

Emerging Trends in the U.S. & Colorado Economies



Alison Felix

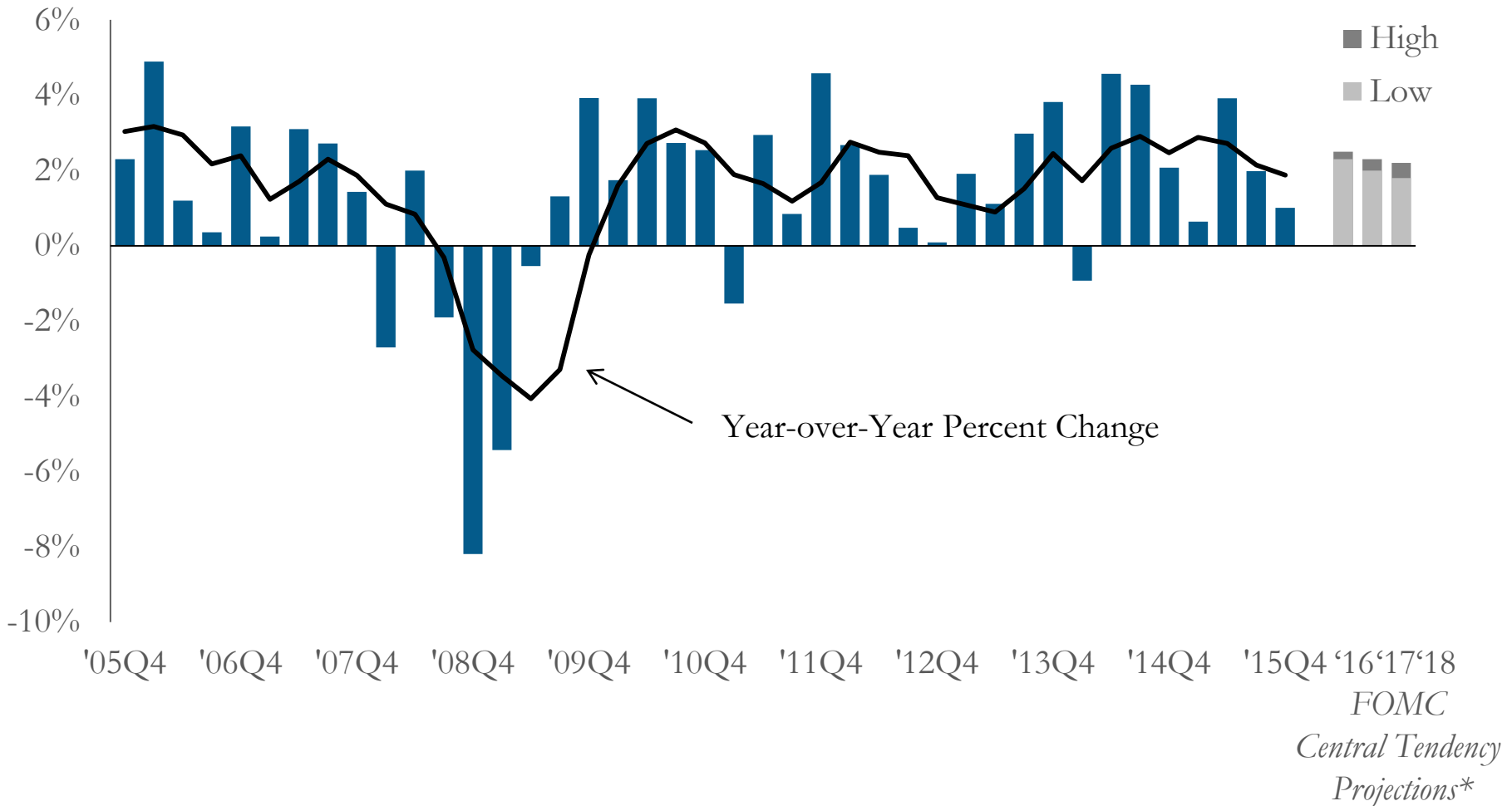
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*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

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

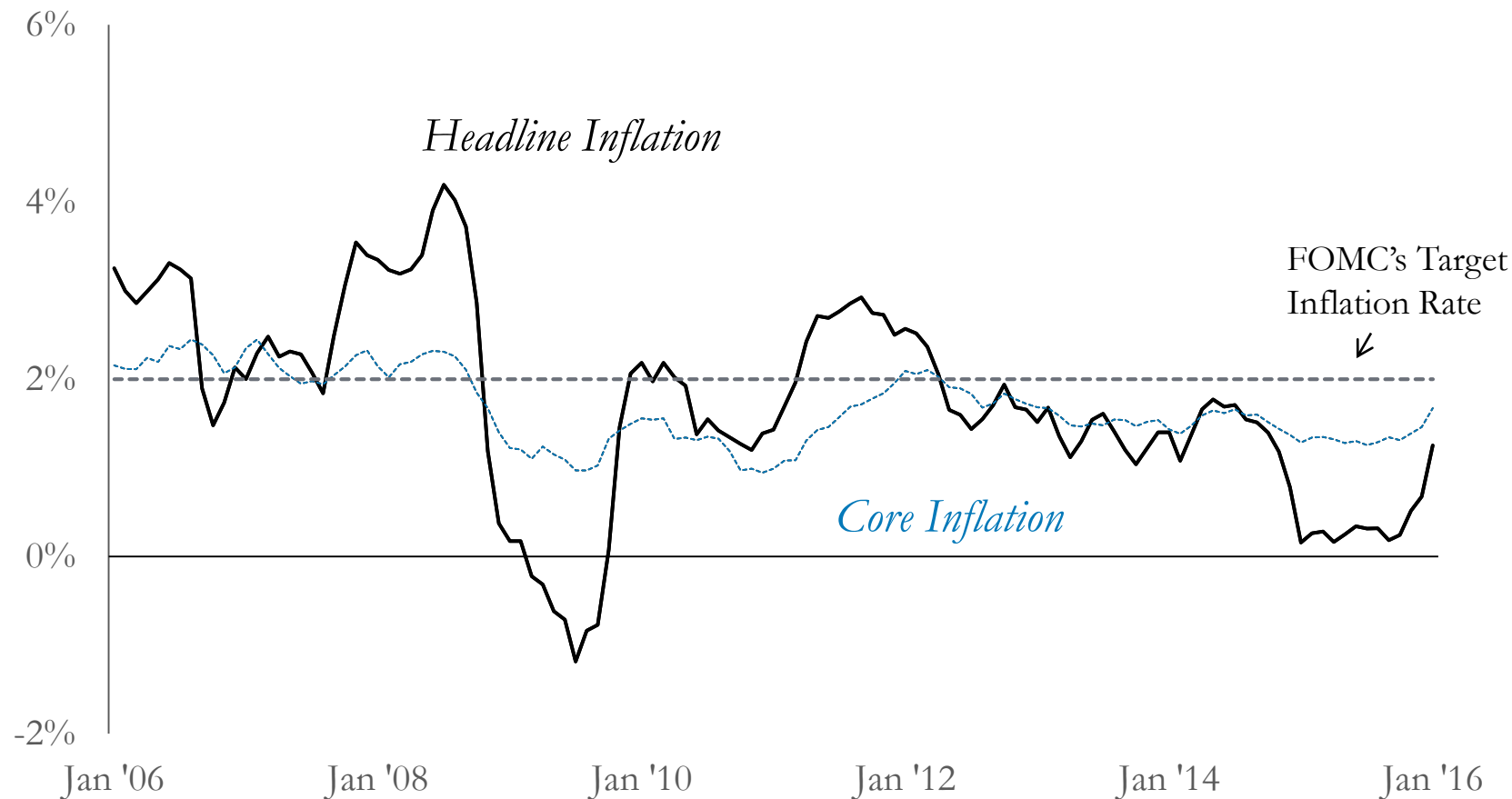
*Note: Projections as of December FOMC meeting

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

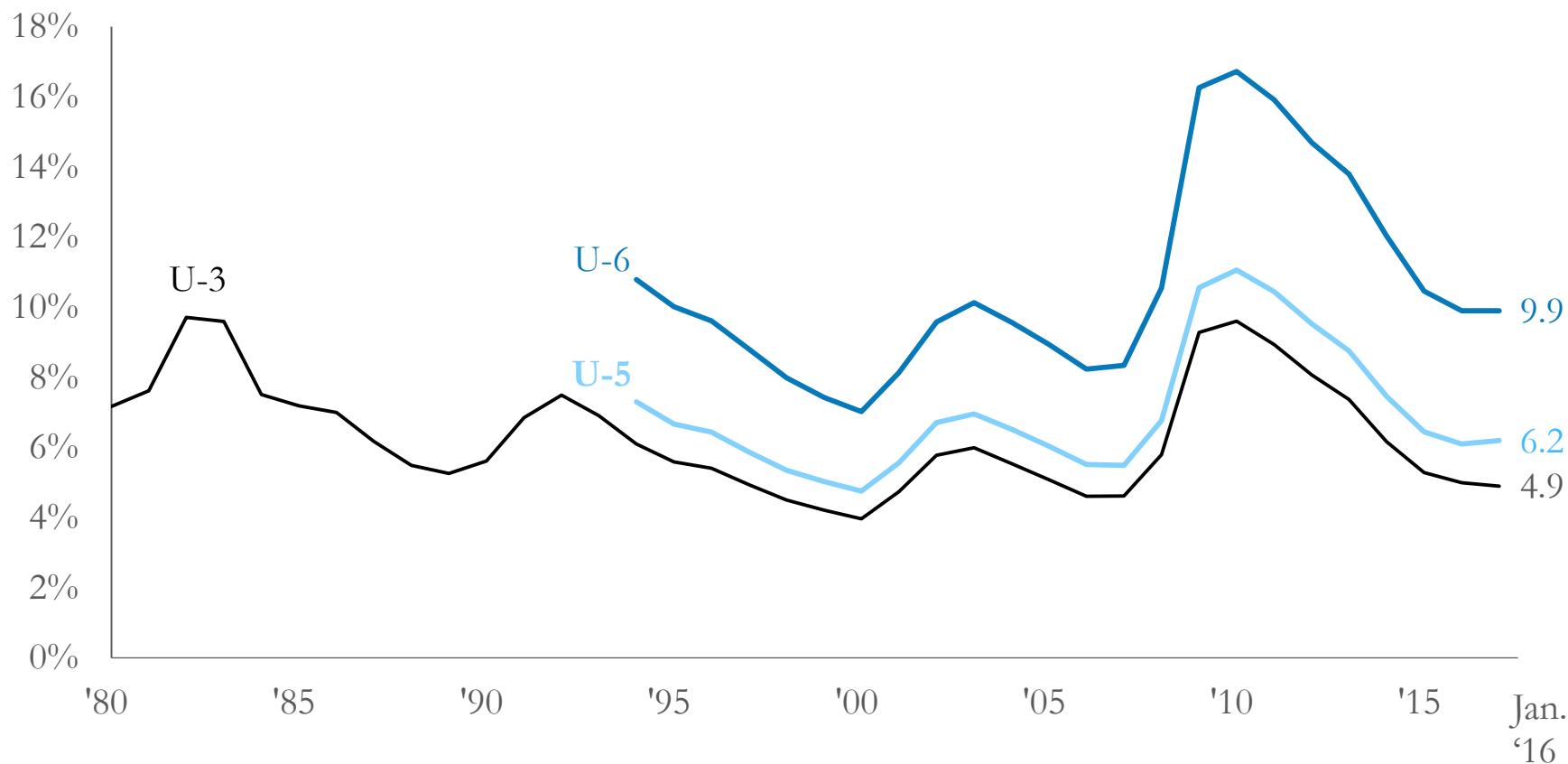


Measures of unemployment and under-employment have declined steadily over the past five years.



U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

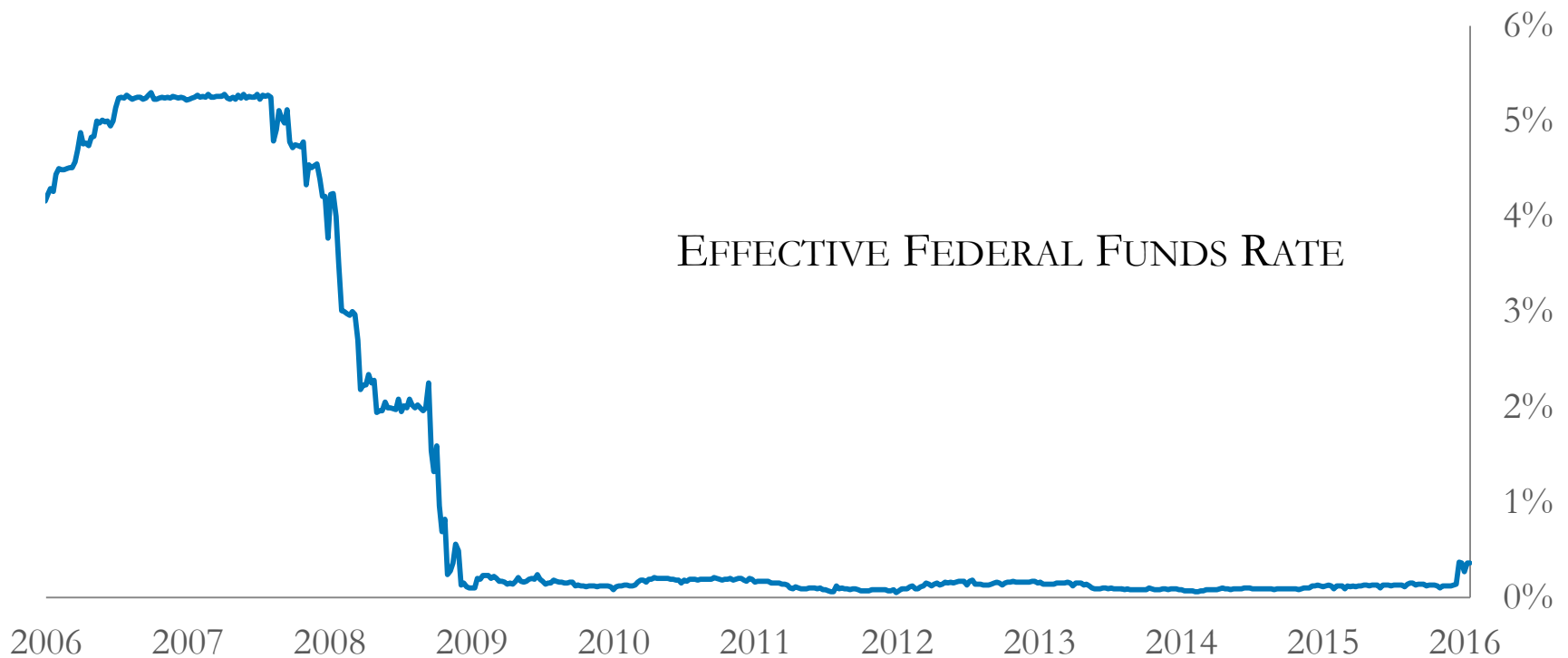
Seasonally Adjusted





“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. Inflation is expected to remain low in the near term, in part because of the further 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...Given the economic outlook, the Committee decided to maintain the target range for the federal funds rate at 1/4 to 1/2 percent.”

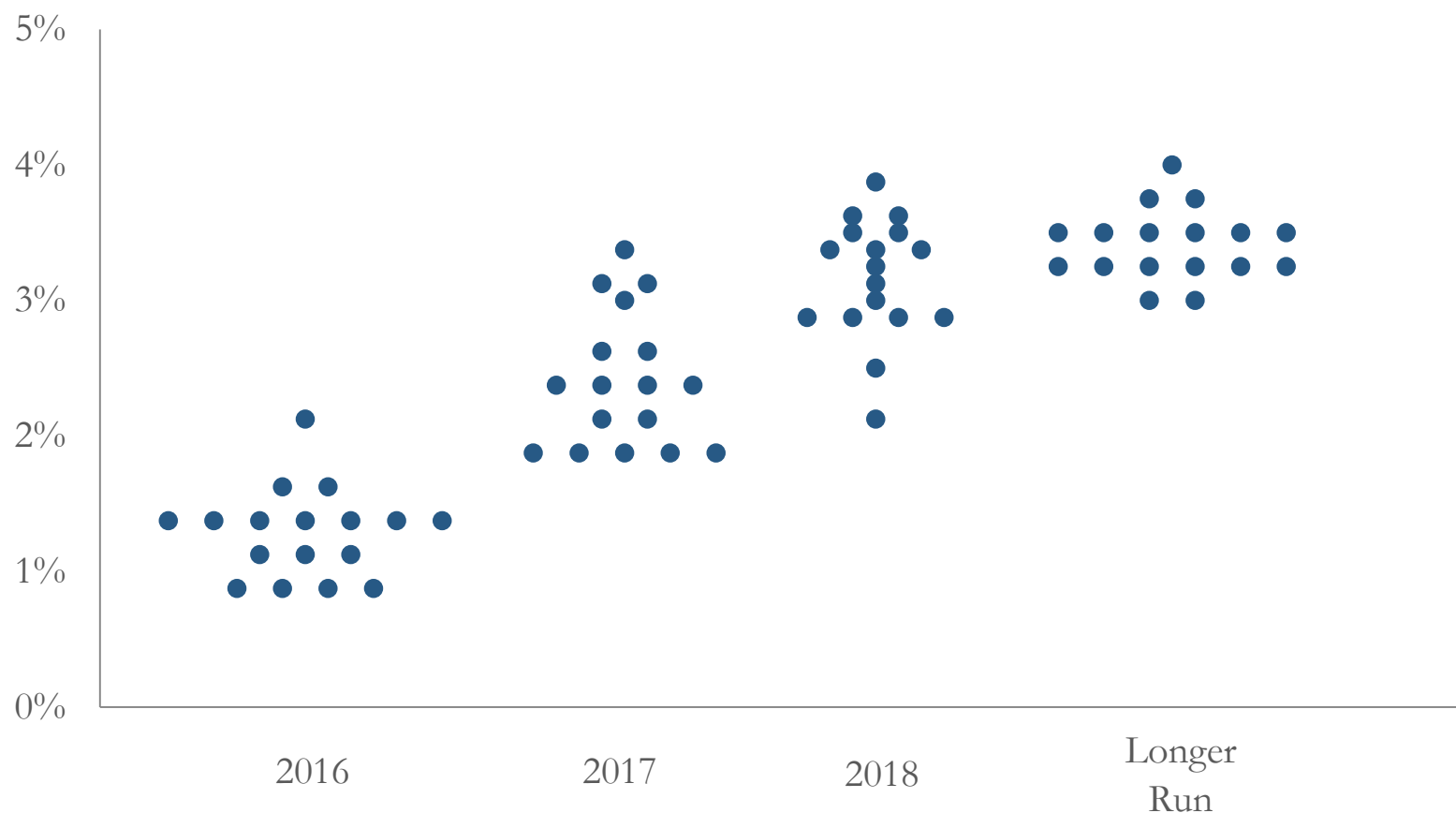
- January 2016 FOMC Statement



As of the December meeting, most FOMC members expected gradual increases in the federal funds rate over the next two years.

MIDPOINT OF TARGET RANGE OR TARGET LEVEL FOR FEDERAL FUNDS RATE

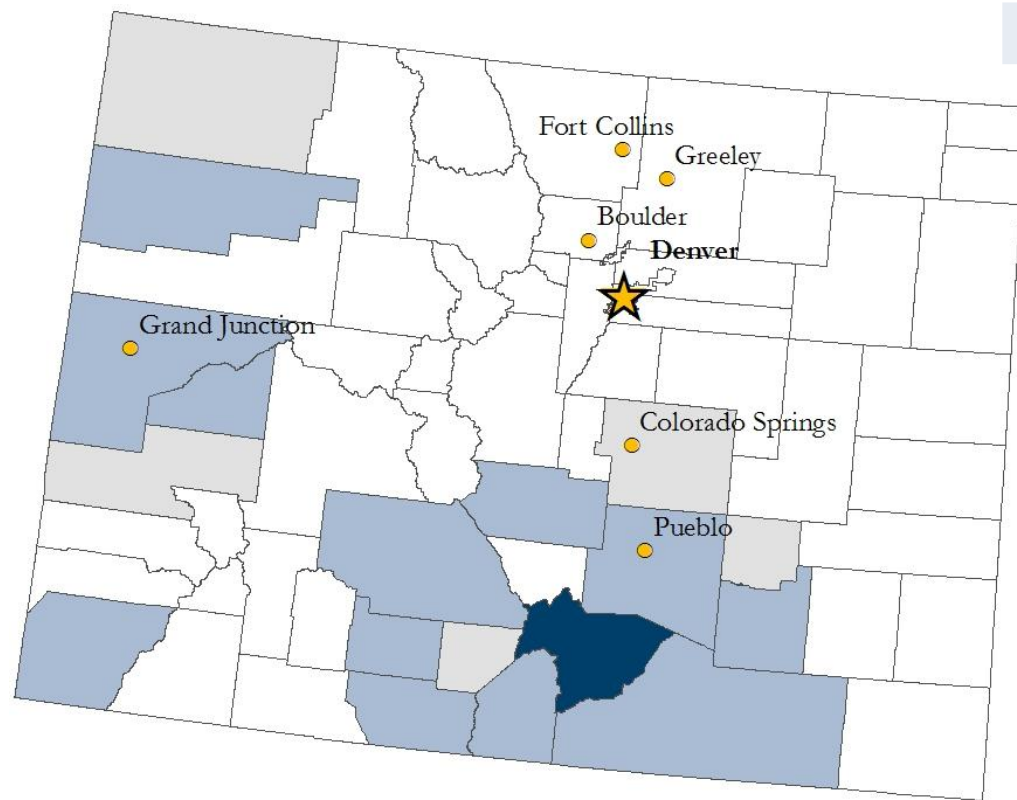
Individual FOMC Member Responses – December FOMC Meeting



