

U.S. & Colorado *Economic Update*



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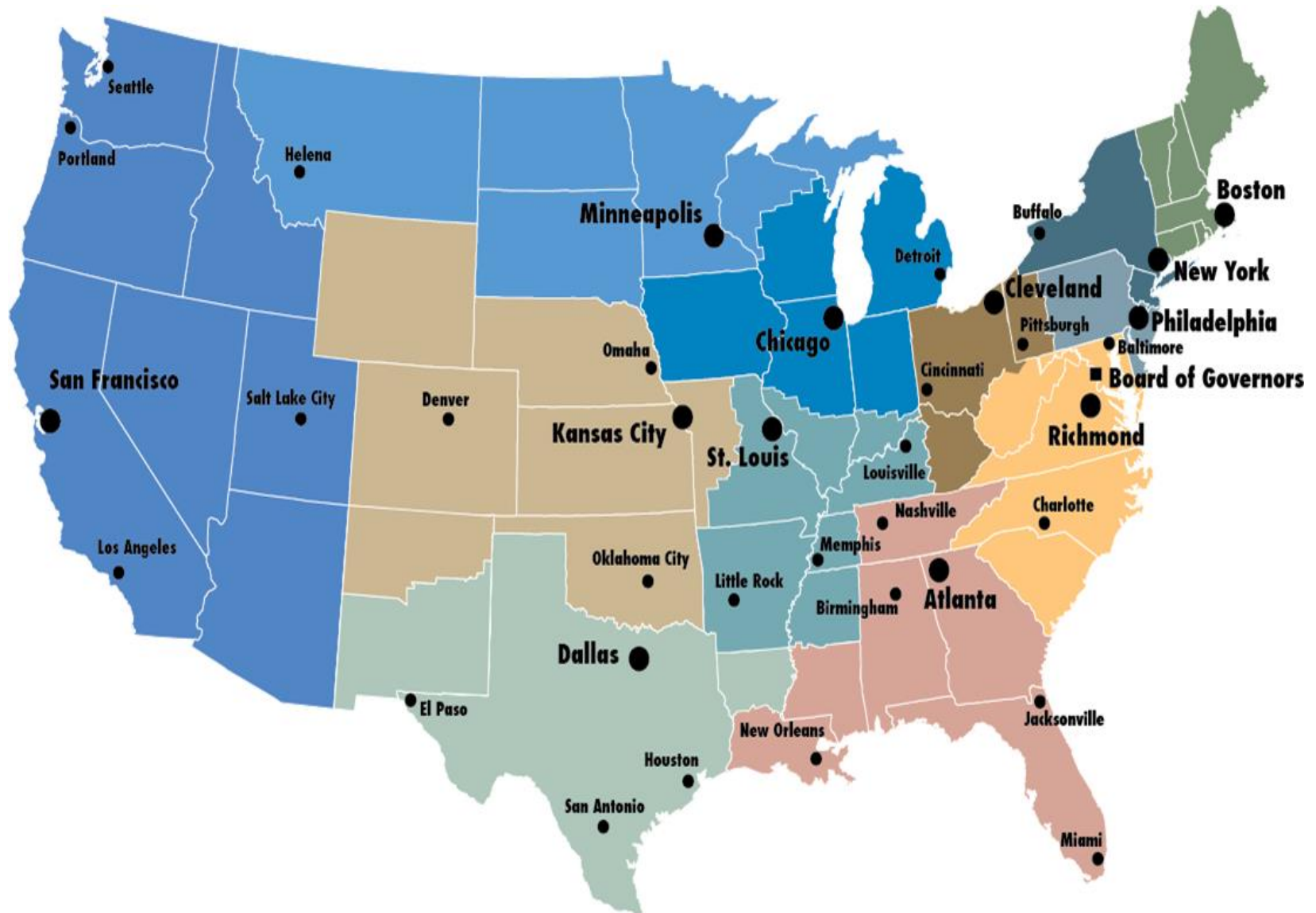
*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

Overview of the Federal Reserve System



- Primary Functions
 - Monetary Policy: promote maximum employment and price stability
 - Financial Services: bank for banks; bank for the federal government
 - Banking Supervision and Regulation: ensure safety and soundness of banks and ensure that banks provide fair and equitable services to consumers.
- Structure
 - Board of Governors
 - Consists of seven members who are appointed by the President and confirmed by the Senate to serve 14-year terms.
 - Federal Reserve Banks
 - There are 12 Regional Reserve Banks, each serving a unique district. These are semi-independent by design.
 - Federal Open Market Committee (FOMC)
 - Comprised of the 7 members of the Board of Governors and the 12 Reserve Bank Presidents (only 5 presidents are voting members on a rotating basis).
 - Charged with conducting monetary policy to promote economic growth and price stability.

Regional Federal Reserve Banks and Branch Locations



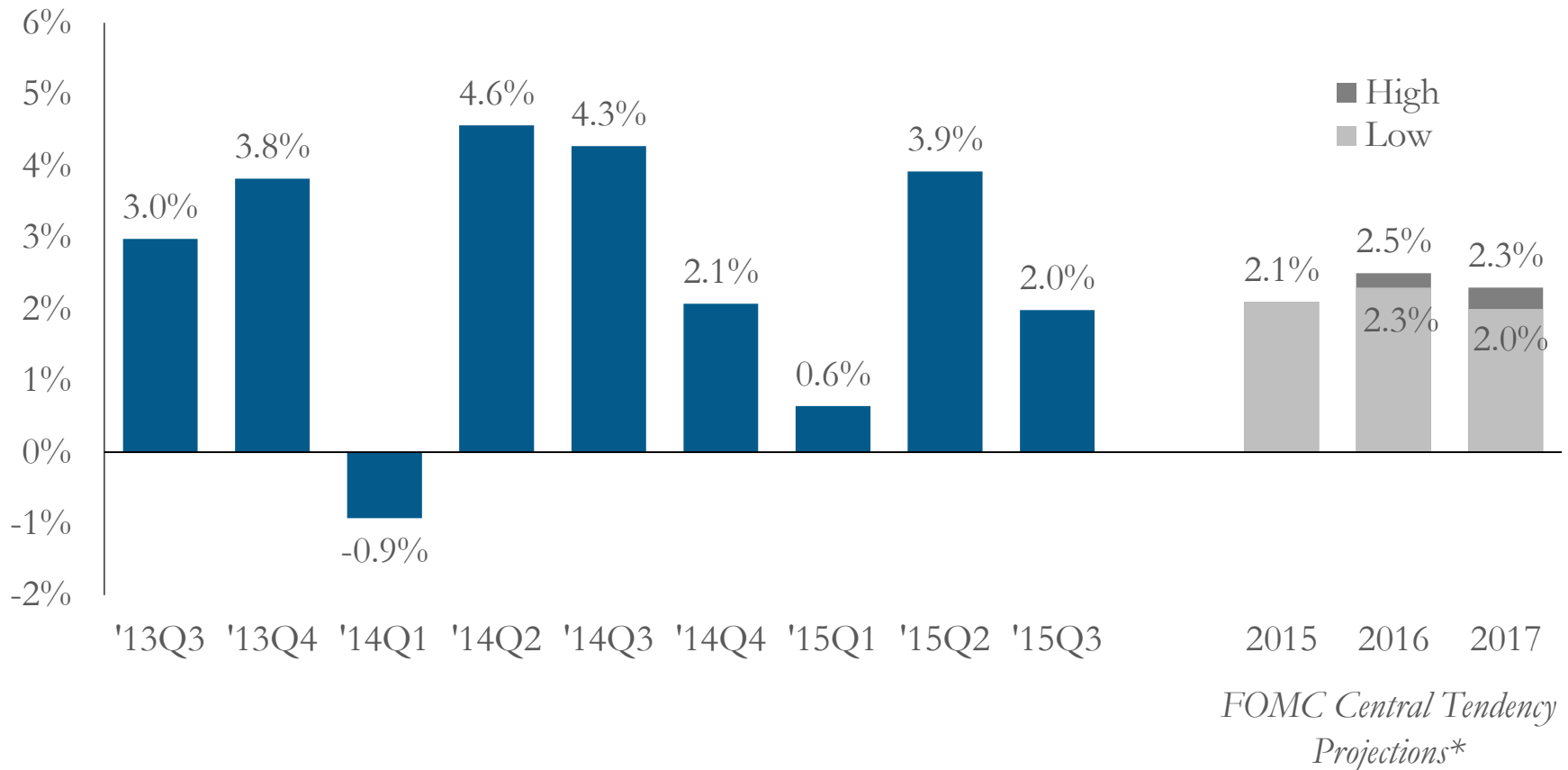


- Functions
 - Regional research and policy support covering the economies of Colorado, New Mexico and Wyoming
 - Economic, financial education, and community development outreach
 - Examinations of Colorado, Wyoming and northern New Mexico financial institutions
 - Cash processing and distribution
 - Money Museum
 - Around 150 employees

The U.S. economy is expected to expand at a moderate pace in 2016.

REAL U.S. GROSS DOMESTIC PRODUCT

Percent Change from Previous Quarter at Seasonally Adjusted Annualized Rates



Source: Bureau of Economic Analysis and Federal Open Market Committee (FOMC)/Haver Analytics

