recent months amid policy support, but employment and overall economic activity remain below pre-pandemic levels
- In the near term, the path of the virus remains a key determinant of the shape of the recovery
- Over the medium term, the ability of workers to remain engaged in the labor force and scope for fiscal support will be important factors driving the shape of the recovery



