

Emerging Trends in the U.S. & Colorado Economies



Alison Felix

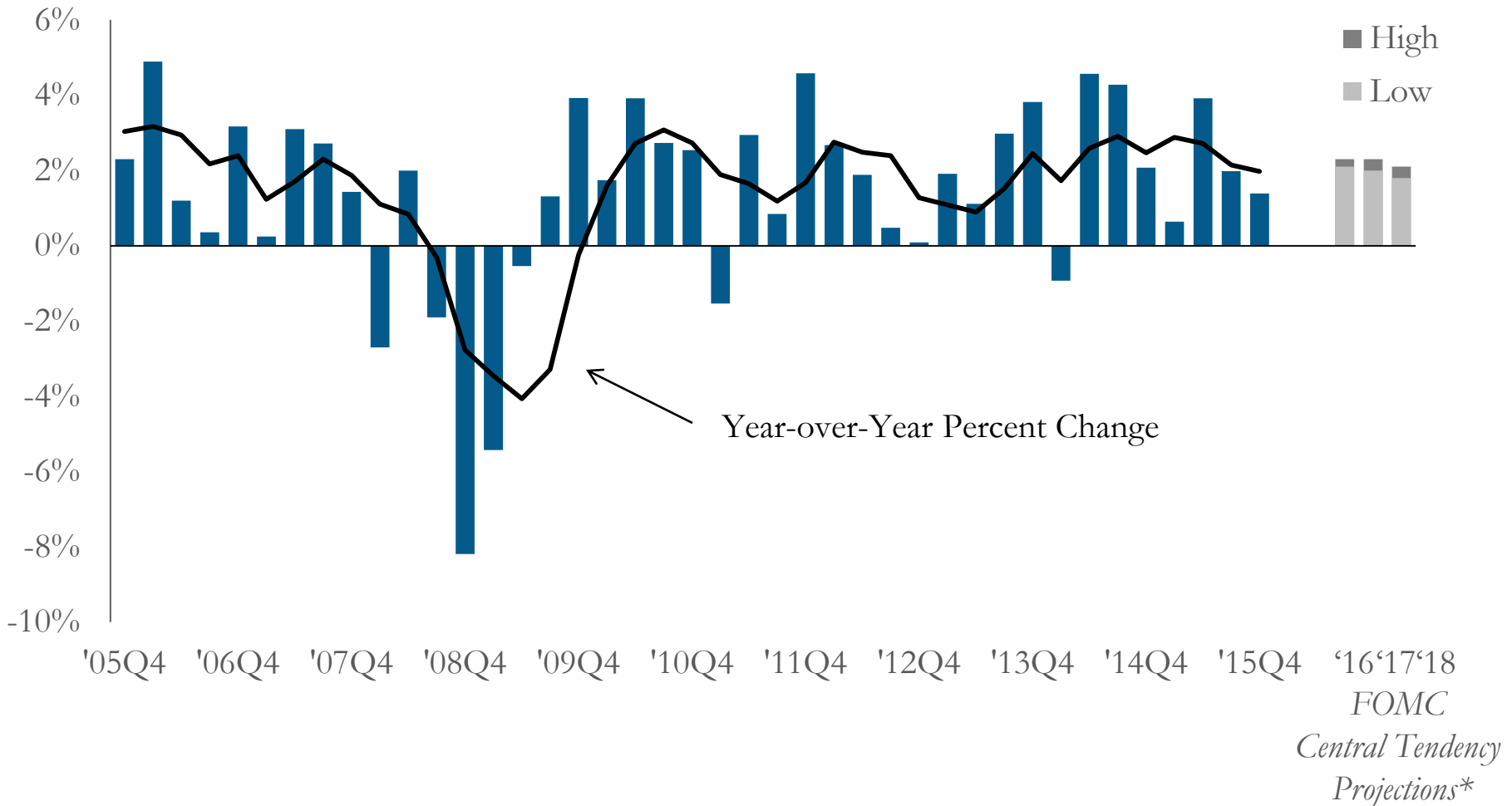
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*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

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

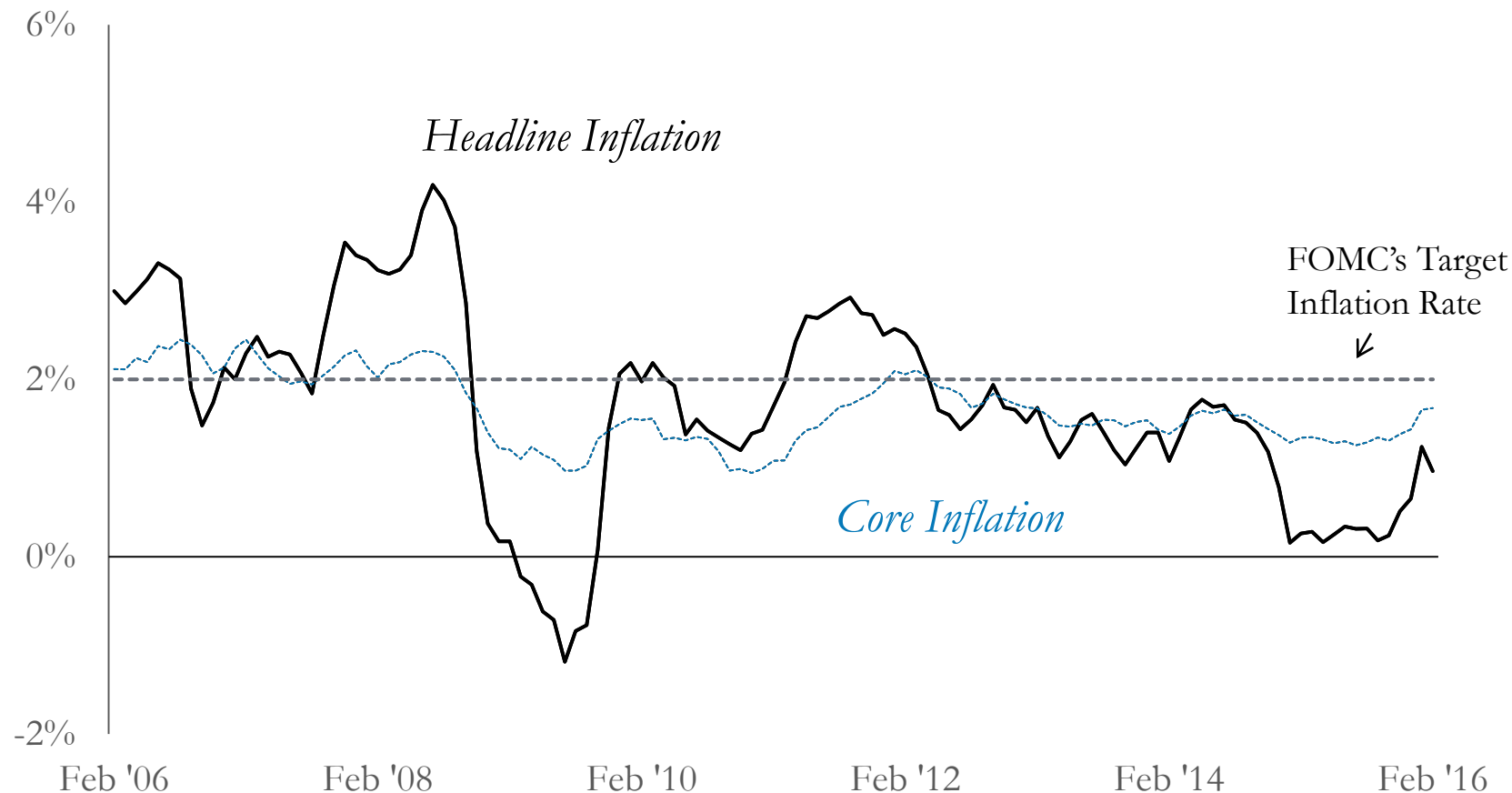
*Note: Projections as of March FOMC meeting

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

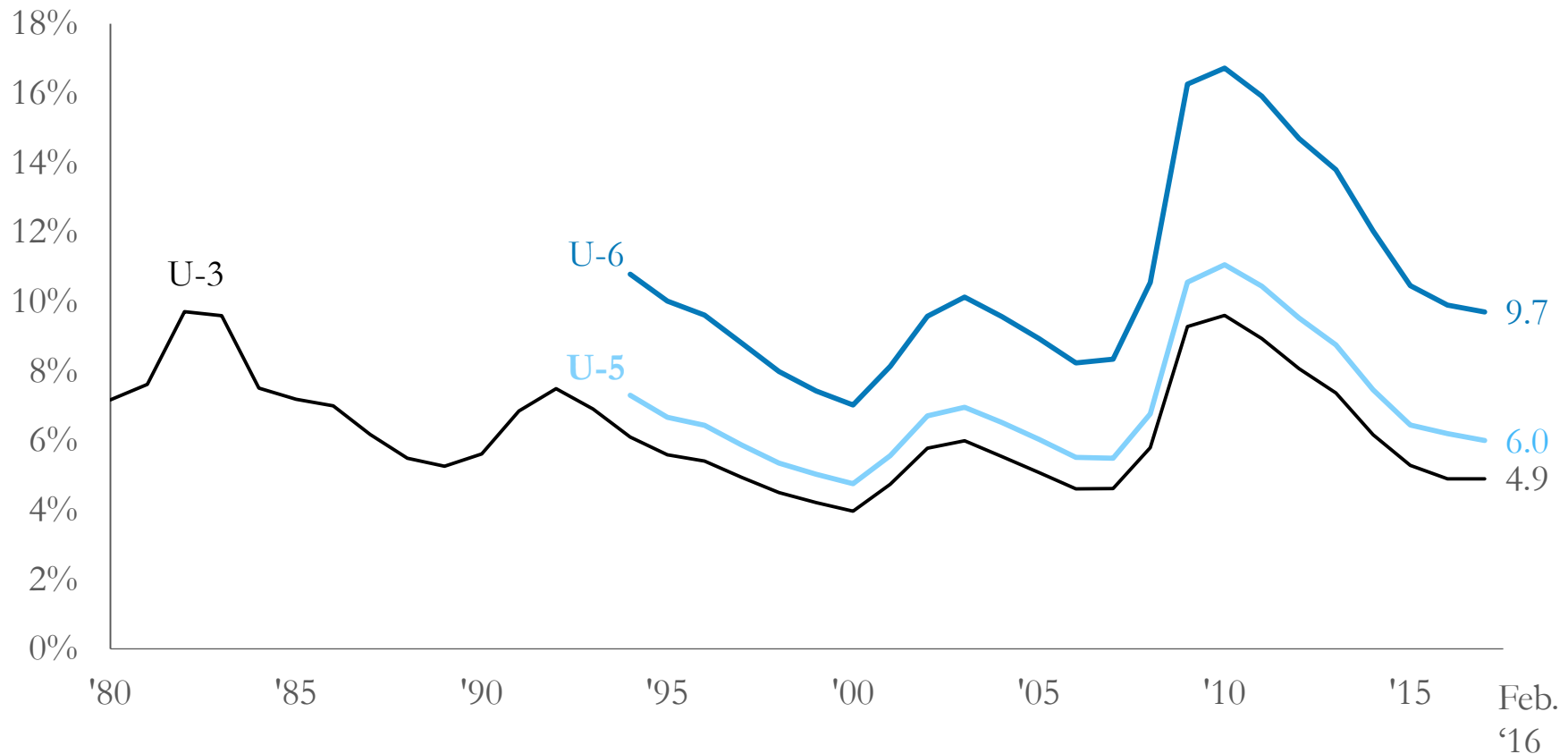


Measures of unemployment and under-employment have declined steadily over the past five years.



