

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.

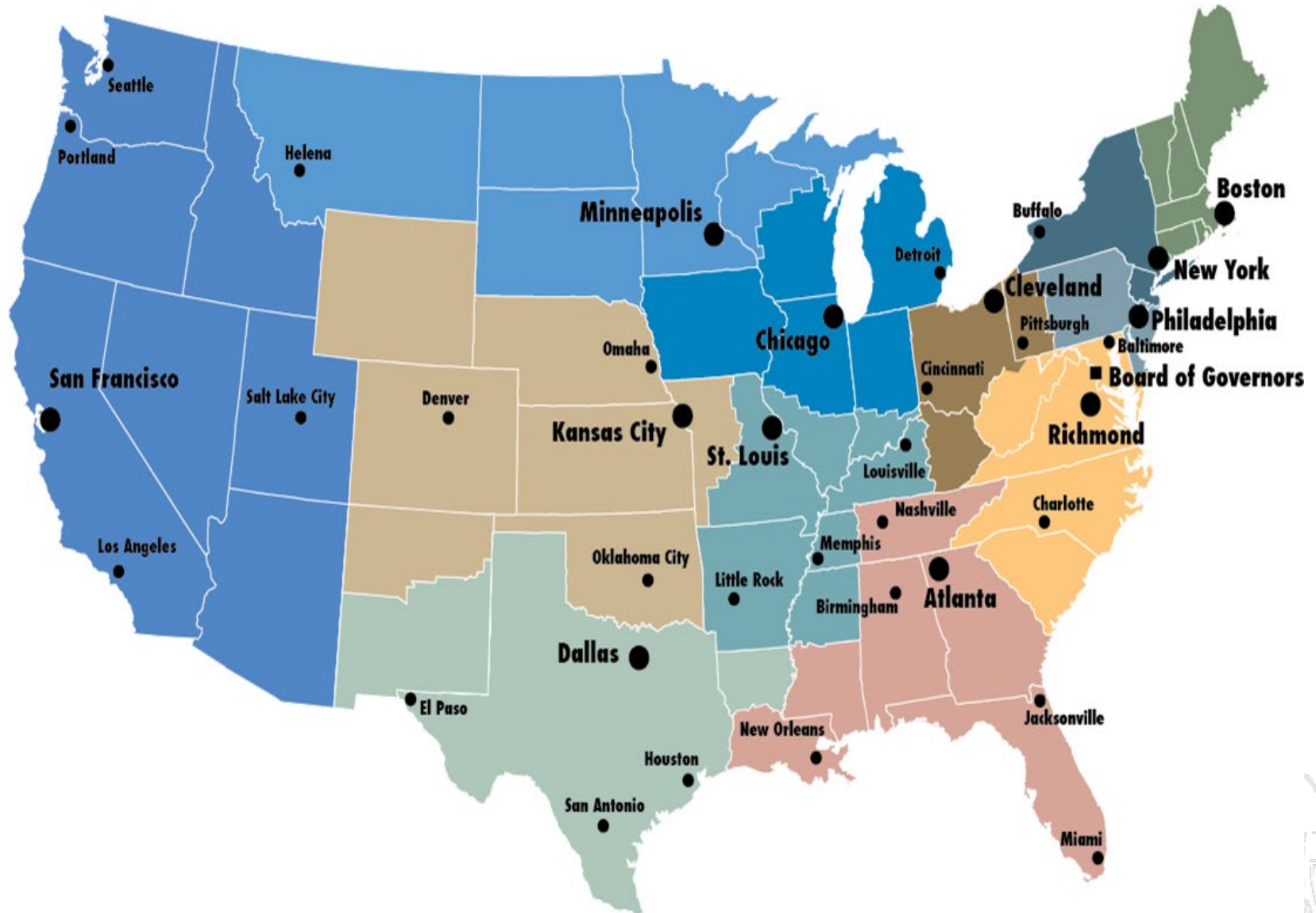


The Structure of the Federal Reserve System

- 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 five members of the Board of Governors: Jerome Powell, Michelle Bowman, Lael Brainard, Richard Clarida and Randal Quarles.
 - 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

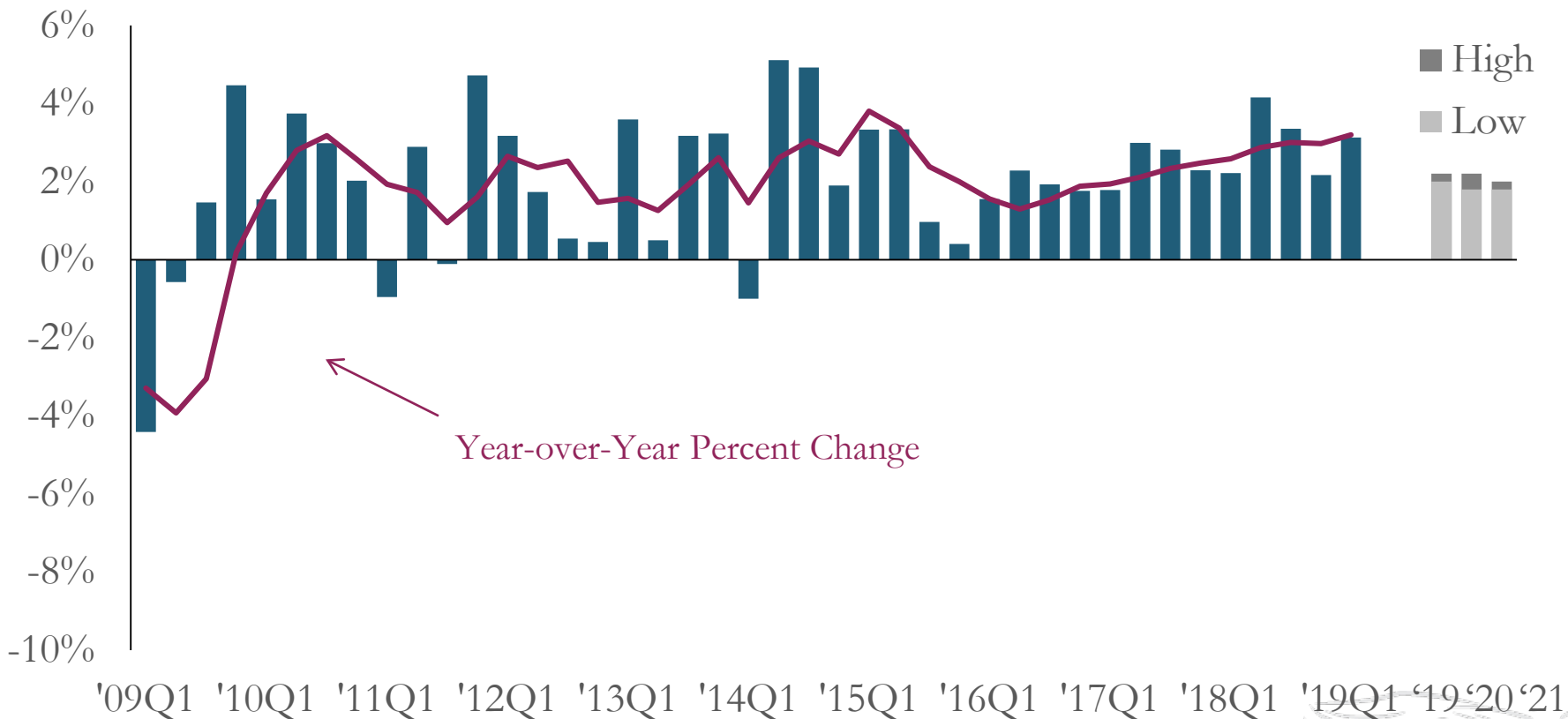
- Conduct the Nation's Monetary Policy
 - The Federal Open Market Committee is the group charged with conducting monetary policy within the U.S.
 - The Committee has a statutory mandate from Congress to promote maximum employment, stable prices and moderate long-term interest rates.
- Provide and Maintain 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.



After accelerating last year, U.S. economic growth is expected to slow modestly in the years ahead.