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

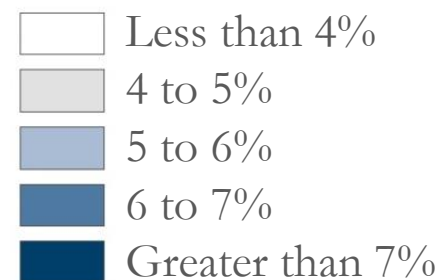
UNEMPLOYMENT RATES

December 2015, Seasonally Adjusted



Unemployment Rate	U-3	U-5*	U-6*
United States (Jan. '16)	4.9%	6.2%	9.9%
Colorado	3.5%	4.3%	7.9%

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



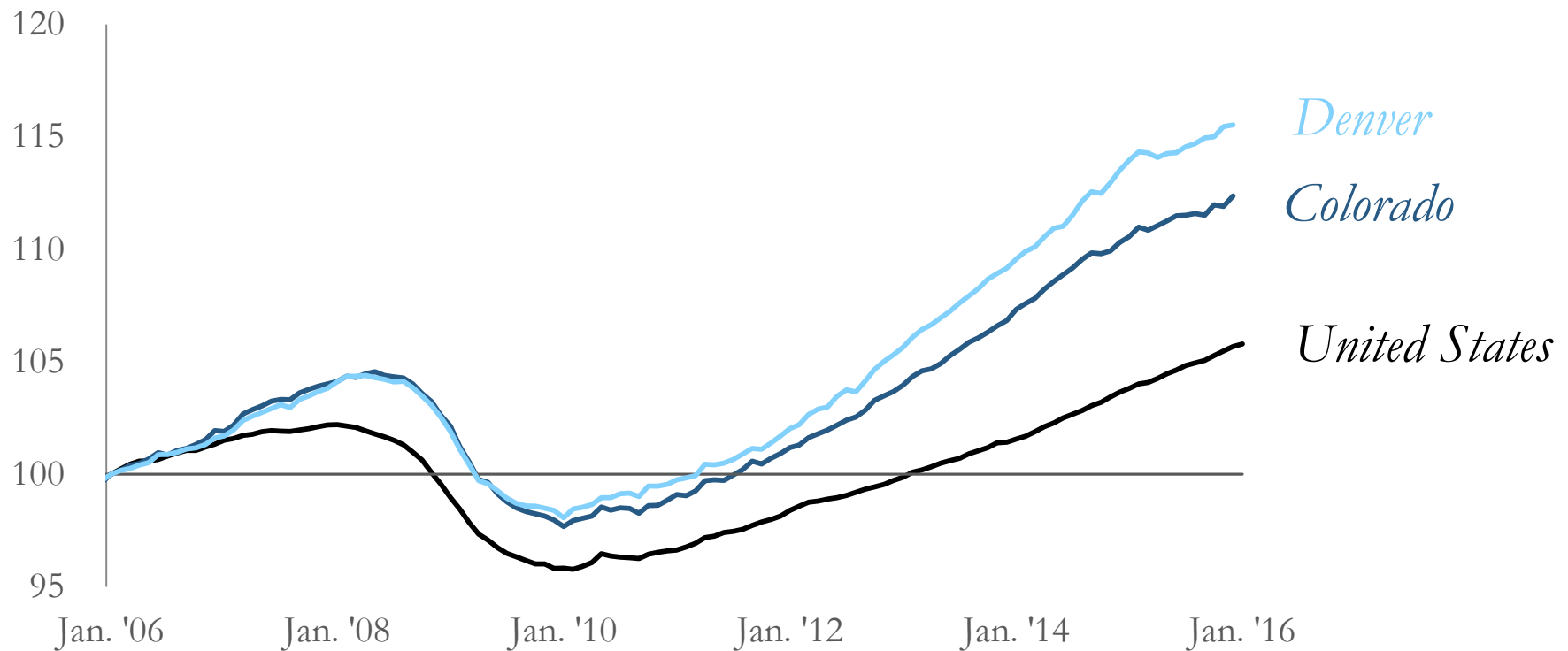
Employment has been increasing in Colorado and the nation for more than six years, with Colorado gains outpacing the nation.

PAYROLL EMPLOYMENT GROWTH

Index 100 = January 2006, Seasonally Adjusted

Dec. '15

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S.	5.8%	1.9%
CO	12.8%	1.9%
Denver	15.9%	1.8%

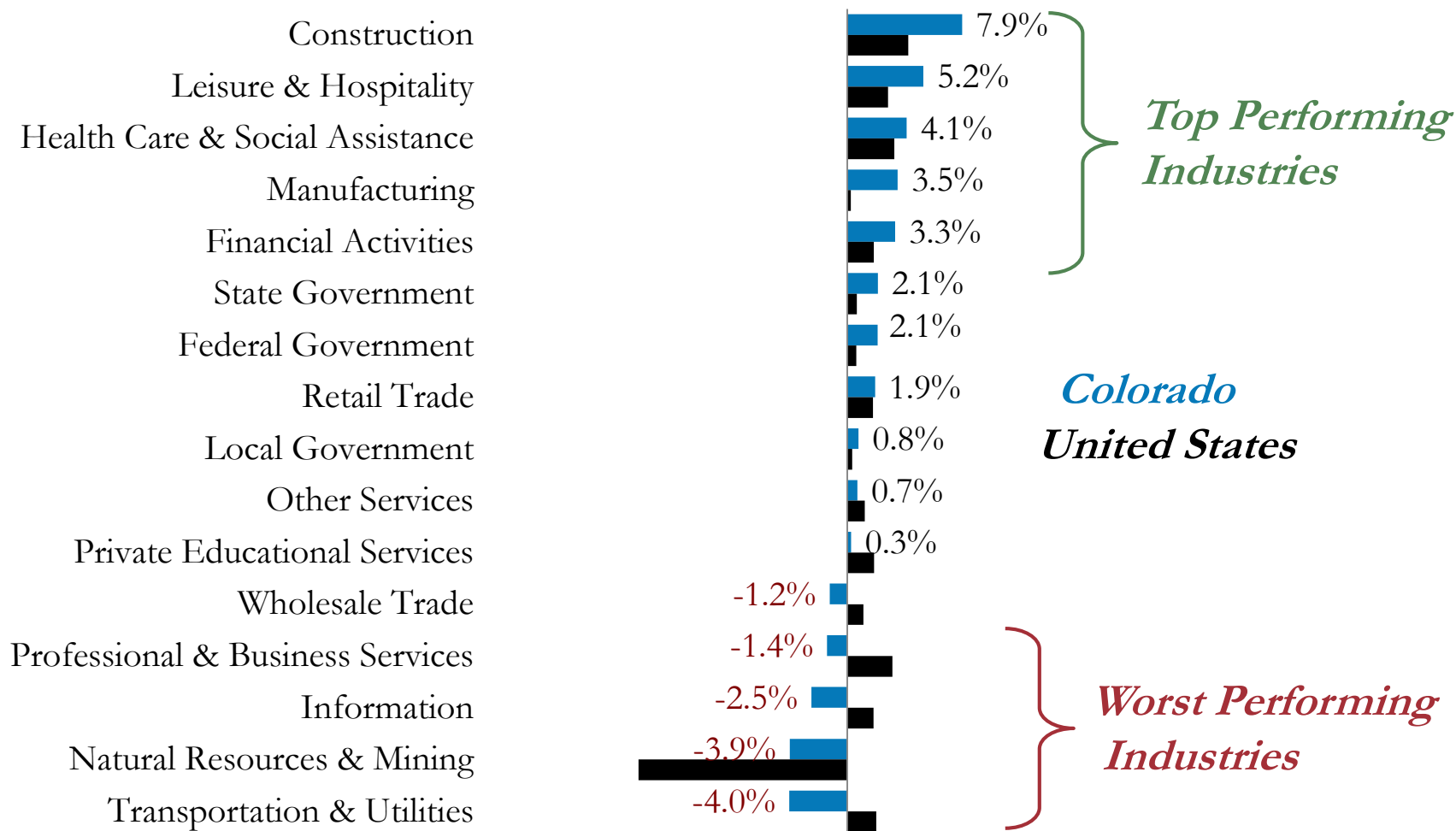


The majority of industries in Colorado have added jobs over the past year, but the slowdown in the energy sector is having an effect on related industries.

CHANGE IN PAYROLL EMPLOYMENT, DECEMBER 2015

Seasonally Adjusted

Percent Change Year-over-Year

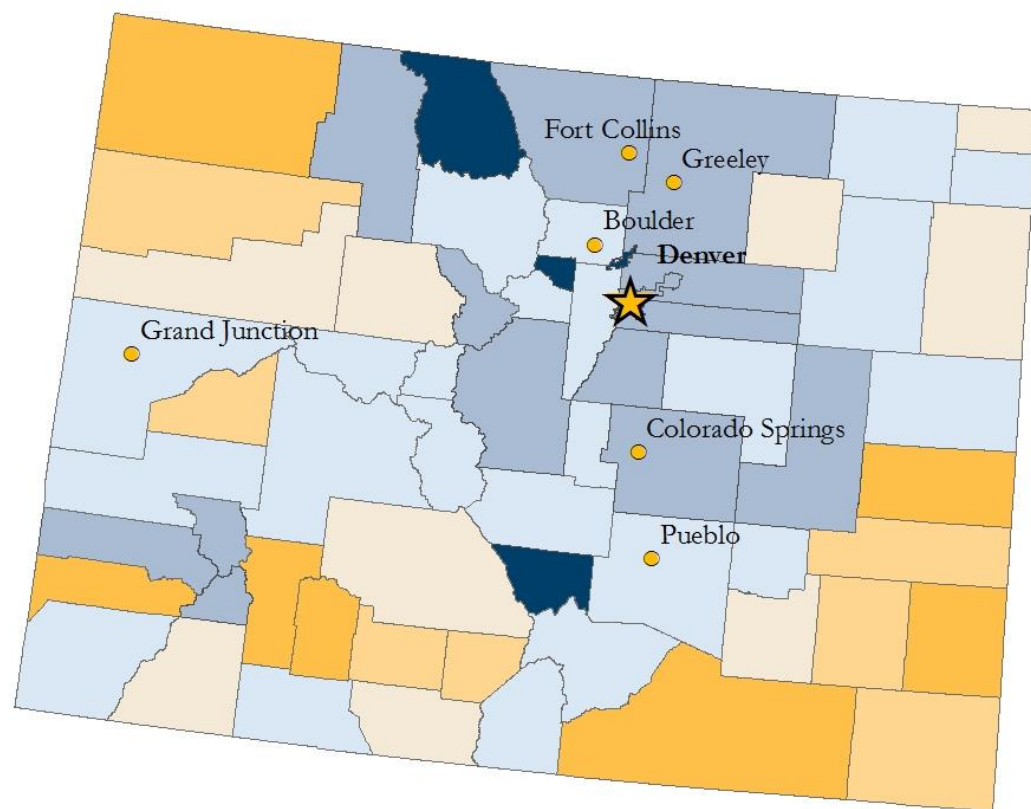


Parts of Colorado continue to experience strong population growth and net in-migration.

