

Emerging Trends in the U.S. & Colorado Economies



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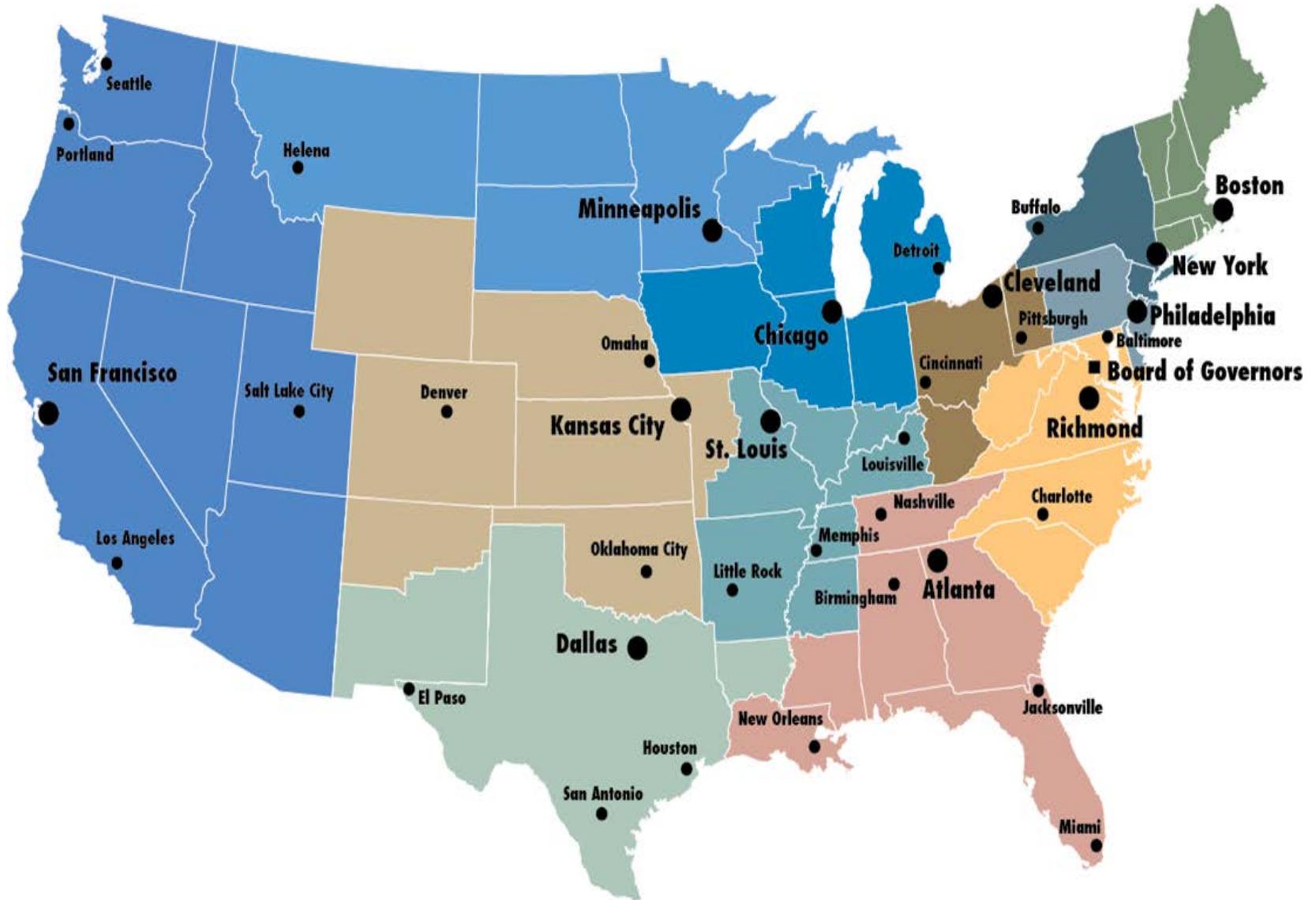
The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

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





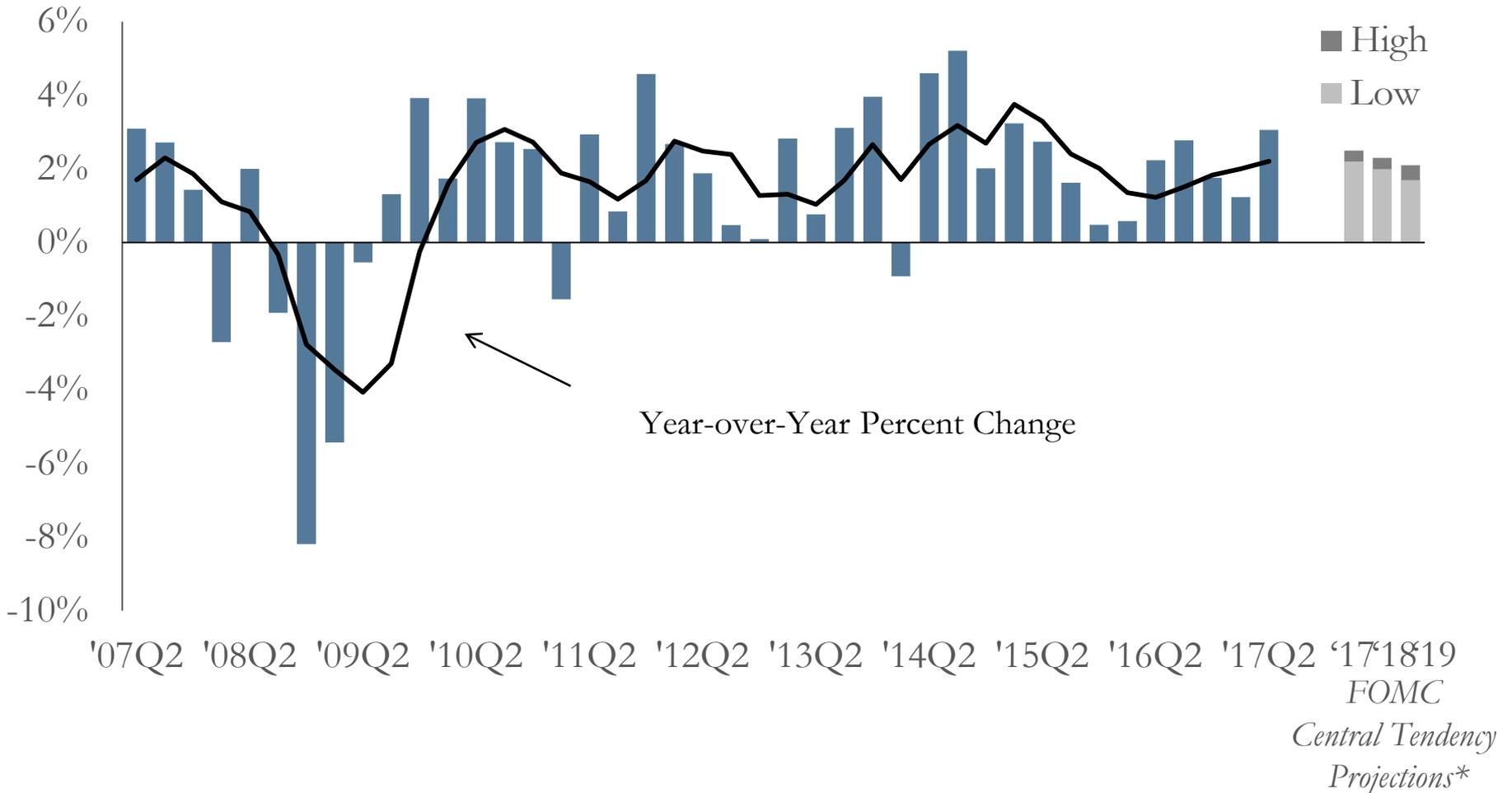
- Functions – around 160 staff
 - Regional research covering the economies of Colorado, New Mexico and Wyoming
 - Economic, financial education, and community development outreach
 - Examinations of Colorado, Wyoming and northern New Mexico financial institutions
 - Cash processing and distribution
 - Money Museum
- 2017 Denver Board of Directors
 - Richard Lewis (Chair): President and CEO of RTL Networks, Inc.
 - Ashley Burt: President of The Gunnison Bank and Trust Company
 - Gary DeFrangé: President and COO of Winter Park Resort
 - Taryn Edwards: Senior Vice President of Saunders Construction
 - Edmond Johnson: President and Owner of Premier Manufacturing, Inc.
 - Jeff Wallace: CEO of Wyoming Bank and Trust
 - Katharine Winograd: President of Central New Mexico Community College

The U.S. economy continues 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

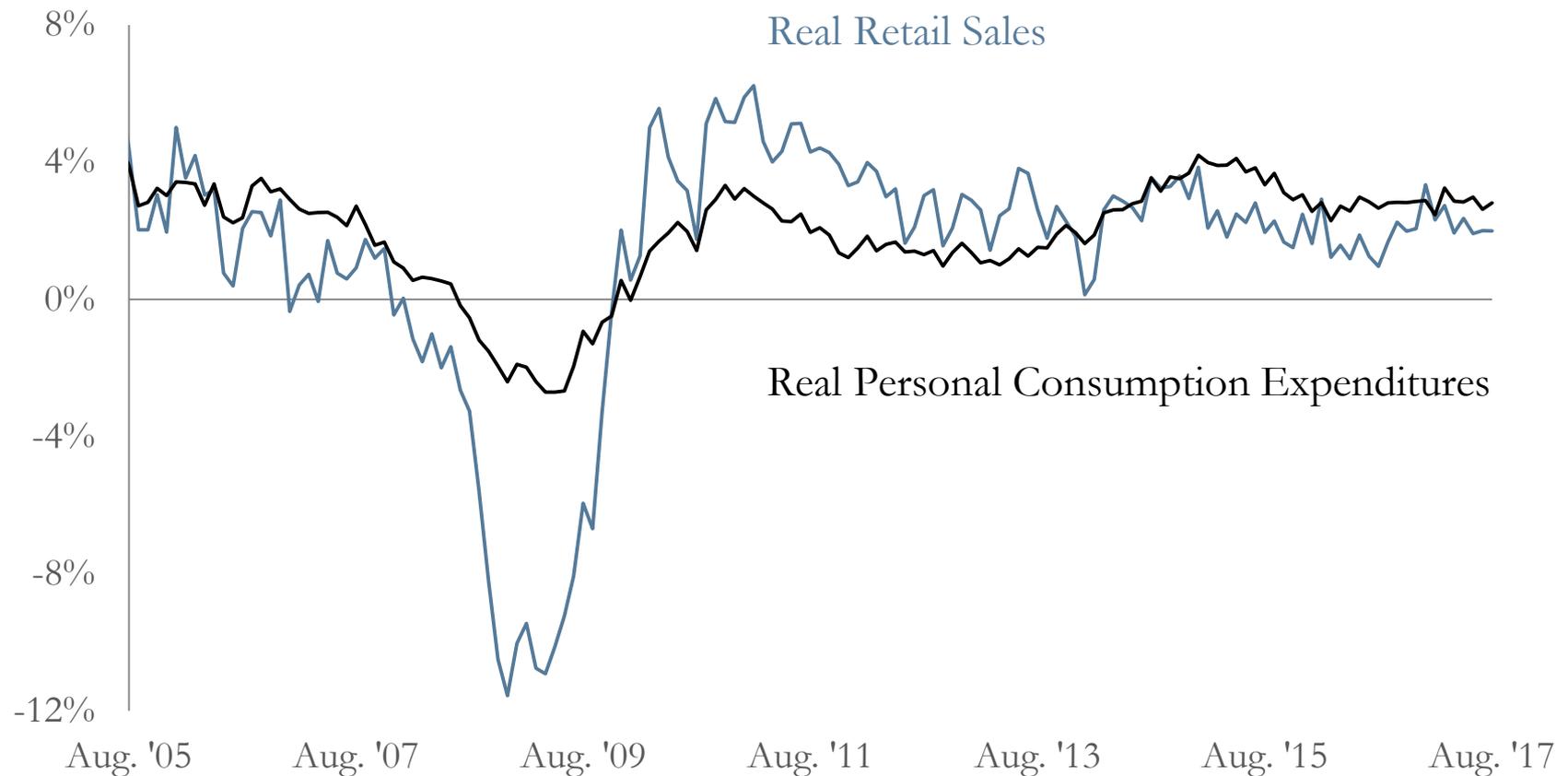
*Projections as of September FOMC meeting

Consumer spending continues to expand at a solid pace.



REAL CONSUMPTION SPENDING

Seasonally Adjusted, Year-over-Year Percent Change

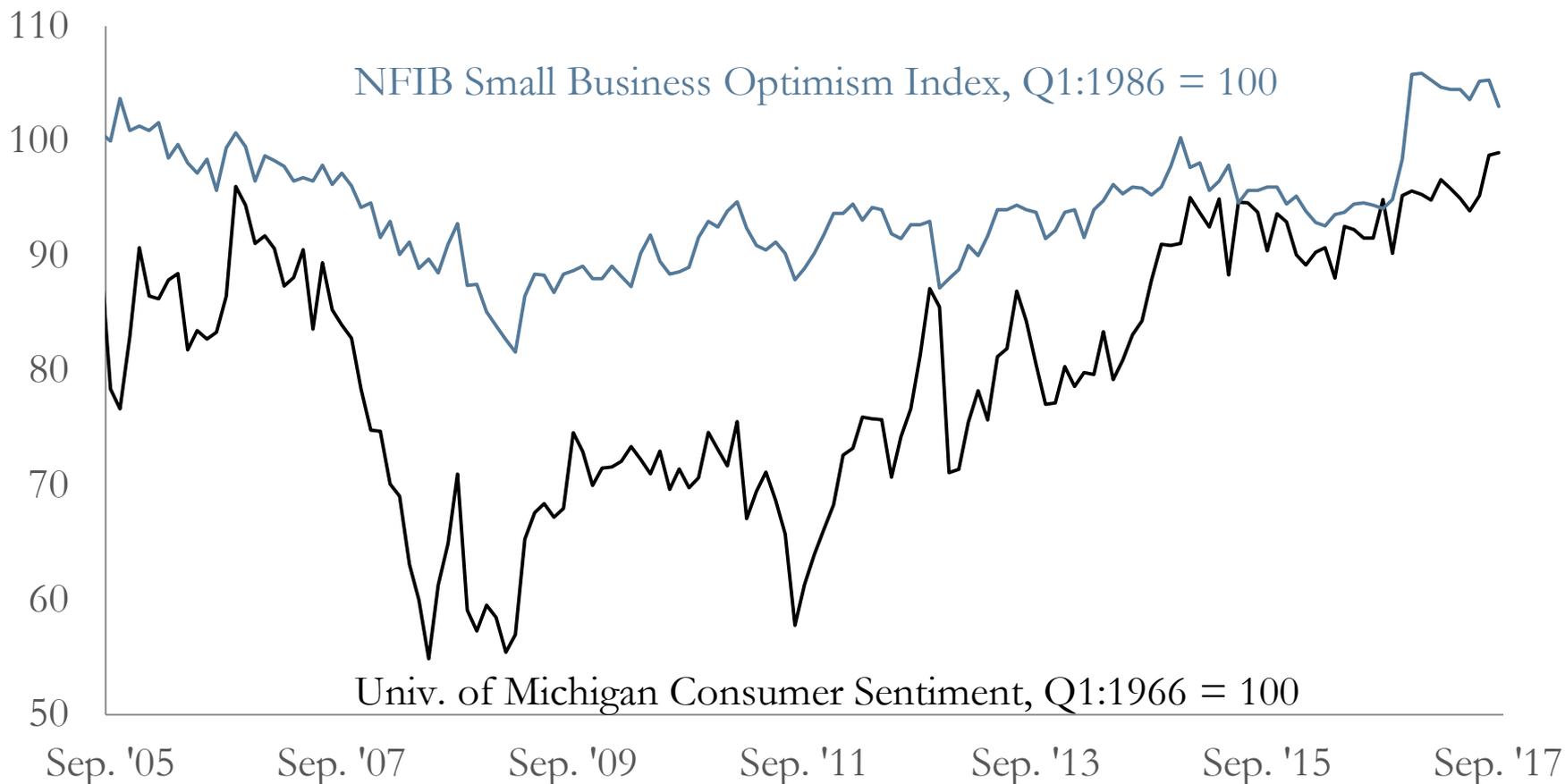


Business and consumer confidence have increased in recent months.



BUSINESS AND CONSUMER SENTIMENT

Seasonally Adjusted

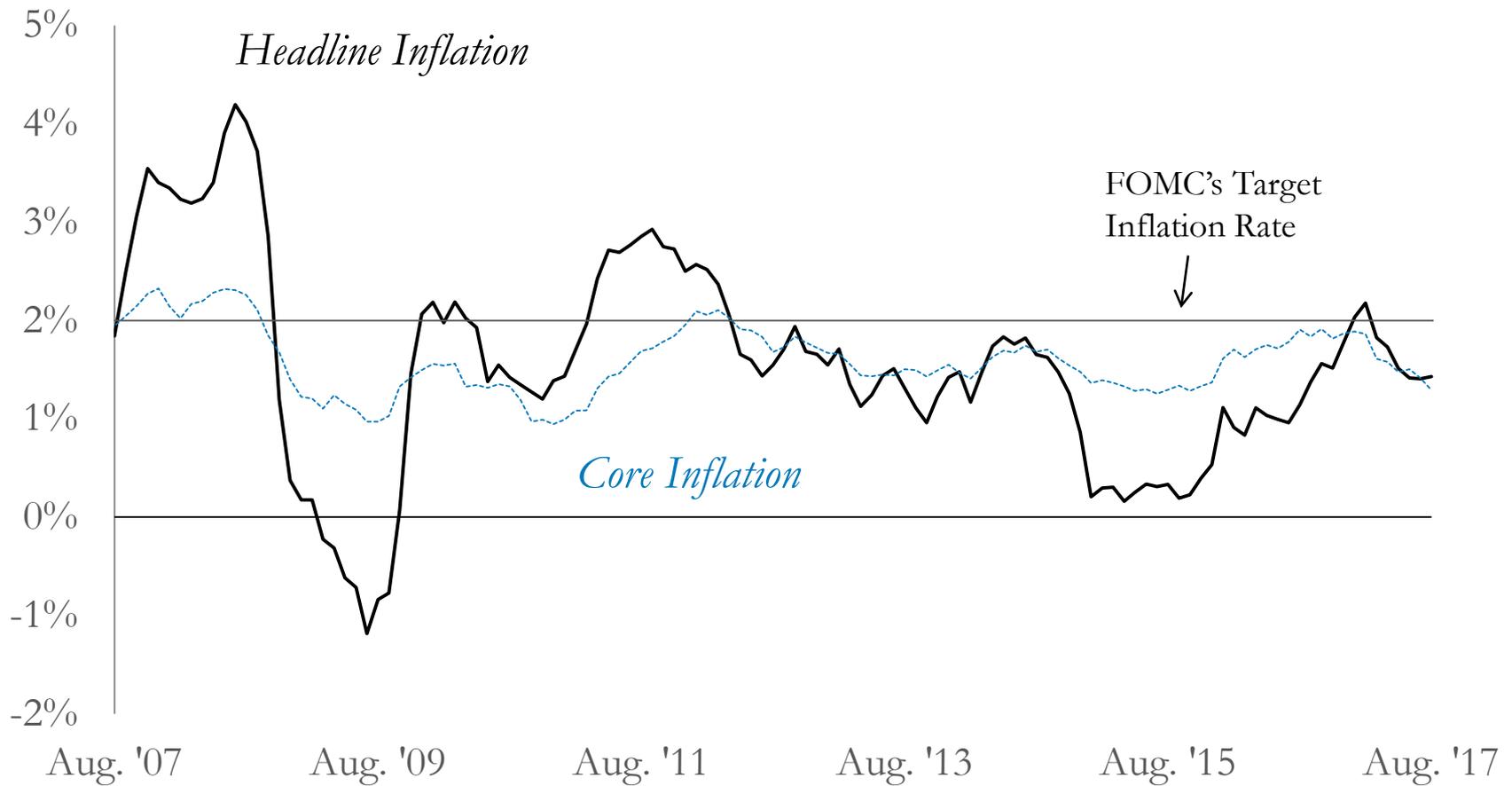


Inflation is near the FOMC's two percent target.



PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

Percent Change Year-over-Year

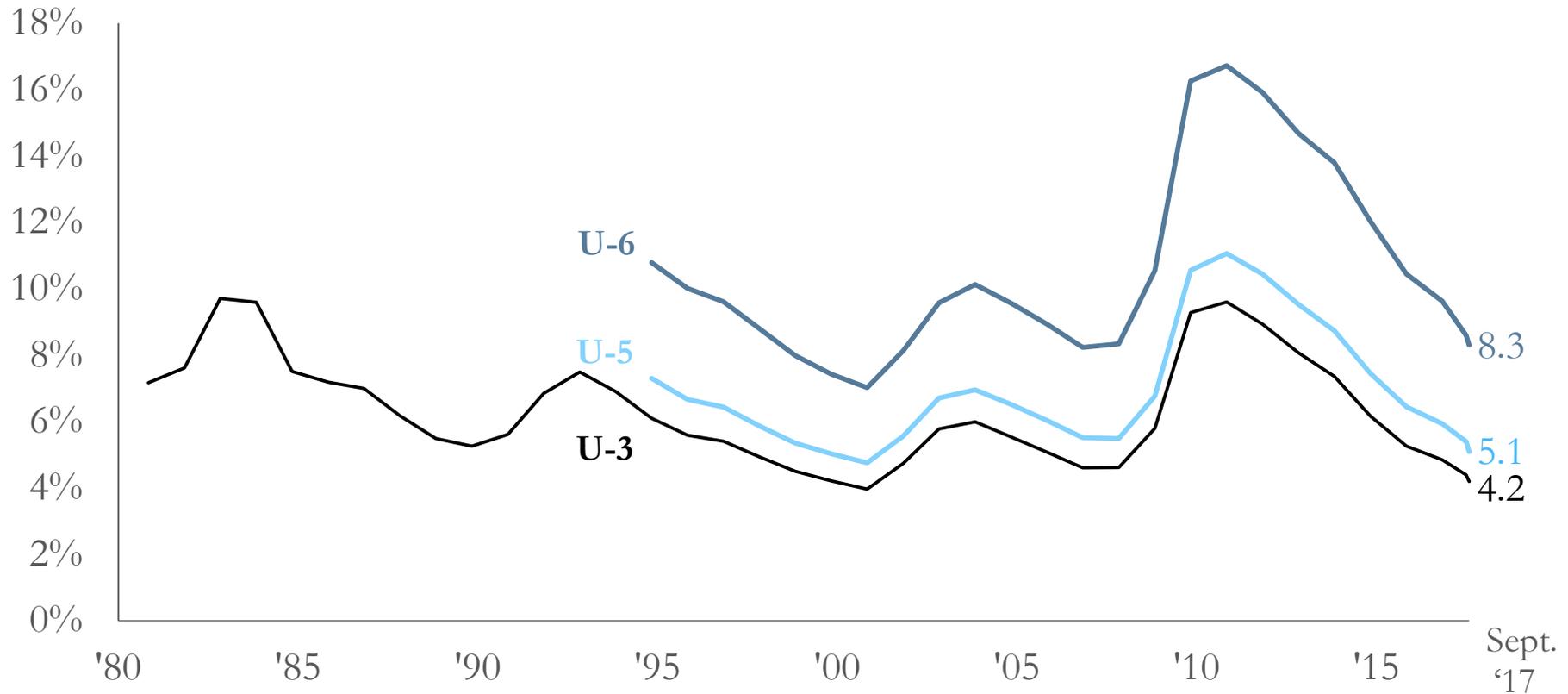


Measures of unemployment and under-employment have declined steadily over the past six years.



U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

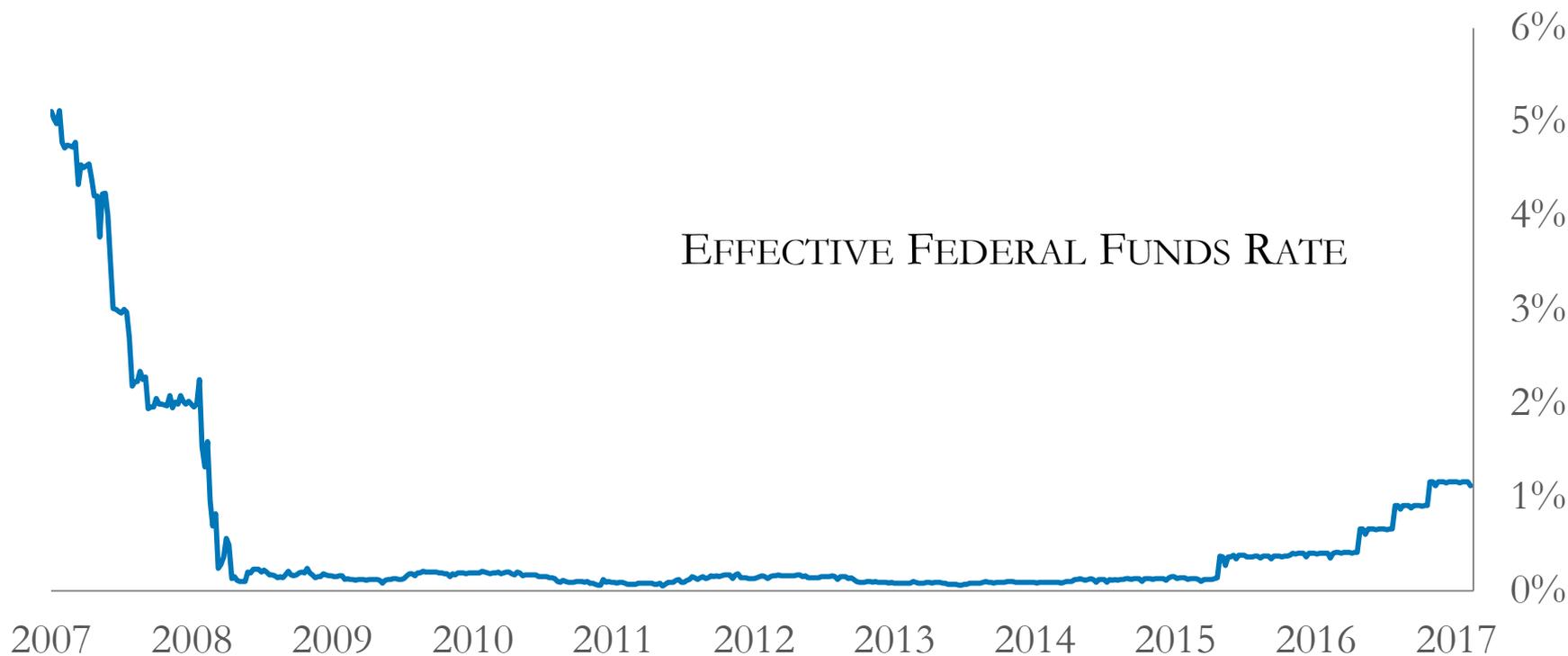
Seasonally Adjusted





“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 to 1-1/4 percent. The stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a sustained return to 2 percent inflation.”

- September 2017 FOMC Statement

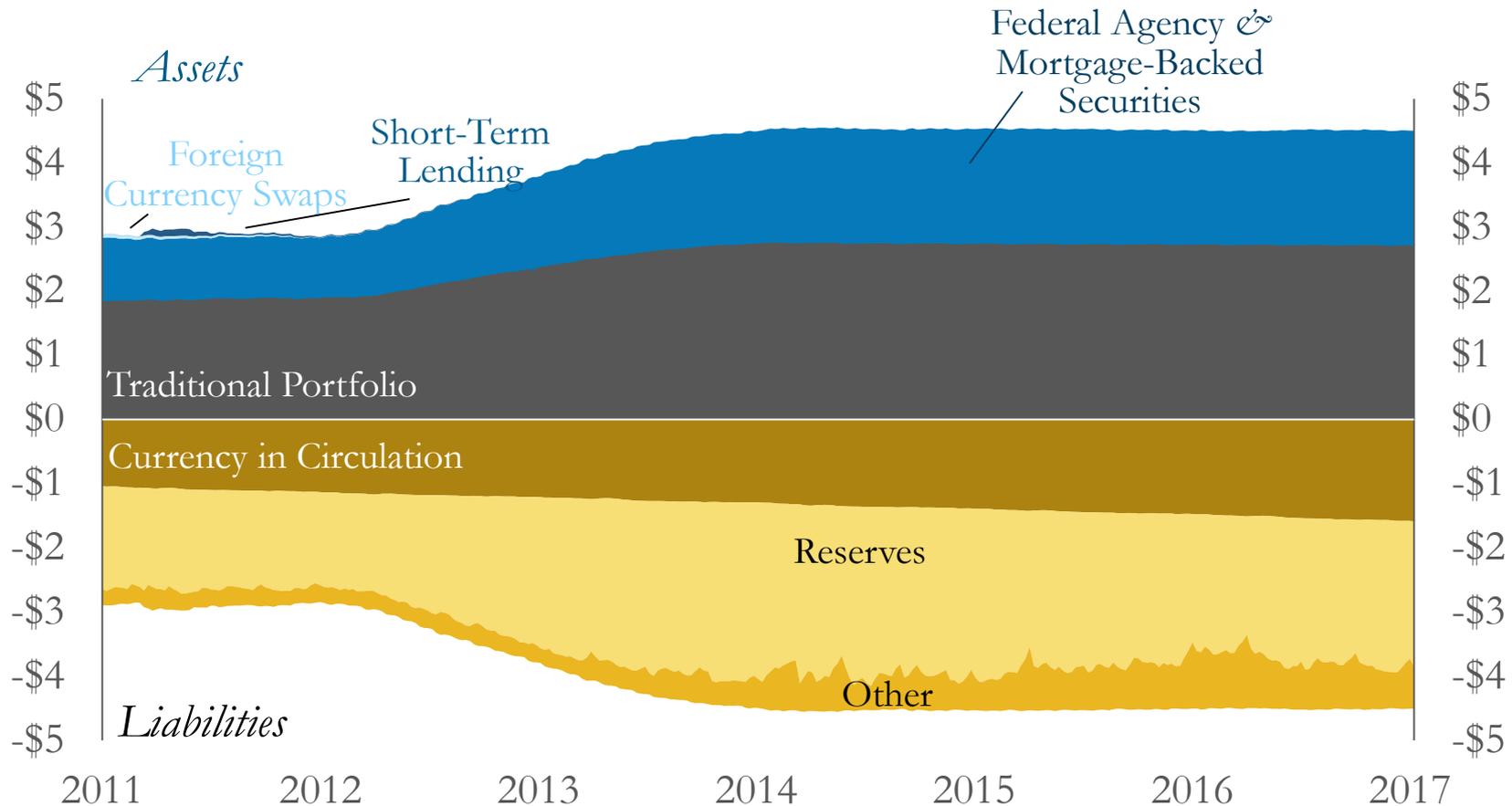


The FOMC has announced in September that it will begin to cease reinvestment of a portion of its assets beginning in October.



