

Emerging Trends in the U.S. & Colorado Economies



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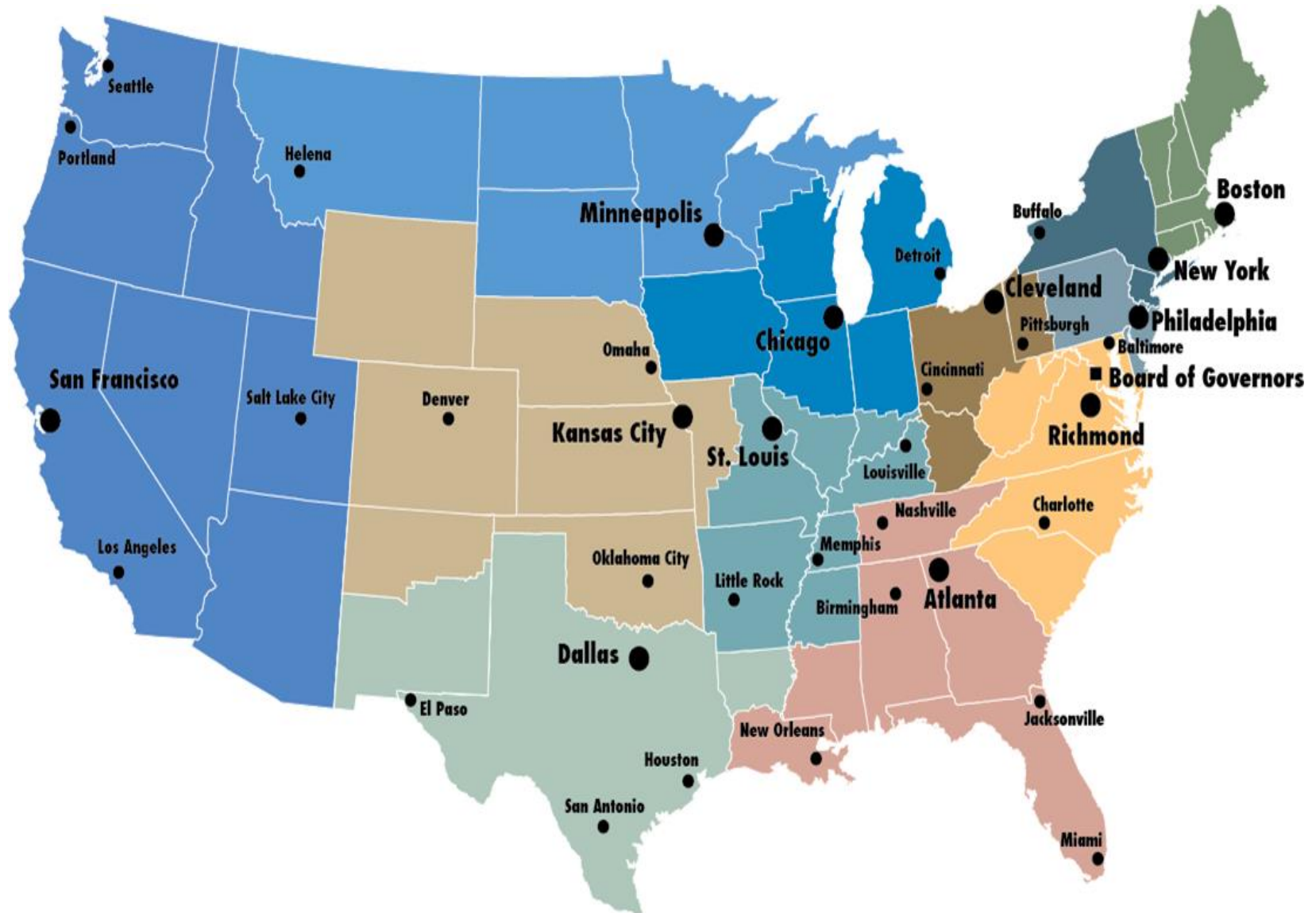
*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

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



The Denver Branch of the Federal Reserve Bank of Kansas City

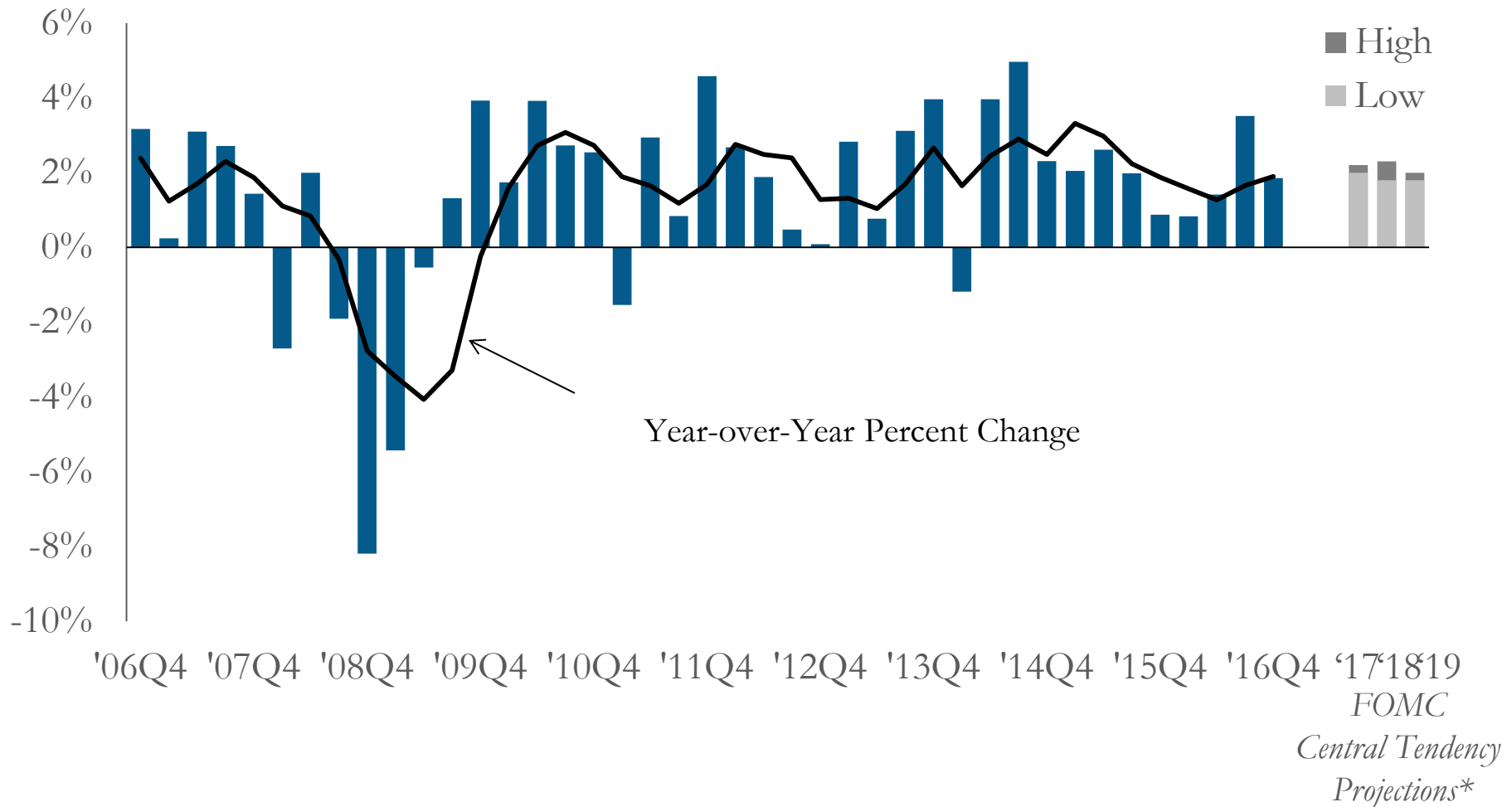


- Functions – around 160 staff
 - Regional research covering the economies of Colorado, New Mexico and Wyoming
 - Economic, financial education, and community development outreach
 - Examinations of Colorado, Wyoming and northern New Mexico financial institutions
 - Cash processing and distribution
 - Money Museum
- 2017 Denver Board of Directors
 - Richard Lewis (Chair): President and CEO of RTL Networks, Inc.
 - Ashley Burt: President of The Gunnison Bank and Trust Company
 - Gary DeFrangé: President and COO of Winter Park Resort
 - Taryn Edwards: Senior Vice President of Saunders Construction
 - Edmond Johnson: President and Owner of Premier Manufacturing, Inc.
 - Jeff Wallace: CEO of Wyoming Bank and Trust
 - Katharine Winograd: President of Central New Mexico Community College

The U.S. economy is expected to continue to expand at a moderate pace over the next few years.

