

Emerging Trends in the U.S. & Regional Economies



Alison Felix

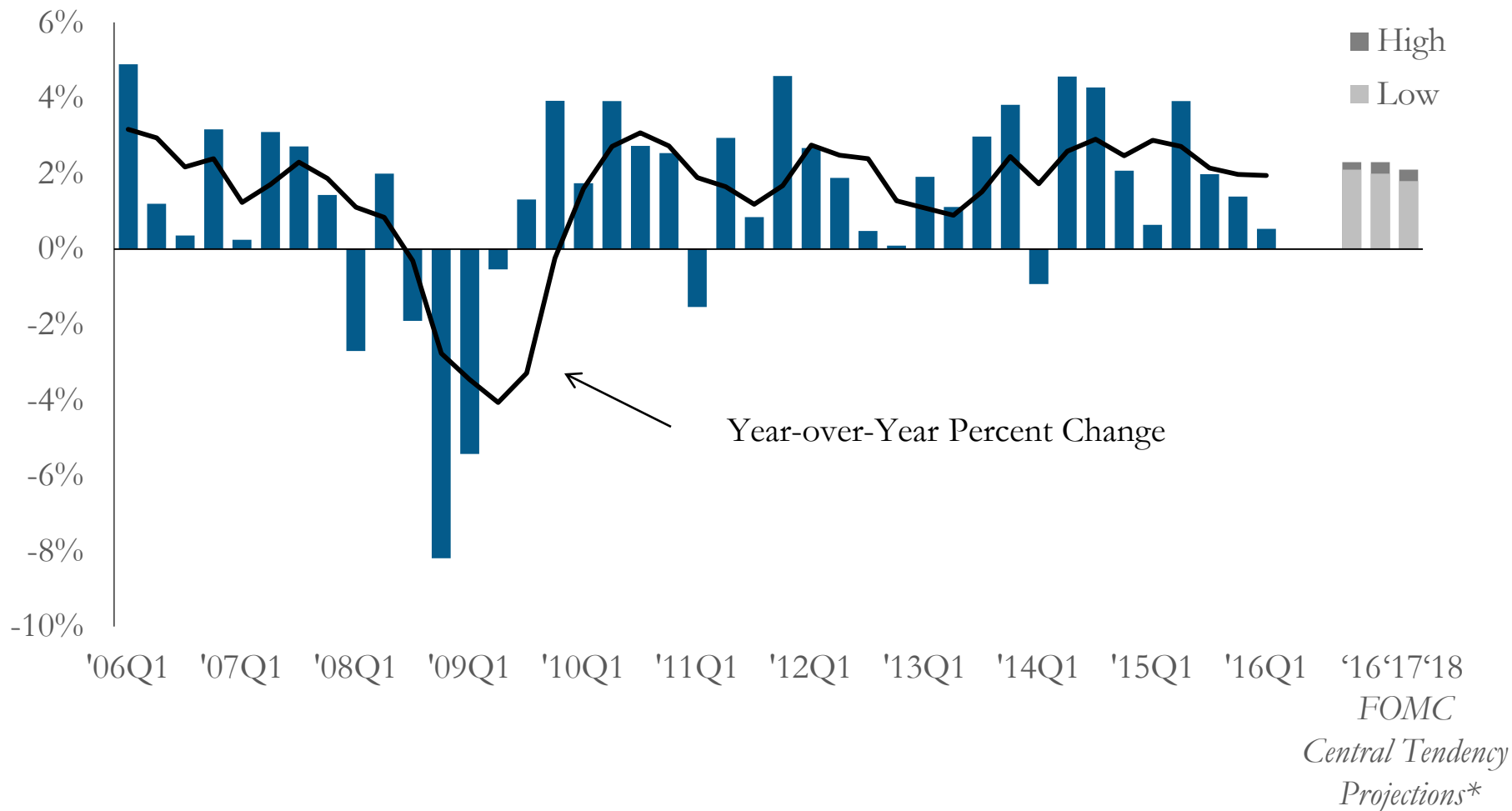
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*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

Despite a weak first quarter, 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



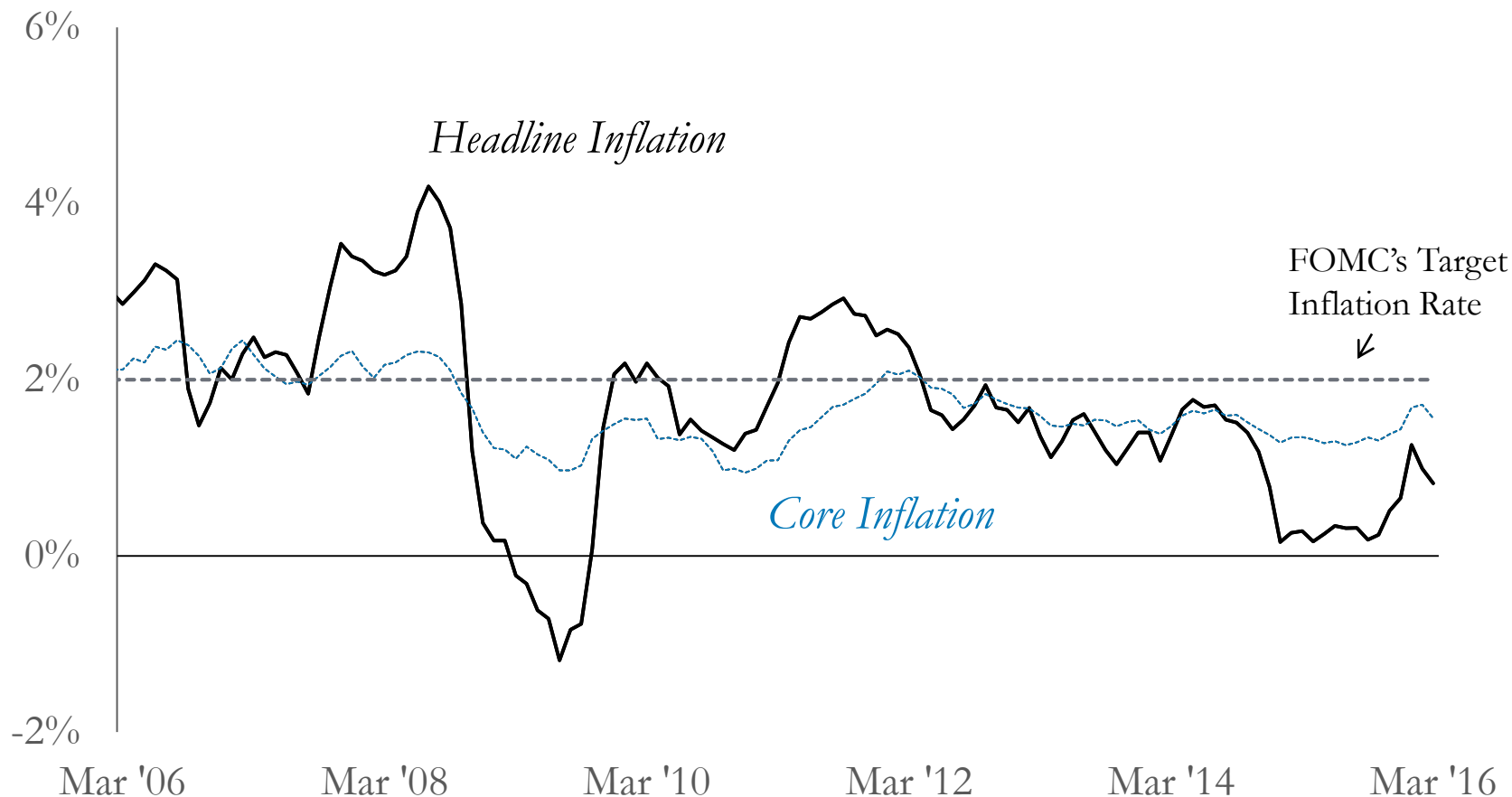
Source: Bureau of Economic Analysis and Federal Open Market Committee (FOMC)/Haver Analytics

*Note: Projections as of March FOMC meeting

Inflation has picked up in recent months and is expected to move toward the FOMC's two percent target over the next couple of years.

PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

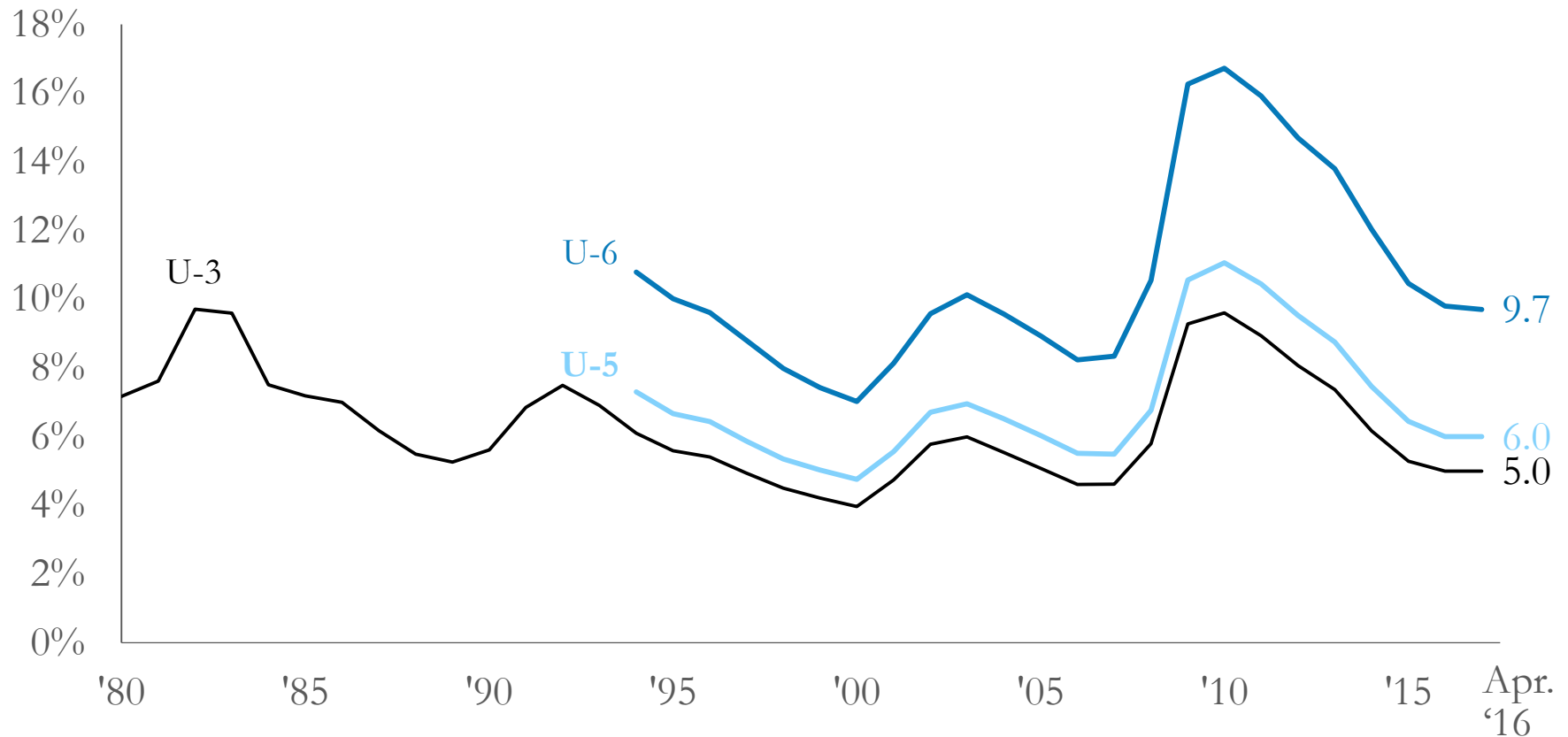
Percent Change Year-over-Year



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

U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

Seasonally Adjusted

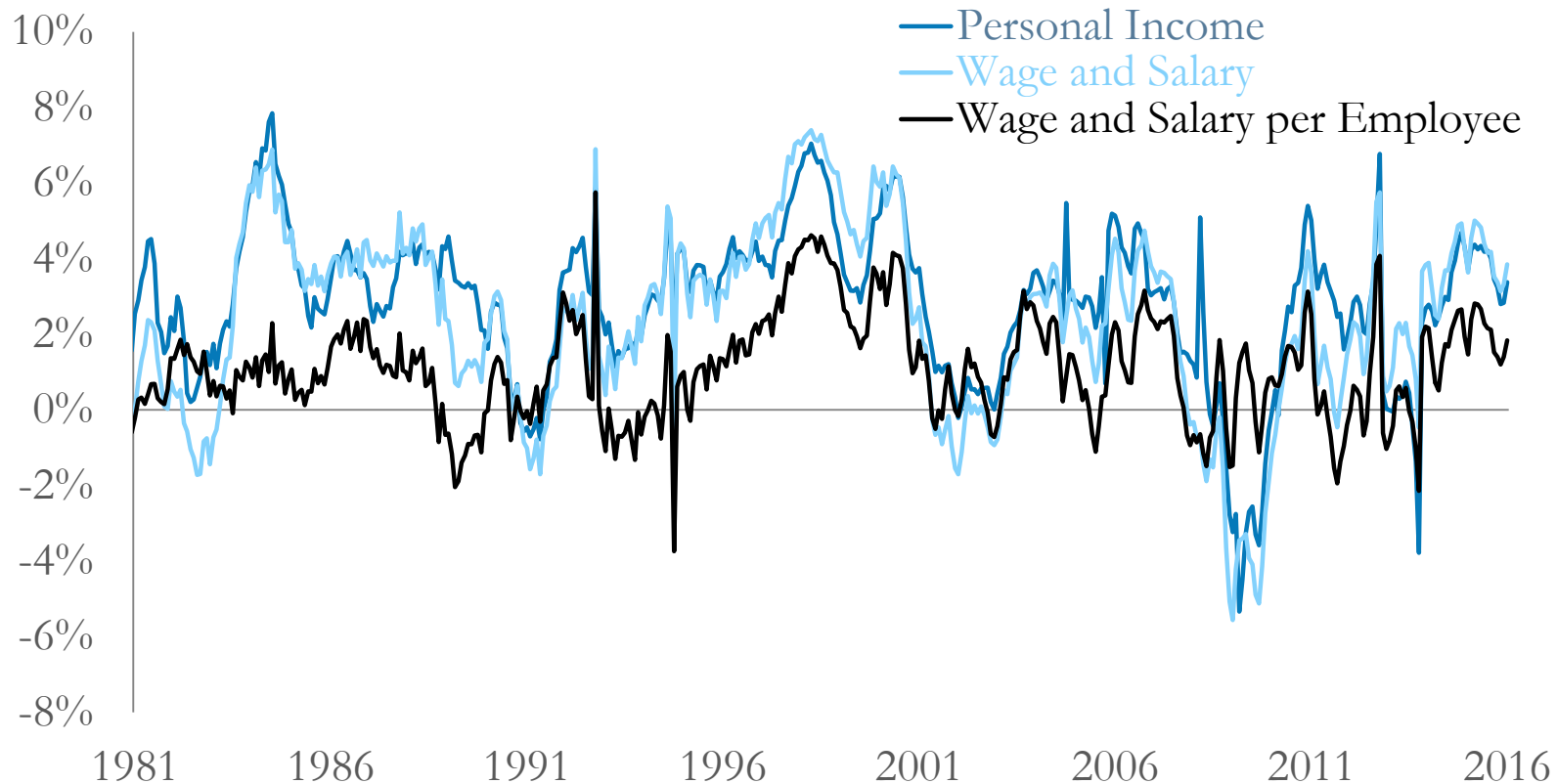


Real personal income continues to grow moderately.



REAL PERSONAL INCOME

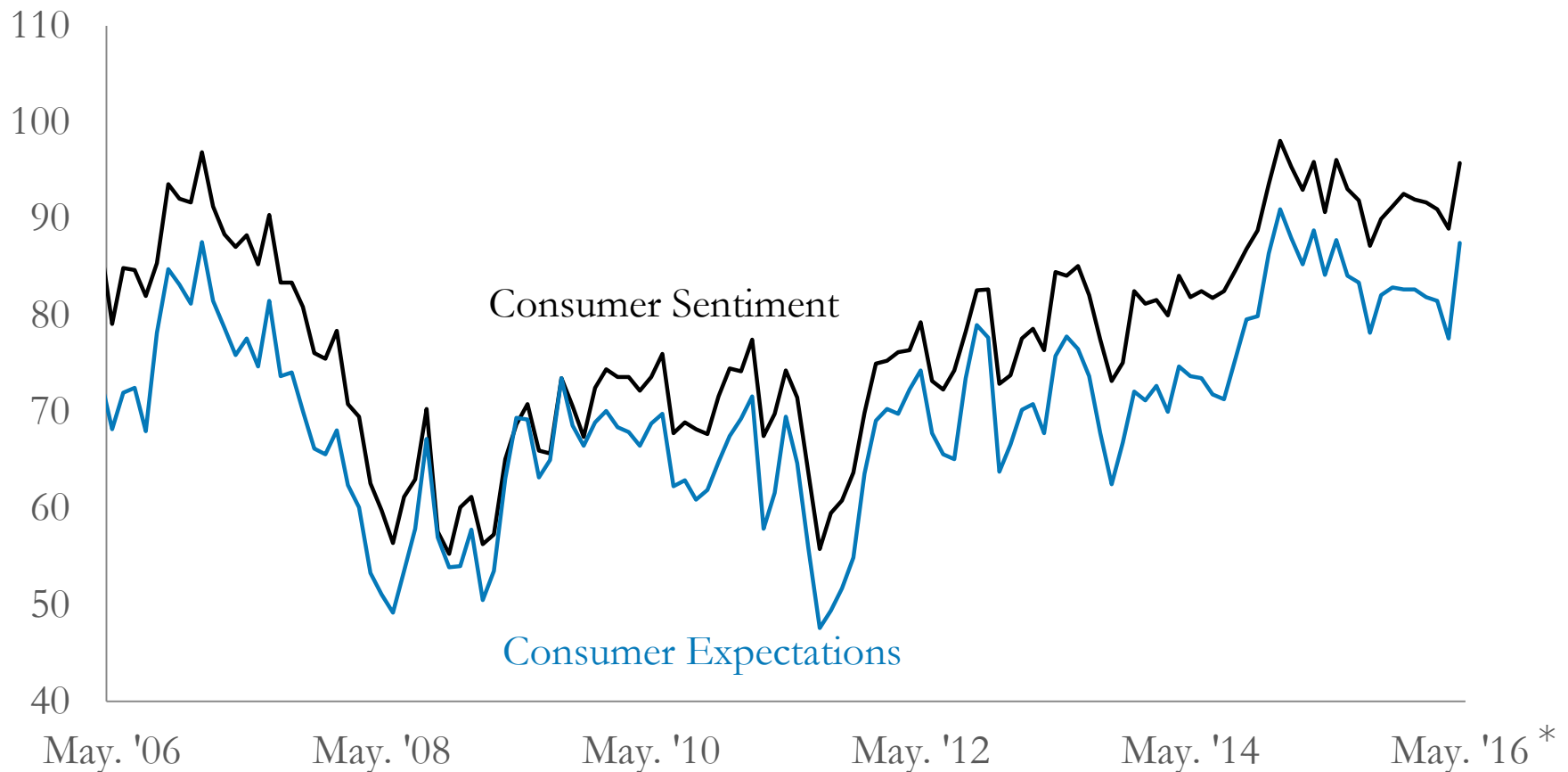
Percent Change, Year-over-Year



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

CONSUMER SENTIMENT

Index 100 = Q1: 1966



* Preliminary Numbers



“Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. 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 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.”

- April 2016 FOMC Statement

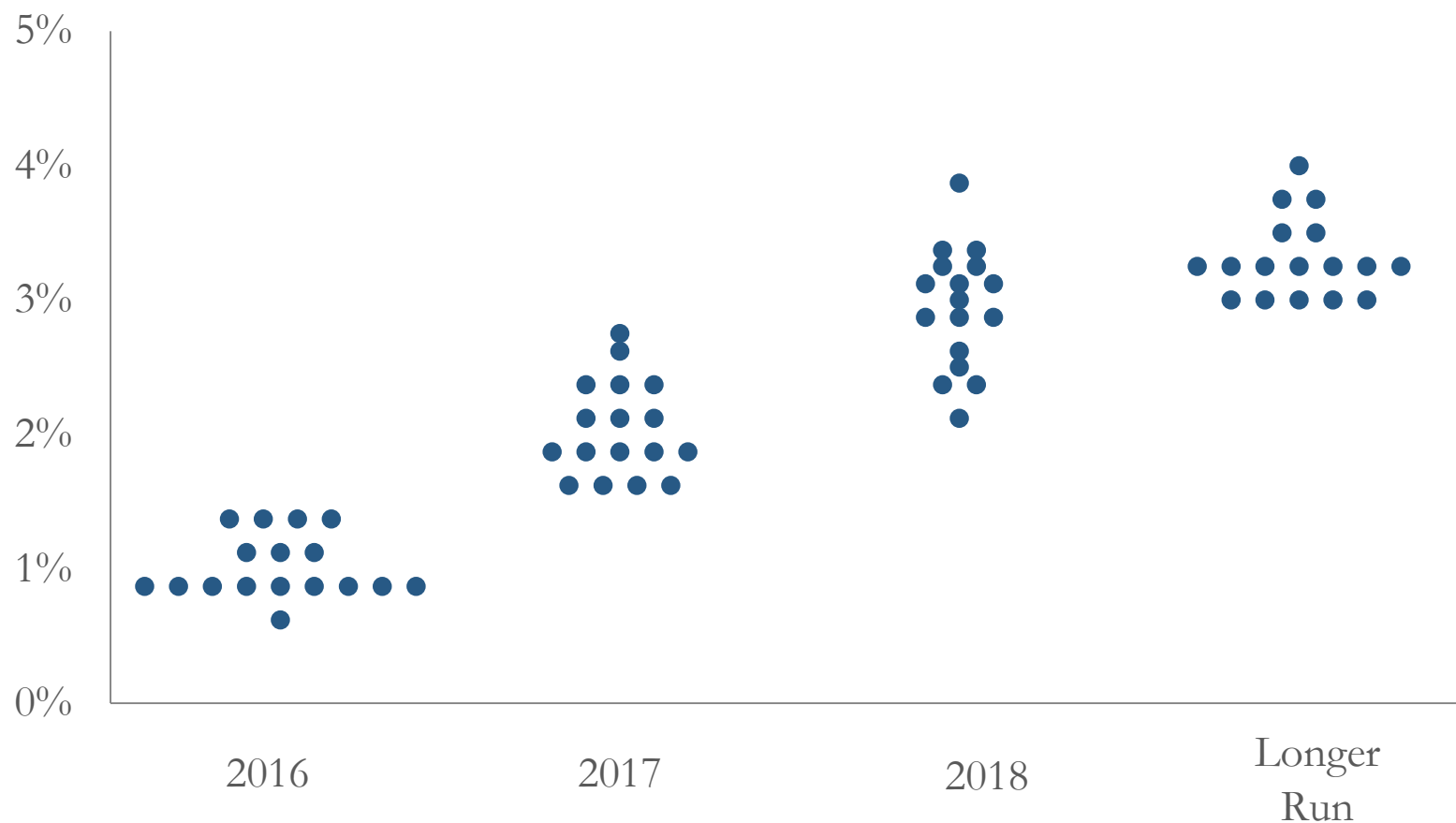


As of the March FOMC meeting, most members expected gradual increases in the federal funds rate over the next two years.



MIDPOINT OF TARGET RANGE OR TARGET LEVEL FOR FEDERAL FUNDS RATE

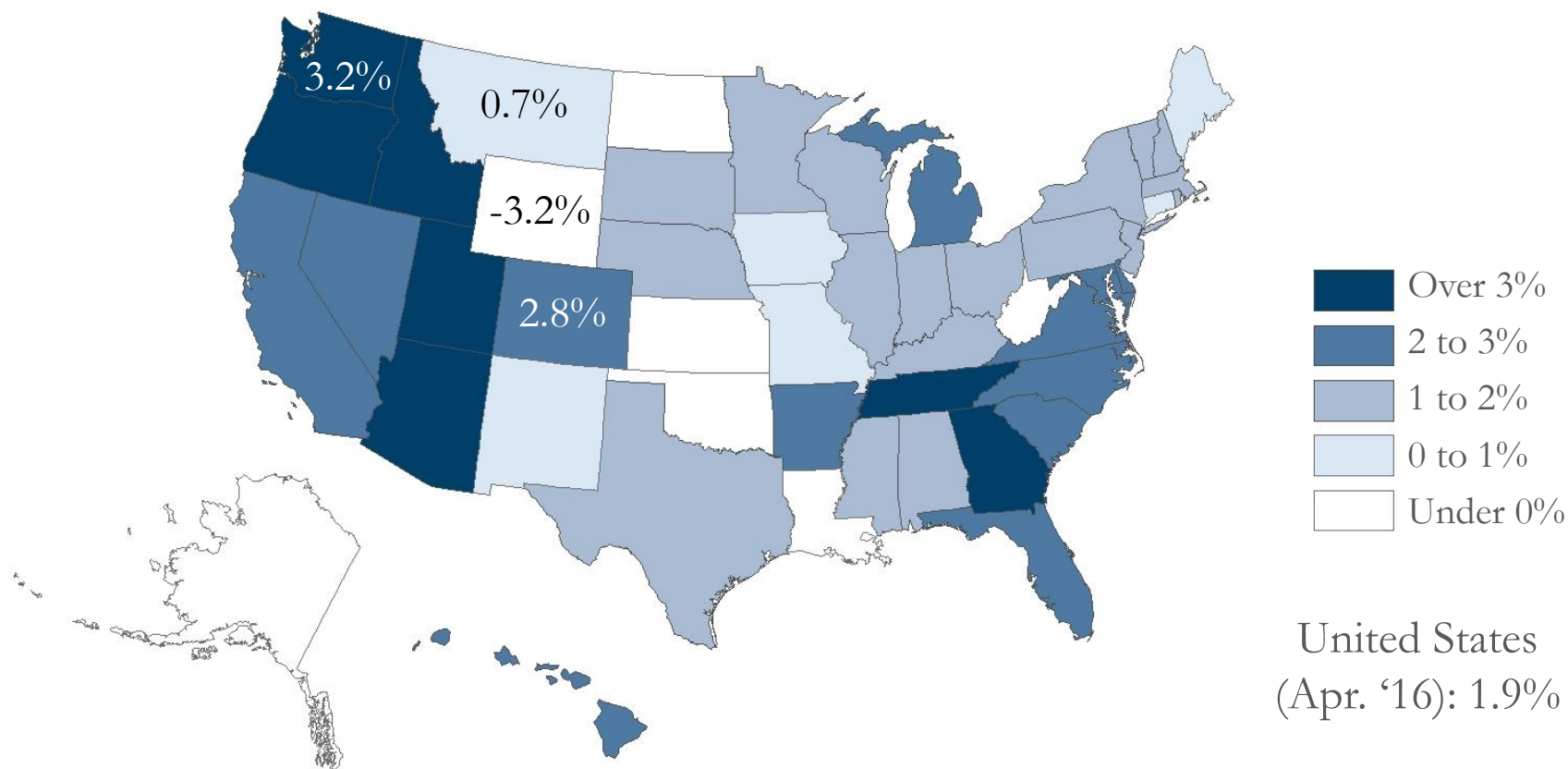
Individual FOMC Member Responses – March FOMC Meeting



Employment gains have been fairly broad-based across the nation, but declines in the energy sector are weighing heavily on some regions.

NONFARM EMPLOYMENT BY STATE

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

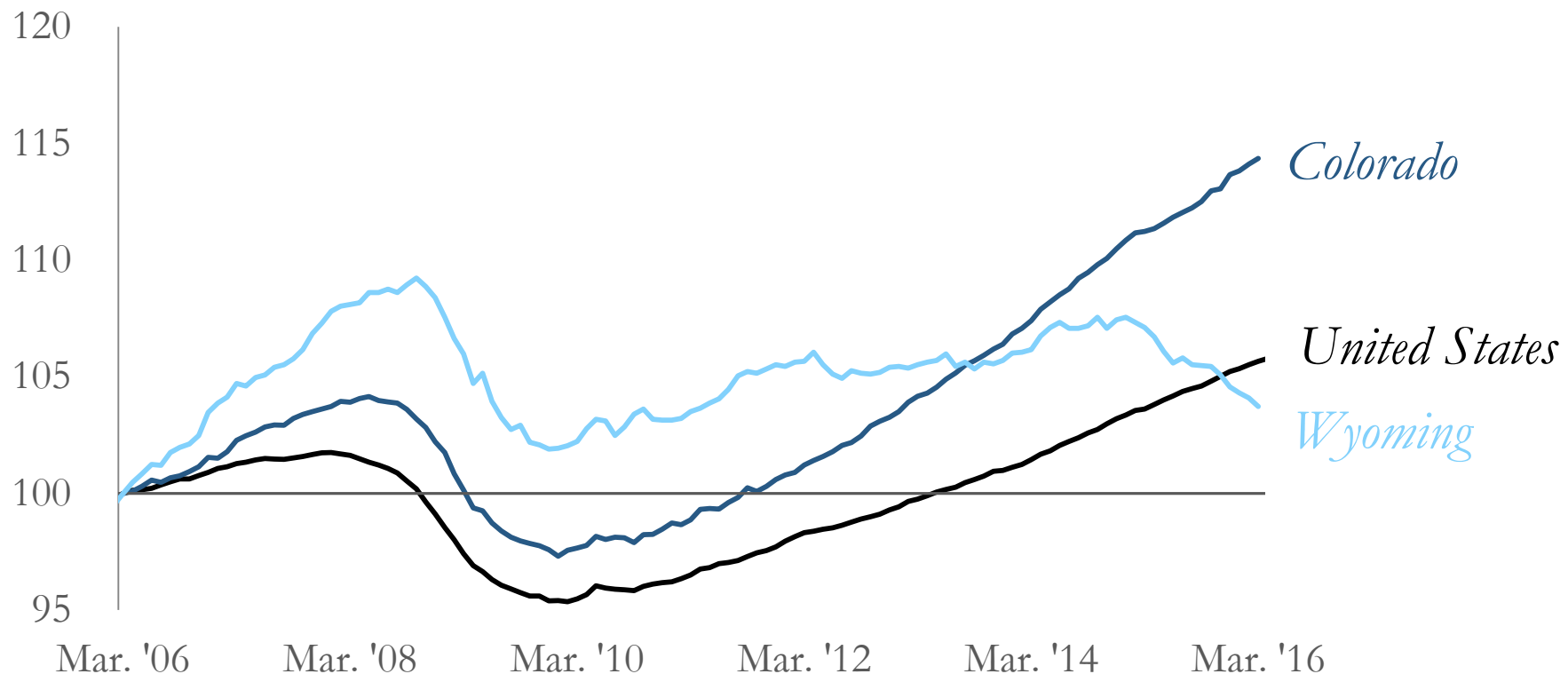


Colorado employment gains have been outpacing the nation, while employment has declined sharply in Wyoming due to weakness in the energy sector.

