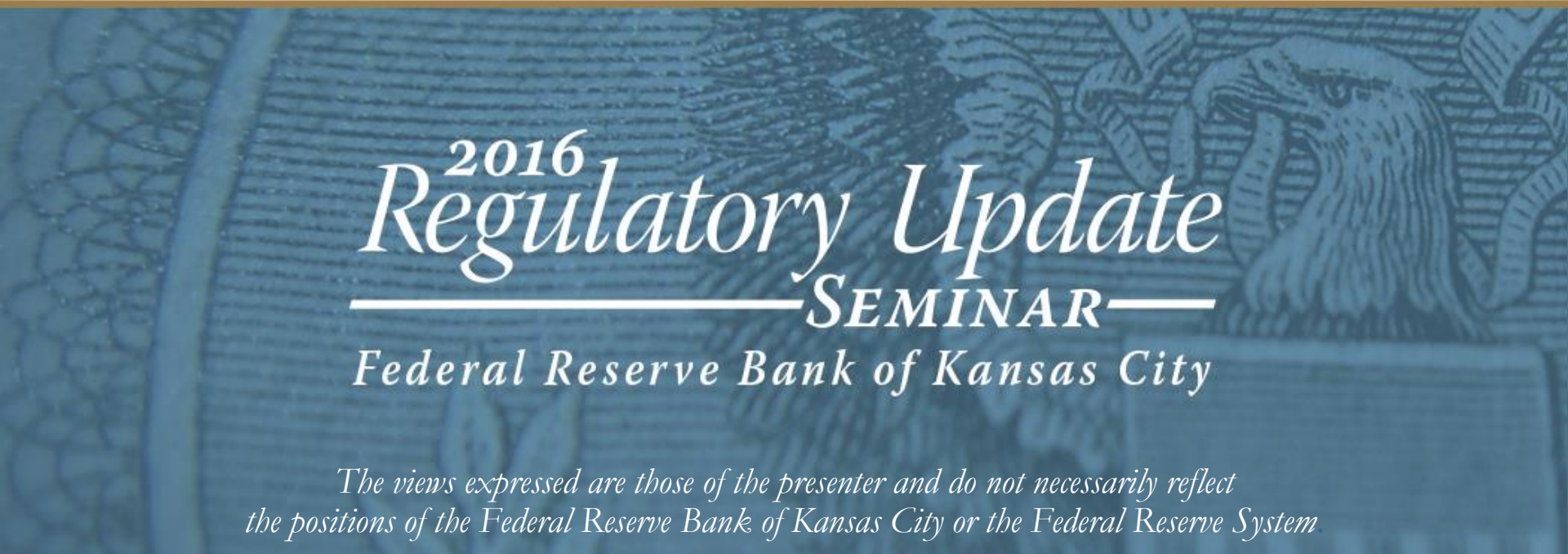


Emerging Trends in the U.S. & Colorado Economies

Alison Felix

Economist & Branch Executive

Federal Reserve Bank of Kansas City, Denver Branch



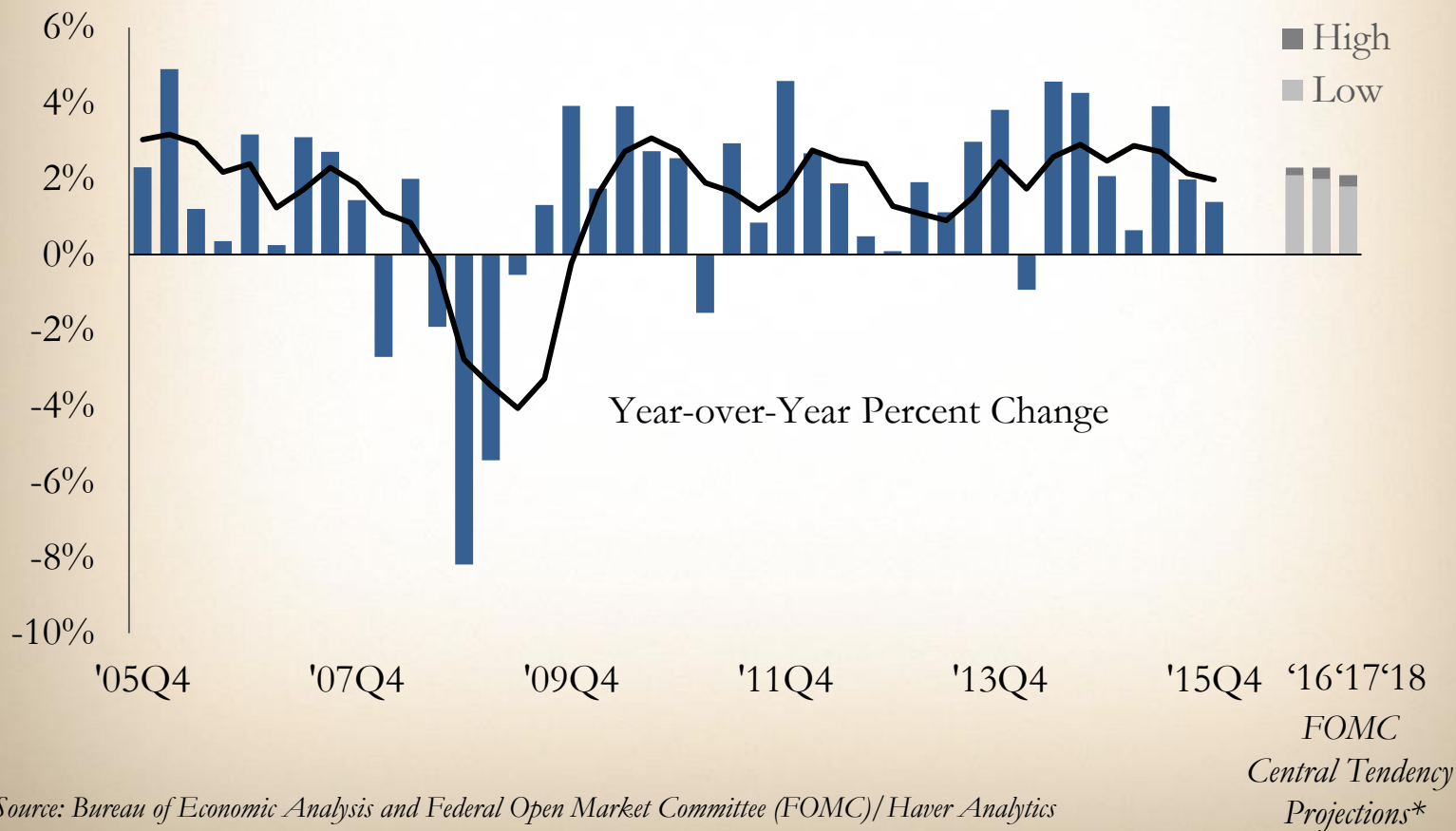
²⁰¹⁶
Regulatory Update
— SEMINAR —
Federal Reserve Bank of Kansas City

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

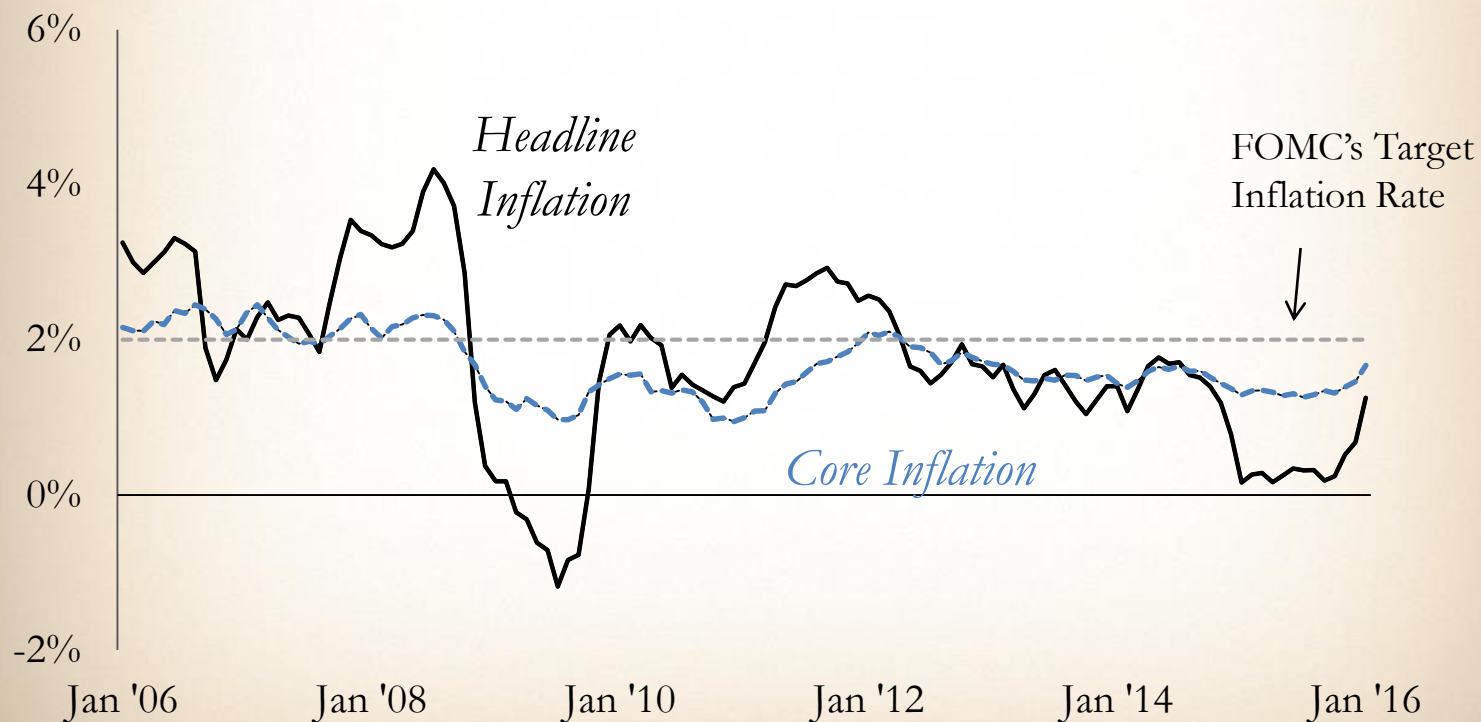


Source: Bureau of Economic Analysis and Federal Open Market Committee (FOMC)/Haver Analytics