REAL U.S. GROSS DOMESTIC PRODUCT

Percent Change from Previous Quarter at Seasonally Adjusted Annualized Rates



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

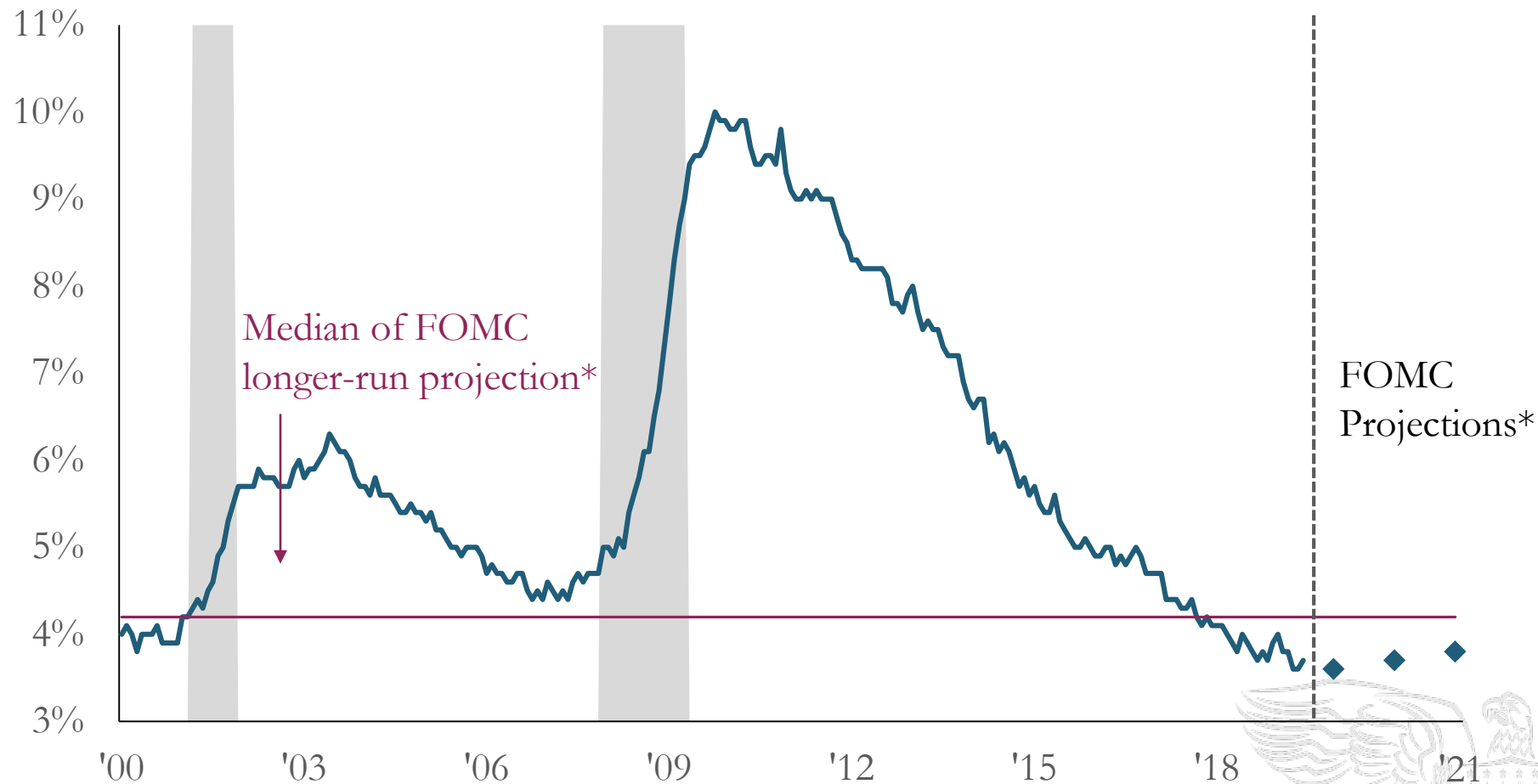
*Projections as of June FOMC meeting

FOMC
Central Tendency
Projections*

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

U. S. UNEMPLOYMENT RATE

Seasonally Adjusted



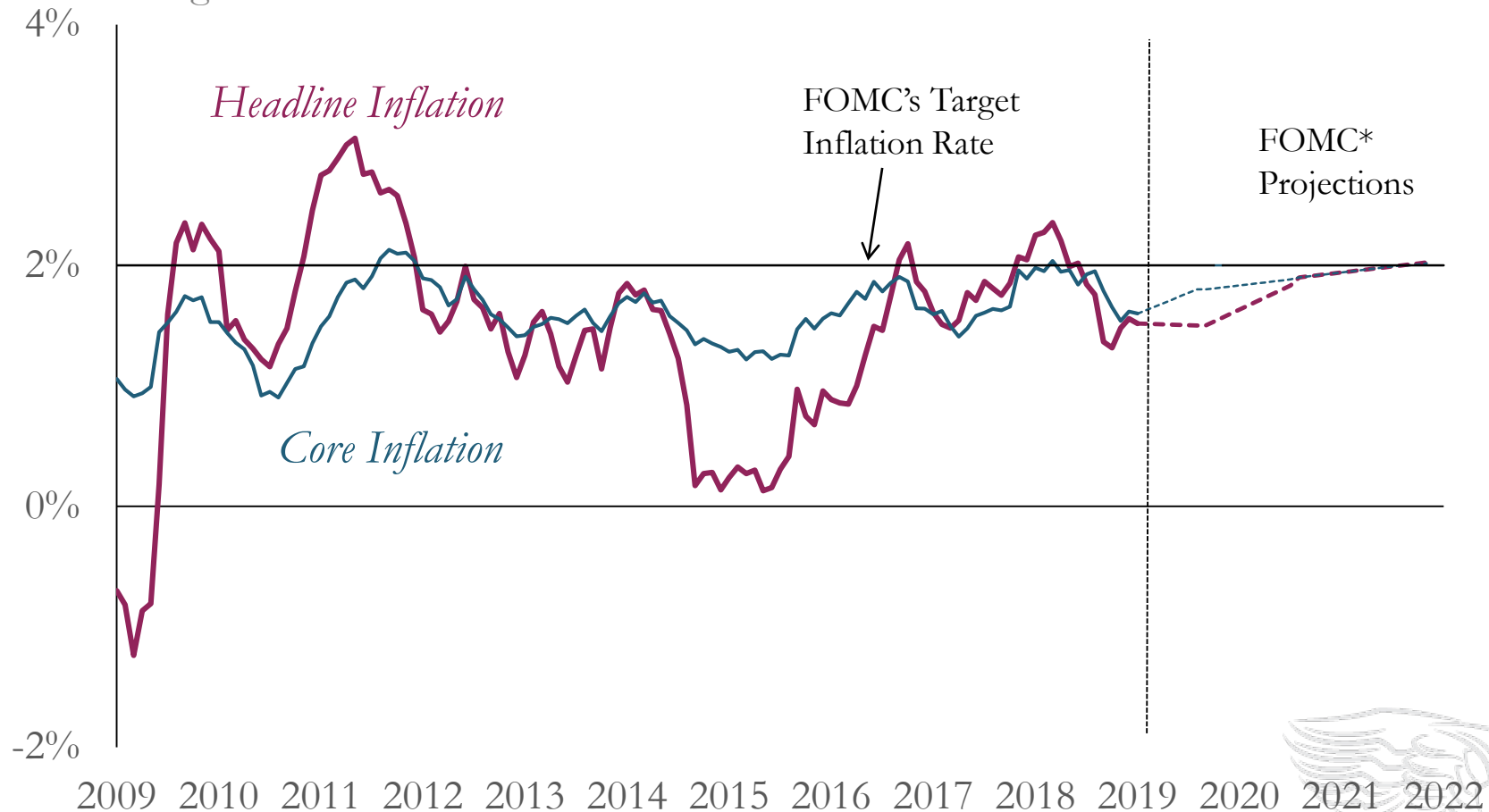
Sources: Bureau of Labor Statistics, National Bureau of Economic Research and Federal Open Market Committee (FOMC) / Haver Analytics

*Projections as of March June meeting; median unemployment rate

Inflation is expected to move toward the FOMC's two percent target over the next few years.

PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

Percent Change Year-over-Year



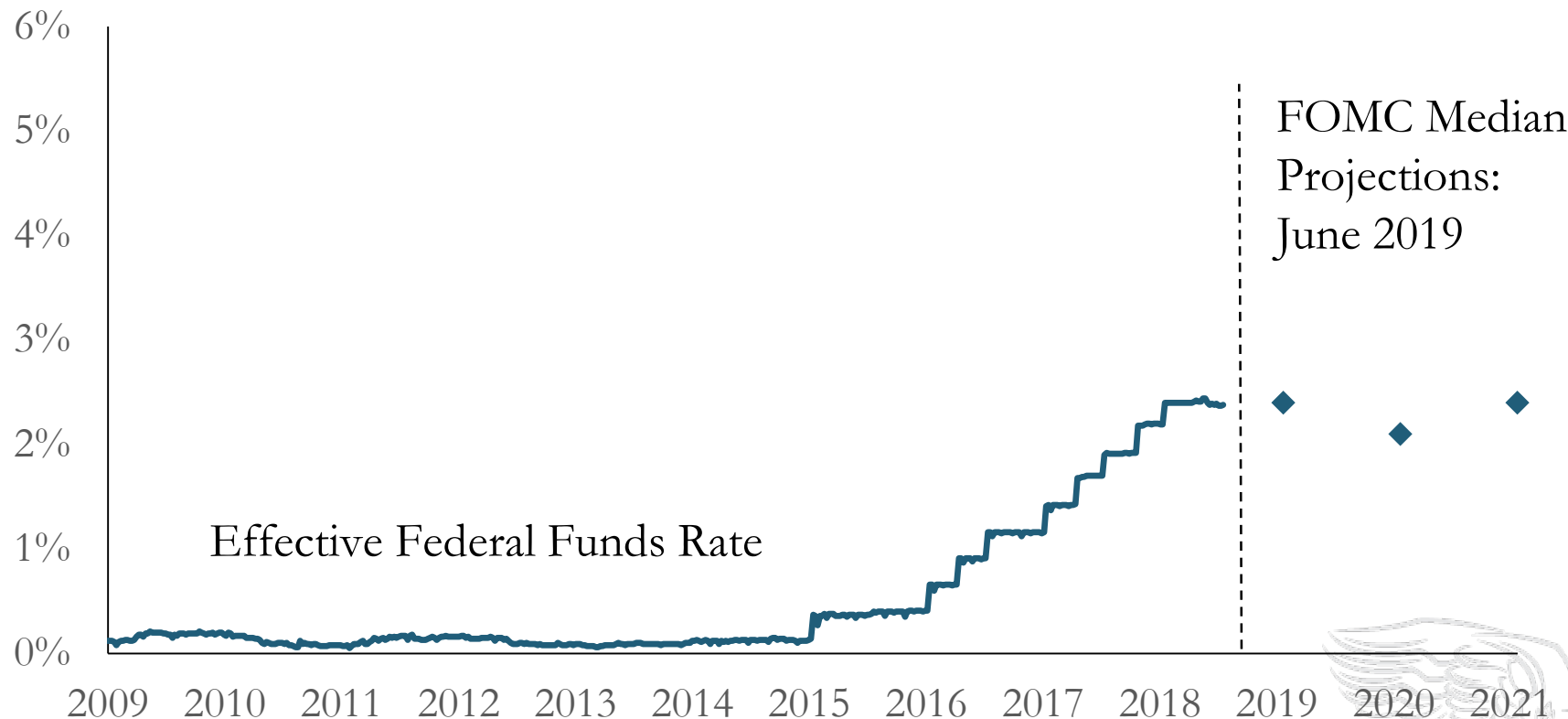
Sources: Bureau of Economic Analysis and Federal Open Market Committee / Haver Analytics

