

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.

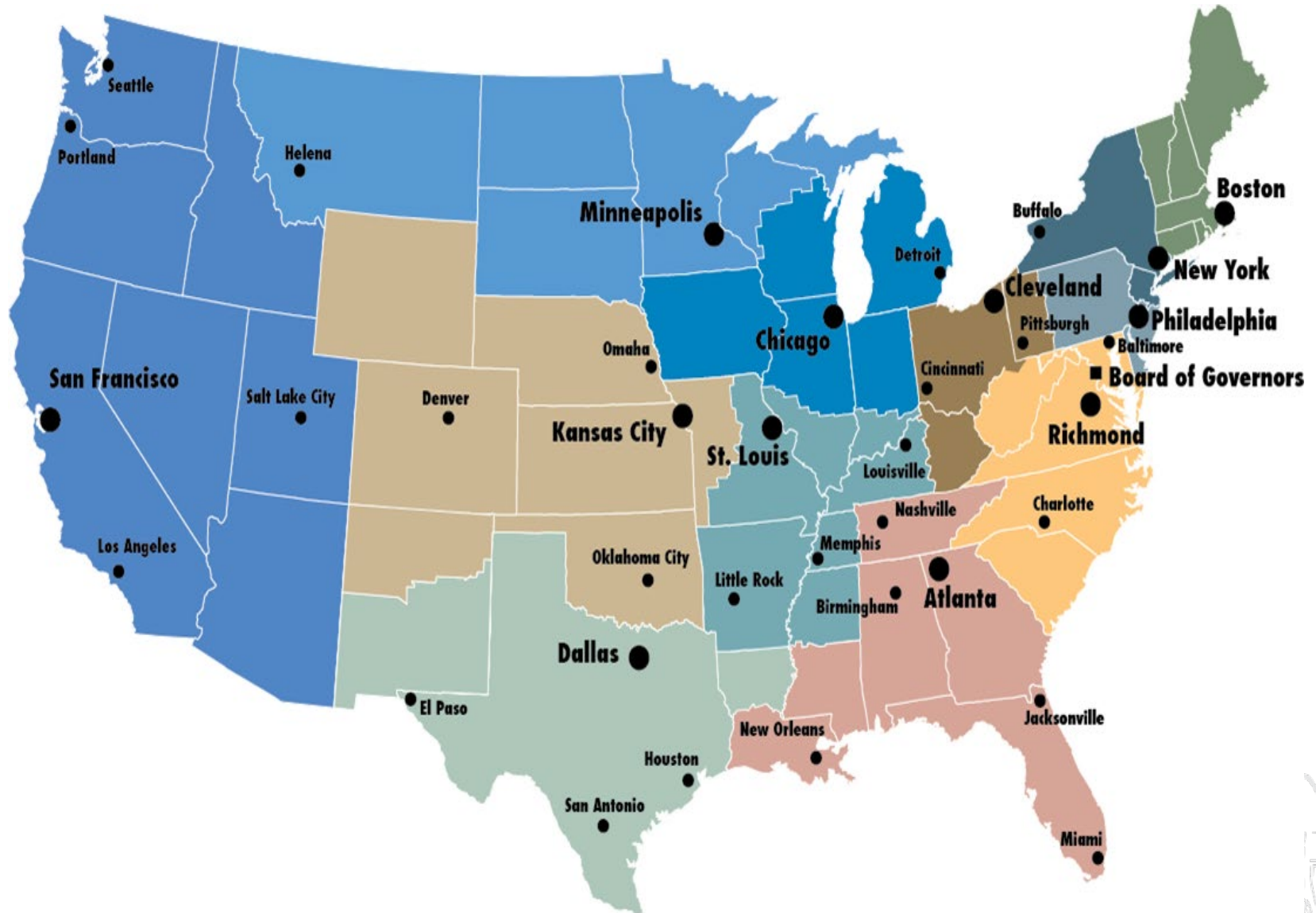


The Structure of the Federal Reserve System

- 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

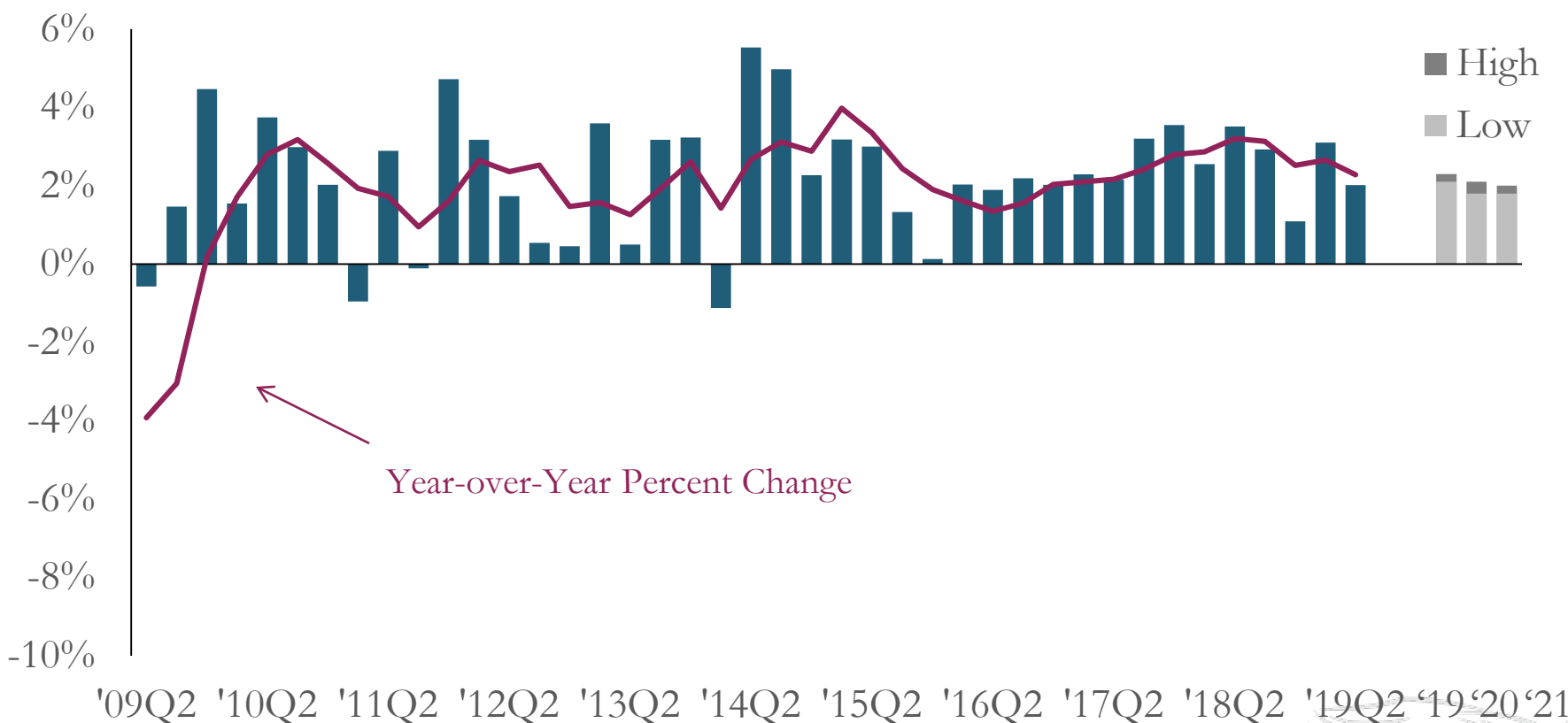
- Conduct the Nation's Monetary Policy
 - The Federal Open Market Committee is the group charged with conducting monetary policy within the U.S.
 - The Committee has a statutory mandate from Congress to promote maximum employment, stable prices and moderate long-term interest rates.
- Provide and Maintain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



The U.S. economy is expected to expand at a moderate pace this year.

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

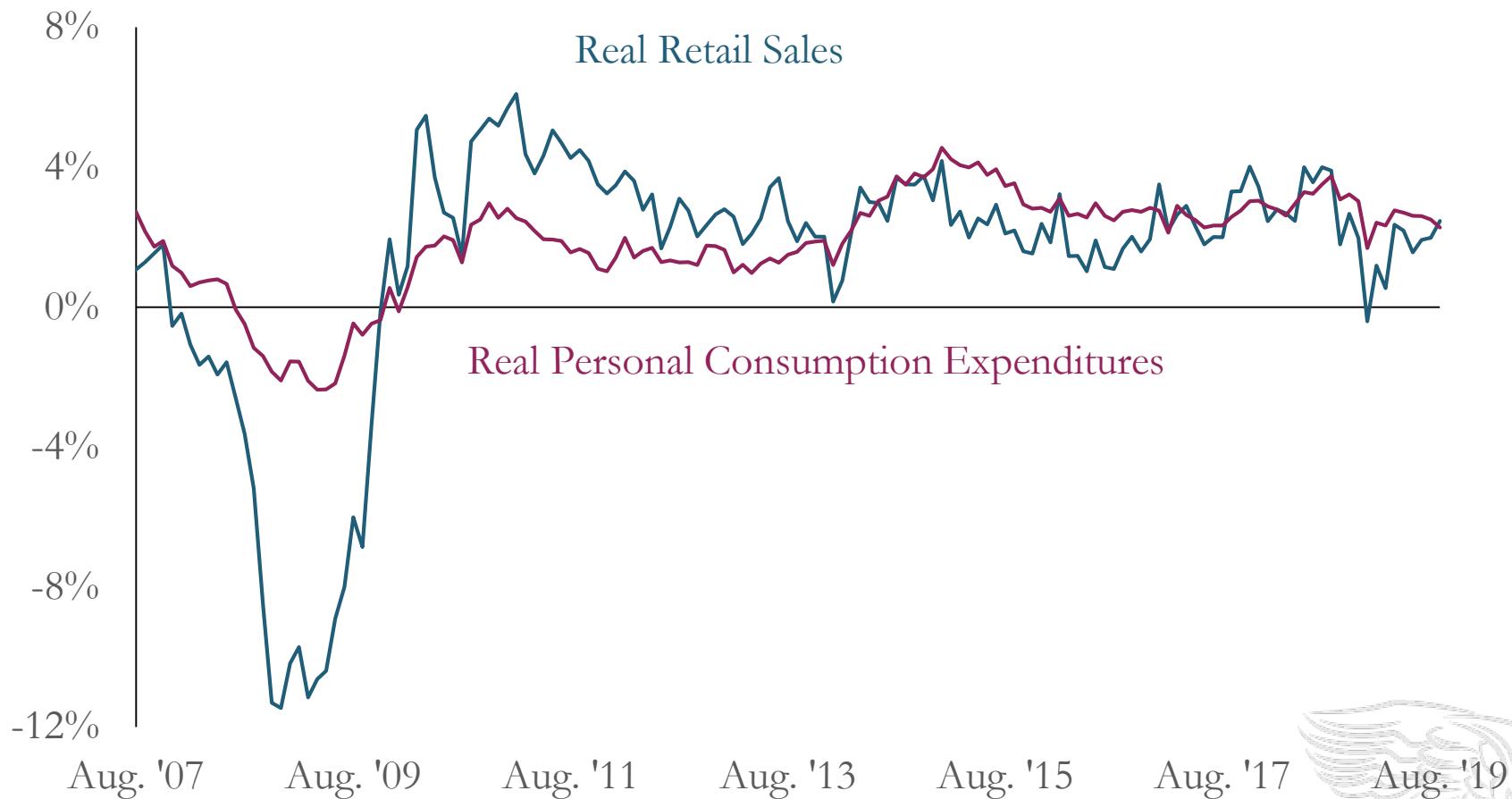
*Projections as of September FOMC meeting

FOMC
Central Tendency
Projections*

Consumer spending continues to increase at a solid pace.

