

# U.S. & Regional *Economic Update*



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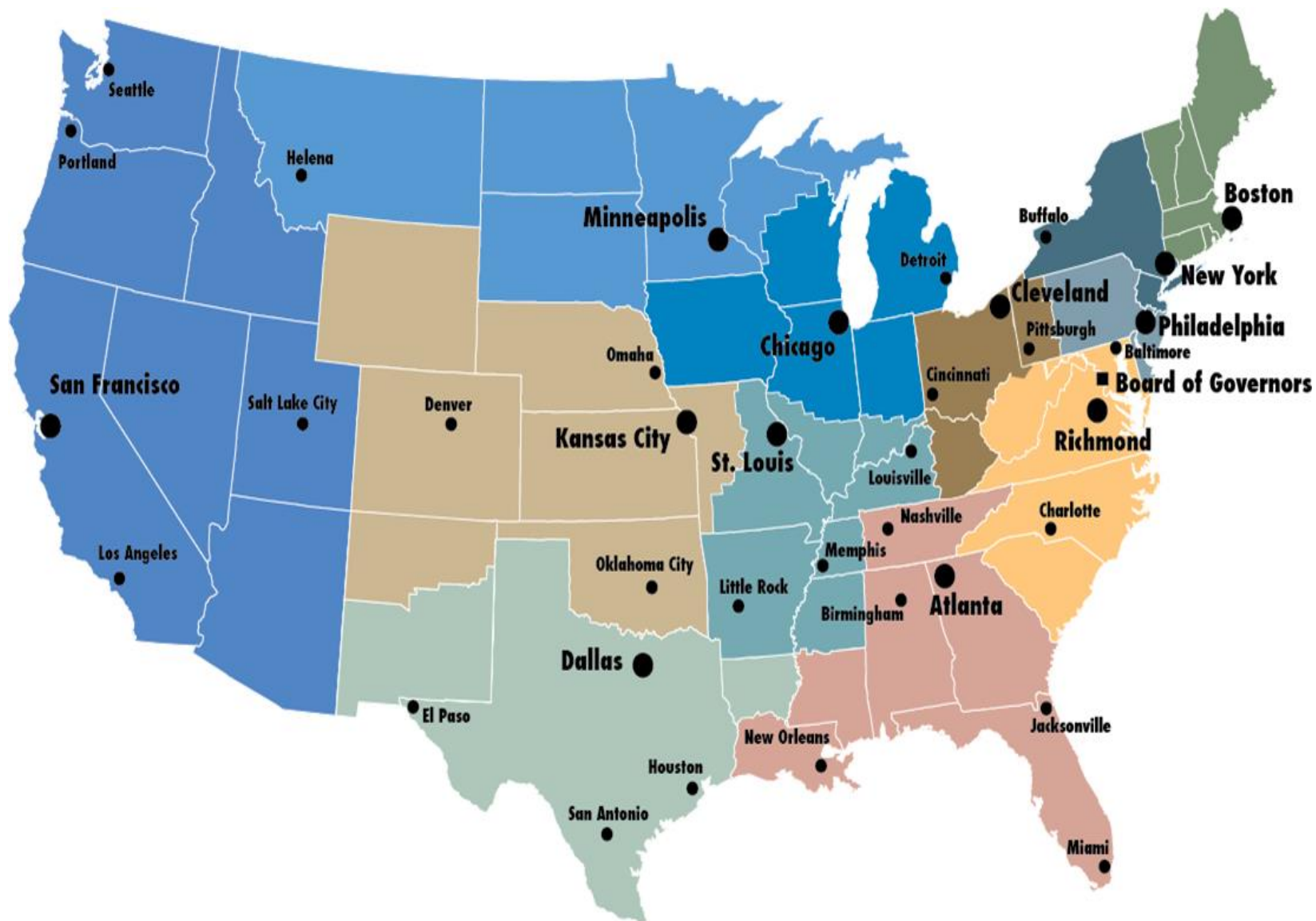
*The views expressed are those of the presenter and do not necessarily reflect  
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

# 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



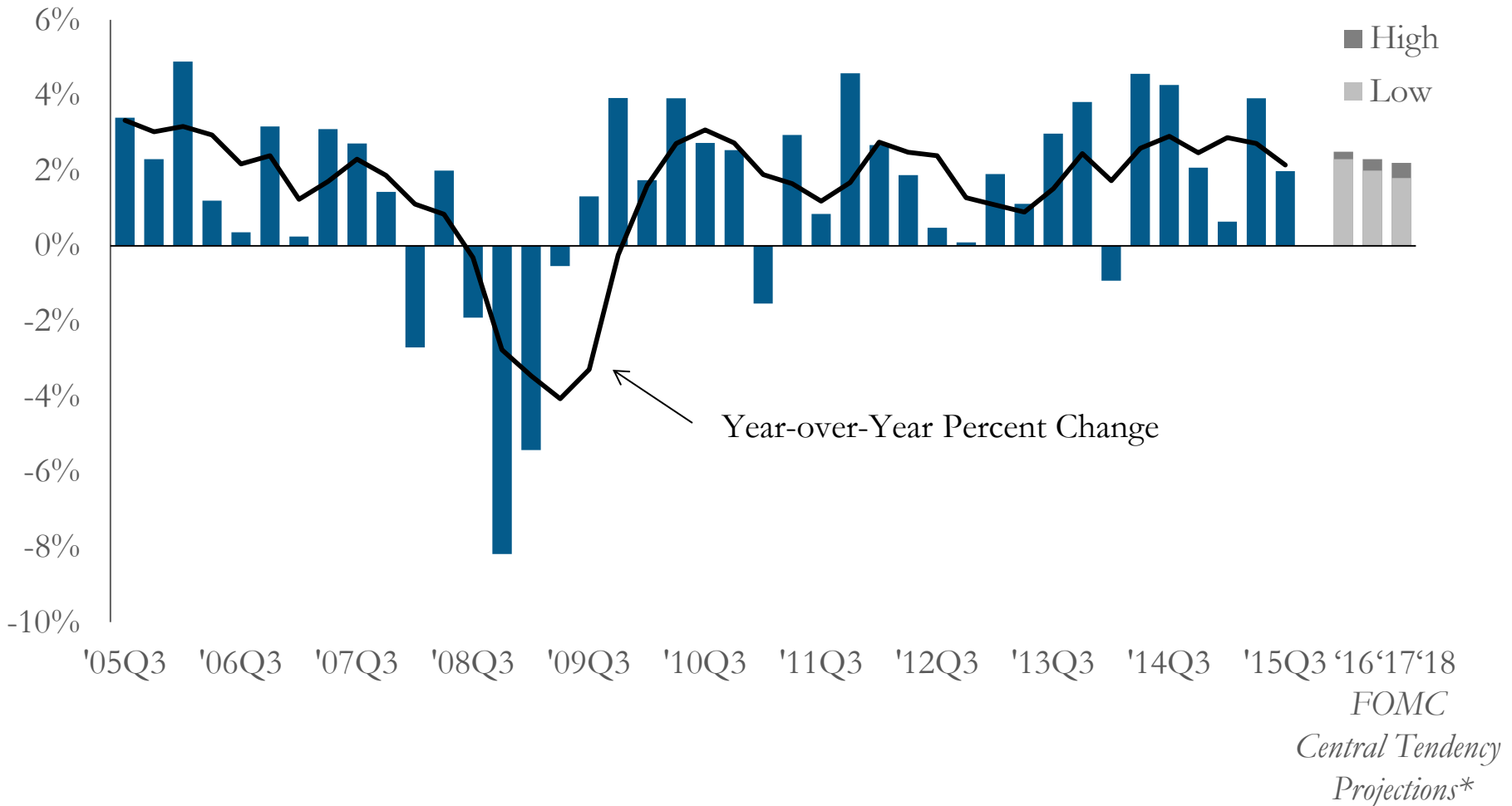


- Functions
  - Regional research and policy support covering the economies of Colorado, New Mexico and Wyoming
  - Economic, financial education, and community development outreach
  - Examinations of Colorado, Wyoming and northern New Mexico financial institutions
  - Cash processing and distribution
  - Money Museum
  - Around 160 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*



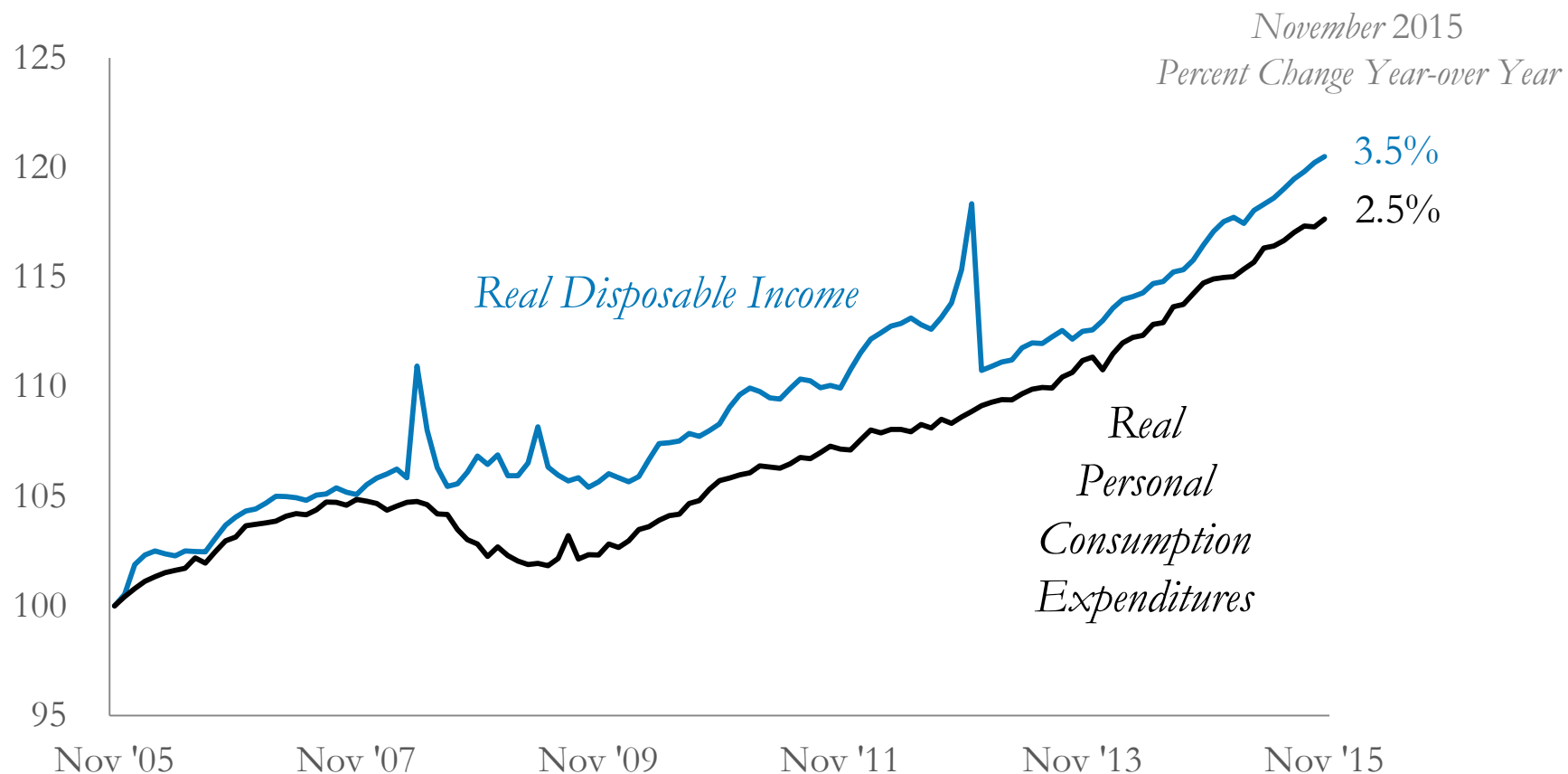
Source: Bureau of Economic Analysis and Federal Open Market Committee (FOMC)/Haver Analytics

\*Note: Projections as of December FOMC meeting

Personal income growth has outpaced consumer spending growth over the past year, leading to higher savings rates.

