

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



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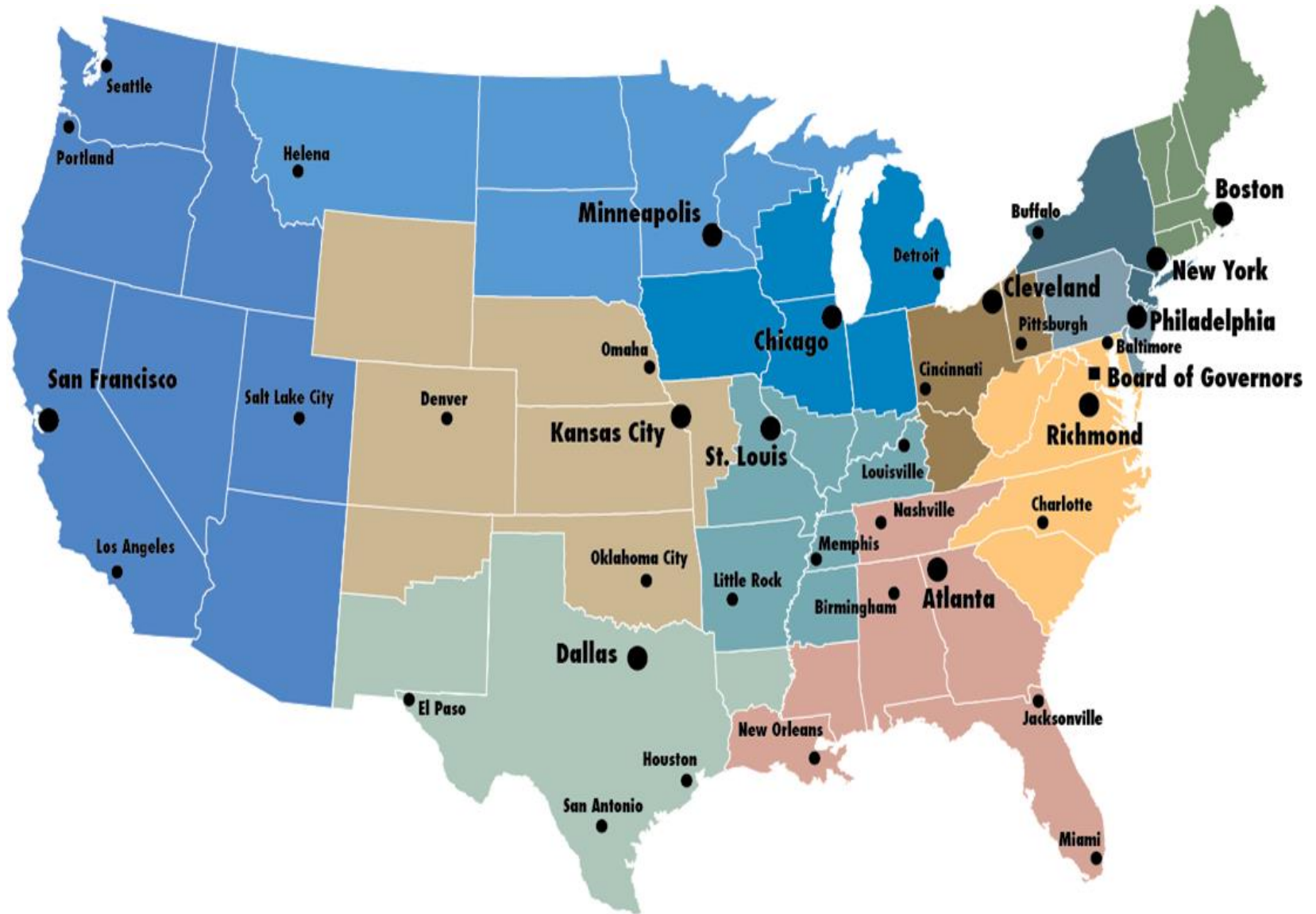
*The views expressed are those of the presenter and do not necessarily reflect  
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

# 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





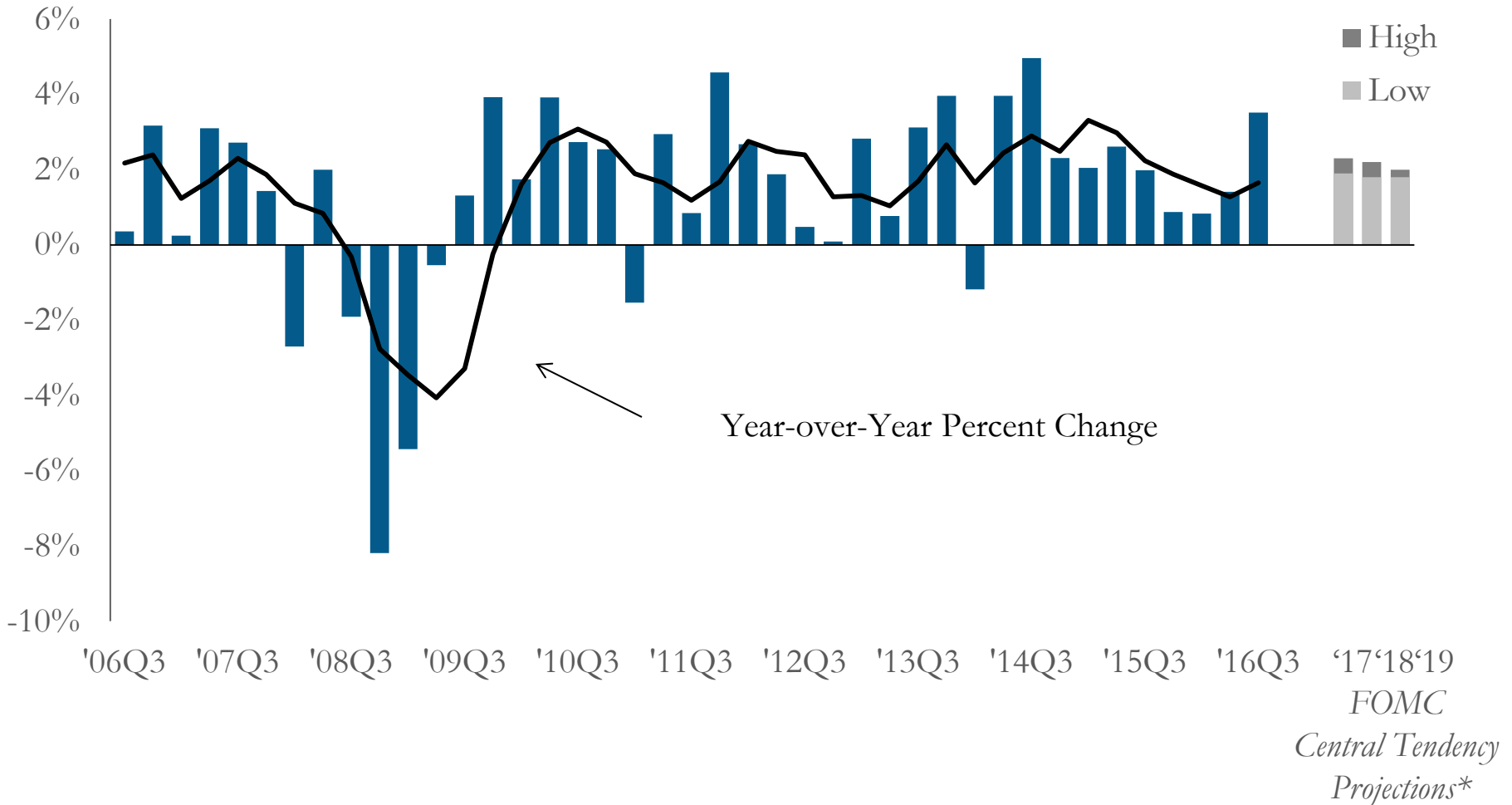
- Functions – around 160 staff
  - Regional research covering the economies of Colorado, New Mexico and Wyoming
  - Economic, financial education, and community development outreach
  - Examinations of Colorado, Wyoming and northern New Mexico financial institutions
  - Cash processing and distribution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

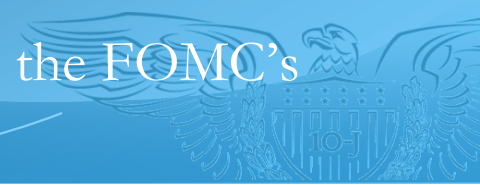
*Percent Change from Previous Quarter at Seasonally Adjusted Annualized Rates*



