

Emerging Trends in the U.S. & Colorado Economies



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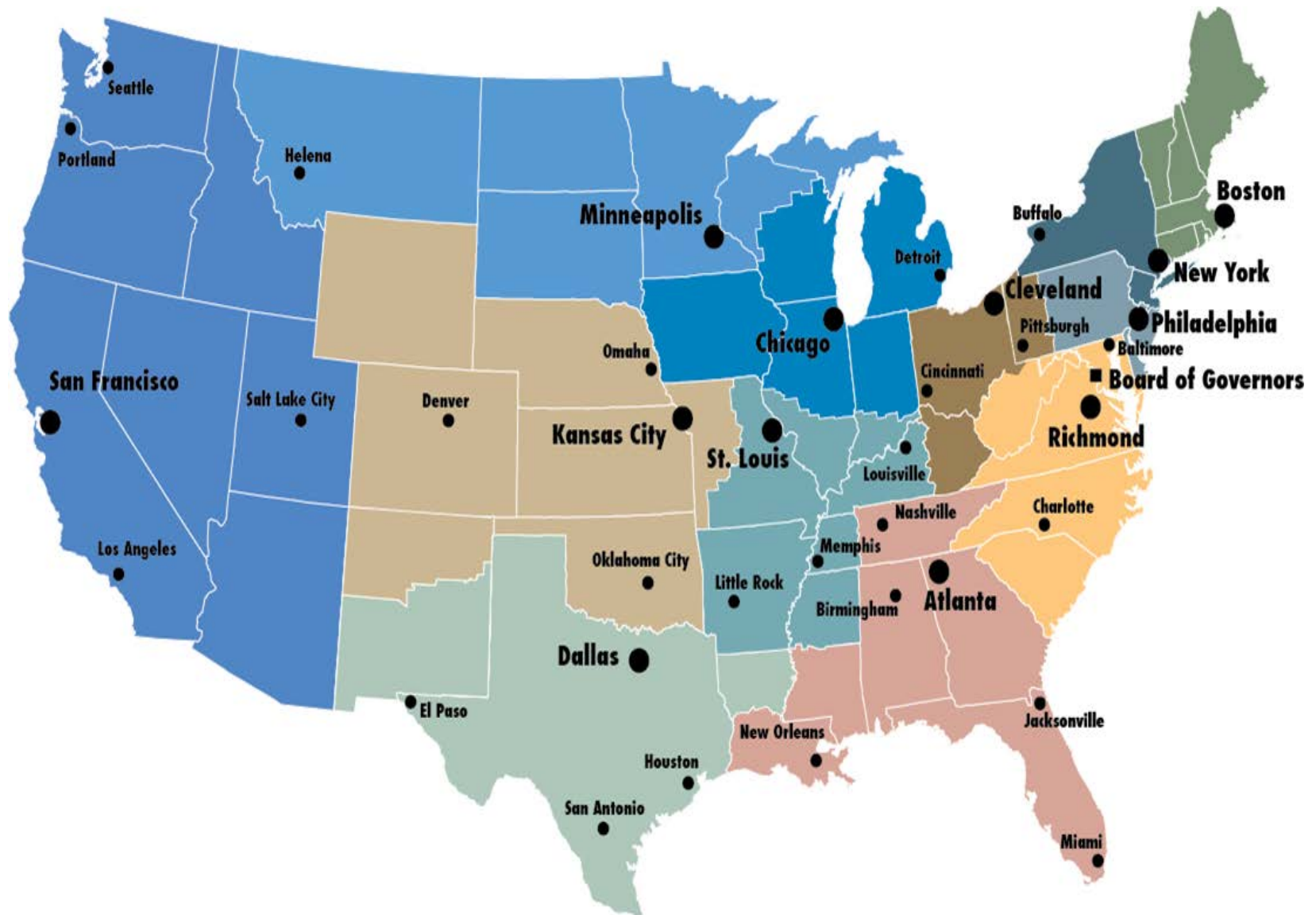
*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

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



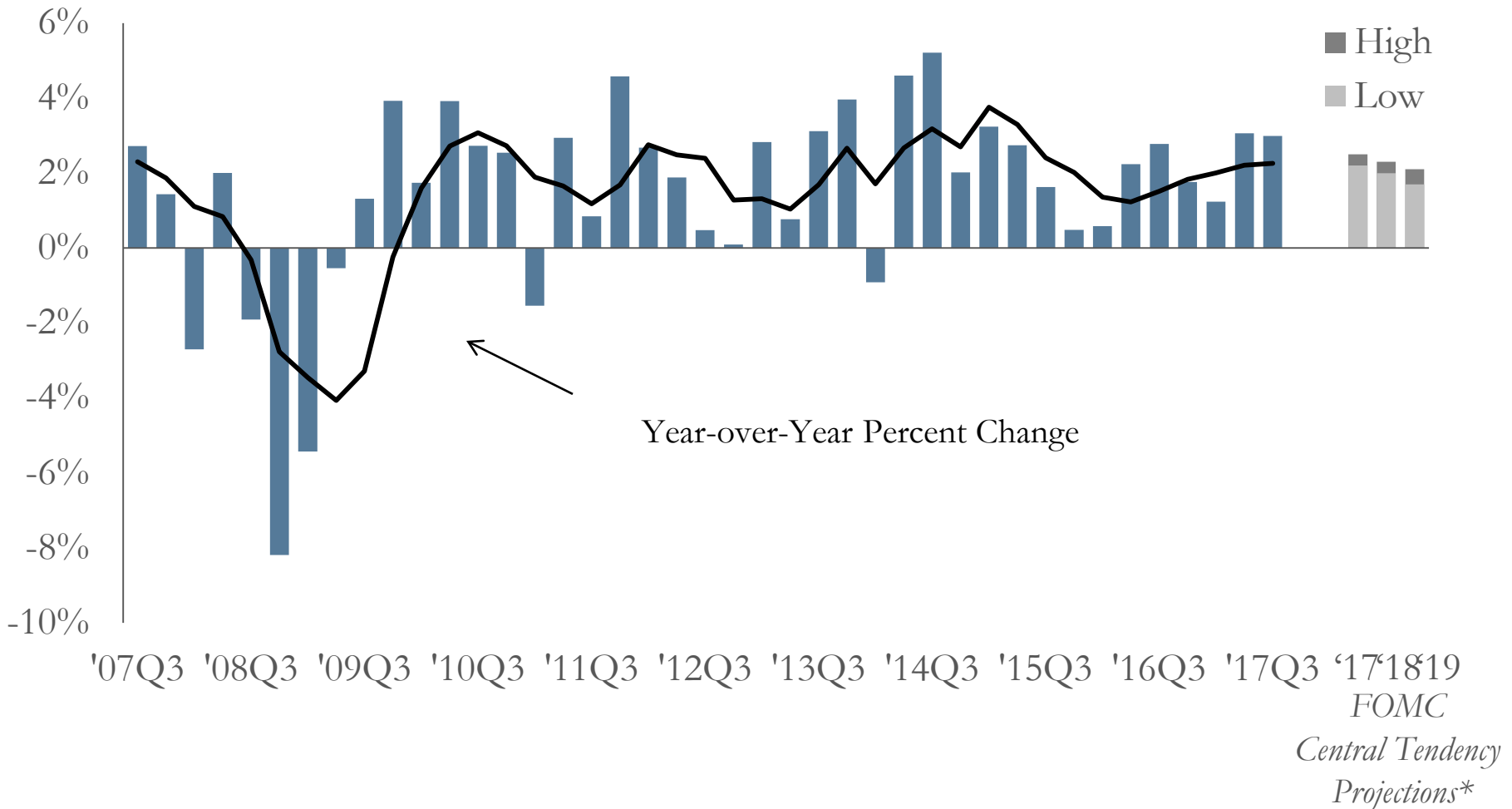
- Functions – around 160 staff
 - Regional research covering the economies of Colorado, New Mexico and Wyoming
 - Economic, financial education, and community development outreach
 - Examinations of Colorado, Wyoming and northern New Mexico financial institutions
 - Cash processing and distribution
 - 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 continues to expand at a moderate pace.