*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*

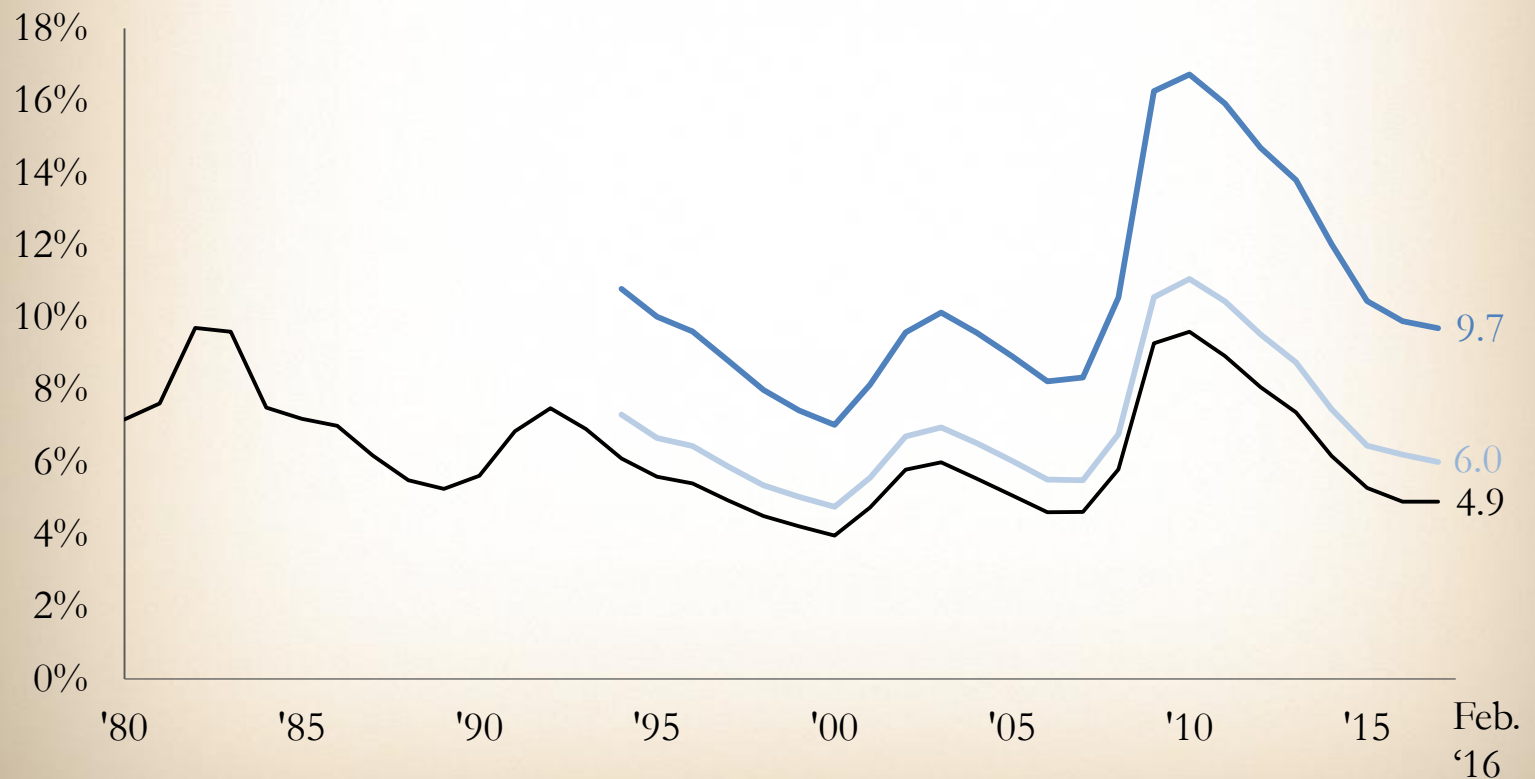


Source: Bureau of Economic Analytics

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

U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

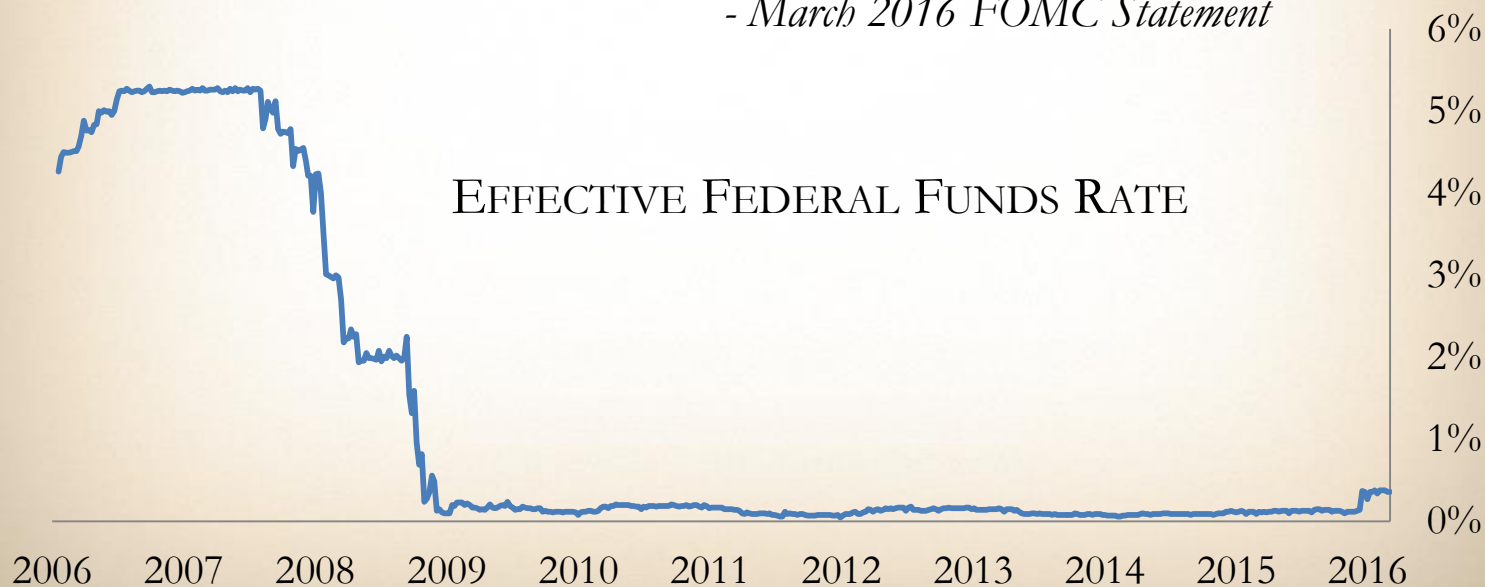
Seasonally Adjusted



Source: Bureau of Labor Statistics

“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

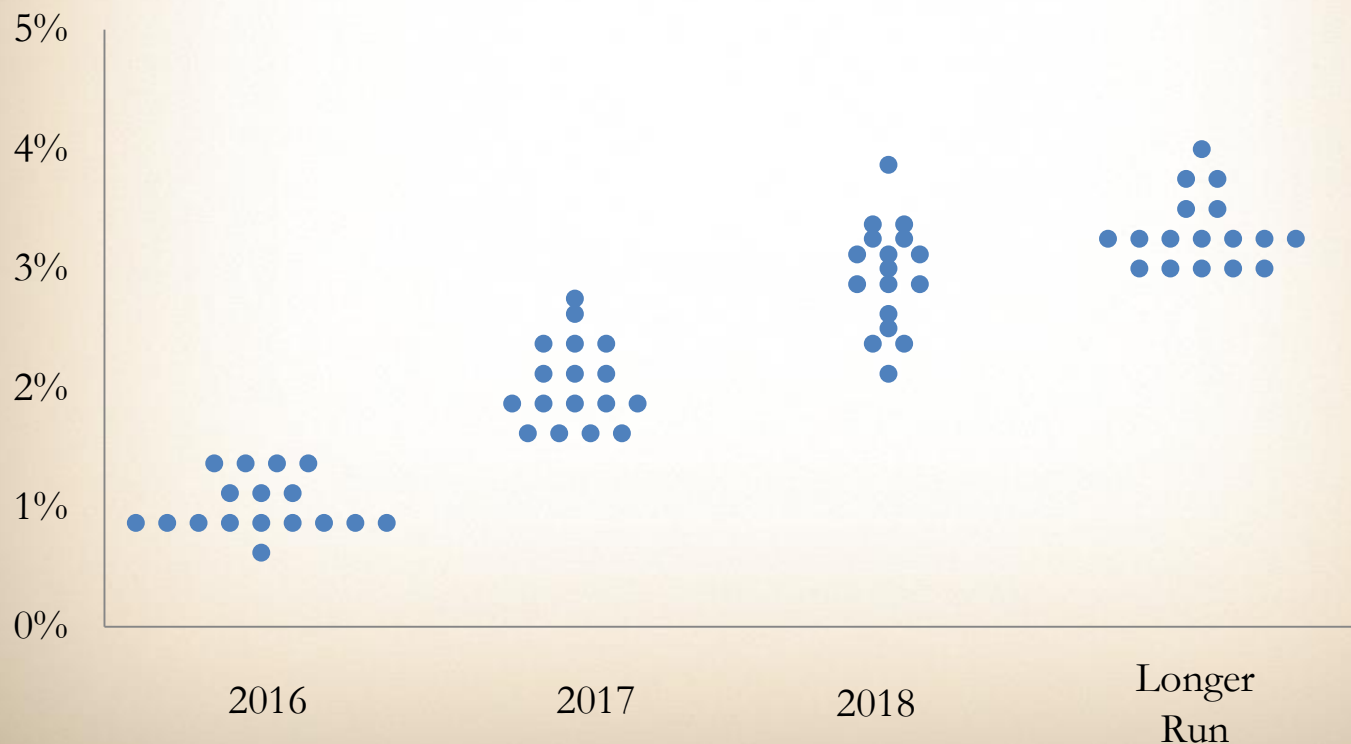


Source: Federal Reserve Board

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

MIDPOINT OF TARGET RANGE OR TARGET LEVEL FOR FEDERAL FUNDS RATE

Individual FOMC Member Responses – March FOMC Meeting



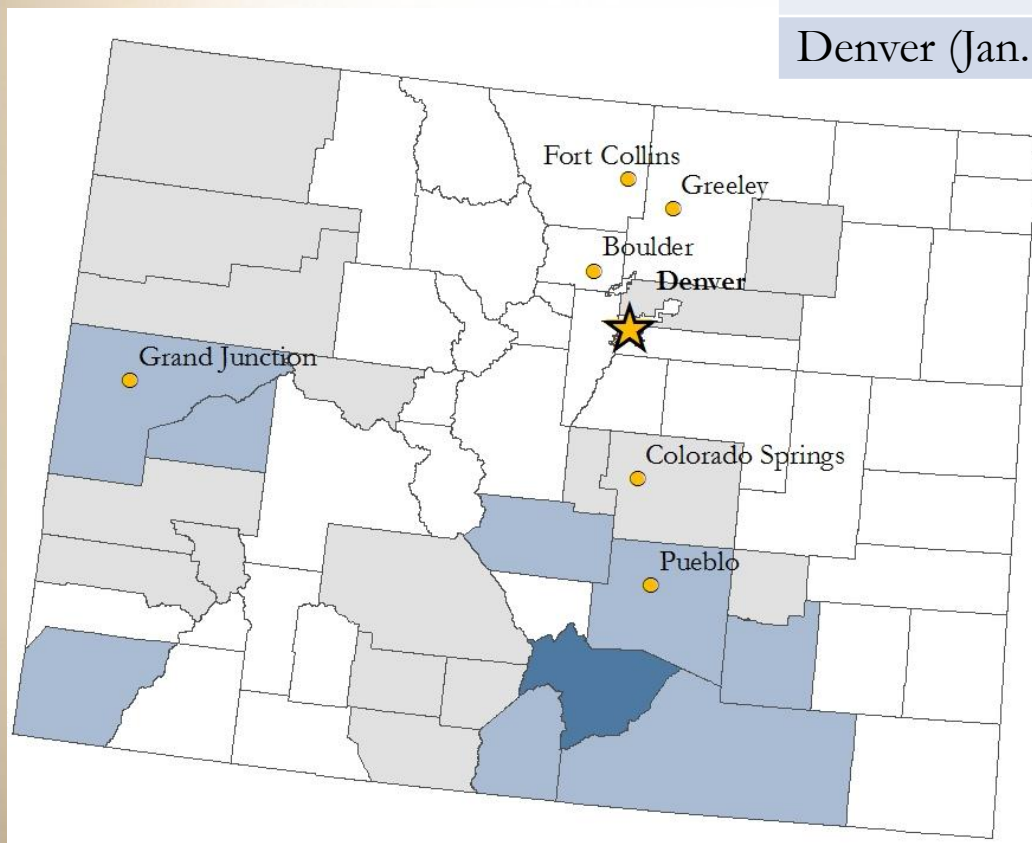
Source: Federal Reserve Board

Unemployment rates have trended down across Colorado.

UNEMPLOYMENT RATES *January 2016, Seasonally Adjusted*

Feb. '16 {

<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States	4.9%	6.0%	9.7%
Colorado	3.0%	4.3%	7.9%
Denver (Jan. '16)	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.*



