

Emerging Trends in the U.S. & Regional Economies



Alison Felix

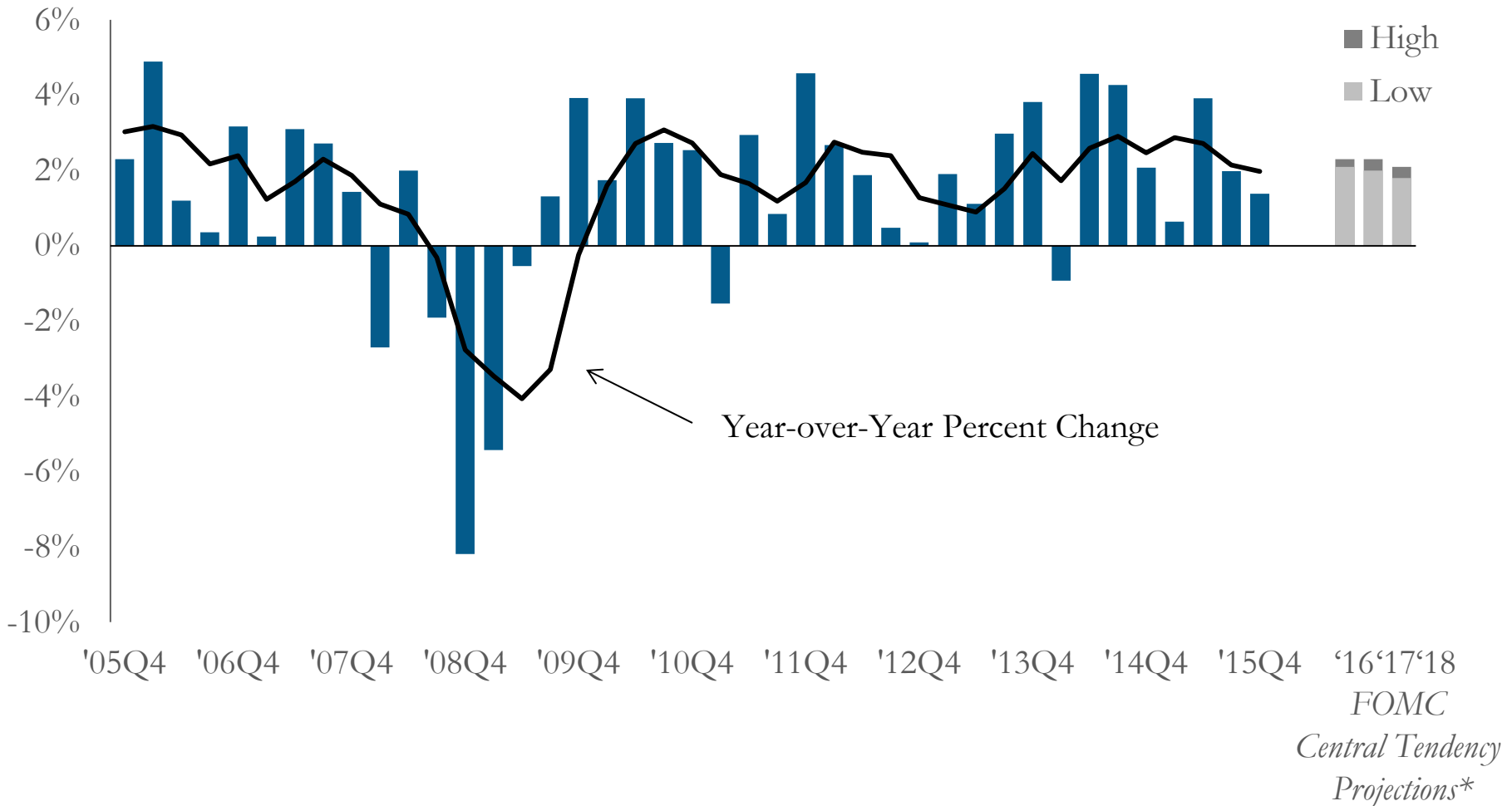
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*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

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

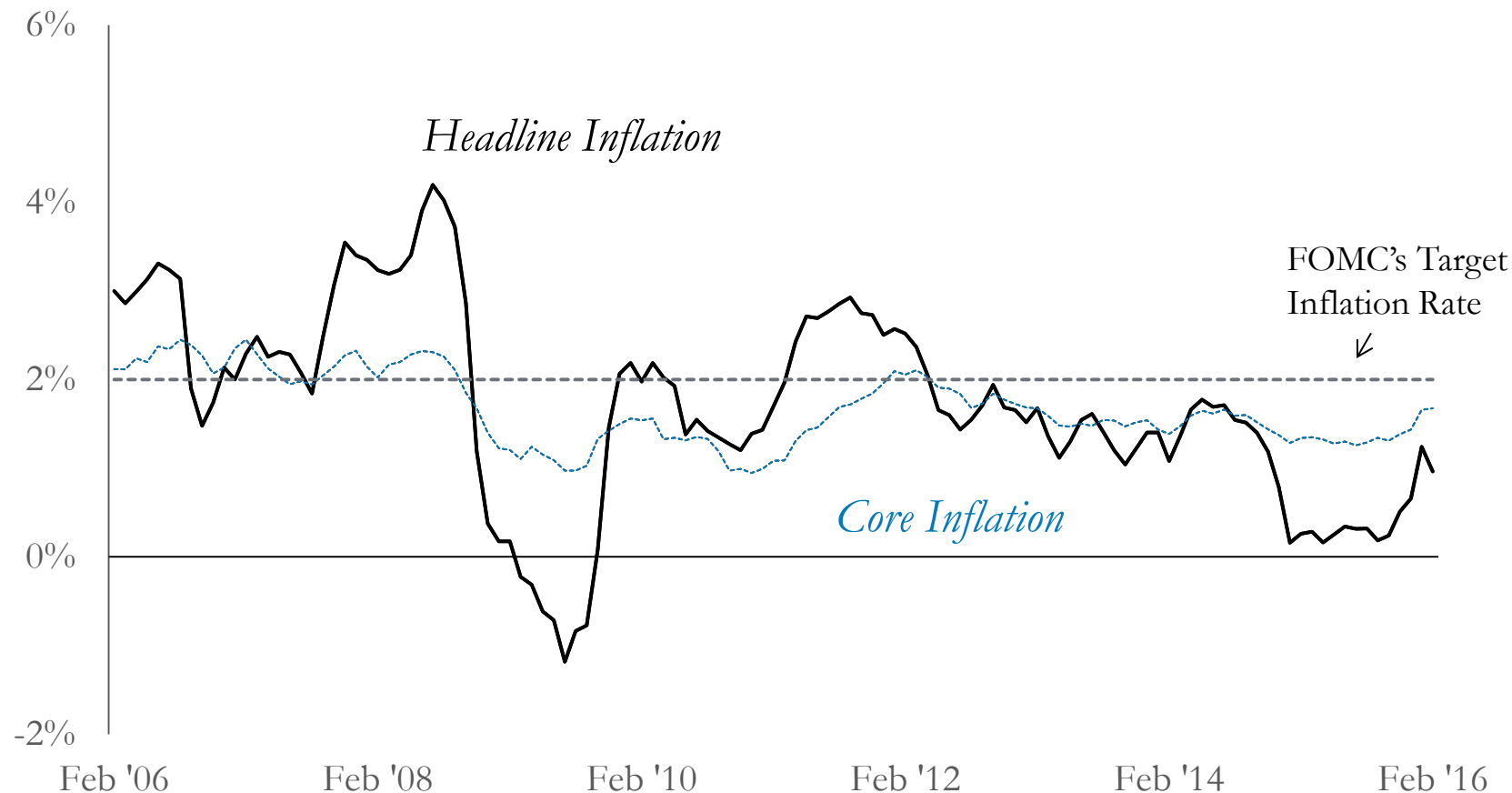
*Note: Projections as of March FOMC meeting