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

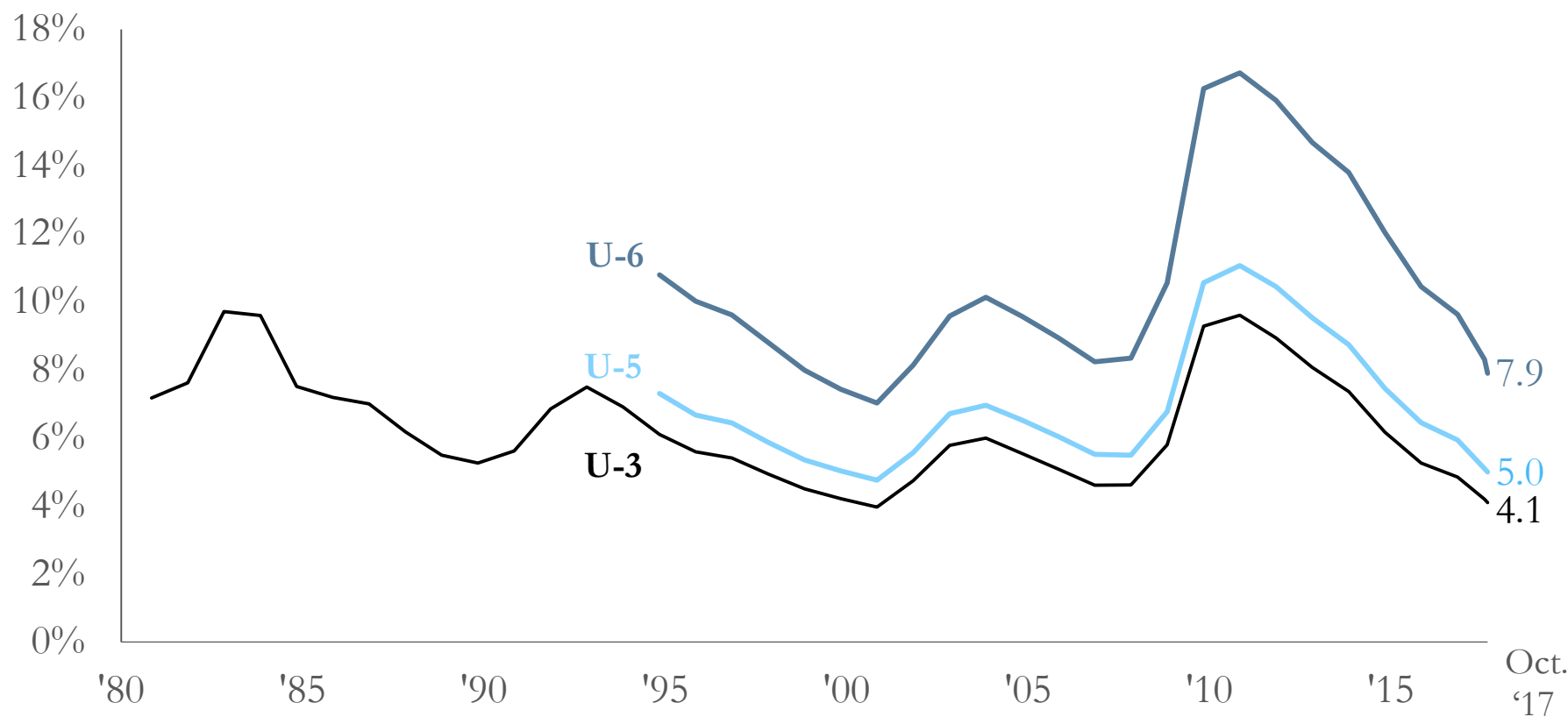
*Projections as of September FOMC meeting

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



U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

Seasonally Adjusted

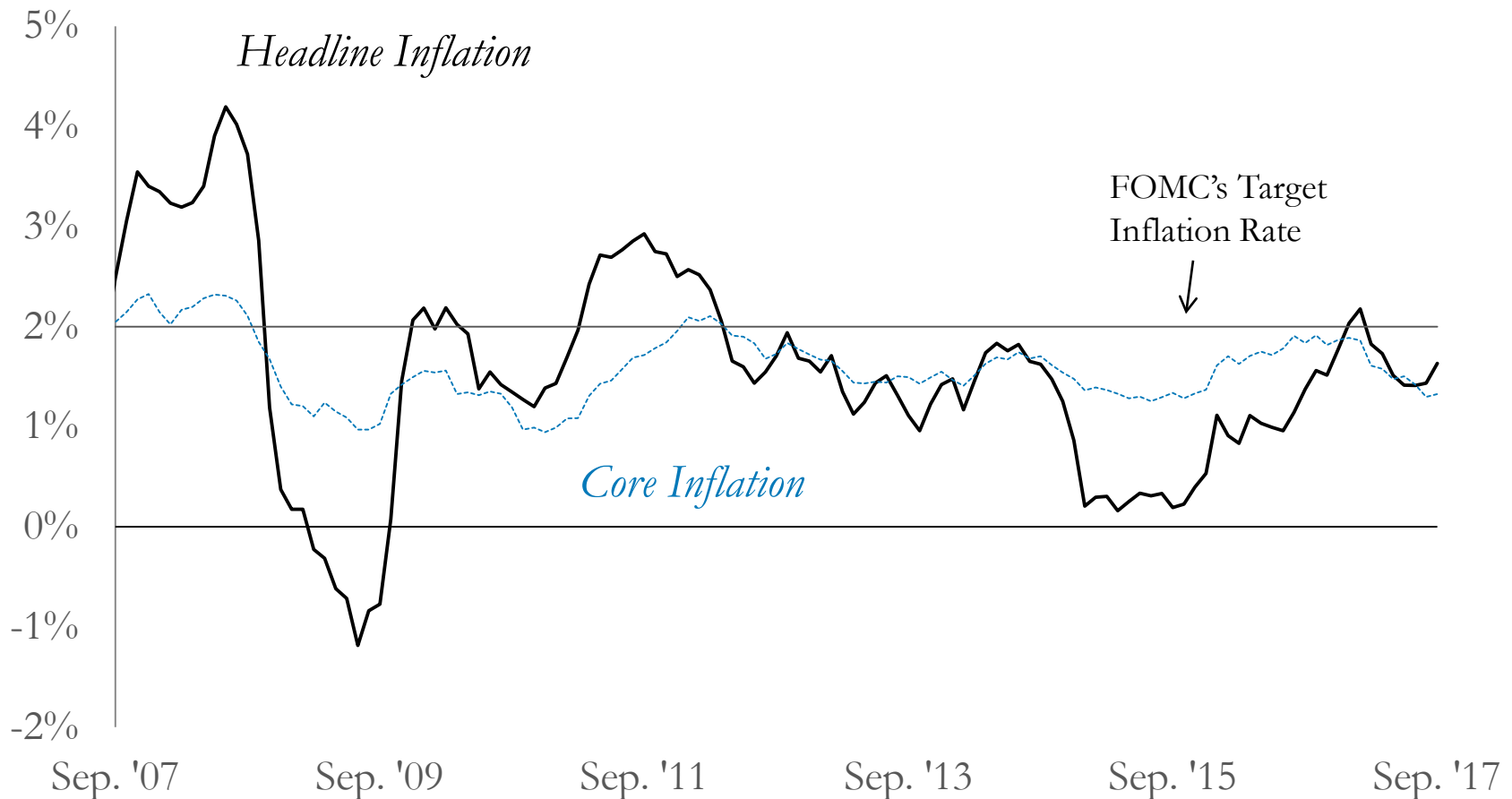


Inflation is near the FOMC's two percent target.



PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

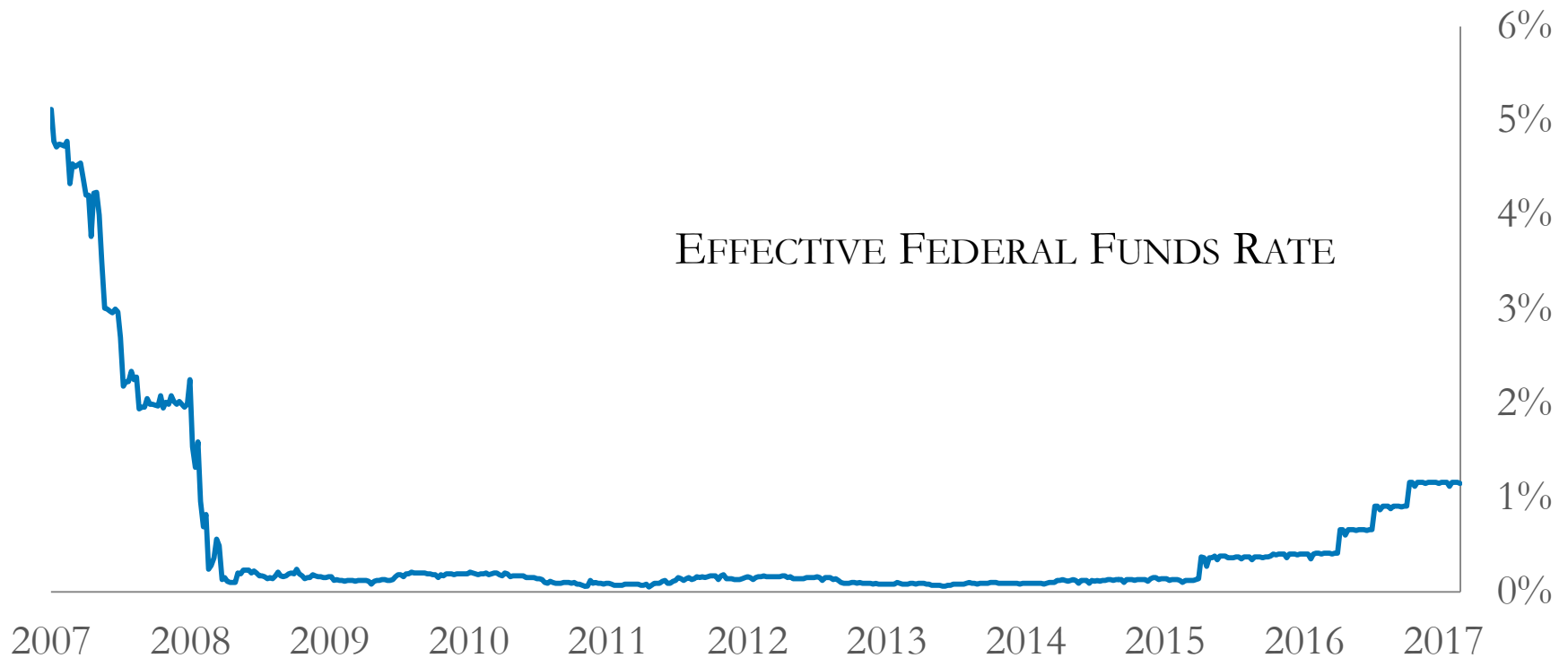
Percent Change Year-over-Year





“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 1 to 1-1/4 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.”

