Emerging Trends in the U.S. and Colorado Economies

Alison Felix

Economist and Branch Executive

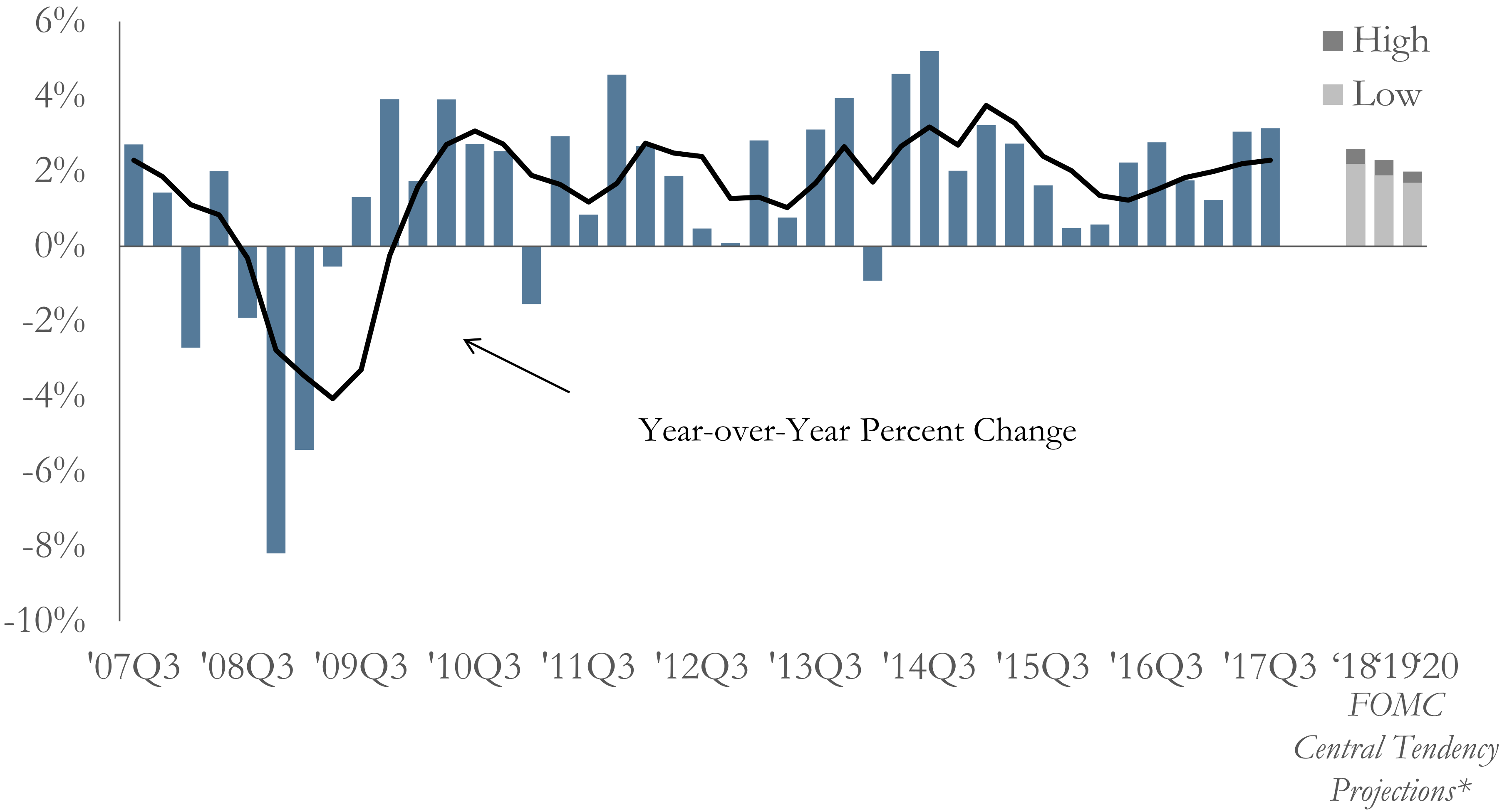
Federal Reserve Bank *of* Kansas City

Denver Branch

U.S. economic growth has accelerated in recent quarters, and solid growth is expected to continue in 2018.

Real U.S. Gross Domestic Product

Percent Change from Previous Quarter at Seasonally Adjusted Annualized Rates

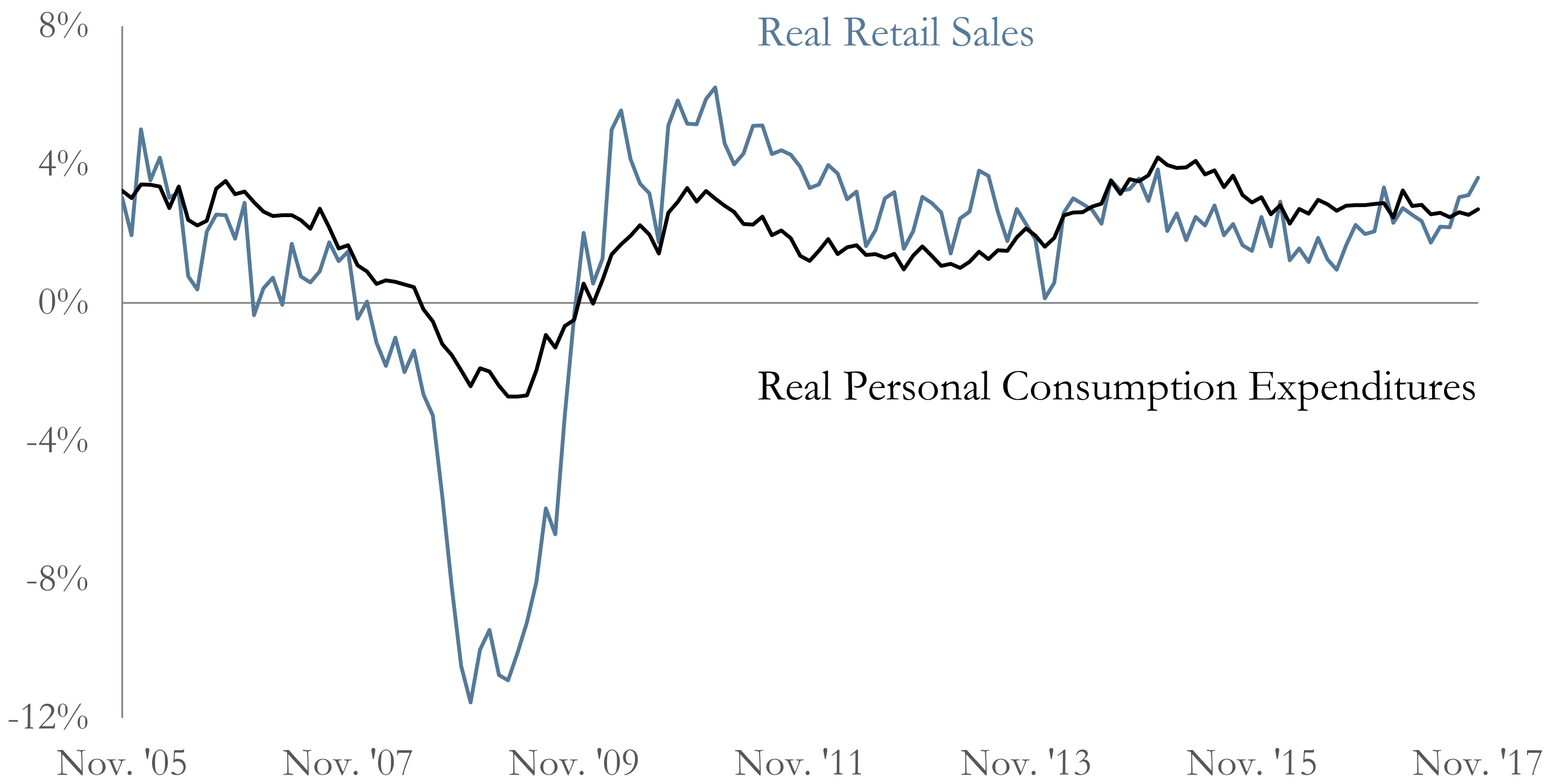


Source: Bureau of Economic Analysis and Federal Open Market Committee (FOMC)/Haver Analytics
**Projections as of December FOMC meeting*

Consumer spending is a key driver of growth in the U.S. economy.

Real Consumption Spending

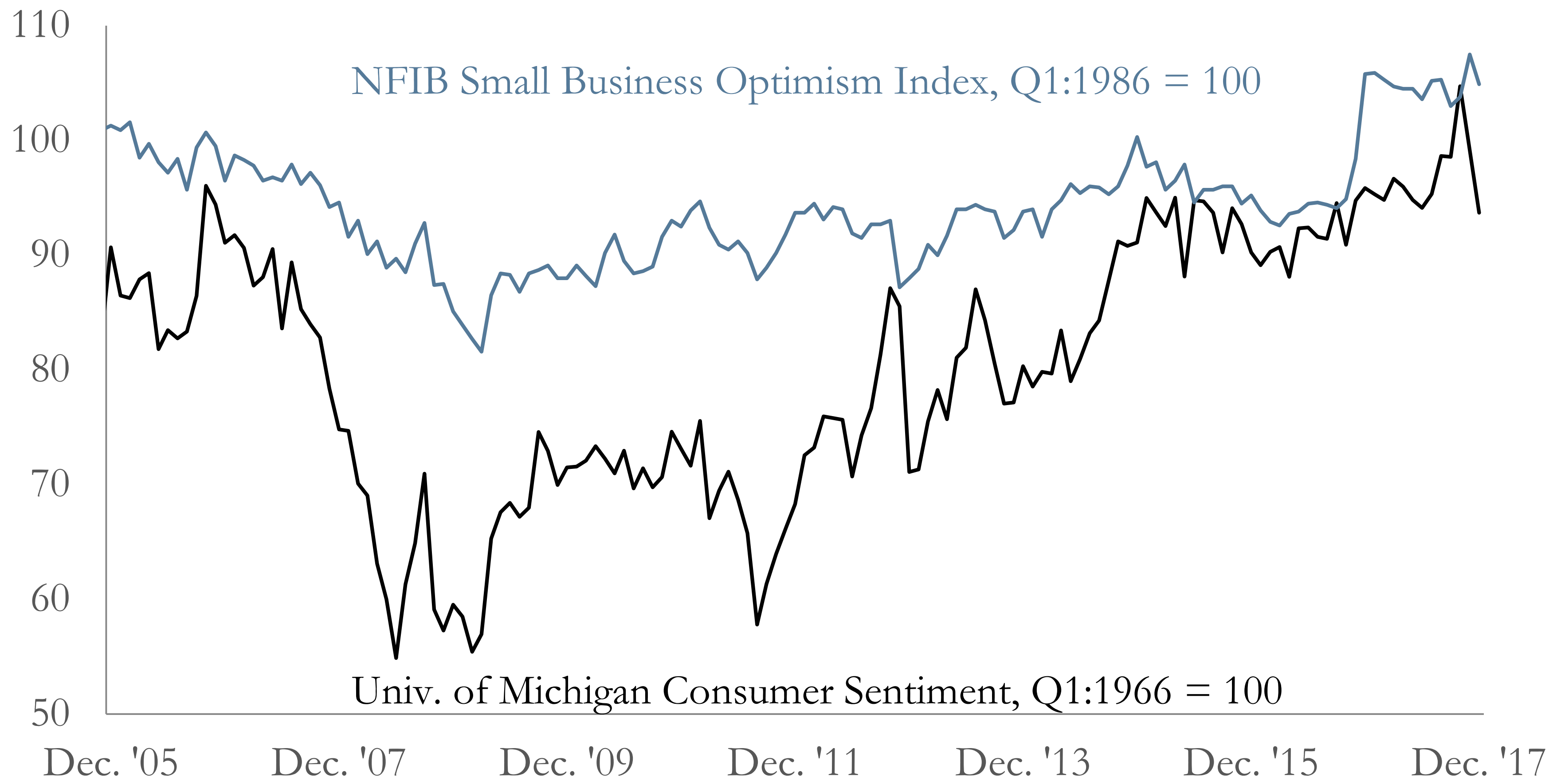
Seasonally Adjusted , Year-over-Year Percent Change



Businesses and consumers remain optimistic about the economy.