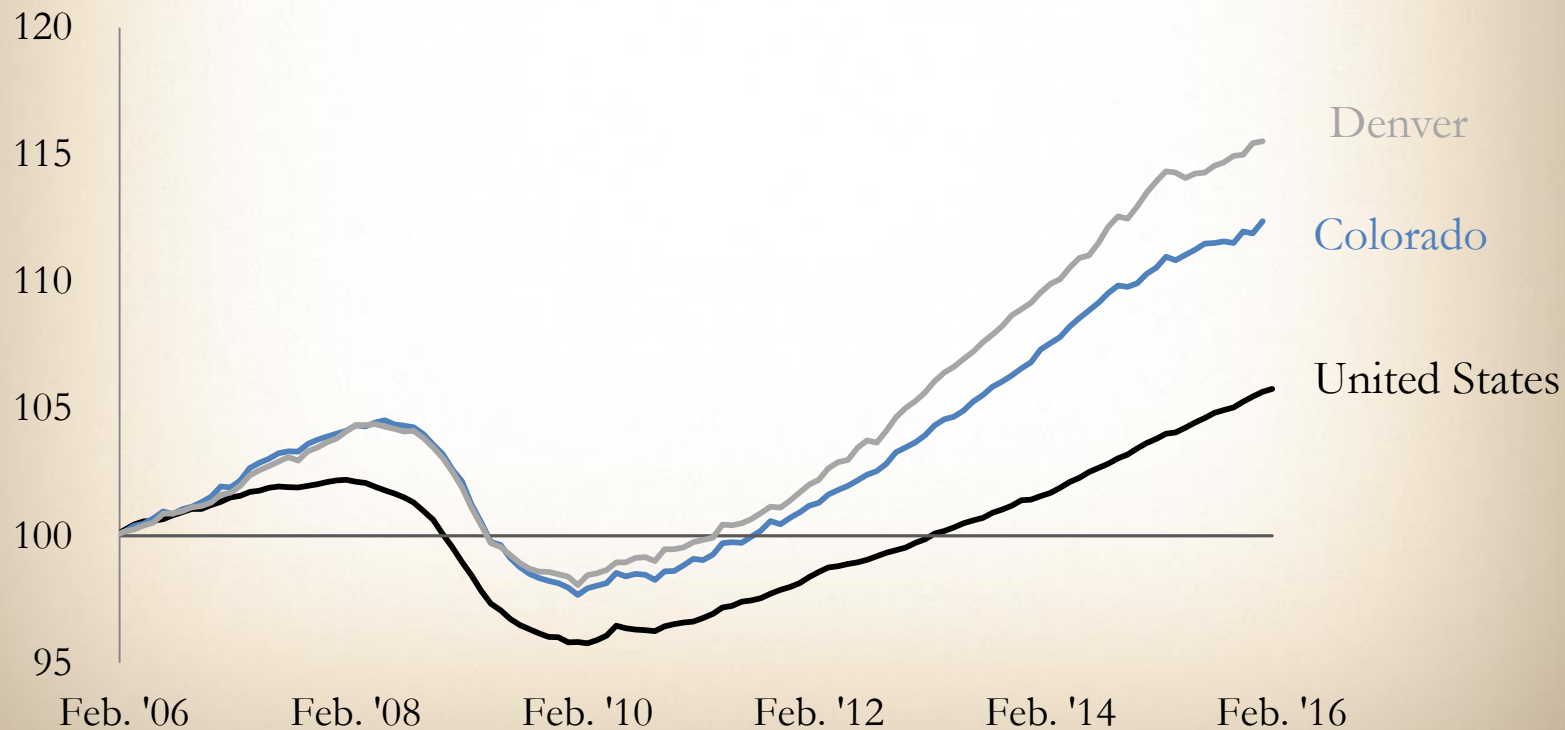
Source: Bureau of Labor Statistics

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

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



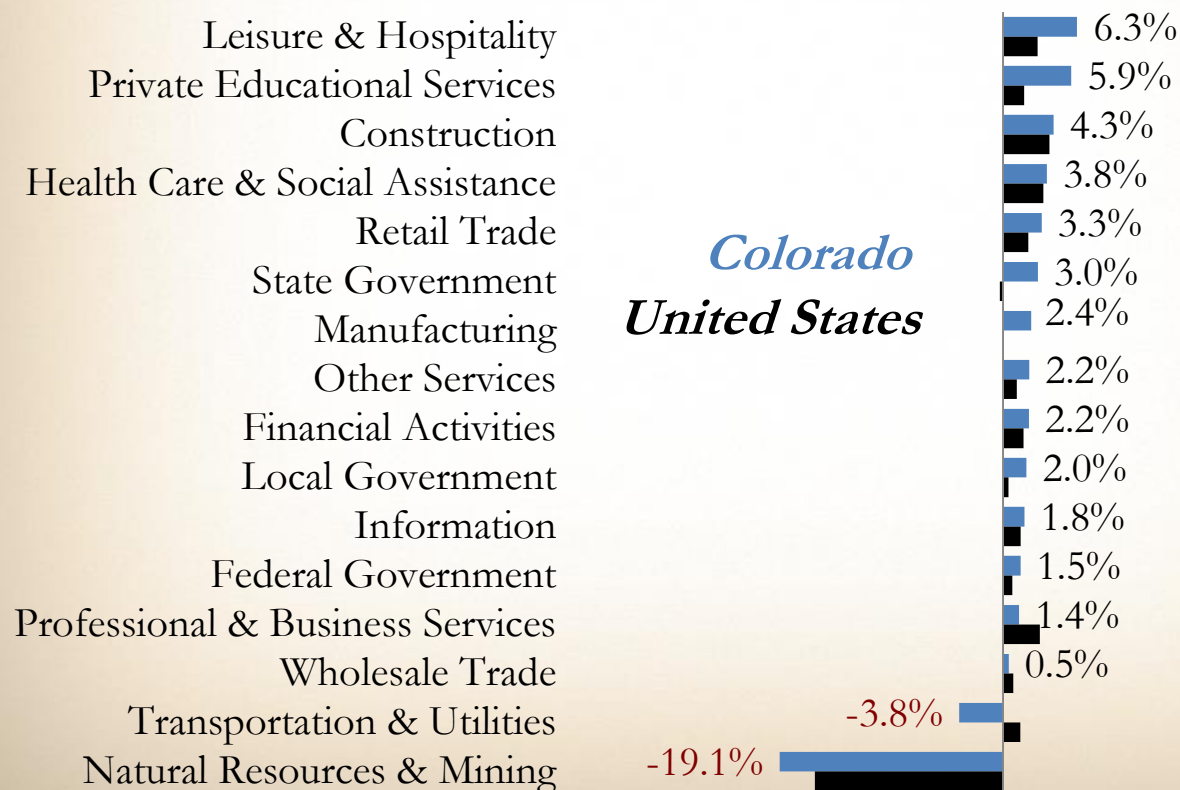
Source: Bureau of Labor Statistics

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*



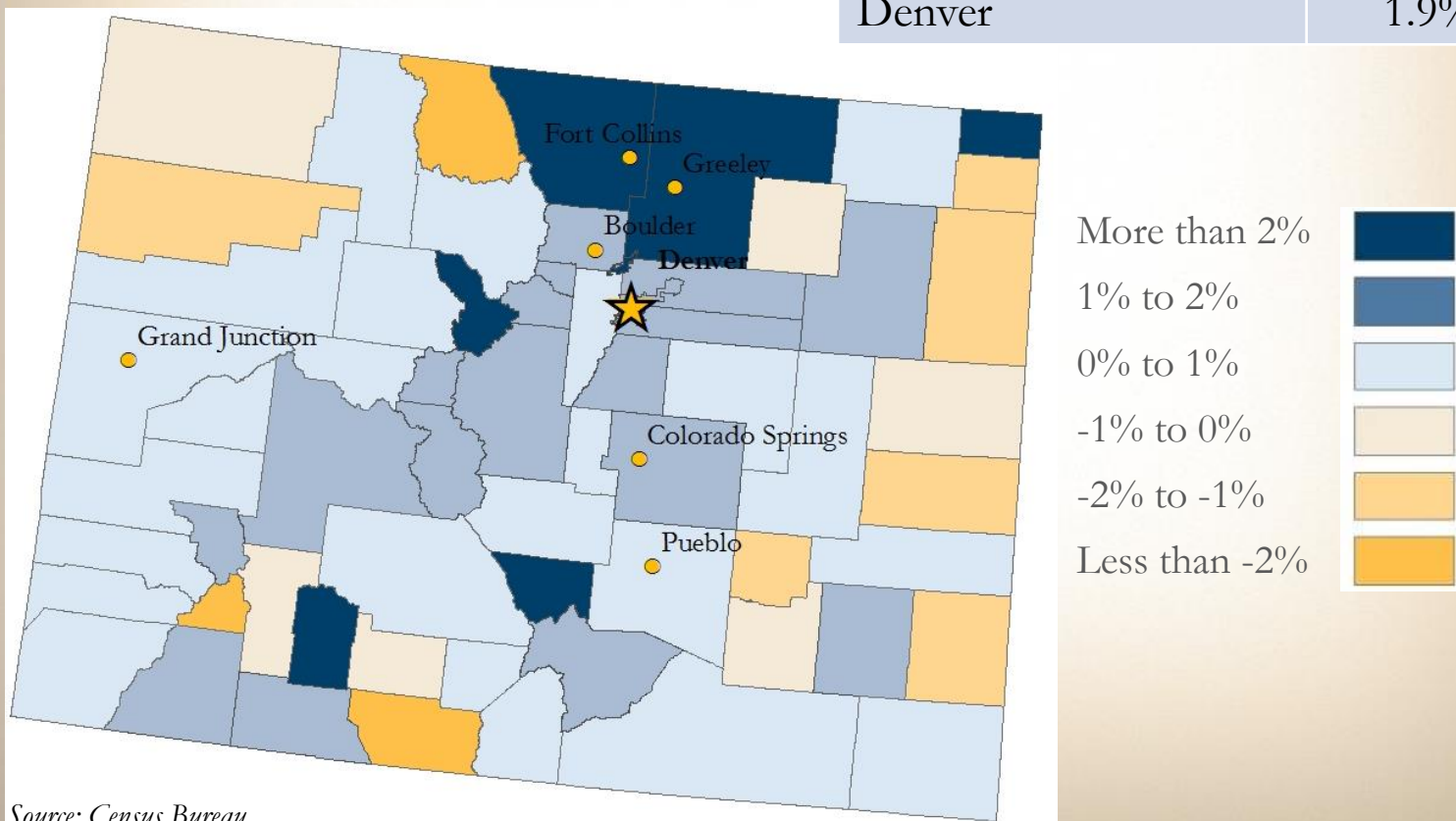
Source: Bureau of Labor Statistics

Parts of Colorado continue to experience strong 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%

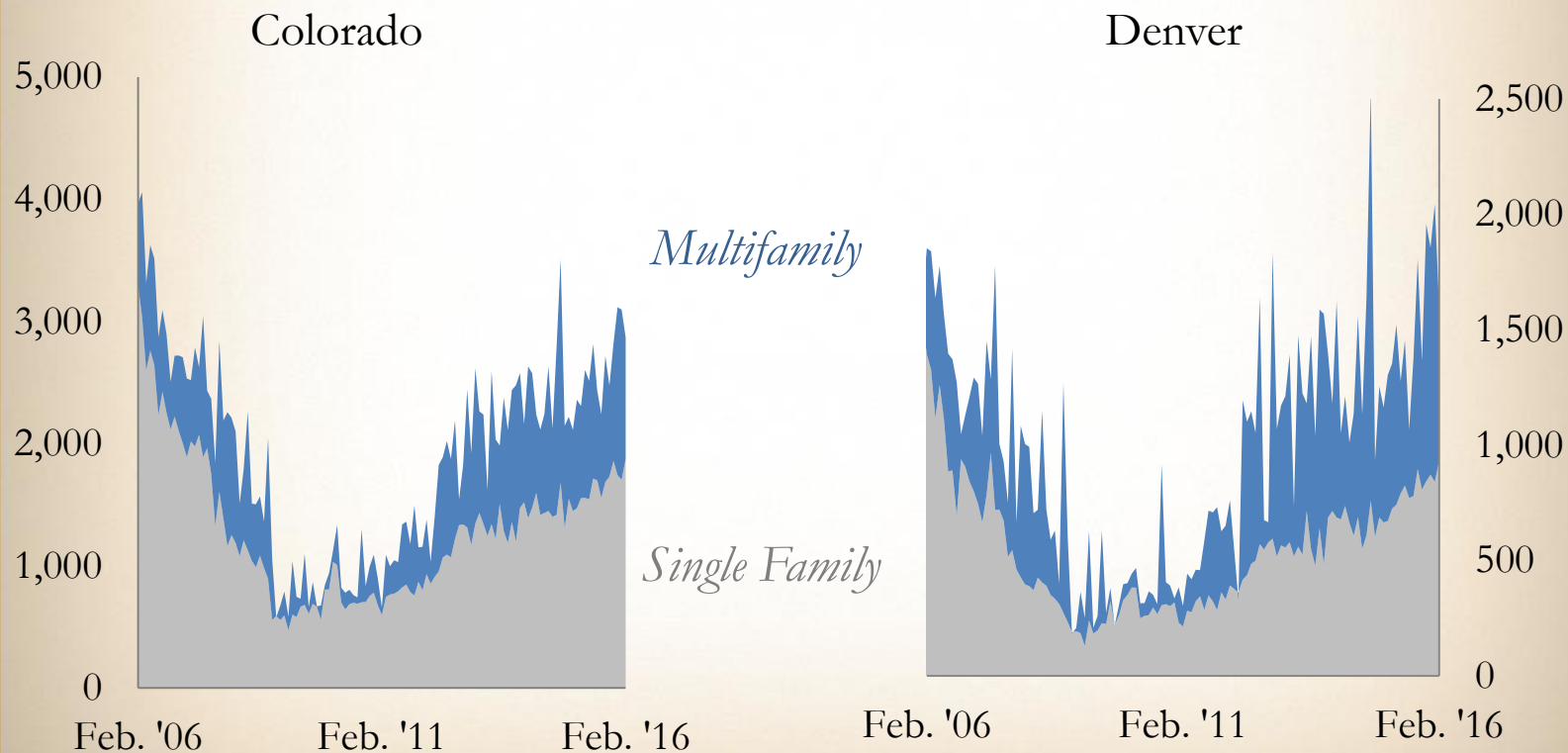


Source: Census Bureau

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

RESIDENTIAL PERMITS

Seasonally Adjusted



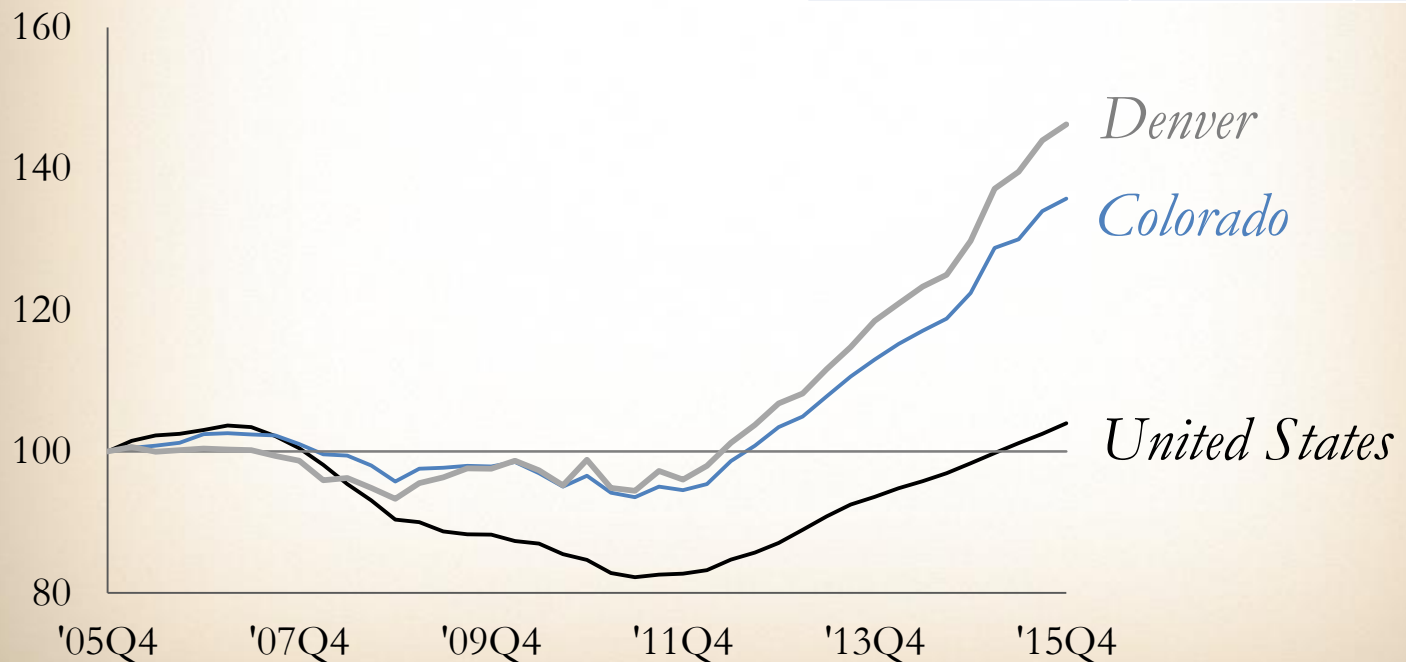
Source: Census Bureau/Haver Analytics

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

FHFA PURCHASE-ONLY HOME PRICE INDEX

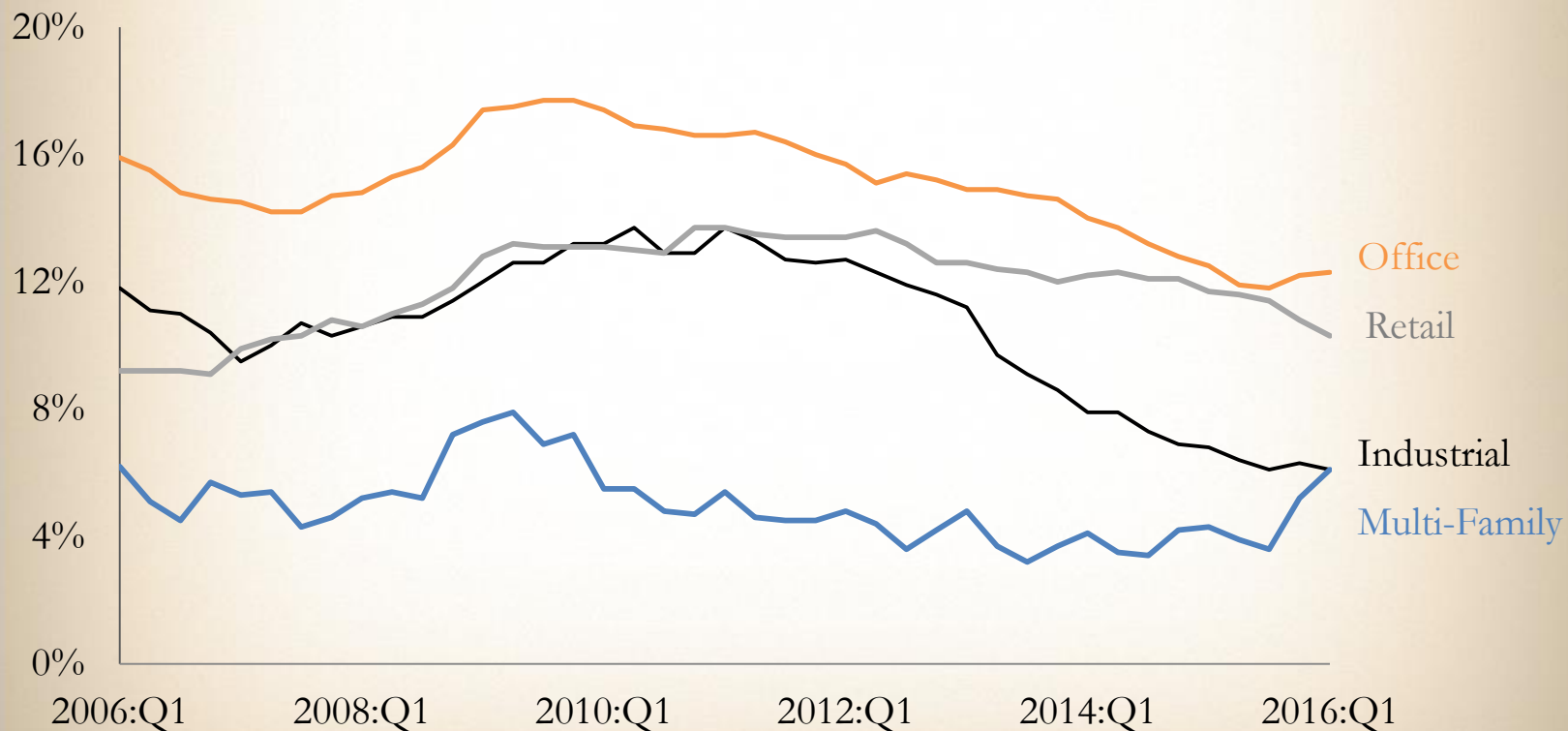
Index 100 = 2005:Q4, Seasonally Adjusted

<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 multi-family vacancies have edged up in recent months.

DENVER COMMERCIAL VACANCY RATES



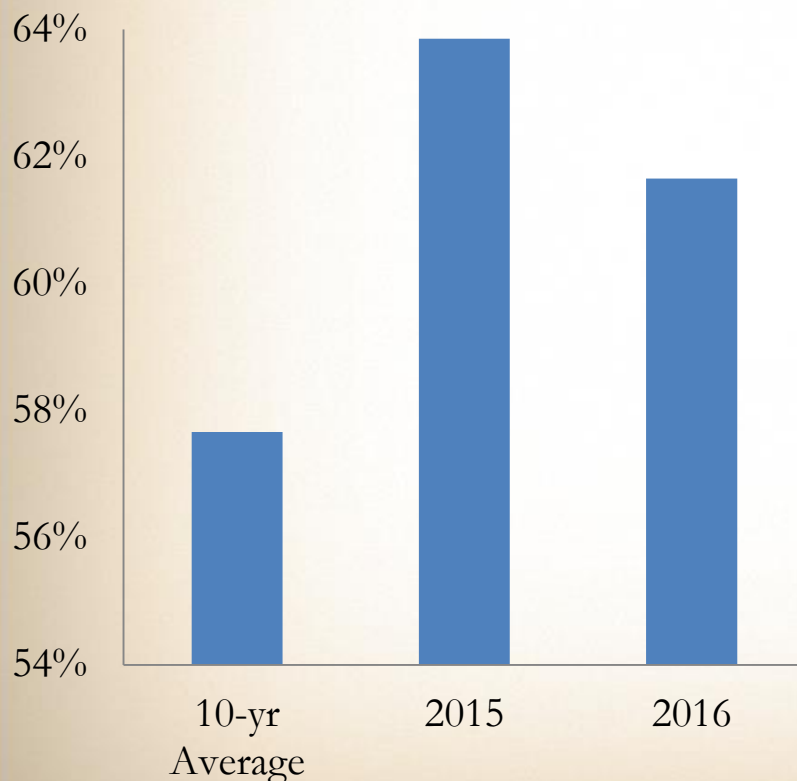
Note: 2016 Q1 data are forecasted values.