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

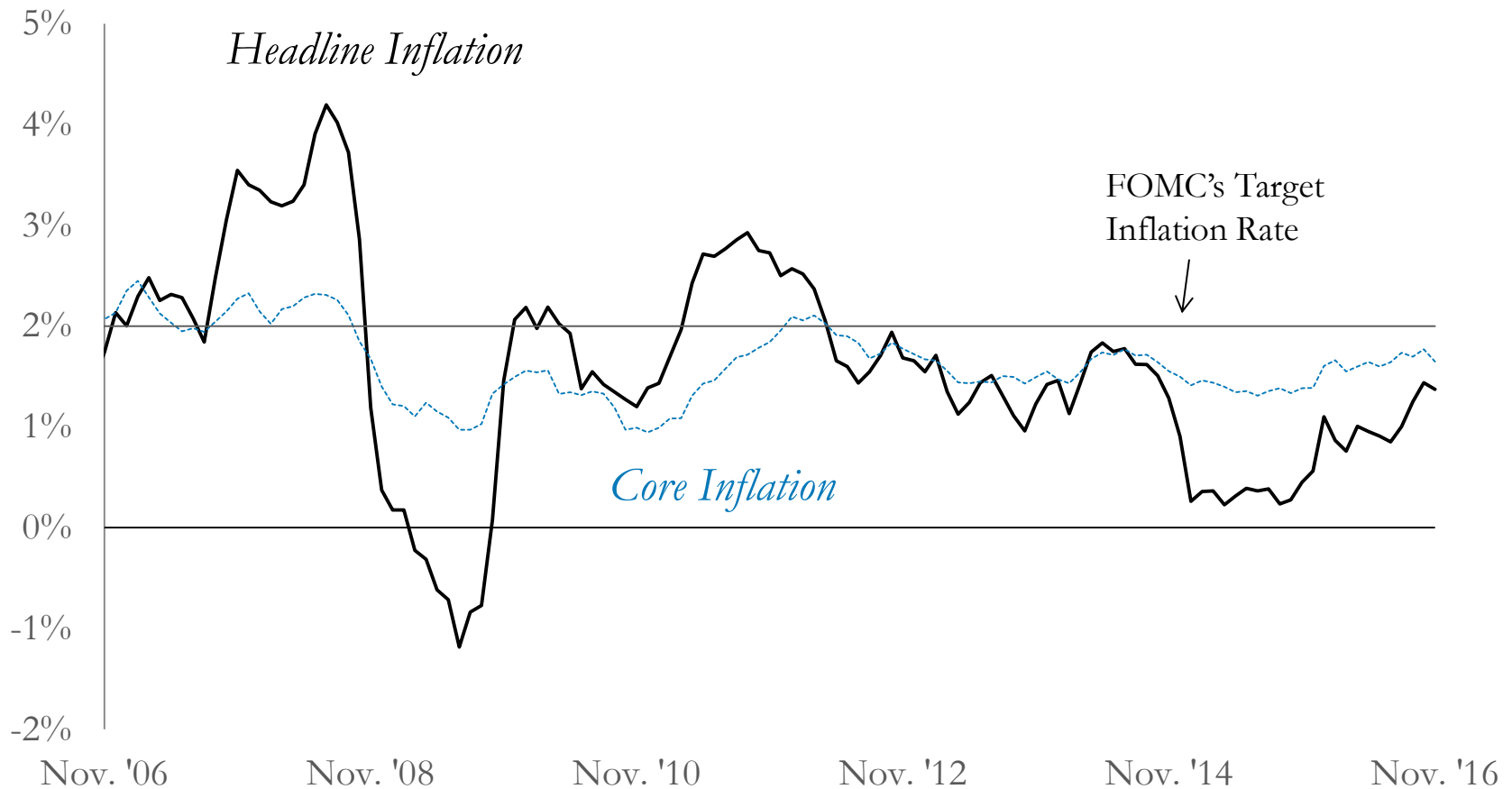
\*Projections as of December FOMC meeting

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*

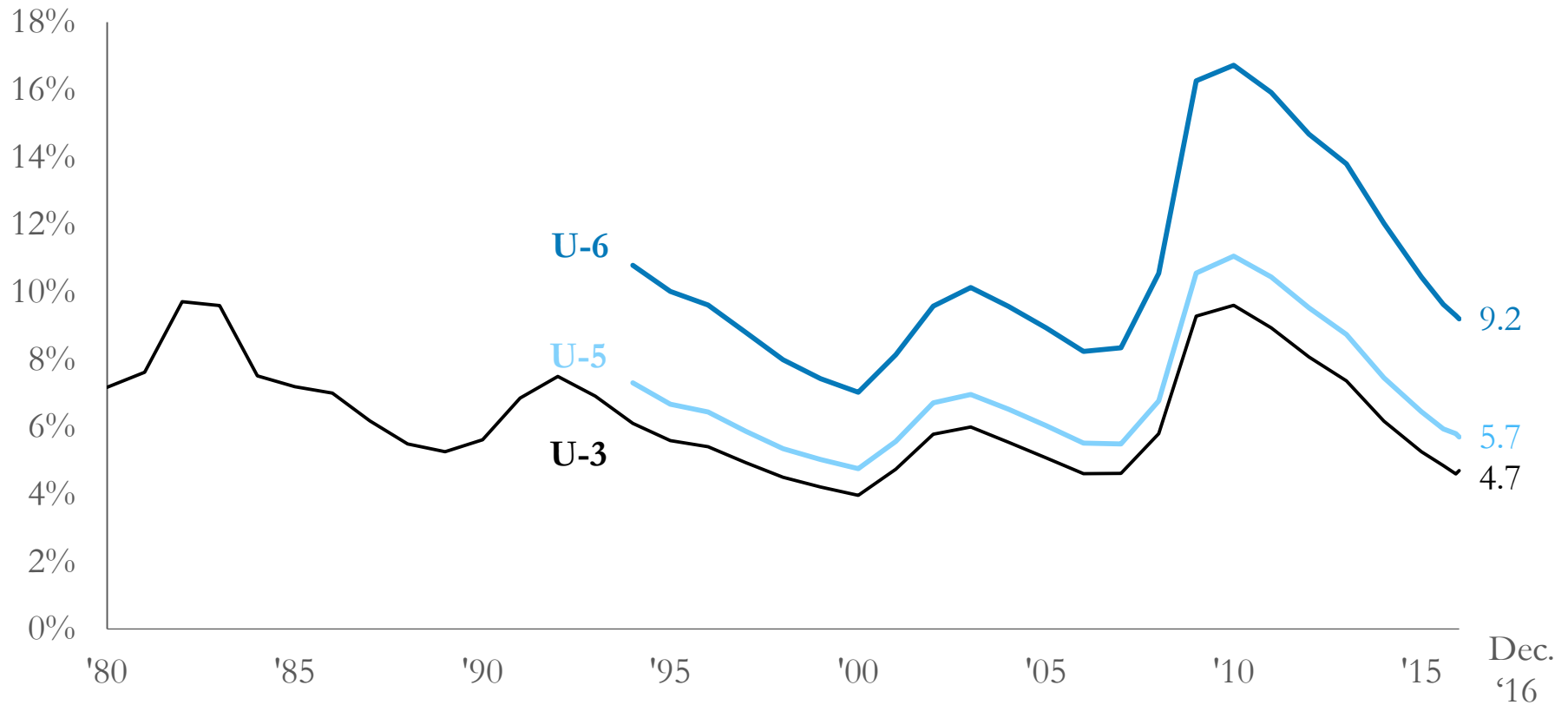


Measures of unemployment and under-employment have declined steadily over the past six years.



## 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*





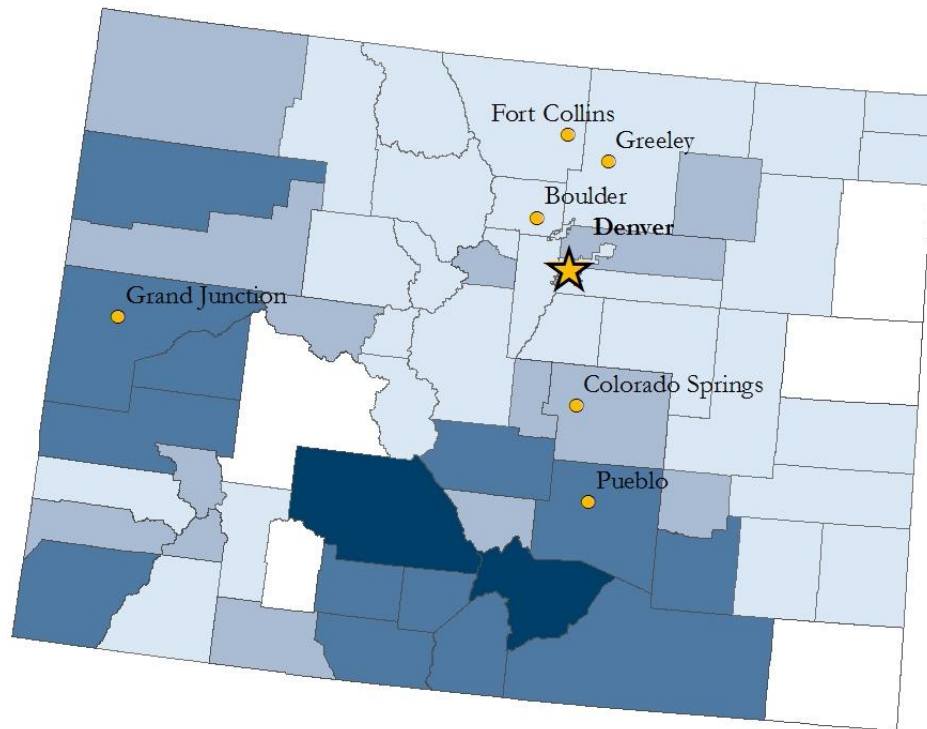
# Unemployment rates are below national rates in most of Colorado.



