



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.*

The Structure of the Federal Reserve System



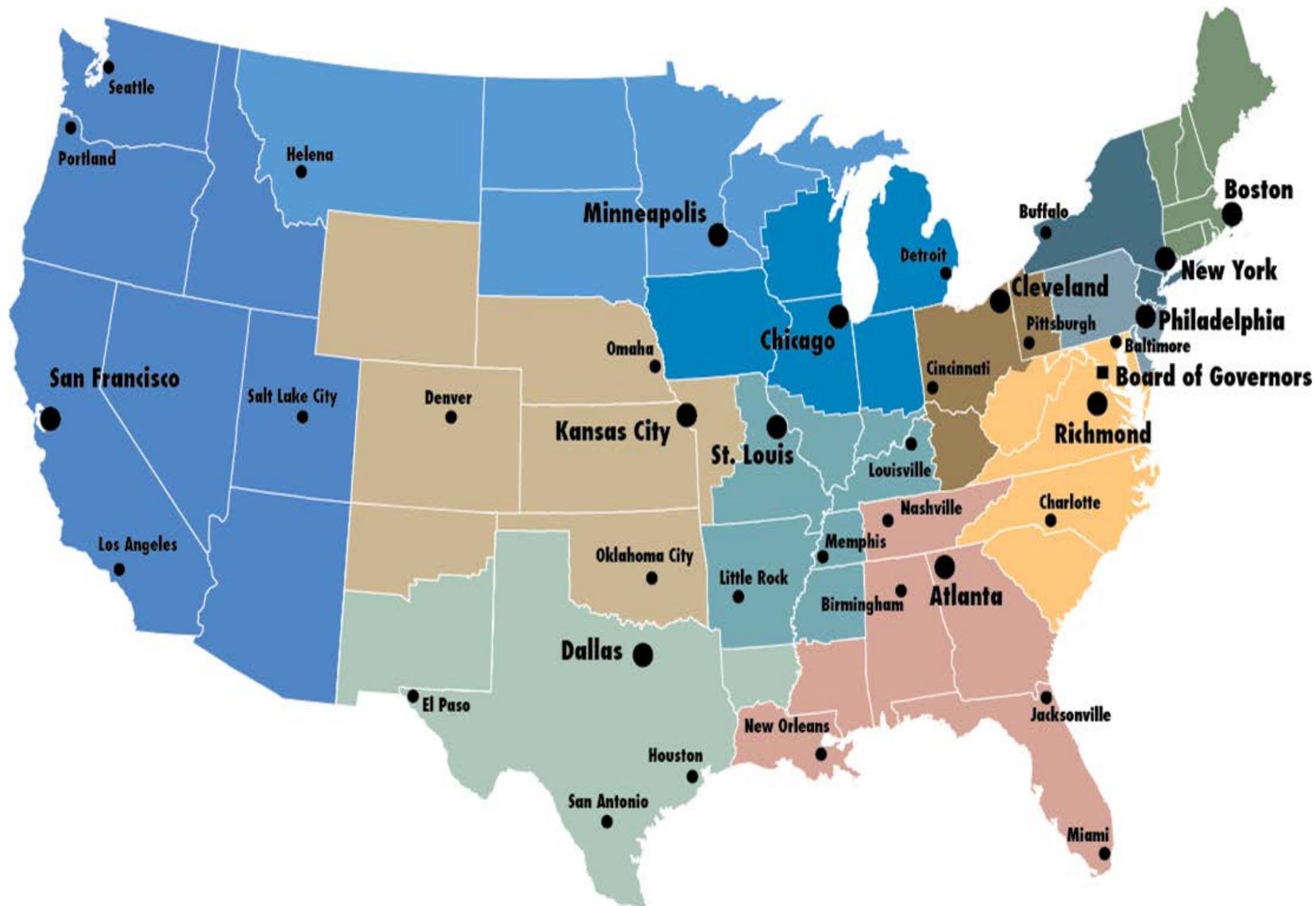
- The Federal Reserve System was created by Congress in 1913.
- It is a public-private, decentralized institution consisting of the Board of Governors in Washington, D.C. and 12 regional Reserve Banks.
 - Board of Governors
 - Consists of seven members who are appointed by the President and confirmed by the Senate to serve 14-year terms.
 - There are currently five members of the Board of Governors: Jerome Powell, Michelle Bowman, Richard Clarida, Lael Brainard and Randal Quarles.
 - Regional Federal Reserve Banks
 - There are 12 Regional Reserve Banks, each serving a unique district. These are semi-independent by design.
 - The Reserve Banks are governed by their Board of Directors, and the Directors (excluding Banking Directors) select the President of the Bank.
 - 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.

The Primary Functions of the Federal Reserve System



- Conduct the Nation's Monetary Policy
 - The Federal Open Market Committee is the group charged with conducting monetary policy within the U.S.
 - The Committee has a statutory mandate from Congress to promote maximum employment, stable prices and moderate long-term interest rates.
- Provide and Maintain an Effective and Efficient Payments System
 - The Federal Reserve supplies payments services to the public through depository institutions including banks, credit unions and savings and loans.
 - We also serve as a banking and fiscal agent for the United States government.
 - Payment services includes cash processing, processing and clearing checks, transferring funds and issuing, transferring and redeeming U.S. government securities.
- Supervise and Regulate Banking Operations
 - The Federal Reserve ensures the safety and soundness of banks and ensures that banks provide fair and equitable services to consumers.
 - The Federal Reserve also monitors and promotes the stability of the financial system as a whole.

Regional Federal Reserve Banks and Branch Locations

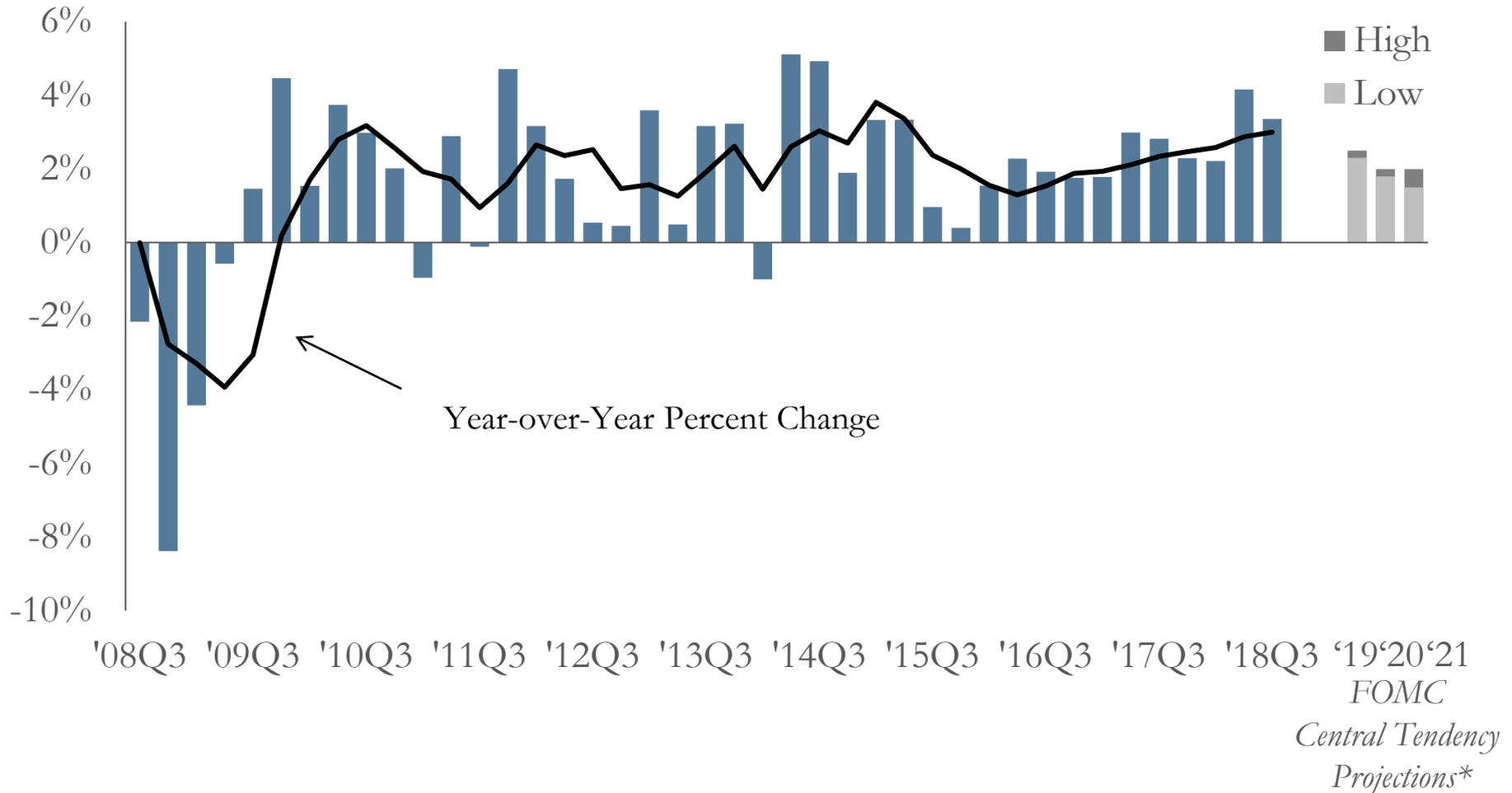


U.S. economic growth accelerated in 2018.



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

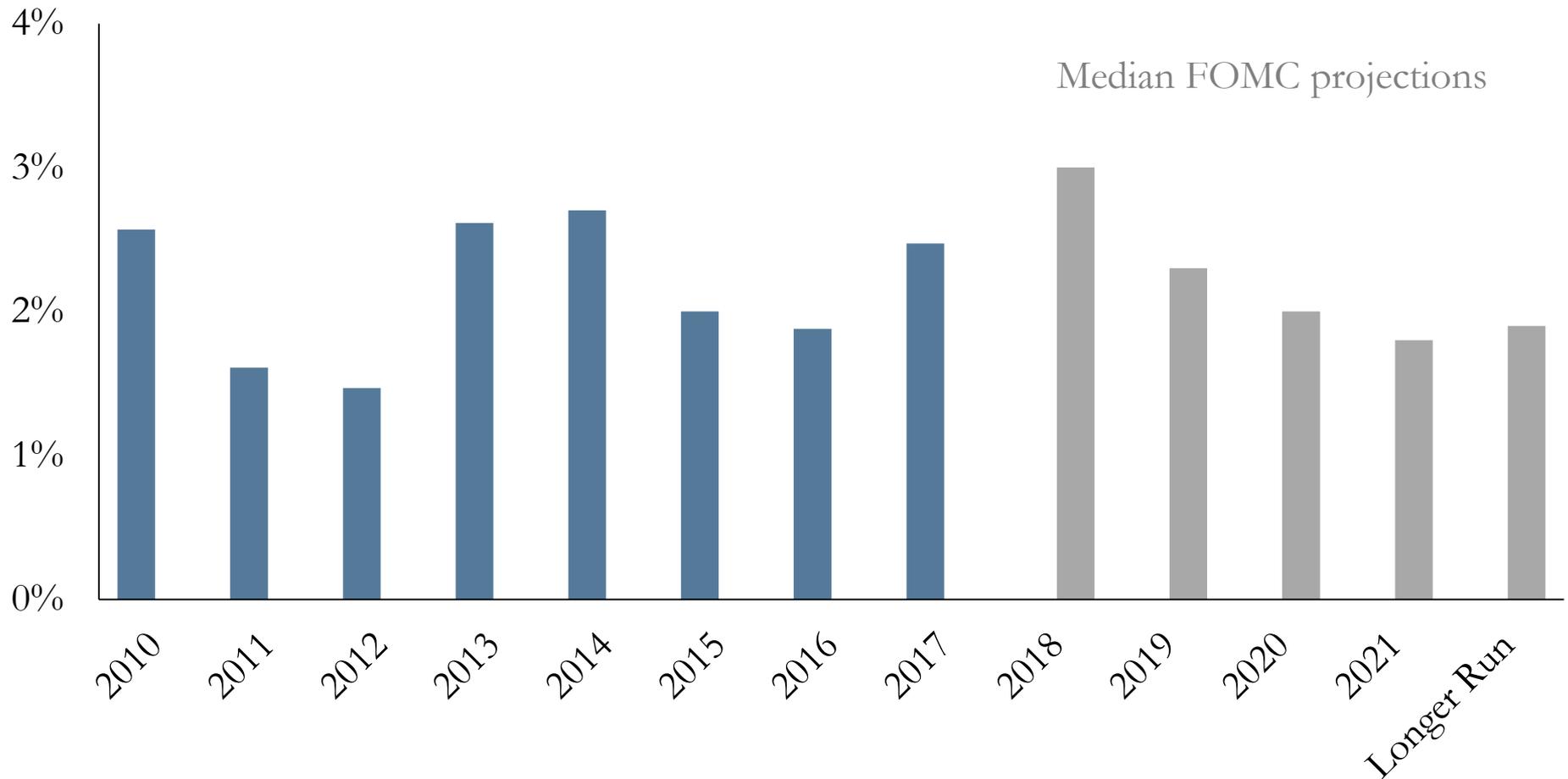
*Projections as of December FOMC meeting

U.S. economic growth is expected to slow after robust growth in 2018.



REAL U.S. GROSS DOMESTIC PRODUCT

Percent Change Q4-over-Q4, Seasonally Adjusted Annualized Rates



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

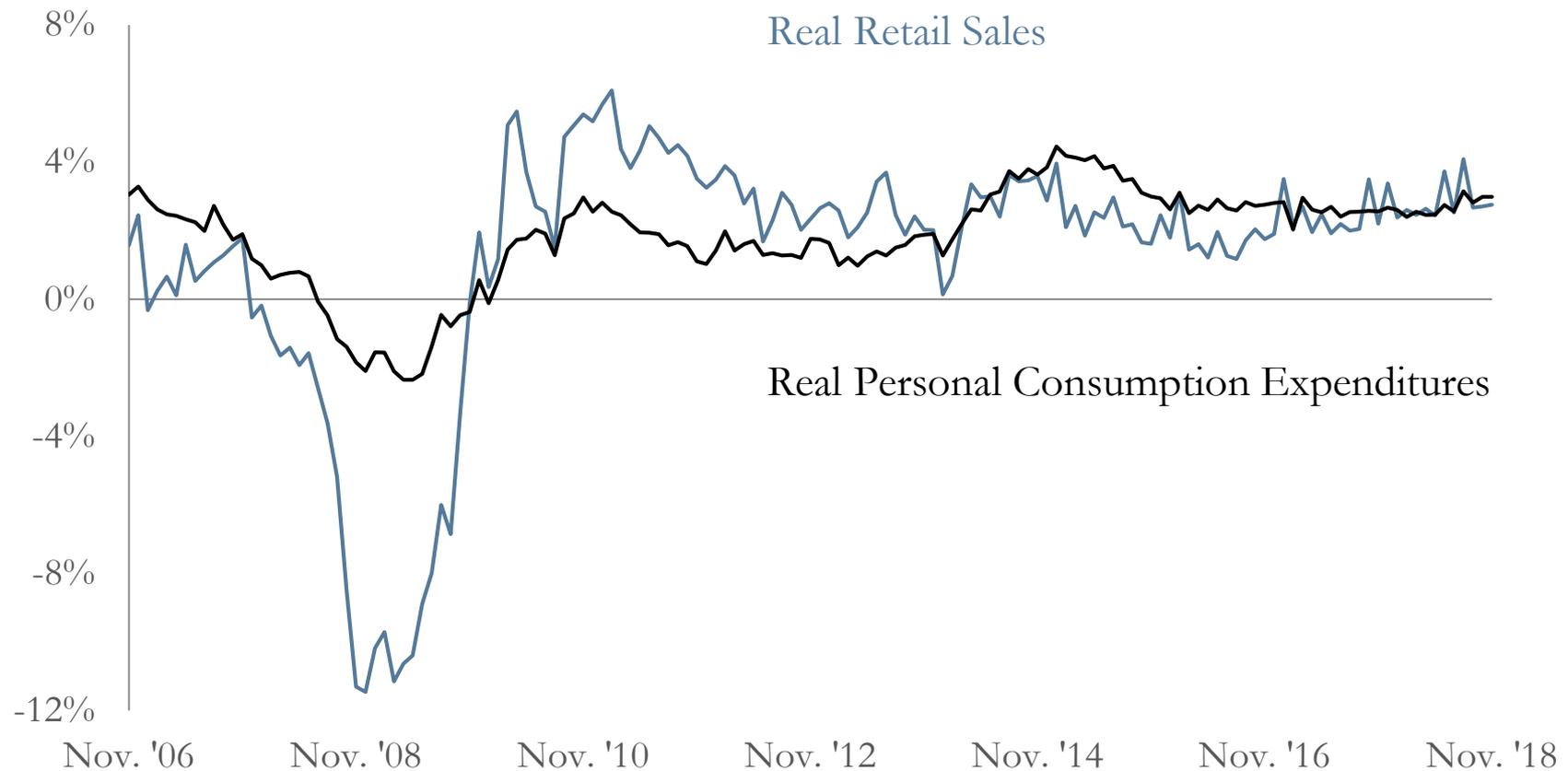
*Projections as of December FOMC meeting

Consumer spending continues to expand at a solid pace.



REAL CONSUMPTION SPENDING

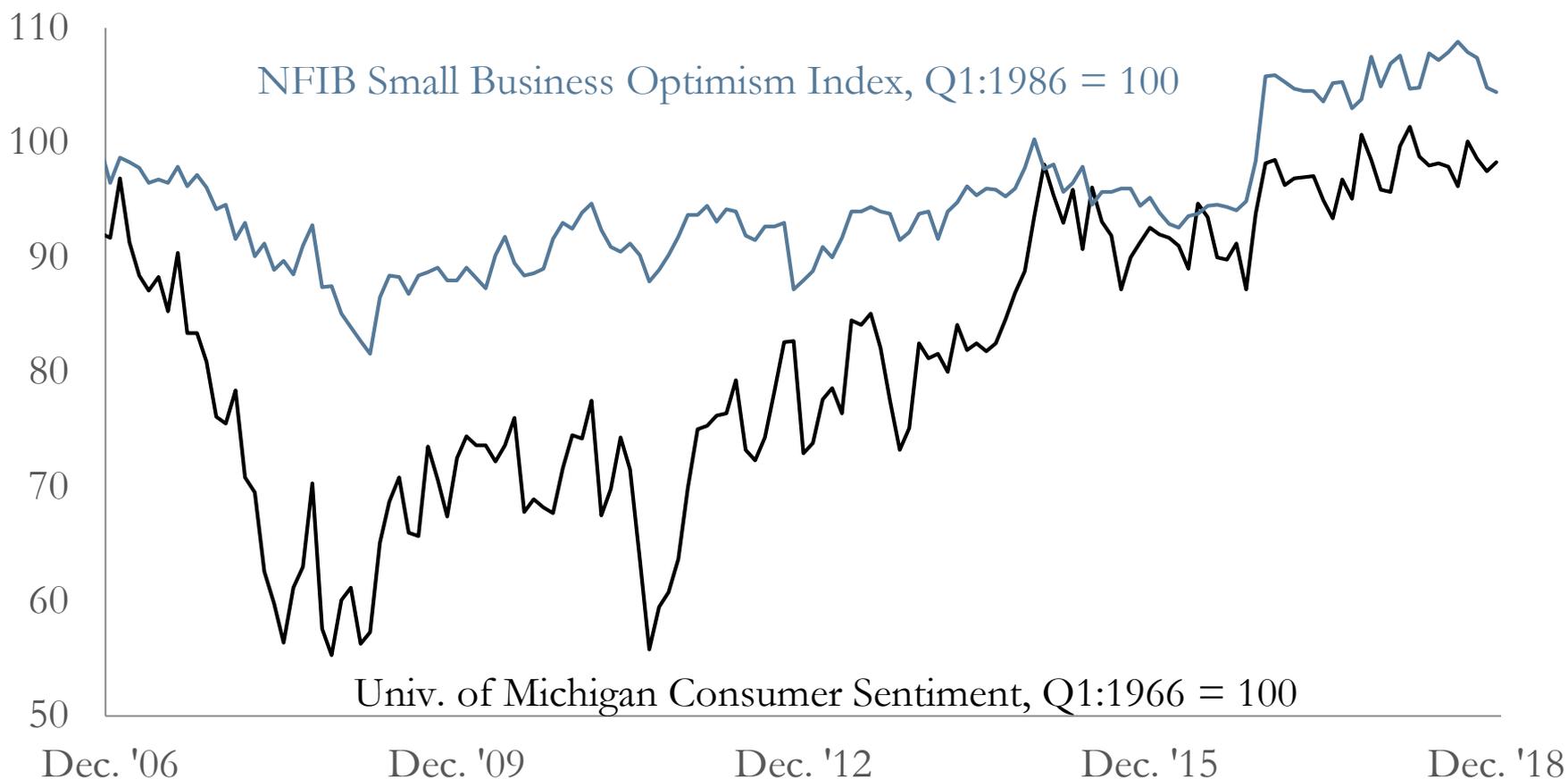
Seasonally Adjusted, Year-over-Year Percent Change



Business and consumer confidence have increased in recent months.



BUSINESS AND CONSUMER SENTIMENT

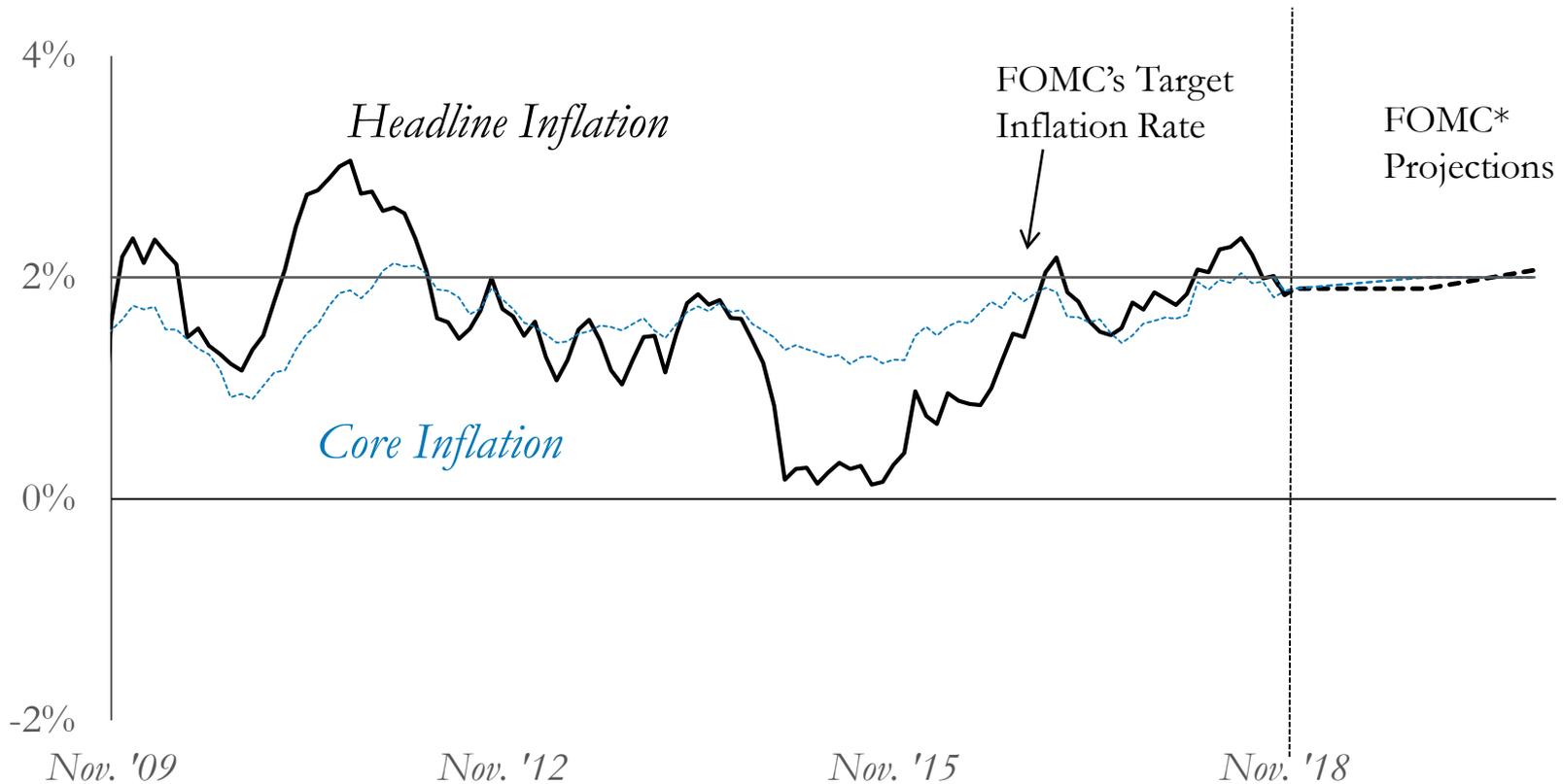


Inflation is at the FOMC's two percent target.



PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX

Percent Change Year-over-Year



Source: Bureau of Economic Analysis, Federal Open Market Committee, & Haver Analytics

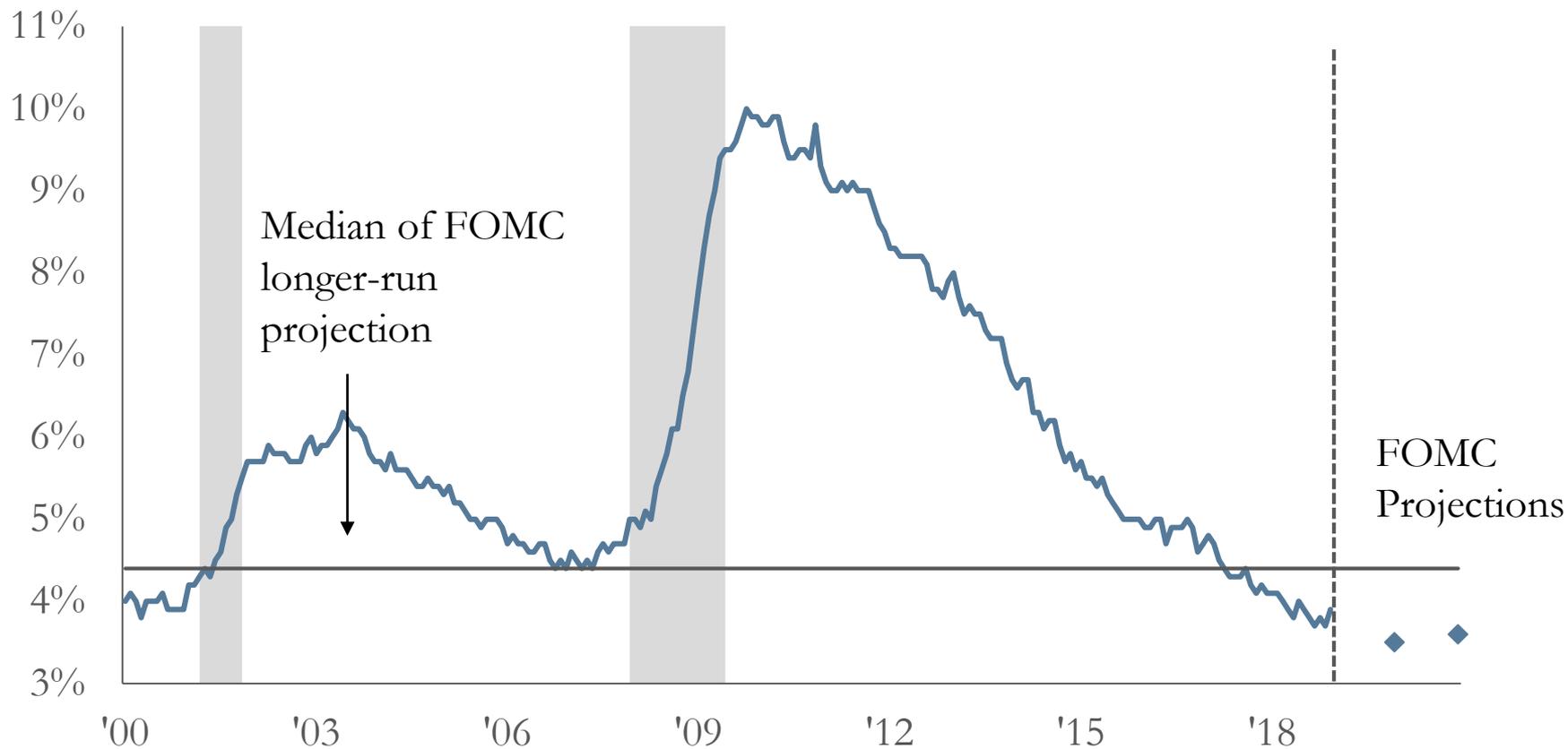
*Projections as of December FOMC meeting; median projections

The unemployment rate has declined steadily over the past nine years and has fallen below most estimates of its longer-run level.



U. S. UNEMPLOYMENT RATE

Seasonally Adjusted

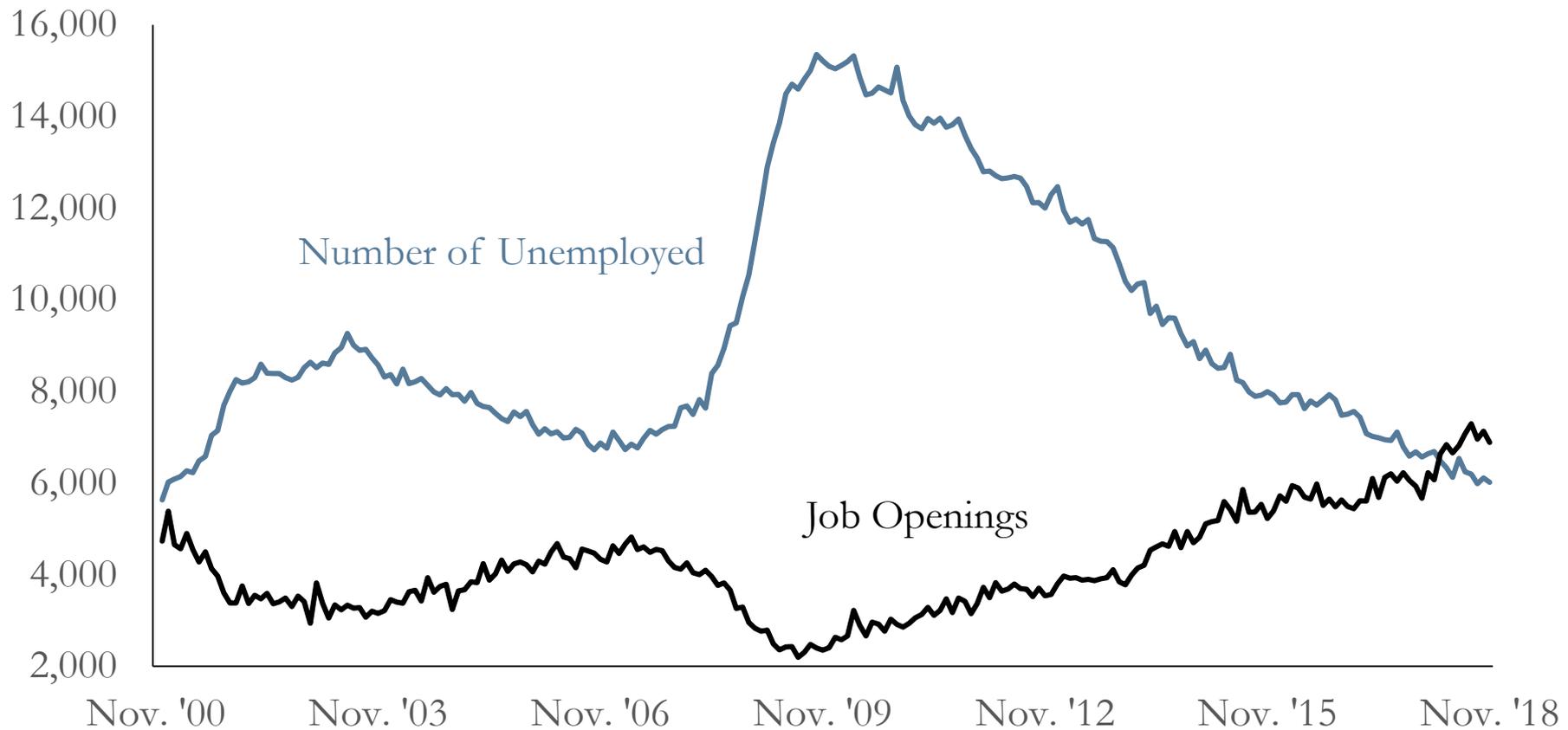


The unemployment rate has declined steadily over the past eight years and has fallen below most estimates of its longer-run level.



U. S. UNEMPLOYMENT AND JOB OPENINGS

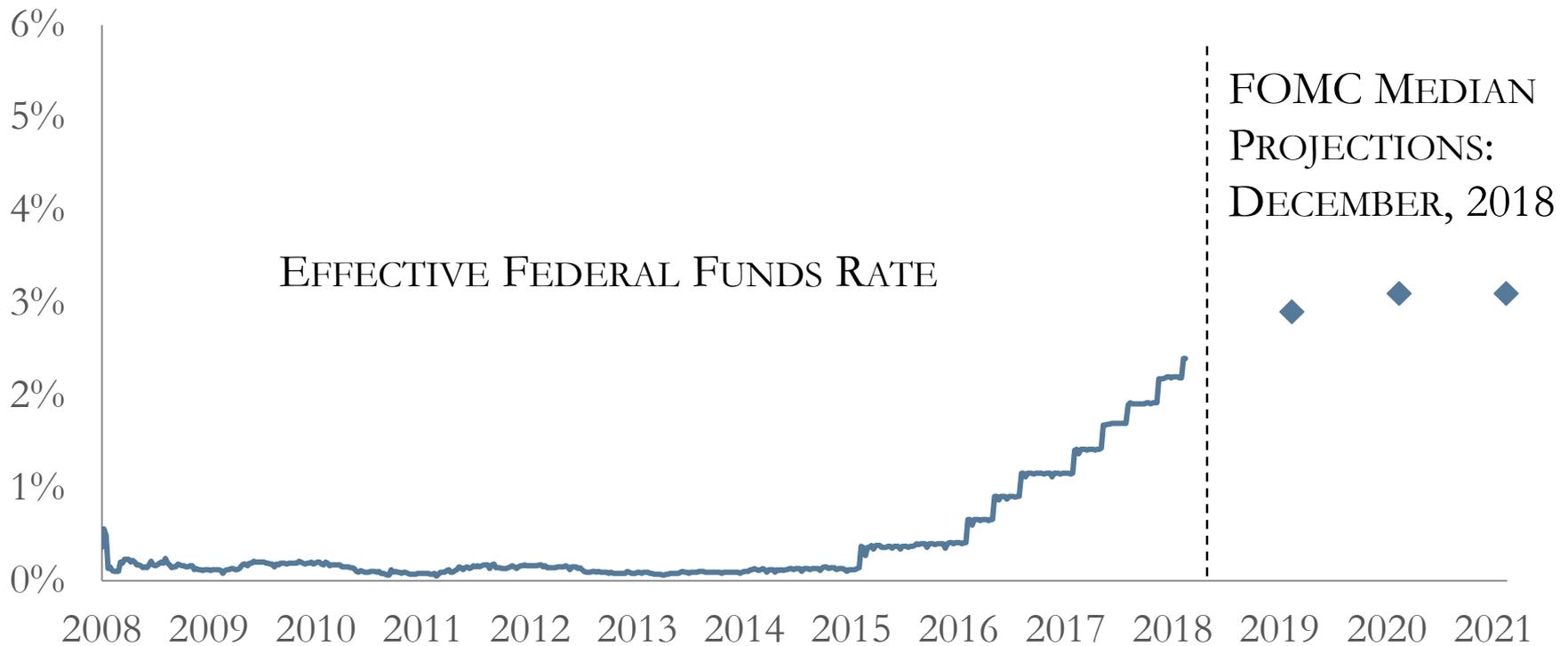
Seasonally Adjusted, Thousands





“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 2-1/4 to 2-1/2 percent.”

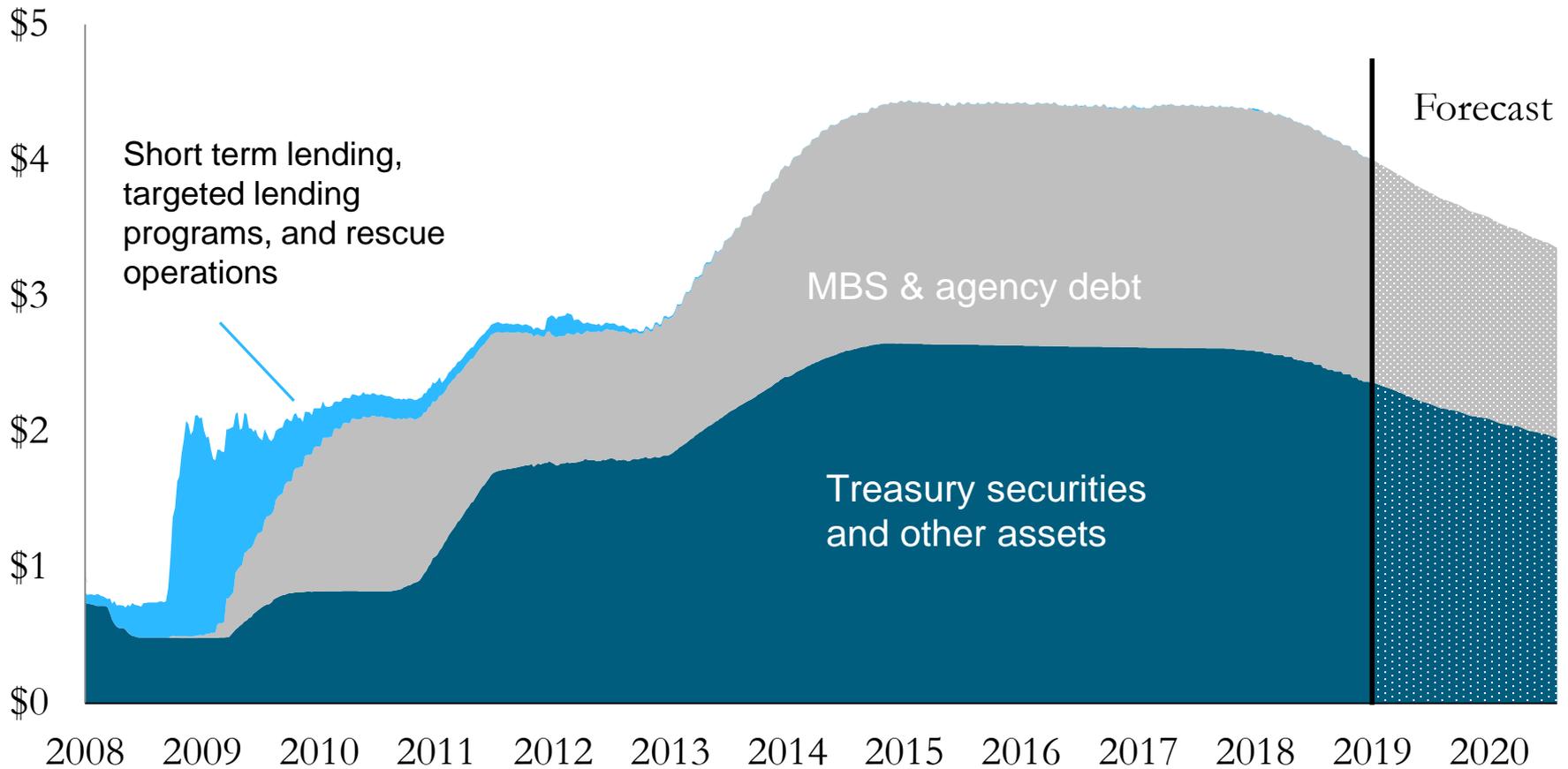
- *December 2018 FOMC Statement*





FEDERAL RESERVE BALANCE SHEET

Trillions

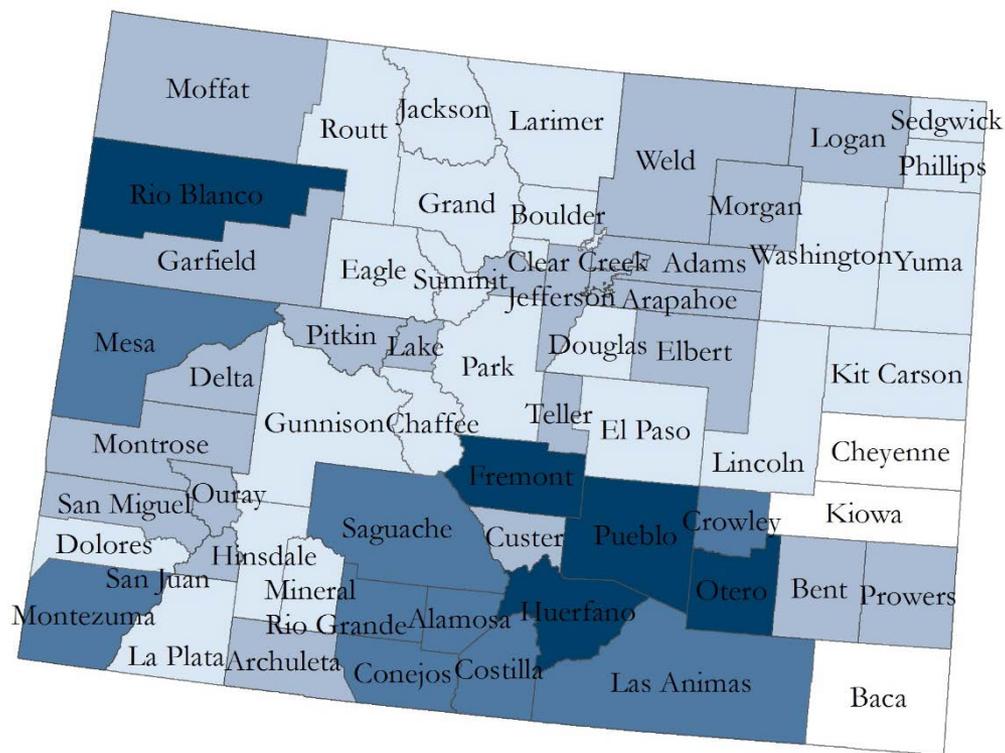


Unemployment rates are below national rates across most of Colorado.

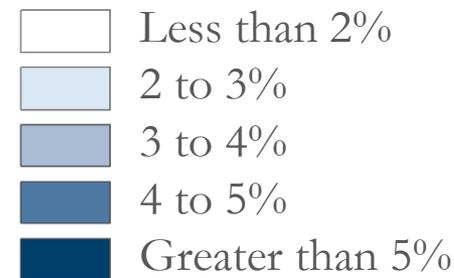


UNEMPLOYMENT RATES

October 2018, Seasonally Adjusted



Unemployment Rate	
United States (Dec. '18)	3.9%
Colorado (Nov. '18)	3.3%
Denver (Nov. '18)	3.4%



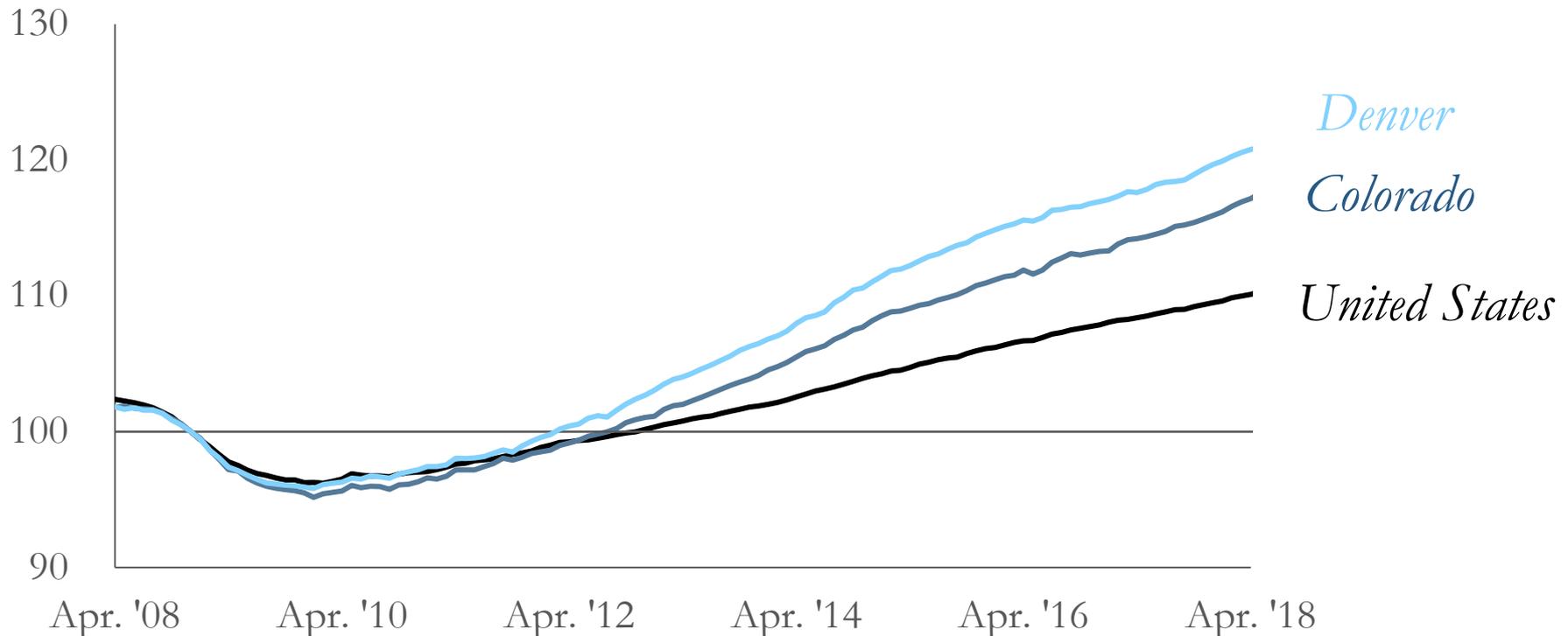
Employment has been increasing in Colorado and the nation over the past eight years, with Colorado gains outpacing the nation.