## U.S. INCOME AND CONSUMER EXPENDITURES

*Index 100 = November 2005*

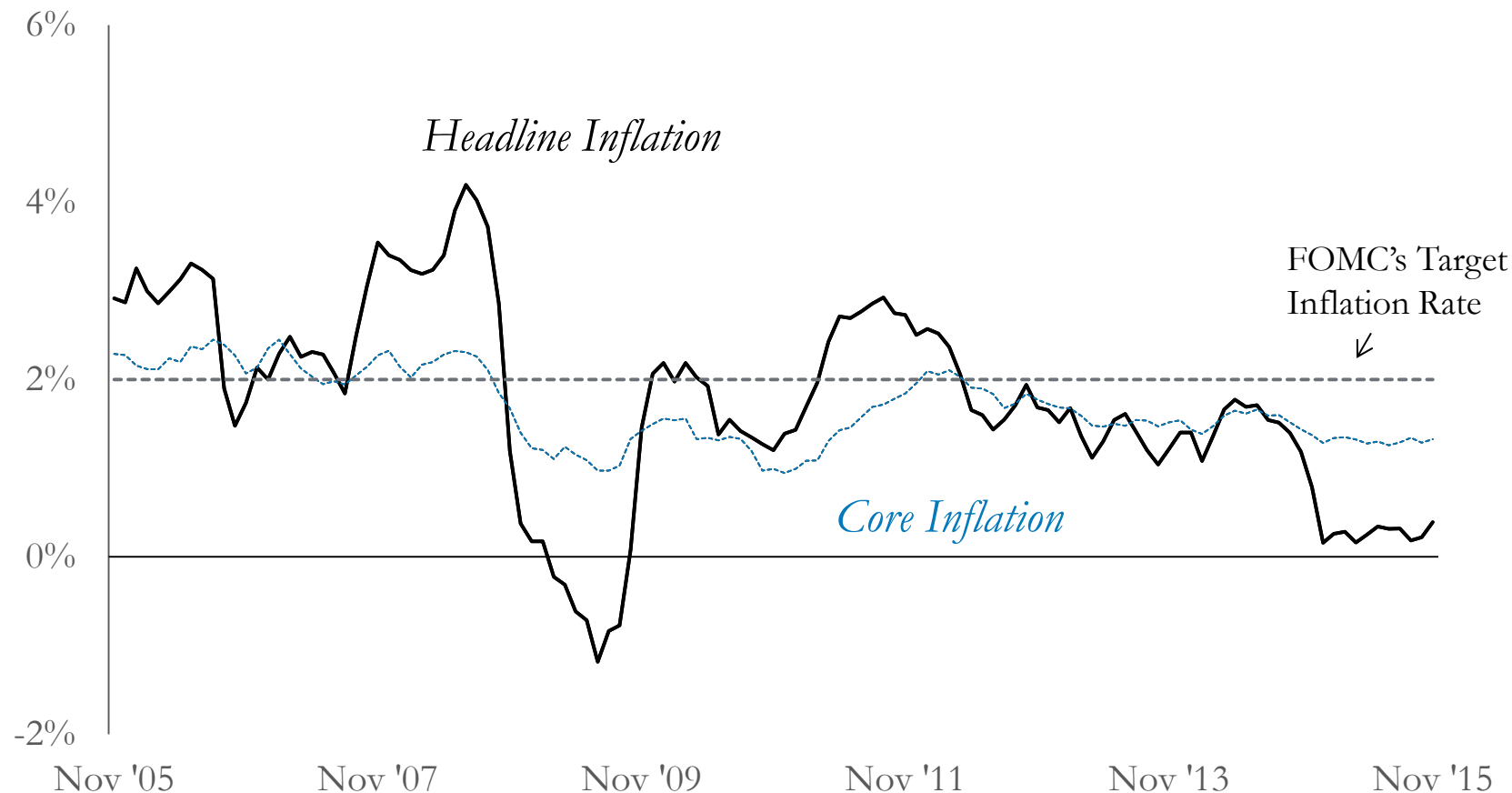


Inflation remains below the FOMC's two percent target, weighed down by declining energy prices and cheaper imports.



## PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

*Percent Change Year-over-Year*

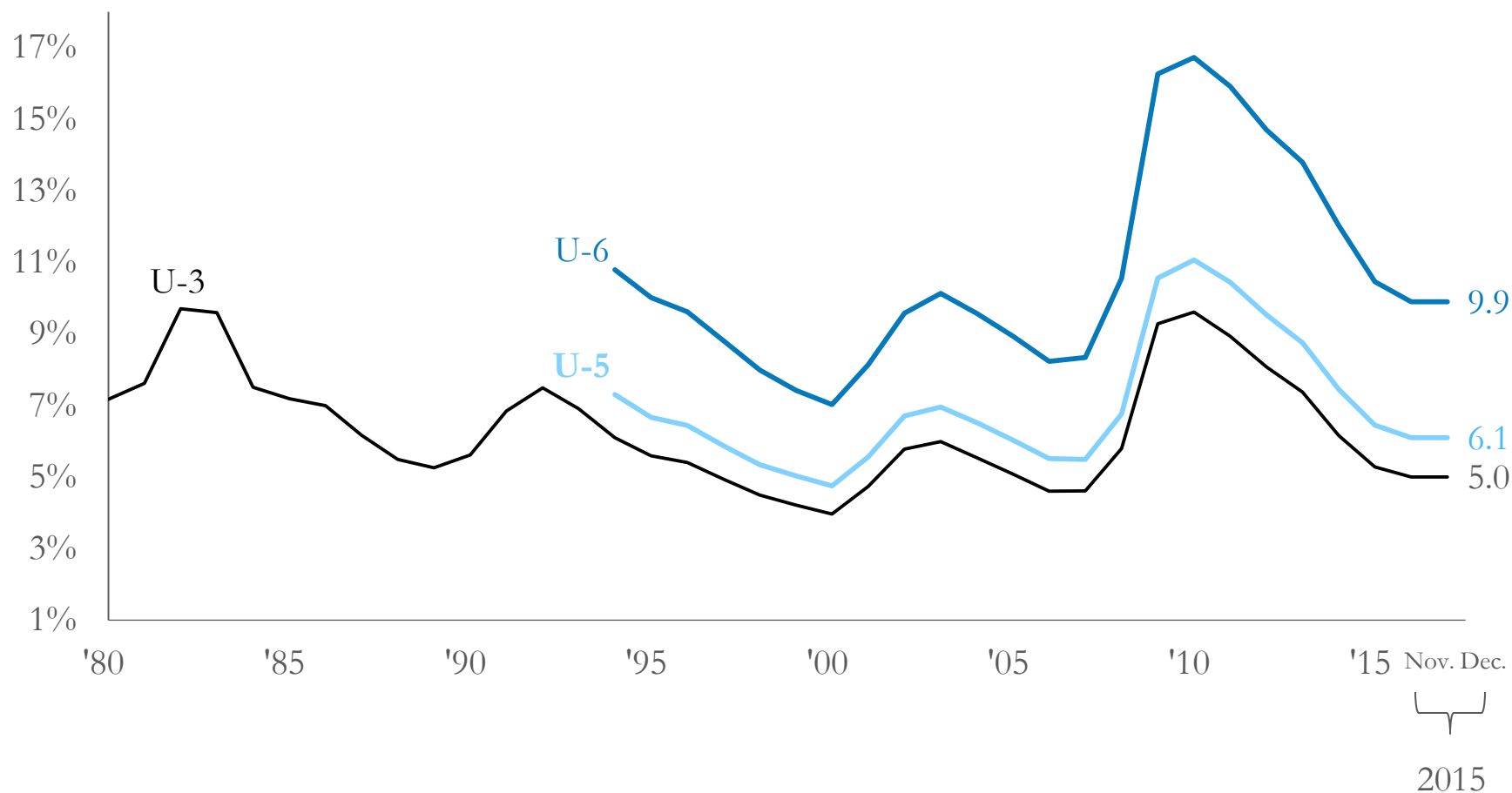


Measures of unemployment and under-employment have declined steadily over the past five years.



## U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

*Seasonally Adjusted*

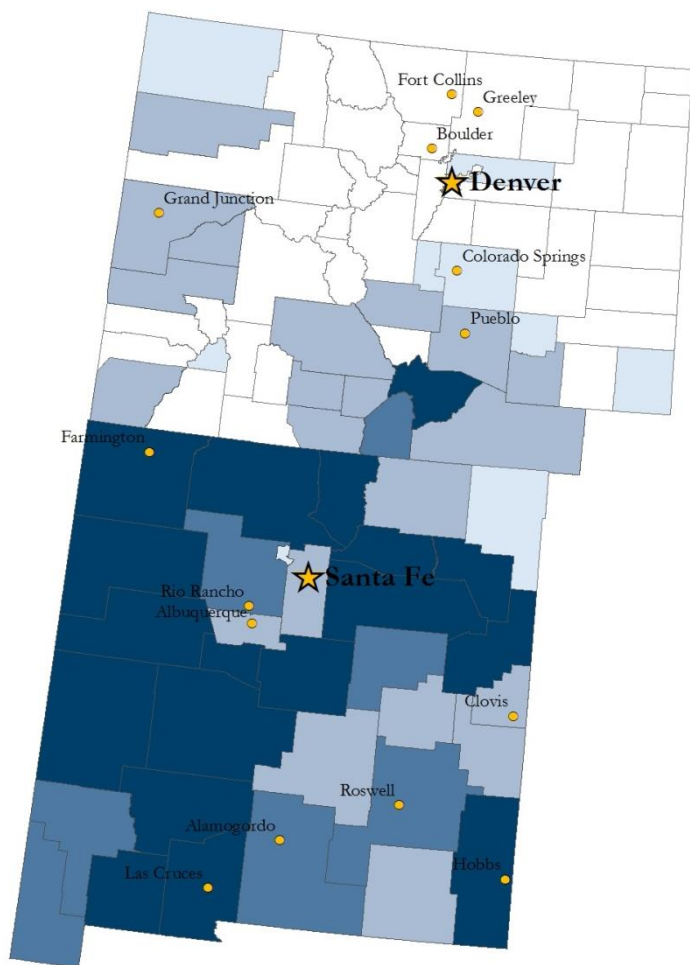


Unemployment rates have trended down across most of Colorado, but unemployment rates remain elevated in New Mexico.



