

Emerging Trends *in the Regional Economy*



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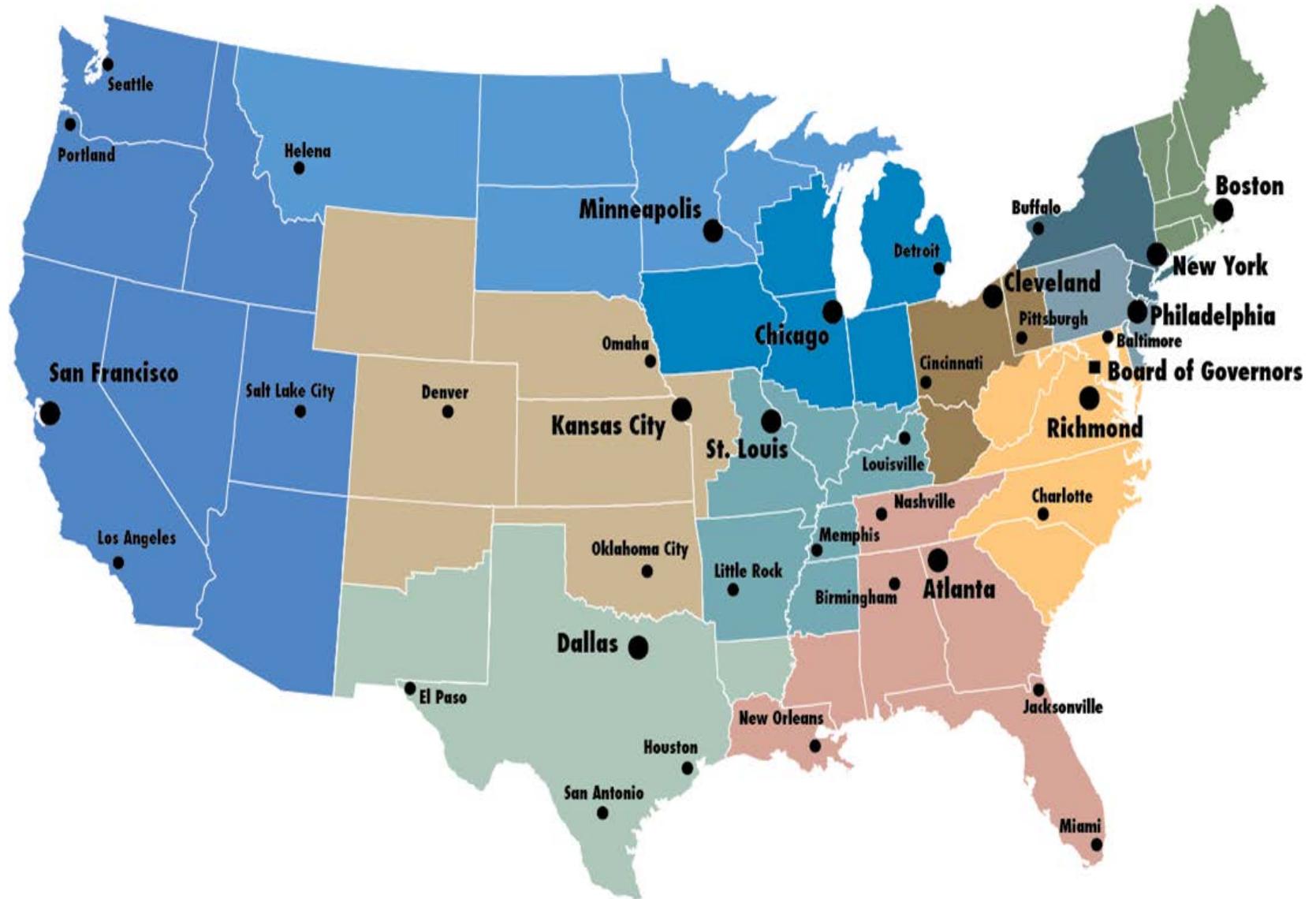
The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

Overview of the Federal Reserve System



- Primary Functions
 - Monetary Policy: promote maximum employment, price stability and moderate long-term interest rates
 - 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



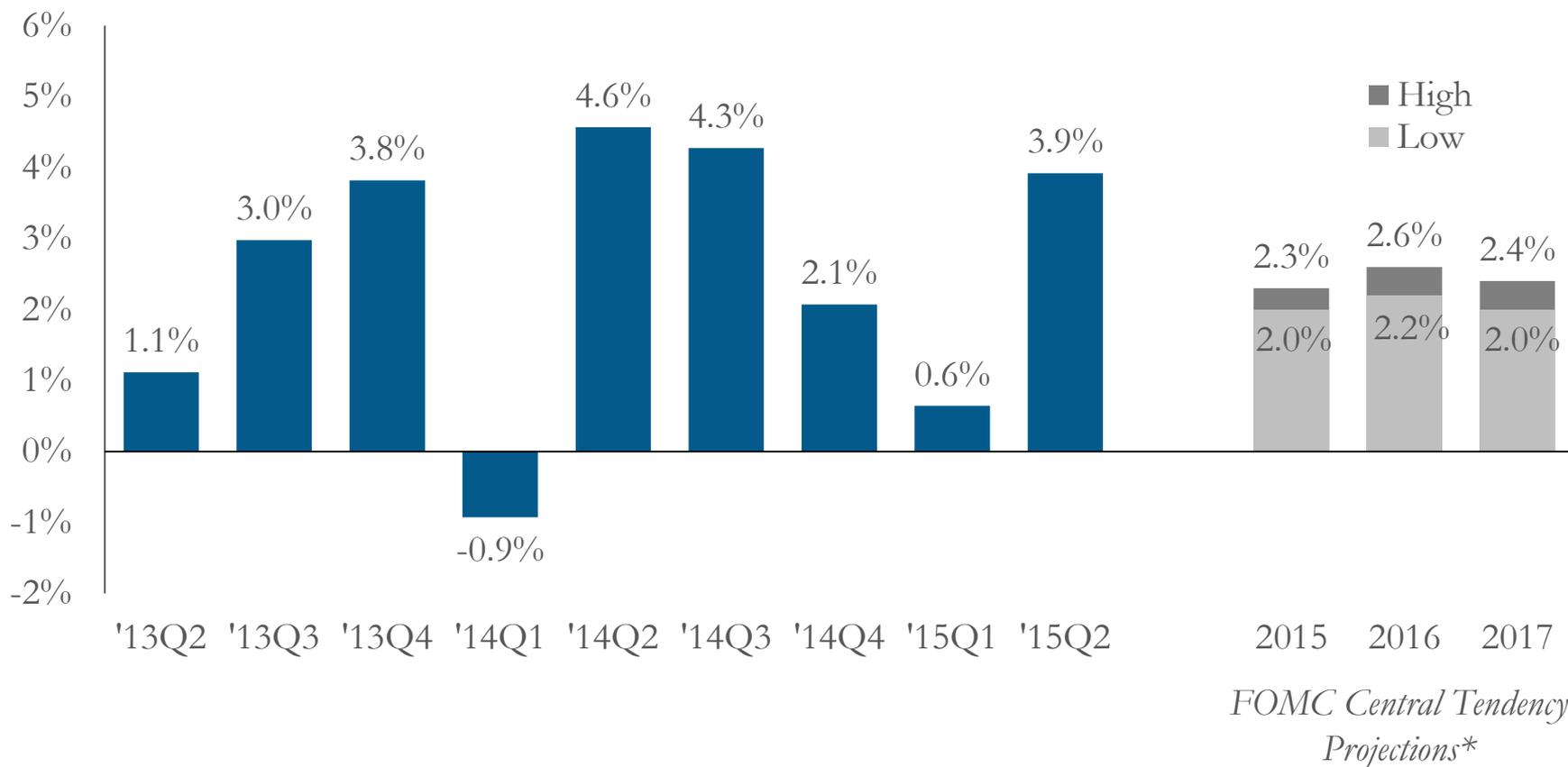


- Functions
 - Regional research and policy support covering the economies of Colorado, New Mexico and Wyoming
 - Economic, financial education, and community development outreach
 - Examinations of Colorado, Wyoming and northern New Mexico financial institutions
 - Cash processing and distribution
 - Money Museum
 - Around 150 employees

Despite weak growth in the first quarter, the U.S. economy bounced back in the second quarter and is expected to continue to expand at a moderate pace.

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

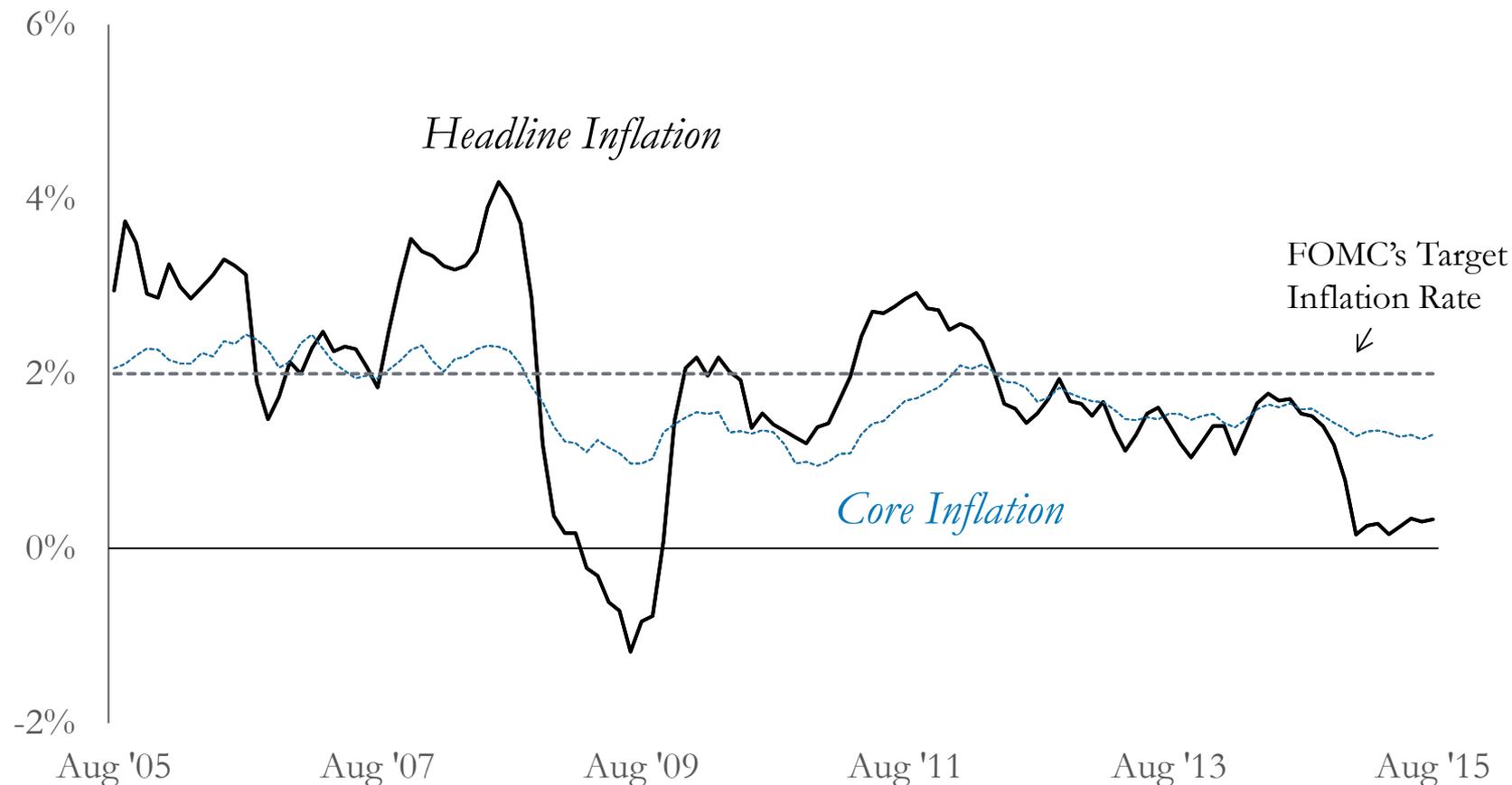
*Note: Projections as of September FOMC meeting

Inflation remains below the FOMC's two percent target, weighed down by declining energy prices.



PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

Percent Change Year-over-Year

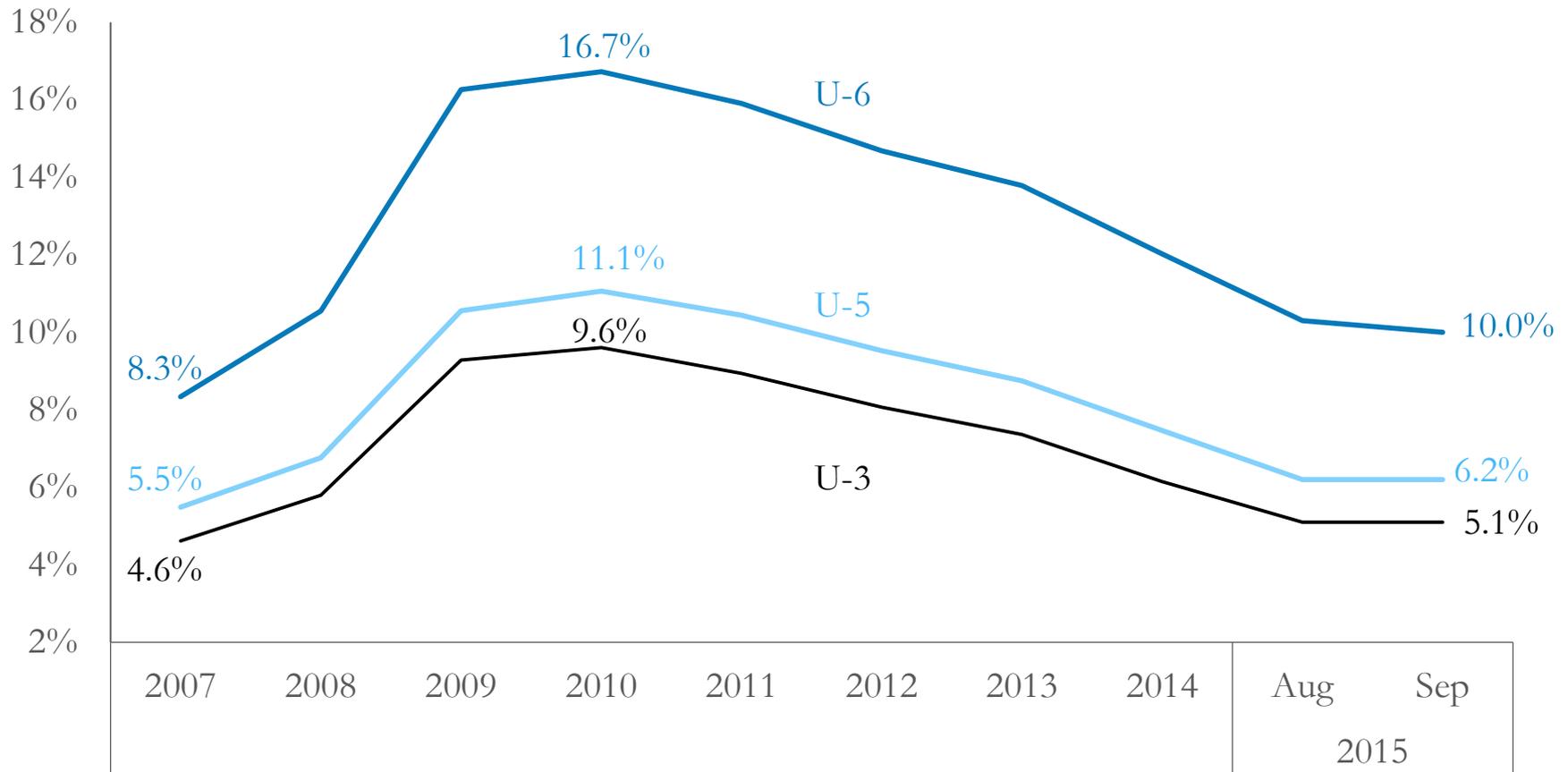


Measures of unemployment and under-employment have declined steadily over the past five years.



UNITED STATES UNEMPLOYMENT RATES

Seasonally Adjusted



Unemployment rates have trended down in Colorado, New Mexico and Wyoming, but remain elevated in some areas.

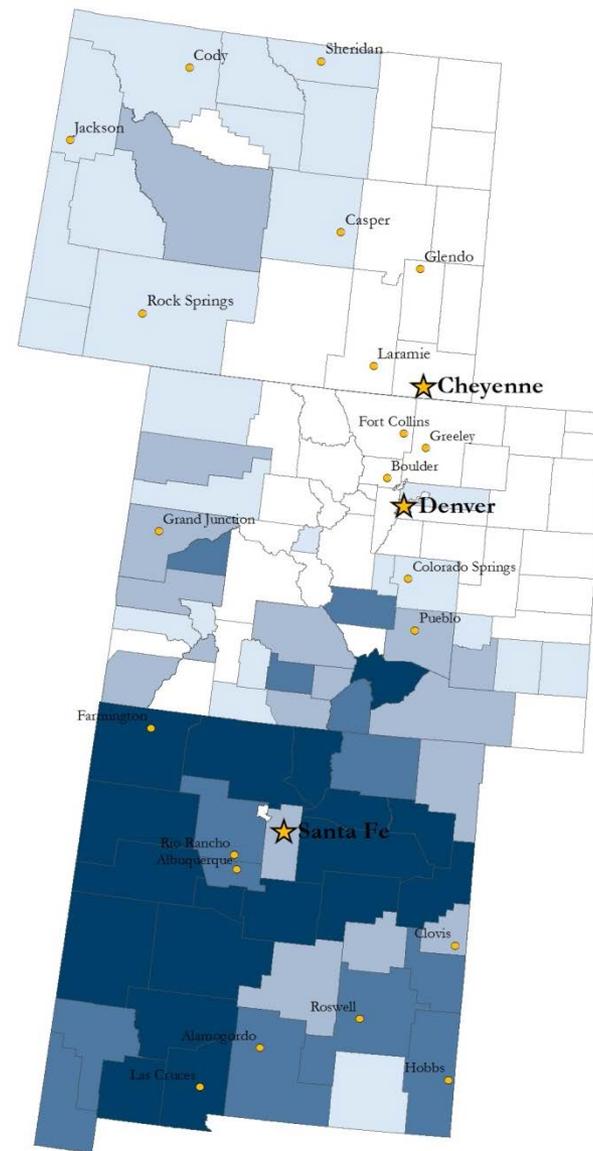
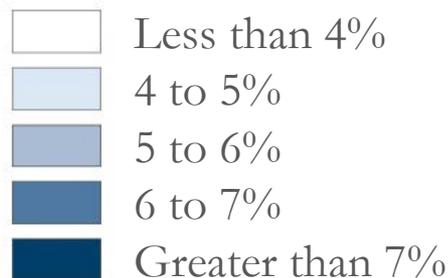
UNEMPLOYMENT RATES

August 2015, Seasonally Adjusted

<i>Unemployment Rate</i>	<i>U-3*</i>	<i>U-5**</i>	<i>U-6**</i>
United States	5.1%	6.2%	10.0%
Colorado	4.2%	4.9%	8.8%
New Mexico	6.7%	8.5%	12.4%
Wyoming	4.0%	4.8%	7.7%

**U-3 values are as of August, 2015 for individual states and September, 2015 for the United States.*

***U-5 and U-6 values are 12-month moving averages as of Q2 2015 for individual states and are for September, 2015 for the United States.*



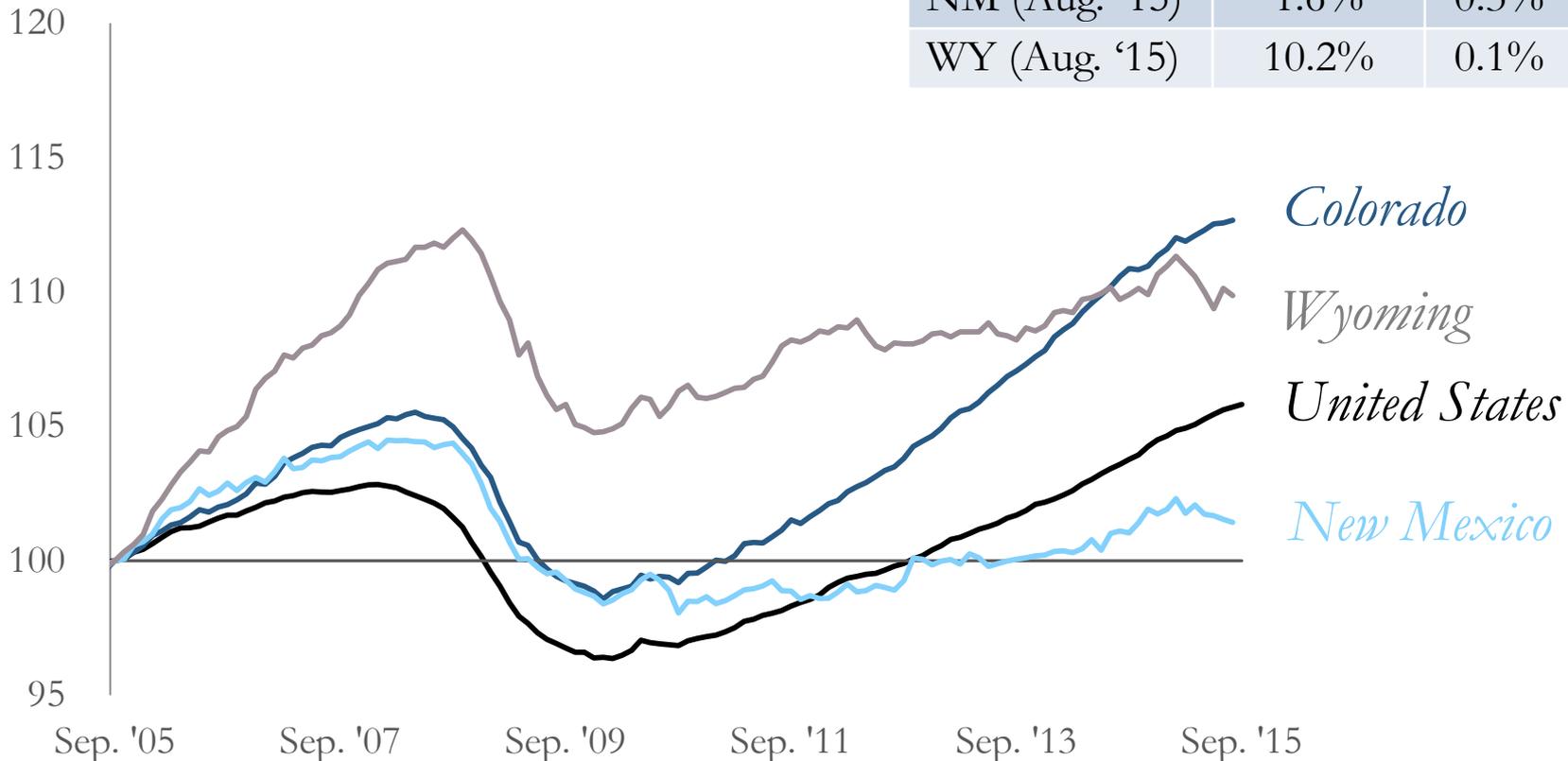
Employment is increasing at a moderate pace in Colorado, but has declined in New Mexico and Wyoming since the first quarter.