Consumer Sentiment

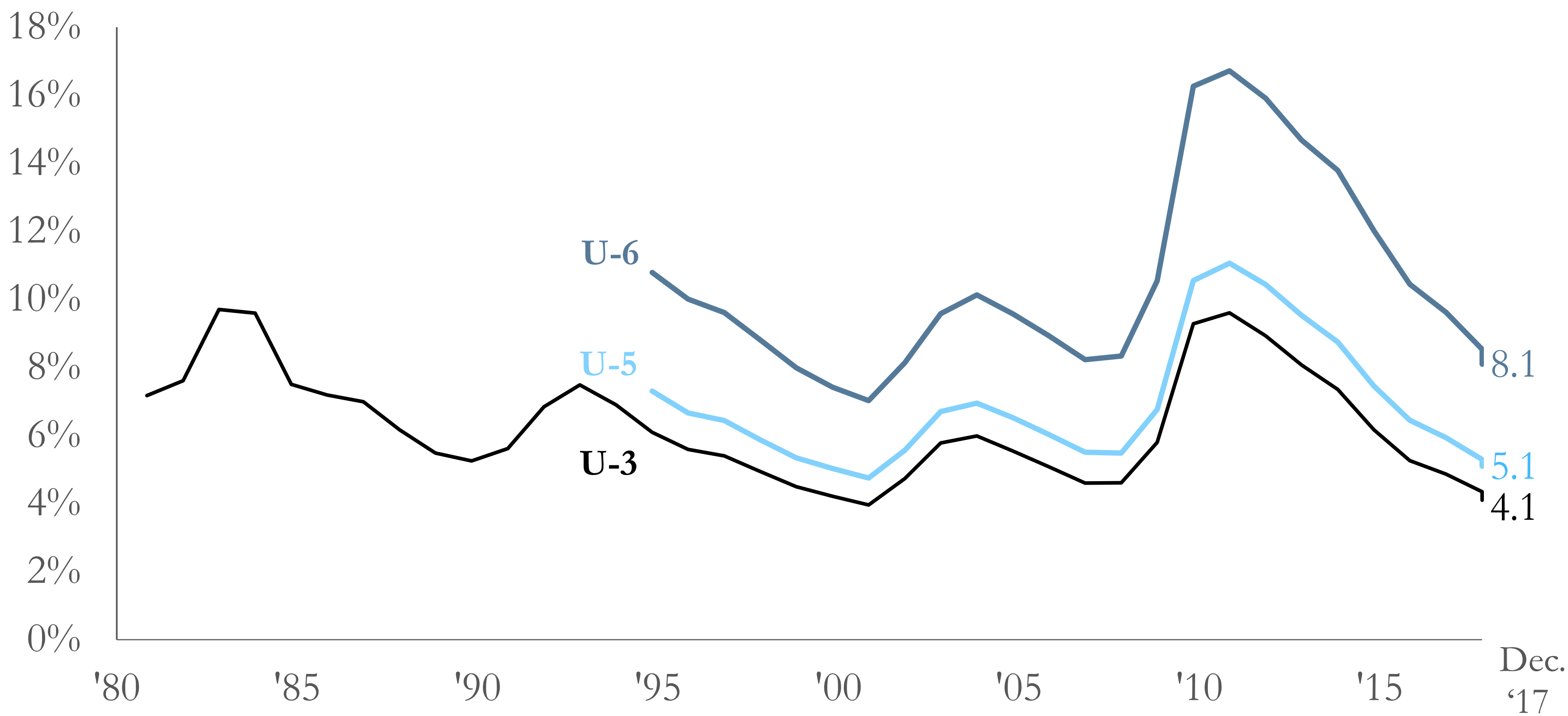
Seasonally Adjusted



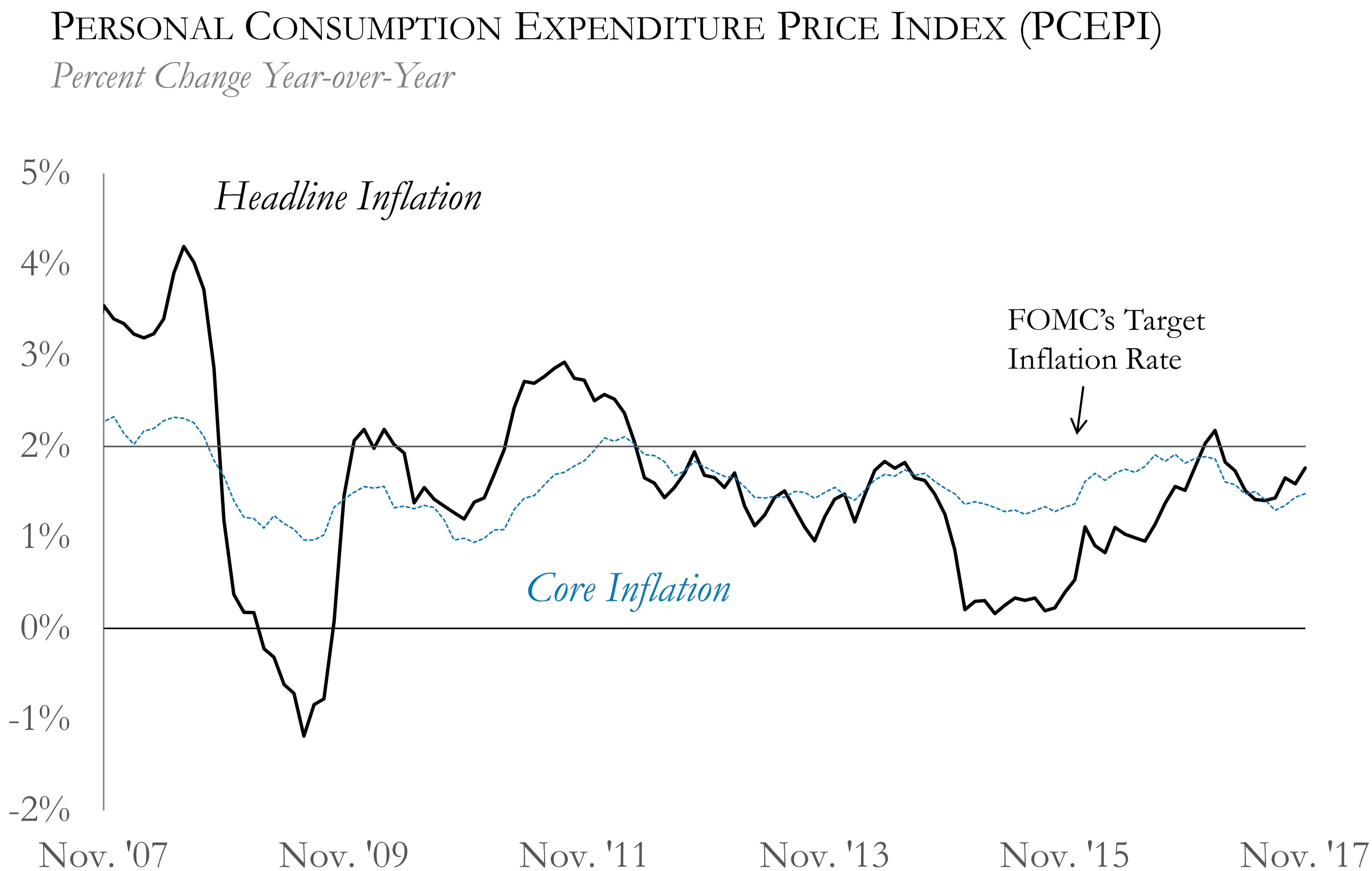
Measures of unemployment and under-employment have declined steadily over the past eight years.

U. S. Unemployment and Under-employment Rates

Seasonally Adjusted



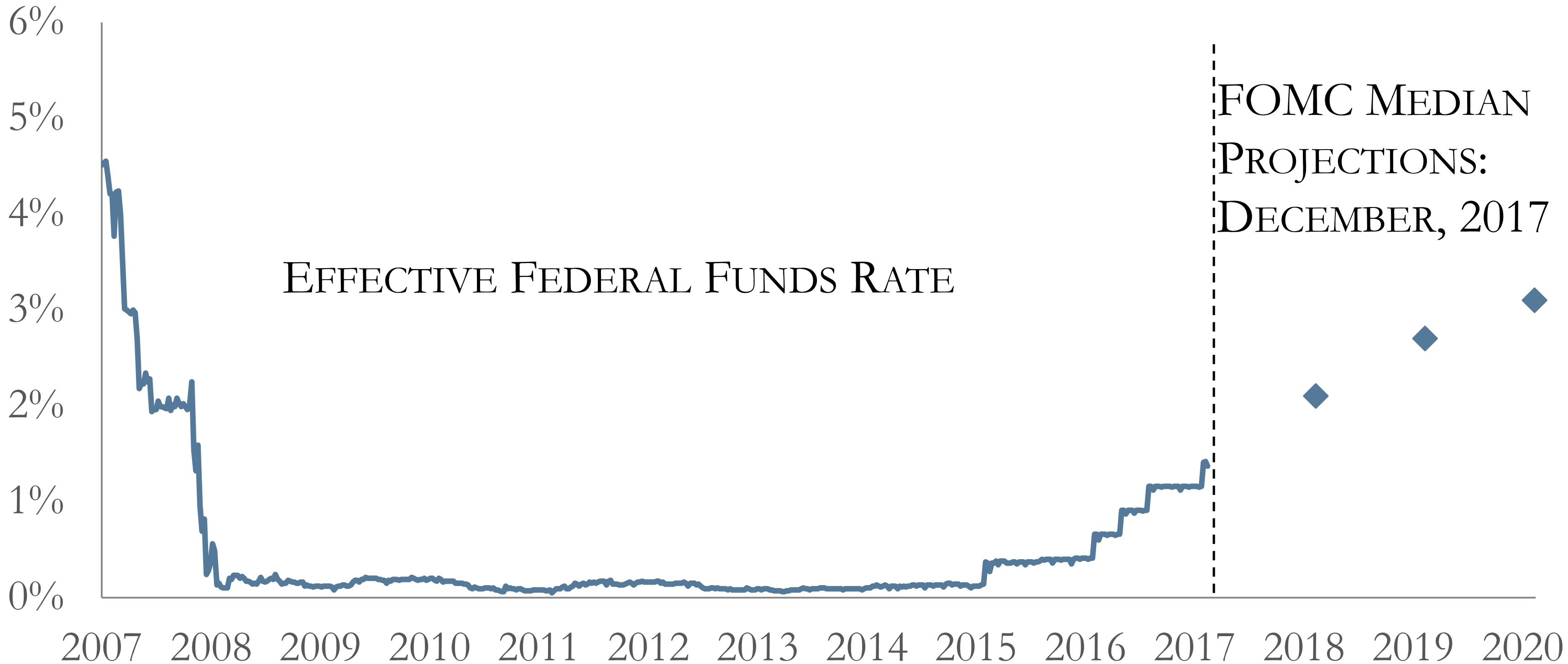
Inflation is near the FOMC's two percent target.



Source: Bureau of Economic Analysis

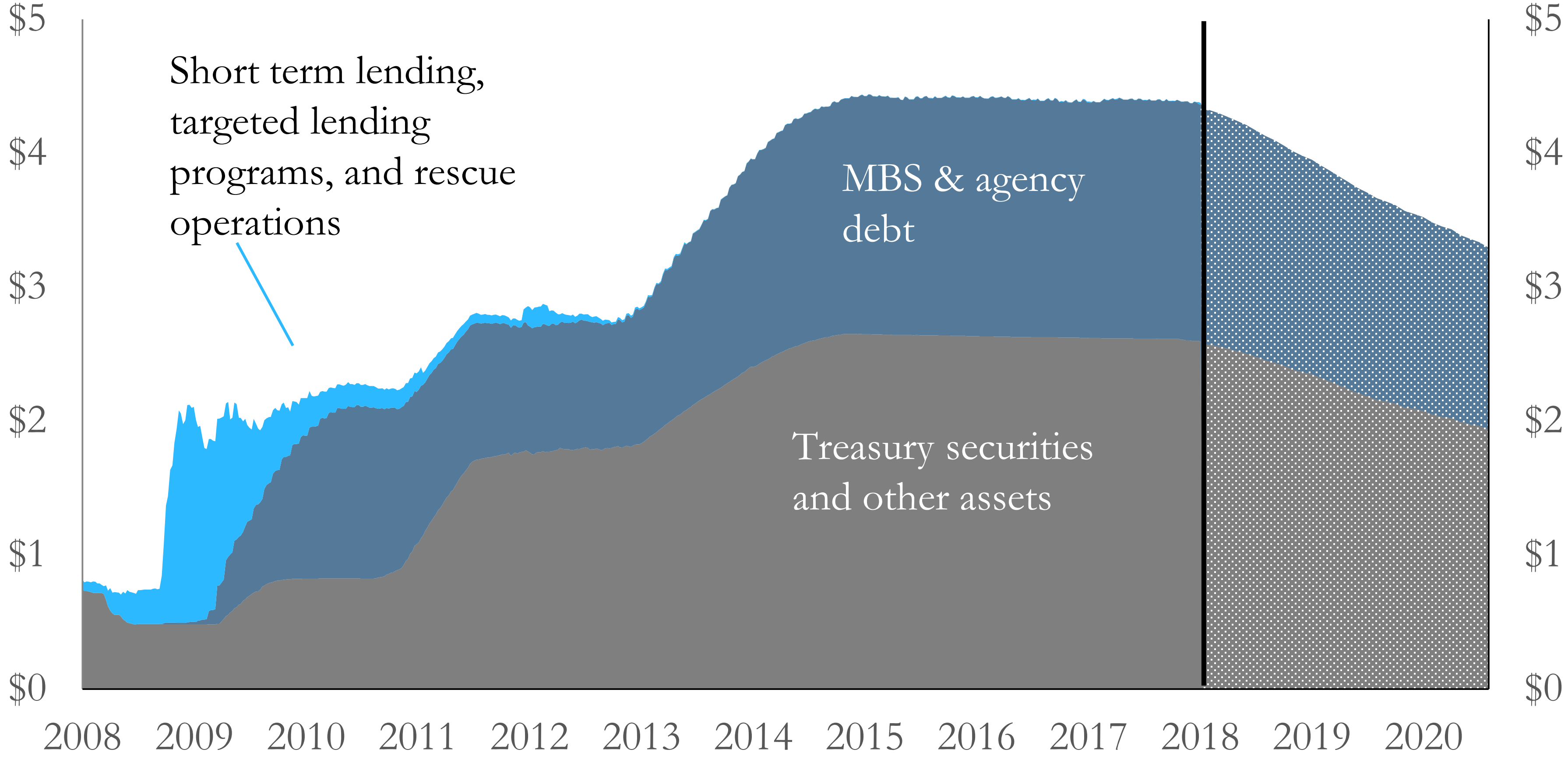
“In view of realized and expected labor market conditions and inflation, the Committee decided to raise the target range for the federal funds rate to 1-1/4 to 1-1/2 percent. The stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return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