PAYROLL EMPLOYMENT GROWTH

Index 100 = December, 2008, Seasonally Adjusted

<i>Percent Change (April '18)</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S. (Dec. '18)	11.4%	1.8%
Colorado (Nov. '18)	17.9%	2.6%
Denver (Nov. '18)	21.3%	2.2%

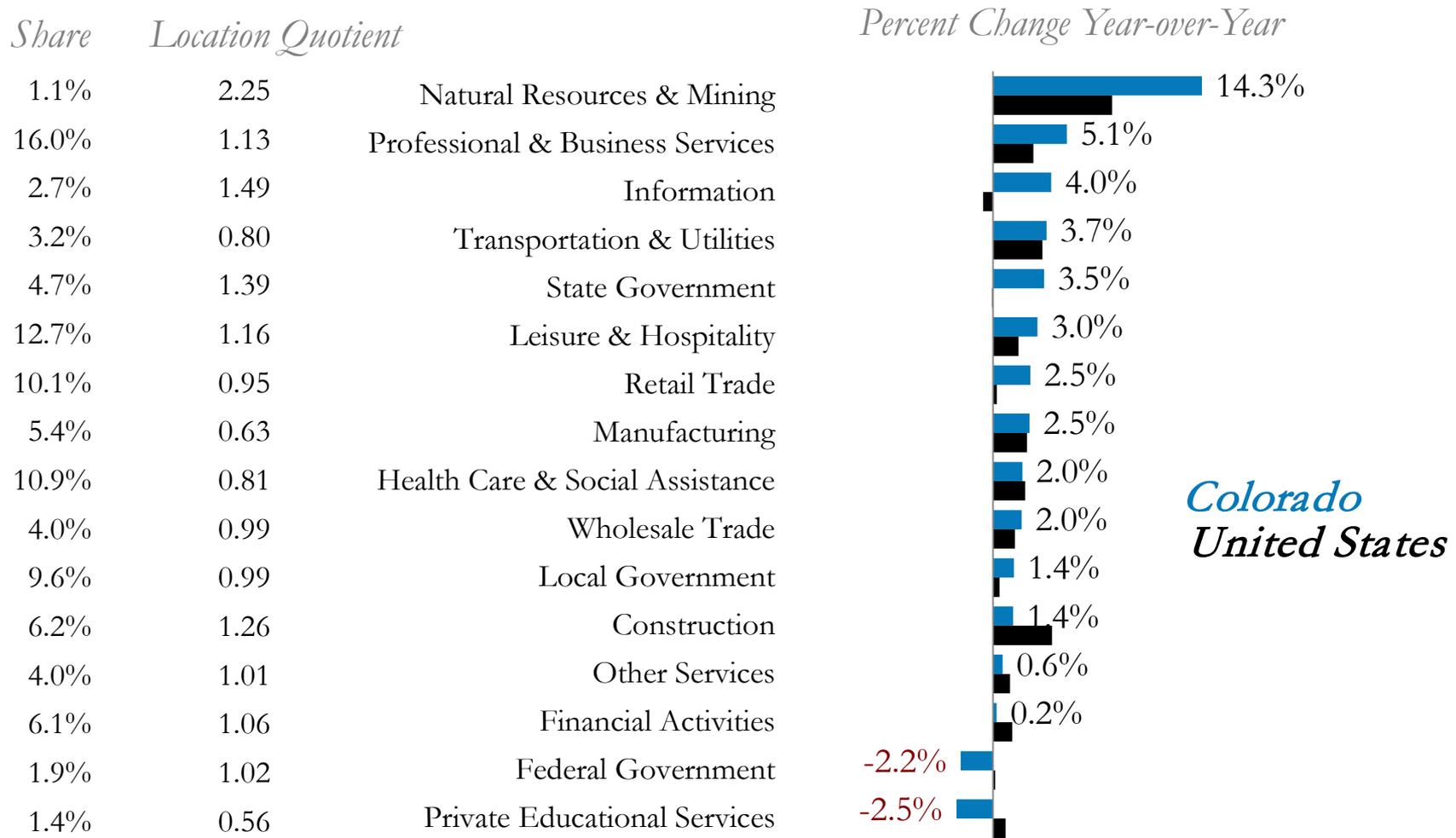


The majority of industries have added jobs over the past year.



CHANGE IN PAYROLL EMPLOYMENT, NOVEMBER 2018

Seasonally Adjusted



Note: Construction and Mining are lumped together for Denver employment growth under the "Construction" sector in the chart above.

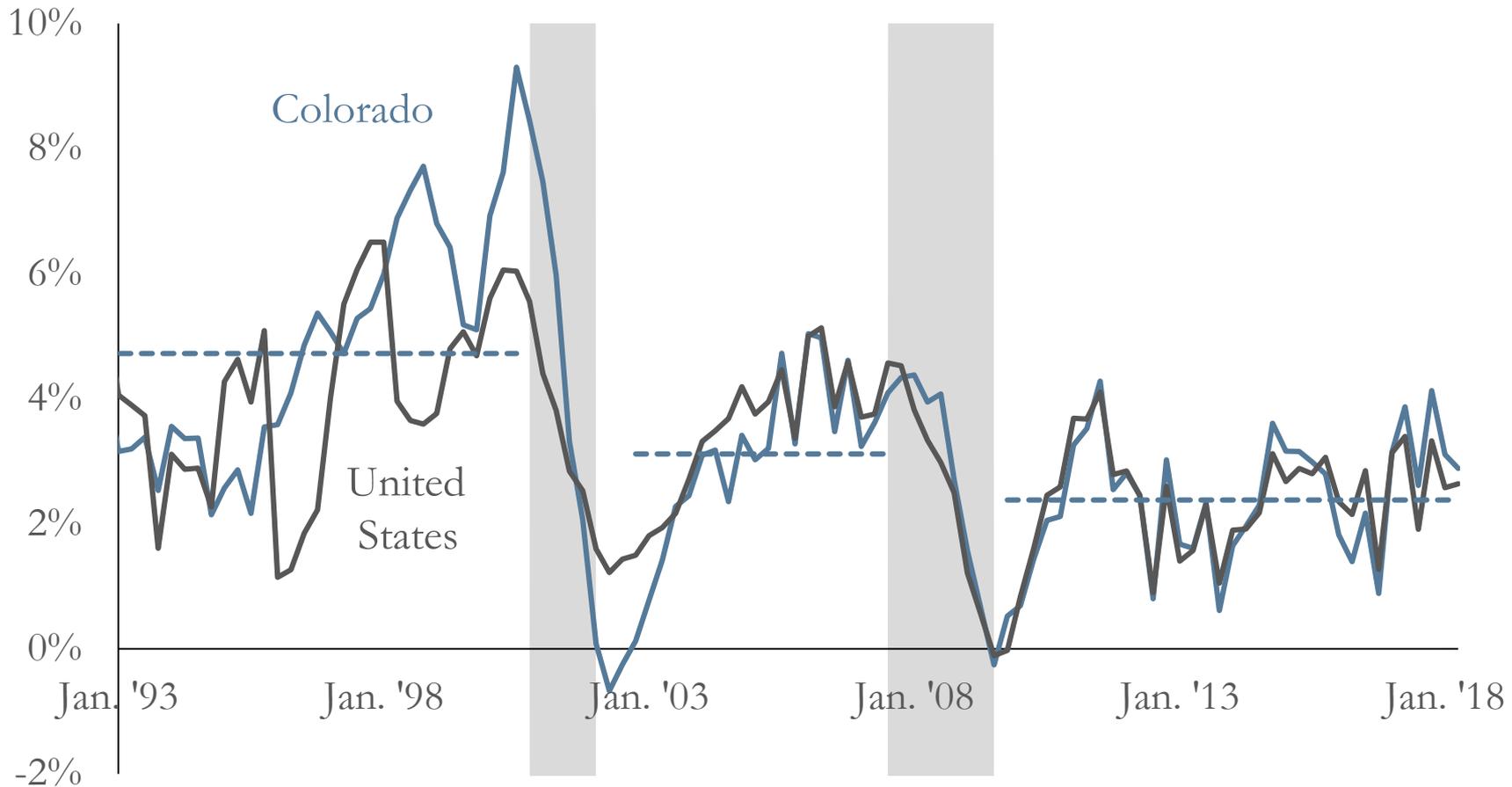
Source: Bureau of Labor Statistics

Wage growth in Colorado is similar to that of the U.S. as a whole and has been slower than in past expansionary periods.



WAGE PER EMPLOYEE

Year-over-Year Percent Change, Four-Quarter-Moving-Average



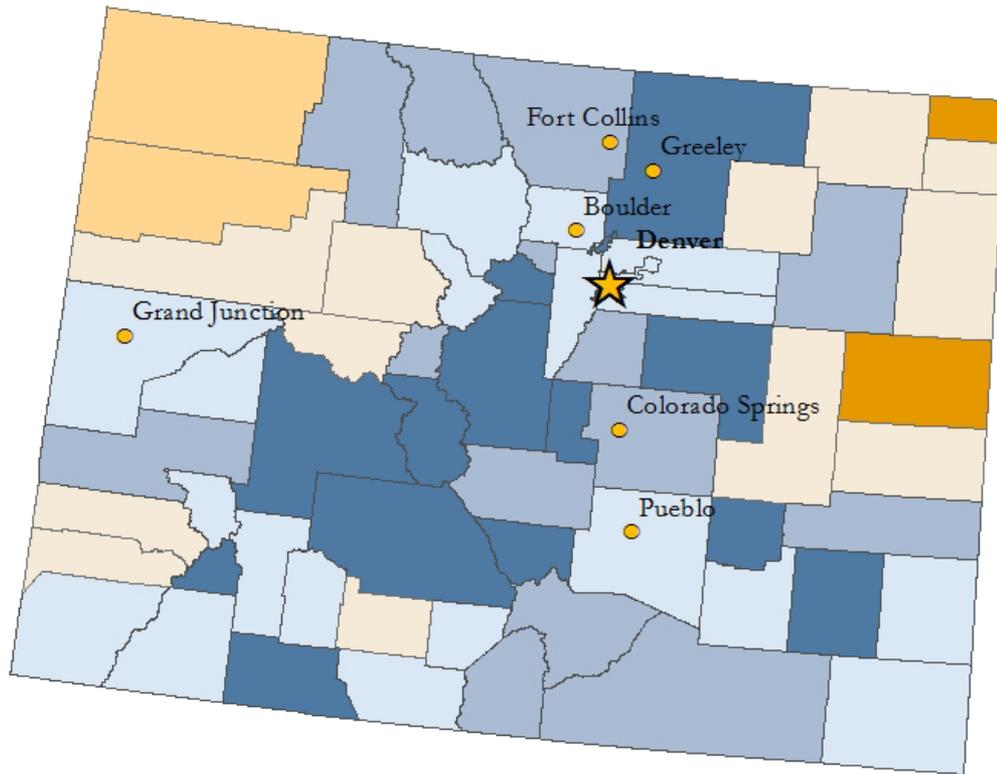
Note: Gray bars indicate recession, and dotted lines indicate Colorado average growth for each expansionary period shown.

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

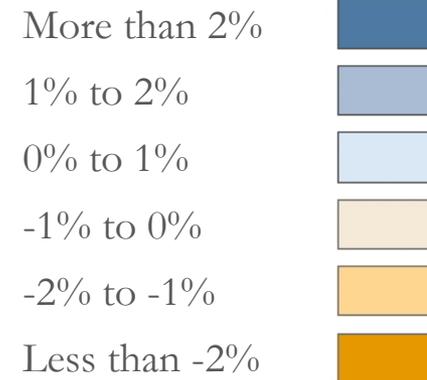


NET MIGRATION

Total 2017 Net Migration as a Percentage of 2017 Population



<i>Annual Percent Change</i>	<i>2017</i>
United States	0.3%
Colorado	0.8%
Denver County	0.7%

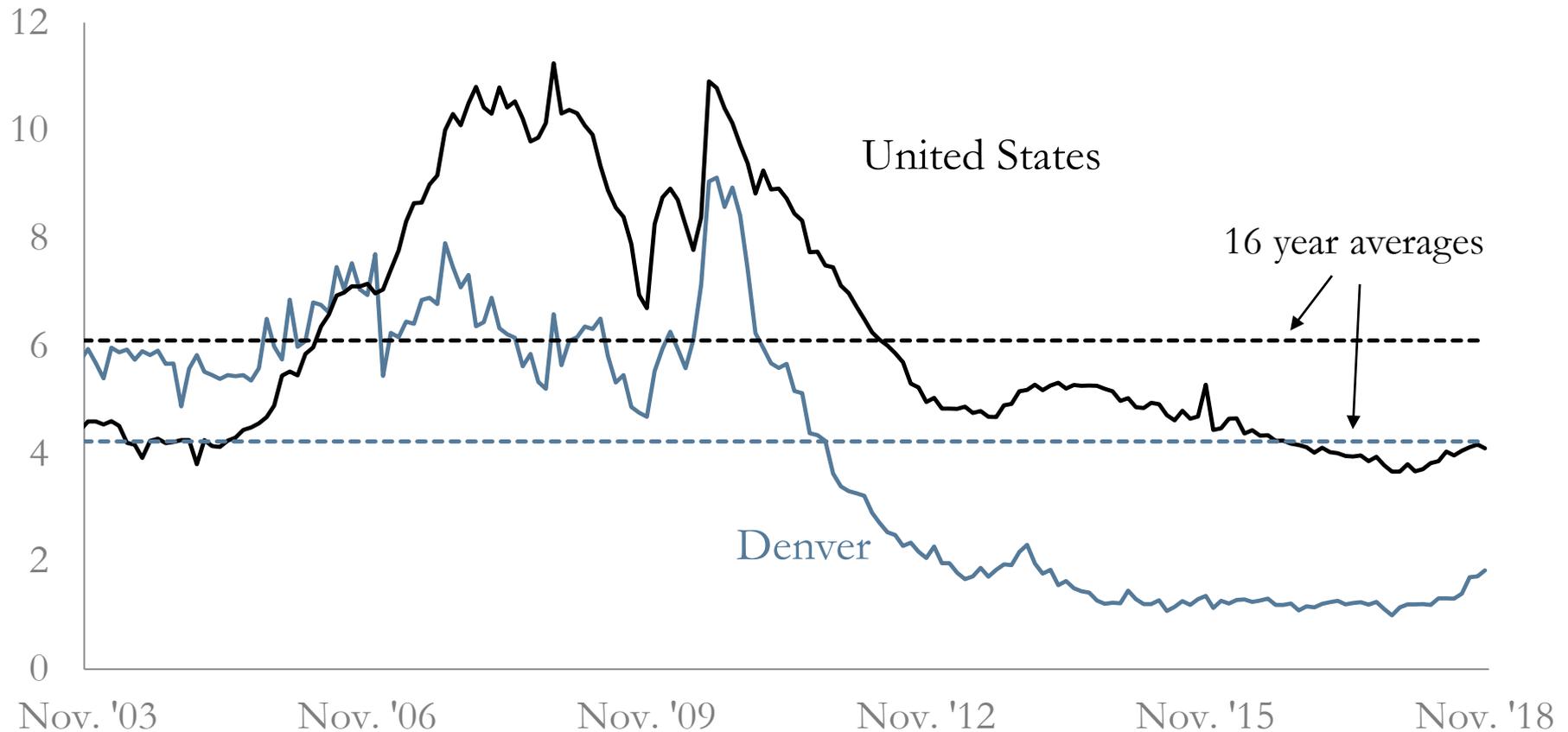


Months supply of homes remains very low in Denver compared to the United States as a whole.



MONTHS SUPPLY OF HOMES

Seasonally Adjusted



Note: Dotted lines are historical averages from November 2002 to November 2018.

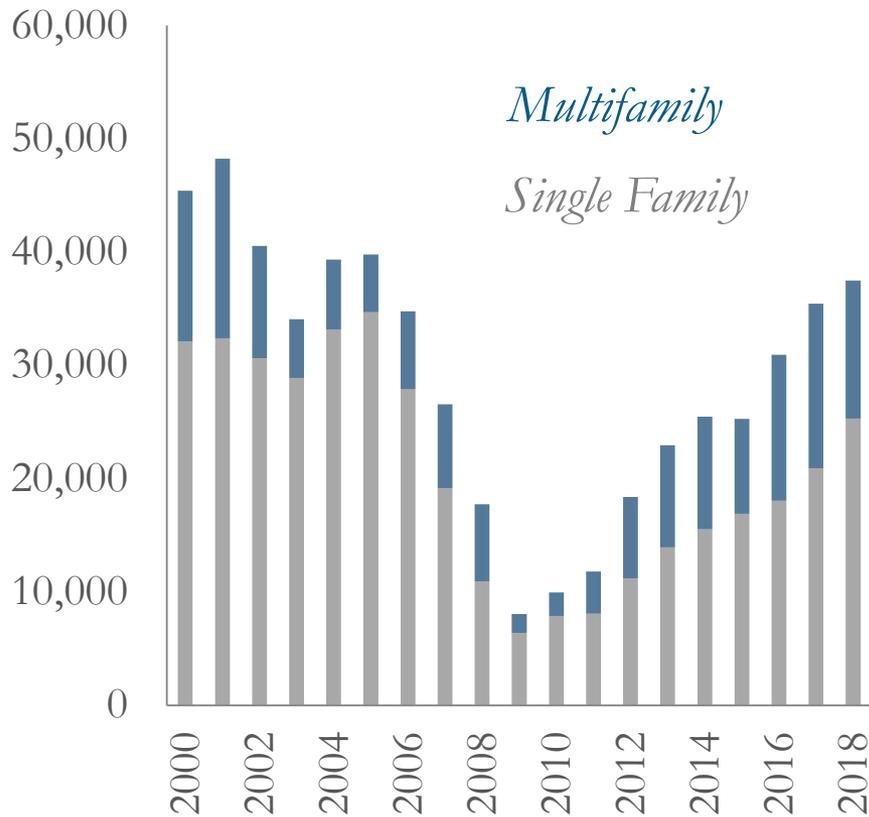
Residential construction activity has been increasing for eight years, led by strong gains in multifamily building.



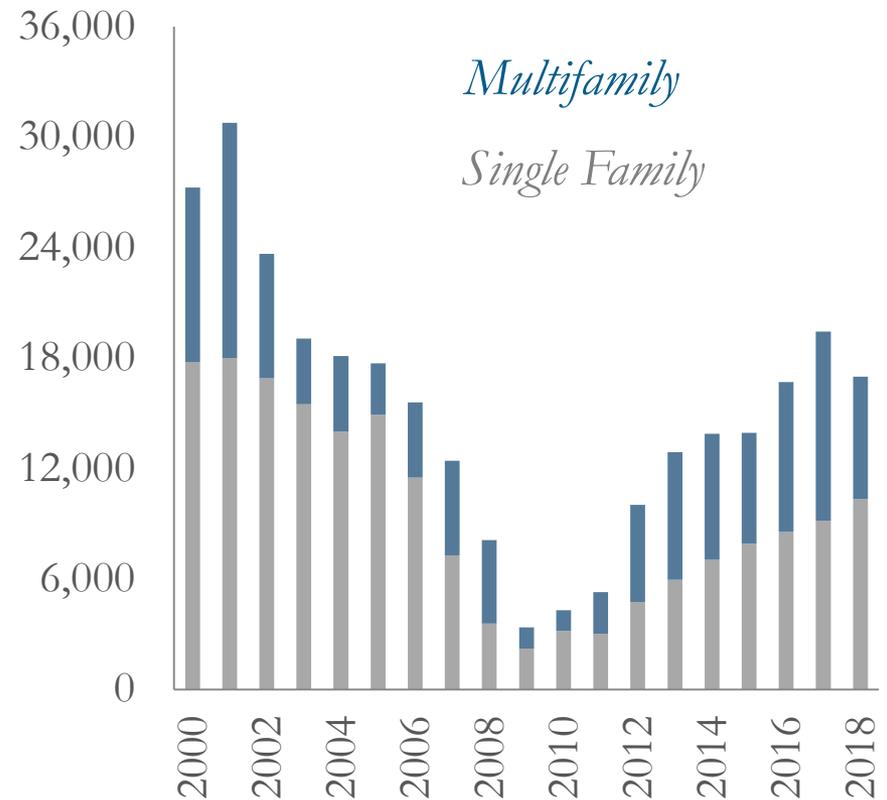
RESIDENTIAL PERMITS

Year-to-Date Through November, Seasonally Adjusted

Colorado



Denver

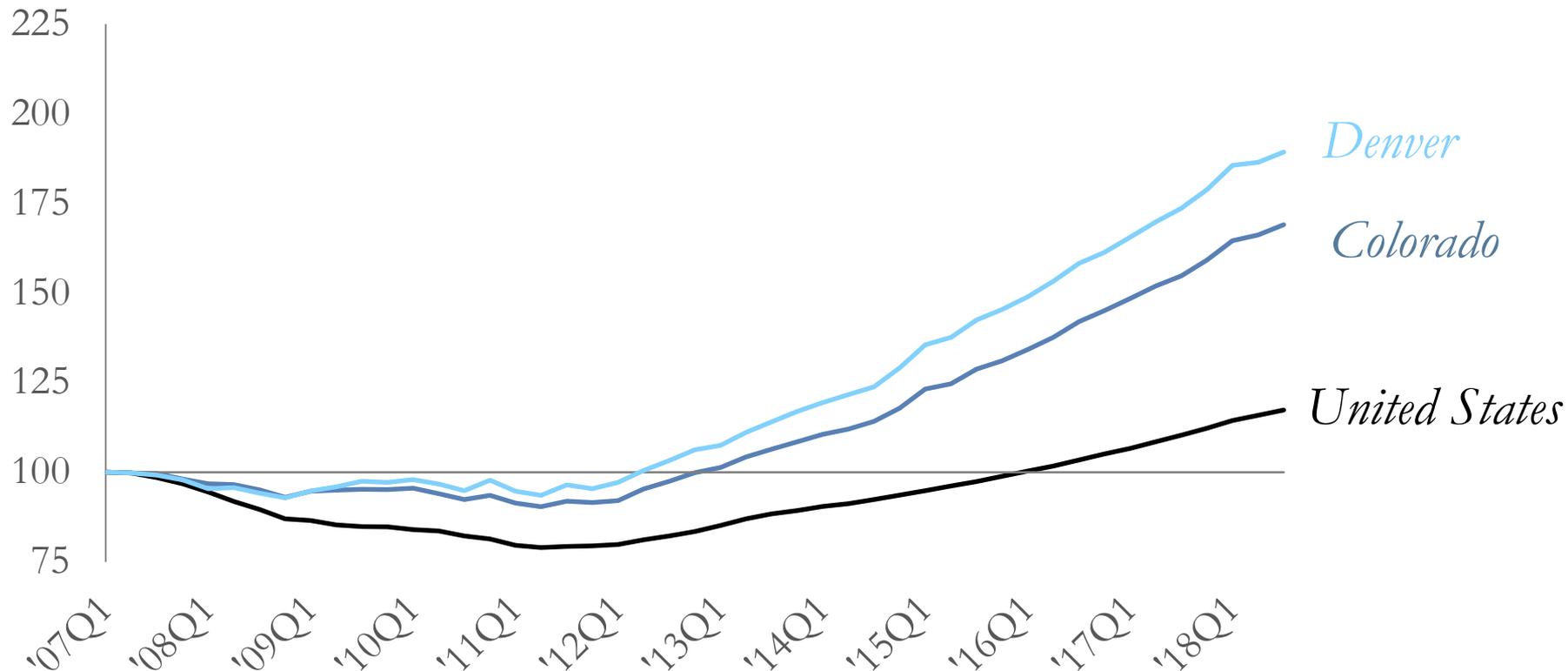


Low inventories have led to strong home price appreciation in recent years in Colorado and Denver.



HOME PRICES

Seasonally Adjusted, Index 100 = Q1:2007



Note: United States and Colorado price indices are for purchase-only transactions, whereas Fort Collins includes re-financing and purchase transactions.

