

Economic Outlook

July 14, 2021 – Colorado Hispanic Chamber of Commerce

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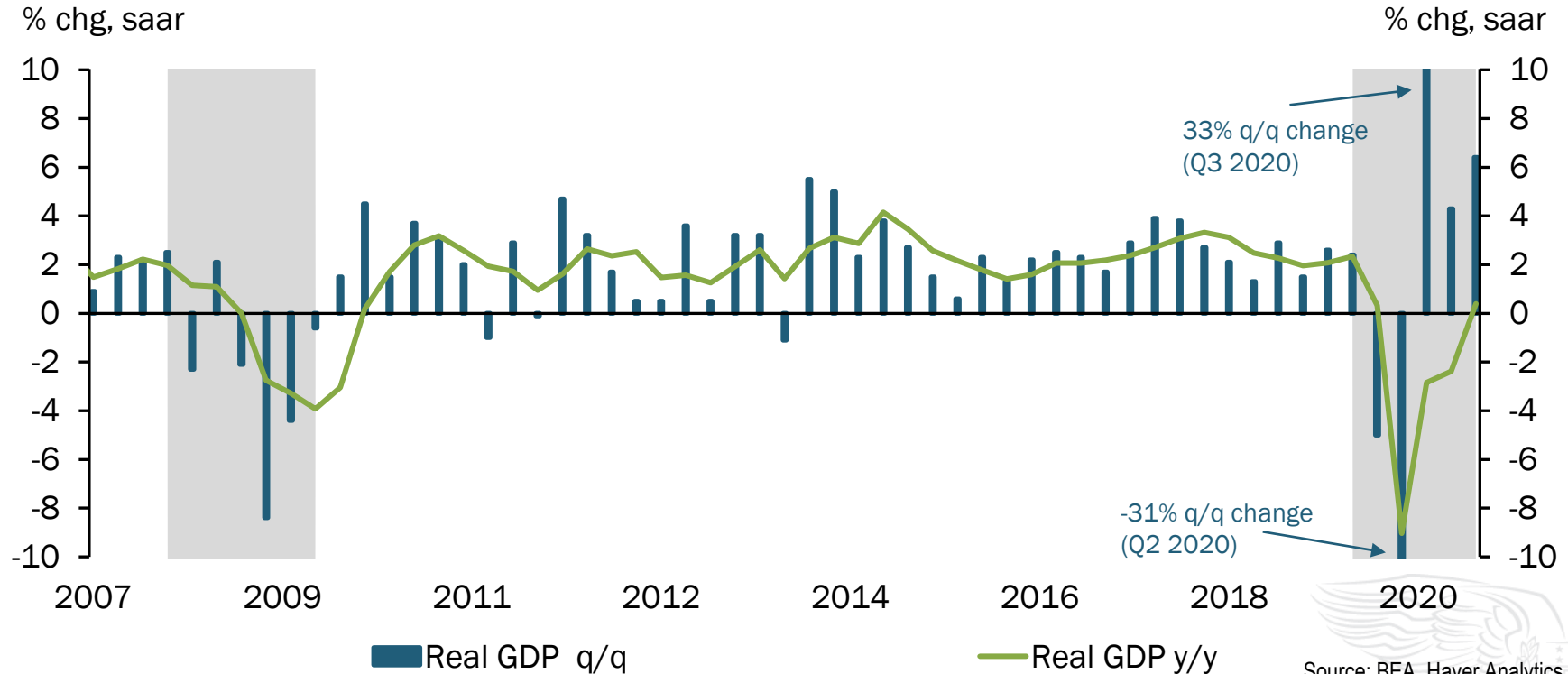


Outlook themes

- Consumer spending continues to grow, supported by healthy household balance sheets and ongoing labor market improvement
- The balance of consumer spending between goods and services has yet to fully normalize, which has implications for the inflation outlook over the medium term
- Recruiting workers is a key challenge for many businesses, keeping the focus on wage pressures in coming months
- Readings of inflation picked up recently due to a variety of factors, many of which that will likely fade in the near term

