

Colorado Economic Forum

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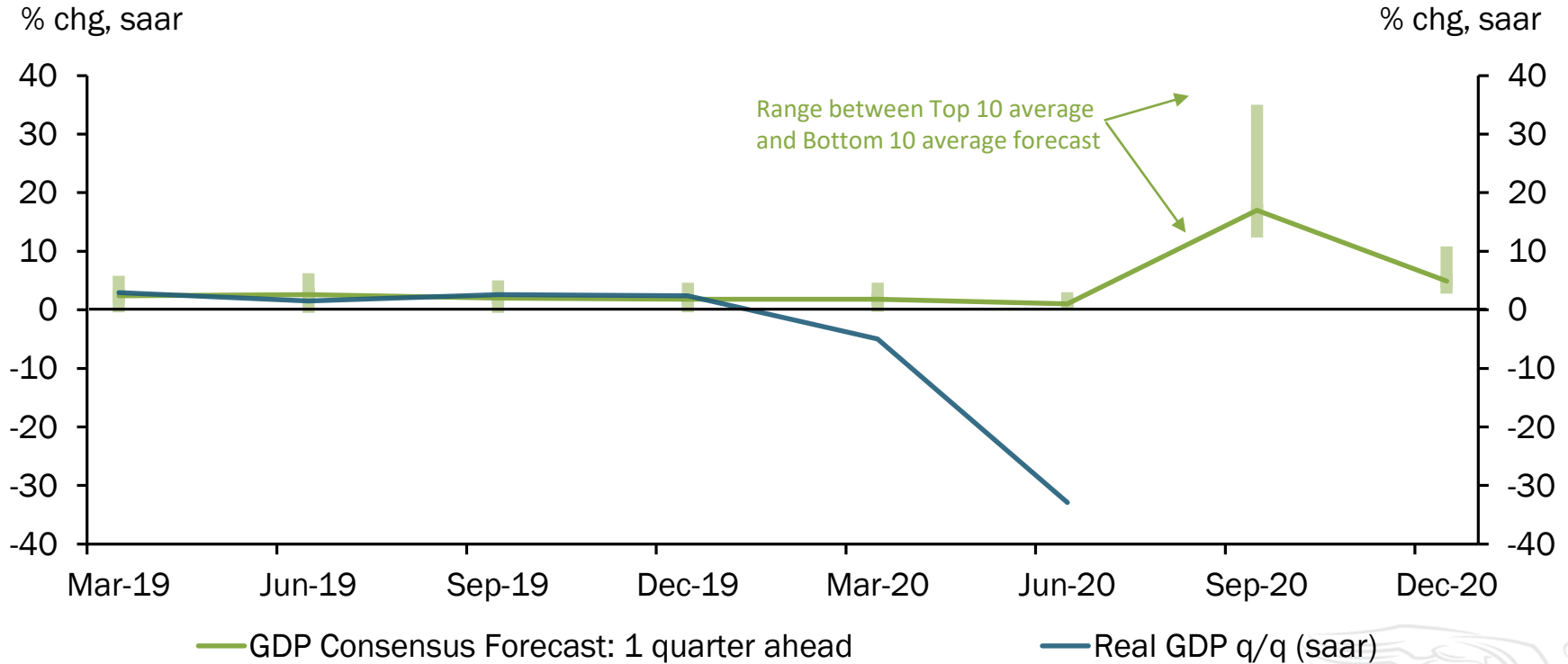


Outlook themes

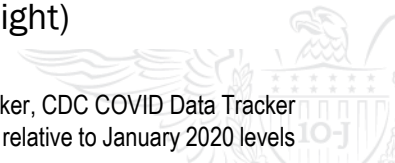
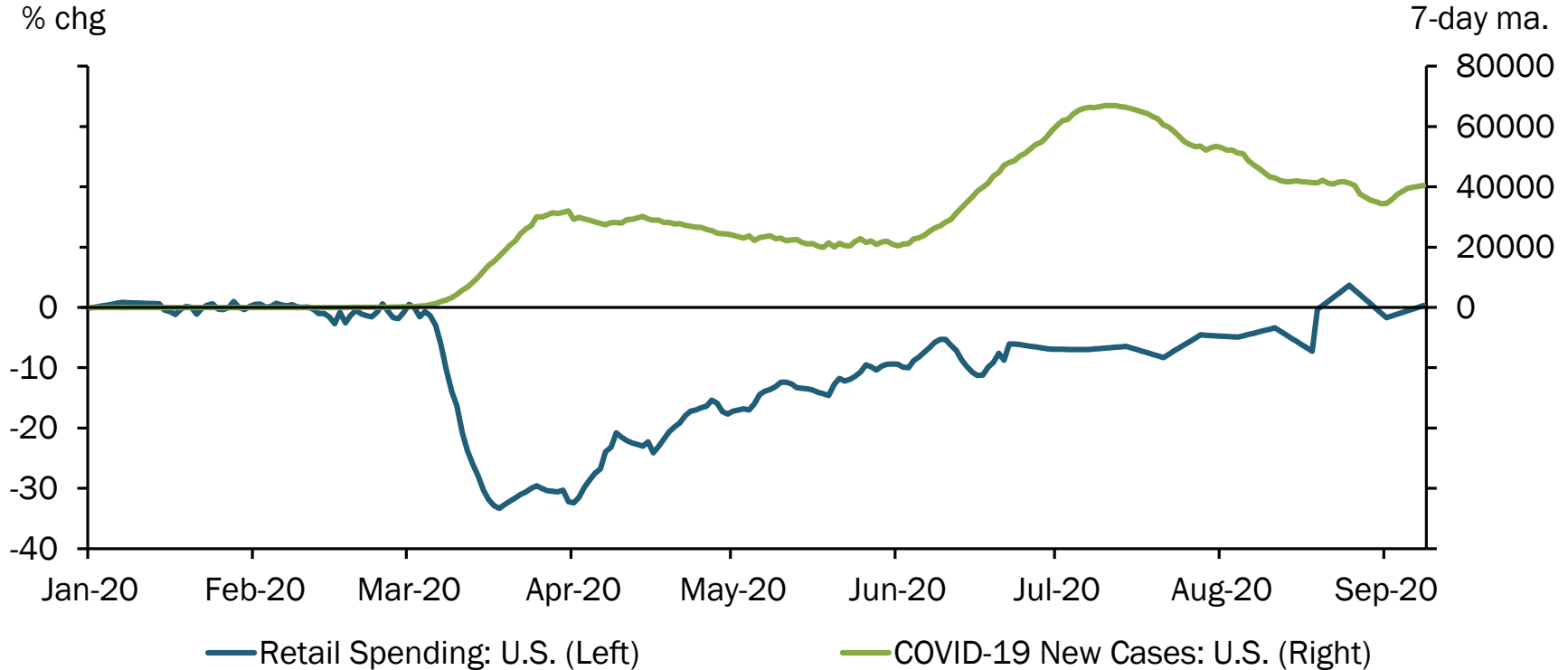
- The outlook for both the regional and U.S. economies remains highly uncertain and tied to the course of the pandemic
- Declines in consumption and job losses are most notable in service sectors of the economy, highlighting the unique nature of this public health-related downturn
- The unemployment rate remains well above its longer-run natural level, though 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