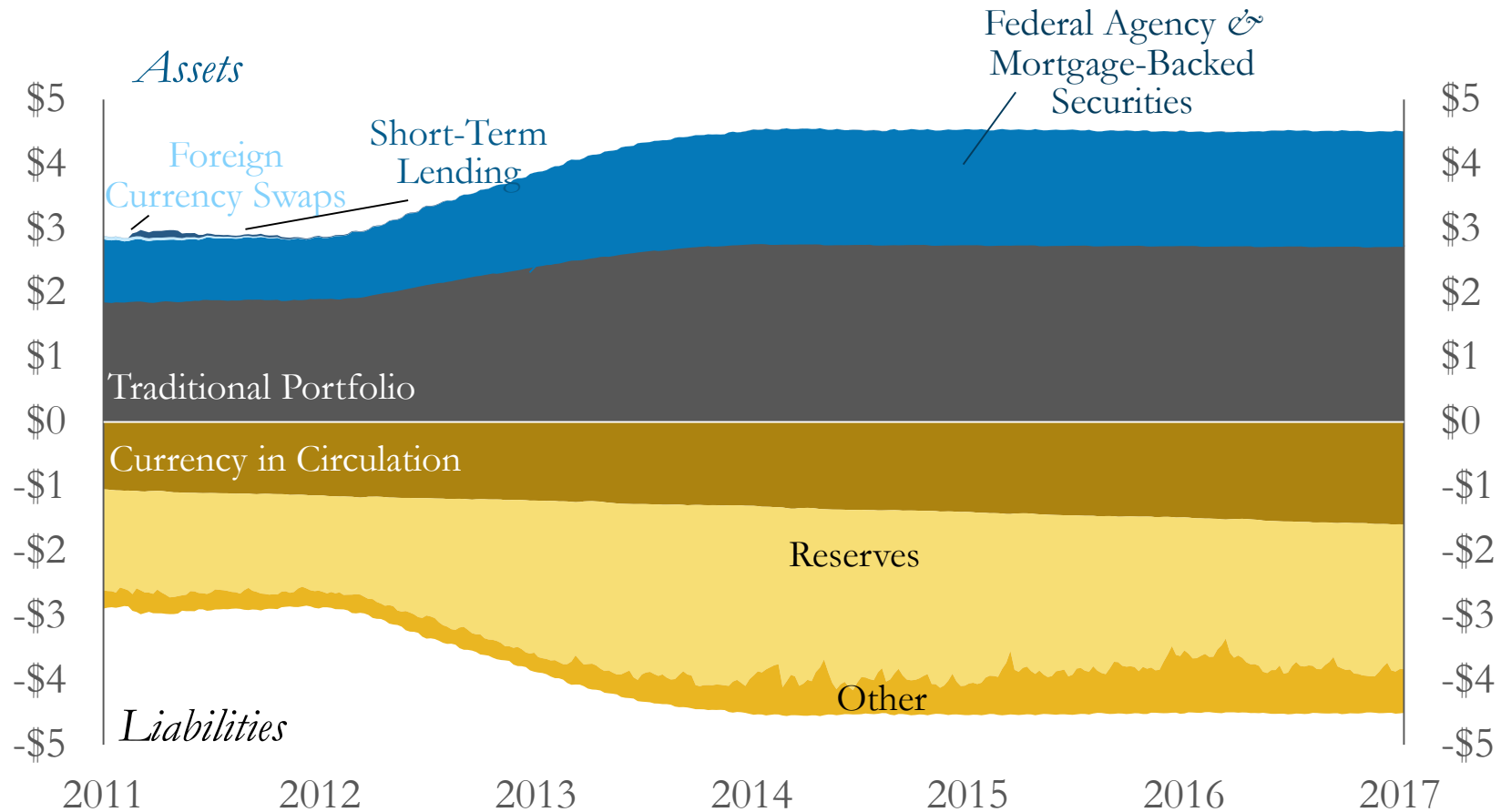
- November 2017 FOMC Statement





FEDERAL RESERVE BALANCE SHEET

Trillions

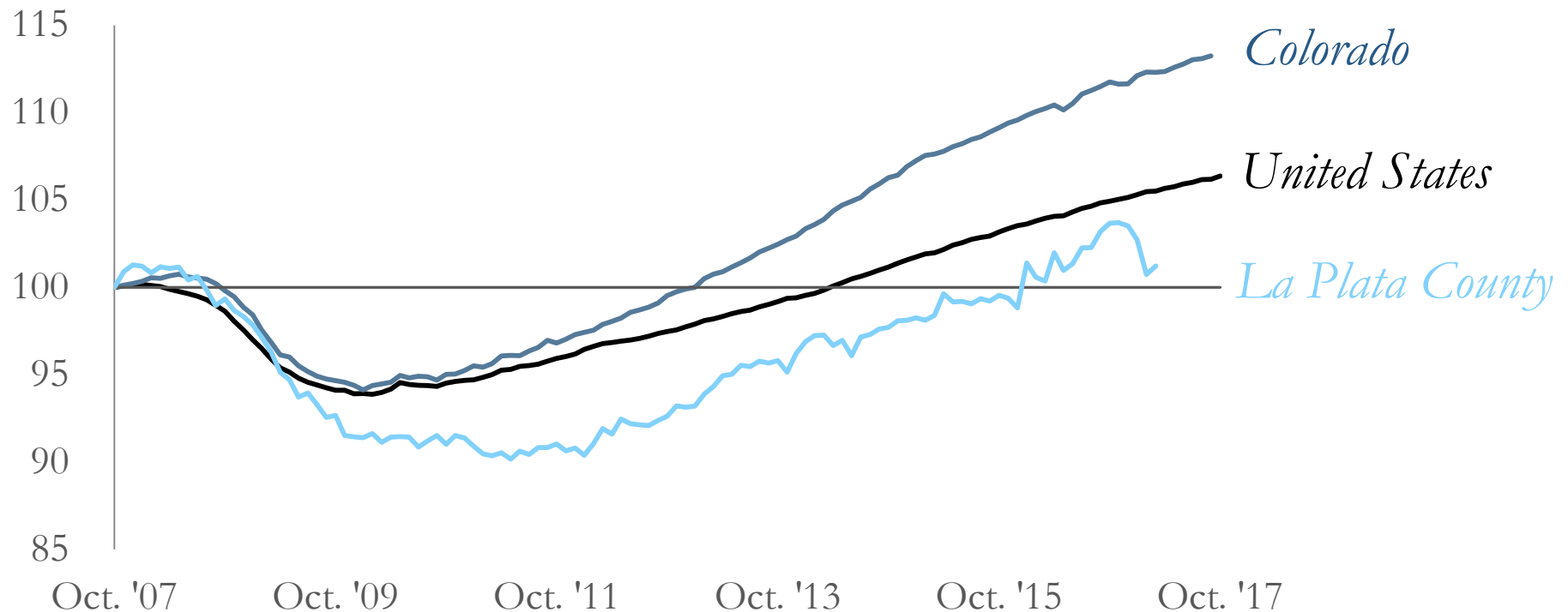


Employment has been increasing in Colorado and the nation for more than seven years, with Colorado gains outpacing the nation.

PAYROLL EMPLOYMENT GROWTH

Index 100 = October, 2007, Seasonally Adjusted

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S. (Oct. '17)	6.3%	1.4%
Colorado (Sep. '17)	13.7%	1.8%
La Plata County (Mar. '17)	2.8%	0.9%

