



The Federal Reserve and the U.S. Economy

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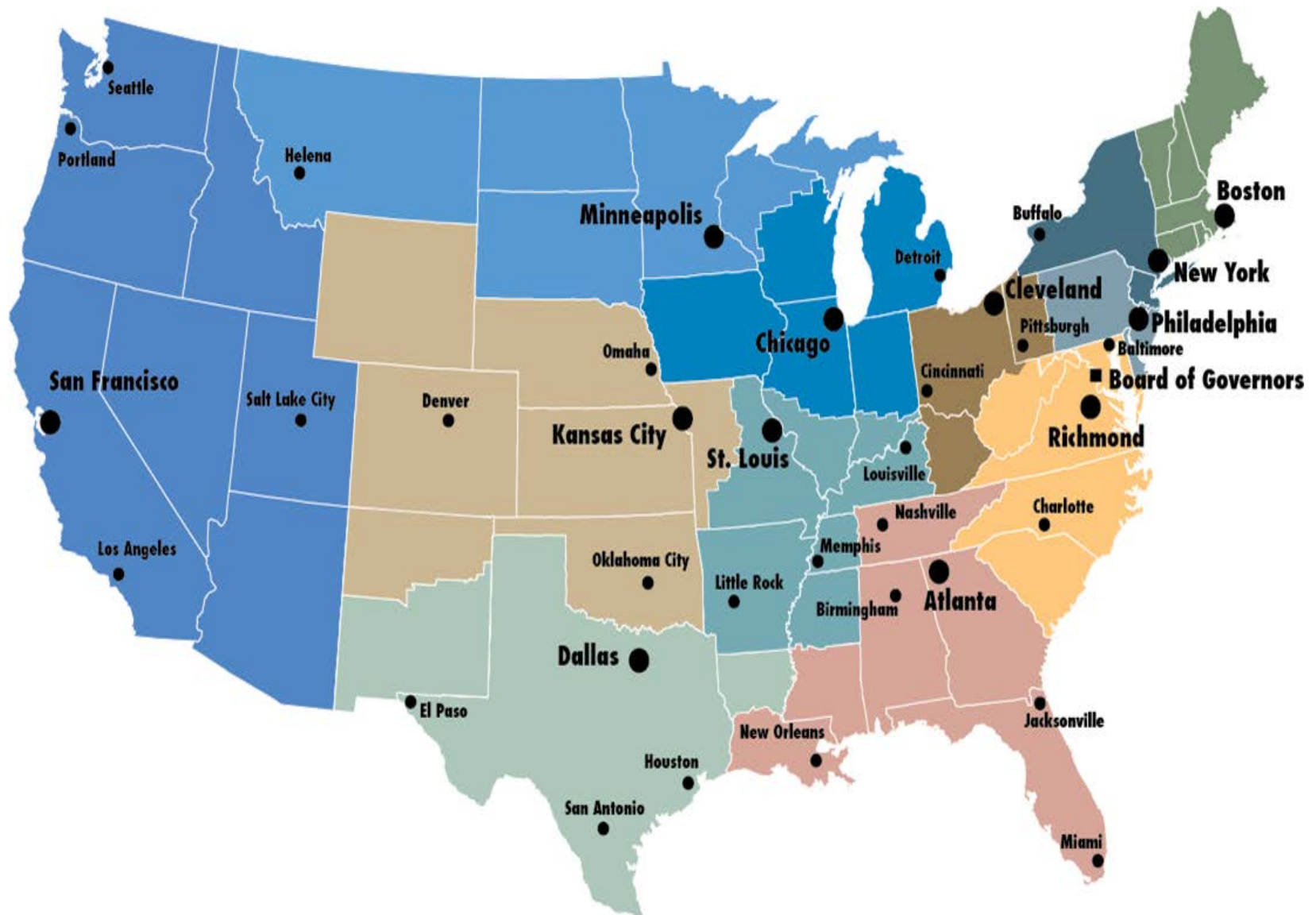
*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

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.

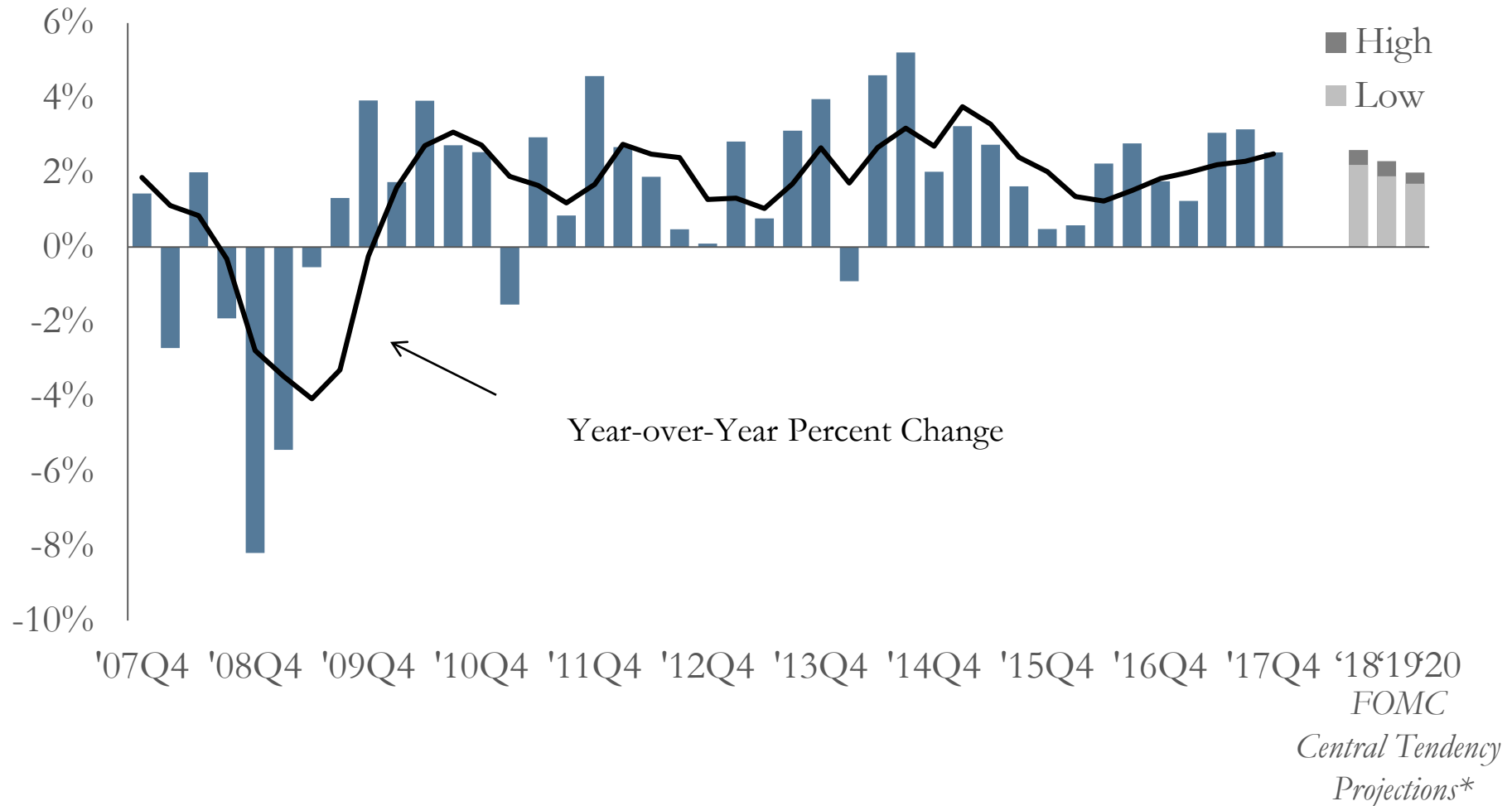
Regional Federal Reserve Banks and Branch Locations



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



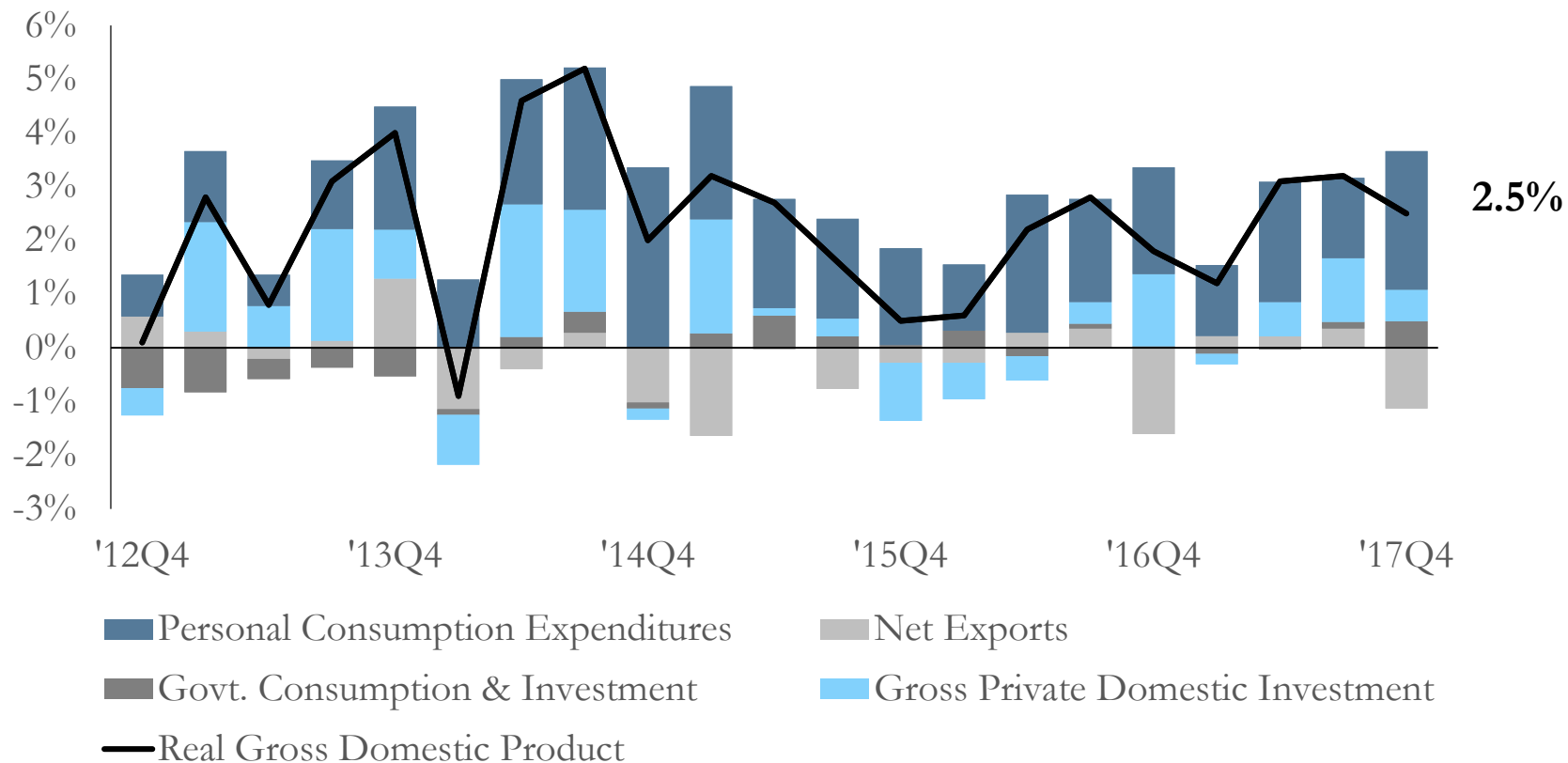
Source: Bureau of Economic Analysis and Federal Open Market Committee (FOMC)/Haver Analytics

