

National and Regional Economic Conditions

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Nicholas Sly

Assistant Vice President, Economist and Denver Branch Executive

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

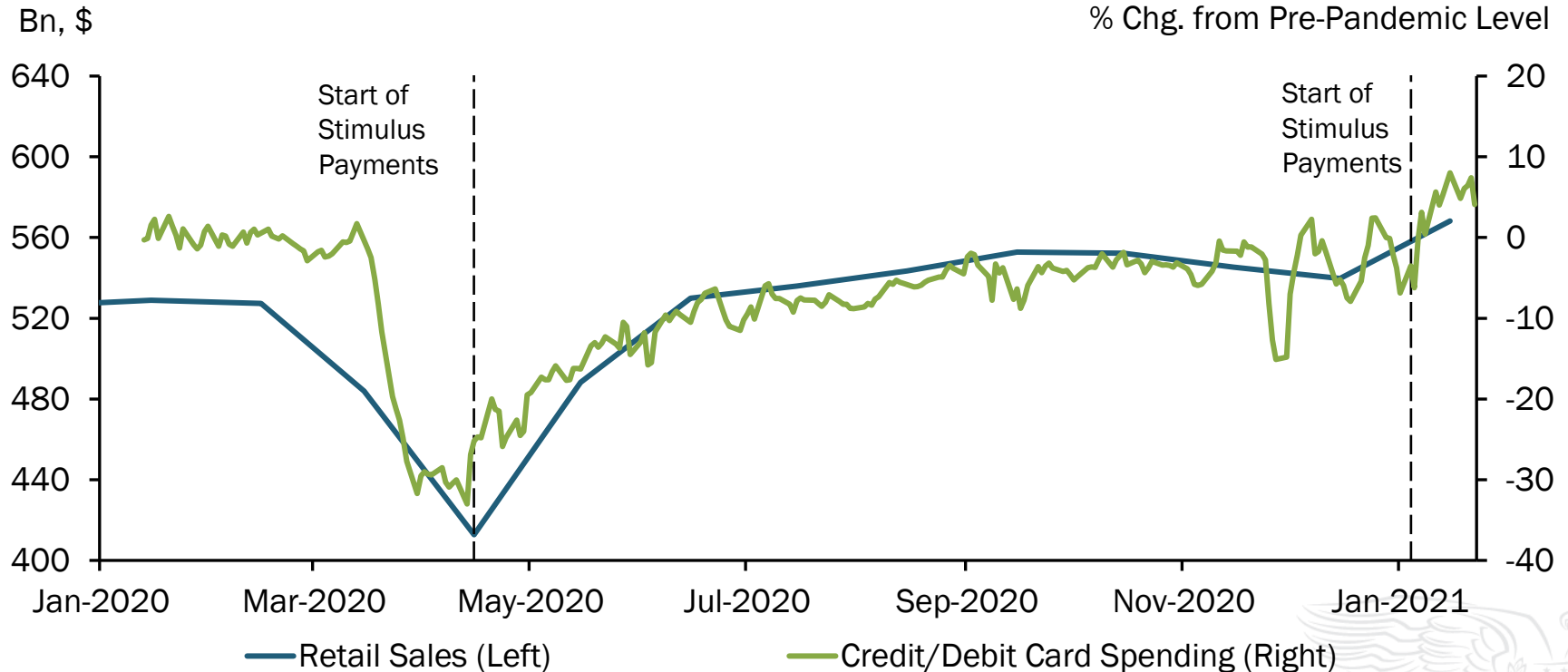


Outlook themes

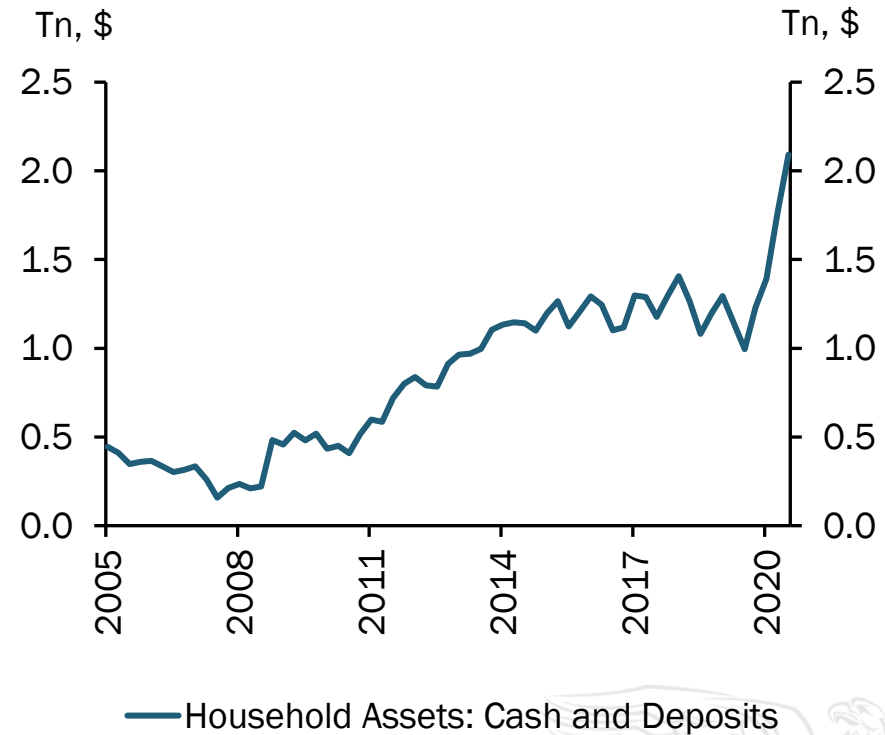
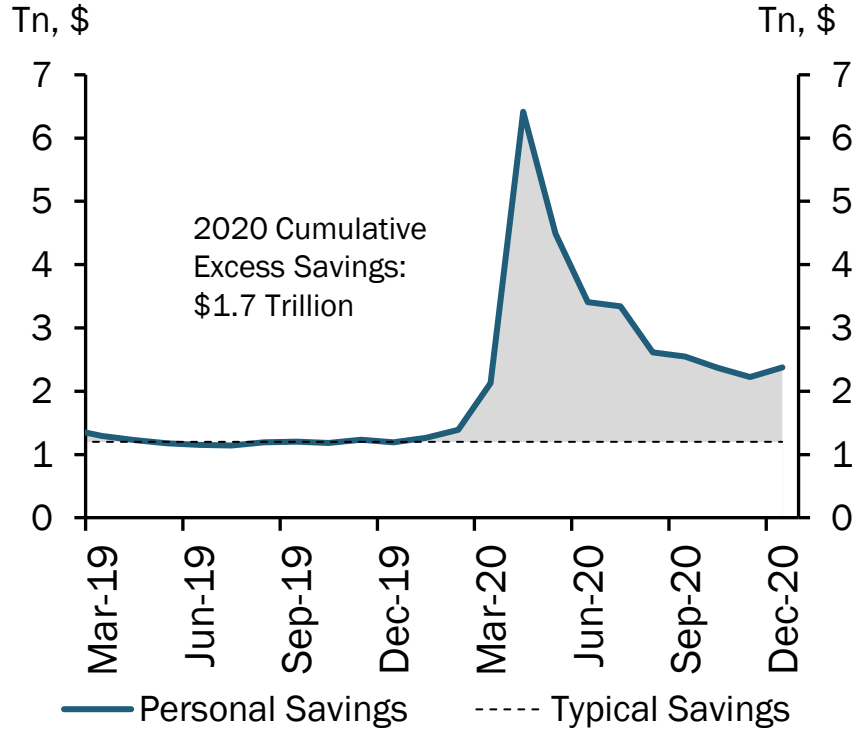
- Consumers' pent-up demand is poised to drive faster-than-trend consumption growth and faster-than-typical employment growth in the leisure and hospitality sector in the near term