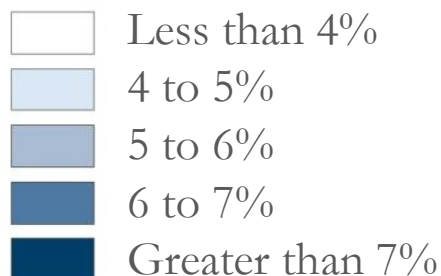
## UNEMPLOYMENT RATES

*November 2015, Seasonally Adjusted*



| Unemployment Rate | U-3  | U-5* | U-6*  |
|-------------------|------|------|-------|
| United States     | 5.0% | 6.1% | 9.9%  |
| Colorado          | 3.5% | 4.5% | 8.4%  |
| New Mexico        | 6.7% | 8.3% | 12.3% |

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

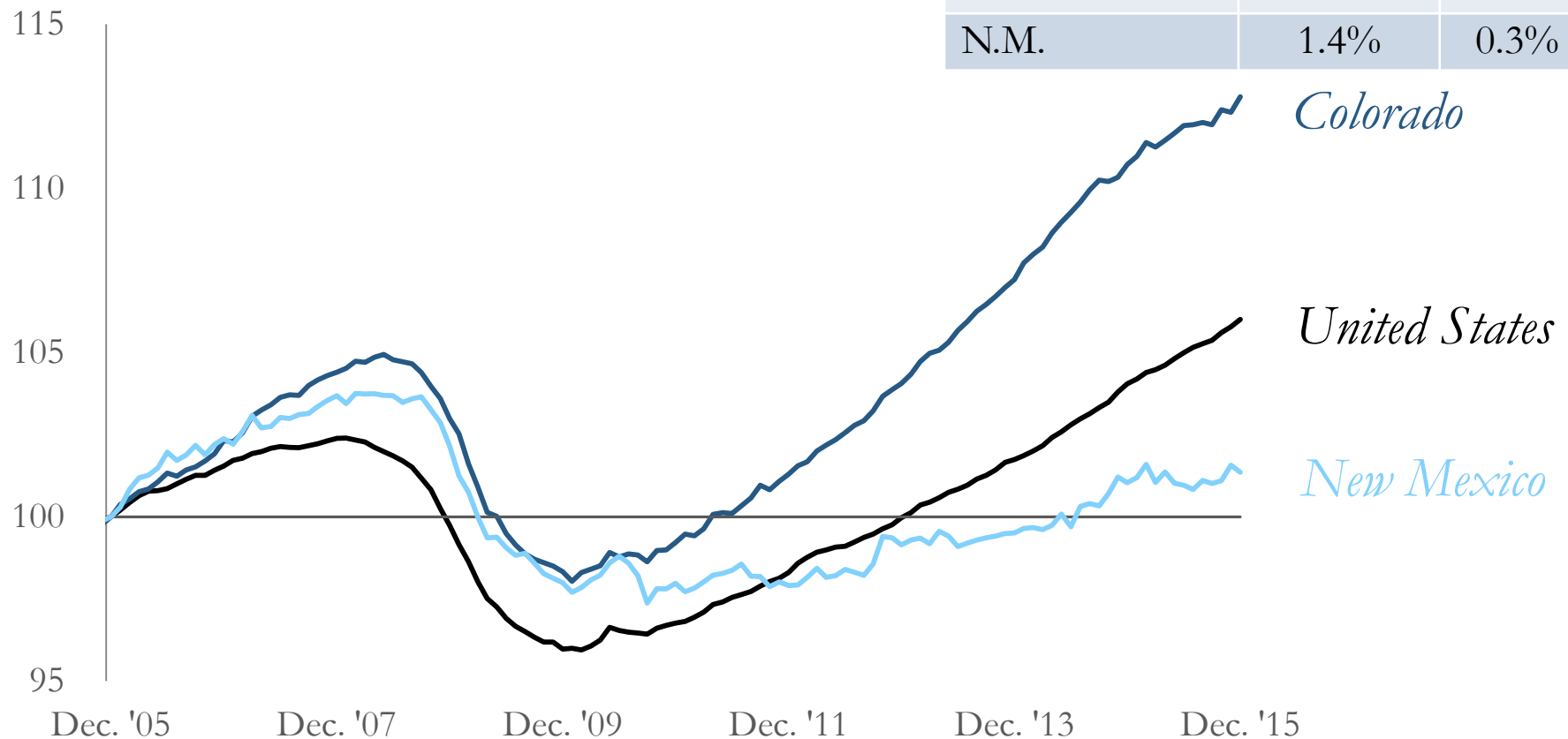


Employment gains in Colorado have outpaced national gains since the recession ended, but New Mexico employment growth has lagged behind.

## 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.                   | 12.8%                | 1.9%             |
| N.M.                  | 1.4%                 | 0.3%             |

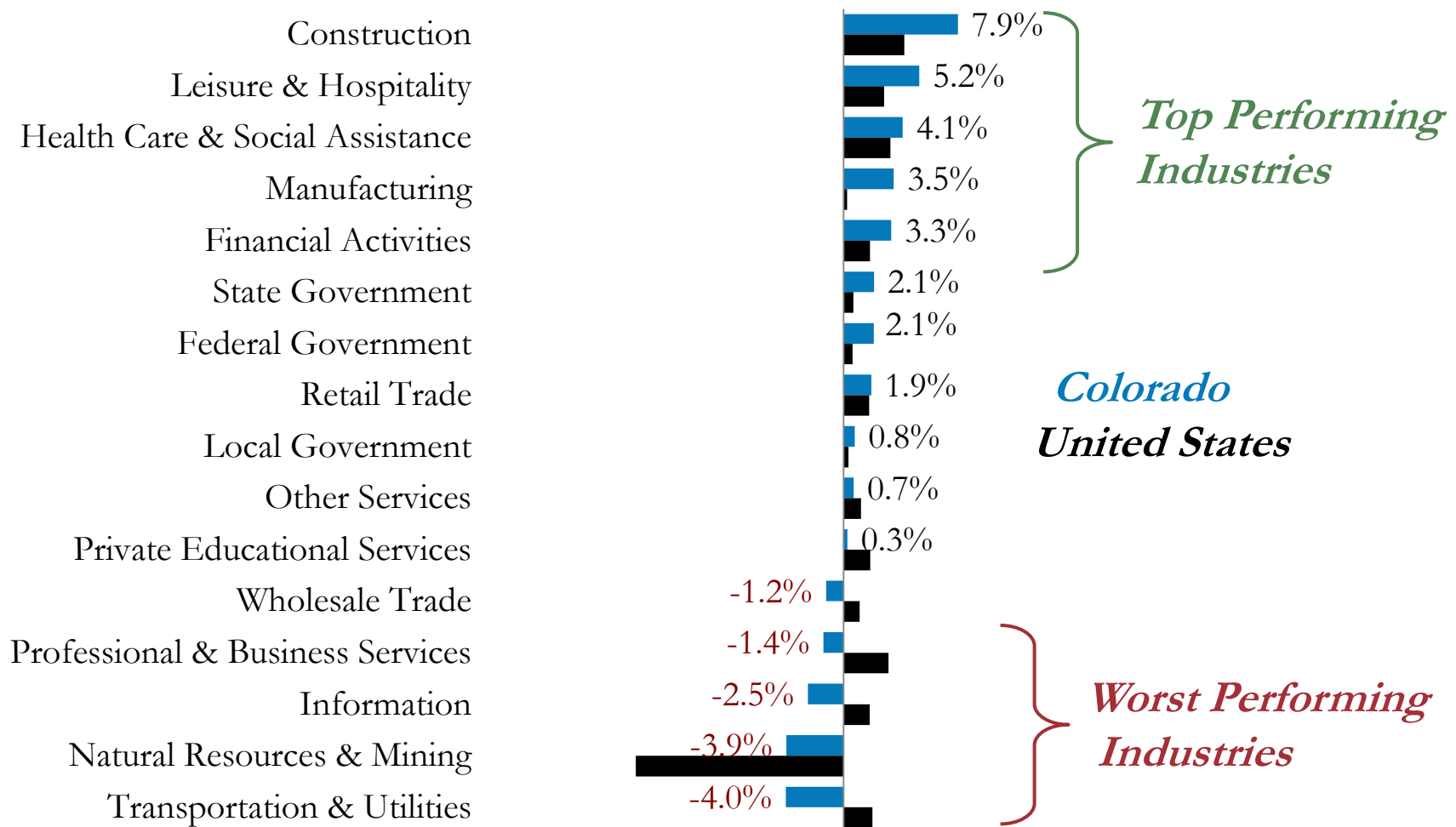


The majority of industries in Colorado have added jobs over the past year, but the slowdown in the energy sector is having an effect on related industries.

## CHANGE IN PAYROLL EMPLOYMENT, DECEMBER 2015

*Seasonally Adjusted*

*Percent Change Year-over-Year*

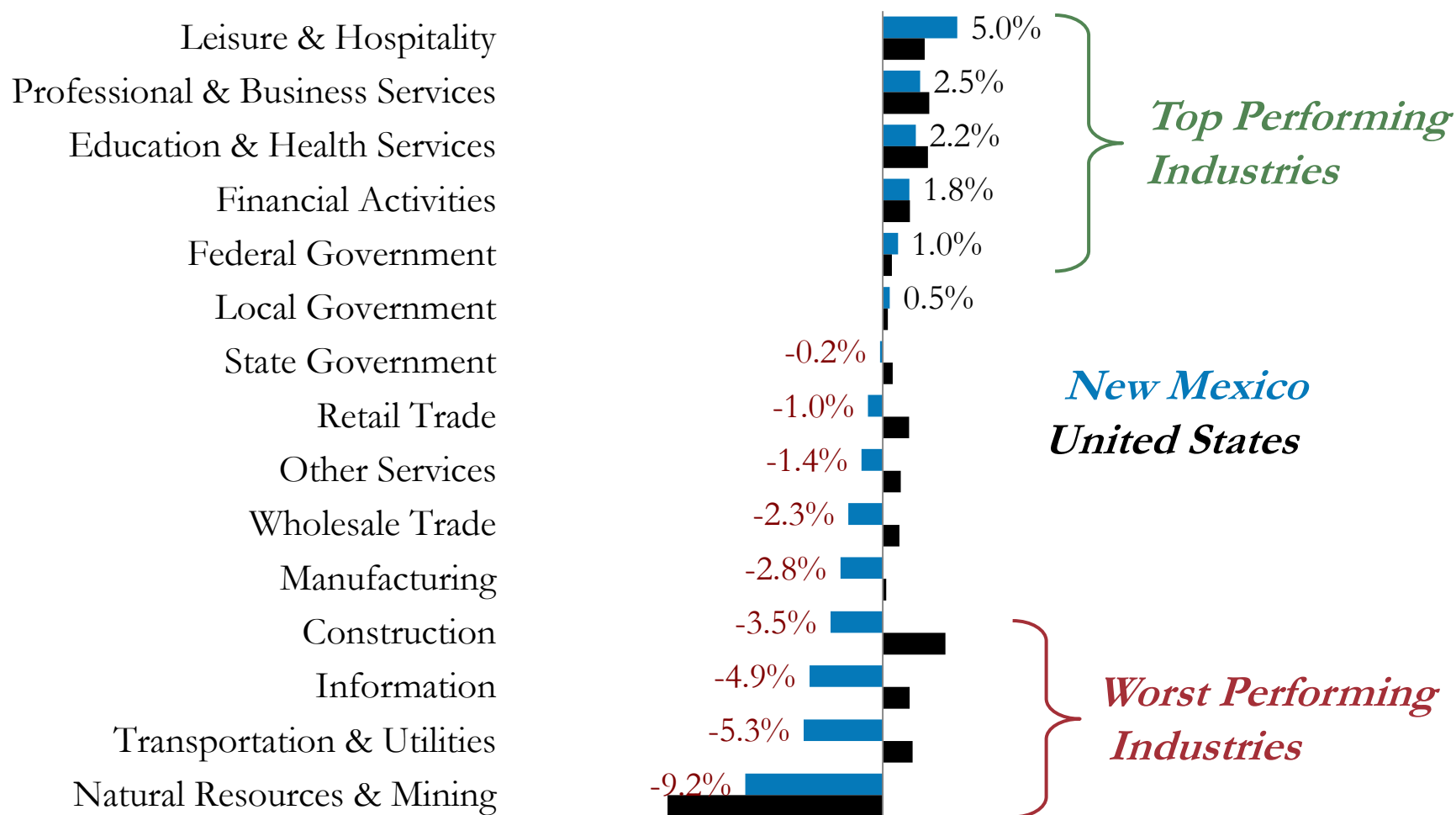


New Mexico has struggled to recover from the recent recession, and employment declined in more than half of industries over the past year.