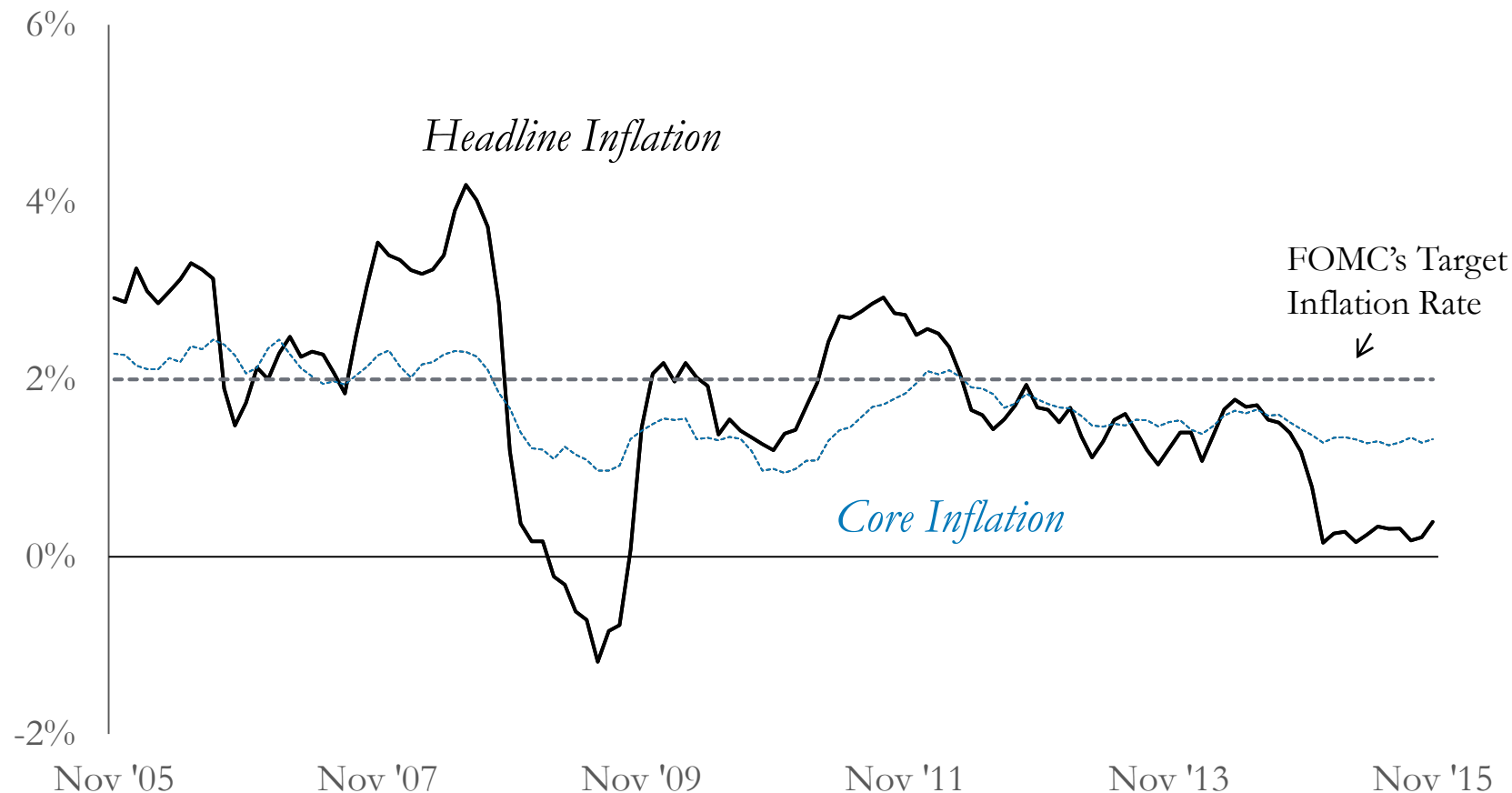
*Note: Projections as of December FOMC meeting

Inflation remains below the FOMC's two percent target, weighed down by declining energy prices and cheaper imports.



PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

Percent Change Year-over-Year

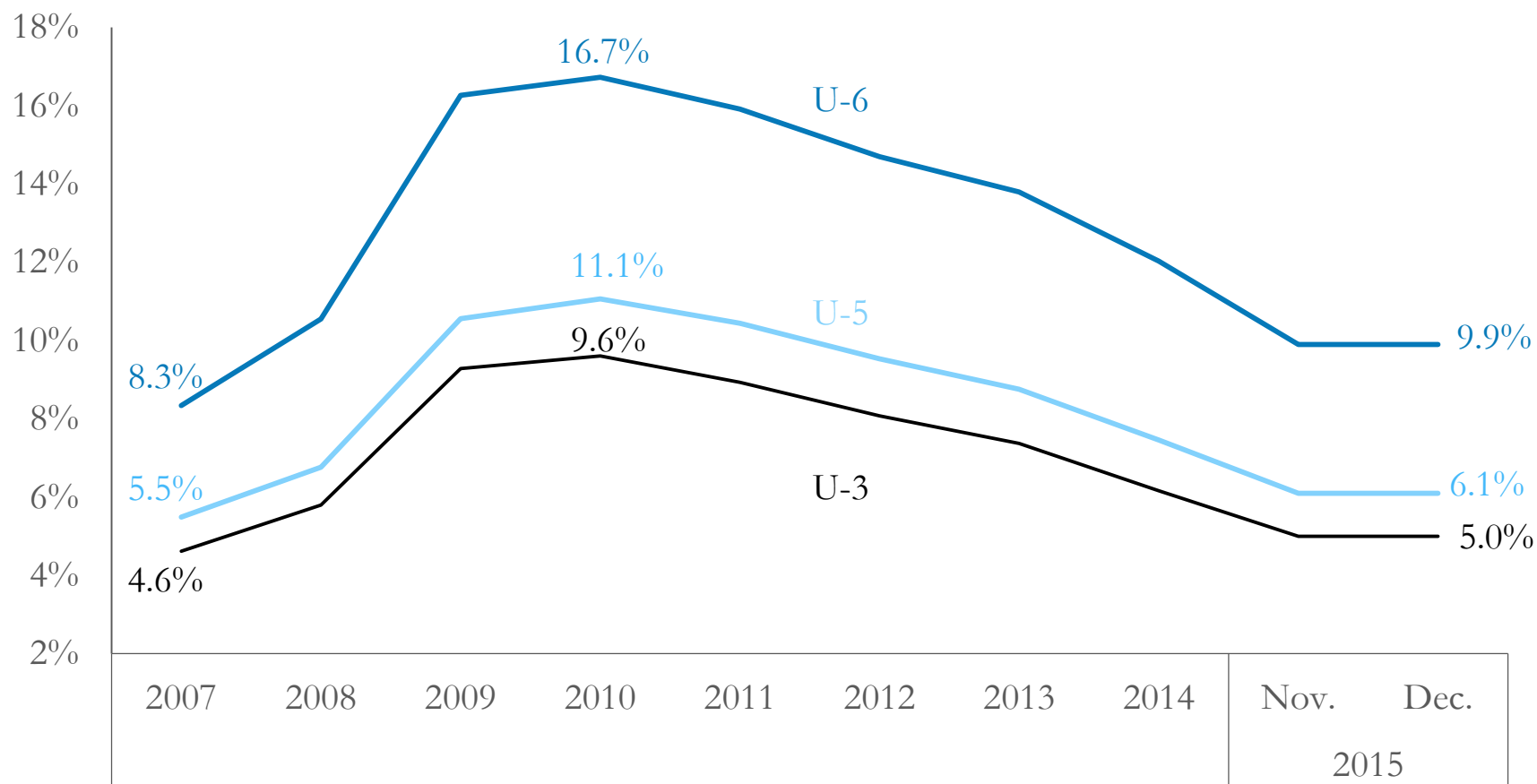


Measures of unemployment and under-employment have declined steadily over the past five years.



UNITED STATES UNEMPLOYMENT RATES

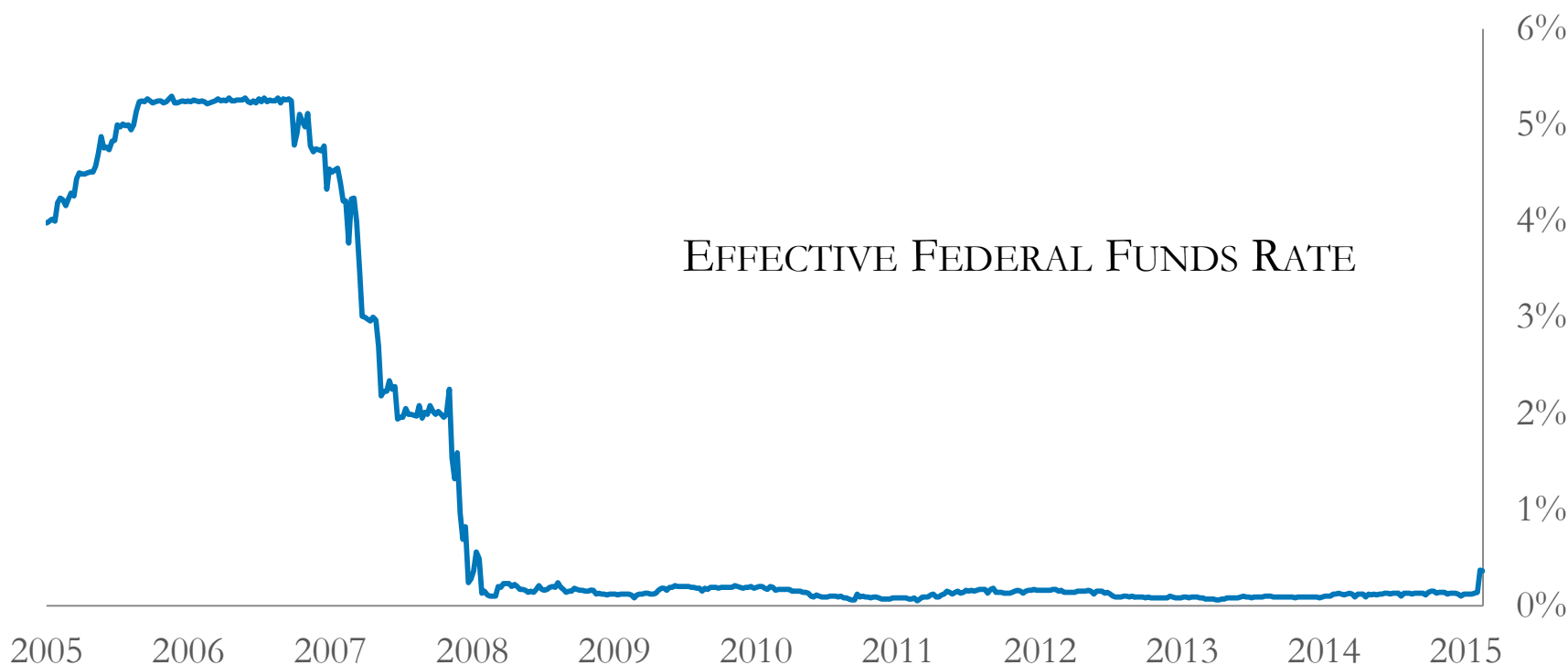
Seasonally Adjusted





“The Committee judges that there has been considerable improvement in labor market conditions this year, and it is reasonably confident that inflation will rise, over the medium term, to its 2 percent objective. Given the economic outlook, and recognizing the time it takes for policy actions to affect future economic outcomes, the Committee decided to raise the target range for the federal funds rate to 1/4 to 1/2 percent. The stance of monetary policy remains accommodative after this increase, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation.”

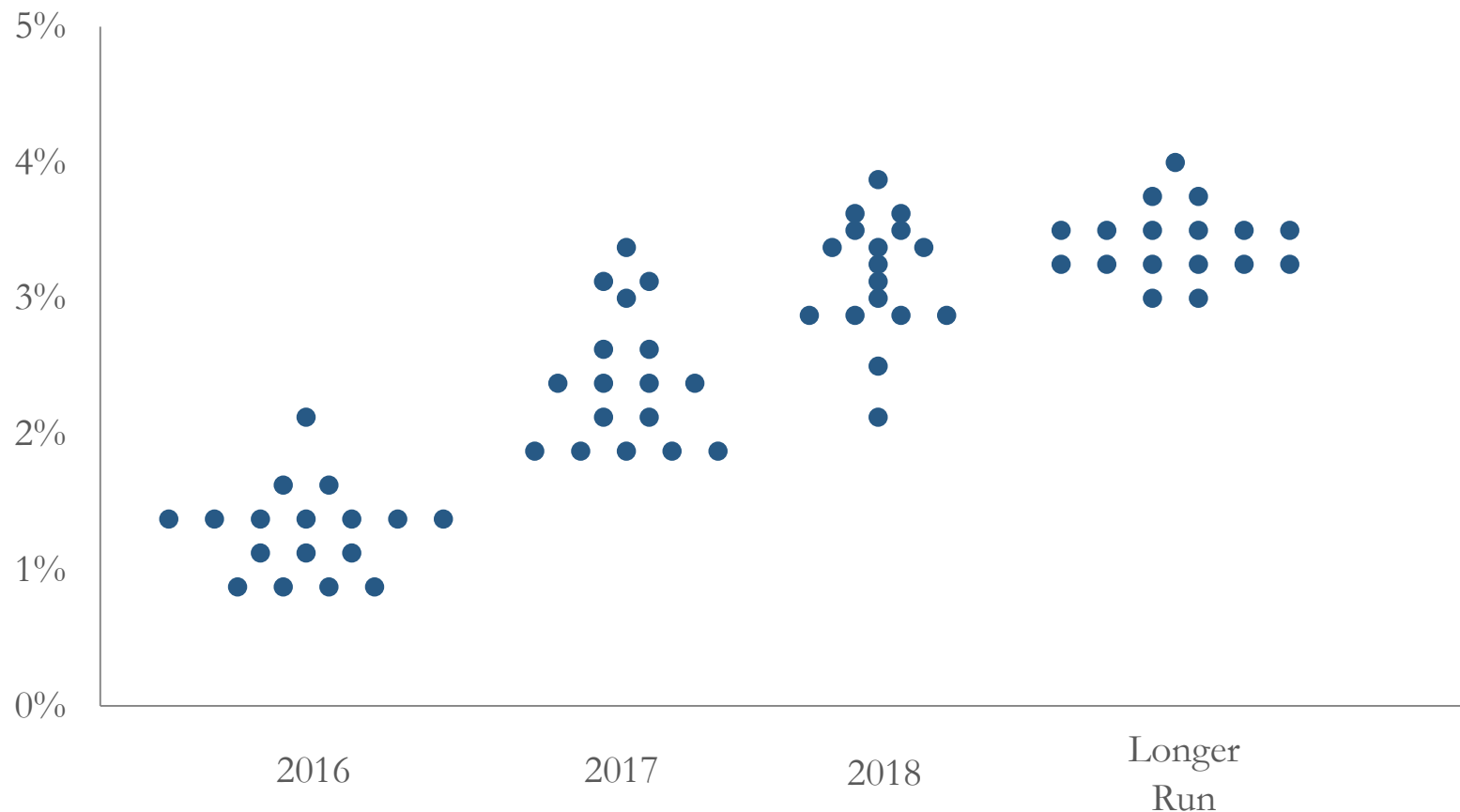
- December 2015 FOMC Statement



Most FOMC members expect gradual increases in the federal funds rate over the next two years.

MIDPOINT OF TARGET RANGE OR TARGET LEVEL FOR FEDERAL FUNDS RATE

Individual FOMC Member Responses – December FOMC Meeting



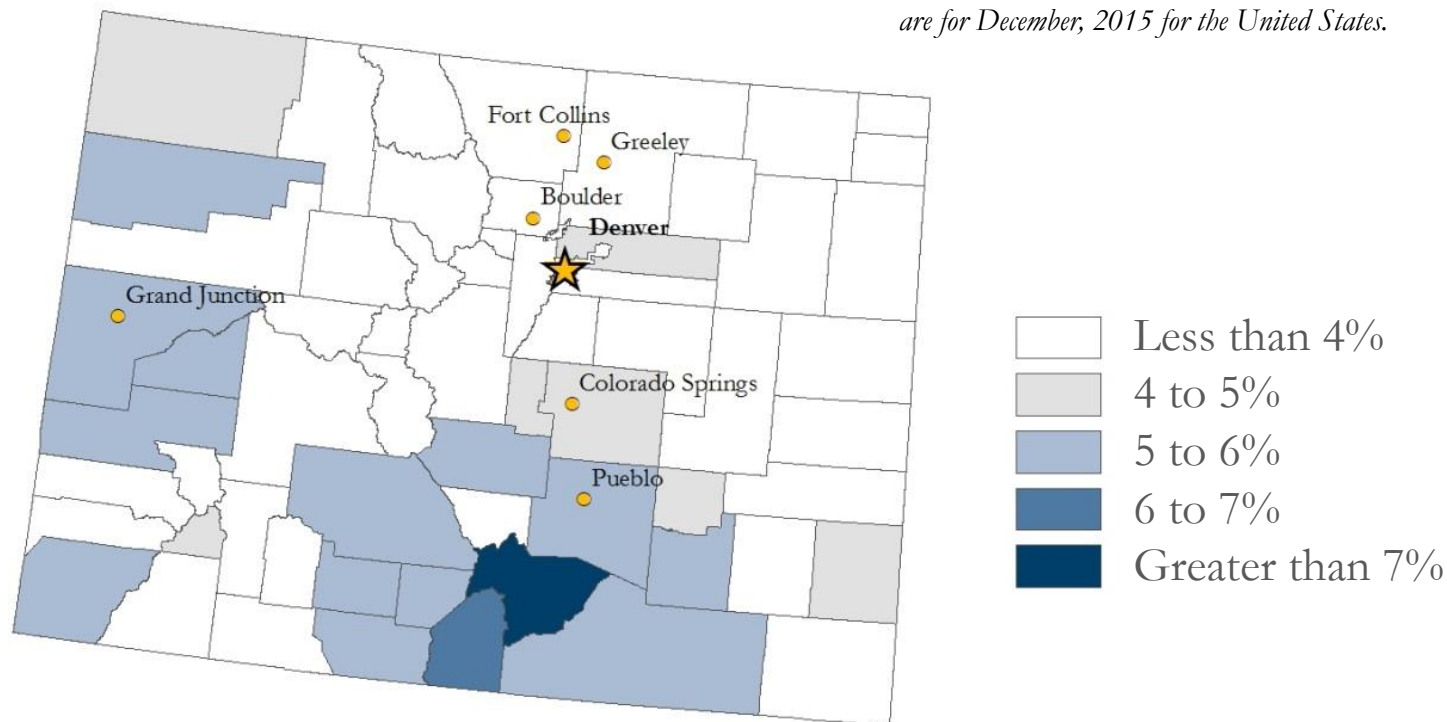
Unemployment rates have trended down across Colorado, but pockets of high unemployment remain in some areas.

UNEMPLOYMENT RATES

November 2015, Seasonally Adjusted

<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States	5.0%	6.1%	9.9%
Colorado	3.6%	4.5%	8.4%

**U-5 and U-6 values are 12-month moving averages as of Q3 2015 for Colorado and are for December, 2015 for the United States.*

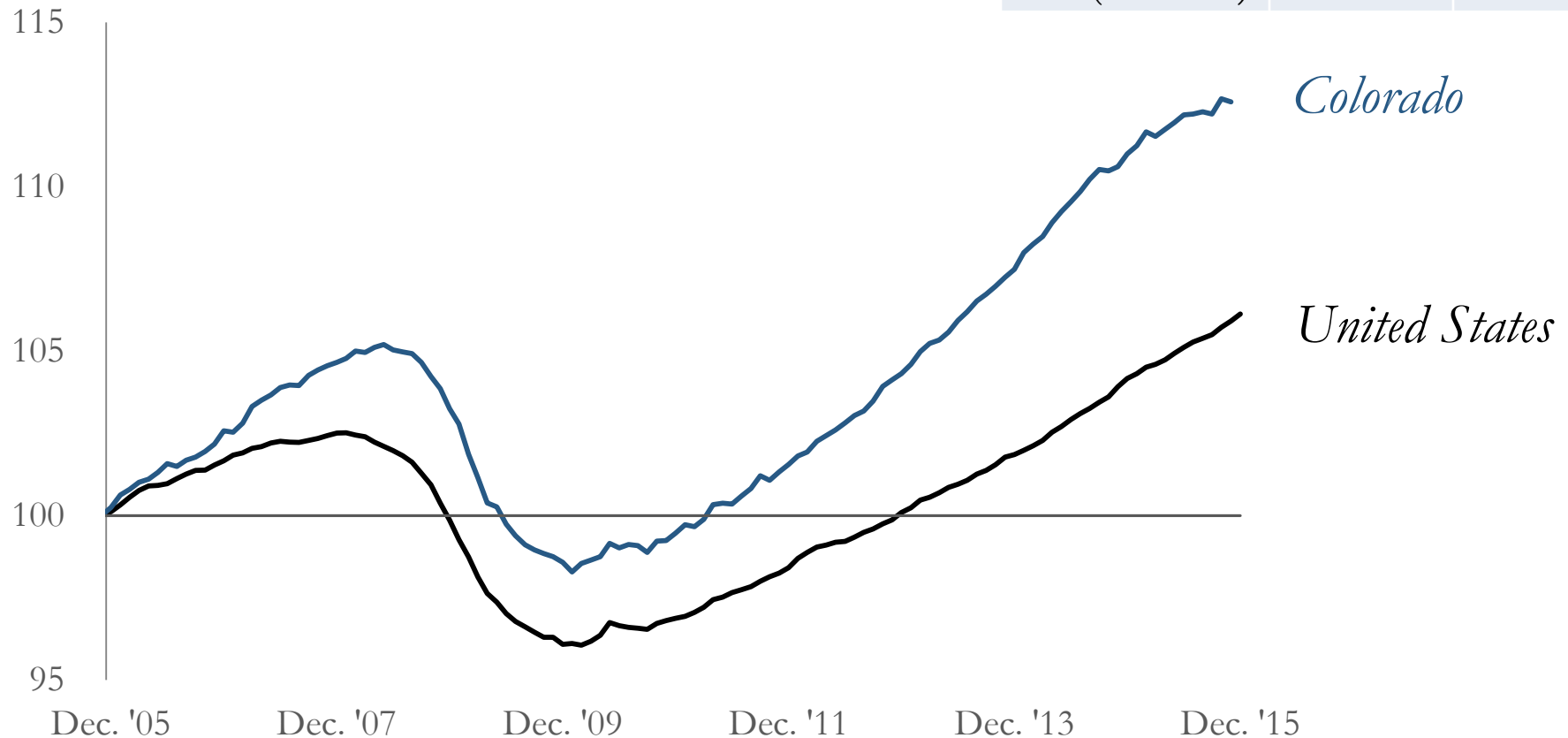


Employment has been increasing in Colorado and the nation for more than five years, with Colorado gains outpacing the nation.