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

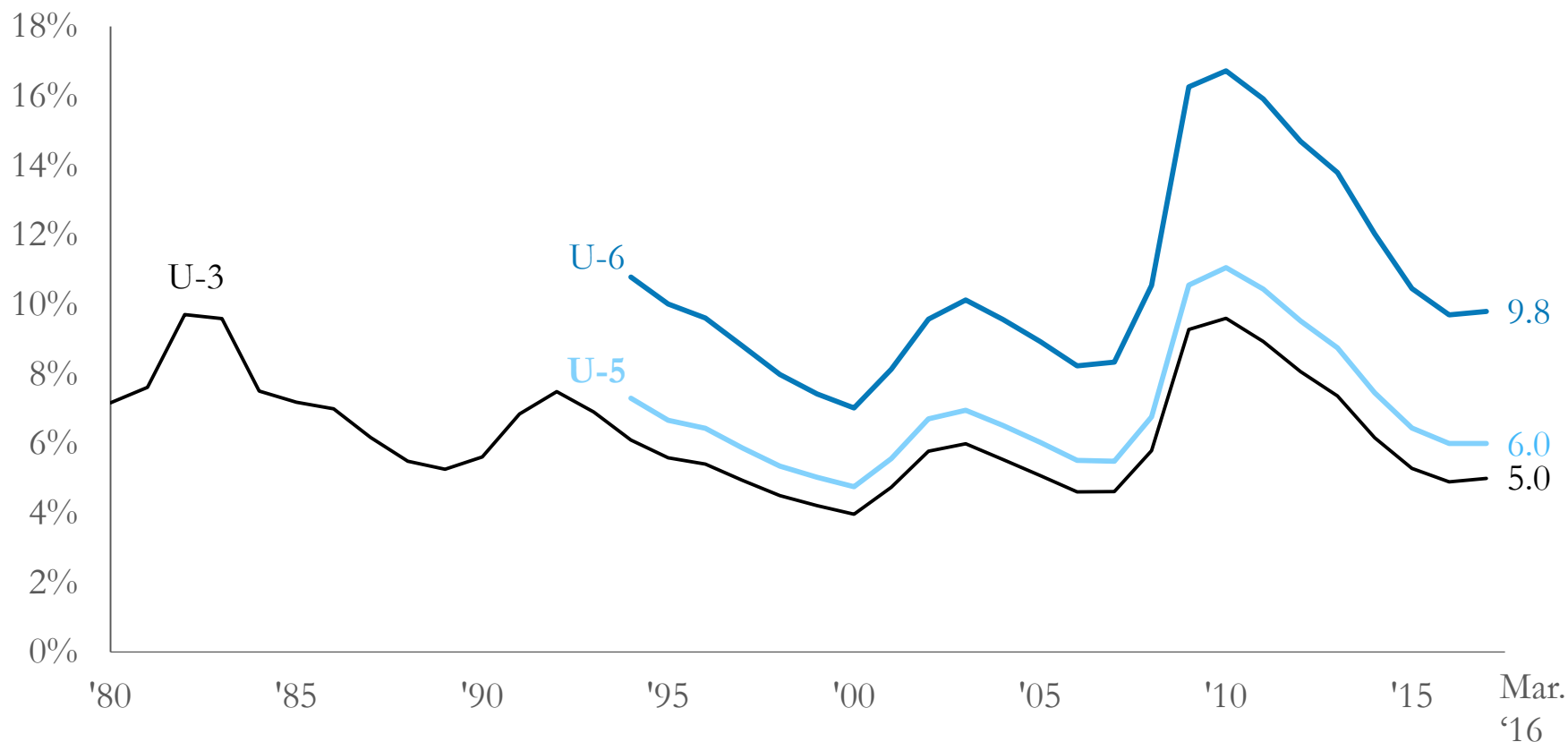


Measures of unemployment and under-employment have declined steadily over the past five years.



U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

Seasonally Adjusted

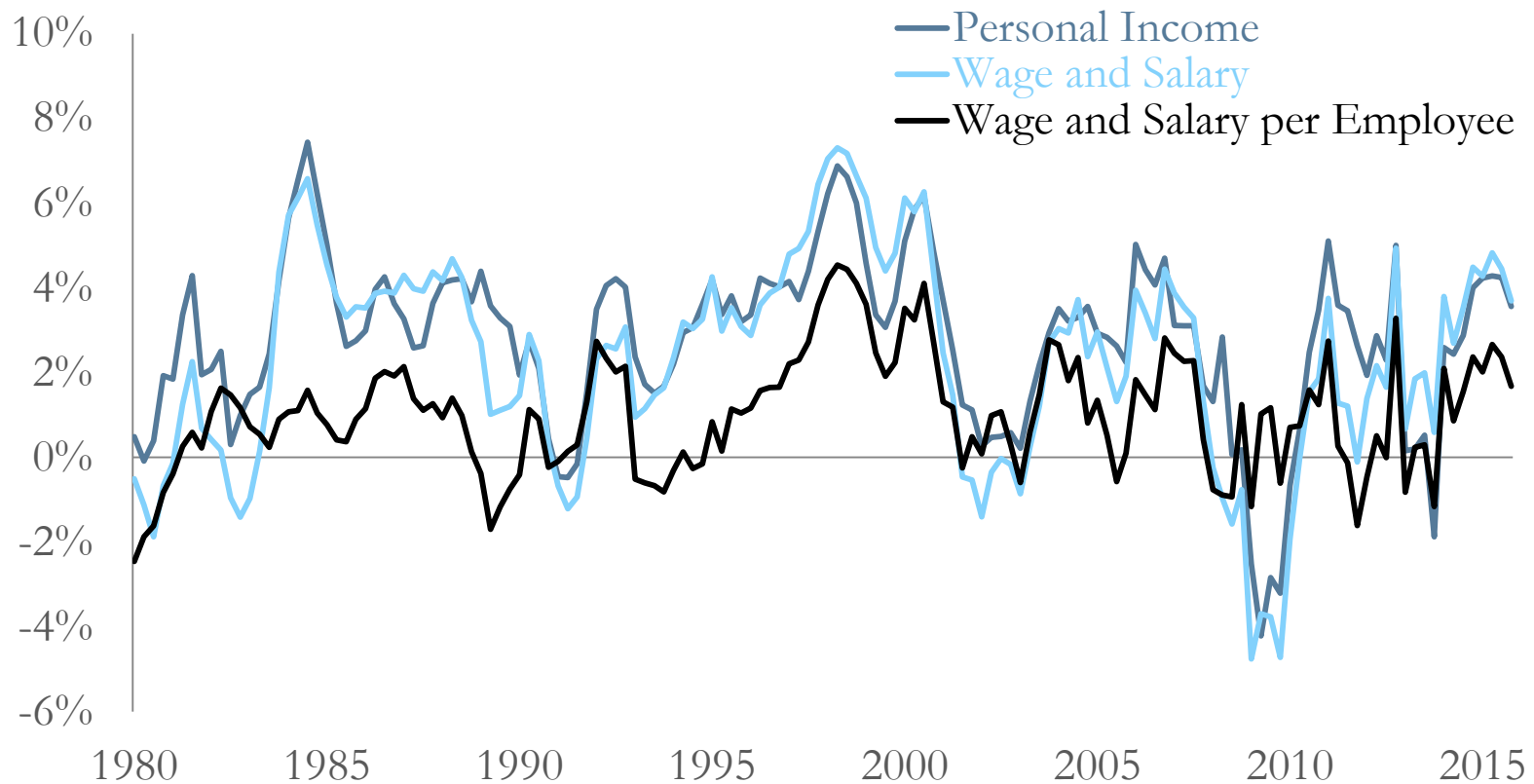


Real personal income continues to grow moderately.



REAL PERSONAL INCOME

Percent Change, Year-over-Year

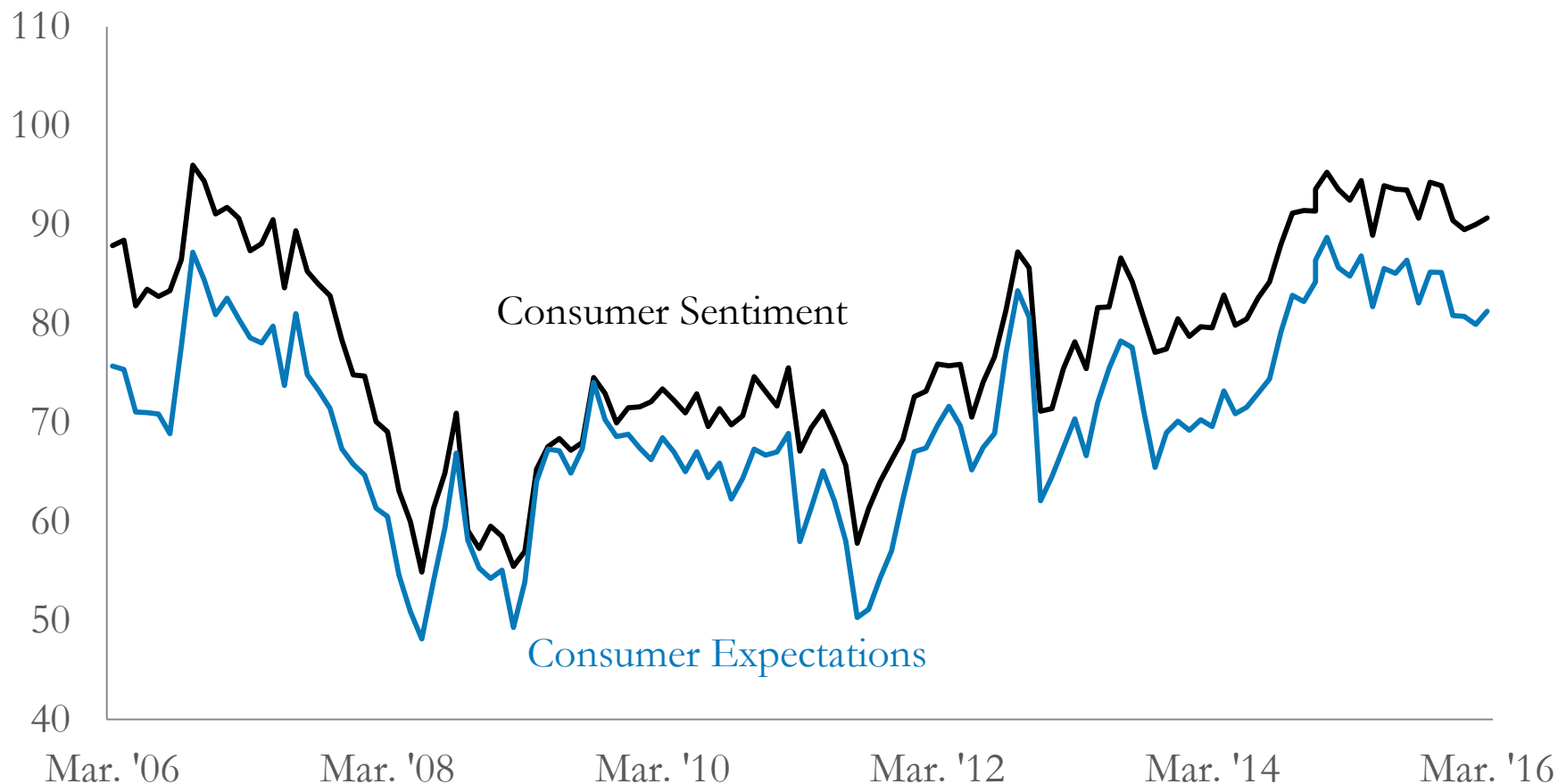


Consumer confidence has increased over the past few years, and is now near pre-recession levels.