- December 2017 FOMC Statement



Federal Reserve Balance Sheet

Trillions



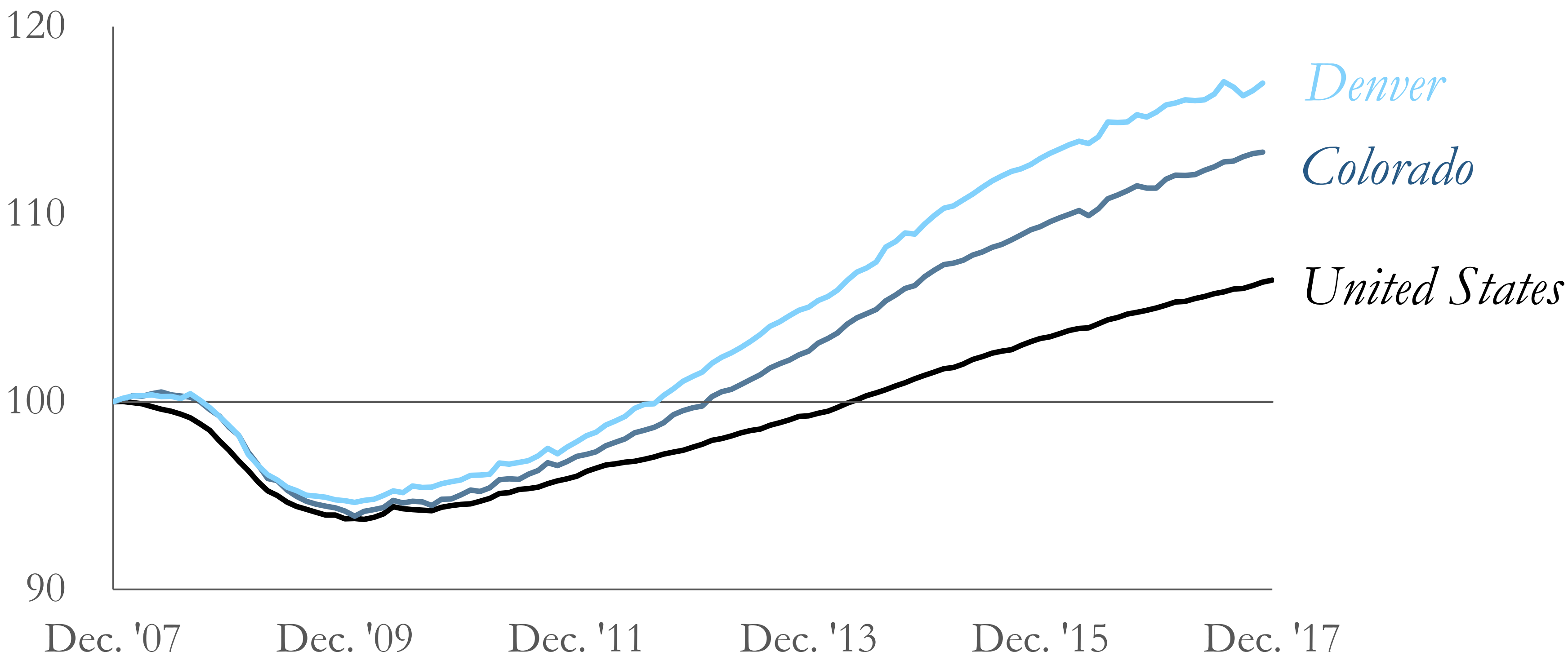
Source: Federal Reserve Board, Haver Analytics, and author's calculations.

Employment has been increasing in Colorado and the nation over the past eight years, with Colorado gains outpacing the nation.

Payroll Employment Growth

Index 100 = December, 2007, Seasonally Adjusted

Percent Change	*Past 10 Years*	*Past Year*
U.S. (Dec. '17)	6.5%	1.4%
Colorado (Nov. '17)	13.4%	1.7%
Denver (Nov. '17)	17.2%	1.6%

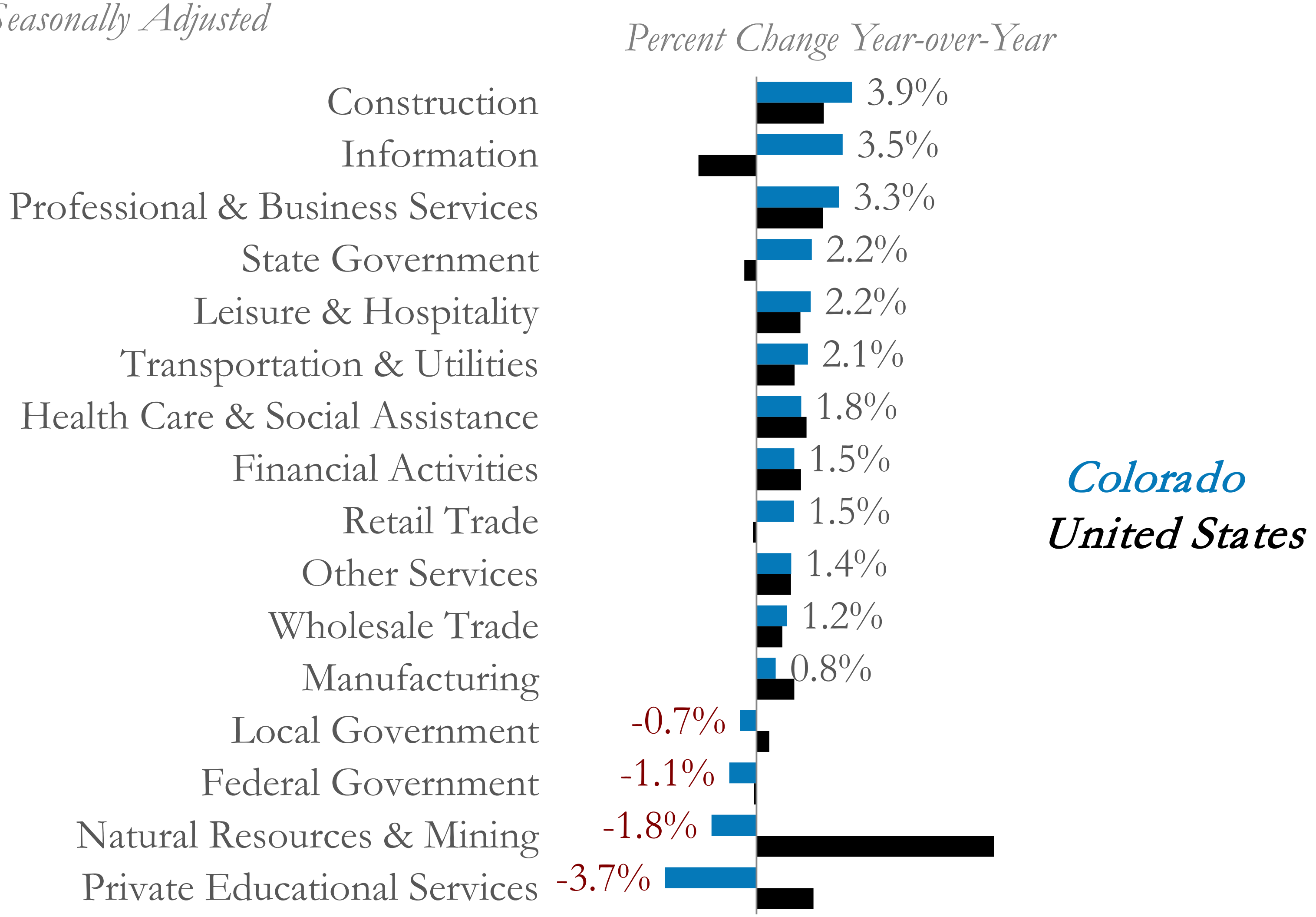


Source: Bureau of Labor Statistics

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

CHANGE IN PAYROLL EMPLOYMENT, NOVEMBER 2017

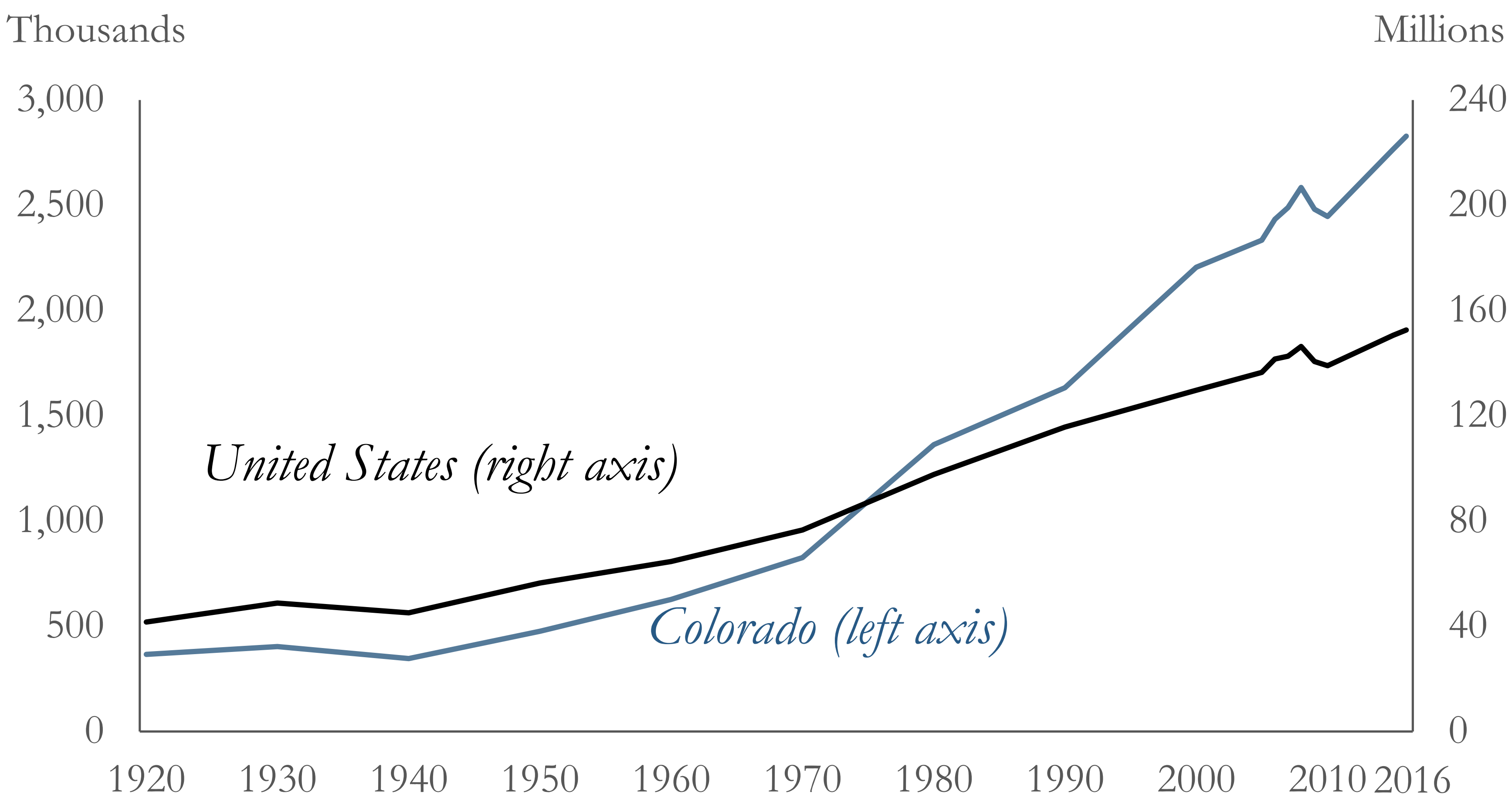
Seasonally Adjusted



Employment has increased from about 366,000 in 1920 to more than 2.8 million today.

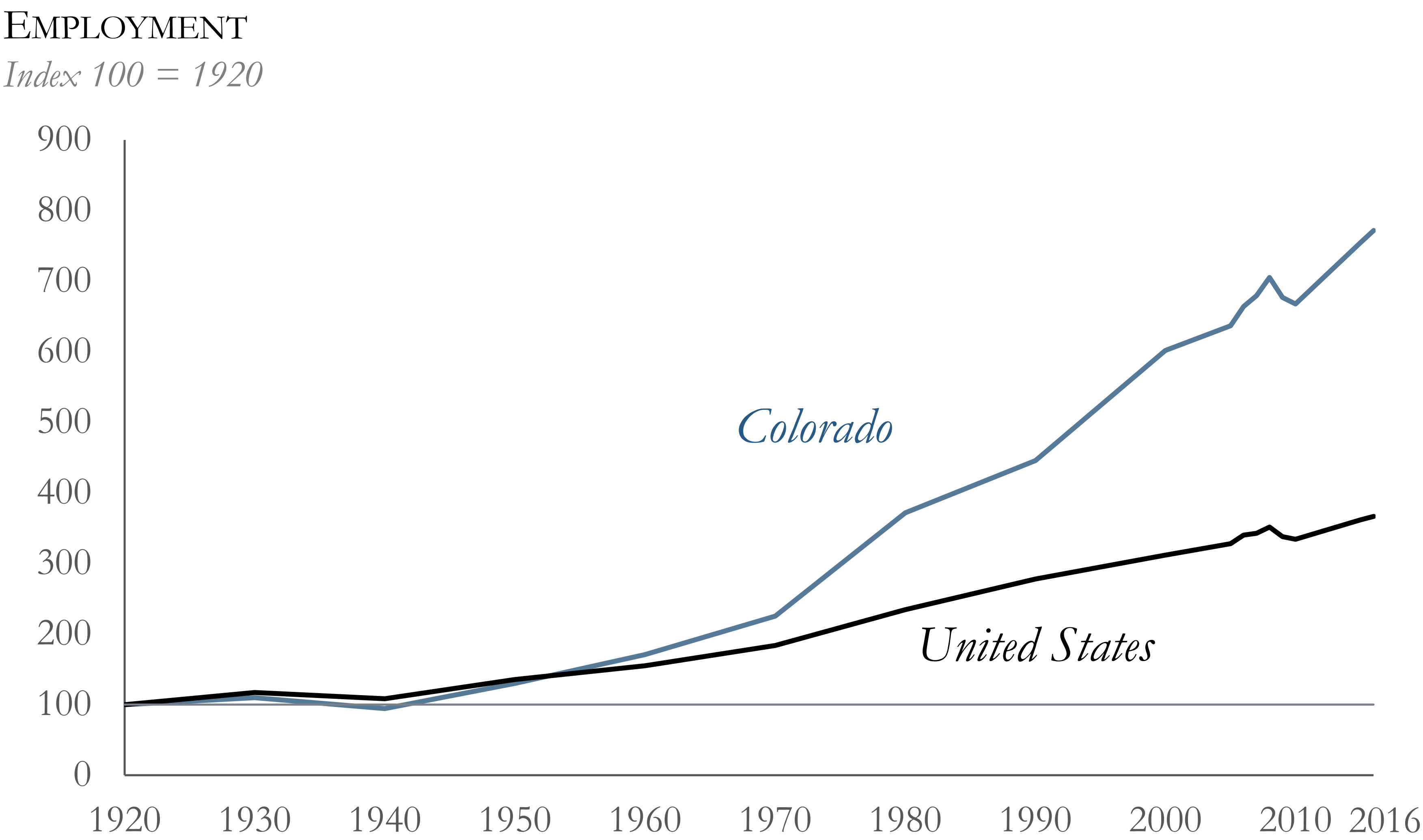
EMPLOYMENT

1920 - 2016



Note: Employment data is shown for each decade from 1920 to 2005, and then annually for 2005 to 2016.
Source: United States Census Bureau and author's calculations.