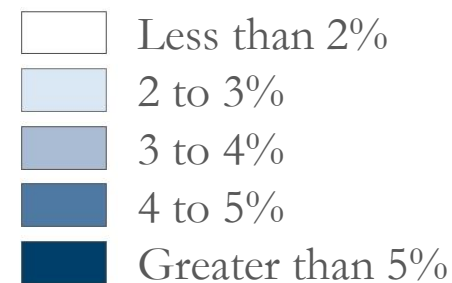
## UNEMPLOYMENT RATES

*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.

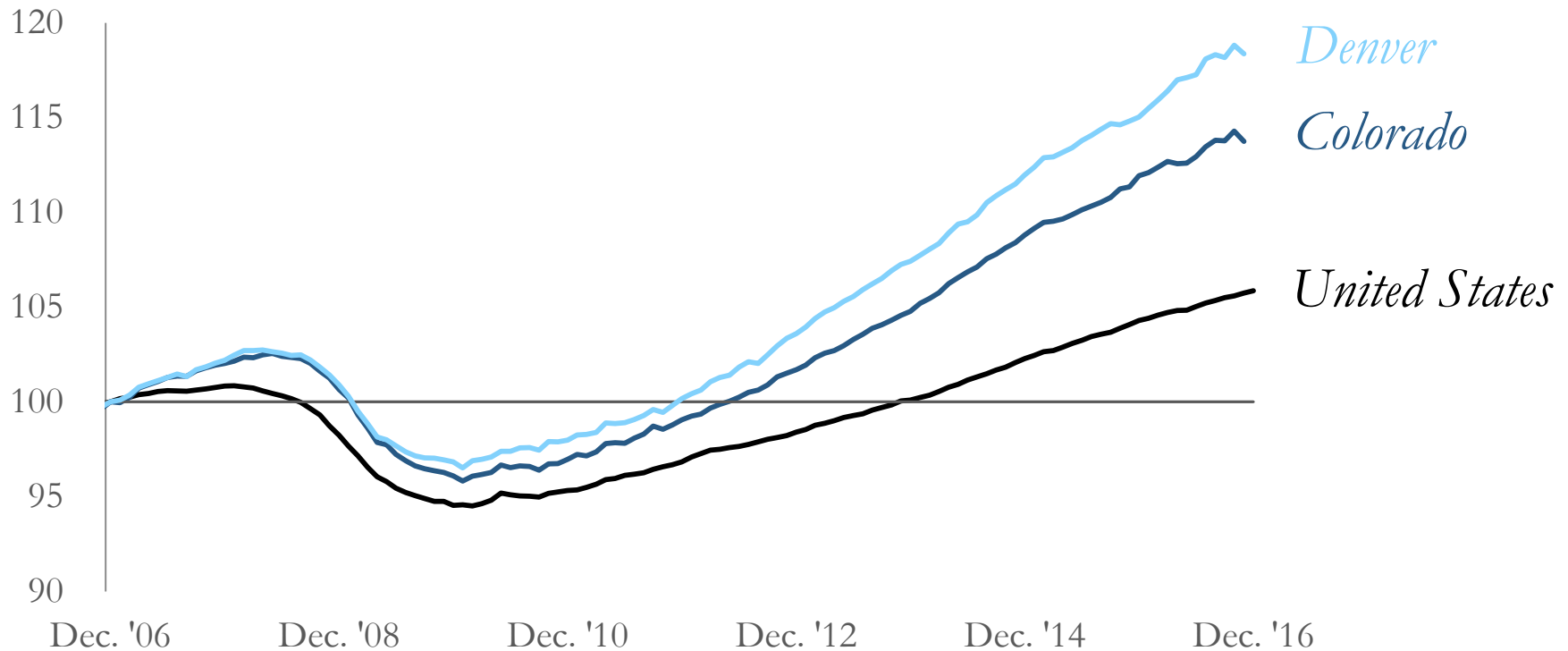


## PAYROLL EMPLOYMENT GROWTH

*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%



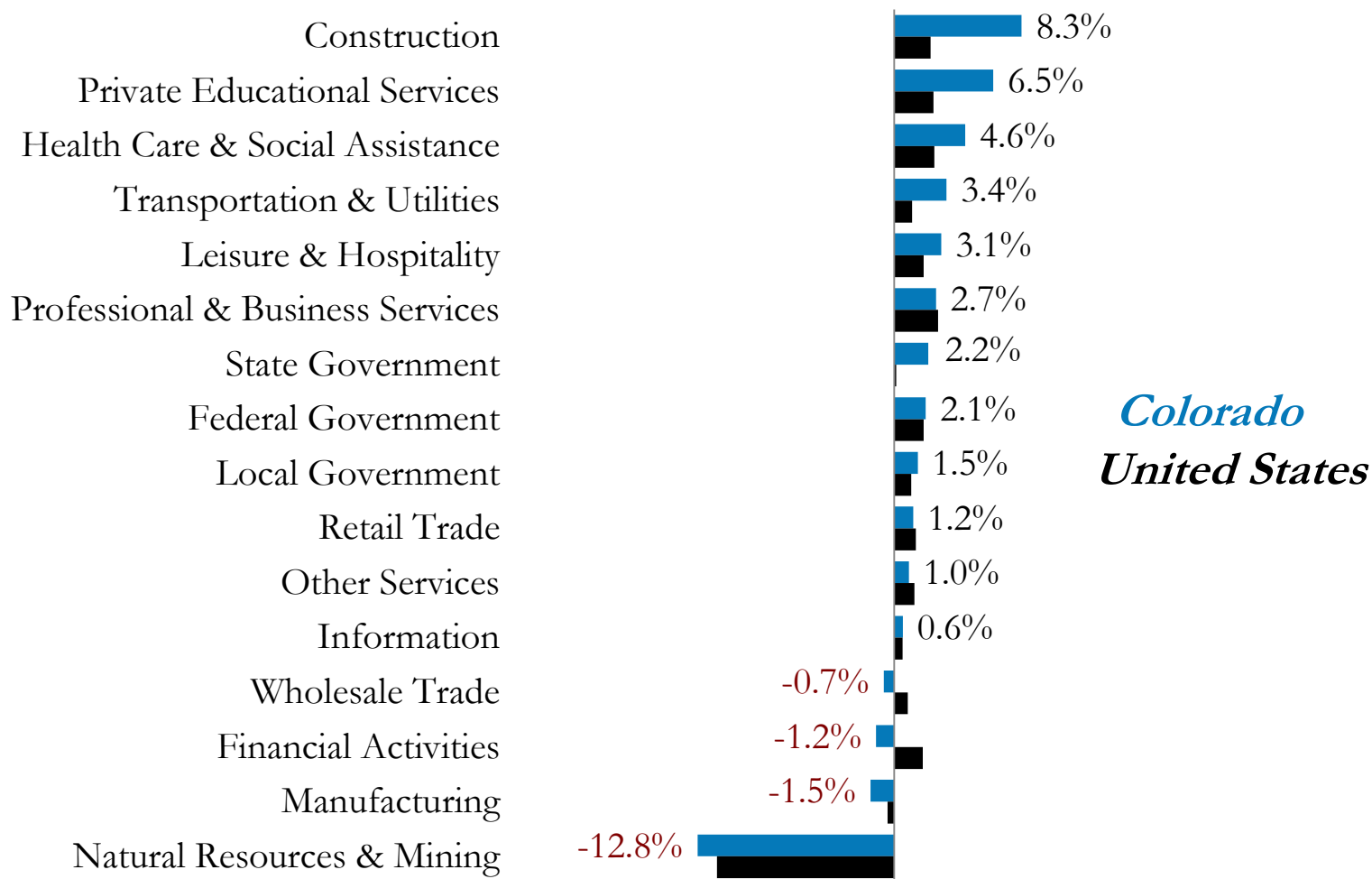
The majority of industries in Colorado have added jobs over the past year, but employment in the energy sector has declined sharply.



