

Emerging Trends in the U.S. and Colorado Economies

*Alison Felix
Economist and Branch Executive
Federal Reserve Bank of Kansas City
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.

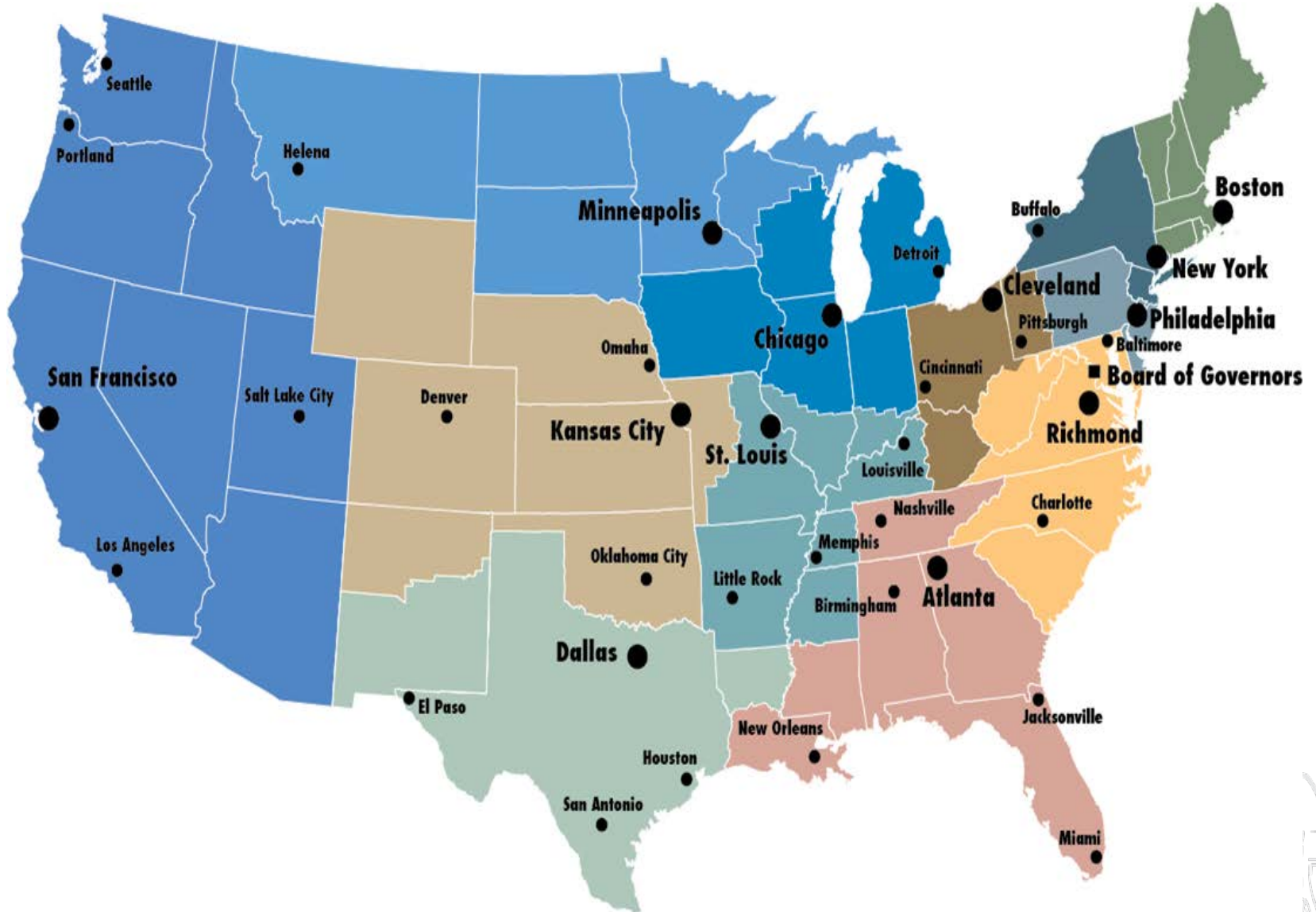


The Structure of the Federal Reserve System

- 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, Lael Brainard, Richard Clarida 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.



Regional Federal Reserve Banks and Branch Locations



The Primary Functions of the Federal Reserve System

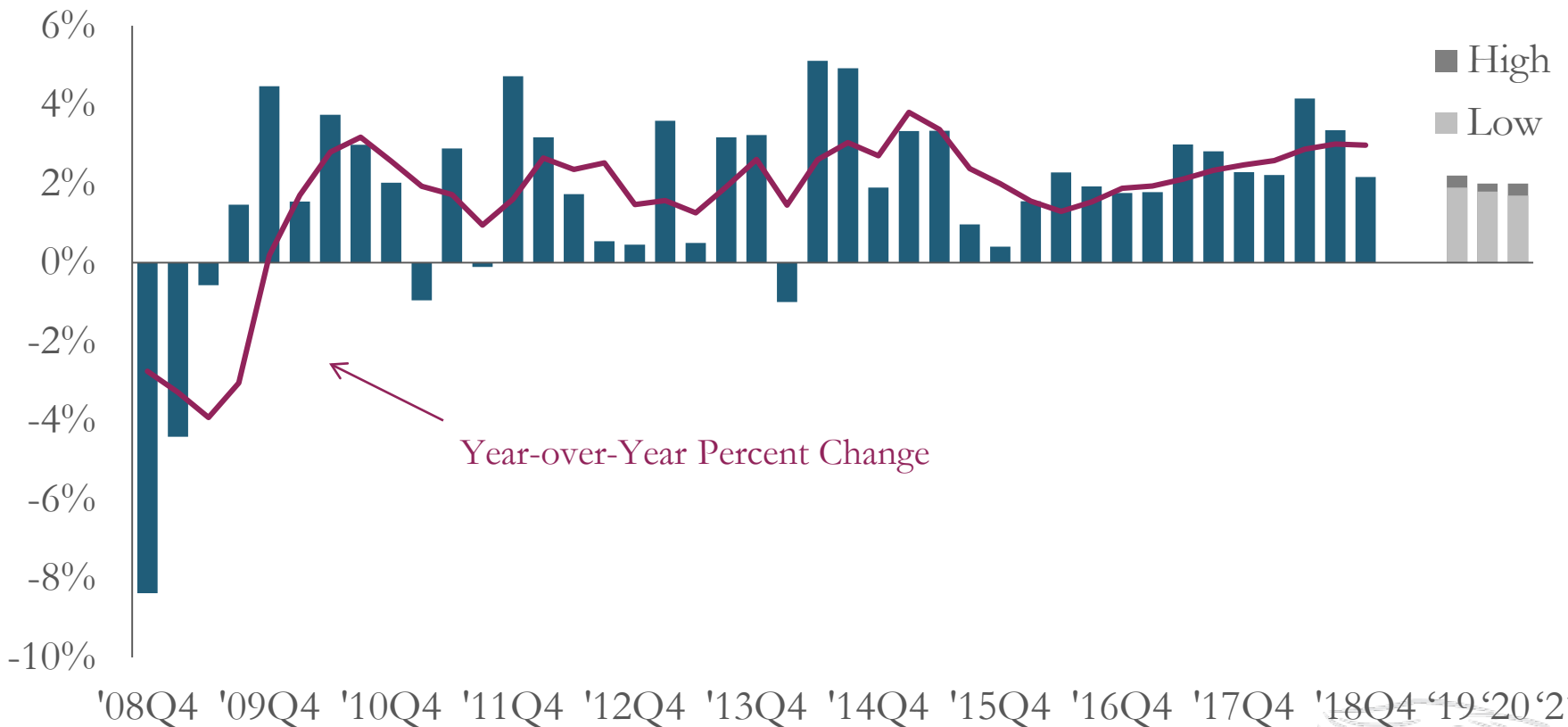
- Conduct the Nation's Monetary Policy
 - The Federal Open Market Committee is the group charged with conducting monetary policy within the U.S.
 - The Committee has a statutory mandate from Congress to promote maximum employment, stable prices and moderate long-term interest rates.
- Provide and Maintain 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.



After accelerating last year, U.S. economic growth is expected to slow modestly in the years ahead.

