

# Economic Conditions and Outlook

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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

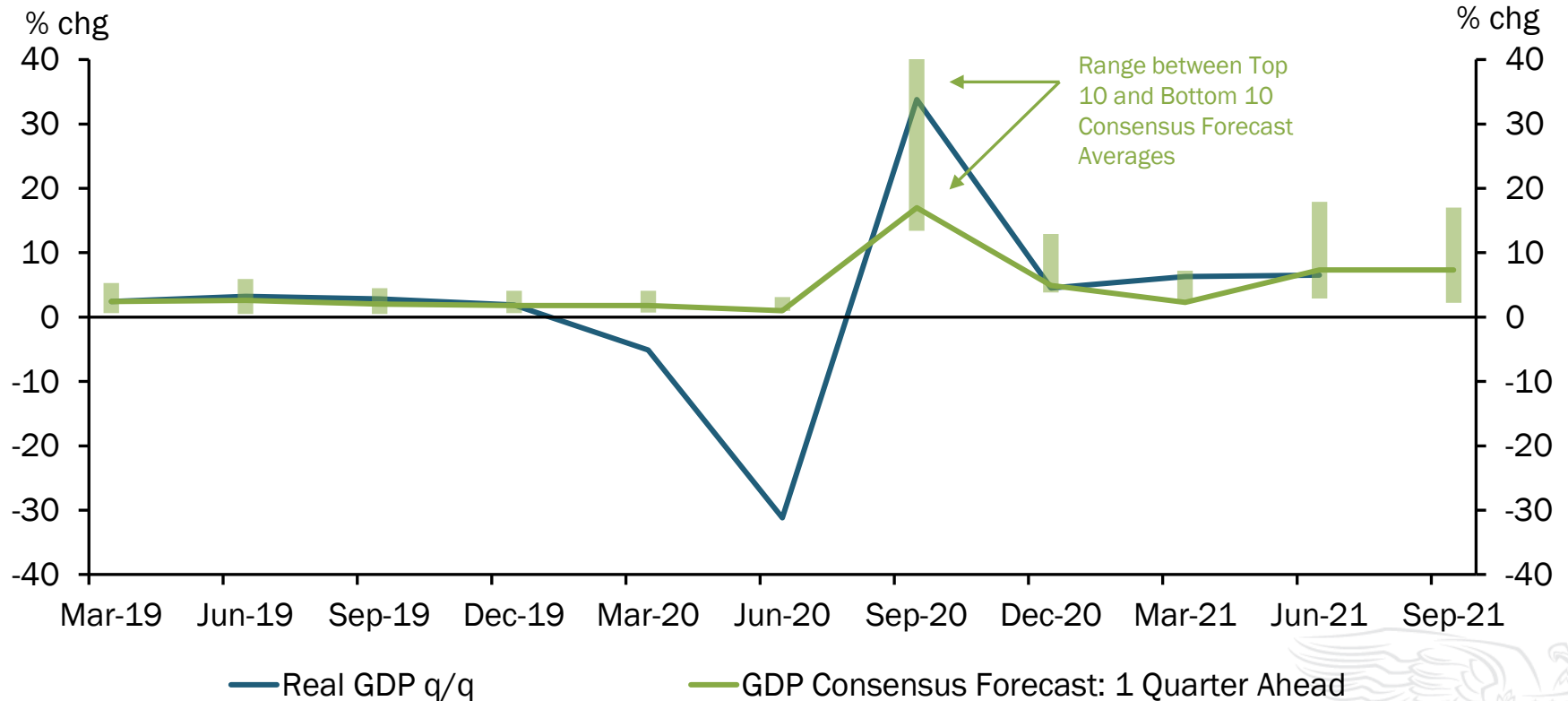


## Outlook themes

- After several months of sustained economic recovery, uncertainty about the outlook increased due to the pandemic
- Consumers have generally continued to spend as the Delta variant emerged, but employment growth slowed in some pandemic-sensitive sectors
- Recovery in employment has been uneven between small and large businesses, as well as across demographic groups
- Cost pressures are elevated and inflation is currently running above 2 percent