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

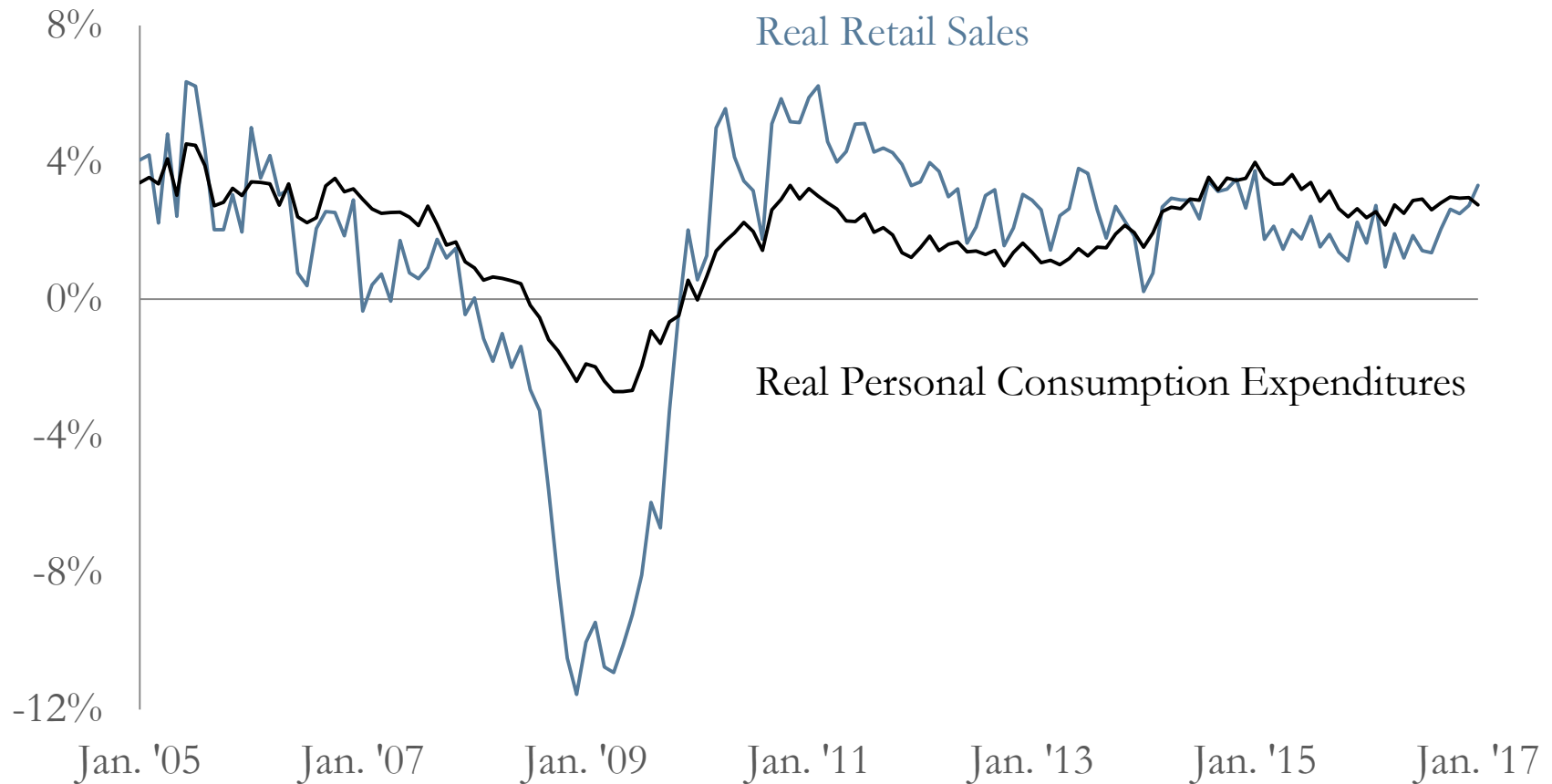
*Projections as of March FOMC meeting

Consumer spending continues to expand at a solid pace.



REAL CONSUMPTION SPENDING

Seasonally Adjusted , Year-over-Year Percent Change

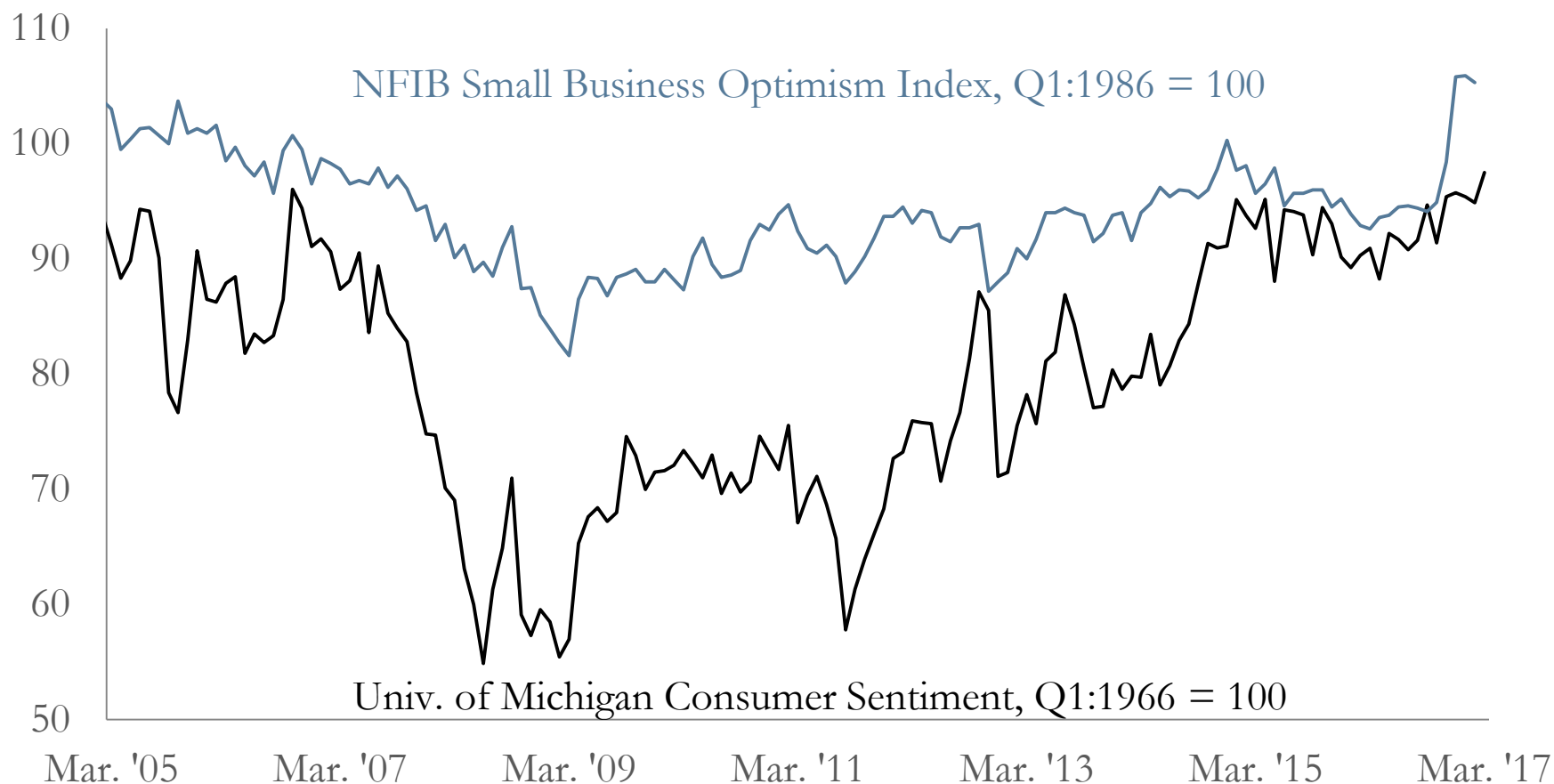


Business and consumer confidence have increased in recent months.

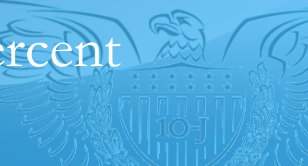


CONSUMER SENTIMENT

Seasonally Adjusted

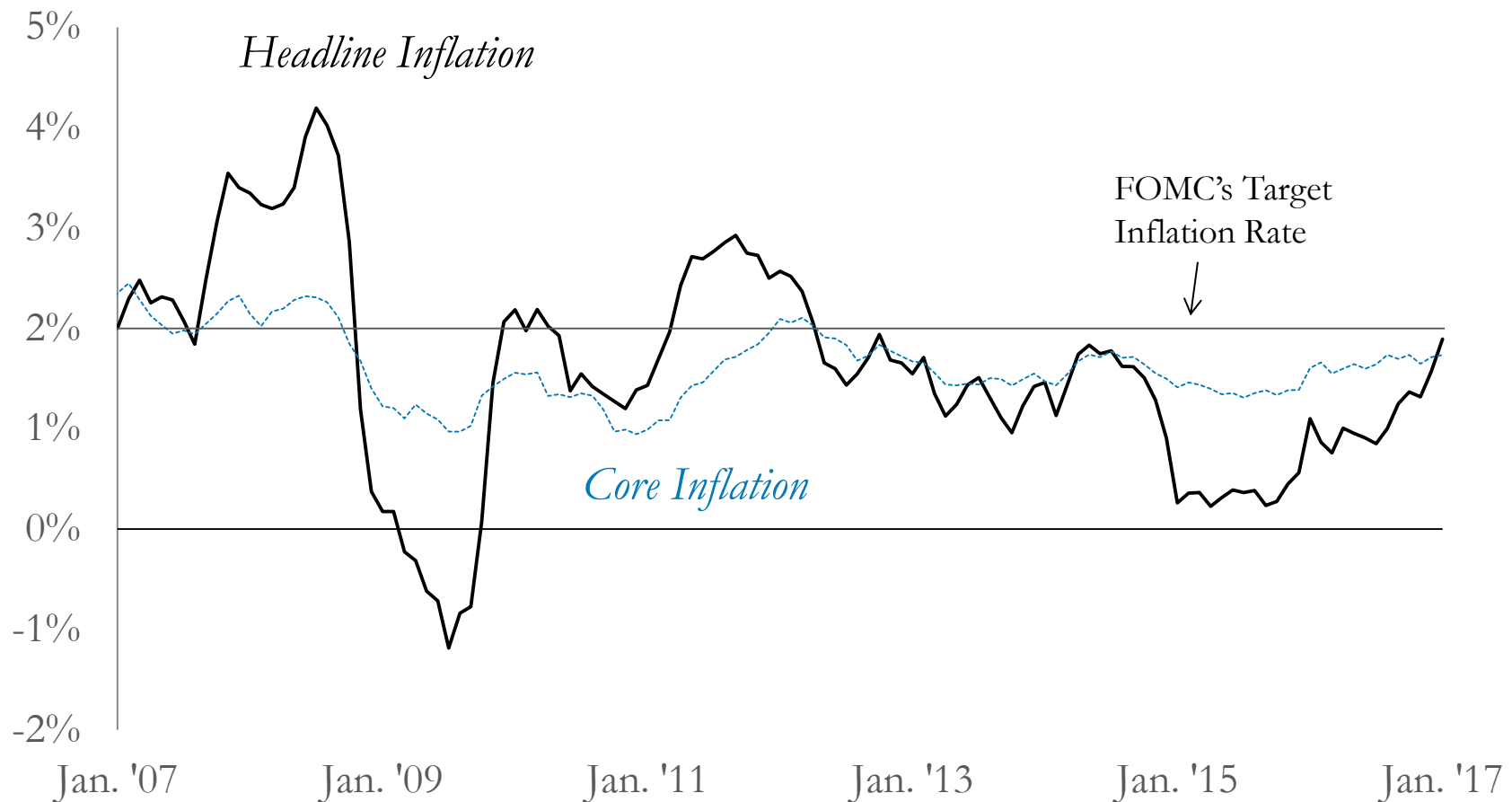


Inflation has picked up, moving closer toward the FOMC's two percent target.



PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

Percent Change Year-over-Year

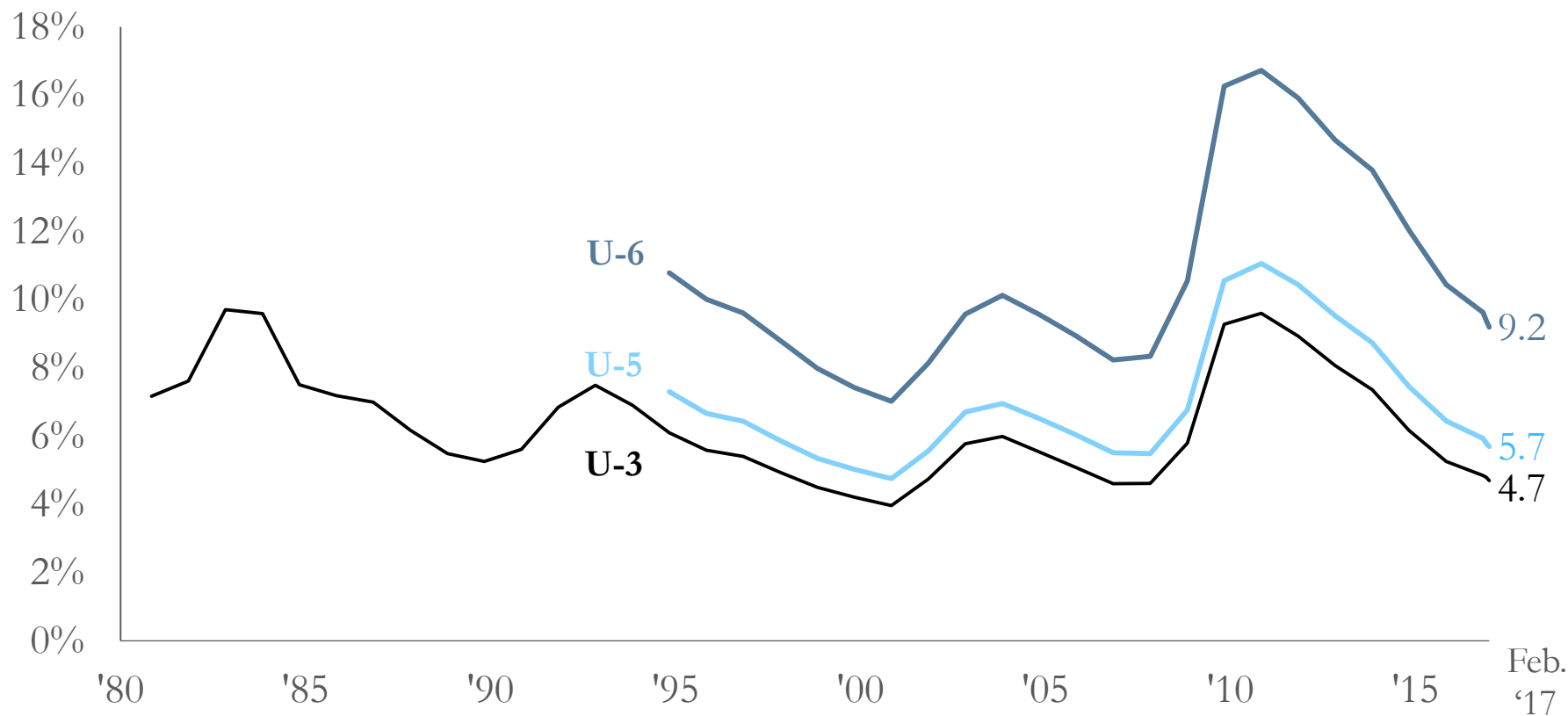


Measures of unemployment and under-employment have declined steadily over the past six years.



U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

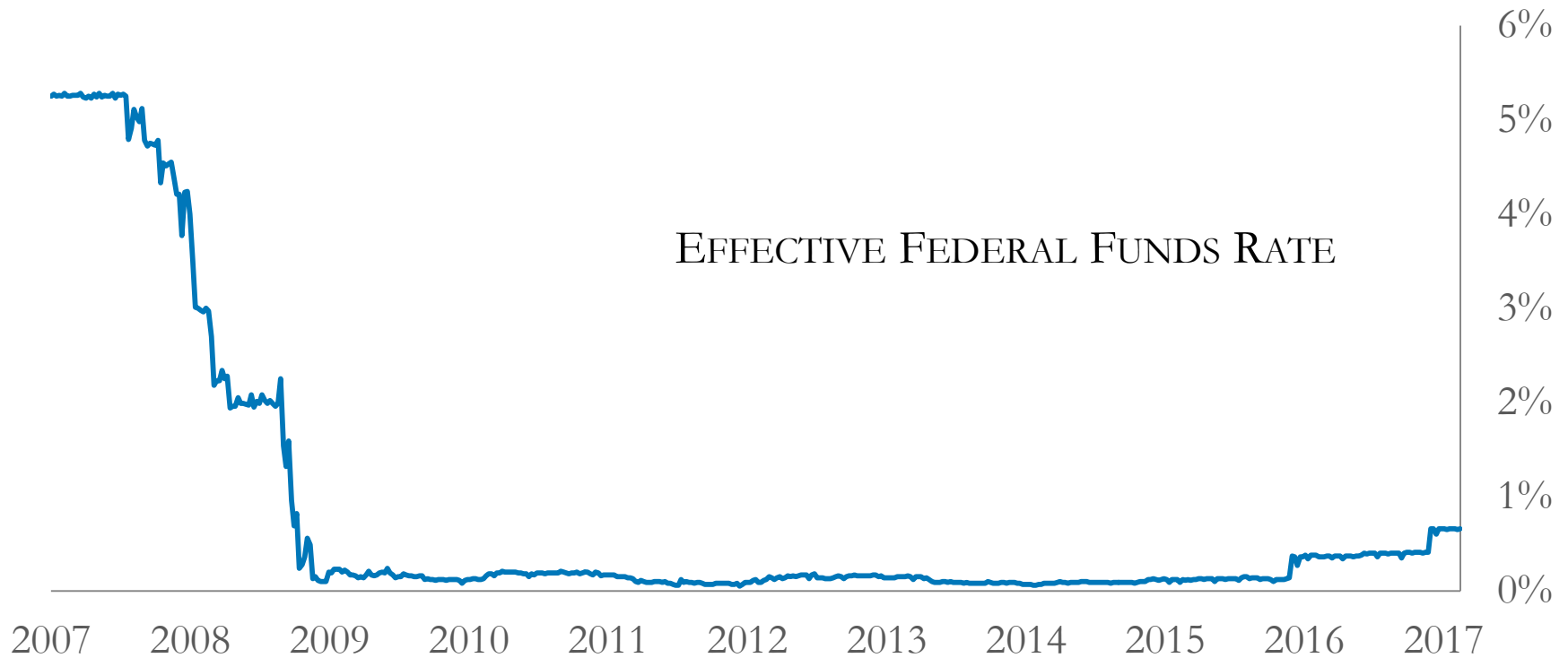
Seasonally Adjusted





“In view of realized and expected labor market conditions and inflation, the Committee decided to raise the target range for the federal funds rate to 3/4 to 1 percent. The stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a sustained return to 2 percent inflation.”

- March 2017 FOMC Statement



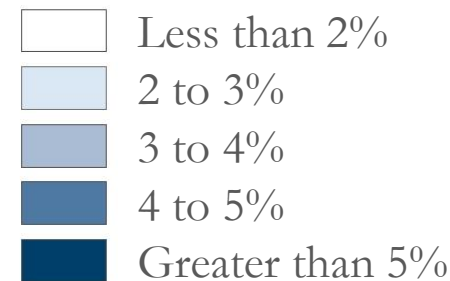
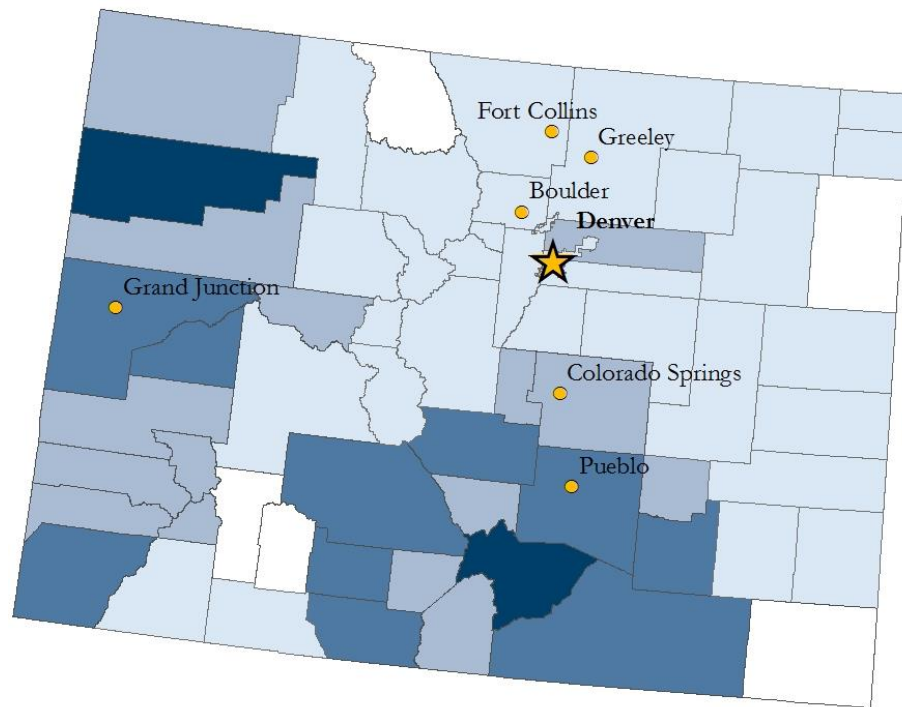
Unemployment rates are below national rates in most of Colorado.

