



Emerging Trends in the U.S. and Colorado Economies

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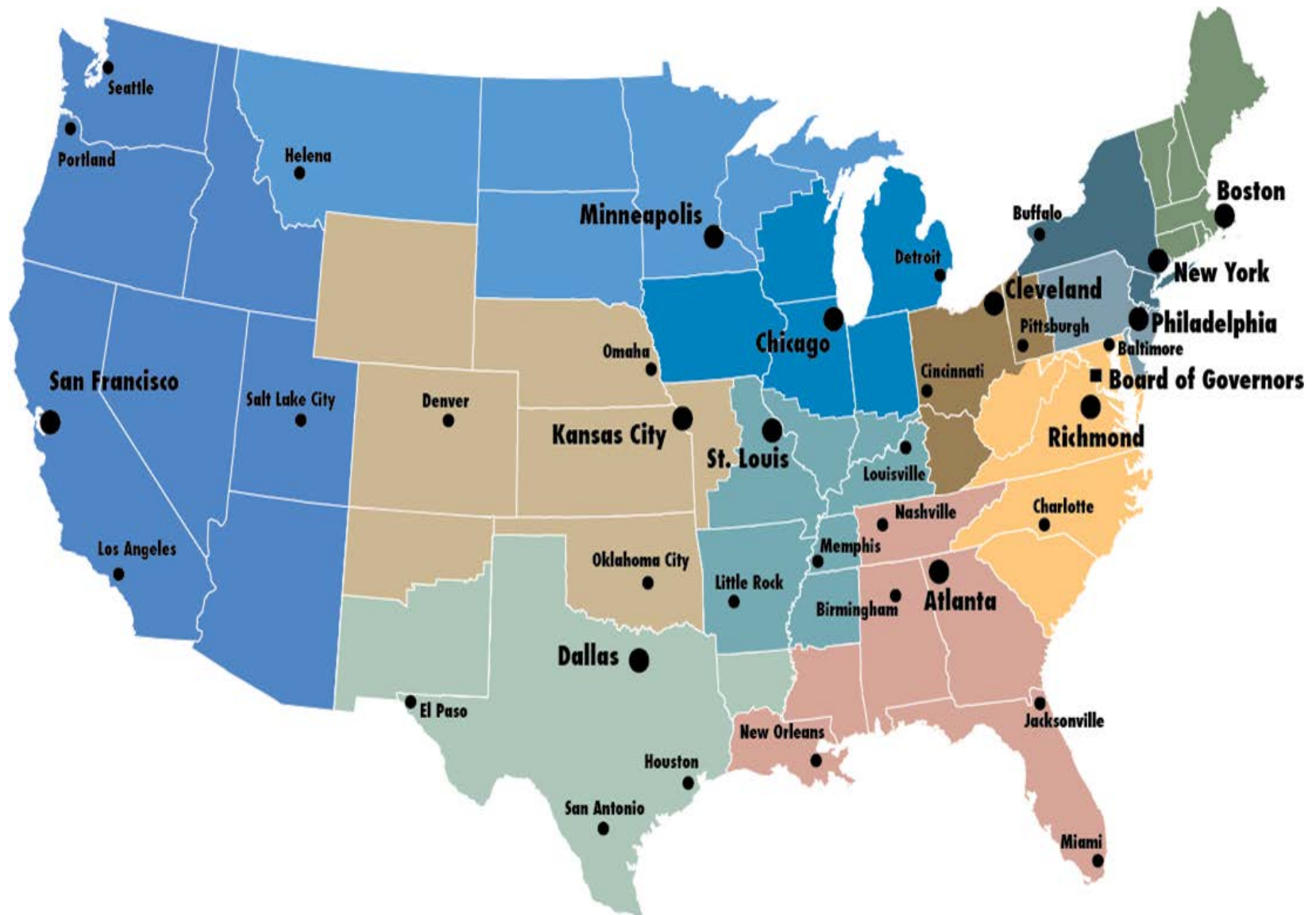
*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

The Structure of the Federal Reserve System



- The Federal Reserve System was created by Congress in 1913.
- It is a public-private, decentralized institution consisting of the Board of Governors in Washington, D.C. and 12 regional Reserve Banks.
 - Board of Governors
 - Consists of seven members who are appointed by the President and confirmed by the Senate to serve 14-year terms.
 - There are currently three members of the Board of Governors: Jerome Powell, Lael Brainard and Randal Quarles.
 - There are four open positions. Marvin Goodfriend has been nominated to fill one of the open positions.
 - Regional Federal Reserve Banks
 - There are 12 Regional Reserve Banks, each serving a unique district. These are semi-independent by design.
 - The Reserve Banks are governed by their Board of Directors, and the Directors (excluding Banking Directors) select the President of the Bank.
 - 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.

Regional Federal Reserve Banks and Branch Locations



The Primary Functions of the Federal Reserve System

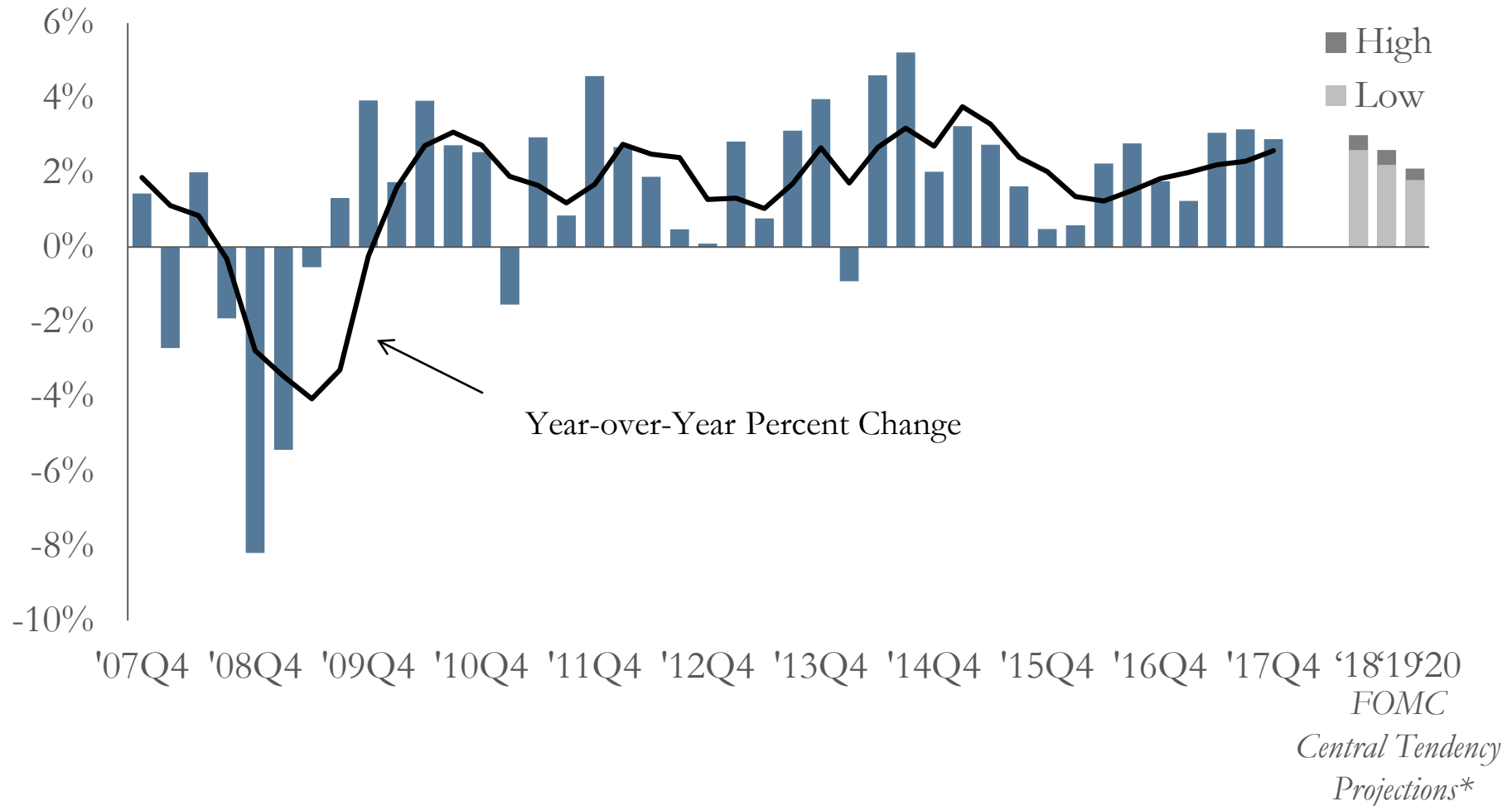


- Conduct the Nation's Monetary Policy
 - The Federal Open Market Committee is the group charged with conducting monetary policy within the U.S.
 - The Committee has a statutory mandate from Congress to promote maximum employment, stable prices and moderate long-term interest rates.
- Provide and Maintain an Effective and Efficient Payments System
 - The Federal Reserve supplies payments services to the public through depository institutions including banks, credit unions and savings and loans.
 - We also serve as a banking and fiscal agent for the United States government.
 - Payment services includes cash processing, processing and clearing checks, transferring funds and issuing, transferring and redeeming U.S. government securities.
- Supervise and Regulate Banking Operations
 - The Federal Reserve ensures the safety and soundness of banks and ensures that banks provide fair and equitable services to consumers.
 - The Federal Reserve also monitors and promotes the stability of the financial system as a whole.

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

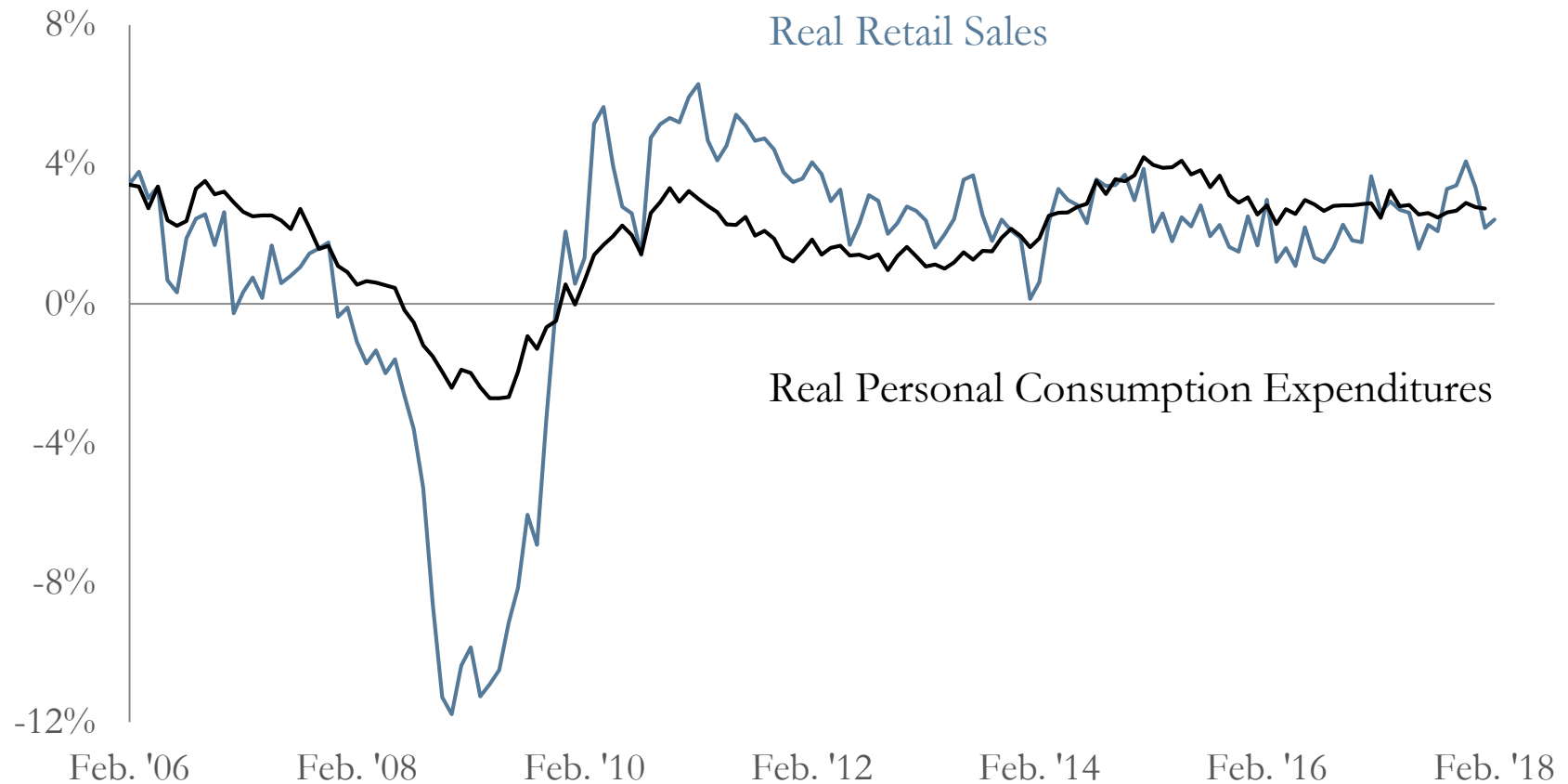
*Projections as of March FOMC meeting

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



REAL CONSUMPTION SPENDING

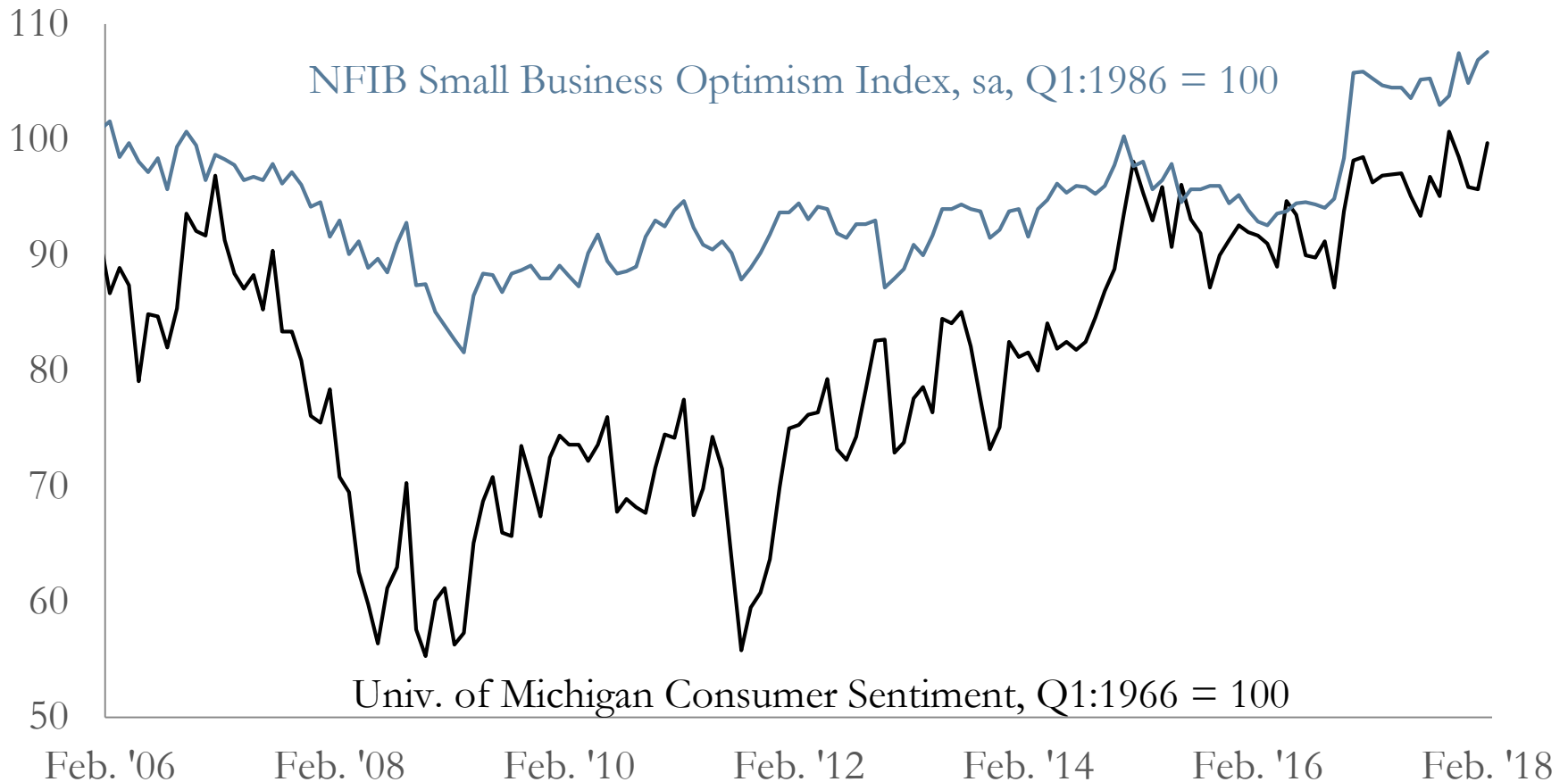
Seasonally Adjusted , Year-over-Year Percent Change



Businesses and consumers remain optimistic about the economy.



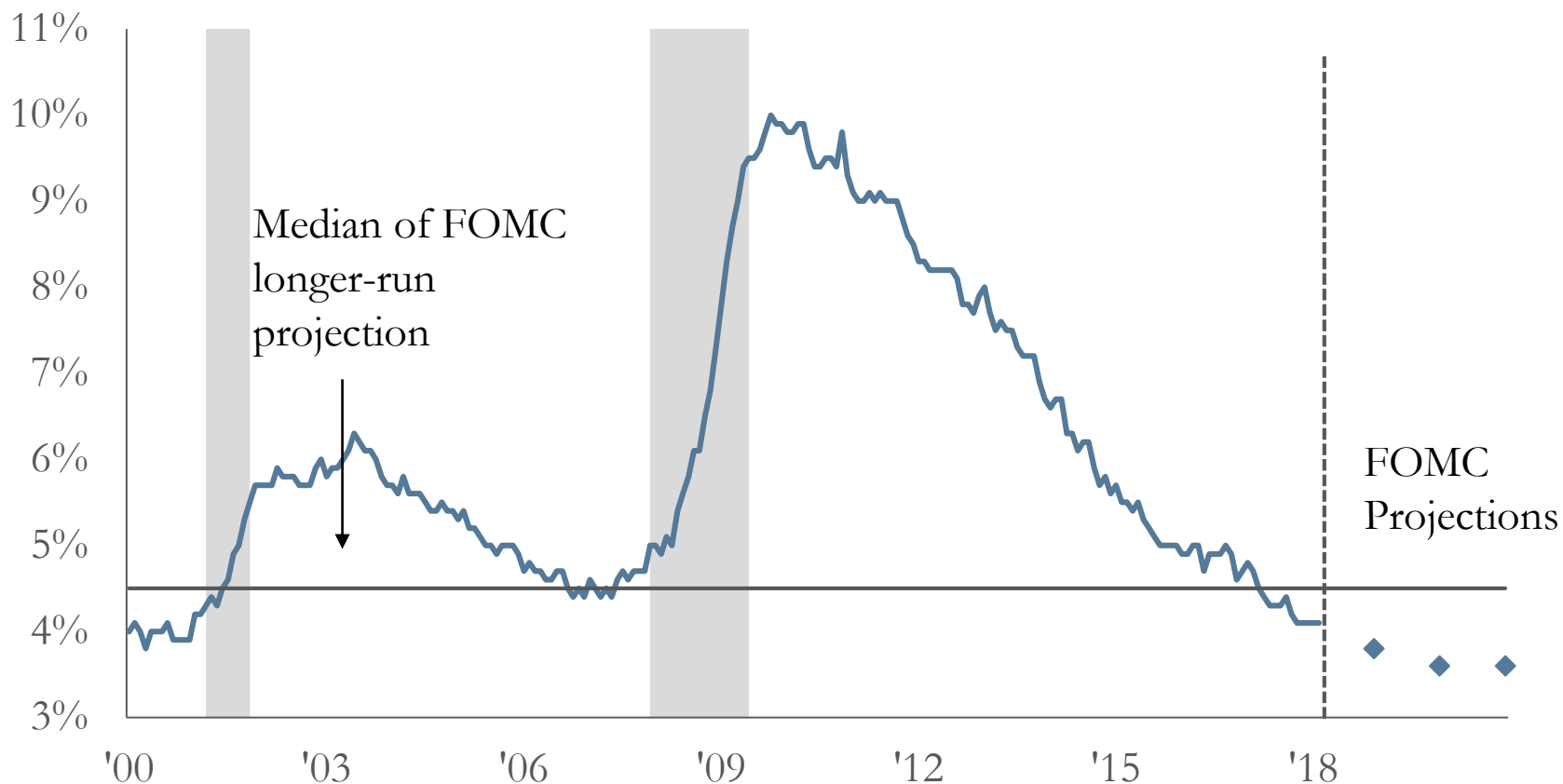
CONSUMER SENTIMENT



The unemployment rate has declined steadily over the past eight years and has fallen below most estimates of its longer-run level.

U. S. UNEMPLOYMENT RATE

Seasonally Adjusted



Source: Bureau of Labor Statistics and Federal Open Market Committee (FOMC)/Haver Analytics

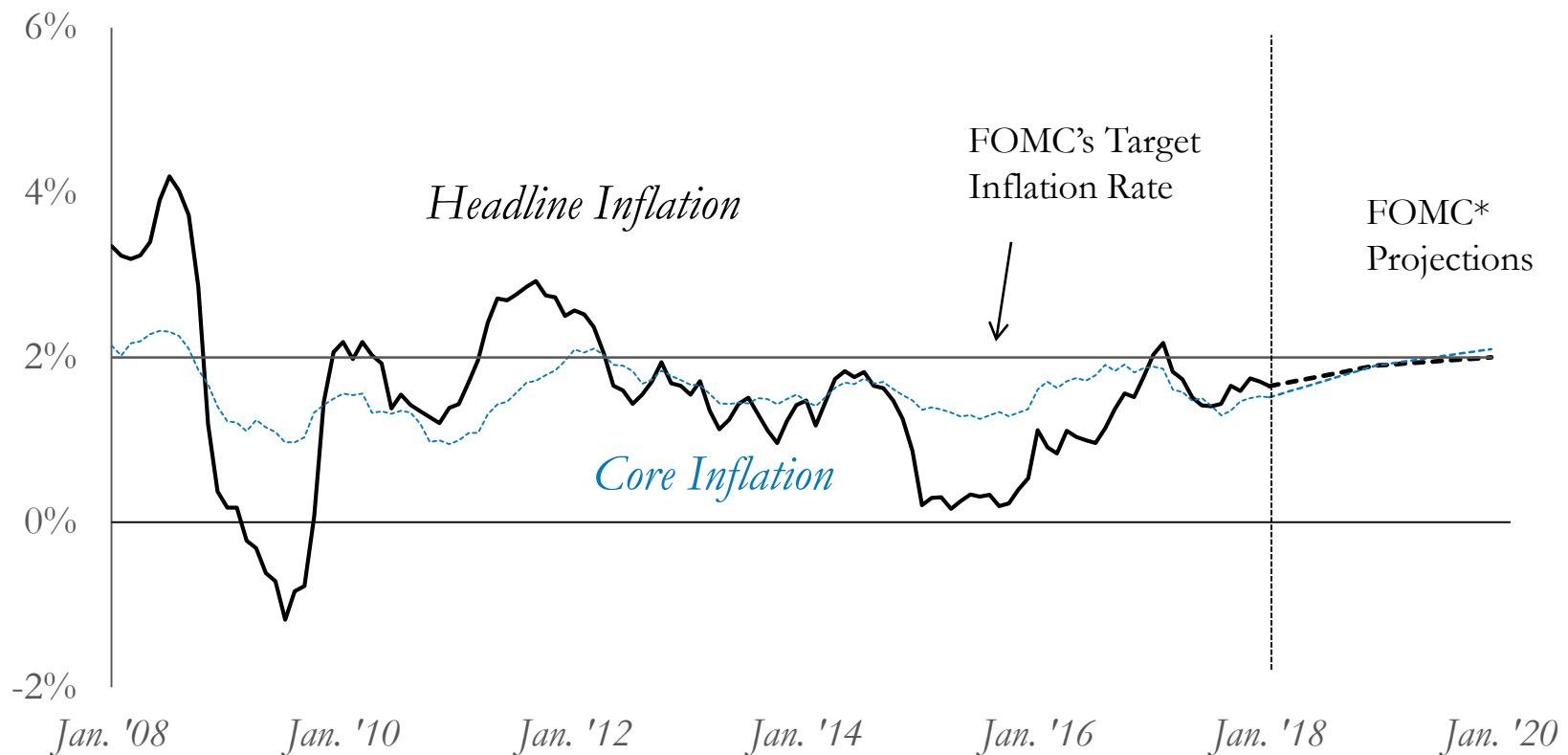
*Projections as of March FOMC meeting; median unemployment rate

Inflation is near the FOMC's two percent target.



PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX

Percent Change Year-over-Year



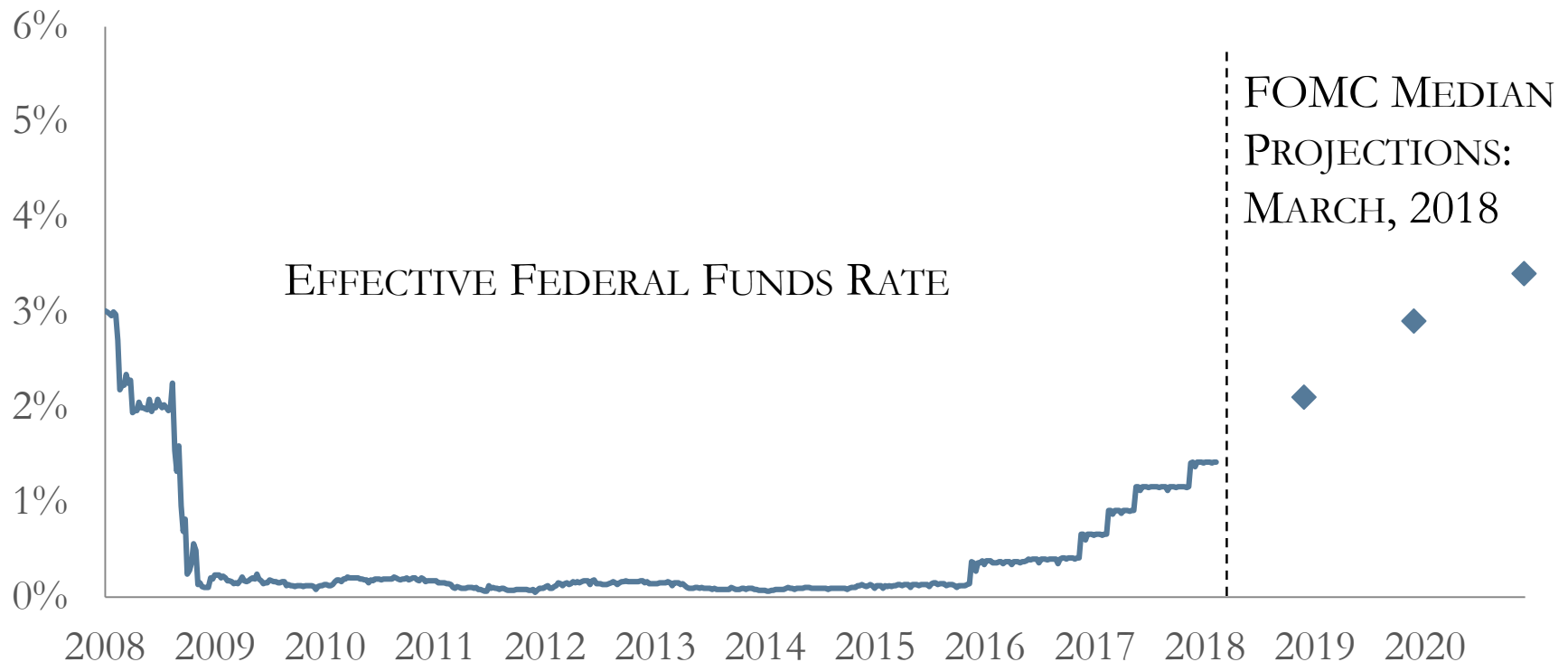
Source: Bureau of Economic Analysis, Federal Open Market Committee, & Haver Analytics

*Projections as of March FOMC meeting; median projections



“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 1-1/2 to 1-3/4 percent. The stance of monetary policy remains accommodative, thereby supporting strong labor market conditions and a sustained return to 2 percent inflation.”