- Over the medium term, the pace of recovery will likely moderate, with consumption growth and business investment providing ongoing support for recovery
- Supply chain restrictions and uncertainty about the pace of consumer spending remain risks to the outlook in the near term
- Readings of inflation are likely to pick up in the near term due to a variety of temporary factors



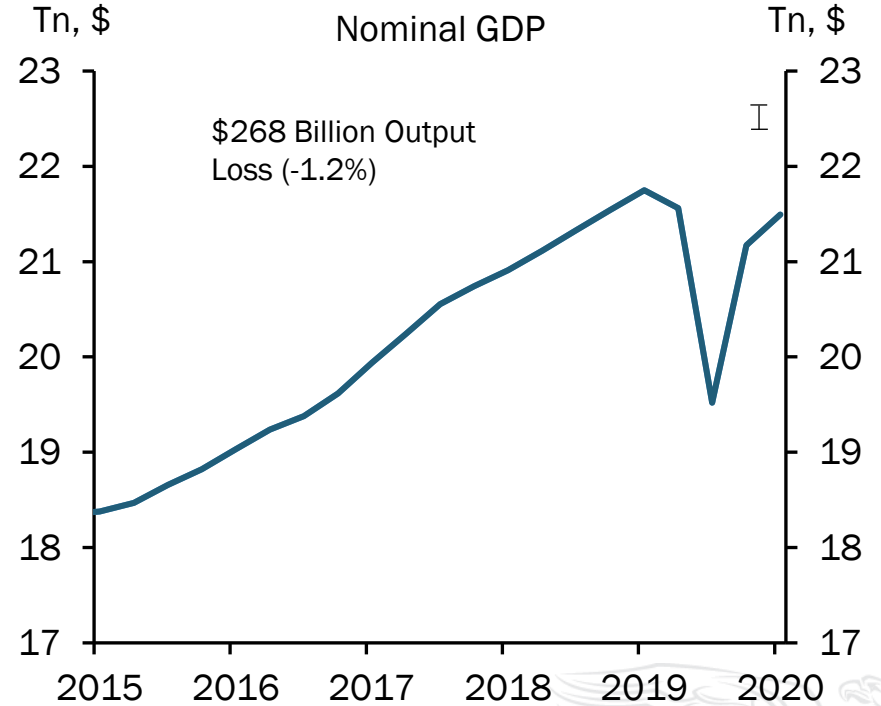
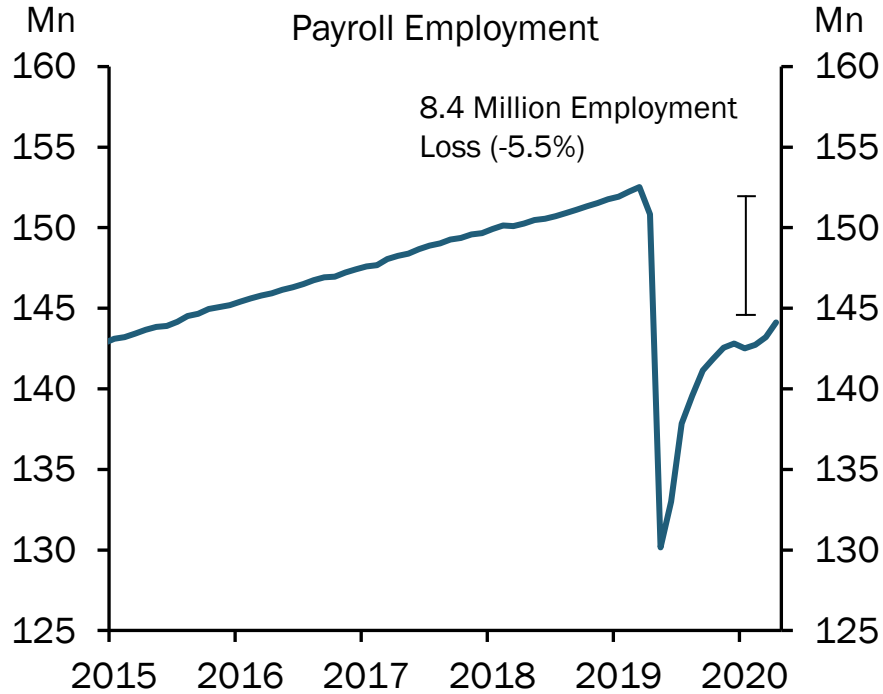
Fiscal support provided aid to household balance sheets in addition to supporting consumer spending throughout the District