REAL CONSUMPTION SPENDING

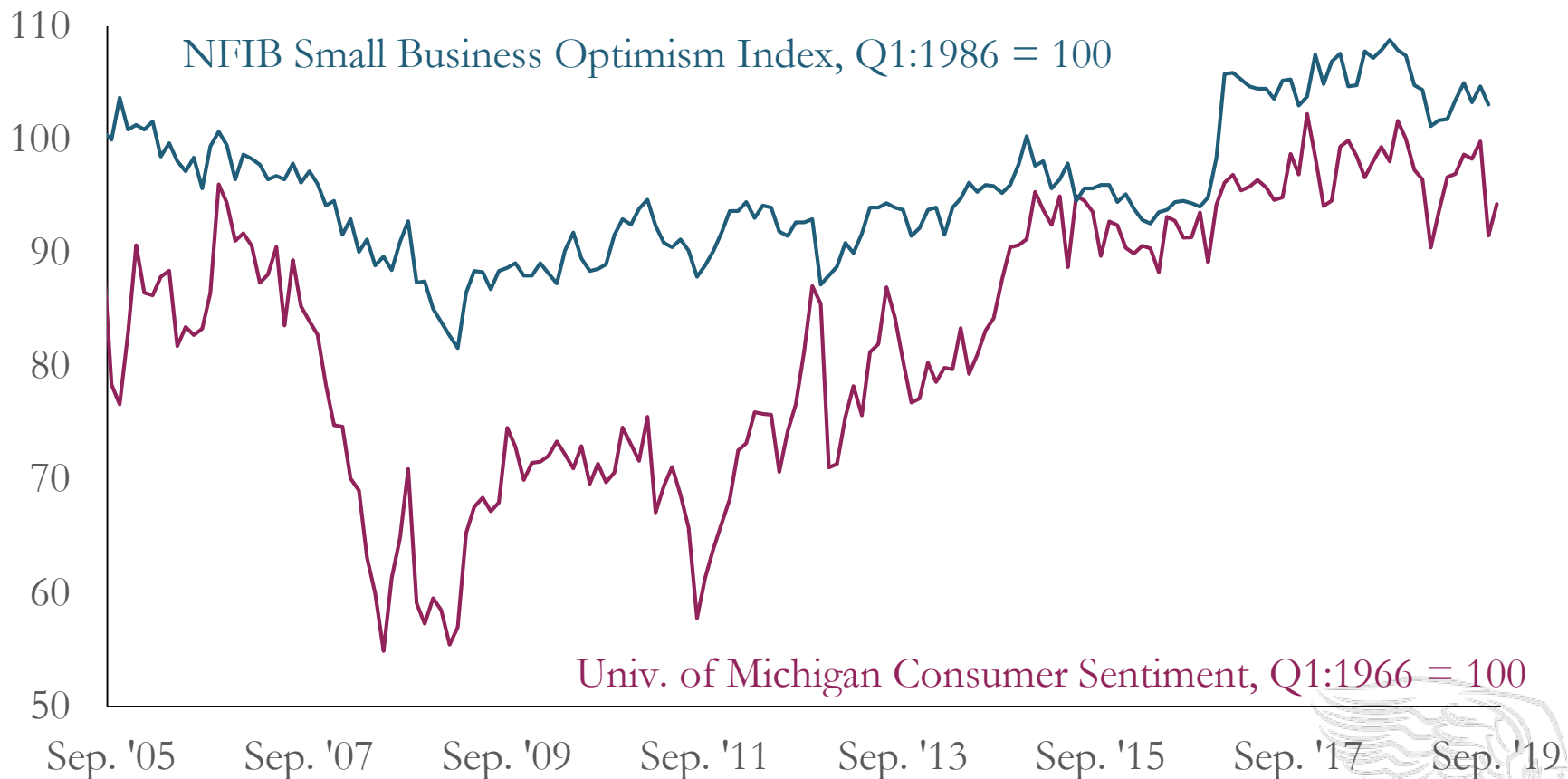
Seasonally Adjusted, Year-over-Year Percent Change



Businesses and consumers remain optimistic about the economy, but confidence is below year-ago levels.