PAYROLL EMPLOYMENT GROWTH

Index 100 = September 2005, Seasonally Adjusted

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>	<i>Peak to Current</i>
U.S. (Sept. '15)	5.8%	2.0%	2.9%
CO (Aug. '15)	13.1%	1.9%	6.8%
NM (Aug. '15)	1.6%	0.3%	-2.9%
WY (Aug. '15)	10.2%	0.1%	-2.2%



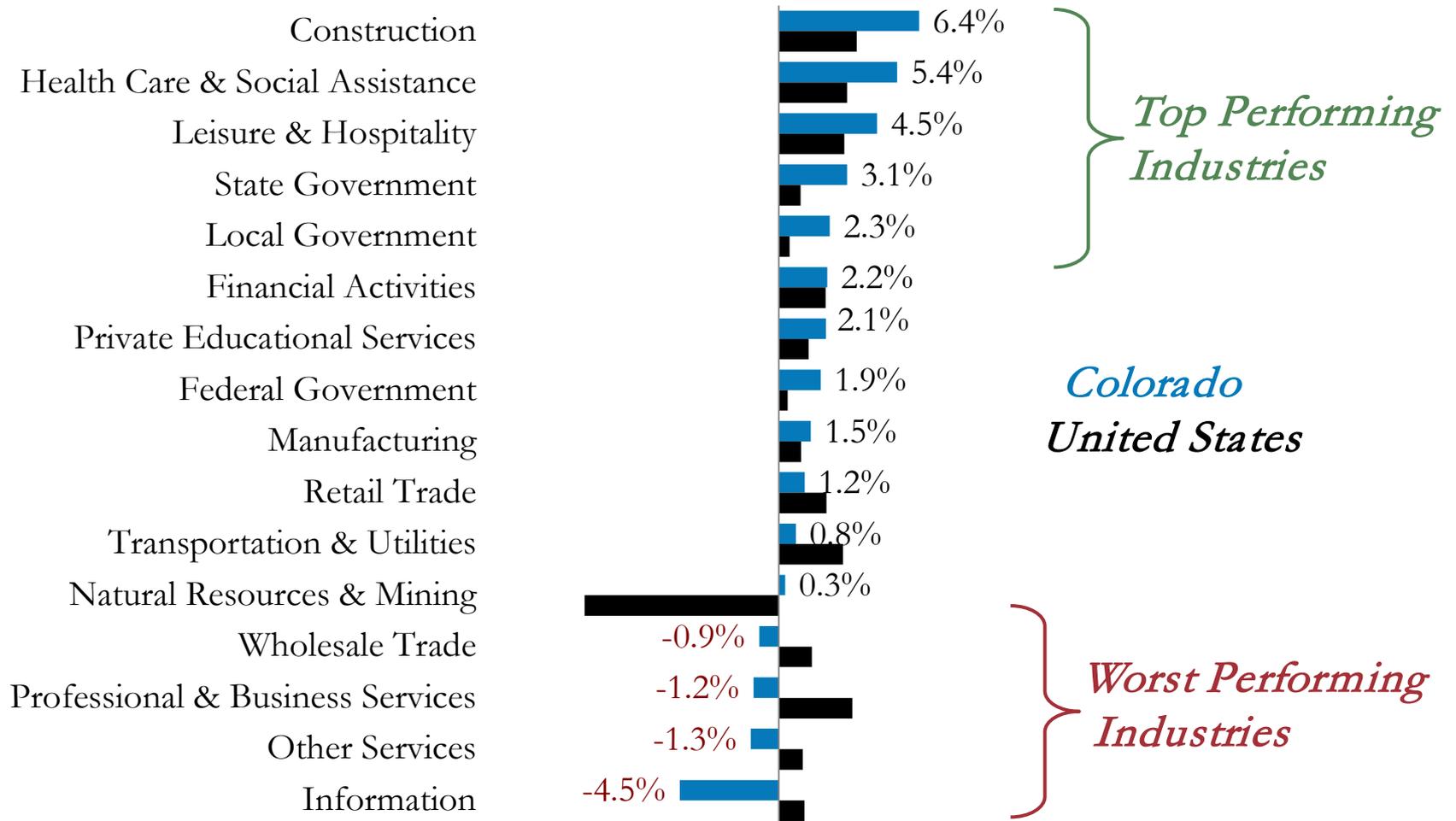
Job gains have been broad-based across industries in the U.S. and Colorado over the past year.



U.S. AND COLORADO PAYROLL EMPLOYMENT, AUGUST 2015

Seasonally Adjusted

Percent Change Year-over-Year

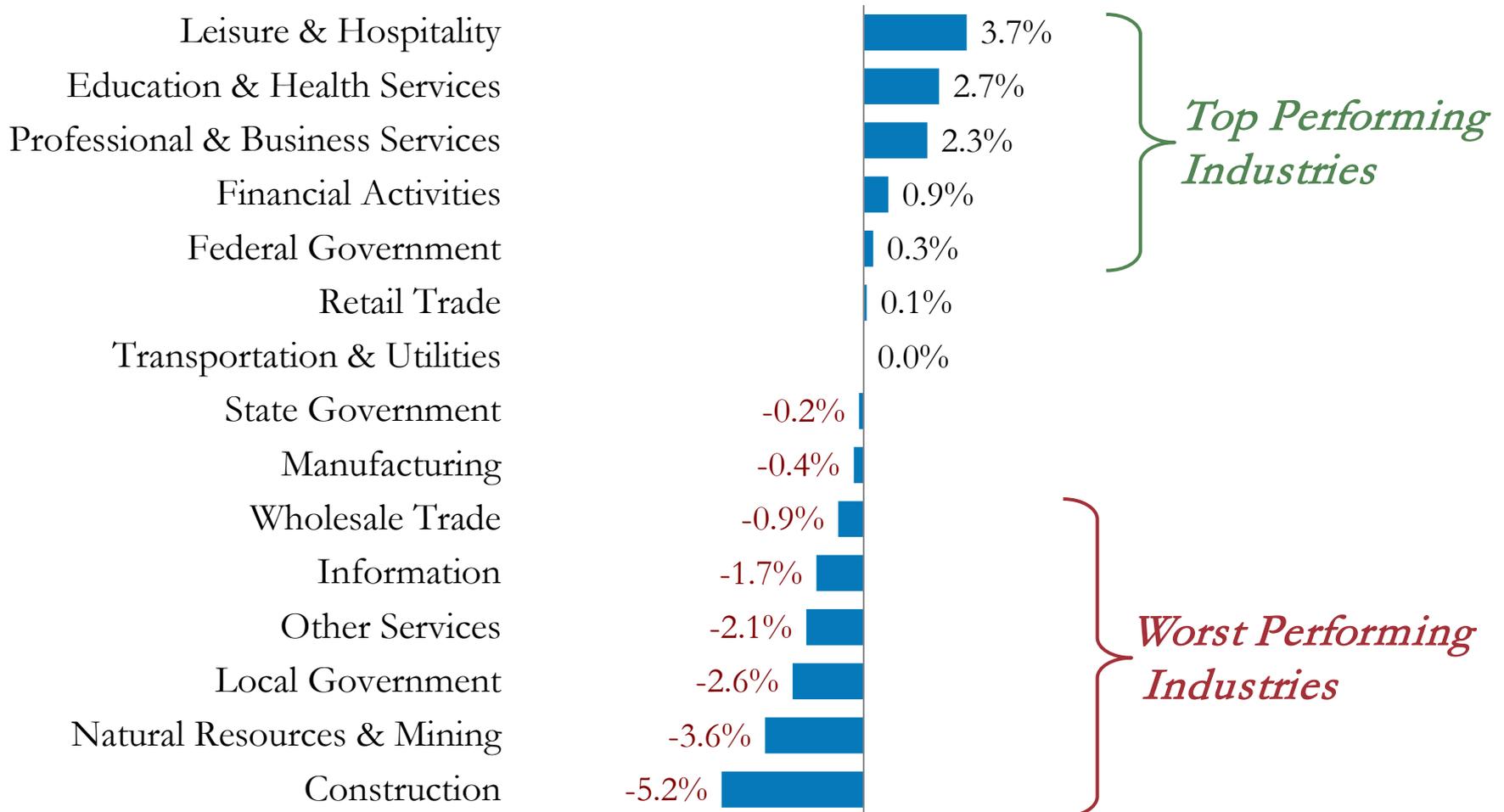


New Mexico has struggled to recover from the recent recession, and employment declined in more than half of industries over the past year.

NEW MEXICO PAYROLL EMPLOYMENT, AUGUST 2015

Seasonally Adjusted

Percent Change Year-over-Year



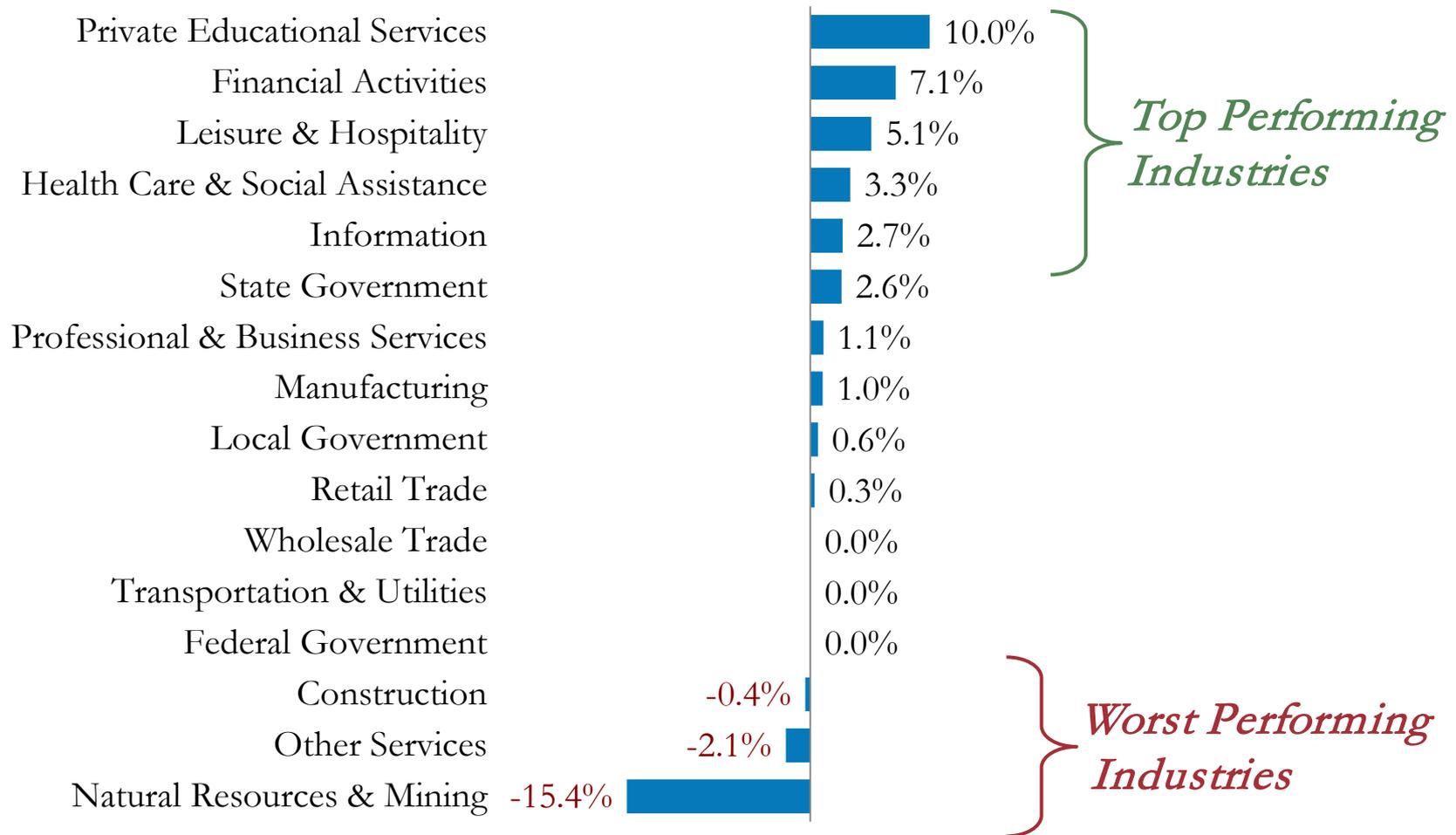
Declines in the energy sector are weighing on employment growth in Wyoming.