Source: Torto-Wheaton Research

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

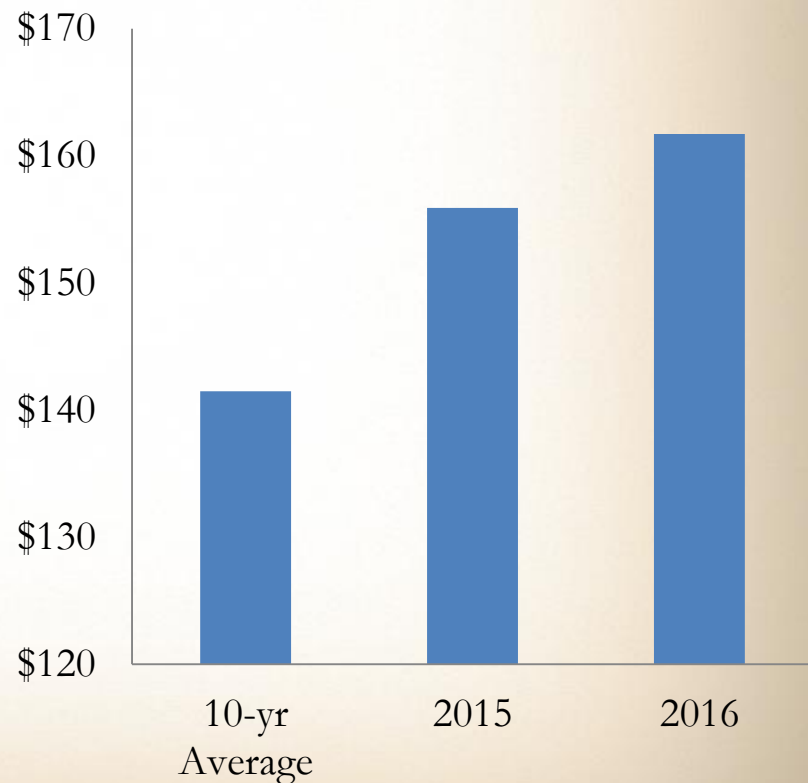
HOTEL OCCUPANCY RATES

Colorado, Year-to-Date Average Through February



REAL HOTEL ROOM RATES

Colorado, January, 1999 Dollars, Year-to-Date Average Through February

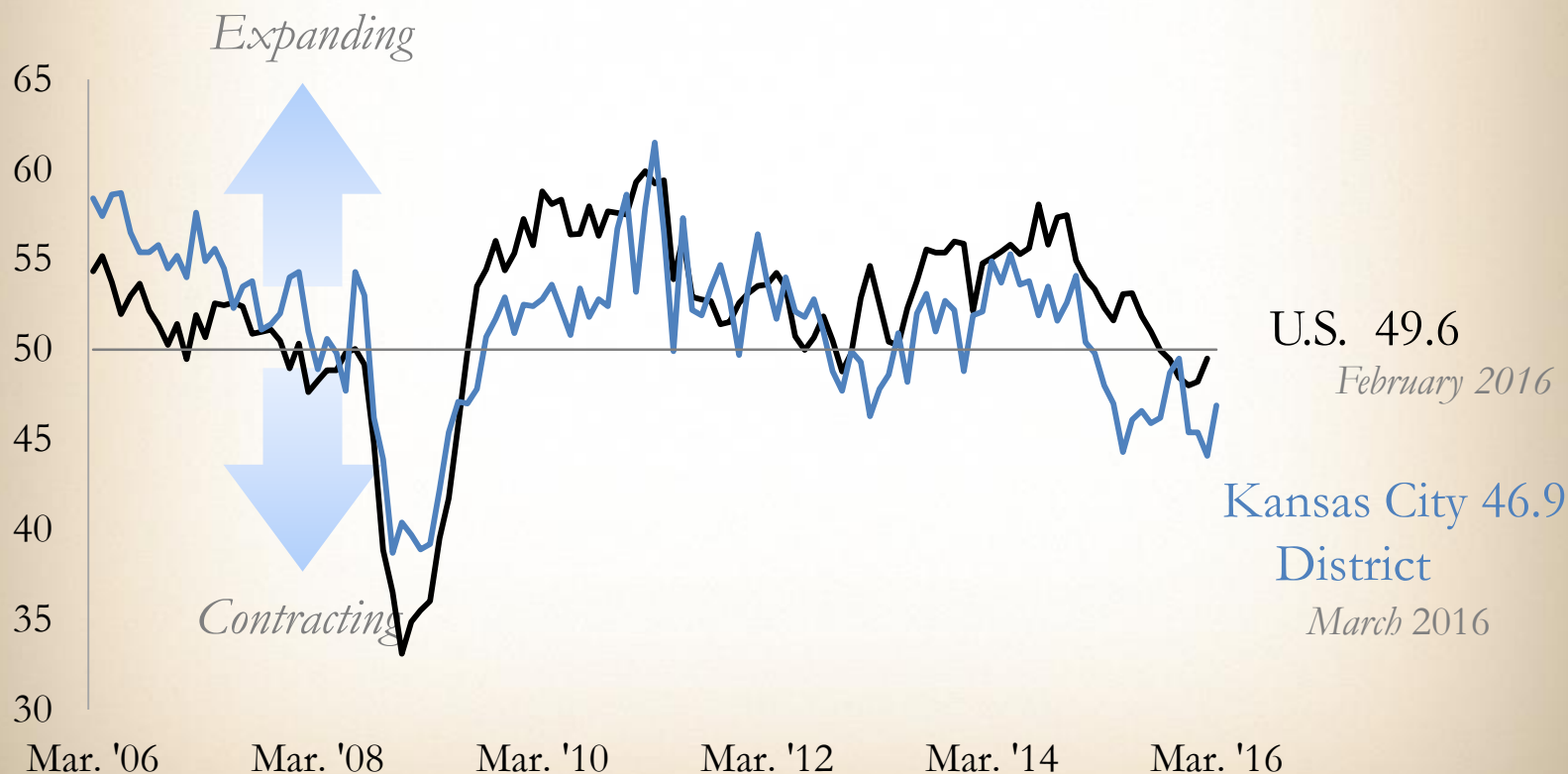


Source: Colorado Hotel and Lodging Association

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

MANUFACTURING ACTIVITY

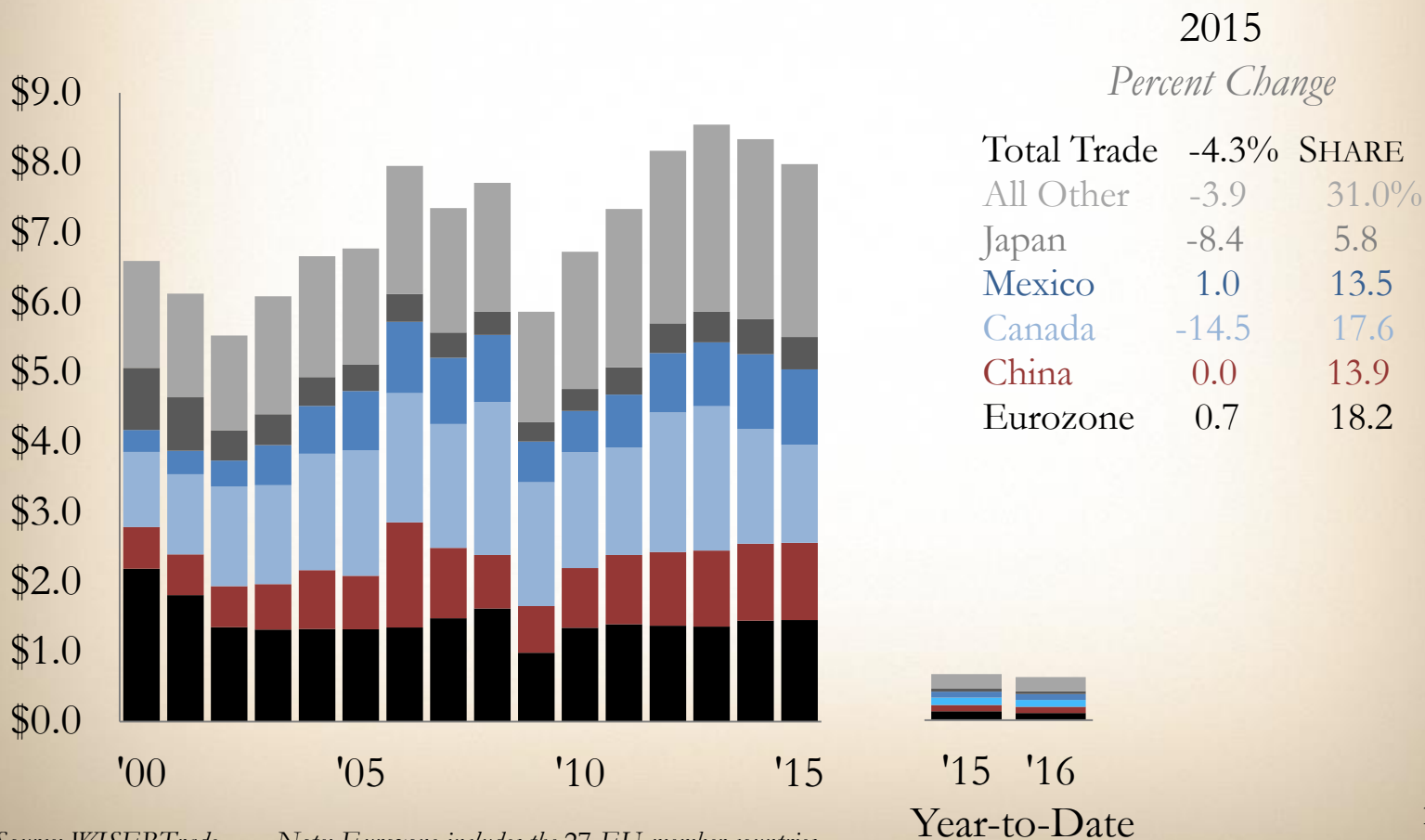
Diffusion Index, Seasonally Adjusted, Month-over-Month