U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

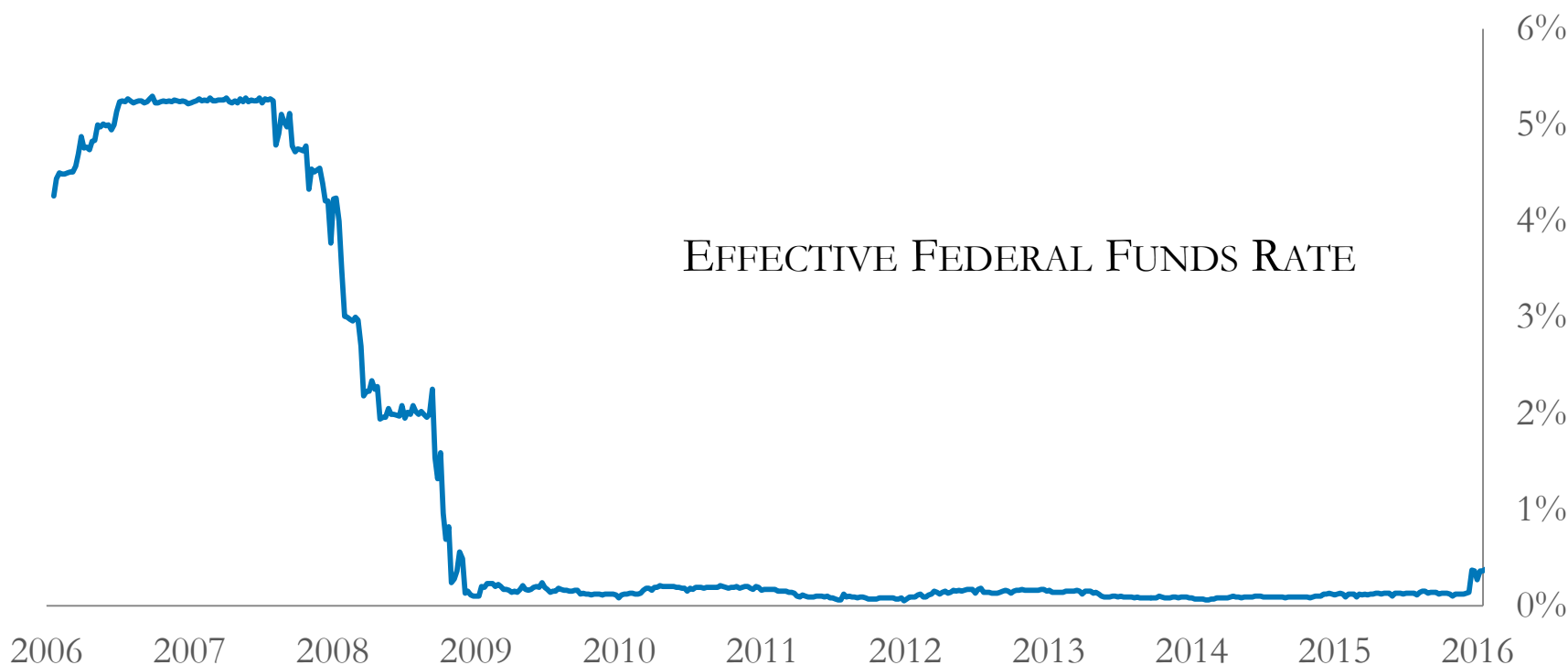
Seasonally Adjusted





“The Committee currently expects that, with gradual adjustments in the stance of monetary policy, economic activity will expand at a moderate pace and labor market indicators will continue to strengthen. However, global economic and financial developments continue to pose risks. Inflation is expected to remain low in the near term, in part because of earlier declines in energy prices, but to rise to 2 percent over the medium term as the transitory effects of declines in energy and import prices dissipate and the labor market strengthens further...Against this backdrop, the Committee decided to maintain the target range for the federal funds rate at 1/4 to 1/2 percent.”

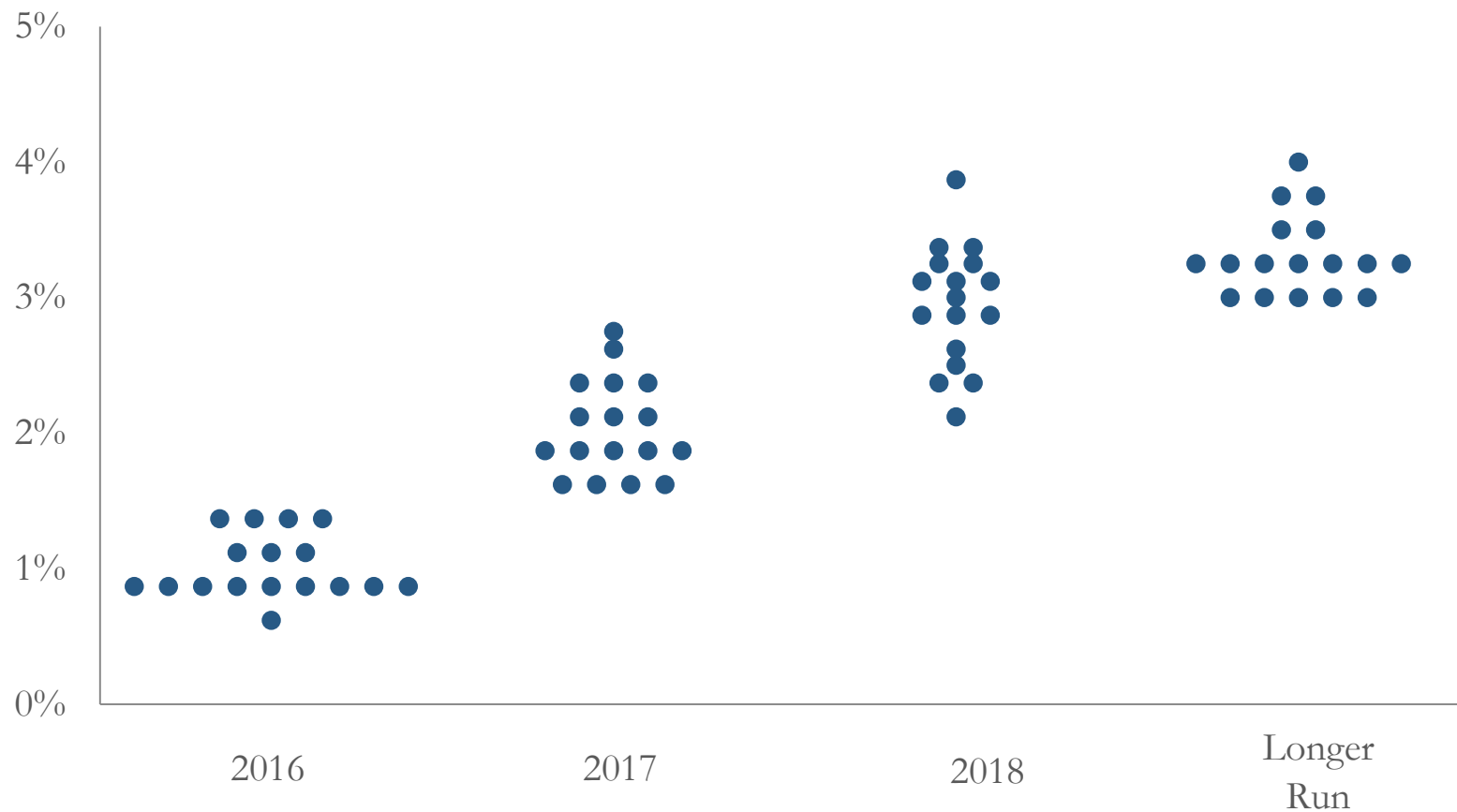
- March 2016 FOMC Statement



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 – March FOMC Meeting



Unemployment rates have trended down across Colorado and are below national rates in most counties.

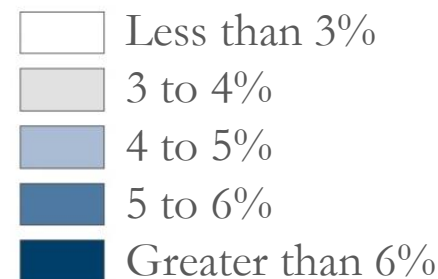
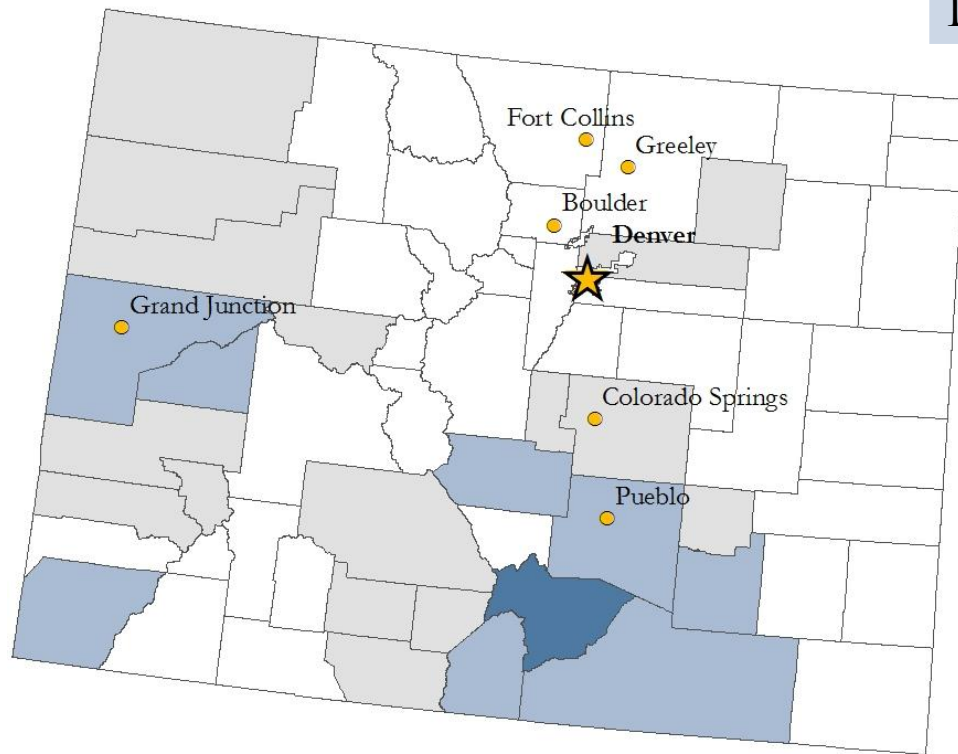
UNEMPLOYMENT RATES