UNEMPLOYMENT RATES

January 2017, Seasonally Adjusted

<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States (Feb. '17)	4.7%	5.7%	9.2%
Colorado	2.9%	3.8%	7.3%

**U-5 and U-6 values are 12-month moving averages as of Q4 2016 for Colorado and are for February, 2017 for the United States.*



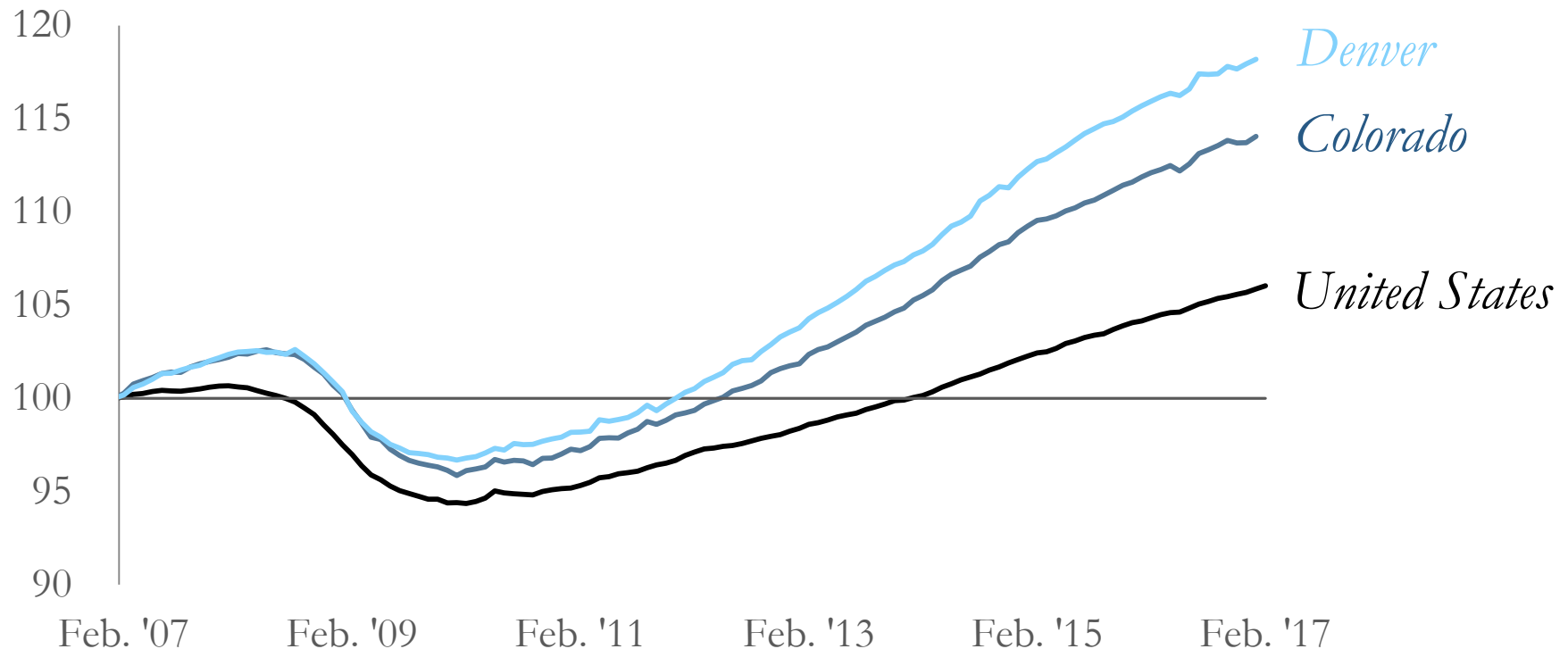
Employment has been increasing in Colorado and the nation for more than six years, with Colorado gains outpacing the nation.

PAYROLL EMPLOYMENT GROWTH

Index 100 = February 2007, Seasonally Adjusted

Jan. '17 {

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S. (Feb. '17)	6.0%	1.6%
Colorado	14.0%	1.9%
Denver	18.2%	2.1%

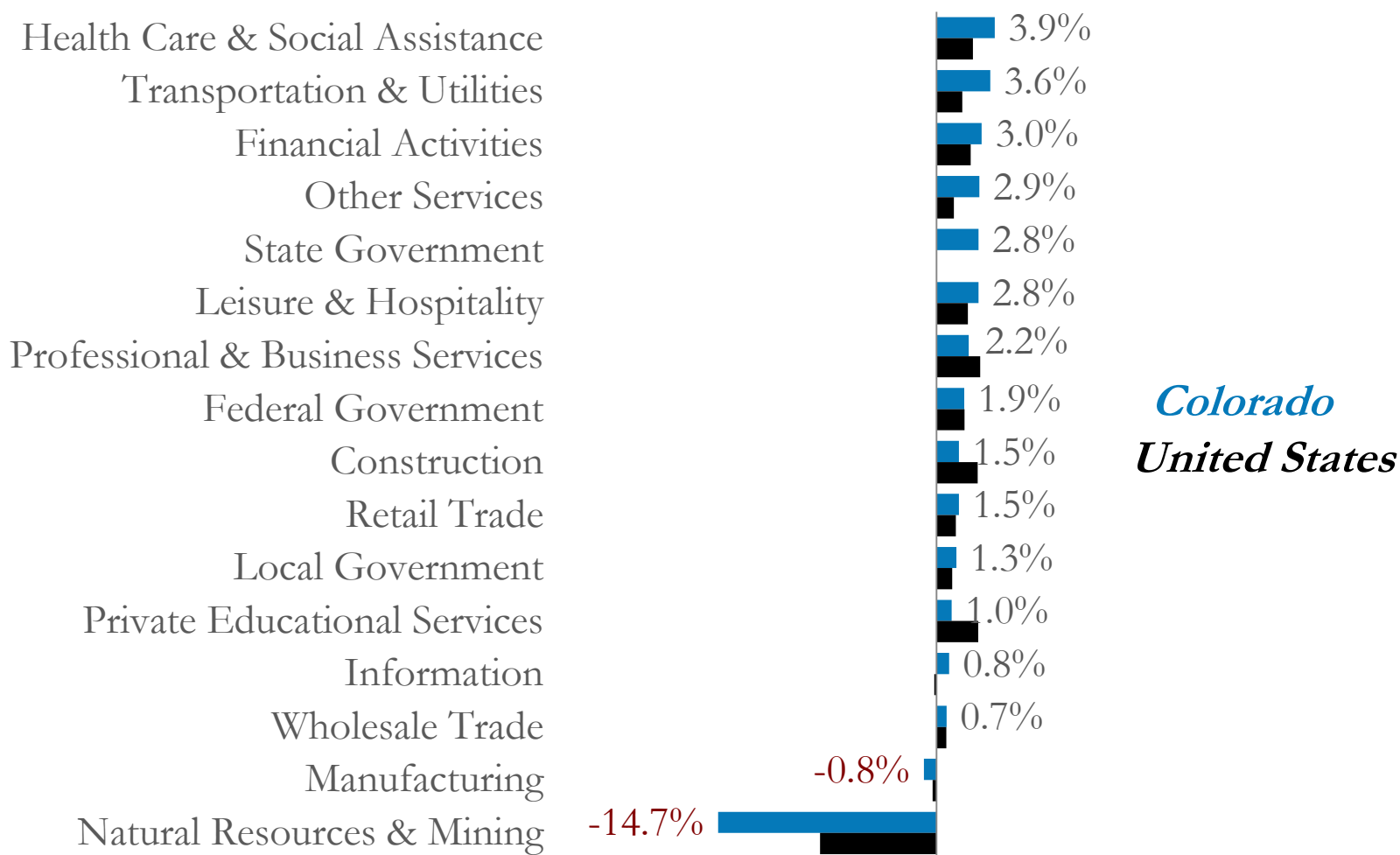


The majority of industries in Colorado have added jobs over the past year, but employment in the energy sector has declined sharply.

CHANGE IN PAYROLL EMPLOYMENT, JANUARY 2017

Seasonally Adjusted

Percent Change Year-over-Year

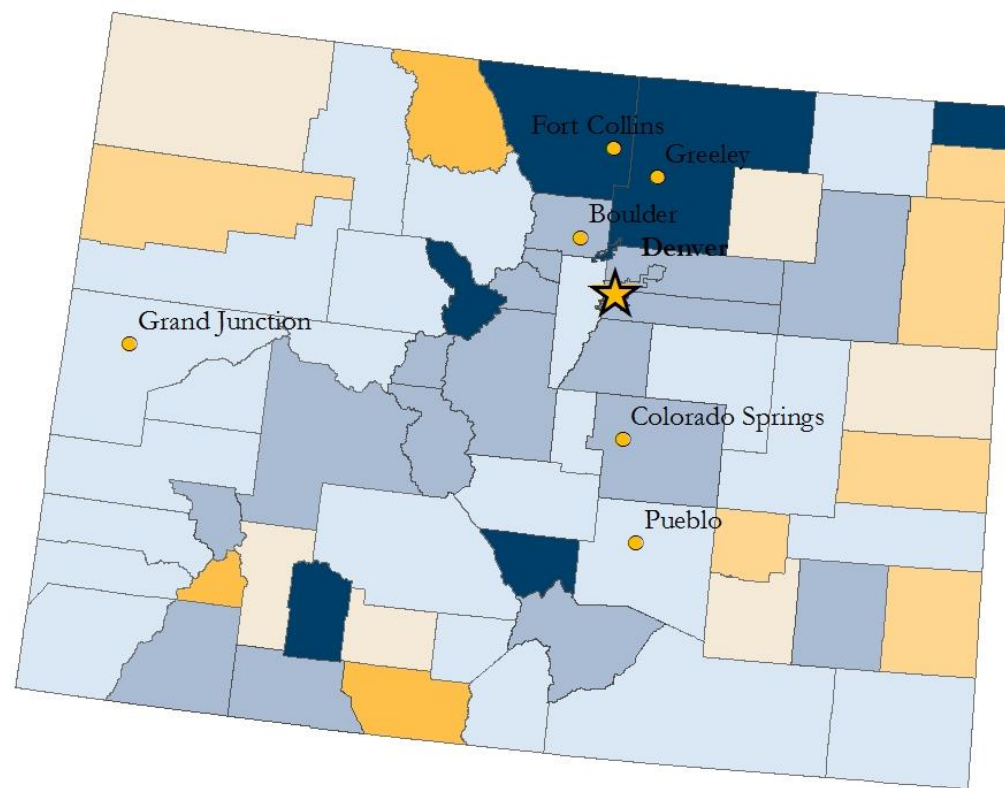


Parts of Colorado continue to experience strong population growth and net in-migration.