BUSINESS AND CONSUMER SENTIMENT

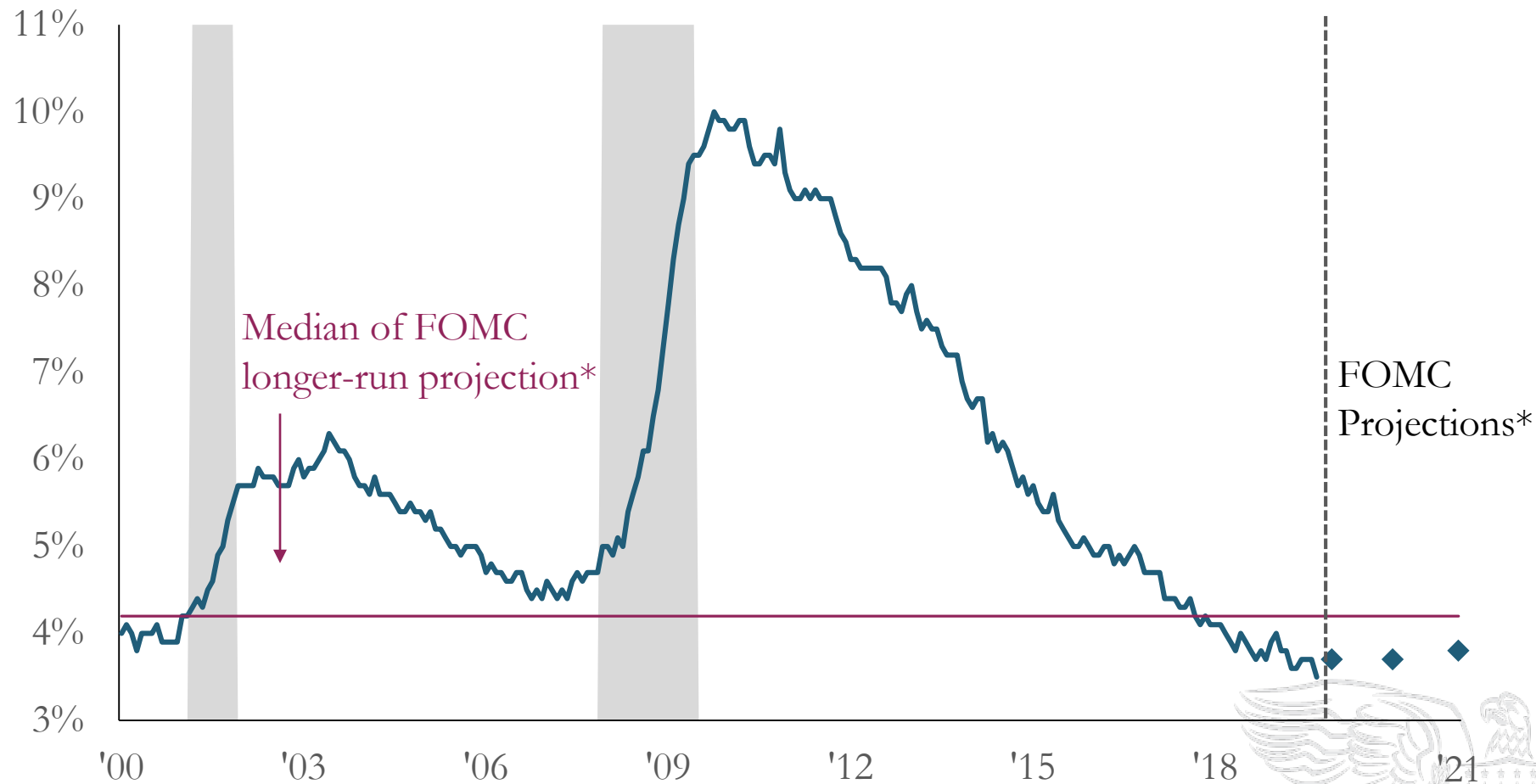
Seasonally Adjusted



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



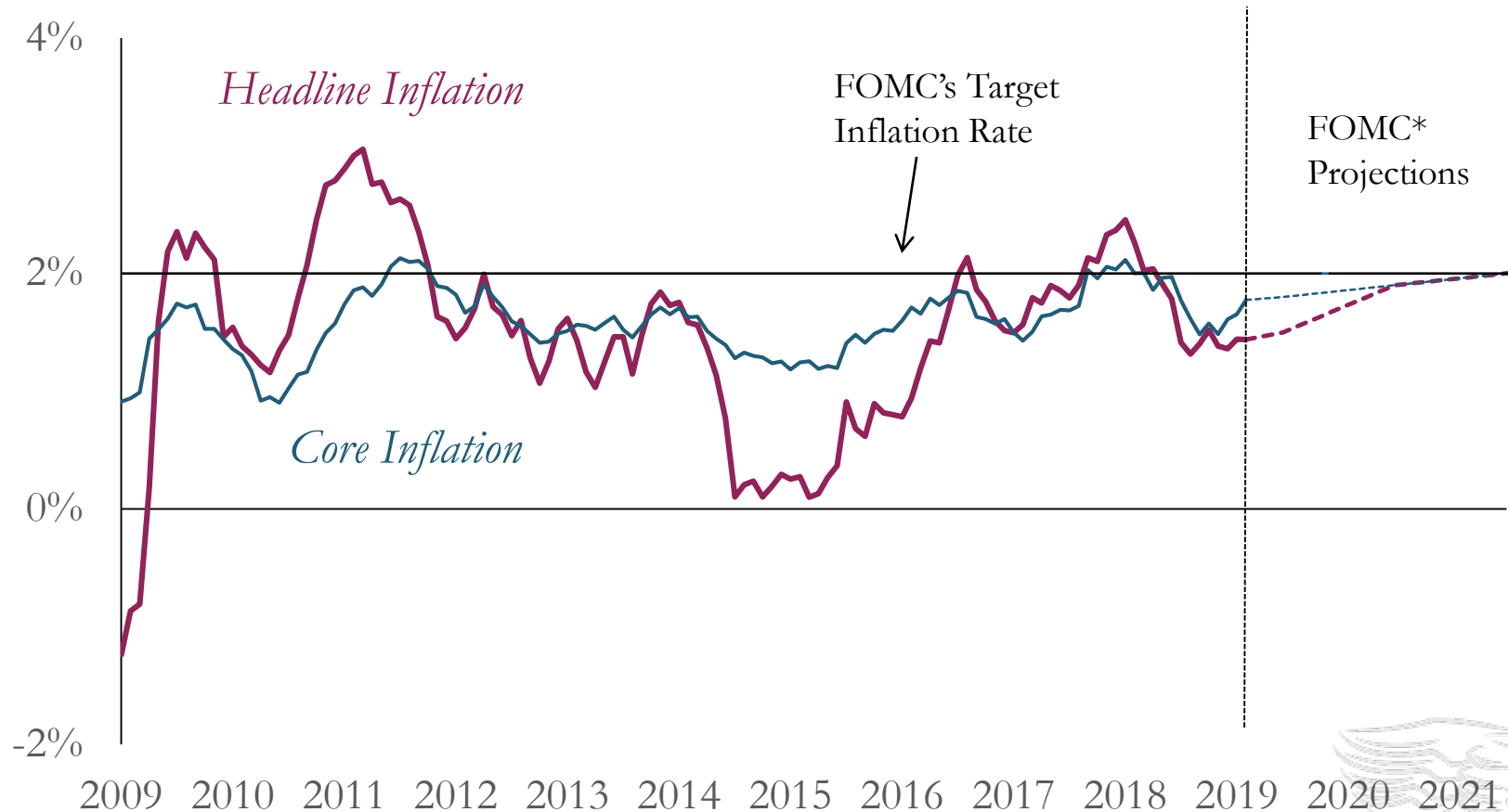
Sources: Bureau of Labor Statistics, National Bureau of Economic Research and Federal Open Market Committee (FOMC) / Haver Analytics

*Projections as of September FOMC 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



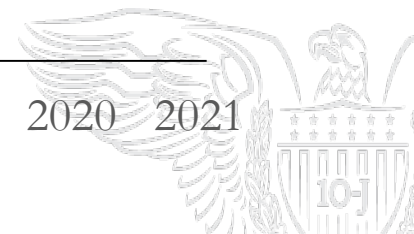
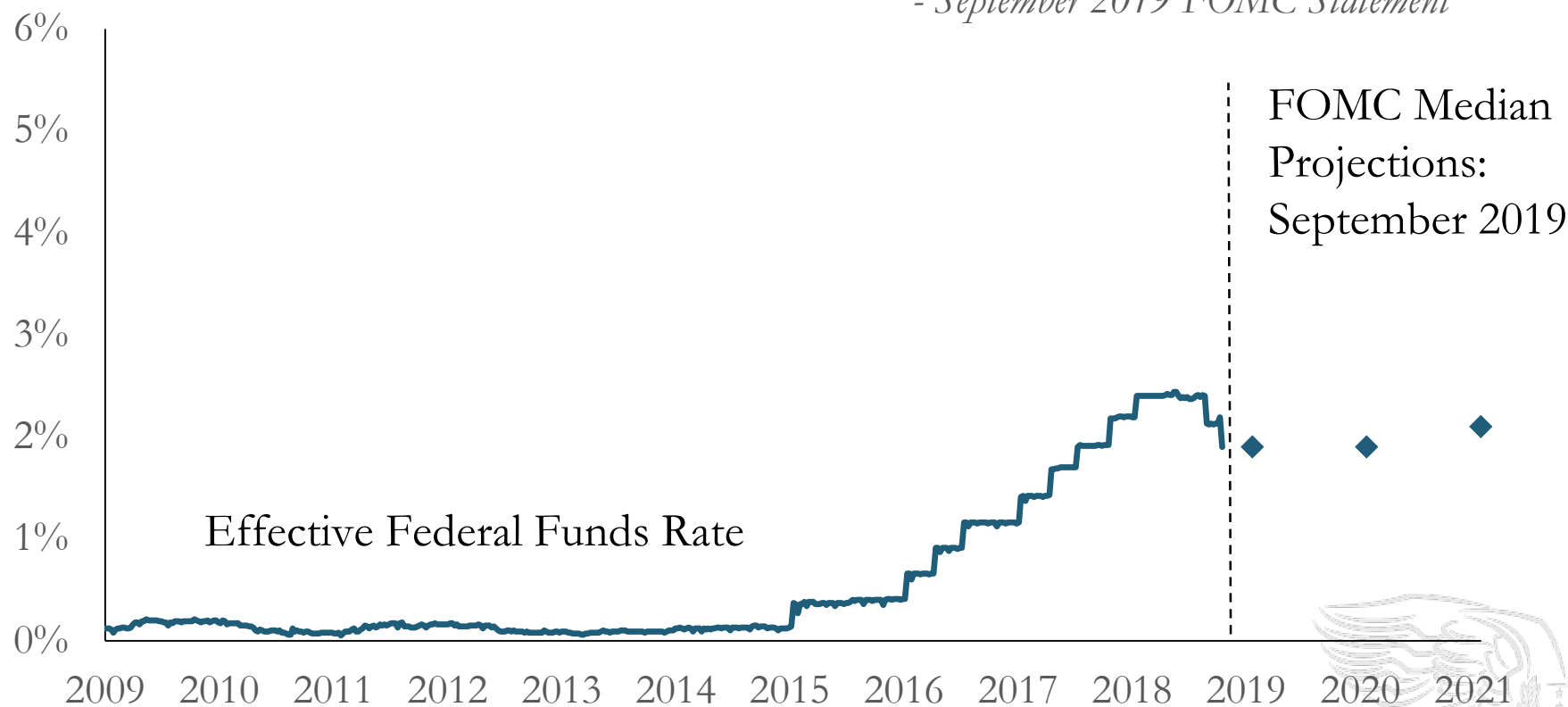
Sources: Bureau of Economic Analysis and Federal Open Market Committee / Haver Analytics

*Projections as of September FOMC meeting; median projections



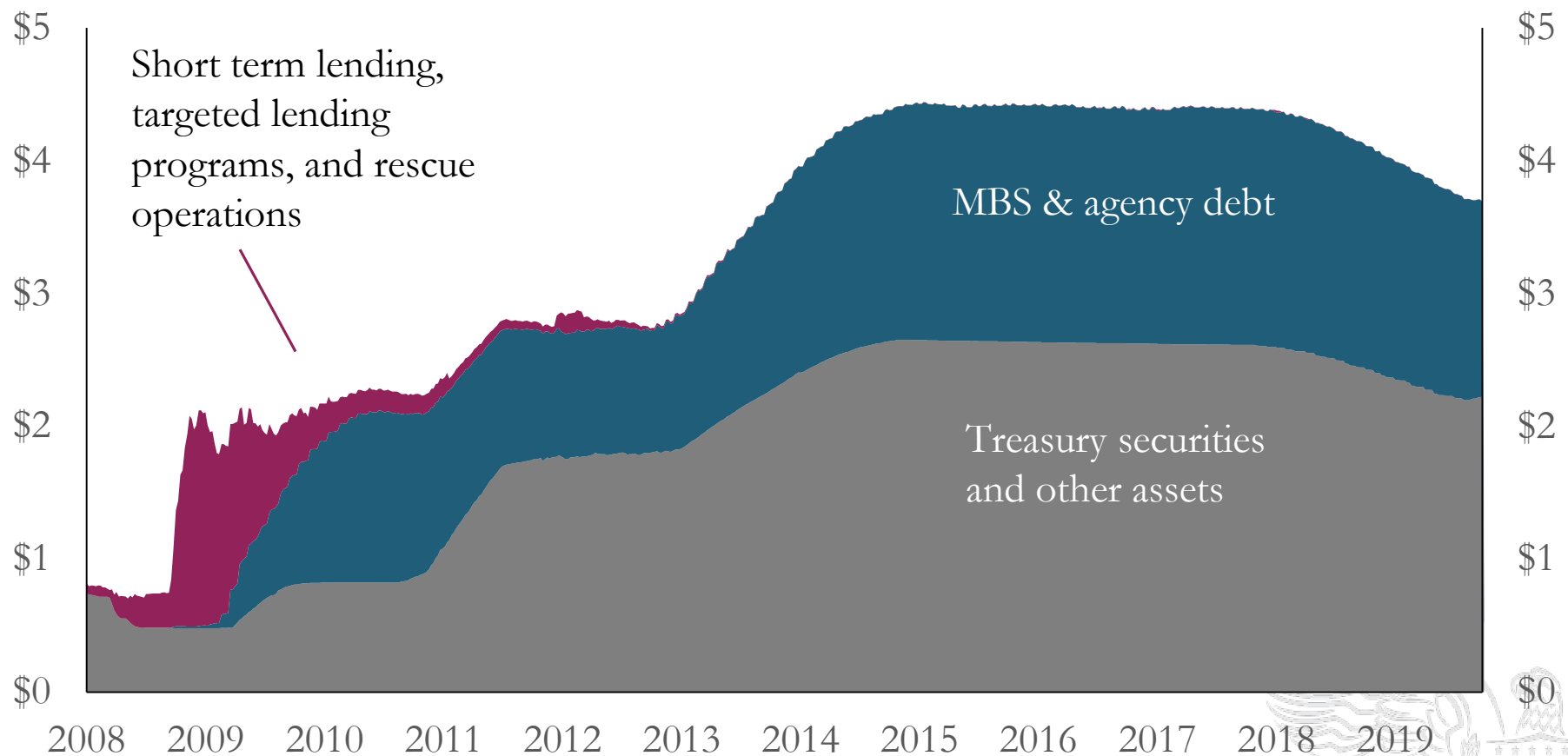
“Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. In light of the implications of global developments for the economic outlook as well as muted inflation pressures, the Committee decided to lower the target range for the federal funds rate to 1-3/4 to 2 percent.”