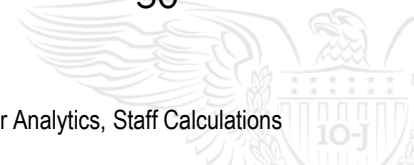
Fiscal transfers have also enabled households to amass savings, much of it liquid



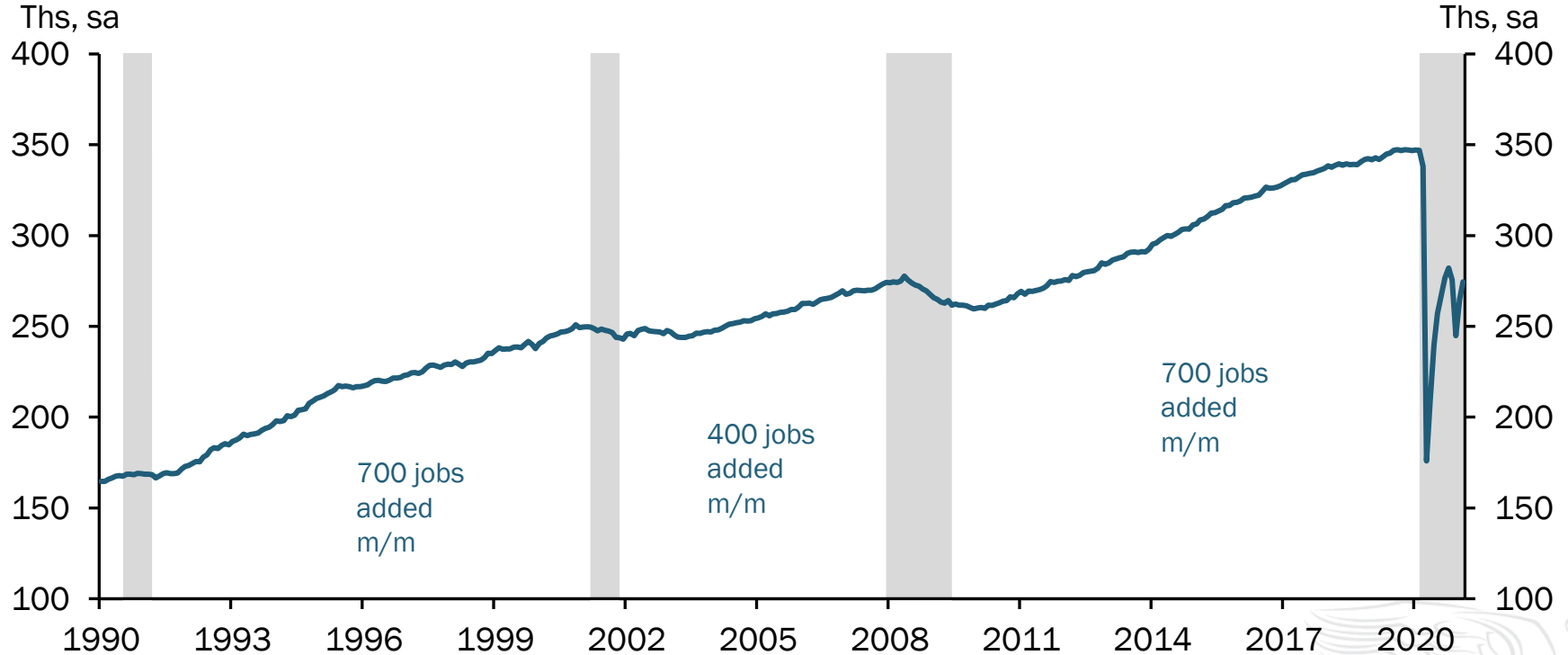
Though employment remains depressed, nominal GDP has largely reversed its pandemic decline



The unevenness of the pandemic partly accounts for the contrasting recoveries of employment and output

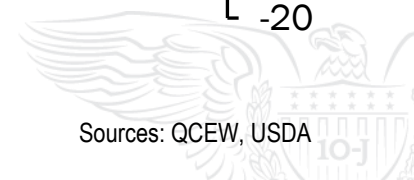
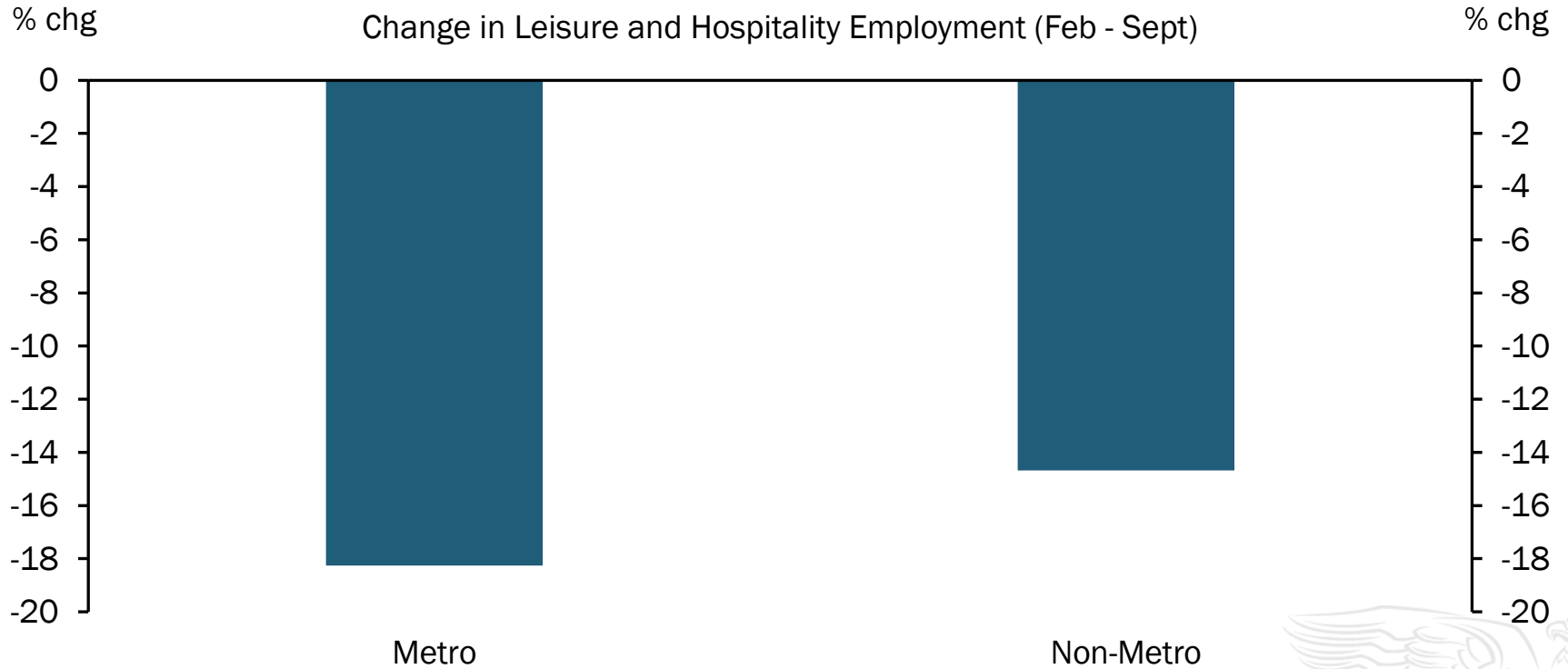


Recovery in leisure and hospitality employment is likely to exceed historical rates in coming months

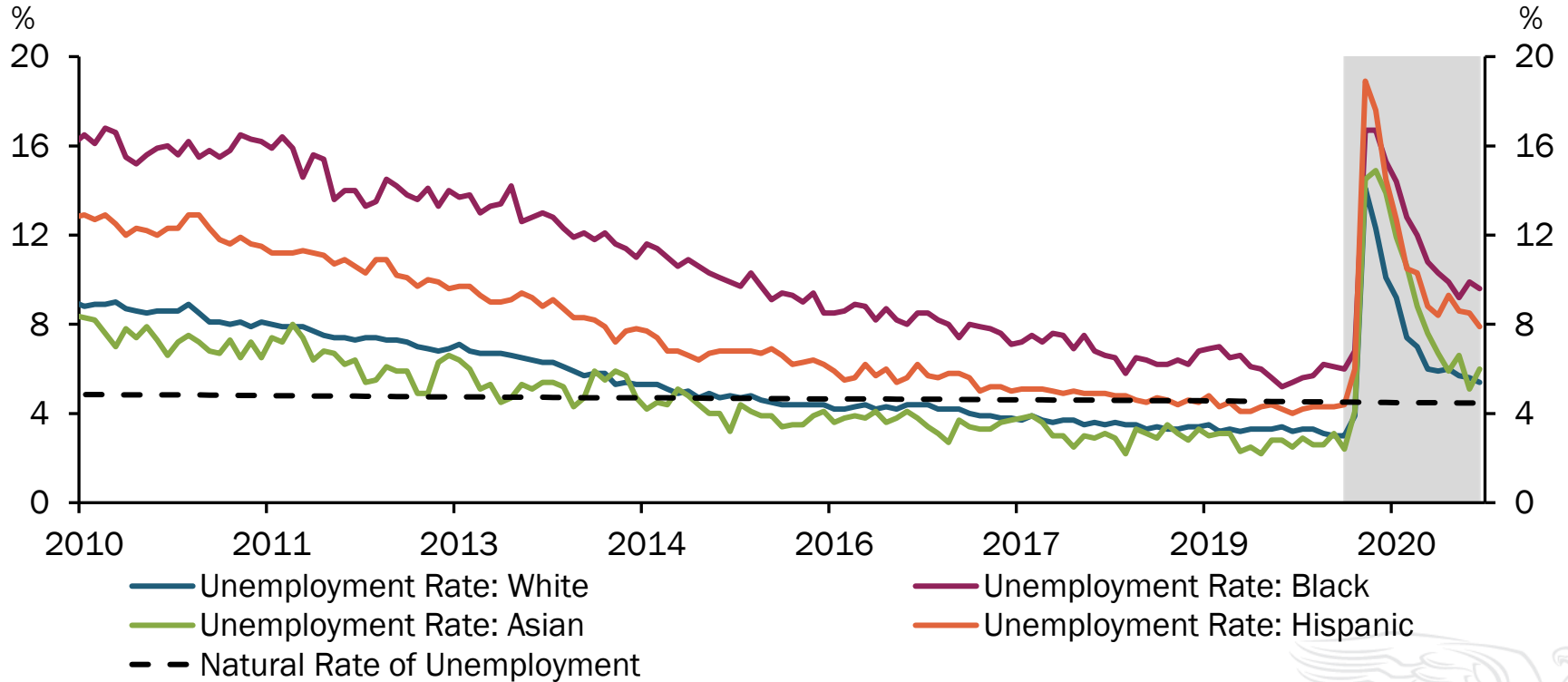


Sources: BLS, NBER, Haver Analytics
 Note: Grey bars indicate recession shading

Leisure and hospitality employment declined more, and has recovered less, in metro areas throughout the region



