U.S. & Colorado Economic Outlook

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Federal Reserve Bank of Kansas City
Denver Branch
Steady Recovery but Impediments Remain

Source: Bureau of Economic Analysis, Bureau of Labor Statistics & Global Insight
Inflation Tame Despite Rising Energy Costs

CPI & Inflation
Base = Jan.'07

Headline
2.0% '12
Core
1.8% '12
2.9% Jan.
2.3% Jan.

Source: Bureau of Labor Statistics & Global Insight
Steady U.S. Labor Market Gains

**Nonfarm Employment**

*Millions*

- **Employment**
  - 2008: 8.8 million jobs lost
  - 2012: 1.8 million added thru Jan. '12

- **Unemployment Rate**
  - Jan. '12: 8.3%

Source: Bureau of Labor Statistics & Global Insight
Colorado Labor Market Tracking U.S.

**Nonfarm Employment**

*Thousands*

- **Employment**:
  - 2007: 2,150
  - 2008: 2,200
  - 2009: 2,250
  - 2010: 2,300
  - 2011: 2,350
  - 2012: 2,400

- **Unemployment Rate**:
  - 2009: 9.3%
  - 2011: 7.9%

- **Jobs Lost/Added**:
  - 2008: 151K jobs lost
  - 2011: 35K jobs added
  - 2012: +50K in '12

*Source: Bureau of Labor Statistics & Global Insight*
Upcoming Colorado Data Revisions

NONFARM EMPLOYMENT

Index (Jan. ‘07 = 100)

Source: Bureau of Labor Statistics
# Colorado Job Gains & Losses

### Recession: Peak to Trough

<table>
<thead>
<tr>
<th>Category</th>
<th>Thousands of Jobs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Nonfarm</td>
<td>-151.1</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Private</td>
<td>-158.3</td>
<td>-8.0%</td>
</tr>
<tr>
<td>Government</td>
<td>7.2</td>
<td>1.9%</td>
</tr>
<tr>
<td>Health &amp; Social</td>
<td>10.7</td>
<td>4.9%</td>
</tr>
<tr>
<td>Local Govt.</td>
<td>3.3</td>
<td>1.4%</td>
</tr>
<tr>
<td>State Govt.</td>
<td>2.0</td>
<td>2.3%</td>
</tr>
<tr>
<td>Federal Govt.</td>
<td>1.9</td>
<td>3.6%</td>
</tr>
<tr>
<td>Educational</td>
<td>1.2</td>
<td>3.9%</td>
</tr>
<tr>
<td>Other Services</td>
<td>-1.9</td>
<td>-2.0%</td>
</tr>
<tr>
<td>Information</td>
<td>-4.8</td>
<td>-6.2%</td>
</tr>
<tr>
<td>Mining &amp; Logging</td>
<td>-5.2</td>
<td>-18.6%</td>
</tr>
<tr>
<td>Trans. &amp; Utilities</td>
<td>-7.0</td>
<td>-9.1%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>-10.2</td>
<td>-10.1%</td>
</tr>
<tr>
<td>Financial</td>
<td>-11.9</td>
<td>-7.6%</td>
</tr>
<tr>
<td>Leisure &amp; Hosp.</td>
<td>-14.5</td>
<td>-5.3%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>-20.7</td>
<td>-8.1%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-21.5</td>
<td>-14.7%</td>
</tr>
<tr>
<td>Prof. &amp; Bus.</td>
<td>-28.2</td>
<td>-7.9%</td>
</tr>
<tr>
<td>Construction</td>
<td>-44.3</td>
<td>-26.9%</td>
</tr>
</tbody>
</table>

### Recovery: Trough to Dec. ‘11

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<tr>
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<tbody>
<tr>
<td>Total Nonfarm</td>
<td>34.5</td>
<td>1.6%</td>
</tr>
<tr>
<td>Private</td>
<td>31.6</td>
<td>1.7%</td>
</tr>
<tr>
<td>Government</td>
<td>2.9</td>
<td>0.7%</td>
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<tr>
<td>Health &amp; Social</td>
<td>13.2</td>
<td>5.8%</td>
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<tr>
<td>Local Govt.</td>
<td>-4.5</td>
<td>-1.8%</td>
</tr>
<tr>
<td>State Govt.</td>
<td>8.4</td>
<td>9.4%</td>
</tr>
<tr>
<td>Federal Govt.</td>
<td>-1.0</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Educational</td>
<td>1.8</td>
<td>5.7%</td>
</tr>
<tr>
<td>Other Services</td>
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<td>-0.5%</td>
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<tr>
<td>Information</td>
<td>-4.9</td>
<td>-6.8%</td>
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<td>Mining &amp; Logging</td>
<td>6.0</td>
<td>26.4%</td>
</tr>
<tr>
<td>Trans. &amp; Utilities</td>
<td>0.1</td>
<td>0.1%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>3.4</td>
<td>3.8%</td>
</tr>
<tr>
<td>Financial</td>
<td>-6.5</td>
<td>-4.5%</td>
</tr>
<tr>
<td>Leisure &amp; Hosp.</td>
<td>17.8</td>
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<td>Retail Trade</td>
<td>0.7</td>
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Source: Bureau of Labor Statistics
Household Balance Sheet Gyrations

Household & Nonprofit Balance Sheets
Trillions

Assets
- Real Estate
- Mortgages

Liabilities
- Home Mortgages
- Consumer Credit
- Equities
- Pensions
- Deposits
- Other assets
- Corporate equities & mutual funds
- All other liabilities
- Deposits & credit market instruments
- Pension fund reserves

Source: Federal Reserve Board

Selected Trends
1990 – 2011Q3
- Real Estate: -1.2% +4.0%
- Deposits: -4.6%
- Equities: +1.3%
- Pensions: +2.4%
- Home Mortgages: -2.2%
European Debt Crisis Unresolved

2011 Net Govt. Debt, Percent of GDP

Source: Organization for Economic Co-operation & Development
Banking Sector Health Improves

Delinquency Rate for All Loans
7.4%
5.3% Q4'11

TOTAL LOANS & LEASES
ALL COMMERCIAL BANKS

Trillions

$8.0
$7.0
$6.0
$5.0
$4.0
$3.0
$2.0
$1.0
$0.0

'00  '01  '02  '03  '04  '05  '06  '07  '08  '09  '10  '11  '12

Source: Federal Reserve Board
Mortgage Conditions Tight but Improving

LENDING CONDITIONS

Net Response

All Mortgages
Prime Mortgages
Nontraditional Mortgages

SOURCE: Federal Reserve Board, Senior Loan Officer Survey

LOAN DEMAND

Net Response

Stronger
Weaker
Tighter
Looser
Home Supply & Demand Imbalance

Home Sales (Annual Rate)

Existing

New

Home Inventory

Existing

New

Ratio of Homes for Sale to Sold

Existing

New

Source: U.S. Census Bureau & National Association of Realtors
Bottom in Home Construction?

Housing Starts
Millions of Housing Units

Source: U.S. Census Bureau
Home Affordability at Record High

Source: Federal Reserve Board & National Association of Realtors
Home Prices Remain Soft

Source: Standard & Poor’s & Federal Housing & Finance Association
Home Price Gains Revert to Inflation

Inflation-Adjusted Home Prices
Index (Jan. '91 = 100)

Source: Federal Housing & Finance Association & Bureau of Labor Statistics
Delinquency & Foreclosure Pipeline Full

Source: Mortgage Bankers Association & Barclays
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This presentation will be available at: