

Economic Conditions and Outlook

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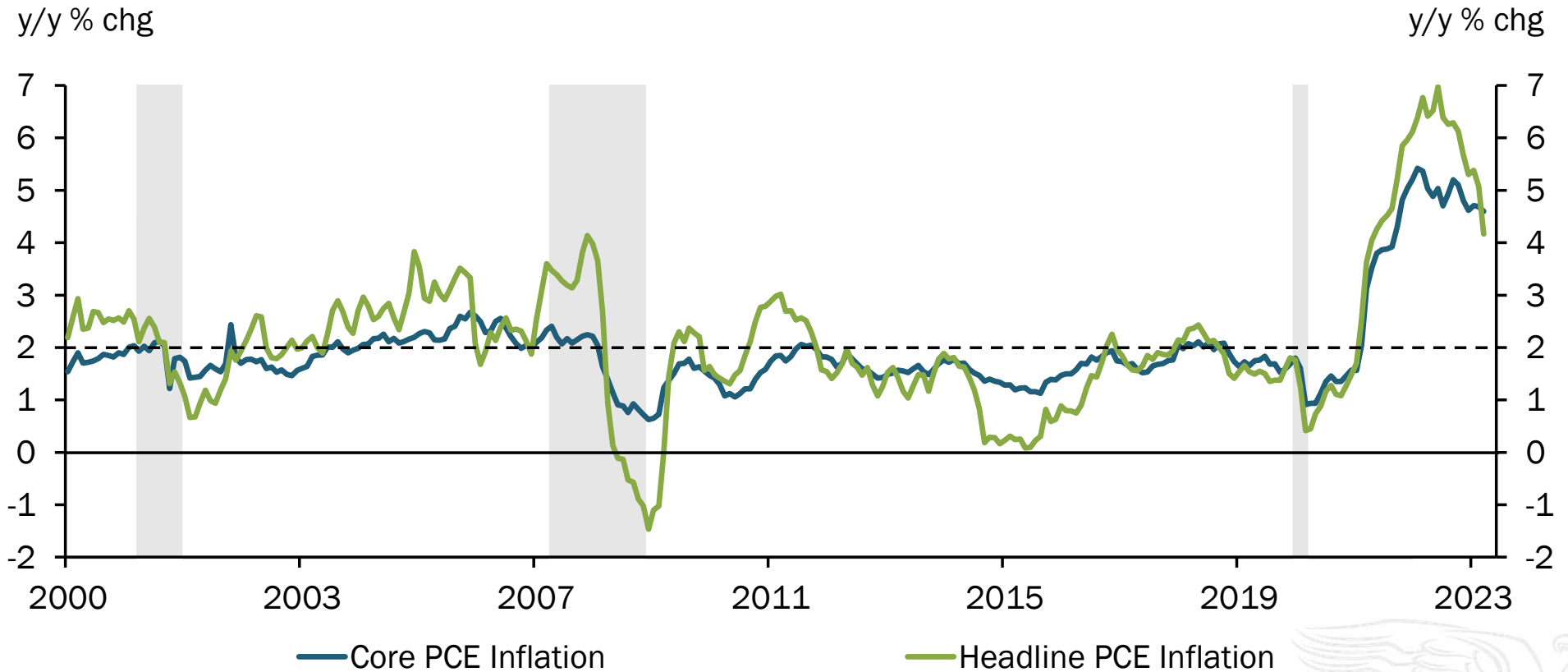


Overview

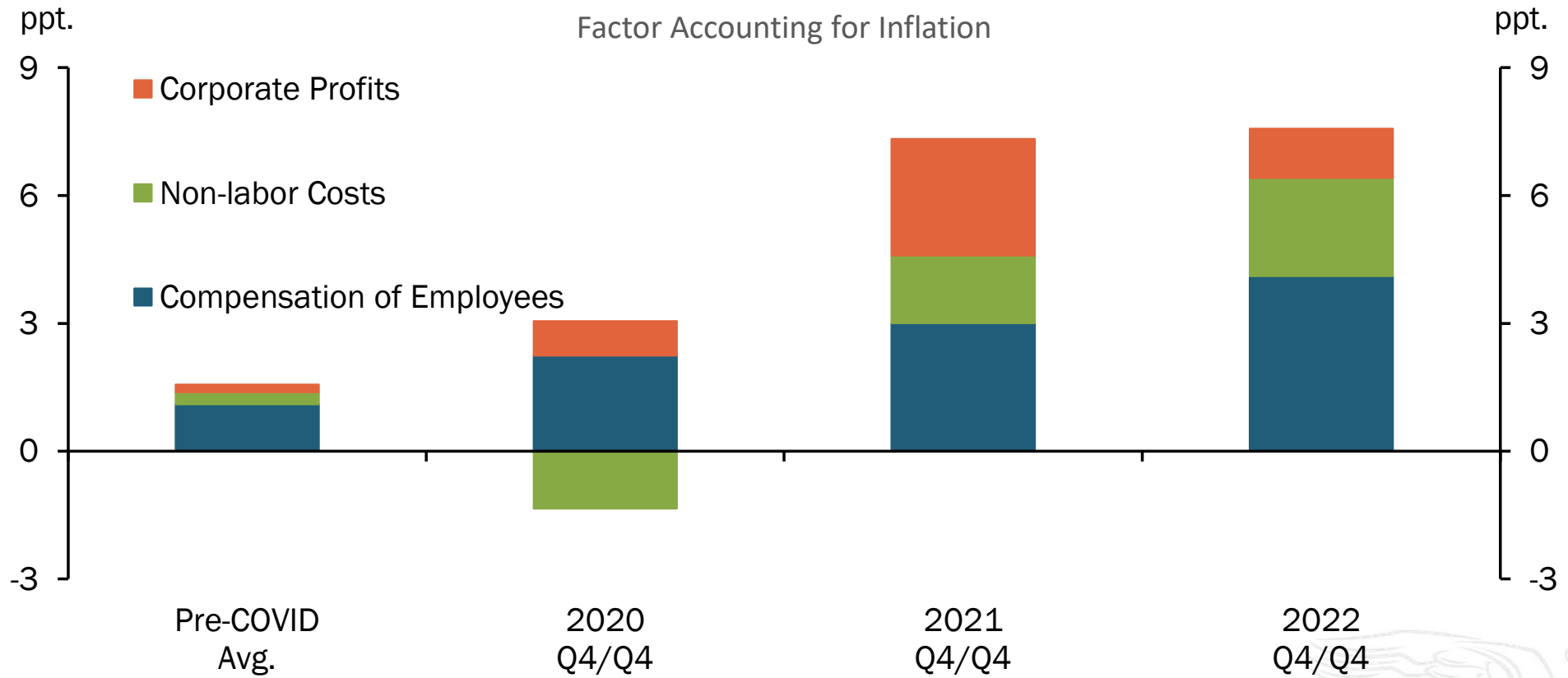
- Many of the sectors where inflation was outsized over the past two years are showing some signs of moderating, but inflation still has some momentum alongside a tight labor market
- Wage growth is beginning to moderate, but remains well-above historical averages
- Business investment activities are declining, while consumption growth slowed to trend levels
- Banks expect to further tighten their credit standards over the medium term