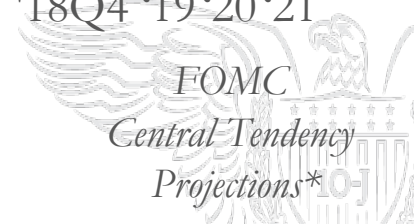
REAL U.S. GROSS DOMESTIC PRODUCT

Percent Change from Previous Quarter at Seasonally Adjusted Annualized Rates



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

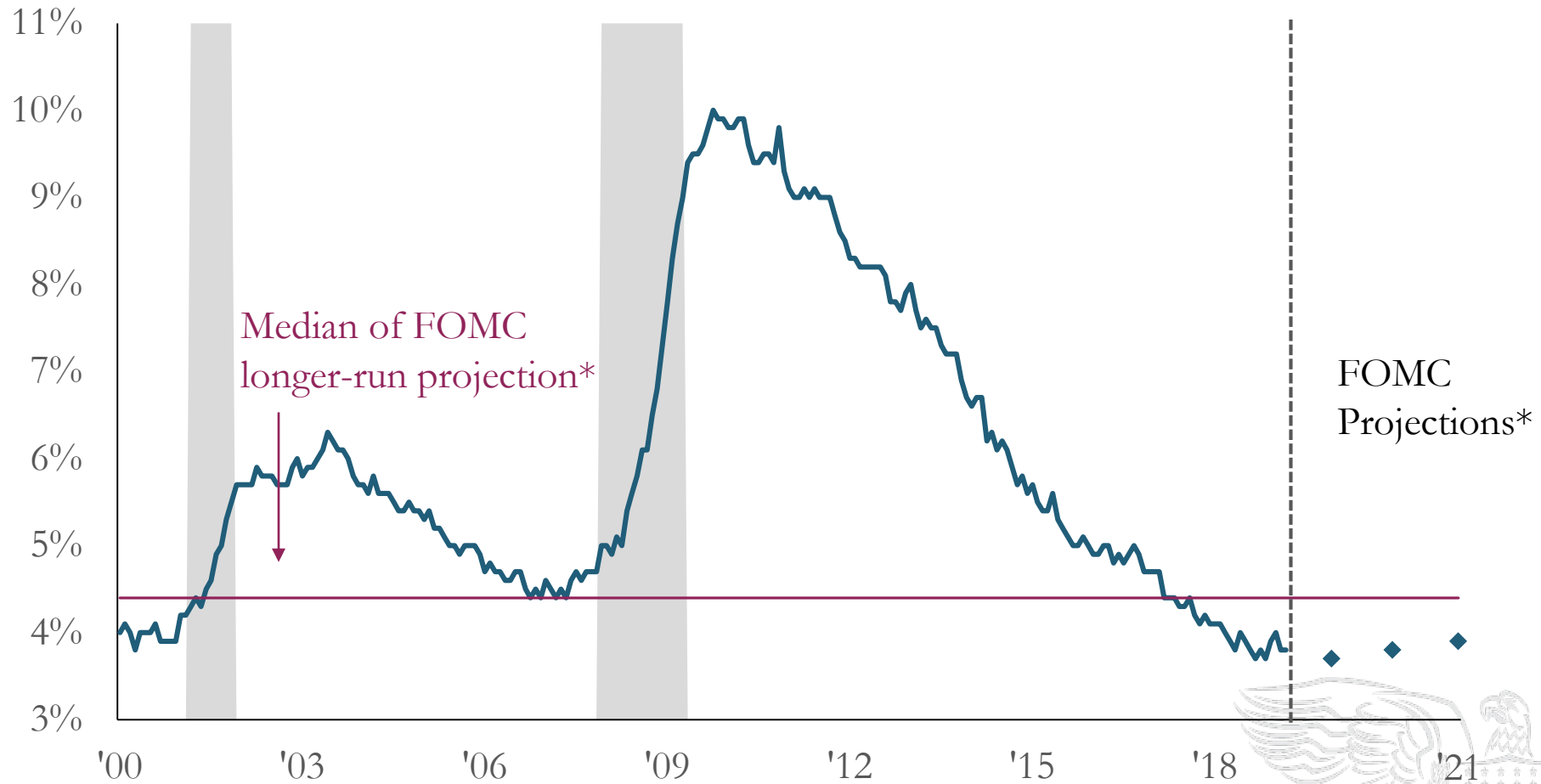
*Projections as of March FOMC meeting



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 RATE

Seasonally Adjusted



Sources: Bureau of Labor Statistics, National Bureau of Economic Research and Federal Open Market Committee (FOMC) / Haver Analytics

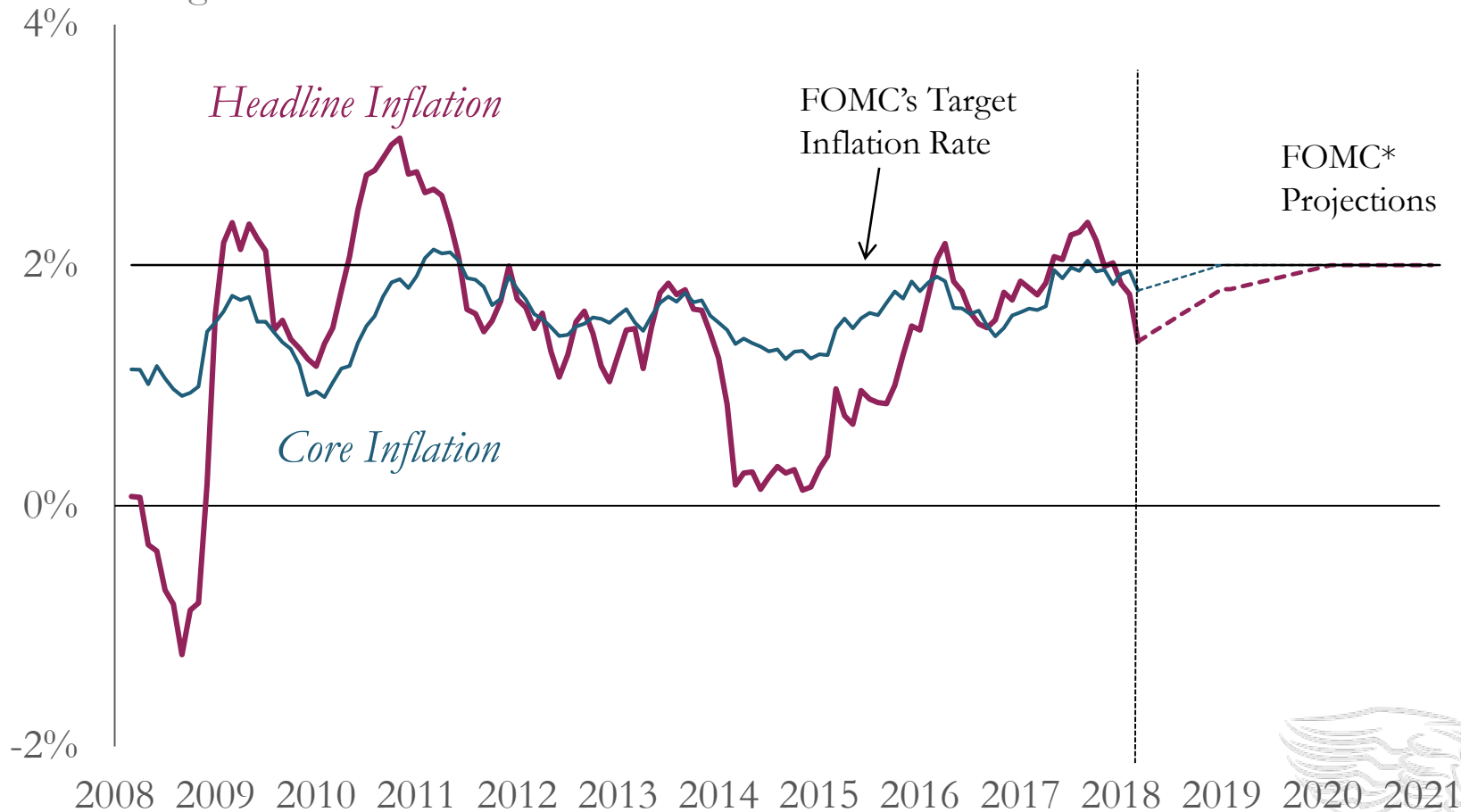
*Projections as of March FOMC meeting; median unemployment rate



Inflation remains near the FOMC's two percent target.

PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

Percent Change Year-over-Year



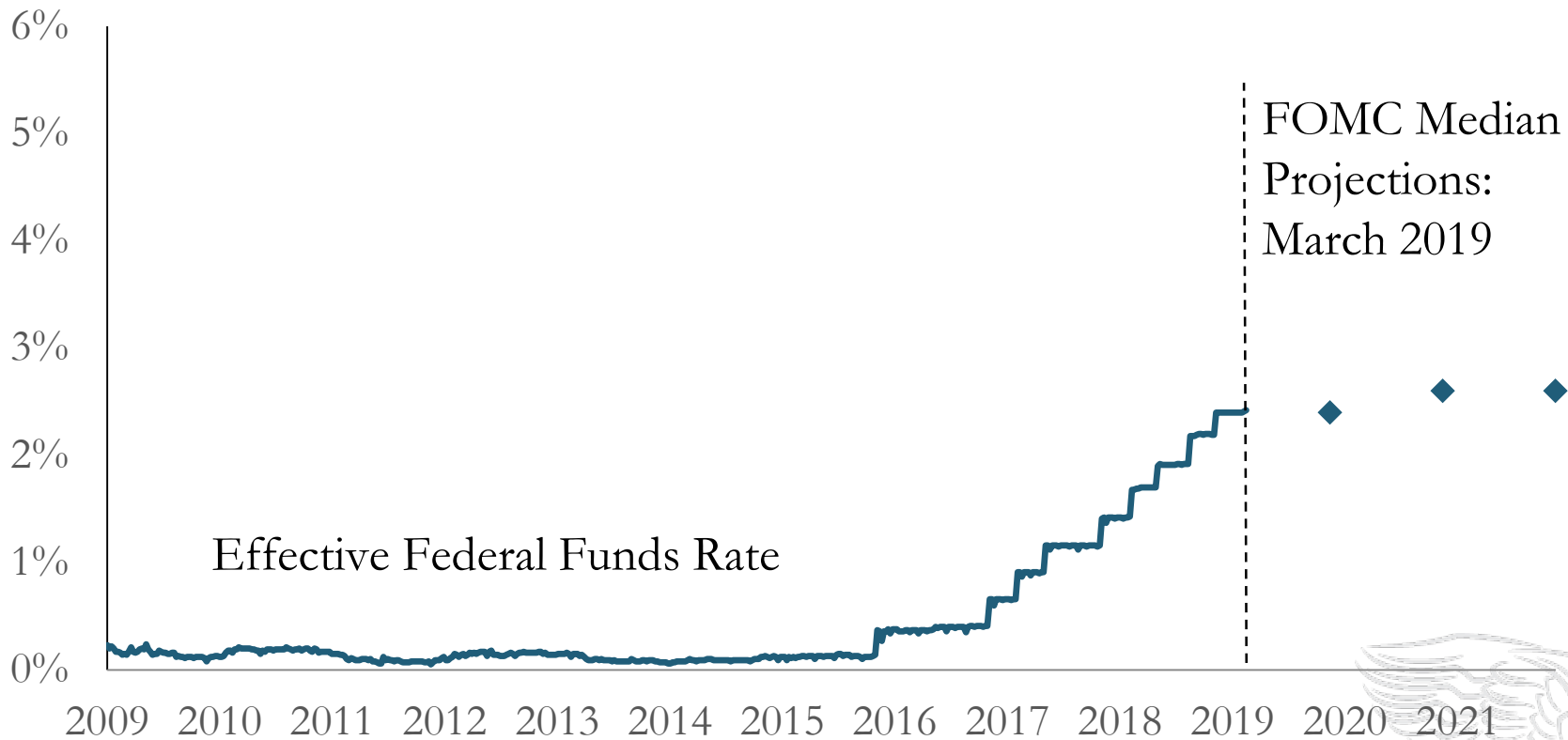
Sources: Bureau of Economic Analysis and Federal Open Market Committee / Haver Analytics