Employment trends in the U.S. and Colorado were similar between 1920 and 1940. Since then, employment growth in Colorado has generally outpaced the nation.

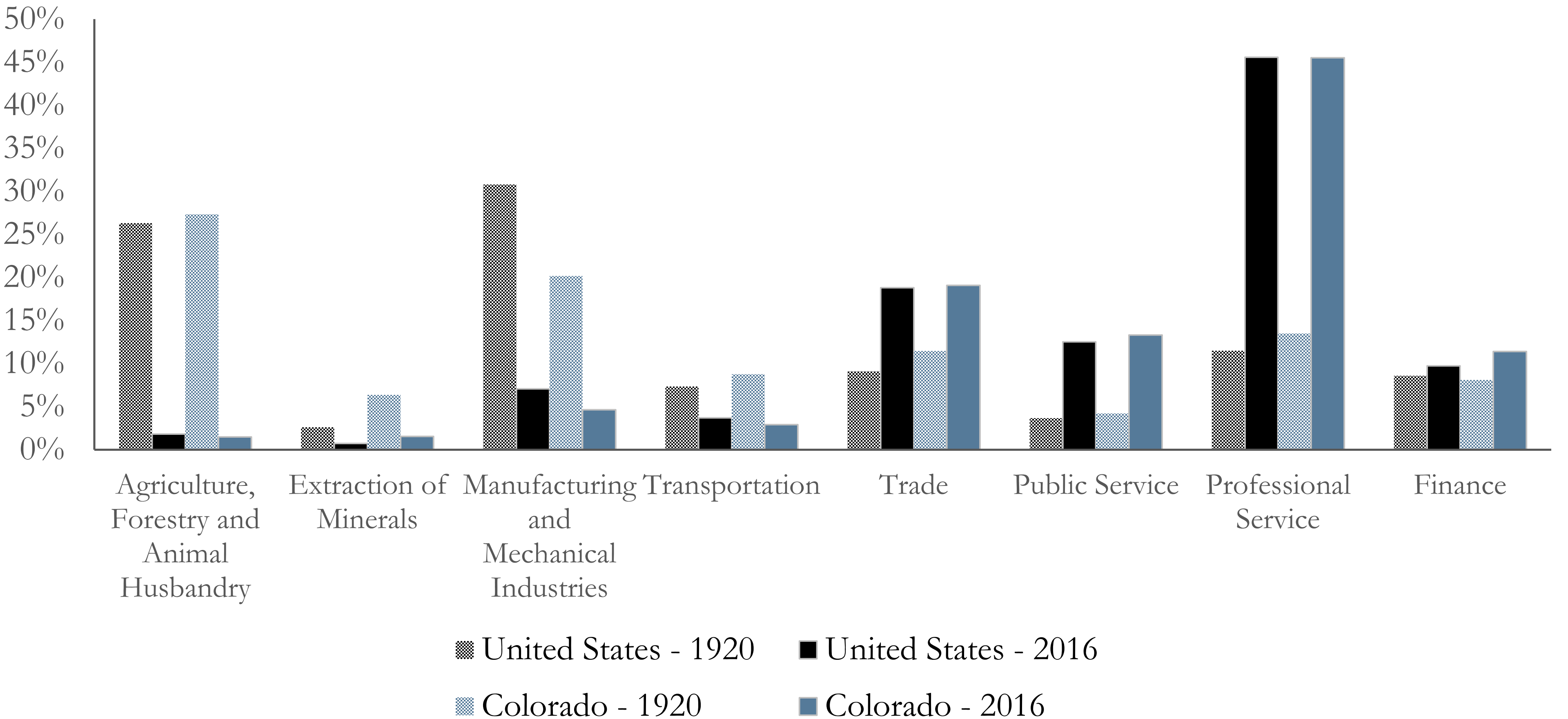


Note: Employment data is shown for each decade from 1920 to 2005, and then annually for 2005 to 2016.
Source: United States Census Bureau and author's calculations.

The industry composition has shifted dramatically over time with a smaller share of workers in agriculture and manufacturing and more in service-oriented industries.

SHARE OF TOTAL EMPLOYMENT BY INDUSTRY

1920 - 2016



Note: The "Professional Service" industry includes the information, professional and technical services, management of companies and enterprises, administrative and waste services, private educational services, health care and social assistance, accommodation and food services, and other services sectors. The "Trade" industry includes the construction, wholesale trade, and retail trade sectors.

Source: United States Census Bureau, Bureau of Economic Analysis, Haver Analytics, and author's calculations.

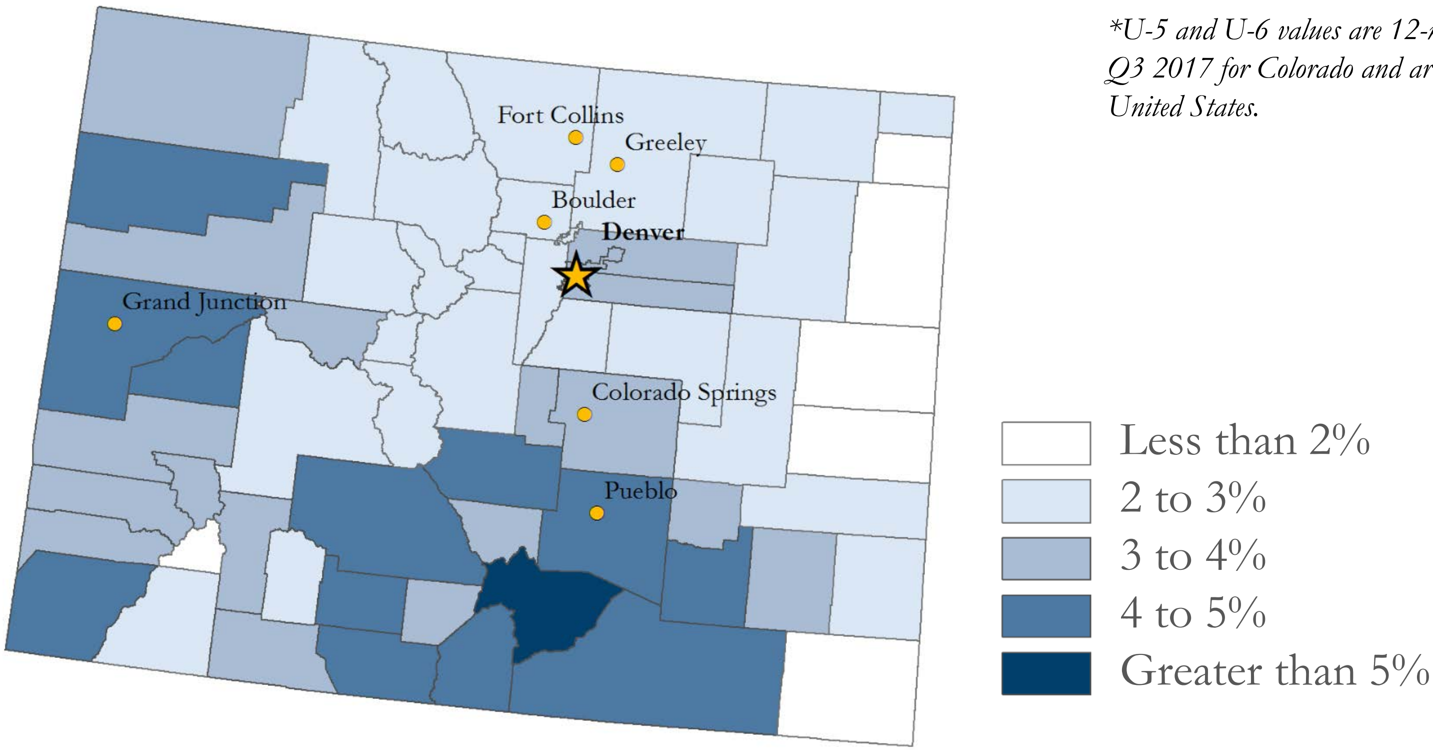
Unemployment rates are below national rates across most of Colorado.

UNEMPLOYMENT RATES

November 2017, Seasonally Adjusted

Unemployment Rate	*U-3*	*U-5**	*U-6**
United States (Dec. '17)	4.1%	5.1%	8.1%
Colorado (Nov. '17)	2.9%	3.3%	6.2%
Denver (Nov. '17)	3.0%		

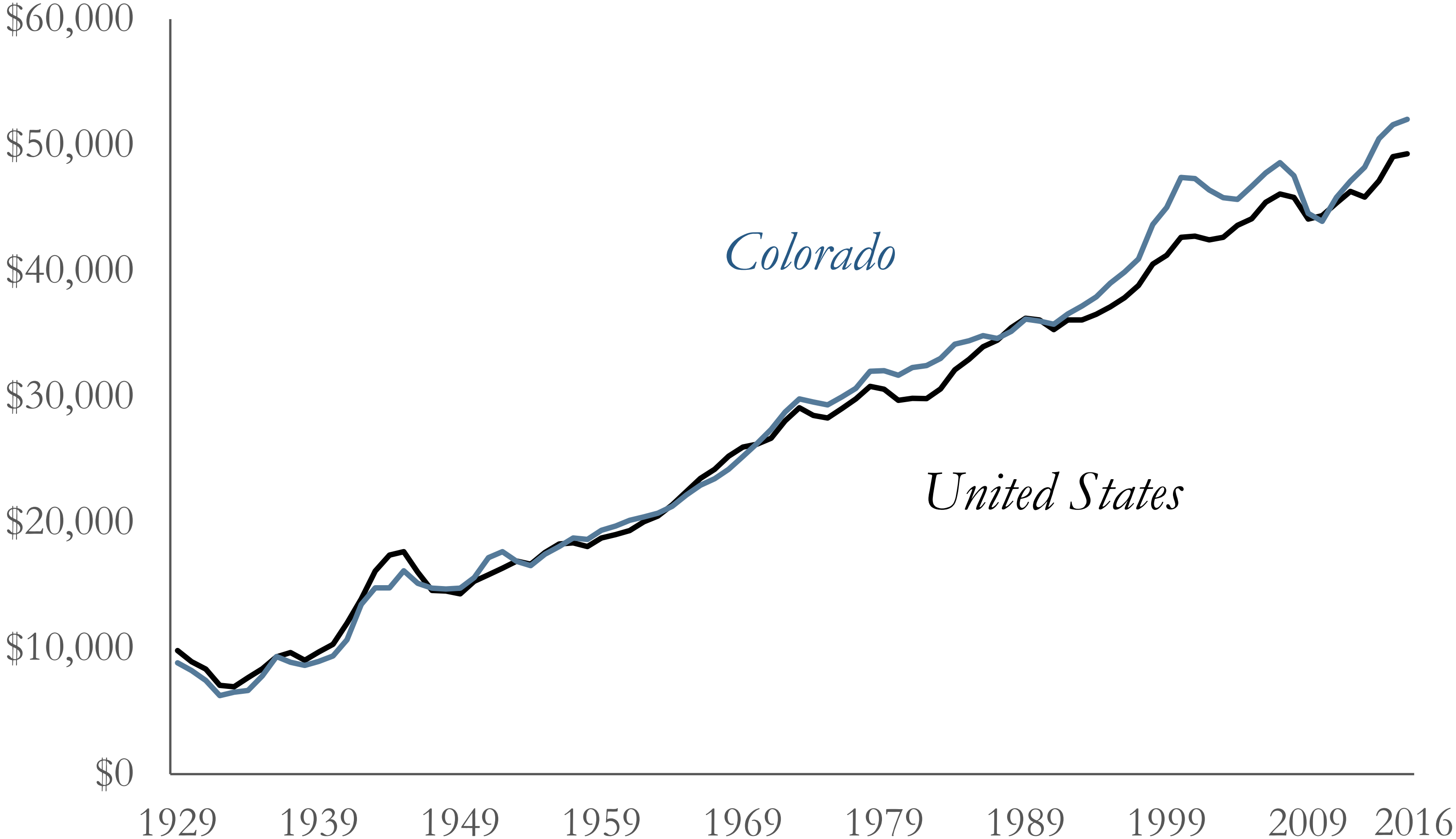
**U-5 and U-6 values are 12-month moving averages as of Q3 2017 for Colorado and are for December, 2017 for the United States.*



Along with growth in employment, Colorado and the U.S. have experienced rising real per capita personal income over the past century.