PAYROLL EMPLOYMENT GROWTH

Index 100 = December 2005, Seasonally Adjusted

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S.	6.0%	1.9%
CO (Nov. '15)	12.6%	1.8%

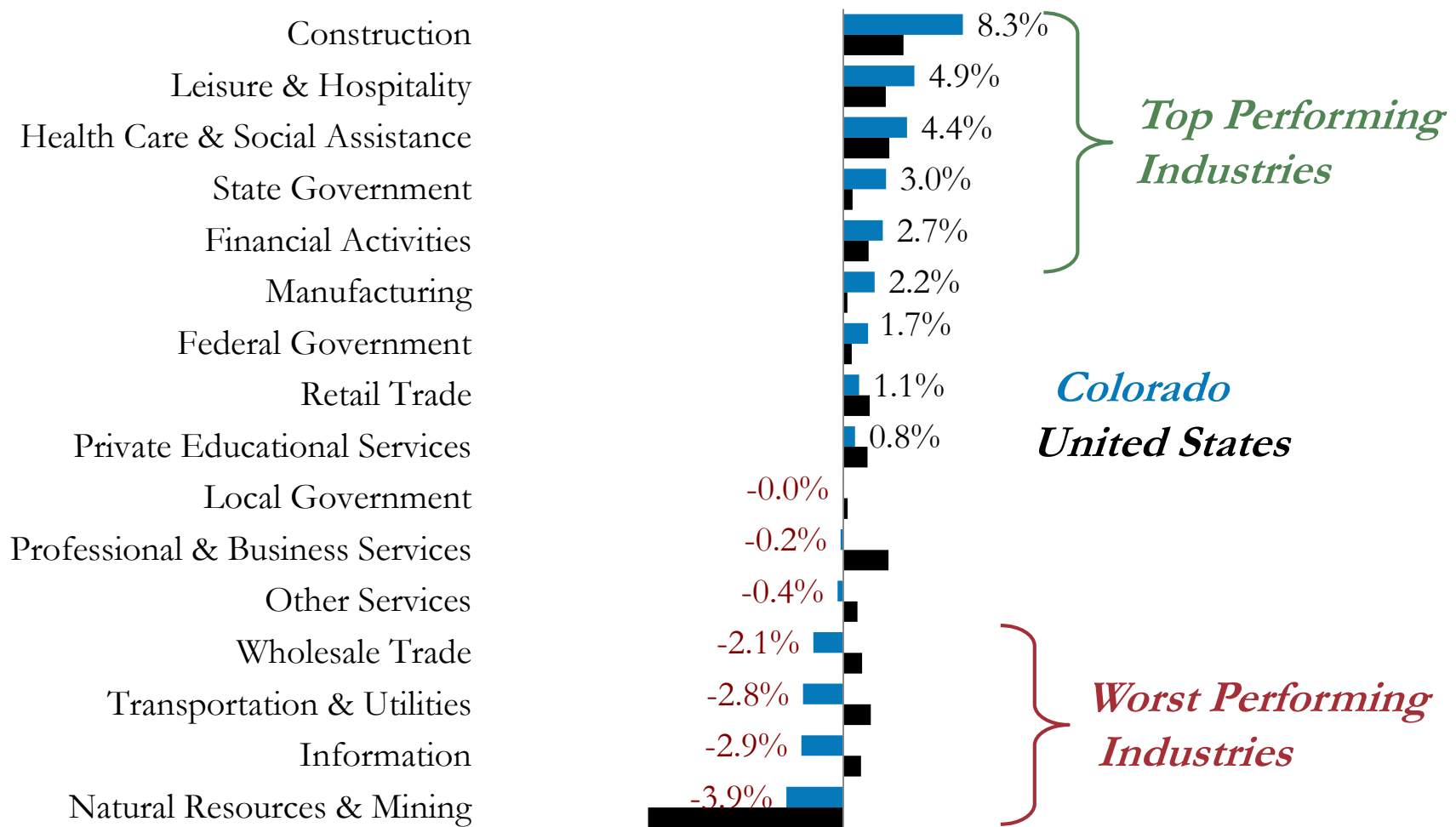


The majority of industries in Colorado have added jobs over the past year, but the slowdown in the energy sector is having an effect on related industries.

CHANGE IN PAYROLL EMPLOYMENT, NOVEMBER 2015

Seasonally Adjusted

Percent Change Year-over-Year

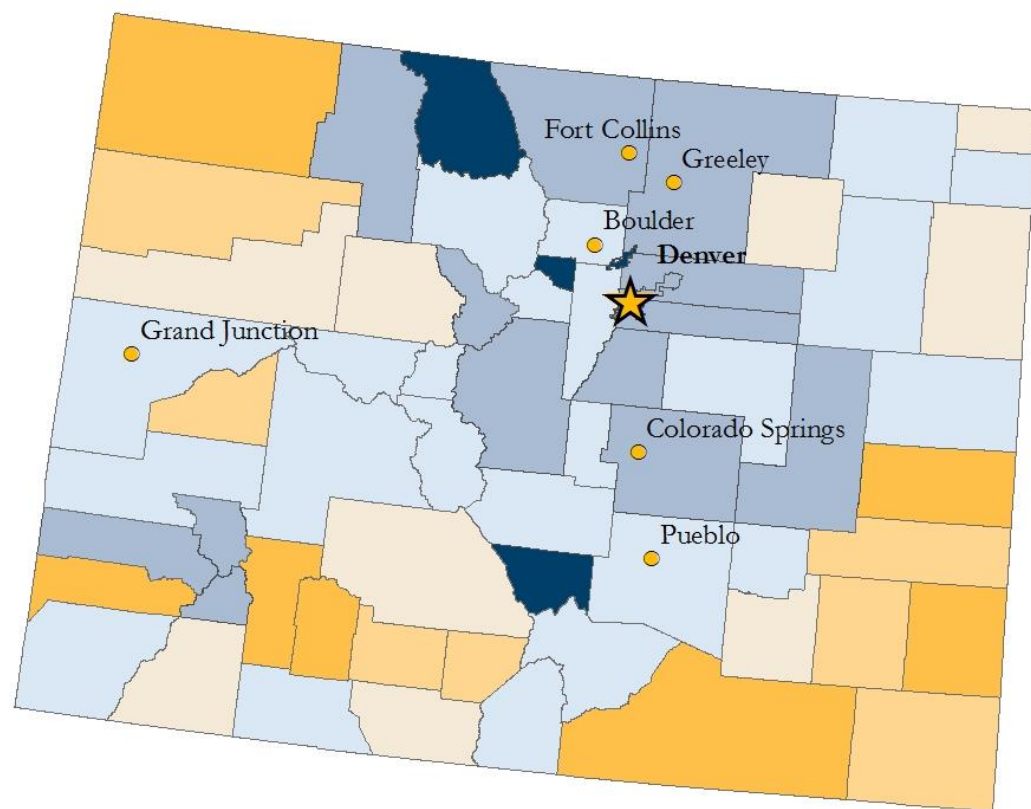


Parts of Colorado continue to experience strong population growth and net in-migration.

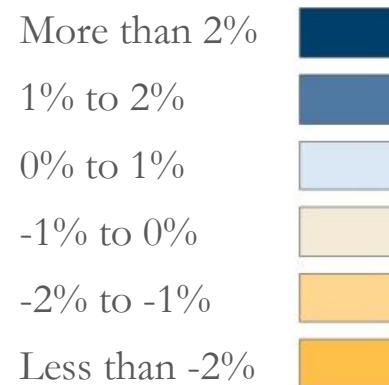


NET MIGRATION

Total 2014 Net Migration as a Percentage of 2014 Population



<i>Annual Percent Change</i>	<i>2015</i>
United States	0.4%
Colorado	1.2%

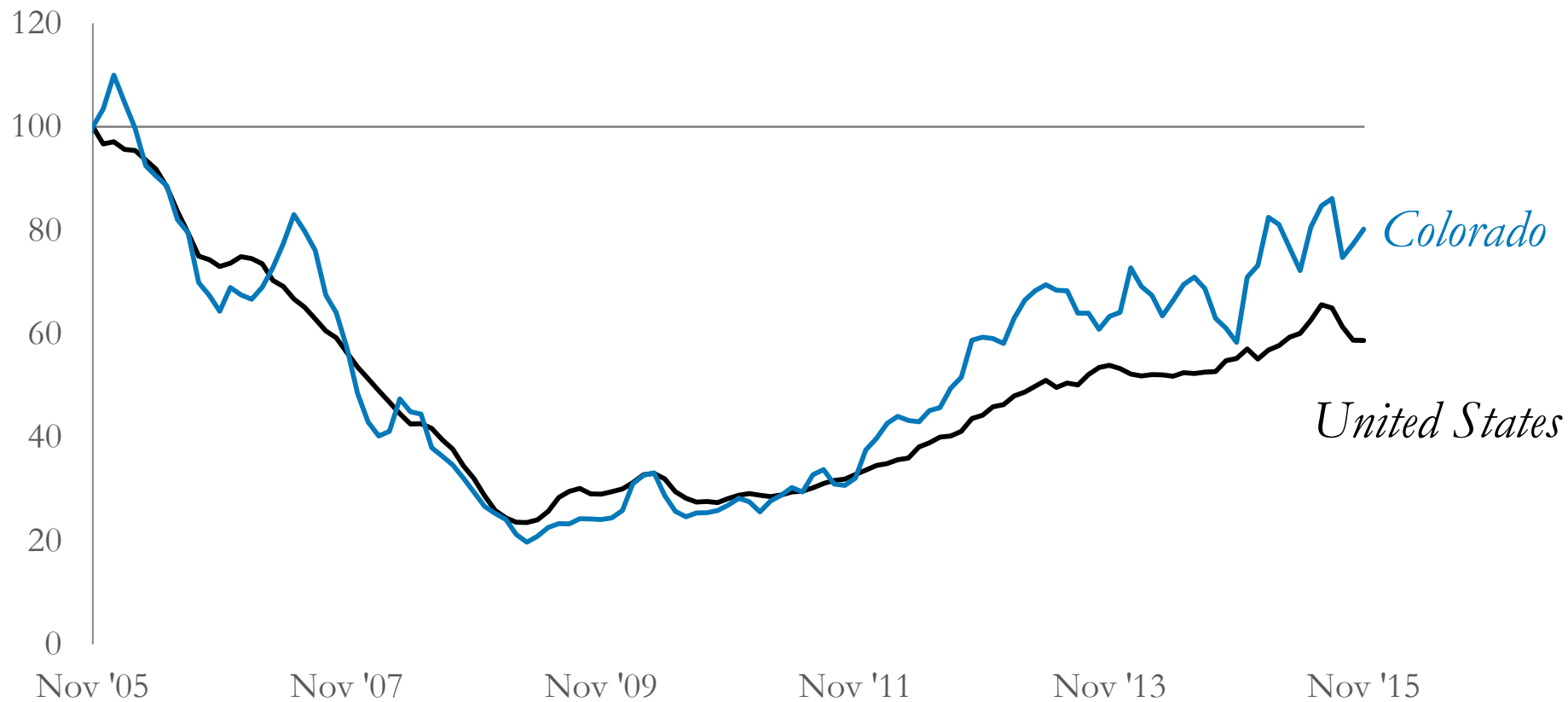


Residential construction activity has been increasing over the past 5 years.