CONSUMER SENTIMENT

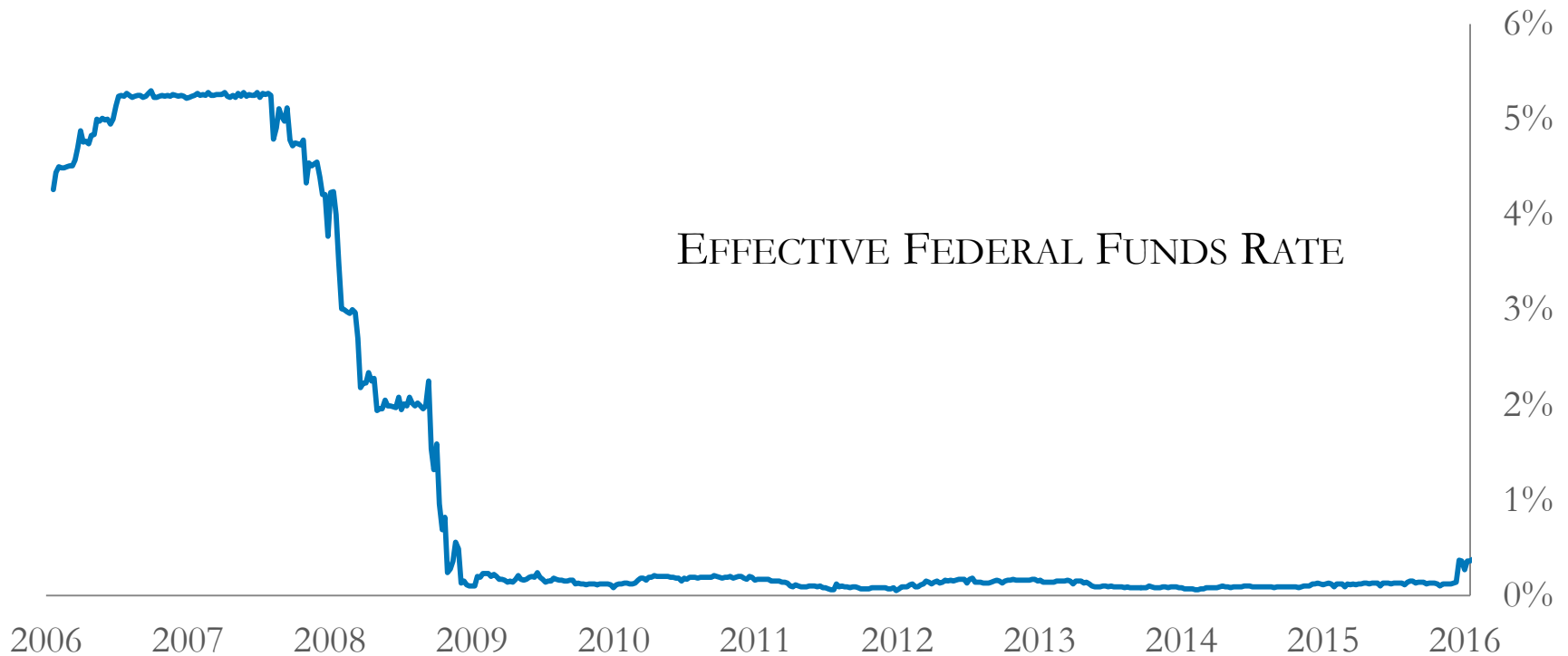
Seasonally Adjusted, Index 100 = Q1: 1966





“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.”

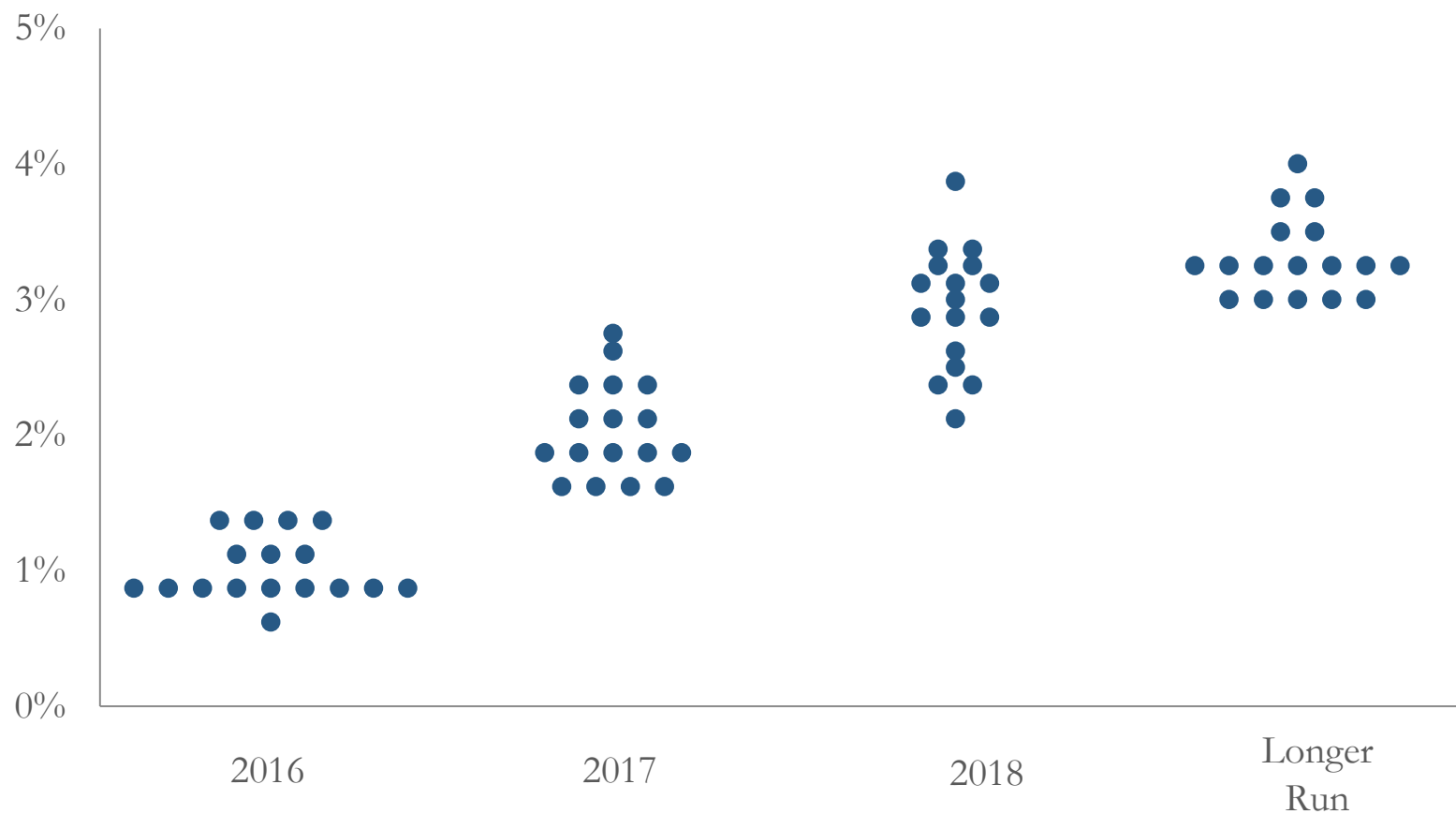
- March 2016 FOMC Statement



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

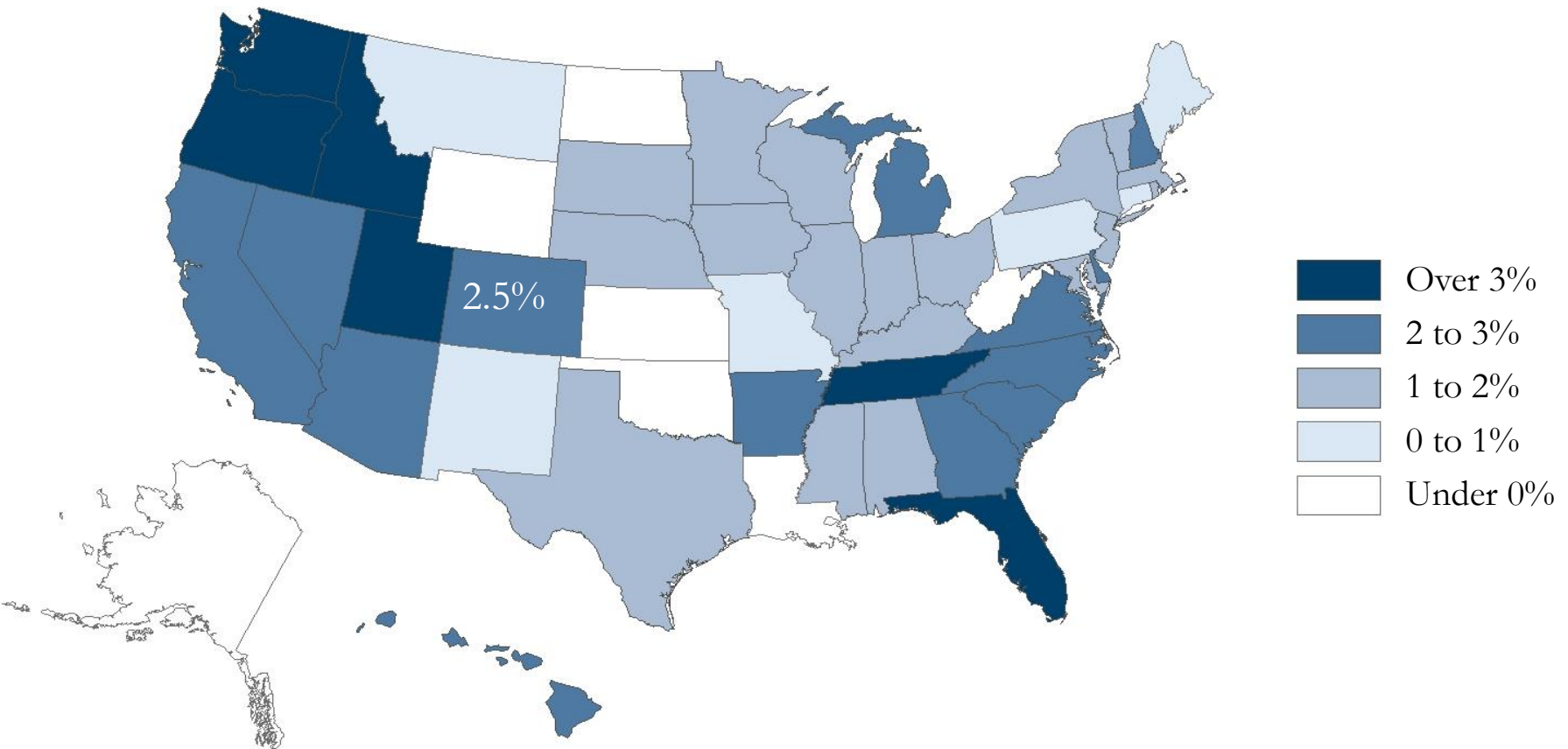


Employment gains have been fairly broad-based across the nation, with stronger growth in the West and Southeast.