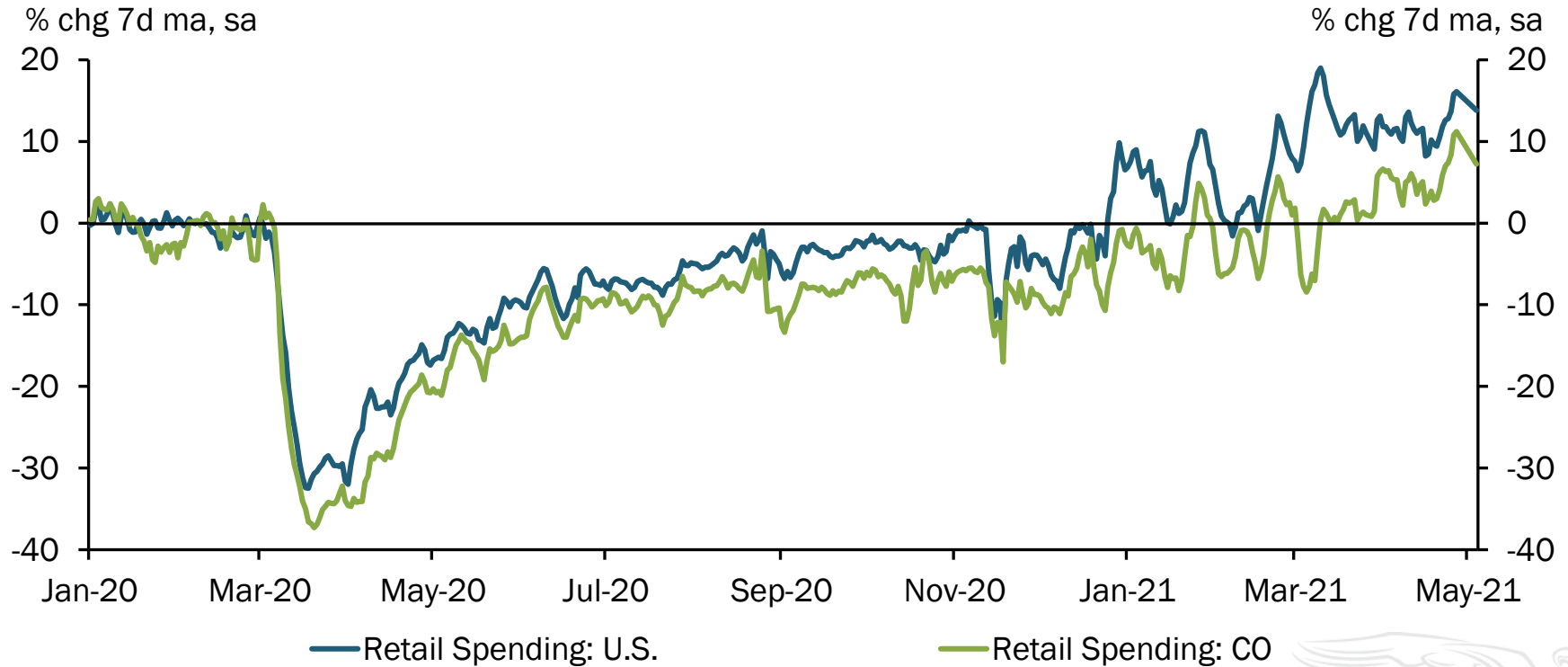


Consumer activity and business investment activity are supporting ongoing economic growth this year