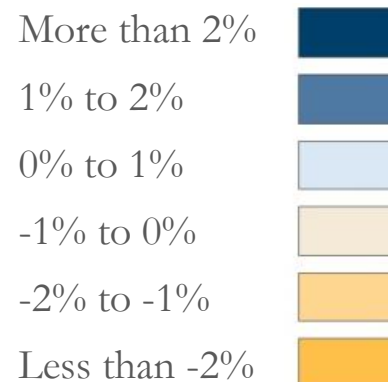


NET MIGRATION

Total 2015 Net Migration as a Percentage of 2015 Population



<i>Annual Percent Change</i>	<i>2016</i>
United States	0.3%
Colorado	1.1%
Denver (2015)	1.9%

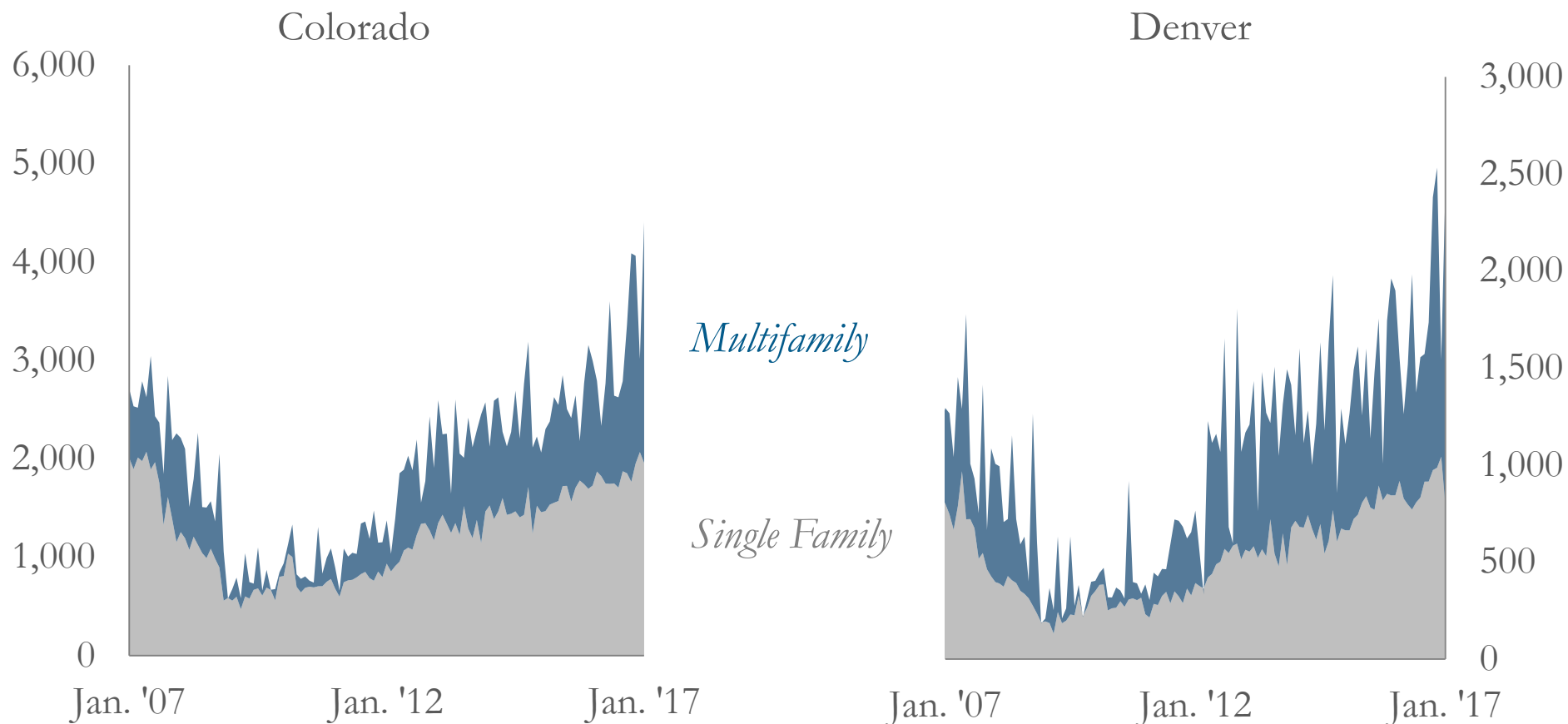


Residential construction activity has been increasing for more than six years, led by strong gains in multifamily building.



RESIDENTIAL PERMITS

Seasonally Adjusted

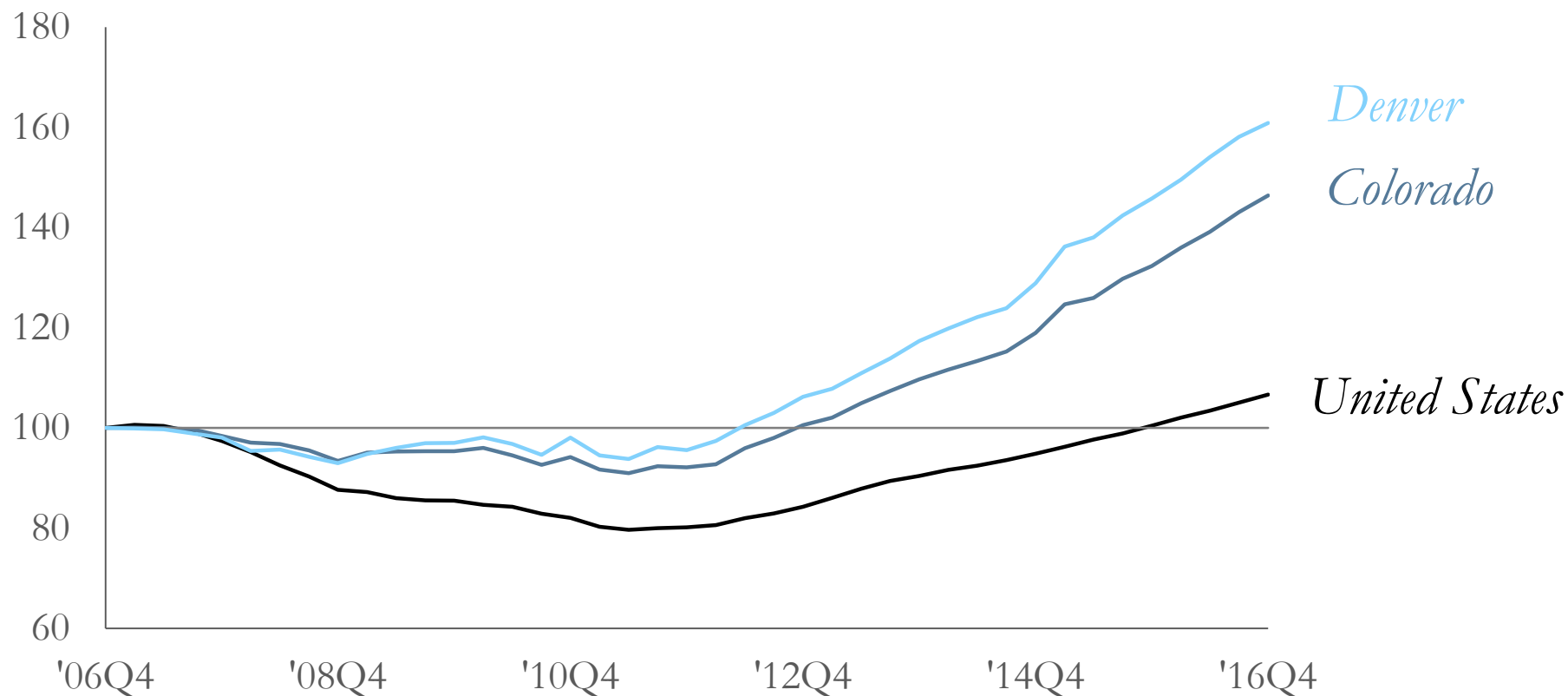


Home prices have increased sharply over the past several years in Colorado.



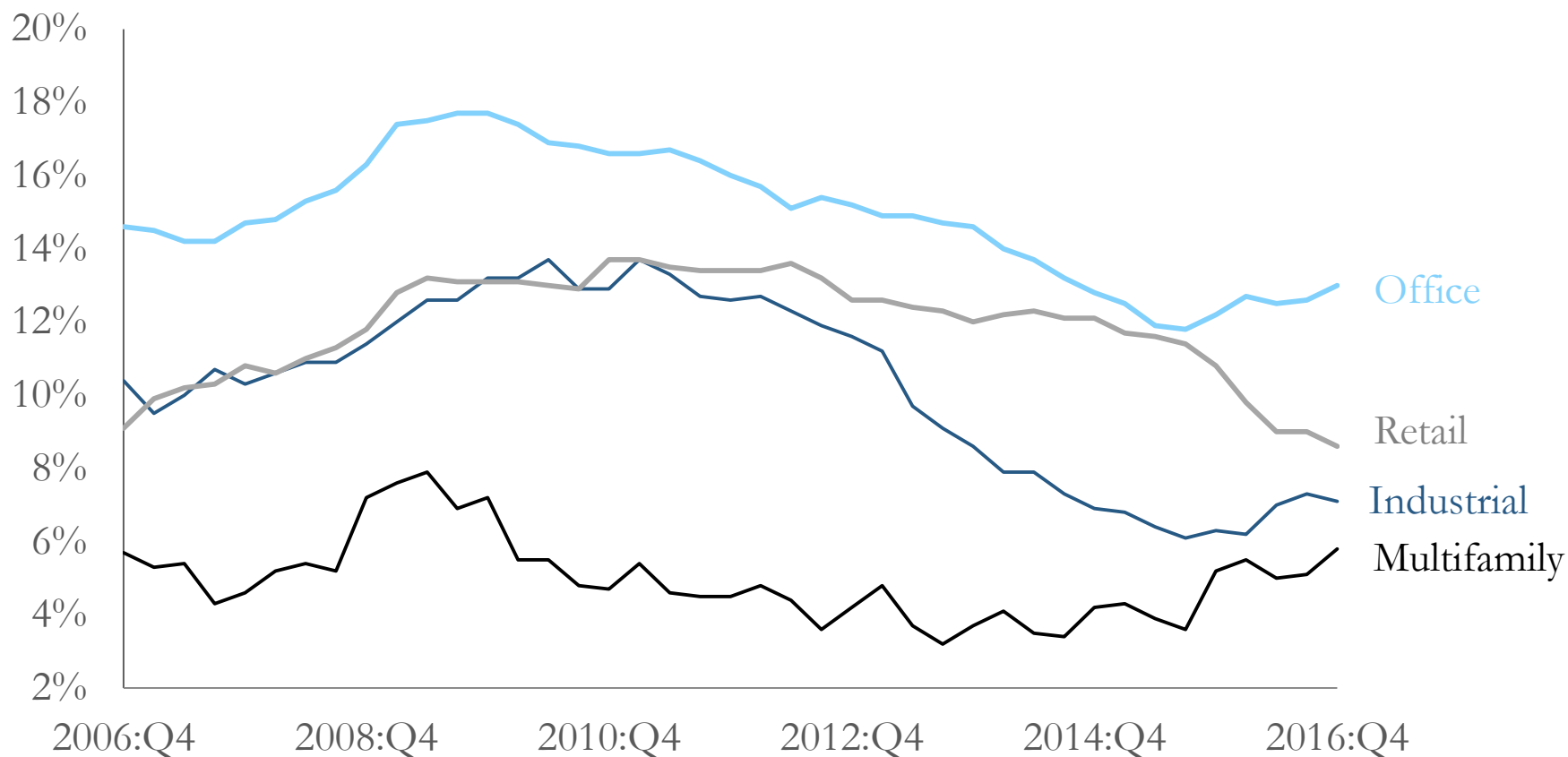
HOME PRICES

Seasonally Adjusted, Index 100 = Q4:2006



Vacancy rates are low across the Denver metro, but office and multifamily vacancies have moved higher over the past year.

