

Emerging Trends in the U.S. & Colorado Economies



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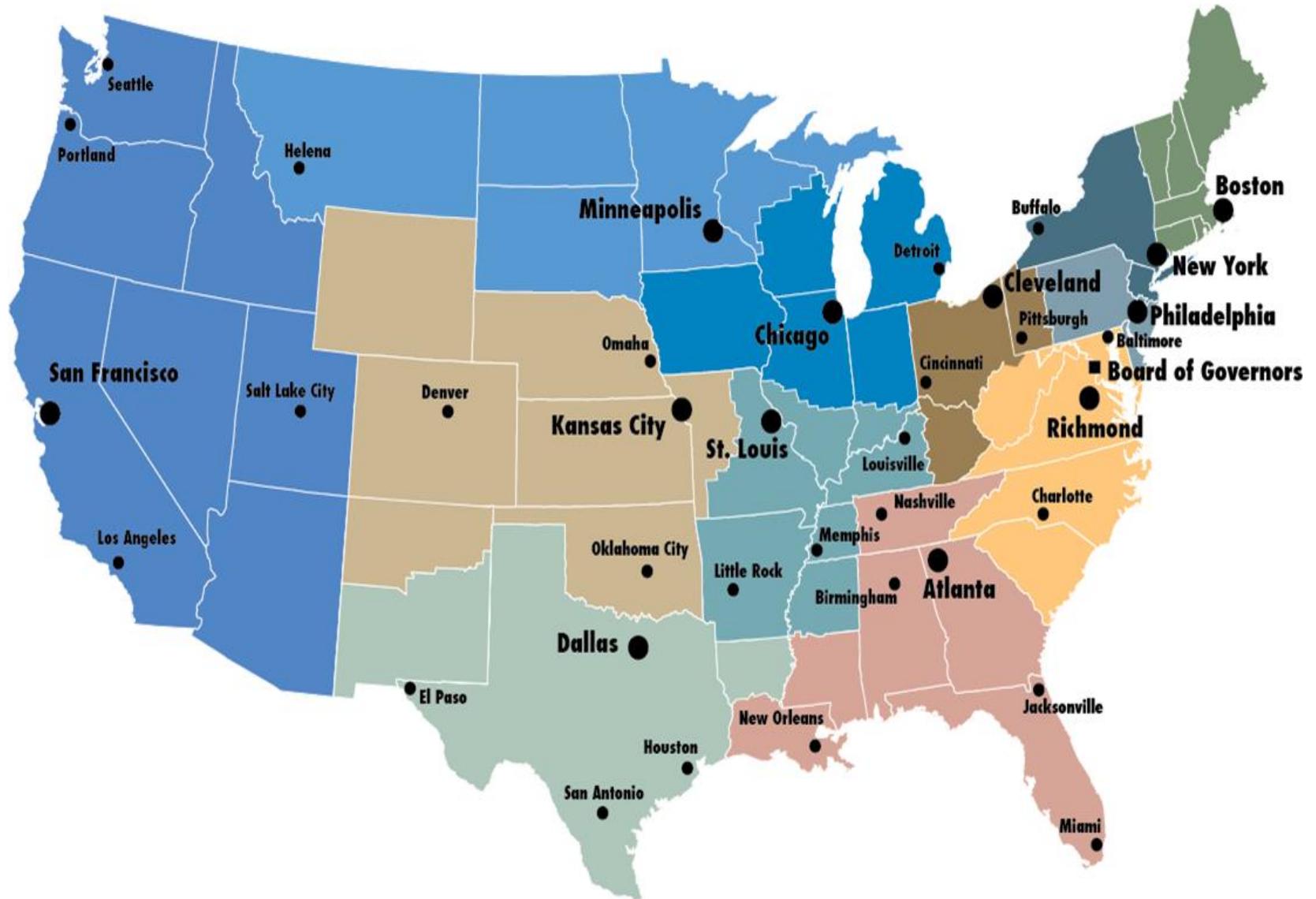
*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

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





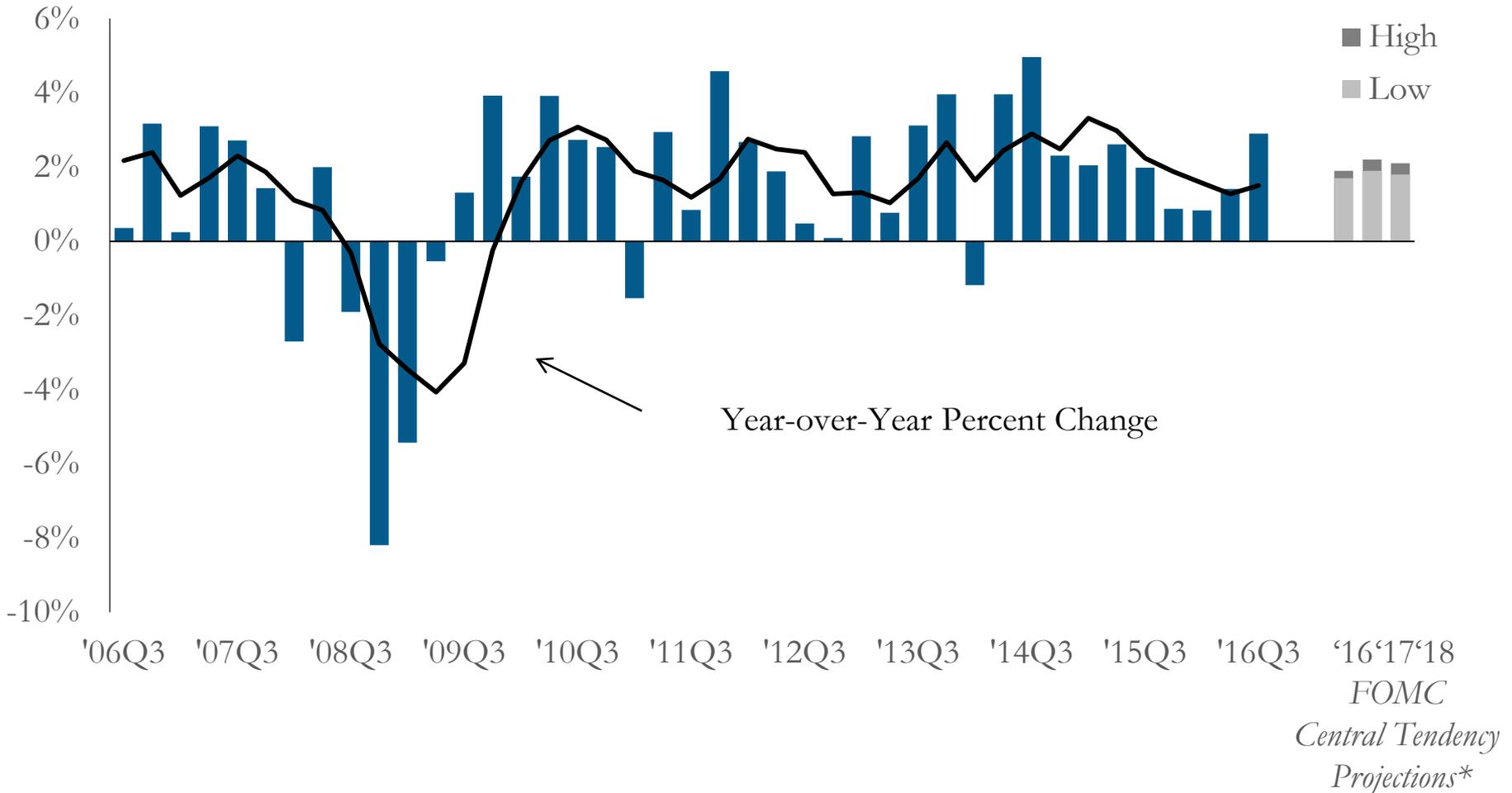
- Functions
 - Regional research and policy support covering the economies of Colorado, New Mexico and Wyoming
 - Economic, financial education, and community development outreach
 - Examinations of Colorado, Wyoming and northern New Mexico financial institutions
 - Cash processing and distribution
 - Money Museum
 - Around 160 employees

The U.S. economy is expected to continue to expand at a moderate pace over the next two years.



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

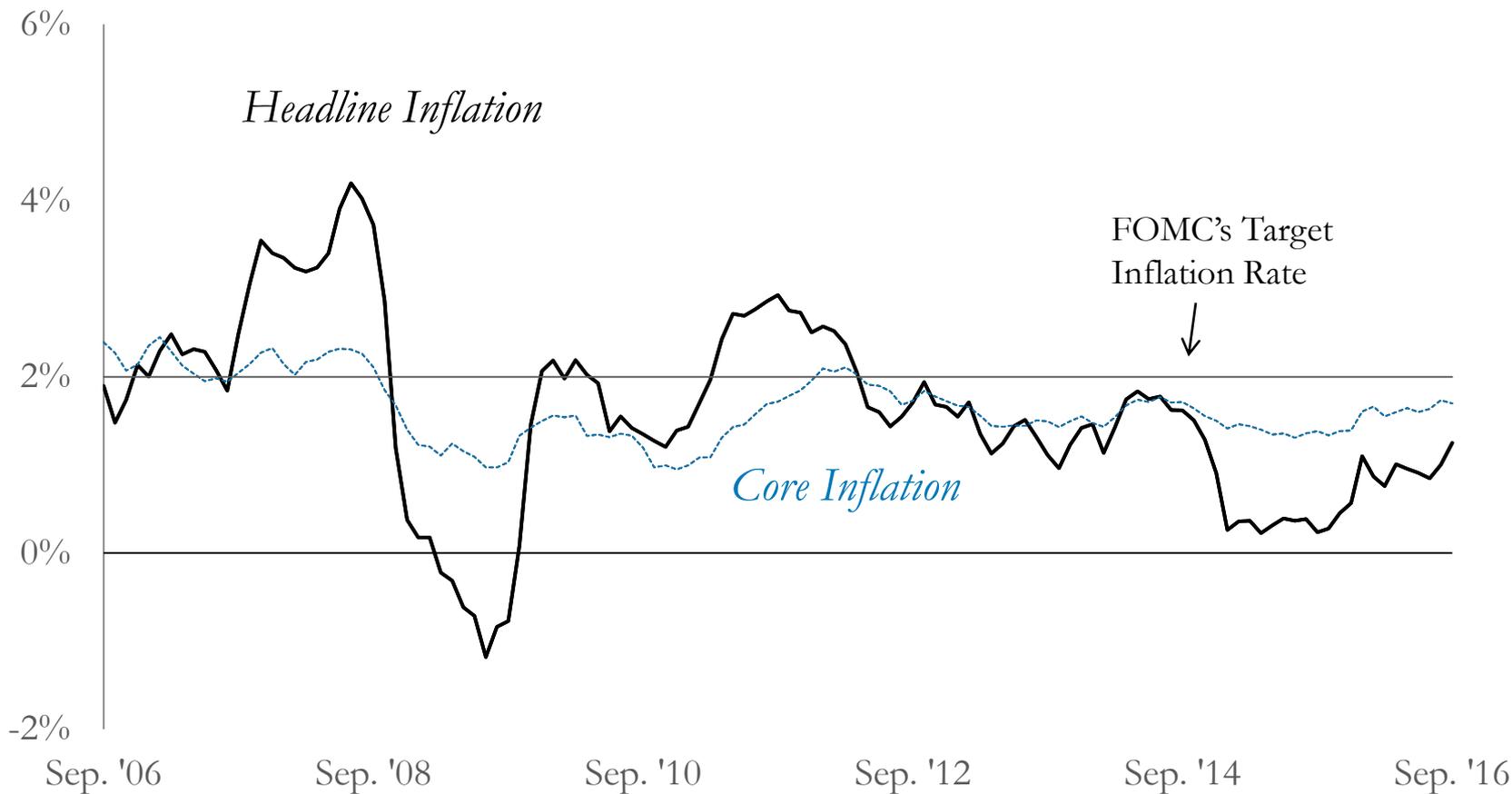
*Projections as of September FOMC meeting

Inflation has picked up in 2016 and is expected to move toward the FOMC's two percent target over the next couple of years.



PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

Percent Change Year-over-Year

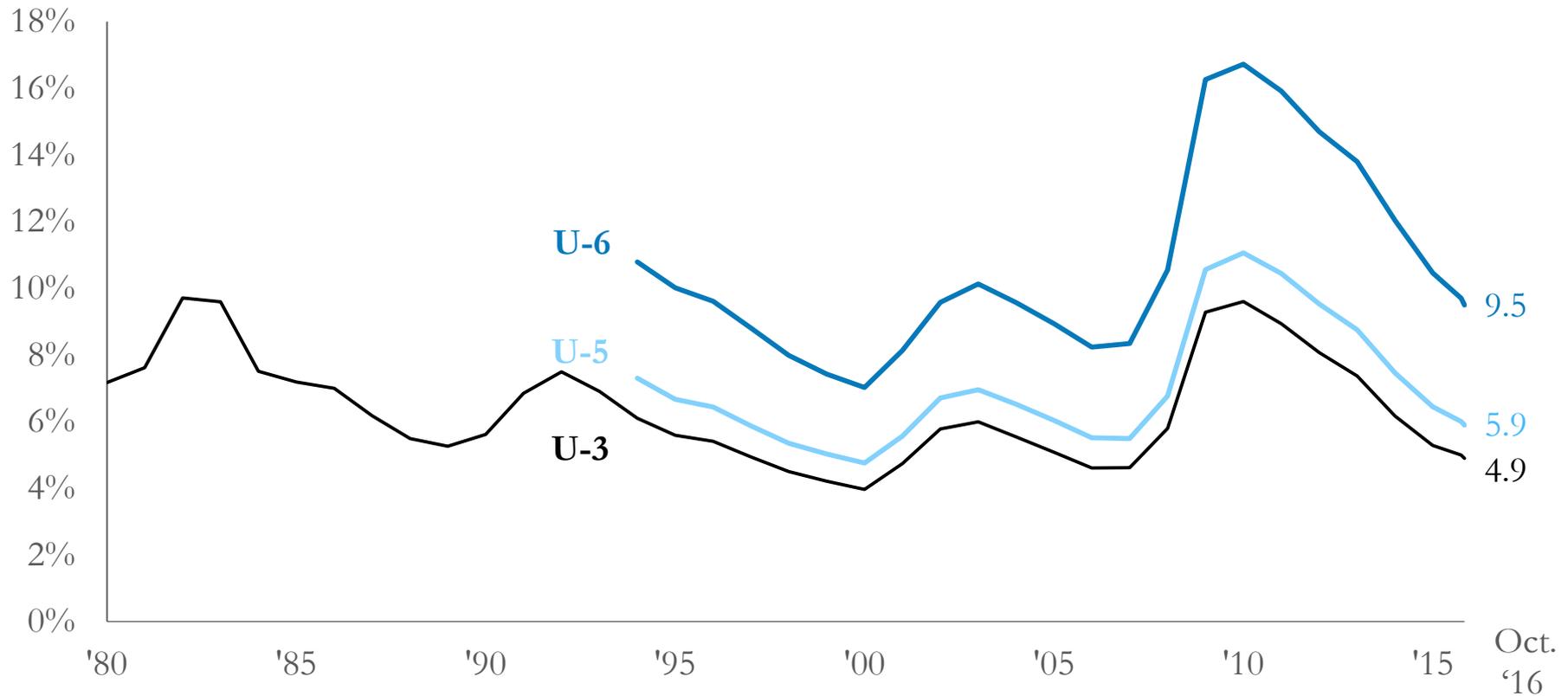


Measures of unemployment and under-employment have declined steadily over the past six years.



U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

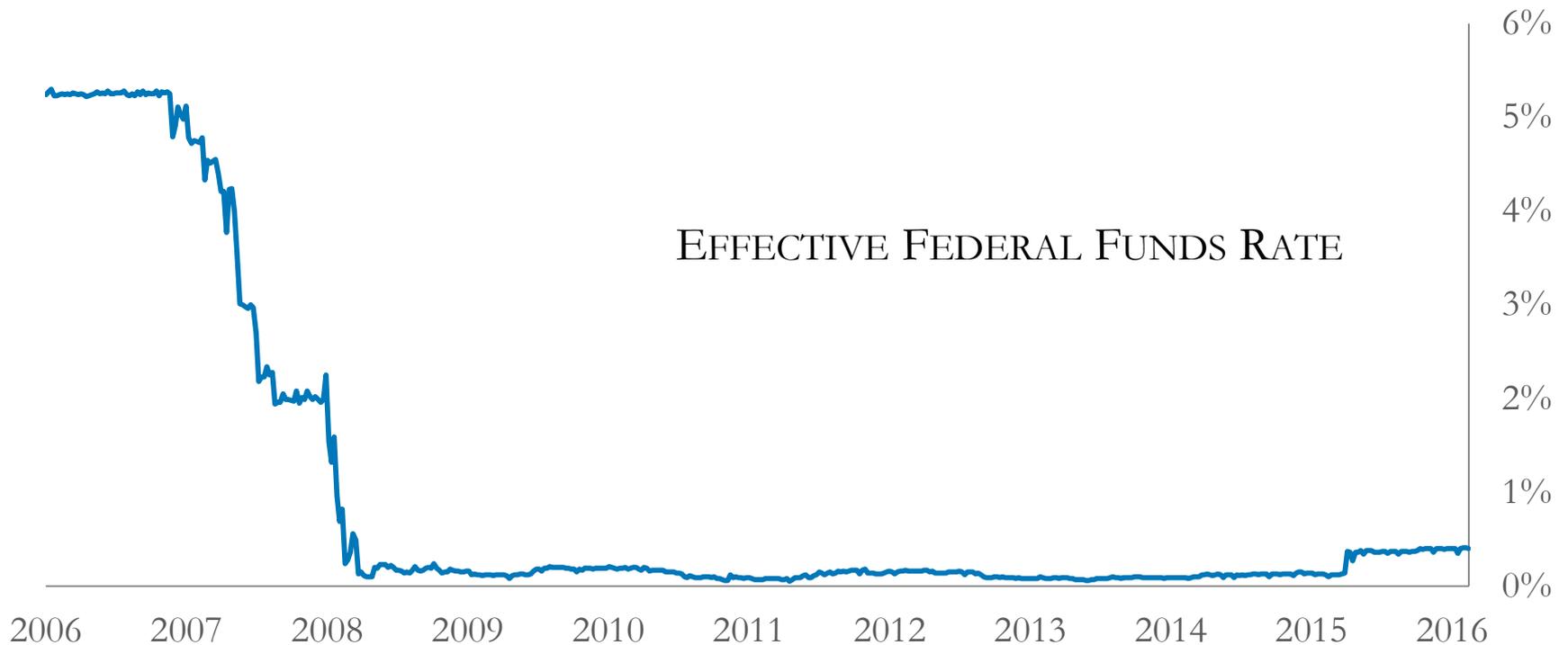
Seasonally Adjusted





“...the Committee decided to maintain the target range for the federal funds rate at 1/4 to 1/2 percent. The Committee judges that the case for an increase in the federal funds rate has continued to strengthen but decided, for the time being, to wait for some further evidence of continued progress toward its objectives. The stance of monetary policy remains accommodative, thereby supporting further improvement in labor market conditions and a return to 2 percent inflation.”

- November 2016 FOMC Statement



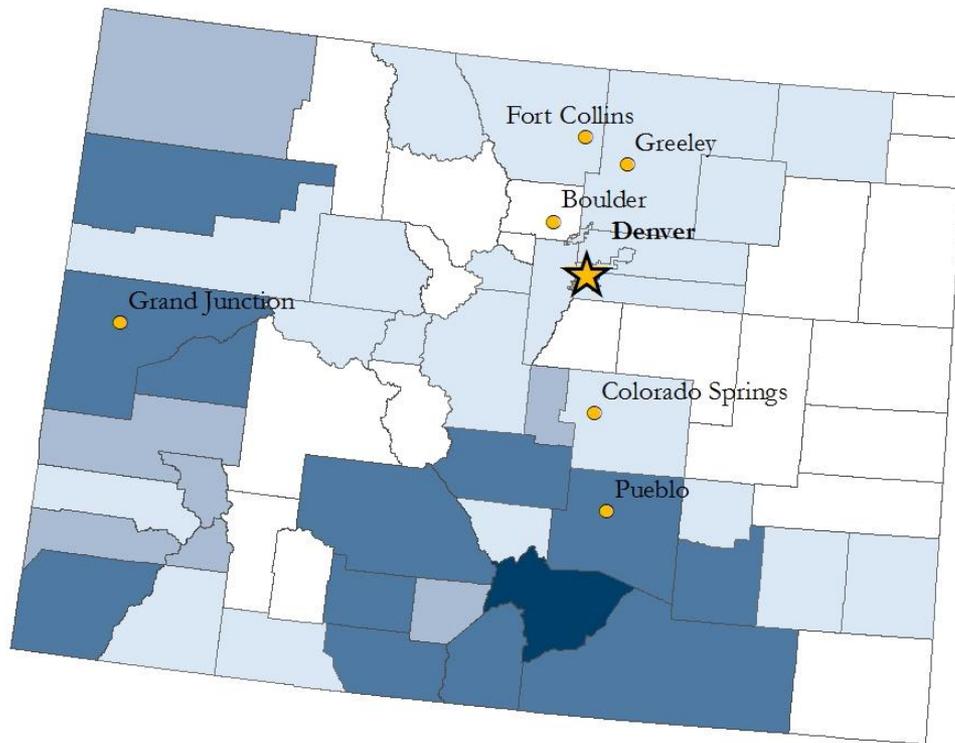
Unemployment rates are below national rates in most of Colorado.



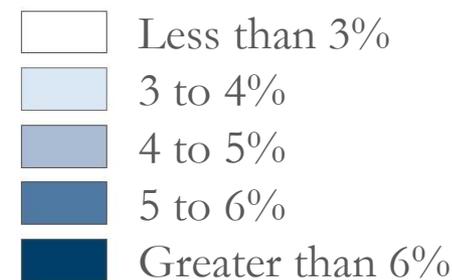
UNEMPLOYMENT RATES

September 2016, Seasonally Adjusted

<i>Unemployment Rate</i>	<i>U-3 (October '16)</i>	<i>U-5*</i>	<i>U-6*</i>
United States	4.9%	5.9%	9.5%
Colorado	3.5%	4.0%	7.4%



**U-5 and U-6 values are 12-month moving averages as of Q3 2016 for Colorado and are for October, 2016 for the United States.*



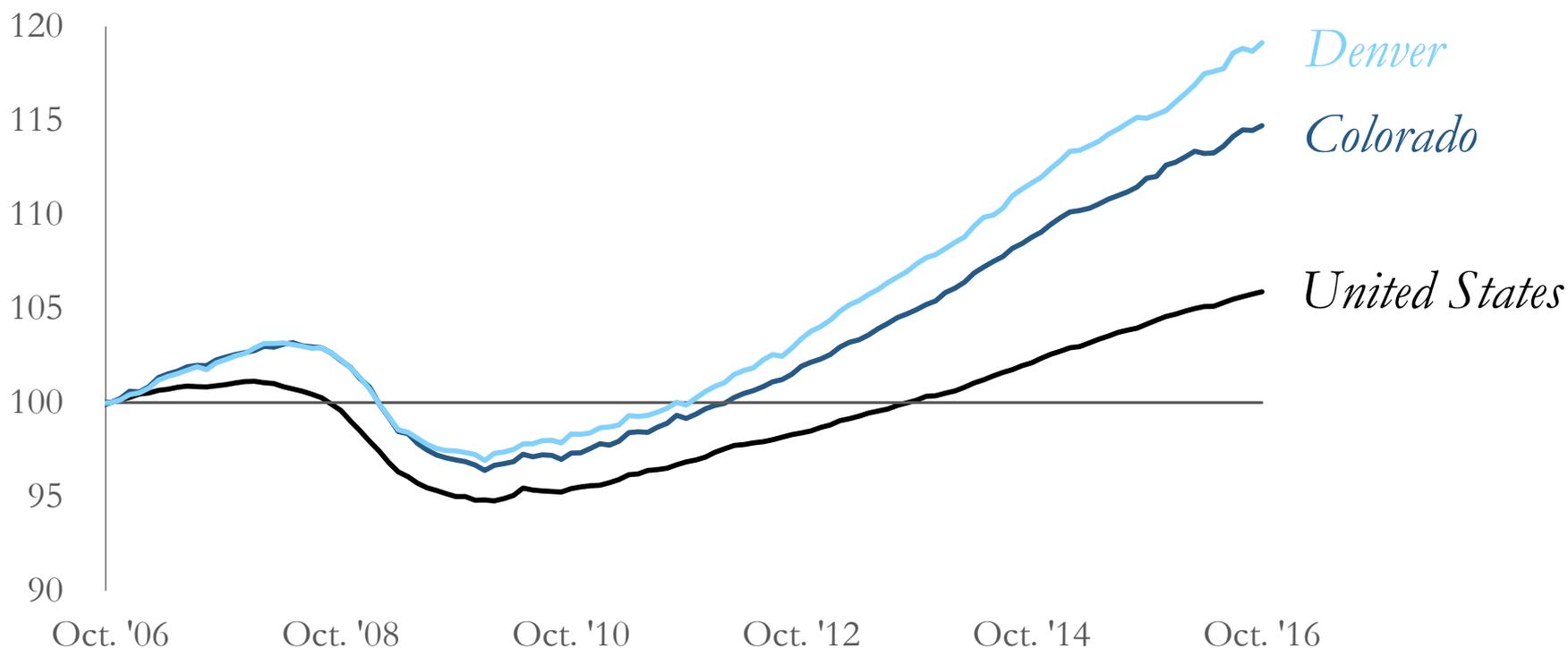
Employment has been increasing in Colorado and the nation for more than six years, with Colorado gains outpacing the nation.



PAYROLL EMPLOYMENT GROWTH

Index 100 = October 2006, Seasonally Adjusted

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S.	5.9%	1.7%
Colorado	14.7%	2.5%
Denver	19.1%	3.5%



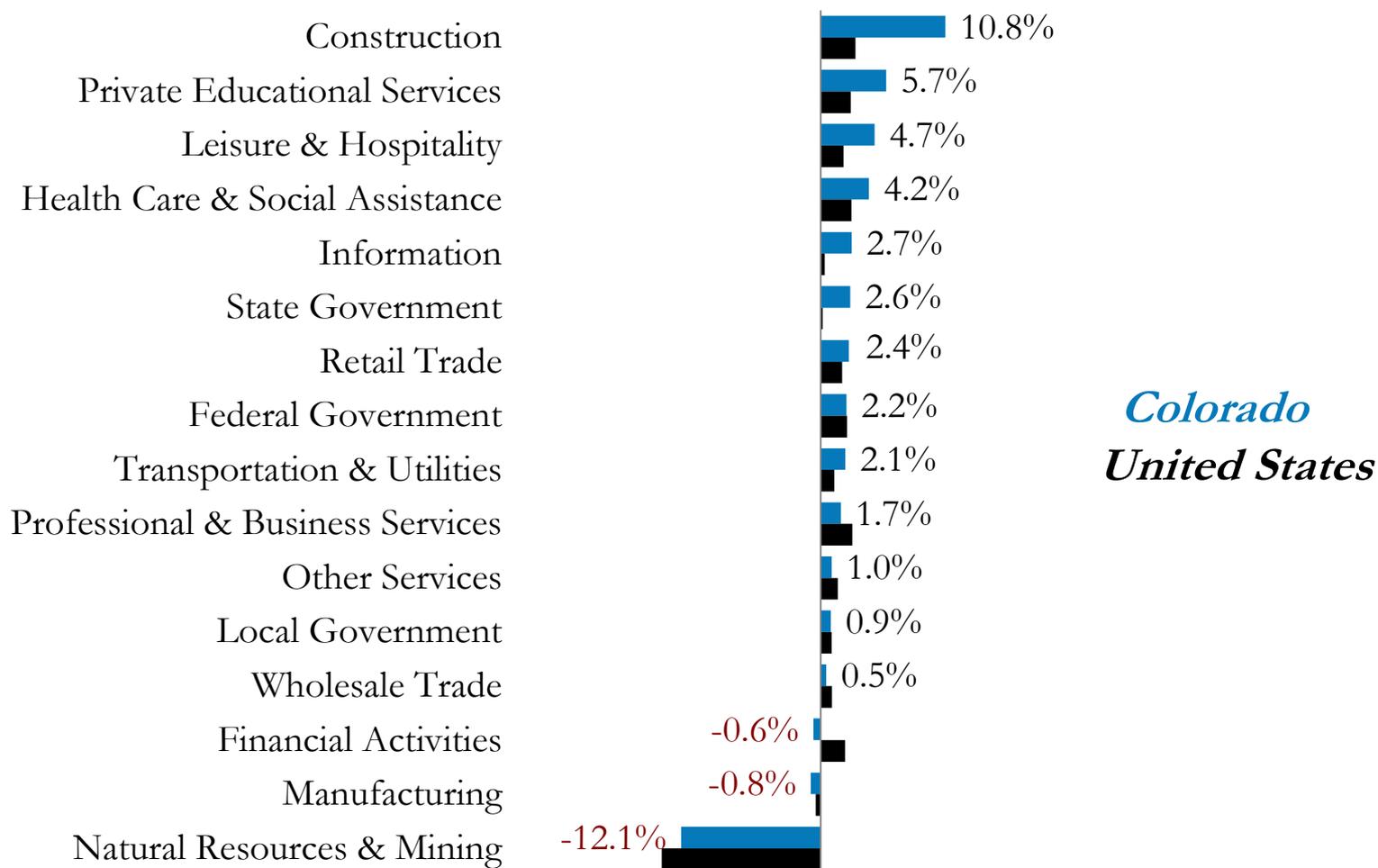
The majority of industries in Colorado have added jobs over the past year, but employment in the energy sector has declined sharply.