*Projections as of March FOMC meeting; median projections



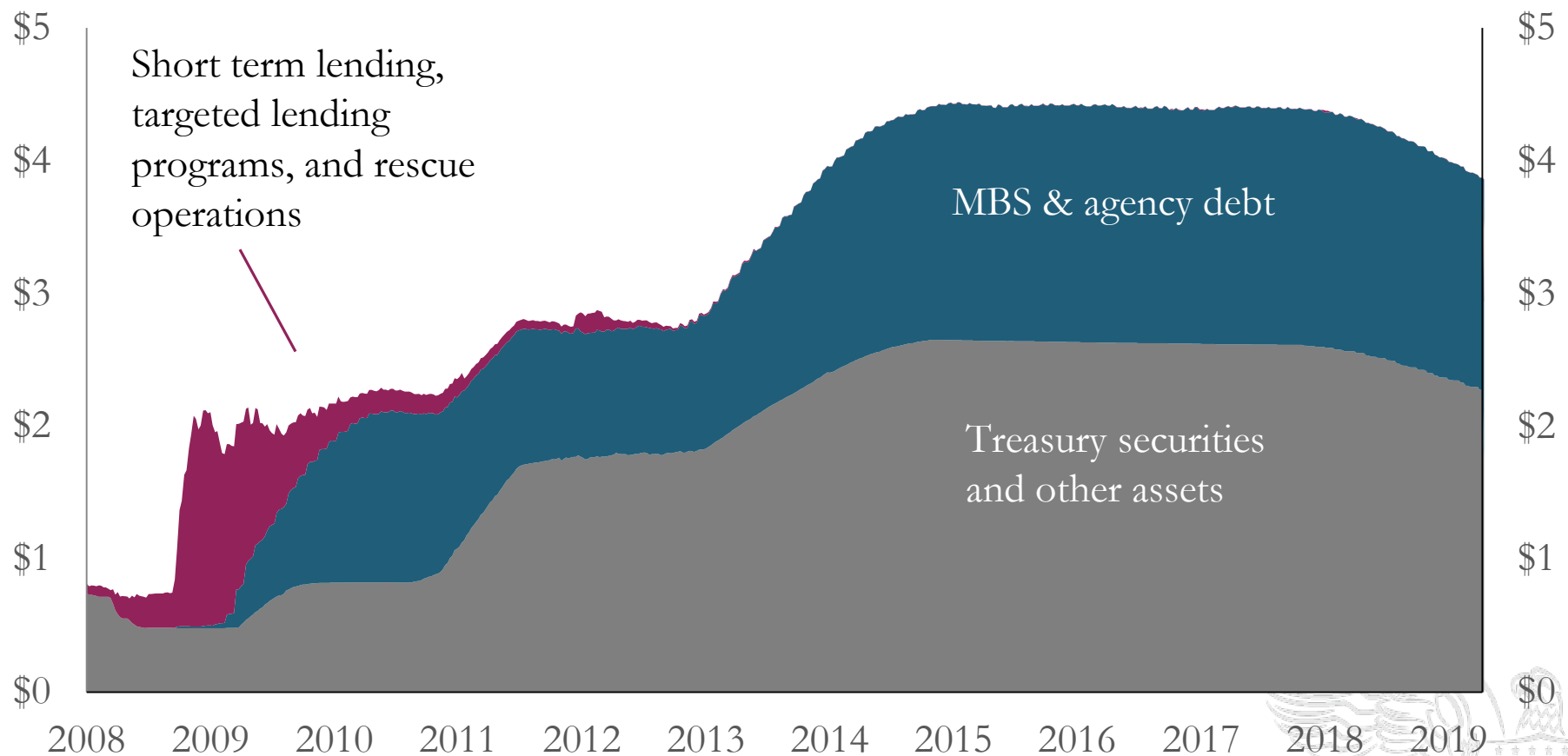
“Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. In support of these goals, the Committee decided to maintain the target range for the federal funds rate at 2-1/4 to 2-1/2 percent.”

- March 2019 FOMC Statement



FEDERAL RESERVE BALANCE SHEET

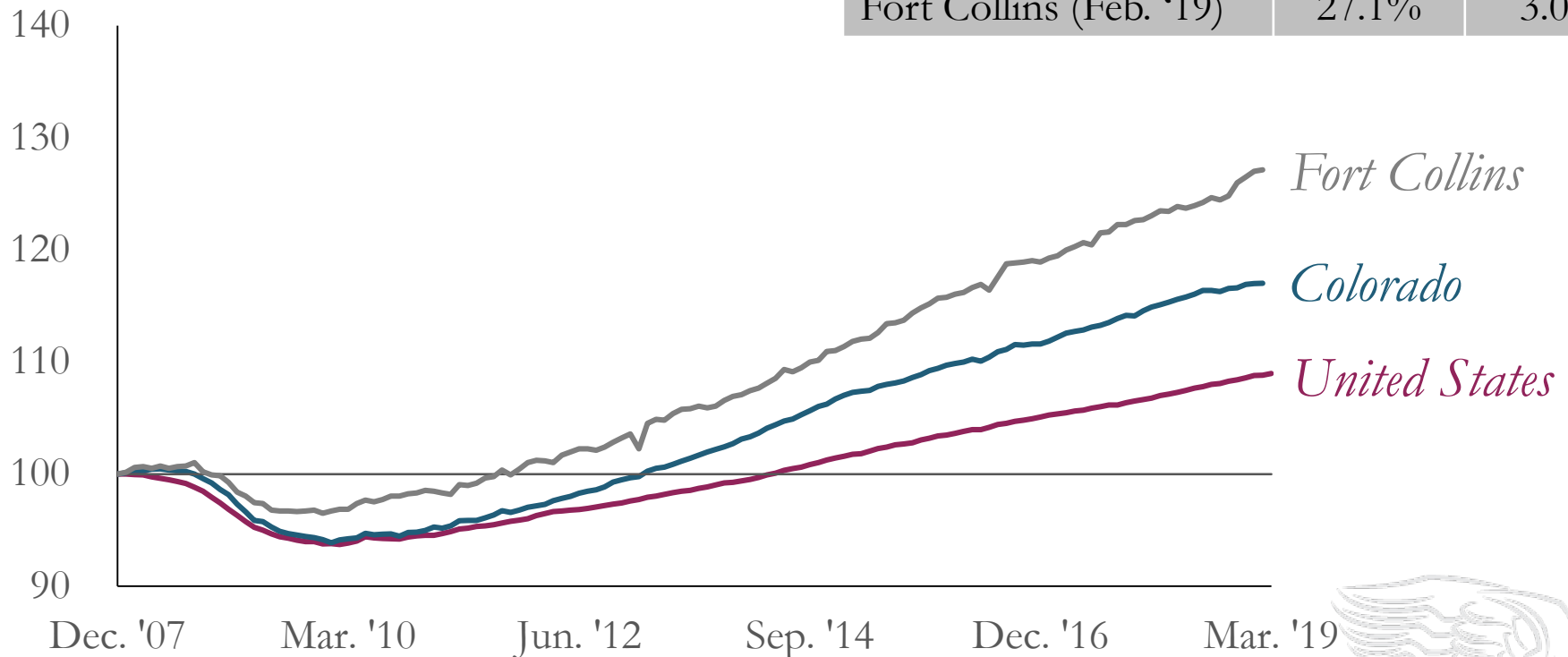
Trillions



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

PAYROLL EMPLOYMENT GROWTH

Index 100 = December 2007, Seasonally Adjusted



<i>Percent Change</i>	<i>Dec. '07 to Present</i>	<i>Past Year</i>
U.S. (Mar. '19)	9.0%	1.7%
Colorado (Feb. '19)	17.0%	1.7%
Fort Collins (Feb. '19)	27.1%	3.0%