- September 2019 FOMC Statement



FEDERAL RESERVE BALANCE SHEET

Trillions

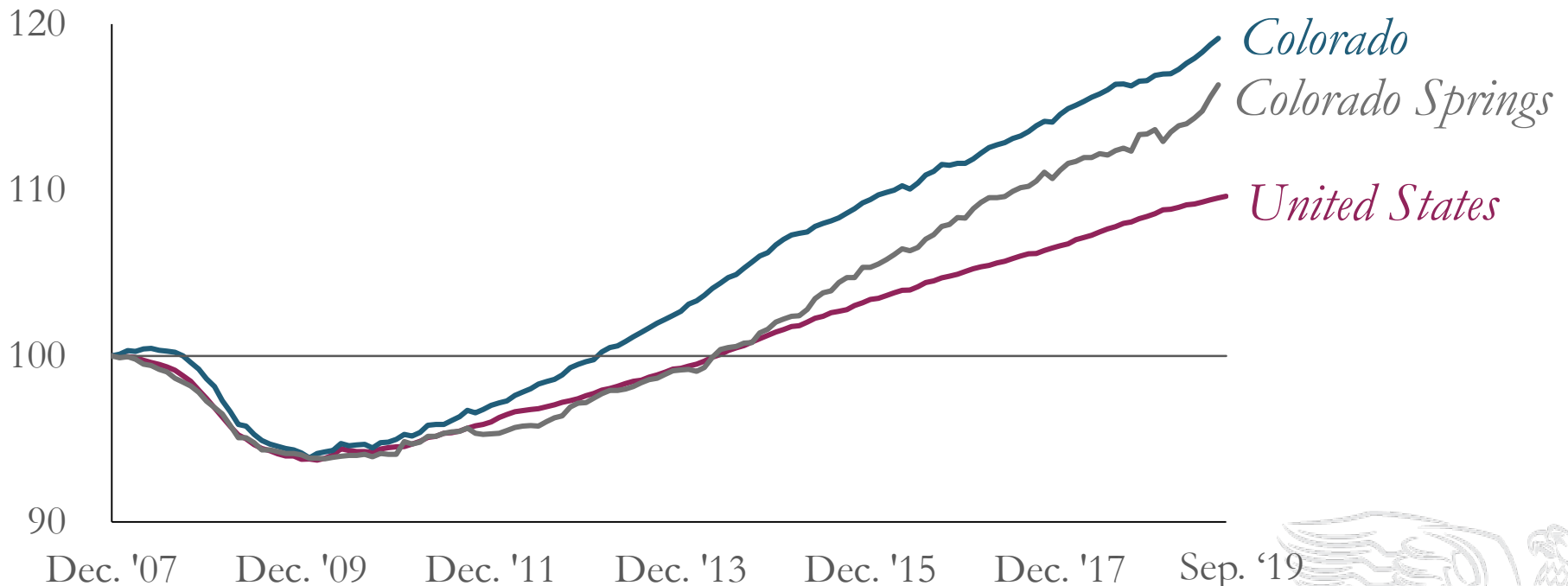


Employment has been increasing in Colorado and the nation for more than nine years.

PAYROLL EMPLOYMENT GROWTH

Index 100 = December 2007, Seasonally Adjusted

<i>Percent Change</i>	<i>Dec. '07 to Present</i>	<i>Past Year</i>
U.S. (Sep. '19)	9.6%	1.4%
Colorado (Aug. '19)	19.1%	2.4%
Colorado Springs (Aug. '19)	16.3%	3.4%

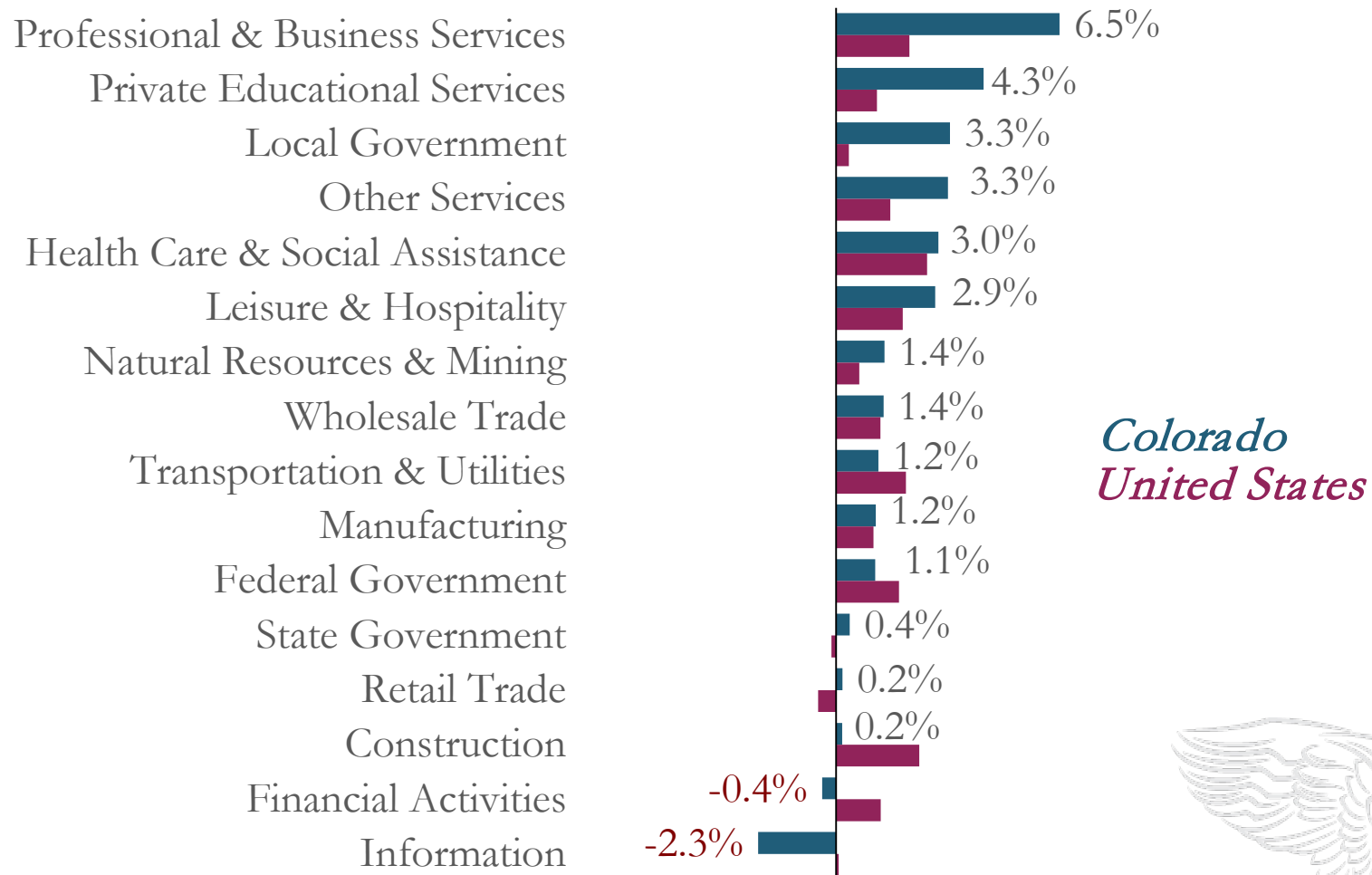


The majority of industries in Colorado have added jobs over the past year.

CHANGE IN PAYROLL EMPLOYMENT, AUGUST 2019

Seasonally Adjusted

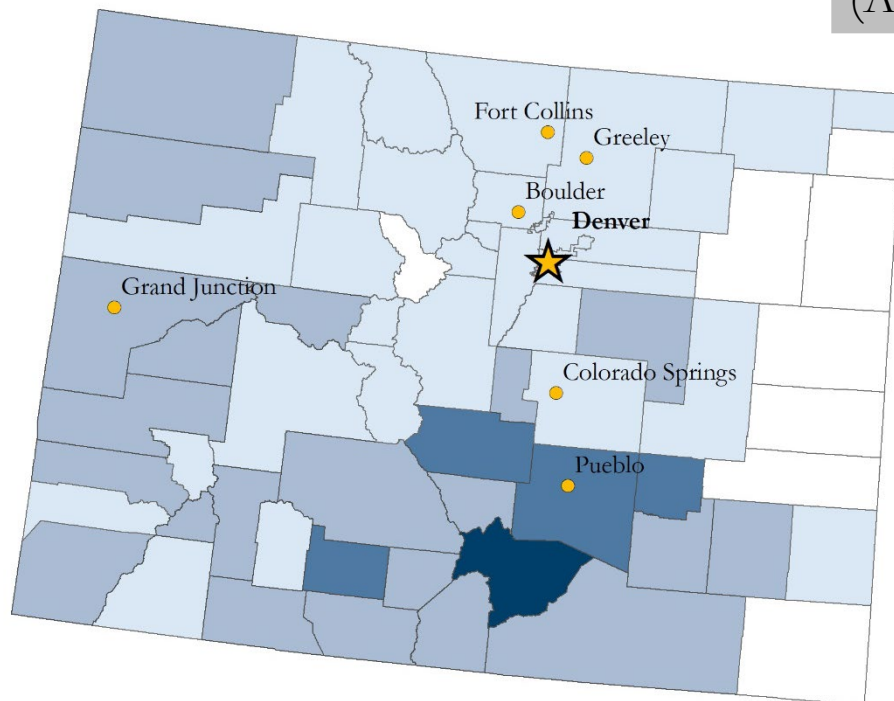
Percent Change Year-over-Year



Unemployment rates are low across most of Colorado.

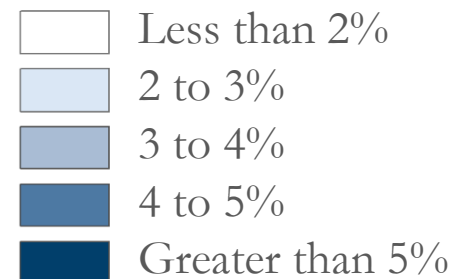
UNEMPLOYMENT RATES

August 2019, Seasonally Adjusted



<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States (Sep. '19)	3.5%	4.3%	6.9%
Colorado (Aug. '19)	2.8%	3.8%	6.6%
Colorado Springs (Aug. '19)	3.3%		