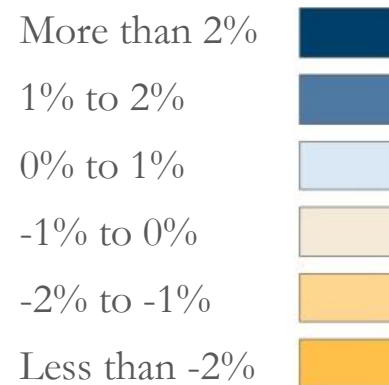


NET MIGRATION

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%

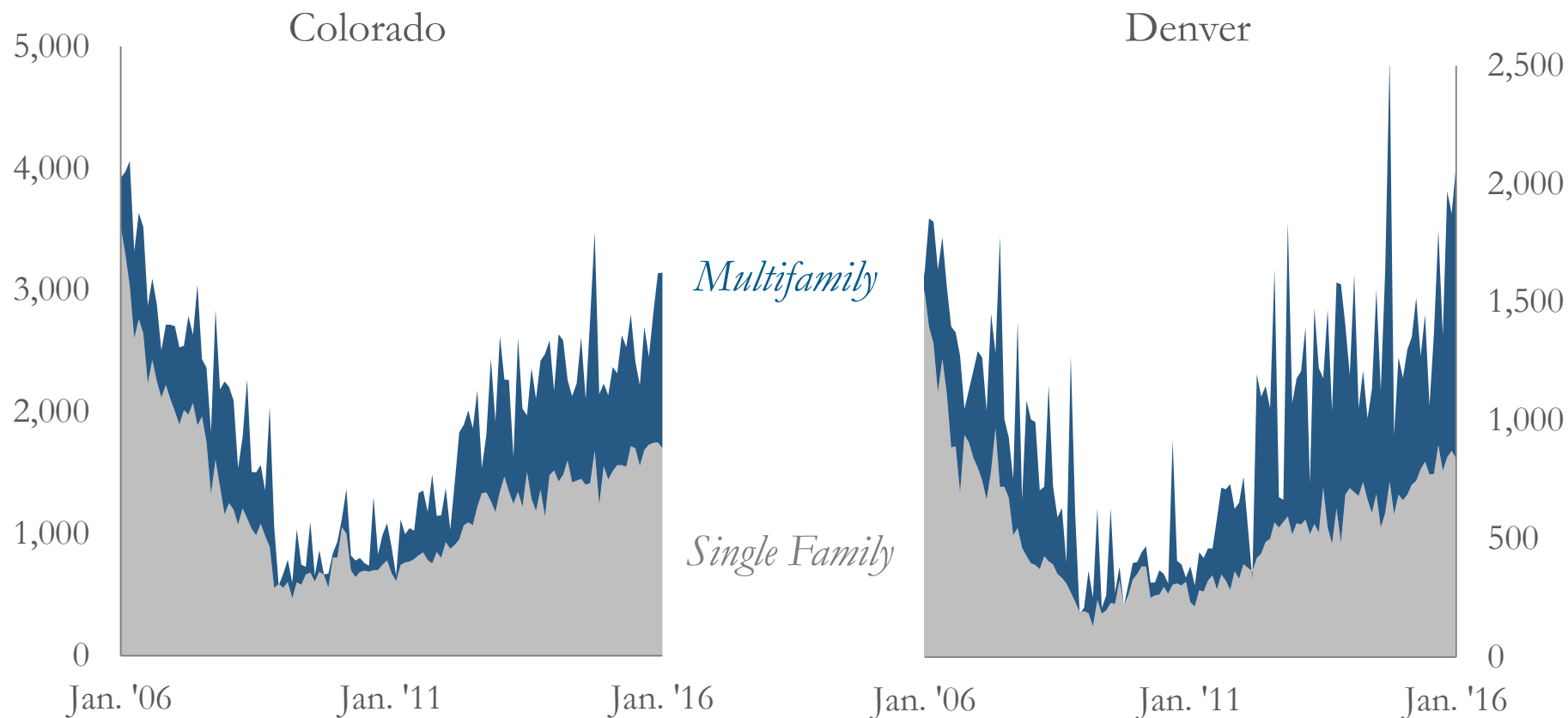


Residential construction activity has been increasing for more than five years, led by strong gains in multifamily building.



RESIDENTIAL PERMITS

Seasonally Adjusted



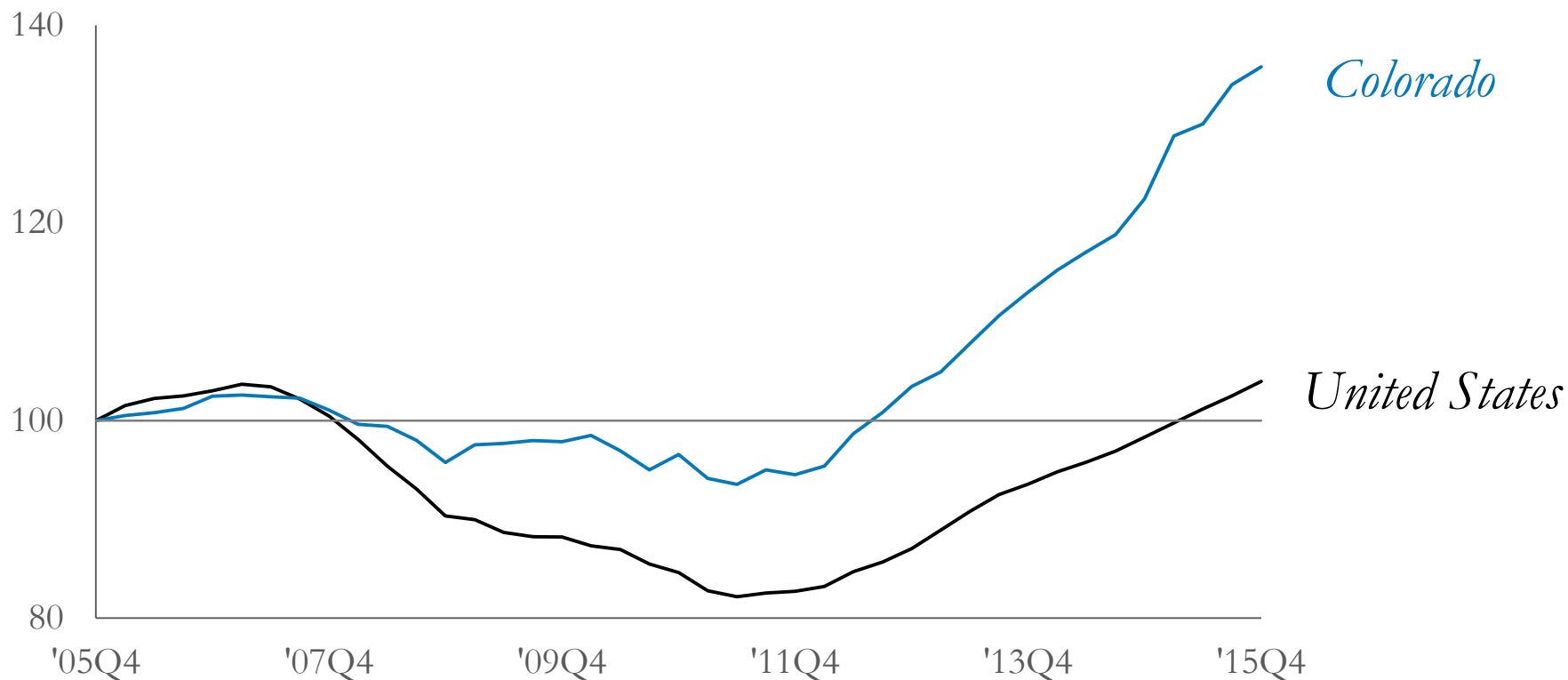
Colorado has experienced some of the fastest home price appreciation in the nation.



FHFA PURCHASE-ONLY HOME PRICE INDEX

Index 100 = 2005:Q4, Seasonally Adjusted

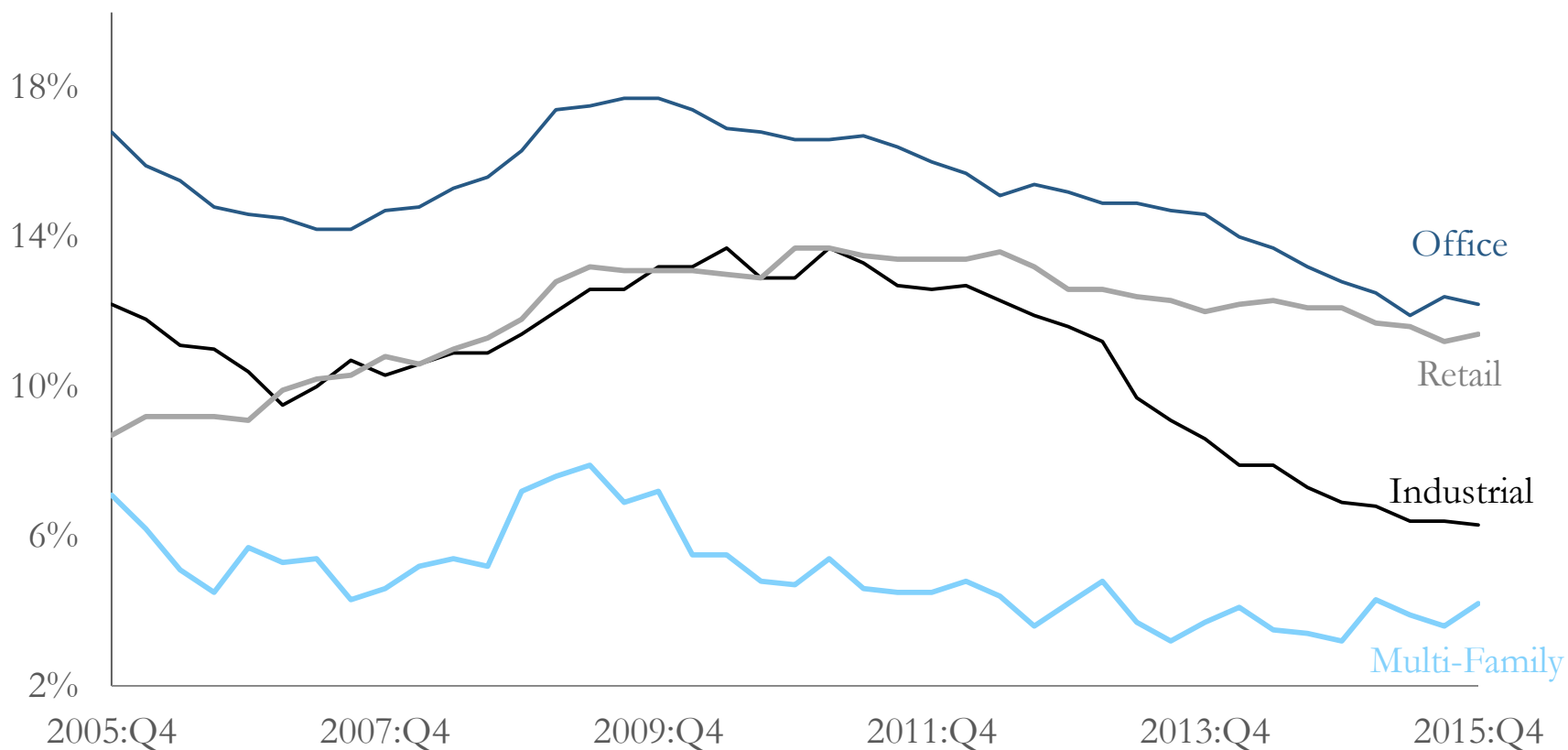
<i>Percent Change</i>	<i>Year-Over-Year</i>	<i>2007:Q1 to Current</i>
United States	5.8%	0.3%
Colorado	10.9%	32.4%