*Projections as of December FOMC meeting

Consumer spending has been the primary driver of growth over the last few years.

CONTRIBUTIONS TO REAL GDP

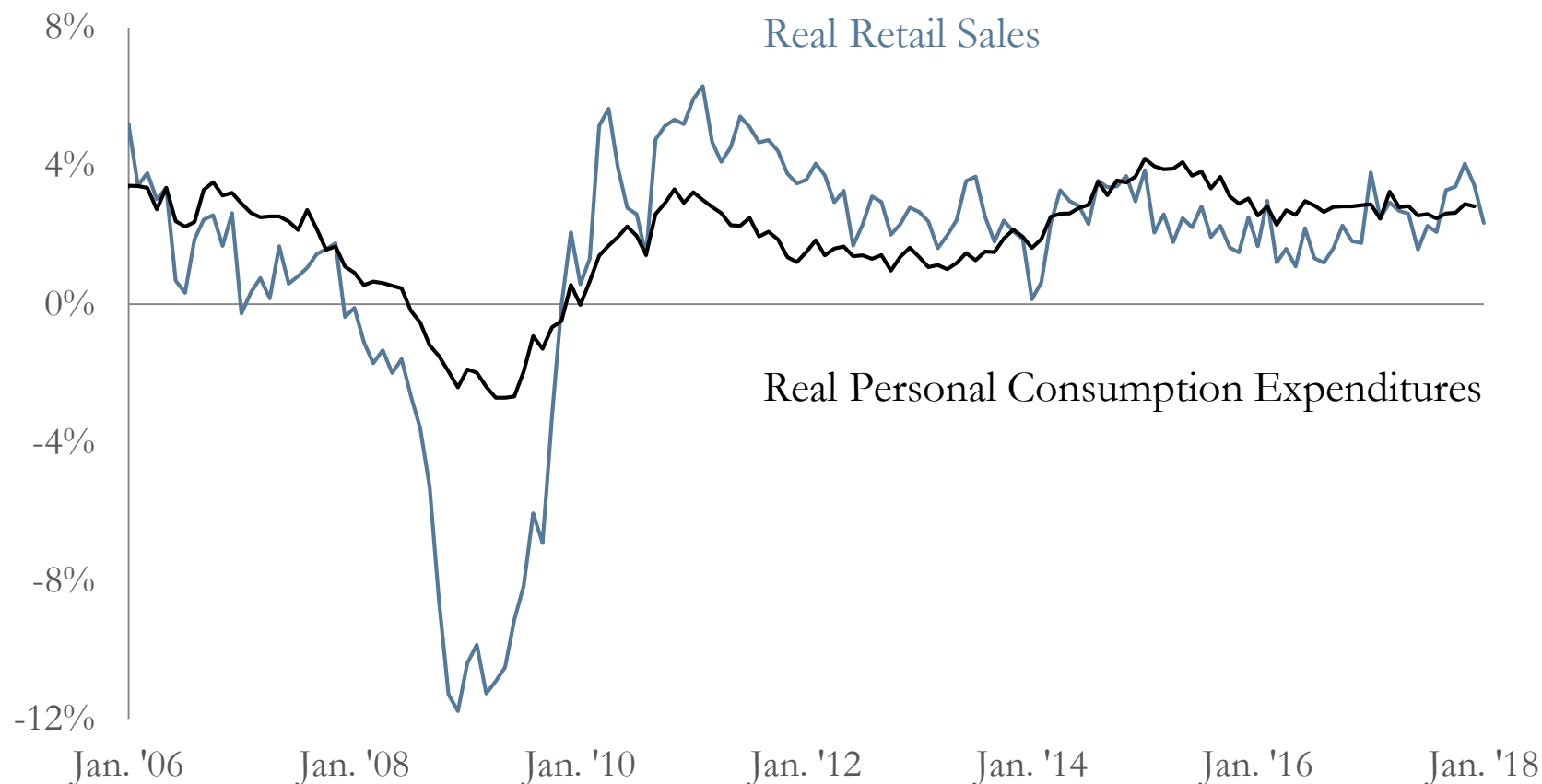
Percent Change from Previous Quarter at Seasonally Adjusted Annualized Rates



Holiday retail sales were strong in late 2017, and consumer spending is expected to remain solid this year.

REAL CONSUMPTION SPENDING

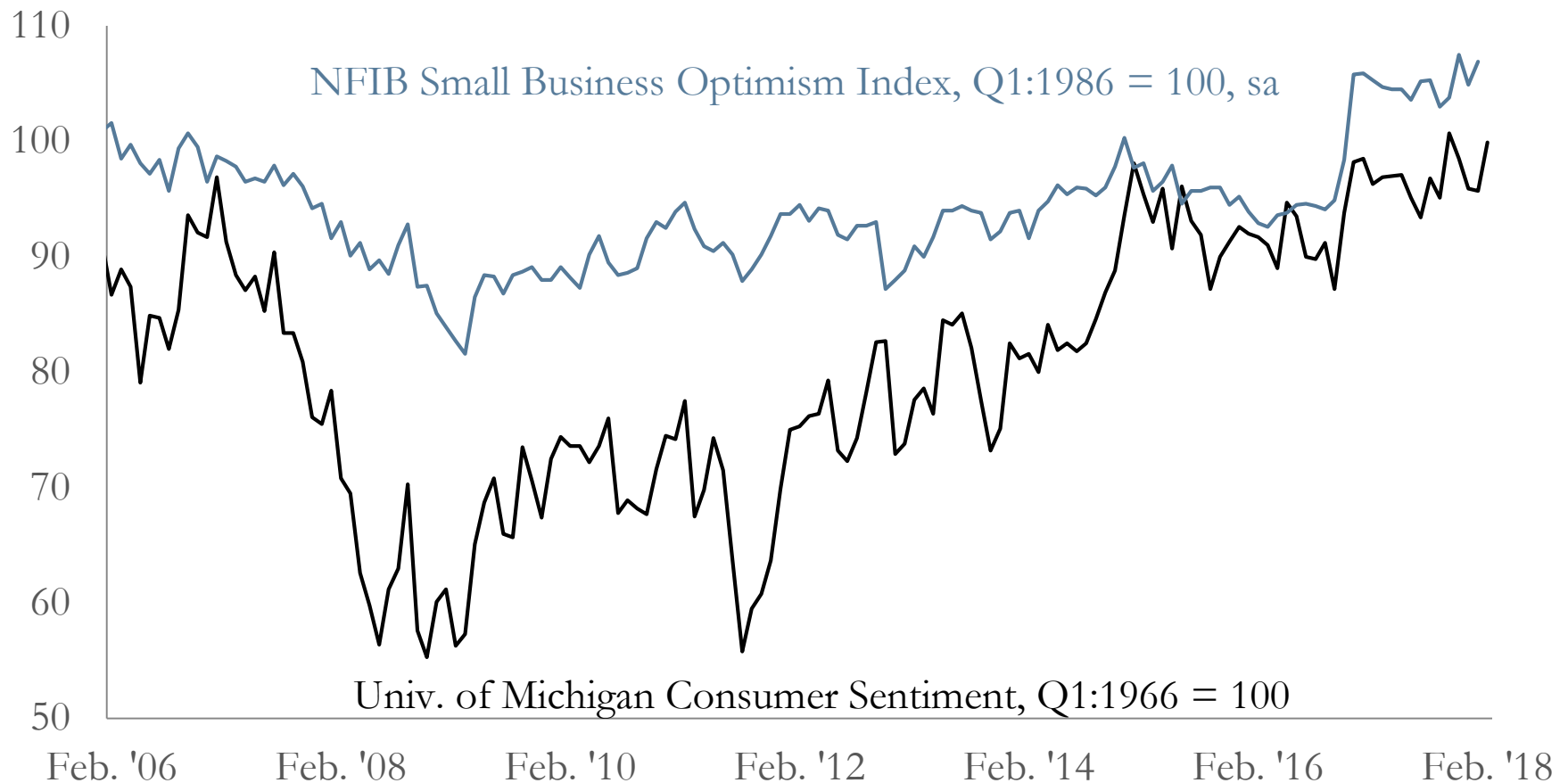
Seasonally Adjusted , Year-over-Year Percent Change



Businesses and consumers remain optimistic about the economy.