January 2016, Seasonally Adjusted

Feb. '16

Unemployment Rate	U-3	U-5*	U-6*
United States	4.9%	6.0%	9.7%
Colorado	3.0%	4.3%	7.9%
Denver	2.7%		

**U-5 and U-6 values are 12-month moving averages as of Q4 2015 for Colorado and are for February, 2016 for the United States.*

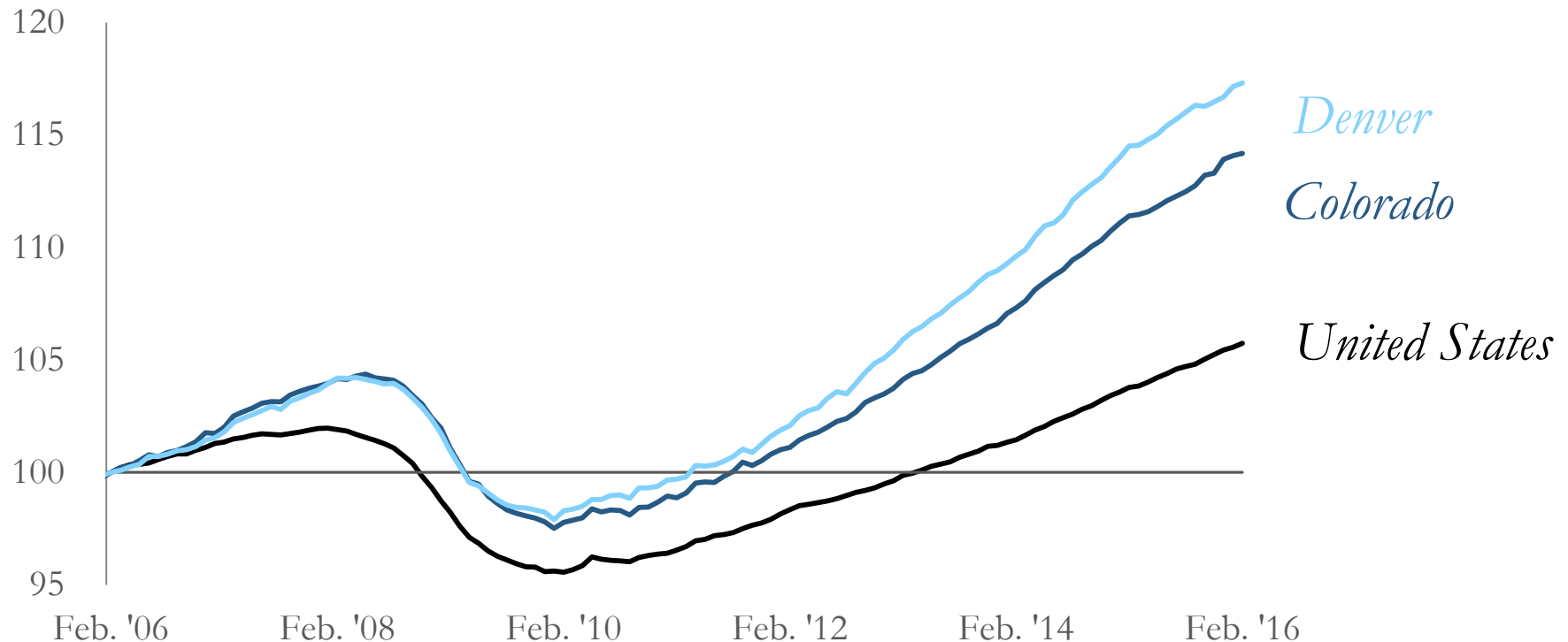


Employment has been increasing in Colorado and the nation for more than six years, with Colorado gains outpacing the nation.

PAYROLL EMPLOYMENT GROWTH

Index 100 = February 2006, Seasonally Adjusted

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S.	5.7%	1.9%
CO	14.2%	2.5%
Denver	17.3%	2.5%

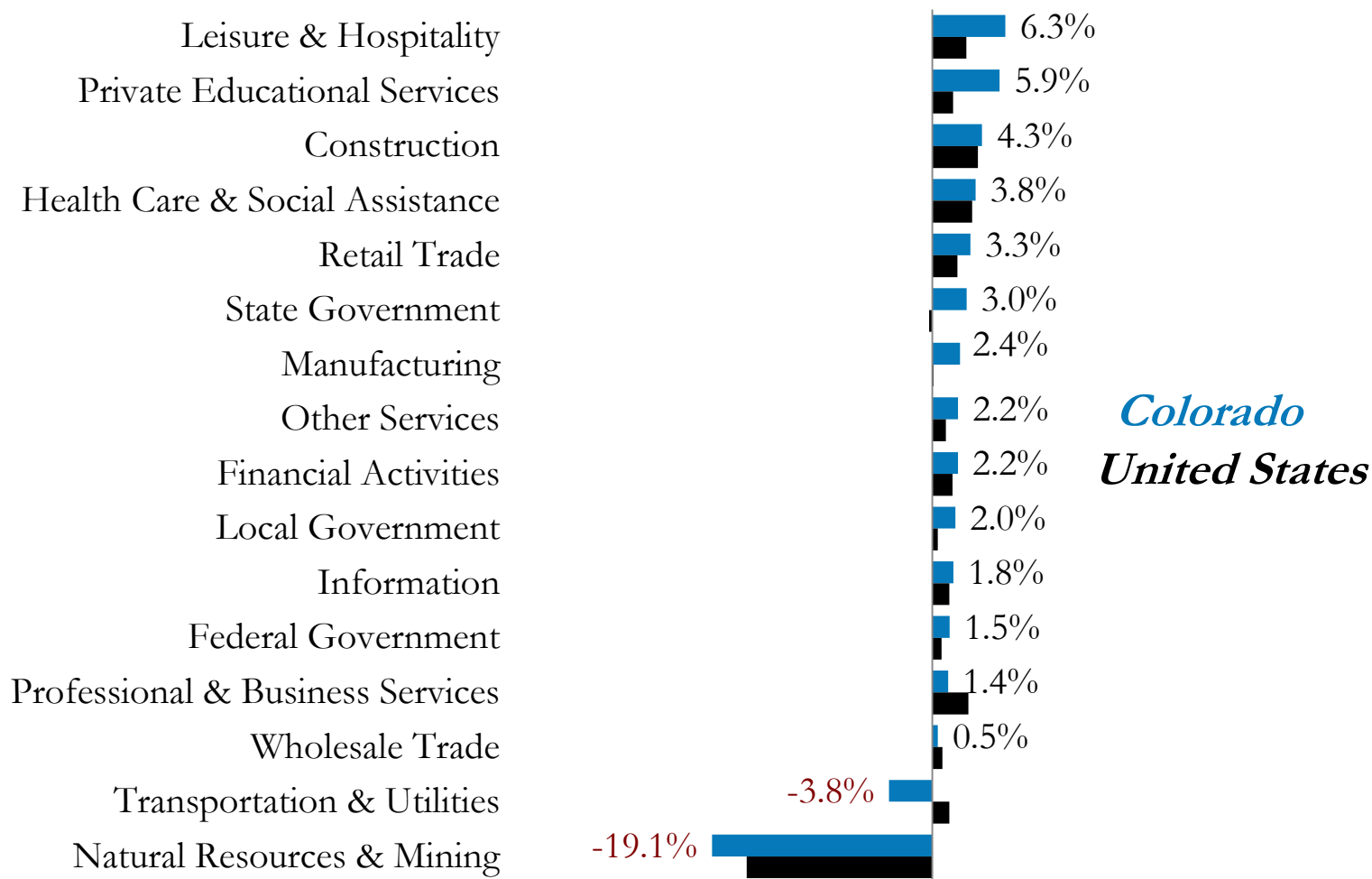


The majority of industries in Colorado have added jobs over the past year, but the slowdown in the energy sector is having an effect on related industries.

CHANGE IN PAYROLL EMPLOYMENT, FEBRUARY 2016

Seasonally Adjusted

Percent Change Year-over-Year

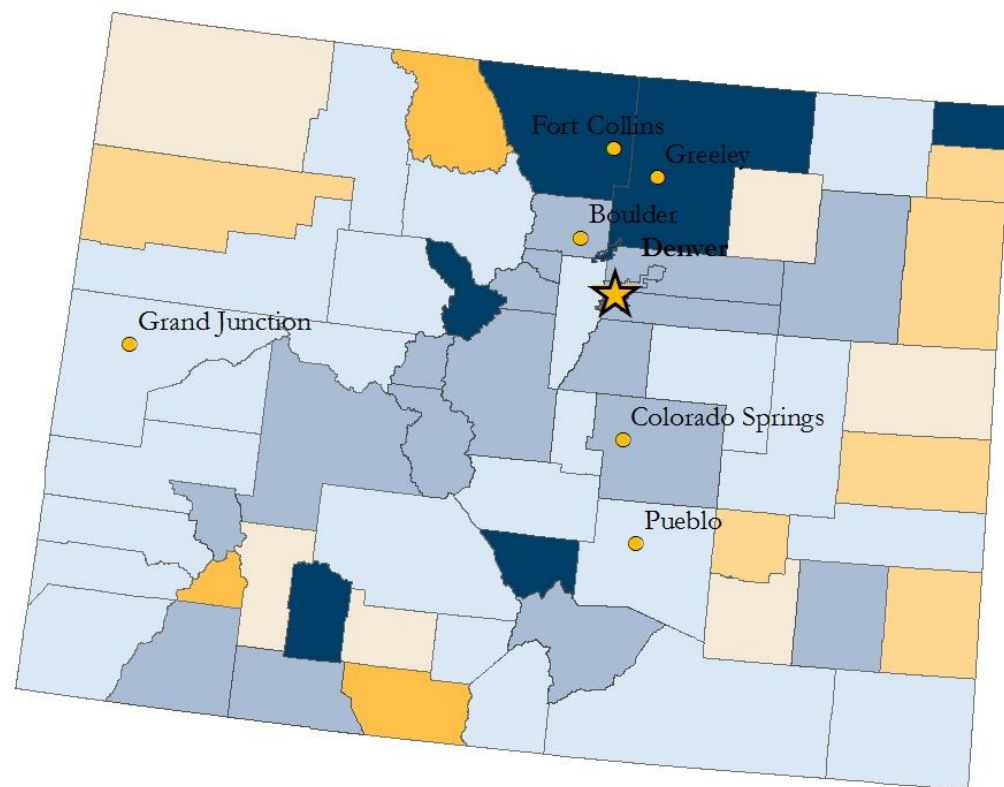


Parts of Colorado continue to experience strong population growth and net in-migration.

