

Emerging Trends in the U.S. & Colorado Economies



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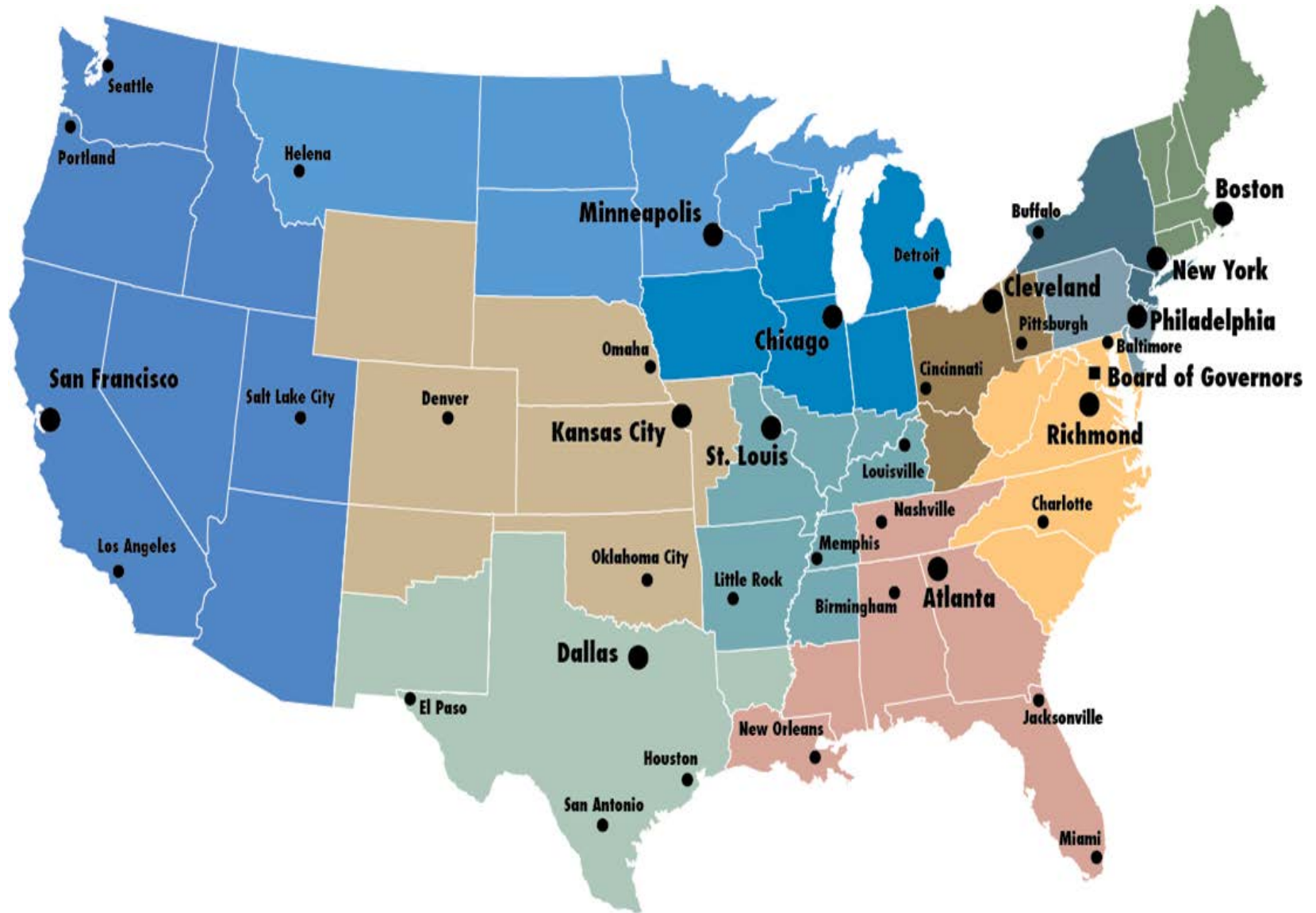
*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

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



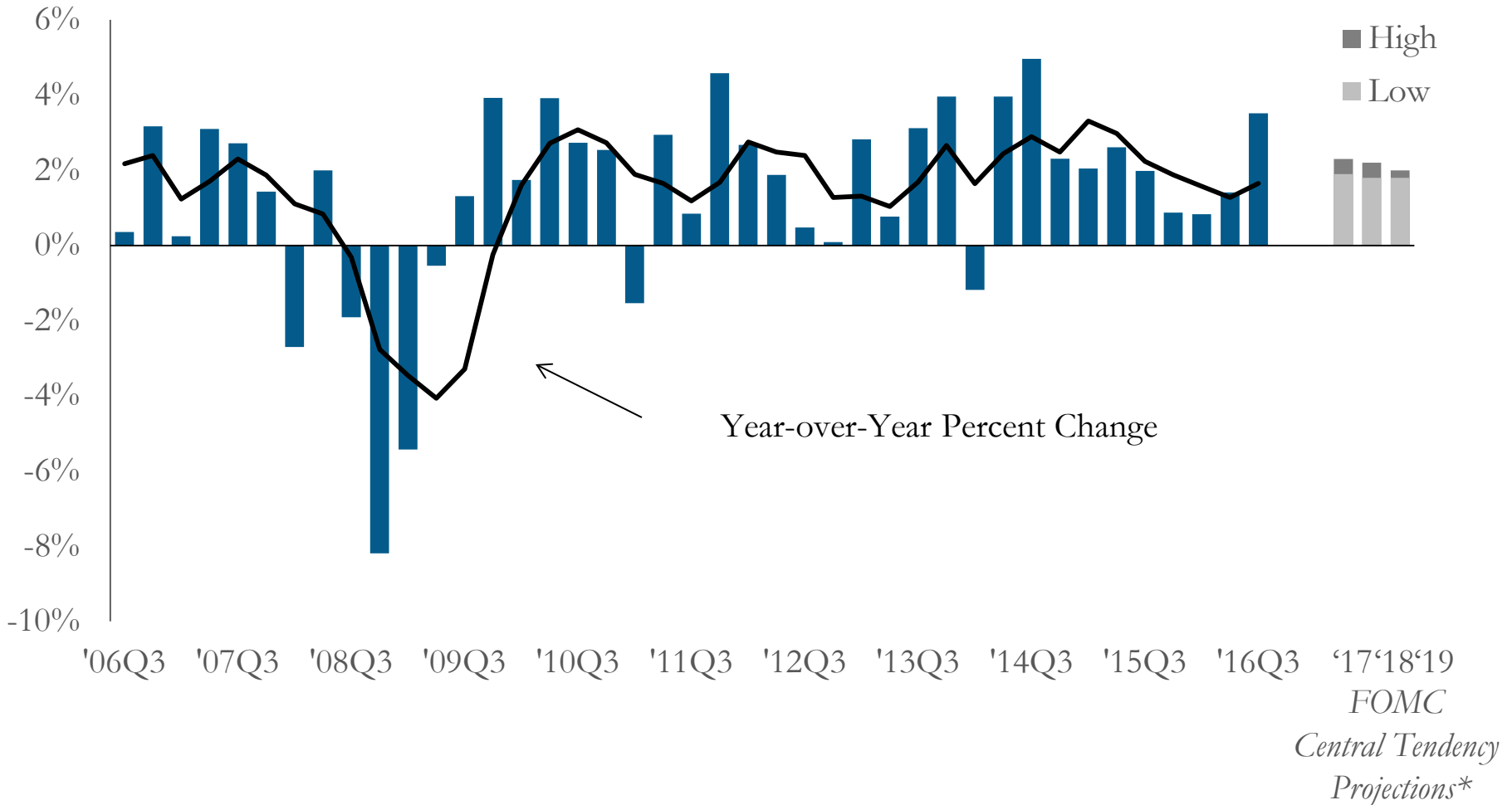


- Functions – around 160 staff
 - Regional research covering the economies of Colorado, New Mexico and Wyoming economies
 - Economic, financial education, and community development outreach
 - Examinations of Colorado, Wyoming and northern New Mexico financial institutions
 - Cash processing and distribution
 - 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 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