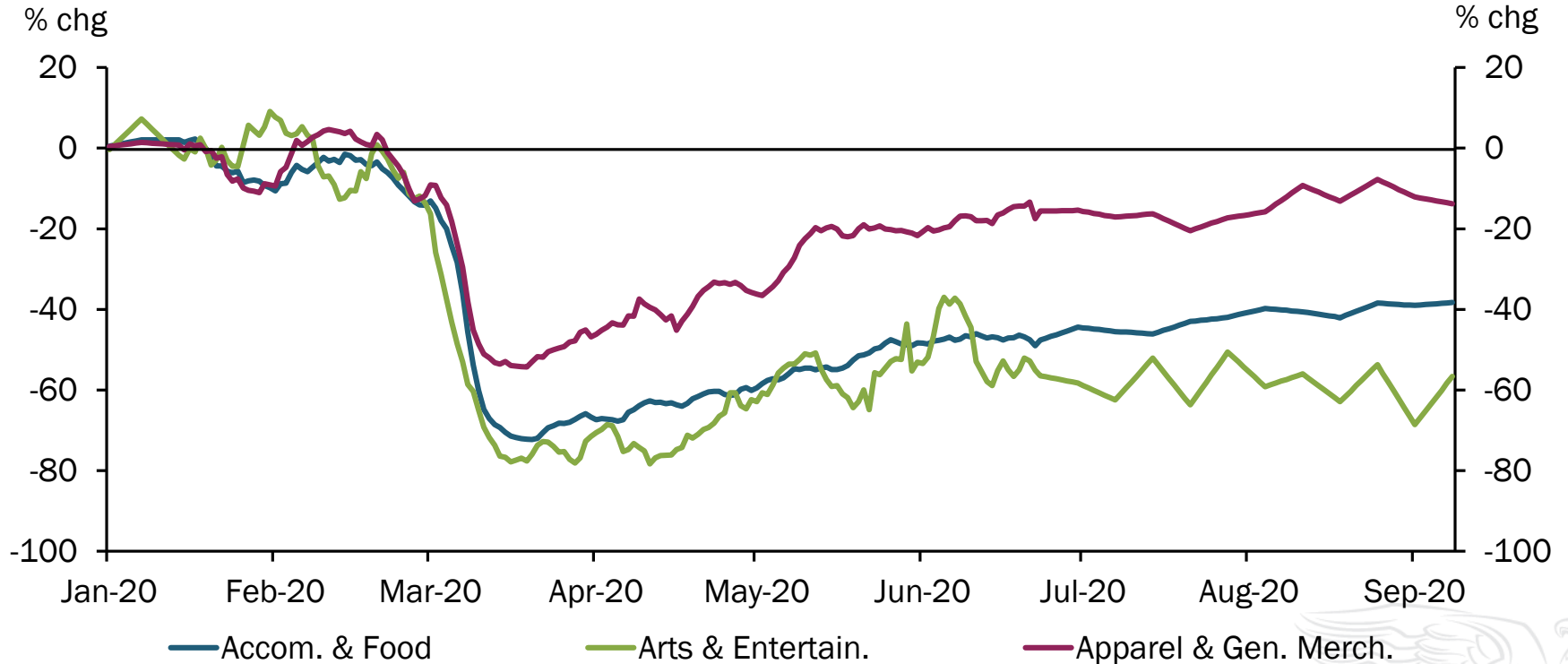
Uncertainty around the U.S. economic outlook remains elevated



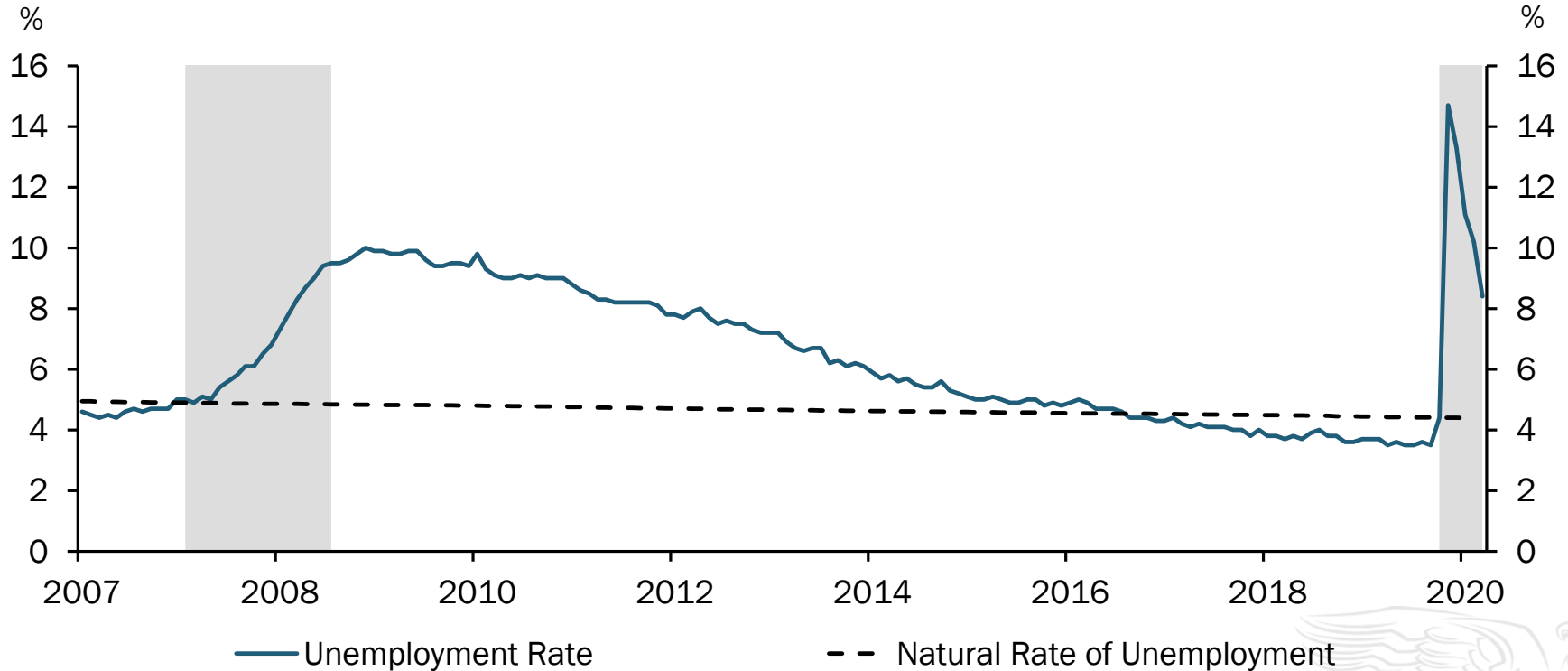
Consumption activity ebbed and flowed with waves of COVID-19



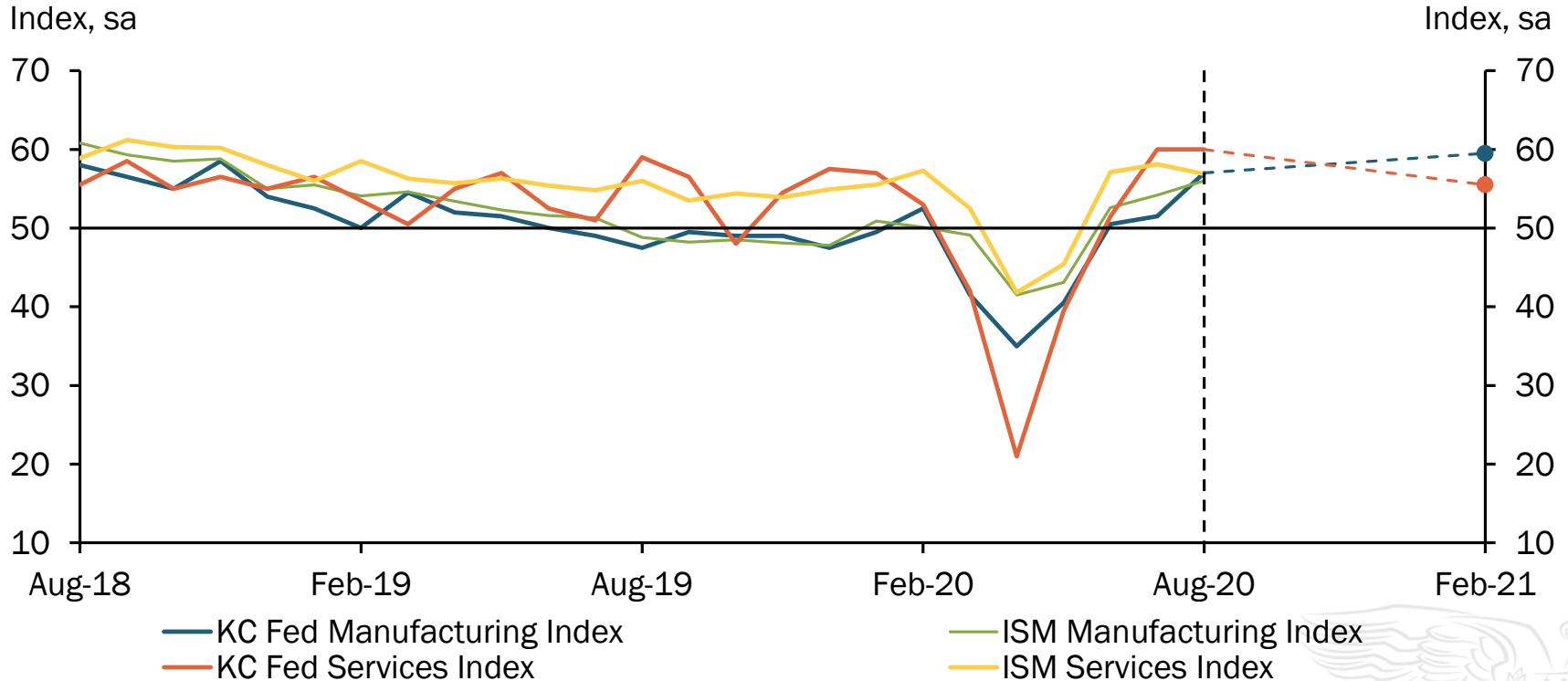
Declines in spending in Colorado are most pronounced in service sectors