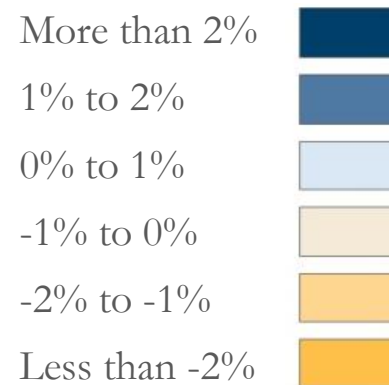


NET MIGRATION

Total 2015 Net Migration as a Percentage of 2015 Population



<i>Annual Percent Change</i>	<i>2015</i>
United States	0.4%
Colorado	1.2%
Denver	1.9%

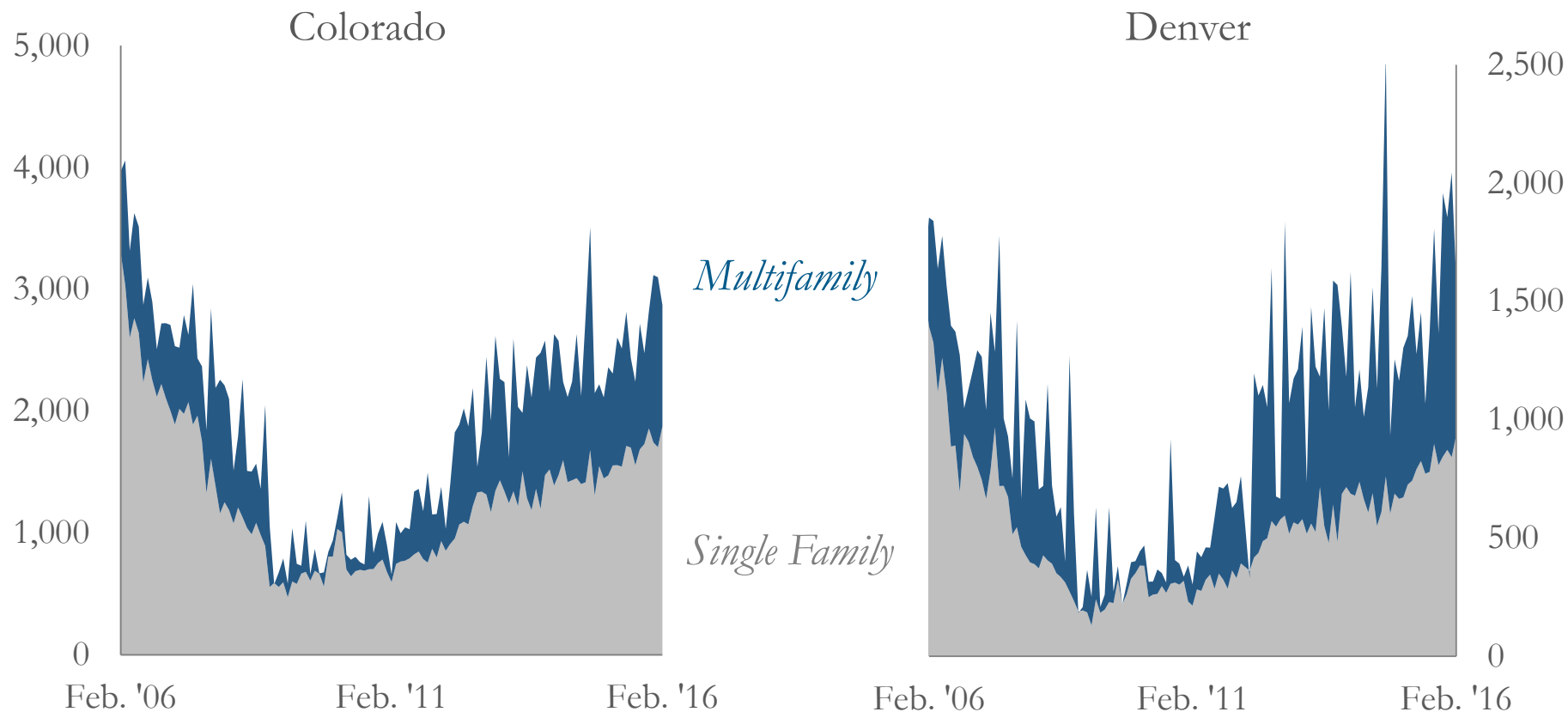


Residential construction activity has been increasing for more than six years, led by strong gains in multifamily building.



RESIDENTIAL PERMITS

Seasonally Adjusted



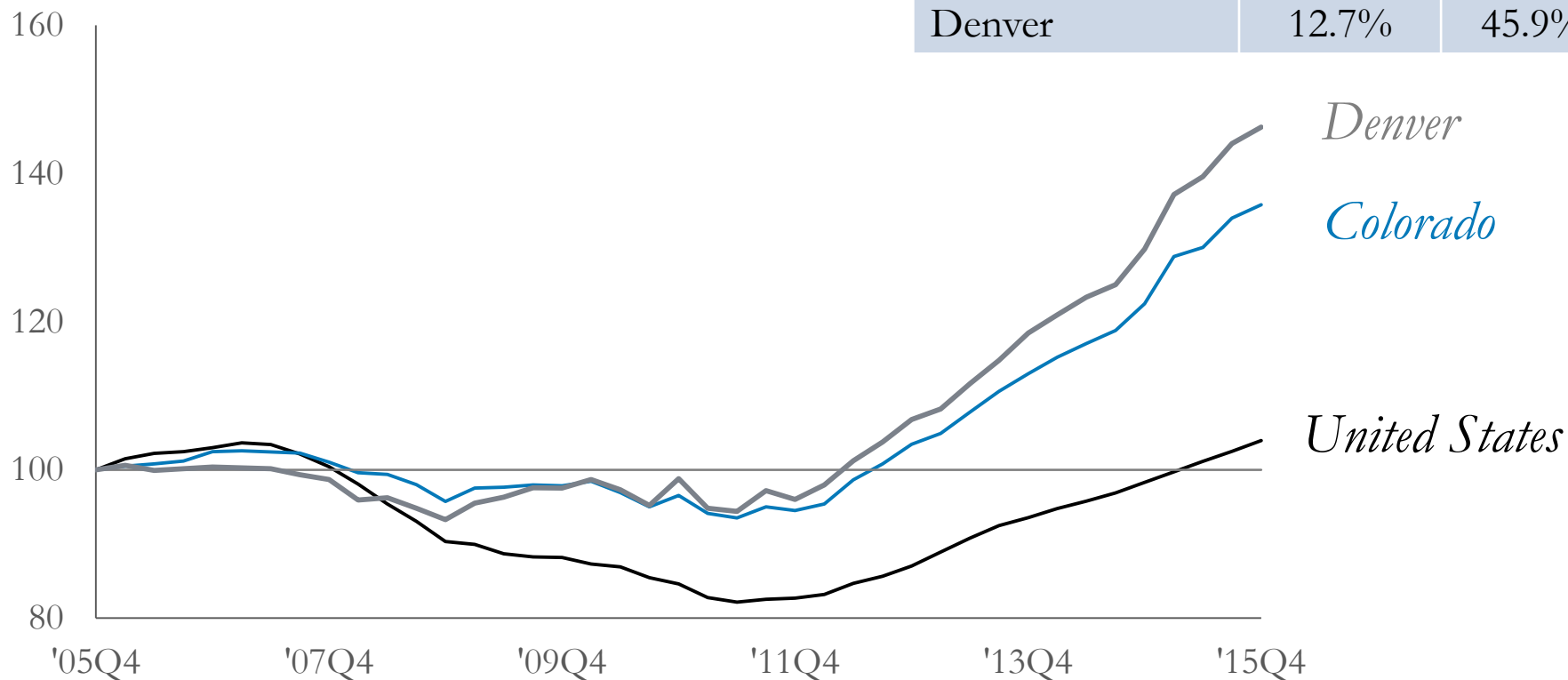
Colorado has experienced some of the fastest home price appreciation in the nation.



FHFA PURCHASE-ONLY HOME PRICE INDEX

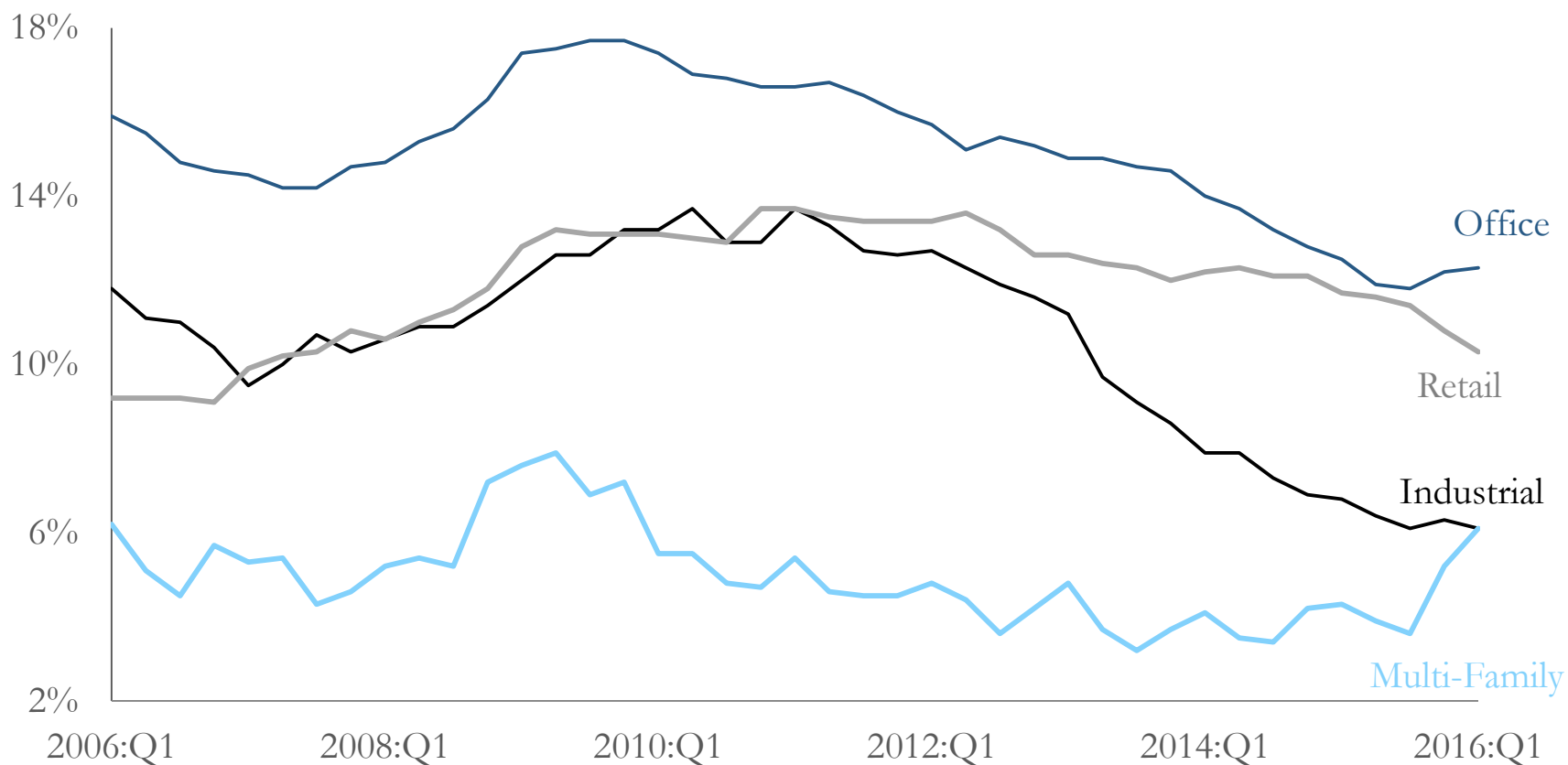
Index 100 = 2005:Q4, Seasonally Adjusted

<i>Percent Change</i>	<i>Year-Over-Year</i>	<i>2007:Q1 to Current</i>
United States	5.8%	0.3%
Colorado	10.9%	32.4%
Denver	12.7%	45.9%



Vacancy rates are low across the Denver metro, but office and multifamily vacancies have edged up in recent months.