CHANGE IN PAYROLL EMPLOYMENT, OCTOBER 2016

Seasonally Adjusted

Percent Change Year-over-Year

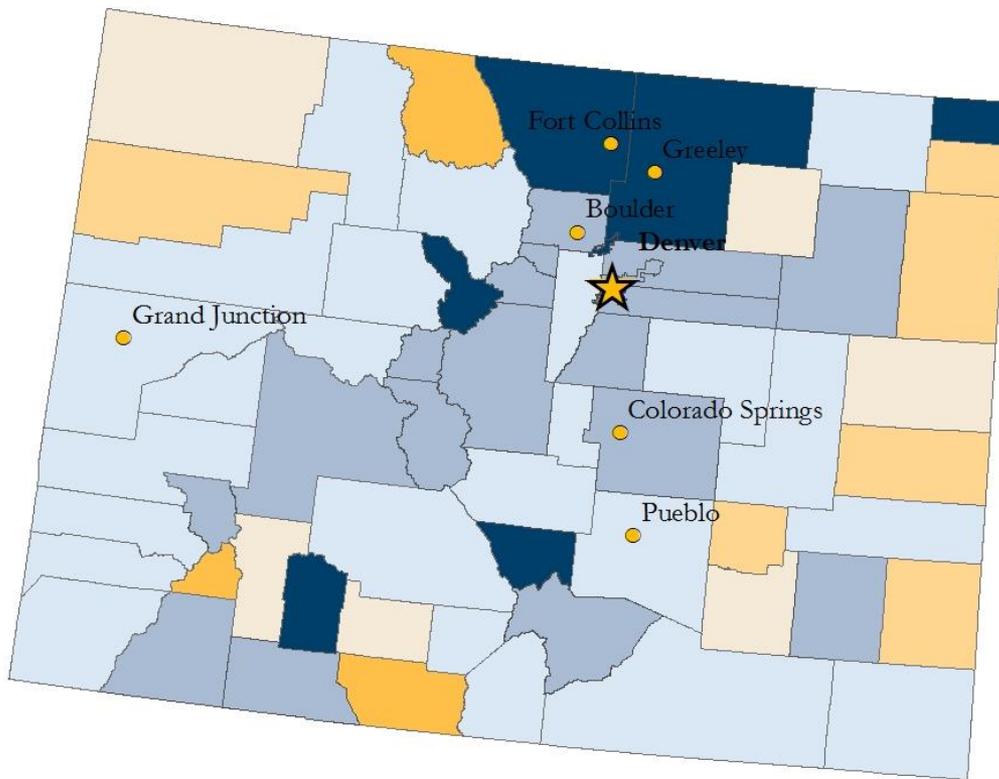


Parts of Colorado continue to experience strong population growth and net in-migration.

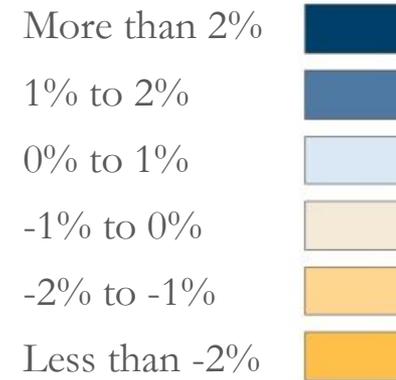


NET MIGRATION

Total 2015 Net Migration as a Percentage of 2015 Population



<i>Annual Percent Change</i>	<i>2015</i>
United States	0.4%
Colorado	1.2%
Denver	1.9%



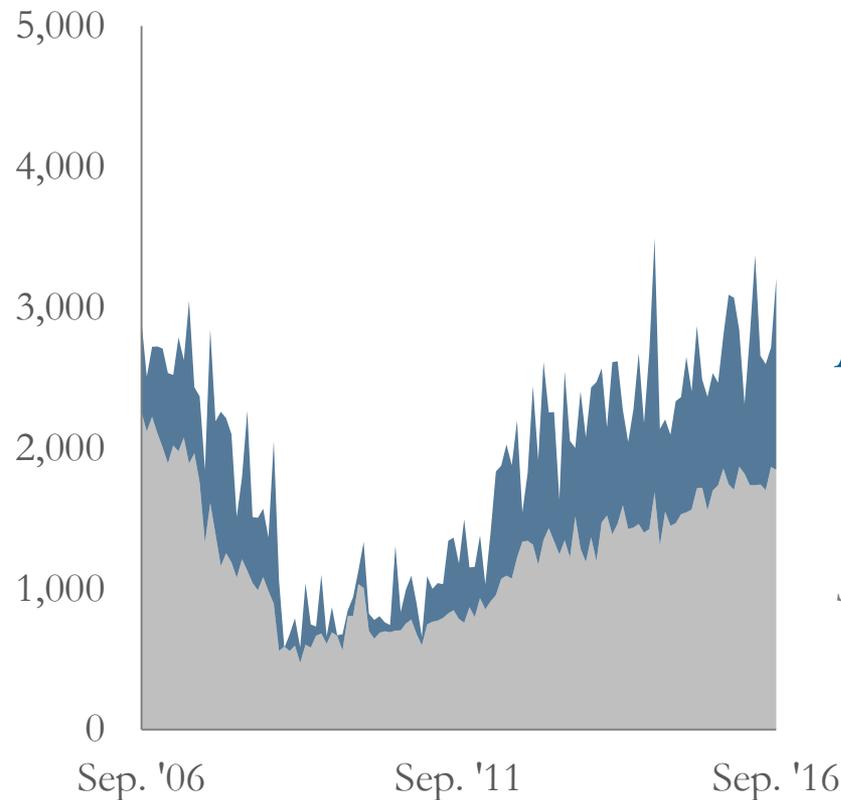
Residential construction activity has been increasing for more than six years, led by strong gains in multifamily building.