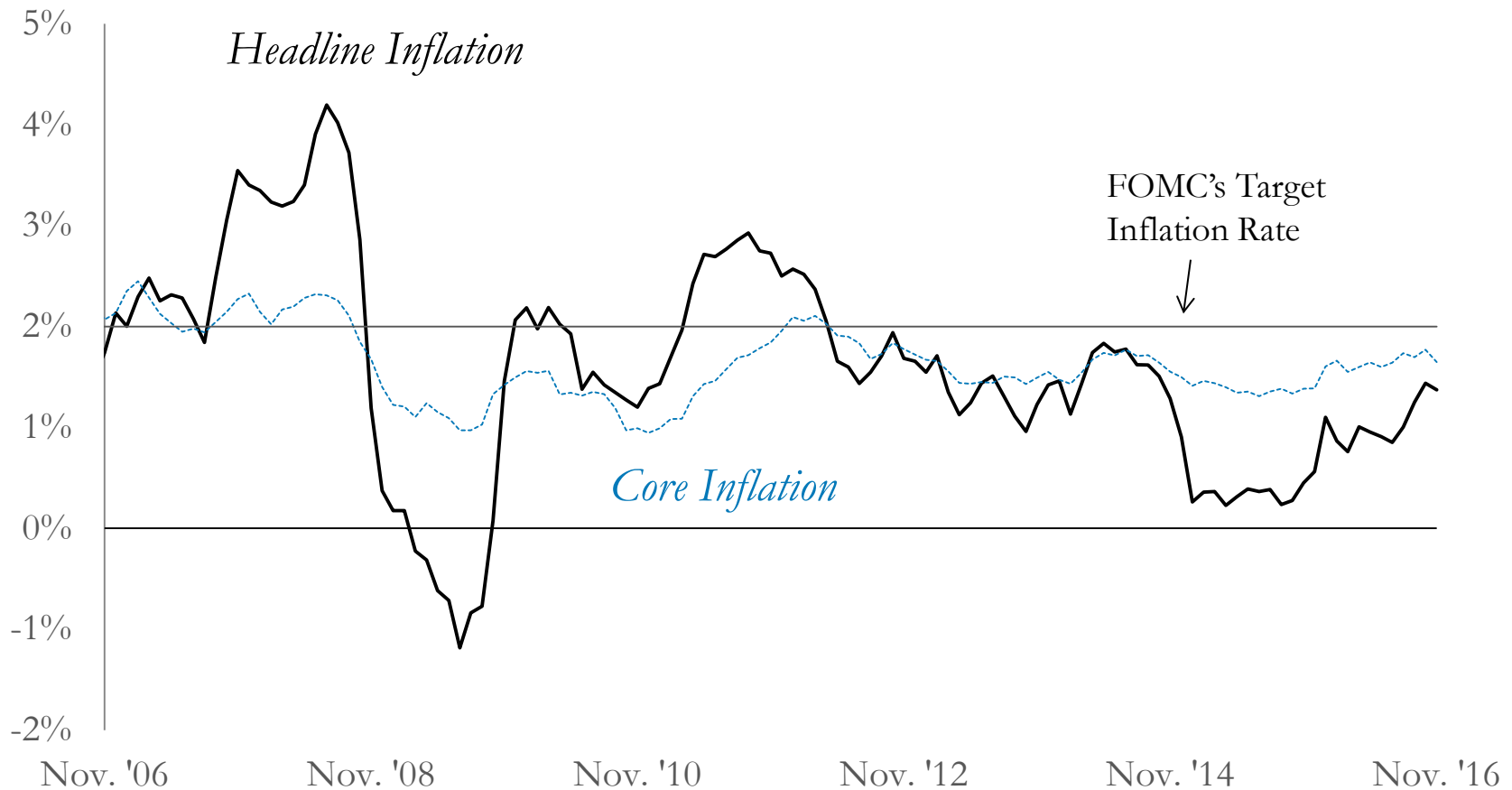
Source: Bureau of Economic Analysis and Federal Open Market Committee (FOMC)/Haver Analytics

*Projections as of December FOMC meeting

Inflation 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

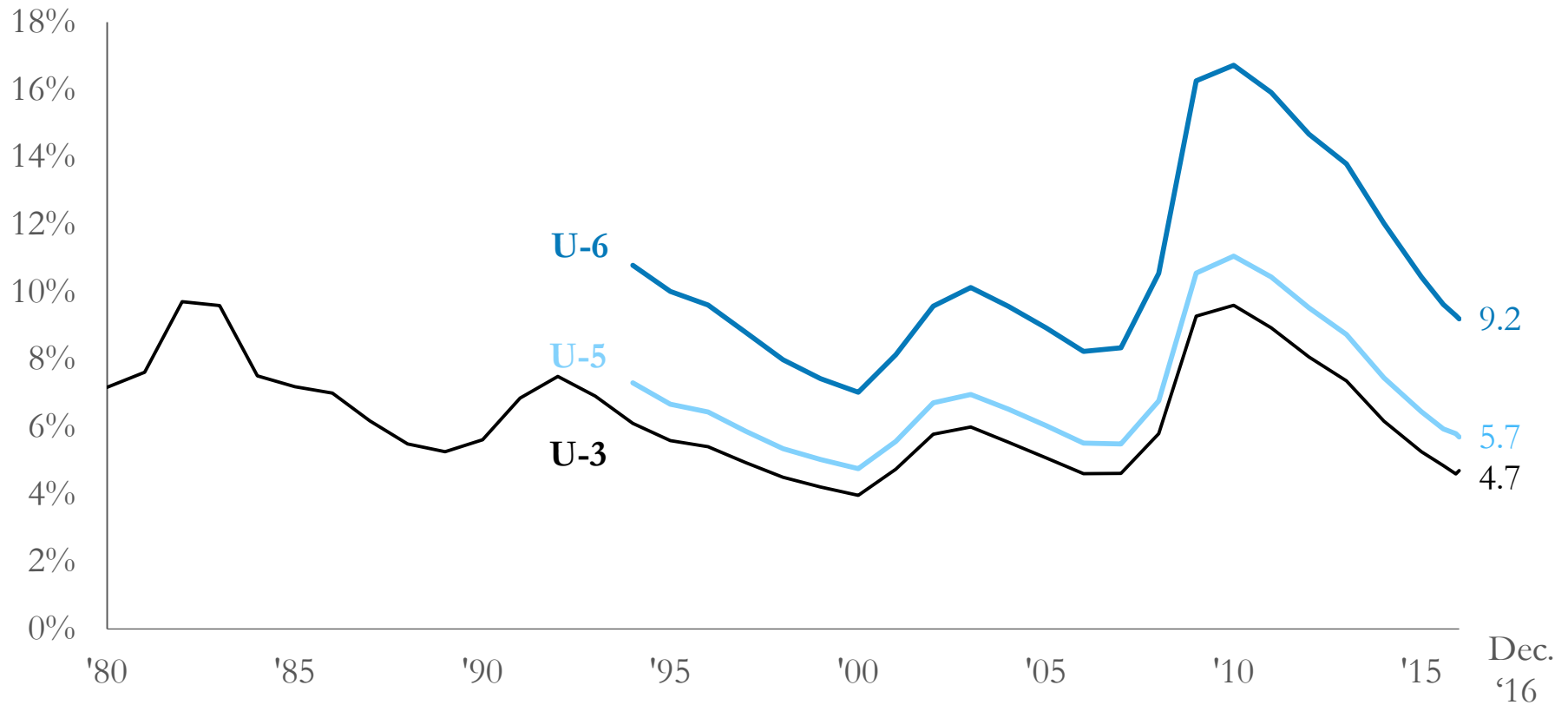


Measures of unemployment and under-employment have declined steadily over the past six years.



U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

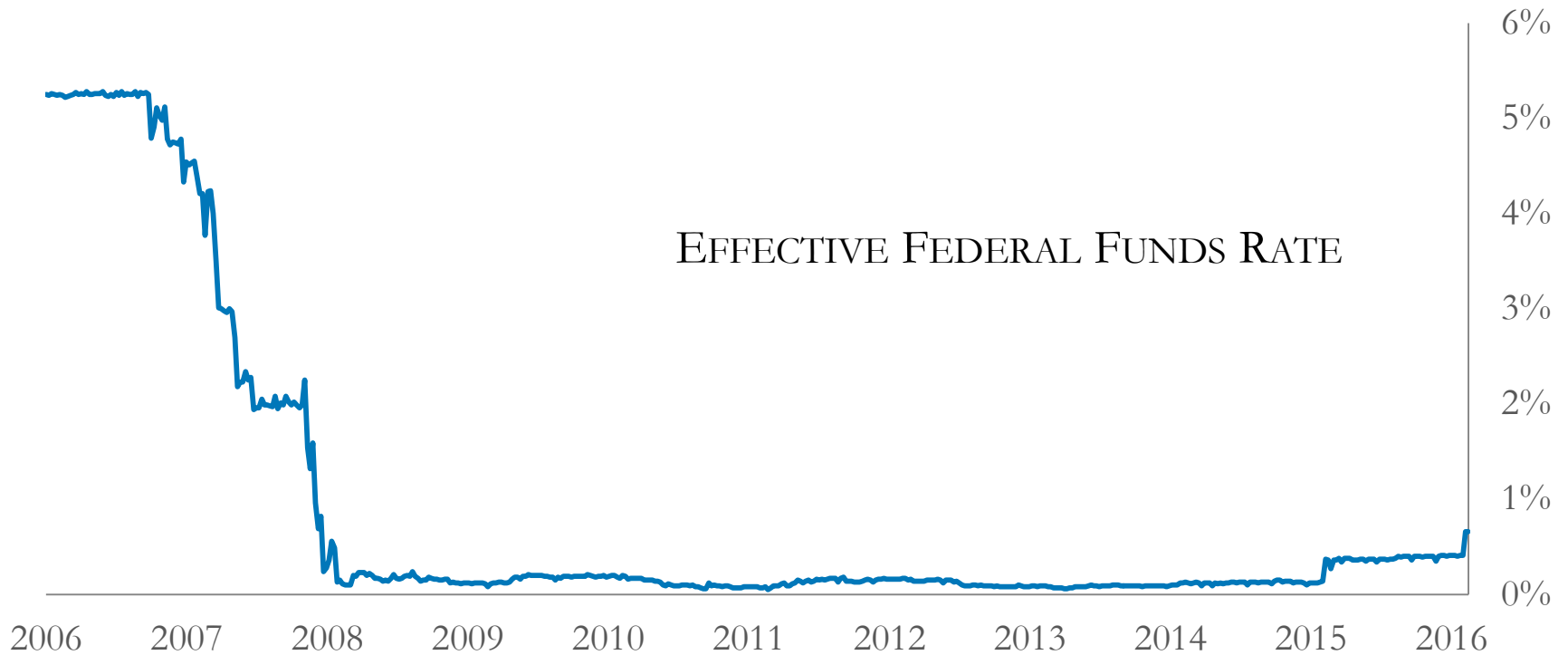
Seasonally Adjusted





“In view of realized and expected labor market conditions and inflation, the Committee decided to raise the target range for the federal funds rate to 1/2 to 3/4 percent. The stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a return to 2 percent inflation.”