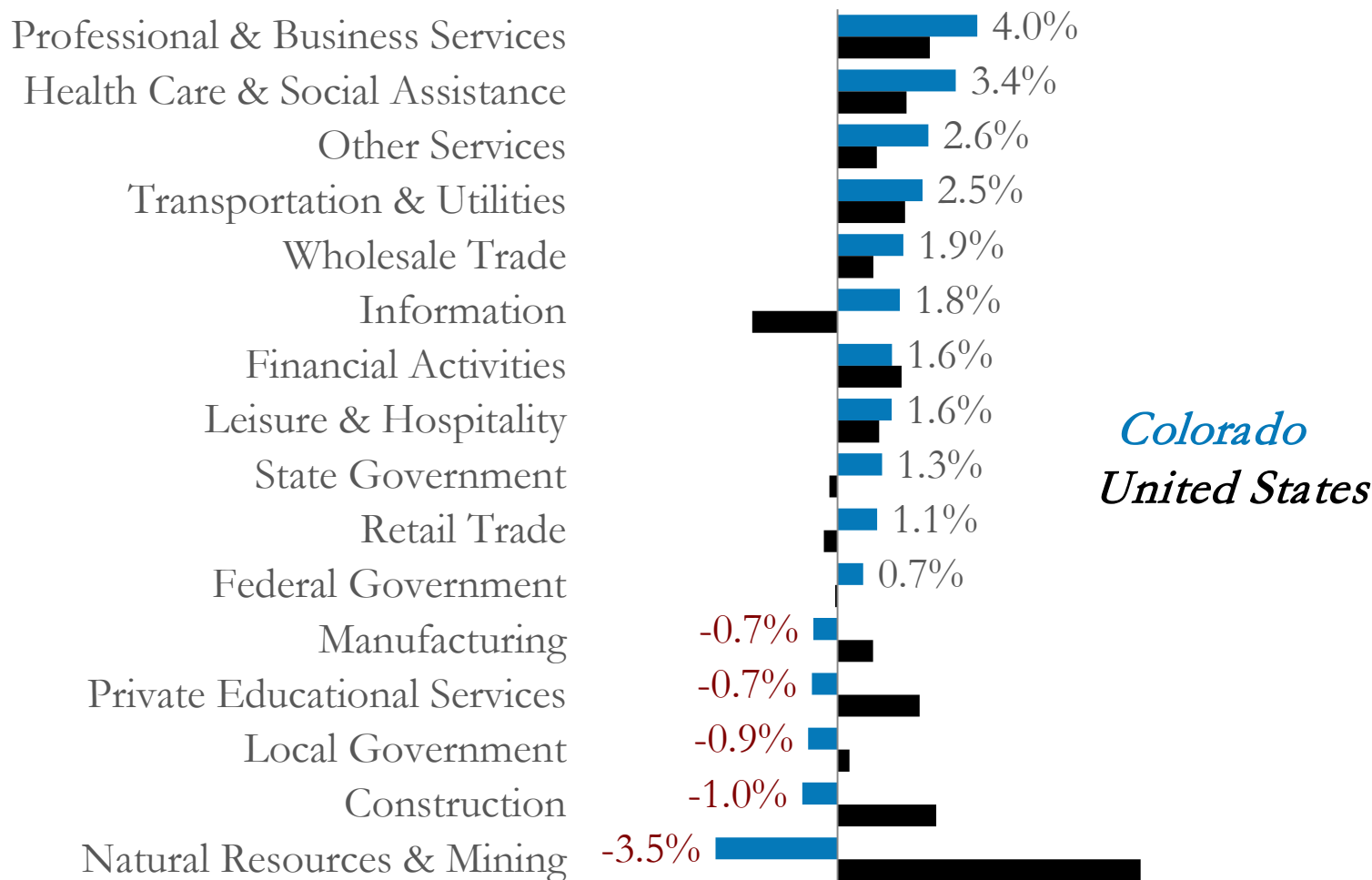


The majority of industries in Colorado have added jobs over the past year.

CHANGE IN PAYROLL EMPLOYMENT, SEPTEMBER 2017

Seasonally Adjusted

Percent Change Year-over-Year

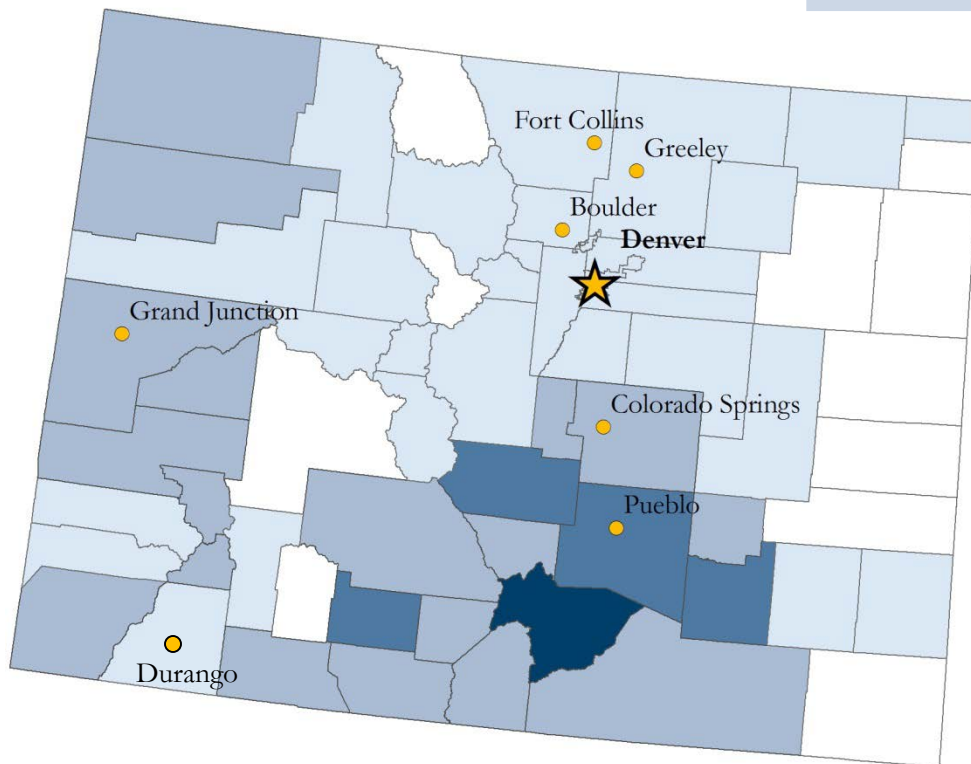


Unemployment rates are below national rates across most of Colorado.

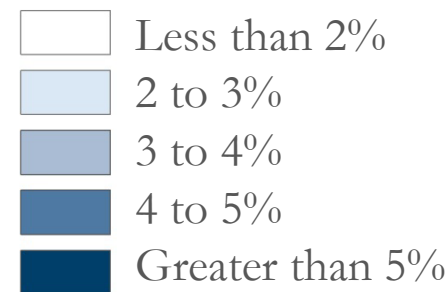
UNEMPLOYMENT RATES

September 2017, Seasonally Adjusted

<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States (Oct. '17)	4.1%	5.0%	7.9%
Colorado (Sep. '17)	2.5%	3.3%	6.2%
La Plata County (Sep. '17)	2.5%		



**U-5 and U-6 values are 12-month moving averages as of Q3 2017 for Colorado and are for October, 2017 for the United States.*

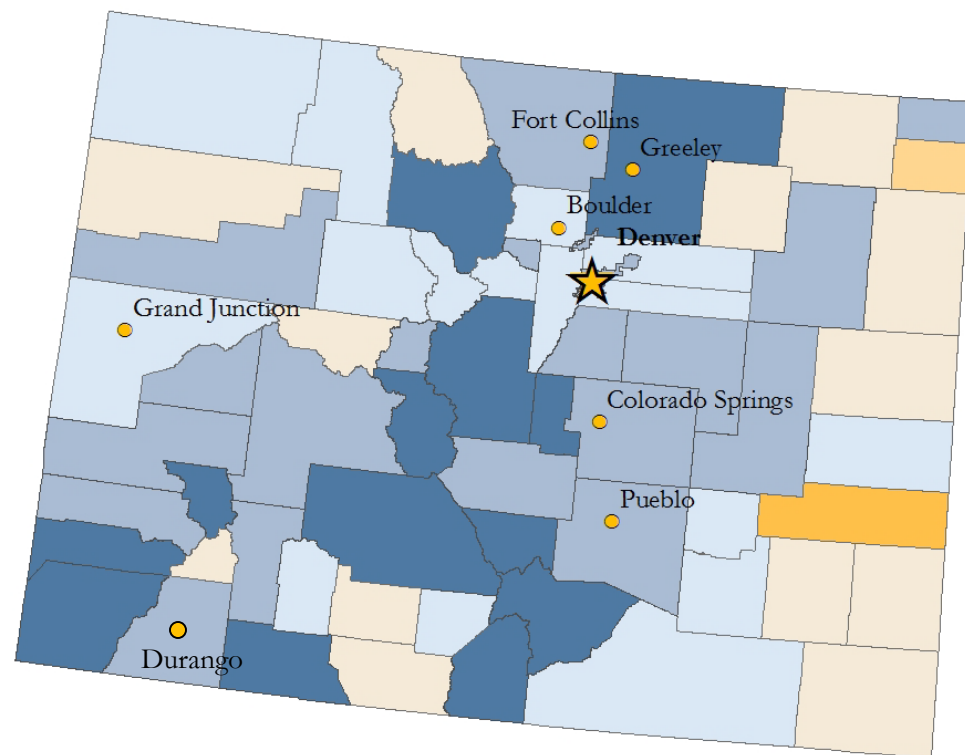


Parts of Colorado continue to experience strong population growth and net in-migration.



NET MIGRATION

Total 2016 Net Migration as a Percentage of 2016 Population



<i>Annual Percent Change</i>	<i>2016</i>
United States	0.3%
Colorado	1.1%
La Plata County	1.2%

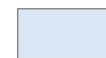
More than 2%



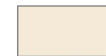
1% to 2%



0% to 1%



-1% to 0%



-2% to -1%



Less than -2%

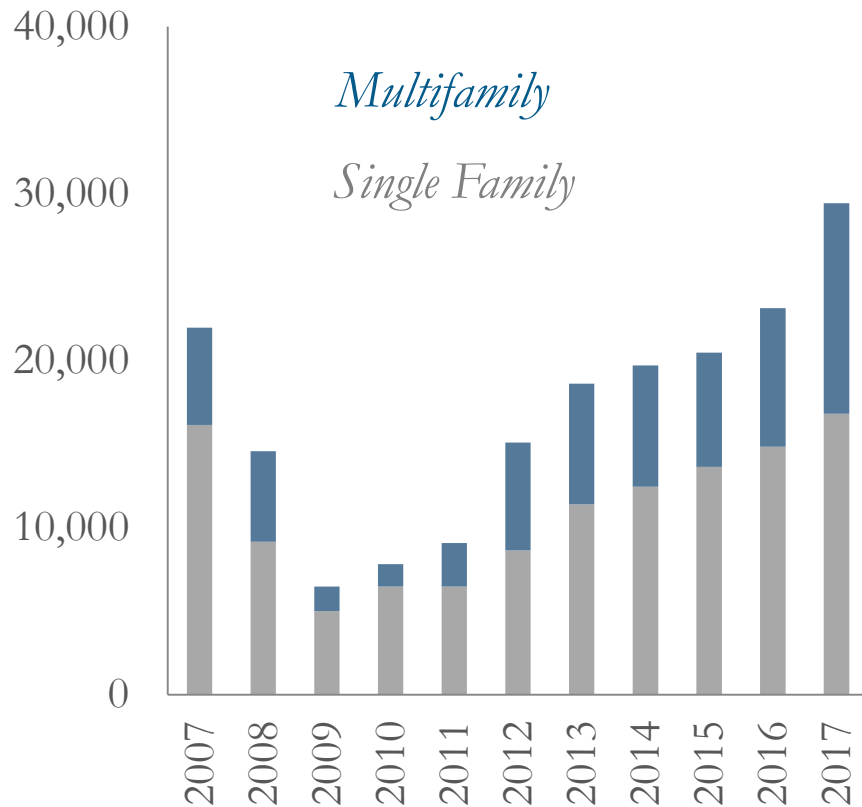


Residential construction activity has been increasing for more than six years in Colorado, led by strong gains in multifamily building.