FEDERAL RESERVE BALANCE SHEET

Trillions



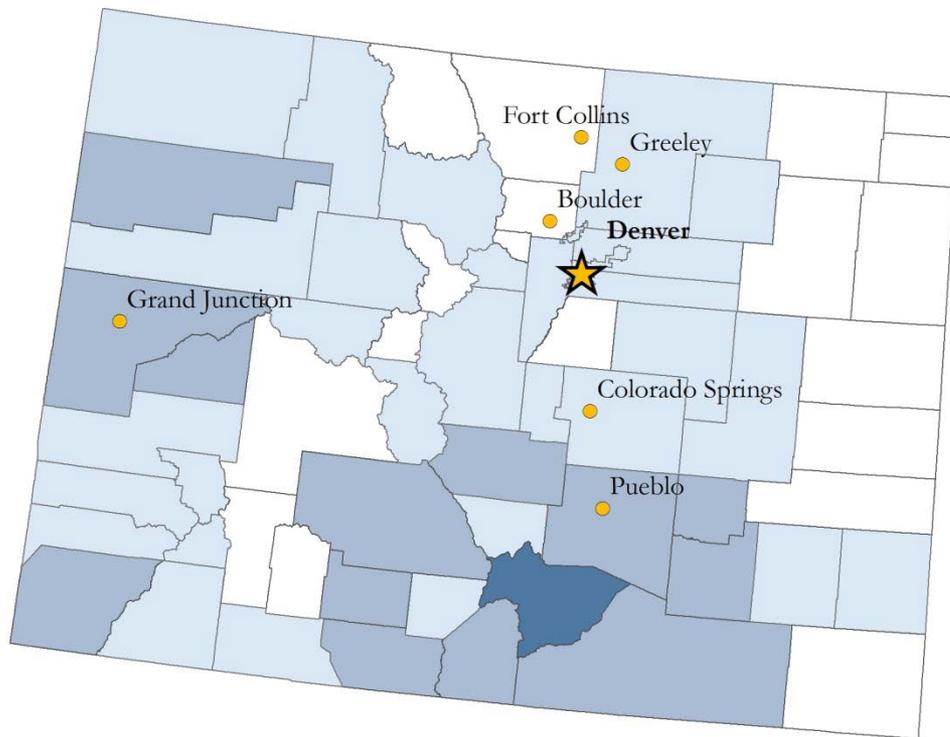
Unemployment rates are below national rates in most of Colorado.



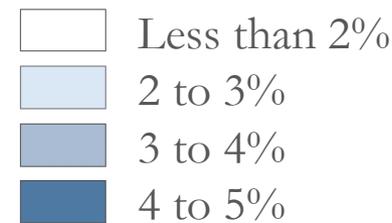
UNEMPLOYMENT RATES

August 2017, Seasonally Adjusted

<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States (Sept. '17)	4.2%	5.1%	8.3%
Colorado (Aug. '17)	2.4%	3.3%	6.4%
Routt County	2.1%		



**U-5 and U-6 values are 12-month moving averages as of Q2 2017 for Colorado and are for September, 2017 for the United States.*



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

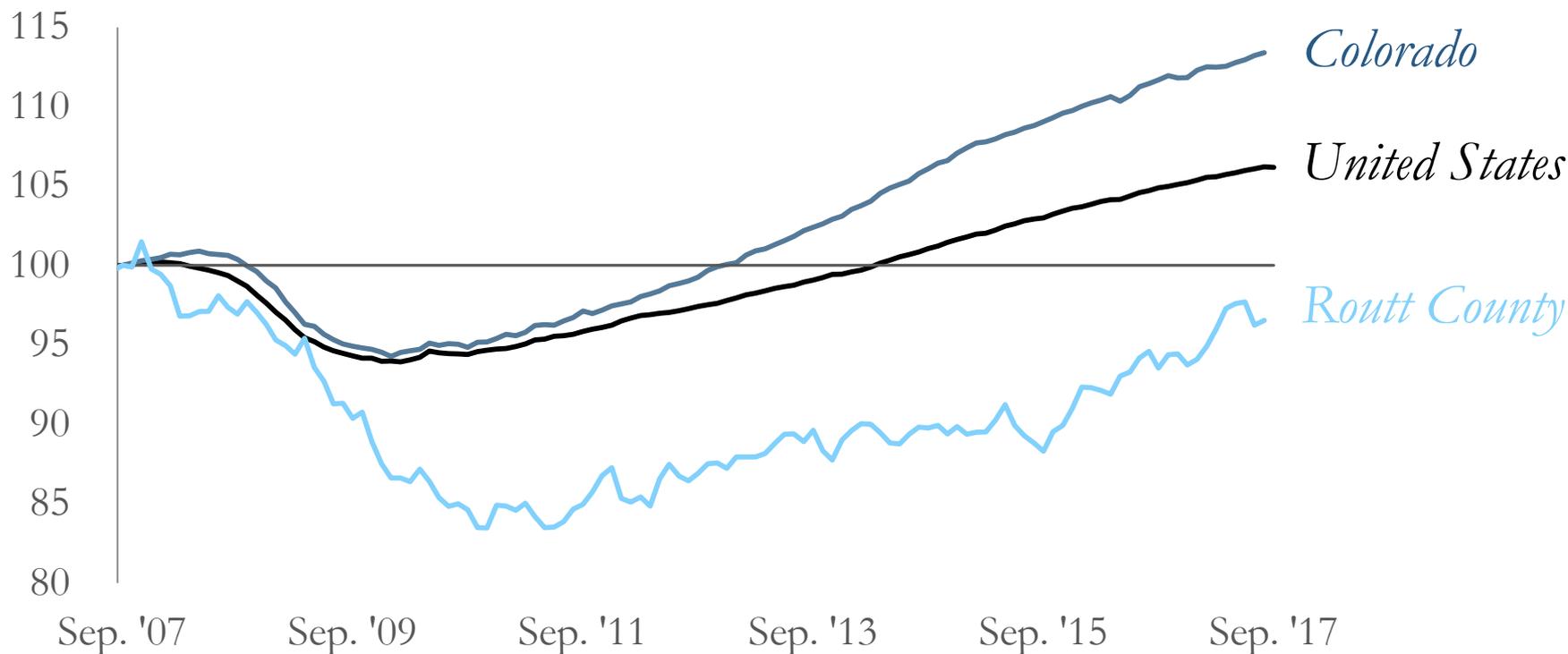


PAYROLL EMPLOYMENT GROWTH

Index 100 = September, 2007, Seasonally Adjusted

August '17

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S. (Sept. '17)	6.2%	1.2%
Colorado	13.7%	1.8%
Routt County	-3.1%	2.1%



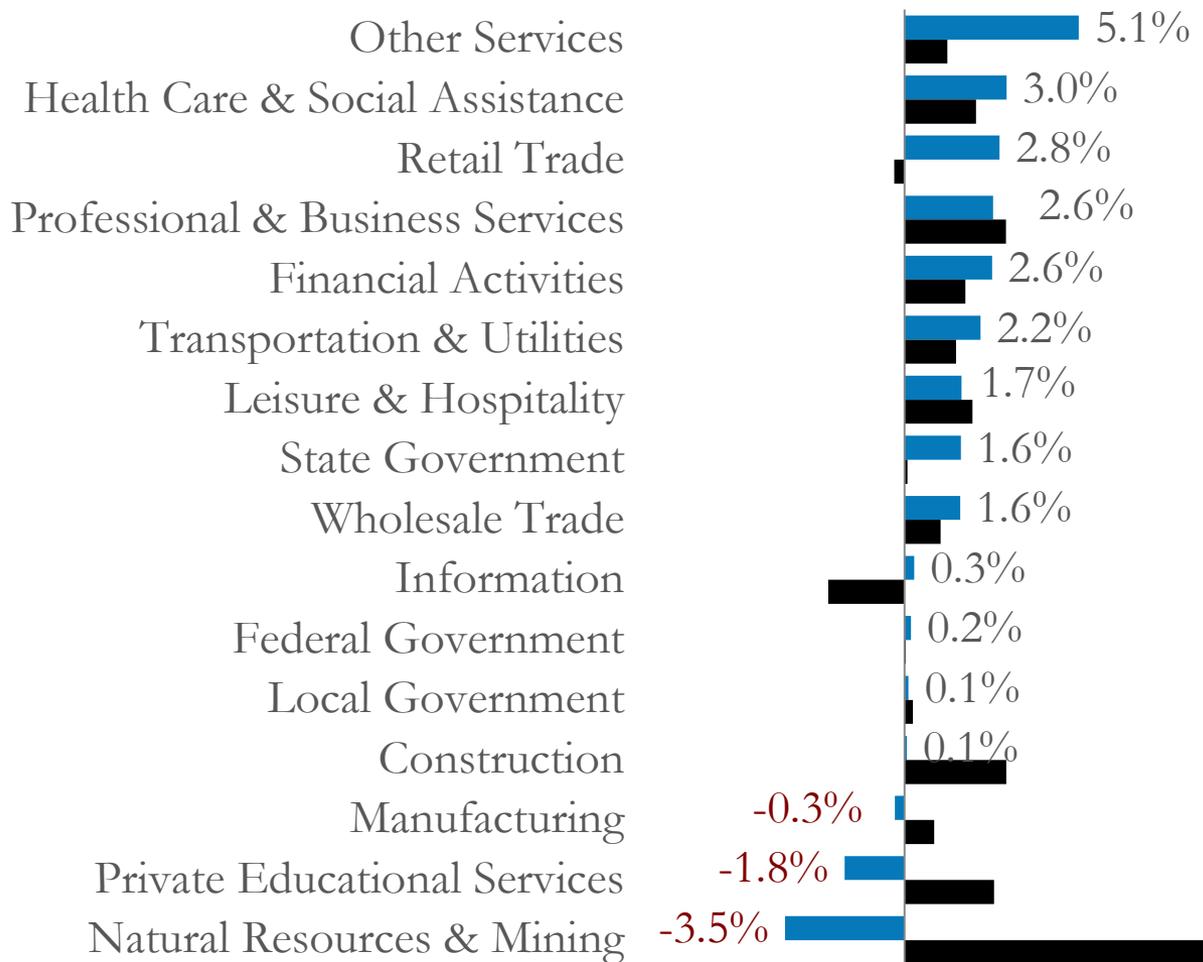
The majority of industries in Colorado have added jobs over the past year, but employment in the energy sector has declined sharply.