NONFARM EMPLOYMENT BY STATE

February 2016, Percent Change Year-over-Year, Seasonally Adjusted

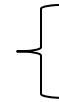


Employment has been increasing in Colorado and the nation for more than six years, with Colorado gains outpacing the nation.

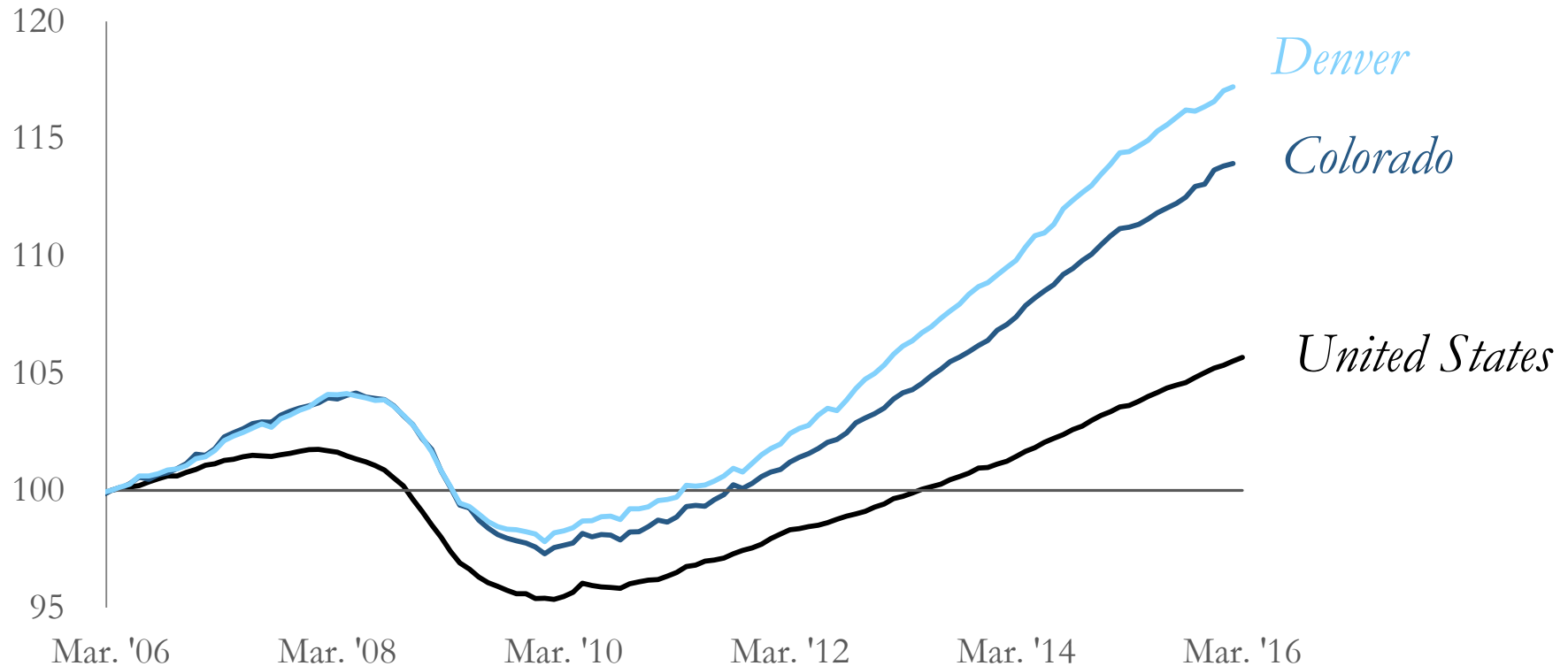
PAYROLL EMPLOYMENT GROWTH

Index 100 = March 2006, Seasonally Adjusted

Feb. '16



<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S.	5.7%	2.0%
CO	14.2%	2.5%
Denver	17.3%	2.5%



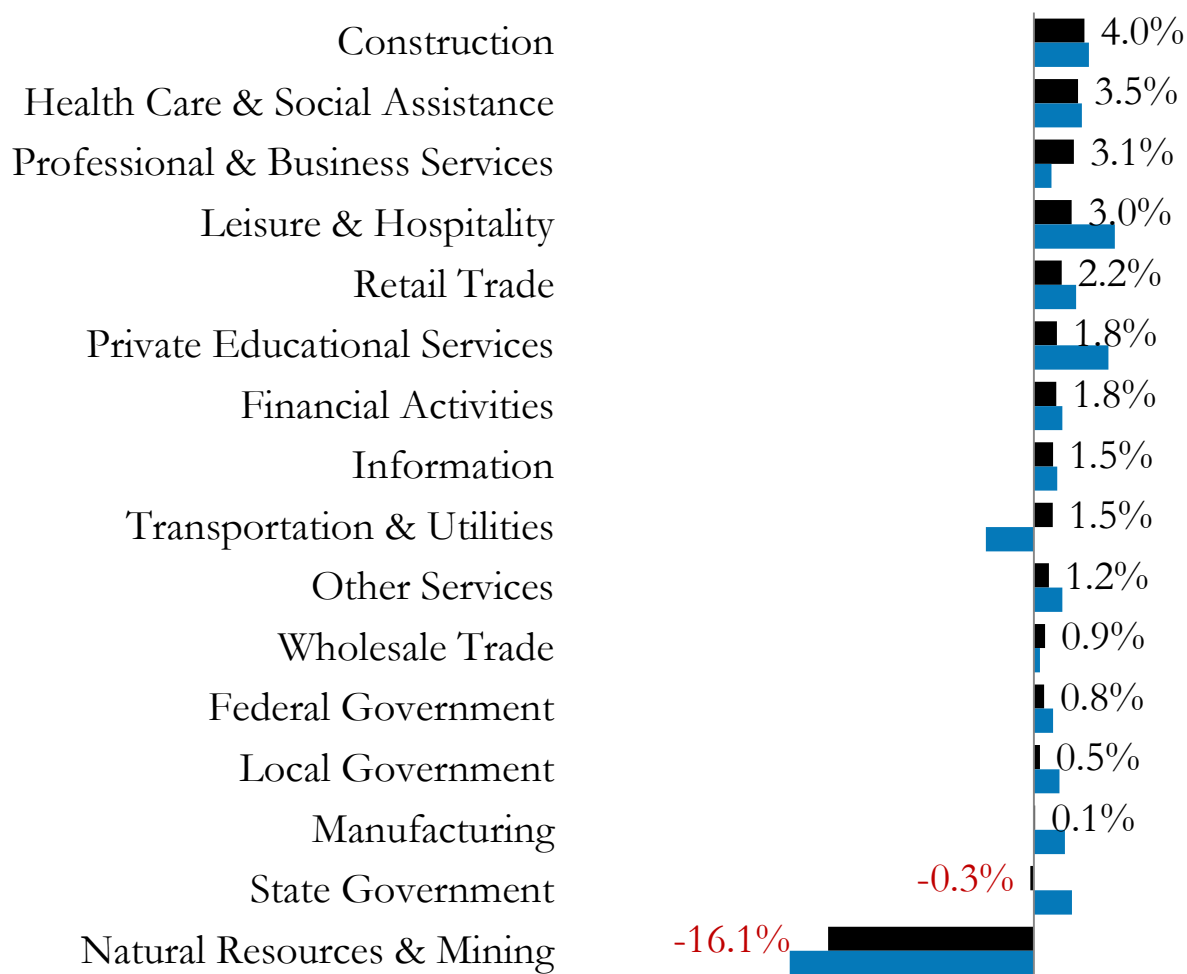
The majority of industries have added jobs over the past year, but employment in the energy sector has declined sharply.