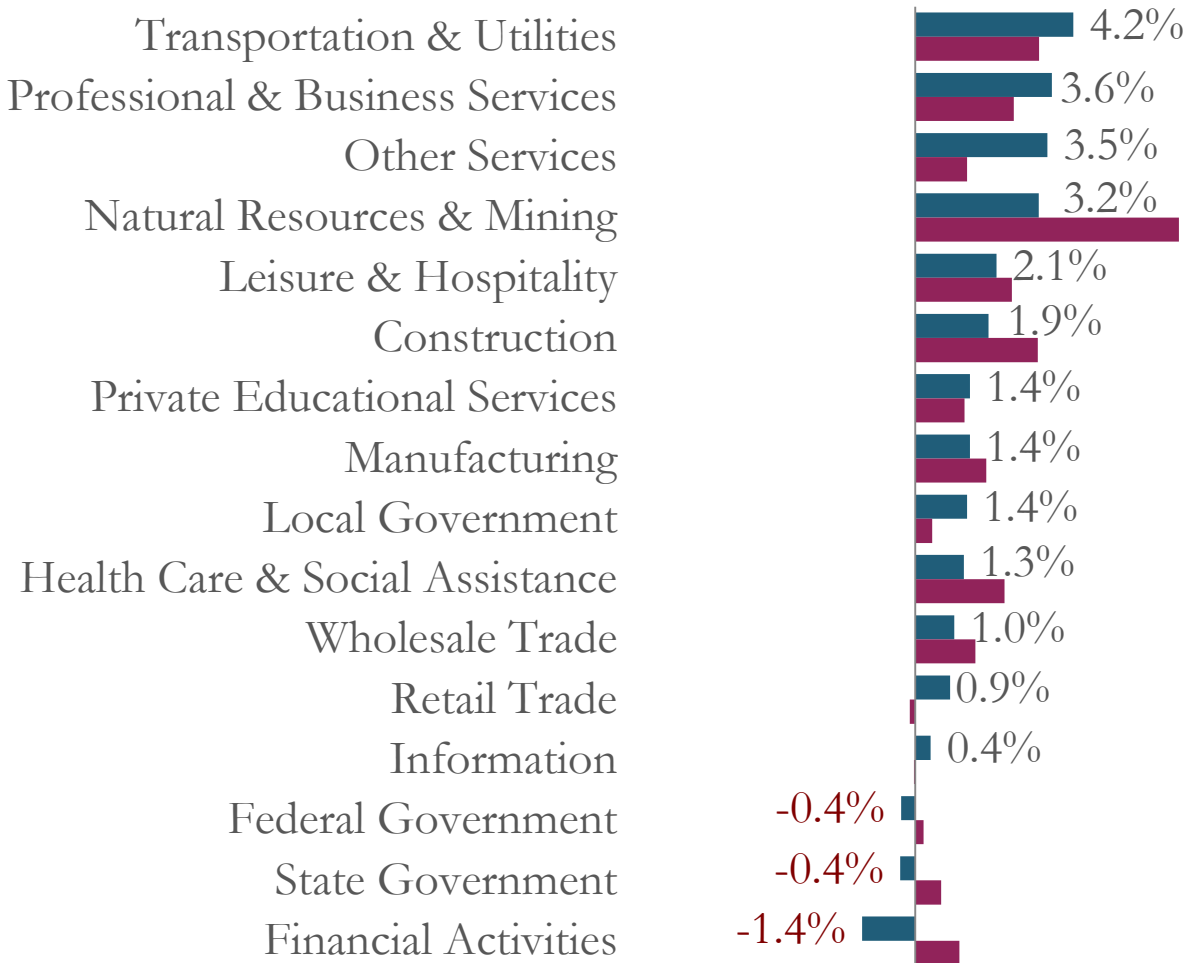


The majority of industries in Colorado have added jobs over the past year.

CHANGE IN PAYROLL EMPLOYMENT, FEBRUARY 2019

Seasonally Adjusted

Percent Change Year-over-Year



Colorado
United States

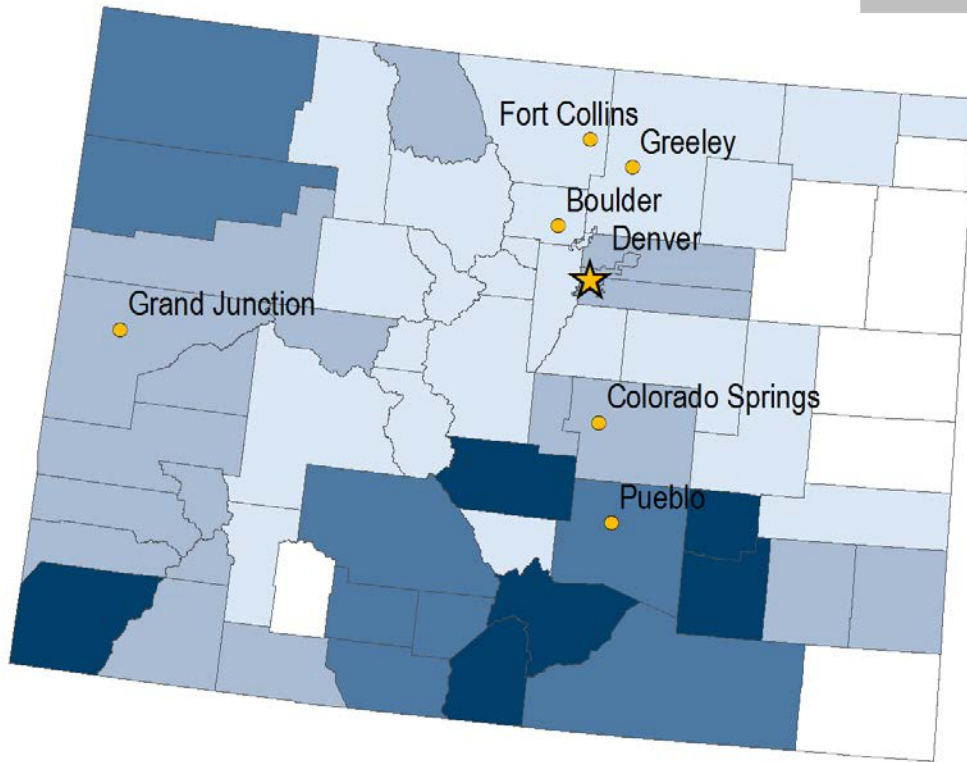


Unemployment rates are low across most of Colorado.

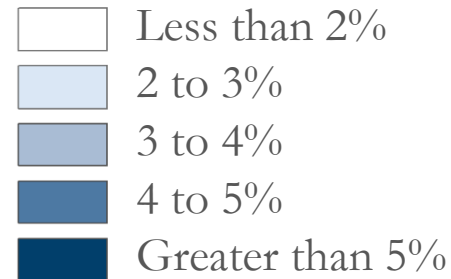
UNEMPLOYMENT RATES

February 2019, Seasonally Adjusted

<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States (Mar. '19)	3.8%	4.6%	7.3%
Colorado (Feb. '19)	3.7%	3.8%	6.3%
Fort Collins (Feb. '19)	2.8%		



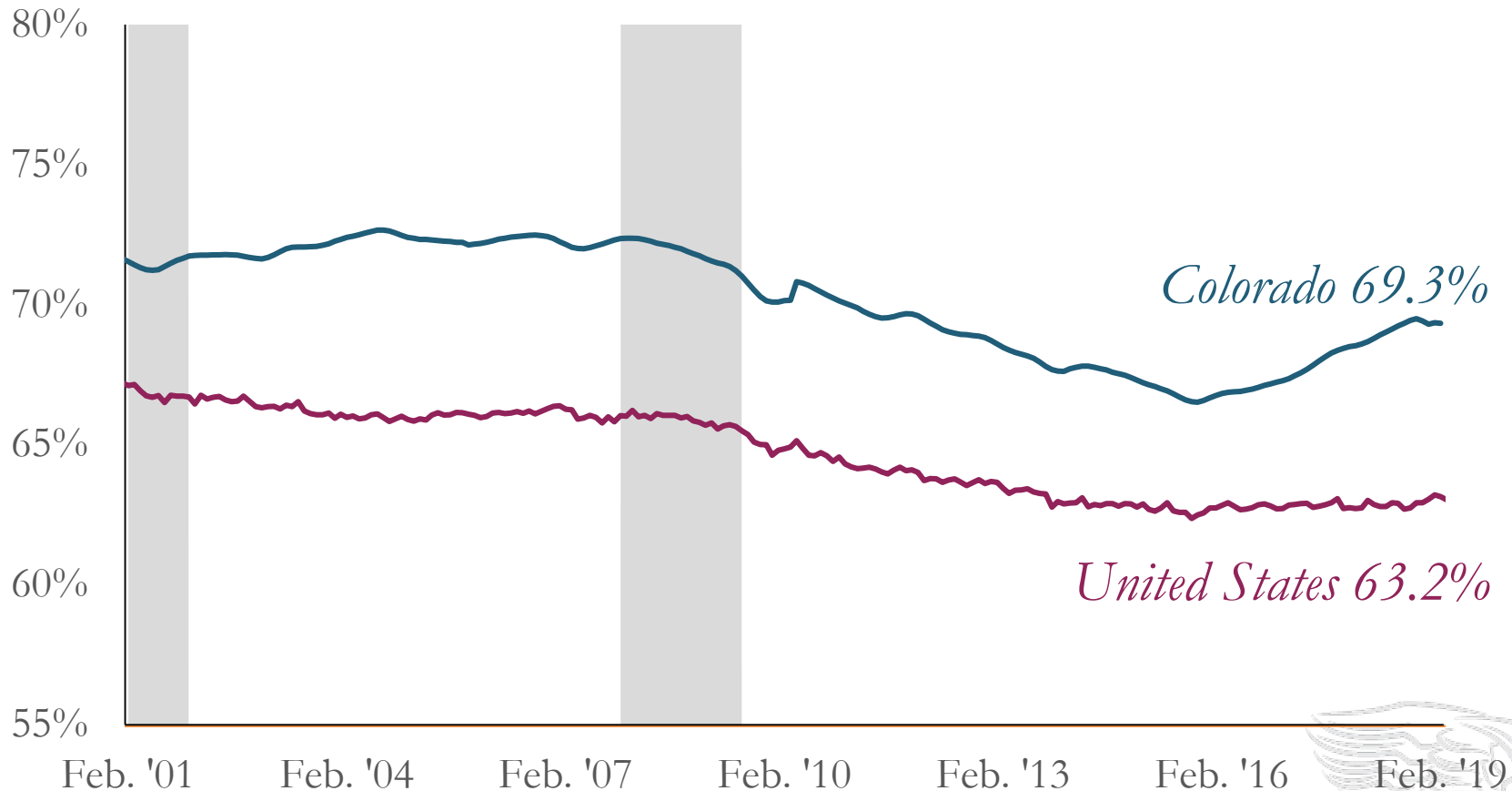
**U-5 and U-6 values are 12-month moving averages as of Q4 2018 for Colorado and are for March, 2019 for the United States.*



Labor force participation rates have increased substantially in Colorado over the past three years.

LABOR FORCE PARTICIPATION RATES

Seasonally Adjusted



Note: Gray bars indicate recession.