- December 2016 FOMC Statement



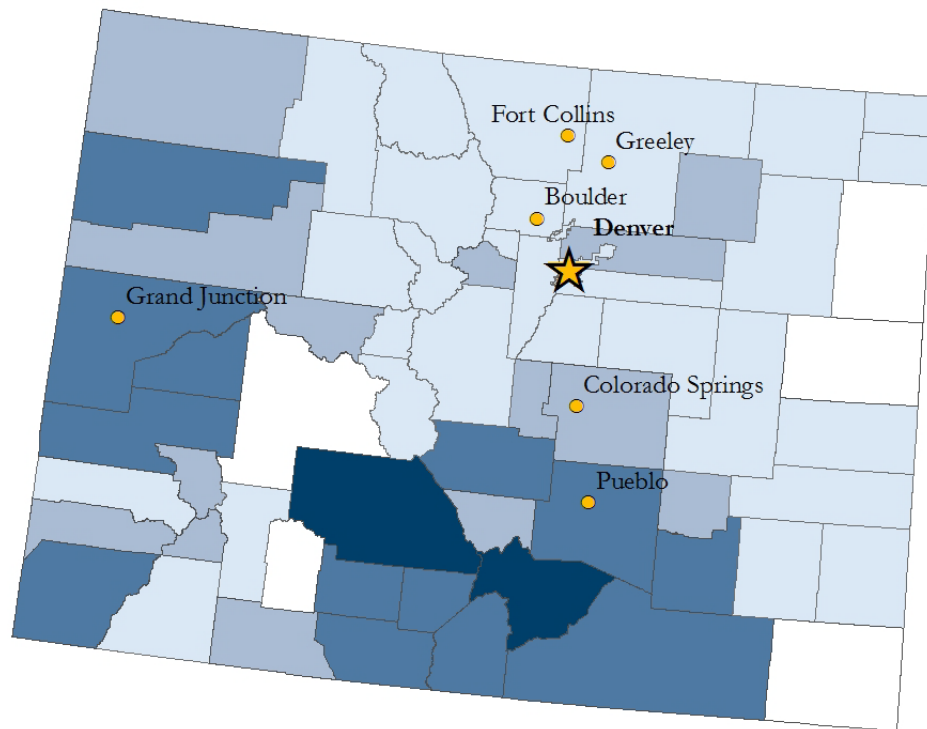
Unemployment rates are below national rates in most of Colorado.



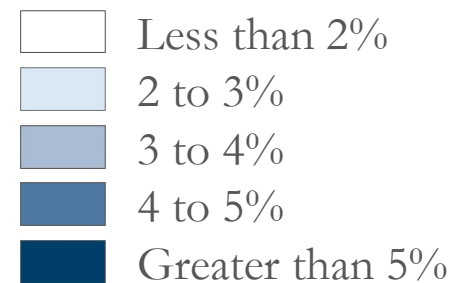
UNEMPLOYMENT RATES

November 2016, Seasonally Adjusted

<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States (Dec. '16)	4.7%	5.7%	9.2%
Colorado	3.2%	4.0%	7.4%



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

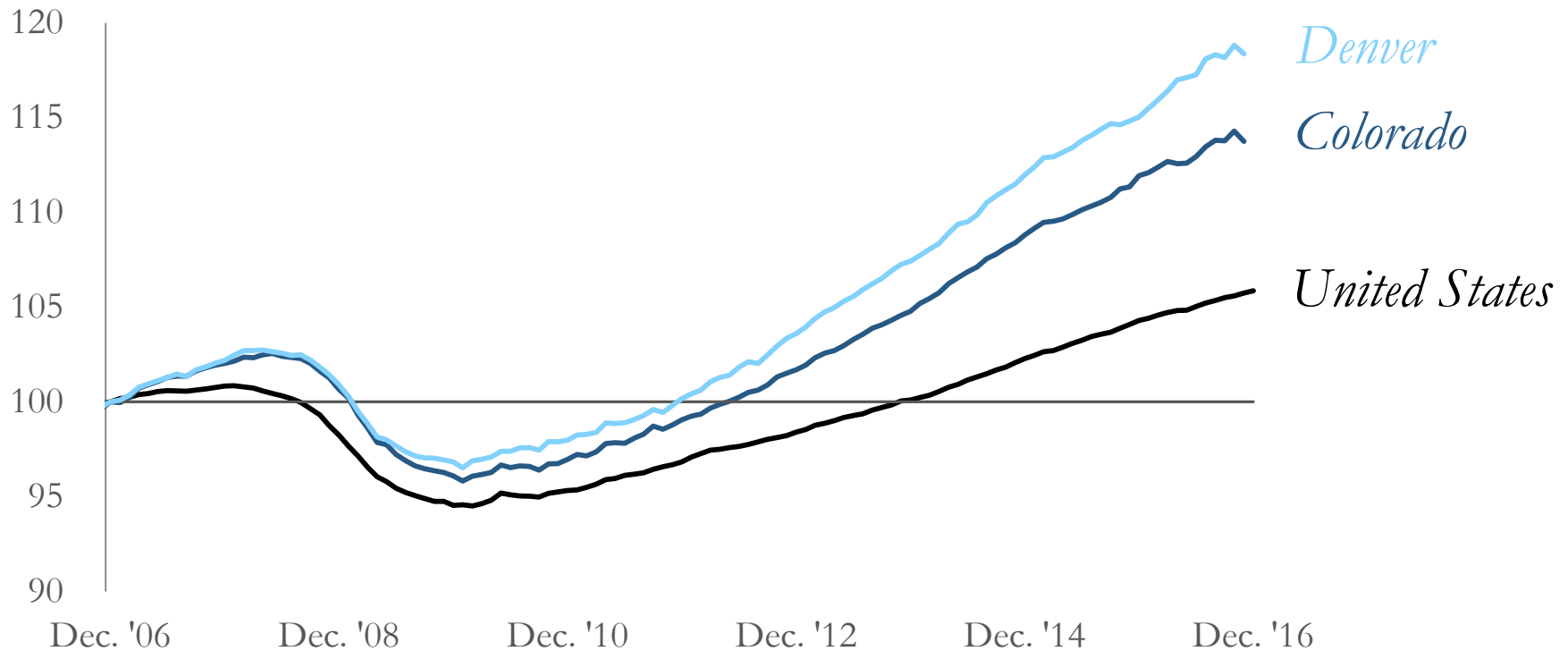


PAYROLL EMPLOYMENT GROWTH

Index 100 = December 2006, Seasonally Adjusted

Nov. '16 {

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S. (Dec. '16)	5.9%	1.5%
Colorado	14.2%	2.2%
Denver	18.7%	3.1%



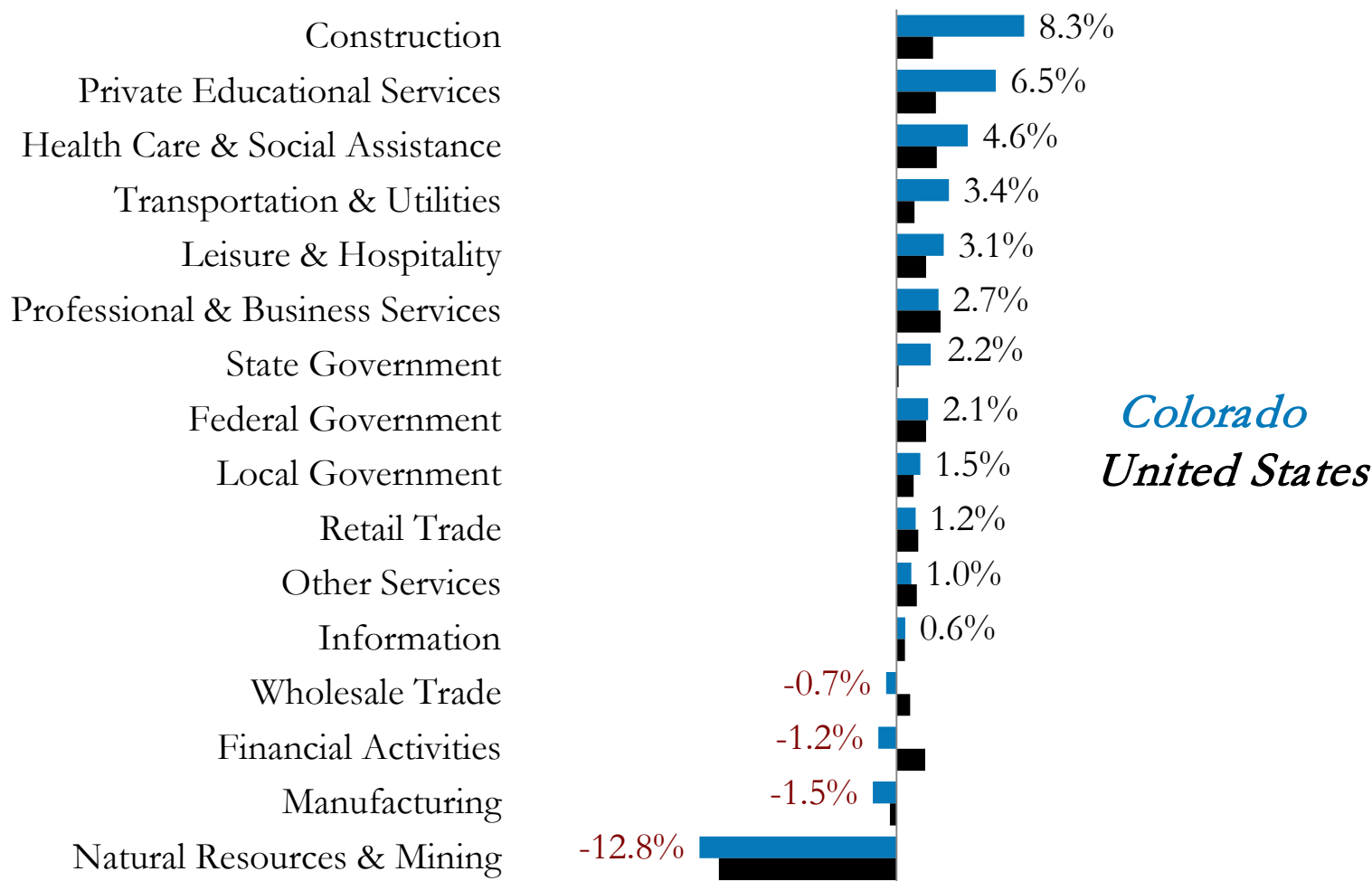
The majority of industries in Colorado have added jobs over the past year, but employment in the energy sector has declined sharply.



CHANGE IN PAYROLL EMPLOYMENT, NOVEMBER 2016

Seasonally Adjusted

Percent Change Year-over-Year

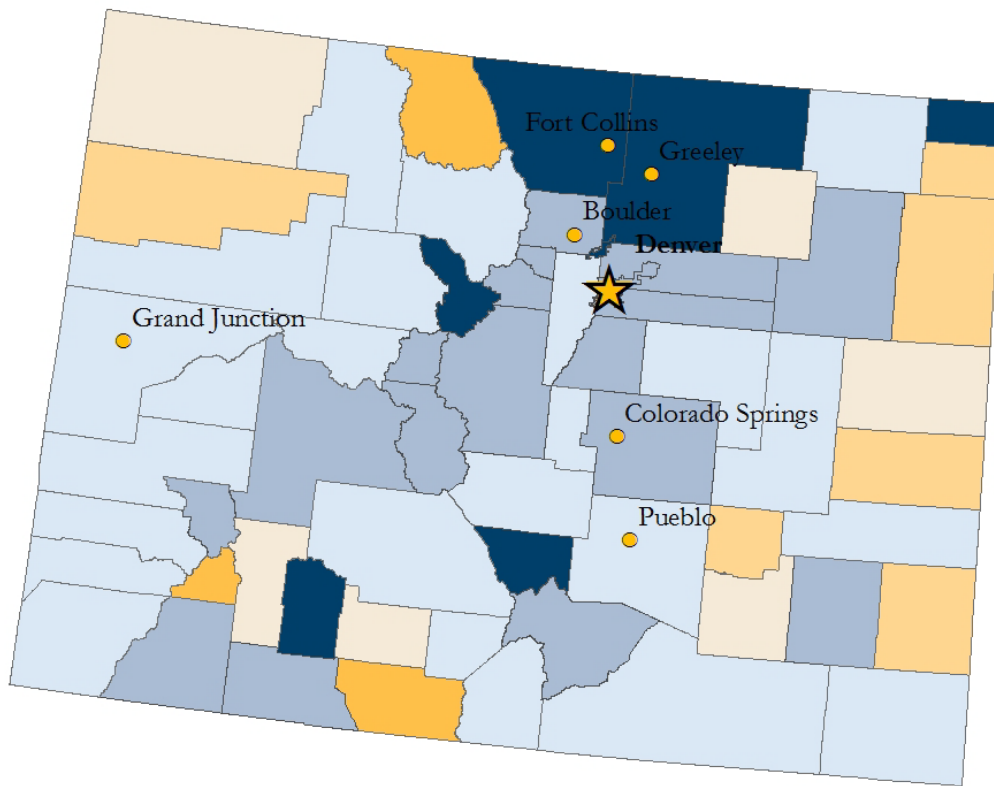


Parts of Colorado continue to experience strong population growth and net in-migration.

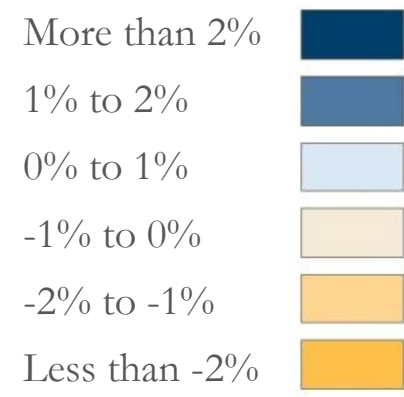


NET MIGRATION

Total 2015 Net Migration as a Percentage of 2015 Population



<i>Annual Percent Change</i>	<i>2016</i>
United States	0.3%
Colorado	1.1%
Denver (2015)	1.9%



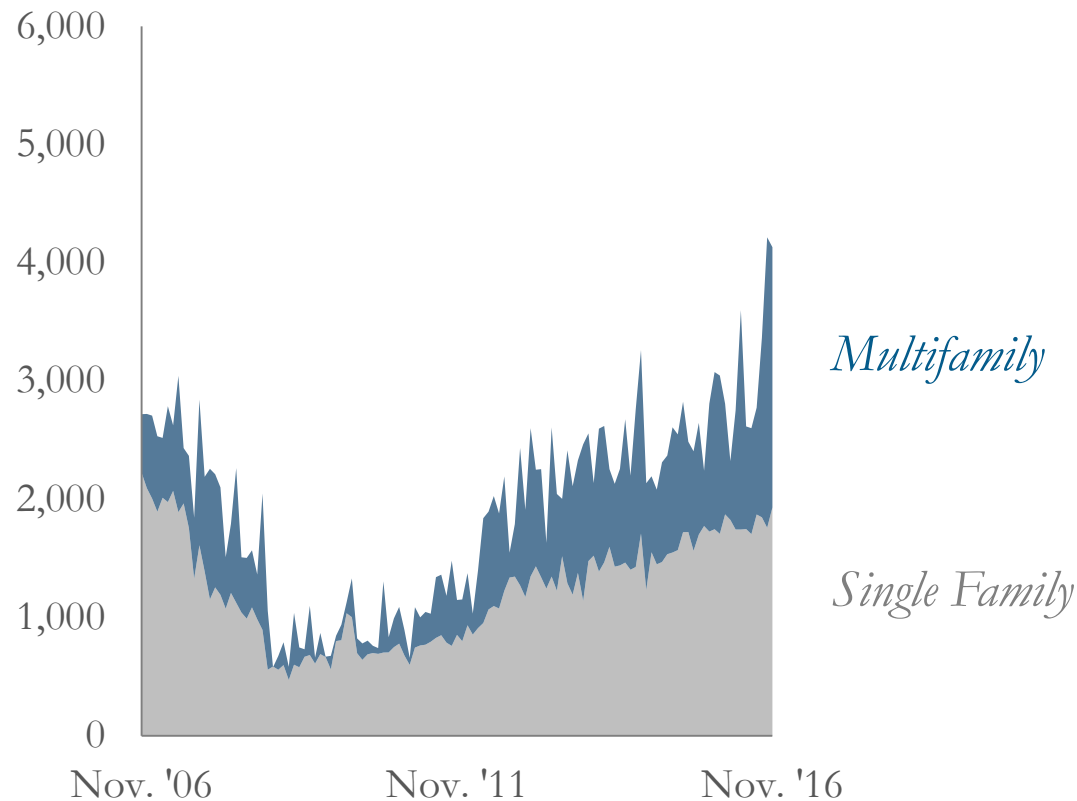
Residential construction activity has been increasing for more than six years, led by strong gains in multifamily building.