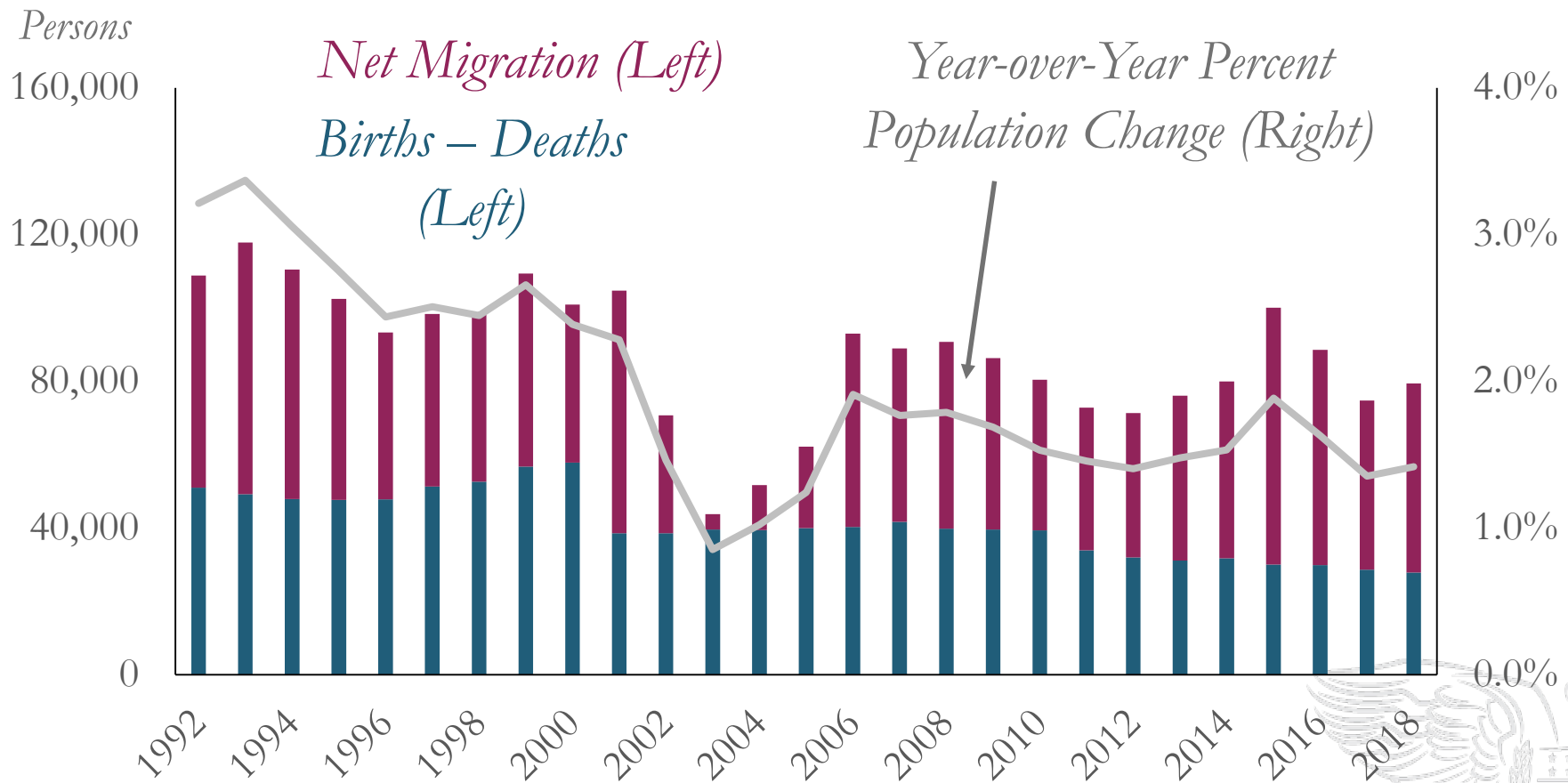
**U-5 and U-6 values are 12-month moving averages as of Q2 2019 for Colorado and are for Sept., 2019 for the United States.*



Population growth has slowed in Colorado since the 1990s, but people continue to migrate into the state.

CONTRIBUTIONS TO POPULATION CHANGE IN COLORADO

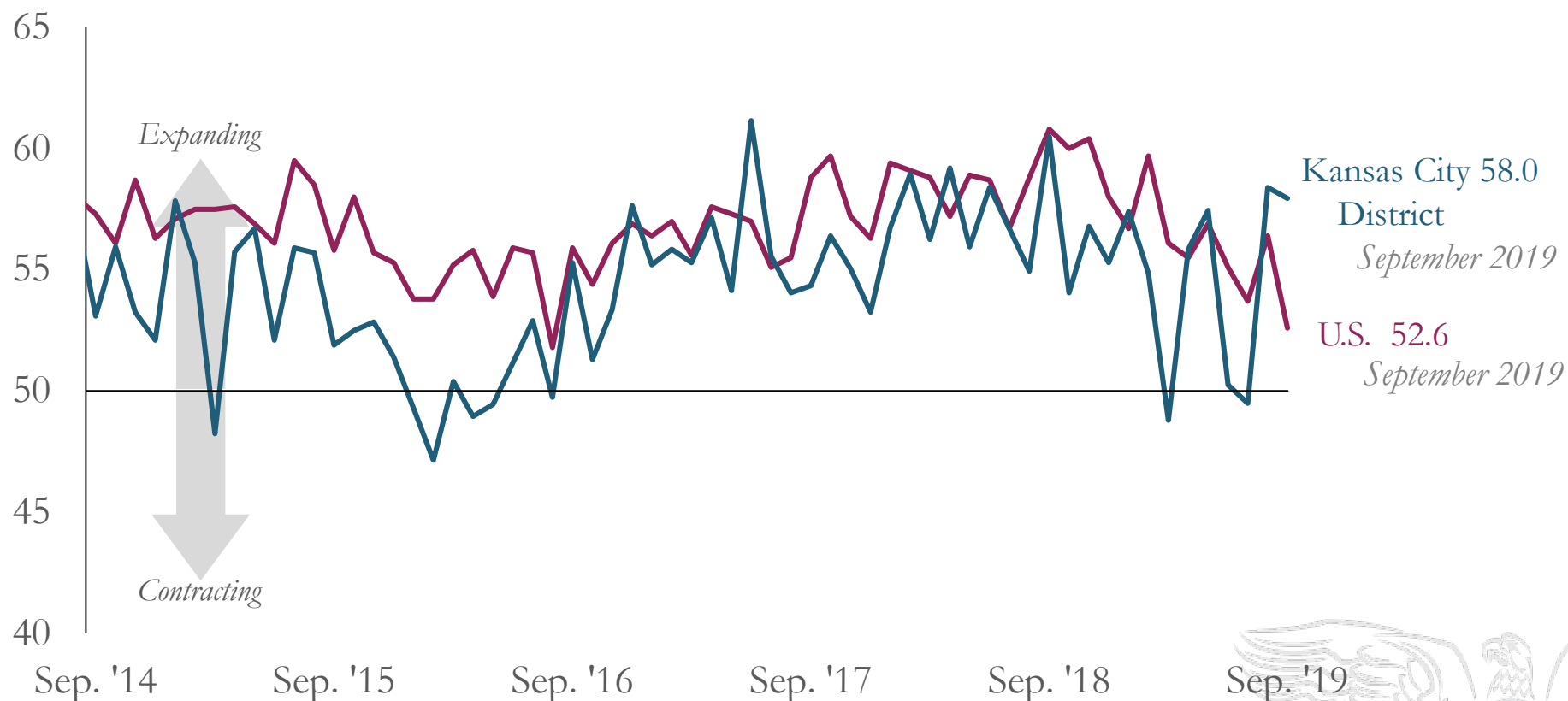
Annual



The services sector is expanding at a moderate pace.

NON-MANUFACTURING AND SERVICES ACTIVITY

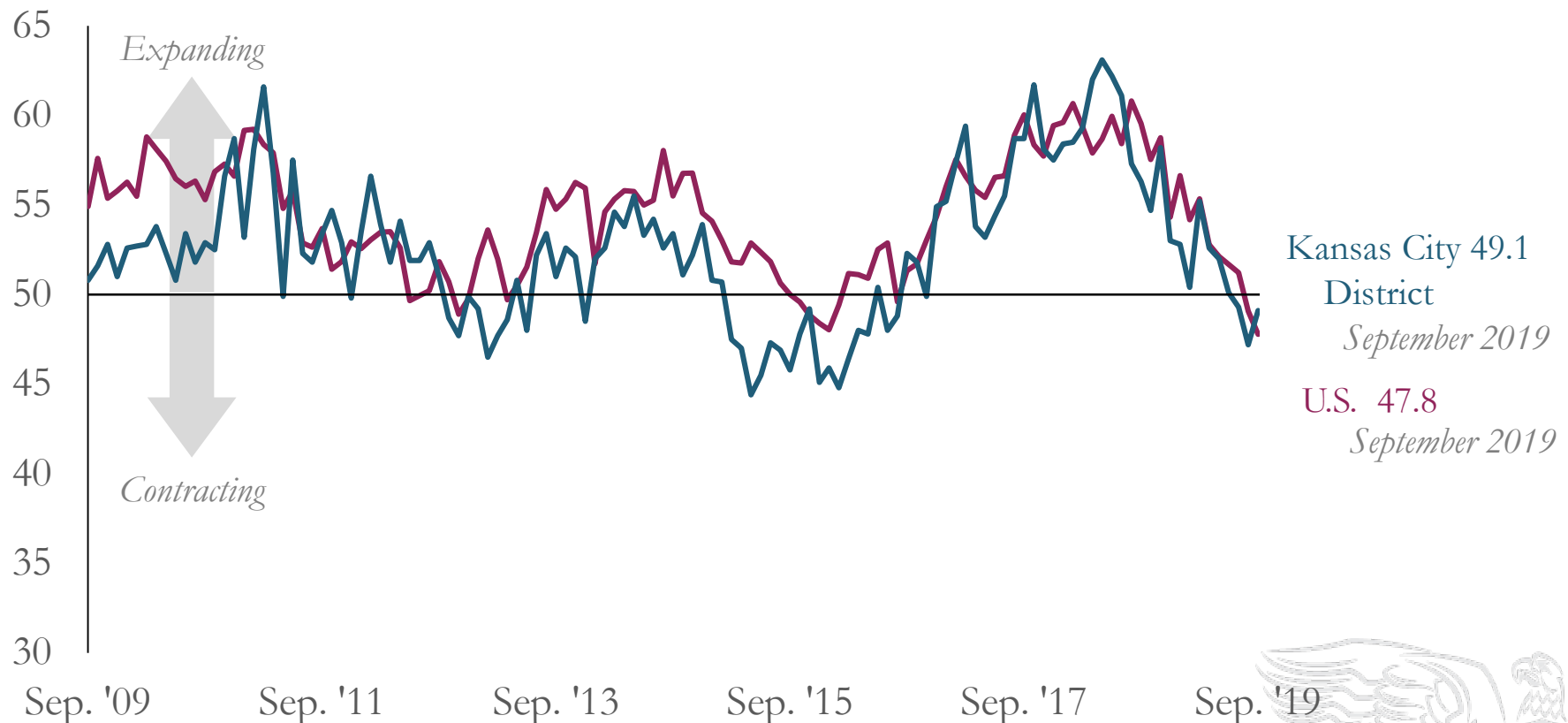
Diffusion Index, Seasonally Adjusted, Month-over-Month



