U.S. & Colorado
Economic Update

Alison Felix
Economist & Branch Executive
Federal Reserve Bank of Kansas City
Denver Branch

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.
The U.S. economy is expected to continue to grow at a moderate pace.

Real Gross Domestic Product (GDP)
Annualized Percent Change from Previous Period

2011 2012 2013

Q1 2.5% 1.3% 4.1%
Q2 2.0%
Q3 1.3%
Q4 3.1%
Q1 2.5%
Q2 0.4%
Q3 2.5%
Q4 2.8%
Q1 3.4%
Q2 3.7%
Q3 2.9%
Q4 2.9%

FOMC Central Tendency Projections*

Consumer spending has been the primary driver of economic growth over the past year.

**Contributions to Real GDP**

*Percent Change at Seasonally Adjusted Annualized Rates*

Source: Bureau of Economic Analysis/Haver Analytics.
U.S. consumer spending growth has outpaced income growth in recent months, leading to a decline in the savings rate.

**U.S. Consumption & Savings**

*Index 100 = February 2003*

- **Real Disposable Income**
  - February 2003: 8.3%
  - February 2013: 2.0%
  - February 2007: 2.6%

- **Real Personal Consumption Expenditures**
  - February 2003: 1.0%
  - February 2013: 0.9%
  - February 2007: 8.3%

- **Personal Savings Rate**
  - February 2003: 1.0%
  - February 2013: 2.6%

*Source: Bureau of Economic Analysis/Haver Analytics.*
Unemployment rates remain elevated and are expected to gradually decline in coming years.

**UNEMPLOYMENT RATES**

*Seasonally Adjusted*

Unemployment rates for the United States and Colorado are shown over the years from 2006 to 2012. The rates peak at 9.6% in 2009 and start declining gradually. The FOMC Central Tendency Projections for 2013, 2014, and 2015 are also indicated.

**Source:** Bureau of Labor Statistics & Federal Reserve Board/Haver Analytics.

*March 2013 Projections.*
Inflation remains below the FOMC’s 2 percent target.

PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)
Percent Change Year-over-Year

Headline Inflation

Core Inflation

Source: Bureau of Economic Analysis/Haver Analytics.
Inflation expectations remain fairly stable.

**Inflation Expectations**

“...the Committee decided to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored.

- March 2013 FOMC Statement
“… the Committee decided to continue purchasing additional agency mortgage-backed securities at a pace of $40 billion per month and longer-term Treasury securities at a pace of $45 billion per month.”

-March 2013 FOMC Statement
Most states experienced positive job growth over the past year.
Job gains continue, with Colorado outpacing the nation in growth.

**Nonfarm Employment**

*Index 100 = March 2013, Seasonally Adjusted*

<table>
<thead>
<tr>
<th></th>
<th>Percent Change</th>
<th>Past 10 Years</th>
<th>Past Year</th>
<th>Peak to Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>4.0%</td>
<td>1.4%</td>
<td>-2.1%</td>
<td></td>
</tr>
<tr>
<td>CO</td>
<td>9.3</td>
<td>2.6</td>
<td>-0.4</td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Bureau of Labor Statistics/Haver Analytics.
Employment growth has been broad-based across industries in the U.S. and Colorado.

**March 2013 Payroll Employment**
*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent Change Y-o-Y</th>
<th>Share of Colorado Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Educational Services</td>
<td>5.5%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>5.0%</td>
<td>15.6%</td>
</tr>
<tr>
<td>Construction</td>
<td>4.8%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>4.7%</td>
<td>12.4%</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>3.3%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>2.9%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>2.2%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>1.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Other Services</td>
<td>1.4%</td>
<td>4.1%</td>
</tr>
<tr>
<td>State Government</td>
<td>1.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Local Government</td>
<td>1.2%</td>
<td>10.4%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>0.8%</td>
<td>6.2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.6%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Information</td>
<td>-2.0%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>-2.0%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>-3.6%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

Despite recent increases, employment remains below pre-recession levels in many industries.

**March 2013 Payroll Employment**
*Seasonally Adjusted*

- Private Educational Services: 22.7%, 1.6%
- Health Care & Social Assistance: 17.3%, 10.8%
- State Government: 13.0%, 4.2%
- Natural Resources & Mining: 13.0%, 1.3%
- Leisure & Hospitality: 6.0%, 12.4%
- Professional & Business Services: 4.7%, 15.6%
- Federal Government: 3.5%, 2.3%
- Other Services: 2.2%, 4.1%
- Local Government: 1.8%, 10.4%
- Retail Trade: -2.6%, 10.5%
- Wholesale Trade: -3.9%, 4.1%
- Transportation & Utilities: -6.7%, 3.1%
- Financial Activities: -7.2%, 6.2%
- Manufacturing: -10.2%, 5.6%
- Information: -11.1%, 2.9%
- Construction: -28.0%, 5.1%

Residential construction activity has picked up considerably.