WYOMING PAYROLL EMPLOYMENT, AUGUST 2015

Seasonally Adjusted

Percent Change Year-over-Year



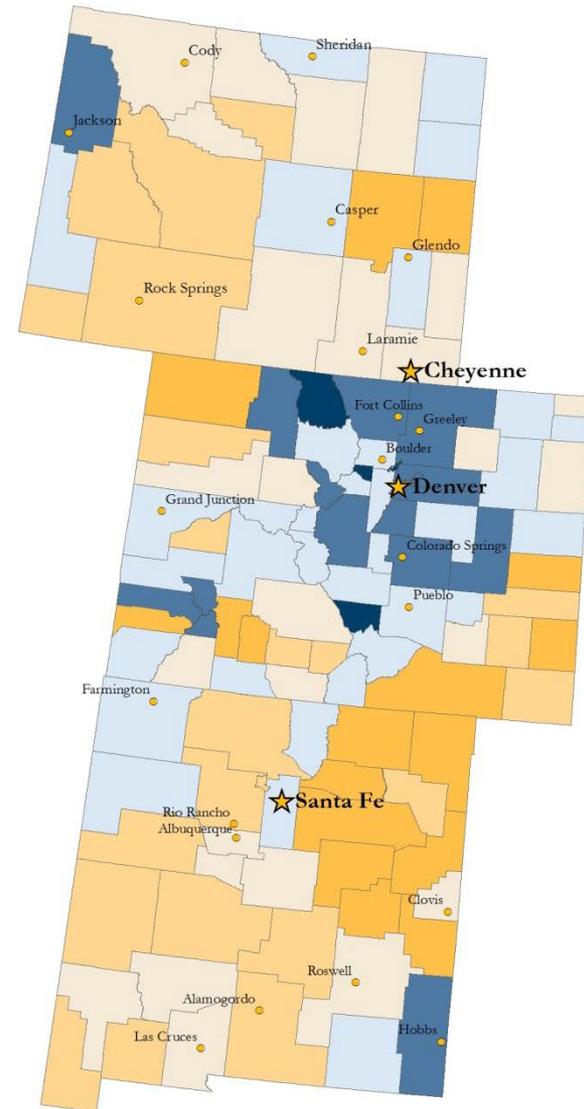
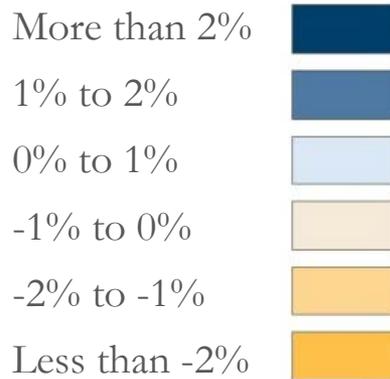
Migration has varied across Colorado, New Mexico and Wyoming.



NET MIGRATION

Total 2014 Net Migration as a Percentage of 2014 Population

<i>Annual Percent Change</i>	<i>2014</i>
United States	0.3%
Colorado	1.0%
New Mexico	-0.6%
Wyoming	-0.4%

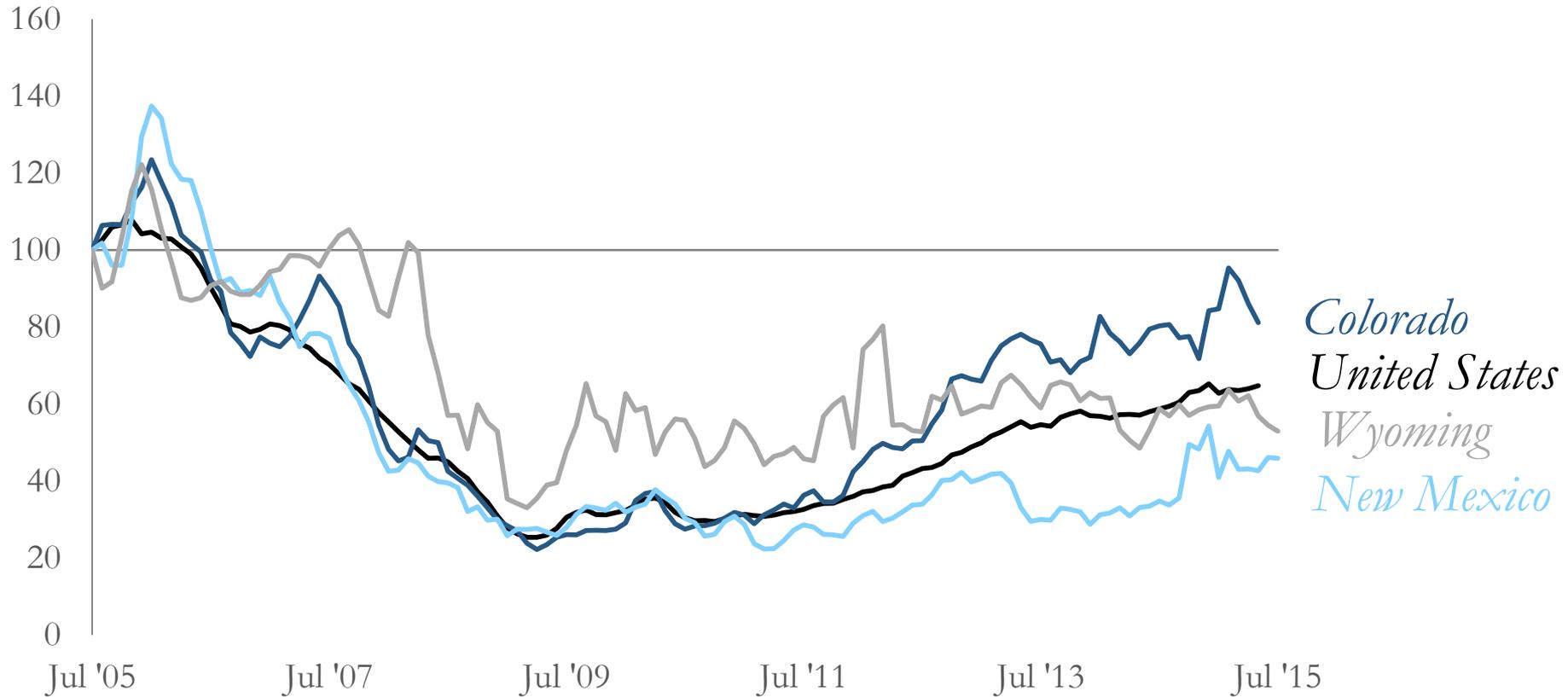


Residential construction activity has picked up over the last several years, but remains below pre-recession levels.



VALUE OF RESIDENTIAL CONSTRUCTION

Index 100 = July 2005, Seasonally Adjusted Three-Month Moving Average

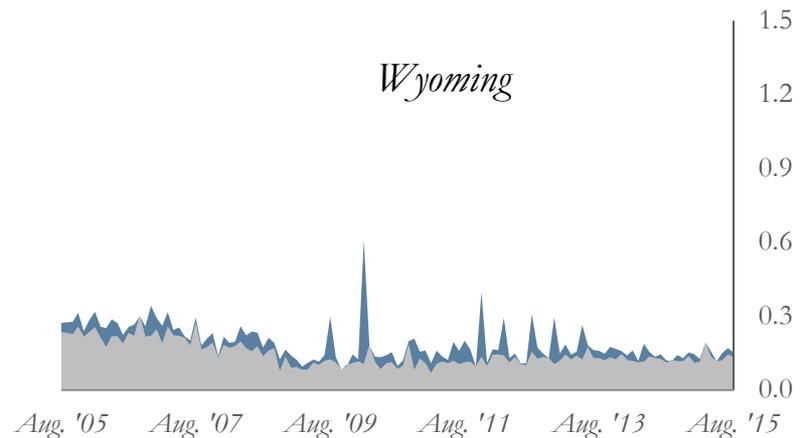
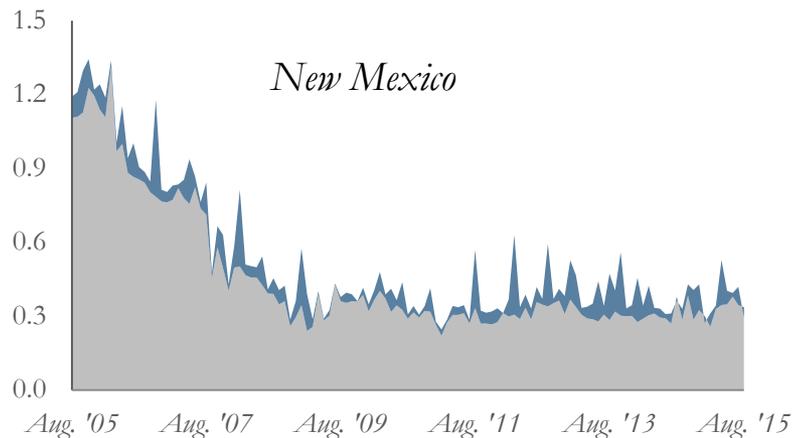
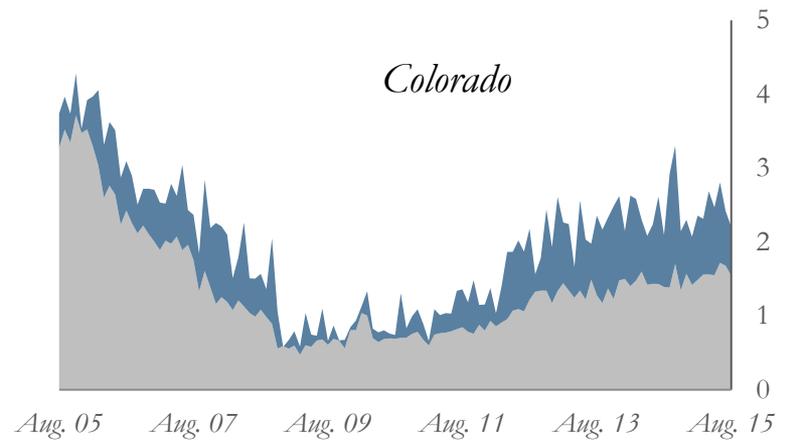
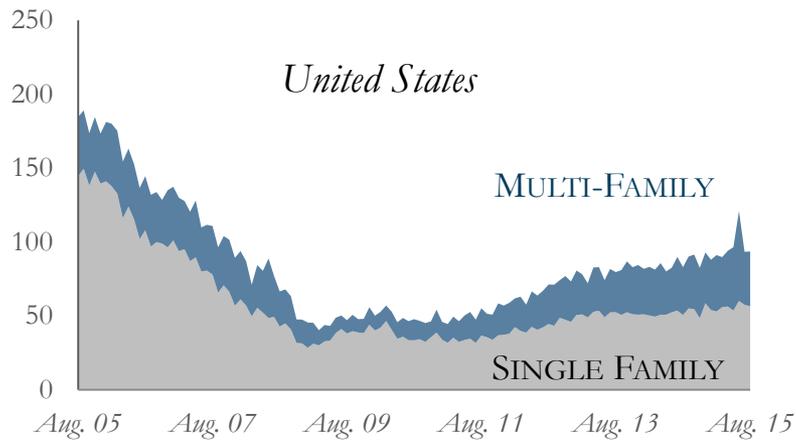


The recovery in residential construction activity has been driven by strong gains in multifamily building at the national level.