PAYROLL EMPLOYMENT GROWTH

Index 100 = March 2006, Seasonally Adjusted

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S. (Apr. '16)	5.6%	1.9%
CO	14.4%	2.8%
WY	3.7%	-3.2%

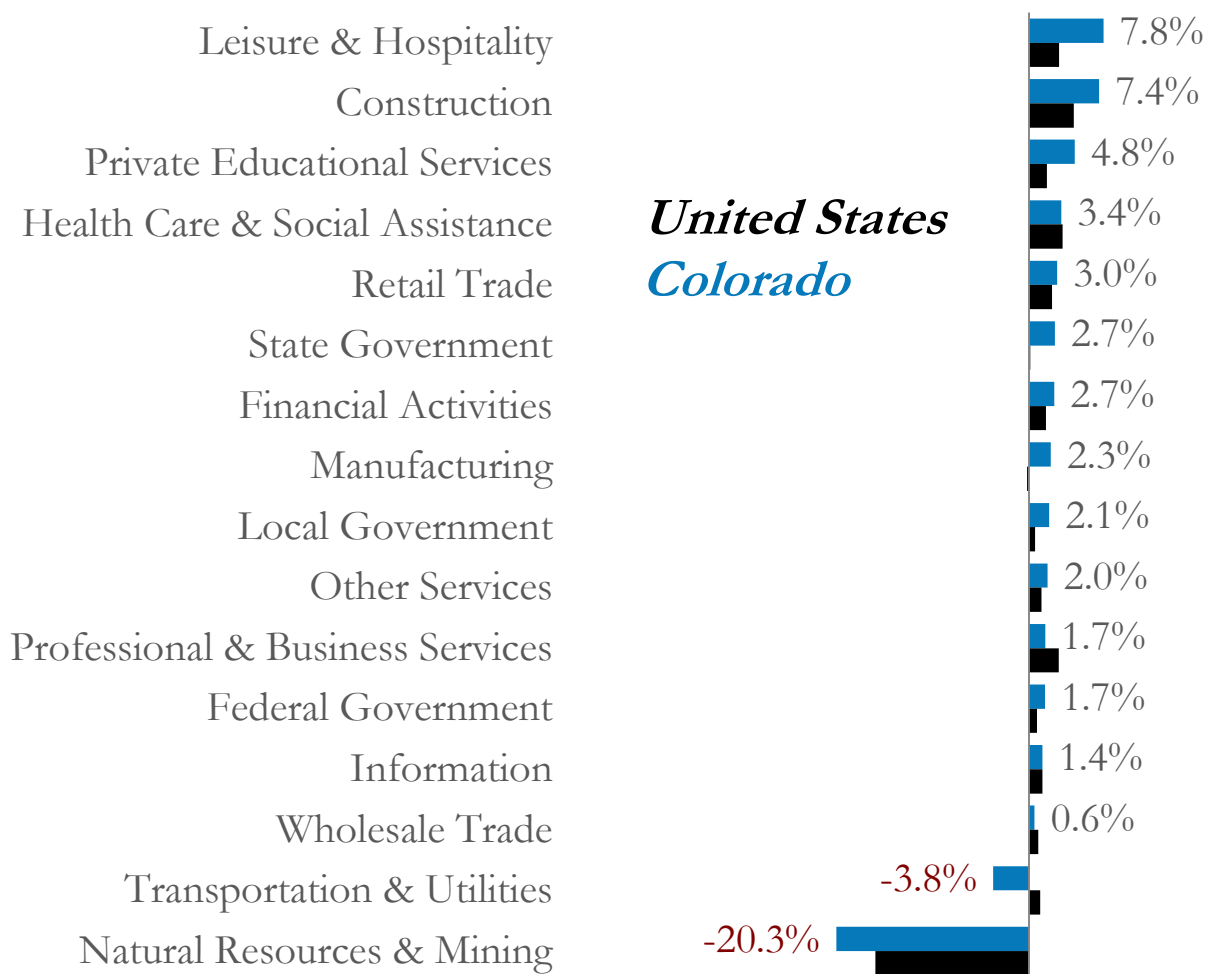


The majority of industries have added jobs over the past year in Colorado, but employment in the energy sector has declined sharply.

CHANGE IN PAYROLL EMPLOYMENT, MARCH 2016

Seasonally Adjusted

Percent Change Year-over-Year

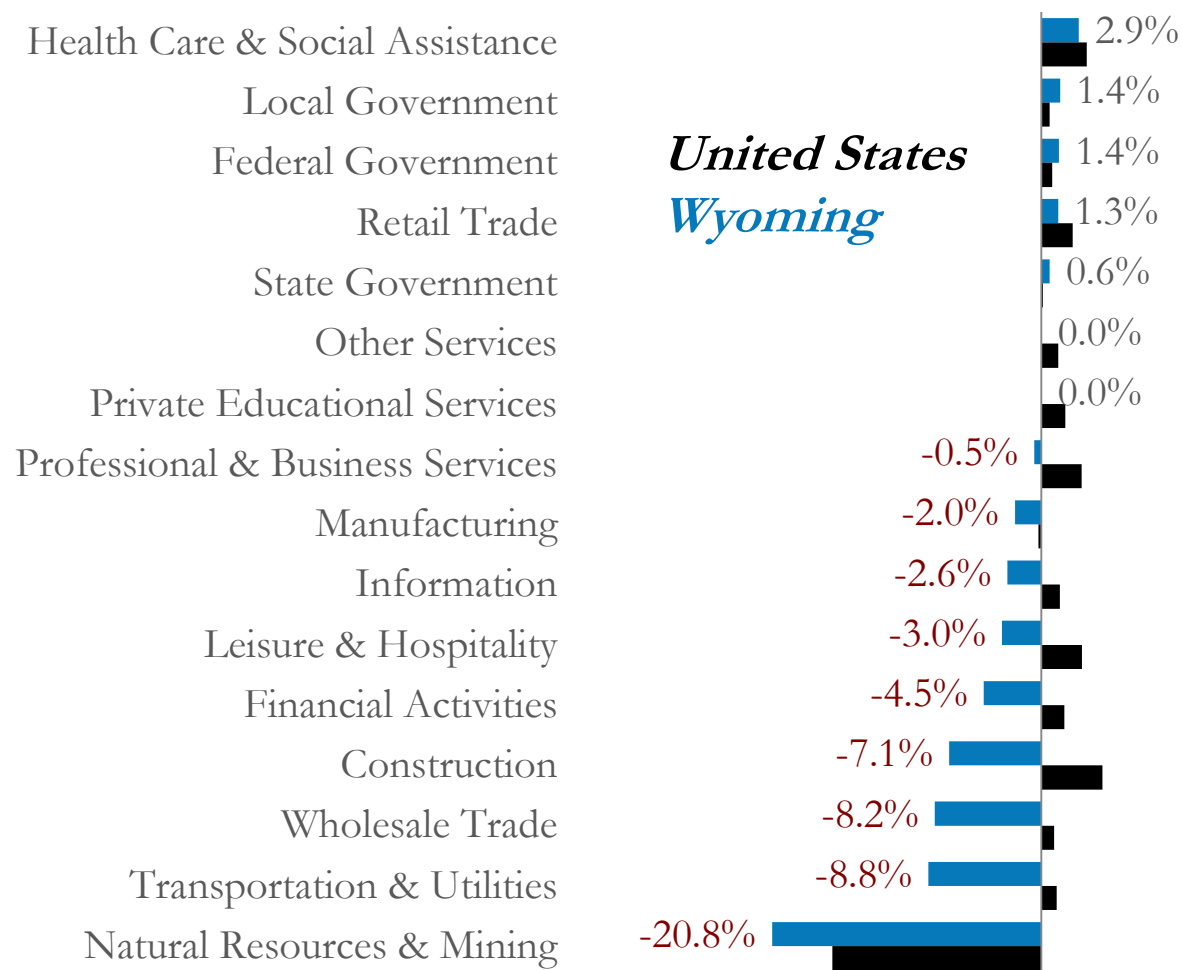


Weakness in the energy sector has spread to other industries in Wyoming.