**Value of Residential Construction**

*Index 100 = March 2003, Seasonally Adjusted Three-Month Moving Average*

<table>
<thead>
<tr>
<th></th>
<th>Percent Change Year-to-Date</th>
<th>Past Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>33.6%</td>
<td></td>
</tr>
<tr>
<td>Colorado</td>
<td>54.0</td>
<td></td>
</tr>
</tbody>
</table>

Residential permitting activity has increased sharply, especially for multi-family.

2013 Residential Permits by County
Number Issued Year-to-Date through March

<table>
<thead>
<tr>
<th>County</th>
<th>Single Family</th>
<th>Multi-Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adams</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arapahoe</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Boulder</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Denver</td>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>Douglas</td>
<td>500</td>
<td></td>
</tr>
<tr>
<td>El Paso</td>
<td></td>
<td>1000</td>
</tr>
<tr>
<td>Grand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jefferson</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Larimer</td>
<td></td>
<td>500</td>
</tr>
<tr>
<td>Montrose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mesa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pueblo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weld</td>
<td></td>
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<table>
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<th>Peak to Current*</th>
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<td>22.5%</td>
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<tr>
<td>Colorado</td>
<td>85.9</td>
<td>-37.6</td>
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Source: Census Bureau/Haver Analytics. *Peak year-to-date over the past 10 years.
Yet, activity is still well below what it was at peak levels in many Colorado counties.

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Source: Census Bureau/Haver Analytics. *Peak year-to-date over the past 10 years.
Home prices are rising in most states...

FHFA PURCHASE-ONLY HOME PRICE INDEX (2007Q1 – 2012Q4)
Percent Change Year-over-Year, Seasonally Adjusted

United States
5.5%

Source: Federal Housing Finance Agency/Haver Analytics.
...yet prices remain below pre-recession values in many states.

FHFA PURCHASE-ONLY HOME PRICE INDEX (2007Q1 – 2012Q4)
Percent Change Year-over-Year, Seasonally Adjusted

United States
-15.5%

Source: Federal Housing Finance Agency/Haver Analytics.
The recovery in infrastructure and non-residential construction activity has varied across the nation.

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

*Percent Change, Cumulative Year-to-Date through March*

United States

-16.2%

Oil drilling has increased sharply over the past few years, but natural gas drilling has declined.

Source: Baker Hughes.
Mining activity made up slightly more than 4% of Colorado state GDP in 2011.

Manufacturing activity has slowed over the past several months in the Tenth District, while expanding slightly at the national level.
Tenth District manufacturers continue to expect increased levels of activity over the next six months.

Tenth District Manufacturing Activity
Diffusion Index, Seasonally Adjusted, Month-over-Month

Source: Federal Reserve Bank of Kansas City/Haver Analytics.
Total trade increased in 2012 despite a small decline in exports to Europe.

COLORADO EXPORTS BY TRADING PARTNER

_Billions_

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Trade</th>
<th>Percent Change</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>'05</td>
<td>$7.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'06</td>
<td>$8.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'07</td>
<td>$7.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'08</td>
<td>$7.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'09</td>
<td>$7.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'10</td>
<td>$7.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'11</td>
<td>$7.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'12</td>
<td>$7.4</td>
<td></td>
<td></td>
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2012

**Total Trade**

- All Other: $8.9, 30.2%
- Japan: $8.7, 5.2%
- Mexico: $12.3, 10.4%
- Canada: $29.5, 24.4%
- China*: $6.5, 12.9%
- Eurozone: $-1.3, 16.8%

*Includes Hong Kong, Taiwan & Macau.

Source: Census Bureau.

Note: Eurozone includes the 27 EU member countries.
However, Colorado exports to Europe have improved in recent months.

**COLORADO EXPORT GROWTH**

*Percent Change Year-over-Year*

- **Eurozone** 15.4%
- **All Other Countries** 7.4%

*February 2013*

*Source: Census Bureau.*
*Note: Eurozone includes the 27 EU member countries.*
U.S. & Colorado Economic Update

Alison Felix
Alison.Felix@kc.frb.org

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