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

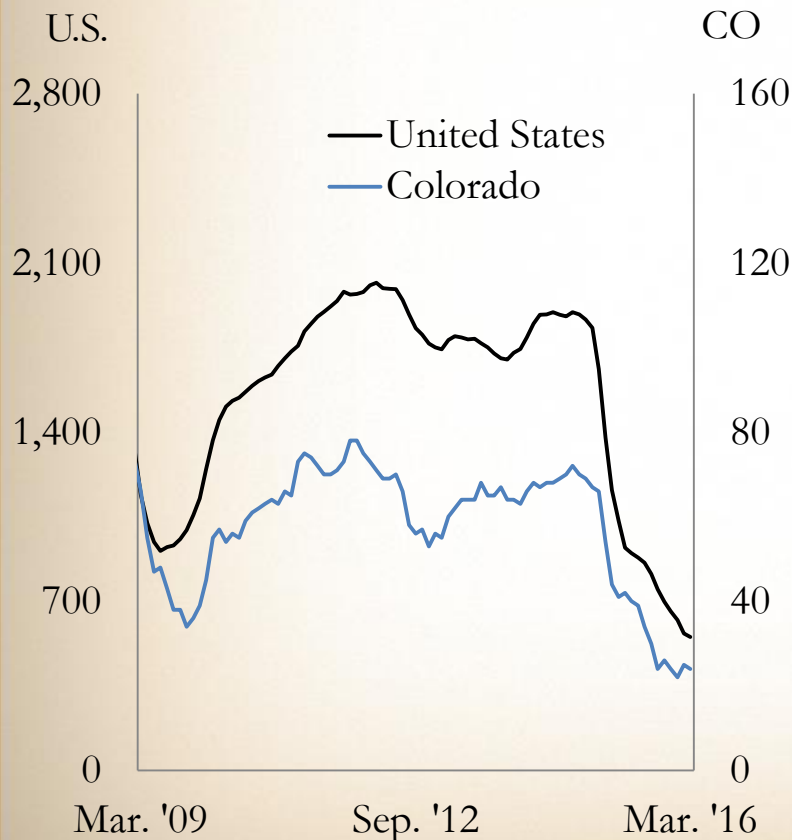


Source: WISERTrade

Note: Eurozone includes the 27 EU member countries.

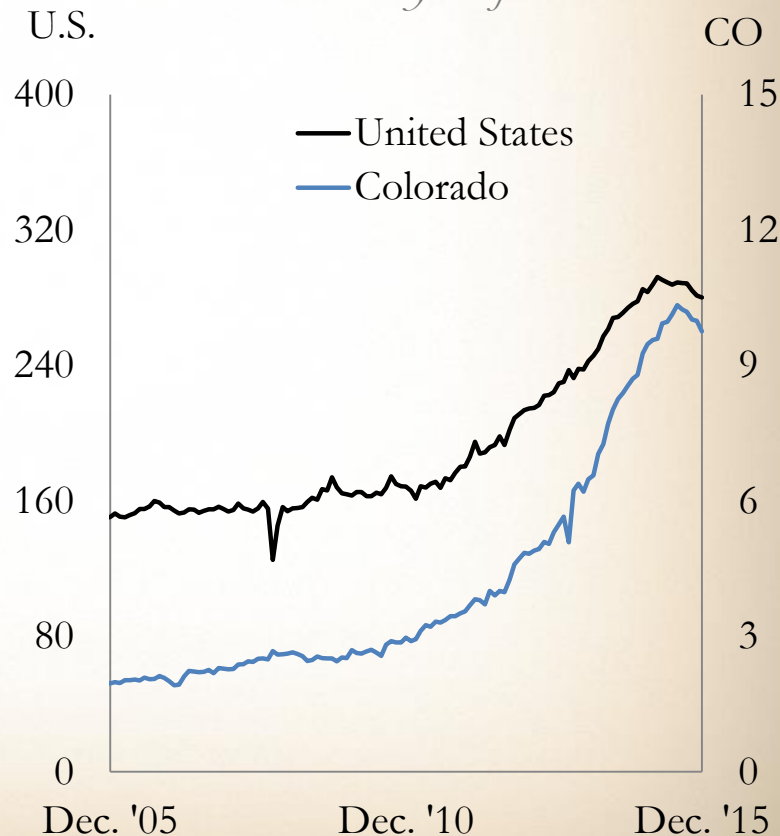
Energy activity has declined substantially in Colorado and the nation.