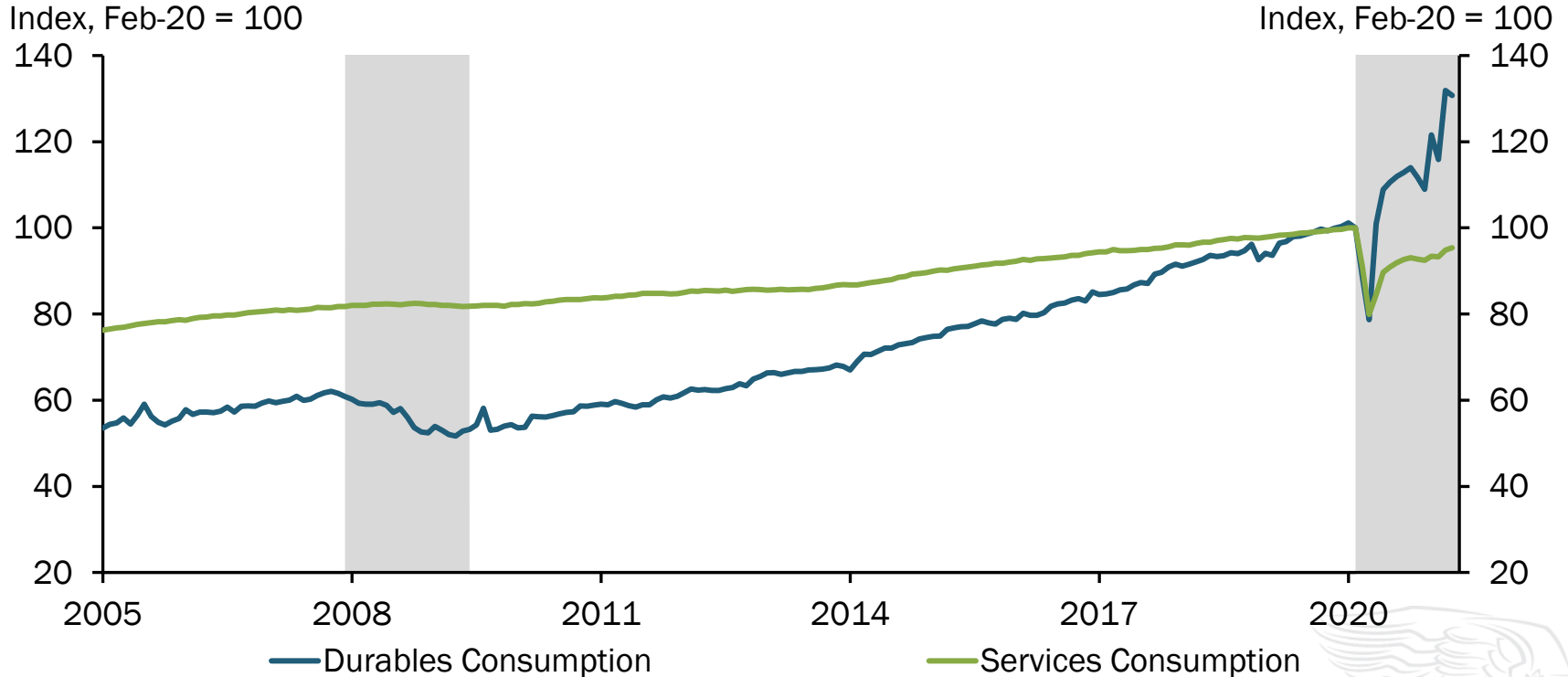


Source: BEA, Haver Analytics
 Note: Grey bars indicate recession shading

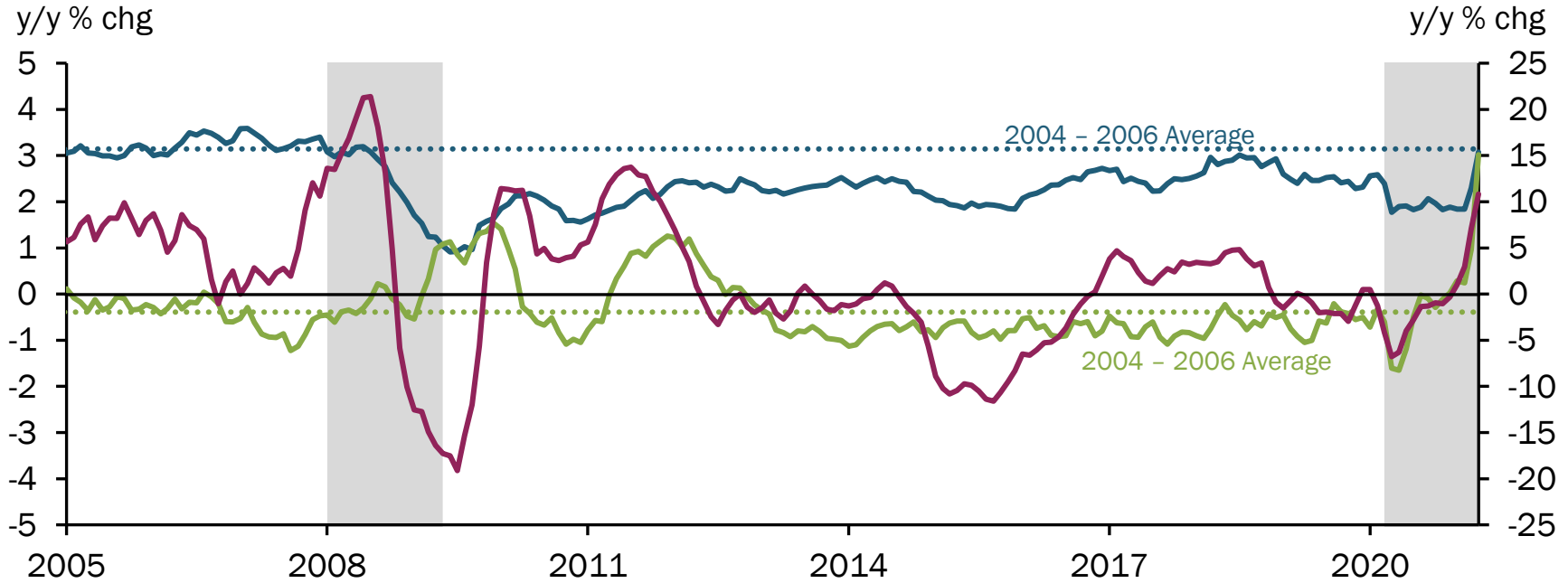
Consumer spending in Colorado now exceeds pre-pandemic levels



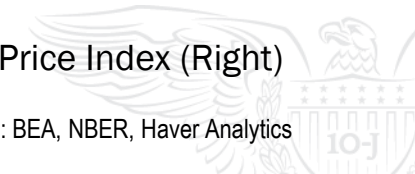