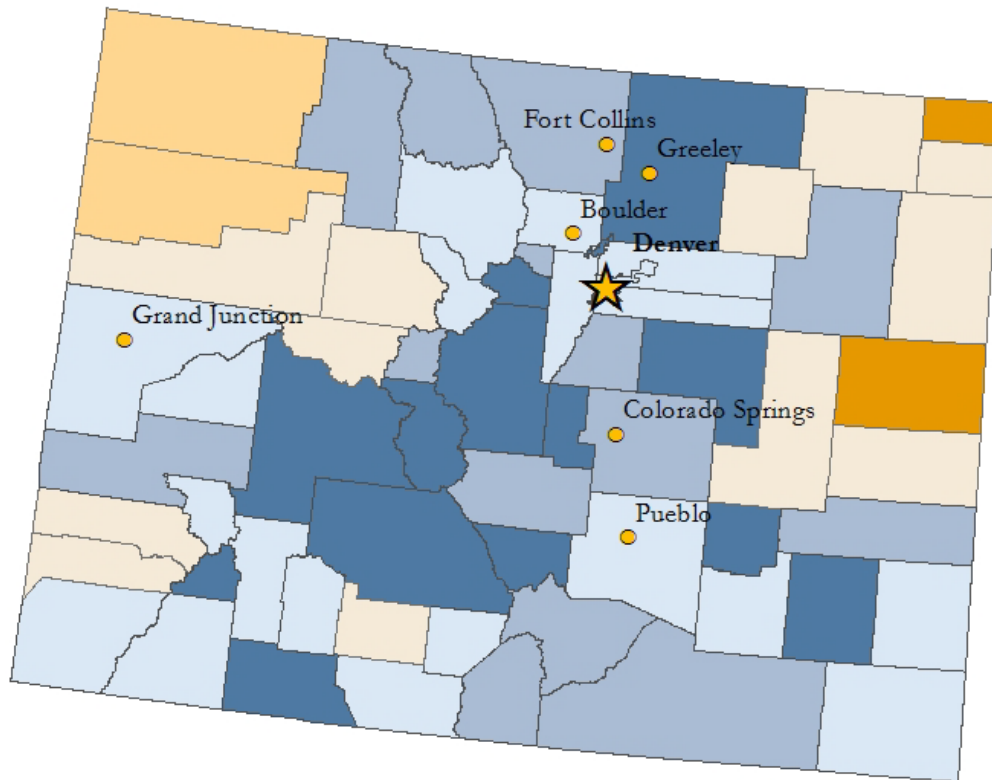
Sources: Bureau of Labor Statistics and National Bureau of Economic Research / Haver Analytics



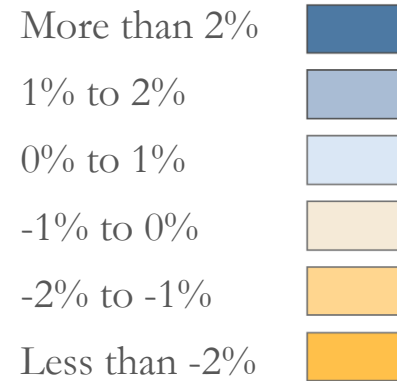
Colorado continues to experience net in-migration, but the pace of growth has slowed somewhat over the past couple of years.

NET MIGRATION

Total 2017 Net Migration as a Percentage of 2017 Population



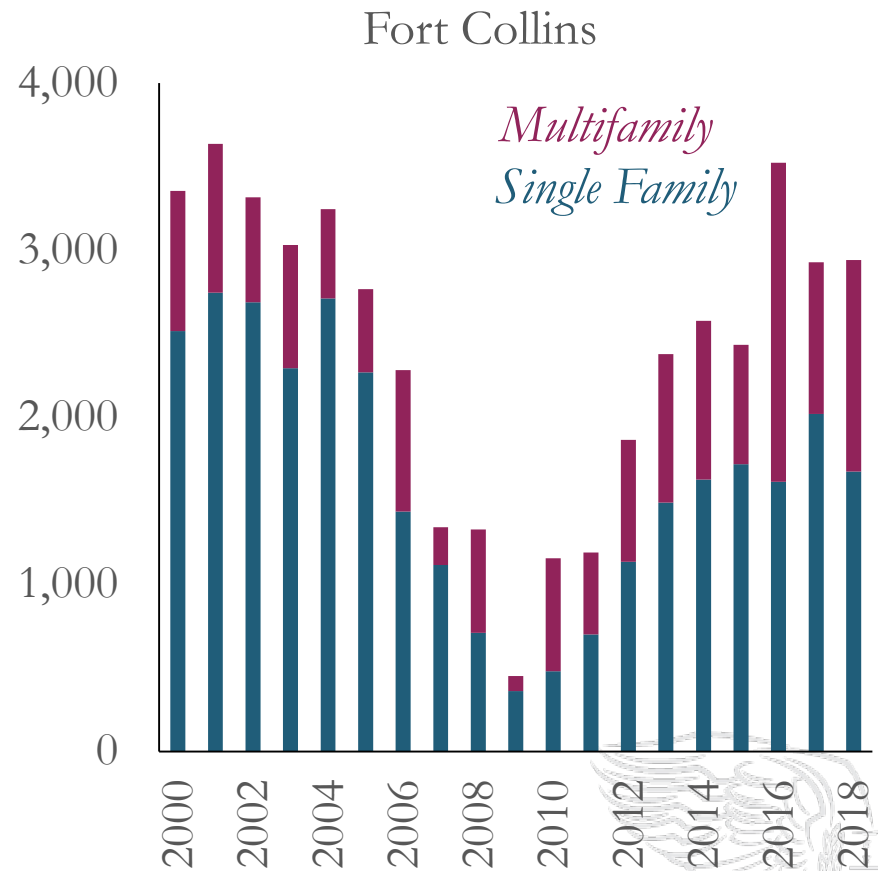
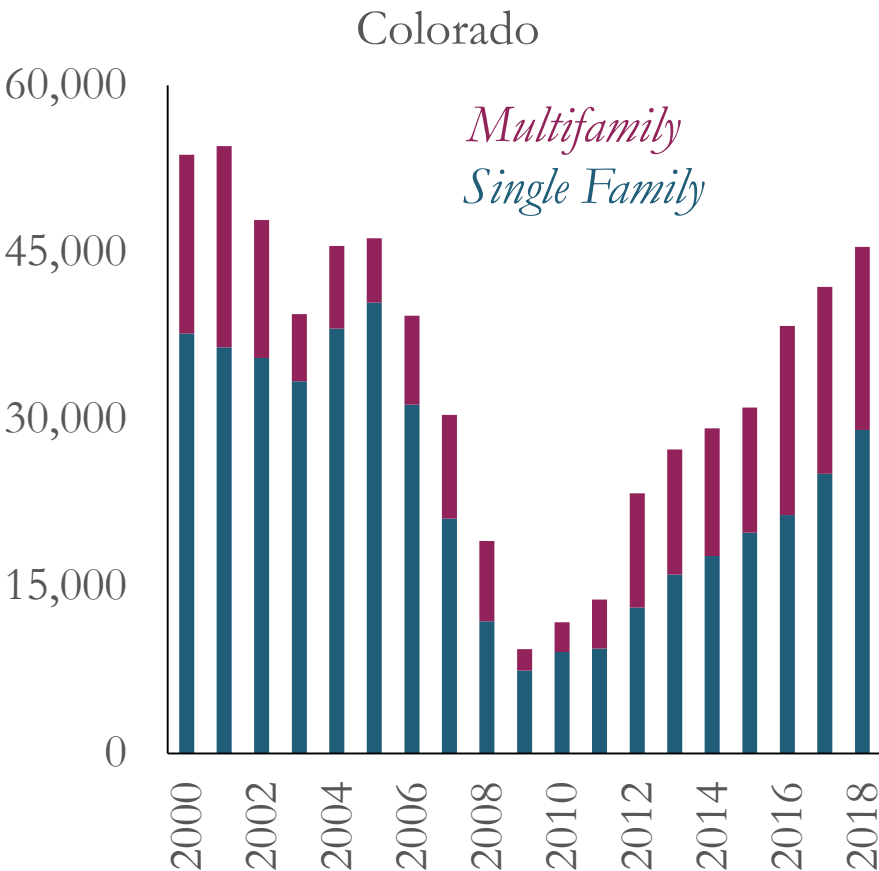
<i>Annual Percent Change</i>	<i>2018</i>
United States	0.2%
Colorado	0.7%
Larimer County (2017)	1.1%



Residential construction activity has increased significantly since 2009, but multifamily permitting has started to slow.