MONTHLY HOUSING PERMITS

Thousand of Permits, Seasonally Adjusted

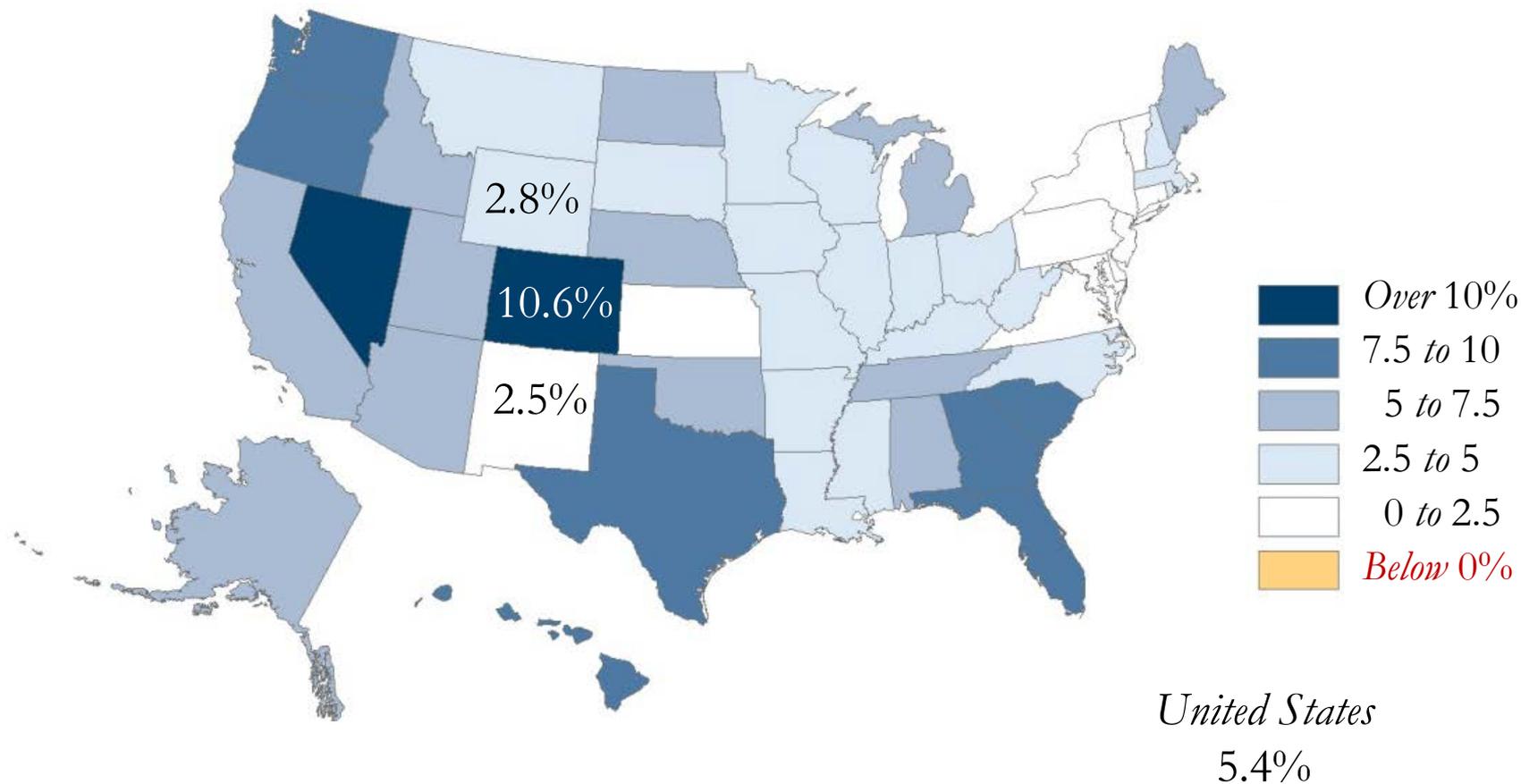


Home prices are rising in most states...



FHFA PURCHASE-ONLY HOME PRICE INDEX (2015Q2)

Percent Change Year-over-Year, Seasonally Adjusted

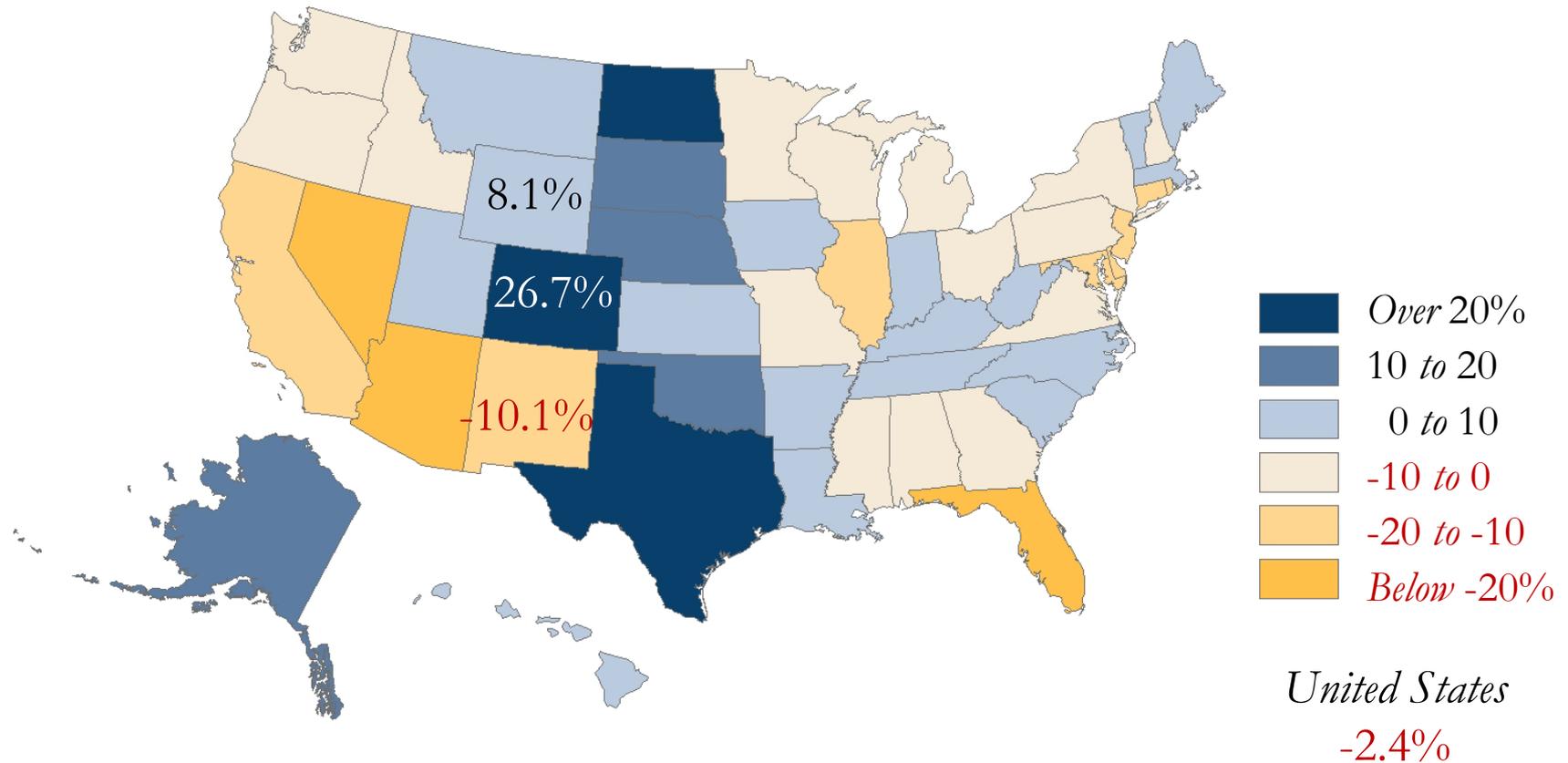


...yet prices remain below pre-recession values in many states.



FHFA PURCHASE-ONLY HOME PRICE INDEX (2007Q1 – 2015Q2)