*Projections as of June FOMC meeting; median projections



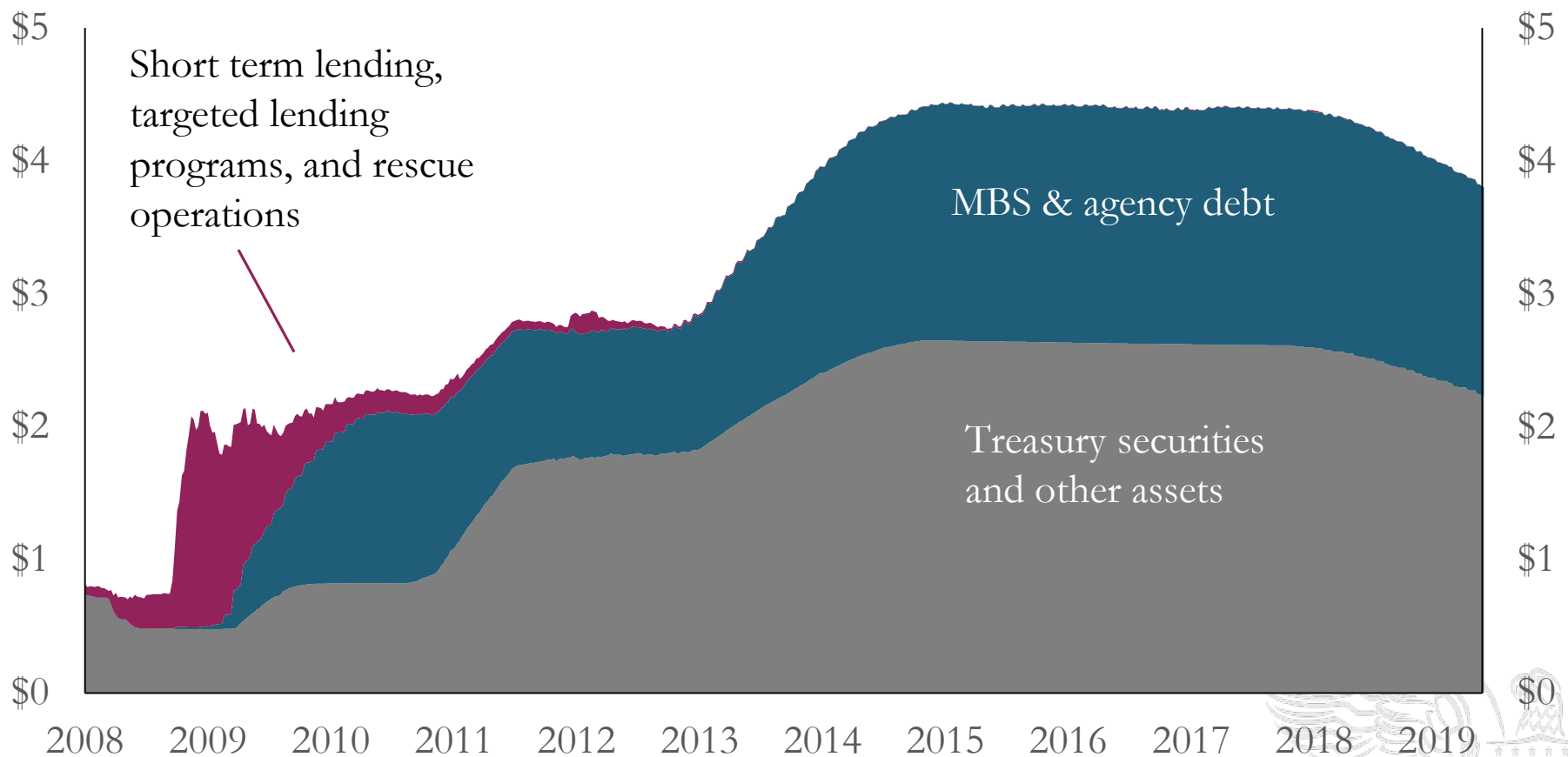
“Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. In support of these goals, the Committee decided to maintain the target range for the federal funds rate at 2-1/4 to 2-1/2 percent.”

- June 2019 FOMC Statement



FEDERAL RESERVE BALANCE SHEET

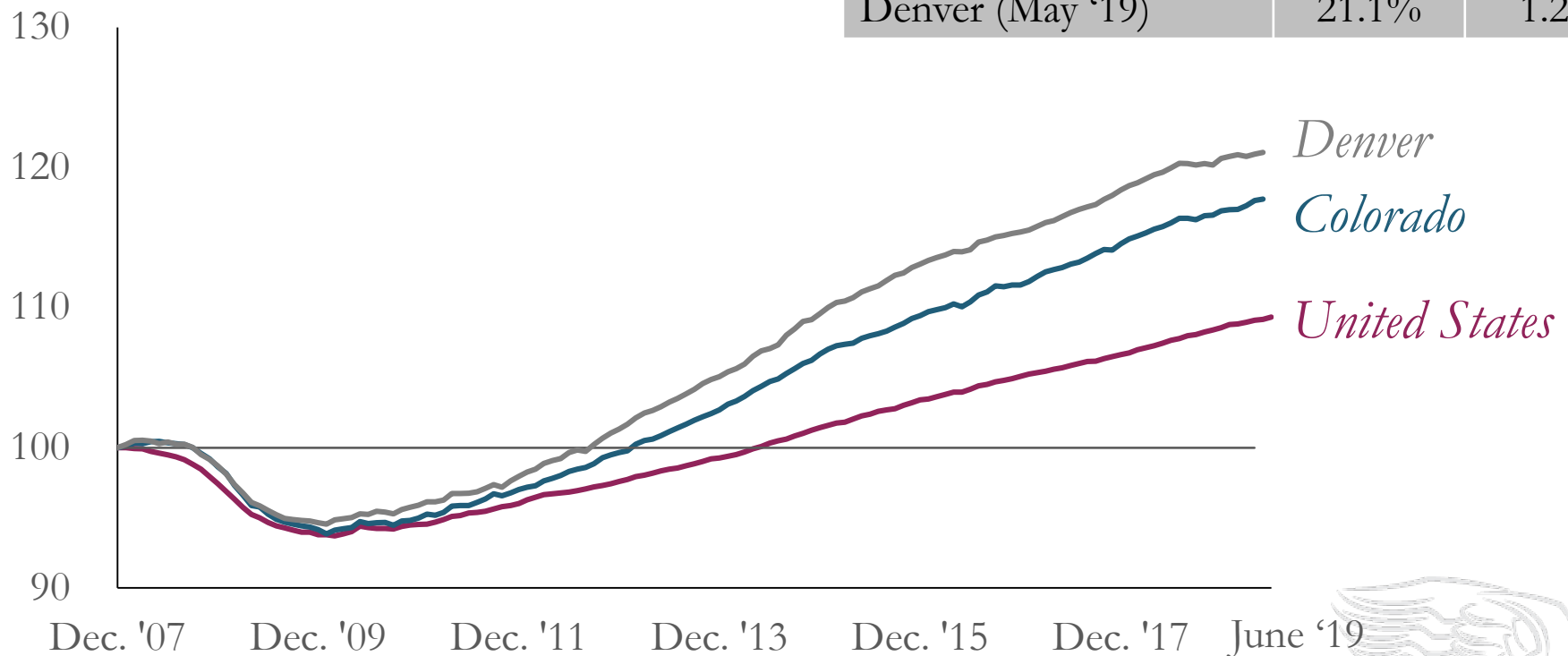
Trillions



Employment has been increasing in Colorado and the nation for more than nine years.