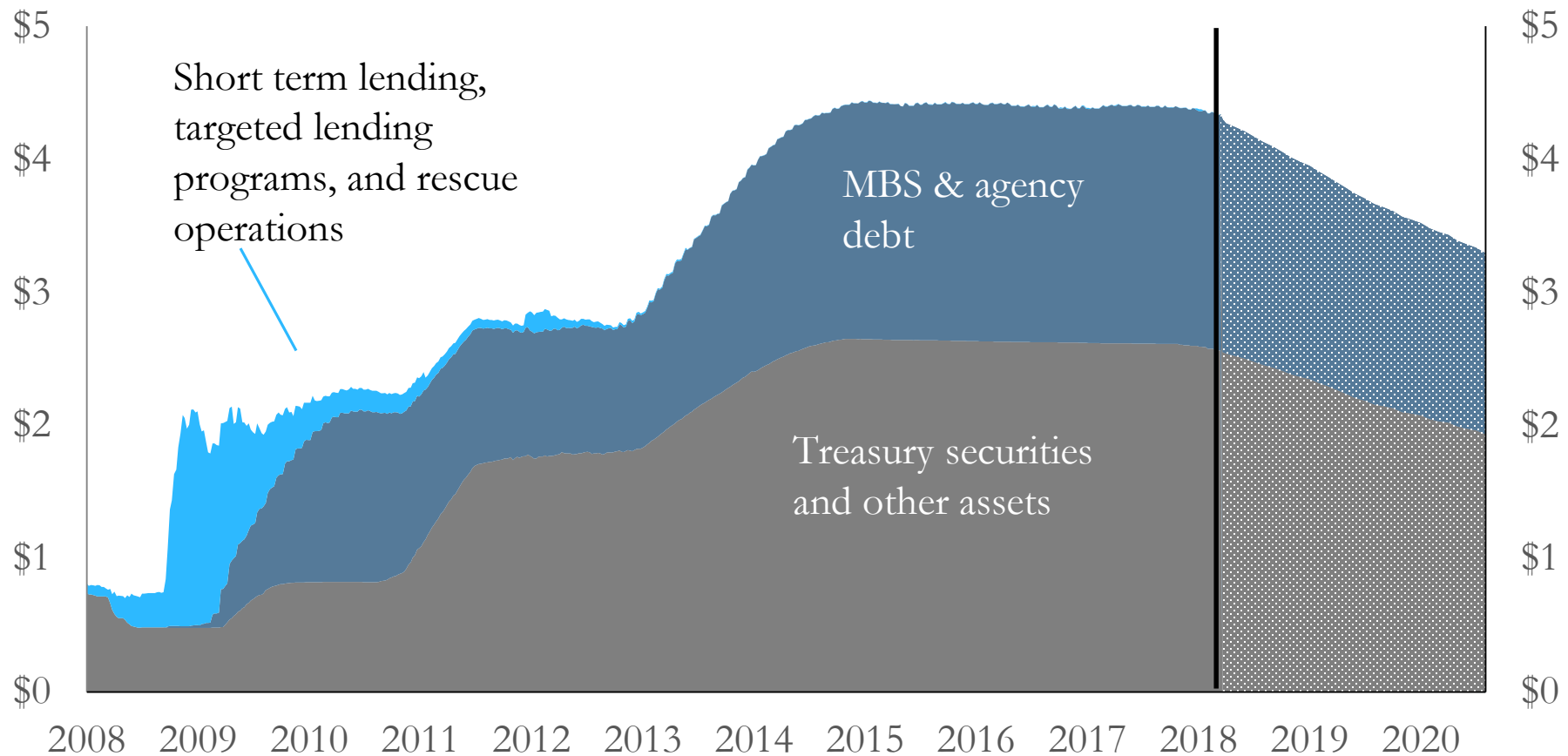
- March 2018 FOMC Statement





FEDERAL RESERVE BALANCE SHEET

Trillions

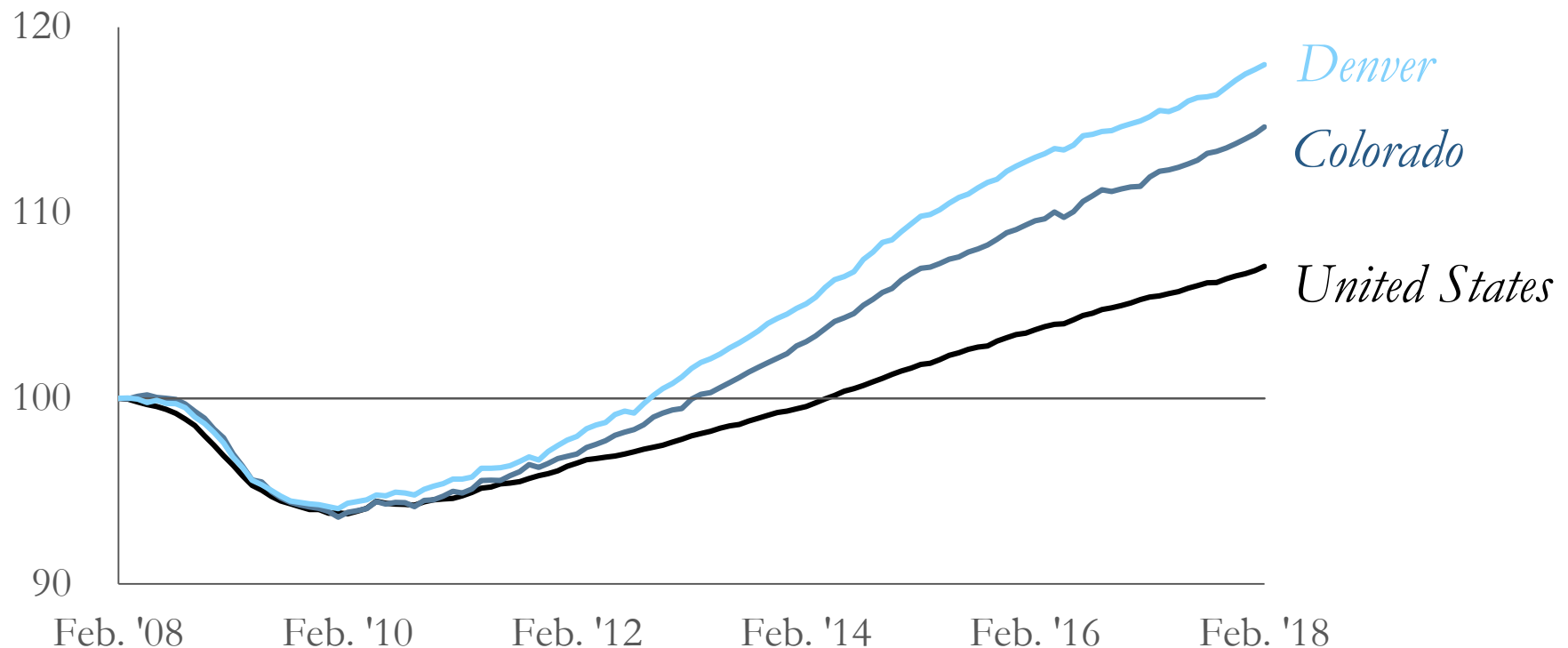


Employment has been increasing in Colorado and the nation over the past eight years, with Colorado gains outpacing the nation.

PAYROLL EMPLOYMENT GROWTH

Index 100 = February, 2008, Seasonally Adjusted

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S.	7.1%	1.6%
Colorado	14.6%	2.4%
Denver	18.0%	2.4%



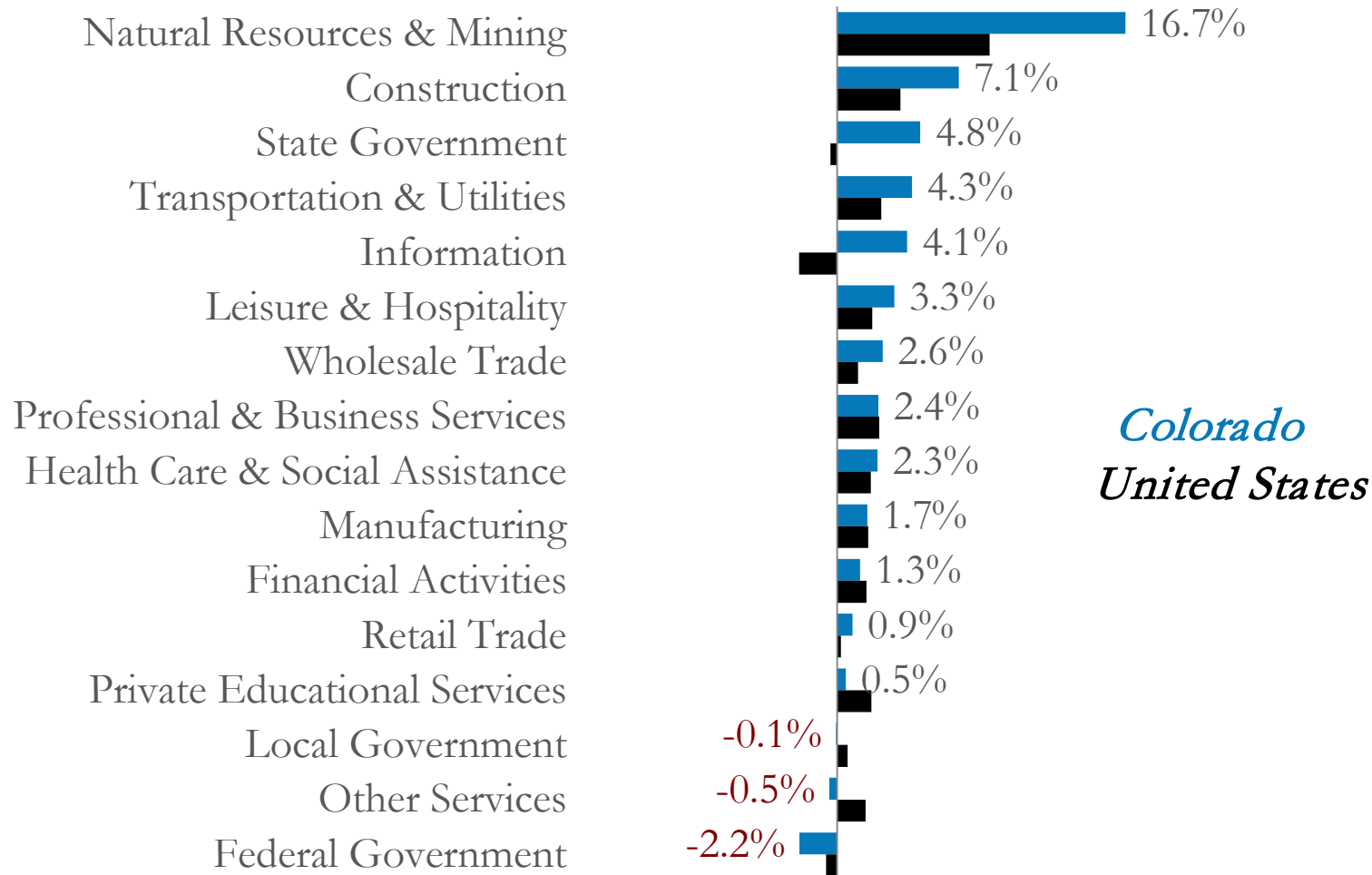
The majority of industries have added jobs over the past year.