TOTAL RIG COUNT



CRUDE OIL PRODUCTION

*Millions of Barrels, Monthly,
Seasonally Adjusted*

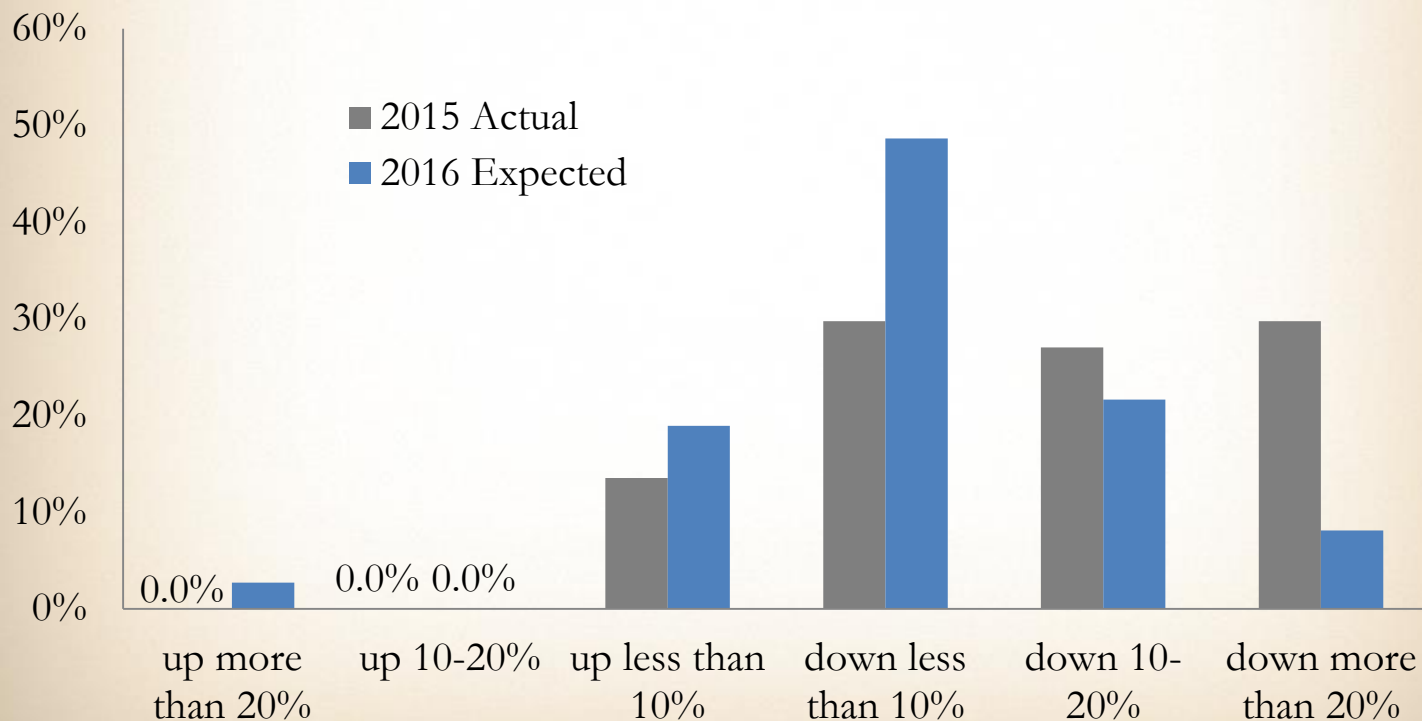


Source: Baker Hughes, Energy Information Administration and Haver Analytics

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

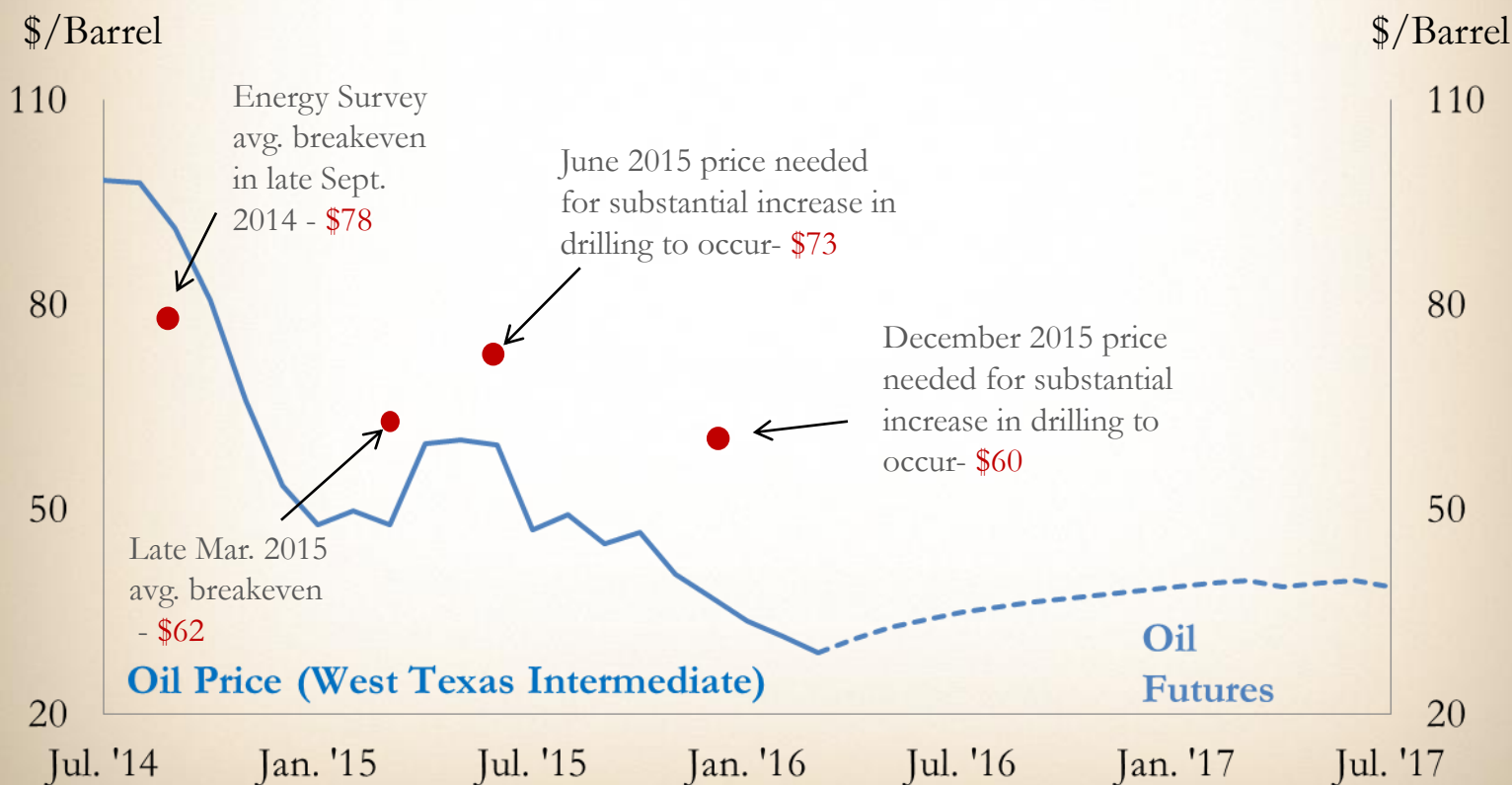
Percent of Total Responses



Source: FRBKC Energy Survey

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

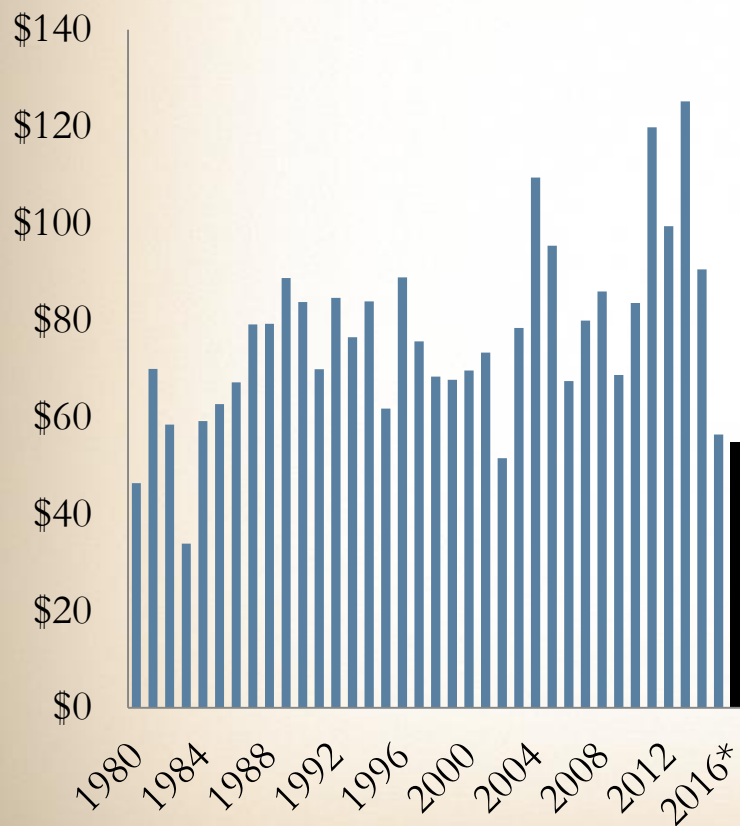


Source: Kansas City Federal Reserve Bank's Energy Survey, Energy Information Administration, Reuters