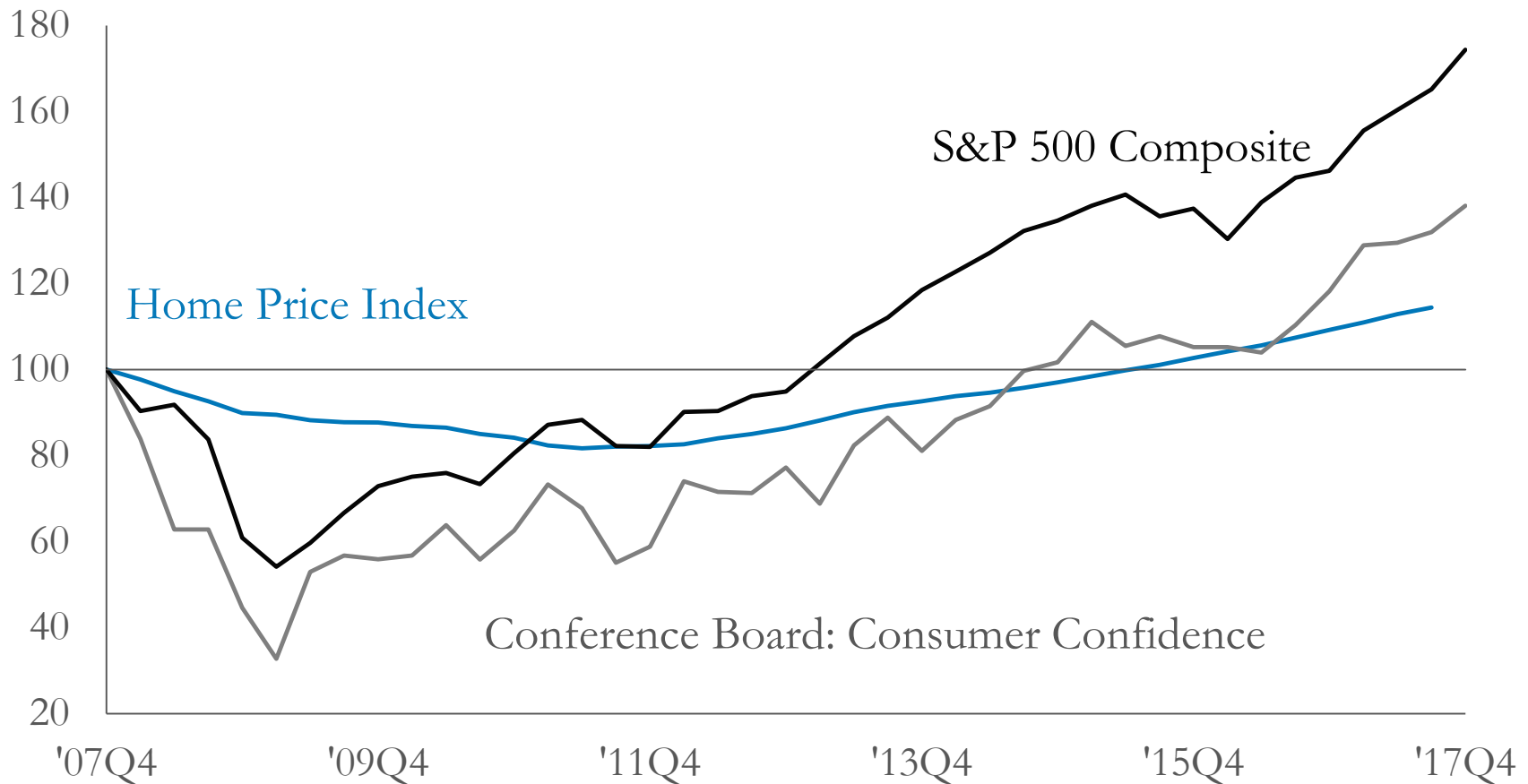
BUSINESS AND CONSUMER SENTIMENT



Higher stock prices and home prices frequently lead to higher consumer confidence and increased consumer spending.

CONSUMER CONFIDENCE AND FACTORS CONTRIBUTING TO HOUSEHOLD WEALTH

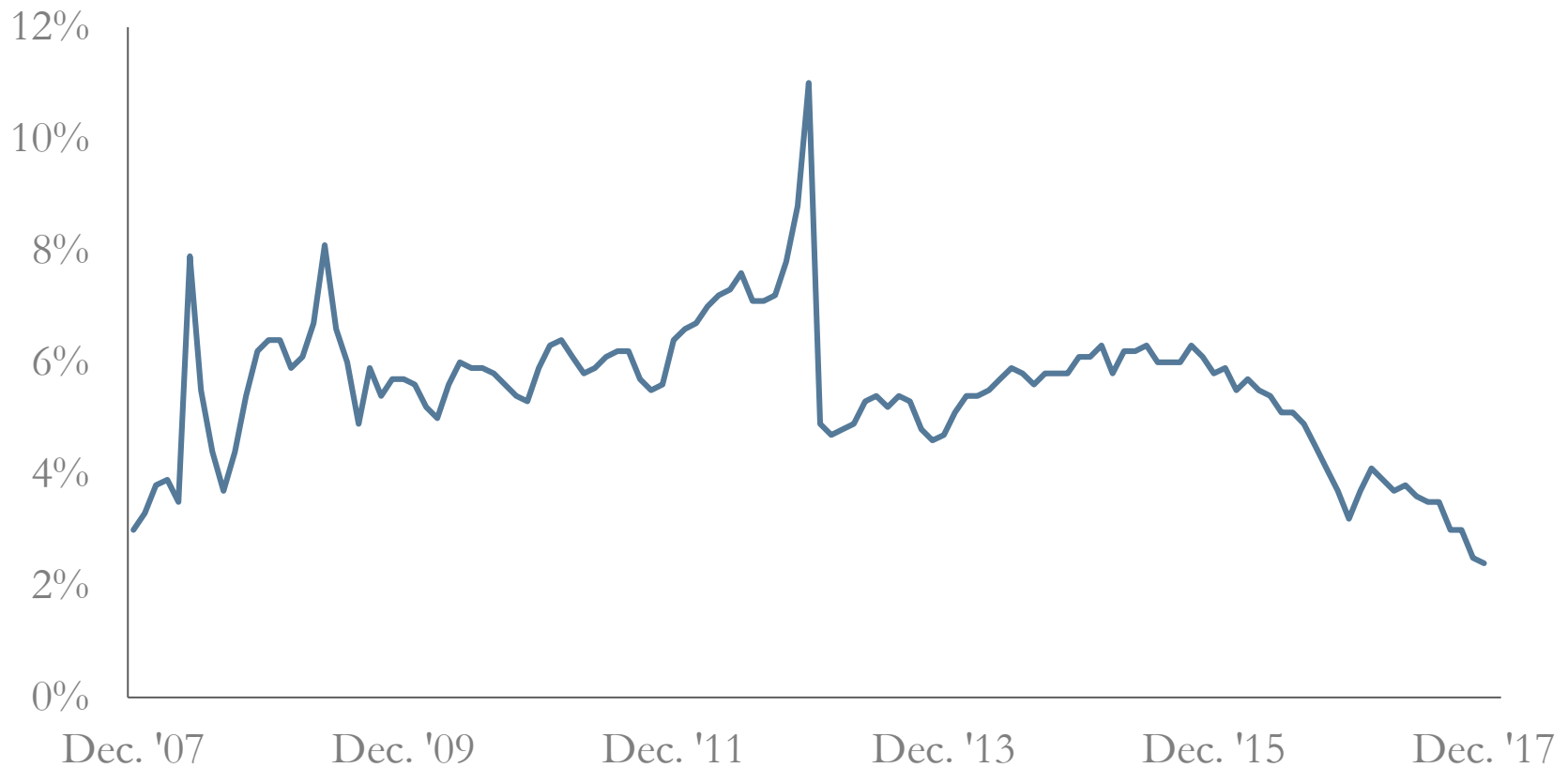
Index 100 = 4th Quarter, 2007



However, personal savings rates have fallen in recent years as spending has outpaced income gains.

