Emerging Trends in the Colorado Economy

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Denver Branch

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.
The Denver Branch of the Federal Reserve Bank of Kansas City

- 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 DeFrange: 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
Employment has been increasing in Colorado and the nation for more than seven years, with Colorado gains outpacing the nation.

**PAYROLL EMPLOYMENT GROWTH**

*Index 100 = August, 2007, Seasonally Adjusted*

<table>
<thead>
<tr>
<th></th>
<th>Past 10 Years</th>
<th>Past Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>6.3%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Colorado</td>
<td>13.7%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Fort Collins</td>
<td>23.5%</td>
<td>4.6%</td>
</tr>
<tr>
<td>Greeley</td>
<td>24.9%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
The majority of industries in Colorado have added jobs over the past year.

**Change in Payroll Employment, August 2017**

*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent Change Year-over-Year</th>
<th>Colorado</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Services</td>
<td>5.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>3.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail Trade</td>
<td>2.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>2.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Activities</td>
<td>2.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>2.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>1.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Government</td>
<td>1.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>1.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td>0.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Government</td>
<td>0.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Local Government</td>
<td>0.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>0.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-0.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Educational Services</td>
<td>-1.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>-3.5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Bureau of Labor Statistics*
Unemployment rates are below national rates across most of Colorado.

Unemployment Rates
July 2017, Seasonally Adjusted

<table>
<thead>
<tr>
<th>Unemployment Rate</th>
<th>U-3</th>
<th>U-5*</th>
<th>U-6*</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States (Aug., ‘17)</td>
<td>4.4%</td>
<td>5.4%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Colorado (Aug.,’17)</td>
<td>2.4%</td>
<td>3.3%</td>
<td>6.4%</td>
</tr>
<tr>
<td>Fort Collins (July, ‘17)</td>
<td>2.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greeley (July, ‘17)</td>
<td>2.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

Source: Bureau of Labor Statistics and Haver Analytics
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*

<table>
<thead>
<tr>
<th>Annual Percent Change</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>0.3%</td>
</tr>
<tr>
<td>Colorado</td>
<td>1.1%</td>
</tr>
<tr>
<td>Larimer County</td>
<td>1.3%</td>
</tr>
<tr>
<td>Weld County</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

More than 2%
1% to 2%
0% to 1%
-1% to 0%
-2% to -1%
Less than -2%

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

**Residential Permits**

*Seasonally Adjusted, Year-to-Date Through July*

**United States**

- **Multifamily**
- **Single Family**

**Colorado**

- **Multifamily**
- **Single Family**

*Source: Census Bureau/Haver Analytics*
Low inventories have led to strong home price appreciation in recent years in Colorado.

HOME PRICES
Seasonally Adjusted, Index 100 = Q2:2007

*Home prices for Greeley include both purchases and refinancings. Source: Federal Housing Finance Agency
Tourism activity has been strong in Colorado over the past few years.

**Hotel Occupancy Rates**

*Colorado*

- 10-Year Avg.: 64.9%
- 2017: 70.6%
- 2016: 70.1%

**Hotel Room Rates**

*Colorado, 1999 Dollars*

- Jan: $133.9
- Feb: $152.9
- Mar: $157.7

Source: Colorado Hotel and Lodging Association
Manufacturing activity has expanded in 2017 after declines the previous two years.

**MANUFACTURING ACTIVITY**

*Diffusion Index, Seasonally Adjusted, Month-over-Month*

Source: Kansas City Federal Reserve Bank, ISM, & Haver Analytics
Colorado exporting activity has also rebounded modestly this year.

**Colorado Exports by Trading Partner**

*Billions*

**July 2017 Year-to-Date**

*Year-over-Year Percent Change*

<table>
<thead>
<tr>
<th>Region</th>
<th>% Change</th>
<th>SHARE*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Trade</td>
<td>5.6%</td>
<td></td>
</tr>
<tr>
<td>All Other</td>
<td>-2.5%</td>
<td>31.1%</td>
</tr>
<tr>
<td>Japan</td>
<td>8.0%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Mexico</td>
<td>38.2%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Canada</td>
<td>0.7%</td>
<td>17.9%</td>
</tr>
<tr>
<td>China</td>
<td>1.8%</td>
<td>13.2%</td>
</tr>
<tr>
<td>Eurozone</td>
<td>3.3%</td>
<td>17.8%</td>
</tr>
</tbody>
</table>

*Shares are for 2016*

Source: WISERTrade and Census Bureau
Oil and natural gas prices have increased since February 2016, but additional gains are expected to be gradual.

Source: Bloomberg Energy Services
Energy activity has picked up in response to higher oil prices.

**TOTAL RIG COUNT**

- United States
- Colorado

**CRUDE OIL PRODUCTION**

*Millions of Barrels, Monthly, Seasonally Adjusted*

*Source: Baker Hughes, Energy Information Administration and Haver Analytics*
Energy contacts in the Tenth District expect the sector to expand slightly in the second half of this year.
Farm income is expected to remain weak in 2017.

**U.S. Real Net Farm Income**

*Billions, 2016 Dollars*

*Forecast for 2017*

Source: USDA
Livestock and crop prices remain low despite some rebound in cattle prices earlier this year.

Source: Wall Street Journal & Haver Analytics
For additional information on the regional economy: