

# *Emerging Trends in the U.S. and Colorado Economies*



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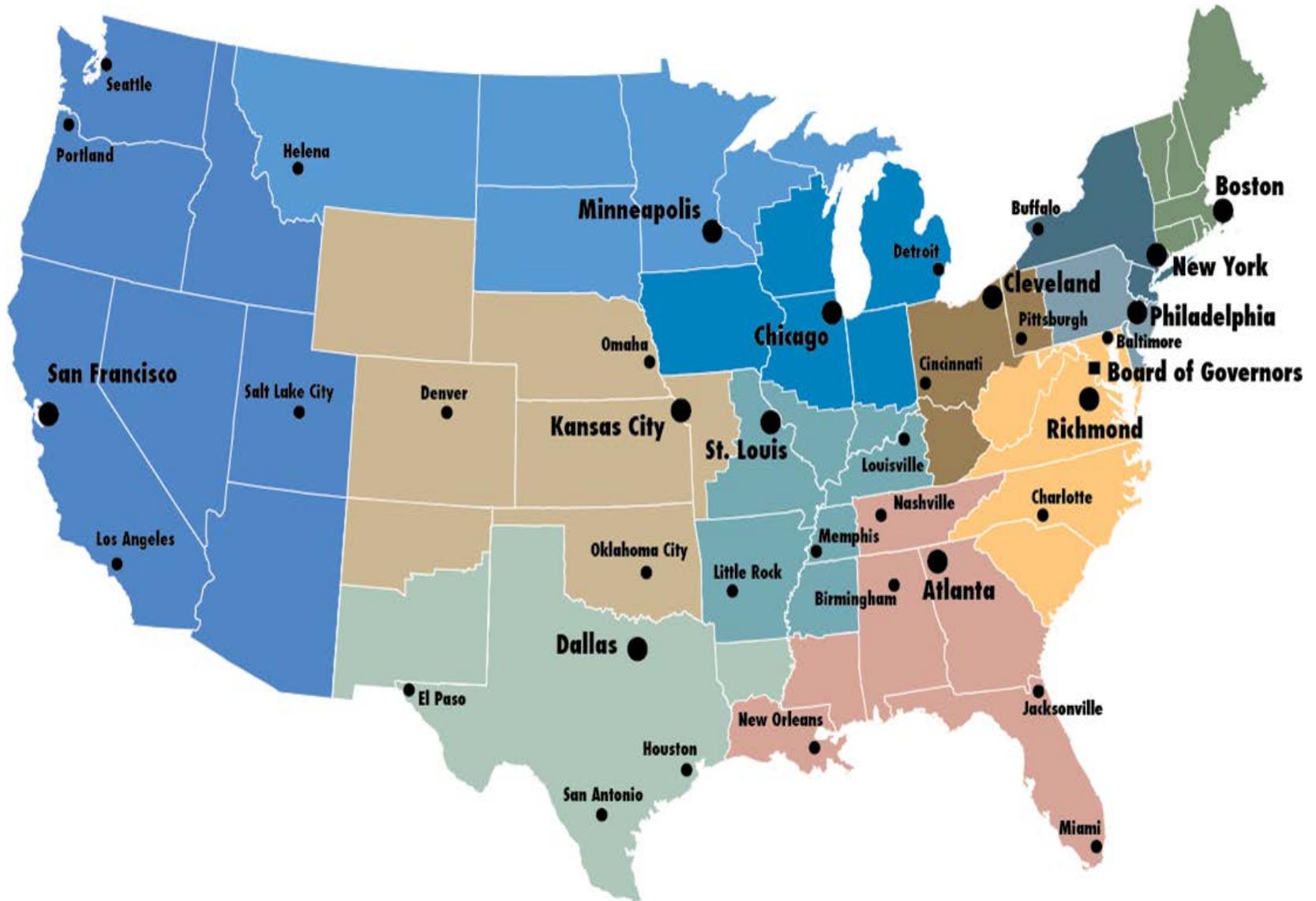
*The views expressed are those of the presenter and do not necessarily reflect  
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

# 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





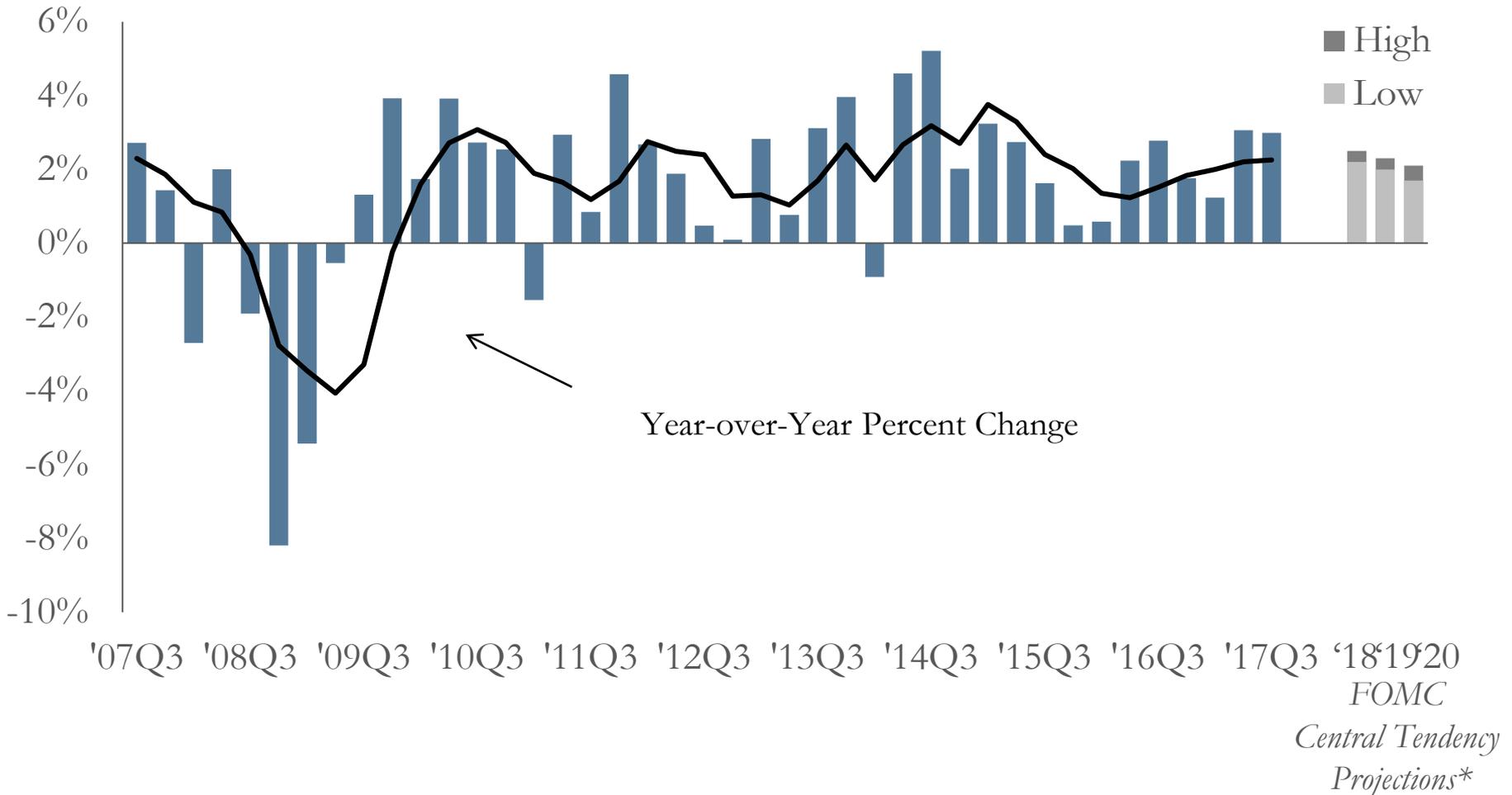
- Functions – around 150 staff
  - Regional research covering the economies of Colorado, New Mexico and Wyoming
  - Economic, financial education, and community development outreach
  - Examinations of Colorado, Wyoming and northern New Mexico financial institutions
  - Cash processing and distribution
  - Money Museum
- 2018 Denver Board of Directors
  - Richard Lewis (Chair): President and CEO of RTL Networks, Inc.
  - Ashley Burt: President of The Gunnison Bank and Trust Company
  - Taryn Edwards: Senior Vice President of Saunders Construction
  - Edmond Johnson: President and Owner of Premier Manufacturing, Inc.
  - Denny Marie Post: CEO of Red Robin International
  - 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