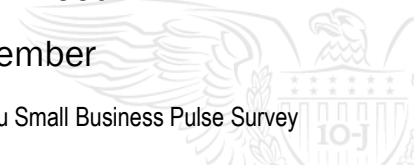
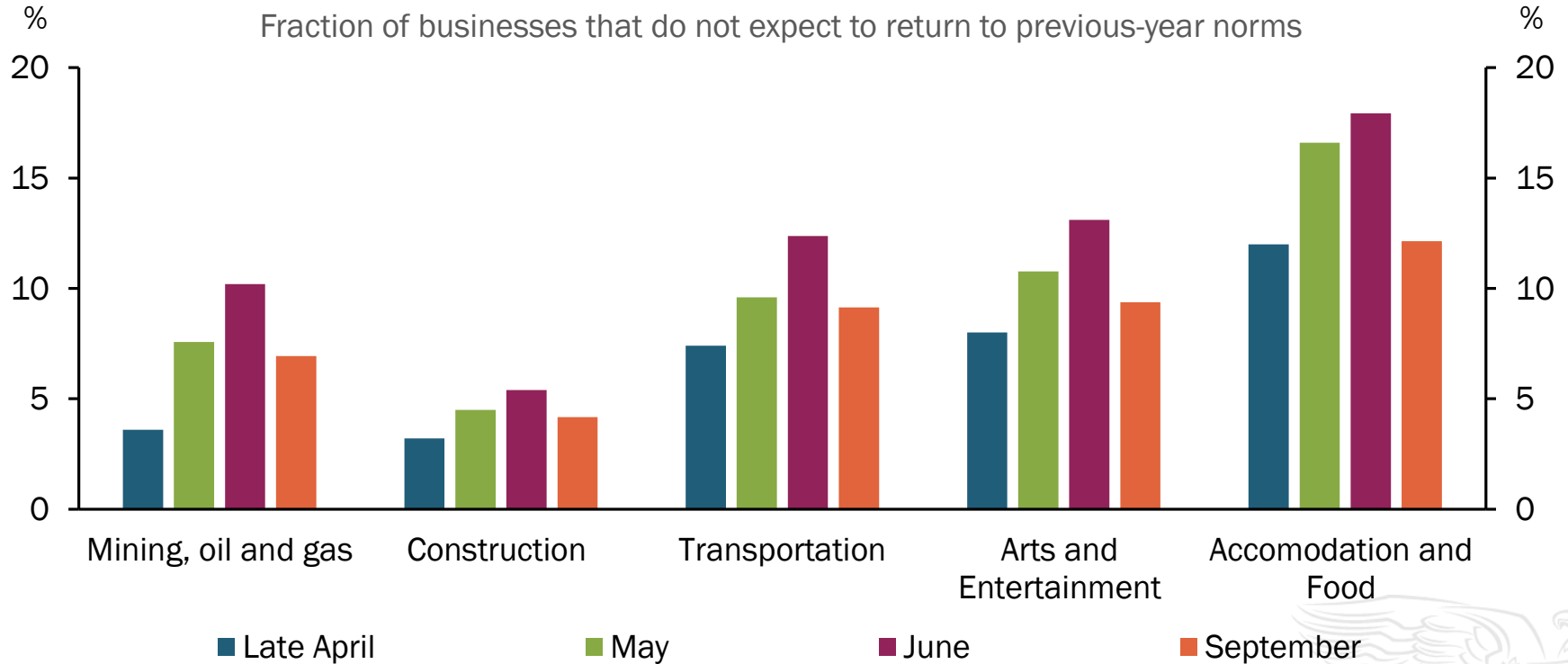
Unemployment moved from a 50-year low to a record high within months, and remains above its natural level after several months of job gains



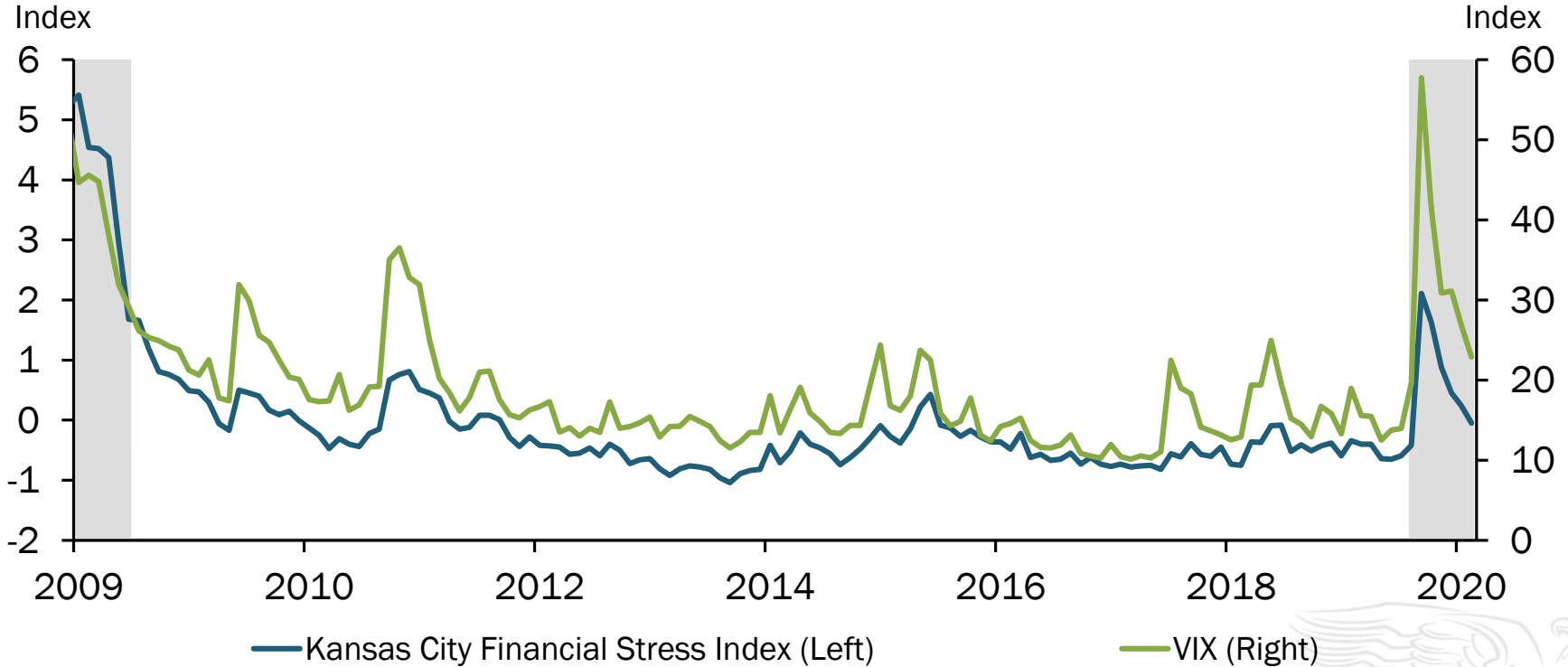
Business activity stabilized over the summer months but remains below pre-pandemic levels