DENVER COMMERCIAL VACANCY RATES



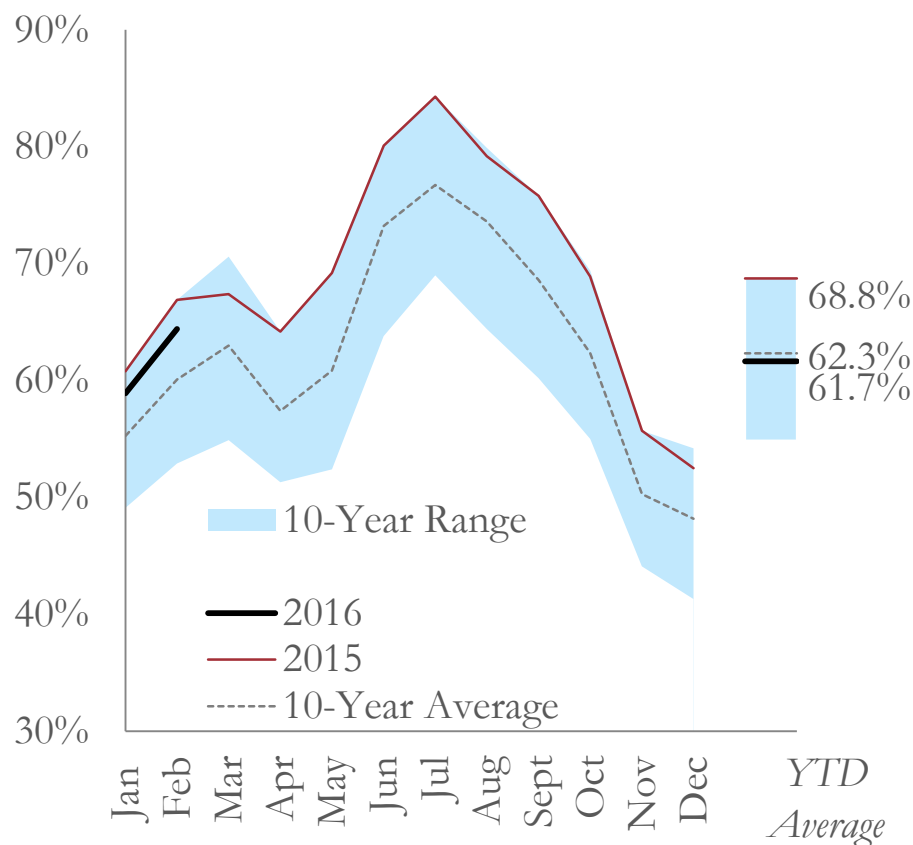
Note: 2016:Q1 are forecasted values.

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



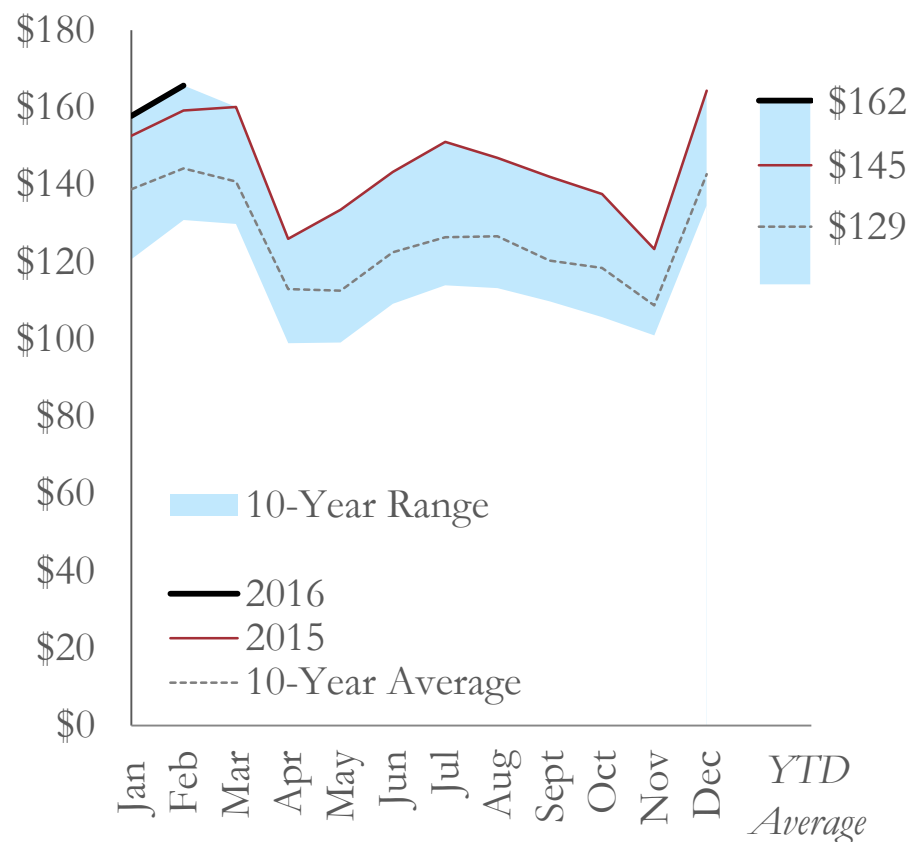
HOTEL OCCUPANCY RATES

Colorado



REAL HOTEL ROOM RATES

Colorado, January, 1999 Dollars

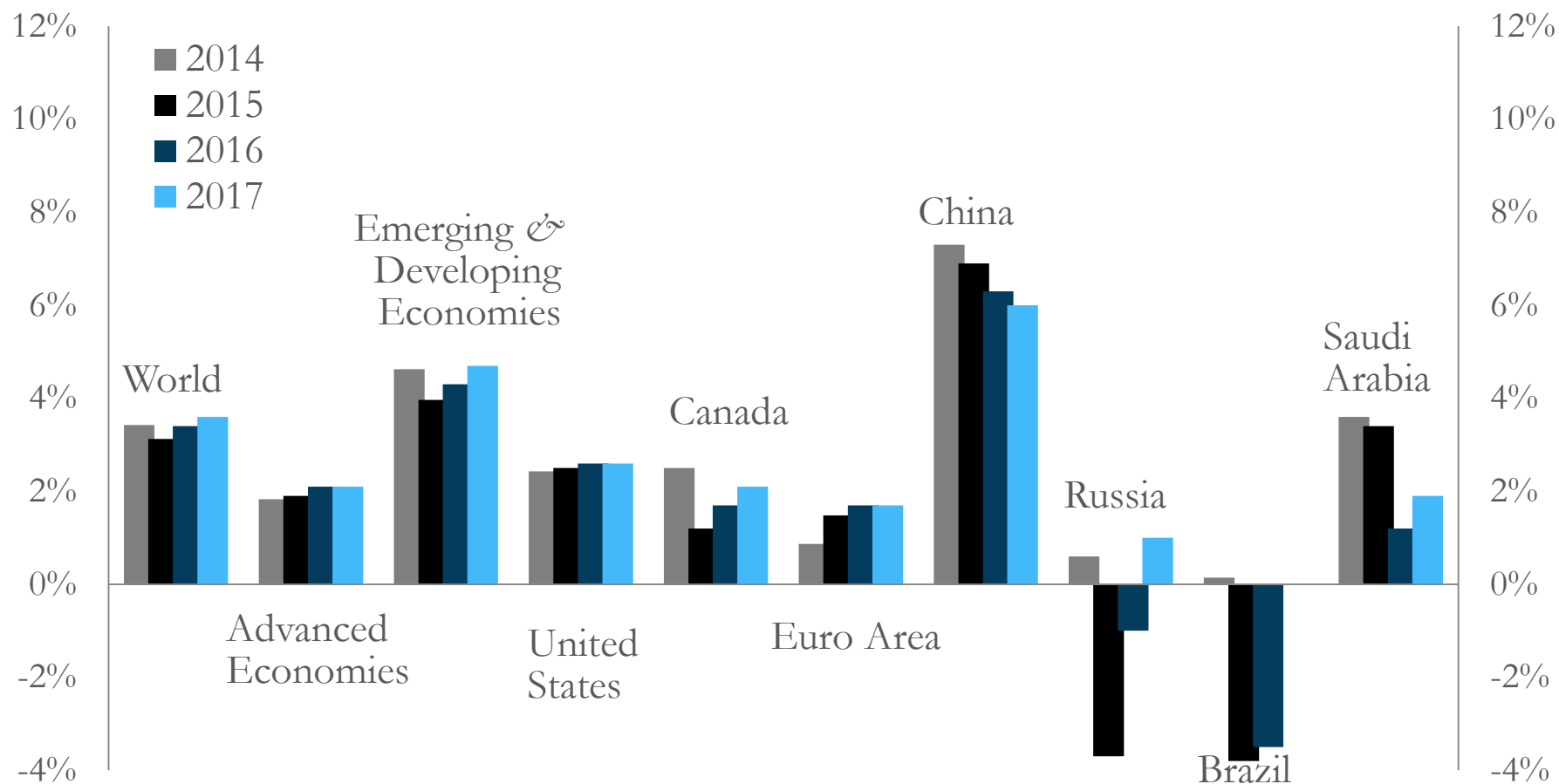


Global growth slowed in 2015, with weakness in China and energy-dependent countries.