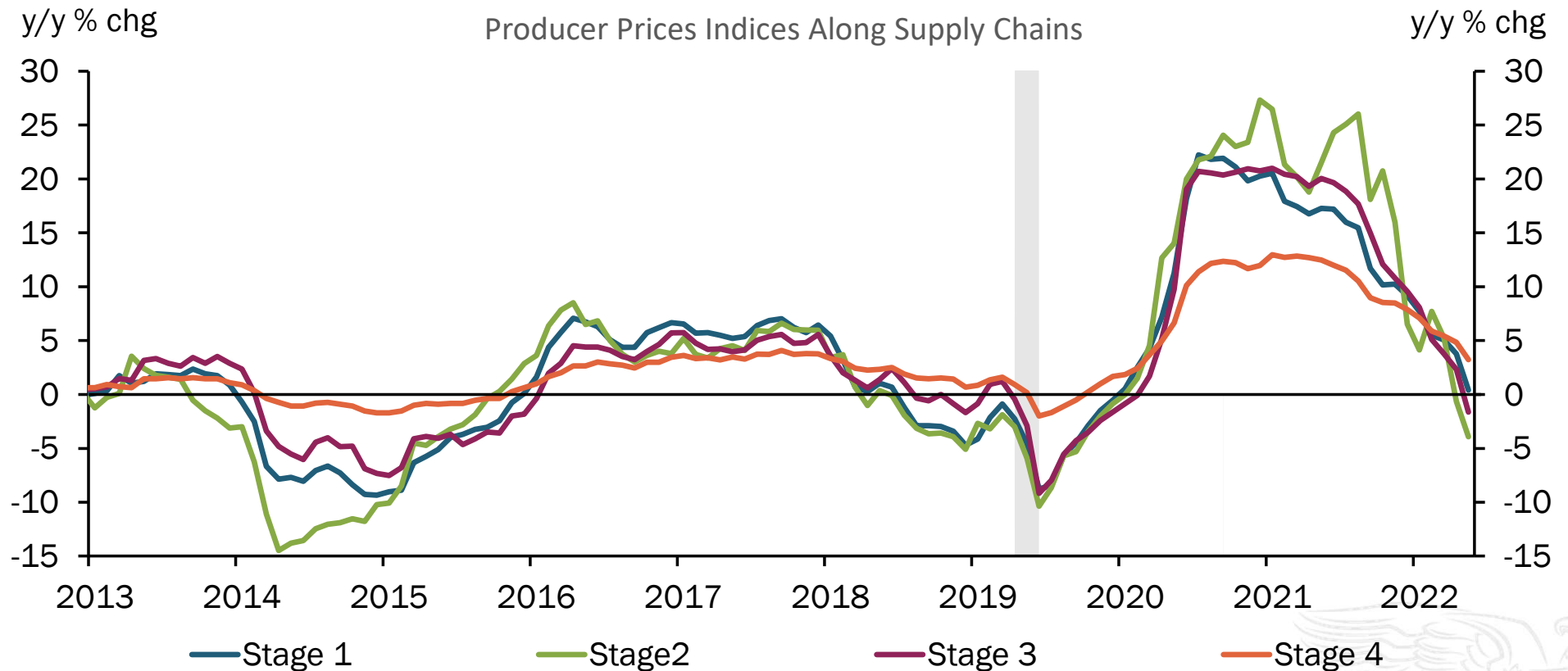
Inflation remains elevated, with core inflation maintaining momentum



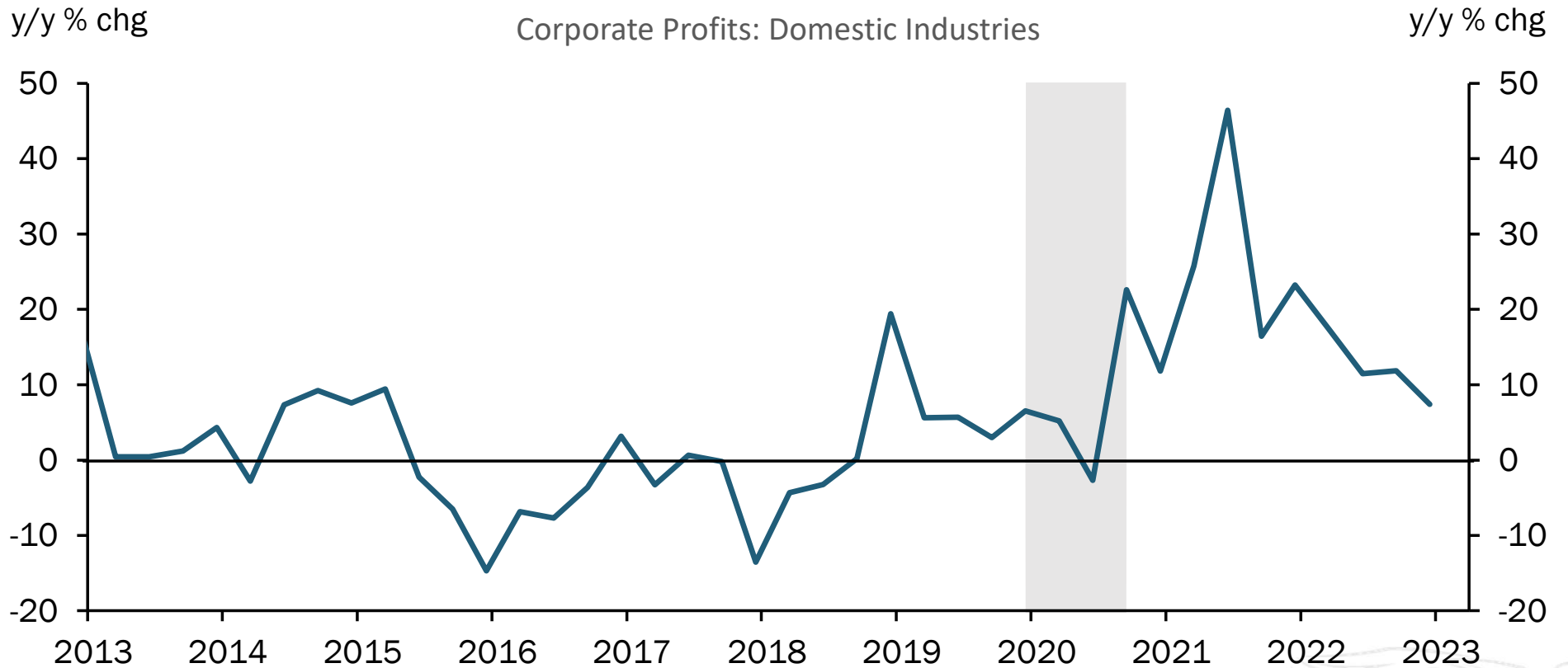
Inflation pressures were evident in several parts of the economy



Now, inflation pressures associated with “non-labor costs” are softening along all stages of production, as input price growth is slowing