SAVINGS RATE

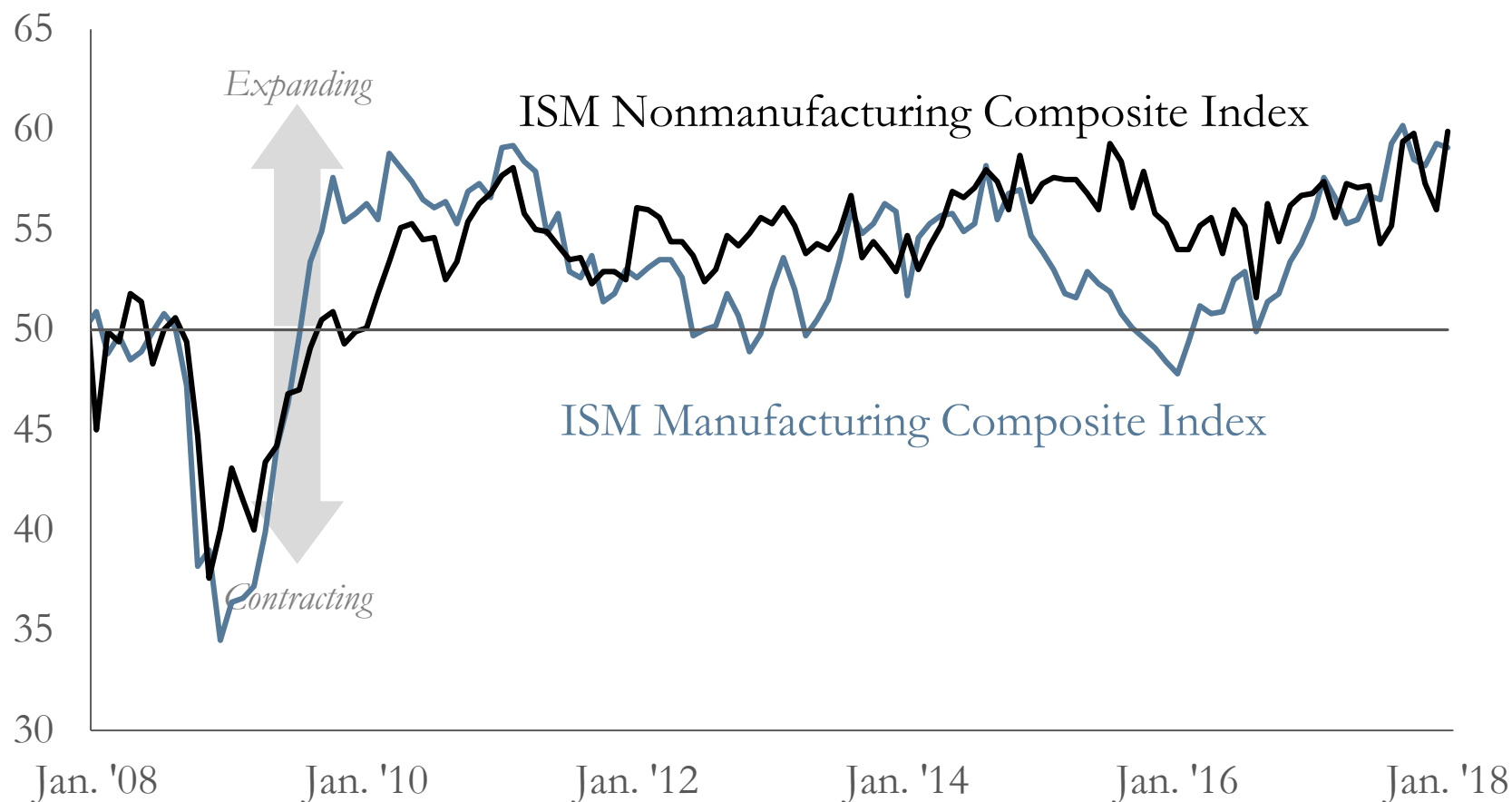
Seasonally Adjusted



Manufacturing and non-manufacturing industries are expanding at a robust rate.

MANUFACTURING AND NON-MANUFACTURING ACTIVITY

Seasonally Adjusted



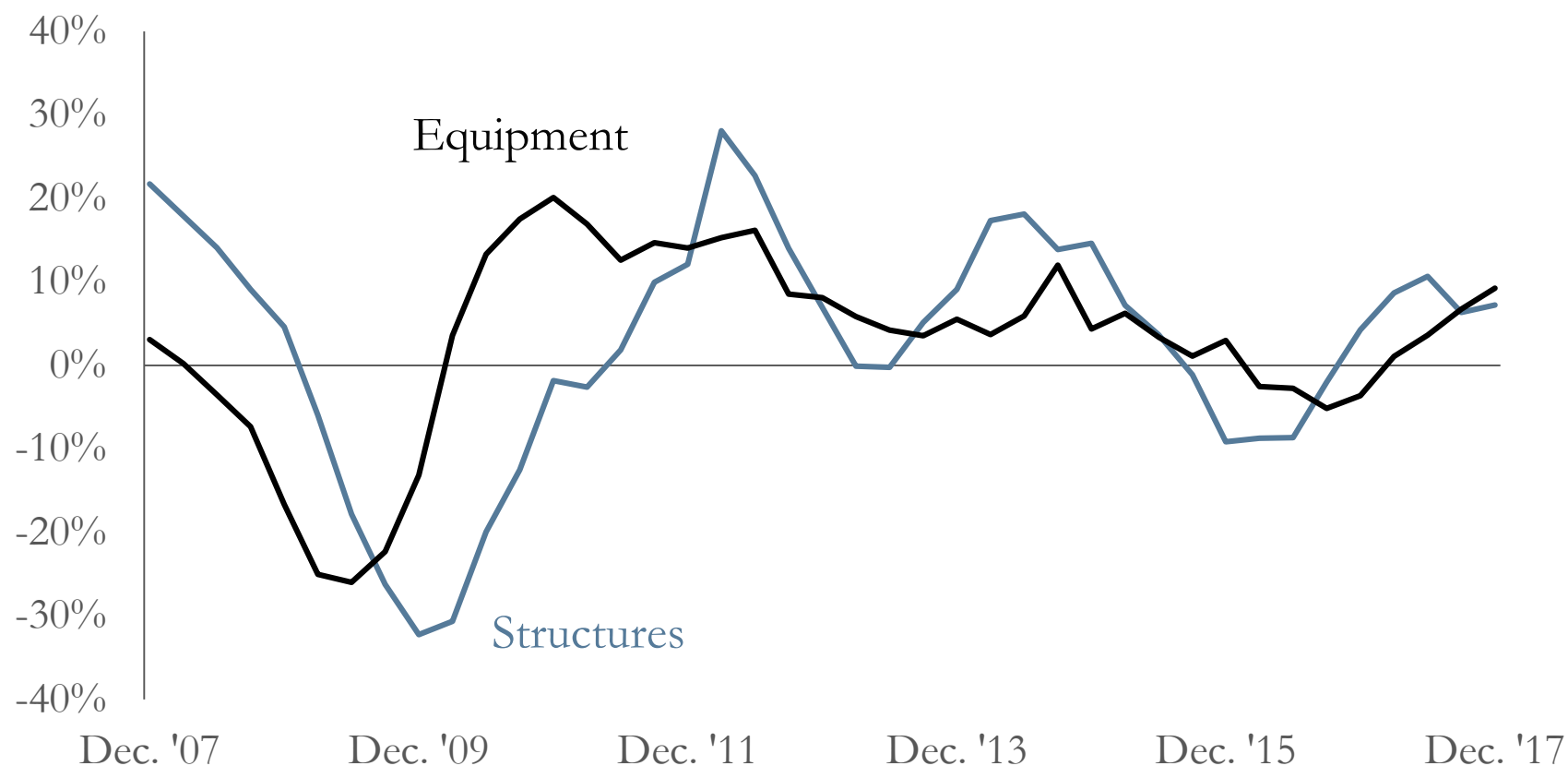
Note: Values above 50 indicates expansion, and values below indicate contraction.

Equipment and structure investment strengthened in 2017.



BUSINESS FIXED INVESTMENT

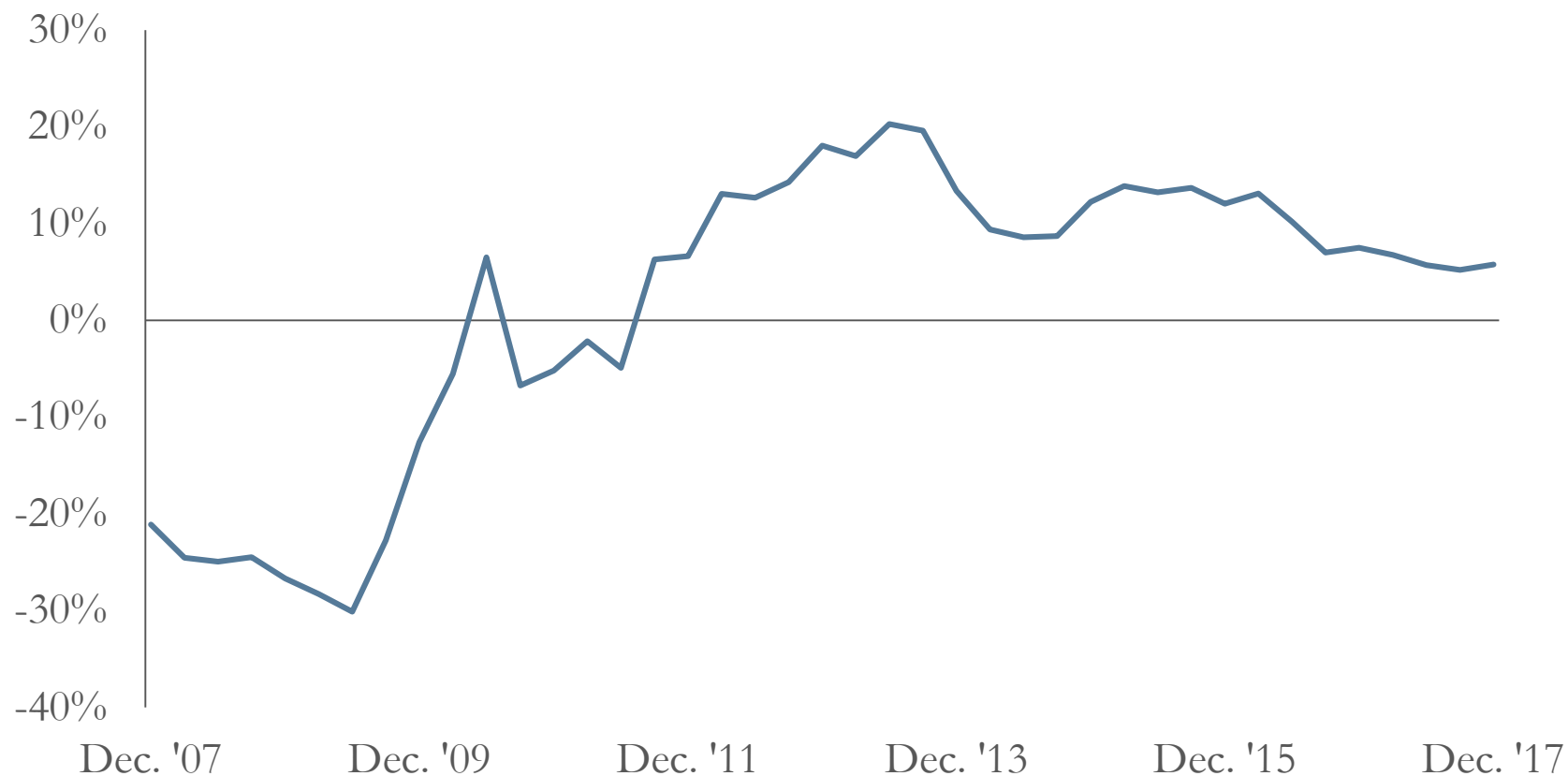
Seasonally Adjusted Annualized Rate, Year-over-Year Percent Change



Residential investment continues to expand but at a fairly modest pace.