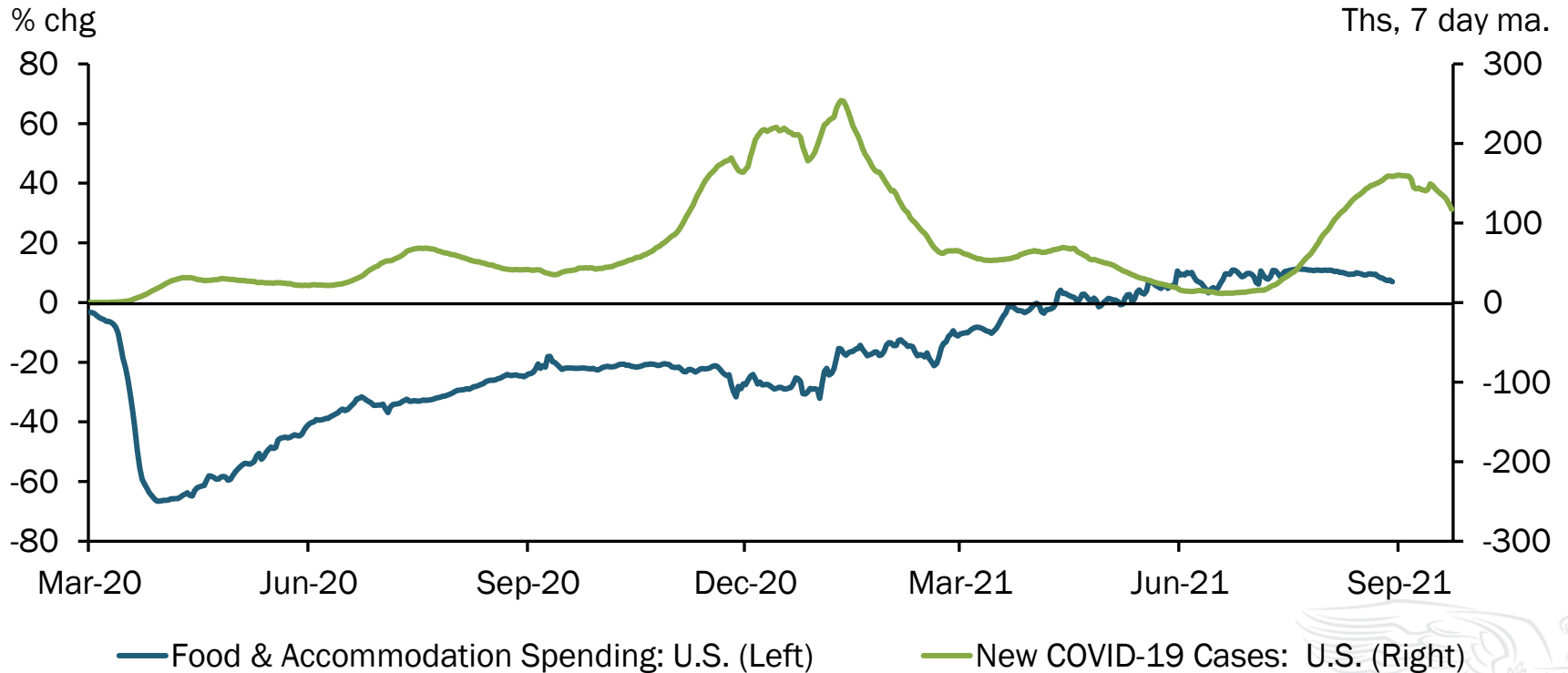


# Uncertainty about the outlook is growing amid rising COVID cases

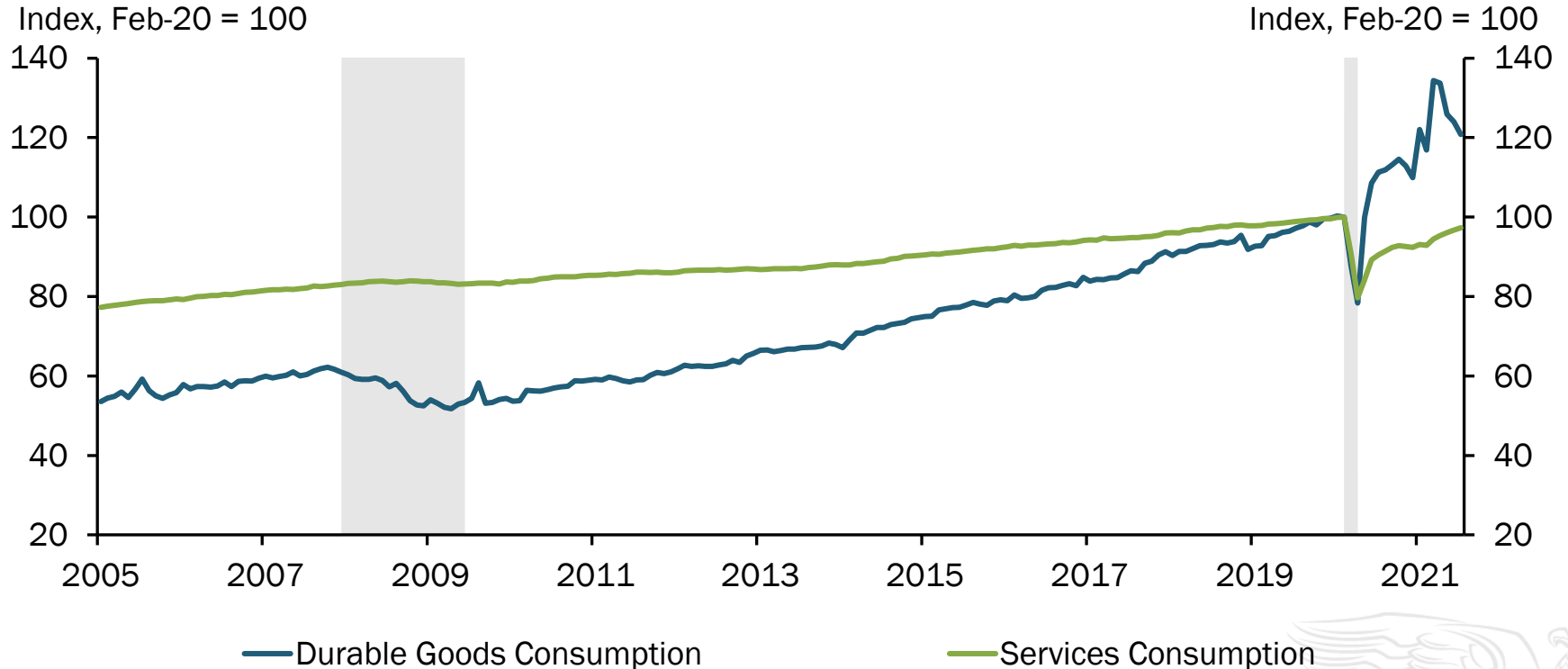


Source: BEA, Wolters Kluwer, Haver Analytics

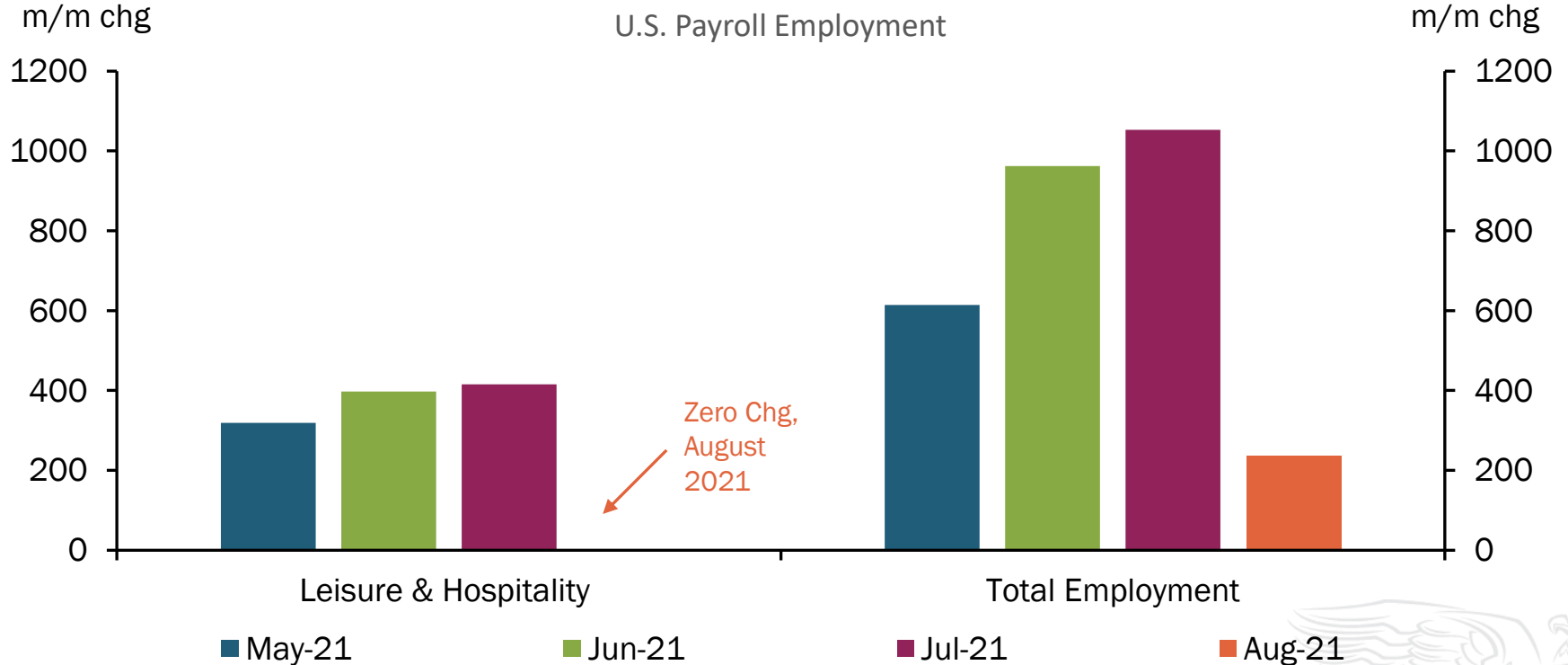
# Yet, consumer spending has been more resilient during the Delta wave, as compared to previous waves of the pandemic



# Consumer spending on goods is moderating from its surge during the pandemic, while spending on services is still recovering