## CHANGE IN PAYROLL EMPLOYMENT, NOVEMBER 2016

*Seasonally Adjusted*

*Percent Change Year-over-Year*

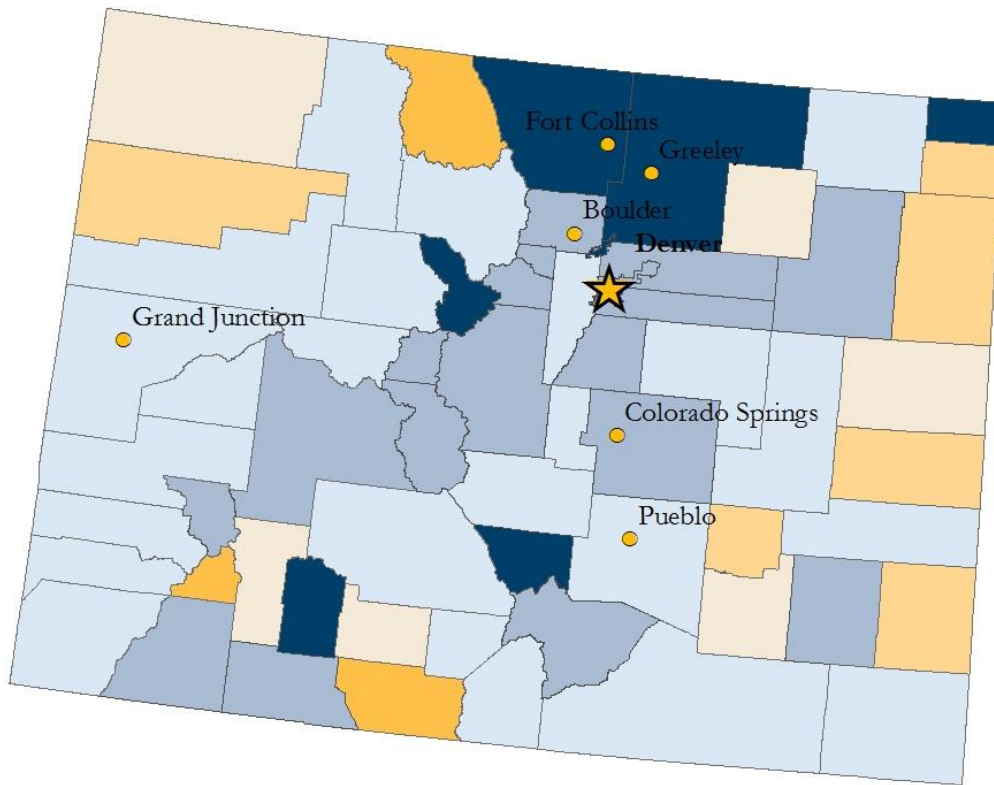


# Parts of Colorado continue to experience strong population growth and net in-migration.

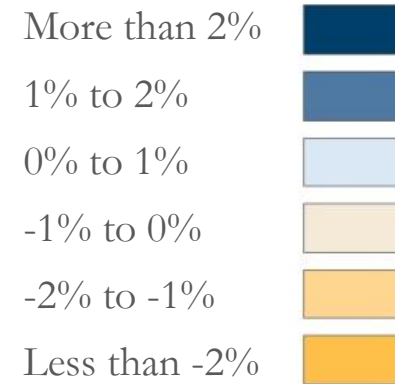


## NET MIGRATION

*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%



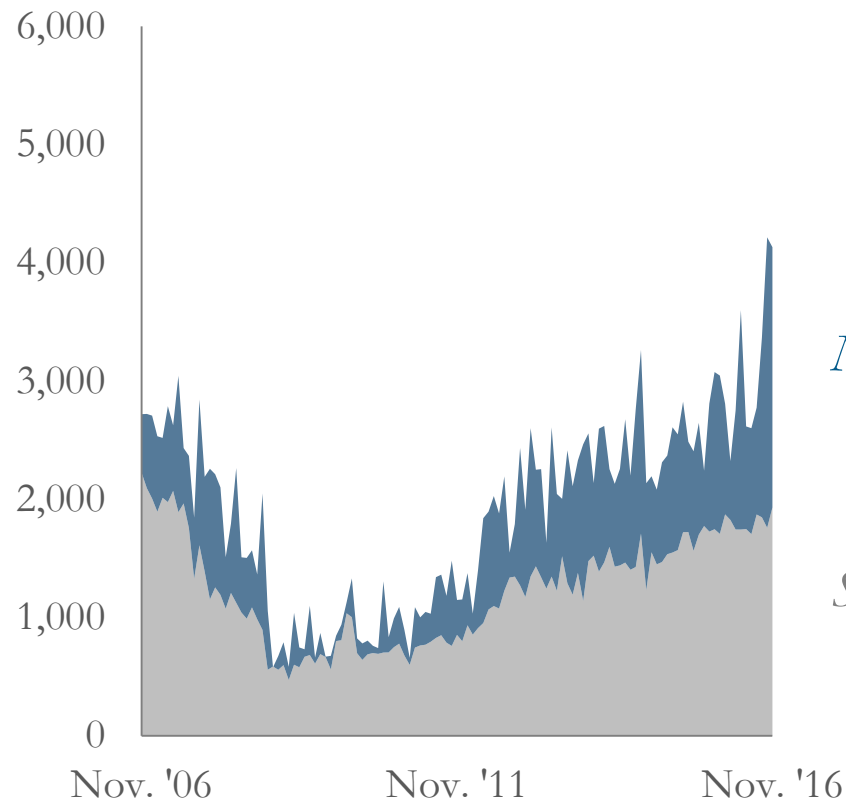
Residential construction activity has been increasing for more than six years, led by strong gains in multifamily building.