RESIDENTIAL PERMITS

Seasonally Adjusted

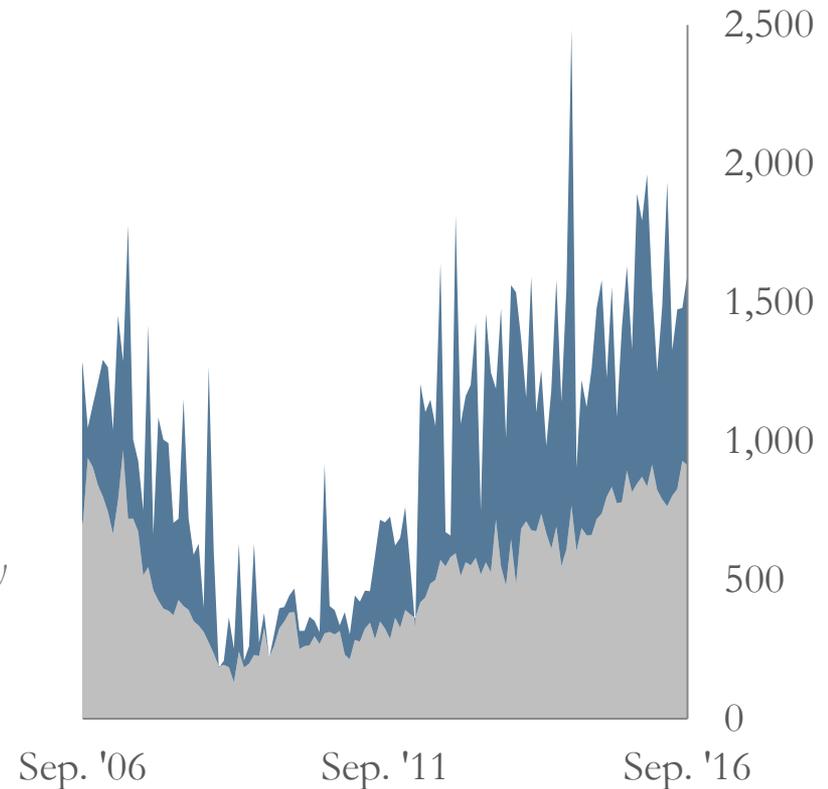
Colorado



Multifamily

Single Family

Denver

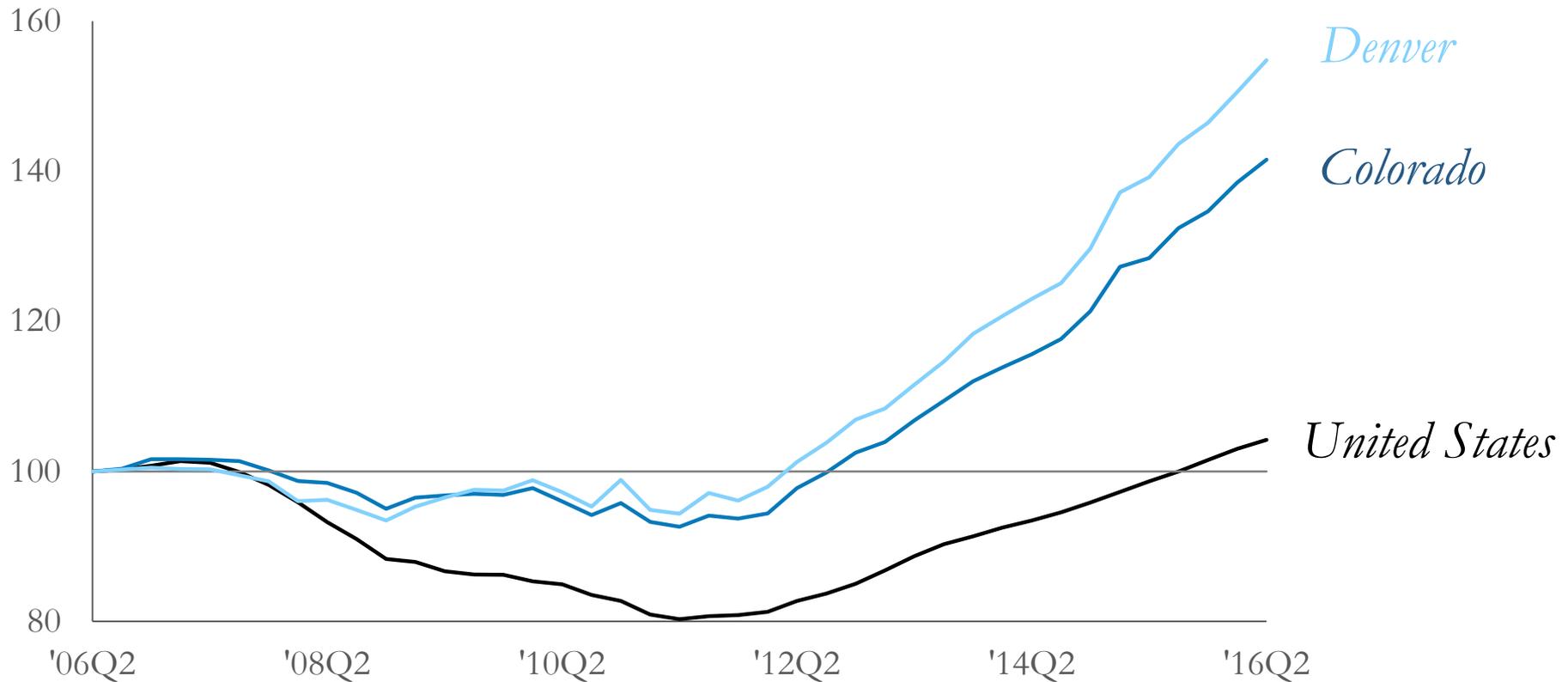


Home prices have increased sharply over the past several years in Colorado.



HOME PRICES

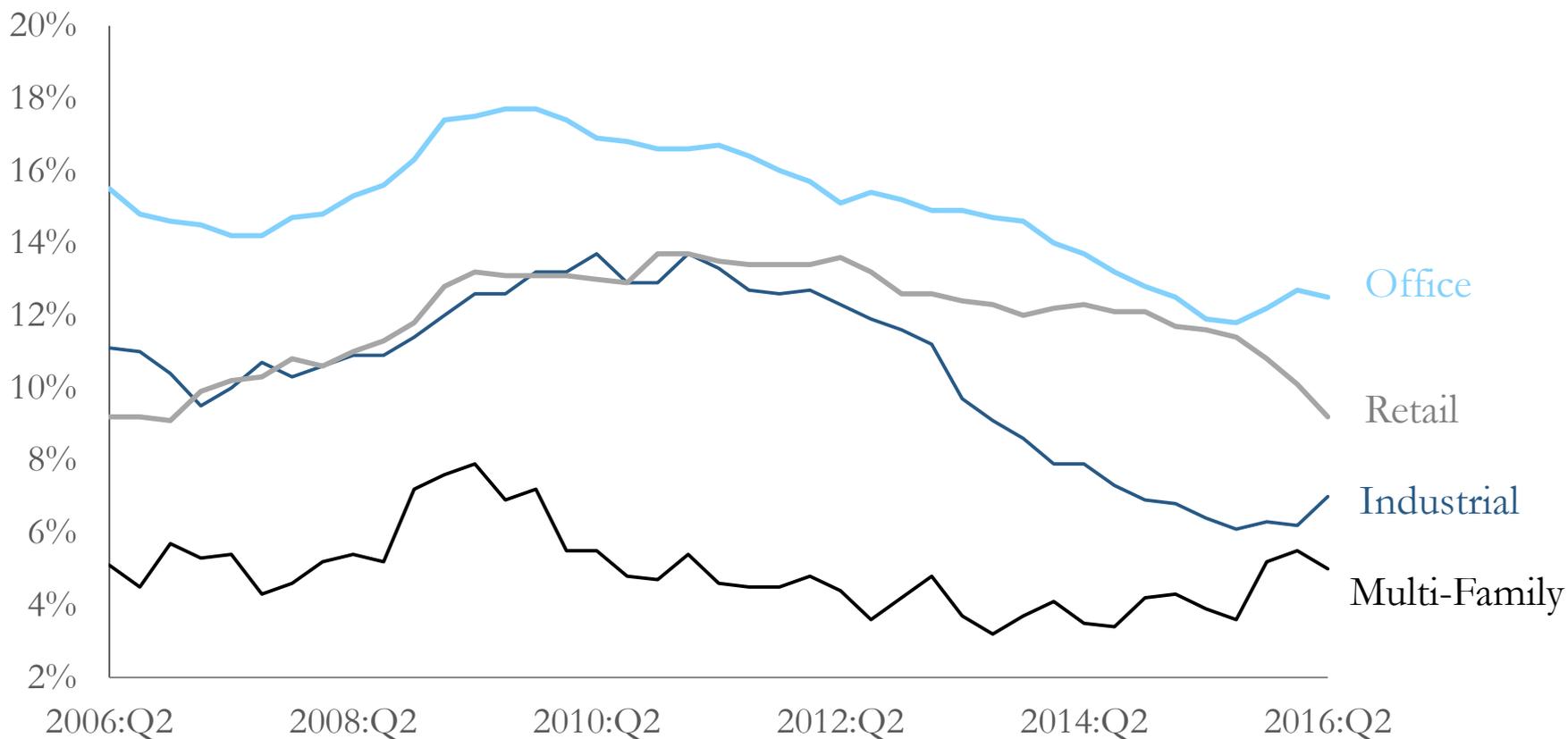
Seasonally Adjusted, Index 100 = Q2:2006



Vacancy rates are low across the Denver metro, but office and multifamily vacancies have moved higher over the past year.



DENVER COMMERCIAL VACANCY RATES

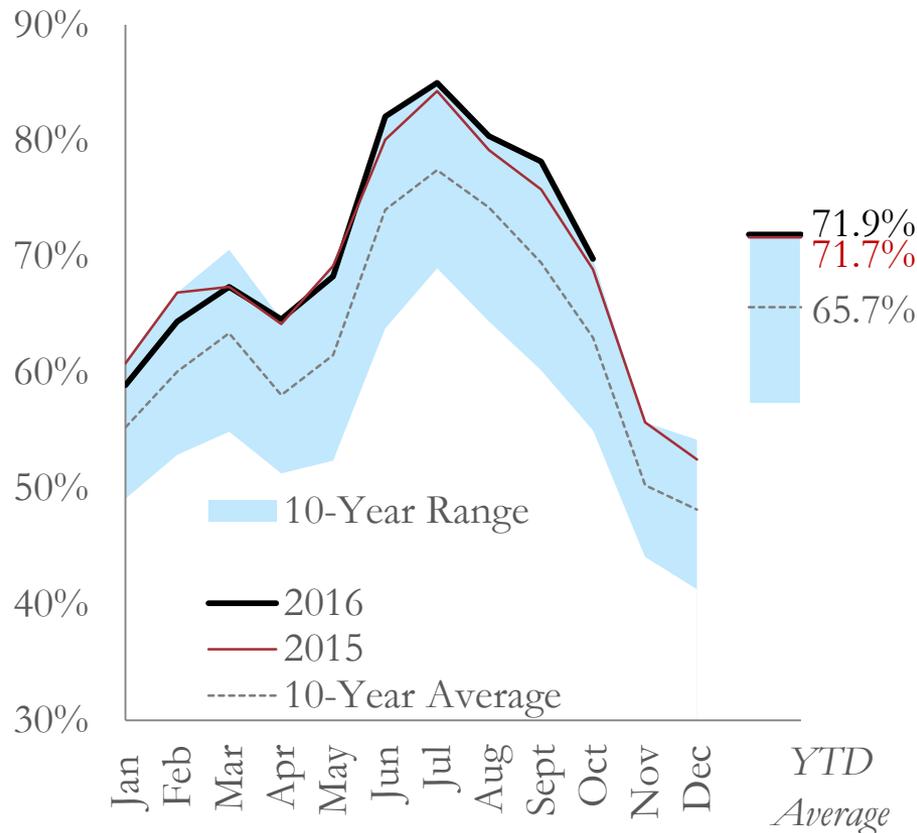


Tourism activity has been strong in Colorado over the past few years.