CHANGE IN PAYROLL EMPLOYMENT, FEBRUARY 2018

Seasonally Adjusted

Percent Change Year-over-Year



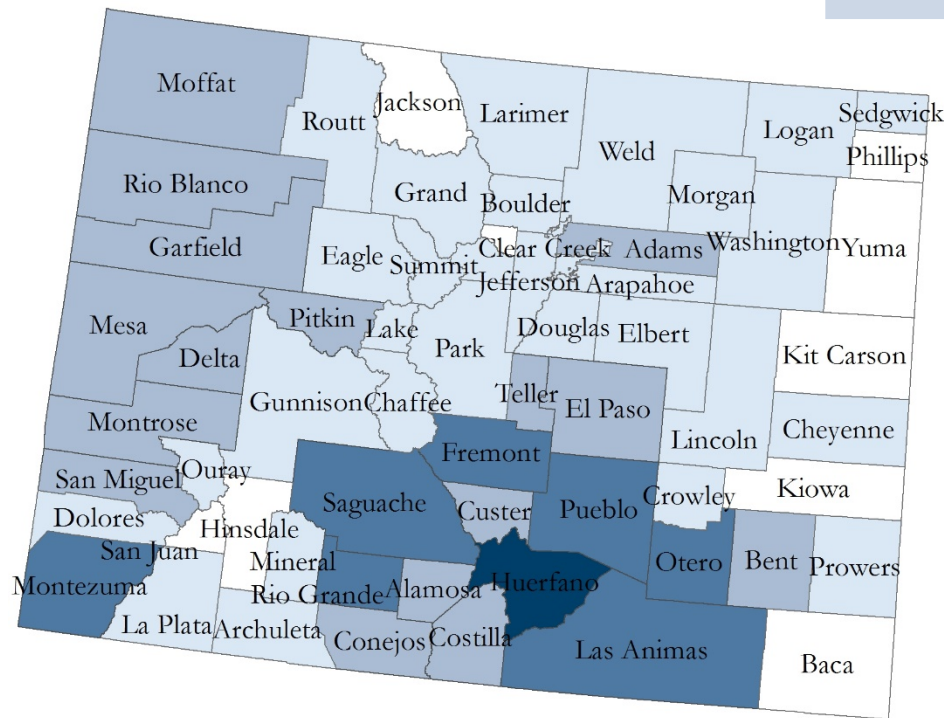
Unemployment rates are below national rates across most of Colorado.

UNEMPLOYMENT RATES

January 2018, Seasonally Adjusted

<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States (Feb. '18)	4.1%	5.1%	8.2%
Colorado (Feb. '18)	3.0%	3.5%	6.3%
Denver (Jan. '18)	2.9%		

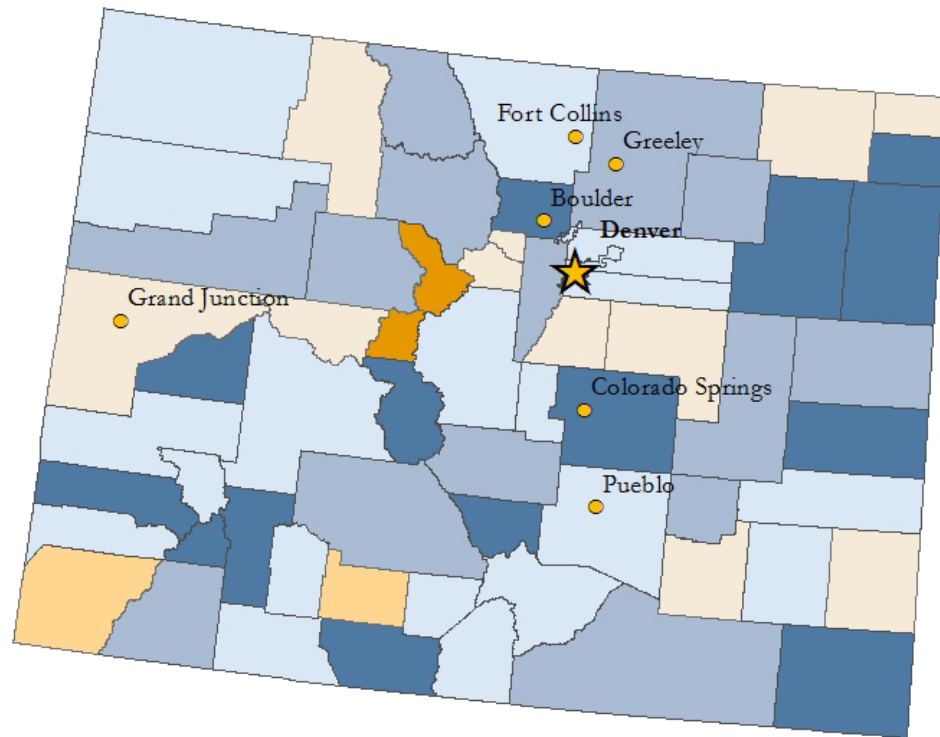
**U-5 and U-6 values are 12-month moving averages as of Q4 2017 for Colorado and are for February, 2018 for the United States.*



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

NET MIGRATION

Total 2017 Net Migration as a Percentage of 2017 Population



<i>Annual Percent Change</i>	<i>2017</i>
United States	0.3%
Colorado	0.8%
Denver County	1.0%

More than 2%



1% to 2%



0% to 1%



-1% to 0%



-2% to -1%



Less than -2%

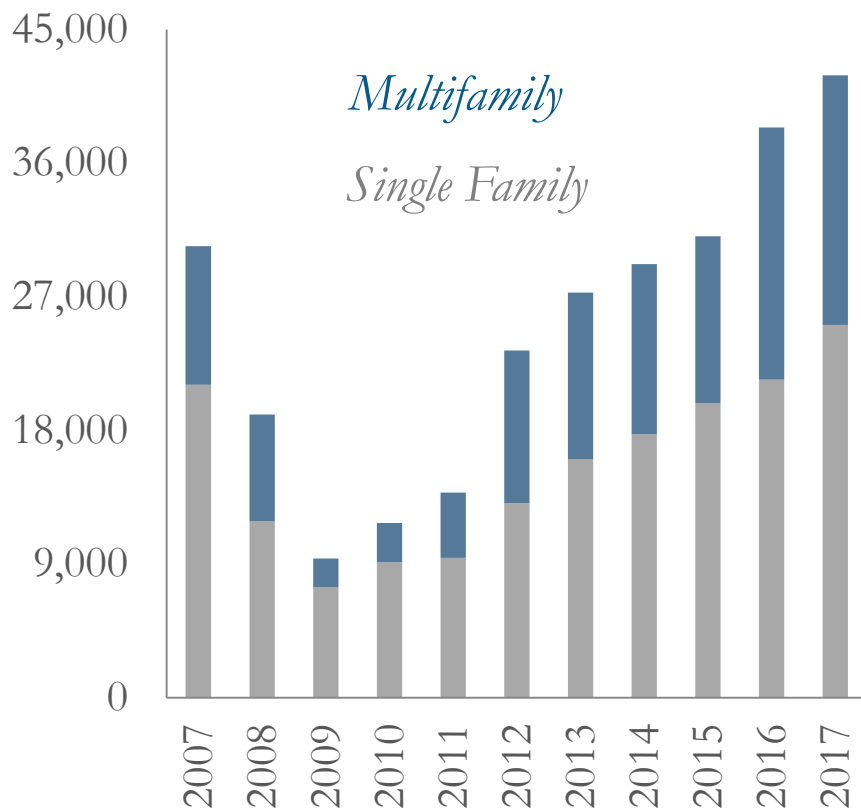


Residential construction activity has been increasing for eight years, led by strong gains in multifamily building.