WORLD ECONOMIC OUTLOOK PROJECTIONS

Percent Change over Prior Year

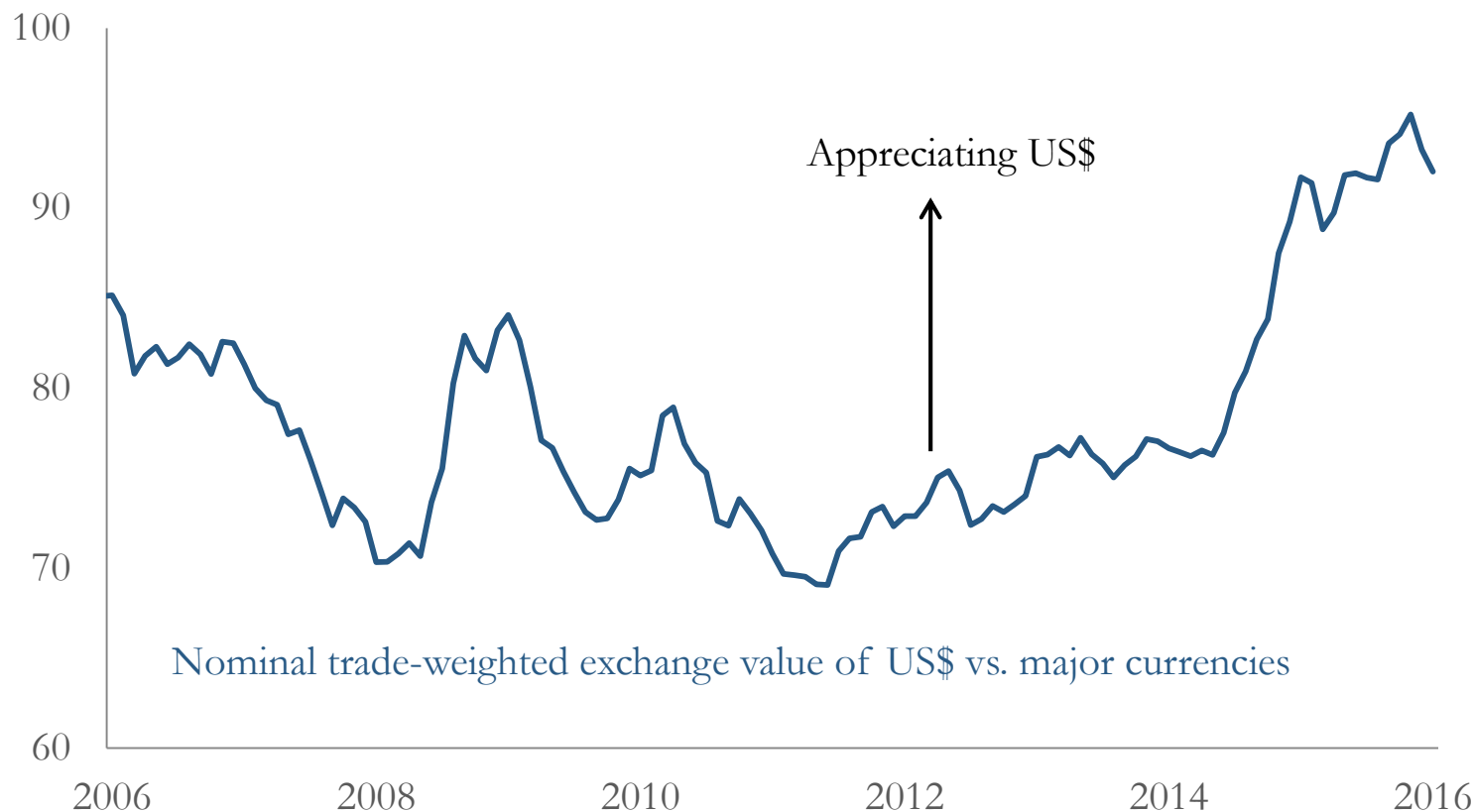


The dollar has strengthened considerably compared to the exchange value of other major currencies.



FOREIGN EXCHANGE VALUE OF THE DOLLAR

Index

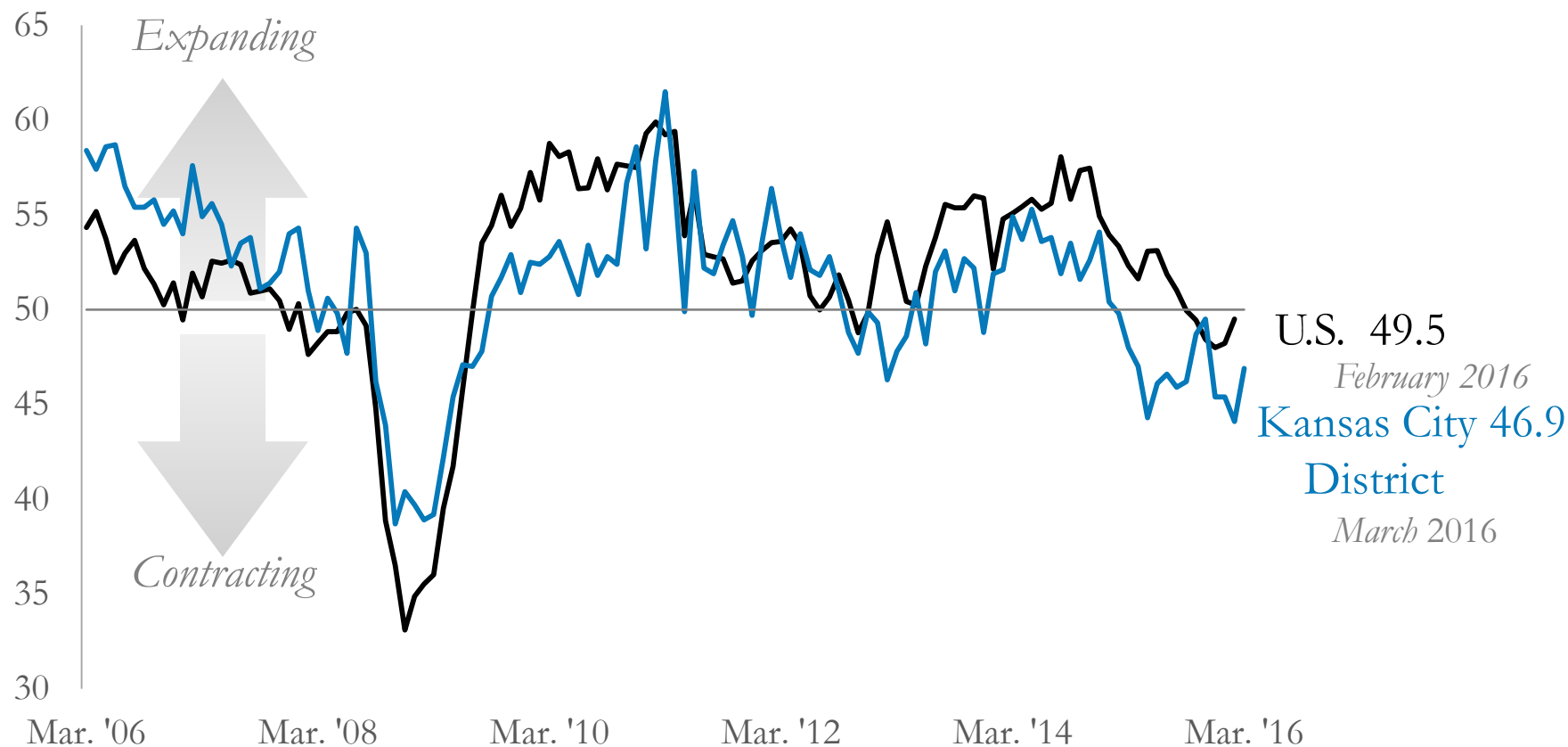


Manufacturing activity has slowed in the region due in part to a weak energy sector and a strong dollar.



MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, Month-over-Month

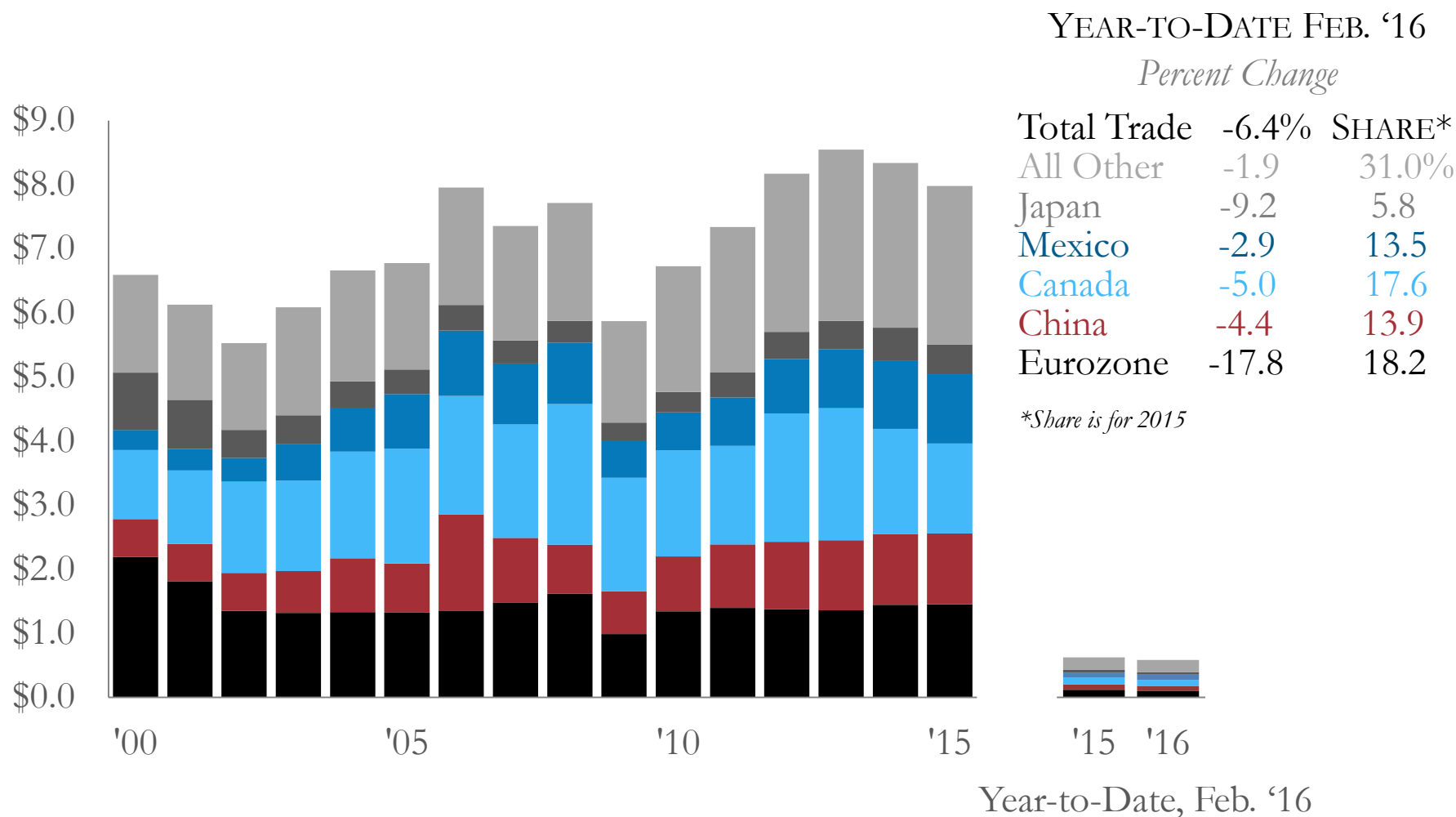


Colorado export activity has slowed slightly over the past two years, weighed down by weak global economies and a stronger U.S. dollar.