CHANGE IN PAYROLL EMPLOYMENT, FEBRUARY 2016

Seasonally Adjusted

Percent Change Year-over-Year

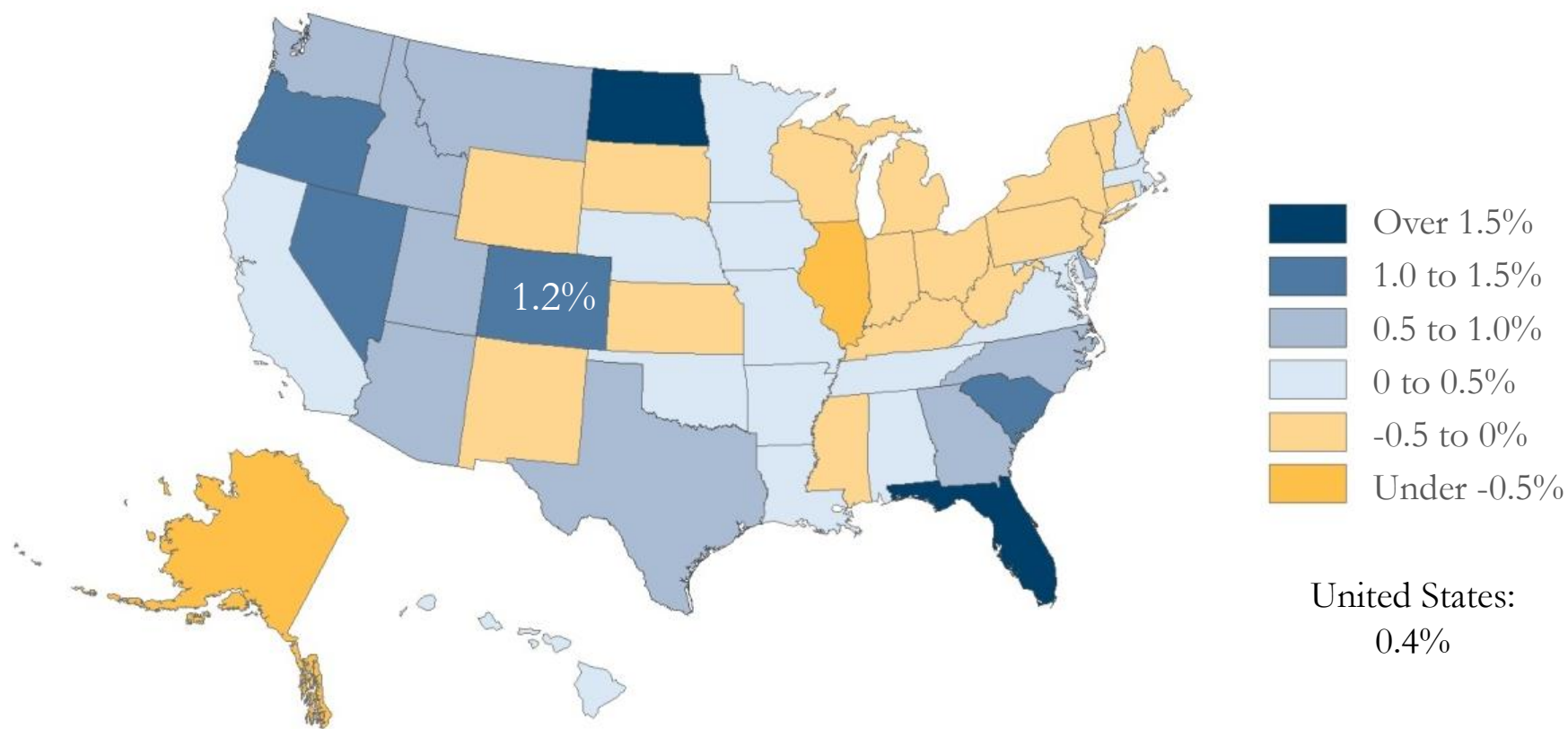


United States
Colorado

Strong net migration is helping to spur growth in some parts of the nation.

NET MIGRATION

Total 2015 Net Migration as a Percentage of 2015 Population

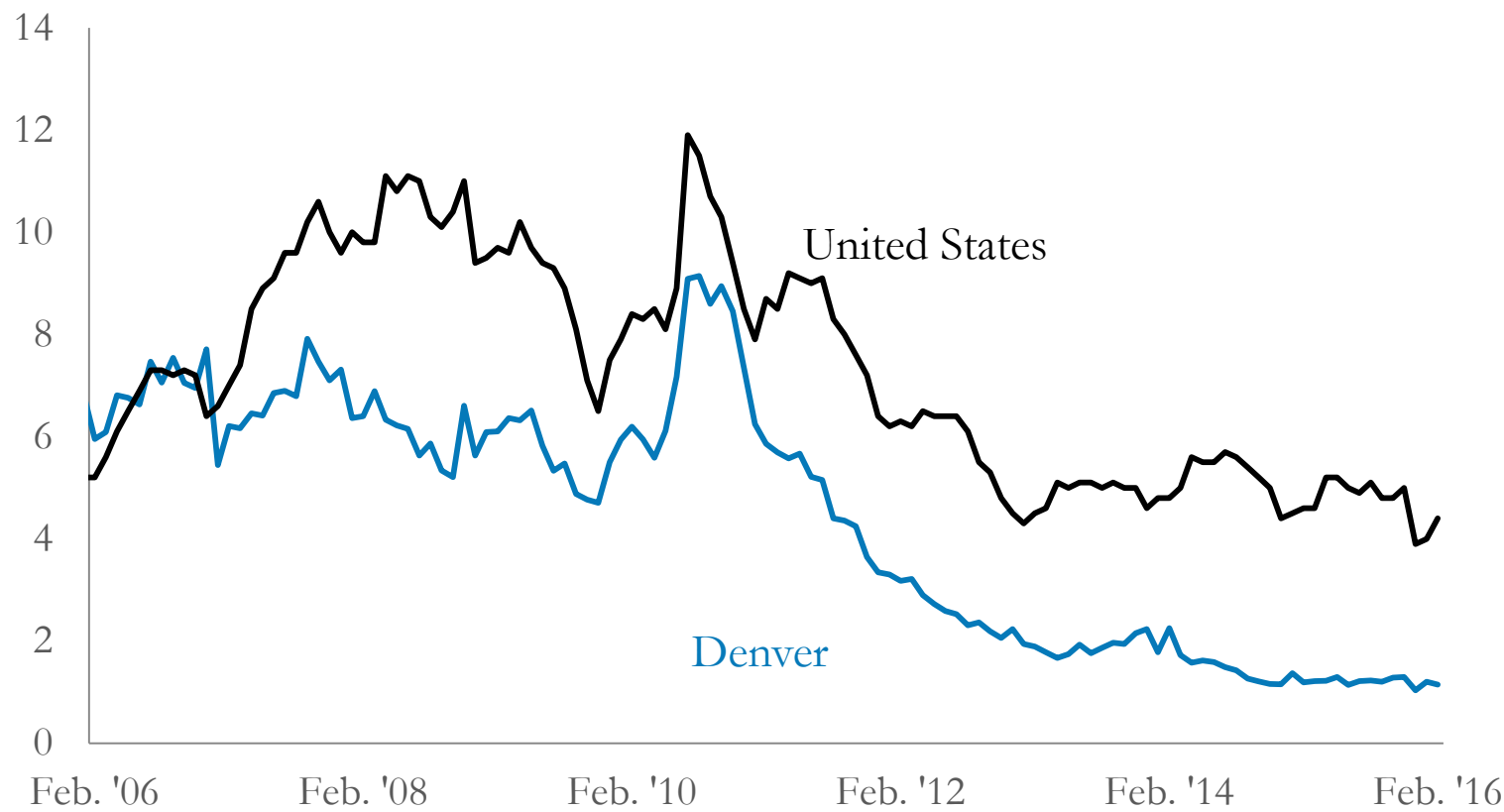


Low home inventories are helping to spur new construction and higher prices.



MONTH'S SUPPLY OF HOMES

Months, Seasonally Adjusted



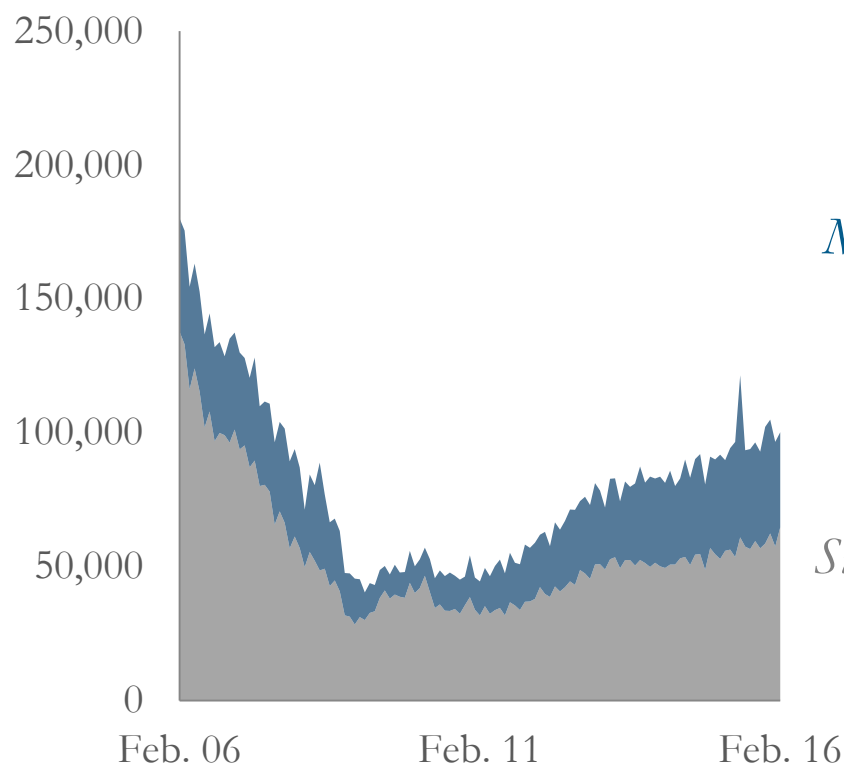
Residential construction activity has been increasing for more than six years, led by strong gains in multifamily building.