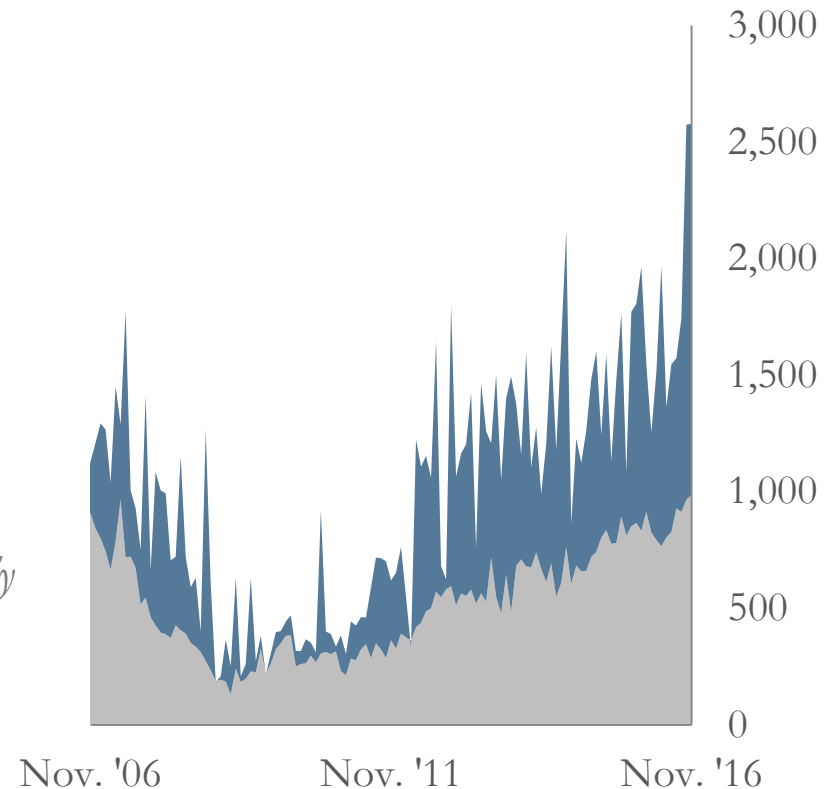
## RESIDENTIAL PERMITS

*Seasonally Adjusted*

### Colorado



### Denver

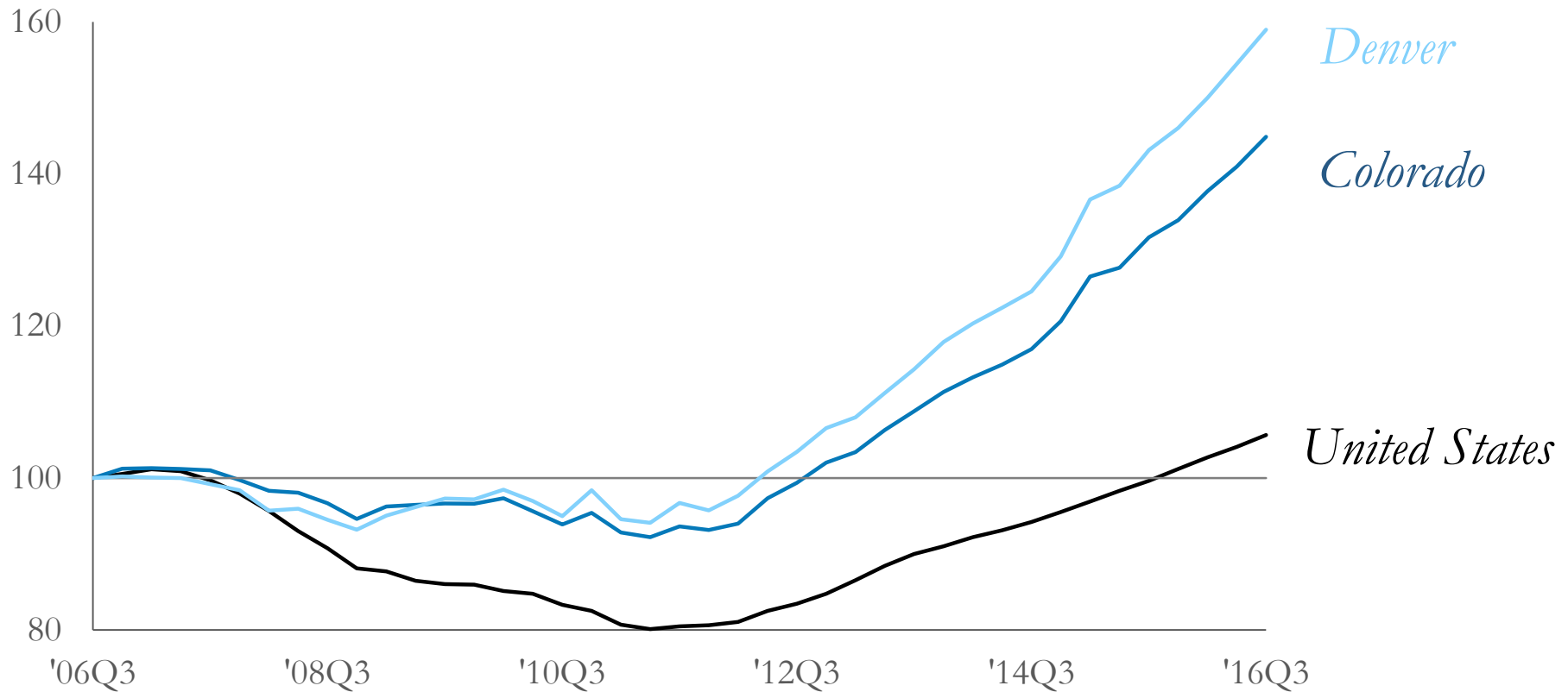


Home prices have increased sharply over the past several years in Colorado.



## HOME PRICES

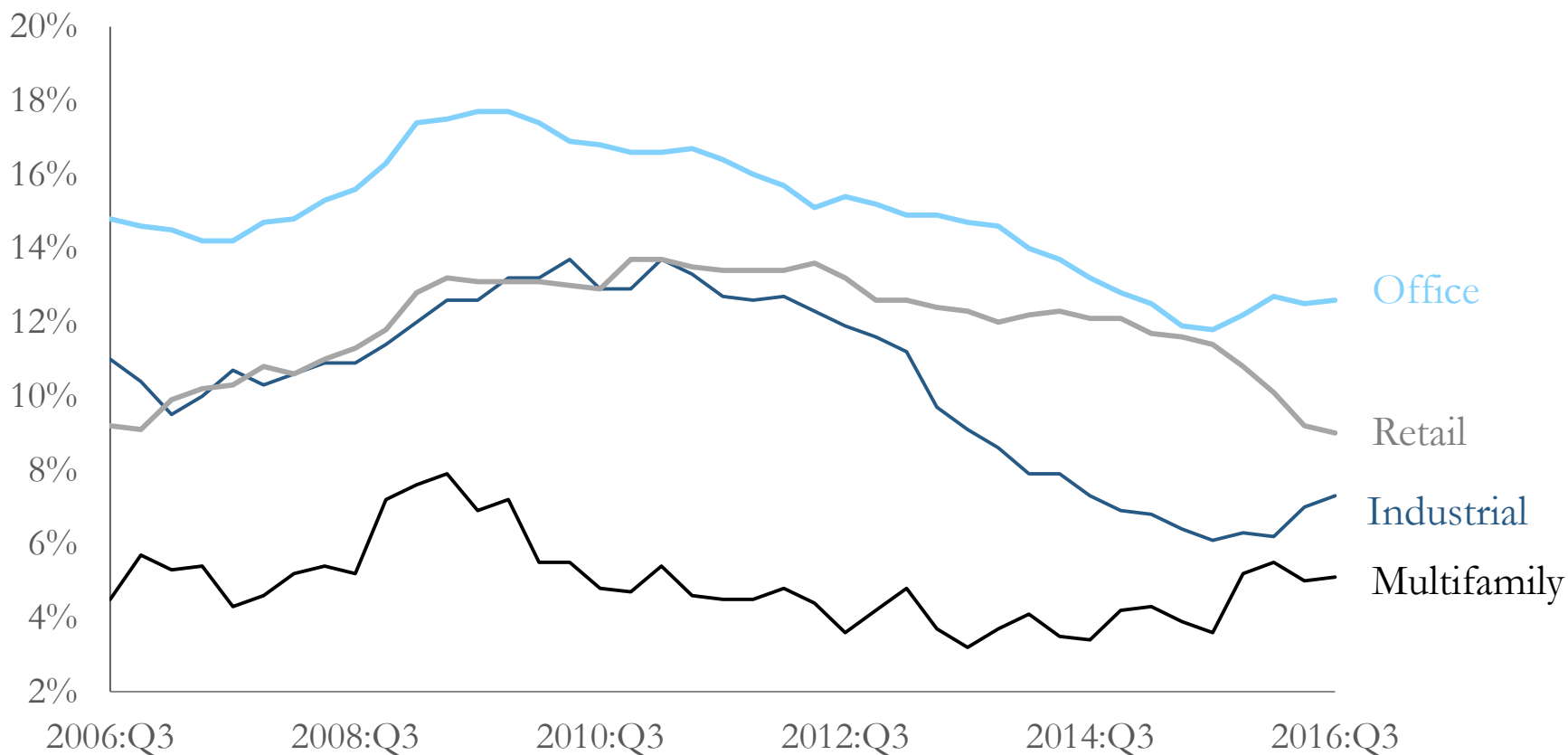
*Seasonally Adjusted, Index 100 = Q3:2006*