CHANGE IN PAYROLL EMPLOYMENT, MARCH 2016

Seasonally Adjusted

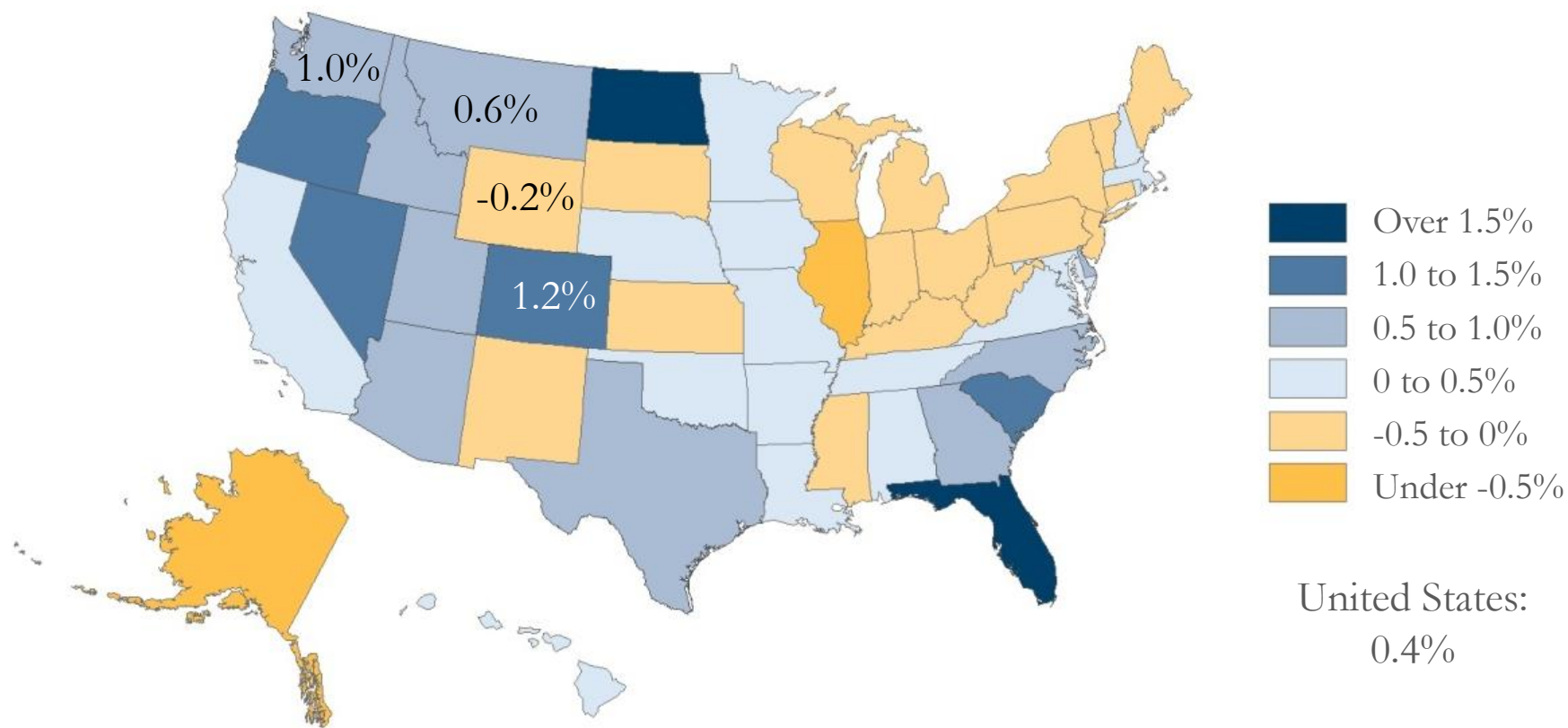
Percent Change Year-over-Year



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

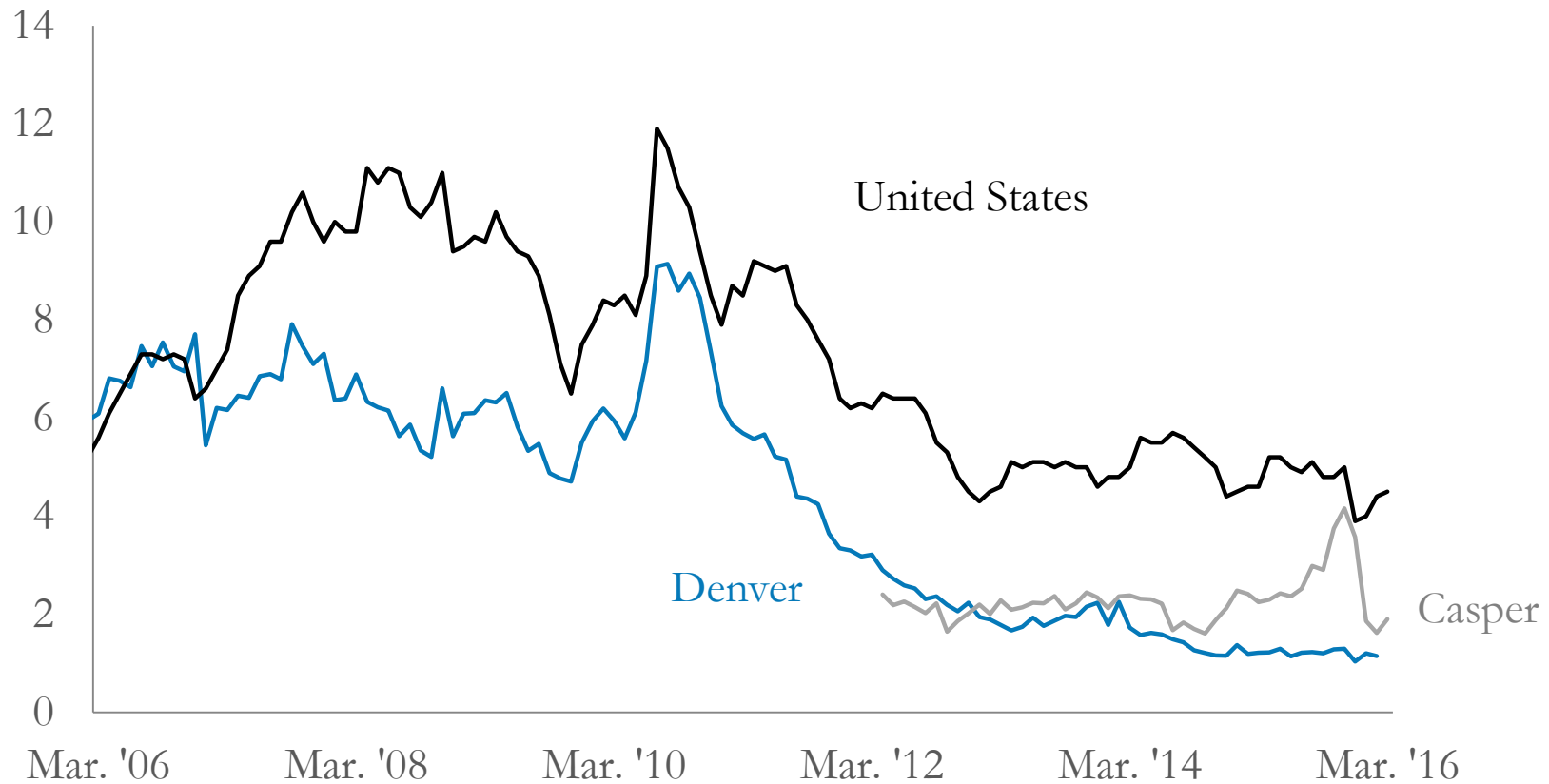


Low home inventories are helping to spur new construction activity and higher home prices.



MONTH'S SUPPLY OF HOMES

Months, Seasonally Adjusted

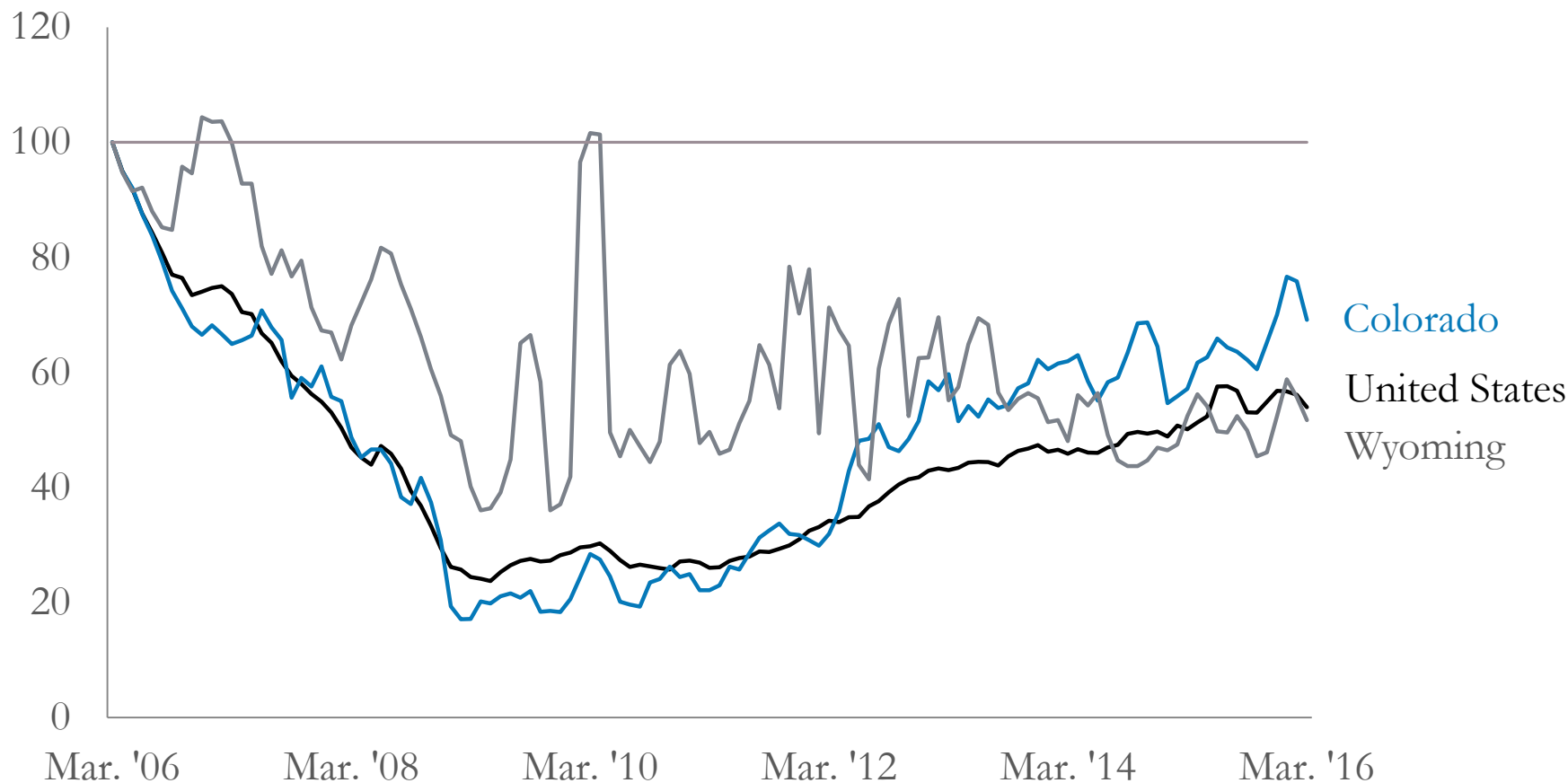


Residential construction activity has been increasing for more than six years, led by strong gains in multifamily building.



RESIDENTIAL PERMITS

Seasonally Adjusted, Three-Month-Moving Average

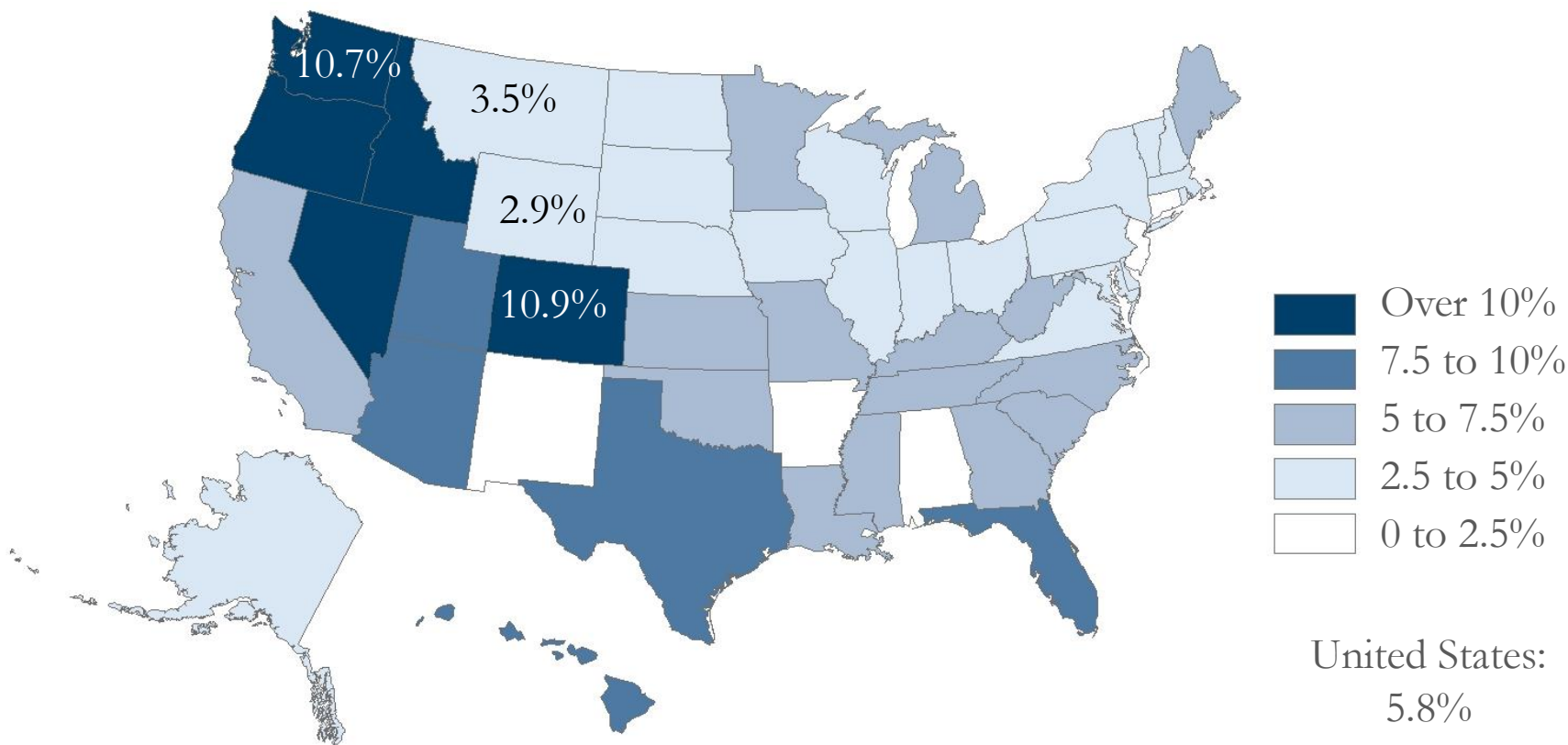


Home prices are increasing across the U.S.