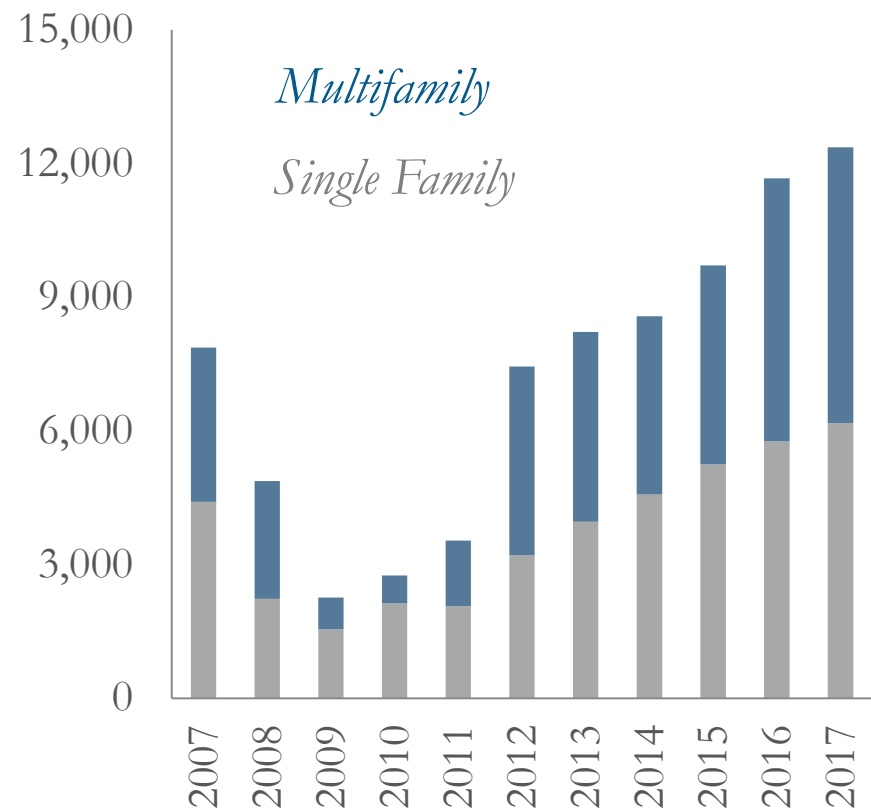
RESIDENTIAL PERMITS

Annual, Seasonally Adjusted

Colorado



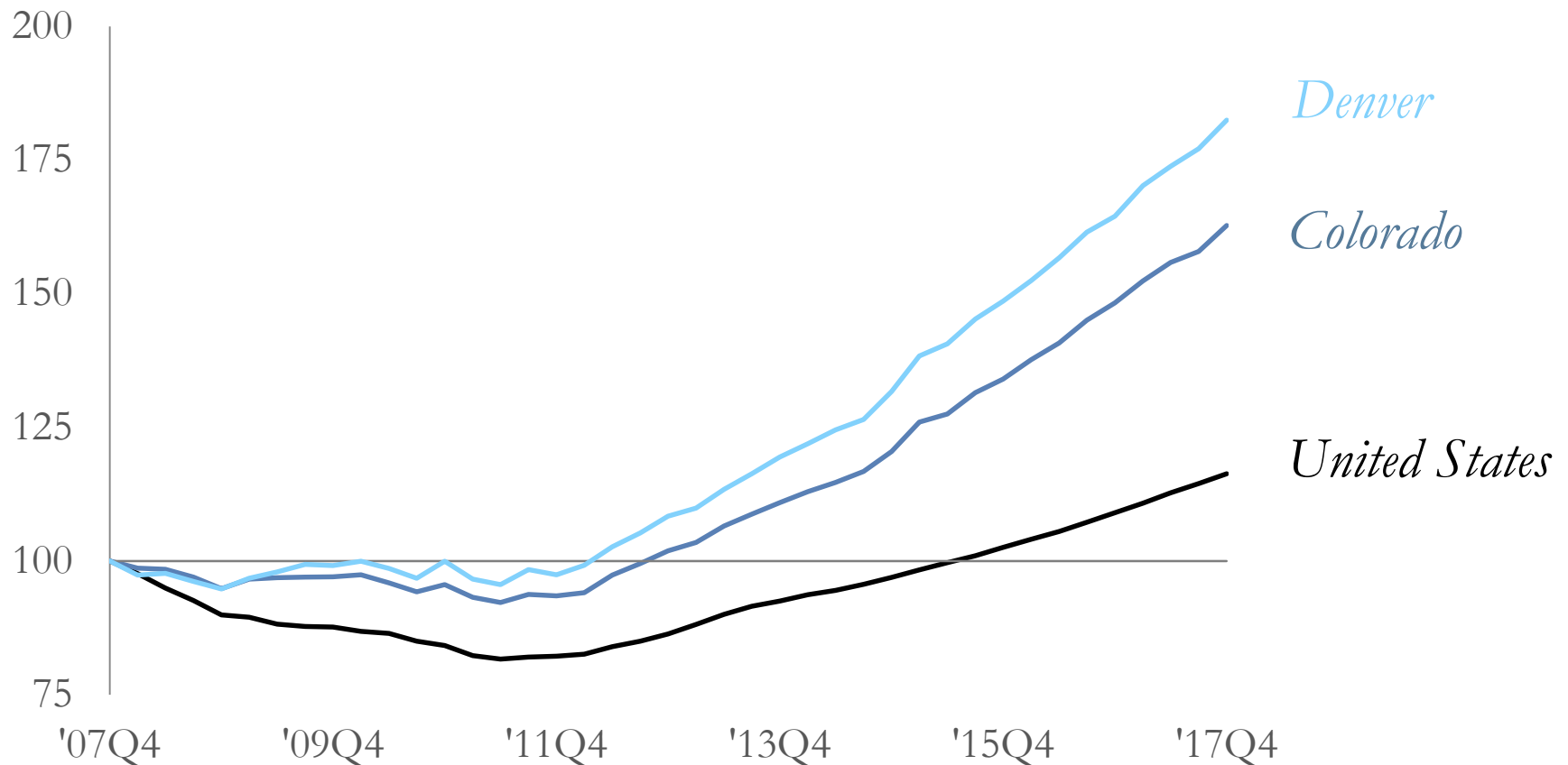
Denver



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

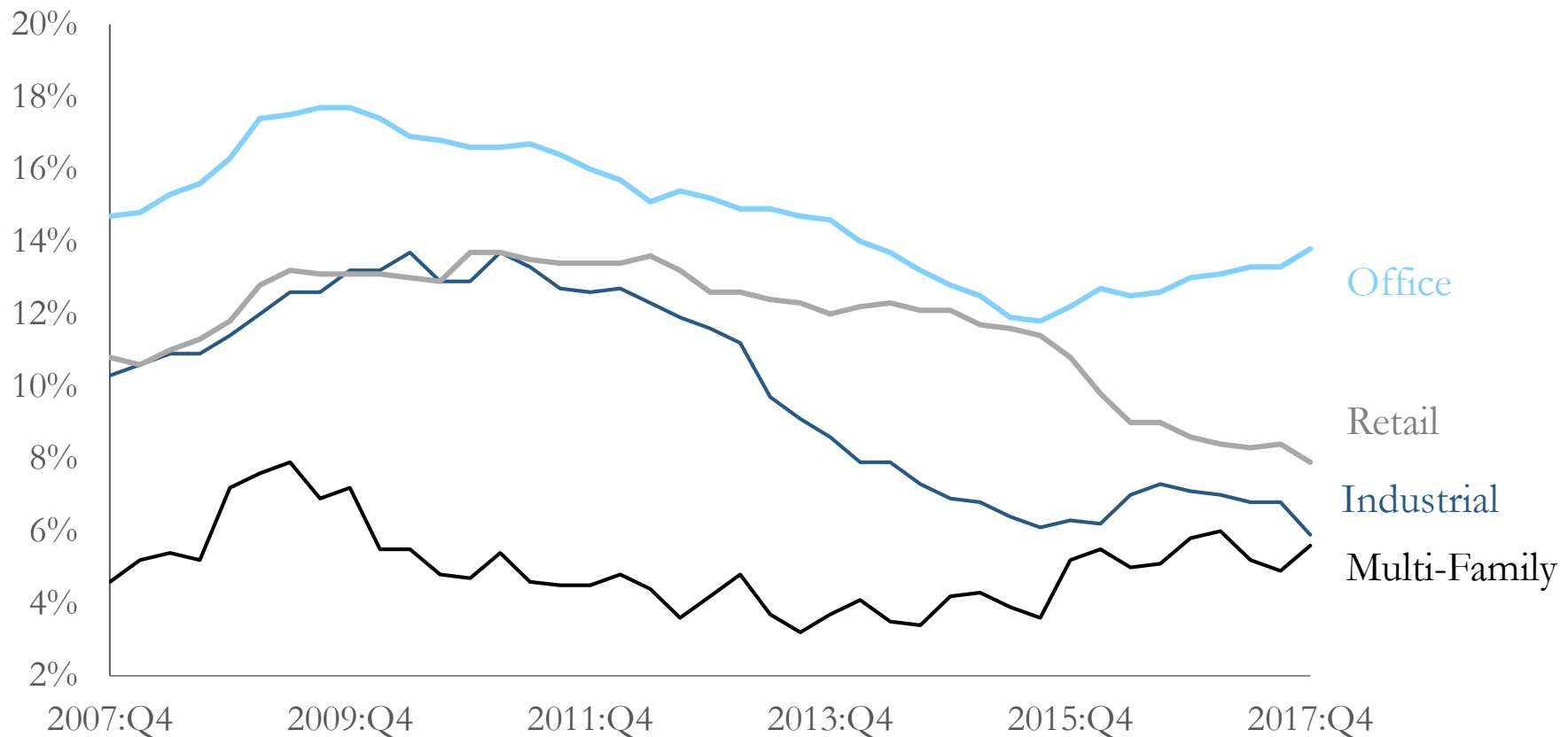
HOME PRICES

Seasonally Adjusted, Index 100 = Q4:2007



Vacancy rates are generally low across the Denver metro, but office and multifamily vacancies have edged higher over the past couple of years.