RESIDENTIAL PERMITS

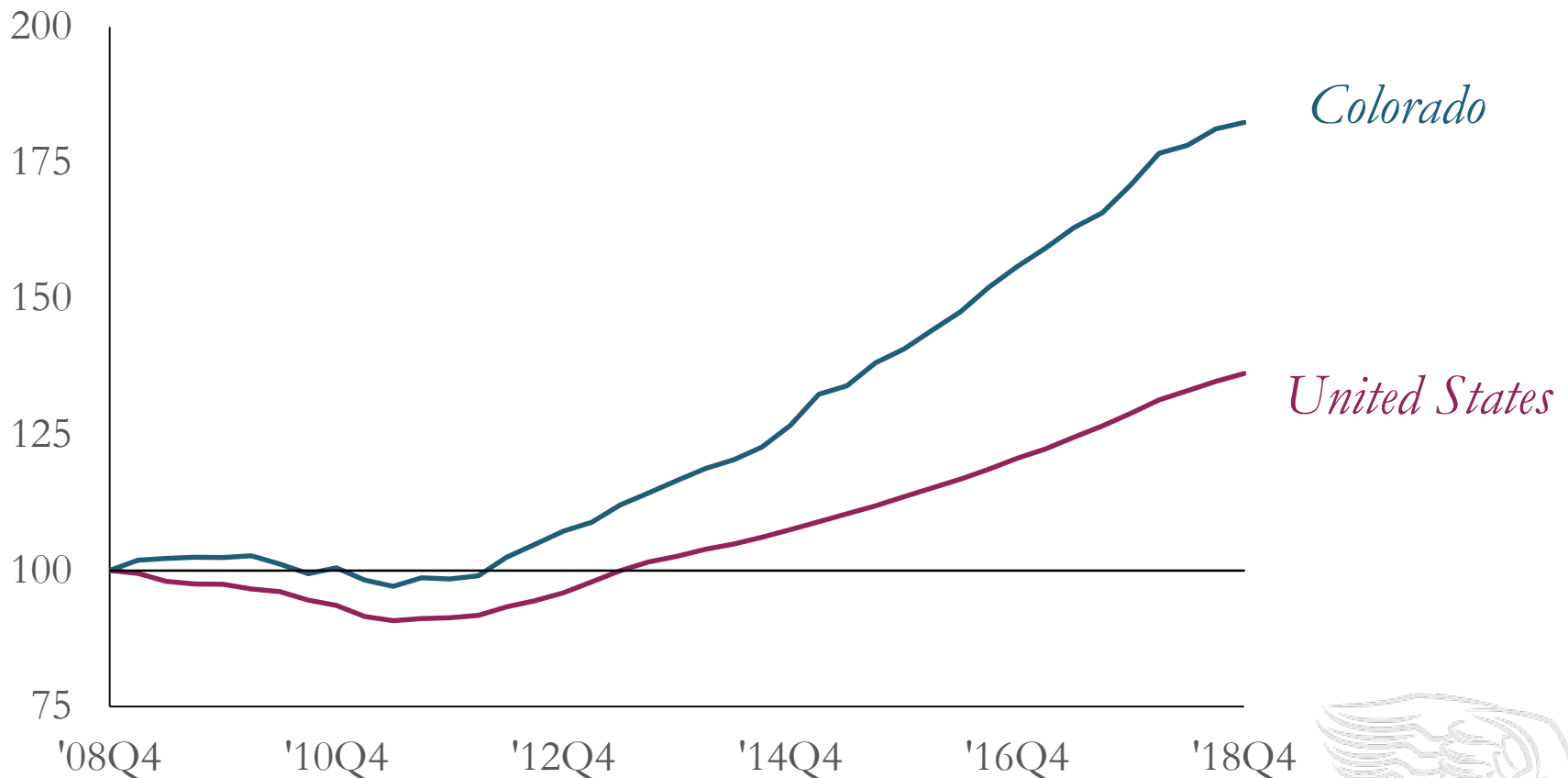
Annual



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

HOME PRICES

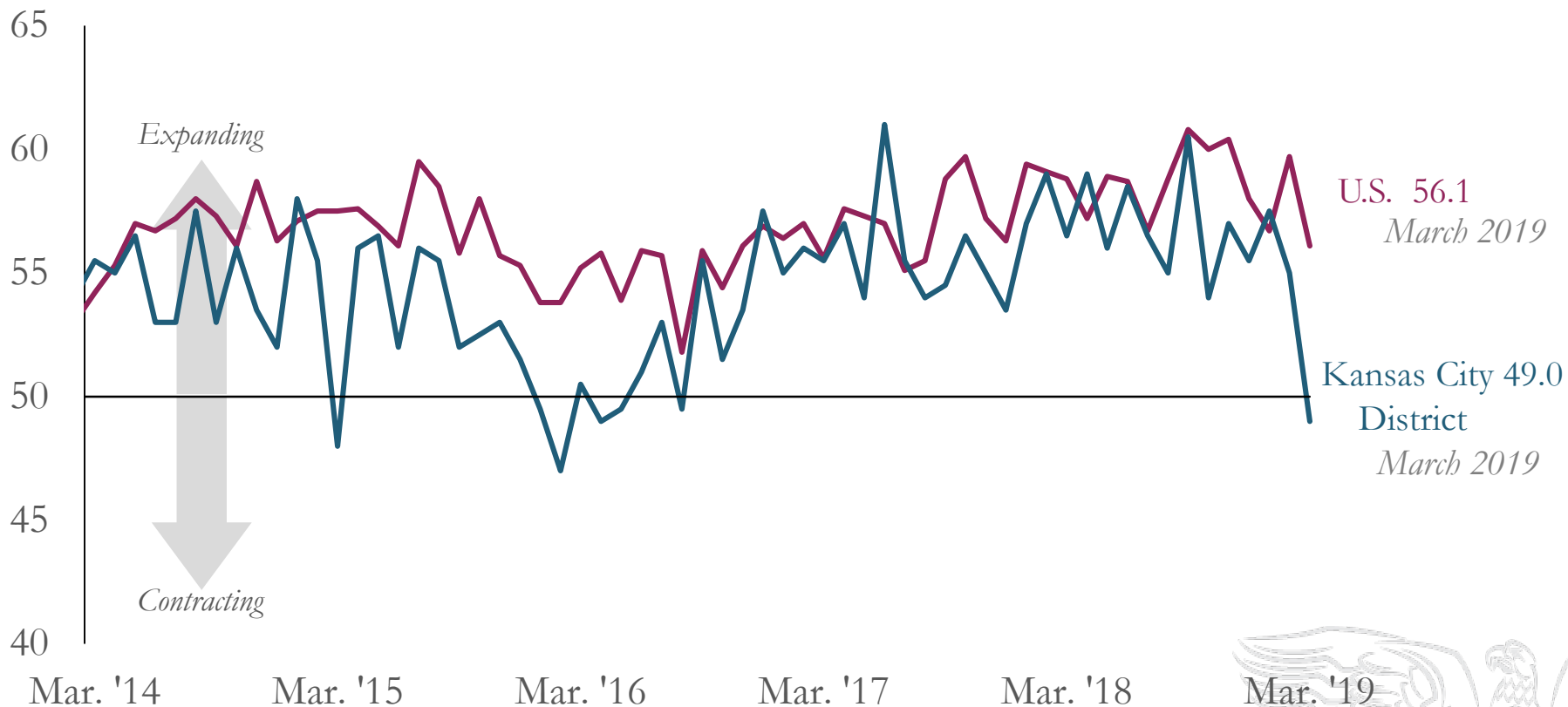
Seasonally Adjusted, Index 100 = Q4:2008



Overall, the services sector expanded at a solid pace in 2018, and contacts expect additional gains in the months ahead.

NON-MANUFACTURING AND SERVICES ACTIVITY

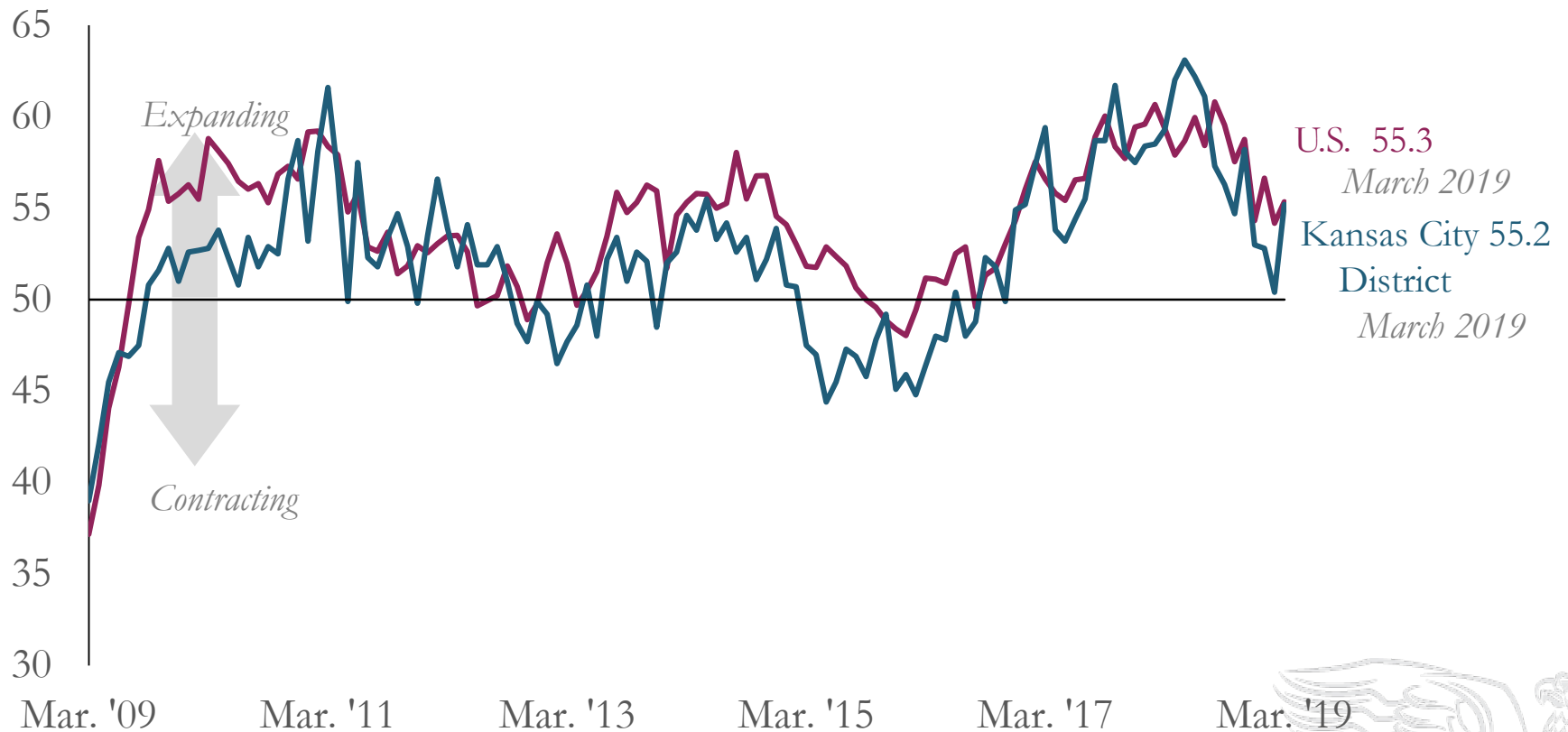
Diffusion Index, Seasonally Adjusted, Month-over-Month



Manufacturing activity has been strong the past two years, but recent surveys suggest the pace of expansion may be slowing.