## CHANGE IN PAYROLL EMPLOYMENT, DECEMBER 2015

*Seasonally Adjusted*

*Percent Change Year-over-Year*

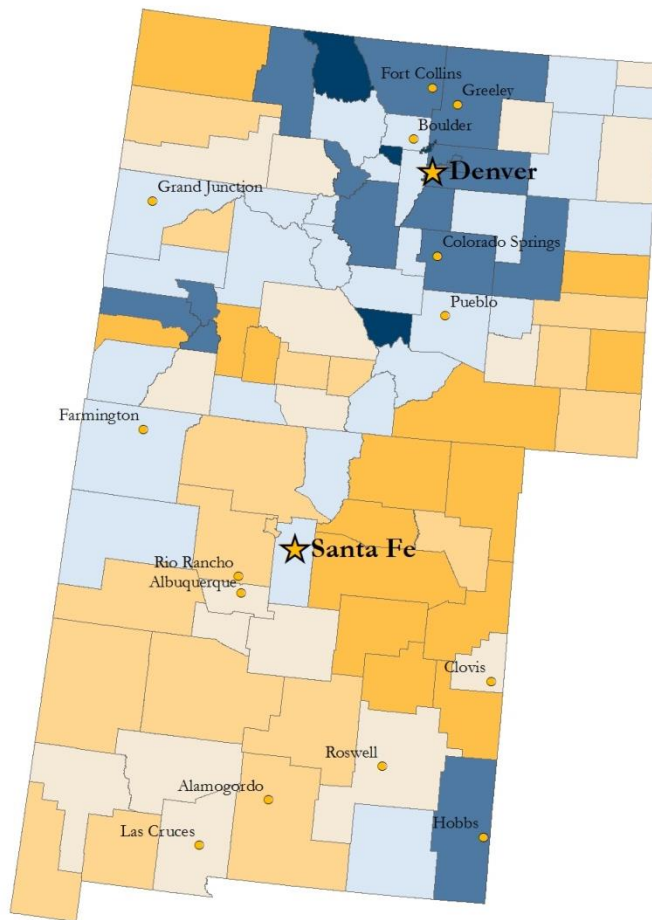


# Migration patterns have varied across Colorado and New Mexico.

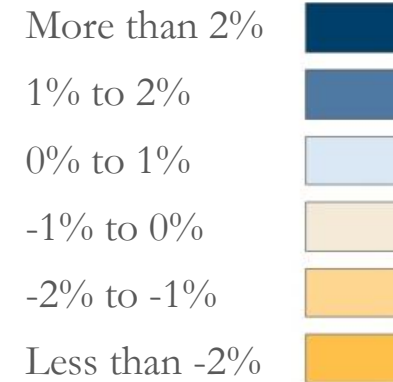


## NET MIGRATION

*Total 2014 Net Migration as a Percentage of 2014 Population*



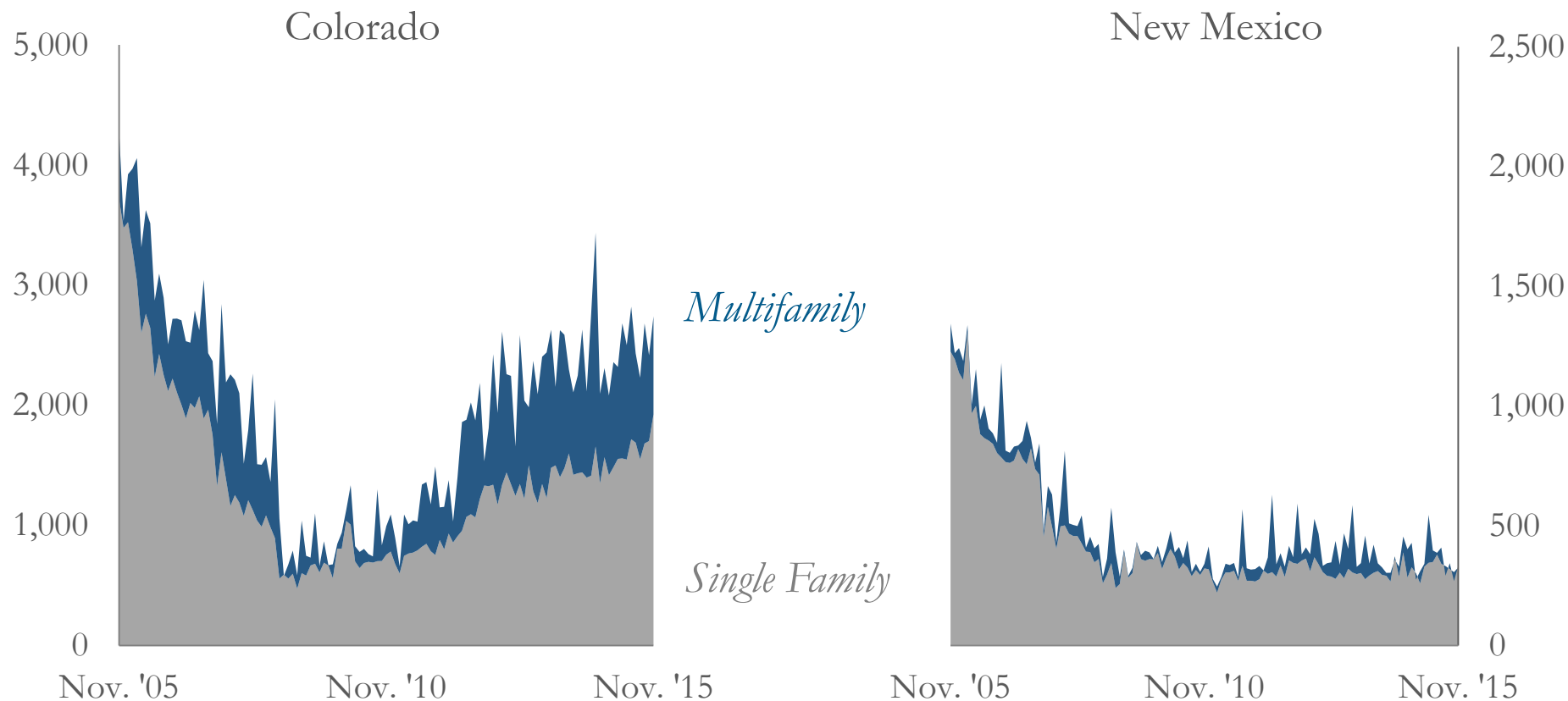
| <i>Annual Percent Change</i> | <i>2015</i> |
|------------------------------|-------------|
| United States                | 0.4%        |
| Colorado                     | 1.2%        |
| New Mexico                   | -0.5%       |



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

## RESIDENTIAL PERMITS

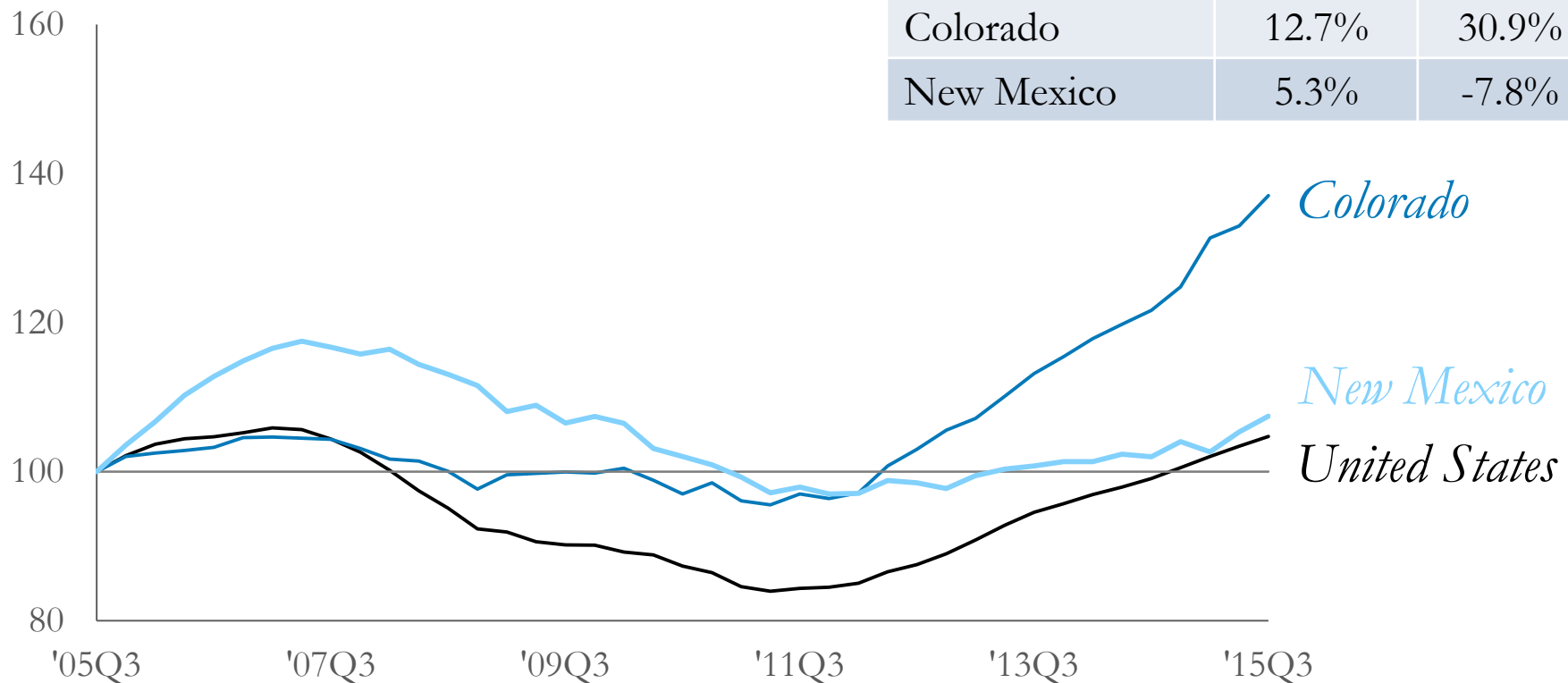
*Seasonally Adjusted*



Home prices are increasing across most of the nation, but remain below pre-recession peaks in some areas.

## FHFA PURCHASE-ONLY HOME PRICE INDEX

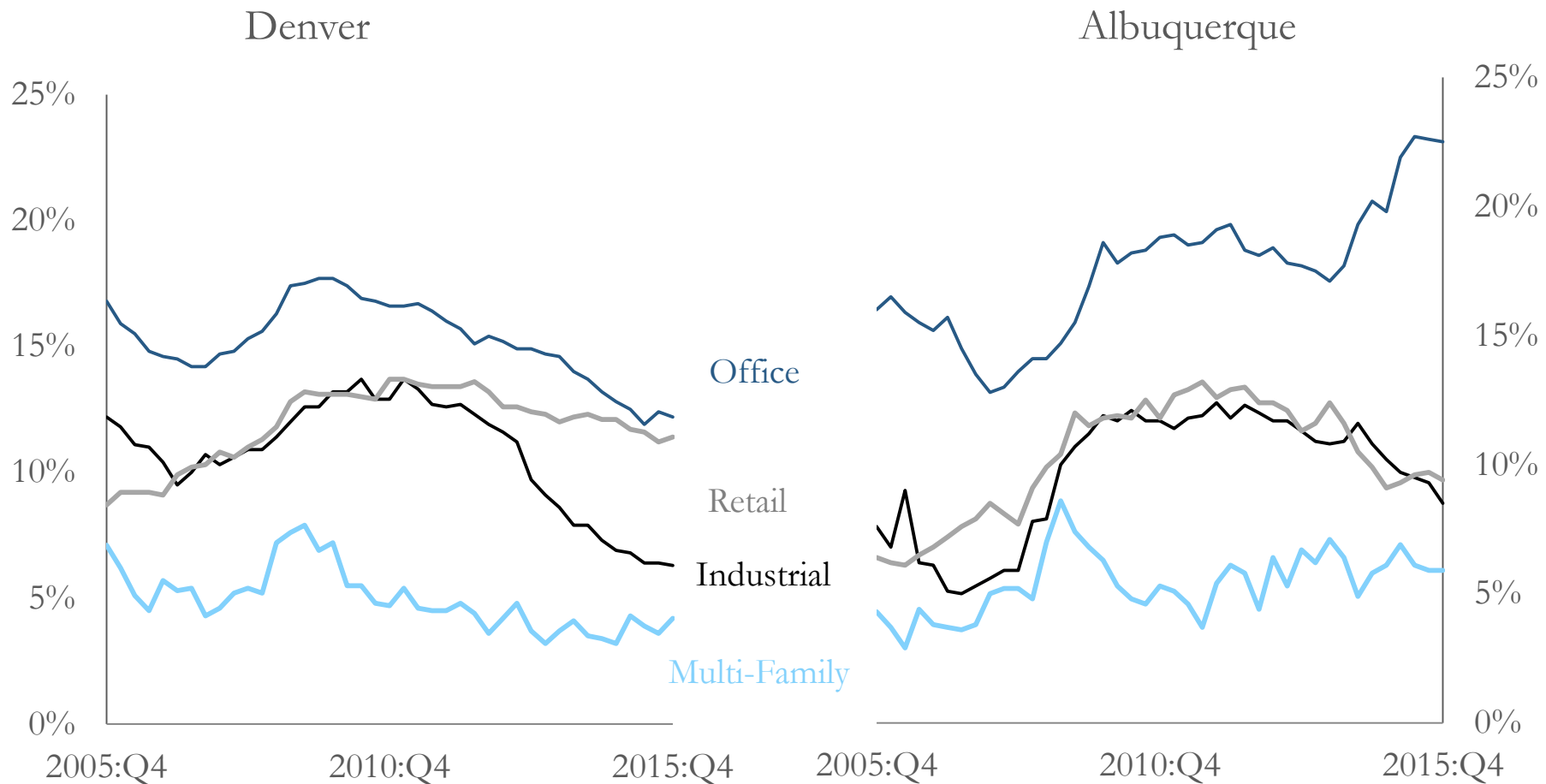
*Index 100 = 2005:Q3, Seasonally Adjusted*