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



DENVER COMMERCIAL VACANCY RATES

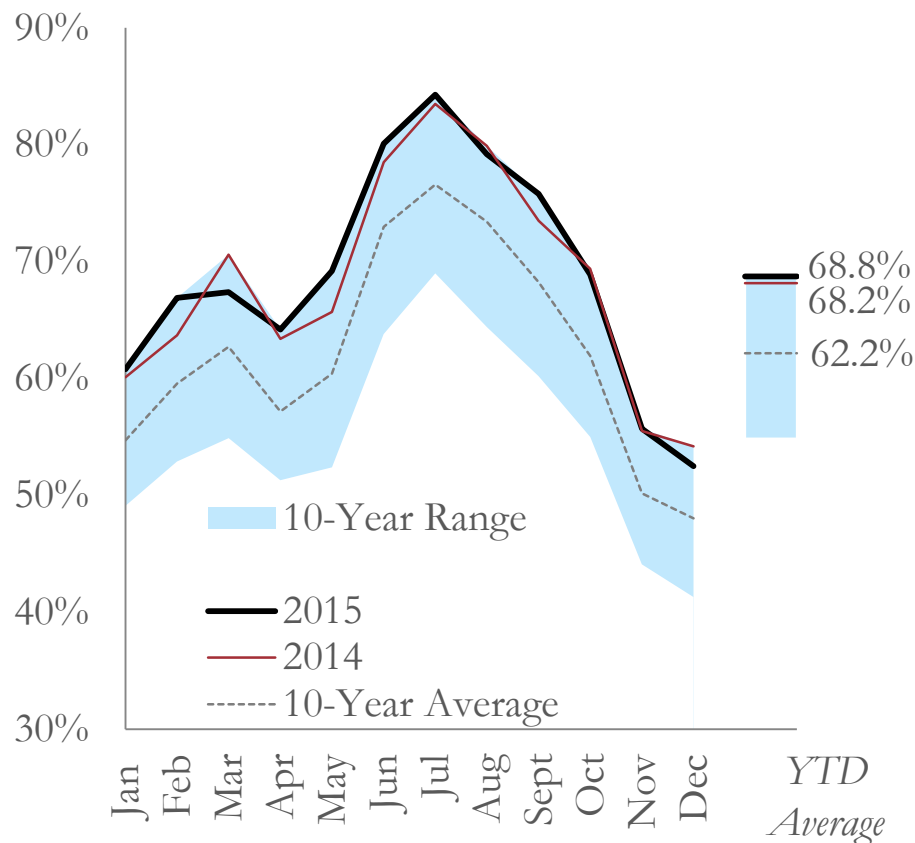


Tourism activity has picked up in Colorado over the past two years.



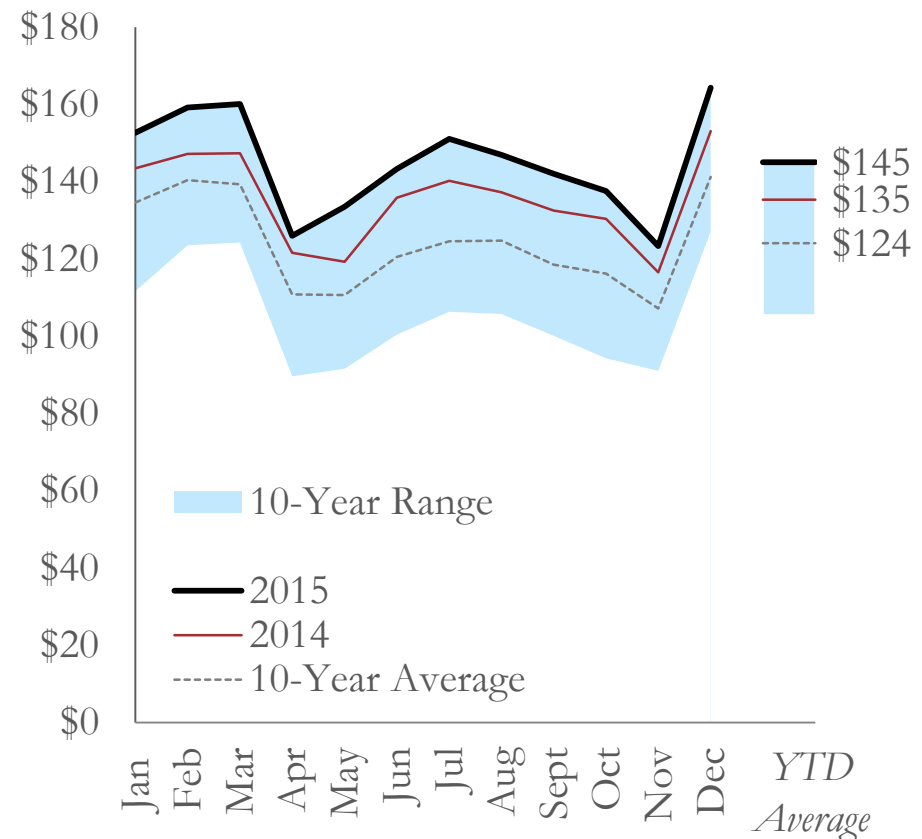
HOTEL OCCUPANCY RATES

Colorado



REAL HOTEL ROOM RATES

Colorado, January, 1999 Dollars

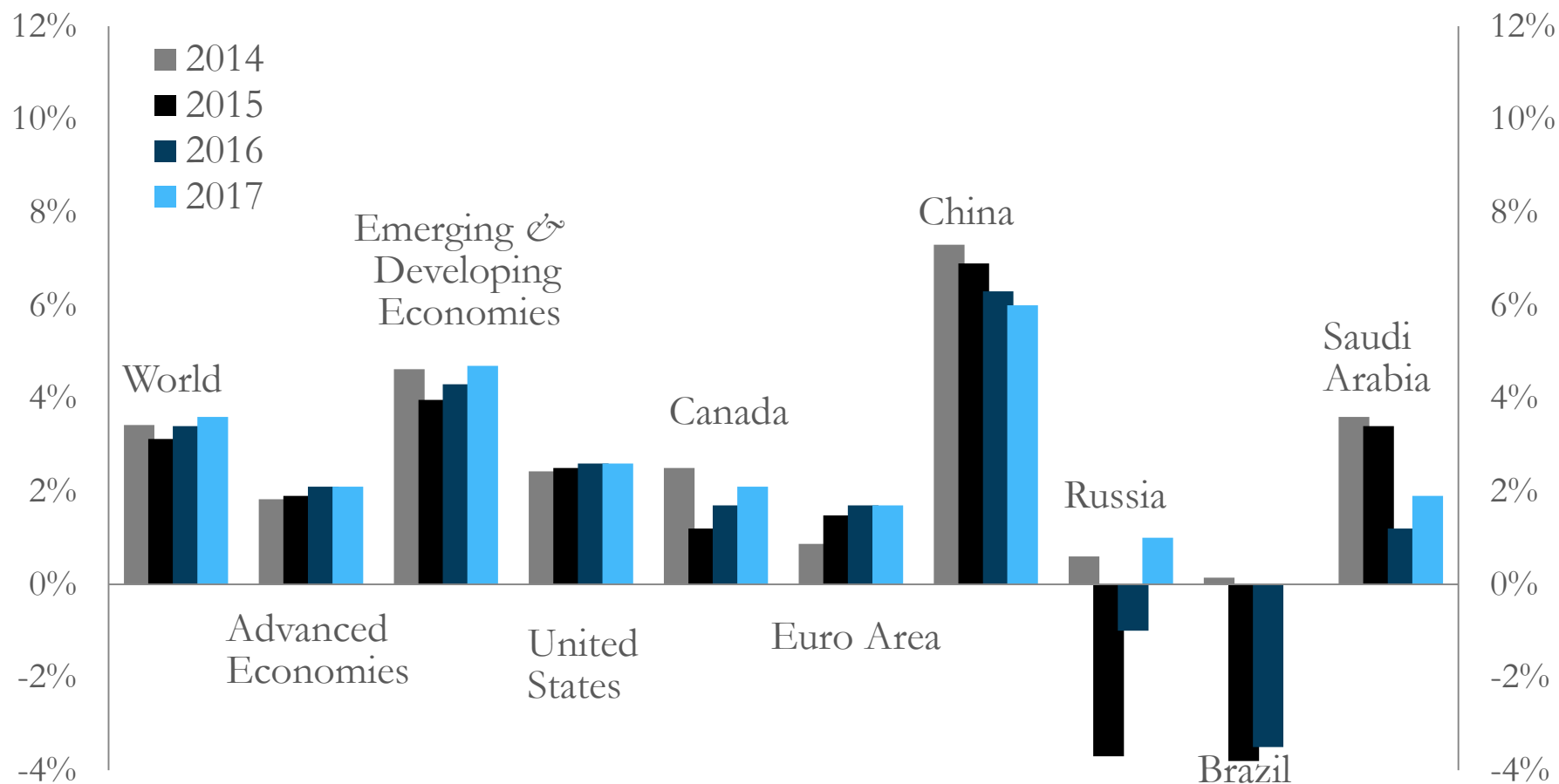


Global growth slowed in 2015, with weakness in China and energy-dependent countries.