MANUFACTURING ACTIVITY

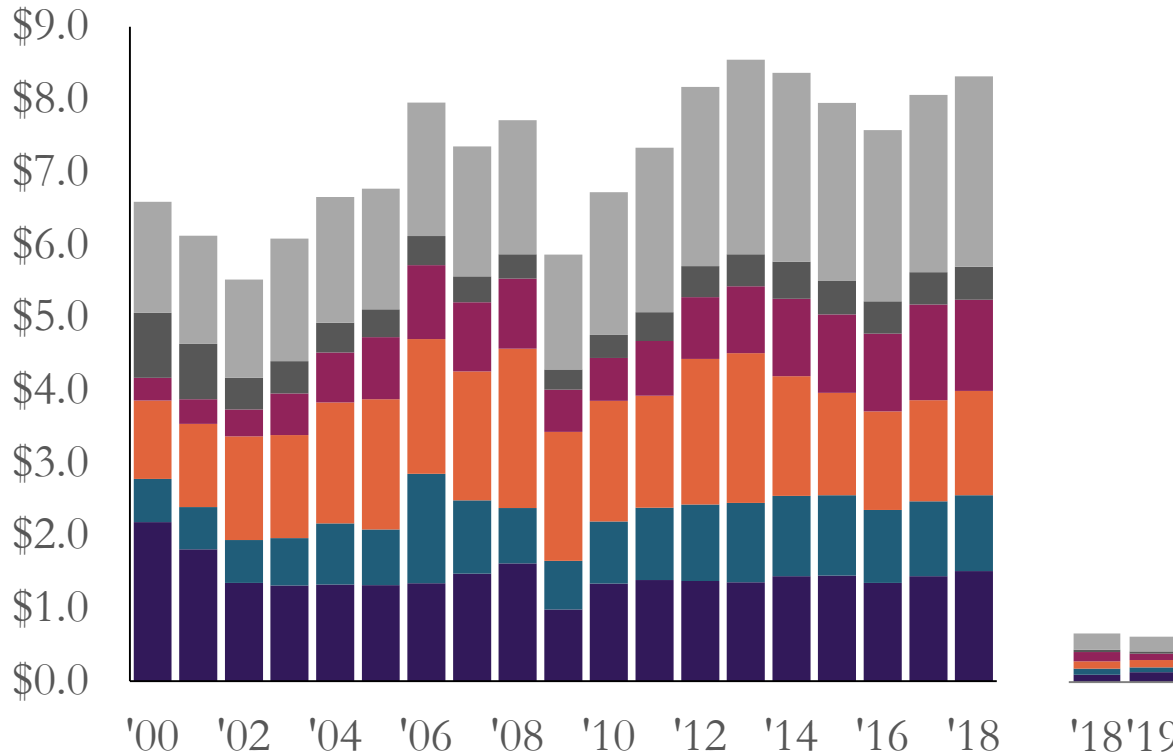
Diffusion Index, Seasonally Adjusted, Month-over-Month



Despite ongoing trade and tariff concerns, exports from Colorado increased last year.

COLORADO EXPORTS BY TRADING PARTNER

Billions



DECEMBER 2018 YEAR-TO-DATE

Year-over-Year Percent Change

Total Trade	3.3%	SHARE*
All Other	7.6	31.5%
Japan	1.8	5.4
Mexico	-4.8	15.1
Canada	3.2	17.3
China	1.5	12.5
Eurozone	5.1	18.2

*Shares are for 2018



'18'19

YTD

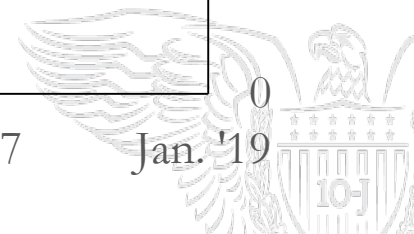
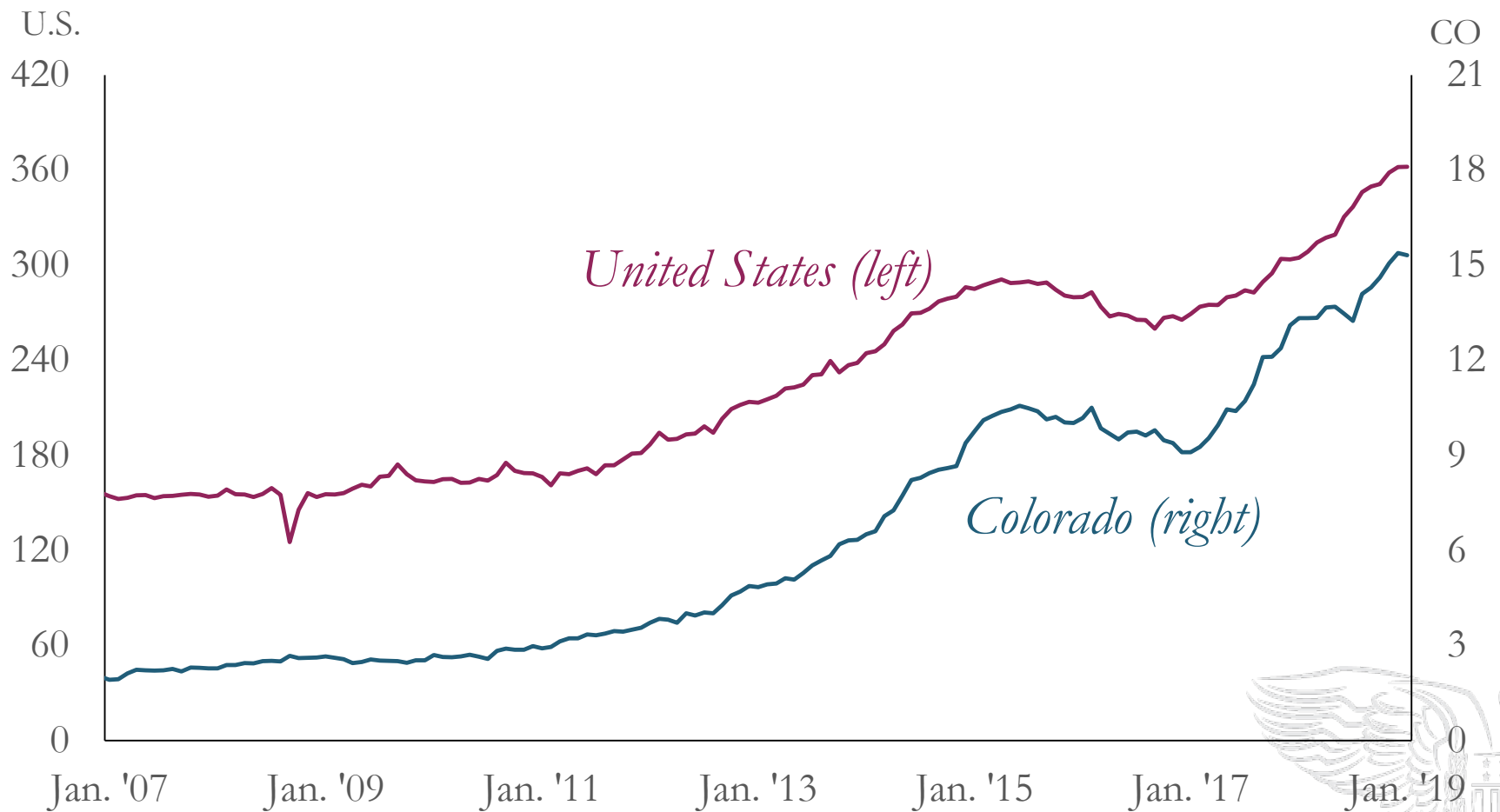
January



Energy activity rose substantially over the past two years in response to higher oil prices.

CRUDE OIL PRODUCTION

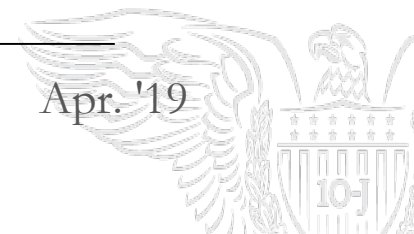
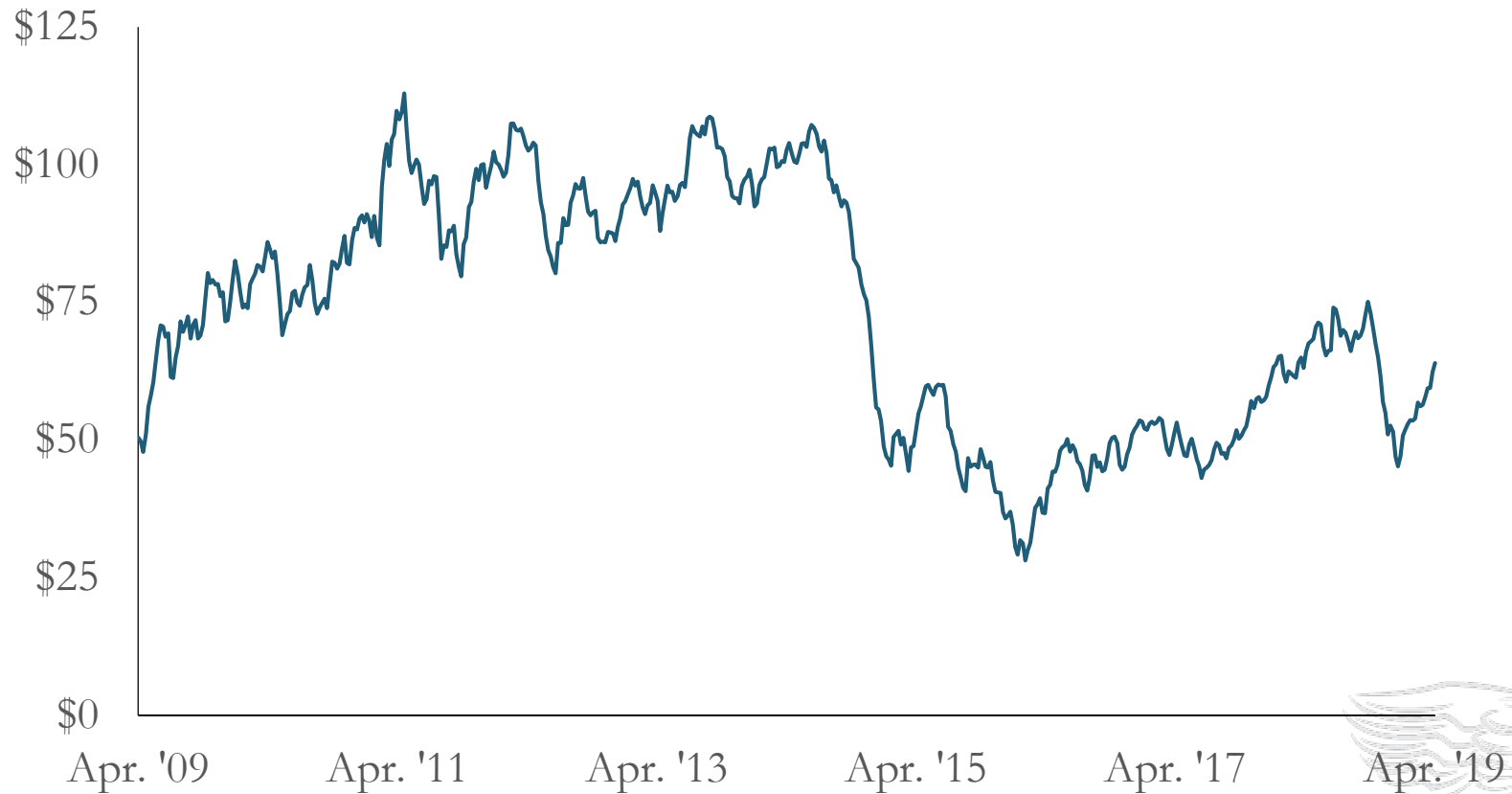
Millions of Barrels, Monthly, Seasonally Adjusted