| Percent Change | Year-Over-Year | 2007:Q1 to Current |
|----------------|----------------|--------------------|
| United States  | 5.7%           | -1.1%              |
| Colorado       | 12.7%          | 30.9%              |
| New Mexico     | 5.3%           | -7.8%              |

Office and industrial vacancy rates are below pre-recession levels in Denver, while most commercial vacancy rates remain above pre-recession levels in Albuquerque.

## COMMERCIAL VACANCY RATES

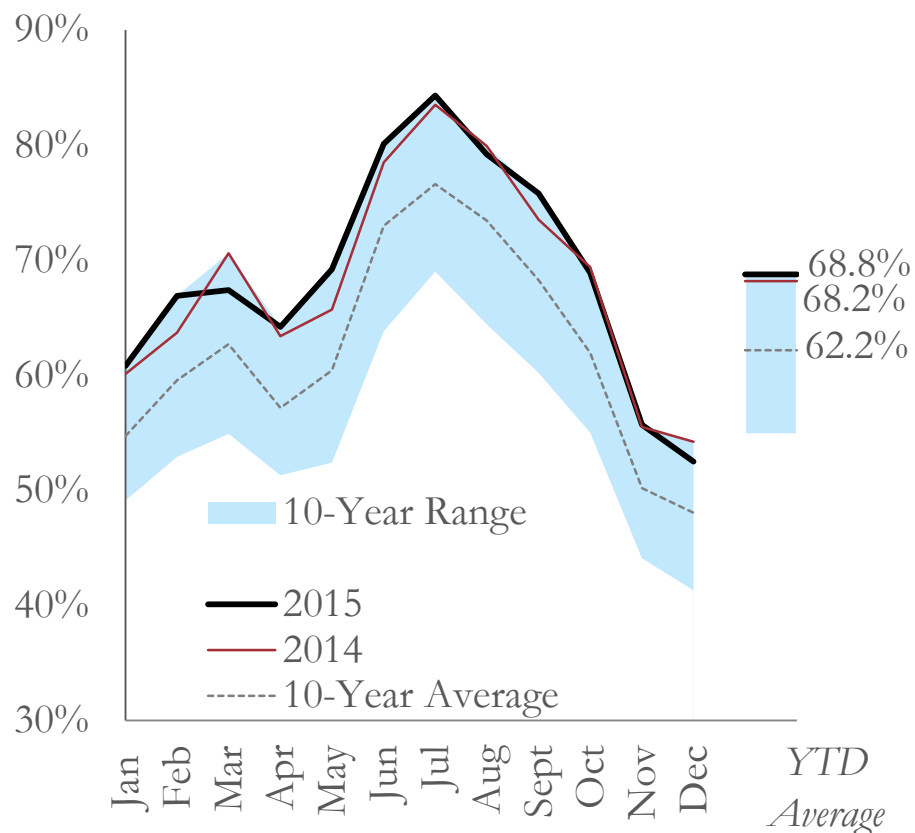


Tourism activity has picked up in Colorado and New Mexico over the past two years.

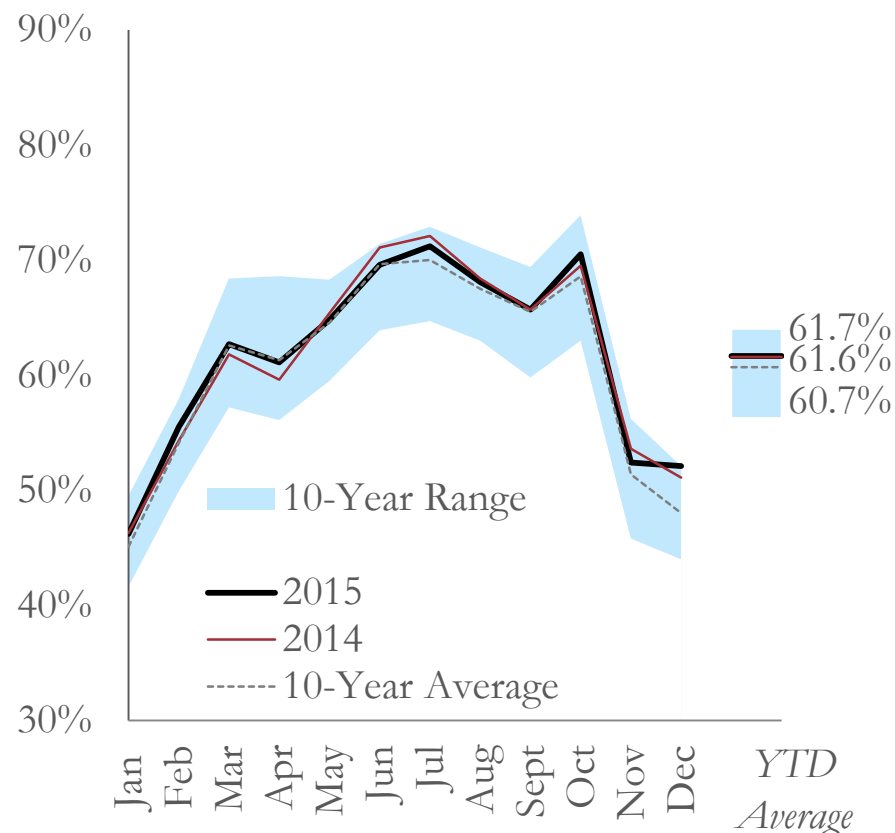


## HOTEL OCCUPANCY RATES

Colorado



New Mexico

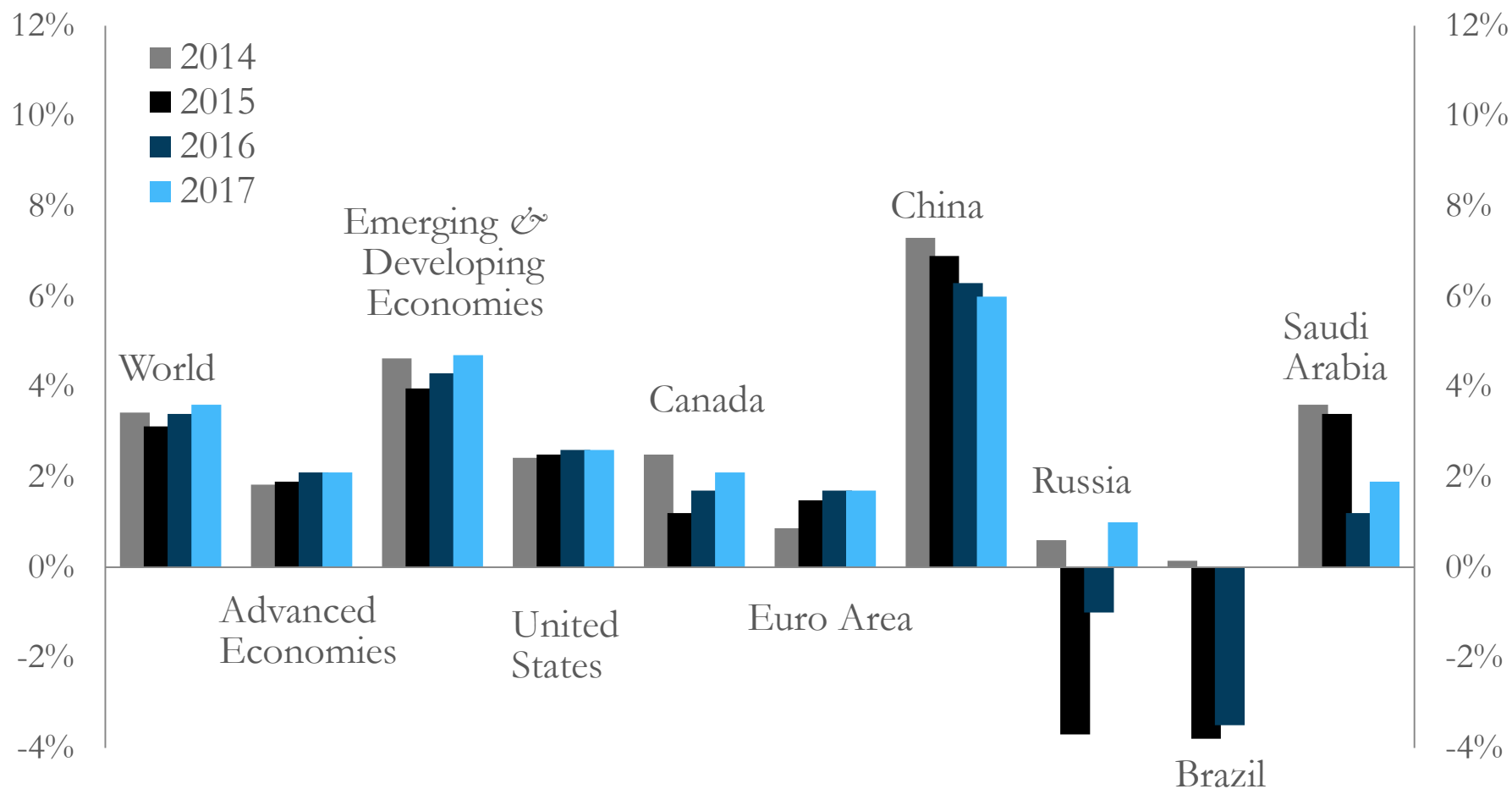


Global growth slowed in 2015, with weakness in China and energy-dependent countries.