WORLD ECONOMIC OUTLOOK PROJECTIONS

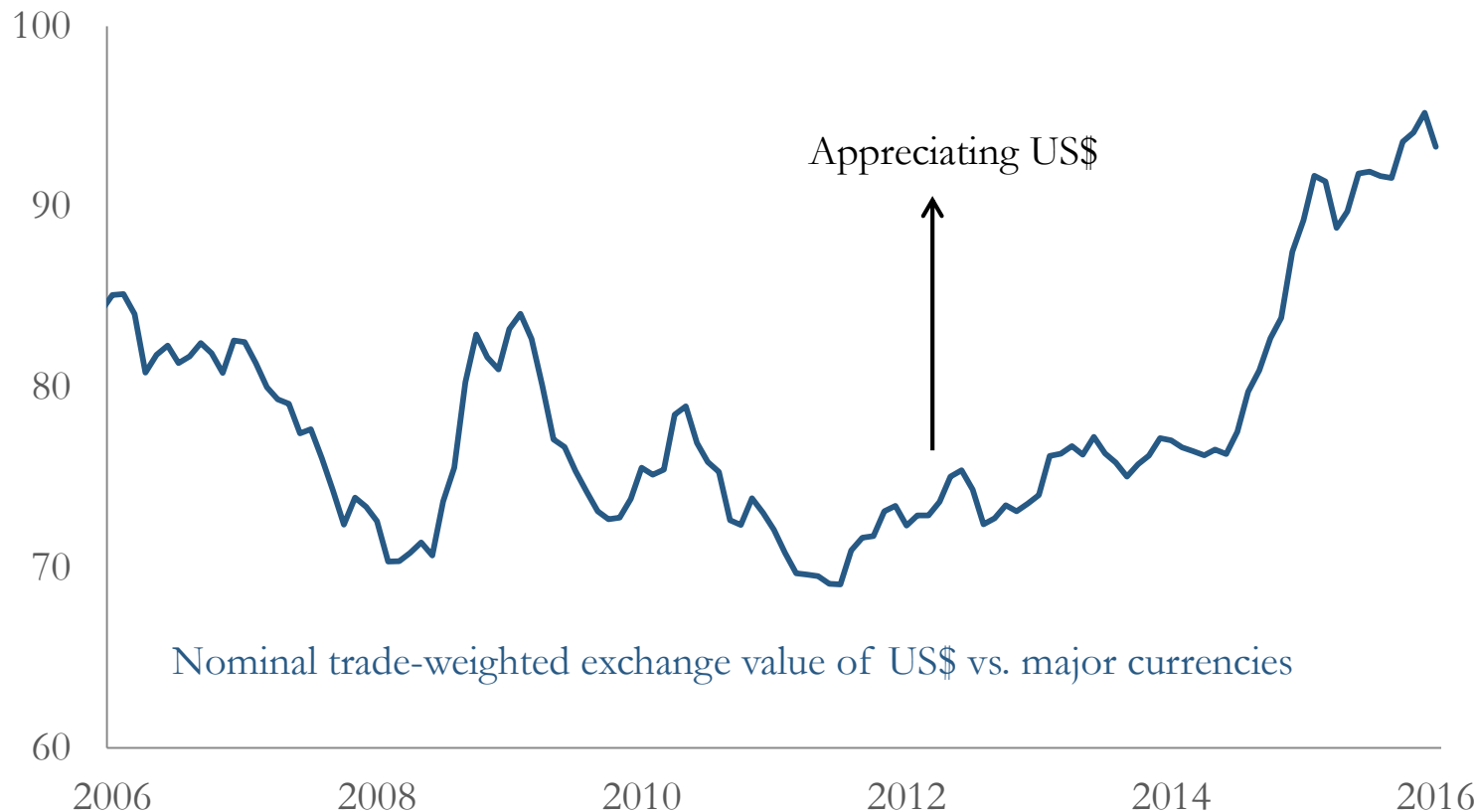
Percent Change over Prior Year



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

FOREIGN EXCHANGE VALUE OF THE DOLLAR

Index

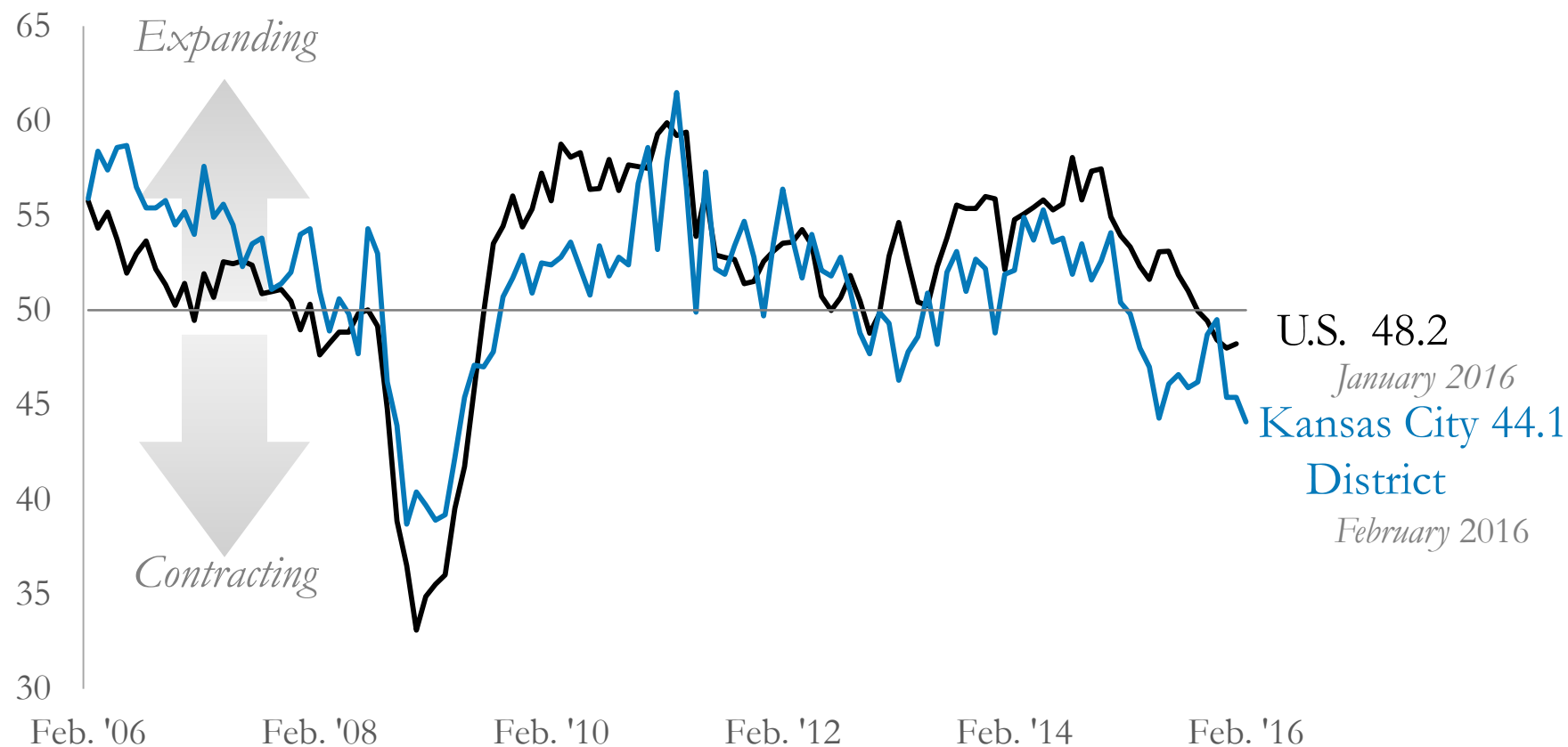


Manufacturing activity has slowed in the region due in part to a weak energy sector and a strong dollar.



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.

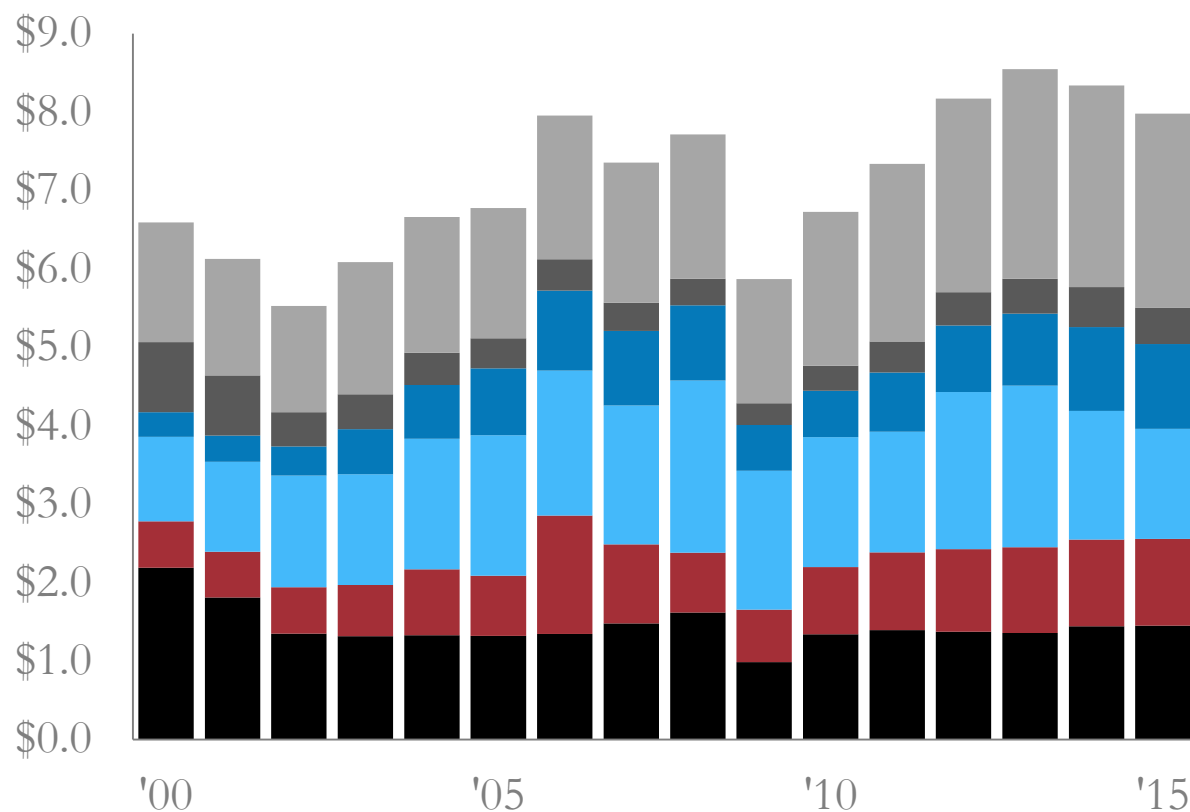


COLORADO EXPORTS BY TRADING PARTNER

Billions

2015

Percent Change

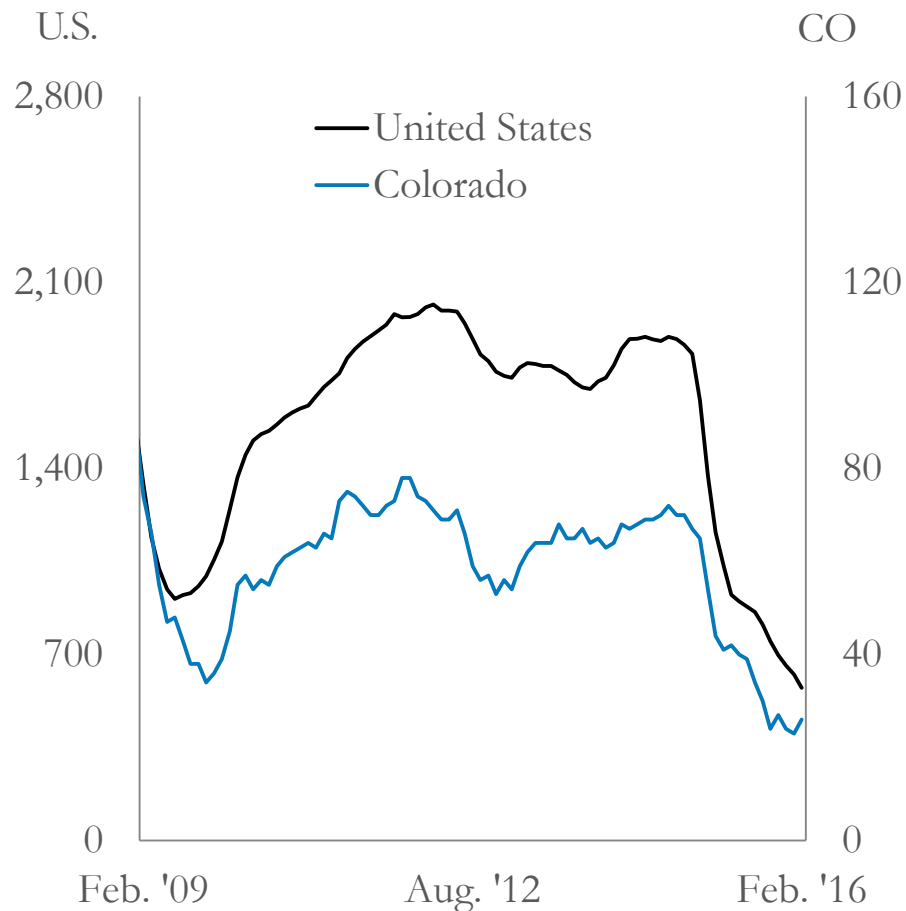


Total Trade	-4.3%	SHARE
All Other	-3.9	31.0%
Japan	-8.4	5.8
Mexico	1.0	13.5
Canada	-14.5	17.6
China	0.0	13.9
Eurozone	0.7	18.2

Energy activity has declined substantially in Colorado and the nation.