# Job gains slowed in August, particularly in pandemic-sensitive sectors

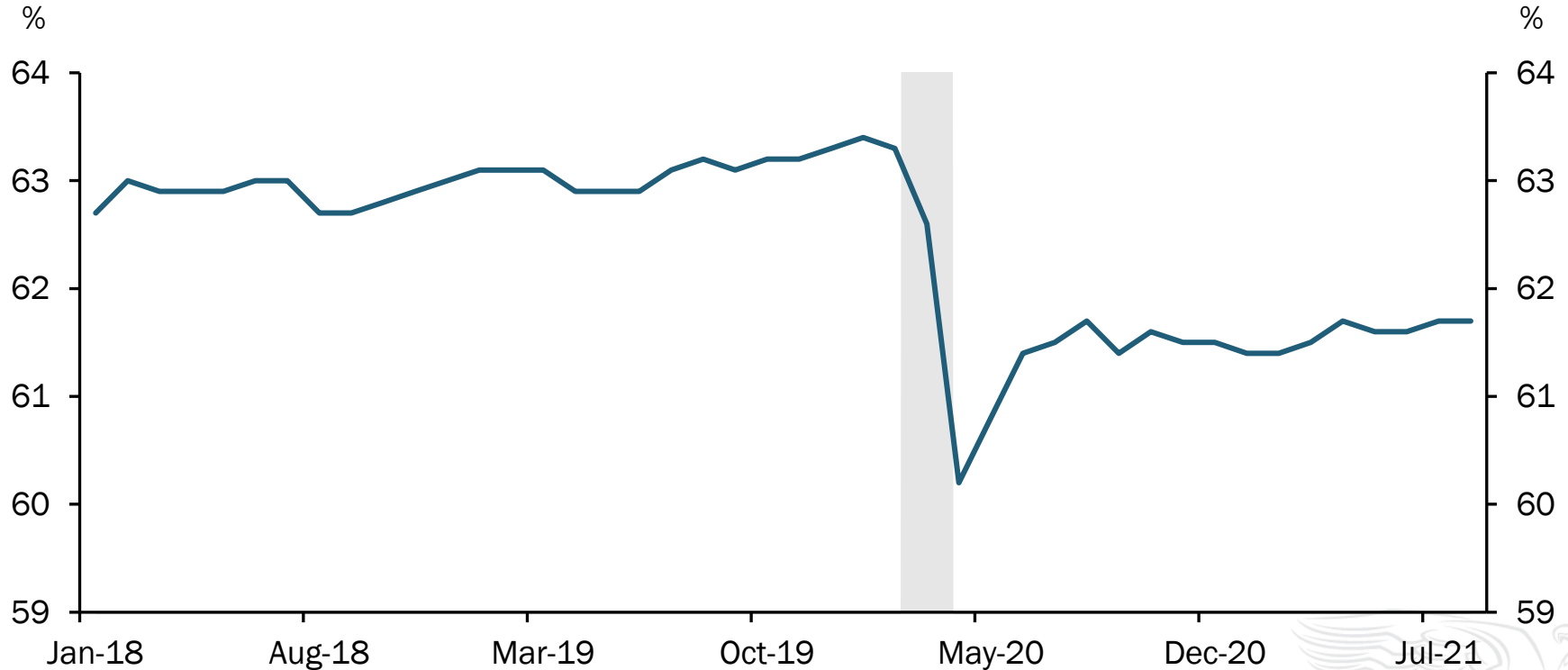


Sources: BLS, Haver Analytics

# Recovery among small businesses, which account for a substantial share of employment, has only recently begun to pick up



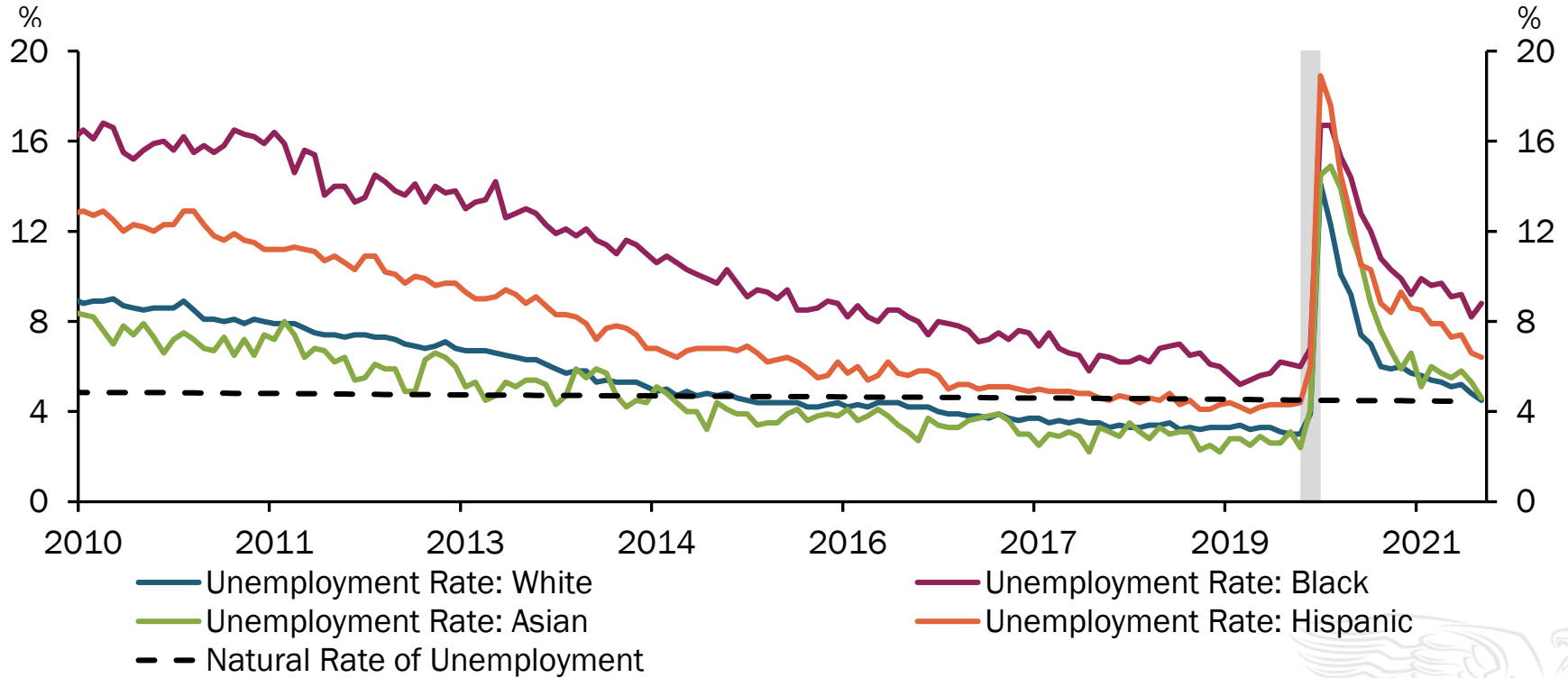
# Labor force participation remains well below pre-pandemic levels