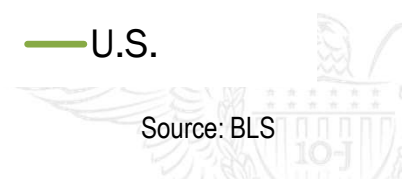
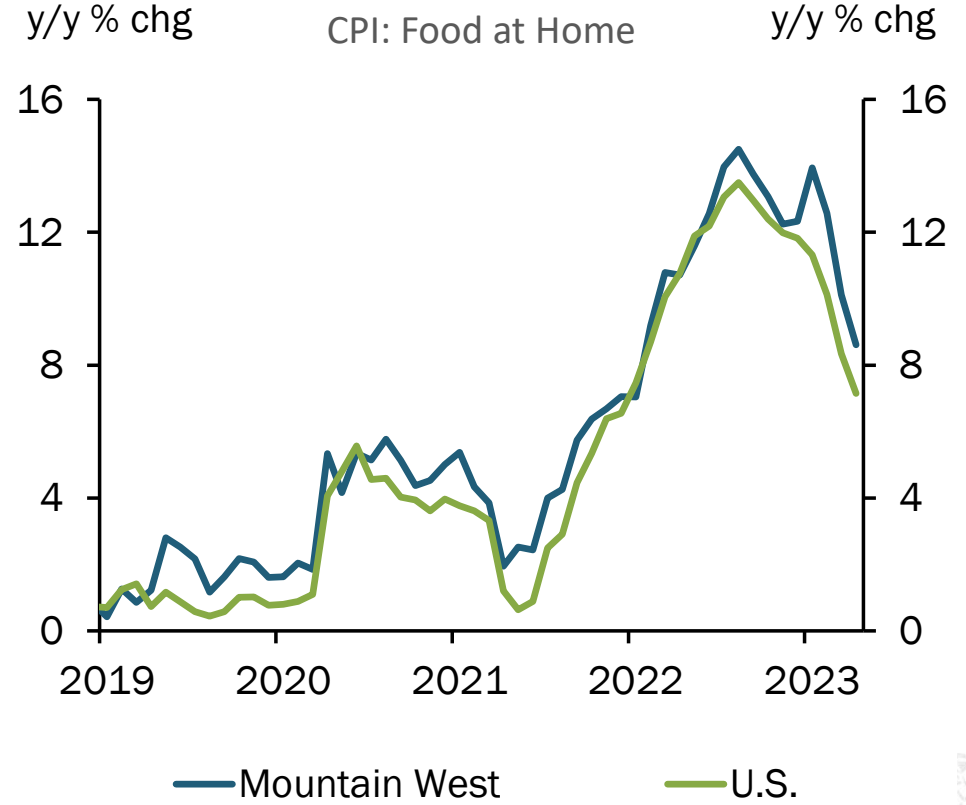
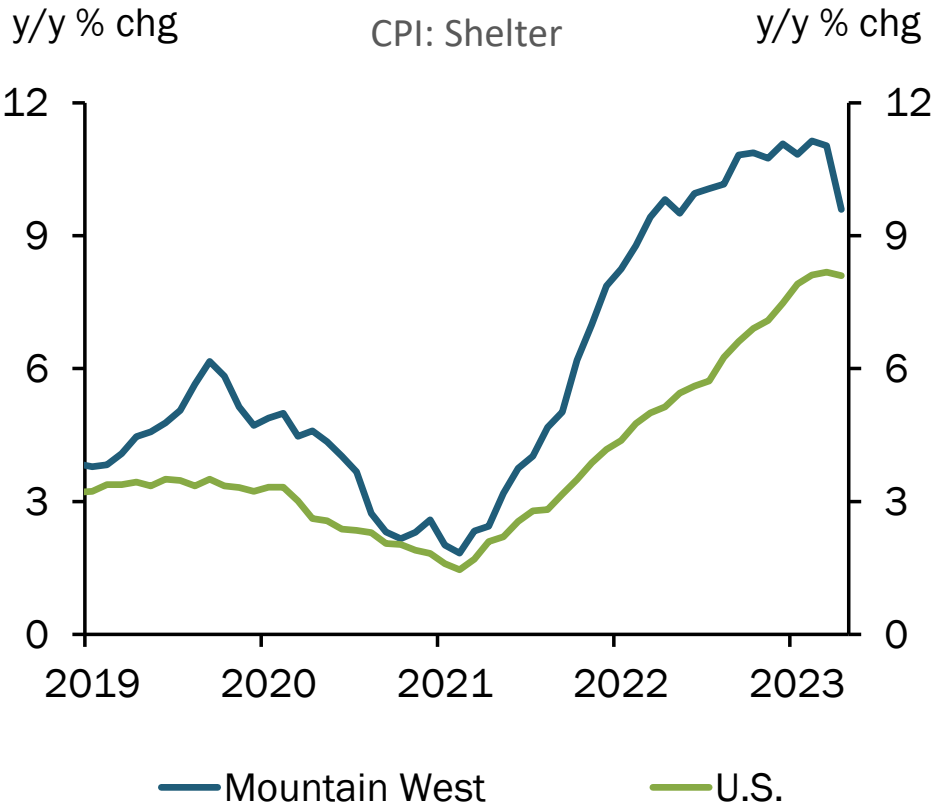
Corporate profits are softening from their recent outsized growth rates



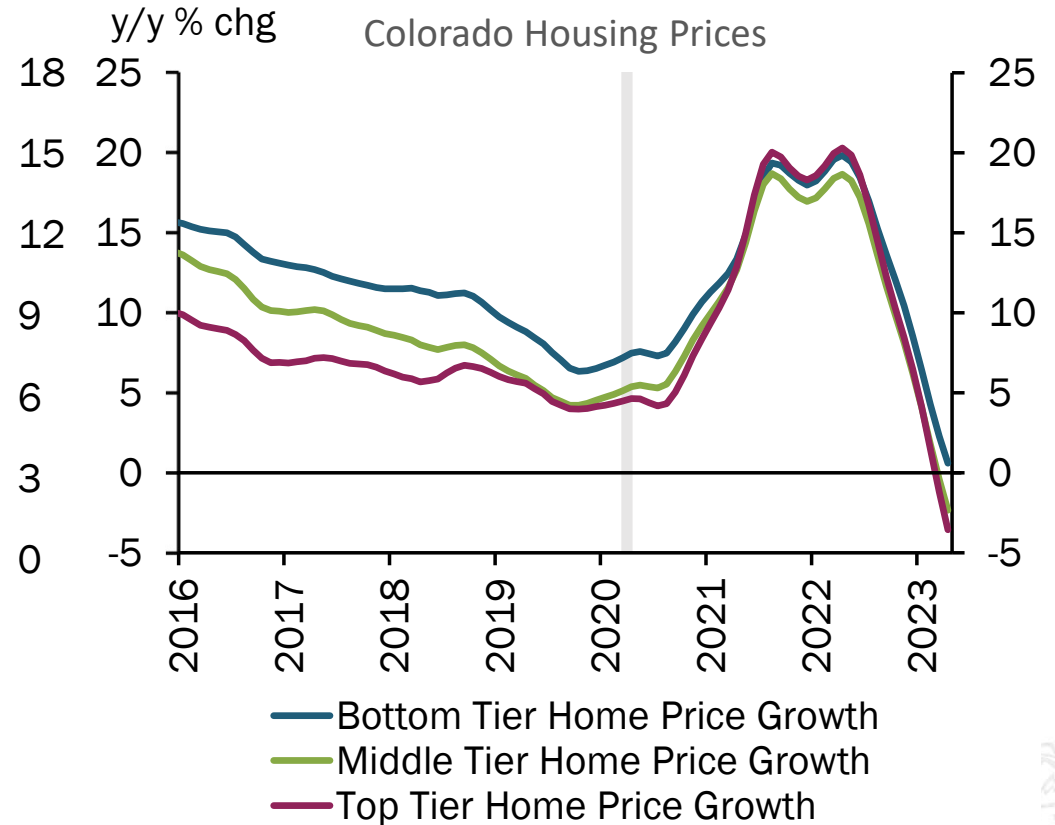
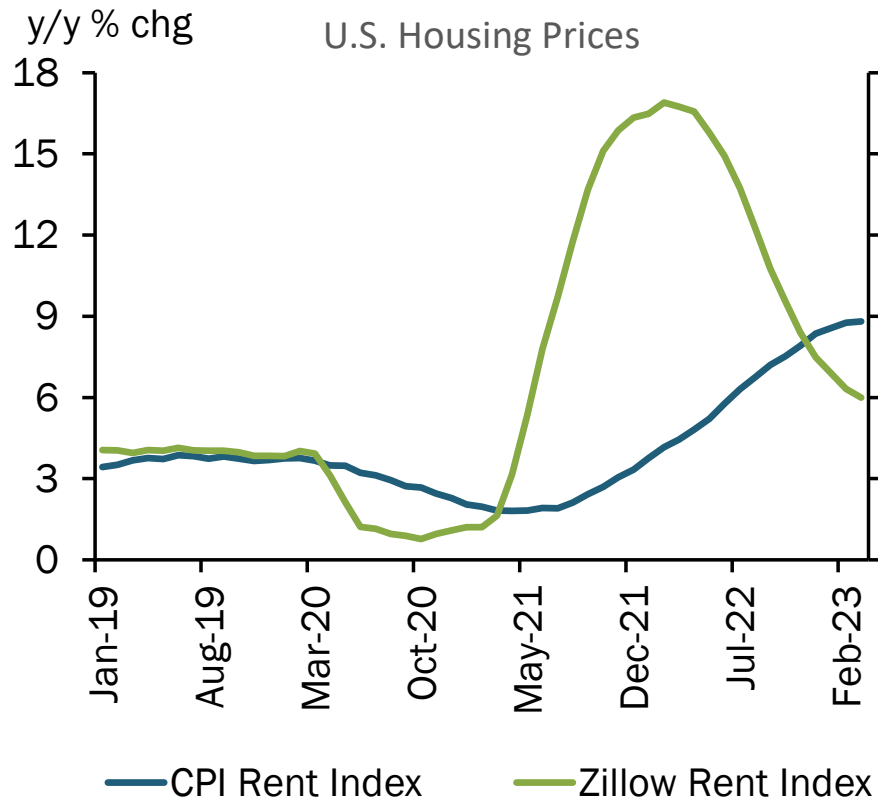
But even though wage growth is moderating, it remains persistently above historical norms