Unemployment remains elevated, particularly for minority workers

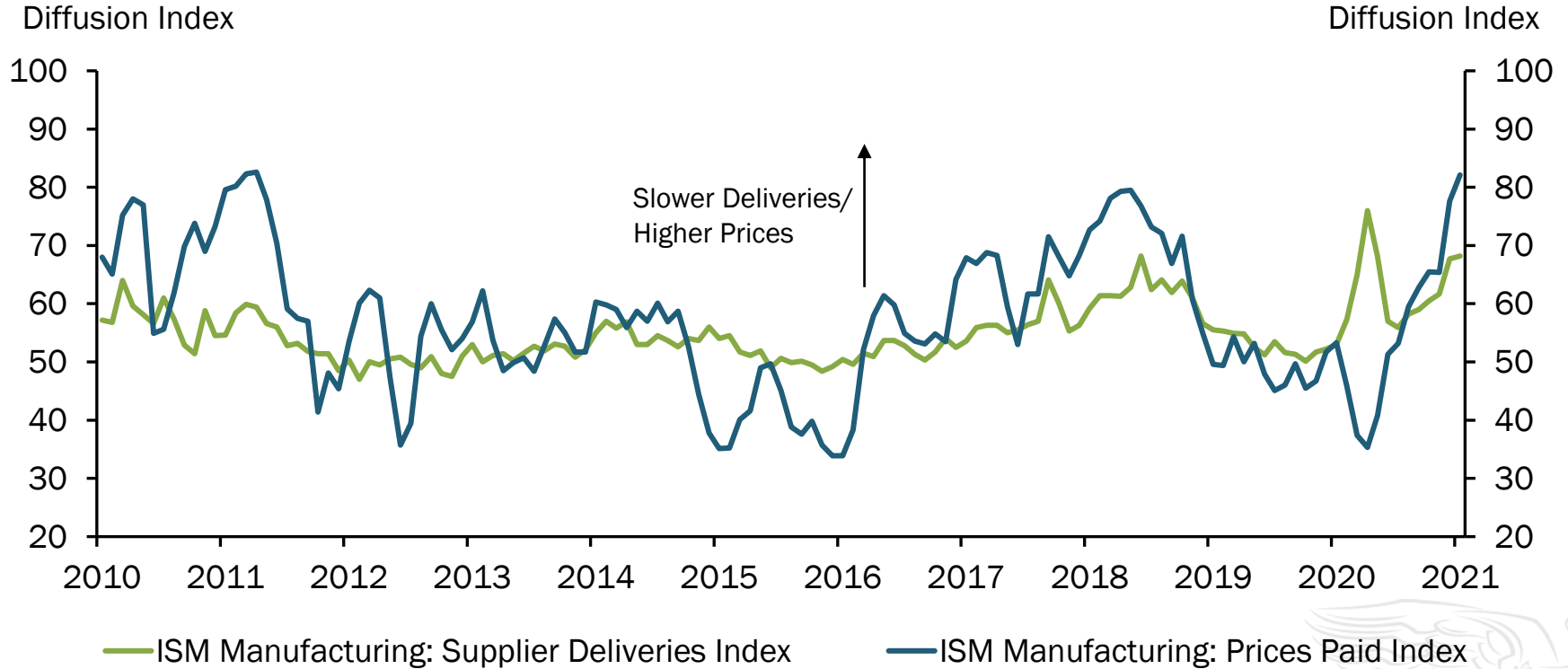


Sources: BLS, CBO, NBER, Haver Analytics
 Note: Grey bar indicates recession shading