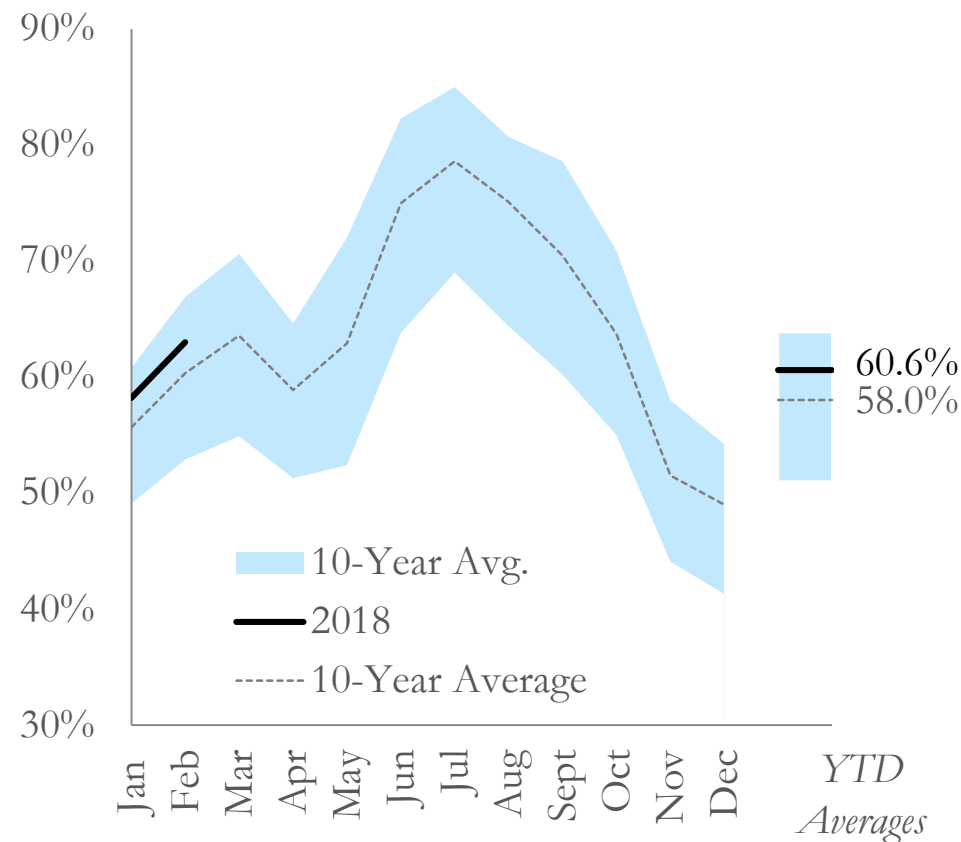
DENVER COMMERCIAL VACANCY RATES



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

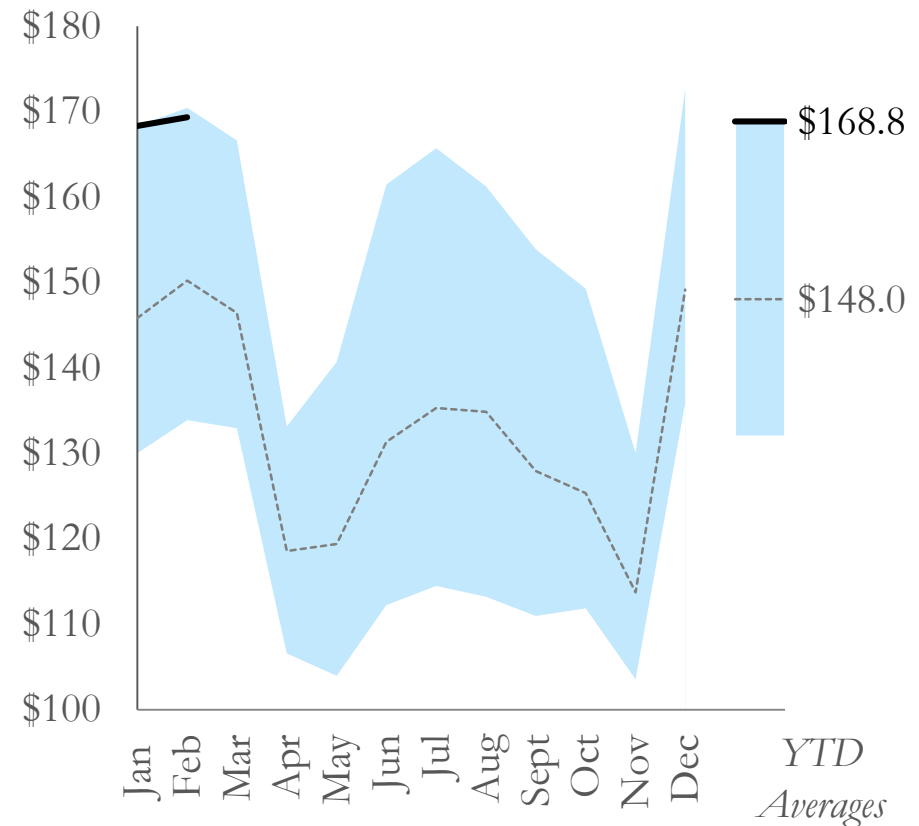
HOTEL OCCUPANCY RATES

Colorado



HOTEL ROOM RATES

Colorado, 1999 Dollars

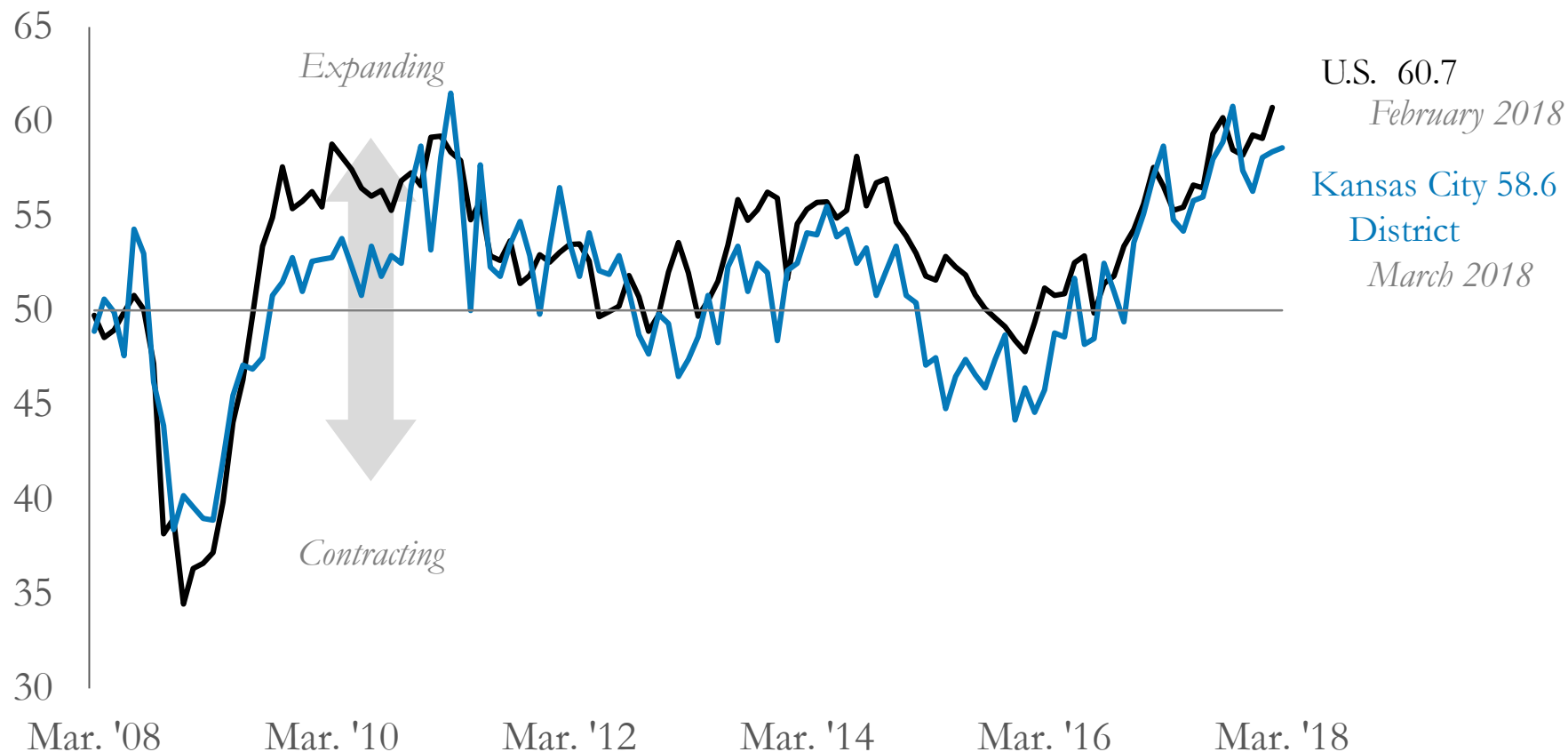


Manufacturing activity improved throughout 2017 and remains at solid levels.



MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, Month-over-Month

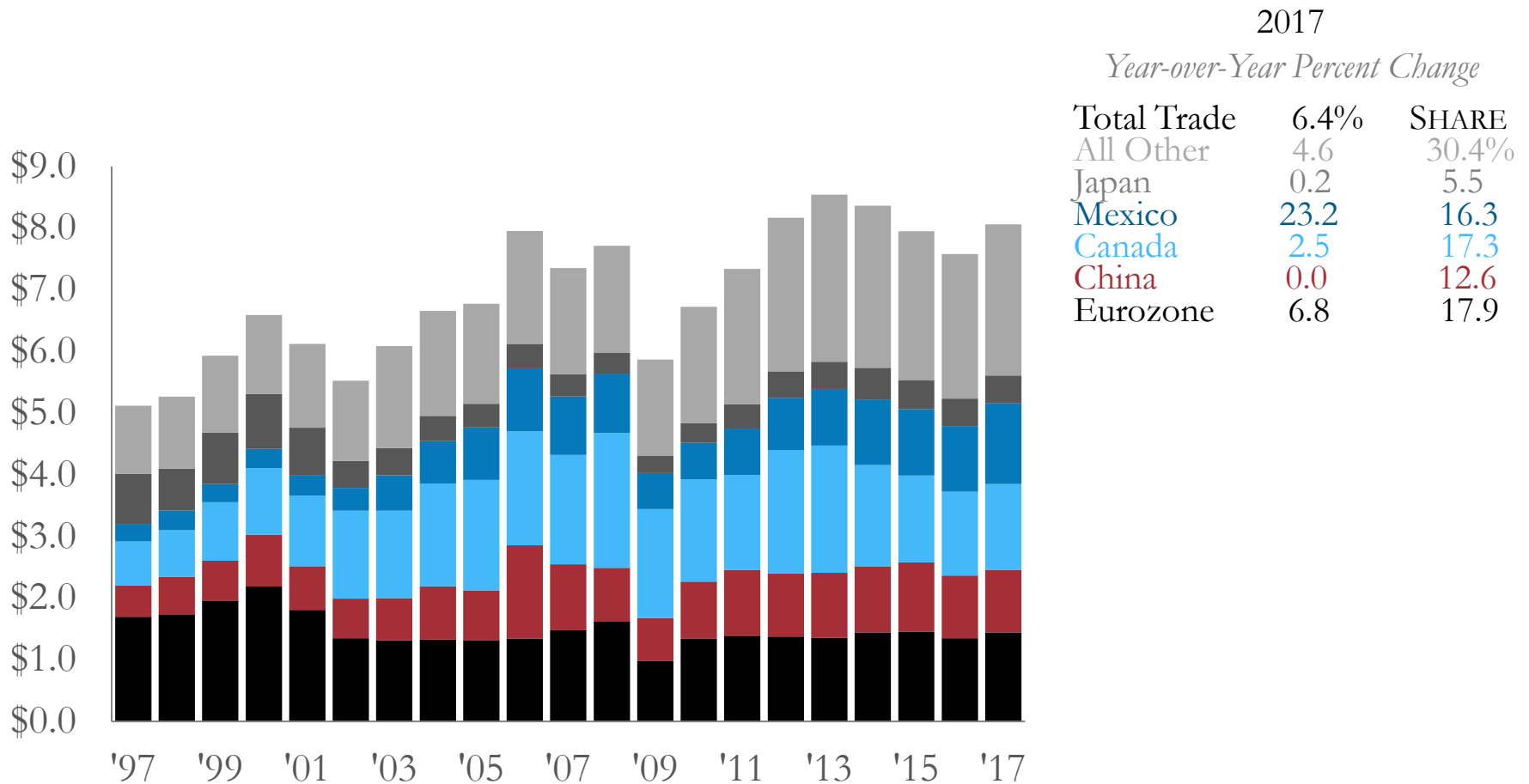


Colorado exporting activity also rebounded modestly in 2017.



COLORADO EXPORTS BY TRADING PARTNER

Billions



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



OIL PRICES (WEST TEXAS INTERMEDIATE)

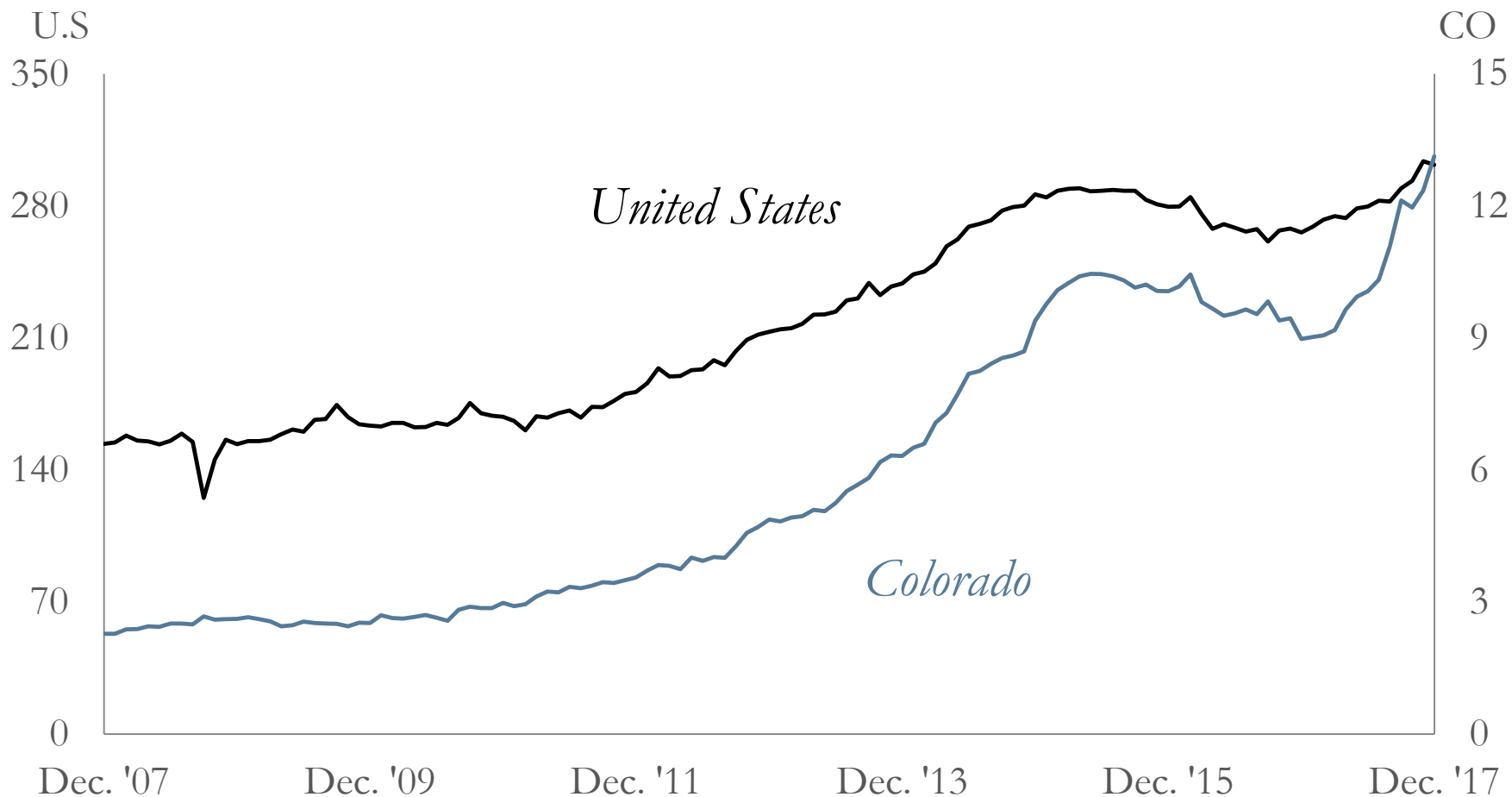


Energy activity has picked up in response to higher oil prices, and oil production has reached record levels in Colorado.



CRUDE OIL PRODUCTION

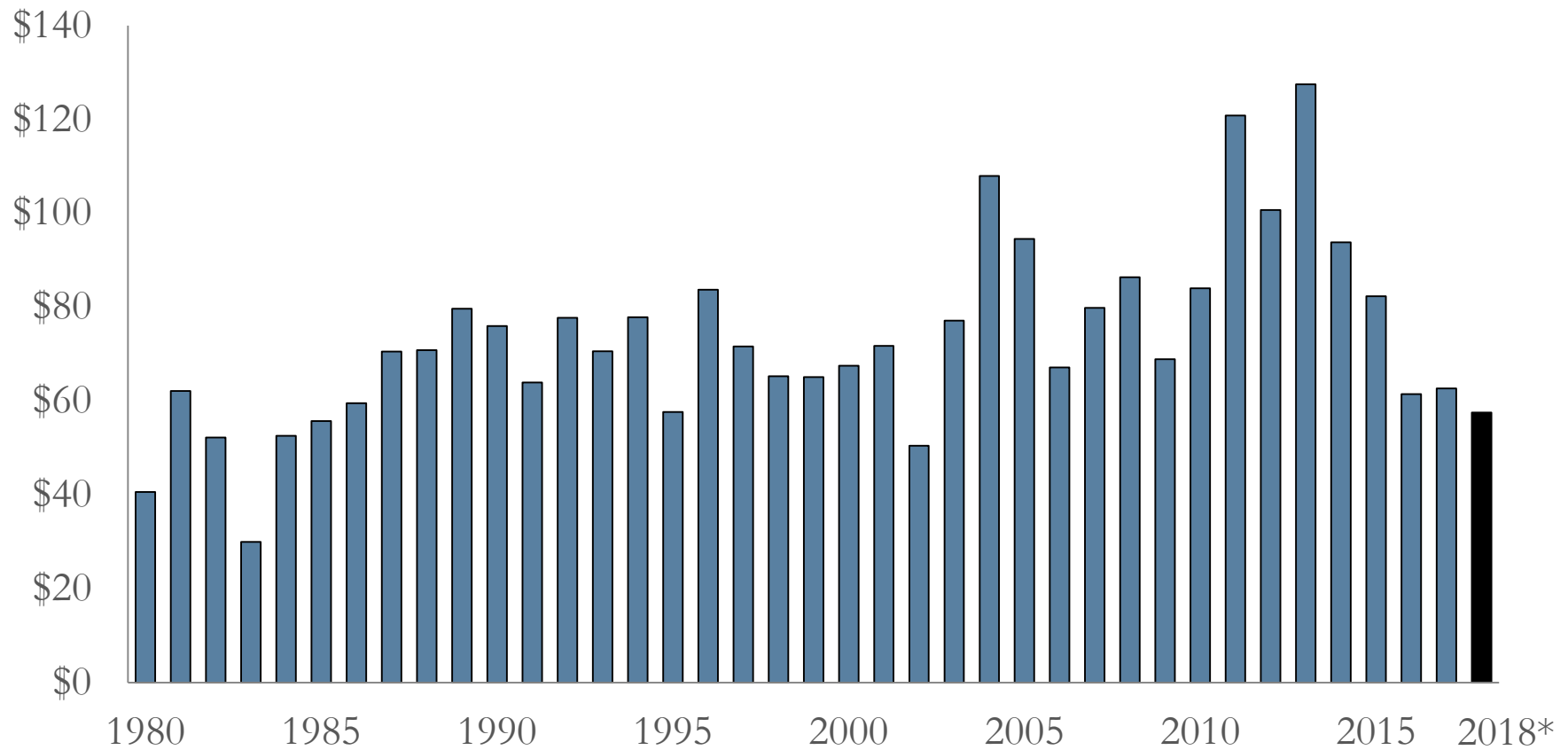
Millions of Barrels, Monthly, Seasonally Adjusted



Farm income is projected to decline in 2018, as slight increases in revenues for some commodities are offset by decreases for other commodities.

U.S. REAL NET FARM INCOME

Billion Dollars (Constant 2016 Dollars)



*Projection for 2018

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