DENVER COMMERCIAL VACANCY RATES

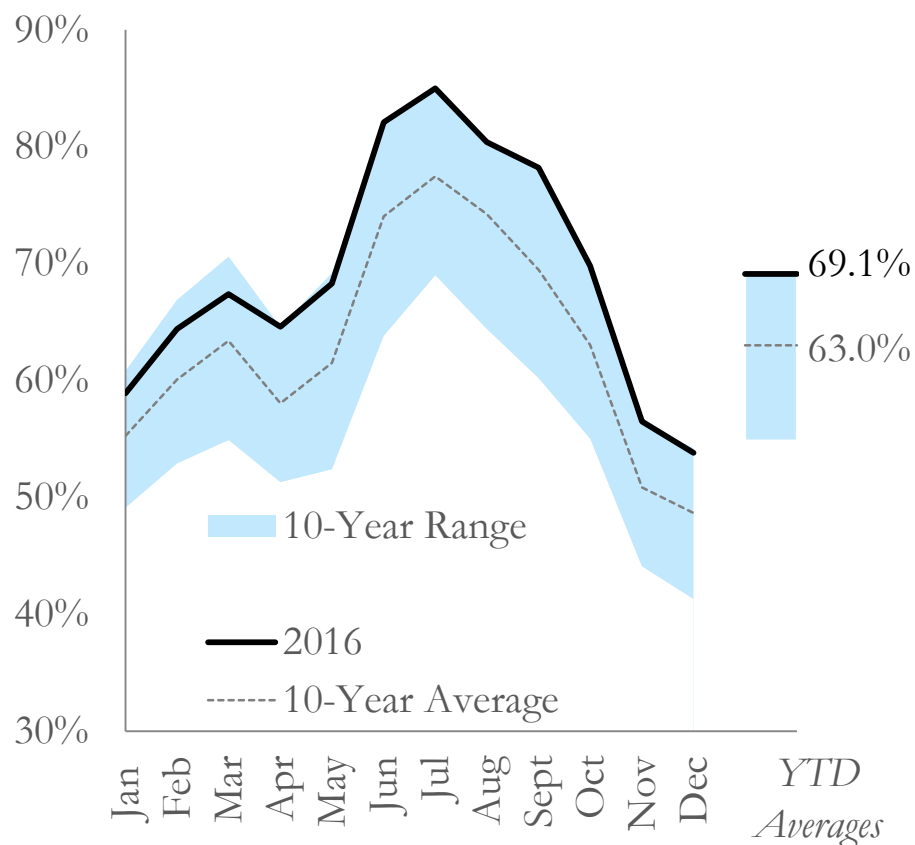


Tourism activity has been strong in Colorado over the past few years.



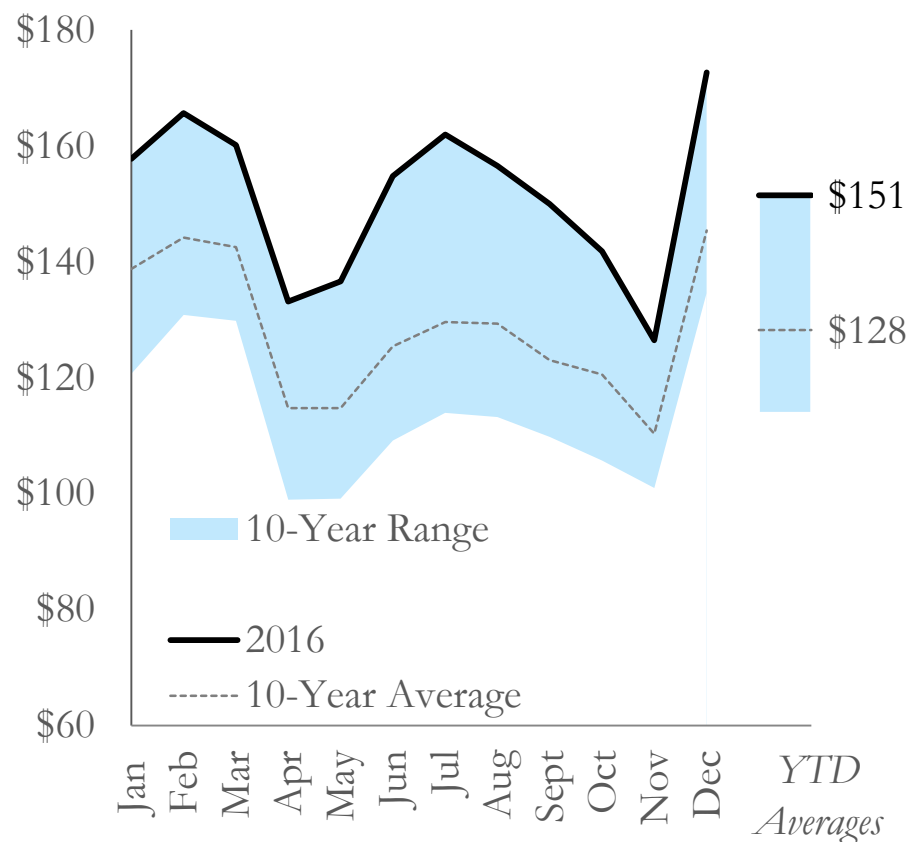
HOTEL OCCUPANCY RATES

Colorado



REAL HOTEL ROOM RATES

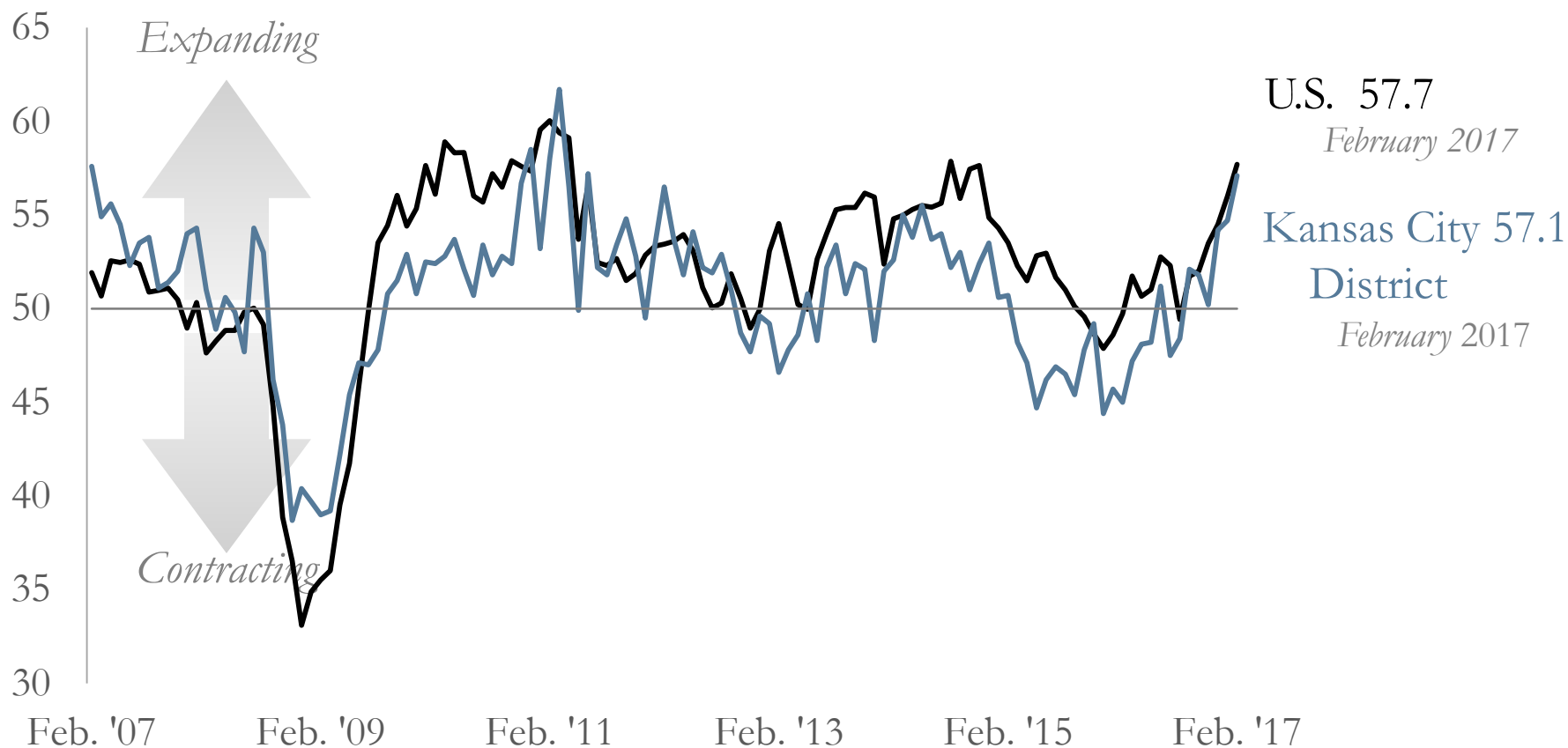
Colorado, 1999 Dollars



Manufacturing activity has rebounded in recent months after weak activity in 2015 and early 2016.