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

MANUFACTURING ACTIVITY

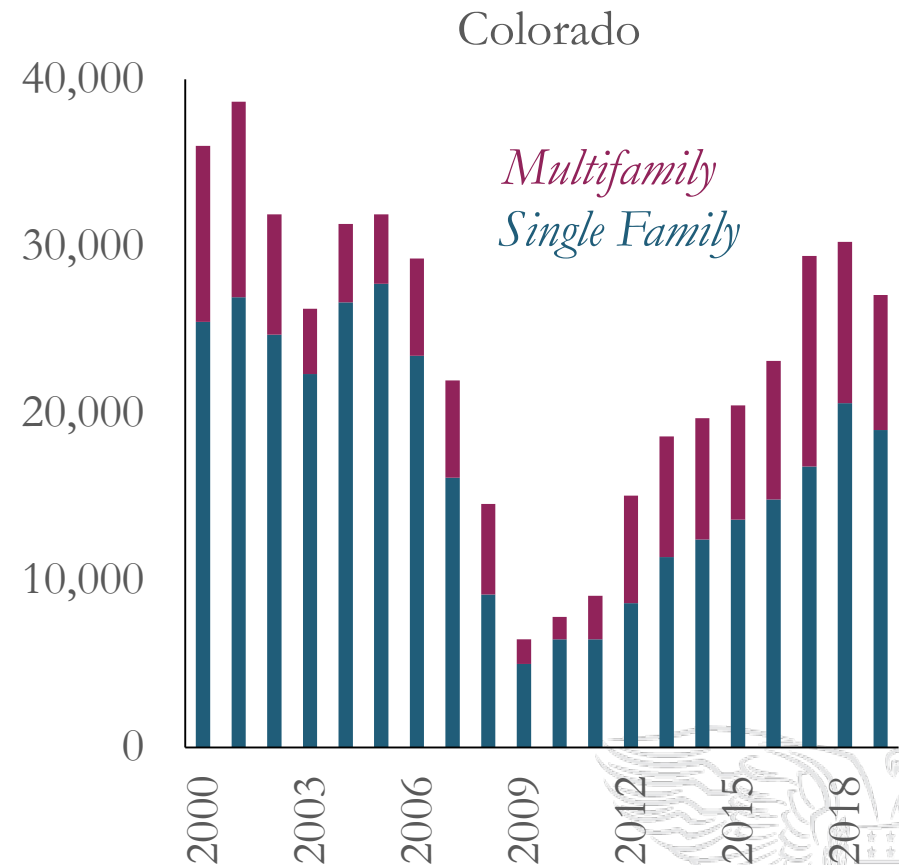
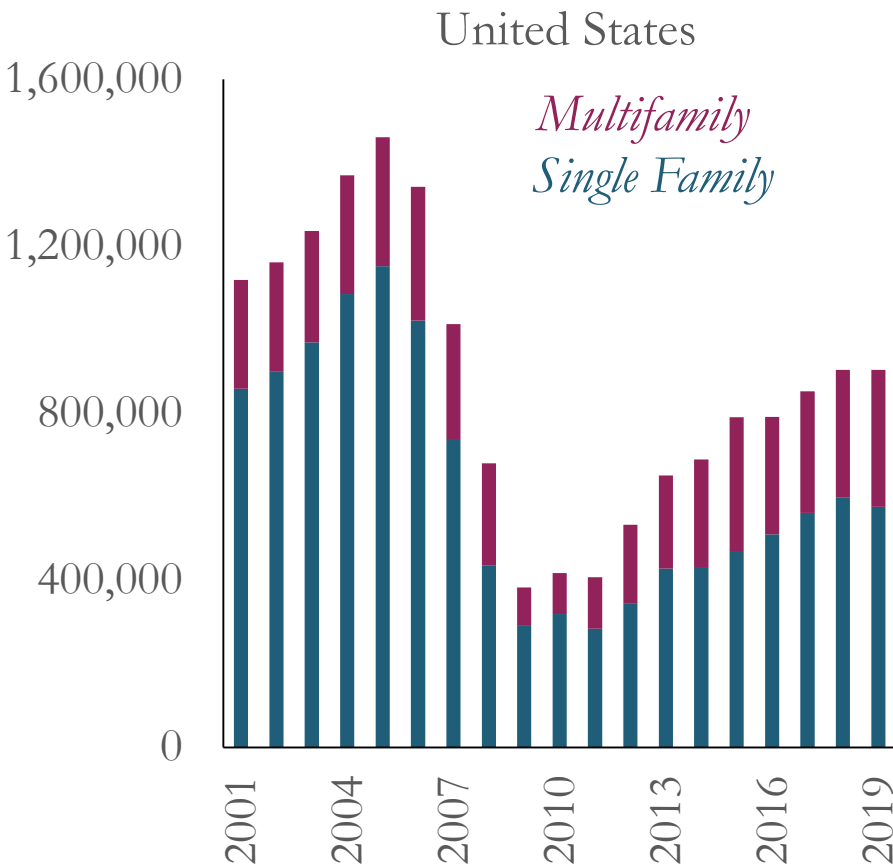
Diffusion Index, Seasonally Adjusted, Month-over-Month



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

RESIDENTIAL PERMITS

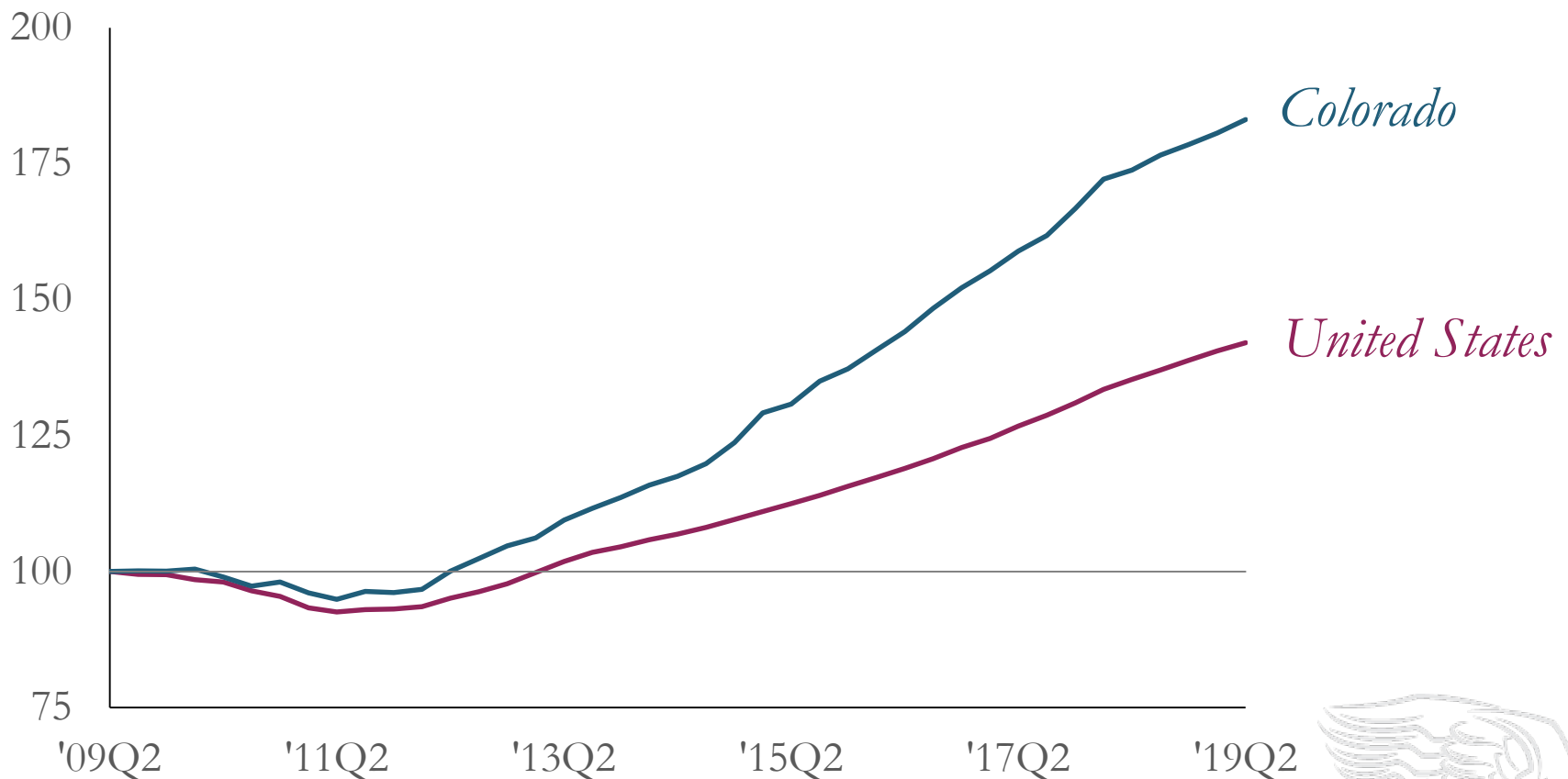
Seasonally Adjusted, Year-to-Date through August



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

HOME PRICES

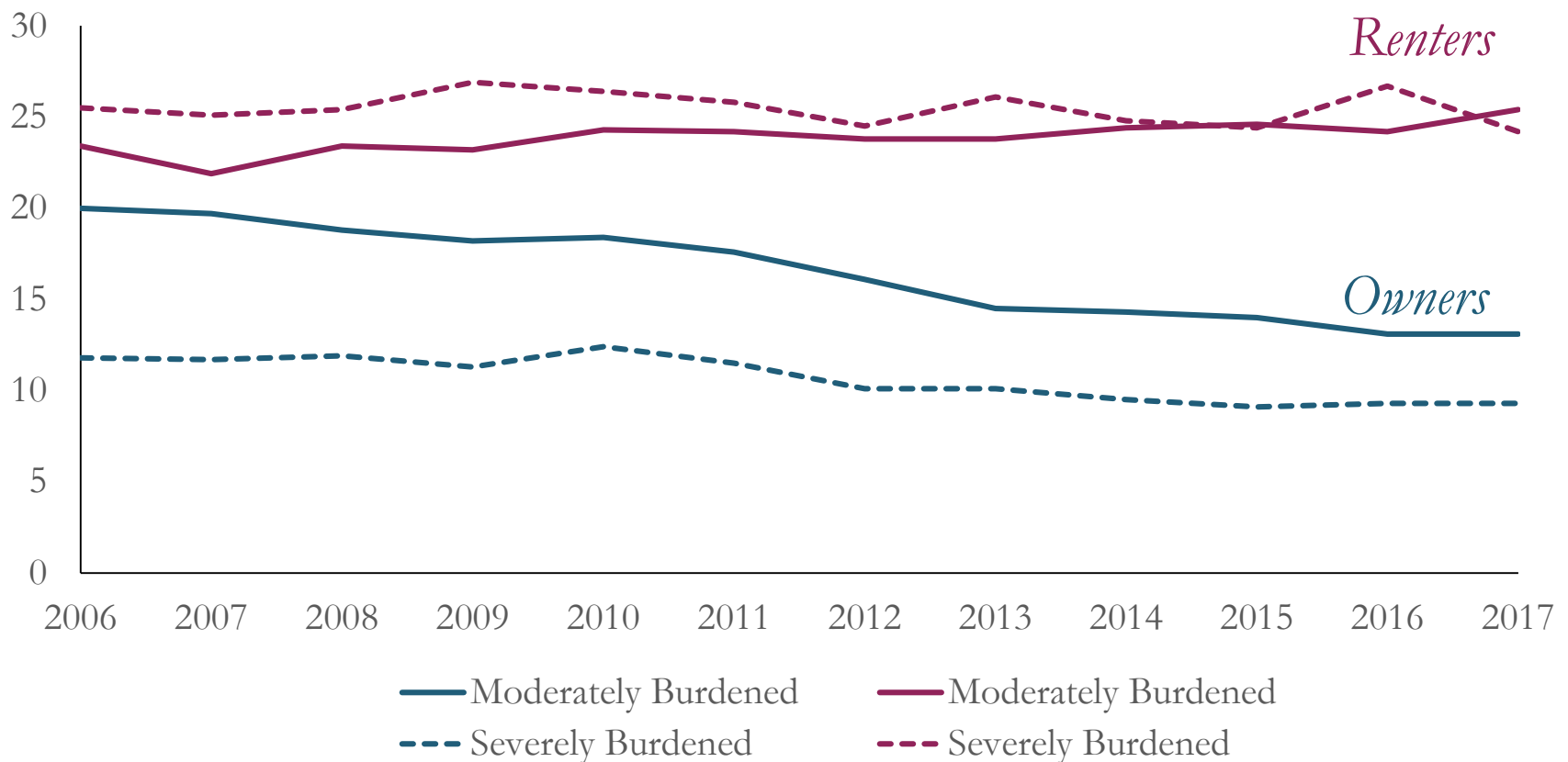
Seasonally Adjusted, Index 100 = Q2:2009



24 percent of renters and 9 percent of homeowners are severely burdened by housing costs in Colorado.

COLORADO HOUSING COST-BURDEN RATES BY HOUSEHOLD INCOME

Percent of Ownership Category



Note: Moderate burdens are defined as households with housing costs of between 30 – 50% of household income. Costs above 50% of household income are considered severely burdening.

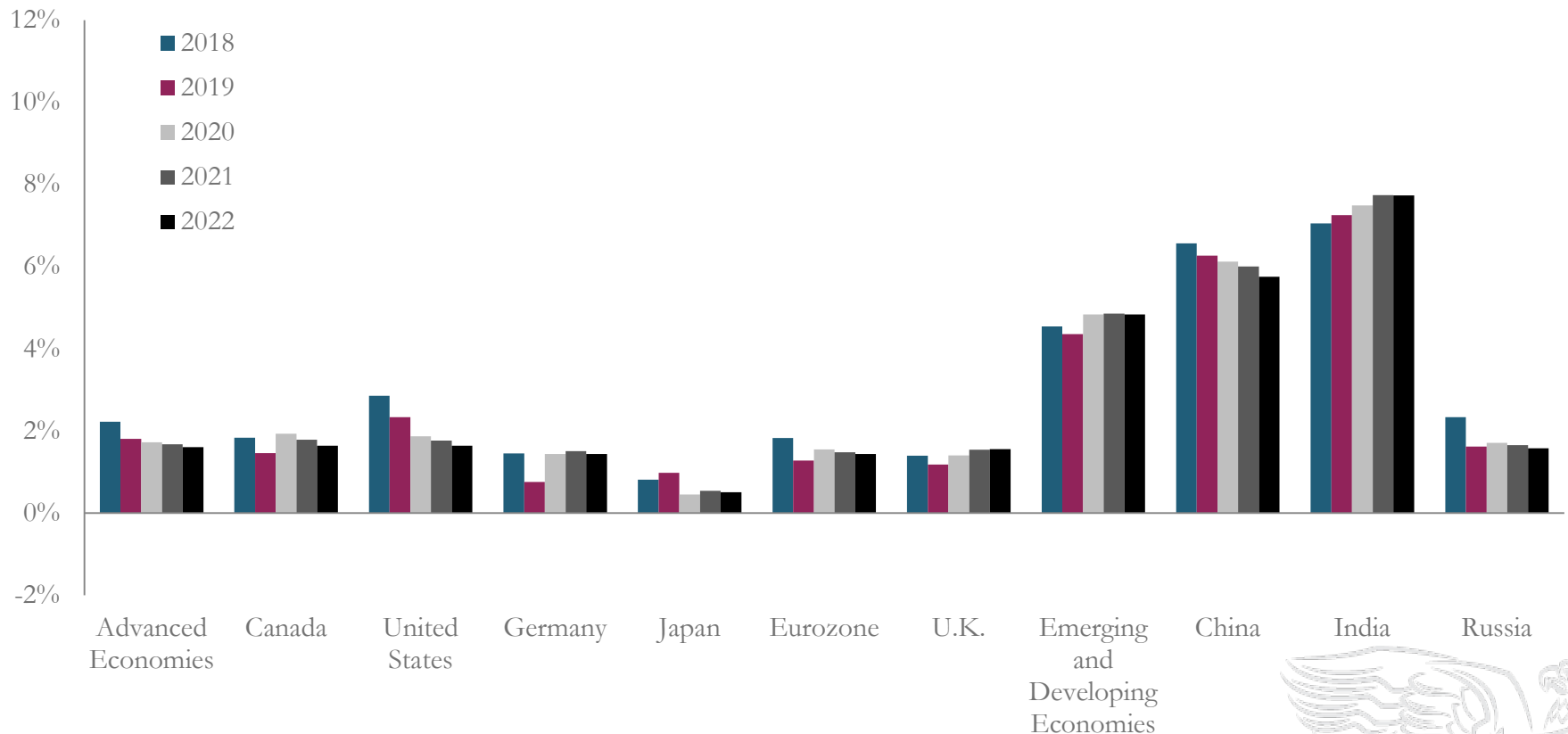
Source: IPUMS-USA and author's calculations



Global economic growth is expected to slow this year.

GLOBAL ECONOMIC OUTLOOK

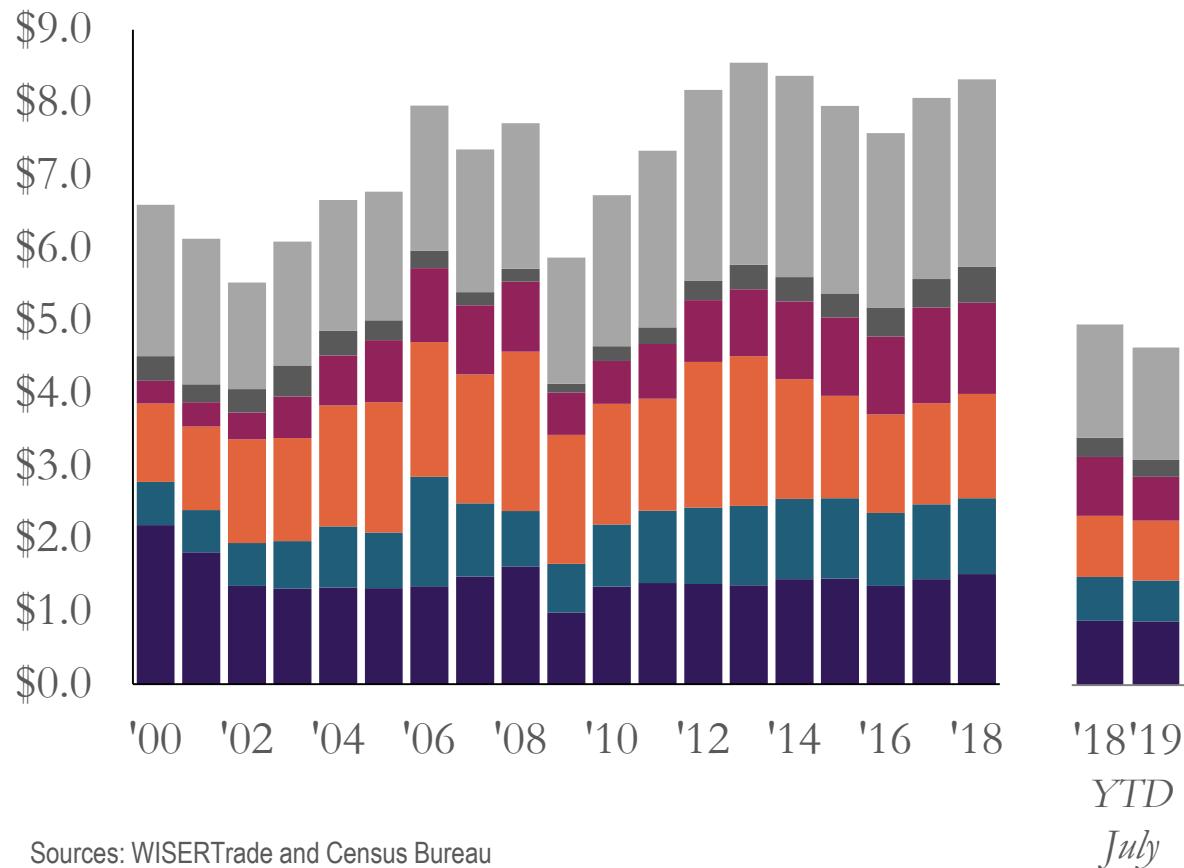
Real Gross Domestic Product, Annual Percent Change



Colorado exports have decreased so far this year.

COLORADO EXPORTS BY TRADING PARTNER

Billions



JULY 2019 YEAR-TO-DATE

Year-over-Year Percent Change

Total Trade	-6.4%	SHARE*
All Other	-1.1	31.5%
Japan	-9.6	5.5
Mexico	-25.8	15.1
Canada	-2.0	17.3
China	-6.9	12.5
Eurozone	-0.7	18.1

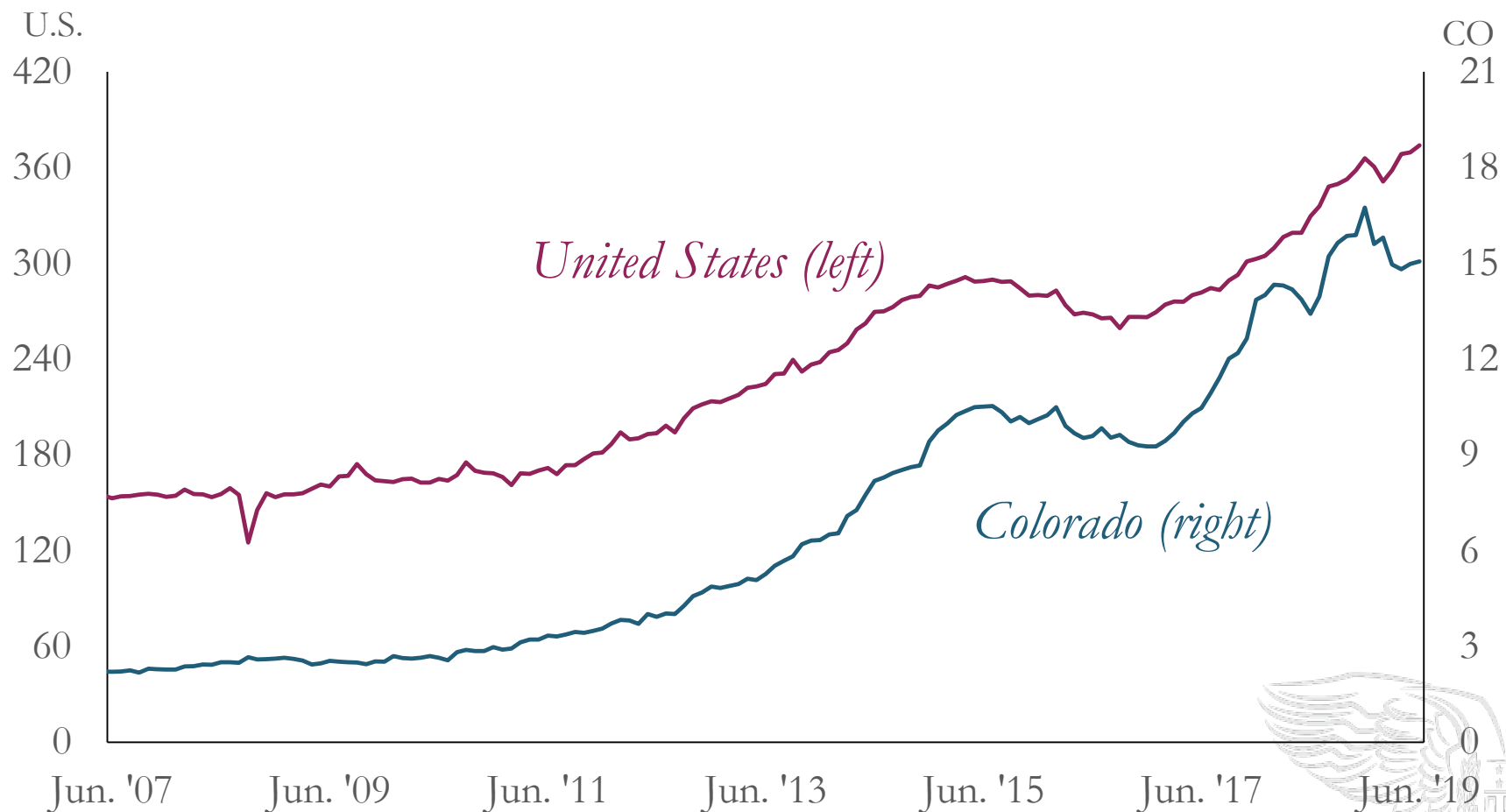
**Shares are for 2018*



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, but remain below year-ago levels.

OIL PRICES - WTI

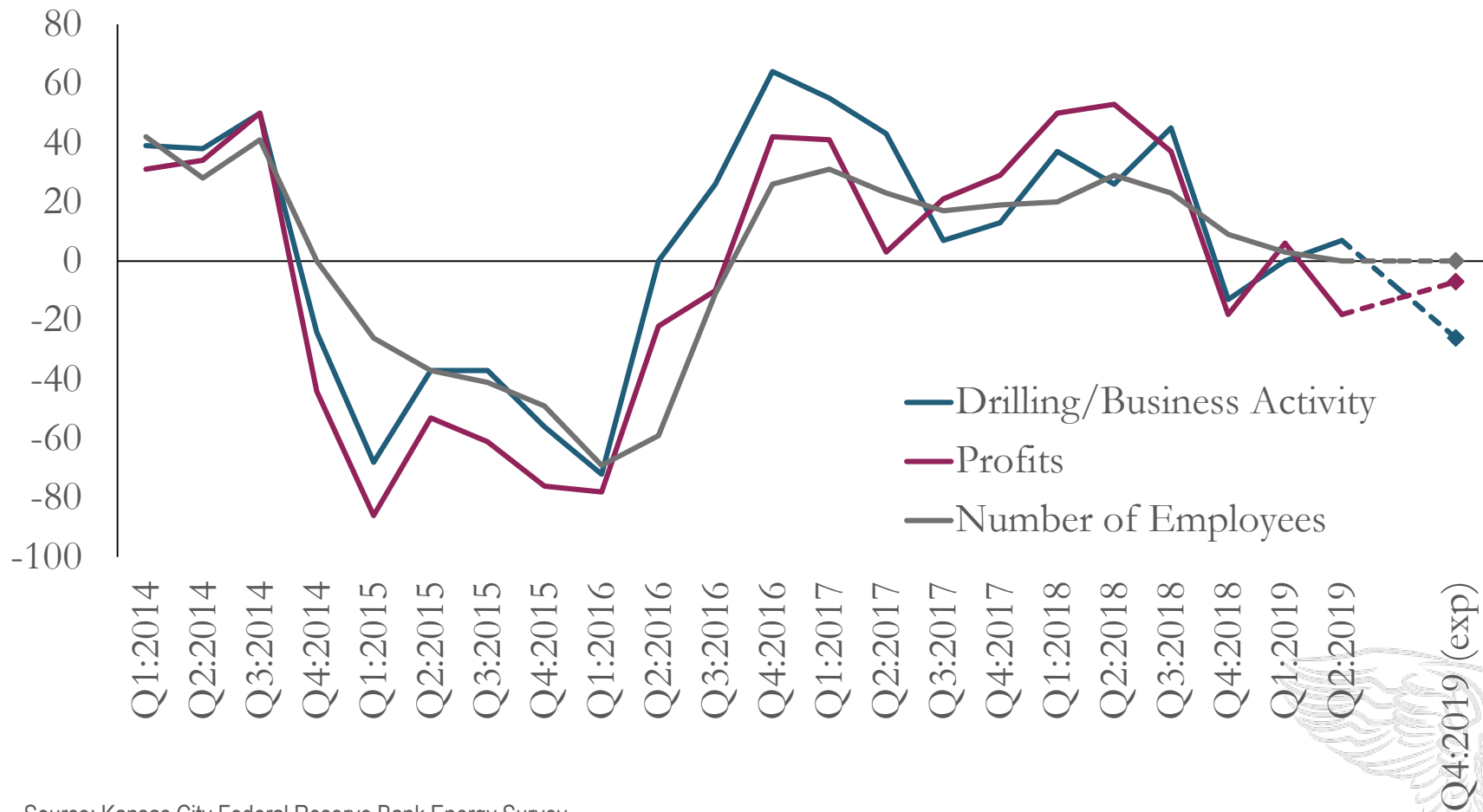
Dollars per Barrel



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

ENERGY SURVEY ACTIVITY INDICATORS

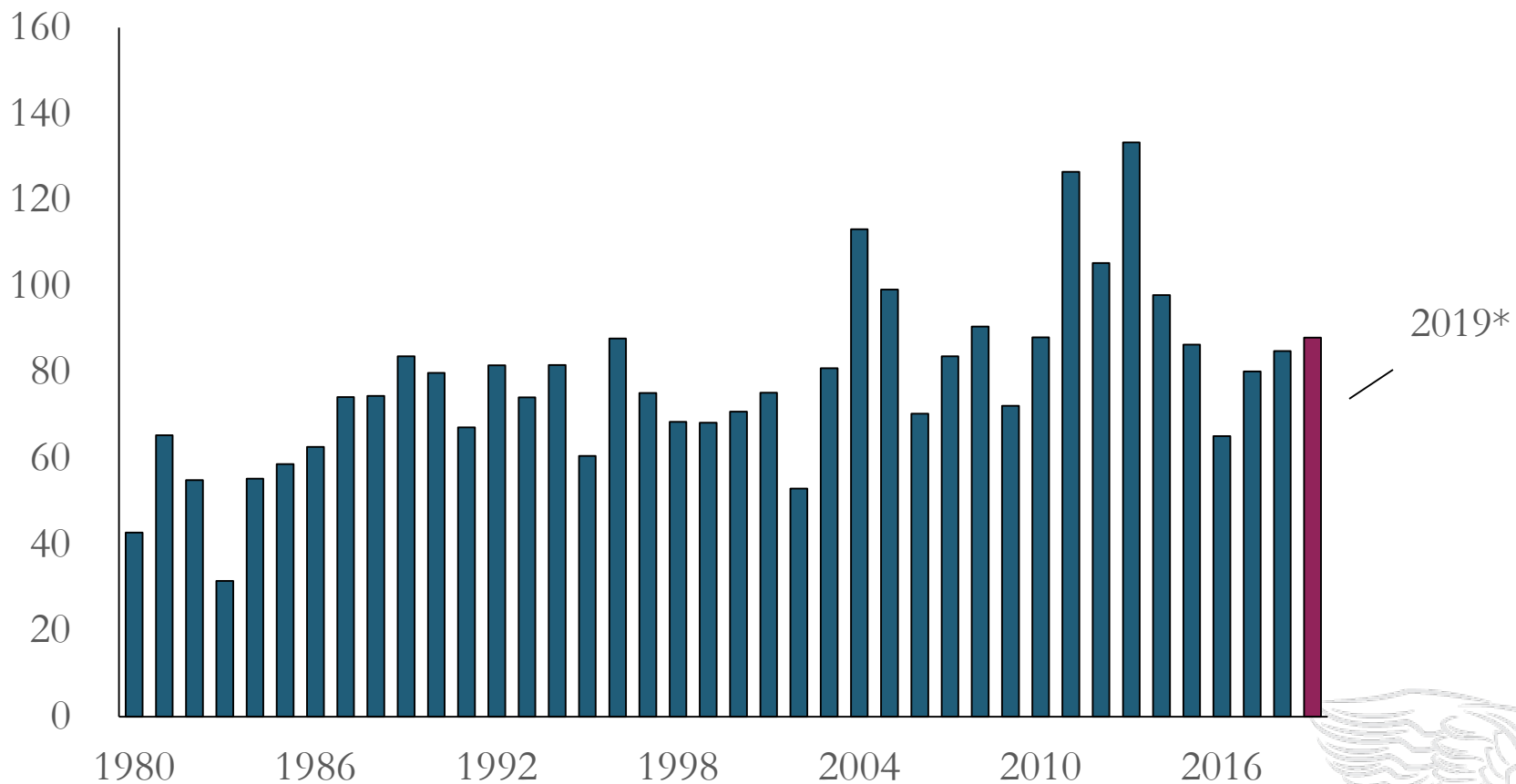
Quarterly Diffusion Index



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

U.S. REAL NET FARM INCOME

Billions, 2019 Dollars



*Forecast for 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 capital letters along the top arc, and "DENVER, COLORADO" is inscribed along the bottom arc. In the center of the seal is an eagle with its wings spread, 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>