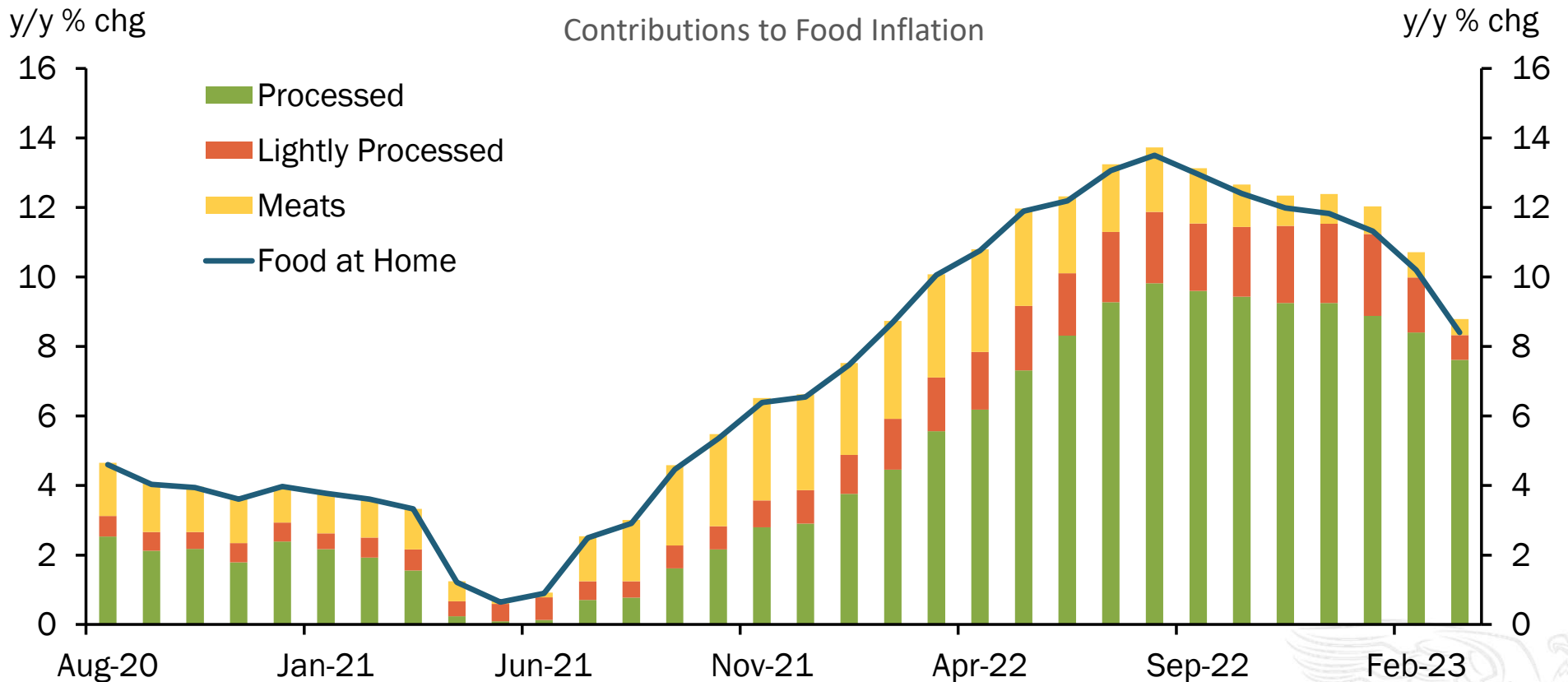
The mountain region is experiencing higher price growth in non-discretionary categories



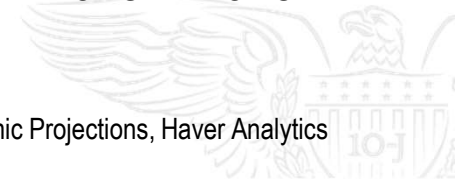
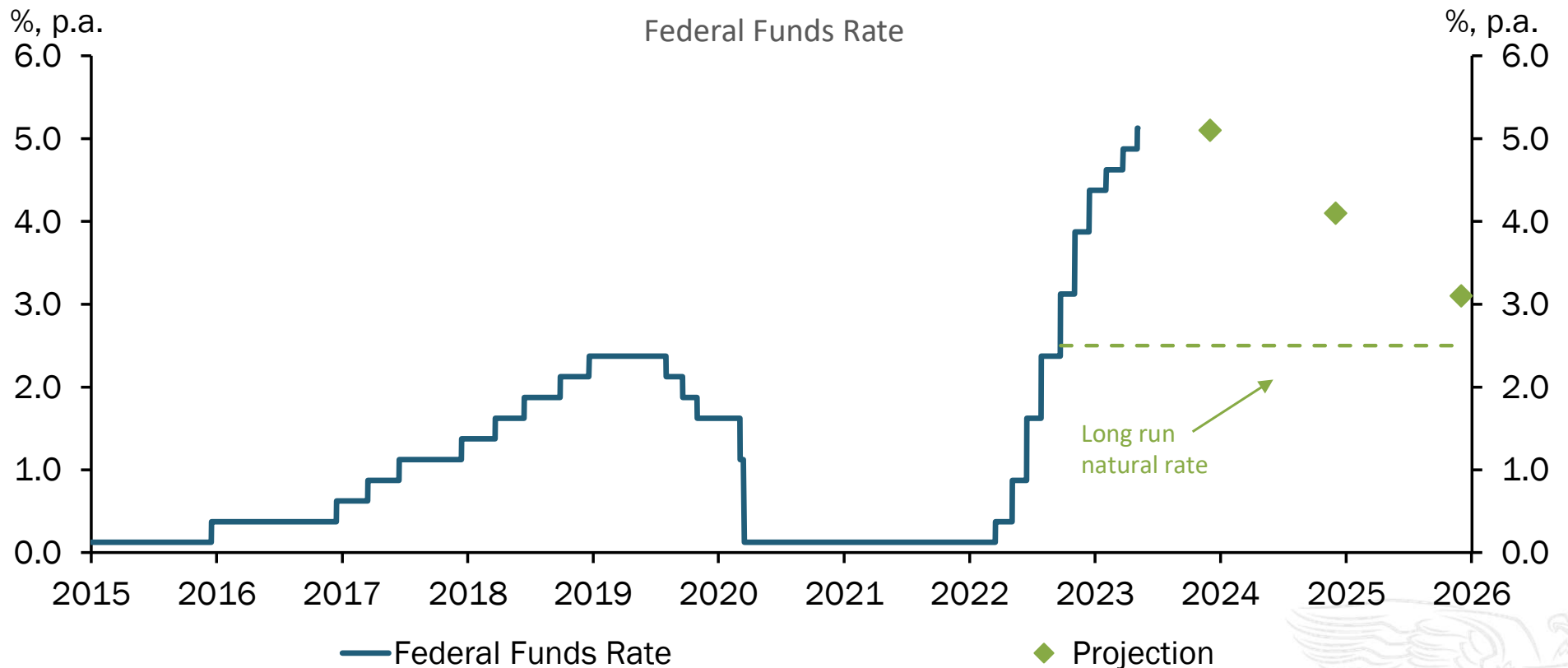
Rent inflation for new leases has slowed, but lags in the reset of existing leases imply some further momentum in housing price pressures