The composition of spending remains shifted more towards goods than is typical, especially during economic downturns



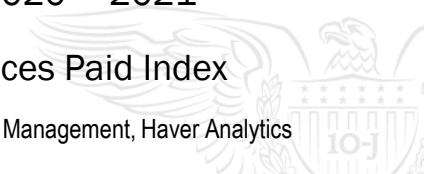
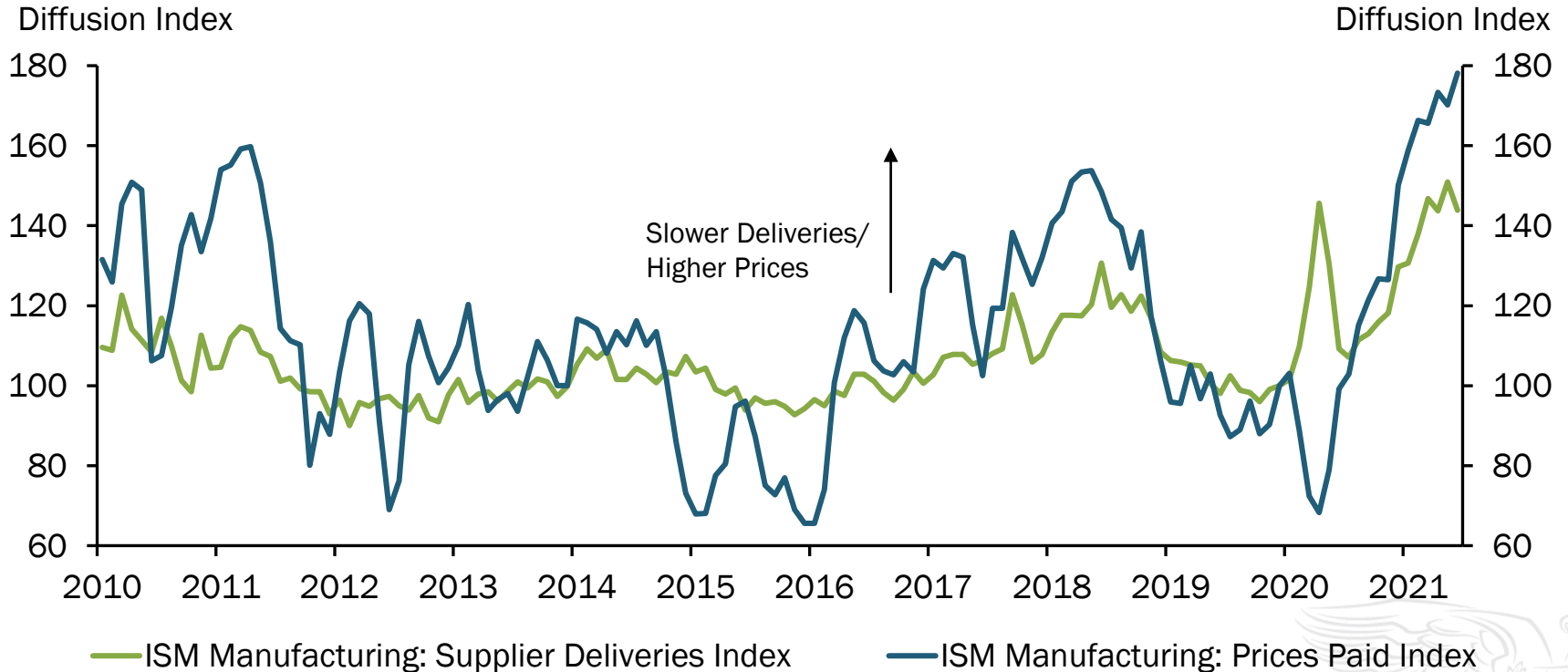
Services prices are typically the primary driver of overall inflation rates, but goods and import prices are making outsized contributions currently