VALUE OF RESIDENTIAL CONSTRUCTION

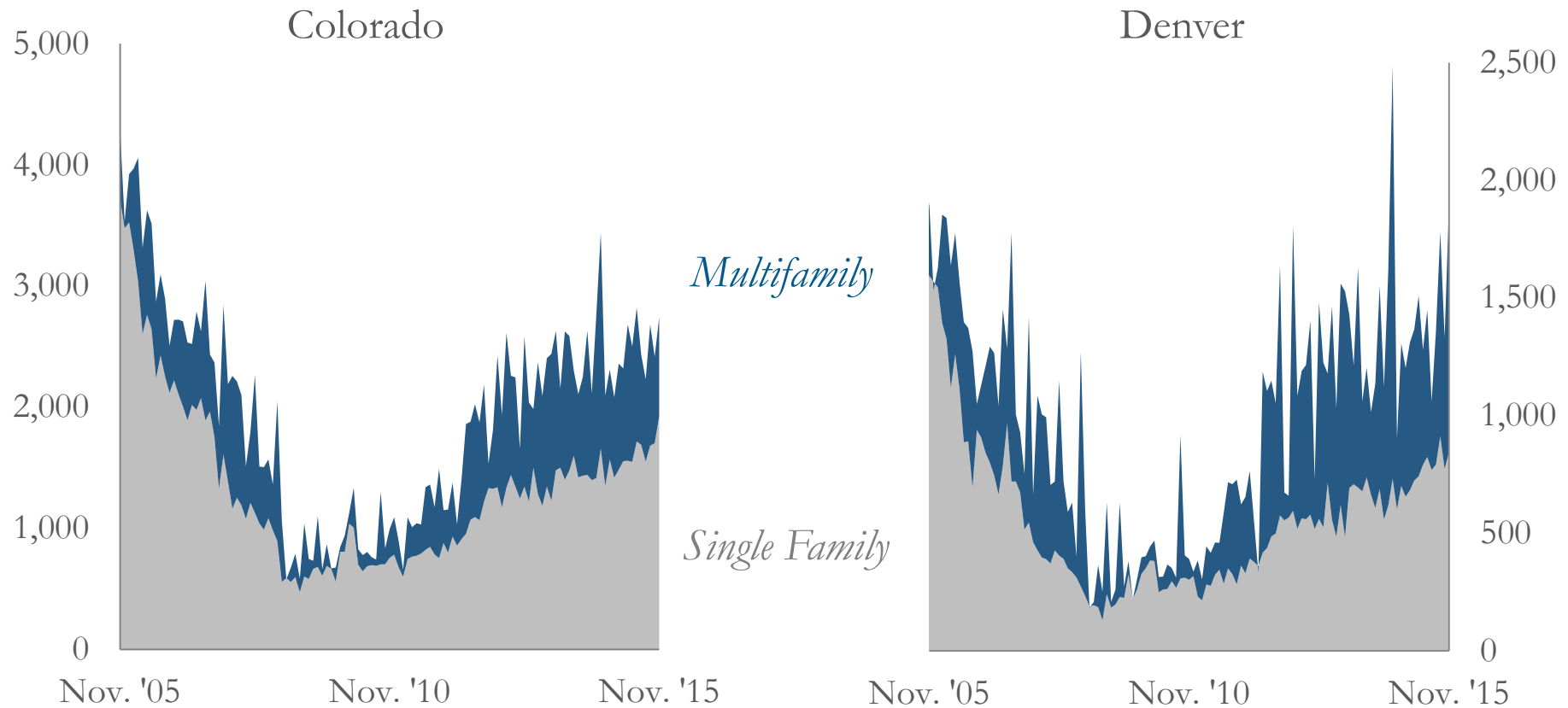
Index 100 = November 2005, Seasonally Adjusted Three-Month Moving Average



The recovery in residential construction activity has been driven by strong gains in multifamily building.

RESIDENTIAL PERMITS

Seasonally Adjusted

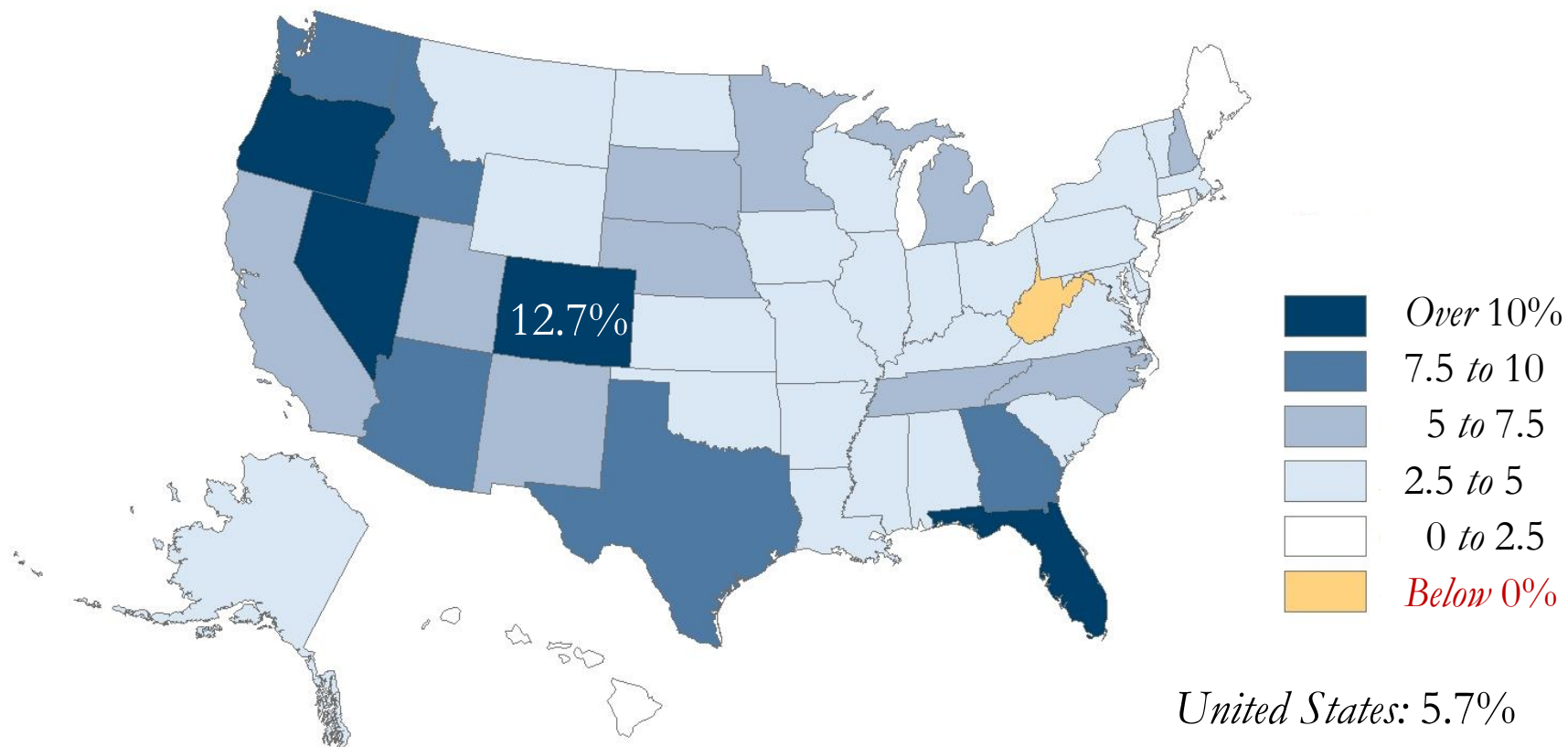


Colorado is experiencing strong home price appreciation.



FHFA PURCHASE-ONLY HOME PRICE INDEX (2015Q3)