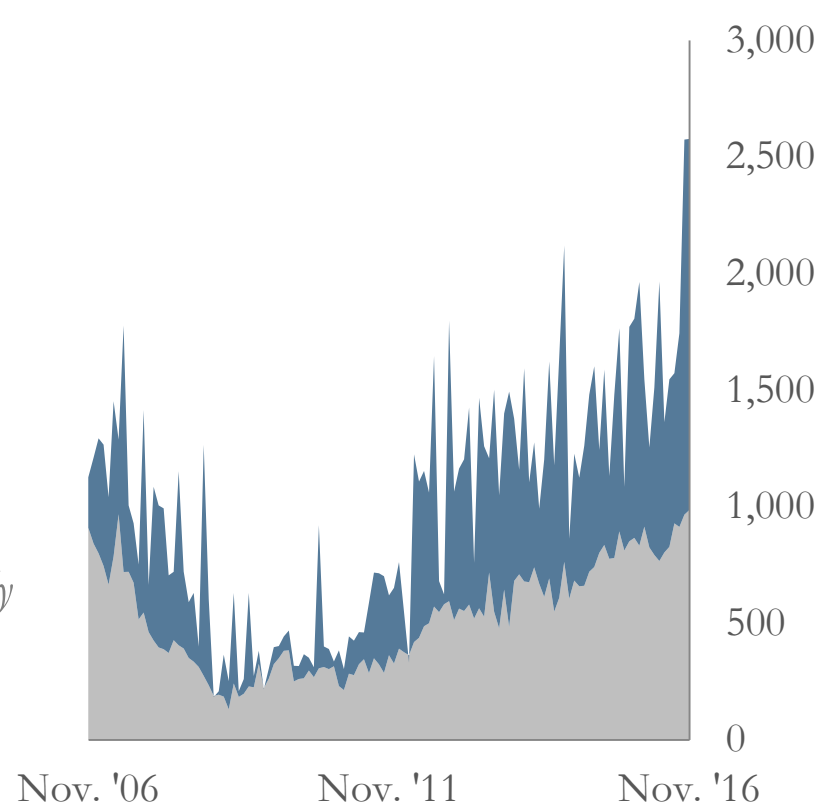
RESIDENTIAL PERMITS

Seasonally Adjusted

Colorado



Denver

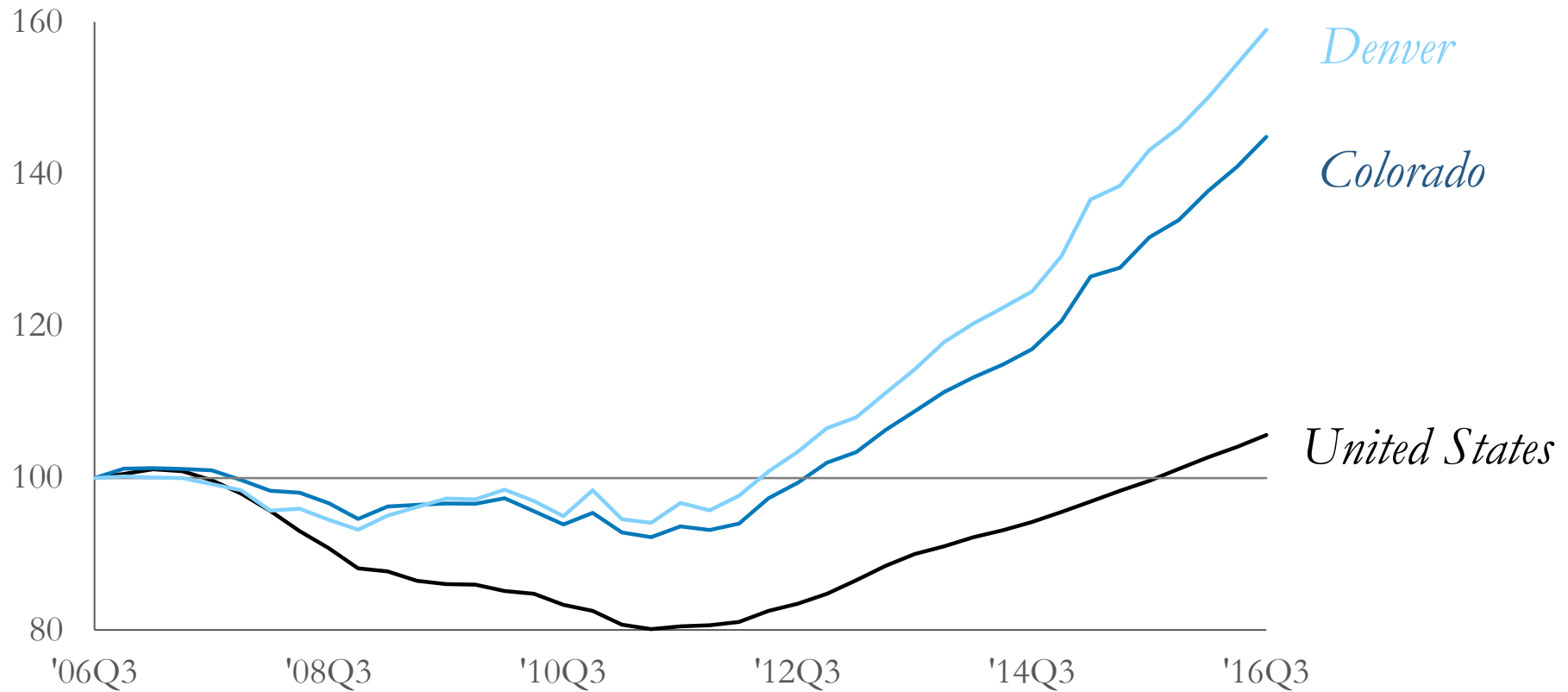


Home prices have increased sharply over the past several years in Colorado.



HOME PRICES

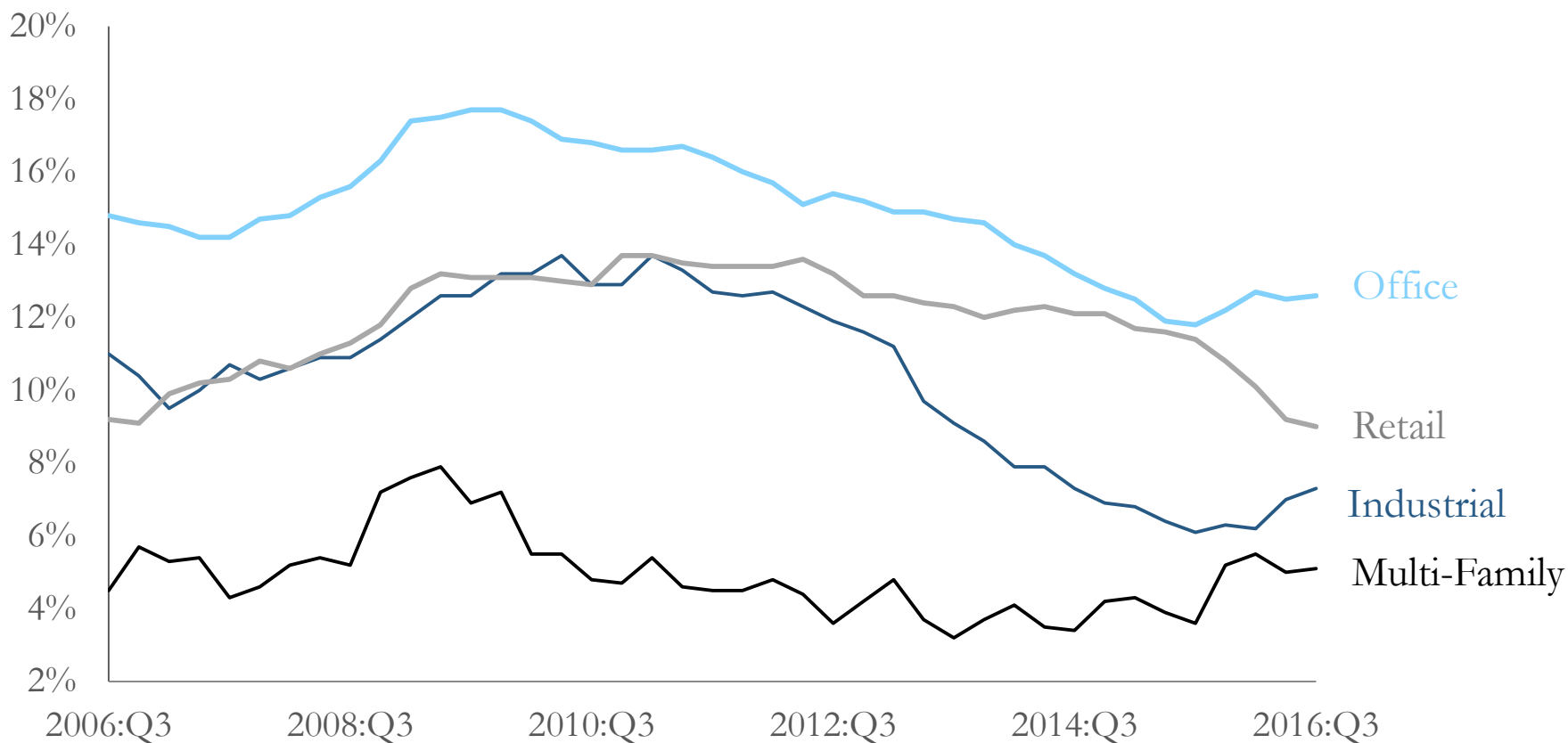
Seasonally Adjusted, Index 100 = Q3:2006



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



DENVER COMMERCIAL VACANCY RATES

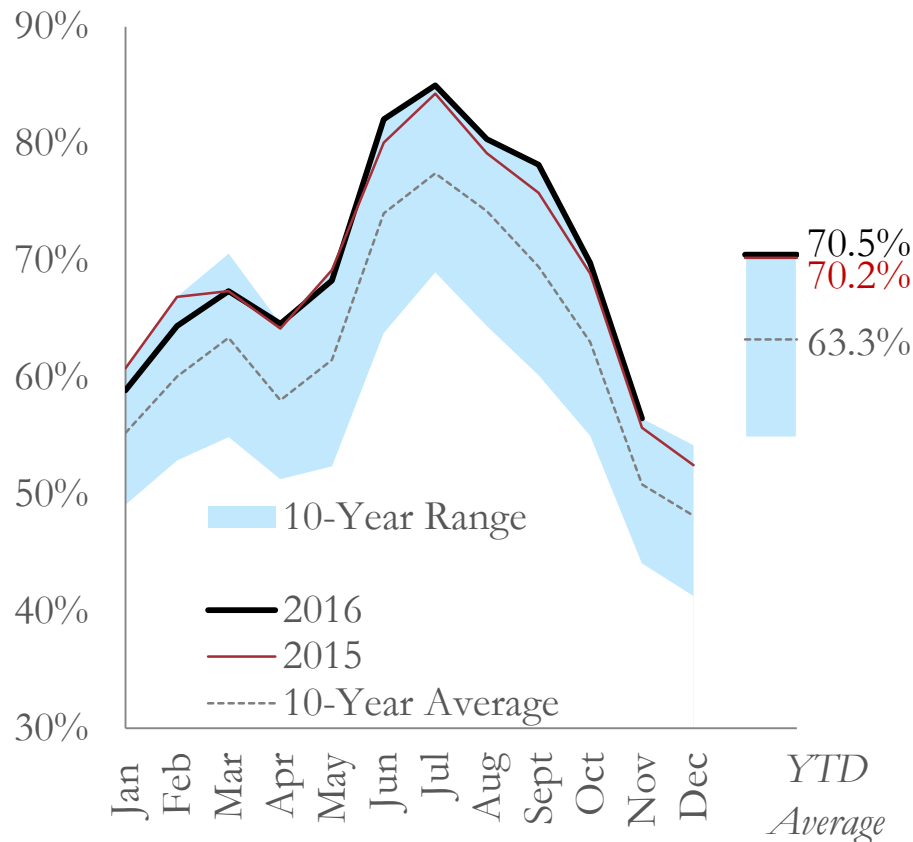


Tourism activity has been strong in Colorado over the past few years.