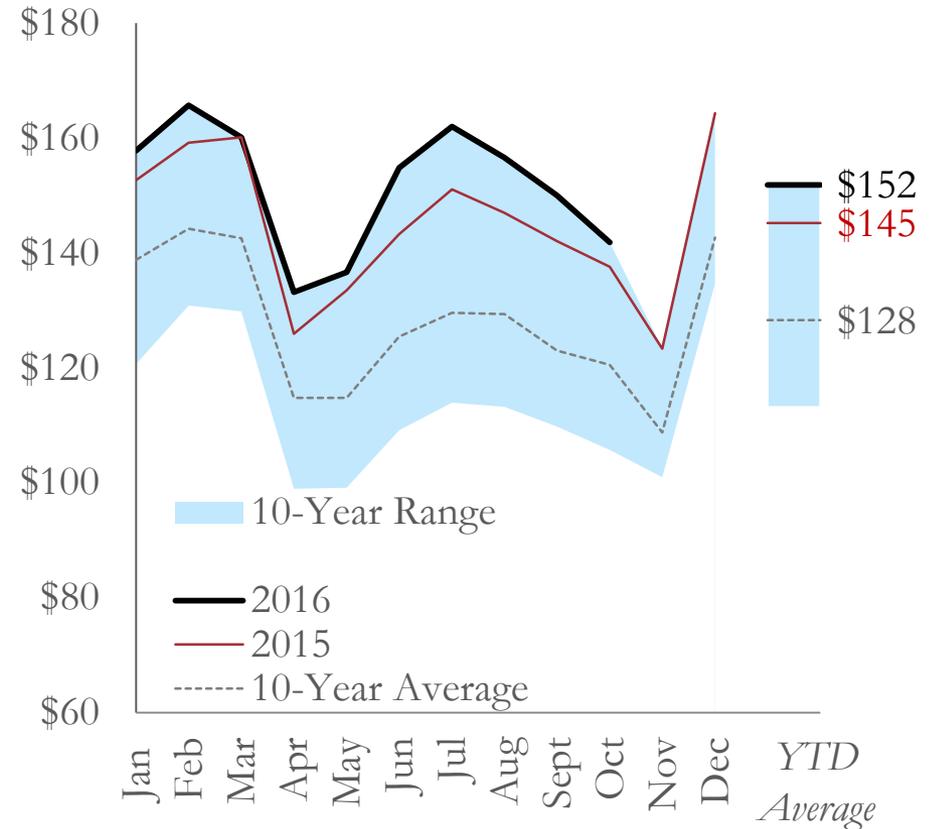
HOTEL OCCUPANCY RATES

Colorado



REAL HOTEL ROOM RATES

Colorado, 1999 Dollars

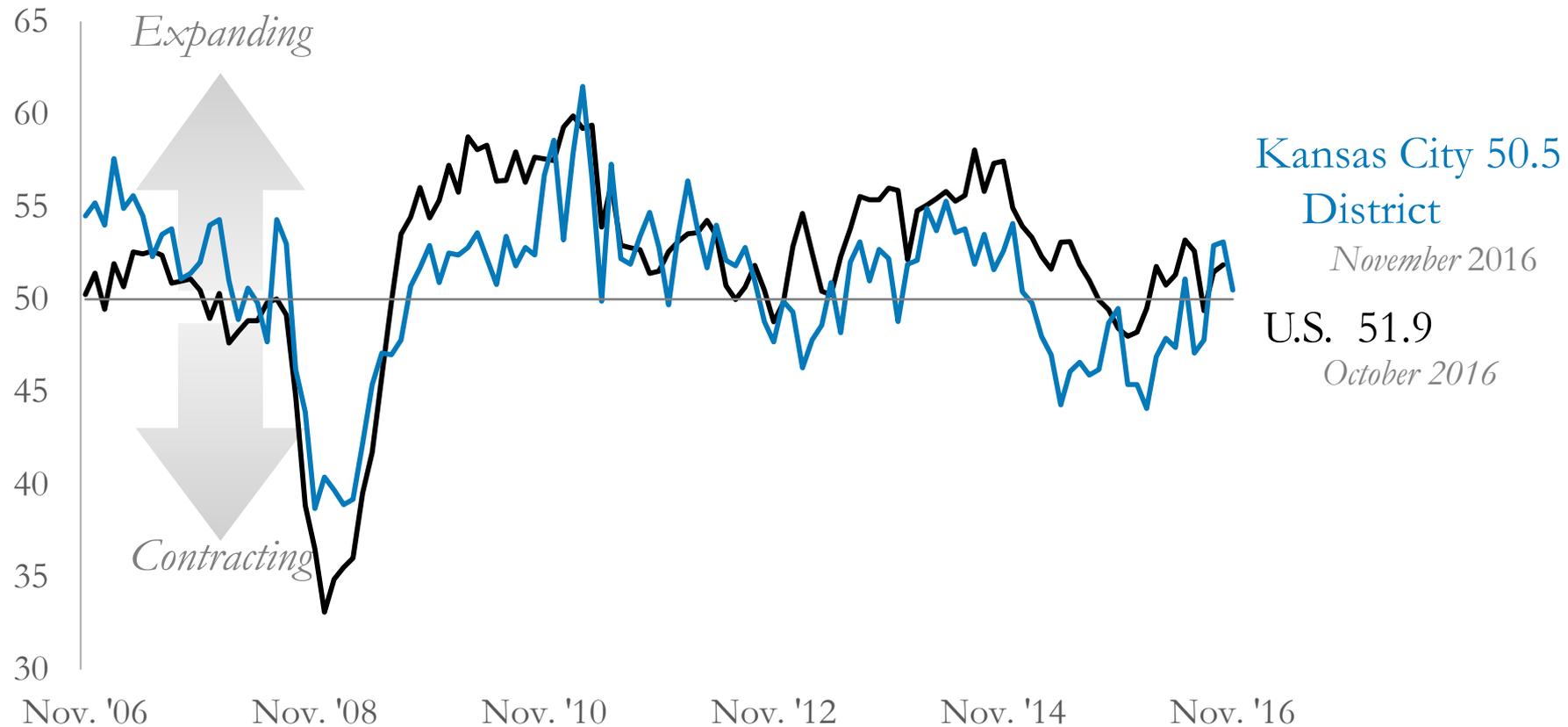


Manufacturing activity has rebounded in recent months after weak activity earlier this year.



MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, Month-over-Month

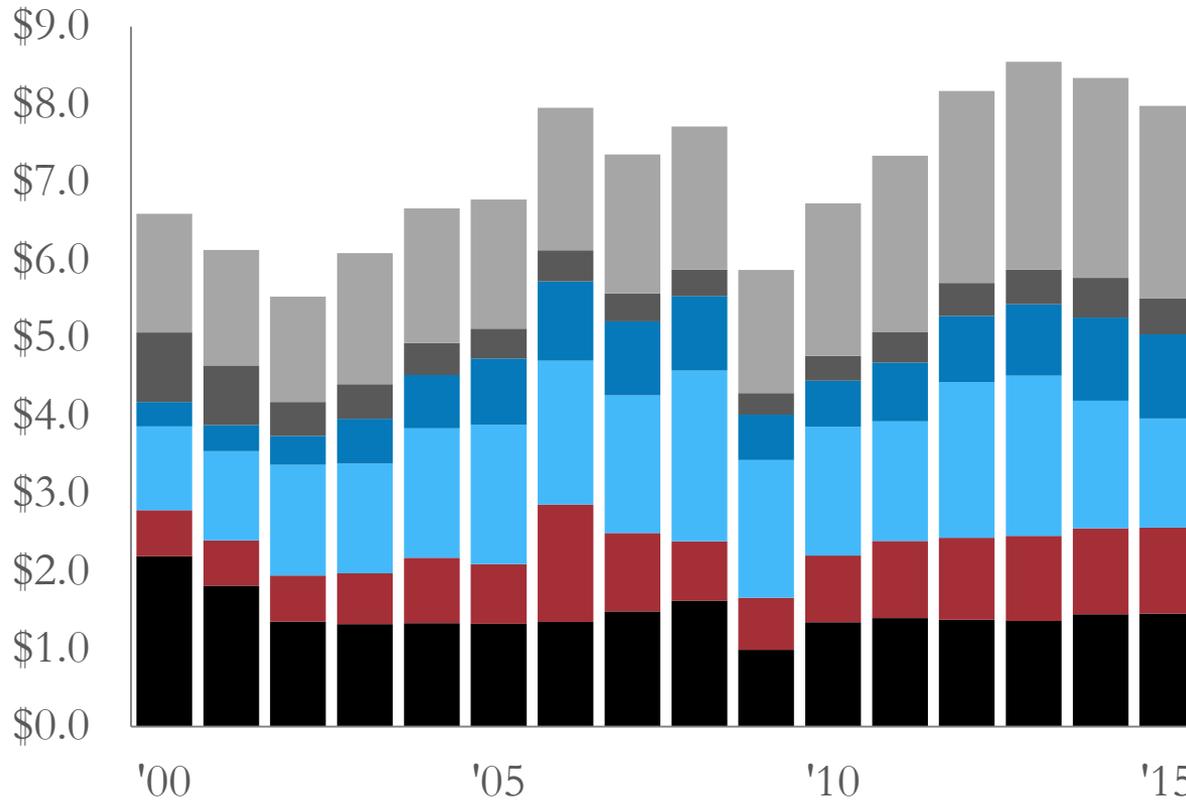


Colorado export activity has slowed over the past two years, weighed down by weak global economies and a strong U.S. dollar.