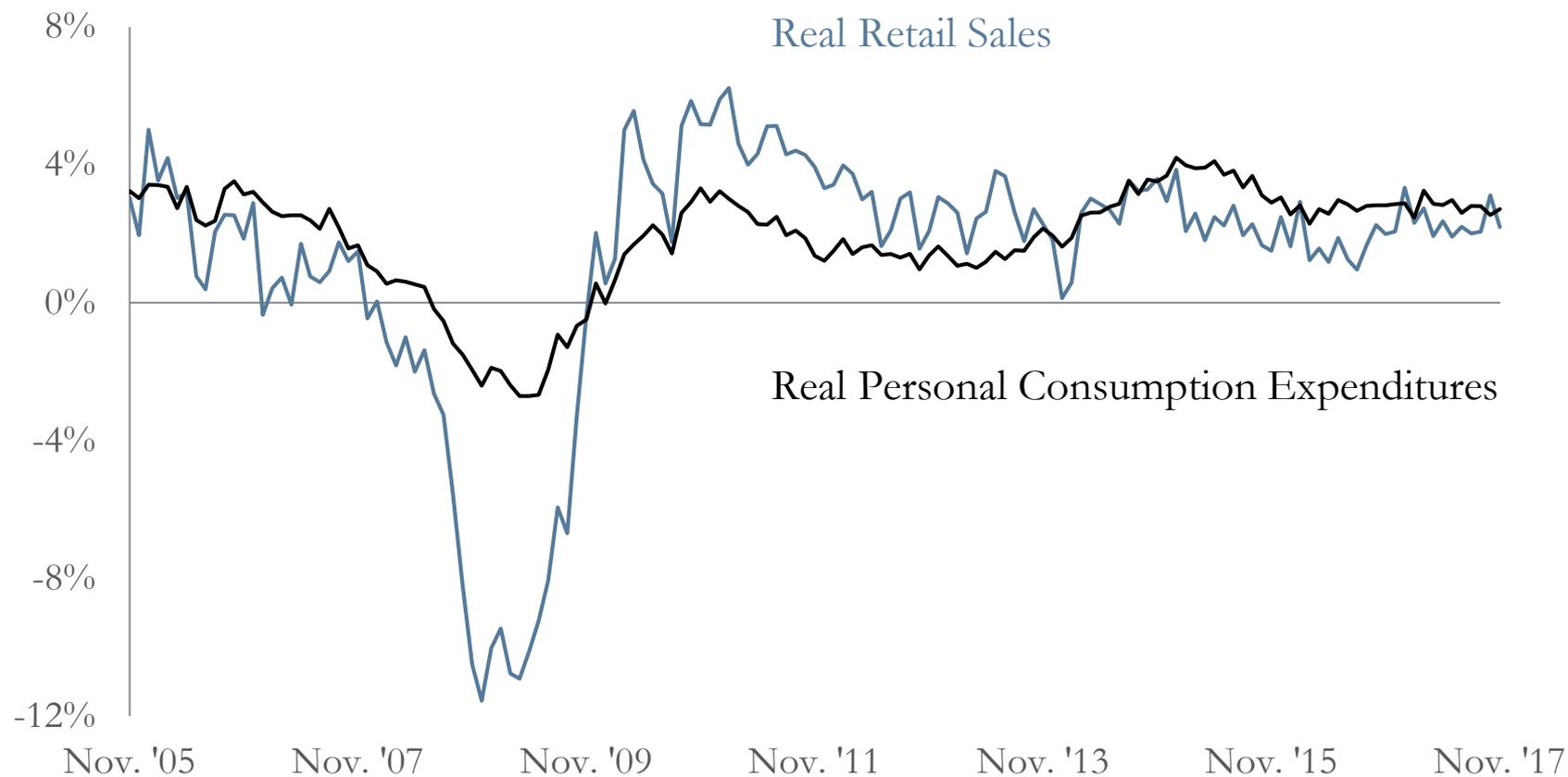
\*Projections as of December FOMC meeting

# Consumer spending continues to expand at a solid pace.



## REAL CONSUMPTION SPENDING

*Seasonally Adjusted, Year-over-Year Percent Change*

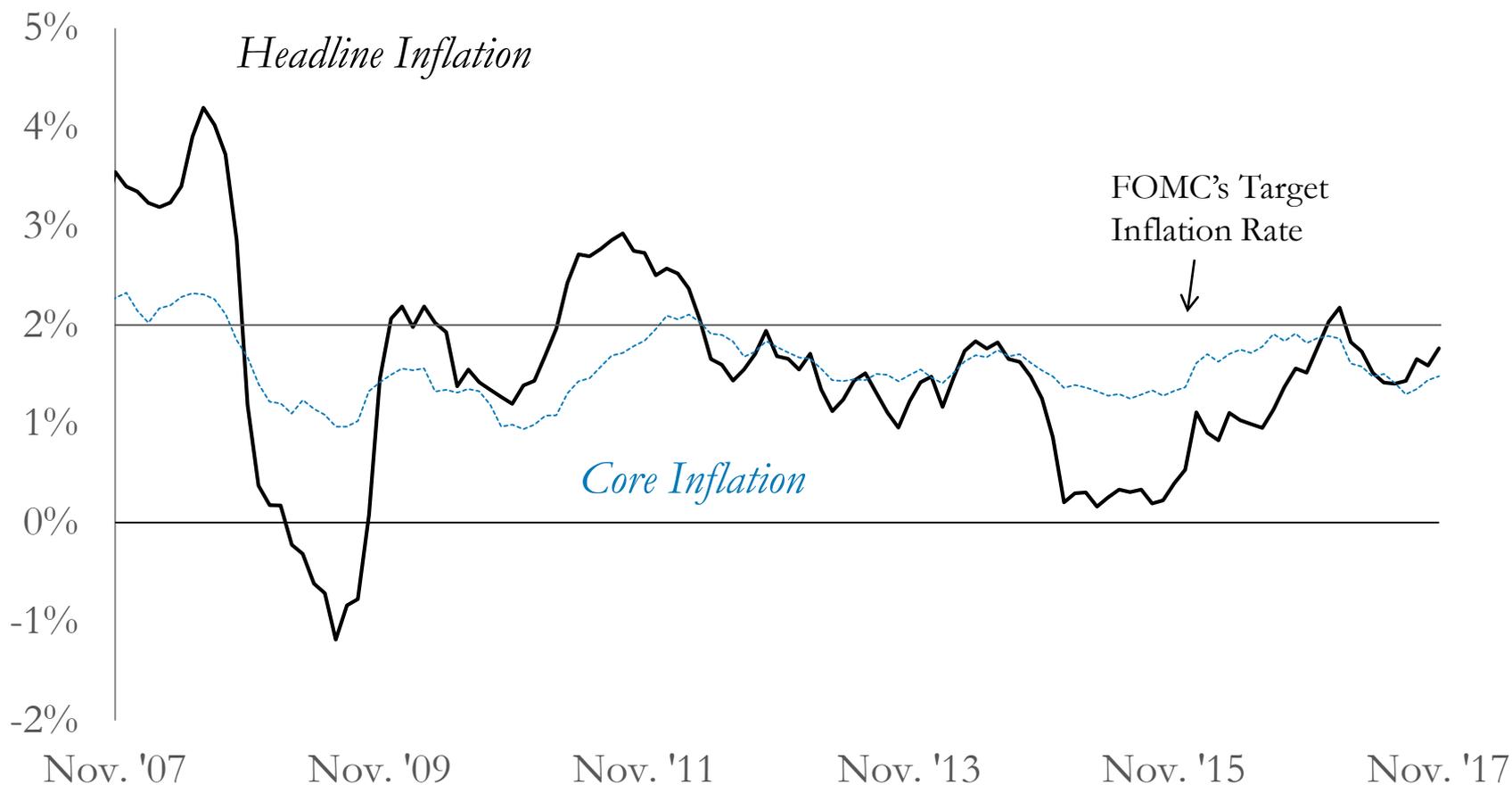


# Inflation is near the FOMC's two percent target.



## PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

*Percent Change Year-over-Year*

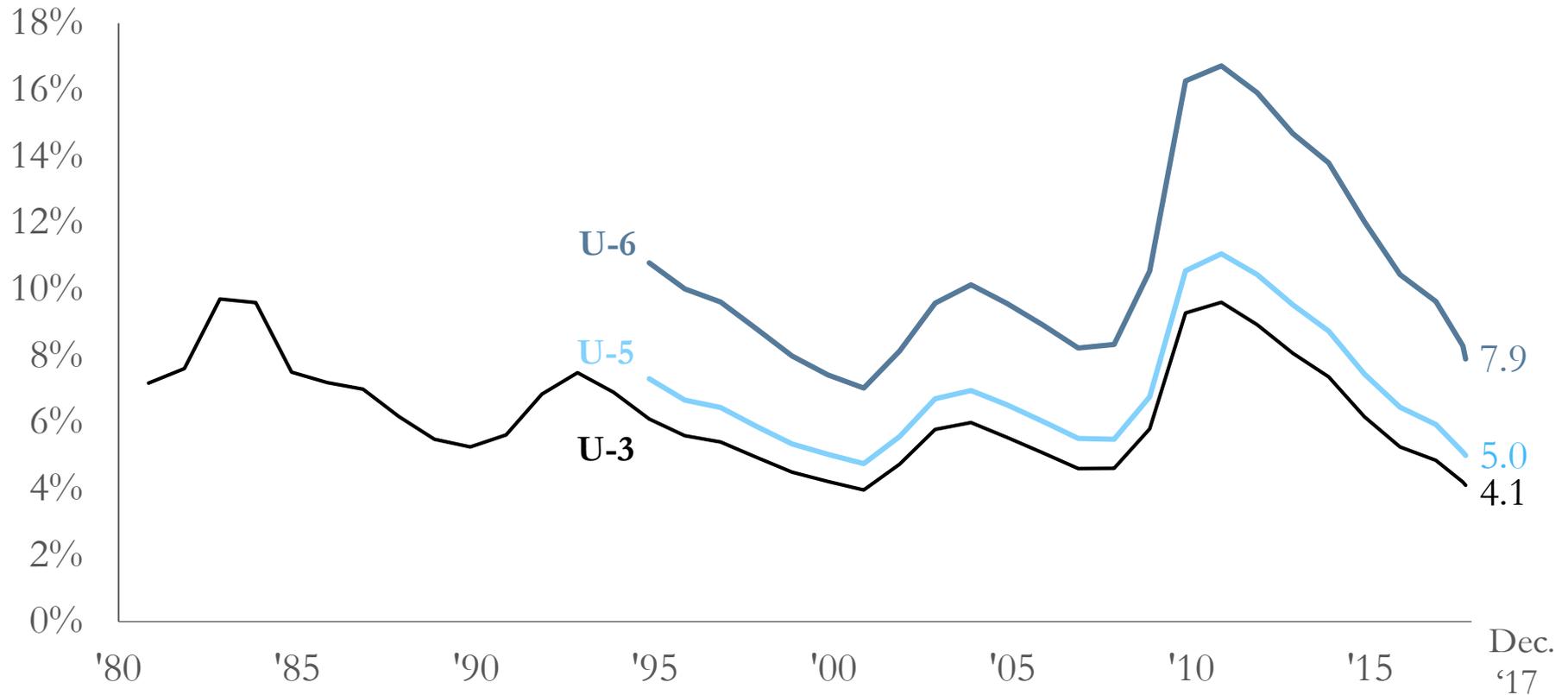


Measures of unemployment and under-employment have declined steadily over the past seven years.