This summer an increasing number of businesses did not expect to return to previous norms, but expectations have stabilized somewhat



Financial stress and volatility spiked in March then stabilized following Federal Reserve and fiscal policy actions



The Federal Reserve deployed a suite of policy actions to help stabilize financial markets and the overall U.S. economy

Monetary Policy:

- Cut policy rate to near zero.
- Forward guidance

Actions to Improve Market Functioning:

- Open Market Purchases
- Eased access to discount window.
- Primary Dealer Credit Facility (PDCF)
- Money Market Mutual Fund Liquidity Facility (MMLF)
- Commercial Paper Funding Facility (CPFF)
- Expanded Foreign Central Bank Swap Lines

Actions to Encourage Bank Lending:

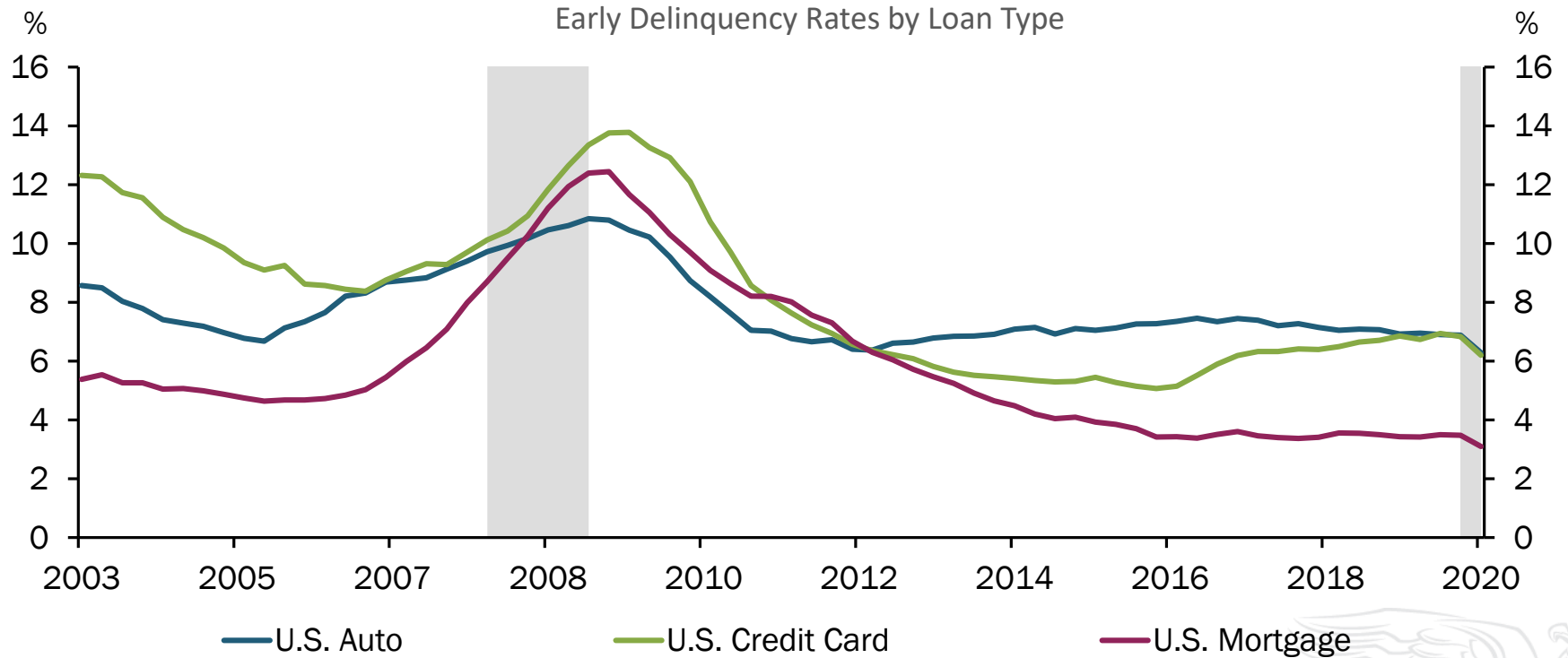
- Dropped reserve requirements to zero.
- Temporary adjustment to regulations.

Actions to Support the Flow of Credit:

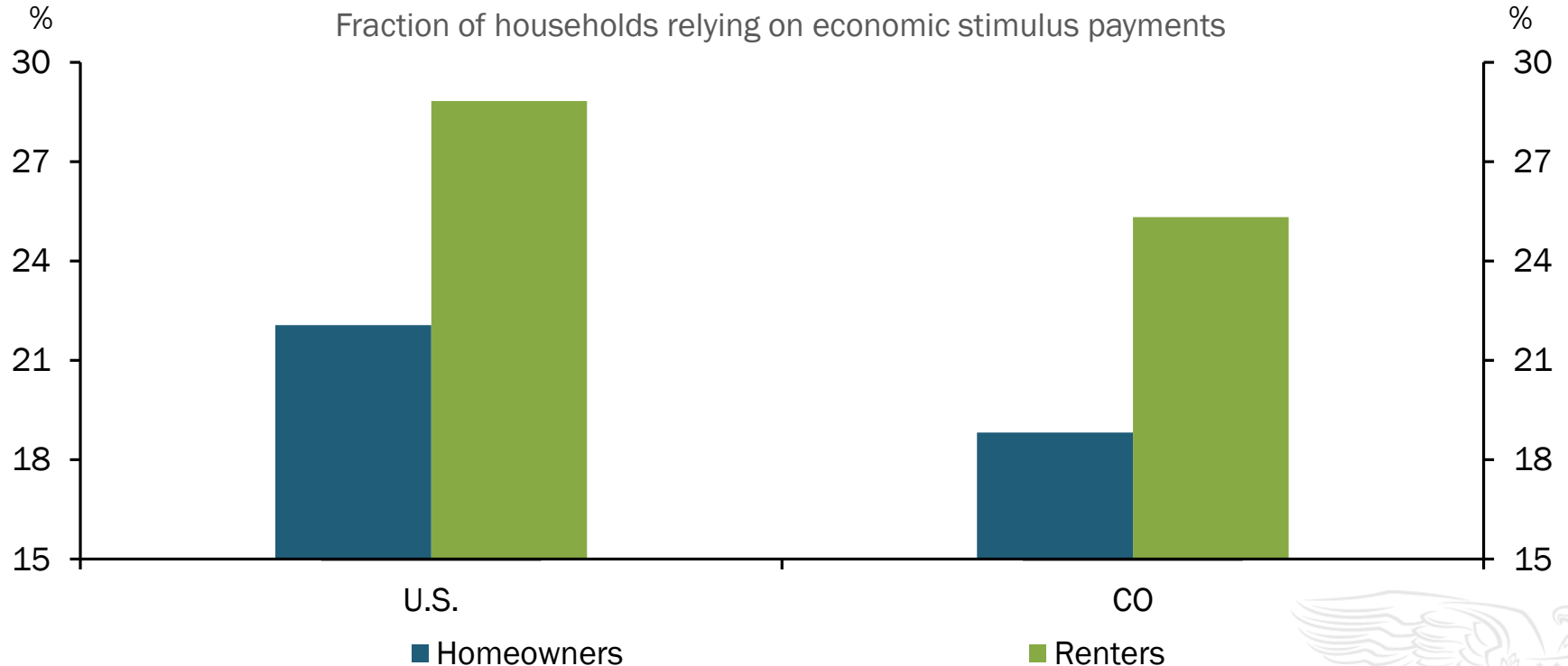
- PPP Liquidity Facility (PPPLF)
- Term Asset-Backed Securities Loan Facility (TALF)
- Corporate Credit Facilities (CCF)
- Municipal Liquidity Facility (MLF)
- Main Street Lending Facility