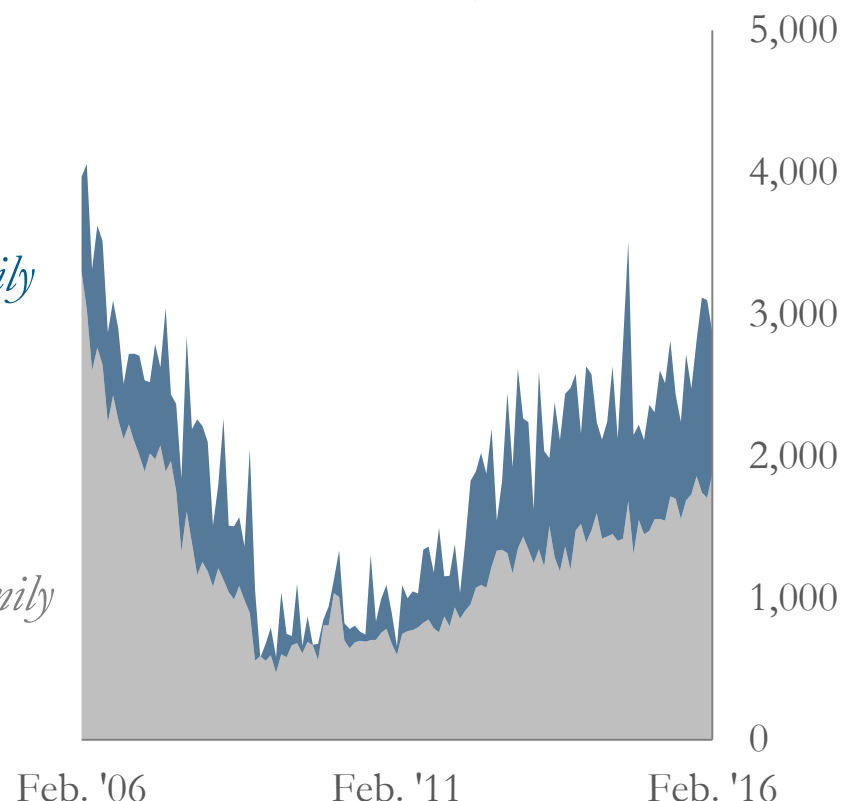
RESIDENTIAL PERMITS

Seasonally Adjusted

United States



Colorado

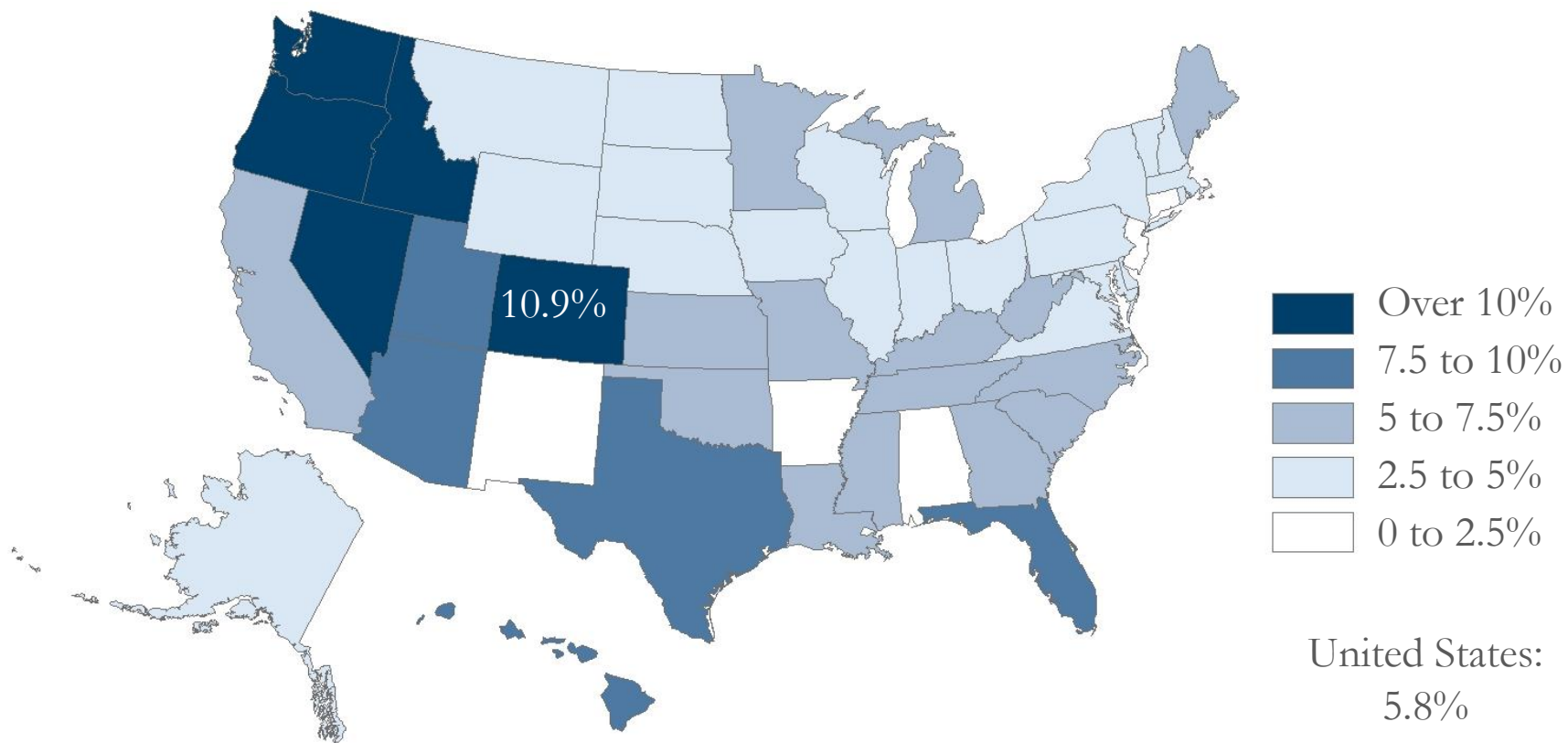


Home prices are increasing across the U.S.



FHFA PURCHASE-ONLY HOME PRICE INDEX

Q4:2015, Year-over-Year Percent Change, Seasonally Adjusted

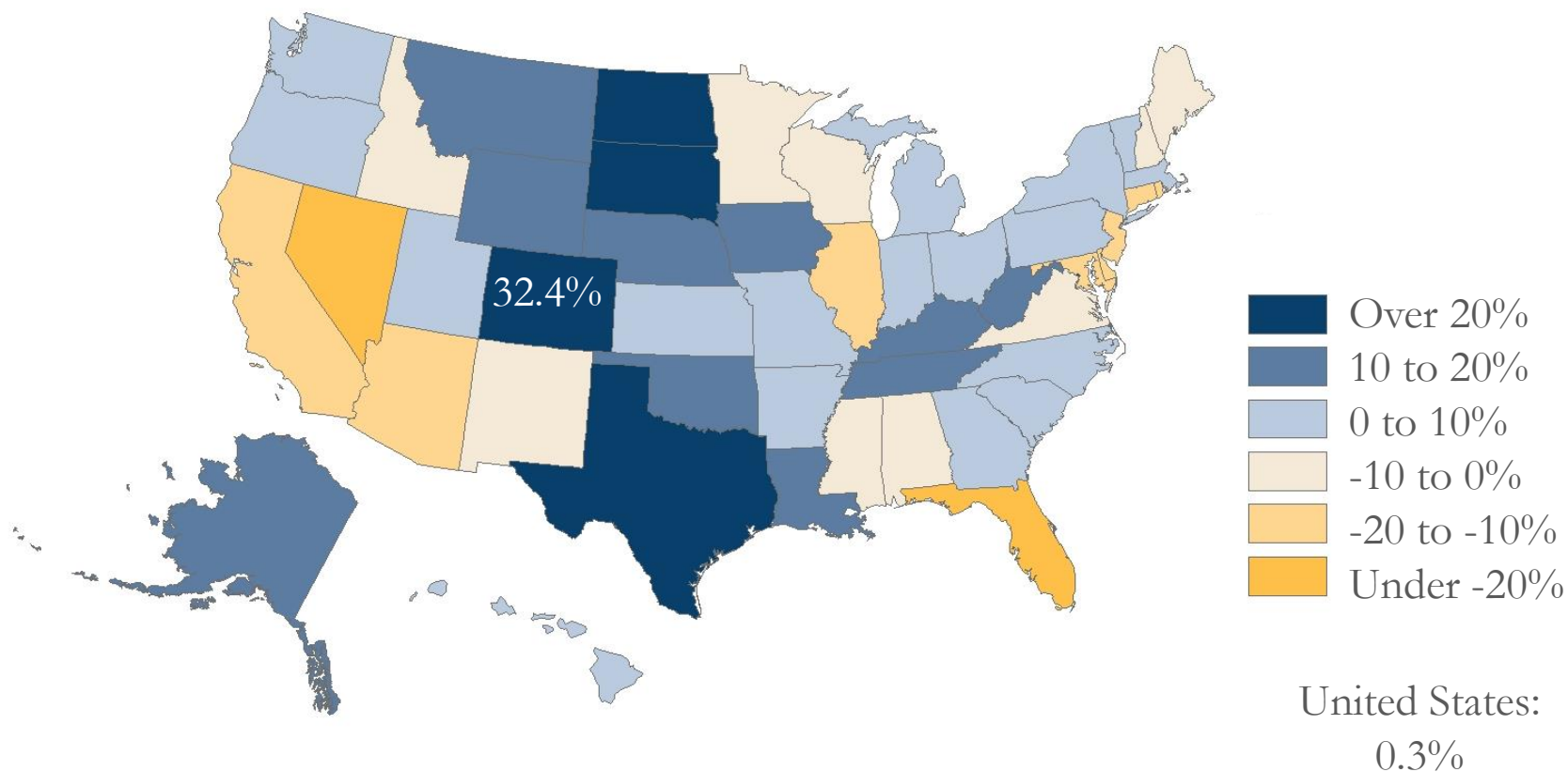


Colorado has experienced some of the fastest home price appreciation in the nation.