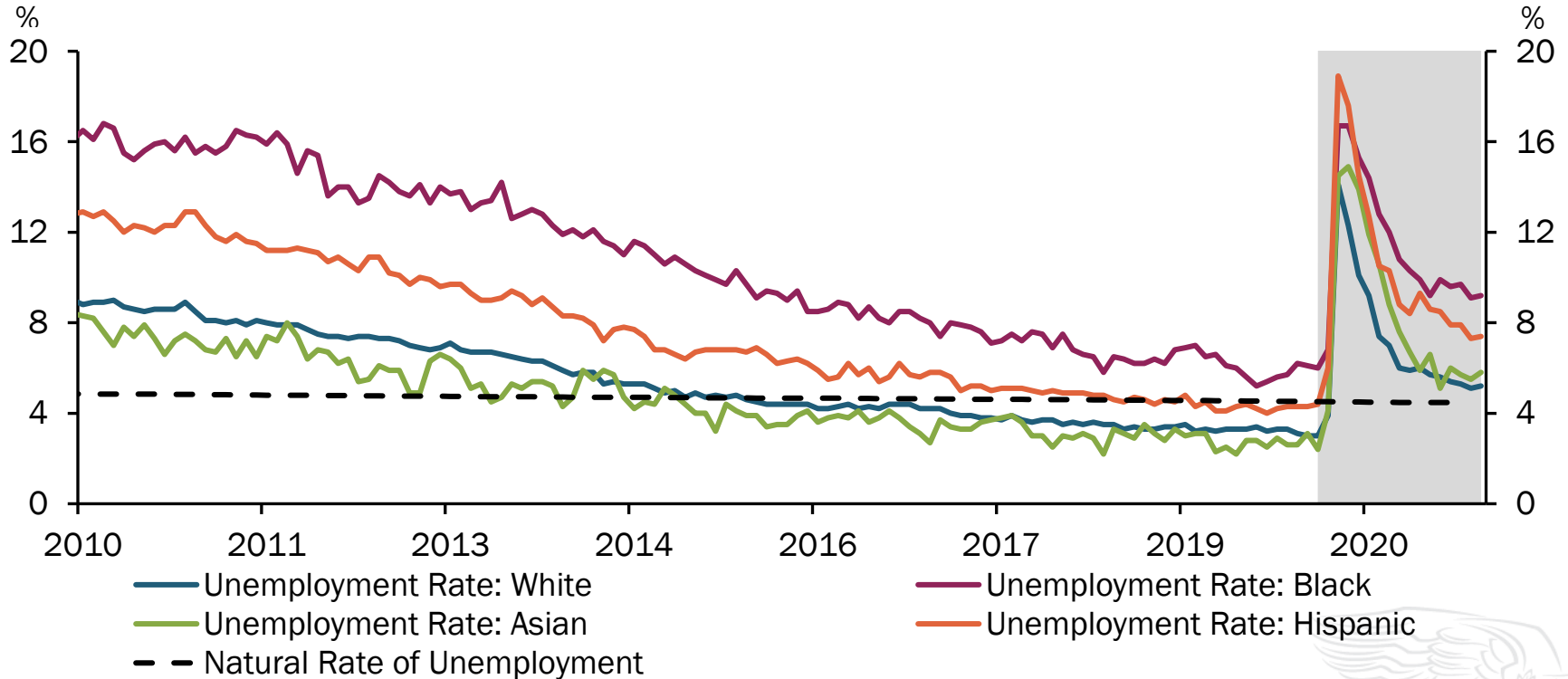
— Core PCE: Services Inflation (Left) — Core PCE: Goods Inflation (Left) — Import Price Index (Right)