Real per Capita Personal Income

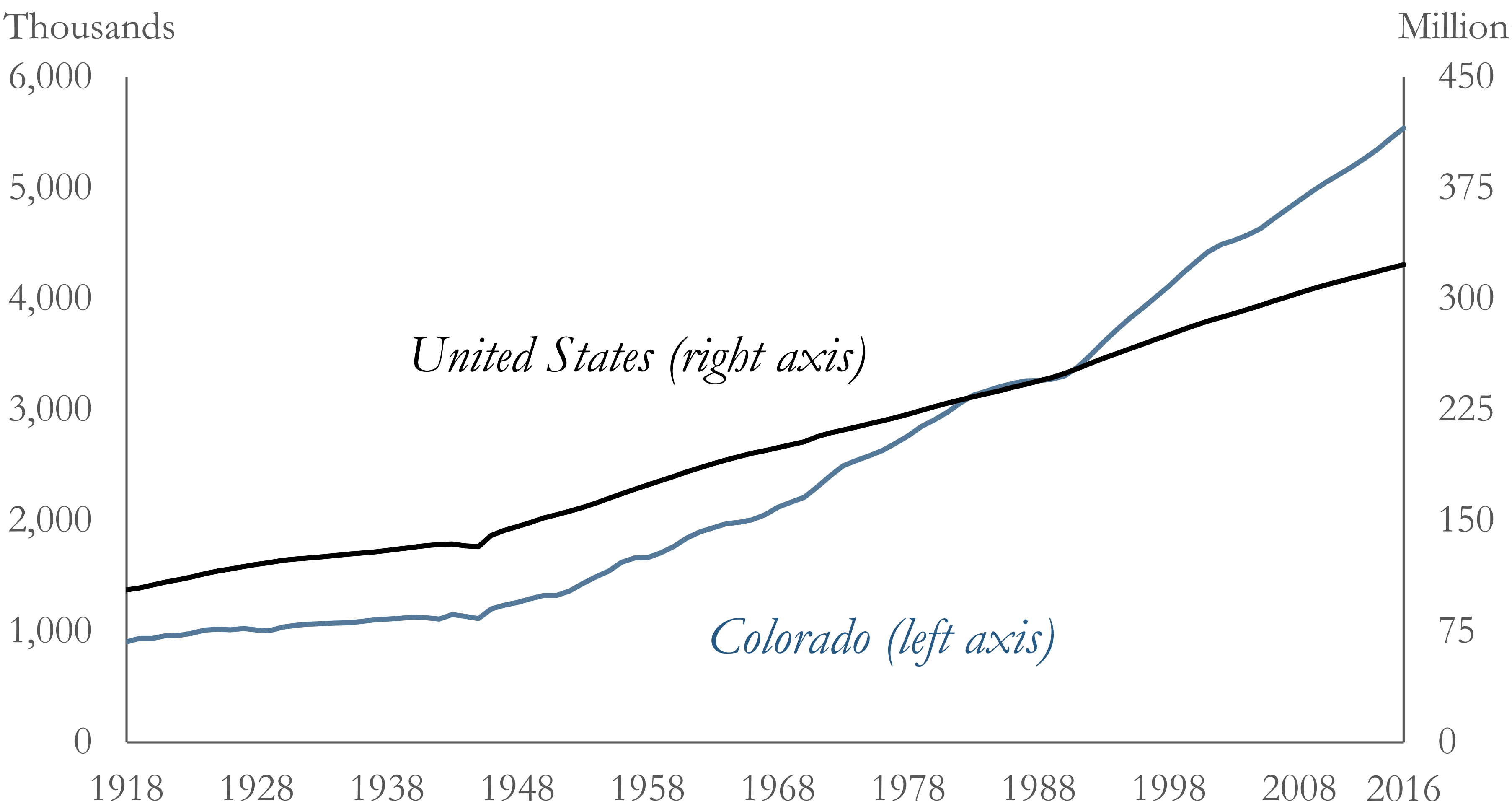
2016 Dollars



Source: United States Census Bureau, Bureau of Economic Analysis, and Haver Analytics.

Colorado's population has increased from 906,000 in 1918 to more than 5.5 million.

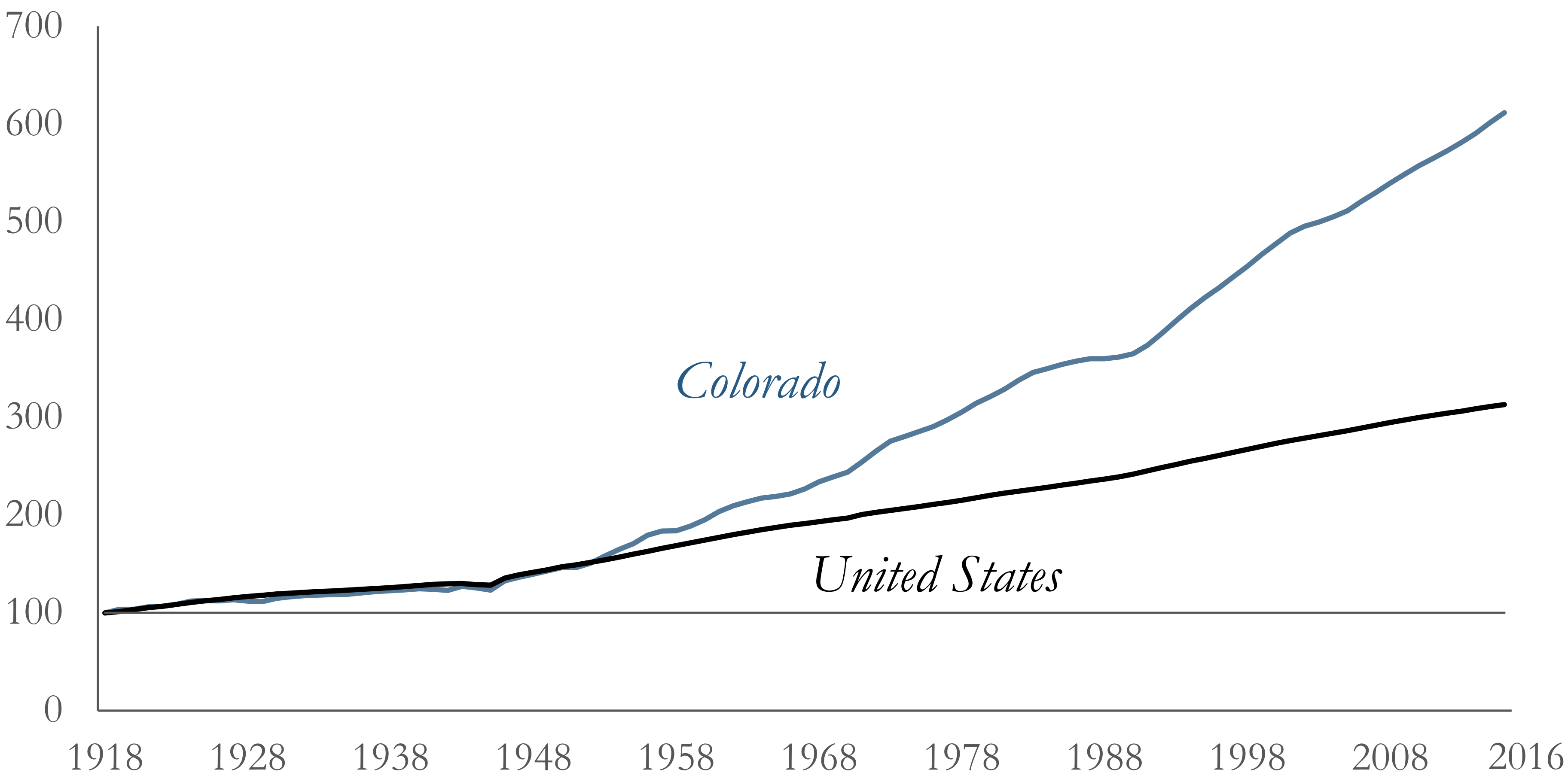
POPULATION
1918 - 2016



Colorado has been an attractive place to relocate for decades, and Colorado's population growth has outpaced national gains since the mid-1950s.

POPULATION

Index 100 = 1918

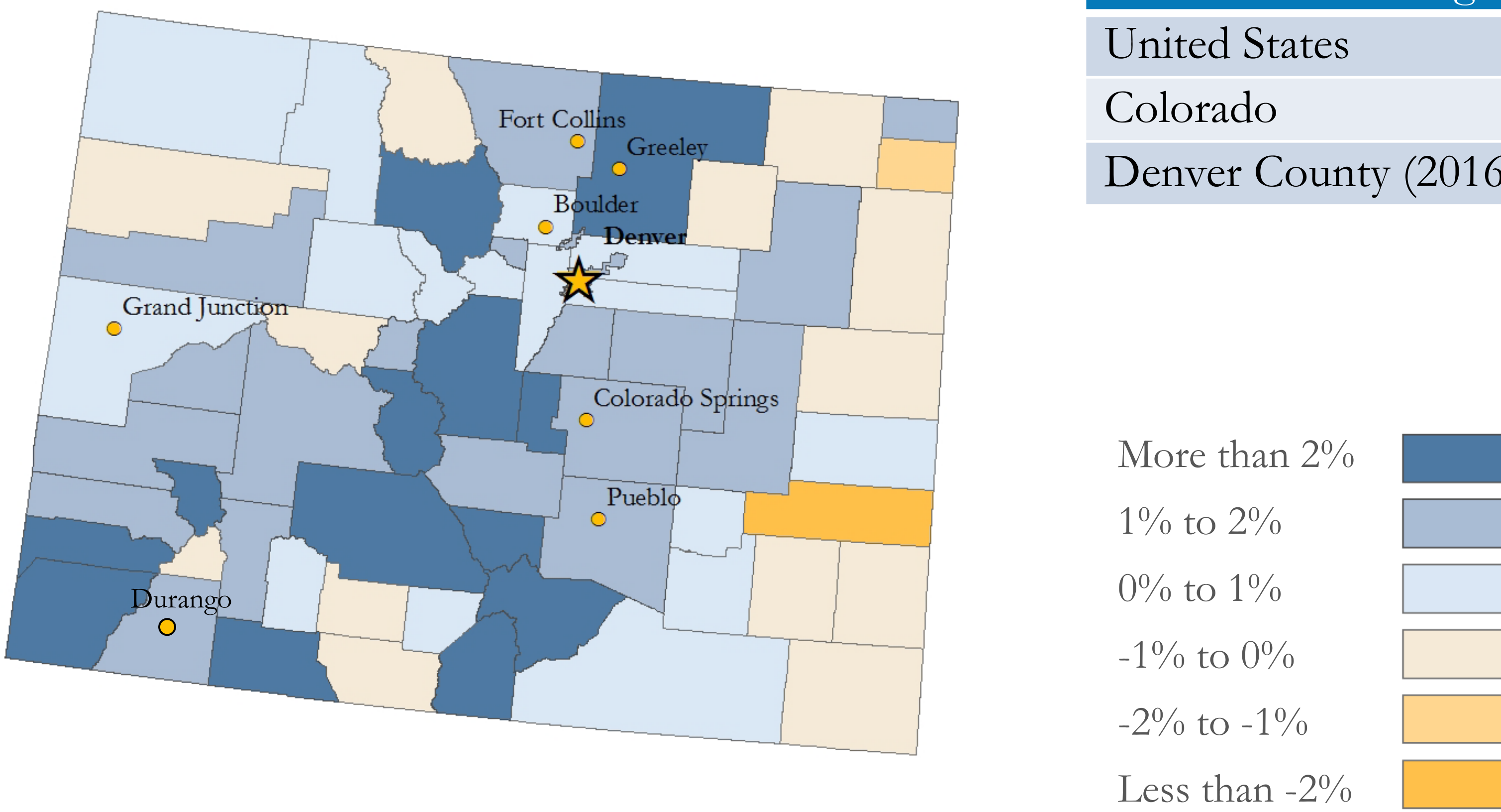


Source: United States Census Bureau and Haver Analytics.

Colorado continues to experience net in-migration, but the pace of growth has slowed over the past year.

Net Migration

Total 2016 Net Migration as a Percentage of 2016 Population

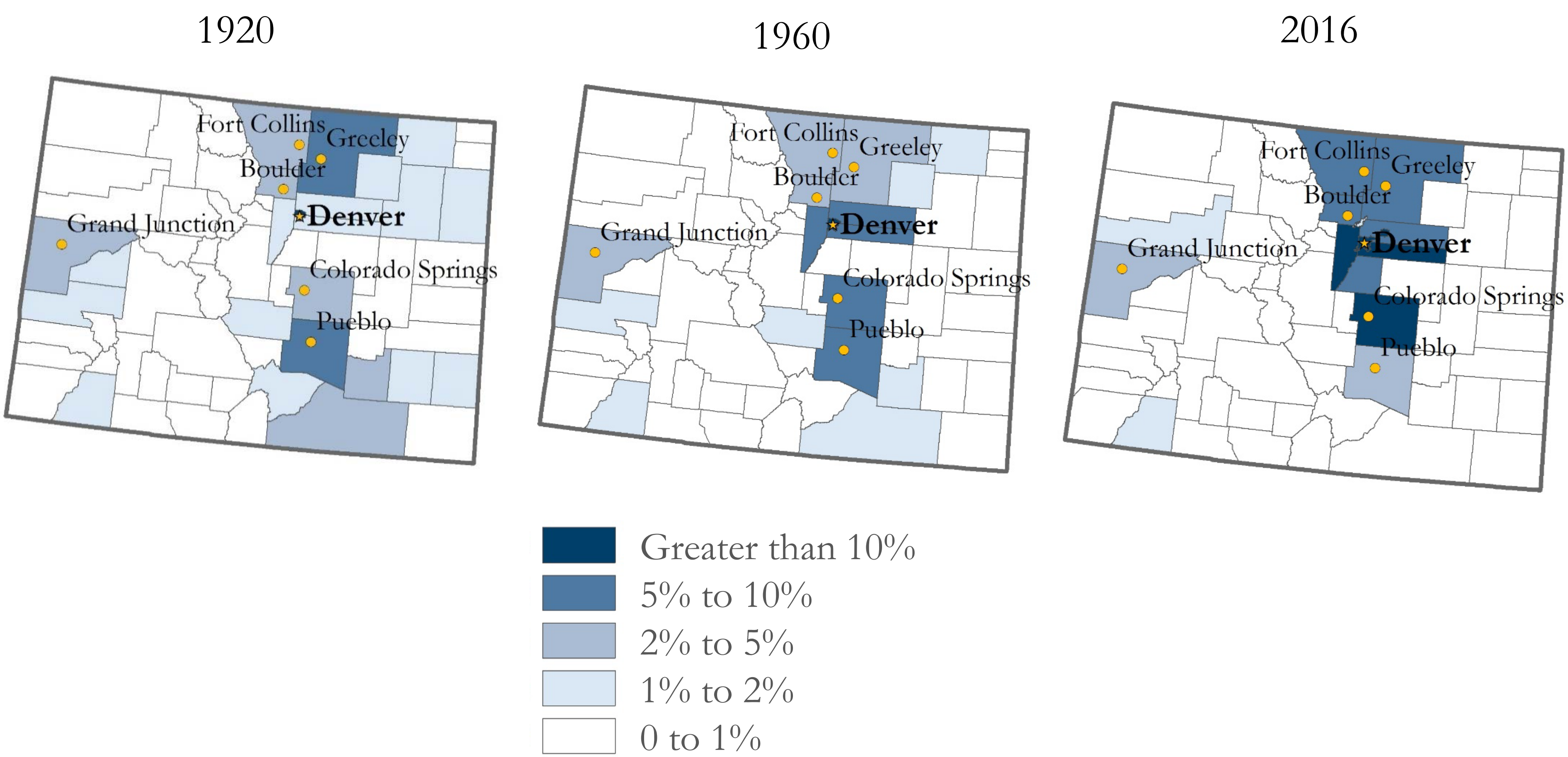


Annual Percent Change	*2017**
United States	0.3%
Colorado	0.8%
Denver County (2016)	1.1%

*Note: 2017 numbers have currently only been released by state.