CHANGE IN PAYROLL EMPLOYMENT, AUGUST 2017

Seasonally Adjusted

Percent Change Year-over-Year



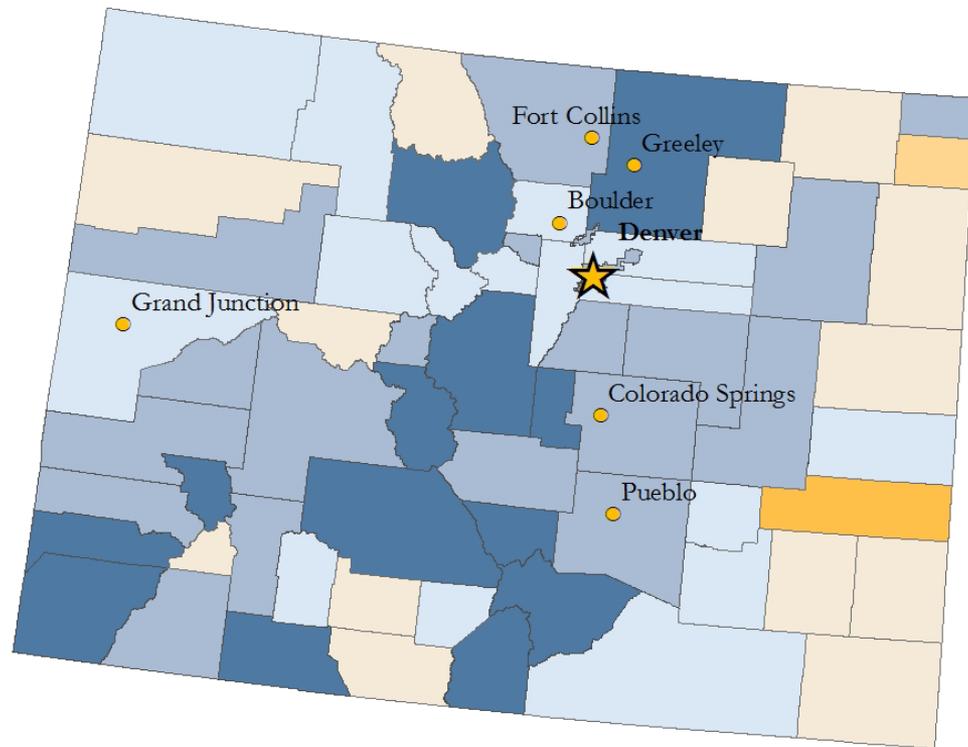
Colorado
United States

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

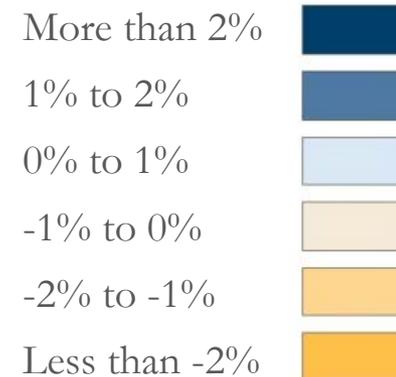


NET MIGRATION

Total 2016 Net Migration as a Percentage of 2016 Population



<i>Annual Percent Change</i>	<i>2016</i>
United States	0.3%
Colorado	1.1%
Routt County	0.9%



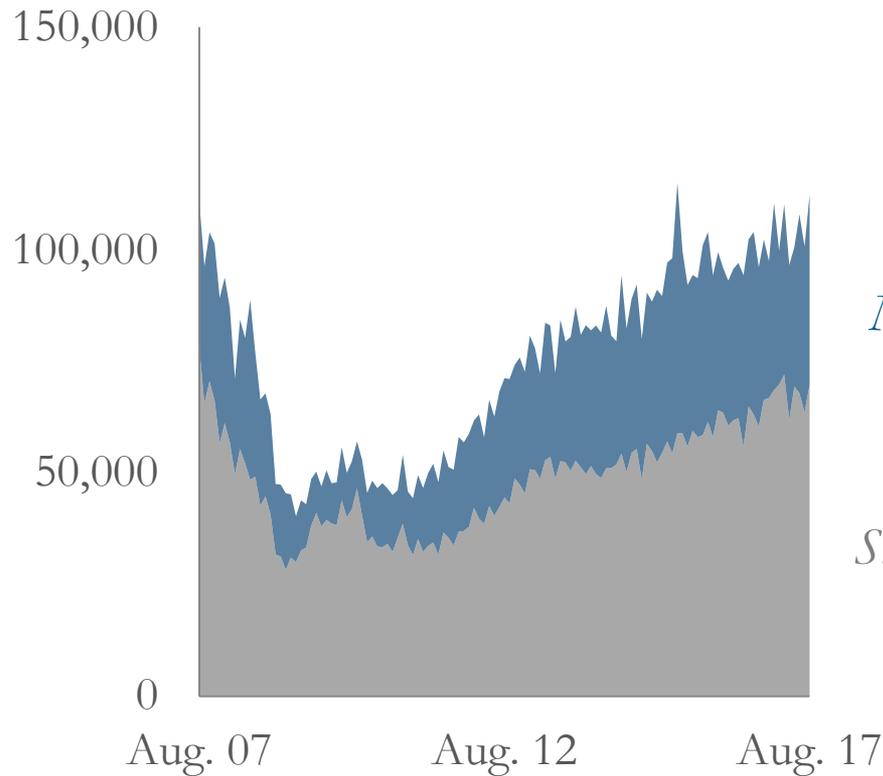
Residential construction activity has been increasing for more than six years, led by strong gains in multifamily building.



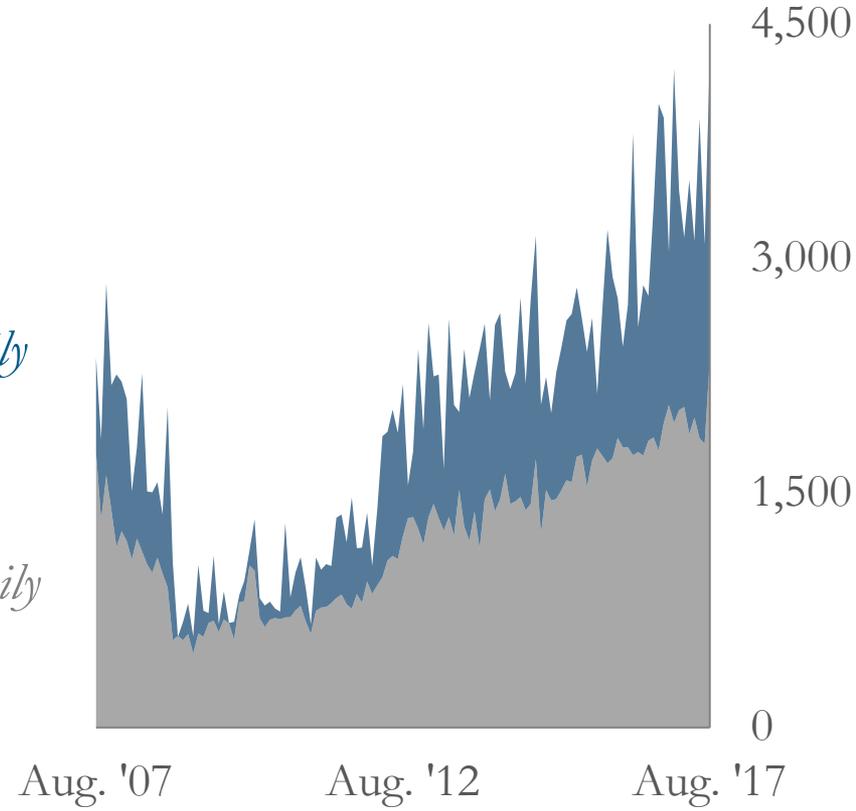
RESIDENTIAL PERMITS

Seasonally Adjusted

United States



Colorado

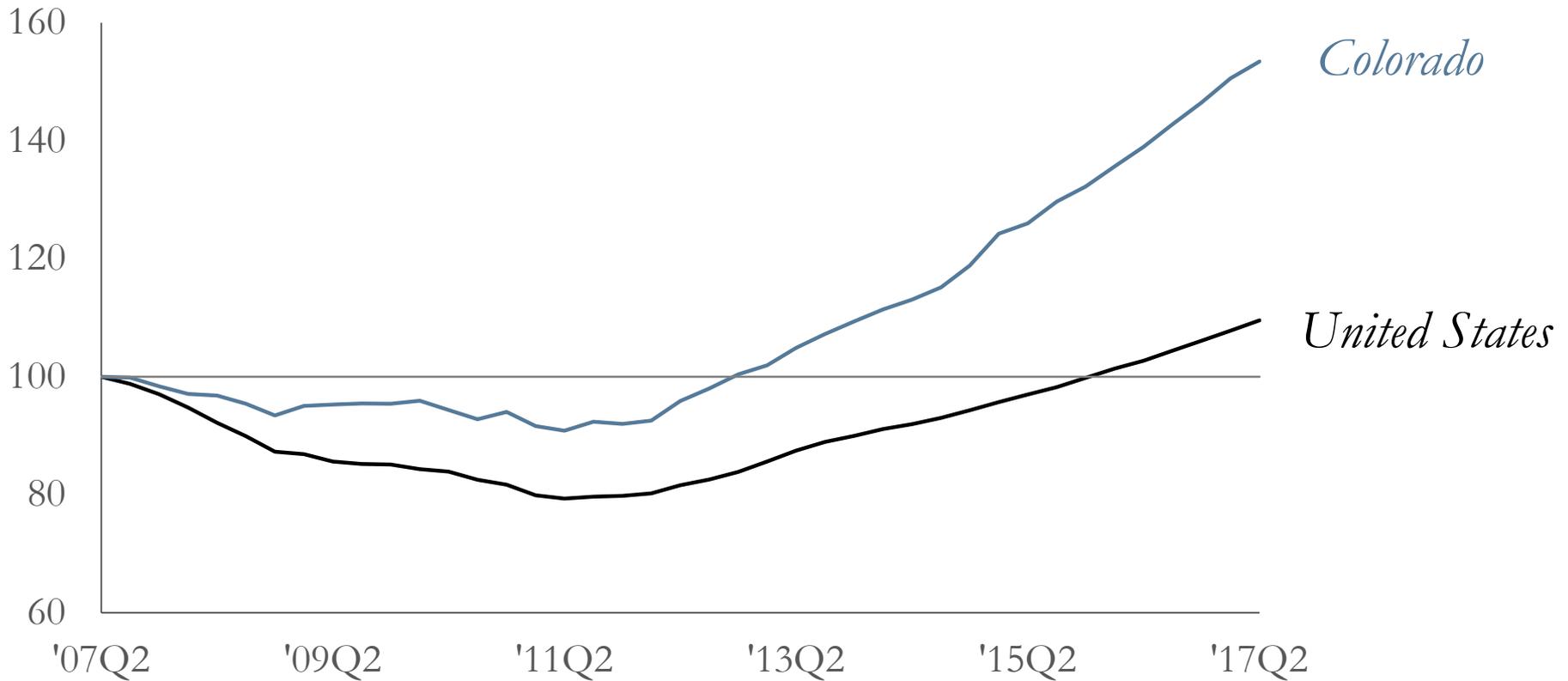


Home prices have increased sharply over the past several years in Colorado.