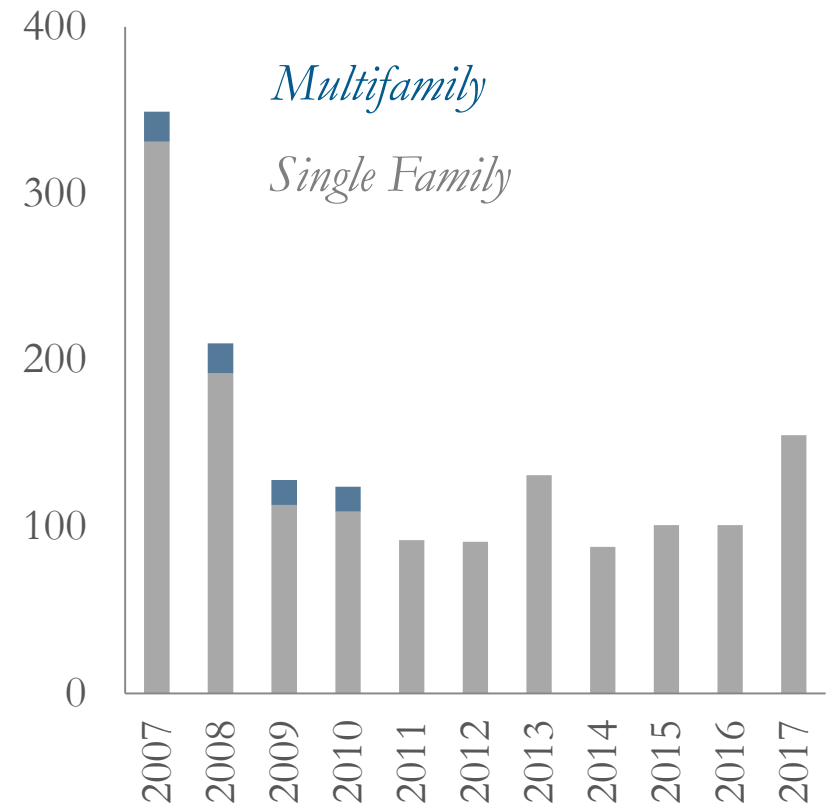
RESIDENTIAL PERMITS

Seasonally Adjusted, Year-to-Date Through September

Colorado



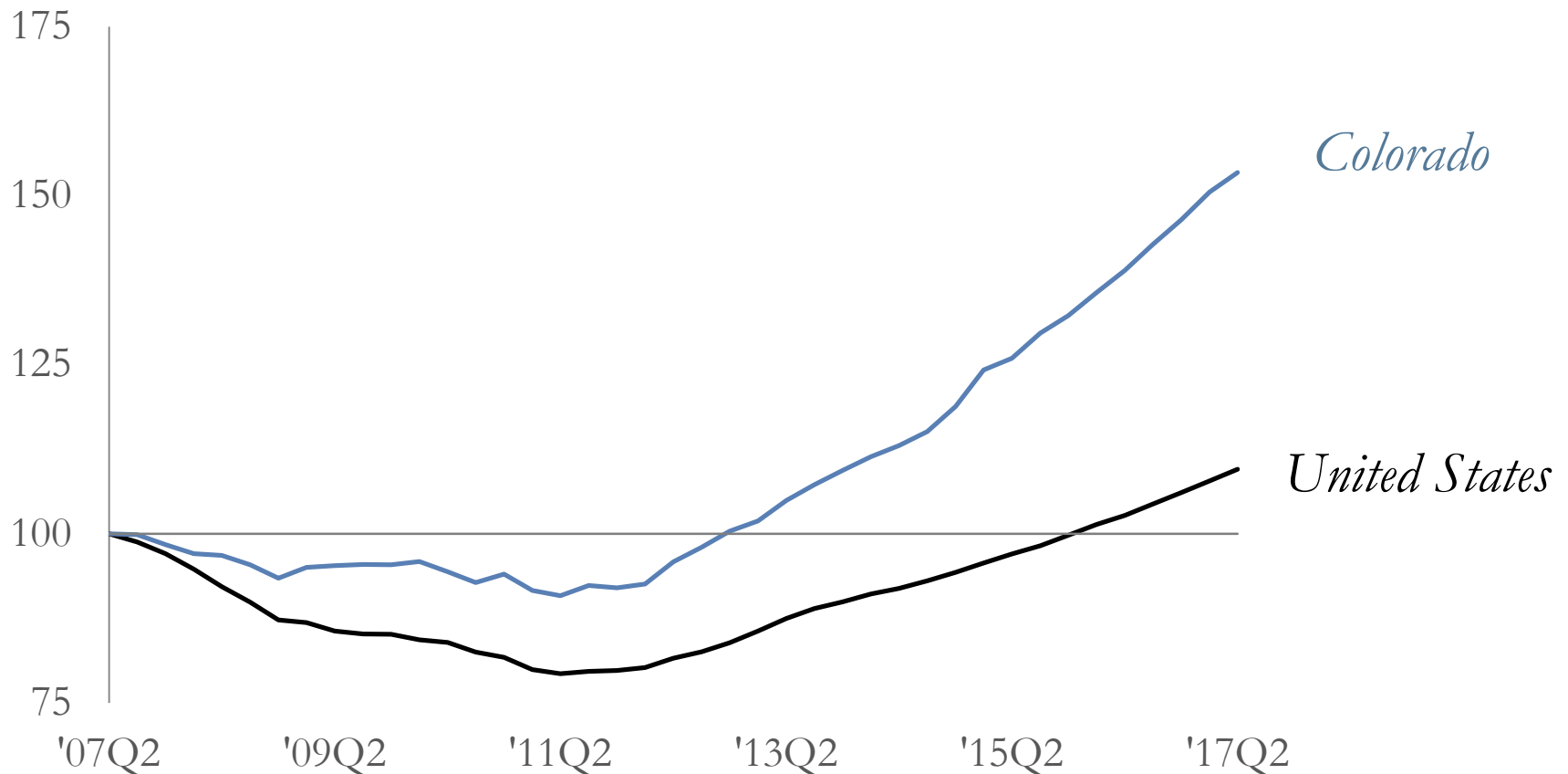
La Plata County



Low inventories have led to strong home price appreciation in recent years in Colorado.

HOME PRICES

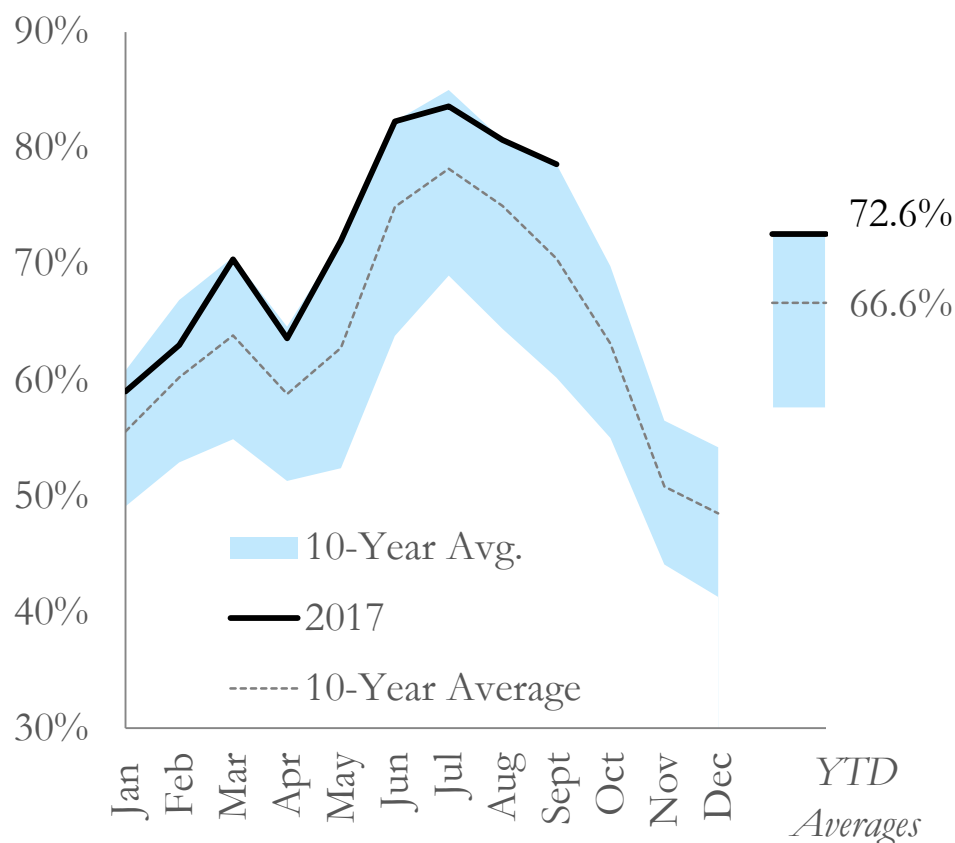
Seasonally Adjusted, Index 100 = Q2:2007