FHFA PURCHASE-ONLY HOME PRICE INDEX

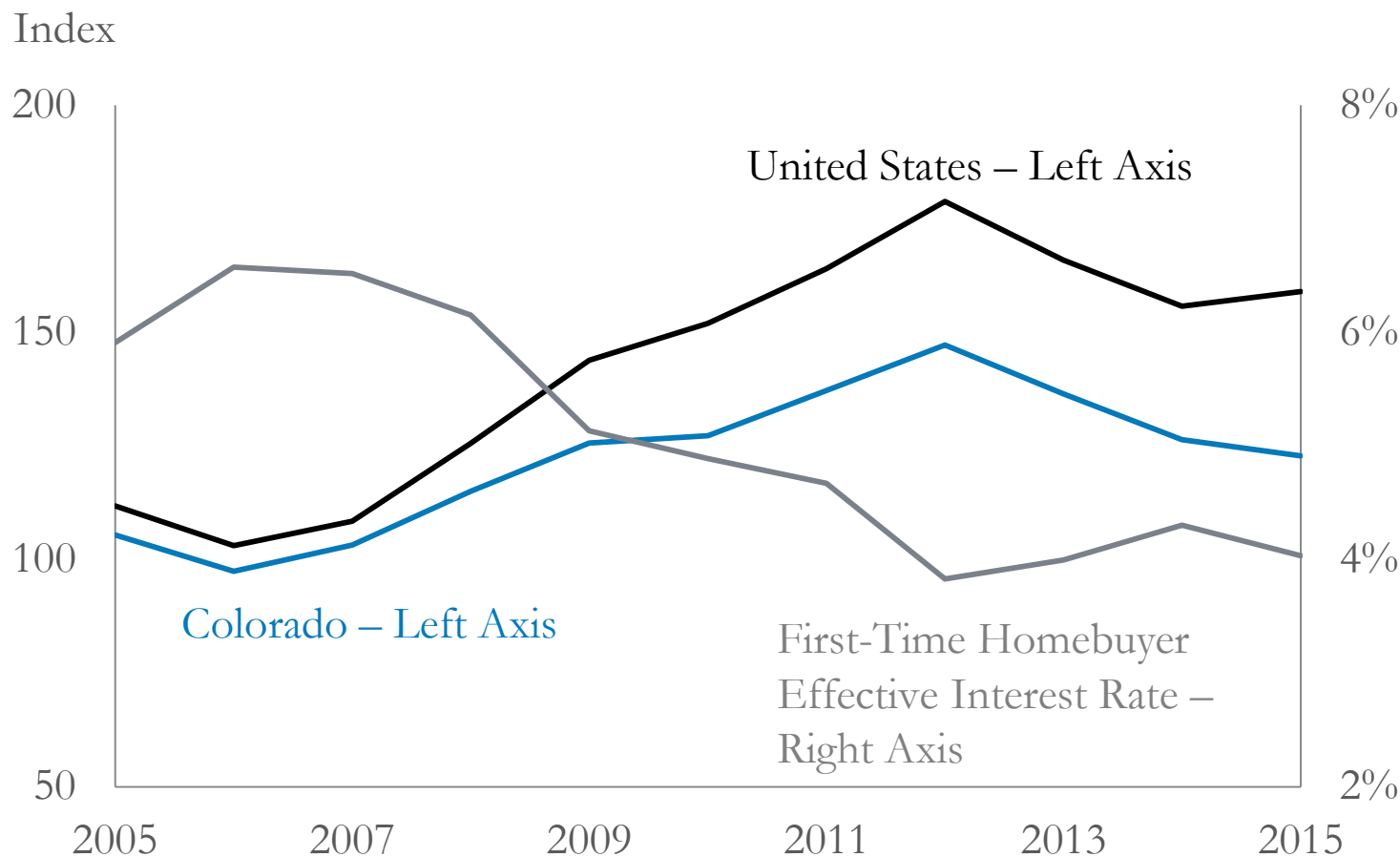
Q1:2007 to Q4:2015 Percent Change, Seasonally Adjusted



Housing affordability remains above pre-recession levels due in part to low interest rates.



HOUSING AFFORDABILITY INDEX



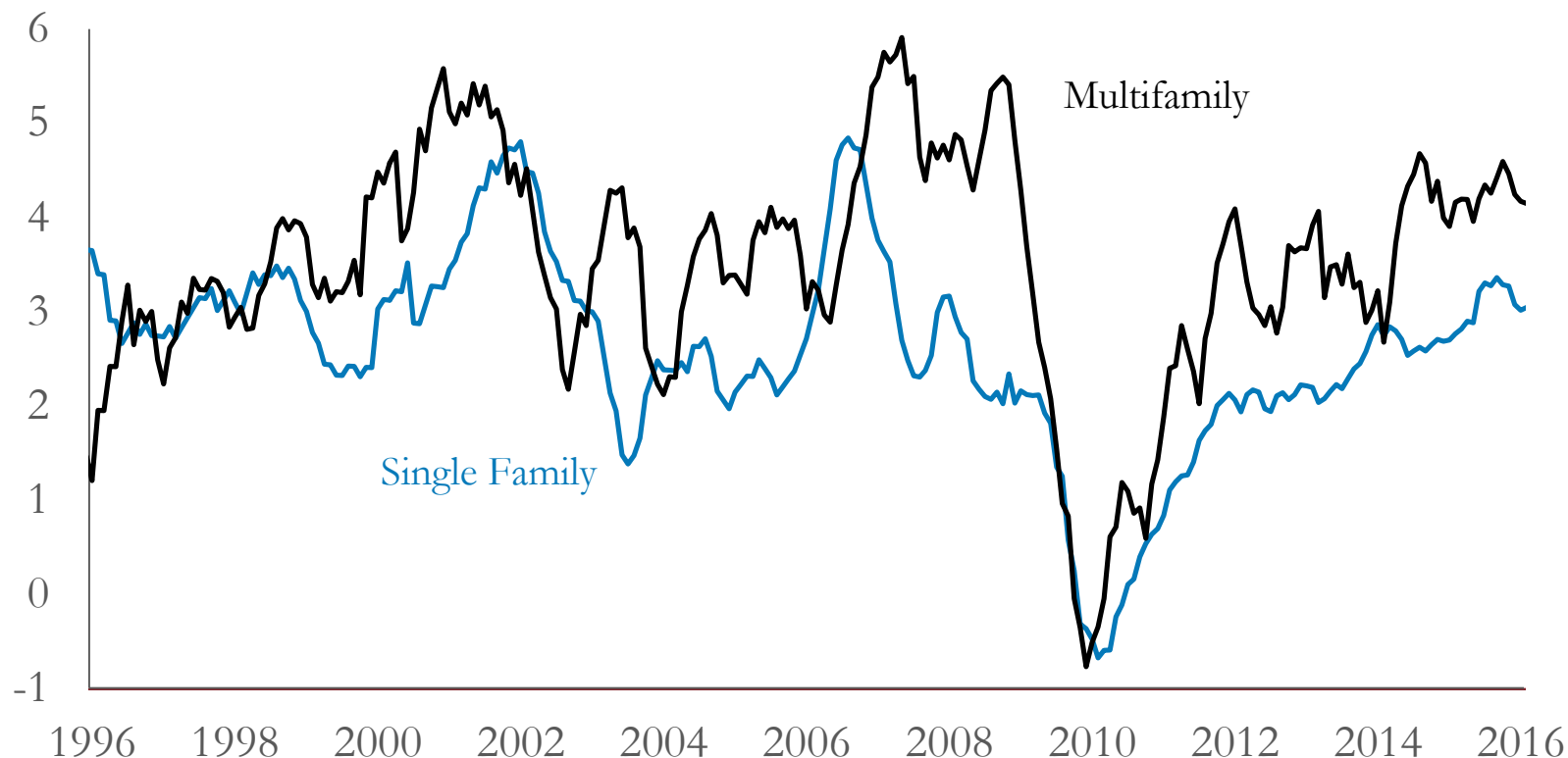
Note: The housing affordability index is calculated by dividing median household income by the income one would need to qualify for the purchase of a median priced house.

Sources: Authors calculations based on data from the National Association of Realtors, United States Census Bureau: American Community Survey, Bureau of Economic Analysis, Federal Housing Finance Agency, and Haver Analytics.

Strong demand for multifamily housing has driven up costs in recent years.

RENT GROWTH

6-Month Percent Change, Seasonally Adjusted Annualized Rate

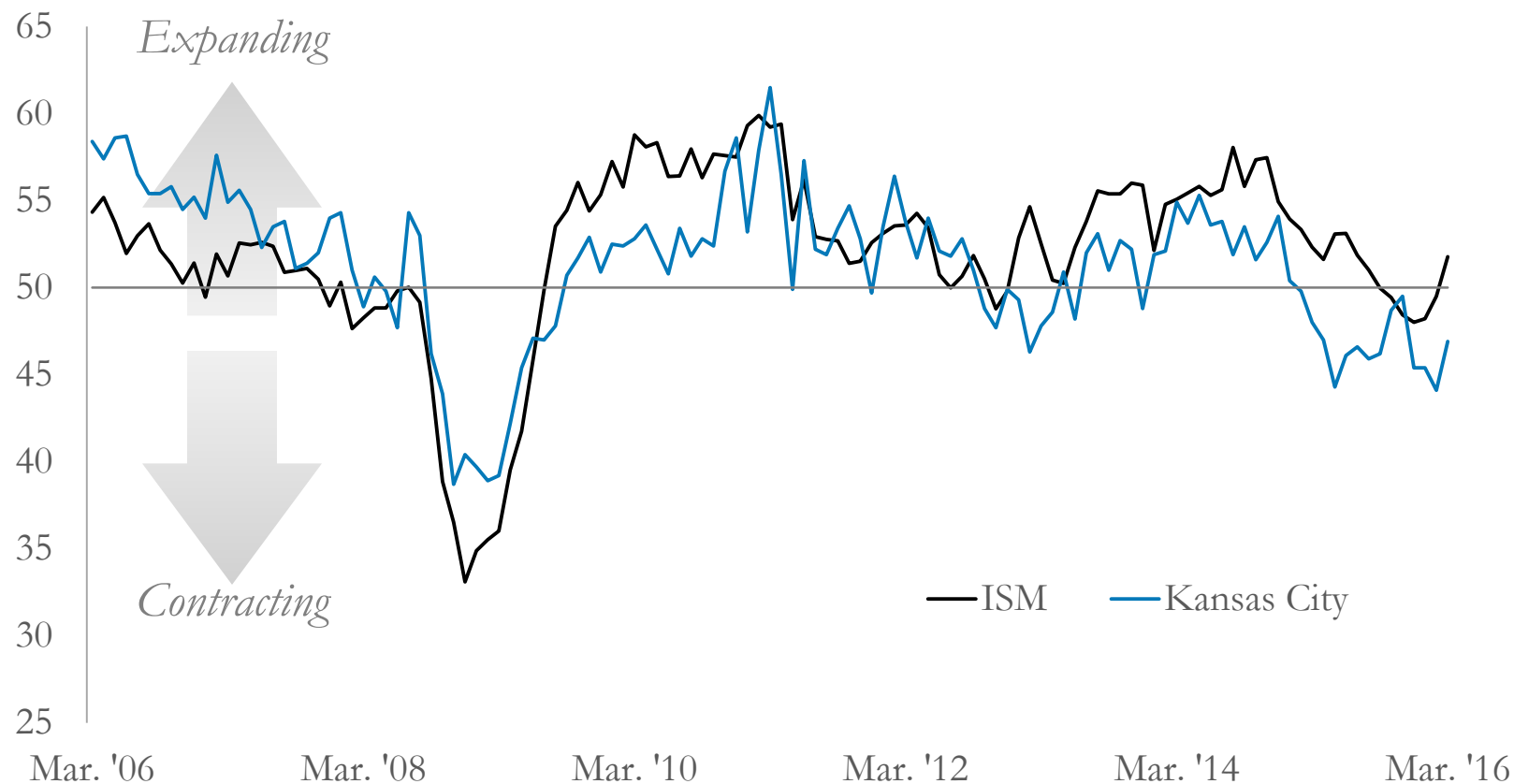


Note: See Rappaport (2016) for more details. Single-family rent is measured by Owners' Equivalent Rent (OER); multifamily rent is inferred from OER and Rent of Primary Residence.