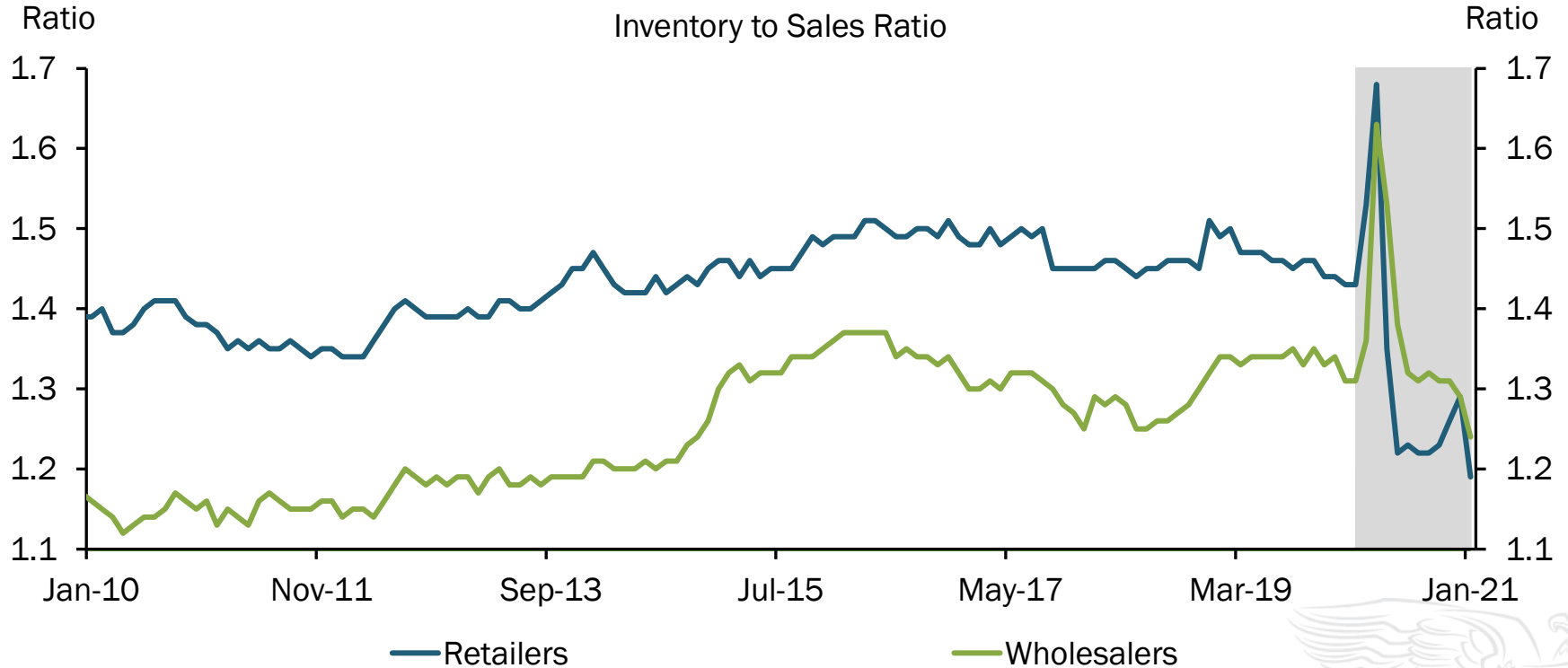
Worker shortages are more severe in manufacturing than prior to the pandemic, while demand is yet to fully recover in service sectors



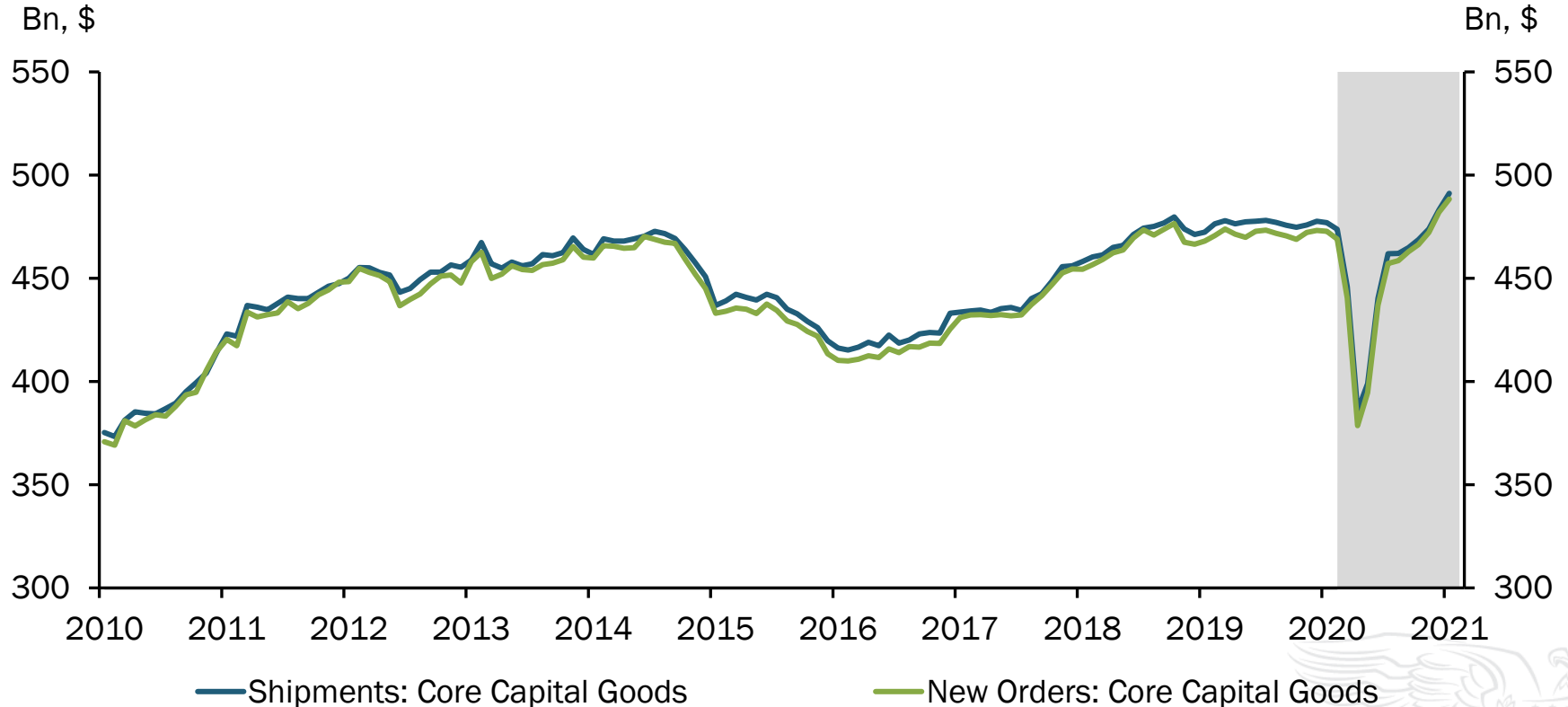
Supply is currently having trouble keeping pace with demand in many industries



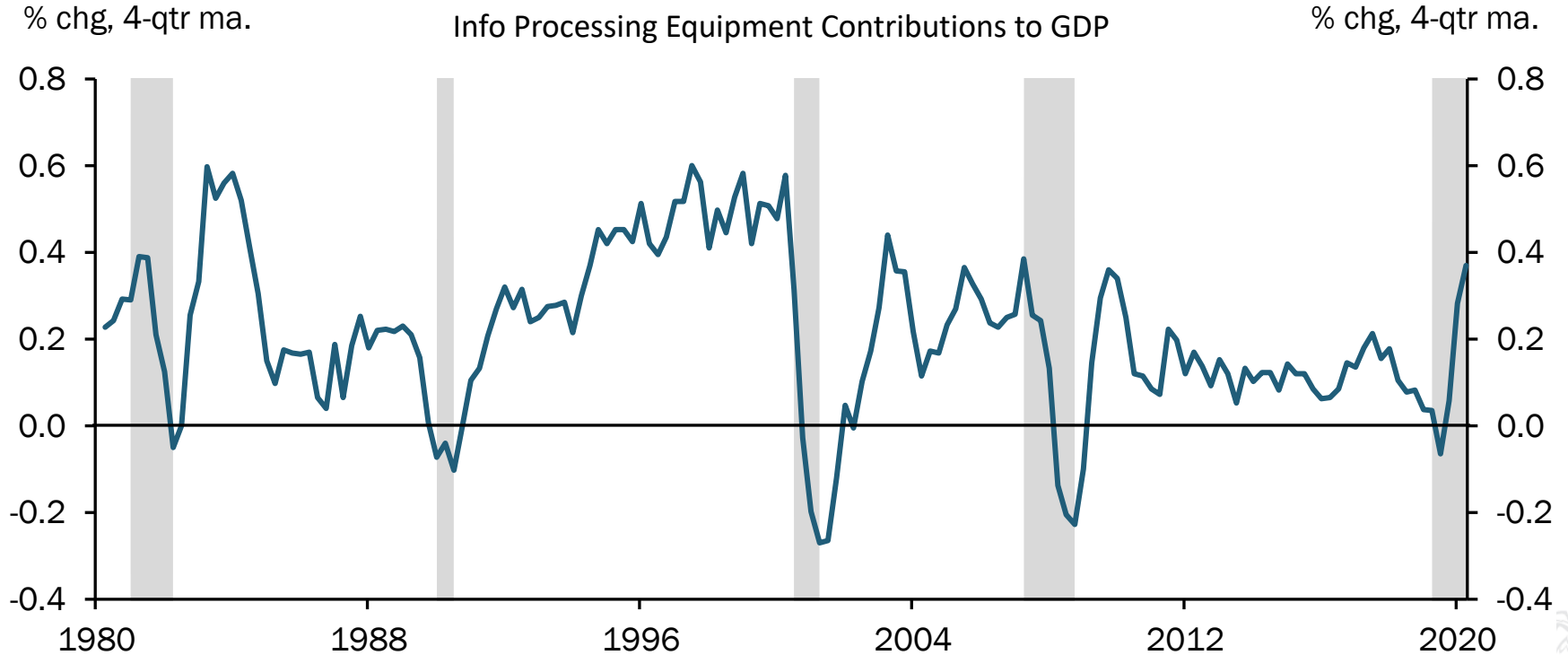
Low inventory to sales ratios will likely drive investment and hiring activity, though easing of supply constraints may restore inventories somewhat



Demand for capital goods and other investment equipment now exceeds pre-pandemic levels