PAYROLL EMPLOYMENT GROWTH

Index 100 = December 2007, Seasonally Adjusted

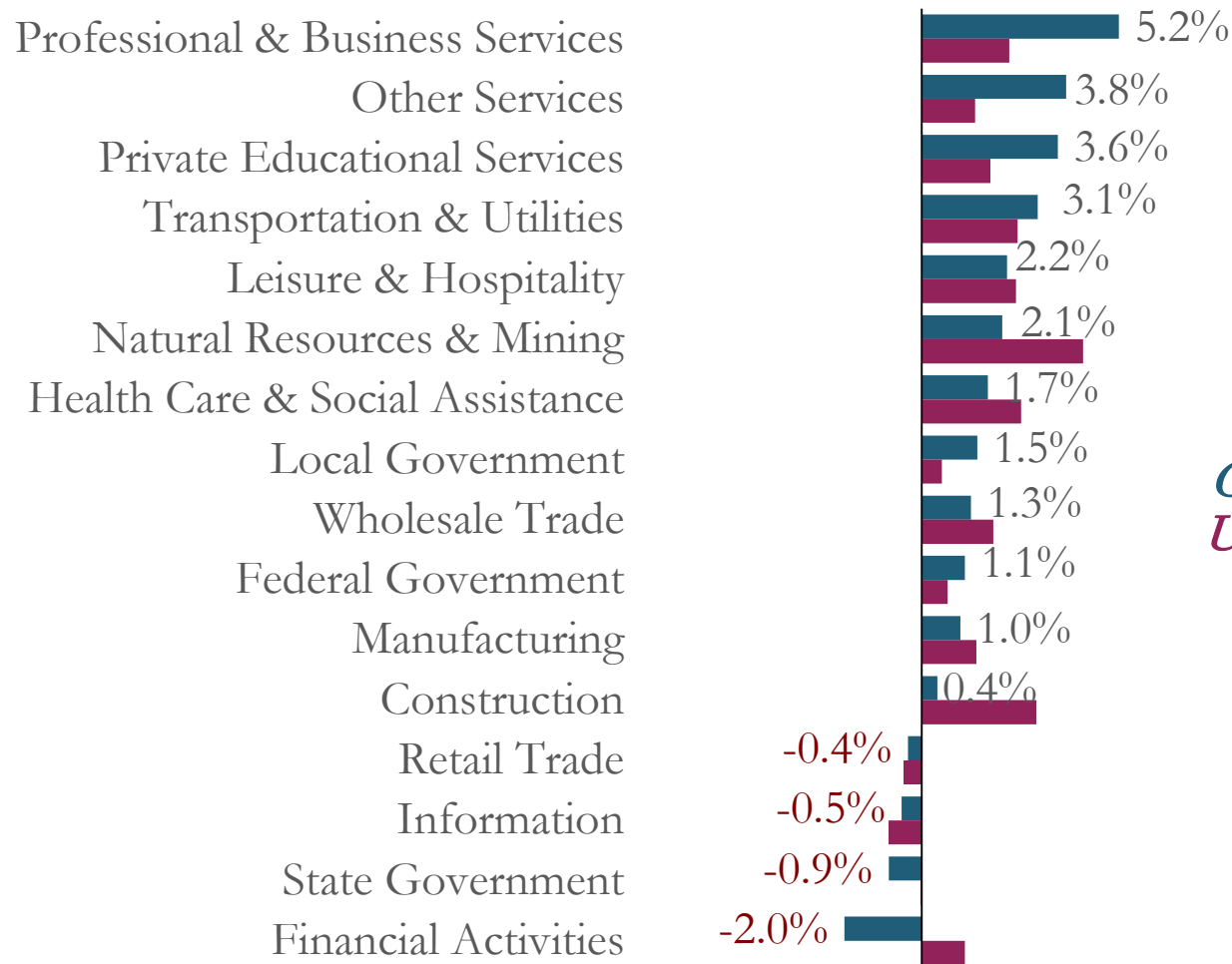


The majority of industries in Colorado have added jobs over the past year.

CHANGE IN PAYROLL EMPLOYMENT, MAY 2019

Seasonally Adjusted

Percent Change Year-over-Year



Colorado
United States

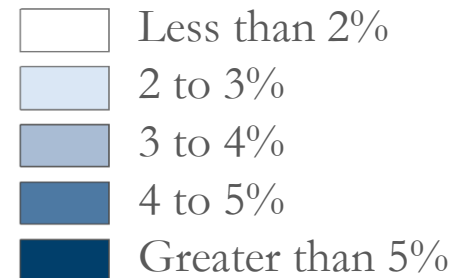
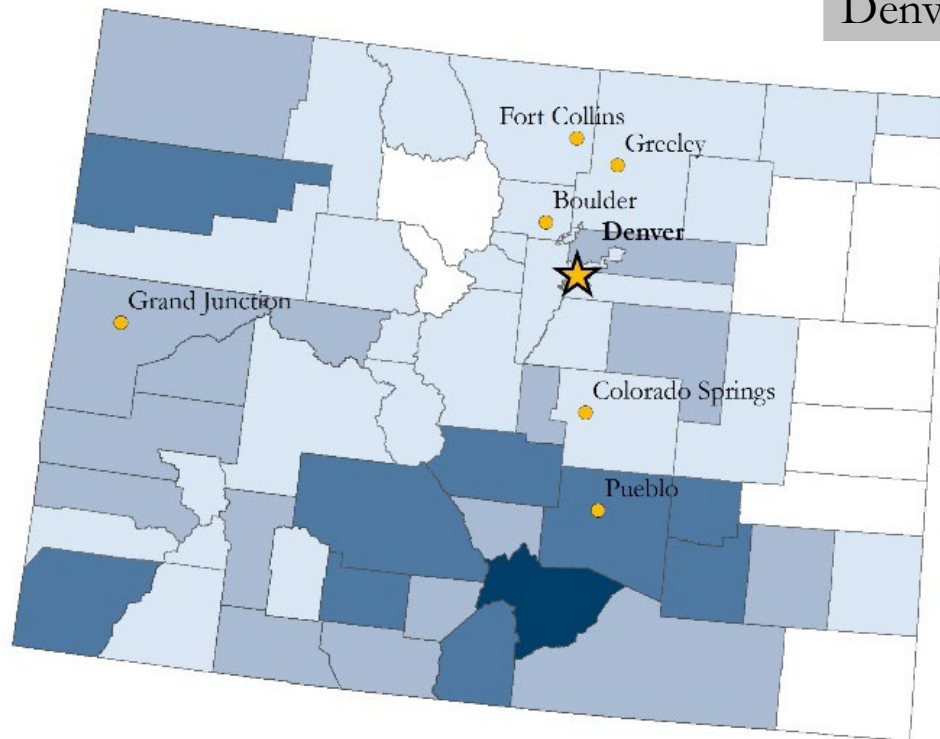


Unemployment rates are low across most of Colorado.

UNEMPLOYMENT RATES *May 2019, Seasonally Adjusted*

<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States (June '19)	3.7%	4.6%	7.2%
Colorado (May '19)	3.2%	3.8%	6.5%
Denver (Mar. '19)	3.0%		

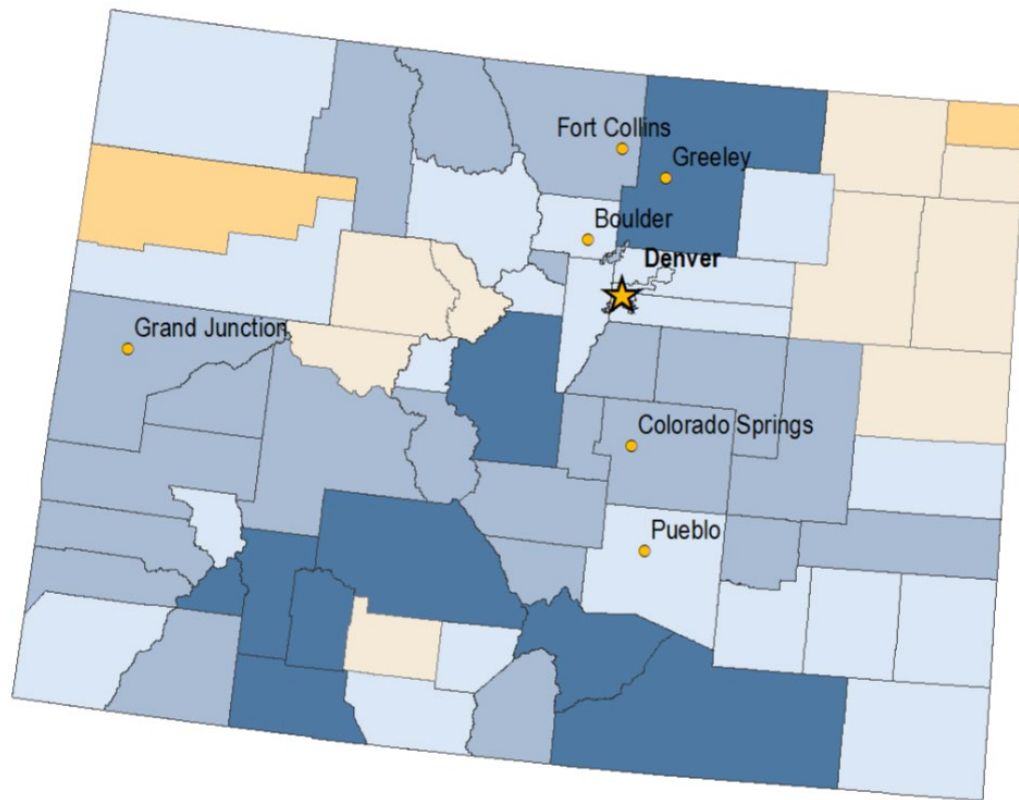
**U-5 and U-6 values are 12-month moving averages as of Q1 2019 for Colorado and are for June, 2019 for the United States.*



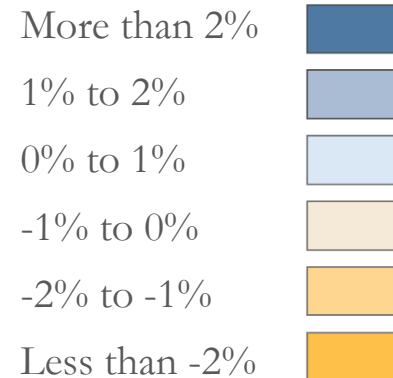
Colorado continues to experience net in-migration.