After declining in the fourth quarter, oil prices have increased in recent months.

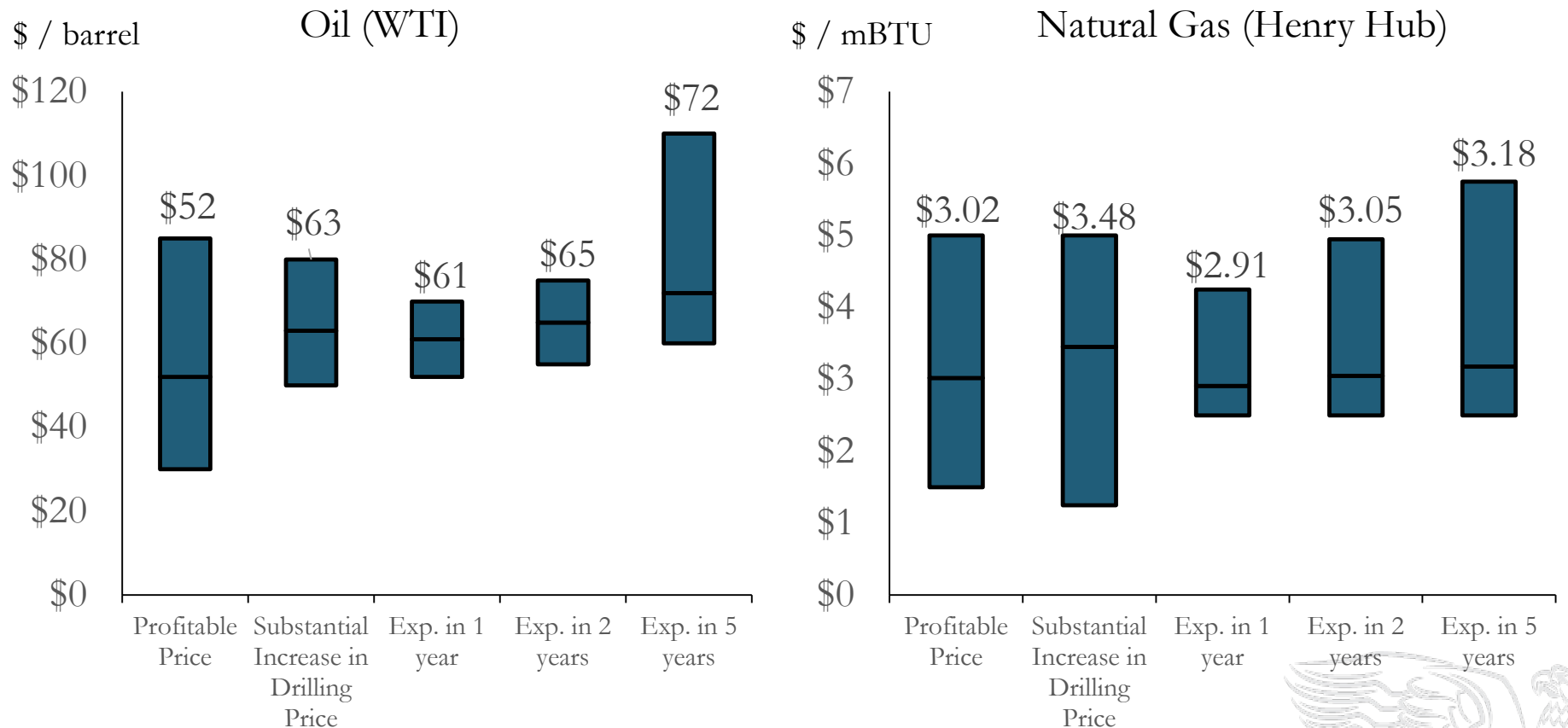
OIL PRICES - WTI

Dollars per Barrel



Oil prices are expected to remain above profitable levels over the next two years.

ENERGY SURVEY SPECIAL QUESTION
Q1:2019



Notes: 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).

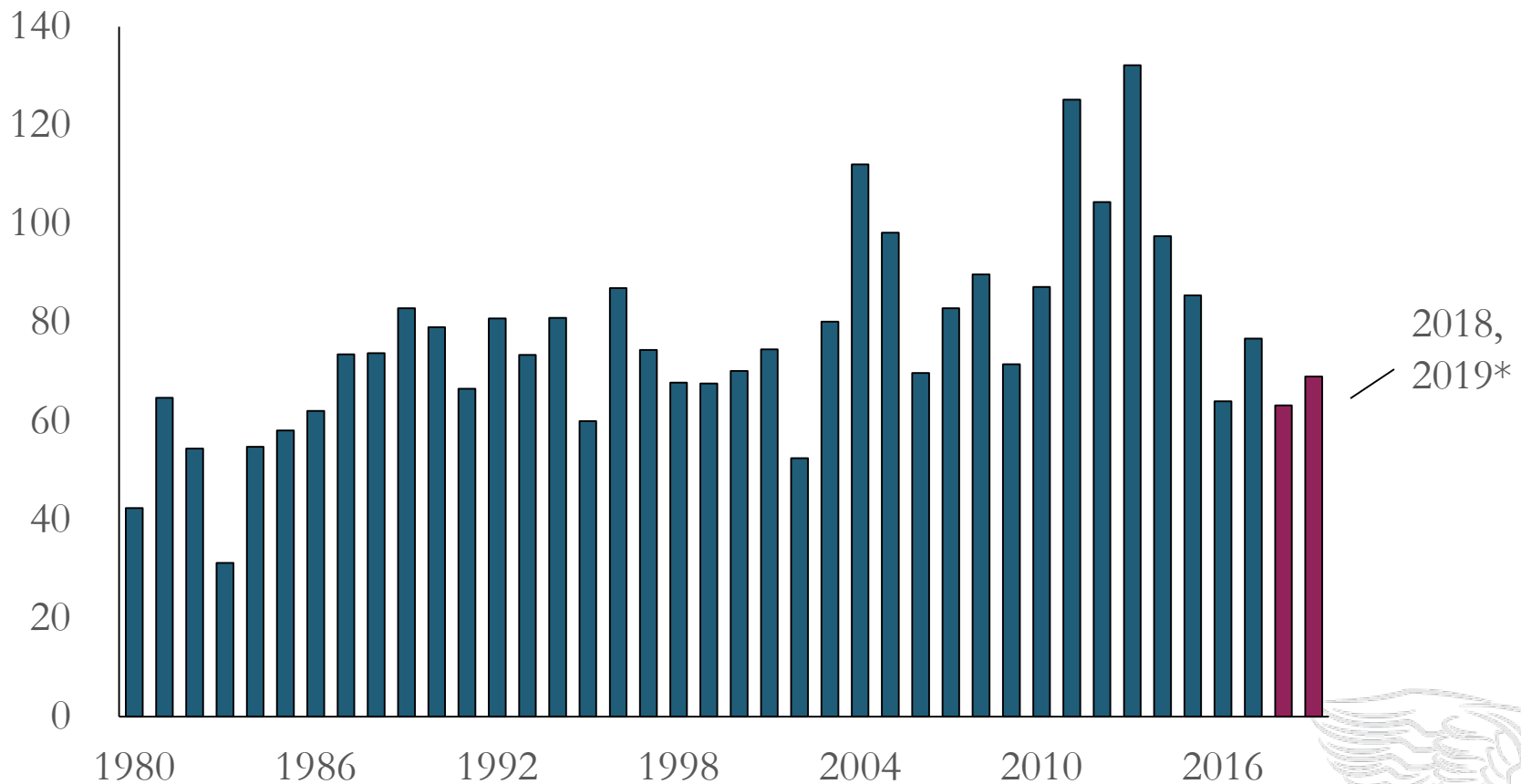
Source: Kansas City Federal Reserve Bank Energy Survey



The agriculture sector continues to struggle as commodity prices remain low.

U.S. REAL NET FARM INCOME


Billions, 2018 Dollars



*Forecasts for 2018 and 2019

Source: USDA



The image features a large, circular, embossed seal of the Federal Reserve Bank of Denver, Colorado. The seal is set against a light-colored, textured background. The outer ring of the seal contains the text "FEDERAL RESERVE BANK" at the top and "DENVER, COLORADO" at the bottom. In the center of the seal is a shield with a central emblem, flanked by olive branches and a laurel wreath. Above the shield is an eagle with its wings spread. The shield itself contains a central emblem with vertical lines and a small figure, possibly a person or a symbol, and is surrounded by stars.

For additional information on the regional economy:

<http://www.KansasCityFed.org/Denver>