Percent Change Year-over-Year, Seasonally Adjusted

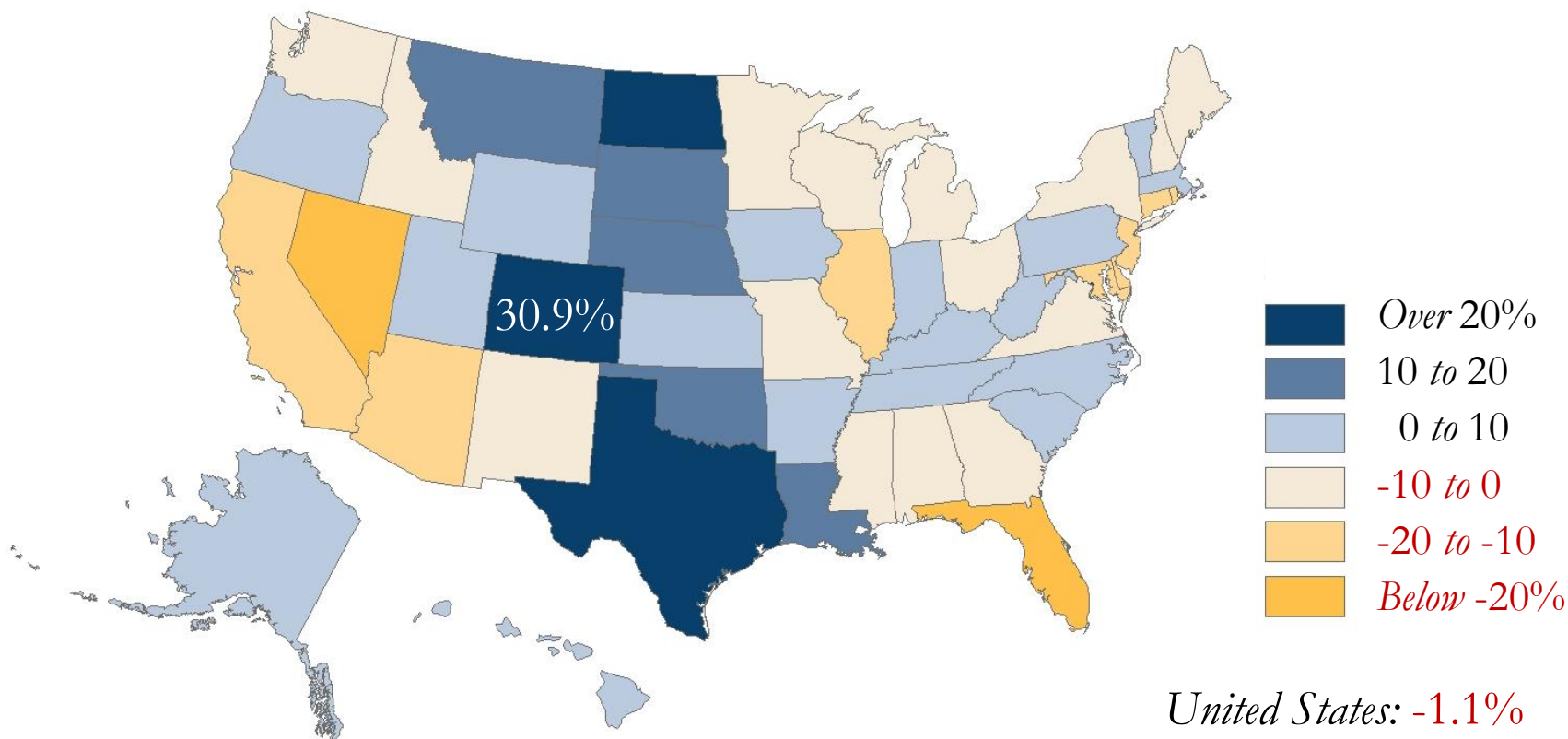


Unlike many states, home prices in Colorado are well above previous peak levels.



FHFA PURCHASE-ONLY HOME PRICE INDEX (2007Q1 – 2015Q3)

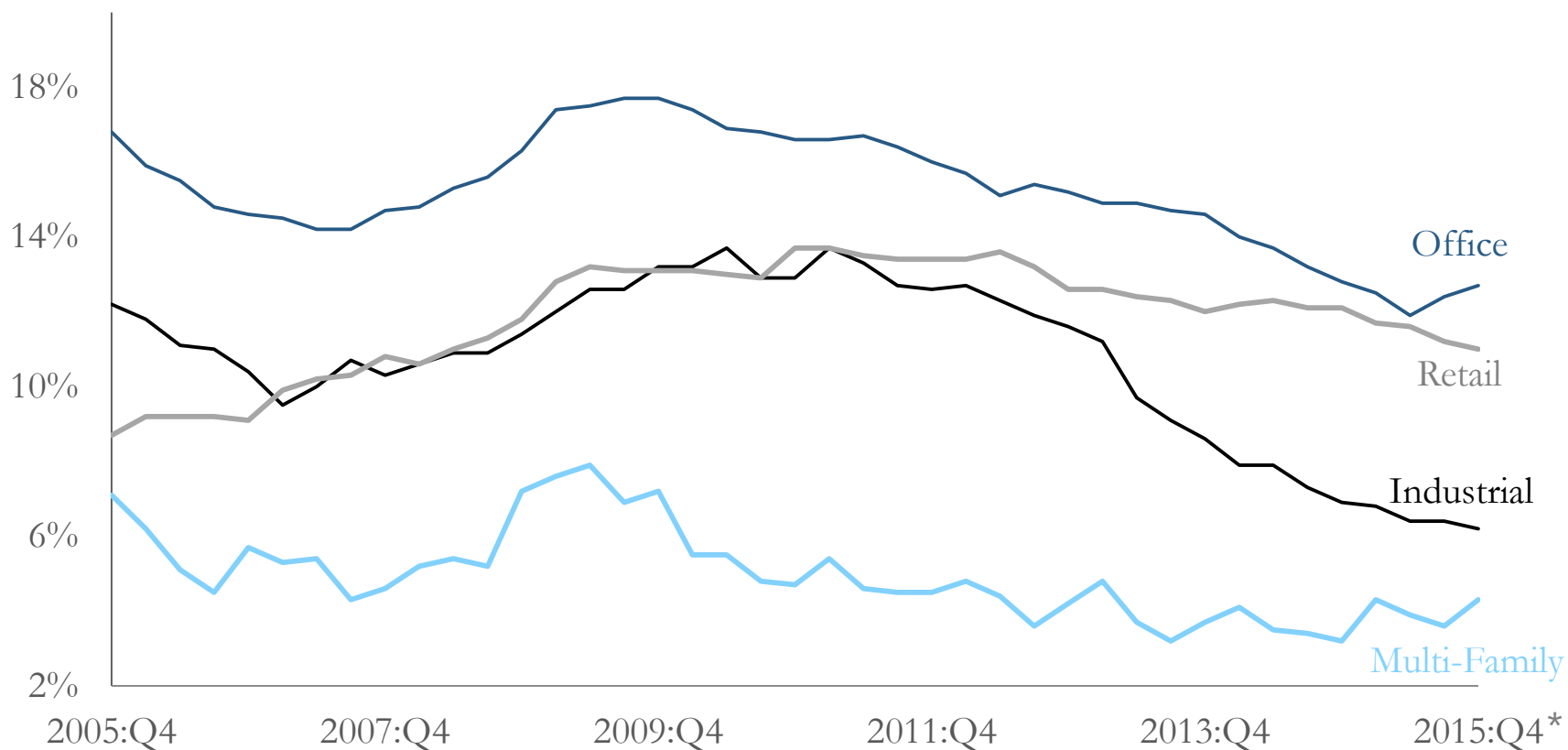
Percent Change Peak to Current, Seasonally Adjusted



Vacancy rates are low across the Denver metro, with office and industrial vacancies below pre-recession levels.



DENVER COMMERCIAL VACANCY RATES

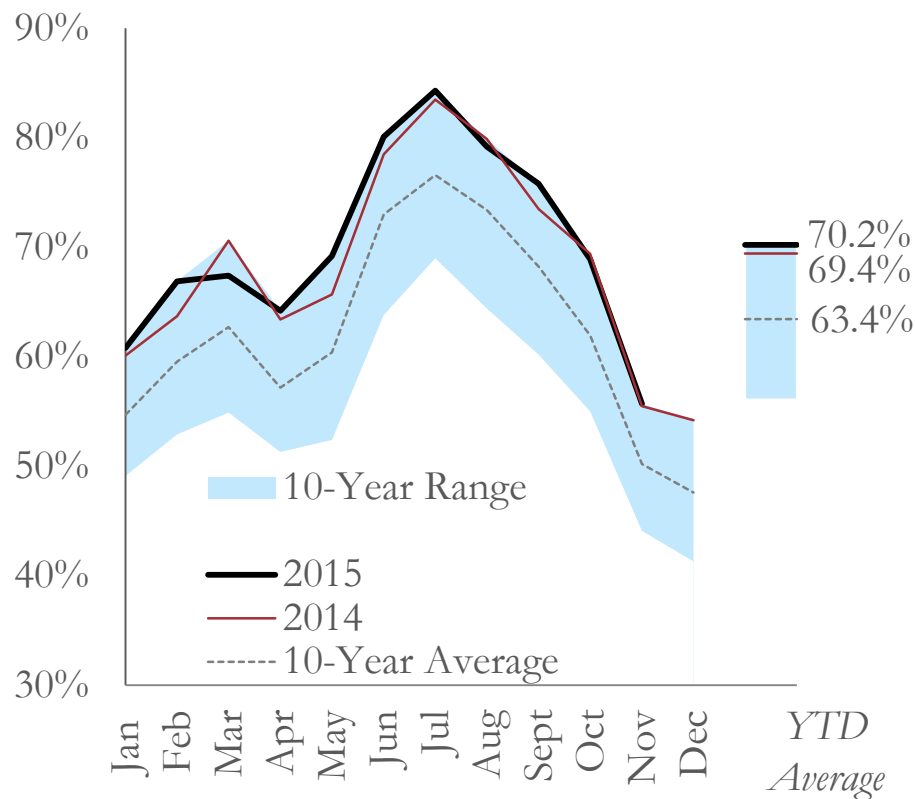


*Rates for 2015:Q4 are forecasted values made during 2015:Q3

Tourism activity has picked up in Colorado over the past two years.