FHFA PURCHASE-ONLY HOME PRICE INDEX

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

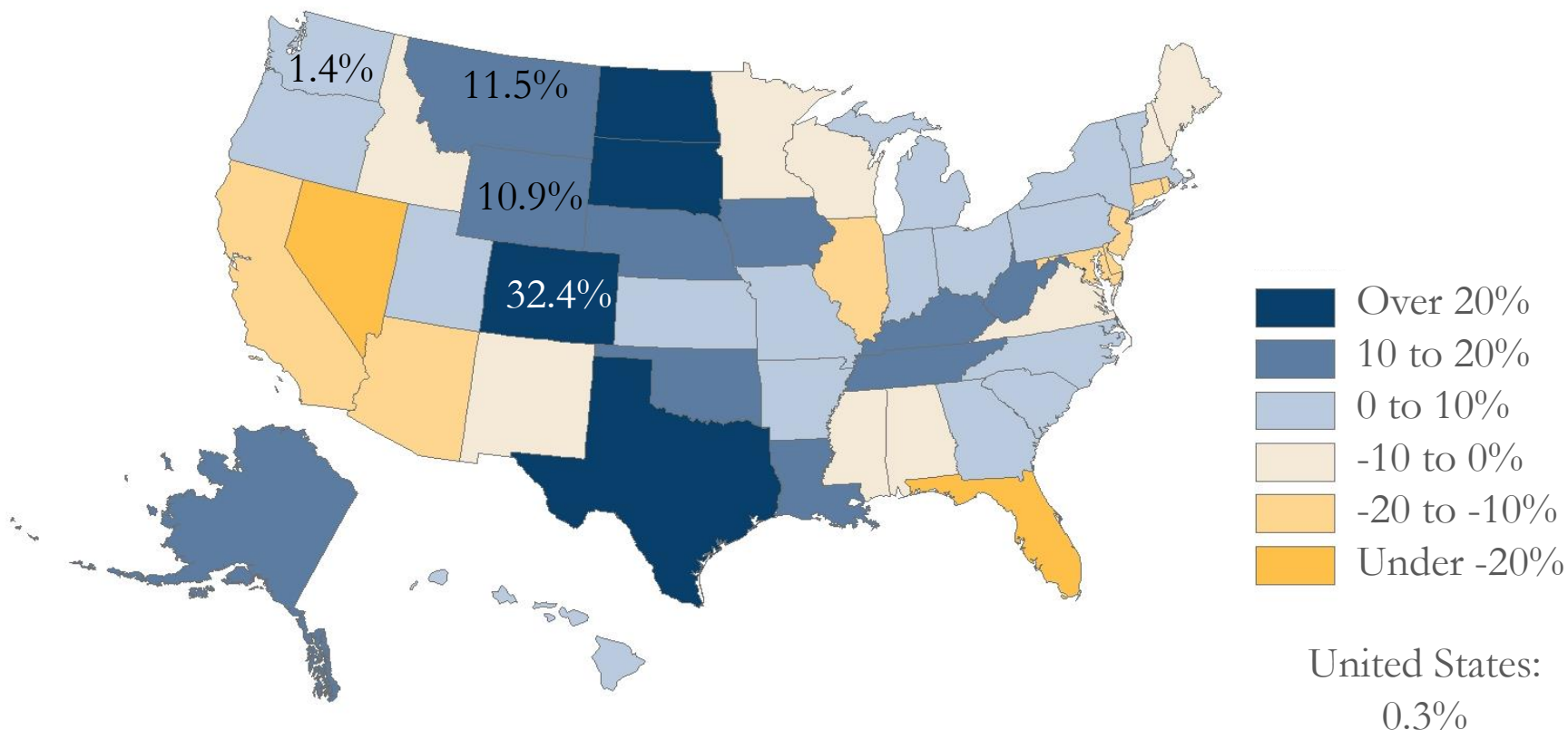


Colorado has experienced some of the fastest home price appreciation in the nation since 2007.



FHFA PURCHASE-ONLY HOME PRICE INDEX

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

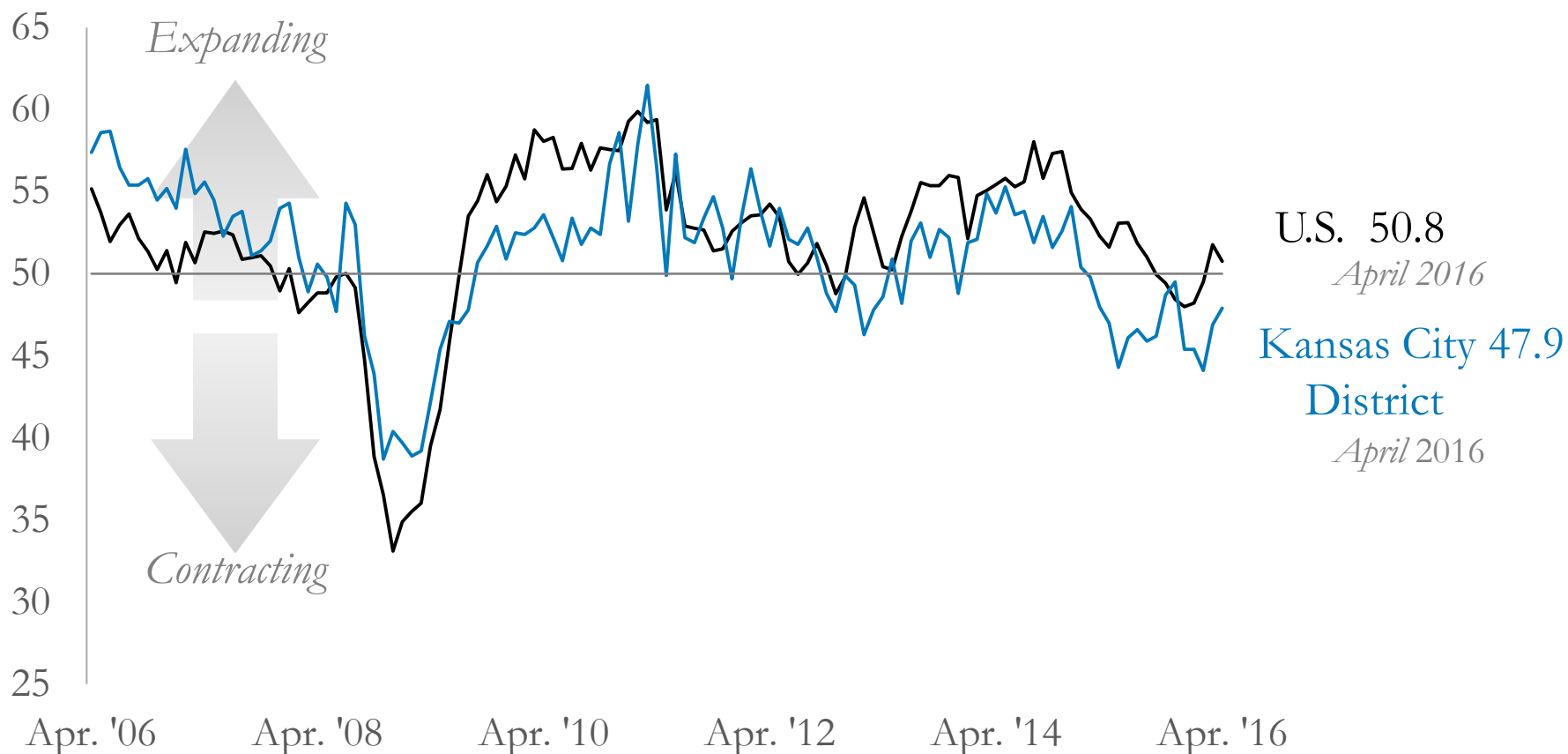


Manufacturing activity has slowed due in part to a strong dollar and weak demand from the energy and agriculture sectors.



MANUFACTURING ACTIVITY

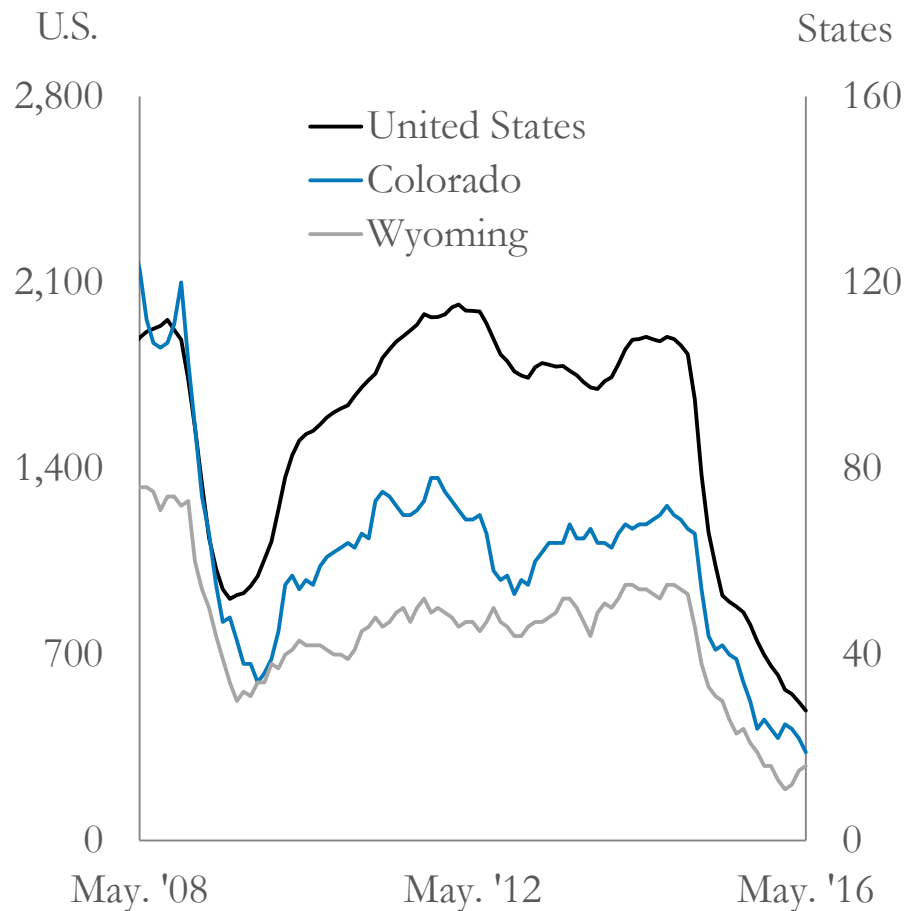
Diffusion Index, Seasonally Adjusted, Month-over-Month



Energy activity has declined substantially.