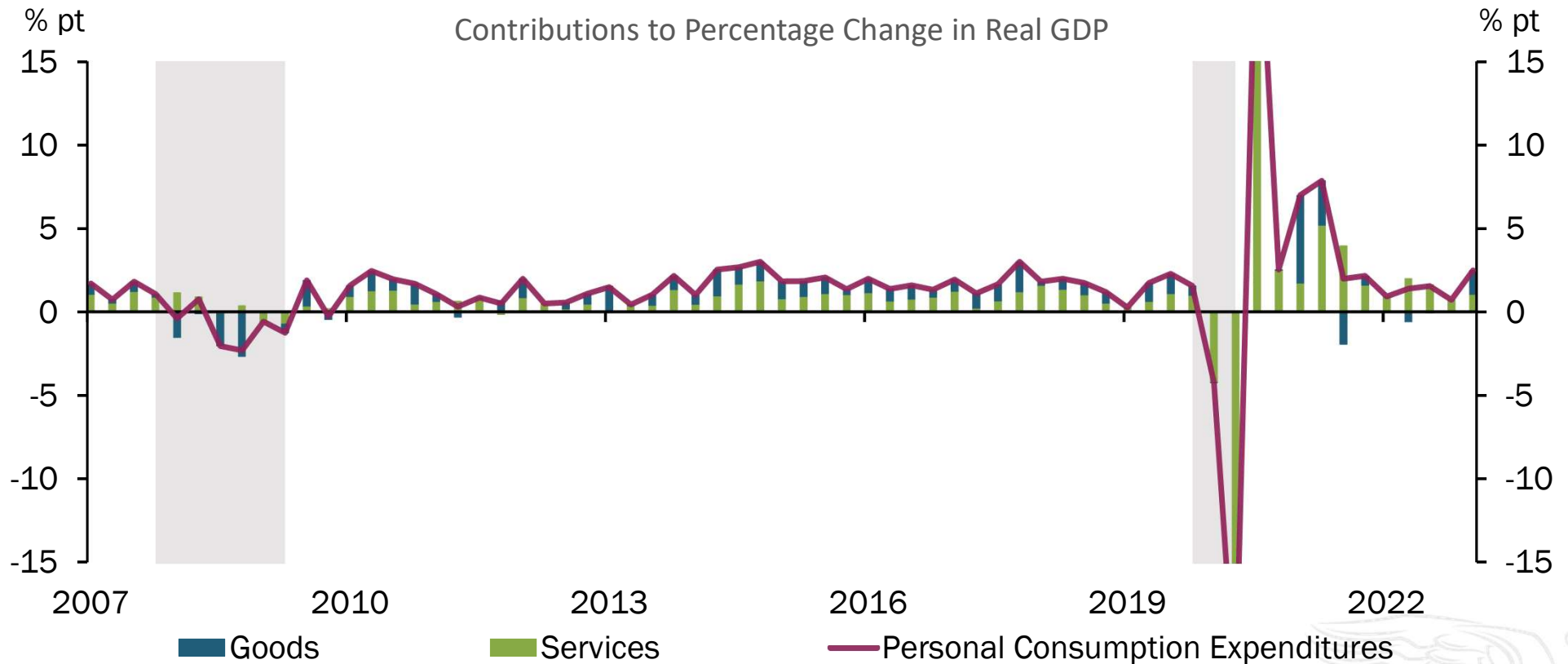
Growth in food prices remains elevated, with some signs that pace of food inflation is moderating



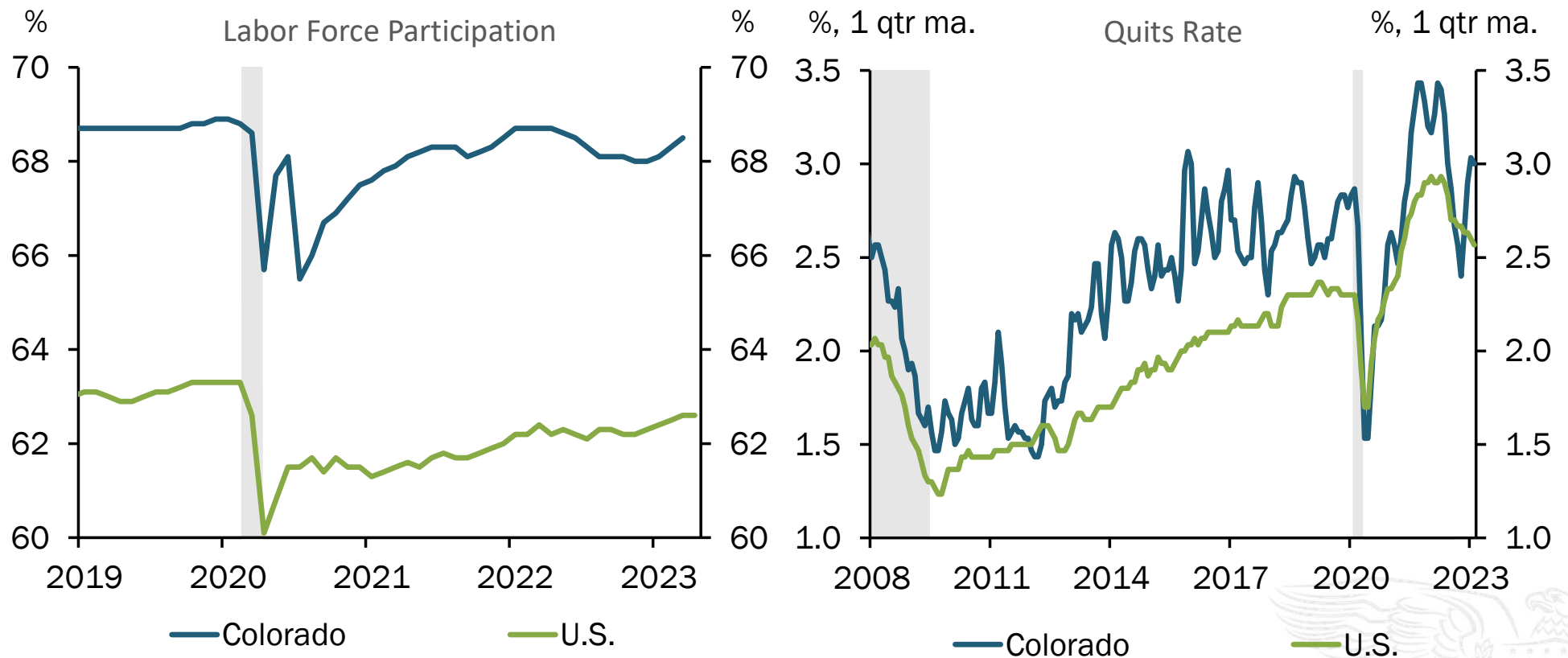
The Federal Reserve raised interest rates rapidly over the past year, and projects that rates will likely remain elevated over the medium term



Consumer spending growth slowed in recent months, reverting to its trend level of contribution to overall growth