Over time, the population has been increasingly concentrated in urban areas in Colorado.

Share of Total Population by County

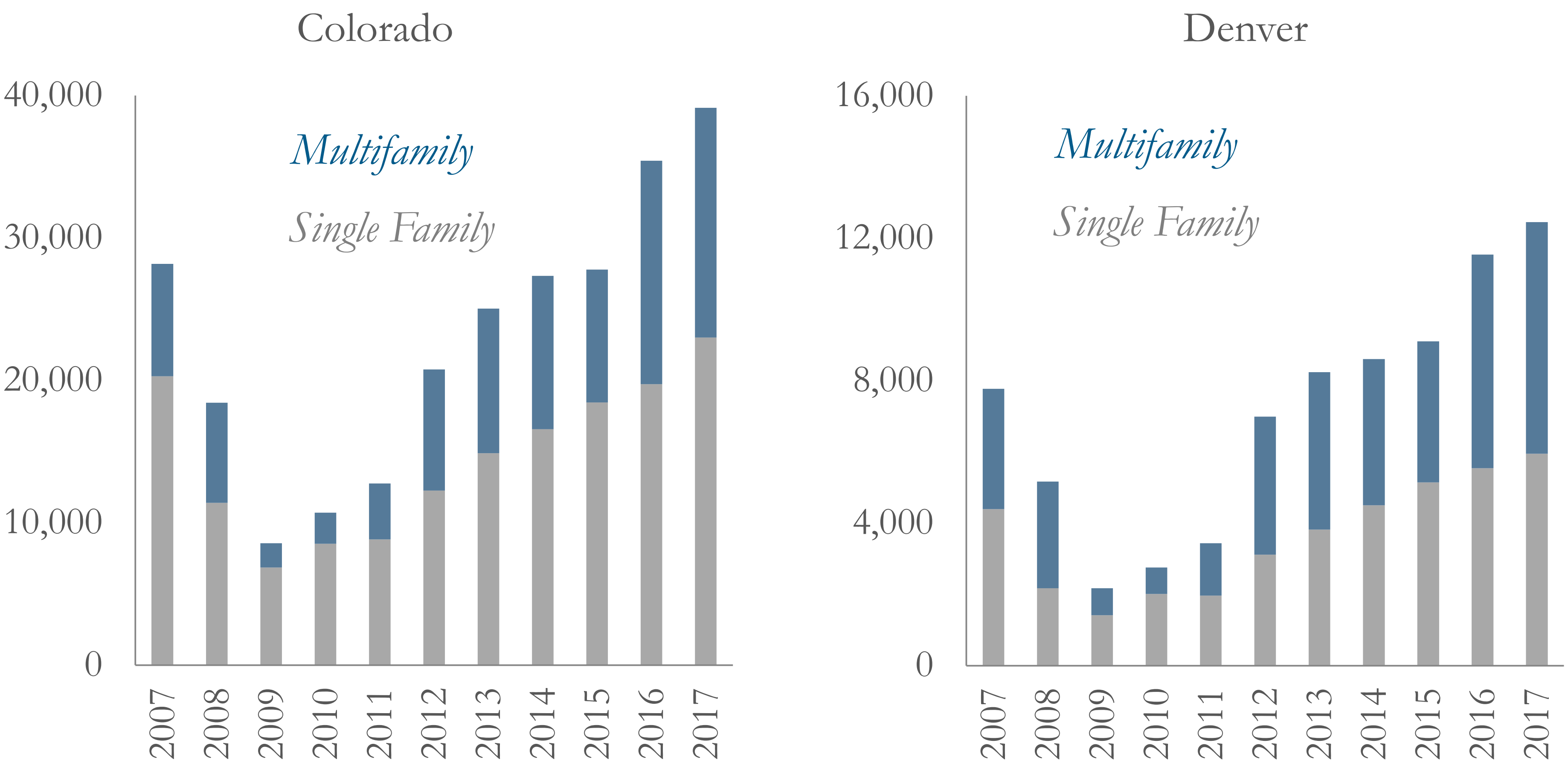


Source: United States Census Bureau, Bureau of Economic Analysis, and Haver Analytics.

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

Residential Permits

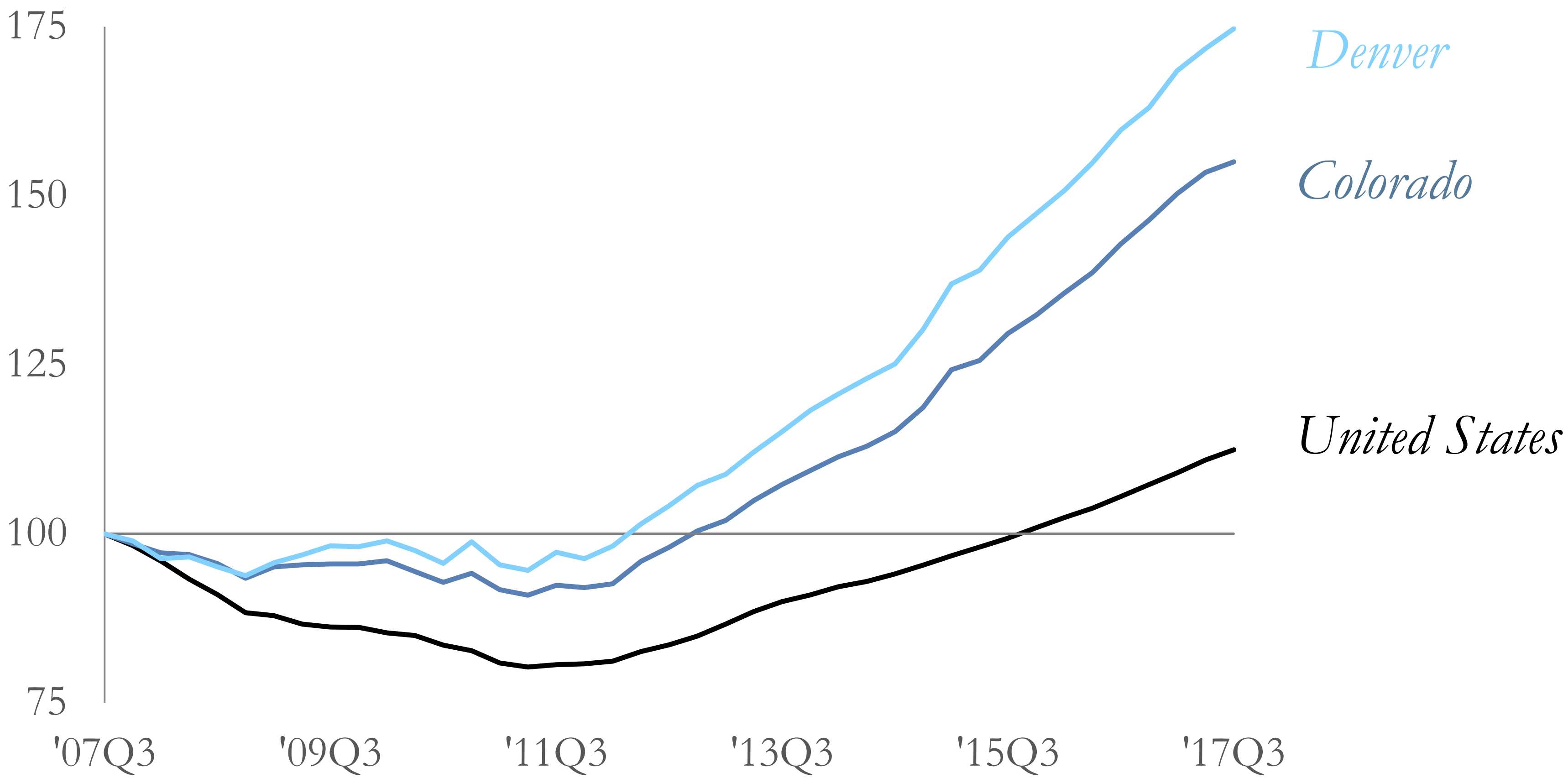
Seasonally Adjusted, Year-to-Date Through November



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

Home Prices

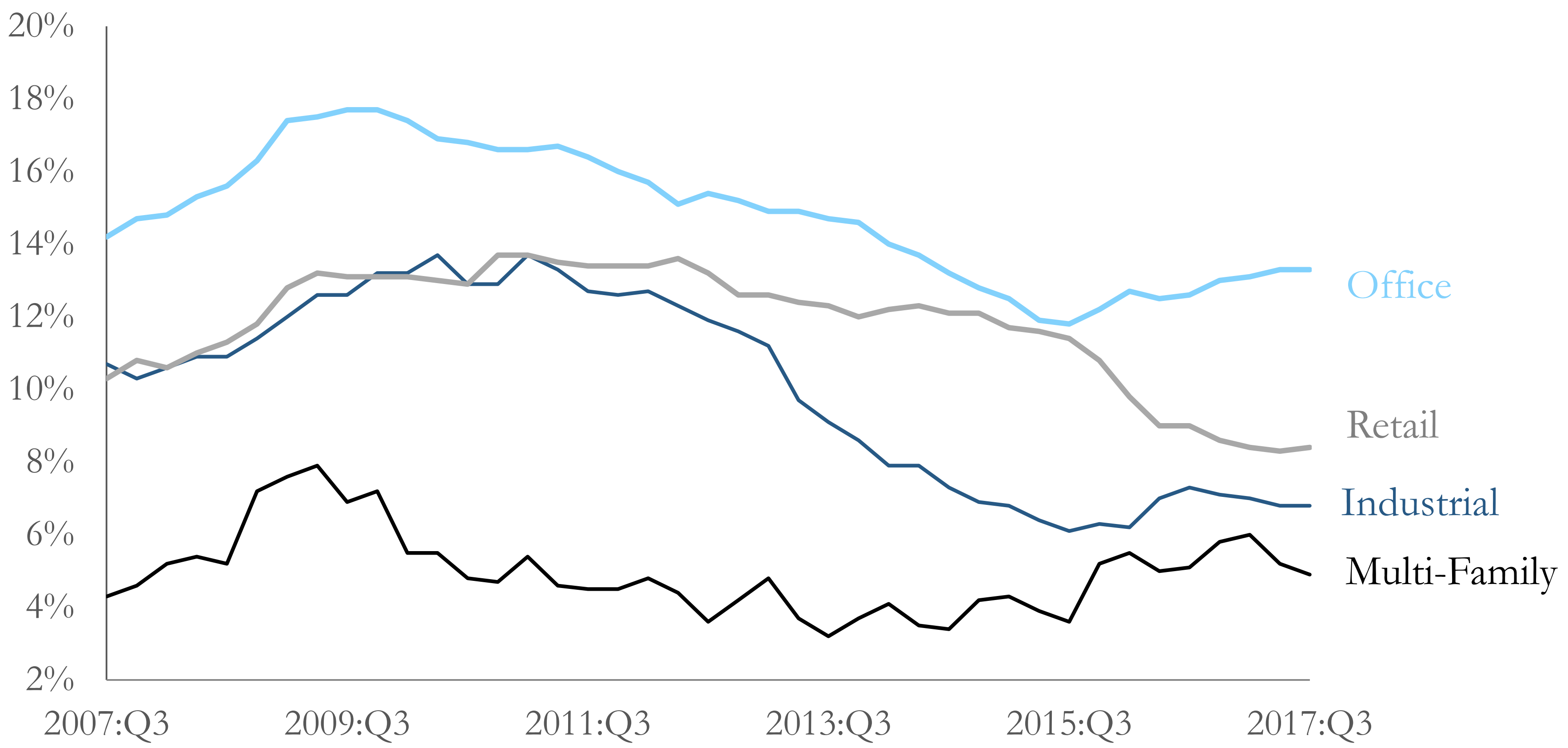
Seasonally Adjusted, Index 100 = Q3:2007