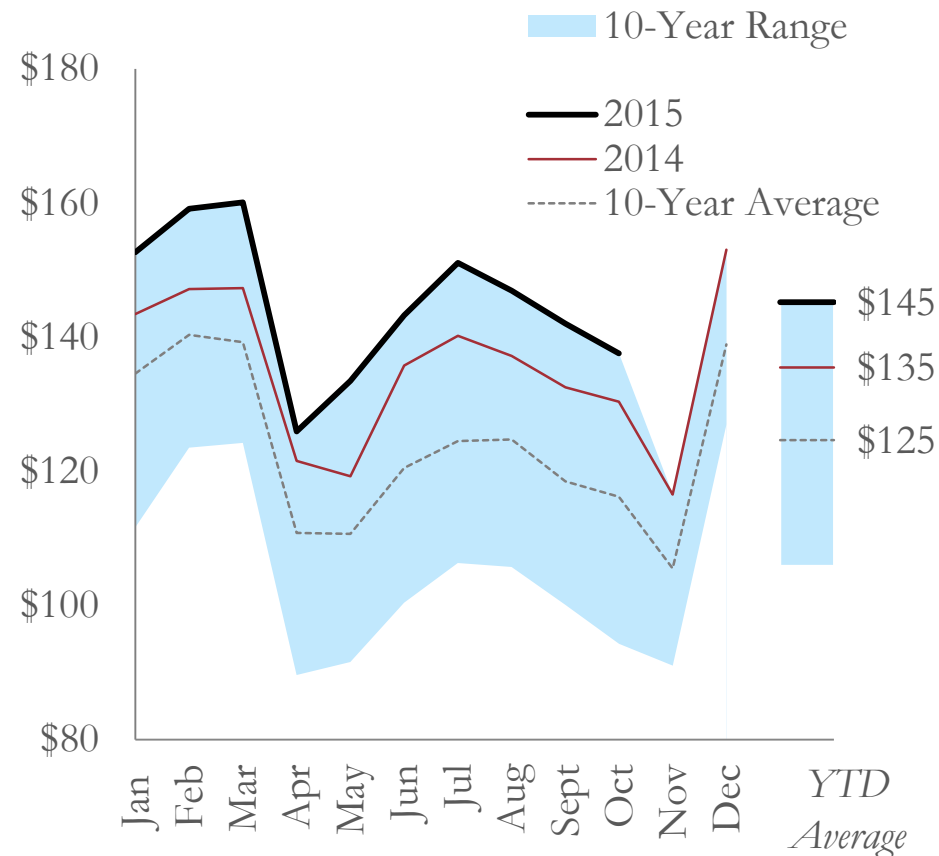
HOTEL OCCUPANCY RATES

Colorado



REAL HOTEL ROOM RATES

Colorado, January, 1999 Dollars

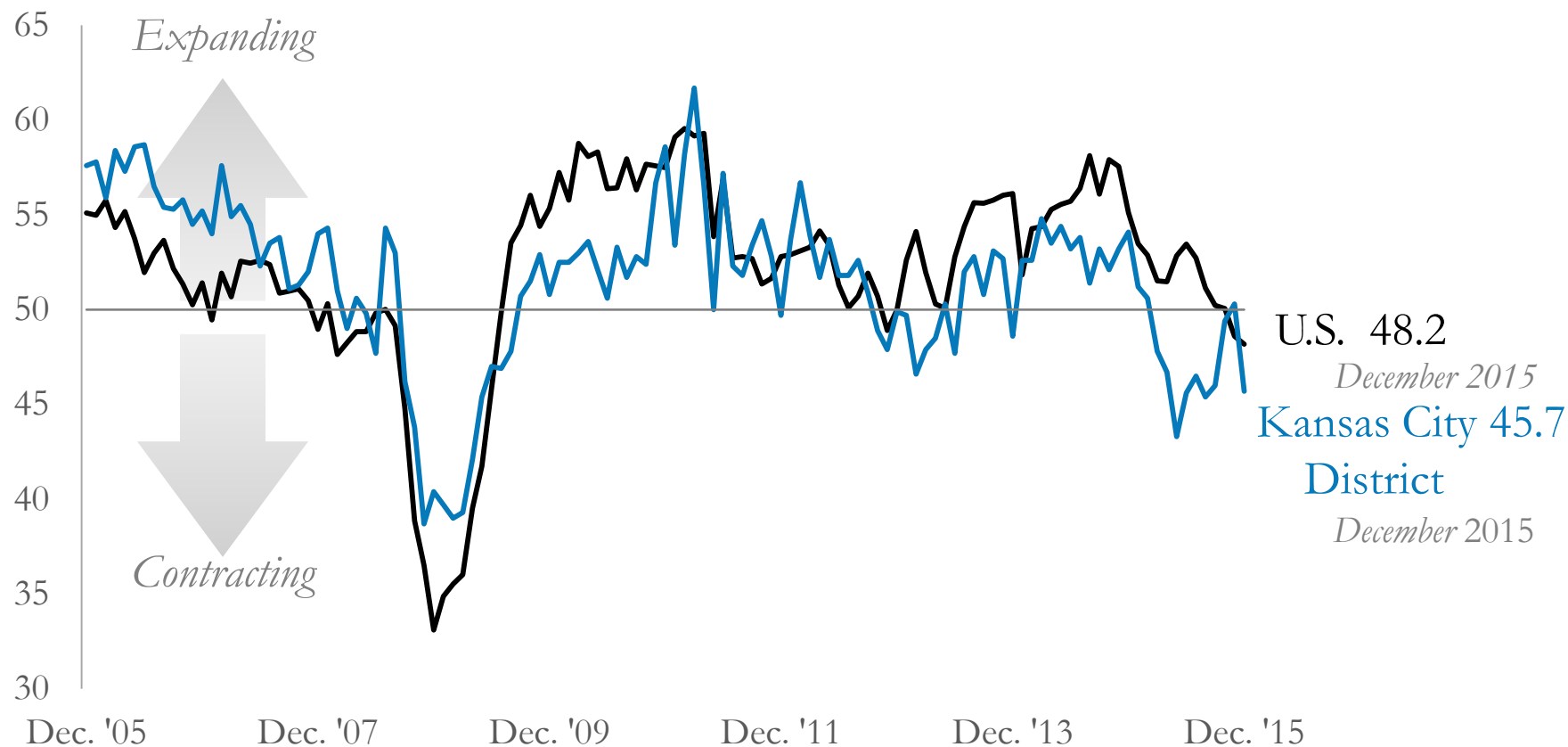


Manufacturing activity has slowed in the region due in part to a weak energy sector and a strong dollar.



MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, Month-over-Month

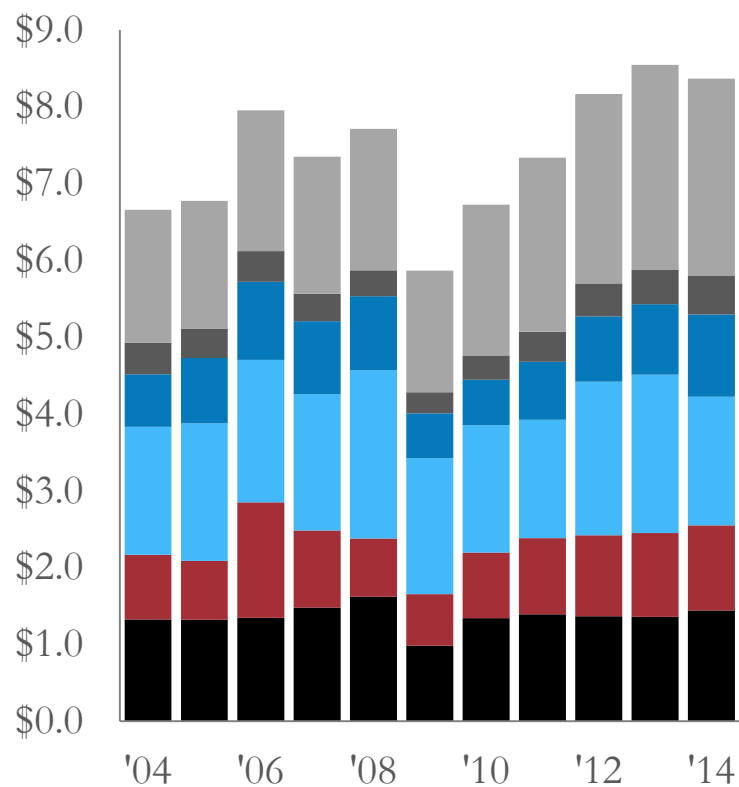


Colorado export activity has slowed slightly over the past two years, weighed down by weak global economies and a stronger U.S. dollar.



COLORADO EXPORTS BY TRADING PARTNER

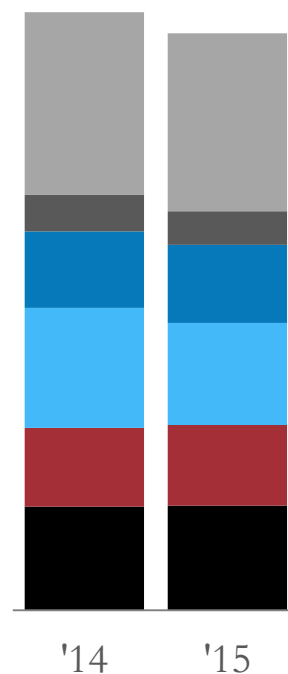
Billions



NOVEMBER 2015 YEAR-TO-DATE

Percent Change

Total Trade	-3.5%	SHARE*
All Other	-2.7	30.8%
Japan	-8.1	6.1
Mexico	2.4	12.8
Canada	-14.8	19.7
China	1.9	13.3
Eurozone	1.0	17.3

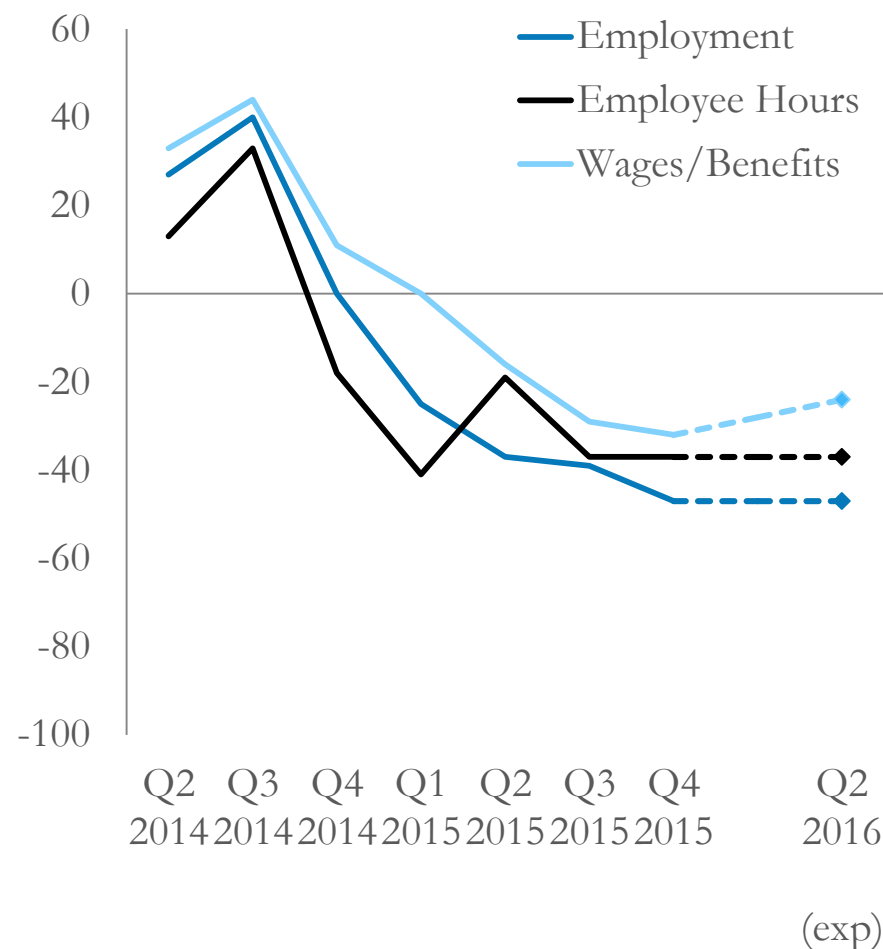
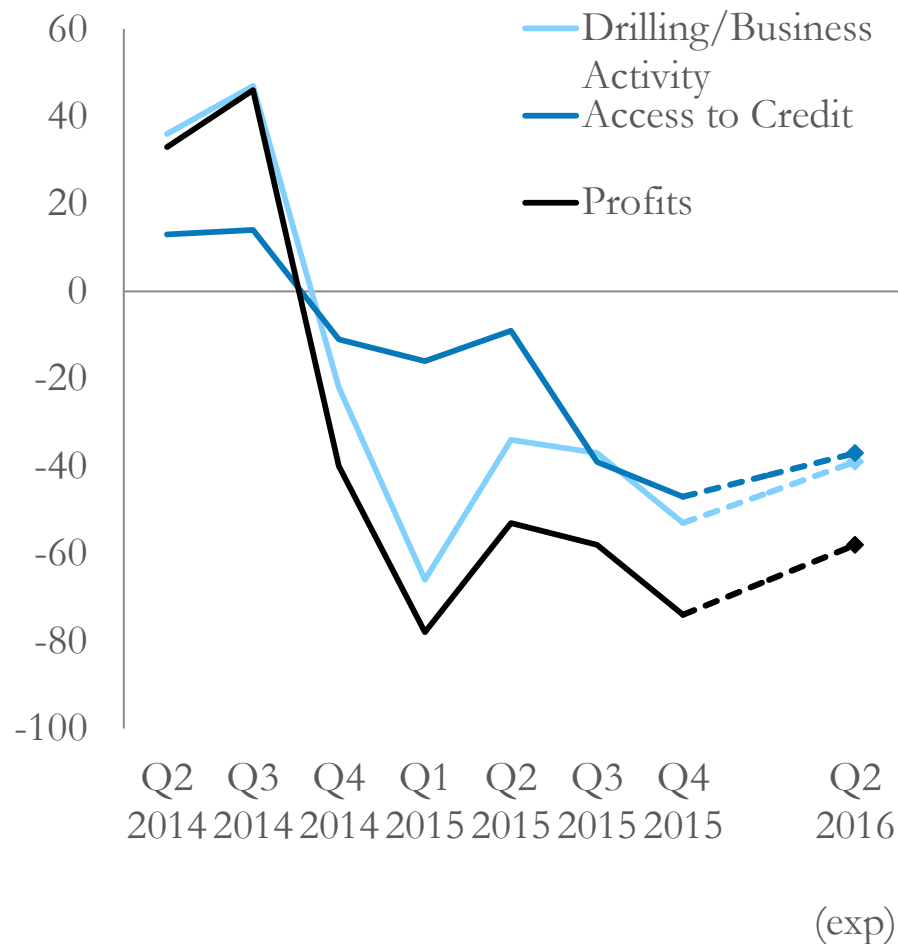