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

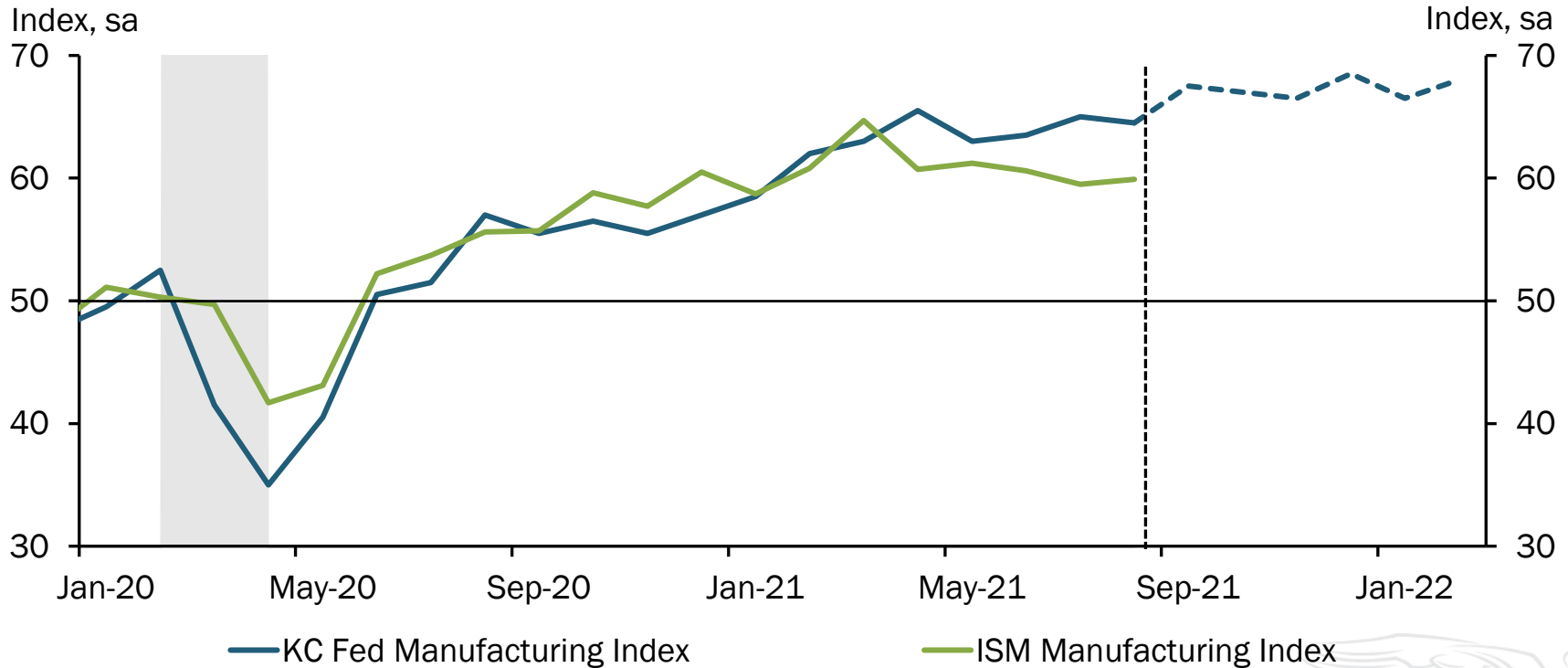


# Overall unemployment continues to decline but remains elevated, particularly for some minority workers



Sources: BLS, Haver Analytics  
 Notes: Grey bars indicate recession shading

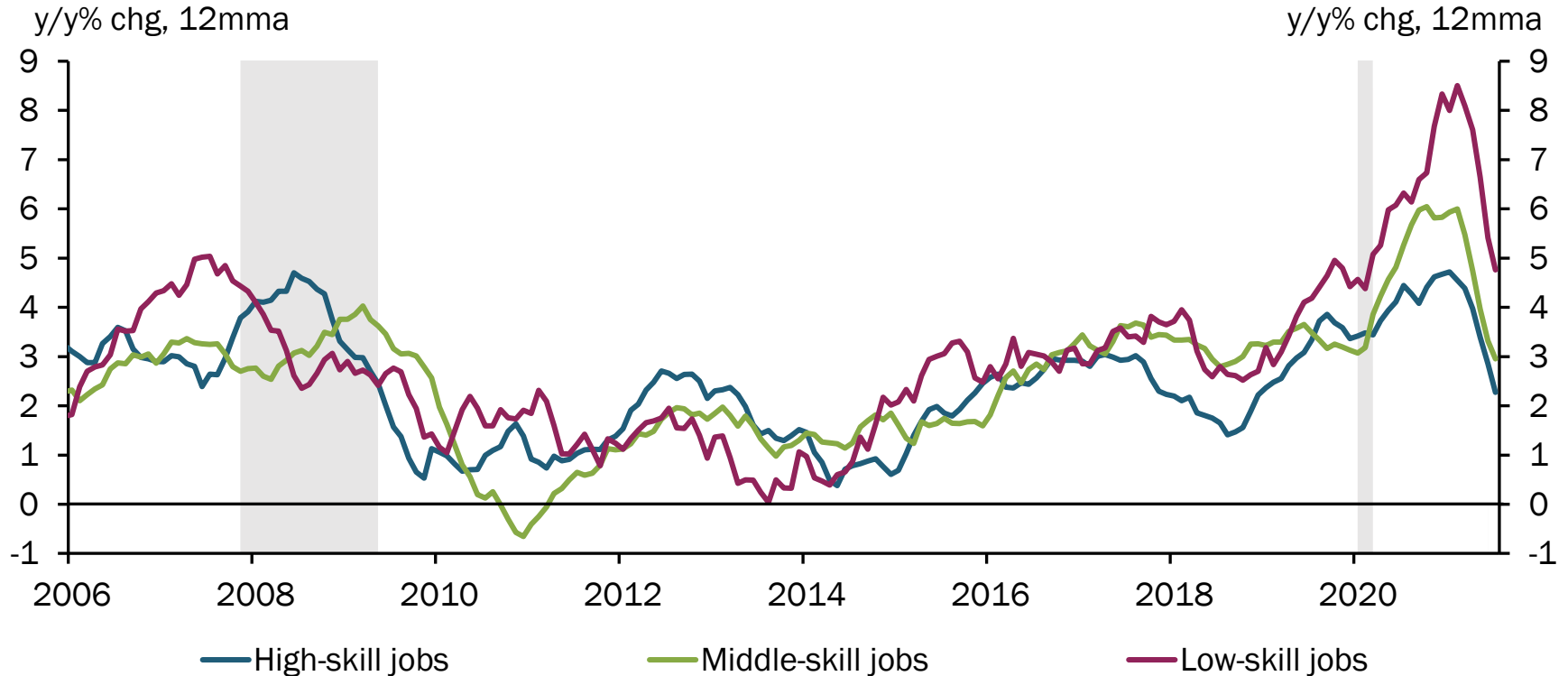
# Manufacturing activity continues to expand, but at a slower rate than during the first half of the year