RESIDENTIAL FIXED INVESTMENT

Seasonally Adjusted Annualized Rate, Year-over-Year Percent Change

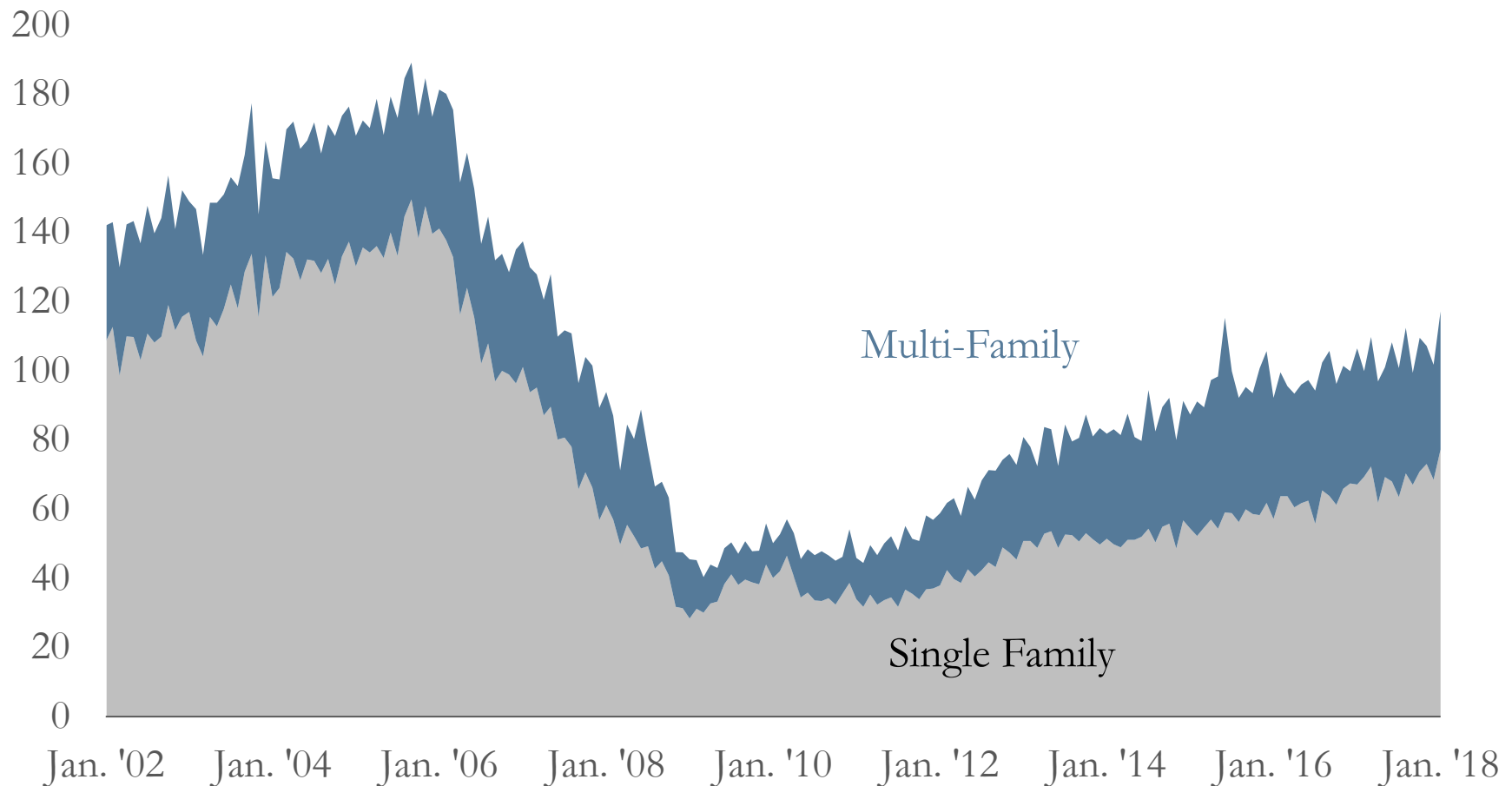


Residential permitting has been increasing for 8 years, but remains well below the level of building activity prior to the recession.



U.S. MONTHLY HOUSING PERMITS

Thousands of Permits, Seasonally Adjusted

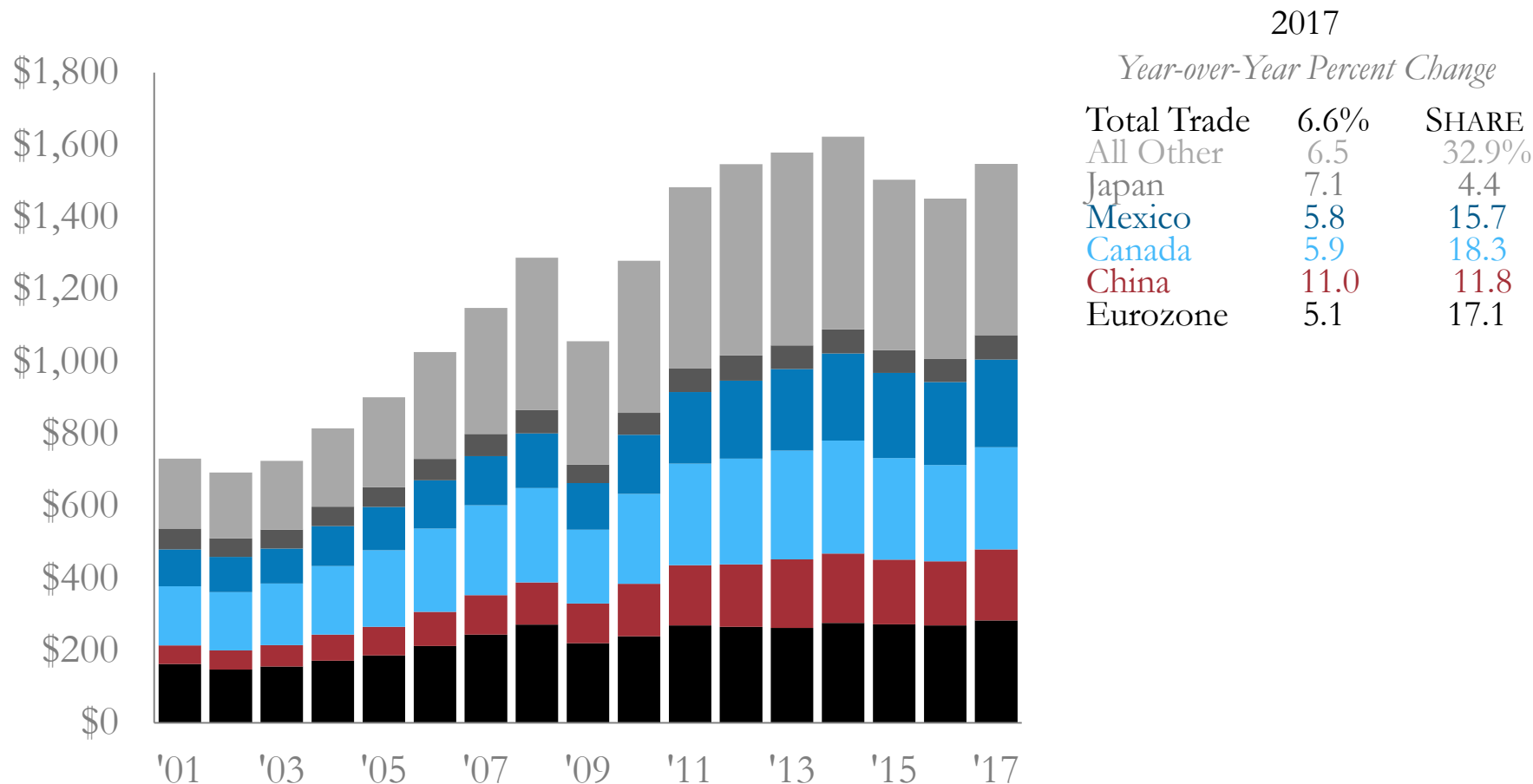


Exporting activity rebounded modestly in 2017 as global growth accelerated and the value of the dollar declined.



UNITED STATES EXPORTS BY TRADING PARTNER

Billions

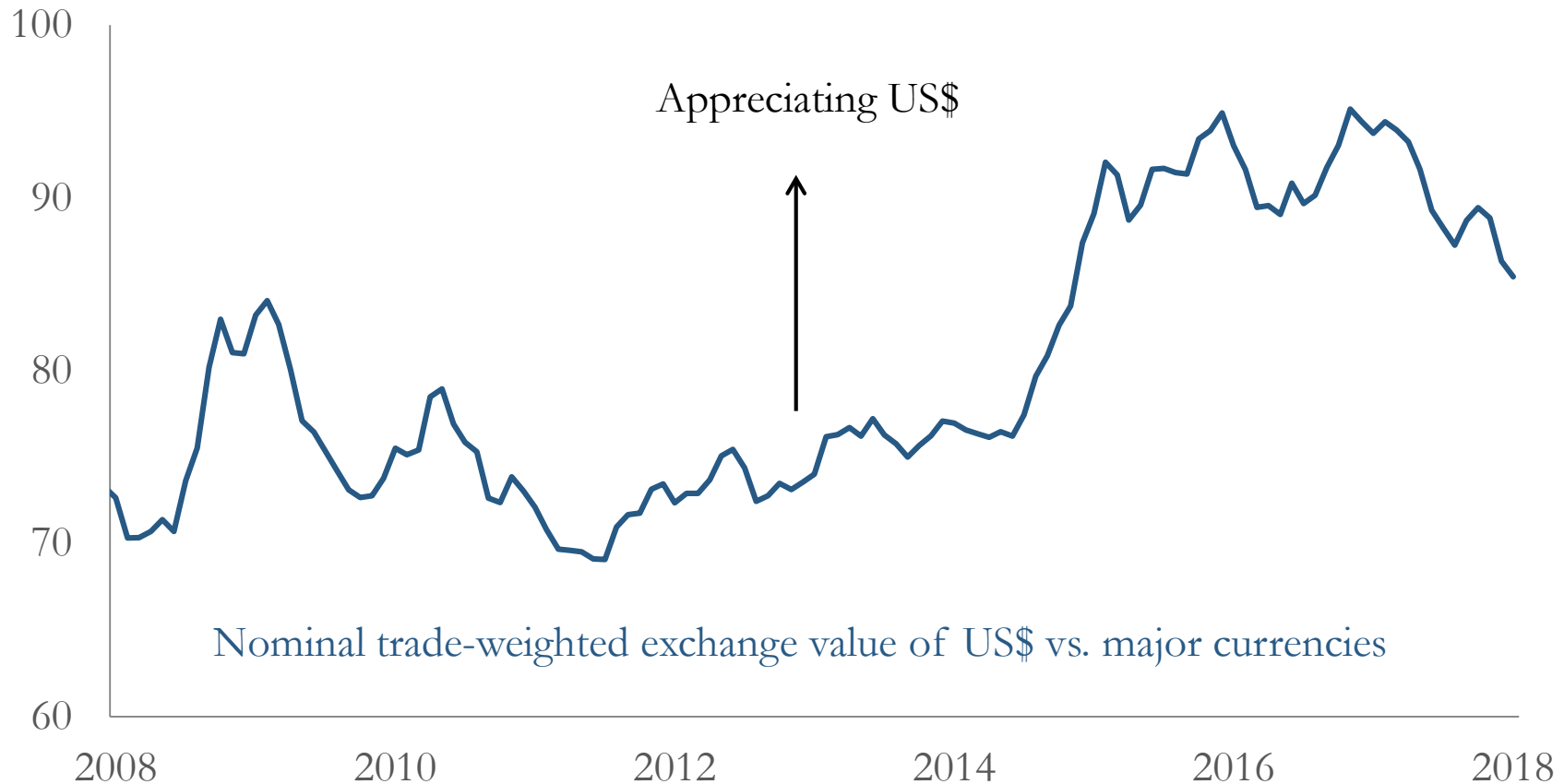


The dollar has depreciated over the past year.



FOREIGN EXCHANGE VALUE OF THE DOLLAR

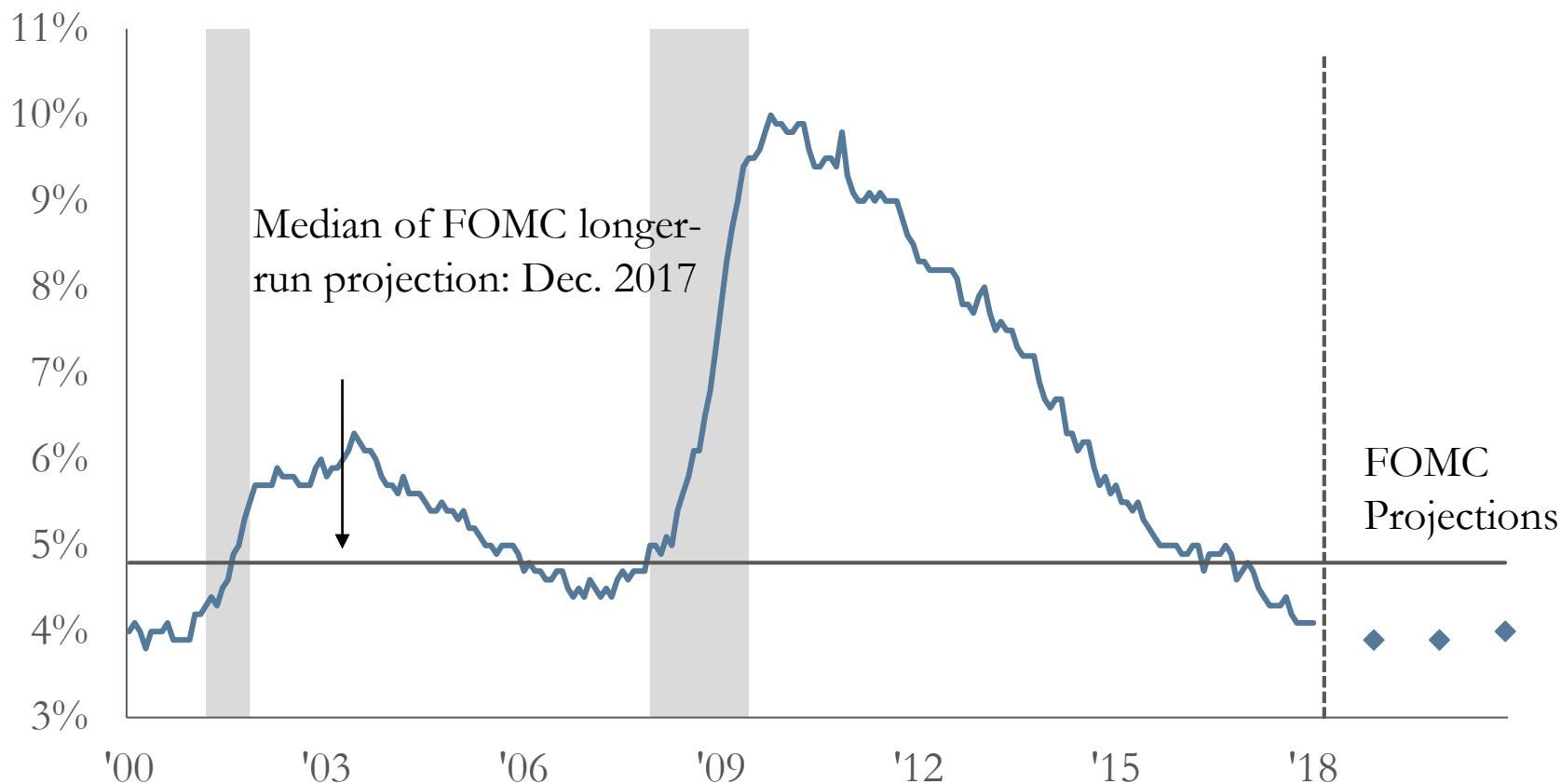
Index March '73 = 100



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

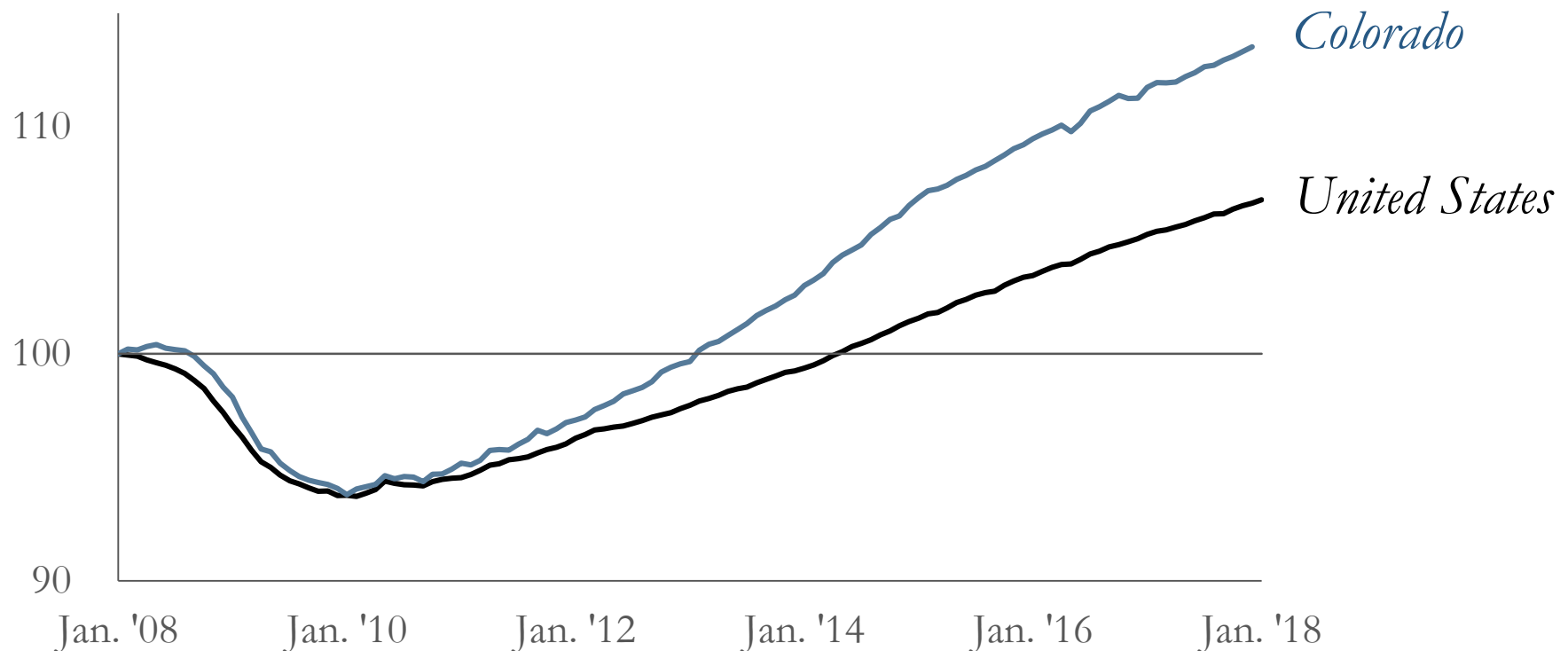


Employment has been increasing in Colorado and the nation over the past eight years, with Colorado gains outpacing the nation.