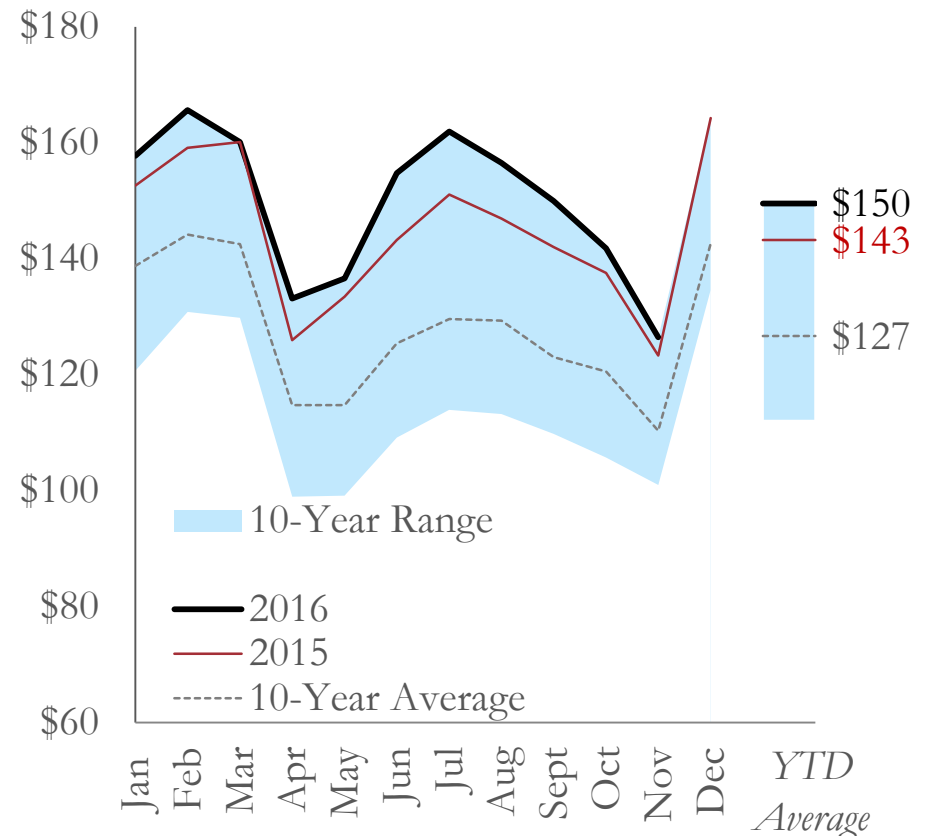
HOTEL OCCUPANCY RATES

Colorado



REAL HOTEL ROOM RATES

Colorado, 1999 Dollars

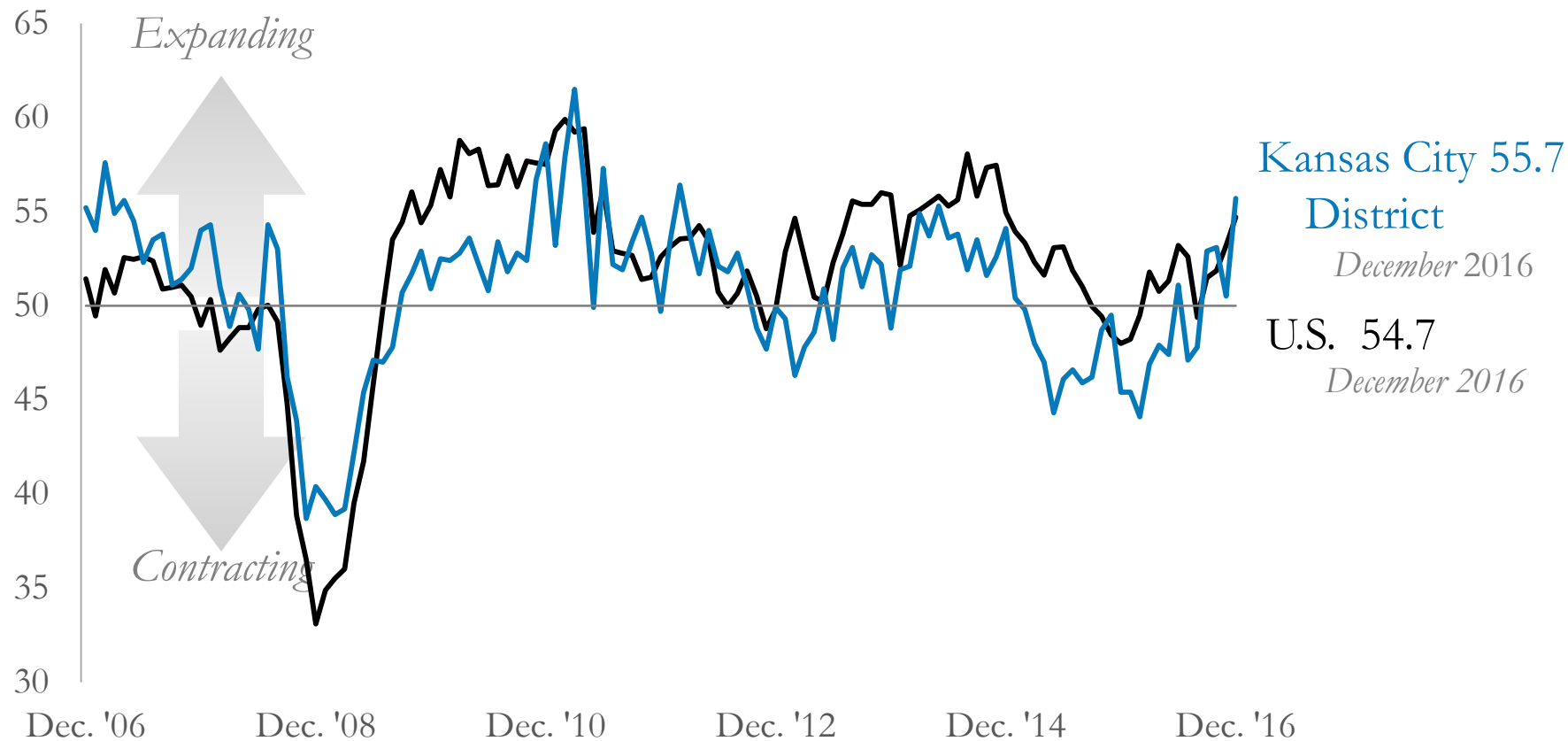


Manufacturing activity has rebounded in recent months after weak activity in 2015 and early 2016.



MANUFACTURING ACTIVITY

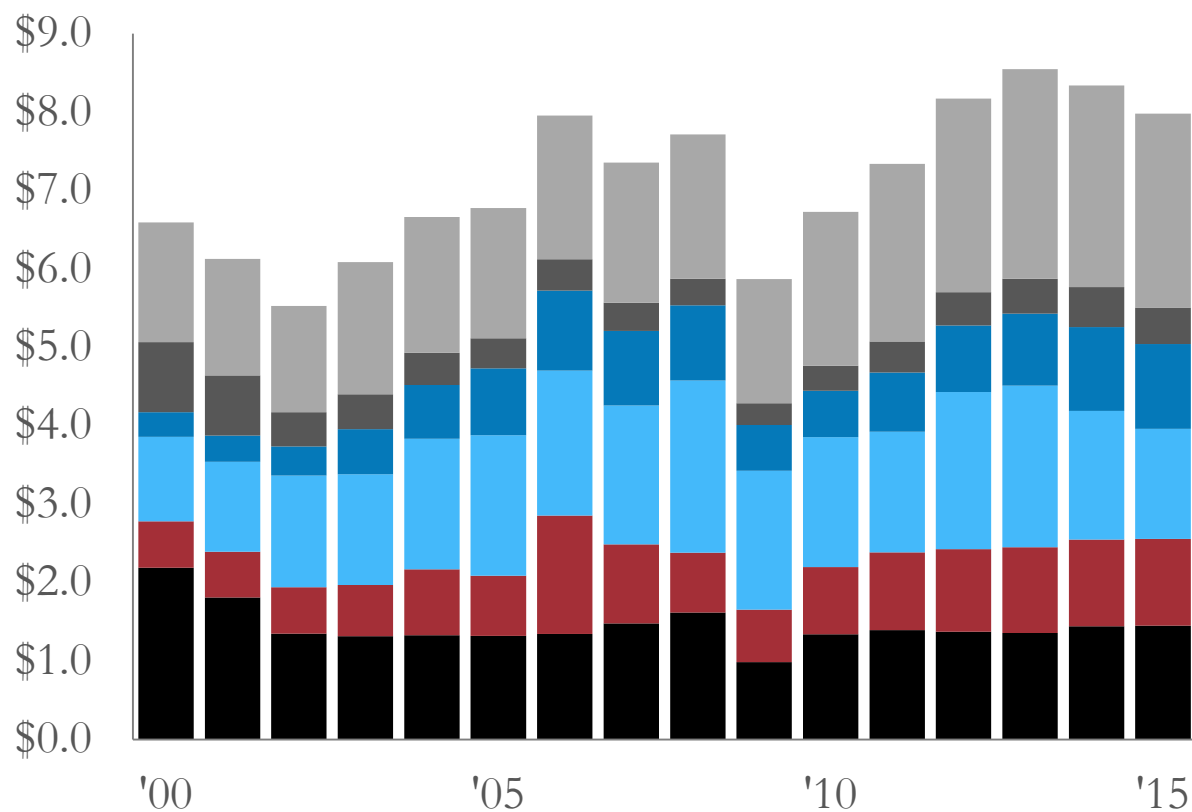
Diffusion Index, Seasonally Adjusted, Month-over-Month