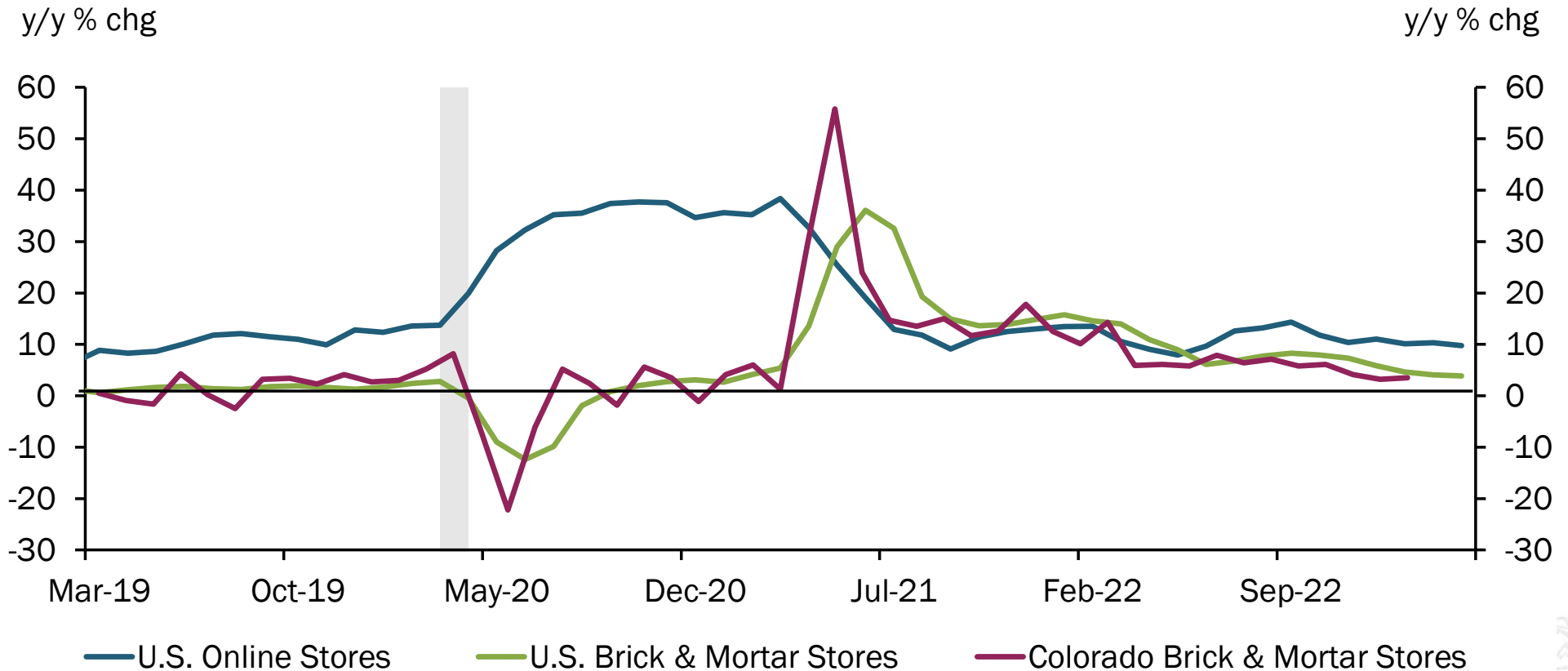


In Colorado, unrecovered labor force participation and elevated quits rates are sustaining upward pressure on wage growth

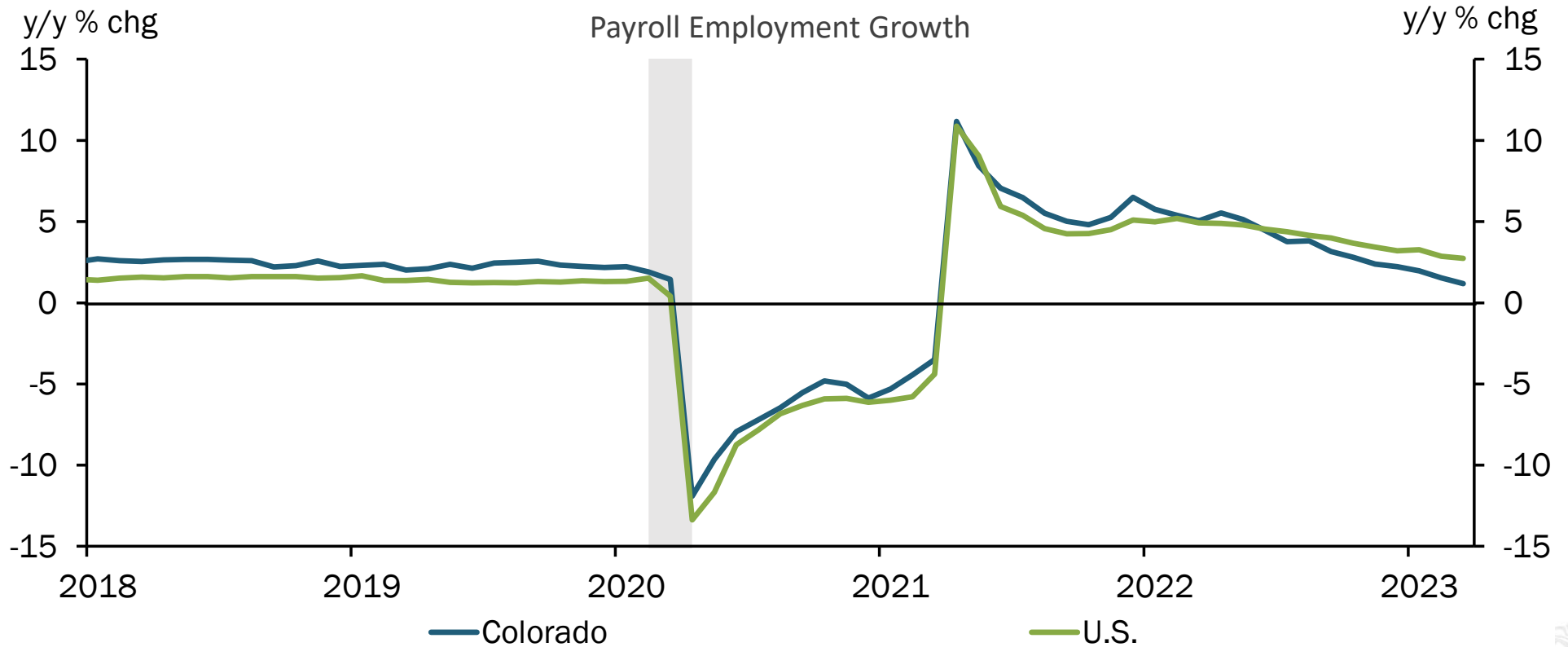


Source: BLS, Haver Analytics
 Note: Grey bars indicate recession shading

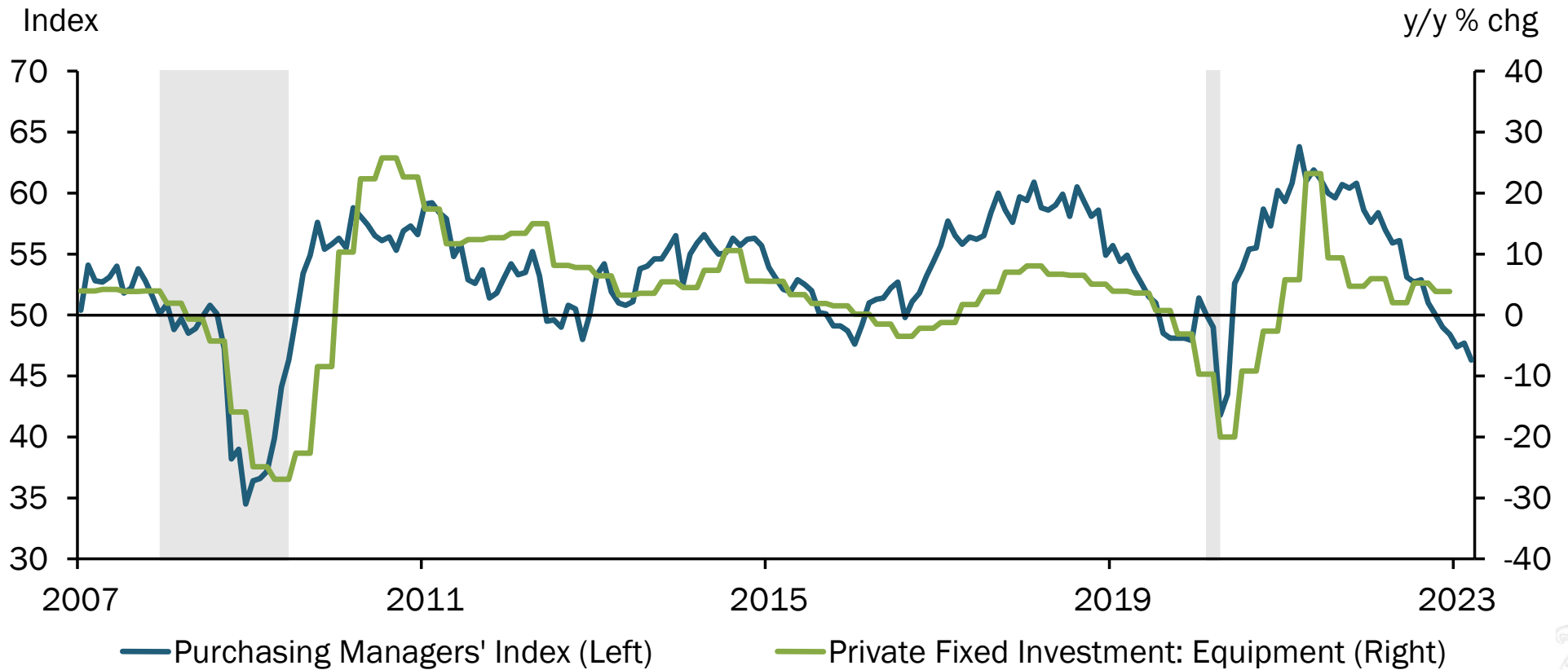
Consumer spending is returning to something akin to a new trend growth level, rebalanced between online and in-store locations