COLORADO EXPORTS BY TRADING PARTNER

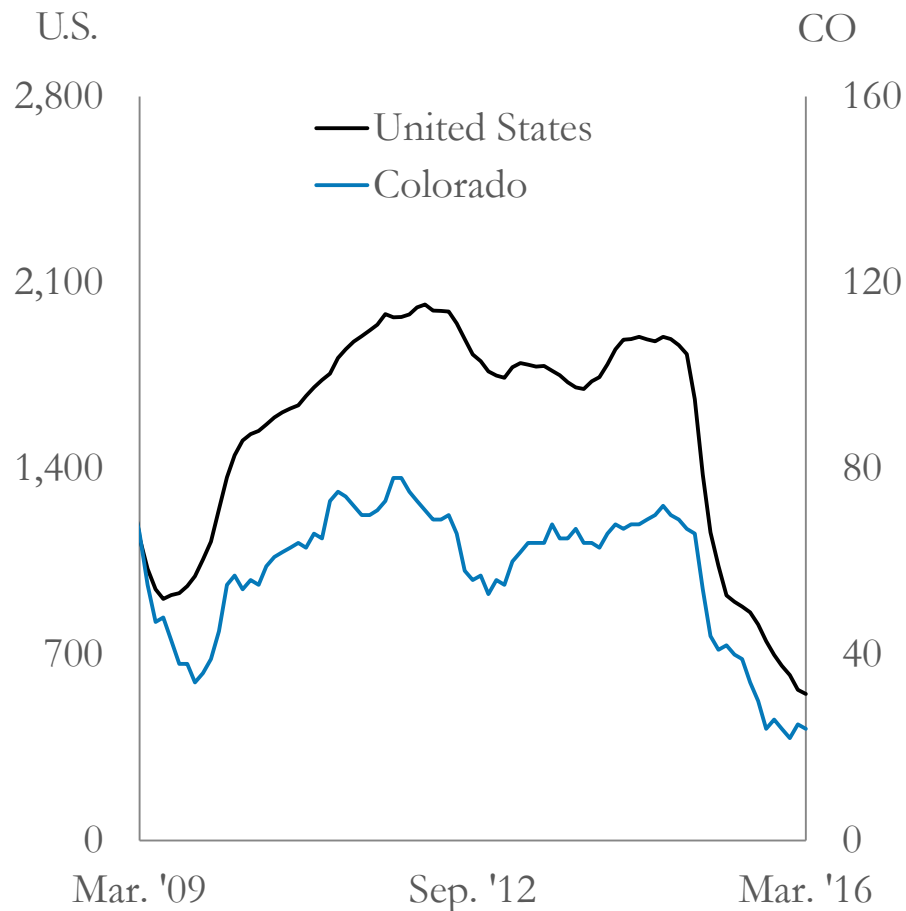
Billions



Energy activity has declined substantially in Colorado and the nation.

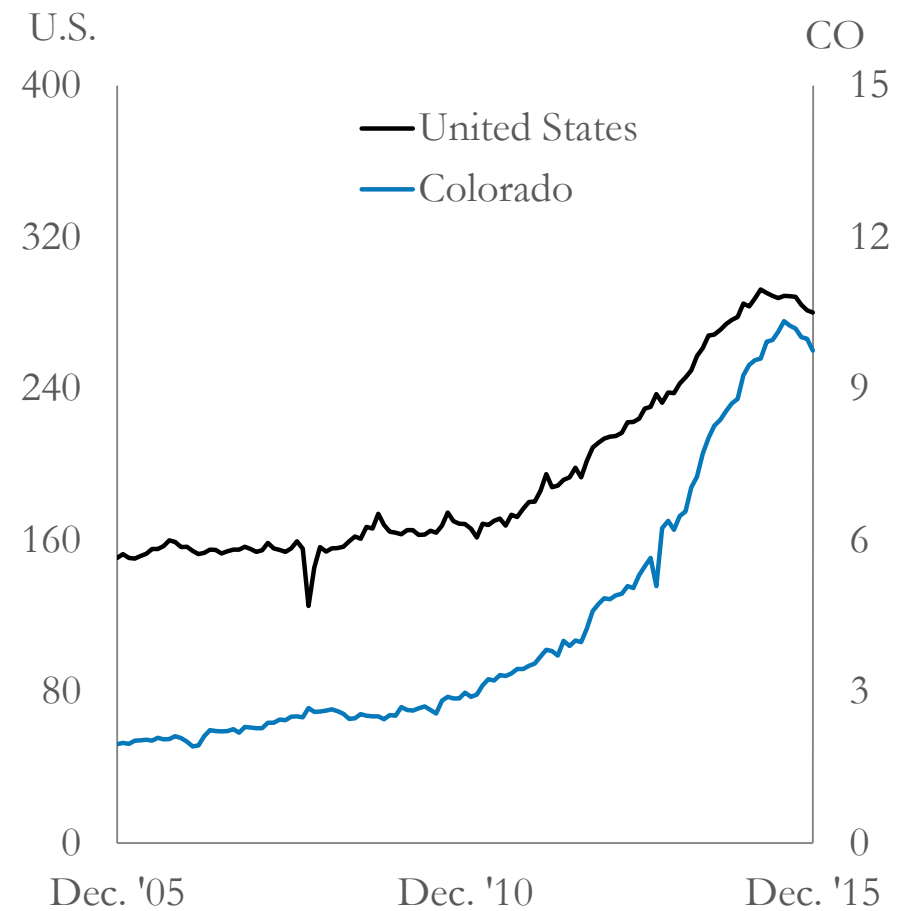


TOTAL RIG COUNT



CRUDE OIL PRODUCTION

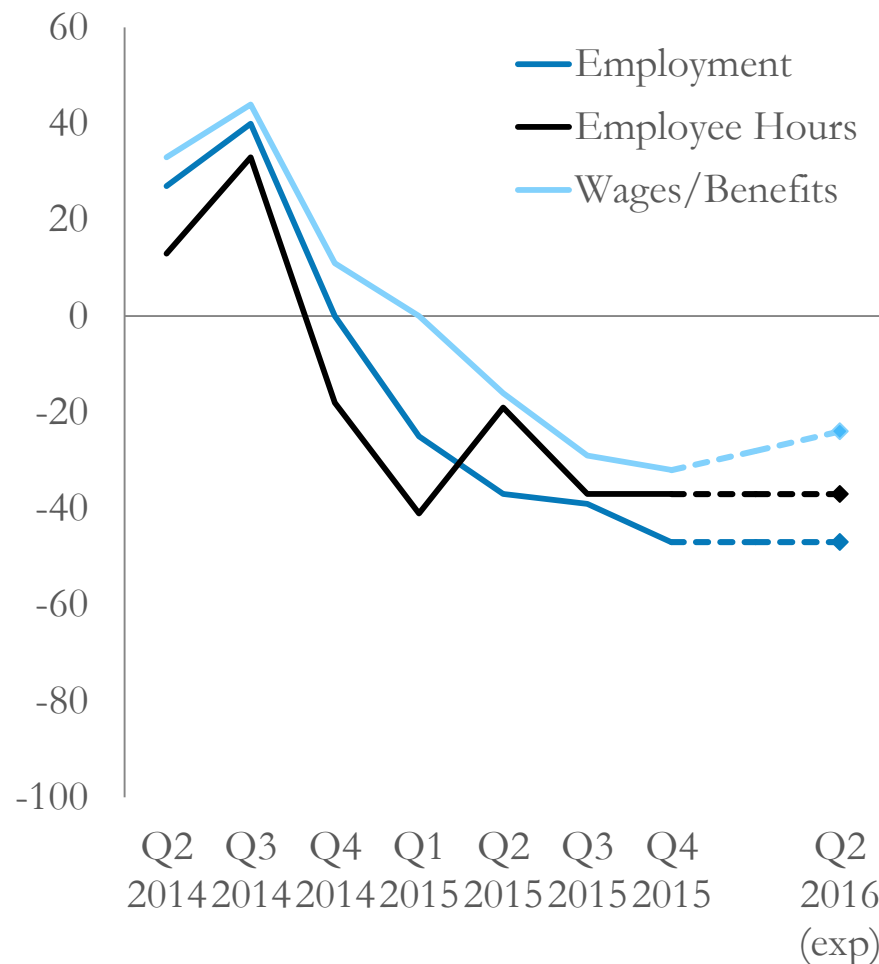
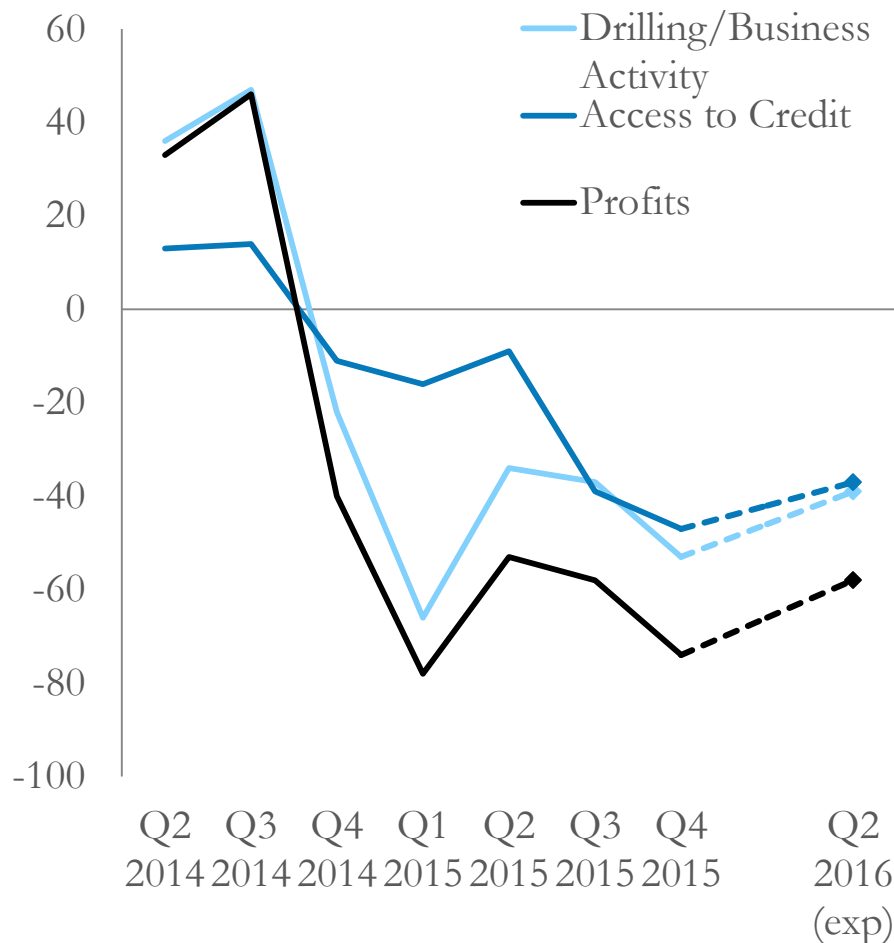
*Millions of Barrels, Monthly,
Seasonally Adjusted*



