We only need a few things for recovery…

- Moderate growth in GDP
- Steady private sector job gains
- Resumption of income growth
- Normal spending by consumers
- Reduction in household debt
- Increase in the savings rate
- An end to the real estate debacle

… right?
Colorado job gains now positive yr/yr
150,000 jobs lost; 10,000 recovered; 1 qtr lag behind U.S.

**Growth in Total Nonfarm Employment**
Year-over-year

Goods sector remains the story of the recession
Govt. modest drag in CO late in cycle

**Colorado Nonfarm Employment Gains/Losses**
Seasonally Adjusted
CO in the middle of the pack among labor markets in the Tenth District

Agricultural and energy states continue to lead
KS has recent data anomaly in construction
Divergence between U.S. and CO job gains in several key sectors

Colorado jobless rate now above U.S. number unemployed remains persistently high
CO/NM putting upward pressure on District jobless rate

Unemployment Rate by State
Seasonally Adjusted

Rising Tech activity has not turned into net hiring

Colorado Advanced Technology Employment
Seasonally Adjusted

Source: Bureau of Labor Statistics
Survey data suggest surge in 10J mfg. activity
CO receiving little mfg. boost

Manufacturing Indices
Seasonally Adjusted, Month-over-month

Gains in both capital spending and hiring in mfg.

Tenth District Manufacturing Indices
Year-over-year

Source: ISM, FRBKC Manufacturing Survey
Note: 10J index is computed on ISM basis (50 = zero change)
Survey data confirm rise in raw materials prices
finished goods prices now rising, expected to rise further

Tenth District Manufacturing Price Indices
Seasonally Adjusted, Month-over-month

Prices paid for raw materials
Prices received for finished goods

Q4 bounce in U.S. and CO existing home sales
but weakness returns in latest monthly U.S. data

Sales of Existing Homes
Seasonally Adjusted

U.S.
CO

Source: FRBKC Manufacturing Survey
Source: National Association of Realtors
10J existing home sales trail U.S. through 4th quarter
NE and NM experience sharpest reversals

Growth in Existing Home Sales
Year-over-year

Source: National Association of Realtors

10J homes price gains now range around U.S. gain
CO has smallest gain in cycle among 10J states, but highest price

FHFA Repeat Sales Home Price Index
Seasonally Adjusted

Source: FHFA
Commercial and residential construction continue to bounce along bottom

Value of Residential and Commercial Construction Contracts
Seasonally Adjusted, 3-mo. moving average

Hoteliers in Mtn. states report mixed lodging results

Hotel Occupancy Rates
Seasonally Adjusted
Denver air traffic resumes long-run growth trend
other 10J cities well below pre-recession levels

Airport Passenger Traffic
Seasonally Adjusted

Source: District Airports

10J population gains exceed U.S. in 2000s
high in-migration states of CO and NM decelerate sharply

Growth in Population
Decade-over-decade

Source: U.S. Census Bureau
Crude futures suggest $100+/bbl through 2012

West Texas Intermediate Oil Spot Price & NYMEX Futures

Source: Bloomberg Energy Services

Natural gas futures suggest ceiling around $5/mcf

Henry Hub Natural Gas Spot Price & NYMEX Futures

Source: Bloomberg Energy Services
Shift in exploration toward crude accelerates in U.S. and CO

Count of Active Drilling Rigs
Seasonally Adjusted

U.S. Natural Gas (left axis)

CO Natural Gas (right axis)

U.S. Crude Oil (left axis)

CO Crude Oil (right axis)

Source: Baker-Hughes

Risks to the recovery?

- Rising interest rates (mortgage rates)
- Rising energy/commodity prices
- International instability
- Federal/state/local budget overhang
- Another down-leg in real estate
- Household de-leveraging takes longer than expected
- Short expansion
What makes the recovery sustainable?

- Federal Reserve stimulus – current (and future?)
- Fiscal stimulus – tax package, ARRA wanes after 2011
- Strong financial position of corporate sector
- Resumption in household debt growth
- Growing replacement needs – households/firms
- *Virtuous cycle* – capitalism, invisible hand

U.S. and Colorado Economic Conditions

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Presentation will be available at:
http://www.kansascityfed.org/Denver