MANUFACTURING ACTIVITY

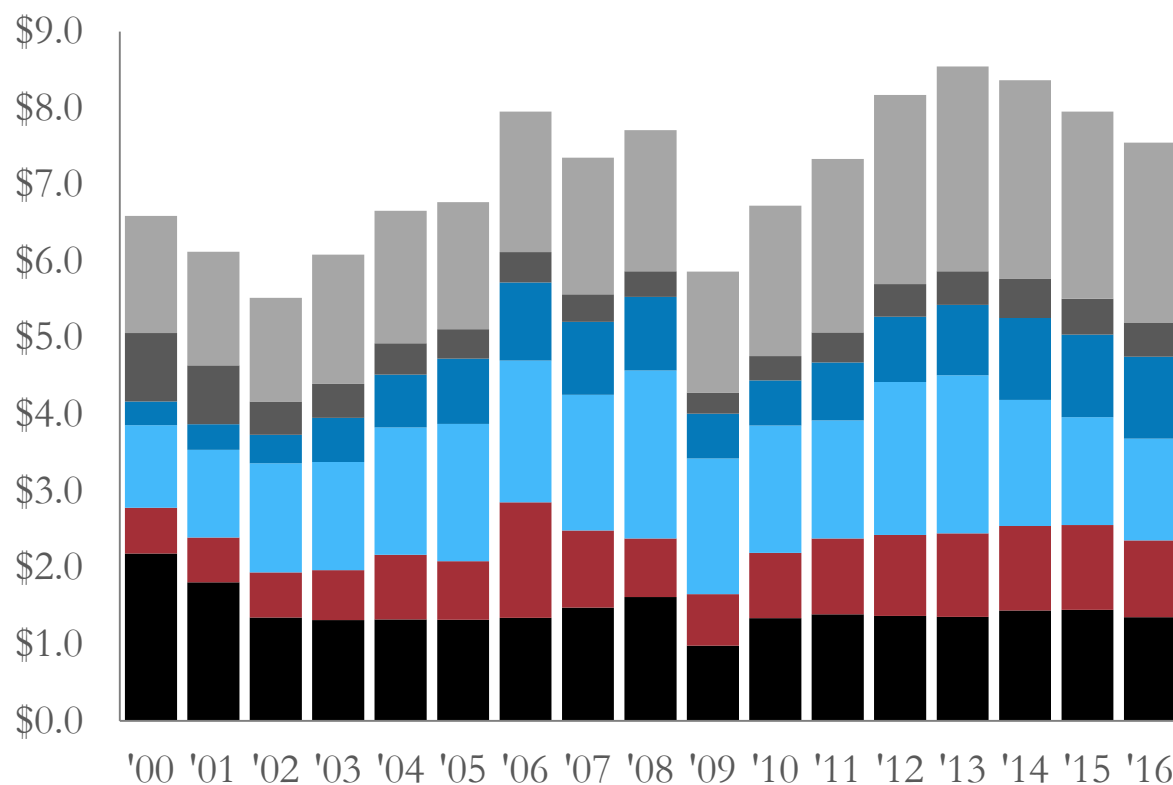
Diffusion Index, Seasonally Adjusted, Month-over-Month



Colorado export activity has slowed over the past few years, weighed down by a strong U.S. dollar.

COLORADO EXPORTS BY TRADING PARTNER

Billions

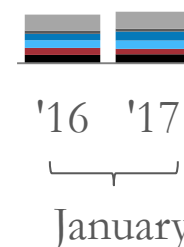


JANUARY 2017

Percent Change

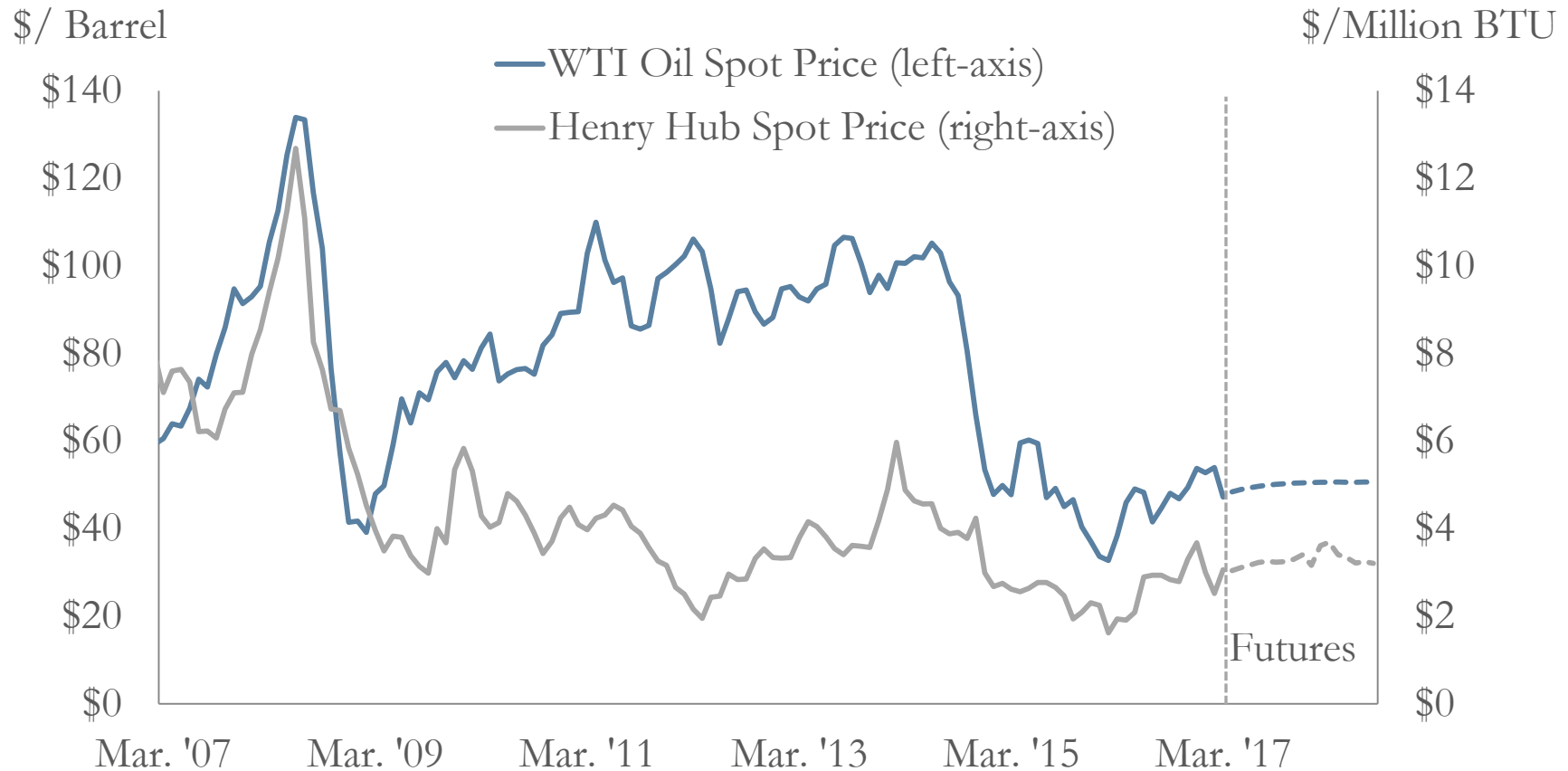
Total Trade	5.6%	SHARE*
All Other	4.4	31.1%
Japan	-5.4	5.9
Mexico	38.6	14.2
Canada	4.5	17.6
China	-16.9	13.3
Eurozone	5.8	17.9

**Share is for 2016*



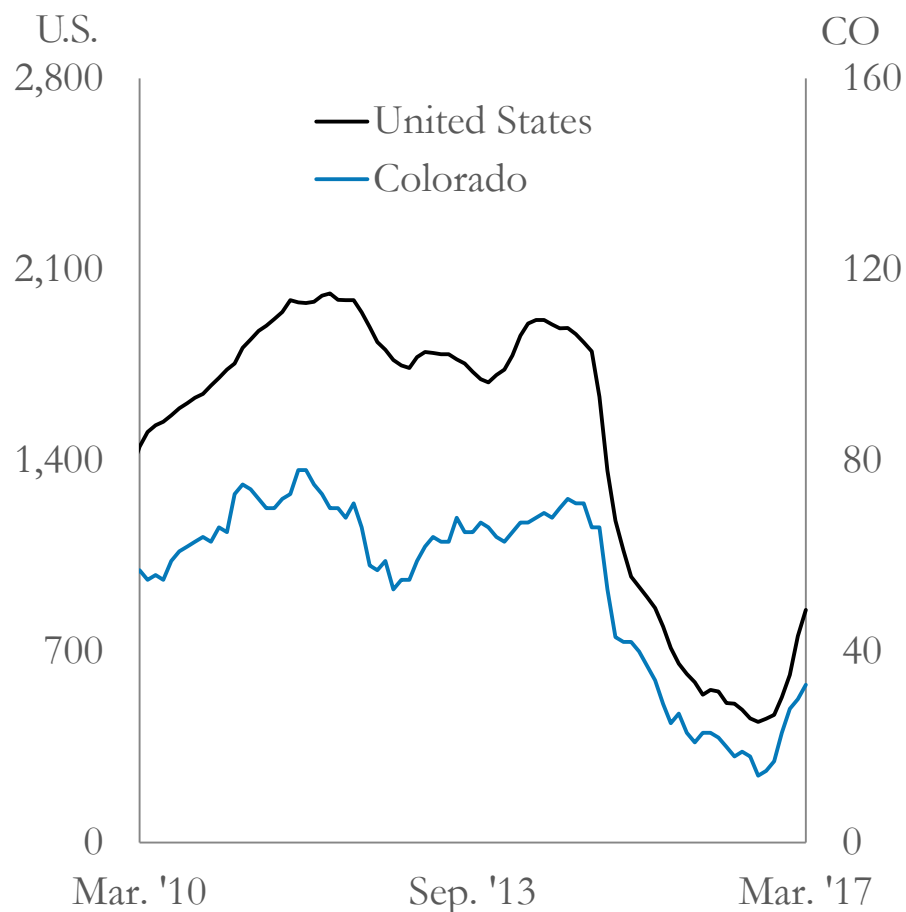
Oil and natural gas prices have increased over the past year, but additional gains are expected to be gradual.