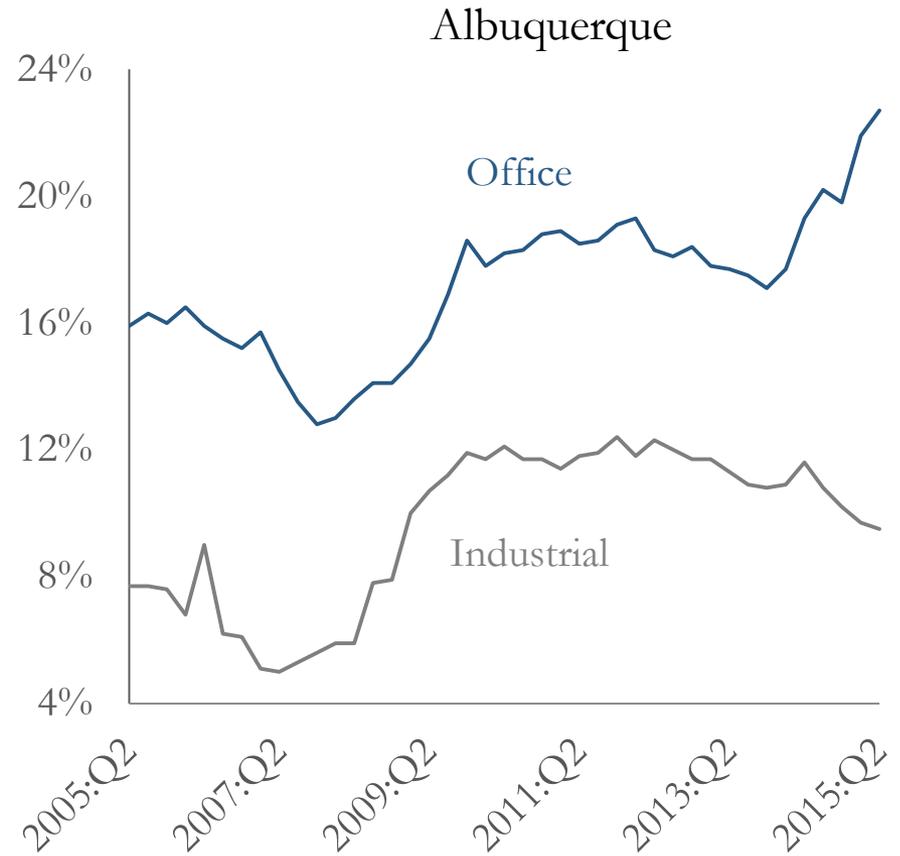
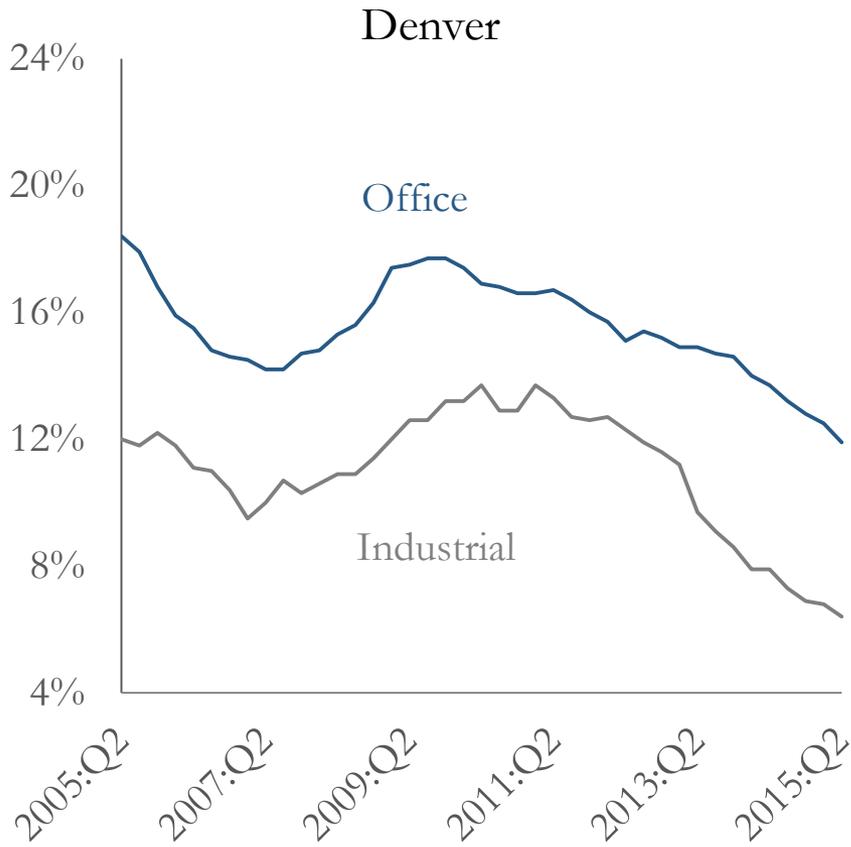
Percent Change Peak to Current, Seasonally Adjusted



Vacancy rates are low across the Denver metro, but commercial vacancies remain elevated in Albuquerque.



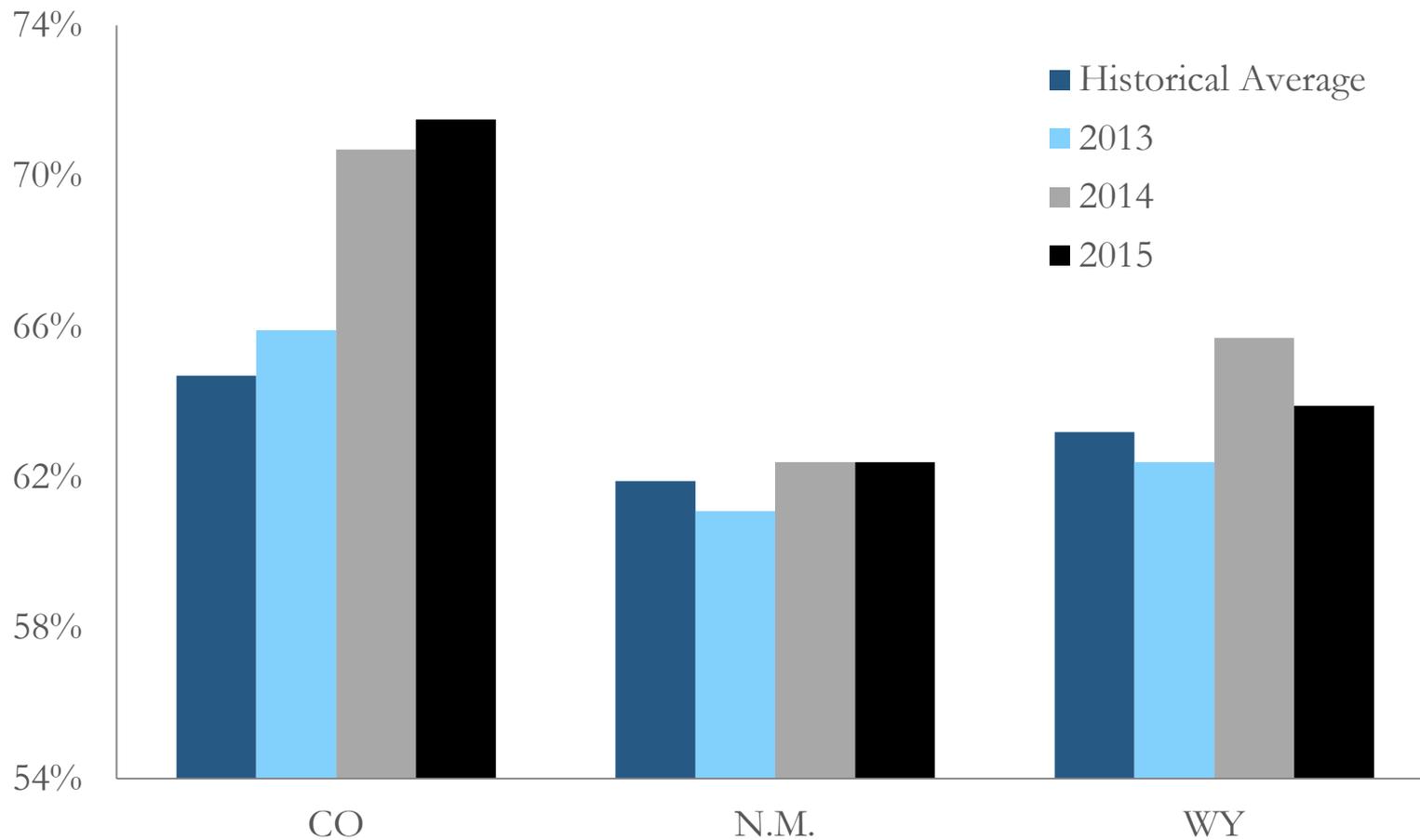
COMMERCIAL VACANCY RATES



Tourism activity has picked up in Colorado, New Mexico and Wyoming over the past two years.



HOTEL OCCUPANCY RATES

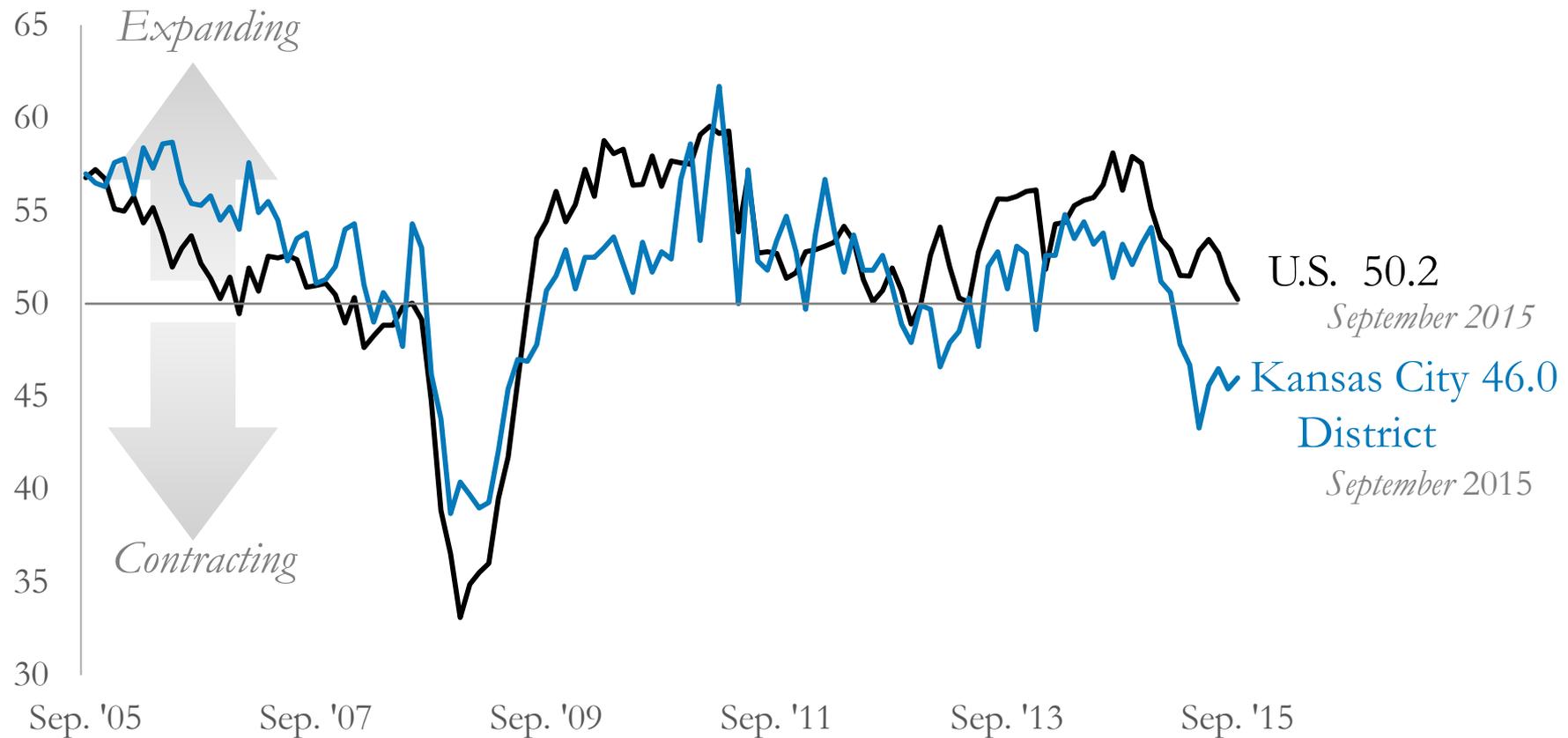


Manufacturing activity has slowed in the region due in part to a weak energy sector and a strong dollar.



MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, Month-over-Month

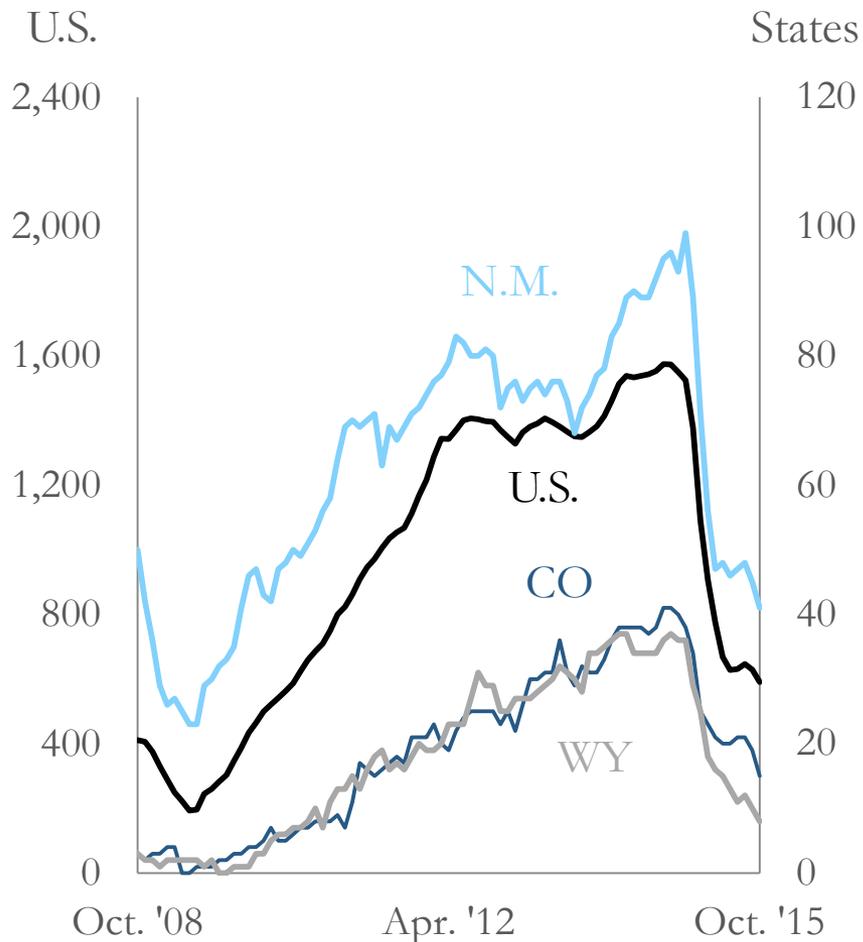


Drilling rigs have fallen sharply in 2015, but oil production has been slow to decline.



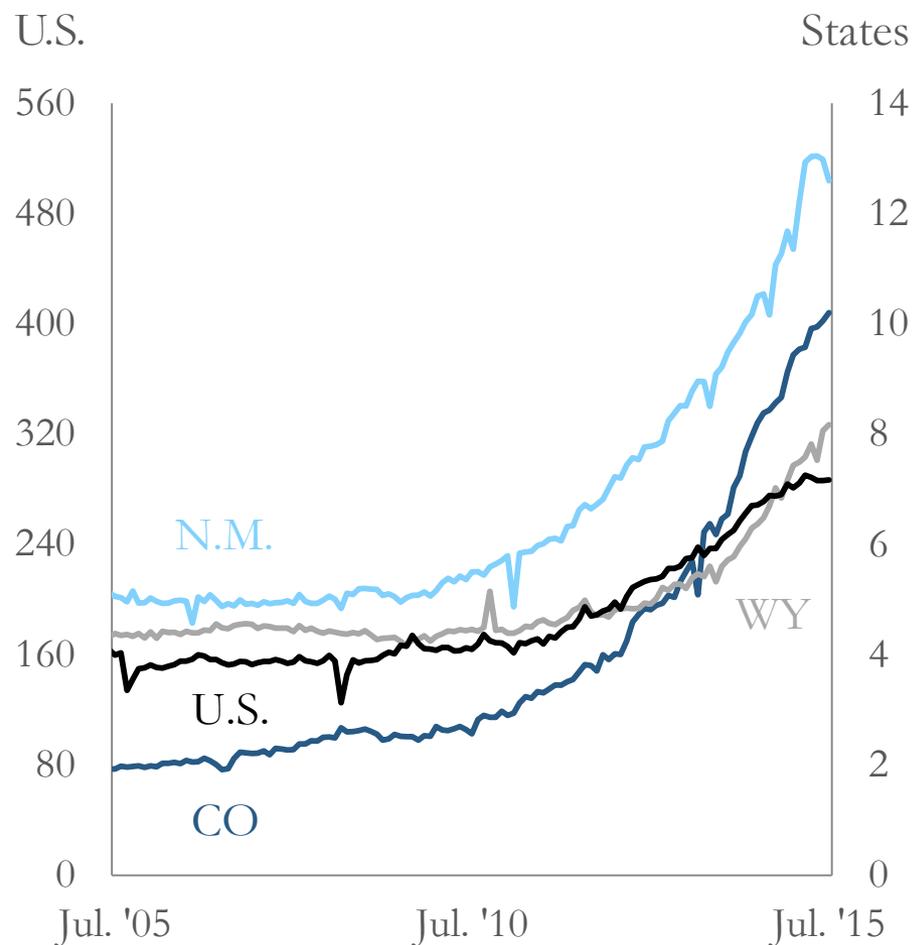
OIL RIG COUNT

Number of Active Drilling Rigs



OIL PRODUCTION

Million Barrels per Month, SA

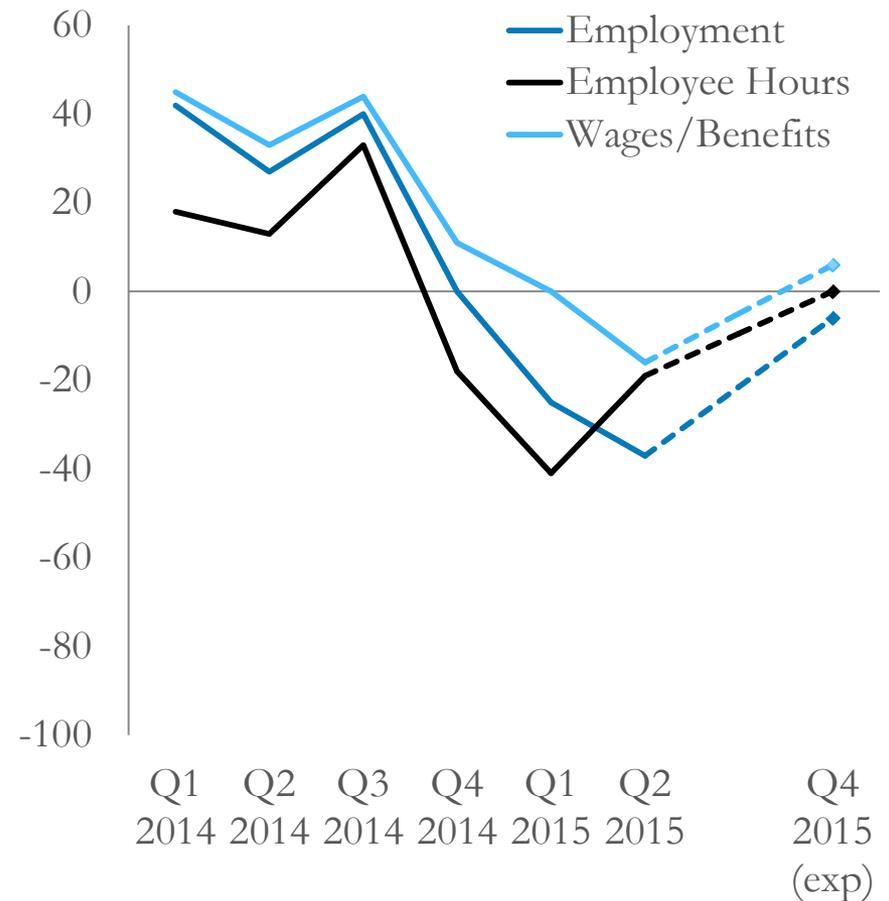
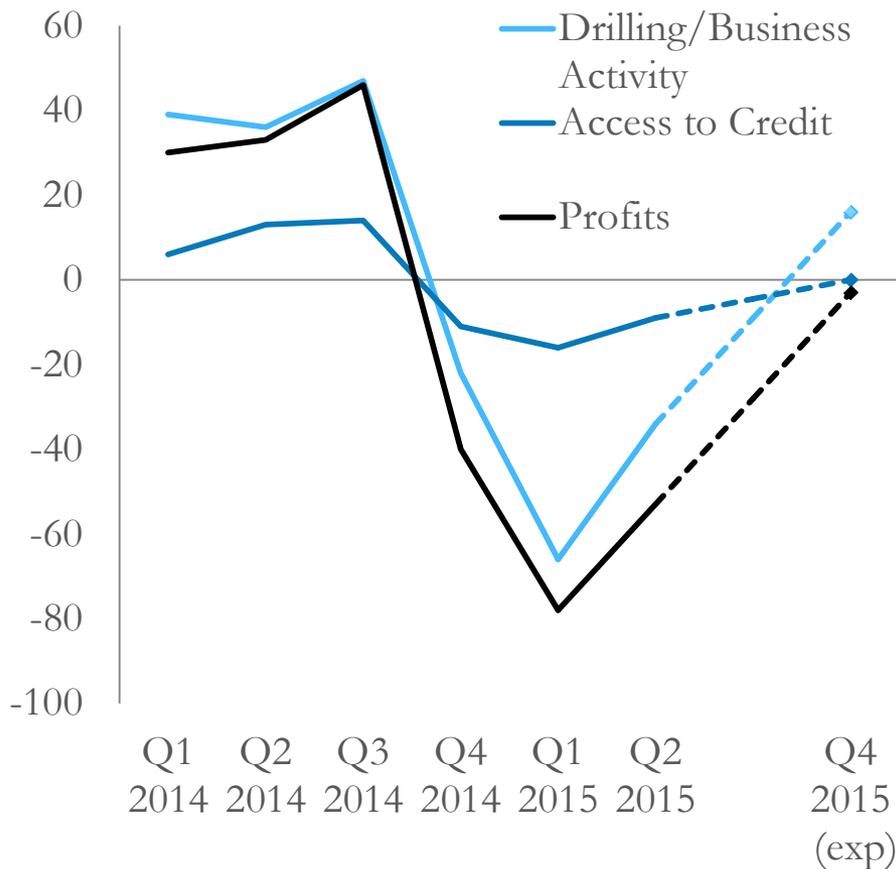


Prior to additional oil price declines in the third quarter, energy firms expected activity to be roughly flat over the next six months.