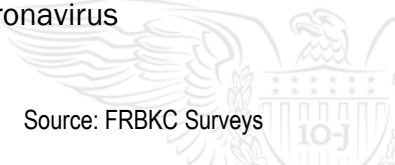
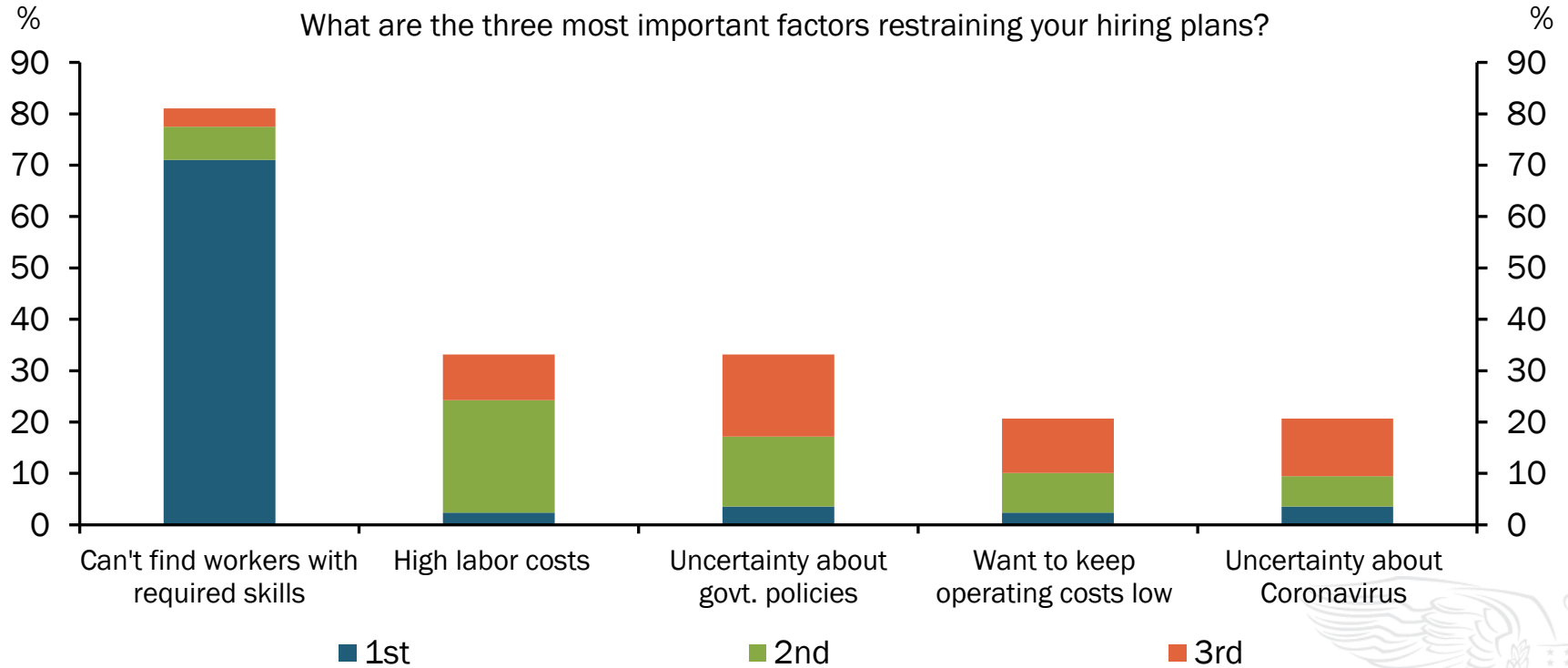
Supplies of many goods and services are having trouble keeping pace with demand, leading to delays and cost pressures