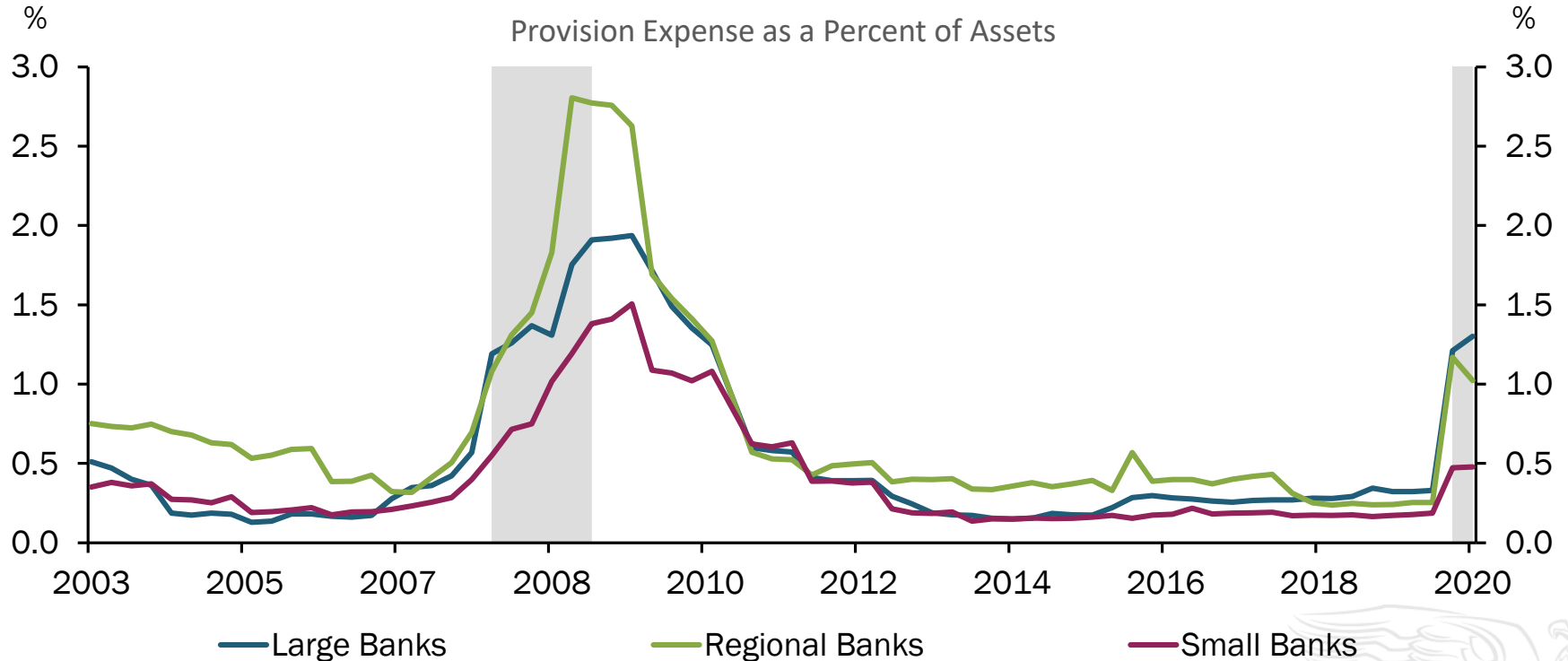
A range of policy actions has supported household financial conditions



A substantial share of households used economic stimulus payments to meet their housing expenses in the initial months of the pandemic



Banks are increasing their provisions for potential loan losses



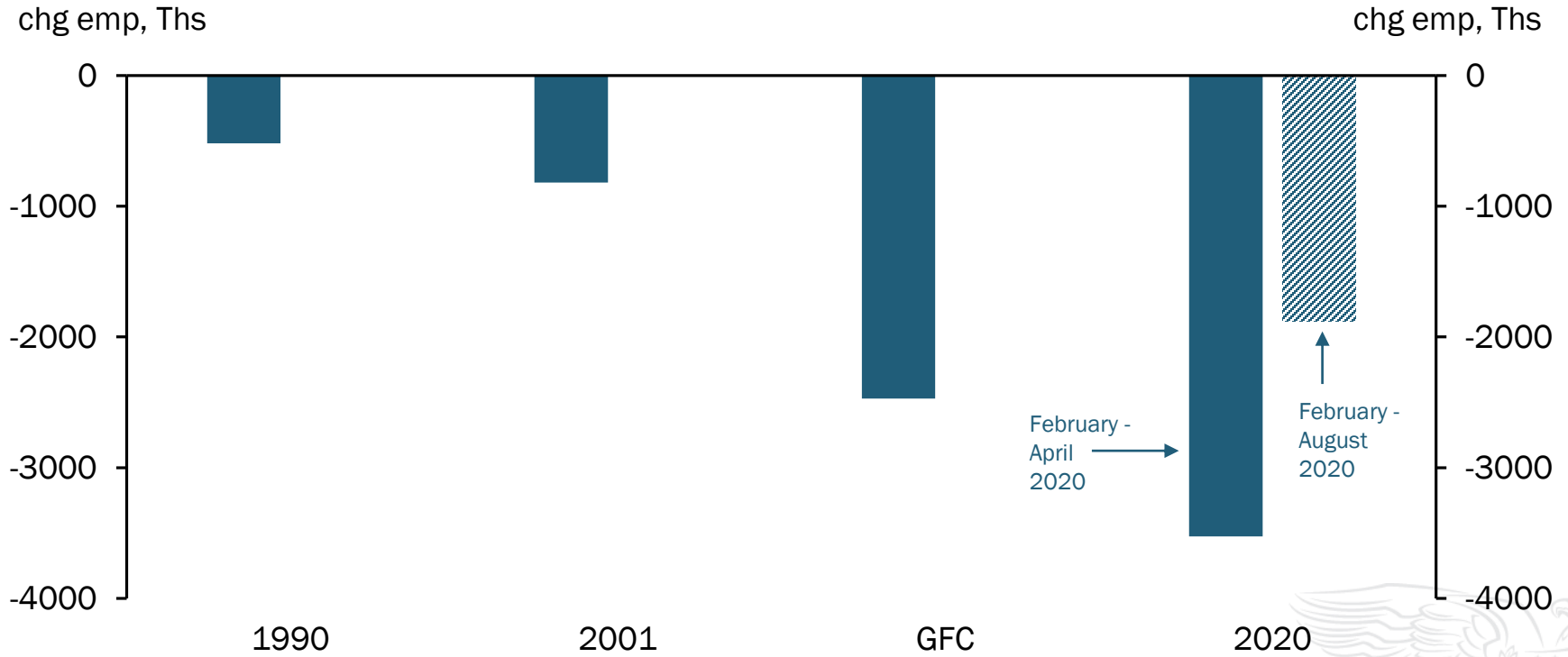
Sources: Federal Reserve Board, NBER
 Note: Grey bars represent recession shading

Risks to the outlook

- Persistent high unemployment can lead to lasting damage to the economy if workers lose key workplace skills
- Persistent declines in labor demand or ongoing difficulties returning to work safely may reduce workers' ability or willingness to participate in the labor force



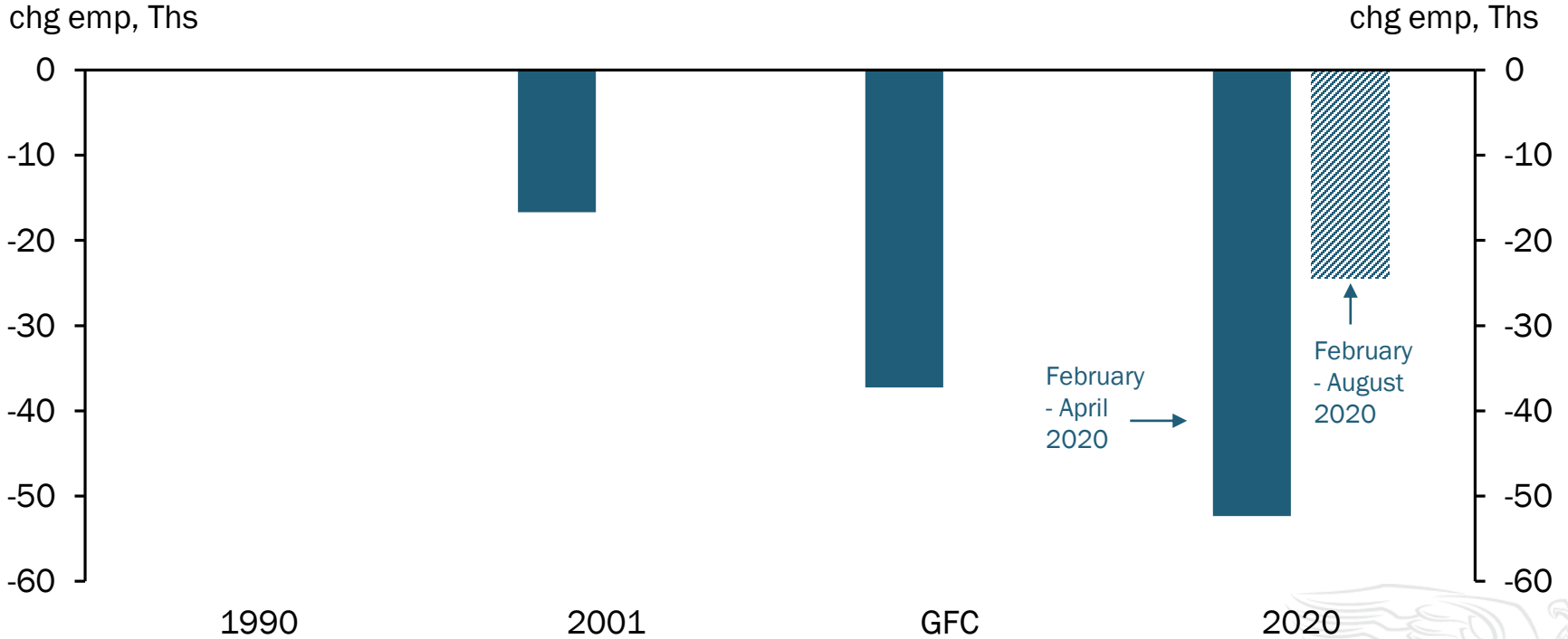
A large number of jobs were lost this year in occupations that require substantial amounts of on-the-job training



Sources: Sly and Greene (2020), Bureau of Labor Statistics, Haver Analytics

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

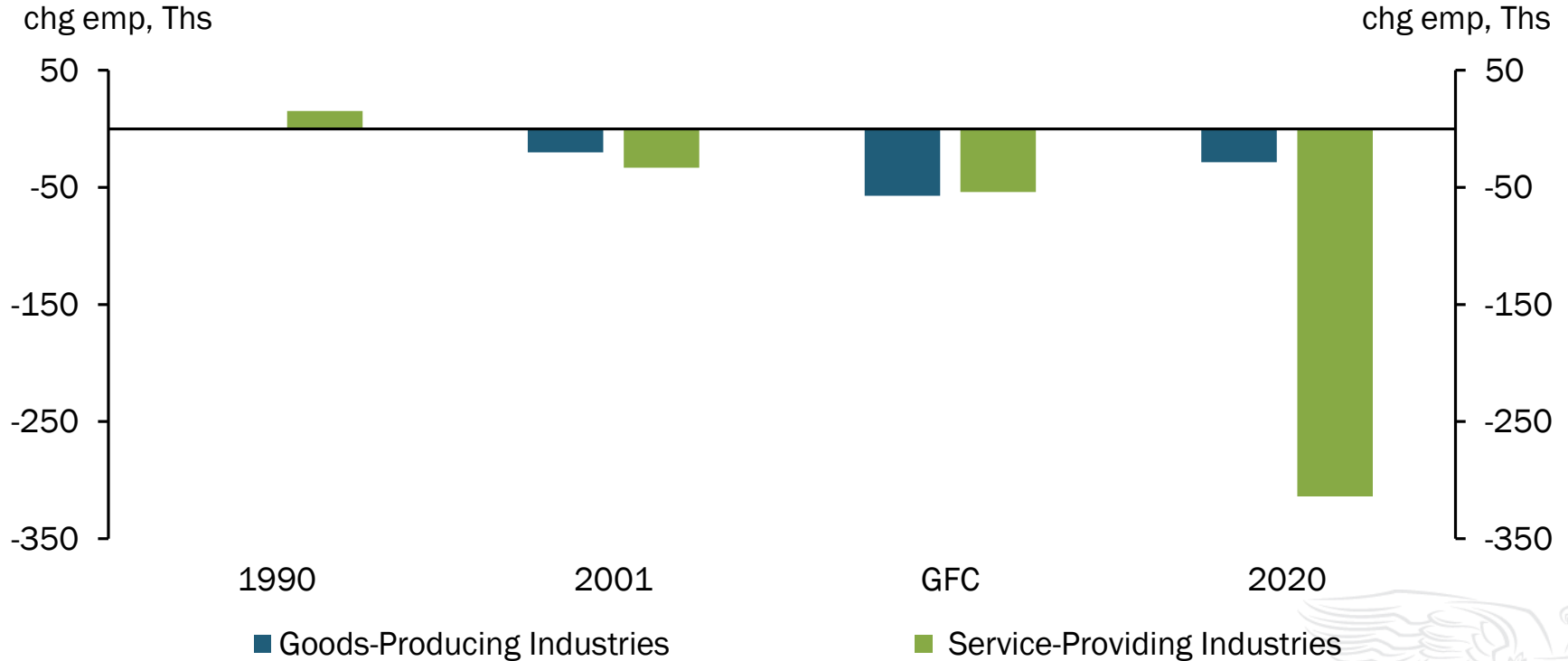
Colorado also experienced a large amount of job loss in training-intensive occupations within only a few months



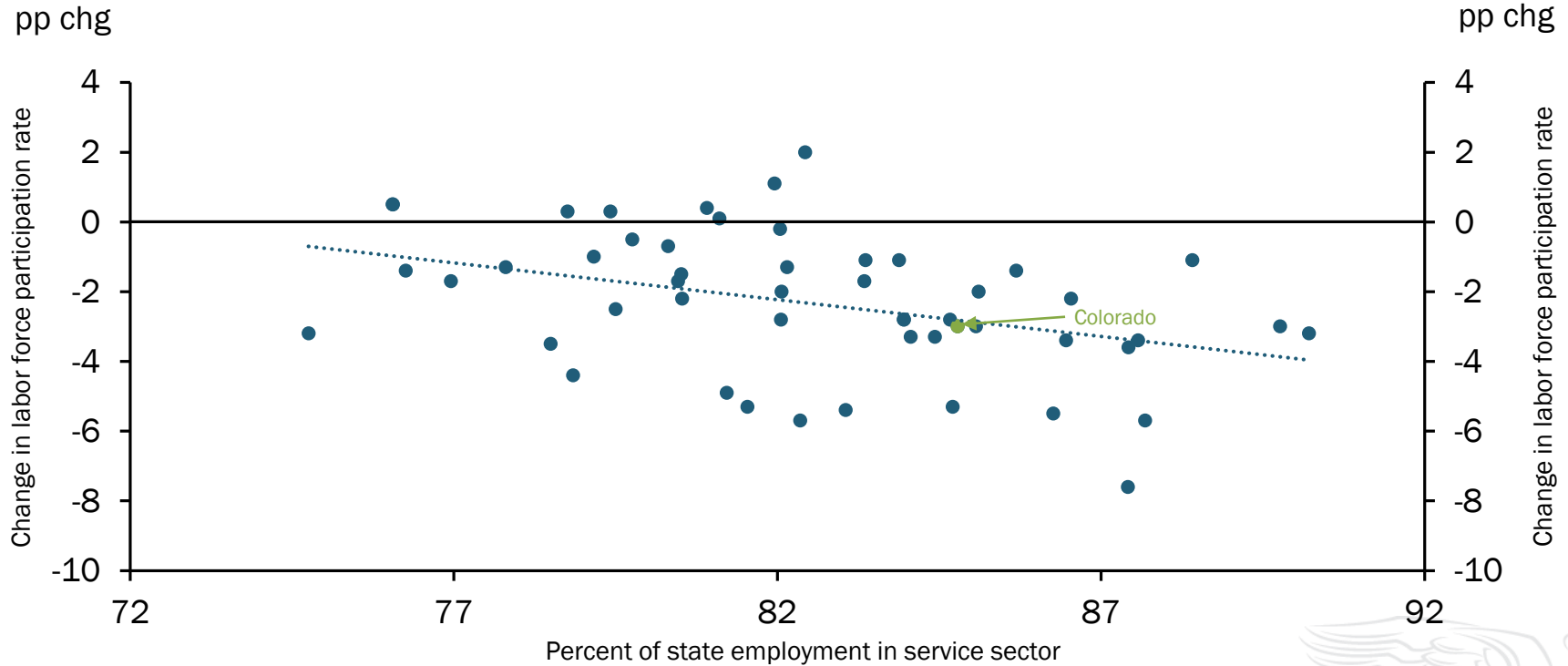
Sources: Bureau of Labor Statistics, Haver Analytics, Staff