YTD through November

After sharp declines in activity in 2015, energy contacts expect additional decreases in activity over the next six months.

FRBKC ENERGY SURVEY

Quarterly Diffusion Indexes

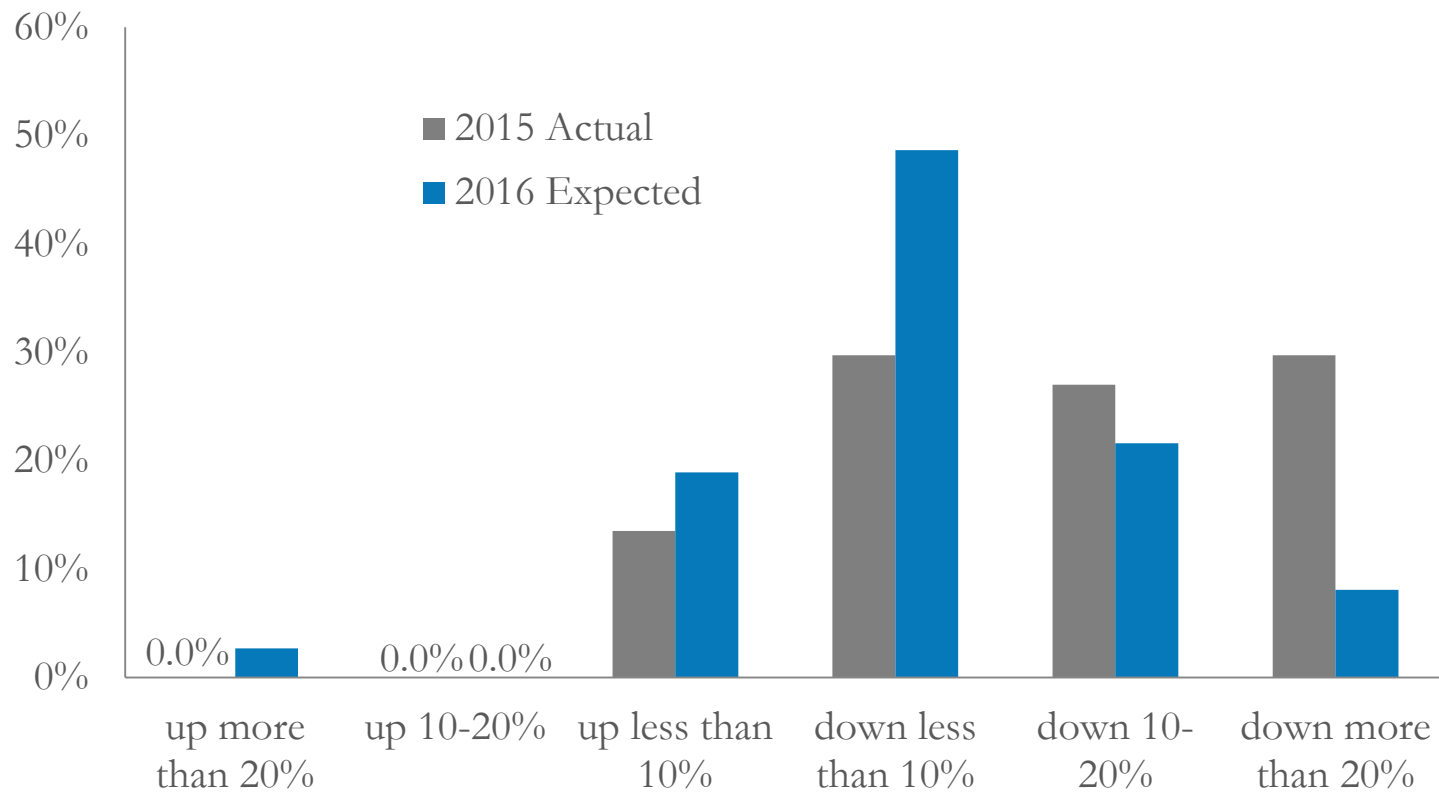


Most energy contacts expect additional layoffs in 2016, but the magnitude of layoffs this year is expected to be lower than in 2015.



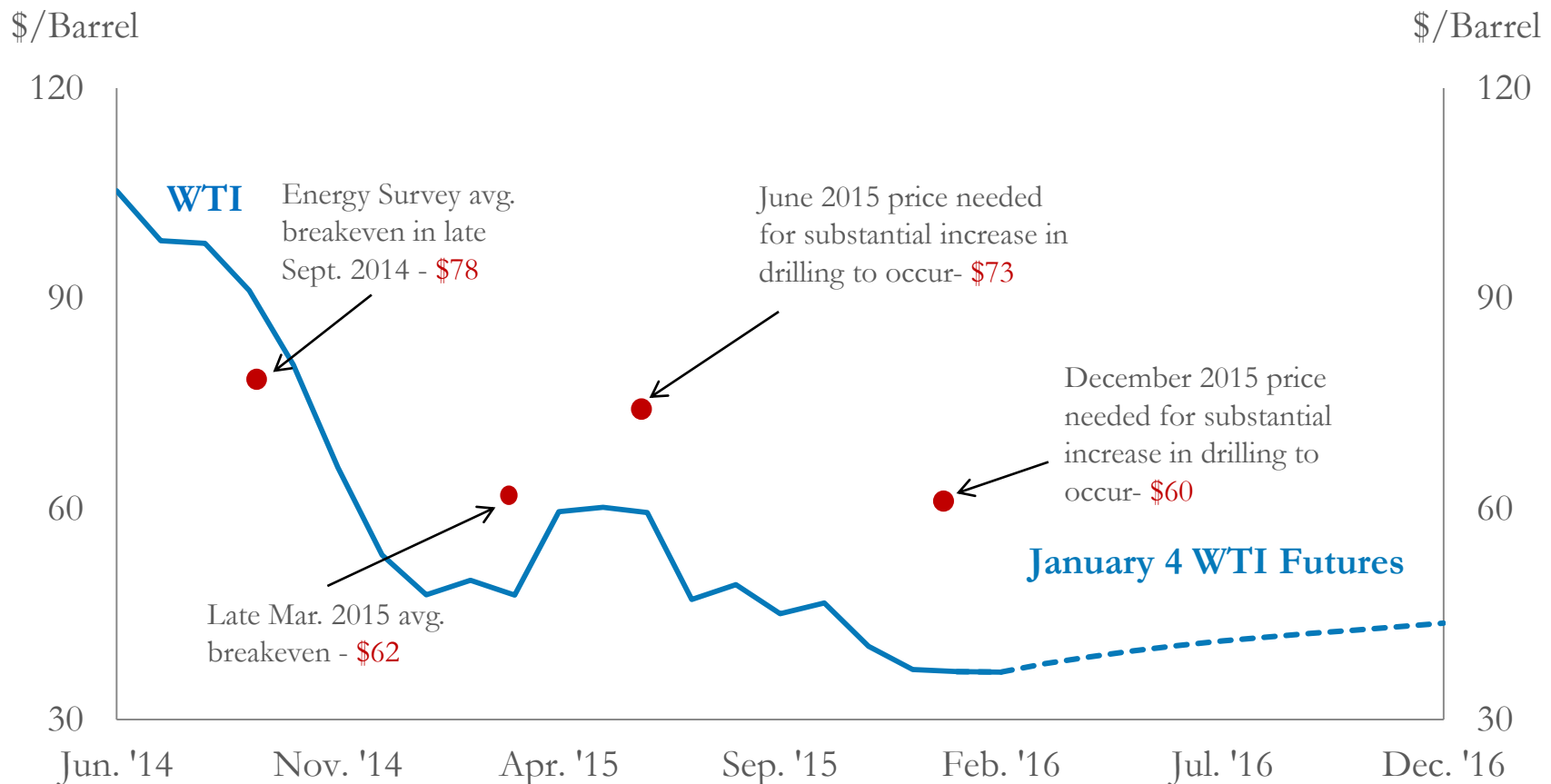
CHANGE IN ENERGY EMPLOYMENT - FRBKC ENERGY SURVEY

Percent of Total Responses



Breakeven oil prices have fallen as productivity rises and costs decline, but oil prices remain well below the levels needed for a substantial increase in drilling.

REPORTED BREAKEVEN OIL PRICES AND WTI EXPECTATIONS



For additional information on the regional economy:
<http://www.KansasCityFed.org/Denver>