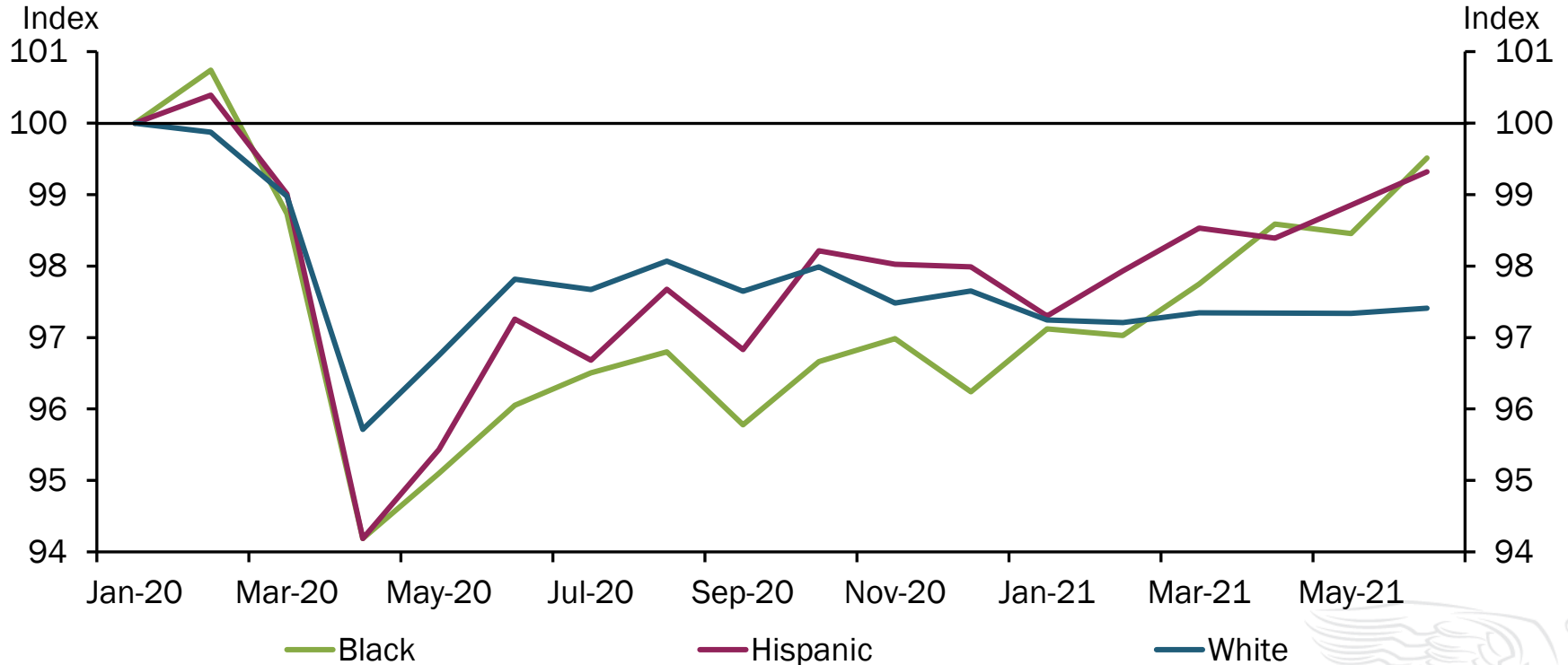
The unemployment rate continues to trend downward, though it is still elevated for some minority workers