Source: Federal Housing Finance Agency

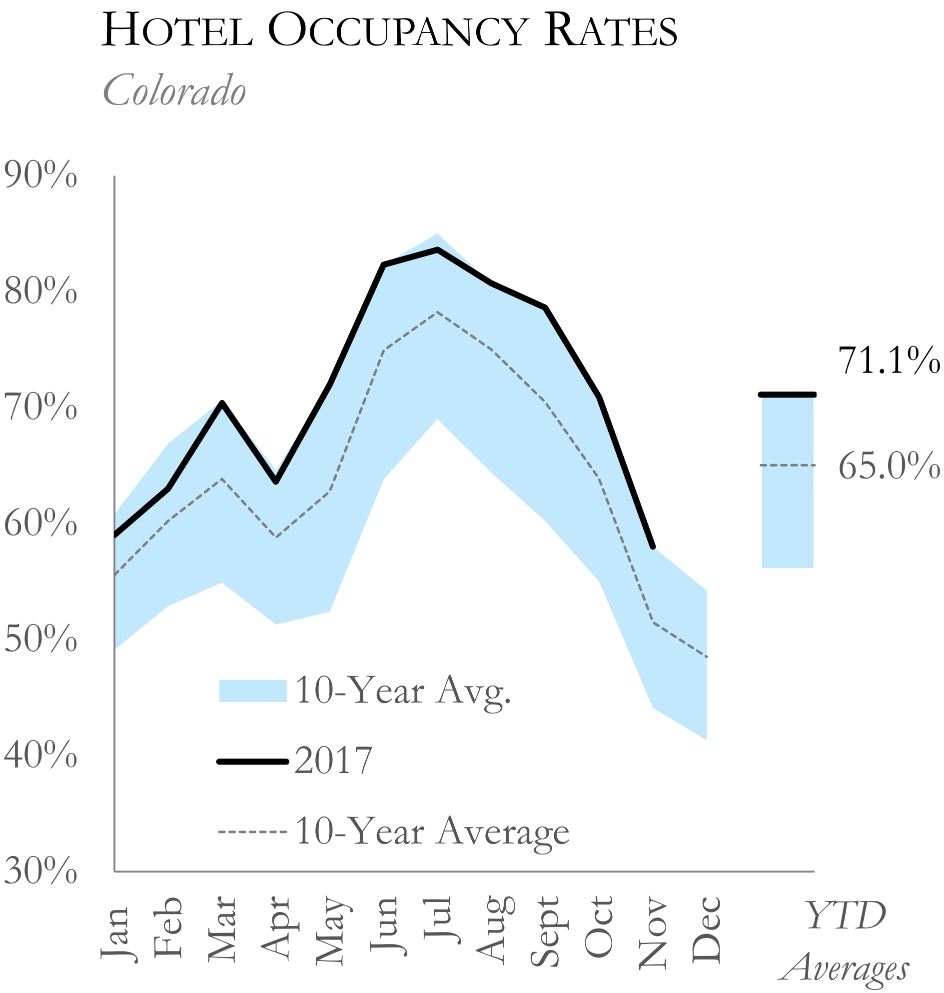
Vacancy rates are generally low across the Denver metro, but office vacancies have edged higher over the past year.

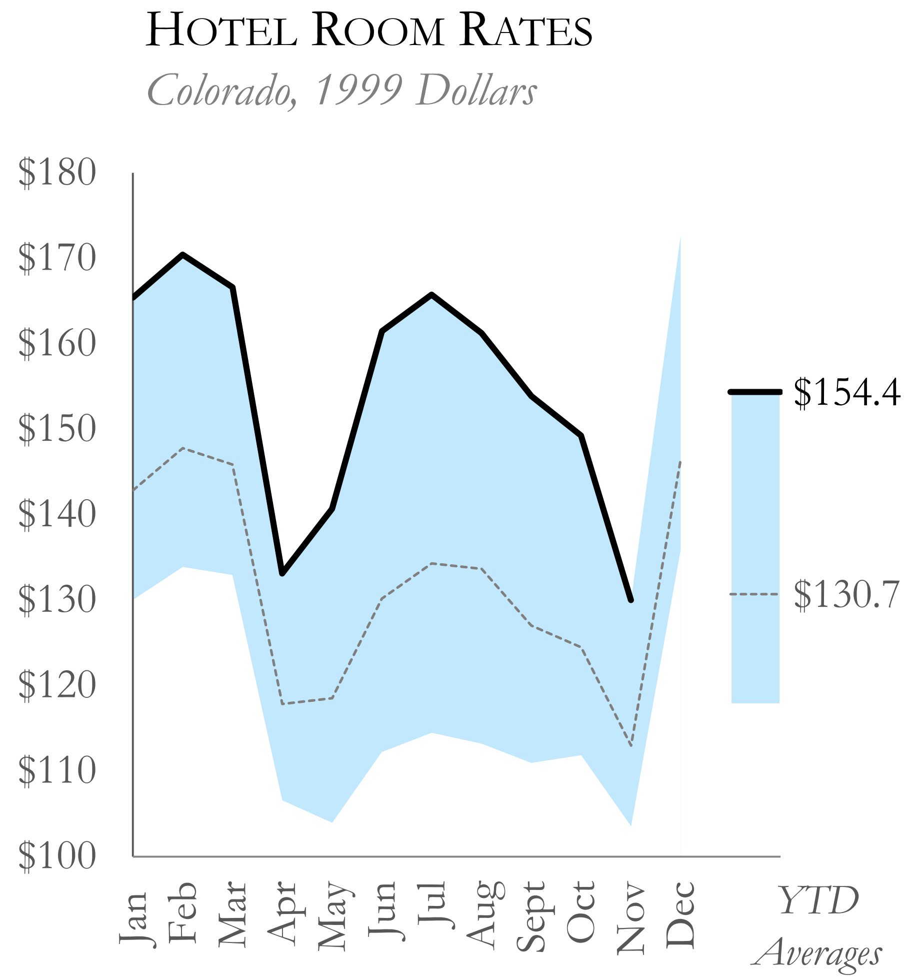
DENVER COMMERCIAL VACANCY RATES



Source: Torto-Wheaton Research

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

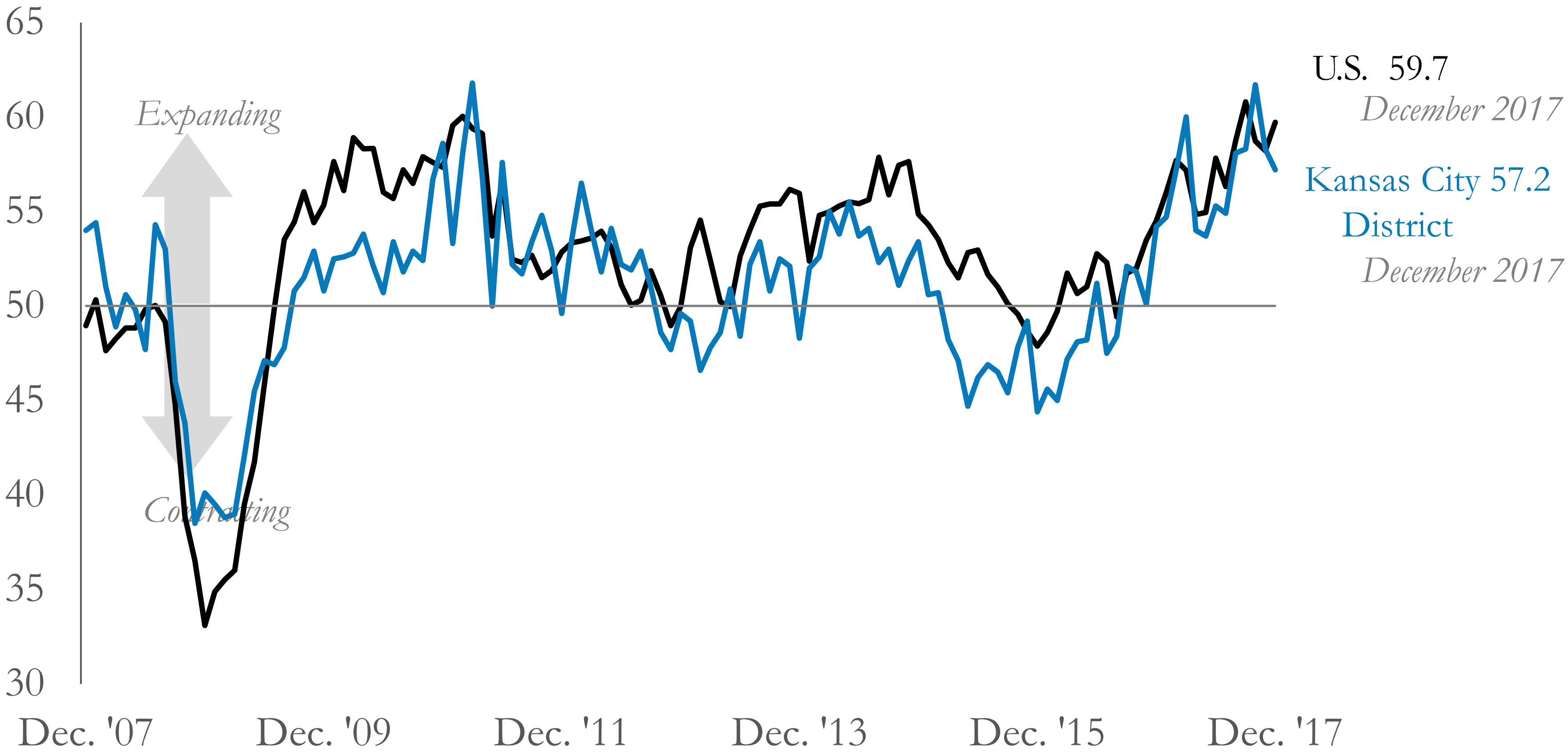




Manufacturing activity expanded in 2017 after declines the previous two years.

Manufacturing Activity

Diffusion Index, Seasonally Adjusted, Month-over-Month

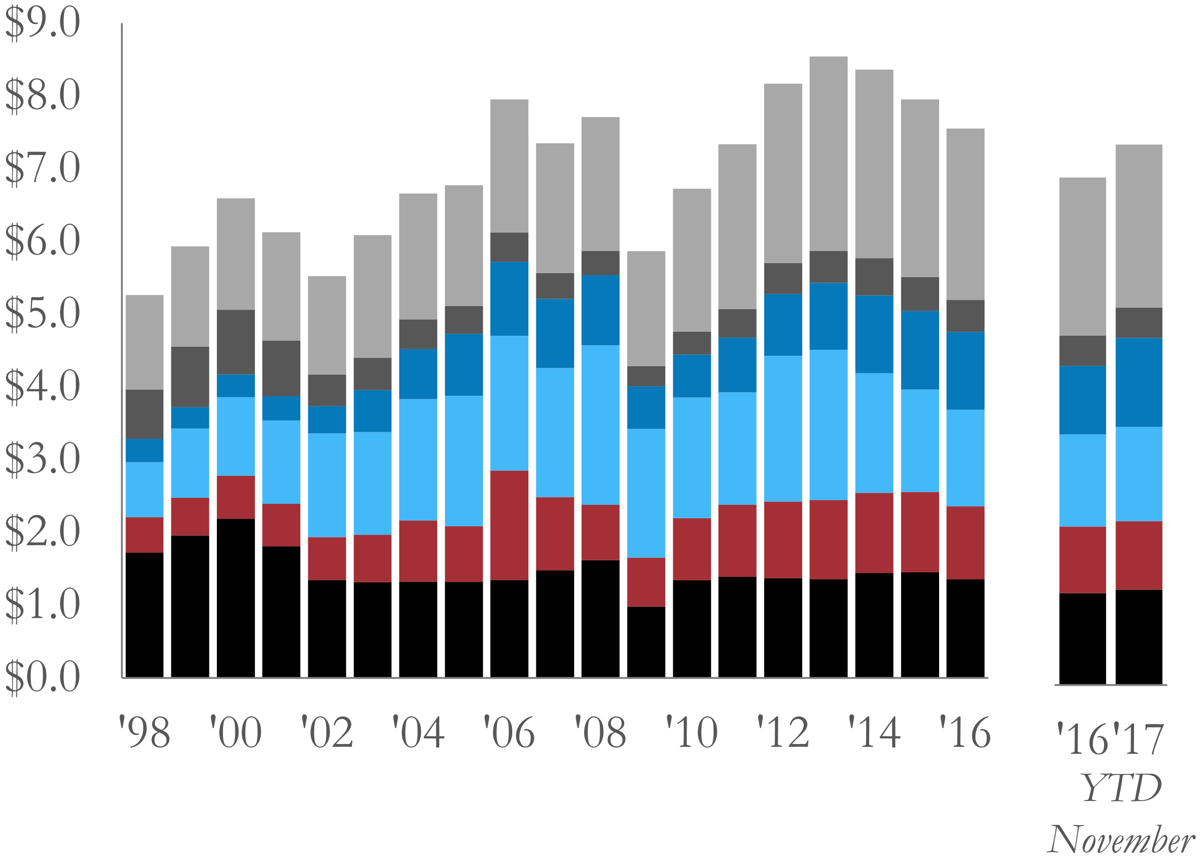


Source: Kansas City Federal Reserve Bank, ISM, & Haver Analytics

Colorado exporting activity also rebounded modestly in 2017.