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

MANUFACTURING ACTIVITY

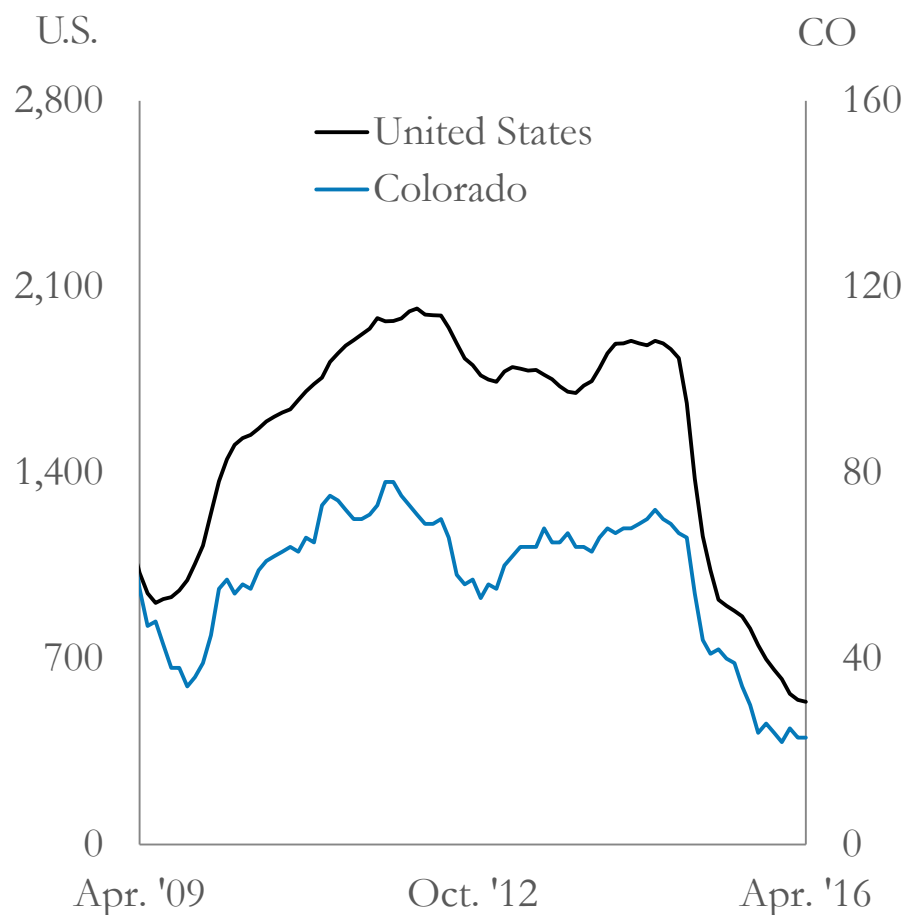
Diffusion Index, Seasonally Adjusted, Month-over-Month



Energy activity has declined substantially in Colorado and the nation.

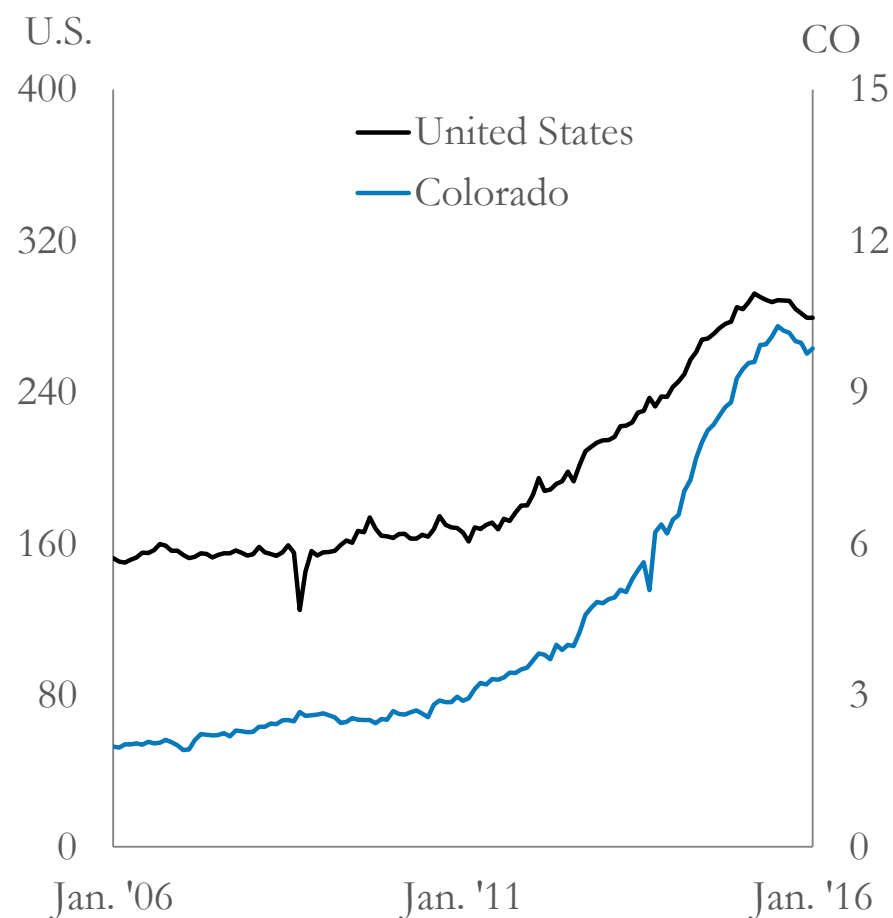


TOTAL RIG COUNT



CRUDE OIL PRODUCTION

*Millions of Barrels, Monthly,
Seasonally Adjusted*

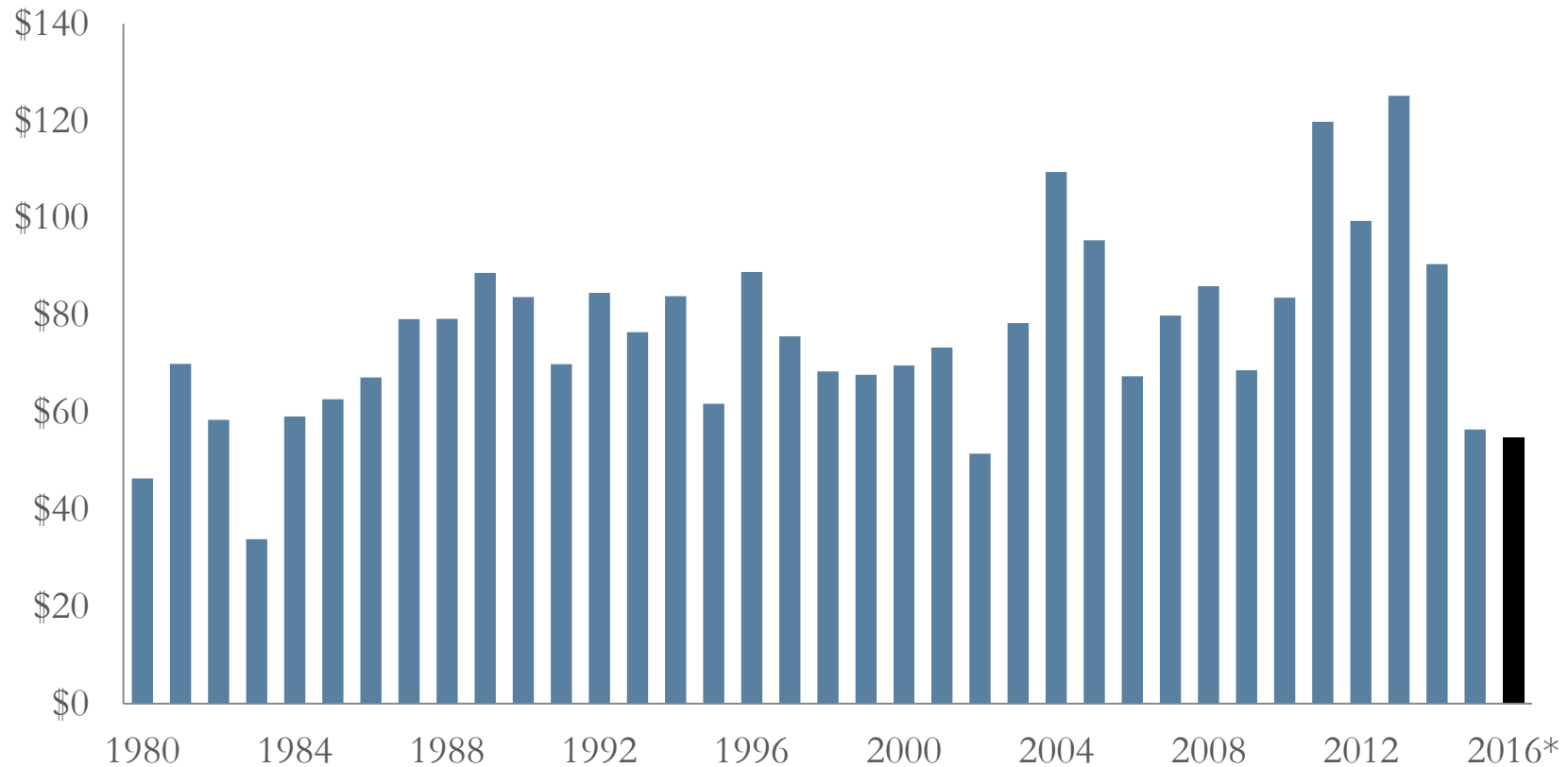


Farm income has dropped sharply and is expected to remain low.



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>

