National & Colorado Economic Update

Alison Felix
Economist & Branch Executive
Federal Reserve Bank of Kansas City
Denver Branch
The U.S. economy continues to grow at a modest pace.

**Real Gross Domestic Product (GDP)**

*Annualized Percent Change from Previous Period*

- **2007**: 1%
- **2008**: -1%
- **2009**: -4%
- **2010**: 2%
- **2011**: 1%
- **Q1 2012**: 0%
- **Q2 2012**: 2%
- **Q3 2012**: 3%
- **2012 Projections**: 1%
- **2013 Projections**: 2%
- **2014 Projections**: 3%

*Source: Bureau of Economic Analysis & Federal Open Market Committee (FOMC)*
Unemployment rates have fallen over the past year but remain stubbornly high.

**Unemployment Rate**
*Seasonally Adjusted*

- **United States**
  - 2005: 5.1%
  - 2006: 4.6%
  - 2007: 4.6%
  - 2008: 5.8%
  - 2009: 9.3%
  - 2010: 9.6%
  - 2011: 9.0%
  - Aug 2012: 8.9%
  - Sep 2012: 8.1%
  - Projections:
    - 2012: 8.2%
    - 2013: 8.0%
    - 2014: 7.8%

- **Colorado**
  - 2005: 5.1%
  - 2006: 4.6%
  - 2007: 4.6%
  - 2008: 4.8%
  - 2009: 3.8%

**Source:** Bureau of Labor Statistics & Federal Open Market Committee (FOMC)
Inflation remains moderate despite increases in gasoline and food prices.

U.S. PERSONAL CONSUMPTION EXPENDITURE (PCE) INFLATION

Annualized Percent Change from Previous Period

- Inflation remains moderate despite increases in gasoline and food prices.

Source: Bureau of Economic Analysis & Federal Open Market Committee (FOMC)
Federal Reserve Bank Districts

Source: Federal Reserve Bank of Kansas City
Most states have experienced positive job growth over the past year.

**SEPTEMBER 2012 NONFARM EMPLOYMENT**

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

United States

1.4%

Source: Bureau of Labor Statistics
Employment gains over the past year have been spread across most industries.

**Change in Nonfarm Employment, September 2012**

*Seasonally Adjusted*

- Natural Resources & Mining
- Construction
- Private Educational Services
- Professional & Business Services
- Wholesale Trade
- Retail Trade
- Leisure & Hospitality
- Manufacturing
- Health Care & Social Assistance
- Other Services
- Financial Activities
- Local Government
- State Government
- Federal Government
- Information
- Transportation & Utilities

*Top Performing Industries*

*Worst Performing Industries*

Source: Bureau of Labor Statistics
Despite recent gains, employment is still below peak levels in many industries.

**Change in Nonfarm Employment, September 2012**

*Seasonally Adjusted*

- Natural Resources & Mining
- Health Care & Social Assistance
- State Government
- Private Educational Services
- Federal Government
- Local Government
- Leisure & Hospitality
- Other Services
- Professional & Business Services
- Retail Trade
- Wholesale Trade
- Financial Activities
- Manufacturing
- Information
- Transportation & Utilities
- Construction

**Since December 2007**

*Colorado United States*

Source: Bureau of Labor Statistics
After a decline last year, real hourly wages are increasing in Colorado.

**REAL HOURLY WAGE RATE**

*Percent Change from the Prior Year, Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Month</th>
<th>Colorado</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 2012</td>
<td>2.2%</td>
<td>-0.2%</td>
</tr>
</tbody>
</table>

*Source: Bureau of Labor Statistics*
Residential construction activity is picking up but remains below pre-recession levels.

**Value of Residential Construction**

Percent Change, Cumulative Year-to-Date  *January through September 2012*

- **United States**: 26.4%
- **53.9%**

*Source: McGraw Hill/F.W. Dodge*
Home prices have stabilized over the past year across most of the nation.

CHANGE IN HOME PRICES Year-over-Year, 2012Q2
FHFA Purchase-Only Index, Seasonally Adjusted

United States 3.0%

Source: Federal Housing Finance Agency
Despite recent gains, home prices remain below peak levels in most states.