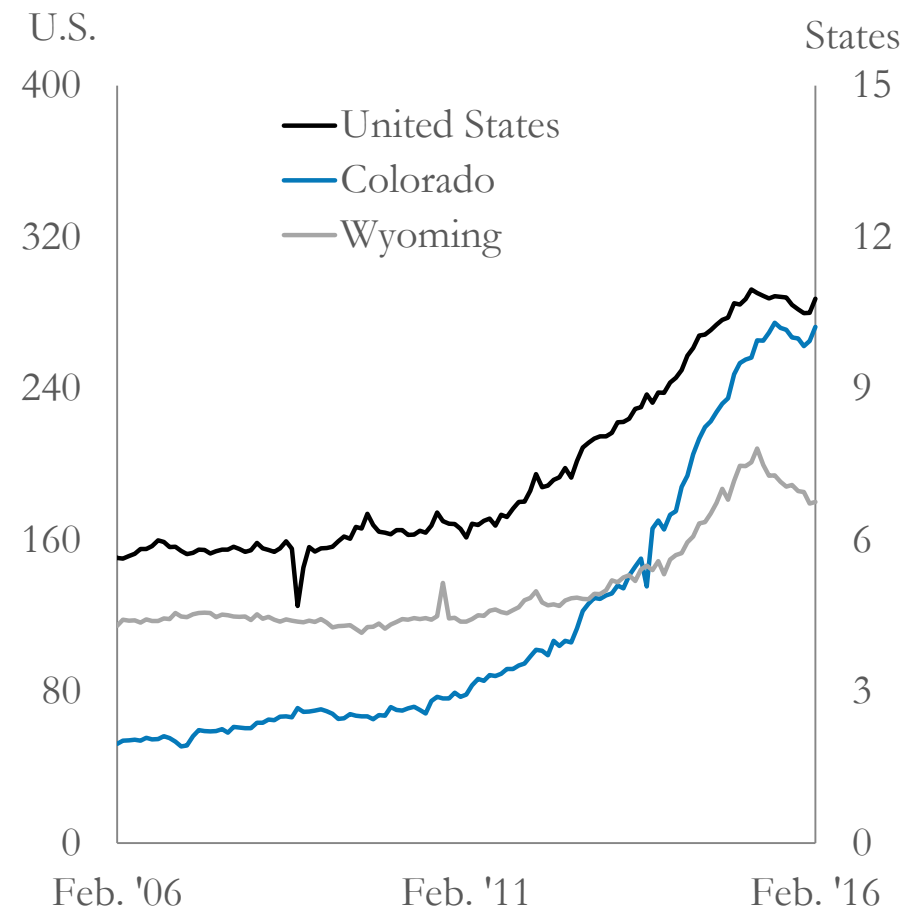


TOTAL RIG COUNT



CRUDE OIL PRODUCTION

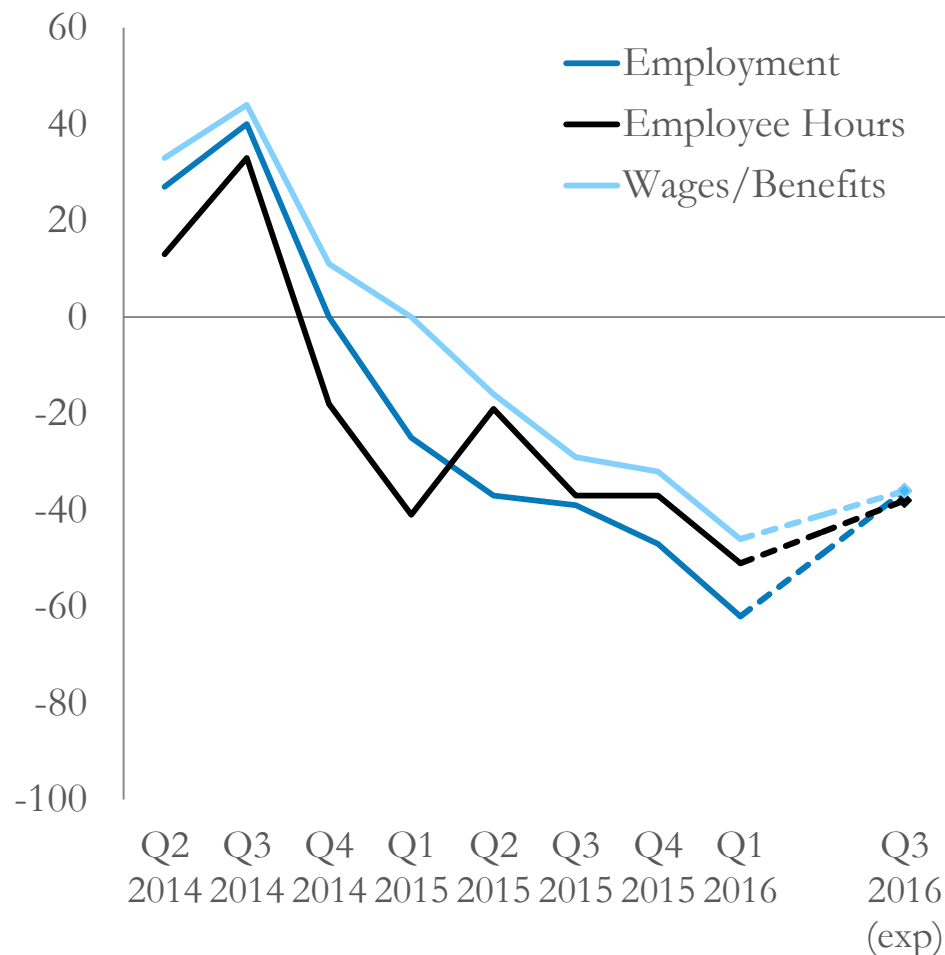
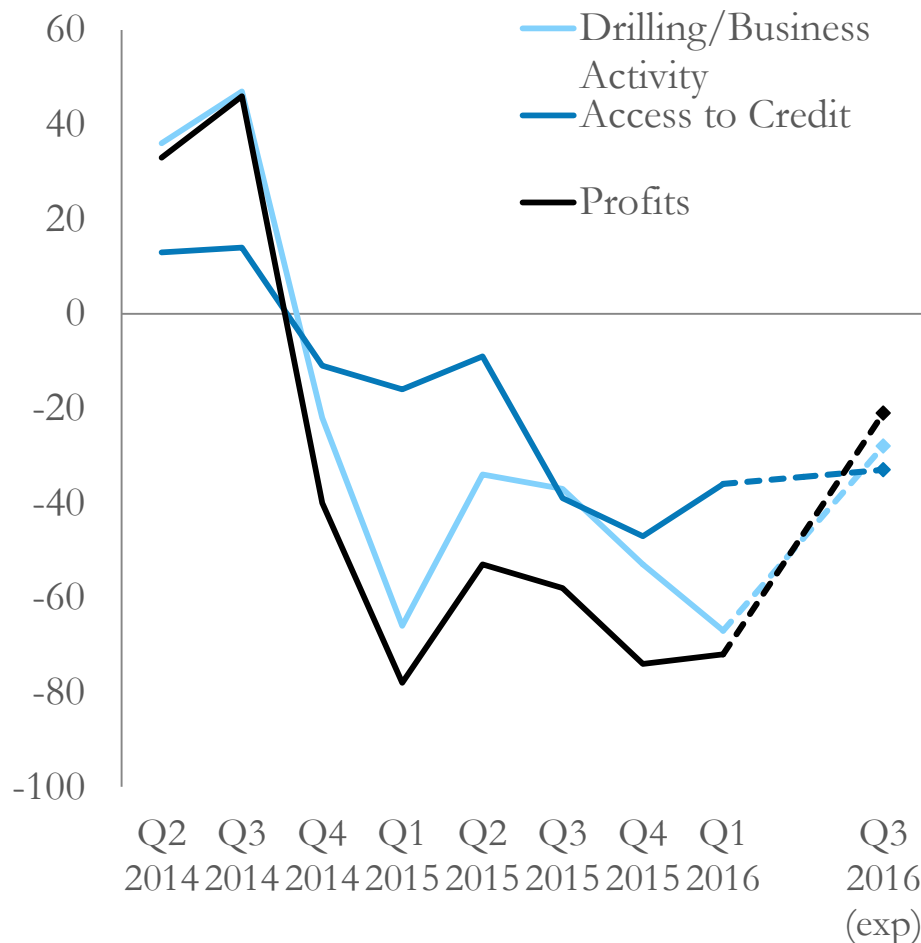
*Millions of Barrels, Monthly,
Seasonally Adjusted*



After sharp declines in activity over the past 18 months, energy contacts expect additional decreases in activity over the next six months.