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

COLORADO EXPORTS BY TRADING PARTNER

Billions



YEAR-TO-DATE OCTOBER '16

Percent Change

	Percent Change	SHARE*
Total Trade	-7.1%	SHARE*
All Other	-4.9	30.7%
Japan	-5.6	5.9
Mexico	-9.5	13.5
Canada	-5.9	17.7
China	-12.8	13.9
Eurozone	-6.5	18.3

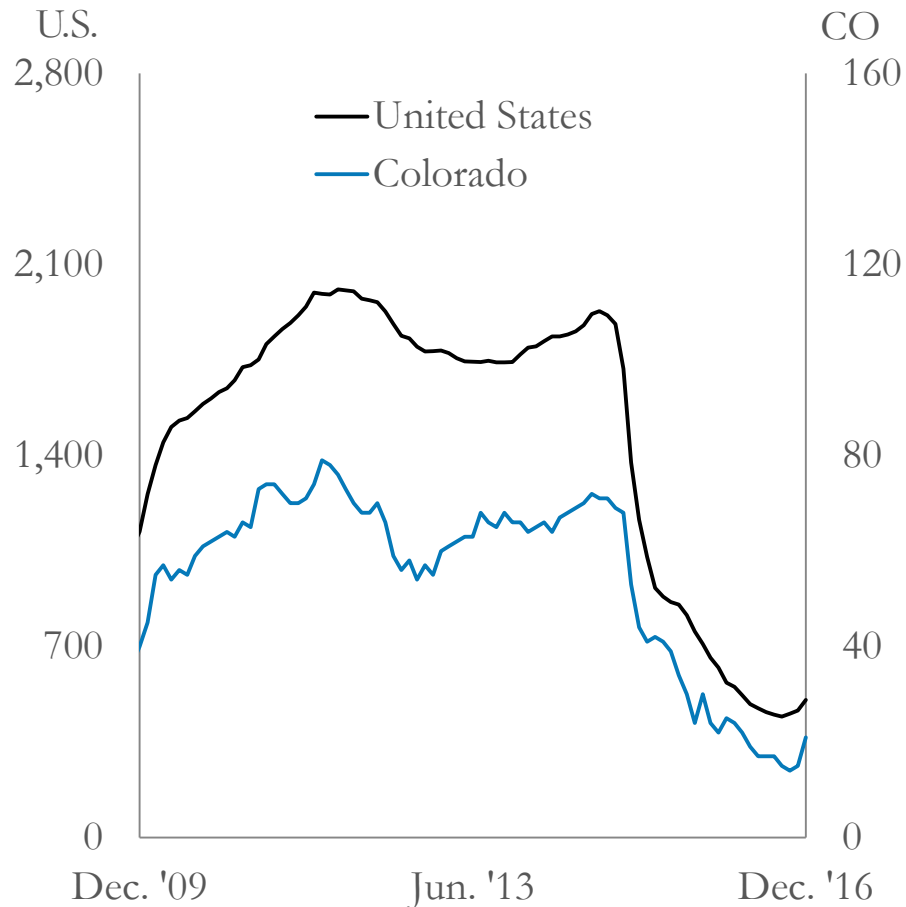
**Share is for 2015*

Year-to-Date: October

Energy activity has declined substantially in Colorado and the nation.