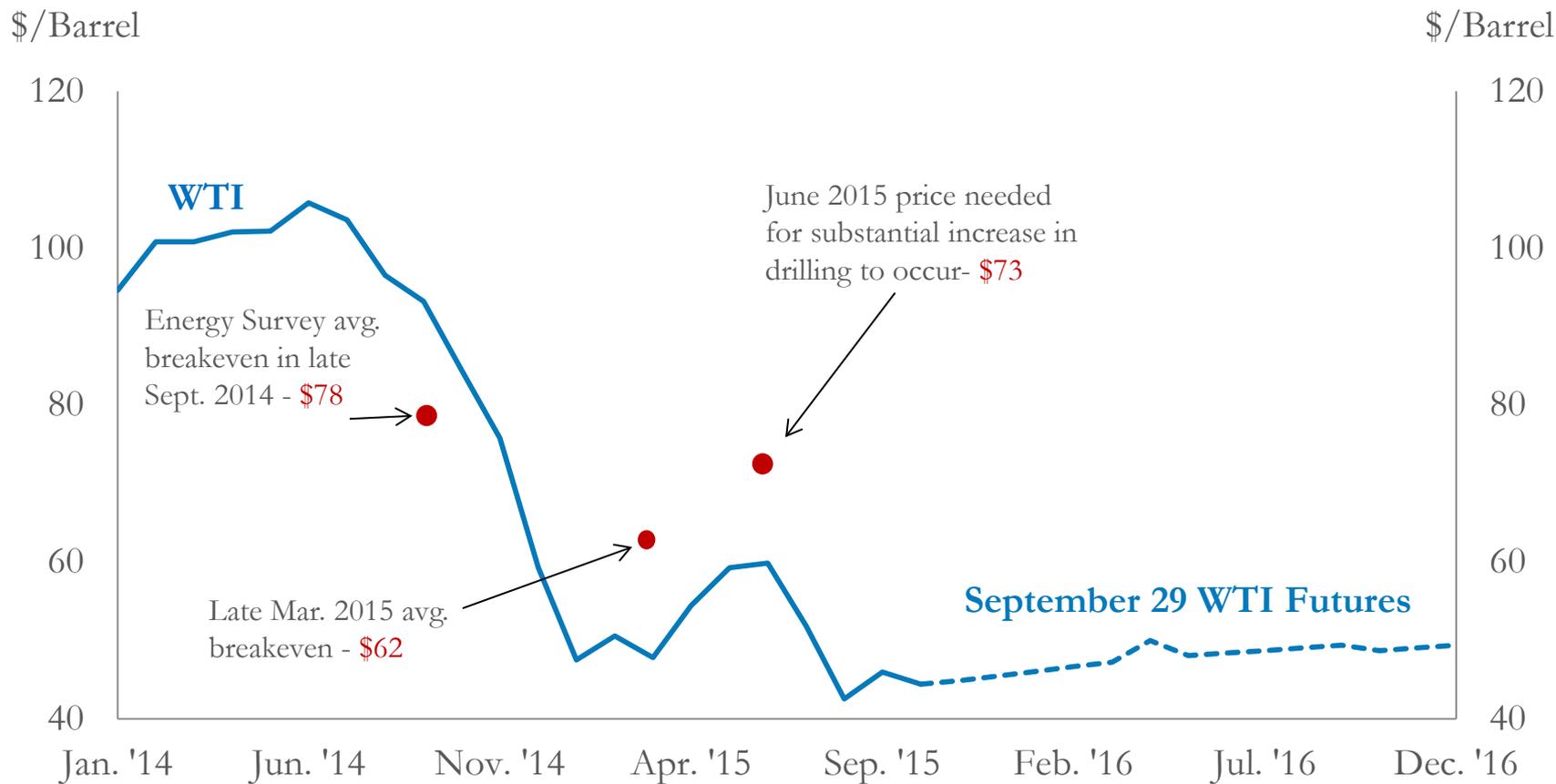
FRBKC ENERGY SURVEY

Quarterly Diffusion Indexes



Breakeven oil prices have fallen as productivity rises and costs decline, but oil prices remain well below the levels needed for a substantial increase in drilling.

REPORTED BREAKEVEN OIL PRICES AND WTI EXPECTATIONS

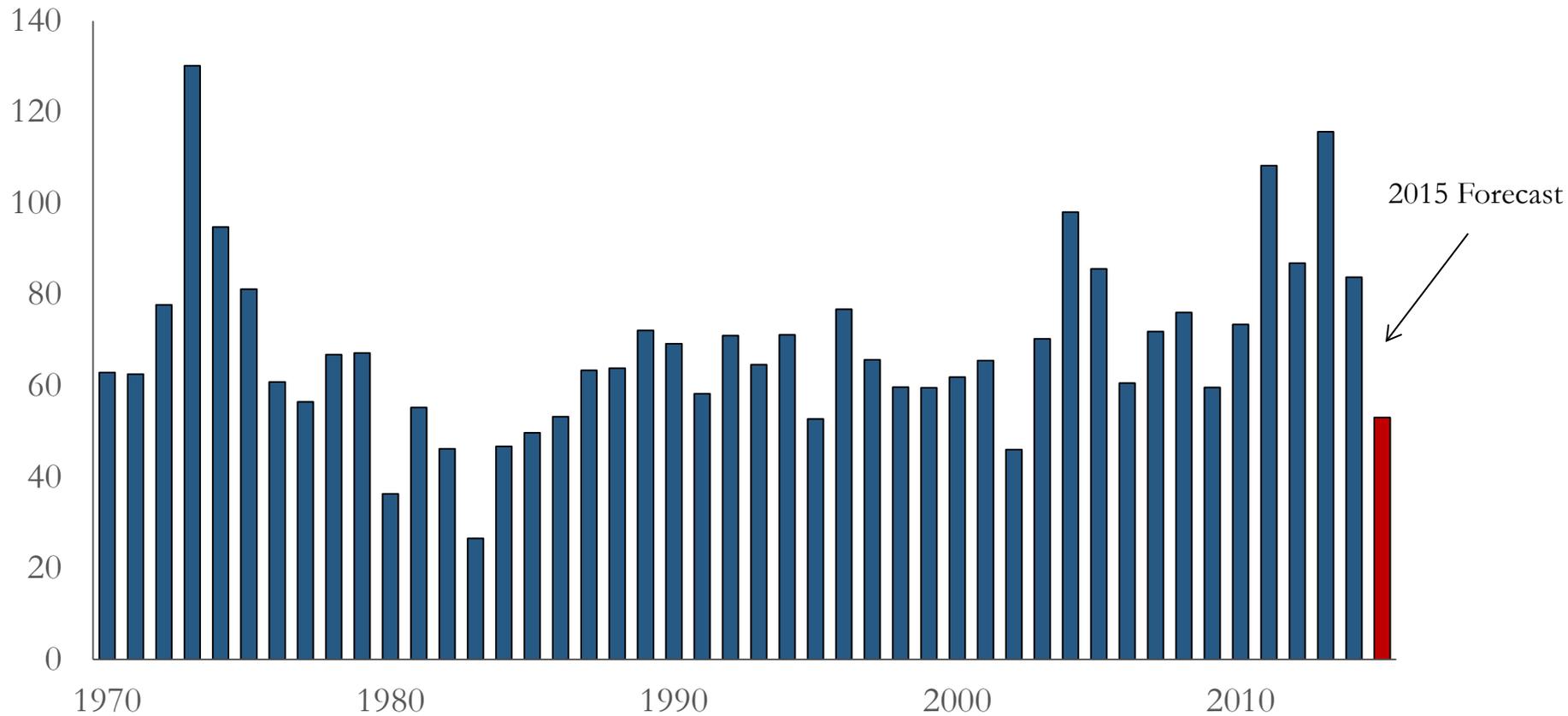


U.S. real net farm income is projected to decline sharply in 2015.



U.S. REAL NET FARM INCOME

Billions, 2009 Dollars

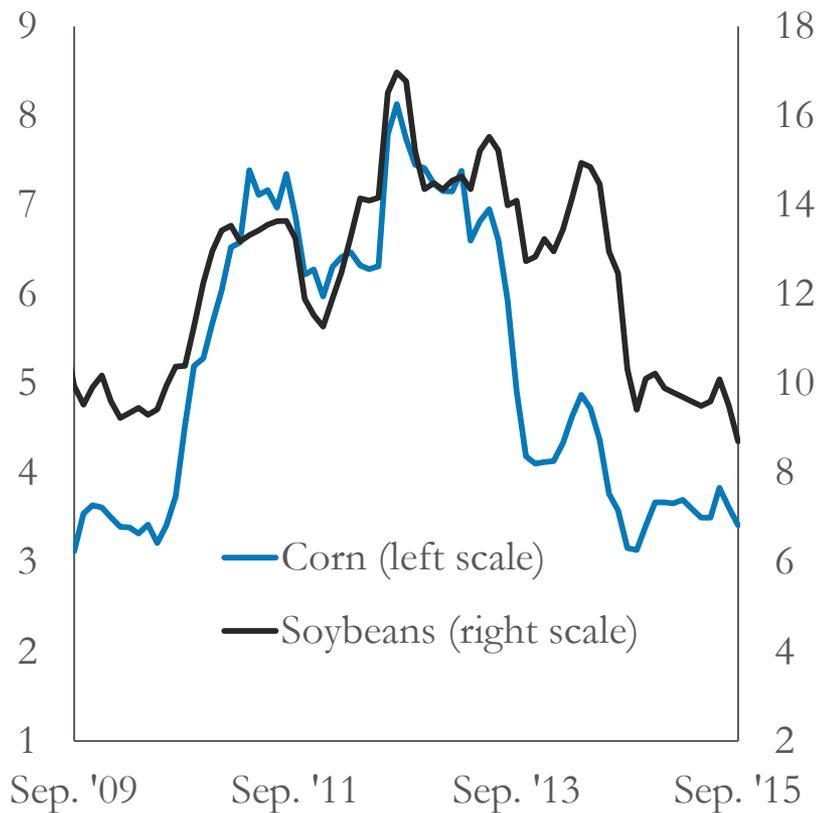


Crop prices remain low, and cattle prices are starting to decline after record profits last year.



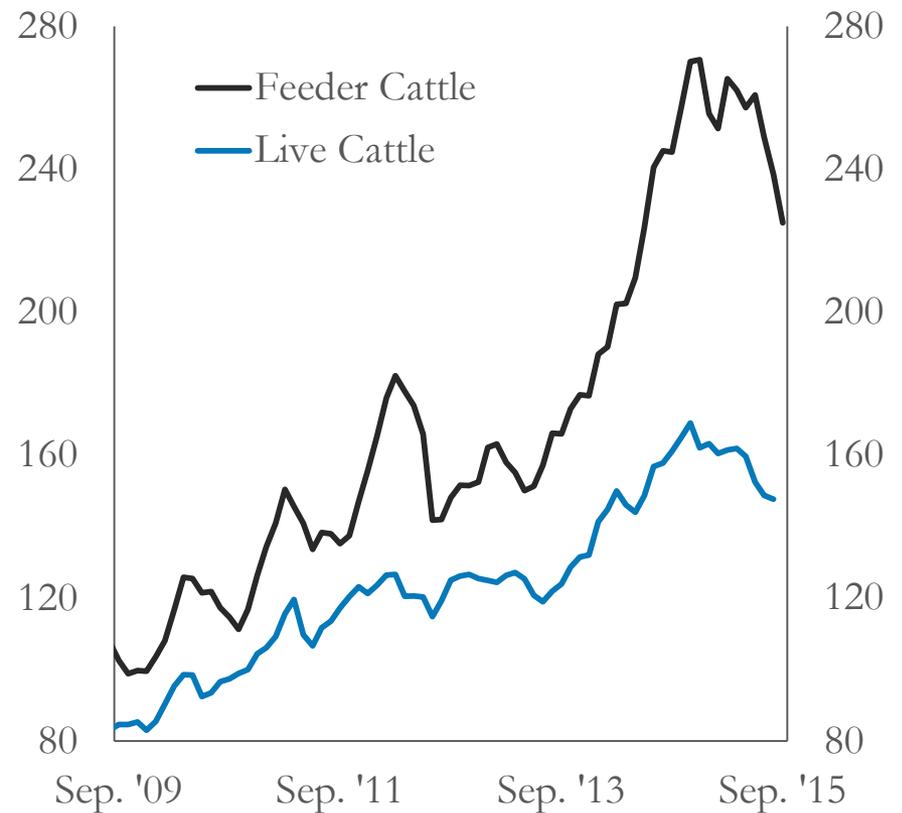
U.S. CROP PRICES

Dollars per Bushel



U.S. LIVESTOCK PRICES

Dollars per Hundredweight



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