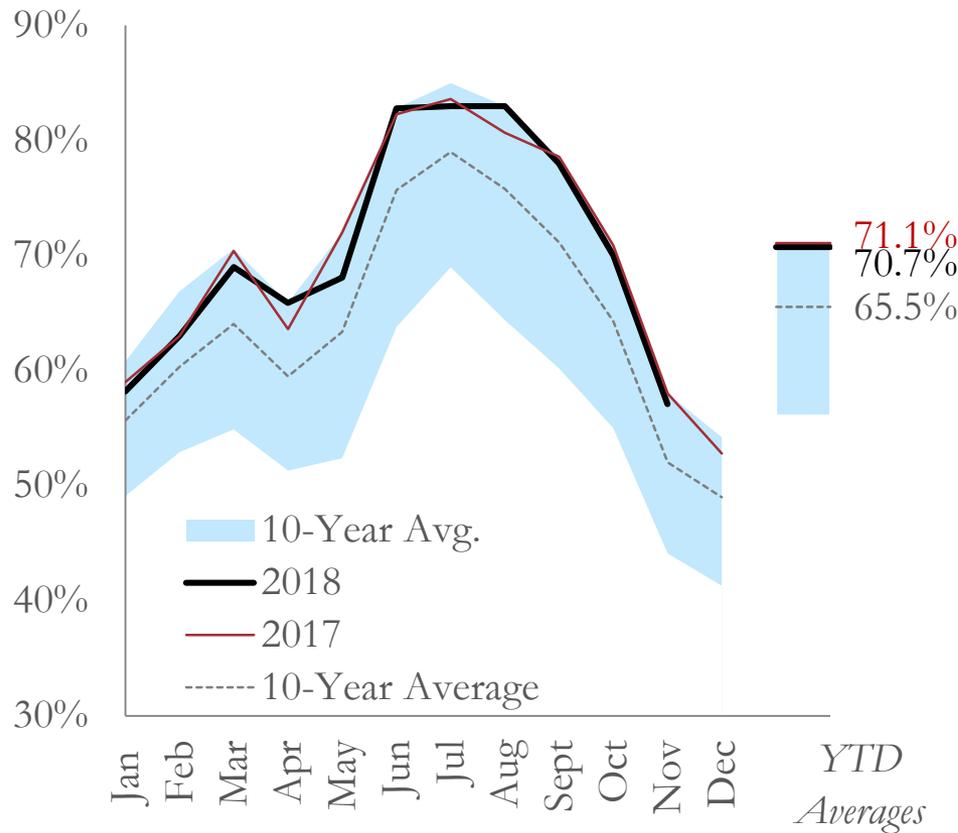
Source: Federal Housing Finance Agency

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



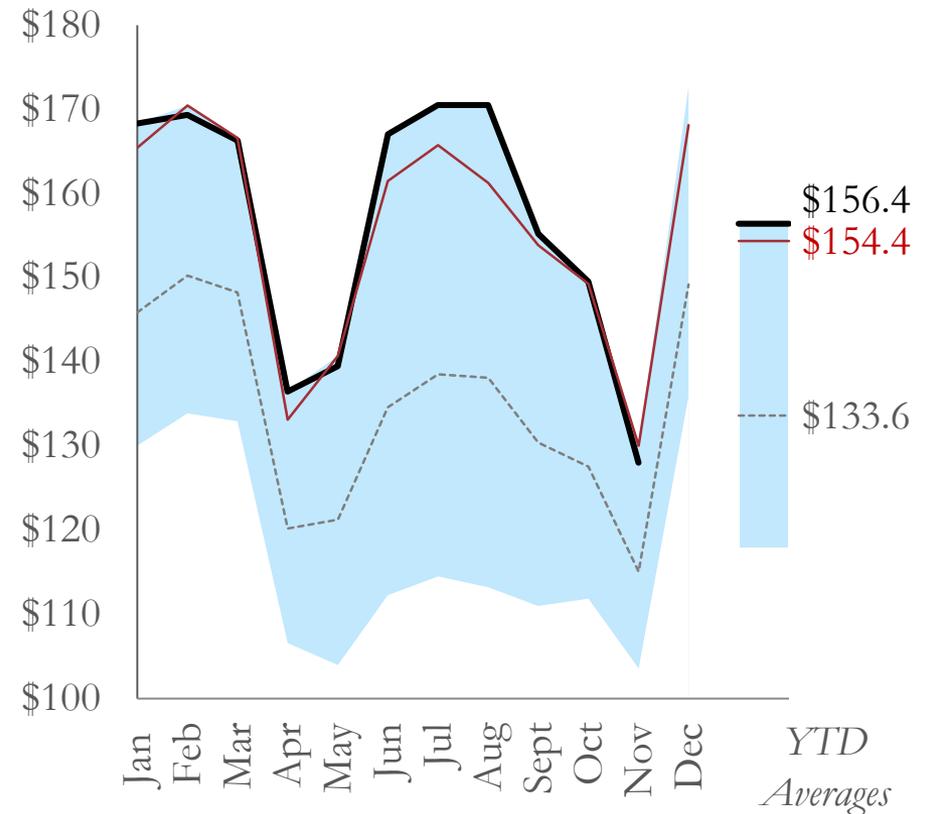
HOTEL OCCUPANCY RATES

Colorado



HOTEL ROOM RATES

Colorado, 1999 Dollars

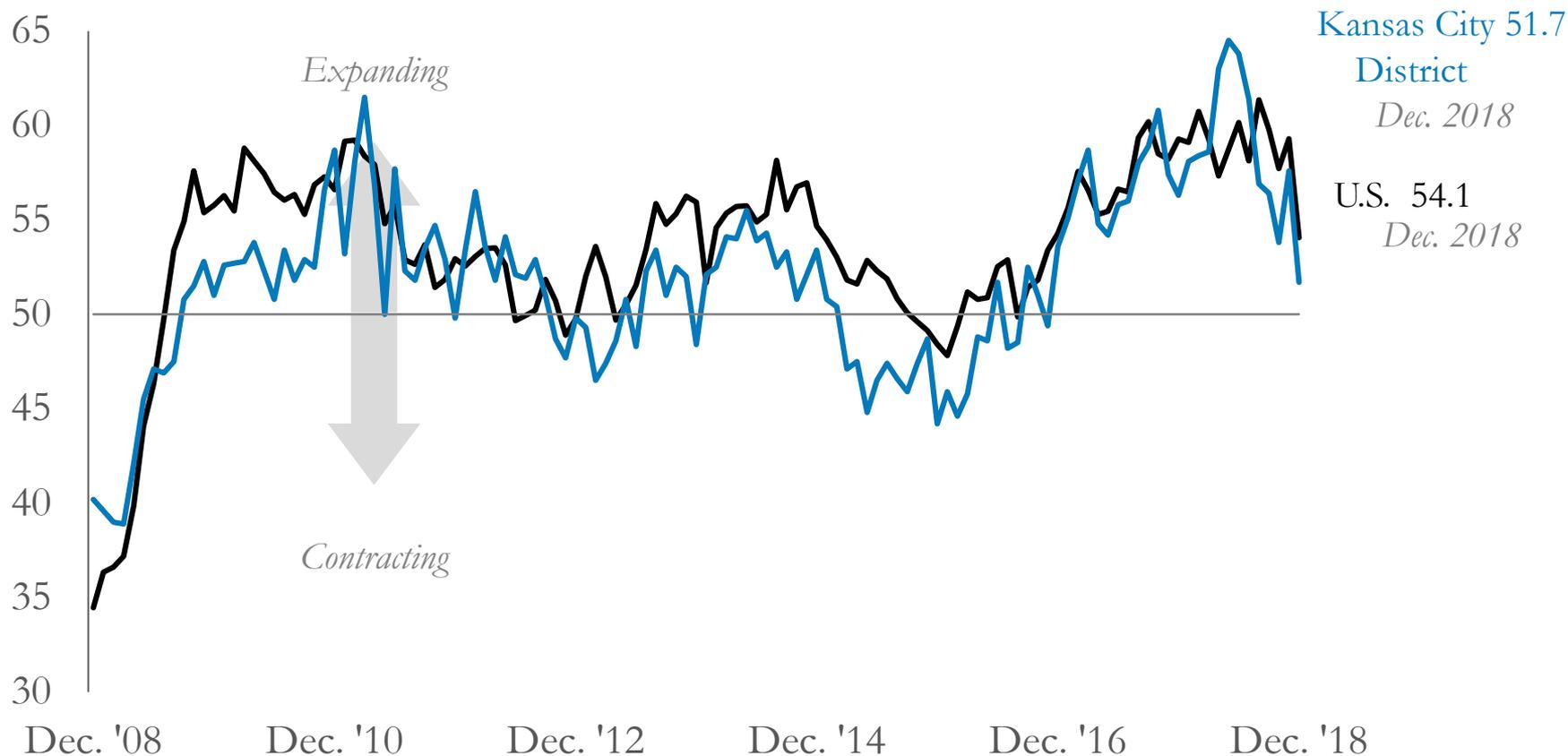


Manufacturing activity improved throughout 2017 and 2018, although is showing recent weakness.



MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, Month-over-Month

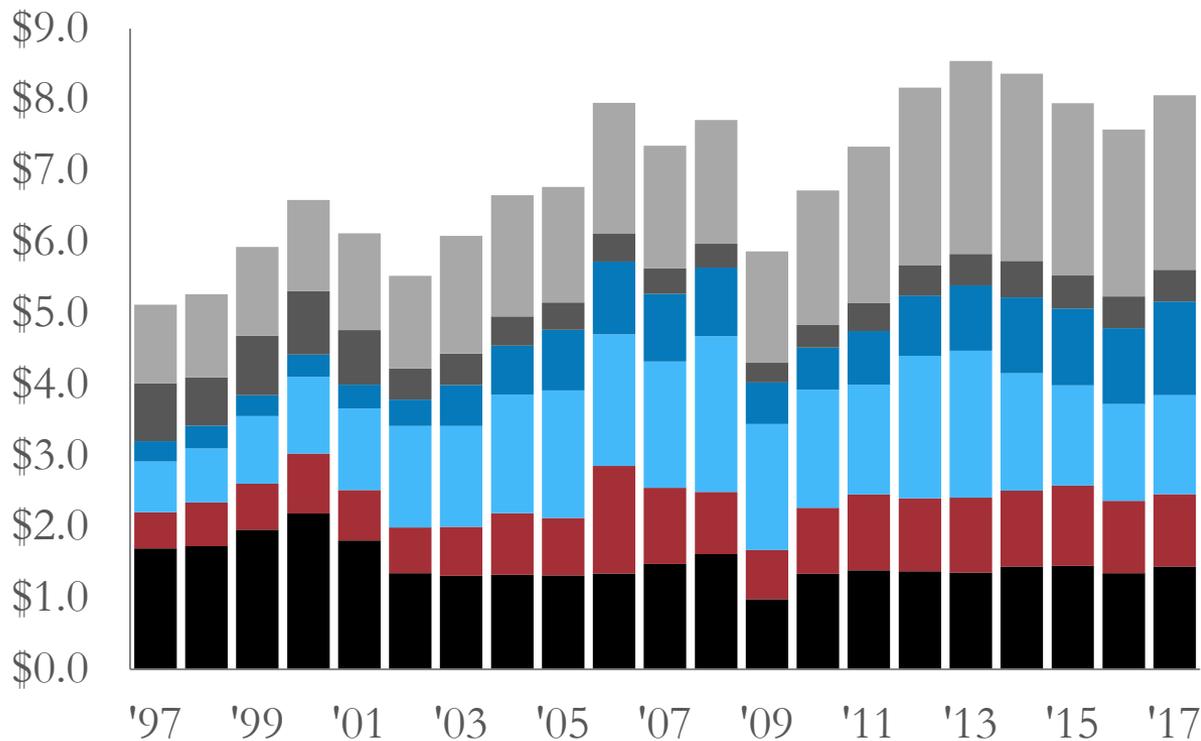


Colorado exporting activity rebounded modestly in 2017, and is up so far through 2018.



COLORADO EXPORTS BY TRADING PARTNER

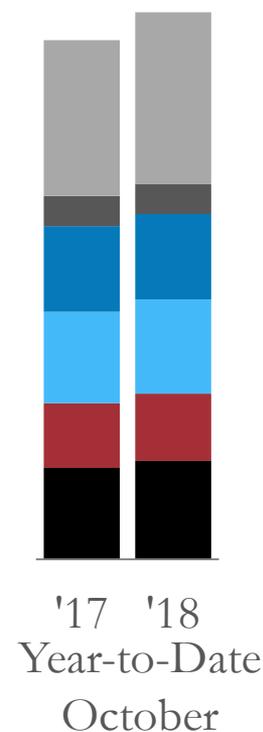
Billions



YEAR-TO-DATE OCTOBER 2018

Year-over-Year Percent Change

	Year-over-Year Percent Change	SHARE
Total Trade	5.4%	
All Other	10.4	30.2%
Japan	-1.1	5.5
Mexico	-0.5	16.3
Canada	3.4	17.3
China	3.9	12.8
Eurozone	7.6	17.9



Oil prices remain low.



OIL PRICES (WEST TEXAS INTERMEDIATE)

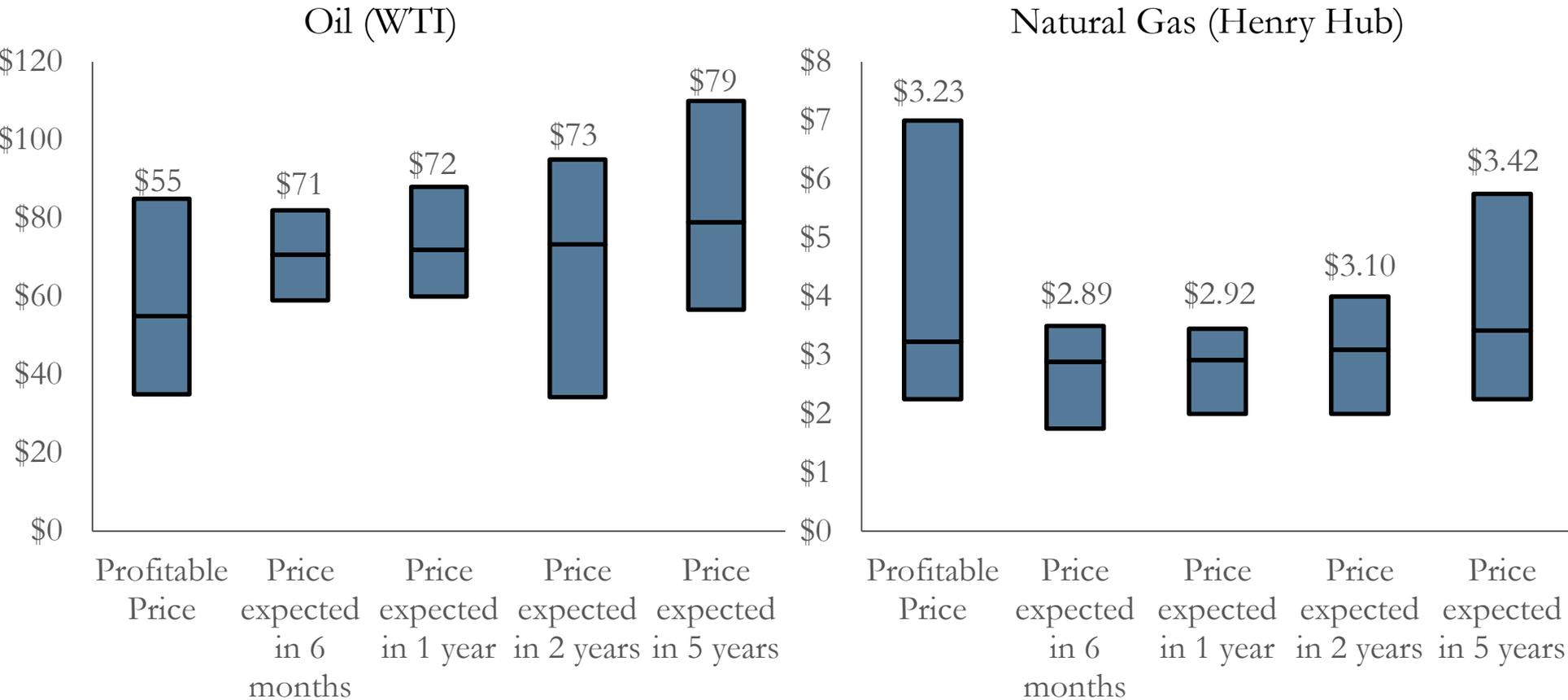


Oil prices are expected to remain above \$55 over the next two years which is above profitable prices for most District firms.



ENERGY SURVEY SPECIAL QUESTION

Q3:2018



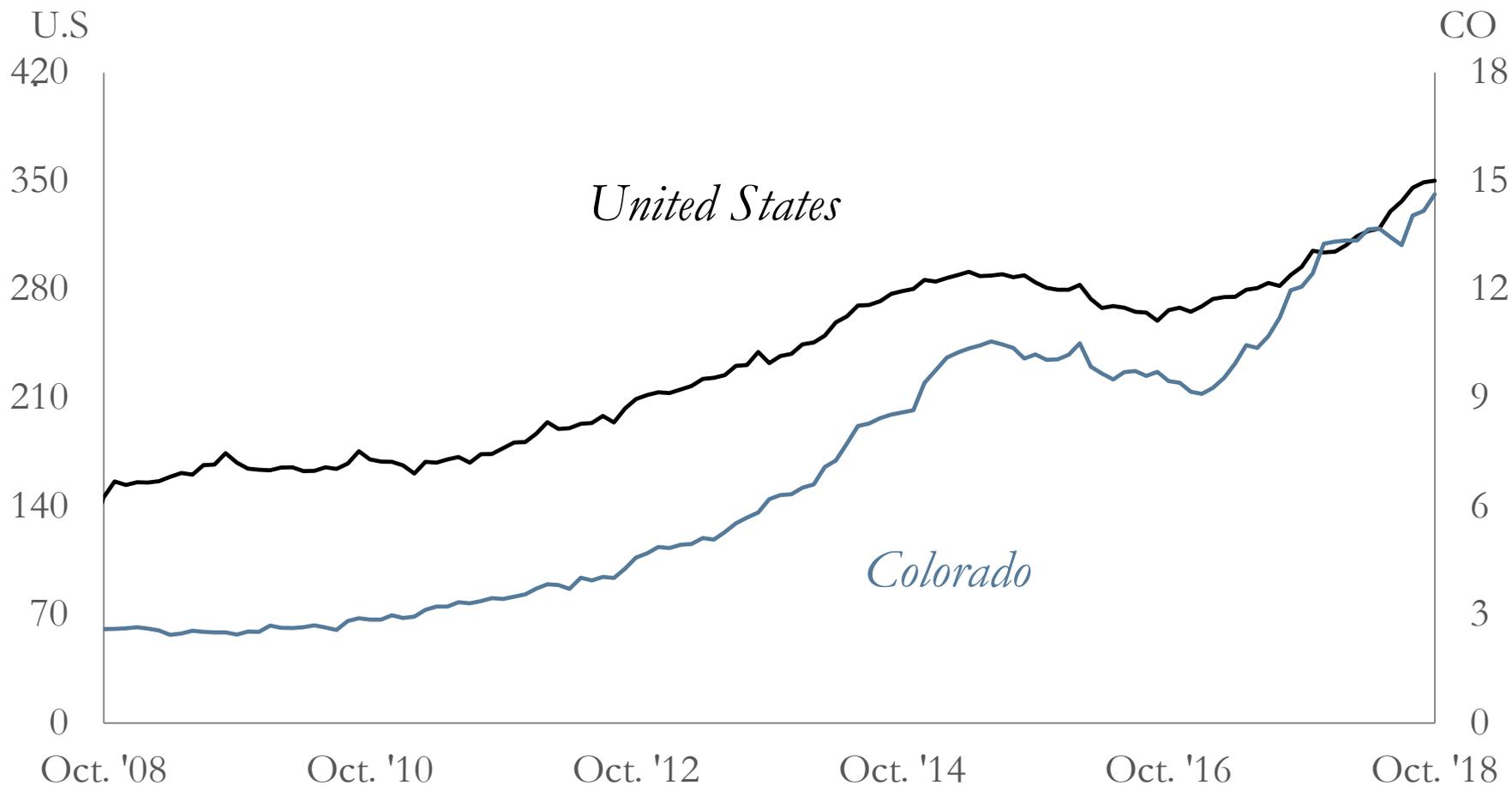
Note: Blue bars represent range for survey respondents. Numbers above bars indicate average of the range (the black line in the middle of the blue bars).

Oil production has reached record levels in Colorado despite a low-price environment.



CRUDE OIL PRODUCTION

Millions of Barrels, Monthly, Seasonally Adjusted

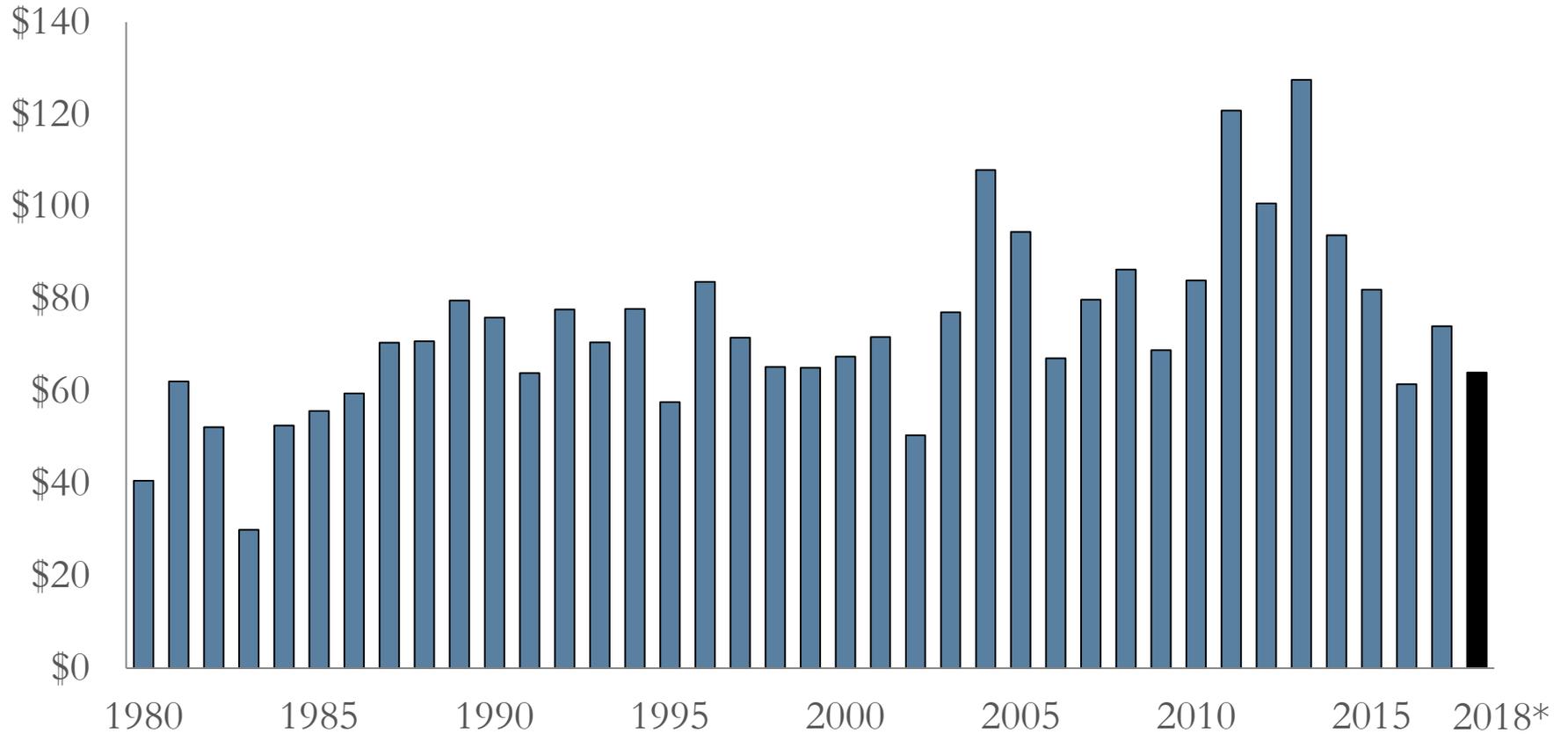


Farm income is projected to decline in 2018, as commodity prices remain low.



U.S. REAL NET FARM INCOME

Billion Dollars (Constant 2016 Dollars)



*Projection for 2018

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