## WORLD ECONOMIC OUTLOOK PROJECTIONS

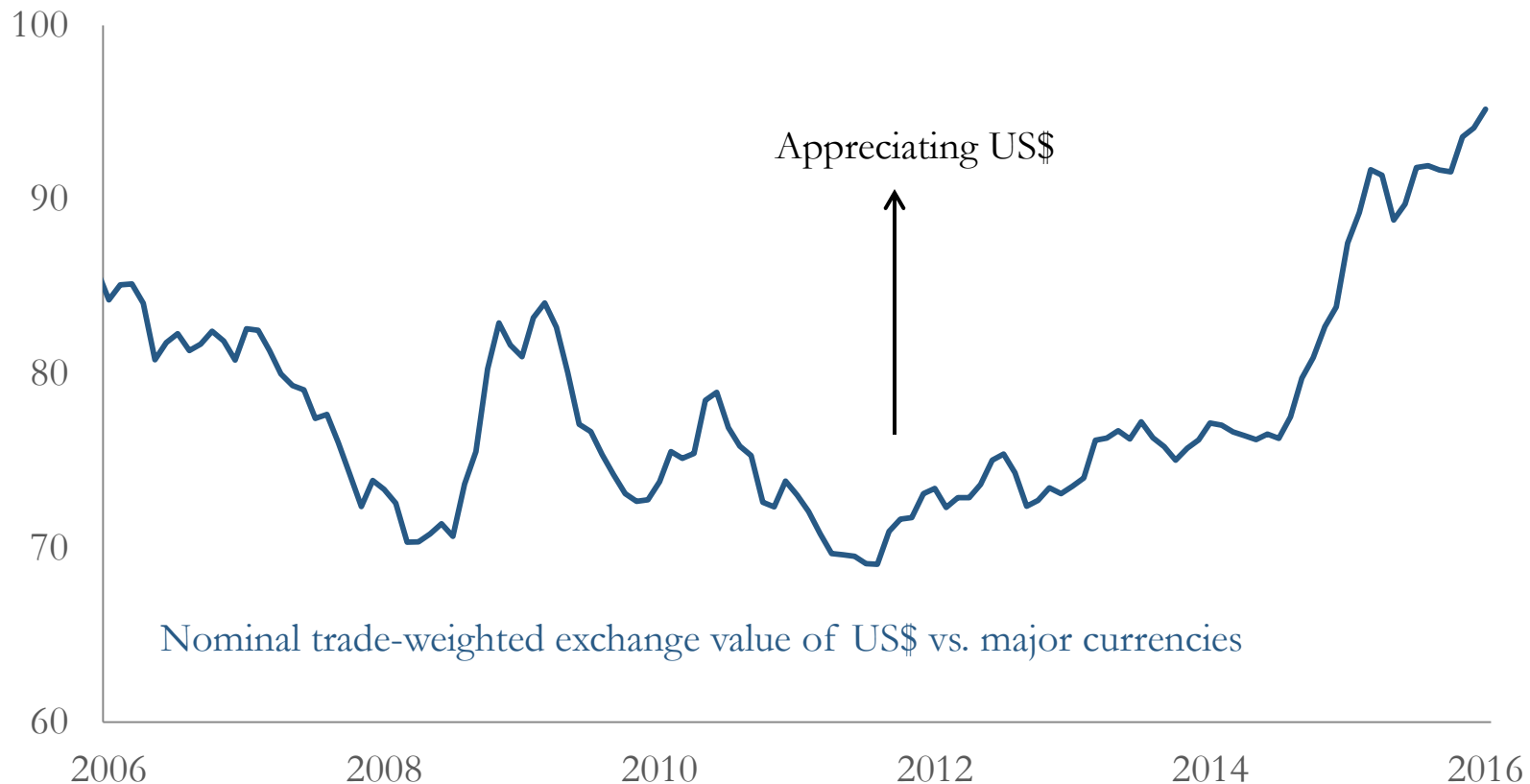
*Percent Change over Prior Year*



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

## FOREIGN EXCHANGE VALUE OF THE DOLLAR

*Index, March 1973 = 100*

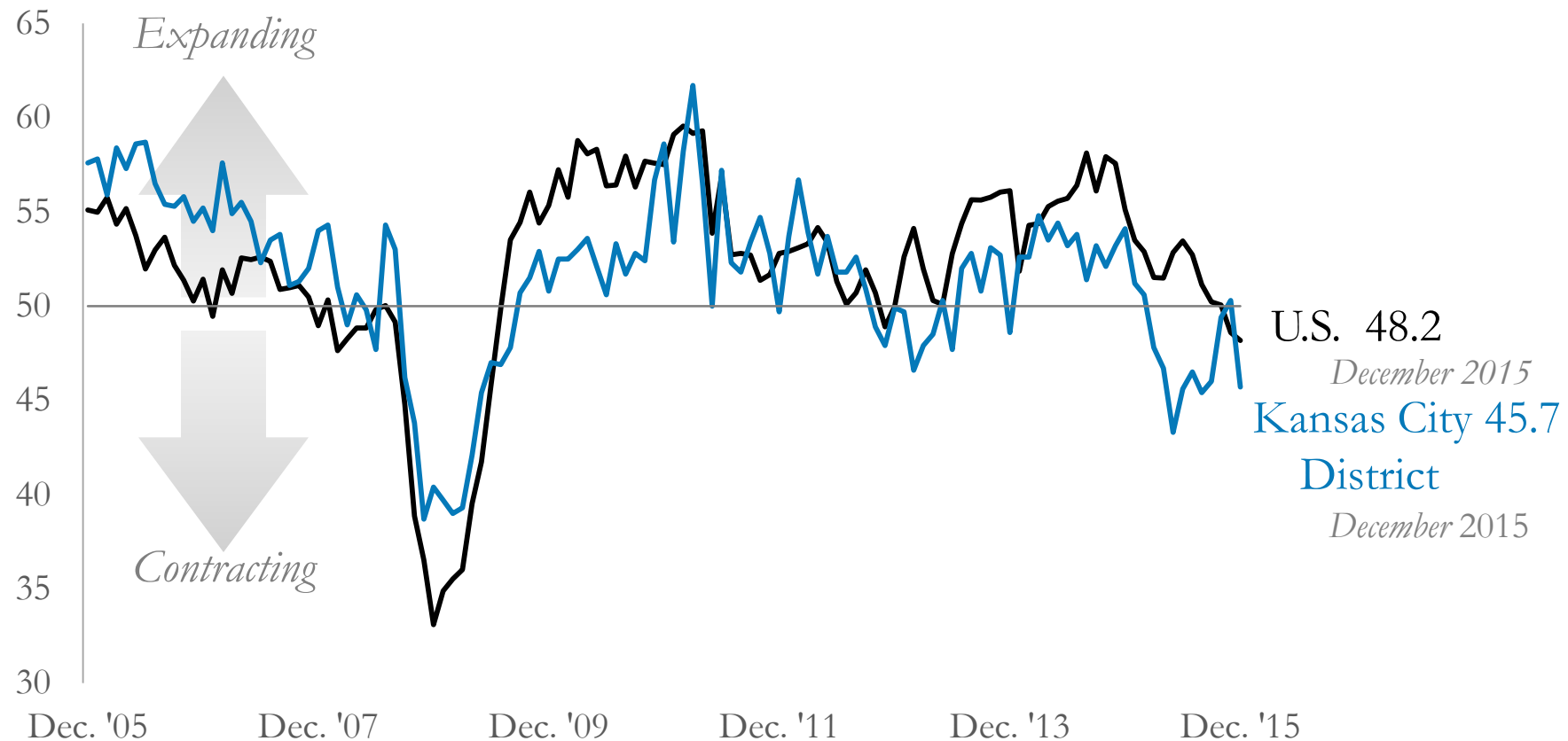


Manufacturing activity has slowed in the region due in part to a weak energy sector and a strong dollar.



## MANUFACTURING ACTIVITY

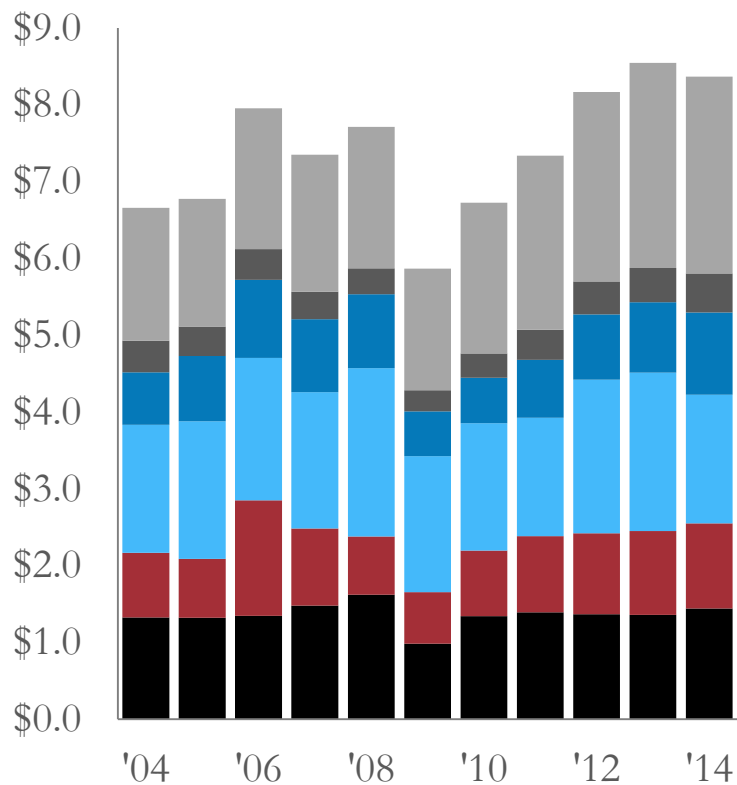
*Diffusion Index, Seasonally Adjusted, Month-over-Month*



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

## COLORADO EXPORTS BY TRADING PARTNER

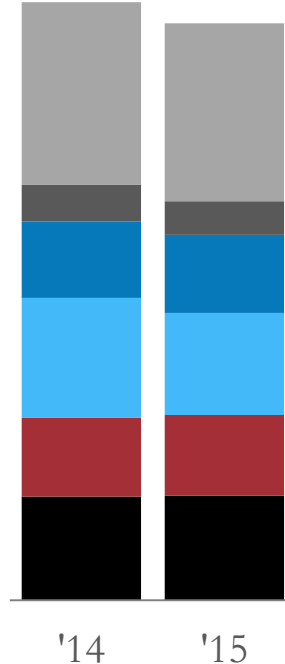
*Billions*



## 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   |

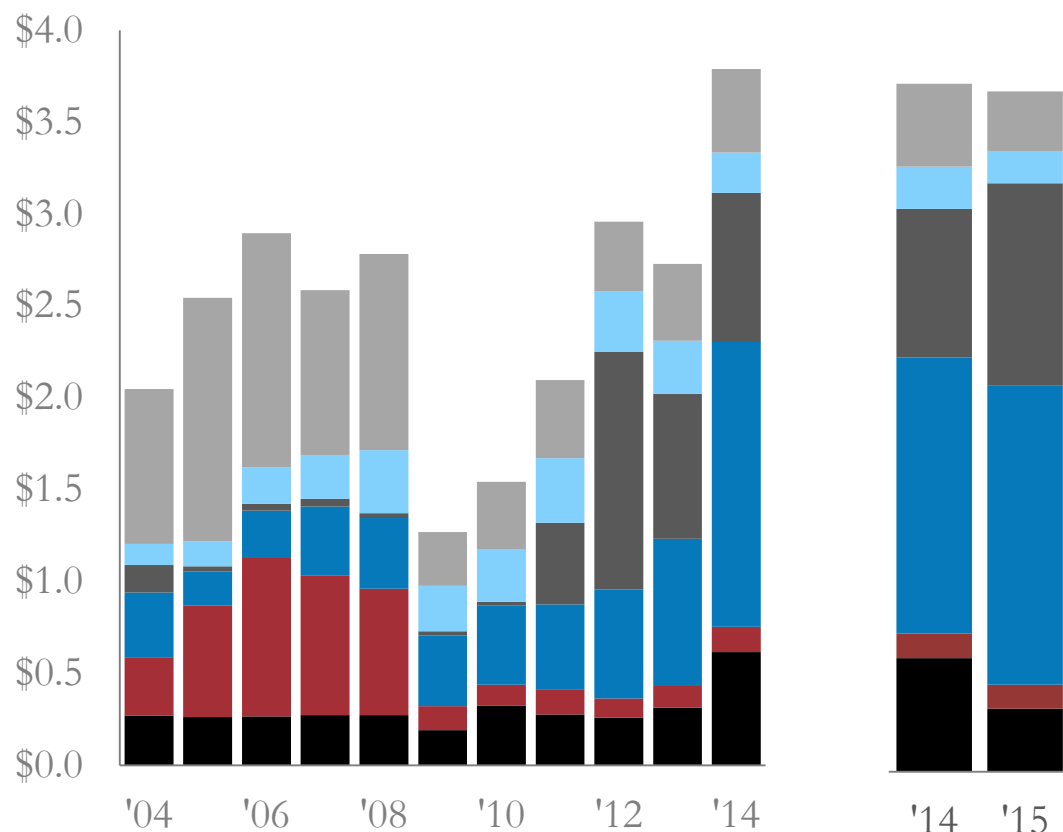


*YTD through November*

New Mexico export activity slowed slightly over the past year after strong growth in 2014.