Sources: ISM, KC Fed, NBER, Haver Analytics

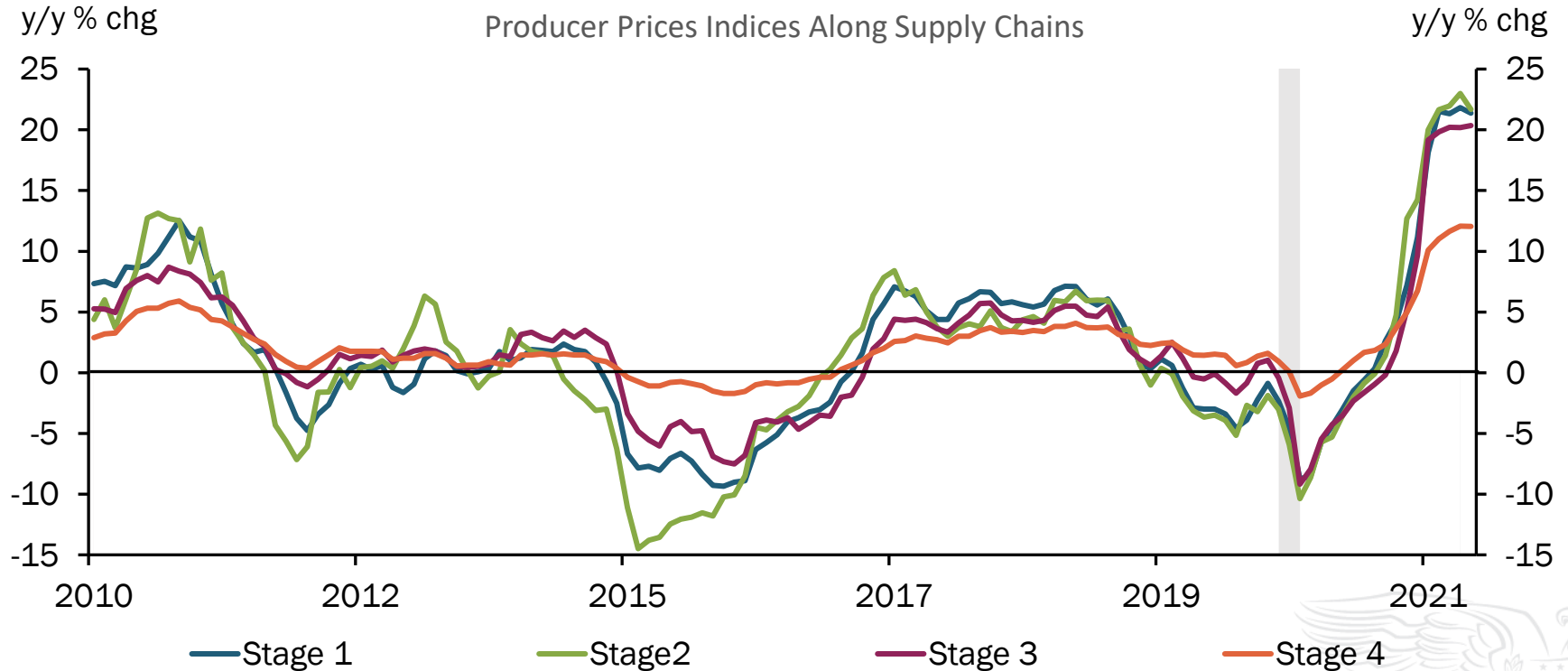
Notes: An index level above 50 indicates the level of activity is increasing. Grey bars indicate recession shading.