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

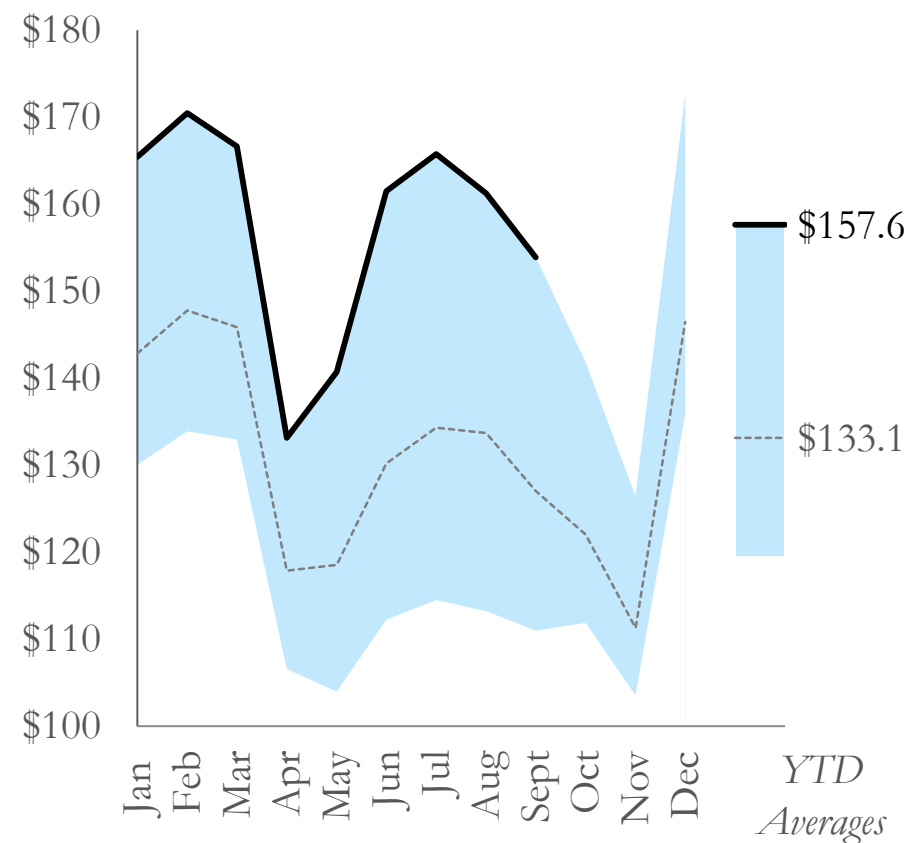
HOTEL OCCUPANCY RATES

Colorado



HOTEL ROOM RATES

Colorado, 1999 Dollars

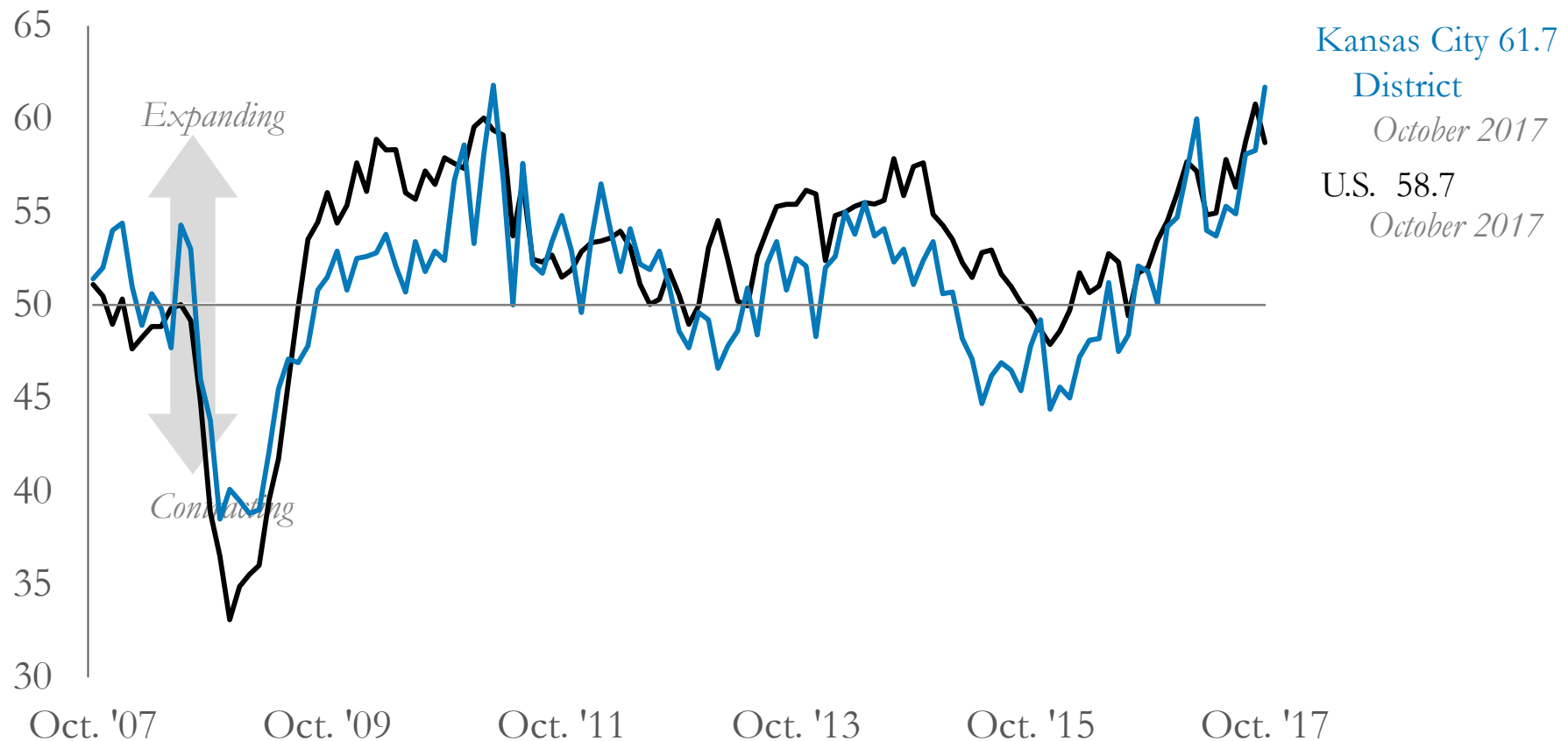


Manufacturing activity has expanded in 2017 after declines the previous two years.



MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, Month-over-Month

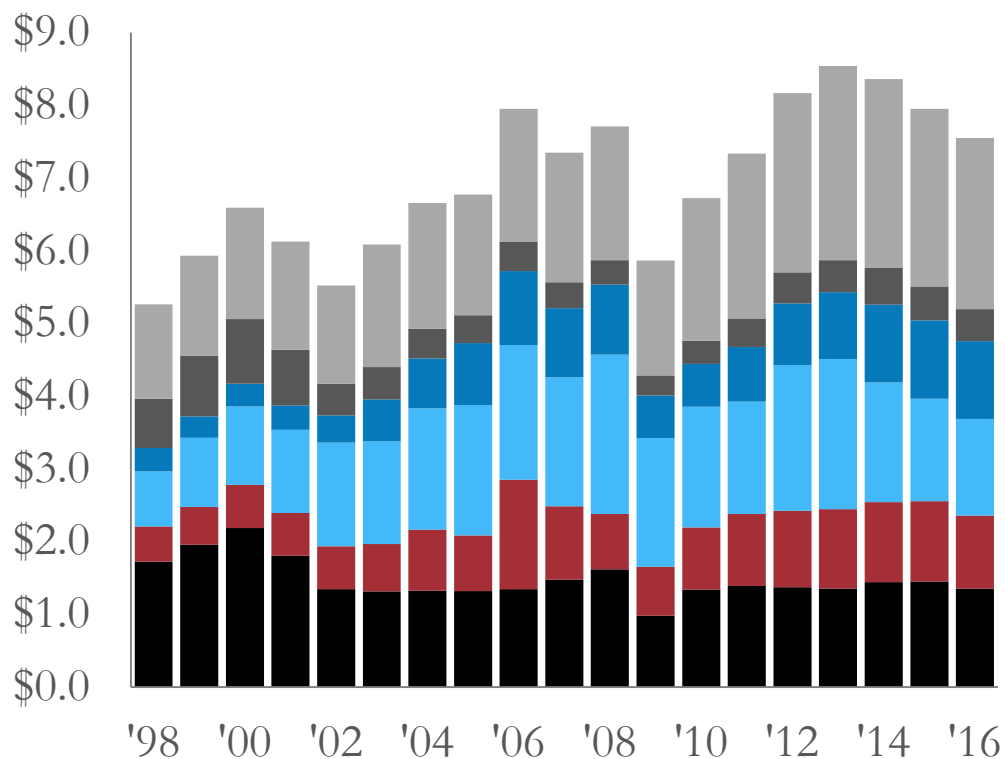


Colorado exporting activity has also rebounded modestly this year.



COLORADO EXPORTS BY TRADING PARTNER

Billions



SEPTEMBER 2017 YEAR-TO-DATE

Year-over-Year Percent Change

Total Trade	5.3%	SHARE*
All Other	-0.7	31.1%
Japan	5.7	5.9
Mexico	34.5	14.1
Canada	1.8	17.9
China	1.1	13.2
Eurozone	0.6	17.8

**Shares are for 2016*

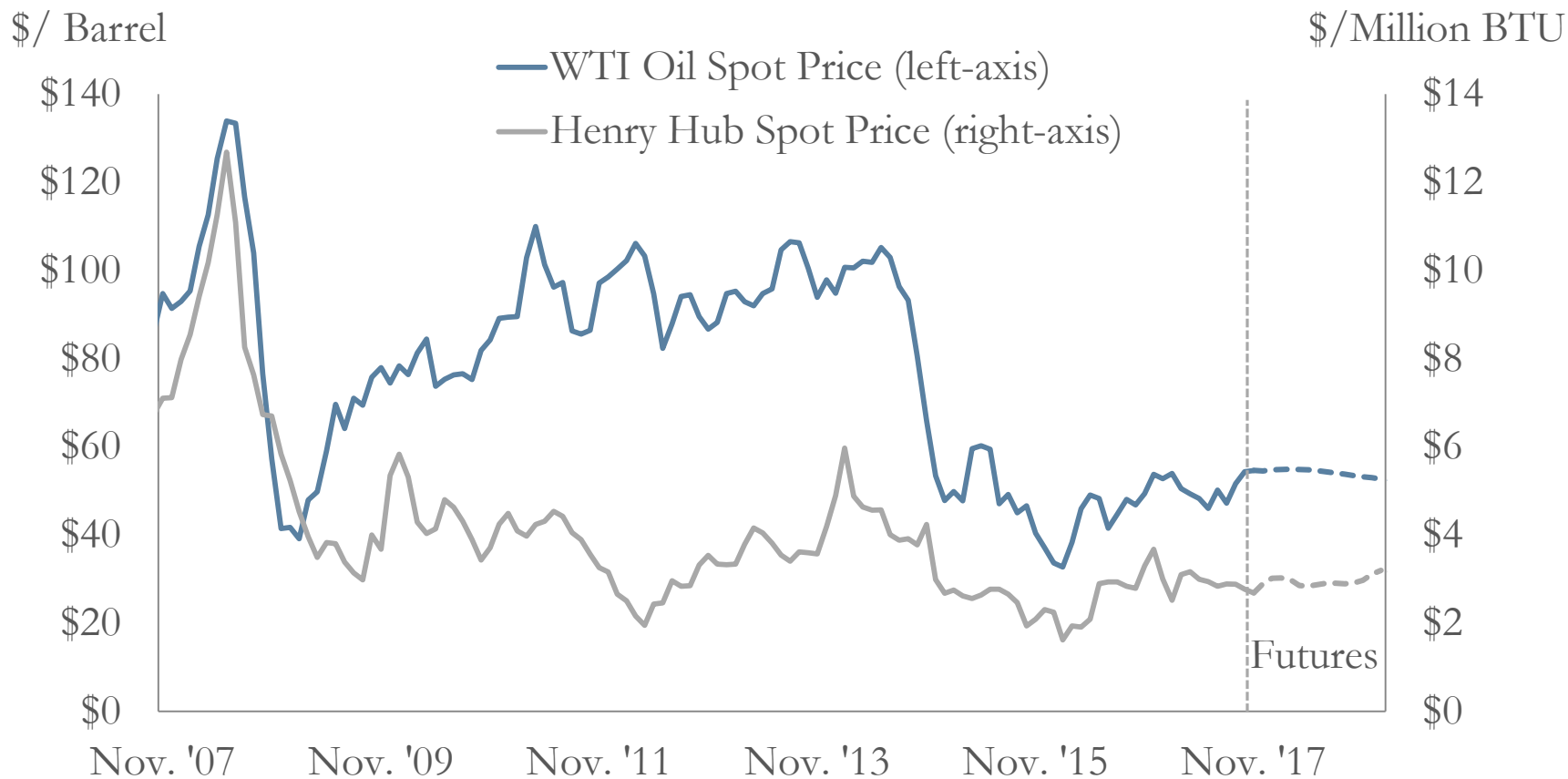


'16'17
YTD
September

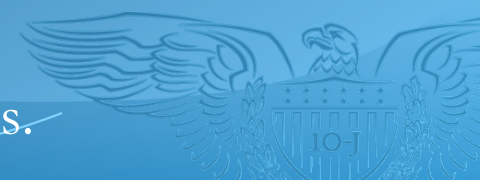
Oil and natural gas prices have increased since February 2016, but additional gains are expected to be gradual.



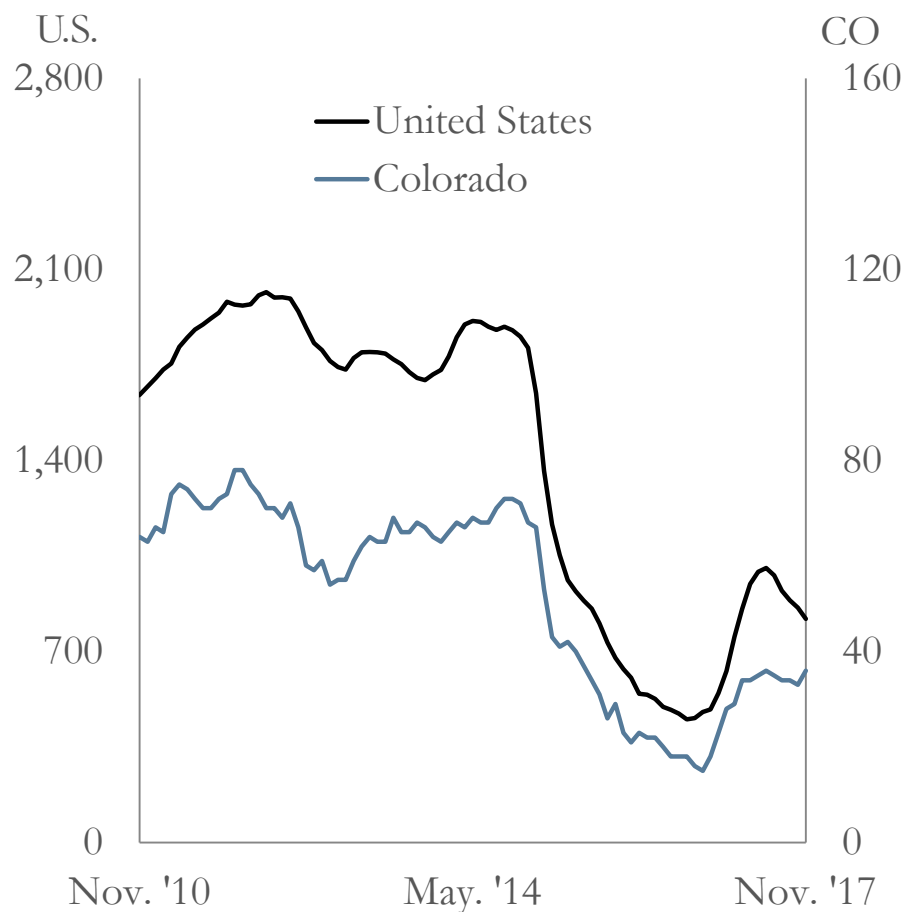
ENERGY PRICES



Energy activity has picked up in response to higher oil prices.