**Change in Home Prices Peak to Current (2007Q1 to 2012Q2)**

FHFA Purchase-Only Index, Seasonally Adjusted

![Map of the United States showing change in home prices.](image)

United States:
-17.6%

-3.4%
Improvements in infrastructure and non-residential construction activity have varied across the country.

**Value of Non-Residential & Non-Building Construction**

*Percent Change, Cumulative Year-to-Date January through September 2012*

- United States: -3.8%
- Improvements in infrastructure and non-residential construction activity have varied across the country.

**Improvements in infrastructure and non-residential construction activity have varied across the country.**
Oil drilling has increased sharply over the past two years, but natural gas drilling has declined.

**Active Drilling Rig Counts**

**United States**

- **Natural Gas**
- **Crude Oil**

**Colorado**

Source: Baker Hughes
Mining activity made up slightly more than 4% of Colorado state domestic product in 2011 and is a growing sector in the regional economy.

Source: Colorado Oil & Gas Conservation Commission (COGCC) & U.S. Department of Energy, Energy Information Administration
After expanding for three years in the Tenth District, the manufacturing sector slowed somewhat in October.

**Manufacturing Activity**

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

<table>
<thead>
<tr>
<th></th>
<th>Kansas City District</th>
<th>United States (ISM)</th>
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<tbody>
<tr>
<td>October 2012</td>
<td>48.2</td>
<td>51.5 September 2012</td>
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</table>

Note: Federal Reserve Surveys are computed on an ISM Basis (50 = no change)

Source: Institute for Supply Management & Federal Reserve Bank of Kansas City
Manufacturers in the Tenth District still expect higher levels of activity over the next six months but have become less optimistic.

**Tenth District Manufacturing Expectations**

*Diffusion Index, Seasonally Adjusted, Six Months Ahead*

Manufacturers in the Tenth District still expect higher levels of activity over the next six months but have become less optimistic.
Growth has slowed sharply in Europe this year and is expected to remain slow in 2013.

World Economic Outlook Projections

Percent Change over Prior Year

Source: International Monetary Fund (IMF) (October 2012 World Economic Outlook)
Increases in exports to non-European countries are outpacing declines to Europe.

**COLORADO EXPORT GROWTH**

*Percent Change over Prior Year*

- **Eurozone** -5.3%
- **All Other Countries** 27.3%

*August 2012*

Source: WISERTrade  
Note: Eurozone includes the 27 EU member countries.
Under current law, several tax increases and spending cuts could lead to a slowdown in economic growth next year.

GDP & THE “FISCAL CLIFF”

Percent Change (Annualized Quarterly Rates)

Source: Bureau of Economic Analysis & Congressional Budget Office (August 2012 Projections)
Many private forecasters expect that the fiscal cliff will be avoided and that the U.S. economy will continue to grow at a moderate pace.

**GDP & the “FISCAL CLIFF”**

*Percent Change (Annualized Quarterly Rates)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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<tbody>
<tr>
<td>2007</td>
<td>2%</td>
<td>-1%</td>
<td>1%</td>
<td>-2%</td>
<td>0%</td>
<td>-1%</td>
<td>1%</td>
<td>-2%</td>
</tr>
<tr>
<td>2008</td>
<td>-3%</td>
<td>2%</td>
<td>0%</td>
<td>1%</td>
<td>-1%</td>
<td>2%</td>
<td>1%</td>
<td>-1%</td>
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<tr>
<td>2009</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
<td>1%</td>
<td>-1%</td>
<td>2%</td>
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<tr>
<td>2010</td>
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<td>2%</td>
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<tr>
<td>2011</td>
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<td>0%</td>
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**CBO Baseline** *(Current Law)*

**Blue Chip Consensus Forecast**

Source: Bureau of Economic Analysis, Congressional Budget Office (August 2012 Projections), & Blue Chip Economic Indicators (September 2012 Forecast)
Under current law, U.S. deficits are expected to fall sharply over the next several years.

Source: Congressional Budget Office (August 2012 Projections)
U.S. Federal government debt levels as a percent of GDP are projected to fall sharply if the fiscal cliff occurs.

**U.S. Debt to GDP Ratio**

Source: Bureau of Economic Analysis & Congressional Budget Office (August 2012 Projections)
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This presentation will be available at
http://www.kc.frb.org/denver/

Alison Felix
Alison.Felix@kc.frb.org