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



## DENVER COMMERCIAL VACANCY RATES

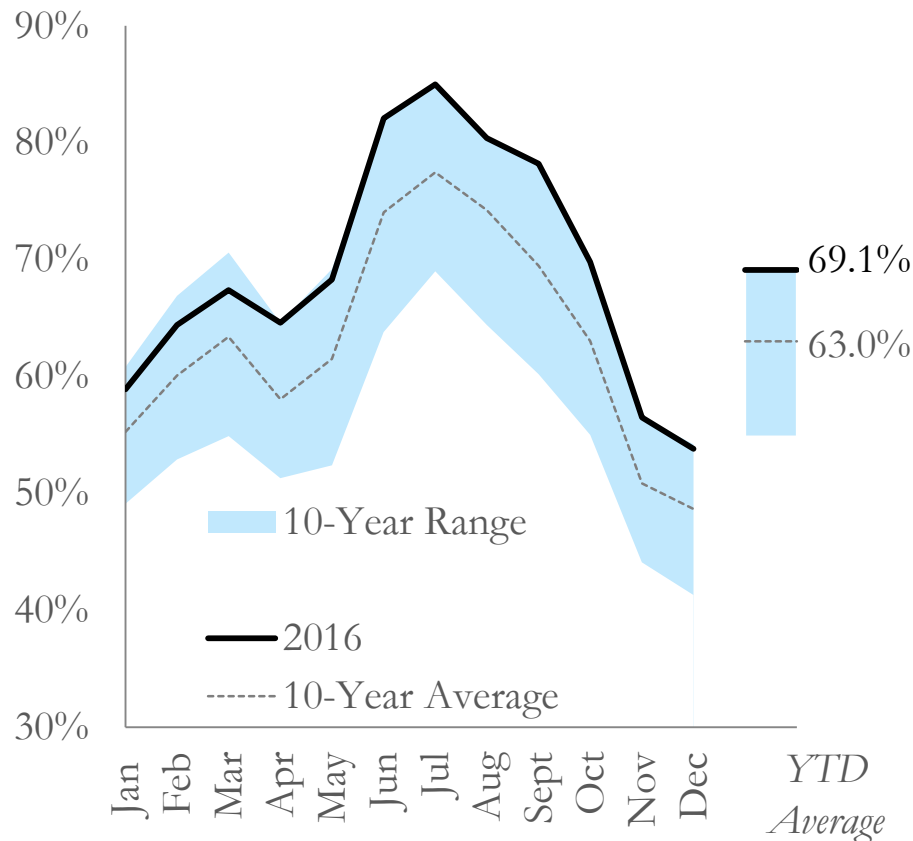


# Tourism activity has been strong in Colorado over the past few years.



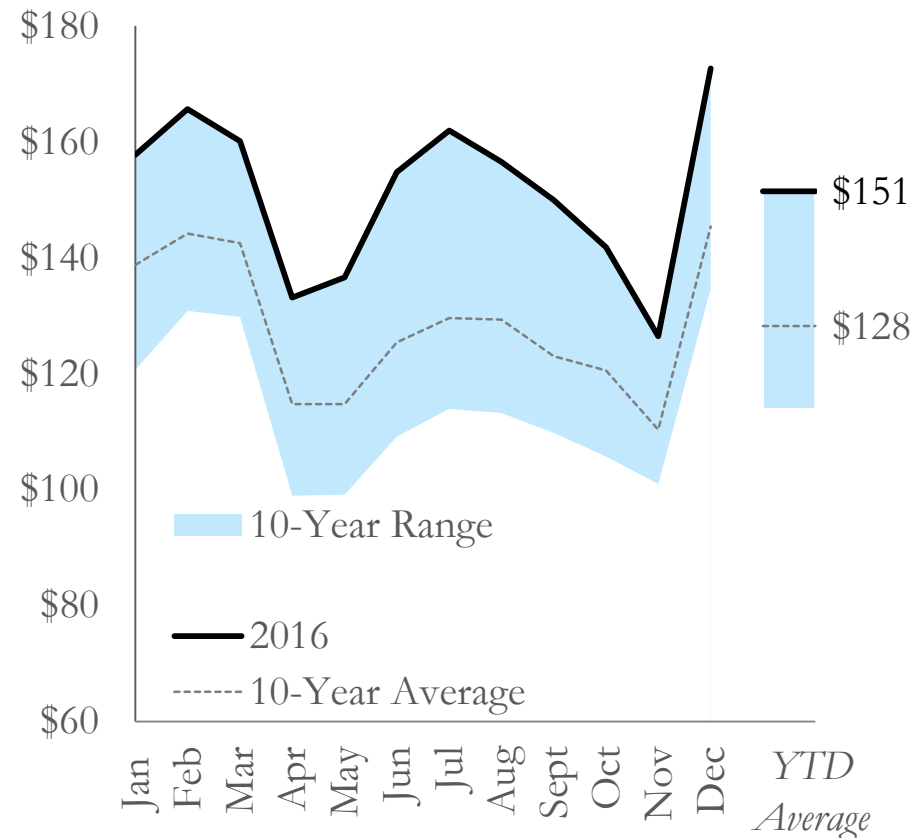
## HOTEL OCCUPANCY RATES

*Colorado*



## REAL HOTEL ROOM RATES

*Colorado, 1999 Dollars*



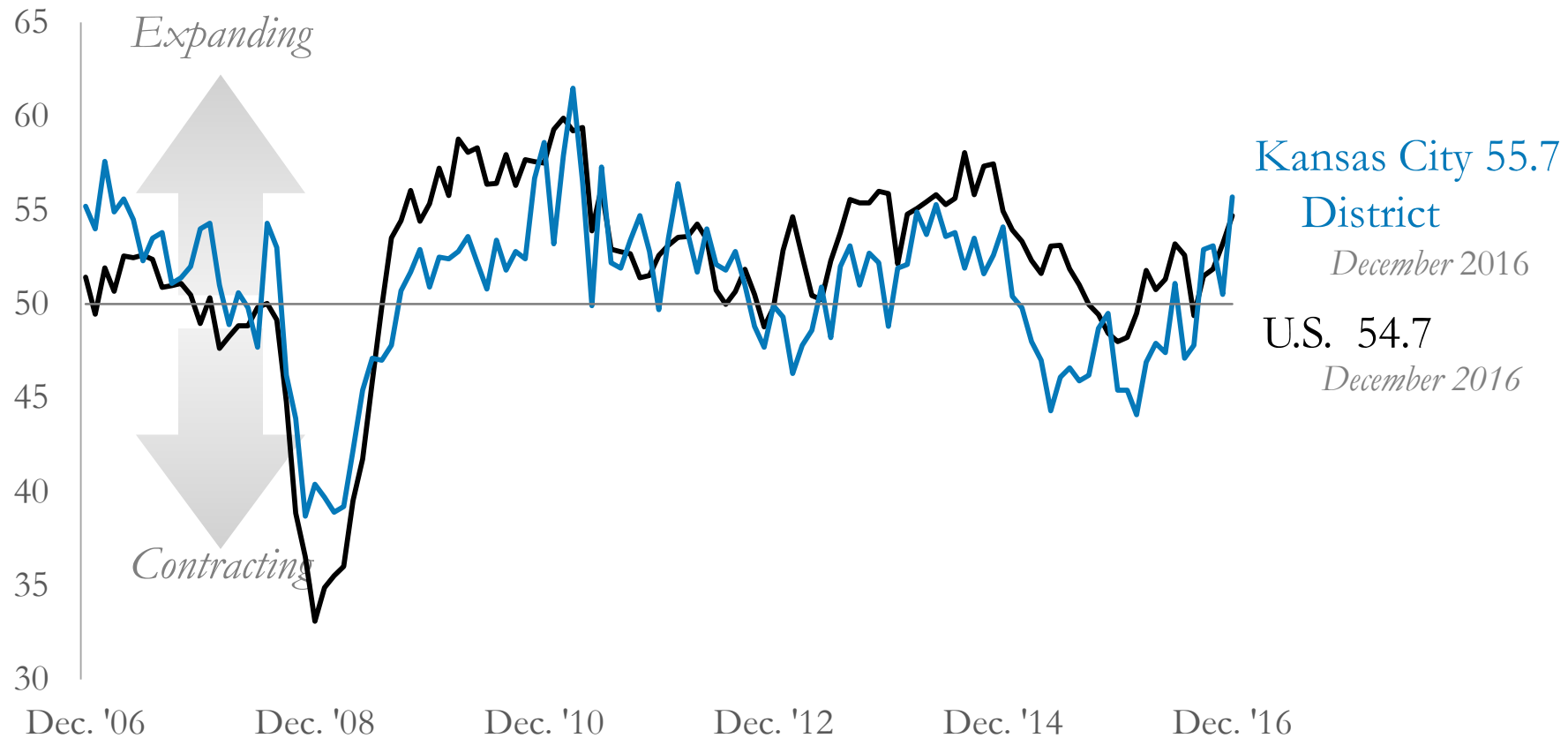


Manufacturing activity has rebounded in recent months after weak activity in 2015 and early 2016.



## MANUFACTURING ACTIVITY

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

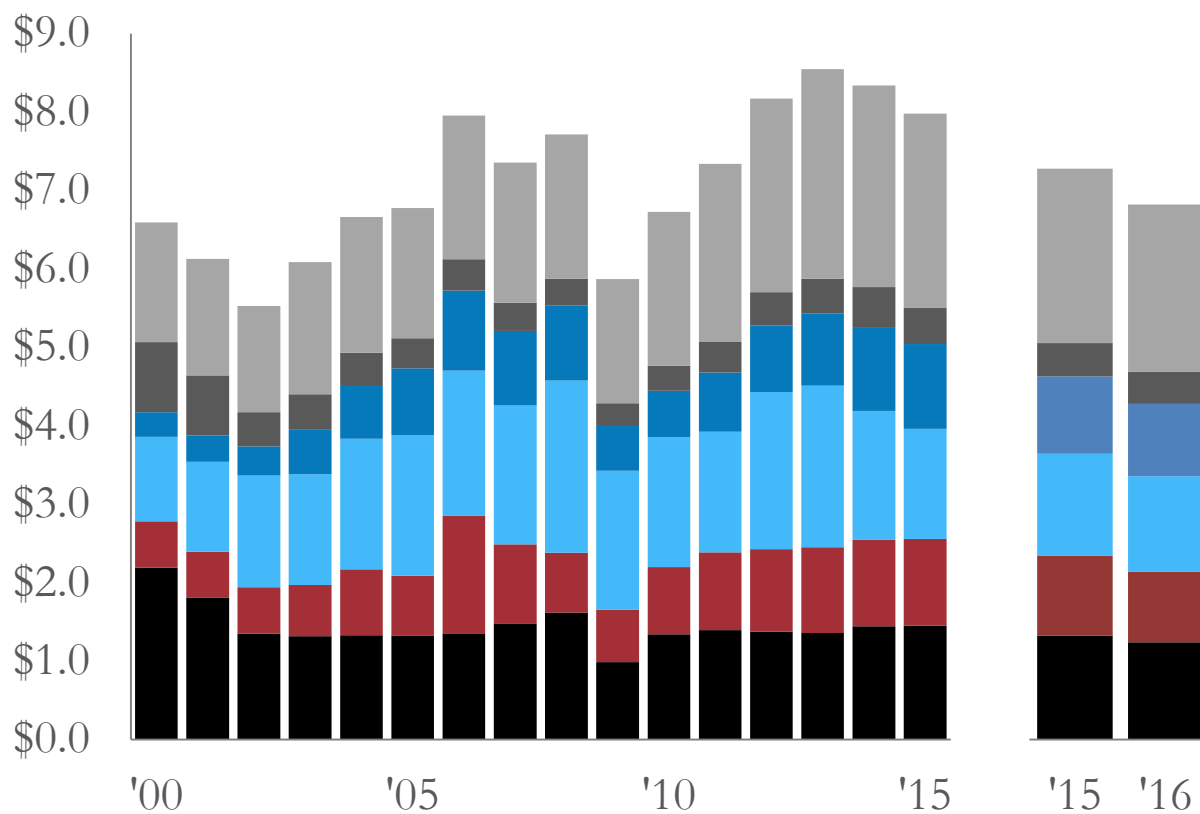


Colorado export activity has slowed over the past two years, weighed down by a strong U.S. dollar.