## U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

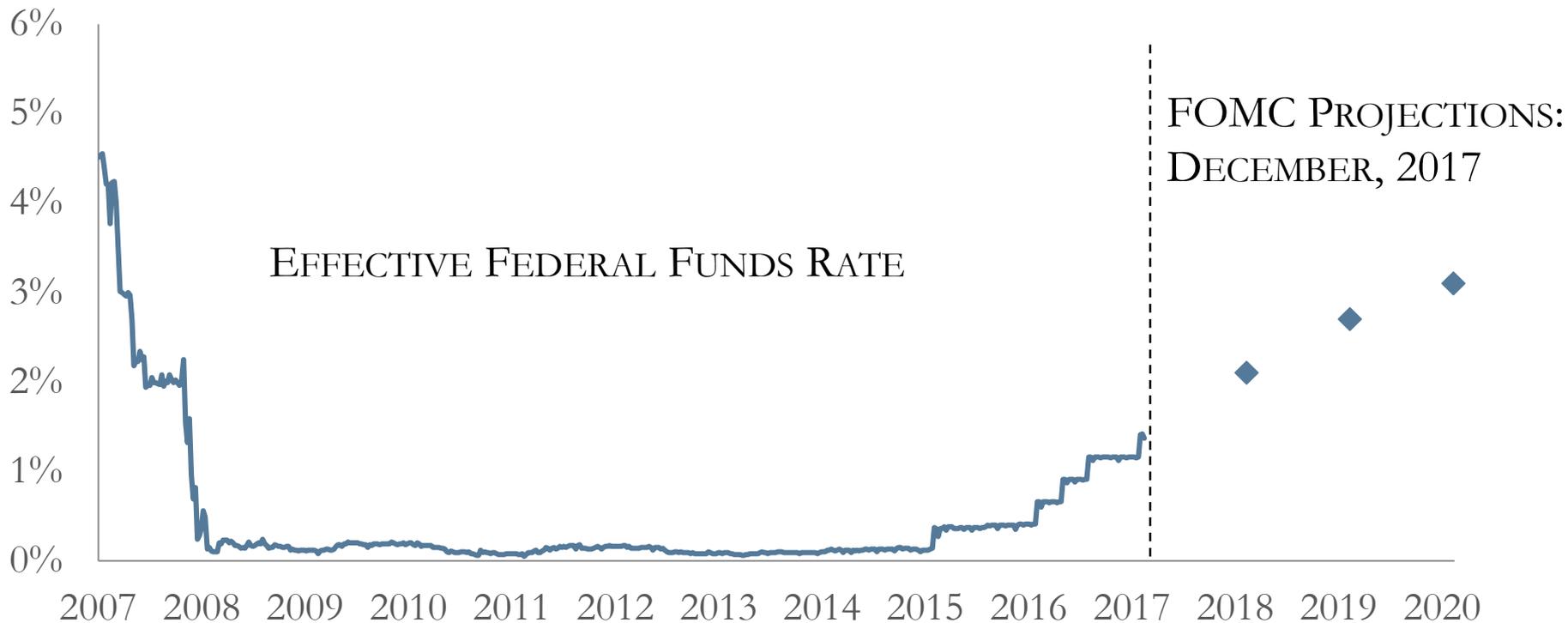
*Seasonally Adjusted*





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

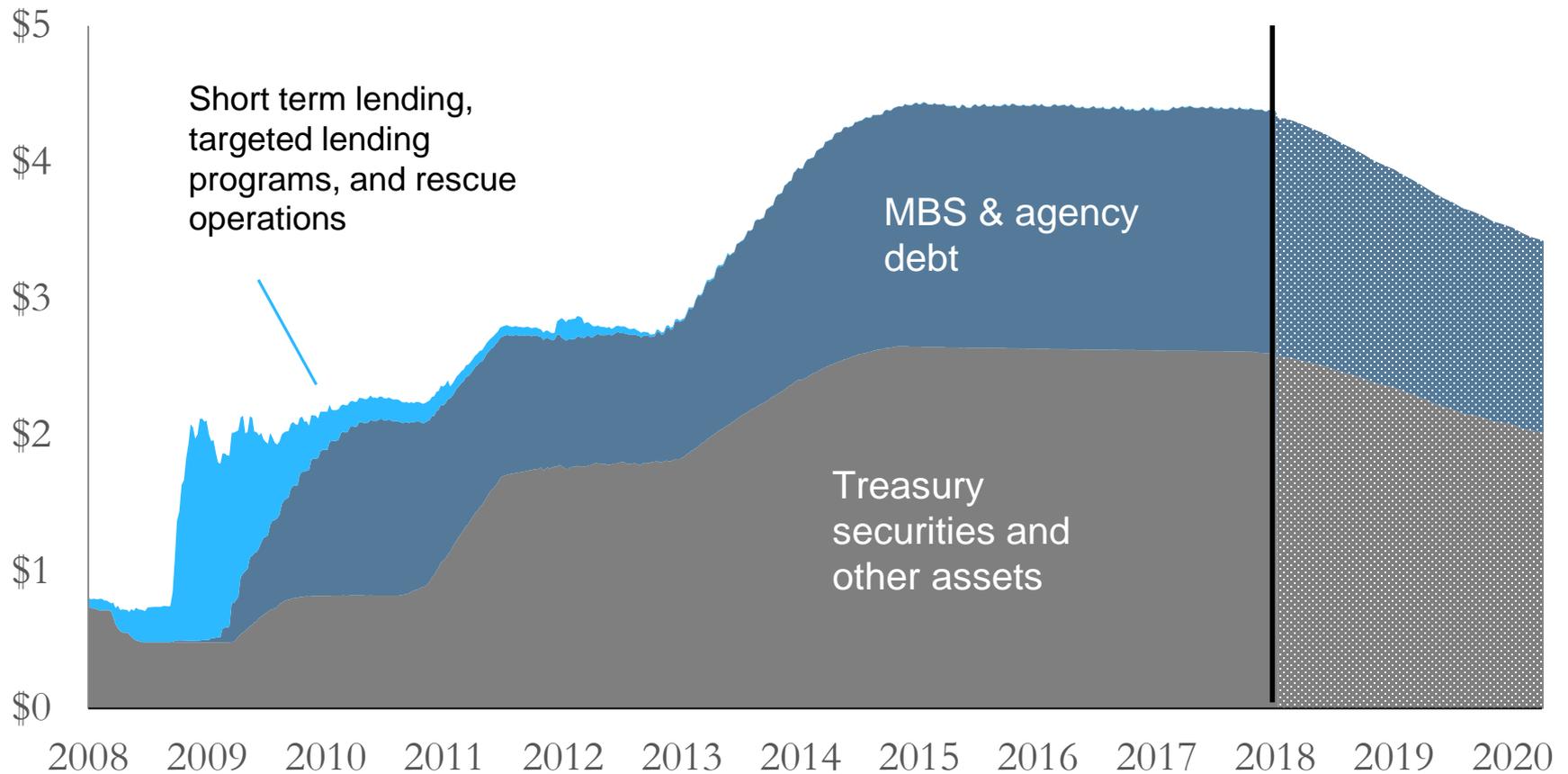
- *December 2017 FOMC Statement*





# FEDERAL RESERVE BALANCE SHEET

*Trillions*



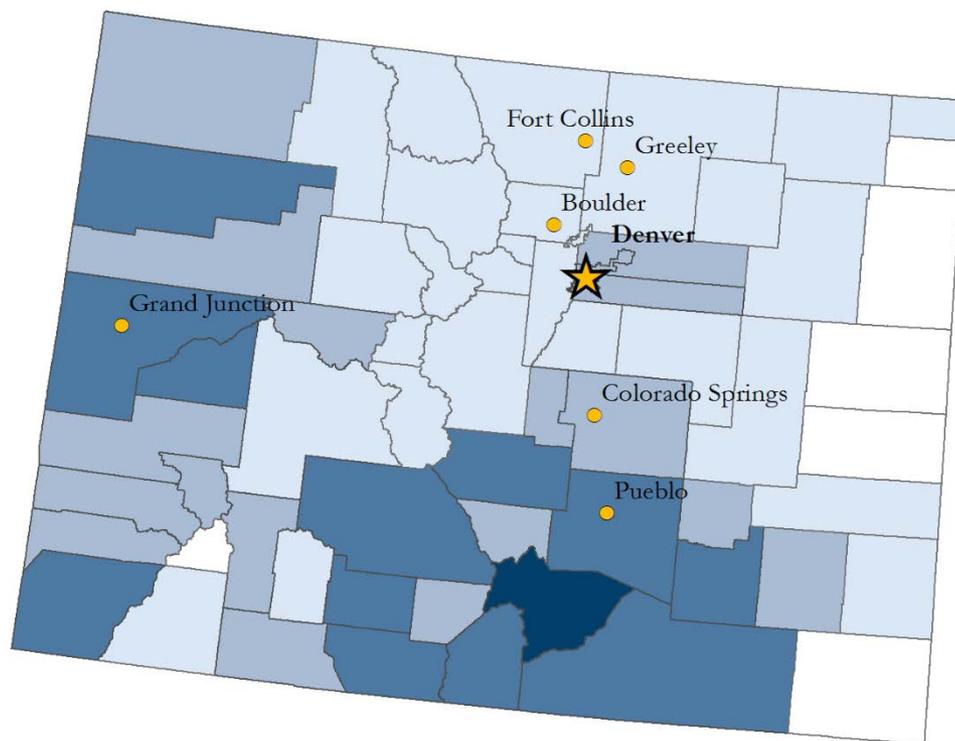
# Unemployment rates are below national rates across most of Colorado.



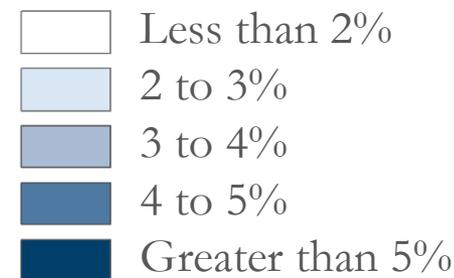
## UNEMPLOYMENT RATES

November 2017, Seasonally Adjusted

Unemployment Rate	U-3	U-5*	U-6*
United States (Dec. '17)	4.1%	5.1%	8.1%
Colorado (Nov. '17)	2.9%	3.3%	6.2%
Denver (Nov. '17)	3.0%		



\*U-5 and U-6 values are 12-month moving averages as of Q3 2017 for Colorado and are for December, 2017 for the United States.



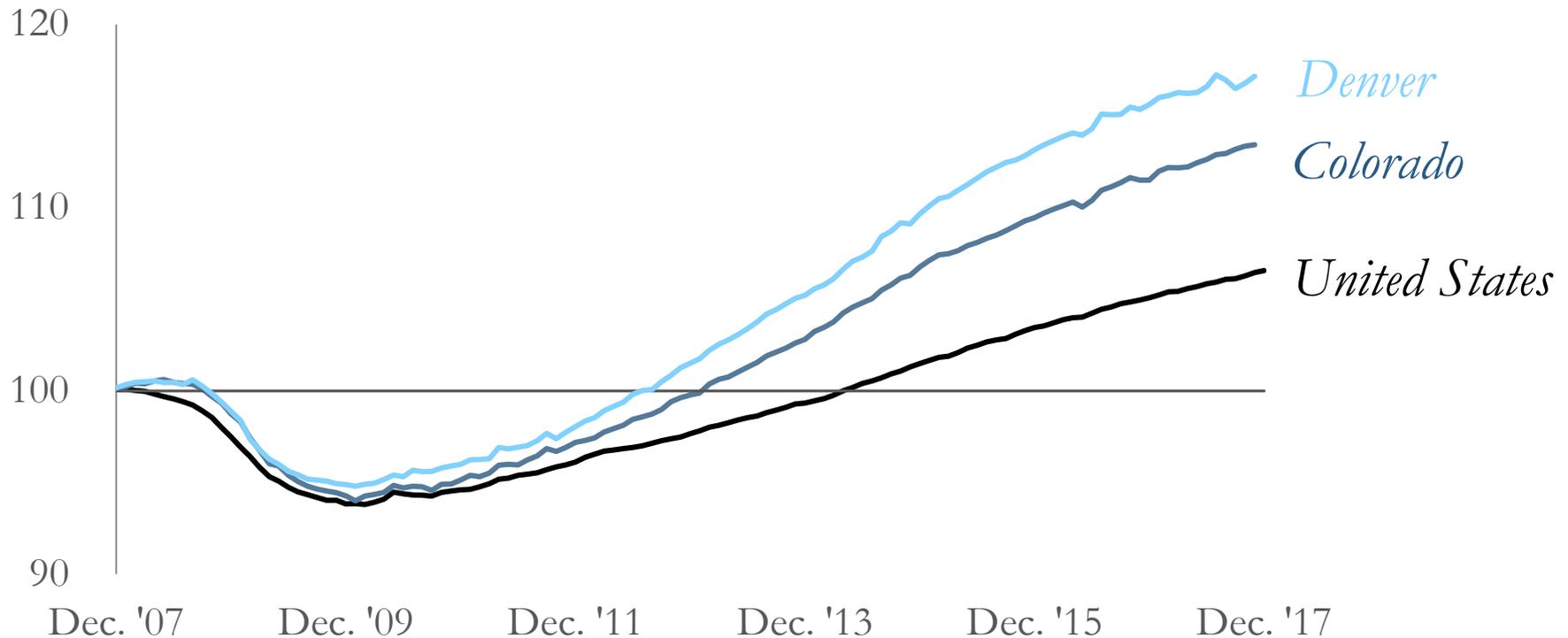
Employment has been increasing in Colorado and the nation for more than seven years, with Colorado gains outpacing the nation.



## PAYROLL EMPLOYMENT GROWTH

*Index 100 = December, 2007, Seasonally Adjusted*

<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S. (Dec. '17)	6.5%	1.4%
Colorado (Nov. '17)	13.4%	1.7%
Denver (Nov. '17)	17.2%	1.6%

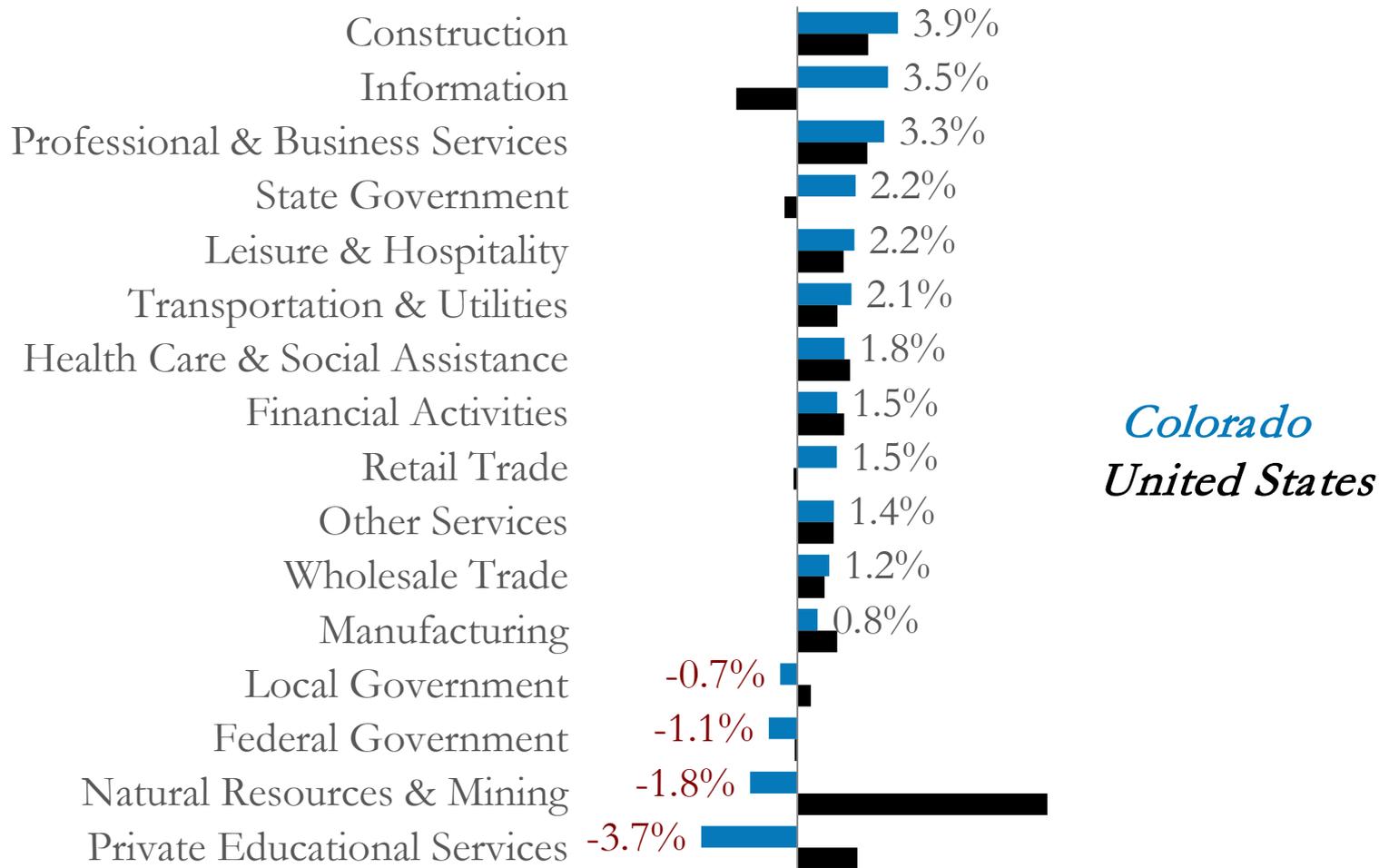


# The majority of industries in Colorado have added jobs over the past year.

## CHANGE IN PAYROLL EMPLOYMENT, NOVEMBER 2017

*Seasonally Adjusted*

*Percent Change Year-over-Year*

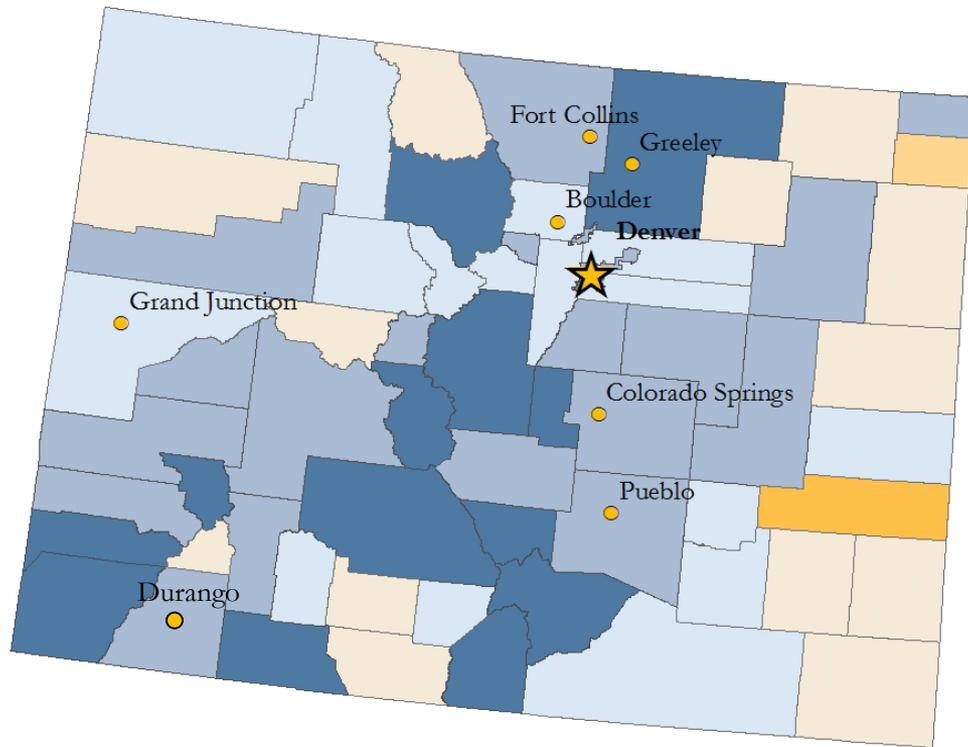


Colorado continues to experience net in-migration, but the pace of growth has slowed over the past year.