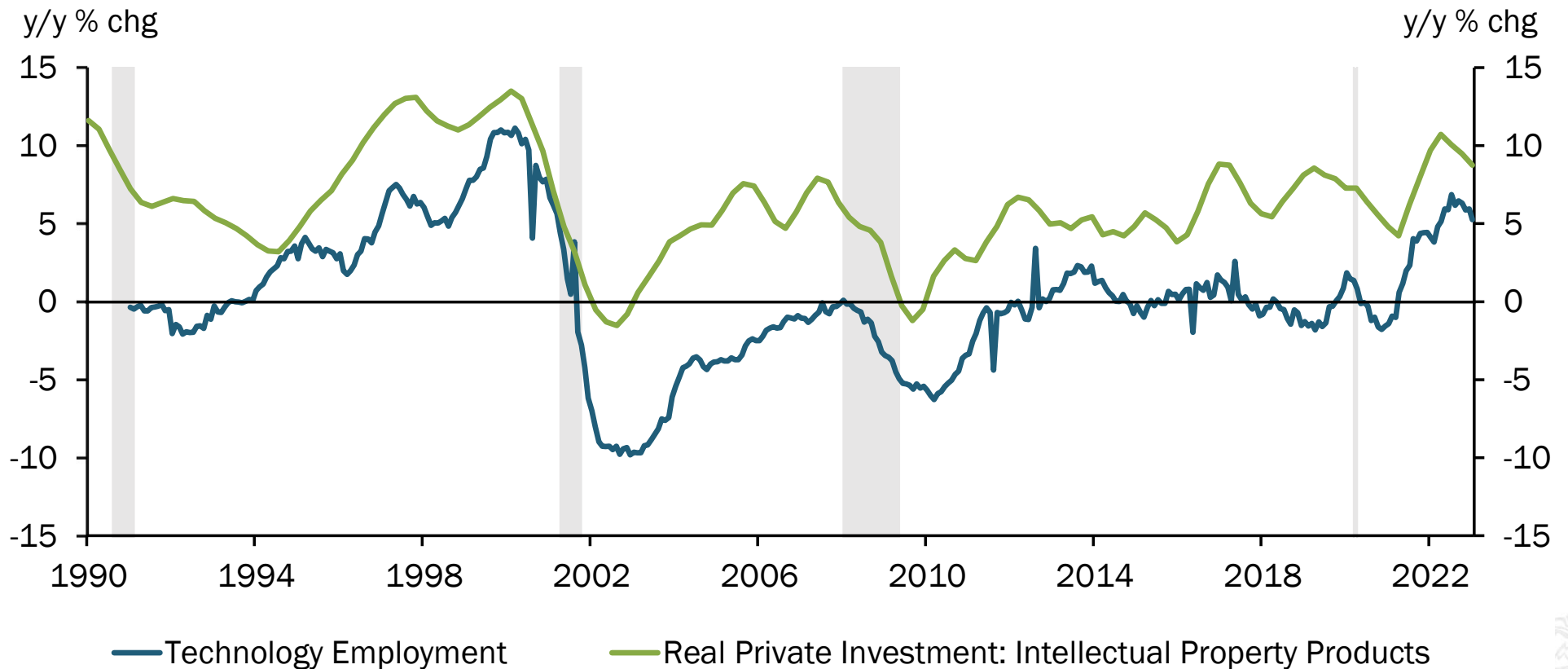
Job growth in Colorado remains strong but is decelerating to near its trend level



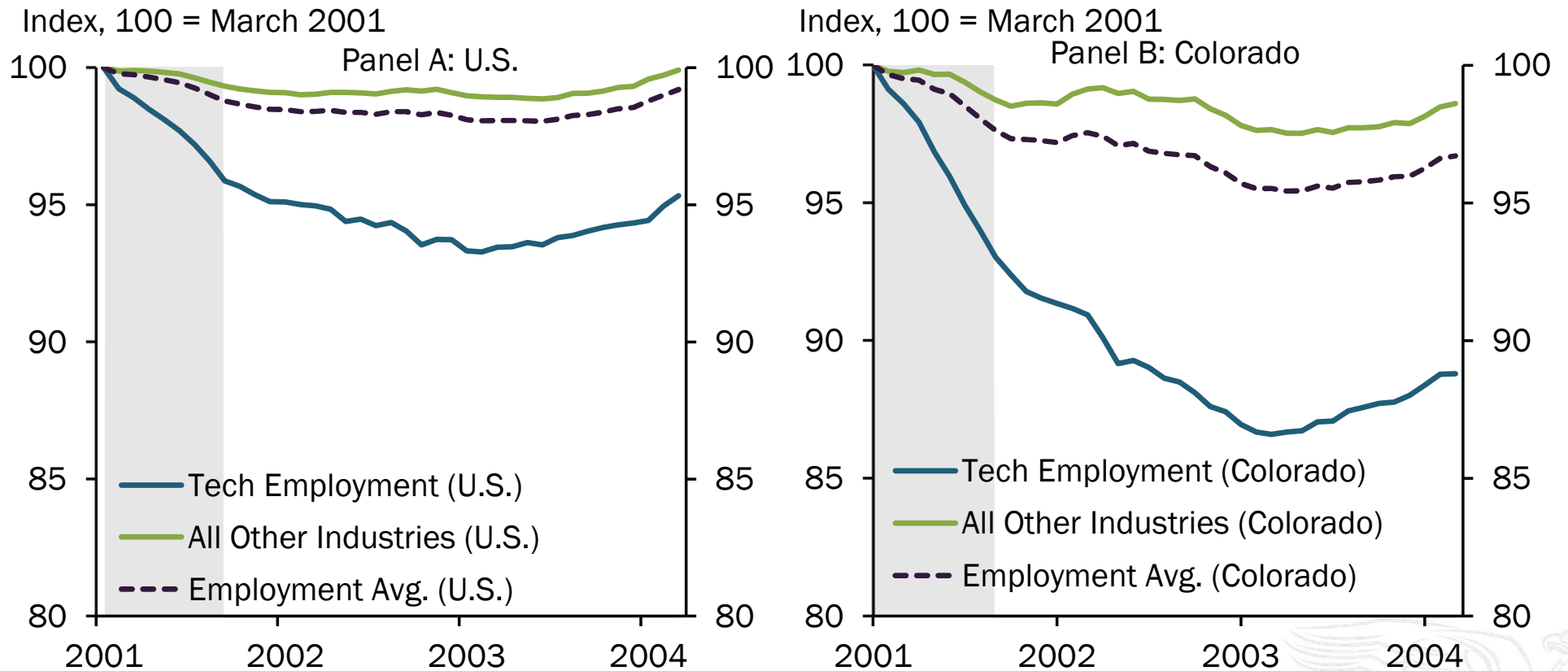
Businesses' purchases of materials, equipment and other capex spending are declining