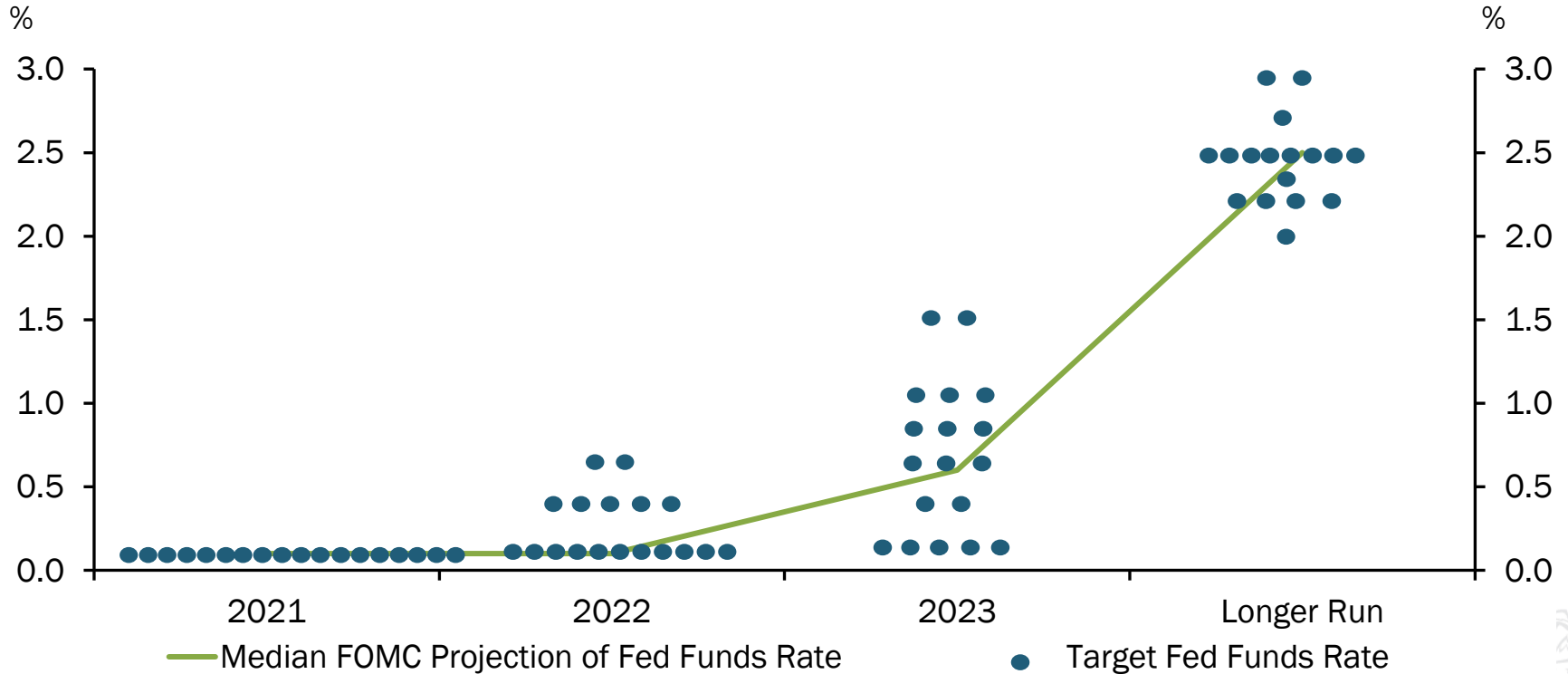
Majority of firms report that the inability to find qualified workers is primary challenge affecting hiring plans



Labor force participation is recovering faster for minority workers



Recent projections from the FOMC for the median participant indicate expectations for stability in the rate environment through 2022



Looking forward

- Private demand from consumers and businesses are going to be drivers of the outlook
- Low labor supply may pose a more persistent headwind and its implications for hiring and wage growth will warrant close monitoring in coming months
- The stance of monetary policy remains accommodative.