FRBKC ENERGY SURVEY

Quarterly Diffusion Indexes

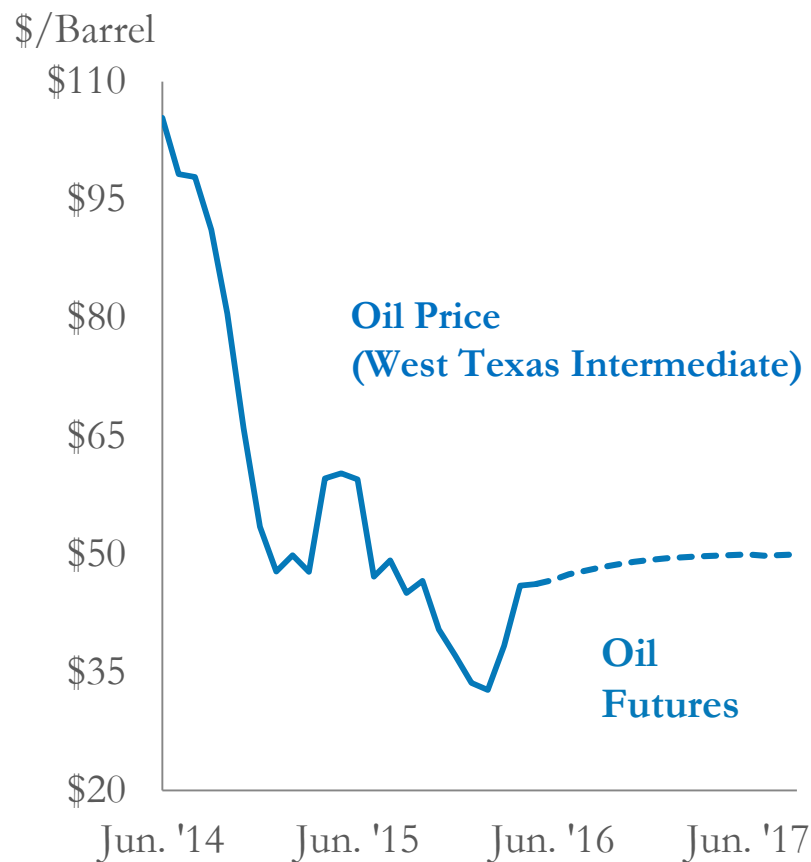
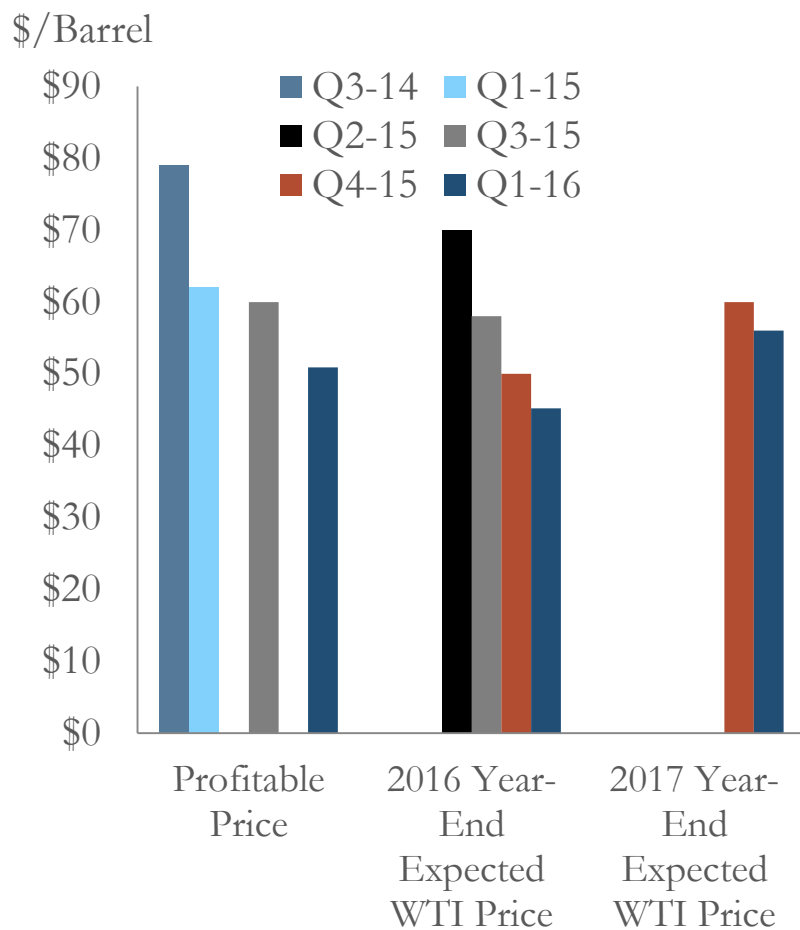


Break-even oil prices have fallen as productivity rises and costs decline, and oil prices have increased significantly in recent weeks.

FRBKC ENERGY SURVEY – SPECIAL QUESTIONS

Average of Respondents

Oil Price

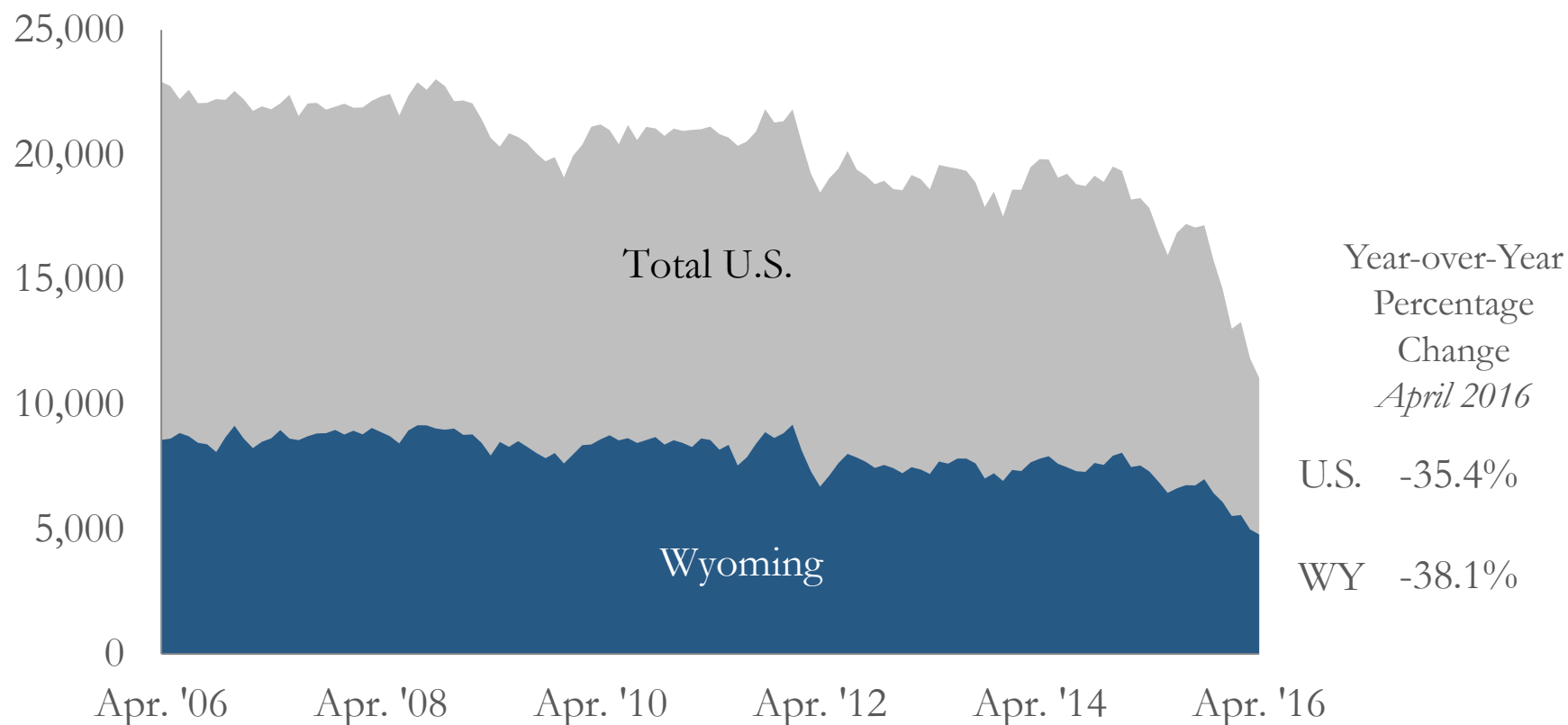


The coal sector continues to struggle, and coal production declined substantially in Wyoming over the past year.



COAL PRODUCTION

Seasonally Adjusted, Thousand Short Tons

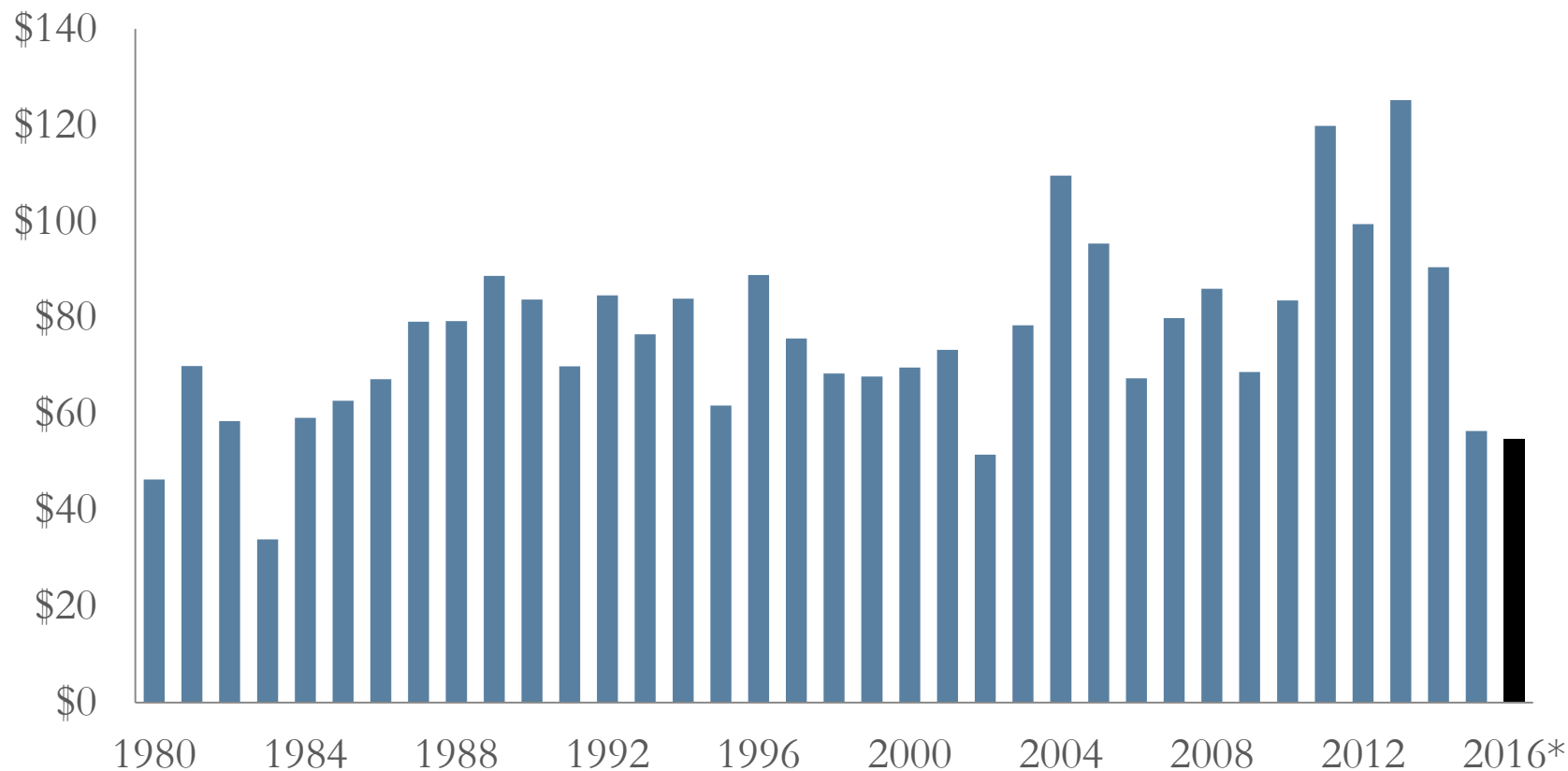


Farm income has dropped sharply and is expected to remain low.



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>