PAYROLL EMPLOYMENT GROWTH

Index 100 = January, 2008, Seasonally Adjusted

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S. (Jan. '18)	6.8%	1.5%
Colorado (Dec. '17)	13.7%	2.0%

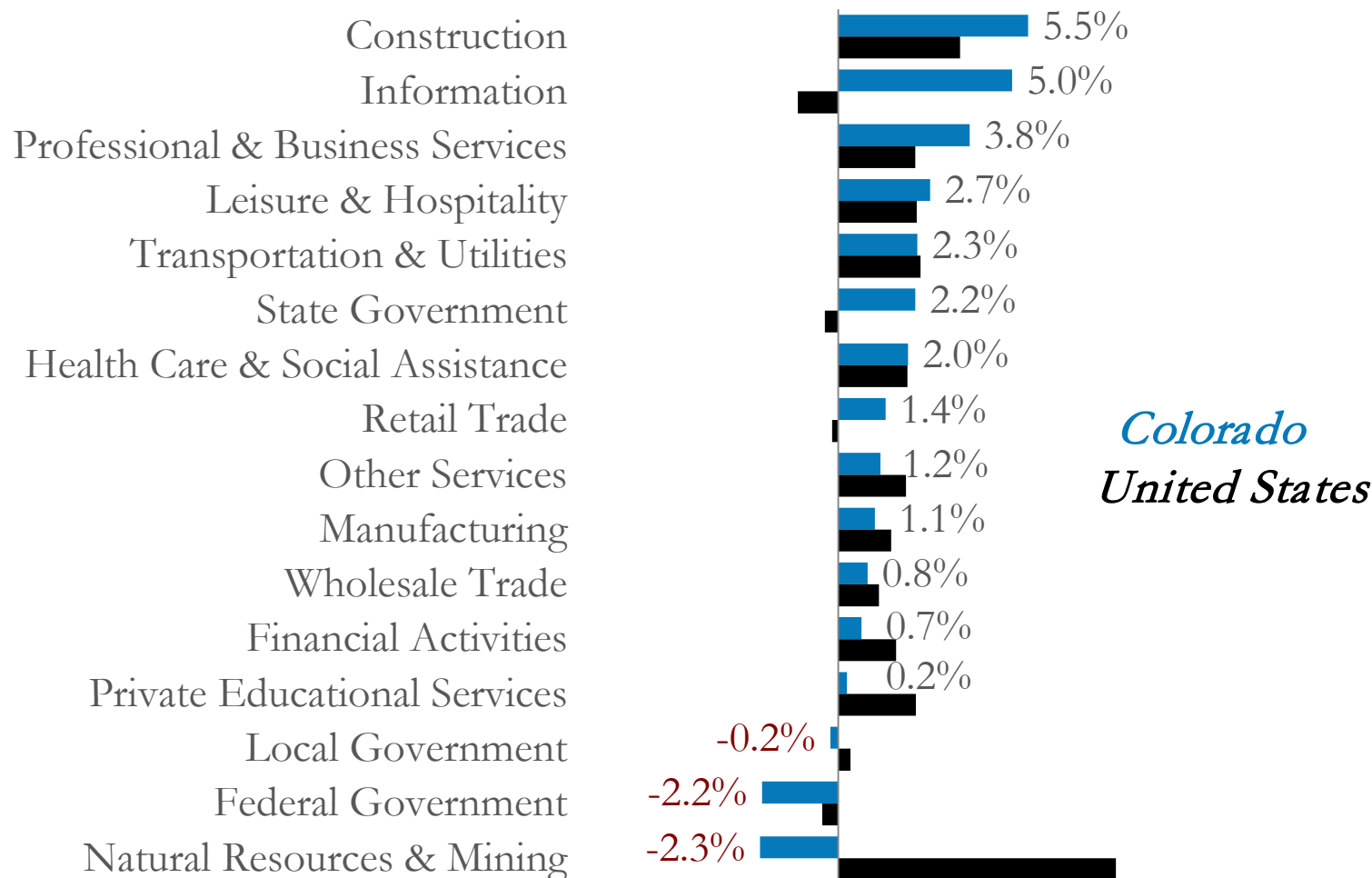


The majority of industries in Colorado have added jobs over the past year.

CHANGE IN PAYROLL EMPLOYMENT, DECEMBER 2017

Seasonally Adjusted

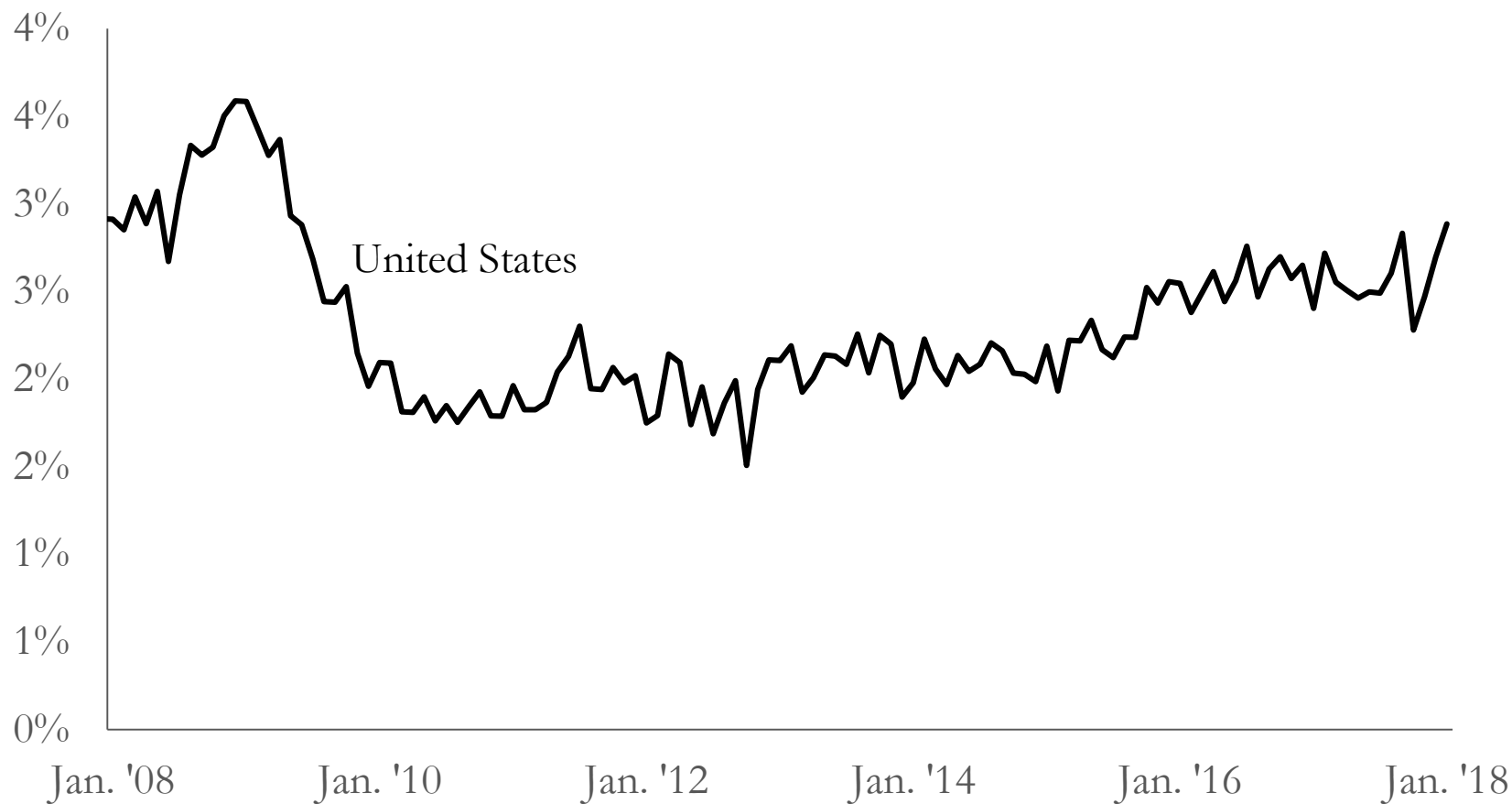
Percent Change Year-over-Year



Wage growth has been slow to pick up, but as labor markets tighten, wage gains are projected to increase.