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

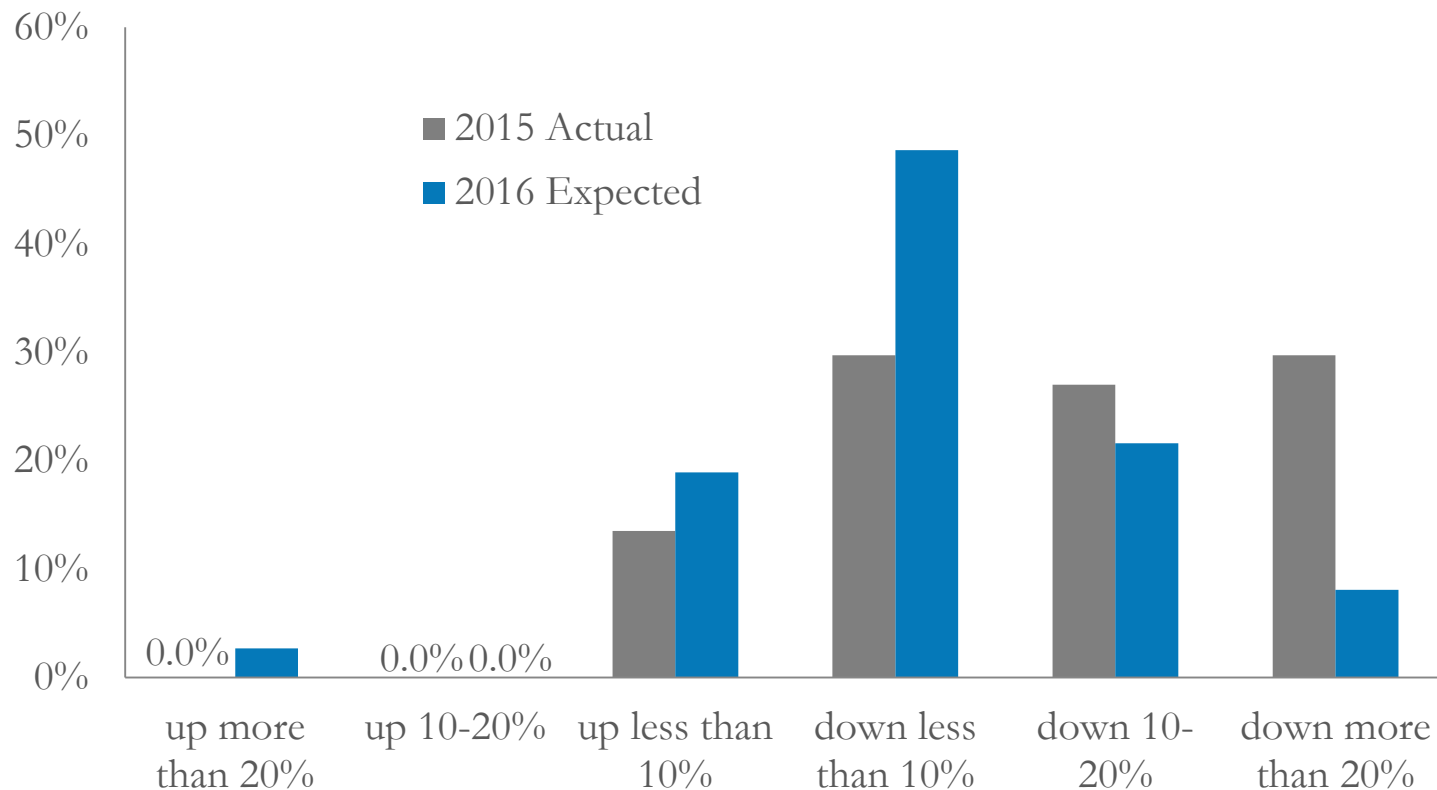


Most energy contacts expect additional layoffs in 2016, but the magnitude of layoffs this year is expected to be lower than in 2015.



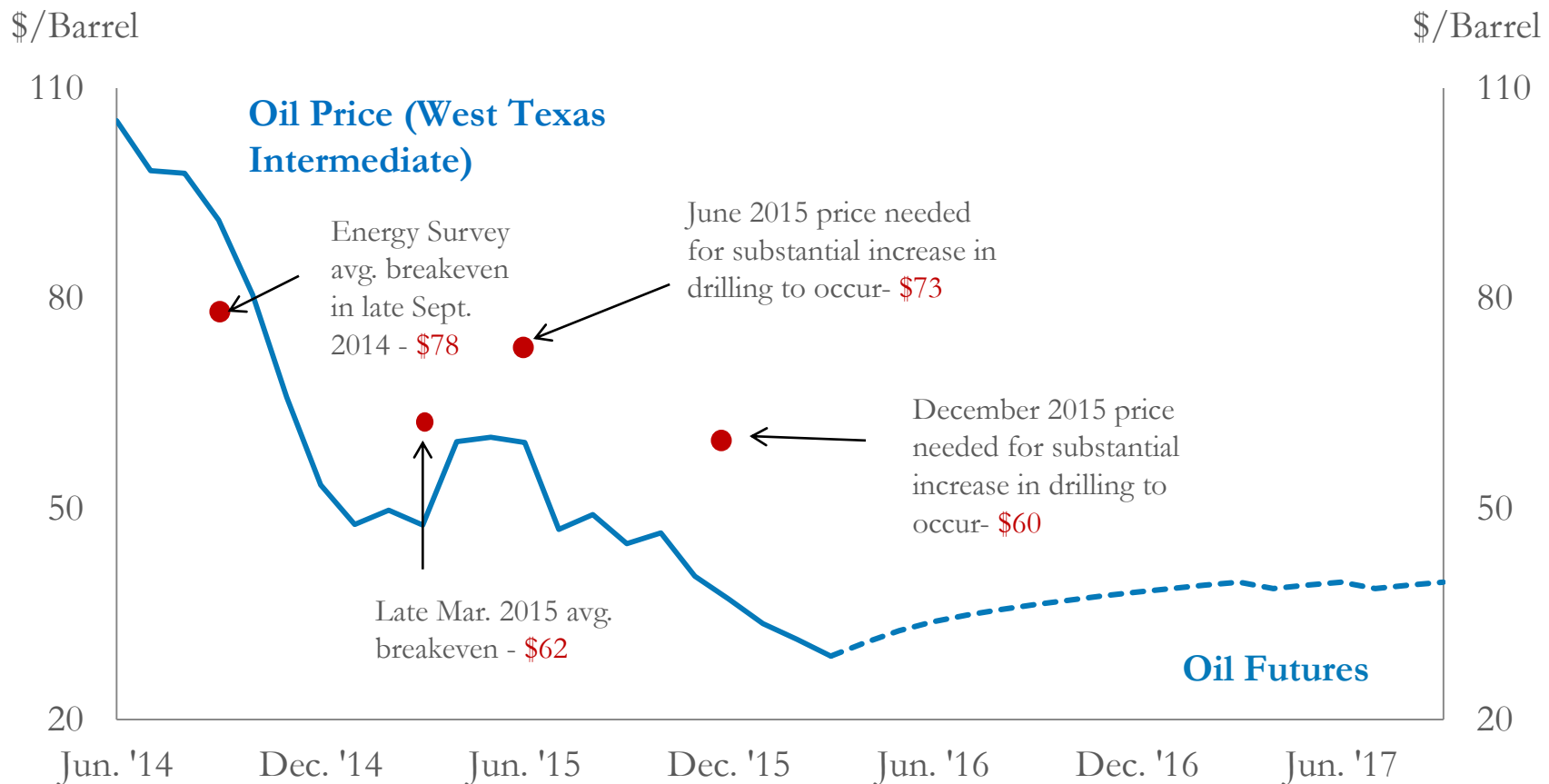
CHANGE IN ENERGY EMPLOYMENT - FRBKC ENERGY SURVEY

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

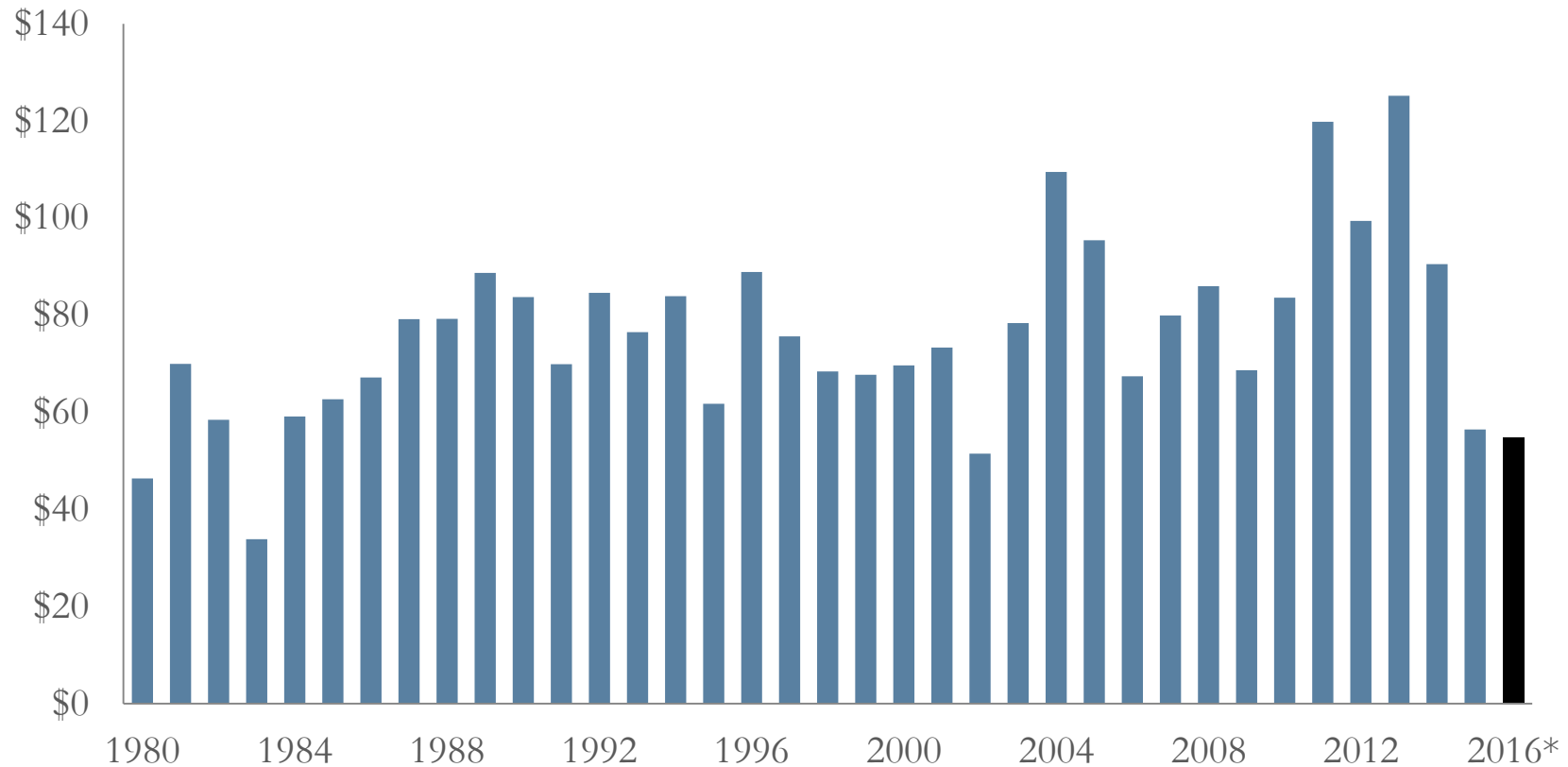


Farm income has dropped sharply and is expected to remain low.



U.S. REAL NET FARM INCOME

Billion dollars (constant 2005 dollars)



*Forecast for 2016

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