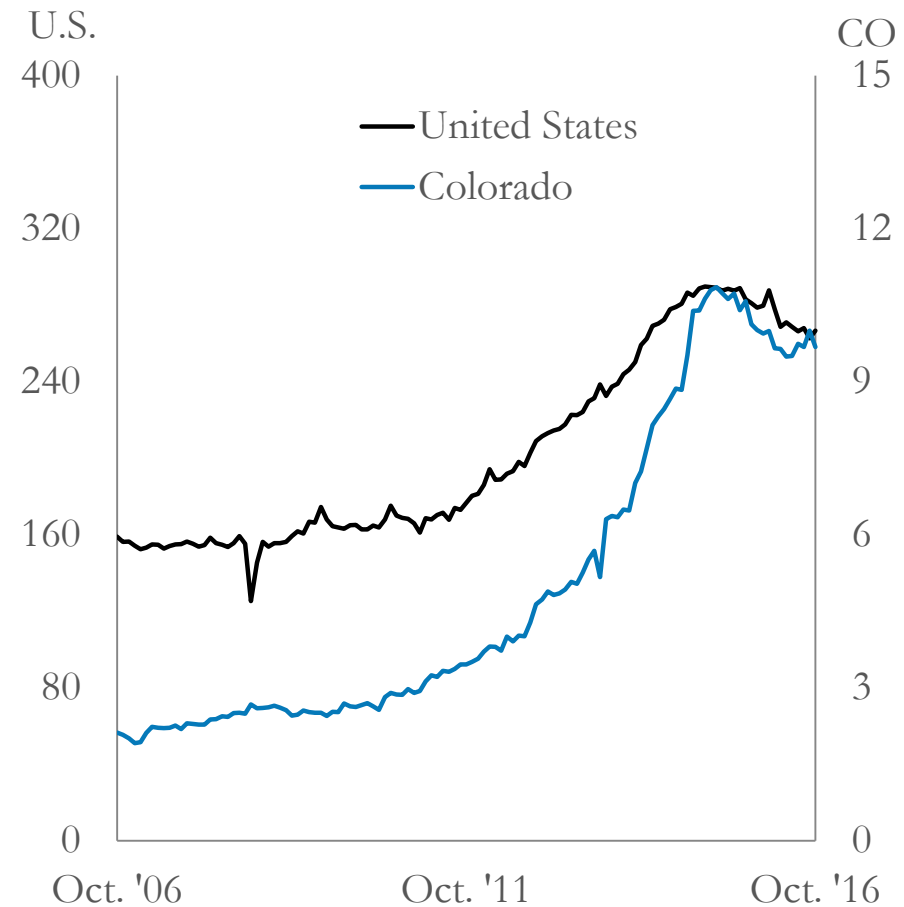


TOTAL RIG COUNT



CRUDE OIL PRODUCTION

*Millions of Barrels, Monthly,
Seasonally Adjusted*

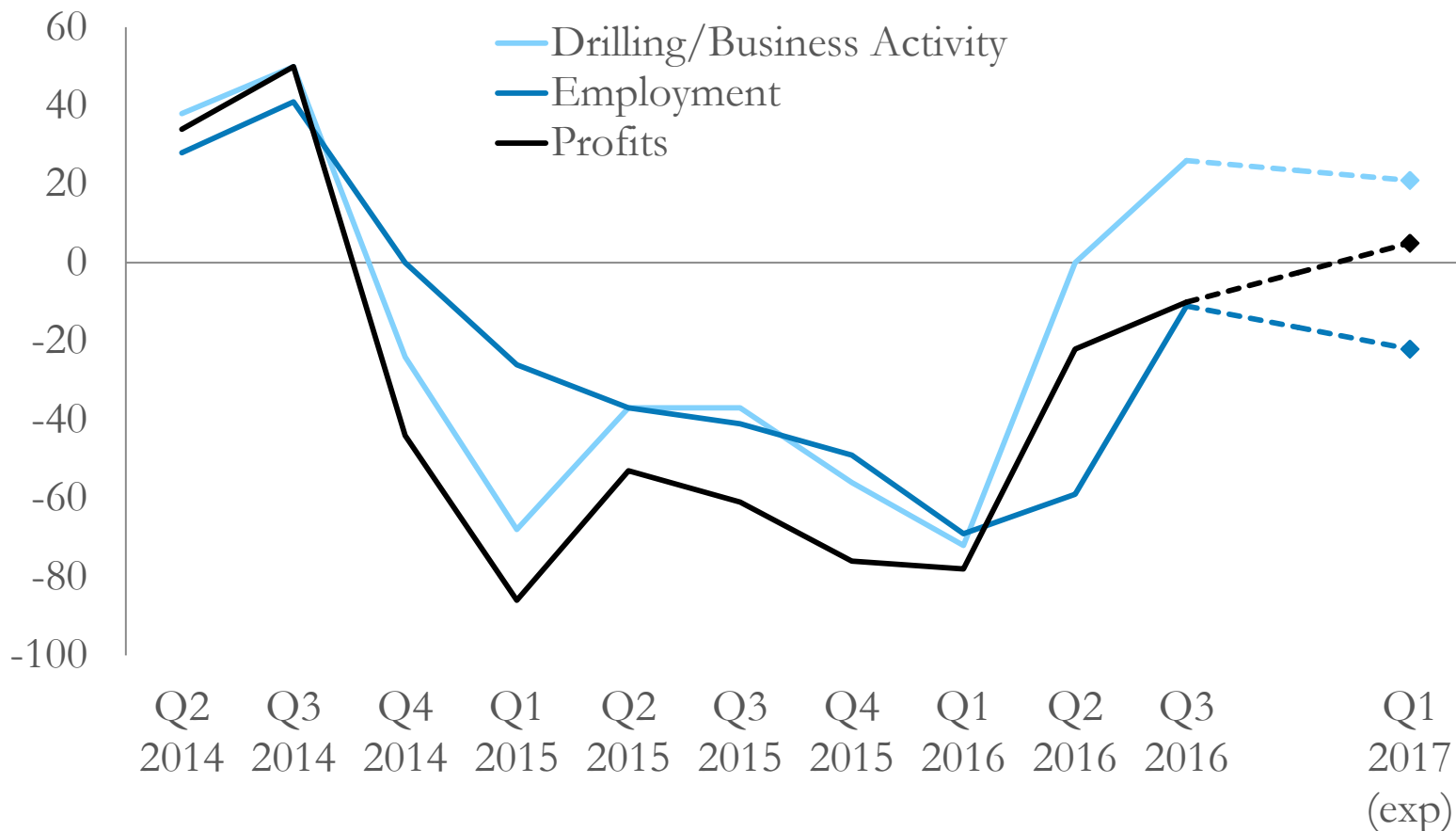


After substantial declines during the past two years, the energy sector appears to be stabilizing.



FRBKC ENERGY SURVEY

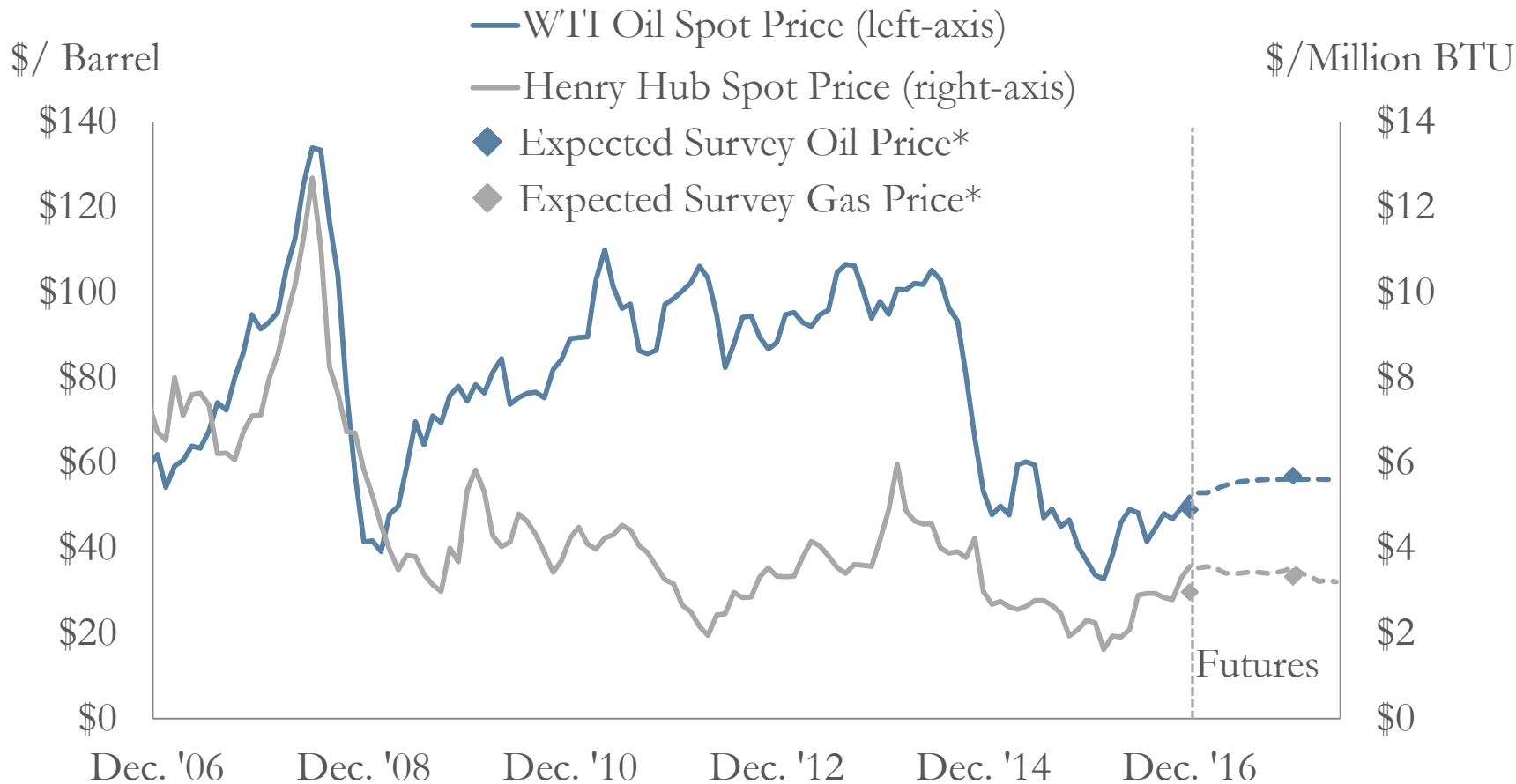
Diffusion Indexes, Quarter-over-Quarter



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



ENERGY PRICES



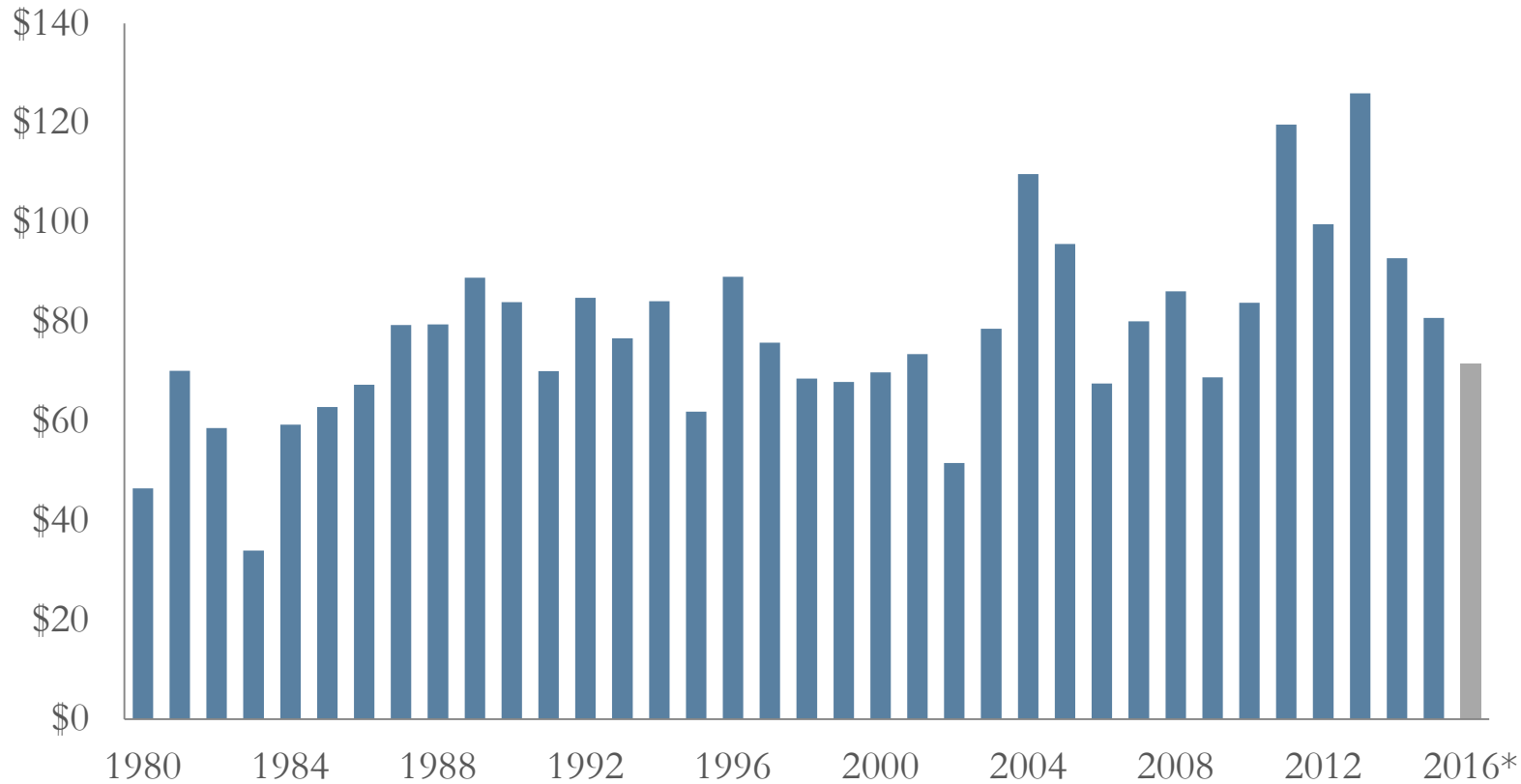
*Expected year-end prices are the average expected price based on responses to the FRBKC Q3:2016 Energy Survey

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>