AVERAGE HOURLY EARNINGS

Seasonally Adjusted, Year-over-Year Percent Change

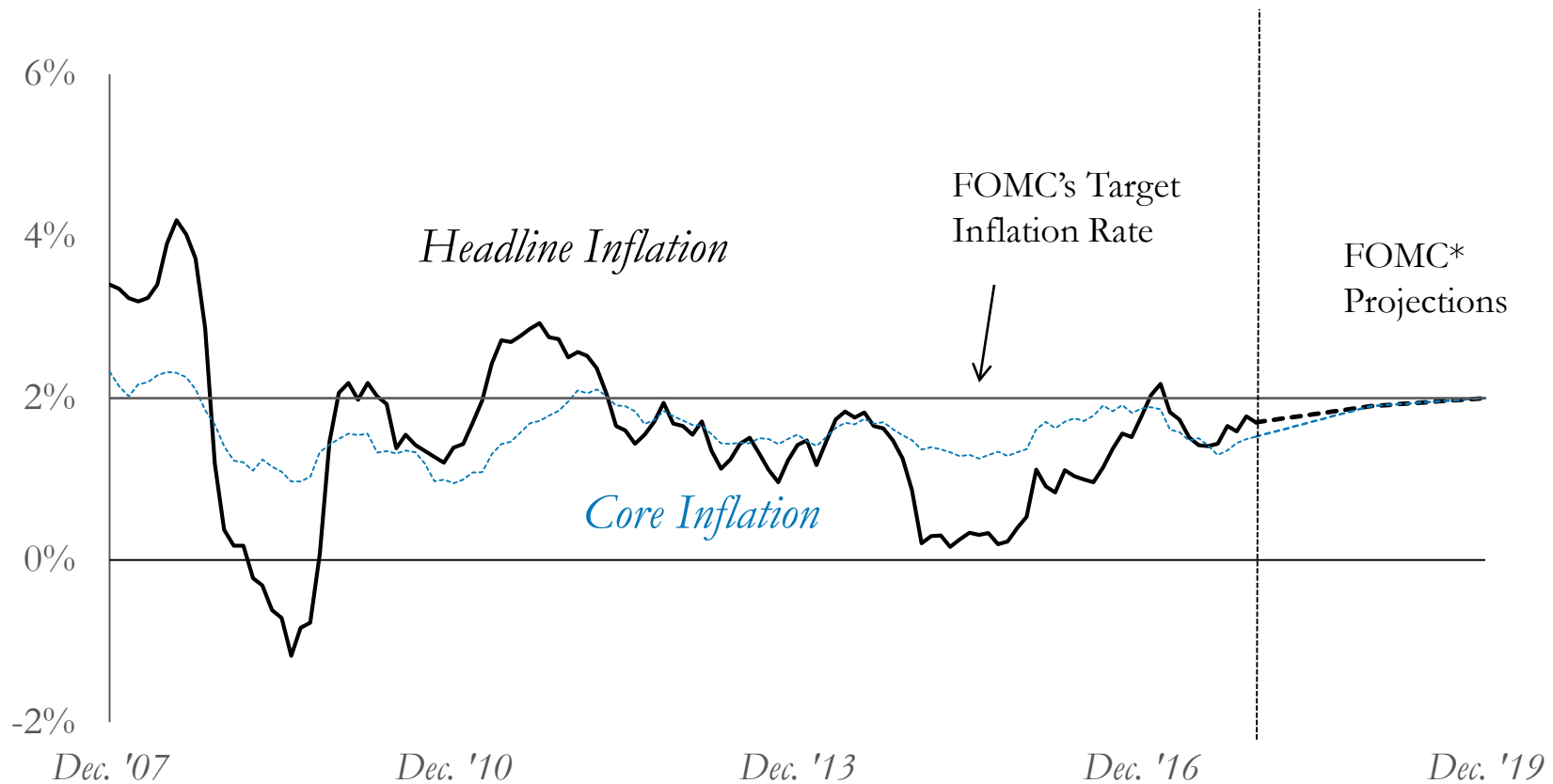


Inflation is near the FOMC's two percent target.



PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

Percent Change Year-over-Year



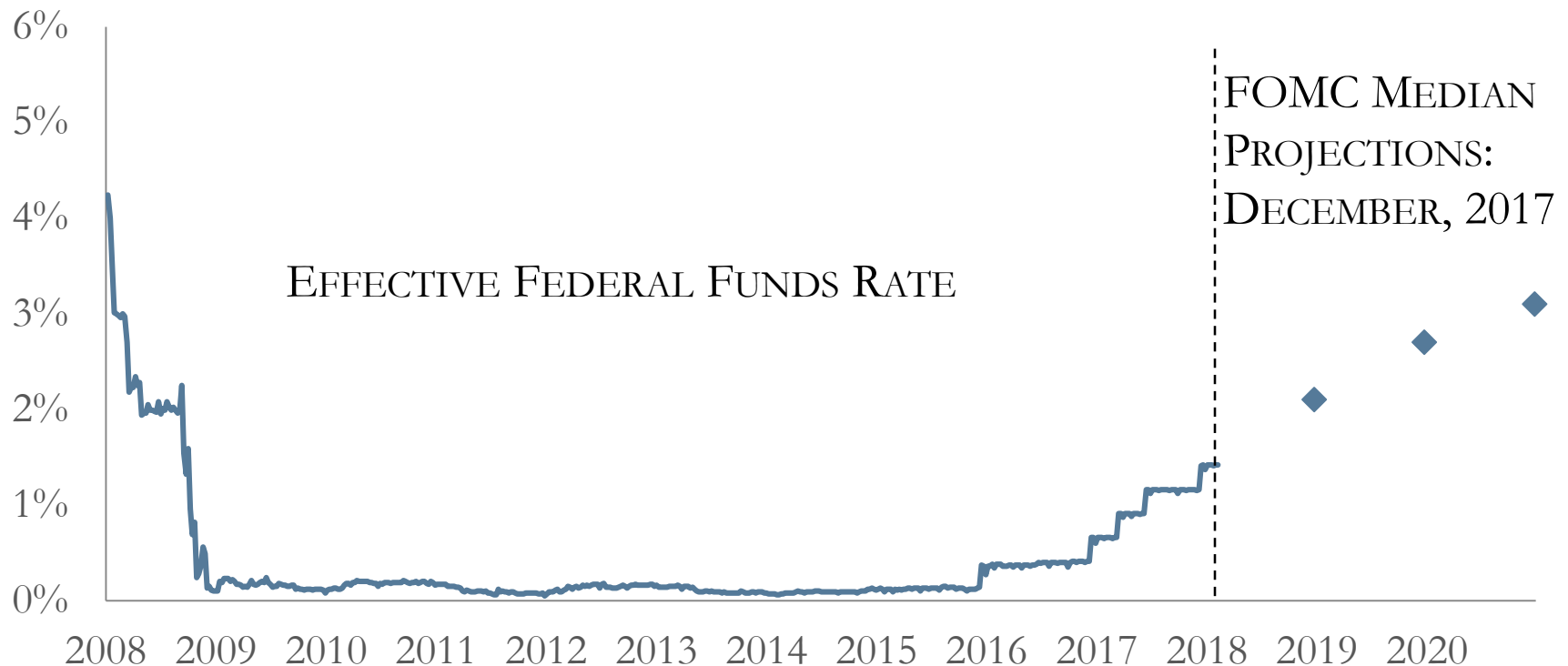
Source: Bureau of Economic Analysis, Federal Open Market Committee, & Haver Analytics

*Projections as of December FOMC meeting; median projections



“In view of realized and expected labor market conditions and inflation, the Committee decided to maintain the target range for the federal funds rate at 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.”

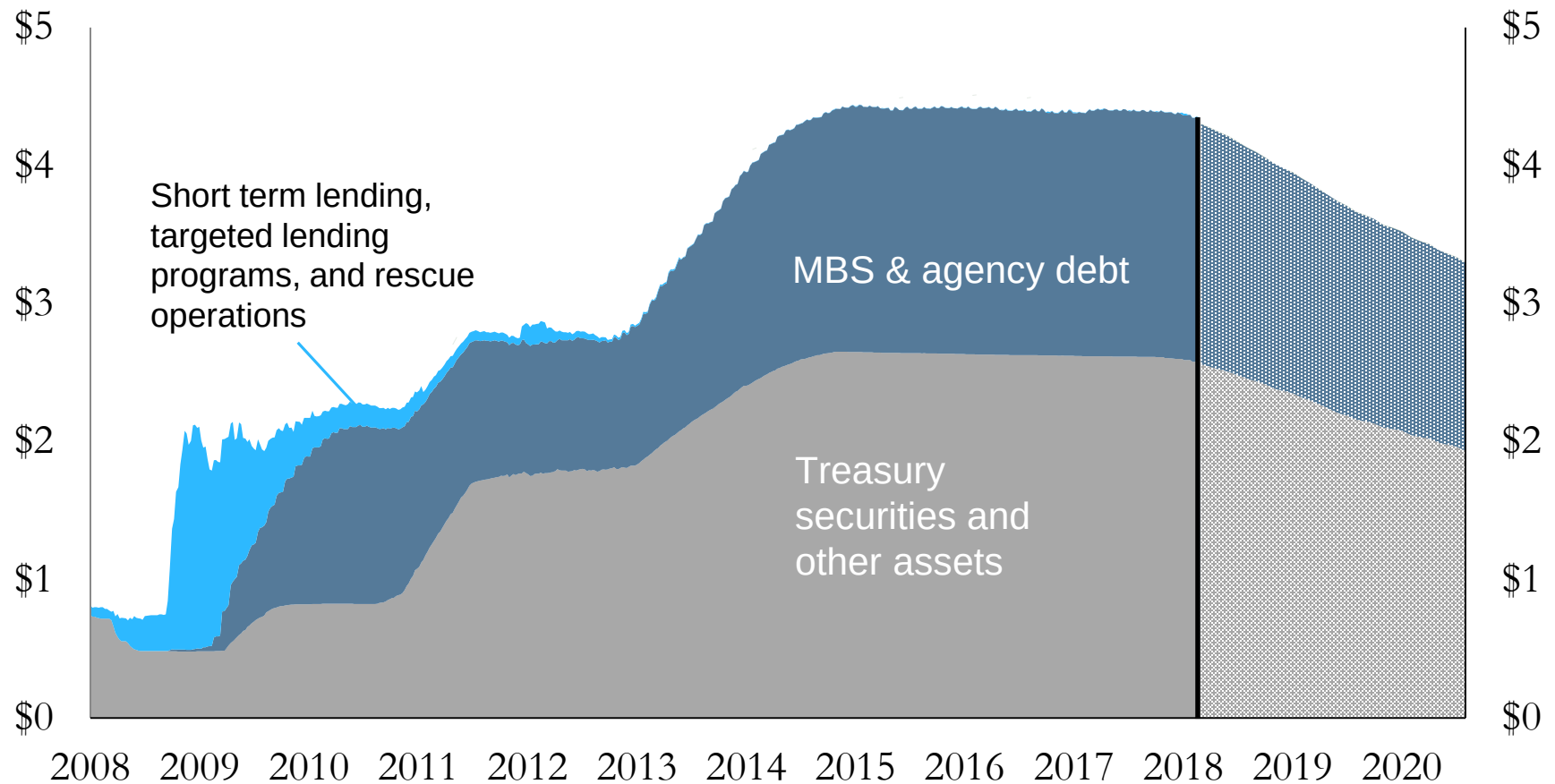
- January 2018 FOMC Statement





FEDERAL RESERVE BALANCE SHEET

Trillions



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