HOME PRICES

Seasonally Adjusted, Index 100 = Q2:2007

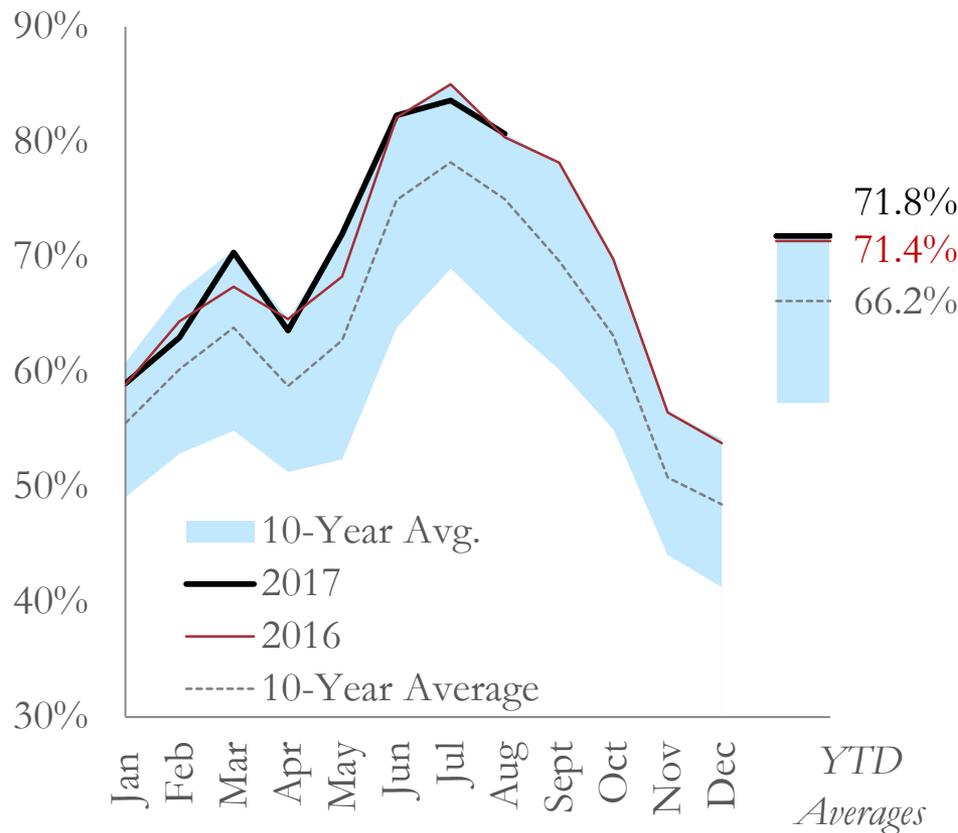


Tourism activity has been strong in Colorado over the past few years.



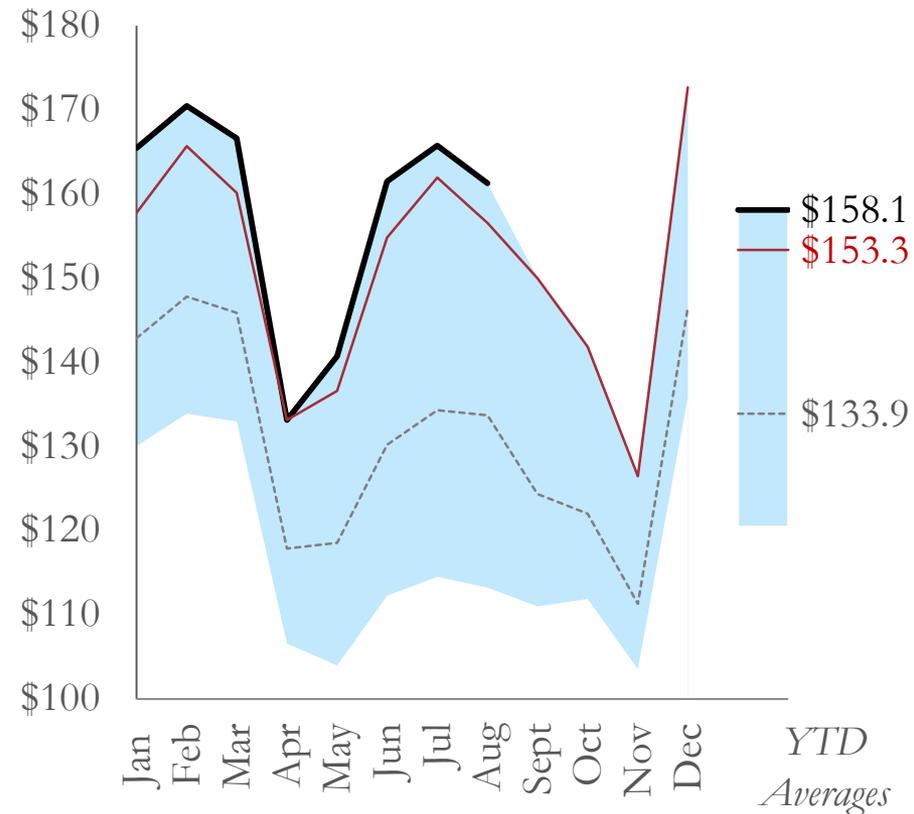
HOTEL OCCUPANCY RATES

Colorado



REAL HOTEL ROOM RATES

Colorado, 1999 Dollars

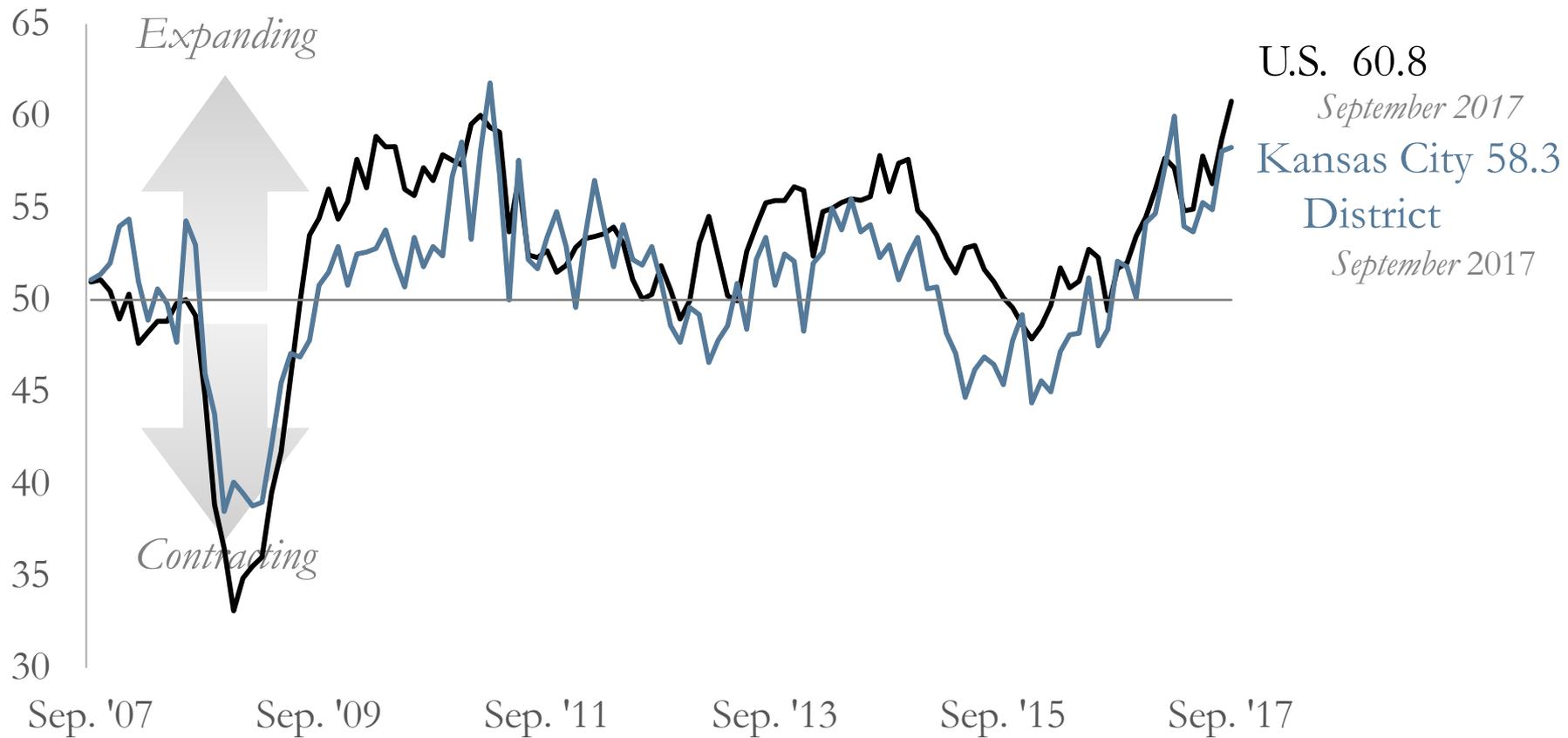


Manufacturing activity has expanded in recent months after weak activity in 2015 and 2016.



MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, Month-over-Month

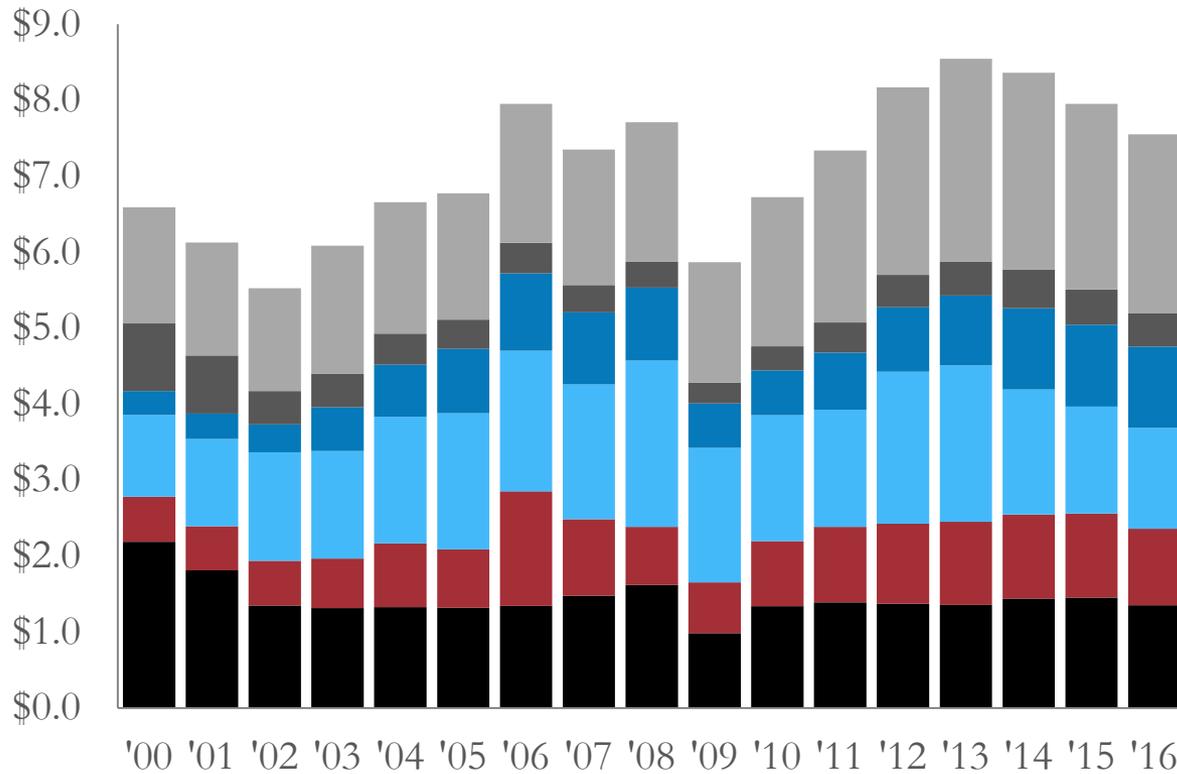


Colorado export activity has increased in recent months after declining over the past few years.



COLORADO EXPORTS BY TRADING PARTNER

Billions

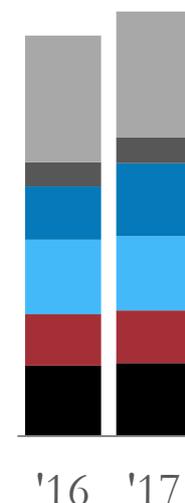


AUGUST 2017

Percent Change

	Percent Change	SHARE*
Total Trade	6.0%	SHARE*
All Other	-0.8	31.1%
Japan	7.9	5.9
Mexico	36.9	14.1
Canada	-0.2	17.9
China	1.9	13.2
Eurozone	3.7	17.8

**Share is for 2016*

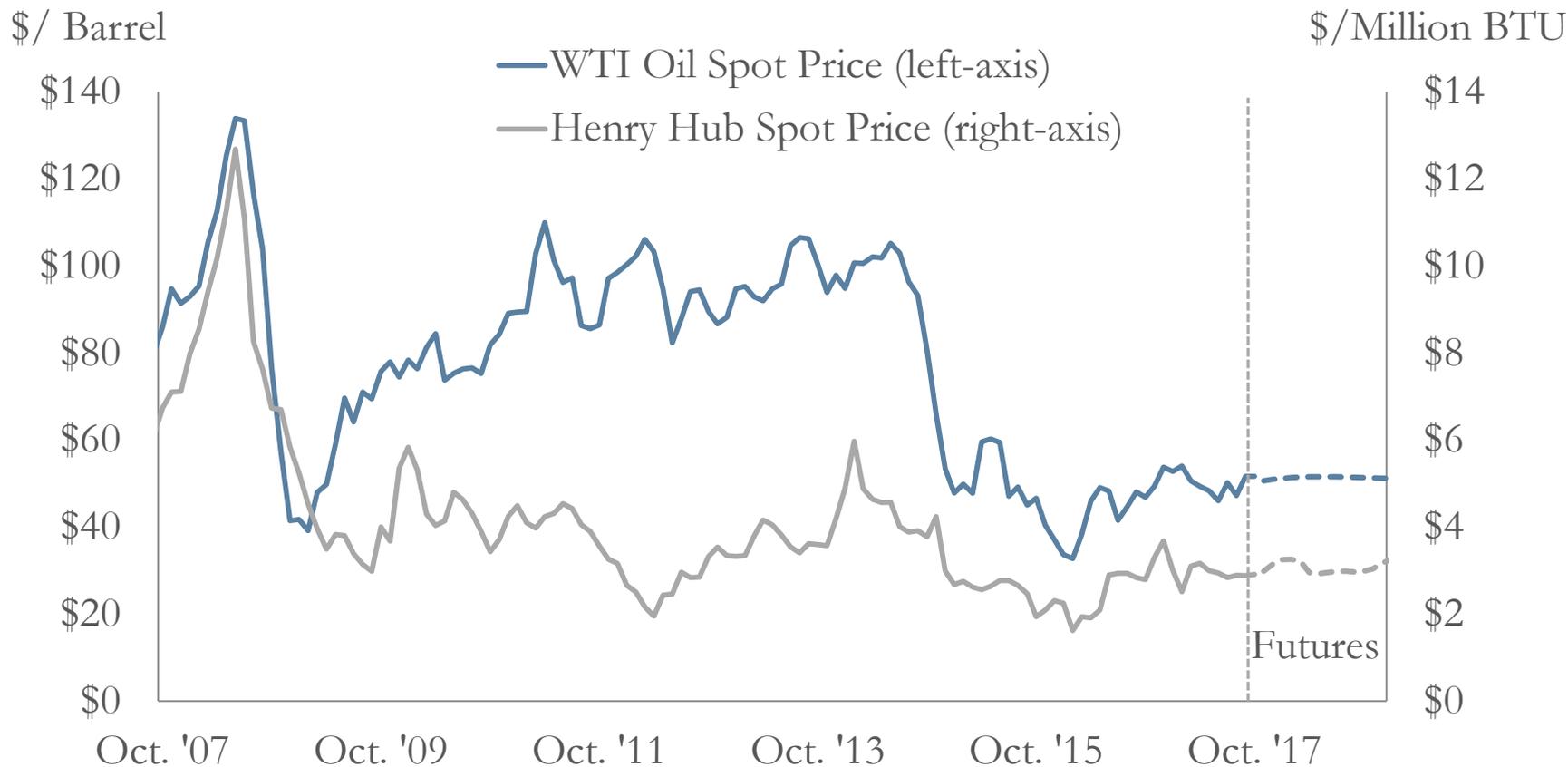


YTD – August

Oil and natural gas prices have increased over the past year, but additional gains are expected to be gradual.



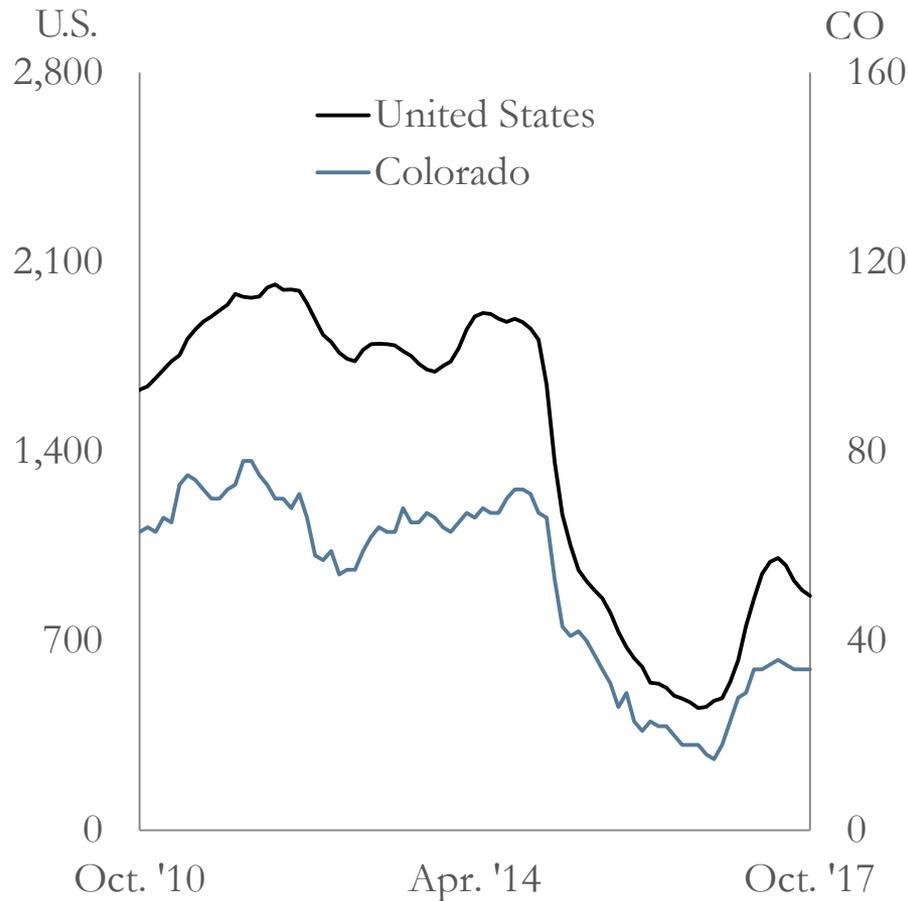
ENERGY PRICES



Energy activity has picked up in recent months after declining significantly since mid-2014.