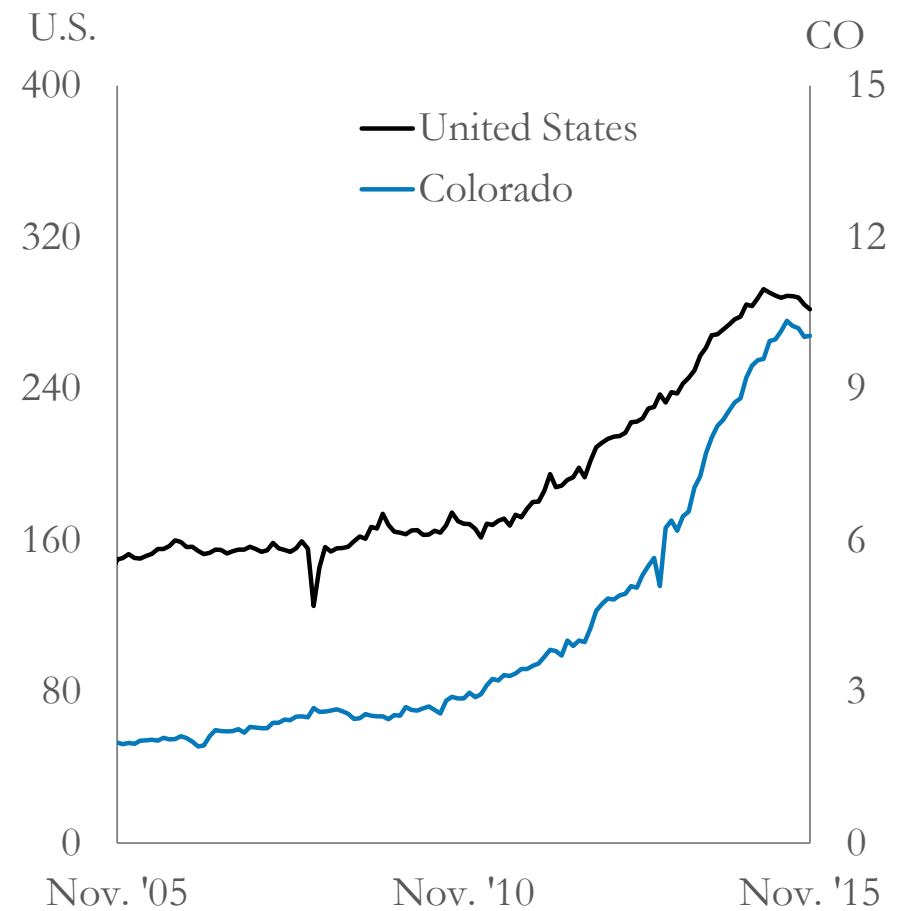


TOTAL RIG COUNT



CRUDE OIL PRODUCTION

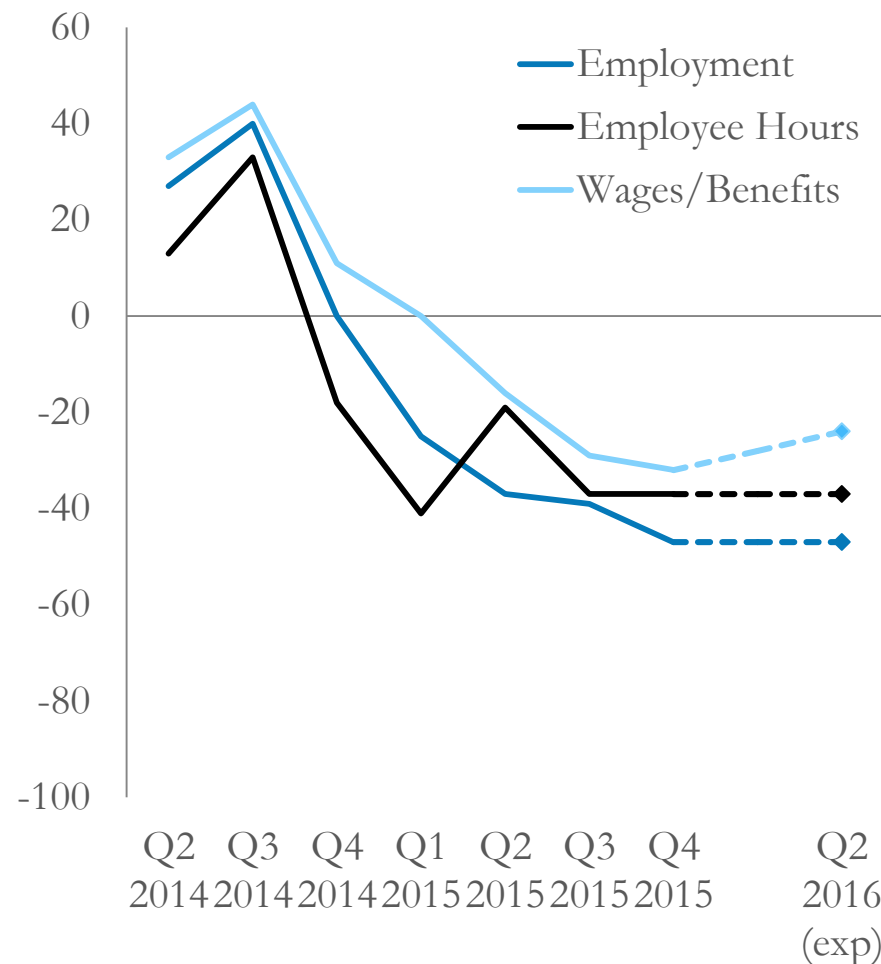
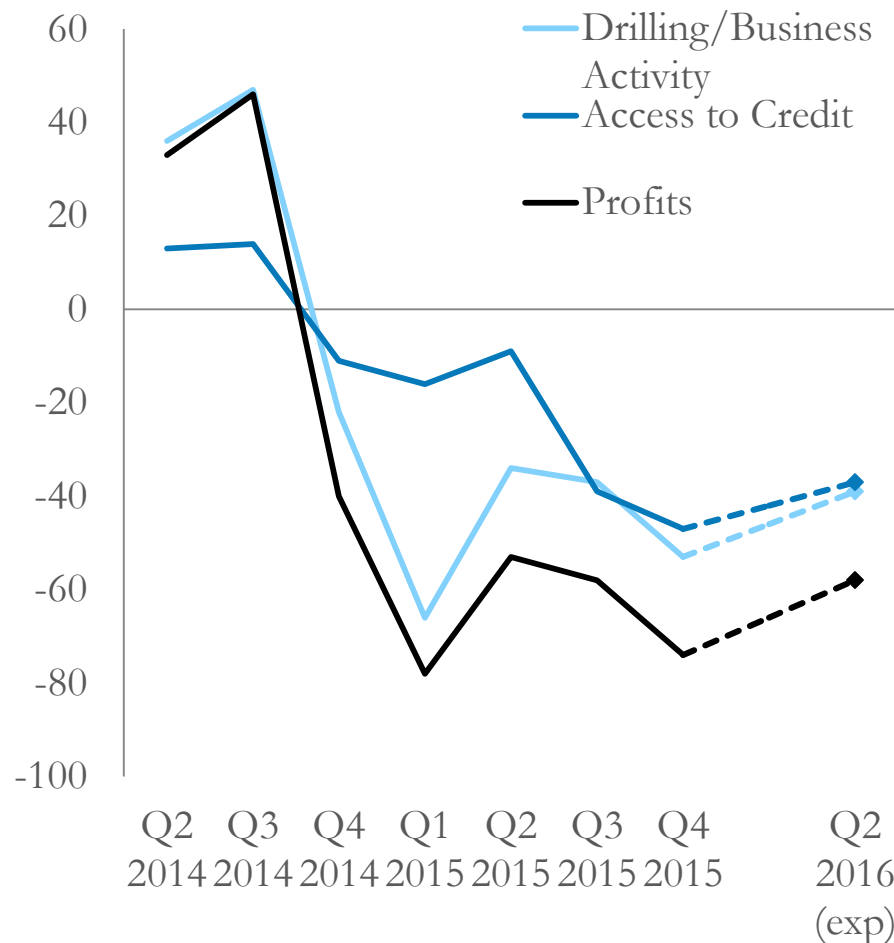
*Millions of Barrels, Monthly,
Seasonally Adjusted*



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

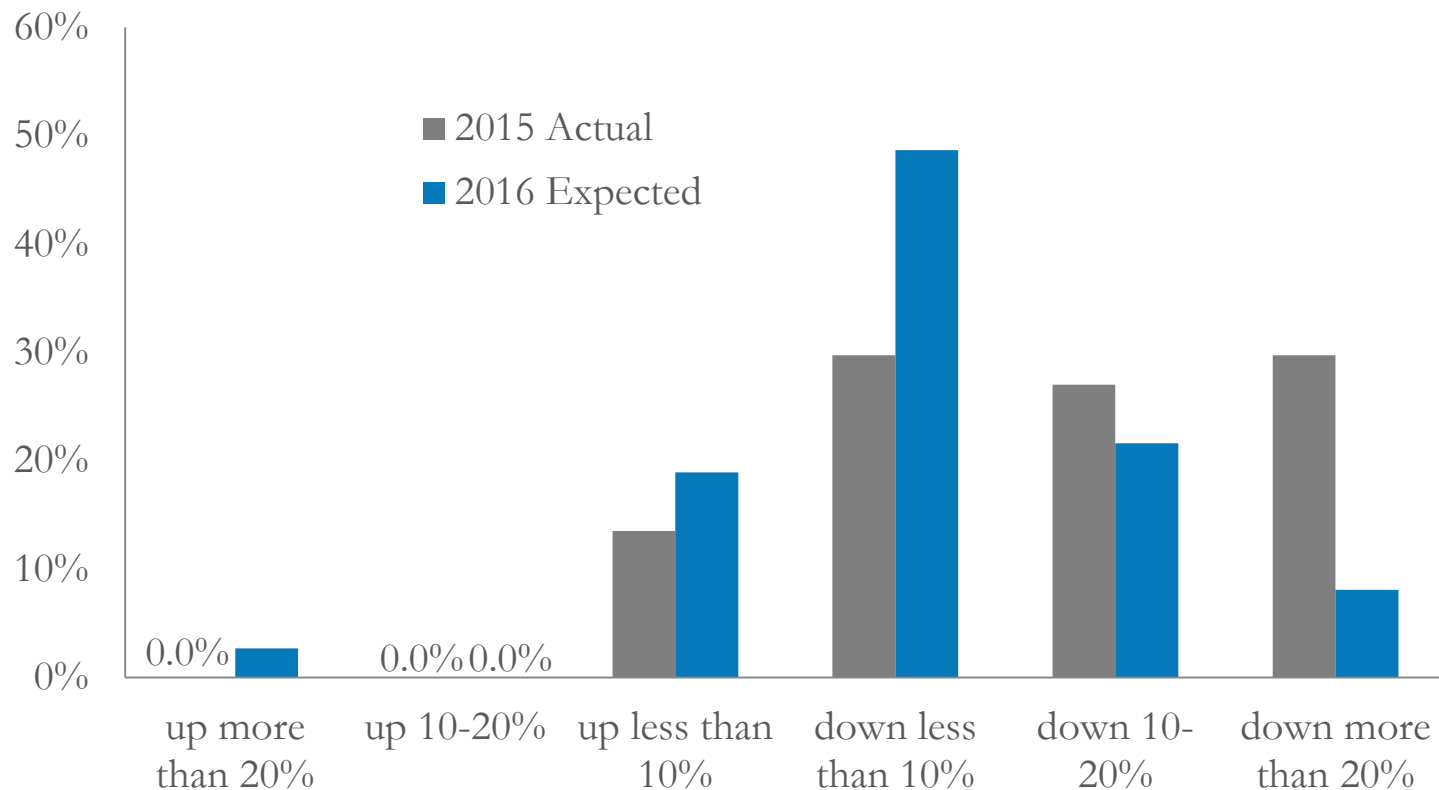


Most energy contacts expect additional layoffs in 2016, but the magnitude of layoffs this year is expected to be lower than in 2015.



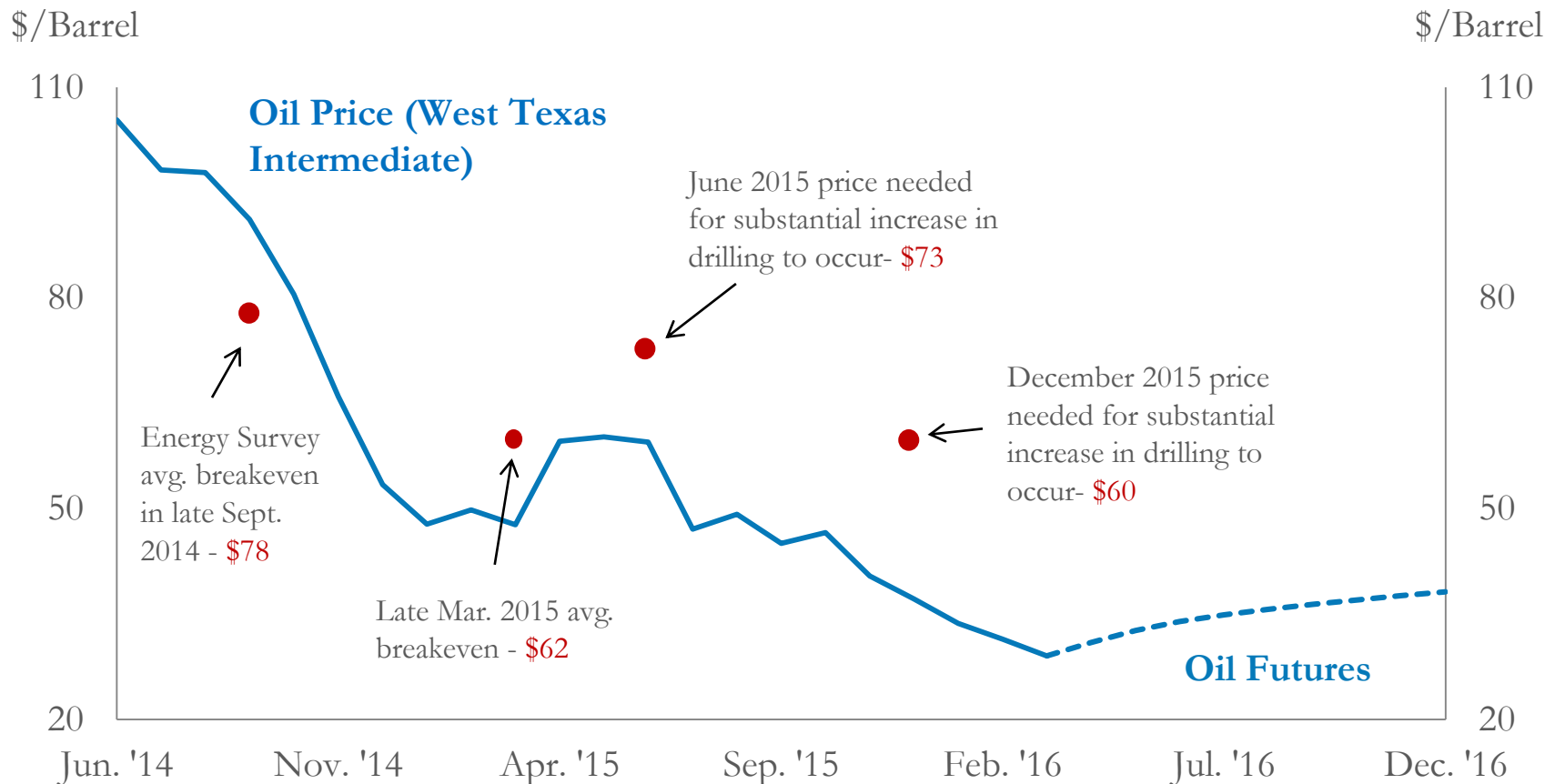
CHANGE IN ENERGY EMPLOYMENT - FRBKC ENERGY SURVEY

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.

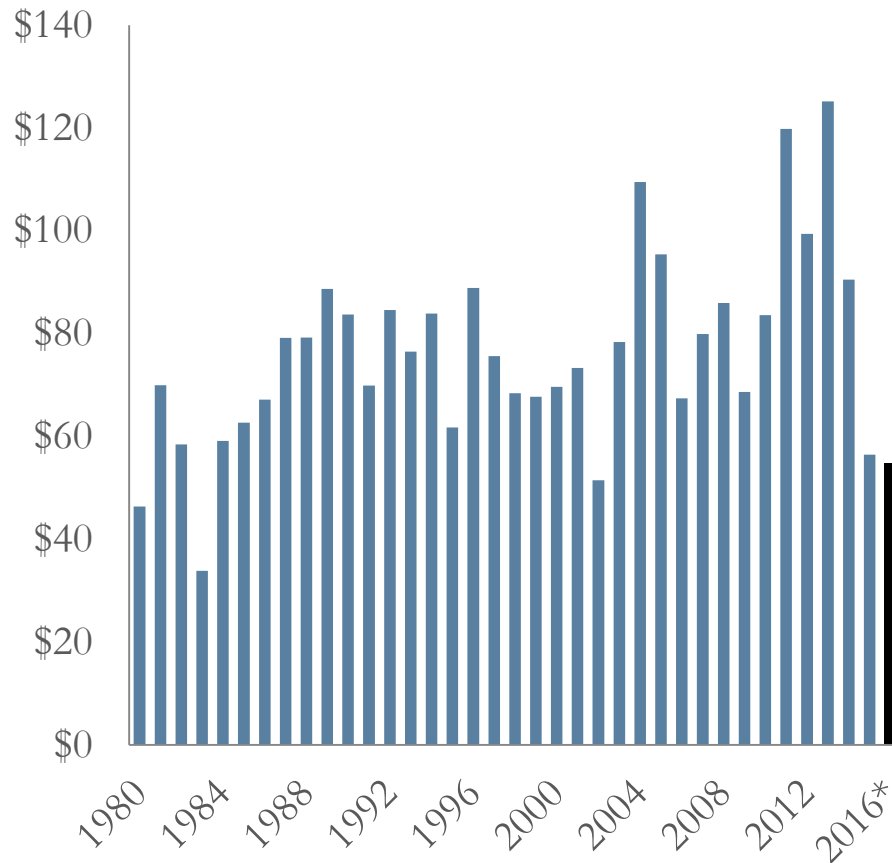
REPORTED BREAKEVEN OIL PRICES AND WTI EXPECTATIONS



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

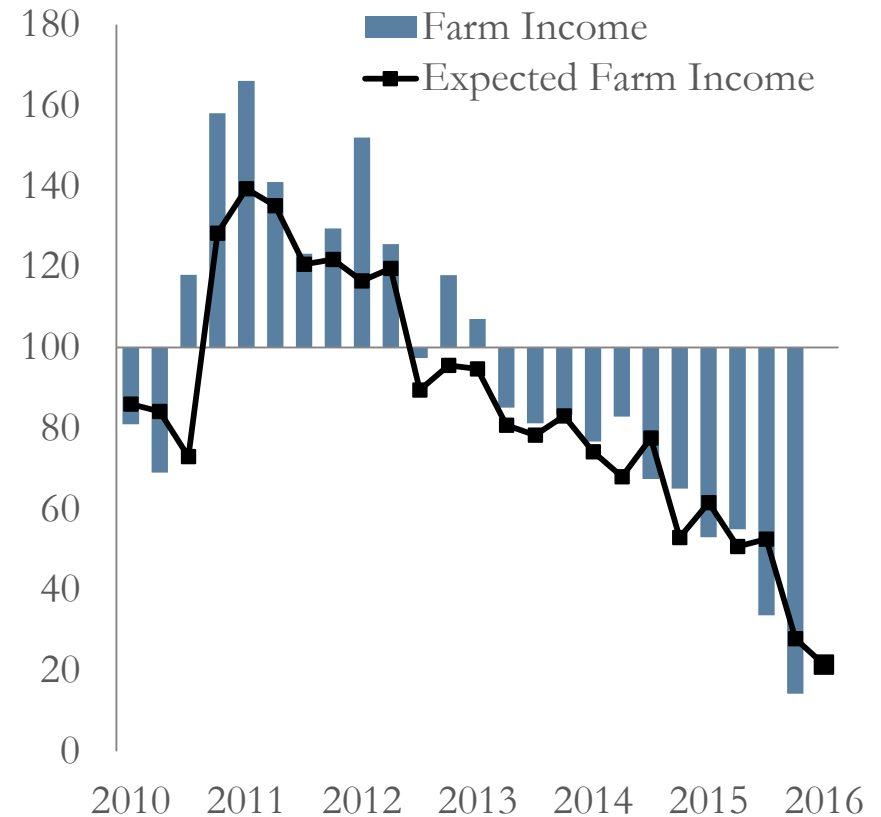


U.S. REAL NET FARM INCOME
Billion dollars (constant 2005 dollars)



*Forecast for 2016

TENTH DISTRICT FARM INCOME
Diffusion Index



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