## NEW MEXICO EXPORTS BY TRADING PARTNER

*Billions*



*YTD through November*

## NOVEMBER 2015 YEAR-TO-DATE

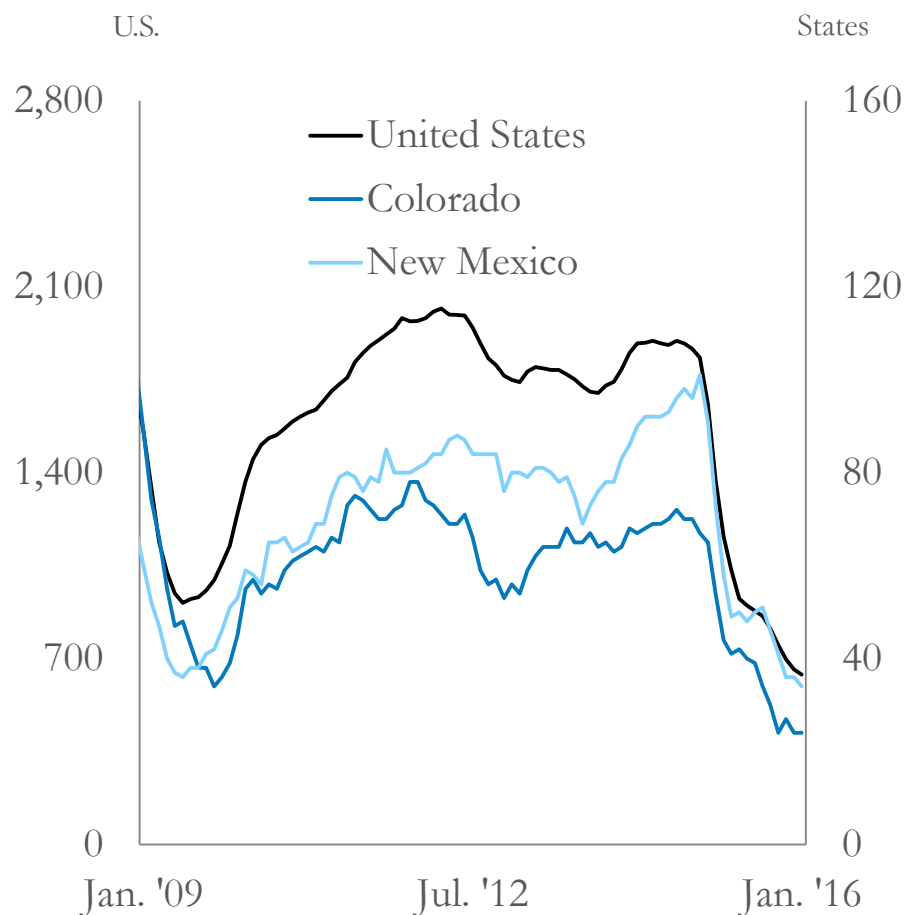
*Percent Change*

|             |       |        |
|-------------|-------|--------|
| Total Trade | -1.1% | SHARE* |
| All Other   | -28.3 | 12.0%  |
| Israel      | 35.9  | 21.4   |
| Mexico      | 8.4   | 40.7   |
| Canada      | -23.1 | 6.1    |
| China       | -1.6  | 3.7    |
| Eurozone    | -44.5 | 16.2   |

Energy activity has declined substantially over the past year.

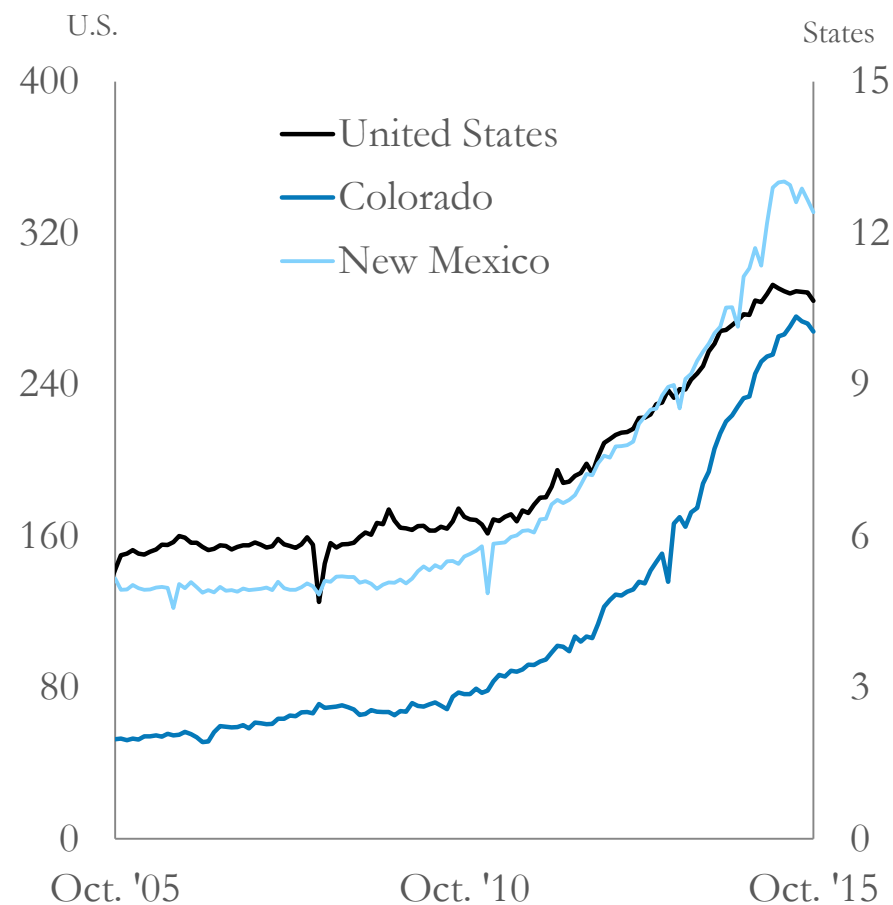


## TOTAL RIG COUNT



## CRUDE OIL PRODUCTION

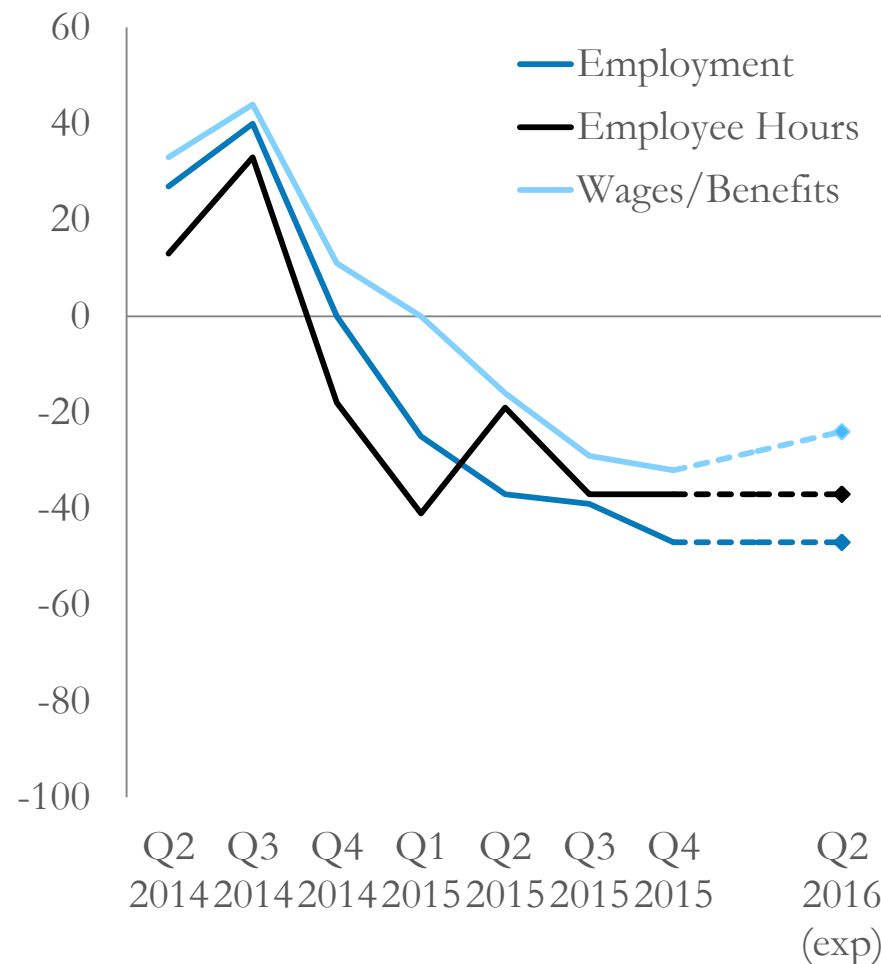
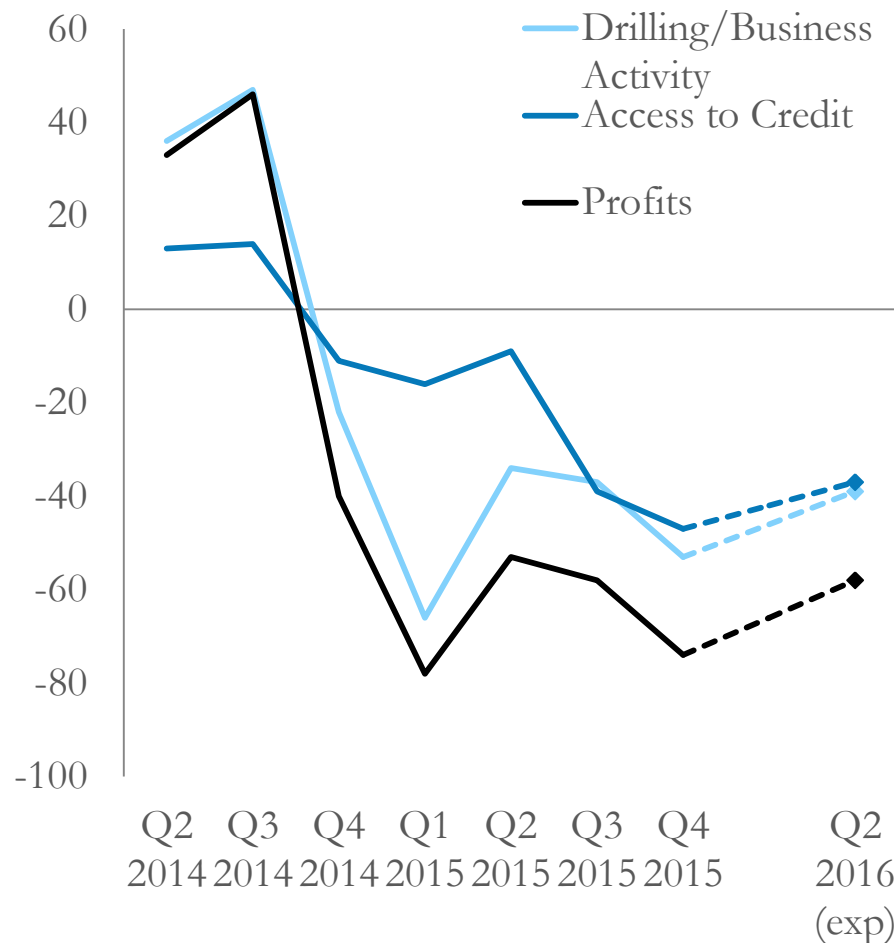
*Millions of Barrels, Monthly,  
Seasonally Adjusted*