# Wage growth is showing some signs of moderating generally, but remains elevated for low-skill jobs by historical standards

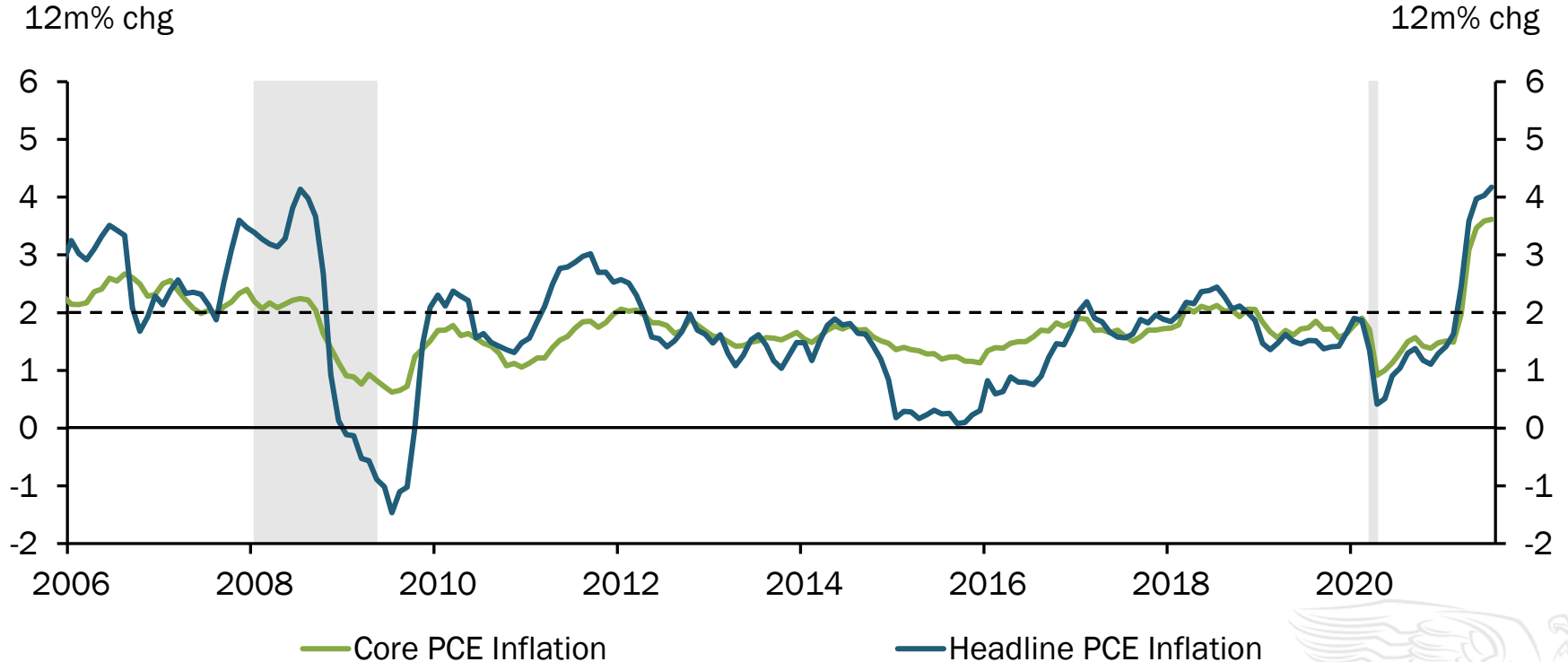


Sources: Current Population Survey, Staff, NBER, Haver Analytics  
 Notes: Grey bars indicate recession shading

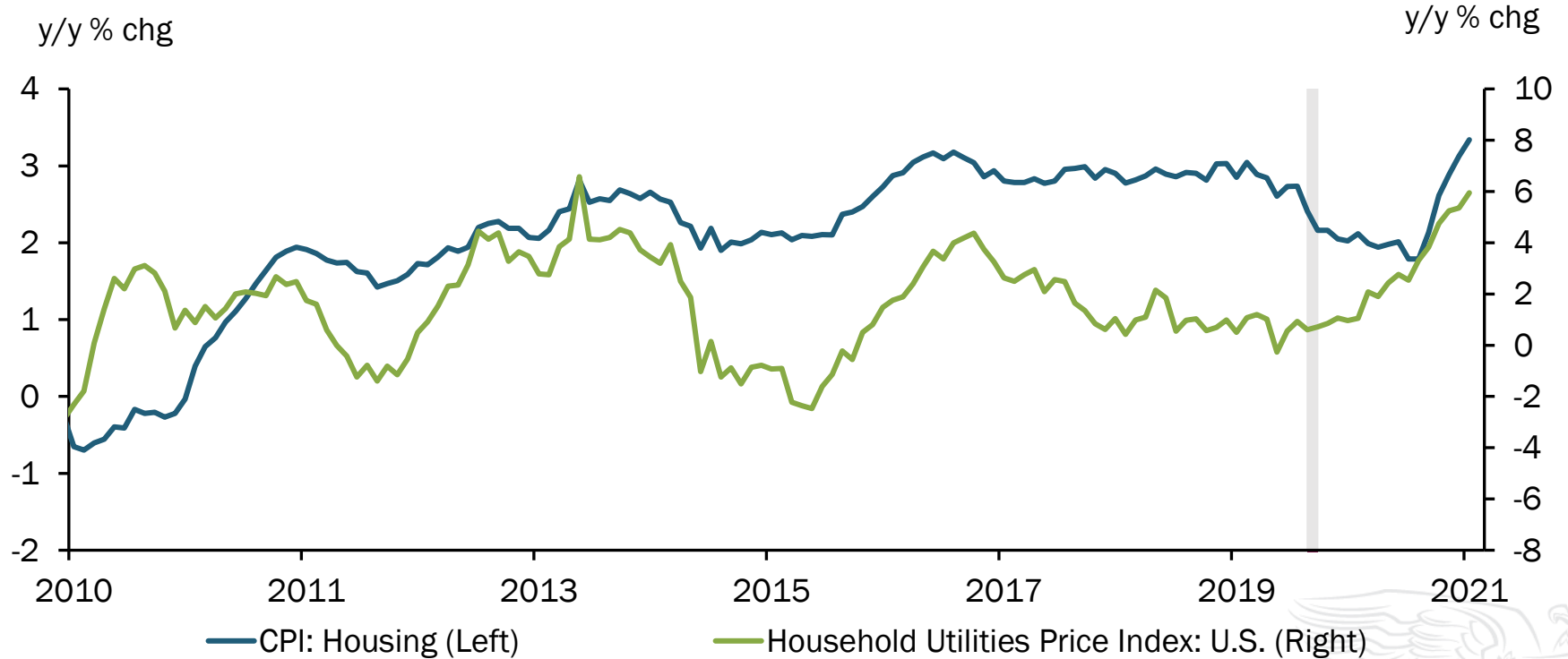
# In addition to wage pressures, cost pressures for materials at various stages of production are elevated due to supply constraints