## COLORADO EXPORTS BY TRADING PARTNER

*Billions*



## YEAR-TO-DATE NOVEMBER '16

*Percent Change*

Trading Partner	Percent Change	SHARE*
Total Trade	-6.3%	SHARE*
All Other	-4.1	30.7%
Japan	-4.4	5.9
Mexico	-6.7	13.5
Canada	-6.2	17.7
China	-11.7	13.9
Eurozone	-6.4	18.3

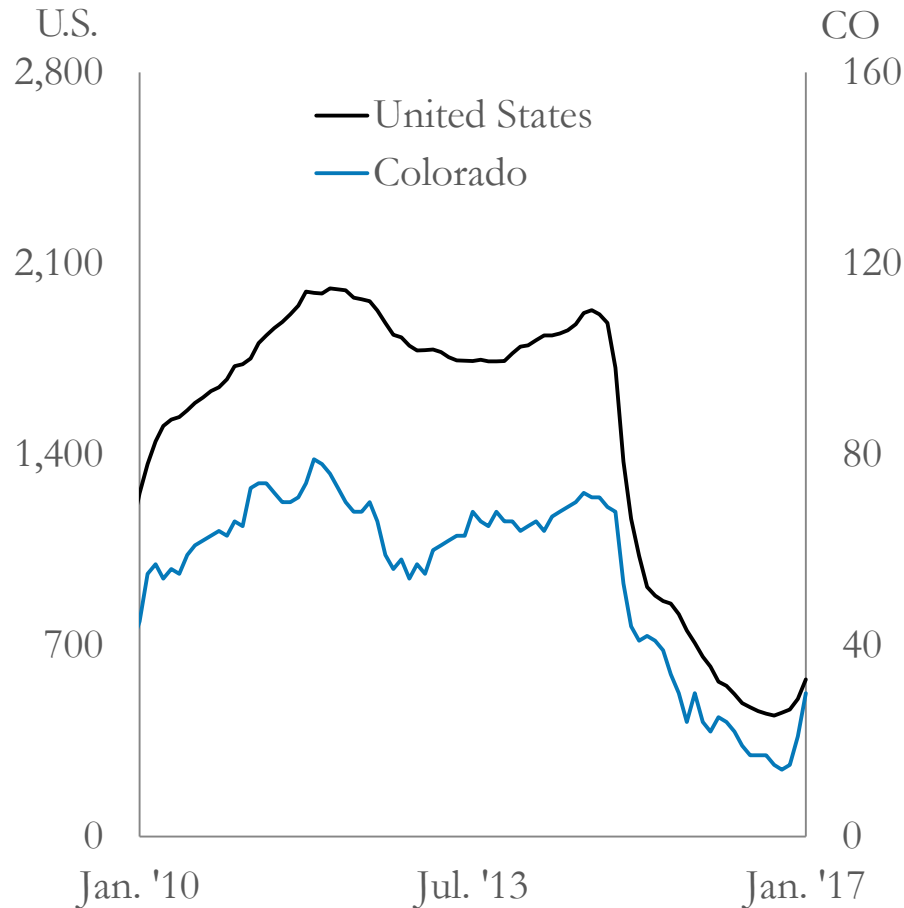
*\*Share is for 2015*

Year-to-Date: November

Energy activity has picked up in recent months after declining significantly since mid-2014.

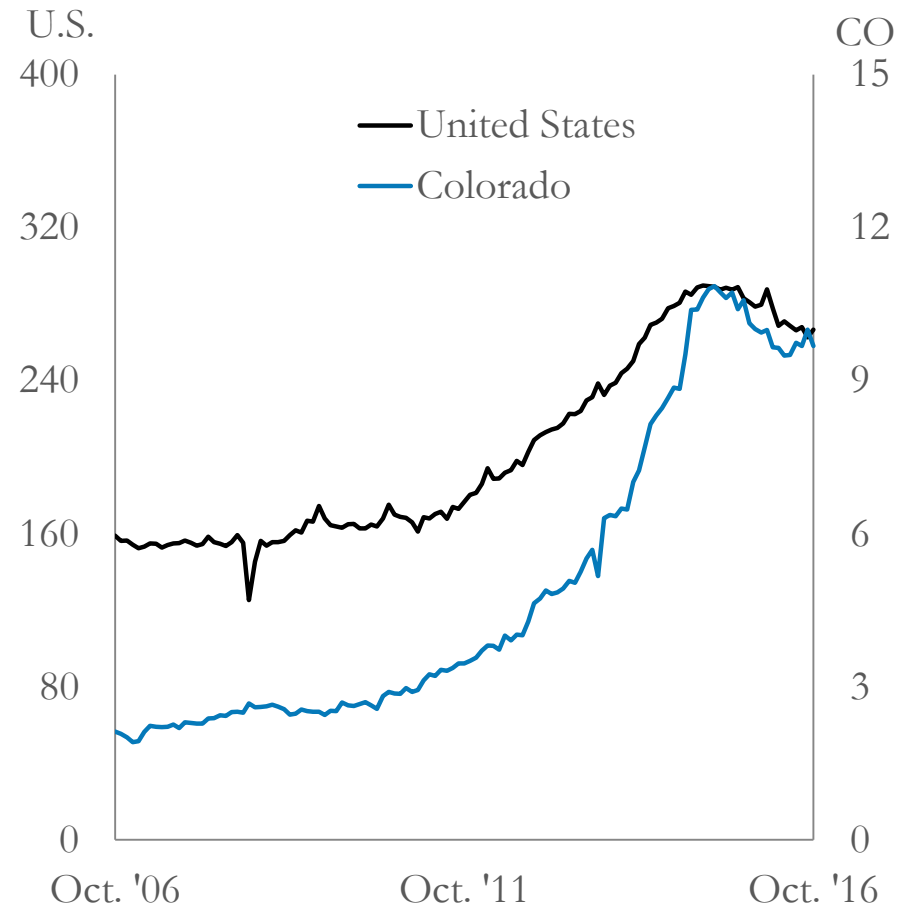


### TOTAL RIG COUNT



### CRUDE OIL PRODUCTION

*Millions of Barrels, Monthly,  
Seasonally Adjusted*

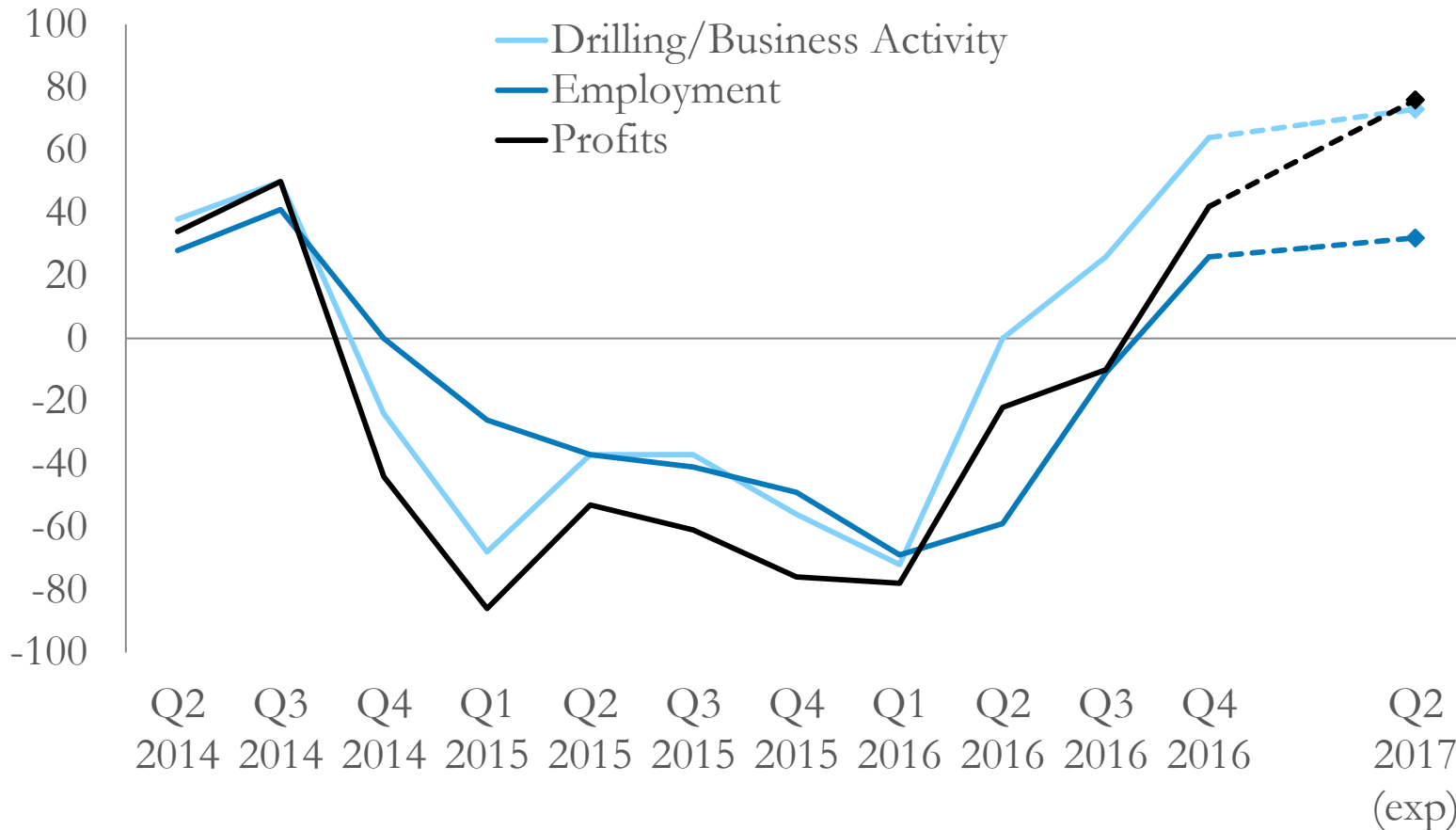


The energy sector is expected to expand in 2017.