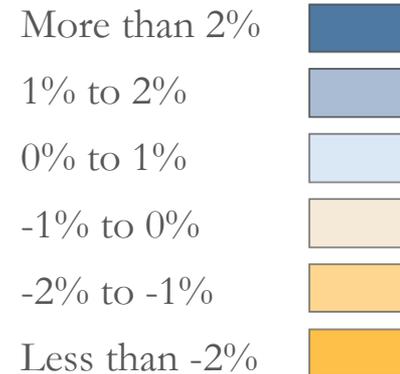


## NET MIGRATION

*Total 2016 Net Migration as a Percentage of 2016 Population*



<i>Annual Percent Change</i>	<i>2017*</i>
United States	0.3%
Colorado	0.8%
Denver County (2016)	1.1%



\*Note: 2017 numbers have currently only been released by state.

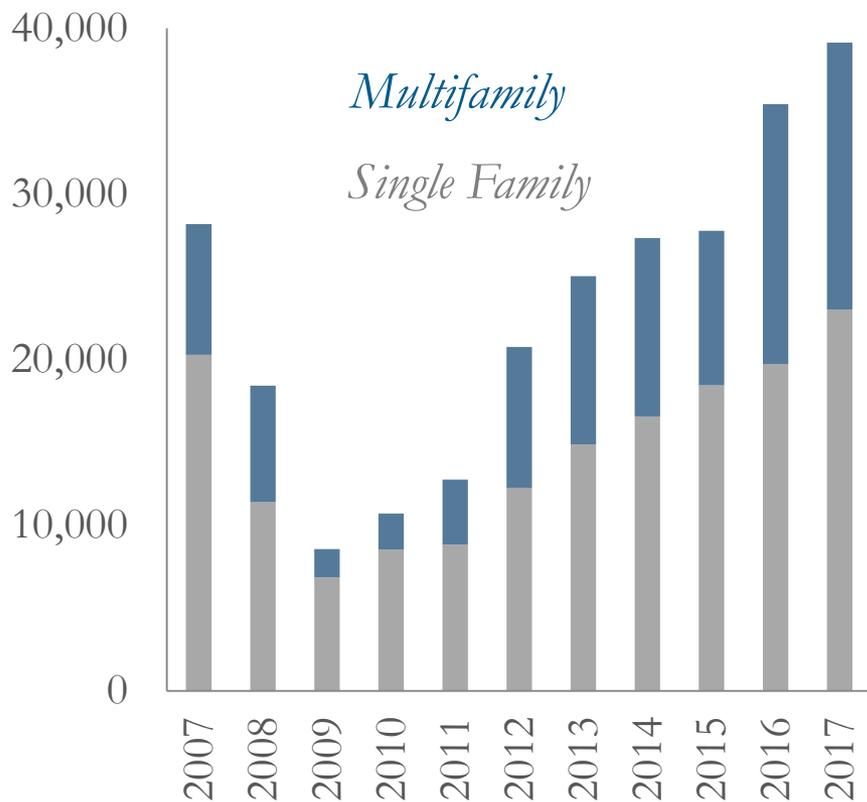
Residential construction activity has been increasing for more than six years, led by strong gains in multifamily building.



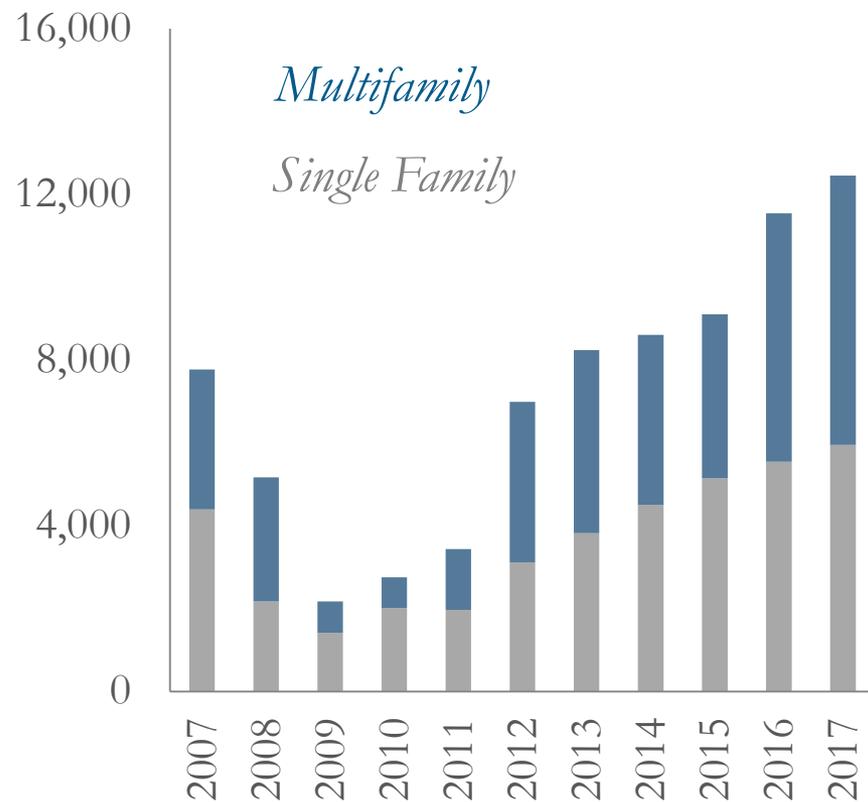
## RESIDENTIAL PERMITS

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

### Colorado



### Denver

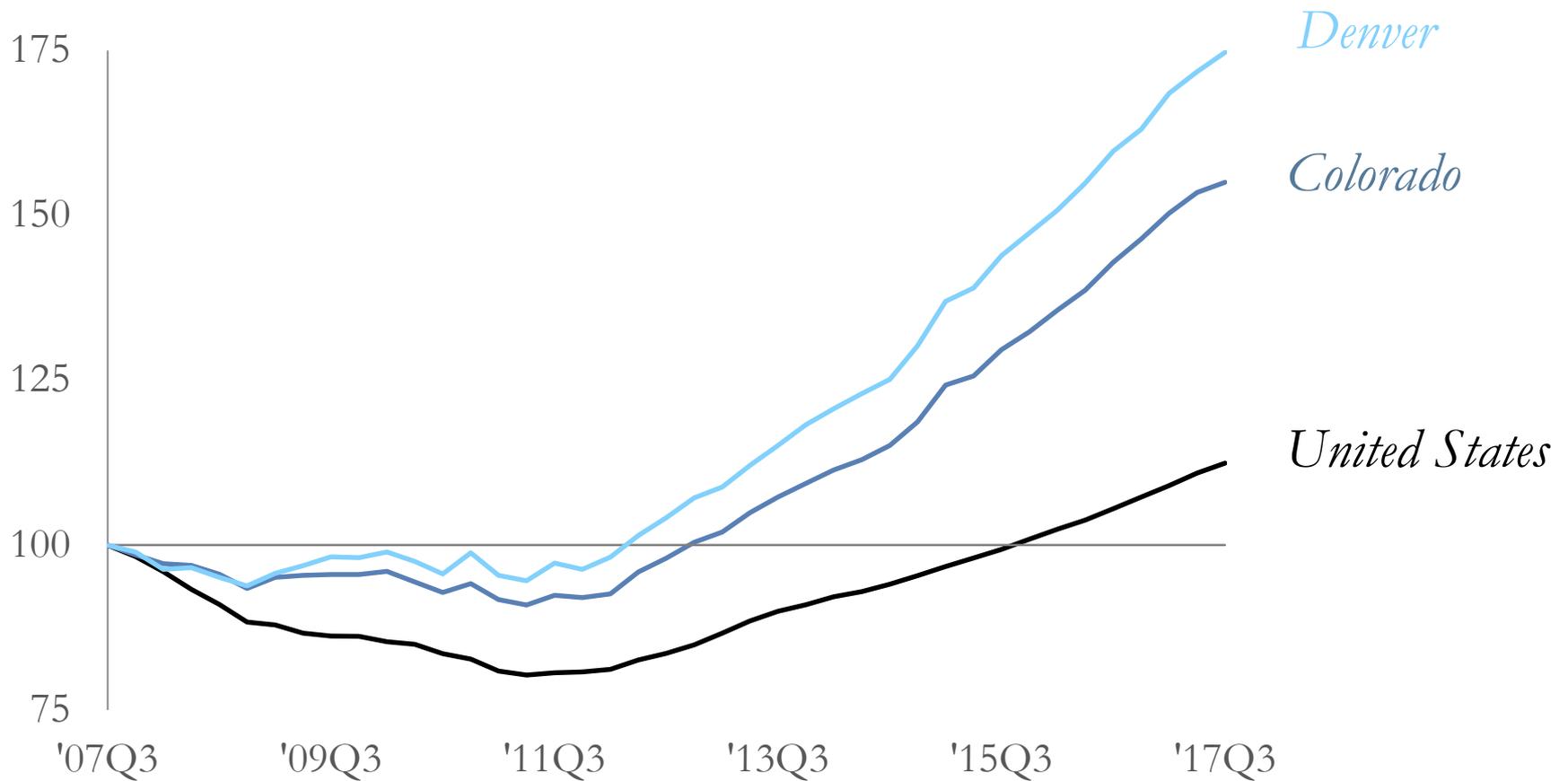


Low inventories have led to strong home price appreciation in recent years in Colorado.