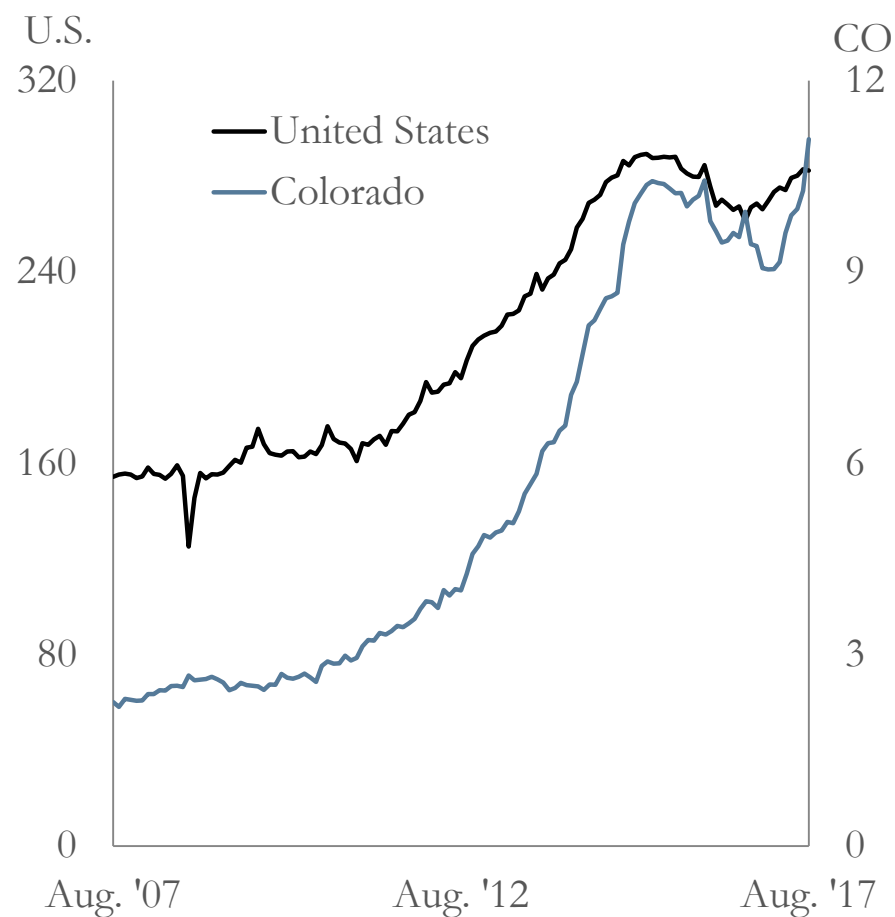


TOTAL RIG COUNT

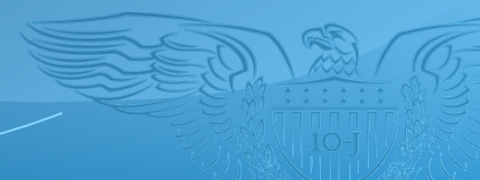


CRUDE OIL PRODUCTION

*Millions of Barrels, Monthly,
Seasonally Adjusted*

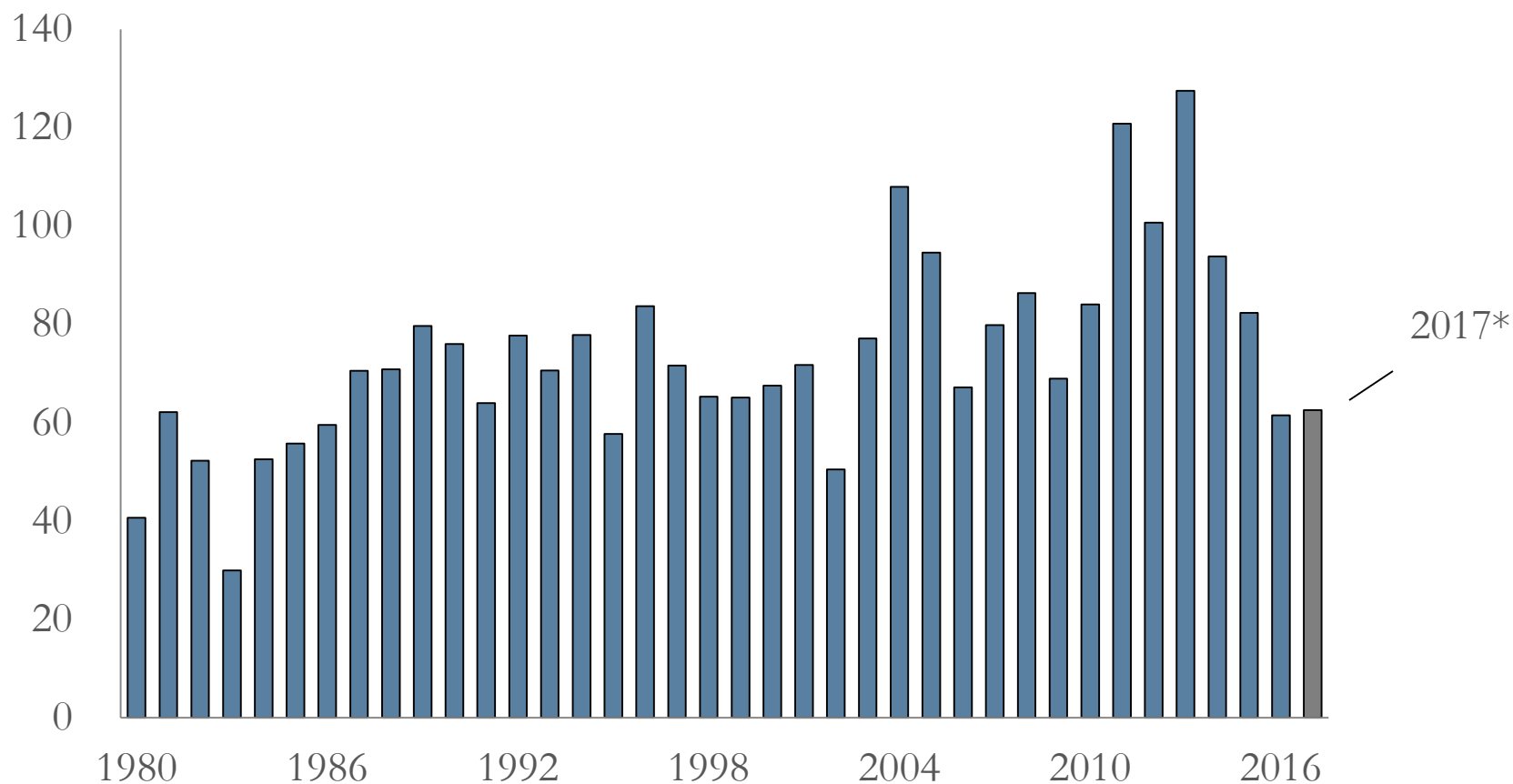


Farm income is expected to remain weak in 2017.



U.S. REAL NET FARM INCOME

Billions, 2016 Dollars



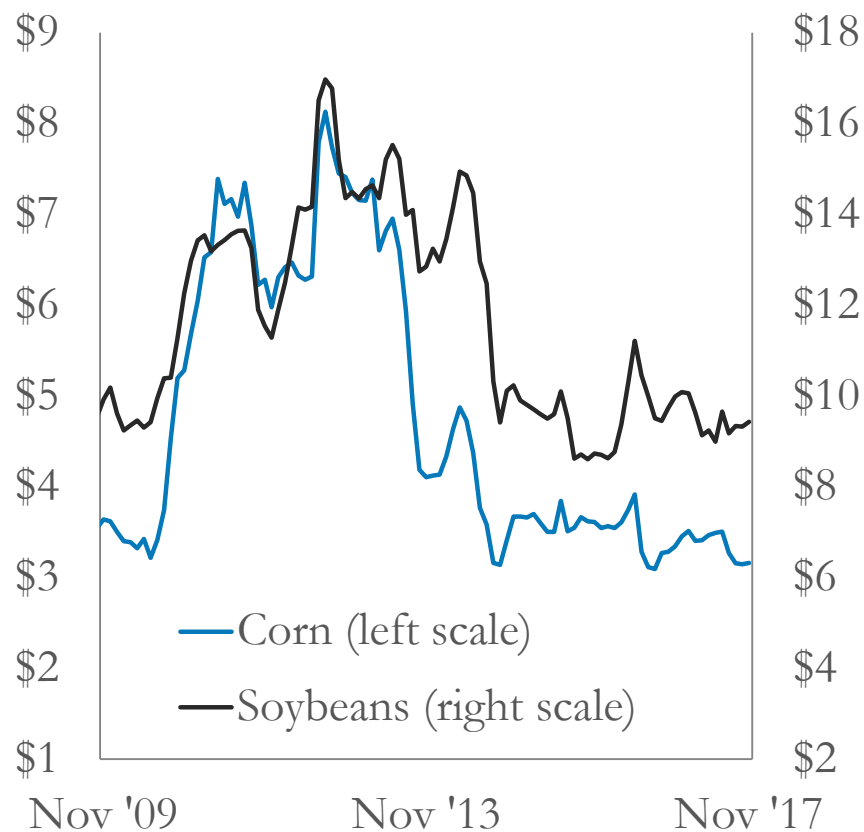
**Forecast for 2017*

Livestock and crop prices remain low despite some rebound in cattle prices.



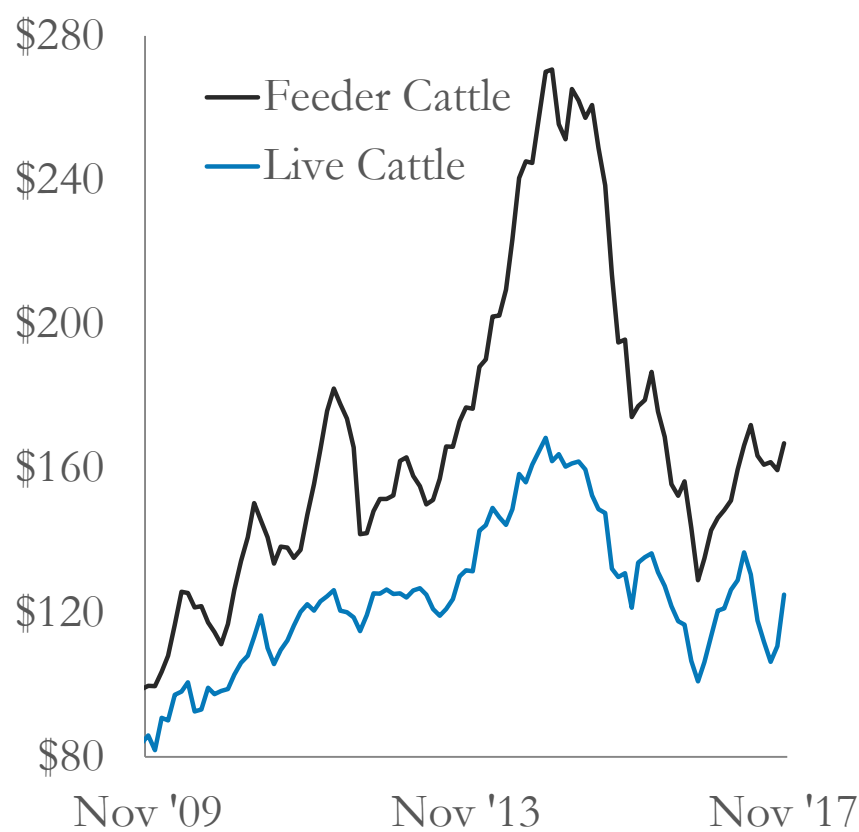
U.S. CROP PRICES

Dollars per Bushel



U.S. LIVESTOCK PRICES

Dollars per Hundredweight



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