## FRBKC ENERGY SURVEY

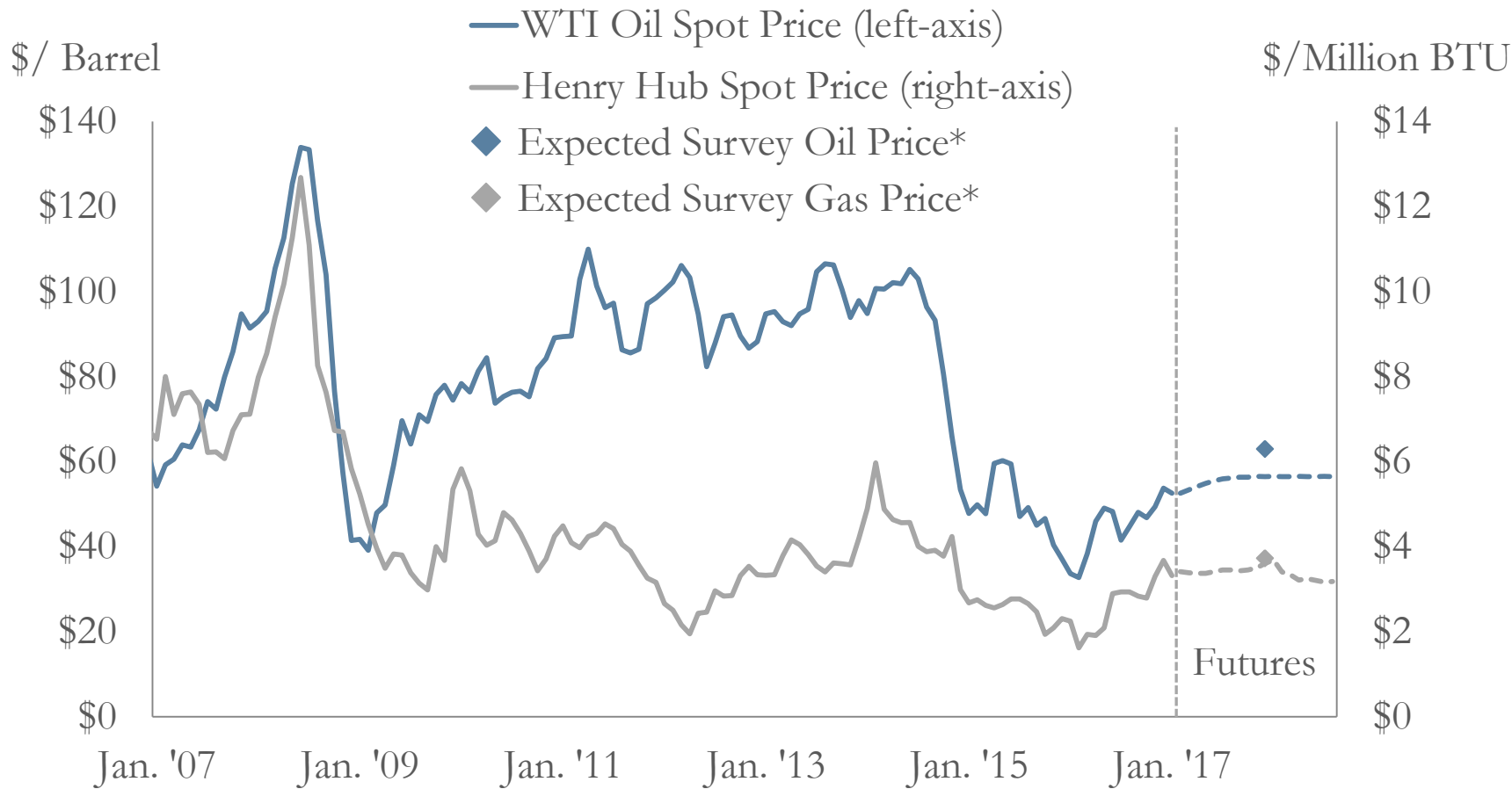
*Diffusion Indexes, Quarter-over-Quarter*



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



## ENERGY PRICES



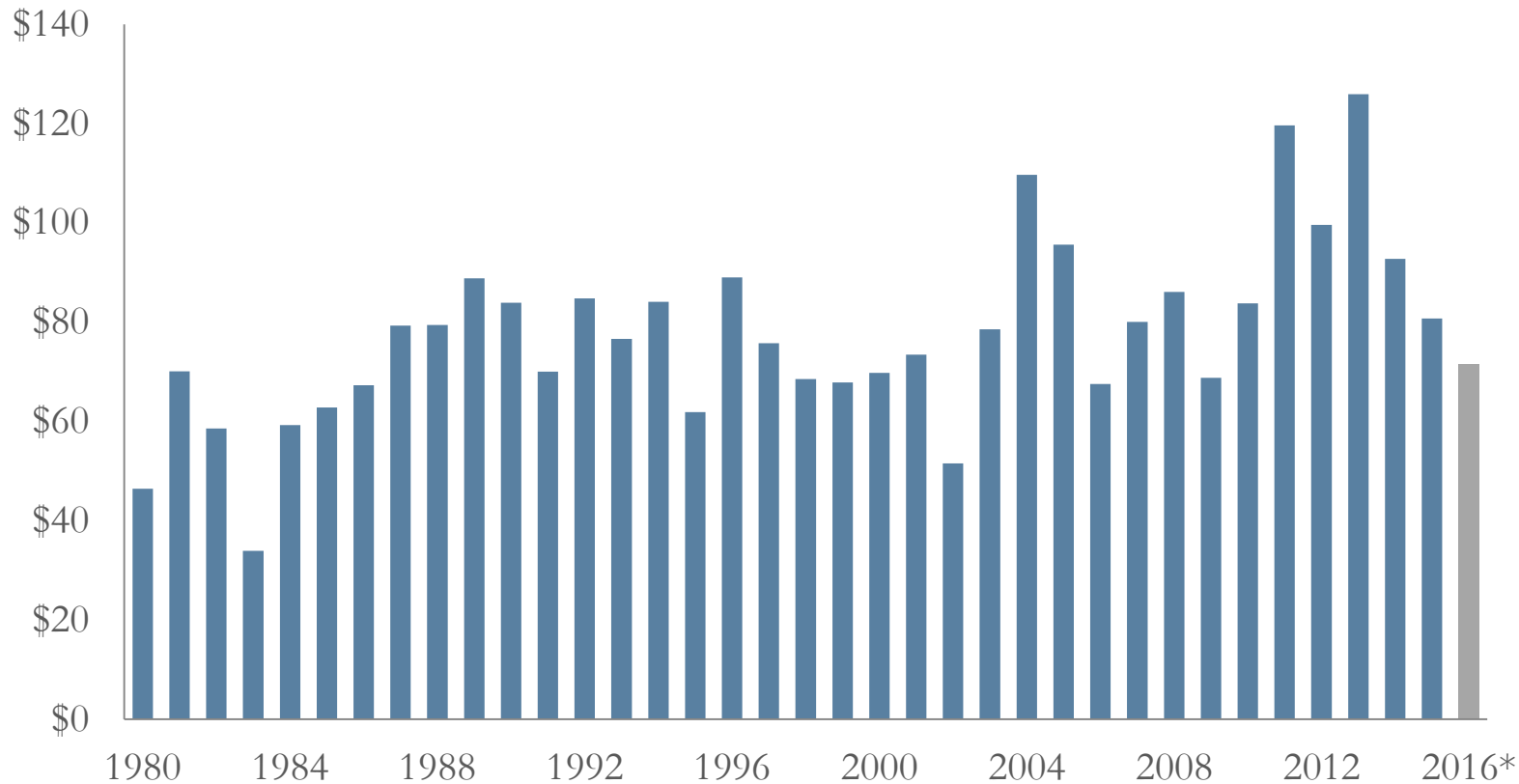
\*Expected year-end prices are the average expected price based on responses to the FRBKC Q4:2016 Energy Survey

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>