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

## FRBKC ENERGY SURVEY

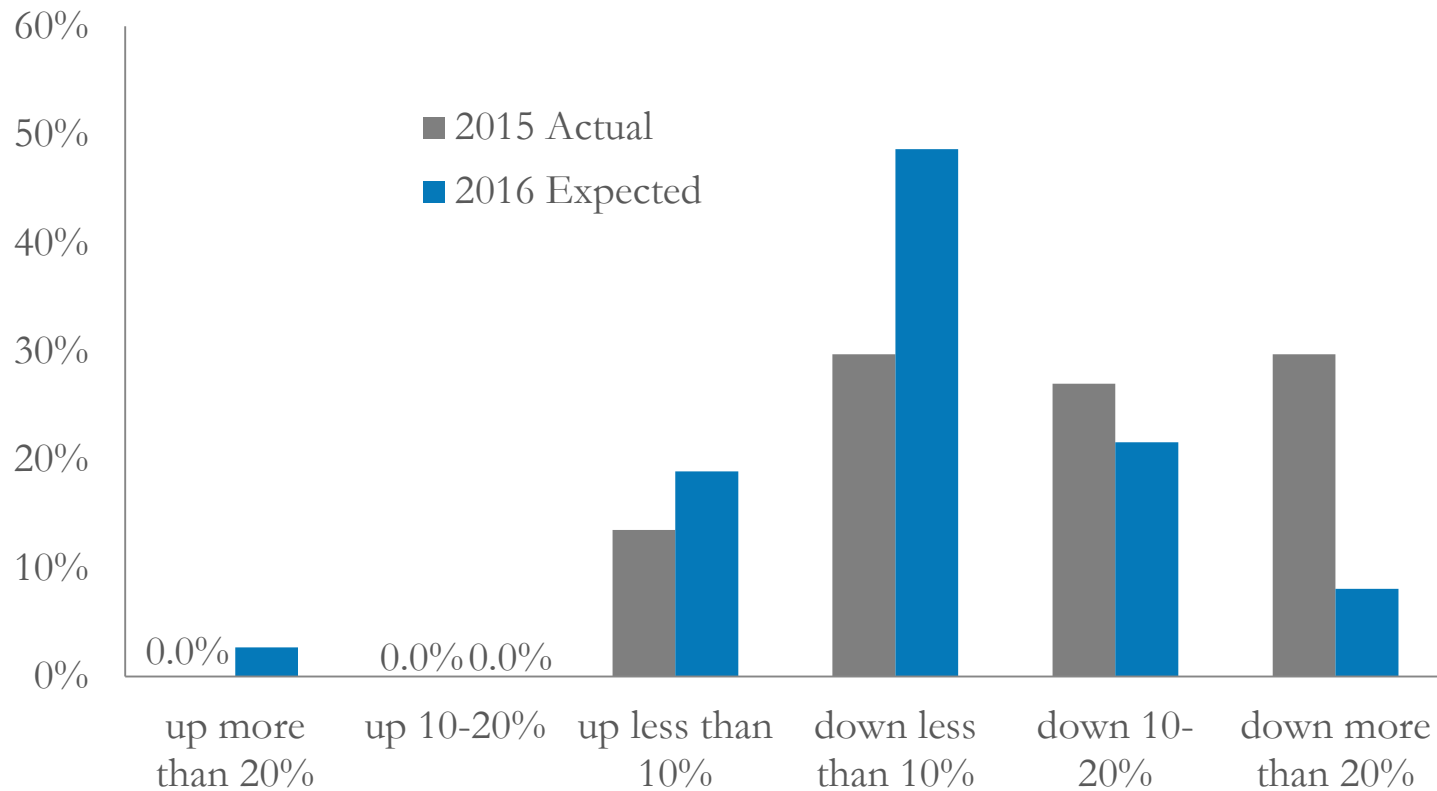
### *Quarterly Diffusion Indexes*



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

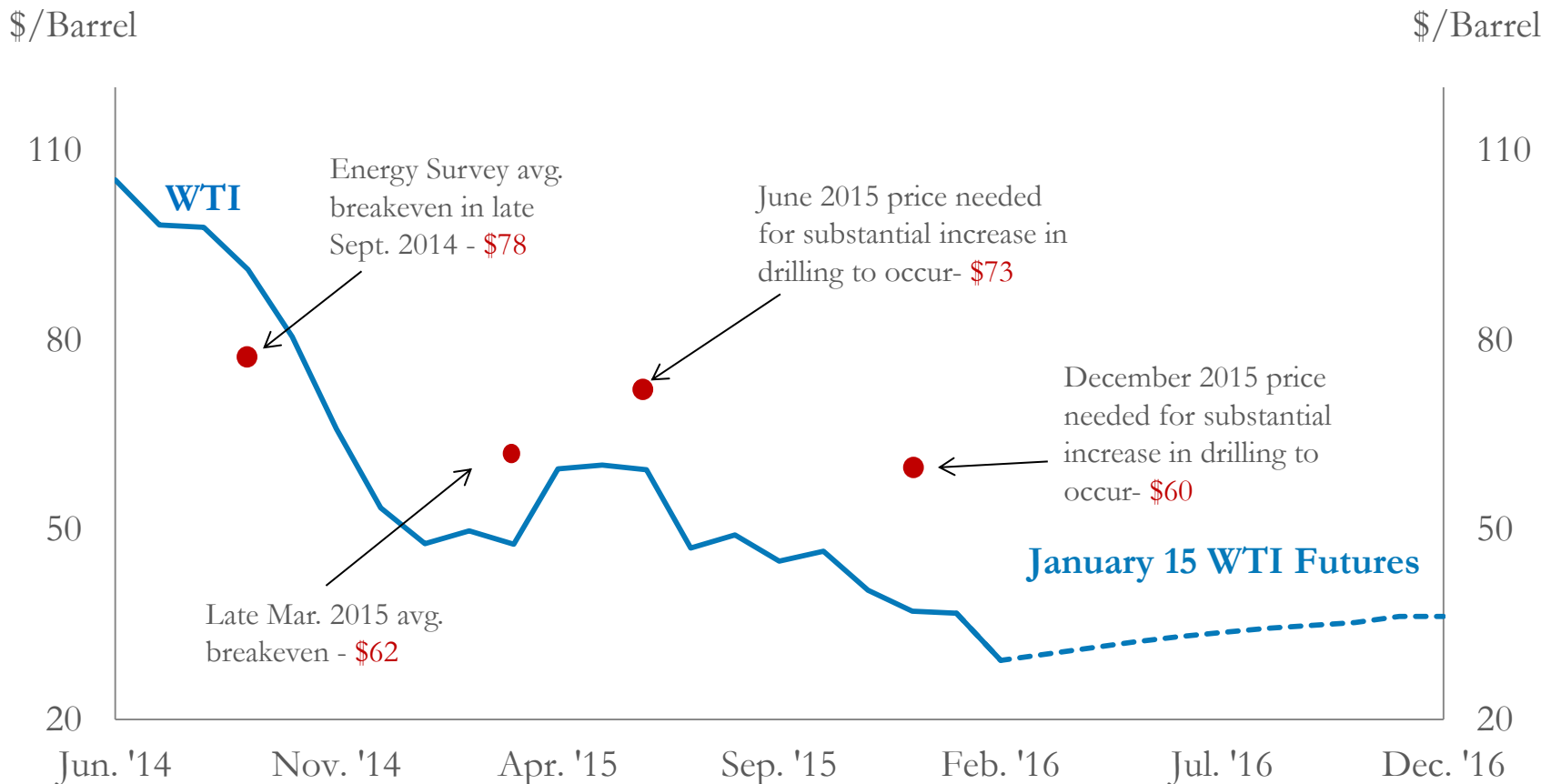
## CHANGE IN ENERGY EMPLOYMENT - FRBKC ENERGY SURVEY

*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.

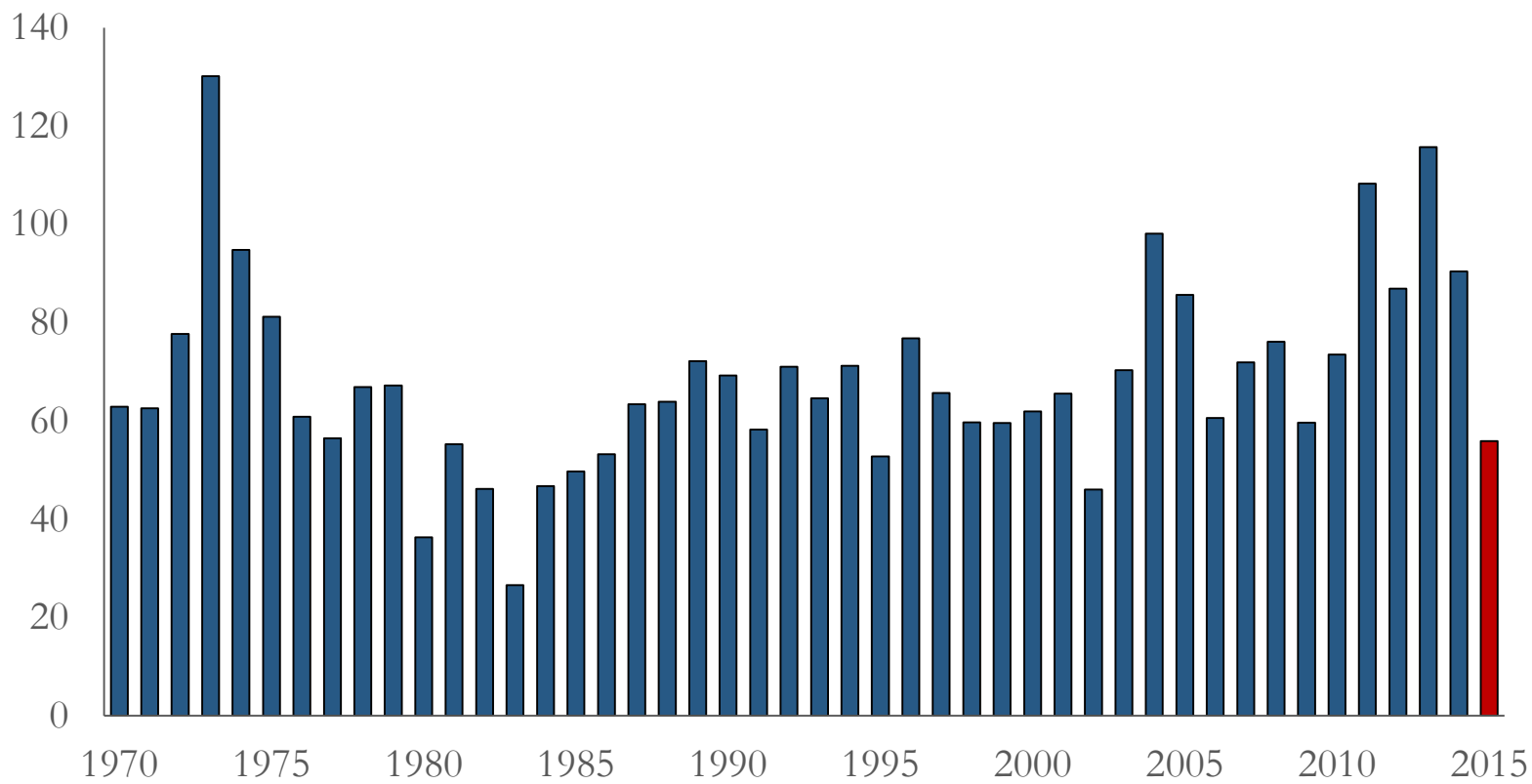
## REPORTED BREAKEVEN OIL PRICES AND WTI EXPECTATIONS



U.S. real net farm income declined sharply in 2015 as crop prices remained low and livestock prices fell substantially.

## U.S. REAL NET FARM INCOME

*Billions, 2009 Dollars*



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