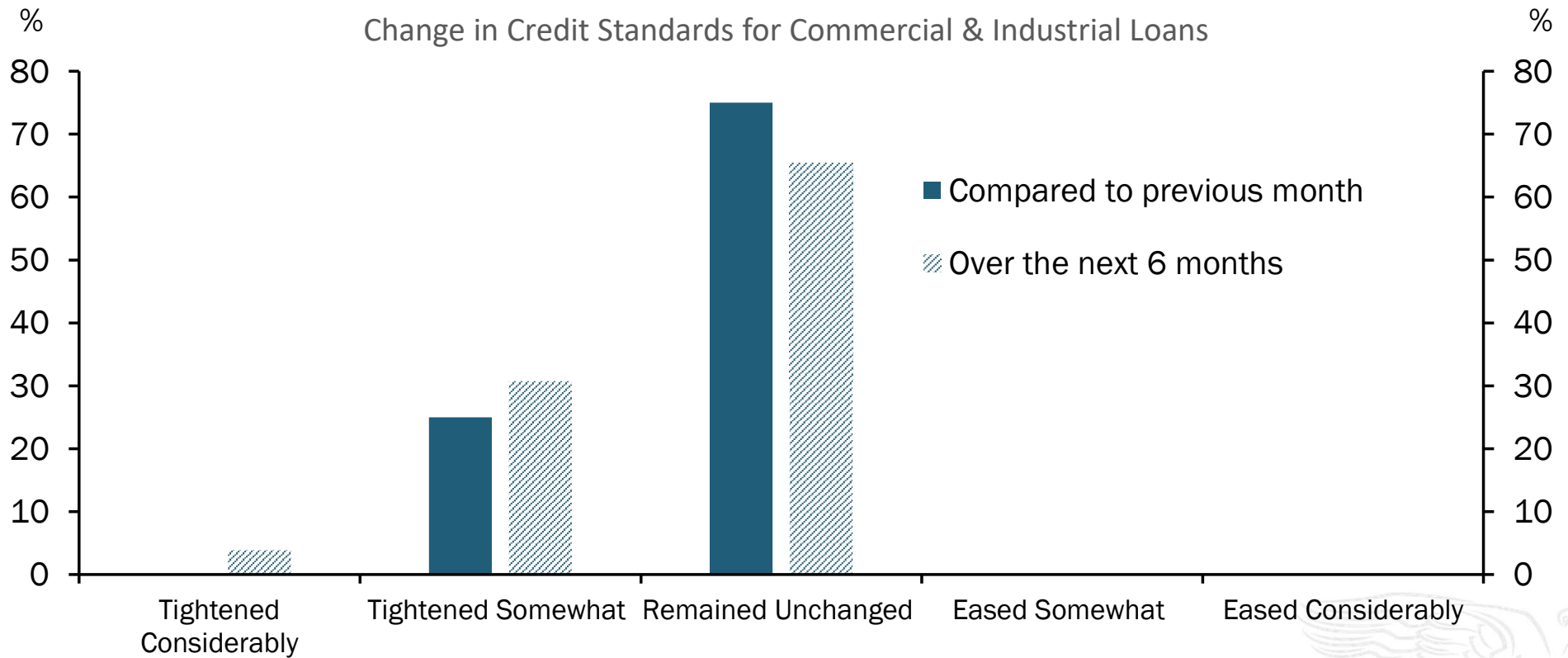
Slowing employment growth in technology occupations likely indicates that investment in intellectual property is also poised to slow



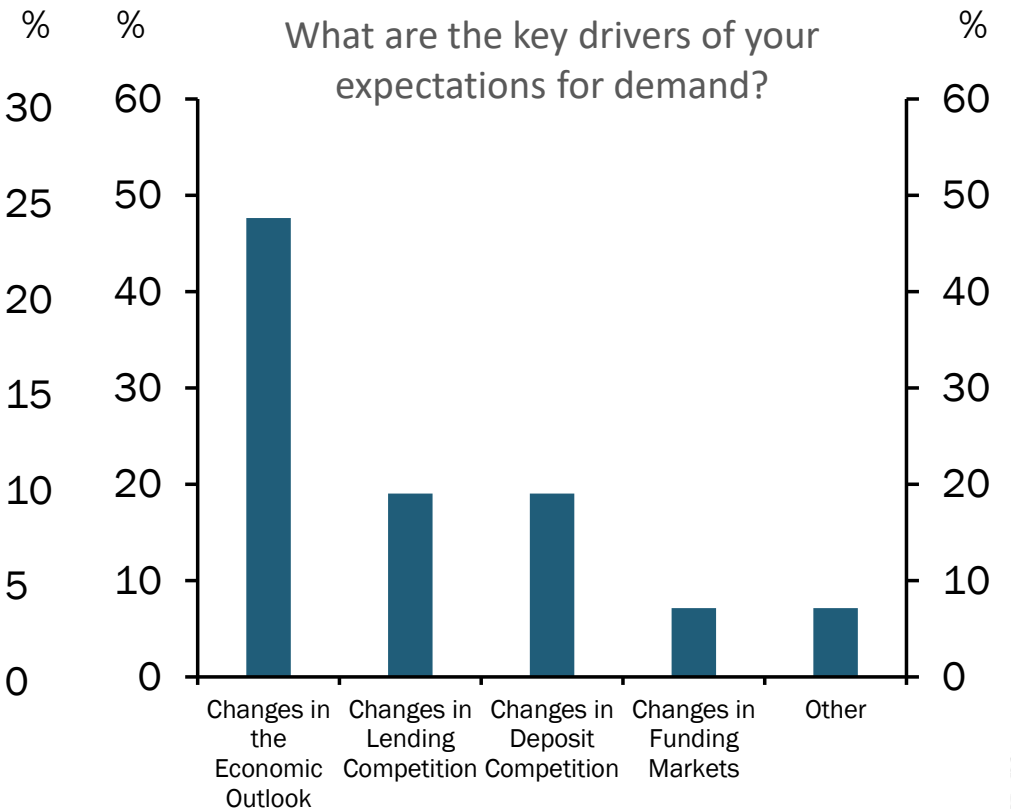
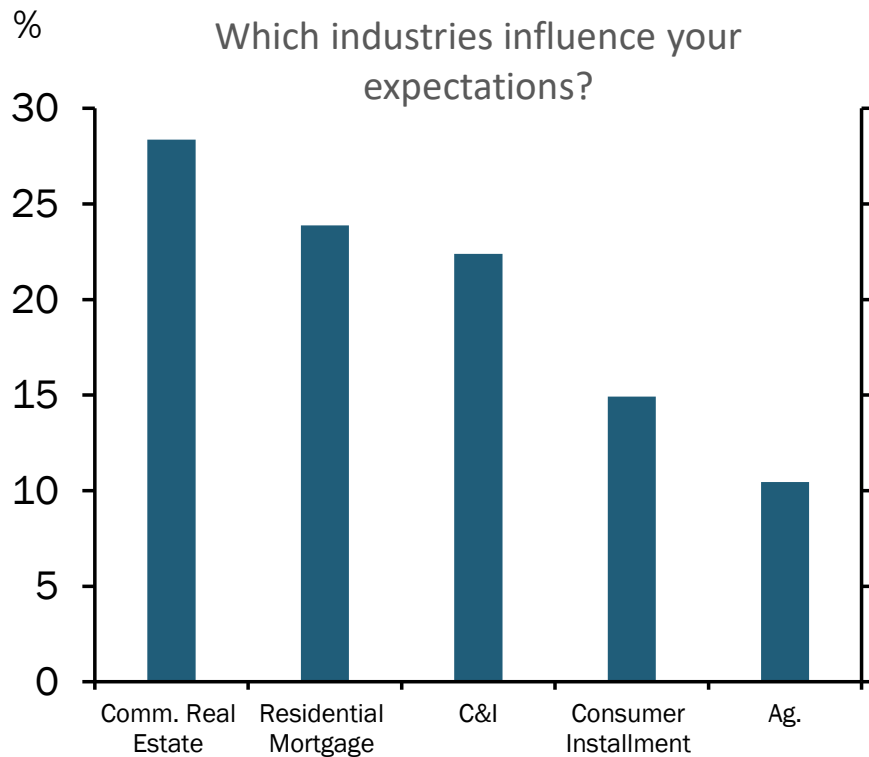
The 2001 downturn resulted in severe and persistent tech job losses in Colorado



An increased share of banks expect to further tighten their credit standards over the next six months



Banks in the region are reportedly tightening conditions most in real estate because of shifts in the economic outlook



Looking ahead

- Inflation still has momentum in many home spending categories, and slowing that momentum will be key to restoring price stability over coming months
- Tighter financial conditions are resulting in slower demand growth and, as a result, declining business investment activity
- The Federal Reserve has stated a sustained stance of restrictive policy is likely to be appropriate to restore price stability and it will be closely monitoring developments to guide future policy decisions
- Recent financial volatility and associated uncertainty pose downside risks to the outlook, but spillovers to hiring and capex decisions have been minimal thus far



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