## HOME PRICES

*Seasonally Adjusted, Index 100 = Q3:2007*

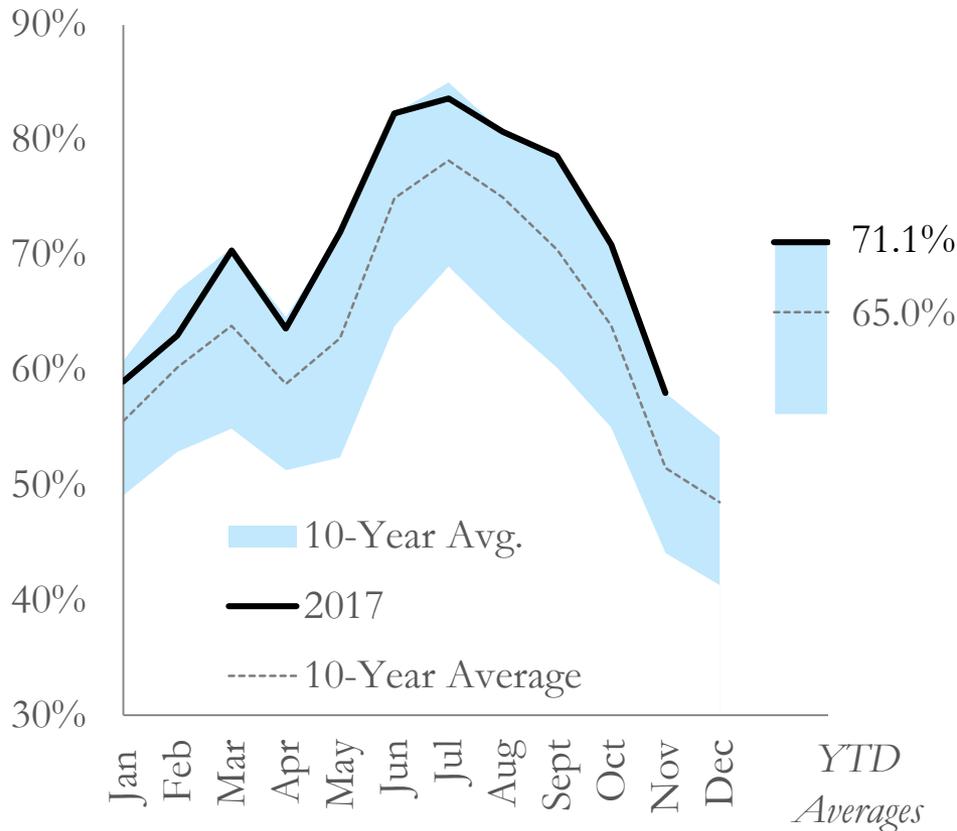


Tourism activity has been strong in Colorado over the past few years.



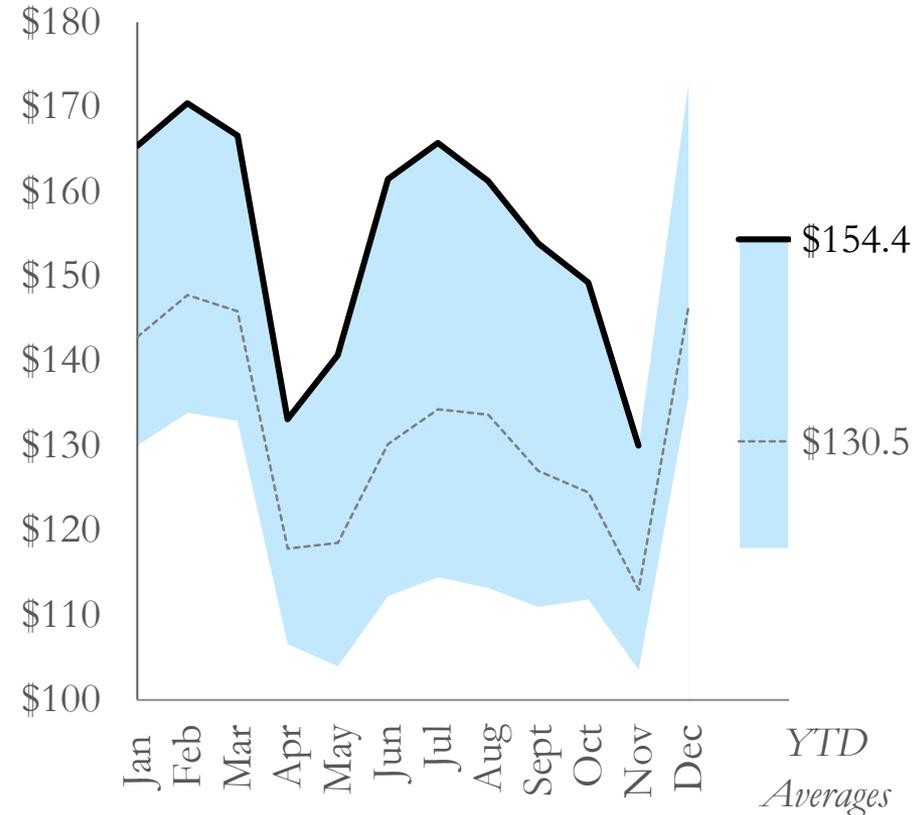
## HOTEL OCCUPANCY RATES

*Colorado*



## HOTEL ROOM RATES

*Colorado, 1999 Dollars*

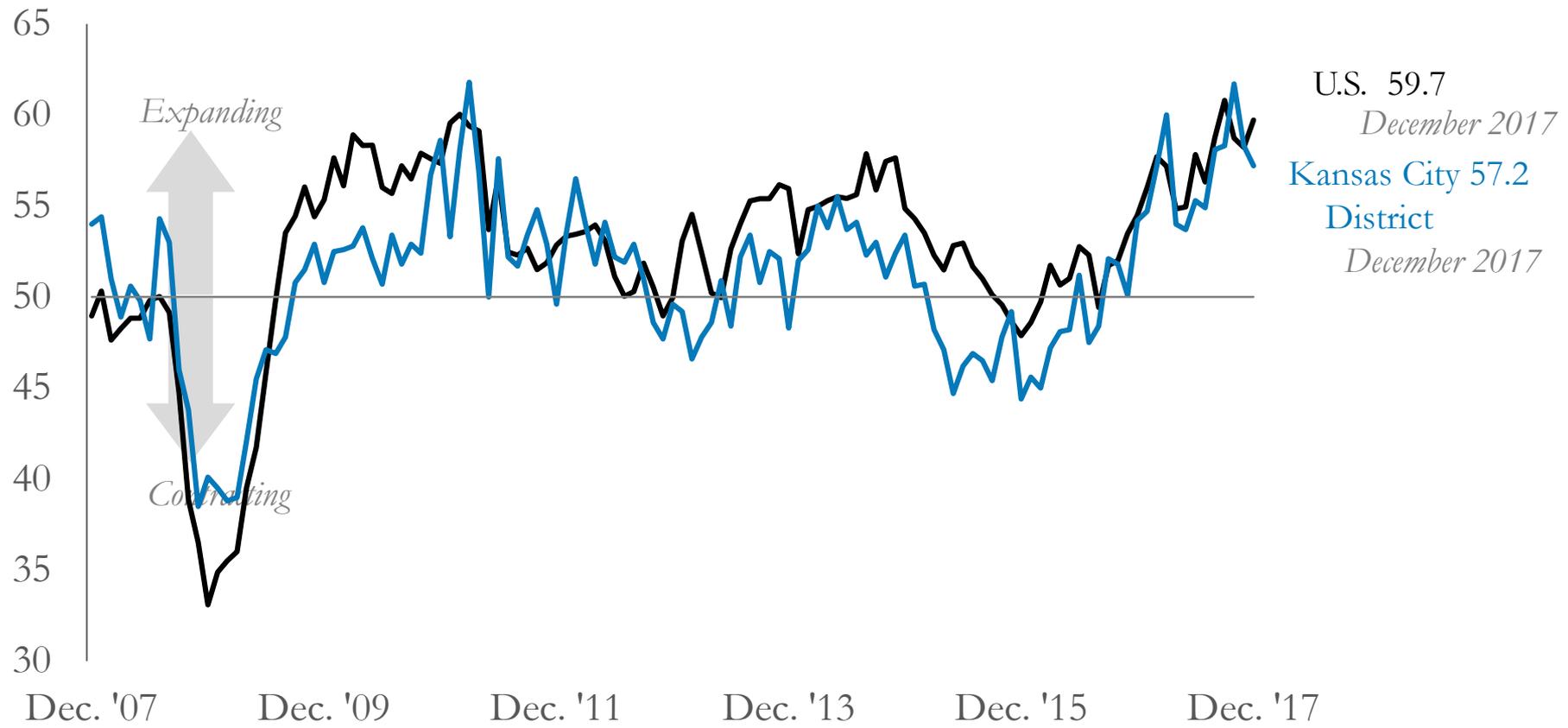


Manufacturing activity has expanded in 2017 after declines the previous two years.



## MANUFACTURING ACTIVITY

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

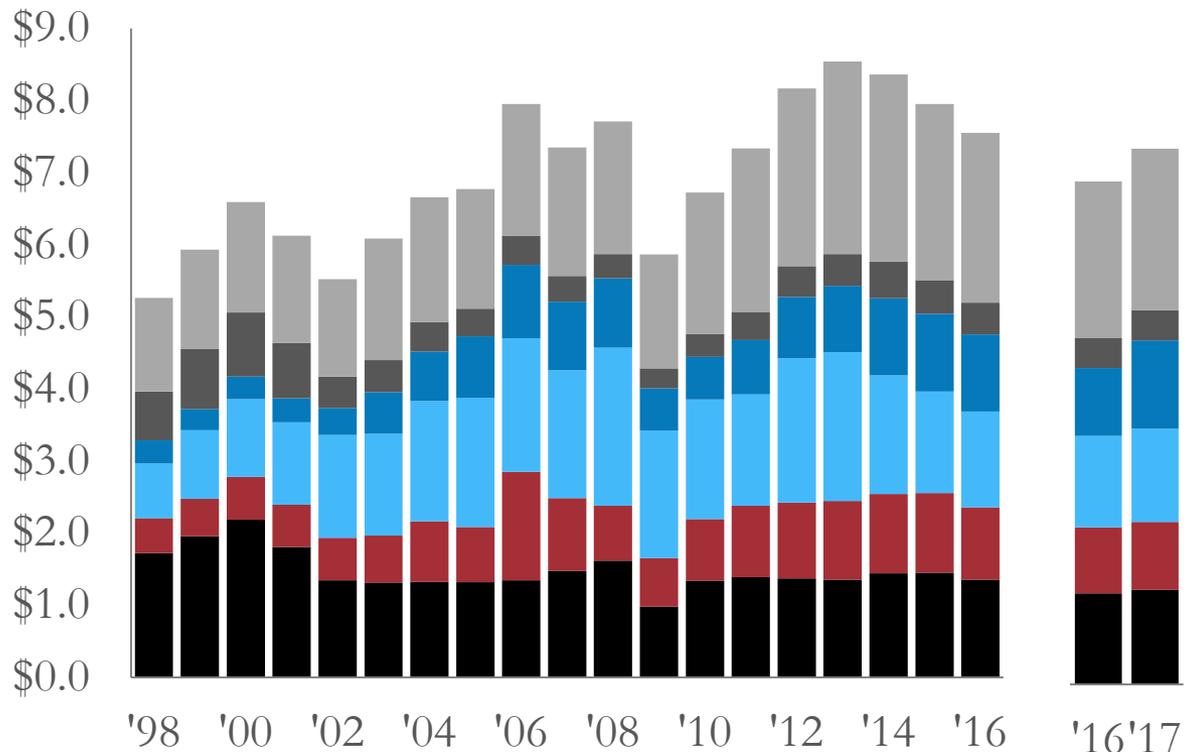


Colorado exporting activity has also rebounded modestly this year.



## COLORADO EXPORTS BY TRADING PARTNER

*Billions*



### NOVEMBER 2017 YEAR-TO-DATE

*Year-over-Year Percent Change*

	Year-over-Year Percent Change	SHARE*
Total Trade	6.5%	31.1%
All Other	2.9	5.9
Japan	1.0	14.1
Mexico	30.0	17.9
Canada	2.1	13.2
China	2.9	17.8
Eurozone	3.9	

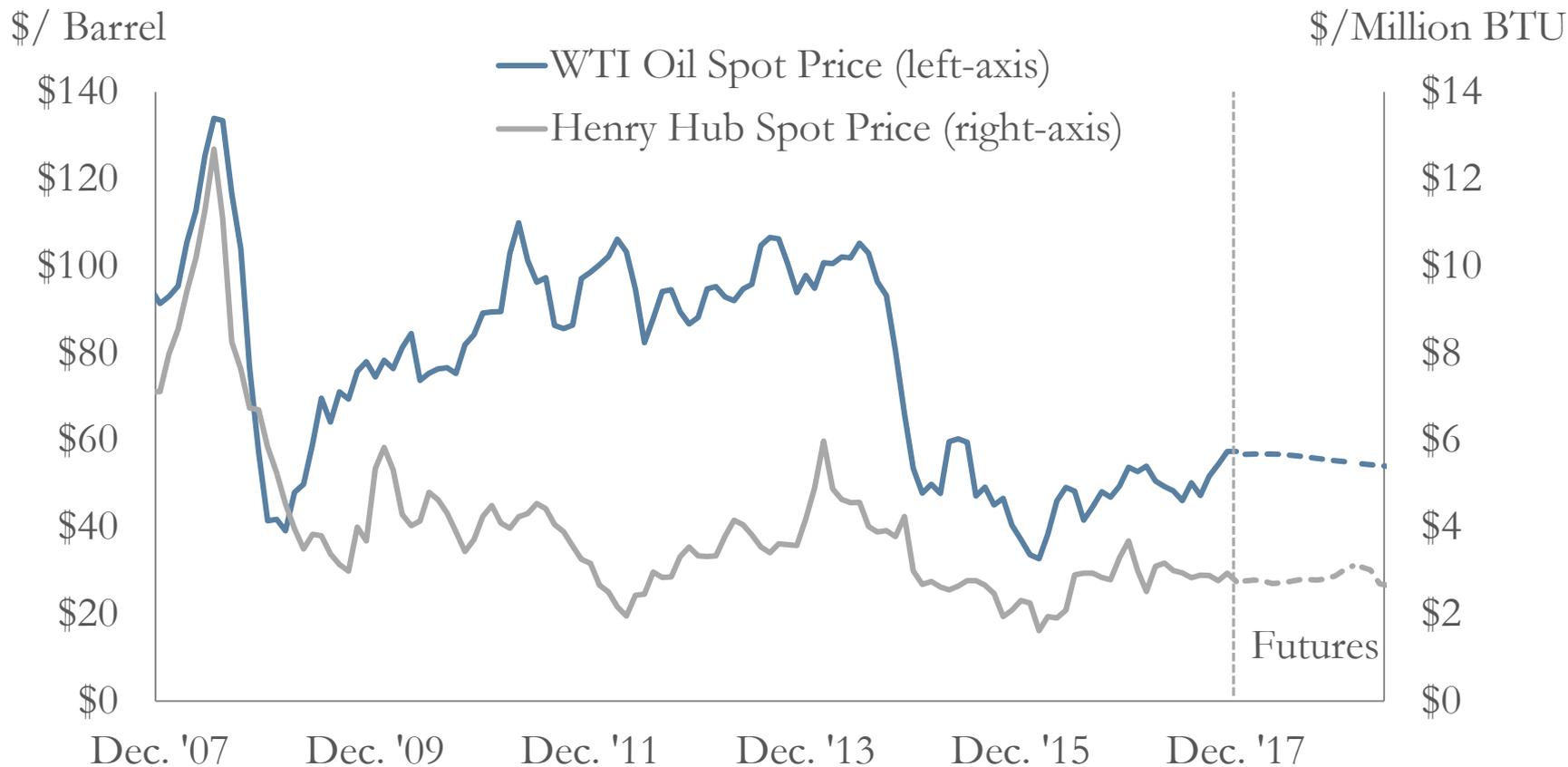
*\*Shares are for 2016*

'16'17  
YTD  
*November*

Oil prices have increased over the past month and are currently above average breakeven prices in the region.



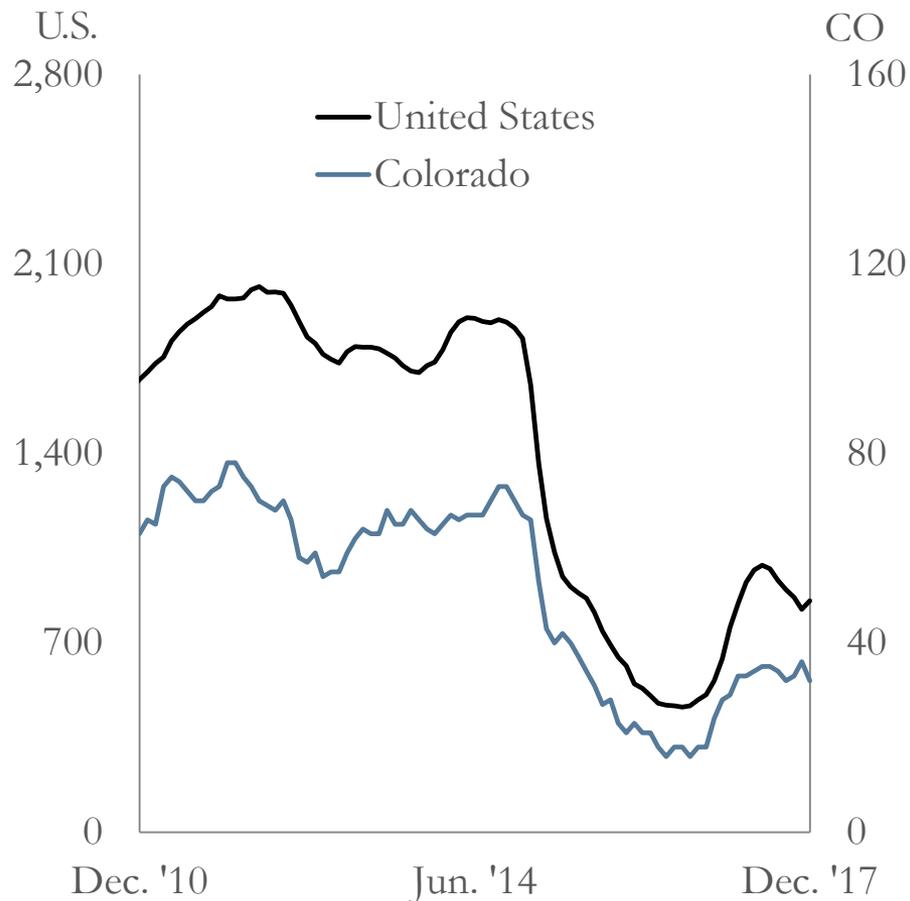
## ENERGY PRICES



Energy activity has picked up in response to higher oil prices.

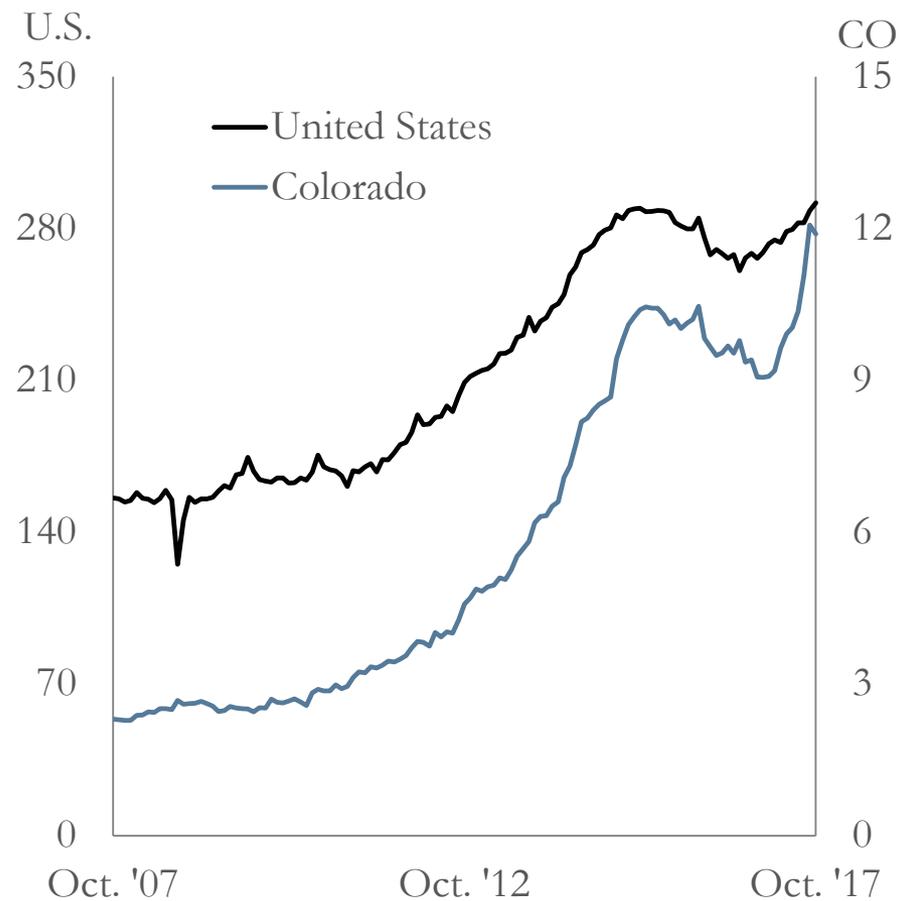


### TOTAL RIG COUNT



### CRUDE OIL PRODUCTION

*Millions of Barrels, Monthly,  
Seasonally Adjusted*

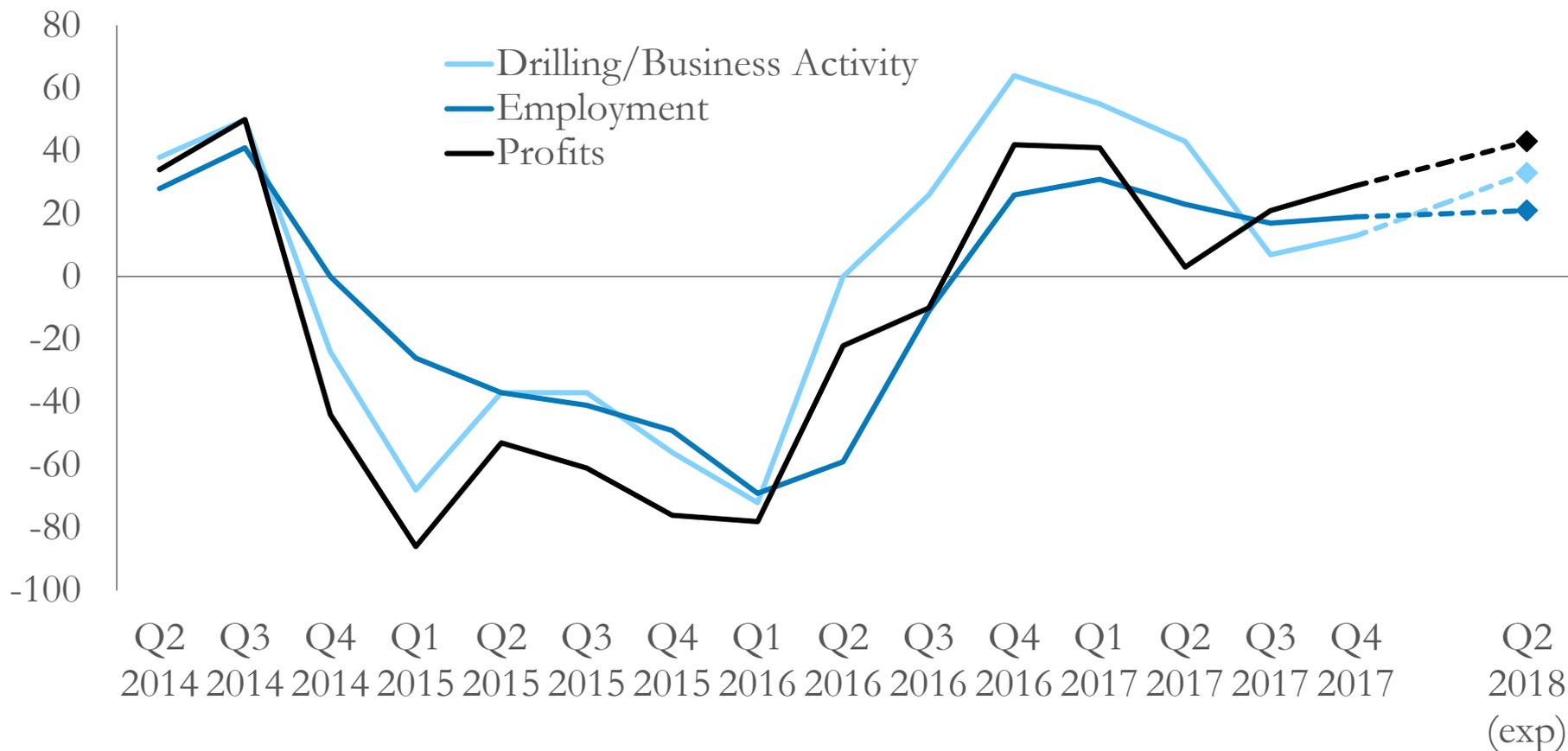


Energy contacts in the Tenth District expect the sector to continue to expand over the next six months.



## FRBKC ENERGY SURVEY

*Quarterly Diffusion Indexes*

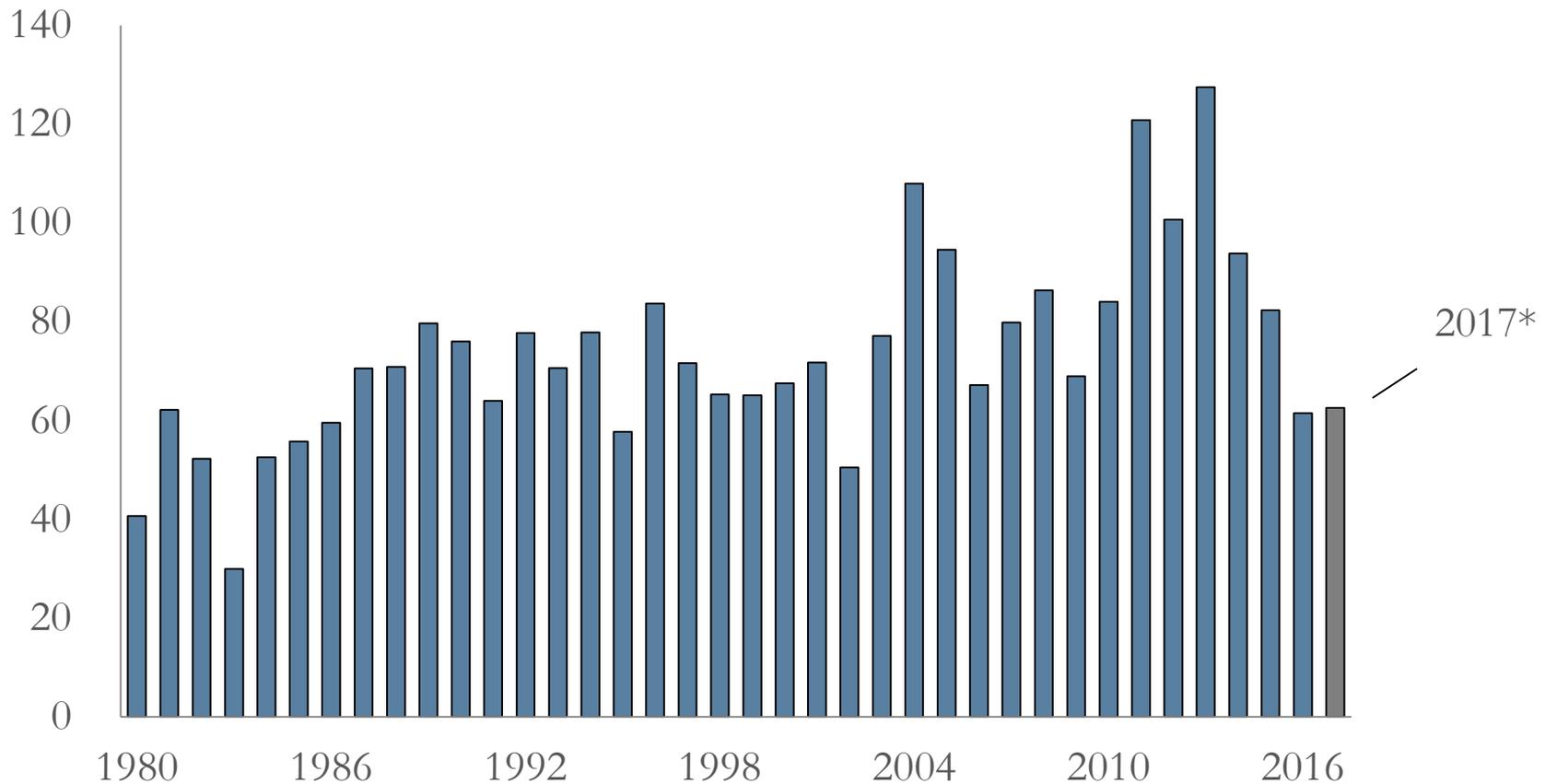


# Farm income is expected to remain weak in 2017.



## U.S. REAL NET FARM INCOME

*Billions, 2016 Dollars*



*\*Forecast for 2017*

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