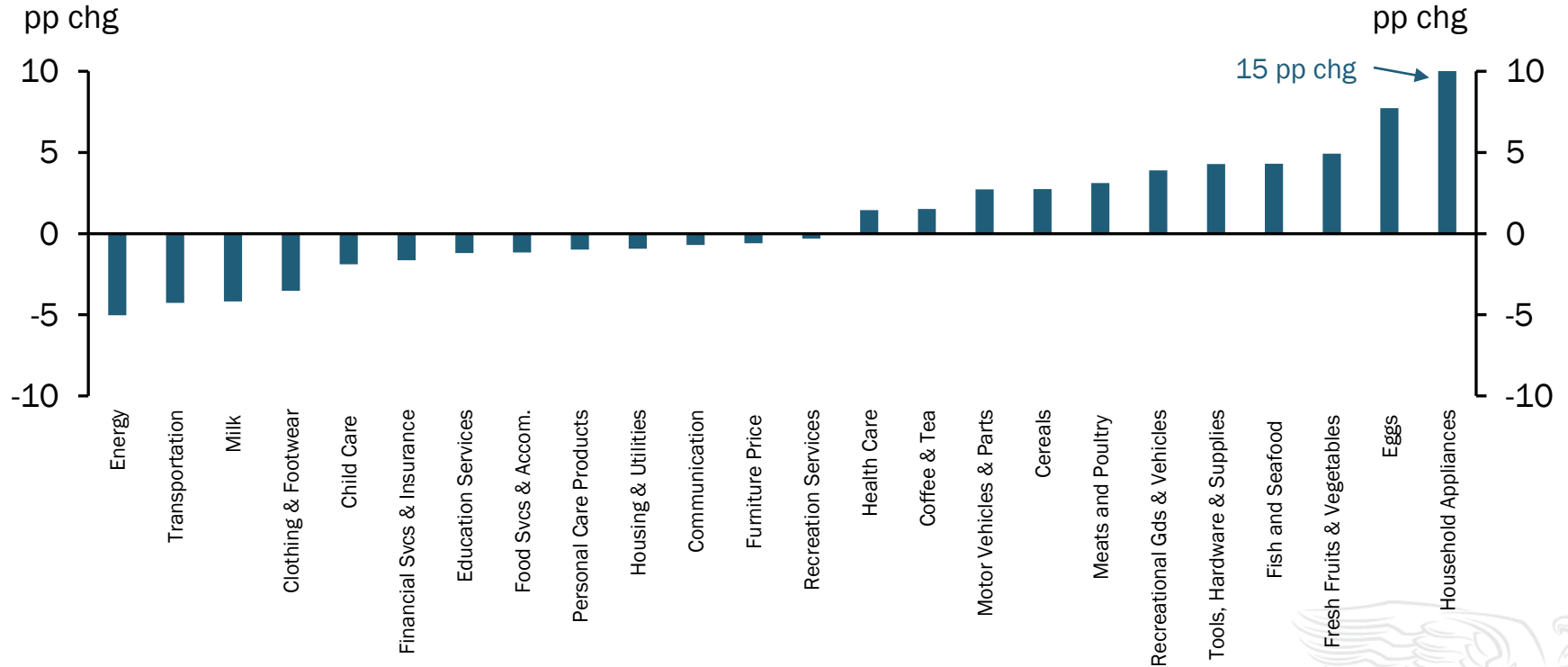


Info processing equipment contributions decreased during previous downturns, but added substantially to growth over the last year

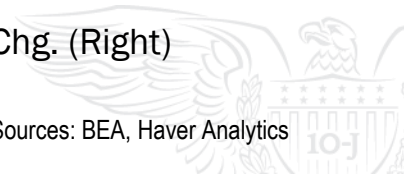
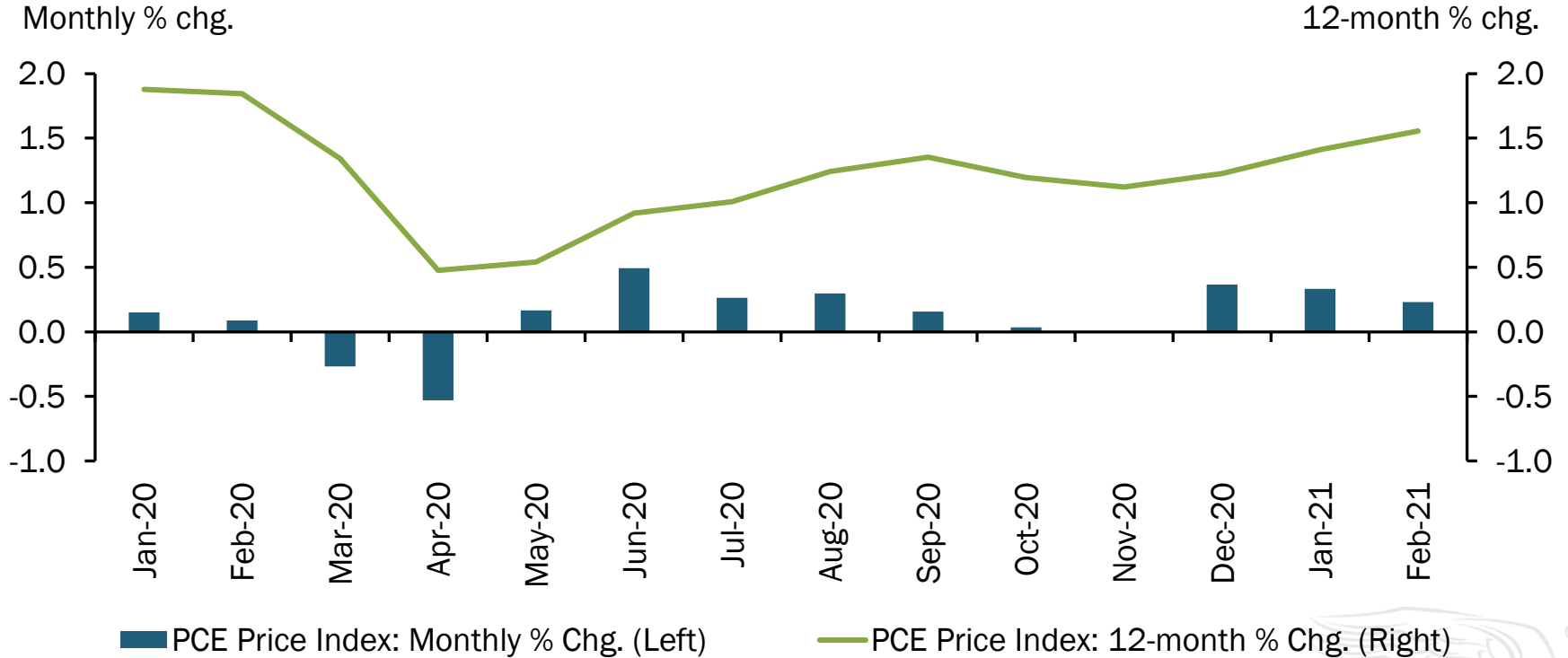


Sources: BEA, NBER, Haver Analytics
 Note: Grey bars indicate recession shading

Although inflation is currently below the 2 percent target, price growth for several goods and services accelerated over the last year



Inflation is poised to move higher in the near term



Looking forward

- Consumers are going to be drivers of the near-term outlook, with questions remaining as to how quickly demand for services will return
- Recovery in employment of low-to moderate income workers and persons of color will be key to achieving inclusive growth
- Supply chain disruptions and materials costs pressures have emerged as near-term headwinds for businesses throughout the region
- Labor supply constraints risk more persistent challenges for businesses going forward