NET MIGRATION

Total 2018 Net Migration as a Percentage of 2018 Population



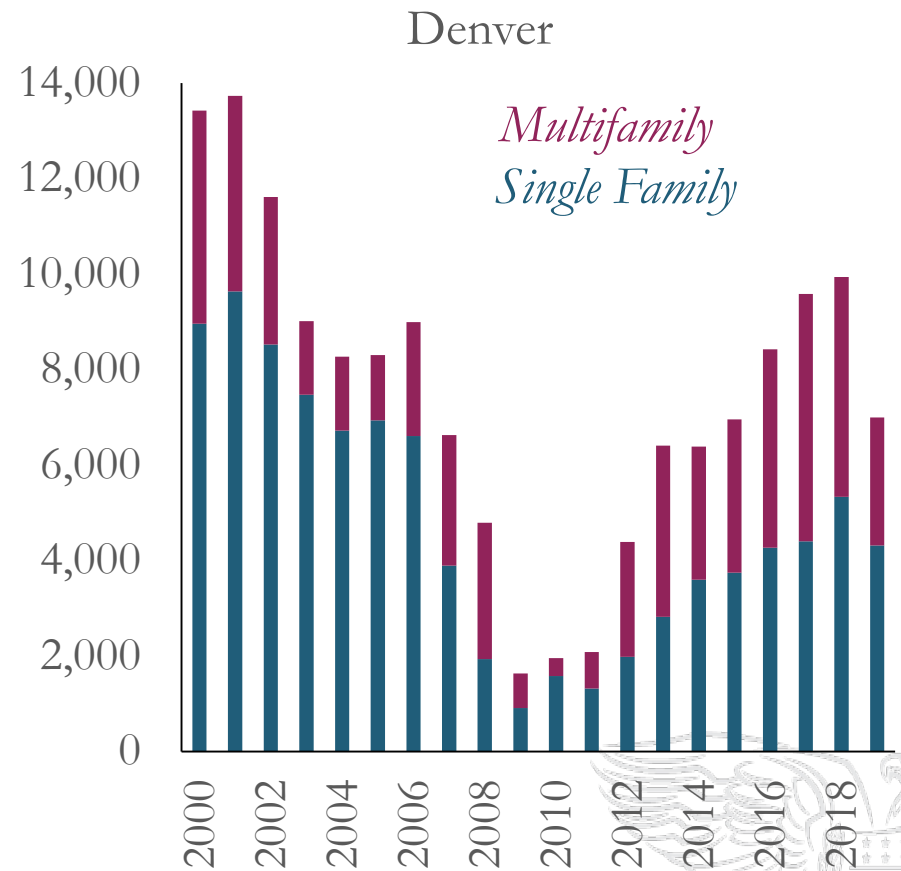
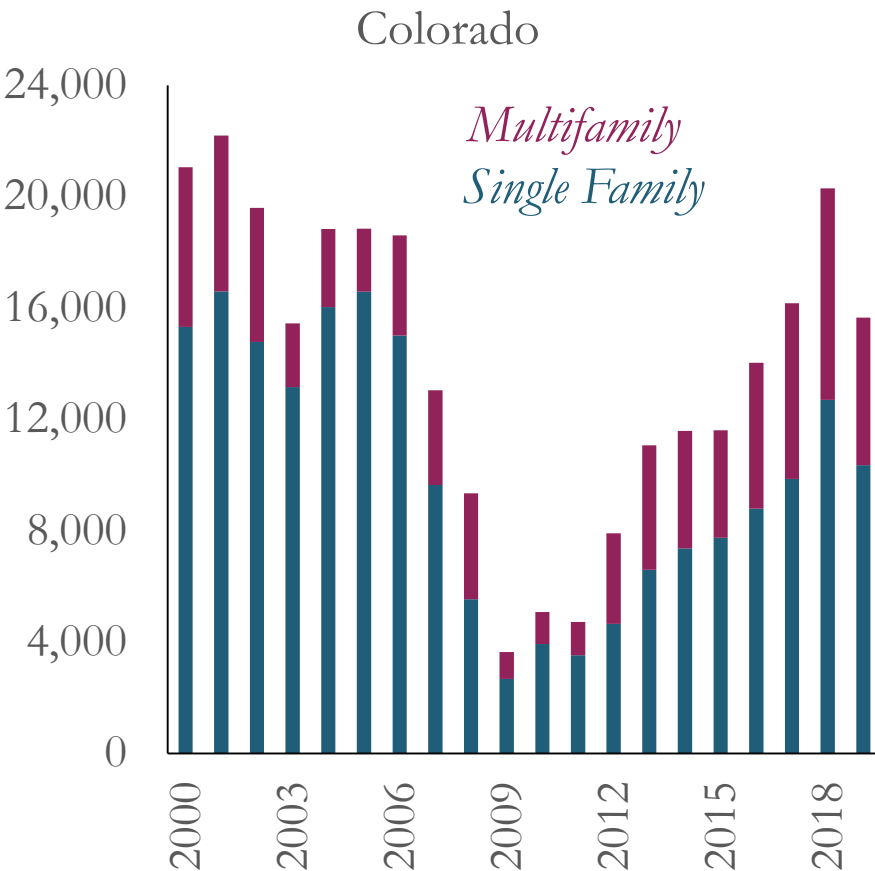
<i>Annual Percent Change</i>	<i>2018</i>
United States	0.3%
Colorado	0.9%
Denver County	0.9%



Residential construction activity has increased significantly since 2009, but permitting has declined so far this year.

RESIDENTIAL PERMITS

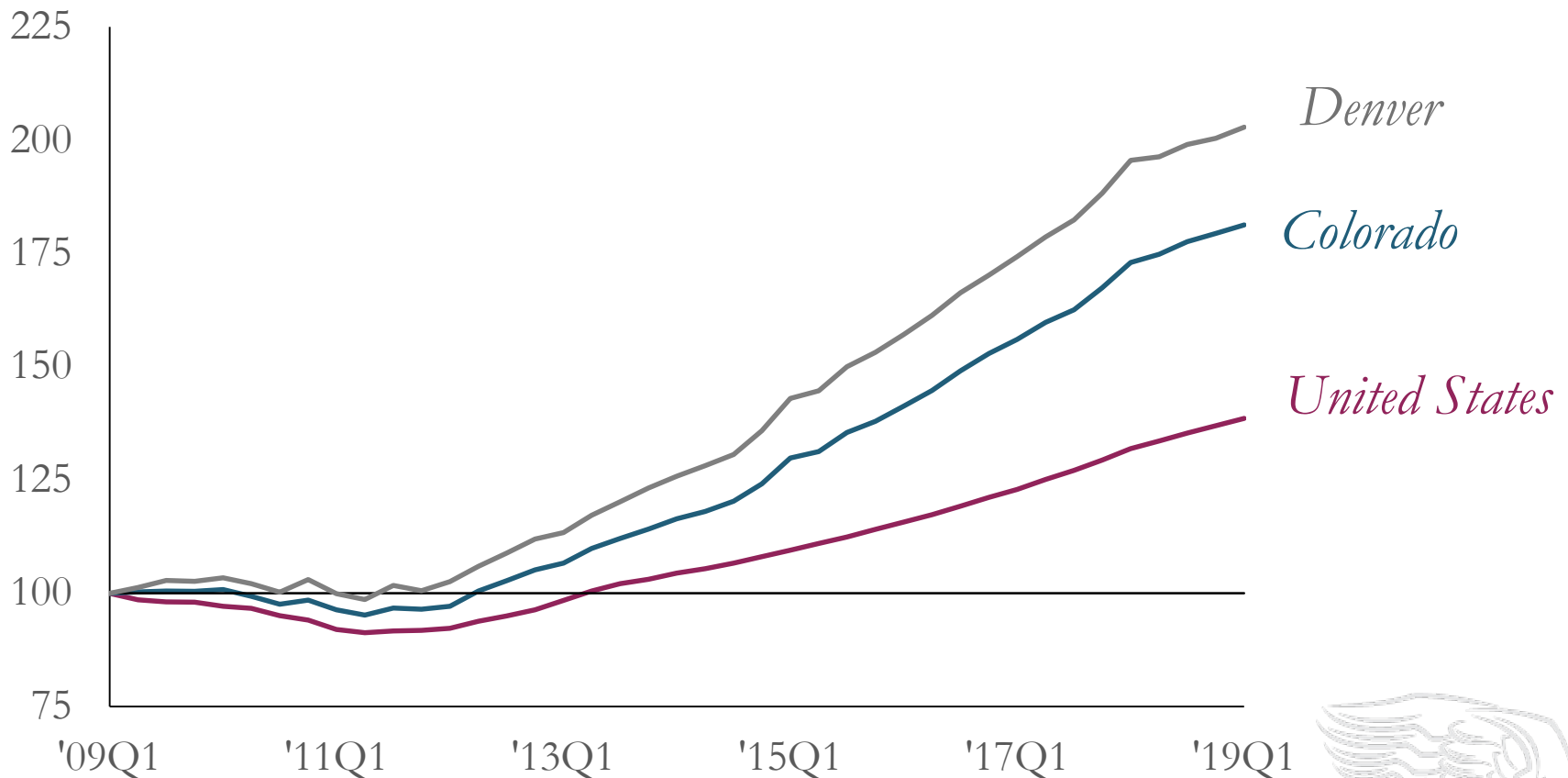
Seasonally Adjusted, Year-to-Date through May