ENERGY PRICES



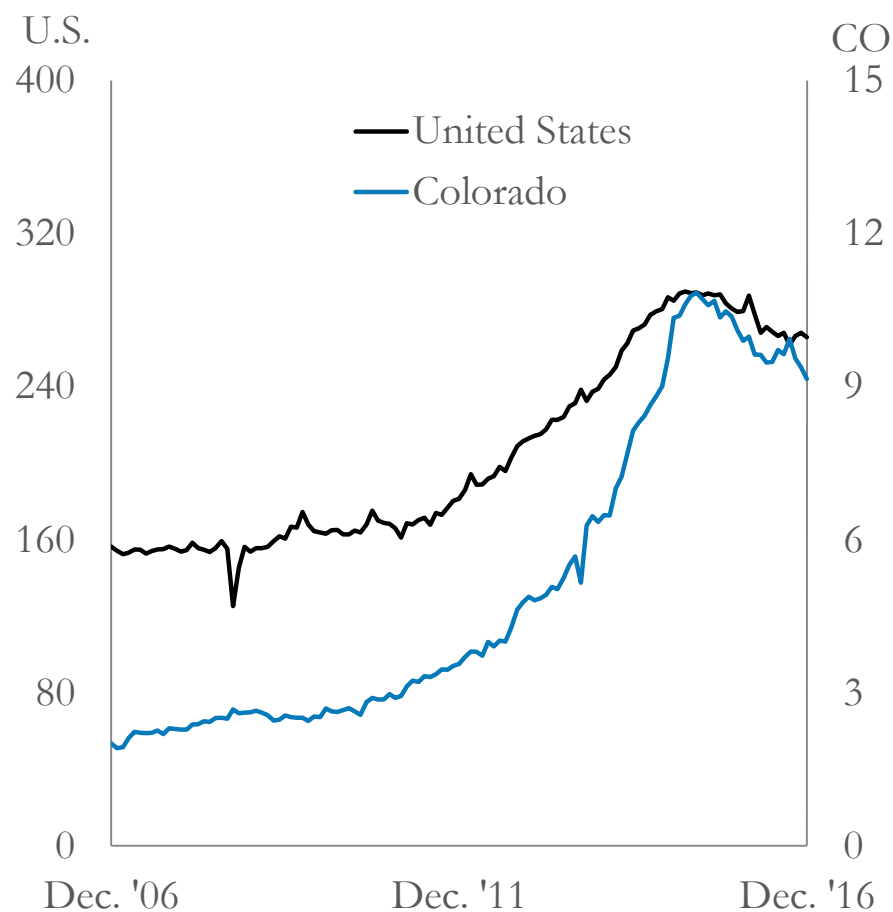
Energy activity has picked up in recent months after declining significantly since mid-2014.

TOTAL RIG COUNT



CRUDE OIL PRODUCTION

*Millions of Barrels, Monthly,
Seasonally Adjusted*

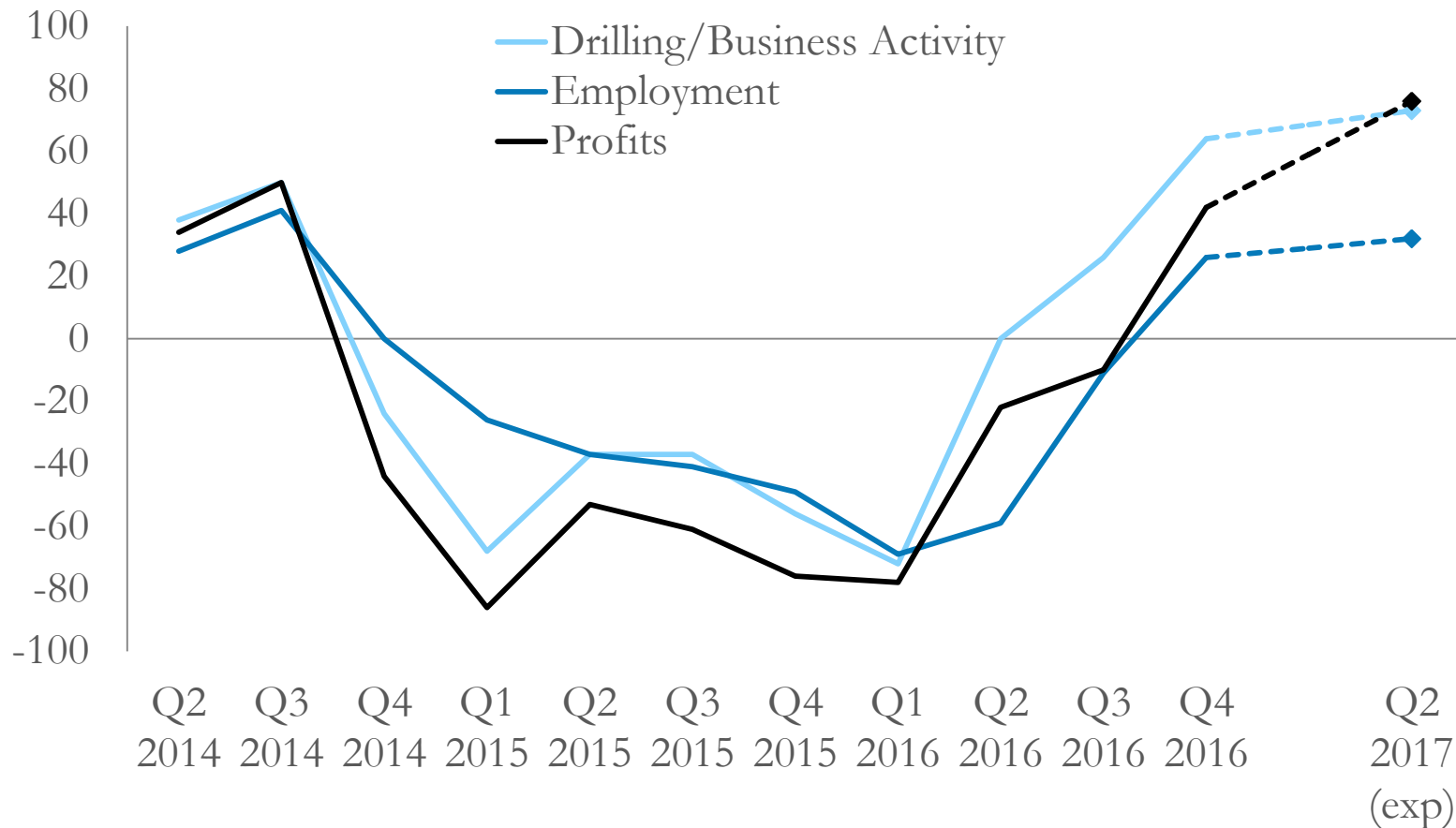


The energy sector is expected to expand in 2017.



FRBKC ENERGY SURVEY

Diffusion Indexes, Quarter-over-Quarter

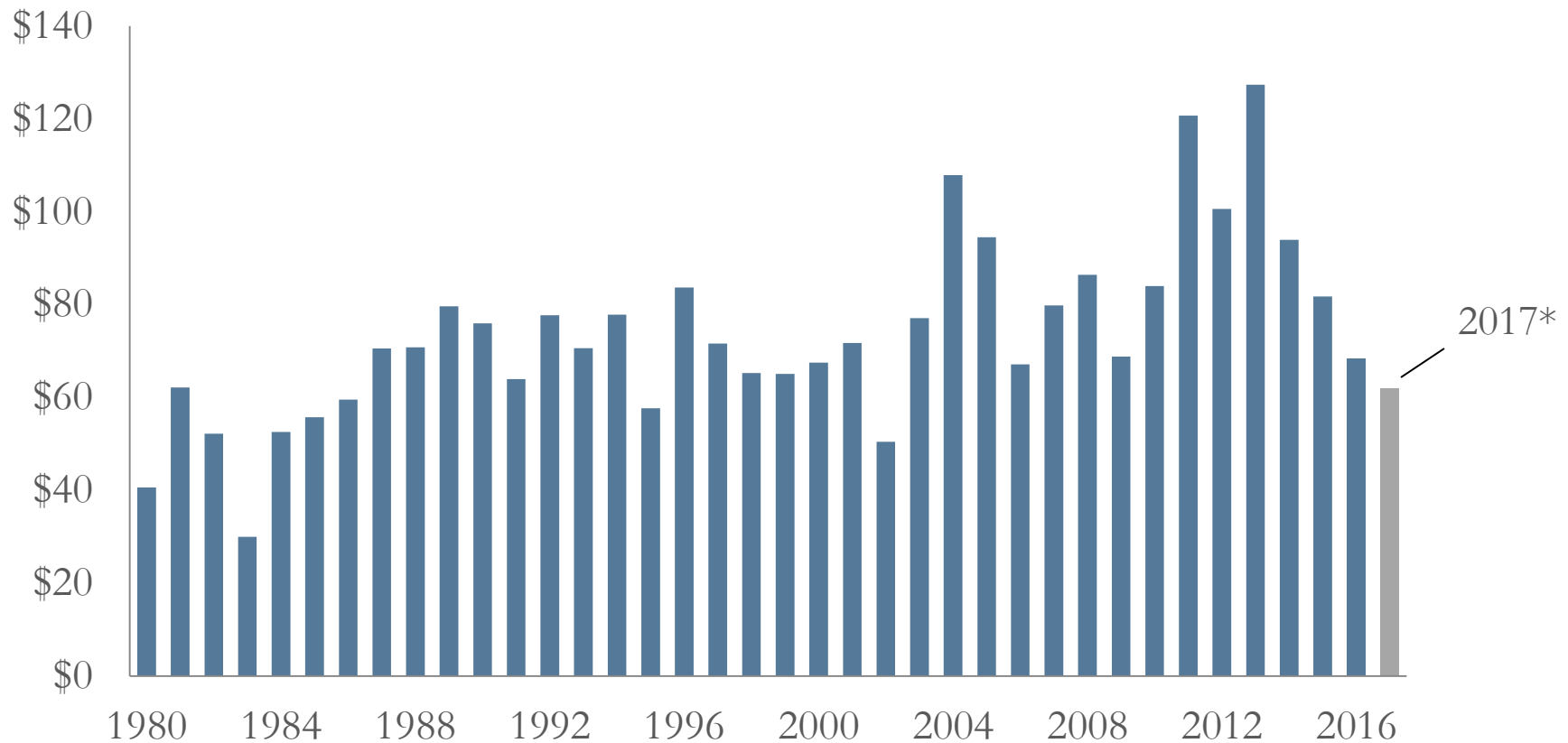


Farm income has dropped sharply and is expected to remain low.



U.S. REAL NET FARM INCOME

Billion Dollars (Constant 2016 Dollars)



*Forecast for 2017

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