# After running below 2 percent for some time, inflation currently exceeds the Federal Reserve's target

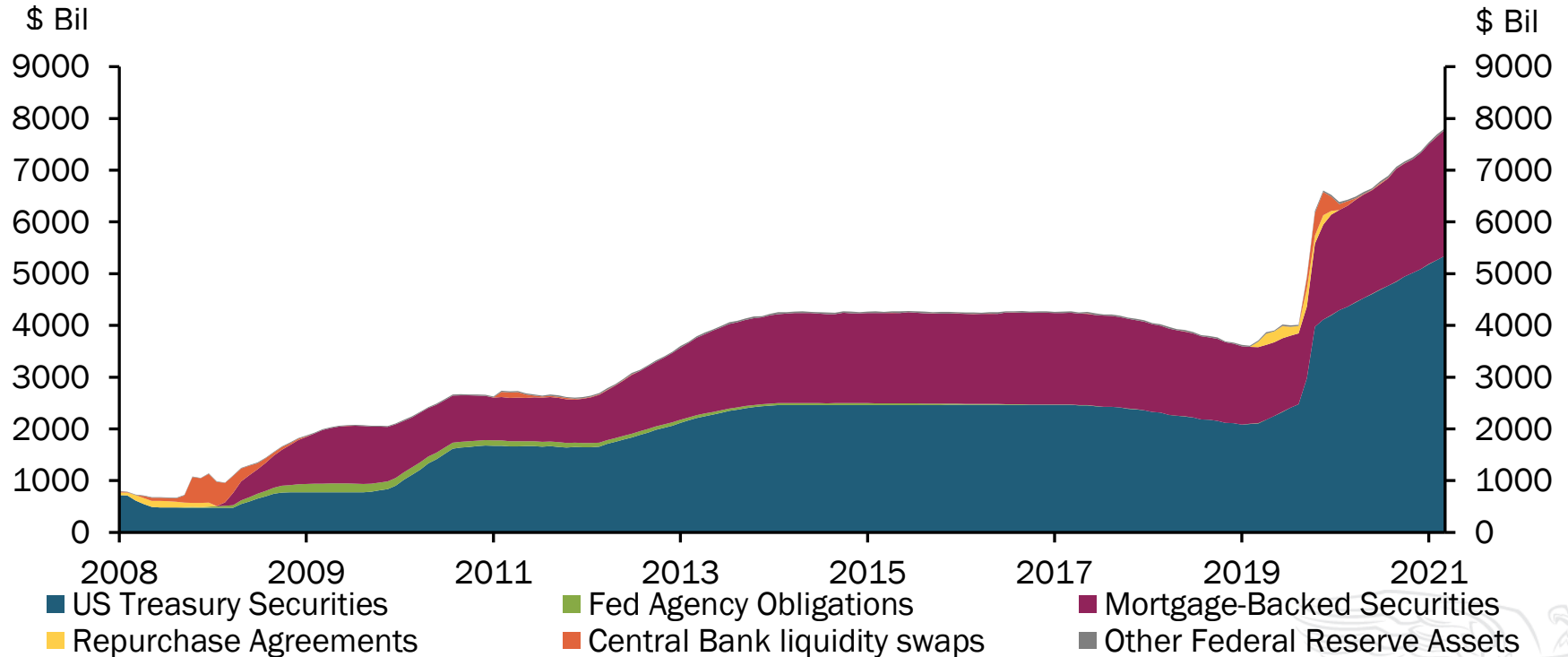


# Housing price growth slowed somewhat during the pandemic, but began to pick up earlier this year





# The Fed could begin to taper asset purchases that supported smooth market functioning if the outlook continues to meet expectations





## Looking forward

- Uncertainty about the outlook is rising, potentially leading to some precautionary behavior that will moderate the speed of the recovery
- So far, consumer spending has remained resilient into the Delta wave of the pandemic
- Some cost pressures that were tied to disruptions during the pandemic are showing signs of moderating, but overall inflation remains above its 2 percent target