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

HOME PRICES

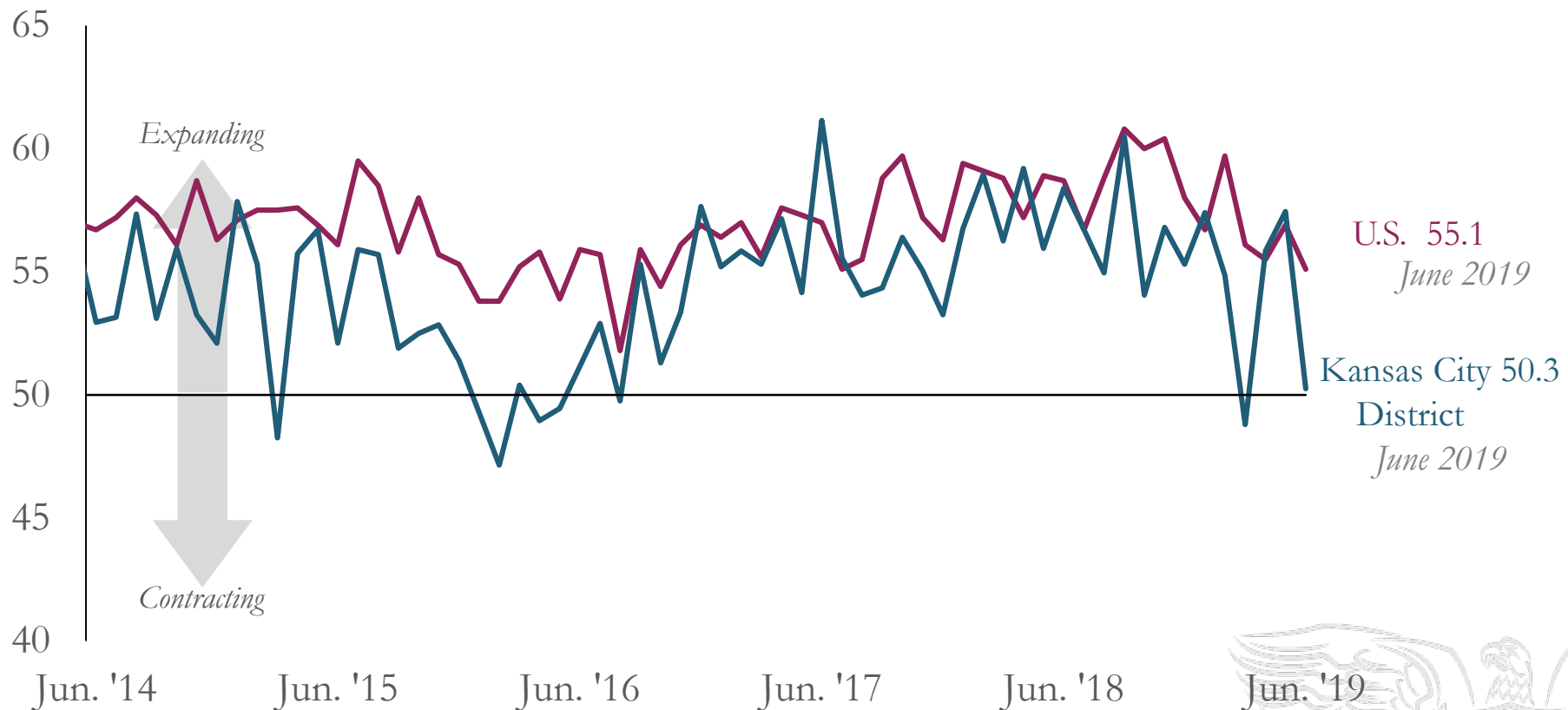
Seasonally Adjusted, Index 100 = Q4:2008



The services sector was flat in June in our region.

NON-MANUFACTURING AND SERVICES ACTIVITY

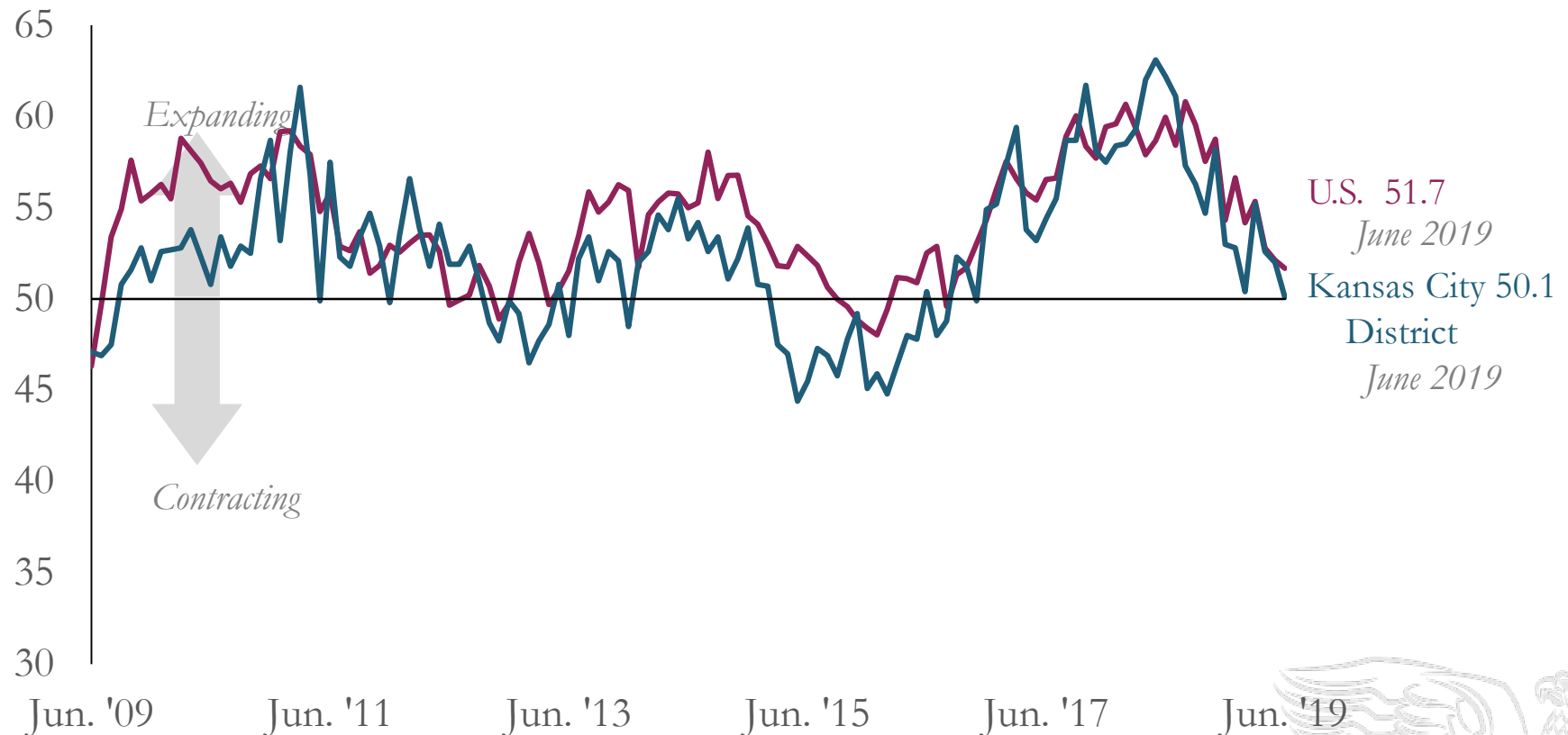
Diffusion Index, Seasonally Adjusted, Month-over-Month



Manufacturing activity has been strong the past two years, but recent surveys suggest the pace of expansion may be slowing.

MANUFACTURING ACTIVITY

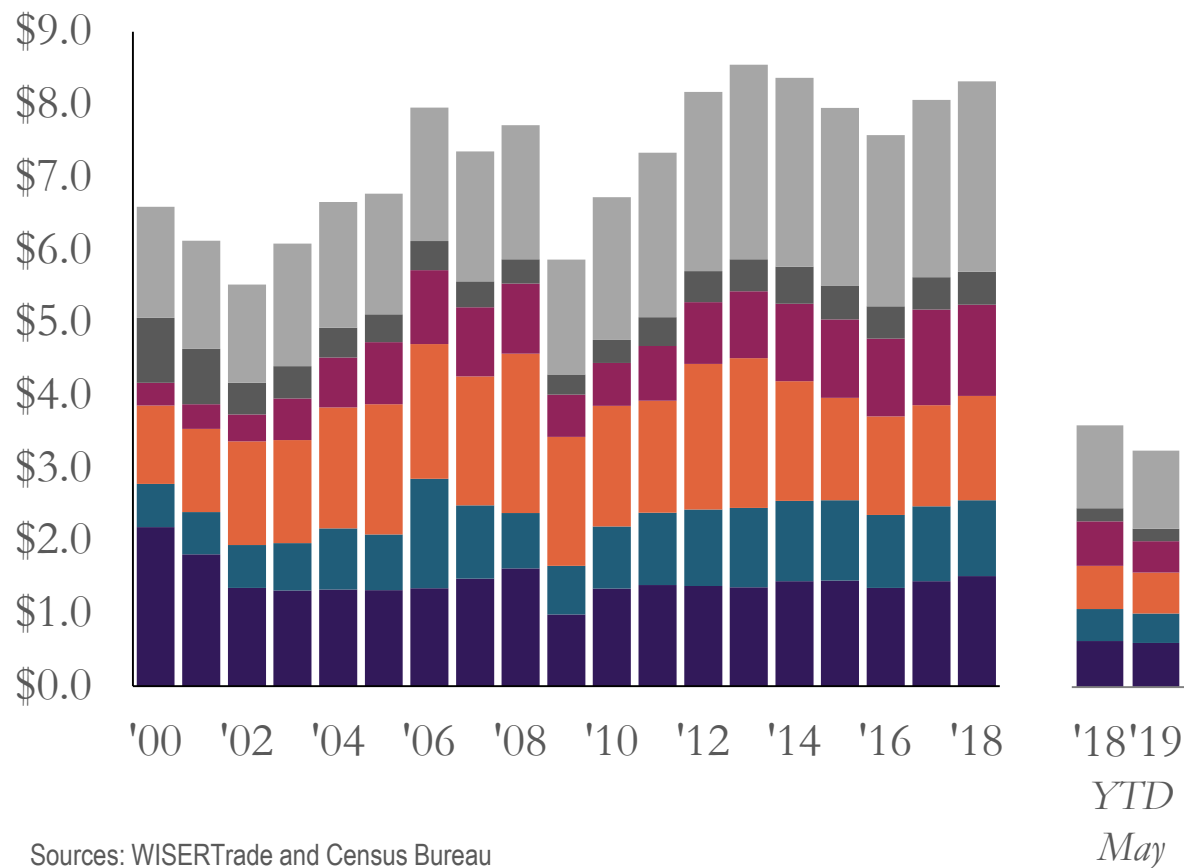
Diffusion Index, Seasonally Adjusted, Month-over-Month