COLORADO EXPORTS BY TRADING PARTNER

Billions



YEAR-TO-DATE SEPTEMBER '16

Percent Change

Trading Partner	Percent Change	SHARE*
Total Trade	-7.6%	SHARE*
All Other	-4.9	30.7%
Japan	-6.8	5.9
Mexico	-9.2	13.5
Canada	-6.8	17.7
China	-13.1	13.9
Eurozone	-7.7	18.3

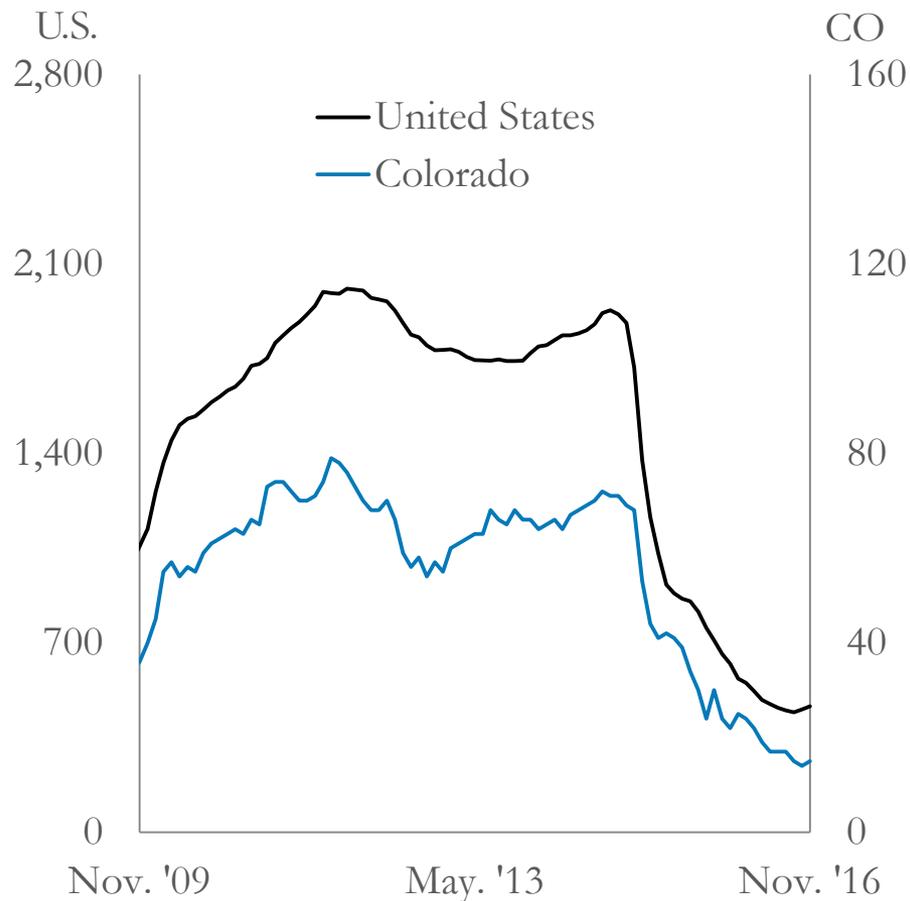
**Share is for 2015*

Year-to-Date: September

Energy activity has declined substantially in Colorado and the nation.

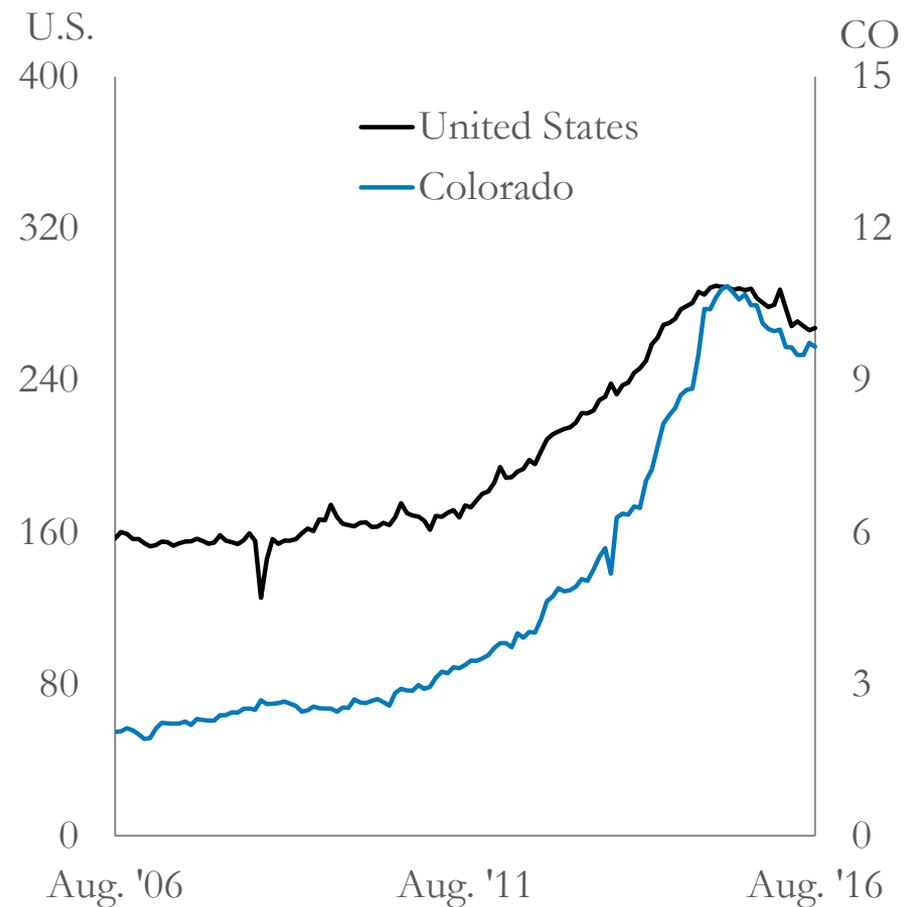


TOTAL RIG COUNT



CRUDE OIL PRODUCTION

*Millions of Barrels, Monthly,
Seasonally Adjusted*

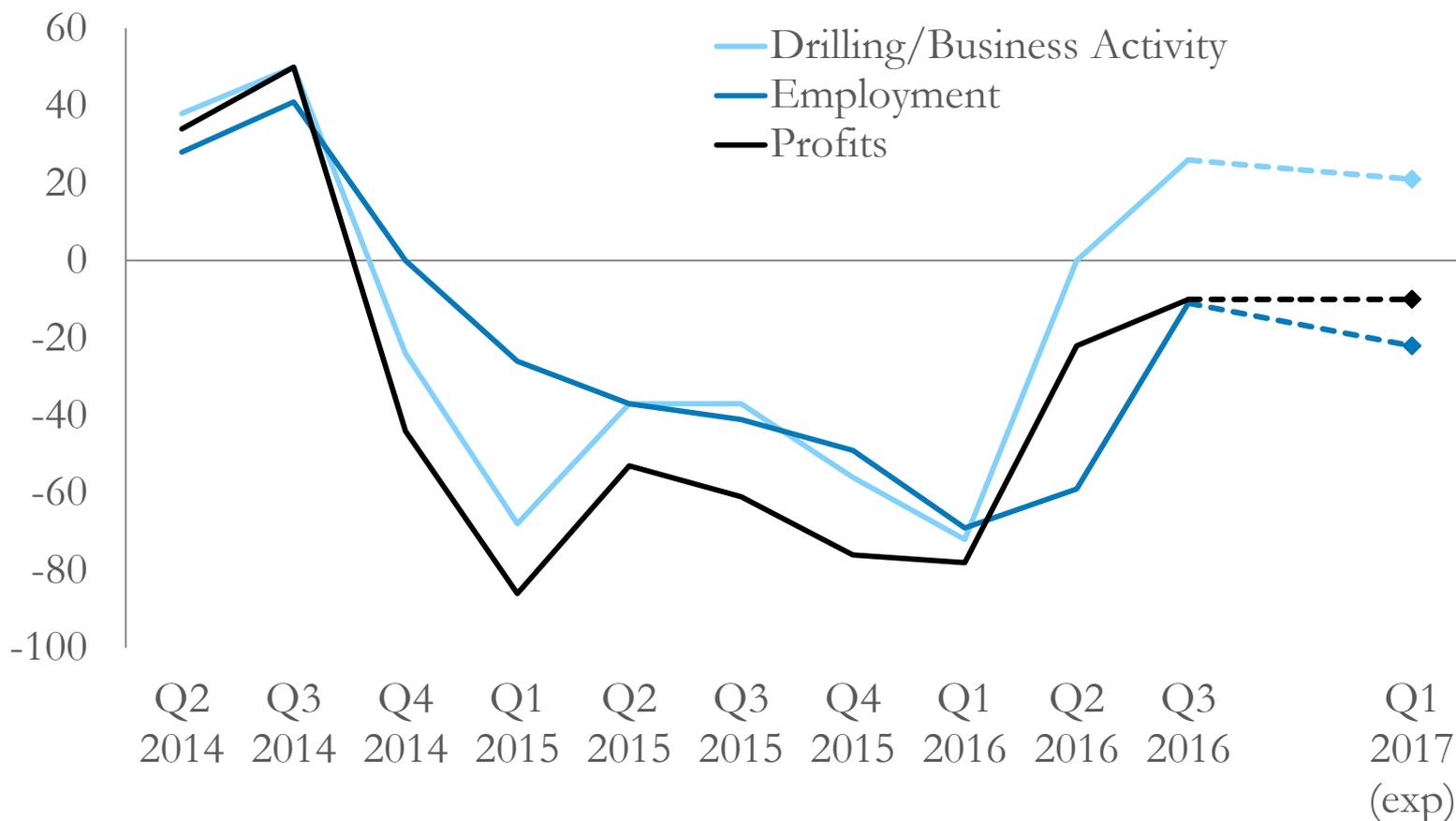


After substantial declines during the past two years, the energy sector appears to be stabilizing.