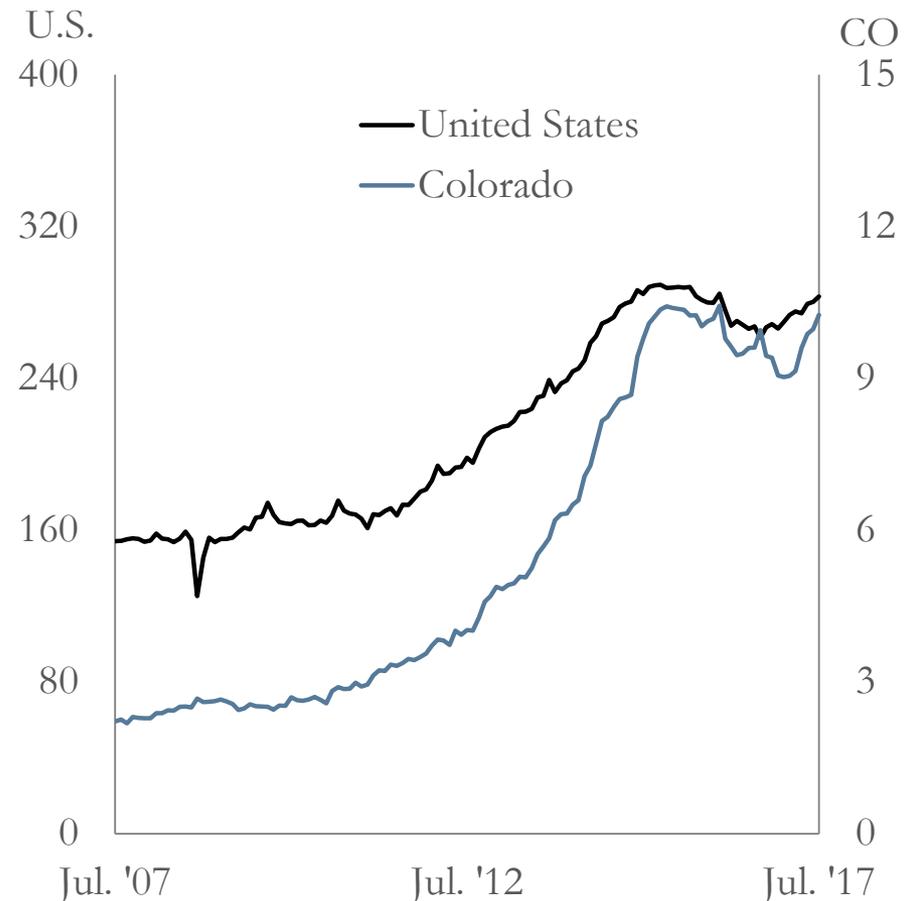


TOTAL RIG COUNT



CRUDE OIL PRODUCTION

*Millions of Barrels, Monthly,
Seasonally Adjusted*

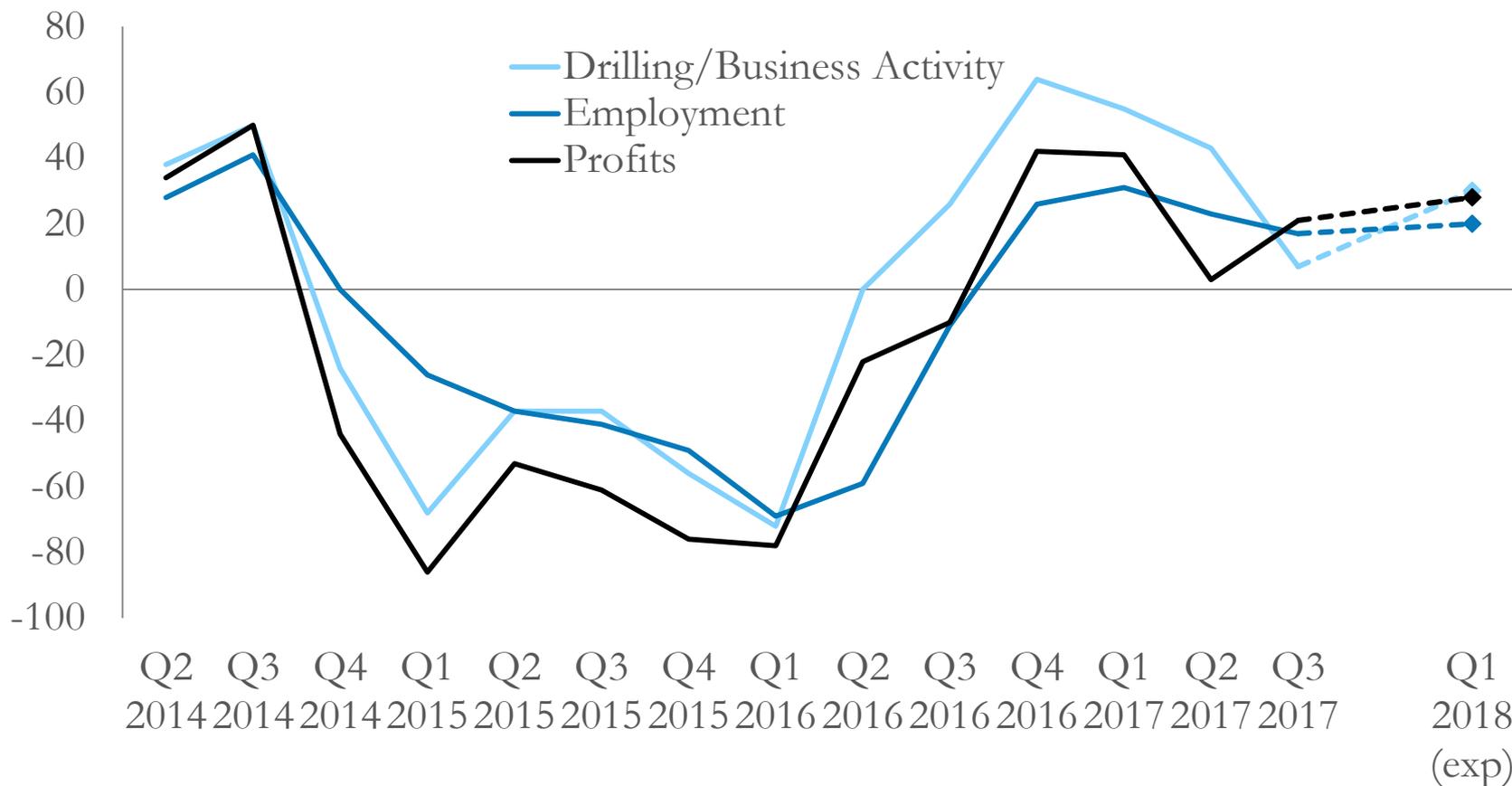


Energy contacts in the Tenth District expect the sector to expand slightly in the first quarter of next year.



FRBKC ENERGY SURVEY

Quarterly Diffusion Indexes

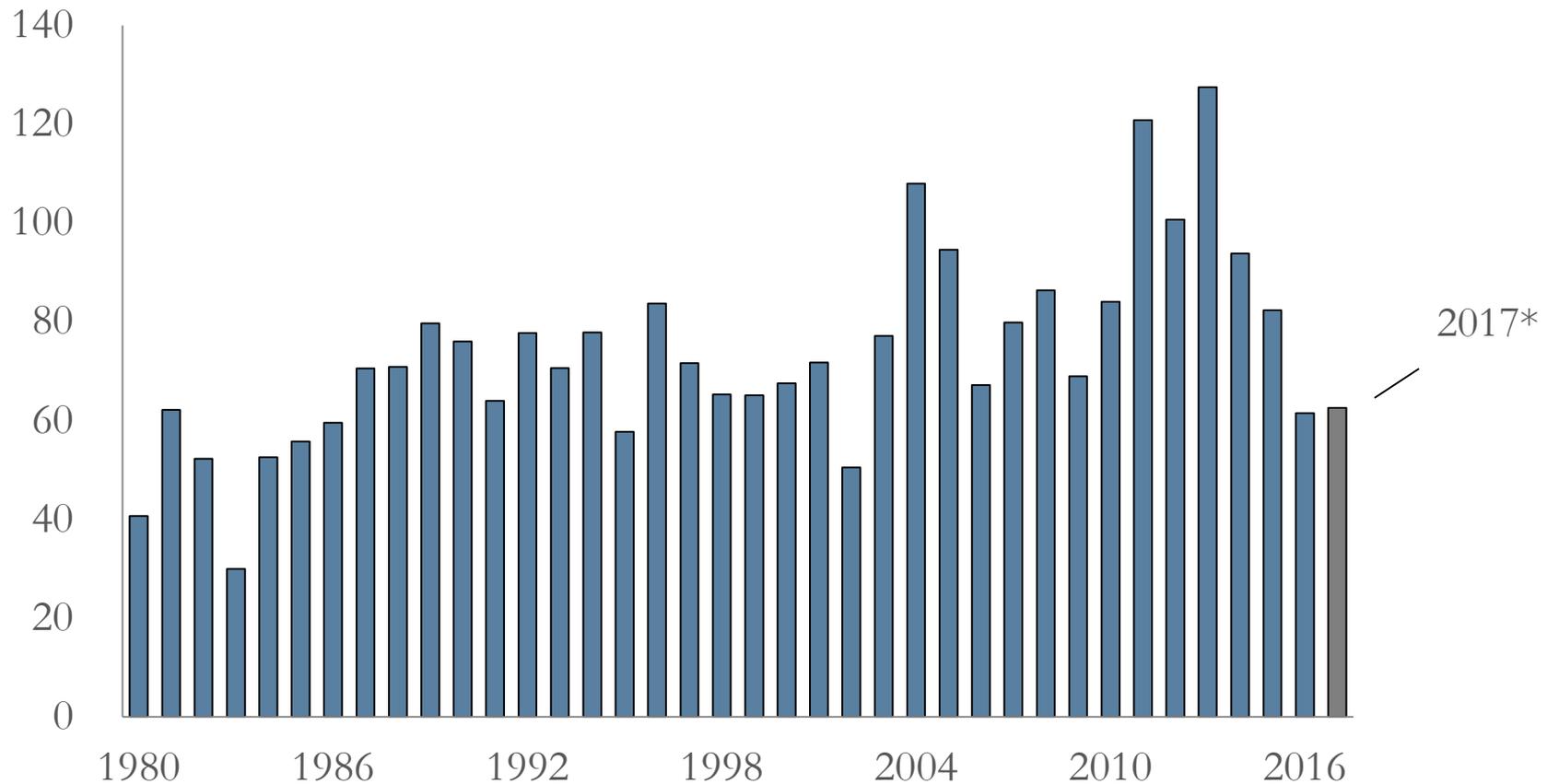


Farm income is expected to remain weak in 2017.



U.S. REAL NET FARM INCOME

Billions, 2016 Dollars



**Forecast for 2017*

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