Colorado exports have decreased so far this year.

COLORADO EXPORTS BY TRADING PARTNER

Billions



MAY 2019 YEAR-TO-DATE

Year-over-Year Percent Change

Total Trade	-9.6%	SHARE*
All Other	-5.5	31.5%
Japan	-8.1	5.4
Mexico	-28.5	15.1
Canada	-5.7	17.3
China	-7.7	12.5
Eurozone	-4.4	18.1

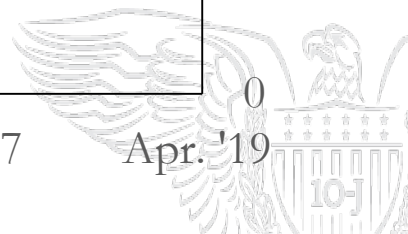
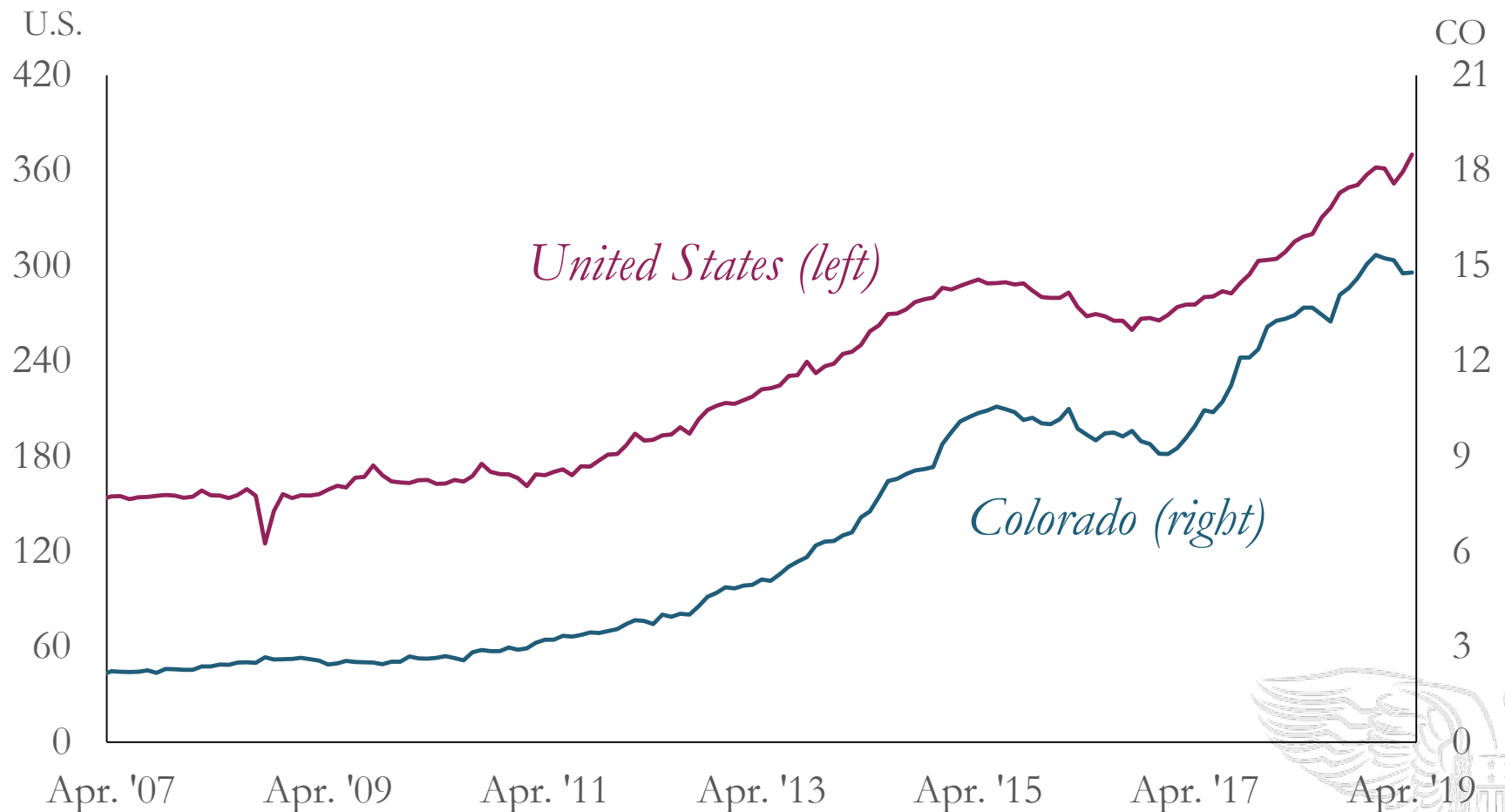
**Shares are for 2018*



Energy activity rose substantially over the past two years in response to higher oil prices.

CRUDE OIL PRODUCTION

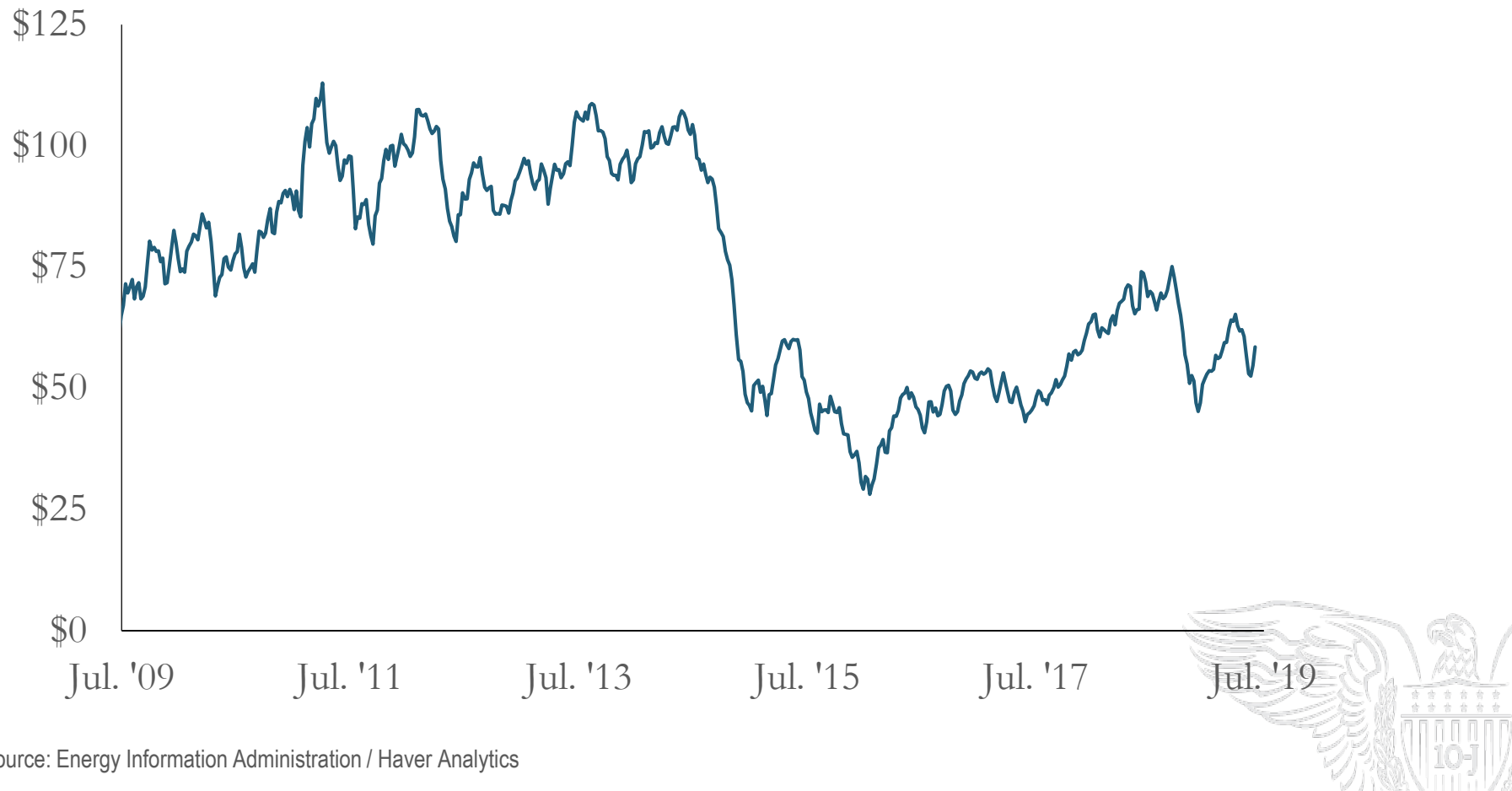
Millions of Barrels, Monthly, Seasonally Adjusted



Oil prices have been volatile in recent months.