FRBKC ENERGY SURVEY

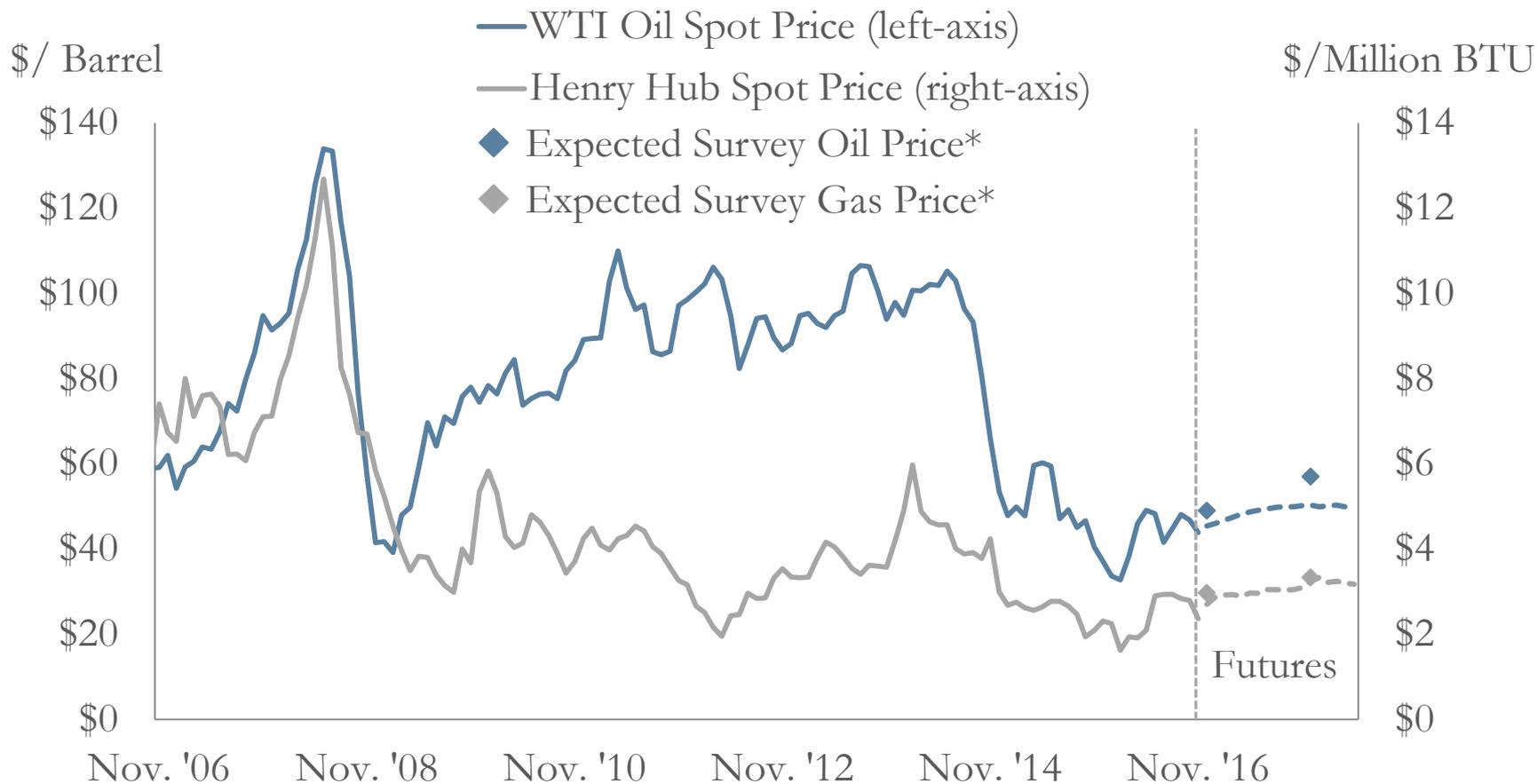
Diffusion Indexes



Oil and natural gas prices have increased in 2016, but additional gains are expected to be gradual.



ENERGY PRICES



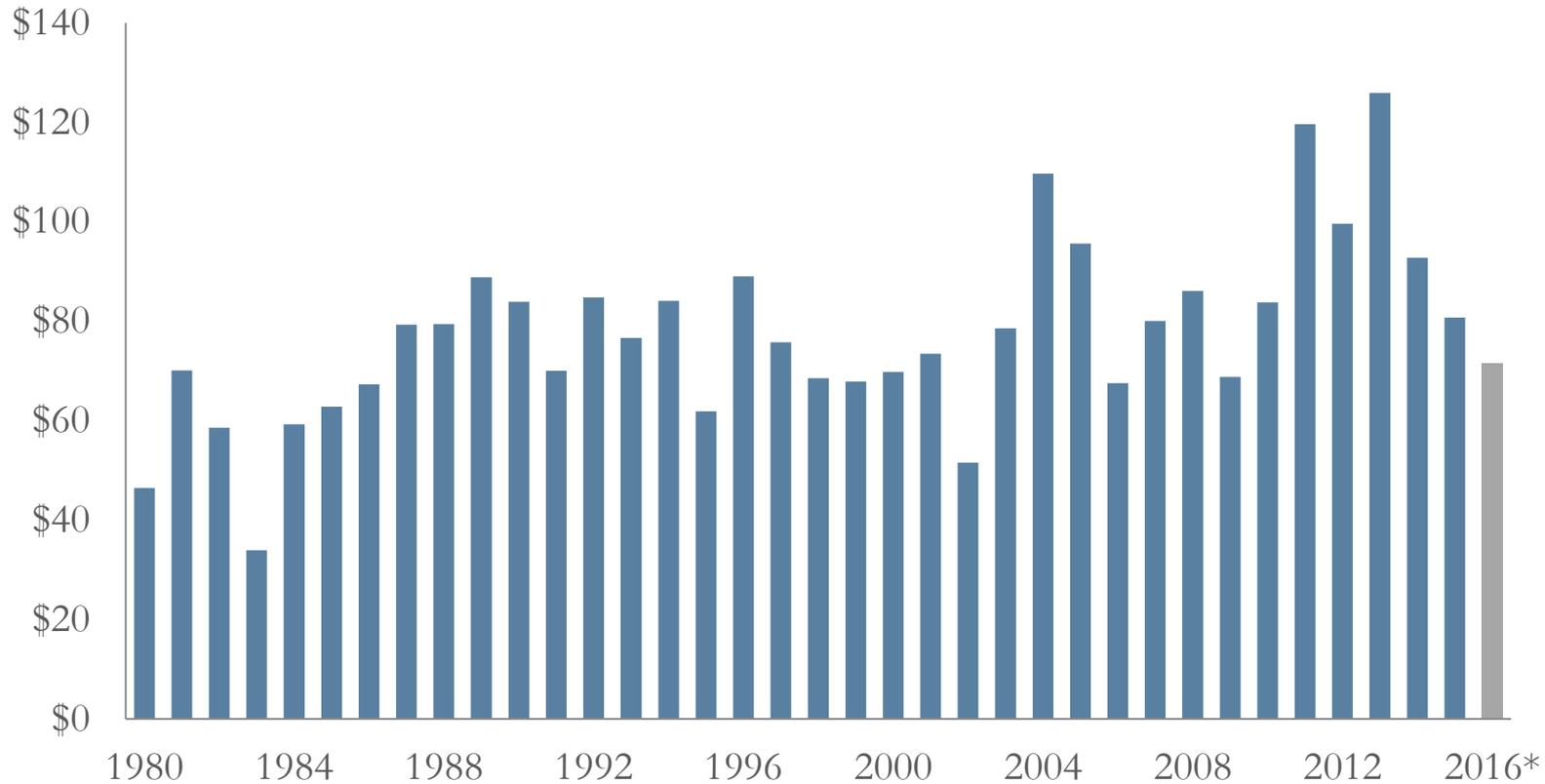
*Expected year-end prices are the average expected price based on responses to the FRBKC Q3:2016 Energy Survey

Farm income has dropped sharply and is expected to remain low.



U.S. REAL NET FARM INCOME

Billion dollars (constant 2015 dollars)



*Forecast for 2016

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

