Economic Conditions and Outlook for the U.S. and Colorado

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Kelly D. Edmiston
Federal Reserve Bank of Kansas City
Overview

• The U.S. economy continues to recover at a modest pace, but growth is expected to pick up
  – Still, there are significant risks to the outlook
• Employment growth is too thin, but Colorado is doing better than the nation. However, by some measures, the employment situation is worse than generally thought
• The residential real estate market is doing very well, particularly in the Denver area
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U.S. ECONOMIC OVERVIEW AND FORECAST
Sharpest recession in post-war period was followed by abnormally slow post-recession growth.
GDP Growth

Source: Bureau of Economic Analysis; Haver Analytics

K. Edmiston, FRBKC

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Per capita personal income growth has been tepid during most of the recovery, and consumption has grown faster than income late in the recovery.

![Graph showing per capita personal income and consumption growth](image-url)

Source: BEA; Haver Analytics

Per Capita Personal Income
Per Capita Consumption

Source: BEA; Haver Analytics
Average Debt per Consumer (1st Quarter, 2013)

Source: Federal Reserve Bank of Kansas City; Federal Reserve Bank of New York Consumer Credit Panel/Equifax
Economic growth will likely be weak in 2013 before picking up in 2014-15; longer-run growth will be lower by historical standards.

Sources: Bureau of Economic Analysis; FOMC
GDP and Potential GDP

Source: Congressional Budget Office
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EMPLOYMENT AND UNEMPLOYMENT
By historical standards, for employment the 2007–2009 recession was especially deep and the recovery especially weak.

Source: U.S. Bureau of Labor Statistics; Haver Analytics
Employment growth

Source: BLS CES; Haver Analytics

U. S.
(left axis)
5yr: -2.5M (-1.7%)
1yr: 1.5M (1.1%)

Colorado
(right axis)
5yr: -35K (-1.3%)
1yr: 55K (2.2%)

Denver
(right axis)
U.S. and Colorado Unemployment

Reclaiming lost jobs (U.S.) is not sufficient for a labor market recovery, as the labor force has grown since the recession began.
An alternative measure of labor force utilization that includes discouraged workers and reluctant part-timers

Source: U.S. Bureau of Labor Statistics; Haver Analytics
RISKS TO THE OUTLOOK
Federal debt is projected to continue to increase as a share of GDP on what is potentially an unsustainable path
More of the fiscal cliff played out than was previously anticipated, likely putting a drag on 2013 GDP

Full Fiscal Cliff Scenario

- Payroll Tax
- Extended UI
- AMT Fix Expires
- BushCuts Expire
- Sequestration, -0.5

Widely Anticipated Scenario

- Payroll Tax
- Extended UI

Indexed to inflation
Partial
Effective March 1

Source: Goldman Sachs; www.whitehouse.com
U.S. exports to EU countries have declined moderately in recent months, but account for under 3 percent of GDP.
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RESIDENTIAL REAL ESTATE
Existing home sales

Change from Same Month in Previous Year

- U.S.
- 10J (MA)
- Denver (MA)

Federal Tax Credit

Source: Haver Analytics; Local Area Realtors Associations
Homebuyer traffic suggests continued improvement in existing sales, but demand headwinds continue to exist

**Demand Headwinds**

- Economy/Financial Security
- Uncertainty about Market
- Household Formation
- Credit Availability
Housing Starts

Index: June 2006 = 100 (Seasonally Adjusted)

Source: US Census Bureau; Haver Analytics
Colorado mortgage delinquencies are trending downward at a substantial pace, outperforming both the Tenth District and the U.S.

Federal Reserve Bank of Kansas City Consumer Credit Reports, q4 2012; Lender Processing Services, Inc.
Contact Information:

Kelly D. Edmiston
Senior Economist
Community Development

1 Memorial Drive
Kansas City, MO 64198
(816) 881-2004
Kelly.edmiston@kc.frb.org