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

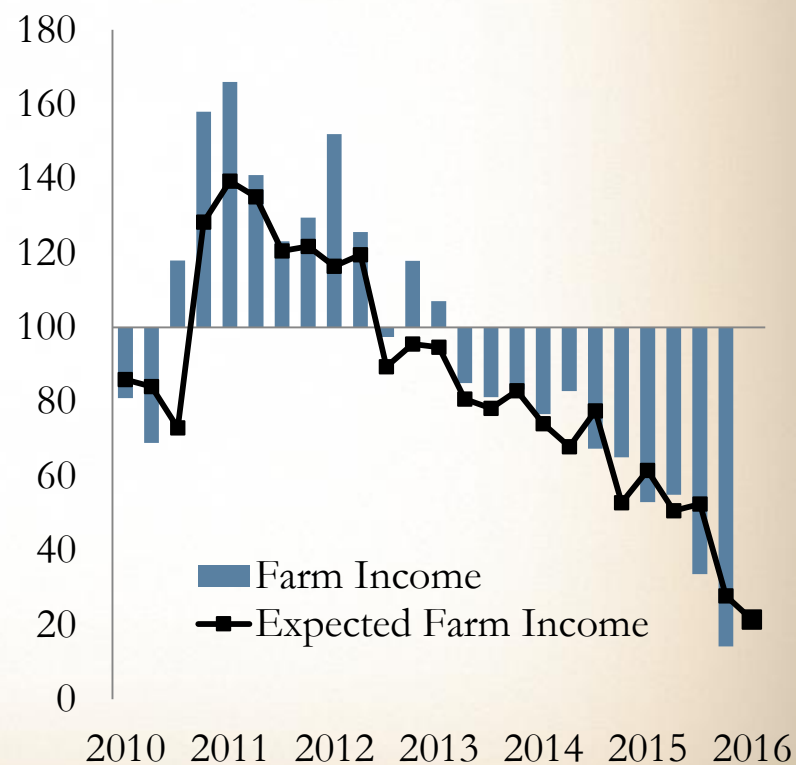
U.S. REAL NET FARM INCOME

Billion dollars (constant 2005 dollars)



TENTH DISTRICT FARM INCOME

Diffusion Index



*Forecast for 2016

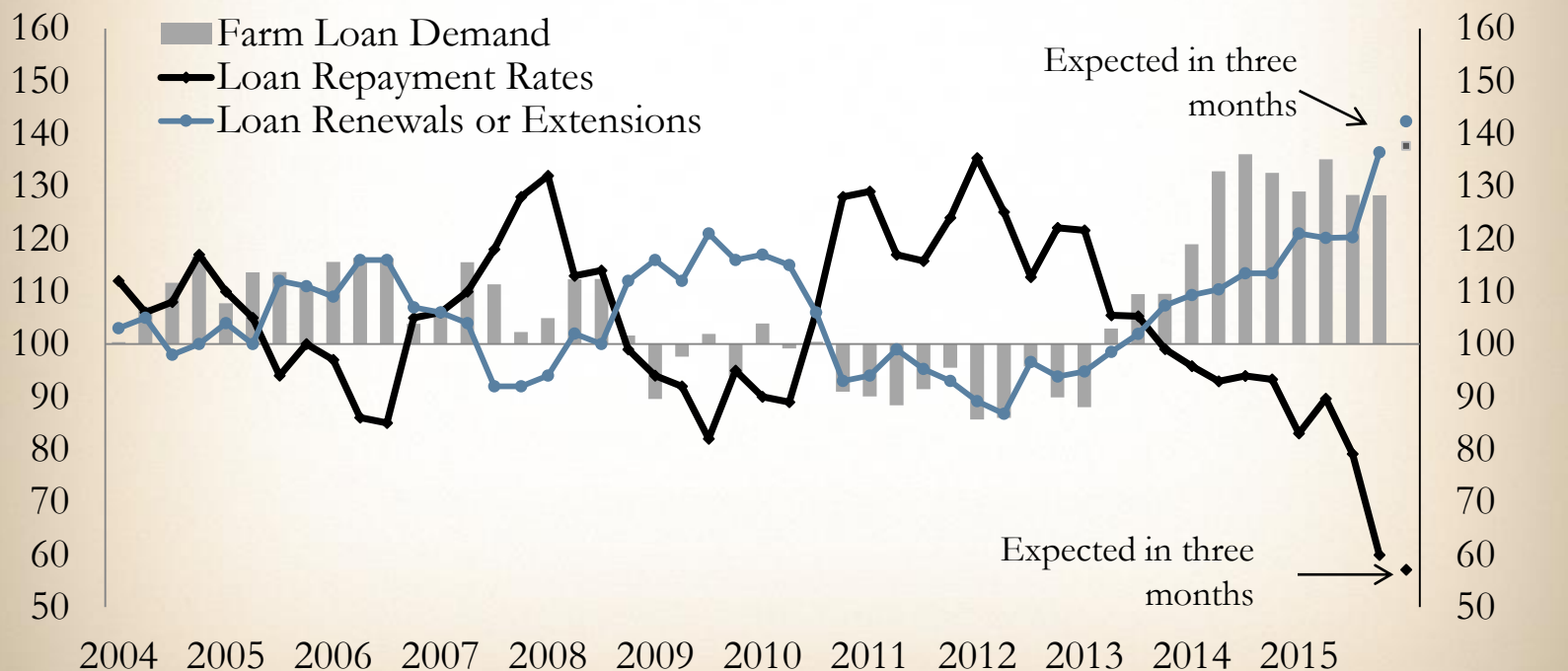
Source: Kansas City Federal Reserve Bank's Energy Survey, Energy Information Administration, Reuters

Agricultural credit conditions have gradually deteriorated.

TENTH DISTRICT AGRICULTURAL CREDIT CONDITIONS

Fourth quarter 2015

Diffusion Index



For additional information on the regional economy:

<http://www.KansasCityFed.org/Denver>