OIL PRICES - WTI

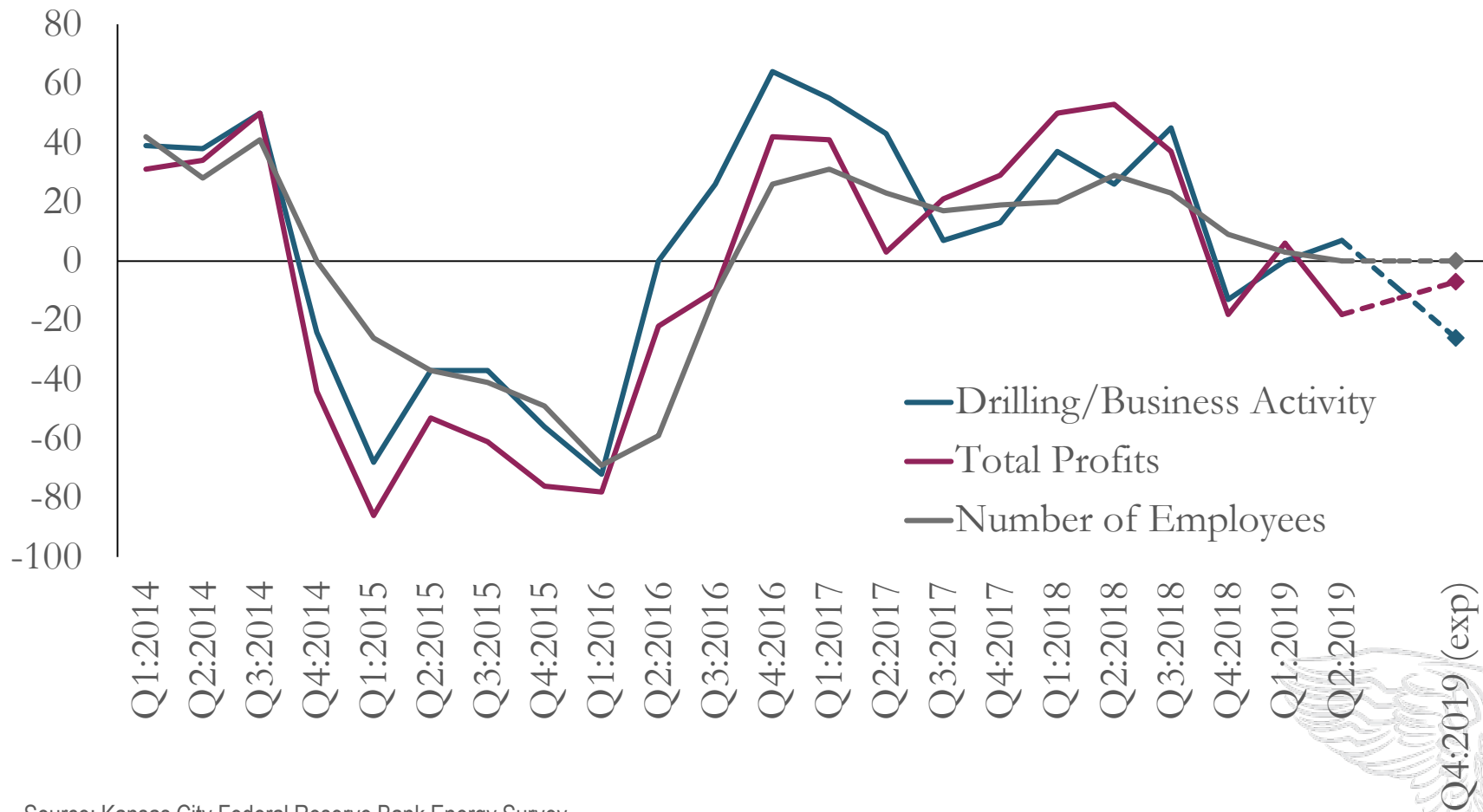
Dollars per Barrel



Expectations for energy activity have weakened as oil prices remain below year-ago levels.

ENERGY SURVEY ACTIVITY INDICATORS

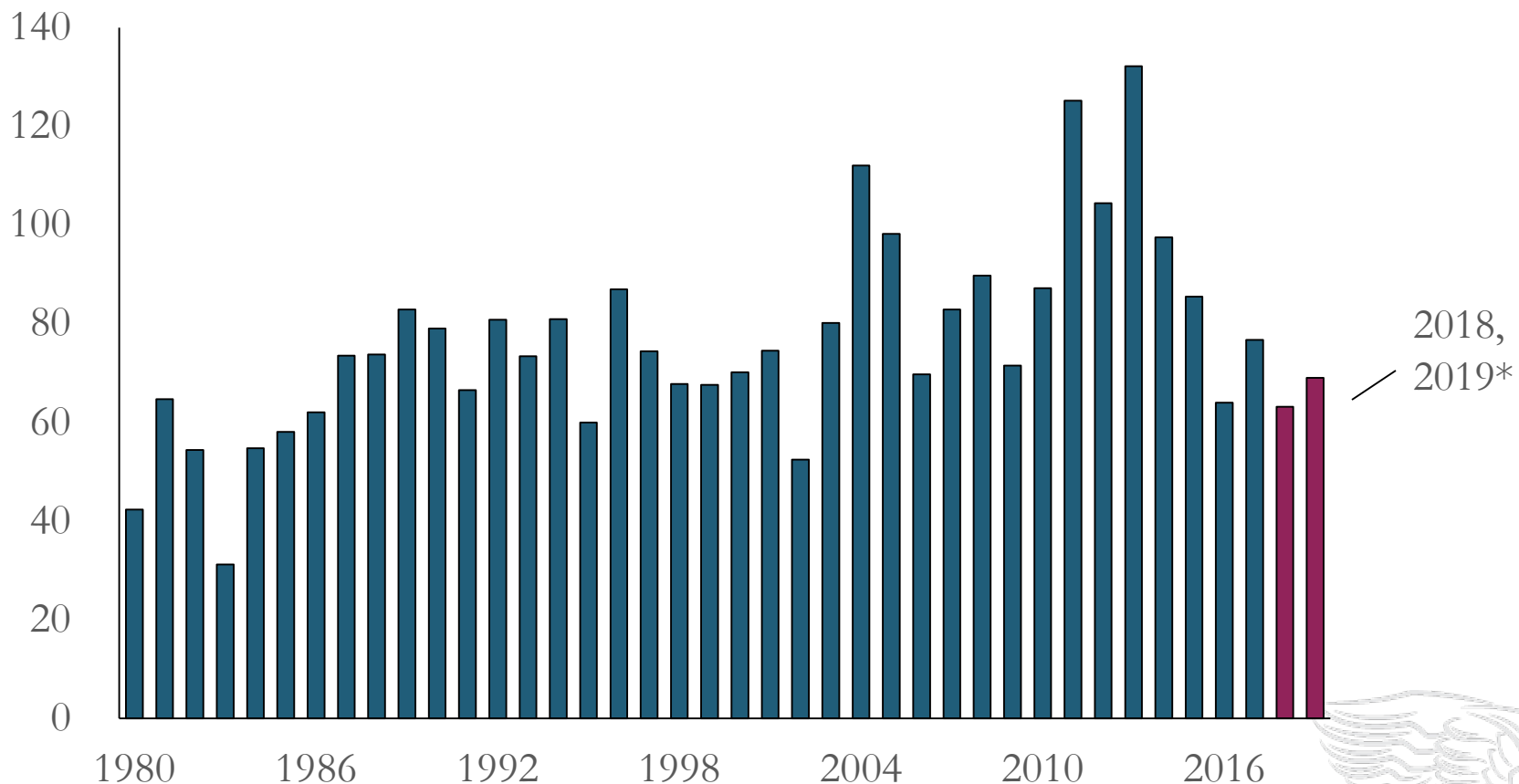
Quarterly Diffusion Index



The agriculture sector continues to struggle as commodity prices remain low.

U.S. REAL NET FARM INCOME

Billions, 2018 Dollars



*Forecasts for 2018 and 2019

Source: USDA



The background of the slide features a large, circular seal of the Federal Reserve Bank of Denver, Colorado. The seal is made of a dark material with a gold-colored border. The words "FEDERAL RESERVE BANK" are inscribed in gold along the top arc, and "DENVER, COLORADO" is inscribed along the bottom arc. In the center of the seal is an eagle with spread wings, perched atop a shield. The shield contains a series of vertical lines and stars. The entire seal is set against a light gray, textured background.

For additional information on the regional economy:

<http://www.KansasCityFed.org/Denver>