Colorado Exports by Trading Partner

Billions



November 2017 Year-to-Date

Year-over-Year Percent Change

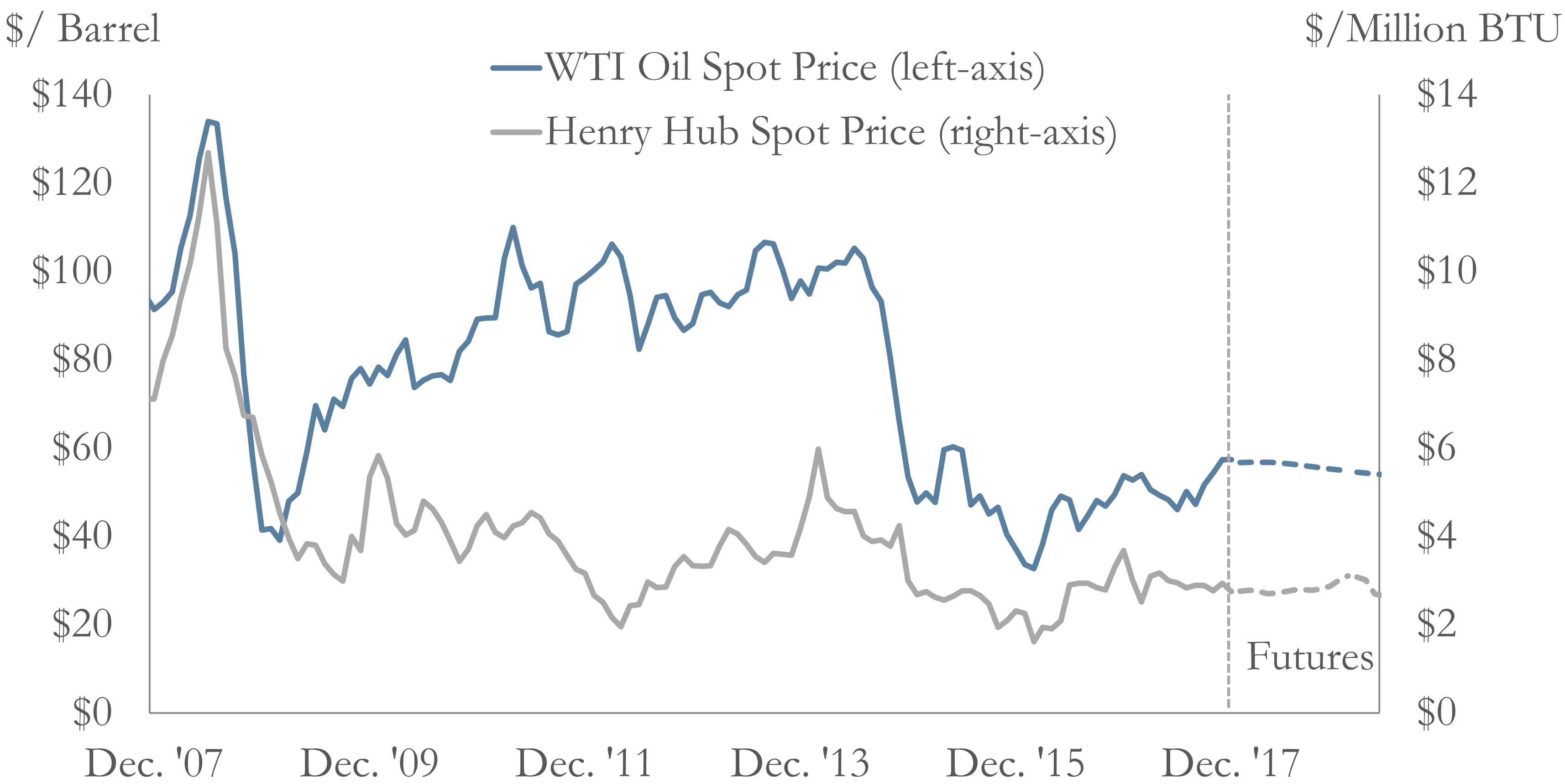
Total Trade	6.5%	Share*
All Other	2.9	31.1%
Japan	1.0	5.9
Mexico	30.0	14.1
Canada	2.1	17.9
China	2.9	13.2
Eurozone	3.9	17.8

**Shares are for 2016*

Source: WISERTrade and Census Bureau

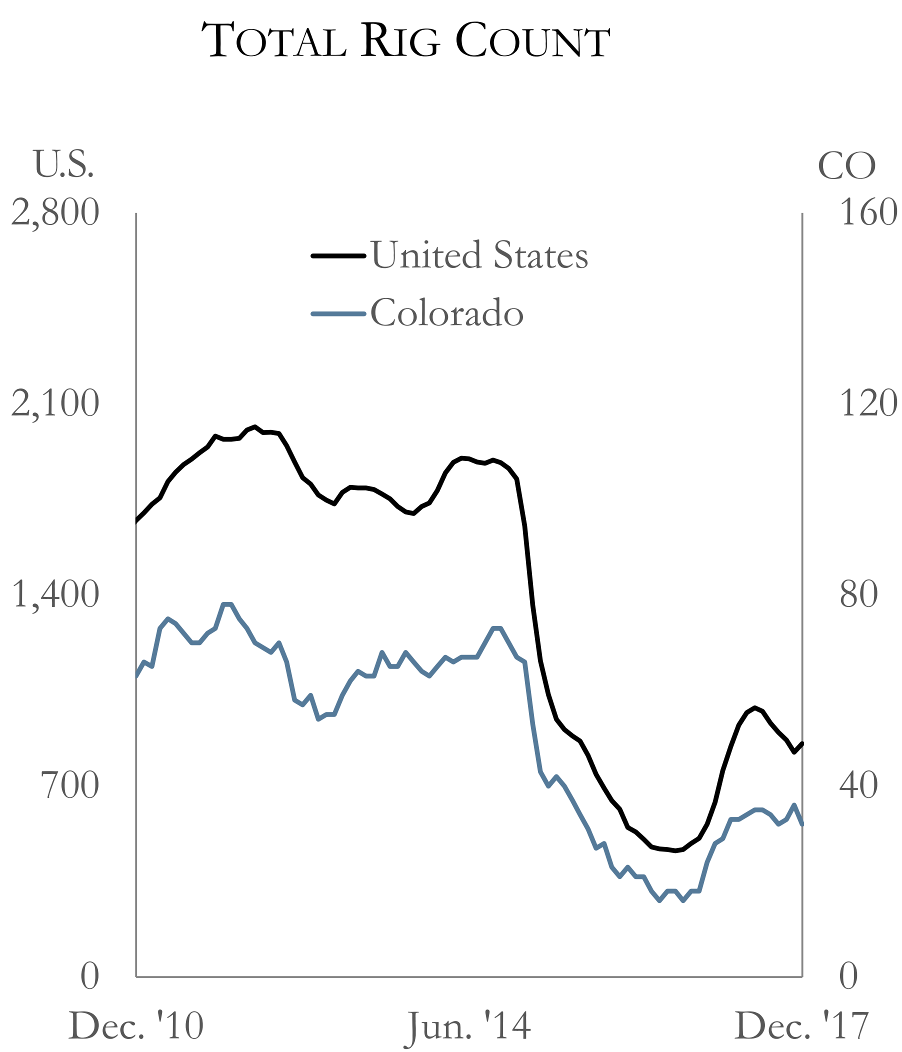
Oil prices have increased over the past month and are currently above average breakeven prices in the region.

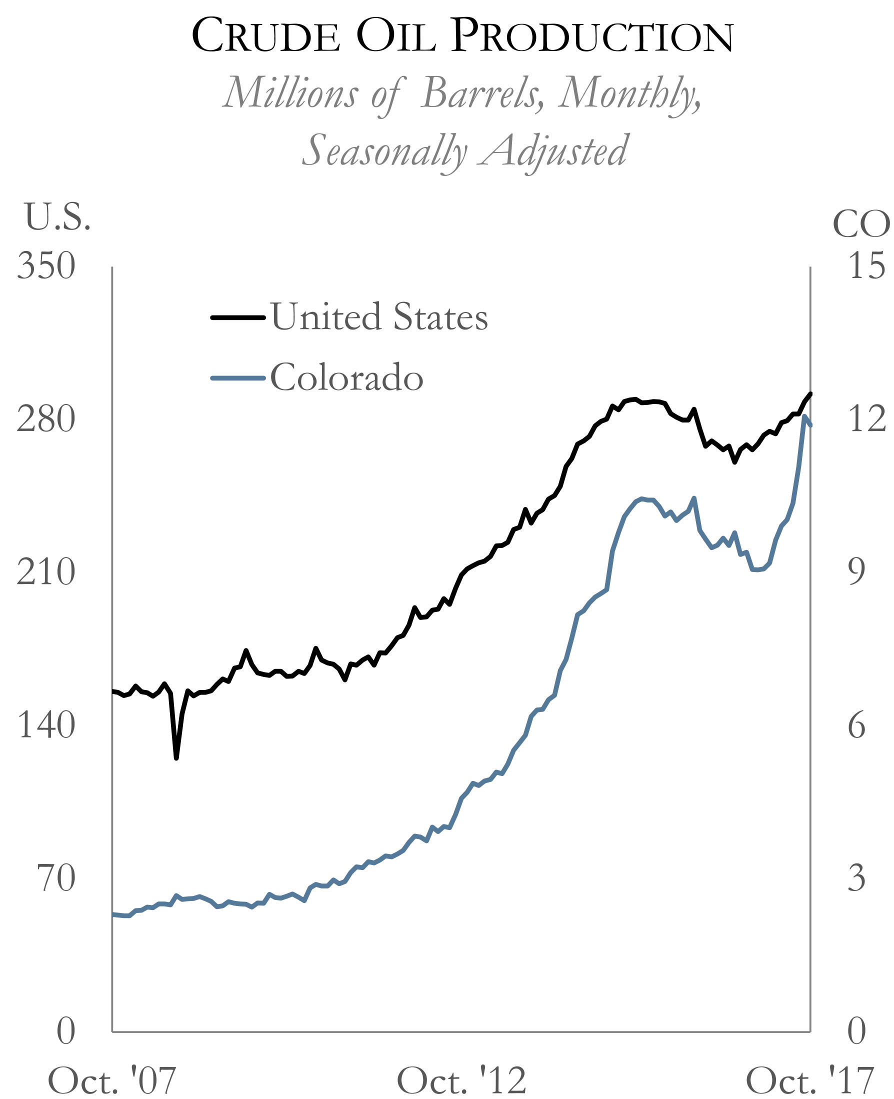
Energy Prices



Source: Bloomberg Energy Services

Energy activity has picked up in response to higher oil prices, and regional energy contacts expect additional gains in the coming months.



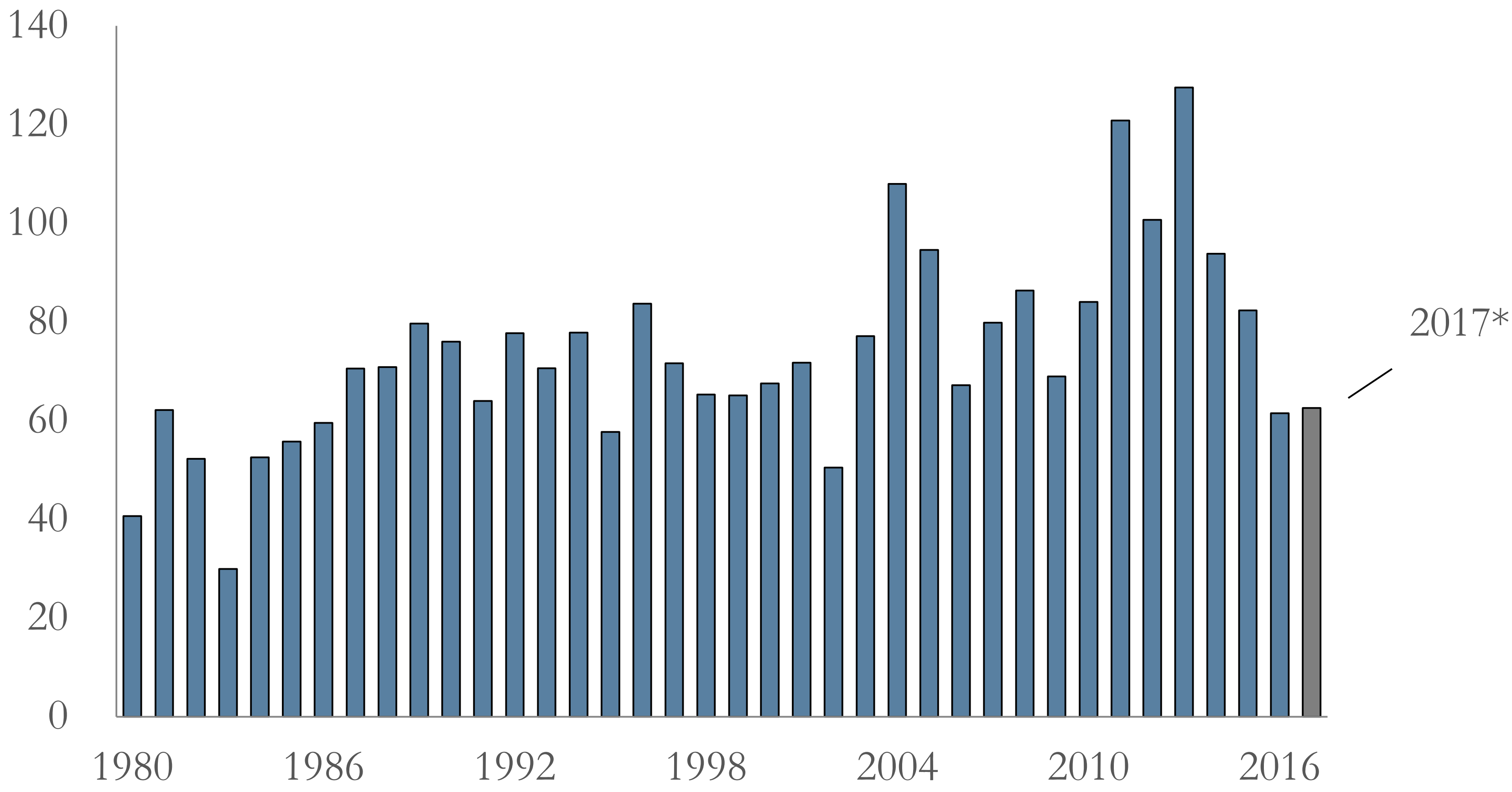


Source: Baker Hughes, Energy Information Administration and Haver Analytics

The agriculture sector has shown some signs of stabilizing, but farm incomes remain weak.

U.S. Real Net Farm Income

Billions, 2016 Dollars



*Forecast for 2017

For additional information on the regional economy:

http://www.KansasCityFed.org/Denver