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

Like the rest of the U.S., the service sector in Colorado is experiencing an unprecedented level — and an outsized proportion — of job loss

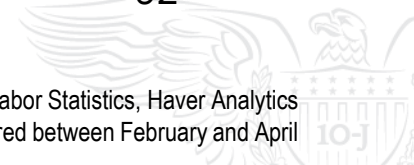


Labor force participation declined nationwide during the first half of the year, and declined more in states with greater service sector employment

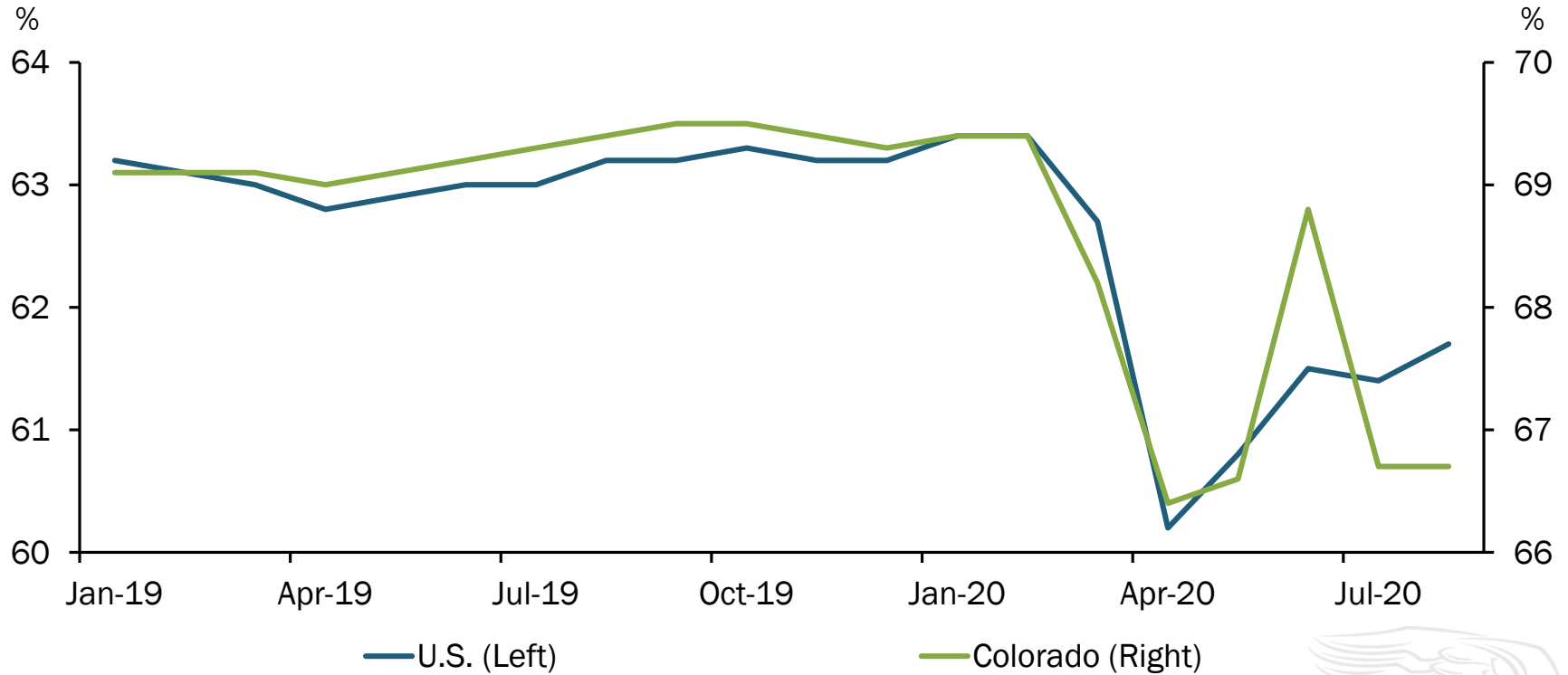


Sources: Sly and Greene (2020), Bureau of Labor Statistics, Haver Analytics

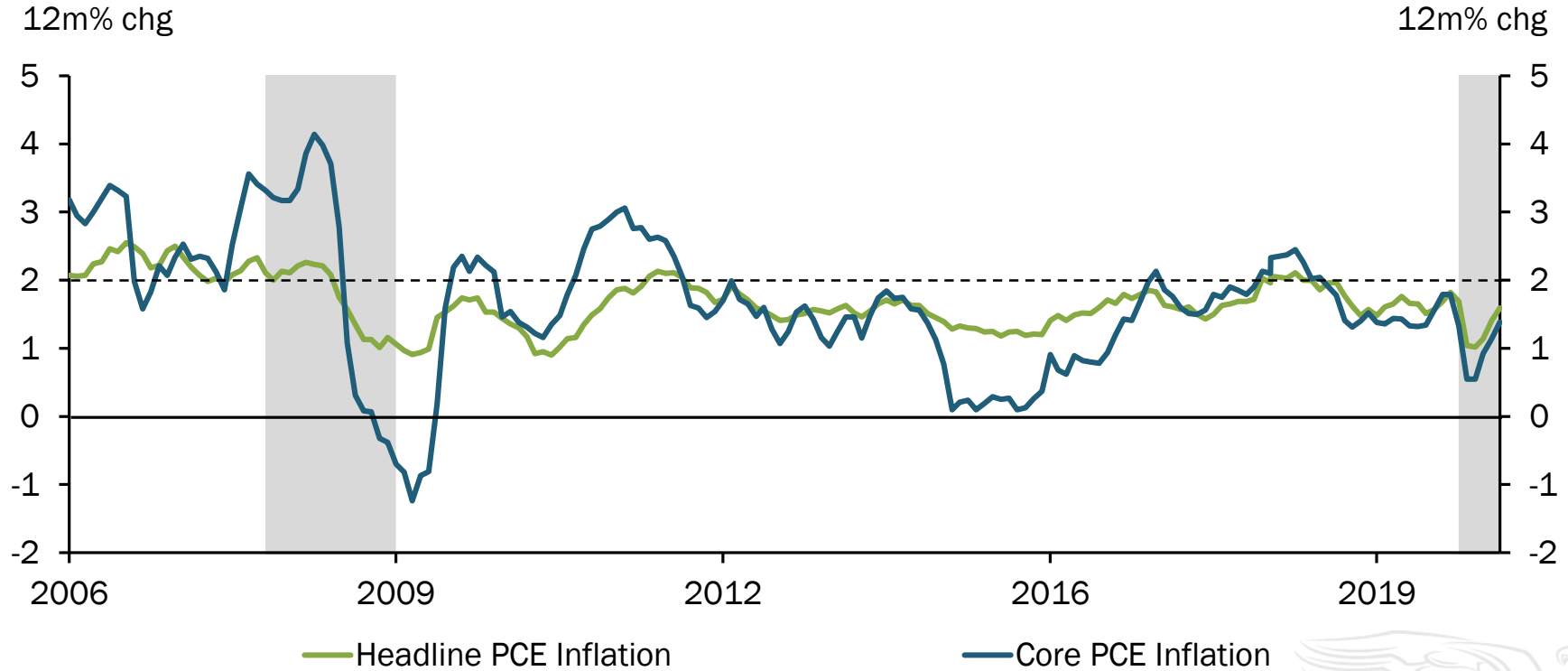
Note: Individual data points correspond to U.S. states. Change in state LFPR is measured between February and April



Labor force participation declined in Colorado

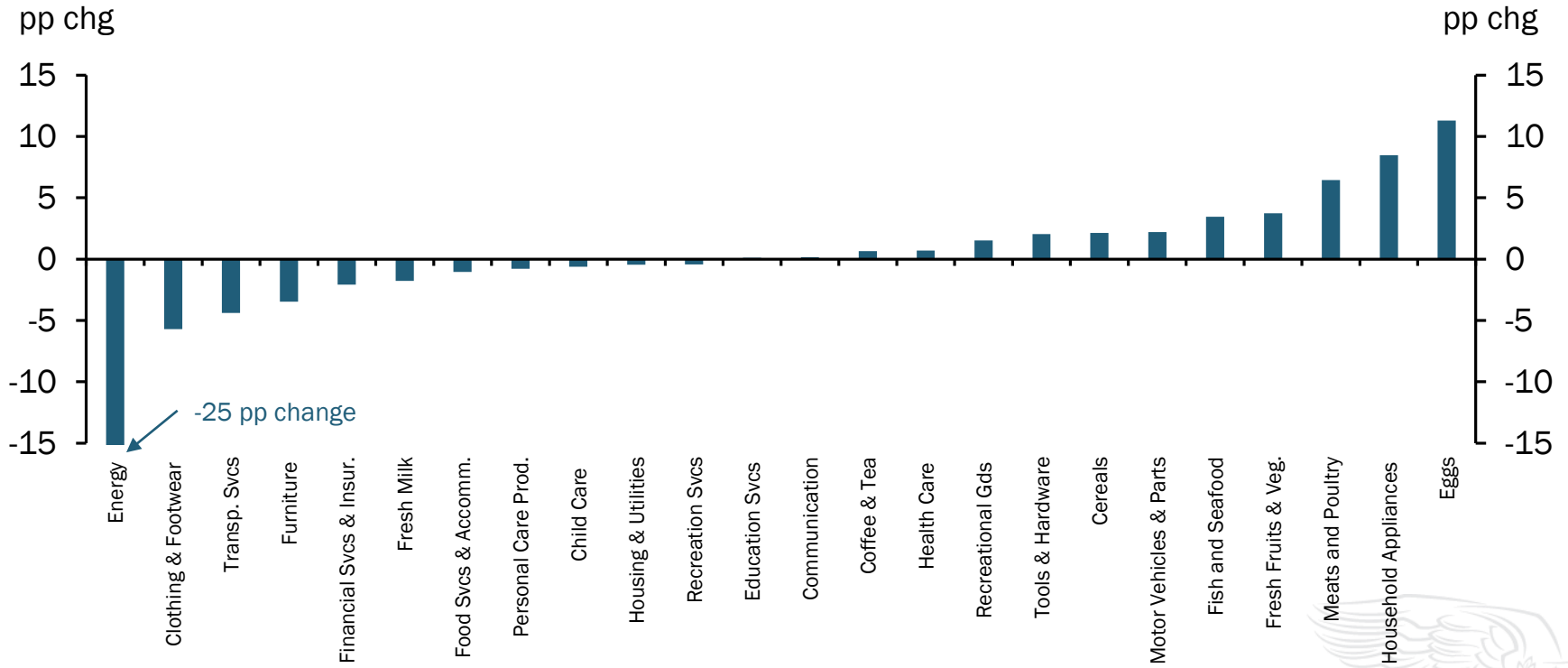


Inflation is likely to remain subdued over the medium term



Sources: BEA, NBER, Haver Analytics
 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

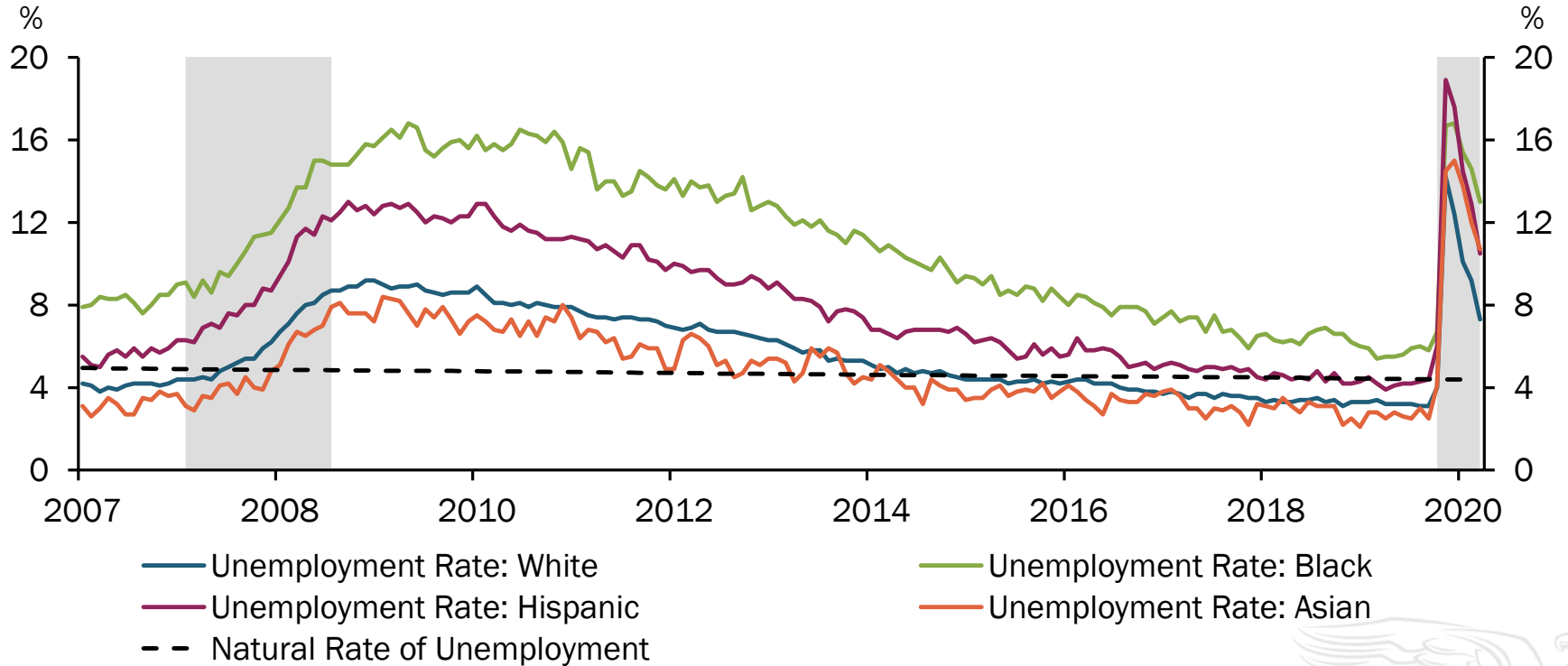


Longer-Run Goals and Monetary Policy Strategy

- 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



Looking forward

- Economic activity stabilized in recent months with support from a variety of policy actions, but employment and overall economic activity remain below pre-pandemic levels
- The Federal Reserve remains committed to using its full range of tools to support the recovery and limit lasting damage to the economy
- In the near term, the path of COVID-19 remains the key driver of the outlook
- Over the medium term, the ability of workers to remain engaged in the labor force will be an important factor driving the shape of the recovery



